



Insider Currencies Advisory

Wednesday October 05, 2005

CURRENCIES COMMENTARY

10/05/05

MORE NEAR TERM WEAKNESS IN THE DOLLAR INTO US PAYROLLS FRIDAY

OVERNIGHT CHANGES THROUGH 4:00 AM:
US DOLLAR -31, YEN +47, SWISS +32, CA DOLLAR -2



DOLLAR: The Dollar seems to have run into solid support around the 90.00 level, even though the market is seeing the prospect for higher US interest rates. Even more surprising is the fact that US economic numbers have mostly been better than expected and yet the Dollar continues to be dominated by profit taking. We have seen a slight up tick in economic expectations in the Euro zone and that could be partly responsible for the loss of momentum in the Dollar. However, we suspect that overdone technicals and the coming monthly payroll report are both serving to limit the Dollar. While many Dollar bulls fear the payroll report, there would seem to be plenty of bullish psychology to offset the numbers. For instance, at least two Fed members have recently predicted that massive US government spending, in the wake of the storms, could provide the US economy with a massive stimulus, while the Wall Street Journal today carries a story about the potential US stimulus off a 1 year special tax break for foreign profits derived by US companies abroad. One would also think that lower oil prices would be a positive to the Dollar, but over the last month the Dollar seems to have been lifted by surging oil prices and pressured on days in which oil prices were weak. In the end, the trend in the Dollar will probably re-establish after the uncertainty off the payroll report later this week. In the near term, downside support in the Dollar is seen at 89.48.

EURO: In addition to the Euro bouncing off critical chart support levels, the market has also seen slightly upbeat economic readings. Overnight Euro zone retail sales for August rose by .9%, while September Services PMI readings also rose from 53.4 to 54.7. While the Euro zone is a long way off from expecting rising interest rates, the economy is showing enough life that some sellers of the Euro might be put off. In fact, with the US facing a potentially undermining monthly payroll report on Friday morning and the Euro getting a series of positive news stories, it would not be surprising to see the Euro manage a near term bounce up to 120.80.

YEN: The Yen has certainly forged a strong reversal pattern on the charts this week and that could result in a more pronounced short covering bounce. Given the massive slide in the yen over the last month, one should not be surprised to see a sharp upward bounce into the US payroll report on Friday. In fact, with the trade dampened by a series of holidays this week, it is possible that short covering becomes the dominating feature in the Yen and prices manage to rise to 89.50.

SWISS: Following the upbeat economic assessment from the Swiss National Bank earlier this week and the hint of higher interest rates from the SNB, it is possible that the Swiss mounts a rise up into overhead consolidation resistance. In fact, we would not be surprised to see the December Swiss mount a rise to 78.21 and possibly even 78.34 into the Friday US numbers.

POUND: Even the Pound is showing short covering tendencies this morning and that clearly highlights a general technical balancing is underway in the currency markets. Like the Yen, the Pound is significantly oversold from the last months beating and therefore it would not be surprising to see the December Pound mount a rise to

176.98 and possibly to 177.13 into the Friday US numbers.

CANADIAN DOLLAR: The Canadian Dollar action has to be disappointing to the bull camp, as weakness in the US Dollar has not cleared the way for gains in the Canadian. However, a large portion of the weakness in the Canadian comes compliments of lower oil and metals price action. Those that bought futures and purchased puts against the futures, should look to lift the long puts on a decline to 85.37 today.

TODAY'S MARKET IDEAS:

None.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long December Canadian from 85.05 and long a December 84 put for 78. Use an upside objective of 88.10 on the futures and continue to hold the 84 put. Risk the position to a net loss of 65 ticks!

CURRENCIES TECHNICAL OUTLOOK:

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

US DOLLAR (DEC) 10/05/2005: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The major trend could be turning up with the close back above the 18-day moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 90.15. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 90.03 and 90.15, while 1st support hits today at 89.77 and below there at 89.63.

EURO (DEC) 10/05/2005: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close under the 18-day moving average indicates the longer-term trend could be turning down. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is 119.36. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 119.91 and 120.12, while 1st support hits today at 119.53 and below there at 119.36.

JAPANESE YEN (DEC) 10/05/2005: The sell-off took the market to a new contract low. Momentum studies are declining, but have fallen to oversold levels. The close under the 18-day moving average indicates the longer-term trend could be turning down. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 88.00. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 88.41 and 88.55, while 1st support hits today at 88.14 and below there at 88.00.

SWISS (DEC) 10/05/2005: Daily stochastics are trending lower but have declined into oversold territory. The major trend has turned down with the cross over back below the 18-day moving average. The close over the pivot swing is a somewhat positive setup. The next downside target is 77.14. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 77.45 and 77.58, while 1st support hits today at 77.23 and below there at 77.14.

| Tech Stats | | | | | | | | | |
|-------------------|--------------|--------------|---------------|--------------------|--------------------|------------------|------------------|------------------|--|
| 10/05/2005 | | | | | | | | | |
| Contract | Close | RSI | RSI | 14 Day Slow | 14 Day Slow | 20 Day MA | 40 Day MA | 60 Day MA | |
| | | 9 Day | 14 Day | Stoch D | Stoch K | | | | |
| DXZ5 DOLLAR | 89.90 | 76.06 | 69.54 | 90.52 | 92.58 | 88.31 | 87.77 | 88.09 | |
| JYZ5 YEN | 88.27 | 20.74 | 27.20 | 6.97 | 5.07 | 90.30 | 91.11 | 91.01 | |
| EUZ5 EURO | 119.72 | 24.81 | 30.44 | 8.51 | 7.02 | 122.12 | 123.05 | 122.83 | |

| | | | | | | | | | |
|------|-----------|--------|-------|-------|-------|-------|--------|--------|--------|
| BPZ5 | POUND | 175.86 | 29.46 | 34.27 | 8.17 | 7.21 | 179.34 | 179.86 | 178.38 |
| CAZ5 | CA DOLLAR | 85.50 | 52.72 | 56.06 | 71.68 | 68.61 | 85.31 | 84.49 | 83.81 |
| SFZ5 | SWISS | 77.34 | 24.56 | 30.99 | 7.66 | 6.83 | 79.00 | 79.67 | 79.40 |

Daily Swings

10/05/2005

| Contract | | Suprt 2 | Suprt 1 | Pivot | Resist 1 | Resist 2 |
|----------|-----------|---------|---------|--------|----------|----------|
| DXZ5 | DOLLAR | 89.63 | 89.77 | 89.89 | 90.03 | 90.15 |
| JYZ5 | YEN | 87.99 | 88.13 | 88.27 | 88.41 | 88.55 |
| EUZ5 | EURO | 119.36 | 119.53 | 119.74 | 119.91 | 120.12 |
| BPZ5 | POUND | 175.35 | 175.62 | 175.83 | 176.10 | 176.31 |
| CAZ5 | CA DOLLAR | 85.08 | 85.26 | 85.55 | 85.73 | 86.02 |
| SFZ5 | SWISS | 77.14 | 77.23 | 77.36 | 77.45 | 77.58 |

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