



SG Capital Research

Global Market Insights

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

MAEG- CURRENCY ANALYSIS- PEC- SG 2011 # JUNE_28

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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 target is stated as below but we advise risk management within Short term moves around CZ to CZ with stops due to sudden volatility

- GR – (1) – DXY, EURO & GBP -

1. DXY – Triggered PEC D @ 77.5, Mid term upside Target at 86

2. EUR/USD – Triggered PEC D @ 1.45, Mid term downside Target at 1.36

3. BGP/USD – Triggered. PEC D @ 1.63 but downside target 1.57.

- GR – (2) - AUD, CHF & JPY –

1. JPY/USD - Triggered PEC D @ 82 Mid term Target to 88

AUD/USD - Triggered. PEC D @ 1.09 but no downside target yet

. CHF / USD – Trigger PEC D @ 88 – but no upside target yet .

Currency Insights

One of the best warning signs in the market comes from the FX market. This is the ultimate trading vehicle as money moves markets. First we witnessed – the Rally in USD that we were predicting was a good indication of recent correction in SPX

The pip spreads among the major currencies are very narrow and very competitive. In times of financial trouble & “discussions” (Greece), these spreads begin to widen. The euro is constantly in the news as Greece is in the hot seat. Greek bonds were yielding 30% if defaulted the reaction to the foreign exchange markets would be very volatile.

The euro has a target at 1.37 and anything below that would suggest a weaker euro. The euro is - the dollar turned upside down picture.

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

GLD formed a “Rising Wedge” pattern over the last couple of months after POM 13 was triggered on 5/6 Trigger(In blue). Rising Wedge pattern have targets back to where the pattern began and in this case a move back near 145 - 144 range. The decline on GLD began with “Break away” gap, followed by sign of weakness, suggested 145-144 could reach. It is very common that POM 13 get re - tested after the first bounce.



GOLD – PEC D

PEC –D pattern gave good signal at POM 13 and then bounce target was to 1541 (as stated 6/08- C # Commodity Report). No new Indication by this method. However the POM's are actionable areas, while price targets are risk measurement areas.



XAU / GDX – PEC D –

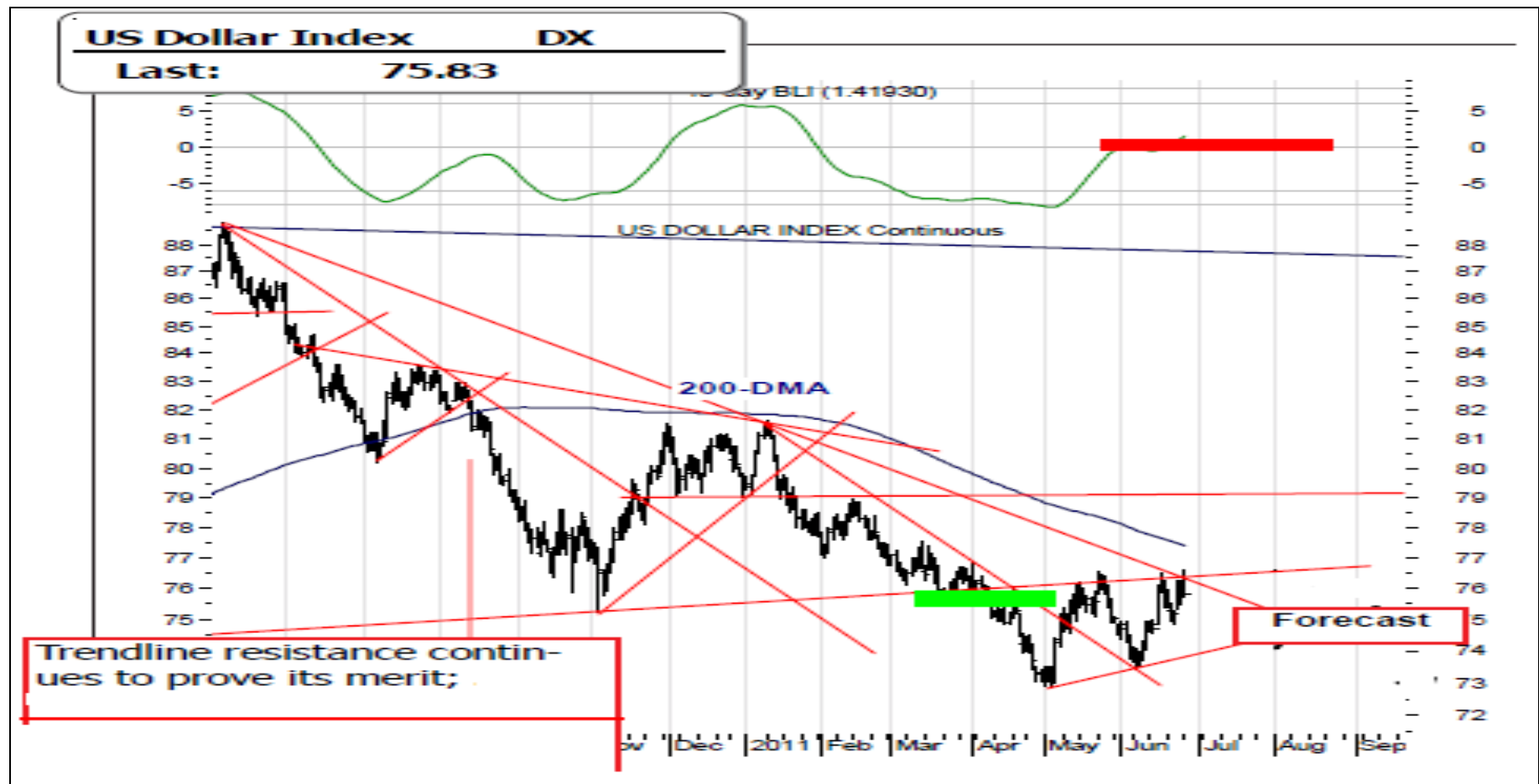
Gold & Silver index - XAU has held up extremely well at the 618 level. The current pull back in Gold with GDX steady will have the GDX/GLD ratio start to rise. This suggests a strong move in GDX may be beginning. We have BUY SIGNAL ON XAU / GDX at current areas . We will be watching this condition closely.



2 - USD – MA / Pattern & Oscillator Analysis

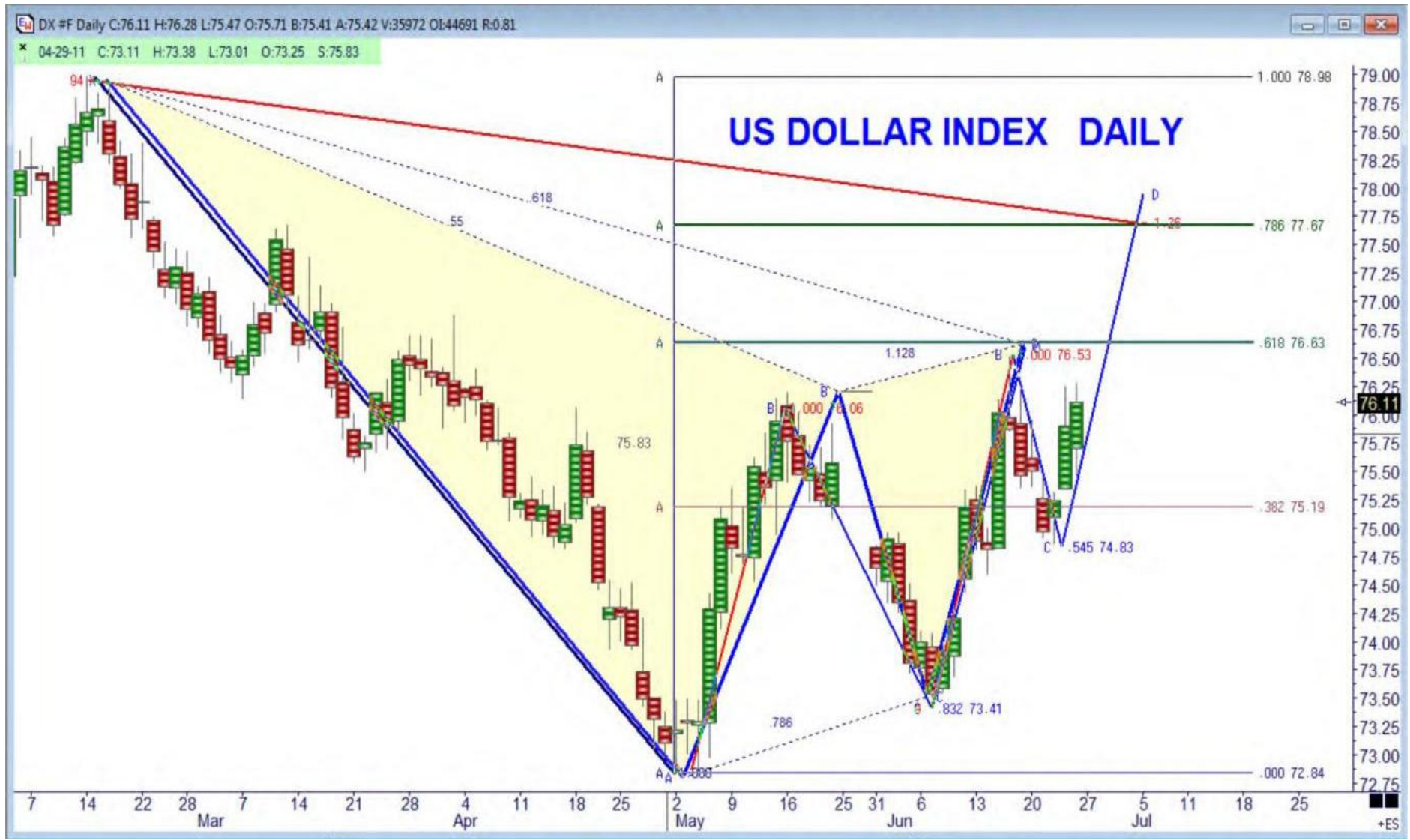
With the Fed taking QE3 off the table, the dollar showed some strength last week. Currently have overhead supply which could result in pull back . Therefore one more low is possible. That low would be simulative for the equity and commodity markets for a final rally in summer

*The Dollar Index continues to base and has been bolstered by the continuing, unresolved crisis in Europe. **Stop below 72.5 for risks management***



2 – DXY – PEC D

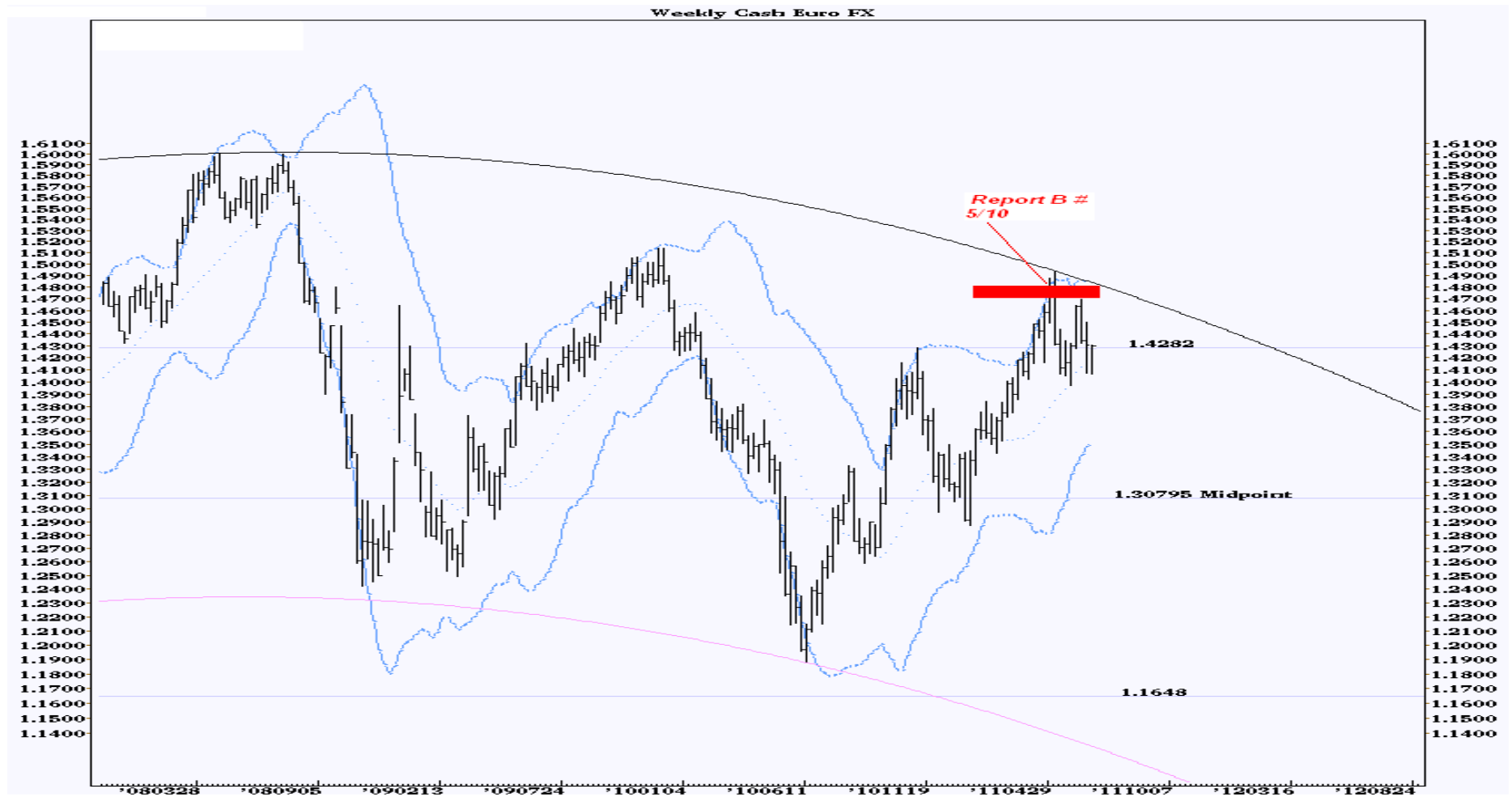
The USD completed ABCD pattern @ 76.75 , There should be pull back first. Although eventually it want to rally to 79 -80 level .



EURO – Poly Trend Analysis

We would not be surprised to see the last high retested before move down. We suspect that considerable distribution will be taking place going into the final highs.

Our first target 1.37 from our Trigger point indicated in red in chart below @ 1.45.



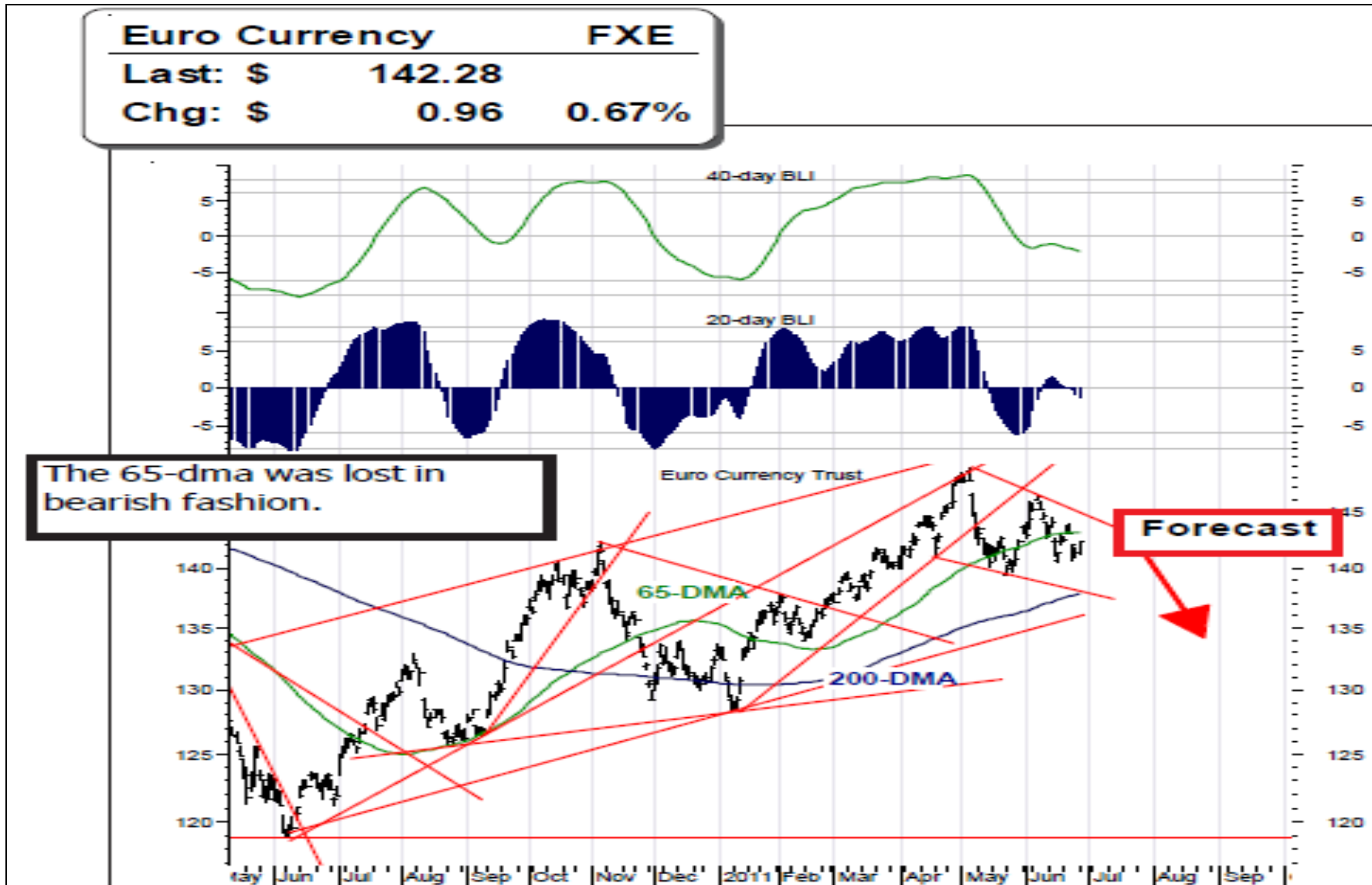
3 - EURO / USD – PEC Analysis - Intermediate term

By PEC D Method, Our TARGET IS 1.37 . Earlier 1.45 was the ABCD completion on upside , .Stop above 1.49, for risks management



3 - EURO / USD – MA / Pattern & Oscillator Analysis

Once Signs of weakness is in place and Trend line is broken, All bounces will be sold



3 - GBP / USD – PEC Analysis - Intermediate term

GBP -USD Our PEC-D @ 618 comes in at 1.63 correctly, **stops above 1.67 for risks management**

GBP has downside target of 1.58.



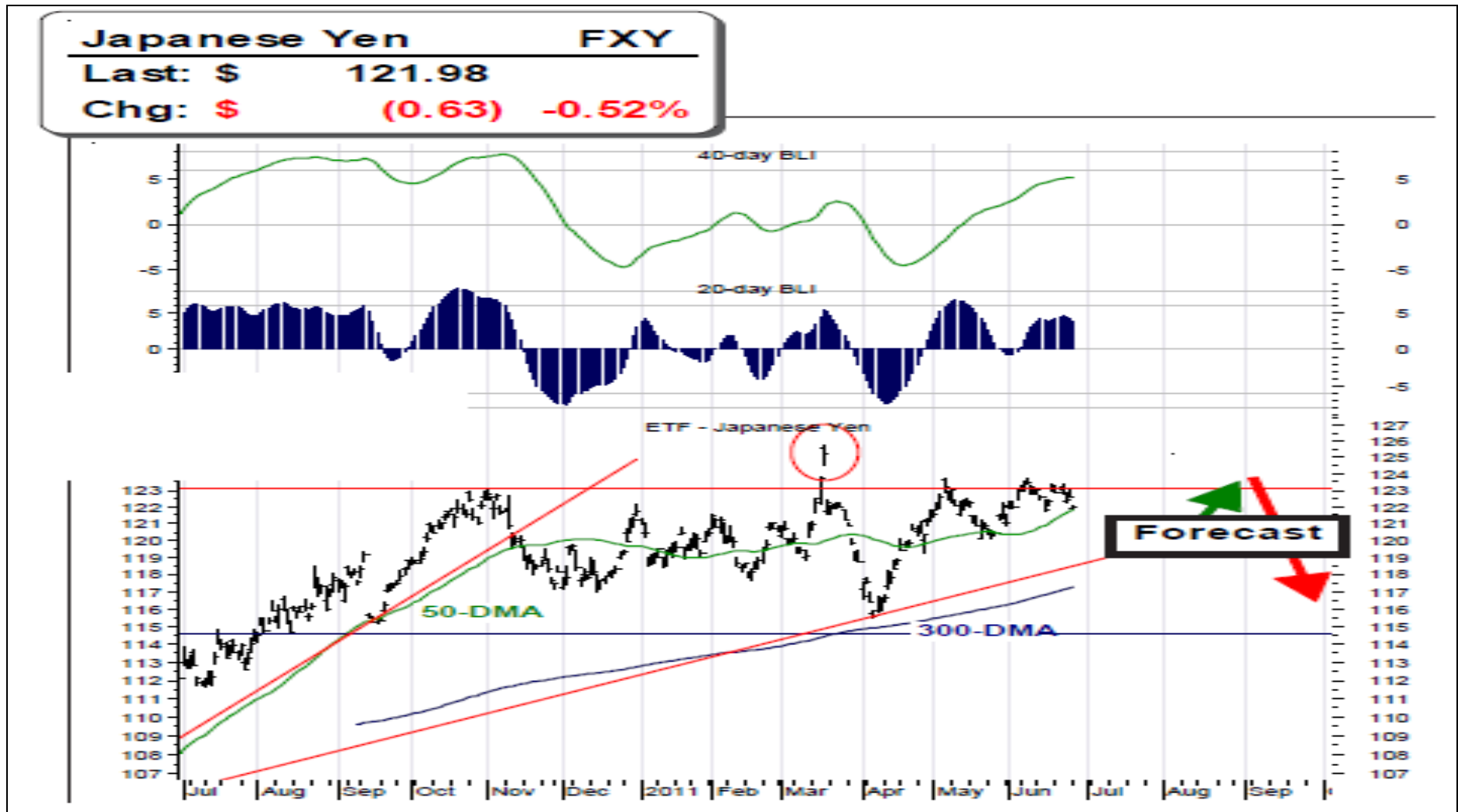
YEN / USD - PEC Analysis

*YEN has held the 618 level Consolidation after Hugh swing move . **Stops below the lows 76 for risks management** . we doubt if it will get that low . Capitulation / Climax lows do not have to get tested . We still target 88*



YEN / USD - MA / Pattern & Oscillator Analysis

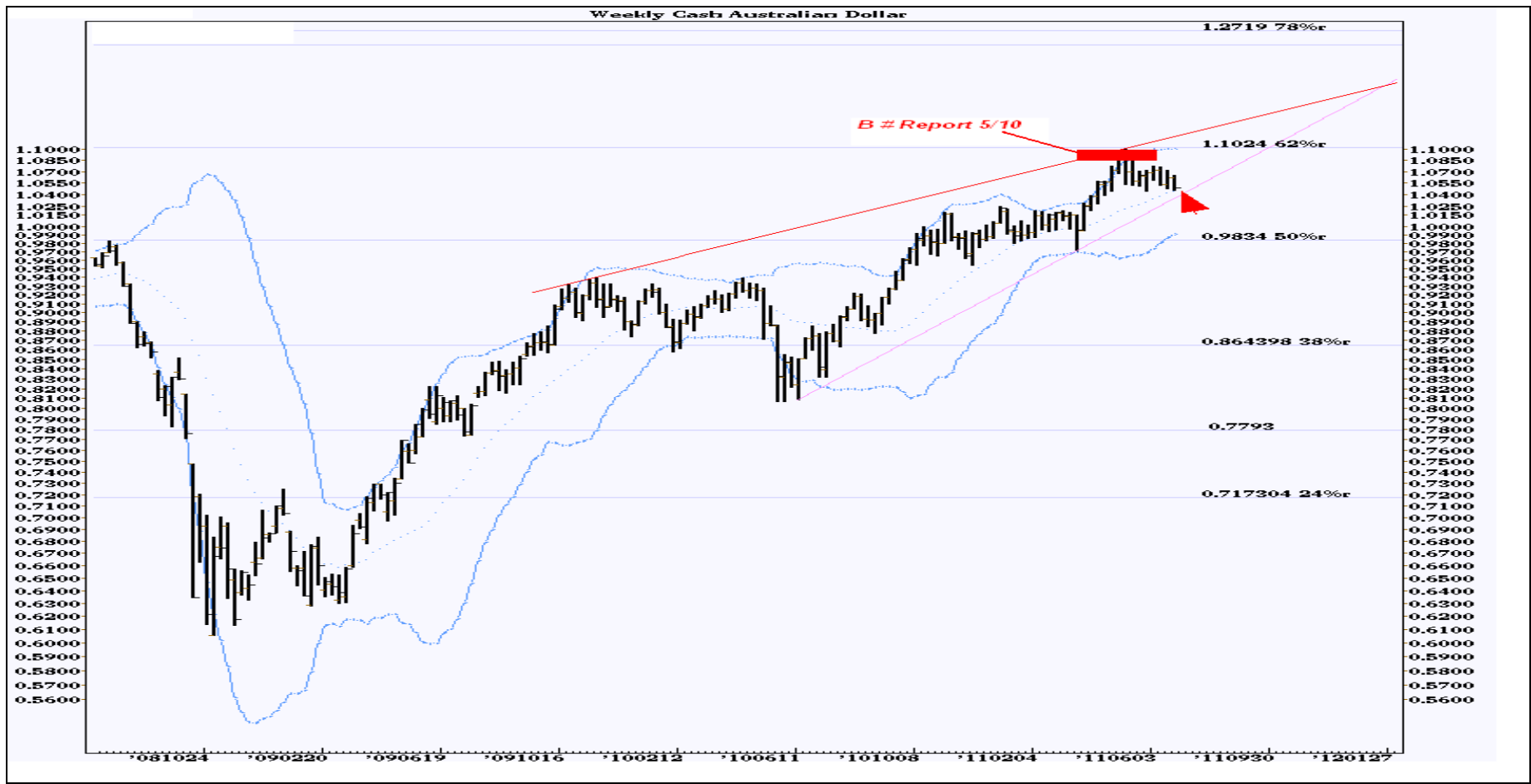
USD/JPY's , -“ A counter trend move appears to be complete after massive decline upside Risks protection above Island top



3 - AUD / USD -Analysis

AUD - should find support and rally back once more to test the recent high. That could be the top for a very long period of time. AUD may have seen its high. It puts in a long term top

But point to watch , A rising wedge implies that a waterfall decline is possibility if a break of the support line. our Trigger point 1.07 as indicated in red in chart below.



AUD/USD - PEC Analysis

PEC D signal @ 1.09 is more valid analysis to judge , stops above 1.11 for risks management – No signal Short term by this method



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.*

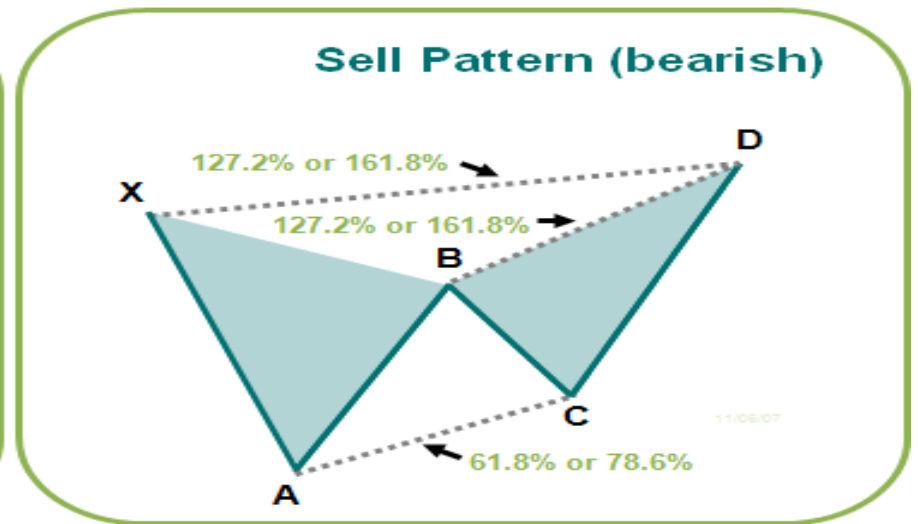
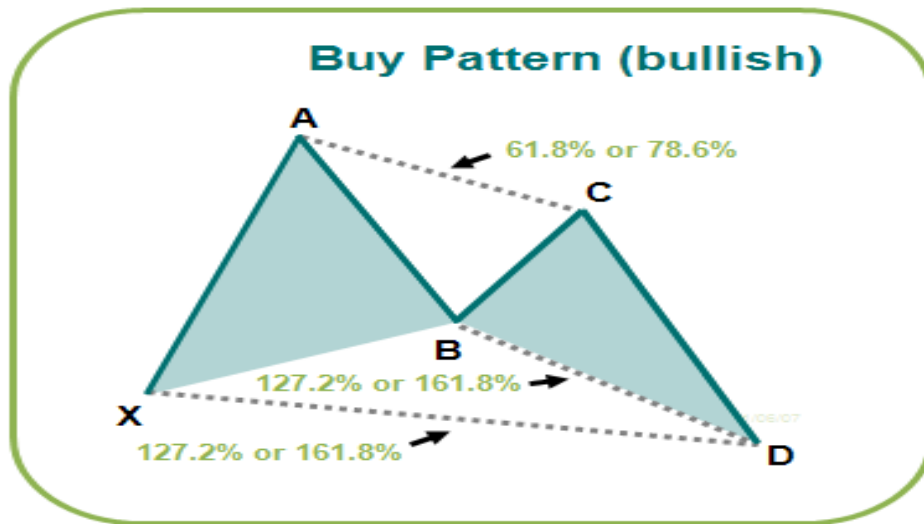
(In Some Charts, there may be possibility of 1- 2 days of delayed chart data due to accommodation of processing and preparation time in 1-2 days prior

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



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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