



Gulf Analytics

Technical Trade Signals Research Team

Technical Analysis Research

Weekly Report : February 28th 2011

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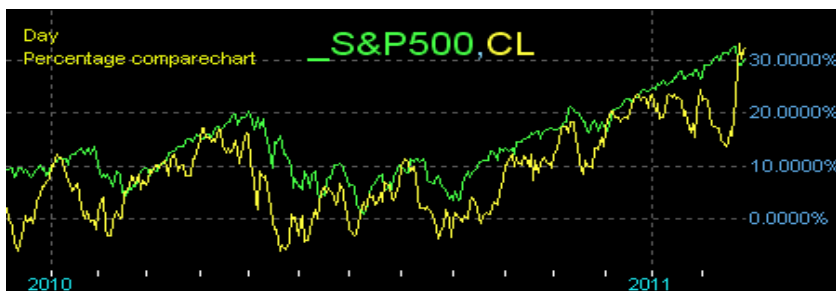
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Technimental View

If it wasn't for US\$ 600bn of market priming free money from Bernanke, major world indices would have tanked last week. With US\$ 350-400bn left to spend we doubt the Middle East uprising will burst Ben's Bubble just yet, unless of course Saudi faces an uprising in its eastern, mostly Shiite provinces (near Bahrain).

- The uprisings in the Middle East are indeed worrying, but have yet to have the effect on oil, or stocks for that matter that could have happened. The latest worry is not Libya but Iraq, and significantly the small Gulf Emirate of Bahrain.
- It is important to note, the Americans for the most part do not see Libya as a major concern
- Several European governments, notably Italy and to a lesser extent France and Spain can not brush off the country as easily, with Italy very dependent on oil and gas from Gadhafi's wells.
- Everyone is basically waiting for the mad dog of Africa to be shot, and if this indeed occurs the markets will rally strongly for a brief period of time. The US Dollar seems to fall regardless of the news, so it will probably head deeper south and take out the year to date low at 76.88 if there is a quick end in Libya.
- All of this leaves us with mixed feelings. On the one hand the liquidity driven QE2 rally looks as if it has legs to run regardless of the geopolitical outlook, with the likes of the Dow and many Asian equity indices but a good day or so away from reigniting rather bullish trends.
- It just does not feel right to our best money management judgment to ignore the risks however, with the news Saturday of a (successful) bomb attack on the largest oil refinery in Iraq and considerable discontent in many cities there, it seems to us the risk of the events in the Middle East and North Africa reaching tipping point are still high. By tipping point we mean oil runs and does not stop until NYMEX is north of US\$ 105 and gold posting prices nearer US\$ 1440 an ounce.



- On a relative strength basis, Oil has not performed the S&P 500 for over a year, but that will change if NYMEX trades much above US\$ 100 this week.

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| Time | Subject |
|---------------------|---------------------------------|
| 2010/11/12 21:24:34 | Trade Signal USDJPY |
| 2010/11/12 20:54:55 | Trade Signal USDCHE |
| 2010/11/12 20:39:17 | Trade Signal CADJPY |
| 2010/11/12 20:11:43 | Swing Trade AUDUSD |
| 2010/11/12 19:58:13 | Trade Signal GBPAUD |
| 2010/11/12 19:51:51 | Trade Signal NZDJPY |
| 2010/11/12 19:30:39 | Conditional Trade GBPCHF |
| 2010/11/12 19:24:29 | Swing Trade USDCAD |
| 2010/11/12 19:15:06 | Trade Signal NZDUSD |
| 2010/11/12 19:10:44 | Trade Signal EURJPY |
| 2010/11/12 18:52:24 | Technical Comment CHFJPY |
| 2010/11/12 18:33:13 | Trade Signal AUDUSD |
| 2010/11/12 18:22:26 | Trade Signal USDJPY |
| 2010/11/12 18:11:40 | Technical Comment LLS XAU |
| 2010/11/12 18:08:48 | MARKET TALK: Consumers s |
| 2010/11/12 18:08:17 | Technical Comment: Usd/Yer |
| 2010/11/12 17:58:59 | Market Talk: Eurodollar future: |
| 2010/11/12 17:52:06 | Conditional Trade : GBPUSD |

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Gold (XAUUSD)

In need of another moderately important Middle East of North African country to implode, Gold (and Oil) will undergo a hefty correction if traders perceive relative calm is prevailing in coming days.

Trade View

- Spot Gold has seen an average trading range of about 41 dollars per week over the past half year, which theoretically puts 1370 and 1450 in range for coming days.
- That it could go either way, to 1420 or so, or 1380 is a safer bet, but a punt all the same given real-time news flow and the way traders interpret it is key for now given the fluidity of the situation.
- A breach of initial support at 1404, even 1400 is possible Monday, but with a decent cluster of support from 1383 to 1388, it would take a news supported breakdown and close well below this range to stun the bulls – at least for a while.
- More bad news, like Algeria succumbing to chaos would however see 1417-1420 taken out in a flash.



Copper

Copper took over when gold and silver started to pullback late last week, closing on the inauspicious number 444 (for Chinese).

Trade View

- The risk trade metal posted an impressive weekly rebound as can be seen on the chart, but unless we see the Shanghai Composite Index rally above 2940 (closed last week at 2878) and gold fall easily below 1400, there is a possibility we will enter a sideways move with relatively high volatility, as the 'risk on, risk off' trade plays out with news flow from the middle east.
- On a VST basis a move from 444 to 451 or so, even 455 looks possible from a purely technical perspective, with initial support at 440-441 then far off at 434-435



USD Index

Global risk aversion obviously doesn't include buying the US Dollar anymore, with a truly scary performance last week for the debased USD.

Trade View

- Just holding at trend support, and with a double bottom on its day chart, we are unsure as to what it will take to move the Dollar upwards - apart from some pretty serious chaos in Europe or the UK.
- The dollar's safe haven qualities were on leave last week, and we can imagine a scenario whereby global risk aversion dies down, stocks rally forth and the USD takes a fall to 75 or so.
- A rebound and daily close or two above 77.50 at the very least is required to repair some of the year to date damage on the chart, and for now the power of Bernanke's nuclear printing press seems too much for the greenback to handle.



EUR/USD

With Irish and German voters giving the big no to spend thrift and bailout prone politicians last week, the best case should be a spike to 1.4100-1.4200 or so over the near term.

Trade View

- The Euro faces clustered price resistance from its current level to 1.4100-1.4200, and may find it difficult to make linear progress.
- There is key near-term support at 1.3630 or so, and an initial level at 1.3725 then 1.3680.
- EUR/USD faces an initial hurdle for the week at 1.3780 then just above 1.3800, but a decisive breakout here will place 1.4000 or so as a viable target for the first few trading days in March.



GBP/USD

Sterling closed not too far below a key resistance level at 1.6270 or so, but a breakout here and a subsequent spike of 200 pips might have to wait a while longer

Trade View

- It's easy to imagine more pain for holders of US Dollars early this week, but be cautious, and in the case of Cable, we mean a breakout move at 1.6270 might have to wait, and instead of moving north with continued bullish intentions, the perverse FX market will in fact do the opposite with a resulting pullback to 1.5860-1.5900
- There is initial support at 1.6060 then 1.6030, so if long and it bounces a tad from open, it might be worth to take profits or even reverse VST positions.
- We wonder, is civil war in Yemen (seems increasing likely) enough for Brent to spike to US\$ 123-125 this time?



USD/CHF

The Swiss Franc showed the USD what a safe haven really means in the forex markets last week, and needs a rebound above 0.9360 to change the VST trend.

Trade View

- The month chart shows USD/CHF hitting medium term trend support last week, but with plenty of resistance should the Dollar muster a rebound from a heavily oversold state, starting at 0.9360, 0.9400.....and pretty much all the way to parity.
- Given the Dollar is heavily oversold against the Swiss Franc, it will be a leading pair to monitor for direction this week.



USD/JPY

The monthly chart of the Yen remains very bearish, but in the short term a rebound to 82.10 and possibly nearer 82.50 can't be ruled out.

Trade View

- A conditional punt if USD/JPY dips to 81.35 or so for a speculative rebound to 82 or just above might tempt some, with a stop at either 80.88 or 81.27 for those just in for fun.
- However, if 81.30 is taken out very quick this week – within 4 to 6 hours of open, then it will probably come off to 81.00, so it might pay to wake late rather than catch it at first tick.



USD/CAD

Another clear case of what printing US\$ 600bn does to your currency against paper backed with slightly more than ink, it's last chance time for the USD, with little support below last week's low of 0.9779 until 0.9400 or so.

Trade View

- Much like the Swiss Franc, Aussie...and plenty of other crosses against the USD, the Canadian Dollar looks as if it will strengthen further, but given its close proximity to key support, a rebound is possible over the next few days.
- Look for a rebound and hourly close or two above 0.9820 as a sign a dead cat bounce might last a short while, but it may first dip to 0.9750 or so before rebounding.
- If 0.9750 fails to hold there is of course no real support left, just theoretically derived numbers, the first of which is 0.9710



NYMEX Crude (April / CL1J)

We gave 102-103 as the target last week for NYMEX Crude, but for the week ahead we suggest waiting for a break below 95 or above 100 before re-entry.

Trade View

- The spreads between NYMEX and Brent crude and indeed Dubai and Omani reached multi year extremes of late, with the North American blend a laggard of massive proportions.
- The geopolitical situation is such we think it's a toss of a coin as to where it will go this week. As such we await a strong move one way or the other – above 100 or below 95.
- For VST traders, CL1J has key support at US\$ 96.20 to 96.50. If this range holds Monday it will be a mildly bullish sign, but as noted above, a breakout above 100 is needed to turn it bullish and place 105-106 as the next target.
- If indeed NYMEX hits 105, Brent should spike to US\$ 123 or so.



AUD/USD

The day chart looks promising, but beware the curse of the failed forex break, which could see a spike to 1.0200 then a subsequent pullback.

Trade View

- If the chart plays through text book fashion this week, the USD will of course get hammered, but it seems too obvious to be fully trustable.
- As traders find to their peril, forex market have a far greater tendency to 'trick' the chartist than say stock charts.
- The Australian Dollar has a bullish channel on the hourly chart that may top out at or very near 1.0200, from where a reversal back to nearer 1.0070 is likely.
- On a slightly longer time frame, AUD/USD has 1.0200 to 1.0250 to deal with. A breakout here would be a good sign the risk trade is back in rude health and likely unstoppable for a few weeks yet.



CBOT Dow Minis (YMOY)

Posting its first half decent correction this year, Dow Futures are but a good day or two away from discarding all current geopolitical risk and marching to fresh multi year highs.

Trade View

- Dow Minis have a key resistance at 12,220, which if taken out would set up a bullish scenario for a retest of the recent high at worst, and quite possibly an advance to an even loftier level.
- We view 11,980 as key support, and as long as it holds there will be a decent chance of upside.
- If however this support fails, we expect 11,900 or so to be tested promptly, with further support at 11,840.



CBOT S&P500 Minis (ES0Y)

S&P 500 futures are a step ahead of the Dow variety, with a daily close above 1323 a bullish sign if it occurs early in the week.

Trade View

- Friday's rebound was impressive, but 1323 needs to be dealt a blow if the S&P 500 minis are not to stall on Monday, with a subsequent period of consolidation back to 1300 or so.
- For the S&P 500 Index a daily close above 1332 is needed to confirm a retest of the recent high at 1344.
- That the US markets are remaining very firm in the face of the Middle East North Africa uprisings will end if just one more country folds. Or if NYMWX crude rallies much above US\$ 105



Economic Calendar –Feb 28 to March 4th 2011

| GMT | Country/Event | Cons. | Previous | Volatility |
|---------------|---|--------|----------|------------|
| Feb 28 | | | | |
| 00:30 | Australia Company Gross Operating Profits (QoQ) (Q4) | 0.8% | -1.5% | |
| 00:30 | Australia Private Sector Credit (MoM) (Jan) | 0.3% | 0.2% | |
| 00:30 | Australia Private Sector Credit (YoY) (Jan) | | 3.4 | |
| 01:00 | Japan Small Business Confidence (Feb) | | | |
| 02:00 | New Zealand Business Confidence (Feb) | | 29.5 | |
| 04:00 | Japan Vehicle Production (YoY) (Jan) | | -5.1% | |
| 05:00 | Japan Annualized Housing Starts (Jan) | 0.871M | 0.847M | |
| 05:00 | Japan Construction Orders (YoY) (Jan) | | 13.1% | |
| 05:00 | Japan Housing Starts (YoY) (Jan) | 5.6% | 7.5% | |
| 10:00 | European Monetary Union Consumer Price Index (MoM) (Jan) | -0.6% | 0.6% | |
| 10:00 | European Monetary Union Consumer Price Index - Core (YoY) (Jan) | 1.2% | 1.1% | |
| 10:00 | European Monetary Union Consumer Price Index (YoY) (Jan) | 2.4% | 2.2% | |
| 13:30 | Canada Current Account (Q4) | | -17.54B | |
| 13:30 | Canada Gross Domestic Product Annualized (QoQ) (Q4) | 2.9% | 1.0% | |
| 13:30 | Canada Gross Domestic Product (MoM) (Dec) | 0.3% | 0.4% | |
| 13:30 | United States Personal Income (MoM) (Jan) | 0.4% | 0.4% | |
| 13:30 | United States Personal Consumption Expenditure Deflator (Jan) | 1.4% | 1.3% | |
| 14:45 | United States Chicago Purchasing Managers' Index (Feb) | 68.1 | 68.8 | |
| 15:00 | United States Pending Home Sales (MoM) (Jan) | -2.6% | 2.0% | |
| 21:45 | New Zealand Terms of Trade Index (Q4) | | 3% | |
| 22:30 | Australia AiG Performance of Mfg Index (Feb) | | 46.7 | |
| 23:30 | Japan Jobless Rate (Jan) | 4.9% | 4.9% | |
| 23:30 | Japan Overall Household Spending (YoY) (Jan) | -1.3% | -3.3% | |

Economic Calendar –Feb 28 to March 4th 2011

| GMT | Country/Event | Cons. | Previous | Volatility |
|---------------|--|--------|----------|------------|
| Mar 01 | | | | |
| 00:30 | Australia Current Account Balance (Q4) | -6.90B | -7.83B | 🟡🟡🟢 |
| 00:30 | Australia Retail Sales s.a. (MoM) (Jan) | 0.3% | 0.2% | 🟡🟡🟢 |
| 01:00 | China Manufacturing PMI (Feb) | 52.1 | 52.9 | 🟡🟡🟢 |
| 01:30 | Japan Labor Cash Earnings (YoY) (Jan) | | 0.2% | 🟡🟡🟢 |
| 02:00 | New Zealand ANZ Commodity Price (Feb) | | 3.8 | 🟡🟡🟢 |
| 02:30 | China HSBC Manufacturing PMI (Feb) | 52.2 | 54.5 | 🟡🟡🟢 |
| 03:30 | Australia RBA Interest Rate Decision (Mar) | 4.75% | 4.75% | 🟡🟡🟢 |
| 05:00 | Japan Vehicle Sales (YoY) (Feb) | | -22% | 🟡🟡🟢 |
| 05:30 | Australia RBA Commodity Index SDR (YoY) (Feb) | | 48.7% | 🟡🟡🟢 |
| 06:45 | Switzerland Gross Domestic Product s.a. (QoQ) (Q4) | 0.6% | 0.7% | 🟡🟡🟢 |
| 06:45 | Switzerland Gross Domestic Product (YoY) (Q4) | 2.7% | 3.0% | 🟡🟡🟢 |
| 07:00 | United Kingdom Nationwide Housing Prices s.a (MoM) (Feb) | -0.2% | -0.1% | 🟡🟡🟢 |
| 07:00 | United Kingdom Nationwide Housing Prices n.s.a (YoY) (Feb) | -0.2% | -1.1% | 🟡🟡🟢 |
| 08:30 | Switzerland SVME - Purchasing Managers' Index (Feb) | 60.7 | 60.5 | 🟡🟡🟢 |
| 08:55 | Germany Purchasing Manager Index Manufacturing (Feb) | 62.6 | 60.5 | 🟡🟡🟢 |
| 08:55 | Germany Unemployment Rate s.a. (Feb) | 8.6% | 7.4% | 🟡🟡🟢 |
| 08:55 | Germany Unemployment Change (Feb) | -13K | -13K | 🟡🟡🟢 |
| 09:00 | European Monetary Union Purchasing Manager Index Manufacturing (Feb) | 59 | 59 | 🟡🟡🟢 |
| 09:30 | United Kingdom M4 Money Supply (MoM) (Jan) | 0.4% | -0.6% | 🟡🟡🟢 |
| 09:30 | United Kingdom M4 Money Supply (YoY) (Jan) | | -1.2% | 🟡🟡🟢 |
| 09:30 | United Kingdom Net Lending to Individuals (MoM) (Jan) | £0.3B | £-0.1B | 🟡🟡🟢 |
| 09:30 | United Kingdom Mortgage Approvals (Jan) | 42.5K | 43.0K | 🟡🟡🟢 |
| 09:30 | United Kingdom Purchasing Manager Index Manufacturing (Feb) | 61.5 | 62.0 | 🟡🟡🟢 |
| 10:00 | European Monetary Union Unemployment Rate (Jan) | 10% | 10% | 🟡🟡🟢 |
| 14:00 | Canada BoC Interest Rate Decision (Mar) | 1% | 1% | 🟡🟡🟢 |
| 15:00 | United States Construction Spending (MoM) (Jan) | -0.4% | -2.5% | 🟡🟡🟢 |

Economic Calendar –Feb 28 to March 4th 2011

| GMT | Country/Event | Cons. | Previous | Volatility |
|---------------|--|-------|----------|------------|
| Mar 02 | | | | |
| 00:00 | Australia HIA New Home Sales (MoM) (Jan) | | -0.6% | !!! |
| 00:30 | Australia Gross Domestic Product (QoQ) (Q4) | 0.6% | 0.2% | !!! |
| 00:30 | Australia Gross Domestic Product (YoY) (Q4) | | 2.7% | !!! |
| 05:00 | United Kingdom Halifax House Prices (MoM) (Feb) | -0.6% | 0.8% | !!! |
| 05:00 | United Kingdom Halifax House Prices (3m/YoY) (Feb) | -2.2% | -2.4% | !!! |
| 09:30 | United Kingdom PMI Construction (Feb) | 53.3 | 53.7 | !!! |
| 10:00 | European Monetary Union Producer Price Index (MoM) (Jan) | 1.1% | 0.8% | !!! |
| 10:00 | European Monetary Union Producer Price Index (YoY) (Jan) | 5.6% | 5.3% | !!! |
| 12:00 | United States MBA Mortgage Applications (Feb 25) | | 13.2% | !!! |
| 13:15 | United States ADP Employment Change (Feb) | 184K | 187K | !!! |
| 13:30 | Canada Industrial Product Price (MoM) (Jan) | 0.4% | 0.7% | !!! |
| 13:30 | Canada Raw Material Price Index (Jan) | 3.3% | 4.2% | !!! |
| 15:30 | United States EIA Crude Oil Stocks change (Feb 25) | | 0.8M | !!! |
| 19:00 | United States Fed's Beige Book | | | !!! |
| 22:30 | Australia AIG Performance of Services Index (Feb) | | 45.5 | !!! |
| 23:50 | Japan Capital Spending (Q4) | 5.9% | 5.0% | !!! |
| Mar 03 | | | | |
| 00:30 | Australia Building Permits (MoM) (Jan) | -3.1% | 8.7% | !!! |
| 00:30 | Australia Building Permits (YoY) (Jan) | | -5% | !!! |
| 00:30 | Australia Trade Balance (Jan) | 1.56B | 1981.00M | !!! |
| 08:15 | Switzerland Real Retail Sales (YoY) (Jan) | | -0.4% | !!! |
| 08:55 | Germany Purchasing Manager Index Services (Feb) | 59.5 | 60.3 | !!! |
| 09:00 | European Monetary Union Purchasing Manager Index Services (Feb) | 57.2 | 57.2 | !!! |
| 09:30 | United Kingdom Purchasing Manager Index Services (Feb) | 54.3 | 54.5 | !!! |
| 10:00 | European Monetary Union Gross Domestic Product s.a. (QoQ) (Q4) ▶ | 0.3% | 0.3% | !!! |

Economic Calendar –Feb 28 to March 4th 2011

| GMT | Country/Event | Cons. | Previous | Volatility |
|---------------|--|-------|----------|------------|
| 10:00 | European Monetary Union Gross Domestic Product s.a. (YoY) (Q4) ▶ | 2% | 2% | !!! |
| 10:00 | European Monetary Union Retail Sales (MoM) (Jan) | 0.4% | -0.6% | !!! |
| 10:00 | European Monetary Union Retail Sales (YoY) (Jan) | 0.0% | -0.9% | !!! |
| 12:45 | European Monetary Union ECB Interest Rate Decision (Mar) | 1% | 1% | !!! |
| 13:30 | United States Initial Jobless Claims (Feb 26) | 386K | 391K | !!! |
| 13:30 | United States Continuing Jobless Claims (Feb 19) | | 3.79M | !!! |
| 13:30 | United States Nonfarm Productivity (Q4) | 2.6% | | !!! |
| 13:30 | United States Unit Labor Costs (Q4) | -0.6% | -0.1% | !!! |
| 15:00 | United States ISM Non-Manufacturing (Feb) | 59.9 | 59.4 | !!! |
| Mar 04 | | | | |
| 13:30 | United States Nonfarm Payrolls (Feb) | 183K | 36K | !!! |
| 13:30 | United States Average Hourly Earnings (YoY) (Feb) | | 1.8% | !!! |
| 13:30 | United States Average Weekly Hours (Feb) | 34.3 | 34.2 | !!! |
| 13:30 | United States Unemployment Rate (Feb) | 9.1% | 9.0% | !!! |
| 15:00 | United States Factory Orders (Jan) | 2.2% | 0.2% | !!! |
| 15:00 | Canada Ivey Purchasing Managers Index (Feb) | 47.9 | 41.4 | !!! |

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