

## Weekly Currency Market Summary & Forecast

Sunday 22 May 2005 4:20 p.m. EST/GMT 20:20

### **Theme(s)**

The themes we have been operating on continue to emerge in favor of the dollar:

- 1) Positive and growing yield differential
- 2) Positive and growing growth differential
- 3) Offshore money moving back into the dollar on China concerns

Given the economic and political backdrop in Europe, the choice of the euro as a viable alternative to the dollar is looking increasing like the wrong choice. We are still waiting for Mr. Buffet and friends—so anxious to share their public short position on the dollar, when it was working, to either admit to their sins, or quietly switch positions. This should be another prop for the buck over the intermediate-term.

We noticed on Friday that even super China bull Stephen Roach from Morgan Stanley is concerned the Shanghai property bubble is in trouble (see story posted in the Members section). And because China has chosen to deal with property speculation first, the much predicted “revaluation” will probably be delayed once again. We have believed, along with others, that the Chinese property bubble is symbolic of speculative capital flow into China. And it will lead money flow out of China, at least over the near term, when the bubble breaks.

### **Near-term trade action:**

- Continue to hold euro short—we think this move down in the euro could be the beginning of something big—so intermediate-term players may want to add to this short position on any correction.
- We still believe the fundamentals are worse than realized in Australia. And we think the China syndrome will be a key factor in money running out of the comdols (Aussie appears more vulnerable than CAD on this score. Maintain open order # 162 to sell Aussie on a stop.

Position Summary  
20 May 2005

**Closed Trades** for Week Ending 20 May '05

<u>Issue</u>	<u>Lot</u>	<u>Spot</u>	<u>Direction</u>	<u>Date</u> <u>Open</u>	<u>Entry</u> <u>Level</u>	<u>Date</u> <u>Closed</u>	<u>Exit</u> <u>Level</u>	<u>PIP</u> <u>Profit</u>	<u>Comments</u>
159	1&2	GBPUSD	Long	16-May	18393	16-May	18357	(72)	Stopped out
157	1	EURUSD	Short	11-May	12791	17-May	12664	127	Stopped w/profit
158	1	AUDUSD	Short	11-May	7730	18-May	7594	136	Stopped w/profit
160	1&2	USDCHF	Short	18-May	12180	19-May	12220	(80)	Stopped out
<b>Forex Closed Profit</b>								<b>111</b>	
<u>Issue</u>	<u>Lot</u>	<u>Futures</u> <u>Jun '05</u>	<u>Direction</u>	<u>Date</u> <u>Open</u>	<u>Entry</u> <u>Level</u>	<u>Date</u> <u>Closed</u>	<u>Exit</u> <u>Level</u>	<u>Tick</u> <u>Profit</u>	<u>Comments</u>
159	1&2	pound	Long	16-May	18368	16-May	18332	(72)	Stopped out
157	1	euro	Short	11-May	12803	17-May	12670	133	Stopped w/profit
158	1	A\$	Short	11-May	7712	18-May	7578	134	Stopped w/profit
160	1&2	Swiss	Long	18-May	8222	19-May	8195	(54)	Stopped out
<b>Futures Closed Profit</b>								<b>141</b>	

**Open Positions** as of Friday 20 May '05

<u>Issue</u>	<u>Lot</u>	<u>Spot</u>	<u>Direction</u>	<u>Date</u> <u>Open</u>	<u>Entry</u> <u>Level</u>	<u>Last</u> <u>Price</u>	<u>PIP</u> <u>Profit</u>	<u>Current</u> <u>Stop-loss</u>	<u>Comments</u>
161	1	EURUSD	Short	20-May	12580	12560	20	12660	Intermediate-term reco
<b>Forex Open Profit</b>							<b>20</b>		
<u>Issue</u>	<u>Lot</u>	<u>Futures</u> <u>Jun '05</u>	<u>Direction</u>	<u>Date</u> <u>Open</u>	<u>Entry</u> <u>Level</u>	<u>Last</u> <u>Price</u>	<u>Tick</u> <u>Profit</u>	<u>Current</u> <u>Stop-loss</u>	<u>Comments</u>
161	1	euro	Short	20-May	12589	12568	21	12669	Intermediate-term reco
<b>Futures Open Profit</b>							<b>21</b>		

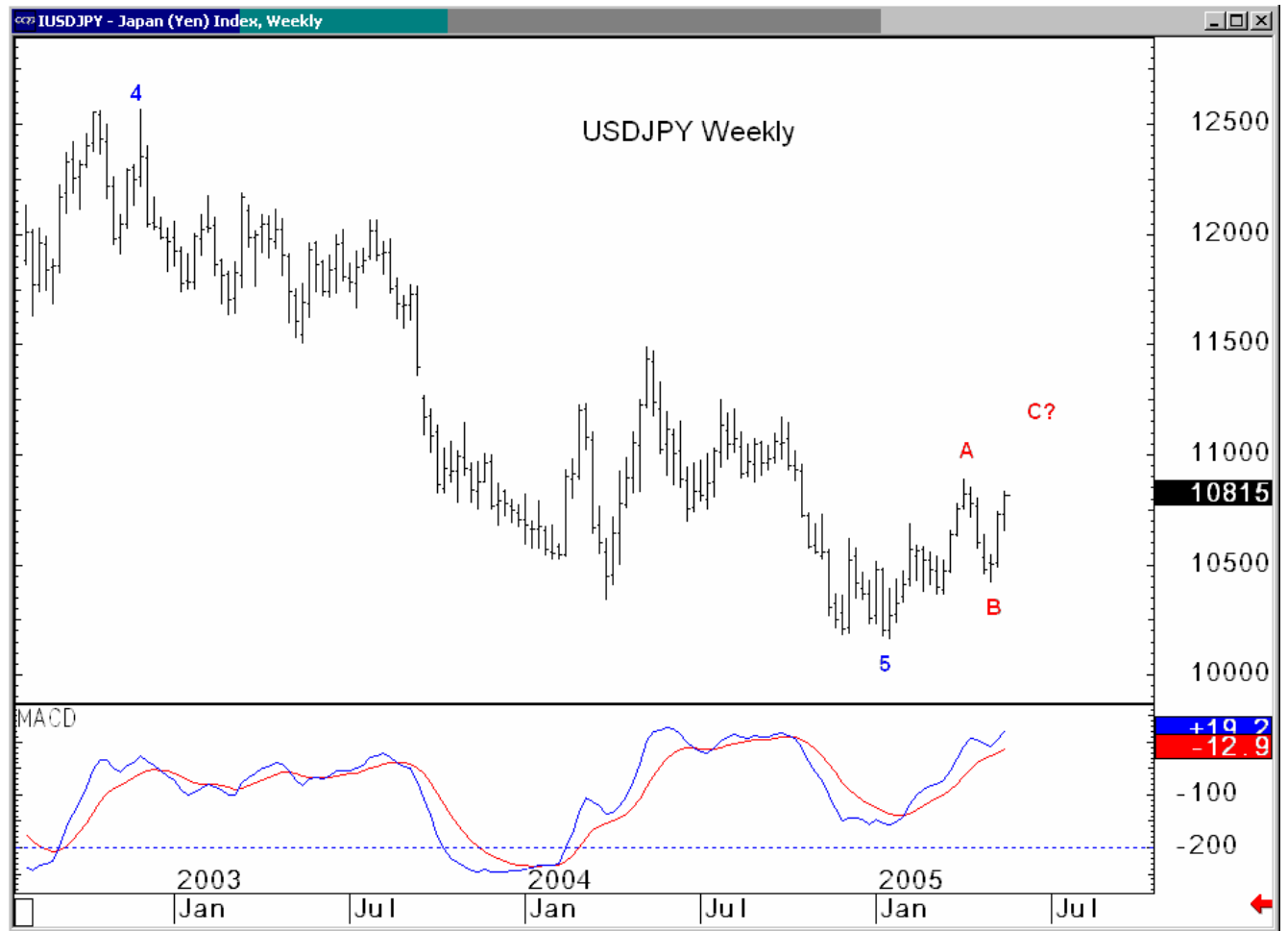
**Open Order Issue #162: Sell AUDUSD @ 7530; Jun '05 A\$ futures @ 7516**

**Yen Weekly:**

**Forex:** 10815 (10733)

**Futures:** 9265 (9343)

**View:** No change to view. Tracing out wave C; with an eventual test of 11500 (8700).



Sun May 22 2005 13:46:28

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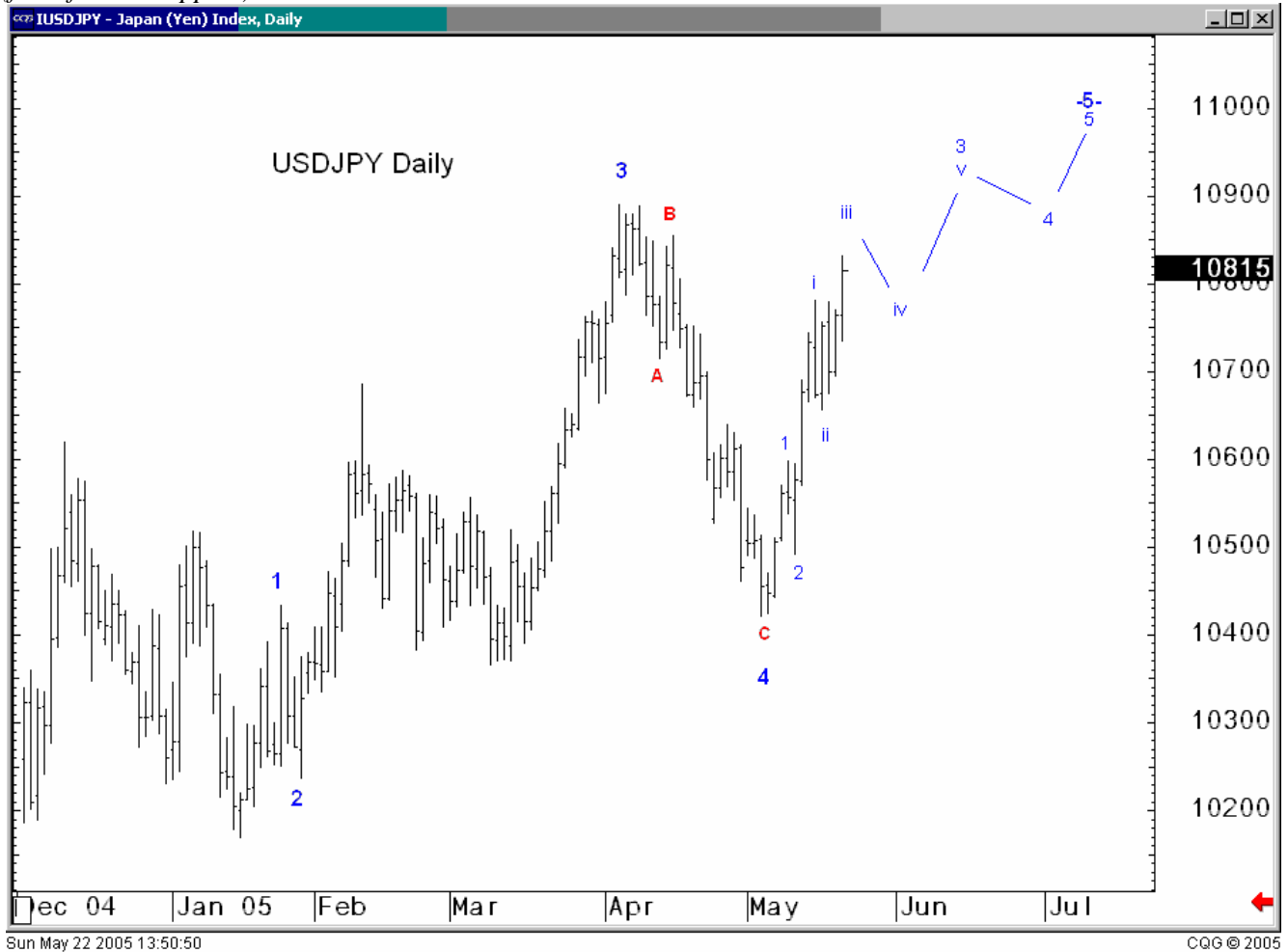
## Yen Daily:

**Forex:** 10815 (10733)

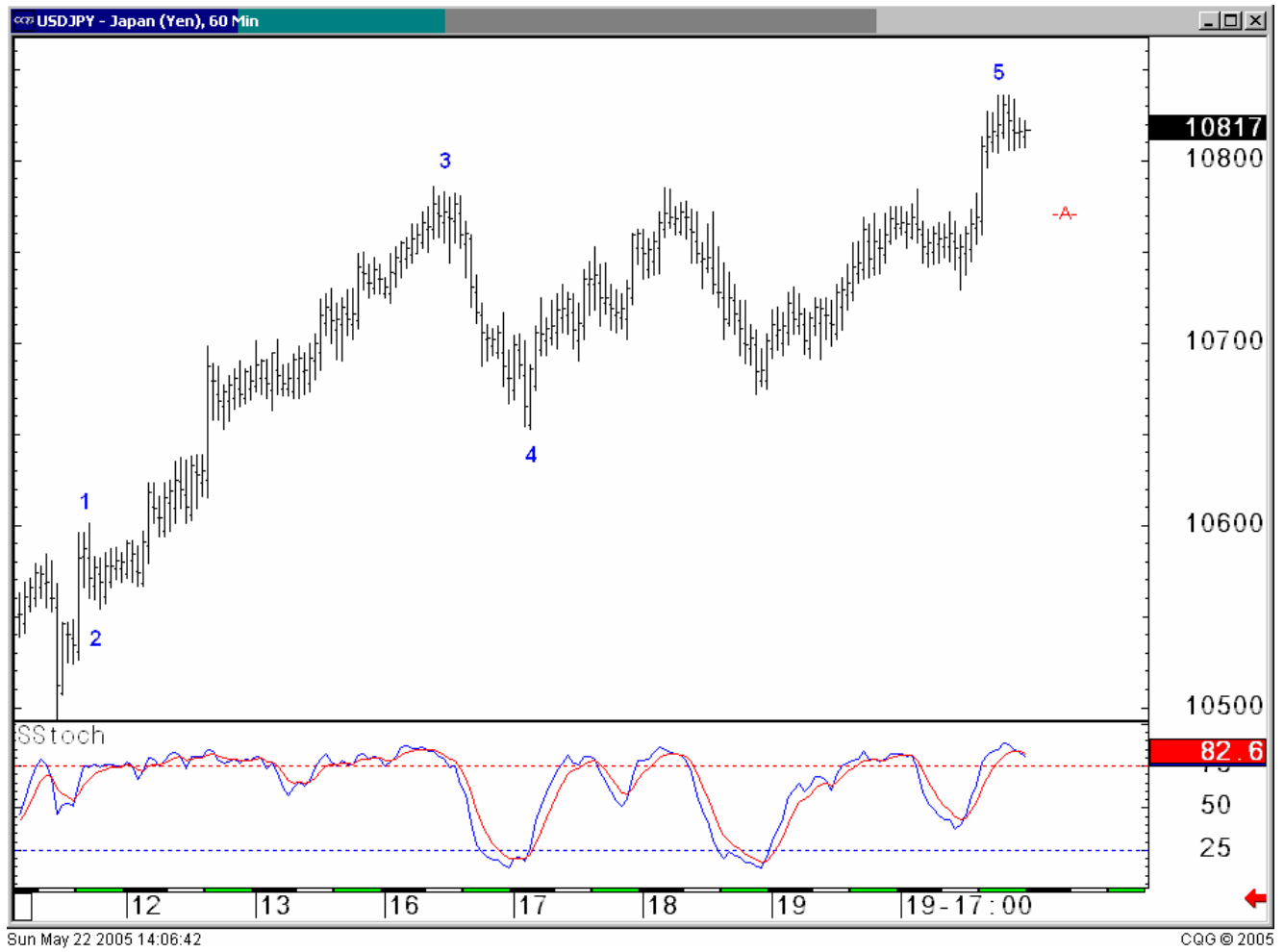
**Futures:** 9265 (9343)

**View:** Key resistance at 10890 (f/s 9233). Remain open to a minor wave iv of 5 correction before a rally above 10890...

(f/s = futures support)



**USDJPY 60-min:** Watching for a corrective move to -A-; then higher...

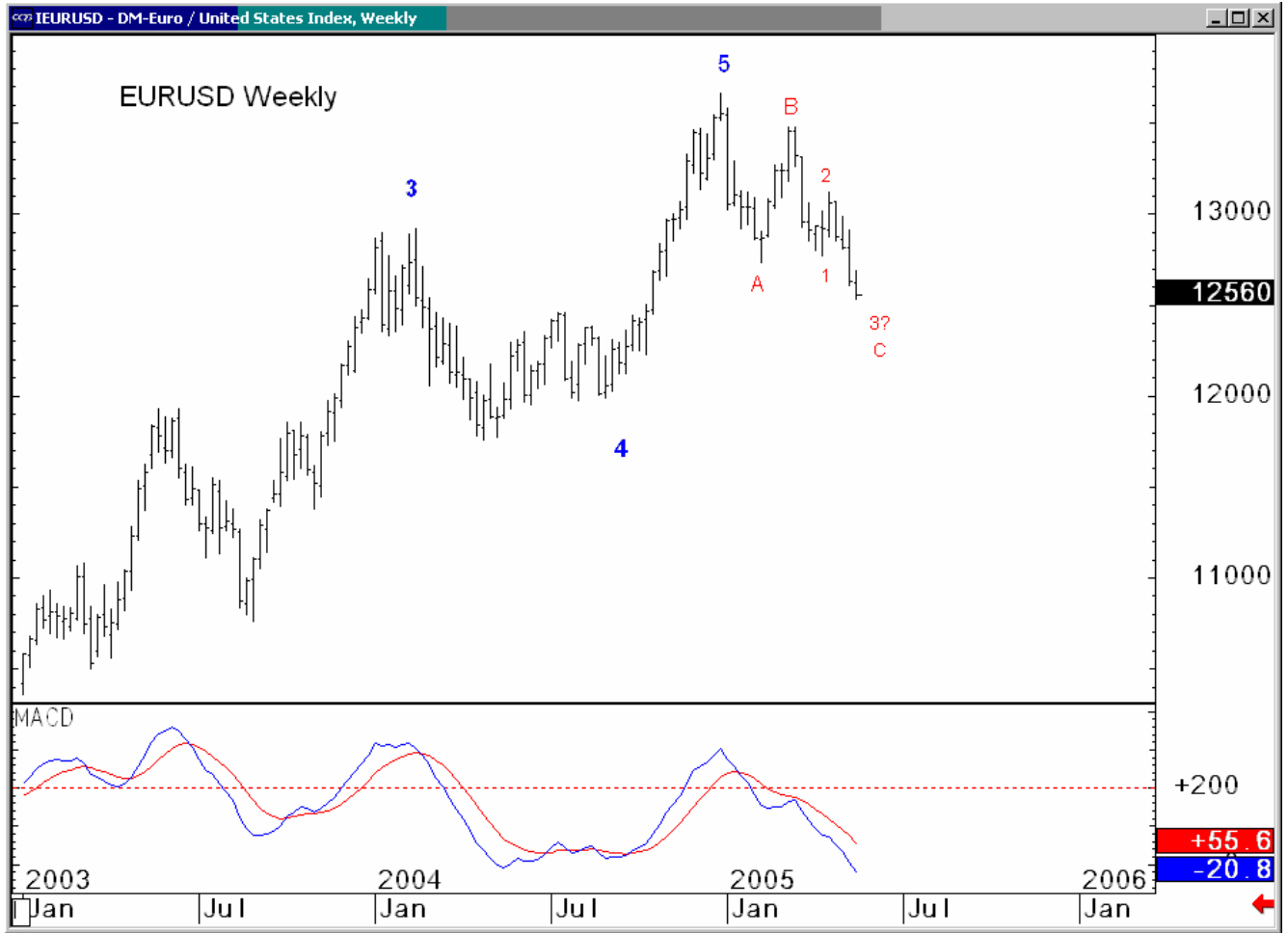


**Euro Weekly:**

**Forex:** 12560 (12630)

**Futures:** 12568 (12636)

**View:** Our view on the euro hasn't changed. [Pushing lower in Wave 3 of C!](#)



Sun May 22 2005 14:08:12

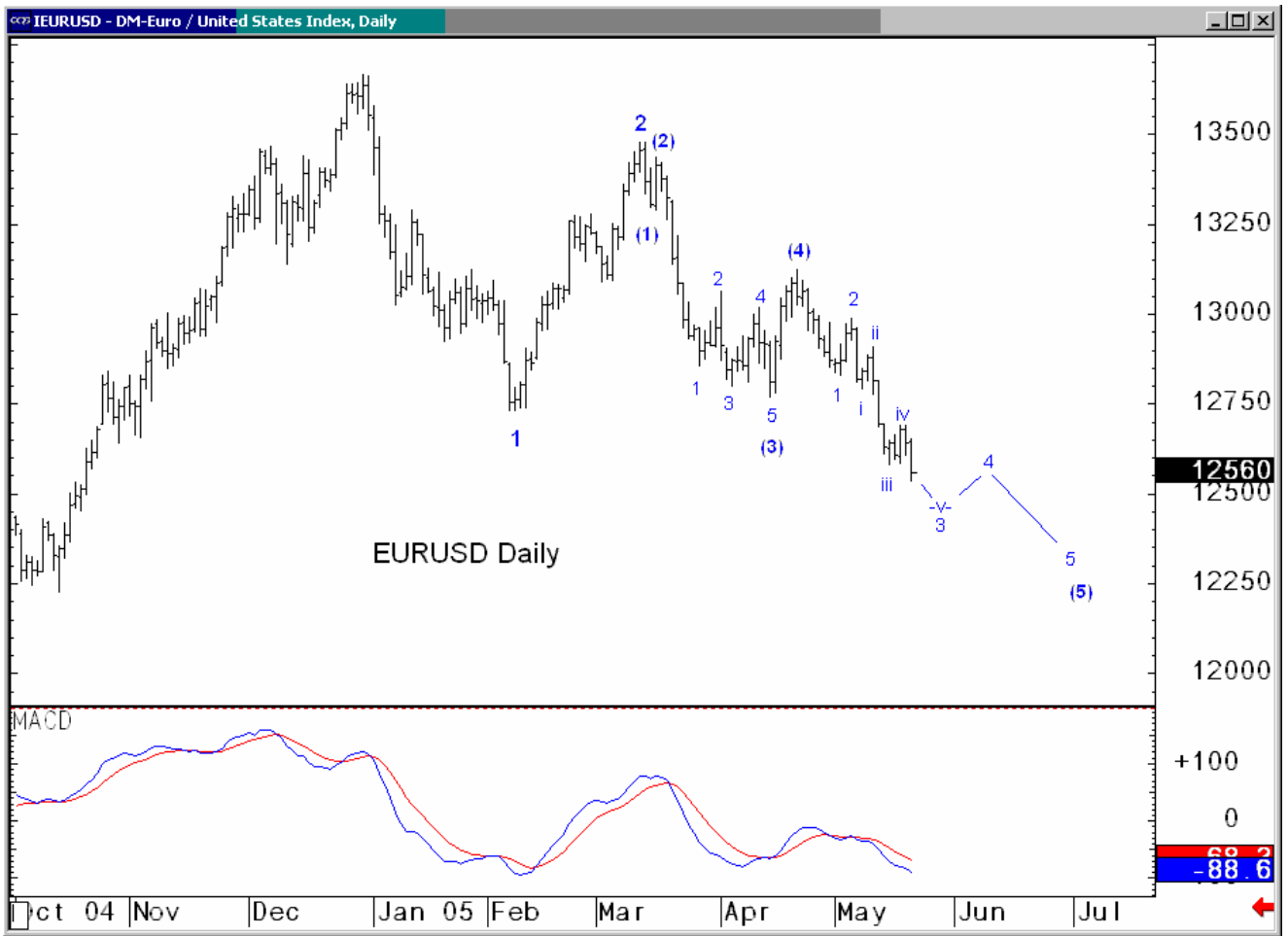
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**Euro Daily:**

**Forex:** 12560 (12630)

**Futures:** 12568 (12636)

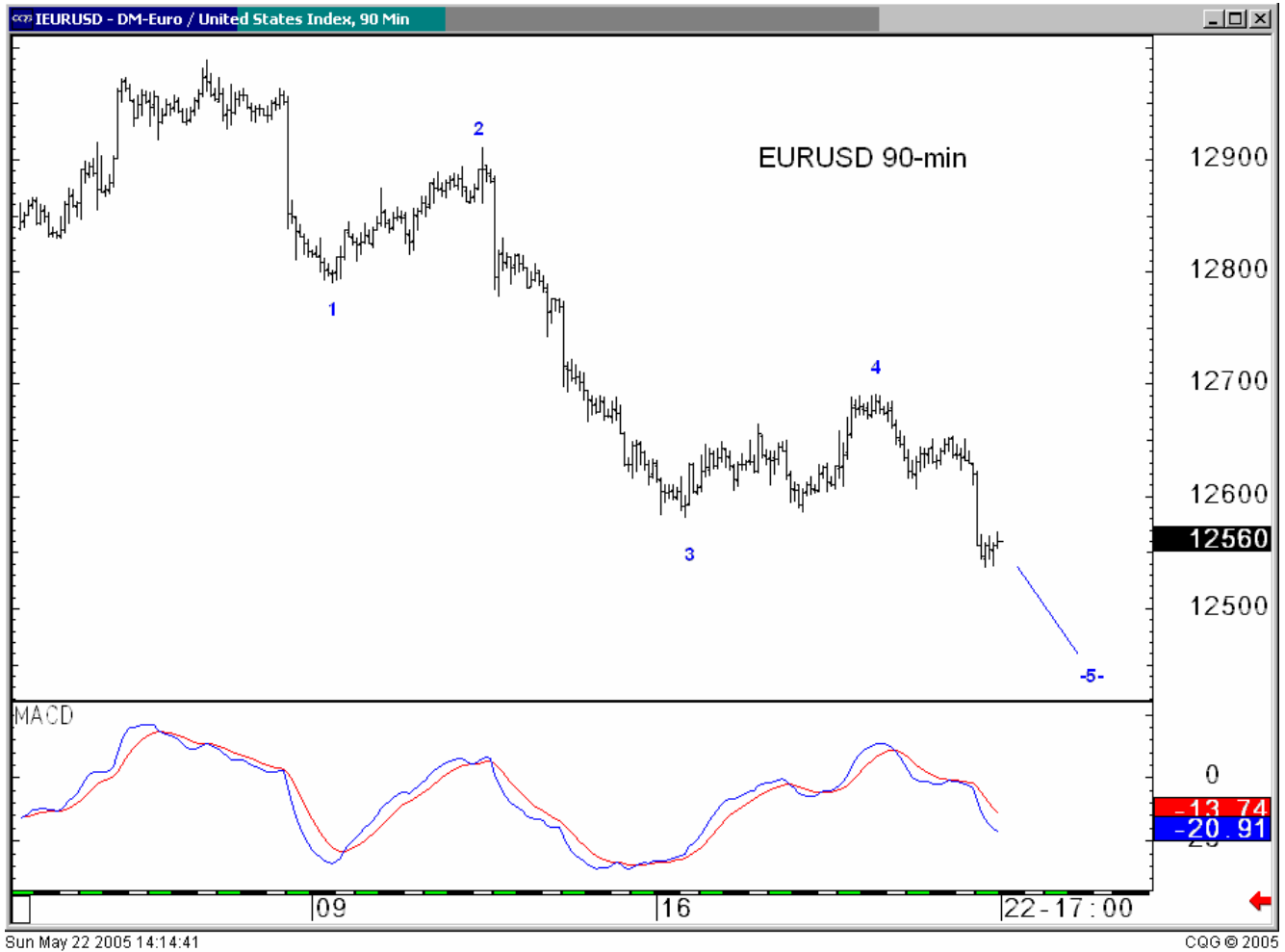
**View:** **Heading lower in Wave v of 3!**



Sun May 22 2005 14:10:34

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## EURUSD 90-min:

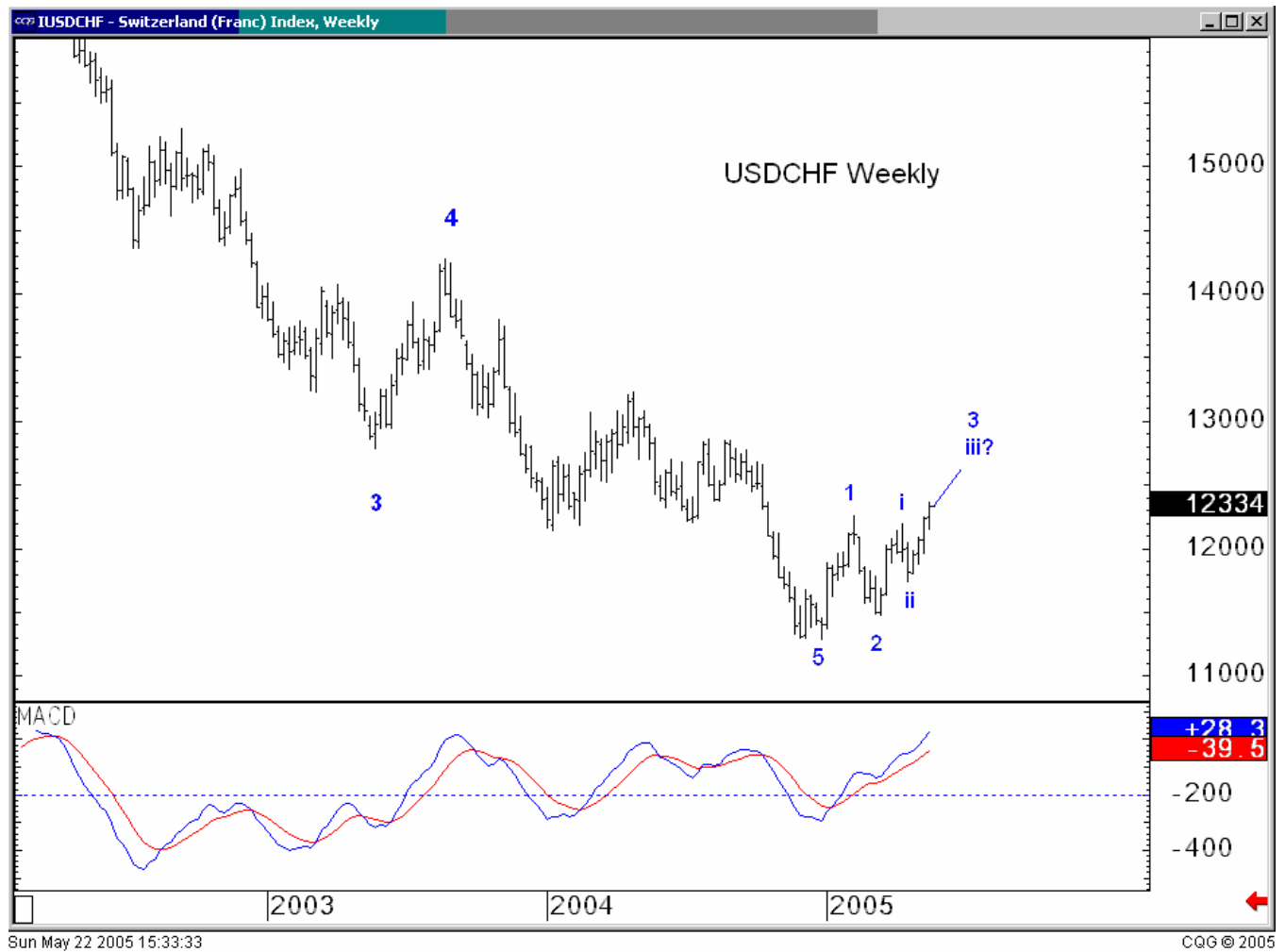


## \$-Swiss Weekly:

**Forex:** 12334 (12235)

**Futures:** 8116 (8183)

**View:** No change to view. Expecting a sustained move higher in \$-Swiss (Swiss futures lower).

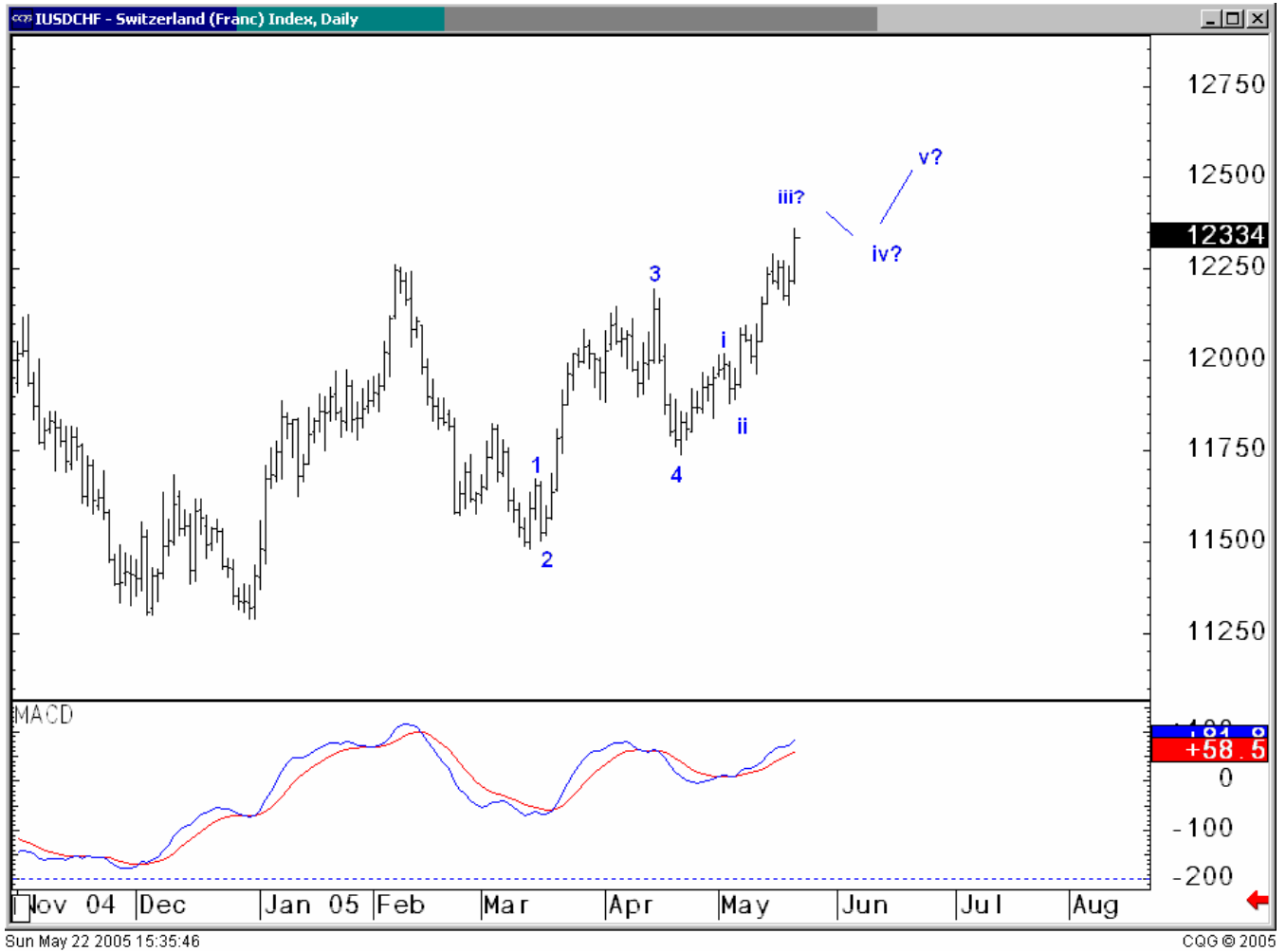


**-\$-Swiss Daily:**

**Forex:** 12334 (12235)

**Futures:** 8116 (8183)

**View:** Higher in wave iii of 5.



Sun May 22 2005 15:35:46

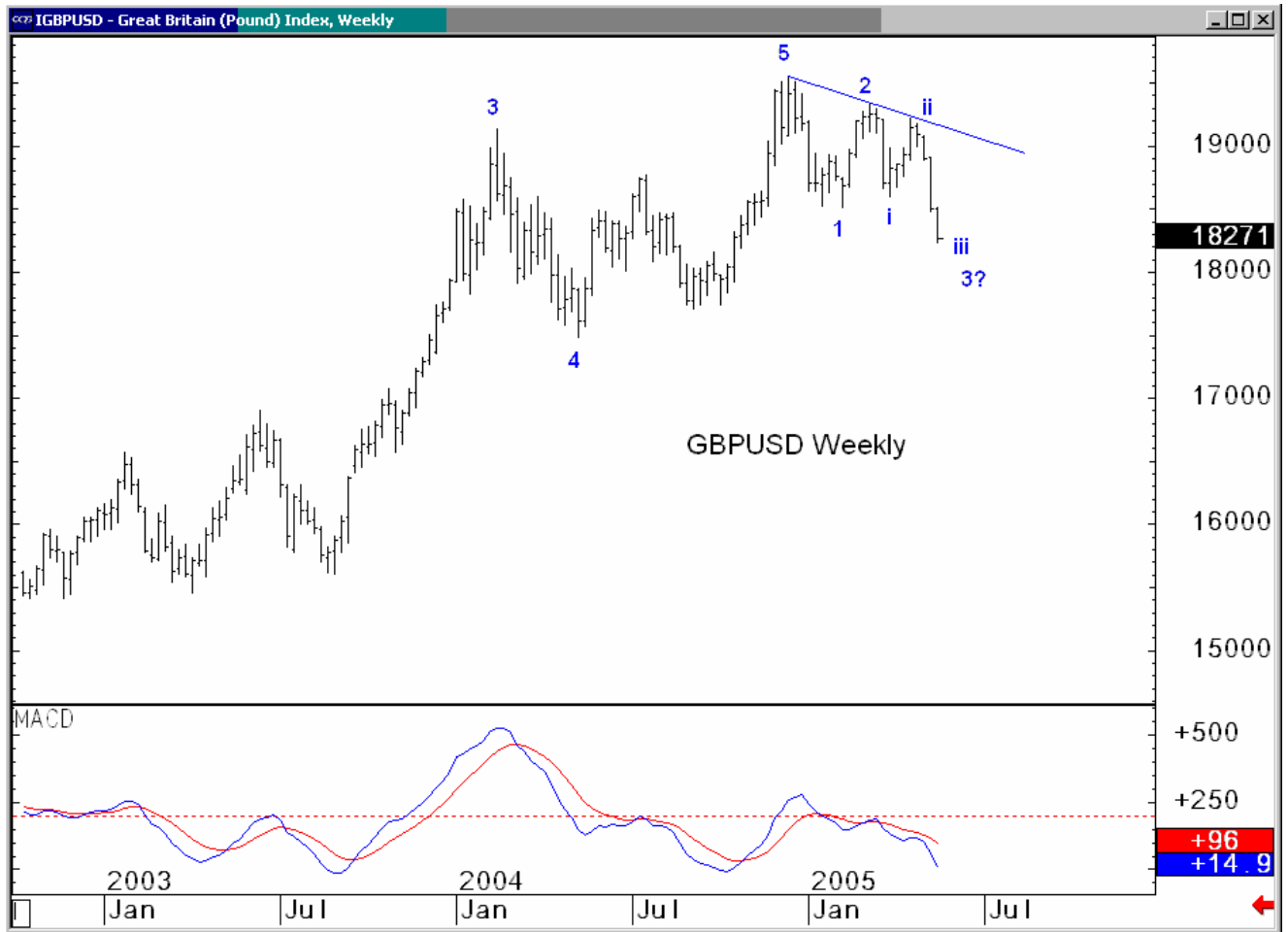
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**British pound Weekly:**

**Forex:** 18271 (18506)

**Futures:** 18242 (18479)

**View:** No change. Lower in Wave iii of 3.



Sun May 22 2005 15:38:48

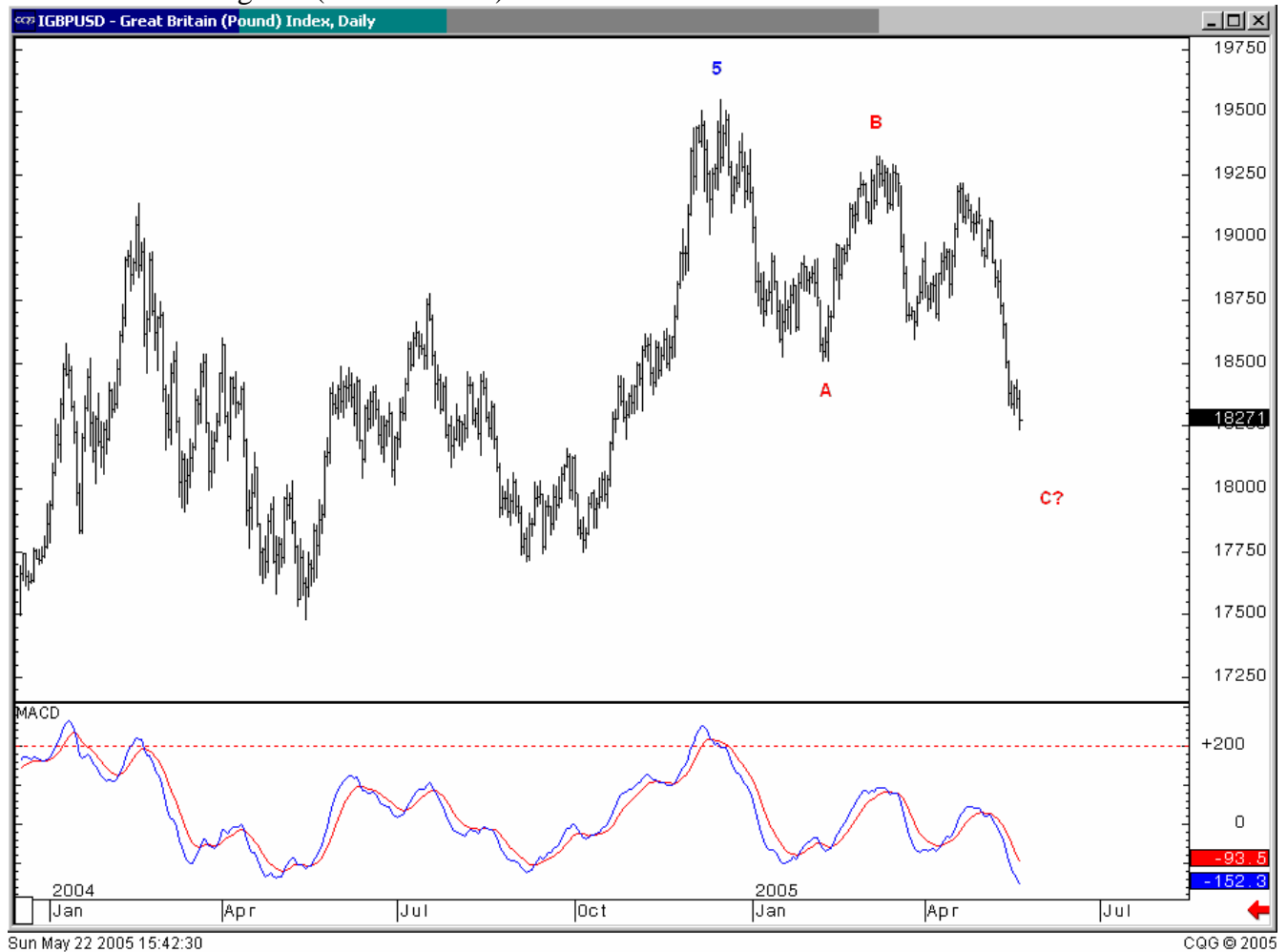
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# British pound Daily:

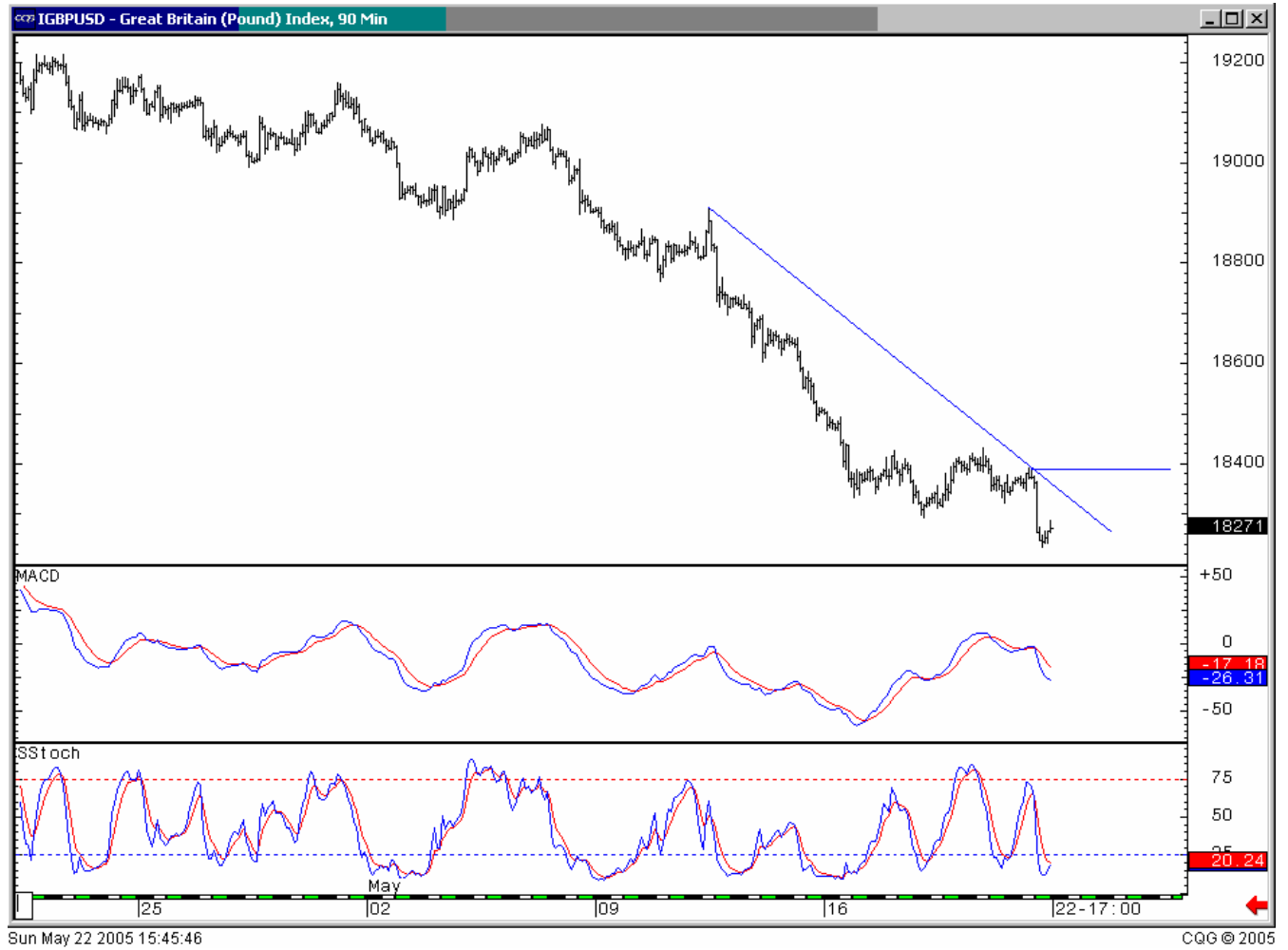
Forex: 18271 (18506)

Futures: 18242 (18479)

View: Lower in wave (labeled C for now). Near-term oversold and due for a short-term corrective move higher. (90-min below)



## British pound 90-min:

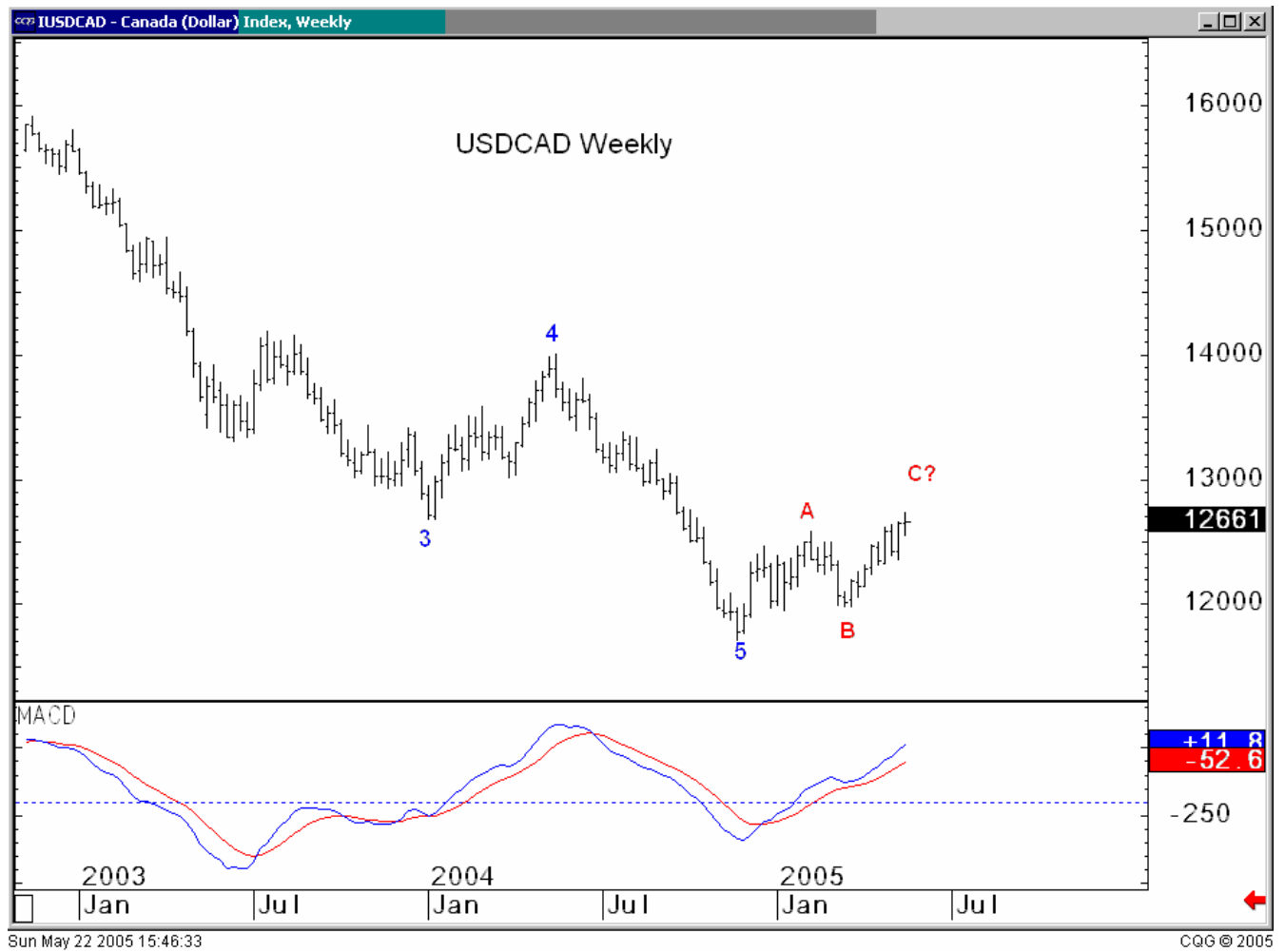


**-\$-CAD Weekly:**

**Forex:** 12661 (12652)

**Futures:** 7902 (7911)

**View:** Moving higher in Wave C!



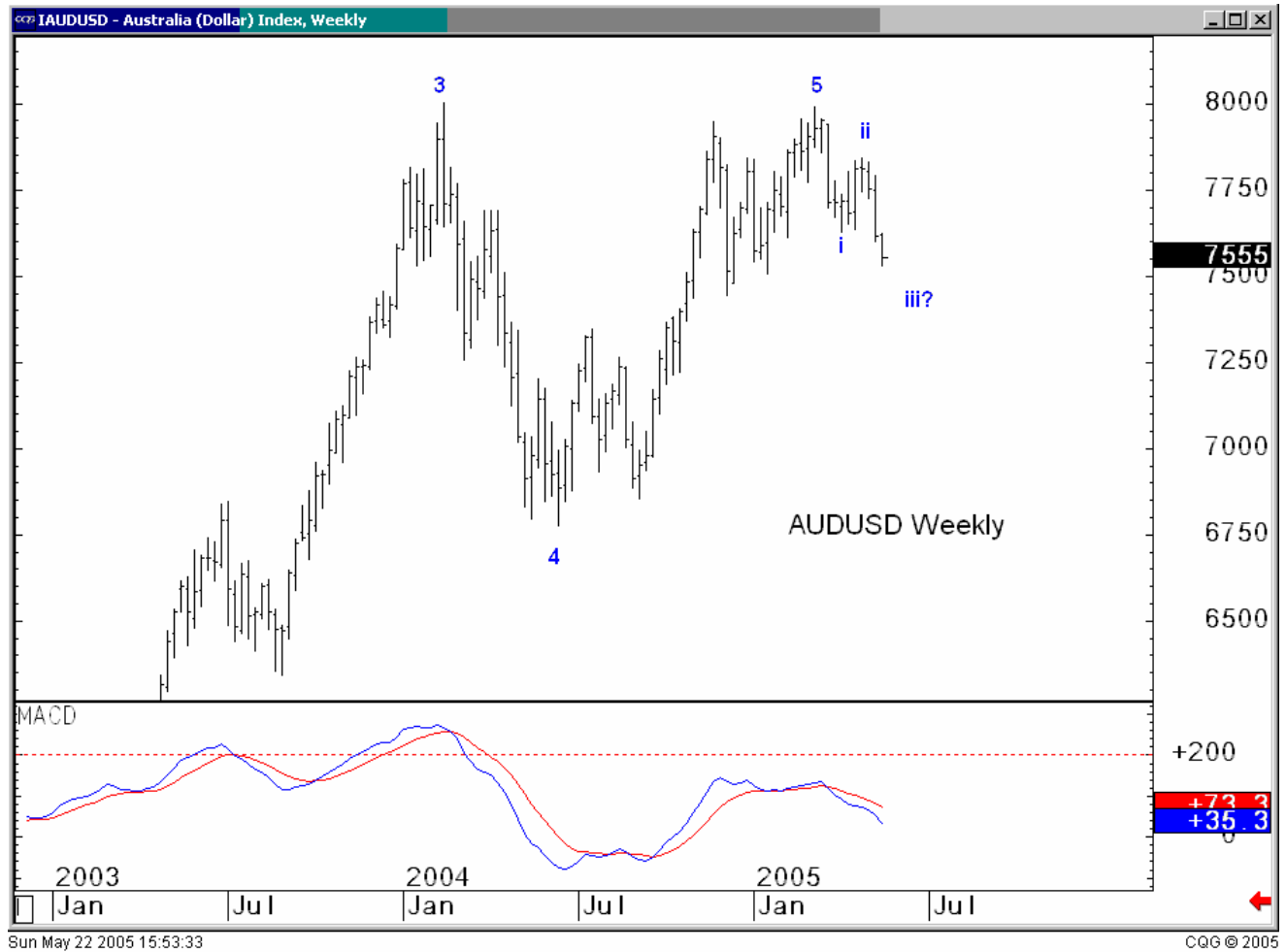


## Australian dollar Weekly:

**Forex:** 7555 (7615)

**Futures:** 7543 (7589)

**View:** Our view hasn't changed—we expect wave iii of Wave 1 down to push Aussie lower.



## Australian dollar Daily:

**Forex:** 7555 (7615)

**Futures:** 7543 (7589)

**View:** We believe we have entered Wave 5 of iii of -5- and expect an eventual break of the 7500-level.

