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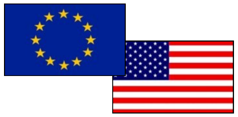
RESEARCH PRODUCTS

21/05/2012 **EUR/USD GBP/USD USD/JPY USD/CHF**

Technical Analysis

EUR/USD EUR/USD's gains should be limited

Monday, May 21, 2012
08:00 GMT



"We are entering a consolidation phase with regard to the euro. It will not be known for a while whether Greece will stay in the euro or not with Greek election a few weeks away"

- Bank of Tokyo-Mitsubishi UFJ (based on CNBC)

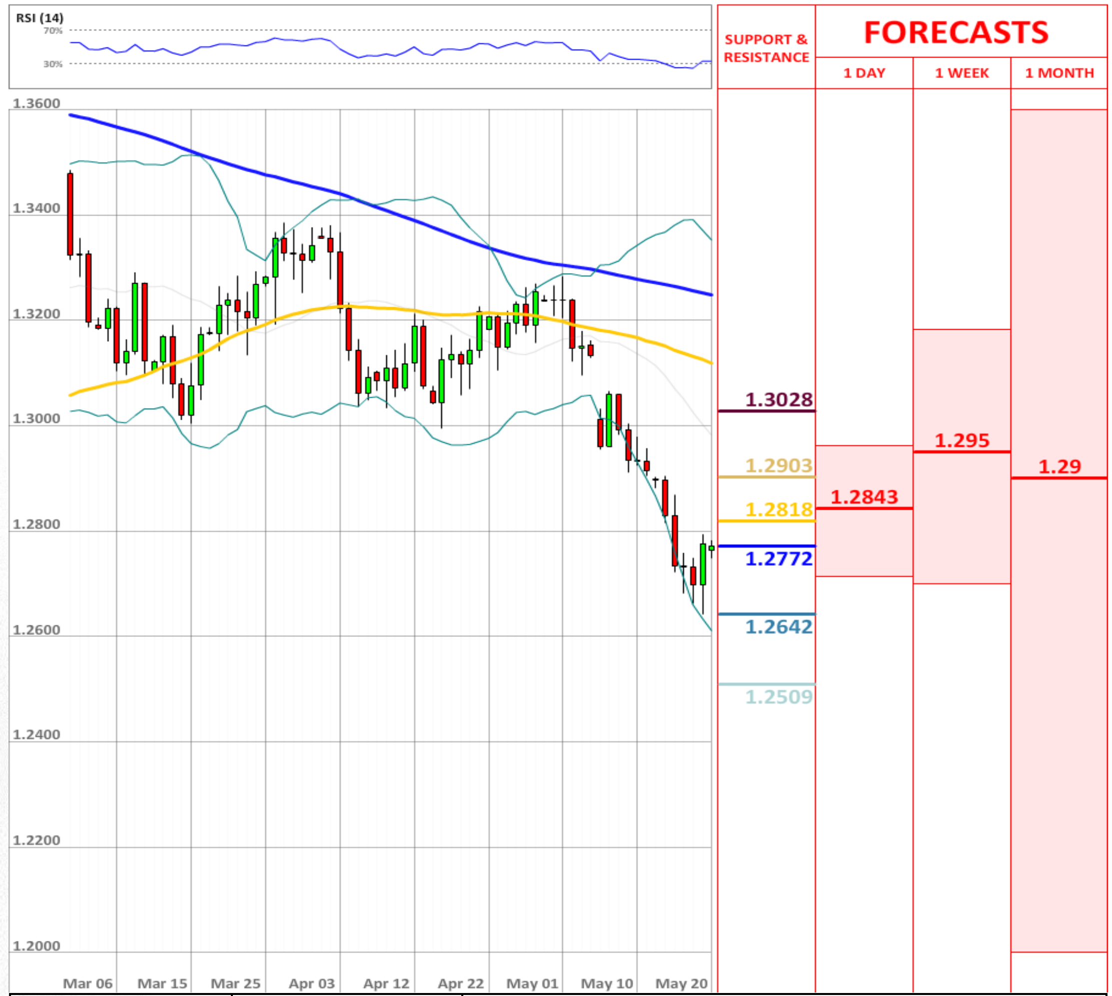
Pair's Outlook

The currency couple is presently undergoing a bullish correction following its precipitous fall from a downtrend resistance at 1.3252. EUR/USD may attempt to test 1.2903/17, but is unlikely to extend gains above this level, which, in turn, will lead to continuation of a bearish move towards 1.2509, en route to a long term target at 1.18.

Traders' Sentiment

According to SWFX Sentiment index, the ratio of bullish market participants to bearish ones remains nearly the same, being 62% to 38%, indicating no change in the share of positions. At the same time the Euro keeps title its as the most popular currency, being preferred to the rest of major currencies in the market.

EUR/USD Daily Chart Current price: **1.2786**



Indicator/Period	Day	Week	Month
MACD (12; 26; 9)	Buy	Buy	Buy
RSI (14)	Neutral	Neutral	Neutral
Stochastic (5; 3; 3)	Neutral	Buy	Neutral
ADX (14)	Buy	Neutral	Sell
CCI (14)	Buy	Sell	Buy
AROON (14)	Sell	Sell	Sell
Alligator (13; 8; 5)	Sell	Sell	Neutral
SAR (0.02; 0.2)	Sell	Sell	Sell

	Level	Rationale
Resistance 3	1.3028/35	Monthly S1; weekly R2
Resistance 2	1.2903/26	Weekly R1; downtrend resistance
Resistance 1	1.2818	Monthly S2
Support 1	1.2772	Weekly PP
Support 2	1.2642/40	Monthly S3; weekly S1
Support 3	1.2509	Downtrend support; weekly S2

GBP/USD GBP/USD to remain capped by 1.5888/1.5922

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"We are looking for more risk-off conditions with the dollar streaking ahead"
- Caxton FX (based on Reuters)

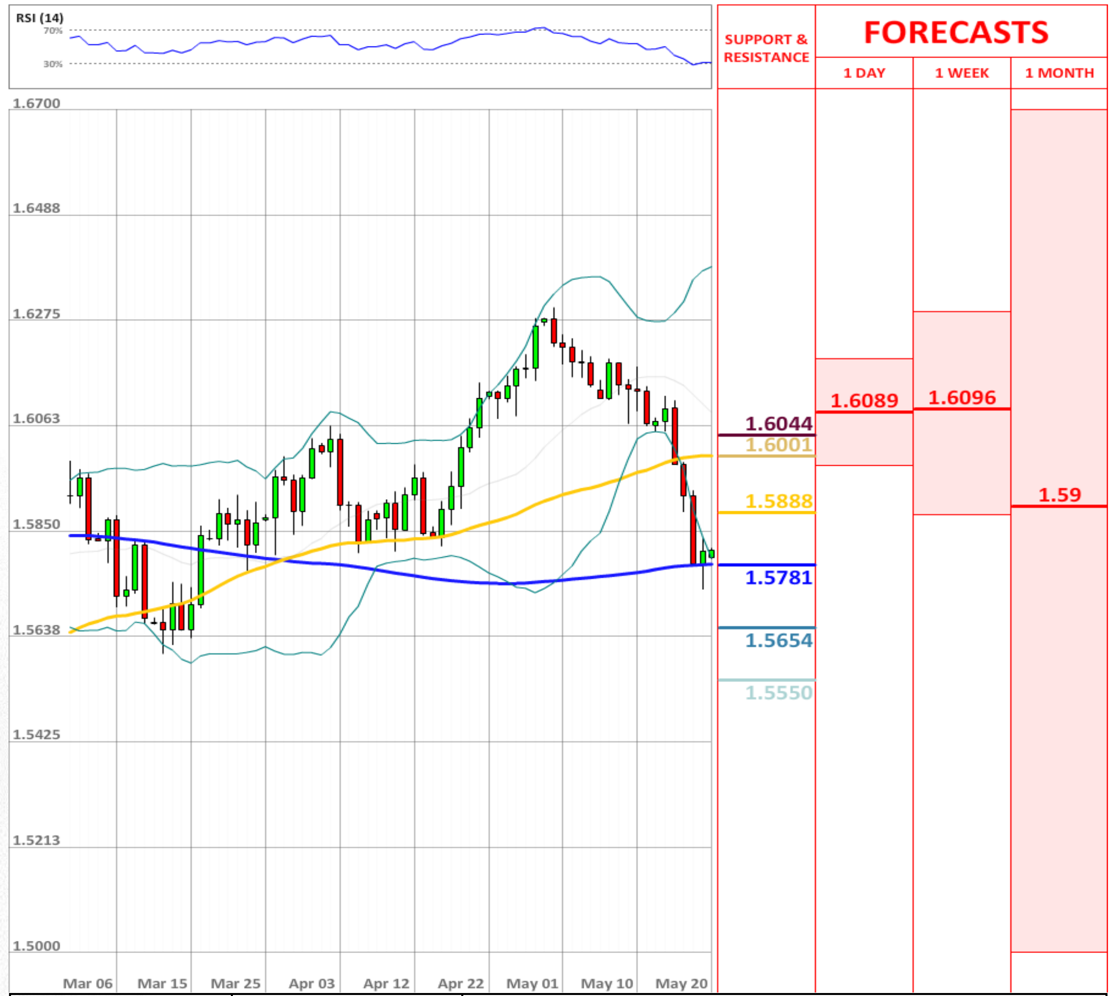
Pair's Outlook

The Cable is currently recovering, following its recent encounter with a support at 1.5784 (200 day SMA). However, the rally is expected to be tepid, given a number of tough resistances that lie overhead - 1.5888/1.5922 and 1.6044/77. Accordingly, GBP/USD is anticipated to refocus supports once it bounces off one of the indicated resistance zones and aim for 1.5544 and then 1.5263/58, after erosion of 1.5784.

Traders' Sentiment

Sentiment of traders remains nearly unchanged towards GBP/USD currency couple, as bears continue to outnumber the bulls (42%), constituting 58% of the market. On the other hand, within 100 pips from a current price the overwhelming majority of traders have preferred to place sell orders (60%), leaving buy orders in distinct minority - 40%.

GBP/USD Daily Chart Current price: **1.5825**



Indicator/Period	Day	Week	Month
MACD (12; 26; 9)	Sell	Buy	Buy
RSI (14)	Neutral	Neutral	Neutral
Stochastic (5; 3; 3)	Buy	Neutral	Sell
ADX (14)	Buy	Sell	Buy
CCI (14)	Sell	Neutral	Neutral
AROON (14)	Sell	Buy	Sell
Alligator (13; 8; 5)	Neutral	Buy	Neutral
SAR (0.02; 0.2)	Sell	Buy	Sell

	Level	Rationale
Resistance 3	1.6044/77	Weekly R1; uptrend resistance
Resistance 2	1.6001	55 day SMA
Resistance 1	1.5888/1.5922	100 day SMA; weekly PP; monthly S1
Support 1	1.5781	200 day SMA
Support 2	1.5654/16	Monthly S2; weekly S1
Support 3	1.5550	Downtrend support

USD/JPY   USD/JPY to penetrate 78.86

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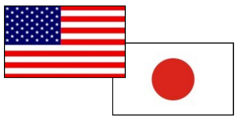

"If the BOJ takes no new steps, the yen may rise briefly on disappointment among some traders"
- UBS (based on WSJ)

Pair's Outlook

USD/JPY is consolidating ahead of 78.86 (200 day SMA), implying the increasing possibility of retesting a downtrend resistance that has blocked the road towards 82.91. Nonetheless, the currency pair is viewed by most of technical indicators as bearish and therefore yet unable to overcome 79.57/78. Consequently, we are likely to observe a dip down to 77.04/76.92 before bullish momentum is reignited again.

Traders' Sentiment

The share of long positions has increased up to 75%, implying growing conviction of market participants in appreciation of the US Dollar relative to the Japanese Yen, even though the extent, to which the pair is overbought at the moment, suggests heightened possibility of a dip, once bullish trades start being closed, an example of which has been observed just recently.

USD/JPY Daily Chart   Current price: **79.26**

Indicator/Period	Day	Week	Month
MACD (12; 26; 9)	Buy	Sell	Buy
RSI (14)	Neutral	Neutral	Neutral
Stochastic (5; 3; 3)	Neutral	Buy	Neutral
ADX (14)	Sell	Buy	Neutral
CCI (14)	Sell	Neutral	Sell
AROON (14)	Sell	Buy	Sell
Alligator (13; 8; 5)	Sell	Buy	Sell
SAR (0.02; 0.2)	Sell	Sell	Buy

	Level	Rationale
Resistance 3	80.98/81.13	Monthly PP; weekly 2; 55 day SMA
Resistance 2	80.15/46	Weekly R1; 100 day SMA
Resistance 1	79.57/72	Weekly PP; downtrend resistance
Support 1	78.86/59	Weekly S1; 200 day SMA; monthly S1
Support 2	78.01	Weekly S2
Support 3	77.42	Monthly S2

USD/CHF USD/CHF is weakening in the short term

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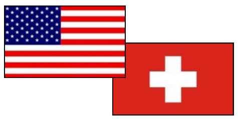
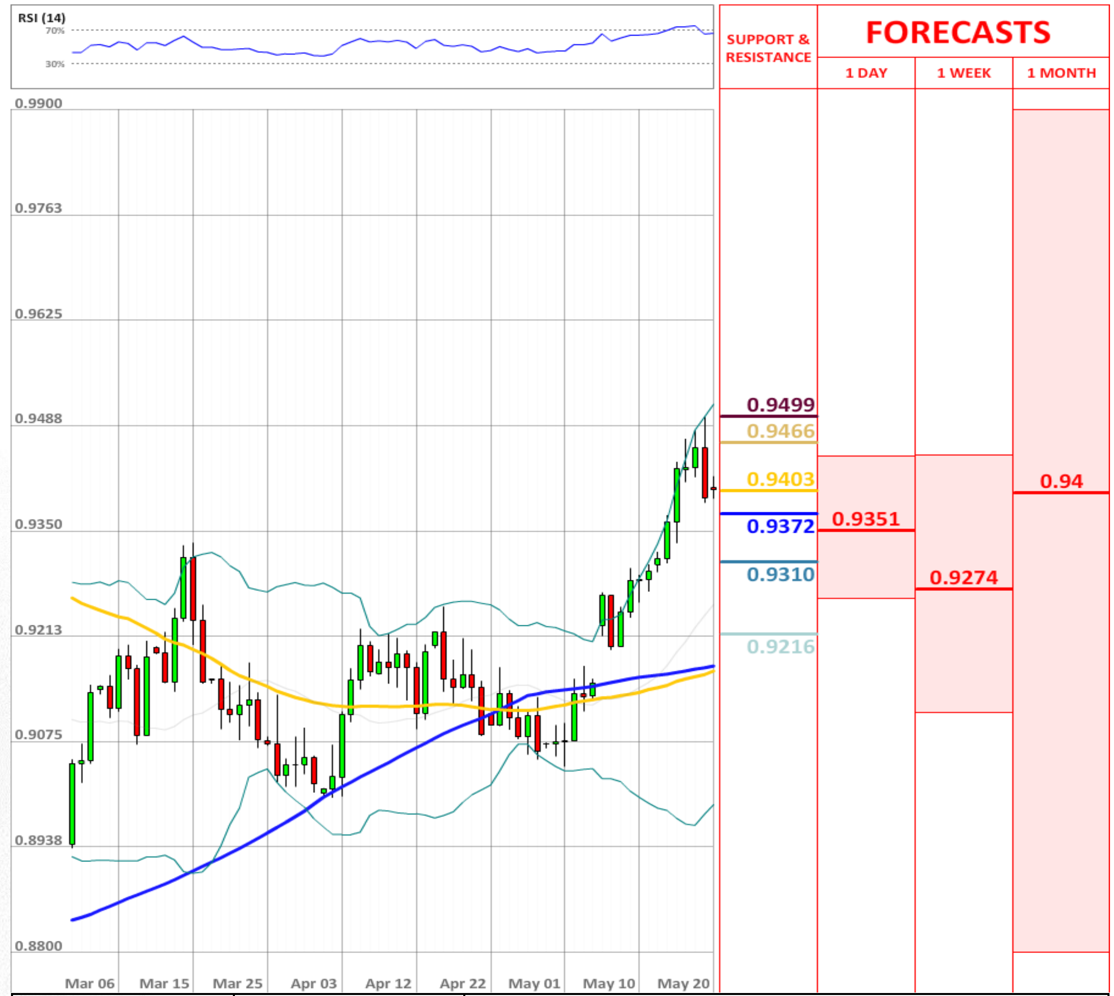


"The Swiss central bank's defense of the franc's currency ceiling against the euro may cause considerable damage to the nation's economy"
- former chief executive officer of UBS AG (based on Bloomberg)

USD/CHF Daily Chart Current price: **0.9393**



Pair's Outlook

In accordance with expectations, initial attempt to break through 0.9507 has failed, leading to a sell-off down to 0.9394, just below a weekly pivot point. This support, in conjunction with a formidable level situated at 0.9372/59, should be capable of preventing the dip from extending lower, to 0.9310/07. In the long term USD/CHF is expected to clear 0.9499/0.9507 and advance further.

Traders' Sentiment

In general the Swiss Franc is the second least popular currency among its peers, resulting in 70% of positions being long on USD/CHF, whereas only 30% of market participant consider the Franc capable of gaining in value relative to the Greenback. Within 100 pips from the current price two thirds of traders have placed sell orders, leaving only 33% to buy orders.

Indicator/Period	Day	Week	Month
MACD (12; 26; 9)	Buy	Sell	Buy
RSI (14)	Neutral	Neutral	Neutral
Stochastic (5; 3; 3)	Neutral	Sell	Neutral
ADX (14)	Buy	Neutral	Sell
CCI (14)	Sell	Buy	Neutral
AROON (14)	Buy	Buy	Sell
Alligator (13; 8; 5)	Buy	Neutral	Sell
SAR (0.02; 0.2)	Buy	Buy	Buy

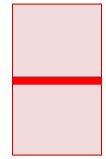
	Level	Rationale
Resistance 3	0.9499/0.9507	Weekly R1; uptrend resistance; downtrend support
Resistance 2	0.9466	Monthly R3
Resistance 1	0.9403	Weekly PP
Support 1	0.9372/59	Monthly R2; Fibonacci retracement level
Support 2	0.9310/07	Weekly S1; Fibonacci retracement level
Support 3	0.9216/0.9200	Monthly R1; weekly S2, uptrend support

EXPLANATIONS

Signals

- Buy – the pair shows a clear uptrend
- Sell – the pair shows a clear downtrend
- Neutral – no specific trend for the pair

Max – the highest projection set by the industry sentiment



Mean – the average price based on the projections of the industry sentiment

Min – the lowest projection set by the industry sentiment

Chart

- SMA (55) – Simple Moving Average of 55 periods
- SMA (200) – Simple Moving Average of 200 periods

Indicators

- MACD - Moving average convergence divergence – momentum indicator
- RSI – Relative strength index - compares the magnitude of recent gains to recent losses in attempt to determine 'overbought' and 'oversold' conditions of the asset;
- Stochastic - technical momentum indicator that compares a currency pair's closing price to its price range over a given time period
- ADX – Average directional index – trend strength indicators
- CCI - oscillator used in technical analysis to help determine when a currency has been overbought or oversold
- SAR – trending indicator – shows the direction of a trend
- AROON – measures strength of a trend and likelihood that it will continue
- Alligator – trending indicator demonstrates presence of a trend and its direction

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