

FX commentary

EUR/USD after extreme USD rallies

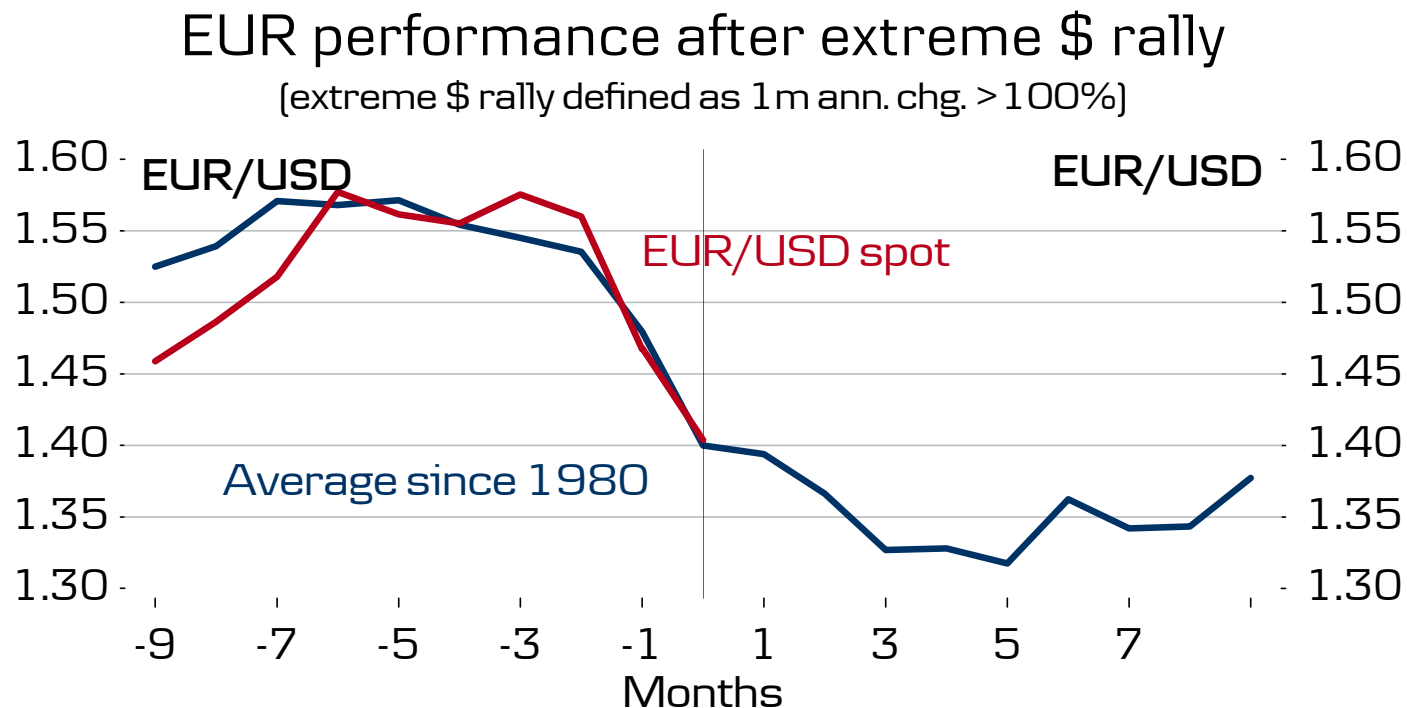
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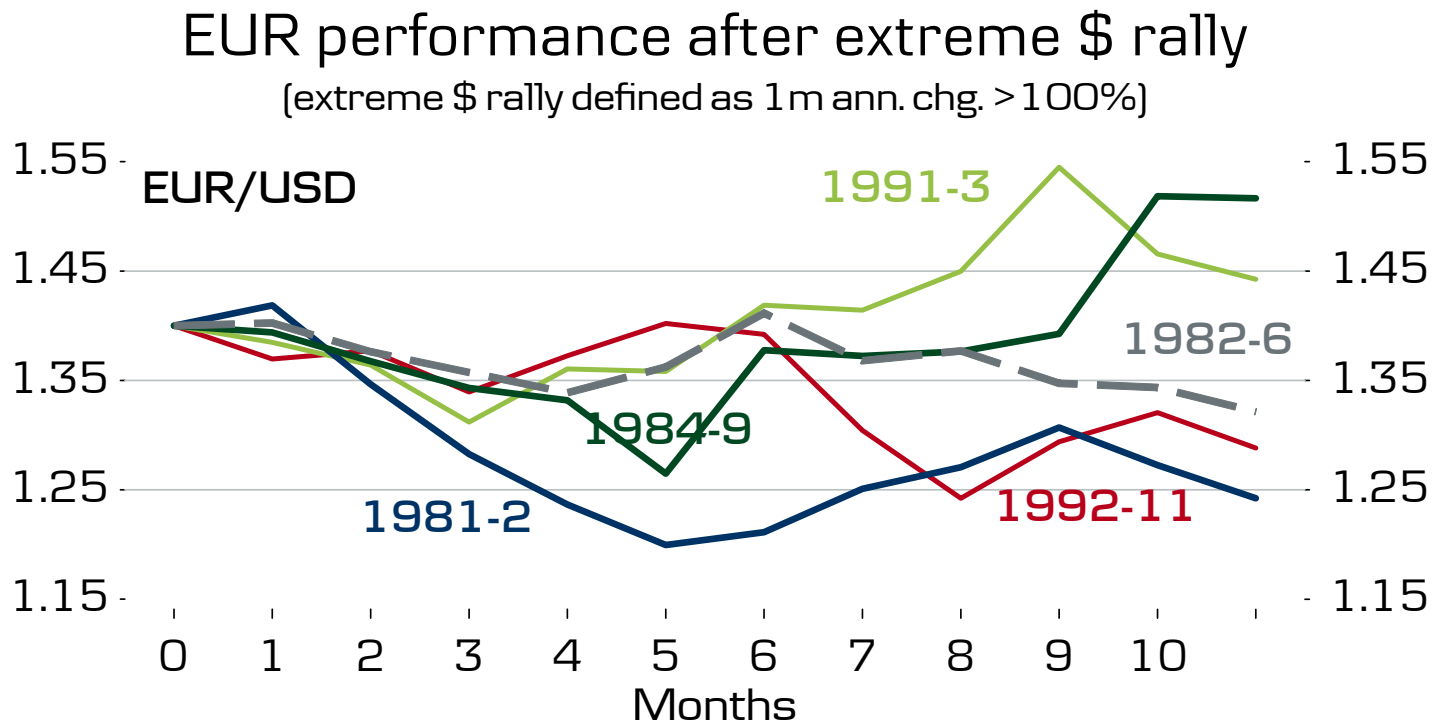
Risks to EUR/USD remaining

- EUR/USD has fallen by more than 100%, annualised, during the past month.
- Such moves are extremely rare; this is the first such dollar rally since 1992 and only the fourth since 1980.
- Although the dollar may seem overbought by many yardsticks, the historical performance after extreme rallies suggests that further downside may be in store for EUR/USD in the coming months.
- Rebasing past dollar rallies since 1980 to current spot levels, we find that **on average EUR/USD has fallen to 1.32 after five months, before rising to 1.35 after one year.**
- If present performance repeats the patterns of the 1981 and 1984 dollar rallies, EUR/USD could fall below 1.30 before year-end.
- After 12 months the high-low range has been 1.19 -1.56 in today's terms, suggesting that directional volatility could become substantial in the months ahead.

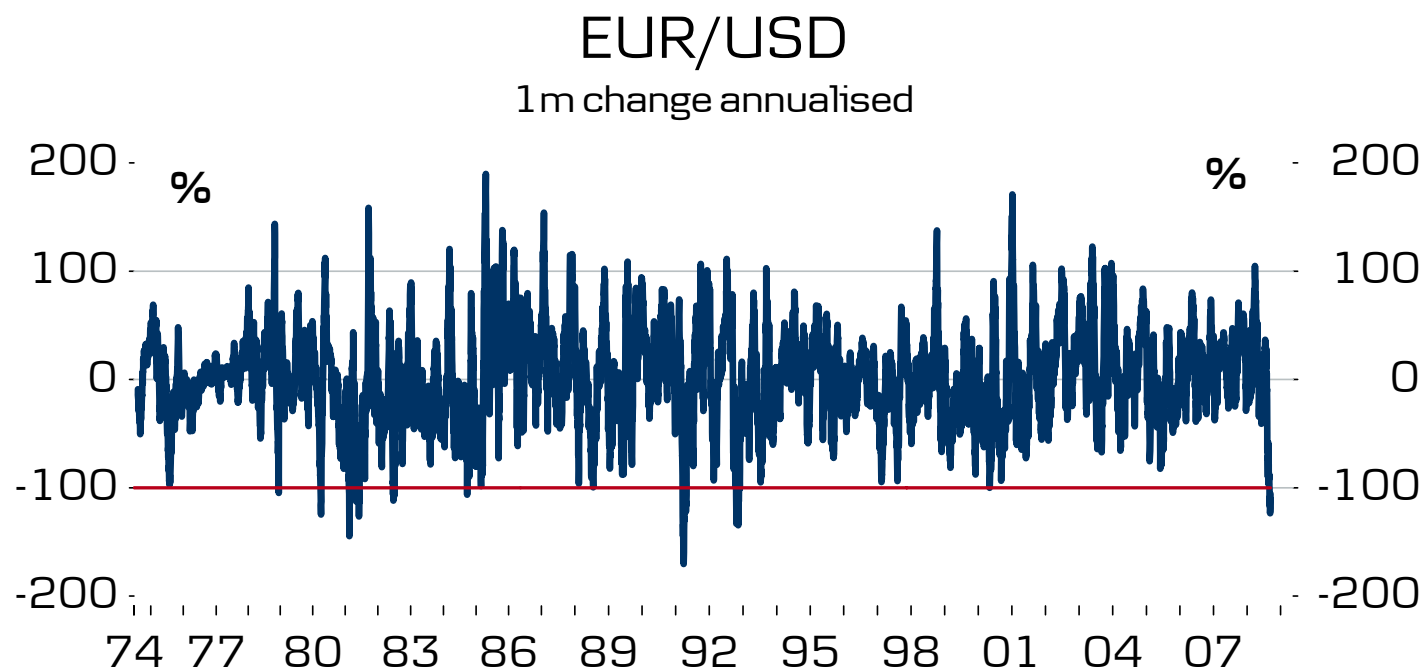
Historical performance after extreme USD moves suggests downside EUR/USD risk



Historical pattern suggests further USD strength



Fourth +100% move since 1980, first since 1992



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