

ASIA DAILY FOREX OUTLOOK - Majors

4 Jan 2011, 00:31

SINGAPORE (Dow Jones)--Following are expected trading ranges and outlooks for nine major currency pairs today:

| | Immediate Range | Larger Range |
|---------|-----------------|---------------|
| USD/JPY | 81.33-81.86 | 80.93-82.31 |
| EUR/USD | 1.3303-1.3394 | 1.3248-1.3425 |
| AUD/USD | 1.0149-1.0223 | 1.0122-1.0253 |
| NZD/USD | 0.7698-0.7769 | 0.7657-0.7784 |
| GBP/USD | 1.5432-1.5584 | 1.5409-1.5664 |
| USD/CHF | 0.9316-0.9382 | 0.9301-0.9398 |
| USD/CAD | 0.9884-0.9949 | 0.9816-1.0006 |
| EUR/JPY | 108.64-109.28 | 107.81-109.60 |
| EUR/GBP | 0.8589-0.8648 | 0.8538-0.8692 |

(Ranges are calculated using recent high and lows, information on the placement of option strikes, and technical analysis - Fibonacci levels, trendlines and moving averages.)

USD/JPY - to trade with risks skewed higher, underpinned by JPY-funded carry trades amid improved global risk appetite (VIX fear gauge down 0.79% at 17.61) and positive USD sentiment (ICE spot dollar index last 79.24 vs 79.11 early Monday) as Wall Street posted strong gains overnight (DJIA up 0.81%, Nasdaq up 1.46%) on encouraging U.S. data: ISM manufacturing PMI rose to 57.0 last month from 56.6 in November (though slightly below 57.1 forecast), U.S. November construction spending increased stronger-than-expected 0.4% (vs +0.2% forecast). USD/JPY also supported by higher U.S. Treasury yields, USD demand for import settlements, fear of Japan MOF yen-selling intervention. But USD/JPY gains tempered by Japan exporter sales, lingering concerns over euro-zone sovereign-debt crisis, expectations of stronger Chinese yuan ahead of President Hu Jintao's visit to Washington on Jan. 19. Data focus: 1500 GMT U.S. November manufacturers' shipments, inventories & orders. USD/JPY daily chart positive-biased as stochastics turned bullish at oversold; negative MACD histogram bars contracting; bullish key-reversal-day pattern completed yesterday. Resistance at 81.86 (Thursday's high); breach would expose upside to 82.31 (previous base set Dec. 7), then 82.60 (55-day moving average), 82.97 (Dec. 27 high) and 83.15 (Dec. 24 high). Support at 81.33 (hourly chart), then at 80.93 (yesterday's low); breach would reinstate near-term negative bias, exposing downside to 80.50 (Nov. 9 low), then 80.21 (15-year low set Nov. 1) and 79.75 (record low set on April 19, 1995).

EUR/USD - to consolidate with bullish bias. Pair supported by positive global risk sentiment; stronger euro-zone manufacturing PMI of 57.1 last month vs initial estimate of 56.8 and 55.3 in November; Chinese vice premier Li Keqiang's comment in Spanish newspaper El Pais that China would continue to buy Spain's government bonds to support stability in EU. But EUR/USD topside limited by improved USD sentiment, lingering worries euro-zone sovereign debt crisis will intensify this year; ECB data showing central bank settled just EUR164 million in government bond purchases last week vs EUR1.121 billion the week before, exacerbating concerns about liquidity ahead of debt issuance by European governments and banks. Data focus: 0900 GMT German December labor market

2011-01-04_00h31_ASIA DAILY FOREX OUTLOOK - Majors + statistics, 1000 GMT December flash estimate euro area inflation. EUR/USD daily chart positive-biased as MACD & stochastics bullish. Resistance at 1.3394 (yesterday's high), then at 1.3425 (Friday's high); breach would expose upside to 1.3500 (Dec. 14 reaction high, near 55-day moving average), then 1.3786 (Nov. 22 reaction high). Support at 1.3303 (hourly chart), then at 1.3248 (yesterday's low); breach would temper near-term positive outlook, exposing downside to 1.3210 (Thursday's low), then 1.3081 (Wednesday's low, near 200-day moving average), 1.3070 (Dec. 27 low) and 1.3053 (Dec. 23 low).

AUD/USD - to consolidate with risks skewed lower. Pair undermined by improved USD sentiment, lingering worries over slower China economic growth and euro-zone sovereign debt problems. But AUD/USD losses tempered by AUD demand for long-AUD carry trades on increased investor risk appetite, buoyant commodity prices (CRB spot index ended up 0.22 yesterday at fresh 2-year closing high of 333.02). Data focus: 0530 GMT Australia December commodity price index. AUD/USD daily chart mixed as MACD bullish, but stochastics turning bearish at overbought; inside-day-range pattern completed yesterday. Support at 1.0149 (Friday's low); breach would target 1.0122 (base of minor ascending channel formed with Dec. 1 low of 0.9535 and Dec. 3 high of 0.9937), then 1.0113 (Thursday's low), 1.0085 (Wednesday's low) and 0.9980 (Dec. 27 low). Resistance at 1.0223 (yesterday's high), then at 1.0253 (Friday's post-float high); breach would reinstate near-term positive bias, exposing upside to psychological 1.0300 & 1.0400 levels, then 1.0476 (projected top of channel).

NZD/USD - to consolidate with risks skewed lower. Pair undermined by improved USD sentiment, worries over weaker China economic growth and euro-zone sovereign debt crisis. But NZD/USD losses tempered by stronger investor risk appetite, buoyant commodity prices. NZD/USD daily chart mixed as MACD bullish, but stochastics turned bearish at overbought; inside-day-range pattern completed yesterday. Support at 0.7698 (Friday's low); breach would target 0.7657 (Thursday's low), then 0.7603 (55-day moving average) and 0.7536 (Wednesday's low). Resistance at 0.7769 (hourly chart), then at 0.7784 (yesterday's high) and 0.7813 (Thursday's high); breach would reinstate near-term positive bias, targeting 0.7835 (Nov. 22 reaction high), then 0.7872 (Nov. 11 high) and 0.7976 (Nov. 4 top).

GBP/USD - to range-trade. Pair supported by stronger investor risk tolerance; but gains tempered by improved USD sentiment, lingering concerns over negative impact of fiscal tightening on UK economy and euro-zone sovereign debt crisis. Data focus: 0930 GMT UK December CIPS manufacturing PMI, November BOE lending to individuals figures, November BSA savings & mortgage lending figures. GBP/USD daily chart still positive-biased as MACD & stochastics in bullish mode, though inside-day-range pattern completed yesterday. Resistance at 1.5584 (yesterday's high); breach would target 1.5664 (Friday's high), then 1.5712 (100-day moving average), 1.5768 (55-day moving average) and 1.5910 (Dec. 14 reaction high). Support at 1.5432 (yesterday's low); breach would target 1.5409 (200-day moving average), then 1.5365 (Thursday's low), 1.5344 (Dec. 28 low) and 1.5294 (Sept. 7 reaction low).

USD/CHF - to consolidate. Pair supported by improved USD sentiment, short-CHF carry trades on better investor risk appetite; bigger-than-expected drop in Swiss PMI to 59.6 last month from 61.8 in November (vs 61.0 forecast); fears of SNB's CHF-selling intervention. But USD/CHF gains tempered by CHF demand on EUR/CHF cross as worries linger over euro-zone sovereign debt crisis. Daily chart mixed as MACD bearish, but stochastics turning bullish at oversold; inside-day-range pattern completed yesterday. Resistance at 0.9382 (yesterday's high); breach would tilt near-term outlook toward positive, targeting 0.9398 (Friday's high), then 0.9437 (previous base set Tuesday), 0.9498 (top of descending channel formed with Dec. 2 high of 1.0055 and Dec. 14 low of 0.9556), 0.9532 (Wednesday's high) and 0.9605 (Dec. 28 high). Support at 0.9316 (yesterday's low), then at 0.9301 (Friday's record low); breach would reinstate near-term negative bias, exposing downside to psychological 0.9200, then 0.9195 (base of channel) and psychological 0.9100 level.

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USD/CAD - to consolidate. Pair undermined by increased investor risk appetite, firmer commodity & oil prices (Nymex crude settled up 17 cents yesterday at \$91.55/bbl). But USD/CAD losses tempered by improved USD sentiment, lingering worries over slower China economic growth and euro-zone sovereign debt problems. USD/CAD daily chart mixed as MACD bearish, but stochastics turning bullish at oversold; bullish hammer candlestick pattern completed yesterday. Resistance at 0.9949 (yesterday's high); breach would tilt near-term outlook toward positive, targeting 1.0006 (Friday's high), then 1.0022 (Thursday's high), 1.0054 (Wednesday's high), 1.0071 (Dec. 28 high) and 1.0110-1.0115 band (Dec. 27 high-Dec. 24 high). Support at 0.9884 (yesterday's low); breach would reinstate near-term negative bias, exposing downside to 0.9816 (May 21, 2008 reaction low), then 0.9708 (Feb. 28, 2008 reaction low).

EUR/JPY - to trade with bullish bias. Cross supported by stronger investor risk appetite, Japan importer demand; but gains tempered by Japan exporter sales, lingering worries over European sovereign debt. EUR/JPY daily chart positive-biased as stochastics rising from oversold, MACD staging bullish crossover against its exponential moving average. Resistance at 109.28 (yesterday's high); breach would expose upside to 109.52-109.60 band (Dec. 28 high-Dec. 23 high), then 110.13 (Dec. 22 high), 110.49 (Dec. 21 high) and 110.72 (Dec. 20 high). Support at 108.64 (hourly chart); breach would expose downside to 107.81 (yesterday's low), then 107.60 (Thursday's low), psychological 107.00 level and 106.71 (Sept. 14 low).

EUR/GBP - to consolidate with upward bias. Daily chart positive-biased as MACD bullish, while stochastics stay elevated at overbought, suggesting sideways or higher EUR/GBP trading near-term. Resistance at 0.8648 (Friday's high, matching previous base set Nov. 1); breach would expose upside to 0.8692 (Nov. 8 high), then 0.8776 (Nov. 5 high), 0.8817 (Nov. 4 reaction high) and 0.8941 (Oct. 25 top). Support at 0.8589 (hourly chart); then at 0.8538 (yesterday's low); breach would temper near-term positive outlook, targeting 0.8513 (Thursday's low), then 0.8500 (Wednesday's low), 0.8478-0.8474 band (Dec. 27 low-Dec. 24 low) and 0.8464-0.8458 band (Dec. 23 low-Dec. 22 low).

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