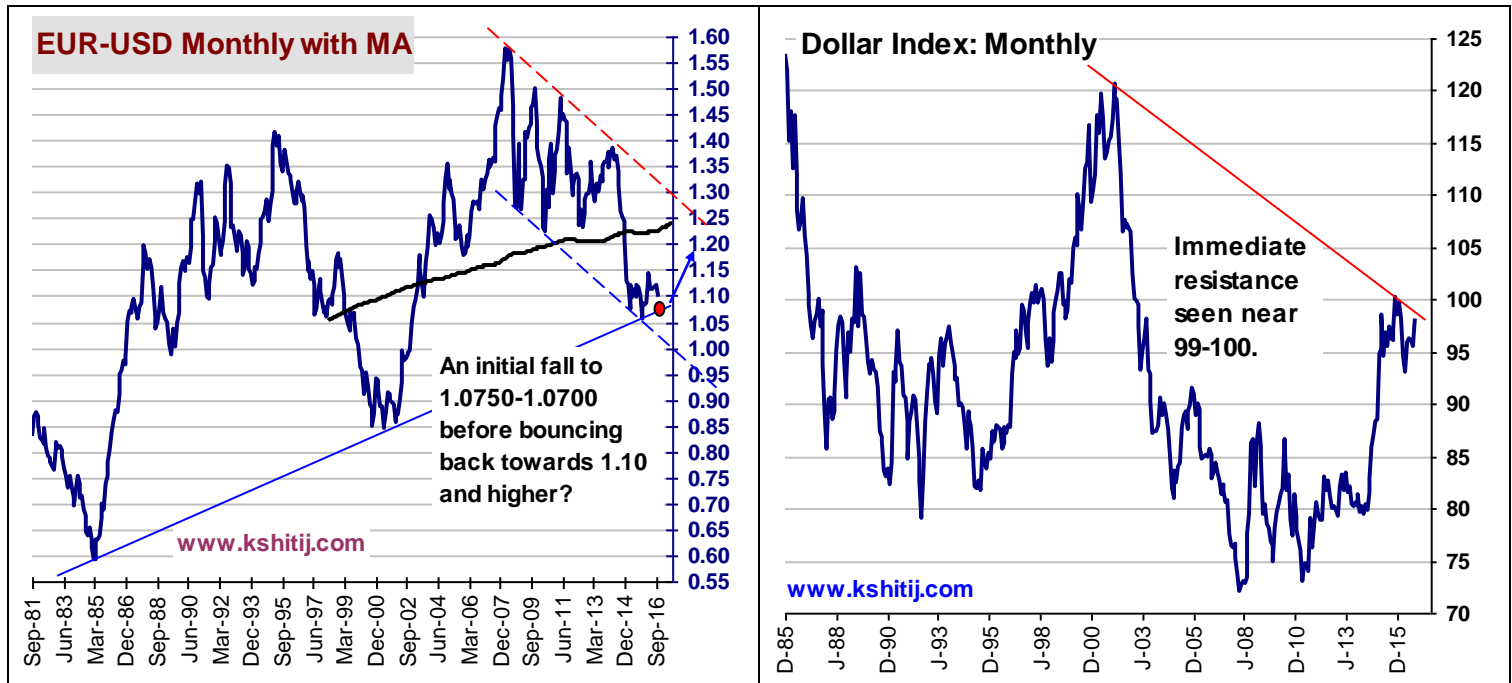


EXECUTIVE SUMMARY:

The Euro traded almost sideways the range of 1.06-1.16 in September and early October, before it saw a sharp fall. The broad 1.06-1.16 region continues to hold well and we do not look at a break on either side in the next couple of months. A breakout on the upside would be preferred in the next quarter though.

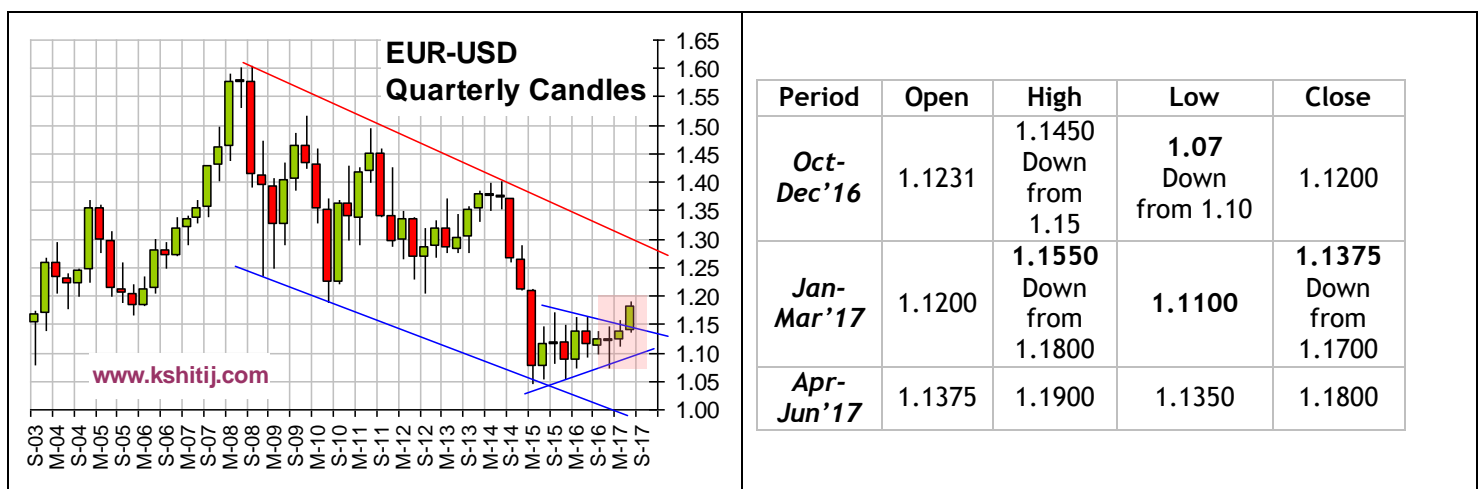


The long term chart since 1981 (the left side chart) clearly shows the support coming up from the 0.60 levels in Mar'85 and leaves a target of 1.07-1.08 for the Euro to be tested in the next 3-4 weeks before it could start rallying towards 1.10 and higher again in the next 2 quarters. The bullish view mentioned in our earlier report remains intact but we could see a dip towards 1.07 before that.

The chart on the right shows a potential double top formation in Dollar Index which if materializes could support the bullishness in Euro for the coming quarters. A high of 99-100 is fairly possible before we expect a sharp fall back to levels near 95 and lower.

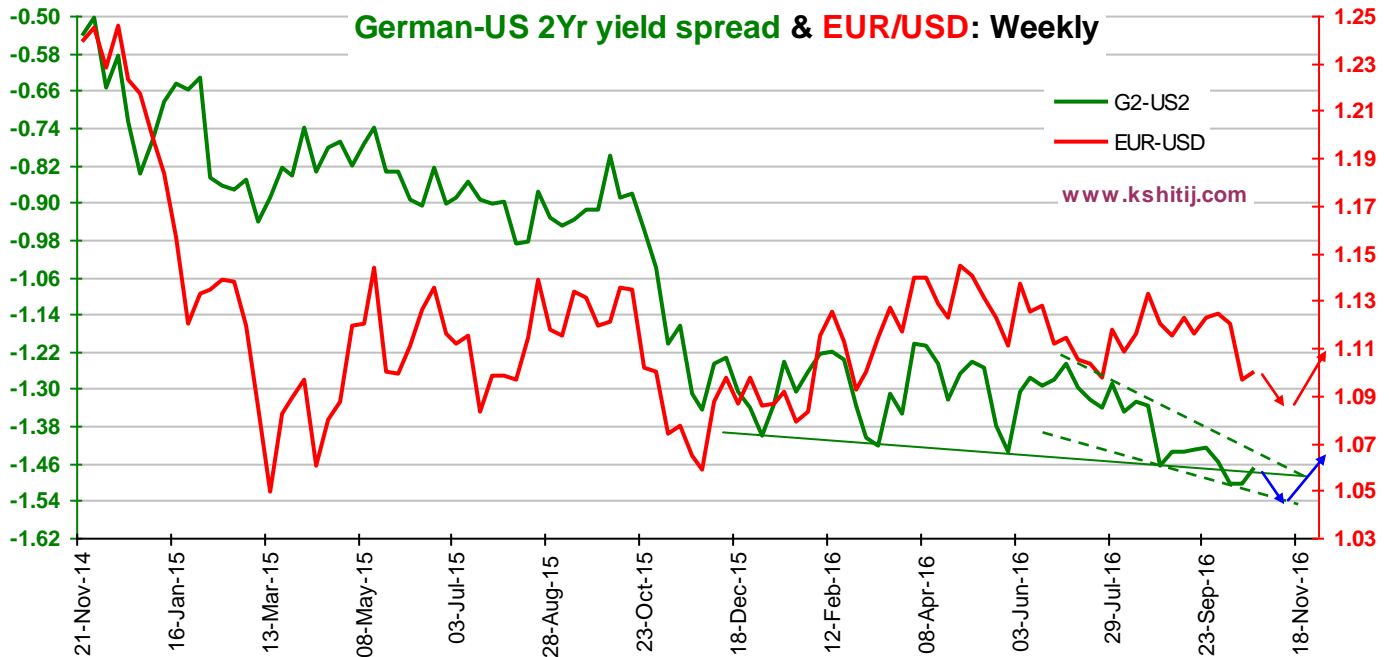
The sudden rise in Dollar Index has resulted in a sharp fall in Euro breaking the immediate support near 1.10. While below 1.10, there is a fair possibility of testing 1.07-1.08 in the near term before bouncing back later. The attempt to test the long term resistance at 1.1450 may be delayed in that case.

Quarterly Projections



Close correlation between EURUSD and German-US 2YR Spread:

The close directional similarity of the German-US 2Yr spread with Euro has often given directional cues for the Euro. The spread has been in a downtrend since end-2014 as shown above but has remained sideways for the past 1yr now. In case the spread continues to move down in the coming months from levels near -1.46%, it could well resume its long term fall and target towards -1.55% before again pausing there. This if seen would be supportive of our view of Euro testing 1.08-1.07 over the current quarter before bouncing back again towards 1.10-1.11 later.



Review of our earlier report:

- 1) The US Dollar has surprised with a sudden up move which has gone against our view of a weak Dollar turning the Euro weak. But our bullish view of 1.1450 remains for the quarter which could be tested sometime in Nov-end or December.
- 2) Our expectation of a rise towards 1.1450-1.1500, if not seen within the next 2months could be delayed going into Jan-March'17 quarter. Keeping this in mind we have revised our bullish probability of testing further high levels of 1.17-1.19 from Jan-Mar'17 quarter to Apr-Jun'17 quarter.