

Technical Daily 15th January 2008

Majors

USDJPY

Trend remains down target 102.10

The market broke down yesterday and completed the correct retest back to the main break point at 108.30. This has now confirmed the downside and as such the market has now returned to the 107.40 lows and is preparing for the next leg of the down move. This should see the market test 107.21 which if removed should open the downside to 106.55 where it should encounter some support. However we would expect that the downside should be capable to test 104.36 before finding strong support.

Within the move we would expect 107.21, 106.55, 105.84 105.15, and 104.36 to act as major support. Topside should now find 108.30 hard to remove as this is now a confirmed trend reversal break.

Short term trend is down with 104.36 and the longer term is down with the major target of 102.10. If this level was taken then we would expect that the Yen could become very accelerated to the downside targeting the 80 level at the minimum.

GBPUSD

Trend remains down targeting 1.8986

The market still holds upside potential to 1.9668 but the major resistance at 1.9633 should be able to contain the topside ability of the market. As such we remain bearish as much the current strength is derived by general US Dollar weakness it is not removing the bearish nature for Sterling. The market has fully trend reversed and is now on target to search out the main trend break up point from 2006 at 1.8986

In the current daily patterning the market has potential to the 1.9633 level but this again will present a good selling opportunity. The next downside support is at 1.9445 and has potential on any resurgent Dollar strength to see the critical support at 1.9179 being tested through.

The short term trend is down but subject to corrective moves but this market is going down. The long term should see 1.8986 form the base for the market but this in the longer term is a temporary staging point

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EURUSD

Trend remains up and bullish

The market has placed an interim high at the current levels and is now coming back to retest the break up point at 1.4815 which should be able to contain the downside. If the 1.4815 level is taken then the next downside support comes in at 1.4770 and this has potential to be tested on the current corrective move. The spike high nature of yesterday's high makes the topside unstable and it should be removed going forward. We currently view set backs as buying opportunities and not selling ones. The overall strength in the market is to the long side and downside movement is only corrective.

Short term trend retesting 1.4825 before the highs can be removed and ultimately the 1.5369 is tested. The longer term trend is strongly bullish and this is still set and the central bank position supports a stronger Euro in the future.

USDCHF

Trend remains bearish

The CHF is on a corrective move which if 1.0939 can be removed will open the topside to 1.0983. These are corrective moves within an overall bear trend. We would view the current levels as correct to start building shorts form. The downside is vulnerable and has potential to become very accelerated to the downside. The market is trying to create a base but this looks unlikely to be sustaining and a best should create only a short term base.

If the bulls can remove the 1.0983 it would expose 1.1045 to be tested. This said we would expect that the downside risks to this market are extreme and as such would be cautious of long side trading unless it has a stop protection.

Short term trend is decisional at the current levels but it should be decided at 1.0953 which then would trigger a sharp downside move. The longer term trend is for parity and we would expect that this can be achieved rapidly when the break out occurs.

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USDCAD

Trend corrective potential to further extend the upside

Still building the base which has the potential to see a topside break out. The removal of 1.0251 would trigger a strong upside move that will target 1.0487 and 1.0726 as the next topside targets. Both of which should be able to produce consolidation.

Short term trend is blocked but pushing against the key 1.0206 level. A removal of the 1.0206 level opens the topside to 1.0726. Long term trend remains correctional to the large bear move of last year this correction can extend to the 1.14 level but ultimately we expect that the downside will come back into the game but this will be later in the year

AUDUSD

Bear Flagging within a downside correction. Overall trend still remains bullish.

View remains unchanged

The recent pushes to the 0.8964 level have been correctional within a downside overall correction. We are not yet convinced that the long term bull trend is finished but the risks are starting to build. We are concerned that the downside is not yet finished even though we are patterning for a drive to 0.9105. We would be looking at this level as a reasonable selling point. It would mark a gap closure in a negative harmonic signal. The topside through is still very much open.

We are aware of the downside risk but it is clear that this would only be apparent if the 0.8545 level were removed. This market sustained a full trend reversal test during August last year and sustained it to rebuild to a new high. Our house view is that topside is open to 0.9105 and if this is sustained to a close it would mark a harmonic bearish neutralisation that would suggest that the highs will fall and the AUD could become one of the strongest pairings to the USD.

Short term trend is up with a target of 0.9105 that must be removed. A failure here would open the downside but a removal negates all the negatives and suggests that the highs will crumble. Longs should exit at 0.9105 and rejoin on sustained close removal. Long term trend is still strong bull with a barrier and negative harmonic structure at 0.9105. This level needs to be removed to sustain the bullish momentum that then places parity to the AUD.

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GBPJPY

Trend reversal complete next stop 200.

View remains unchanged

The last few days have triggered the bear flag which now targets 200. This move can be completed very quickly and we as a result would be out of any longs. The 200 level will confirm the trend reversal break point and this level should then see long term consolidation at this level. The market from this level could then see sharp corrective rallies. The bears are very much in control of this market the topside is limited to 216.70 but this level is unlikely to be challenged from here.

Short term trend down target 200. Long term trend down target 200 and then base consolidation building required. Failure at 200 level through would signal a very accelerated bear move. This is possible but doubtful.

EURJPY

Trend still bullish but consolidating.

View remains unchanged

The long term trend in the Euro is still strongly bullish. As a result the carry pairing has not suffered as many of the other carry trades have. The market is currently trading the range between 158.89 and 167.10. We are now against entering down to the lower end of this range. Bulls should use 159.73 as an exit point as it would require that the 158.89 level would be traded. Currently this market is suggesting that the market is playing range trading and we are at the lower end. We believe that downside risk does exist but we would be wary of entering bear positions until the 158.89 level is taken to a close. If this level is taken the market should target the 155.08.

It should be stressed that the downside potential does not suggest that the longer term bull trend is finished for the EURJPY. This market is one of the few carry trades that suggest that the longer term high can be removed.

Short term trend is neutral with a downside bias which we would view as a buying opportunity. The longer term trend is bullish with a consolidation boxing pattern that would mark a strong topside acceleration. Of many of the carry pairings the Euro has not revisited its August low and this helps to strengthen the overall bullish tone.

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EURGBP

Trend is strongly bullish

View remains unchanged

The market having removed the 0.7245 topside resistance has now signalled a move to the 0.7755 short term target. The overall longer term trend though does still give a very strong upside signal that suggests that parity and beyond is up for grabs. The longer term patterning in the market helps this overall picture with a saucer bottom similar to the one created in the EURUSD a year and a half ago. This longer term patterning in the euro is far from complete against the USD and it has now been triggered into the EURGBP. Normally we would expect that a handle formation could ensue but we would not hold our breath for this. However when markets go accelerated like this there is always a good possibility that the market has to witness a full retest of the accelerated break out point. Hence we are keeping the parity call for later in the year rather than to be made quickly. However, if 07755 is removed a further accelerated move to the mid 80s would be consistent before the divergence would act as a negative influence.

This is one of our bigger calls for the year and we fully expect that this will be achieved. However, achievement on a similar basis as the CAD could lead to a major correction. The CAD correction as we have already alluded to is not yet finished. This could in fact end up as the path for the EURGB. At the moment through we would only look to lighten longs on the approach of 0.7755. From here we would expect correction which should come to a third line retest would suggest 0.7329 to 0.7245 and these levels would be a strong buying opportunity.

Short term trend is up and should target 0.7755. Long term trend is strong bull with parity as the long term target.

EURCHF

Trend is doubtful with the second major gann support taken to the downside.

View remains unchanged

Many have been calling for this pairing to see the record highs removed and another push to the new record highs. The house view is that this is now in some considerable doubt. The market is now pressing toward the critical 1.6185 level that supports the theory that the CHF could become one of the stellar performers of the year. It is our house view from a technical gann perspective that this may well become the case. As such we would be exceptionally cautious of this pairing.

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The major downside level at 1.6185 must be held or a full trend reversal will have been completed and this would signal a full down side test to 1.5928b which will be a critical must be held level. When trend reversals are confirmed it is usual for them to be fully retested and this we would expect after the full downside test is complete. An early retest to a full trend reversal signals as it did in sterling yen a full and unremitting negative downside move.

Until the market has fully trend reversed it would be unlikely that we can call an end to the bull market. However, most analysis is subjective and must carry a small amount of pre-emptive call about it. As such we would be out of longs and looking for an entry to the long side at 1.62 with a full cut reverse stop at 1.6180. We expect that the stop will be hit. Shorts should look to attempt entry between 1.6315 to 1.6380 on a bounce scaling into the shorts. Stops through must be carried at 1.6452.

Short term trend is doubtful with the bulls under pressure. 1.62 should be used as a bull entry but with a 1.6180 stop. A breach and close below 1.6180 signals full trend reversal. Long term trend remains bullish but the pattern structure and nature of the gann signalling is that this could be a terminal market. Bulls should be out on a removal of 1.6180.

Gold and Silver

GOLD

Trend up with a target of 1,050.70 as an interim topside

Gold has recently broken out to the topside to start the second leg of acceleration which is normally slightly more constrained than the initial leg. The market has the potential to achieve 952 with the possibility of seeing 983.65. This would require the market to sustain the closes above 903.60 and more importantly 891.10. If either of these two levels are removed then a break out retest to 845.20 would be demanded by the market before higher ground can be achieved. Currently the day patterning is not presenting the downside risk as a real threat at the moment. There is yet to be seen any clear turn signals but tight intraday pattern at or near the current highs should be taken as a signal to remove longs.

The short term trend is downside consolidation with the topside vulnerable. Removal of the highs will press the market for the next target at \$952. The longer term trend remains bullish with the second leg of a break out market currently underway. This has a target of 1,050.70. The market has yet to put any convincing topping signal into place but it is necessary for the market to sustain above 891.10 to prevent a full breakout retest.

The house view remains bullish with potential correction to breakout point a threat which should be used as a buying opportunity.

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Silver

Trend remains up but the market needs a confirmation on 27th at 16.55

The market is not placing any definitive topping signals currently through it has now run into major Gann resistance at 16.55. This level requires to be removed on the 27th January if the market is going to continue the bull trend going forward. If the Gann level is failed we would expect that the market will be trading 15.11 by the 22nd February with the 22nd March providing the final bull signal for the entire market at 15.93. In simple terms a failure on the 27th January will lead the market into a downside correction that should then last two months with a defined low target of 15.11 and topside limited to 15.93. Whilst this picture looks possible it is nowhere certain yet. The overall trend is very strong bullish and the removal of 16.55 by the 27th would signal another strong bull move that would open the topside to 21.37. This should be taken within a three month period.

The interesting point within this market is that it has a rare shifting harmonic. These shifts are positive harmonic shifting that is normally a signal that the market is within a very strong trend and as such it is dangerous to oppose the trend. As such rather than try and short sell the market in front of the 27th we would certainly lighten the long side exposure. If the market does fail on the 27th we would still be looking at the downside testing that would ensue as a buying opportunity rather than a selling opportunity. The long term bull trend is very strong and as such we see any failure as a good time to look to take advantage of a period of consolidation to build longs.

The short term trend remains constrained on the topside that targets the 27th and 16.55 as the cap. The longer term is confused until the 27th where failure of 16.55 will start a downside correction to 15.11 with topside of 15.93. This period of consolidation should last about two months before the next leg of the bull trend recommences. If 16.55 is removed then we would expect that the topside target of 21.37 should be achieved very quickly.

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