

**Technical Analysis**

**07 January 2010  
One year Outlook for JPY**



**Comment:** Having dropped to critical support at 85.00, ahead of the all-time low at 79.75 of April 1995, maintaining the ultra-long term trend to US dollar weakness will probably prove more difficult. The authorities will be tempted to pull out all the stops, making for erratic price action and truncated trends. During Q1 prices will hold above 85.00, but capped around 94.00. Throughout Q2 and Q3 we favour a series on concerted downside tests of the two levels mentioned above, with sizeable bounces following each attempt, rallies probably capped between 98.00 and 100.00. The final quarter of 2010 should see far more subdued trading, prices again holding above 85.00 and capped at 94.00.

A weekly close above 95.00 would hint that the market is no longer in bear mode and, coupled with the potential 'wedge' that has been forming since April 2009, could lead to a massive short-covering rally taking the US dollar back up to 110.00.

**Chart Levels:**

Support	Resistance	Direction of Trade
91.00	93.25	
88.00*	95.00*	
85.00**	99.00	
82.00	100.50*	
79.75***	101.45**	

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