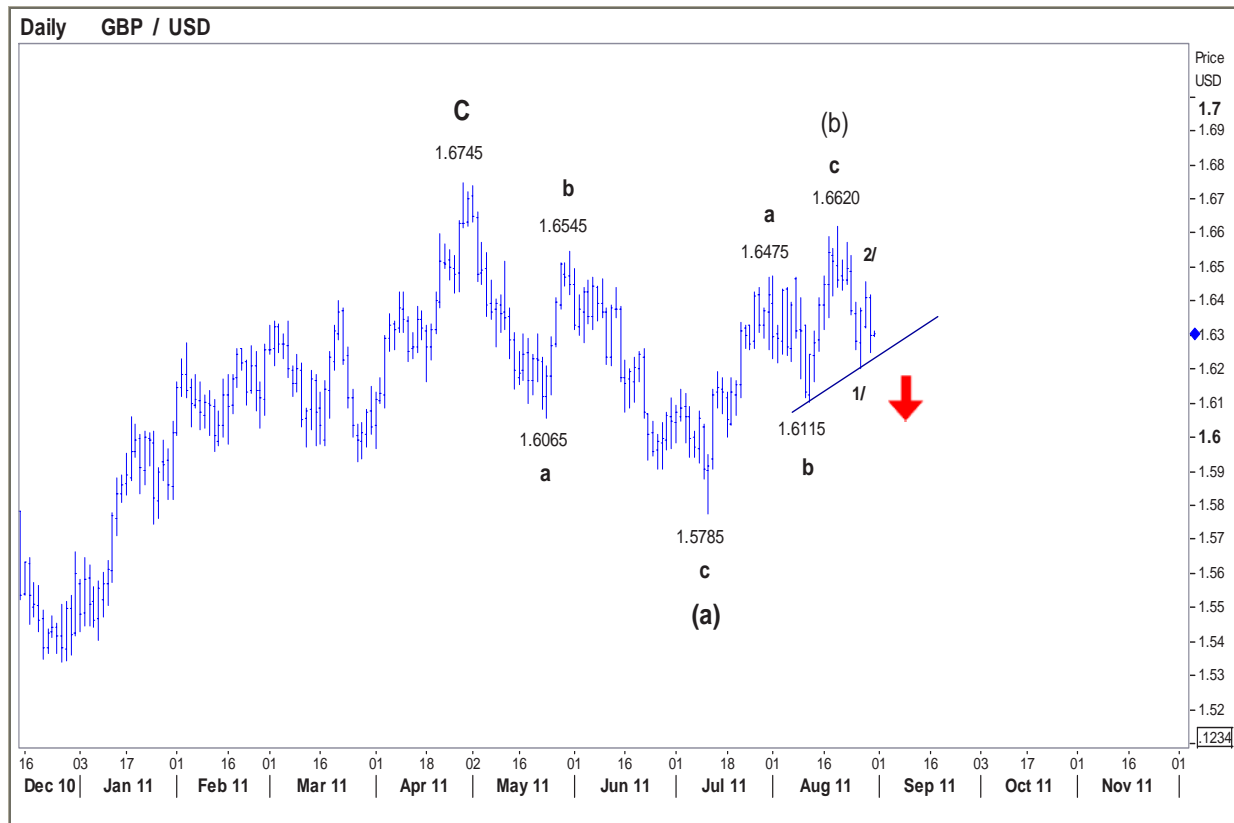


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GBP/USD last at 1.6310 - August 31st, 2011



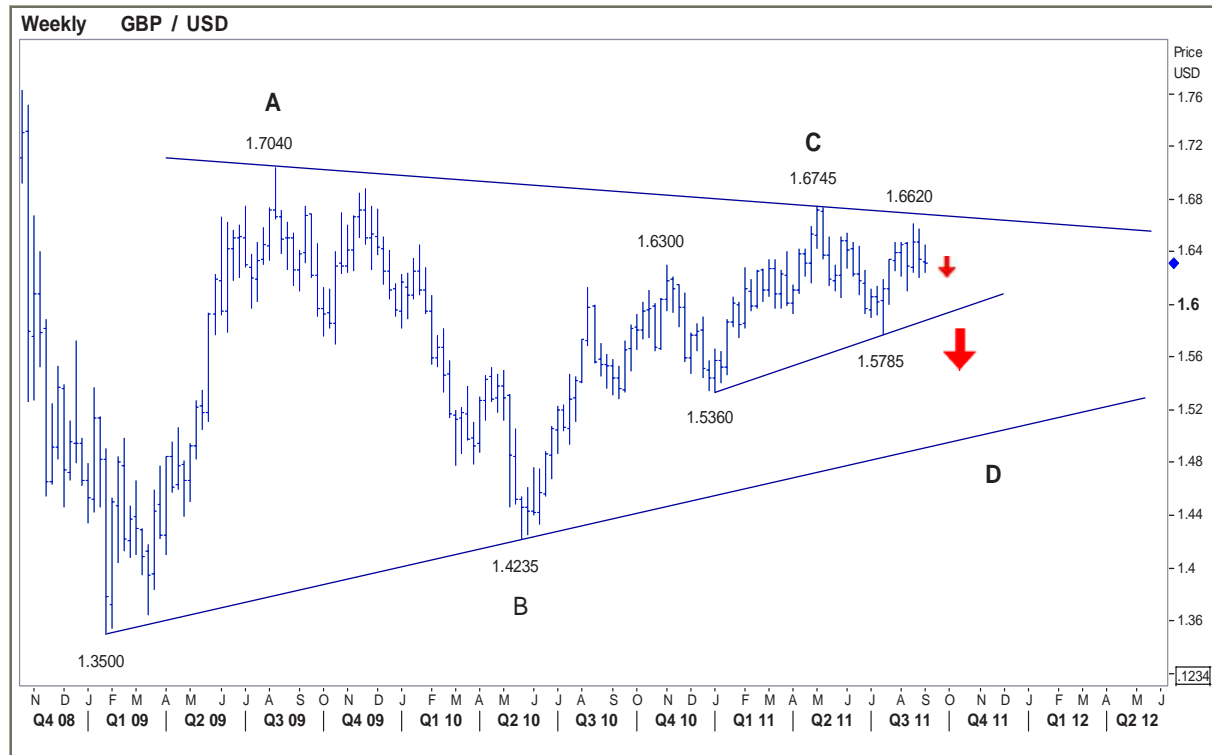
Sterling's recovery from the June low of 1.5785 looks tired and from both Elliott Wave and Classical TA perspectives, there is risk of a significant sell-off ahead.

Under Elliott Wave analysis, Sterling is interpreted to be in the formative stages of a broad (c) Wave decline, wherein if Wave (c) equals (Fibonacci) 1.618 times the distance of Wave (a), then a sell-off toward the 1.5065 level can be expected over coming weeks.

Under Classical TA analysis, a potential Head & Shoulders structure has been forming since late July, with a sustained break below the 1.6210 support level completing this Reversal formation, to yield a minimum downside objective of 1.5785.

However, in the "bigger picture" there exists not only a much larger Head & Shoulders pattern dating back to November of last year (refer Weekly Chart below) but Sterling is also entrenched within a multi-year Triangle structure for which over coming months the next Triangle support will be encountered at 1.5100 - 1.5000 (right within the vicinity of the Elliott Wave target above).

Furthermore, within this multi-year Triangle formation, Wave D will equal (Fibonacci) 60% of Wave B at 1.5060.



The Bottom Line: GBP/USD has likely completed three significant peaks this month; the first at 1.6745, the second at 1.6620 and the third at 1.6455 yesterday. This is probably setting-up a decline below 1.6210 toward the July low of 1.5785, initially. However, such a fall would likely be part of a much larger sell-off back toward the 1.5100/1.5050 area over coming weeks.

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