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**C O B Friday – 6<sup>TH</sup> JANUARY 2012**



***Eddie's Crayons....*** ★

**THE VOICE OF THE ADMISI  
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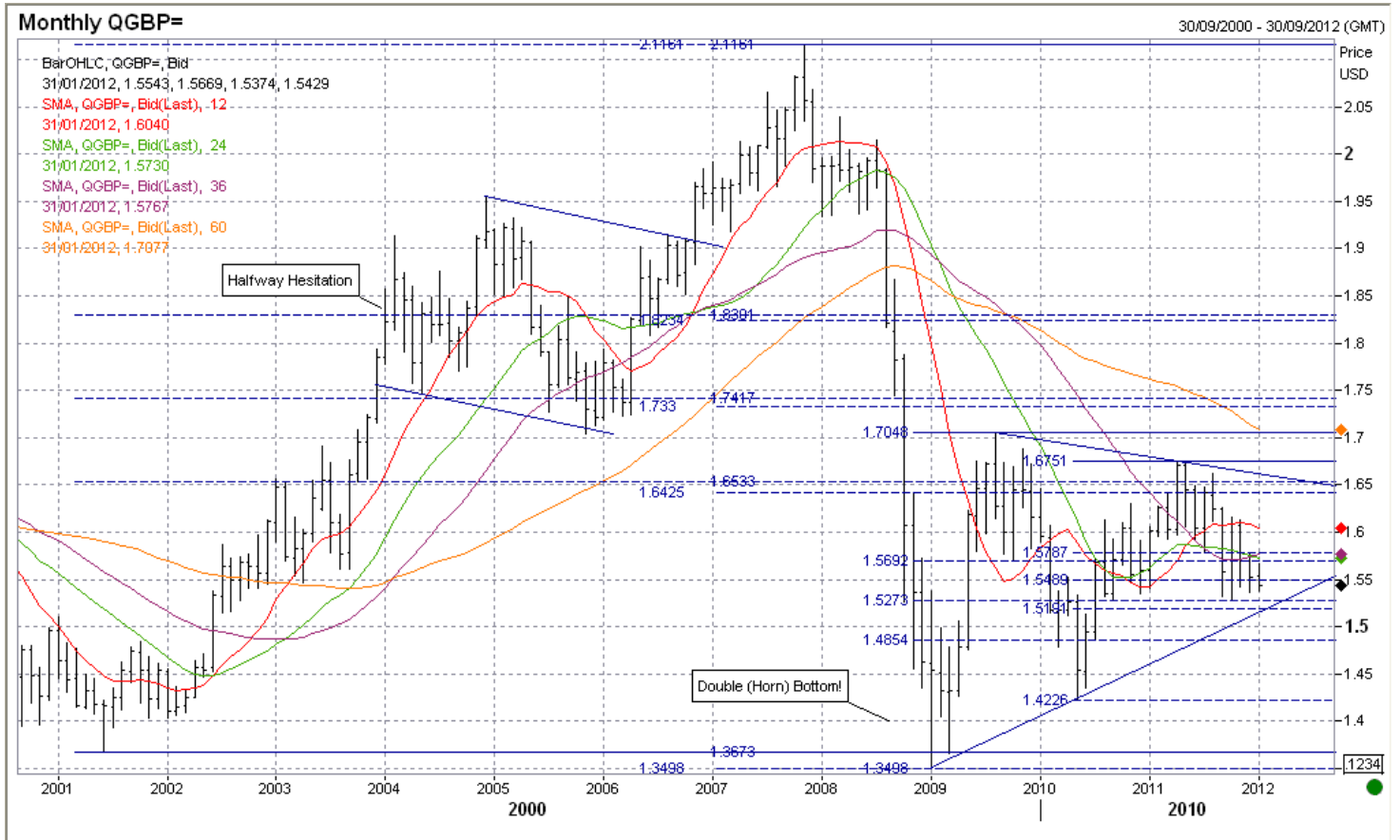
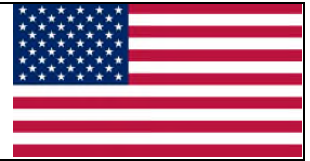
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# GBPUSD



## TREND DOWN?



**Source: Reuters/Eddie Tofpik**

A few words about last month's commentary before we carry on with the longer view. In the short term the bearish view still holds sway until we reach the 2009 to date Uptrend (currently 1.5118) at least!

The dominant feature in recent times has been the Tweezer Top of Apr – May 2011. The value of this was demonstrated when in Aug we tried higher but failed before we really even had a chance to reach it. Admittedly, prices in Apr did go higher than I had anticipated but the swift & smooth reversal back down in was comforting to the view I had expressed. To sum up the past year, we have had a number of declining steps interspersed by occasional relief rallies after a stronger than expected start to the year. The only real changes I have made to the chart above is finesse the May 10 – Apr 11 Fib points and establish a new Downtrend as the bullet point above & the view remain the same.

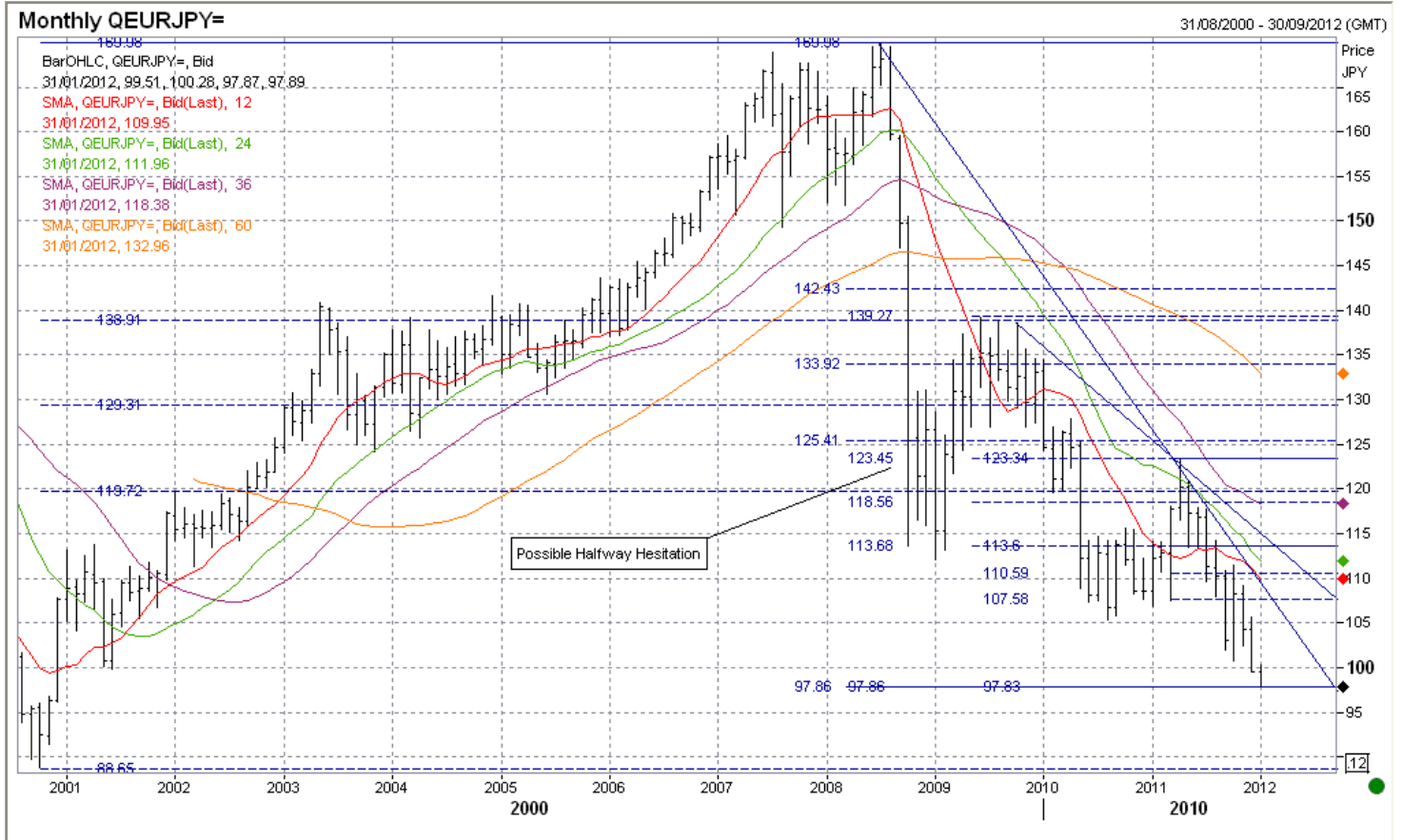
My commentary from Jan 2011 'To recap, for the future suggest a gradual decline with the first test at 1.5263 – 73 area & again 1.5018, 1.4854 & the Uptrend (currently 1.4603). However, look to see a reversal up from the Uptrend!' Most of these points remain the same though I would replace 1.5263 – 73 area with 1.5191 – 1.5273 area and omit 1.5018 completely. I would also improve the Uptrend (currently 1.5118) but still look for a possible reversal there. Failure to reverse and we will see prices try for the 1.4854 Fib next & possibly down to the 1.4226 low of 2010! All in all – not bad after a whole year!



# EURJPY



**TREND DOWN**



**Source: Reuters/Eddie Tofpik**

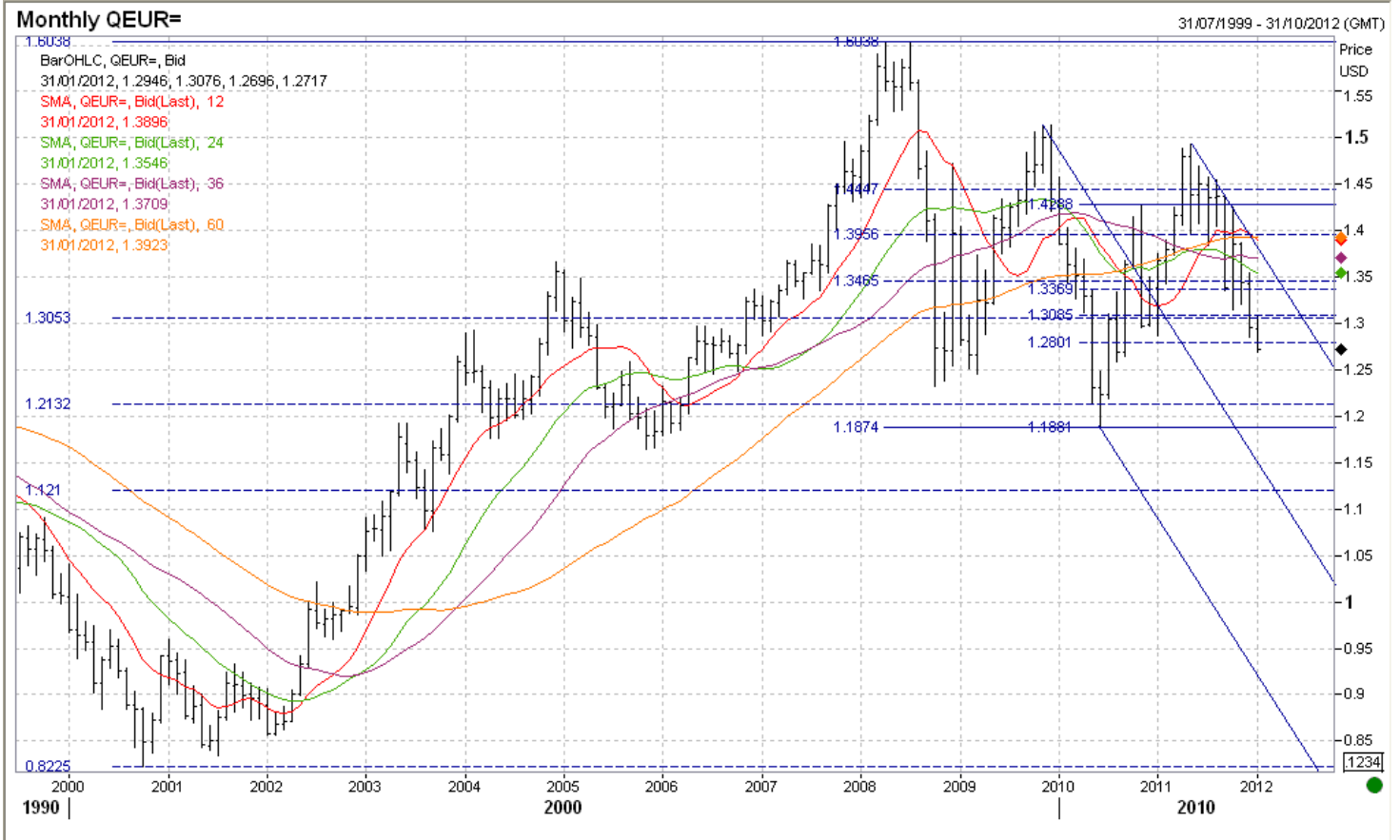
I was worried last time back in Jan 2011 that prices would have a temporary rally much like Feb 2010 before coming back off again. Prices did indeed rally but the rally was larger than I expected & included a Key Reversal Up punching up through but NOT closing twice over the key Fib ay 119.72. Since this failure we have see prices plummet & break down through the 105.00 support area from 2010 as well as the key 100.00 level. Admittedly, we have only had one Monthly close under 100.00 & then only just but the situation looks good for another consecutive close underneath. Elsewhere, all MA's are heading south and we also have a couple of not so fantastic Downtrend lines on the chart.

So where do we go? Well, I would suggest a suitable initial target would be the 2001 low of 88.65! There doesn't seem to be much in the way between where we are & the target level at the moment. To negate this bearish view you would need to have consecutive Monthly closes over the nearby Downtrend (currently 109.10) & the also nearby 50% Fib at 110.59. Even then the main strong Downtrend will still be overhead (currently 115.14).

# EURUSD



**TREND DOWN**



**Source: Reuters/Eddie Tofpik**

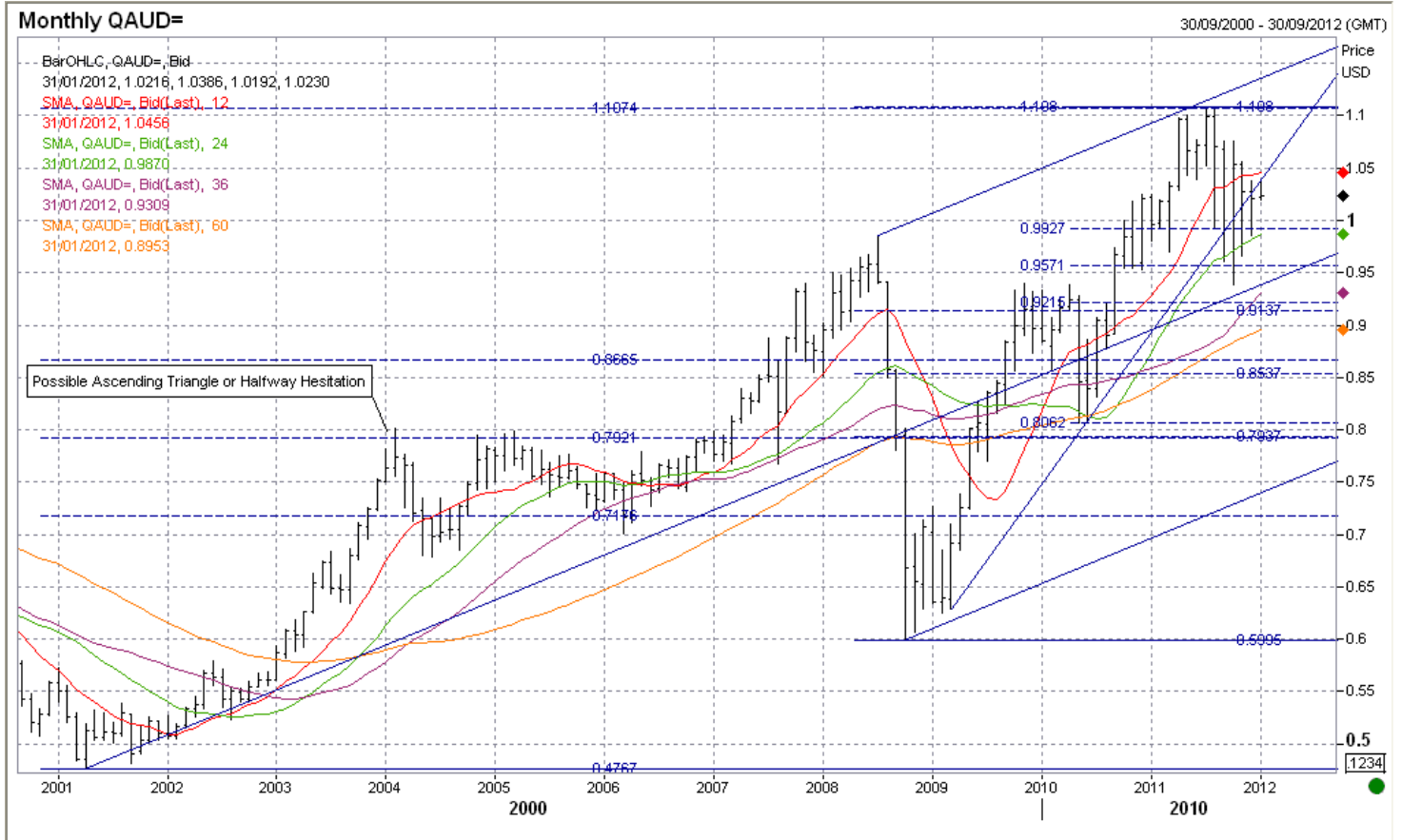
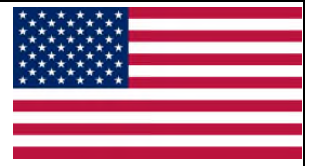
This is more of schizophrenic market that I care to be used to! In Jan 2010 when I last wrote the longer term view, I noted the Nov 2010 Key Reversal Down as being significant and a possibly precursor to a further move down. However, the very month of writing – Jan 2011 – turned out to be a KR Up with a subsequent rally. Yet even the rally failed to materialise as the high in May 2011 failed with a splendid Bearish Engulfing Pattern that has led to all the subsequent declines. I have drawn a Bearish Andrews Pitchfork which should give an idea of the angle of attack of the market or at least show some dynamic support on the Middle Tine in the future as well as resistance from the Upper Tine.

Now that we are below the important Fib at 1.3053 & the 50% Fib at 1.3085 we should see the market examine the lows of Mar 2009 (1.2455) & Oct 2008 (1.2328). Yet neither level is as important at the big 50% Fib at 1.2132. You will note that we have breached this but DID NOT have TWO CONSECUTIVE CLOSES underneath. The two consecutive closes underneath is the key factor to look for as it has shown that even when fully broken, the Fib MUST BE closed underneath twice consecutively. After that we have the low of Nov 2005 at 1.1638 as potential support but that is perhaps a bit too far just yet. Speaking of a bit too far – we have a sloppy Bearish Bow Tie formation over the period Apr – Jul 2011. It is there for you to look on the chart but I would not factor anything in on that just yet! Nevertheless, the bullet point is turned to full bearish.

# AUDUSD



**TREND UP**



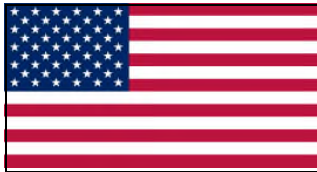
**Source Reuters/Eddie Tofpik**

In Jan 2011 I expressed concern that my view though overwhelmingly bullish was possibly tainted by the idea of a Tweezer Top on the Monthly Chart during Jan – Feb 2011. My concern turned out to be unjustified as we actually formed a Key Reversal Up on the Monthly Chart during Mar 2011 & prices rallied well into the second half of the year. Since then we have seen a decline but not one that has seriously threatened any major Fibs. Sure we broke the most recent 50% Fib at 0.9571 but we did not close below it on the Monthly Chart though it was touch and go on the Weekly Chart. The latter part of 2011 has indeed taken some of the overheated sting out of the market (note the broken Uptrend I have left on the chart above) but as yet we have not started any major bearish moves so the bullet point stays the same.

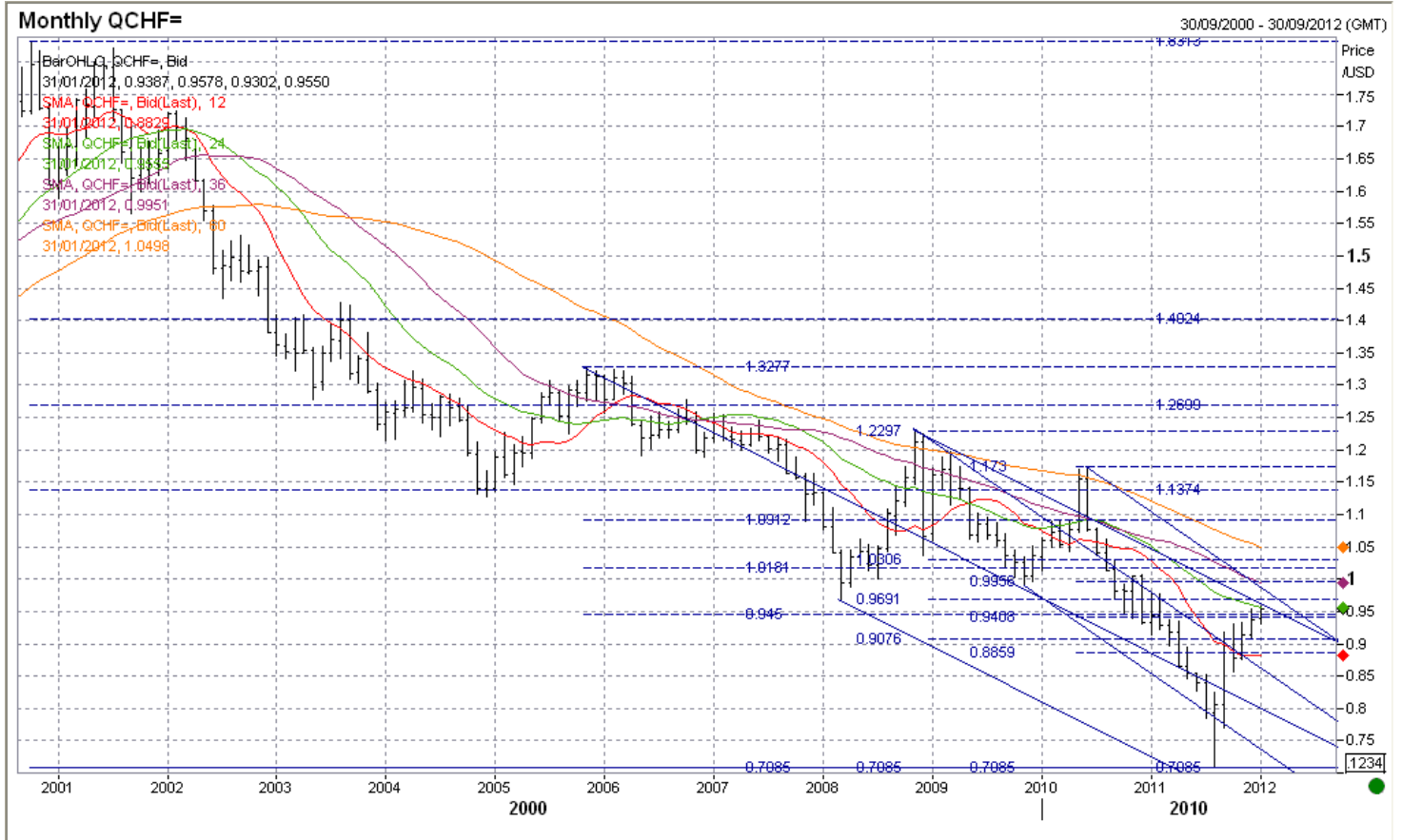
That being said, I have doubts on major rises in this pair as it does not inspire me with bullishness, perhaps one to watch rather than participate. Topside we have the 1.1080 all time high resistance along with the Upper Tine of the Long Term Andrews Pitchfork (currently at 1.1368) which ought to be a suitable target. Downside we still have the 50% Fib support at 0.9571 as well as the Middle Tine (currently 0.9385) as well as other Fibs at 0.9215, 0.9137, 0.8665 & a crucial 50% Fib at 0.8537!



# USDCHF



## TREND DOWN?



**Source: Reuters/Eddie Tofpik**

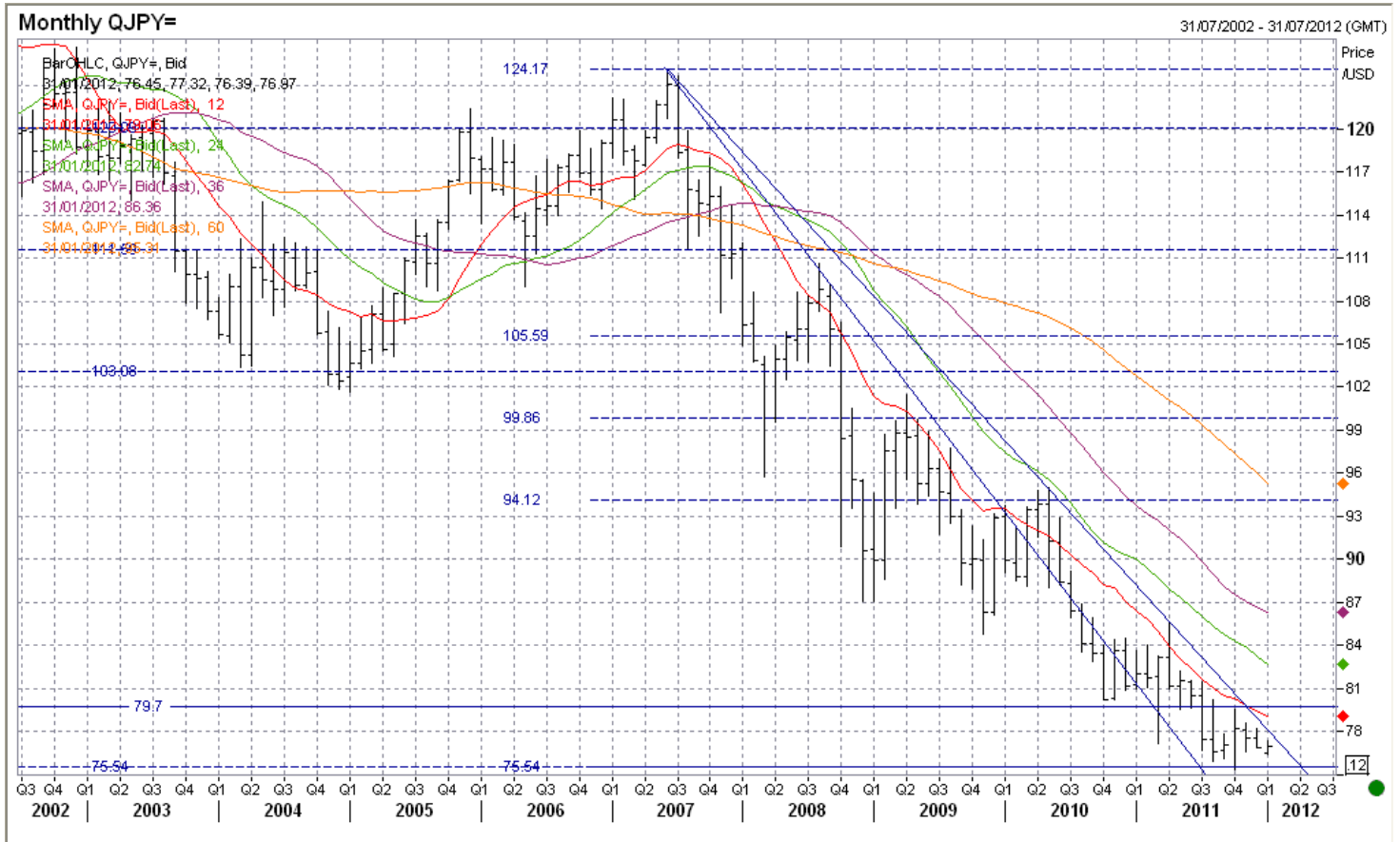
I really like this chart! The reason is threefold – 1) it is basically a trending market, something we could all do with, in this case it is a Bearish Trending market! 2) The Andrews Pitchfork I drew between 2005 - 2008 is still valid & respected so we can place some good support & resistance levels on the Tines. Most recently these are support at 0.8008 but more importantly resistance at 0.9606! 3) The market tends to respect the MA's most notably the 5 year MA. In the last four years you have had two major opportunities to establish shorts on temporary upward breaches of these and in both cases it would still be working out for you!

That all being said, we have seen a resurgence in recent times from the Lower Tine of the AP up through a nearby 50% Fib (0.9408) and approach another (0.9691)! I am cautiously bearish but mindful of the recent bullish history and would therefore keep the question mark on the bearish bullet point above. What happens when we reach the Upper Tine properly will be of great interest & we may see the start of something new on the upside or the reinforcement & continuation of the bear trend!

# USDJPY



**TREND DOWN**



**Source: Reuters/Eddie Tofpik**

I was bearish last Jan when I reviewed the longer term picture and suggested that 79.70 being the low of 1995 would be an opportune entry level to do some intervention. Well we had more than one bout of intervention – Mar saw a dramatic Bull Hammer that many (including me) had hopes for stimulating a short covering rally but these hopes were dashed the very next month with a Bearish Engulfing Pattern AND a Shooting Star formation! From that point one could guess that any further intervention would only help the shorts & prospective short sellers define more clearly where & when that would sell! In Jul we had another Bear attack with just about a Key Reversal Down on the Monthly Chart and so it was that in Oct we had the biggest intervention ever – allegedly – of around about USD 50 billion (or more – depends who you speak to) of official & semi-official intervention. Prices rose during the month from the all time low of around the 75.50 area to 79.50 but closed below not only the crucial 79.70 level but also below 79.00 at 78.20 for the month!

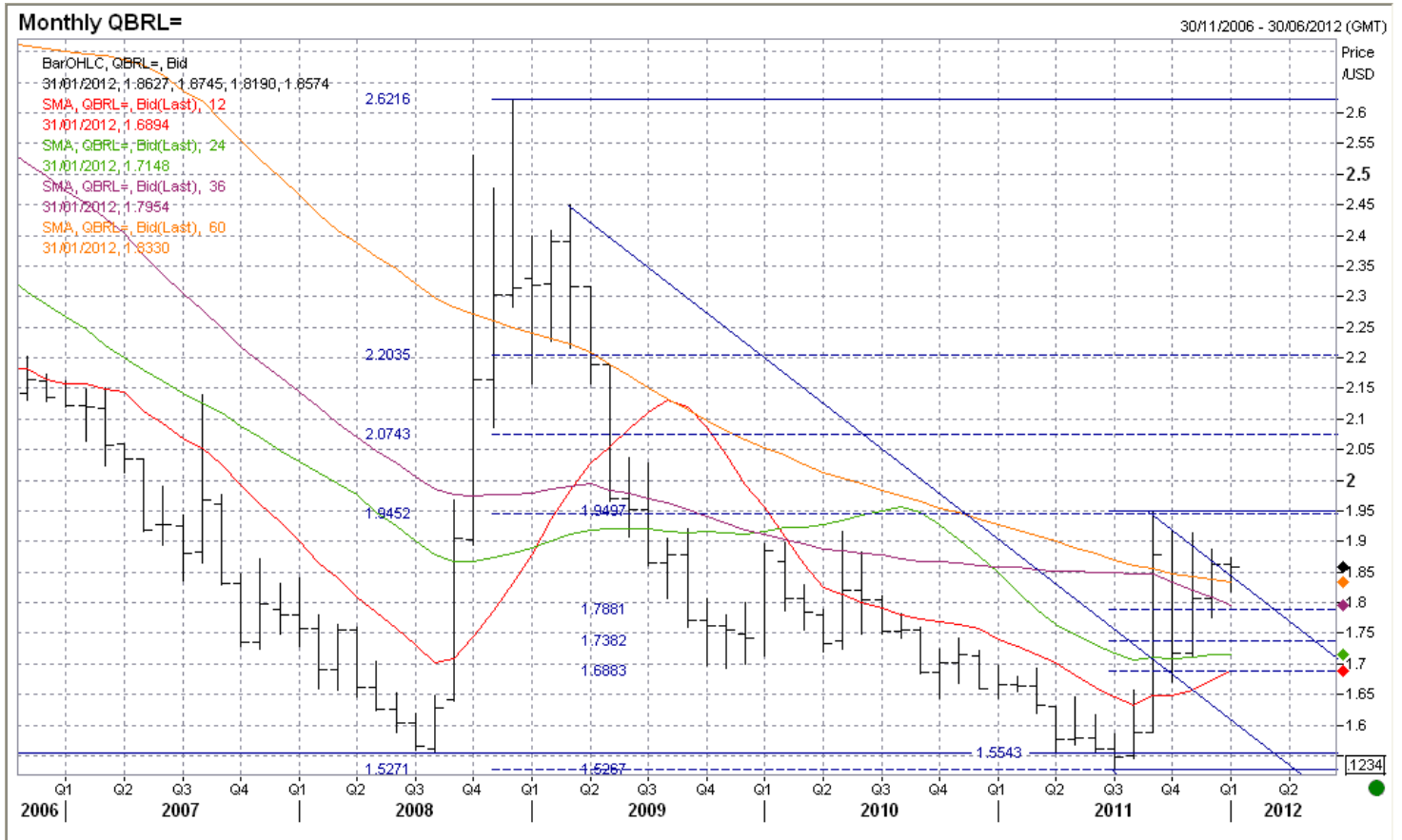
I don't know how to put this but if anyone is listening out there who was involved in the intervention work – YOU WERE SUPPOSED TO GET IT ABOVE 79.70! GUYS – HOW COULD YOU MISS BY 20 TICS AFTER ALL THE MONEY YOU SPENT! Furthermore, YOU NEEDED TWO CLOSES OVER 79.70!! I guess no-one told the right guy!

Since the last round of intervention we have seen a sideways to negative market – awaiting some more intervention no doubt but as you can see, there is likely a lot of selling should prices approach 79.70 again! I have turned the bullet point above full bearish for the moment, I cannot see any positive signs (breaking a Downtrend is not enough on this pair!) until we have two (preferably three) consecutive closes over the 79.70 level!

# USDBRL



## TREND UP?



**Source: Reuters/Eddie Tofpik**

This pair is one that has surprised me somewhat! I had anticipated the picture longer term being neutral to fairly negative but I find myself looking at the chart above & thinking that perhaps the seeds for a move higher have been successfully planted. To recap some of my Jan 2011 comments 'At the moment it does seem that large volatility has been removed from this pair (just look at 2003) & if a basing action were to be undertaken (either driven by the market or by politicians) then here would be a good place to start. Topside still has resistance at the lows of 2009 (1.7000) as well as Fibs at 1.9462 & 1.9607 with the real stuff starting at the 50% Fibs at 2.0416 & 2.0865.' Now it is true that we still had a wider range in 2011 than in 2010 but given that this is possibly a market turning around to head higher then I think it is a somewhat restrained performance. Here IMHO, the intervention (USD 6 billion or so) was more cleverly applied than in USDJPY!

So now what? Well, we have managed to overcome last month on a closing basis all the MA's. It's not the first time but it is the most considered time regarding action. We're above the nearby 50% Fib at 1.7382 and we're likely to close twice consecutively over the 2008 – 2011 Bearish Andrews Pitchfork, always a good sign. We've tested the first strong overhead resistance Fibs at 1.9452 and seem likely to have another go. After that we have the crucial 50% Fib at 2.0743 if we deign to try that high! I am not sure if we can but would like to think we would try, especially if by then all the MA's turn back up!

On the downside, two consecutive closes under the 1.5543 low of 2008 would spell a further bear move!

# 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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