

Weekly Roundup

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Chart of the Week – USD Index - Ready to Rock?

- The price action on the USD-index is "on the cusp" of becoming very bullish
- This is supported by the price dynamics of the individual components with the most compelling ones being EURUSD, USDCHF and USDJPY

Commodities – Crude Oil (Nymex) looks in danger of a deeper move to the downside

- Despite the "escalation" of the ongoing conflicts in Russia/Ukraine and Israel/Gaza Crude Oil has struggled to retain a bid tone. Sometimes it is what the price DOES NOT do that is important
- The recent price action and setup is now suggesting lower levels in the near term that could take us to \$95.60-\$96.00 with a possible extension towards the \$91.24 area.

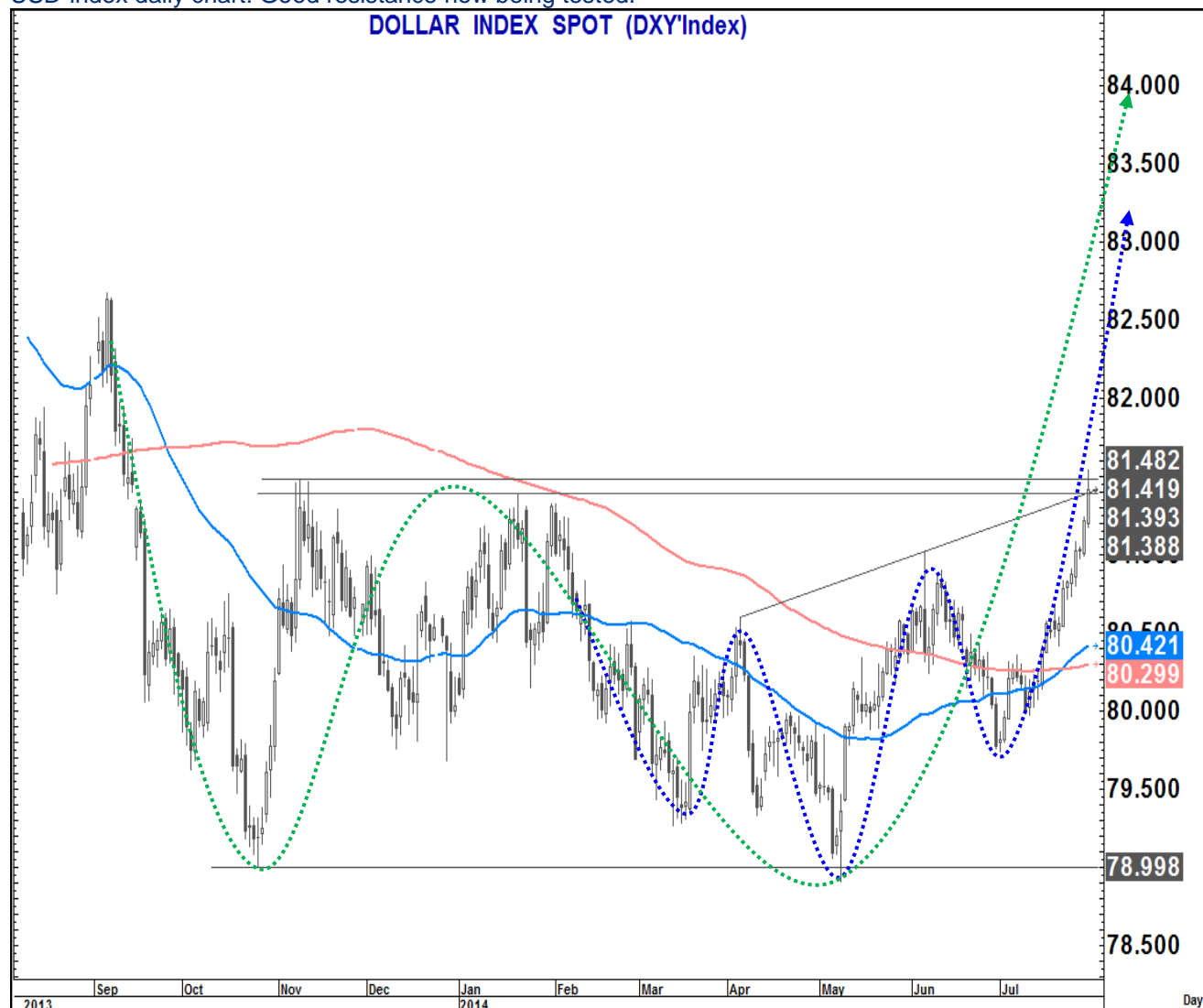
Local Markets – Uptrends ahead in USDMXN and USDCOP

- USDMXN has taken out key levels this week suggesting a rally towards 13.40
- The downtrend in USDCOP has likely reversed and we may be about to see a rally to 1938

Chart of the Week – USD Index - Ready to Rock?

- The price action on the USD-index is “on the cusp” of becoming very bullish.
- This is supported by the price dynamics of the individual components with the most compelling ones being **EURUSD**, **USDCHF** and **USDJPY**.

USD-index daily chart: Good resistance now being tested.



Source: Aspen graphics/Bloomberg July 30, 2014.

- The USD-index is now testing pivotal resistance between **81.39** and **81.48** (Upward sloping trend line of possible inverted head and shoulders and highs from Jan 2014 and Nov 2013). We have also seen the 55 day moving average now cross up above a rising 200 day moving average.
- A break through this range would complete what looks like an inverted head and shoulders which would target a move towards **83.40**. In addition this also looks to be a double bottom formation that would target as high as **84.00**

USD-Index weights

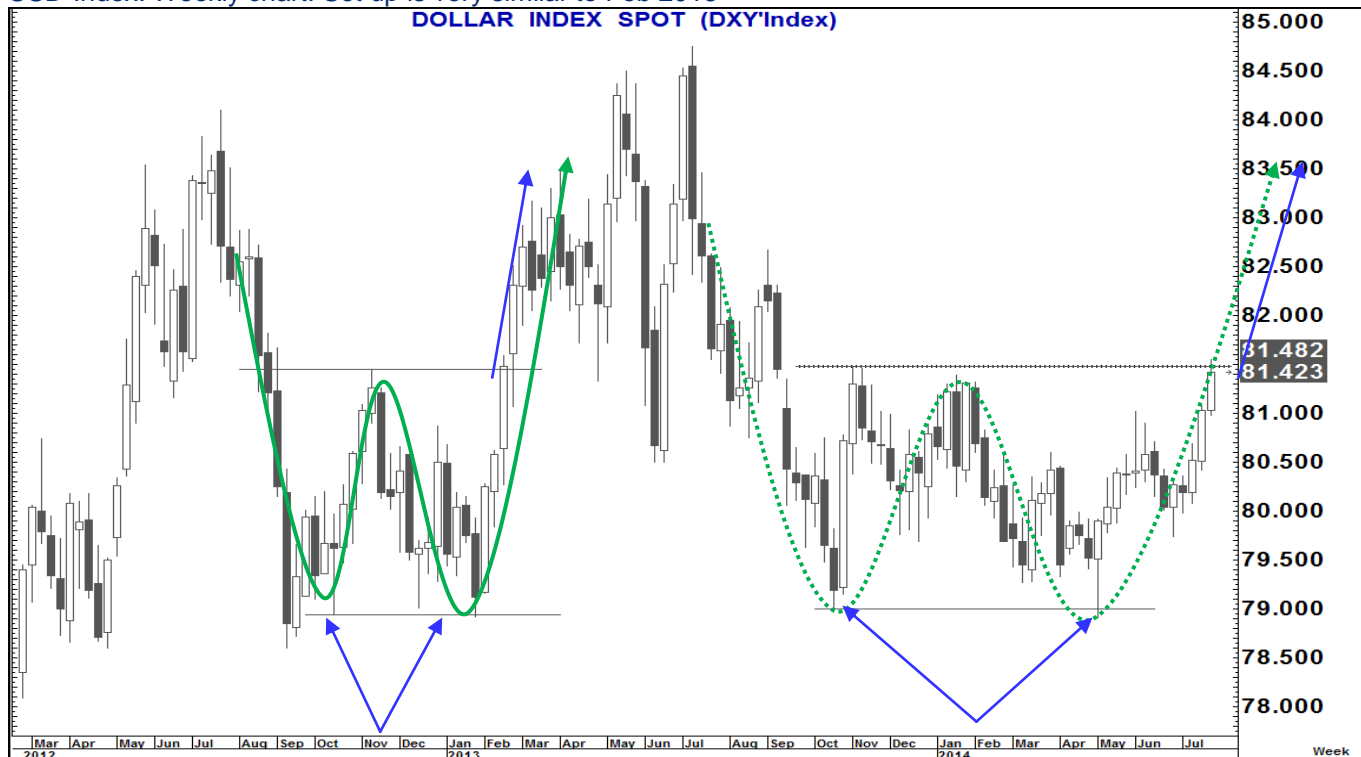
EUR Euro 57.6%; **JPY** Japanese Yen 13.6%; **GBP** British Pound 11.9%;

CAD Canadian Dollar 9.1%; **SEK** Swedish Krona 4.2%; **CHF** Swiss Franc 3.6%

Source: Aspen graphics/Bloomberg July 30, 2014.

Market Commentary | July 31, 2014

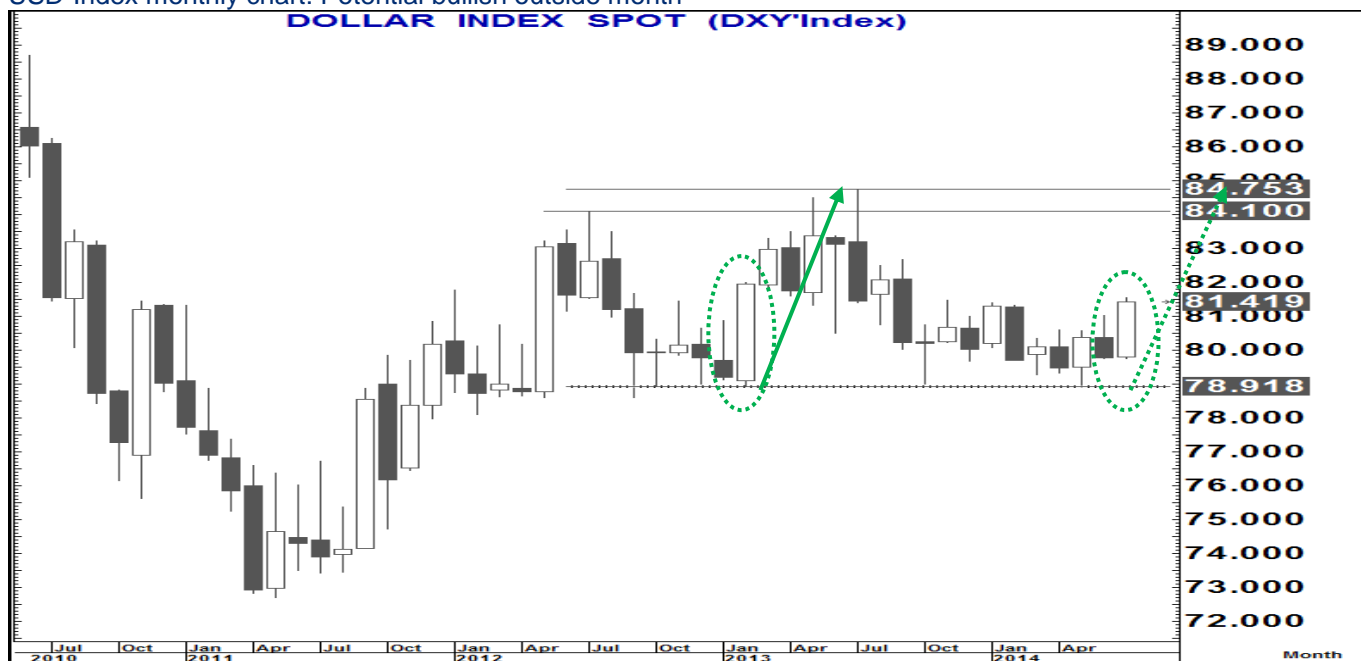
USD-Index: Weekly chart: Set up is very similar to Feb 2013



Source: Aspen graphics/Bloomberg July 30, 2014.

- As can be seen above, the level that the double bottom is forming from, as well as the level of the neckline is almost identical to that seen before the sharp move higher in Feb-Mar 2013.
- That move initially peak at **83,49** before then moving higher to **84.50** by May that year.

USD-Index monthly chart: Potential bullish outside month



Source: Aspen graphics/Bloomberg July 30, 2014.

- Something that occurred last in Feb 2013 and led to a move higher that ultimately peaked at **84.75** in July.
- A close this month over **81.02** will complete the bullish outside month.

USD-Index long term chart



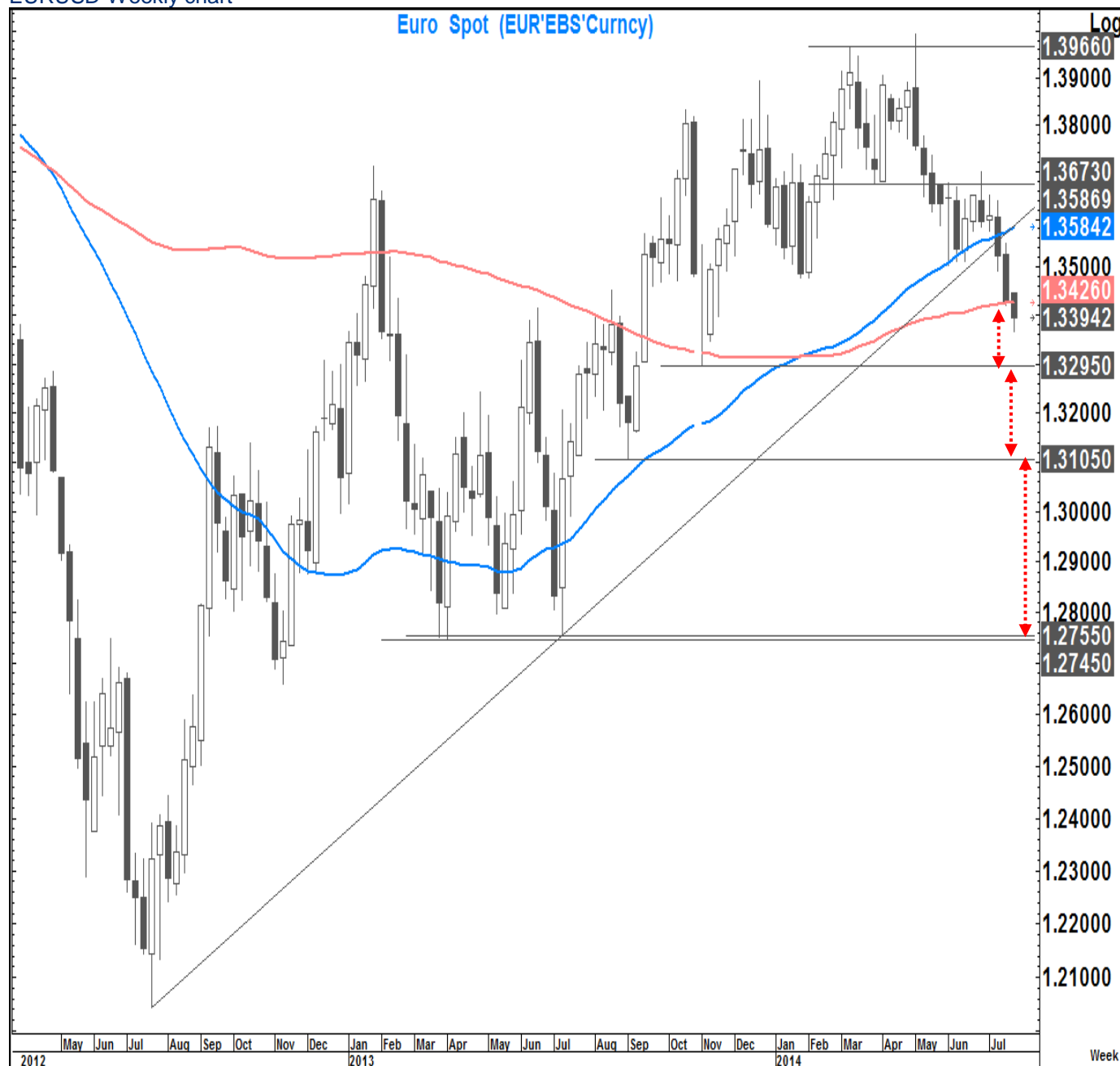
Source: Aspen Graphics /Bloomberg; July 28th, 2014.

- The USD-Index cycle has been closely tied to the housing/banking crises and recessions (1973-1975; 1989-1991 and 2006-2008)
- From an FX perspective we are more focused on the period 1989-1991 onwards.
- We continue to expect a renewed uptrend here into 2016 that could see the DXY back over 100

So let us look at the charts of the components

EURUSD

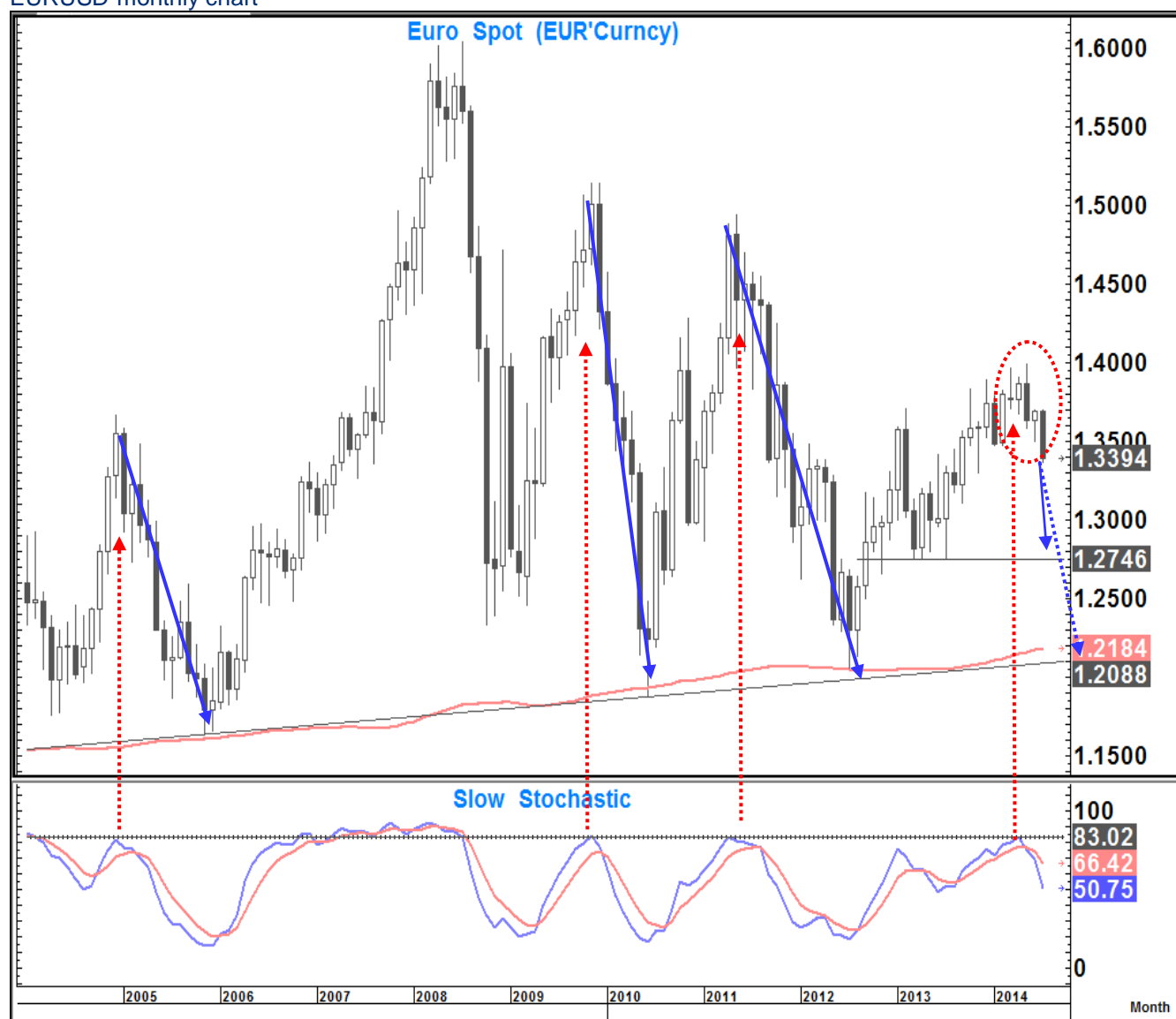
EURUSD-Weekly chart



Source: Aspen graphics/Bloomberg July 30, 2014.

- Posted a bearish outside day at the high followed by a bearish outside week and a double top.
- Broke below rising trend line support and the 55 week moving average
- Is now testing and has traded below the 200 week moving average (1.3426). In the last move lower of note in EURUSD (October-November 2013 from 1.3833-1.3295) EURUSD also traded below the 200 week moving average but did not close on the week below it. Our preferred outcome would be to see that close this week.
- Thereafter support levels of note are:
 - 1.3295: Nov. 2013 low
 - 1.3105: Sept. 2013 low
 - 1.2745-55: April-Jul 2013 lows and our **minimum** target for this year

EURUSD-monthly chart



Source: Aspen graphics/Bloomberg June 31, 2014.

- EURUSD posted a bearish outside month at the peak of the rally off the July 2012 low suggesting that we could ultimately see it back towards the 1.2745-55 level mentioned above.
- In addition, monthly momentum has turned down from similar levels reached when EURUSD peaked in Dec.2004; Nov 2009; May 2011 and now May 2014.
- In all those prior incidences EURUSD ultimately found its way back to the 200 month moving average over 7-14 months (Average about 11 months)
- A replication of those moves again (which we think is feasible) would suggest EURUSD back towards 1.21-1.22 by Dec 2014-July 2015 (By April 2015 on average)

USDJPY

USDJPY weekly chart and 3 month implied volatility

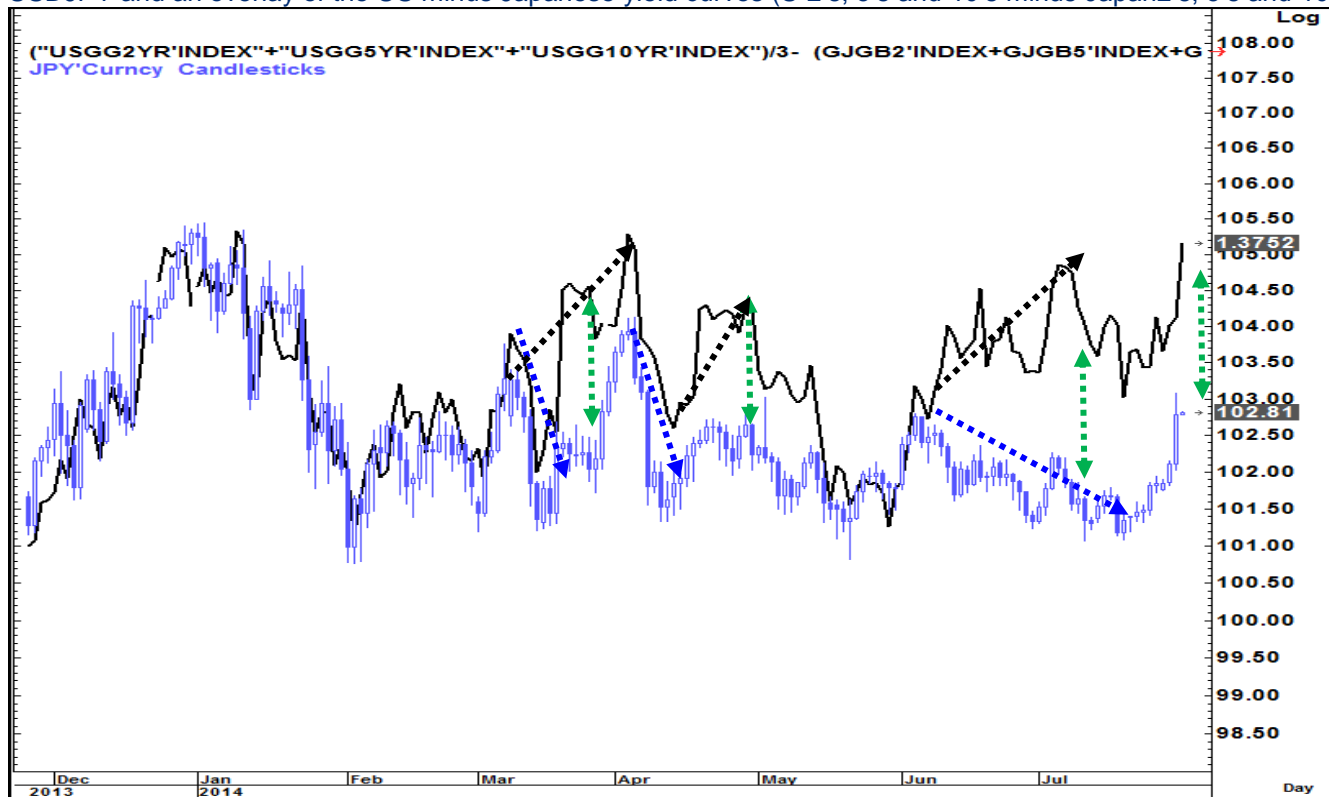


Source: Bloomberg / Aspen Graphics July 23, 2014.

- As implied volatility turned in October 2012 after a fall of 30 weeks (Into 2 weeks ago before it bounced it had been falling for 31 weeks) and moved higher that set up the way for a sharp move higher in USDJPY.
- To us, the present setup is very similar to that seen into October 2012. In addition:
 - People have been pretty much fed up with the USDJPY trade as it has not worked for the last 29 weeks.
 - Implied volatility is extremely low but now rising again
 - We believe US yields are forming a base and the present yield curve differentials are already showing a strong disconnect with USDJPY

Market Commentary | July 31, 2014

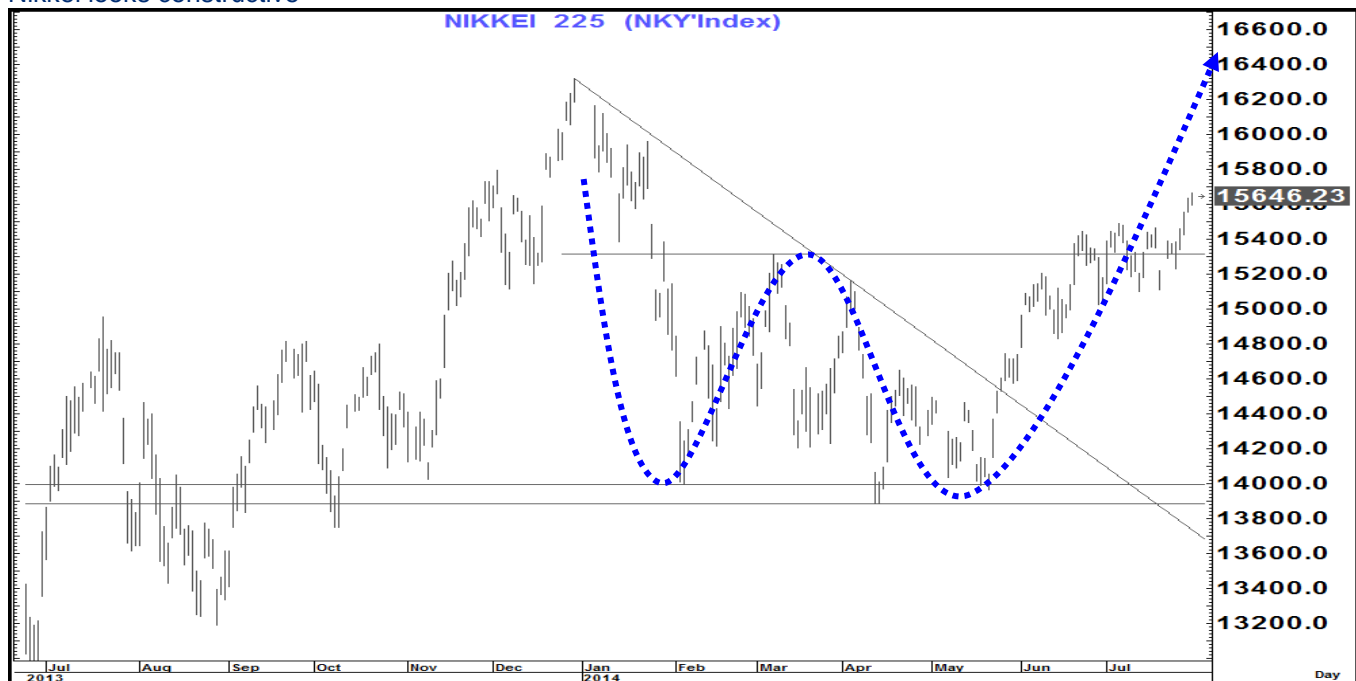
USDJPY and an overlay of the US minus Japanese yield curves (U 2's; 5's and 10's minus Japan 2's; 5's and 10's)



Source: Bloomberg / Aspen Graphics July 30, 2014.

- Would suggest around 105 is now a more appropriate level (and higher still if our view of a move higher in US yields (Particularly 2's and 5's plays out over time)
 - The Nikkei picture while choppy short term also looks constructive to us

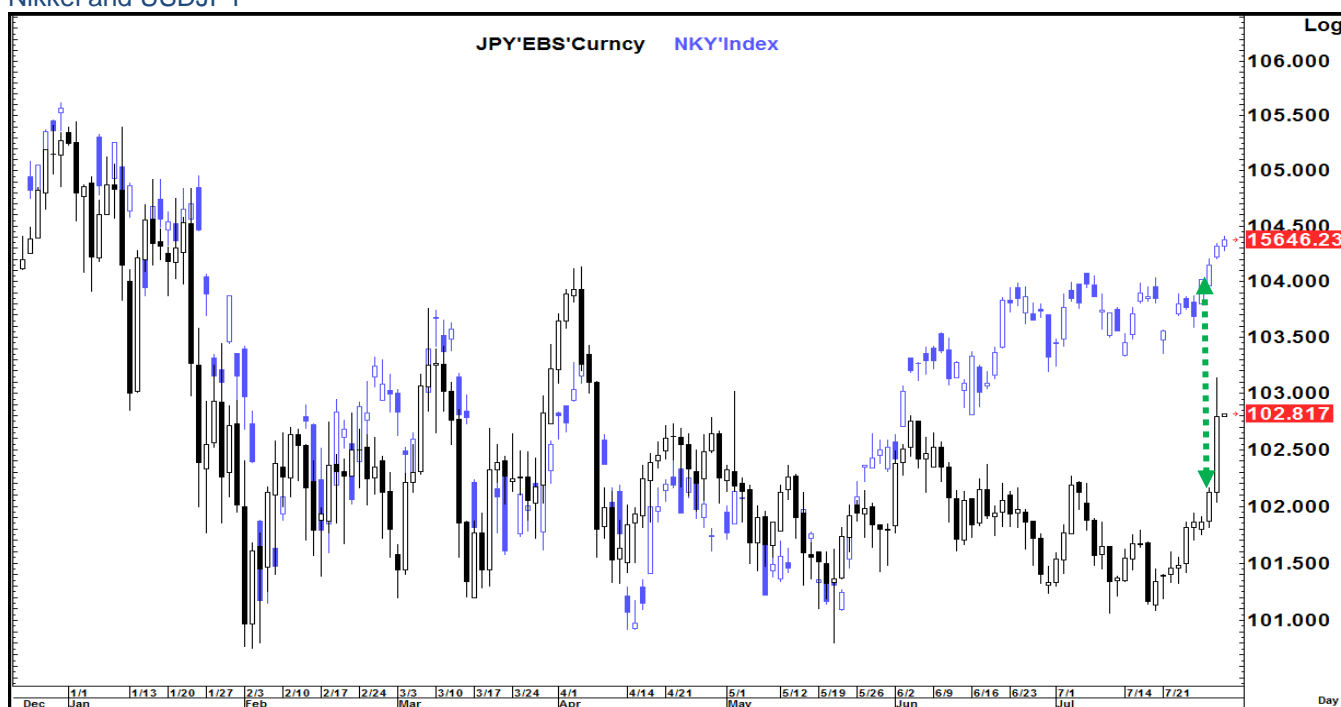
Nikkei looks constructive



Source: Bloomberg / Aspen Graphics July 30, 2014.

- Overall while choppy on a day to day basis this still looks to us like a double bottom pattern that can yield new trend highs going forward (Above 16,300)

Nikkei and USDJPY



Source: Bloomberg / Aspen Graphics July 23, 2014.

- Also suggests that we should be close to 104.50 already (and much higher if we get the expected rally in the Nikkei)

USDJPY daily chart



Source: Bloomberg / Aspen Graphics July30, 2014.

- All this leads us to believe that we may be closer to a move higher in USDJPY than people think. The double bottom neckline sits at 104.13 and a break would suggest at least 107.50 and possibly close to 110 in the months ahead.

GBPUSD

GBPUSD: Strong resistance held at 1.7180. The top may be in

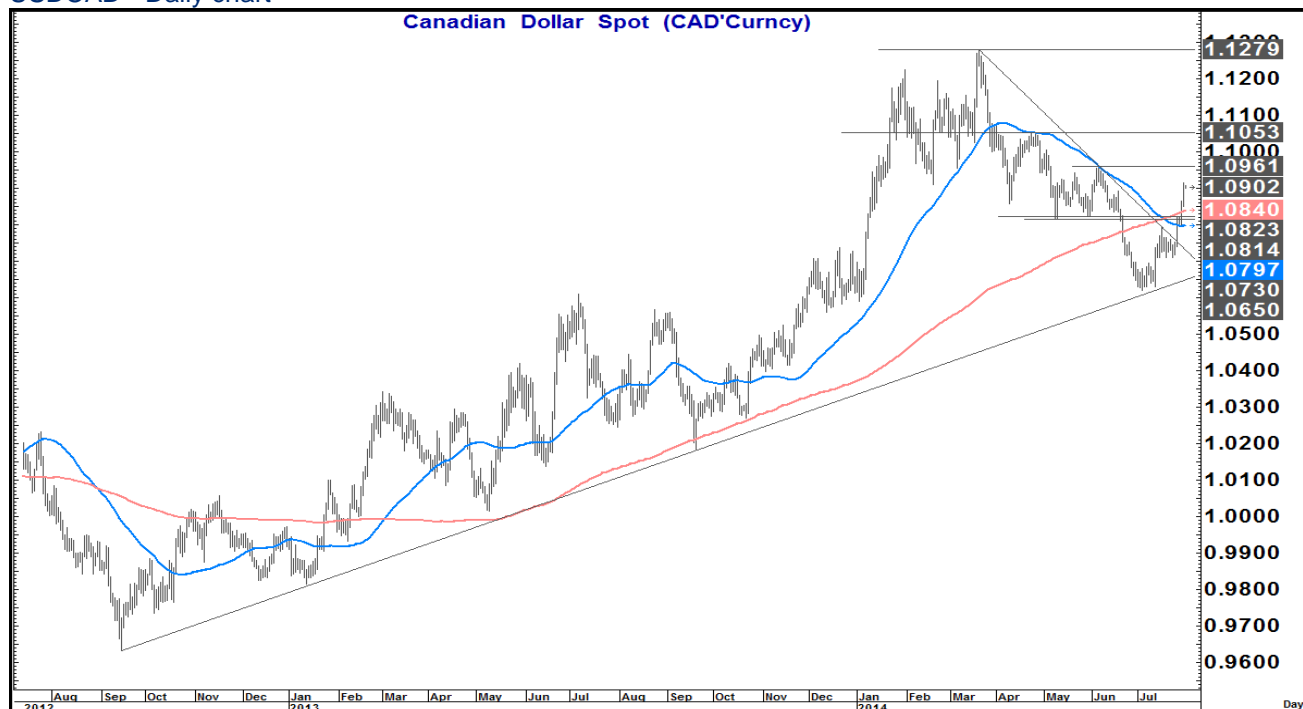


Source: Aspen Graphics /Bloomberg; July 28th, 2014.

- Has held strong resistance similar to levels seen in 1997-1998
- Monthly momentum has turned down from elevated levels
- While we would expect GBPUSD to head lower over time we would still expect the pound to be one of the better performing European currencies given its similarity to the US in terms of economic/fiscal and monetary dynamics.
- We would not therefore expect the GBP to be the optimal currency to short against a strong USD.

USDCAD

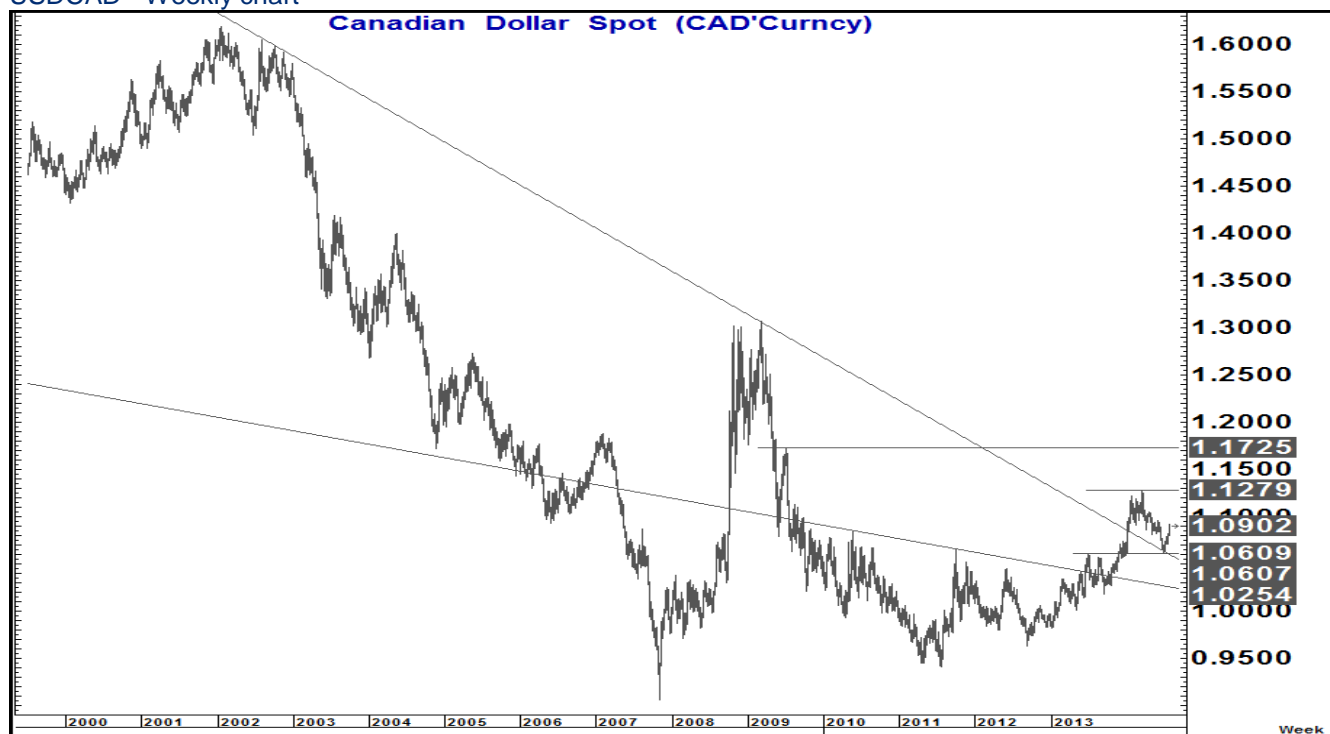
USDCAD - Daily chart



Source: Aspen graphics/Bloomberg July 31, 2014.

- Held good support and has broken above trend line and moving average resistance levels from 1.0797-1.0840
- Good resistance is now met at **1.0961;1.1053 and 1.1279**

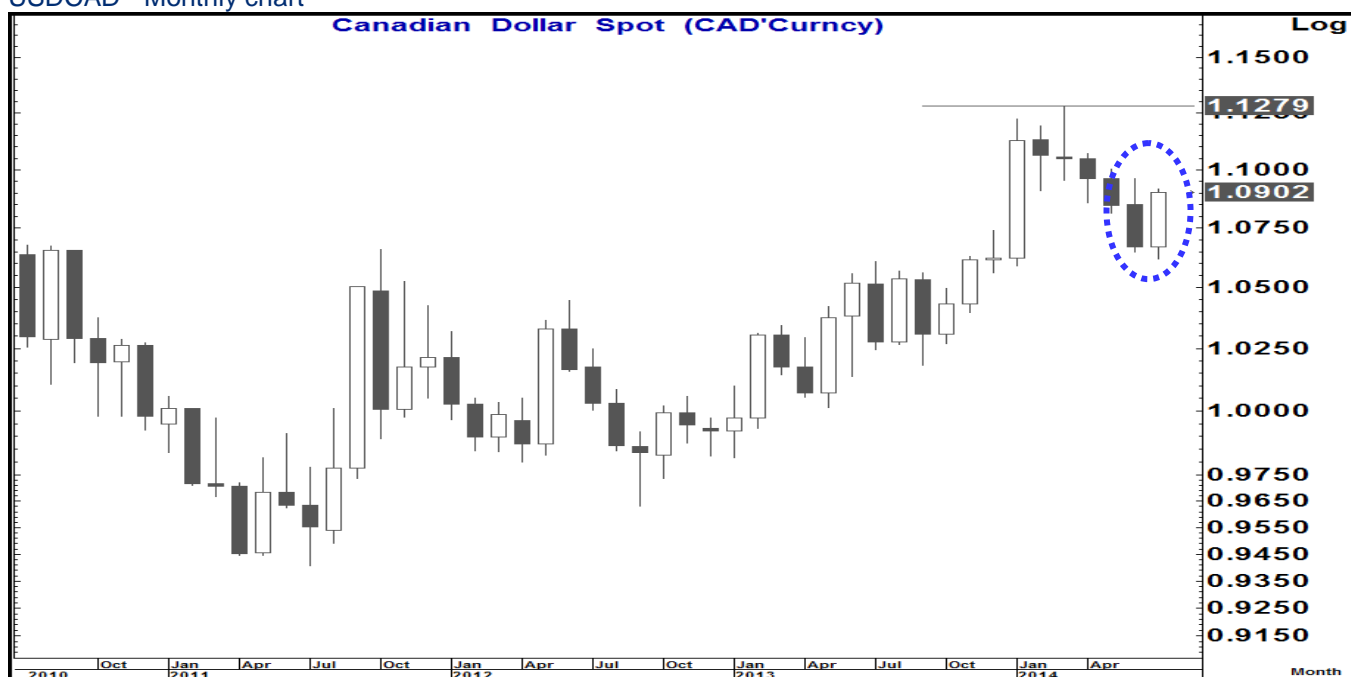
USDCAD - Weekly chart



Source: Aspen graphics/Bloomberg July 31, 2014.

- A move above the 1.1280 level (2014 peak set in March) would suggest a further extension towards 1.1725 (July 2009 peak)

USDCAD - Monthly chart



Source: Aspen graphics/Bloomberg July 31, 2014.

- A close this month above 1.0961 (If seen) would further add to this potential as it would constitute a bullish outside month

USDSEK

USDSEK: Weekly chart is very compelling

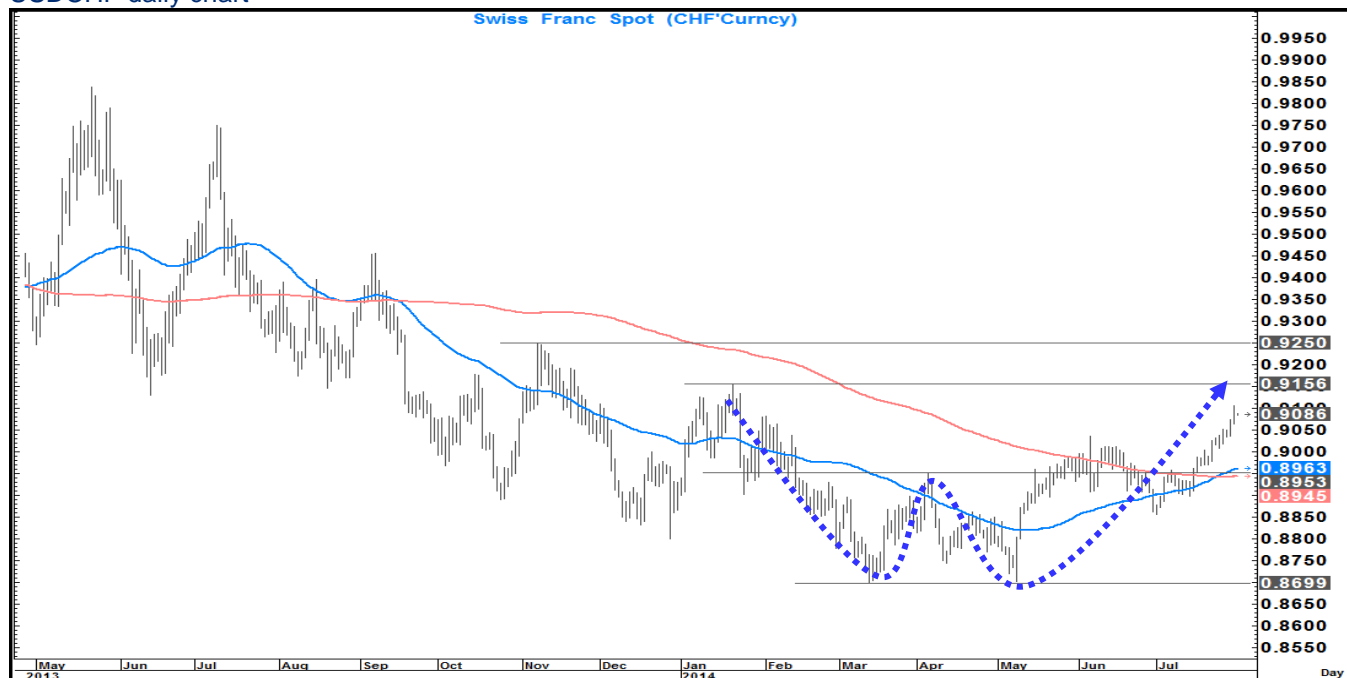


Source: Aspen graphics/Bloomberg July 31, 2014.

- Having held the 76.4% retracement level in January USDSEK appears to be forming a base with a double bottom formation. The neckline stands at 6.8654 and is under threat this week. A weekly close above here would target a move towards 7.40+. Such a move would take it above pivotal resistance at 7.33 (The May 2012 high off which the 76.4% pullback was formed and suggest a further topside acceleration

USDCHF

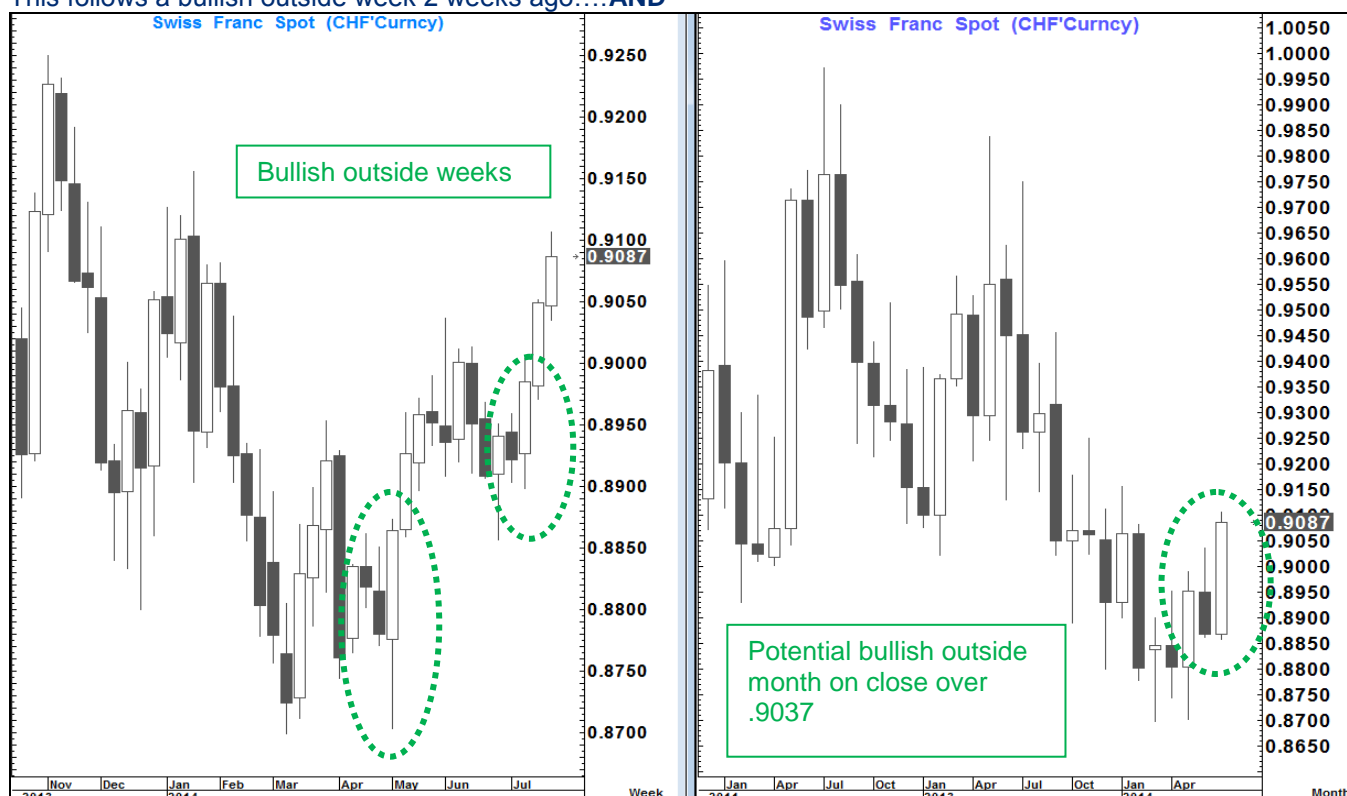
USDCHF daily chart



Source: Aspen graphics/Bloomberg July 31, 2014.

- Has regained the double bottom neckline and targets a move towards .9200 at a minimum. Interim resistance is met around .9156
- The 55 day moving average has also crossed above a now rising 200 day moving average

This follows a bullish outside week 2 weeks ago....AND



Source: Aspen graphics/Bloomberg July 31, 2014.

- A bullish outside month if it closes today above .9037

Commodities — Crude Oil (Nymex) looks in danger of a deeper move to the downside

- Despite the “escalation” of the ongoing conflicts in Russia/Ukraine and Israel/Gaza Crude Oil has struggled to retain a bid tone.
- Having failed just above the 76.4% pullback area in June (**\$107.28**) crude has fallen in 5 of the last 6 weeks.
- It is once again trying to push below the 55 week moving average at **101.42** with the 200 week moving average at **\$95.94** and the rising trend line at **\$95.61**.
- In addition it looks in danger of forming a head and shoulders top if it closes below the “neckline” at **\$99.03**. Such a close would target a move towards \$90.
- In this respect the year’s low posted in January at **\$91.24** would be important. A close below here, if seen following the 76.4% pullback, would suggest increased downside acceleration.
- For now, it looks to us that a move towards \$95.60-\$96.00 is a real danger with a possible extension towards the **\$91.24** area. Only a decisive break below here would lead us to suggest the possibility of an even lower move-possibly even towards \$80. (But that is a work in progress for now)

Crude Oil weekly chart

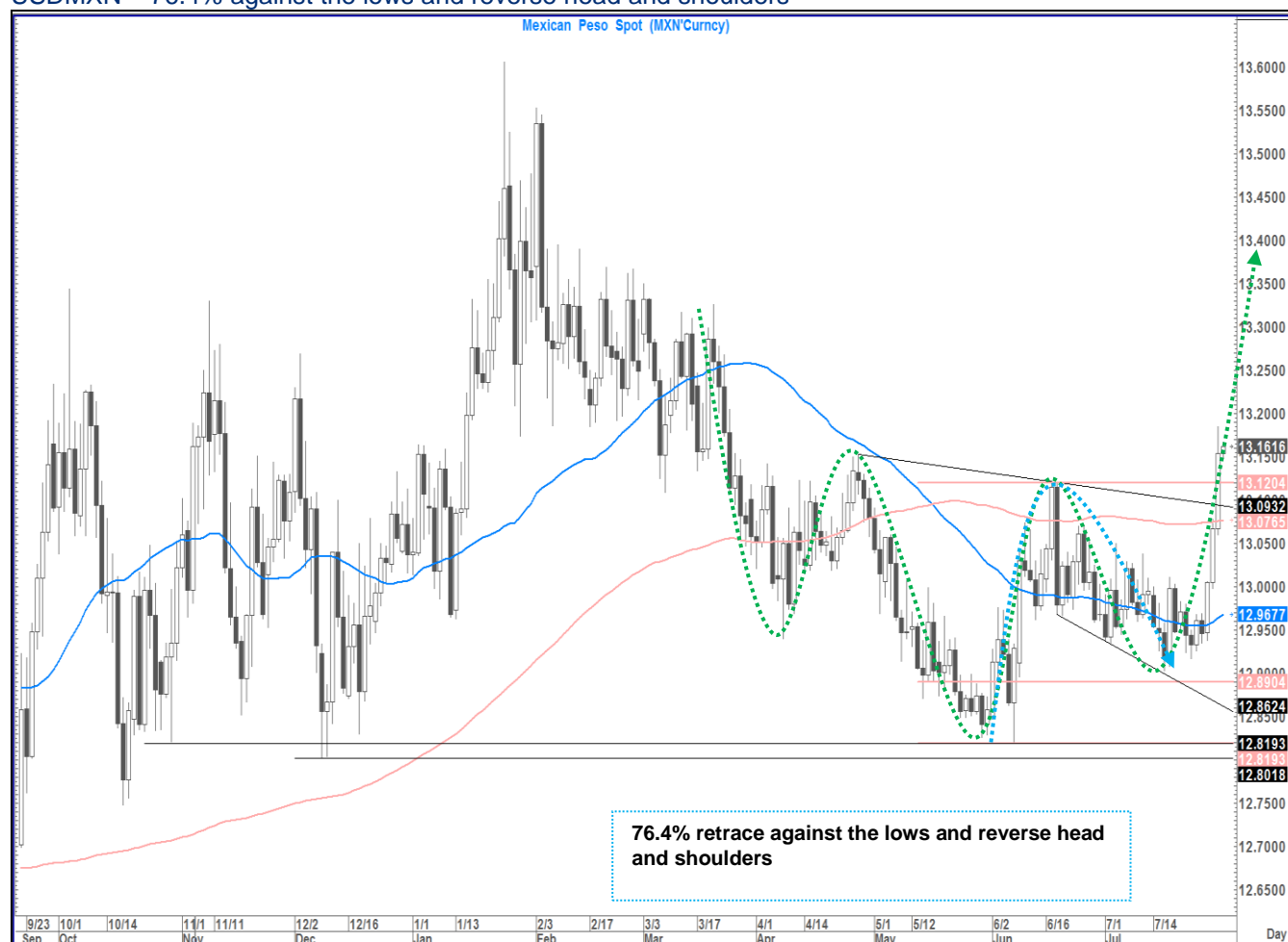


Source: Bloomberg/Aspen Graphics July 30, 2014.

Local Markets – Uptrends ahead in USDMXN and USDCOP

- USDMXN has taken out key levels this week suggesting a rally towards 13.40
- The downtrend in USDCOP has likely reversed and we may be about to see a rally to 1938

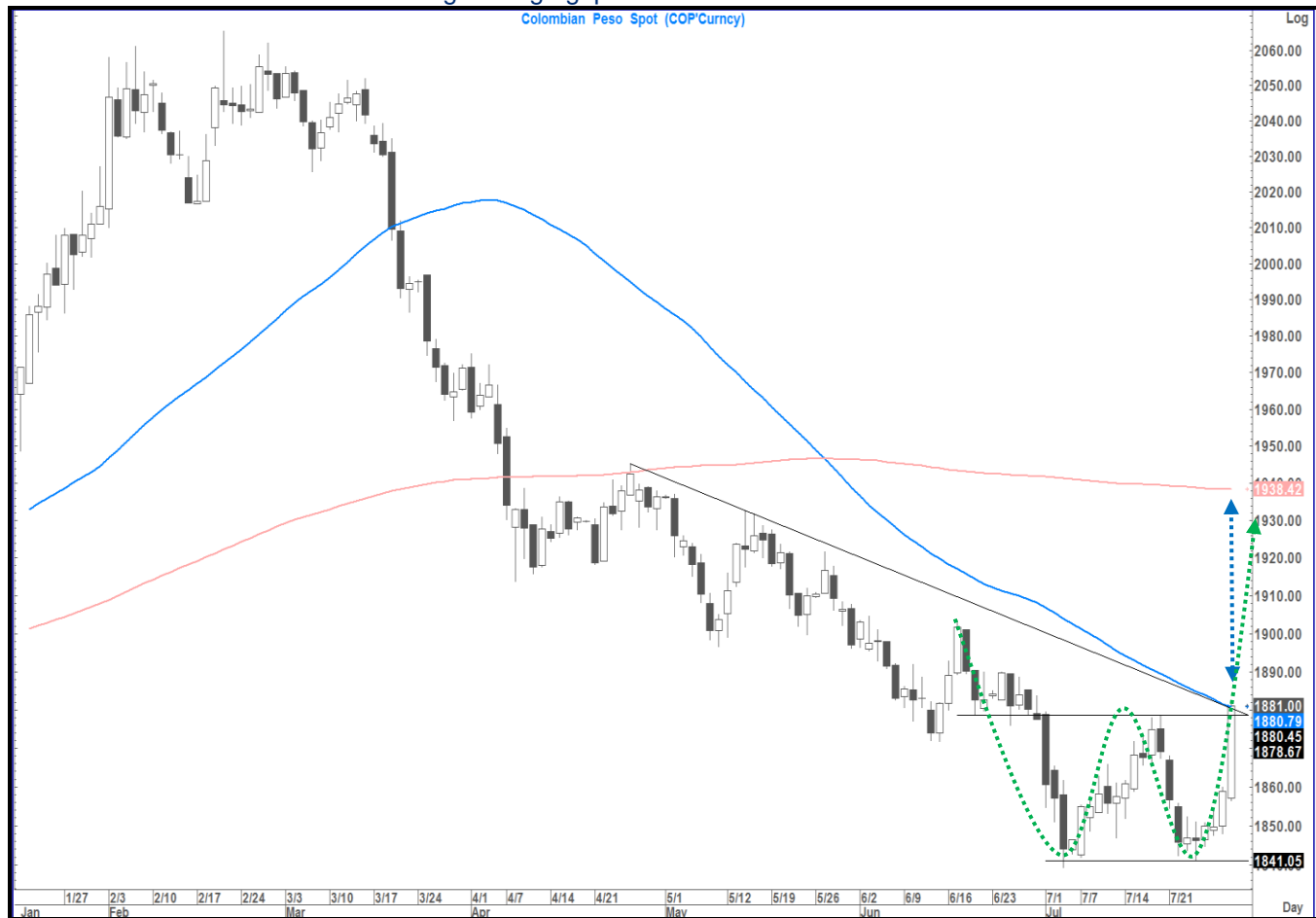
USDMXN – 76.4% against the lows and reverse head and shoulders



Source: Aspen graphics/Bloomberg June 31, 2014.

- Following the failure in June to make inroads past the 12.75-12.80 support area and subsequent bounce the recent down move failed very close to the 76.4% pullback area
- It has since bounced higher and broken out of the one month+ consolidation as well as the reverse head and shoulders neckline and June high (13.12).
- The break of those levels now suggests a move as high as 13.40 again.

USDCOP – Double bottom and moving average gap



Source: Aspen graphics/Bloomberg June 31, 2014.

- We have formed a double bottom pattern on USDCOP with a neckline at 1878. The short term downward sloping trendline and 55 day moving average also converge there at 1880
- These levels are now being tested and a positive follow through from here would suggest a rally up to the double bottom target of 1915 and then the 200 day moving average at 1938

Portfolio update:

Position, Instrument and date	Comment	Entry price, stop	Target	Exit date and price	Profit/Loss	% of Capital used
Long USDJPY 06 March 2014	<ul style="list-style-type: none"> Turning higher just shy of good supports Daily momentum also turned higher from historically stretched levels 	102.74 S/L: 99.75	105+ and then 110	----	----	20%
Long USDJPY 07 March 2014	<ul style="list-style-type: none"> Bullish break confirmed as was a bullish outside week on the Nikkei. US yields are also likely to move up which is likely to support USDJPY on the margin 	103.32 S/L Adjusted to 100.50	110	----	----	20%
Short EURUSD 28 March 2014	<ul style="list-style-type: none"> The medium term bounce on EURUSD appears to be approaching an end in a similar fashion to the bounce in 1998 The long term downtrend is likely to resume soon if it has not already 	1.3733 S/L 1.4045	1.2750 and then 1.20-1.21	----	----	15%
Long USDCHF 15 May 2014	<ul style="list-style-type: none"> Bullish outside day followed by bullish outside week and potential bullish outside month. Double bottom also forming 	0.8947 S/L 0.88	0.9250	----	----	20%
Short GBPUSD 07 June 2014	<ul style="list-style-type: none"> Comment (30 July): While we have liked this trade technically, in our bigger picture overview we do not expect the GBP to continue to underperform vis a vis the CHF and EUR. Previous corrections on GBPUSD this year have tended to lose steam at the 21 week moving average which now stands at 1.6850 Our portfolio remains very "long USD based" and we feel this is a good point to take profit on the GBPUSD short 	1.7124 S/L 1.7225	1.6750-1.68	30 July 1.6908	+1.26%	---
Total Capital Used						75%

Source: Aspen Graphics / Bloomberg June 31, 2014.

YTD performance through 30 July 2014: -1.97%



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