

# Dollar's Hit a "Major Bottom," Prechter Says: Why That's Not Such Good News

*Posted Aug 11, 2009 07:44am EDT by Peter Gorenstein in Newsmakers, Commodities*

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Forget all the talk about the dollar being in terminal decline. The recent rally in the greenback is for real, says Robert Prechter, president of Elliott Wave International. The man who correctly predicted the 1987 crash and last year's peak in oil prices now says we're "going to be up for a year or two in the dollar."

Reuters and other mainstream news outlets attribute the recent uptick in the dollar versus other major currencies to an improving economy signaled by Friday's "stronger-than-expected U.S. jobs numbers." Prechter, ever the contrarian, says the U.S. dollar has put in a major bottom but not for the reasons everyone else is pointing to.

Prechter points to three factors:

- **The Elliott Wave Pattern:** Without getting too technical (for your sake and mine) Elliott Wave Theory looks at markets cycles in terms of wave structures that come in five parts. Five waves up followed by five waves down. Well, according to Prechter's research the pattern confirms we recently hit the fifth wave down. Next stop: up.
- **Sentiment has reached an extreme:** "The Dollar Sentiment Index for the Dollar Index reports just 3% bulls among traders, an extreme level only five times in the past 20 years, usually near an important low," Prechter wrote on Aug. 5. "The last time we saw readings like this was March-July 2008, just before the dollar soared." In other words, the "short the dollar" trade is overly crowded.
- **The biggest risk to the economy is deflation not inflation:** As he lays out in his book, *Conquer the Crash*, Prechter thinks the bursting of the latest bubble will lead to a major economic depression.