

Global Markets Strategist

USD rally continues – expect \$CAD to follow suit

Craig Ferguson
Senior Currency Strategist
ANZ Investment Bank
Melbourne
+613 9273 2839
fergusc2@anz.com

The bottom line across the markets

FX – FX markets have been jolted out of their stupor in the last 24 hours, with another 1% move in the USD cleansing many of the short USD positions that had accumulated over the last week or so of trading. Gold's key day reversal Monday was the key leader, with outside down days in the EUR, NZD and AUD (similar to key day reversals, but without the new low that is a requirement of a key day reversal, but still with a higher high, and lower close, and hence bearish in nature) yesterday confirming a move to a new USD bullish phase. Where to from here pre FOMC? We feel that EUR\$ still needs a test of 1.240/20 support, which should exhaust the downwards run, and that as a result, AUD and NZD should test, but then bounce from .6850/.6250. The other key trade we do like today is buying \$CAD. Yesterday's spike low and then rebound should be the first sign of a base, and we expect the USD to play catch up against the CAD as it has done against other major currencies in the last 24 hours. In addition, daily studies are bullish \$CAD, and the downtrend channel from 1.38 appears to be breaking at 1.3470. Buy \$CAD today therefore.

COMMODITIES – Gold and Gold shares followed on from their key day reversal patterns in overnight trade, with Gold now down almost \$13 from its highs. This decline is an exceptionally bearish event over the next 2-3 weeks, as it raises the risk of a retest of 380/372. However for the next few days, we wouldn't be surprised to see a test of then bounce from 390, back towards 395/397 again before declining into next week.

STOCKS – Pretty neutral here.

AUD – . MT peak at .8005, likely to be retested by years end. ST low at .6780 unconfirmed as yet. ST bearish again, expect .6850 then rebound. Sell .6930/50 though.
NZD – MT peak at .7100 to be re-tested, MT low at .59 cents probably in. MT bias to buy dips therefore. ST rally peaked at .6440, now could see .6150 again

USD INDEX – LT base confirmed, MT in range. ST based at 88.50, buy dips

EUR – LT peak at 1.2930 confirmed, likely to be retested, MT base at 1.1750 could still be retested tho. ST bearish for 1.2040/20 then rebound. Sell that rally.

\$CHF – LT low at 1.2175, MT bullish range for rest of year, before break of 1.21 by Dec. ST bullish buy dips

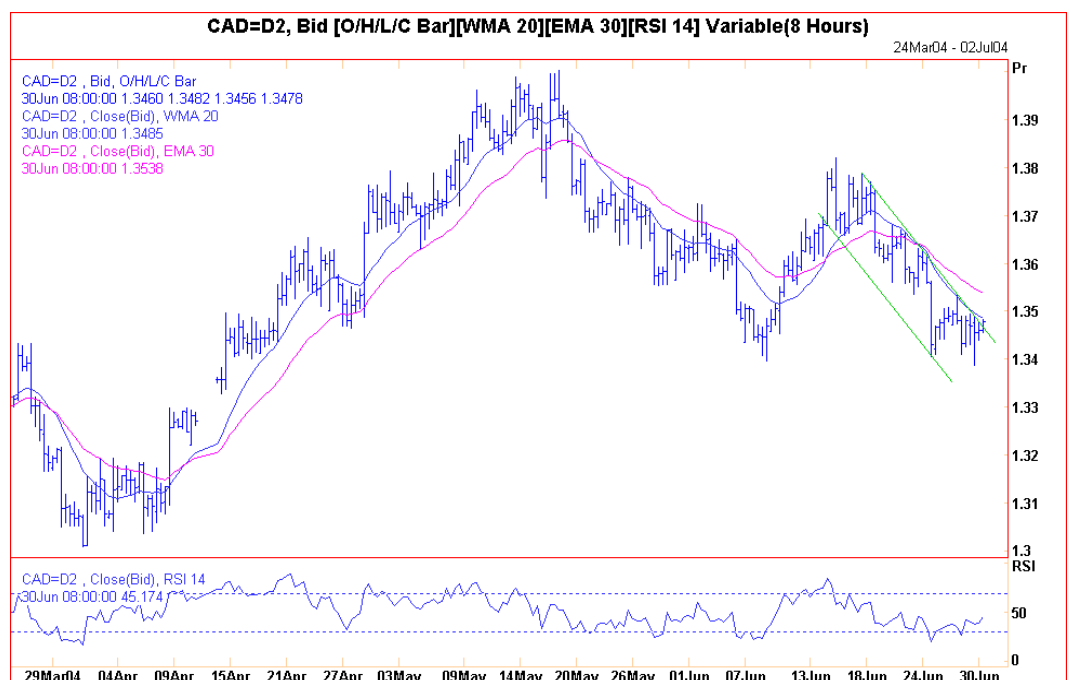
\$JPY – LT/MT trends probably bullish for eventual rally to 120-130. ST showing signs of basing.

GBP\$ – LT peak at 1.9140 confirmed, MT low at 1.75 and set for 1.91 again. ST range 1.85/80 still

\$CAD - LT base in place at 1.27, MT peak at 1.40. ST base at 1.3390, expect rally to 1.37

MARKET	MT TREND	ST TREND	SUPPORT	RESISTANCE
AUD	Bearish	New lows	.6850/.6790	.7020/.7050
NZD	Bearish	New lows	.6250/.61	.6340
EUR\$	Bearish	New lows	1.1950/1.1760	1.2120/1.2250
\$JPY	Based	Range	106.50/105	115/115.50
USD Index	Based	Based	88.50	91/92.50
GOLD	Bearish	Bearish	372/370	405/410
USA – S&P	Bullish	New highs	1060	1175
US 10 YR	Very bearish	Neutral	5.00/5.4%	4.50%/4.25%

FX PLAY OF THE DAY – Buy \$CAD at 1.3480 risking 1.3390 targeting 1.37 (1 week trade)



Disclaimer

Represented in:

<p>Australia and New Zealand Banking Group Limited ABN 11 005 357 522 2nd Floor 20 Martin Place, Sydney 2000, Australia Telephone +61 2 9226 6866 Fax +61 2 9227 1113</p>	<p>UNITED KINGDOM by: Australia and New Zealand Banking Group Limited ABN 11 005 357 522 Minerva House, PO Box 7, Montague Close, London, SE1 9DH, United Kingdom Telephone+ 44 171 378 2121 Fax+44 171 378 2378</p>
<p>UNITED STATES OF AMERICA by: ANZ Securities, Inc. (Member of NASD and SIPC) 6th Floor 1177 Avenue of the Americas New York, NY 10036, United States of America Tel: +1 212-801-9160 Fax: +1 212-801-9163</p>	<p>NEW ZEALAND by: ANZ Banking Group (New Zealand) Limited. Level 10 215-229 Lambton Quay Wellington, New Zealand Telephone +64 4 496 7000, Fax +64 4 496 7360</p>

In Australia, ANZ Investment Bank is a business name of Australia and New Zealand Banking Group Limited, ACN 005 357 522 ("ANZ Bank"), which holds an Australian Financial Services licence no. 234527. In New Zealand, ANZ Investment Bank is a business name of ANZ Banking Group (New Zealand) Limited WN / 035976 ("ANZ NZ").

This document is being distributed in the United States by ANZ Securities, Inc. ("ANZ S") (an affiliated company of ANZ Bank), which accepts responsibility for its content. Further information on any securities referred to herein may be obtained from ANZ S upon request. Any US person (s) receiving this report and wishing to effect transactions in any securities referred to herein should contact ANZ S, not its affiliates.

This document is being distributed in the United Kingdom by Australia and New Zealand Banking Group Limited, ("ANZ Bank, UK") for the information of its market counterparty and intermediate customers only. It is not intended for and must not be distributed to private clients. In the UK, ANZ Bank is regulated by, and is a member of, the Financial Services Authority ("FSA"). Nothing here excludes or restricts any duty or liability to a customer which ANZ Bank, UK may have under the Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the FSA.

This document of ANZ Bank is issued on the basis that it is only for the information of the particular person to whom it is provided. This document may not be reproduced, distributed or published by any recipient for any purpose. This document does not take into account your personal needs and financial circumstances. Under no circumstances is this document to be used or considered as an offer to sell, or a solicitation of an offer to buy.

In addition, from time to time ANZ Bank, its affiliated companies, or their associates and employees may have an interest in any financial products directly or indirectly the subject of this report (and may receive commissions or other remuneration in relation to the sale of such financial products), or may perform services for, or solicit business from, any company the subject of this document. If you have been referred to ANZ Bank or its affiliated company by any person, that person may receive a benefit in respect of any transactions effected on your behalf, details of which will be available upon request.

In addition, from time to time ANZ NZ, ANZ S, its affiliated companies, or their associates and employees may have an interest in any securities directly or indirectly the subject of this report (and may receive commissions or other remuneration in relation to the sale of such securities), or may perform services for, or solicit business from, any company the subject of this report. If you have been referred to ANZ NZ, ANZ S or its affiliated company by any person, that person may receive a benefit in respect of any transactions effected on your behalf, details of which will be available upon request.

The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable. The views expressed in this document accurately reflect the author's personal views about any and all of the securities and issuers referred to herein. The author however makes no representation as to its accuracy or completeness and the information should not be relied upon as such. All opinions and estimates herein reflect the author's judgement on the date of this report and are subject to change without notice. No part of the author's compensation was, is or will be directly or indirectly related to specific recommendations or views expressed in this document. ANZ Bank, ANZ NZ, ANZ S, its affiliated companies, their directors, officers, and employees disclaim any responsibility, and shall not be liable, for any loss, damage, claim, liability, proceedings, cost or expense ("Liability") arising directly or indirectly (and whether in tort (including negligence), contract, equity or otherwise) out of or in connection with the contents of and/or any omissions from this communication except where a Liability is made non-excludable by legislation.

Where the recipient of this publication conducts a business, the provisions of the Consumer Guarantees Act 1993 (NZ) shall not apply.