

ChartWorks

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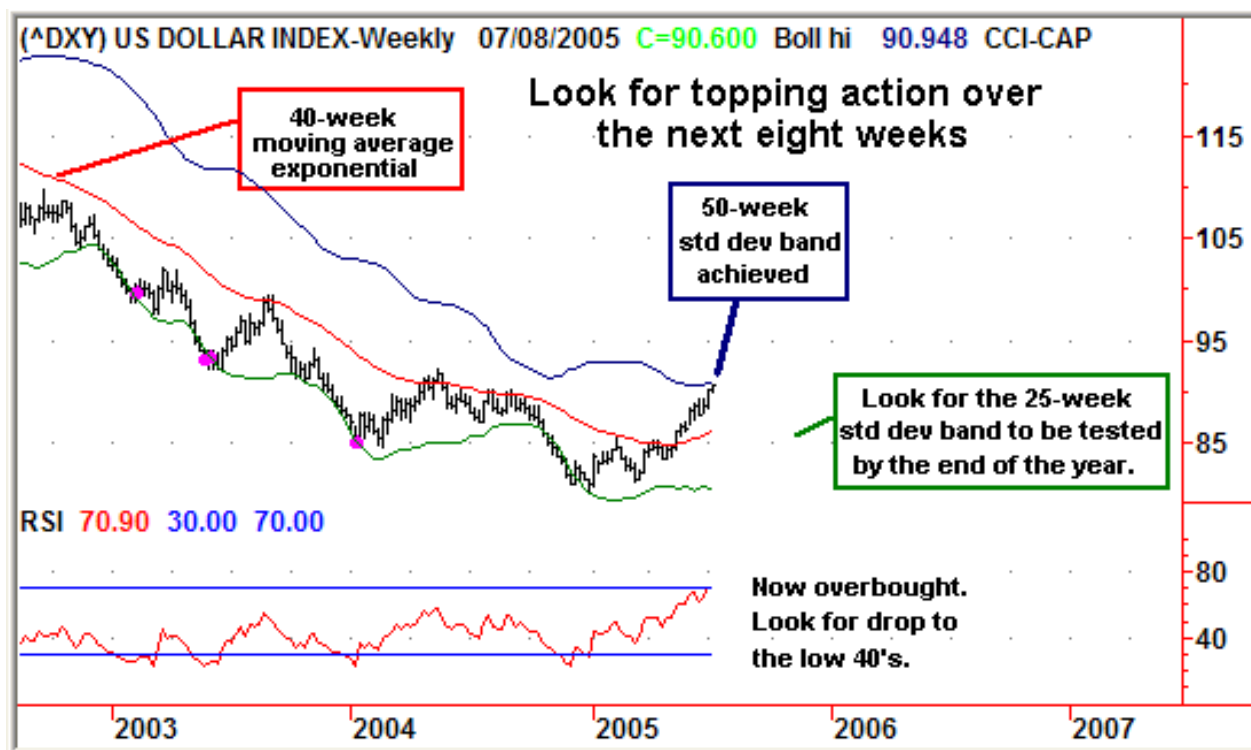
DOLLAR INDEX APPROACHING PRICE AND TIME TARGETS

Technical observations of RossClark@shaw.ca

The easy part of the US Dollar rally is now behind us. While the time window for a high in the dollar has been July 15th through September 9th, prices and dynamics have achieved the minimum targets this week.



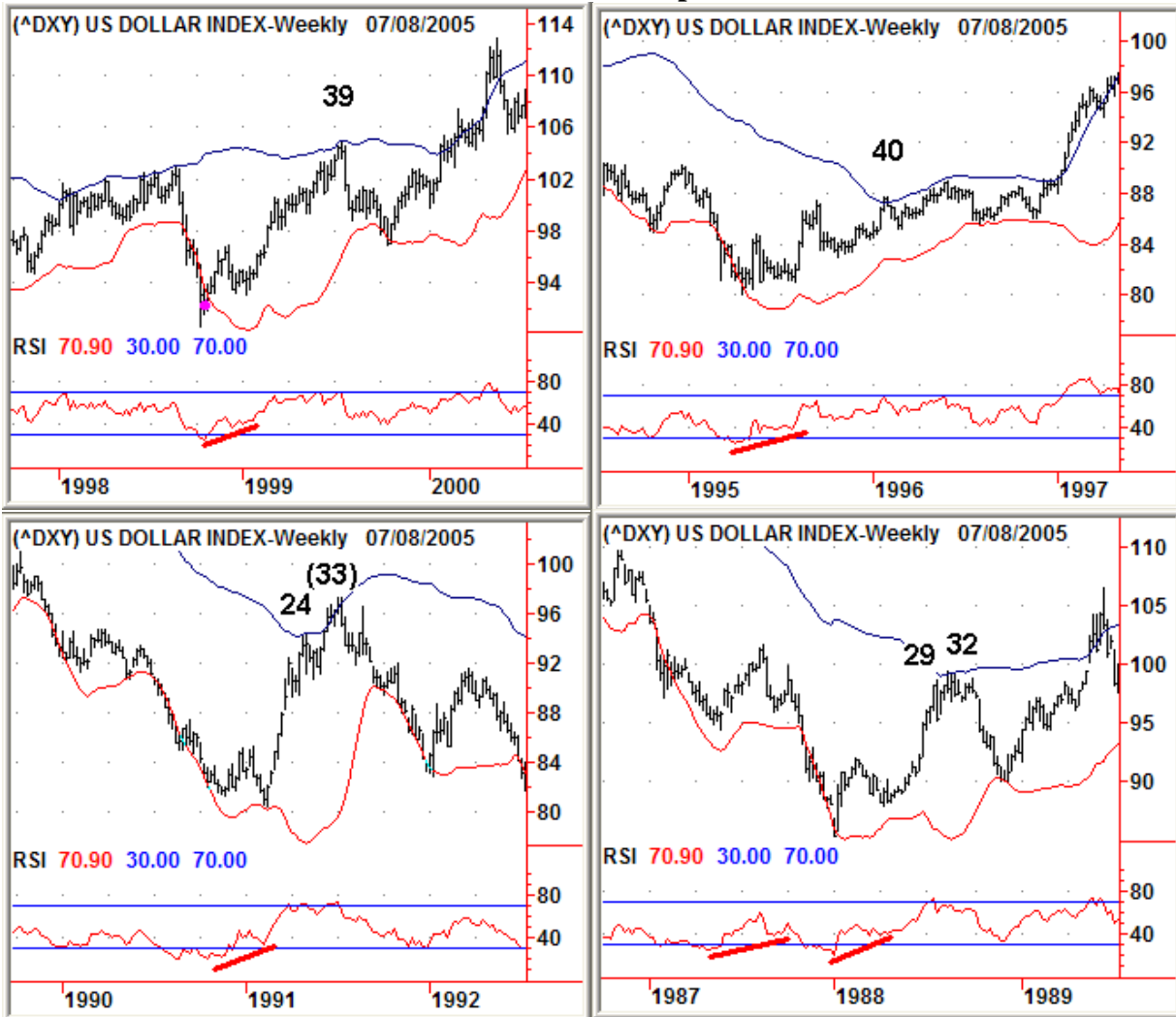
Once the low was established in December the upside target became the 90.50 to 92.00 range that capped the dollar in May of 2004. The time frame for the initial rally was into February with the necessity that any subsequent corrections hold above the December 3rd low of 80.90. By May 7th it was “time for the consolidation to make way for an extended move”. It became evident that a breakout of the 40-week average (*then 84.90*) and previous week’s high would be the catalyst for the next stage of the rally to the 50-week standard deviation band (*then 91.02*). The 20-day exponential moving average was anticipated to provide support on corrections along the way.



Since 1986 we have seen four similar bottoms to that of last December. In each instance the dollar rallied to the 50-week standard deviation band. Also, weekly RSI(14) readings of 69 to 73 were achieved at these tops. It is now twenty-seven weeks since the bottom and the weekly RSI(14) reading is now at 70.90. **Looking forward, the price may make multiple tests of the upper 50-week standard deviation band over the next eight weeks**, but likely not move more than one to three percent above this week's high.

Using the four prior examples we find that each test of the upper 50-week band was followed by a drop to (or through) the lower 25-week 2% standard deviation band before any further meaningful upside action was possible. **The test of the lower band will ideally occur in November-December and should coincide with an RSI(14) reading in the low 40's.** While the band currently sits at 80.31 it can be expected to rise materially to meet the price in the mid 80's.

Previous examples



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