



SG Capital Research

Global Market Insights

Research Note – Currency Analysis (B) – STRATEGY & PROP ANALYSIS

MAEG- CURRENCY ANALYSIS- PEC- SG 2011 # AUG_23

For Immediate Release – Bi Wkly Tuesday AM (EST)

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Currency Analysis (B)

- GOLD
- DXY
- EUR/USD
- GBP/USD
- JPY/USD
- AUD/USD
- CHF /USD

- Attached, the Chart list & specific Charts (below). *We have selected charts that has some distinct characteristics:*
- Selected Currency have up to (3) Analytic Charts as Titled below
 1. MA / PATTERN/ OSCILLATOR Analysis
 2. Poly Trend Analysis (If Applicable)
 3. PEC Analysis. (If Applicable)
 4. Sentiments (if Extreme character)
- Appendix - **OBJECTIVE , HISTORY of past Signals & POM Key Criteria**

- Currency – “ Signals & Projections”

- Trading & Investment Conclusions (update)

(2) Groups of Currencies below - (Refer to the Charts for CZ & PEC –D for ACTIONABLE AREAS)-
(within +/- 1.5% variation) with stops around CZ- Confluence Zone for risk management

- Our Mid term Price Target stated (below) . We advise risk management within Short term moves around CZ to CZ Trading moves with stops (due to sudden volatility)

- GR – (1) – DXY, EURO & GBP -

1. DXY – CZ – 71 -73 (No Trigger) stop below 71

2 EUR/USD – Triggered PEC D @ 1.45, still in tact

3 BGP/USD – Triggered. PEC D @ 1.63 _still in tact

- GR – (2) - AUD, CHF & JPY –

1. JPY/USD - Trigger. PEC D @ 76

AUD/USD - Triggered. PEC D @ 1.09 still in tact

. CHF / USD – - Await for bottom @ panic lows to be tested for safer entry

- **GOLD v/s SPX – Prices**

Circled in Red, the intersection of Gold v/s SPX prices in 1988 . Since then SPX has moved 5.5 X times to-date and during the same time frame GOLD has moved up 4 X times . It appears still some more room left to upside.



- **GOLD v/s SPX – Ratio**

SPX in Gold terms has already broken the March 2009 lows of 666 on SPX, Although currently it is 1160 in USD



- **GLD**

- ***Alert - Stopped out at 1825, 8/17 for - 35 points loss from our POM 14 Trigger point @ 1760-1790 . 1825 on Reverse side decline Triggers POM 14 again (See the charts below)***
- ***The GOLD's First parabolic move from 1620 to 1825 was with BULLISH TOP , ABC completion which suggested after the Pull back and Triangular top next ABC up would begin***
- ***However after just 80 points pull back to 1725, GOLD began second Parabolic move. This move ended at 1920 with BEARSH TOP. This is also 3rd ABC up . Usually 3rd ABC gets the EXHAUSTION . Such combination of Parabola and 3rd ABC has the tendencies of getting larger retracements. This time it might not be just 80 points as before. We do not Short Gold hence POM 15 does not exists***
- ***Key points***
- ***As for GDX, our Target Price was 60-61 (achieved) its CZ from 52 (Stated on AUG 16th C # Report)***
- ***NEM, a Large component of GDX . On 21ST AUG – E # 3 – Special Situation Report, our Target was 62 –64. We reached the Highs of 63.5 to the TICK – 2 days ago and sold off.***
- ***Our Pull back Target on GLD to 1700 and then 1580 . The Downside target would give the best Buying Opportunity. It could be POM13, or POM 12 depending on Volume, CZ , Price Rejections***

GOLD Analysis – (GLD + \$ 30) = GOLD continuous contract.



GOLD – Parabolic Analysis – **SHORTTERM**

GOLD STARTS GOING PARABOLIC WITH STEEP MOVE.- The 3^d ABC up has the SLOPE and ROC completely tilted with linear regression. This means risk of a sharp pullback in the coming weeks. Also keep in mind that there are virtually NO bullion bears out there. This trade is certainly getting crowded.



2 – GOLD - (GLD + \$ 30) = GOLD continuous contract - **MID TERM – 1580 Target**

The parabolic move up on GLD can end at anytime or may have ended and the pull backs can be violent. The weekly gold ETF GLD. On longer time frame the weekly RSI for GLD reaches above 80 and turns down then a decline can be expected. It will take to Friday's close (because this is a weekly chart) to determine if the rally has ended. The weekly Chaikin Oscillator above 100m the market is certainly extended. The bottom window is the weekly Slow Stochastics which is currently in overbought territory above 80 and showing a negative divergence. We are looking for a normally pull back in GLD that could test the 155 range in the coming weeks. The bigger trend remains up but short term a consolidation to 155 range is possible over the next several weeks.



GOLD Trend line Analysis – SHORTTERM - 1700 Target

Bearish divergence warns that we are going to see a top in gold. The Rising and falling Poly-trend Analysis has Short term target of 1700. The Time ratio comes in due until early September.

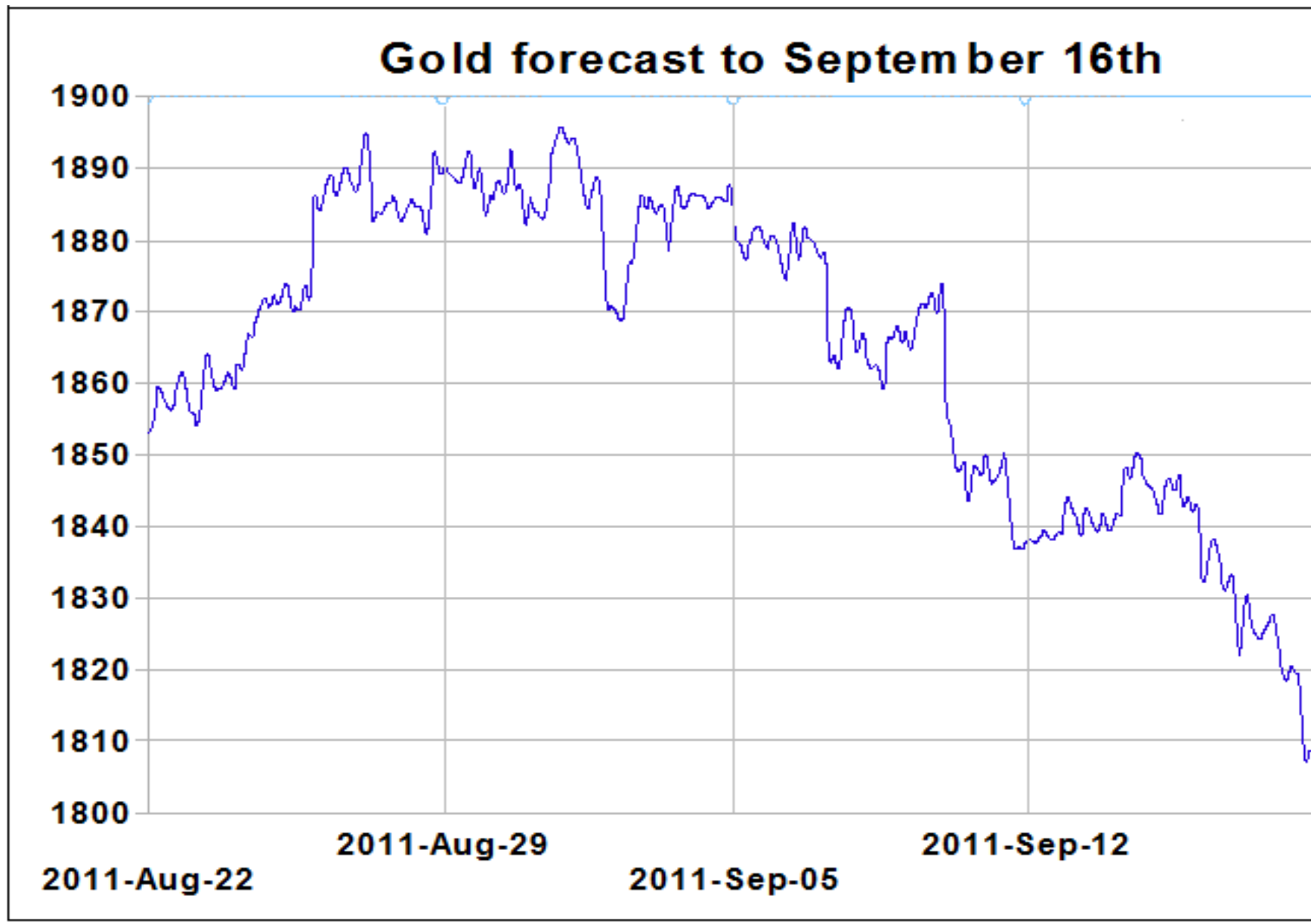


GOLD – Triangular Top – **VERY SHORTTERM**

We think in this decline Circle in red – There is great deal of Volume off the top suggests larger retracement , however we think 1750 will hold and there is possibility this may go back 1825 once again before it fails .. If we get one more down day to complete the first Triangular top that will also complete a 3 black crows

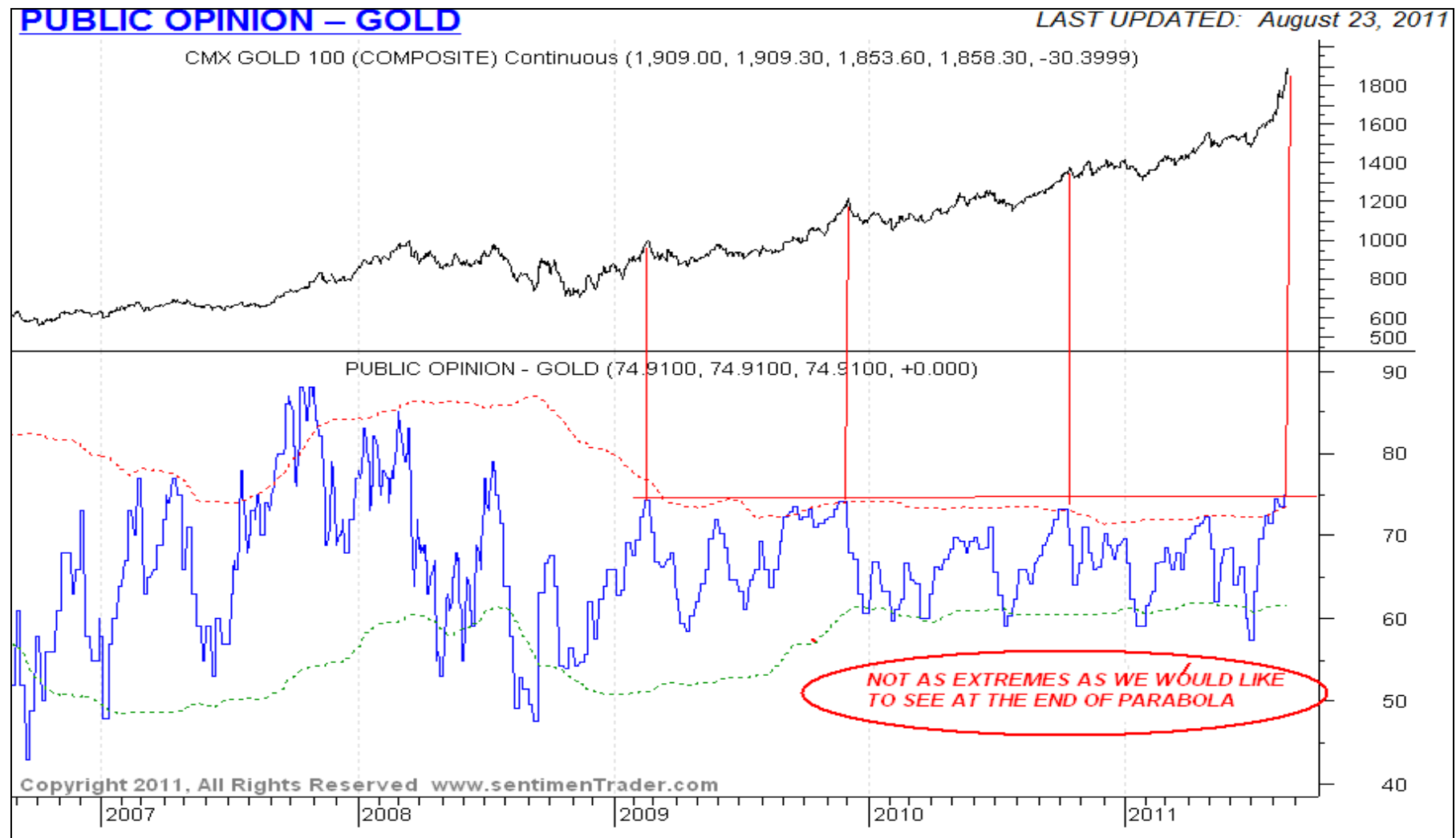


GOLD – Cycle



GOLD - RYDEX SENTIMENTS – Sentiment Traders curtsey

Comments - In spite of rally still sentiments are not extremes – Suggests after retracement the rally has more to go - This jives well with potential next rally



Summary from QT – Report

SD – PROCESS

Under/Over valuation criteria based on +/- 2 SD levels v/ s USD

1. Below -2 SD level on 365 D –(ST) / 5- Yr – (LT) / 4 Yr – MA basis:

Overvalued w.r. t USD

SFS – ST / LT @ -2SD (highlighted in yellow below)

JPY – LT @ -2SD (highlighted in yellow below)

EURO /SF – LT @ -2SD (highlighted in yellow below)

2. Above +2 SD level on 365 D – (ST) / 5 – Yr – (LT) / 4Yr – MA basis: **Overvalued**

None

It shows sign of bottoming by this method, 73.50 looked critical for sharp low. Rally in Gold has not resulted in Sell off in USD. USD has still been flight to safely.

US DOLLAR INDEX DAILY

03-01-11 C:77.06 H:77.13 L:76.76 O:76.86 S:77.63

1.000 83.66

786 81.80

78.34

78.32

77.08

74.96

72.59

71.26

73.56

73.48

74.25

75.33

75.71

76.05

76.32

76.80

77.63

78.66

79.90

81.80

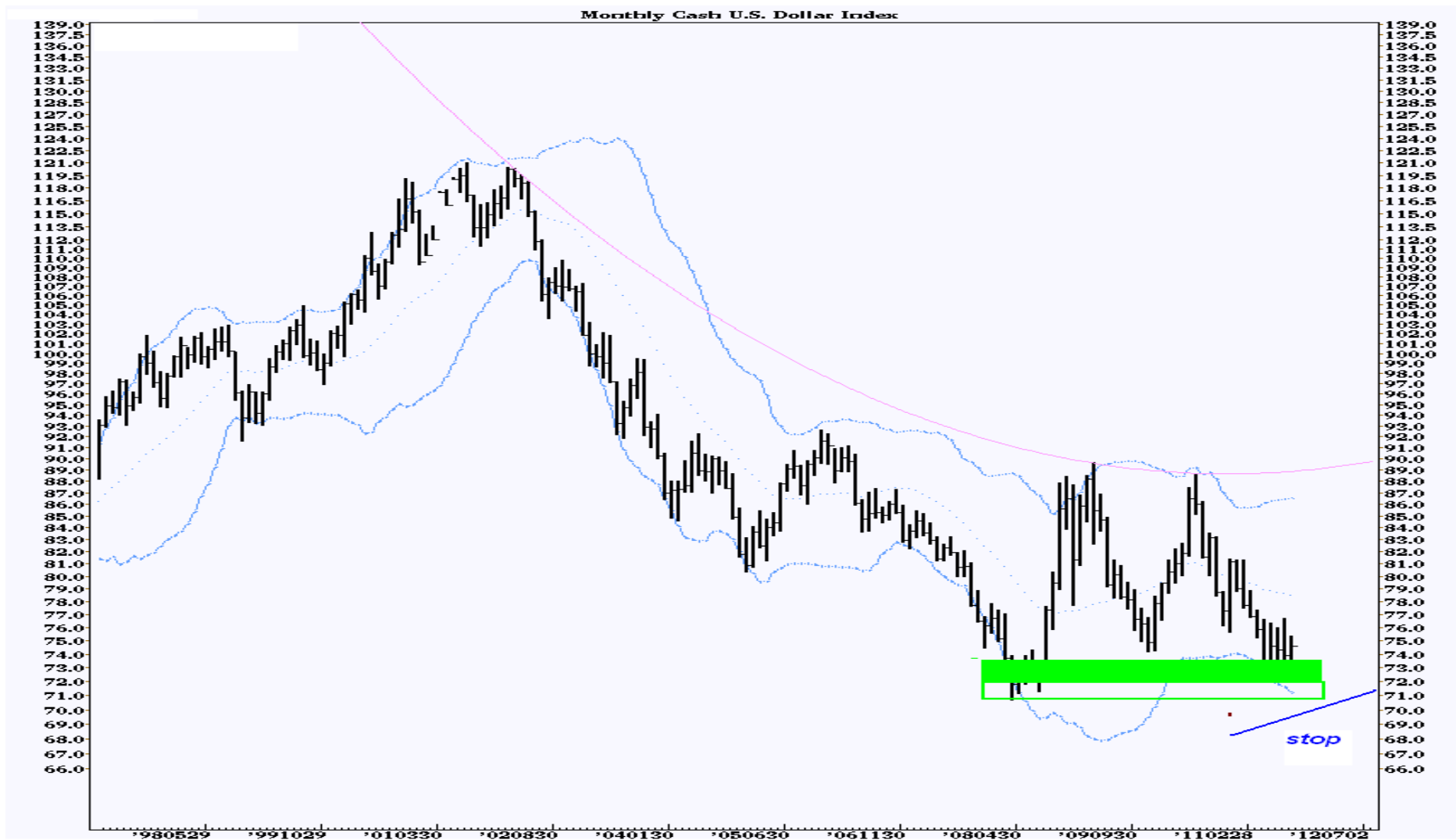
786 still holding

74.11

2 - USD – Poly Trend / Pattern Analysis - MID TERM

It's been 3 years since DXY made its low, but it hasn't been able to make much in the way of gains. The upside potential is uprising poly trend. Bullish Long term

On slightly longer term , Time horizon – CZ is almost approaching 73-71 - Stop below 71 , for risks management



3 - EURO / USD – PEC Analysis - Intermediate term

Our PEC –D Trigger of 1.45 was the ABCD completion on upside is still intact .Stop above 1.49, for risks management
The odds favor a drop in the EUR/USD which would mean a higher USD . Distribution continues at highs in EURO

The Euro is still in the triangle between 1.45 and 1.41 but looks bearish due to the lower highs that are forming.

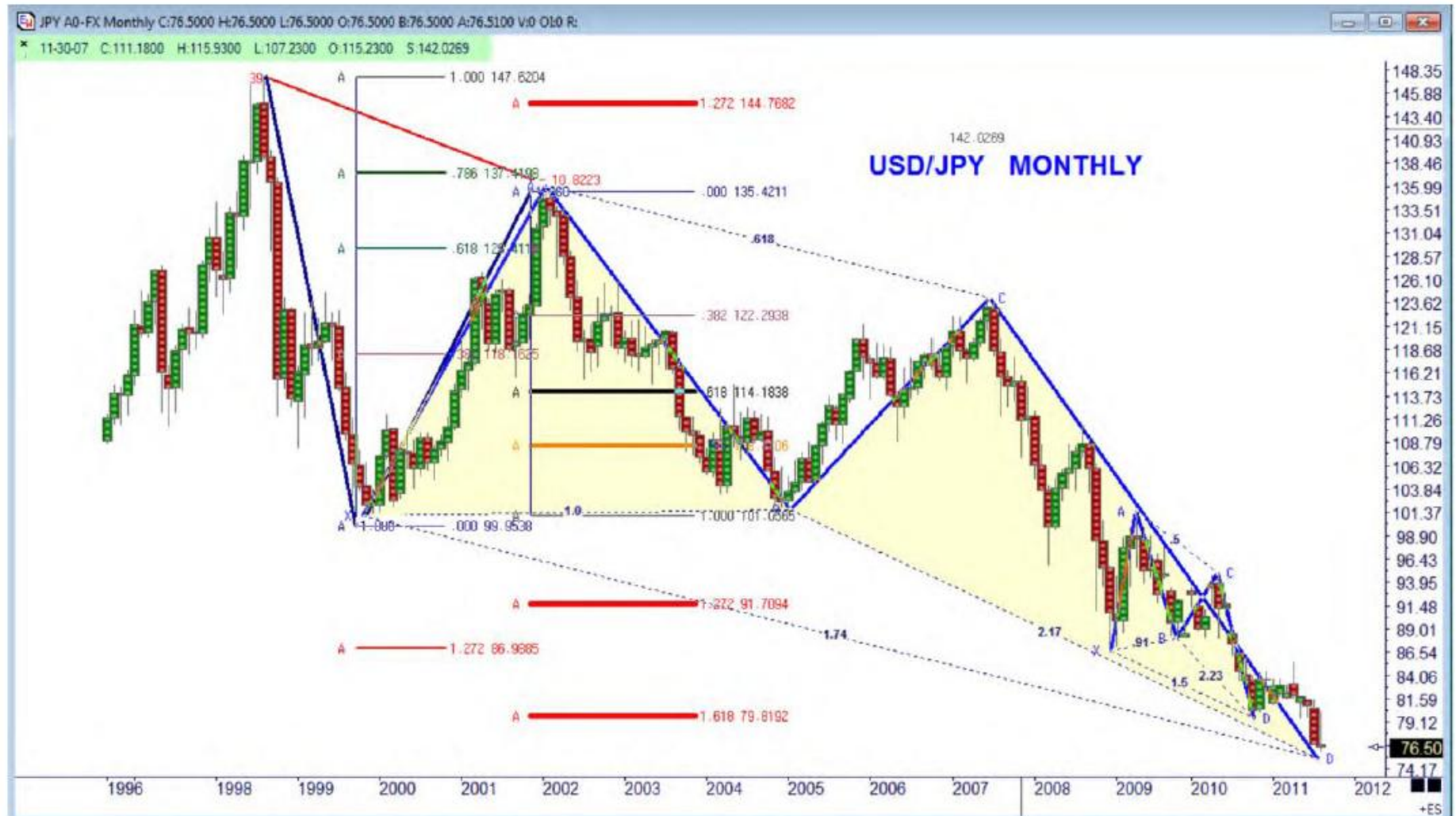


3 - GBP / USD – PEC Analysis - Intermediate term -

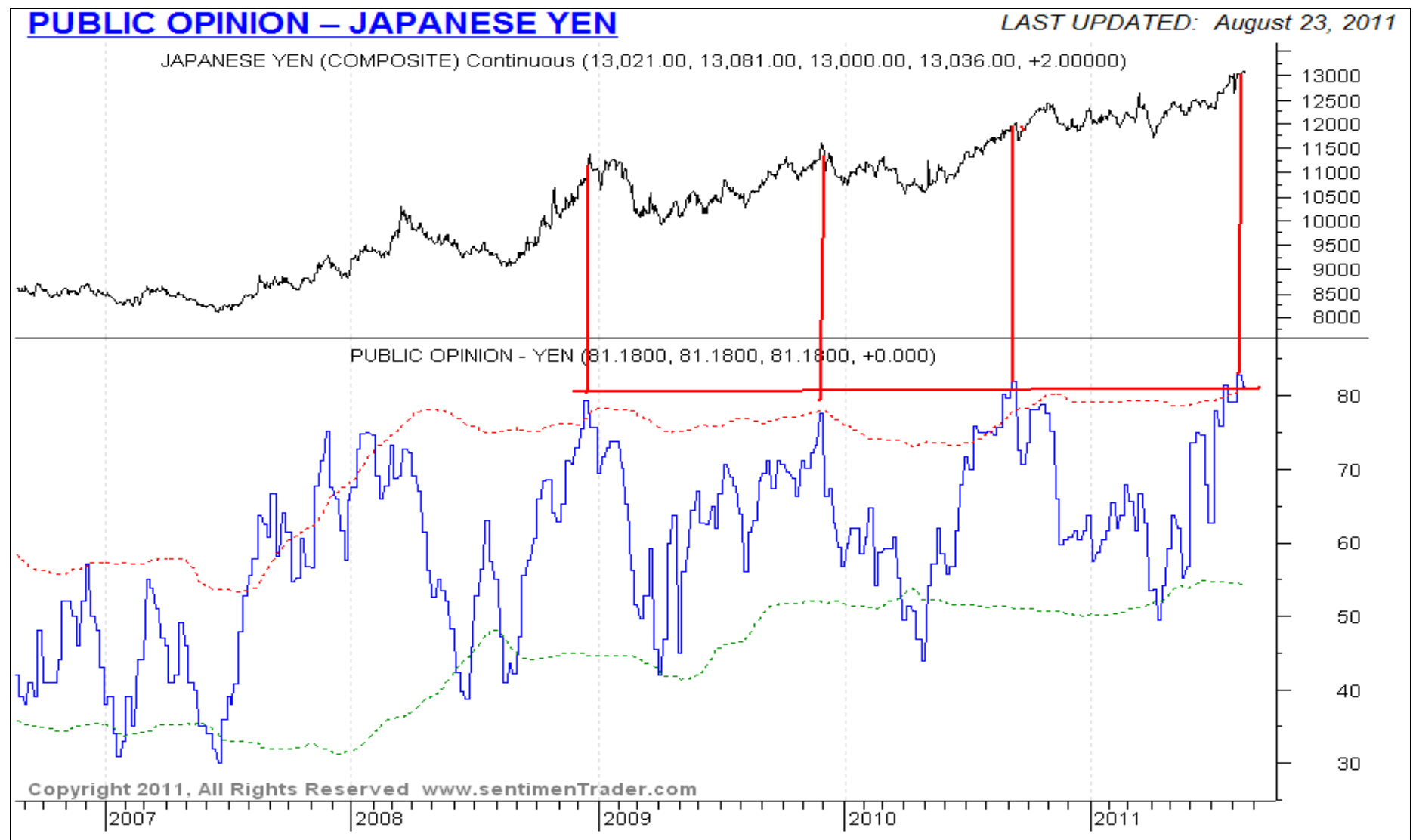
*The British pound is in the same situation as the Euro GBP -USD Our PEC –D @ 618 comes in at 1.63 correctly, **stops above 1.67 for risks management***

Technical Problem on Chart

. Last Report 's ALERT – we mentioned - 76 could be tested, and good entry point . Stops below the lows 74.5 for risks management is still in tact
This reached historic low going below the 76.50 level. But Trying to put in a bottom at the 76.00 level (Stop is critical if it goes in free fall) ,



YEN - RYDEX SENTIMENTS – Sentiment Traders curtsey



3 - AUD / USD –Analysis

AUD - 5/10 Trigger 1.09 (in red) , and possibly a higher high if the 62% retracement level breaks . It found support at the Trend line below but it is forming long term top. **Stops above 1.11 for risks management**

If a break of the support line could be waterfall drop . wait and see



AUD/USD - PEC Analysis

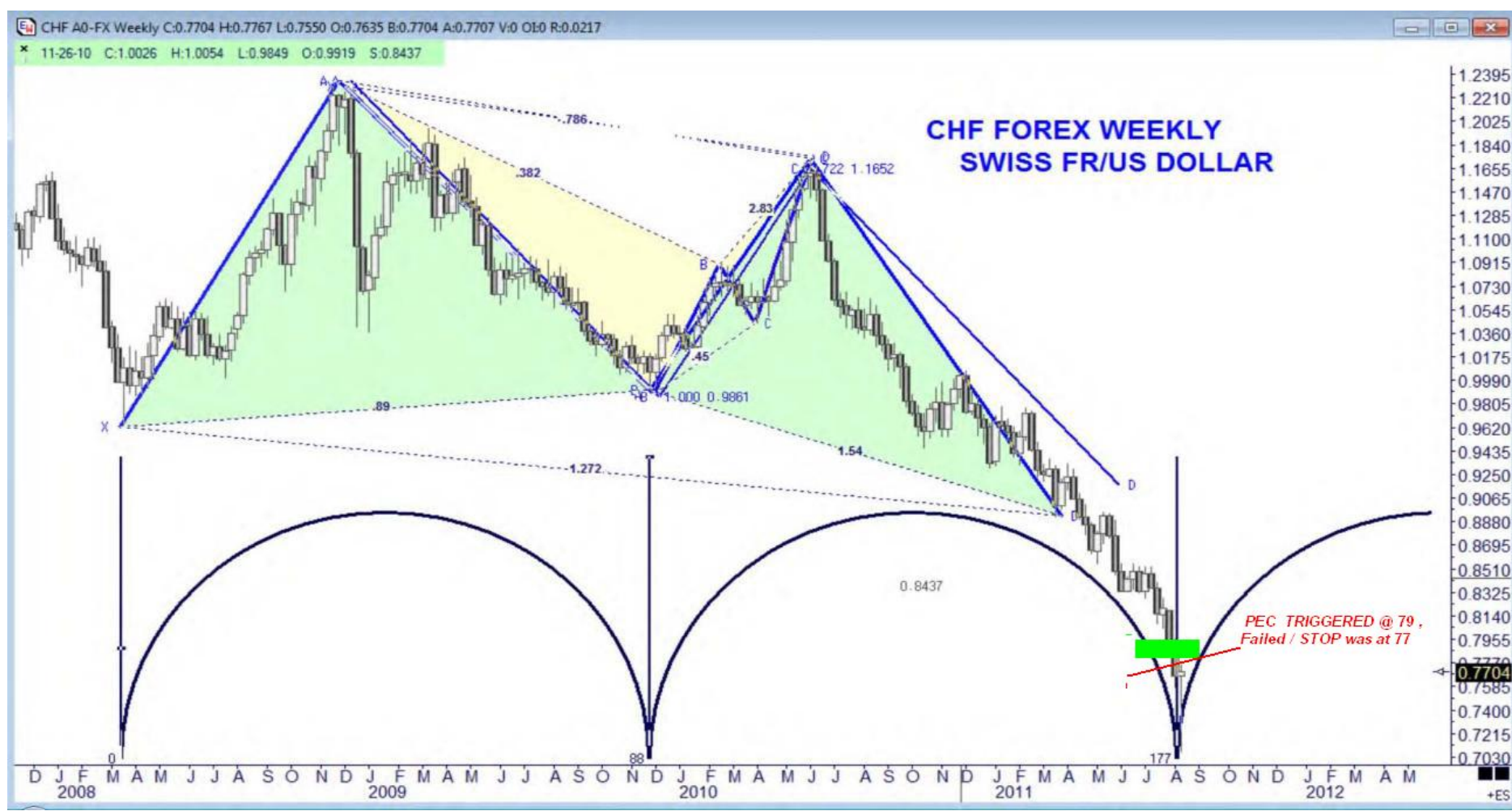
By this Method, PEC-D signal @ 1.09 STILL VALID analysis to judge , Stops above 1.11 for risks management –

Technical Problem on Chart

CHF /USD - PEC Analysis

*From last Report - **PEC D @ 79 Triggered & FAILED – STOP Triggered at 77 for risks management, Now came back in range***

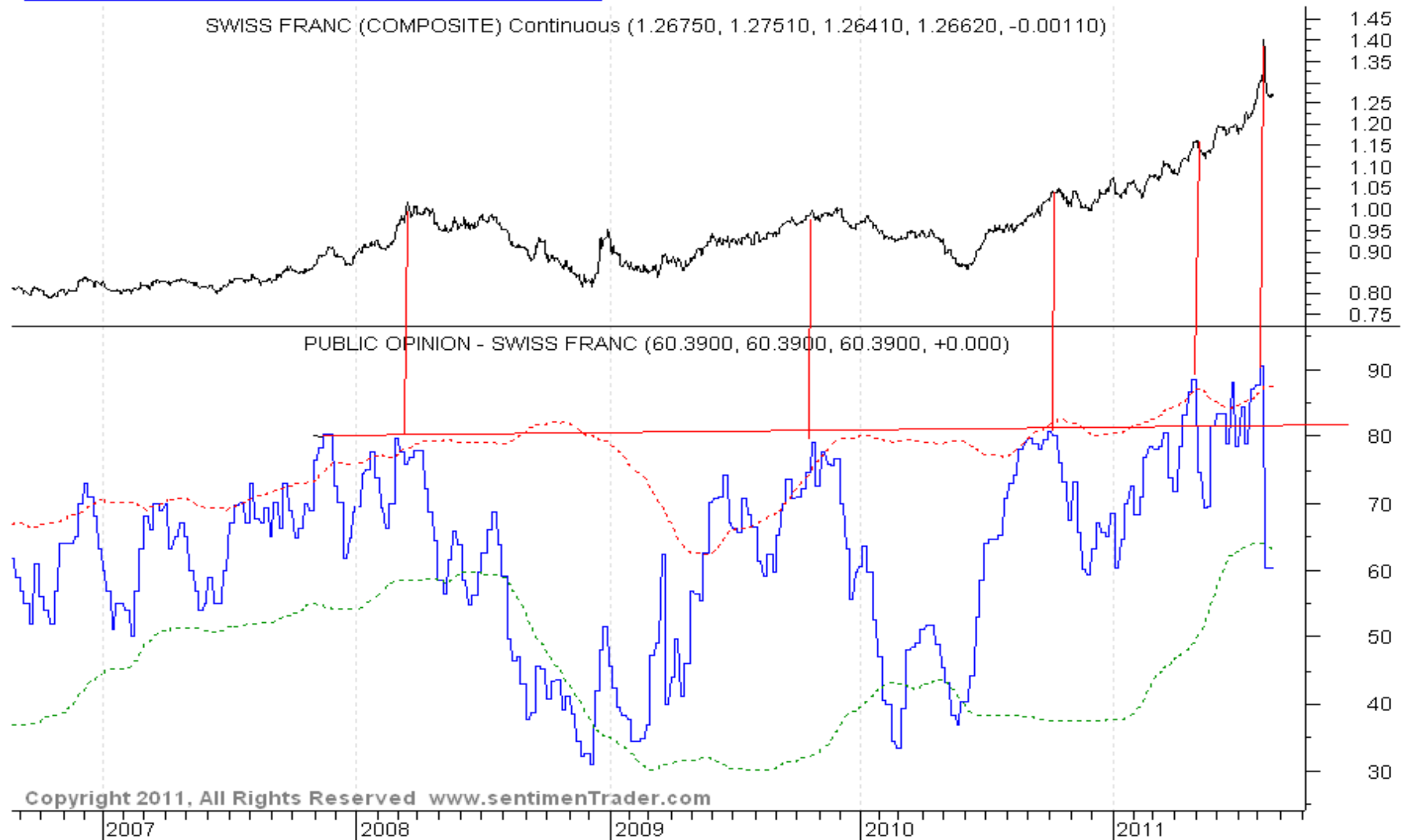
*CHF as safe havens, "flight to quality". But now almost in Bubble – We should test the bottom again and Should Give another Trigger – **ALERT** - Await for bottom @ panic lows to test for safer entry .*



SWISS FRANC - RYDEX SENTIMENTS – Sentiment Traders curtsey

PUBLIC OPINION – SWISS FRANC

LAST UPDATED: August 23, 2011



Appendix

- Objective

*Focus is on the short term and Intermediate term turning points of the Currencies via Integrated Methodologies of POM's and PEC's overlay. It utilizes multiple input signal from PEC derived with ABCD Price projections, where D price point to be validated via Price Oscillation Model (POM) . POM's price & Quality volumes (PQV) , patterns conclusions is derived to overlay POM /PEC gives a Confluence Price Zone “ around D Zone” (**within +/- 1.5% variation**). This is ACTIONABLE ZONE, on scaled in entry with stops if required on other side of confluence) with margin for volatility & Risk tolerance. This is supplementary Analytics to add value to RA/ RI Framework for Risk Management.*

(In Some Charts, there may be possibility of 1- 2 days of delayed chart data due to accommodation of processing and preparation time in 1-2 days prior

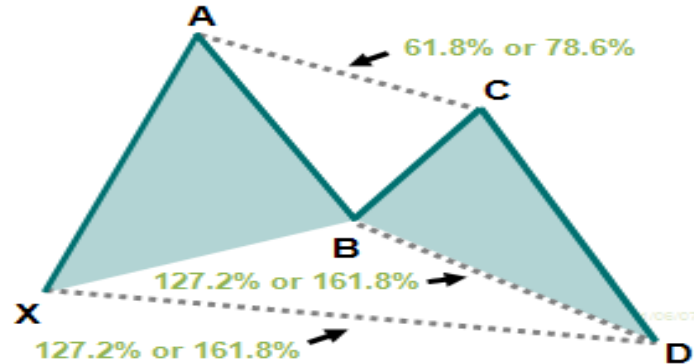
Pythagoras Expansion / Contraction – (PEC) Model

- PEC Model is a 2th Derivative Timing Tool utilized on core currencies which identifies the turning point, for Tops and Bottoms on “Short & Intermediate term” Trend in the currency market.
- Methodology is based on Mathematical Pattern Recognition with Symmetrical Pythagoras Triangular expansion and contraction (PEC) in concert with Price Oscillation (POM) . This has a high probability for greater accuracy on Price projections at confluence when Integrated together.
- Once our POM analysis is complete, it will overlay PEC. The input signals are from tracking rolling Arithmetic Numerical series of Regression utilizing Fibonacci to Identify Triangular patterns of Expansion / Contraction. Triangular pattern completes at the convergence of 2 separate Fibonacci extension levels and overlay Price Oscillation Model.
- Since the Currency has 2 dimensional pairs, PEC is critical to analyze with 2x2 Fibonacci streams to achieve confluence point D coinciding with POM

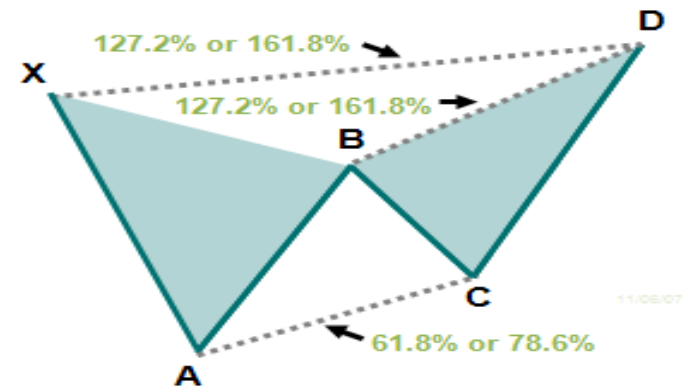
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

The output signal of ABCD price moves preceded by a swing high or low (XA) generates projection point D, which is actionable point derived from 2 connecting triangles with convergence ratio. As with all geometric patterns, a Buy or Sell signal occurs as the pattern completes at point D

Buy Pattern (bullish)



Sell Pattern (bearish)



Daily SPX - “ Trend Adjusted Signal”

- 3x3 /9EMA – Break Indicator –

The process utilizes the cumulative Algorithm of price trails 3x3 / 9EMA input signals for Trend formation. This signal tends to work well in Market extensions (i.e. Post POM 14).

This Methodology is implemented by Program Traders especially in Momentum extensions and diagonal triangle formation Trend-following system which bases its reversal signals on breaking a significant closing Break Indicator I to confirm the new trend. (it's important to use a stop if you act on a signal). The reversal price is generated on the close of a bar. (The drawback of strategy is that it can whip saw).

INTERNALS OF 3X3- 9EMA – Break Indicator.

The line break indicator has captured the post POM 14 Moves on a mechanical basis. Although can't guarantee it will continue. But, even if it misses on occasion , it's still is the best indicator we've ever seen in Market for extensions.

Tight trading ranges tend to cause whipsaws and those are environments where trading multiple markets can help for diversification, in SPX & DOW. The reason is that we have a purely mechanical indicator, our line break indicator, that is much better to use. That indicator has proven extremely good over the past several months in many markets in many extensions.

As a reminder of how simple this indicator is, when the market closes above the "break" price level, the indicator is ""bullish"; when the market closes below the break price, the indicator is then "bearish". at the close

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