

## Technical Analysis of USD/JPY Rate

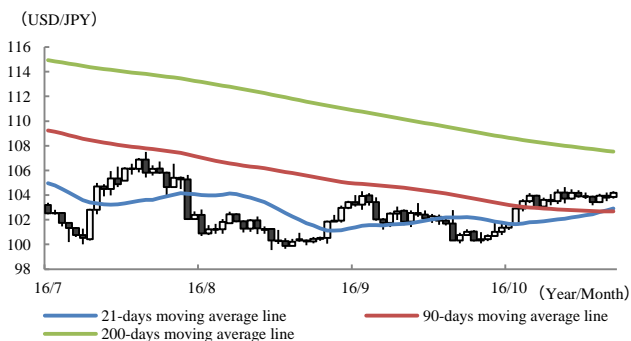
- Trend of daily price, 21-days moving average line and 90-days moving average line indicate short term trend of weaker JPY against USD.
- *Ichimoku Chart* also indicates trend of weaker JPY against USD, however, we need to watch out for trend of turning point indicated by Parabolic Time Price System.
- Important level of the USD/JPY rate is first half of 105, however, reversal of trend to stronger JPY against USD is possible if it consolidates at around 103 level.

### Trend of daily price, 21-days moving average line and 90-days moving average line indicate short term trend of weaker JPY against USD

USD/JPY rate has been range traded within about 2 yen band (between 102.67 yen to 104.64 yen) since 5<sup>th</sup> October to date. This was probably because currency market became inactive as majority of market participants sat aside watching before the big event of the US presidential election on 8<sup>th</sup> November. Therefore, this time, we would like to think through the possible short term direction of USD/JPY rate using technical analysis.

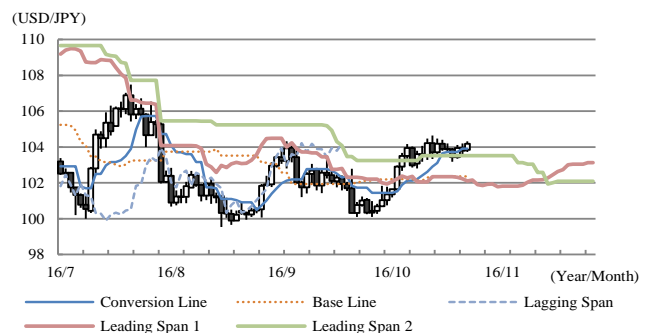
Charts we use can be divided into (A) Trend series and (B) Oscillator series. Former (A) is suitable to follow trend direction and latter (B) is suitable to analyze whether market is overheated or not. First we check “moving average” which belongs to series of (A). USD/JPY rate could not break through 90-days moving average line since the beginning of 2016 which finally surpassed the line. This is a sign of short-term trend of weaker JPY against USD. Break-through of 21-days moving average line above 90-days moving average line is also a sign of such trend (Chart 1).

“Chart 1: USD/JPY Rate Moving Average Lines”



(Note) Data period is from 1<sup>st</sup> July 2016 to 24<sup>th</sup> October 2016.  
 (Source) SMAM, based on Bloomberg L.P. data.

“Chart 2 : USD/JPY Rates *Ichimoku Chart*”



(Note) Data period is from 1<sup>st</sup> July 2016 to 24<sup>th</sup> October 2016.  
 Leading Span 1 and 2 are both from 1<sup>st</sup> July 2016 to 28<sup>th</sup> November 2016.  
 (Source) SMAM, based on Bloomberg L.P. data.

***Ichimoku Chart* also indicates trend of weaker JPY against USD, however, we need to watch out for trend of turning point indicated by Parabolic Time Price System**

Next, let us take a look at “*Ichimoku Chart*” belonging to Trend series (A). As Chart 2 shows, (i) daily price is above cloud (space appearing in between Leading Span 1 and 2), (ii) Conversion Line is above Base Line and (iii) Lagging Span is above daily price 26 days ago. When (i) to (iii) appears in *Ichimoku Chart*, we call it “Sanyaku Kouten” which is interpreted as short-term indication of weaker JPY against USD trend.

Now, let us examine another chart of Trend series called “Parabolic Time Price System”. In this chart, when daily price touches SAR (Stop and Reverse), it is deemed as reversal of current trend. Currently, weaker JPY against USD is indicated, however, if daily price touches current SAR (103.24 level as of 25<sup>th</sup> October ), it will be seen as the reversal of current trend.

**Important level of the USD/JPY rate is first half of 105, however, reversal of trend to stronger JPY against USD is possible if it consolidates at around 103 level**

Lastly, we would like to take a look at chart of Oscillator series. When examining USD/JPY rate trading activities by “RSI”, we found that it has not surpassed 70% level (over-bought level of USD) even at once since October this year. Whereas, if we use “William’s % R” (known to react much faster than RSI), it has fallen below - 20% level which is deemed to be a sign of over-bought of USD against JPY. However, as a whole, currently there are not many charts of Oscillator series that indicate over-bought of USD against JPY.

Consequently, further weakening of JPY is anticipated in a short run, as USD/JPY rate is (i) in the trend of weaker JPY and (ii) the market is not overheated. USD/JPY rate outlook based on the calculation by Fibonacci Retracement is 105.35 level which is a 23.6% recovery from range of reduction from the highest rate of June 2015 (125.86) to the lowest rate of June 2016 (99.02) . However, we need to watch out if daily price of USD/JPY rate consolidates to around 103, as it will fall out of the cloud of *Ichimoku Chart* and will indicate reversal of trend of weaker JPY against USD according to Parabolic Time Price System.

**\* Please note that this report is a translation of Japanese report written on 25<sup>th</sup> October, 2016.**

## Disclaimer

### **Please read this disclaimer carefully.**

- This material is for non-Japanese institutional investors only.
- The research and analysis included in this report, and those opinions or judgments as outcomes thereof, are intended to introduce or demonstrate capabilities and expertise of Sumitomo Mitsui Asset Management Company, Ltd. (hereinafter "SMAM"), or to provide information on investment strategies and opportunities. Therefore this material is not intended to offer or solicit investments, provide investment advice or service, or to be considered as disclosure documents under the Financial Instruments and Exchange Law of Japan.
- The expected returns or risks in this report are calculated based upon historical data and/or estimated upon the economic outlook at present, and should be construed no warrant of future returns and risks.
- Past performance is not necessarily indicative of future results.
- ☐ The simulated data or returns in this report besides the fund historical returns do not include/reflect any investment management fees, transaction costs, or re-balancing costs, etc.
- The investment products or strategies do not guarantee future results nor guarantee the principal of investments. The investments may suffer losses and the results of investments, including such losses, belong to the client.
- The recipient of this report must make its own independent decisions regarding investments.
- The opinions, outlooks and estimates in this report do not guarantee future trends or results. They constitute SMAM's judgment as of the date of this material and are subject to change without notice.
- The awards included in this report are based on past achievements and do not guarantee future results.
- The intellectual property and all rights of the benchmarks/indices belong to the publisher and the authorized entities/individuals.
- This material has been prepared by obtaining data from sources which are believed to be reliable but SMAM can not and does not guarantee its completeness or accuracy.
- All rights, titles and interests in this material and any content contained herein are the exclusive properties of SMAM, except as otherwise stated. It is strictly prohibited from using this material for investments, reproducing/copying this material without SMAM's authorization, or from disclosing this material to a third party.

Registered Number: Kanto Local Finance Bureau (KINSHO) No.399

Member of Japan Investment Advisers Association, The Investment Trusts Association, Japan and Type II Financial Instruments Firms Association

© Sumitomo Mitsui Asset Management Company, Limited