

## Euro vs U.S. Dollar and Yen – Long Term Outlook

I have been mentioning in the daily report the proximity of strategic highs in USDJPY and EURJPY which should trigger quite substantial declines. The two appear to be approaching these key highs simultaneously in both time and price and it is best to be aware of the implications of each.

### USDJPY



Primarily I am looking at the larger picture in this as a possible descending triangle which has a target for Wave ^c between 122.63 and 127.58. Most likely price should reach between 122.63 and 124.28. However, this is not expected at the current time. Note how the blue, green and yellow cycles are all now pointing lower which

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should trigger a move lower very soon – and expected to be over the next few days. We also have a considerable bearish divergence.

The fact that we have continued to see strength into the declining cycles points to the larger red cycle still providing upward pressure. The red cycle will find a high at the same time as the shorter three cycles find a low which is anticipated to be between July and August. From there the rising three shorter cycles will bring upward pressure and encouraged by the still high red cycle and it is the rally then that I feel will take price to the triangle targets.

In the meantime we appear to be seeing a series of ABC structures higher from the 101.67 low and thus the decline we should see over the next 2-3 months should reach either the 113.41-115.16 area or much deeper to the area of the 108.96 low. I shall update in the daily reports.

## EURJPY



While considering the USDJPY position it is also worth looking at EURJPY. As far as the cycles are concerned the situation is not particularly clear with price having rallied strongly right into all four cycle lows. However, this can be an anomaly with the next larger cycle which would have been drawn from the Wave (v) low in 2000 now coming to a high at the convergence of the four cycles drawn. When this occurs it is quite common to see price top out as well.

At the current time we have a 261.8% projection of Wave (i) implying a target at 164.02. We can then verify that target by looking at the Wave (c) wave equality target which rests at 165.06. Thus the two match quite accurately. With a bearish in FXS-RSI the implication is for price to find a high somewhere between 164.02 and 165.05.

As you will have read from the daily reports even the short term picture is implying a minimum target at 164.34 but a stronger target at 165.05. Thus I am expecting USDJPY and EURJPY to find a top at the same time and probably at the 121.69 USDJPY target and the 165.05 EURJPY target.

At this point it is difficult to identify timing for the next major EURJPY low but given the extent of the correction this should be a major high probably for at least a year and possibly longer. A 38.2% retracement would imply losses to around 140.00 while a 50% retracement would imply losses to around 132.00.