

## The US dollar's slide is probably over for a while, as the euro commences a consolidation.

**The euro's trend accelerated, and parity against the dollar is an obvious target and reappraisal point.** This publication has long maintained that the euro bottomed following multi-lateral intervention in September and October 2000, that it was subsequently basing in a process likely to be lengthy and that 2002 would see the euro break its 3-year downtrend. This has now happened and the base looks completed. However, technical/behavioural evidence suggests that the euro's first upward leg is over. Acceleration is always a trend-ending signal and the euro's advance certainly steepened on the move to parity at 1.00 - an obvious target and therefore reappraisal point. Inevitably, people focus on round number targets and once these are reached, many will reassess. In doing so, one is curtailing a previous activity, in this case buying euros against dollars. Behaviourally, the consensus view, always a contrary indicator, had swung from expectations of \$0.83 or lower in February, to \$1.10 and above recently. Consequently, I believe the euro's advance has now spilled over into a corrective, consolidation phase, likely to persist for at least several weeks and perhaps months. If so, this would be the first step above the base, as taught at The Chart Seminar. I suspect most of the ranging during this phase will be in the upper \$0.90s but we could see one or two stabs on the downside.

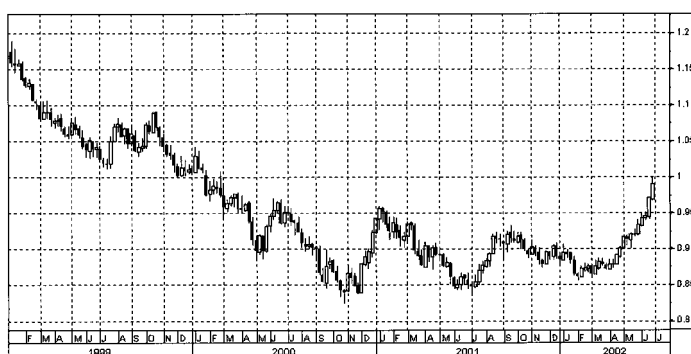
If I am wrong and the euro powers ahead before long, this would most likely be followed shortly by a steeper and lengthier corrective period. Assuming the former script, the next advance, commencing later this year or in the first half of 2003, should carry to the \$1.08 to \$1.15 region, and there is always the possibility of an overshoot. The main factor driving this move, in addition to the change in sentiment, will be a further rebalancing of central bank reserves in favour of the single currency, from an overweight position of more than 75 percent in dollars earlier this year, according to the BIS. Over the much longer term, I continue to regard the euro's recovery as cyclical rather than secular. The main reason being economic problems in Euroland, where the regulatory environment prevents rapid restructuring by export companies. The ECB will eventually print more euros to stem its advance, as the Fed has done with the dollar over the last two years. Meanwhile, the flip side of the euro's consolidation is a temporary technical

rally by the US dollar. Tactically, I would use the Baby Steps strategy for euro/dollar, lightening euro longs near parity and replacing on easing, before reverting back to trend-running tactics when the uptrend resumes following a consolidation.

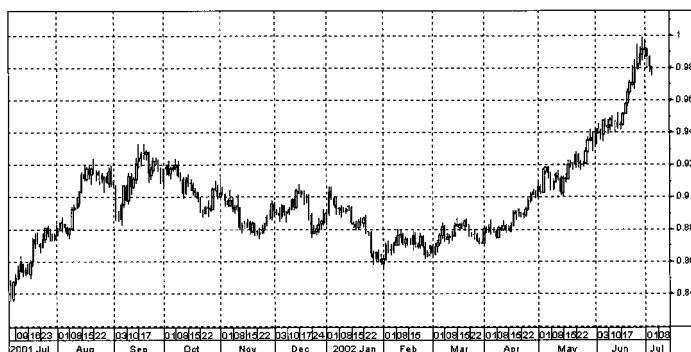
Best regards - David Fuller

*Charts supplied by Bloomberg.*

**Euro/Dollar: \$0.9787 (Weekly)**



**Euro/Dollar: \$0.9787 (Daily)**



**Australian Dollar/US Dollar: \$0.5548 (Weekly)**



**Fullermoney a division of Stockcube Research Limited** Suite 1.21 Plaza 535 Kings Road London SW10 0SZ UK  
**Website:** [www.fullermoney.com](http://www.fullermoney.com) **Email:** [research@chartanalysts.com](mailto:research@chartanalysts.com) **Tel:** +44 (0) 20 7351 5751 **Fax:** +44 (0) 20 7352 3185 **Single Issue Price** £3

You are strongly advised to read the following: This report has been produced and compiled by Stockcube Research Limited ("Stockcube") which is regulated by the Securities and Futures Authority Ltd, according to the requirements of the Financial Services Markets Act 2000. It is distributed by Stockcube and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy. While all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time Stockcube and any of its officers or employees may, to the extent permitted by law, have a position or otherwise be interested in any transactions, or investments (including derivatives) directly or indirectly the subject of this report. Also Stockcube may from time to time perform other services (including acting as adviser or manager) for any company mentioned in this report. The value of securities can go down as well as up, and you may not get back the full amount you originally invested. Derivatives in particular are high risk, high reward investment instruments and an investor may lose some or all of his/her original investment. If you make an investment in securities that are denominated in a currency other than that of GB Pounds you are warned that changes in rates of foreign exchange may have an adverse effect on the value, price or income of the investment. The investments referred to herein may not be suitable investments for all persons accessing these pages. You should carefully consider whether all or any of these are suitable investments for you and if in any doubt consult an independent adviser. This report is prepared solely for the information of clients of Stockcube who are expected to make their own investment decisions without reliance on this report. Neither Stockcube nor any officer of Stockcube accepts any liability whatsoever for any direct and consequential loss arising from use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Stockcube.