

Monday Snapshot: Further USD gains still likely

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- **FX: G10USD Index:** We see a decent hold of levels and indications that the USD can rally further over the coming days
- **EURUSD:** Is still following the patterns seen after previous FOMC meetings that announced the expansion of their balance sheet. Historically the pair tends to peak in the following 48 hours. Lower levels are expected here
- **F.I: Germany – US relative curve spread:** Suggests EURUSD should already be trading closer to 1.2700
- **Equities:Dow Transports:** Closed below the double top neckline and trend support and is now likely to fall some 5% at a minimum
- **FTSE 100 :** Negative divergence on the weekly chart suggests losses ahead after failing at the trend resistance
- **Eurostoxx 50 Index:** Negative divergence seen on the daily chart reflecting weakness in the rally.

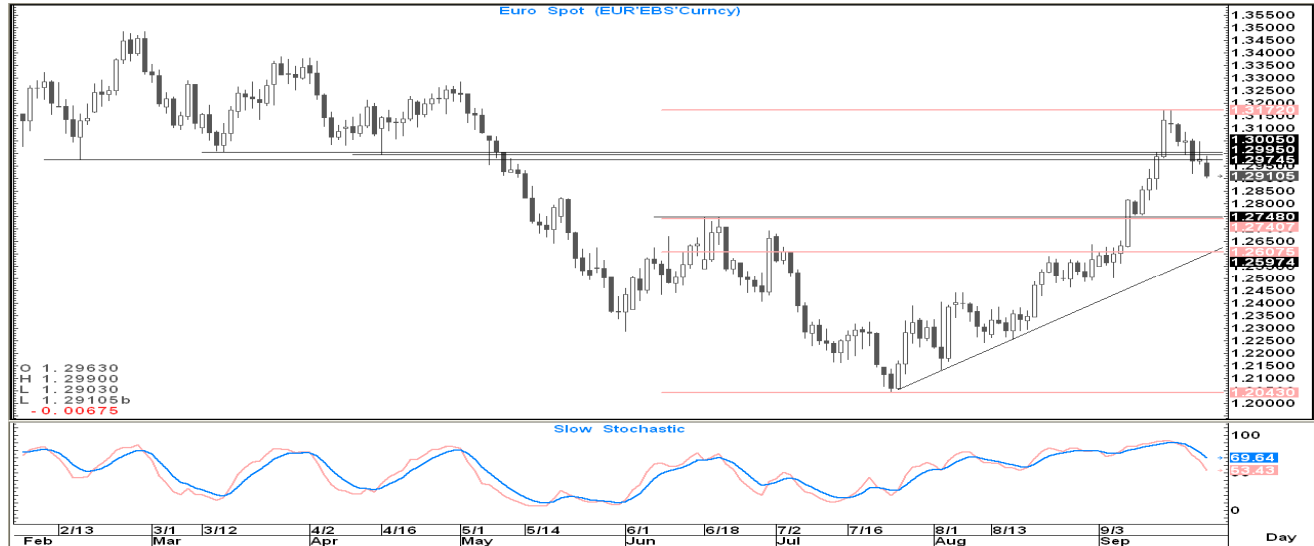
G10USD Index (equally weighted) - USD should rally in the near term



Source: Aspen graphics/Bloomberg 24 Sept 2012.

- A move down in this Index reflects USD strength
- Last week we tested, held and turned from the 50% retracement of the whole move down from last year's highs
- The support levels on this chart are at 118.14-30 where we see
 - The converged 55 and 200 day moving averages
 - Horizontal support
 - Parallel of the trend across the highs
- A breach of these supports would argue for further USD strength towards the trend lows just below 114. At this stage we would not be surprised to at least see a test of the short term support at 118.14-30 which is 1.7% below current levels
- The trend low is 5% below current levels

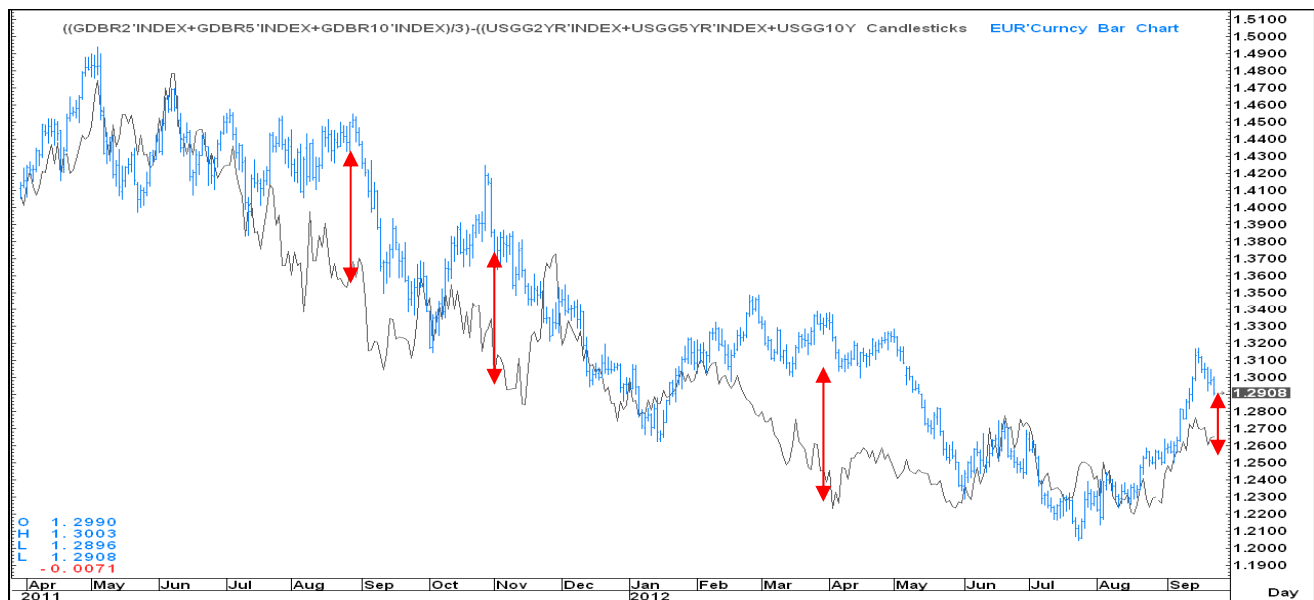
EURUSD Daily chart



Source: Aspen graphics/Bloomberg 24 Sept 2012.

- EURUSD is still following the patterns seen after the FOMC meetings that announced the expansion of their balance sheet, namely that the pair peaks in the following 48 hours.
- It is beginning to sustain below the 1.2974-1.3005 levels and is now making lower lows in this down move
- Supports below are at 1.2740-48 where the high from June converges with the 38.2% Fibonacci retracement of the rally from the July low
- The trend line support currently comes in at 1.2597 and the 50% retracement level is at 1.2607
- Momentum has crossed back down from stretched levels and lower levels are expected here

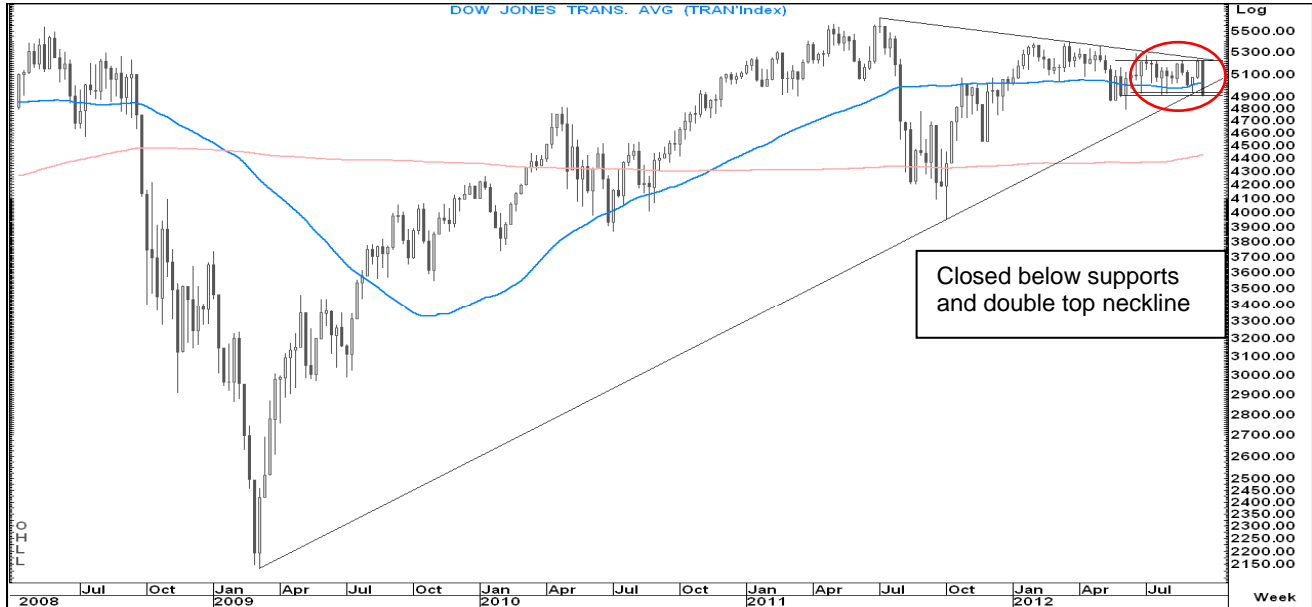
EURUSD and Germany US relative curve spread



Source: Aspen graphics/Bloomberg 24 Sept 2012.

- The relative curve spread between Germany and the US (averaged 2Y+5Y+10Y yields) suggests the pair should be trading closer to 1.2700

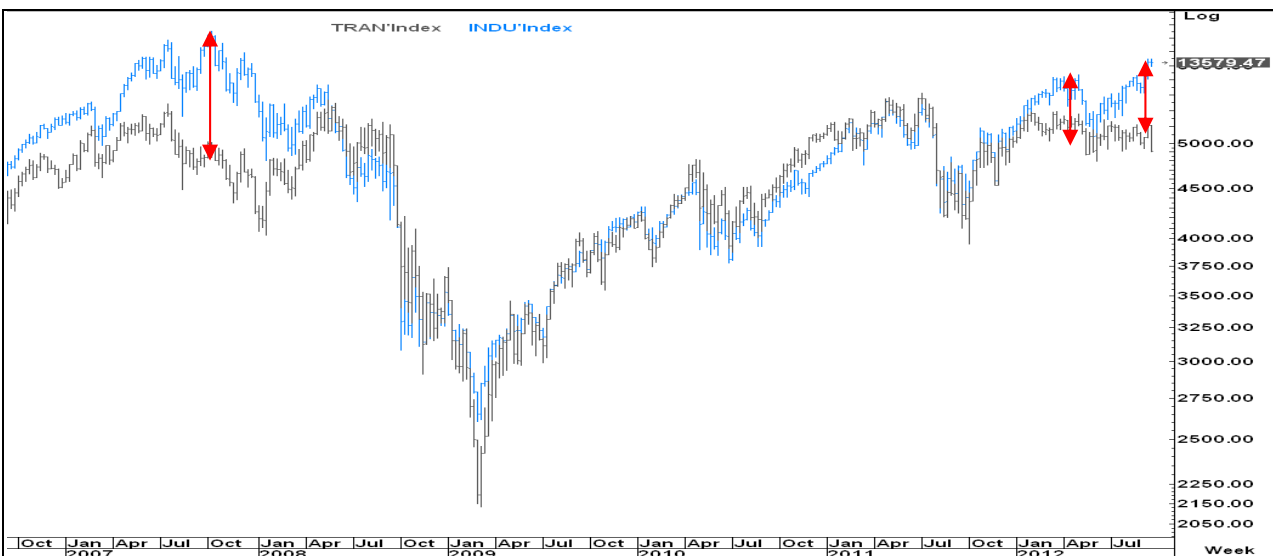
Dow Jones transportation Index – Weekly close below supports / pivots



Source: Aspen graphics/Bloomberg 24 Sept 2012.

- Posted a weekly close below the support levels/pivots that were in focus at the end of last week at 4,911-4,971 where we saw the following:
 - Trend support on the log scale chart from the lows in early 2009
 - Double top neckline
 - Base of the range (just below the double top neckline)
- This now suggests a move lower towards the double top target at 4,653 (more than 5% lower)
- Additional supports are at 4,533 and then the 200 week moving average at 4,427.

Dow Jones Transports and Dow Jones Industrials



Source: Aspen graphics/Bloomberg 24 Sept 2012.

- Dow Industrials in blue above have often diverged from Transports but the Dow Transports index has tended to give a leading indication of future direction (Dow theory)
- We are not convinced that the rally seen in the Industrials will be sustained.

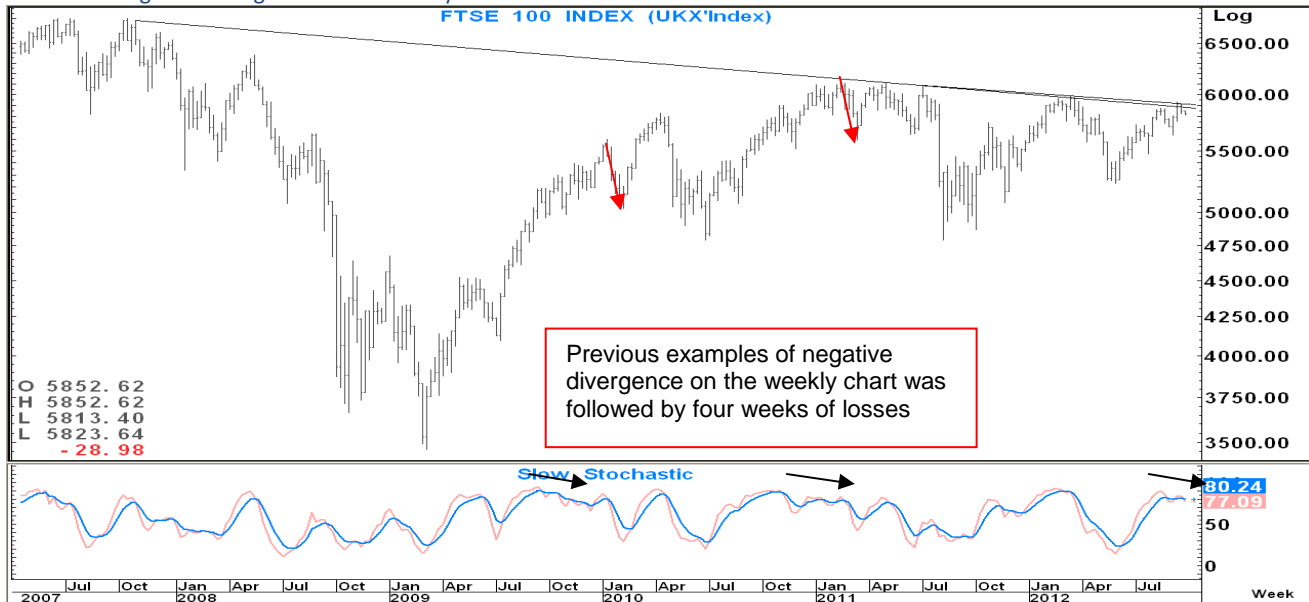
Eurostoxx 50 Index – Trading just below resistance levels



Source: Aspen graphics/Bloomberg 24 Sept 2012.

- Failed to rally through the high from March this year at 2,611.
- We also see negative divergence on the daily chart reflecting weakness in the rally
- Short term horizontal support levels are at 2,532-35
- Decent supports are provided by the Fibonacci retracement levels of the last rally from the May low which also converge with horizontal levels at:
 - 2,392-97 (38.2% retracement and horizontal support)
 - 2,327-32 (50% retracement and horizontal support)
 - 2,262 (61.8% retracement)

FTSE 100 – Negative divergence on the weekly chart



Source: Aspen graphics/Bloomberg 24 Sept 2012.

- Failed to rally through the trend resistance levels at 5,883-5,916 and instead shows negative momentum divergence on the weekly chart (not triple)
- The last two times we saw negative divergence on this chart the FTSE 100 fell for 4 weeks (in Jan 2010 and Feb-Mar 2011)

Short-term conviction views ¹

Instrument	View	Date view was established	Target	Level today
Gold	▪ We believe a base has been established in the \$1,500 area.	22 March 2012	\$1,791 and then \$1,921 and \$2,060	\$1,758
EURGBP	▪ Weekly close below the 2010 low (from where we bounced to the 76.4% retracement against the 2009 high) confirmed the break	10 May 2012	0.77	0.7964
USDBRL	▪ The weekly close above the reverse head and shoulders neckline opens the way for 2.40	24 May 2012	2.40	2.02
USDCLP	▪ Move lower recently not supported by moves in either Copper or the IPSA (Equity market)	24 May 2012	535	475
U.S. 10 year yield	▪ The break to new all time lows and through the double top neckline argues for lower yields	31 May	1.20%	1.72%
U.S. 30 year yield	▪ Break through the double top neckline (2.77%) , failure to close back above it and an outside day all point towards lower yields	19 June	2%	2.91%
AUDUSD	▪ Both yield spread and the FTSE Mining index suggest the pair should be lower	03 Sept	Parity and then 0.98 as an extended short term target	1.0406
AUDCAD	▪ Held the 76.4% retracement against the lows and is in danger of testing the 200 week moving average	03 Sept	0.98 first and then the 200 week moving average at 0.9660	1.0202
USDCAD	▪ A close back above 0.98 if seen would question the bearish break.	10 Sept	0.9407	0.9802
AUDNZD	▪ A close below 1.2674 would confirm the double top	18 Sept	1.2320 (Aug 2011 low and marginally above the double top target of 1.23)	1.2647
EURUSD	▪ Re-establishing a short term bearish stance after the hold of the 76.4% retracement of the last move down from the Feb high. The rally has also been similar in magnitude to that seen in Oct 2011 before the downtrend resumed	20 Sept	Initial target of 1.26 and then the trend lows just below 1.21	1.2910

Source: Aspen Graphics / Reuters 24 September 2012

¹ Convictions represent the views of the CitiFX Technical staff and not actual trades.

Long-term conviction views ²

Summary of our strong conviction 2012 views as we open the year.

As we continually note, when and if factors/dynamics change, we will adjust them into our thought process. These are our views we hold with conviction today. As we head through the year, we will update our level of conviction on an ongoing basis.

Instrument	View for 2012 as at the end of 2011	Conviction at the start of Jan 2012	Comment	Level today
EURUSD	<ul style="list-style-type: none"> Fall to 1.20 in Q1, 2012 and possibly even 1.10-1.15 in the summer before bouncing back towards 1.20 	Strong	Following the mid 1990's path after the end of the ERM	1.2910
DXY Index	<ul style="list-style-type: none"> A 15% rally towards 92.00+ 	Strong	Also following the path of the major USD turn in 1995	79.66
U.S. Long end yields	<ul style="list-style-type: none"> 10 year yields to head towards 1.25%. 30 year yields to head towards 2% We expect curves to flatten. 	Strong	Held decent resistance levels / pivots on the yield charts suggesting a final leg of lower yields can be seen now	U.S. 10Y yields at 1.72% and 30Y at 2.91%
Crude	<ul style="list-style-type: none"> Break above the 2011 highs (\$115) A move to the all time high is a real danger (\$147) 	Strong bullish stance that we break through the 2011 high	Increasingly convinced that the dominant uptrend has resumed. Key levels from a medium term perspective are \$127-\$128	\$110.10 (Brent)
Gold	<ul style="list-style-type: none"> Correction down to the \$1,600 area and possibly to \$1,550 Ultimately a rally to \$2,400 	Strong long term bullish stance	We believe the \$1,500 area has established a strong base here.	\$1,758
S&P 500	<ul style="list-style-type: none"> Fall to 960-1,015 area before a 20% bounce Finish the year down 3-6% 	Strong	While it has remained more buoyant than expected the longer term view of another drop (High to low) in excess of 20% remains	1,460

Source: Aspen Graphics / Reuters 19 September 2012.

² Convictions represent the views of the CitiFX Technical staff and not actual trades.

CitiFX® Technicals Portfolio

Strategic trades will likely be / intended to be of more medium term nature using the variety of building blocks that we articulate in that medium term view.
 Tactical trades by definition are likely to be more short-term and driven more by day to day price dynamics, risk management P&L etc.
 The strategic portfolio will be made up of 100 units of capital with the potential for modest leverage while the tactical portfolio will comprise 50 units of capital also with modest leverage potential.
 These portfolios represent actual trades in FX, EM, Fixed income, Commodities or Equity indices

Strategic Portfolio

Instrument	Position	Date established	Comment	Entry	Stop (If breached unless specified otherwise)	Target	Present level
EURUSD	Long 19 Oct expiry EURUSD 1.15 European digital put	03 May 2012	Top of channel held with double 76.4% pullbacks. We believe the next move lower may have started	1.3160	Premium paid	Sub 1.15	1.3026

Source: CitiFX Technicals Views, Aspen Graphics / Reuters 19 September 2012.

Tactical Portfolio

Instrument	Position	Date established	Comment	Entry	Stop (If breached unless specified otherwise)	Target	Present level
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Source: CitiFX Technicals Views, Aspen Graphics / Reuters 19 September 2012.



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