SG Capital Research

Global Market Insights

Research Note – Currency Analysis (B)

MAEG- CURRENCY ANALYSIS- PEC- SG 2011 # JAN 25

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"**

  3x3 /9EMA – Momentum Break Indicator – Buy Signal @ 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%**
  - **For Bull case – Current long position from 1228**

Currently " Trend Adjusted Signal " has Reversal stop @ 1276 SPX

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

SPX – 1273 , DJ – 11722 ,

- **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 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***
- ***ECB intervention in PIIGS has extended the rally EURO and has dislocated in market correlations suggests the rally is fake. The news driven rally's are difficult to sustain mid term.***
- ***The Federal Reserve is starting the first day of a two day meeting (1st meeting of the Year) . This meeting shall conclude tomorrow afternoon, with the policy statement at 2:15pm EST. Past 4 yrs our own Study shows the day of the meeting the gains have been average + 1.26% and the day after (- 0.33 %)average***

• 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 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 , 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, but regained quickly , our price objective 100**

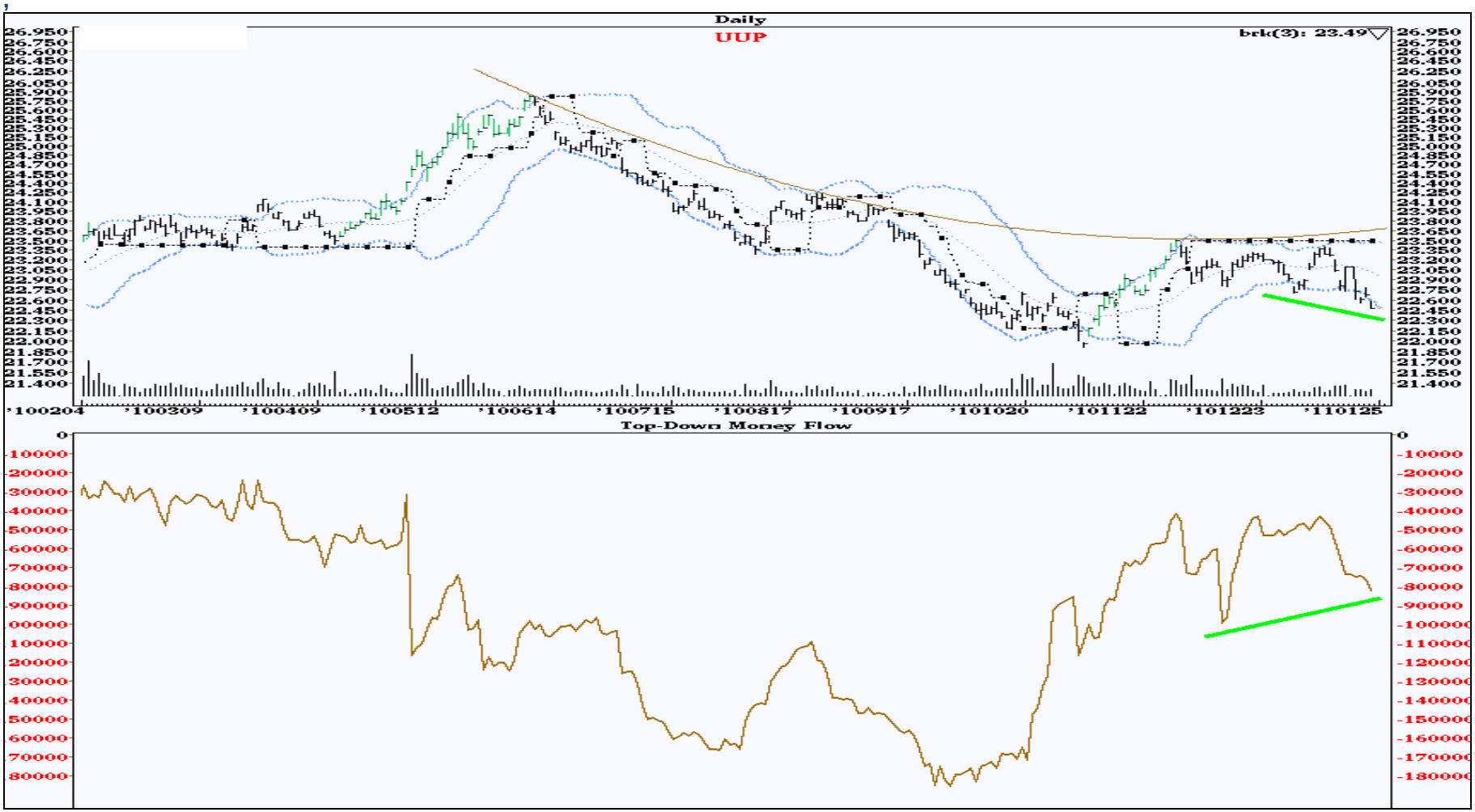
DXY - Weekly – 3 Year with RSI, CCI, MACD (11 W / 40 W SMA)

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

2 – USD – UUP -ETF – POM Analysis

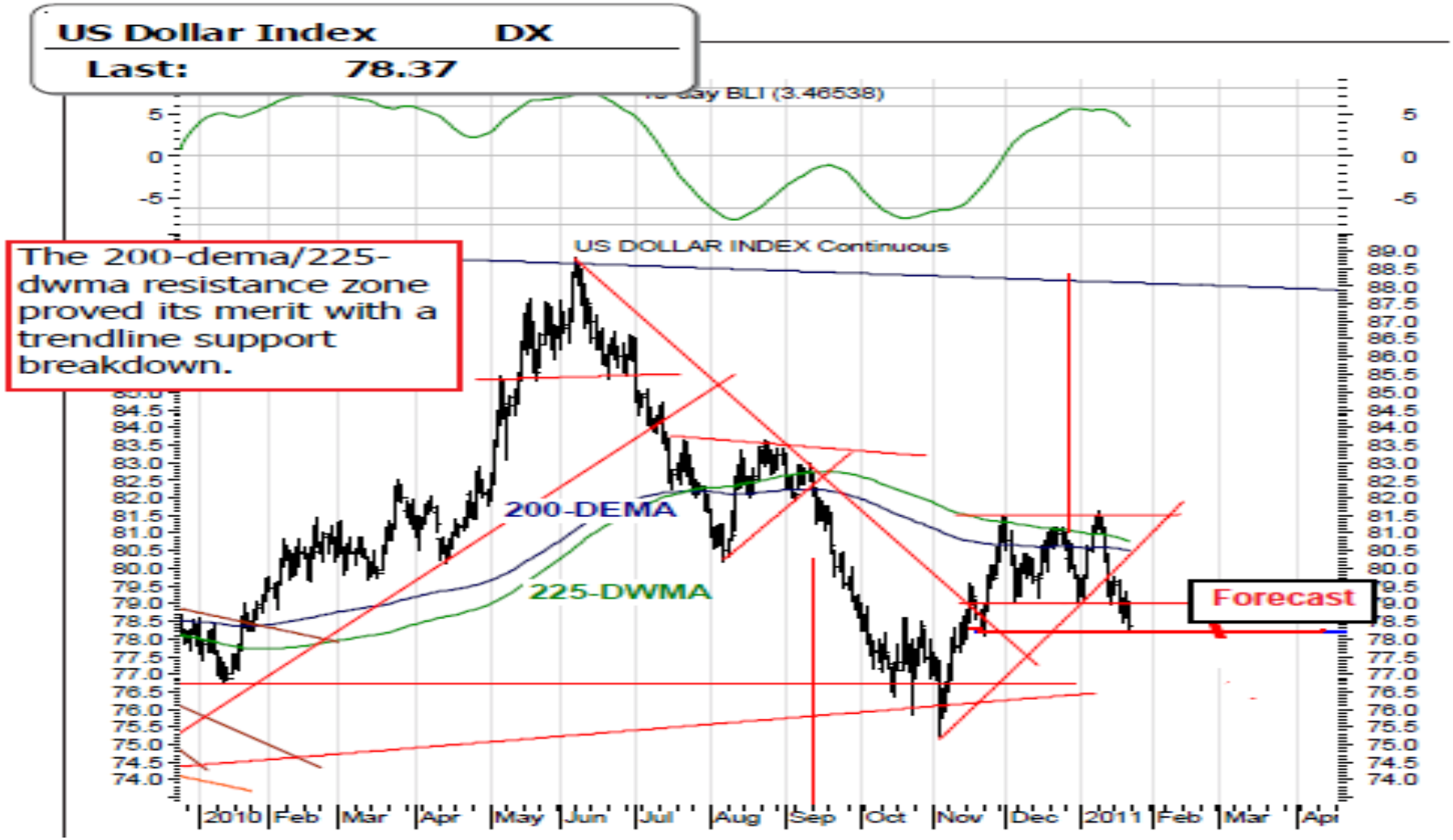
We were expecting a dip in USD and that to coincide with rally in the fifth / final wave of the market (we seem to be experiencing that currently) but Basing process continues in the DXY, which should eventually become a sustainable uptrend that lasts into 2014.

In USD –ETF (UUP) - As you can see, the accumulation pattern of money flow is favorable.



2 - USD – POM Analysis

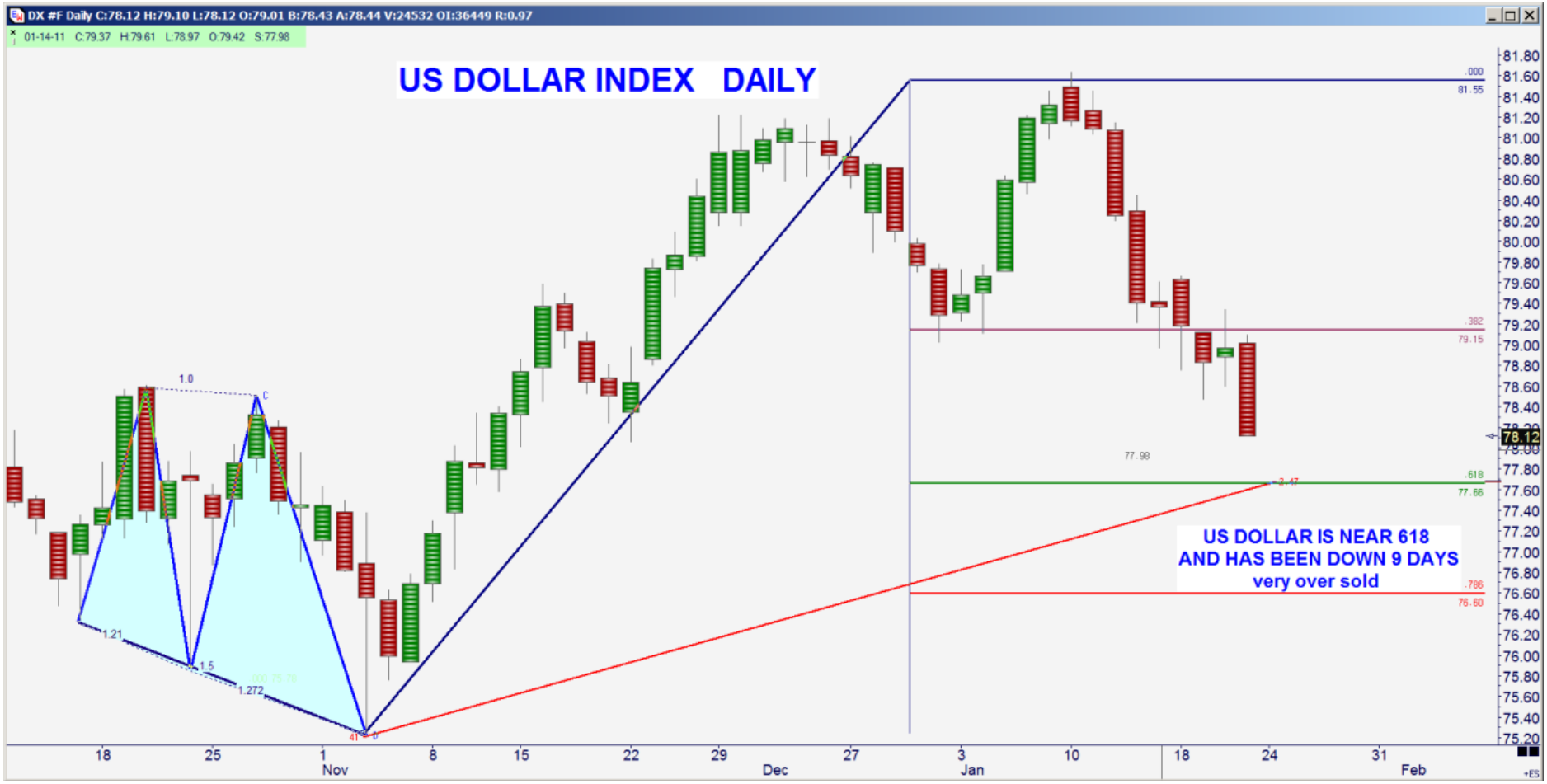
The Trend line we have been indicating along with the EMA is broken, Now the pull back towards the top of that line also broke, we think this is false break to downside and on test of 77.5 should come back into trading range quickly. The Dollar Index remains a long term buy . After hitting the lows @ 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.



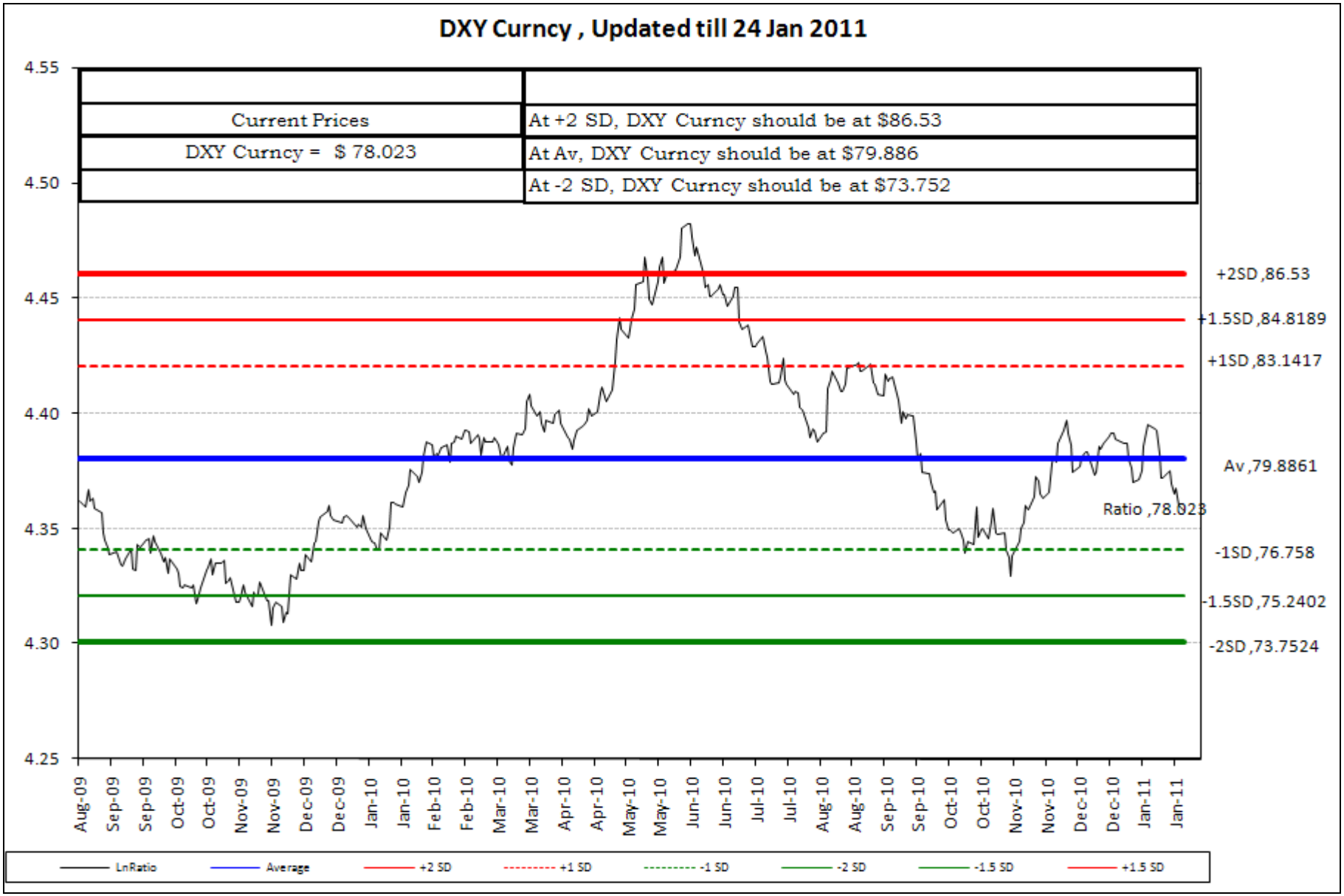
3 - DXY – PEC Analysis - Intermediate term

Short term , Euro bail out put the strength in EURO and weakness in DXY more than expected (We don't think this will hold) . However 9 days in row selling is oversold. The longer term - dollar index also looks increasingly poised to move to the next leg of a long term ABC pattern . The support at 77.50 should hold at 618 .

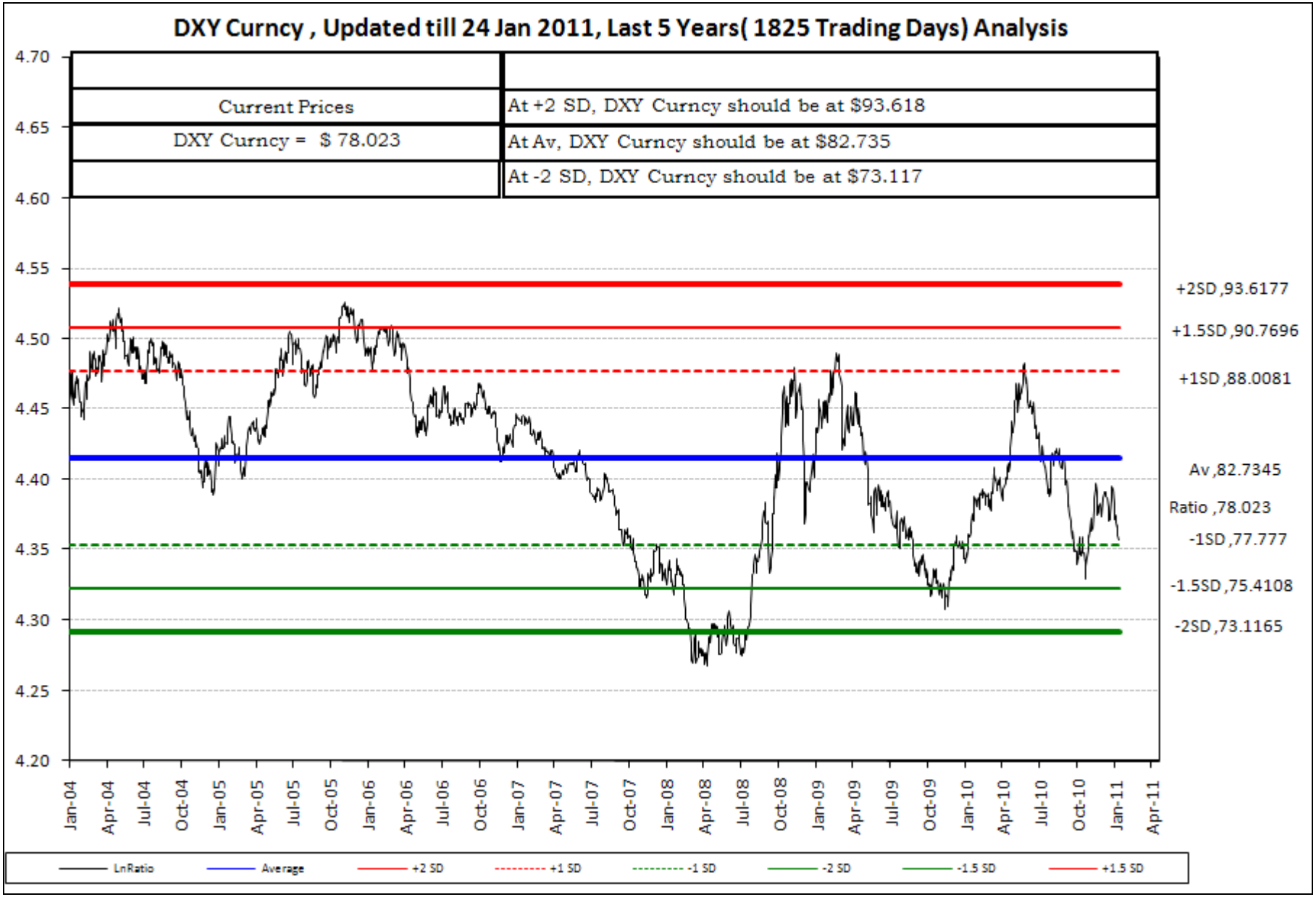
By PEC D Method, The bottom D point was at 77 and it was tested several times, in bullish fashion. Although reached a first target point of 81. The next leg up could come to till potential resistance at the 0.618 level at 85.00. BULL MARKET continues.



DXY Last 365 Analysis

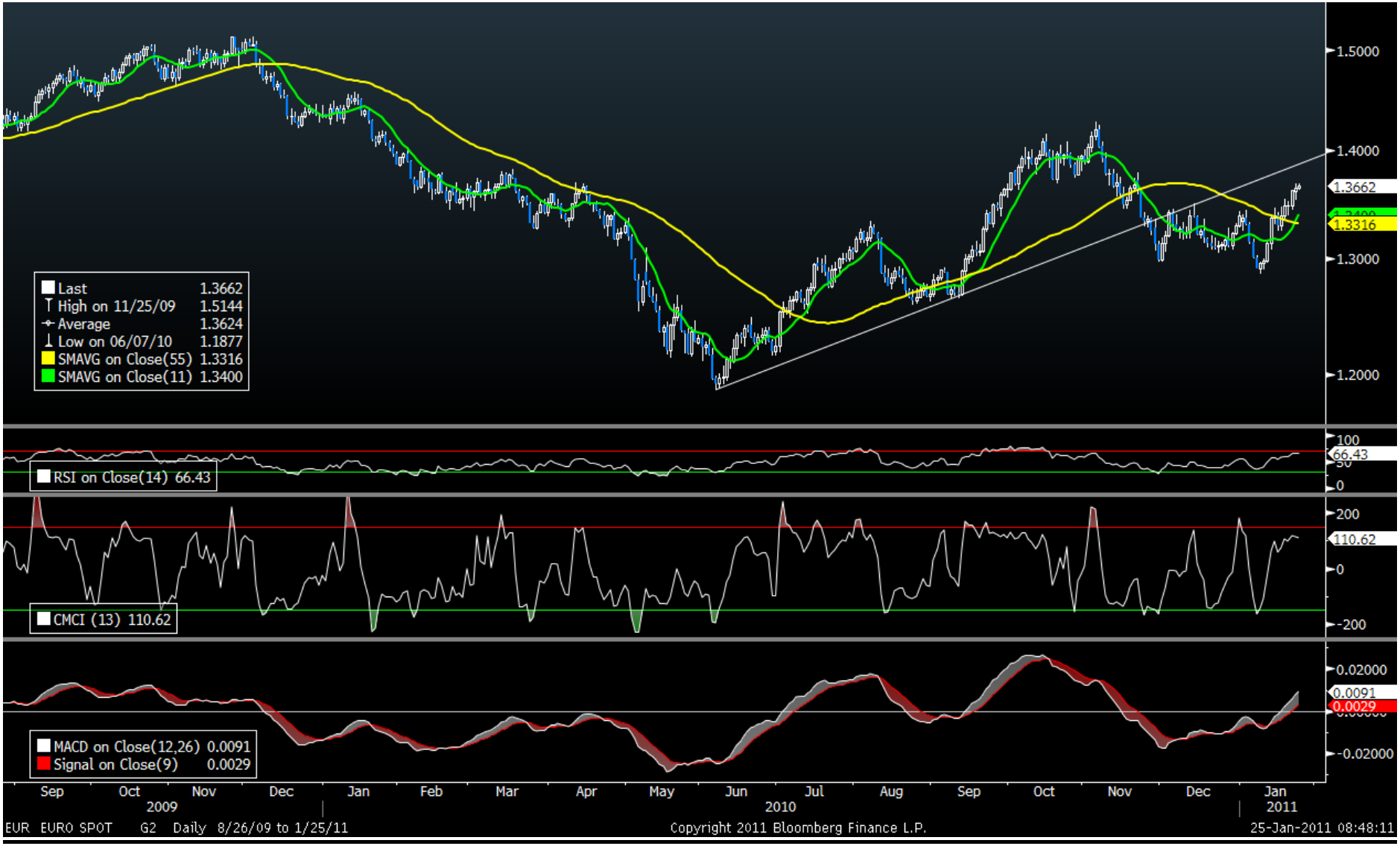


DXY Last 5 yrs Analysis



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)

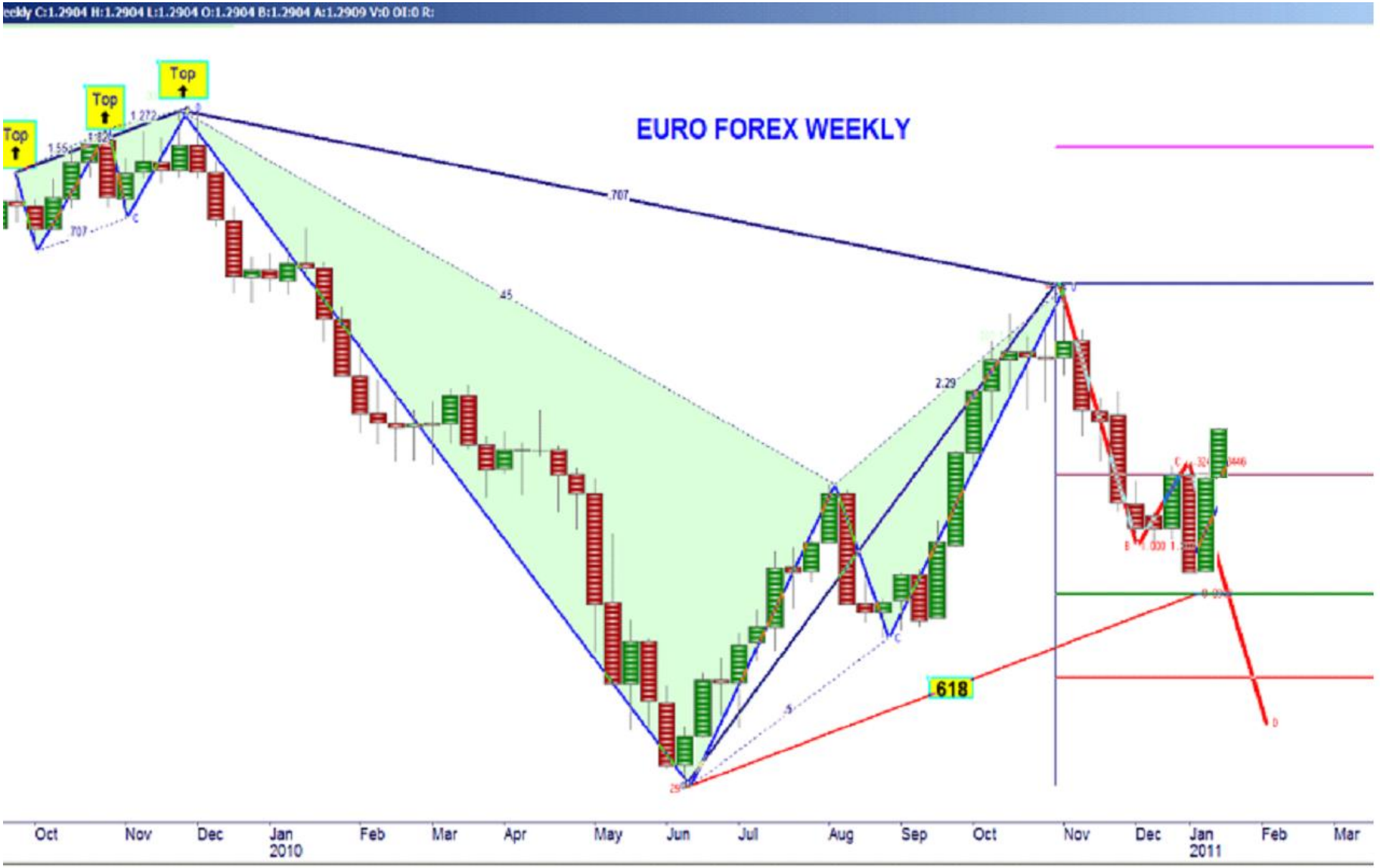


EURO - POM Analysis –

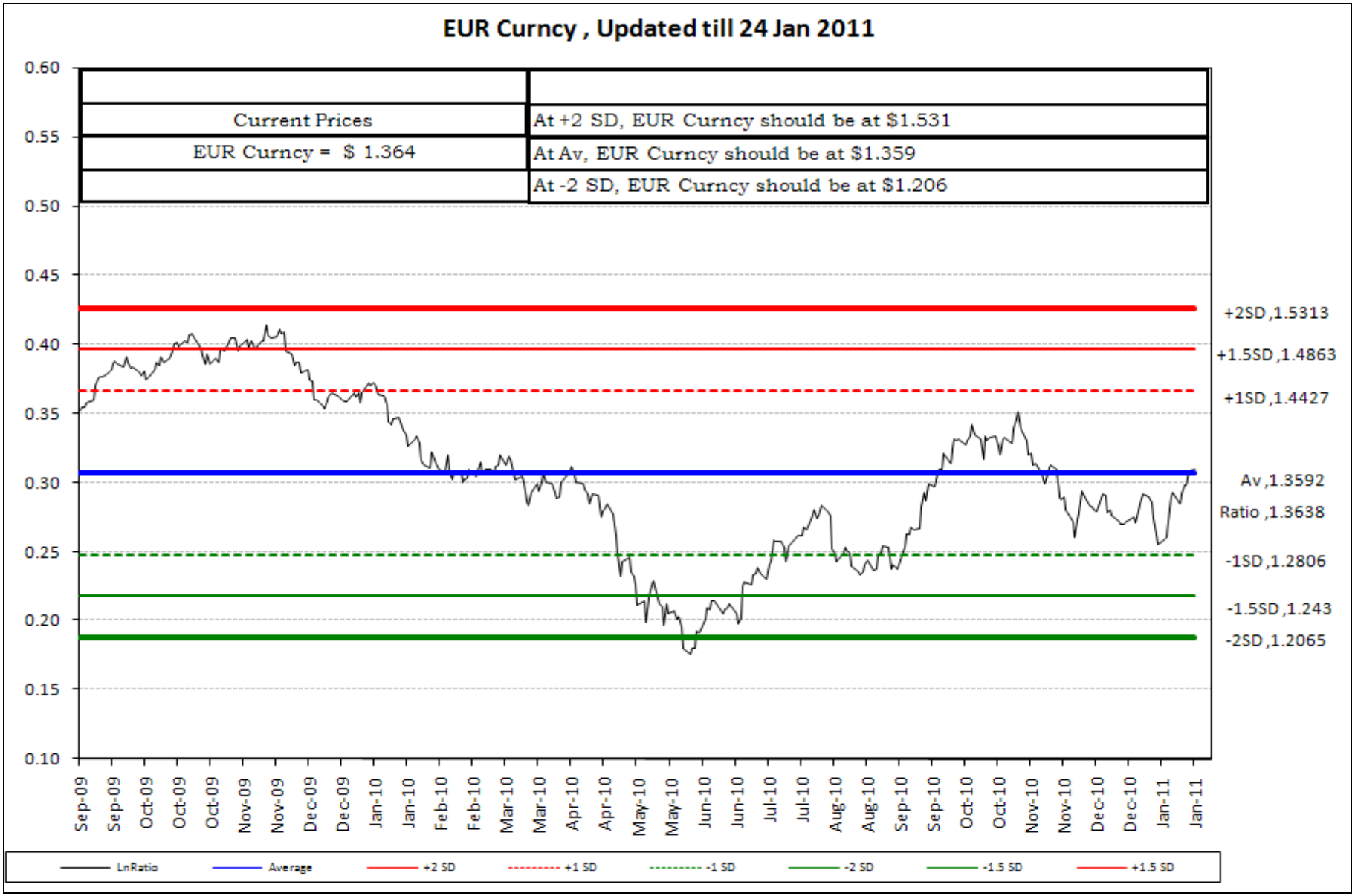
EURO is testing the areas of previous bounce of 1.34 – 1.35 at cross section of Poly Trend , after reaching the price projections of 1.29 earlier.

3 - EURO / USD – PEC Analysis - Intermediate term

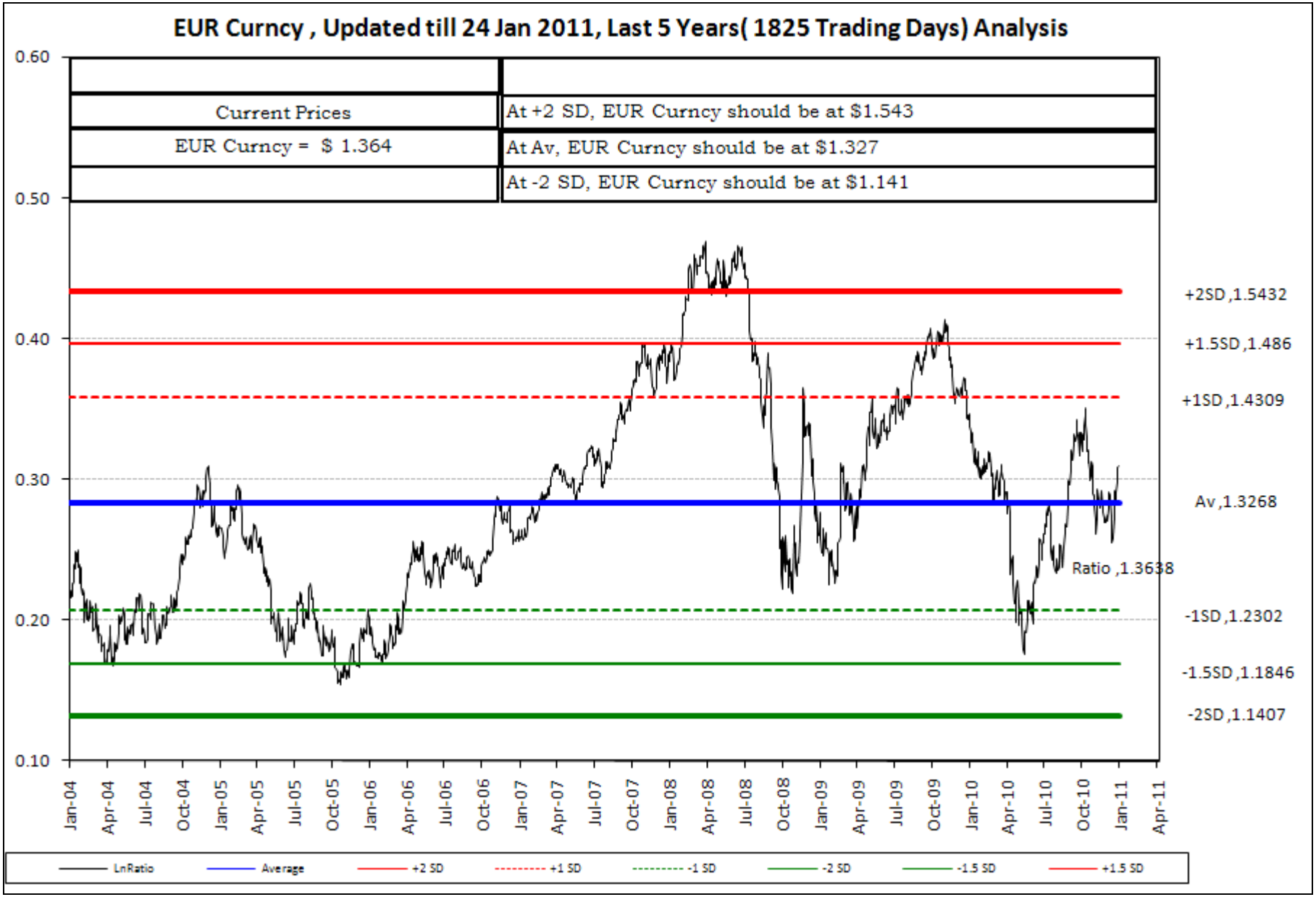
By PEC D Method, First Bottom PEC D point is 1.29. , the bounce came in on the nose to 1.34, if this fails we could very well be setting up next leg down to 1.28 (0.618) .



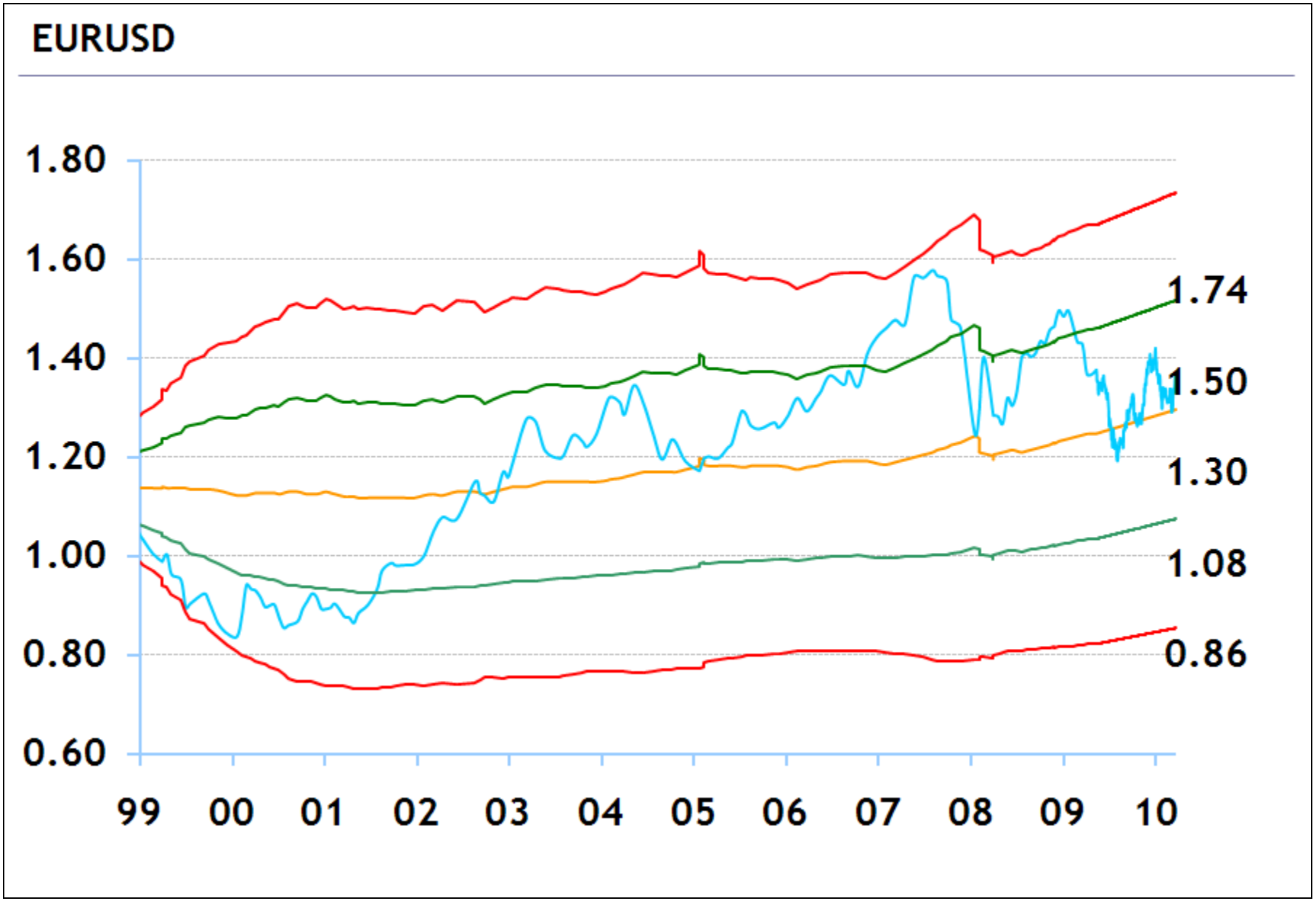
EUR Last 365 Analysis



EUR Last 5 yrs Analysis

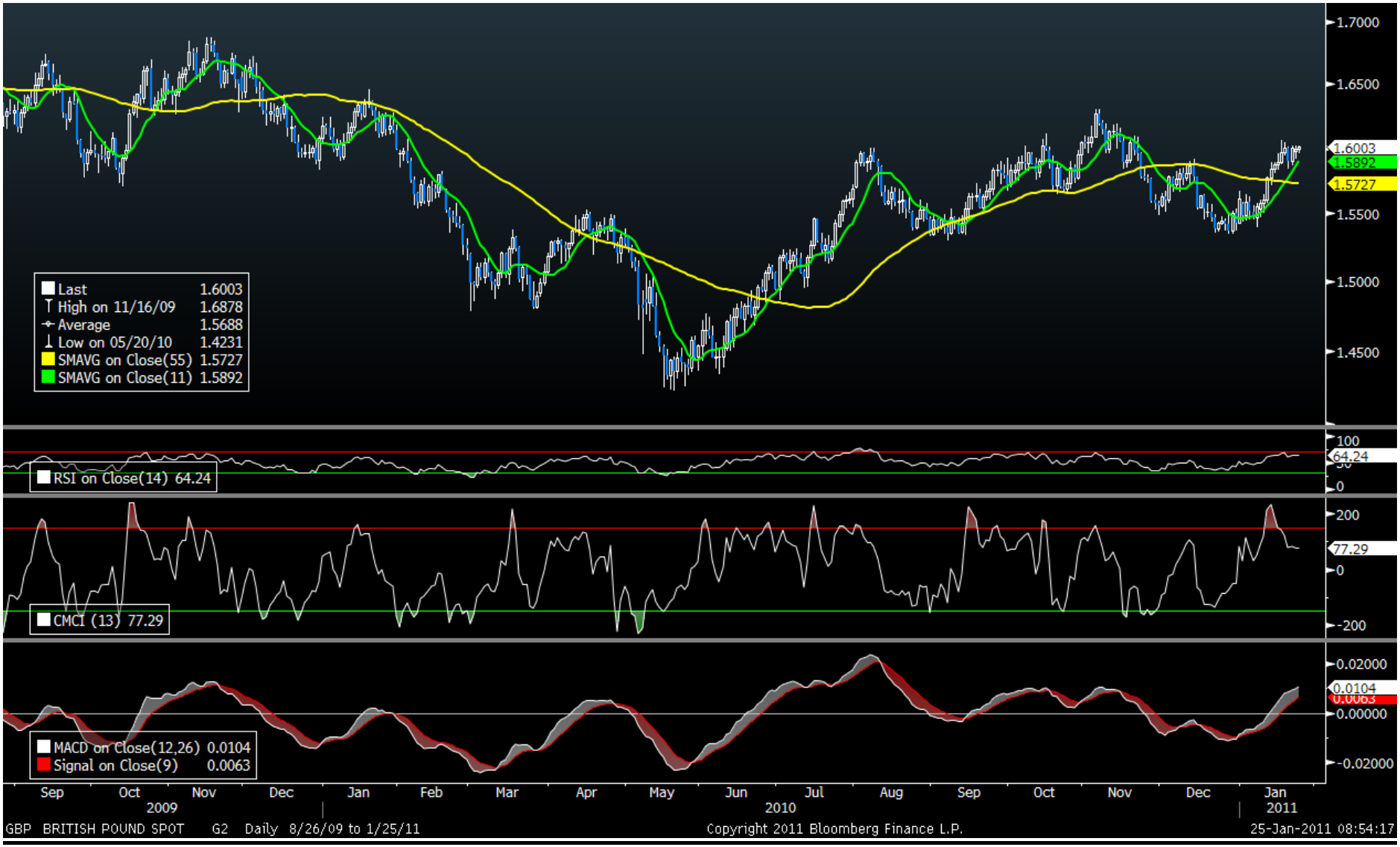


4 - EURO / USD – PPP Reversion & Standard Deviation Analysis – Long Term



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)

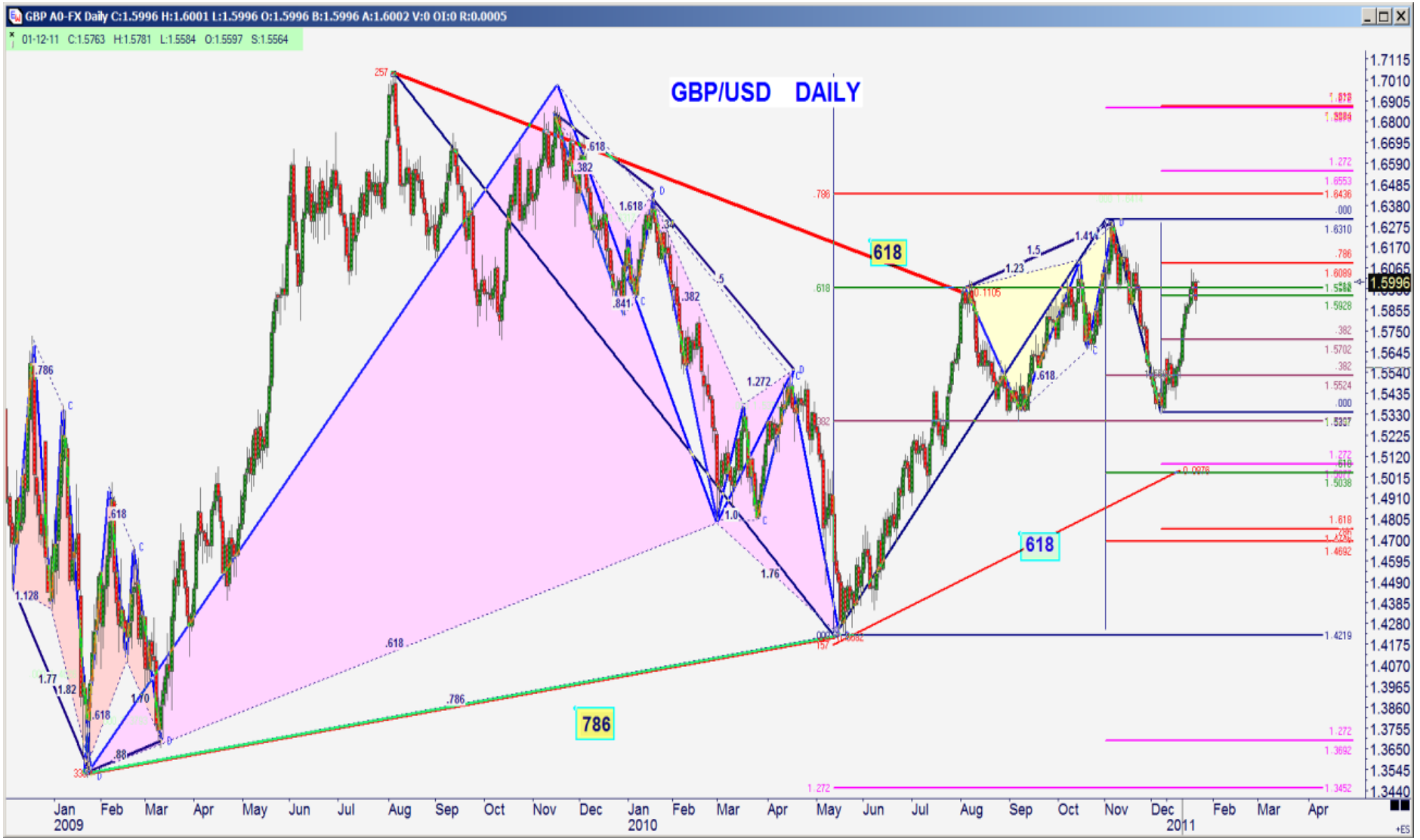


2 - GBP / USD – POM Analysis – Candle

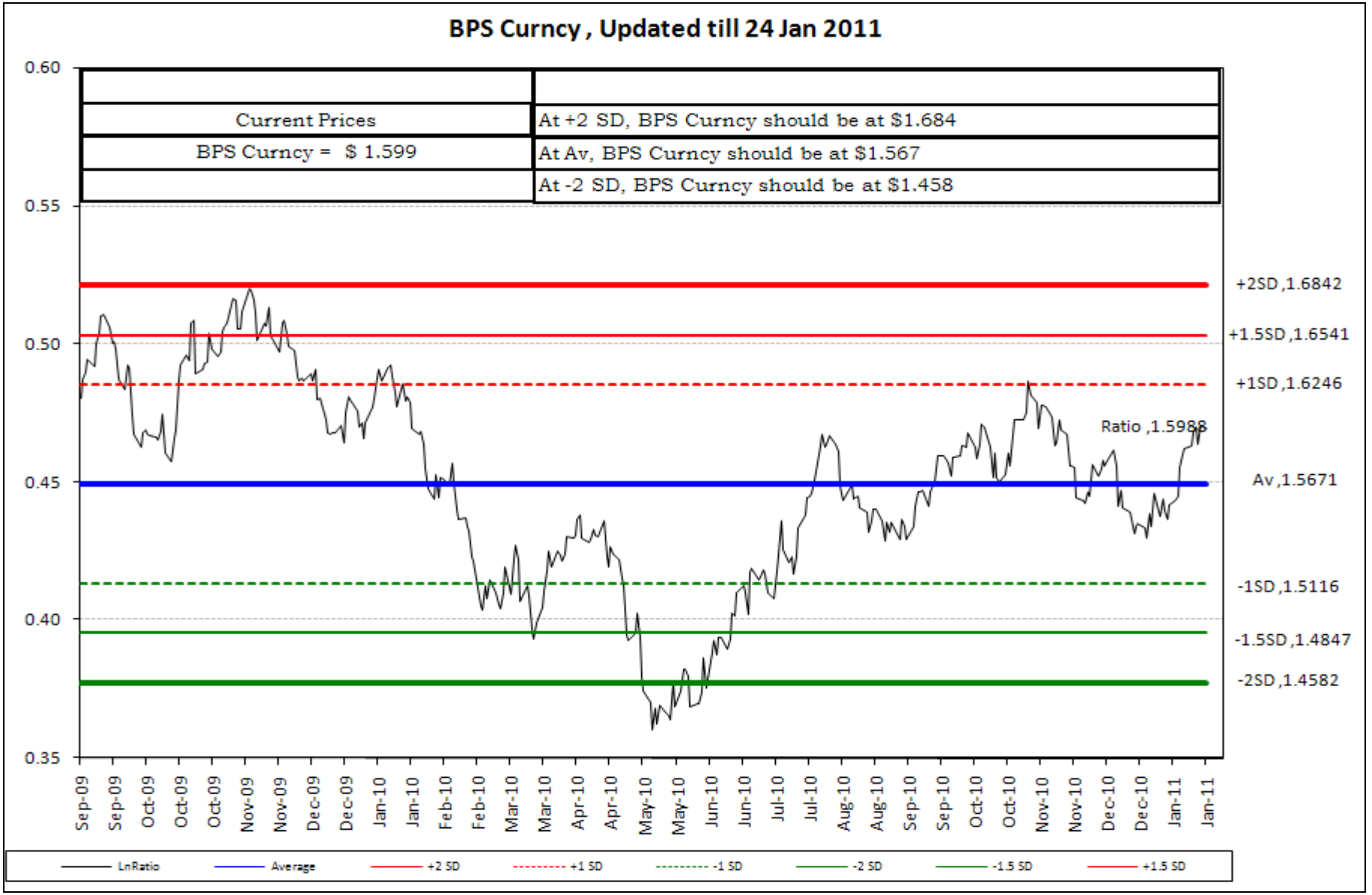
GBPUSD broke the resistance line at 1.58 & now testing horizontal *trend line at 1.60 with Bearish Doji . We will look for a reversal lower if test fails from here (but no confirmation) to take out horizontal support at 1.53. .*

3 - GBP / USD – PEC Analysis - Intermediate term

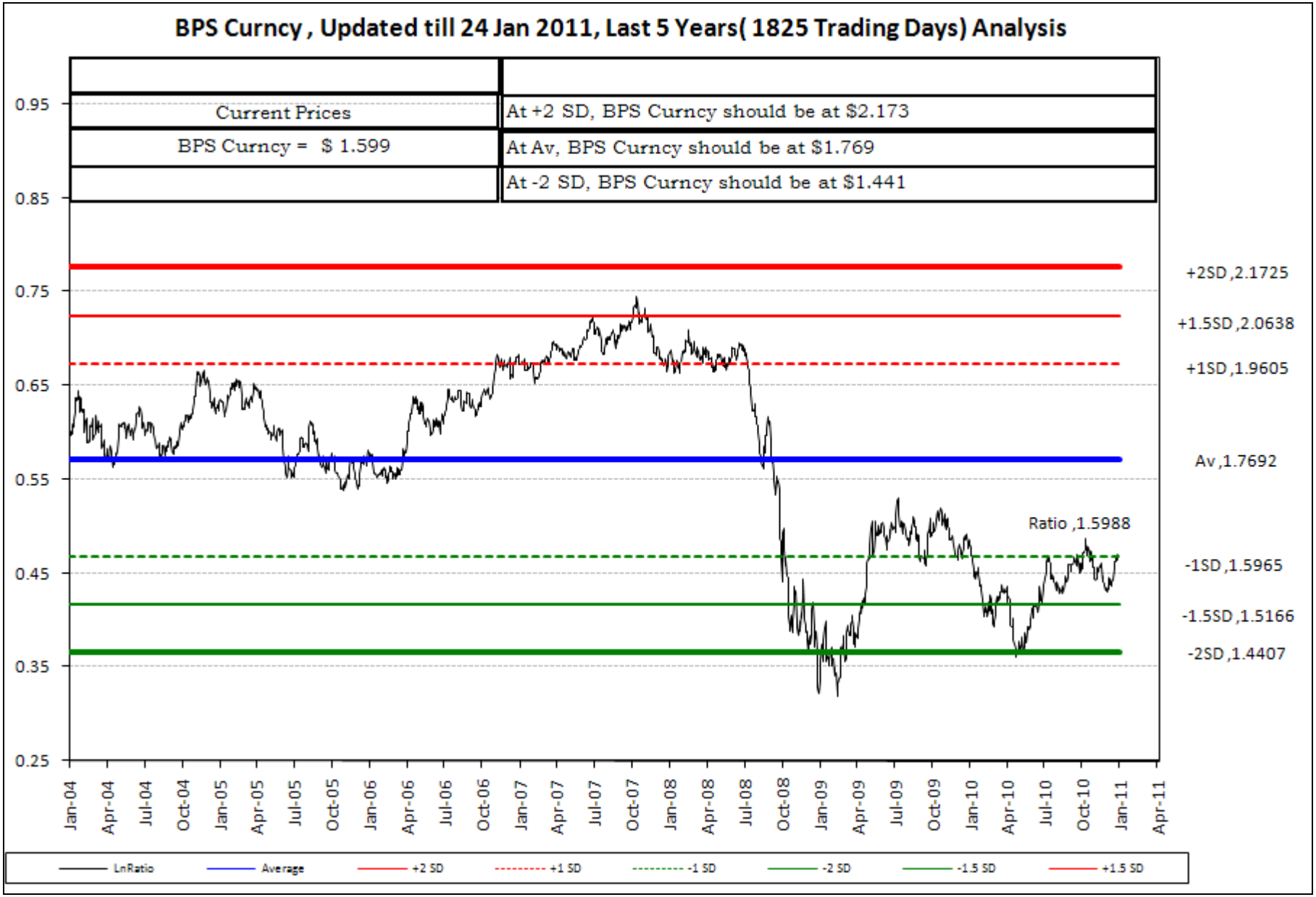
GBP -USD bounced more then expected with Euro. @ 1.60 it should have resistance at 0.786 but close above 1.62 should be bullish



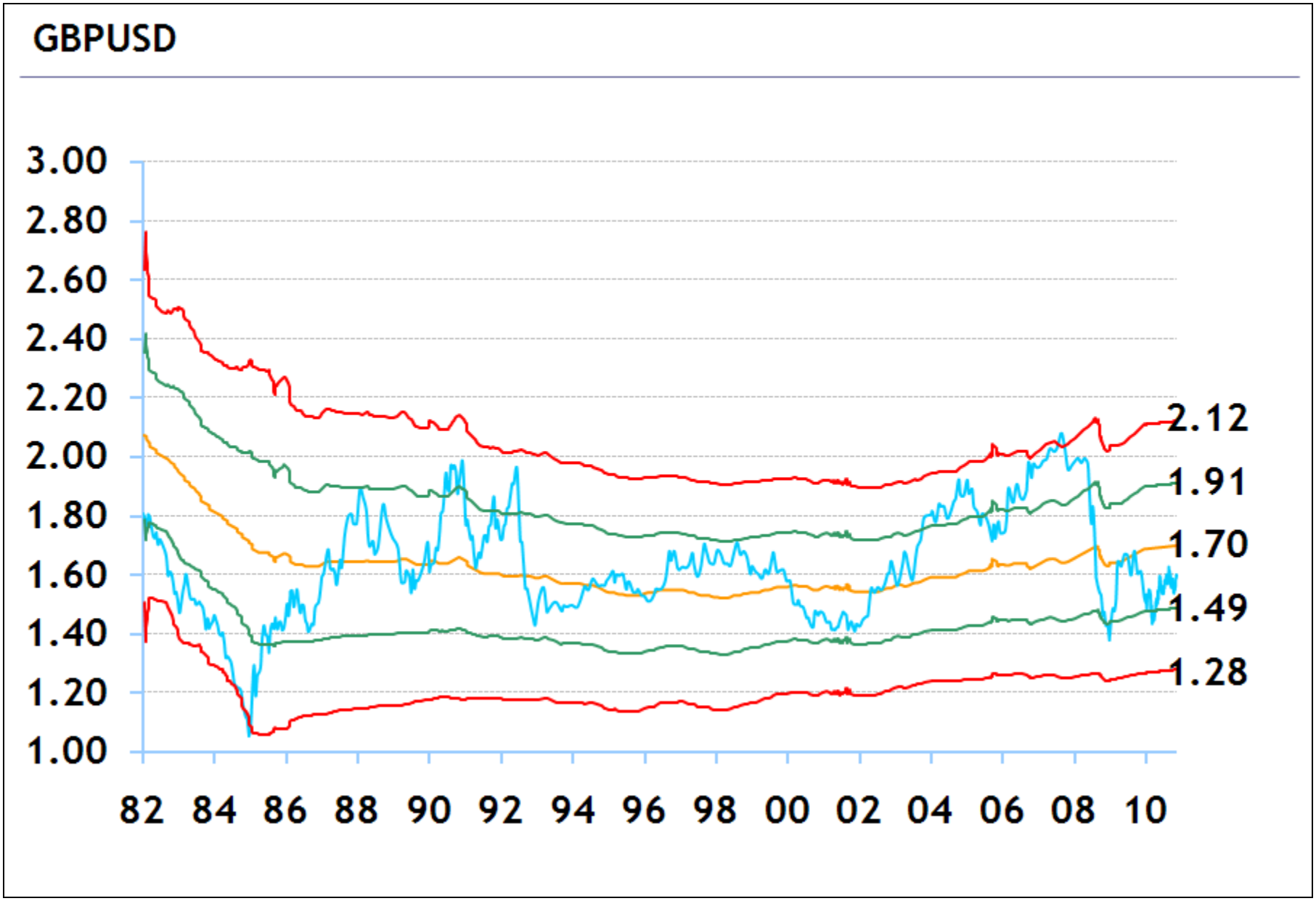
BPS Last 365 Analysis



BPS Last 5 yrs Analysis

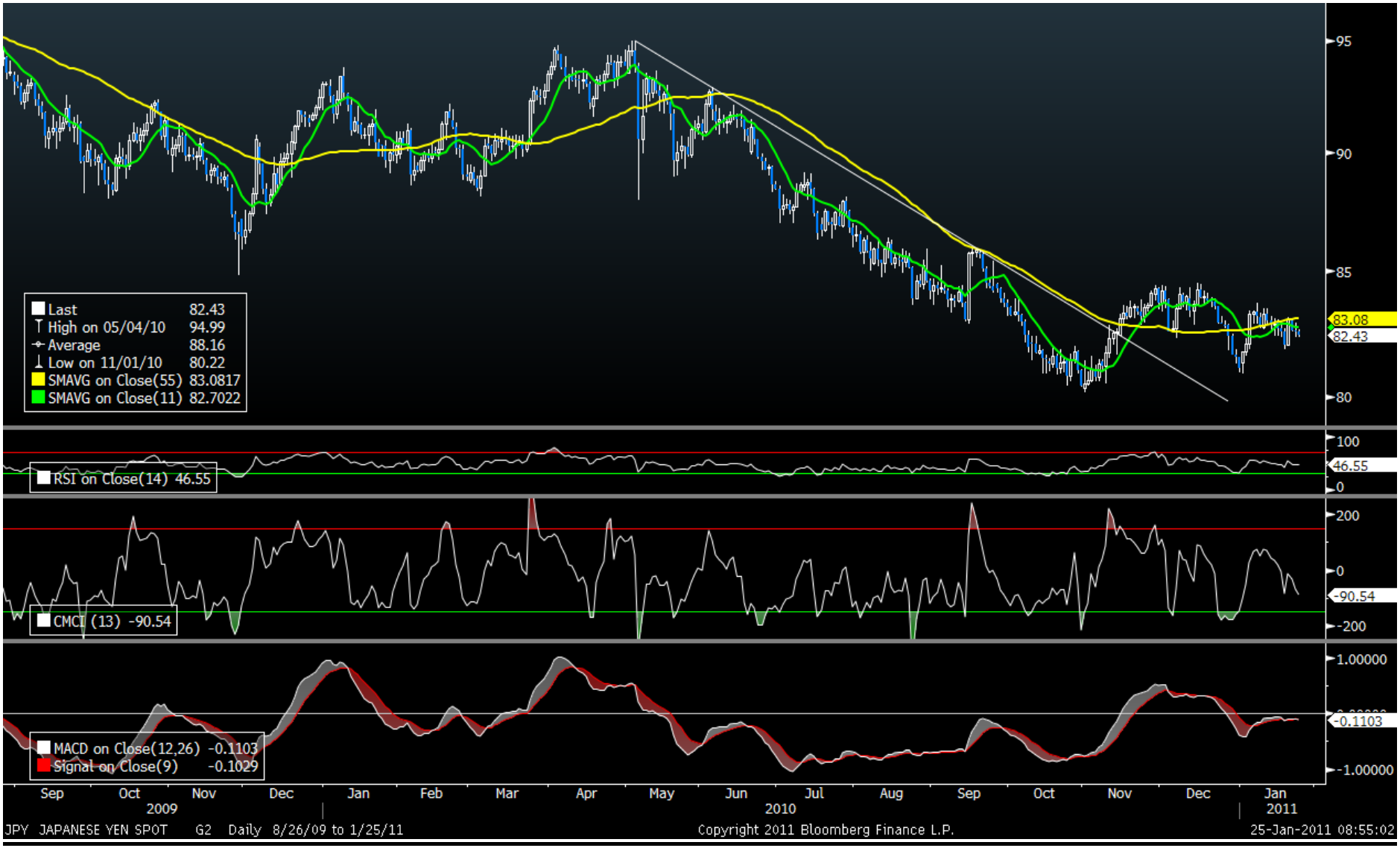


4 - GBP / USD – PPP Reversion & Standard Deviation Analysis – Long Term



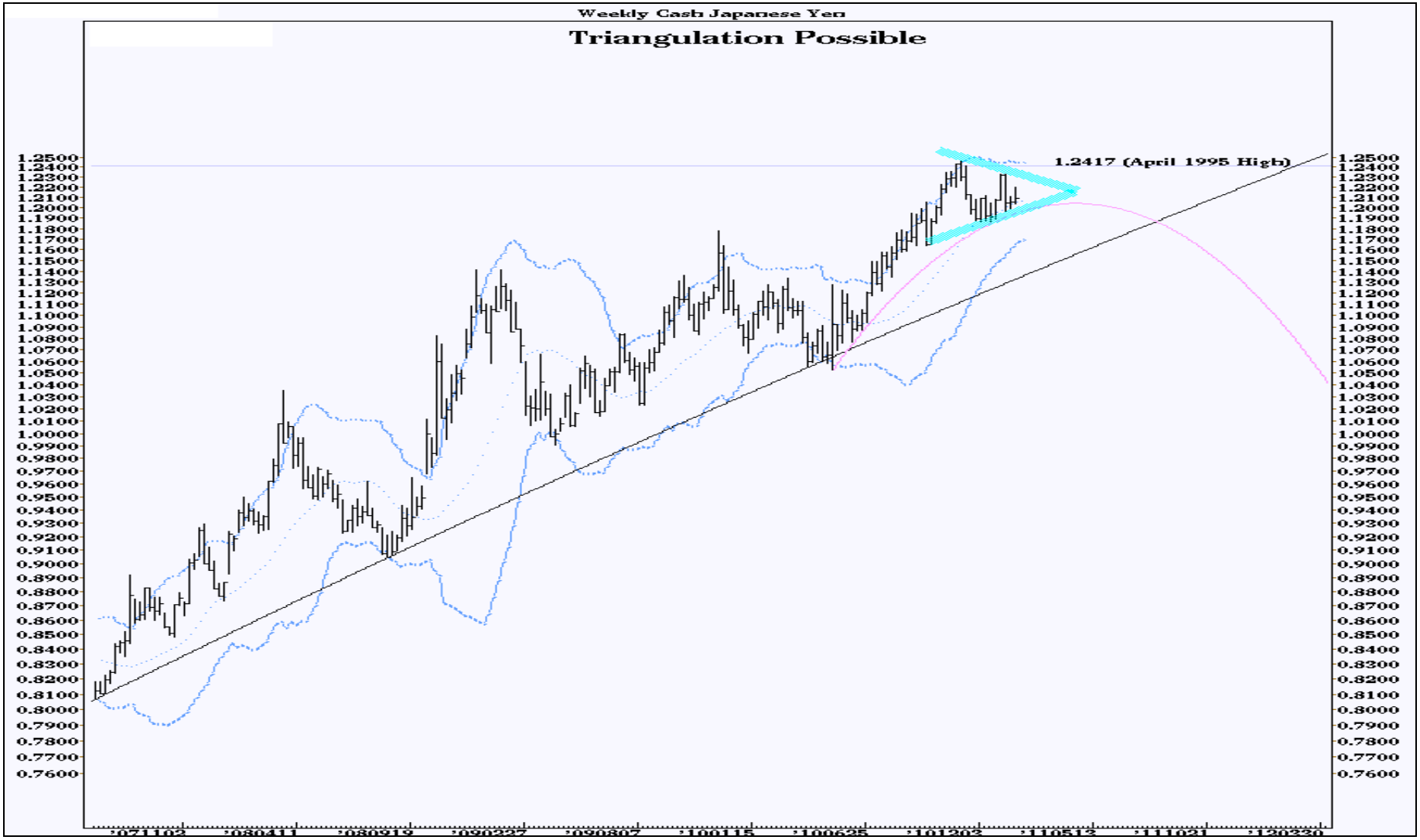
1- JPY / USD - Weekly – 3 Year with RSI, CCI, MACD (11 W / 40 W SMA)

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 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 -

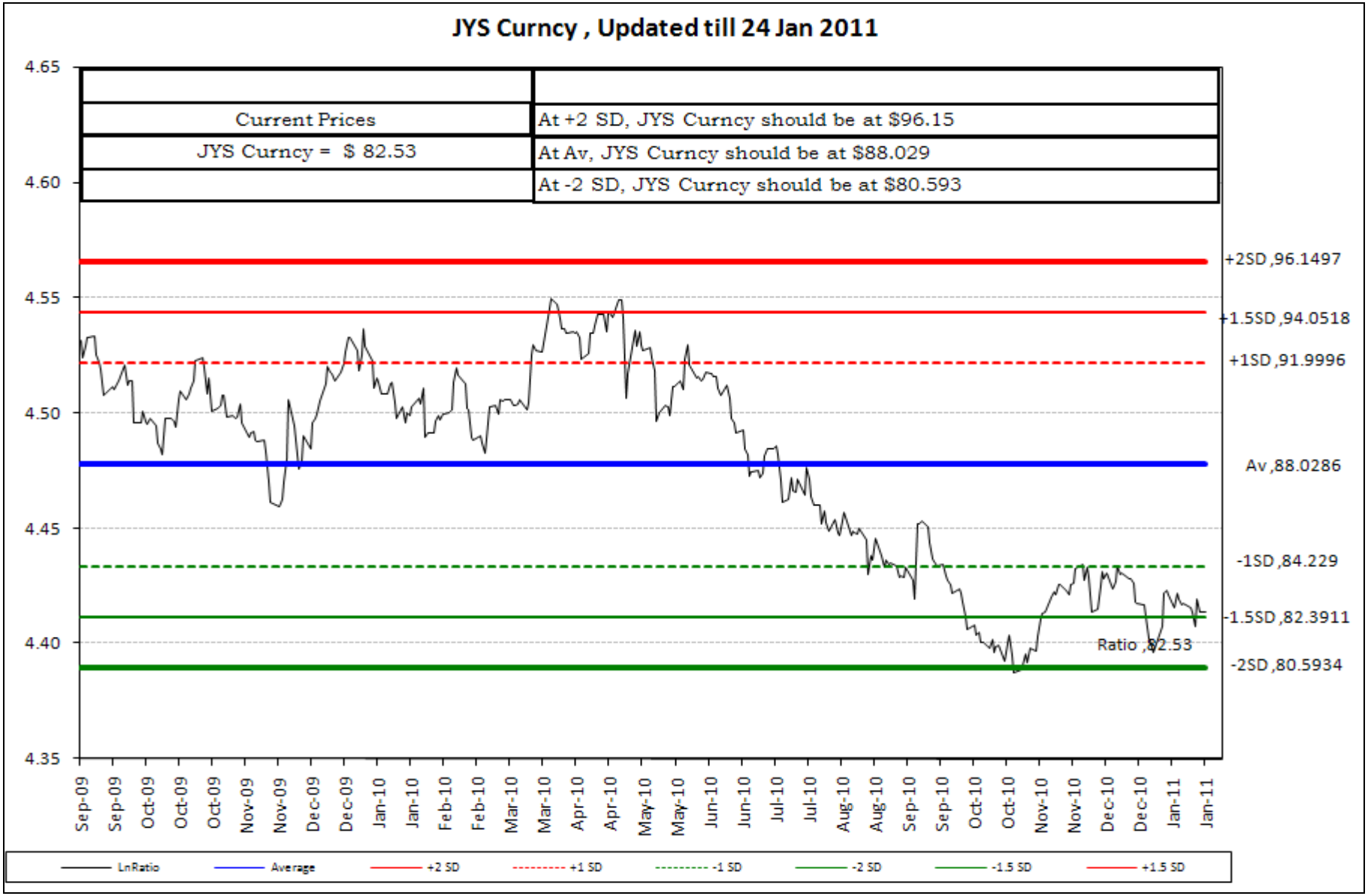
PEC D @ We reached our retracement target 81 @ 0.786 as we had indicated 2 weeks ago by PEC D . This looks like the best long term trading opportunity out there. We retraced to 82 +/- is a great area to accumulate position, Remain long

JPY / USD – POM Analysis (candle)

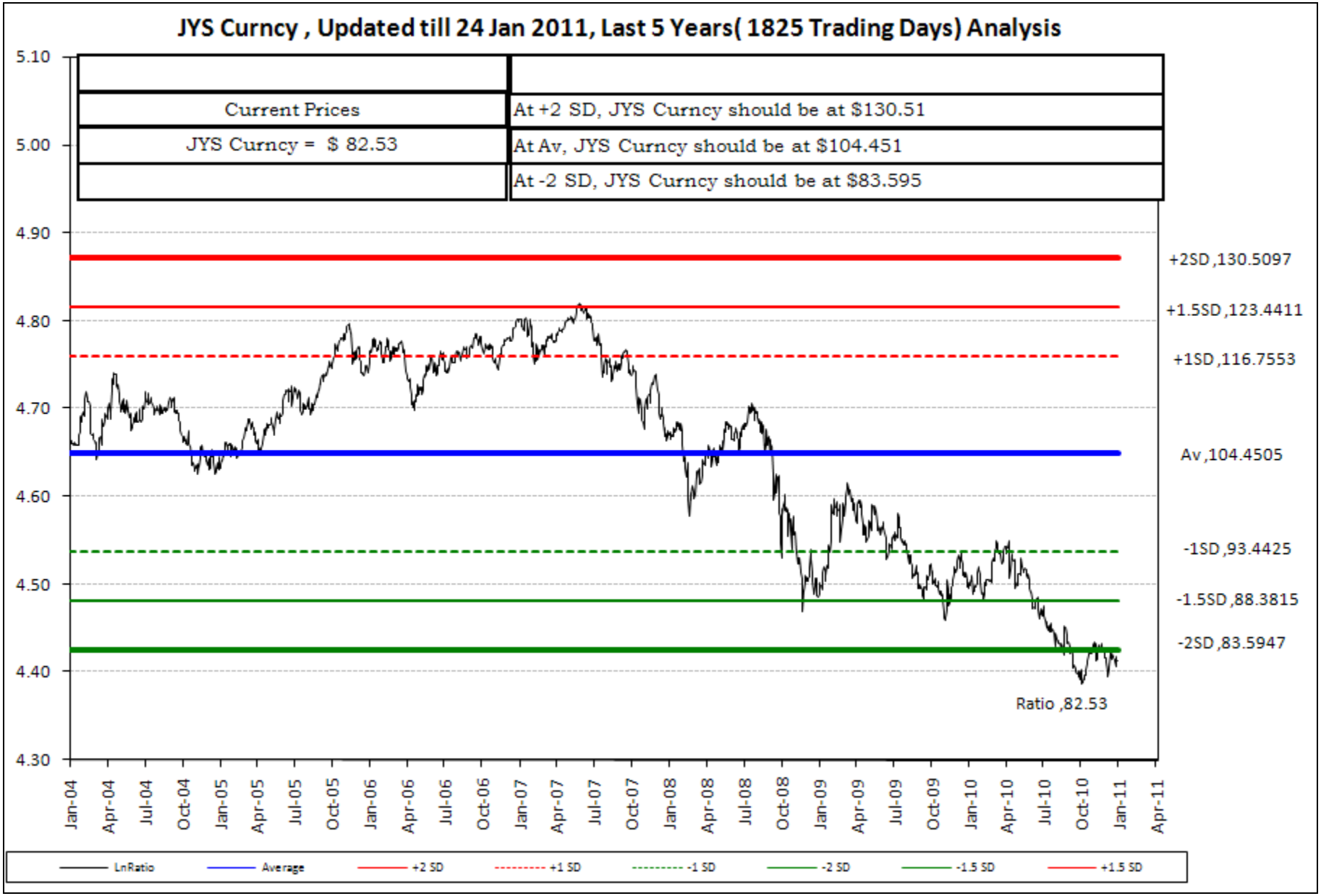
We reached our first objective and re traced . Now our 2nd objective targeting 86. the overall bias to favor the upside and we remain long, *Meanwhile there is the base building retracement towards 82,*

Currently prices broke out of a falling channel edging sideways in Consolidation, a Bullish Engulfing pattern hints that an advance may finally begin to gain momentum. We will look for confirmation on a break above the recent range top in the 84 - 86.

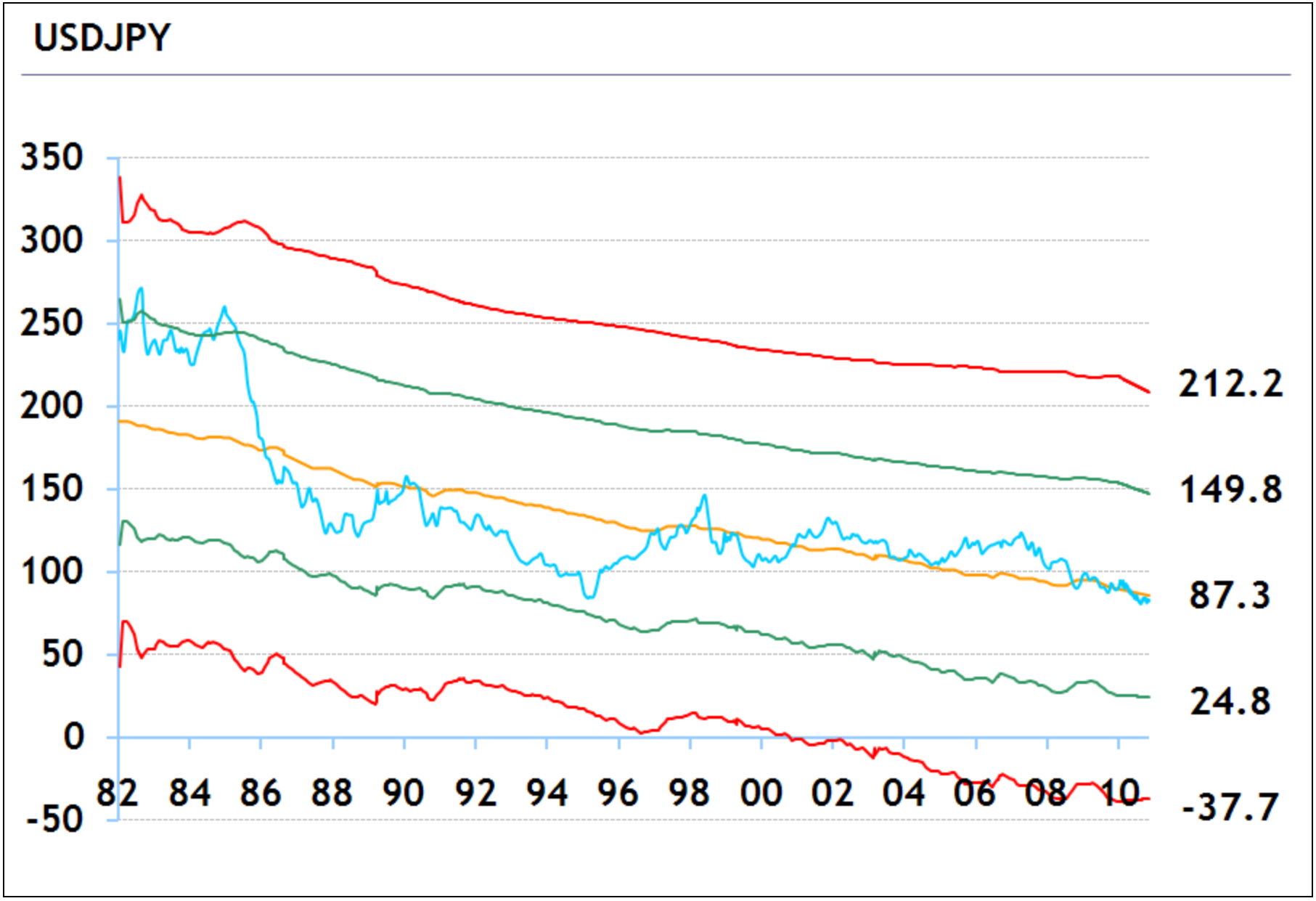
JYS Last 365 Analysis



JYS Last 5 yrs Analysis

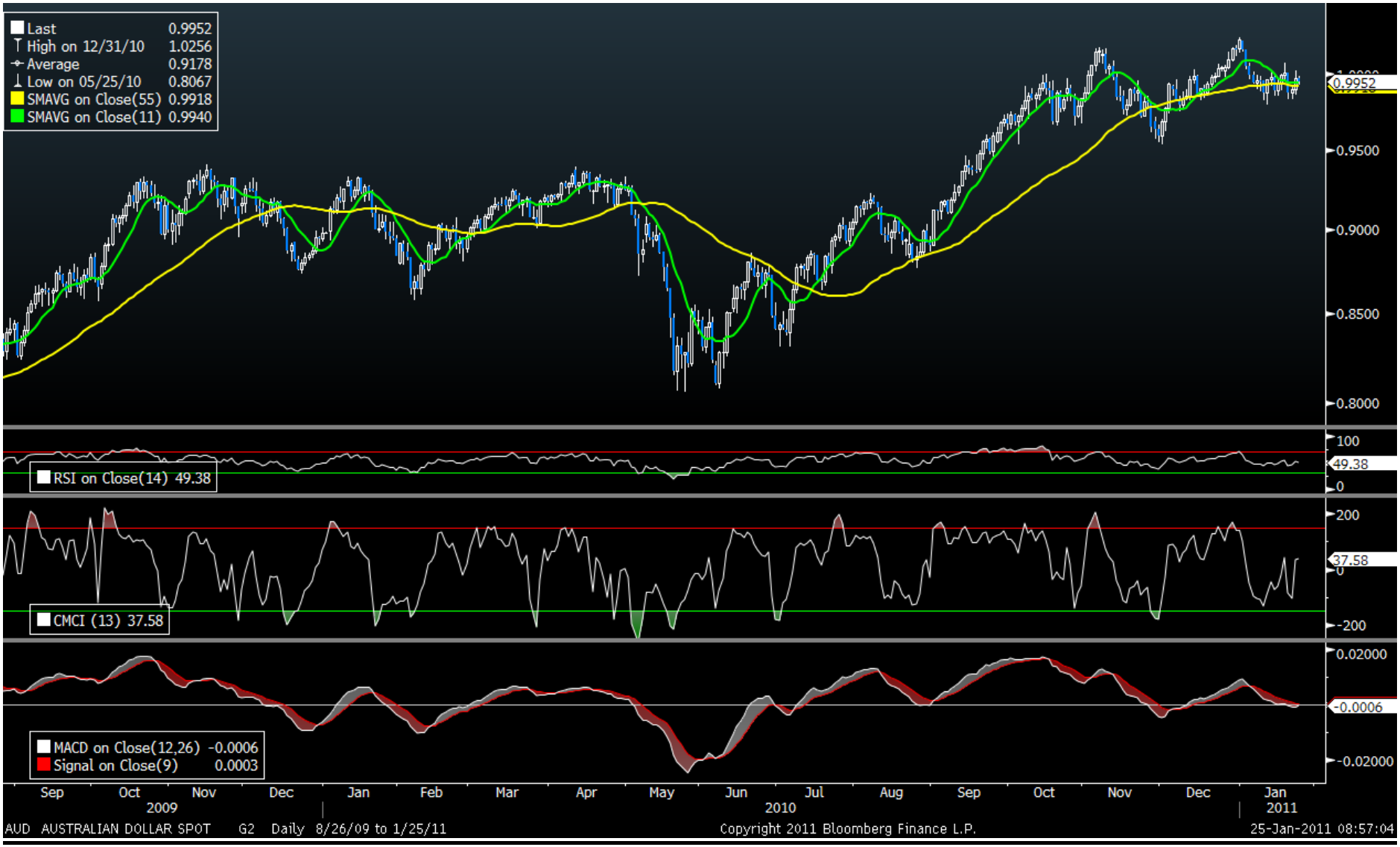


4 - JPY / USD – PPP Reversion & Standard Deviation Analysis – Long Term



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 – PEC Analysis – Intermediate term

. **PEC D @ 97.5 confirmed**. ***A potential double top on weekly charts,*** *with a break back below 0.96 to confirm downside bias and accelerate declines.*

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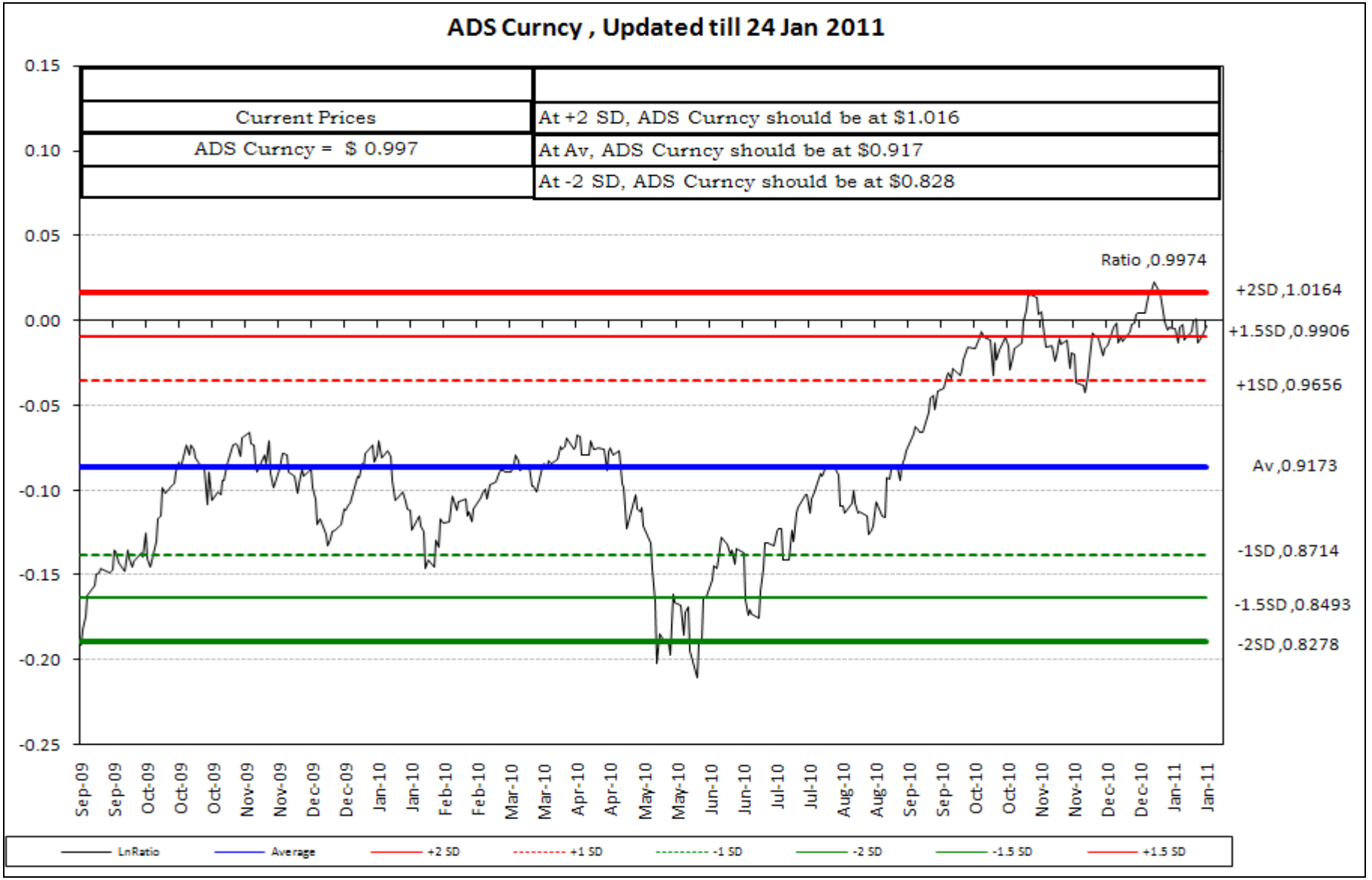
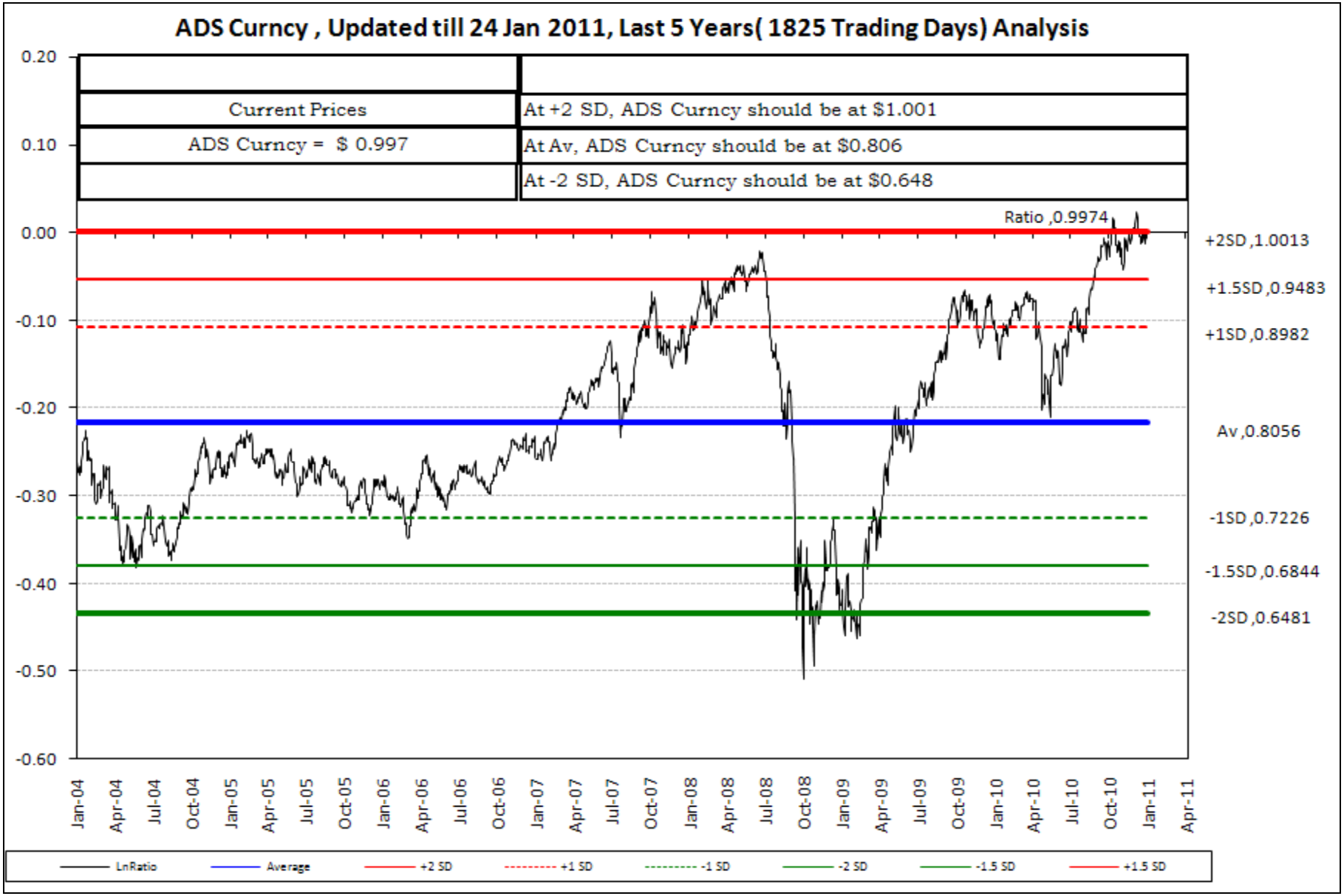
1 - AUD / USD – POM Analysis – (Candle)

AUD has pulled back to test support. 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 Last 5 yrs Analysis



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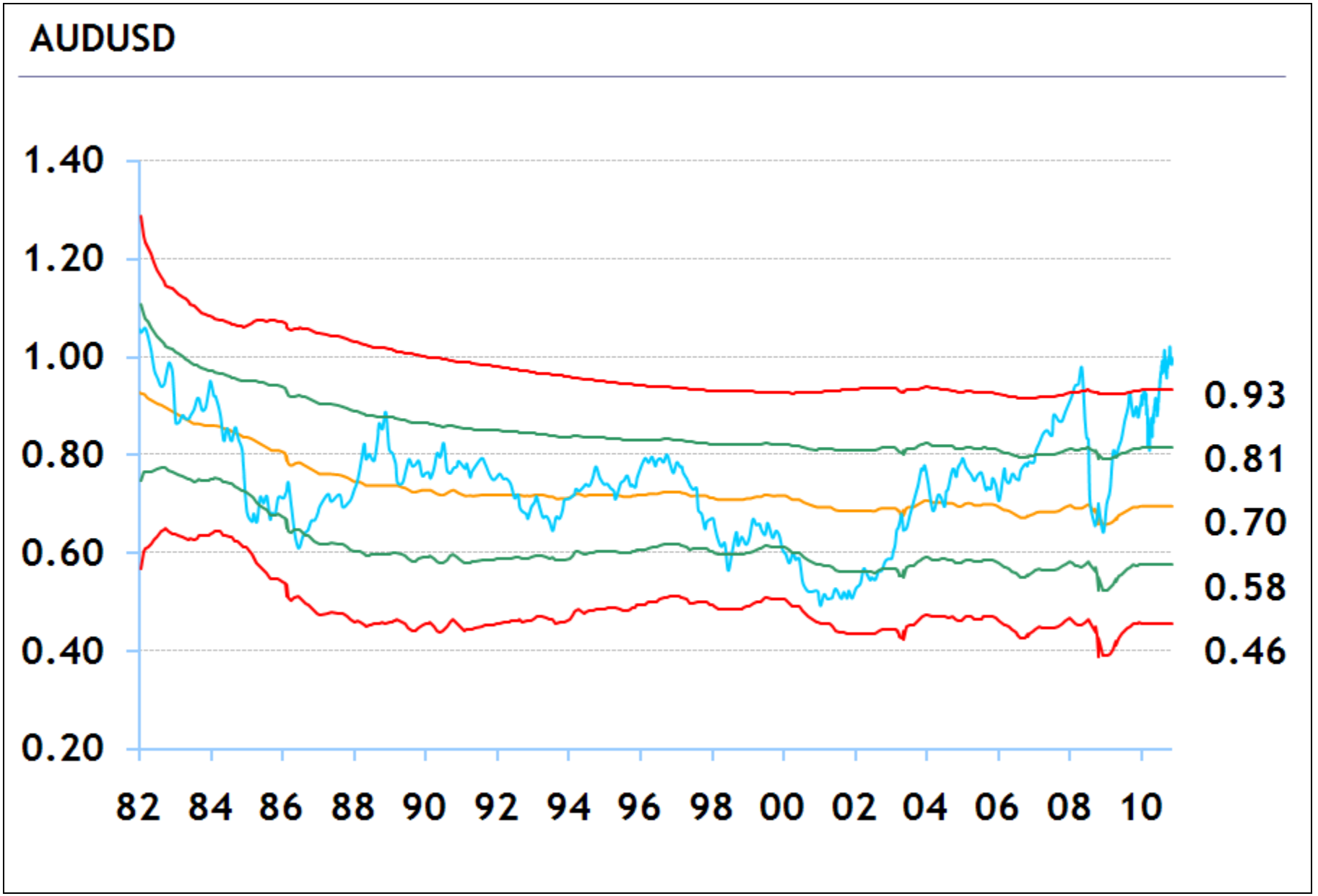

1- CHF / USD - Weekly – 3 Year with RSI, CCI, MACD
(11 W / 40 W SMA)

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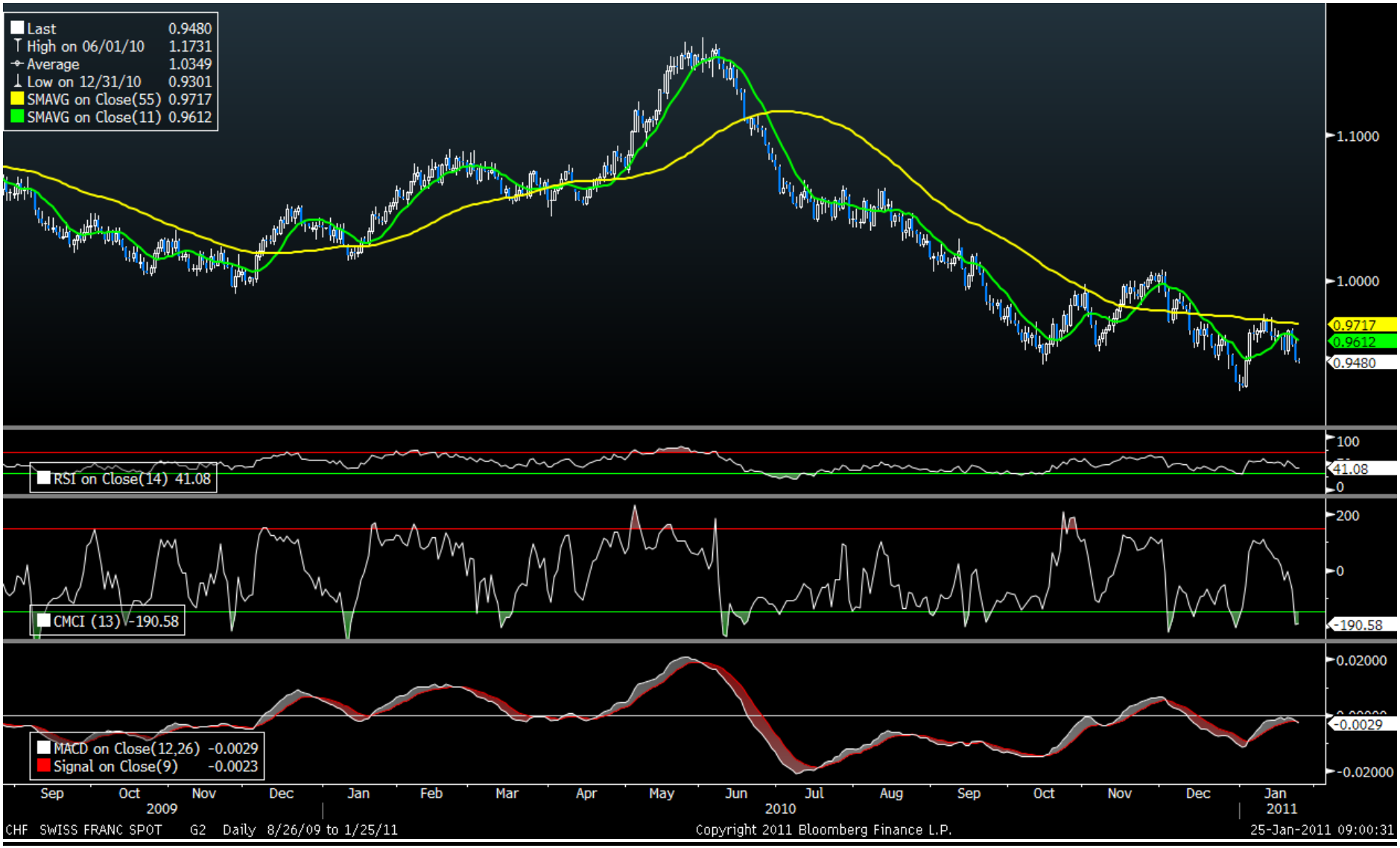
(11D / 55D SMA)



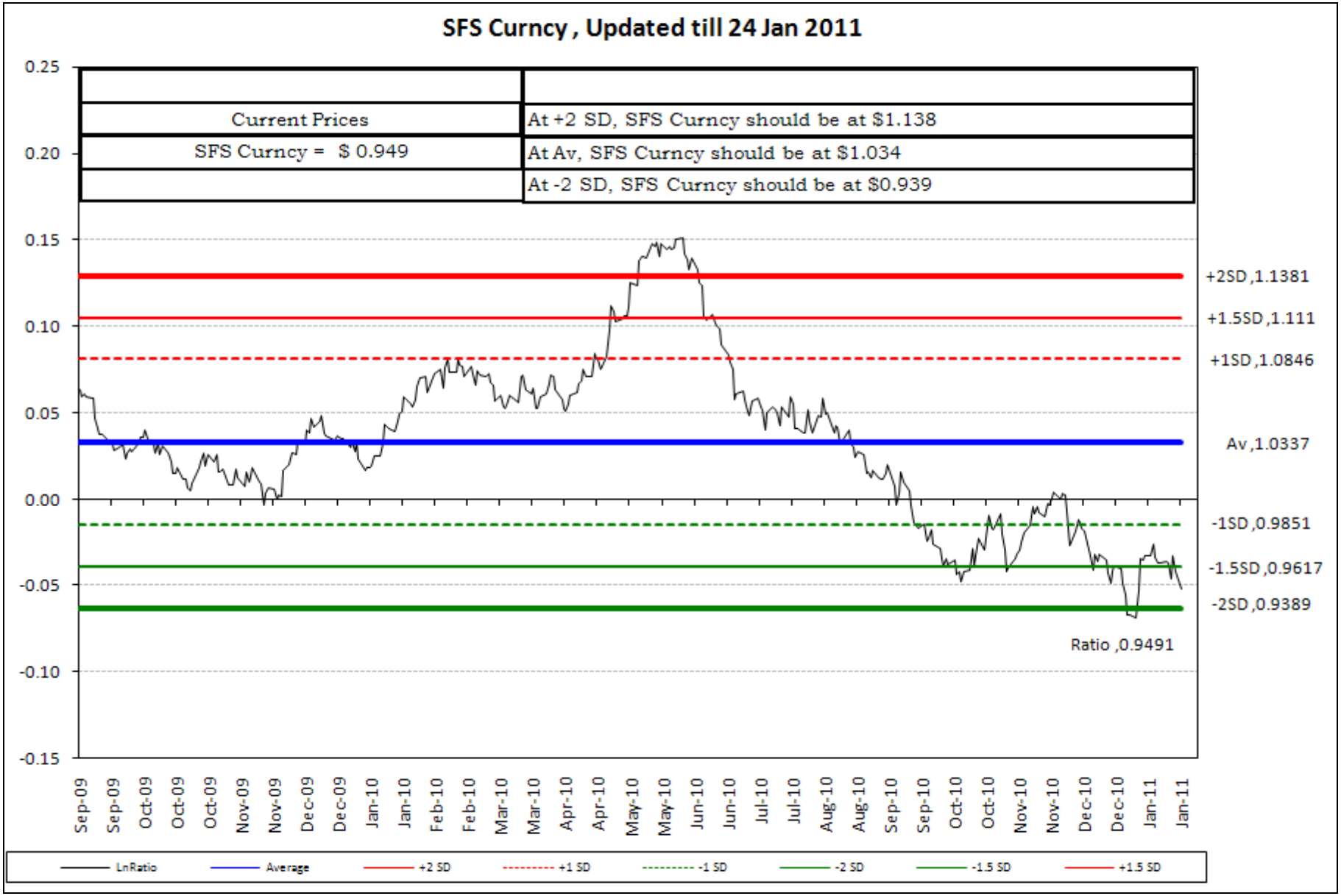
2 - CHF / USD – POM Analysis – (Tech)

In the bigger picture, the stronger than expected rebound from 0.93 raised that possibly that a medium term bottom is formed already. This is supported by bullish convergence condition in daily. If crosses above 5OD will affirm this bullish case and target 1.00 resistance for confirmation. Break there should confirm that start of a medium term rally.

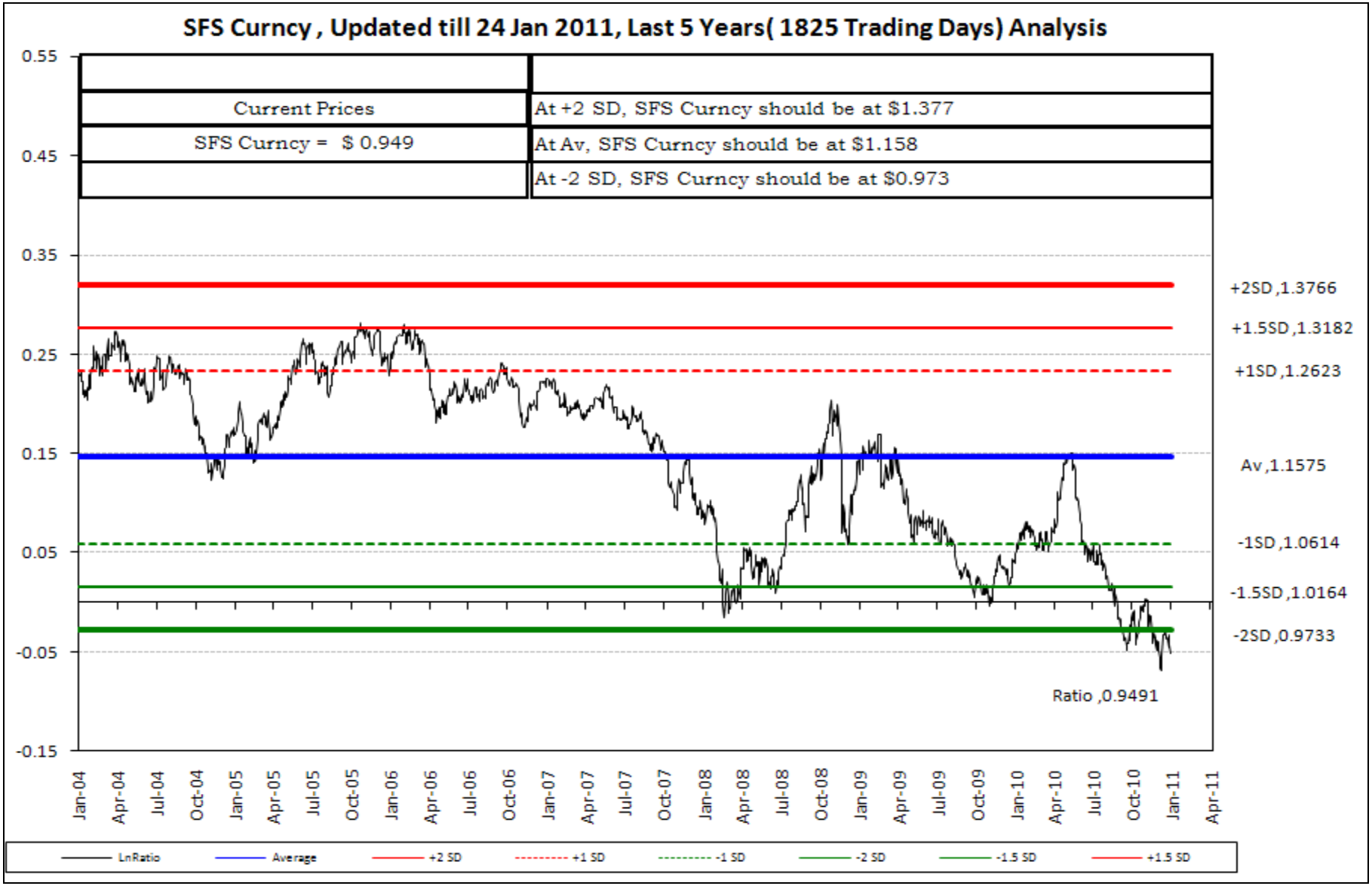
4 - CHF / USD – EMA Analysis - Intermediate term

USD/CHF Overall price action is longer-term basing outlook with the market dropping to fresh record lows by 0.93 (Bearish shakeout) thus far. However, studies are show oversold . Look for the current setbacks to be well supported on a close basis above 0.97, with a fresh higher low sought out ahead of the next major upside extension beyond 1.00.

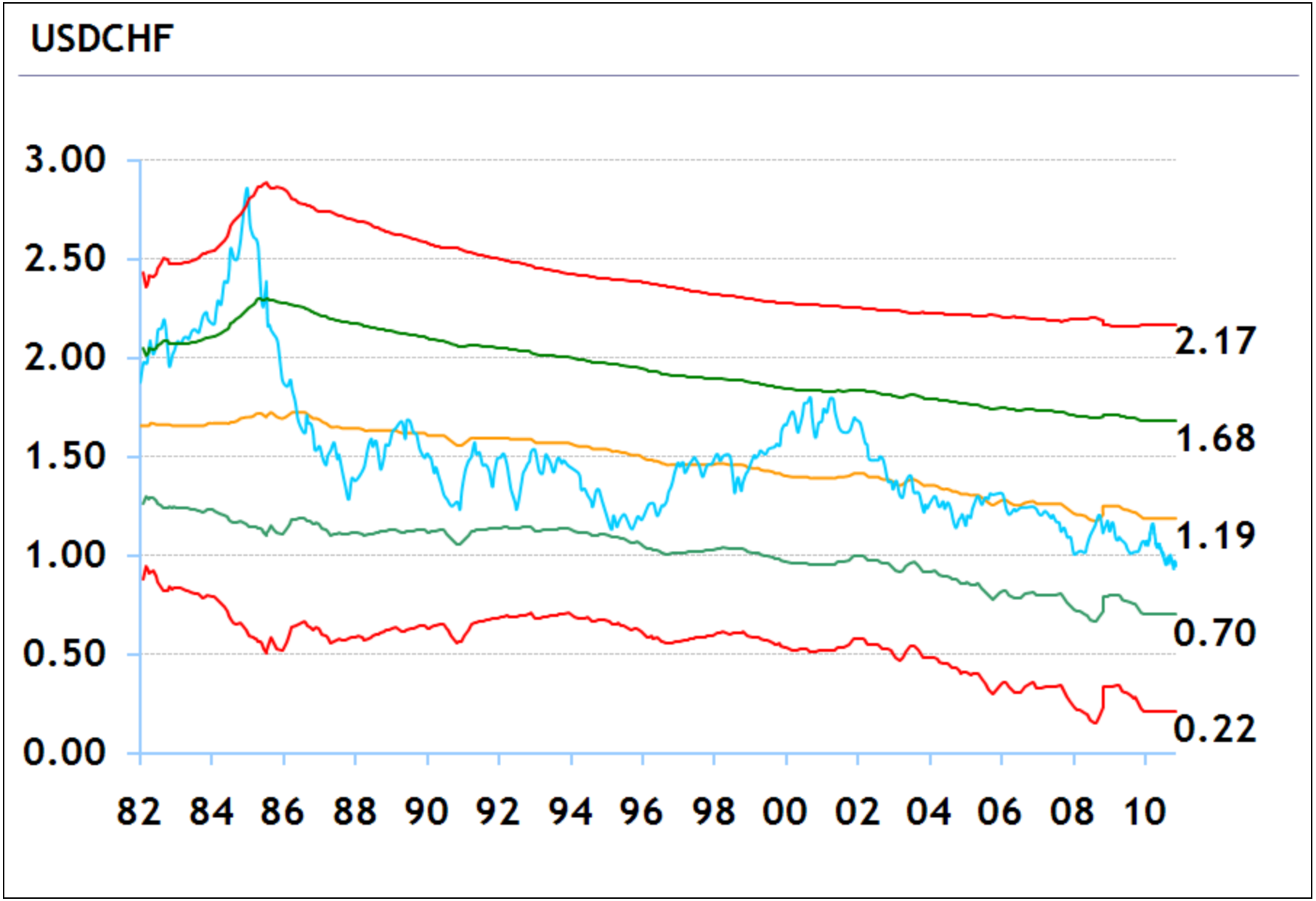
SFS Last 365 Analysis



SFS Last 5 yrs Analysis



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

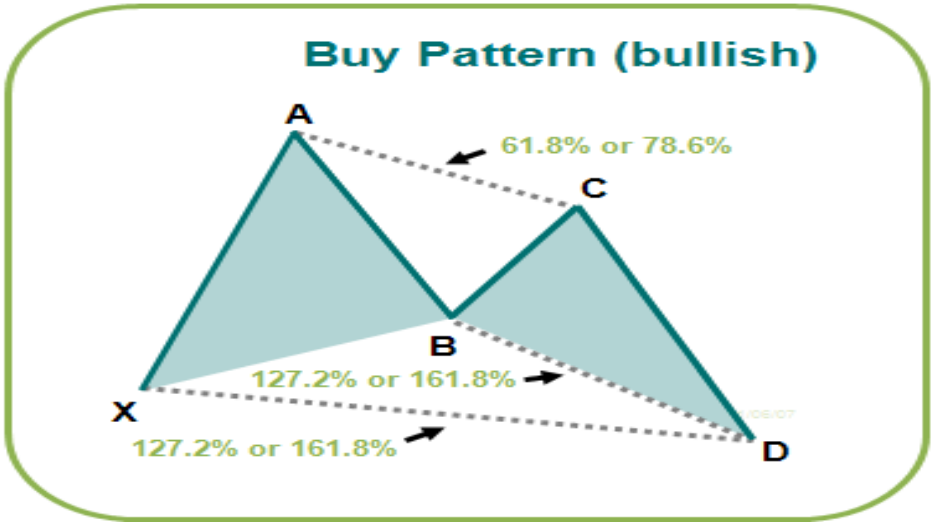


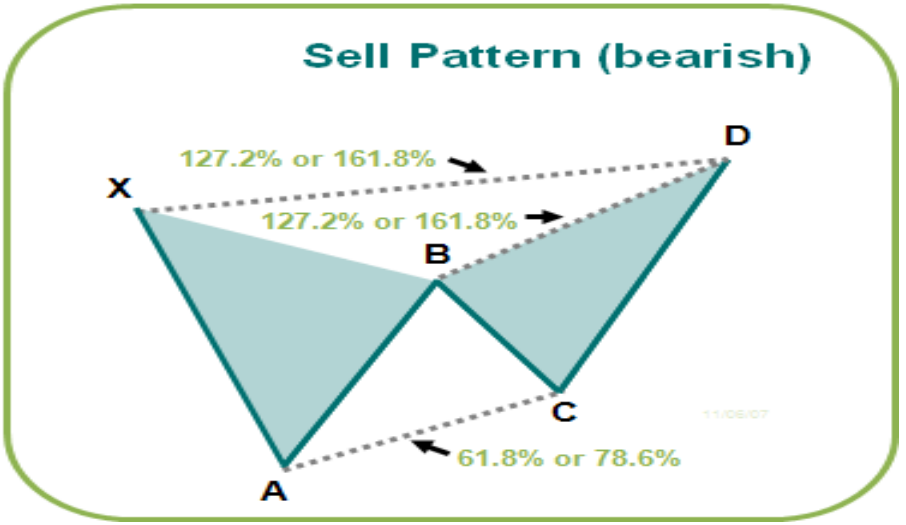
Pythagoras Expansion / Contraction – (PEC) Model

- 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 steams 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 l 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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