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JAPAN PRINTS

December 26, 2012 (December 20, 2012 update: part two)

CURRENCIES

There is a 79 - 81 trading range in the Dollar Index (DXY) (chart not shown this month).

The Yen and Euro are pulling in opposite directions, thereby aiding the result of a DXY trading range that is bound to become a right shoulder top (81) or neckline support (79).

The global game is the Currency Wars, which I have advised everyone to treat as the basis for determining what is each nation's leaders' perceived best interests (or their nation's best interests), to help forecast, or at least not be blindsided by dramatic turning points.

Fiscal Cliff, Spanish assistance request delays, German drama, and, finally, as another possible example, the propaganda that Britain's new Bank Governor Mark Carney is dovish.

The charts below, then, hold keys to forecasting the equity market's movements also.

The annotations on the 1-year Yen chart below are unchanged, from when they initially appeared to identify the summit, including the added commentary (annotation) at the lower high, while maintaining a target of 113 on the FXY (Yen ETF).

The Yen ETF has now collapsed to 114.50. If a trader wishes to get out before the end of the week, selling half would be strategically understandable.

Whether one sells 50% for their disciplinary or temperament's needs, I will officially close this trade closer to 110 on the FXY.

One has already celebrated a windfall, if the December 125 puts around \$1.25 were purchased. How much would depend on how much one would have sold when I wrote on December 4, 2012 that there could be a bounce. The FXY was just under 120 when written:

"As the chart on the next page illustrates, there is rally potential to the 122 area. Indicators suggest that this is possible, without any effect on the probabilities of a decline to the forecasted 113 area."



The euro ETF (FXE) 6-month chart follows on the next page.

Since identifying the peak at 130.50 and the subsequent bottom zone around 126 (I had forecast potential to 125.50), I have remained mum.

The FXE closed today at 131.27. I believe it is a short right here, using a close-only stop above 133.



Sid Klein

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