

# How there is money to be made from a further fall in the \$US

TECHNICAL  
ANALYSIS  
ROD MYER

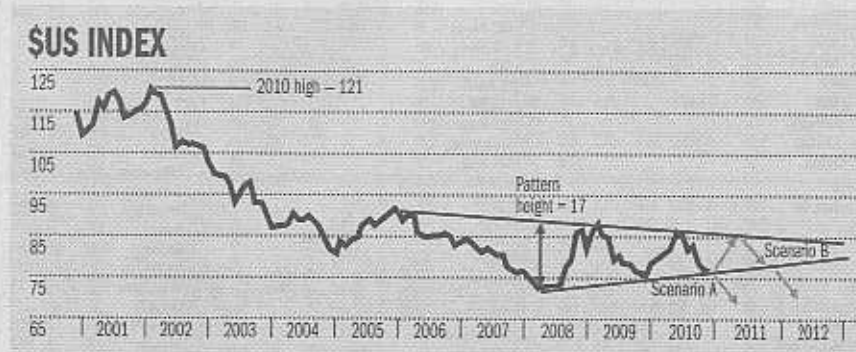
THE Australian dollar has gone above parity with the US dollar. This week, technical analyst and Australian Technical Analysts Association member Alan Clement looks at what that actually means.

He demonstrates the value of the greenback against a basket of currencies, measured in points, which shows us that the US currency has been in absolute decline for some time. In fact, it has been in a long-term downtrend since peaking at 121 in 2001.

Since 2005, it has moved into an area of consolidation, tracing out a symmetrical triangle formation, with lower

highs and higher lows in price. This is a consolidation pattern, as the market takes a breather following the sharp down move from 2001 to 2005. A symmetrical triangle is generally a continuation pattern, meaning that it normally resolves itself in the direction of the main trend — in this case, downwards.

Right now the price is testing the lower trend line for the third time. From here, there are two scenarios: scenario A, where the trend-line support will fail here and the price continue to the downside; or scenario B where there may be a further swing within the



triangle before the price finally heads lower.

A third scenario (which Clement considers unlikely to eventuate) could see the market break out of the triangle to the upside — and if the US dollar price were to show strength

above the upper trend line at the 86 level, we would have to consider the possibility of that uptrend.

On the other hand, Clement says: "If we do get a break to the downside, we can calculate an initial target

by deducting the height of the triangle pattern (17 points) from the breakout point. In scenario A, that would give  $(76 - 17 = 59)$ ; in scenario B, we would be looking at a couple of points higher at 61. In either case, if the target was met, it would mean a

devaluation of the US dollar in excess of 20 per cent from current levels — quite a serious devaluation."

To trade this market, the punter would go short once we see a monthly close below the lower uptrend line, or else they could short it at the upper downtrend line if scenario B plays out.

A bearish outlook for the dollar is good news for commodity prices, the stockmarket and certain currencies such as the euro and the Aussie. The fundamentals back up the bearish outlook with the second round of the US Federal Reserve's quantitative easing now under way.

The Age  
9-11-2010  
p.11