

Date: 10th March, 2010 [Early Asia]

Technical Report No: LFX 47/2010

Overview:

Data released overnight showed that U.S. consumer confidence has fallen to its lowest level in a year, and that the UK's exports have fallen by the most in 3 years.

Fitch ratings agency suggested that despite Portugal's moves to cut its deficit, it may not be enough to avoid a ratings downgrade, and Moody's have indicated that UK banks and financial institutions may not escape downgrades once government support measures expire.

These news items do not bolster the 'recovery' story and we may see some risk deleveraging yet again.

RBNZ monetary policy meeting tomorrow – expect no change – and NZD to trade narrowly today.

	AUD/USD	NZD/USD	AUD/NZD	EUR/USD	USD/JPY	GBP/USD
RESISTANCE	0.9150	0.7050/60	1.3120	1.3735	91.25	1.5340
		0.7035	1.3050	1.3690/00	90.70	1.5190
			1.3035		90.60	1.5120
					90.20	1.5030
SUPPORT	0.9050	0.6960	1.2960	1.3530	89.50/60	1.4935
	0.9035	0.6850	1.2950	1.3450	88.05	1.4780
	0.8975	0.6805				1.4400
	0.8955					

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

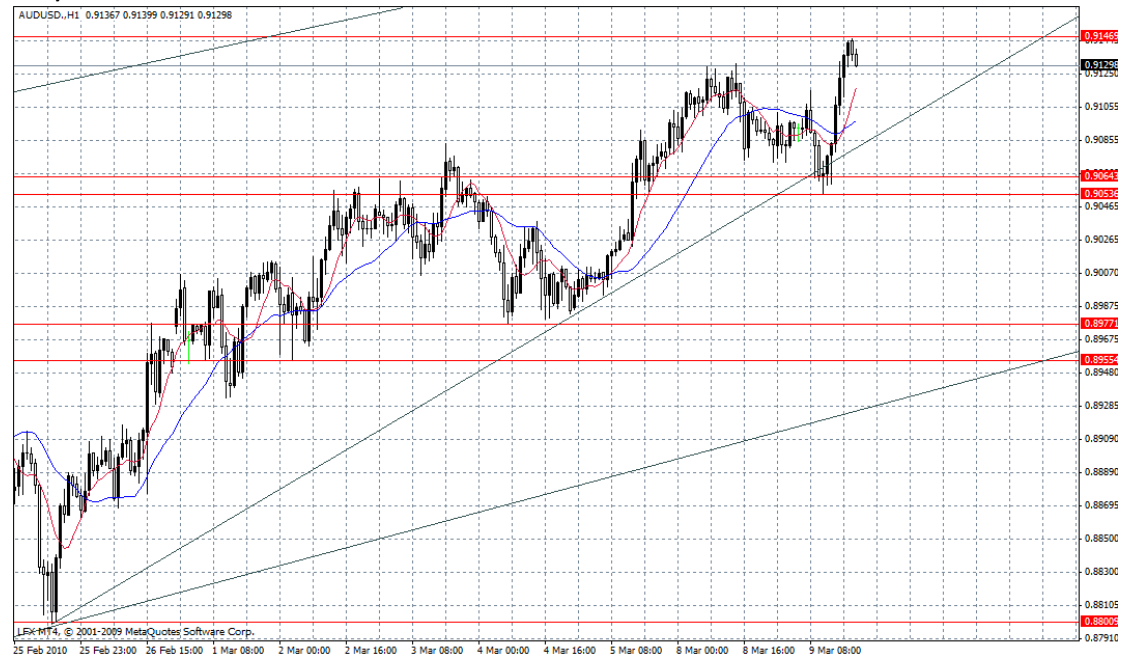


Fig 1: Hourly AUD/USD

As suggested in yesterday's report AUD/USD found support at the 0.9060 area and has moved higher once again, opening around the 0.9130 highs in Australasia. Moving higher in a wider channel that can be seen on the 4 hourly chart and finding trend line support on the hourly charts with the mvas pointing higher. However, we look to the USD performance across the board and commodities and prefer to be neutral at this level for AUD/USD – as the break of 0.9130 hasn't followed through. 0.9060/0.9150 may constrain on the day.

NZD/USD

The NZD/USD has again fallen short of the crucial 0.7050 resistance level – running out of steam again at the 0.7035 level. We see this as important ahead of tomorrow RBNZ decision, and suspect that NZD/USD is overbought on the back of a higher AUD and a lower AUD/NZD over the last few days. Despite the moving averages having crossed higher, the second failure ahead of 0.7050 leads us to suspect that they will converge during today's trading and potentially turn lower ahead of tomorrow's announcement. On the day we expect the range to be confined by 0.6960/0.7050 – and prefer to play that range – with tight S/Ls.

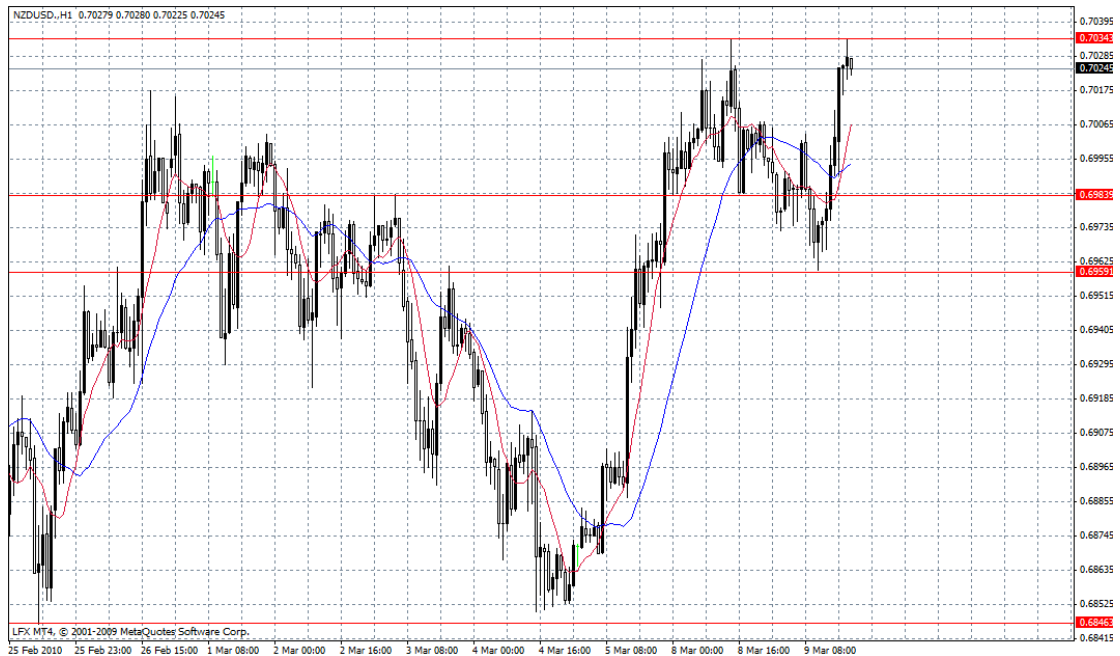


Fig 2: Hourly NZD/USD

AUD/NZD

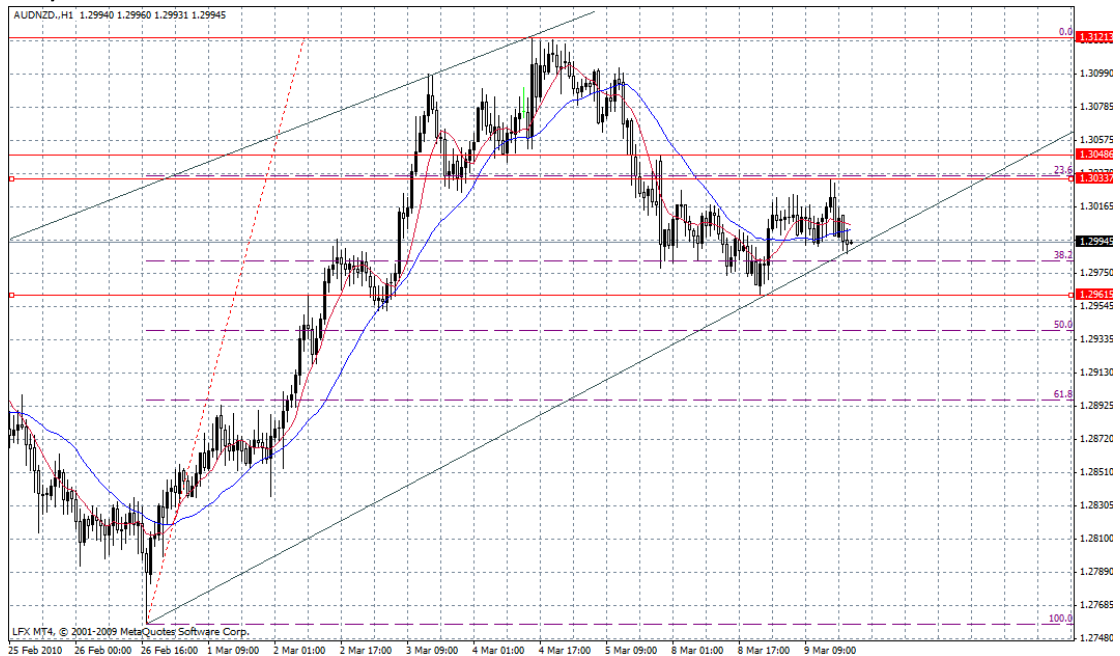


Fig 3: Hourly AUD/NZD

AUD/NZD trading sideways over the past 24hrs but finding support at the 38.2% Fibon retracement level. We still like AUD/NZD higher as it moves up in a widening channel. As per yesterday's report, we prefer to be long here with a S/L below 1.2925 – with only a close below 1.2950 challenging our medium term view. A dovish statement tomorrow morning from the RBNZ – could provide a spike higher, with a lot of long positions having been flushed out over the past 2 days.

EUR/USD

The market took talk of a European IMF with studied indifference.

Whilst the big picture trend remains for a lower EUR it is going to be hard to identify the resumption amongst the choppy price action. Probably the best bet is to wait for a daily close below 1.3550 or a failed bounce of the 1.3445 area. Resistance lies towards 1.3680. A close above 1.3700 would surprise but set up 1.3860 (1% below 1.4000). From a day trading perspective our strategy of playing the range paid of yesterday selling at 1.3690 and buying back ahead of 1.3530. On the day - we believe that this range still remains intact – but with a downside bias – so prefer to sell the rally and buy back on the dip, rather than getting caught long at the bottom.

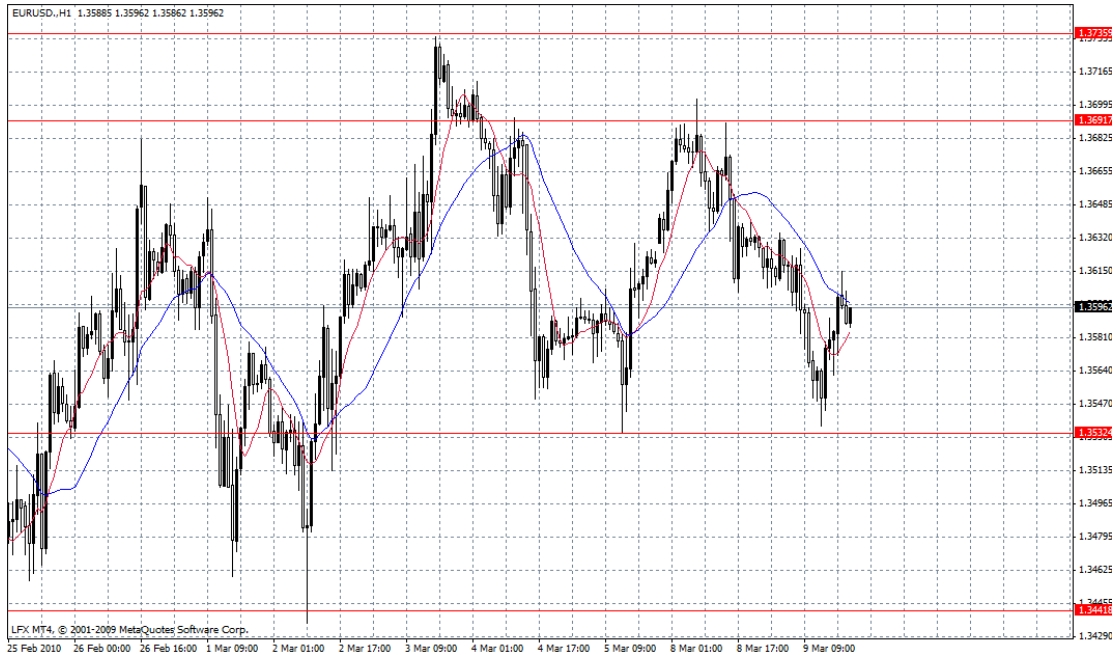


Fig 4: Hourly EUR/USD

USD/JPY

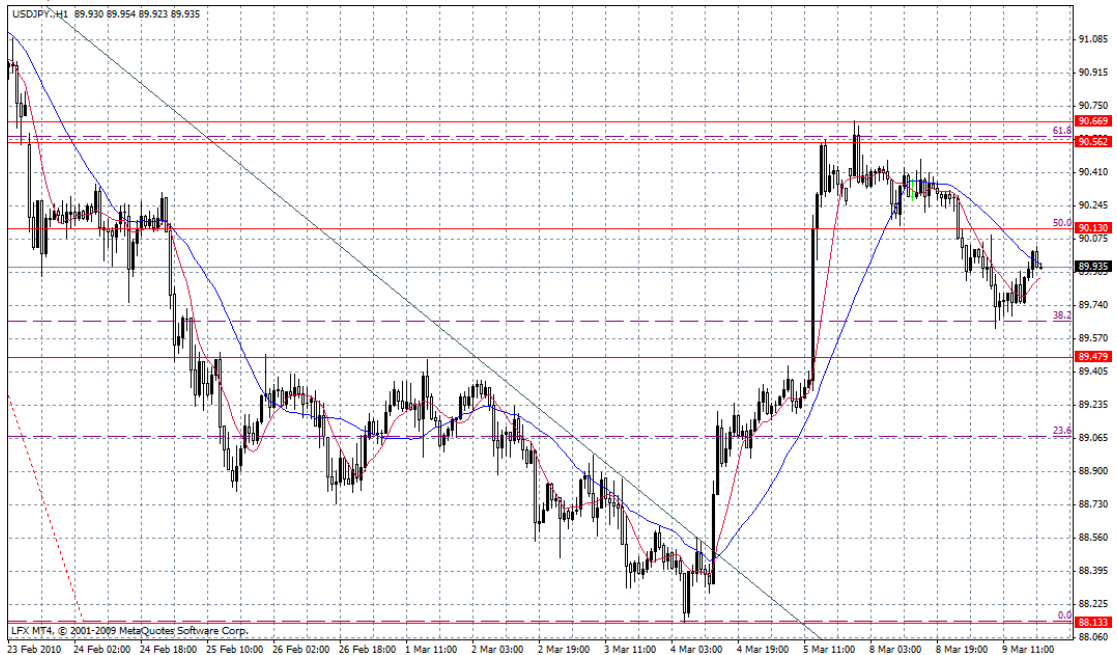


Fig 5: Hourly USD/JPY

Failure of USD/JPY at the 61.8% Fibonaci retracement level and some USD weakness overnight resulted in a lower USD/JPY which has found support now at 31.8% Fibonaci level (these levels relate to the most recent move down on the hourly charts). The moving averages crossed lower on the back of the sell down, but are converging now as the USD regains some ground across the board. We prefer to remain neutral on USD/JPY at these levels and expect

further sideways price action. 89.60/90.70 should define the range for now, with some resistance at 90.20 developing, and we prefer to play that range with tight S/Ls either side of the breakouts.

GBP/USD

Talk of ever-closer opinion polls plus weaker than expected trade data saw GBP weaken against USD. It was trapped in a narrow 0.9055/0.9085 range against the Euro.

As per our latest weekly report we still see it rising against the Euro towards 0.8800, which would limit the downside against the USD if that in turn rises against the Europeans, as we expect.

1.4850 provides strong support with 1.4935 developing overnight as support - resistance is at 1.5120 initially, with strong resistance at 1.5190. On the day we see some consolidation with the range likely to be confined by 1.4935/1.5030 until the European session.

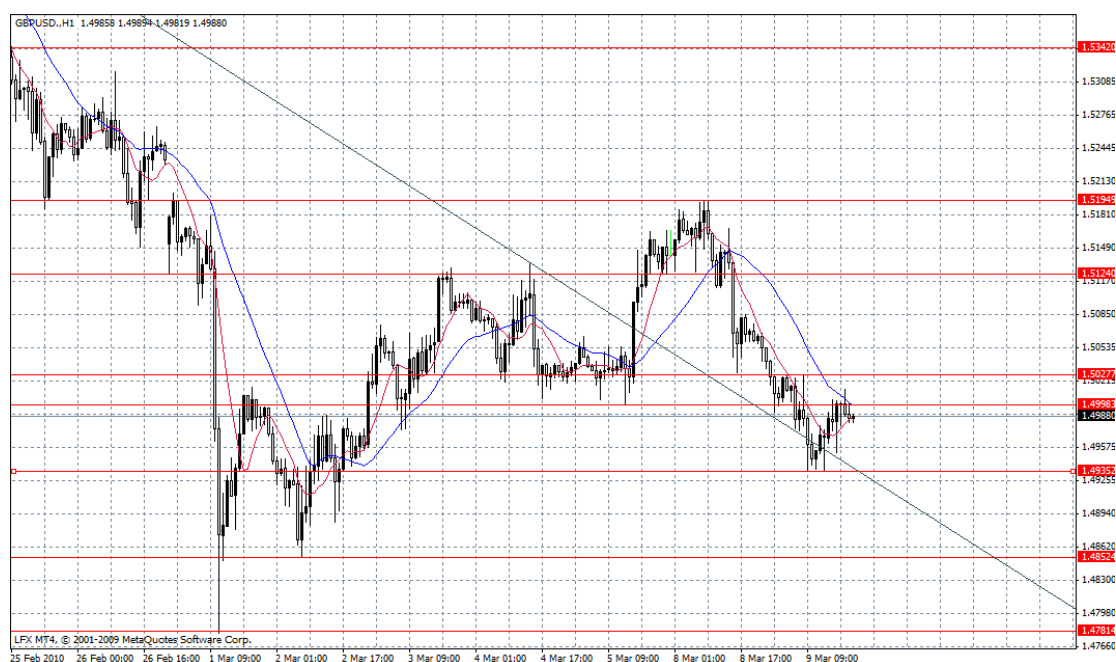


Fig 6: Hourly GBP/USD

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