



FX Technical Strategy - Weekly

23rd September 2008

Dollar slide is crude

Market overview

In last week's release the question was asked: is the US dollar bull trend over? The expectation was that we would see confirmation over the following weeks in the form of a broader decline, following in the tracks of the dollar yen. It may have seemed like a minor point that the dollar, during its bull phase, did not appreciate against the yen, but this was important to underlying structure of the market's positioning. In other words it showed the dollar was not in a primary bull trend and a reversal was at risk. Having seen the first phase of this decline unfold, a consolidation period is not unwarranted. However, the dollar should continue to weaken over the coming months with the previously weak commodity currencies gaining in momentum.

Volatility in all markets is at record levels and naturally a flexible approach has to be maintained, but the evidence of a floor in commodity prices continues to become more concrete, further fuelled by the weakness of core equities. This environment should further encourage flows into the swiss franc and yen, the ongoing core strategy, and underpin the moves in precious metals.



The first part of the dollar reversal phase is unfolding. Interim support at 75.52 should cause an rebound, but the bias is for a 100% retracement over the coming months down to 70.70.

By Paul Rodriguez, Senior Technical Analyst

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:

Overview
EUR/USD, USD/JPY, GBP/USD
EUR/JPY, AUD/USD, EUR/GBP
USD/CHF, CAD/NOK

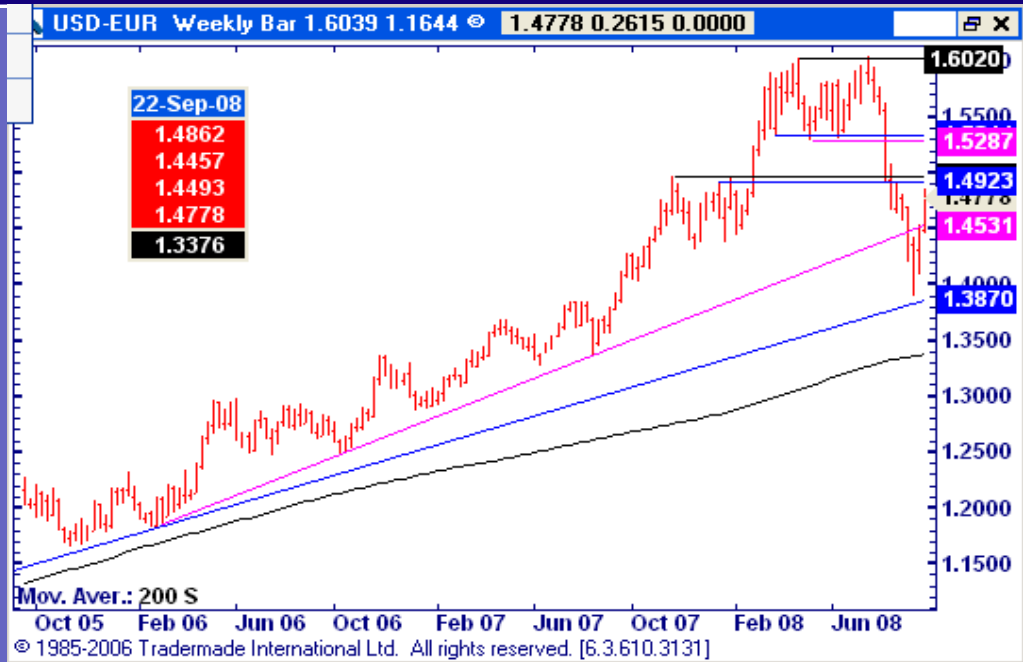
Page

1
2
3
4

Technical strategy - EUR/USD, USD/JPY, GBP/USD

Euro/US dollar

The euro buy level at 1.4150 was hit and the bias remains for an extended dollar decline from here. Interim targets at 1.4500 have been hit with 1.5200 the next objective. Key resistance exists at 1.4920/50 and is a major obstacle.



US dollar/ Japanese yen

In a highly volatile week, stops over 105.60 have been hit, but targets remain back down at 100.00 and then 96.00 into year end. Sell a bounce to 106.00 on stops over 107.30.



Sterling/ US dollar

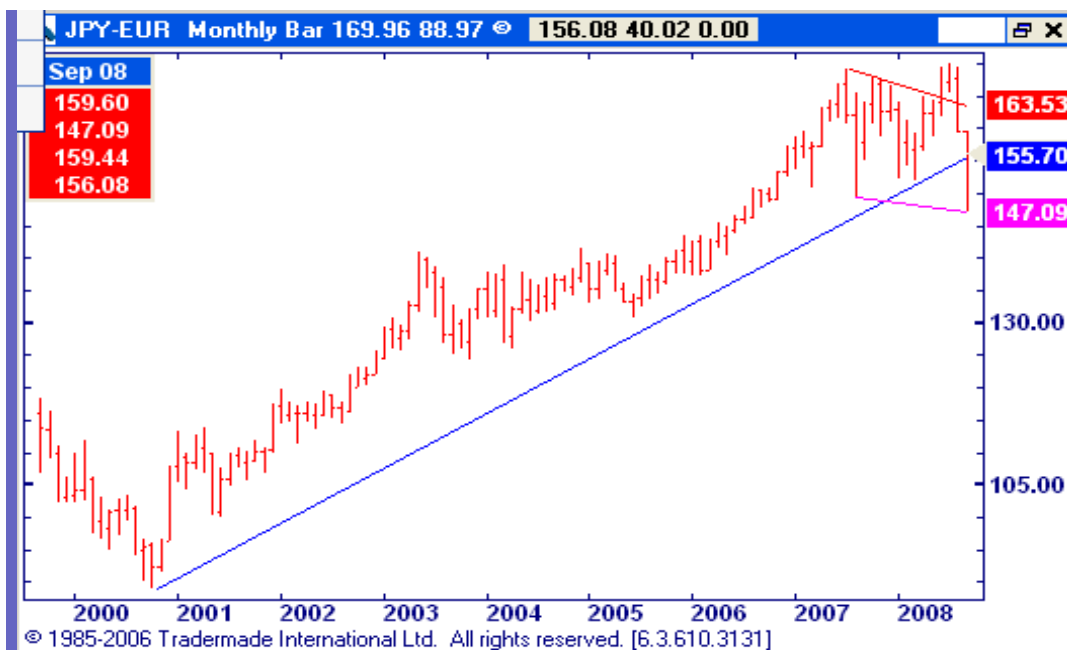
Bias to the upside remains with 1.9137 the next major objective. Support on retracements is at 1.8250 with stops below 1.8170.



Technical strategy - EUR/JPY, AUD/USD, EUR/GBP

Euro/ Japanese yen

Stops at 150.70 have been hit and whilst an extended squeeze is unfolding, the risk remains for a major topping pattern here. Look to re-sell at 158.50 on stops over 160.10 with targets back down at 147.00.



Australian dollar/ US dollar

Last week we discussed the prospects of one last push before the market reversed its trend and whilst new lows were not hit, the anticipated reversal continues to unfold. Key resistance at 0.8516 has capped gains in the short term, but longer term objectives are at 0.9000. Look to buy a retracement to 0.8300 on stops below 0.8240.



Euro/ sterling

The range continues here with the outlook still balanced. A one week close through either 0.8001 or 0.7925 is the next trend trigger.



Technical Strategy - USD/CHF, CAD/NOK

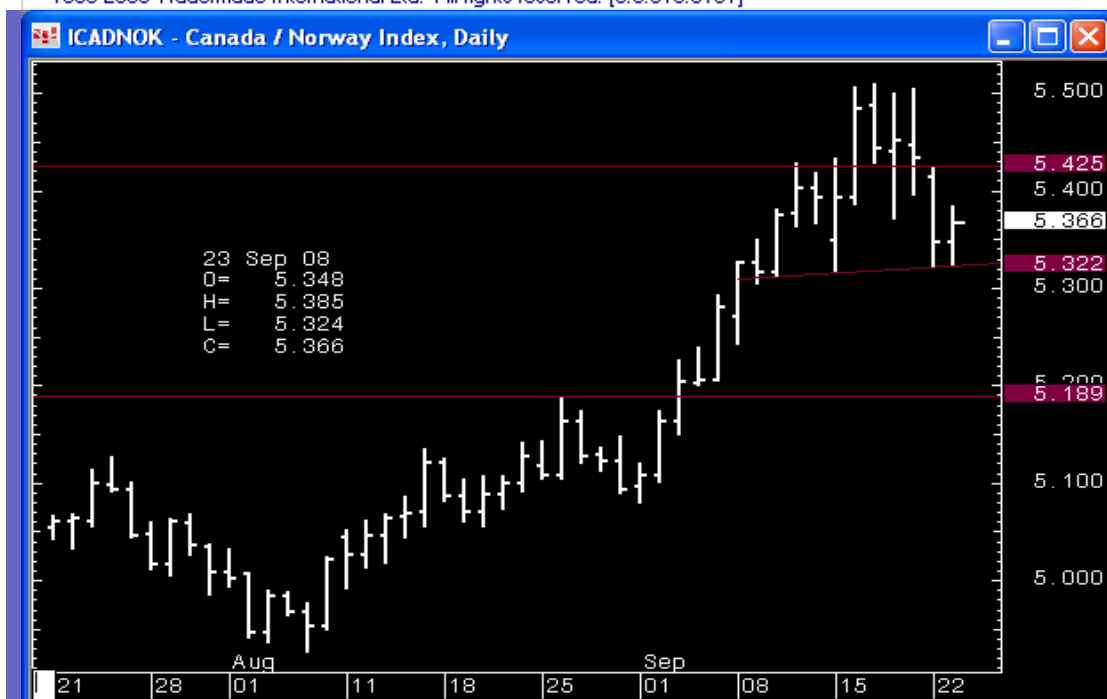
US dollar /Swiss franc

As mentioned last week, the bias remains to buy the Swiss franc. Targets are back down at parity over the coming months. Look to sell retracements to the 1.08 initial target with stops over 1.0970.



Canadian dollar/ Norwegian Krone

A possible head and shoulders reversal pattern is under development here. Look to sell a bounce into 5.40 on stops at 5.4260 looking for 5.20 over the coming weeks.



Source: CQG, Inc. © 2008 All rights reserved worldwide. www.cqg.com

Tue Sep 23 2008 11:55:45

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.