SG Capital Research

Global Market Insights

Research Note – Currency Analysis (B)

MAEG- CURRENCY ANALYSIS- PEC- SG 2011 # MAR 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**
- **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 @ 1324**

3x3 /9EMA – Momentum Break Indicator –

Next Signal – Buy SPX above 1340 close

- **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 -***

1. **DXY – Triggered PEC D@ 77.5, Mid term objective at 86**
   First price objective achieved at 81, retracement in progress to 77.5- retesting zone

2 **EUR/USD – Triggered PEC D @ 1.40, Mid term objective to 1.20.**
First price of objective achieved 1.30, bounce to 1.34 -1.36 - retesting zone

3. **BGP/USD – (No Signal) POM 14 / PEC D @ 1.63 but no conformation by other Methods. moving in Sync with EUR**

- ***GR – (2) - AUD, CHF & JPY –***

1. **JPY/USD - Triggered PEC D @ 82 Mid term objective to 88**
   First price objective achieved 84.50, pull back to 82 in Progress

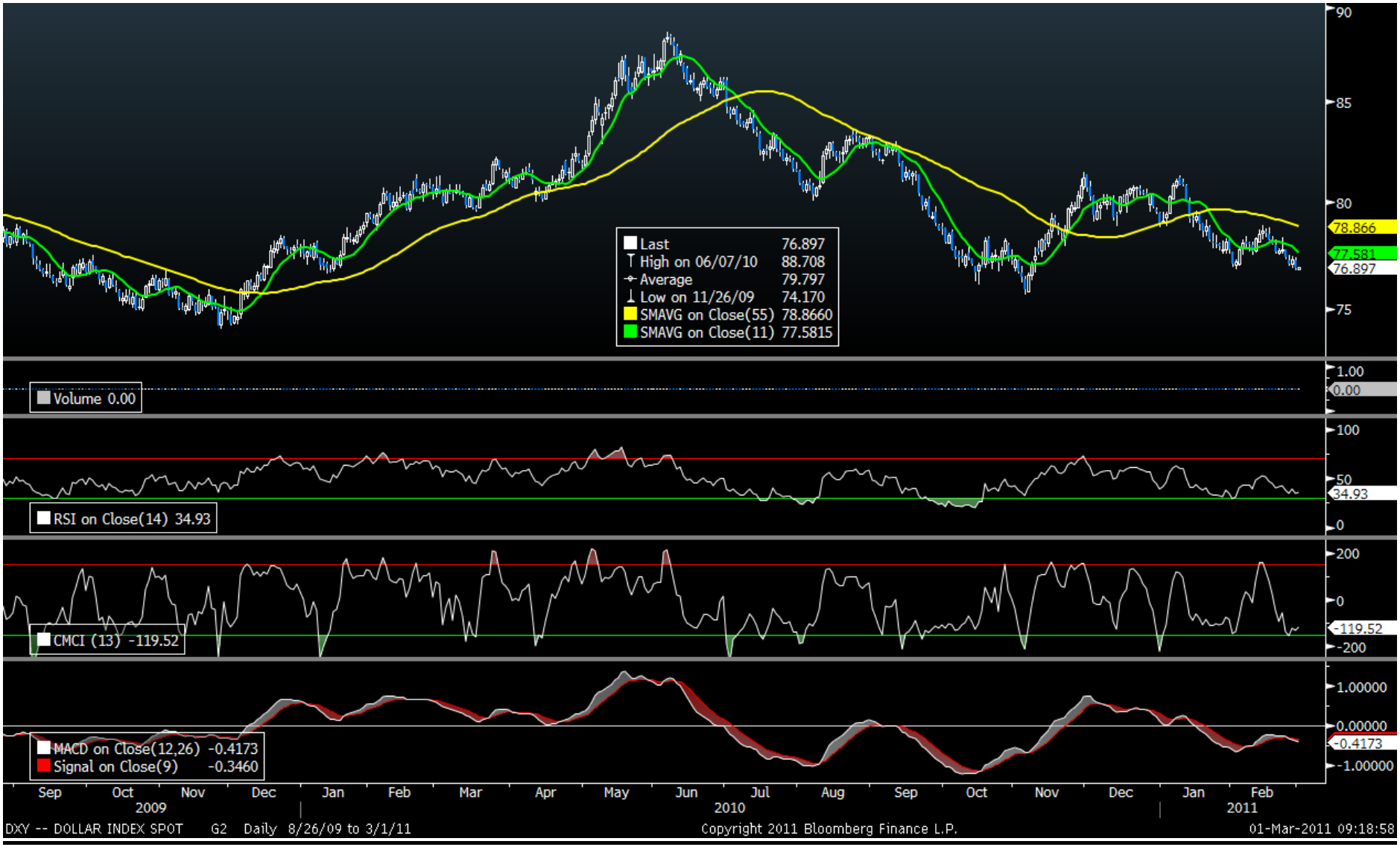
2 **AUD/USD - Triggered - PEC D @ 97. Mid term objective to 91**
double topped , potential thrust but then target to 95 first

3 . **CHF / USD – Trigger PEC D @ 92 – Mid Price target 1.00**
Now looks attractive for reversal to 96, (went as lows as 93 but we always recommend stops) ,

This week, we should pay special attention to the CHF & JPY . All are potentially ready to make turns. As illustrated on the charts, there are various patterns completing and these could represent very interesting opportunities. (Preplanned stops on other side)

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)



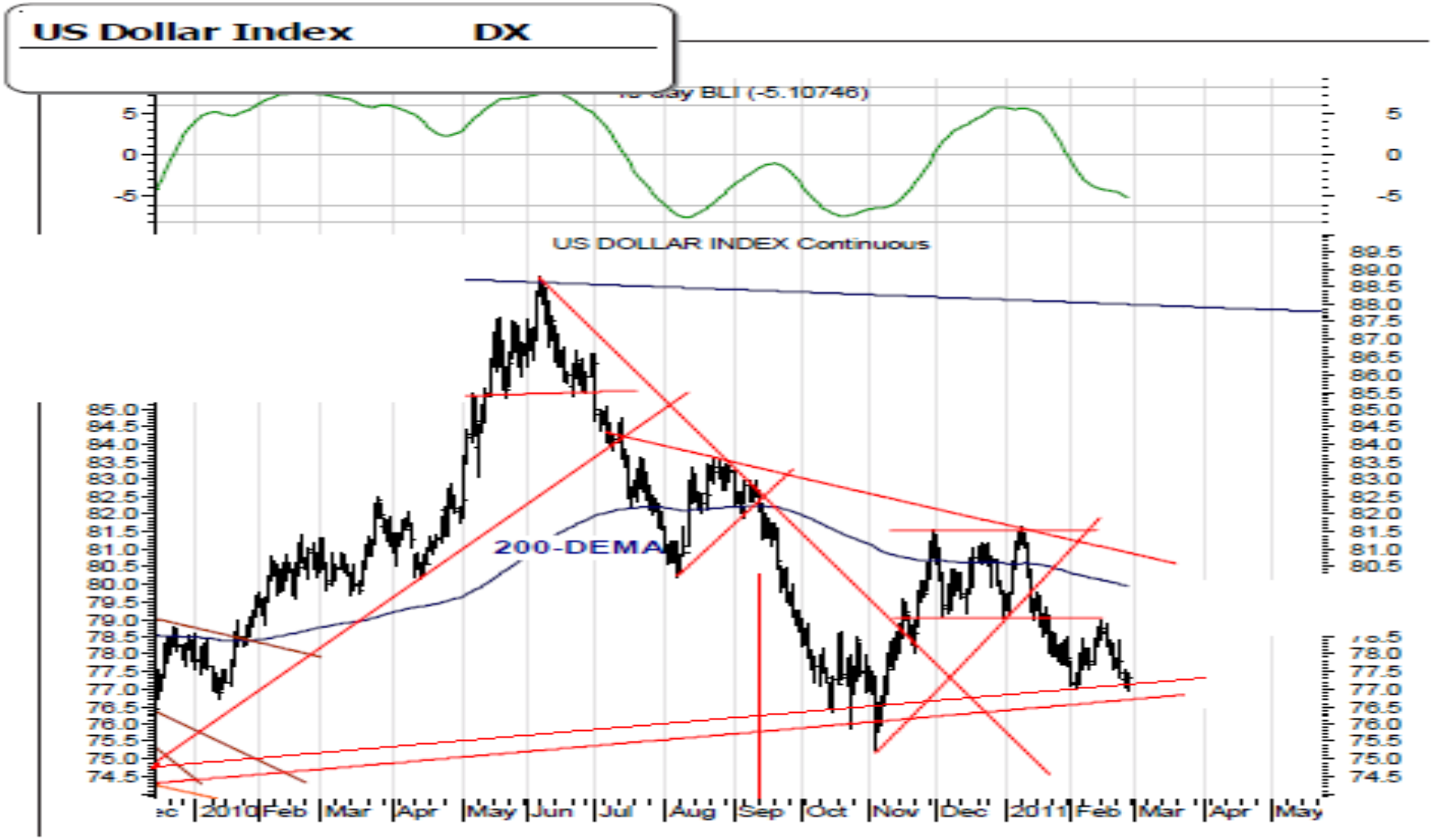
2 – DXY Analysis - BIG PICTURE

"We should see a 'Death of the Dollar' magazine cover any day now." That would be an excellent sign that the dollar has bottomed. 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.

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.

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. Basing process in Bull Market

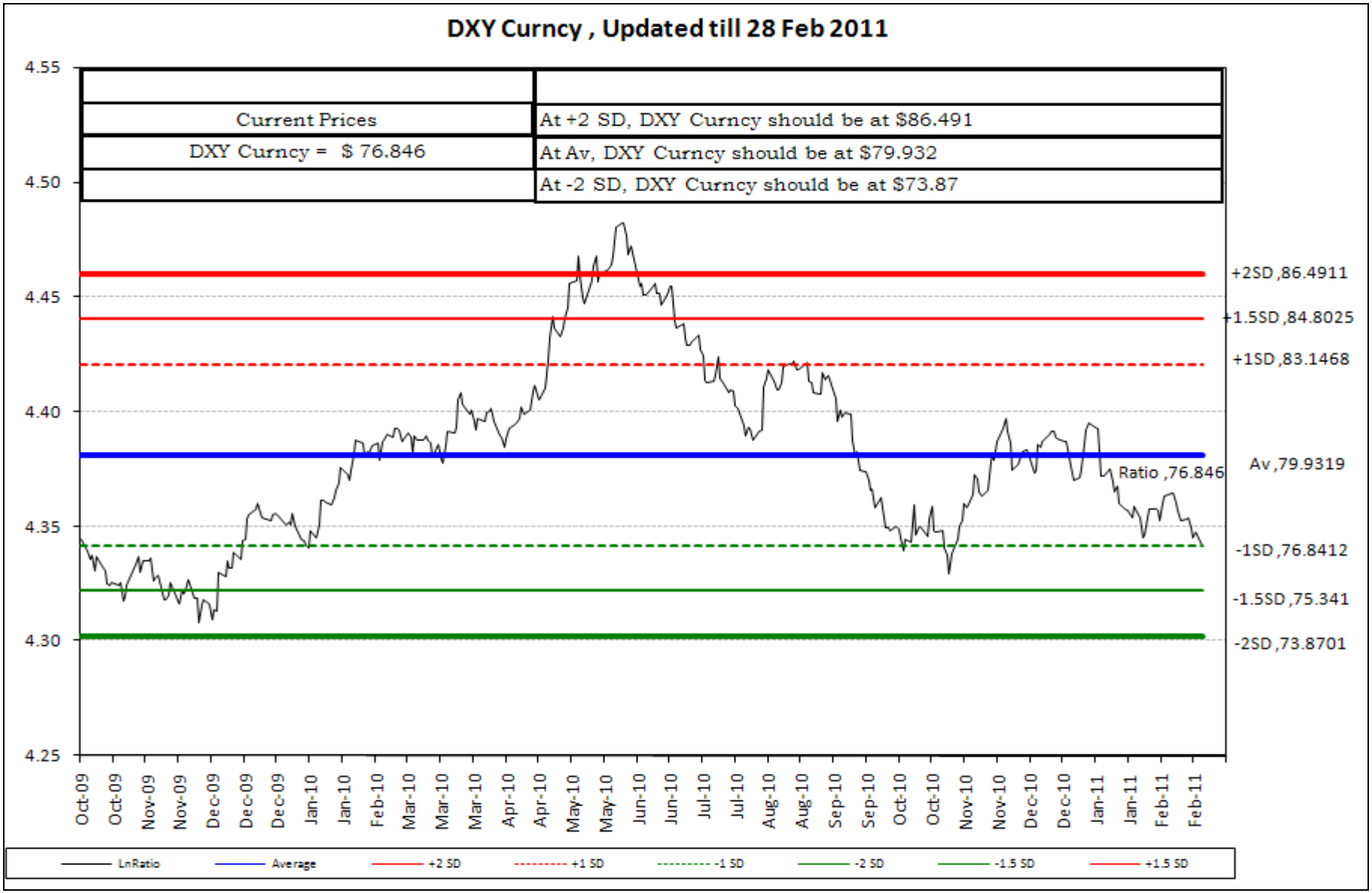


3 - DXY – PEC Analysis - Intermediate term

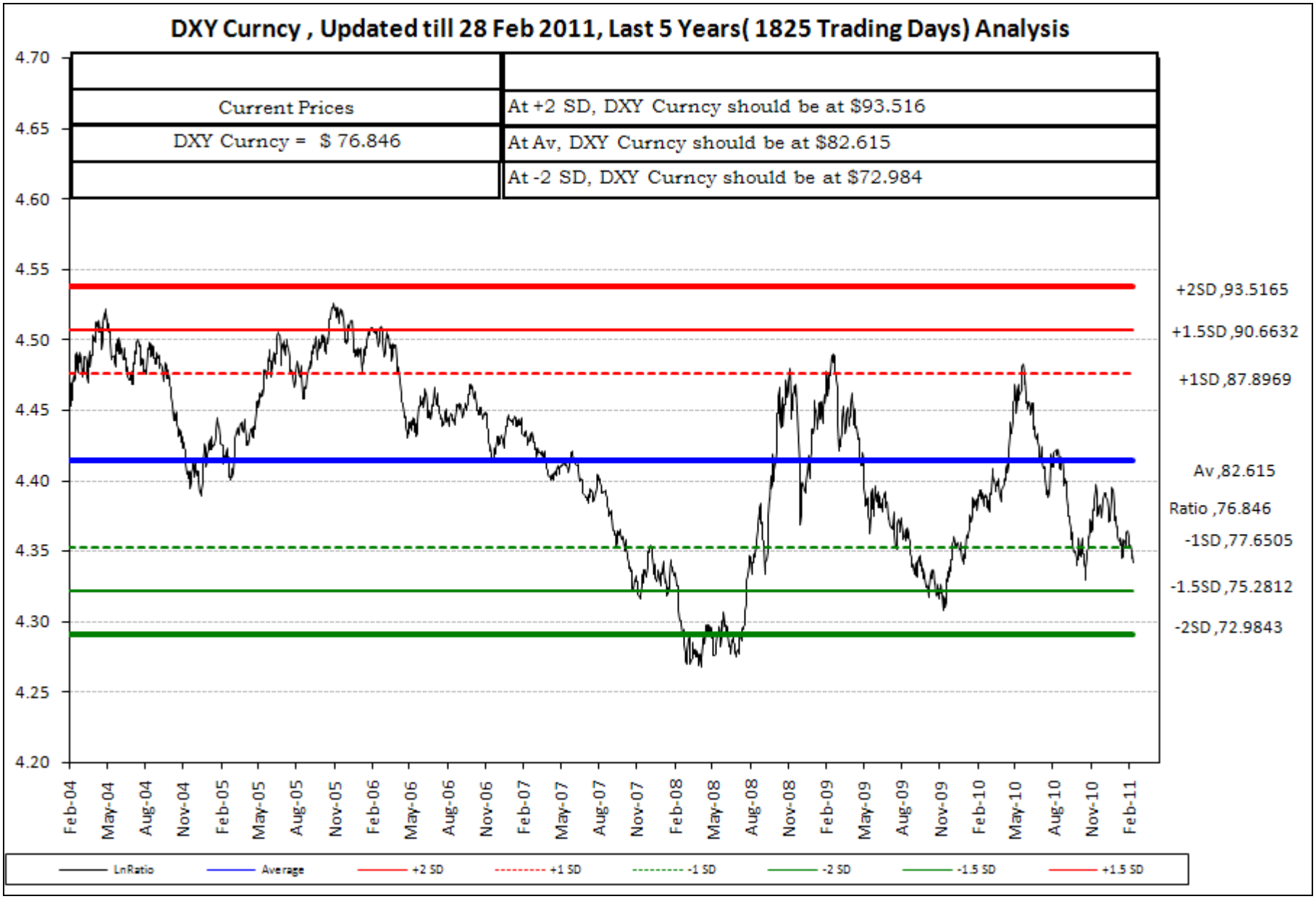
The support Holding at 618 / 786 level and it is hitting lows with few contracts on dowside .

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

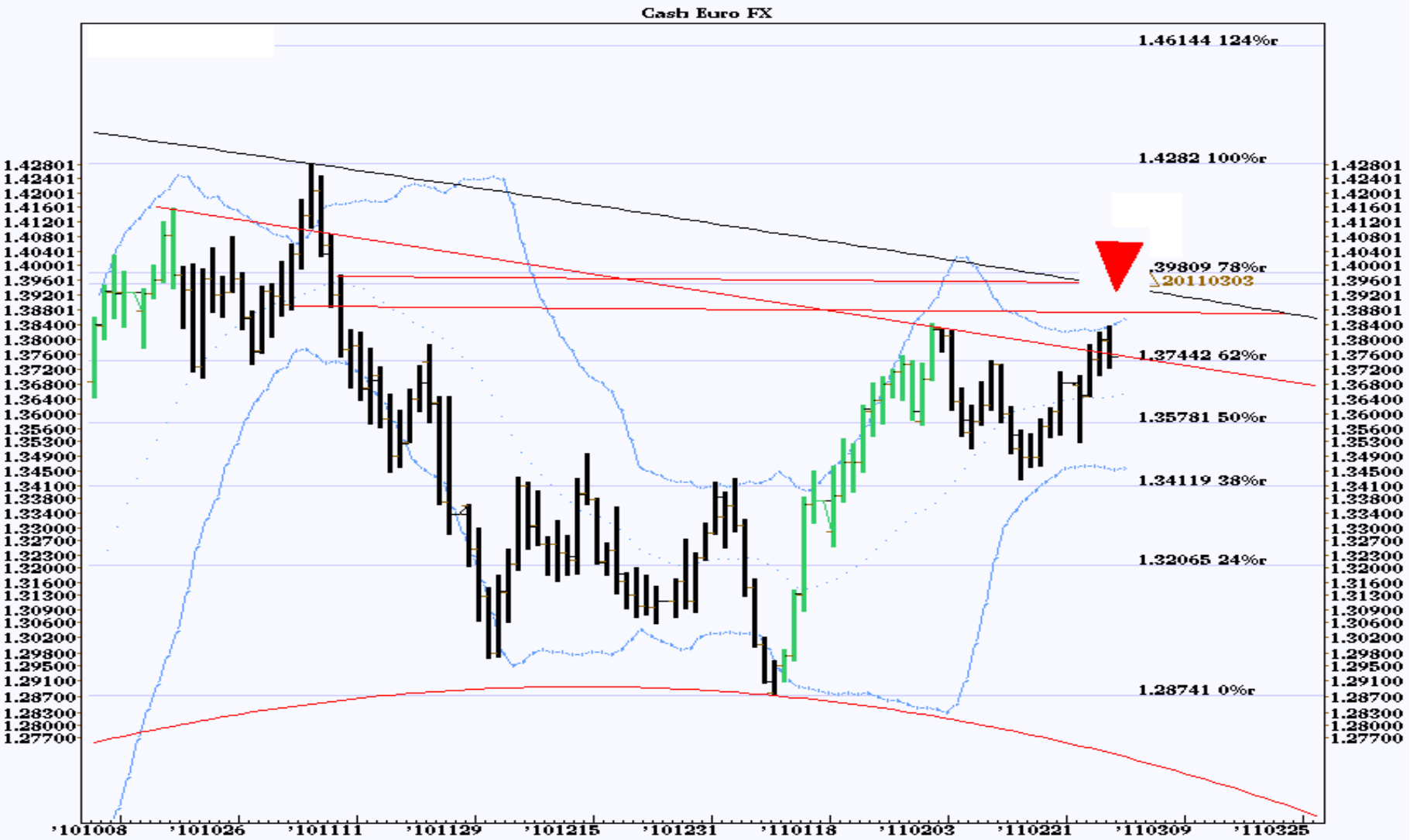


1- EURO / USD - Weekly – 3 Year with RSI, CCI, MACD (11 W / 40 W SMA)

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

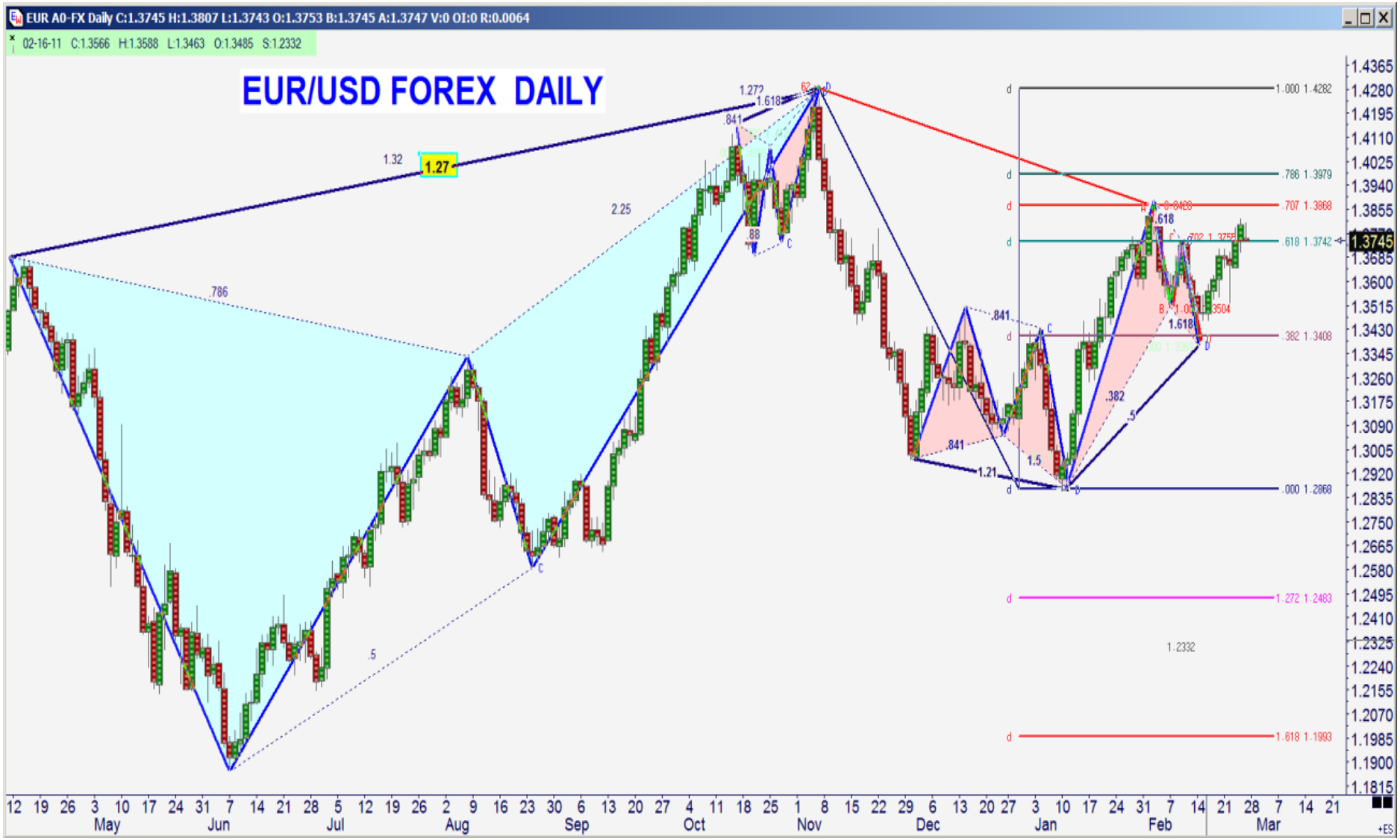
EURO - POM Analysis – BIGGER PICTURE

EURO is testing the areas of previous bounce of 1.35 -1.36 and exceeded the bounce a bit. 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 towards the Poly trend line to 1.27 .

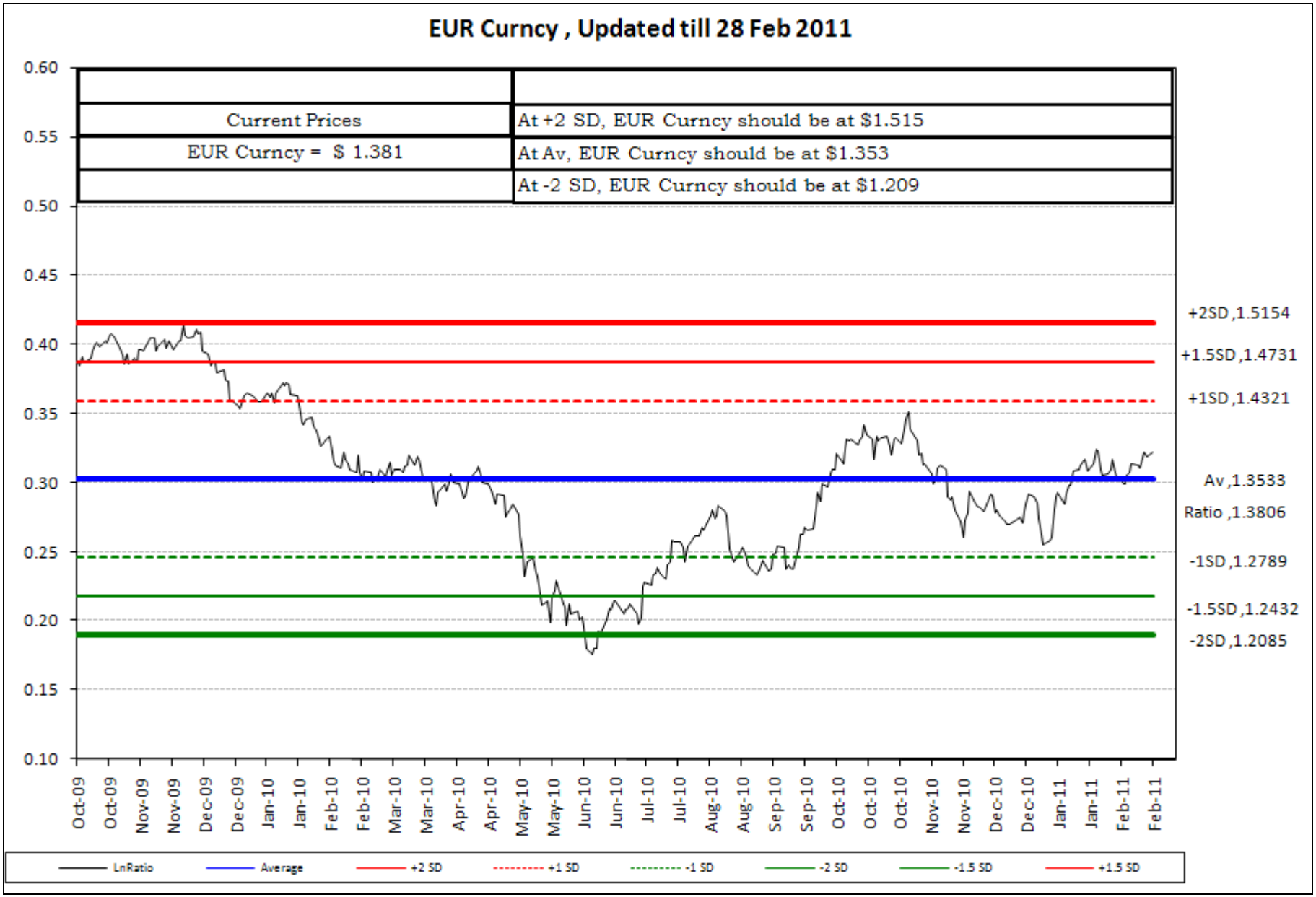


3 - EURO / USD – PEC Analysis - Intermediate term

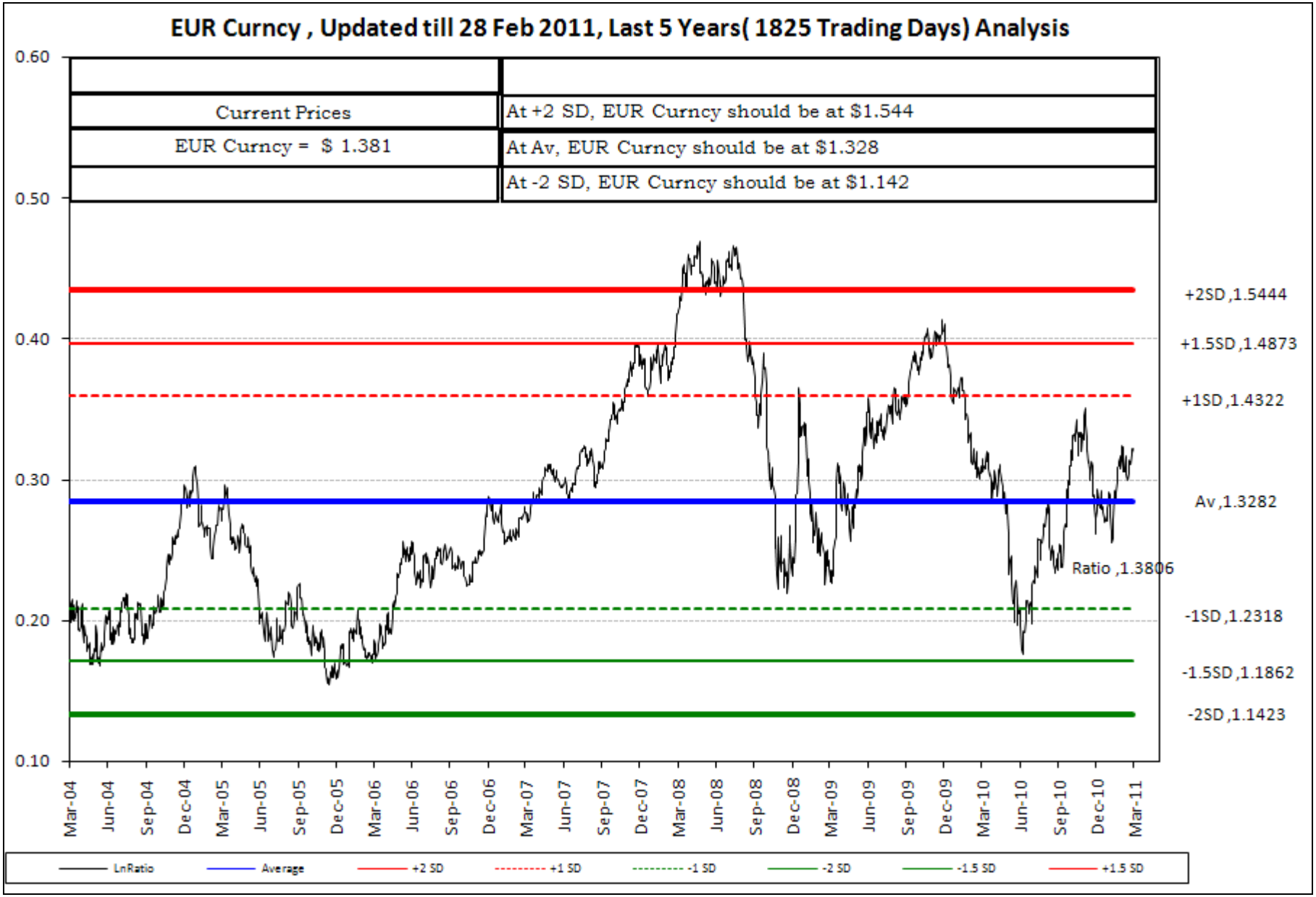
By PEC D Method, the bounce came in to 0.618 to 1.36 was met as expected and failed we could very well be setting up next leg down to 1.28 but currently a possibility of bounce at 1.33.



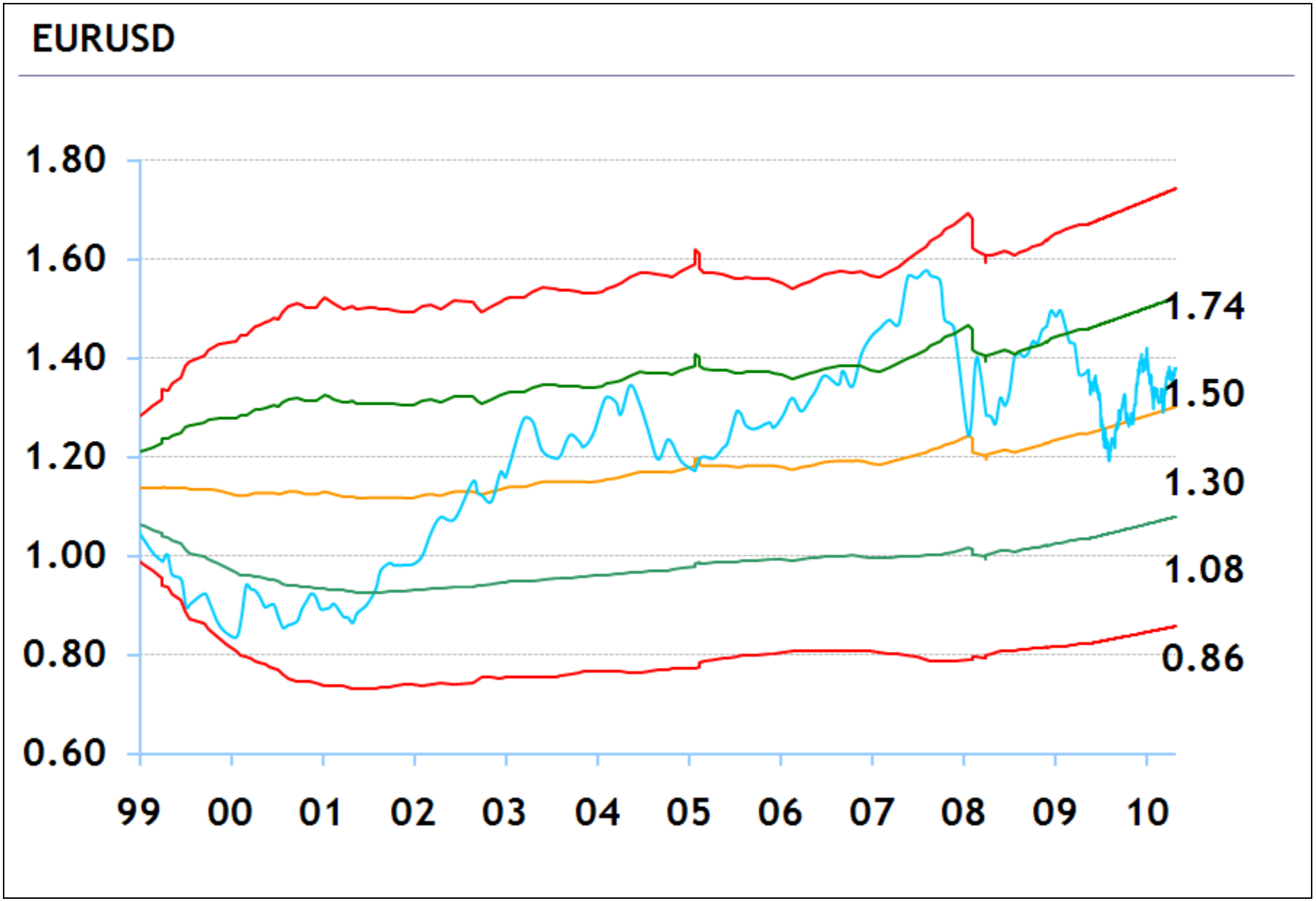
EUR Last 365 Analysis



EUR Last 5 yrs Analysis

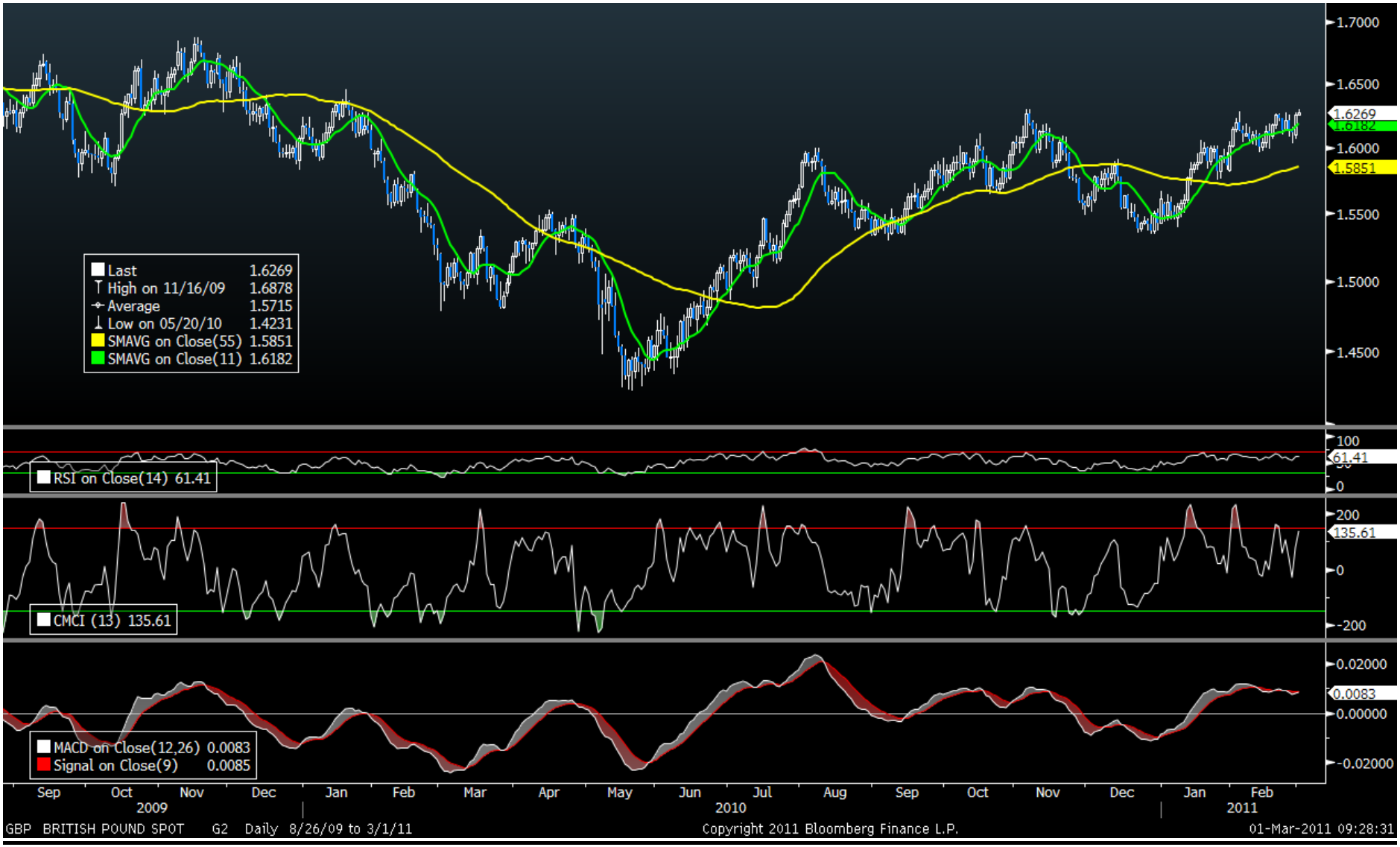


4 - EURO / USD – PPP Reversion & Standard Deviation Analysis – Long Term



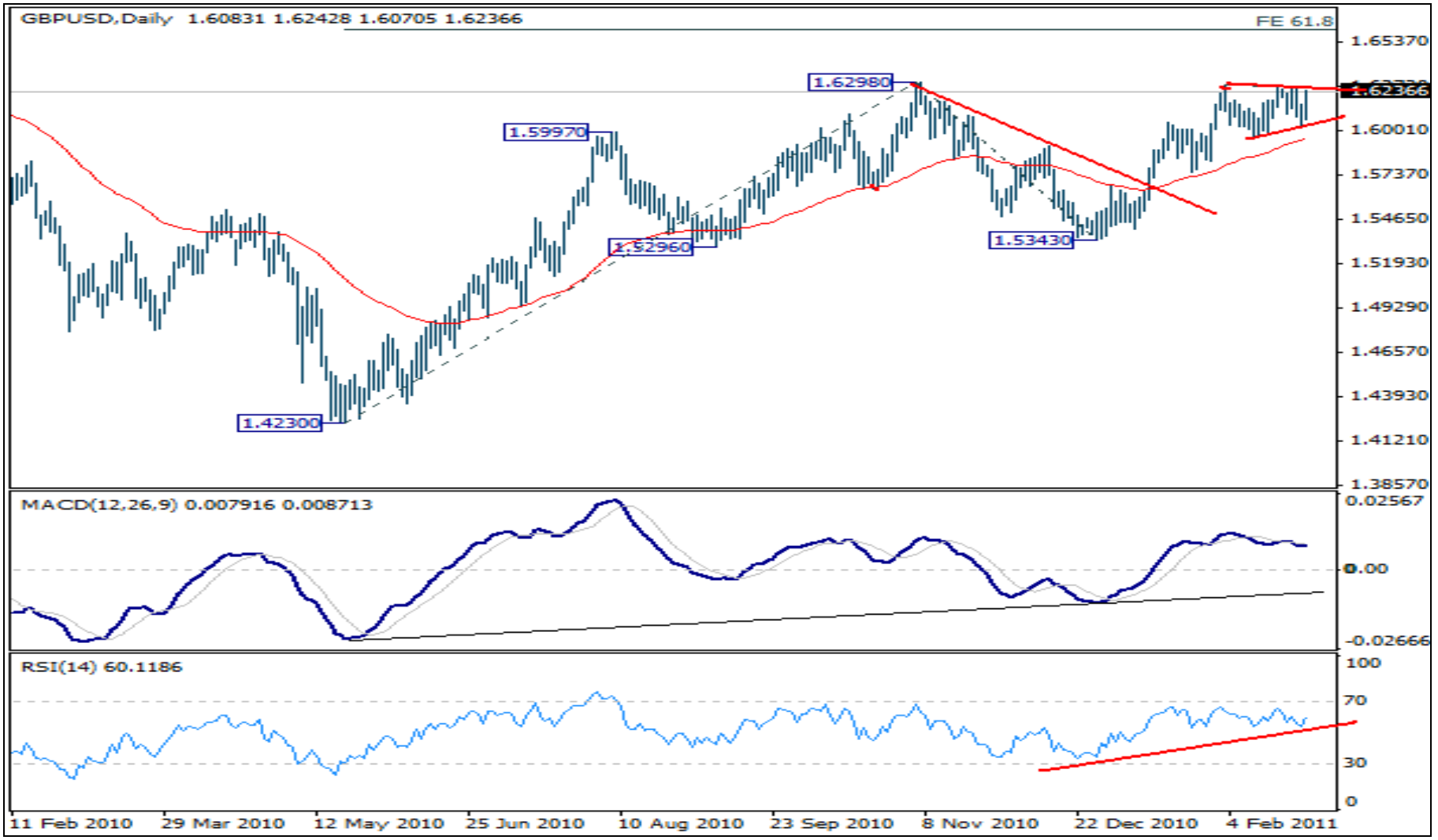
1- GBP / USD - Weekly – 3 Year with RSI, CCI, MACD (11 W / 40 W SMA)

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



2 - GBP / USD – Analysis

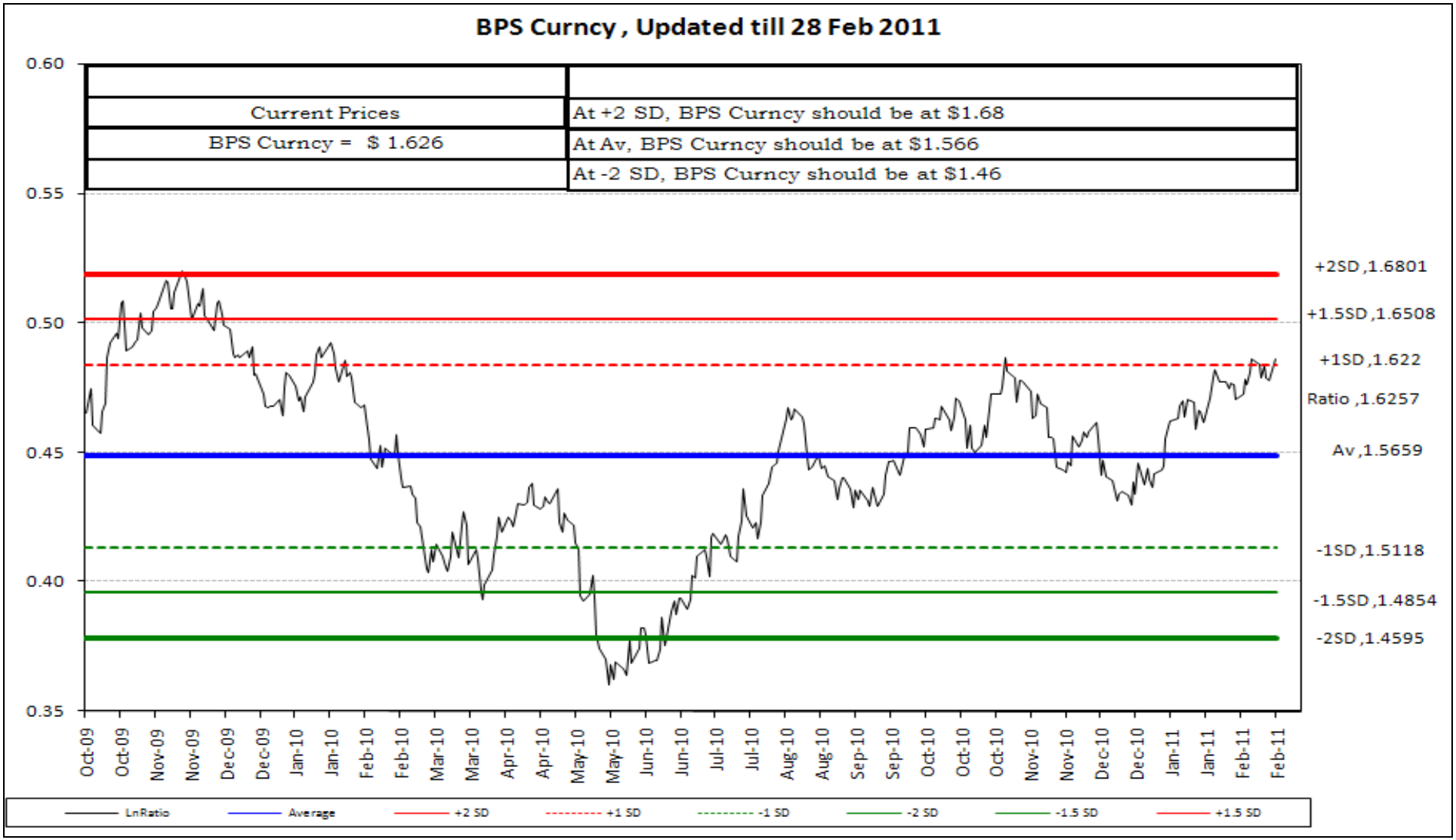
Mixed picture but GBP/USD remains on the upside for the moment. the break of 1.63 resistance suggests that recent rally from 1.53 is resuming to 1.66 next. On the downside, though, break of 1.60 support & 55 DMA will indicate that a short term top is at least formed and bring deeper pull back. (Stops on either side for risk management)



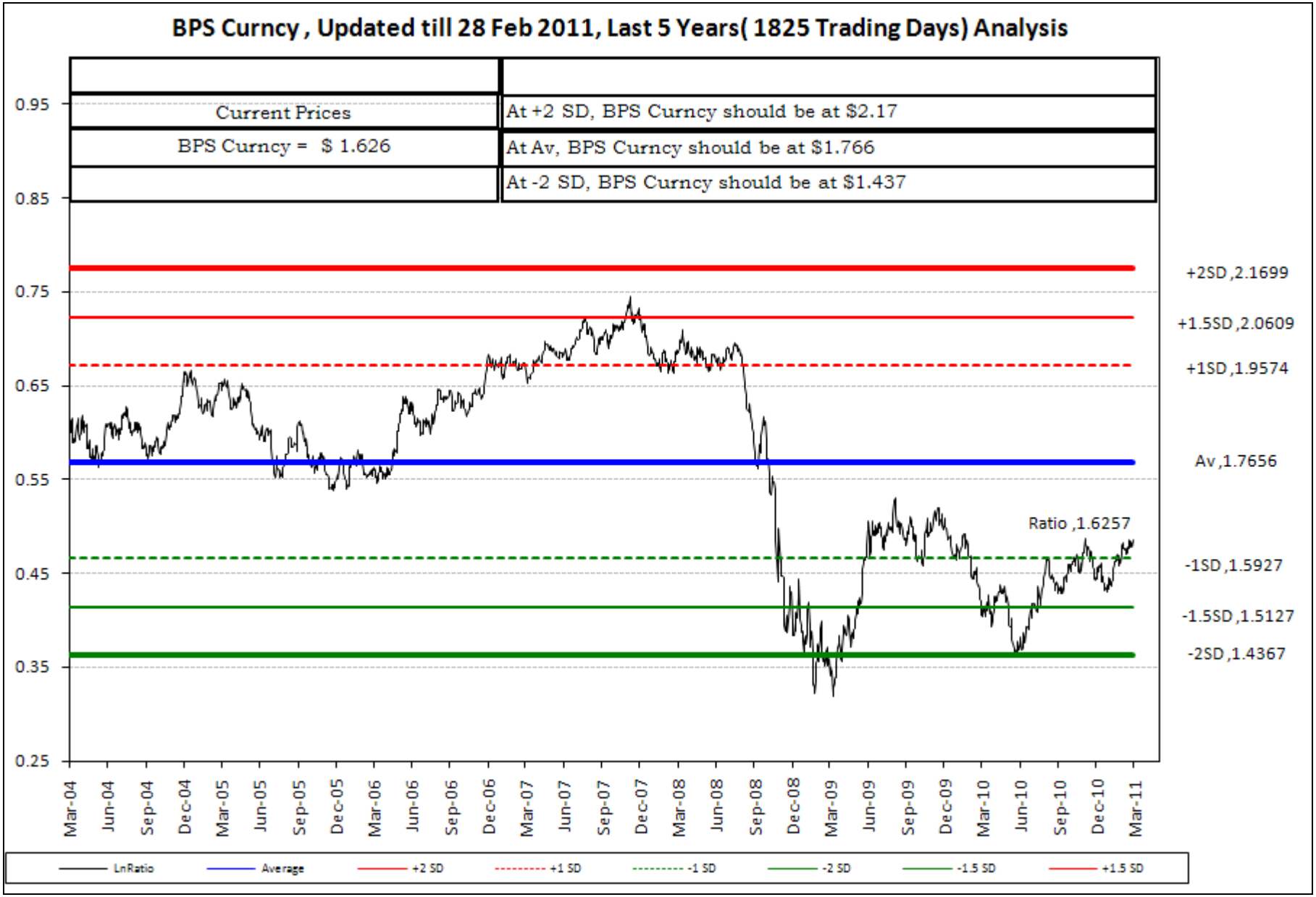
3 - GBP / USD – PEC Analysis - Intermediate term

GBP -USD Our PEC –D @ 618 comes in at 1.63 correctly predicted from last RESEARCH NOTE but due to technical problems chart was accidently deleted last minute. (No onviction on GBP / USD by this method)

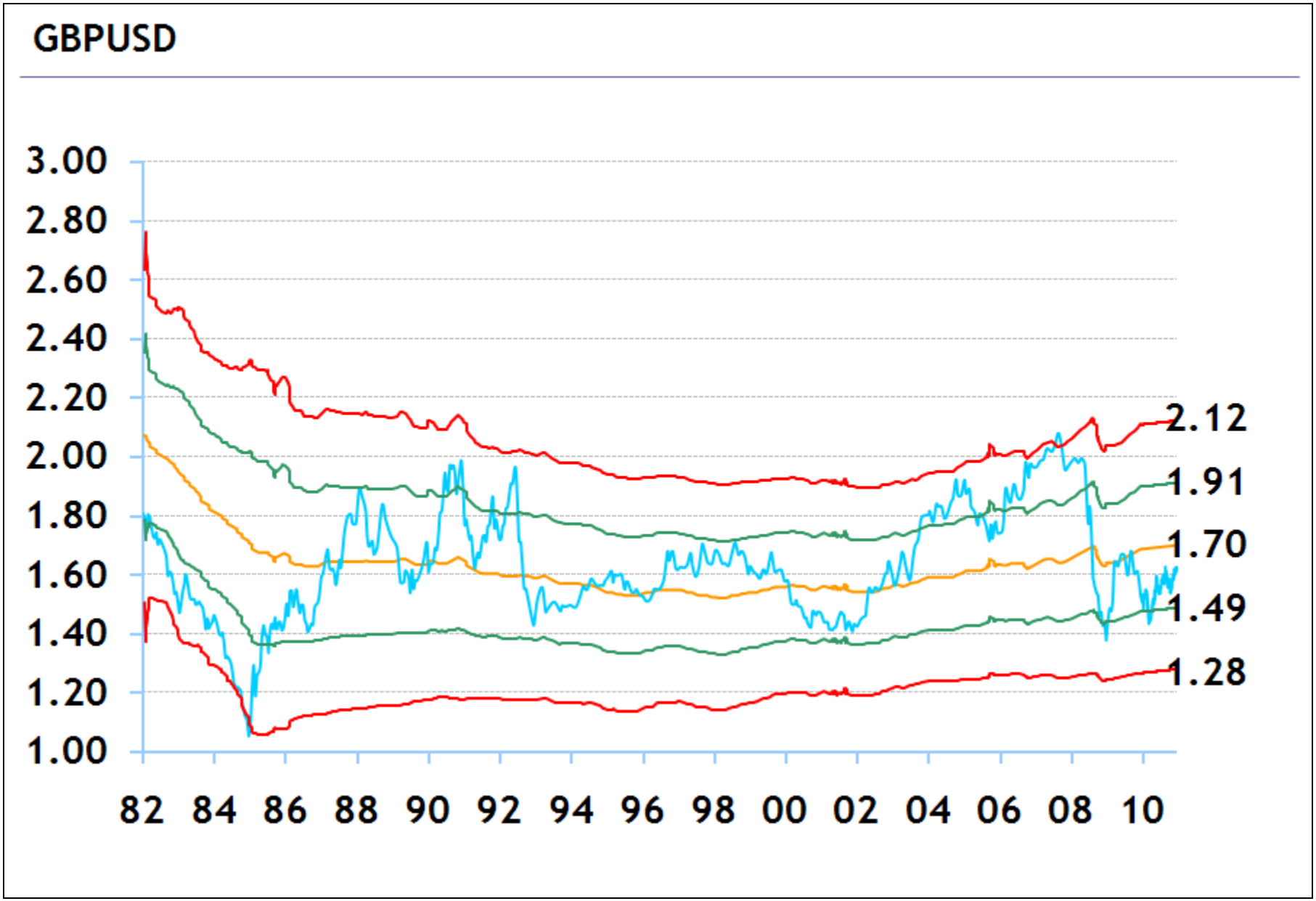
BPS Last 365 Analysis



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)

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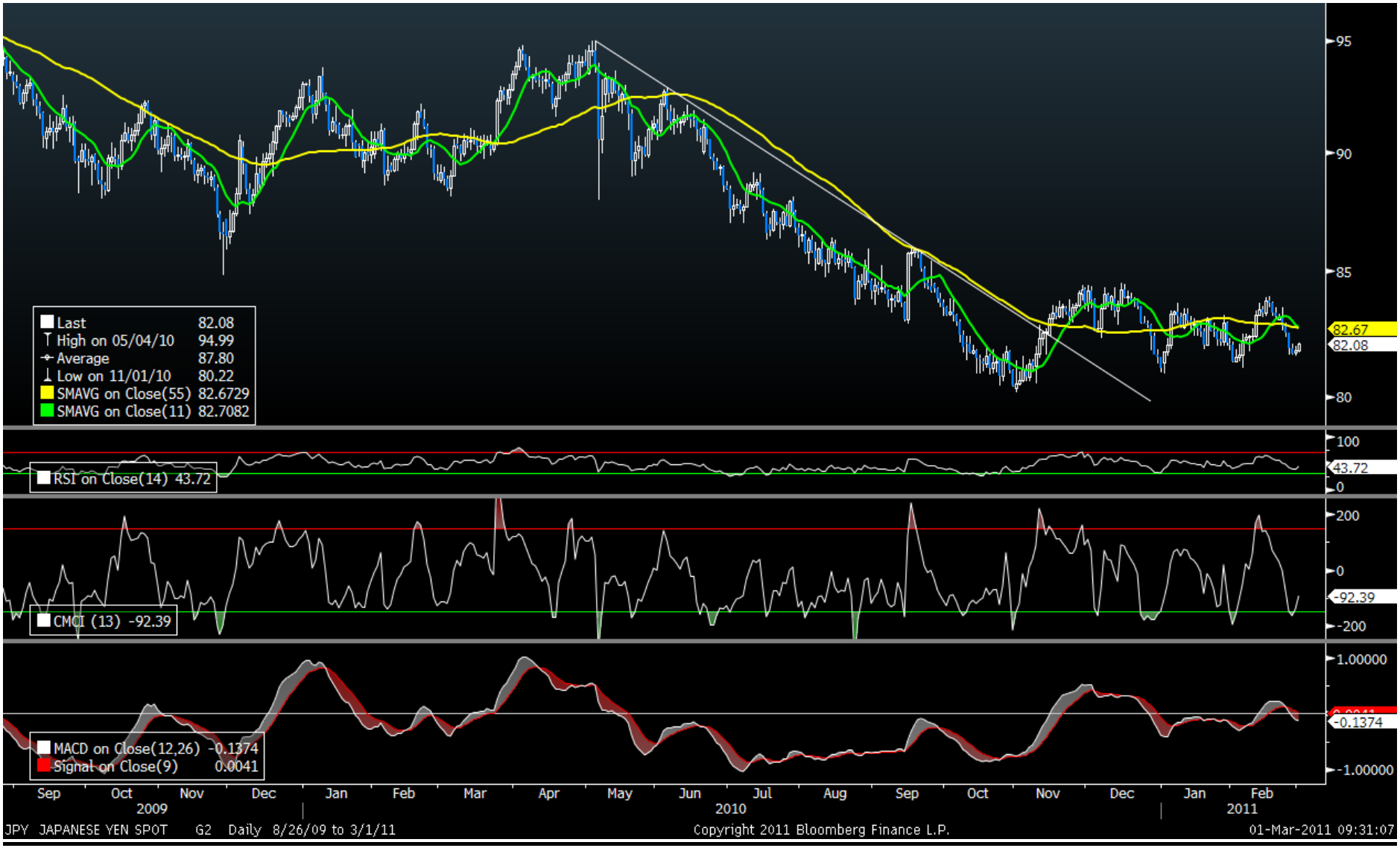
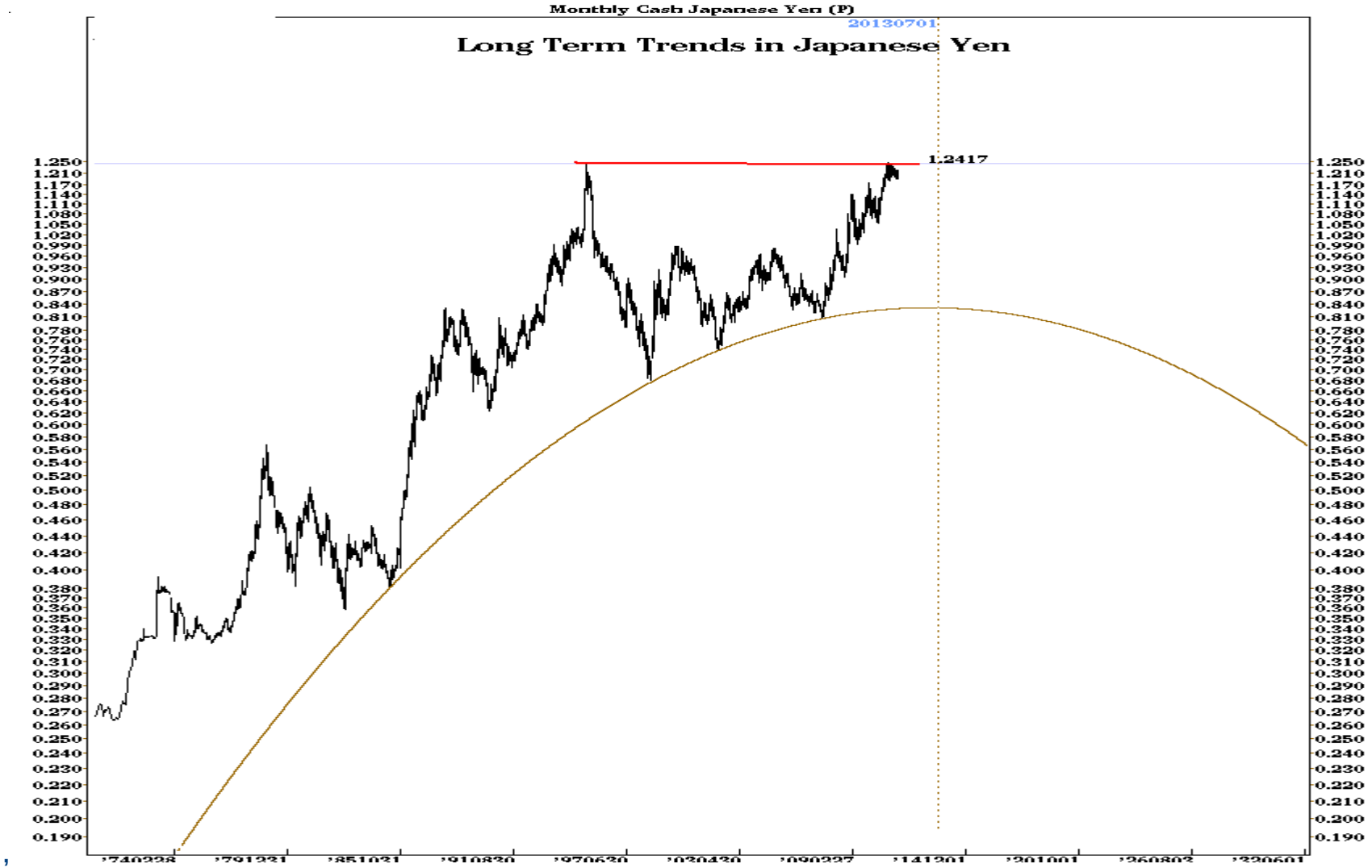


YEN - Long Term - BIGGER PICTURE

The Yen is topping on a long term basis. Although long term its faltering. There 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. Tremendous Long term potential, double top of this magnitude has very high significance.

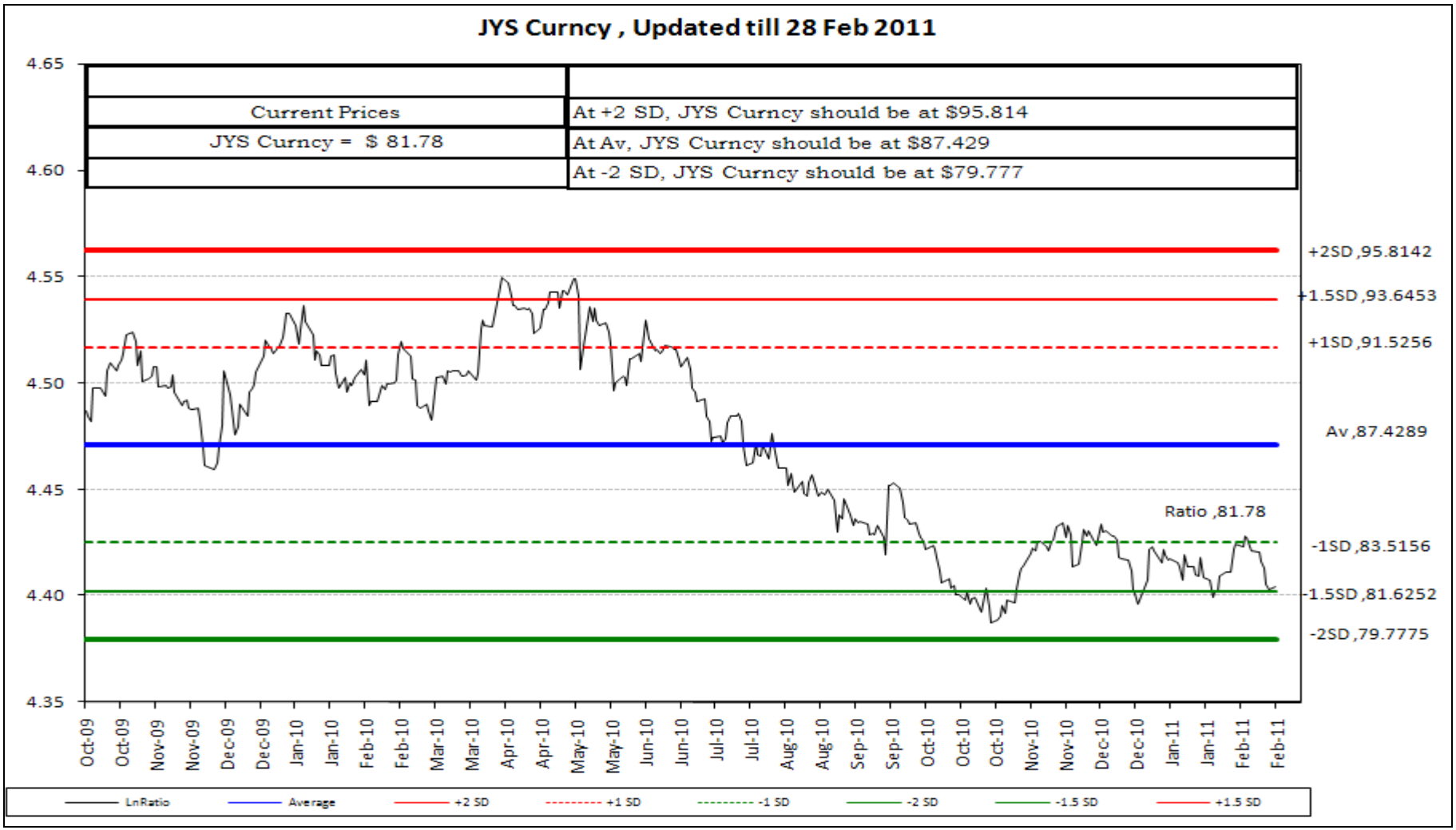


YEN - Analysis

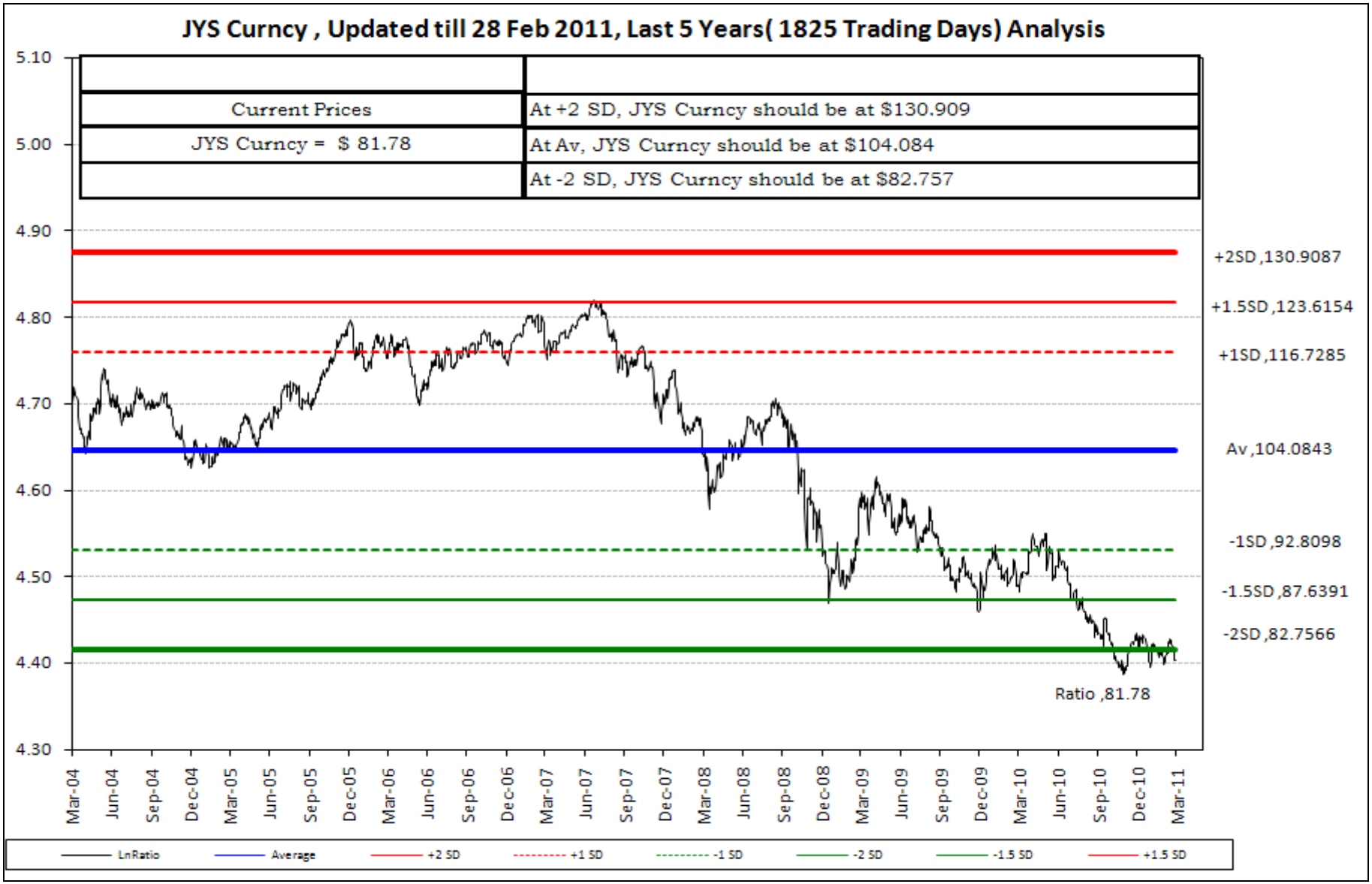
USD/JPY's , recent Triangular consolidation is still in progress and should hold. Some more rise could be seen but 83.96 should represent strong limit upside. ON the downside, below 81.60 will turn bias back to the downside for 80.90 support first. RSI is oversold.

Although Long term this will make a big move but Short term use stop around those key break Numbers.

JYS Last 365 Analysis



JYS Last 5 yrs Analysis



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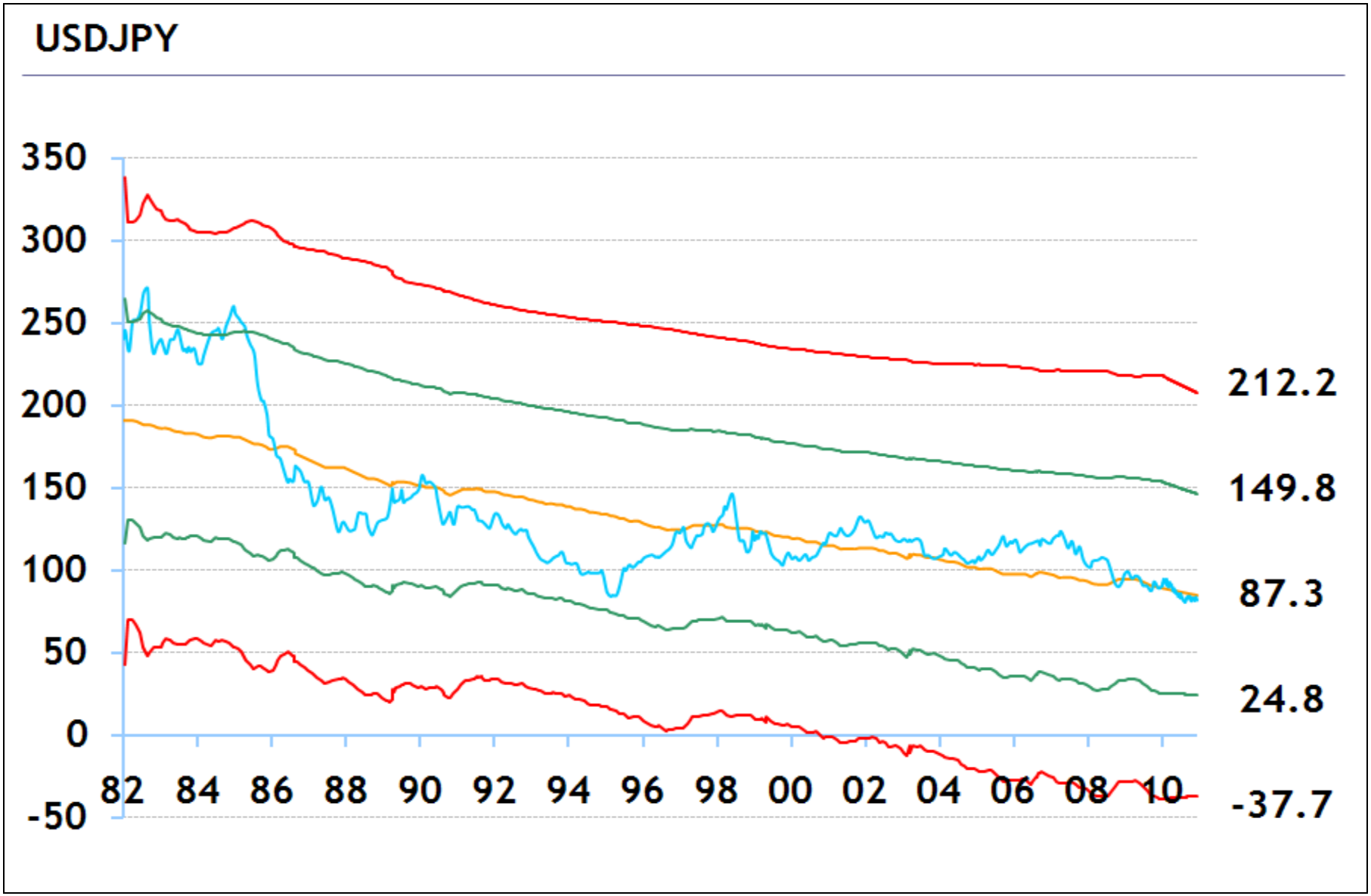
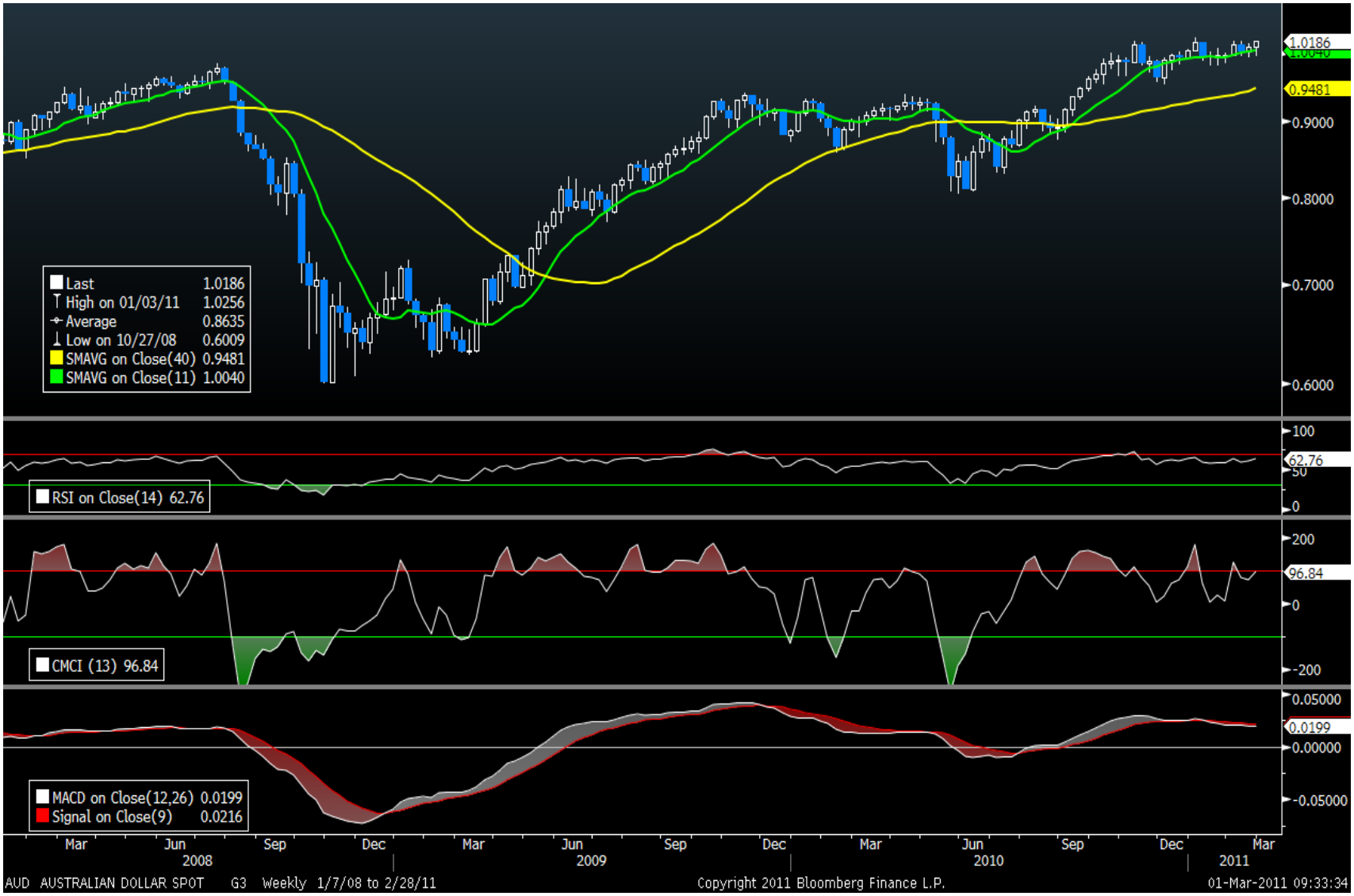
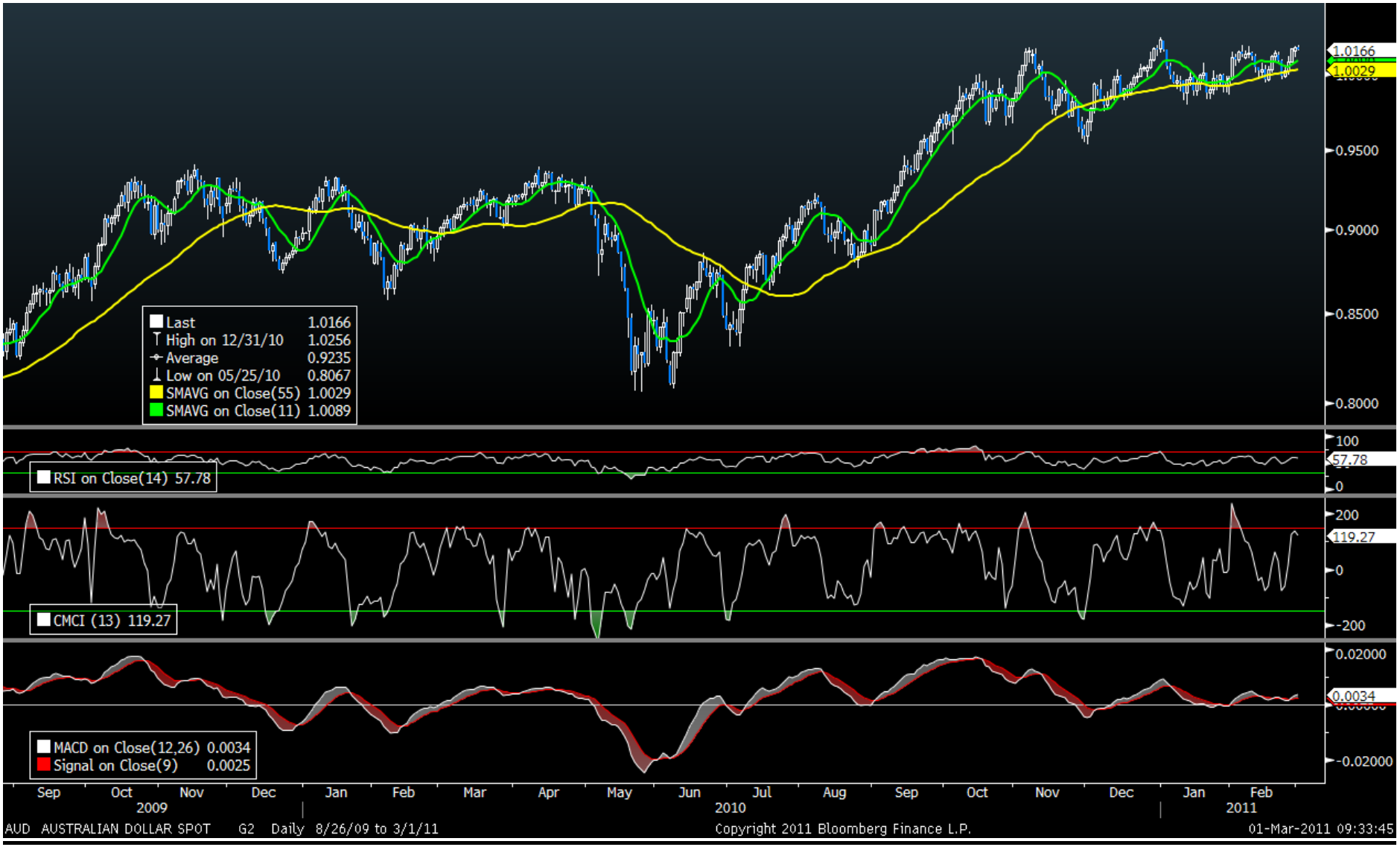


1- AUD / USD - Weekly – 3 Year with RSI, CCI, MACD (11 W / 40 W SMA)

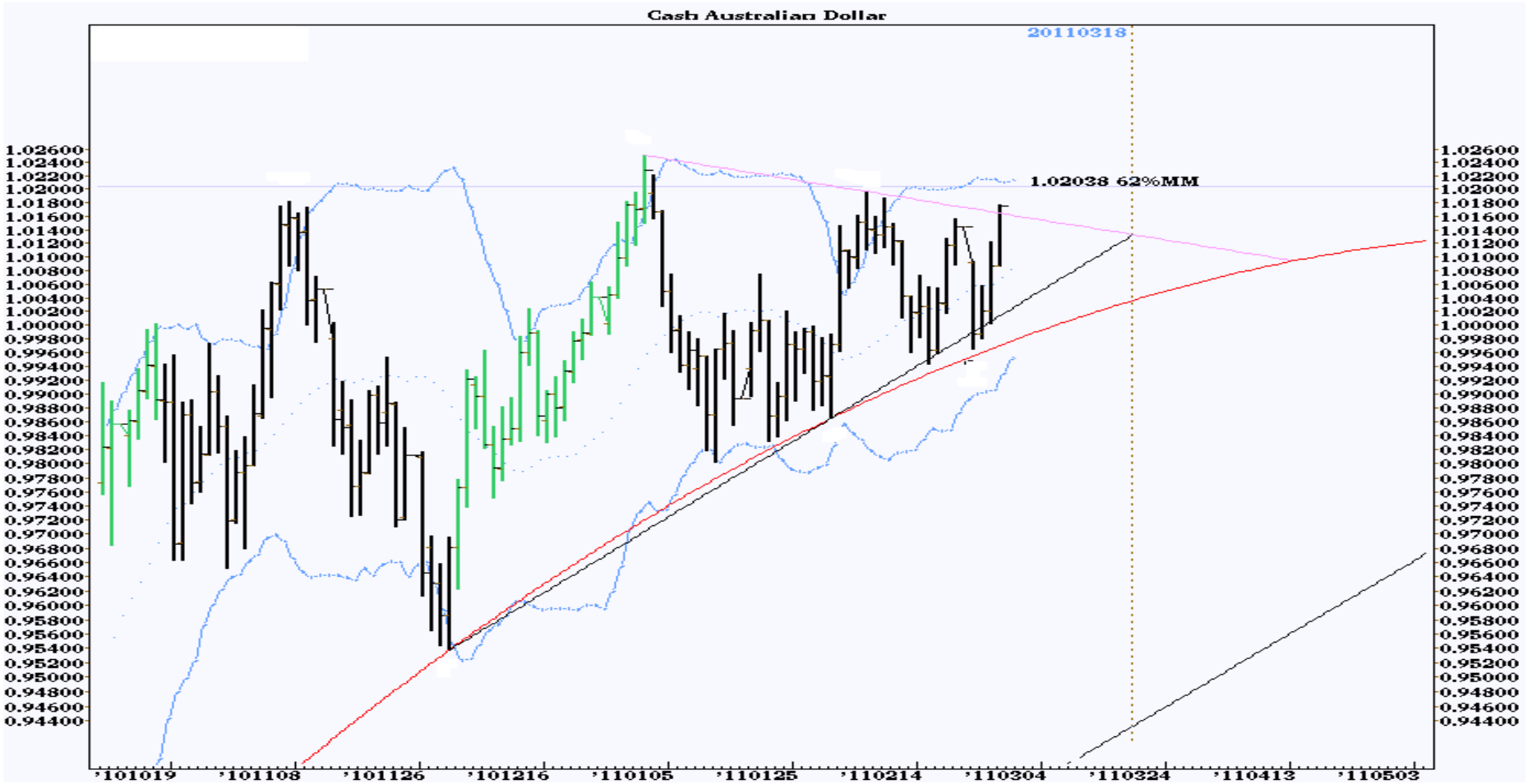


AUD / USD - Daily – 3 Year with RSI, CCI, MACD (11D / 55D SMA)



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 before end march . No breakdown yet, but signs of rolling over a top are clearly evident . When the breakdown does come, the downside potential will be extremely strong below poly trend curve at 99.

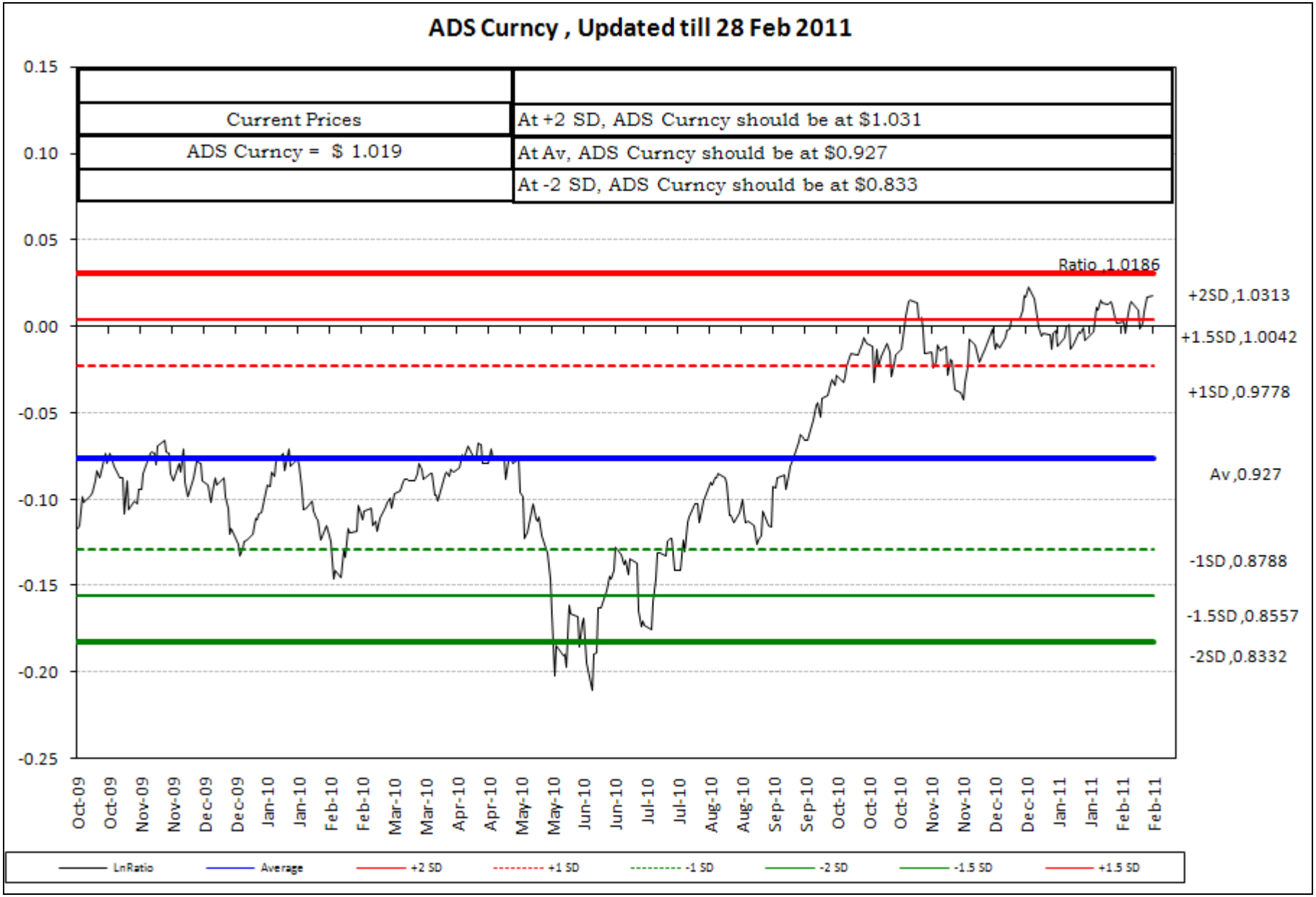


1 - AUD / USD – POM Analysis

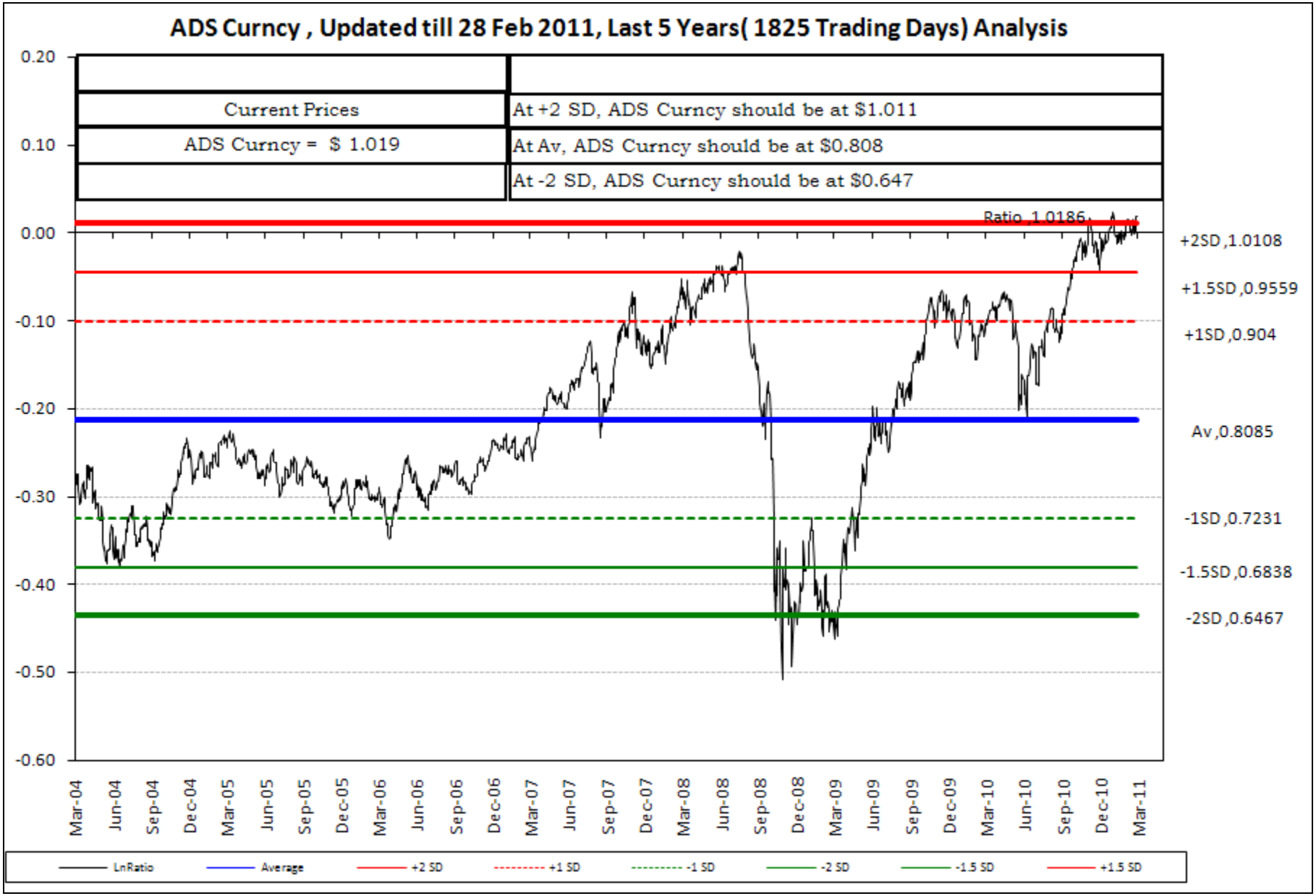
AUD/USD moved to 1.02 but failed to sustain suggests the beginning of thrust rally . Another efforts will be made . Mid term upside momentum is clearly seen diminishing with bearish divergence condition in daily MACD, but still drawing strong support from 55 DMA. Recent THURST will target another high above 1.02. On the downside, break of 0.99 support is needed to be the first signal of topping to 95 based on bearish wedge .

Although Long term this will make a big move but Short term use stop around those key break Numbers.

ADS Last 365 Analysis



ADS Last 5 yrs Analysis



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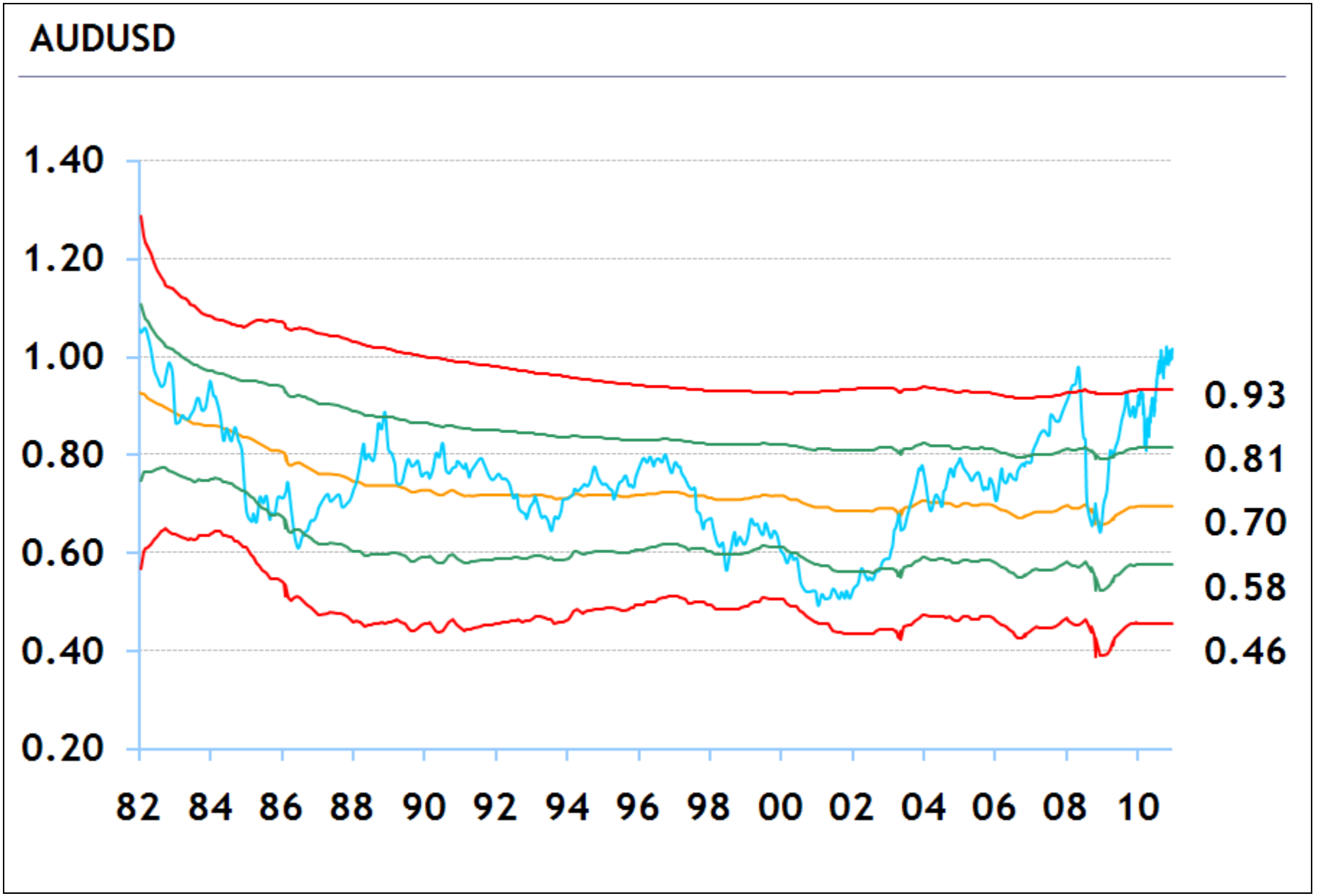
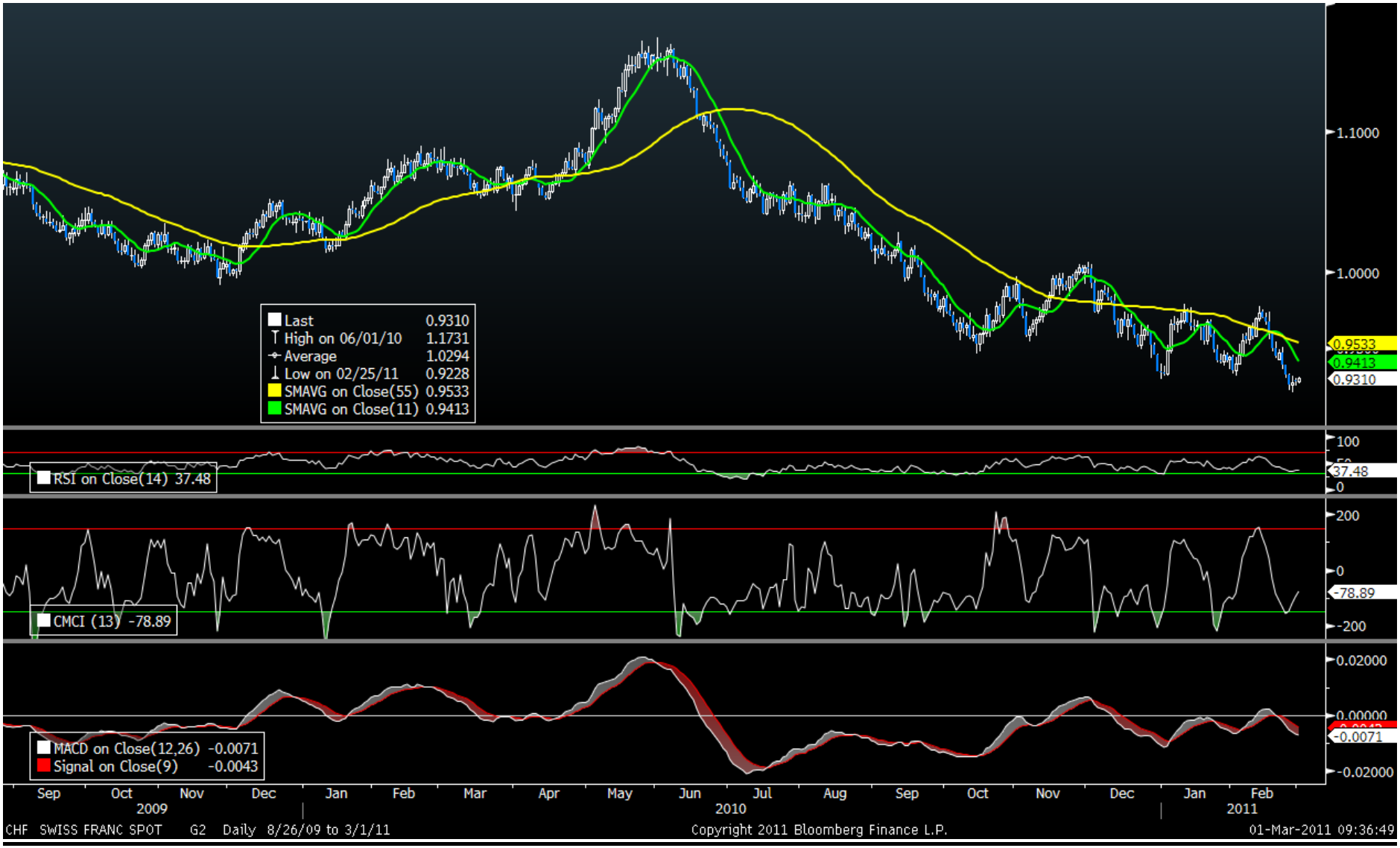


1- CHF / USD - Weekly – 3 Year with RSI, CCI, MACD (11 W / 40 W SMA)

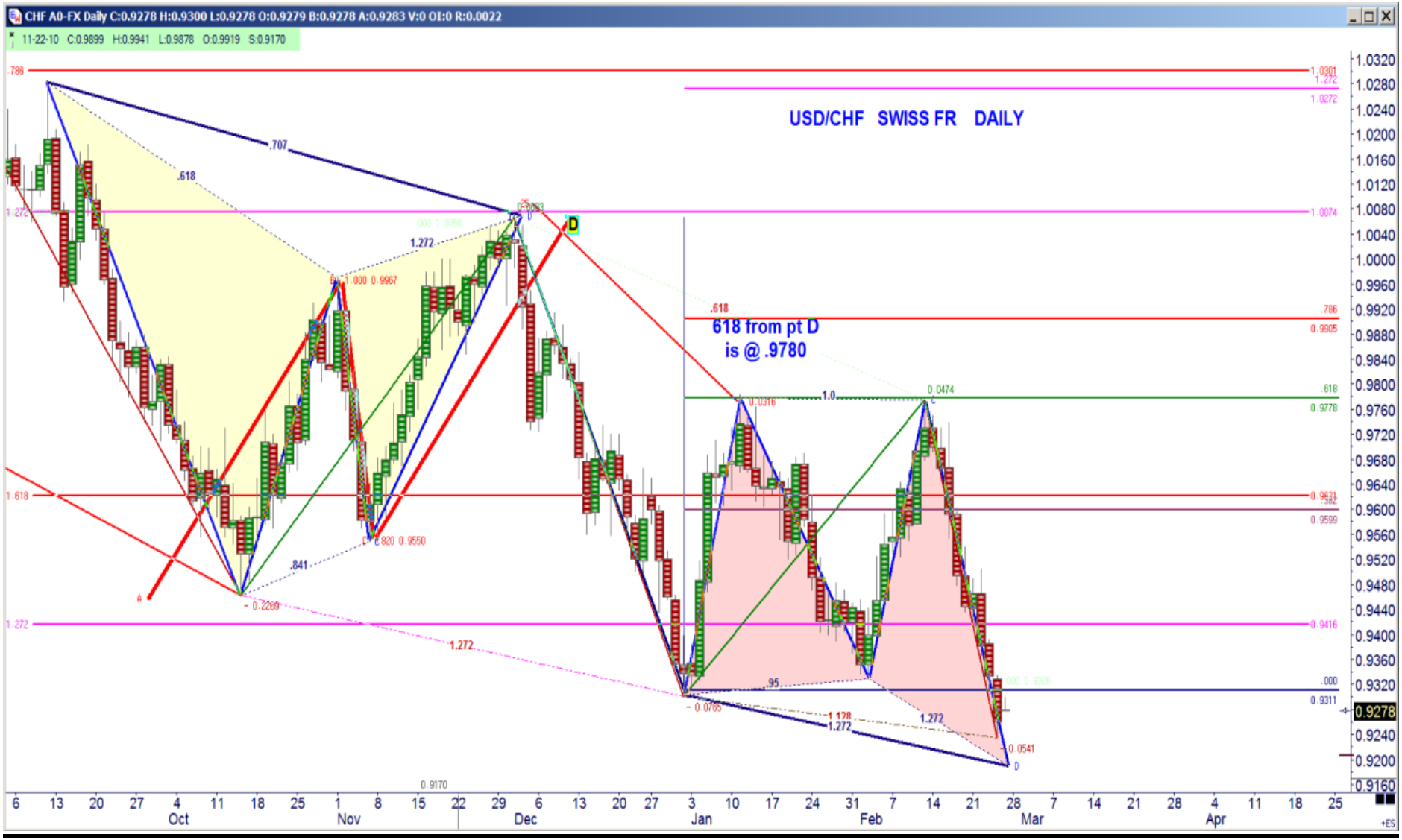
2- CHF / USD - Daily – 3 Year with RSI, CCI, MACD
(11D / 55D SMA)



JPY / USD – PEC Analysis -

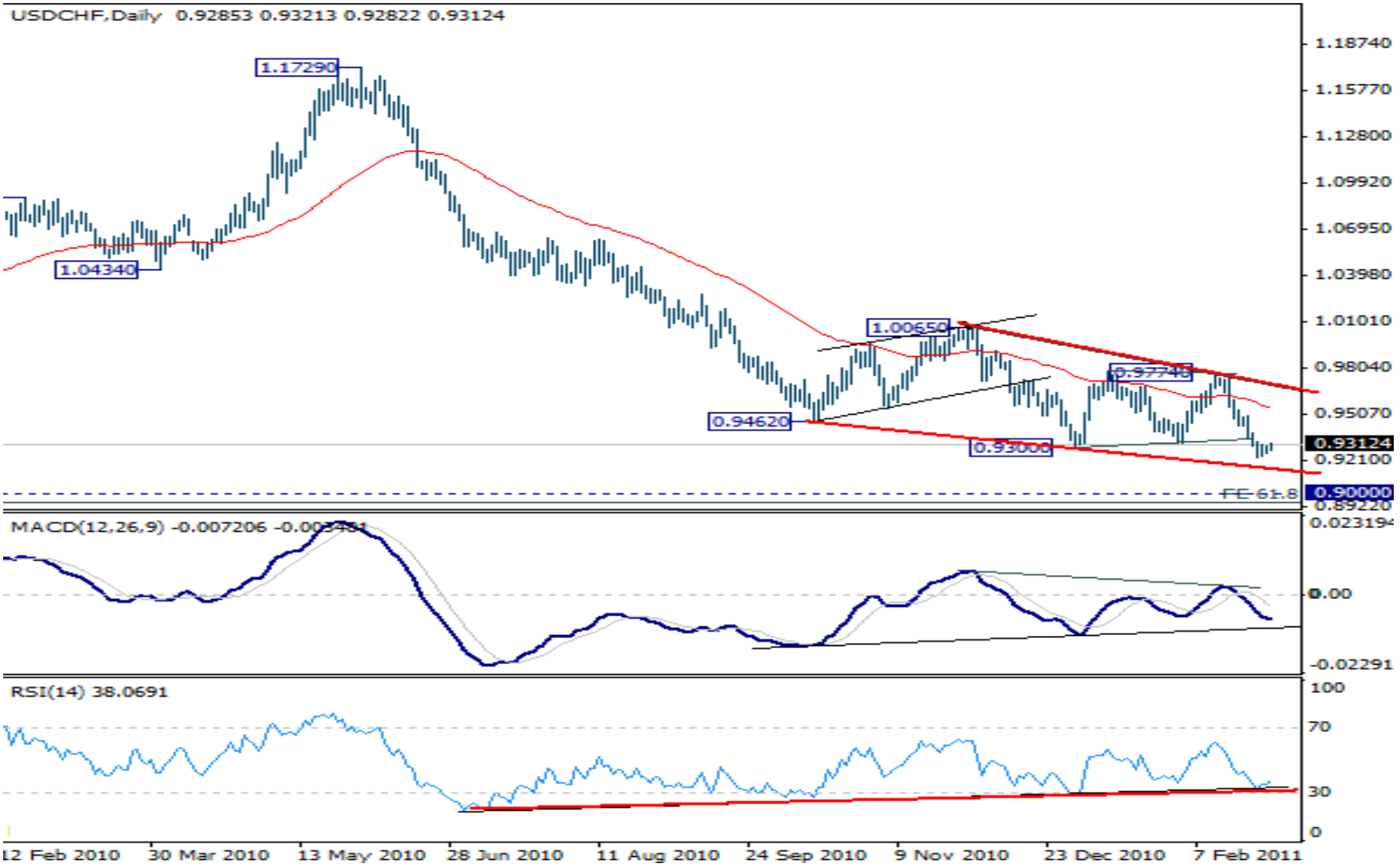
Reaching PEC D @ We reached our retracement target 92 @ 0. 27 as we had indicated . This looks like good opportunity on Risk reward for rally to 96 first

Although Long term this will make a big move but Short term use stop around those key break Numbers.

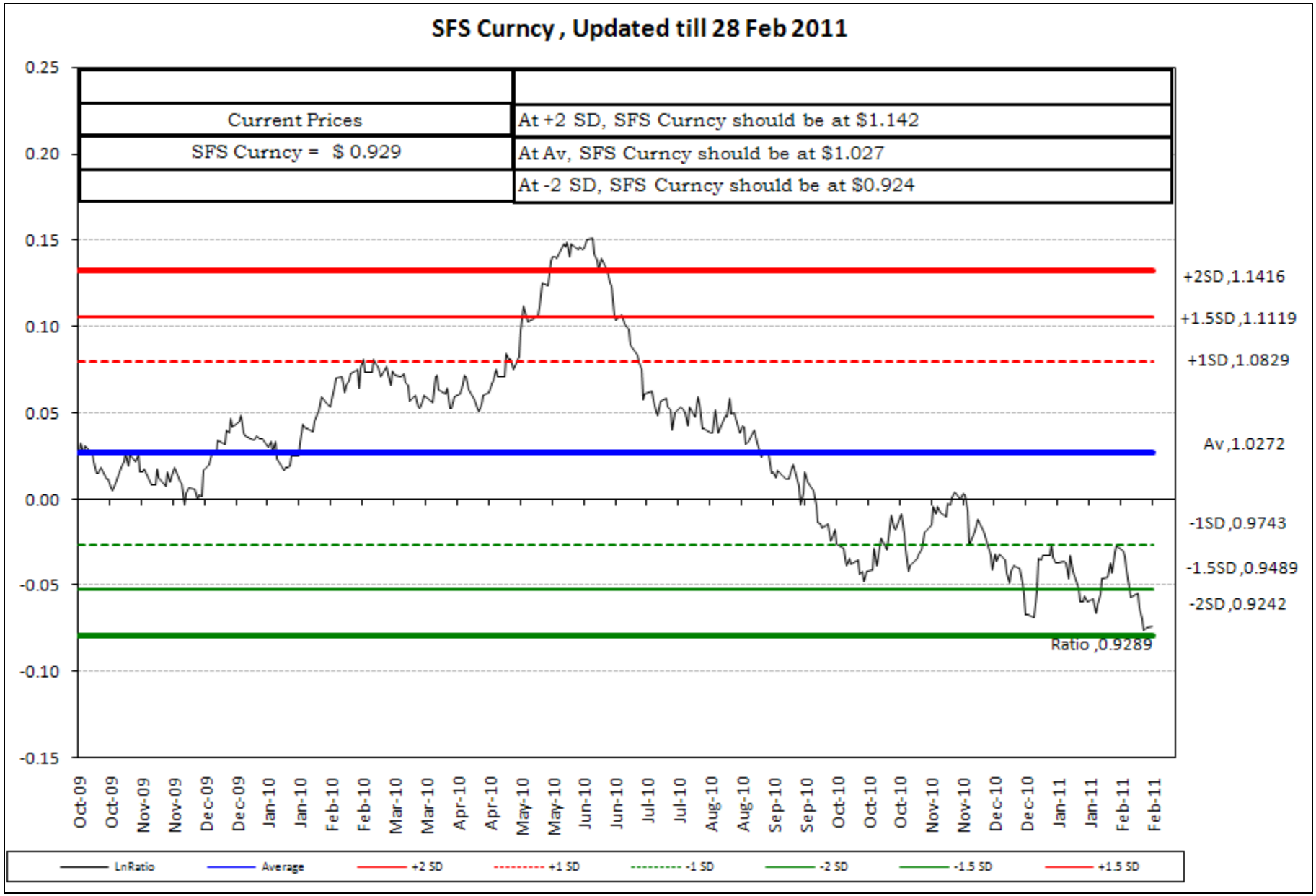


2 - CHF / USD – Analysis – (Tech)

USD/CHF's consolidations is still in progress and more sideway would be seen above 0.93 low. Though, upside is expected , the break of 0.91 should be watched for . But certainly looks like decline wedge with RSI Diverging bearishly



SFS Last 365 Analysis



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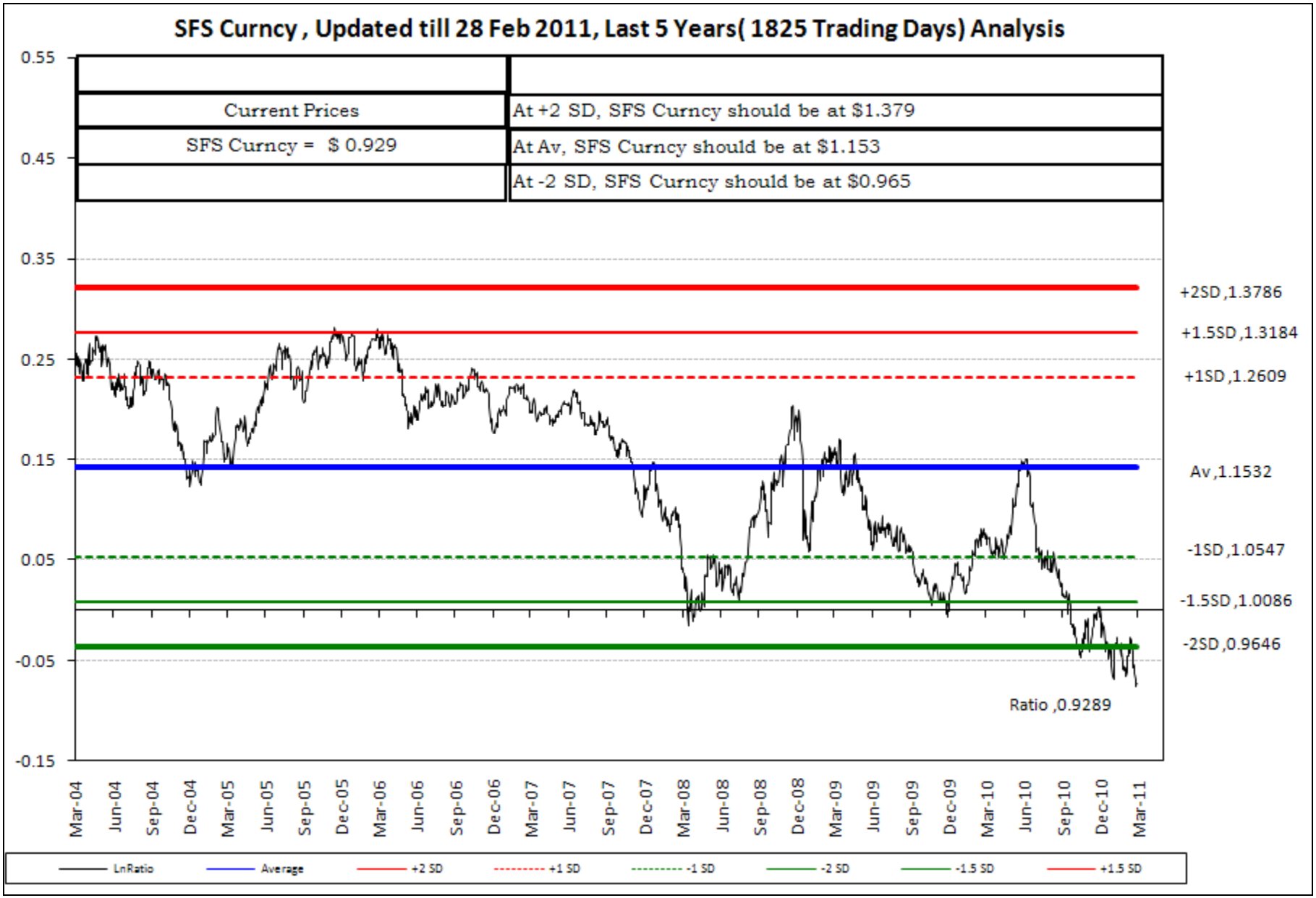

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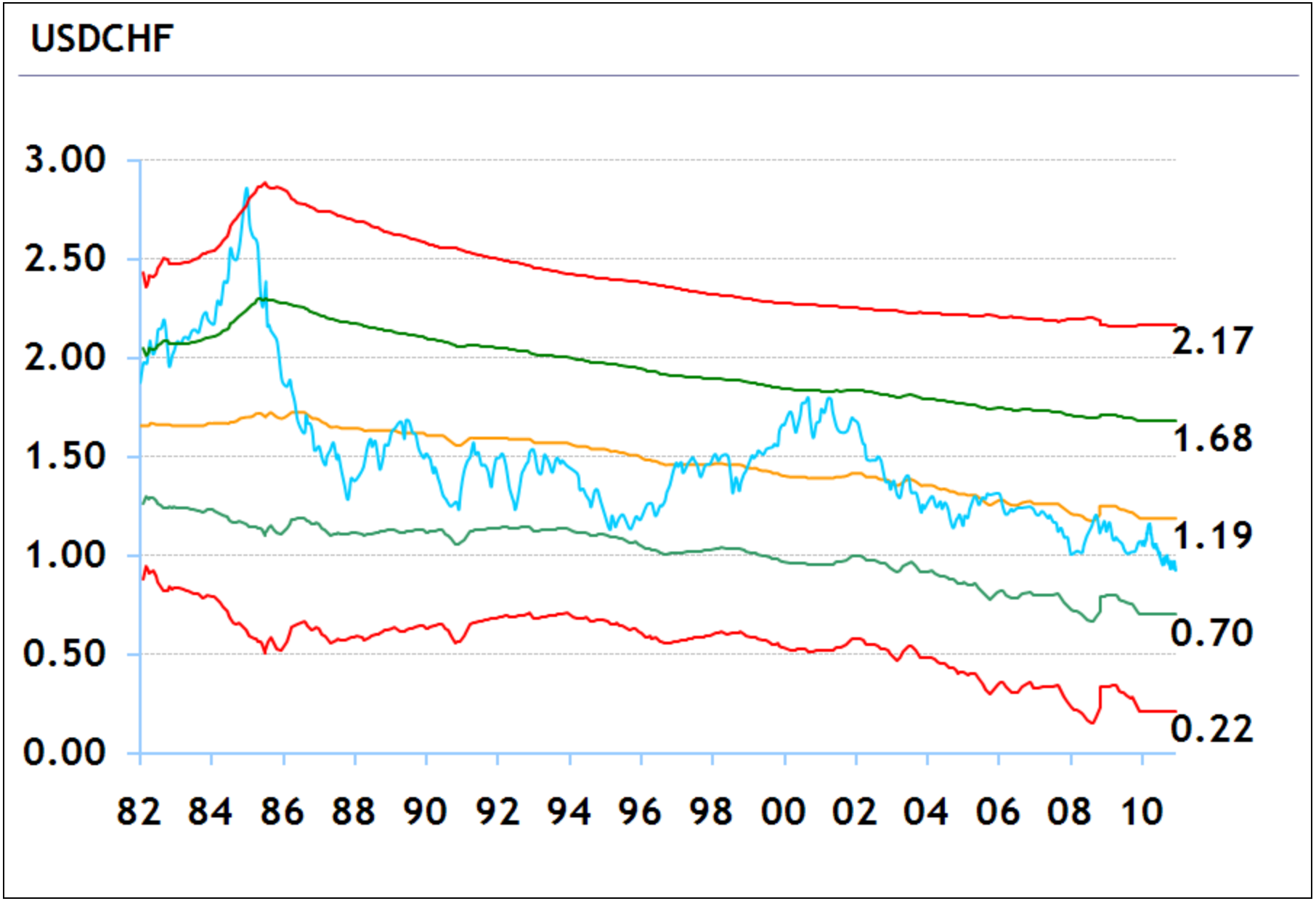
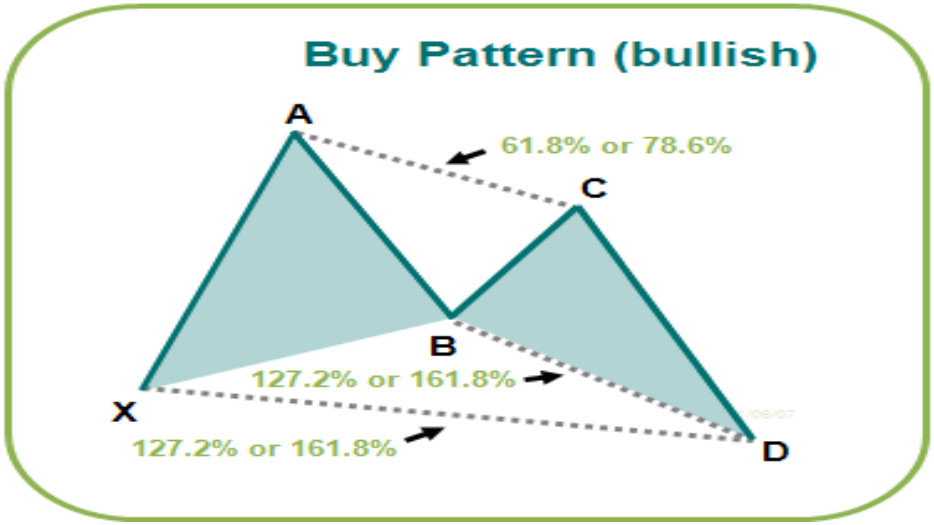


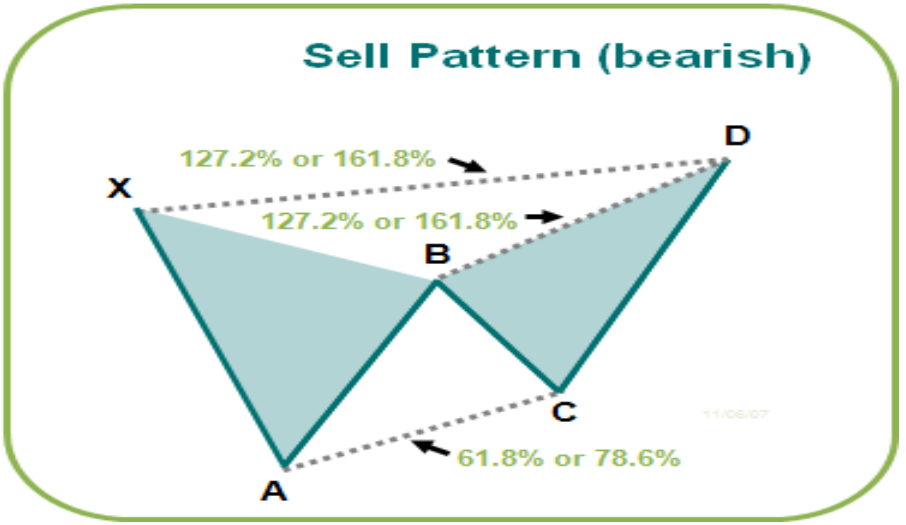
Pythagoras Expansion / Contraction – (PEC) Model

- 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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