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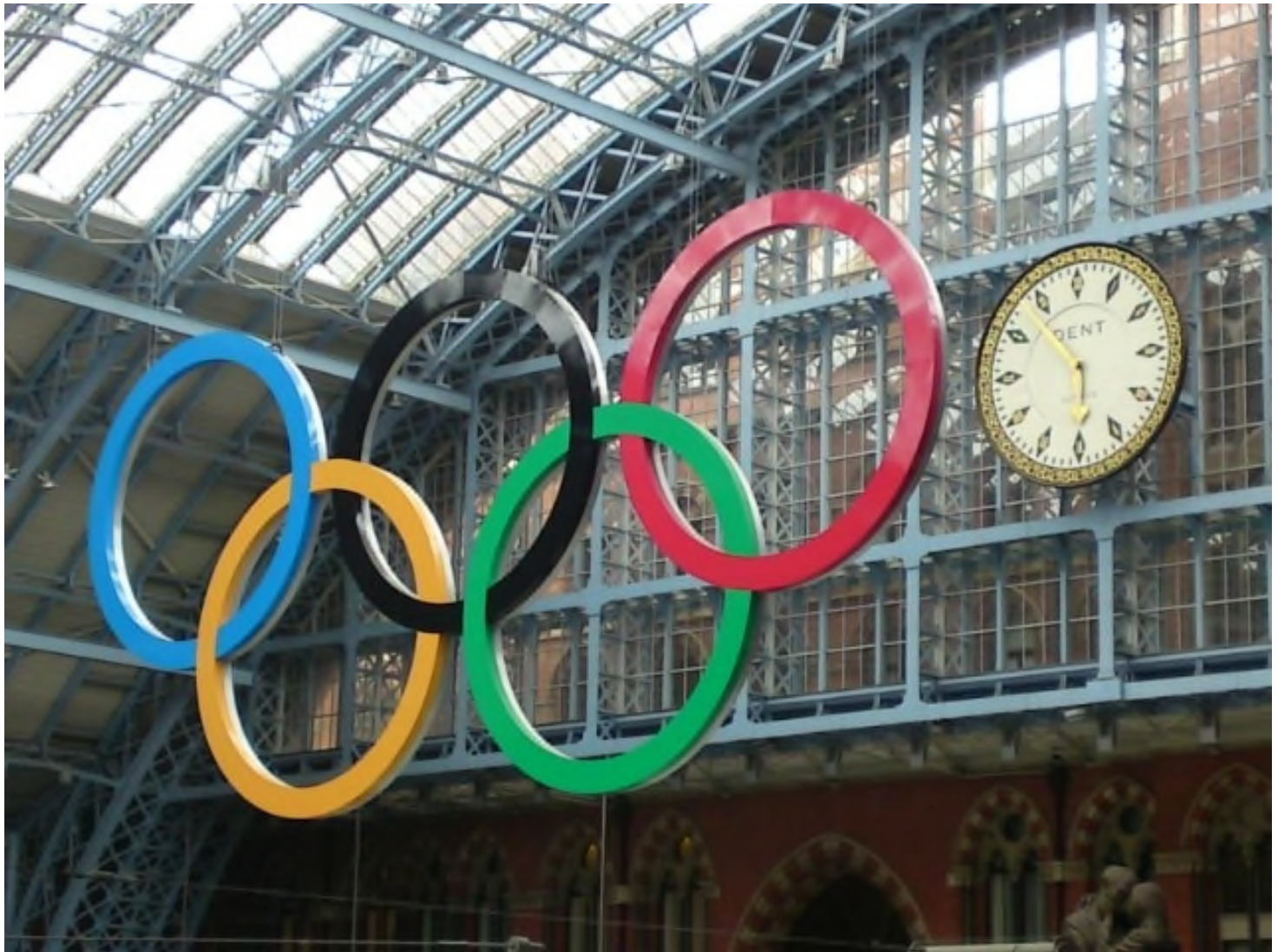
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C O B Friday – 29TH JULY 2011



Eddie's Crayons.... ★

**THE VOICE OF THE ADMISI
FOREIGN EXCHANGE DEPARTMENT**



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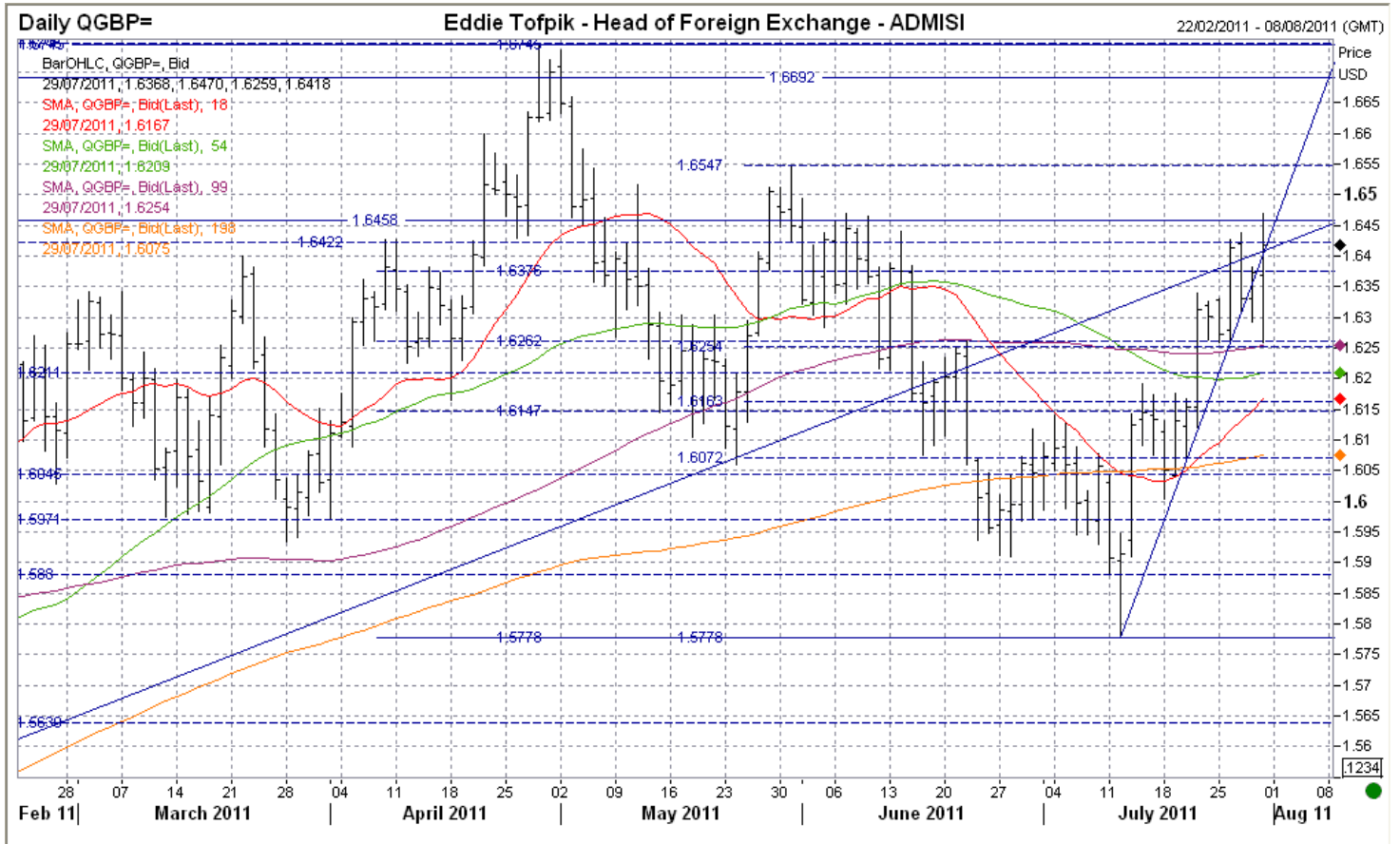
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GBPUSD



TREND UP



Source: Reuters/Eddie Tofpik

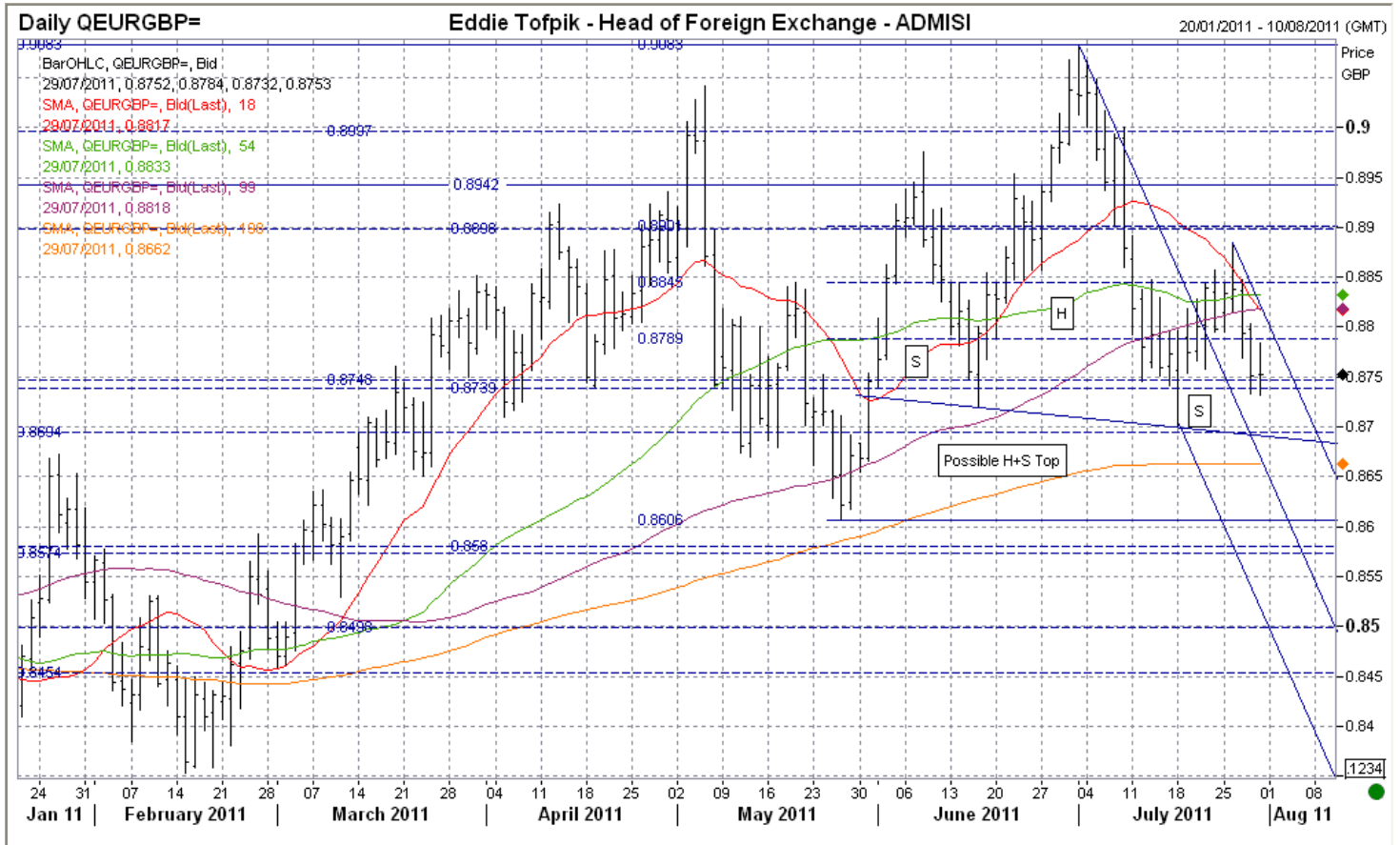
The caution I expressed last time on the decline proved to be valid! We did see prices nicely fail & head south until just before mid-month when a possible Bullish Doji/Spike Bottom managed to turn prices around. They turned enough that we shortly thereafter had a Golden Cross of the Short MA up through the Long MA followed swiftly by the market breaking through & closing over the 50% Fibs at 1.6163 & 1.6262. Needless to say these are now supports. However, the most interesting feature is the last & it is twofold. On Friday we had a Key Reversal Up on the Daily Chart AND on the Monthly Chart! Both strong indicative factors of the direction likely to come (hence the change in the bullet point above) & hardly surprising given the current situation with DC. The only question is whether events are shaping the charts or vice versa. Overall, suggest we may try higher still & would suggest recent highs & Fibs at 1.6458, 1.6547, 1.6692 & of course 1.6745 as obvious candidates – the last one being a suitable target perhaps though if we see the recent action as a lopsided Halfway Hesitation then the area around 1.6650 would seem more suitable. Downside support is at the previous mentioned 50% Fibs as well as in an area between 1.6147 down to the Long MA (currently 1.6075).

Last time I gave **NO SUGGESTION!** This time with an eye to volatile markets would suggest this for those more adventurous amongst you of a long on the open with targets of 1.6650 & 1.6695. Stop out under 1.6250!

EURGBP



TREND DOWN?



Source: Reuters/Eddie Tofpik

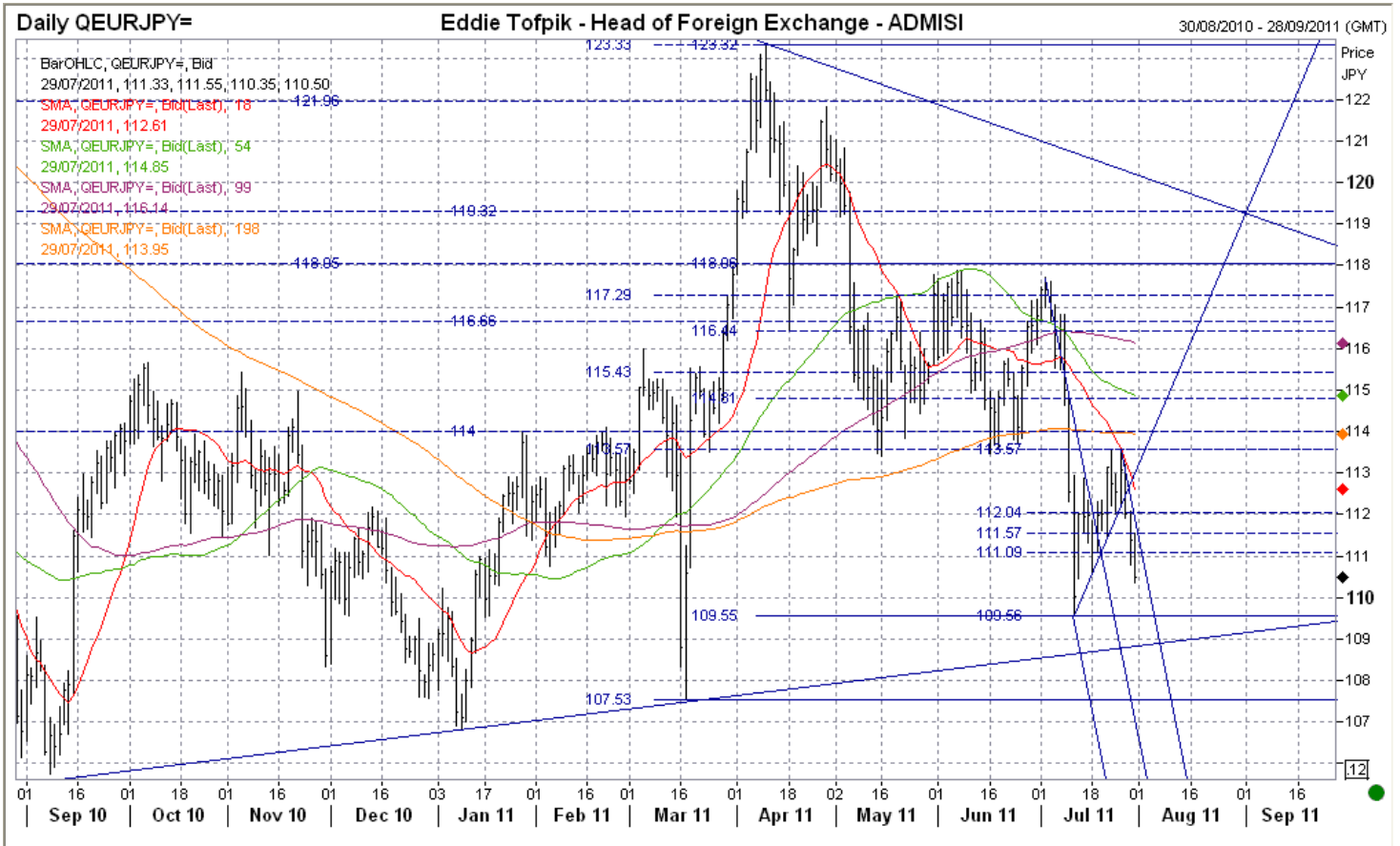
I left the bullet point alone last time & what happened! The very next day the minor exhaustion to the rally I suspected to be due to the Independence Holiday turned out to be much more & prices swiftly collapsed! They did not stop at the 50% Fib at 0.8845 (now resistance) & through many other Fibs before turning up just past the mid Jun low (0.8720) but before the Long MA (currently 0.8662). Both these levels are still support. Since then we've had a recovery though it has been half-hearted & has led to the formation of two possible patterns both of which are complimentary. The first (not marked on the chart above) is a Bearish Halfway Hesitation/Flag with a potential target around 0.8550. The second which is marked on the chart above is a possible H+S Top. This would have a preliminary target of 0.8530 with an ultimate target in the region of 0.8360! The Downward Andrews Pitchfork I had marked above as well may give a good idea of the angle of attack of the market should we try lower. However, there is one feature that halts any progress downwards & that is the Long MA which is effective support for this market. Therefore, until we see what the price action is like near 0.8662 then the possible bear patterns are off!

Last month I gave **NO SUGGESTION!** Given the nature of this pair I suggest it prudent to sit on ones hands.

EURJPY



TREND DOWN?



Source: Reuters/Eddie Tofpik

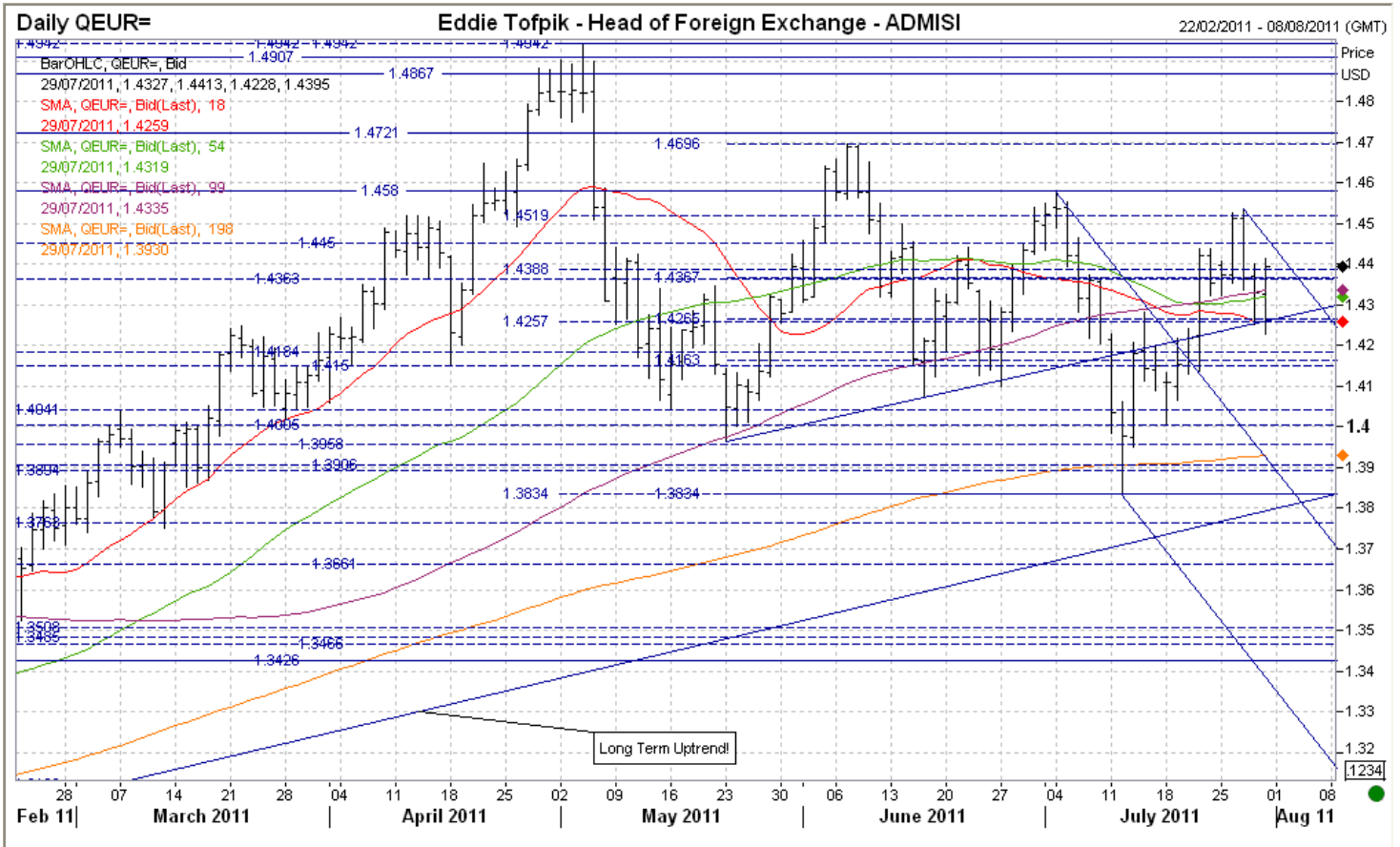
The lack of trend situation I subscribed to in my previous report lasted well into the first third of the past month. Then in two days we broke down through the Long MA (currently 113.95) & established a new set of parameters though we have not exceeded the downside since that second day...as yet! The retracement & action looked initially like a possible Ascending Triangle (though I grant you it would have been a pattern out of sequence in the greater scheme) but the Uptrend that prices clung to so diligently was broken last week. We now have a possible Bearish Halfway Hesitation/Flag which means that the recent low at 109.56 seems very likely to be tested again. Indeed on the Weekly Chart we almost have a Key Reversal Down which not only puts the 109.56 level under threat but the three point Uptrend dating from Aug 10 on the chart above, currently at 108.83 under threat as well. We may even have the constituents of the three pointer at 107.53, 106.81 & 105.40 as targets though I think this is a bit far at the moment though not outside the parameters of the Bearish HH/Flag. We can at least look at these levels as support. As for resistance, well we obviously have the 113.57 very recent high as well as the Long MA. In addition we have the 50% Fib of the Mar – Apr move at 115.43 as well as another 50% Fib at 116.44. Nearby we have the obvious failed AT Uptrend currently at 113.01 though I'm not sure of its strength as resistance. Overall, suitable evidence & suggestions to change the bullet point above to a more stringent bearishness.

Last time I gave **NO SUGGESTION!** This time suggest a sale on the open with a target of 107.75. Stop out over 112.10!

EURUSD



TREND?



Source: Reuters/Eddie Tofpik

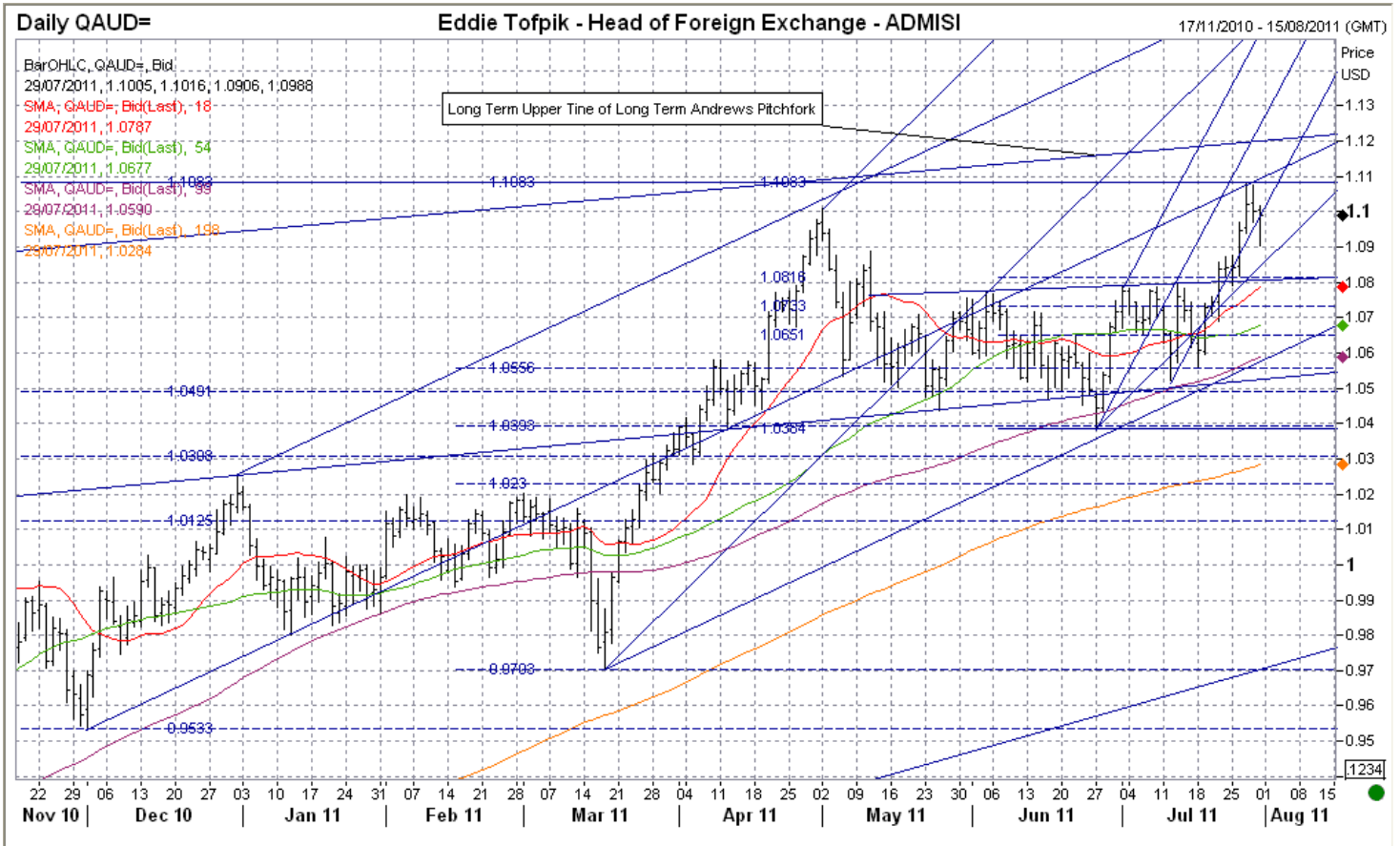
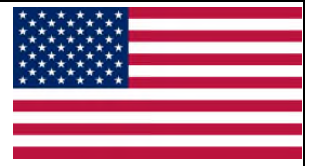
If there is one thing that I choose to do for this pair on this Monthly Report it is to NOT remove the question mark! To quote from my last report *'I would very much like to buy this pair but I feel constrained by my own caution. I would however, suggest using the Fibs as potential buy & sell points as appropriate! Therefore **NO TRADES** last time & therefore no suggestions this time!'* When I wrote this I had a nagging feeling that I could not put my finger upon & saw in the subsequent days that my caution was right, prices tumbled & even broke down through the Long MA but failed to close even once underneath. In fact, as you can see, once we touched the Long MA we rallied the rest of the month! Now this rally is where the dichotomy lies. This past Friday we have a great Key Reversal Up on the Daily Chart & normally I would have no hesitation in looking for an Up day on Monday followed by further gains. However, only the previous Wednesday we had a great Key Reversal Down on the most recent Top of the market as well! The longer term charts don't help much either other in their symmetry & fogginess. On the Weekly Chart we have a classic Long Legged Doji – within one tic, that's how close, symmetrical & indecisive it is whilst on the Monthly Chart we have a possible Bull Hammer. Yet if one just looks at the action since Jun on the Daily Chart we can see a time series of descending highs & lows – classic bearish indicators. All this leads me to feel like the nearby MA's – close to the market but confused & somewhat directionless.

NO SUGGESTION last time & definitely none this time!

AUDUSD



TREND UP?

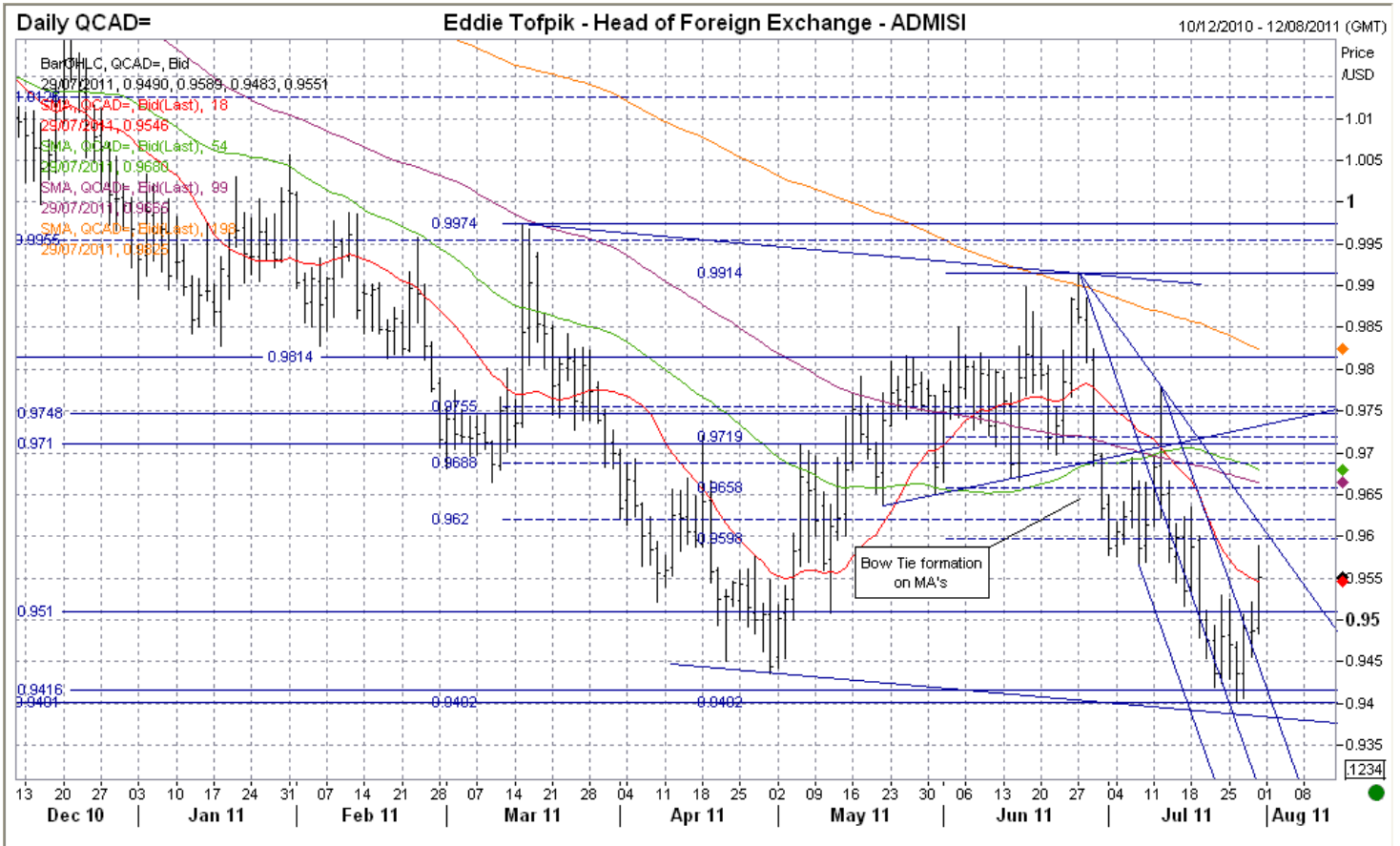


Source Reuters/Eddie Tofpik

From mildly bullish last month to mildly bullish this month, the caution I suggested last time was suitable as we spent most of the month heading sideways under the Resistance Line (currently 1.0808) which was eventually broken & is now support. I can also where you are going if you look at this Line as a Reverse H+S Neckline but I am not too keen on it due to its position in the cycle of events though I understand if you do feel it relevant. Once over this & with a few days hesitation two weeks ago and we headed into new high territory which was signalled by a Key Reversal Up on the Daily Chart last Monday & has only halted mid week due to a possible Tweezer Top on the Daily Chart which may or may not have been followed last Friday by a Bullish Hammer thereby possibly counteracting the bearishness – Monday will be an interesting day's action because of that! Looking at longer term charts, the Monthly doesn't say much to me but the Weekly Chart is interesting in that two weeks ago we had a Bullish Engulfing Pattern – at the same time as we broke the Resistance Lien & had the KR Up on the Daily Chart which is interesting. However, may I also draw your attention to the Upper Tine of the Long Term Andrews Pitchfork (currently 1.1203) which I actually noticed on a Quarterly Chart. This is a multi year thing stretching back to its start in 2002 so one may reasonably expect there to be some slippage in the pricing. Therefore it was not unusual for prices to change direction & reverse down the last time we tried this Tine in May. At that time we came within 100 tics of it. This time when we tested it (last Wednesday & Thursday) we also came within the same margin & reversed. Therefore, if we do reject the upside, this could be the reason why! So overall I'll look at this pair bullishly but will now keep a question mark until I see what it decides to do with the Upper Tine of the AP.

Last month was a **MISS**, good idea but the stop was too close. This time will sit on my hands!

USDCAD



Source: Reuters/Eddie Tofpik

The change in the bullet point last month was timely as prices dropped apart from one surprising spike up & have continued to new lows before staging a recovery. I've been tempted by the recovery to alter the bullet point above but have decided not to & here is my thinking.

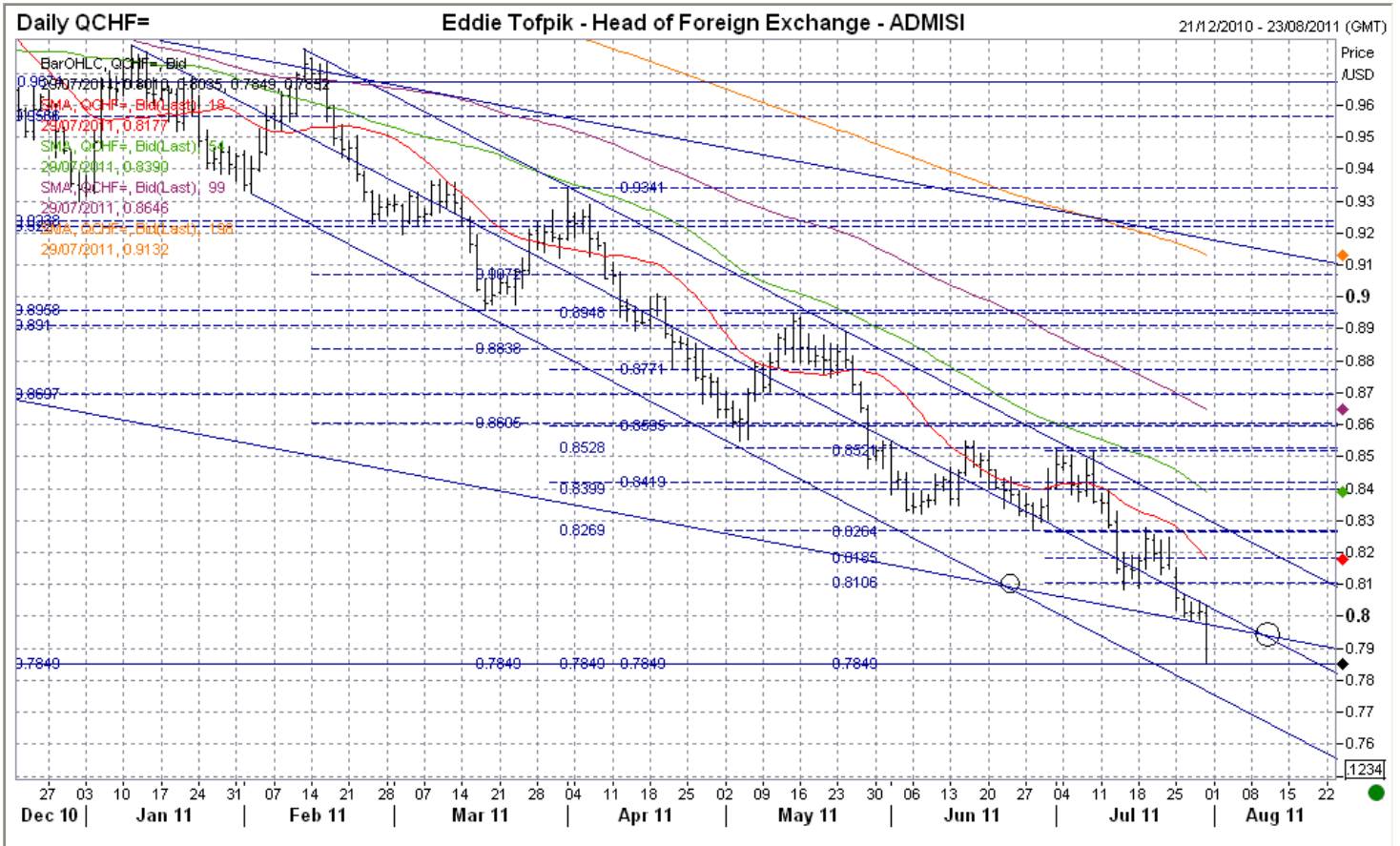
Firstly, let me expand on the bullish case. In addition to the recovery, one could look longer term & see the action Apr – Jul as a possible Double Bottom. This on its own is quite a good factor though I will add more; the Weekly Chart has a Bullish Engulfing Pattern though I don't see anything special on the Monthly Chart. On the Daily Chart, the last move up is an Opening White Marubozu after a Doji which usually indicates that a market has made its mind up (bull) after a short period of indecision. This move up is especially bullish after it wrecked the recent Downward Andrews Pitchfork (I have left this on the chart for illustration). Now for the bearish factors, firstly all MA's are still pointing downwards & the Long MA which was fondled back in Jun was swiftly rejected and prices headed lower. Whilst writing about the MA's may I point out the Bow Tie formation back in Jul. Typically, once we have such a formation then between 15 – 20 working days after the crossover we have a move in the direction of the MA – in this case downward & sometime between Tuesday and a week Tuesday. Next, may I draw your view to the parallels in the market back in early – mid Jul when prices spiked & then retreated & were finally routed to new lows. May I therefore suggest that unless we have two consecutive closes over the recent 50% Fib at 0.9658 & well above the recent Downtrend that we will likely try lower. Please also note that we have the Long MA (currently 0.9551) and many other Fib levels on the chart above as resistance over the current the market levels.

Last month was a **MISS**, caught by the spike up! This time suggest sitting on one's hands!

USDCHF



TREND DOWN



Source: Reuters/Eddie Tofpik

My concern last time as to the possibility of a turnaround or at least a pause was partially justified as prices held steady for a few days. However, the Key Reversal Down on the Friday following my report settled the bear case & we resumed the decline. Thankfully my concern over the crossover on the 23rd of Jun turned out to be nothing though we have another soon which I have also marked for the 10th of Aug – caution around there perhaps. Overall we have Bearish Closing Black Marubozos on Daily, Weekly & Monthly Charts and prices look set to try lower again. Again, please note the significance of the Jan – Feb Andrews Pitchfork in dedicating the trend & providing support/resistance (buying & selling) points.

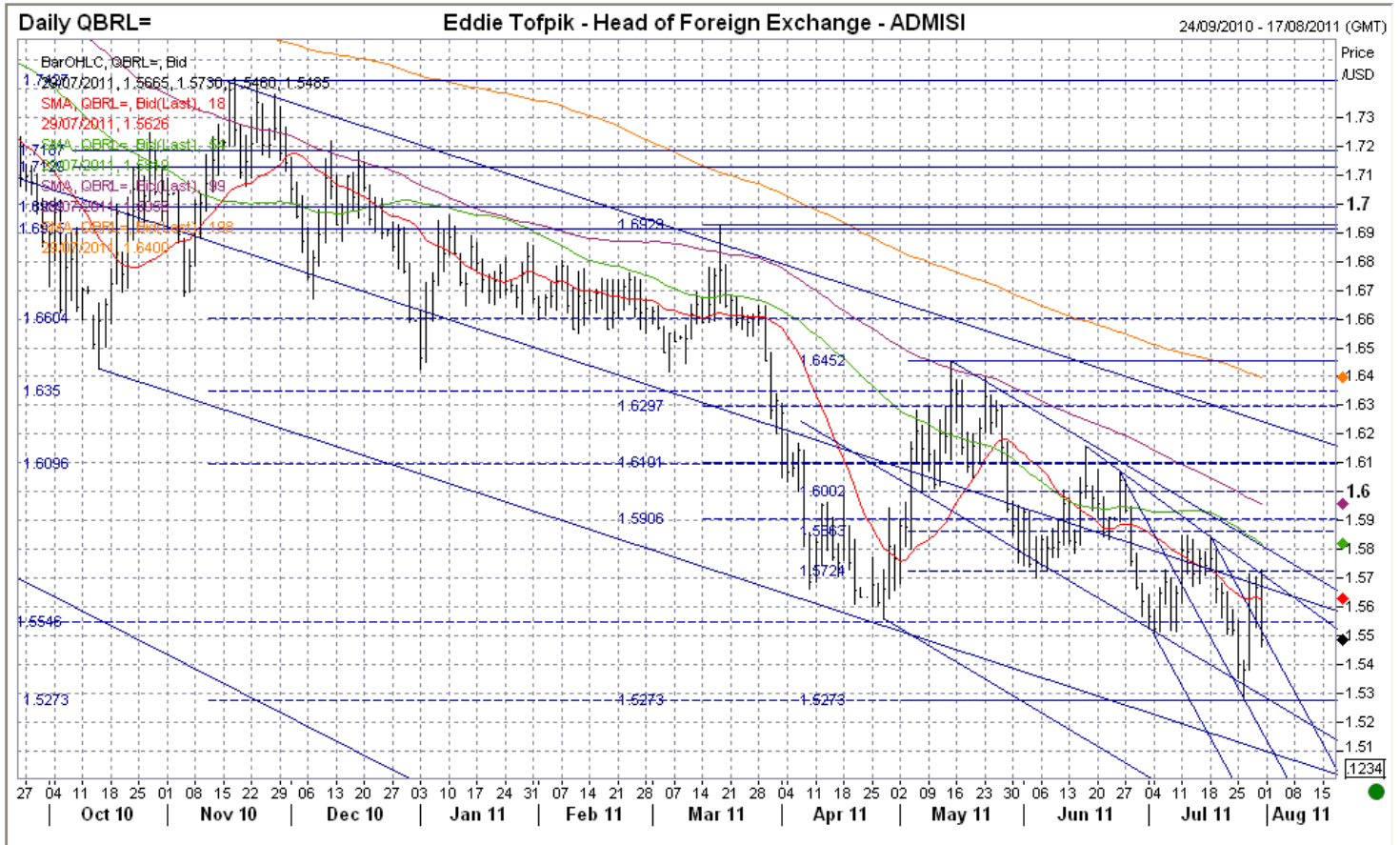
Last time I gave **NO SUGGESTION!** This time I will reiterate an old general suggestion. Use the three Tines of the AP as selling, stop in & short covering points. It seems the best solution for this pair.

Finally, I am greatly indebted to my good fiend Lou in Chicago who came up with a superb quote (amongst many this week) on this pair... *'The Swissie has always been a safe haven in uncertain times but never before has it been such popular place to hide.'*

USDBRL



TREND DOWN?



Source: Reuters/Eddie Tofpik

Despite the best efforts of the Brazilian government to tax the flow of (hot?) money into the country the result of their latest efforts on certain financial transactions was given a vote down last Friday after a scary few days. Let me recap the current action. Weekly & Monthly Charts both have Spinning Tops/Dojis on them, usually indicative of an unsure market. However, on the Daily Chart we had a break down through the previous significant support at 1.5546. This was not a 'clear' break down as if you had read last month's commentary you would have noted that I needed 'at least three or four consecutive closes under 1.5500 would satisfy my caution on this one rather than the usual two or so!' and we only had two before the new taxation was announced (by the way I still need three or four consecutive closes under 1.5500). To be honest, the action on the second day was indicative of a possible Bullish Hammer & I wonder if prices might not have risen anyway without the need for extra help from the government. Anyway, prices rose & they wrecked the Jun – Jul Andrews Pitchfork (I have left it on so that you can see it) but they did not wreck (as yet) the recent Jun – Jul Downtrend, a three pointer that as of Friday's actions became a four pointer. So after all that, all that has been wrecked is one very recent bearish AP whilst two other major bearish APs are still intact & the most recent Downtrend has even been strengthened. Now, how has this been strengthened? Well Friday's action was also a Key Reversal Down on the Daily Chart which is indicative to me of another attempt lower very likely as early as Monday.

Eddie's Crayons...

Definitions !

In the Monthly Foreign Exchange commentary you may note that immediately following the currency pair there is a bullet point indicating the TREND.

To clarify the comments & notes for this opinion I have prepared this short summary.

TREND UP - Any one or more of the following may occur! Market has turned upwards/risen & is likely to carry on, usually till at least the next Monthly Foreign Exchange Commentary. Moving Averages (MA's) are pointing higher or have either crossed, formed a 'Golden Cross' or based out. Chart patterns & trendlines (Channel, Support, Andrew's Pitchfork, etc...) point higher. No appreciable resistance levels (Fibs, Historical, etc...) are noted.

TREND UP? - Any one or more of the following may occur! Market exhibiting signs of exhaustion after a recent rally. Prices may be achieving an upside/downside target level or approaching major/strong resistance. Market may have started/completing a rally/recovery and it may be looking indecisive/going sideways or it is too early to tell in the short, medium or long-term charts. Moving Averages (MA's) may point higher or have positive crosses but the picture is not conclusive. Some, but not all chart patterns & trendlines (Channel, Support, Andrew's Pitchfork, etc...) indicate higher. Appreciable resistance levels (Fibs, Historical, etc...) are noted close to the market.

TREND? - Any one or more of the following may occur! Market exhibiting neither a bias for a rally or a decline. Market is either nowhere near or alternatively caught within narrow bands of support/resistance. Moving Averages (MA's) point sideways & indicate no immediate likelihood of crossing. No strong chart patterns or trendlines evident. ...Sometimes... I frankly haven't a clue!

TREND DOWN? - Any one or more of the following may occur! Market exhibiting signs of a recovery after a recent fall. Prices may be achieving an upside/downside target level or approaching major/strong support. Market may have started/completing a decline/fall and it may be looking indecisive/going sideways or it is too early to tell in the short, medium or long-term charts. Moving Averages (MA's) may point lower or have negative crosses but the picture is not conclusive. Some, but not all chart patterns & trendlines (Channel, Support, Andrew's Pitchfork, etc...) indicate lower. Appreciable support levels (Fibs, Historical, etc...) are noted close to the market.

TREND DOWN - Any one or more of the following may occur! Market has turned down/fallen & is likely to carry on, usually till at least the next Monthly Foreign Exchange Commentary. Moving Averages (MA's) are pointing lower or have either crossed, formed a 'Dead Cross' or topped out. Chart patterns & trendlines (Channel, Support, Andrew's Pitchfork, etc...) point lower. No appreciable support levels (Fibs, Historical, etc...) are noted.

I hope the above helps. If you have any queries on this or on the report, please feel free to contact me.

* THE STORY OF - *Eddie's crayons...*

This refers to a deep, long conversation I had with another technician (and also a very dear friend) as to where exactly the neckline on a H+S Top on USDJPY should go... to which he uttered in exasperation & seriousness the immortal words.

"Eddie... it depends how thick your crayon is!!!" Thank you Lou – we laughed till I started to hurt & it made my day!

Eddie Tofpik - Head of Foreign Exchange

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For further details contact Eddie Tofpik directly.

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In the run up to the year 2012, I have decided to alter the front cover picture somewhat to show some of the things that are going on in London. The current photo I took was inside St. Pancras train station near the Eurostar Terminal where a lot of visitors will arrive in 2012.