

Weekly Technical Commentary

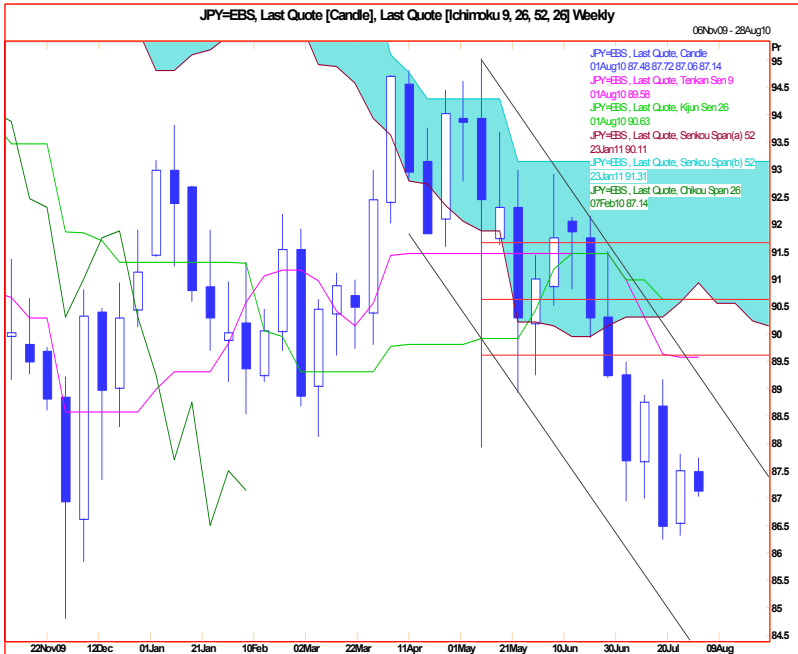
26 July 2010

Links: <http://www.mizuho-sc.com/>

Bloomberg Page: MIZH

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USD/JPY Chart Levels: Support 87.00...86.26..85.00..84.00. Resistance 88.00..89.15..89.60..90.35.

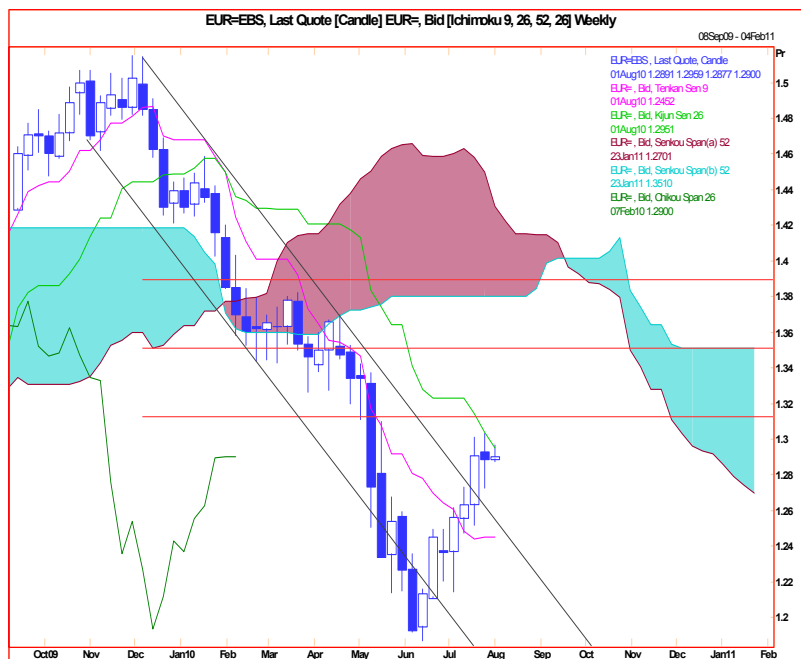


This week

This month

Surprisingly contained and almost boring as we consolidate around very important support at 87.00. This is its mean regression level using data since 1980 so the yen is not 'expensive' by historical standards despite trading close to its record low of 79.75. When this pair last traded here in 1995 it was well over two standard deviations below the mean at that time, clearly an extreme. Therefore over the summer we shall continue to allow for a series of downside tests at critical 85.00 support, a level which the authorities have tried (and managed) to defend on previous occasions. Note that many yen crosses are also expected to see concerted downside probes, some at fairly pivotal long term support.

EUR/USD Chart Levels: Support 1.2730..1.2600..1.2525..1.2475. Resistance 1.3029..1.3095..1.3125..1.3275.



This week

This month

Eleven cents higher than June's low and the Technical picture is slightly mixed. The Euro has now retraced almost 38% of losses from the high at 1.5145 in November 2009 and 9 and 26-week moving averages are still suggesting a short position. However, it has also broken above the 'channel' and the summer's move looks and feels like an 'extension'. We continue to see this as the start of what is expected to be a long drawn out basing process that will last much of the summer. We now favour a squeeze up to the 1.3100 level, at which point some hesitation might kick in. We remind though that as opinions on the Euro as so one way (against it), there is a risk of a sharp rally straight to 1.3350 this month and 1.3600/1.3700 in August.

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