

In the May 28th email on the \$ index, affirmed the short position (sold on April 27th at 85.60), but warned that further new lows below 79.80 may be limited. The market did indeed weaken from there, reaching a new low at 78.35 this past Wednesday, and before quickly bouncing. With the market oversold after the sharp declines since April, **risk is rising for at least another few weeks of correcting higher**. Note too that the daily macd is near to giving a new buy signal (see bottom of daily chart below), adding weight to the view that a more important bottom (for at least a few weeks) may be in place (or at least close). For now, would continue to use a close above the bearish trendline from late April (currently at 80.75/85) as a sign to take profits. Note that this larger period of correcting (when it does occur) is likely to be rangy/choppy with an upward bias (versus a big surge higher, see longer term below), so would not immediately switch to the long side on a break above this trendline (not the type of market to chase). Resistance above there is seen at 81.55/65 (62% retracement from the Apr high at 86.85), while support before the recent 78.35 low is seen at 79.90/00.

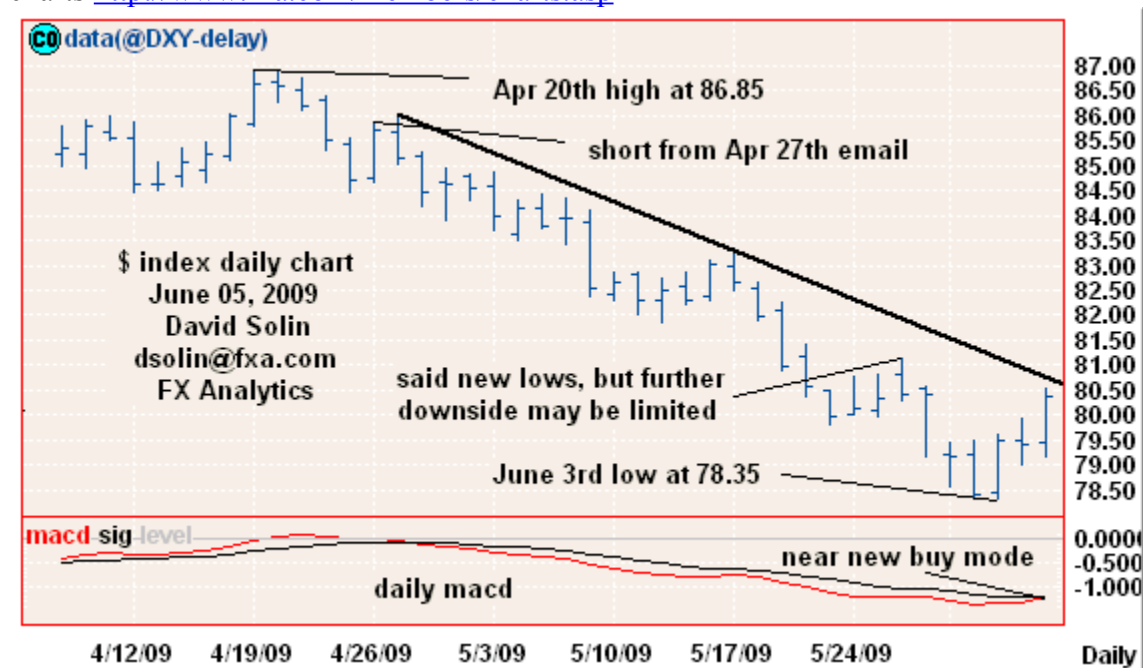
Longer term, the view since last autumn of an extended period of wide ranging remains in unchanged. Given this scenario in the May 28th email, said at least some further downside was favored but a sharp tumble from there was not “preferred”. The market did indeed weaken slightly further, temporarily breaking below longer term support at the base of the bullish channel since last Sept (currently at 78.75), but has since reversed back above (never closed below). Though this is a nearer term positive sign (bullish false break), **raising the likelihood for at least another few weeks of correcting higher** (see shorter term above), there are **still no signs that a more major low is in place** (at least so far, see “ideal” scenario in red on weekly chart/2nd chart below). So for now, would maintain the longer term bullish bias which has been in place since the early March “false break” above the Nov high at 88.45.

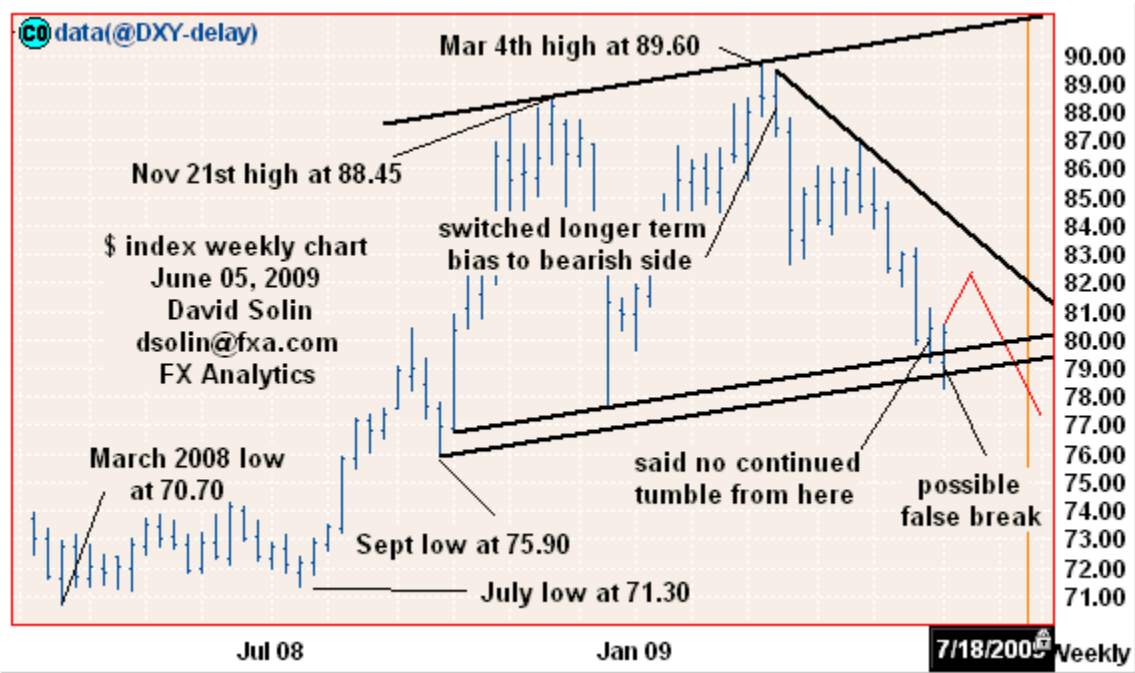
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*See intraday scrolling technical comments/blog at fxa.com/solin/comments.htm, Reuters FXAFX31 (does not include charts) and Telerate 57031. Previously emailed charts <http://www.fxa.com/members/charts.asp>





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