

18<sup>th</sup> April 2007

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

In my last report in February this year my forecast for a reversal lower came horribly unhinged and has forced me to re-appraise the entire picture.

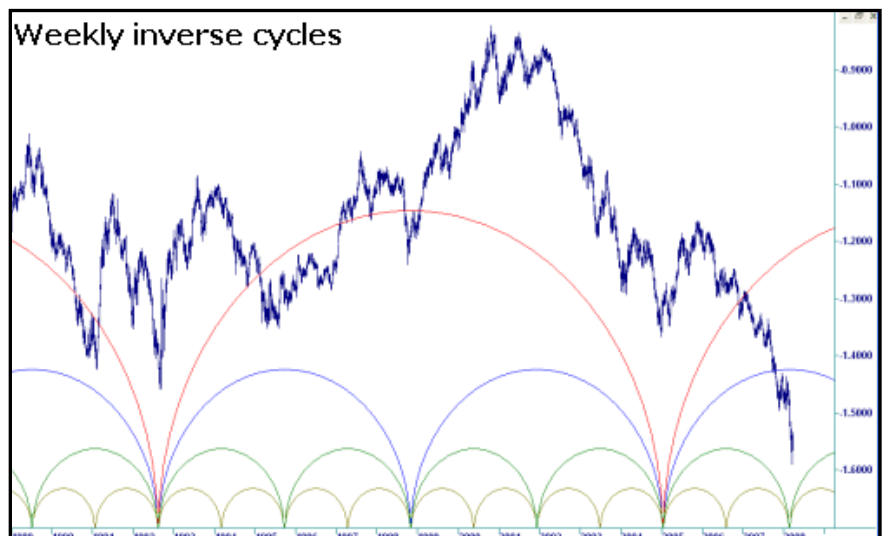
Indeed, when considering the picture here against the Euro I really need to reference the situation in the other currencies which do seem to have reached strategic Dollar lows already. Certainly the Pound is in the midst of a sideways correction within a larger move lower that should last into next year.

The Swissie and Dollar-Yen have met key projections on the downside. There is a small difference here in that Dollar-Yen appears to be in a brief correction higher before making a new low in July that should hold for the rest of the year. However, the Swissie has just passed a key weekly cycle low and does appear to have completed a 5-wave structure down from 1.3284. This implies a correction higher before losses are seen next year.

With this being the case I really don't think the Dollar can decline that much further over the coming days and weeks.

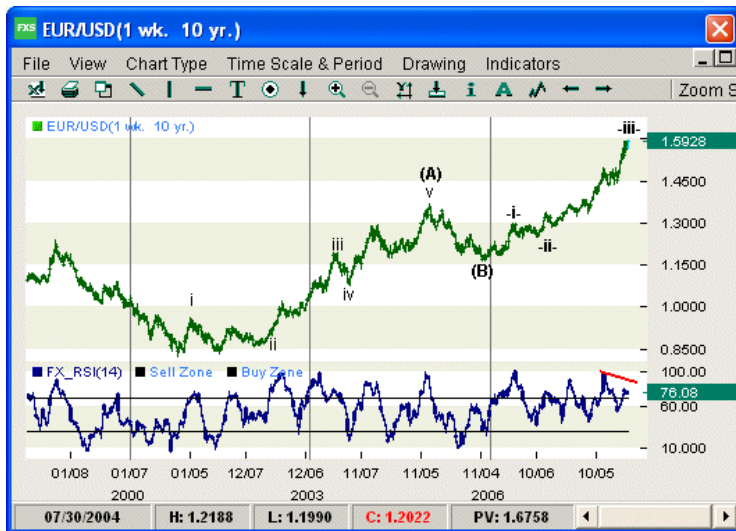
Let's just start with the weekly cyclic picture. Again I shall present the inversed weekly chart which shows cycle highs at the bottom.

Very clearly there is a cycle high due at this time that should cause a sizeable correction lower over the coming months. The combination of the two shorter cycle highs should imply a decent size correction. However note the largest (blue) cycle that is reaching a low now and thus should start pushing higher. This should limit the degree of the correction and imply Euro gains at a later stage.



Pro Commentary is designed for use by traders of all time frames to provide them with the technical view of a master technician of almost 20 years experience the anticipated direction of the day along with key support and resistance levels. Ian Copsey has developed his own blend of analytical techniques that are unique in terms of his adaptation of Elliott Wave, application of cycles, Fibonacci and momentum analysis. While the analysis provides a preferred bias for the day it is recognized that forecasts can never be 100% accurate and an alternative description is given of the potential move if the preferred direction breaks down. This is to ensure that subscribers are not left without guidance and framework at those times.

**DISCLAIMER:** Pro Commentary is an analytical tool only and is not intended to replace individual research. The service is offered as an opinion on the current state of the market with anticipated trading signals but not recommendations. The information provided in Pro Commentary should not be relied on as a substitute for extensive independent research before making your trading/investment decisions. FX-Strategy is merely providing this service for your general information. No representation is being made that any view or opinion will guarantee profits or not result in losses from trading. In addition any projections or views of the market provided may not prove to be accurate. The opinions are subject to change without notice. Opinions or views expressed in Pro Commentary are not meant to be either investment advice or a solicitation or recommendation to establish market positions. FX-Strategy will not be responsible for any losses incurred on investments made by readers and clients as a result of any information contained in this service.



In the normal weekly chart I have overhauled the wave count. The previous wave count would have suggested that we are reaching the end of a 5-wave move from the 0.8225 low and as such imply a multi-year correction. However, this doesn't gel with the cyclic picture which is suggesting only a correction should be seen.

Thus I now favor a 3-wave structure in which we are soon to complete Wave -iii- of Wave (C). Note that a 261.8% projection in Wave -iii- implies a target at 1.5954 which was reached last night, and just a little further.

Furthermore a wave equality target in Wave (C) implies a final stalling point at 1.7081.

On the assumption that we do see a peak somewhere between 1.5986-1.6065, given the

shallow sideways Wave -ii- we should see a full 50% correction. This would imply a corrective target of between 1.4235 and 1.4275. A 61.8% projection in Wave -v- would reach the area of the 1.7081 target in Wave (C).

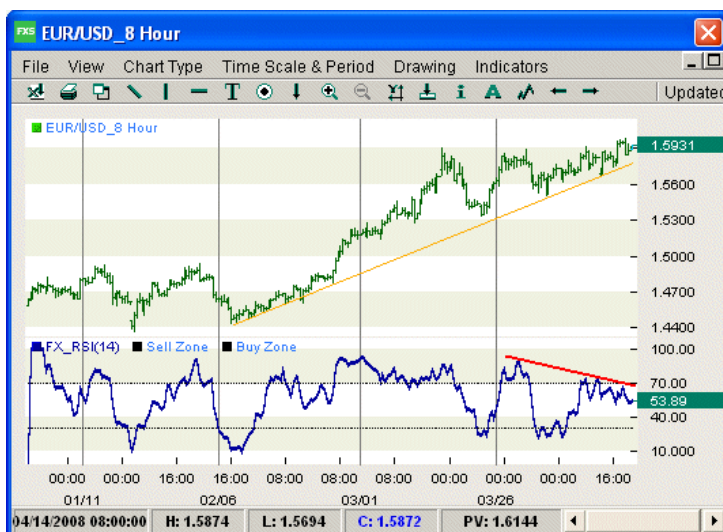
Also note the development of a strong bearish divergence in Rapid RSI. This still clearly needs to be confirmed but the occurrence close to a cycle high and at a key projected target does raise the chances that it will prove to be valid.

Next we can look at the daily chart.

There is very little to add from this except the development of a bearish divergence here also. Again, we clearly need a reversal signal but the combination of a bearish divergence in both weekly and daily charts does increase the risk of a reversal lower in price.

Finally we'll look at the 8-hour chart which clearly shows strong potential for a topping pattern.

Quite obviously even the 8-hour chart is showing a bearish divergence. What is more interesting here is the trend support line from the 1.4437 low. This is currently around the 1.5770 area (approximately) which presents quite a tight reversal signal.



So the final task is to identify what should be the final high. From the recent Pro Commentary reports you will see that I have targeted the 1.6065 area which is a wave equality target in the 3-wave rise from the 1.5340 corrective low.

If I take a 61.8% projection in the Wave -v- it comes in at 1.6245. A 138.2% projection in Wave (c) suggests a potential target at 1.6277.

Here I should just remind you of the initial description of the likely scenarios of Dollar lows having already been seen in the Swissie and Dollar-Yen. This suggests to me that there probably isn't too much room on the downside. Therefore I'd prefer to concentrate on the 1.6065 target.

Needless to say, given the degree of negativity surrounding the Dollar take extra care when considering trades on this analysis but if you begin to see something that corroborates the outline I have given then it may be a stronger indication. Loss of that trend support in the Euro 8-hour chart will be the next confirmation.