

13th September 2006

U.S. Dollar vs Swiss Franc – Long Term Outlook

Looking at the charts in Dollar-Swiss it is difficult to generate a firm view that has clear cut, definite signals. However, the consistent message across the three charts is the bullish cycles which should generate an acceleration higher in price. Monthly momentum is oversold and with a trend resistance line broken in daily FXS-RSI the implication would appear to be for gains.

However, in situations where the main indicators are cycles it would be best to make sure that price confirms the move. The 1.2595 peak seen earlier this year came around a major pivot resistance and the key for a stronger signal higher appears to be breach of this resistance. If seen the Dollar should then seek out the next price resistance and this doesn't appear to be until the 1.3235 Wave –b- peak and the 1.3284 high seen after the 1.1283 low at the very end of December 2004.

If we attempt to generate targets from the wave relationships we can note a wave equality relationship of Wave –a- higher that doesn't come in until around 1.3920 – a much higher level. Thus it is difficult to begin to organize targets when these are quite a long way away from current levels. Thus we would prefer to take this step by step and look for breach of 1.2595 first and then judge from the strength of the rally just how far this may go.

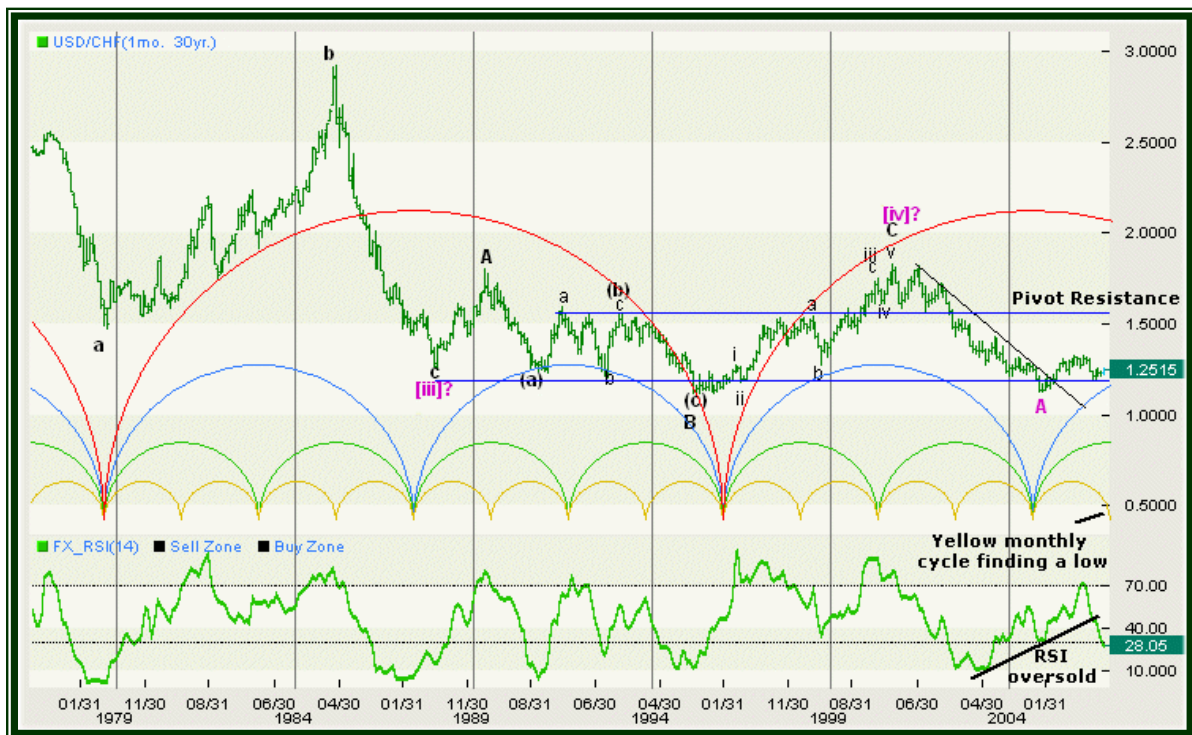
Thus the preference is for a higher Dollar. The only way we'd begin to consider the alternative is if the 1.2595 area remains intact and we begin to see losses back below the closer 1.2180-90 pivot support – breach here would significantly weaken the overall picture.

Ian Copsey

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Monthly Chart



Points to note on the monthly chart:

- Monthly cycles appear quite regular with the recovery from the 1.1283 low seeing only a modest recovery
- The shorter yellow monthly cycle is finding a low now
- RSI is oversold
- Price has rebounded from the area of a pivot support

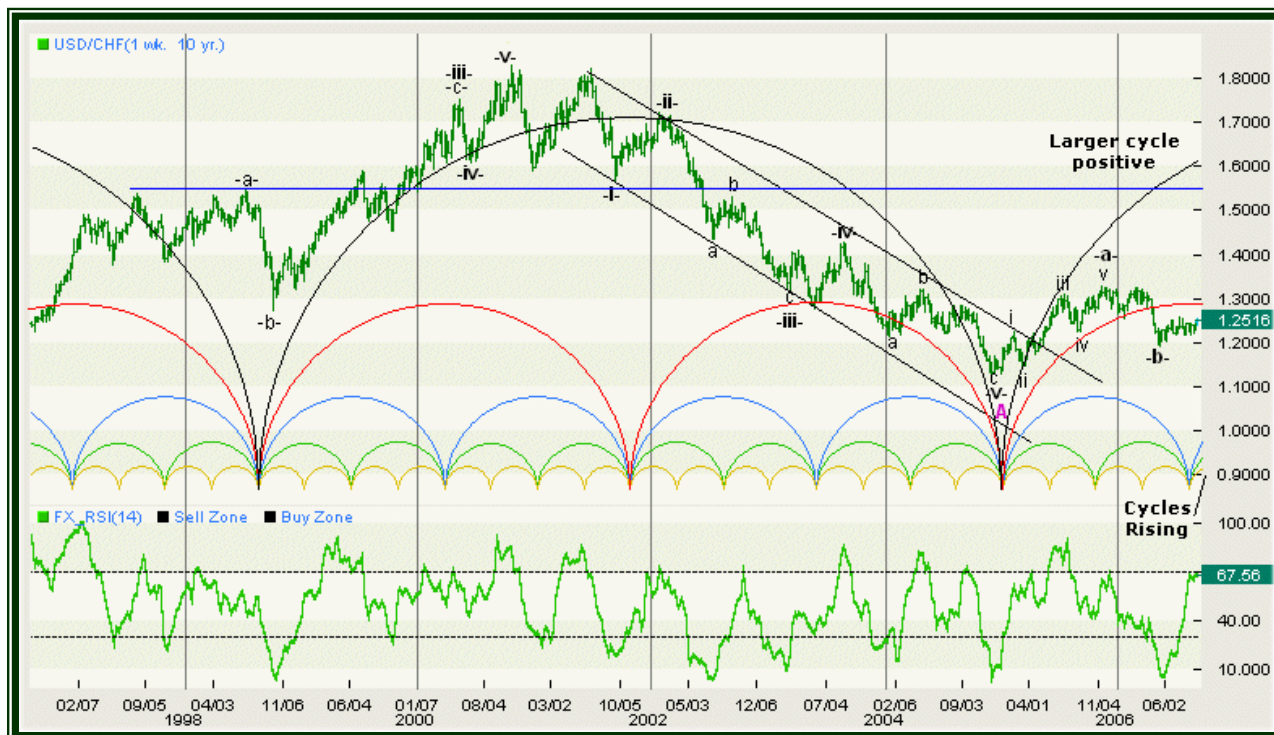
To summarize the monthly chart there are few clear signals. Possibly the most important is that we are seeing a cycle low at this time and this should generate a reaction higher. We do still need to be cautious since USDCHF can see cycle lows that can vary in timing from price lows. However, having just rallied from a corrective low around a pivot support area the picture does suggest a more positive interpretation, reinforced by FXS-RSI being oversold.

Certainly the downtrend line from the 1.83 high was broken soon after the 1.1283 low and since the correction has been rather brief it does suggest potential for further corrective gains at the very least. We note Fibonacci retracements at:

- B = 38.2% @ 1.3963
- B = 41.4% @ 1.4188
- B = 50.0% @ 1.4782
- B = 61.8% @ 1.5620

We also note pivot resistance around 1.53-1.56.

Weekly Chart

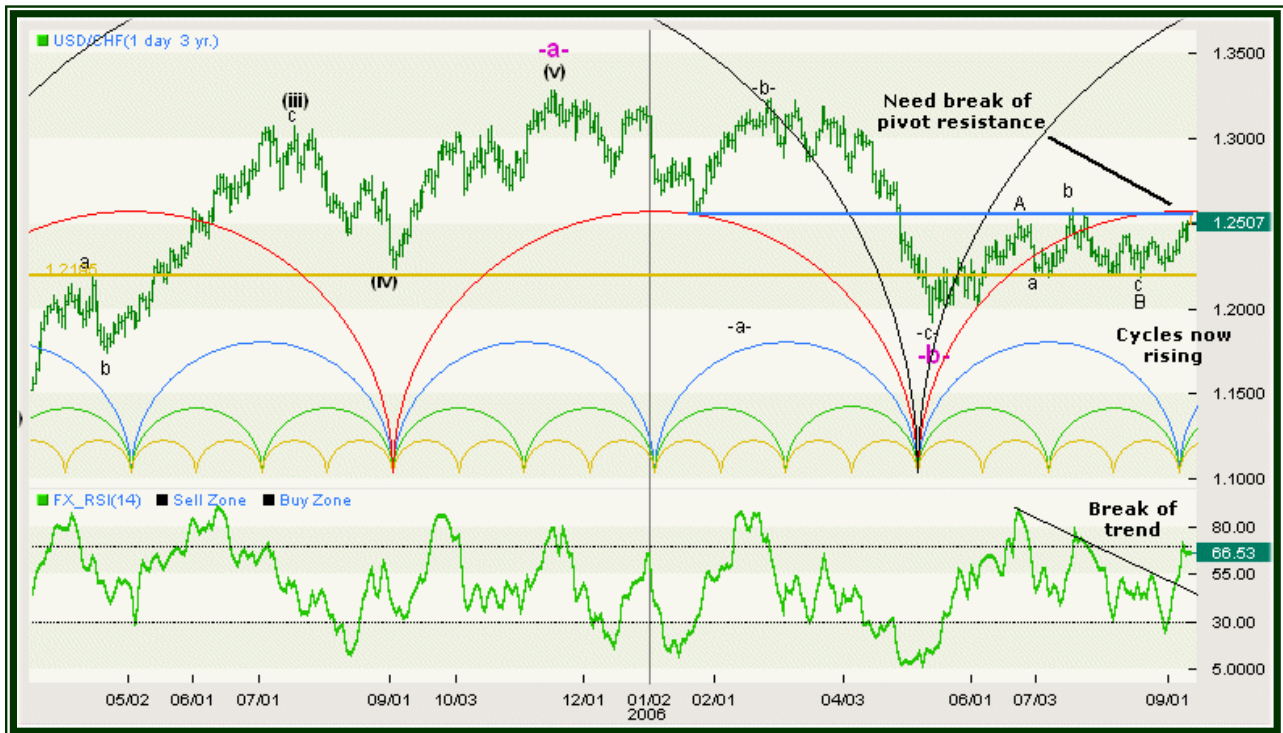


Points to note on the weekly chart:

- Weekly cycles appear to be aligned with the monthly cycles with a cycle low having just been seen
- Cycles are rising and thus there should be follow-through higher. In particular the longer term black cycle is still rising strongly and should provide an upward influence
- FXS-RSI is in a neutral area but still quite high. It could however, on a sustained rally, continue to rise
- We note the Wave -iv- peak at 1.4276 and the pivot resistance at around 1.53-1.56

To summarize, once again there are only general influences and few clear cut signals. At least the weekly and monthly cycles are in alignment and this does provide a more bullish interpretation. However, with FXS-RSI already being high we do need to look for signs of a stronger rally else this may just peter out and cause either a larger sideways consolidation or at worst a move back lower again.

Daily Chart



Points to note on the daily chart:

- Cycles appear to be in line with weekly and monthly charts
- A cycle low appears to have just passed and should be forcing price higher
- We need to see price breach the (blue) pivot resistance 1.2595 high
- We have seen break of a RSI downtrend line
- FXS-RSI is neutral but at high levels although would allow further gains
- A natural target for a move would be the Wave -b- level around 1.3235-85

To summarize, the break of RSI trend resistance looks positive though we need to see acceleration of price higher to avoid an overbought condition. This would appear to be possible if we see price clear above the 1.2595 high which also coincides with the pivot resistance. If seen it would suggest continued strength back to the area of the 1.3235-85 highs at the very least.

While this does look positive it should be noted that to confirm the signals that we need price to display a stronger move higher to confirm the cycles. If this does happen then we may just see further range trading develop.