

Weekly Technical Commentary

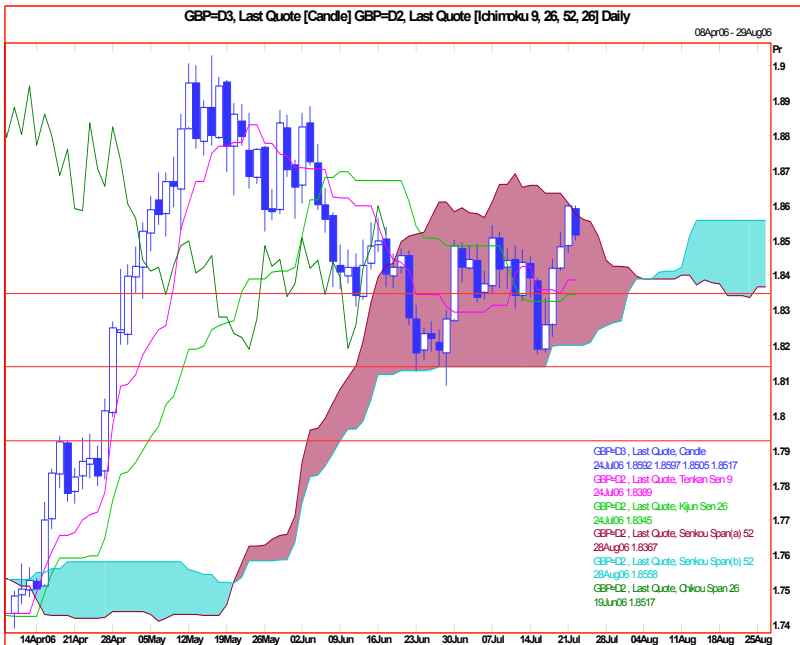
24 July 2006

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

Bloomberg Page: MIZH

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GBP/USD chart Levels: Support 1.8450..1.8300..1.8177..1.8090. Resistance 1.8600..1.8700..1.8800..1.8900.



This week

This month

A 'double bottom' in June and July against the lower edge of the Ichimoku 'cloud' has allowed the cable to rally to the top of pattern. As it is leading the way at the moment, we expect another rally this week. A sustained break above 1.8600 should set off the first round of short-covering taking Cable quickly up to 1.8800 and possibly 1.9000 before the end of August. At the moment the pound is certainly not overbought but momentum has yet to turn bullish, something that it should do on a break above 1.8600. Note that open interest and volumes in the futures contract are well down from May's record, meaning a lot more position re-building has yet to be done.

EUR/GBP chart Levels: Support 0.6800..0.6750..0.6725..0.6700. Resistance 0.6850..0.6915..0.6965..0.7000.



This week

This month

Moving towards 0.6800, as expected, as more come to regard the pound as a 'quasi high-yielding Euro'. Later this year we continue to feel that we will get a dip to and probably through 0.6700, a move that may surprise many because we have held above here for a whole year. On the Bank of England's Trade Weighted index sterling is expected to rally again next month to 103.00. One way or another this currency pair has become trapped in such a very limited price range that we are beginning to wonder whether it is worth covering at all. Certainly UK business has had an incredibly stable Euro/Sterling exchange rate. One-month at-the-money implied volatility has dropped to a new all-time low of 4.15%.

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