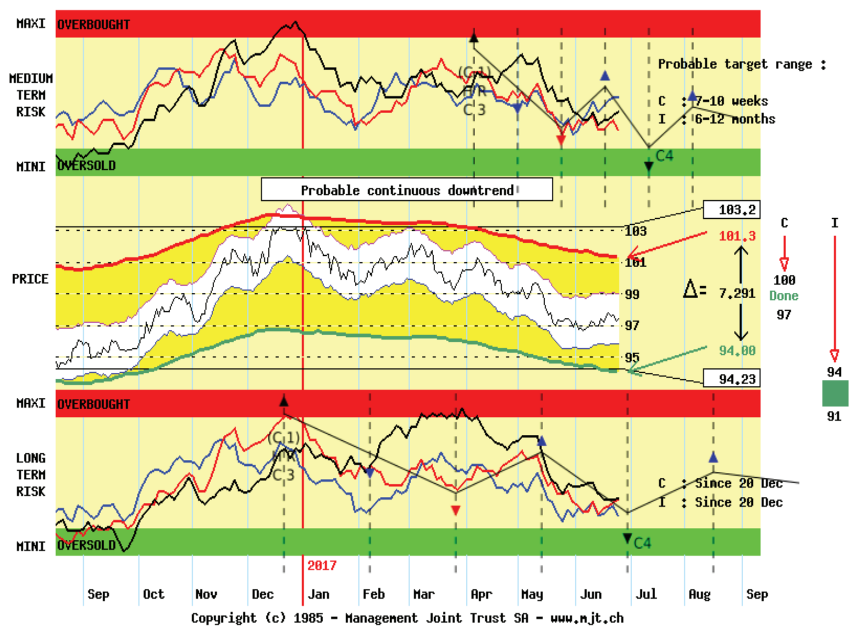
10 / MJT TIMING INSIGHT

The Dollar is ready to rebound

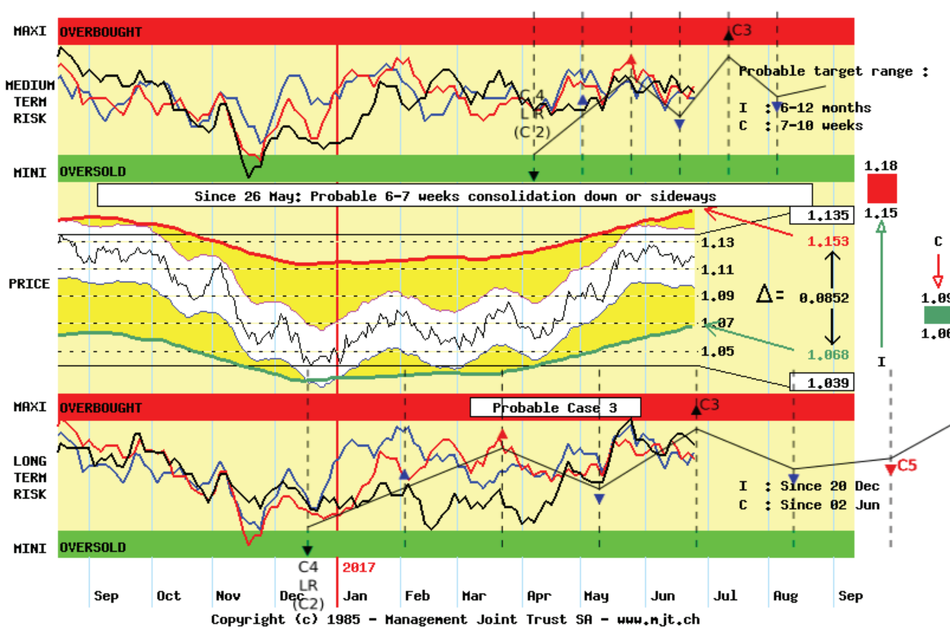
The Dollar is within its sixth month of correction down. Late last year, we were outside of consensus when we were anticipating its top. We confirmed it late February as it became apparent that its latest leg up would probably not make new highs (our February newsletter). **Over the next few weeks we believe the Dollar is getting ready to make an intermediate low and possibly rebound into the Summer.**

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



The downtrend sequences we show on both our oscillator series (lower and upper rectangles) are due to reach intermediate bottoms between end June and early July. The rebound we expect , will probably materialize in July and extend into late August. The support of our corrective targets to the downside (around 97, right-hand scale) has pretty much held for now. Yet given our 'I' Impulsive targets to the downside (right-hand scale), which still show risk into the lower 90s, we cannot exclude a last sell off. **We would probably look to pick up then Dollar early July for a rebound that could amount to 4 to 6 figures** (our 0.5 to 0.8 times our historical volatility measure 'delta'; middle rectangle, right-hand side). The 100-101 is indeed an interesting target area as it has proven to be a worthwhile support and resistance area in the past.

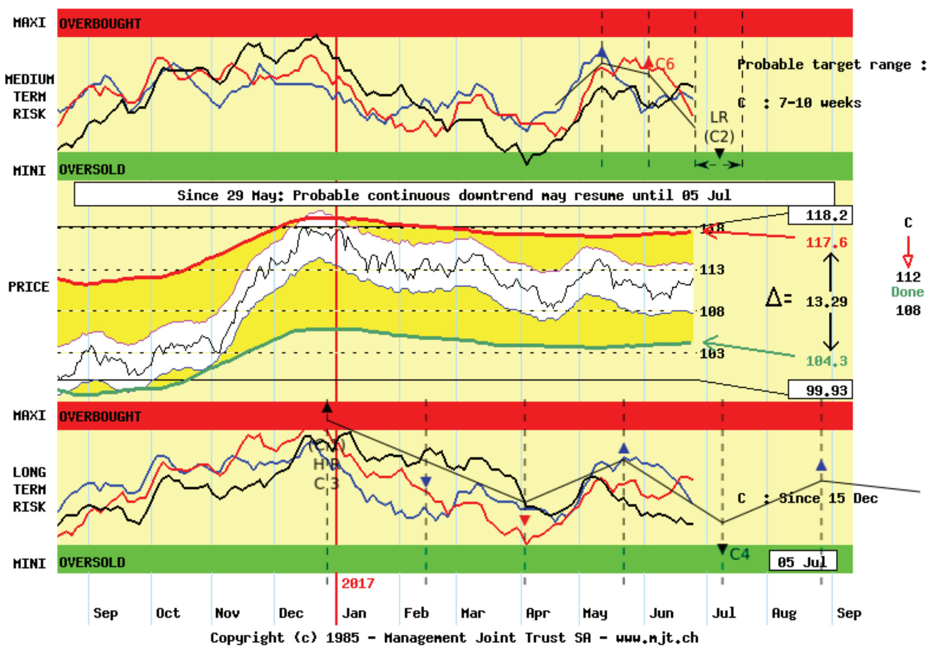
EUR/USD
Daily graph or the perspective over the next 2-3 months



Inversely to the Dollar Index graph above, EUR/USD is approaching intermediate tops on both our oscillator series (lower and upper rectangles). Although our automatic messaging (message in the middle chart) has already confirmed it end May, the models we project would suggest **that a retest of its highs, and possibly towards 1.15, is still possible towards end June / early July** ('I' Impulsive targets up; right-hand scale). **Following that EUR/USD could correct to the downside into August and possible early September. The correction to the downside we proect, «C» Corrective targets down (right-hand scale) could lead us back towards the 1.09 - 1.06 area.**

USD/JPY

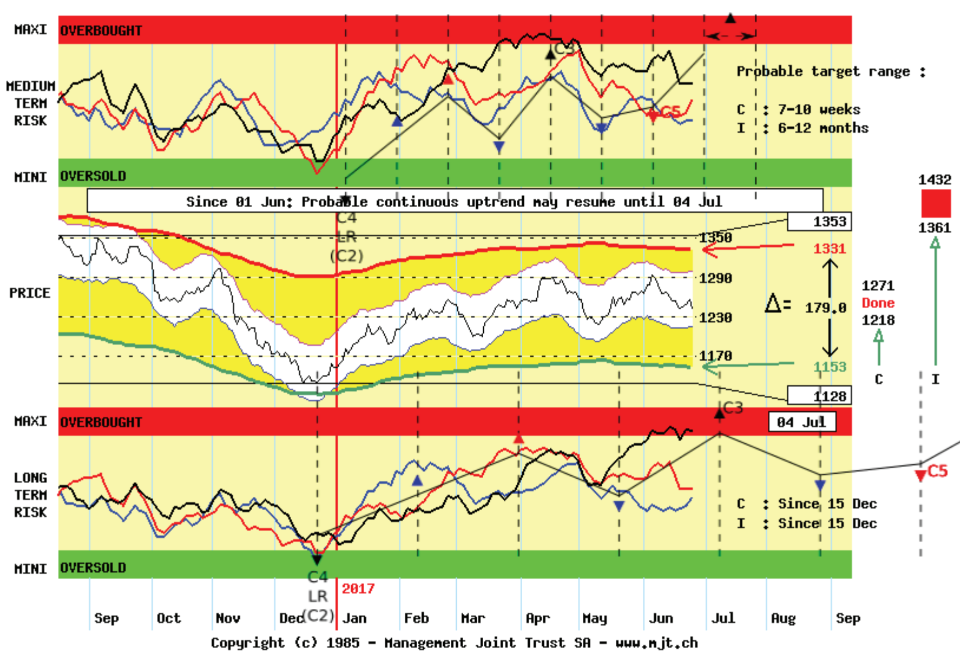
Daily graph or the perspective over the next 2-3 months



On both our oscillator series, USD/JPY **should finish a correction to the downside towards end June / early July** (lower and upper rectangles). Since April, the move down has lost momentum and we would probably expect it not make new lows (higher lows usually indicate that the next move up could be quite strong). At worse, we would expect strong support towards the lower end of our 'C' corrective targets down around 108 (right-hand scale). Given our current 'delta' of 13.29, the next move up could register between 7 and 11 figures to the upside (0.5 to 0.8 times 'delta'), **possibly retesting highs during the Summer. This new move to the upside could extend into August, potentially September in first instance.**

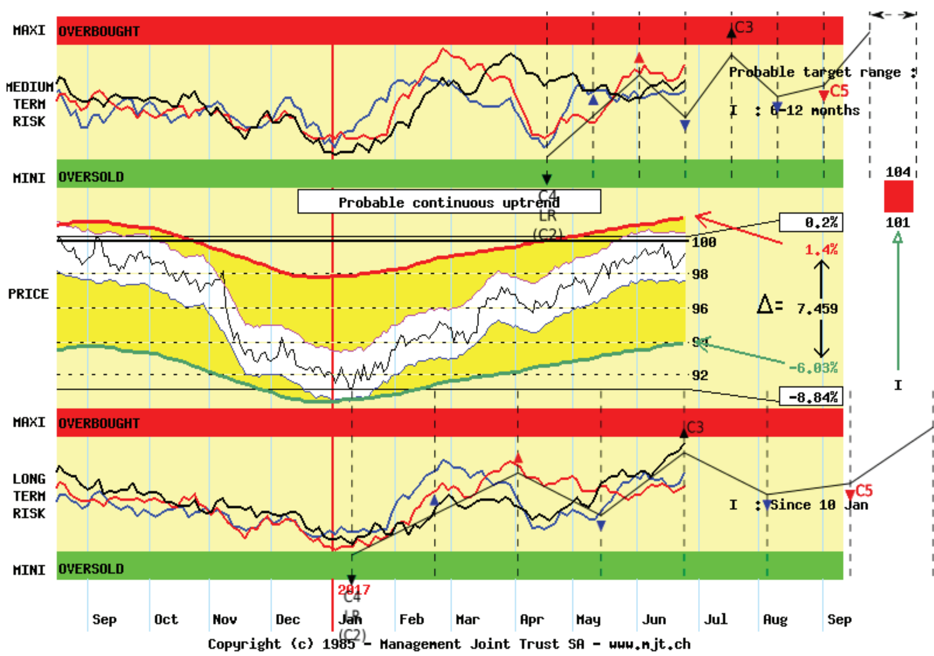
Gold

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



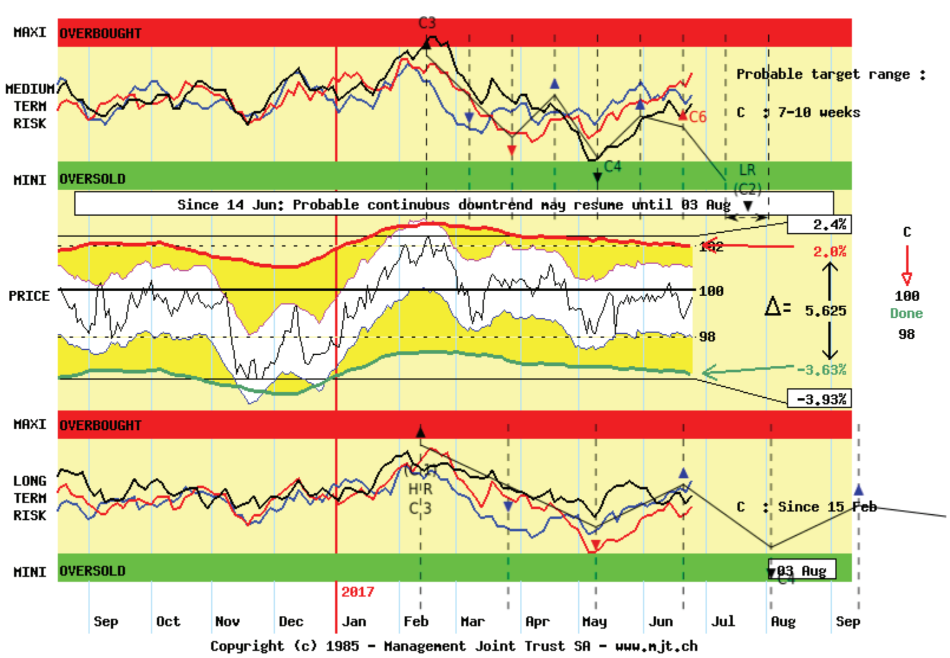
Although Gold has had a strong reaction up since December, it's latest leg up since early May has deceived. As we had mentioned in our April newsletter, it did go up to test its April highs just above 1290, but failed to foray above it into the 1'300s. **Given the limited time left on both our oscillator projections (lower and upper rectangles), which point to an intermediate top between the end of June and early July, it seems that gold will probably consolidate to the downside into August and possibly September before it could start to accelerate up again.** The long term inverted correlation of Gold with the Dollar is very strong and the fact that it is approaching intermediate tops is a further confirmation of the Dollar rebound we expect.

Emerging Markets Commodity Importers currencies (equal weighted basket) vs USD
Daily graph or the perspective over the next 2-3 months



These Emerging markets, which are mainly commodity importers (rather than exporters), have made a strong comeback since the reflation trades and commodities topped out earlier this year. With their usually large domestic customer base, and often a promising focus on the technology sector, they are considered the Growth portion of the Emerging Markets space. This basket includes the following currencies (abbreviations): INR, KRW, TWD, TRY, ILS, HUF, PLN, MXN. **As with EUR/USD, the basket is approaching an intermediate top vs the Dollar on both our oscillator series (lower and upper rectangles), possibly between now and early July. We would expect them to correct to the downside in Dollar terms into August, possibly early September.**

Cyclical Commodity Exporters currencies (equal weighted basket) vs USD
Daily graph or the perspective over the next 2-3 months



These Commodity exporters are on the opposite side of the currency spectrum. Their strong linkage to cyclical commodities has made them beneficiaries of the 2016 reflation trade. Since Commodities have started to retrace this year, their currencies have followed suit. This basket includes commodity exporters mostly focused on cyclical commodities (abbreviations): BRL, RUB. NOK, CAD, CLP, NZD and excludes AUD and ZAR which are more tainted towards precious metals. **On both oscillator series (lower and upper rectangles), the correction to the downside since February still has potentially one more downside movement left to complete, possibly between now and early August. Following that, they should resume their uptrend into late Summer and the Fall as reflation trades start to reaccelerate.**

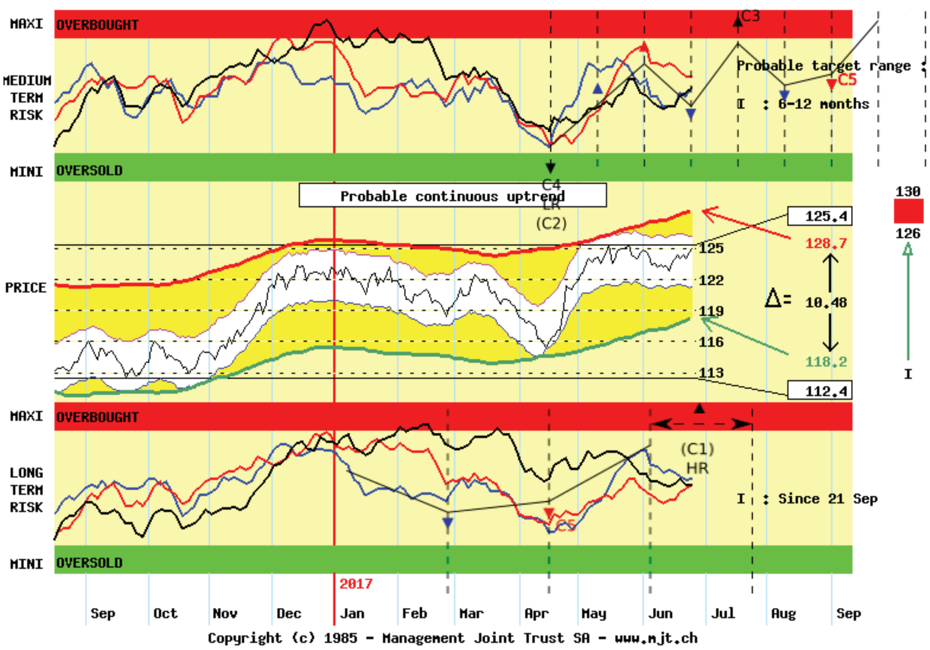
Concluding remarks

While Commodity Exporters currencies should see a last leg down into August vs the Dollar, other currency profiles (Euro, Yen, Emerging Markets Commodity Importers), which have been strong performers vs the Dollar in 2017 should top out soon. Their correction to the downside could last into August, possibly September.

Weakest links

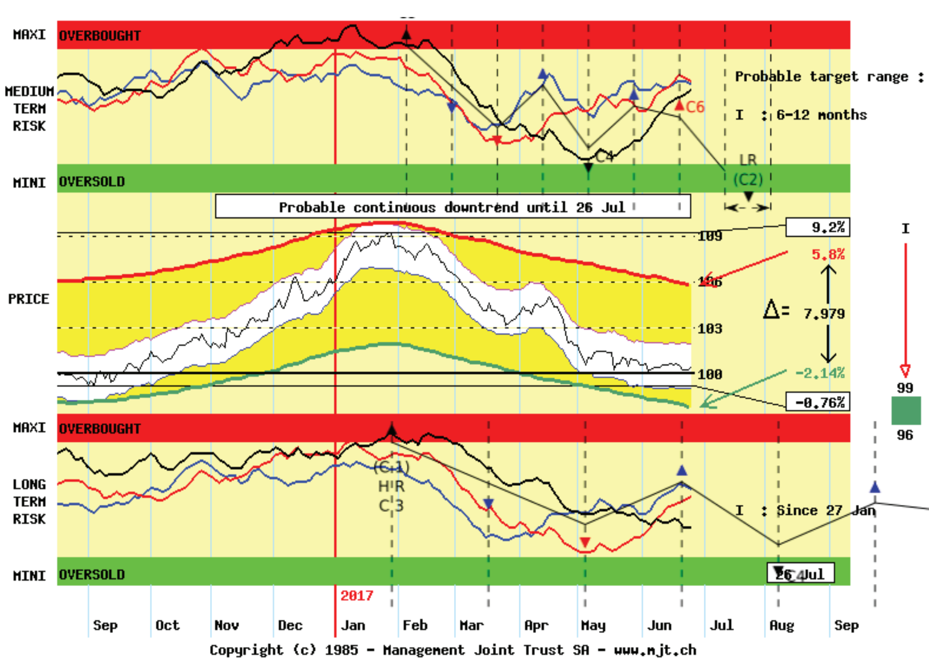
Looking at the various profiles mentioned above (Euro, Yen, Commodity Importer Currencies, Commodity Exporter Currencies), we look into their crosses to better understand the dynamics at play.

EUR/JPY
Daily graph or the perspective over the next 2-3 months



While the Yen has started to strengthen again vs Dollar since mid May, EUR/JPY has remained firm. **Going forward, we believe EUR/JPY should continue to consolidate at high levels before its starts to reaccelerate up again from mid/end August.** Indeed, while our long term oscillators have marked a High Risk situation during the second half of May (lower rectangle), the sequence on our medium term oscillators would suggest that the upside momentum is still there, with **a new push to the upside into mid July and then a new period of retracement into early/mid August (upper rectangle).**

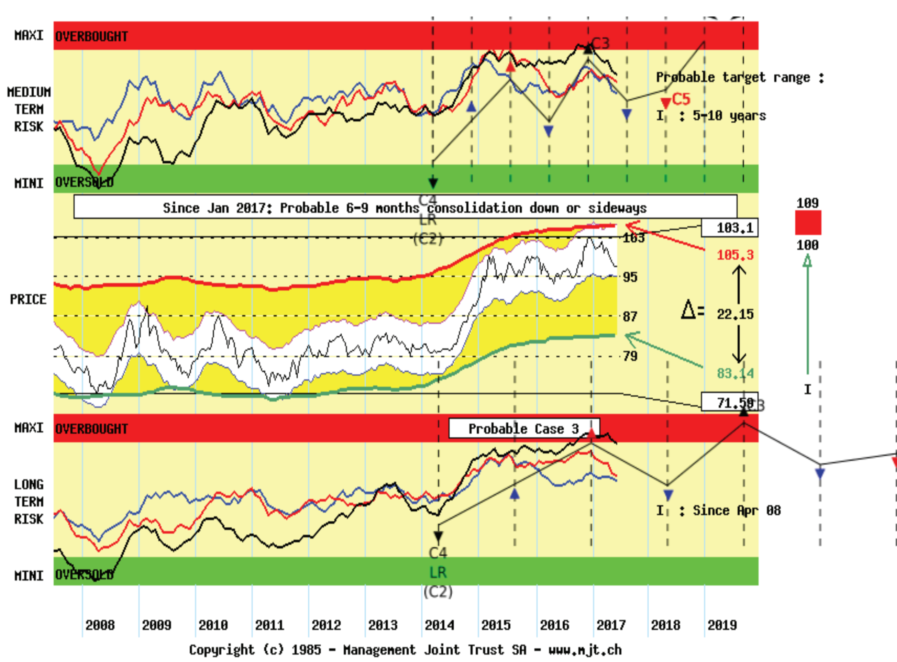
Exporters vs Importers
Daily graph or the perspective over the next 2-3 months



As reflation trades and commodities have started to correct earlier this year, so did the currencies of Commodity Exporting Countries. This was especially true vs the currencies of countries with a strong growth profile such as India, Korea or Taiwan, which are net commodity importers. **On both our oscillator series (lower and upper rectangles), the underperformance of the currencies of countries, which are Commodity Exporters should continue until late July / early August.**

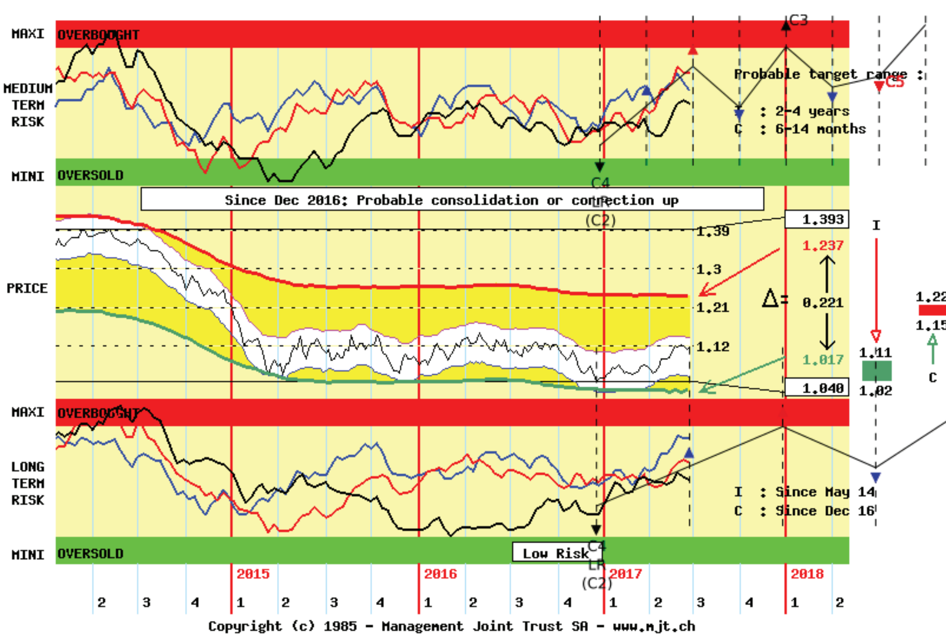
Dollar weakness should resume from late Summer to year-end

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



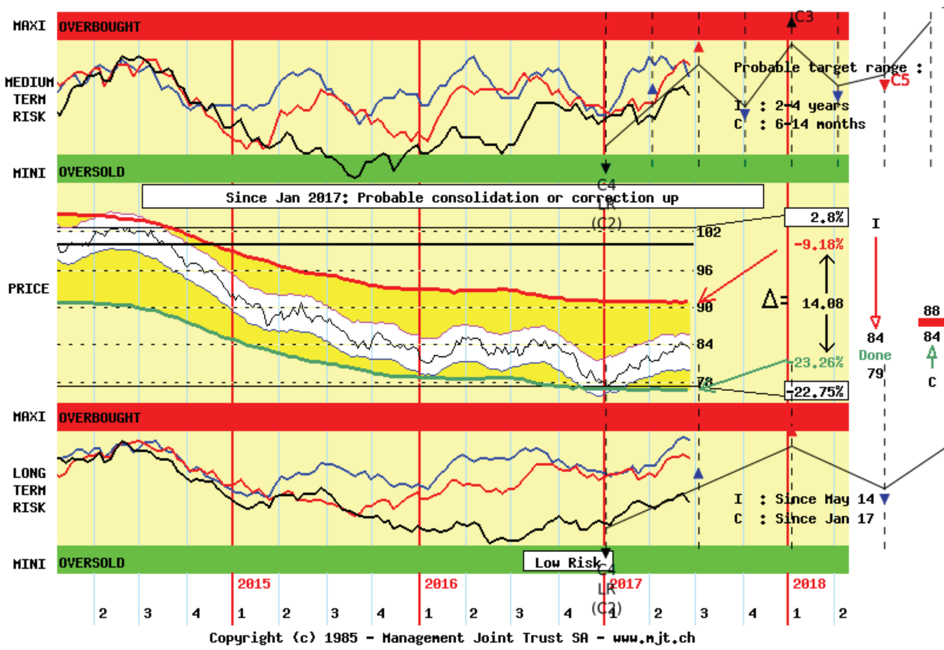
Taking the longer term view on the Dollar, we would expect that the correction to the downside initiated last December should probably last until early 2018. Indeed, on this bi-monthly graph of the Dollar Index, the top made on both oscillators series (lower and upper rectangles) is of important nature. It would suggest a high level consolidation on our medium oscillators (upper rectangle) until early 2018 and an outright correction to the downside on our long term oscillators (lower rectangle). **Hence, despite the bounce we expect towards mid/end Summer, the Dollar should remain under pressure towards yearend.**

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



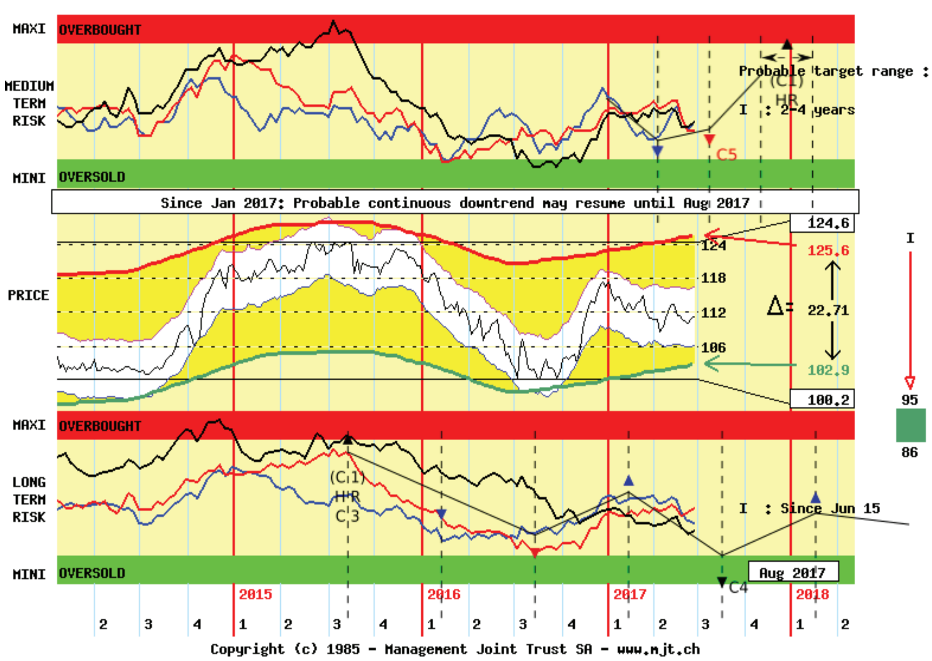
Shifting to the Weekly graph of EUR/USD, we can clearly see that it is approaching the end of a first leg up since its December lows (both our oscillator series; upper and lower rectangle). **Following a correction to the downside during Q3 2017, it should start to resume its uptrend from mid/end Summer towards year-end. We maintain our price objective of 1.15 – 1.22 indicated by our 'C' Corrective targets up (right-hand scale).** The "Low Risk" situation that was identified by our automatic messaging in late December (lower rectangle) confirms that an important bottom has probably been made, thereby supporting the correction to the upside until year-end. In addition, our 'I' Impulsive targets to the downside (right-hand scale) had been achieved in December, a further confirmation that the move down since 2014 was exhausted.

Emerging Markets Commodity Importers currencies vs USD
Weekly graph or the perspective over the next 2 to 4 quarters



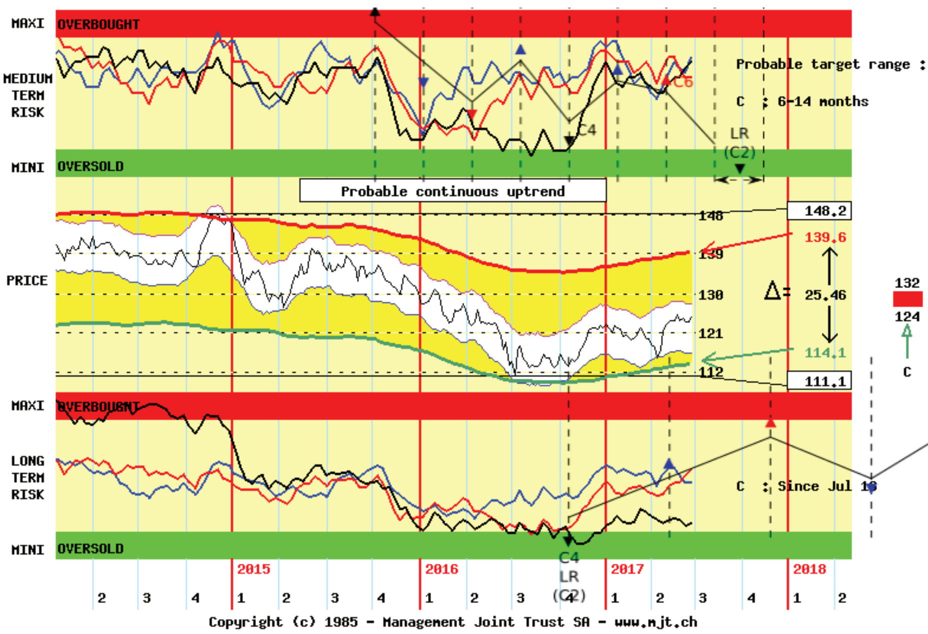
The currencies of Emerging Markets countries, which are Commodity Importers have shown a similar profile that EUR/USD vs the US Dollar. There were also exhausted to the downside early in 2017: a "Low Risk" situation was identified in January (lower rectangle) and our 'I' Impulsive targets to the downside (right-hand scale) had been achieved. **On both our oscillator series (lower and upper rectangles), we are potentially approaching the end of a first leg up (midyear / early July). Following some consolidation to the downside during the Summer, the basket should move up again towards year-end.**

USD/JPY
Weekly graph or the perspective over the next 2 to 4 quarters



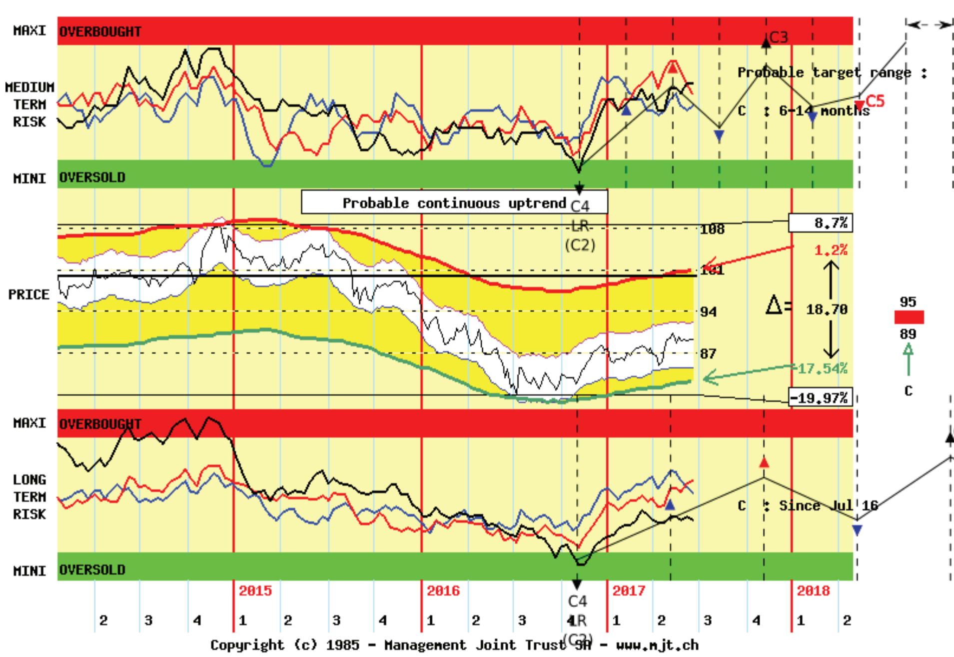
Since December, the Yen has strengthened, while reflation trades have corrected to the downside (i.e. USD/JPY has weakened). This retracement, however, has remained fairly tamed compared to the strong move up the Dollar had experienced vs the Yen in H2 2016. **On both our oscillator series (lower and upper rectangles), the retracement down on USD/JPY could to be coming to an end between now and mid Summer.** With our envelopes now heading up, we would dismiss our 'I' Impulsive targets down (right-hand scale) for now and favor the scenario shown by our medium term oscillators (upper rectangle). Indeed, as reflation starts to accelerate up again from mid Summer, we believe that the Yen may be the weakest currency. **We would hence be positive on USD/JPY towards year-end. If we calculate 'I' Impulsive targets up using our 22.76 historical volatility 'delta' (middle chart; right-hand side), it would imply USD/JPY upside targets towards 130-140 (or 1.3 to 1.7 times our delta from the 100.2 graph low). These projections seem aggressive, yet would sync well with a re-acceleration of the reflation trades.**

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



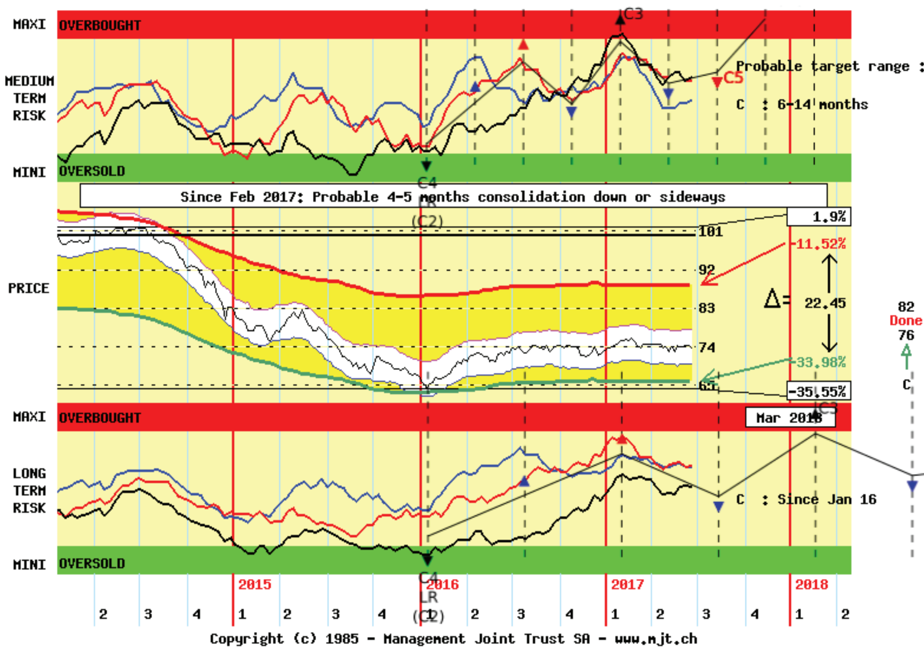
Considering the comments above, we can conclude that we are still positive on EUR/USD towards year-end (once the Summer correction to the downside is behind us), while at the same time, USD/JPY could probably prove very strong from now towards year-end. This scenario should translate into an equally positive view on EUR/JPY. While both our oscillator series would suggest some correction to the downside during Q3 2017 (the daily chart above shows that we expect a rather flat, high level consolidation into mid Summer), E**UR/JPY should then accelerate again until year-end.** This move could be strong and provided it breaks above our 'C' Corrective targets up (132; right-hand scale), **the next level of targets we can calculate towards year-end and early 2018 is between 144 and 154** ('I' Impulsive targets up or 1.3 to 1.7 times our 25.58 'delta' added to the 111.1 graph lows). **This very bullish scenario would indeed fit with both our rather positive scenario on EUR/USD and 130 targets on USD/JPY.**

Importers vs JPY
Weekly graph or the perspective over the next 2 to 4 quarters



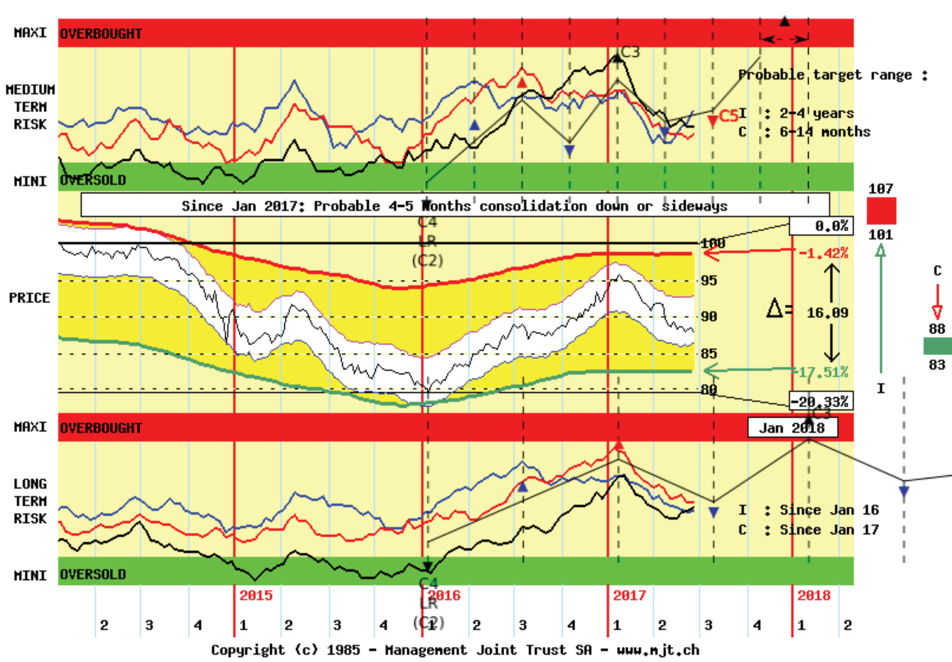
Similarly to EUR/JPY, we look at the currencies of Emerging Markets which are Commodity Importers countries vs the Yen. We are using the same basket as the one mentioned above (INR, KRW, TWD, TRY, ILS, HUF, PLN, MXN). This Weekly graph is indeed very similar to the EUR/JPY one above, with a slightly more positive twist (the sequence shown on our medium term oscillators, upper rectangle, is ascending and hence even more positive). We may experience some consolidation at high levels into the Summer. Yet, following that, both our oscillator series (lower and upper rectangles) show **a continuation of the uptrend into late 2017 and 2018. Such Yen weakness across the board will probably reveal that, from mid Summer, any remaining risk-off sentiment should subside. This again syncs very well with the re-acceleration of reflation trades we expect towards year-end and early 2018.**

Exporters vs USD
Weekly graph or the perspective over the next 2 to 4 quarters



The currencies of Commodity exporting countries vs the Dollar are again relevant of the state of the reflation trade (our basket includes BRL, RUB. NOK, CAD, CLP, NZD). Indeed, since February, they have corrected to the downside. **On both our oscillator series (lower and upper rectangles), we can project that this correction down will probably come to an end by mid Summer (early August as mentioned above on our Daily graphs). Following that, this basket should accelerate up again towards year-end and early 2018.** As we did in February when we called the correction to the downside for Commodity linked currencies, we would extend this call again to their respective equity markets: from mid Summer, we would expect Russia to outperform again vs Eastern Europe as well as Brazil vs Mexico, Norway vs Denmark, China vs India).

Exporters vs Importers
Weekly graph or the perspective over the next 2 to 4 quarters



As a further confirmation of this reacceleration of the reflation trades, we now compare the currencies of Commodity Exporting Countries to the ones of Emerging Markets countries which are commodity importers. Further up in this document, on the daily graph comparing these two baskets, we established that Commodity Exporters should underperform Importers once more, probably into early August. Following that, on this Weekly chart, **we would expect strong outperformance by Commodity Exporters into end 2017 and early 2018** (both our oscillator series; lower and upper rectangles). **Our 'I' Impulsive targets up (right-hand scale) would suggest 10 to 20% outperformance from current levels from mid Summer into early next year.**

Concluding remarks

As discussed in the earlier part of this article, we expect the Dollar to rebound during the Summer, potentially into August / September. Longer term however, from mid/end Summer into year-end, we would expect that EUR/USD resumes its uptrend, while commodity currencies become particularly strong and the Yen weakens across the board.