

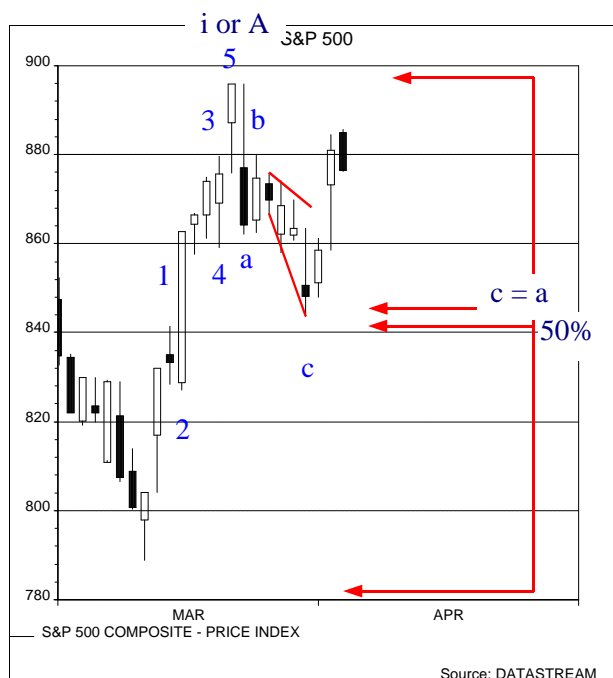
**Global Markets Review (Issue 13/03 - Currency Focus)**

This week has produced the more encouraging outcome we were hoping for. On Monday, both **S&P 500** (below and p. 2) and **FTSE 100** (p. 4) completed classic a-b-c corrective patterns, where the a and c waves were approximately equal, and which held near the 50% retracement level of the March rally. Since those rally patterns were more like 5-wave advances than bearish a-b-c's, Elliott analysis tell us that the intermediate trend is now upwards, so long as Monday's lows at 843.71 and 3,581 hold. Because cycle trends have turned upwards, and this week was scheduled for important lows, we are now expecting at least one more 5-wave advance (hopefully two), so those lows should hold.

Wednesday's action was important for two reasons. In both indices, a vertical third-wave type move occurred soon after the open, and this is atypical of a rally in a continuing downtrend. Secondly, the S&P exceeded 880, removing the spectre of the nine-day Head-and-Shoulders top above 858.

The target in FTSE 100 is more obvious than the S&P. The Diagonal Triangle count is now preferred, and the move should carry to its commencement point at 4,466 last August. Note also that if this next leg is 1.382 times the March rally, that would target 4,414.

Because we are less certain of the S&P's pattern, targets are more widespread. We will be happier once the S&P accelerates up through 904 removing the Triangle count shown on the bottom of p. 2. Thereafter, the resistance in the 954-965 range is the next focus. At 971, the index will have retraced 50% of the 2002 decline, and at 975 the post-March rally will equal the Q4 2002 rally. At

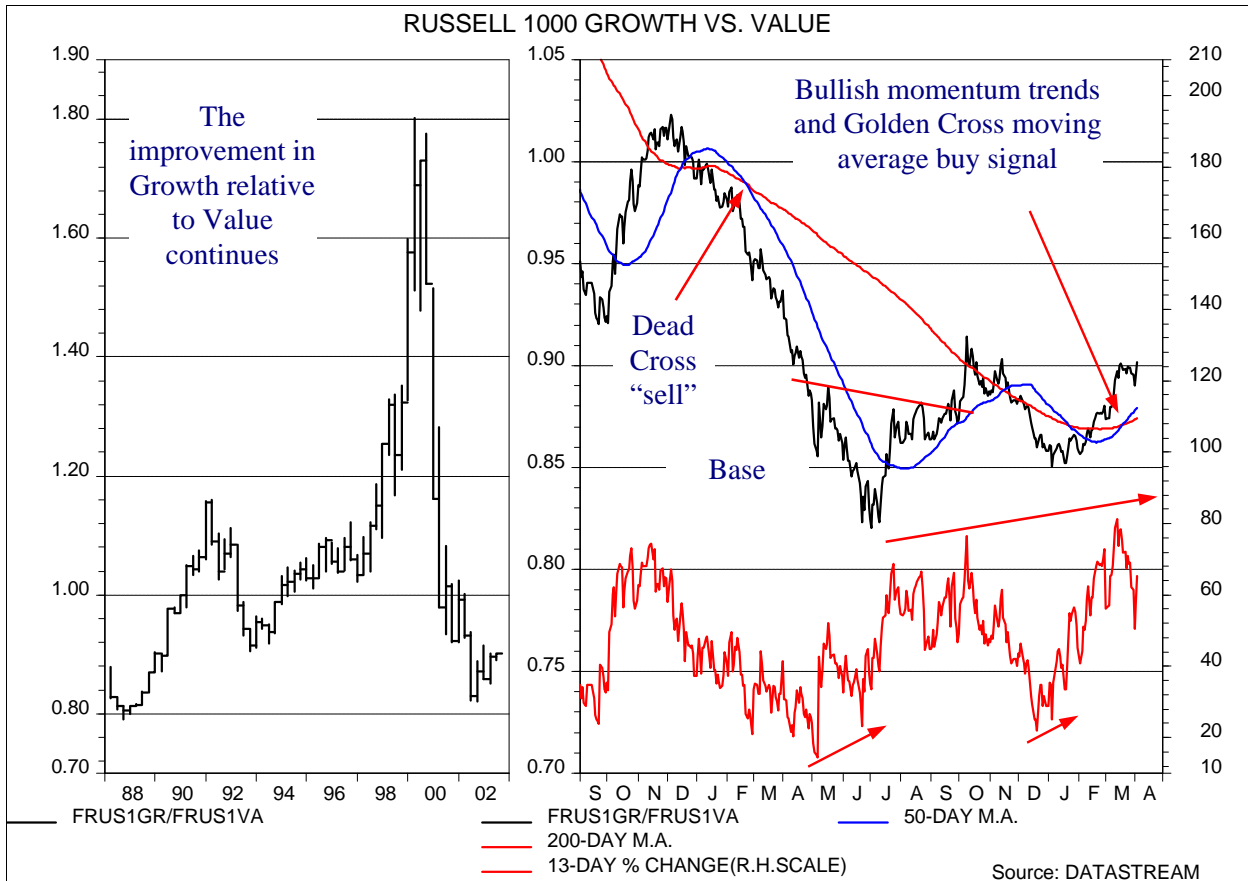
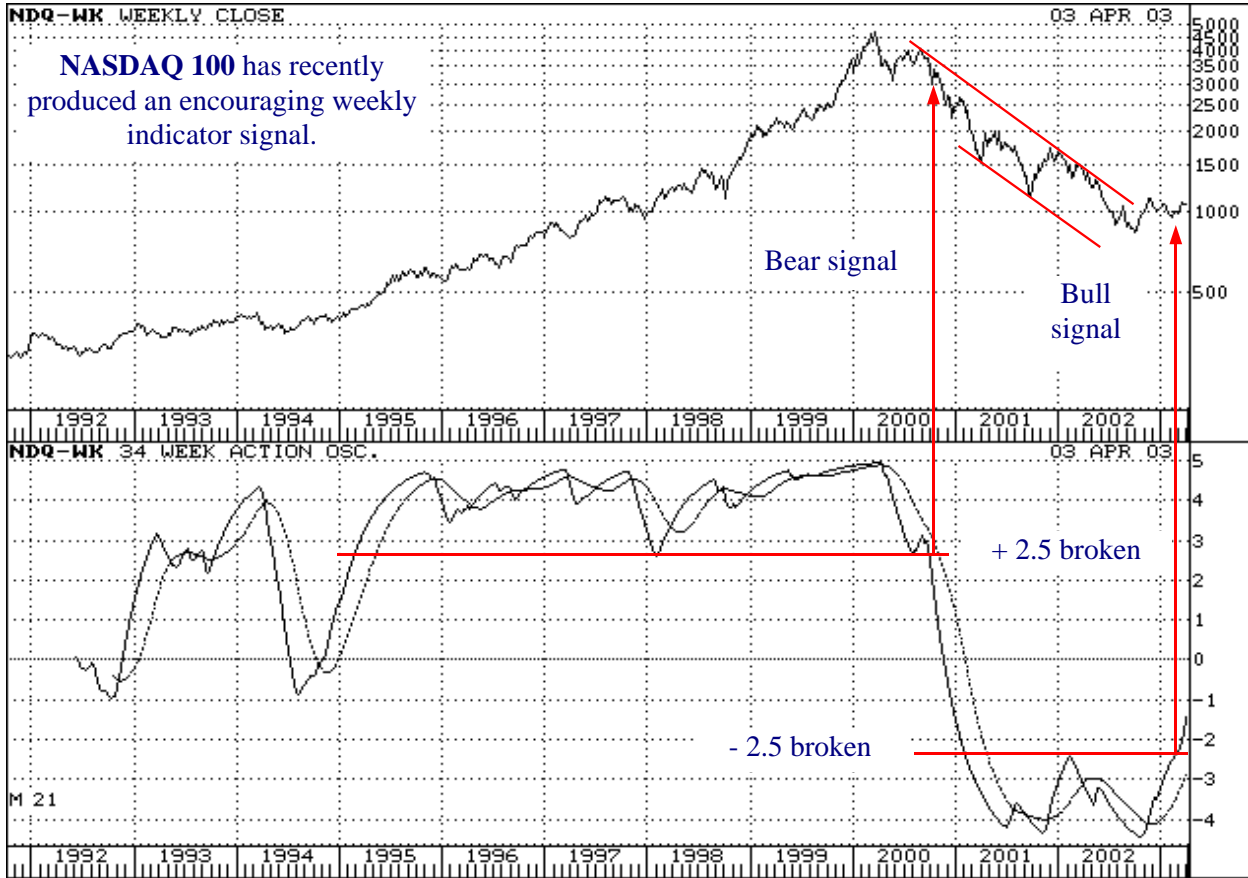


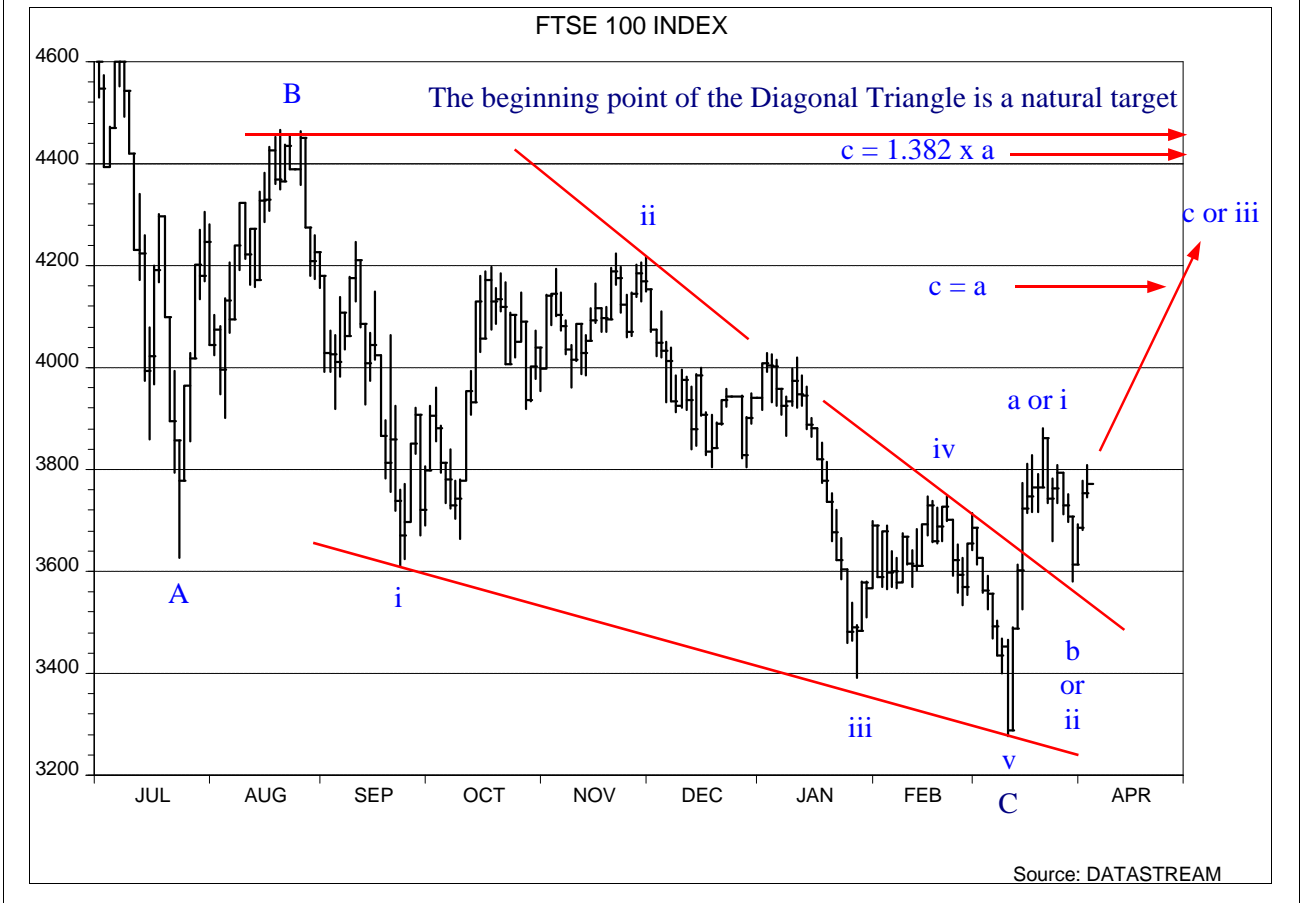
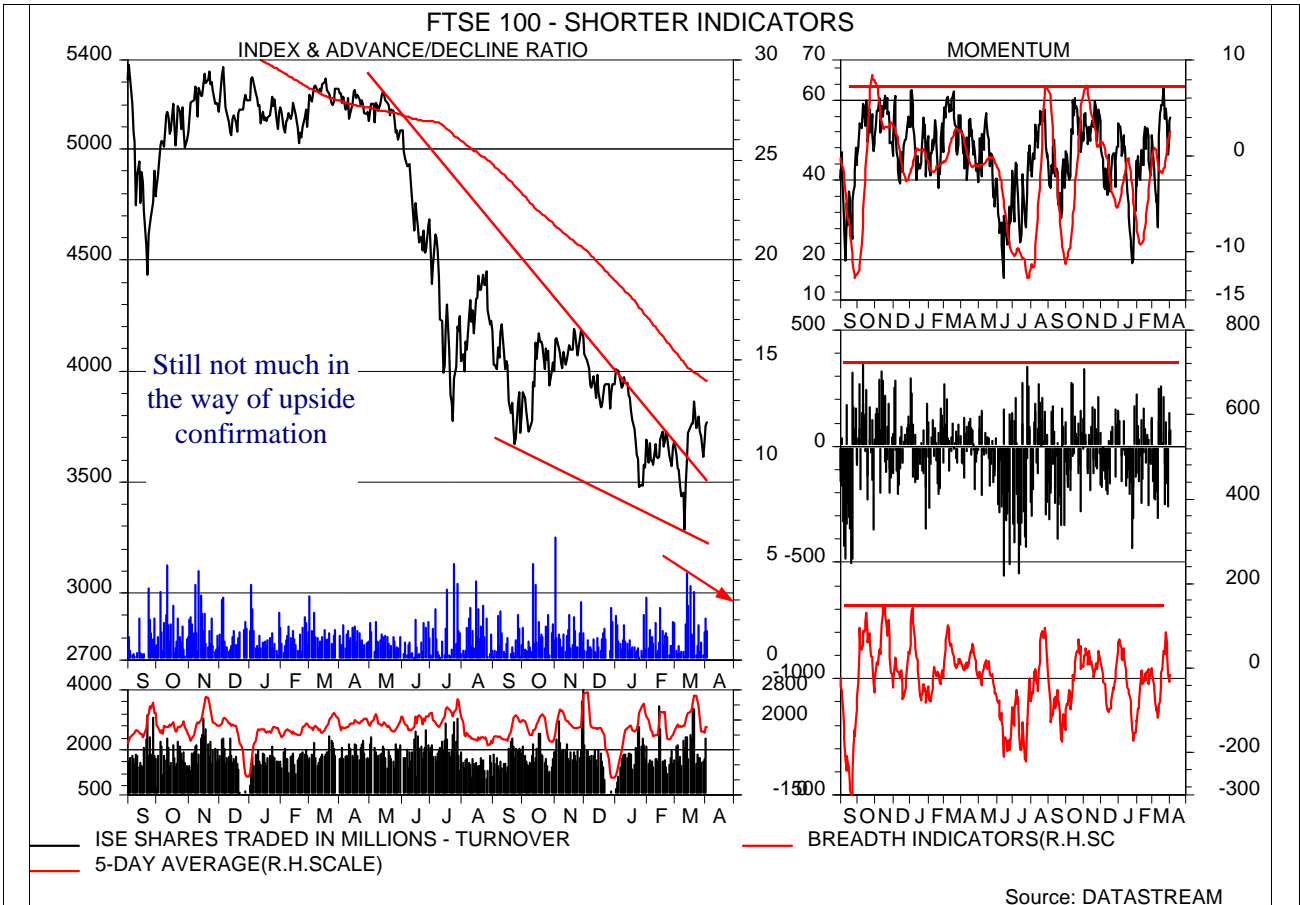
1,018 a 61.8% retracement of 2002's decline will occur, and 1,068 is a 38.2% retracement of the entire 2000-2003 decline. All of these are levels to watch into the 23-28th May Fibonacci target zone.

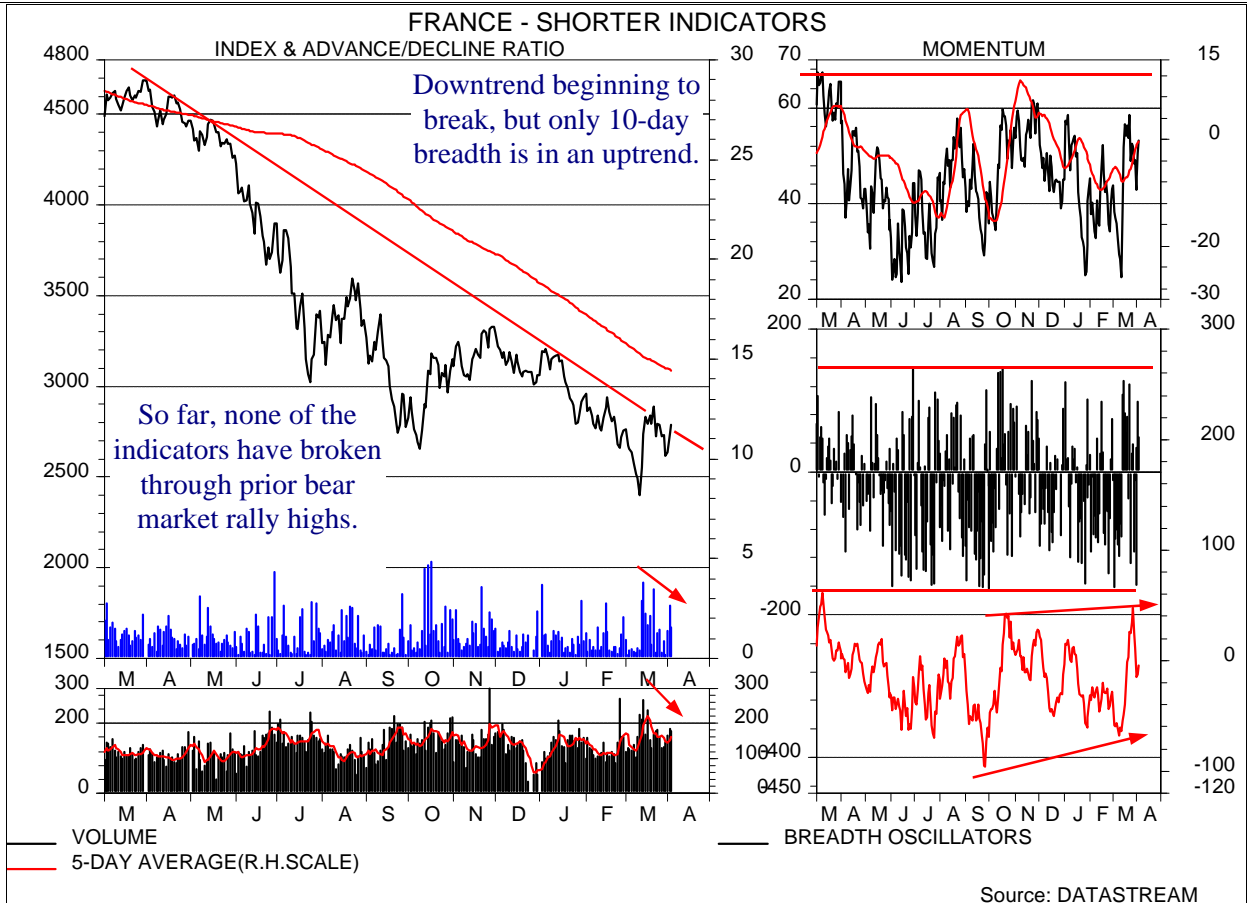
In % terms, the most promising configurations are in the **CAC** and **DAX**, as shown on pages 5 and 6.

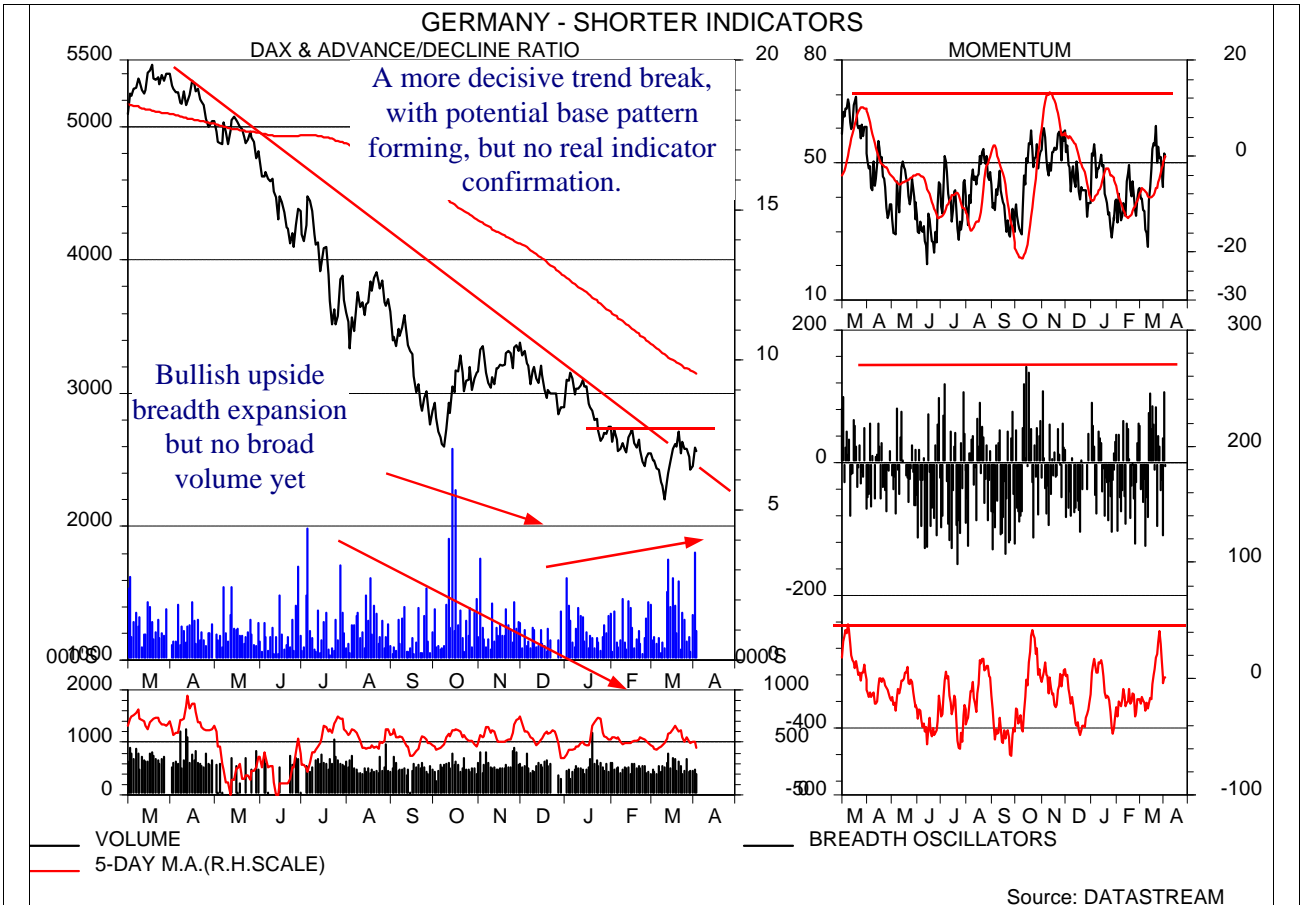
The indicators for **Topix** (p. 7) have returned to neutral and the market remains constrained by overhead resistance created in Q4.

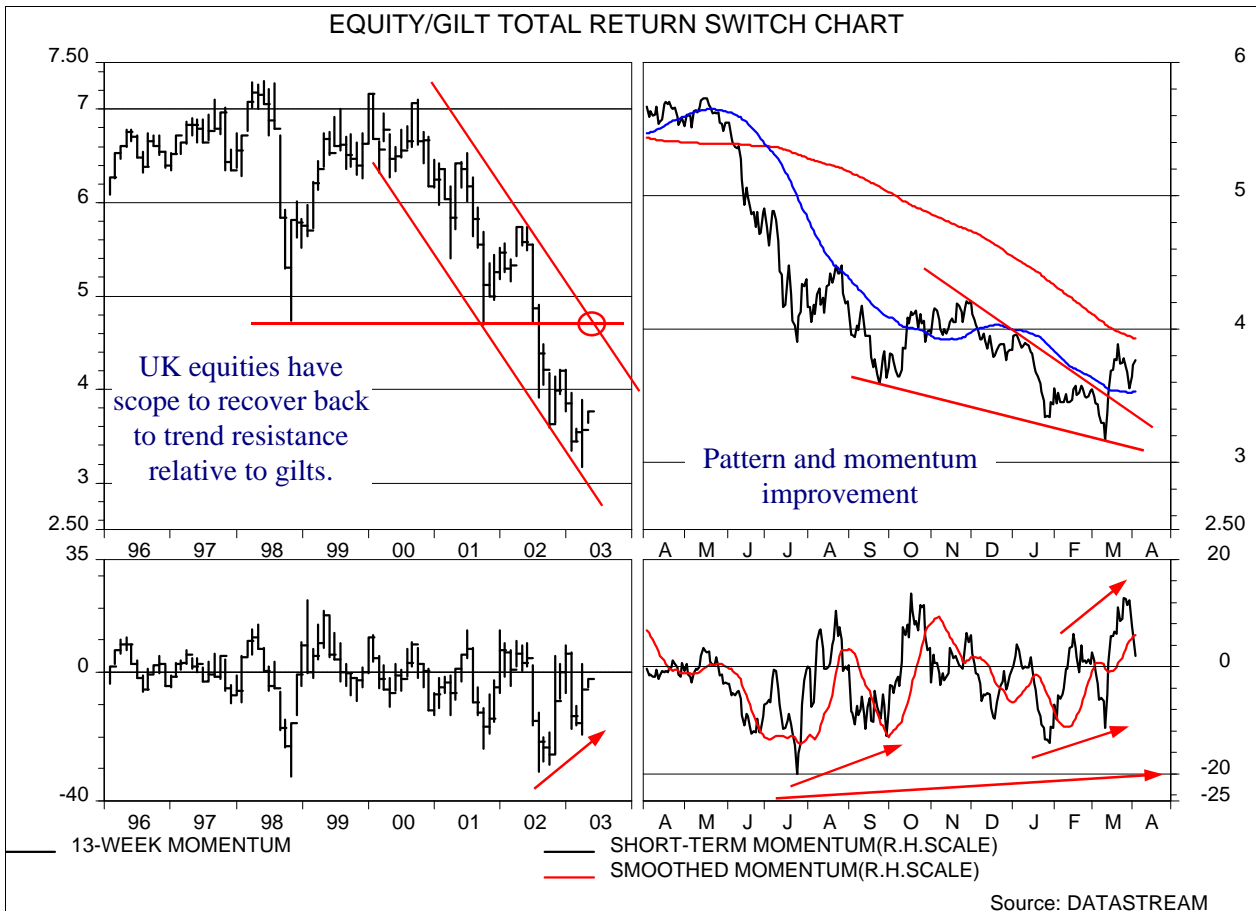
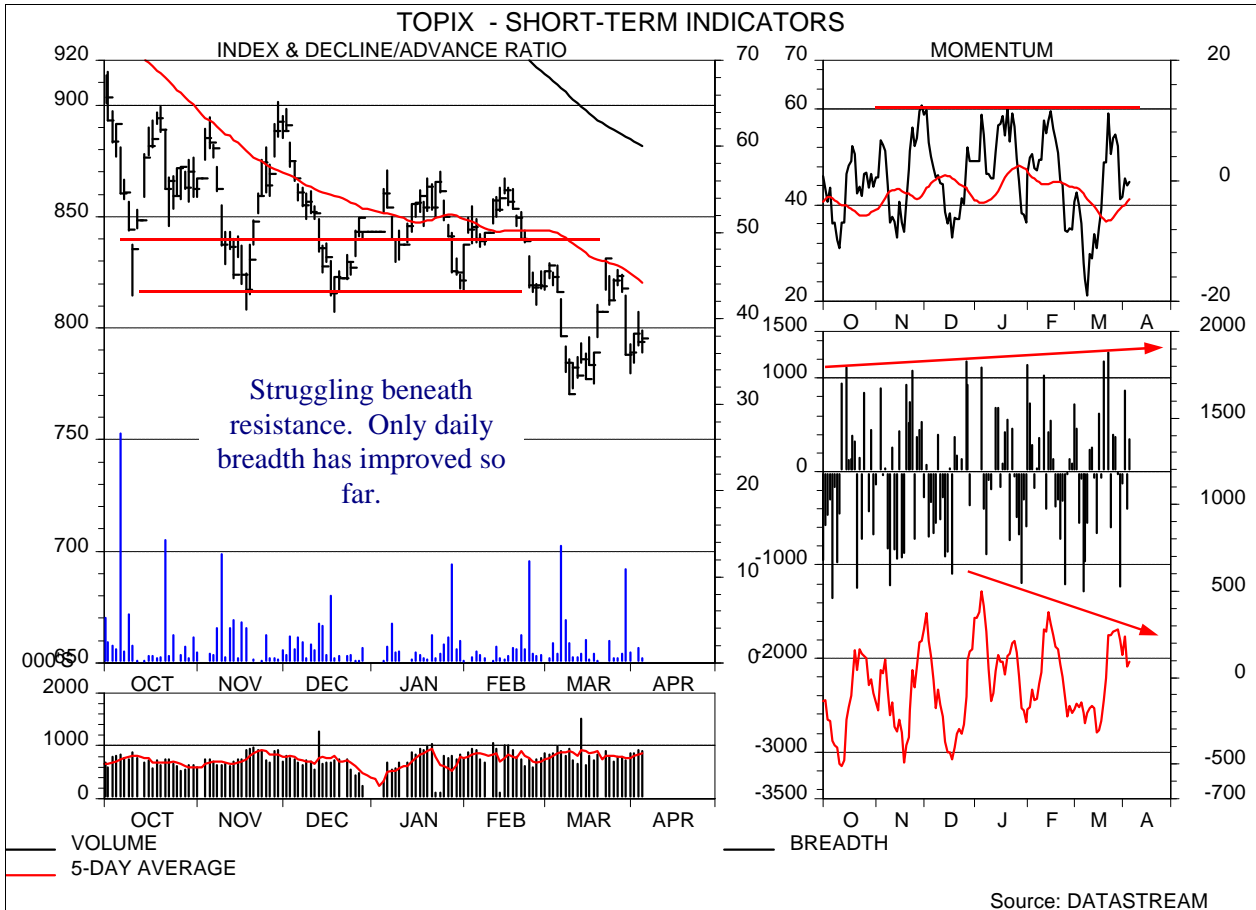










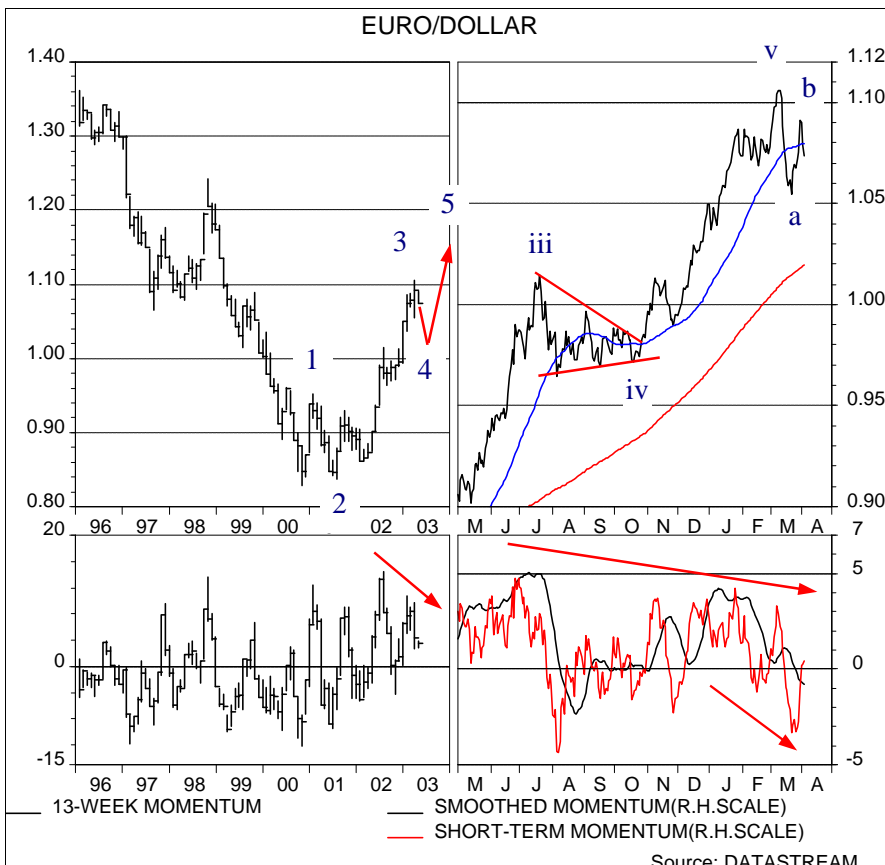


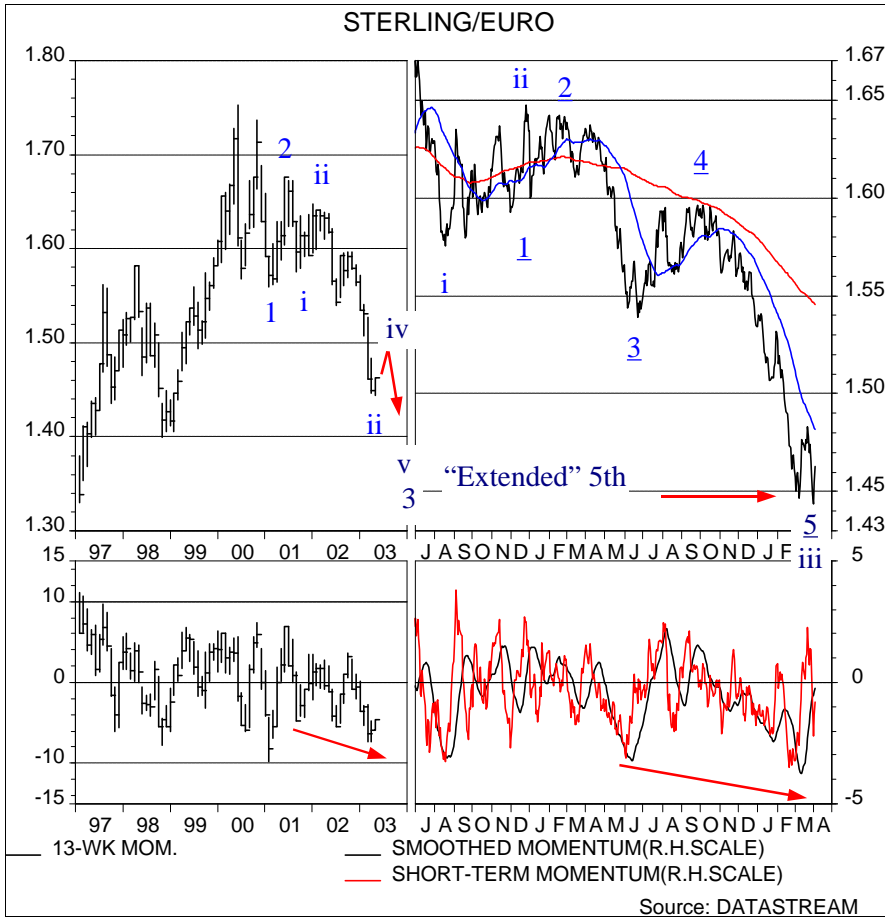
CURRENCY FOCUS



Euro/Dollar

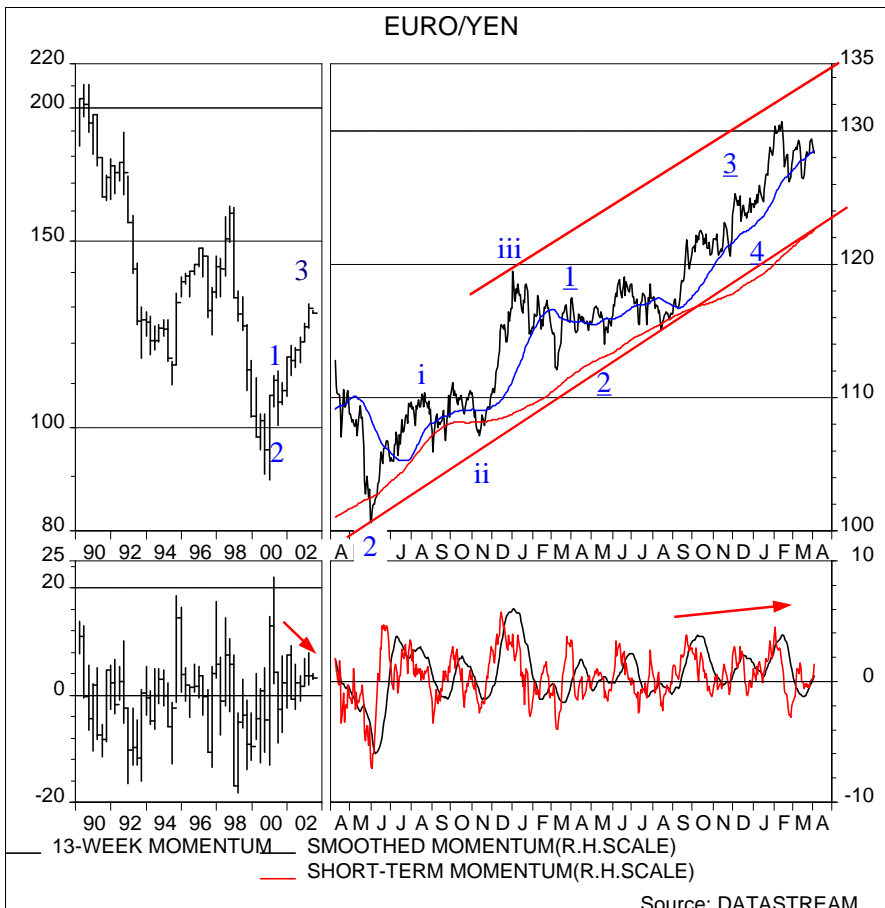
- The action of the past month conforms to our previous expectation of an imminent important intermediate top.
- The highs fell short of ideal levels, but the momentum signals confirmed the mid-March break.
- An a-b-c decline should now occur, and there are two targets near to each other:  
 $4 = .382 \times 3 @ 1.003$   
 $c = 1.618 \times a @ 1.005$
- This is also in the “area of the previous fourth wave” - a natural target after the completion of a 5-wave advance.
- If equities do recover strongly into a May high, it would not be surprising to see the Dollar strengthen during that period.





**Sterling/Euro**

- Sterling is medium-term oversold, but the indicators confirmed on the downside in typical “third wave” fashion.
- Normal recovery targets for wave iv lie in the 1.50-1.5150 range.
- Wave v of 3 should hit the 1.38-1.40 range, where there is support from the 1998 low and  $3 = 1.618 \times 1$ .



**Euro/Yen**

- Little change from a month ago.
- The medium-term indicators remain very overbought.
- The majority of the shorter indicators confirmed at the recent peak, so there should still be new highs to come for this move.
- Trend resistance currently lies at 135.
- Our next Fibonacci target is 133.45 ( $3 = 1.382 \times 1$ ).

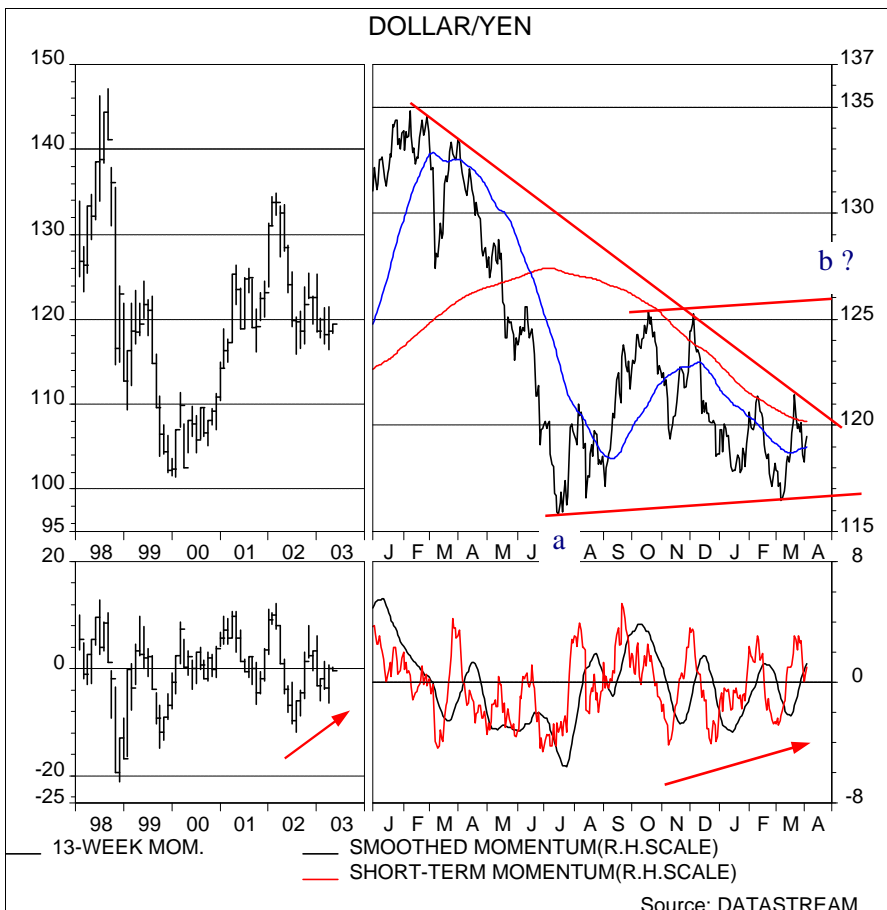


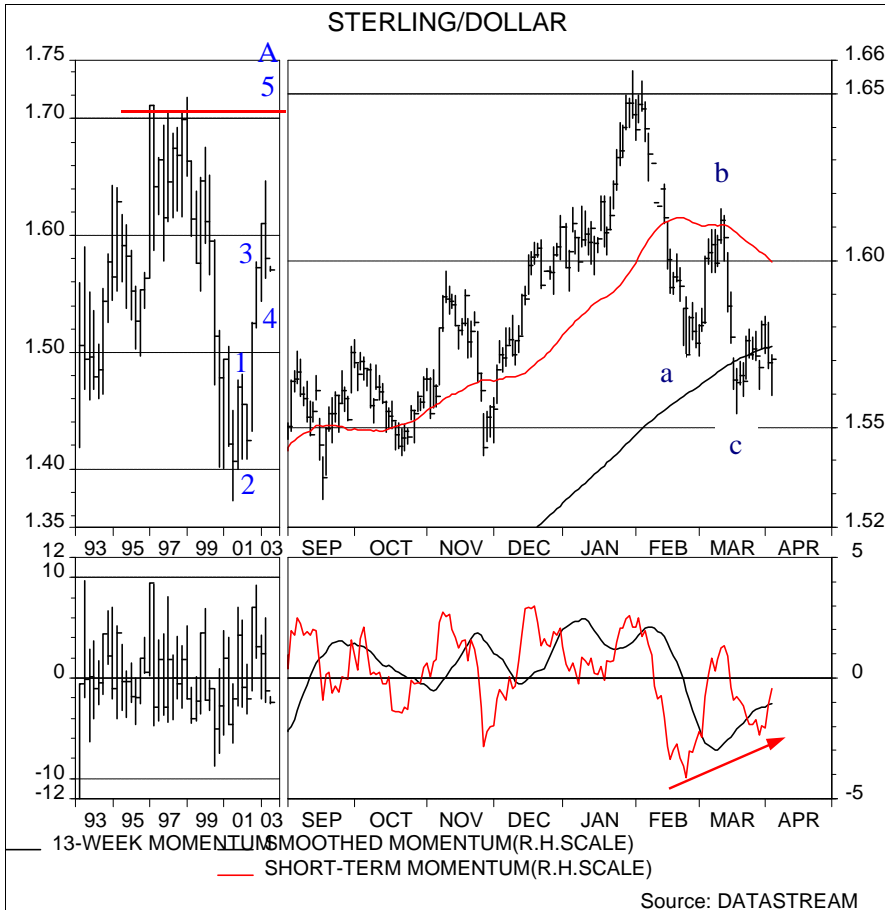
**Dollar/Yen**

- The oversold rally was capped at 122 as indicated, but ...
- The momentum improvement warns that wave b of D may not be complete. Is it forming a larger sideways pattern? We need to see more action.
- After 122, the 125-126 area is the next resistance, including the 50% retracement level of the 2002 downtrend. The medium-term indicators remain very overbought.
- Our long-term scenario remains that the Dollar is forming a large Triangle, which began at the 1995 low.
- The current downswing should take it to the 107-108 area in an a-b-c pattern, based on:

$$D = .618 \times B @ 108$$

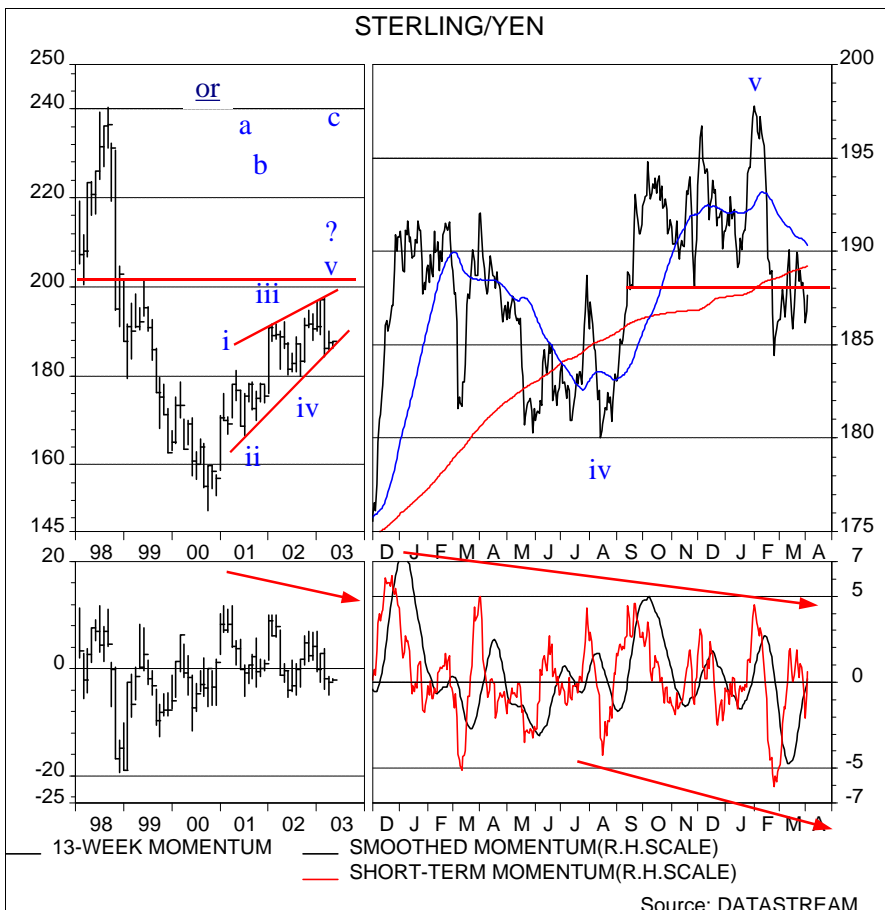
$$c = a @ 107$$





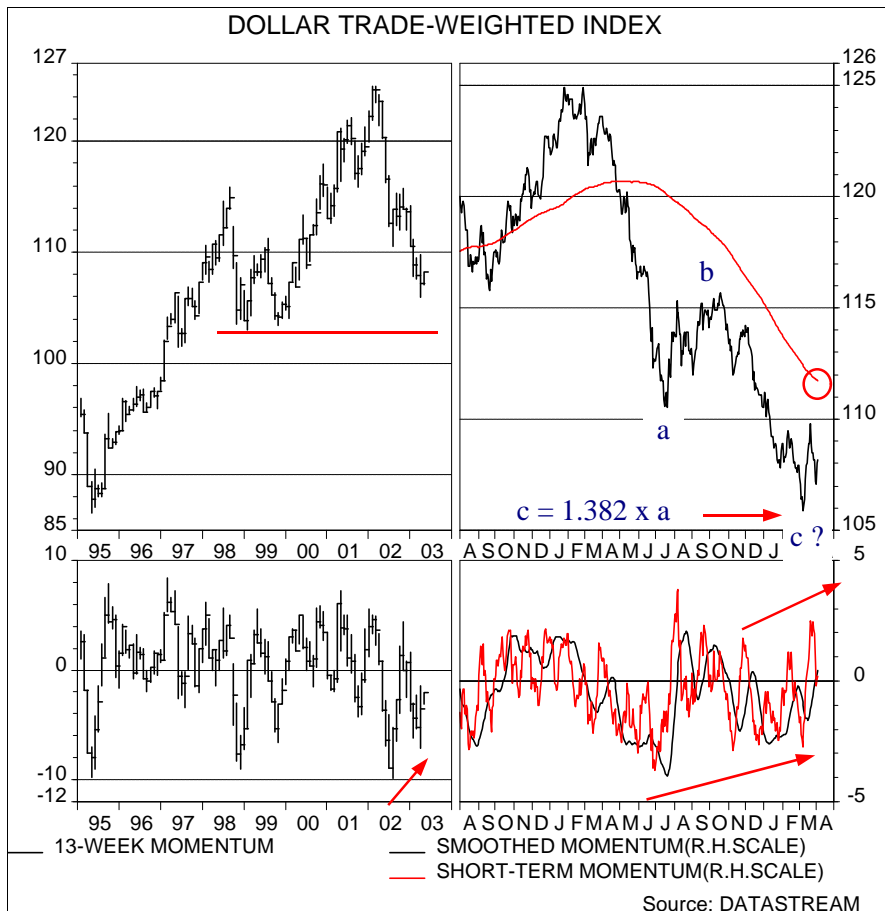
**Sterling/Dollar**

- A confirmed moving average buy signal for Sterling occurred in March.
- Wave count still unclear, but recent action does look like an a-b-c correction, signalling further recovery potential in Sterling.
- A break of the March low would turn the pattern into a 5-wave decline, and tip the probability towards a larger corrective phase having begun.



**Sterling/Yen**

- Not much change from last month here also.
- Pattern and momentum deterioration signal that Sterling's rally is over, and we continue to target 180, then 165.
- Only a close above 193 would require a re-assessment.



**BoE Dollar Index**

- Further short-term recovery is likely based on the bullish momentum configuration.
- How it acts at the 200-day m.a. will indicate whether new lows are to come later in the year.

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