



Key Trade Bulletin

22nd May 2009

New Position

1. Dollar Euro

BUY Euros SELL Dollars at 1.3958. Stop at 1.3705.

The Technical Trader's View:



DAILY BAR CHART

The market broke the long-term downtrend three days ago, but more tellingly, since then has completed both a Head and Shoulders reversal and smashed up through the prior High at 1.3736.

The minimum target of the H&S is clear enough, **almost as far as the Prior high at 1.4550 or so.**

Were that Pivot to break, then a huge bull Double Bottom would have formed... but that is mere conjecture at this stage!

Stops beneath the Neckline and small prior High at 1.3710.



The Macro Trader's view:

The Dollar has failed to benefit from the recent correction which briefly took it higher, and we judge the factors which have weighed on the Dollar remain in play, namely the huge increase in the Federal budget deficit intended over each of the next several years, which investors, and nations holding huge Dollar reserves eye anxiously as they fear a devaluation of their Dollar denominated assets.

And although the US economy continues to release data showing an improving situation, this will have little bearing on the fiscal stance, as it is Obama's policy to increase the budget deficit to finance a long list of projects he judges necessary for not only recovery but to ensure future prosperity, but at what price?

And although the Chinese have raised concerns over the Dollar continuing as the world's reserve currency, there isn't presently an alternative, but the Dollar is damaged non-the less.

In summary we advise going short of the Dollar, long of the Euro.

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