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EWF YEARLY FORECAST

2/7/2017

SPX should remain bullish against February 2016 low

Cycle from 2.2016 low in SPX is mature but the Index still has scope to extend higher towards 2320 – 2376 area and even as high as 2467 – 2557 area. This view is supported by other Indices, such as ASX All Ordinary and FTSE which are showing incomplete bullish sequence from 2.2016 low. However, after the final push higher, cycle from 2.2016 low in SPX should end sometimes this year, and the Index should then see a larger 3 waves pullback to correct cycle from 2.2016 low before the rally resumes. We don't like selling the Index and our strategy remains to buy dips in Indices in 3, 7, or 11 swing as far as pivot at 2.2016 low remains intact.



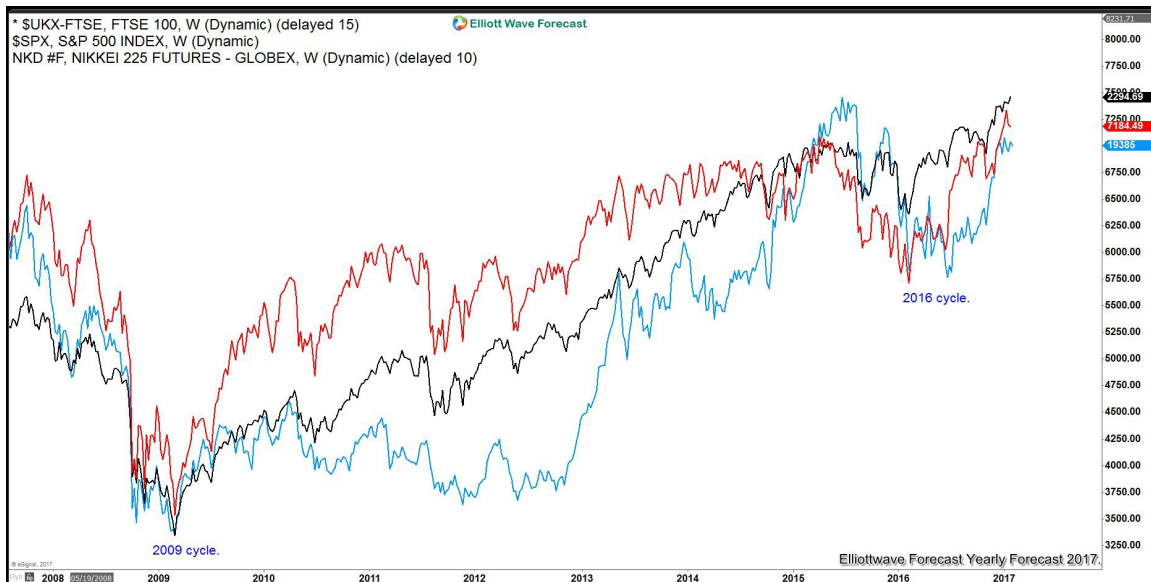
FTSE Showing a bullish sequence from all time low



FTSE is showing a 5 swing bullish sequence (higher high) from all-time low suggesting that cycles remain bullish and buyers remain in control. Furthermore, the Index is also showing a 5 swing bullish sequence from 2009 low and the fourth swing ended at 2.2016 low. Similar to other global Indices, FTSE is currently in the process of ending the cycle from 2.2016 low, which should happen sometimes this year, perhaps by the second quarter. When FTSE finish the cycle from 2016 low, it will be counted as the fifth swing from 2009 low, then the Index should pullback in 6th swing to correct the cycle from 2.2016 low before turning higher again in the 7th swing towards 9189 – 10424 area. Thus, preferred strategy remains to buy dips in 3, 7, or 11 swing in the Indices group.

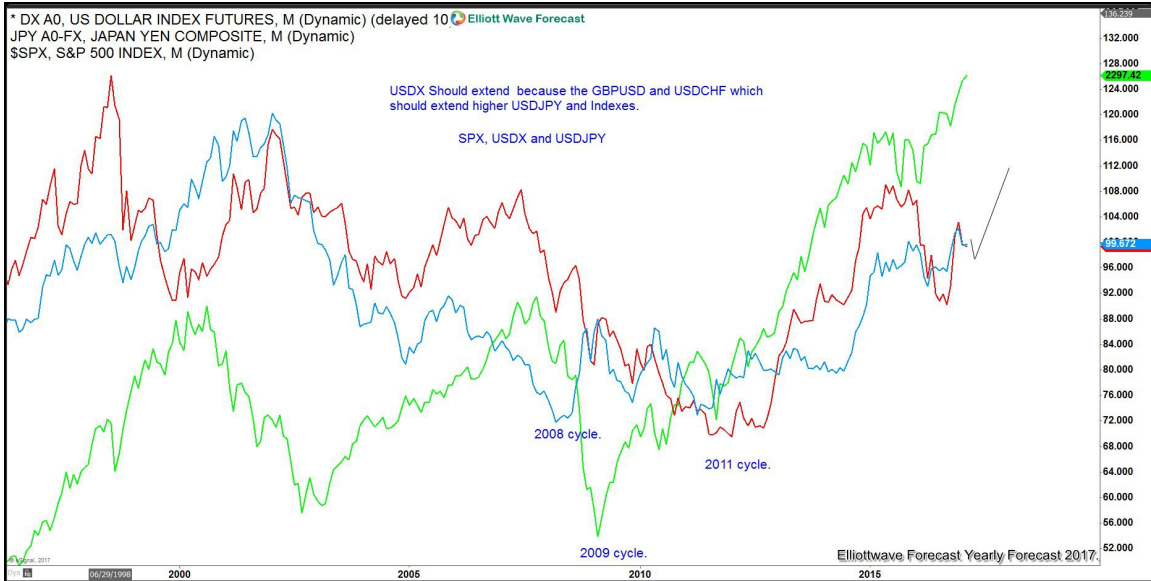
A look at 2009 and 2016 cycles in FTSE, SPX and Nikkei

An Overlay of FTSE, SPX, and Nikkei above show that they all have the same cycle and show the same low at 2009 and 2016. As FTSE is showing incomplete sequence from 2009 low and expected to resume higher once the Index has finished correcting the cycle from 2016 low, we should expect the same with regards to SPX and Nikkei. Both Indices should also correct cycle from 2016 low sometimes this year in 3, 7, or 11 swing, but as far as the pivot at 2016 low remains intact, both Indices should then resume the rally to new high again.



A look at SPX and USDX cycles

An overlay of SPX (green), USDJPY (red), and USD Index (blue) charts above suggest they share similar cycles and positive correlation. From earlier charts, we have already drawn a conclusion that cycle from 2008 low and 2011 low in USD Index should extend higher due to the fact that cycle from 2008 high in GBPUSD is showing incomplete bearish sequence and cycle from 2008 and 2011 low in USDCHF is showing incomplete bullish sequence. A bearish GBPUSD and a bullish USDCHF in the weekly time frame means that USD Index is bullish in the weekly time frame. We have also concluded that cycle from 2011 low in USDJPY should extend higher as the pair has the same cycle with USD Index and is positively correlated. SPX chart (green) above also shares the same positive correlation with USDJPY and USD Index, thus we expect that cycle from 2009 low in Indices should extend higher as well.

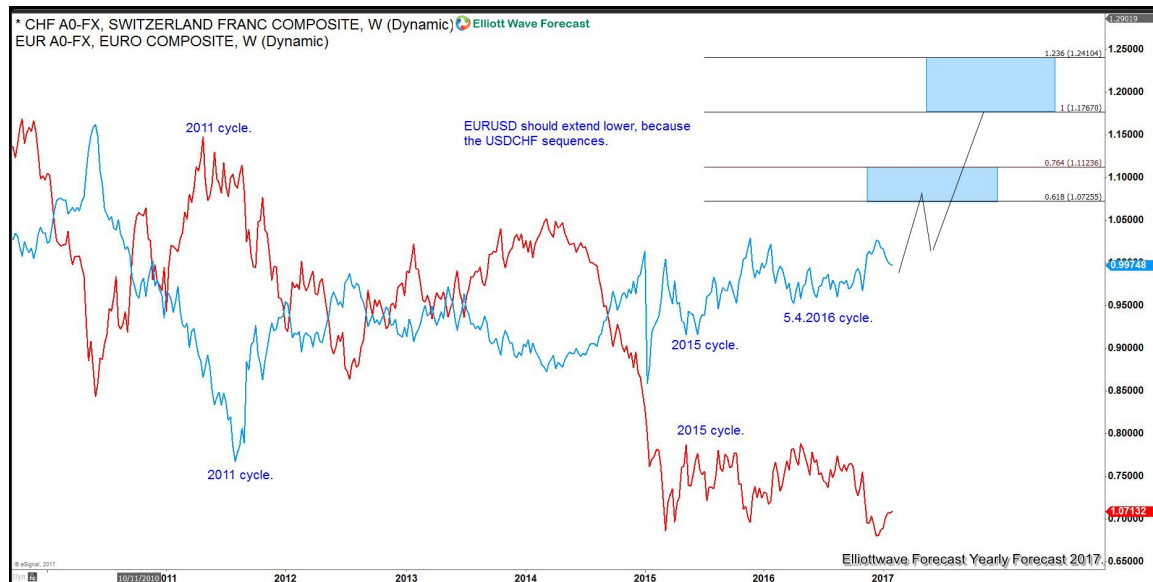


USDJPY and USDCHF have the same cycle from 2011 low



An overlay of USDCHF and USDJPY above suggest that they have the same cycle and both made an important low in 2011. Further observation on USDCHF sequence (blue color) suggests that the pair is showing a bullish sequence (higher high) from 8.2011 low. In addition, the pair is also showing a 5 swing bullish sequence from 1.2015 low (date not shown on the chart). This suggests that more upside is expected in USDCHF, which should imply the same with USDJPY as they trade in the same cycle.

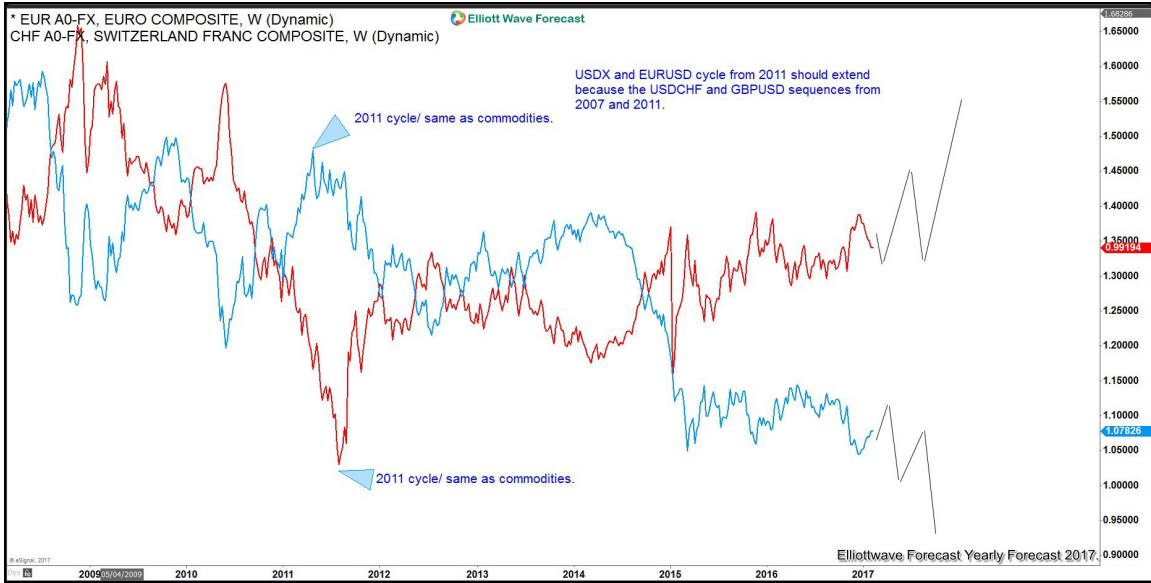
USDCHF bullish sequence should drag EURUSD lower



An overlay of USDCHF (blue color) and EURUSD (red color) above is showing an inverse correlation between the two pairs. As an example, USDCHF made an important low in 2011 while EURUSD made an important high in 2011. USDCHF is showing a bullish sequence both from 8.2011 low and also from 1.2015 low. The pair has an upside target of 100% - 123.6% area of 1.176 – 1.241. As they exhibit an inverse correlation, we expect EURUSD to also resume the decline to new low when USDCHF finally resumes the next leg higher.

An overlay of EURUSD and USDCHF cycles

An overlay of EURUSD (blue) and USDCHF (red) charts above show that they also have the same cycle with commodities starting from 2011 high / low. However, unlike the commodity pairs, this cycle from 2011 in EURUSD and USDX remains alive due to the bullish sequence in USDCHF from 8.2011 low and also from 1.2016 low with a target towards 1.179 – 1.243. In addition, GBPUSD as another component of USD Index also is showing a bearish sequence from 11.2007 high and looking for more downside towards 0.758 – 0.939 area. The combination of a higher USD Index (i.e. lower EURUSD, lower GBPUSD, higher USDCHF) and a bullish commodity pairs (i.e. bullish AUDUSD, bullish NZDUSD, and bearish USDCAD) suggests that the commodity crosses such as EURAUD, EURNZD, EURCAD, GBPAUD, GBPUSD, and GBPCAD are bearish this year.



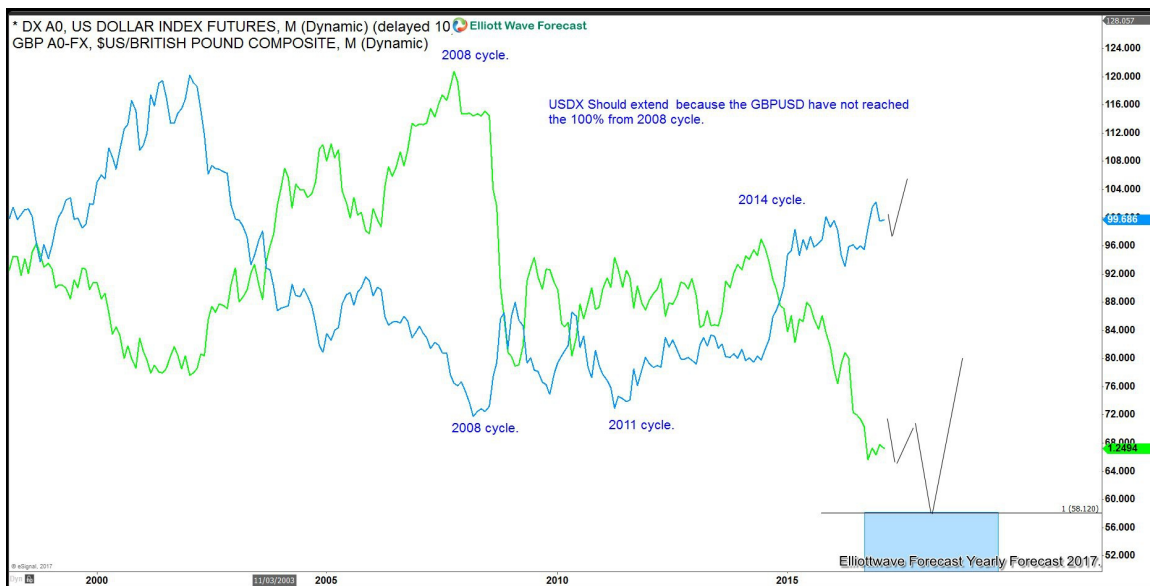
USDCHF and USDX showing the same cycles



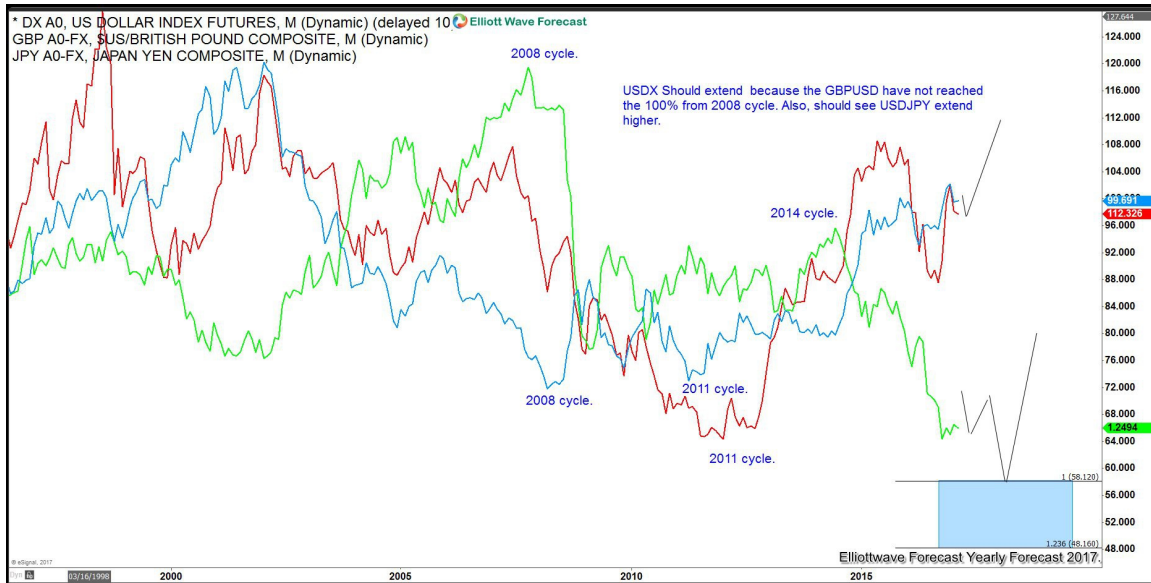
An overlay of USDCHF (red) and USD Index (blue) charts above suggest they follow the same cycle. The weekly sequence of USDCHF is clear and it is showing a 5 swing bullish sequence from both 8.2011 low and 1.2016 low. This suggests that cycle from 8.2011 low remains intact in USDCHF and we should get an extension higher in the pair with a scope to reach as high as 1.179 – 1.243 area. Since USDCHF and USD Index share the same cycle, if USDCHF cycle from 2011 low is expected to extend higher, the same should be expected from USD Index and it should also extend the cycle from 2011 higher.

GBPUSD cycles calling for more downside

An overlay of GBPUSD (green) and USD Index (blue) charts above show they are inversely correlated. We can observe the inverse correlation above such as when GBPUSD made an important high in 2008, USD Index made an important low in 2008. The weekly sequence in GBPUSD is clear and it's showing a 5 swing bearish sequence from 2008 peak, favoring more downside in the pair towards as low as 0.7588 – 0.939 area. Since GBPUSD and USD Index are inversely correlated, and GBPUSD cycle from 2008 peak is expected to extend lower, we can draw a conclusion that USD Index cycle from 2008 low and 2011 low is also expected to extend higher



USDJ and USDJPY cycles should extend higher due to GBPUSD



An overlay of USDJPY (red), USD Index (blue), and GBPUSD (green) charts above suggest that GBPUSD has an inverse correlation with USD Index while USDJPY has positive correlation with the USD Index. For example, we can see both USDJPY and USD Index made an important low in 2011 and cycle up from 2011 low still remain alive for both instrument. Since GBPUSD cycle from 2008 high is showing a 5 swing bearish sequence and incomplete, pair is likely going to resume lower sometimes this year towards as low as 0.759 – 0.939, and we can conclude from here that USD Index cycle from 2008 low should extend higher due to the inverse correlation between the two. As USD Index makes a new high and extend the cycle from 2008 and 2011 low, due to the positive correlation with USDJPY, we can also draw a conclusion that cycle from 2011 low in USDJPY should extend higher as well.

CL_F ended cycle from 2011 peak, should see 64.43 – 70.49 atleast

After bottoming at \$25.82 low on 2.11.2016, Crude Oil may have potentially ended the cycle from 7.2008 high, and at minimum Crude Oil has ended the cycle from 4.2011 high. Since then, Crude Oil has started a rally and it is showing a 5 swing sequence from 2.11.2016 low. Crude Oil should reach 100% from 2.11 low towards \$64.43 – \$70.79 area sometimes this year, then from there the market will define the next weekly cycle. After reaching the 100% target area from 2.11 low, Crude Oil should at least do a larger degree pullback in 3, 7, or 11 swing to correct the cycle from 2.11 low. However, as far as the pivot at 4.2011 high remains intact during the rally to \$64.43 - \$70.79, we still can't completely rule out the possibility that Oil makes a new low below \$25.82, although that is not our main view.



CL_F should see more upside to end cycle from 2/2016 and pull back

Oil is showing a 5 swing bullish sequence from 2.11.2016 low favoring more upside. While pullbacks stay above 1.10.2017 low at \$50.71, and more importantly above 8.3.2016 low at \$39.19, crude oil has an upside target towards as high as \$64.43 – \$70.79 area to end cycle from 2.11.2016 low. The target should be reached sometimes this year and afterwards, expect a larger degree pullback in 3, 7, or 11 swing to correct cycle from 2.11.2016 low before the rally resumes again. The rest of commodities, such as Gold, Silver, and Copper should follow the same path. Gold should extend higher towards 1277.6 – 1300.5 area before ending the cycle from 12.14.2015 low, Silver should extend higher towards 18.35 – 19.4 area before ending cycle from 12.21.2015 low, and Copper should extend higher 1 more leg before ending cycle from 1.19.2016 low. Similar to Oil, after ending the cycle from Dec 2015 / Jan 2016 low, Gold, Silver, and Copper should do a larger pullback in 3, 7, or 11 swing before the rally resumes again.



Gold should remain sideways in 2017



Gold has ended the cycle from 9.5.2011 high and should at least see a 3 waves bounce from 12.2015 low towards 1451 – 1529 area. From there, the yellow metal should see a larger degree correction in 3, 7, or 11 swing to correct cycle from 12.2015 low before the yellow metal resumes higher again, provided that pivot at 12.2015 low remains intact. Thus, we expect the yellow metal to stay sideways within 1120 – 1450 area this year and see high volatility in 2017 with the metal initially rallying to 1450 perhaps by the first half of the year, then pullback to the 1200 area again in the second half of the year. We observed the same volatile price action in 2016 where the yellow metal rallied in the first half of the year followed by a strong pullback in the second half of the year. As far as 12.2015 low pivot stays intact during the later pullback, it could form a base for the next multi-year rally in the yellow metal.

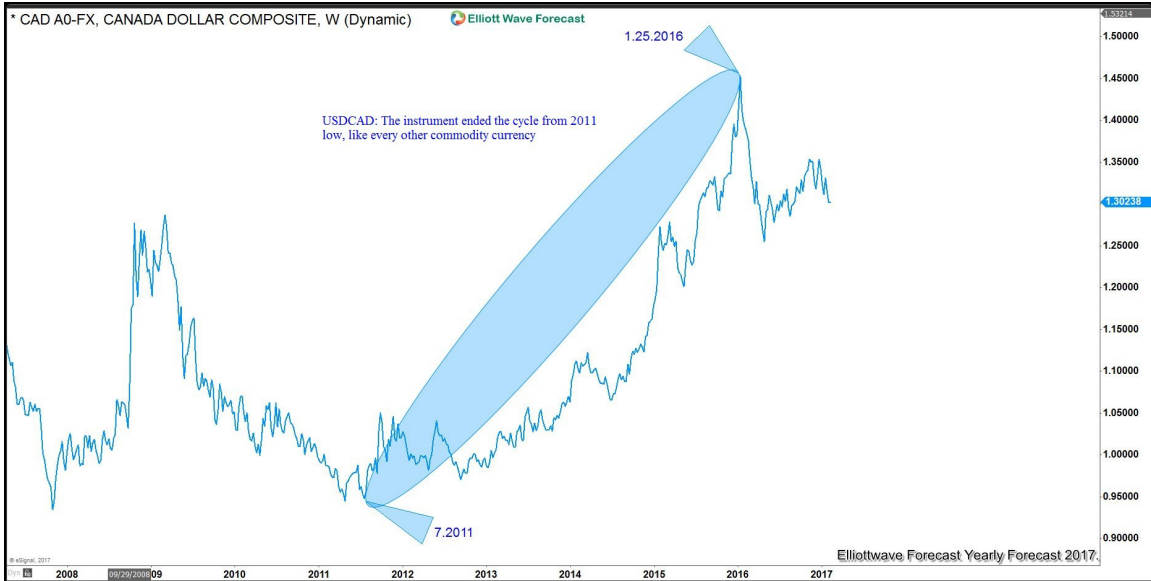
An Overlay of Gold, Silver and Copper cycles

An overlay of Copper (green), Gold (blue), and Silver (red) charts above show that they have positive correlation and share a similar cycle. They all have ended the cycle from 9.2011 high and bottomed around the same time around 12.2015 low. Cycles from 12.2015 low in Gold, Copper, and Silver should extend higher this year with Gold's target towards 1451 – 1529 and Silver's target towards 23 – 24.7. Afterwards, expect a larger degree correction in 3, 7, or 11 swing to correct cycle from 12.2015 low before the rally resumes, provided that pivot at 12.2015 low remains intact. Commodities in 2017 therefore could see a high volatility and sideways move overall with the first half initially rallying, followed by larger degree 3 waves pullback in the second half of the year.

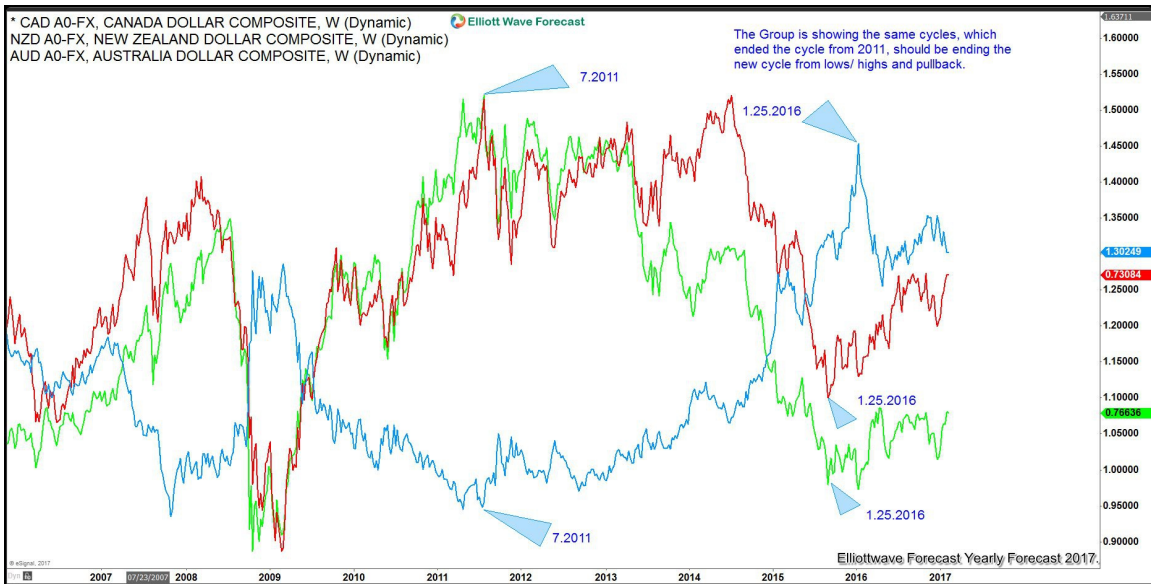


USDCAD ended cycle from 2011 like other commodity currencies

USDCAD ended the cycle from 7.2011 low after topping at 1.469 on 1.20.2016 high, and pair is now expected to correct cycle from 7.2011 low in 3, 7, or 11 swing at least. Cycle from 1.20.2016 high should extend lower this year towards 1.084 – 1.1366 area, then it should bounce in 3, 7, or 11 swing to correct cycle from 1.20.2016 high before pair resumes lower again, provided that pivot at 1.20.2016 high remains intact. The same can be said with other commodity currencies such as AUDUSD and NZDUSD which have also ended cycle from 7.2011 high but AUDUSD and NZDUSD ended the cycle from 7.2011 high earlier on 8.2015 low. AUDUSD and NZDUSD should both also end cycle from 8.2015 low sometimes this year and do a larger degree correction to correct cycle from 8.2015 low in 3, 7, or 11 swing before the rally resumes.



An Overlay of USDCAD, NZDUSD and AUDUSD cycles



An overlay of USDCAD (blue), AUDUSD (green), and NZDUSD (red) charts above show that the commodity pairs as a group has the same cycle. They all have ended cycle starting from 7.2011 high / low with AUDUSD ended that cycle at 9.7.2015 low, NZDUSD ended that cycle at 8.24.2015 low, and USDCAD ended that cycle slightly later at 1.20.2016.

Near term cycle in AUDUSD from 12.23.2016 low remains alive and has scope to extend higher towards as high as 0.7966 – 0.8074 area this year. If this extension higher happens, AUDUSD will break above the previous peak at 4/21/2016 high (0.7835) and create a 5 swing bullish sequence from 1.15.2016 low. This suggests that when the cycle from 12.23.2016 is complete, the pair should do larger pullback in 3, 7, or 11 swing to correct cycle from 12.23.2016 low, but as far as the pivot at 12.23 low remains intact, it should then extend higher again.

NZDUSD is in the same situation. The near term cycle in NZDUSD from 12.23.2016 low remains alive and has scope to extend higher towards as high as 0.747 – 0.756. When this happens, the previous peak at 9/7/2016 high (0.7485) is also likely broken, and pair will then show a 9 swing bullish sequence from 8.24.2015 low. This also suggests that when cycle from 12.23.2016 low is over, the pair should do larger pullback in 3, 7, or 11 swing to correct cycle from 12.23.2016 low, but as far as the pivot at 12.23 low remains intact, pair should then extend higher again.

USDCAD should follow the same path as AUDUSD and NZDUSD. The near term cycle in USDCAD from 12.28.2016 high remains alive and should extend lower to at least 1.268 – 1.282 area. Afterwards, we should get a larger degree bounce in 3, 7, or 11 swing to correct cycle from 12.28.2016 high before the decline resumes.

Conclusion:

Overall, we are looking for Indexes to pullback at some moment during the year and do end the cycle from 2.2016. During the pull back, we are expecting those lows to hold for continuation higher. This oscillation will support the YEN group which should extend higher and also hold the lows of 6.2016 or the previous ones (2012 lows) into more upside. Due to bullish daily swing sequence in USDCHF, the USDX group should hold lows of 5.2016 or 5.2015 and still extend within the cycle from 2011. We are expecting the Commodities group to be sideways and remain supported while trading in a second dimension trade in relation to the USDX, which means when USDX sells, commodities group out runs the USDX pairs and when USDX rallies, commodities group hold stronger against the USDX and doesn't sell as much as rest of dollar pairs.