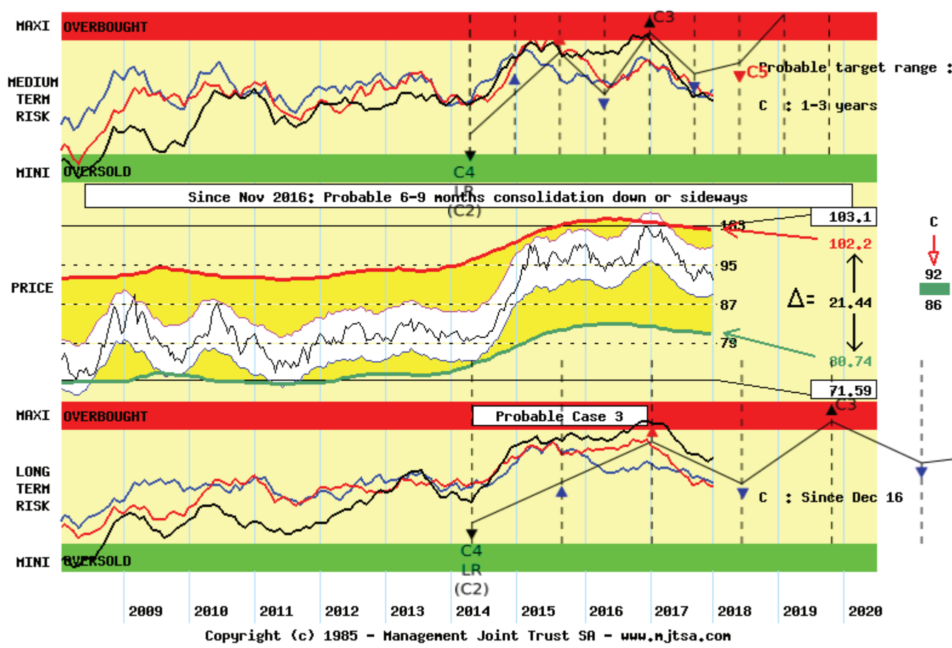
The US Dollar could bounce in Q1, re-test down in Q2 and then accelerate up in H2 2018

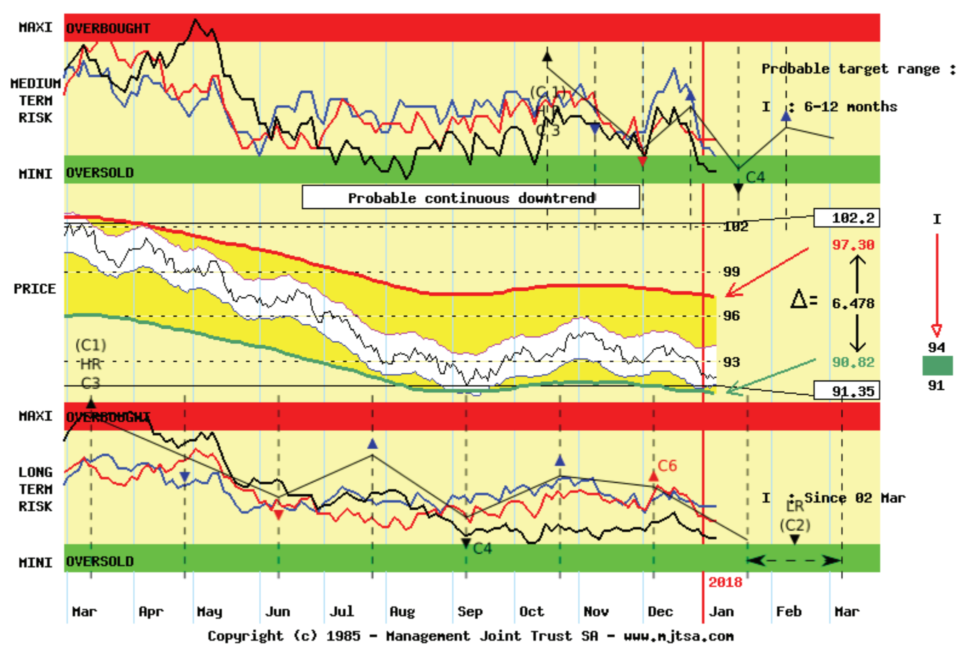
The US Dollar finished off 2017 as it started it, on the weak side. This late 2017 weakness would be typical of the late stage Equity Bull market we are probably in. December was particularly relevant, with most USD denominated assets - US Equities, Emerging Markets, Oil, Industrial Metals and even Gold - all moving up in sync vs USD. Understanding the US Dollar over the next few months/quarters (and other currency moves) will hence be crucial in assessing How, and How Long, these trends can carry on.

Dollar Index
Bi-monthly graph or the perspective over the next 1 to 2 years



Since it peaked in December 2016, the Dollar has been correcting down in a quasi straight-line. On our medium term oscillators (upper rectangle), we are currently re-testing the support point we identified last September, yet should now hold, and gradually resume up during 2018. On our long term oscillators (lower rectangle), the correction down may continue lower, probably towards late Q2 / mid year 2018. **Whatever the scenario (Dollar holds or pushes lower towards late Q2), we believe the whole move down since late 2016 is only a correction, and that from mid 2018, the US Dollar should resume up towards mid/late 2019** (as shown on both oscillator series). Indeed, for now, we are still above our "C" Corrective targets down (right-hand scale). These should provide strong support. Their upper boundary (92 level) provided support last September. Their lower boundary **(86 level) proxies the risk of a last sell-off (minus 5 to 6%) if indeed our long term bullish scenario from H2 2018 is correct.**

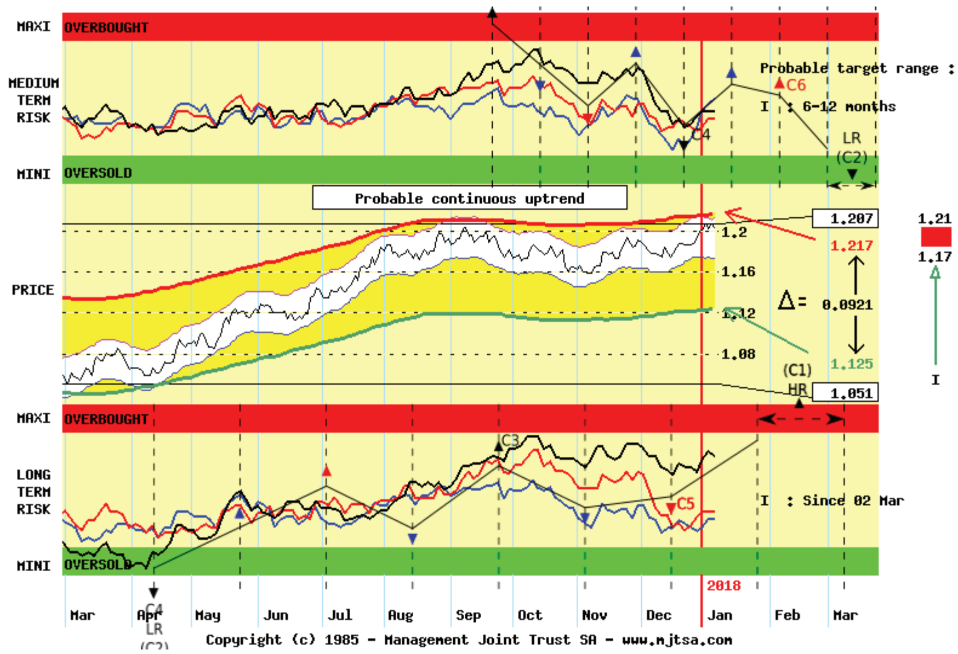
Dollar Index - Daily Graph or the perspective over the next 2 to 3 months



The Dollar Index is currently re-testing its September lows. The move is however pretty much exhausted as it is back within its I Impulsive targets to the downside (94 - 91 range; right-hand scale). On our long term oscillator series (lower rectangle), we would expect a Low Risk situation between late January and February. On our medium term oscillators (upper rectangle), the support point is rather closer as it is expected mid January. Such Low Risk situations usually trigger bounces lasting 1.5 – 3 months. **We would hence expect the Dollar to bottom out over the next few weeks. The bounce could last into March and add 3 to 5 figures** (i.e. 0.5 to 0.8 times our historical volatility calculation of 6.478; middle graph, right-hand side).

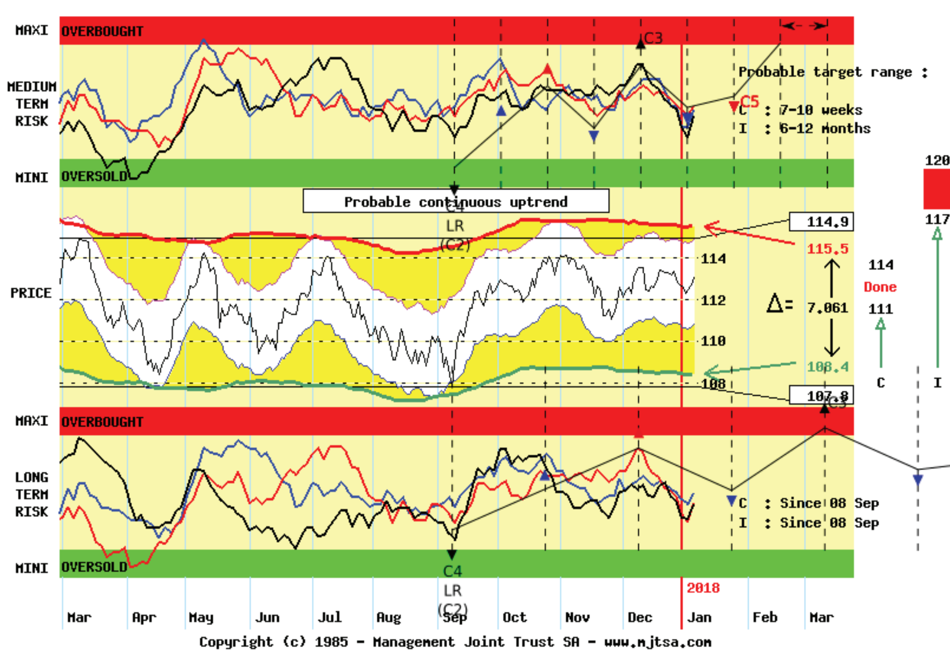
The Dollar Index is getting ready to bounce. It should find a low mid/late January and could move up 3 to 5 figures towards early March. Late Q1 and Q2 should then see some retracement and a possible new downside re-test. We would then be bullish for the Dollar from mid 2018 into 2019.

EUR/USD
Daily Graph or the perspective over the next 2 to 3 months



EUR/USD recently retested its September highs and made a marginal new high on an end of day basis (same levels were reached on an intraday basis around 1.2090). On this Daily graph (as with the Dollar Index), the uptrend is close to exhaustion (our I Impulsive targets to the upside between 1.17 and 1.21 have been fulfilled; right-hand scale). On our medium term oscillators (upper rectangle) we still show a downtrend model, which we believe best fits the consolidation at high levels we have been in since September. According to this scenario, **the current upside re-test should gradually lose steam over the next few weeks, and then start to reverse down until early March**. Given our historical volatility measure "Delta" (0.0921; middle rectangle; right-hand side), the correction to the downside that follows could bring EUR/USD **back towards the 1.16 – 1.13 range** (or minus 0.5 to 0.8 times "Delta" from the graph's top slightly below 1.21). Our long term oscillators could justify that the uptrend carries on into February, yet again the potential up seems exhausted.

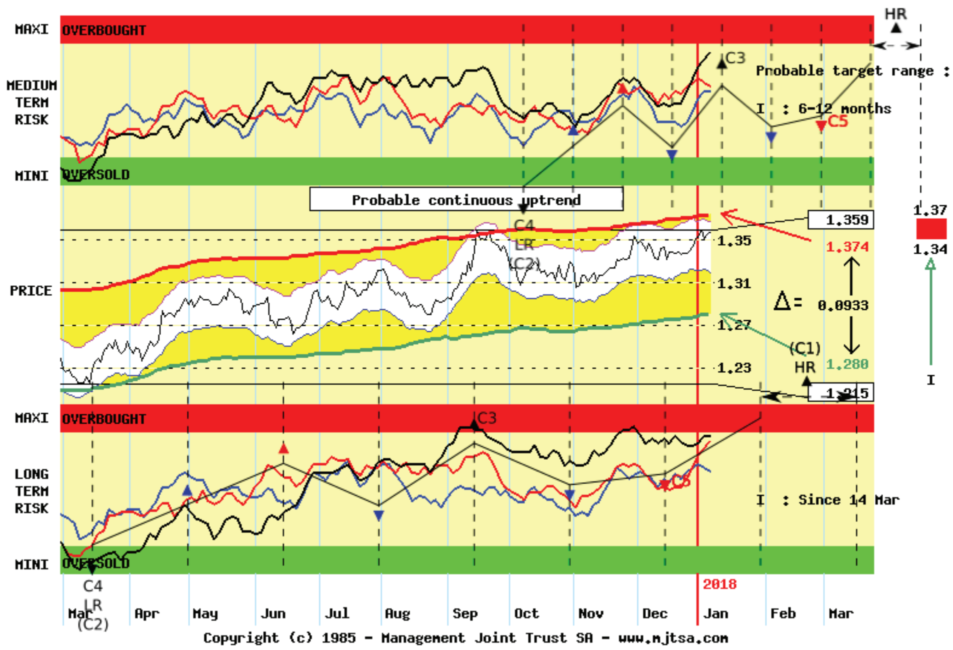
USD/JPY
Daily graph or the perspective over the next 2 to 3 months



Since early September, the Yen has been weaker across the board, vs the Dollar and vs the Euro. Following some consolidation since early November, we now believe that USD/JPY is getting ready to accelerate up again. On both our oscillator series (lower and upper rectangles), we are reaching "resume Uptrend" situations between now (upper rectangle) and late January (lower rectangle). **From now to early March, we would expect USD/JPY to break back above its C Corrective targets up (above 114) and accelerate up to reach its I Impulsive targets up towards the 117 – 120 range** (right-hand scale).

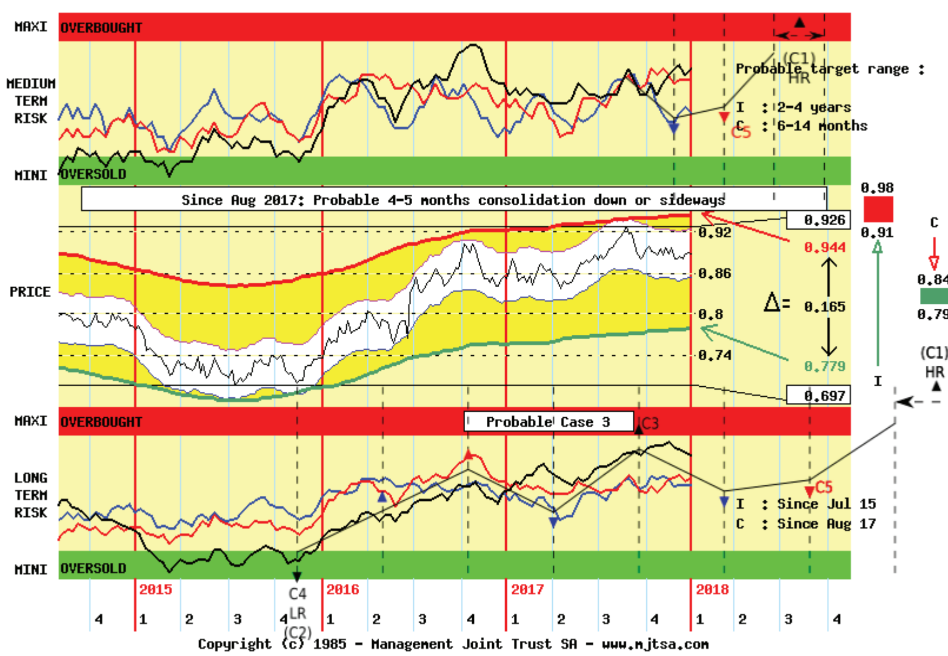
The Euro has been strong across the board. Against USD, it recently retested its September Intraday highs around 1.2090. We believe that over the next few weeks, this upside re-test should die out, and that EUR/USD should start to correct to the downside towards March and the 1.16-1.13 range. The Yen has been weaker, and USD/JPY could also find a low in January and accelerate up to reach the 1.17 – 1.20 range by March.

GBP/USD
Daily graph or the perspective over the next 2 to 3 months



The Pound is also re-testing its September highs vs the Dollar. Our long term oscillators (lower rectangle) would suggest that it could continue to do so until late January/February and possibly towards 1.37 (I Impulsive targets up; right-hand scale). Our medium term oscillators (upper rectangle), however, would rather suggest a mid January top and some consolidation until early March. Whatever the outcome, **Cable (GBP/USD) should see some consolidation to the downside during February. In the meantime, the upside potential seems rather limited.**

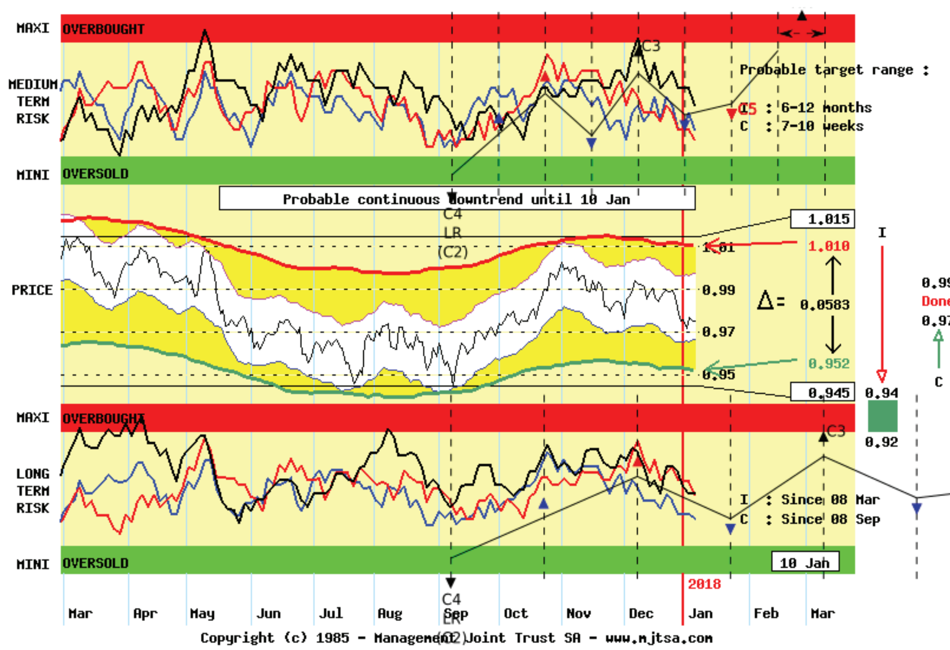
EUR/GBP
Weekly graph or the perspective over the next 2 to 4 quarters



EUR/GBP recently turned down (top late August). Since then, the Cross has been consolidating at high levels. On both oscillator series (lower and upper rectangles), it could continue to be under pressure until late Q1. We believe that in worst cases, the C correction potential to the downside is in the low 0.80s (right-hand scale). From late Q1, and from Q3 especially,we expect the EUR to strengthen again vs the Pound, probably reaching parity by 2019.

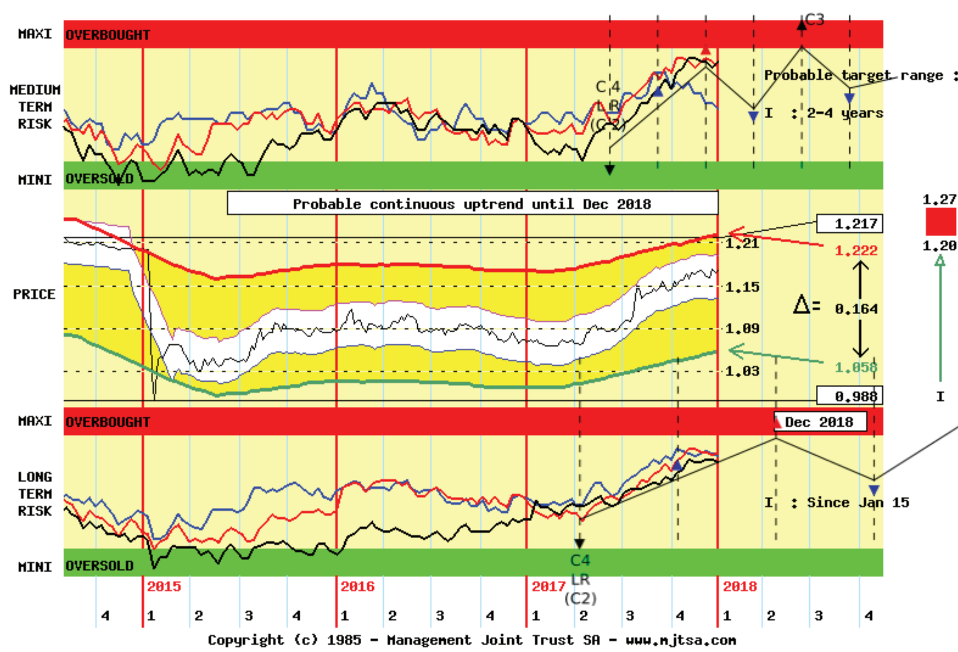
Over the next couple of months, the Pound may also correct down vs the Dollar. In this initial time-frame, it should however remain more resilient than the Euro (weaker Euro and limited downside potential for the Pound vs the Dollar, perhaps 3 to 4 figures max). Following that, and from this Summer especially, the Pound should start to weaken again vs the Euro and the Dollar, probably into 2019.

USD/CHF
Daily graph or the perspective over the next 2 to 3 months



As with the Yen, Swiss Franc has also been quite weak overall: vs the Dollar since September, and vs the Euro during most of 2017. Following some consolidation since early November, we now believe that USD/CHF is getting ready to accelerate up again. On both our oscillator series (lower and upper rectangles), we are reaching "resume Uptrend" situations between now (upper rectangle) and late January (lower rectangle). **From now to early March, we would expect USD/CHF to move back above its C Corrective target to the upside (0.99; right-hand scale) and possibly re-test its 2017 highs around 1.015.**

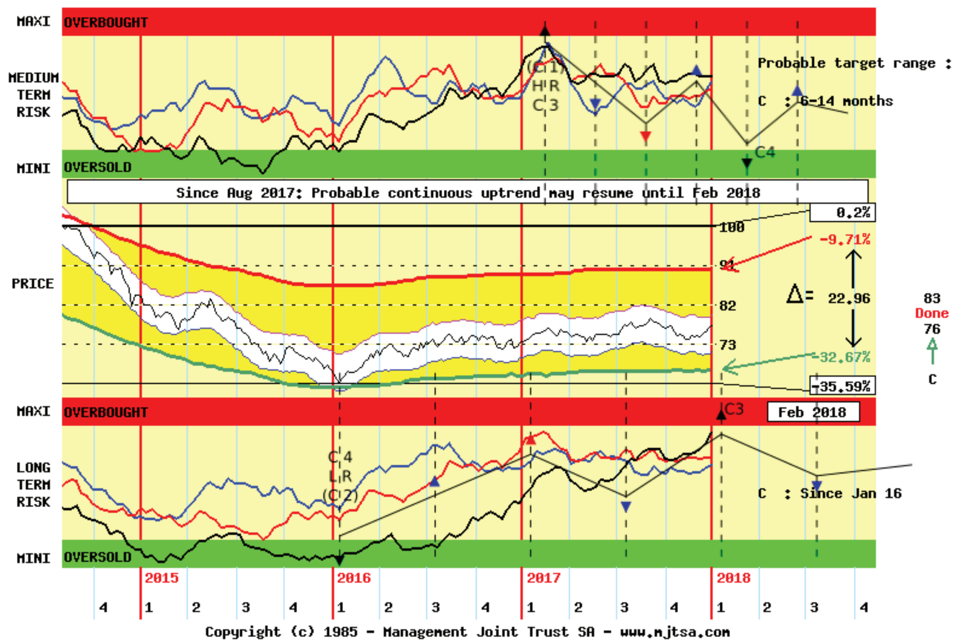
EUR/CHF
Weekly graph or the perspective over the next 2 to 4 quarters



During 2017, EUR/CHF has accelerated up on the back of the loose monetary policies conducted by the Swiss National Bank. On both our oscillators series (lower and upper rectangles), **it may have reached an intermediate top during Q4 around 1.17 and has shown little progression since. A high level consolidation may continue over the next couple of months. From mid/late Q1, however, EUR/CHF should start to accelerate up again, probably reaching into the mid 1.20s during Q2 2018.** During the second half of the year, we would then expect the Swiss Franc to regain some of its defensive bias.

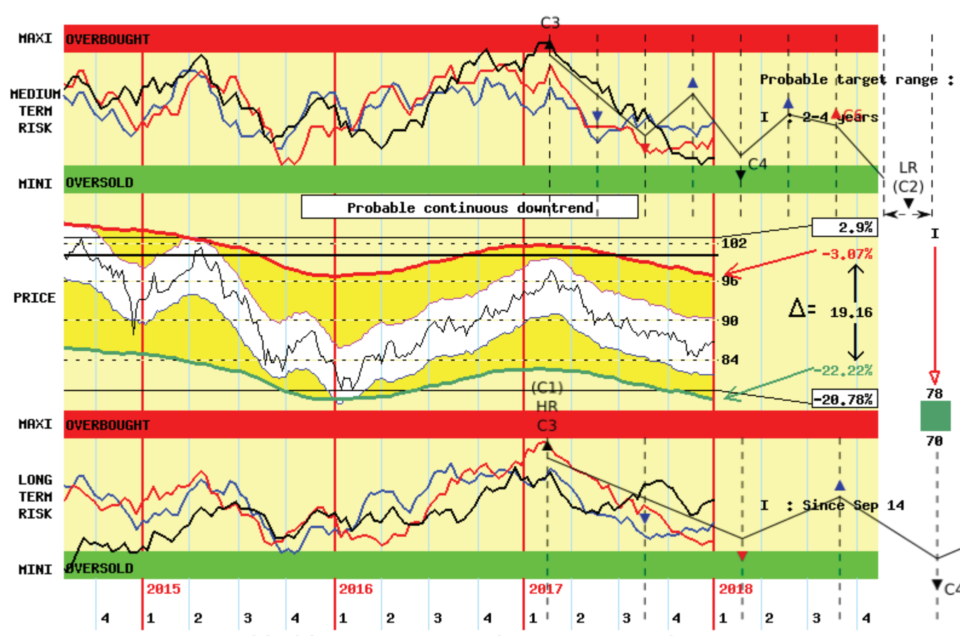
The Swiss Franc has been relatively weak vs the Dollar and the Euro. This should continue to be the case until mid/late Q2.

Commodity Currencies vs USD
Weekly Graph or the perspective over the next 2 to 4 quarters
(Portfolio Equal weighted: AUD, BRL, CAD, NOK, NZD, RUB, ZAR)



Late in the business cycle, such as today, Commodities are usually quite strong. The graph above compares an equal weighted portfolio of Commodity currency vs the USD. On our long term oscillator series (lower rectangle), Commodity currencies may be reaching an intermediate top, sometime between now and February vs the USD. On our medium term oscillators (upper rectangle), however, we would expect them to rebound quite strongly from late Q1 to mid year. Hence, **we expect some consolidation of Commodity currency vs the Dollar in Q1, but believe the uptrend should then carry on during Q2, probably towards mid year.**

Commodity Currencies vs EUR
Weekly Graph or the perspective over the next 2 to 4 quarters
(Portfolio Equal weighted: AUD, BRL, CAD, NOK, NZD, RUB, ZAR)



Against the Euro, Commodity currencies have been weaker during most of 2017. We believe they are currently making a base (or finishing off a downtrend) between now and mid/late Q1 as shown on both oscillator series (lower and upper rectangles). Indeed, **from late Q1 into mid year, we would expect Commodity Currencies to bounce vs the Euro.**

Concluding remarks

Over the last few weeks, the Dollar has sold off against most currencies as well as against most USD denominated assets. We believe it is now Oversold, and that, over the next few weeks, it could initiate a bounce, which could last into March and travel 3 to 5 figures vs other Major currencies. Following that, the Dollar could retrace back down during Q2, before it accelerate up again from mid 2018 towards 2019. On the sidelines, Commodity currencies, could correct until mid/late Q1, yet should be particularly strong vs the Majors, between late Q1 and mid year, probably a sign of a late cycle Commodity blow-off.