

**EURUSD**

**Price**

**1.4077**

**16th May 2011**

|                   |               |                  |               |                  |                  |                  |
|-------------------|---------------|------------------|---------------|------------------|------------------|------------------|
| <b>Resistance</b> | <b>1.4093</b> | <b>1.4128</b>    | <b>1.4152</b> | <b>1.4180-85</b> | <b>1.4202-30</b> | <b>1.4260-70</b> |
| <b>Support</b>    | <b>1.4038</b> | <b>1.3897-14</b> | <b>1.3963</b> | <b>1.3935</b>    | <b>1.3891-99</b> | <b>1.3857</b>    |

**Bias** I see initial losses followed by a pullback before extension lower...

The underlying MT direction is bearish while the daily bias is bearish. Therefore the main risk is lower. Ensure that key resistances levels hold. Note key support levels that would suggest continuation of the bearish move. Consider confirming this with a bearish set up pattern in price or an indicator. Only consider a possible larger reversal higher should key MT resistance break and is supported by a bullish set up in price or an indicator.

**Consider buy set ups at:** 1.3897-14 (if direct) or 1.4140

**Consider sell set ups at:** 1.4100-28 (on correction)

**THE DAY'S OUTLOOK:** I : look for continued, choppy losses

Friday's gains weren't as sustained as expected and the more direct resumption of losses actually implies a more mature corrective structure from the 1.4939 high. Early trading should see these extend further down into the 1.3897-14 area (probably stalling above 1.3900) to generate a correction higher into the 1.4093-1.4128 resistance area. I look for this to cap and generate the next leg lower.

Only above 1.4140 would add another complicated twist to the story. We would then need to observe the 1.4152 corrective high and the 1.4180-85 pivot resistance ahead of the stronger 1.4200-35 resistance area. A more direct break below 1.3885 would encourage more direct losses through 1.3935-63 and down to the 1.3891-99 area.

**THE MEDIUM TERM OUTLOOK:** I : feel we may see the final corrective low this week

16th May: The deviation away from my expected development actually has quite a dramatic impact on the entire decline and makes it look like a more mature and direct corrective structure. This still has a minimum target at 1.3890-00 but I also now suspect this can edge a little lower towards 1.3780-10 and max 1.3720...

Only above 1.4140 and 1.4240 would suggest an earlier pullback and perhaps yet another twist in this correction...

[www.fx-forecaster.com](http://www.fx-forecaster.com)

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[info@fx-forecaster.com](mailto:info@fx-forecaster.com)

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