



# SG Capital Research

Global Market Insights

## **Research Note – Currency Analysis (B)**

**MAEG- CURRENCY ANALYSIS- PEC- SG 2011 # FEB 15**

**For Immediate Release – *Tuesday AM (EST)***

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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**
- 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” – Long at 1307

### 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 Bull case – long position from 1228 to 1276 = 4.0 % ( From reference point 2011 @ 1257 = 1.5%)

Currently “ Trend Adjusted Signal “ **Triggered Long at 1307 - STOP 1307 ( Revised)**

*In the Momentum Market the “ Trend Adjusted Signal” seem to have worked well for QE – 2 pump after taking the profit too early on Longs from POM 12 @ 1020 to POM 14 @ 1105.*

### • 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)**

## ● 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, **retracement 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 -1.36 is retesting zone**, 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

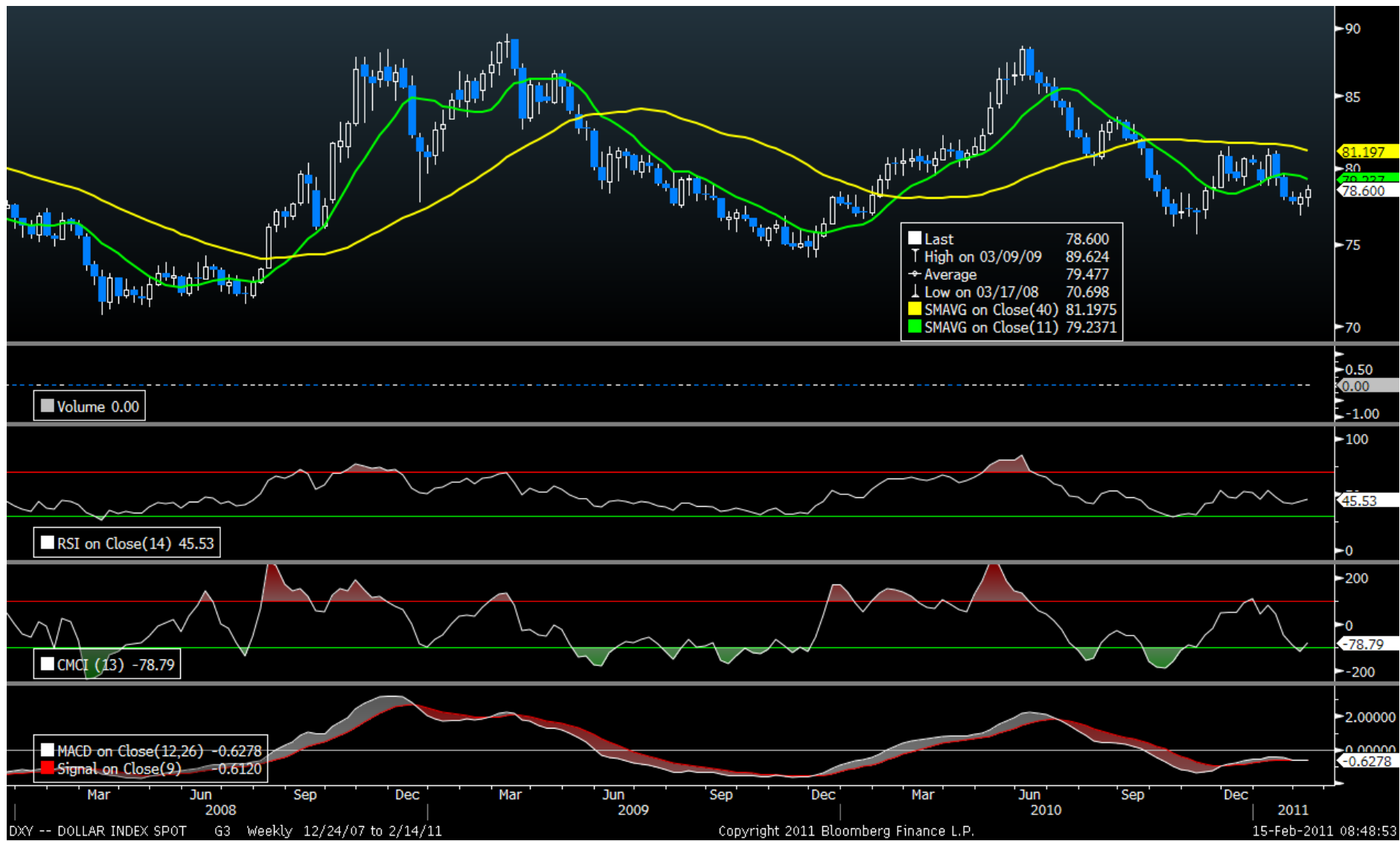
- GR – (2) - AUD, CHF & JPY – Are at or around Extreme Zones, most overvalued and Long Term Buys

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

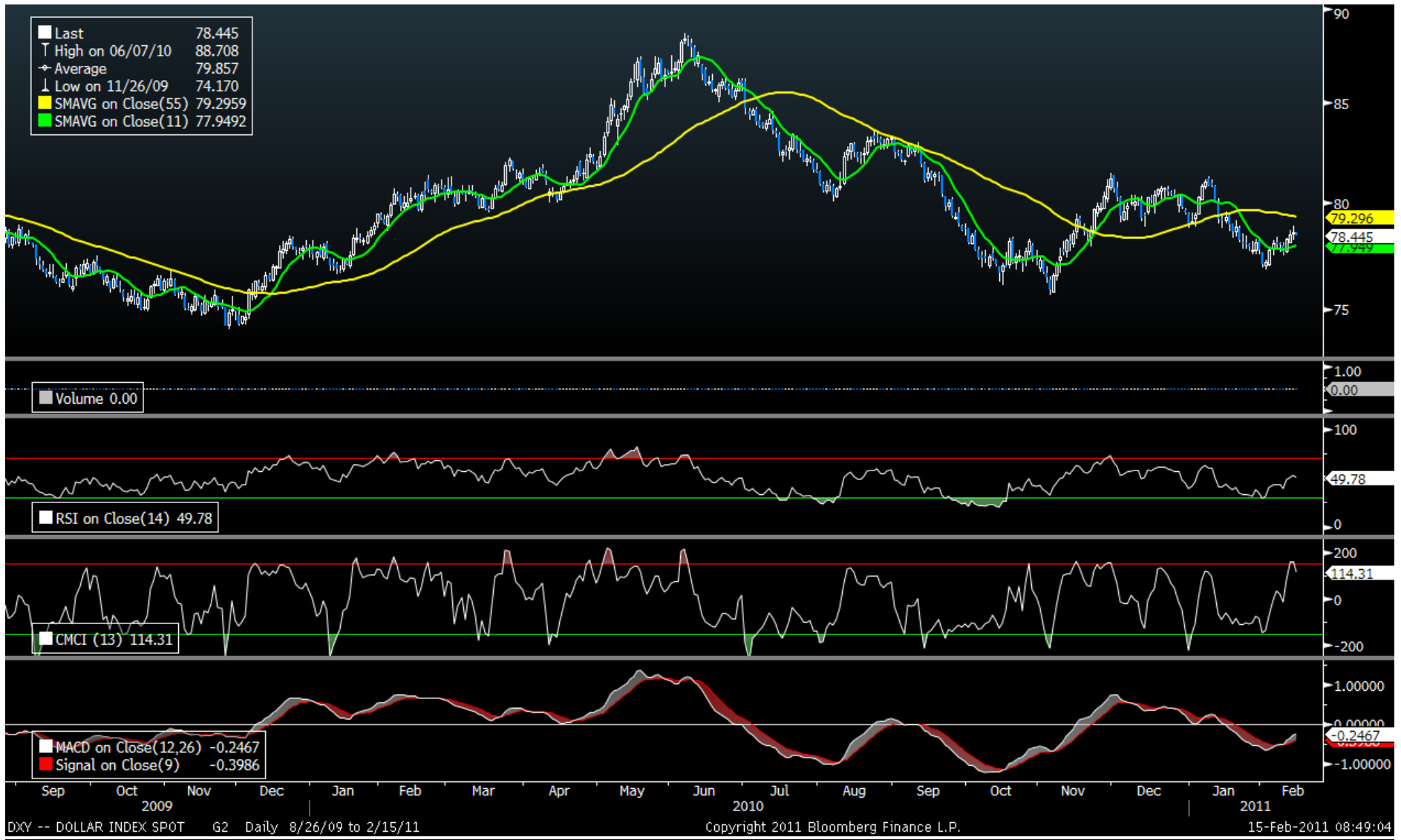
2. AUD/USD - **PEC D @ 97.5**, double topped, **potential bounce** but then target to 94 first and then to 91

3. CHF / USD - **PEC D @ 97** - broke the double bottom 93, Price target 1.00

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



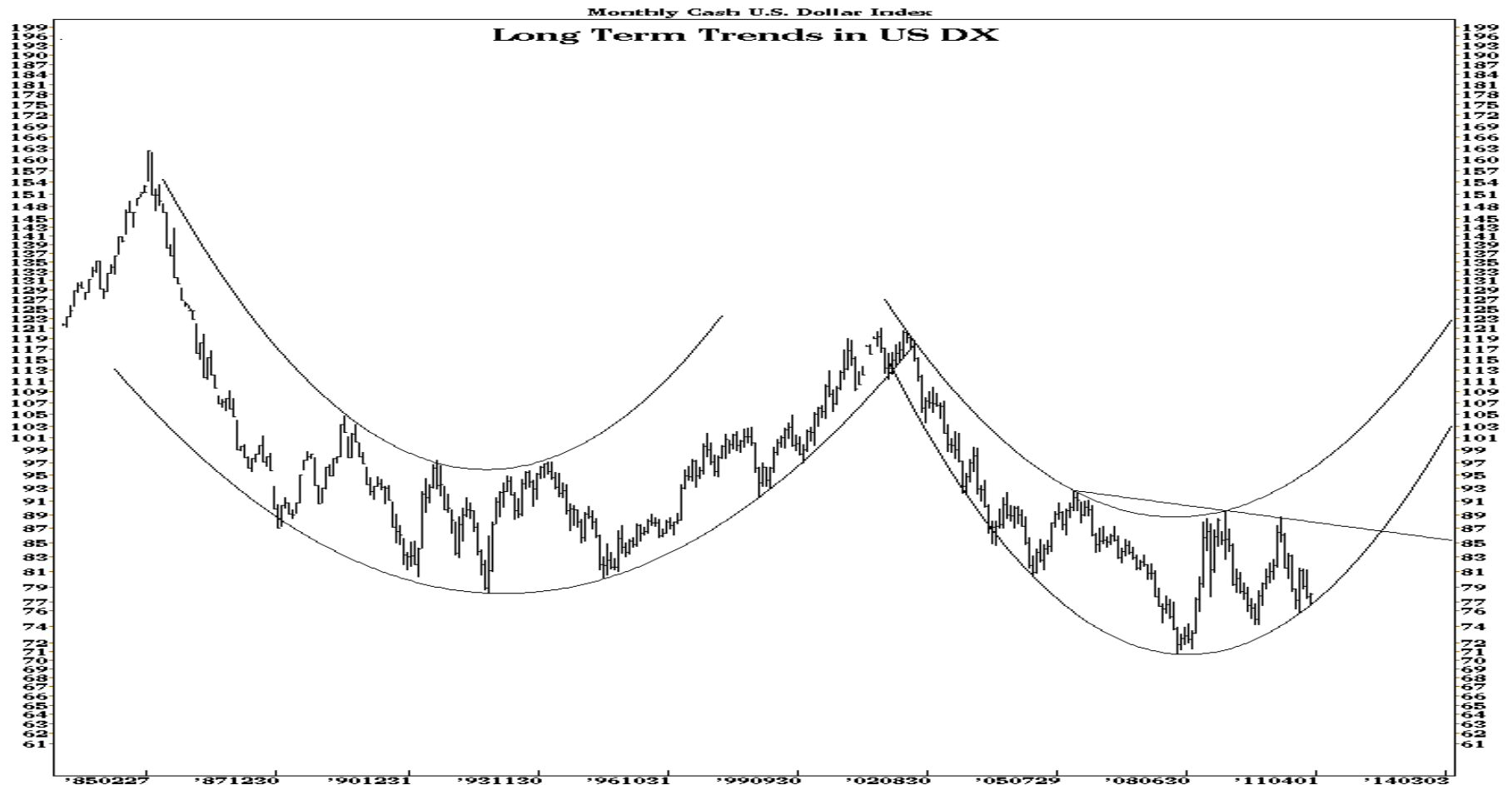
# 1- DXY - Daily - 3 Year with RSI, CCI, MACD ( 11D / 55D SMA)



## 2 – USD – UUP -ETF – POM Analysis - **BIG PICTURE**

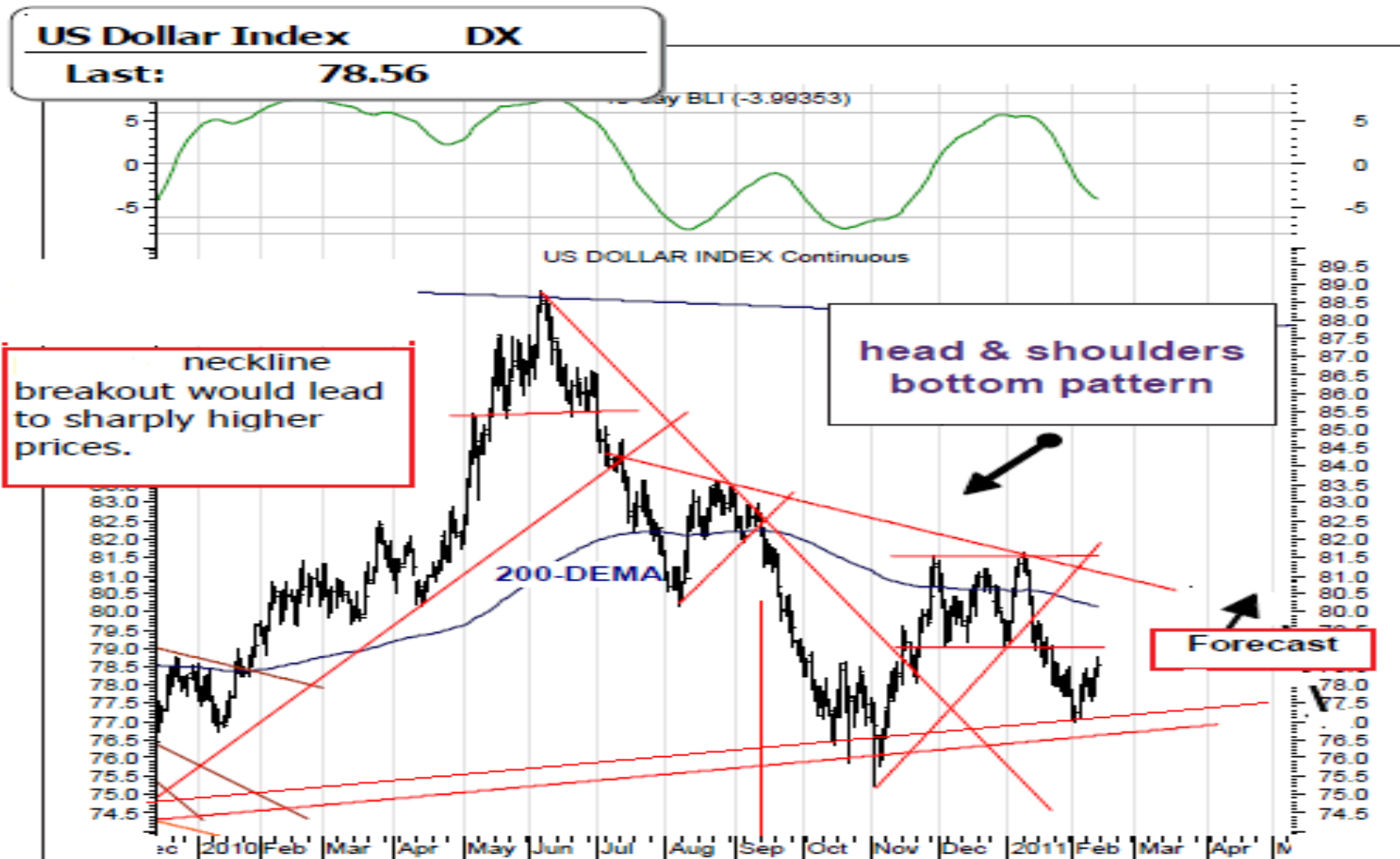
*Each dip in USD coincides with rally in the fifth / final wave of the market ( we continue to experience that currently)  
Reversal in USD should put in pressure on equity. Currently Basing process continues in the DXY, which should eventually become a sustainable uptrend that lasts into 2014. In line with 120 yr Kress Cycle. The dollar to retain its reserve currency status, and become safe haven.*

*Currently it 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, it came 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 from lows to first target point of 81 +/- .upon completion of this pull back we should begin next leg up.



### 3 - DXY – PEC Analysis - Intermediate term

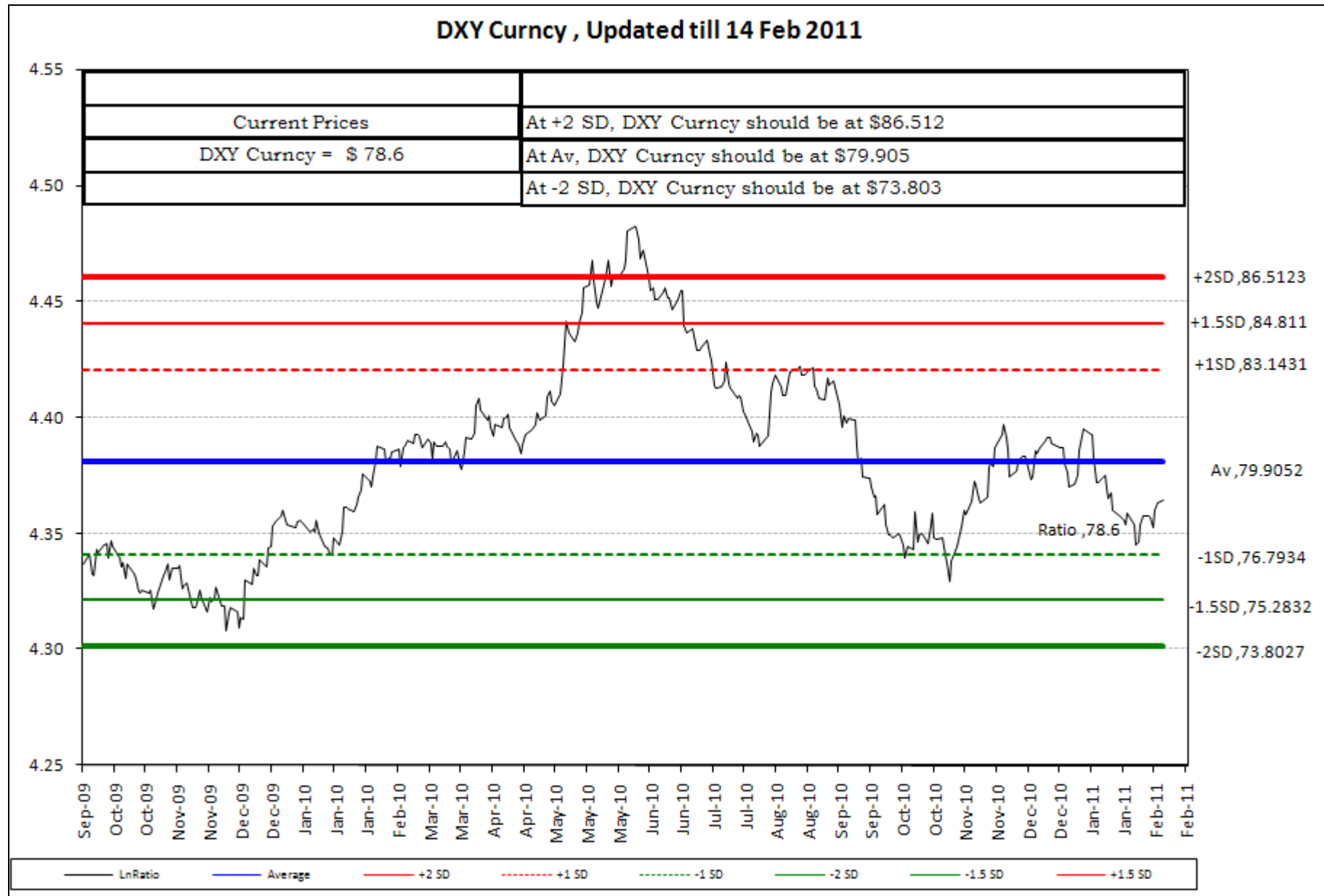
*The support Held at 77.50 at 618 level of down move .*

*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.*

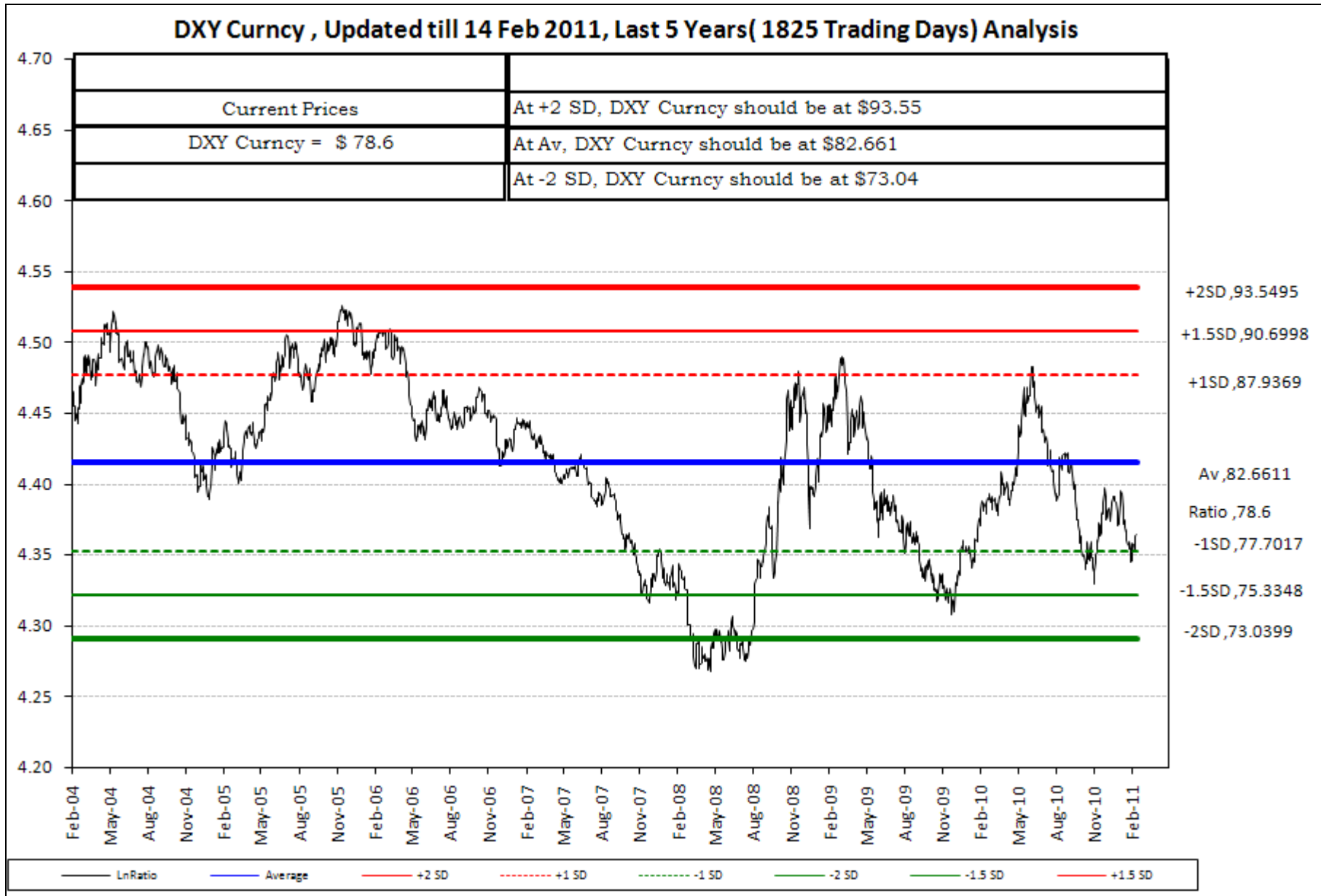




# DXY Last 365 Analysis



# DXY 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)



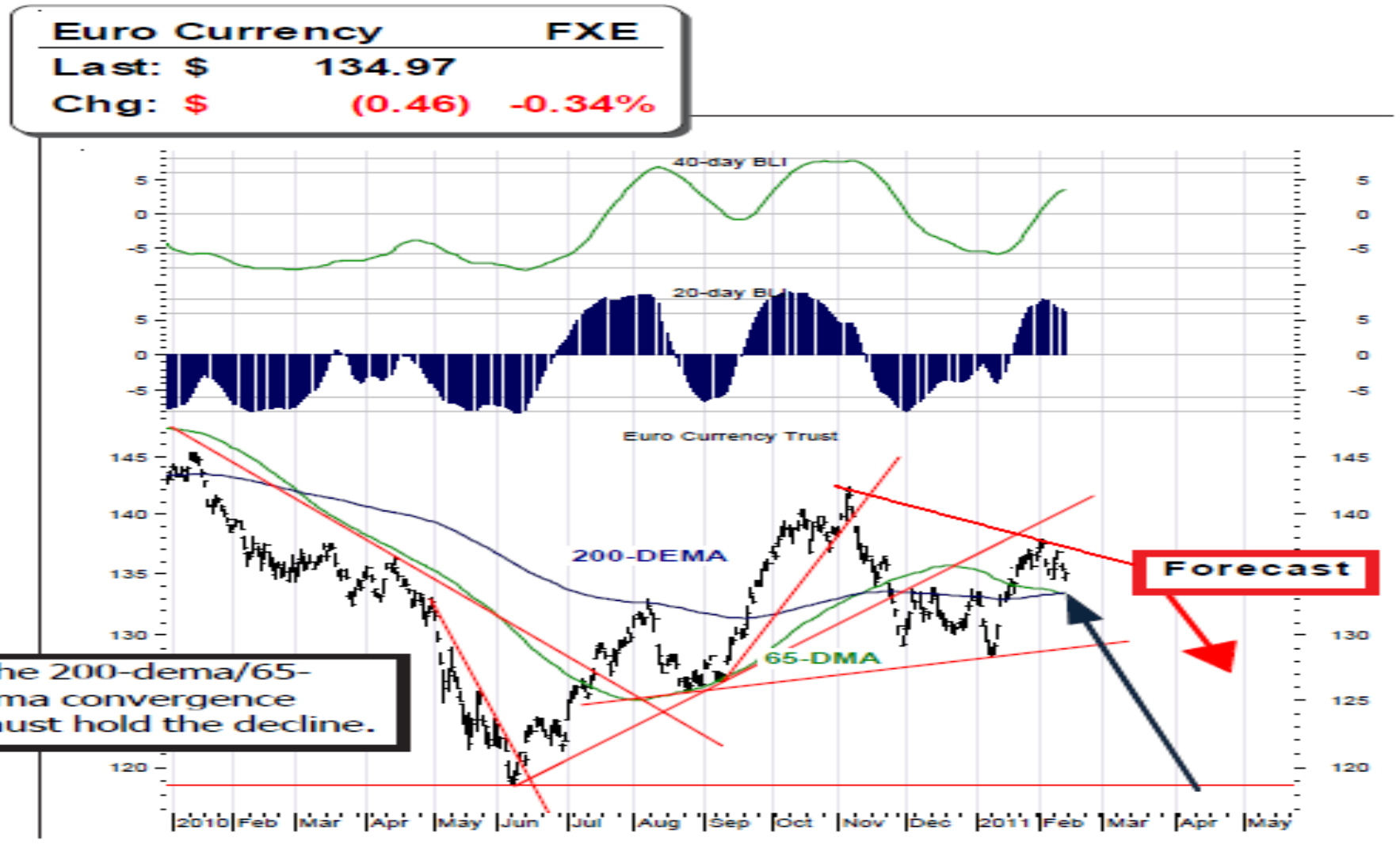
## EURO - POM Analysis – BIGGER PICTURE

*EURO is testing the areas of previous bounce of 1.34 – 1.35 and exceeded the bounce a bit 1.36 Ideally, we would love to see the euro rally to test the overhead resistance line & falling resistance trend line. But the longer term it will follow the falling channel that would portend much lower levels for the currency.*



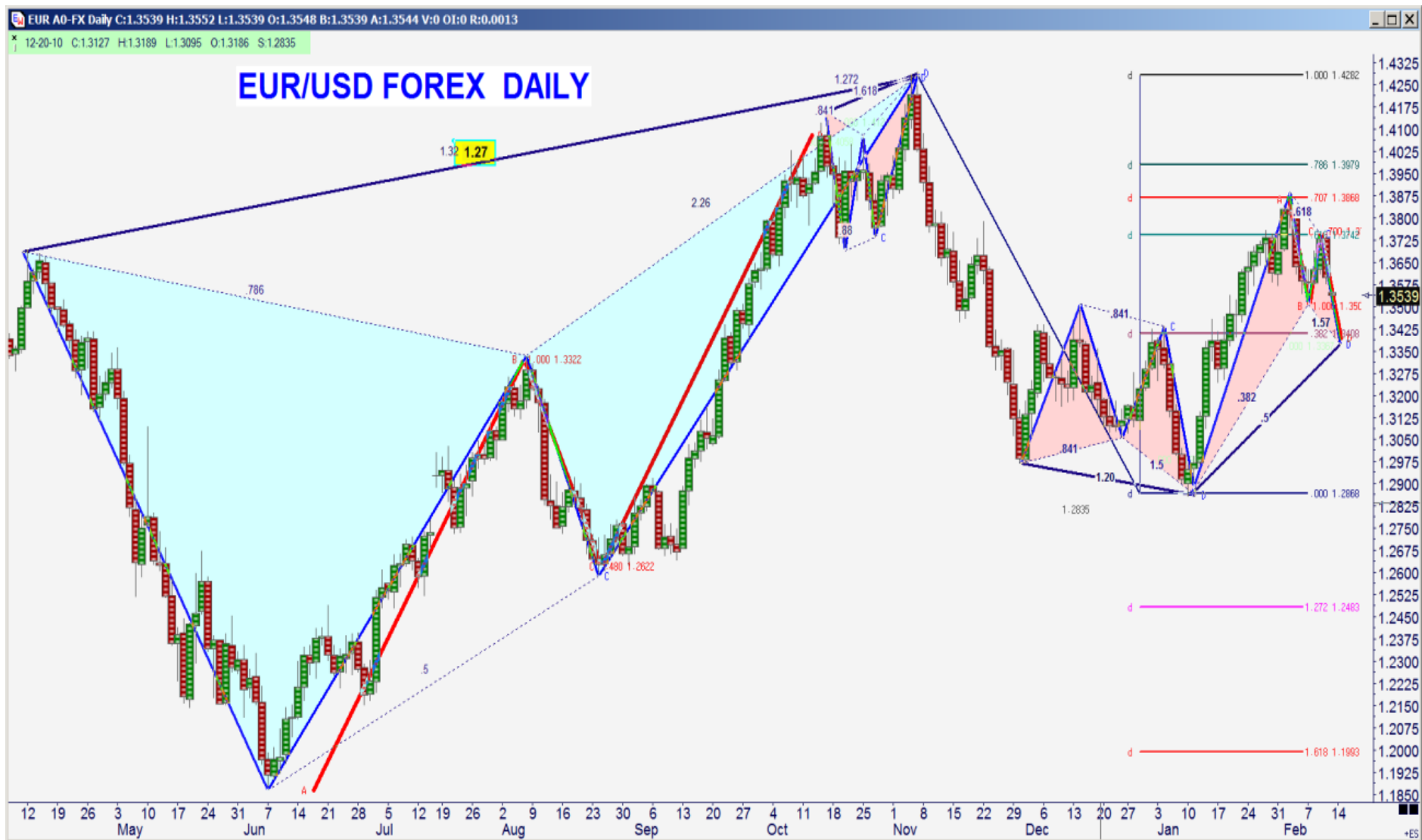
## EURO - POM Analysis –

*There should be some support within the 134-133 range, a cross of 2 SMA's that may result in a bounce.*



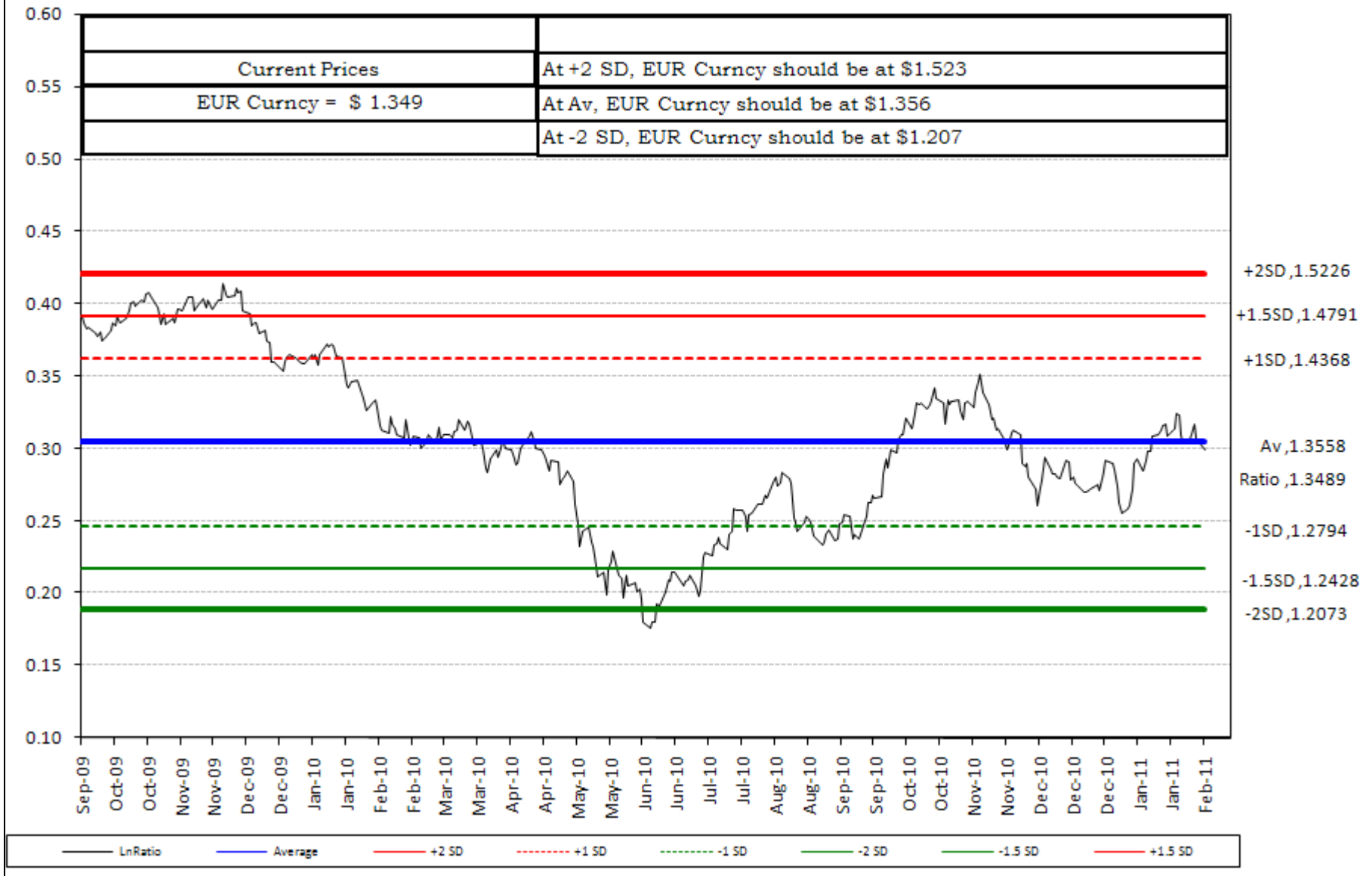
### 3 - EURO / USD – PEC Analysis - Intermediate term

By PEC D Method, the bounce came in to 0.618 to 1.36 was met as expected and failed we could very well be setting up next leg down to 1.28 but currently a possibility of bounce at 1.33. coincides with upper chart ,



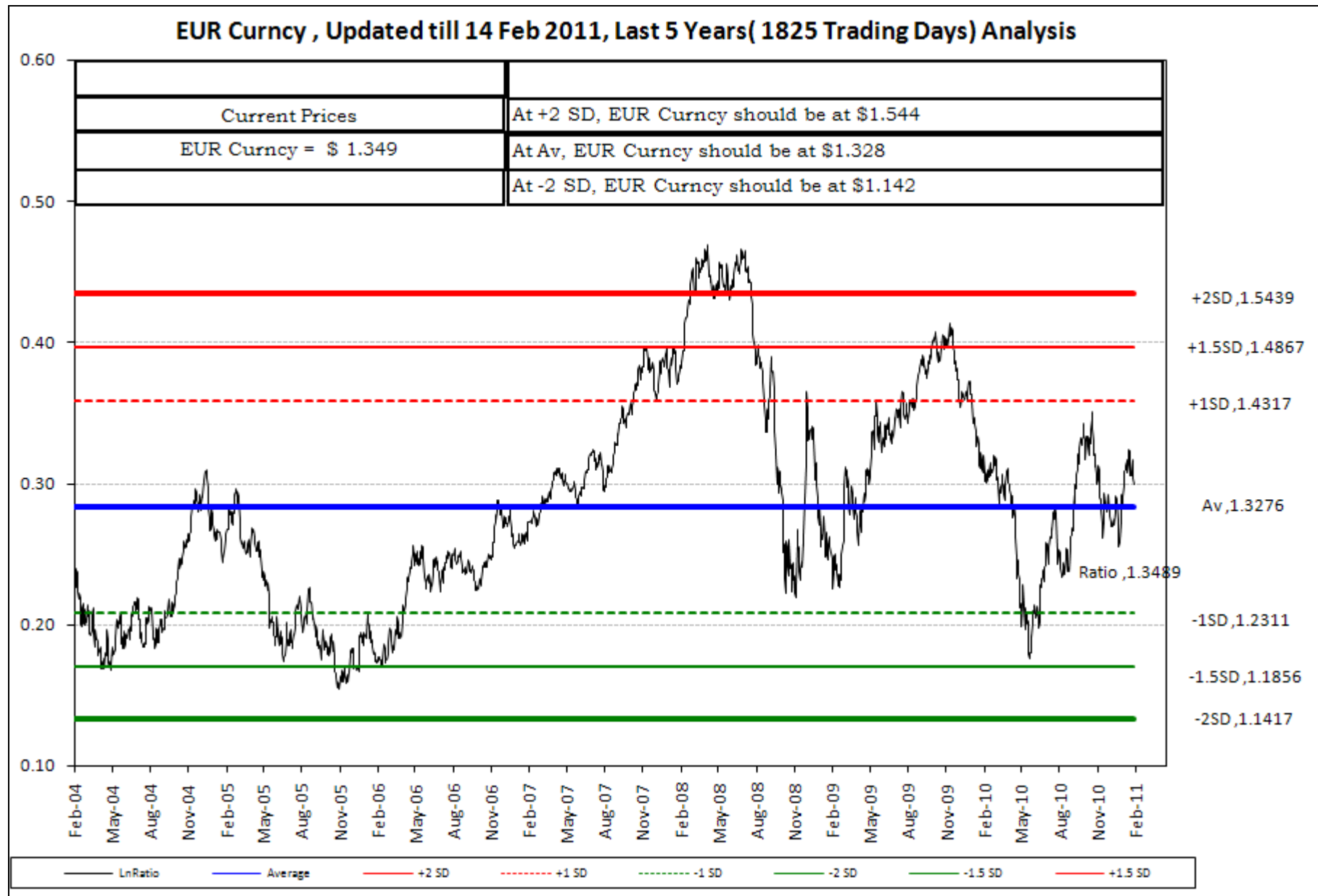
# EUR Last 365 Analysis

EUR Curncy , Updated till 14 Feb 2011

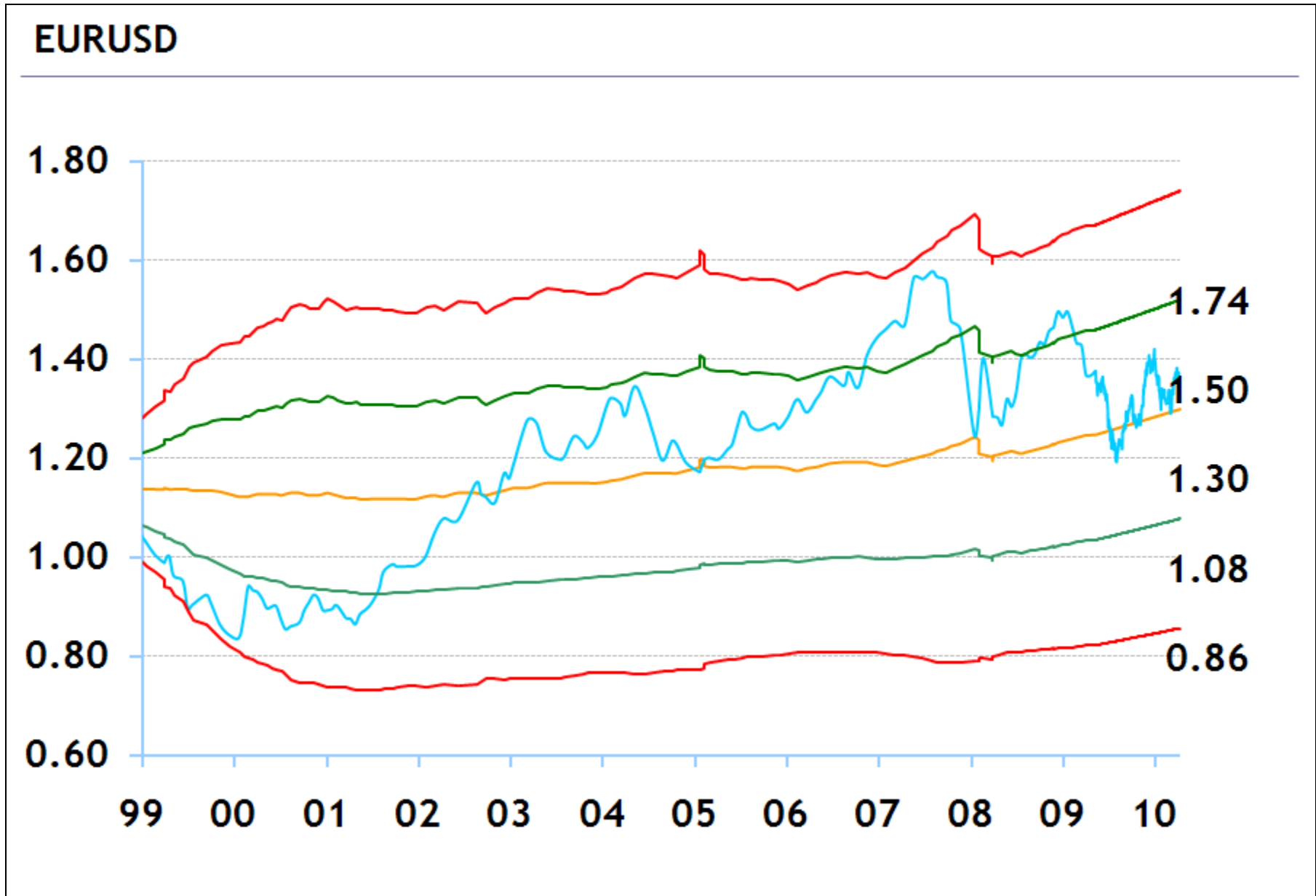




# EUR Last 5 yrs Analysis



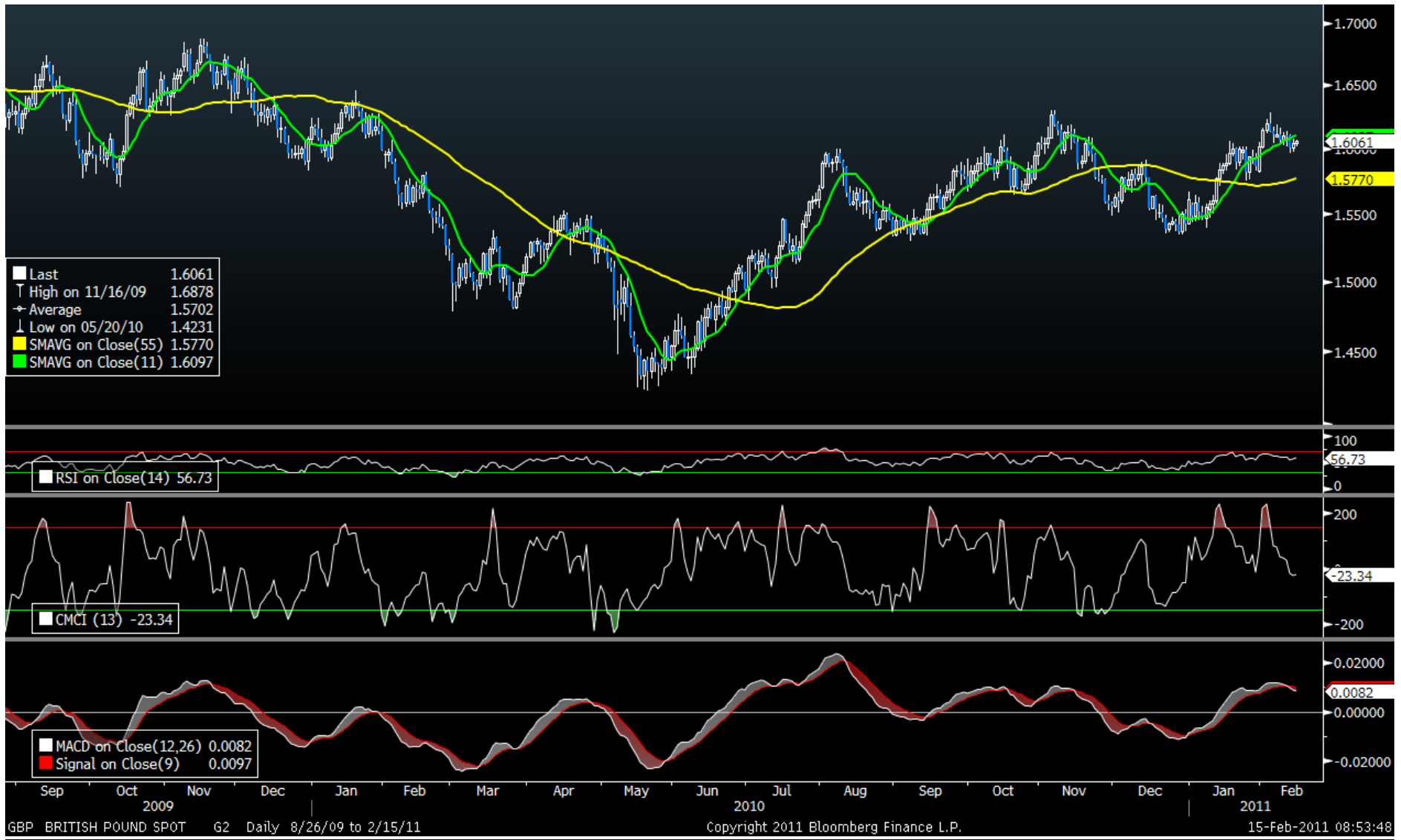
#### 4 - EURO / USD – PPP Reversion & Standard Deviation Analysis – Long Term



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

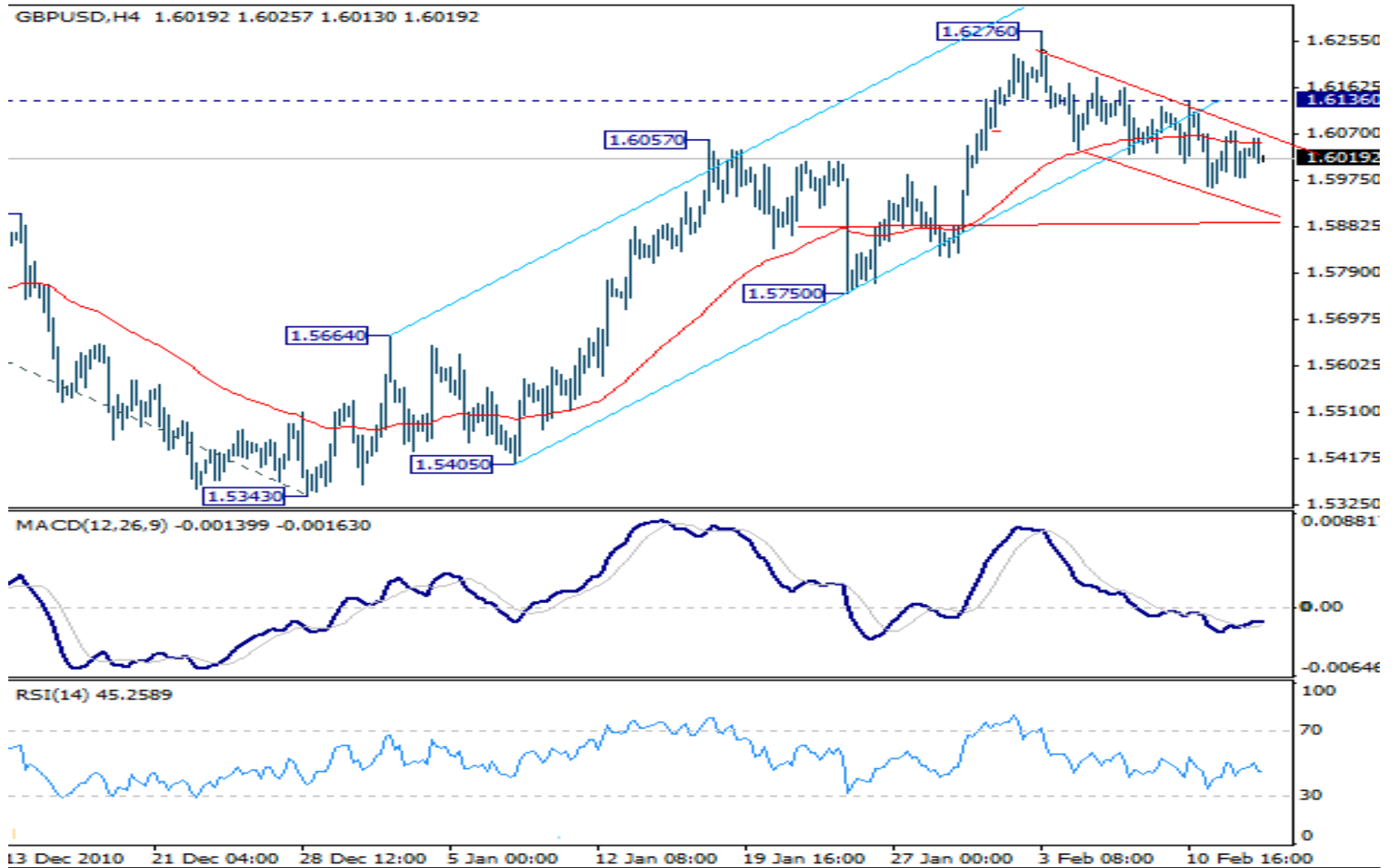


# GBP / USD - Daily – 3 Year with RSI, CCI, MACD ( 11D / 55D SMA)



## 2 - GBP / USD – POM Analysis

GBP/USD's retreat from 1.63 is still in progress on the downside with 1.59 minor support intact. 1.58 support should hold.



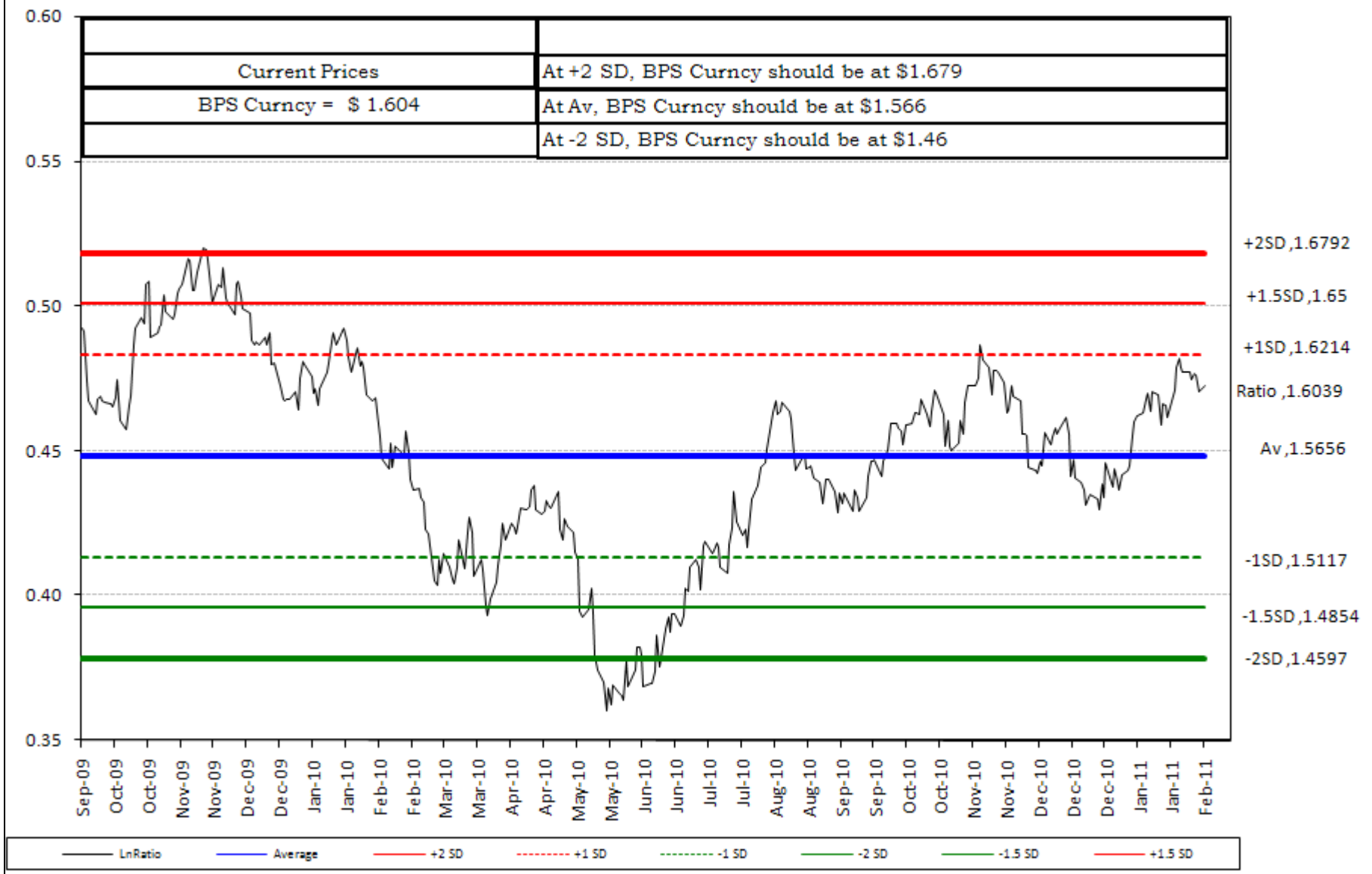
### 3 - GBP / USD – PEC Analysis - Intermediate term

**GBP -USD Our PEC -D @ 618 comes in at 1.59 for another bounce in GBP. The fall initiated from @ 1.63 / at 0.618 PEC D .**

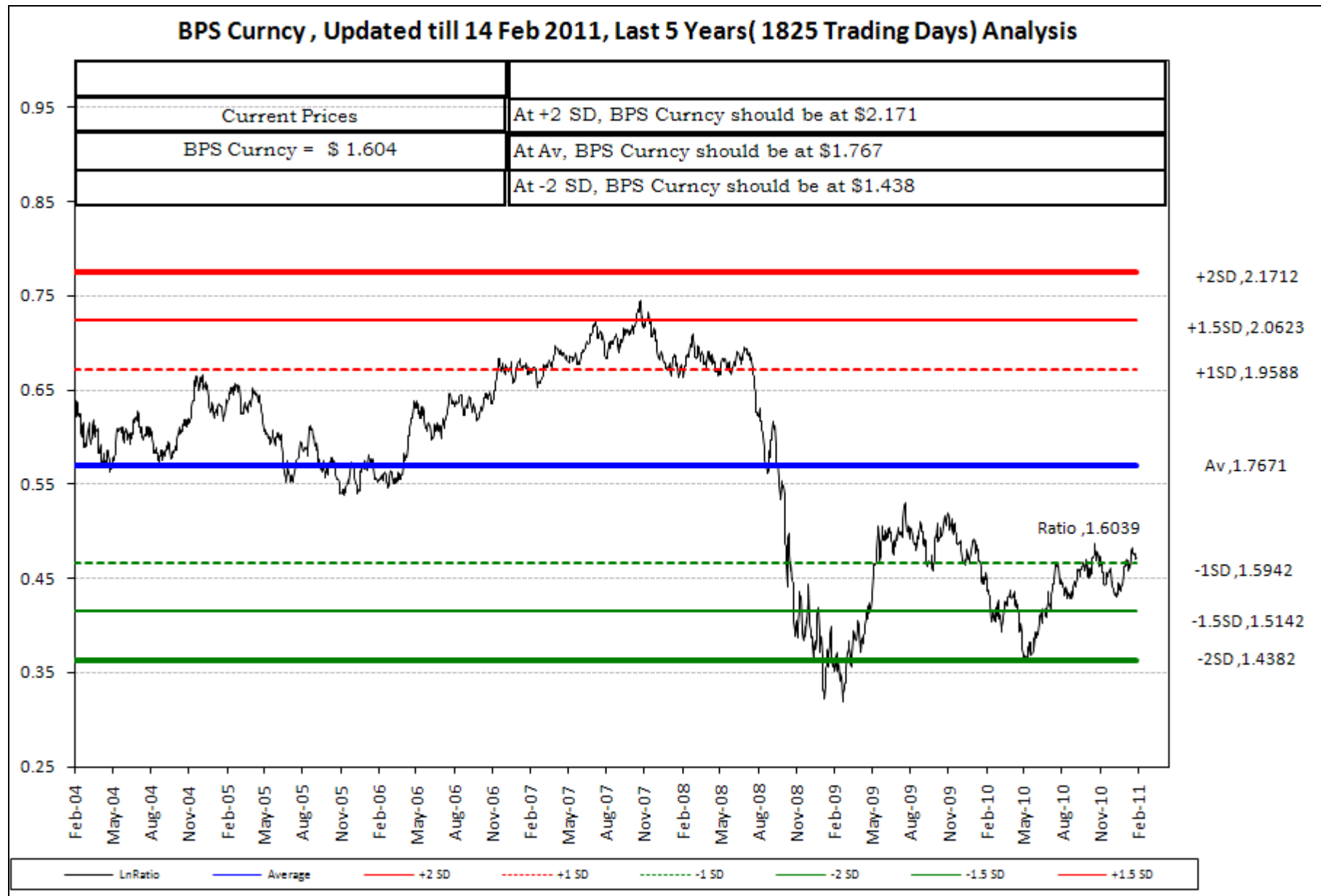


# BPS Last 365 Analysis

**BPS Curncy , Updated till 14 Feb 2011**

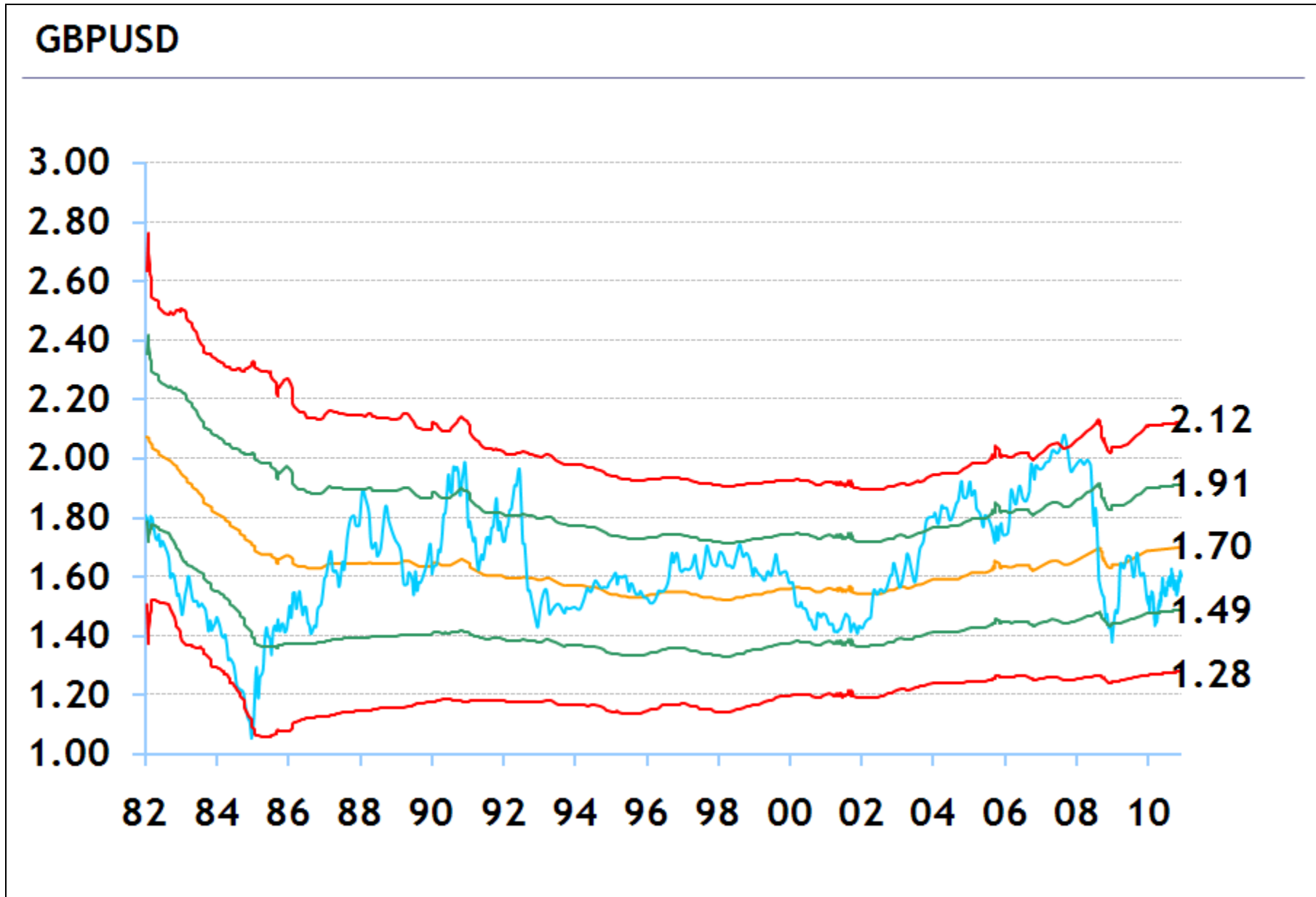


# BPS Last 5 yrs Analysis





#### 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)

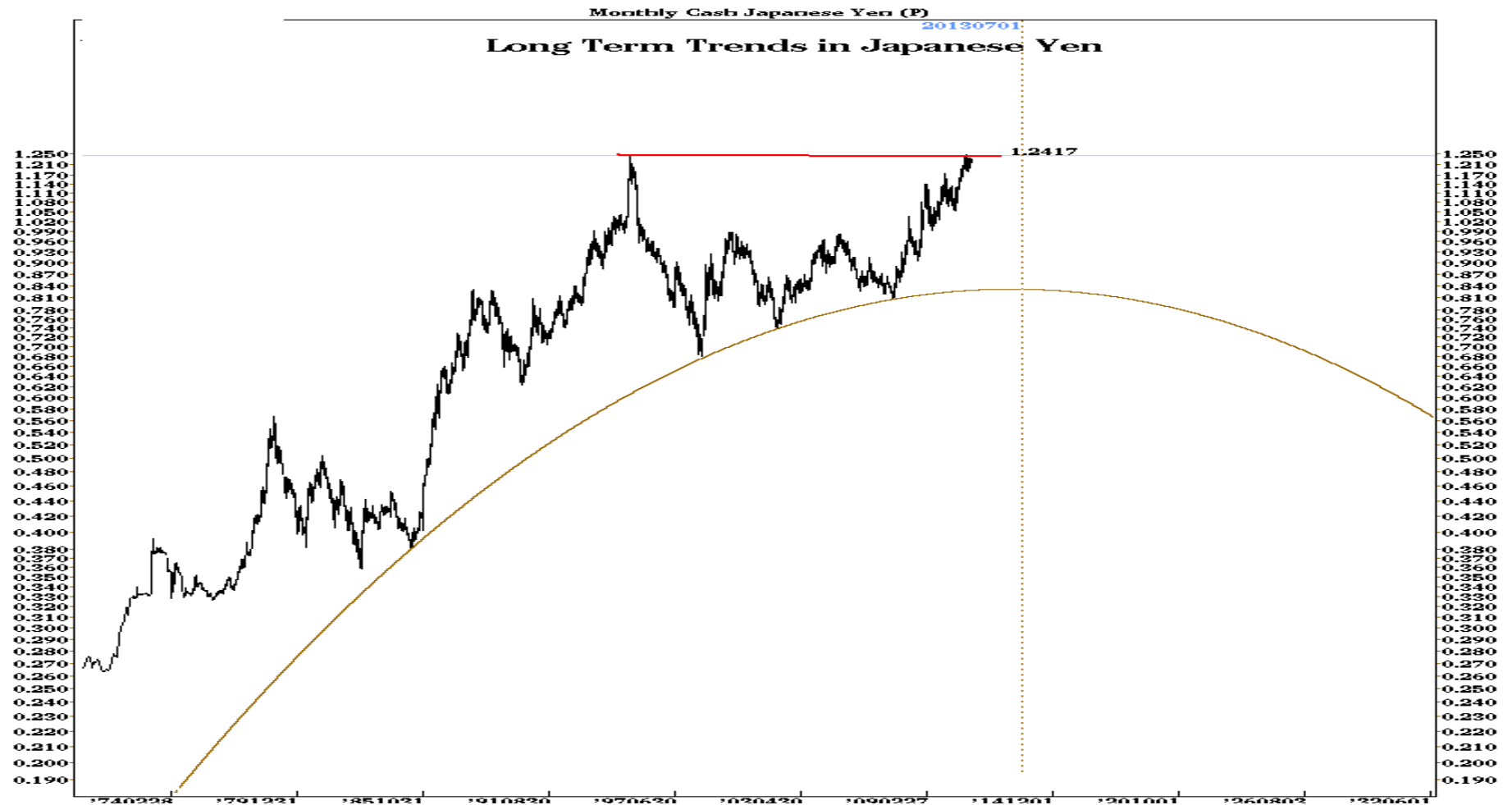


## 2- JPY / USD - Daily – 3 Year with RSI, CCI, MACD ( 11D / 55D SMA)



## YEN - Long Term - BIGGER PICTURE

*The Yen is topping on a long term basis. Although long term its faltering. There could be Id 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.*



## YEN - POM - Analysis

*Breaking out of channel lines as expected and now staying in consolidations below 83.50. but downside should be contained above 82.45 support and bring another rise. As noted before, sustained break of 83.67 will confirm our bullish view that rise form 81 is resuming and should target 84.50 resistance first.*



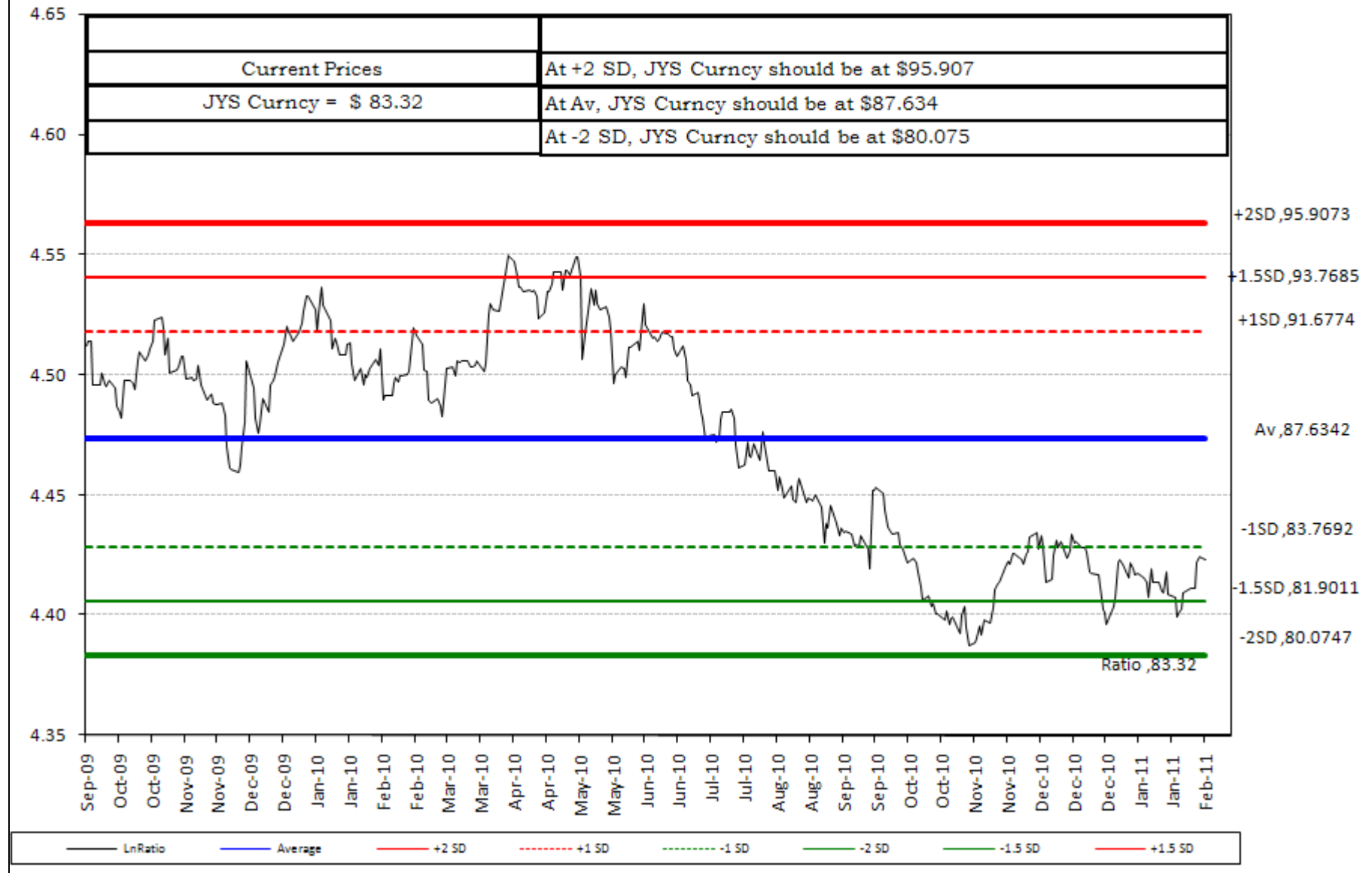
# JPY / USD – PEC Analysis -

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

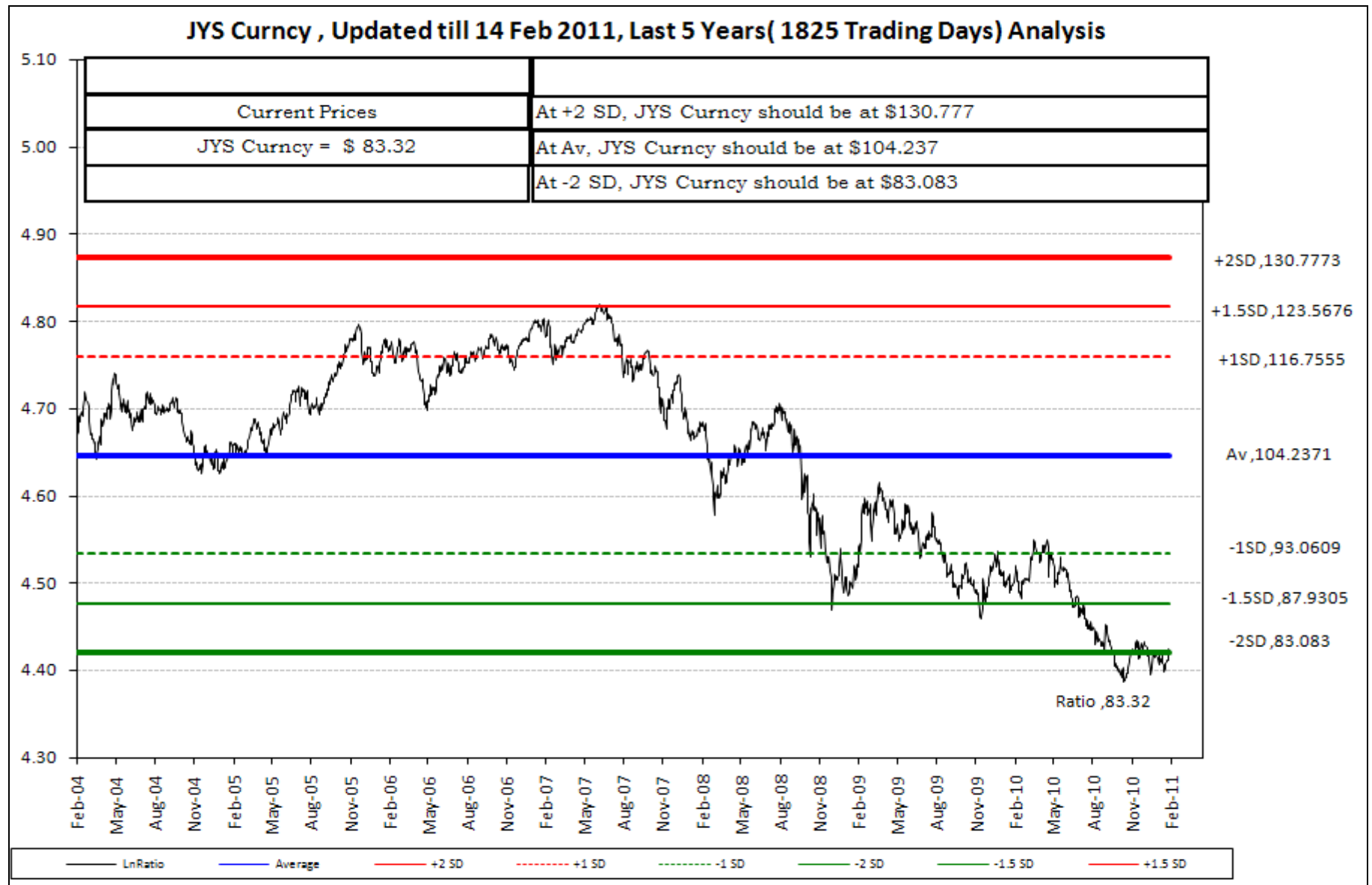


# JYS Last 365 Analysis

JYS Curncy , Updated till 14 Feb 2011

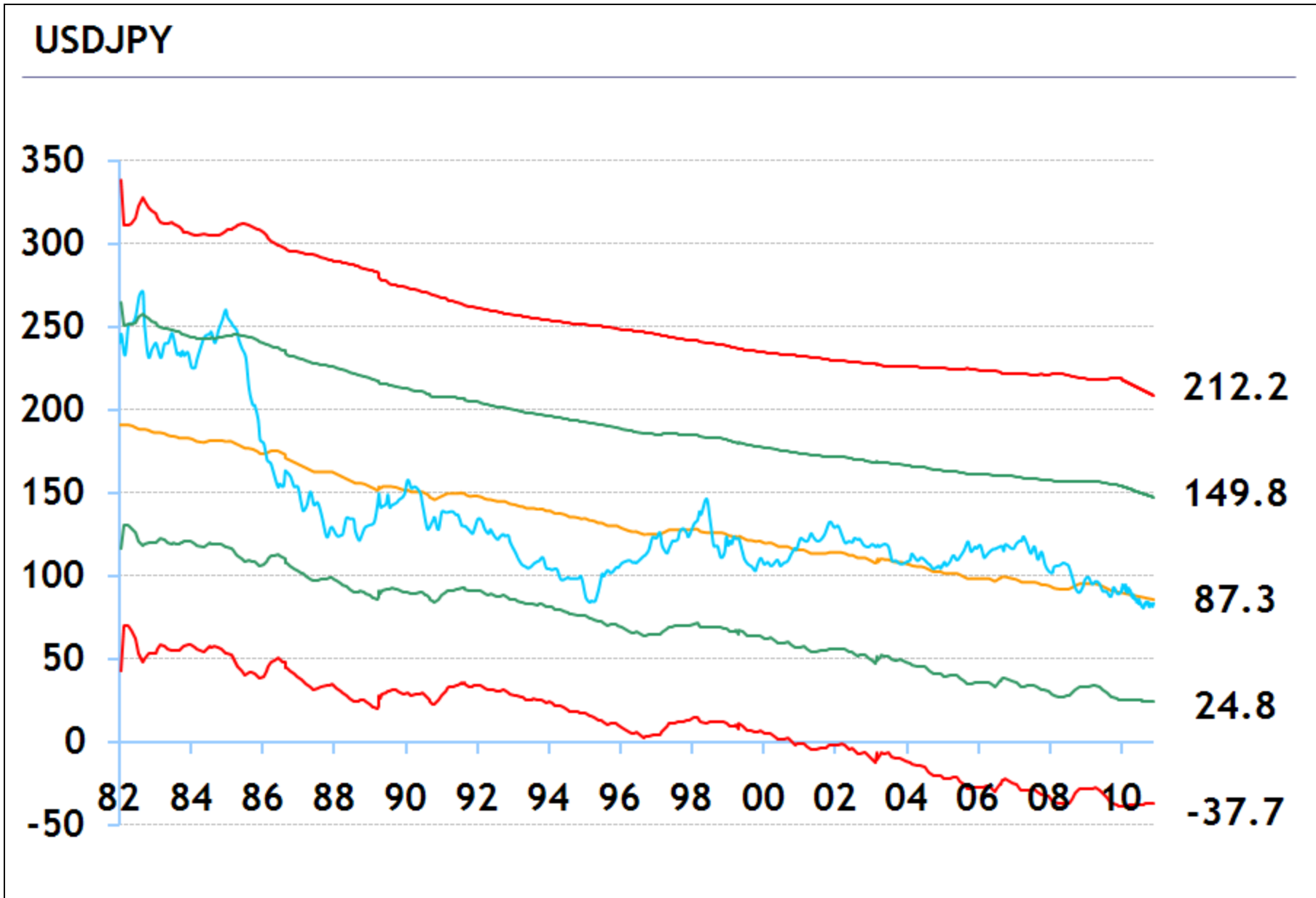


# JYS Last 5 yrs Analysis

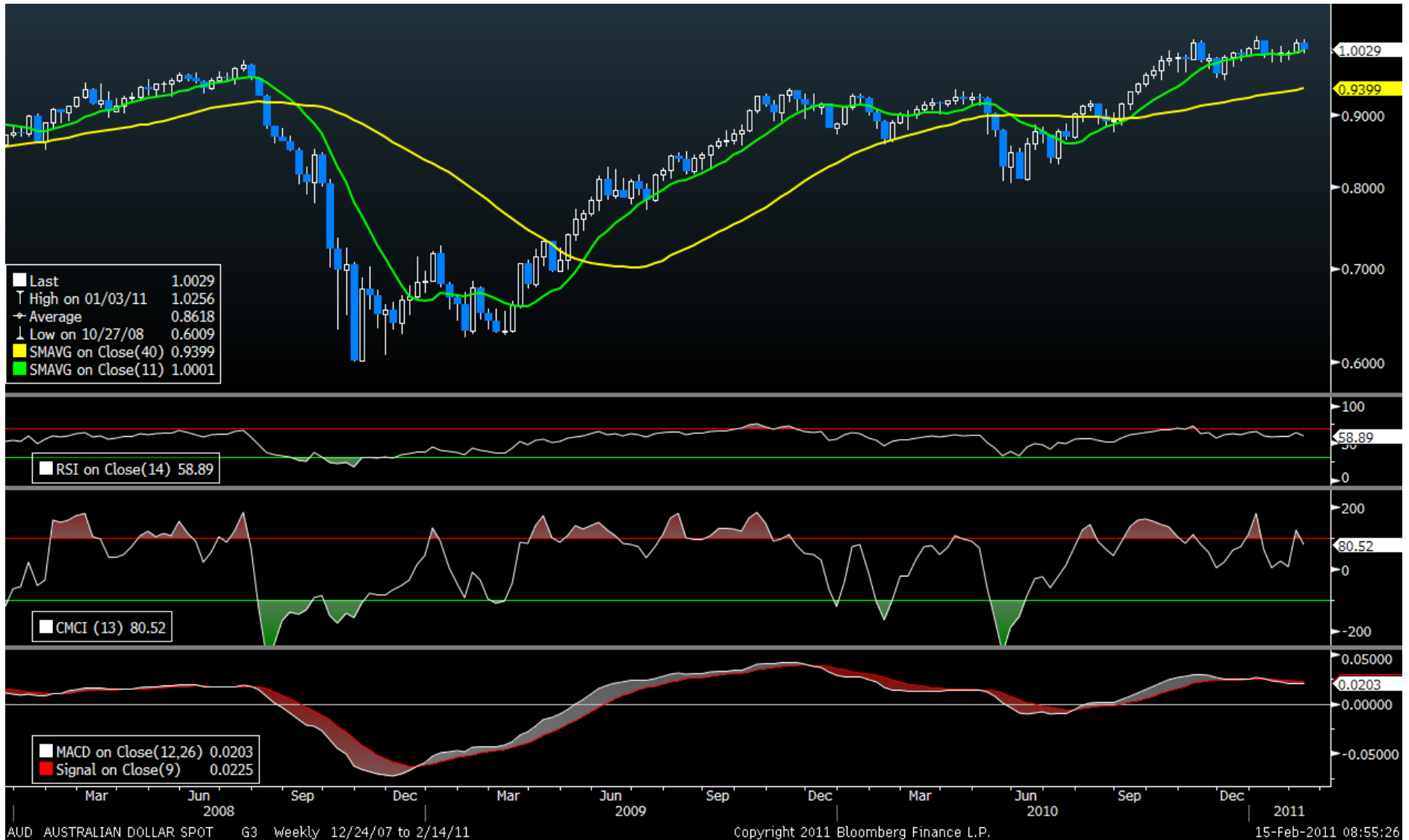




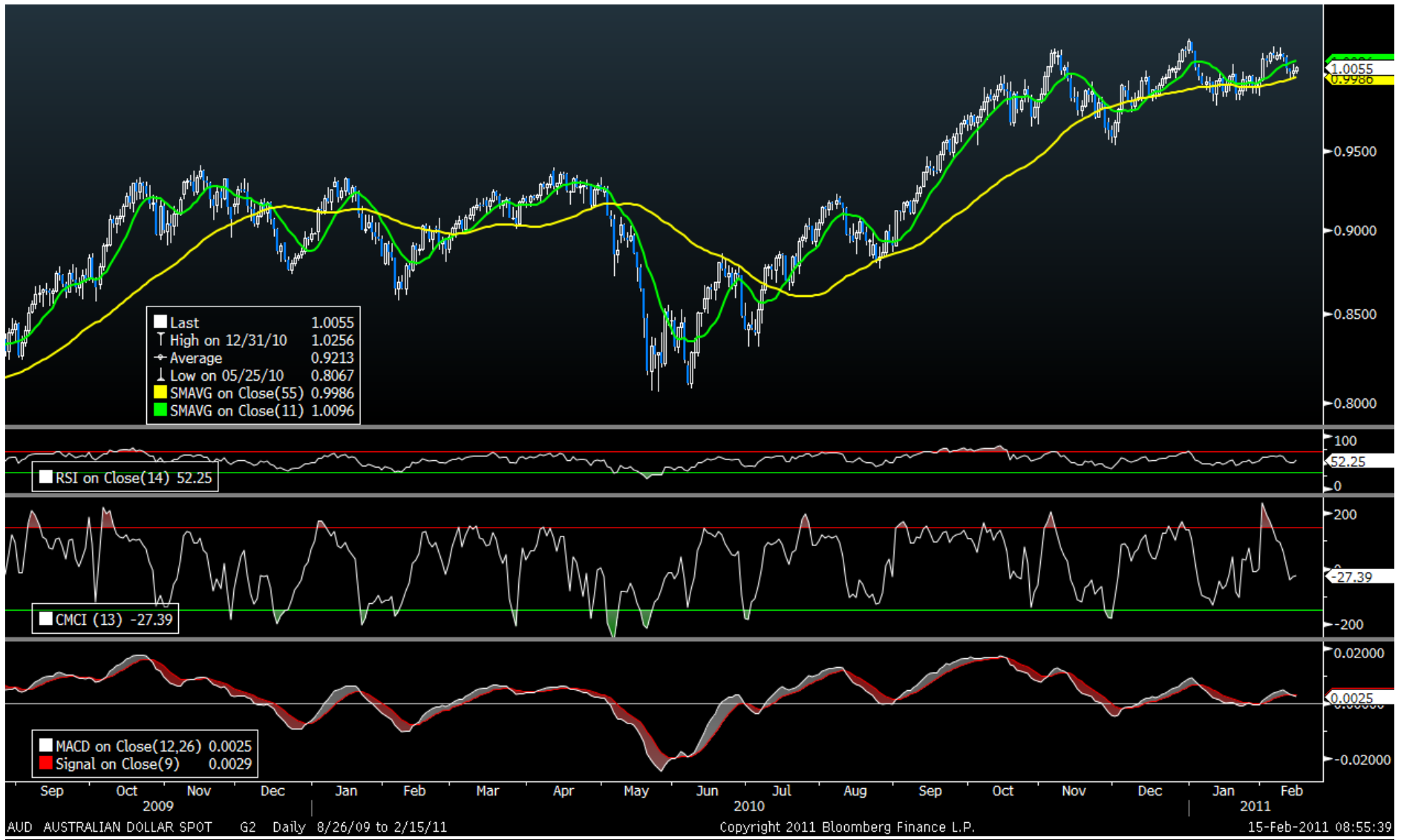
#### 4 - JPY / USD – PPP Reversion & Standard Deviation Analysis – Long Term



# 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

*Aussie Dollar, which appears to be close to the end of the contracting triangle pattern it has been in. If that pattern call is correct, we expect to see a thrust rally into mid-April. 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 below poly trend curve at 99.*



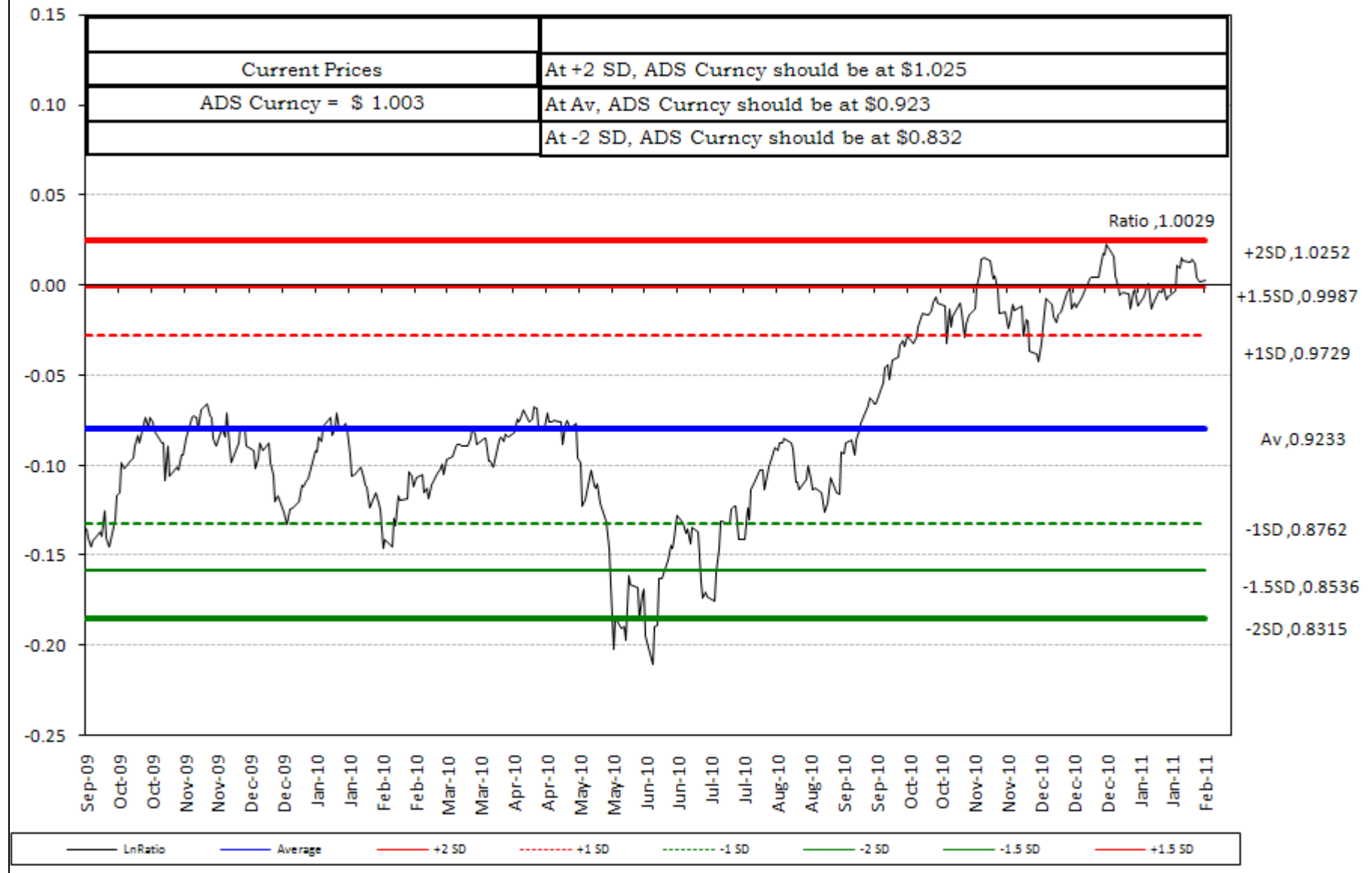
# 1 - AUD / USD – POM Analysis

AUD/USD's sideway trading from 0.99 continues but fails to break through 50 D EMA. As noted before, there is no indication of up trend resumption before a break of 1.01 resistance. and risk of another fall remains. Below 0.99 will bring another decline. .

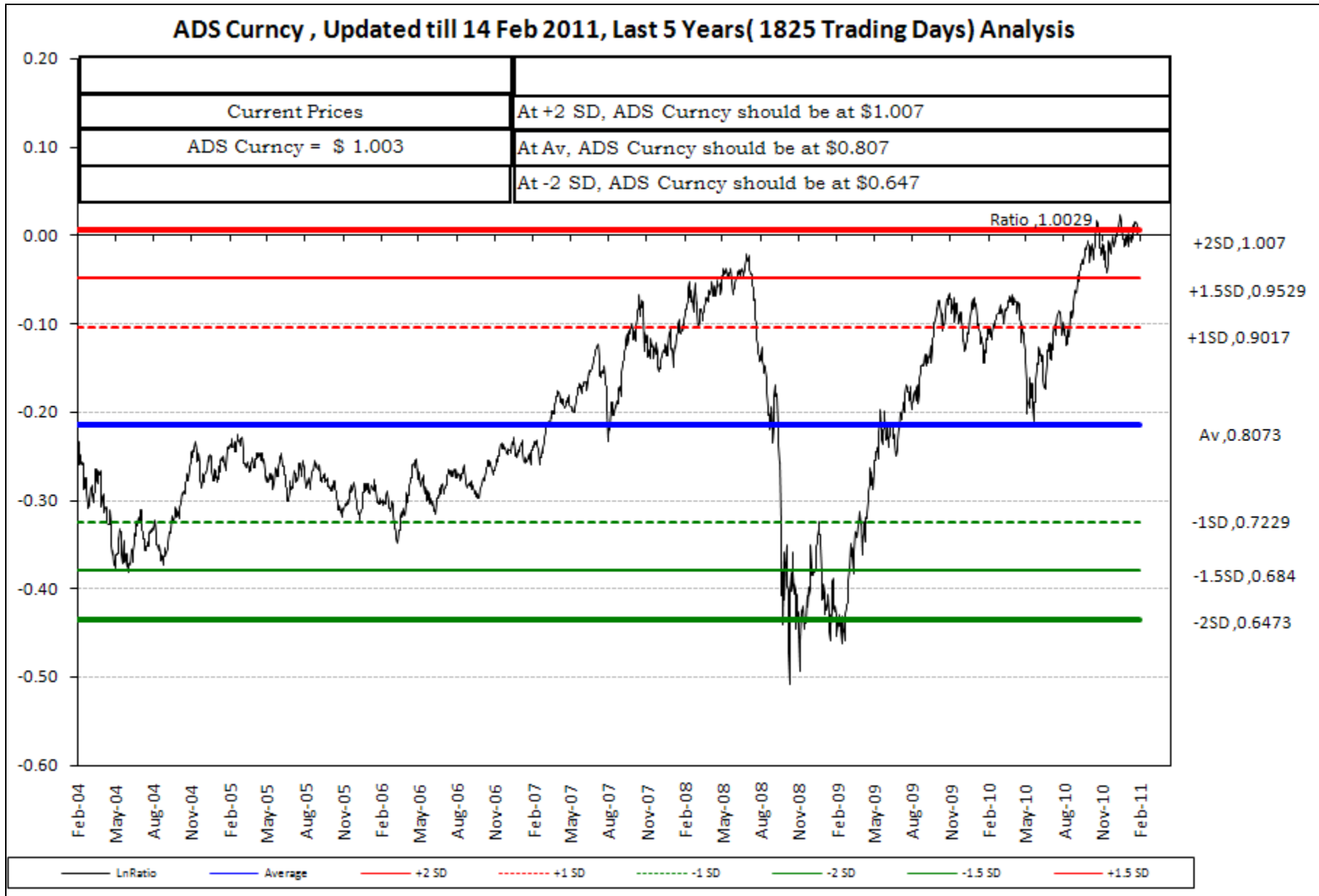


# ADS Last 365 Analysis

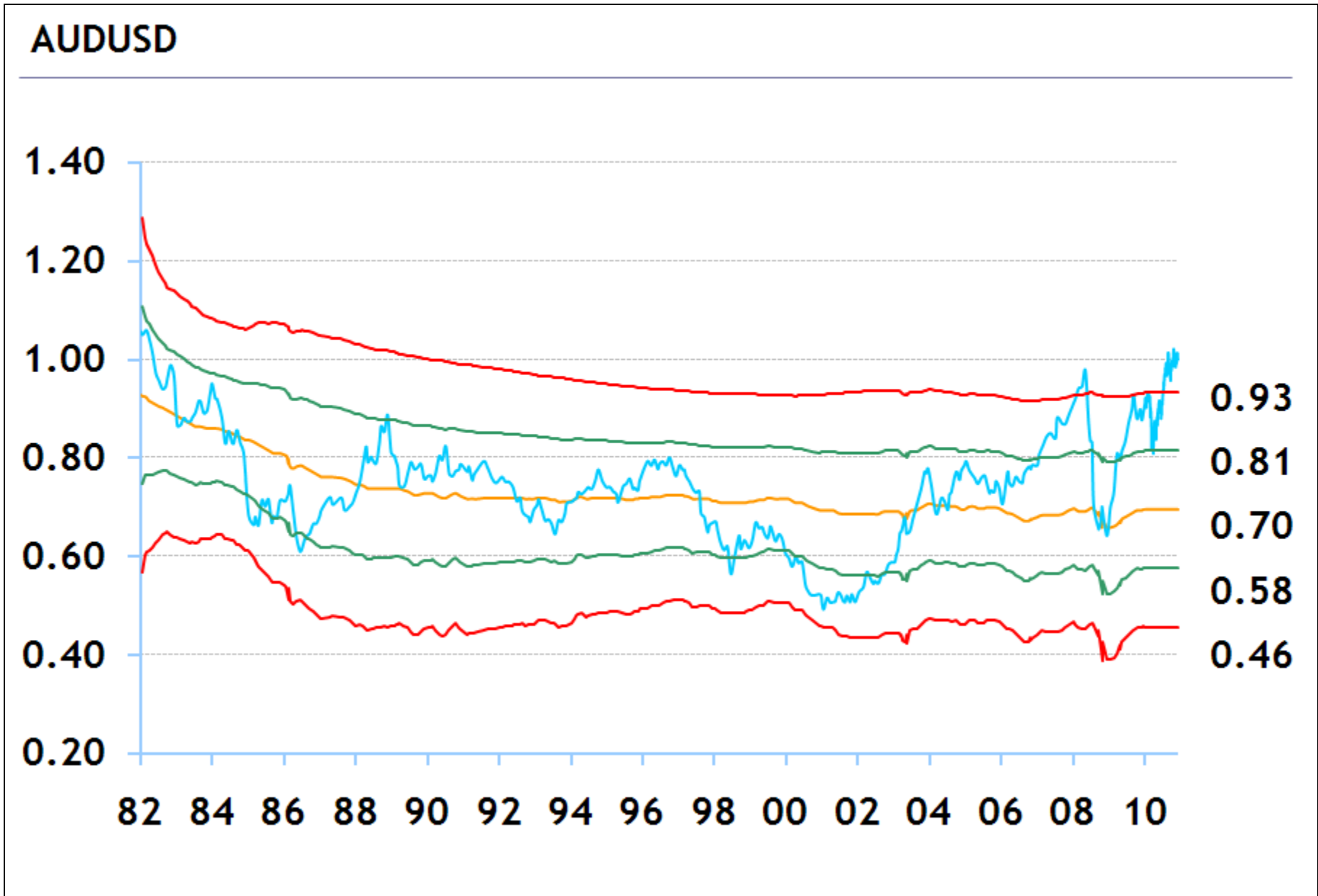
ADS Curncy , Updated till 14 Feb 2011



# ADS Last 5 yrs Analysis



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



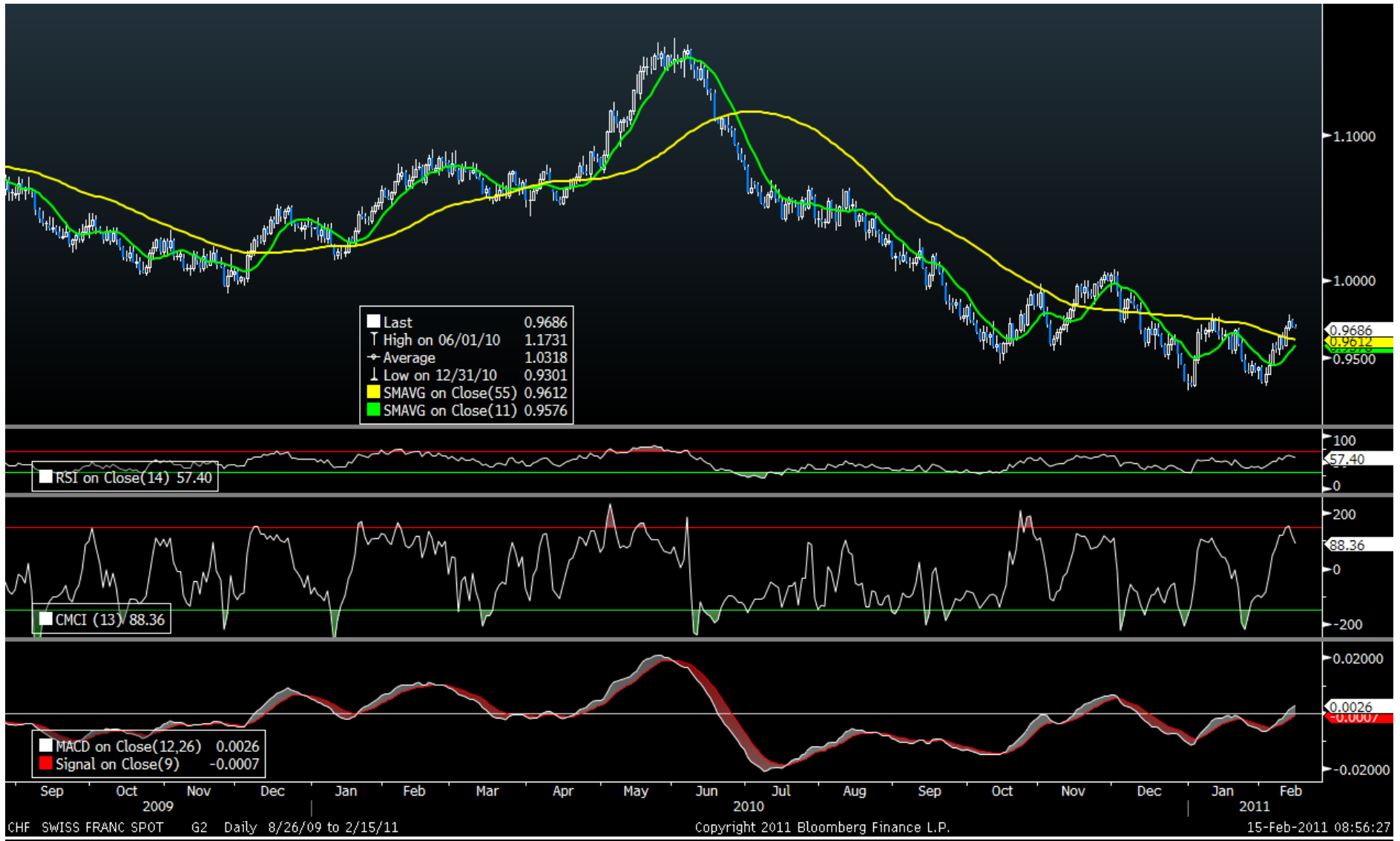


# 1- CHF / USD - Weekly – 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)



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



## 2 - CHF / USD – POM Analysis – (Tech)

Currently consolidation at 0.97, downside to 0.95 before going higher . Earlier Its double bottomed at 0.93 in Bullish manner and rally began. It took the 50 DMA decisively then breaking the channel lines. On the upside, sustained break of 1.00 resistance is still needed.



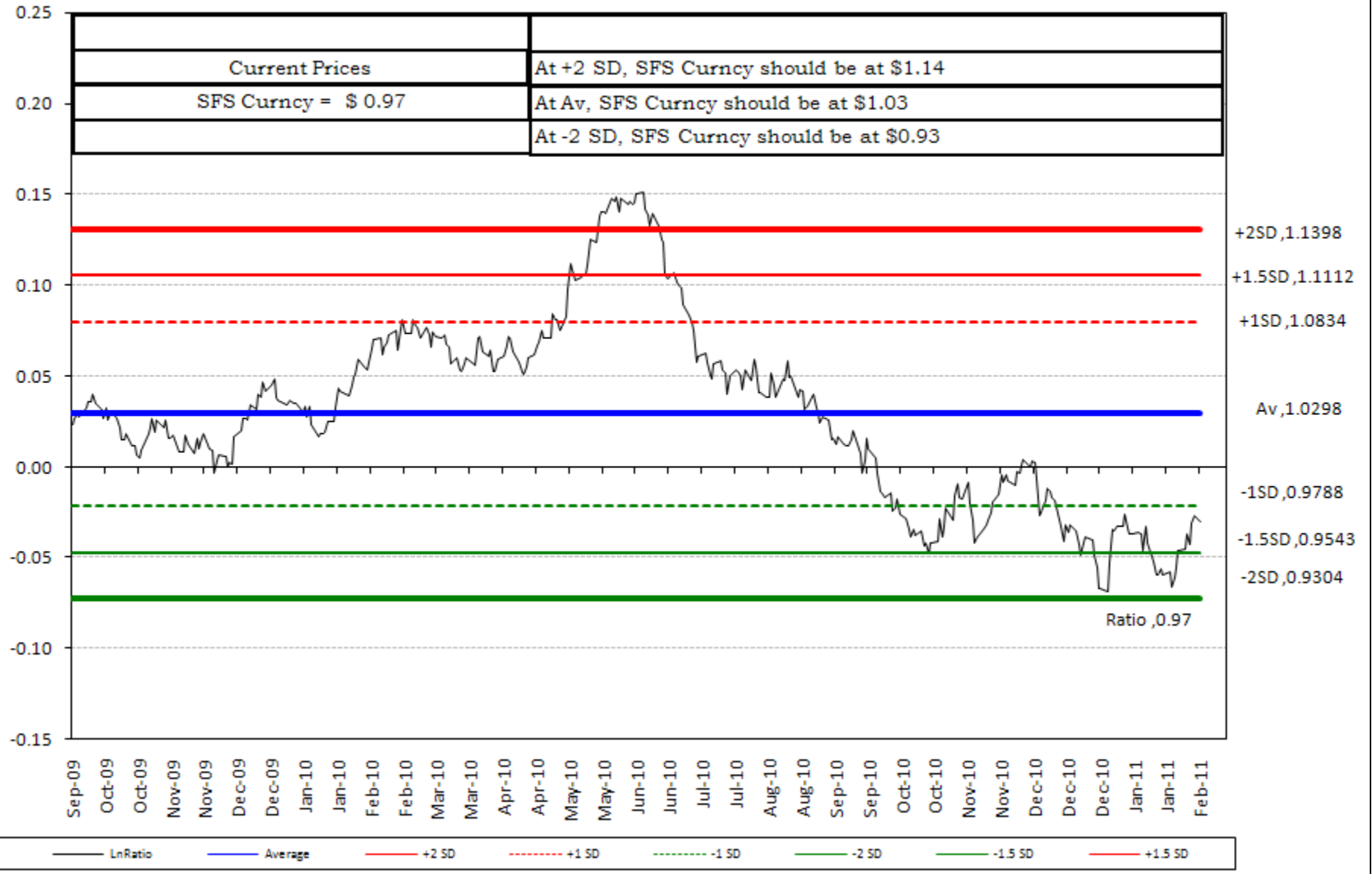
## 4 - CHF / USD – EMA Analysis - Intermediate term

*USD/CHF: The latest declines stalling just shy of lows at 0.93 ( Double bottom), inability to establish fresh record lows followed by a break back above 0.95 leaves constructive outlook from here. Next key topside 0.98. We now look for a weekly close above this level to accelerate gains towards 1.00. Any setbacks from here are expected to be supported 0.95.*

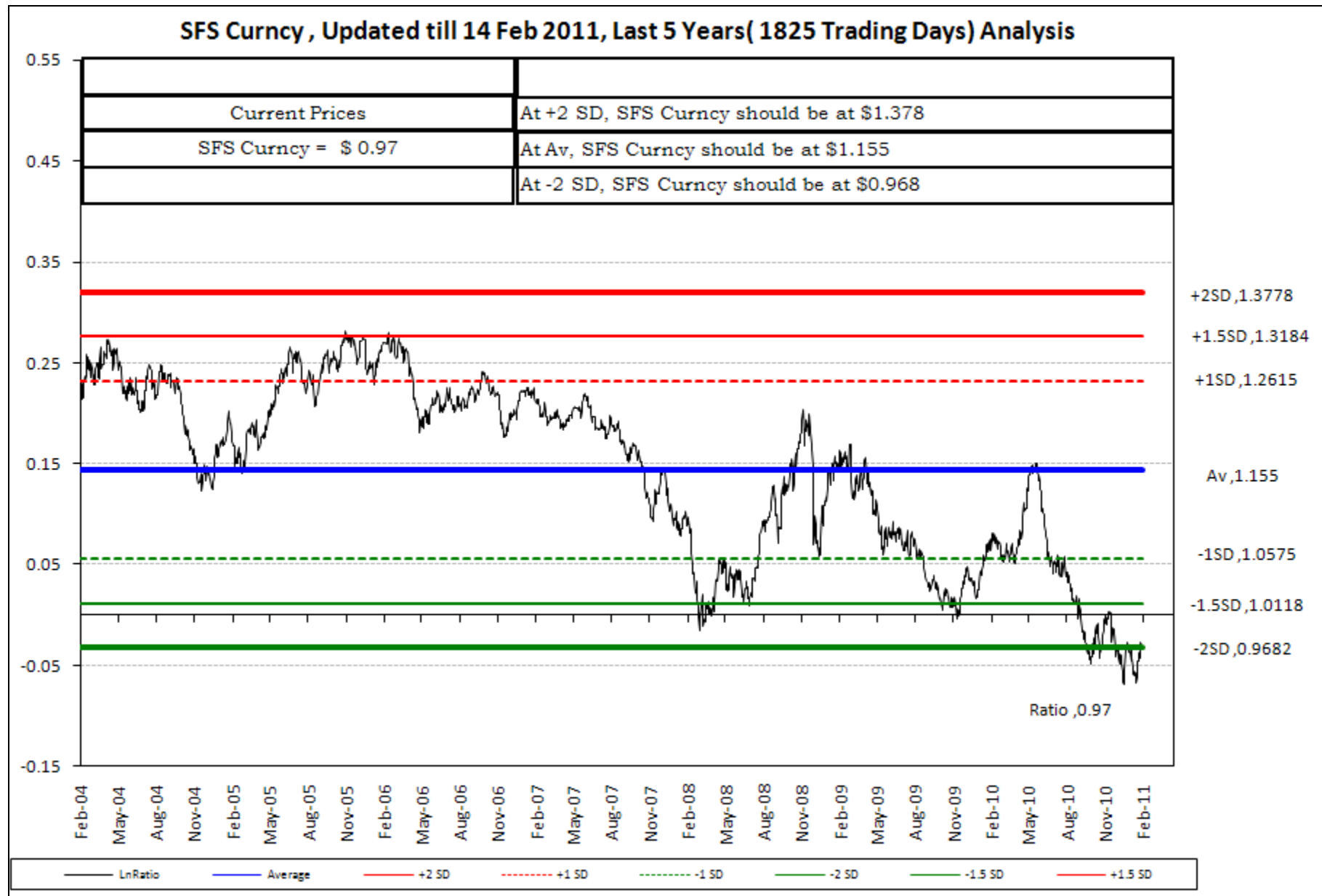


# SFS Last 365 Analysis

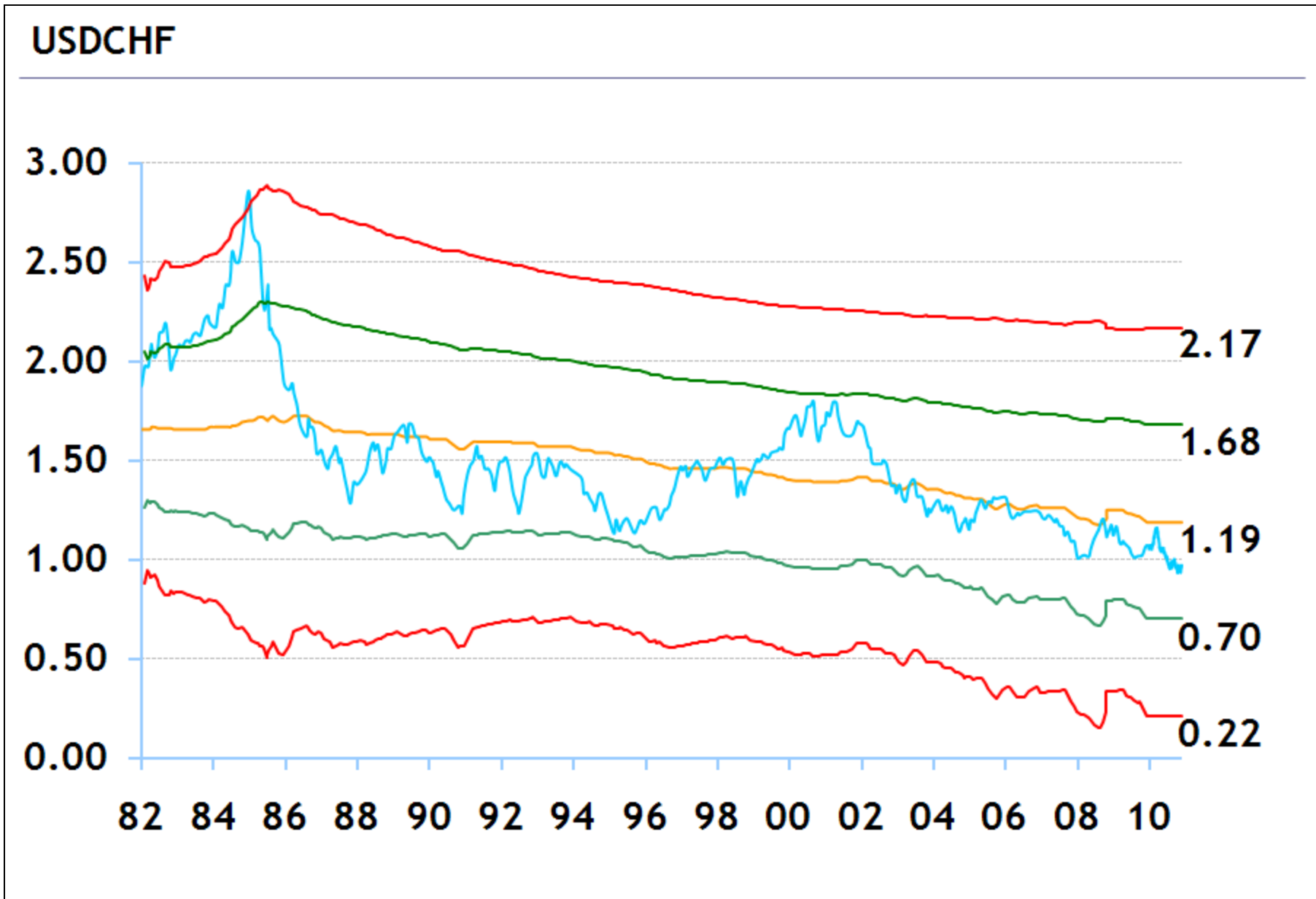
SFS Curncy , Updated till 14 Feb 2011



# SFS Last 5 yrs Analysis



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



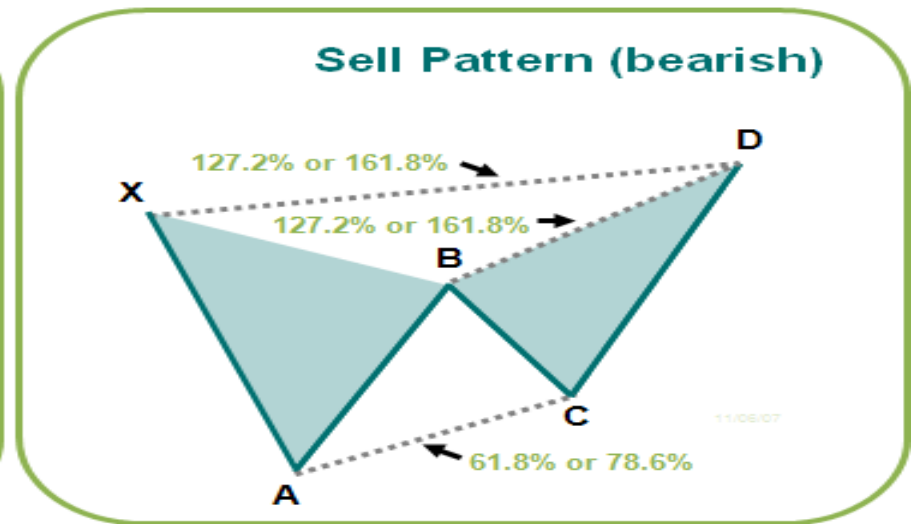
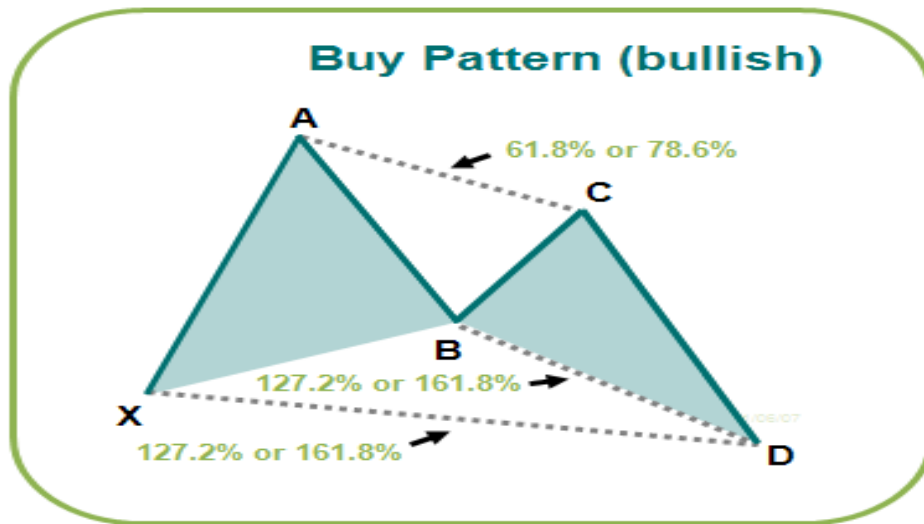
# Pythagoras Expansion / Contraction – (PEC) Model

- PEC Model is a 2<sup>th</sup> 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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