



Emerging markets - Forex

27th September 2007

Emerging currencies broadly strong..

Market overview

Key emerging market currencies have continued to show good gains against the US dollar and the trends look set to accelerate over the coming weeks. With emerging market equities performing well against the back drop of rising G7 equity benchmarks, the appetite to re-enter or maintain positions in high yielding currencies continues. A certain amount of selectivity has been removed with currencies such as the Malaysian ringitt, Indonesian rupiah and Colombian peso joining the already established and favoured trends in the Turkish lira, Israeli shekel and the key Eastern European bloc.

Naturally, there is a retracement risk in equities that could disrupt these trends, however, the US dollar buying reaction in this scenario could well be muted given the markets expectation for aggressive measures to keep the US economy on track.

Latin America and central America

- **Argentinian Peso:** USD/ARS: 3.18 has capped the US dollar here with the short term outlook mixed. Given the broader bearish dollar scenario, my bias is for 3.10 with stops over 3.1670.
 - **Brazilian real:** USD/BRL: A favoured strong currency regionally and against the US dollar. Targets stay at 1.8373 with extended objectives at 1.80. The Bovespa is close to key resistance at 60,000, but the trend remains positive.
 - **Colombian peso:** USD/COP: Despite an initial weakening of the peso, the US dollar was unable to hold gains and the chart is looking more neutral to bearish going forward. 2000 support will be watched carefully and if broad US dollar weakness remains, we could be pressuring 1800 into year end. 2150 is now a sell zone.
 - **Chilean peso:** USD/CLP: Targets at 513 have been hit and into year end objectives are at 500. This remains a favoured regional currency which should be supported by further strength in copper. Only a 24 hour close over 518 would negate the view.
 - **Mexican peso:** USD/MXN: The volatility has settled into potential for a test of long term support at 10.70. Retracements back towards 11.05 should cap US dollar gains.
 - **Peruvian sol:** USD/PEN: The Lima general equity index is lagging the region's equity markets, however even the relatively range bound sol appears to be moving into a US dollar bearish trend. Targets are at 3.00 into 2008. A two week close above 3.15 would put this back to neutral.
- #### Asia/Asean
- **Chinese renminbi:** USD/CNY: Targets at 7.50 were hit and whilst the momentum stays negative for the US dollar, there may be the first signs of a pause and possible retracement in the SE Composite. For now, 7.50 should hold the renminbi for another look at 7.55 before the trend resumes downwards. A close below 7.49 negates the bounce.

Client support

Economic Research Team
Trevor Williams
 0207 158 1748
 trevor.williams@lloydstsb.co.uk
Nichola James
 0207 158 1741
 nichola.james@lloydstsb.co.uk
Jeavon Lolay
 0207 158 1742
 jeavon.lolay@lloydstsb.co.uk
Kenneth Broux
 0207 158 1750
 kenneth.broux@lloydstsb.co.uk
Hann-Ju Ho
 0207 158 1745
 hann-ju.ho@lloydstsb.co.uk
Rabia Bhopal
 0207 158 1747
 rabia.bhopal@lloydstsb.co.uk
Paul Rodriguez
 0207 158 1744
 Paul.Rodriguez@lloydstsb.co.uk
Distribution
 Sarah Pedder, 0207 158 1746
Information Manager
 Hugh Geen, 0207 158 1740

Economic Research,
 Corporate Markets,
 10 Gresham Street,
 London EC2V 7AE,

Switchboard:
 0207 050 - 6045

Contents:

	Page
Overview	1
USD/TRL	2
USD/CLP, USD/SGD, USD/CZK	3
USD/INR, USD/MYR	4

Technical strategy - Summary

- **Korean won:** USD/KRW: Downward US dollar momentum remains. Bias for the lower end of the range at 910 on 930 resistance. 2008 objectives are at 900.
- **Indian rupee:** USD/INR: Break of 40.00 is a key event here and implies a drop towards 36.00. Sell retracements back to 40.50 on stops at 40.60.
- **Indonesian rupiah:** USD/IDR: The US dollar had a great chance to extend gains here, but a sharp correction changes the momentum towards a positive bias for the Indonesian currency. Over 9300 suggests a rethink.
- **Singapore dollar:** USD/SGD: Downside trigger on a break at of 1.50. Targets are at 1.40 from here as the trend should accelerate. 1.5040 is the sell zone on stops at 1.5160.
- **Taiwan dollar:** USD/TWD: No strong signals as yet, but given the broader market, it may be worth watching the downside support at 32.80 for signs of weakness. Close over 33.20 negates.
- **Thai baht:** USD/THB: 32.20 support has been breached. Possible inverse head and shoulders pattern to consider in the coming weeks, but for now momentum favours the baht and 30.00. 32.60 negates.
- **Malaysian ringitt:** USD/MYR: The potential reversal pattern implying Malaysian ringitt weakness has been negated and the balance has shifted towards a weaker US currency. Trendline support at 3.42 may hold for this week, but the bias for trading would be for a break of 3.40 and then the 2007 low at 3.3835.

Africa and the middle east

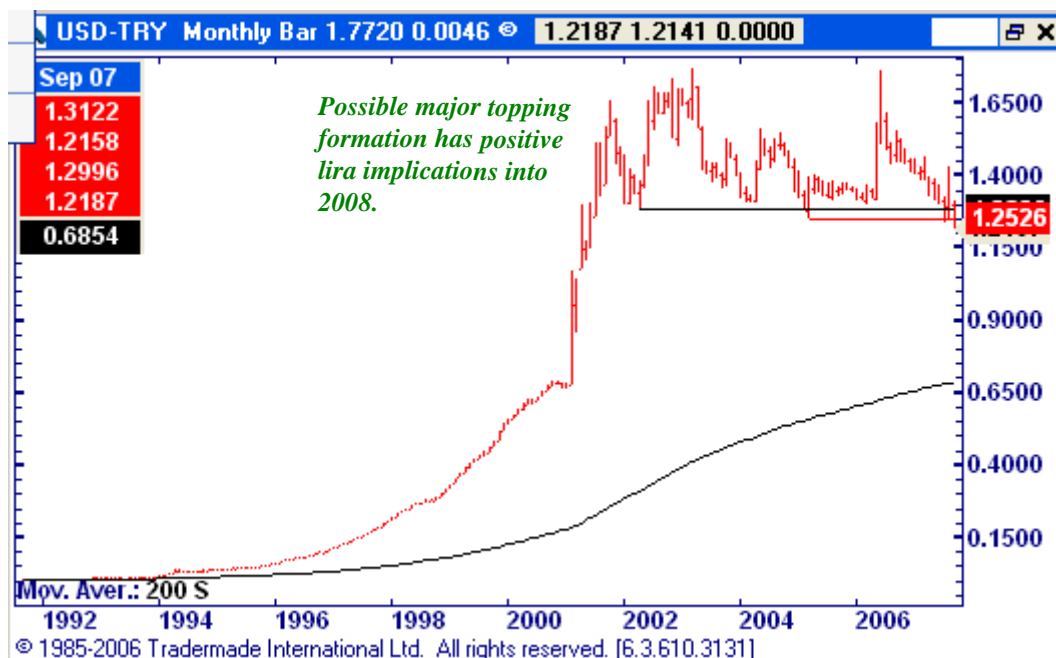
- **South African rand:** USD/ZAR: The rand has been consistently strengthening in the past few weeks and is approaching major support at 6.8130 from a long term perspective. Whilst dips below 7.00 have been relatively short lived over the past 12 months, the general momentum is against the US dollar and places the risk towards a break of this key support. GBP/ZAR: Similarly the rand has pressured sterling below 14.00 with 13.75 with extended targets at 13.75. Whilst the trend from 2006 has been rand negative, further sterling upside is delayed until support is revealed.
- **Israeli sheki:** USD/ISL: The sheki was a favoured buy against the dollar and my targets at 3.92 remain. The trend remains smooth and although 4.00 may hold as psychological support, the May low at 3.92 is the extended objective. Stops are above 4.08.
- **Turkish lira:** EUR/TRL: 1.7600 has triggered the sell for a sub 1.70 move over the coming weeks. USD/TRL: 1.23 targets were hit and pressure stays for 1.20 and possibly 1.15 into year end.

Eastern Europe

- **Czech koruna:** USD/CZK: Targets remain at 18.00 with the koruna being one of the favoured currencies to buy against the US dollar going forward. Stops at 20.30 EUR/CZK: Against a strong euro, the koruna look set for further appreciation, highlighting the strength of the currency. Targets at 27.41 have been hit. Bias for a range and eventual break downwards for 25.00.
- **Hungarian forint:** USD/HUF: Targets at 180 have been hit. Next major objective is at 160. Stops are at 181 on a close.
- **Polish zloty:** EUR/PLN: Some easing of the pressure on the euro and a 3.74/3.85 range seems likely with a bias to sell euros into the higher end of the range. USD/PLN: The downward trend continues to accelerate with 2.65 targets approaching and extended objectives at 2.50 into 2008
- **Russian rouble:** USD/RUR: Targets at 25.00 have been hit with 20.00 the next objective into year end. Stops over 26.20.
- **Romanian leu:** USD/RON: Although not the favoured currency in the region, the leu has scope for appreciation to 2.36 and potentially 2.30 into year end. Only a close over 2.45 on a 2 week basis would negate the view.
- **Slovakia koruna:** USD/SKK: Targets remain at 23.00 with potential for acceleration towards 20.00 over the coming months. Stops over 24.30. EUR/SKK: A neutral chart with 34.00 the pivotal level. 34.20 should cap euro rallies with a gradual bias for 33.00 into year end. Above 34.50 would indicate the trend has changed.

US dollar/ Turkish lira

A potential major reversal is unfolding here with implications for 1.15 into year end.



Technical strategy - Emerging market currencies

US dollar/Chilean peso

Major support under pressure- targets are at 500 with a strong copper price providing underlying support.



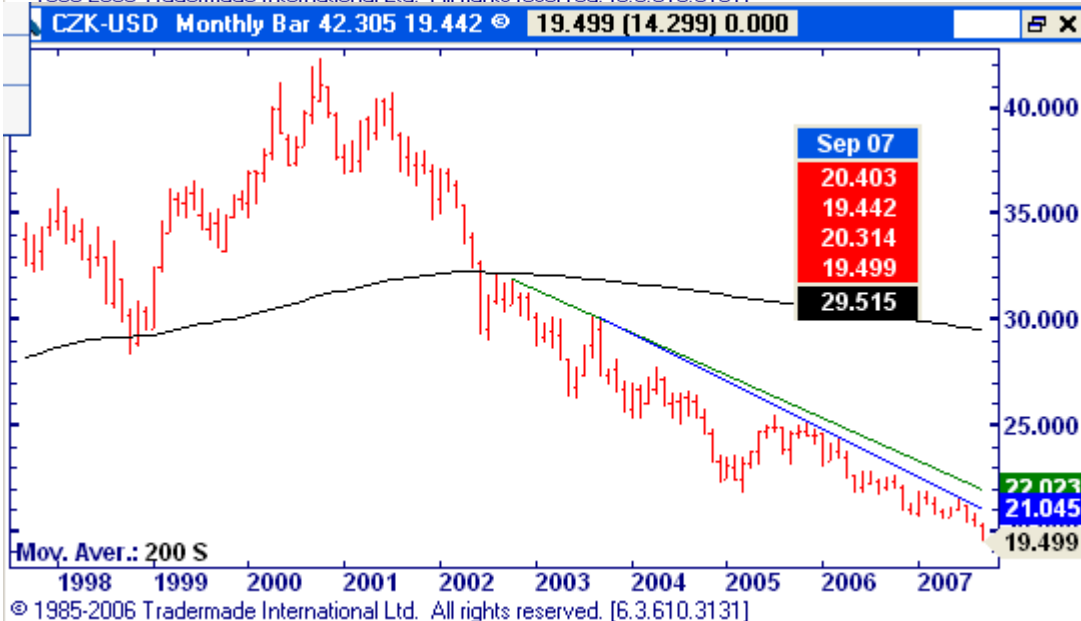
US dollar/Singapore dollar

major support at 1.45, but bias for 1.40 into 2008.



US dollar/Czech koruna

Targets remain at 18.00. Sell retracements to 20.20. Only back over 22.20 would suggest a trend change.



Technical Strategy - Emerging market currencies

US dollar/Indian rupee

Break of 40.00 was a key event with a bias for 36.00. The dollar needs to trade over 40.60 to reverse the momentum.



US dollar /Malaysian ringitt

The potential reversal here has been negated and highlights the broad weakness of the US dollar. Whilst support is close for a short term rebound, targets are at 3.35 over the coming weeks.



Disclaimer

Any documentation, reports, correspondence or other material or information in whatever form be it electronic, textual or otherwise is based on sources believed to be reliable, however neither the Bank nor its directors, officers or employees warrant accuracy, completeness or otherwise, or accept responsibility for any error, omission or other inaccuracy, or for any consequences arising from any reliance upon such information. The facts and data contained are not, and should under no circumstances be treated as an offer or solicitation to offer, to buy or sell any product, nor are they intended to be a substitute for commercial judgement or professional or legal advice, and you should not act in reliance upon any of the facts and data contained, without first obtaining professional advice relevant to your circumstances. Expressions of opinion may be subject to change without notice. Although warrants and/or derivative instruments can be utilized for the management of investment risk, some of these products are unsuitable for many investors. The facts and data contained are therefore not intended for the use of private customers (as defined by the FSA Handbook) of Lloyds TSB Bank plc. Lloyds TSB Bank plc is authorized and regulated by the Financial Services Authority and is a signatory to the Banking Codes, and represents only the Scottish Widows and Lloyds TSB Marketing Group for life assurance, pension and investment business.