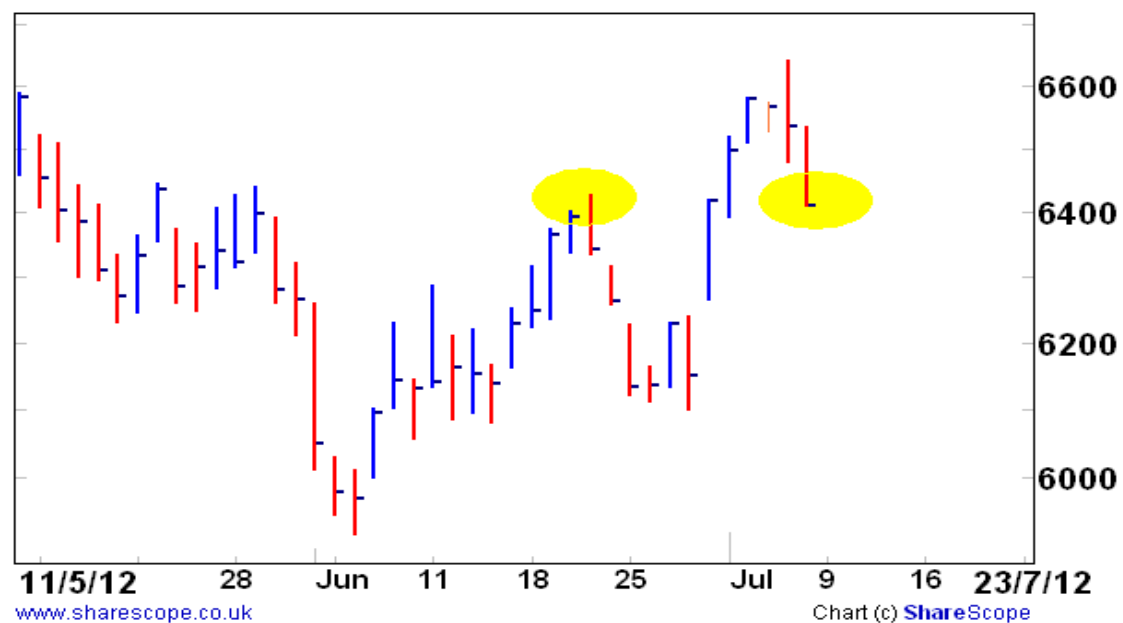


Monday, 09 July 2012

The DAX's reversal on Friday has given its chart a much more negative feel. In a proper uptrend, I think each pullback should ideally end above the previous high within that uptrend. The German index overlapped its previous high during Friday's decline, which makes the larger move up from the early June lows look like it might be a correction. Still, I am not giving up on the case for gains in equities for now. The FTSE appears to be in rather better shape than the DAX and I am open to buying a decent bounce today, if it occurs.



Dominic Picarda CFA, CMT

DAX 30



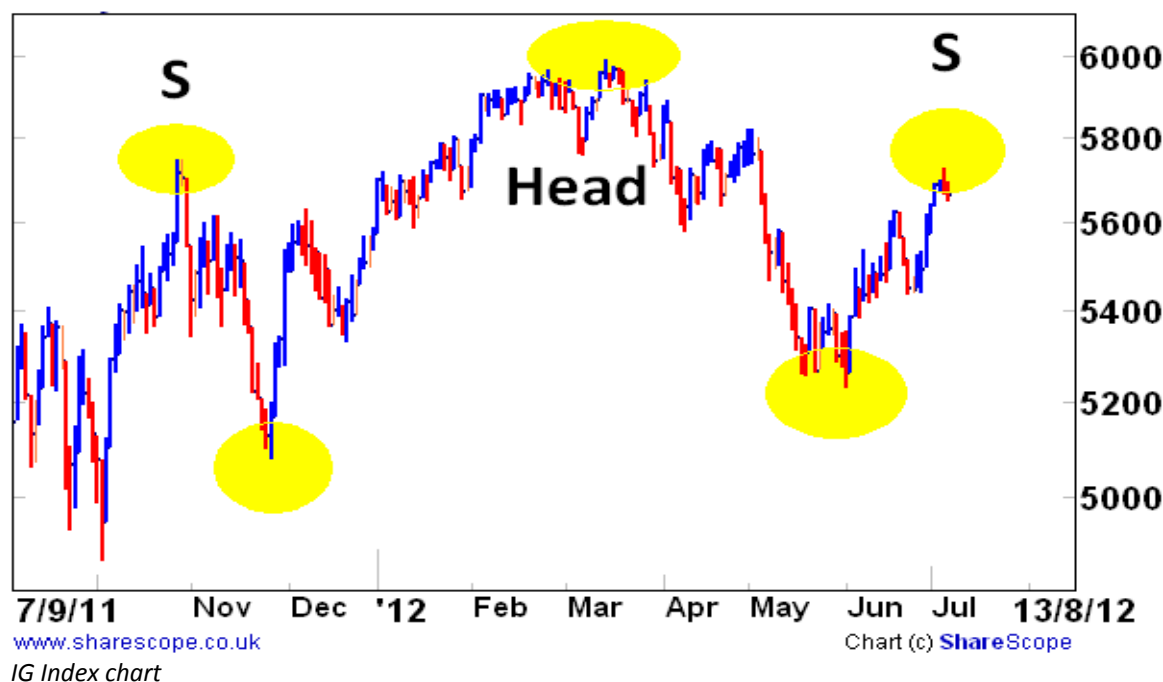
IG Index chart

Friday's hard drop has taken the German index close to two vital levels. It is now not far above its 55-day EMA (6389) and it is also sitting right around its 55-FOURHOURLY EMA (6427.5). I have not given up on the case for a move to **6705**, but the latest sell-off has clearly given the entire rally more of a corrective feel to it.

A surge back above the 55-fourhourly EMA would make an obvious buying opportunity for me.

SUPPORT	RESISTANCE
6403.35	6598.32
6365.94	6554.22
6292.68	6503.27
6230.58	6458.27

FTSE 100



For the pattern enthusiasts, the reversal at 5695 will have come as a treat. That's not far off where the FTSE topped last October. As a result, there's now a sort of bearish "head-and-shoulders" pattern in evidence on the UK market's chart. I have to say that's not my interpretation. I see further gains towards **5809.9** as the likeliest outcome here.

I would buy a strong rally from current levels (21-fourhourly EMA, 5671.2)

SUPPORT	RESISTANCE
5667.68	5826.50
5623.85	5809.87
5573.18	5747.33
5515.22	5699.50

EURO/BRITISH POUND



IG Index chart

The downside on Friday took EURGBP to and through my target at 79.49p. The only thing standing in the way of further declines as I see it is the oversoldness on the fourhourly chart (RSI 27.5%). This calls for an intraday bounce towards the 21-fourhourly EMA (79.73p). Thereafter, I look for **78.41p**.

I'd wait for a further reversal back through the 21-fourhourly EMA before shorting (79.737p).

SUPPORT	RESISTANCE
79.23p	80.21p
78.93p	79.95p
78.41p	79.67p
78.09p	79.49p

BRITISH POUND/US DOLLAR



I called on Friday for sterling to head for **\$1.5404**, most likely via a further rally and then drop back through the 13-fourhourly EMA. The price then reversed at exactly that line before beginning its latest sell-off. A return to the June 1 lows at **\$1.52681** is on the cards, in my view.

I'd like to short at the 21-fourhourly EMA (\$1.55525).

SUPPORT	RESISTANCE
1.5483	1.5631
1.5451	1.5601
1.5404	1.5571
1.5367	1.5529



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