



“...Let us run with patience the race that is set before us.” Hebrews 12:1

A www.insiidetrack.com Reprint

by Eric S. Hadik

2005: 6-12 Month Dollar Rebound/Euro Decline?

Euro Constitution Votes Could be Wild Card...

“He gave me this explanation: ‘The fourth beast is a fourth kingdom that will appear on earth. It will be different from all the other kingdoms and will devour the whole earth, trampling it down and crushing it.

The ten horns are ten kings who will come from this kingdom. After them another king will arise, different from the earlier ones; he will subdue three kings.

He will speak against the Most High and oppress his saints and try to change the set times and the laws.”

*Daniel 7: 23 - 25a
(New Int'l Vers. ©1986)*

Reprints of Analyses from December 2004 - April 2005...

Outlook 2005: **“CURRENCIES:** The Dollar was expected - in **Outlook 2004** - to rally from a February 17-27, 2004 low to a late-July/early-August 2004 peak. The Dollar bottomed during the week of Feb. 17-20th, 2004 and then rallied into May. It dropped and then saw another surge into late-July. However, the weekly trend had turned down in July forcing the subsequent late-July/early-August peak to be a lower high instead of a higher high.

This led to the resumption of the Dollar bear market which was compared to the action of 1987 - when a Dollar low occurred at the very end of the year and led to an 18-month rebound. The Euro was expected to set a late-December 2004 peak and then not exceed those highs for at least a few quarters. The Dollar bottomed after a 33-week decline (the most prevalent cycle since before the 2001 peak) while the

Euro topped - during the final days of 2004.

This scenario remains in force and the Dollar is likely to advance (at least) into its next convergence of weekly cycles in early July 2005. This could even extend into late-October, when the second alignment of weekly cycles - in 2005 - occurs.

*The potential - and I STRONGLY EMPHASIZE **POTENTIAL** - emerging from these analyses (precious metals, Dollar, Syria, climate/sunspots, etc.) - is that 2005 will see some ‘consolidation’ before a more significant move into 2006 (and then on into 2007/2008).”*

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*12-30-04 [INSIIDE Track](#): “The **Dollar** remains in what is expected to be a 4-6 year bear market and also in the throws of a ‘5th’ wave decline - with long-term support at 80.15 - 81.05/DX. It is now testing this support, setting the stage for an important decision at year-end.*

This pattern is reminiscent of 1987/1988 when the Dollar completed a multi-year decline on the final day of the year - and then rebounded for the next 18 months. This rebound did not change its ongoing bear market - just as a bounce in 2005 is not expected to impact the current bear market - but did provide an extended respite from the preceding years of Dollar selling.

*The **Euro** has just attacked yearly resistance - at 136.94 - and could reverse lower next week, just as the Mark did in 1987...*

As stated in November, all three currencies appear to be in ‘5th’ wave moves with various timing indicators showing that a reversal should be seen before year-end. Intra-year trends (down in Dollar/up in Euro & Yen) have pushed this to the limit, extending these trends into the final week of 2004...

6-12 month & 1-3 year investors can average into Dollar long & Euro short positions at this time.”

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(Continued on page 2)

01-31-05 INSIIDE Track: "The **Dollar** remains in what is expected to be a 4-6 year bear market but may have completed a preliminary '5th' wave drop (support at 80.15 - 81.05/DX). It needs a weekly close above 83.90/DXH to reverse its weekly trend up & confirm that a 2-3 month low is intact.

The **Euro** did reverse lower immediately after attacking yearly resistance at 136.94. As observed last month, this mirrors the action of the German Mark (the best parallel to the Euro) in 1987. This could usher in a 6-12 month (or longer) correction in 2005.

... The Dollar has rallied as far as it can without reversing its 1-3 month and 3-6 month trends (to up and to neutral, respectively). Similarly, the Euro has dropped as far as it can without reversing its trends. It will take a weekly close above 83.90/DXH and below 130.32/ECH to usher in the next stage of expected counter-trend moves.

6-12 month & 1-3 year investors should have averaged into Dollar long & Euro short positions in late-December/early-January."

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02-28-05 INSIIDE Track: "The **Dollar** remains in what is expected to be a 4-6 year bear market but may have completed a preliminary '5th' wave drop (support at 80.15 - 81.05/DX). It gave a weekly close above 83.90/DXH & reversed its weekly trend up, confirming that a 2-3 month low is intact.

If the Dollar can give a new weekly close above 84.14/DX, it will signal that a rally into mid-year is underway.

The **Euro** did reverse its weekly trend to down, reinforcing the scenario for a 6-12 month correction beginning the first week of January. A weekly close below 127.35/EC is needed to trigger the next phase.

6-12 month & 1-3 year investors should have averaged into Dollar long & Euro short positions in late-December/early-January."

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03-31-05 INSIIDE Track: "The **Dollar** provided the next confirmation that a 2-3 month low is intact (weekly close above 84.14/DX). This signaled that a rally into mid-year is underway, which would be powerfully validated by a weekly close above 85.47/DXM (the previous wave peak).

The **Euro** reinforced its scenario for a 6-12 month correction beginning the first week of January. A weekly close below 127.35/ECM will add confirmation.

... The Dollar completed a '2' wave correction (down) while the Euro & Yen completed corresponding rebounds. They are now showing signs of entering '3' waves (up in the Dollar/down in Currencies), which should accelerate in the months ahead.

6-12 month & 1-3 year investors should have averaged into Dollar long & Euro short positions in late-December/early-January."

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04-30-05 INSIIDE Track: "'Outlook 2005' has the chance to be dramatically accelerated in the next couple months. The May 12th & May 29th EU Constitution votes in Germany & France could have a dramatic impact on the Euro currency. Most recent polls show the 'No' side ahead of the 'Yes' side in France - an outcome that could have disastrous ramifications for European unification.

However, I do wonder if the long-term ramifications will be as bad (if a 'No' vote is even cast) as the French and EU ministers are currently saying. Or, could it just be a way of expediting the move to 'New Europe' and away from 'Old Europe'. In either case, a 'No' vote would probably usher in a period of chaos and reactionary thinking and actions as the EU struggles to maintain its credibility on the world stage.

This would present the perfect opportunity for someone to initially step forward and exert a little more control and authority in the months that follow.

Though students of Biblical prophecy might conclude I am implying one thing (the immediate 'emergence' of an end-times global leader), I am actually just implying that another 'birth pain' - and

a fresh acceleration of these 'birth pains' - could be imminent. I believe this is still a 'process' unfolding... that could take a little longer than many expect.

I am still keeping my eyes on Spain as a key player in the months and years to come. I have described this for the past 5-6 years and nothing has convinced me to alter this (yet). Events in Spain over the past 3-4 years have set the stage for this and at least two significant leaders - King Juan Carlos and Javier Solano - wield a great deal of authority within Europe and have some credibility with Arabs & Jews, as well.

In the interim, France, Germany and the Netherlands have their own 'date with destiny'. Within the next 35 days, each of these countries will vote - either by national referendum or by vote of their representatives - on ratifying the European Constitution.

If this were a 'majority wins' issue, these three votes might seem important but not critical. However, ratification is (currently) an all-or-nothing gamble. Either all 25 voting member nations ratify it... or it is done. Of course, it will probably re-emerge and/or get 2nd and 3rd votes until it passes. However, the die will be cast.

When discussing the four nations cited in the previous 3 paragraphs, there is a little recognized (or publicized) fact that should be kept in perspective. Though 25 nations could ultimately vote on - and be governed by - the European Constitution, the true power lies with only ten of them.

Currently, the Western European Union (WEU) is comprised of only 10 Member Nations and is still the ultimate decision maker behind everything European (see www.weu.int - Delegations). It includes the most powerful nations in Europe, the economic powerhouses AND the seat of the European government (Brussels).

Even after ratification - if it is successful - they have powers that are not likely to be revoked or rescinded. However, could 3 of these nations ultimately be usurped by another nation - or king? (See Daniel 7 passage on page 1.) This may not happen right away, but an interesting precursor or archetype is setting up.

And, could a 'No' vote to the European Con-

stitution - by two of the nations that were most outspoken against enforcing UN Resolutions against Saddam Hussein and the same governments that were most 'dirtied' by Iraqi bribes and future oil & reconstruction contracts - play a role in this transition?

That might or might not be the case - and even the anxiety over a 'No' vote to the European Constitution might be overblown... for now. However, the stage has been set like never before.

May 12th is when the Bundestag votes in Germany (there is not a national referendum in Germany but rather separate votes by the governing Bundestag and Bundesrat) - although that is already being challenged and could be delayed.

May 29th is the national referendum in France (the Maastricht Treaty only passed by a 51% to 49% vote in 1994). If a 'No' vote is cast, there is a chance that the referendum in the Netherlands (June 1st) could be delayed or called off. So, we are entering a period of uncertainty which could spawn an even larger period of political and economic instability in the coming months.

As described in late-2004 and again in recent months, the price action of the Euro was/is expected to be somewhat analogous to what the Mark experienced in 1988/1989 - after topping on the final day of 1987. The referendums on the European Constitution could provide the impetus - and the fundamental corroboration - for this potential.

This brings us back to **Outlook 2005...**

...The Dollar completed a monthly 2 Close Reversal higher on March 31st while the Euro provided a contrasting 2 Close Reversal lower. These signals reinforce analysis for a Dollar rally into mid-year...this could set the stage for a dramatic move if the European Constitution is not ratified by France on May 29th.

A weekly close above 85.47/DXM and below 127.35/ECM would provide the strongest confirmation to this scenario...6-12 month & 1-3 year investors should have averaged into Dollar long & Euro short positions in late-Dec./early-Jan. and should be holding these positions. IT

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INSIIDE Track Terminology

Daily/Weekly 'Trend' – A LAGGING indicator – based on a proprietary indicator – & used in three primary roles. The first is to confirm an evolving trade. The second is to identify the most likely time (within 1-3 periods) for the end of the first wave of a new move. The third is to alert a trader when to prepare for an upcoming 3rd wave move – usually the most dynamic and extensive.

2 Close ReversalTM – A market sets a new high above the previous day's/week's high and subsequently closes below both of the 2 previous closes... or vice-versa (new low and close above both of the 2 previous closes).

Extended 2 Close ReversalTM – A market sets a new high above the previous day's/week's high and closes below the previous day's close (key reversal) but waits an additional 1-3 periods to close below the original 2nd Close... or vice-versa.

2nd Close Resistance/SupportTM – The closing price of two days/weeks prior to the current period and/or the confirmation level of a key reversal that has not yet closed beyond the 2nd Close (in an Extended 2 Close Reversal⓪).

2 Step ReversalTM – A pattern encompassing at least 3 trading days/weeks but no more than 7 days/weeks in which two corresponding 2 Close Reversals occur in the same direction with consolidation in between (but NO conflicting 2CRs in the interim). www.insiidetrack.com

Double-Key ReversalTM – A key reversal (new low and higher close or new high and lower close) followed by a second key reversal in the SAME direction. In other words, back to back days/weeks of new highs & lower closes or new lows & higher closes.

Turn-Key ReversalTM – A key reversal (new low and higher close or new high and lower close) followed by a second key reversal in the OPPOSITE direction. In other words, back to back days/weeks where the market makes a new low and closes higher, only to make a subsequent new high and lower close... or vice-versa.

Intra-month VTM – A month in which a market trades lower into mid-month, then reverses higher (ideally between the 13th & 18th), then rallies and sets new (intra-month) highs before the end of the month. www.insiidetrack.com

Intra-month Inverted VTM – A month in which a market trades higher into mid-month, then reverses lower (ideally between the 13th & 18th), then declines and sets new (intra-month) lows before the end of the month.

Intra-month X-X (Extreme-Extreme)TM – A month in which a market begins at one extreme (high/low) and trades in the opposite direction the remainder of the month – setting the opposite extreme (high/low) in the final days of the month.

MAC, AMAC & MARCTM – Moving Average Channel calculations based on highs or lows of a specified time period.

More detailed and diagrammed descriptions can be found in **Eric Hadik's Tech TipTM Reference Library**.

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