

## Euro may be on verge of strong move down

TECHNICAL ANALYSIS  
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WITH the world's economic troubles focused in the euro zone in recent weeks, the column today casts its gaze to the region's currency. Alan Clement, an international futures trader and member of the Australian Technical Analysts Association, has drawn up a long-term chart of the Euro Index, which measures the euro against a basket of currencies.

The chart shows that the euro fell from its introduction in 1999 until 2001 when it bottomed and then went for an extended climb until 2008.

The value of the euro broke down through the uptrend line (dotted red line) in 2008 with the coming of the global financial crisis. It then rallied to find resistance on the underside of the trend line in late 2009.

Since then it has been consolidating in a descending triangle formation under the top red line).

While in this consolidation phase, the euro has made two false breakouts from the descending triangle — one, in mid-2010, to the downside (marked FB1), and again in mid-2011 to the upside (marked FB2).

These false breakouts trapped investors on the wrong side of the currency's direction, leading to forced

## LOOKING WOBBLY



reversals of traders' positions and hence quick moves by the euro in the opposite direction.

With the price of the euro now firmly back in the triangle pattern and heading

lower amid a range of regional financial and economic concerns, a retest of the support line at 127 points is highly likely.

And with descending triangles normally reaching

maturity two-thirds of the way from the apex, this next test of support could well be the time that the triangular pattern is completed and a break to the downside eventuates.

Should that happen, investors would look towards the next support level as a target, which is 118 points, Clement says.

The long-term direction of the euro, of course, will very much depend on how Europe's sovereign debt crisis plays out, he says. Also at play in its future is the health of its main trading partners, the US, Britain, Switzerland and Japan.

This column is not investment advice and those wanting to invest should seek professional counsel. [rodmyr@ozemail.com.au](mailto:rodmyr@ozemail.com.au)