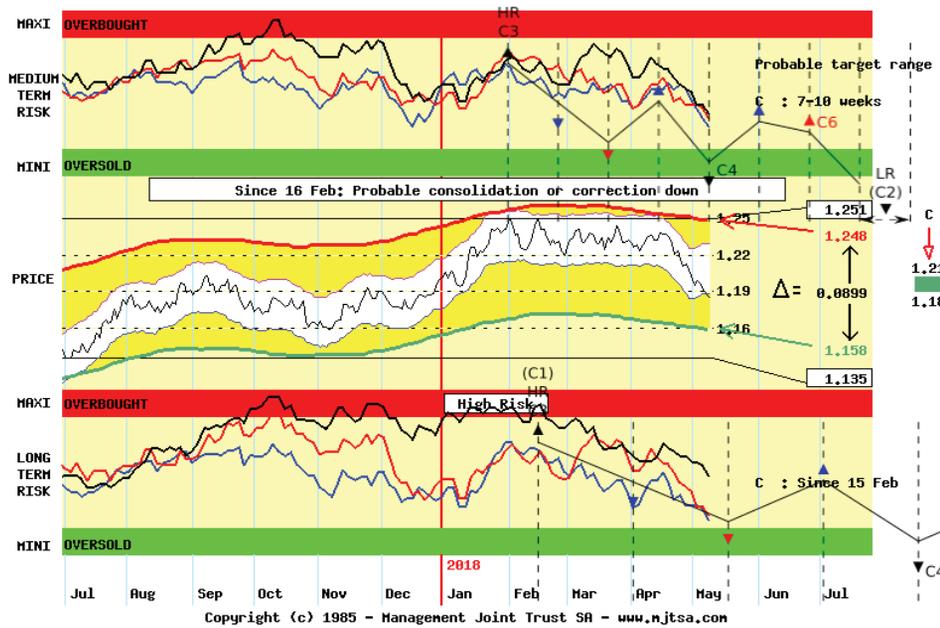


# 51 / Splicing the markets – A EUR/USD rebound would also offer one last chance to exit Gold

Late April, EUR/USD broke below its recent range, probably confirming that the tops than were made in February will not be retested, and that a more important correction to the downside may be under way. This month we will use the opportunity of this “Splicing the markets” section to review the short term prospects for EUR/USD, USD/JPY and Gold in order to analyse if a counter-trend reaction is now possible, and if so, how far it may travel.

## EUR/USD Spot

Daily graph or the perspective over the 2 to 3 months

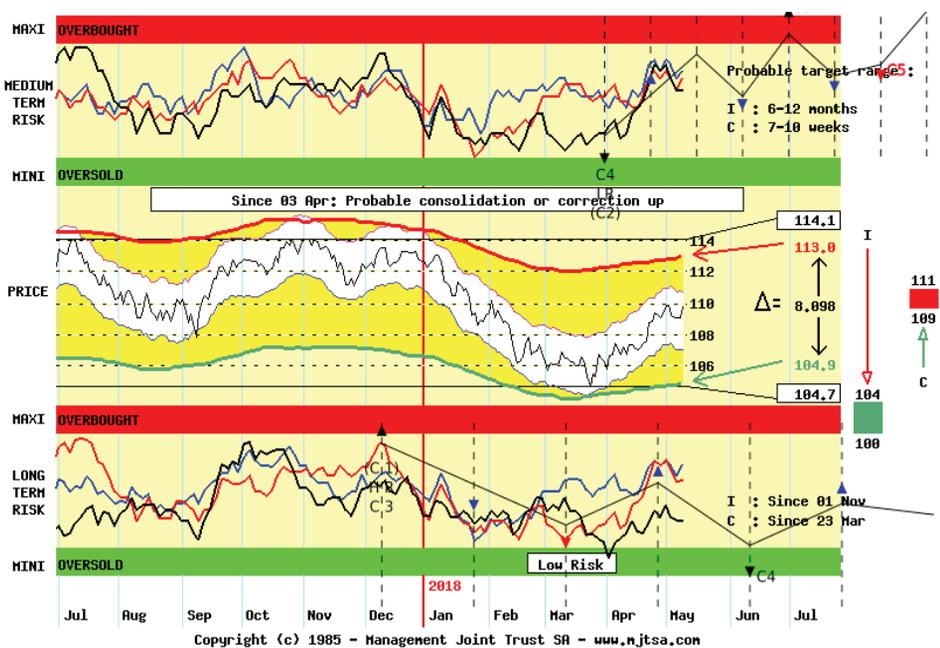


EUR/USD seems to have broken down from the distribution zone it traded in from early February to mid April. On both our oscillators series, we are now projecting downtrend models lower. One from the early February top on our medium term oscillators (upper rectangle), the other from the mid February retest on our long term oscillators (lower rectangle). Both would suggest that a support point should be found between now and mid May (next week), and that EUR/USD may then start to rebound, possibly until early June. We will view this move as counter-trend, and will probably expect it to move back up within the lower end of the previous range (towards 1.22), before it reverses down again in June.

For now, to the downside, our C Corrective targets down (right-hand scale) have been reached, and their lower end (around 1.18) should provide strong support confirming the possibly of a rebound. If these were to break (now or some point towards late Q2), the next level of targets to the downside we can calculate using our historical volatility measure “Delta” (here at 8.99 figures; middle rectangle, right-hand side) is between 1.14 and 1.10 (or 1.3 to 1.7 times “Delta” subtracted from the 1.251, top of the graph).

## USD/JPY Spot

Daily graph or the perspective over the next 2 to 3 months

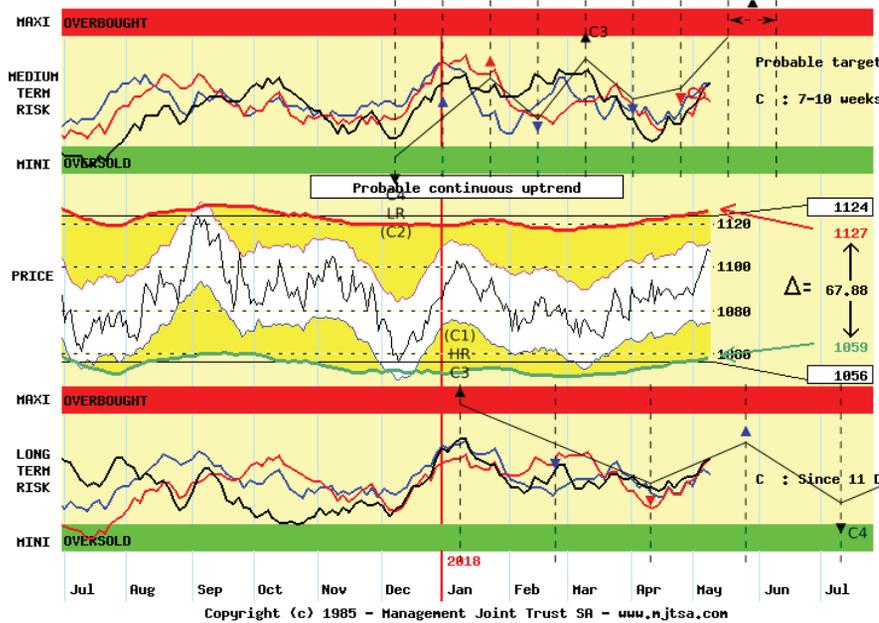


USD/JPY has also rebounded strongly over the last 6 weeks, that said it may also consolidate a bit until early June. This is what we show on both our oscillator series. On our long term oscillators (lower rectangle), we may still see a new leg down towards mid June. That said, the sequence we show on our medium term oscillators is now uptrending. USD/JPY may push slightly higher over the next few days and then should retrace down towards early June (perhaps a couple of figures). We prefer this second scenario as the environment we expect on risk assets more generally is still quite positive over the next 4 to 6 weeks. Hence, any retracement down in USD/JPY will probably be limited. Looking upwards and beyond

this retracement, we expect USD/JPY to break above its C Corrective targets to the upside (above 111; right hand scale). The next level of targets we can already calculate using our historical volatility measure “Delta” (here at 8.098 figures; middle rectangle, right-hand side) is between 115 and 118 (or 1.3 to 1.7 times “Delta” added to the 104.7 graph low).

## Gold in Euros (EUR/oz)

### Daily graph or the perspective over the 2 to 3 months

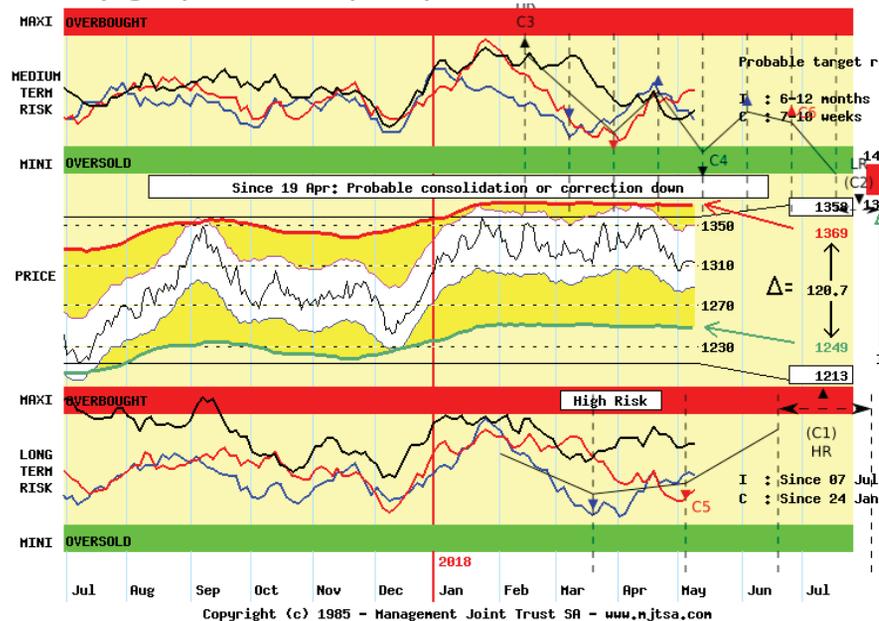


Before looking at Gold in US Dollars, it is interesting to analyse Gold in Euros. It strips out the USD denomination effect, yet highlights Gold's profile in terms of Flight to Safety (against political risk and financial turmoil). Indeed, over the last few weeks, Gold in Euros has reacted strongly to the possibility of an escalation of the Syrian conflict. Both our oscillators series (upper and lower rectangles) would suggest that **Gold in Euros may progress up a while longer, possibly until late May, early June.** Our C

Corrective targets up (right-hand scale) are signaling some resistance though at current levels. Any move higher from here may hence kick-start a new acceleration to the upside above this resistance.

## Gold Spot (USD/oz)

### Daily graph or the perspective over the next 2 to 3 months



Our analysis of the graphs above would suggest that the US Dollar may retrace some of its recent gains over the next few weeks. Concomitantly, we also expect Gold in Euro to remain bid for now, possibly into late May, early June in first instance. For Gold in USD, these positive effects should cumulate and we would probably expect a new rally into early, perhaps even late June. **The sequences we show on both oscillators series (lower and upper rectangles) confirm this view.** Our medium term oscillators (upper rectangle) which are already in a downtrend, would suggest a weaker retest to the upside, while our longer term oscillators (lower rectangle) are more positive with Gold potentially reaching new highs during June. Both however, seem positive for Gold in USD from mid May to early June.

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#### Concluding remarks

The Dollar rebound has accelerated over the last few weeks. Yet, it is now approaching important levels of resistance (1.18 support on EUR/USD, 111 resistance on USD/JPY), and could retrace a few figures from now until early June (before it reverses back up and eventually breaks to the upside towards late Q2). Gold on the other hand seems to be climbing in Euro terms on political risk and could continue to do so over the next few weeks. Hence, both projections should be quite positive for Gold in US Dollars, and we would expect it to attempt a retest of its highs probably between now and early/mid June. Following that, it should move lower until late Q3 2018 on renewed US Dollar Strength.