

EXECUTIVE SUMMARY:

Last month we said that either (a) the current decline from 124 can extend to 95-94 in a straight line fall or (b) there can be a sideways consolidation for the next few months before next leg of the final journey to 95-94, where a long term bottom is expected to form.

The sharp bounce from 99.44 to 104.32 in August has not provided any further clarity and ***both the above scenarios still remain probable. We still assign 55% probability to the second possibility of sideways consolidation*** but are unable to discard the first possibility.



The chart above shows the entire decline from 124 to 99 to be perfectly contained in a downward channel. The sharp fall from 107.50 (marked by black 4) suggests that the decline may not be over and another down leg may be either taking shape right now (possible path marked by black line, Scenario A) or may be pending (possible path marked by red lines, Scenario B). The long term targets for this move come at 99.11-98.35 and 95-94.

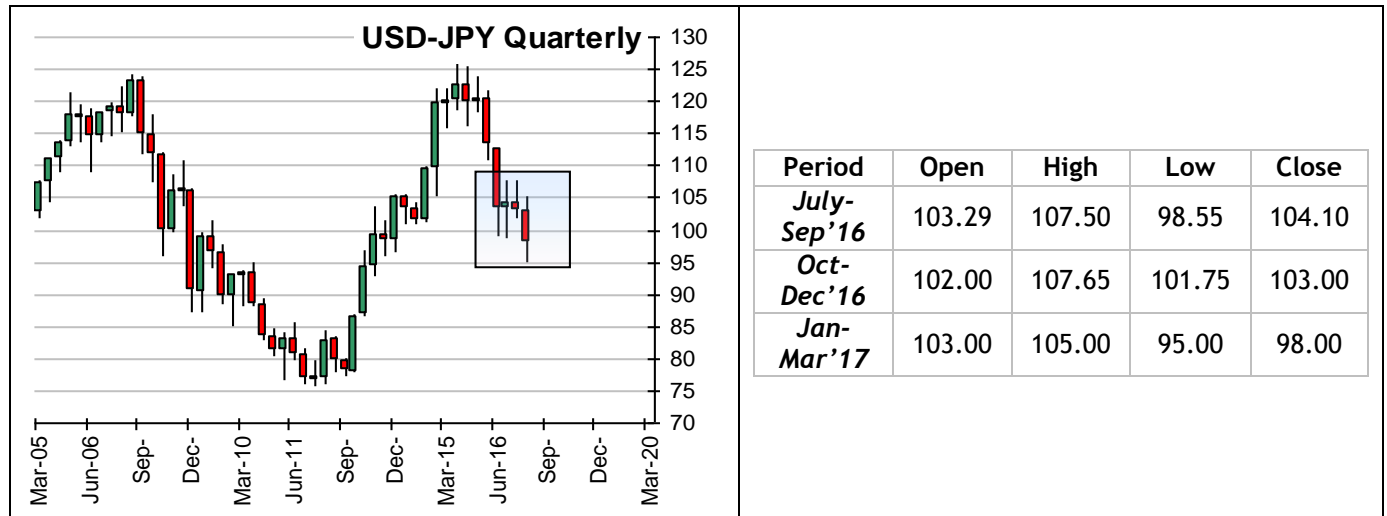
The earlier dilemma of August has not been resolved yet for making a firm choice between the two scenarios. Still, the sideways consolidation followed by a decline (red path) may have a slight edge though the direct decline to 98.00 or lower (black path) can't be ruled out yet.

Alternative View

According to the alternative views, Dollar Yen may see much higher prices than depicted in the chart above. In that case, the downside may remain limited to the current quarter's low of 99.50 and a rise to 107.65 may be seen by the next quarter.

The alternative views have been taken into consideration in the final quarterly projections in the next page.

Quarterly Projections



The low of the current quarter at 98.55 has been kept unchanged as the current decline from 104.32 hasn't showed any firm reversal signs till now and the direct decline possibility (**black path on the first chart**) can't be discarded yet. The Oct-Dec quarter has been modified to a slightly more bullish range of 101.75-107.65 (compared to our August projection of 99-105) to reflect the alternative view of a rise to 107.50-65.

The sideways consolidation scenario in the range of 99-108 (**marked by red lines in the first chart above**) has been taken for this projection which is expected to resolve to the downside in the Jan-Mar'17 quarter. (The box on the chart marks the 3 projected quarterly candles)

Reasons for modification from the earlier forecast:

- 1) Dollar Yen may well be in the 4th wave and a long sideways consolidation in 99-108 can be expected, concluding with a final decline to 95-94 before ending the first major phase of the major downtrend that started from 125.86 in June 2015.
- 2) With the BOJ being unable to find any proper tool to stop the Yen from strengthening, Dollar Yen can see much lower levels. The only way left for BOJ may be a direct market intervention but it may not come before we see the levels around 95. Coupled with the helpless state of BOJ, the much lesser probability of a Fed rate hike may keep Yen stronger till the year end.