

Thursday, 28 June 2012

I was not prepared at all for the burst higher in the European indices yesterday. The move generated repeat swing-chart buy-signals in both the DAX and the FTSE. I did not respond to those signals, however. Nor did many other traders, at least going by the flaccid volume figures. I think people are sitting on their hands in advance of the latest Eurozone summit, which takes place today and tomorrow. Were I looking for long positions in equities, which I am not, then I think the US markets would prove a better bet right now.

I am not going to fight against this trend in the indices for now, though. With the FTSE, I am waiting for the index to approach intraday overbought levels and then perhaps short a reversal back down.



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DAX 30



IG Index chart

The DAX's 1.6% trough-to-peak bounce took me surprise yesterday. The gains generated a repeat buy-signal on its daily swing chart. But let's keep things in perspective: the index remains far below its 55-day EMA. I remain on guard for a drop back to **6100** and below, so am really not tempted to join the rally.

A sharp drop back through the 55-fourhourly EMA (6223.6) might get me to go short.

SUPPORT	RESISTANCE
6222.69	6446.00
6195.60	6403.35
6110.45	6336.76
6050.22	6269.76

FTSE 100



IG Index chart

The FTSE's charge higher yesterday came out of the blue. It also generated another buy-signal on the UK market's swing-chart. I am not minded to follow that signal for now. The gains occurred on very low volumes, with many traders sitting it out in advance of today and tomorrow's Euro summit. A drop back to **5380** is still my call.

I'll allow for the present rally to extend to overbought levels (RSI 70%) on the fourhourly chart before I try and short a reversal, though.

SUPPORT	RESISTANCE
5515.22	5711.59
5497.93	5667.68
5467.97	5623.85
5426.80	5573.18

EURO/BRITISH POUND



IG Index chart

I observed yesterday that EURGBP had become slightly oversold on its fourhourly chart, and was likely to experience a bit of a short-term bounceback. That's what has happened, with the price having popped above its 21-fourhourly EMA. Since the move was stronger than I had thought, I would now allow for it to extend up to the 55-fourhourly EMA (80.37p). Thereafter, I look for **79.5p** and then **79.23p**.

I'll seek to short if EURGBP pops above and then reverses back below its 55-fourhourly EMA.

SUPPORT	RESISTANCE
79.95p	80.93p
79.67p	80.63p
79.47p	80.47p
79.23p	80.21p

BRITISH POUND/US DOLLAR



IG Index chart

After an initial lurch lower in line with my bearish call, GBPUSD has recovered strongly. It is hard to trade a market like this, when it is effectively just whipsawing. In absence of clear direction for now, the safest place to be is on the sidelines. I look for a resumption of the downtrend to below **\$1.55** before long, though.

I am neutral here for now.

SUPPORT	RESISTANCE
1.5601	1.5783
1.5571	1.5743
1.5531	1.5672
1.5507	1.5631



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