

25<sup>th</sup> April 2008

## U.S. Dollar vs Japanese Yen – Long Term Outlook

The last update for this currency pair was in September last year, just following the weekly cycle low. At that time I was not 100% happy with the wave count and noted that the Dollar is in a decline into the 3<sup>rd</sup>/4<sup>th</sup> quarter 2009.

I had expected the cycles to provide support for longer than actually occurred. The very quick resumption of losses indicates that the monthly cycles are imposing significant downward pressure at this time and should therefore imply that any corrections are likely to be limited.

The break below the series of 100-101 lows since 1999 clearly implies that further losses are to come over time. However, the chance that we shall see direct losses for the next 18 months is very unlikely and we shall have to navigate around the anticipated lows, the next due in July this year when I feel we should see a low around 90-91.

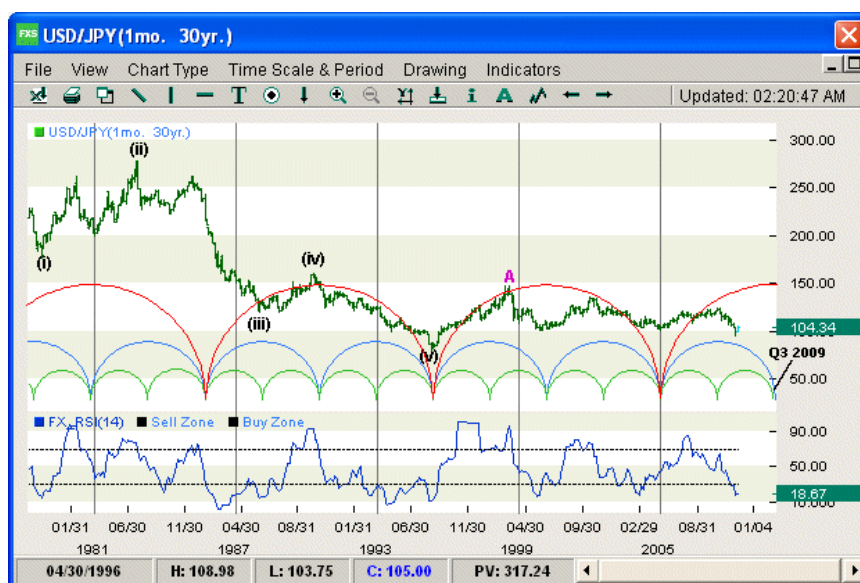
This low should produce a slightly larger correction but may find it difficult to climb back much above that 100-101 area.

Let's start with the monthly chart:

It is very difficult to judge the wave count down from the 362 highs although I suspect it is an ABC pattern to the 79.70 low in 1994.

If so, then the rally to 147.63 high in 1978 would be a Wave [A]. Thus we are looking at a possible correction from that 147.63 high.

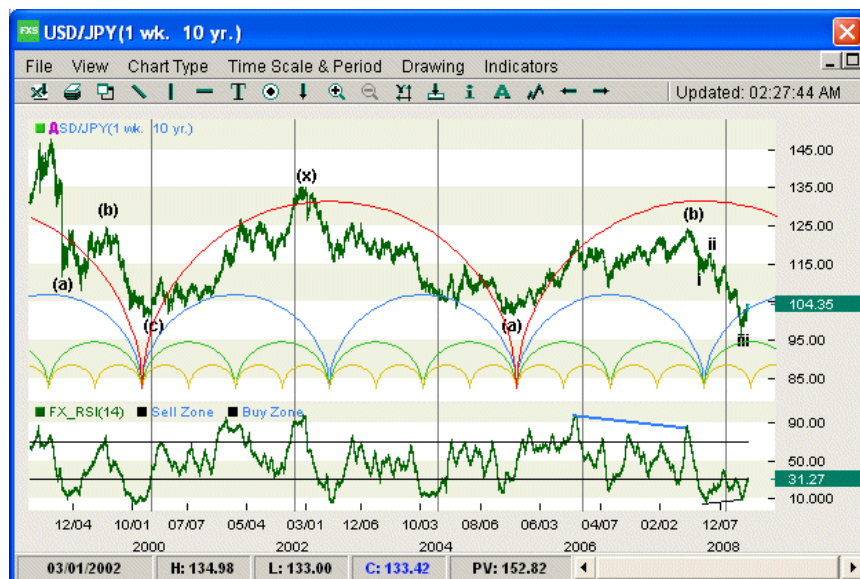
From the cyclic picture we can see that the next major monthly cycle low is due at the end of next year and given the steepness of the losses over the past 8 months it does seem very likely that we shall see a move to retest close to the historic low.



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Again, if the cycles prove correct then losses may not be complete since a much more significant low is due in 2015. For now we shall just concentrate on the near term.



From the weekly chart it can be seen how well the cycles matched key price lows, and briefly did in August last year. The strong follow-through lower implies that the red cycle is having an impact and pushing price lower.

The next cycle low is due around the July time frame so it does look as if we should see one more low this year.

In terms of wave count. I now count the move from 147.63 down to the first 101.25 low as a complete ABC move followed by a correction in Wave (x) to 135.14. The next decline to 101.67 is now counted as Wave (a) and the pullback to 124.13 as Wave (b). Taking a wave equality target in wave (c) we achieve a target of 90.66.

This will be the expectation for the low in July.

Turning to the daily chart we can see the decline in Wave (c) from the 124.13 high. The cycles confirm the low due around July.

Within the decline the first move to 111.57 is counted as Wave (i) and the recovery to 117.63 is Wave (ii).

A 176.4% projection in Wave (iii) is implied at 95.77.

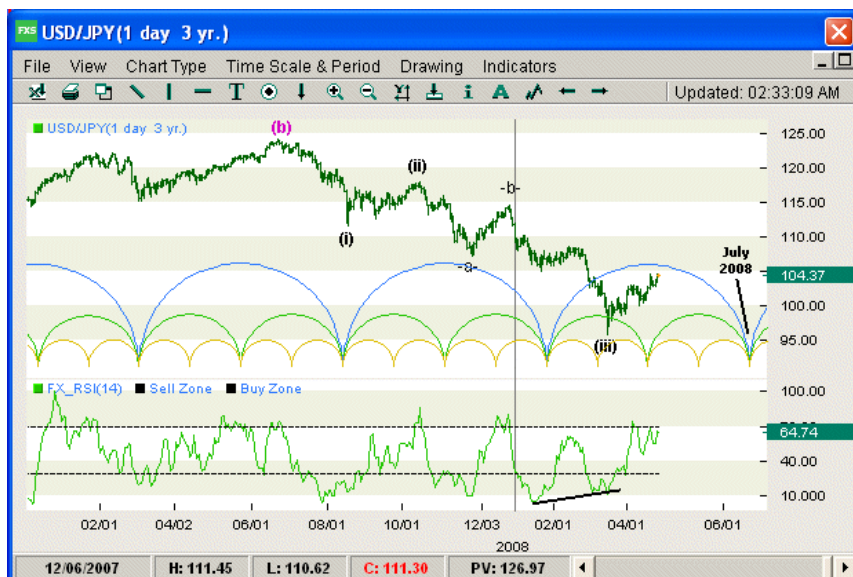
Within Wave (iii) a 176.4% projection in Wave c generates a target of 95.74.

The low on the 17<sup>th</sup> March was at 95.71. I therefore count this as Wave (iii).

To generate a target for Wave (iv) we can look at the 41.4% and 50.0% retracements. These provide potential resistance areas at 104.90 and 106.82 respectively. Given that Wave (ii) was not too deep we should therefore expect a full 50% retracement in Wave (iv).

On that assumption a 61.8% projection implies a target of 89.26.

Hence we should look for a rally to 106.82 over the next few weeks followed by a decline in 3 waves to the 89.26-90.66 area.



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