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FX Daily Hotline

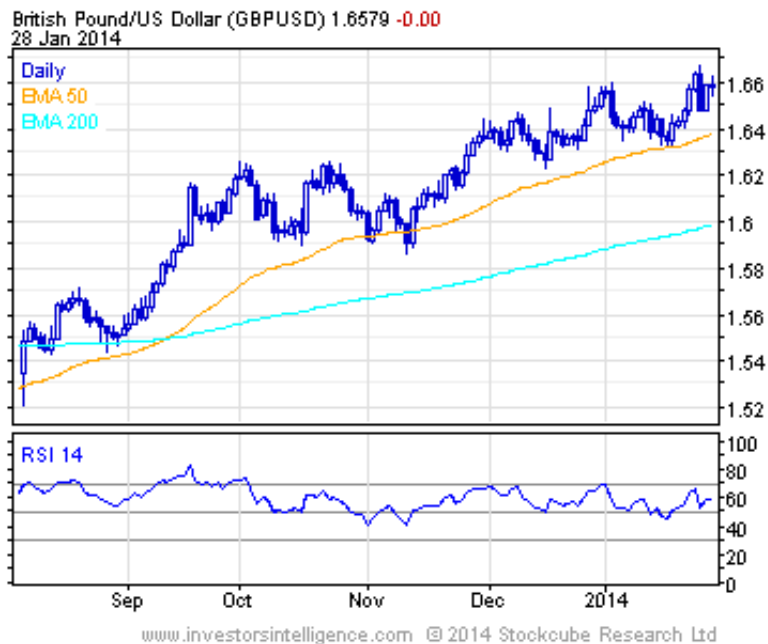
29 January 2014 By C Dichio, Analyst



Chart of the day: £ reasserts uptrend v US\$?

The **British Pound** has retraced a good portion of the 'Peak' Key Day Reversal of 23 January against the **US Dollar**. That dynamic, from US\$1.6668, had also taken the rate back beneath the prior highs near US\$1.6600 increasing the risk of a 'bull trap' reaction towards short-term uptrend support at the 50-day moving average. In fact, that risk (of a deeper correction) will remain until the bearish key reversal high is taken out.

When/if that happens, Cable bulls will head for the next chart targets at the 2009 and 2011 highs, near US\$1.7000 and US\$1.6750, respectively (see long-term charts available on the II website).



Daily Comment:

Both the **British Pound** and **US Dollar** have paused their overbought rallies against the **South African Rand**. In Tuesday's hotline, we discussed the US\$/Rand pairing, pointing out support at the 50-day moving average in the event of a deeper correction. The same is true for £/Rand and so we would also consider purchasing this pairing if the uptrend were to reassert near that line, for the upside potential towards the 2008 spiked peak at R19.3305 (R11.8723 is the US\$'s equivalent).

We have been hoping for a deeper correction towards the shorter-term MA lines by the UK and US units versus the **Canadian Dollar** in order to



purchase (see hotlines for 23 and 22 January, respectively). However, the pullbacks from overbought in these rates have been shallow, and both plotted new highs during yesterday's session. We stand aside as indicators remain near overbought levels.

The weak Canadian currency appears a second day running in the 'Losers' table against the **Mexican Peso**. Reacting to downtrend resistance at the 50 and 200-day MAs, the C\$ would have to sustain a crossing of those lines in order to reaffirm support at the 2013 floor at MP11.8418.

We continue to hold a long trade in the **Euro v Peso**, which has fallen to potential support from old resistance along the sideways area around MP18 (see 'Losers' for the chart).

The **Australian Dollar** appears again on the 'Gainers' board versus the **Japanese Yen**. Following +0.9% with +0.8%, the Aussie has rebounded from oversold back to supply from the medium-term trading range/top evident above Y91. Note that the resistance point within that area, at Y92.6970, is reinforced by the presence of both the 50 and 200-day MAs.

GBP/Canadian Dollar (GBPCAD) 1.849 +0.01
28 Jan 2014



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Canadian Dollar/Mexican Peso (CADMXN) 11.8872 -0.14
28 Jan 2014



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Australian Dollar/Japanese Yen (AUDJPY) 90.369 +0.75
28 Jan 2014



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Gainers / Losers
Top 5 Gains.

Symbol	Stock	Close	% Change
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TWI TYSP	Turkish Lira Trade Weighted	60.36	+1.4%
AUDCAD	Australian Dollar/Canadian Dollar	0.9791	+0.8%
AUDJPY	Australian Dollar/Japanese Yen	90.369	+0.8%
NZDJPY	New Zealand Dollar/Japanese Yen	85.008	+0.7%
AUDCHF	Australian Dollar/Swiss Franc	0.7876	+0.6%

Top 5 Losses.

Symbol	Stock	Close	% Change
TRY	New Turkish Lira per 1 US Dollar	2.2525	-1.3%
CADMXN	Canadian Dollar/Mexican Peso	11.8872	-1.1%
GBPZAR	GBP/South African Rand	18.2775	-0.9%
INR	Indian Rupee per 1 US Dollar	62.515	-0.9%
EURMXN	Euro/Mexican Peso	18.1239	-0.8%

The FX Model Portfolio

Foreign Exchange Model Portfolio Longs

Date	Stock	Code	Type	Open Price	Current Price	% P&L	Stop	Comment
14 Jan 2014	New Zealand Dollar/Japanese Yen	NZDJPY	Long	87.359	85.008	-2.69%	83	
23 Jan 2014	Euro/Mexican Peso	EURMXN	Long	18.3544	18.1239	-1.26%	17.5	

Foreign Exchange Model Portfolio Shorts

Date	Stock	Code	Type	Open Price	Current Price	% P&L	Stop	Comment
16 Jan 2014	Australian Dollar/US Dollar	AUD	Short	0.8814	0.8802	+0.14%	0.89	

- We watch to buy £ and US\$ v SA Rand and C\$.

Daily Analysis

Symbol	Name	Comment	Close	1 day	Support	Resistance
DXY	US Dollar Index	Finds firm resistance at the highs of the Nov-Jan range. Intraday support is noted at 80.153.	80.568	+0.1%	79.686	82.671/81.482
EUR	Euro/US Dollar	Rebound finds intraday resistance at 1.3739.	1.3671	-0.0%	1.3296/1.34/1.3508	1.3893
GBPUSD	British Pound/US Dollar	Partially retraces the 'Peak' KDR of 23 Jan. Reasserting uptrend?	1.6579	-0.0%	1.622/1.631	1.6747/1.6668
CAD	US\$/Canadian Dollar	Renews the rally after a brief pause. RSI remains overbought.	1.1153	+0.3%	1.0561/1.1032	1.1725/1.1174?
JPY	US\$/Japanese Yen	Pauses the s-t downtrend.	102.94	+0.4%	100/101.63	108.03/105.44
ZAR	US\$/South	Overbought	11.0411	-0.7%	10.5919/10.7943	11.8723

	African Rand	rally towards the 2008 spiked peak finds intraday resistance at 11.2541.				
KRW	South Korean Won per 1 US Dollar	Overbought rally from the base slows.	1081.1	-0.2%	1048.1/1055.64	1100/1087.5
CHF	US\$/Swiss Franc	Sharp reaction from the 200-day MA slows.	0.8972	+0.1%	0.88/0.8903	0.925/0.9156
EURGBP	Euro/Pounds Sterling	Potentially reasserting the s-t downtrend from the 2013 top.	0.82452	+0.0%	0.80817/0.81683	0.84049/0.8349
EURJPY	Euro/Japanese Yen	Pullback from the overbought Dec high slows.	140.73	+0.4%	135/138.43	145.69/143.17
EURCHF	Euro/Swiss Franc	Steadies after the sharp reaction to the m-t sideways area along 1.24.	1.2266	+0.1%	1.2167/1.2221	1.24343/1.24151
GBPJPY	GBP/Japanese Yen	Uptrend flattens, but steadies near the 50-day MA.	170.664	+0.3%	165.878	181.4/174.85
GBPCHF	GBP/Swiss Franc	Possibly reasserting the uptrend after the 23 Jan 'Peak' KDR and ensuing reaction.	1.4876	+0.1%	1.4567/1.4722	1.5249/1.5148
CHFJPY	Sfr/Japanese Yen	Holds the correction from the overbought late-2013 high. Hovers near the 50-day MA.	114.733	+0.3%	106.665/108.883	119.184/115.924
AUDJPY	Australian Dollar/Japanese Yen	Counter move from oversold to the multi-month range/top.	90.369	+0.8%	86.41/88.464	94.229/92.697
AUDNZD	Australian Dollar/New Zealand Dollar	Maintains the downtrend.	1.063	+0.2%	1.0285/1.0432/1.0543?	1.123/1.0921
AUD	Australian Dollar/US Dollar	Holds the downtrend.	0.8802	+0.3%	0.8316/0.8634	0.9086/0.8888

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