

CHARTING EUROPE: EUR/CHF To Extend Downtrend To 1.3000

By Francis Bray, CFTe MSTA
A DOW JONES NEWSWIRES COLUMN

LONDON (Dow Jones)--Fundamental frailties in the make-up of the European currency are beginning to emerge again, and the technical downtrend in EUR/CHF is expected to extend towards the 1.3000 level.

Since the falling 200-day moving average capped the eight-week 1.2765 to 1.3835 corrective rally on Nov. 1, a steady downtrend has been in place to test support at 1.3265.

This decline off 1.3835 not only keeps the pivotal 1.4000 level untested, it also keeps an eleven-month bear resistance line intact, and the Aug. 10 lower reaction high at 1.3925 untouched. For details, see the EUR/CHF daily chart.

<http://www.dowjoneswebservices.com/chart/view/4919>

Wednesday's low at 1.3277 provides the opportunity for an temporary rally towards 1.3500, perhaps even 1.3585 at a push, but corrective strength will attract renewed bear pressure that would prompt a return to the 1.3265/77 support area.

A break below 1.3265 would upgrade the decline, and prompt a heavier setback towards the Sept. 24 higher low at 1.3072. This 1.3072 low is the uppermost part of a support cluster that protects the psychologically-important 1.3000 level, and is the last line of defence shielding the Sept. 8 all-time low at 1.2765.

The 76.4% Fibonacci retracement level of the 1.2765/1.3835 rally lies at 1.3018, straddled by the 1.3000 and 1.3072 targets to complete the make-up of the critical support cluster.

Keeping the 1.3277 low intact this week would defer the bear threat for now, creating corrective upside room to 1.3555 and 1.3585.

However, regaining ground above 1.3700 on a sustained basis is required to cast doubt over the bearish outlook.

At 0958 GMT, EUR/CHF stood at 1.3320.

(Francis Bray is Dow Jones' chief technical analyst for Europe, and has worked as a technical analyst and trader for 20 years in London, Barcelona and Guernsey. He can be reached at +44 (0)20 7842 9249; or by email: francis.bray@dowjones.com)

For more technical analysis see: Dow Jones Newswires, N/DJTA; Bloomberg, NI DJTA; and Reuters key word search "INSI-DJN"

To watch a series of short videos explaining the basics of technical analysis, click on this link: <http://link.brightcove.com/services/player/bcpid44283734001>

Data provided by CQG International Ltd.

This article is general financial information, not personalized investment advice, as it does not consider the unique circumstances affecting an individual reader's decision to buy or sell a specific security or currency. Dow Jones does not warrant the accuracy, completeness or timeliness of the information in this article, and any errors will not be made the basis for any claim against Dow Jones. The author does not invest in the instruments or markets cited in this article.

TALK BACK: We invite readers to send us comments on this or other financial news topics. Please email us at TalkBackEurope@dowjones.com. Readers should include their full names, work or home addresses and telephone numbers for verification purposes. We reserve the right to edit and publish your comments along with your name; we reserve the right not to publish reader comments.

Click here to go to Dow Jones NewsPlus, a web front page of today's most important business and market news, analysis and commentary: <http://www.djnewsplus.com/access/al?rnd=lsk%2BAWDBY66rwM%2FFuvsneg%3D%3D>. You can use this link on the day this article is published and the following day.

(END) Dow Jones Newswires

November 11, 2010 05:10 ET (10:10 GMT)