



SG Capital Research

Global Market Insights

Research Note – Currency Analysis (B)

MAEG- CURRENCY ANALYSIS- PEC- SG 2011 # FEB 01

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Currency Analysis (B)

- DXY
- EUR/USD
- GBP/USD
- JPY/USD
- AUD/USD
- CHF /USD
- Daily Trend Adjusted Strategy - 3x3 / 9EMA – DOW, SPX
- EIS (Israel) – **Special Situation**
- Attached, the Chart list & specific Charts (below). *We have picked up charts that has some distinct characteristics and values as the pattern gets completed based on our assessment:*
- Selected Currency have up to (5) Analytic Charts as Titled below
 1. Weekly – 3 Year with **11 W / 40 W SMA** with RSI, CCI, MACD
 2. Daily – 3 Year with **11D / 55D SMA** with RSI, CCI, MACD
 3. POM Analysis
 4. PEC Analysis.
 5. Sentiments (if Extreme character)
 6. Standard Deviation charts (LT / ST)
 7. PPP Reversion & Standard Deviation Analysis – Long Term
- Charts 3,4,5 (above) articulates special situation coverage for that specific CURRENCY highlighted in the list below
- Appendix - History of past POM, PEC Signals & Key Criteria

• Daily SPX - “ Trend Adjusted Signal” – Flat - Trigger Buy on close above 1299

3x3 /9EMA – Momentum Break Indicator –

- For Bull case - Previous long exit was on 11/17 at 1193 from 1105 entry 09/05 for 8%
- For Bear case - SS from last Sell Signal at 1193 to 1225 = - 2.6%
- For Bull case – long position from 1228 to 1276 = 4.0 % (last stop) & from reference point 2011@ 1257 = 1.5%

Currently “ Trend Adjusted Signal “ is Flat on Long side but would Trigger BUY Signal - close above 1299

• 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.

• Currency – “ Signals & Projections”

Current Signals (stated below) & Projections to be advised when trend begins

(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)

EIS – Israel - (Special situation)

This market broke down on Egypt's social unrest news, after the bounce there is another massive leg down here. The Setup 2 and 4 's (ADR's may be a place to look for in this market for our next PQV Analysis).



• Trading & Investment Conclusions (update)

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

- GR – (1) – DXY, EURO & GBP - had their Extreme points Highs / Lows gone by once but now in mid second Retracements for another turn.

1. DXY – **PEC D @ 77.5** ... First price objective achieved at 81, **retacement in process to 77.5**, Second long term objective at 86

2 EUR/USD – **PEC D @ 1.40** ... First price of objective achieved 1.30, **bounce 1.34 -1.35 is retesting 1.37 extended** , Second long term objective to 1.20

3. BGP/USD – **POM 14 / PEC D @ 1.63** but no conformation by other Methods. As expected moved in Sync with EUR

- GR – (2) - AUD, CHF & JPY – Are at or around Extreme Zones, most overvalued and Long Term Buys

1. JPY/USD - **PEC D @ 82** - First price objective achieved 84.50, **pull back to 82** and Second objective to 86

2. AUD/USD - **PEC D @ 97.5** , double topped , **potential bounce** but then target to 94 first and then 91

3. CHF / USD - **PEC D @ 97** - broke the double bottom, (**Failed at 93**)

DXY - Weekly – 3 Year with RSI, CCI, MACD (11 W / 40 W SMA)



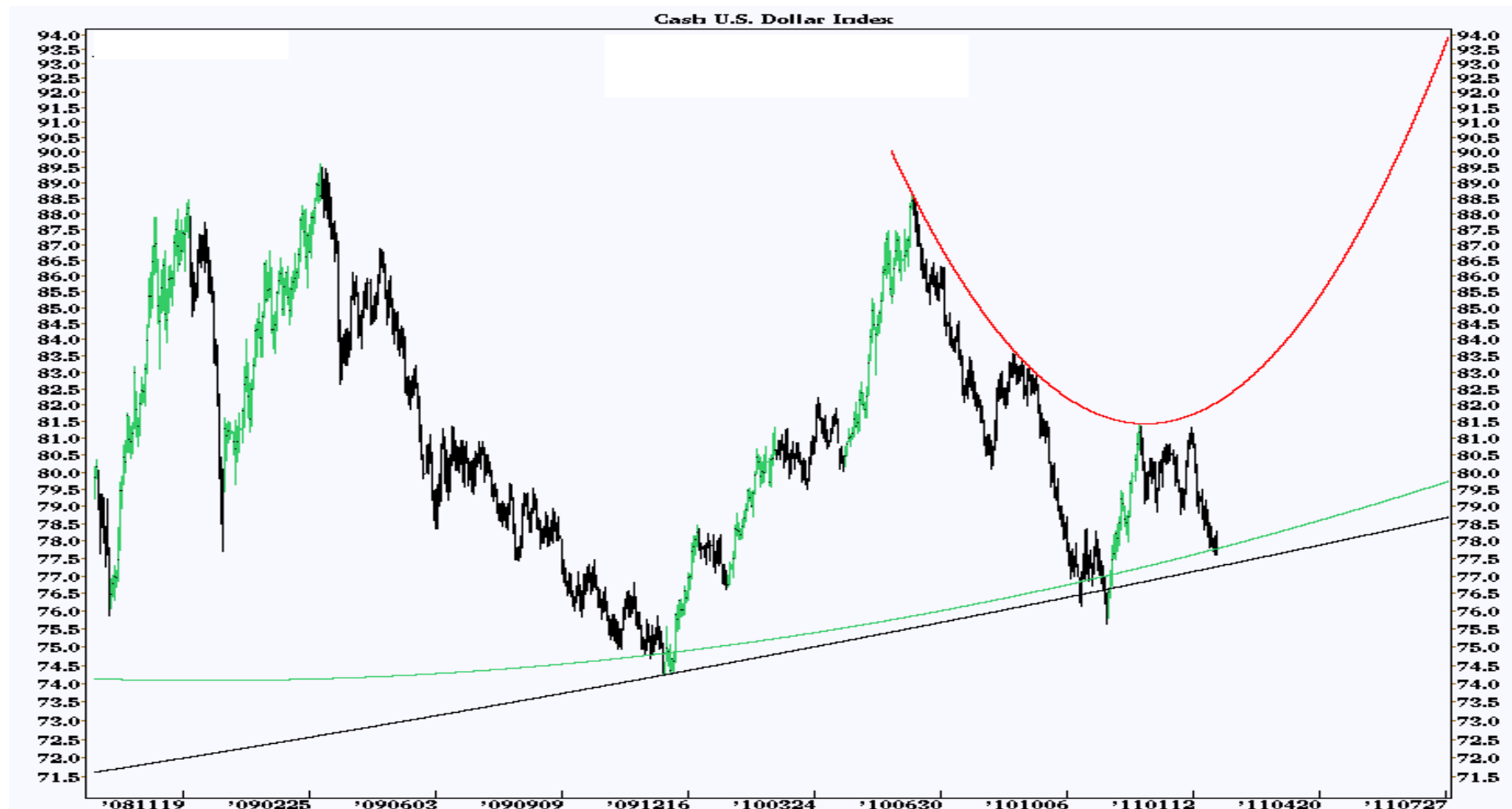
1- DXY - Daily – 3 Year with RSI, CCI, MACD (11D / 55D SMA)



2 – USD – UUP -ETF – POM Analysis

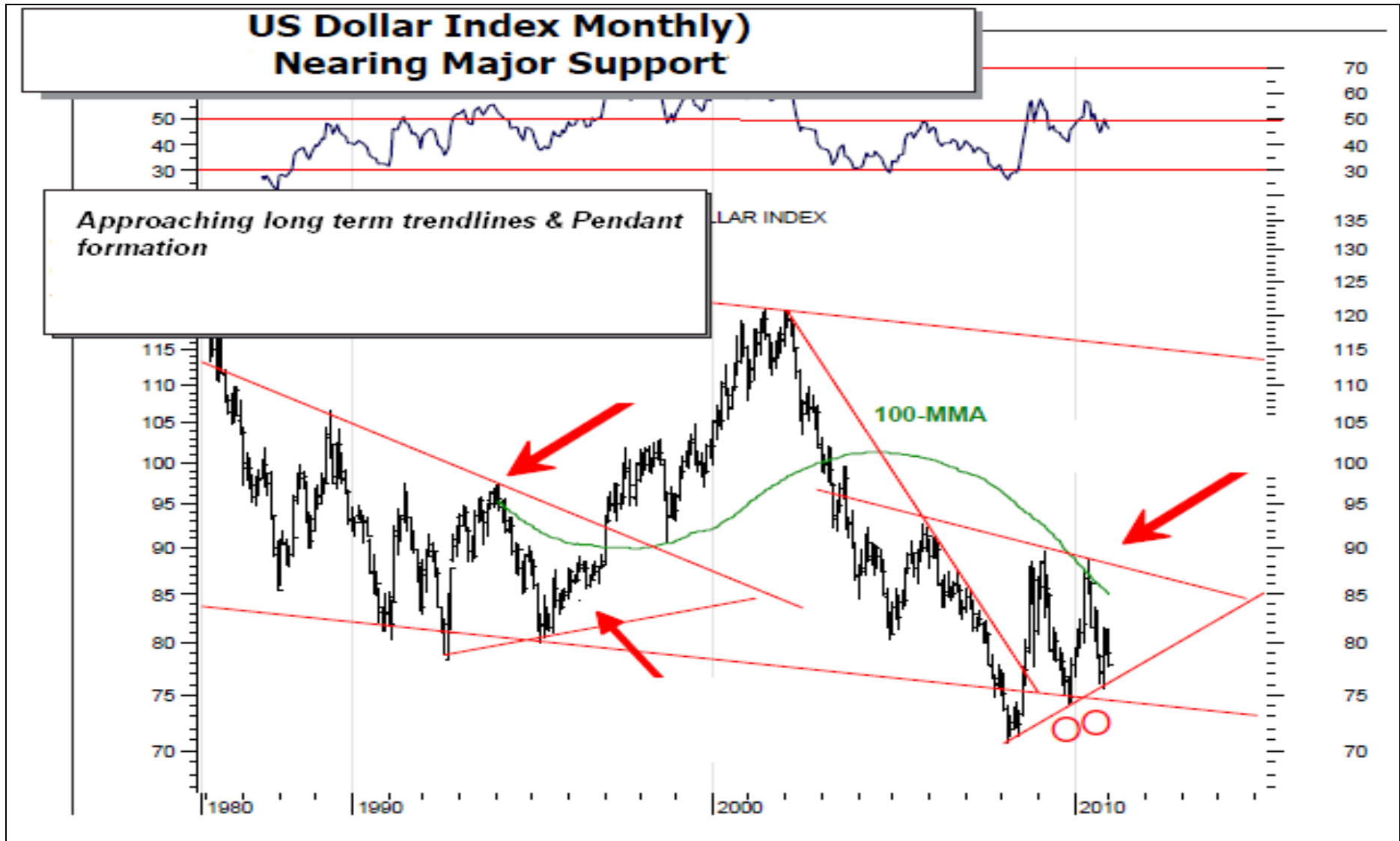
We were expecting a dip in USD and that to coincide with rally in the fifth / final wave of the market (we continue to experience that currently) Reversal in this market should put in pressure on equity. but currently Basing process continues in the DXY, which should eventually become a sustainable uptrend that lasts into 2014.

The Dollar Index is in the area where previous lows have found support on rising polytrendlines. This pattern of continually coming back to retest rising support lines is the same pattern the Dollar Index exhibited in the Nineties, just before it soared higher.



2 - USD – POM Analysis

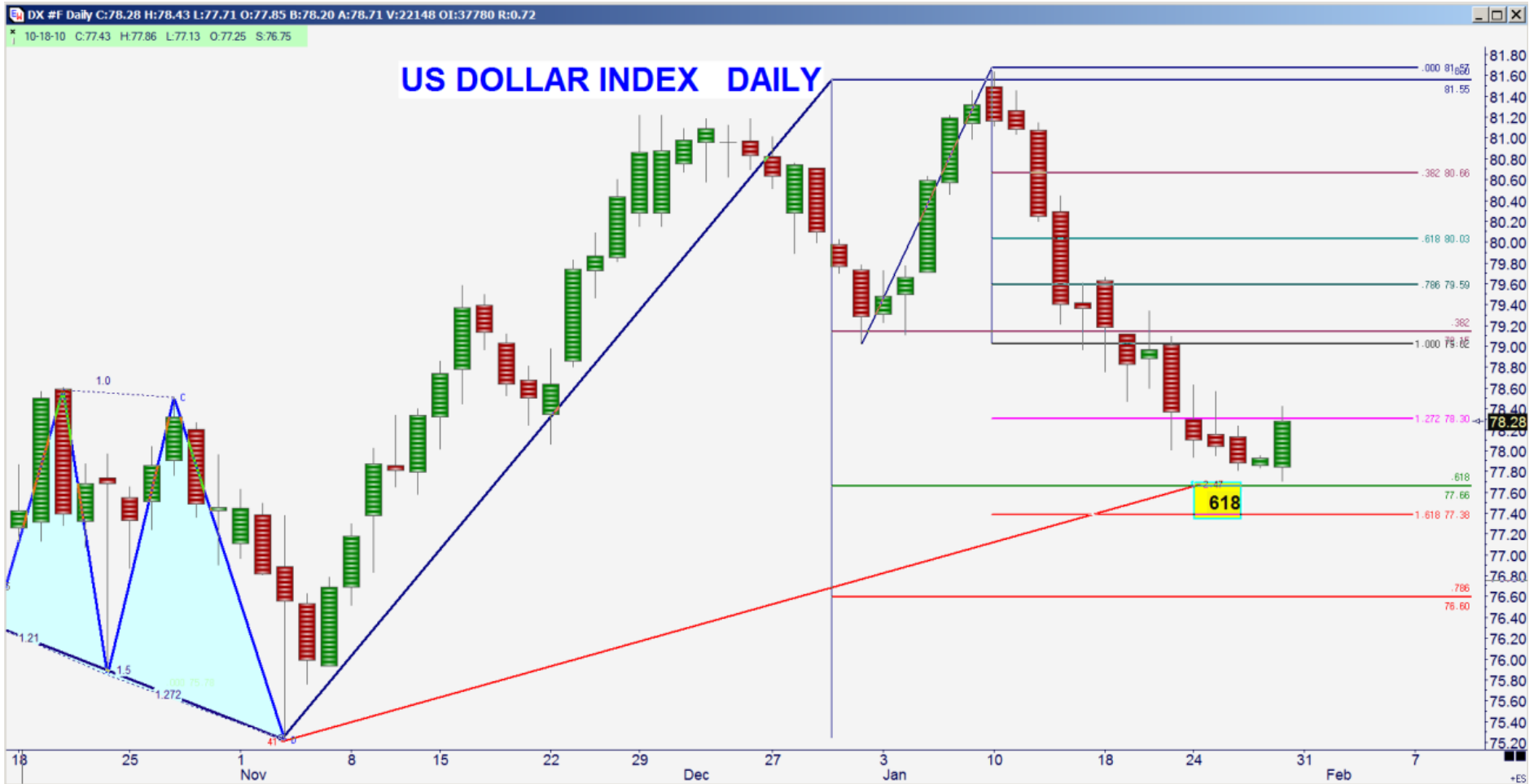
On test of 77.5 should come back into trading range quickly. The Dollar Index remains a long term buy . After hitting the lows @ 3% bullish sentiments it rejected the lows then showed the sign of strength. The impulse wave has started at 76 to first target point of 81 +/- .upon completion of this pull back we should begin next leg up.



3 - DXY – PEC Analysis - Intermediate term

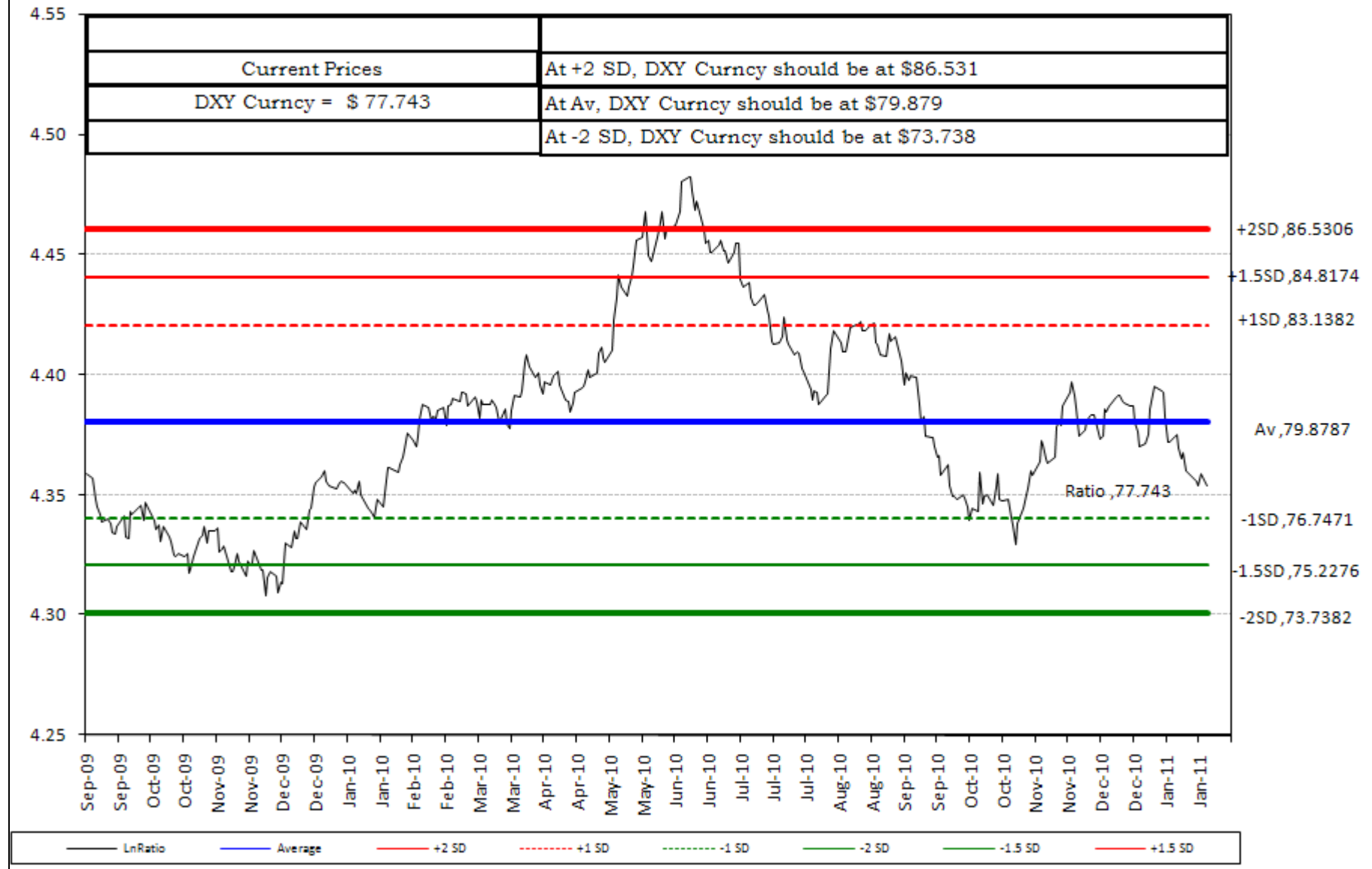
The support at 77.50 should hold at 618 .

By PEC D Method, The bottom D point was at 77 and it was tested several times, in bullish fashion. Although reached a first target point of 81. The next leg up could come to till potential resistance at the 0.618 level at 85.00. BULL MARKET continues.

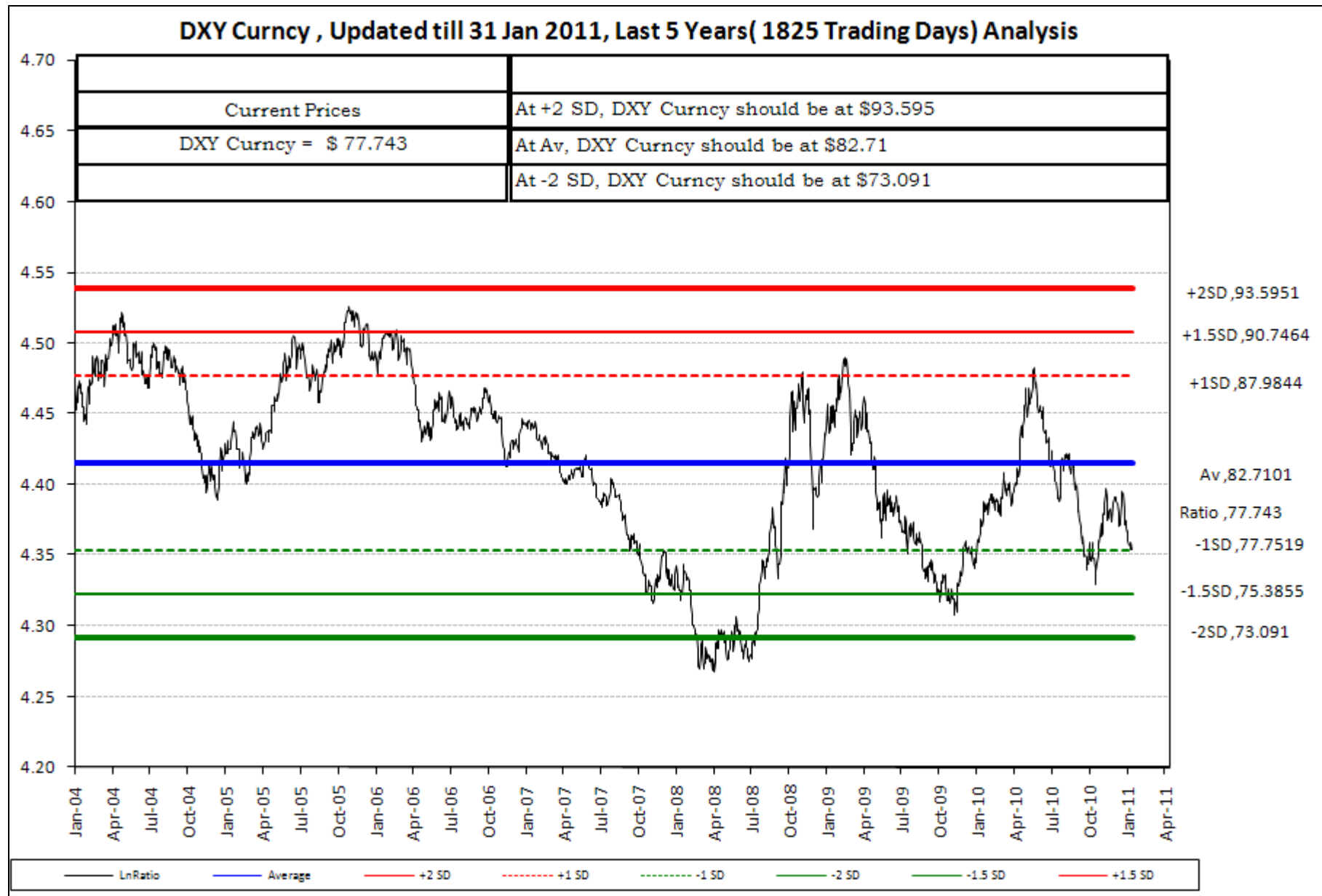


DXY Last 365 Analysis

DXY Curncy , Updated till 31 Jan 2011



DXY Last 5 yrs Analysis



1- EURO / USD - Weekly – 3 Year with RSI, CCI, MACD (11 W / 40 W SMA)



EURO / USD - Daily - 3 Year with RSI, CCI, MACD (11D / 55D SMA)



EURO - POM Analysis –

EURO is testing the areas of previous bounce of 1.34 – 1.35 and exceeded the bounce a bit 1.36 at cross section of Poly Trend , after reaching the price projections of 1.29 earlier.

Ideally, we would love to see the euro rally to test the overhead resistance line & falling resistance trendline.



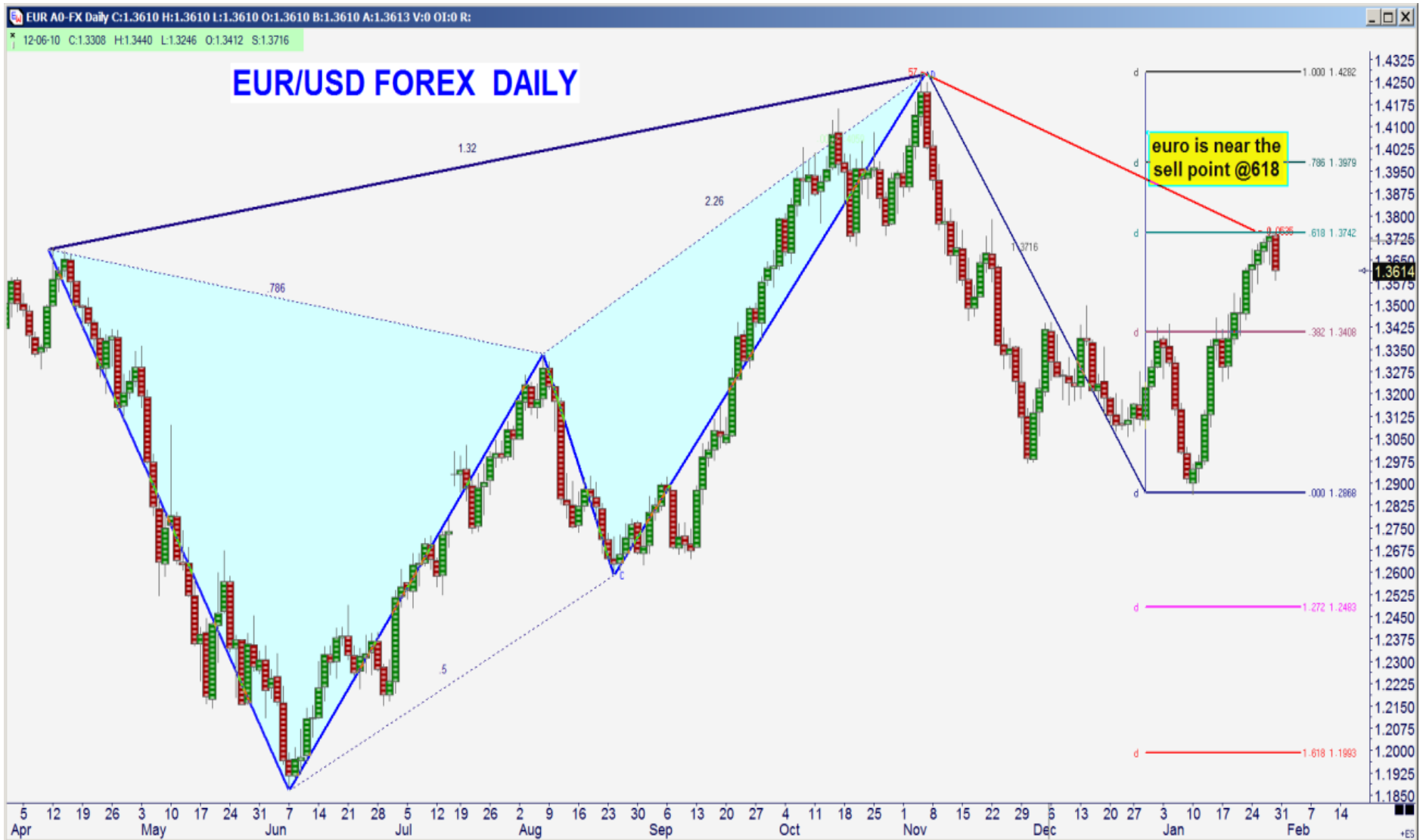
EURO - POM Analysis (Candle)

EURUSD rebounded after a bearish Breakaway candlestick broke support at the bottom of Rising Wedge formation, this is topping



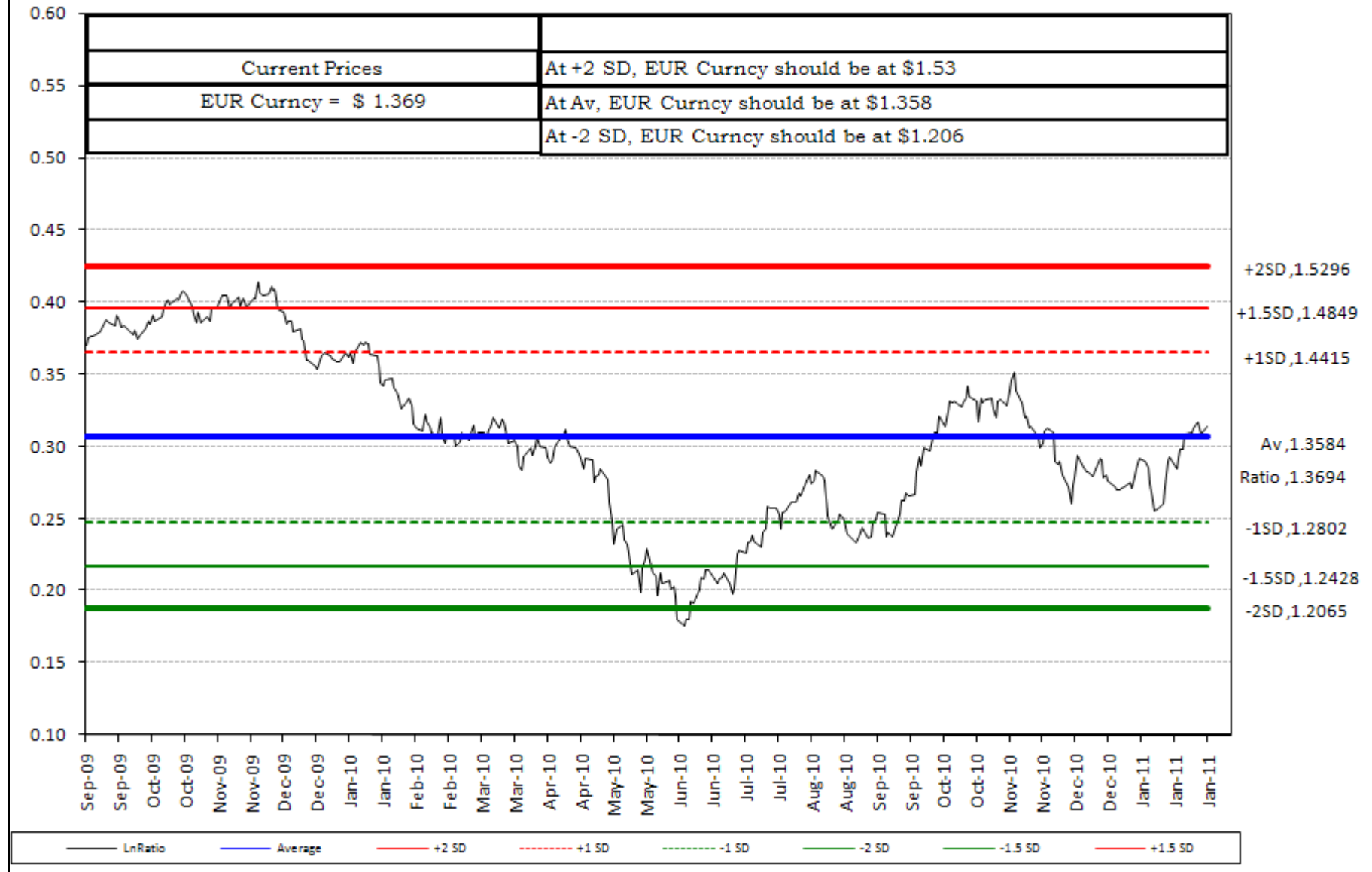
3 - EURO / USD – PEC Analysis - Intermediate term

By PEC D Method, First Bottom PEC D point is 1.29. , the bounce came in to 0.618 to 1.36, this should fail and we could very well be setting up next leg down to 1.28 .

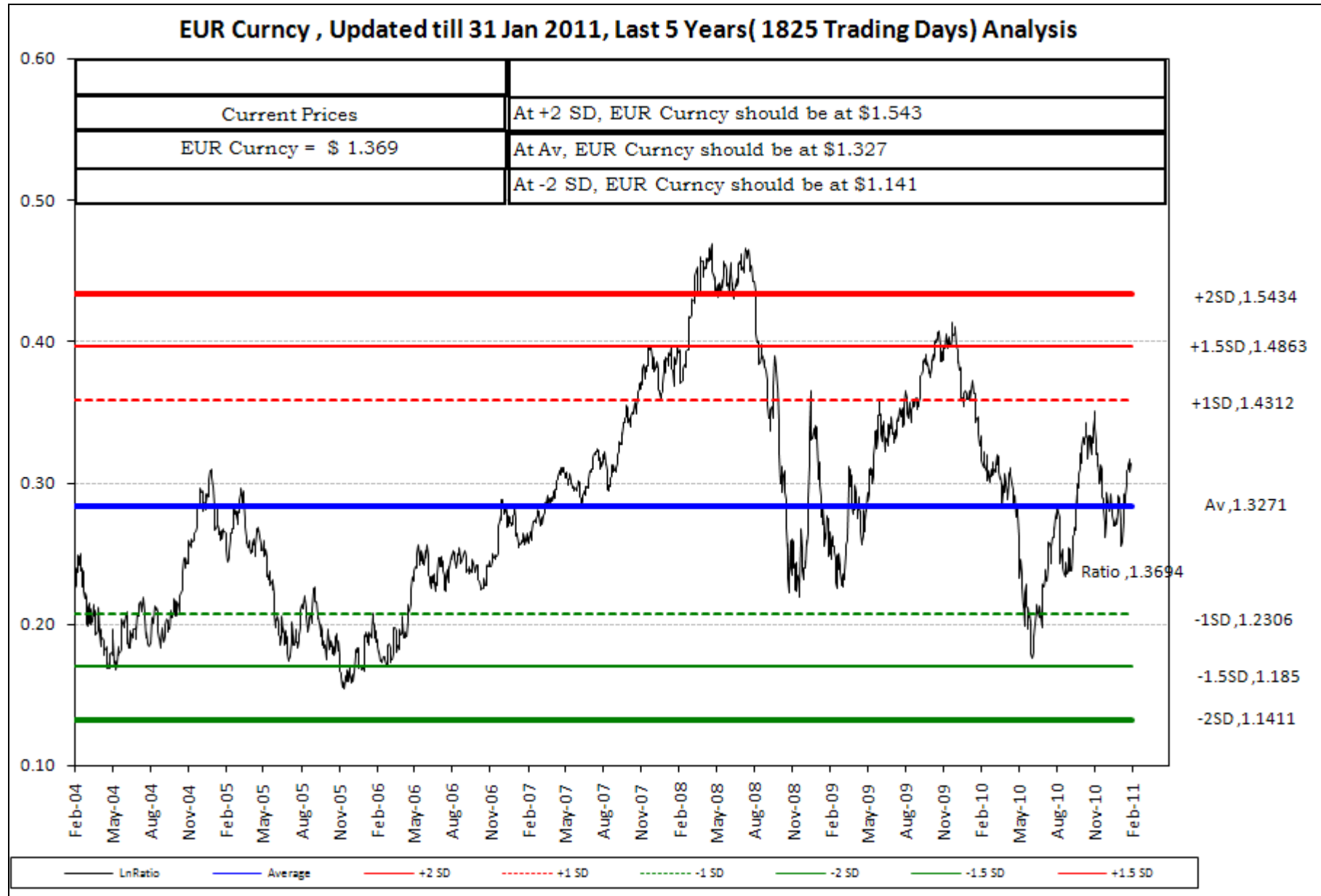


EUR Last 365 Analysis

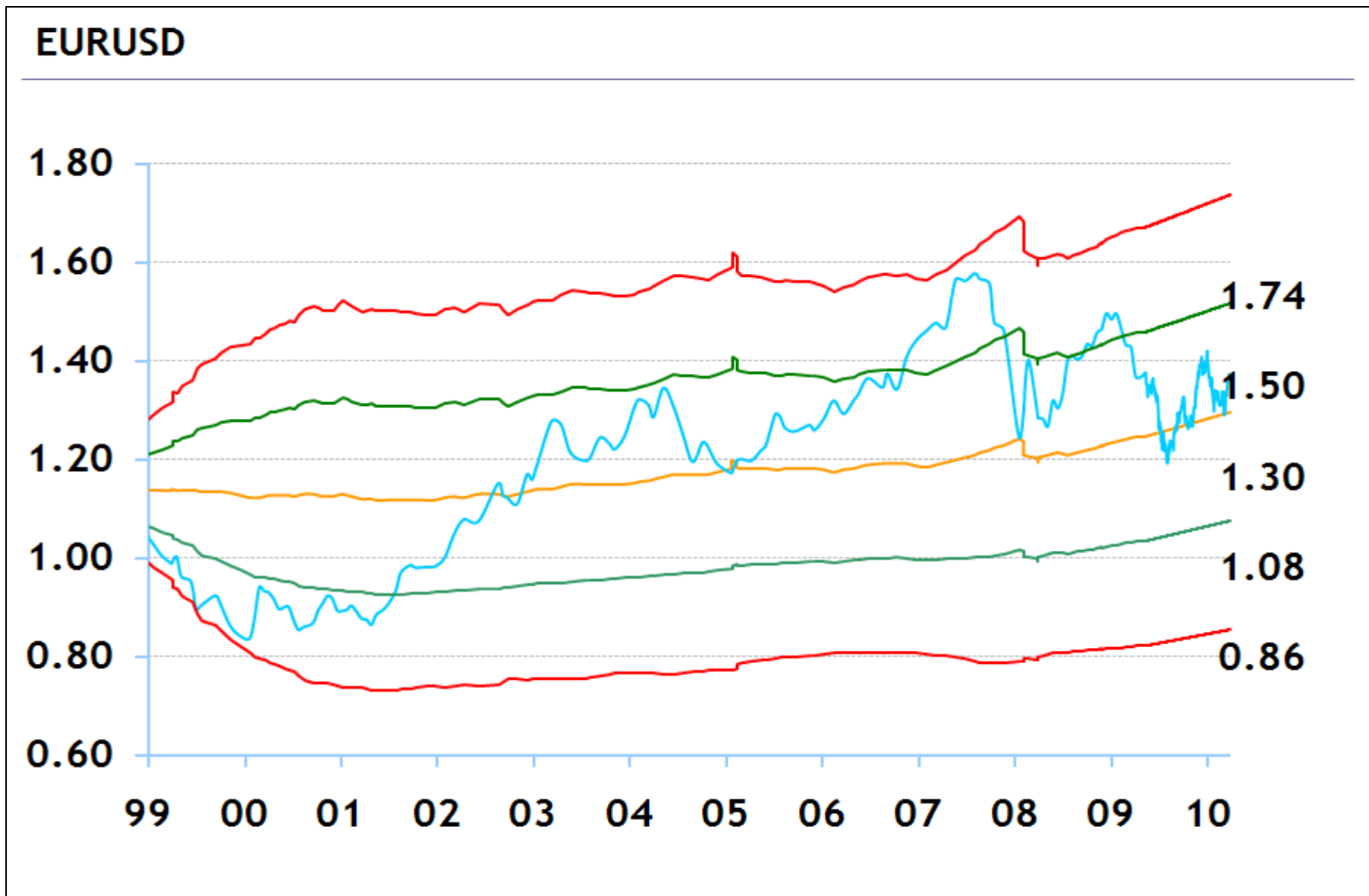
EUR Curncy , Updated till 31 Jan 2011



EUR Last 5 yrs Analysis



4 - EURO / USD – PPP Reversion & Standard Deviation Analysis – Long Term



1- GBP / USD - Weekly – 3 Year with RSI, CCI, MACD (11 W / 40 W SMA)



GBP / USD - Daily – 3 Year with RSI, CCI, MACD (11D / 55D SMA)



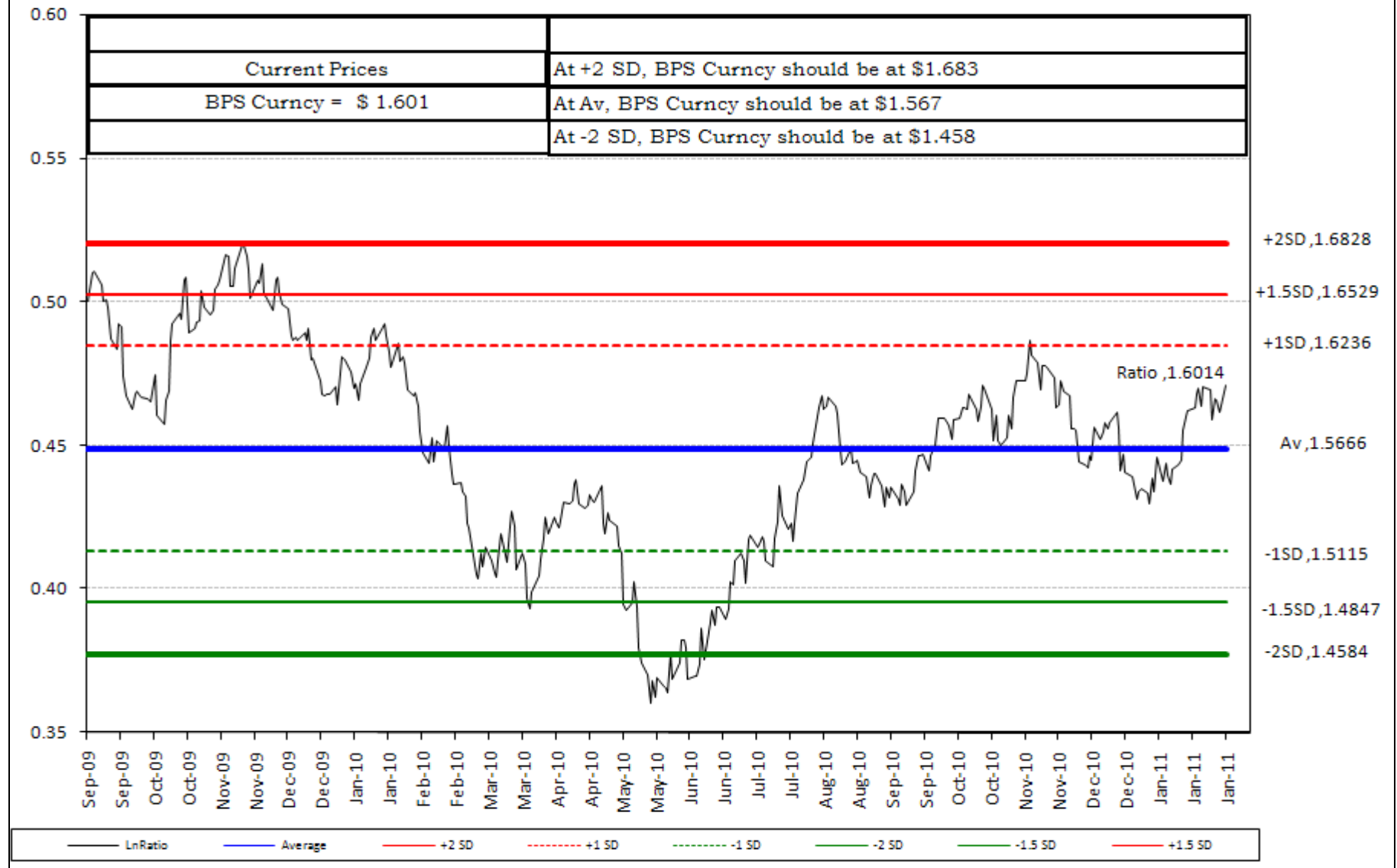
2 - GBP / USD – POM Analysis – Candle

GBPUSD as expected last week tested the 1.60 horizontal trend line with Bearish Doji Star and now will look for a reversal lower.

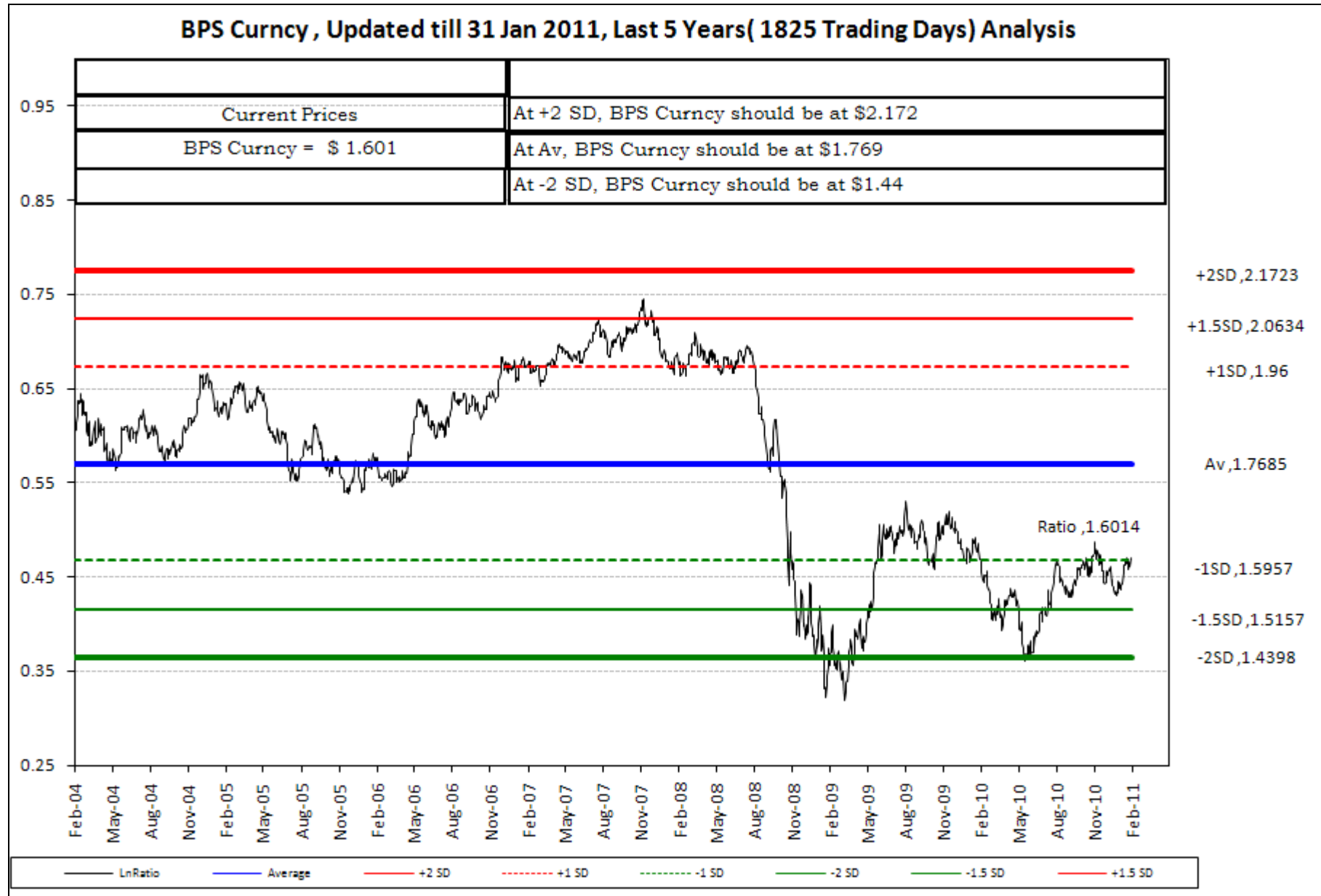


BPS Last 365 Analysis

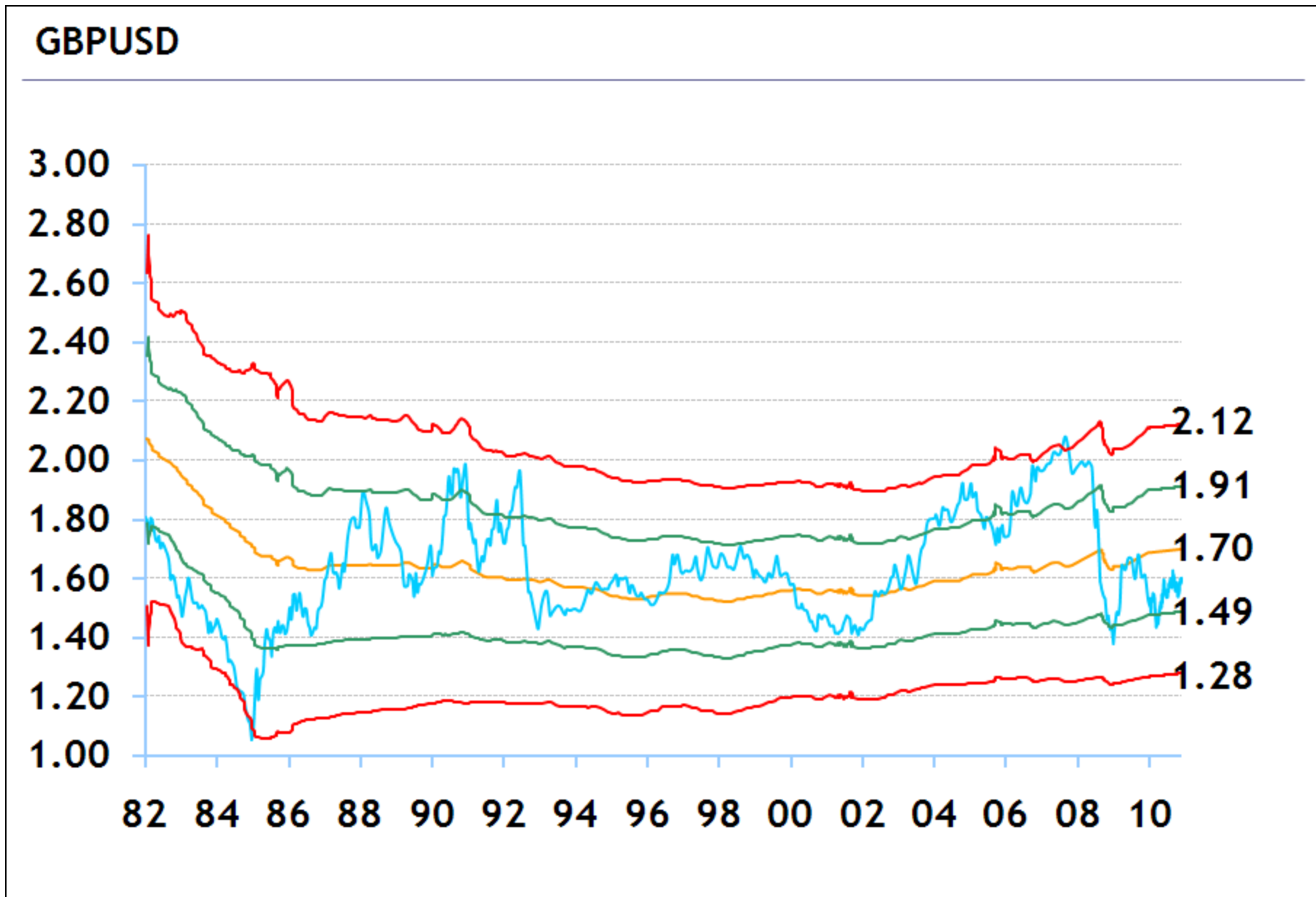
BPS Curncy , Updated till 31 Jan 2011



BPS Last 5 yrs Analysis



4 - GBP / USD – PPP Reversion & Standard Deviation Analysis – Long Term



1- JPY / USD - Weekly – 3 Year with RSI, CCI, MACD (11 W / 40 W SMA)



2- JPY / USD - Daily – 3 Year with RSI, CCI, MACD (11D / 55D SMA)



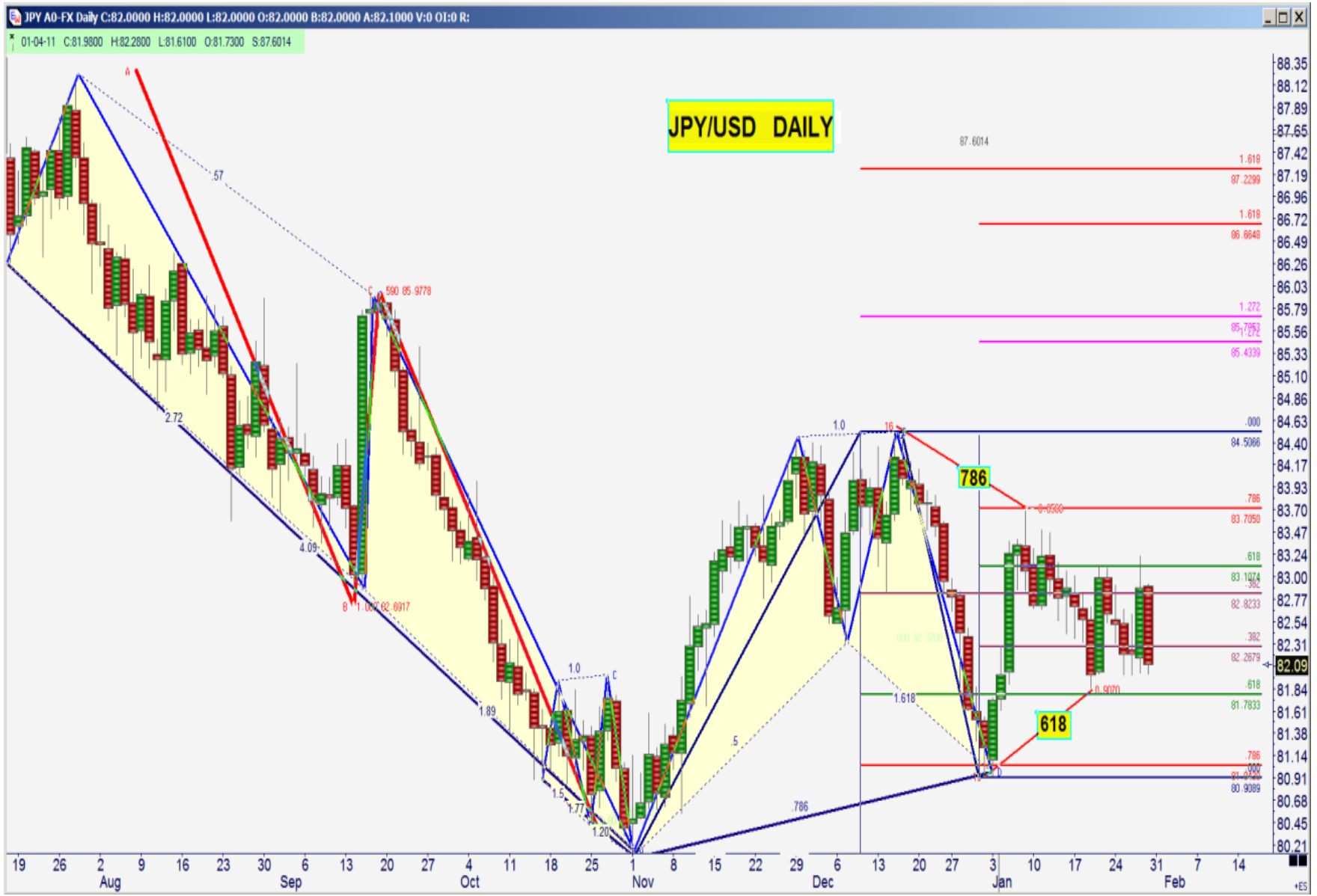
YEN - Long Term

Although long term its faltering, the Triangular formation could give one last blow off rally but when on other side of Poly trend it could be downhill from there. This is multi decade high. The line break indicator remains bearish on the yen. The large scale reversal to the downside developing here. Tremendous Long term potential, double top of this magnitude has very high significance.



JPY / USD – PEC Analysis -

PEC D @ We reached our retracement target 81 @ 0.786 as we had indicated by PEC D . This looks like the best long term trading opportunity out there. We retraced to 82 +/- is a great area to accumulate position, Remain long



JPY / USD – POM Analysis (candle)

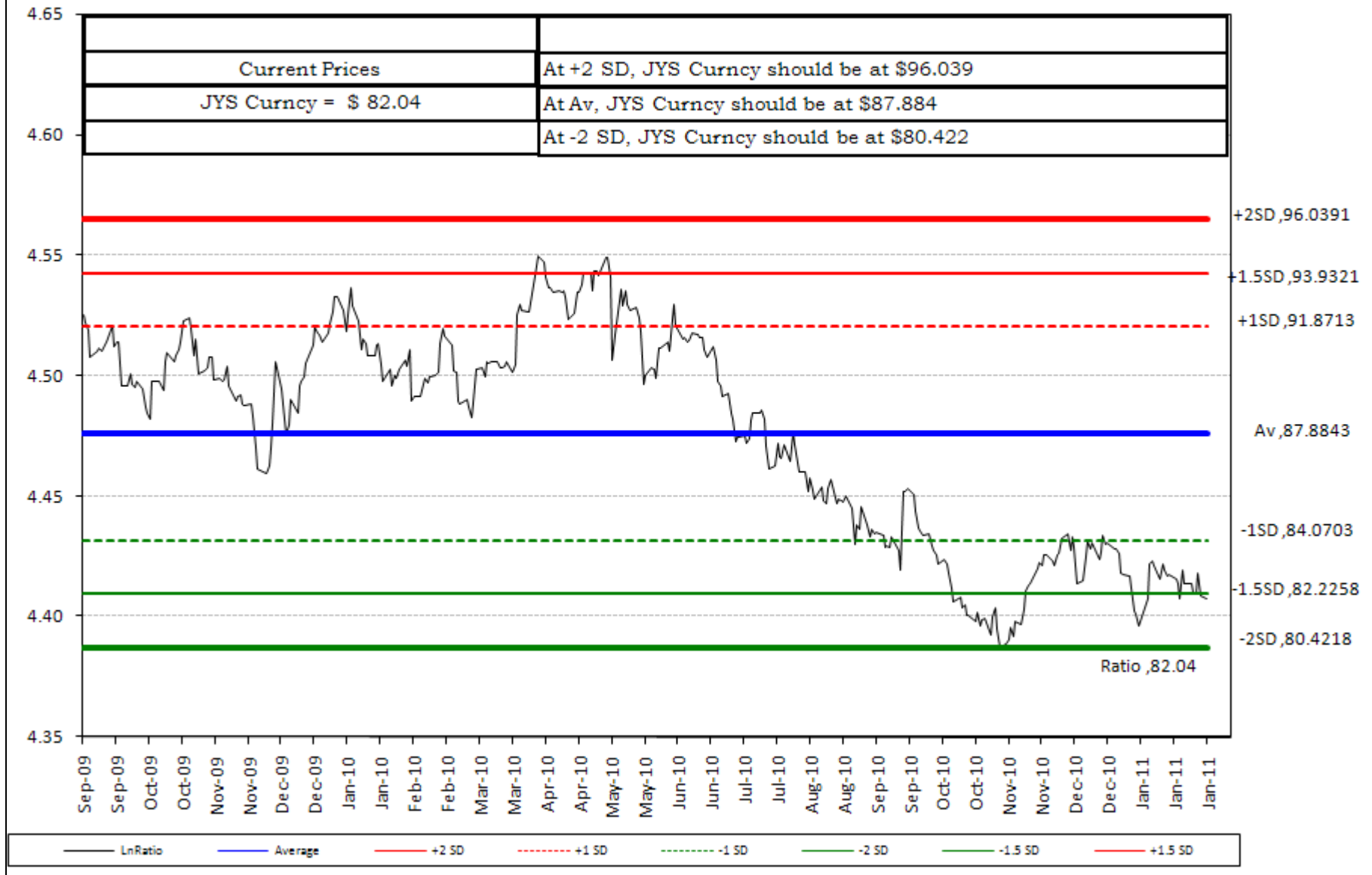
Remains wedged between a falling trend line set from December's swing high and horizontal support at the 82. Our overall bias has favored the bullish scenario. Meanwhile there is the base building retracement towards 82,

We reached our first objective and re traced . Now our 2nd objective targeting 86. the overall bias to favor the upside and we remain long,

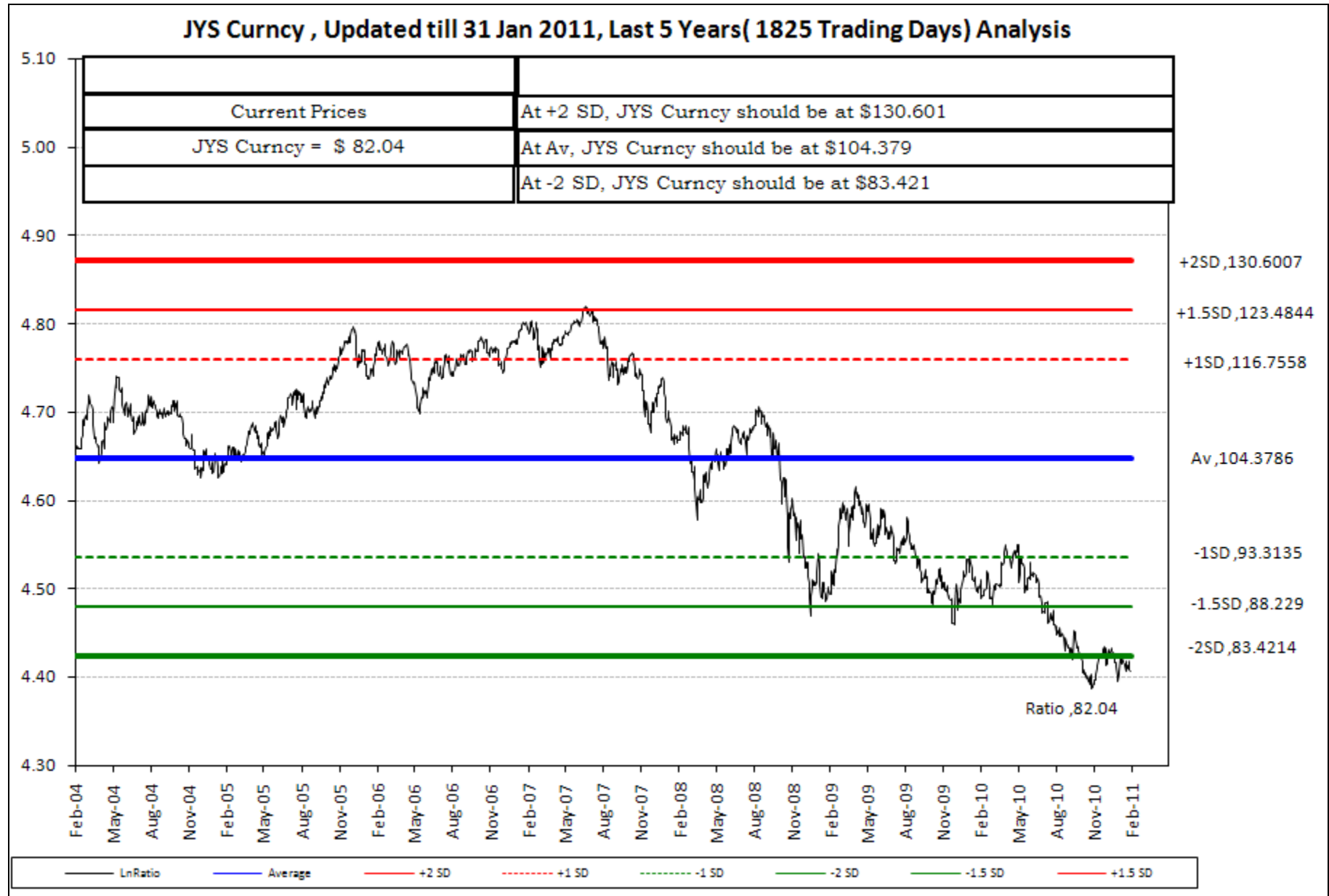


JYS Last 365 Analysis

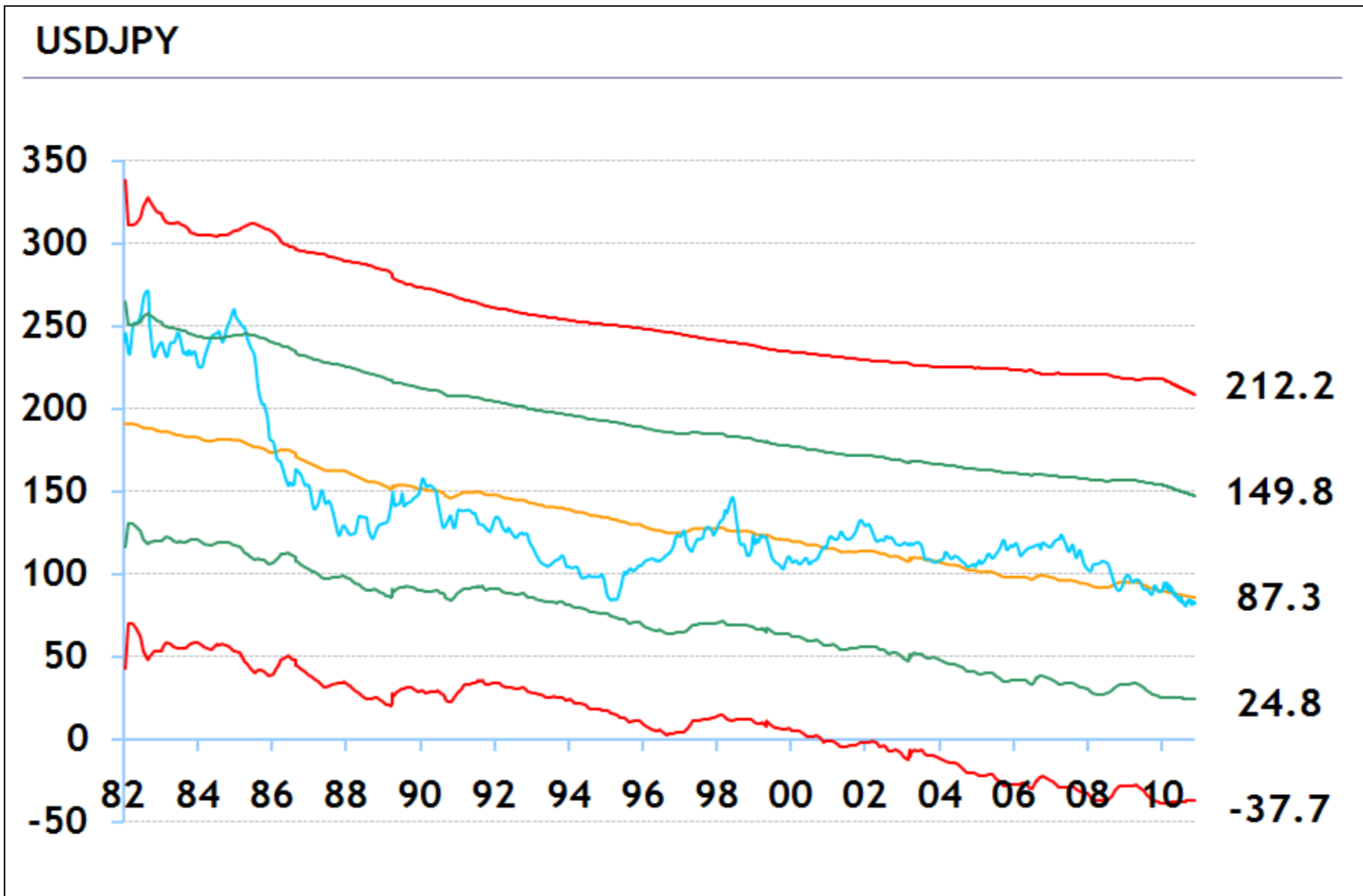
JYS Curncy , Updated till 31 Jan 2011



JYS Last 5 yrs Analysis



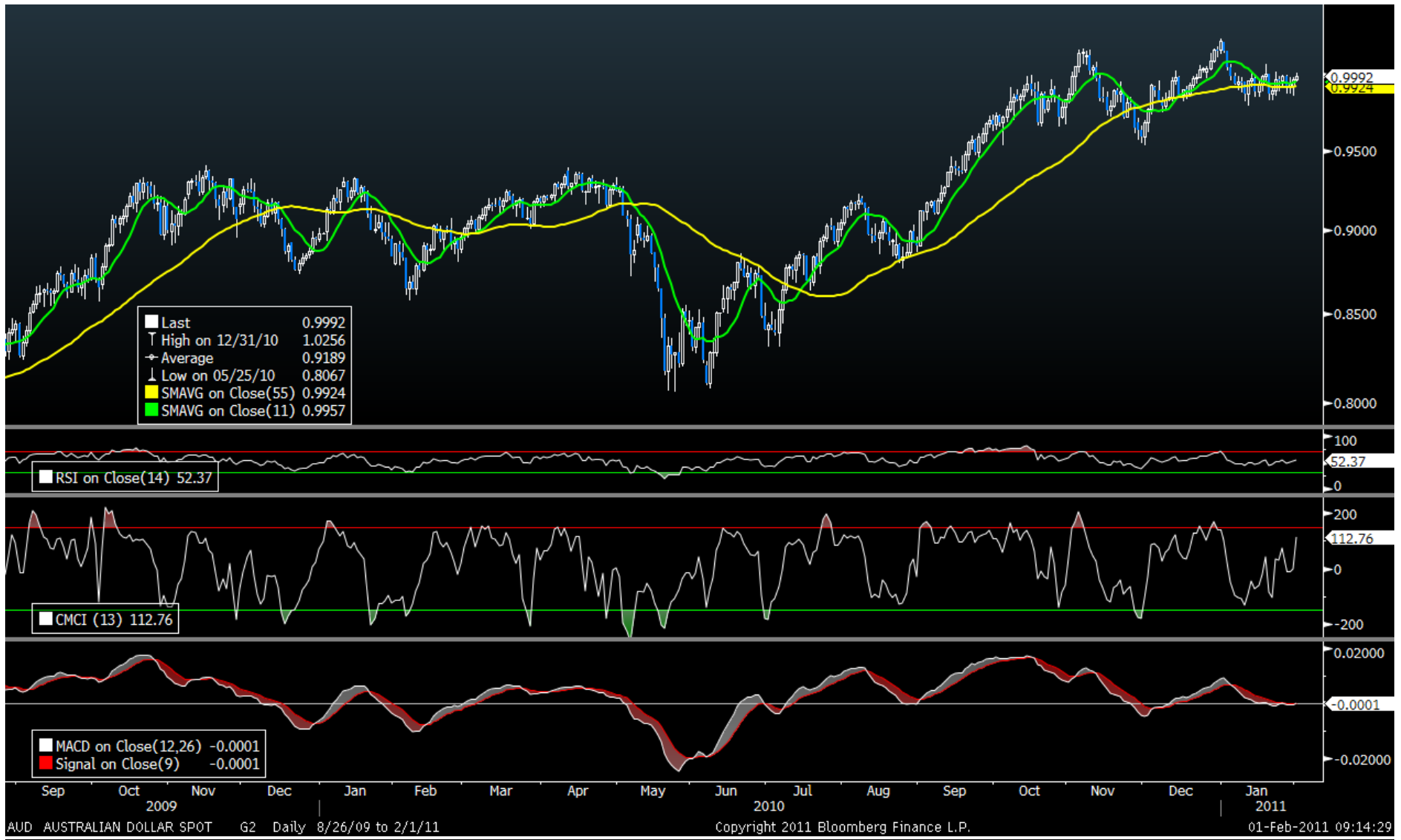
4 - JPY / USD – PPP Reversion & Standard Deviation Analysis – Long Term



1- AUD / USD - Weekly – 3 Year with RSI, CCI, MACD (11 W / 40 W SMA)



AUD / USD - Daily – 3 Year with RSI, CCI, MACD (11D / 55D SMA)



3 - AUD / USD – POM Analysis

No breakdown yet, but signs of rolling over a top are clearly evident with penetrations on Poly Trend lines on the aussie. When the breakdown does come, the downside potential will be extremely strong.



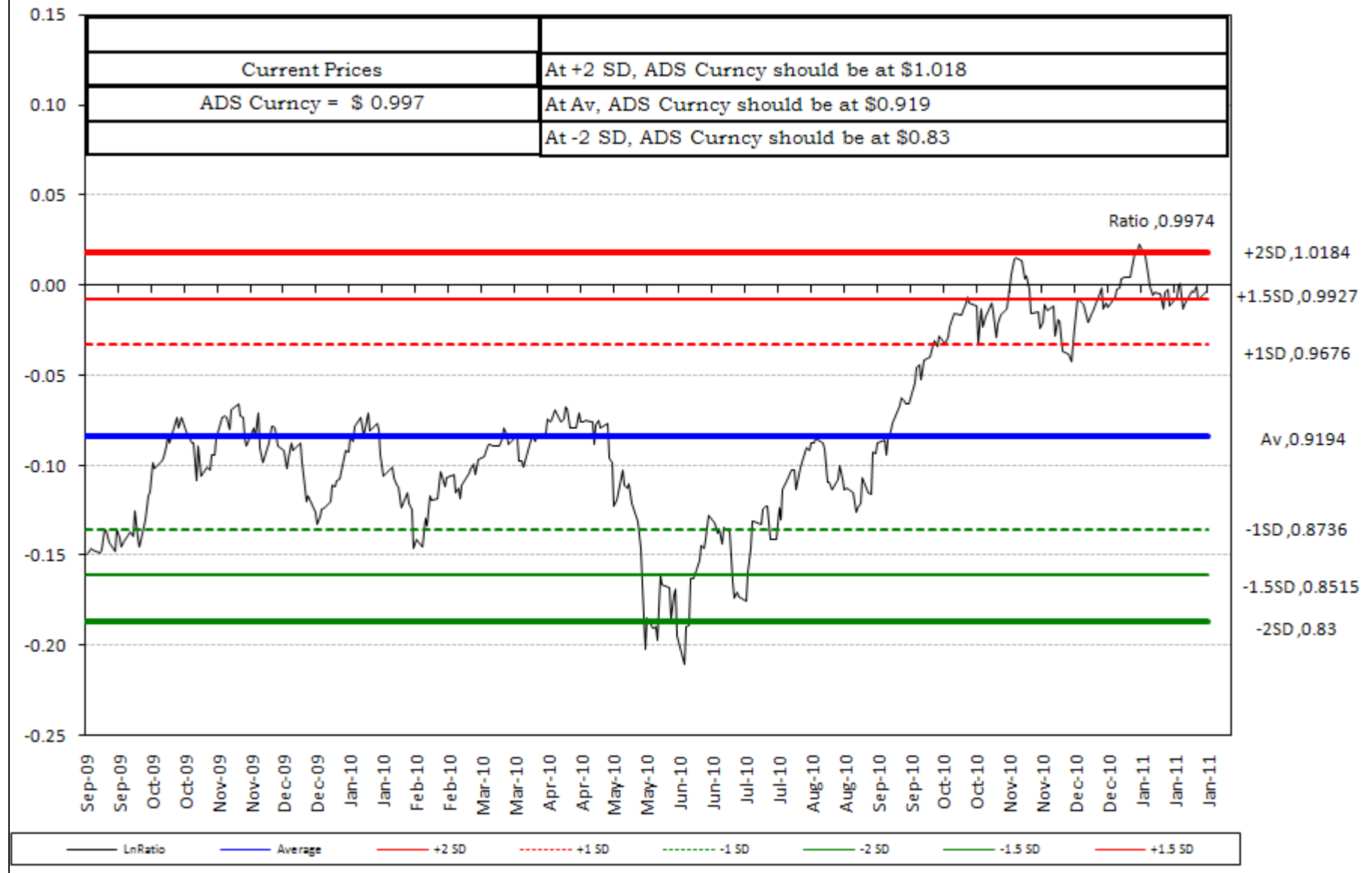
1 - AUD / USD – POM Analysis – (Candle)

AUDUSD has been locked in consolidation below 1.0 having breached support at a rising trend line . This is bearish pattern We will seek confirmation on a break below range support at 0.99, initially looking to target 0.96.

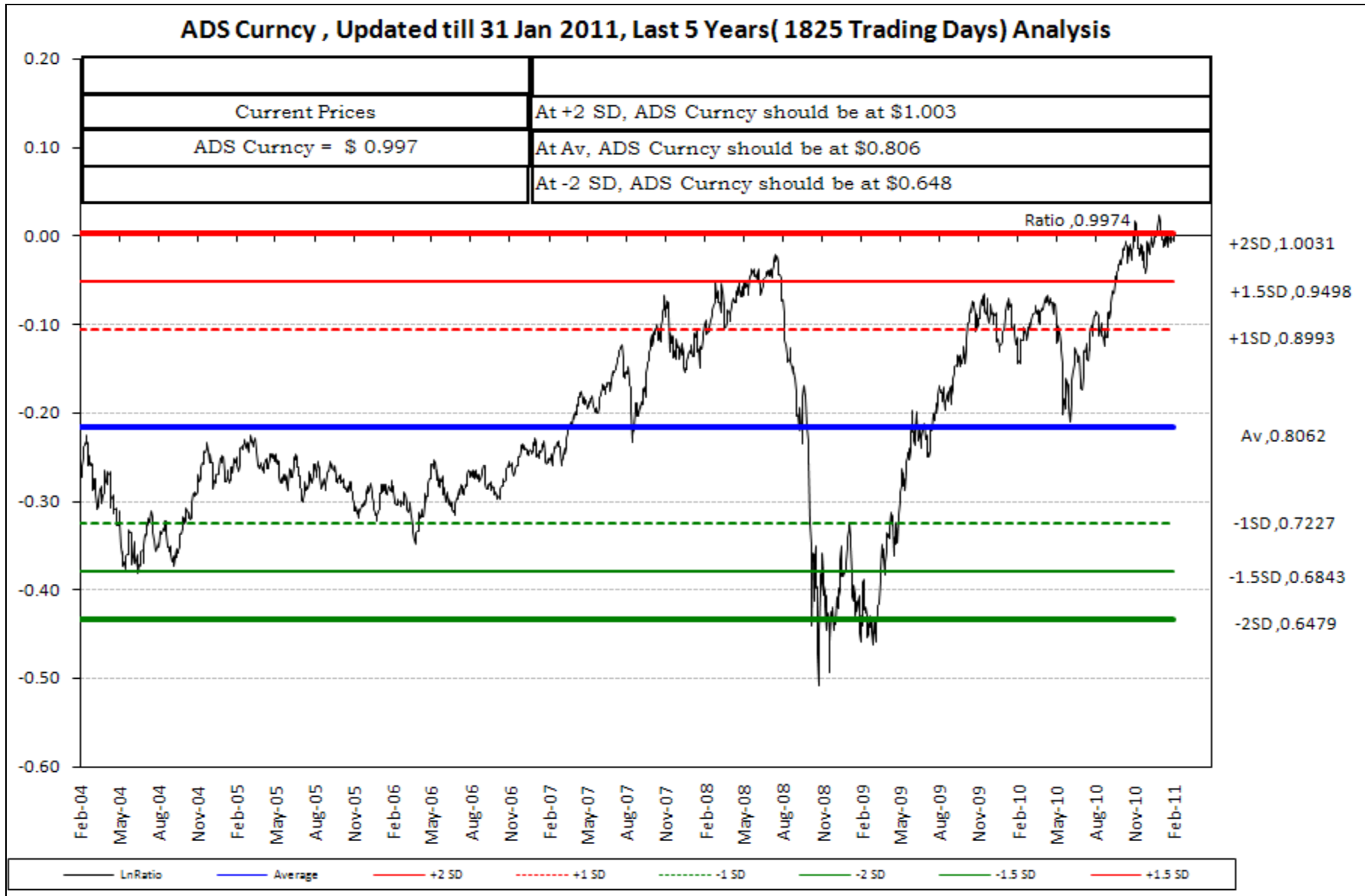


ADS Last 365 Analysis

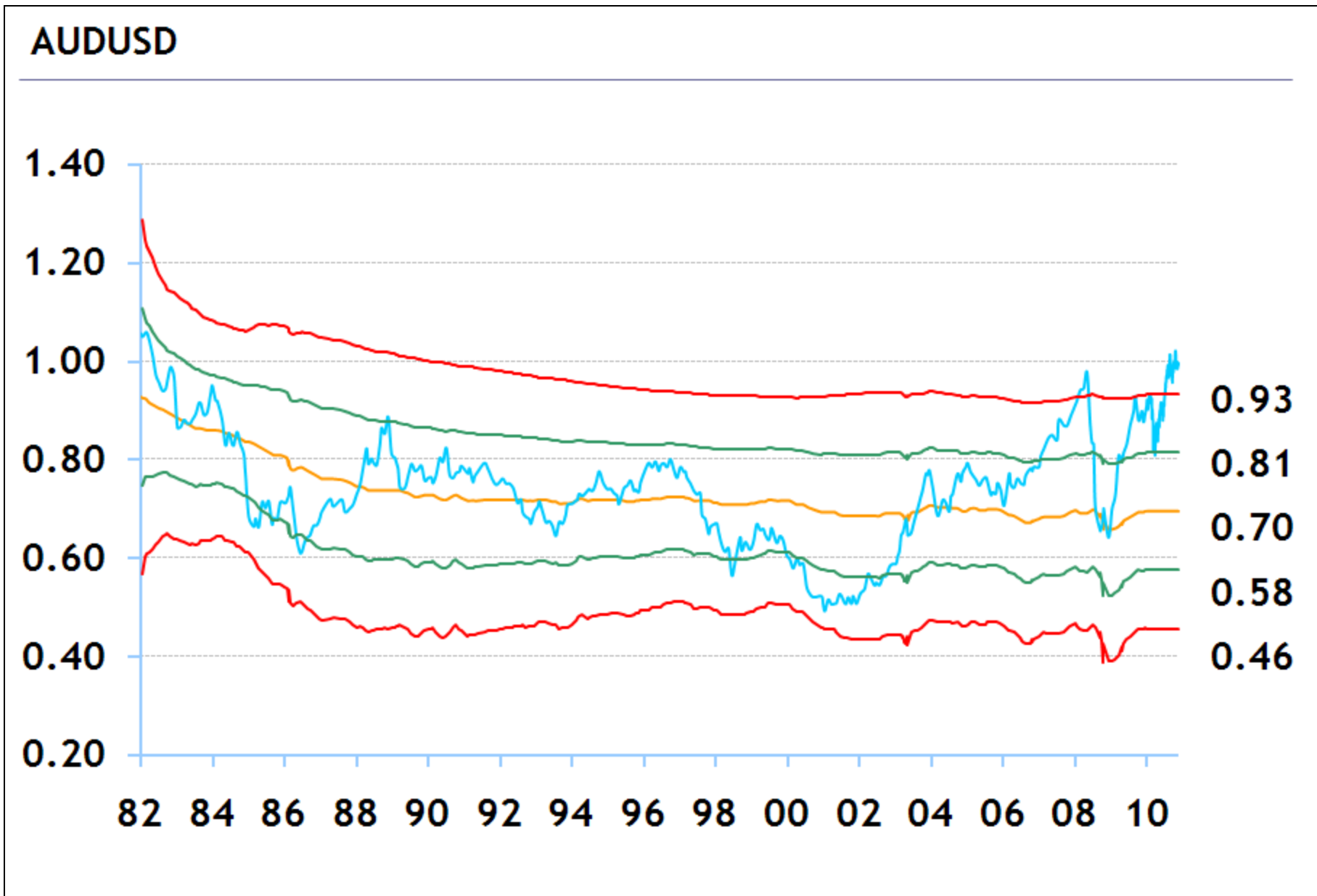
ADS Curncy , Updated till 31 Jan 2011



ADS Last 5 yrs Analysis



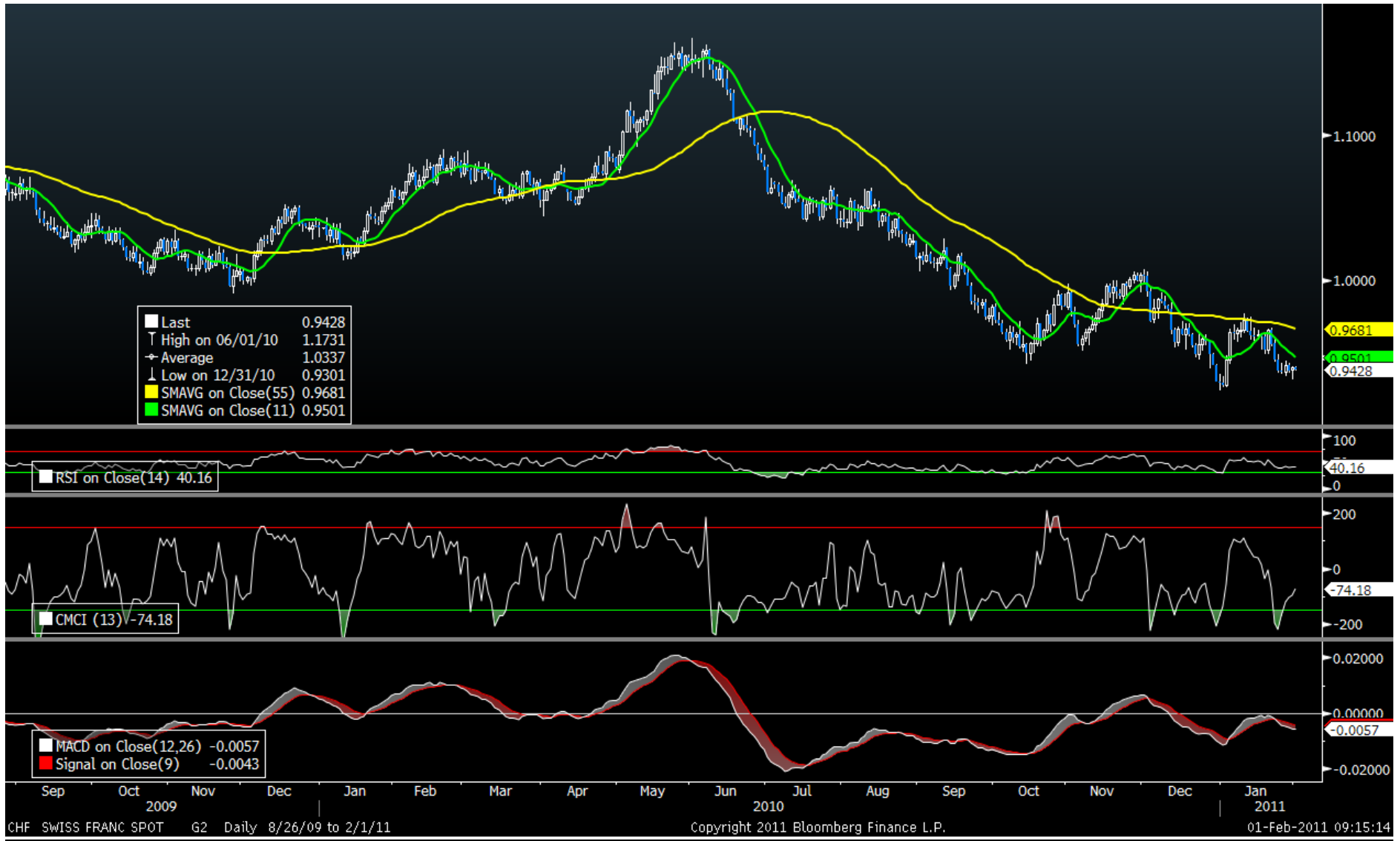
3 - AUD / USD – PPP Reversion & Standard Deviation Analysis – Long Term



1- CHF / USD - Weekly – 3 Year with RSI, CCI, MACD (11 W / 40 W SMA)

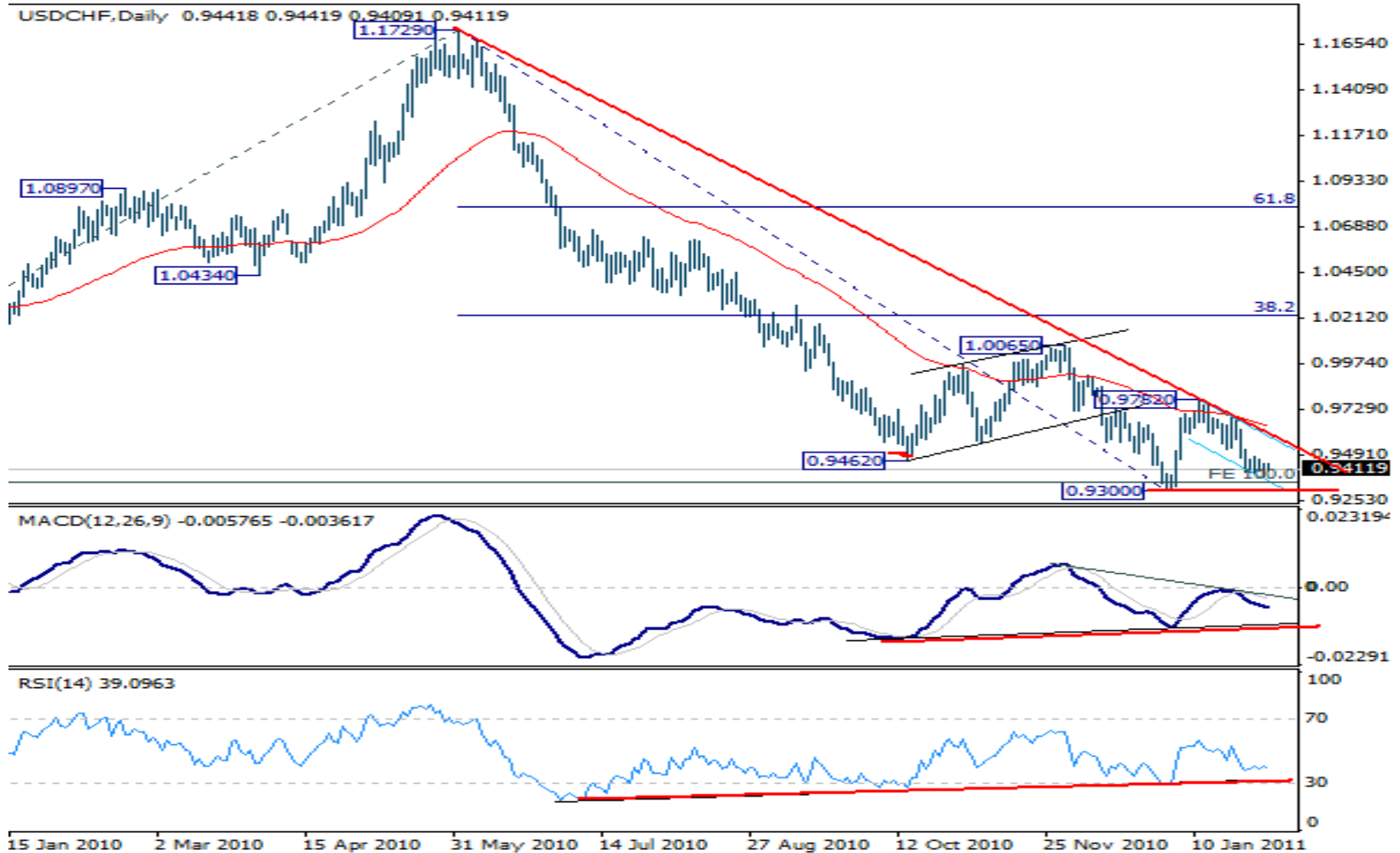


2- CHF / USD - Daily – 3 Year with RSI, CCI, MACD (11D / 55D SMA)



2 - CHF / USD – POM Analysis – (Tech)

Although the RSI is diverging, the price action in the bigger picture, now its failing to sustain above 50 DMA argues that 0.93 might not be the bottom yet. USD/CHF's down trend still continue further. Only the Decisive break of 0.93 will target 0.89. On the upside, sustained break of 1.00 resistance is still needed to confirm bottoming or outlook will remain bearish. If the double bottom hold it will be bullish, let us wait till it proves itself.



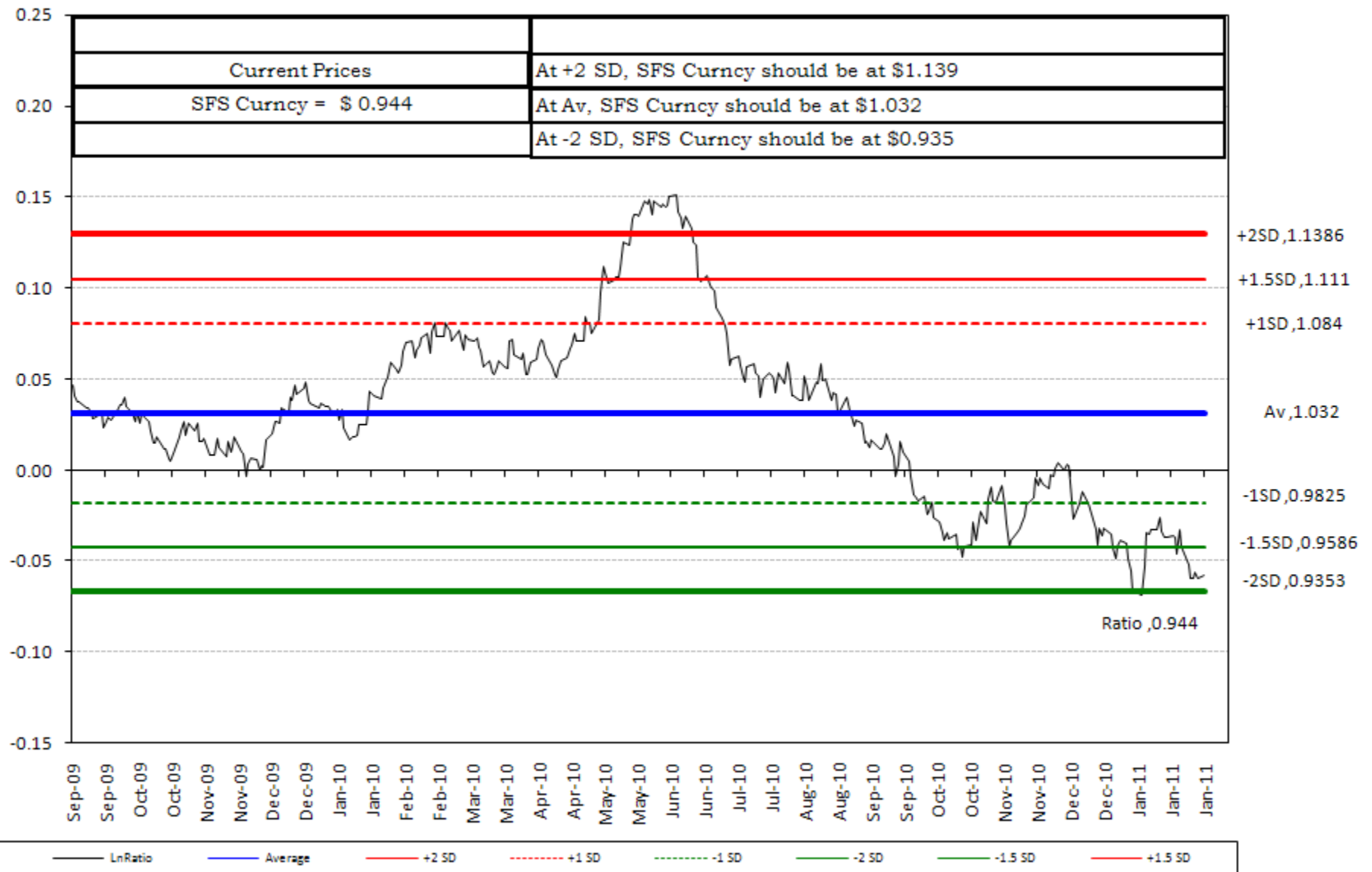
4 - CHF / USD – EMA Analysis - Intermediate term

USD/CHF: Overall price action is concerning for our basing outlook with the market dropping to fresh lows by 0.93. However, studies are showing oversold and any additional declines below 0.93 are not seen as sustainable. Look for the current setbacks to be well supported if on a close basis above 0.94 for next major upside extension beyond 0.97.

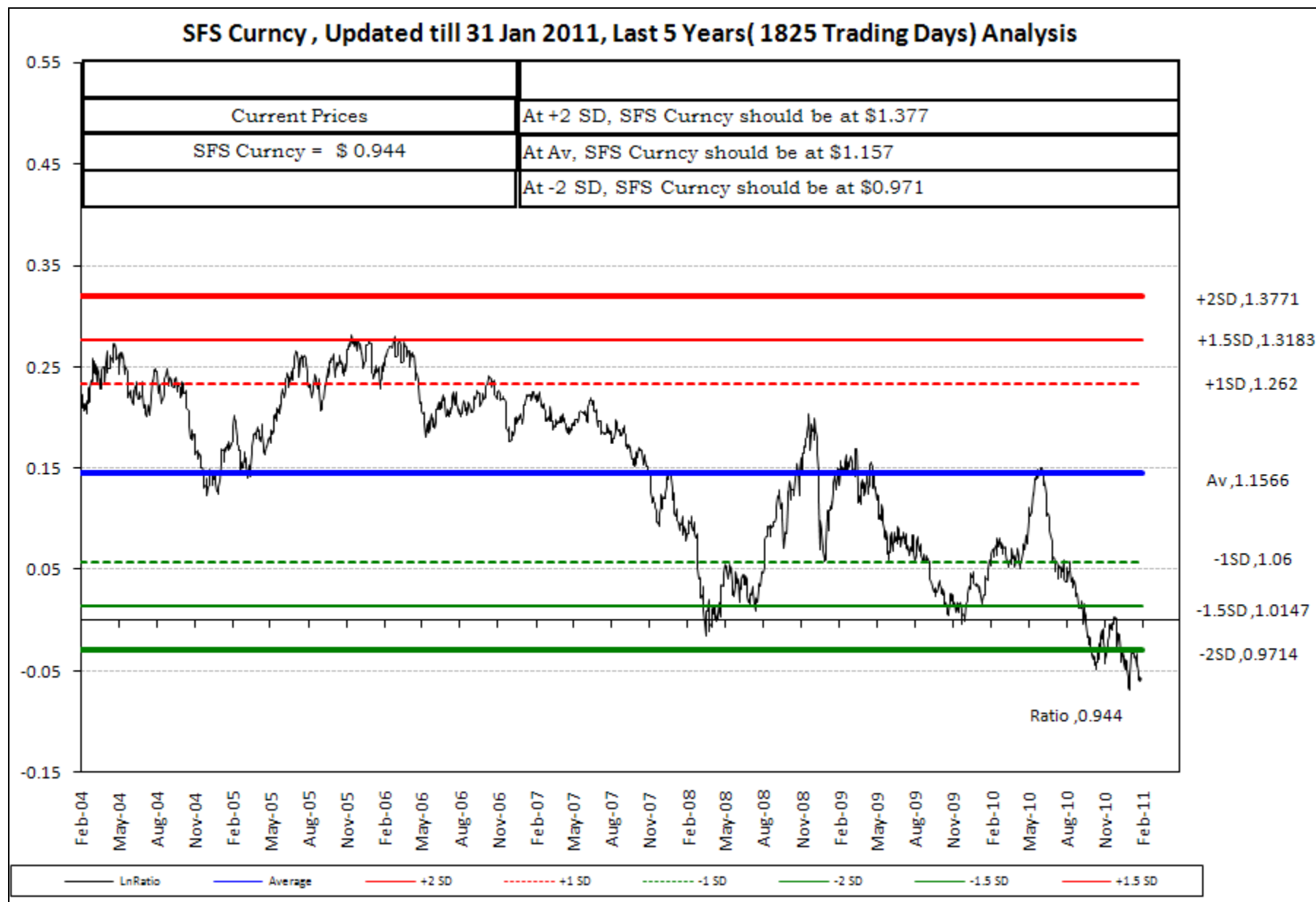


SFS Last 365 Analysis

SFS Curncy, Updated till 31 Jan 2011



SFS Last 5 yrs Analysis



4 - CHF / USD – PPP Reversion & Standard Deviation Analysis – Long Term

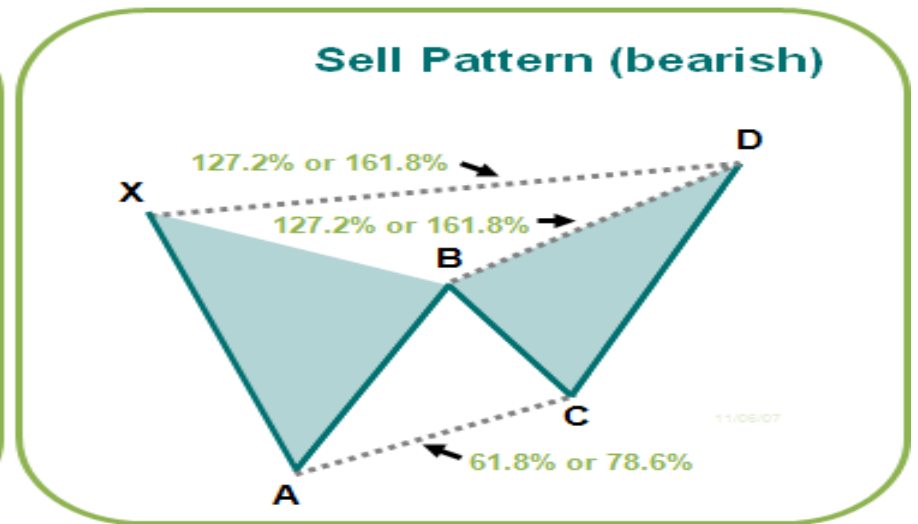
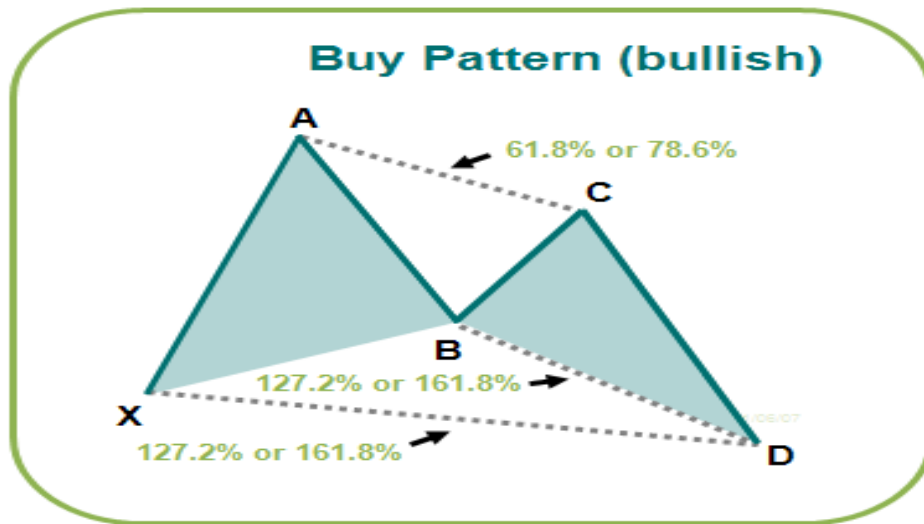


Pythagoras Expansion / Contraction – (PEC) Model

- 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



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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