



SG Capital Research

Global Market Insights

Research Note – Currency Analysis (B)

MAEG- CURRENCY ANALYSIS- PEC- SG 2011 # JAN 11

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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”

3x3 /9EMA – Momentum Break Indicator – Long @ 1228 SPX

- 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%

Currently “ Trend Adjusted Signal “ has Reversal stop @ 1269 SPX & DOW 11650 (Stopped out 11637 on close).

***We would consider all 3 major Indices to Trigger below Trend Adjusted Signal for POM 15
Upon rejection of volume in CZ – PQV***

- 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) ,

- **Insights**

- *Most of the currencies have so far successfully followed our script at PEC D and Our Pattern Analysis*
- *We have some longer term views on some currencies and would not want to be shaken out on short term moves.*
- *JPY is our Trade of the Year and AUD is the most overvalued currency in the world, while USD is a quite bull market with wall of worry*
- *The trend remains down in EURO and ECB is dealing with issues of PIIGS as liquidity but the bond market suggest the early days of lack of Solvency and Sovereign failure Nations*

• 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, Second objective at 86

2. EUR/USD – **PEC D @ 1.40** ... First price of objective achieved 1.30, bounce 1.34 complete, Second 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

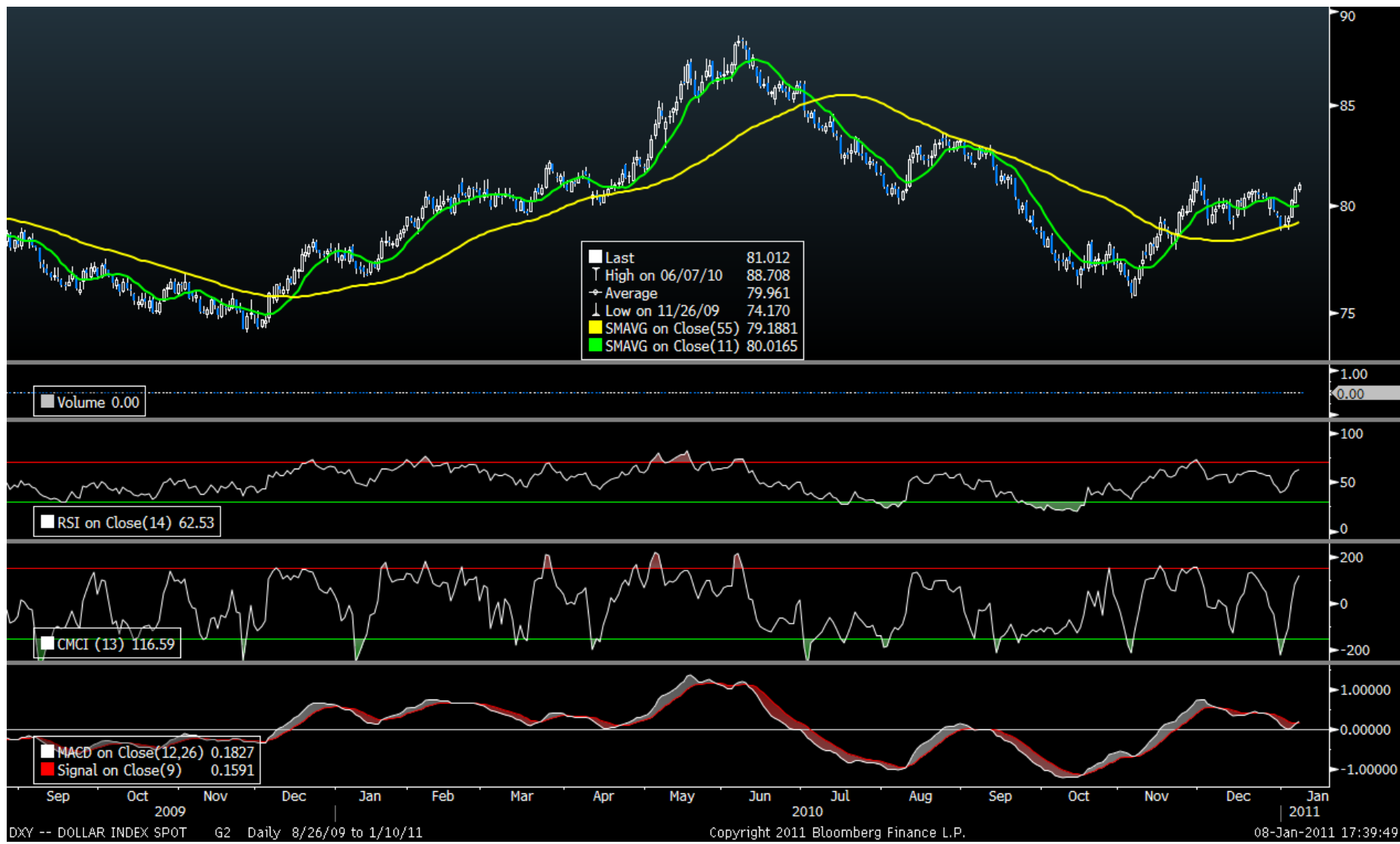
2. AUD/USD - **PEC D @ 97.5** , double topped , Mid term potential target to 94 first and then 91

3. CHF / USD - **PEC D @ 97** - broke the double dottom, but regained quickly , our price objective 100

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

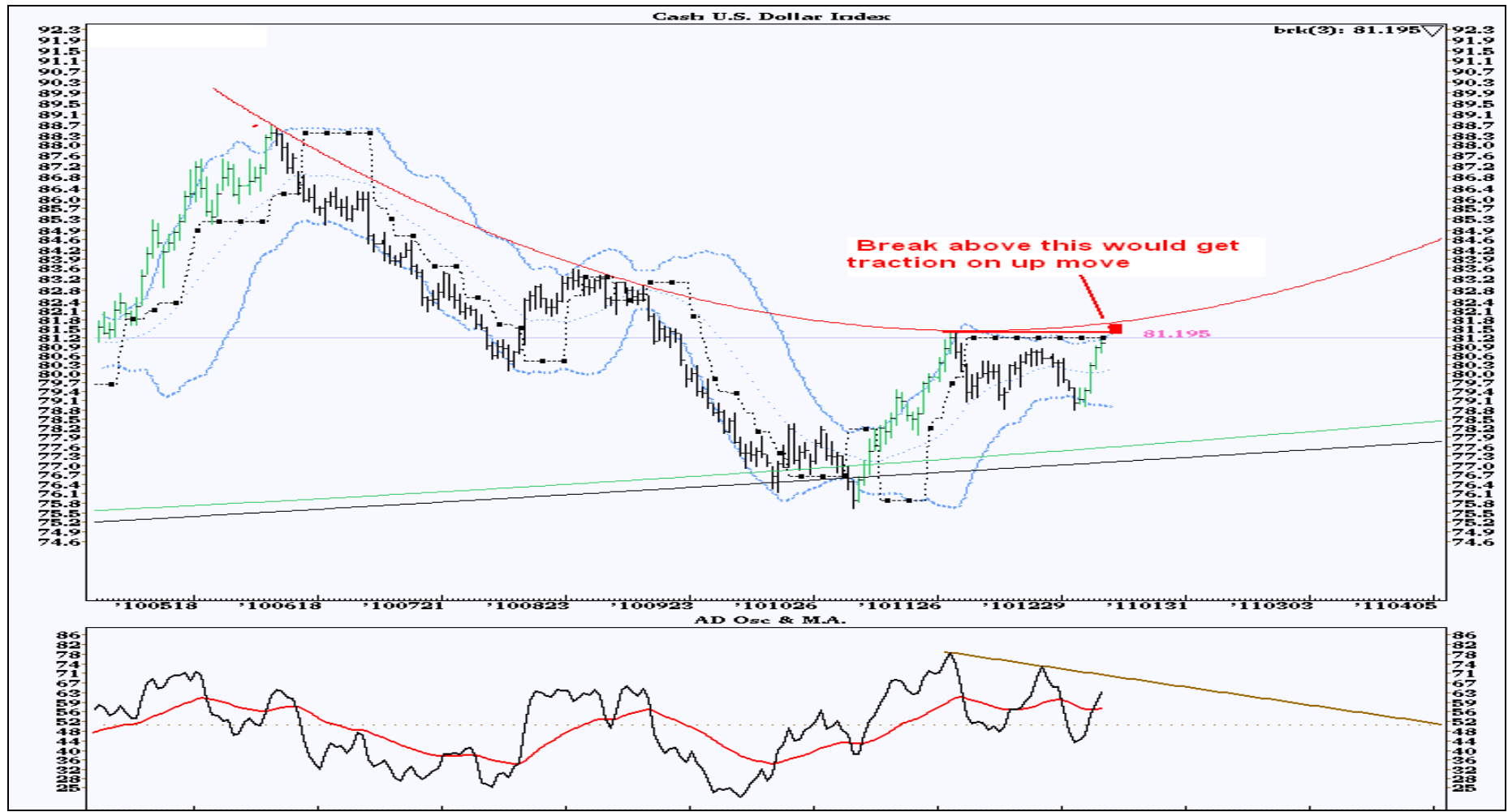


1- DXY - Daily – 3 Year with RSI, CCI, MACD (11D / 55D SMA)



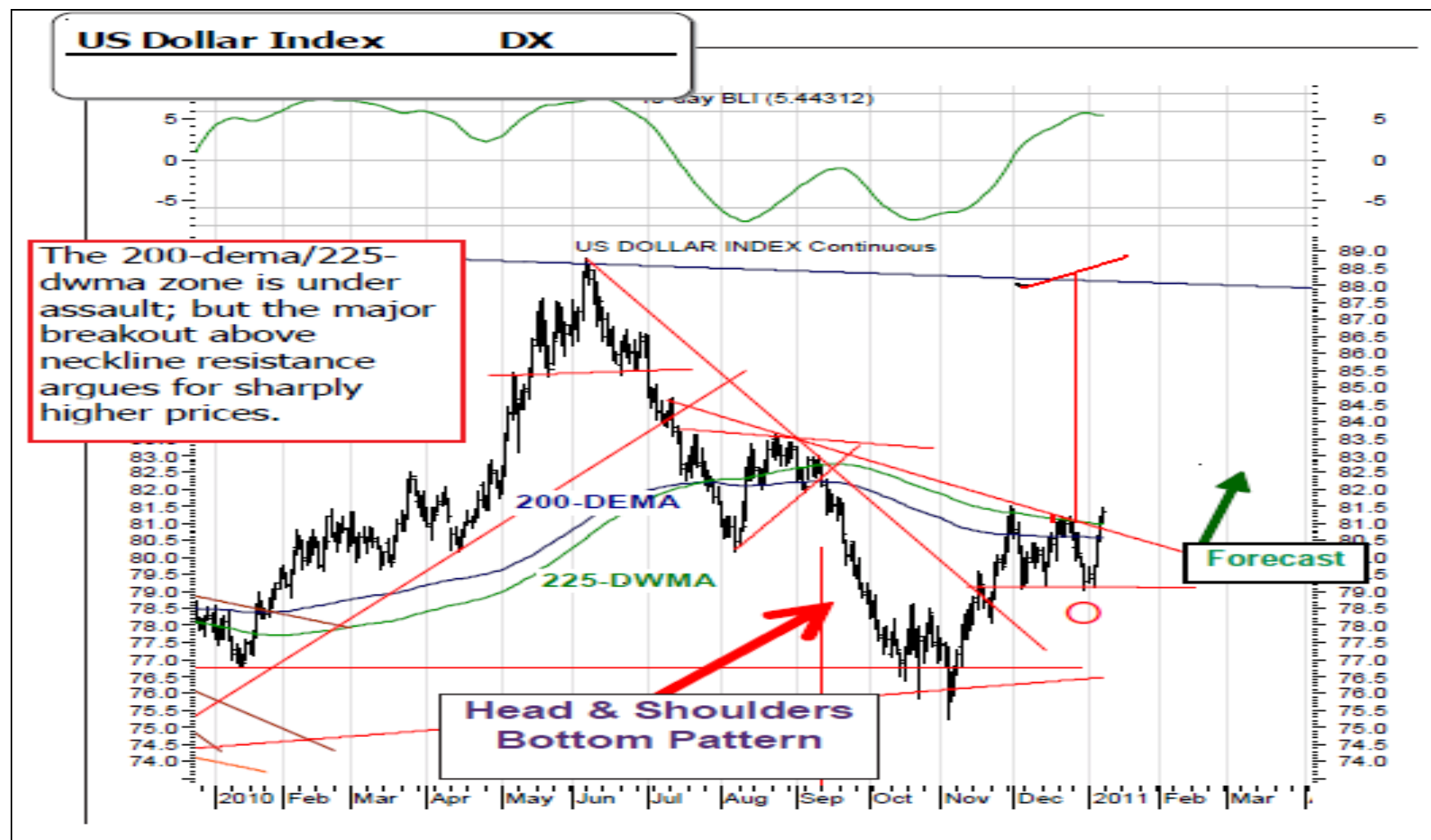
2 - USD – POM Analysis

Basing process continues in the DXY, which should eventually become a sustainable uptrend that lasts into 2014. The overhead resistance indicated in Red argues that we need another dip to setup a strong base for a rally. That would fit very well with the idea of a fifth & final wave rally in stocks.



2 - USD – POM Analysis

The Trend line we have been indicating along with the EMA is broken, Now the pull back towards the top of that line followed by upsurge (above Poly Trend line indicated in above chart) should trigger a massive acceleration and ultimate breakout should begin . 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 +/- achieved and the next leg up to 87 by H & S Bottom projections as indicated in red vertical line



3 - DXY – PEC Analysis - Intermediate term

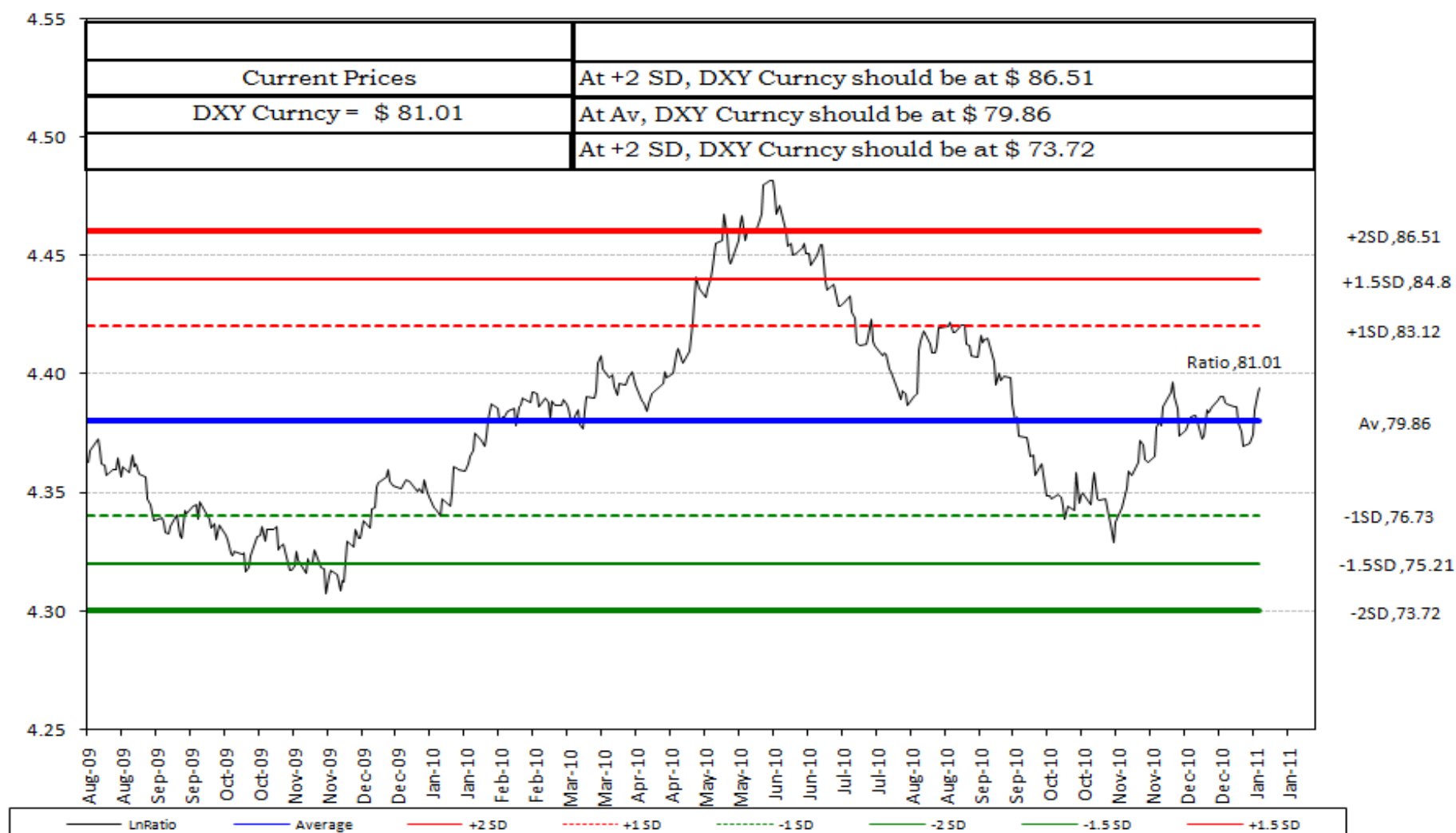
The dollar index also looks increasingly poised to move to the next leg of a long term AB=CD pattern after making a nice 0.382 retracement from its December high, as shown on the chart.

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.**



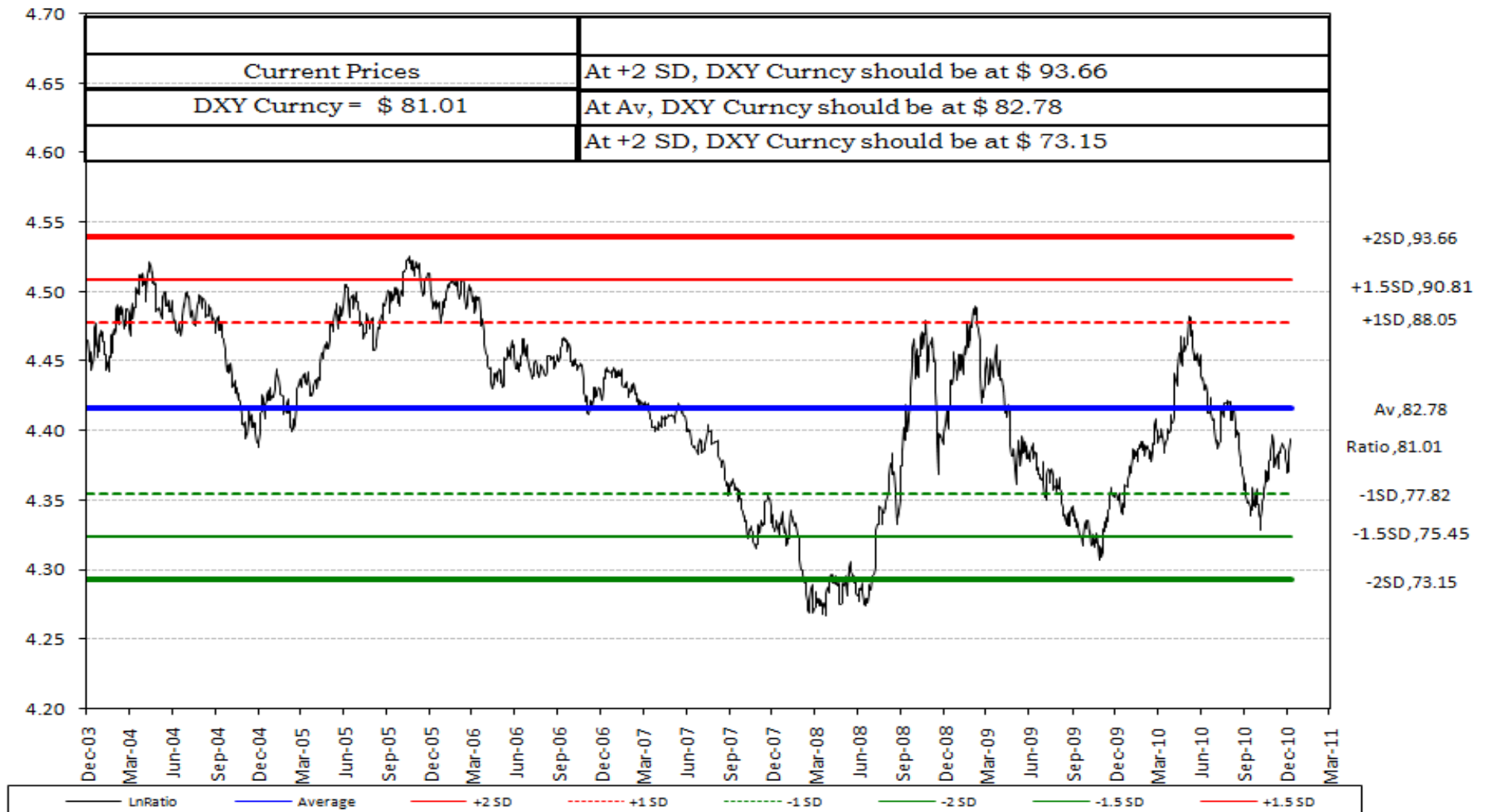
DXY Last 365 Analysis

DXY Curncy , Updated till 07 Jan 2011



DXY Last 5 yrs Analysis

DXY Curncy , Updated till 07 Jan 2011



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)



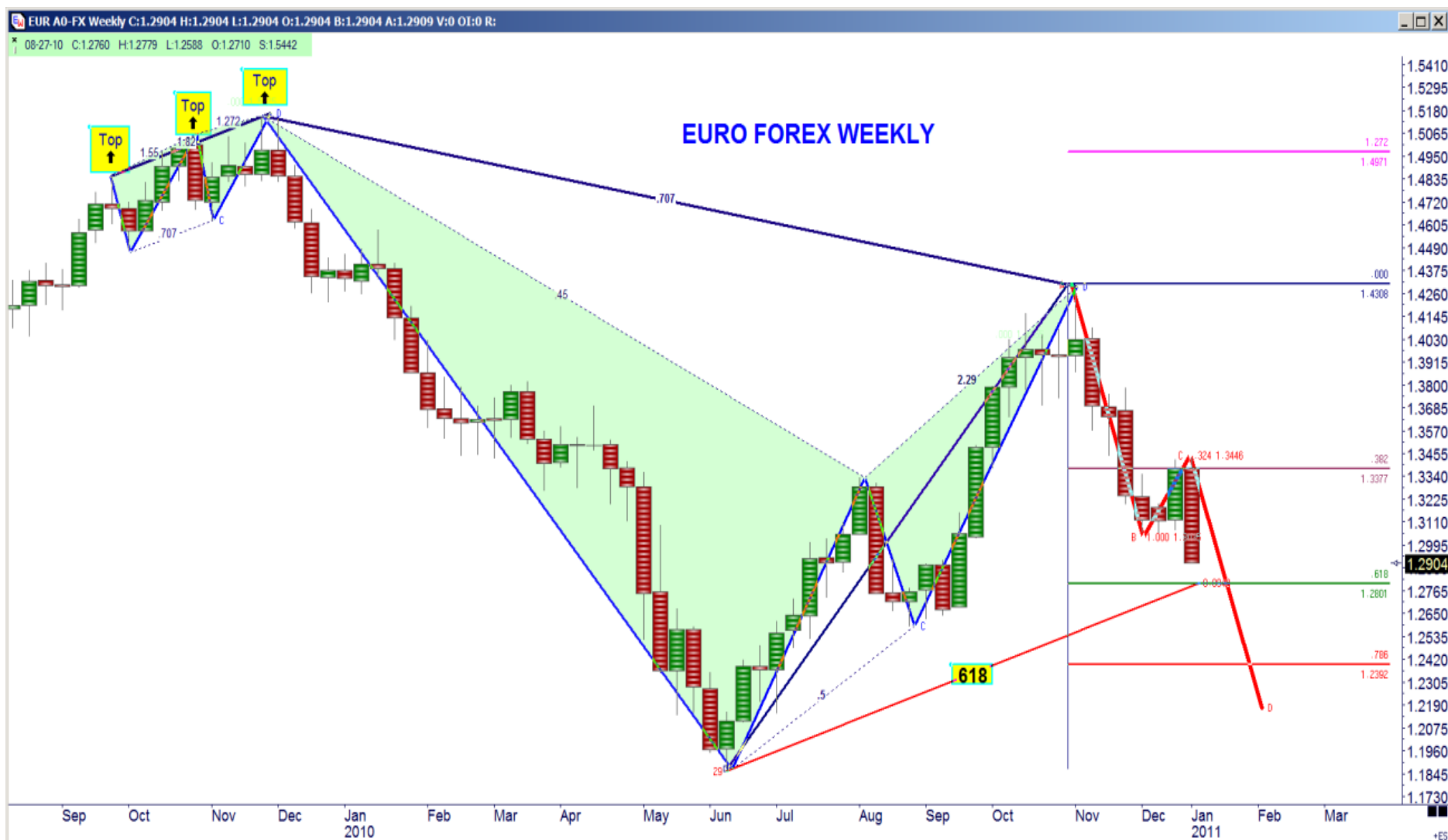
EURO - POM Analysis – Candle

EURO finished the bounce of 1.34 that we were expecting and then fell off the cliff this year to 1.29 , although the bounce is possible the break signals a continuation of the November decline.



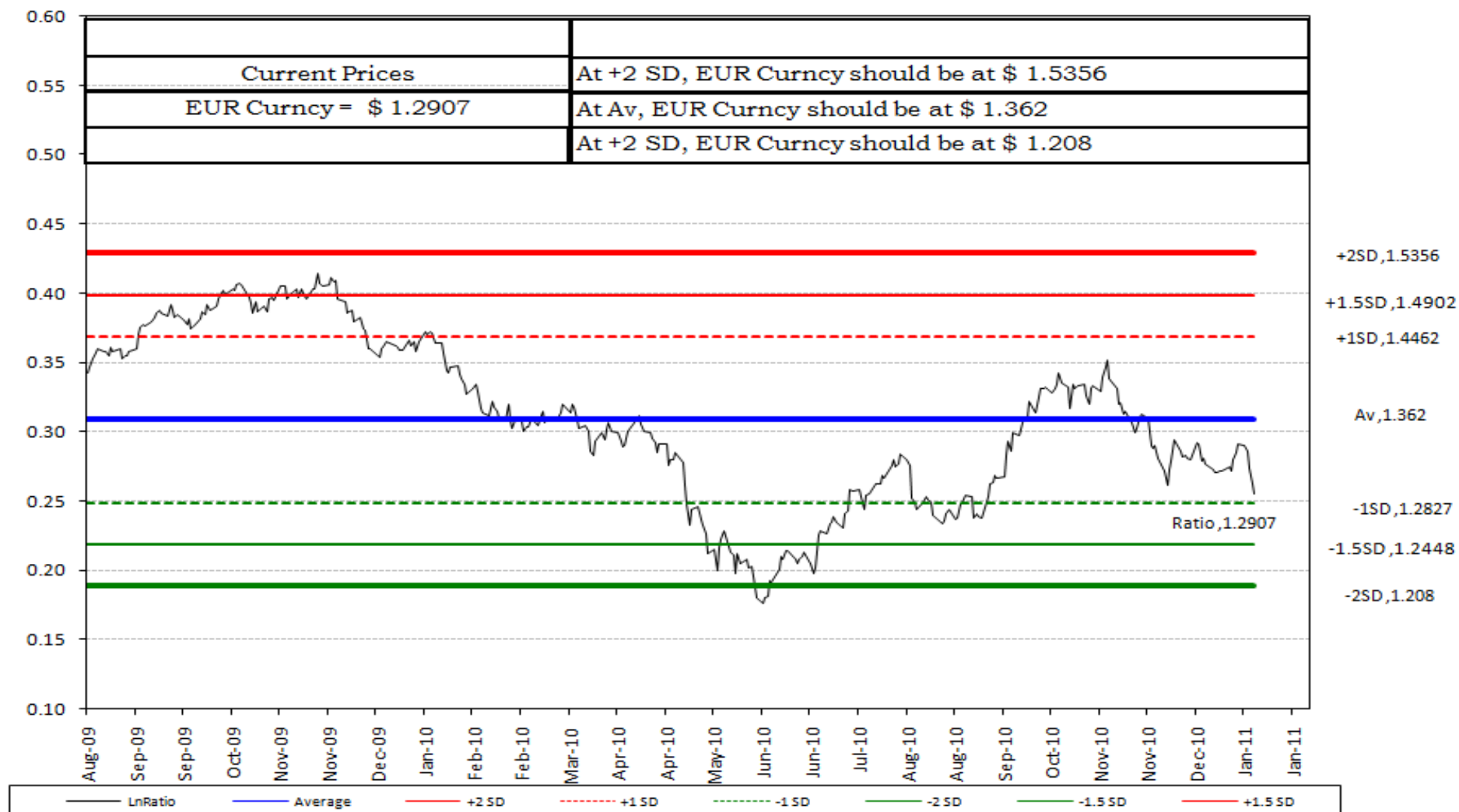
3 - EURO / USD – PEC Analysis - Intermediate term

By PEC D Method, First Bottom PEC D point is 1.29. , the bounce came in on the nose to 1.34 and now setting up next leg down to 1.28 (0.618) and then to 1.20.



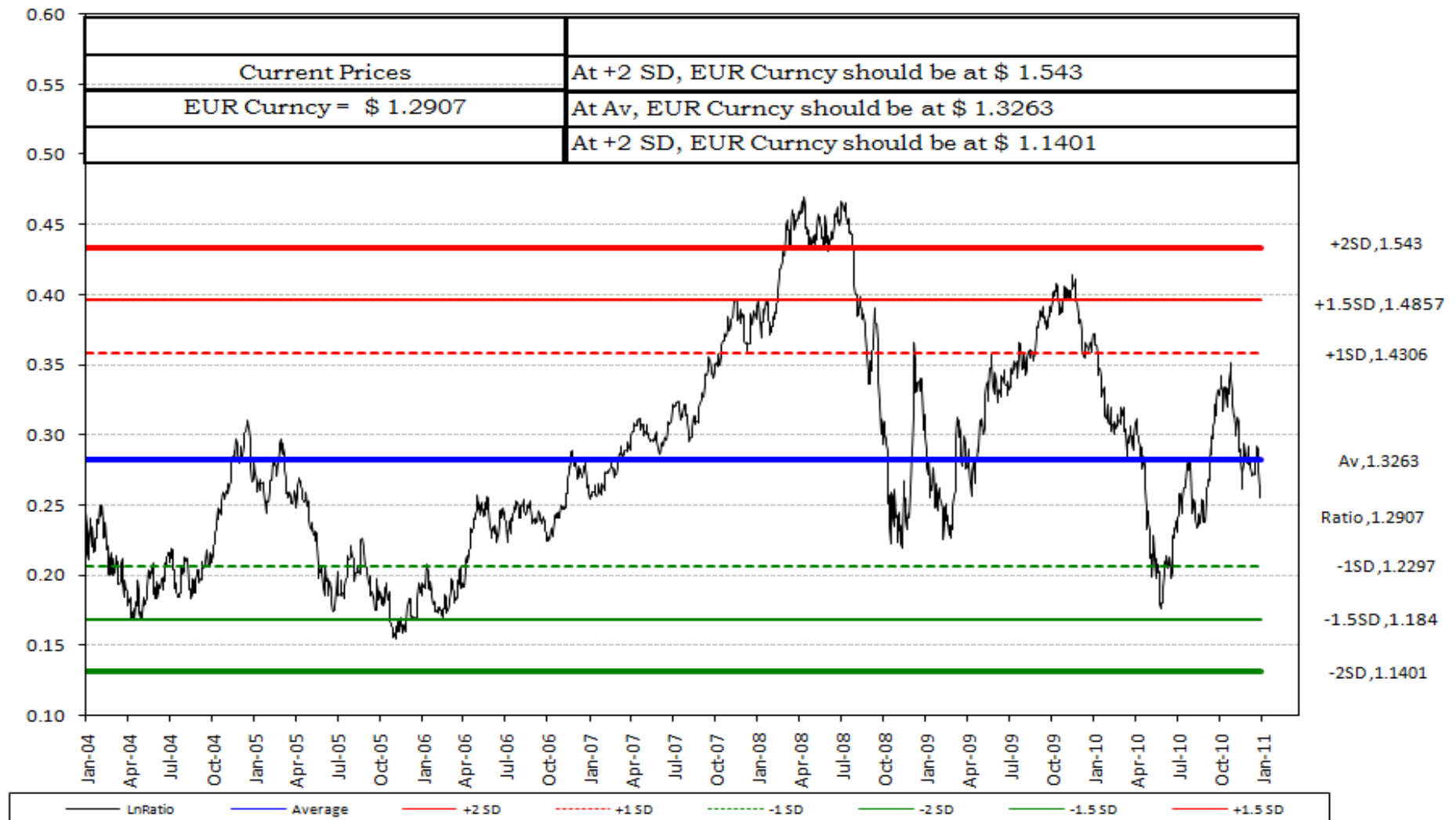
EUR Last 365 Analysis

EUR Curncy , Updated till 07 Jan 2011

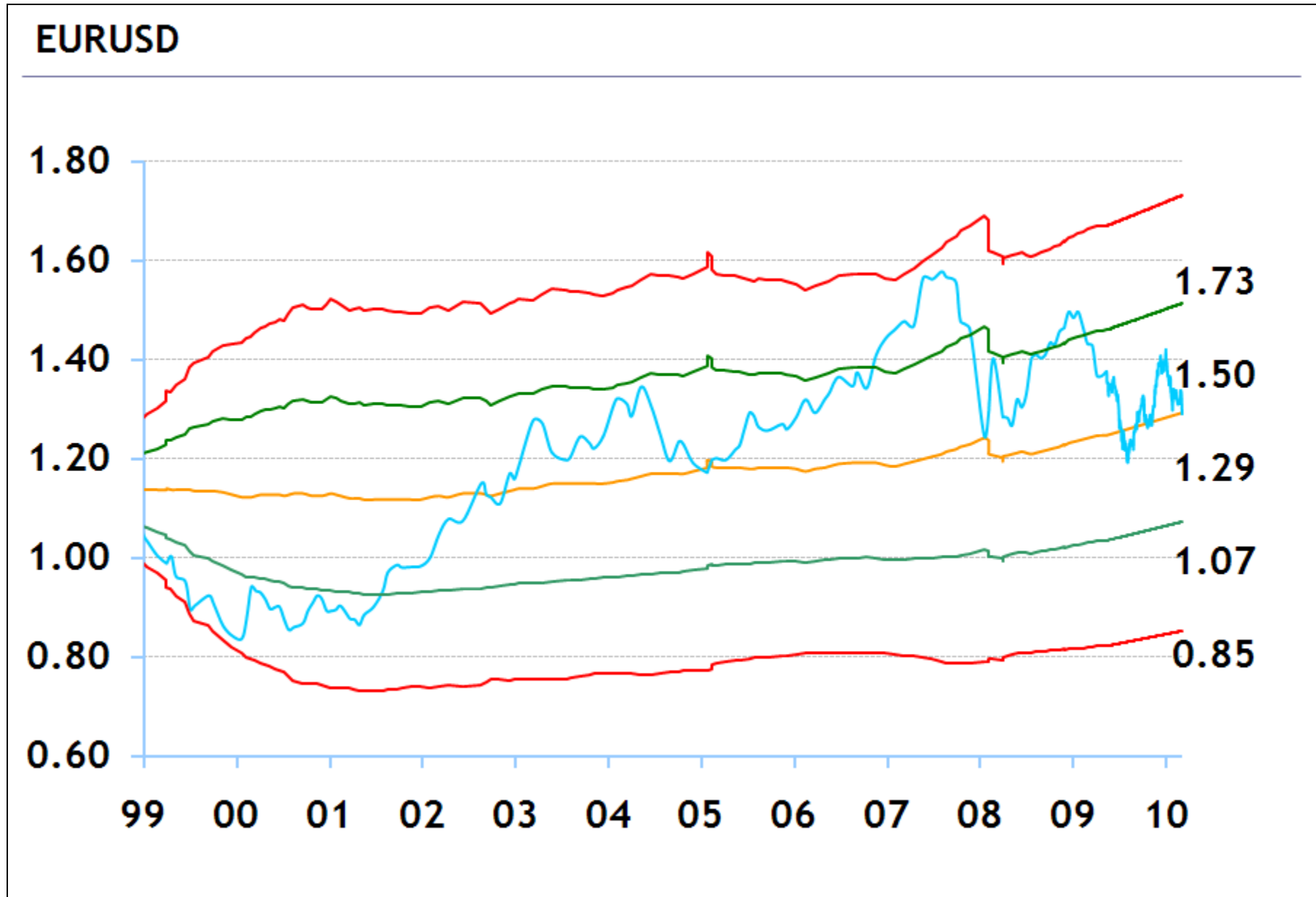


EUR Last 5 yrs Analysis

EUR Curncy , Updated till 07 Jan 2011



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)



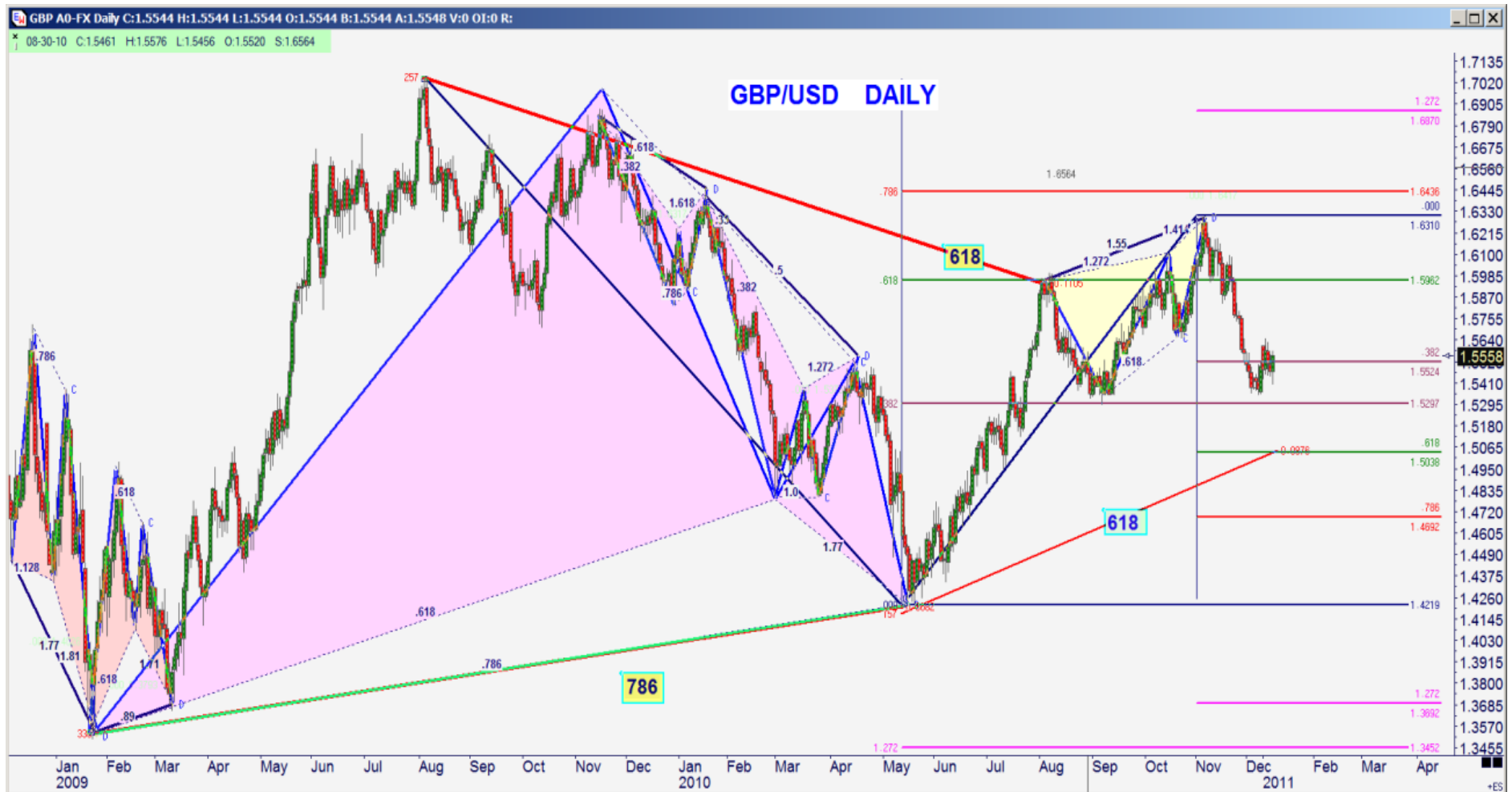
2 - GBP / USD – POM Analysis – Candle

GBPUSD as we had indicated , stalling at the test of resistance at a falling trend line at 1.56. We will look for a reversal lower from here to take out horizontal support at 1.53, aiming to target a decline toward the 1.48.



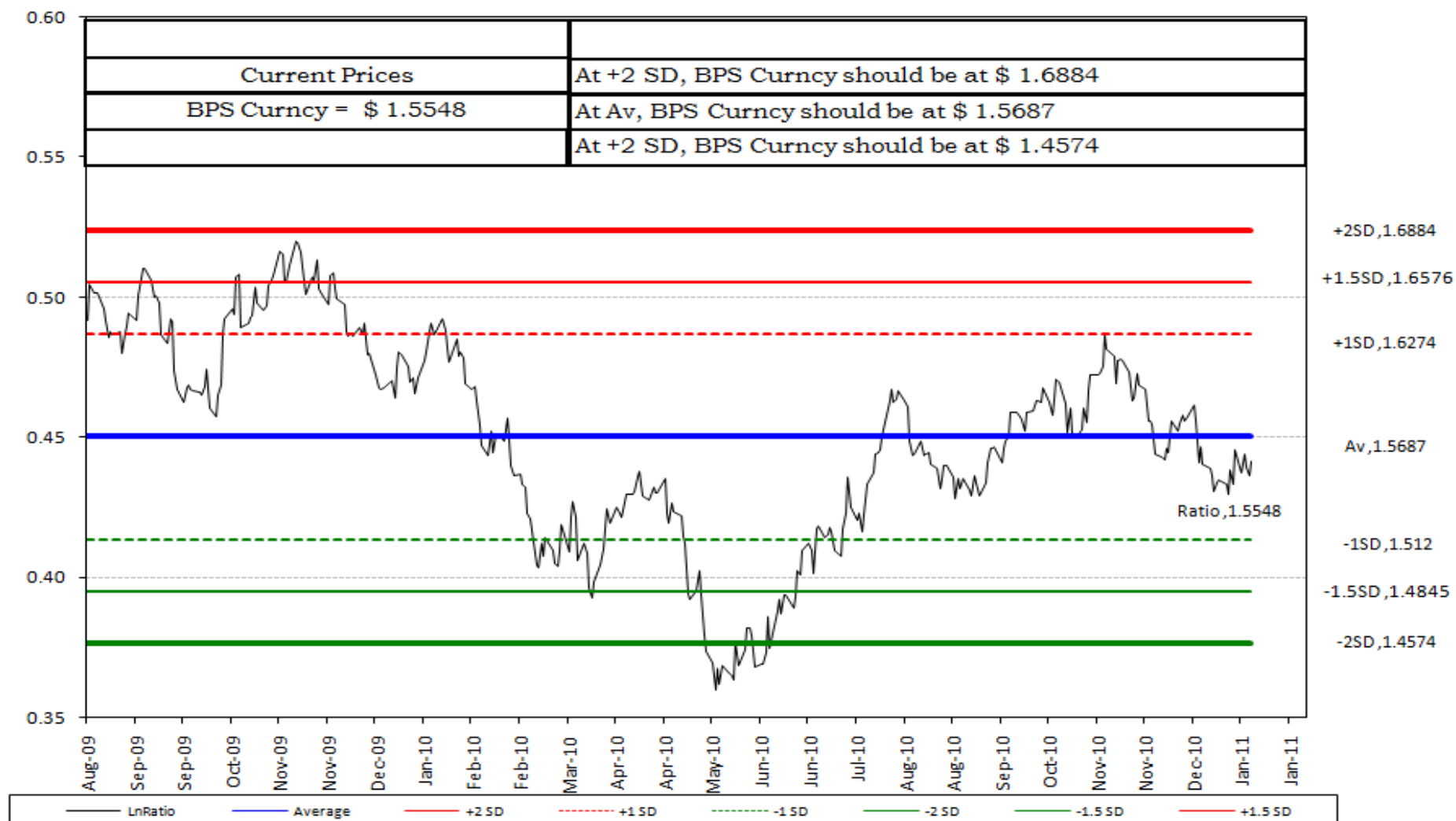
3 - GBP / USD – PEC Analysis - Intermediate term

GBP as expected bounced with Euro and then declined , the target is 1.50 by this Method .



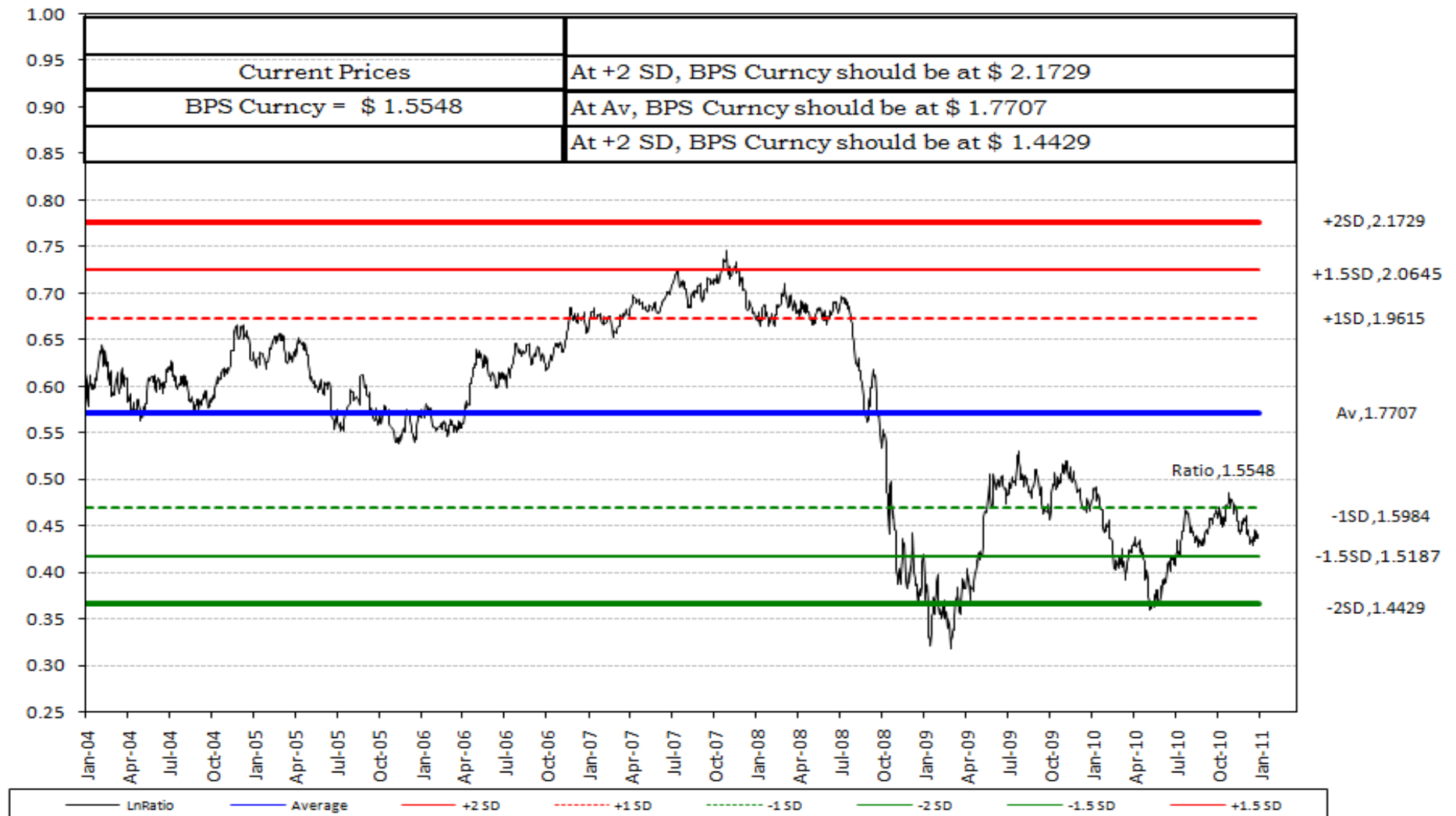
BPS Last 365 Analysis

BPS Curncy , Updated till 07 Jan 2011

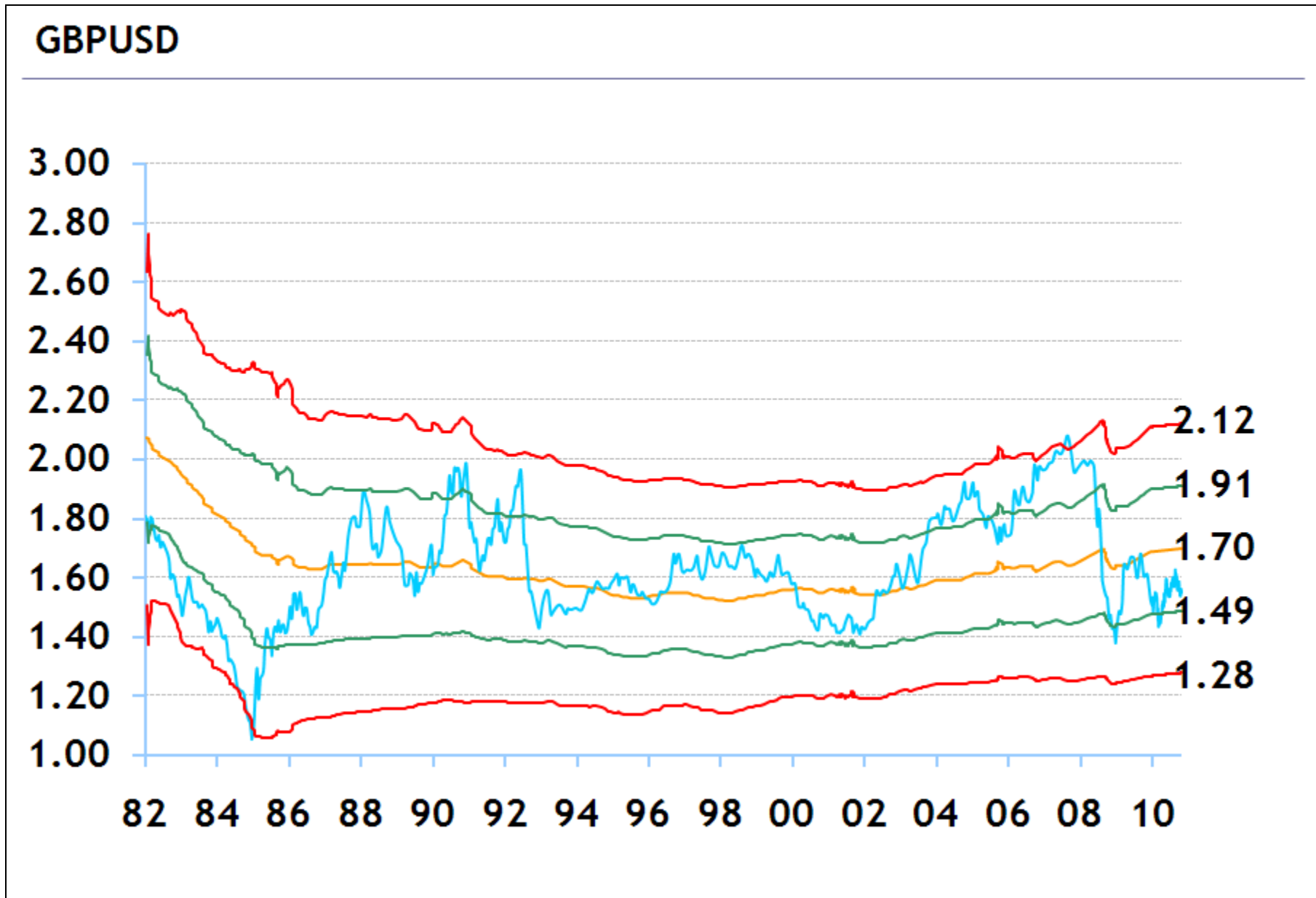


BPS Last 5 yrs Analysis

BPS Curncy , Updated till 07 Jan 2011



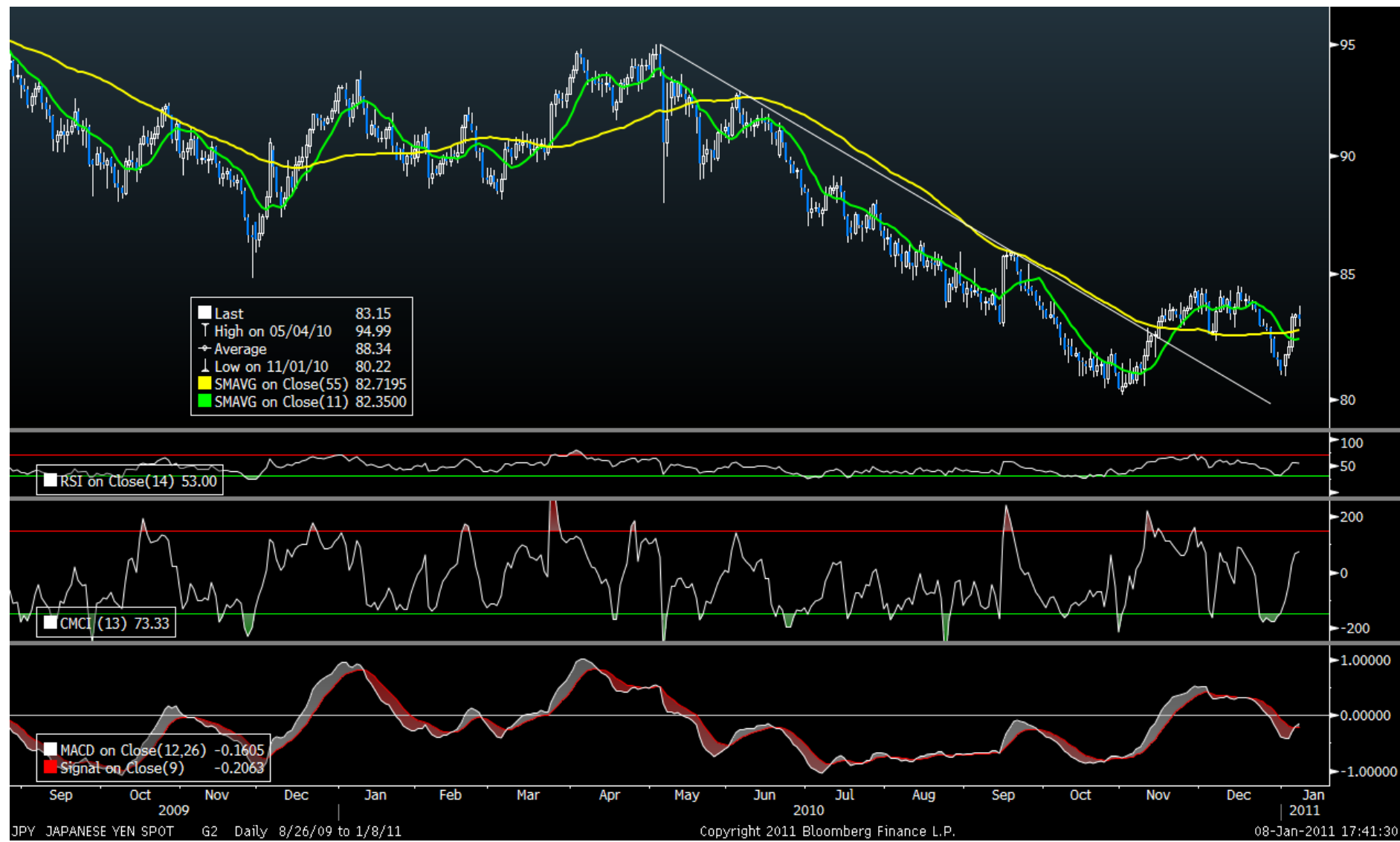
4 - GBP / USD – PPP Reversion & Standard Deviation Analysis – Long Term



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)



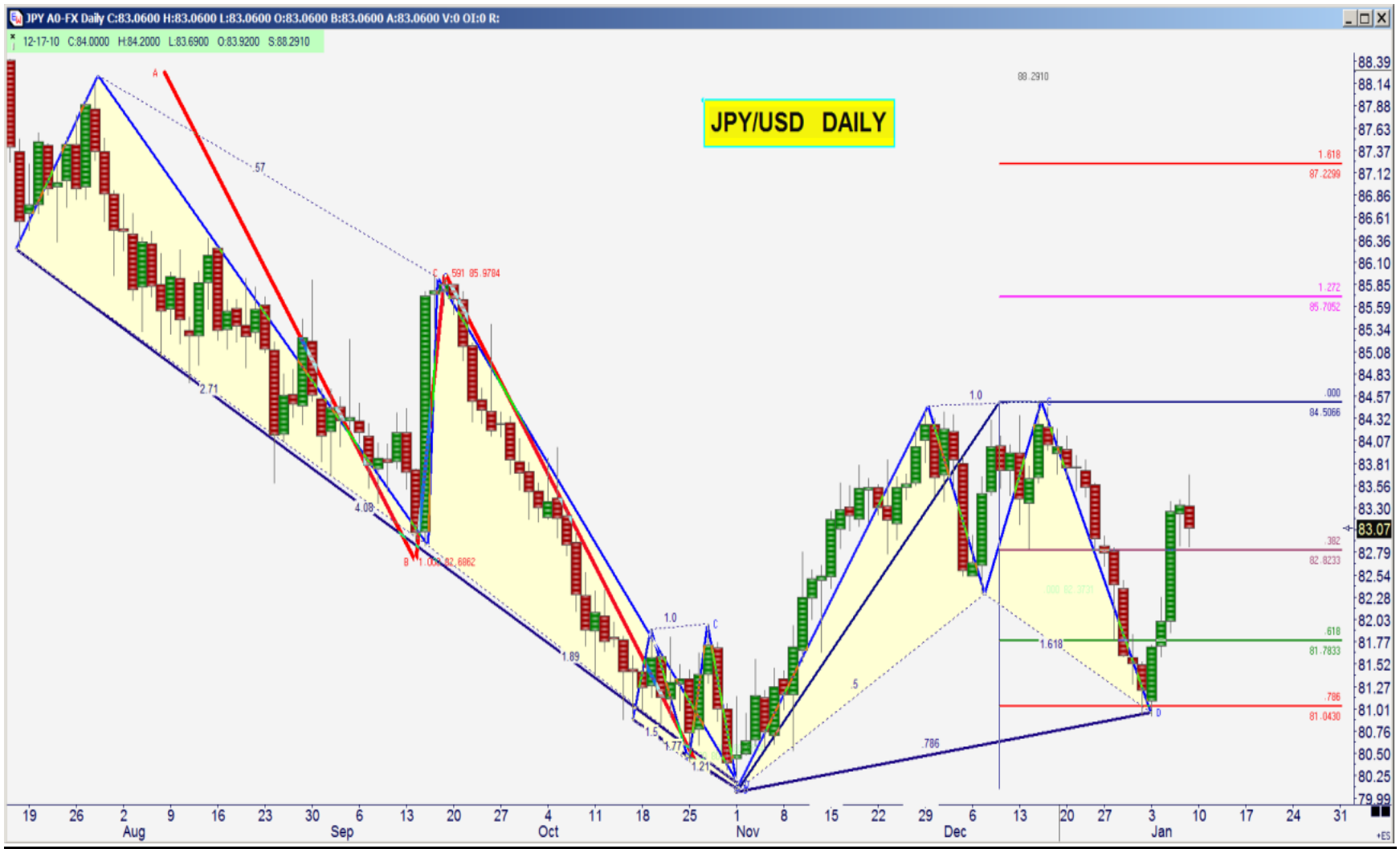
YEN - Long Term

The large scale reversal to the downside developing here. Tremendous Long term potential, double top of this magnitude has very high significance (refer notes within chart)



JPY / USD – PEC Analysis -

PEC D @ We reached our retracement target 81 @ 0.786 as we had indicated 2 weeks ago 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)

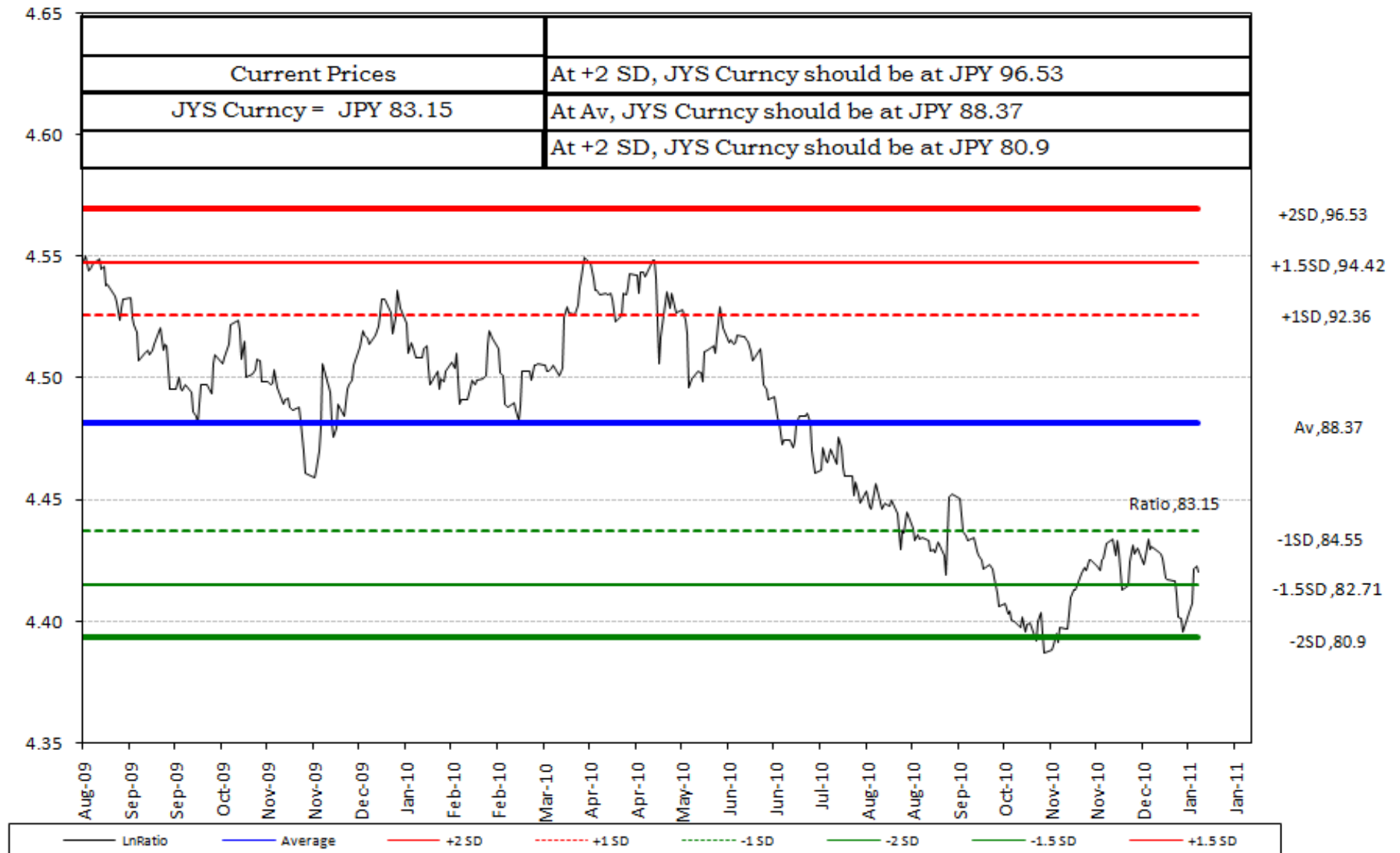
We reached our first objective and re traced . Now our 2nd objective targeting 86. the overall bias to favor the upside and we remain long,

Meanwhile there could be another retracement towards 83, a small H & S bottom. but this is the part of base building process.



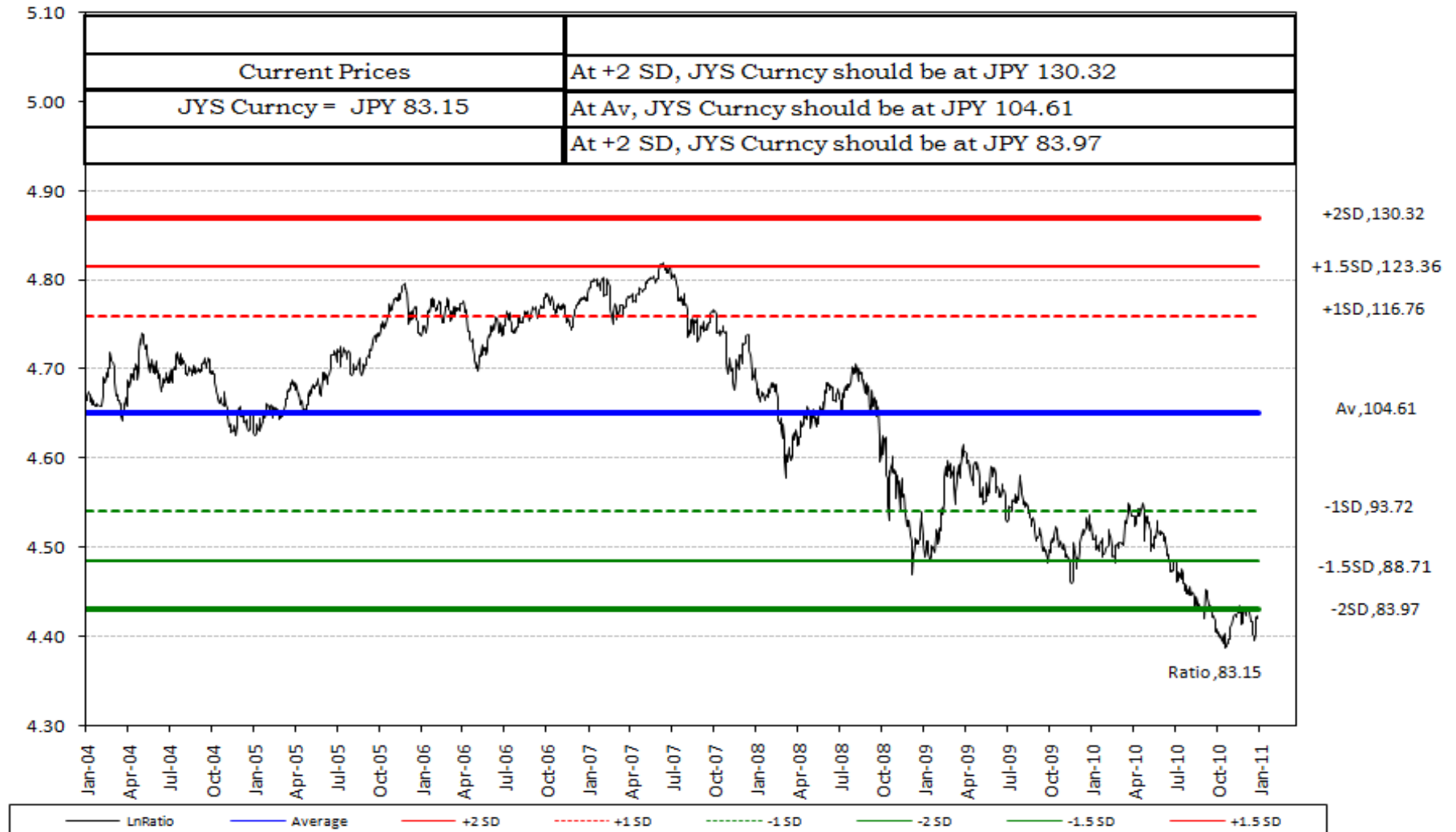
JYS Last 365 Analysis

JYS Curncy , Updated till 07 Jan 2011

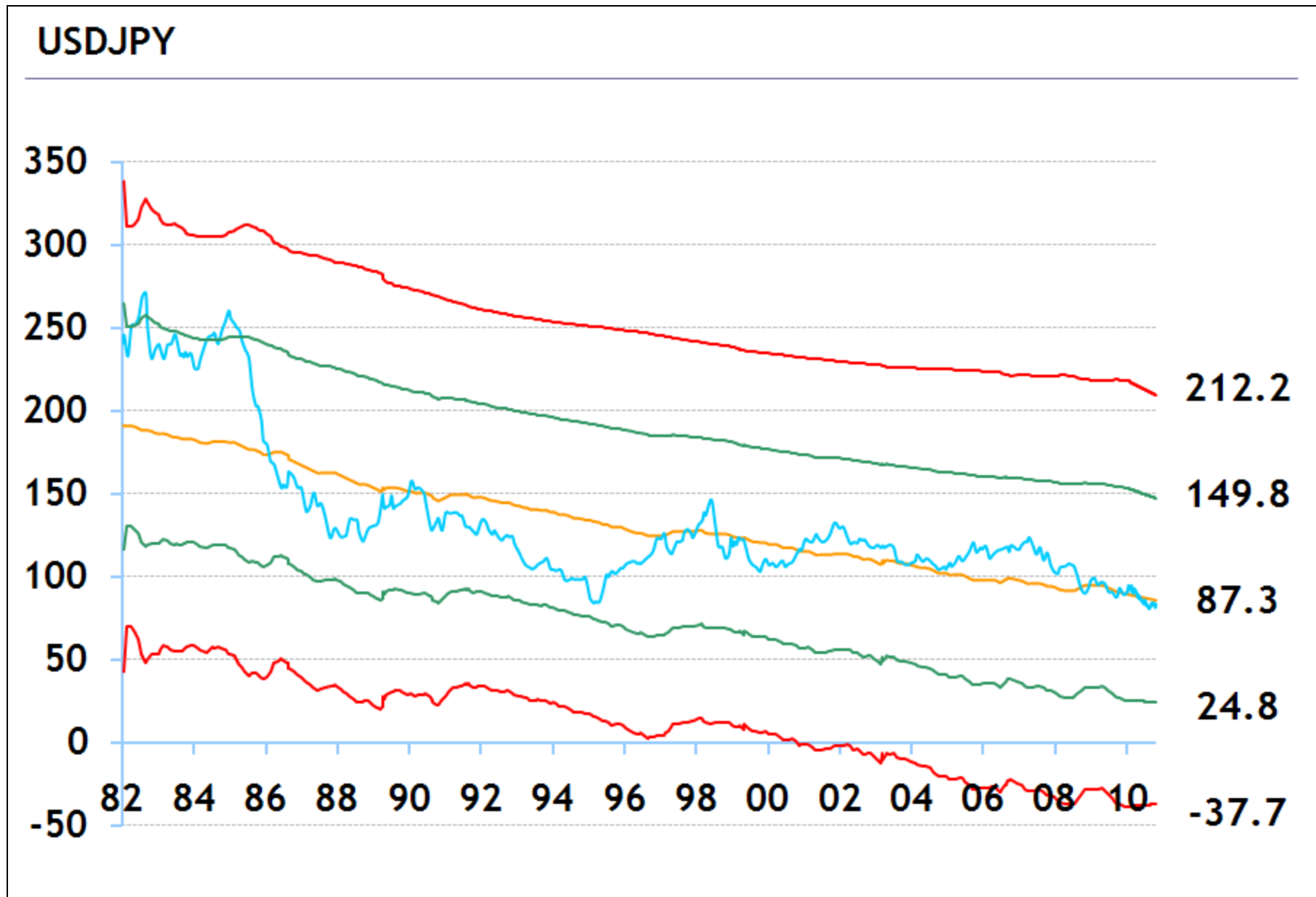


JYS Last 5 yrs Analysis

JYS Curncy , Updated till 07 Jan 2011



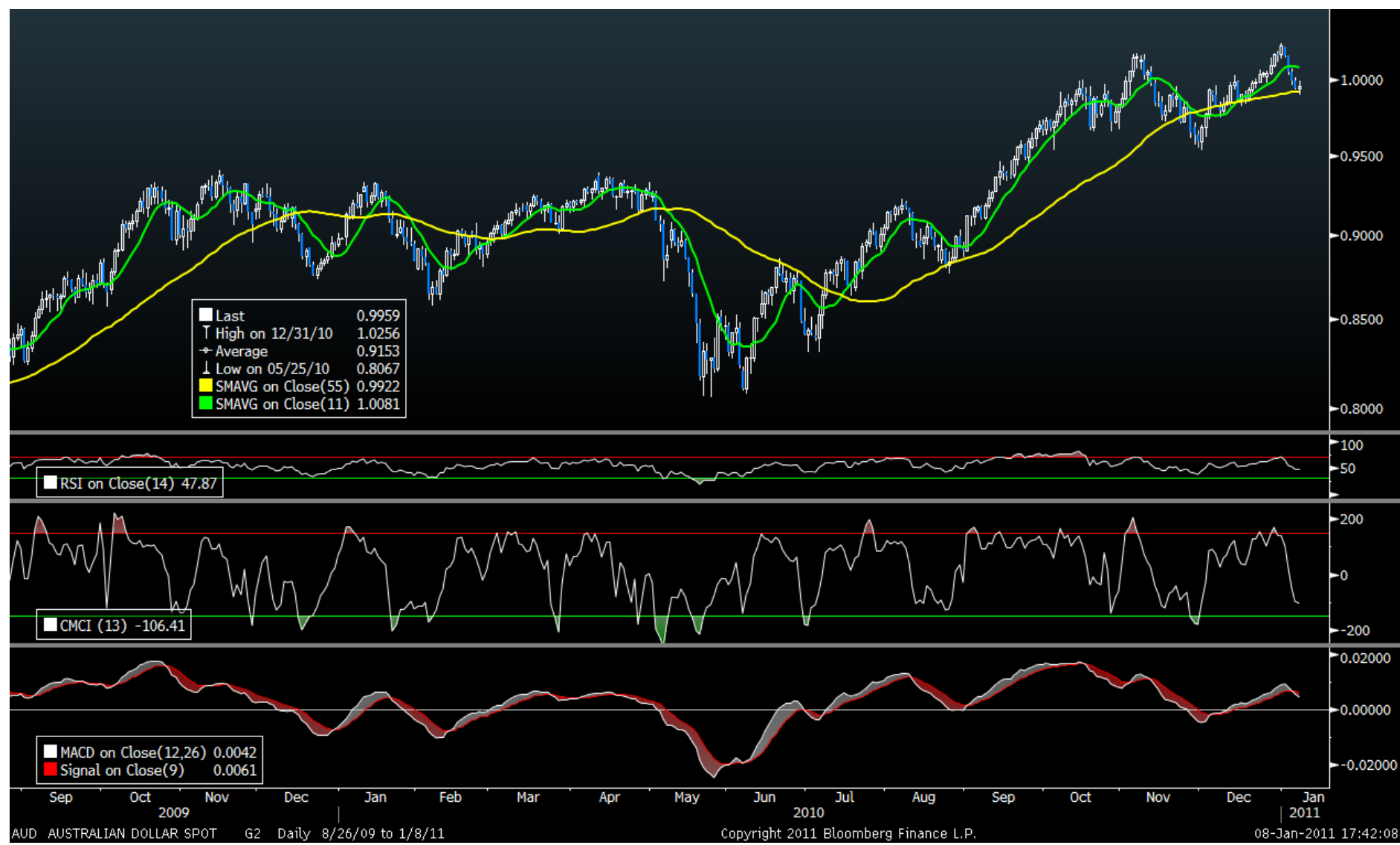
4 - JPY / USD – PPP Reversion & Standard Deviation Analysis – Long Term



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)



AUD - Long Term

Most overvalued currency . Long term aussie is almost 50% , this is significant. .



3 - AUD / USD – PEC Analysis – Intermediate term

PEC D @ 97.5 confirmed. A potential double top, at least in the short term, with a break back below 0.96 to confirm downside bias and accelerate declines.



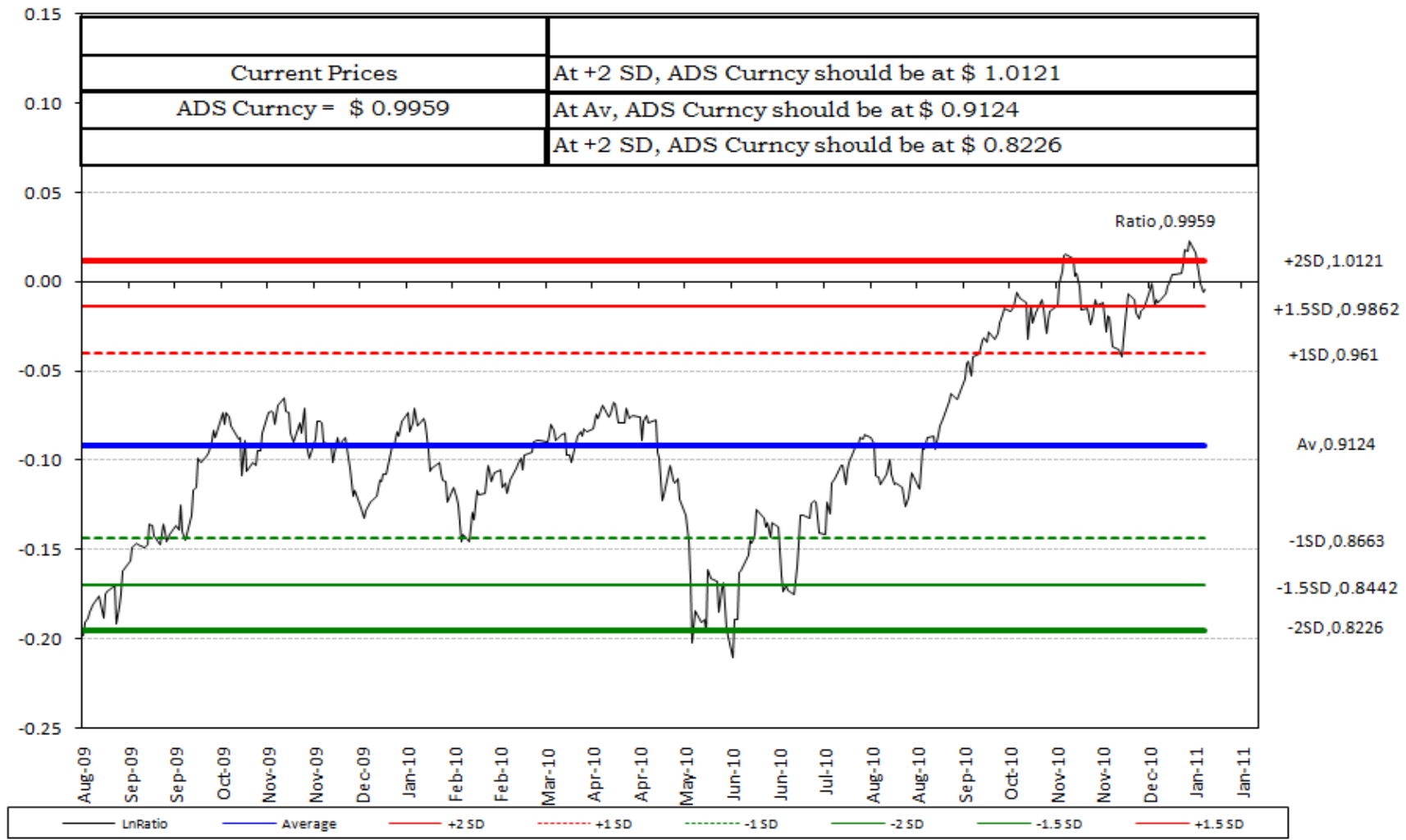
1 - AUD / USD – POM Analysis – (Candle)

AUD has pulled back to test support at a rising trend line with start, usually this is half way move with indecision . We should get a bounce but eventually breakdown. Earlier having put in a bearish Dark Cloud pattern at a new high at 1.02. This is part of long term topping process. Once the trend line breaks , all hell will break loose in Aussie with currency, We will look for confirmation of a meaningful reversal on a daily close below support 96.



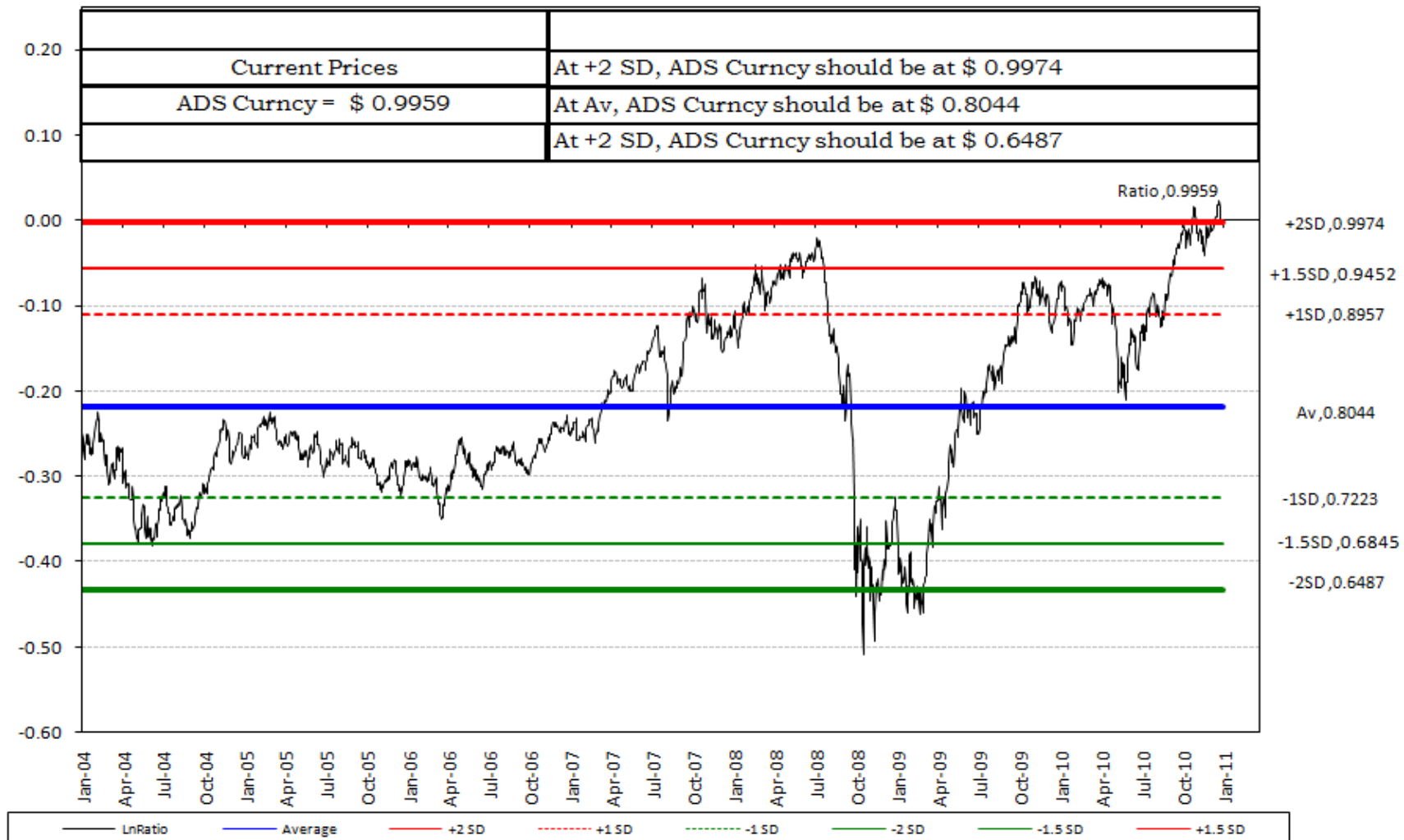
ADS Last 365 Analysis

ADS Curncy , Updated till 07 Jan 2011

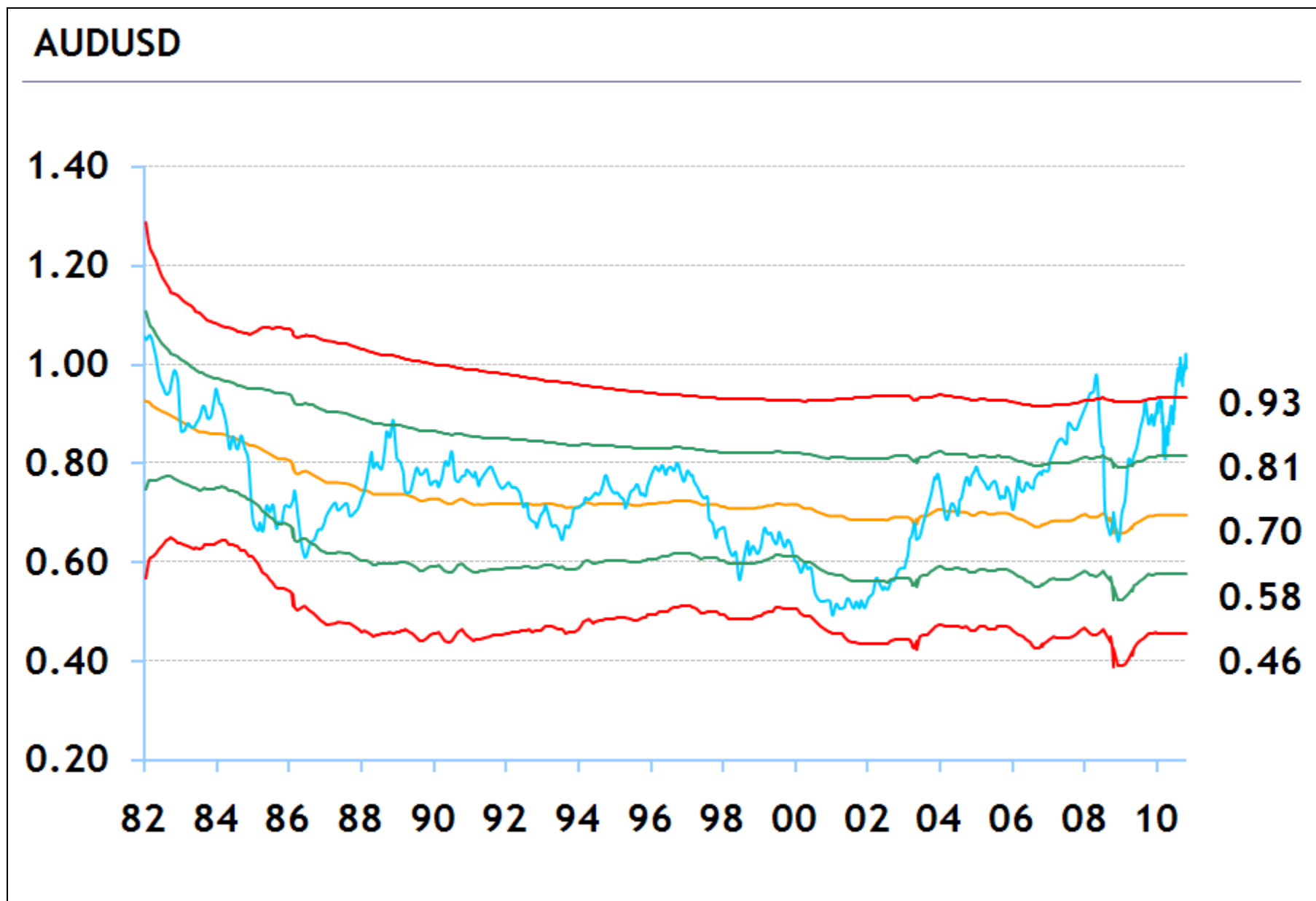


ADS Last 5 yrs Analysis

ADS Curncy , Updated till 07 Jan 2011



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

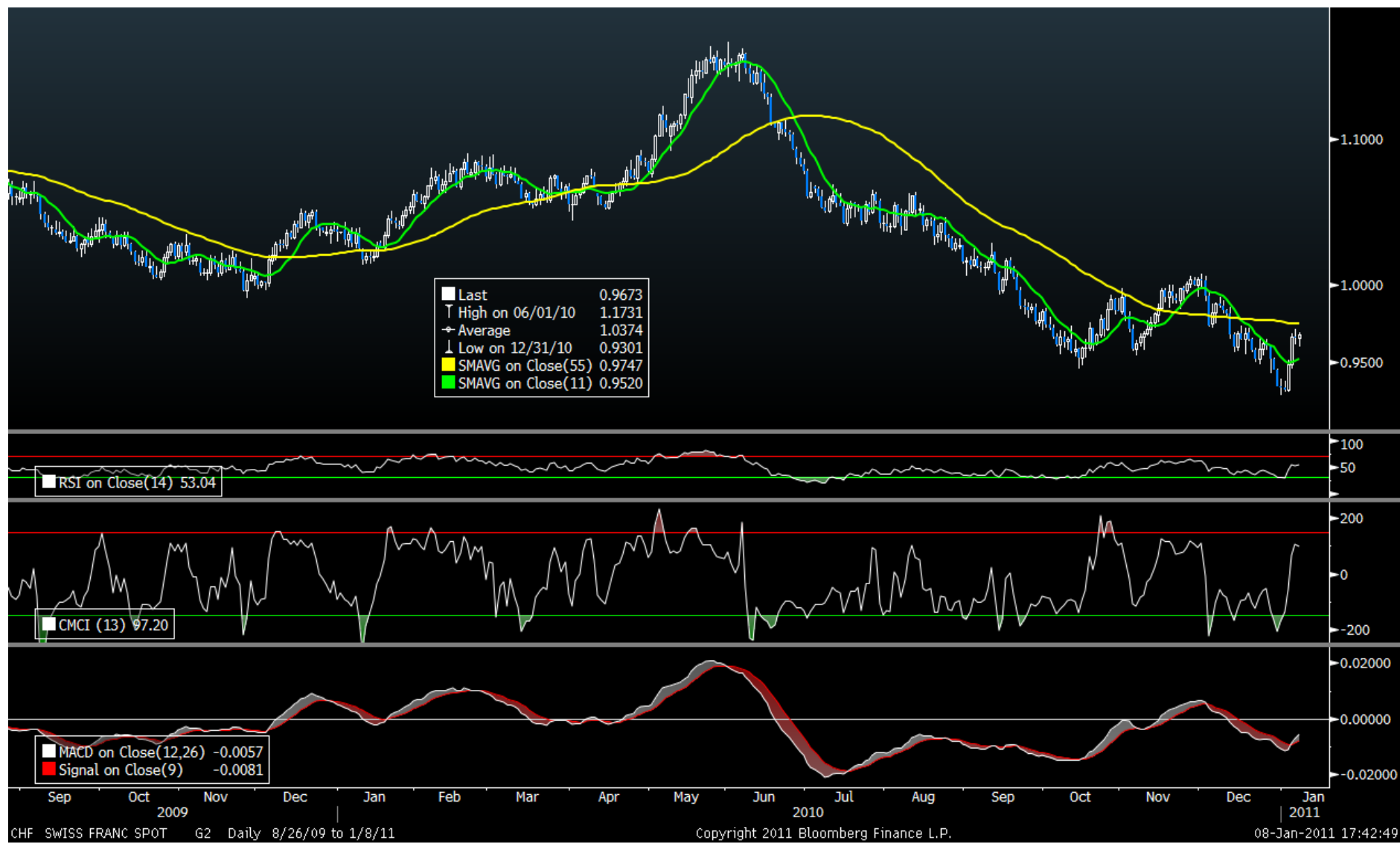


1- CHF / USD - Weekly – 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)



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



2 - CHF / USD – POM Analysis – (Tech)

The double bottom did not hold at 0.96-0.95 but bounced right back from 0.93. Currently struggling to break out above the EMA 0.97 (No conformation). Upside momentum is not too convincing but if we break 0.97, it would likely continue towards 1.00 . On the downside below 0.96 will indicate that a short term top is formed and will bring consolidations. Considering bullish RSI and MACD we'd expect stronger rally to retest 1.00.

In the bigger picture, the stronger than expected rebound from 0.93 suggests more bullish picture mid term bottom upon a test of 0.94.



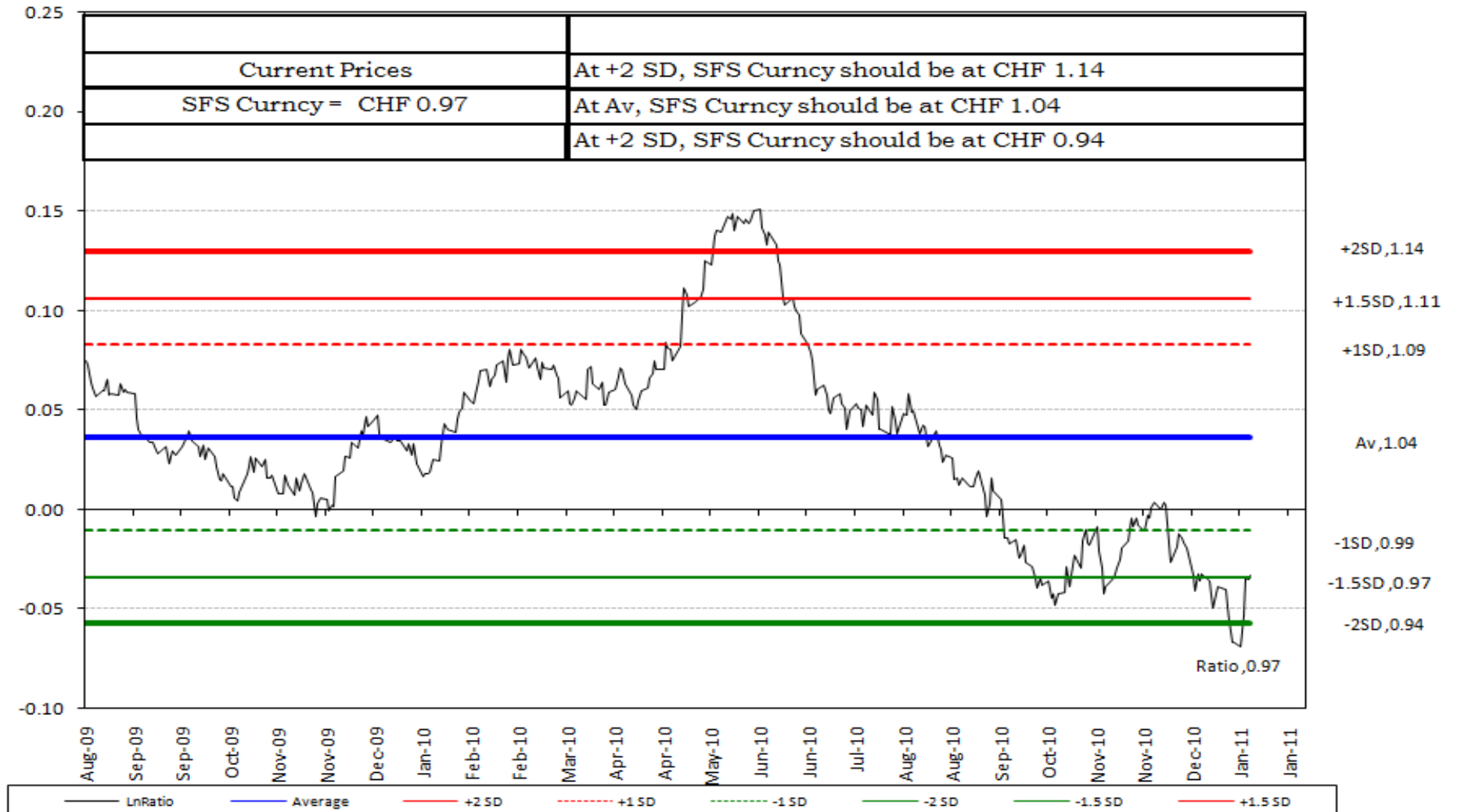
4 - CHF / USD – EMA Analysis - Intermediate term

USD/CHF: Overall price action is certainly bearish for basing with lows 0.93. However, cyclical studies are showing oversold and any additional declines below 0.93 are not seen as sustainable. The latest bounce back above 0.9600 is certainly encouraging and the rally has also triggered the break of the previous weekly high to set up a bullish reversal week. Look for continued acceleration once cluster of EMA's is broken at 97 with any setbacks I supported above 0.95 on a close basis.



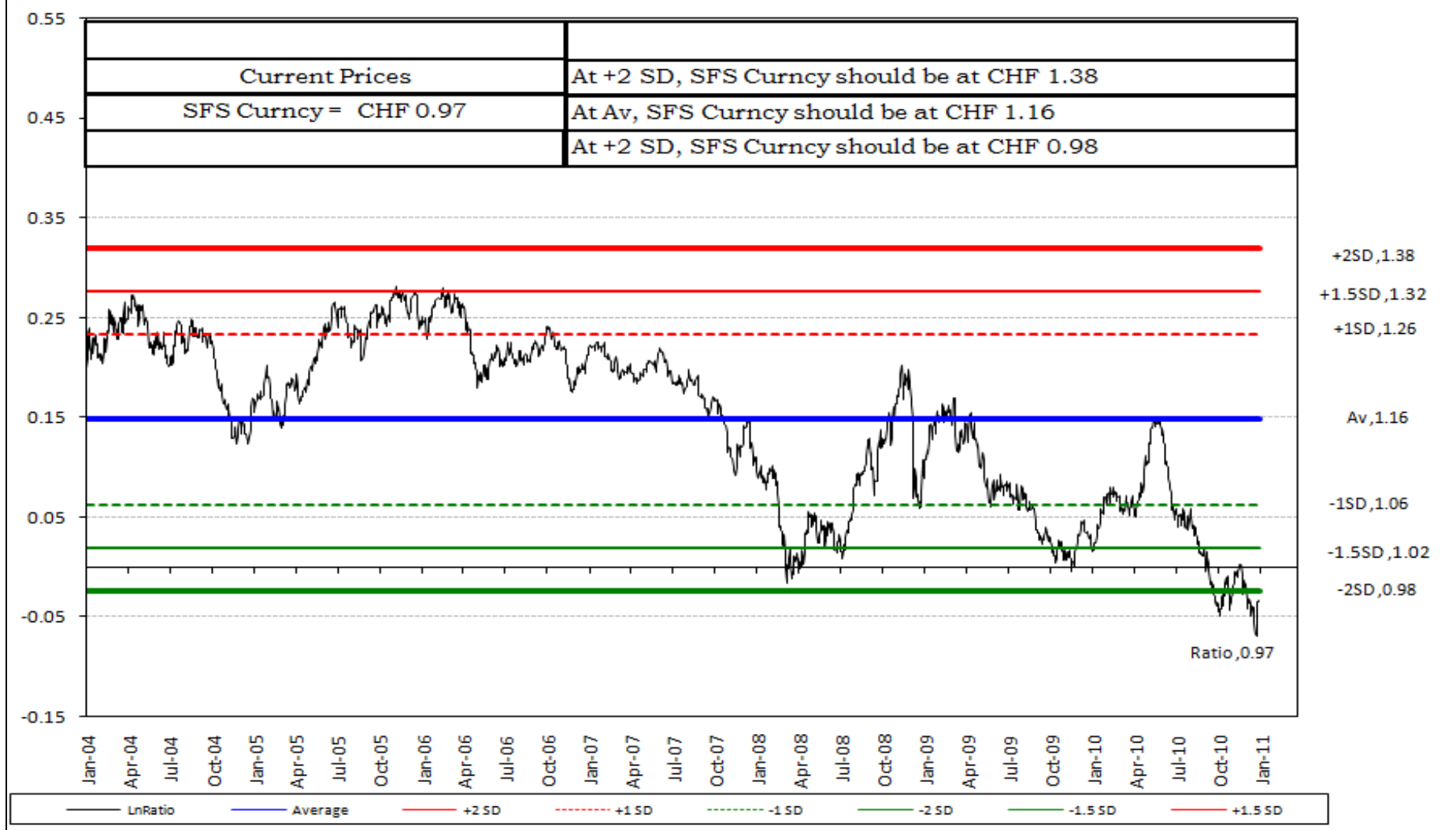
SFS Last 365 Analysis

SFS Curncy , Updated till 07 Jan 2011

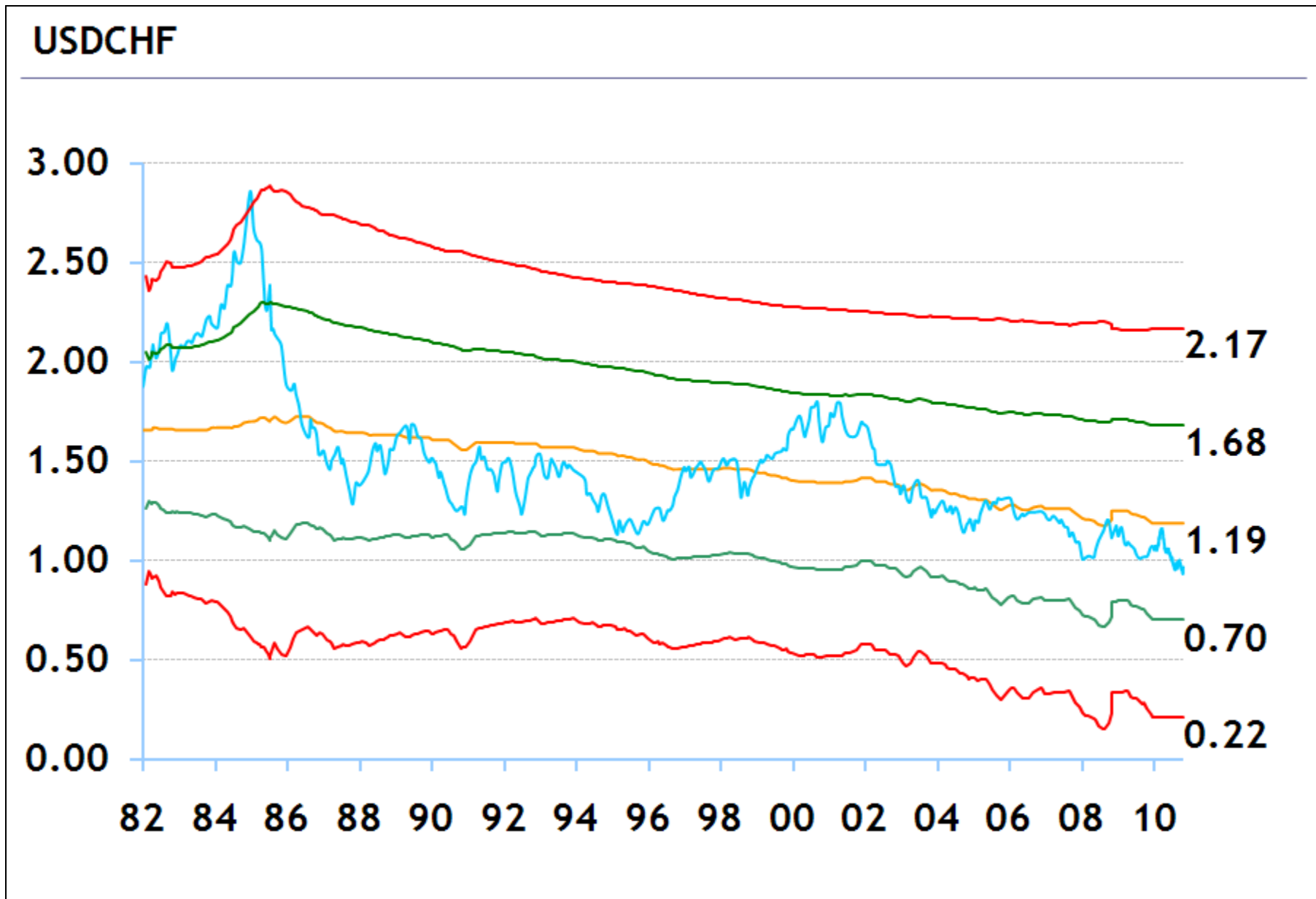


SFS Last 5 yrs Analysis

SFS Curncy , Updated till 07 Jan 2011



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

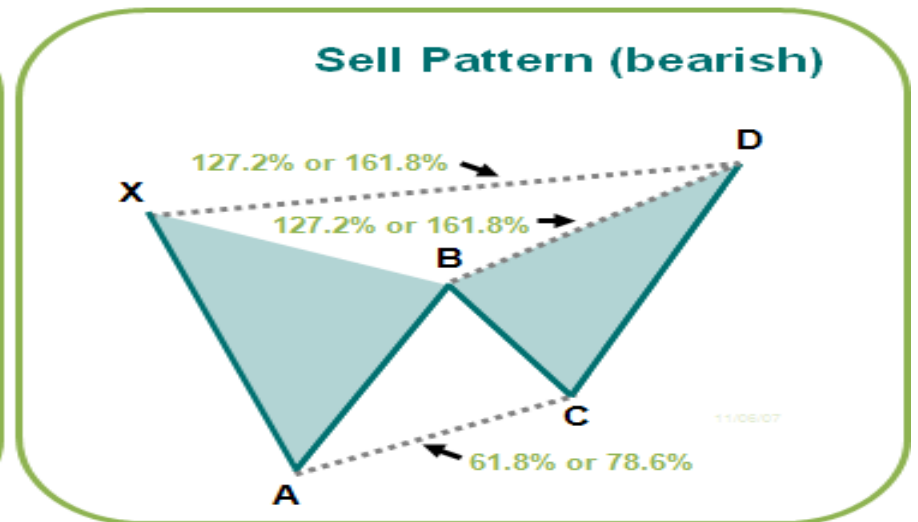
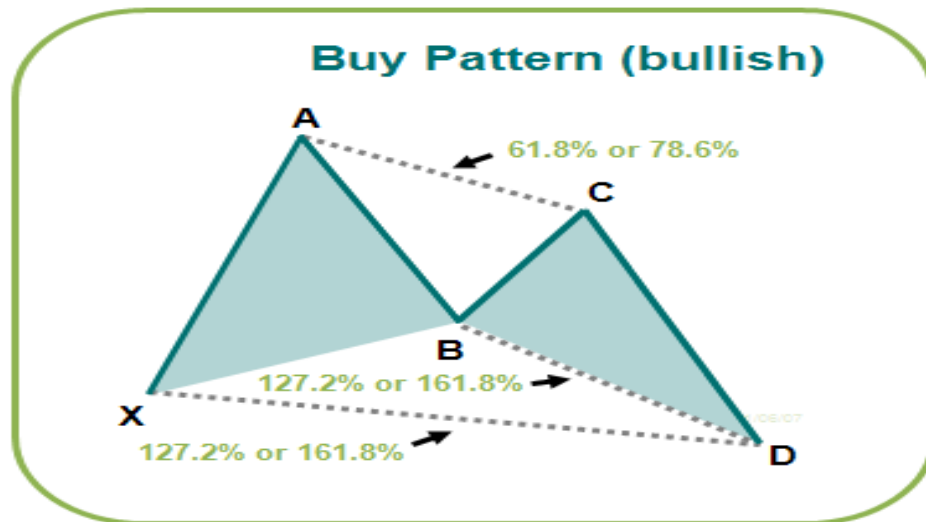


Pythagoras Expansion / Contraction – (PEC) Model

- 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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