

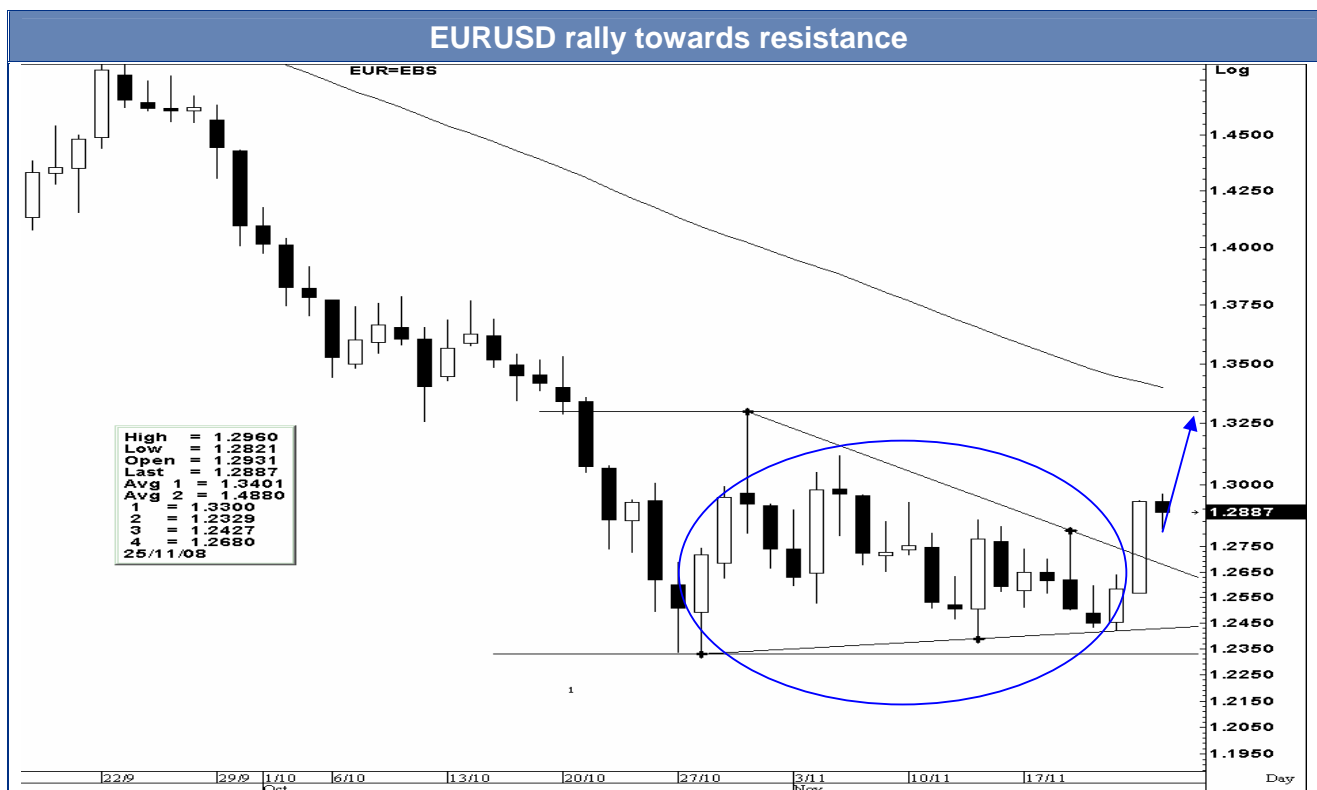
CitiFX[®] Technicals – Today's Highlights

Technical Developments in the Foreign Exchange and Asset Markets

25 November 2008

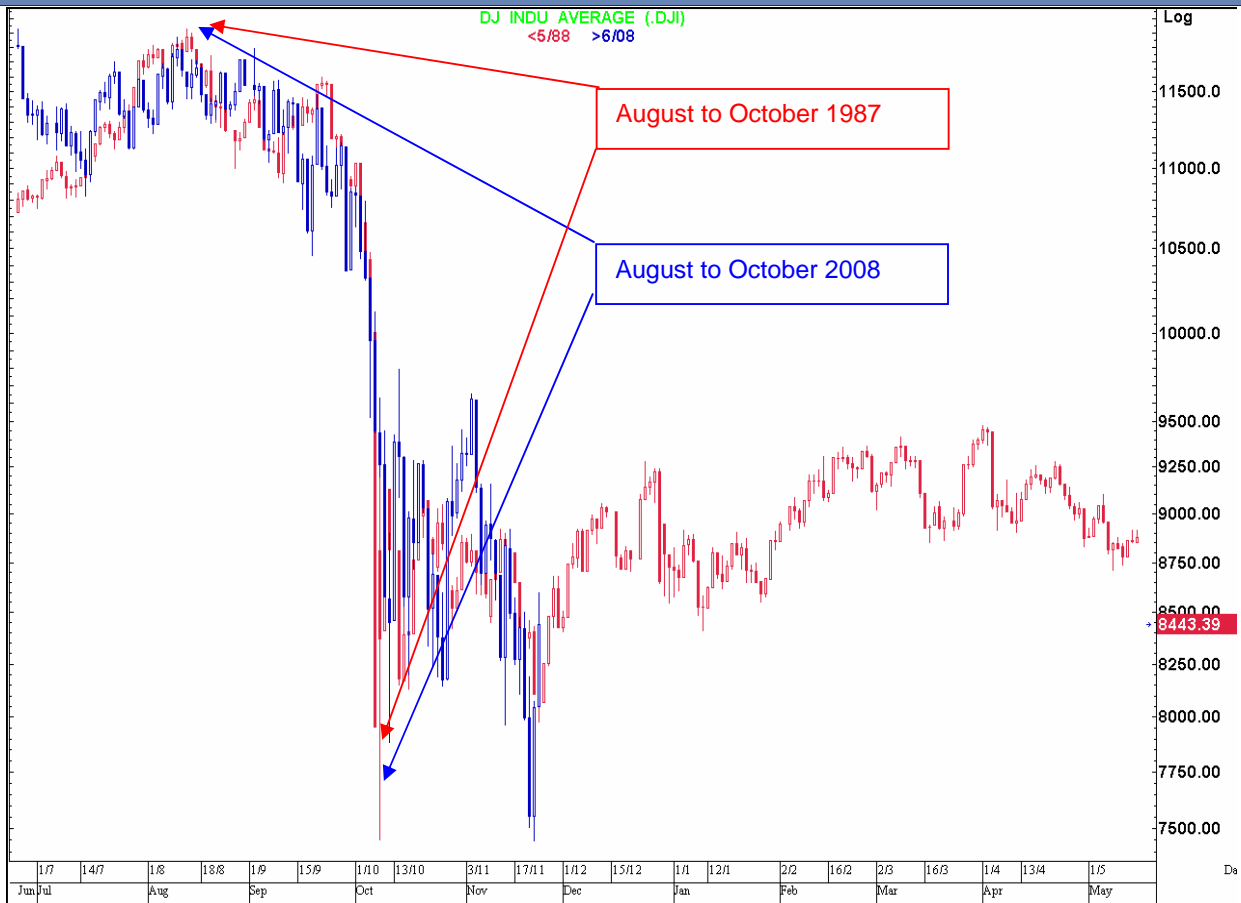
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USD Bearish ST	<p><i>Overall: We maintain that equity markets have put in a significant low and the days and weeks ahead will likely see significant gains.</i></p> <p>Foreign Exchange: EURUSD has broken out of the triangle consolidation and should test 1.33.</p>	Portfolio
USD Neutral LT	<p>Equities: Is the Dow Jones following the pattern seen after the 1987 stock market crash? If so we could see double digit returns before year end. FTSE 100 has its biggest one day gain and a rally towards resistance levels is expected. The S&P 500 Banks Index is very strong and the bounce seen yesterday is giving a strong indication of a turn in the ST trend. The VXO Index has indeed fallen after the 76.4% Fibonacci retracement off the highs and momentum has also crossed from stretched levels. The same pattern occurred in 2002 when the S&P 500 based.</p> <p>Emerging Markets: USDZAR is below the ST corrective bullish channel and is likely to test the 55 day moving average. USDTRY has failed to sustain at new highs and should test support levels. USDCLP: The LT 76.4% Fibonacci retracement from the all time highs is still providing resistance and the pair is still weak.</p>	



EURUSD: The pair has breached the top of the triangle consolidation which strongly suggest that the rally could see the market test 1.33. The 55 day moving average above there is at 1.3401.

Dow Jones Industrials: Double digit gains before year end?



We articulated how the sharp stock market fall in August-October this year was very similar to that seen in August to October 1987. (In fact it was almost identical in percentage terms in the S&P – 36% in both instances)

After the 1987 capitulation low the market was very choppy for some time and it was actually 45 days after that 20th October low before a proper rally began on 4th December, which saw the DJIA rally 18% over the following month. (By proper rally we mean a steady climb over a number of weeks, which can take out the fear rather than the volatile spikes and falls we have seen in recent weeks)

Yesterday was the 45th day and the market has indeed turned.

ST resistance levels are at:
8,923, 9,284, 9,653, 9,794.

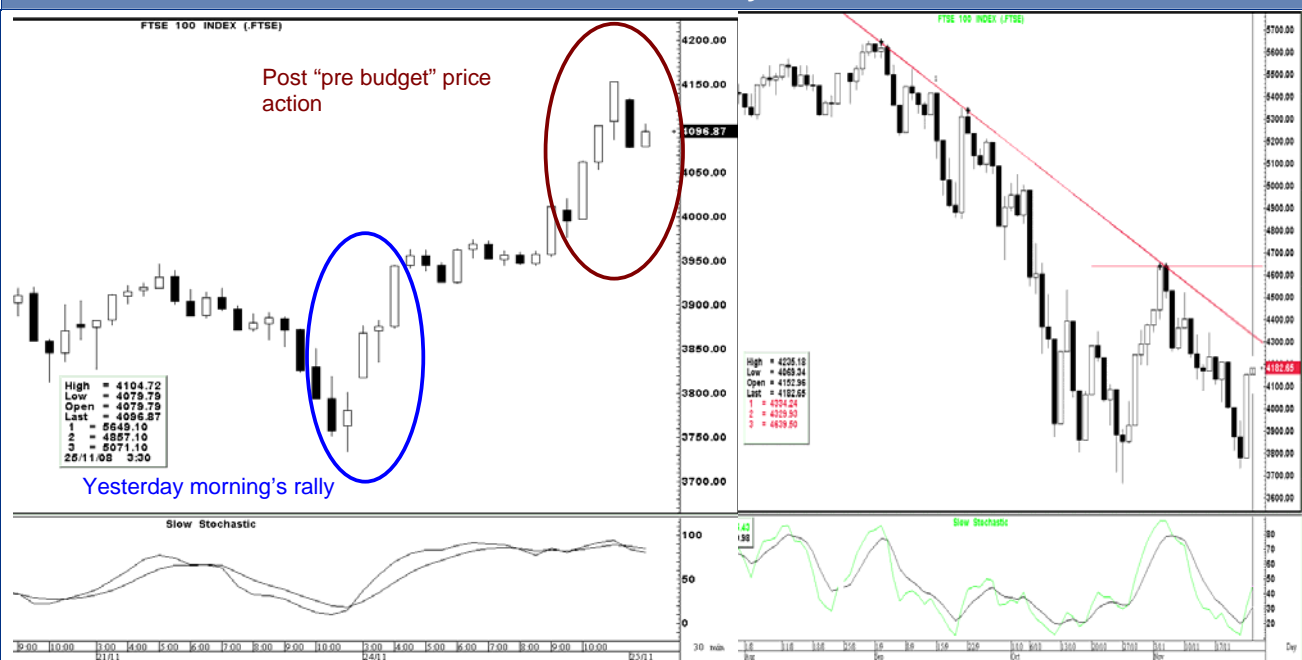
Dow Jones Transportation average



Dow Jones Transport:

- The double top formed with the break of 4,032 had a target of 2,900-3,000. The low two sessions ago was 2,909.
- The 200-MONTH moving average comes in at 2,912. When the transports hit their low in March 2003 it came in at 1,905 and the low posted was 1,918.
- The long-term trend line on the log chart off the 1987 and 2003 low comes in at 2,850.
- These support levels have held and we expect further gains going forward. Resistance levels at 3,695 and 4,094 should be tested.

FTSE 100 rally



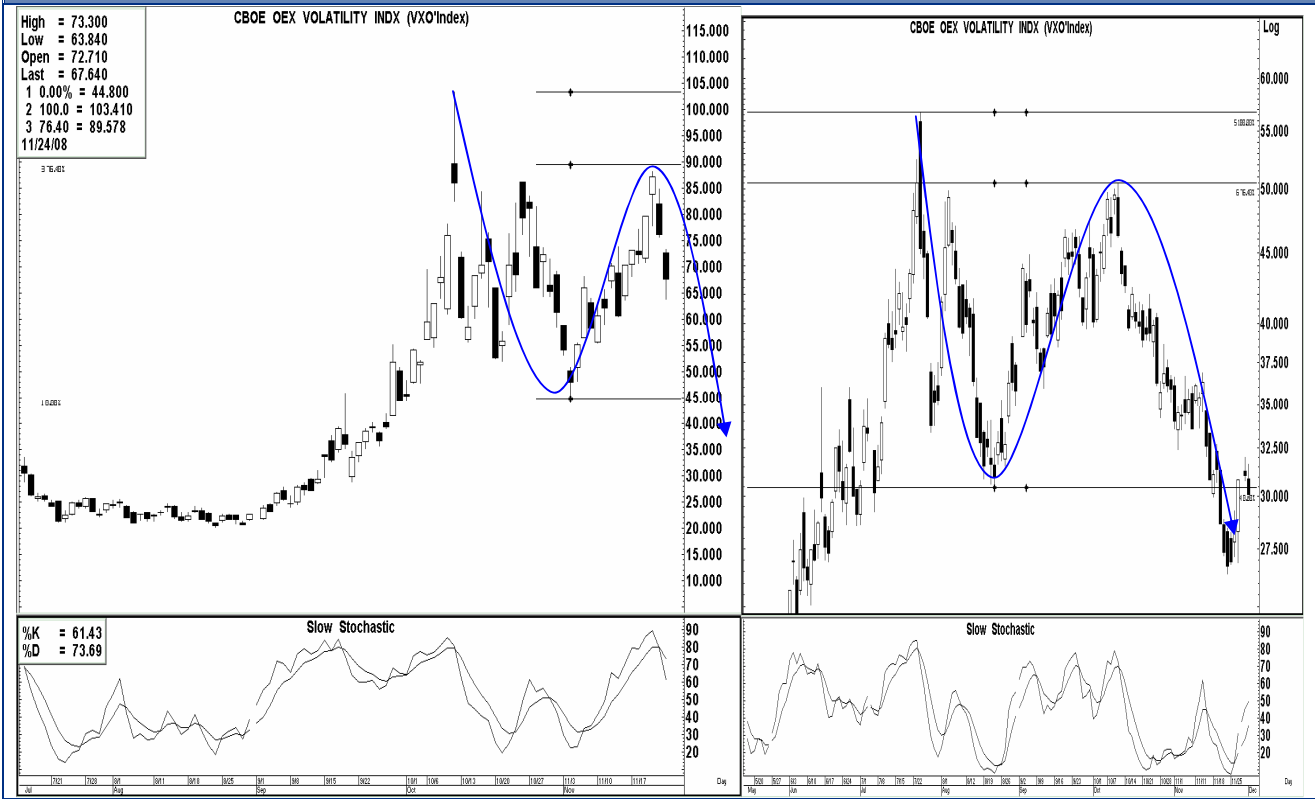
FTSE 100: Biggest one day gain ever, half of which came after the pre-budget report was announced (see the intraday chart on the left). In the ST the FTSE 100 welcomed the pre-budget report. Overall we expect further gains on the index up to the trend resistance in the 4,330 area and a rally through there would suggest a test of 4,639.

S&P 500 Banks Index: Has the ST trend turned?



S&P 500 Banks Index: The 16% rally yesterday following the doji pattern at the lows means that a morning star pattern has been established suggesting that the next significant directional move will be up. The resistance level at 131.58 is now being tested and a rally through there opens the way for 158 and 177. Medium term resistance is at 237, which is 80% from current levels.

VXO: 76.4% Fibonacci against the highs and rally in the S&P 500

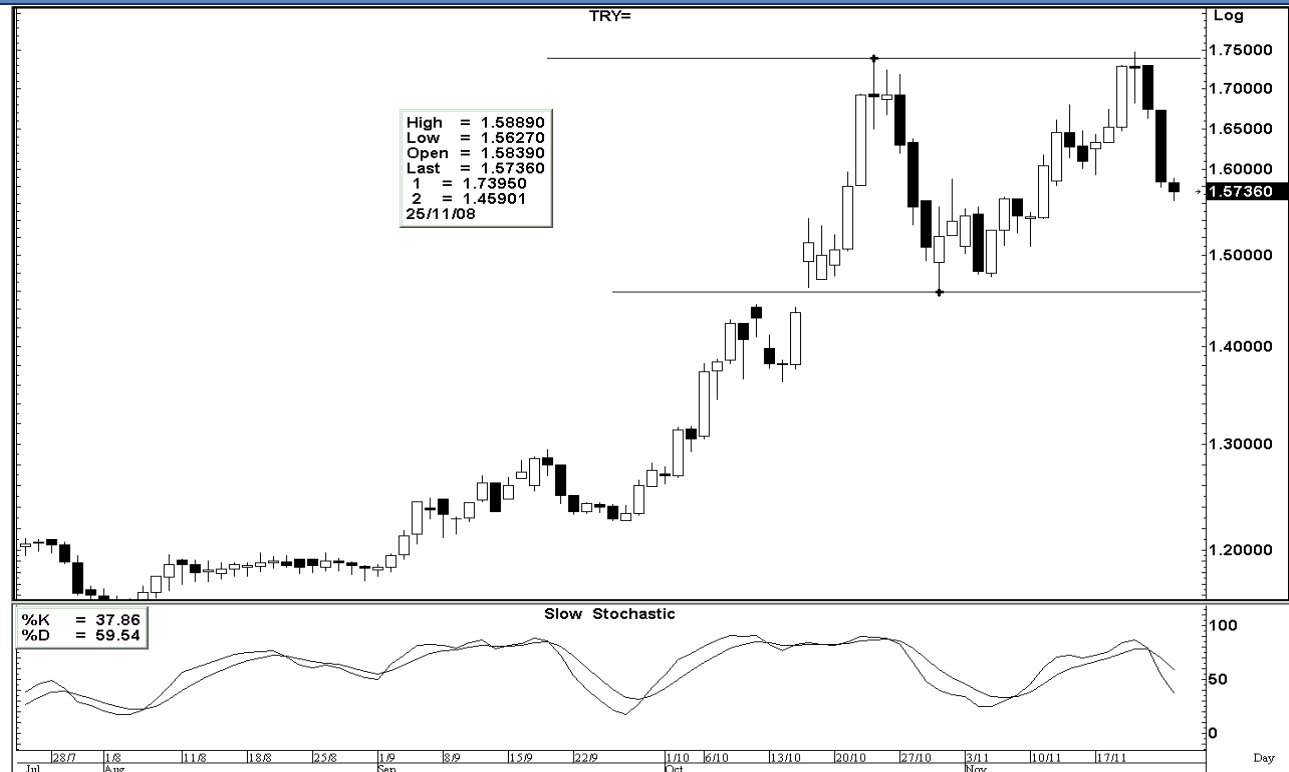


VXO Index: Following the 76.4% Fibonacci retracement against the highs on the VXO Index, momentum on the daily chart has crossed down and further losses are expected. Interestingly the VXO formed the same pattern in 2002 when the S&P 500 based after making a marginal new low.

We continue to believe that this is a leading indication for stocks to perform well in the days and weeks ahead. Further gains in the S&P 500 are expected and the resistance level at 1,007 should be tested.

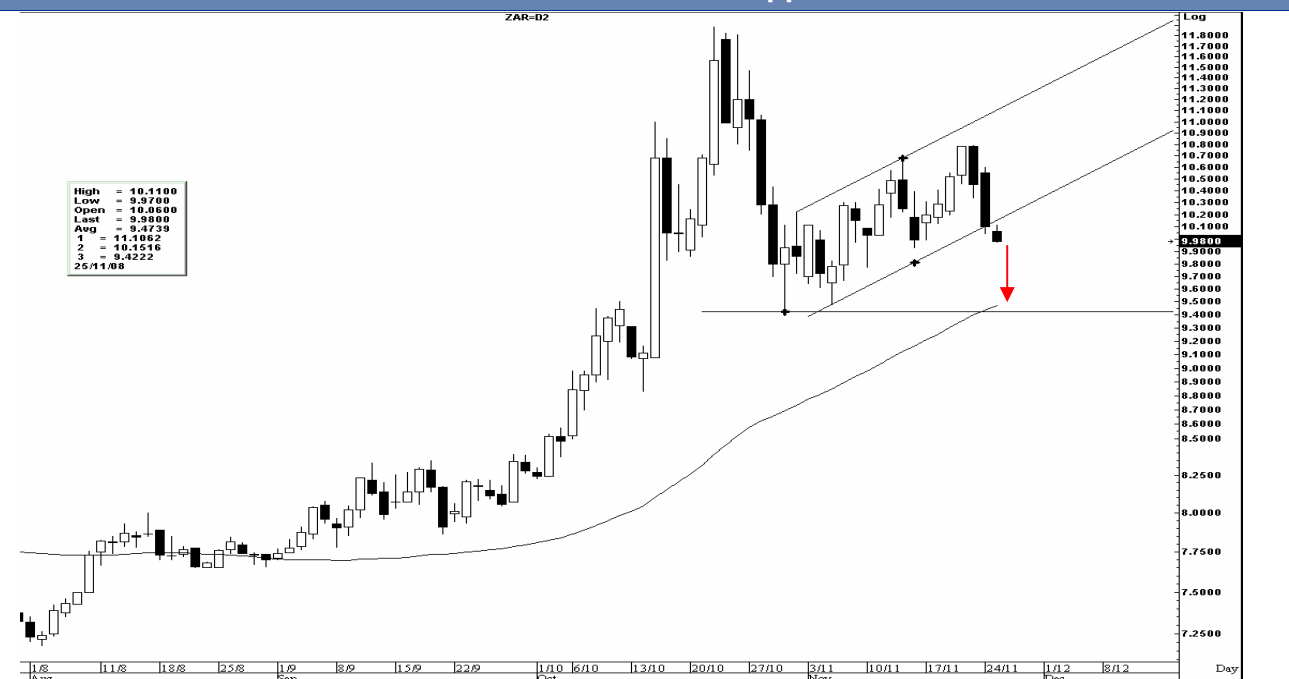


USDTRY: Back down to the support level



USDTRY: The market has failed to sustain at new highs and the ST fall has meant that momentum has crossed down again from overbought levels. We expect further ST losses down to the support level at 1.45.

USDZAR towards support



USDZAR: Breaking out of the bullish flag (corrective) and is trading poorly. Likely to continue lower in the ST towards the 55 day moving average and horizontal support at 9.47 – 9.42.

USDCLP: Long term 76.4% resistance is still in place



USDCLP: Remains below the LT 76.4% Fibonacci retracement of the fall from the high back in Oct 2002 which comes in at 683. The failure to rally through there again suggests that the market is likely to weaken in the days ahead. A test of 623 in the ST is expected.

Targets/Support/Resistance for USD currency pairs			Intraday Chart of the Day		
CCY Pair	View	Comment	Target	Support	Resistance
EURUSD	ST	Bullish	1.33	1.2329	1.33 + 1.3581
	LT	Neutral / Bearish	-----	1.19-1.20	1.3850-1.3880
Breached the triangle consolidation and is likely to test resistance at 1.33.					
USDJPY	ST	Neutral	-----	90	101.30 + 103 -103.75
	LT	Neutral / Bearish	LT risk of a fall to 80	79.78	108 + 110.65
Choppy market					
GBPUSD	ST	Bullish	1.5950 and possibly 1.67	1.4555	1.5249 + 1.56 + 1.6675
	LT	Neutral	-----	1.4065 + 1.3682	1.6966 + 1.7445
The 76.4% Fibonacci against the lows suggests a rally up.					
USDCHE	ST	Neutral	-----	1.1803 + 1.1477 + 1.1419 + 1.12	1.2140 + 1.22
	LT	Neutral	-----	1.0842-1.0904 + 1.0625	1.2470
Support levels may be tested at 1.1803 and 1.1477 (55 day moving average)					
USD Index (DXY)	ST	Bearish	83.90 possibly 83.10	83.10 + 80.40 + 76.02	87.88
	LT	Neutral	-----	74.31-74.71	91.16
ST move down is expected with the market failing to sustain at new highs and momentum crossing down from overbought levels.					
USDCAD	ST	Neutral	-----	1.1588	1.3020
	LT	Neutral	-----	1.1460 + 1.1298	1.3250 – 1.3275
ST consolidation is expected as momentum turns back down. The pair has failed to re-test the 28 Oct high at 1.3019.					
AUDUSD	ST	Bullish	0.70	0.5970	0.6957 + .7013
	LT	Neutral	-----	0.5485	0.7240 + 0.7670
Rallied back above the resistance level at 0.6340 and should test the reverse head and shoulders neckline at 0.6957					
NZDUSD	ST	Neutral	-----	.5775	0.6391
	LT	Neutral	-----	0.5352	.6440
Neutral outlook					

Targets/Support/Resistance for major cross markets				Return to Front Page	
CCY Pair	View	Comment	Target	Support	Resistance
EURCHF	ST	Neutral	-----	1.44	1.5037 – 75
	LT	Neutral	-----	1.44	1.5340
	Closed above the resistance level at 1.5340 and is likely to stretch higher. The overall trend is up and then next resistance level is at 1.5559.				
EURGBP	ST	Neutral	-----	0.7766	0.8231
	LT	Bearish	0.72	0.7693	0.8250
	We expect lower levels to be traded.				
EURJPY	ST	Mildly bullish	131 Possibly 138+	115	130
	LT	Neutral	-----	113.70 + 100	142
	Choppy market. Our bias that the pair tests 131 is still in place.				
EURSEK	ST	Neutral	-----	9.81 + 9.75	10.09
	LT	Neutral	-----	9.60	10.20
	The trend is up				
EURNOK	ST	Neutral	-----	8.38	8.89
	LT	Neutral	-----	8.21 - 8.17	8.89
	Neutral outlook				
AUDJPY	ST	Bullish on close above 96.50	Possibly 81.50 area	57.69	68.90 + 74.48
	LT	Neutral	-----	57.69	81.50 – 82.00
	Choppy market.				
NZDJPY	ST	Neutral	-----	49.22 + 46.23	63.13 + 65.29
	LT	Neutral	-----	41.87	67.19
	Choppy market.				
GBPJPY	ST	Neutral	-----	153	157 + 165 - 166
	LT	Neutral	-----	139 + 129.15	179 + 181.36
	Choppy market – went on to make a marginal new low last week and is back above the 24 October low. We will wait for further indications of the next directional move.				

	Position	Date established	Comment	Entry	Stop (If breached unless specified otherwise)	Target	Present level
EURGBP	Long 6 month (11 May 2009) 0.72 one touch	11 November '08	Major Long term levels and indications warn of a turn in the trend.	17%	Premium paid	0.72	0.8537
GBPUSD	Long	24 Nov 2008	76.4% Fibonacci against the lows suggest a turn in trend	1.4998	1.4698	1.5950	1.5033

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