

SPECIAL STUDY

USD/NOK – Once again approaches a key area of potential support



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USD/NOK weekly chart, Bloomberg Finance LP

USD/NOK returns to a region of potential value.

- + USD/NOK found support at 4.9464 in the first half of 2008 as the conclusion to a steady multi-year downtrend from 9.63370 (2000 high, not shown).
- + After breaking over the 50 week moving average, a short period of consolidation followed which subsequently saw an extension higher taking place, reaching and slightly exceeding the 1.618 extension of the 4.9464-5.9446 rise from 5.5003, at 7.1145. This exponential rise exhausted soon after reaching 7.3145 and an approximate 7 month consolidation period then followed. The weekly chart to the left clearly shows a three legged corrective phase has since taken place.
- + The recent phase lower from 6.2370 has formed a falling channel which has seen a break under channel support meeting 5.5289, ahead of a recovery.
- + We also note that this is the second time that the pair has tested the region close to 5.5000
- + Given the recent break under channel support and the complete unwinding of the prior extension higher, we believe that the current region may act as a reasonable zone from where long positions may be instigated



USD/NOK daily chart, Bloomberg Finance LP

A clear falling channel can be seen in the daily timeframe

- + We also take a close look at the daily timeframe and note a clear falling channel that had been developing over the last 3 months.
- + The above mentioned break of the channel support was met by demand and a recovery subsequently led to a return into the aforementioned channel.
- + This may mark the end of the corrective phase from 7.3138/45, with scope over coming weeks for a base to form for a fresh upswing.
- + In any case, we perceive the current region as one of potential value. However, we note the currency can be effected by movements in the price of crude, so a rise in crude prices from here may see a resumption of the downswing. Conversely, if the price of crude were to fall, this would add to the arguments to buy USD/NOK.

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Notes: Entries are in 3 units and objectives are at 3 separate levels where 1 unit will be exited. When the first objective (PT 1) has been hit the stop will be moved to the entry point for a near risk-free trade. When the second objective (PT 2) has been hit the stop will be moved to PT 1 locking in more profit. All orders are valid until the next report is published, or a trading strategy alert is sent between reports.

