

ChartWorks

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EURO / YEN

A LONG-TERM BASE ON THE VERGE OF COMPLETION

The Structure Is The Message

Technical Observations of RossClark@shaw.ca



Technically, the bear market in the Euro/Yen from 1979 completed at the end of 2000. The structure of the decline and subsequent rally is one we have witnessed numerous times in the past. In particular, the action since October, 1998 has no less than **14 specific characteristics we can identify from prior major reversal bottoms in equities and commodities.**

The move from 90 to 140 is a perfect beginning for a move to interim resistance. The current decline into the 122-125 range should hold. Look for a breakout late in the year with a measured target of 200 to 210 within three years.

Implications: The rally in the Yen against the Euro in the last few months has contributed greatly to the favourable action in the Nikkei and associated business recovery. Needless to say, but this euphoria has been enjoyed by the rest of South East Asia as well. This week, Moody's and S&P announced a round of upgrades. Russia's debt has improved, but at BB is still 2 notches below investment grade; Indonesia's to B, 5 levels below; and Thailand's to BBB, 2 levels above junk.

Obviously, a widely noticed and, no doubt, positioned improvement, but the full reversal of the Yen would indicate the development of some adversity. It is worth recalling how rapidly Asian euphoria became the Asian Crisis in 1997. Although the financial media and pundits described it as "currency turmoil", actually each central bank, in turn, lost its foreign exchange reserves in a classic post-ebullience crash.

Note the chart action in 1997 and consider this as a "heads up".

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