

CHARTING ASIA: Cable May Fall To Its 200-DMA At 1.5523 N/T

By Jerry Tan

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SINGAPORE (Dow Jones)--Sterling fell one cent to a six-day low against the dollar Tuesday following disappointing U.K. economic data and losses in Asian share markets. Technical charts are flagging further falls for the U.K. currency for a possible test of its 200-day moving average, now at \$1.5523, in the near term.

Cable, as the U.K./U.S. currency pair is known, fell from \$1.5885 in early Asia trading Tuesday after the Royal Institution of Chartered Surveyors said its U.K. house price balance slumped from +8 in June to minus 8 in July, its first drop in a year. The July outcome was sharply weaker than expected as economists surveyed by Dow Jones Newswires last week had predicted the balance would only ease to +5.

The pound/dollar pair extended its losses amid negative investor risk sentiment to \$1.5772, its lowest level since Aug. 2, as equity markets across Asia retreated in tandem with falling shares in China after the country's July trade data showed weak-than-expected import growth. The July import numbers dealt a blow to investor confidence as soft Chinese consumption could have negative implications for global economic recovery.

At 0601 GMT Tuesday, cable was quoted at \$1.5810.

The recent bullish technical bias for cable has moderated after the spot rate Tuesday violated the Aug. 5 swing low of \$1.5818.

Indeed, the short-term technical outlook for cable is increasingly negative as the daily slow stochastic measure has turned bearish at the overbought level, and the positive Moving Average Convergence/Divergence, or MACD, histogram bars are contracting, pointing to increasing downside risks for the currency pair.

Separately, a bearish parabolic stop-and-reverse signal was hit at \$1.5832 Tuesday. This indicator, which sets trailing stops for long or short positions, suggests that long cable positions should be reversed.

Barring any dollar-negative surprises from the statement due later in the global trading day following the U.S. Federal Reserve Open Market Committee meeting, cable in the near-term may test support at its 200-day moving average, coming in now at \$1.5523.

However, the near-term bearish cable outlook would be negated on a global-day close above \$1.6002, the six-month high set Aug. 6.