The Harmonic Trader Report Monthly

June 2015

"Never Trade the Markets the Same Way Again!"

June 9th, 2015

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Approaching Another Character Defining Moment

Anyone that attempts to analyze financial markets is pursuing an endeavor that seeks to define the predominant trend direction with the highest probability for success – that is, profit. The collective analysis of multiple markets serves as a means to quantify and qualify a general degree of bullishness or bearishness. Too often, traders are consumed by an absolute perspective of total bias that distorts the overall market picture. It is common to lose sight of the opportunities in front of them as they search for greater confirmation of the obvious.

Within the Harmonic Trading approach, the collection of measurements sorts out this confusion and defines particular technical phases where price action exhibits distinct behavior that can be anticipated. Such price action is associated with concrete possibilities that define likely outcomes. When assessing these conditions, I always look for two specific traits of the price action.

1. **Price action that responds and reacts to the prescribed measurements of the Harmonic Trading methodology;**
2. **Price action that follows the ideal model of execution behavior at the completion of defined harmonic structures.**

Most markets express these structures and technical behavior in sufficient numbers that substantiate their relevance and define immediate possibilities as based upon their measurement strategies. From this, it is possible to build an effective argument that explains any market's relative condition.   At the moment, we have several critical financial markets that are exhibiting this behavior, as they challenge important historic harmonic levels. Depending upon how these events unfold, their impact will set the conditions for the character of the market that we can expect for the next several years.

Standard & Poor's 500 Index ETF (SPY): Weekly Bearish 1.618 Extension

For quite some time, we have addressed the long–awaited test of the weekly 1.618 all–time extension in the S&P500 index at 2138. In May, the index fell 6 points shy of this target. I find it interesting that the index has seemingly stalled after a decisive rally up to the 2100 level. Although the progress has yet to continue to the upside, this is to be expected due to the magnitude of the harmonic resistance.

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Standard & Poor's 500 Index ETF (SPY): Weekly Bearish 1.618 Extension

Even more interesting, the index's ETF – the SPY - actually tested its 1.618 extension at 213.40. Although the price action still needs time to digest this obstacle, we have reached another moment within this long-term bull market, where we can closely analyze the character of this trend. For the SPY, the measurement has been tested officially and demands greater attention over the next month or two to monitor the reaction from this resistance. It is still early and the resolution of this objective will require more time to be realized. But, it is close.

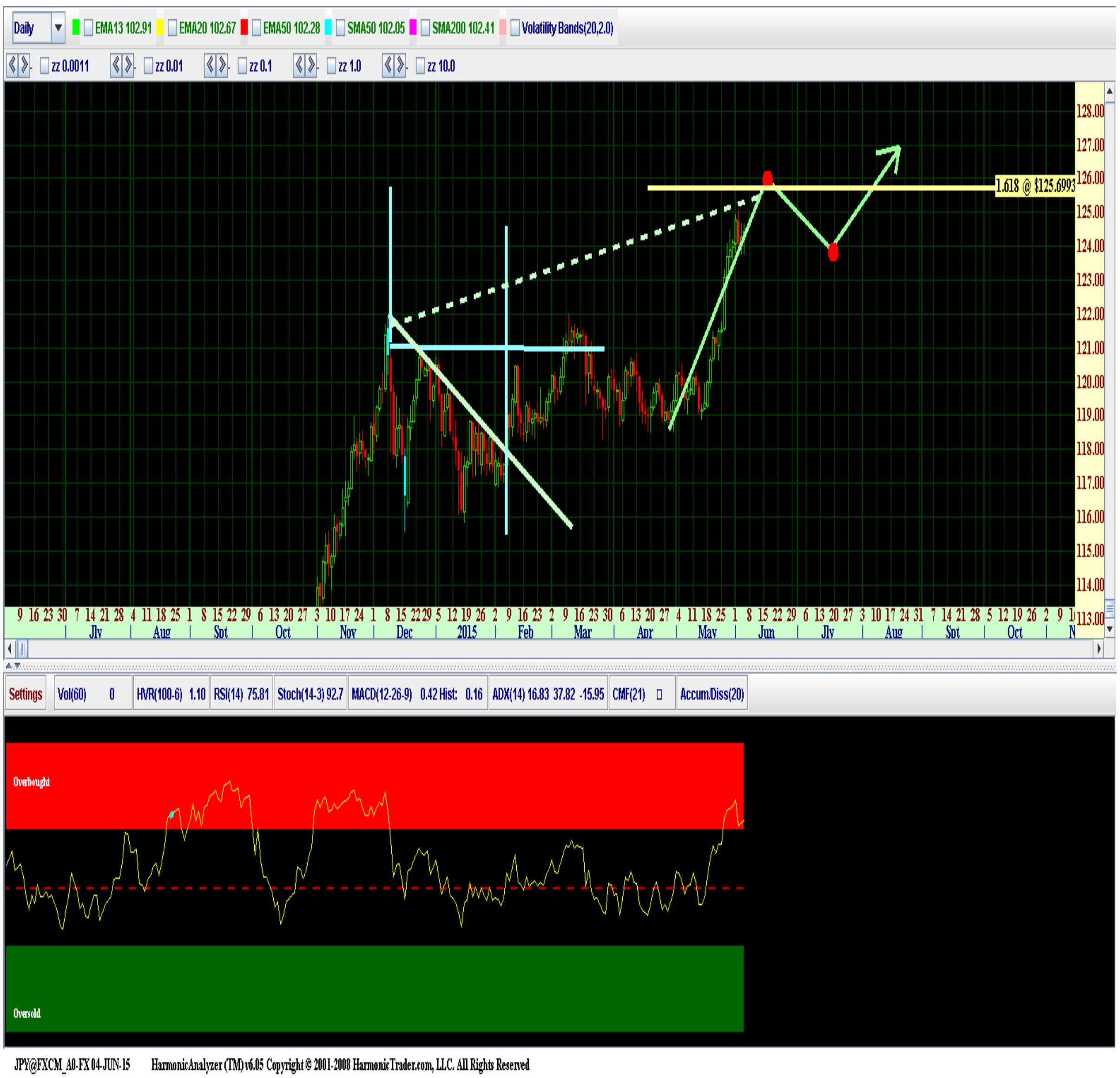
US Dollar vs. Japanese Yen (JPY_A0-FX): Weekly Harmonic Breakout

After a 15-year decline, the U.S. dollar has managed to recover more than half of this damage in a mere fraction of the time. After the recent consolidation at the beginning of year, this currency pair has now resumed its acceleration.

I addressed the importance of the 122 level back in the December report. At that time, several important measurements defined a pause within this strong uptrend. Now, the strength of the breakout in the price action above this resistance has triggered an immediate continuation to much higher levels. From a general perspective, the 125 level is now the breakout point for a larger move to the 140 level to retest the prior peak established in 1997.

U.S. Dollar vs. Japanese Yen (JPY_A0-FX): Daily Bearish 1.618 Extension

In that December report, we looked at the short-term target that defined the 1.618 bearish extension at 125.60 as the next level of consolidation. As of last week, the price action tested this target and it is now retracing recent gains. But, the eventual continuation of the larger recovery is poised to assert itself soon. After this brief pause, the larger possibilities of a continuation to much higher levels become immediately valid beyond this harmonic resistance at 125.70.



Euro Dollar vs. Japanese Yen (EURJPY_A0-FX): Daily Bearish Shark

For the better part of the last year, much of the focus in the currency markets has been on the Euro versus the US. Dollar, while ignoring what has been unfolding in the Yen pairs. Although the Euro has led most major currency pairs to the downside, it seems that that acceleration is now switching over to the Yen. In fact, the Euro versus the Yen has been gaining ground, and it recently broke out to the upside. The immediate price action is poised to reach for the 147 level, where an important Bearish Shark has formed and confirms the accelerated shift to Yen pairs.

EURJPY@FXCM_A0-FX 04-JUN-15 HarmonicAnalyzer (TM) v6.05 Copyright © 2001-2008 HarmonicTrader.com, LLC. All Rights Reserved

Eurodollar (EUR_A0-FX): 60-Minute
Bullish Gartley in Bullish AB=CD Potential Reversal Zone (PRZ)

Over the past two months, the Euro has reversed from an important inflection point established by a weekly Bullish AB=CD pattern. This Potential Reversal Zone (PRZ) defined the area between 1.06–1.0790 as critical harmonic support. Although the longer- term structure does suggest an eventual decline lower, the immediate action is rebounding from an extremely oversold condition that resulted from the sharp decline the first part of the year.

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I have outlined this situation and an important short-term Bullish Gartley on the 60-minute chart that confirmed the weekly support zone. For now, the price action continues to hold above these levels, which suggests that further consolidation is required before resuming any downtrend. Although the Euro is finding some stabilization at these levels, the price action is still lackluster. At best, I believe the Euro will move sideways to slightly higher without much fanfare over the next several months. Again, this confirms a switch to favor acceleration in the Yen pairs more than the Euro.

Japanese ETF (EWJ): Weekly
Bearish Bat Pattern

A few months ago, I outlined the scenario in the EWJ. The large-cap ETF for the Japanese Nikkei index has slowly but steadily climbed from the lows established at the end of the last bear market in 2009. The price action has formed an ideal Bearish Bat structure that is poised to retest the prior all-time high. The interesting aspect of this structure is the relative position and breakout of the recent move to complete this long-term pattern.

Although the price action has been a slow grind up, the direction and target are quite clear. The weekly pattern establishes the $15 level as the upside target within this move. At current levels, this makes the ETF another long position that will likely benefit from a devalued Yen.

Sony (SNE): Weekly
Bearish Bat Pattern

After a long decline, Sony has recently recovered only a portion of what it has lost the past 10 years. The stock has enjoyed an impressive run last 12 months and it is poised to continue higher. The immediate objective for the stock sits at $37, where a distinct Bearish Bat pattern has formed from the historic low established in 2012. The stock has rallied from under $10 a share to as high as $30 in recent weeks. Due to the current strength of this breakout, price action will easily reach the Potential Reversal Zone for this pattern later this year.

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The larger consideration of this rebound scenario includes a complete retracement of the prior bear market to test the 88.6% harmonic resistance level just above $54 a share. This will require some time but becomes increasingly likely, especially if the Japanese Yen depreciates quickly against US dollar.

Toyota Motors (TM): Weekly
Bearish Crab Pattern

Although the Japanese carmaker Toyota has experienced an impressive rally in the past year, the stock has room to run. The weekly chart shows a distinct Bearish Crab pattern that defines the immediate upside objective at the 155 level, which is about 10% higher. I expect this to be tested by year's end, as well.

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June Conclusion

The U.S. markets have stalled lately and seem uninspired. Despite this lull in the long-term acceleration, other markets are clearly heating up. The recent acceleration of the U.S. Dollar versus the Japanese Yen provides an early indication of the rotation that has begun. The Euro will likely attempt to regain some of what it has lost year-to-date. Of all of these markets, the Euro versus the Yen provides the greatest indication of this rotation. I would watch this currency pair closely over the next month, as it is poised to accelerate quickly to the critical weekly target at much higher levels. Although I am still bullish on the U.S. equity markets, I believe there will be even greater opportunities in the months to come in the Asian markets. Clearly, China has experienced a sharp rally over the past few months and I believe this is likely to spread to Japan and other countries in that region of the globe. Finally, the long-term charts for the U.S. Dollar and the Euro - both versus the Yen - show that there is still a great deal of ground yet to be recovered, especially in comparison to the past 15 years. Therefore, their continued breakout over the next several weeks will tell us a great deal of what to expect for the second half of the year and beyond.

Please feel free to contact me at HarmonicTrader@HarmonicTrader.com, as I welcome your comments, questions and suggestions. If you are a trial member or wish to receive future reports, please sign up here:

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Best Regards,

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