

Date: 11th March, 2010 [Early Asia]

Technical Report No: LFX 48/2010

Overview:

Overnight data showed a bigger than expected fall in UK manufacturing output, and a continued decline in Industrial Production; GBP reacted accordingly. Additionally, German exports posted their biggest drop in a year (-6.3%).

In the U.S. some FOMC members have again criticised the use of the terminology 'extended rate' with regards to loose monetary policy – voicing fears of falling behind the inflationary curve.

The RBNZ have, as expected, left the OCR rate 2.5% today – and reaffirmed that they “continue to expect to begin removing policy stimulus around the middle of 2010”.

Australian employment data later today, if surprising to the upside – which it may – could provide a good move higher in AUD/NZD.

	AUD/USD	NZD/USD	AUD/NZD	EUR/USD	USD/JPY	GBP/USD
RESISTANCE	0.9190	0.7100	1.3120	1.3735	92.00	1.5340
		0.7080	1.3050	1.3690/00	91.25	1.5190
			1.3035		90.80	1.5120
						1.5020/30
SUPPORT	0.9120	0.6960	1.2920	1.3615	89.50	1.4850
	0.9050	0.6850		1.3530	88.05	1.4780
	0.8975	0.6805		1.3450		1.4400

Key: T/P = Take Profit: S/L = Stop Loss: Trailing T/P (or S/L) = moving your T/P (or S/L) as a market moves, to protect gains.

AUD/USD

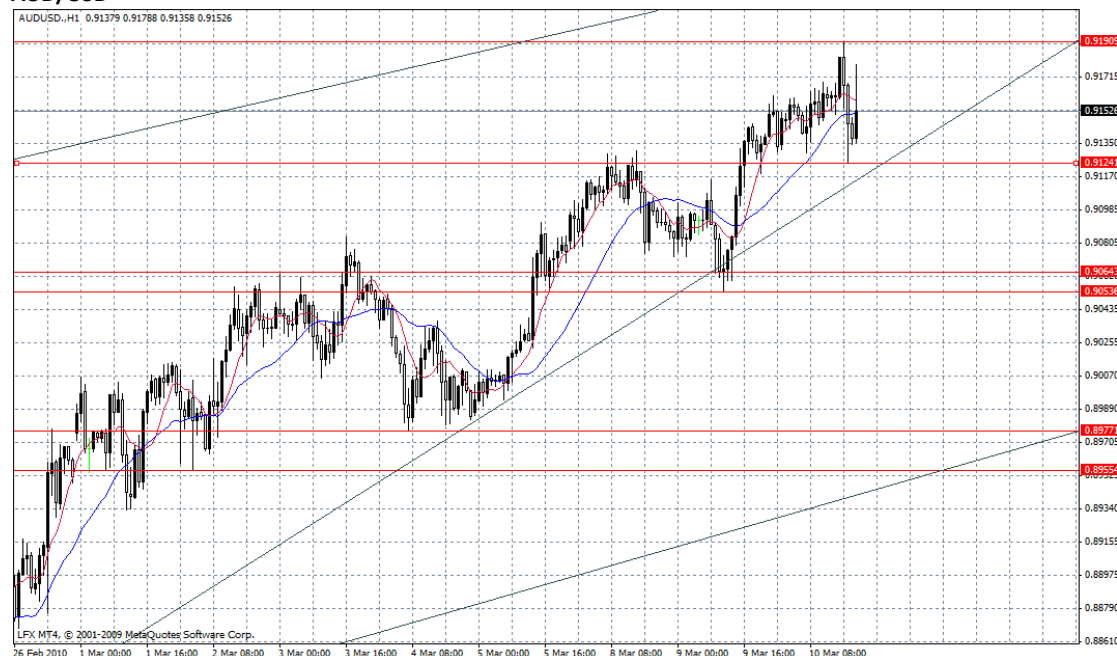


Fig 1: Hourly AUD/USD

Moving higher again in overnight trade as offshore players look to the yield play, and expectations for further positive data and rate hikes out of RBA. Trend line support now at 0.9120 and the mvas are still pointing higher, but converging somewhat on this slight pull back. AUD/USD is starting to look like a buy on dips as the appetite for risk returns to the market place. However we are reluctant to chase this higher at these levels.

NZD/USD

The NZD/USD has traded lower since the RBNZ expected decision to leave the OCR at 2.5% today. The NZD/USD should find some support here at 0.7020, but with our mvas about to cross lower and the spike to 0.7100 have encountered good selling offshore, we favour our trend line support to be taken out today and for NZD/USD to move back below 0.7000 – on route to 0.6960. On the day, we expect 0.6960/0.7080 to define the range, as this rate decision was very much expected. AUD's reaction to employment data later today, could push NZD lower if AUD/NZD takes an aggressive leap higher.

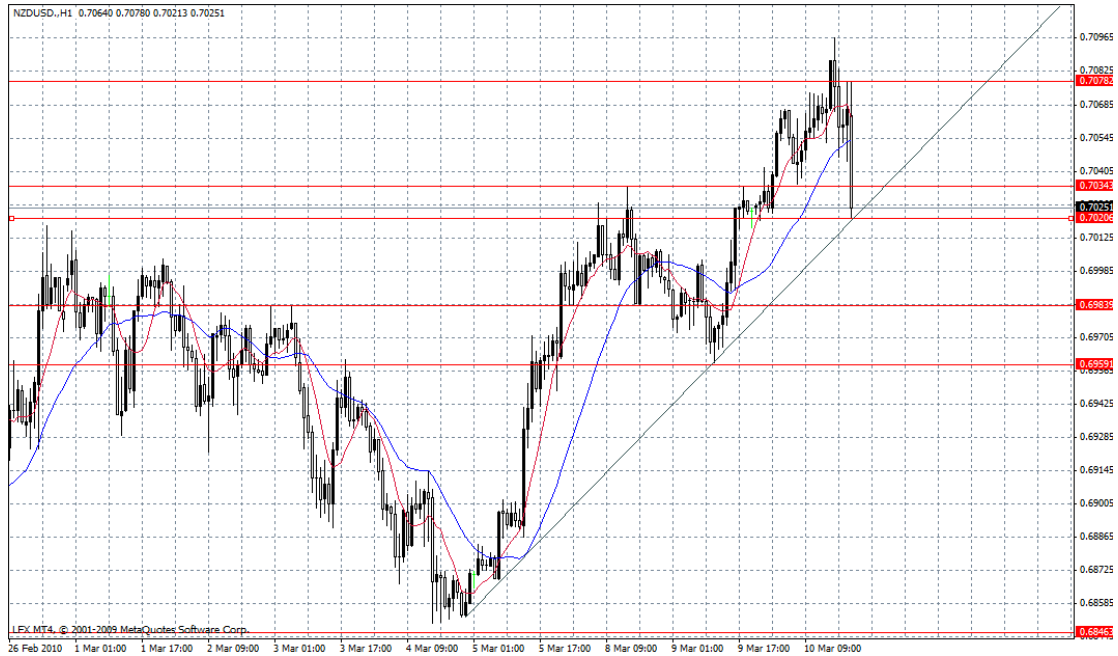


Fig 2: Hourly NZD/USD

AUD/NZD

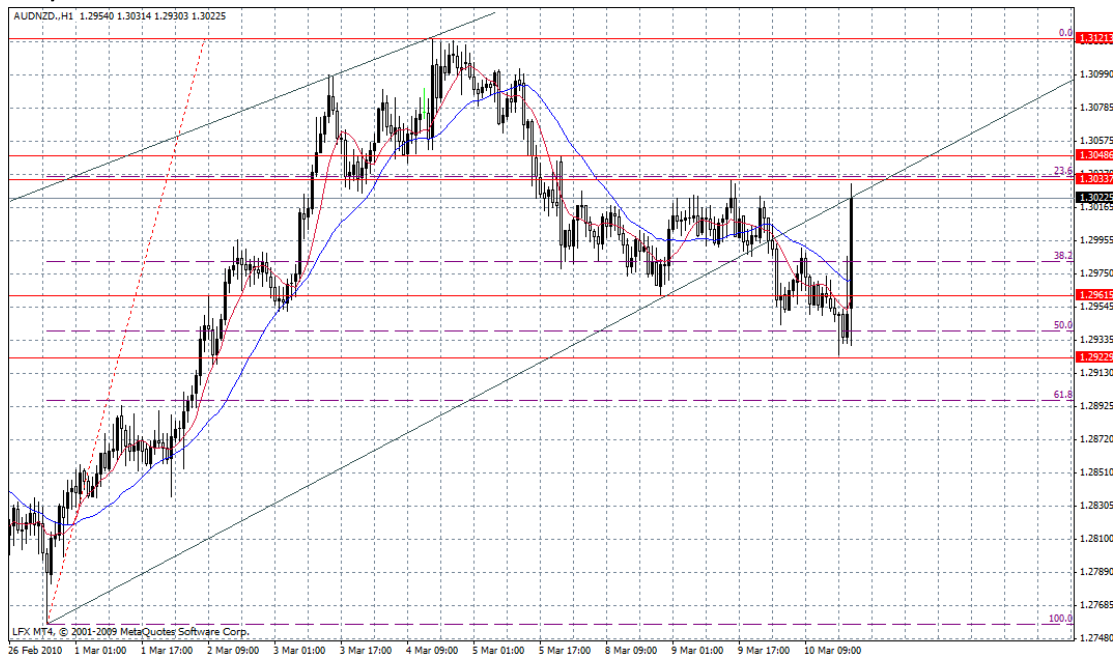


Fig 3: Hourly AUD/NZD

AUD/NZD fell out of our ascending (wide) channel overnight as the market took profit on long AUD/NZD positions into this morning's RBNZ decision. Since the announcement by the RBNZ to leave the OCR at 2.5% AUD/NZD has jumped aggressively higher and is currently testing short term resistance at 1.3030. We favour a break back higher from here and expect our mvas to cross back higher. The AUD/NZD overnight long squeeze extended further than we had anticipated, so our S/L for a long position established today would now be below

1.2900 – targeting 1.3170 T/P.

EUR/USD

The bounce from the 1.3530/40 area has proven sustainable overnight and some support can now be expected at the 1.3615/20 area as we look to be set for another test of the topside of our predicted range 1.3530/1.3700 channel, with our mvas pointing higher. It should be noted however that we are positing lower highs on these bounces, and that the overall trend is still lower for the EUR. We prefer to sell the top of our range, with a tight S/L above 1.3750 for now.

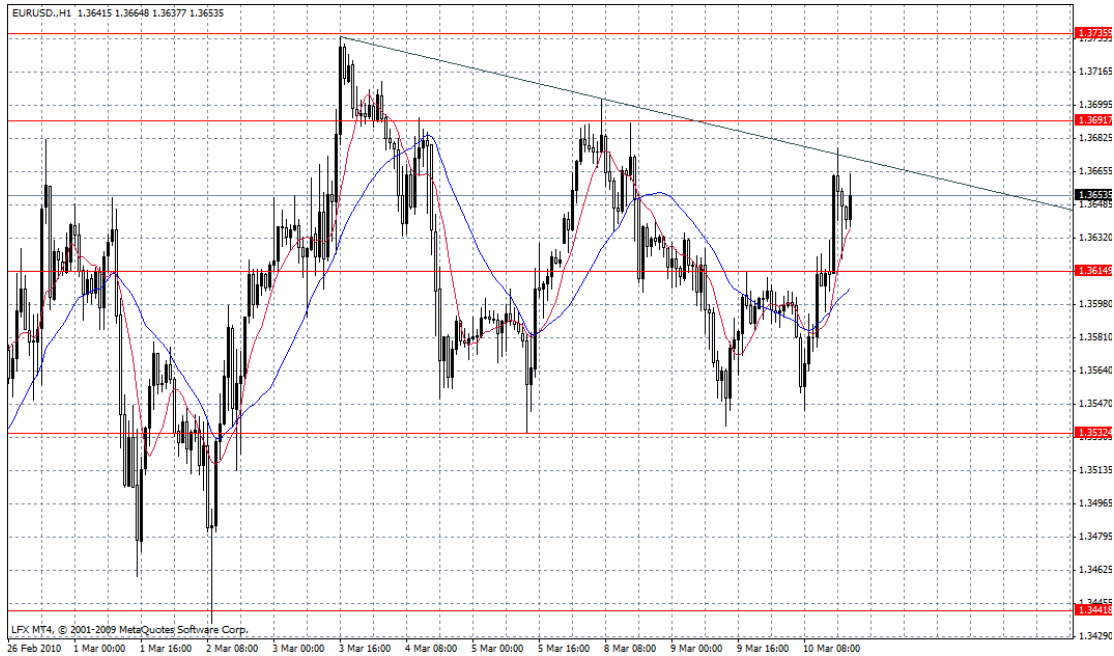


Fig 4: Hourly EUR/USD

USD/JPY

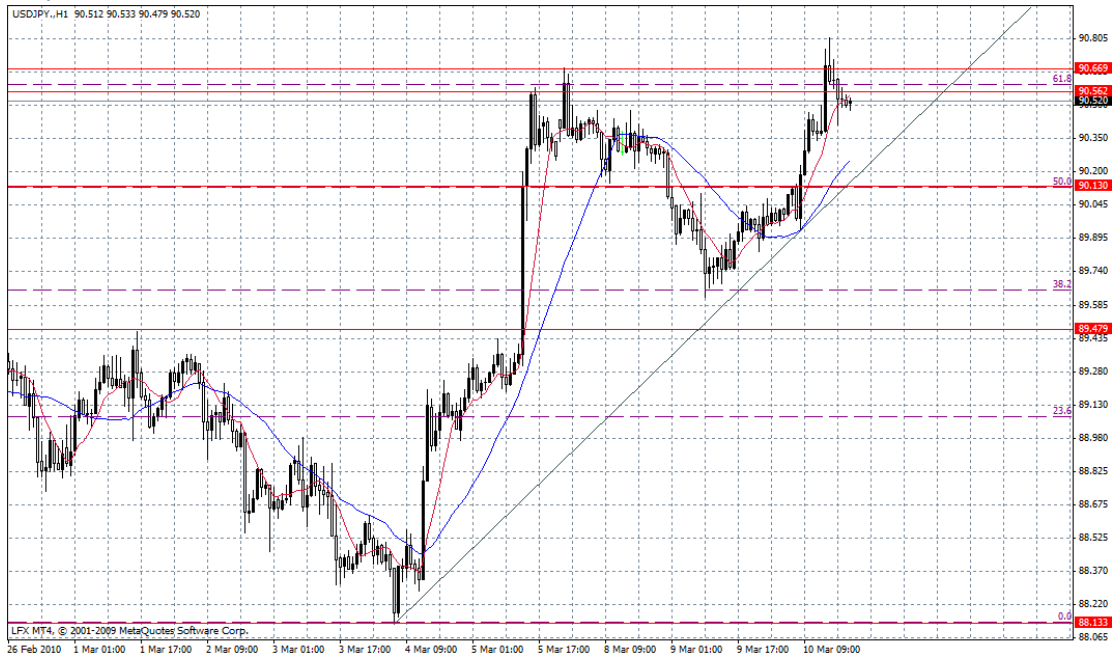


Fig 5: Hourly USD/JPY

USD/JPY probing higher in offshore trade as risk appetite returns to some extent and JPY crosses are taken higher. AUD/JPY for example is looking very strong now. We are still neutral on USD/JPY at these levels as we've again dipped back below the 61.8% Fibbo level into Australasian trade. USD/JPY is starting to look like a buy on dips though, and 90.10 looks like a good buy level for another look at the top of our range – 92.00. Below 89.50 and we're probably heading to 88.00 again.

GBP/USD

Poor data overnight pushed GBP lower again in a volatile session. GBP/USD did however find some support ahead of the critical 1.4850. Our mvas have converged this morning in Australasia and we therefore prefer to be neutral on GBP/USD at this level, but look to sell any rally to 1.5030 for another look at 1.4850.

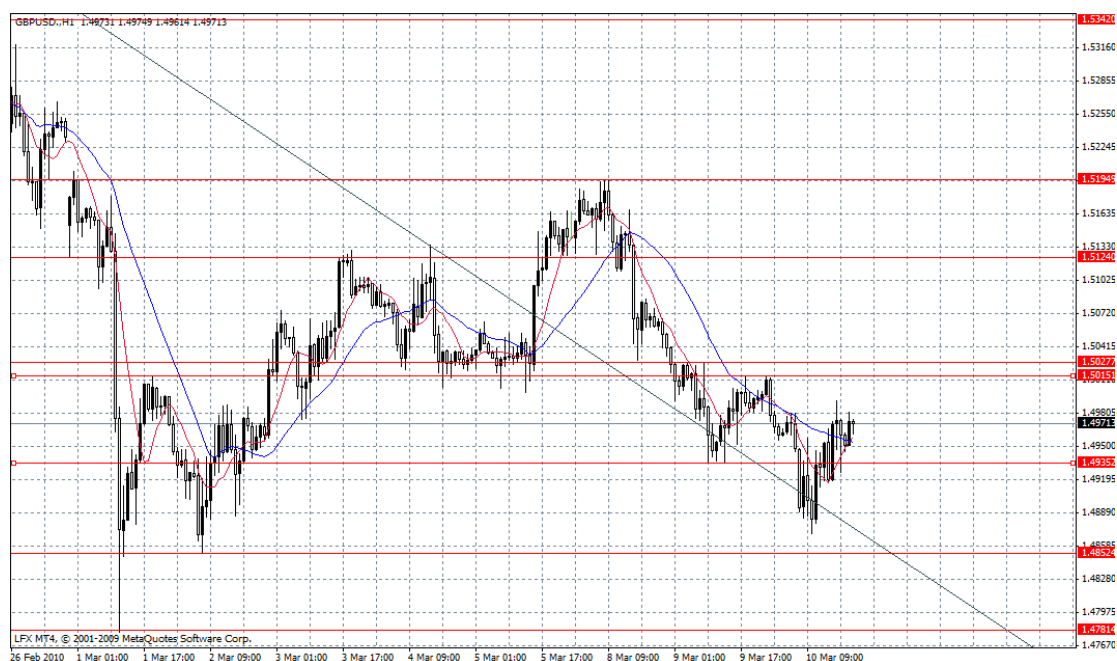


Fig 6: Hourly GBP/USD

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