



FX Technical Strategy - Weekly

26th September 2007

US Dollar trend remains bearish

Market overview

The market may be getting nervous about being short the US dollar, but the bigger picture scenarios remain bearish for the US currency. My targets at 75.00 remain for the Dollar Index into year end with major support at 78.39 under pressure.

As mentioned last week, the currencies of choice to sell the greenback against have been the Canadian dollar, Norwegian krone and Swiss franc together with the stronger Eastern European currencies such as the Czech koruna and zloty.

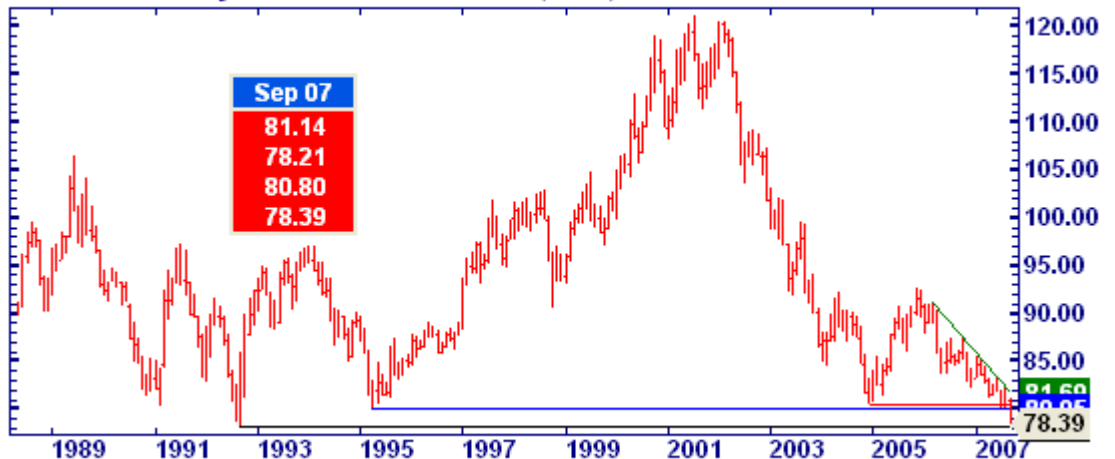
Some major levels have already been achieved, namely parity in US dollar Canadian dollar, and 5.50 and 6.50 against the Norwegian krone and Swedish krona respectively, so some profit taking is understandable. However, this is likely to represent a chance to re-sell the US dollar and sterling at better levels, and for new participants to join the trend.

With commodities pushing higher, and my bias for \$800 in gold, the Australian dollar has pushed sterling through a major support at 2.31, opening the way for a test of 2.27.

With Sterling US dollar locked in a range, the trend players continue to sit on the sidelines until the situation becomes clearer. Some resolution should be expected in the next few weeks, but my suspicions are for a break upwards towards 2.05.

US dollar Index

USD-Index Monthly Bar 121.02 78.19 © 78.39 (11.50) 0.00



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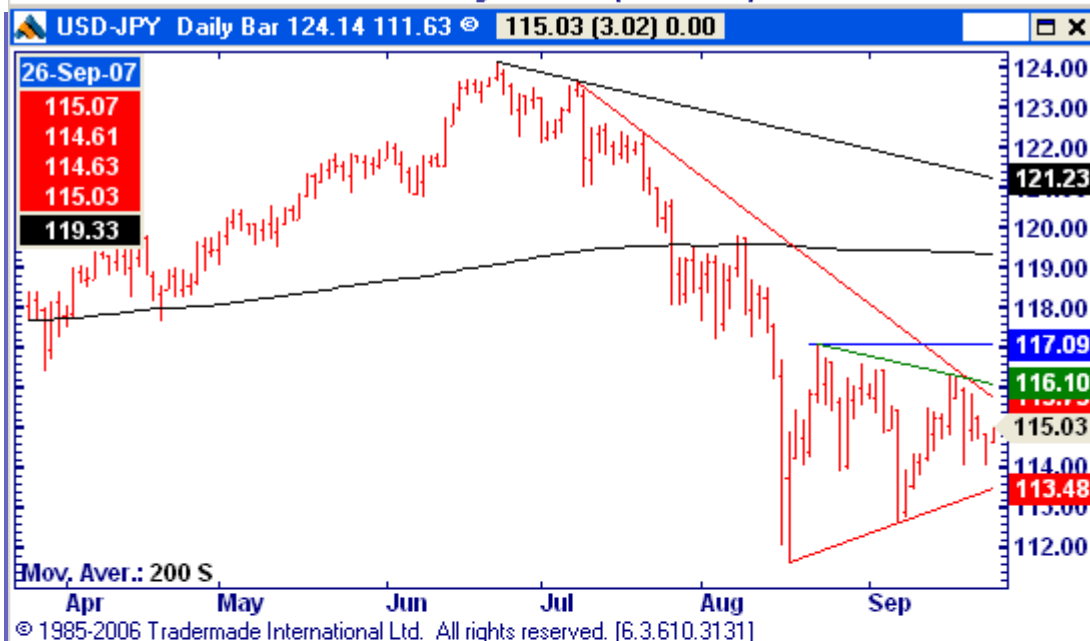
Euro/US dollar

Targets at 1.40 have been hit and from a short term perspective, the market is looking for an opportunity to take profits. There may be one more strong squeeze before a consolidation takes hold so the sensible strategy is to roll up stops. Long term objectives stay at 1.45. How we get there could be interesting. Short term stops are at 1.4065.



US Dollar/Japanese yen

Long term bias for 112.00 remains with a key resistance line coming in at 116.10 and support at 113.48. Bias for the latter to break, but stops above 116.20 will likely cause a squeeze if hit. Equities still in buy mode, but I'm still sceptical and looking for an opportunity to sell.



Sterling/US dollar

Still in the range. Preference for a break higher once the trend emerges, but ultimately let the market decide. Triggers are at 2.0330/40 and 1.9860.



Technical strategy - GBP/NOK, USD/CAD, EUR/GBP

Sterling/Norwegian krone

Objectives are at 11.00 and 10.86 into Q1 2008. US dollar Norway has hit my 5.50 targets with extended objectives at 5.25.



US dollar/Canadian dollar

Targets at parity were hit which encouraged some profit-taking. Oil has eased from highs to tip the balance back towards the US currency, but after a consolidation, 0.9900 is the next objective. Key resistance is quite far at 1.0342 so if intermediate resistance at 1.0080 does not hold on a closing basis, the squeeze could have some legs.



Euro/Sterling

Pressing some key highs here and whilst the broad scenario has been a range, the capacity for this to extend has to be considered. Close over 0.7014 puts bias towards 0.7106. Below 0.6950 would reverse.



Technical Strategy - AUD/GBP, GBP/JPY

Australian dollar/Sterling

Commodities continue to squeeze higher, strengthening the Australian dollar against sterling, US dollar and New Zealand dollar. Targets against sterling are at 2.30 support and 2.27 into November.



Sterling/Japanese yen

Sideways for now, but still watching the main break-out levels. 229 opens the way for 220 long term targets. 235 should cap with lots of stops at 235.30.



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