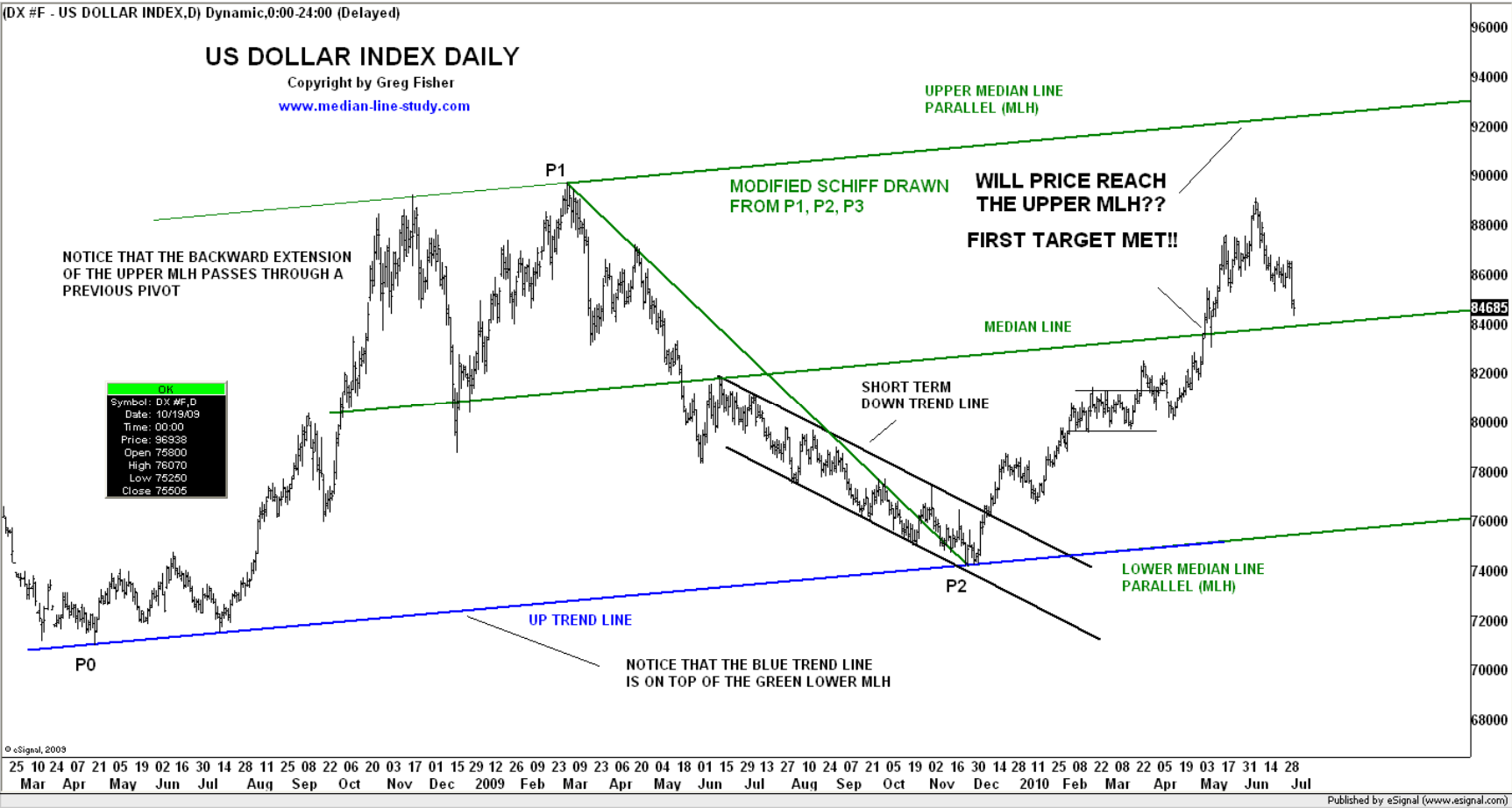


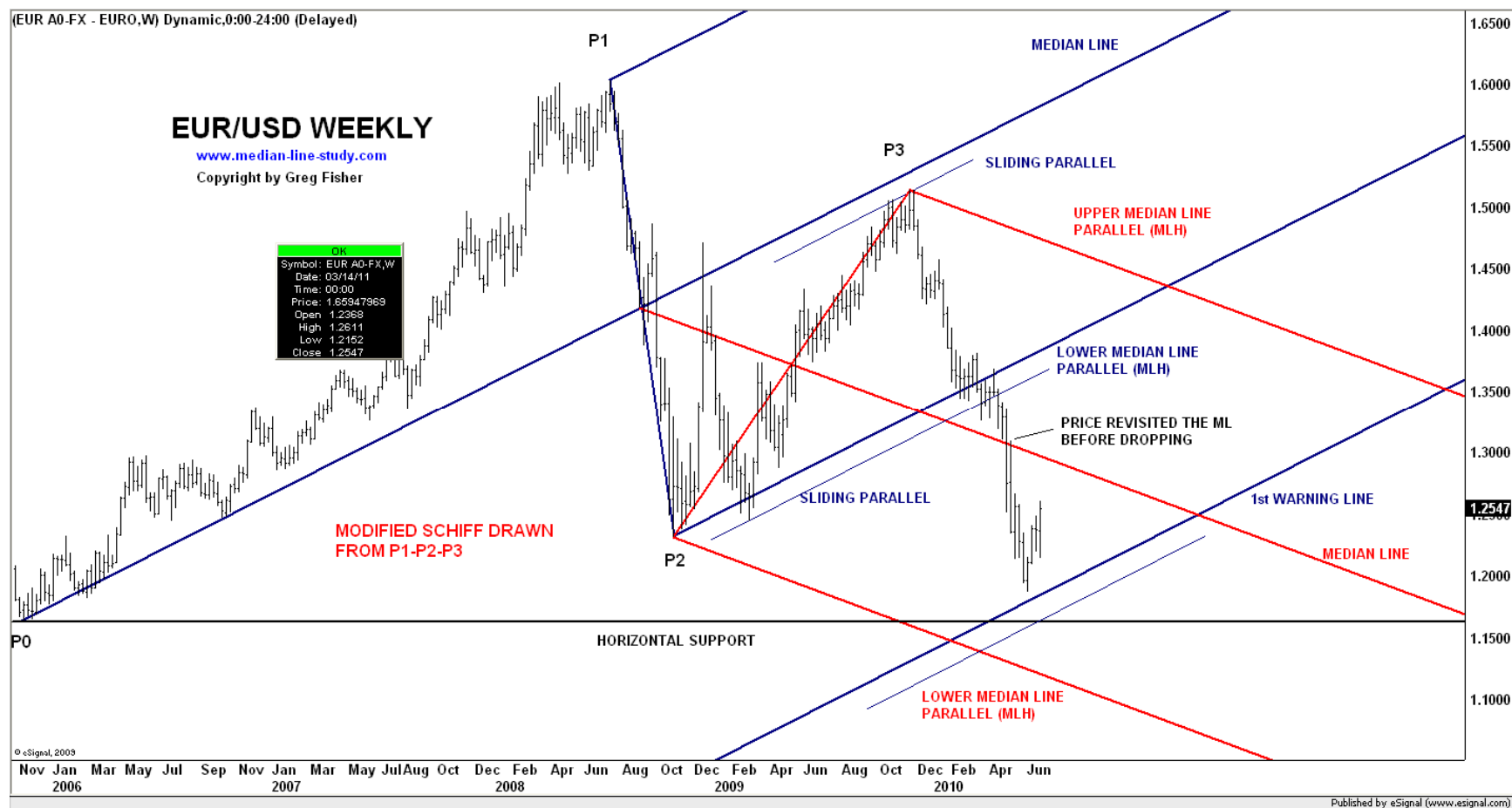
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Weekly Currencies Report – 07/04/10 By Greg Fisher

US DOLLAR INDEX



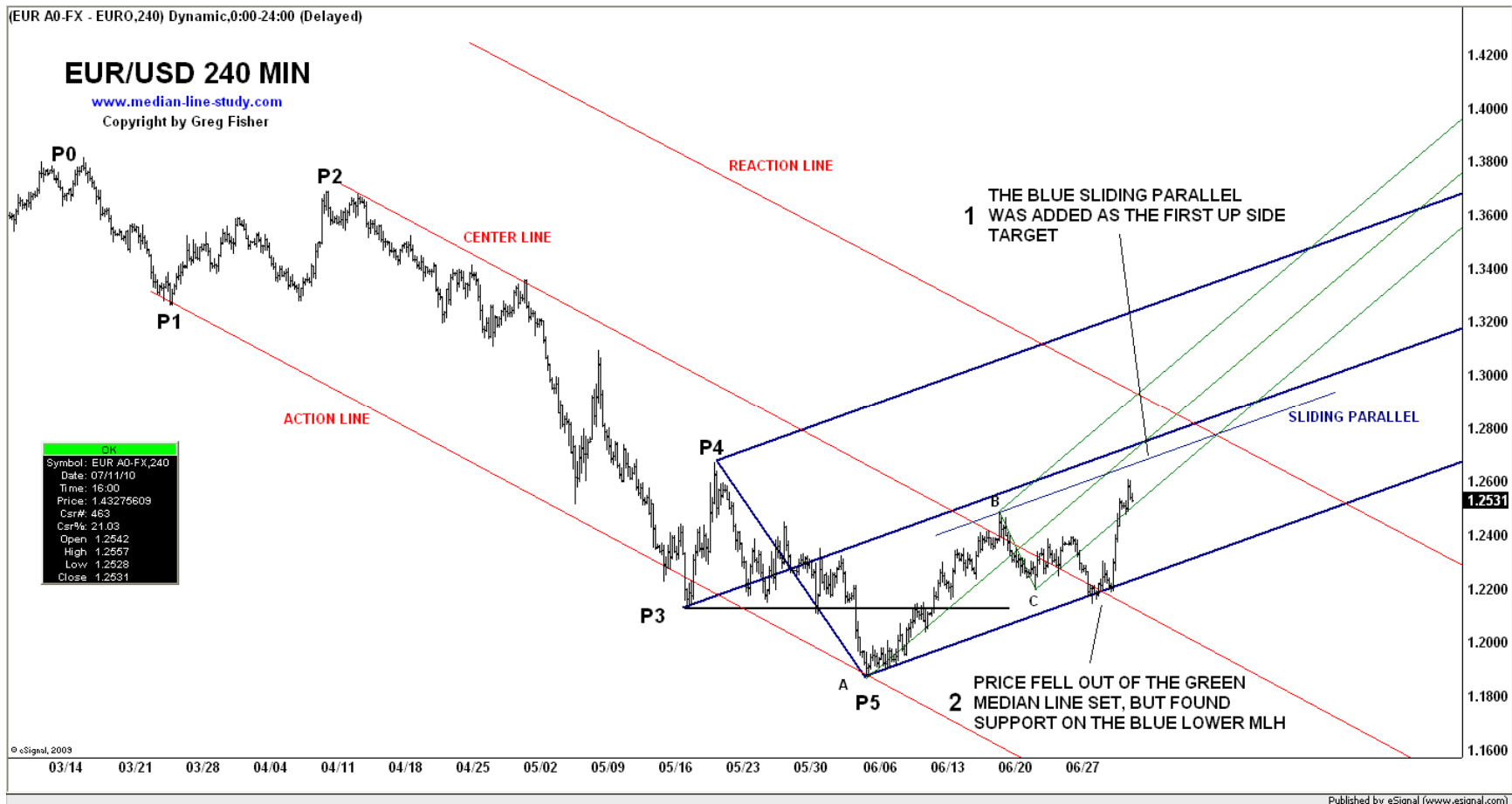
The Big Picture



Because price accelerated through the red Median Line and then revisited the Median Line before breaking lower, Median Line theory suggests there is a high probability price will reach the next important line, the red lower Median Line parallel.

Though price rallied this past week, price has yet to meet its objective, the blue lower sliding parallel, much less the red lower MLH.

There are still no convincing signs that price is reversing its down trend on the longer term chart. The rally this past week will be looked as simply a correction against the down trend unless the rally is significant enough to change that view.



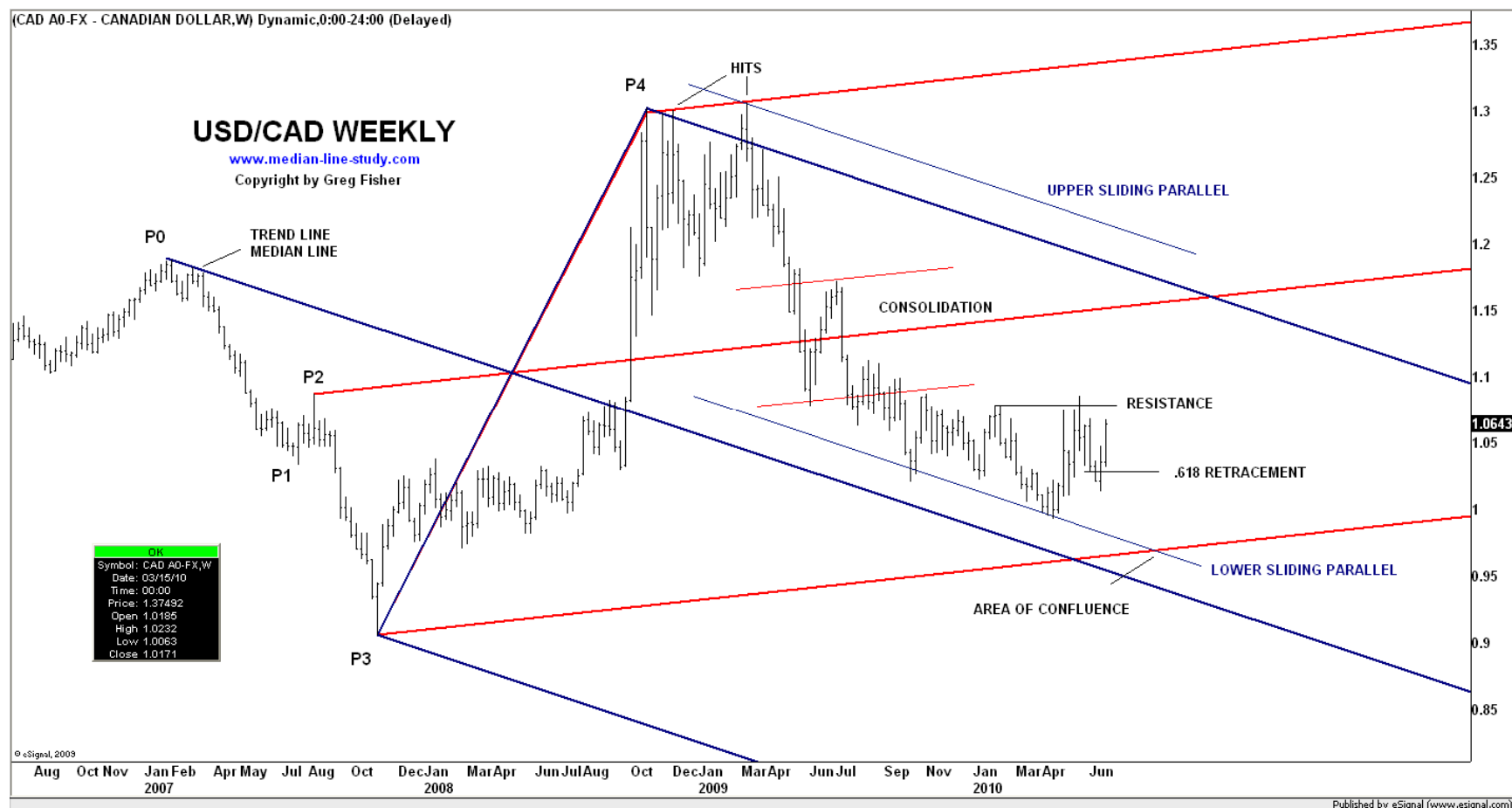
Last week I noted, “If price breaks below the green lower Median Line parallel before reaching the green Median Line, the price failure rule will be enacted with the expectation price will fall further than it did on its approach to the Median Line.” Price did fail to reach the green Median Line and fell below the “C” pivot – this fulfilled the price failure rule.

The next line of support was the blue lower MLH, which did provide support. Several excellent low risk entries were available as price bounced off the blue lower MLH before heading higher. The blue sliding parallel was added as the first upside target because the first swing up from P5 to B failed to reach the blue Median Line, it can surely be possible that this swing up will as well.

The red reaction line is still a potential upside target.

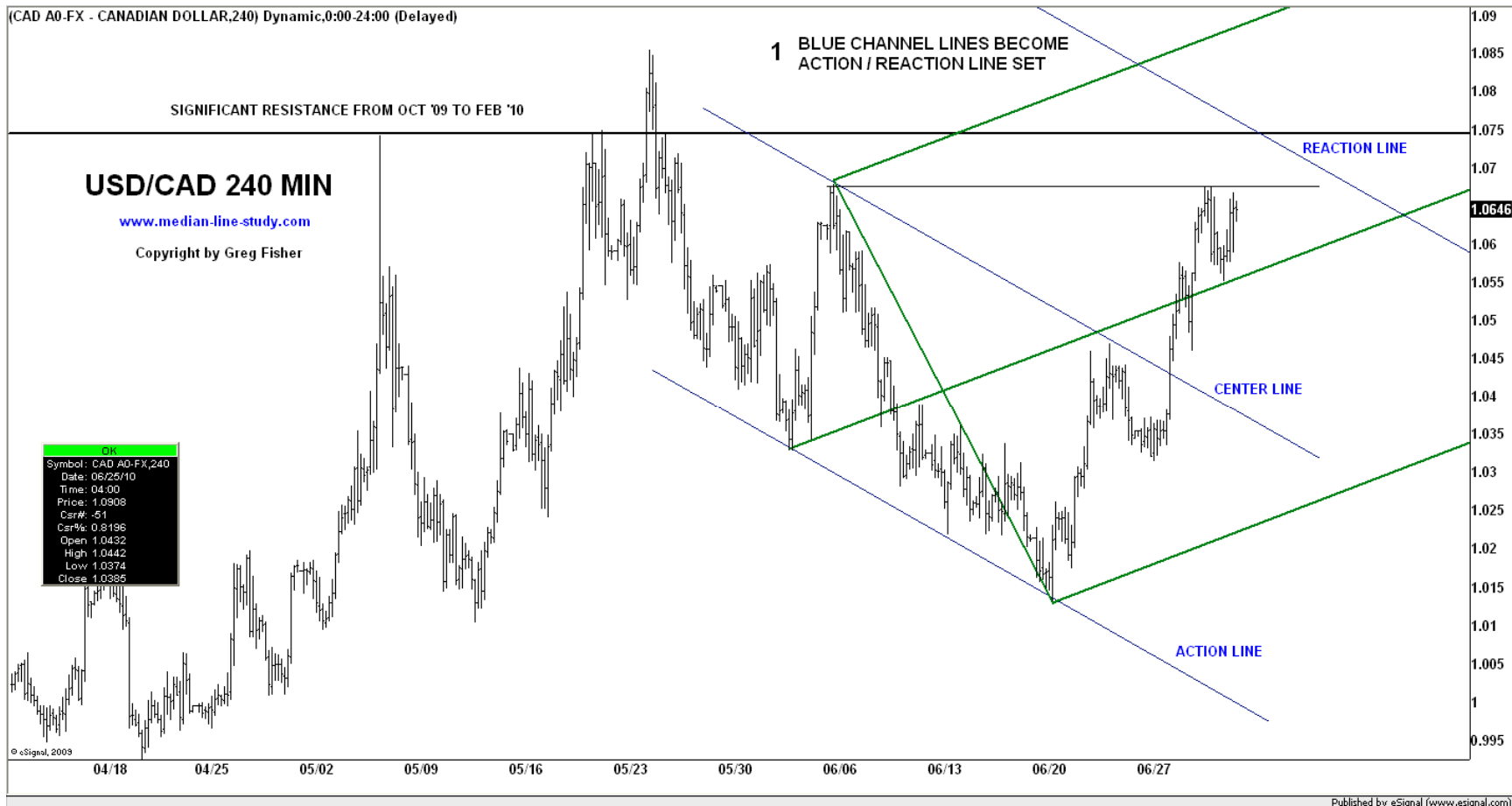
The short-term chart is in an uptrend, but still appears to be a correction against the major downtrend.

The Big Picture



The blue Median Line is a standard Median Line drawn from P0, P3, P4. Although price broke above the blue upper MLH before falling, The Median Line may still have magnetic power as it is a trend line Median Line. I added the sliding parallel above the blue upper MLH and a lower sliding parallel above the Median Line equidistant above the Median Line as the upper sliding parallel is above the upper MLH as a potential line of support.

The red Median Line set is drawn from P2, P3, P4. Notice the hits on the red upper MLH and the symmetrical consolidation around the Median Line. Price may be trying to build a long term bottom. The black horizontal line is upper resistance, and a move above that line would signal in a change in trend. Price made a bullish bar last week, but is still below the horizontal resistance line.



Price did not fall down to the green lower Median Line parallel, but quickly reversed and accelerated through the upper blue channel line. As soon as price penetrated the blue upper channel line, an action/reaction line set could be constructed. The upper blue channel line becomes the center line; the lower blue channel line becomes the action line. Another line, the reaction line is drawn equidistant above the center line as the action line is below the center line. The reaction line becomes the first target.

Notice the action around the green Median Line. Price moved through it, retraced, moved through it again, retraced, then found support on the line before moving higher. Price ends the week just shy of the last swing high.

Shouldn't price reach the green MLH? Maybe. Look at all the work it has to do to get there. Price has to pass the short-term horizontal resistance line, the long term horizontal resistance line, and the blue reaction line. Can it? It certainly could. If price does break all this resistance and move to the green upper MLH, what does that say about the long term trend?

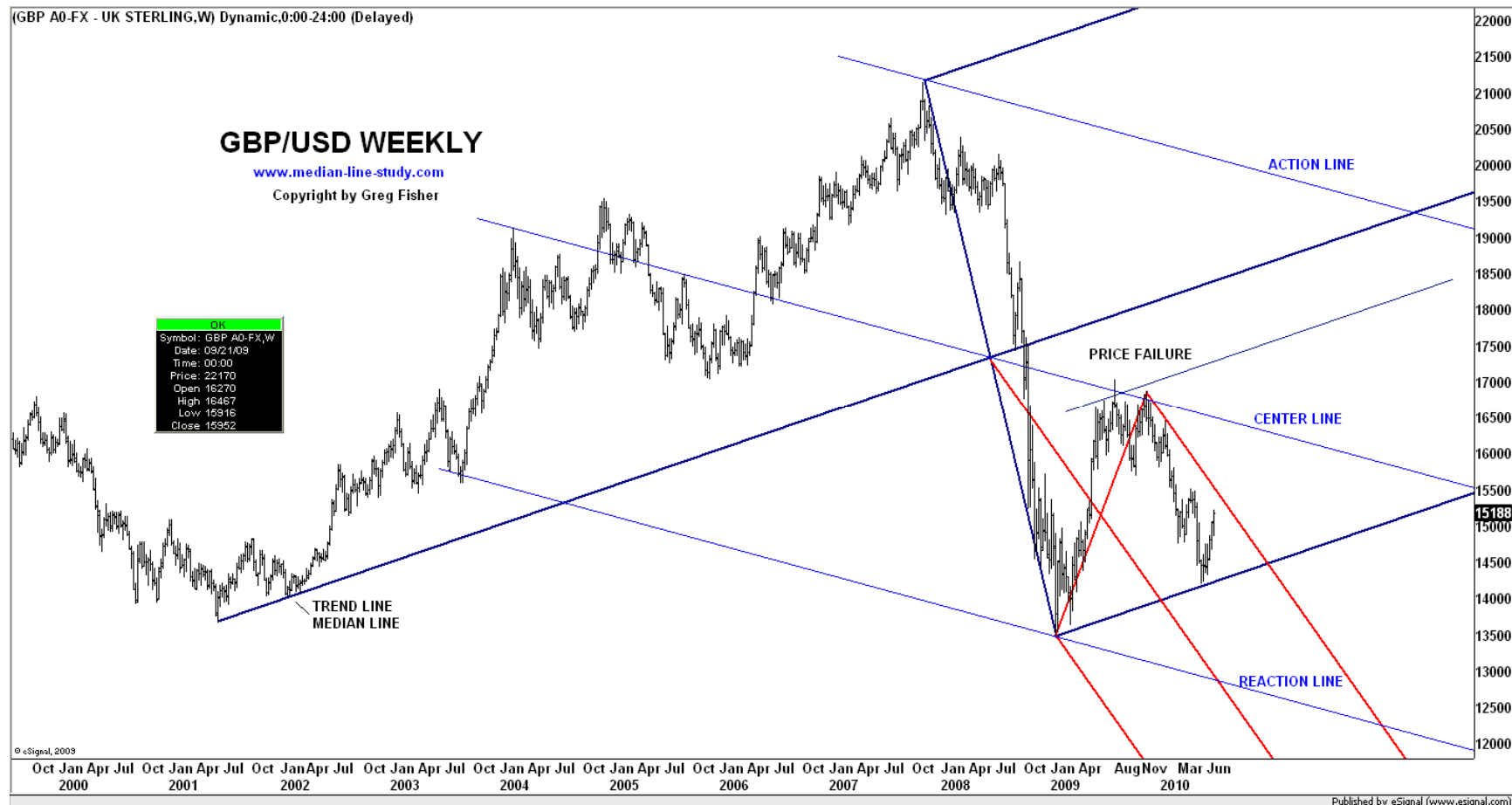


Last week I was watching to see if the red reaction line would hold price. It did.

This is a very good example of how channel lines (upper – center line, lower – action line) becomes an action/reaction line set when price breaks above the upper channel line. The expectation is for price to AT LEAST reach the reaction line and watch for a reversal. Price did reach that line and did indeed reverse.

Once it is clear that price has changed trend as indicated by the series of lower lows and lower high, the last major swing high pivot can be labeled, P6. A Median Line set can now be drawn from the major high, P0, major low, P3, and what we are assuming is the next major high, P6. The Median Line set should lie nearly directly on top of the action/reaction line set. Price is expected to once again return to the Median Line. If it doesn't the price failure rule is enacted.

The Big Picture



Because price failed to reach the Median Line and broke below prior swing lows, price is expected to move further in the opposite direction as it did on the way to the Median Line. Essentially, Median Line theory suggests price will fall below the low at the beginning of 2009. Price dropped last week, but did not quite reach the lower MLH. The lower MLH appears to be temporary support as price has rallied off the line.

I added a red modified Schiff Median Line set to the chart as a potential target in case price drops below the blue lower MLH.

I also added an action/reaction line set. The center line proved to be good resistance. The reaction line is the eventual target.



Last week I discussed the move upward gained acceleration as the rate of change is greater than previous moves as noted by the slope of the green lines versus the slope of the more recent black lines. I adjusted the black lines a little as the slope became slightly steeper as price progressed this week. Price is once again at the upper line. A return to the lower black channel line is very probable in the near term.

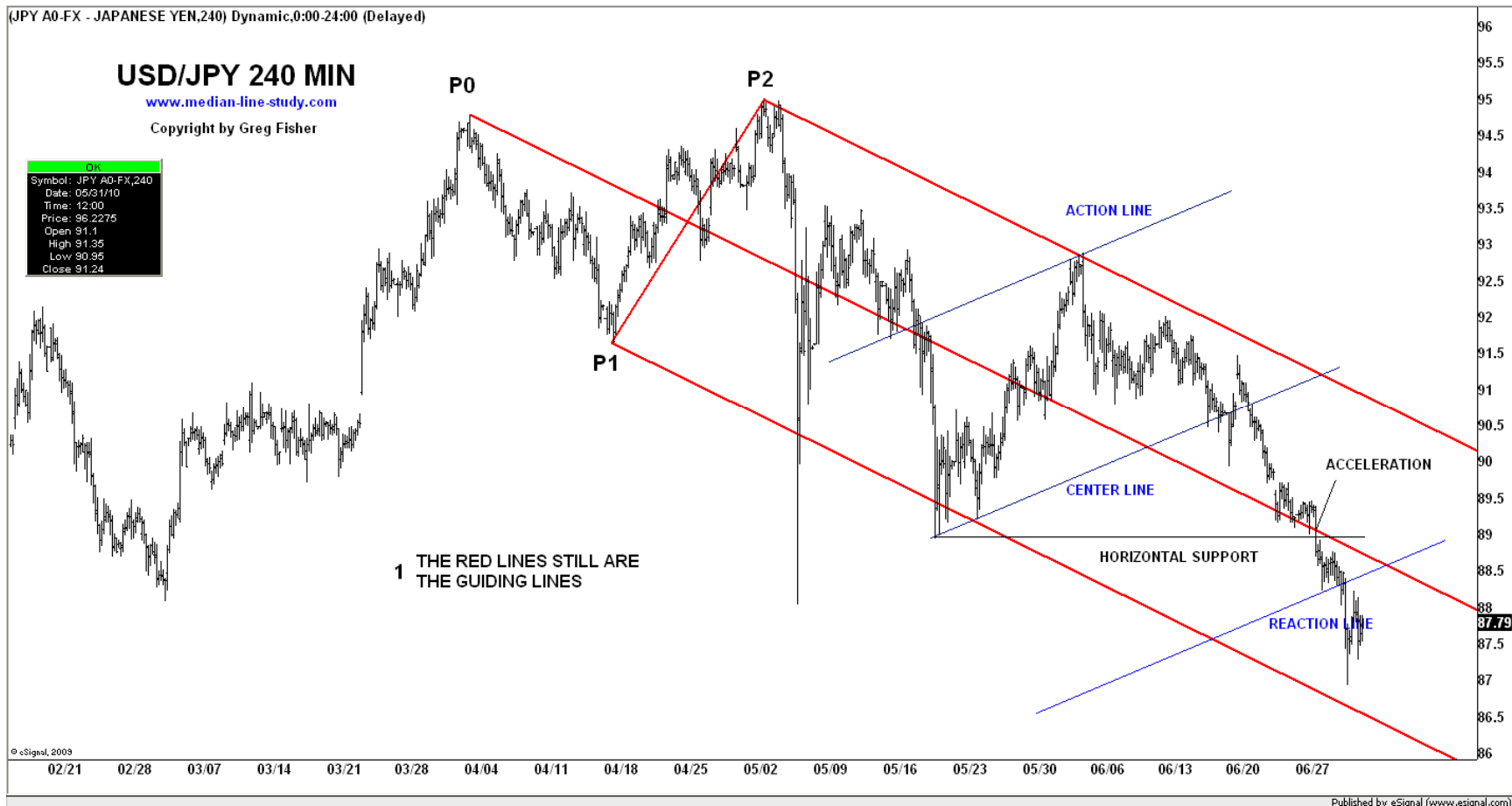
The green reaction line is still the first upside target.

Because the long term chart suggests that a further drop is likely, the current rally will be viewed as a correction against the longer term down trend, but this counter trend rally appears it has more room to go. This rally may very well take price to the red upper MLH on the long term chart as a minimum target.



Price had been contained by the blue trend line (labeled center line) for about two and a half years. Copying the center line down and labeling it “action line” gives a clear down sloping channel that price has been contained within during this time.

When price breaks above the center line, we draw a reaction line equidistant above the center line as the action line is below the center line. The expectation is for price to reach the reaction line. The red Median Line set drawn from the last low-high-low pivots projects the path price will take. The red lower Median Line parallel and sliding parallel have failed. The red set will be erased. The expectation now is for price to move below the last major swing pivot where the lower MLH was drawn from.



Last week I noted, “As the week opens, it will be interesting to see if price accelerates through the line or simply continues to drift downward. A jump higher is also a possibility, but there does not appear to be any signs that it is as likely as a further move down.”

Price accelerated through the red Median Line and horizontal support line. Price worked its way through the blue action reaction line target as well.

When price accelerated through the red Median Line, it suggested that the lines still have power. A move to the red lower Median Line parallel is more likely because price has proven it is still influenced by the lines.

The Big Picture



Price had been in a steady down trend defined by the down sloping red Median line. Notice that the red Median Line is a trend line Median Line because price hit the “handle” of the set a couple of times. Also notice that price reversed off of the Median Line and returned to the upper MLH and reversed back down. However, price failed to return to the Median Line at P3 and headed higher breaking above prior swing highs. Price also broke above the red upper MLH. Median Line theory suggests that if price fails to reach the Median Line, price will move further in the opposite direction.

The blue Median Line set projects a potential path for price. The lower MLH is support and as long as price stays above the blue lower MLH, the blue Median Line set will maintain its credibility and usefulness. Price closed near the blue lower MLH – if it breaks the uptrend line is the next potential line of support.



Price continued to fall and broke through all support levels mentioned last week.

Price made no attempt to rally anywhere near the red upper resistance line. The next potential lines of support include the horizontal support line from the double swing lows near P2 and then the green 2nd warning line.

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