



# SG Capital Research

Global Market Insights

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

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

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

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## **Currency Analysis ( B)**

- **SPX & GLOBAL MARKETS ( Special situation)**
- **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, Currently Retracement in progress to 77 +/- - **retesting zone**
- 2 EUR/USD – Triggered PEC D @ 1.40, Mid term objective to 1.20.  
First price objective achieved at 1.30, Currently Bounce to 1.34 -1.36 - retesting zone ( **Extended** )
3. BGP/USD – ( No Signal ) POM 14 / PEC D @ 1.63 but no conformation by other Methods.

### • GR – (2) - AUD, CHF & JPY –

1. JPY/USD - Triggered PEC D @ 82 Mid term objective to 88  
First price objective achieved 84.50, Currently pull back in Progress to 82 +/- - **retesting zone**
- 2 AUD/USD - Triggered - PEC D @ 97. Mid term objective to 91  
double topped , potential thrust but then target to 95
- 3 . CHF / USD – Trigger PEC D @ 92 – Mid term Price objective to 1.00  
Now looks attractive for reversal, then target to 96

## • Global Markets

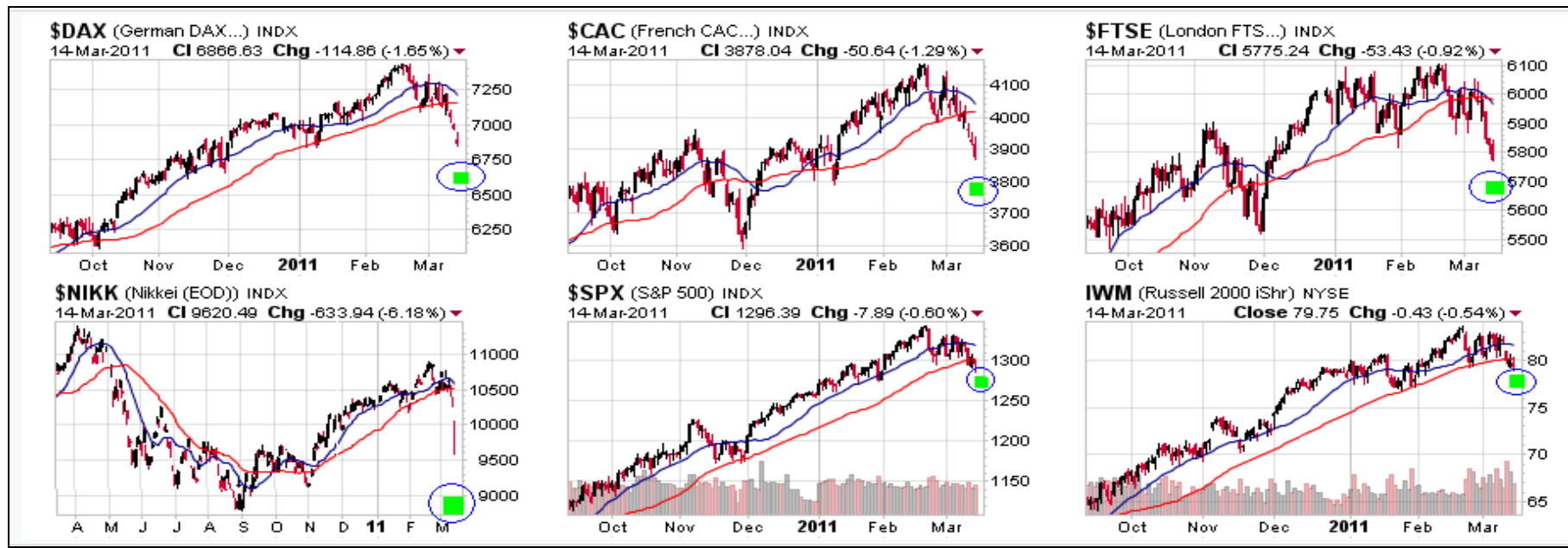
To see the impact of Earth quake on global markets, Charts below are the Developed Markets. Indicated in Green ( I have not shown any calculations of CZ's to keep it simple) These green are the areas where there is different kind interim CZ 's ( 1 to 4 scale) . and their potential price targets.

DAX, CAC, FTSE are at CZ 2 Type Level

NIKKE is at CZ 3 Type levels – ( POM 13 area on rejection)

SPX, IWM are at ST - CZ 1 Type Level - As Indicated in yesterdays MS. Details... Today we might get there into CZ as stated

- In SPX we were looking at 1270 – 1280 & ( volume to lighten up to 220M)
- IWM we were looking at 77-79 and volume to lighten up to 72M , **volume picks substantially compared to test volume stated then we could just have lighter bounce ( Today is critical as it enters our CZ – 1 Today )**
- Today's Gap away into CZ -1 could take energy out of the market especially if we get the right reading on market internals.
- ( As noted in our MS – our CZ 2 Target for SPX is 1220 and IWM 74).



- **Currency Insights**

- *Currency market is at the center of attention as all eyes will be on the Japanese yen.*
- *Seconds after the quake initially hit, the yen had already strengthened against the U.S. D approaching the level at 80.*
- *If we do drop below 80 in the USD vs. JPY, it has the potential to go much lower. However, we do believe 80 to be strong t, even in the face of the quake.*
- *The dollar index, there should be strong support in the 76-75 range.*
- *It just seem strange that Middle east crisis and Quake such bad news is good news for Gold and it could potentially drive Gold to moon but did not currently at 1405. It triggered POM 14 re run at 1430 ( GLD 139.5). GDX triggered Signal at 59.5 and SLV did not other then the fact that it would move in tandem with GLD move .*
- *On Euro – ECB last time raised interest rates, the euro plunged. This time Trichet's "code words" have been interpreted that he will raise rates in the near future. So, we may have confluence of fundamentals and technicals which confirm the top we're looking for in the euro.*
- *Aussie - With the RBA having raised interest rates high enough to slow the economy, a drop into recession becomes a likelihood with China slow down and commodity burst bubble. Most over valued currency in the world.*

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

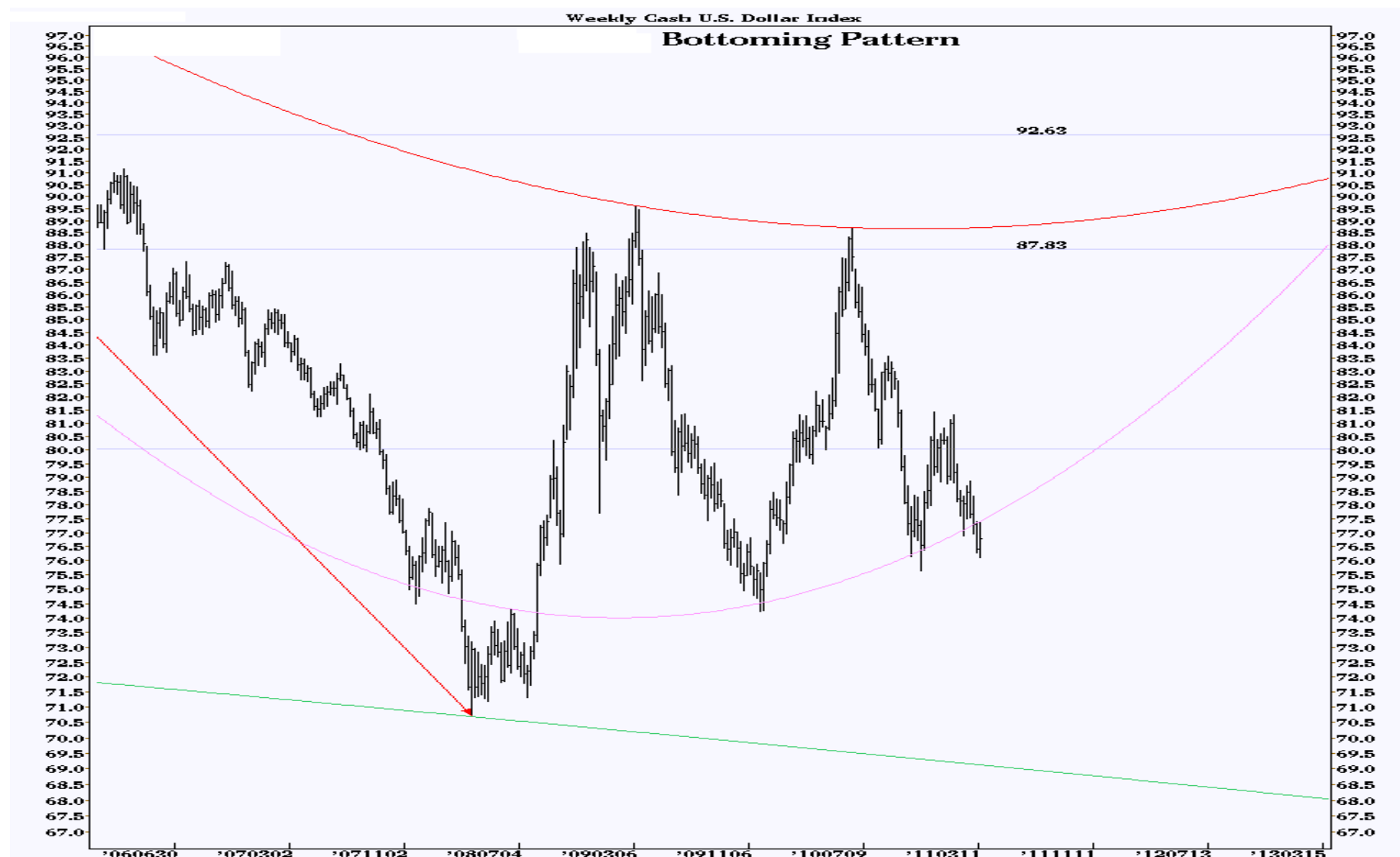


# 1- DXY - Daily – 3 Year with RSI, CCI, MACD ( 11D / 55D SMA)



## 2 – DXY Analysis - **BIG PICTURE**

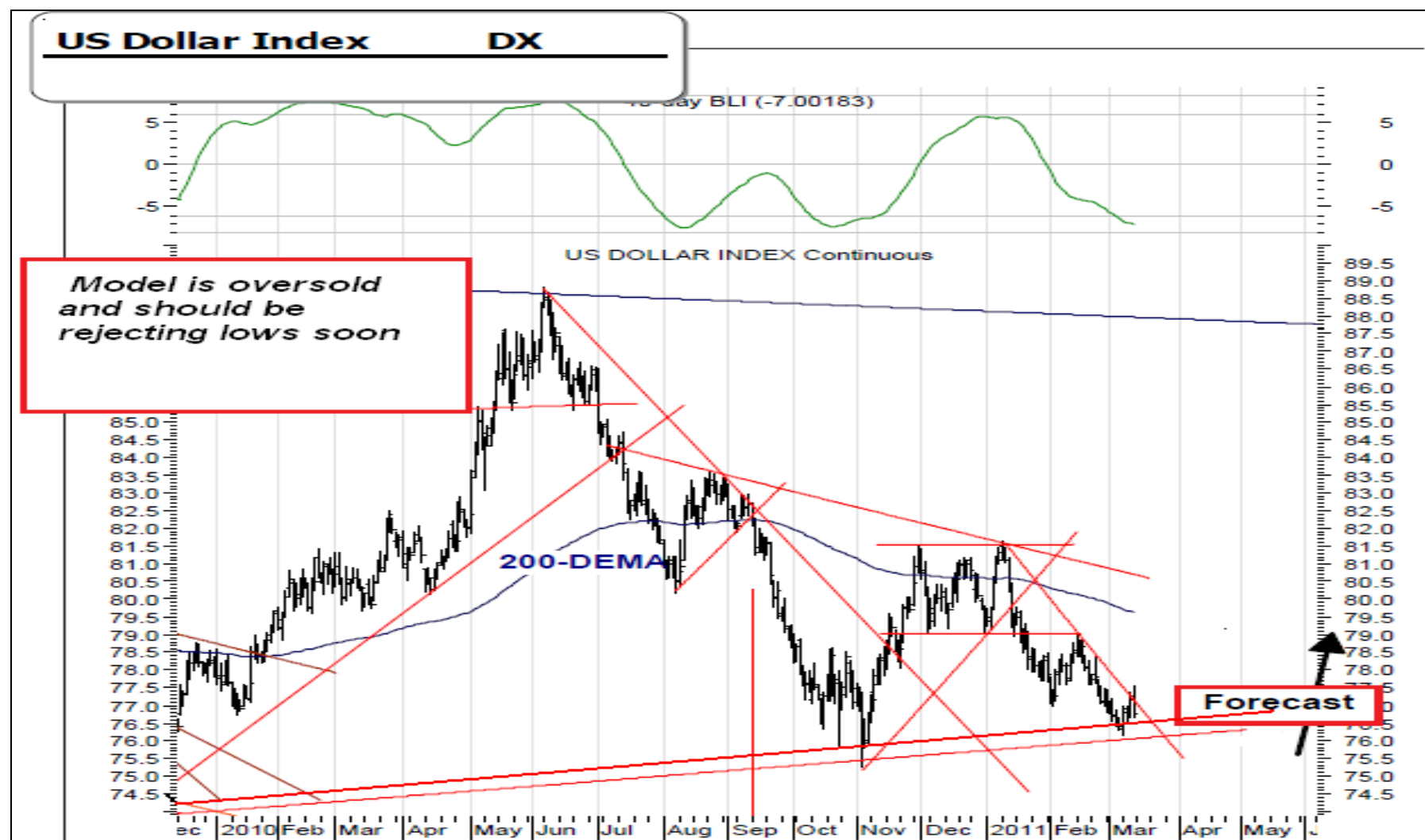
*The Dollar Index continues multi year bottoming process and waiting for the commodity bubble to burst. The next leg up is likely to be the one which coincides with the strong collapse phase in the prices of commodities. If there needs to have a blow off move in Commodity , USD will have to collapse very quickly. It might have a texture of Bear Trap on USD and Bull Trap in Commodity. Such moves tends to happen at the end and give rise to next leg .*





## 2 - USD – POM Analysis

*USD last week rejected the lows and early this week testing back again . We will 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 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*



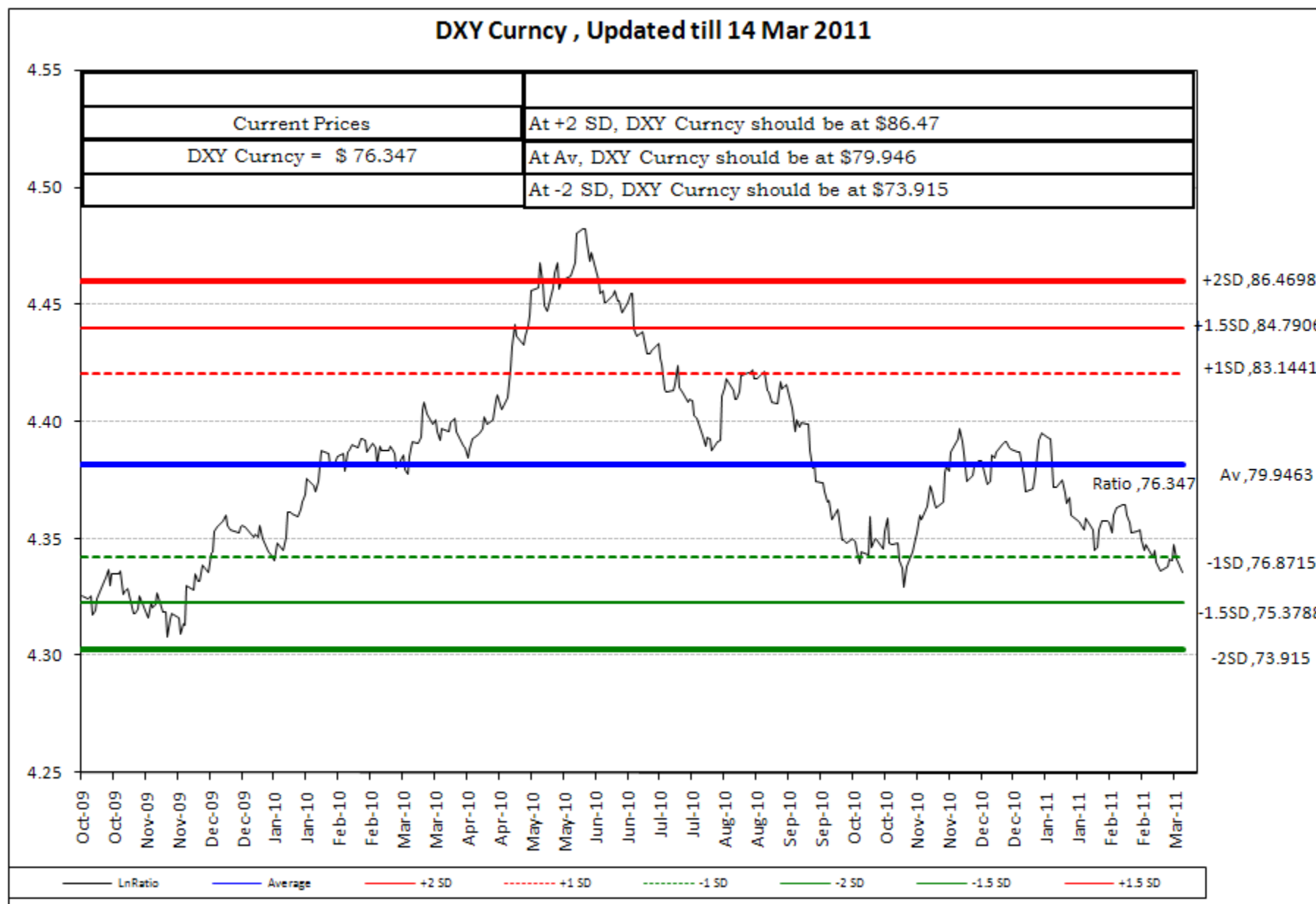
### 3 - DXY – PEC Analysis - Intermediate term

Here is last week's price pattern . the support should hold at 76. 50 ( dipped slightly below) 618 / 786 level of last lows and it is hitting lows with few contracts on downside .

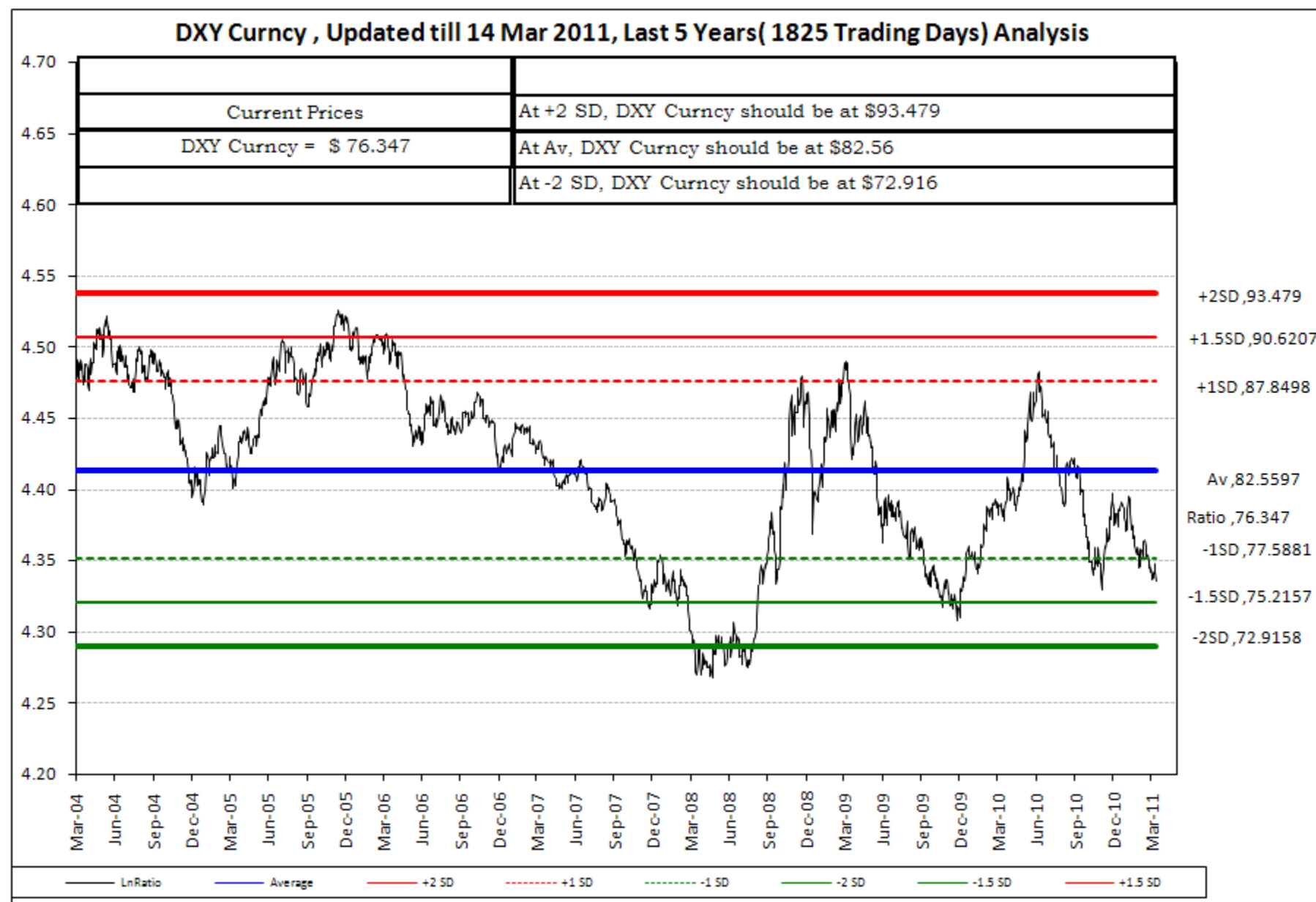
**By PEC D Method, The bottom D point was at 77 and it was tested several times, in bullish fashion. Although reached a first target point of 81. The next leg up could come to till potential resistance at the 0.618 level at 85.00. BULL MARKET continues.**



## 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)



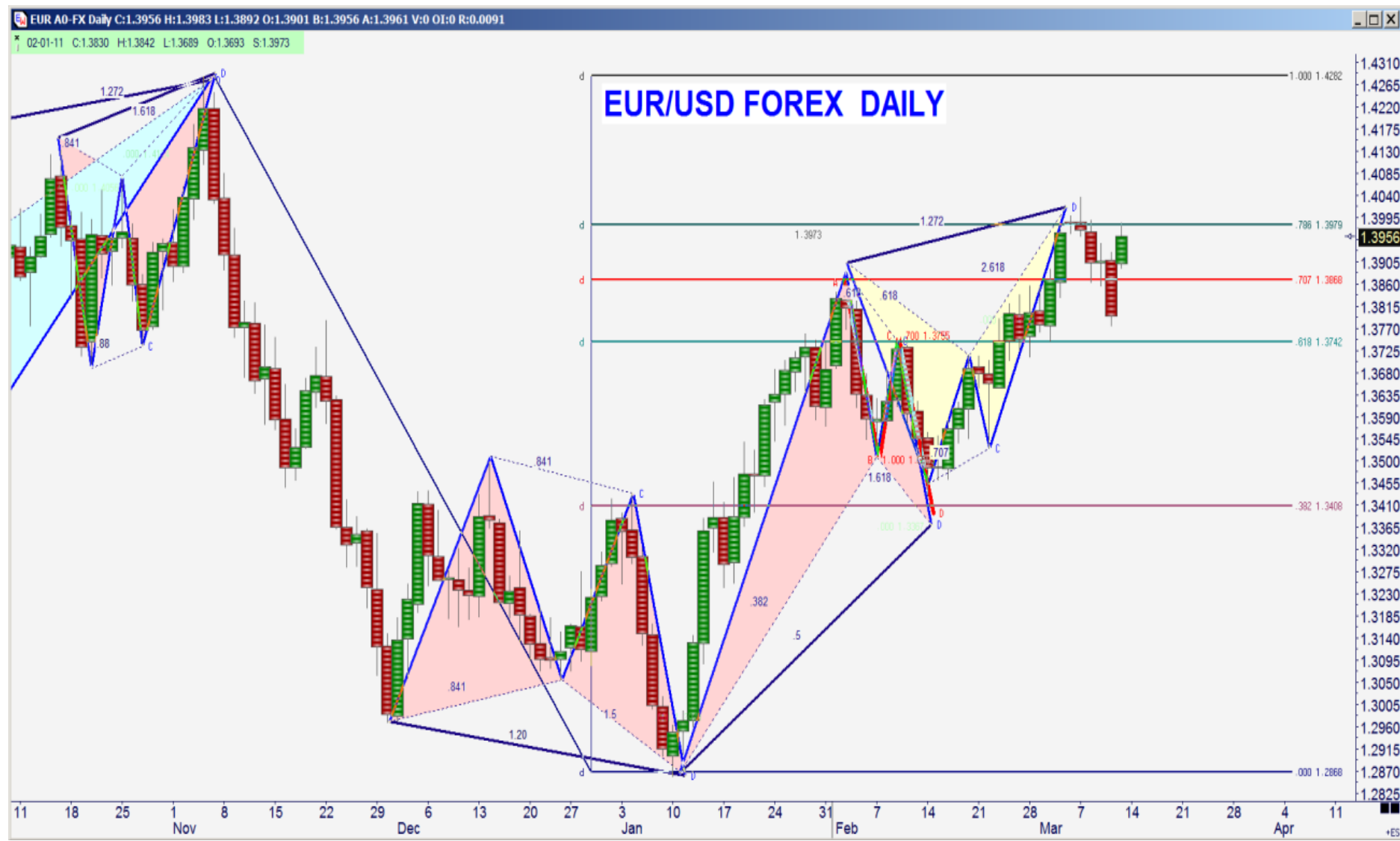
## EURO - POM Analysis – **BIGGER PICTURE**

*EURO past our retracement Target of 1.36. However it went into the CZ we indicated in our earlier message. Once the bounce is over we should wait for next signal on downside.*



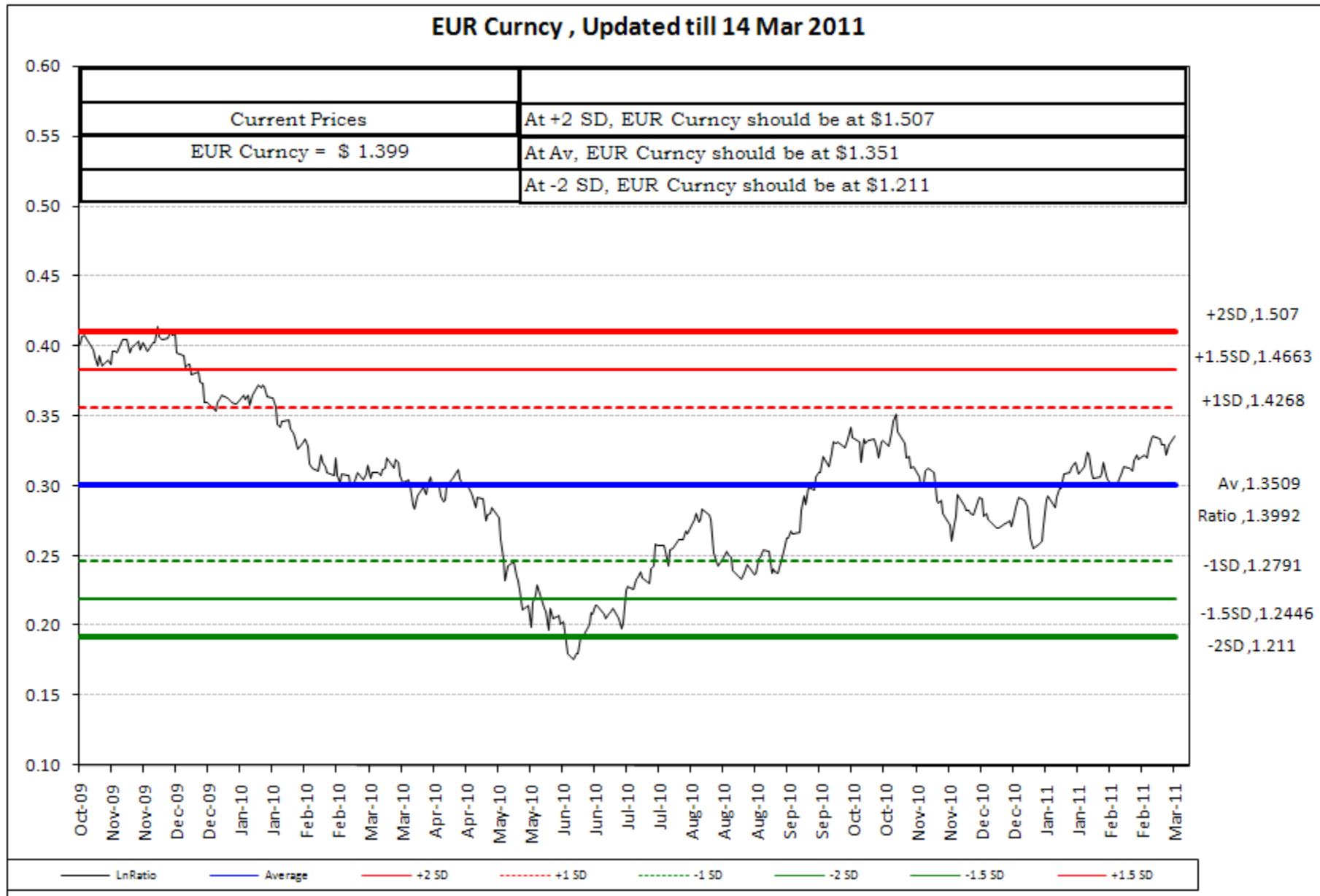
### 3 - EURO / USD – PEC Analysis - Intermediate term

*By PEC D Method, the bounce came in to 0.618 to 1.36 was met and exceeded to 0.786 which is quite toppy. we could very well be setting up next leg down if it fails at this level.*

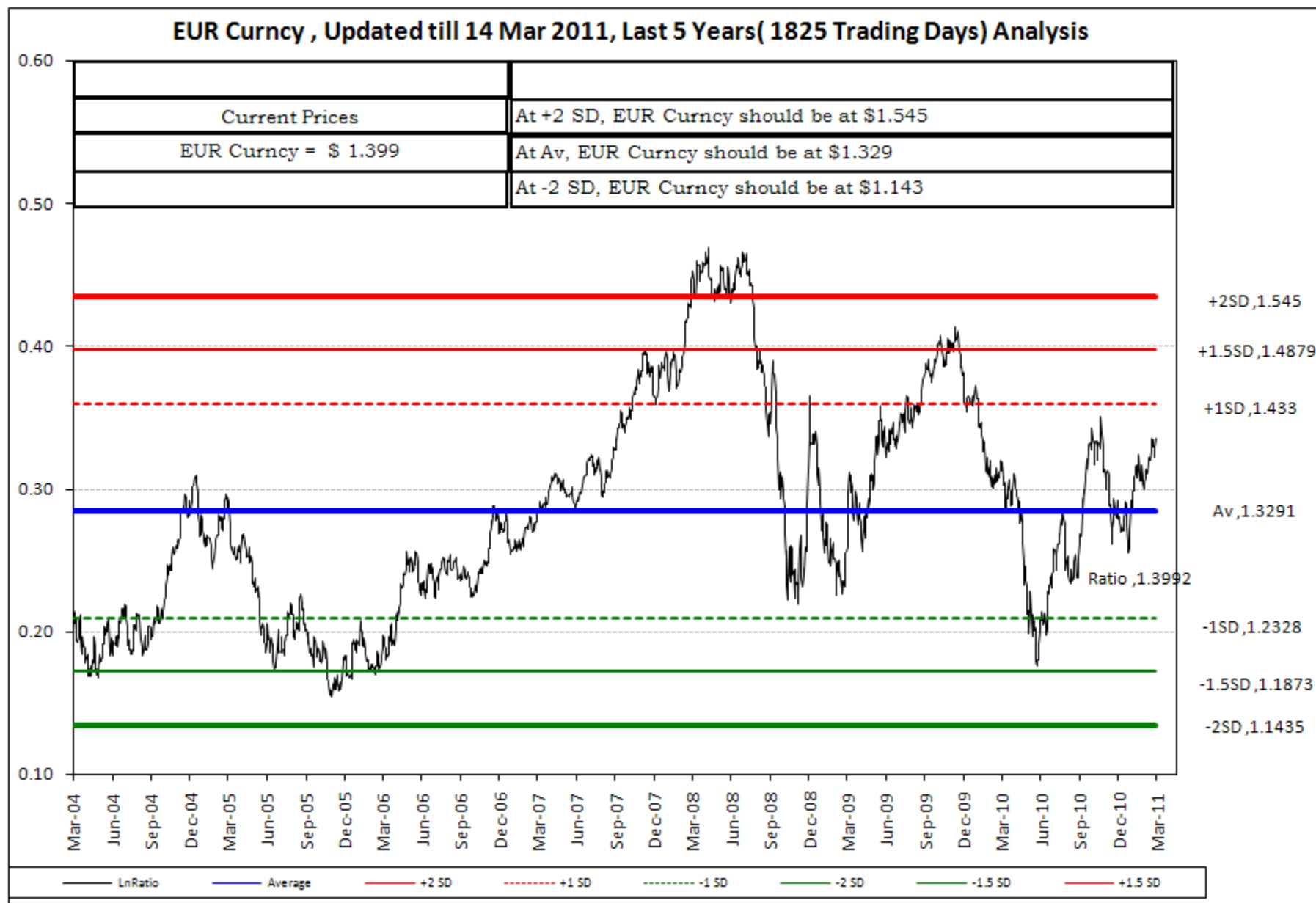




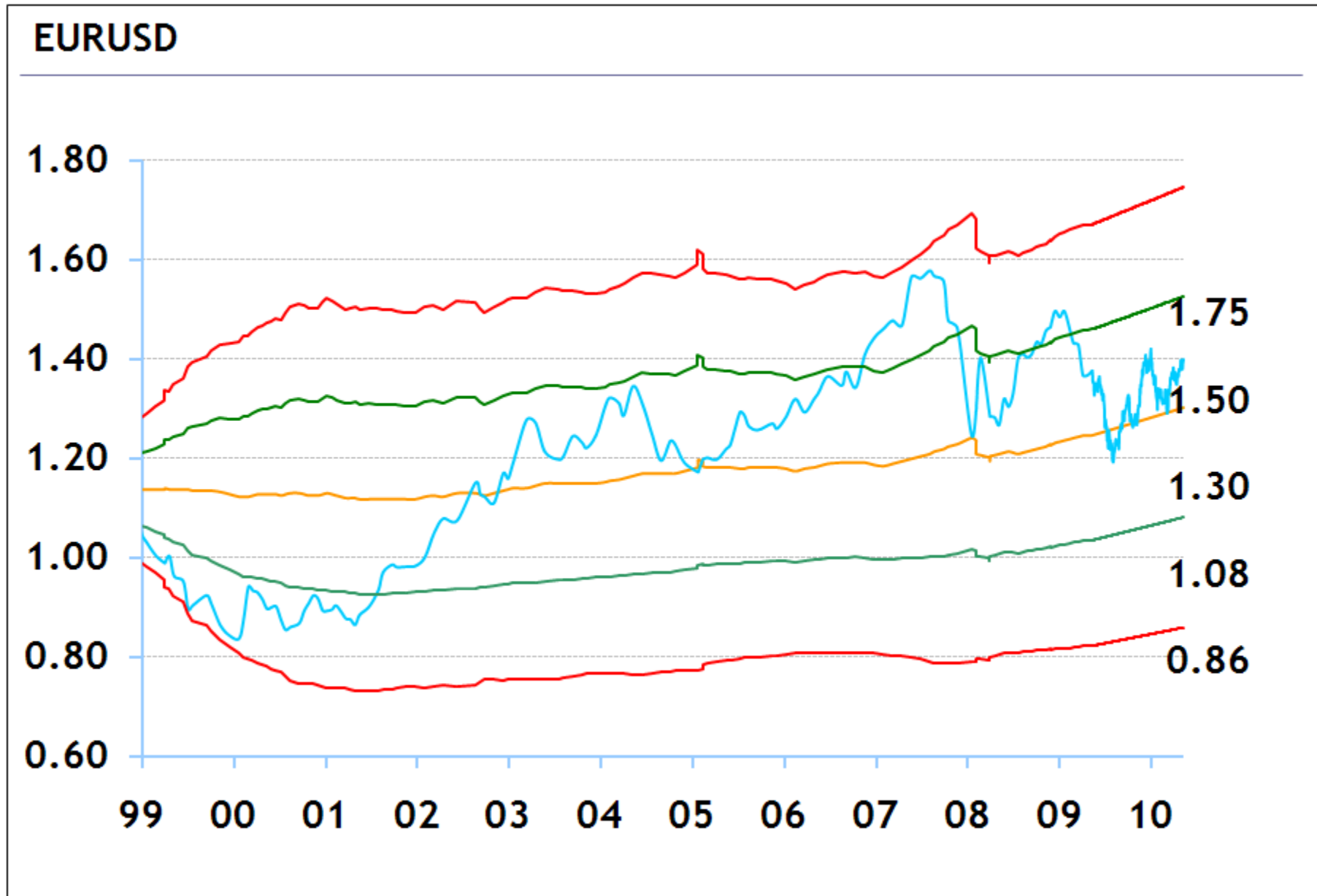
## EUR Last 365 Analysis



## 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)

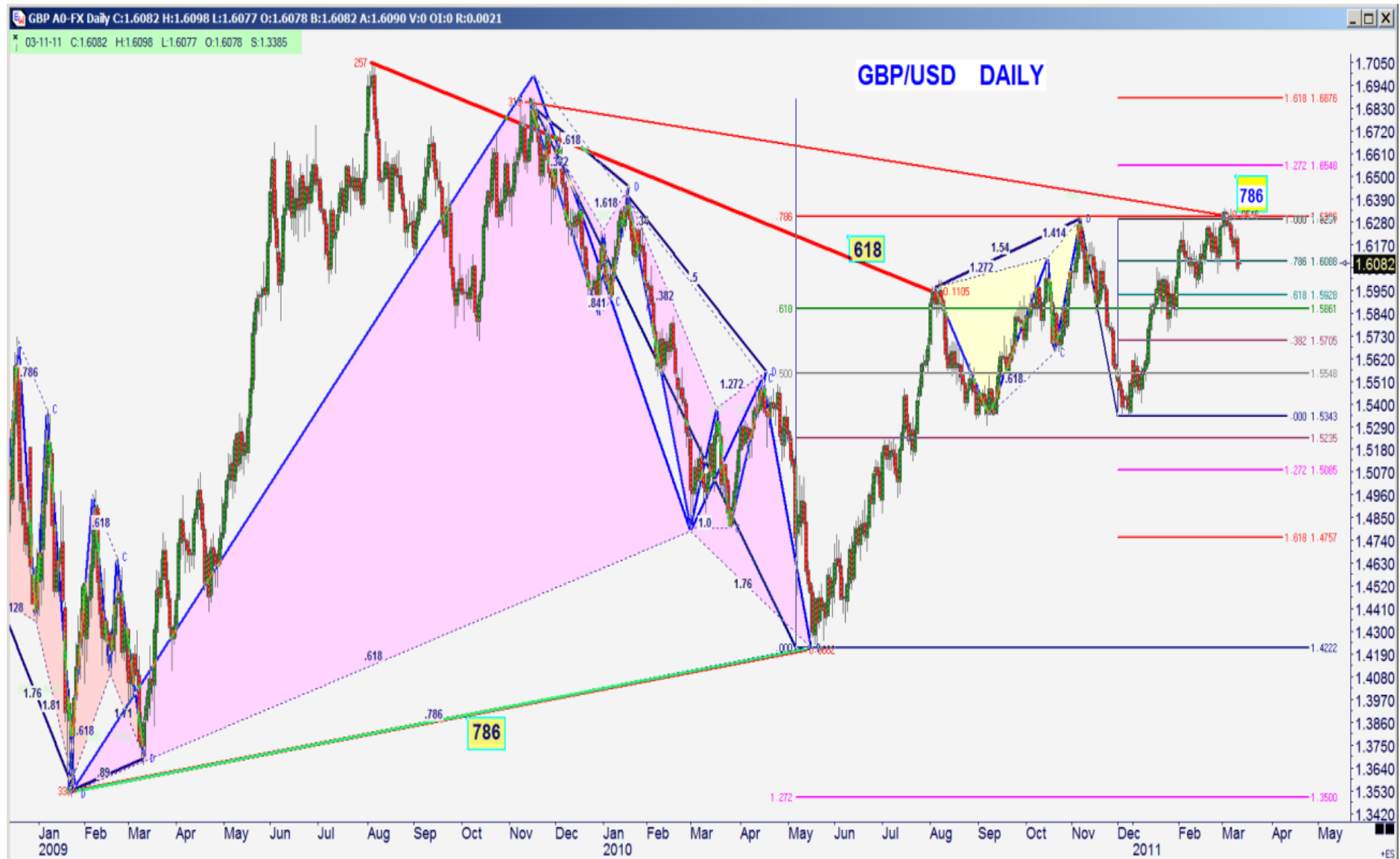


# GBP / USD - Daily – 3 Year with RSI, CCI, MACD ( 11D / 55D SMA)

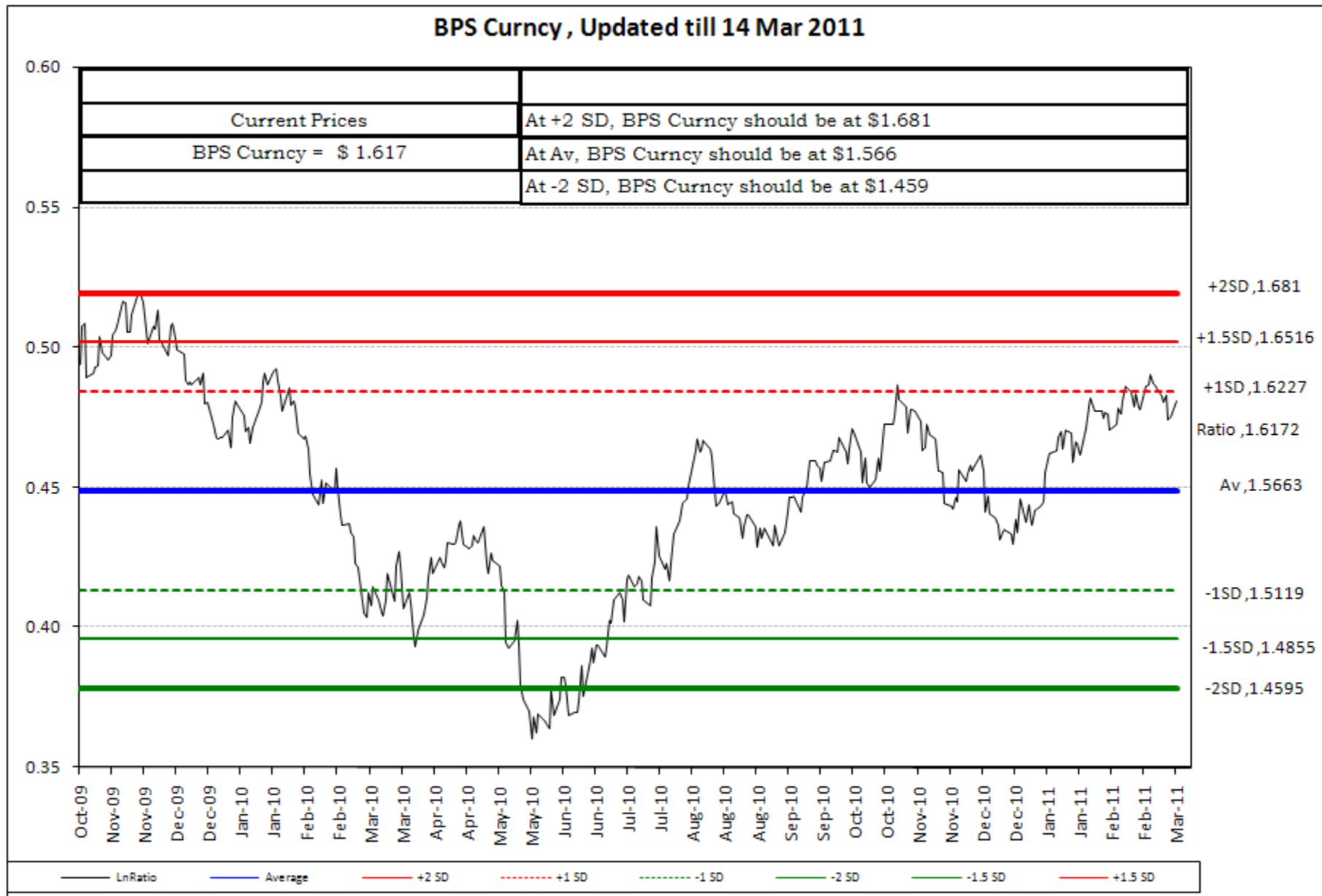


### 3 - GBP / USD – PEC Analysis - Intermediate term

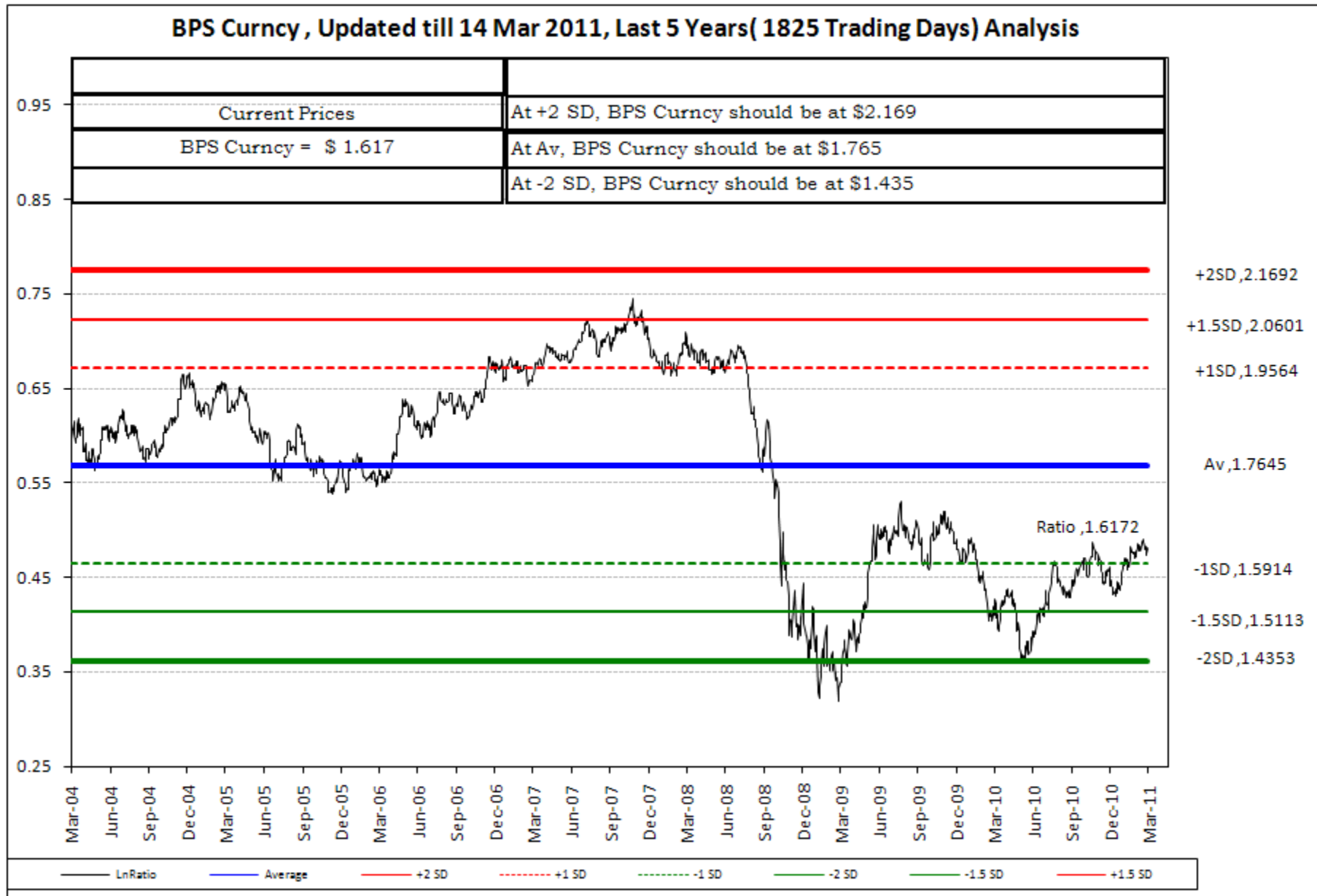
**GBP -USD Our PEC -D @ 618 comes in at 1.63 correctly predicted from last RESEARCH NOTE , We think this is a good Signal by this Method. But not confirmed by above ( Stops on other side of PEC D)**



## BPS Last 365 Analysis

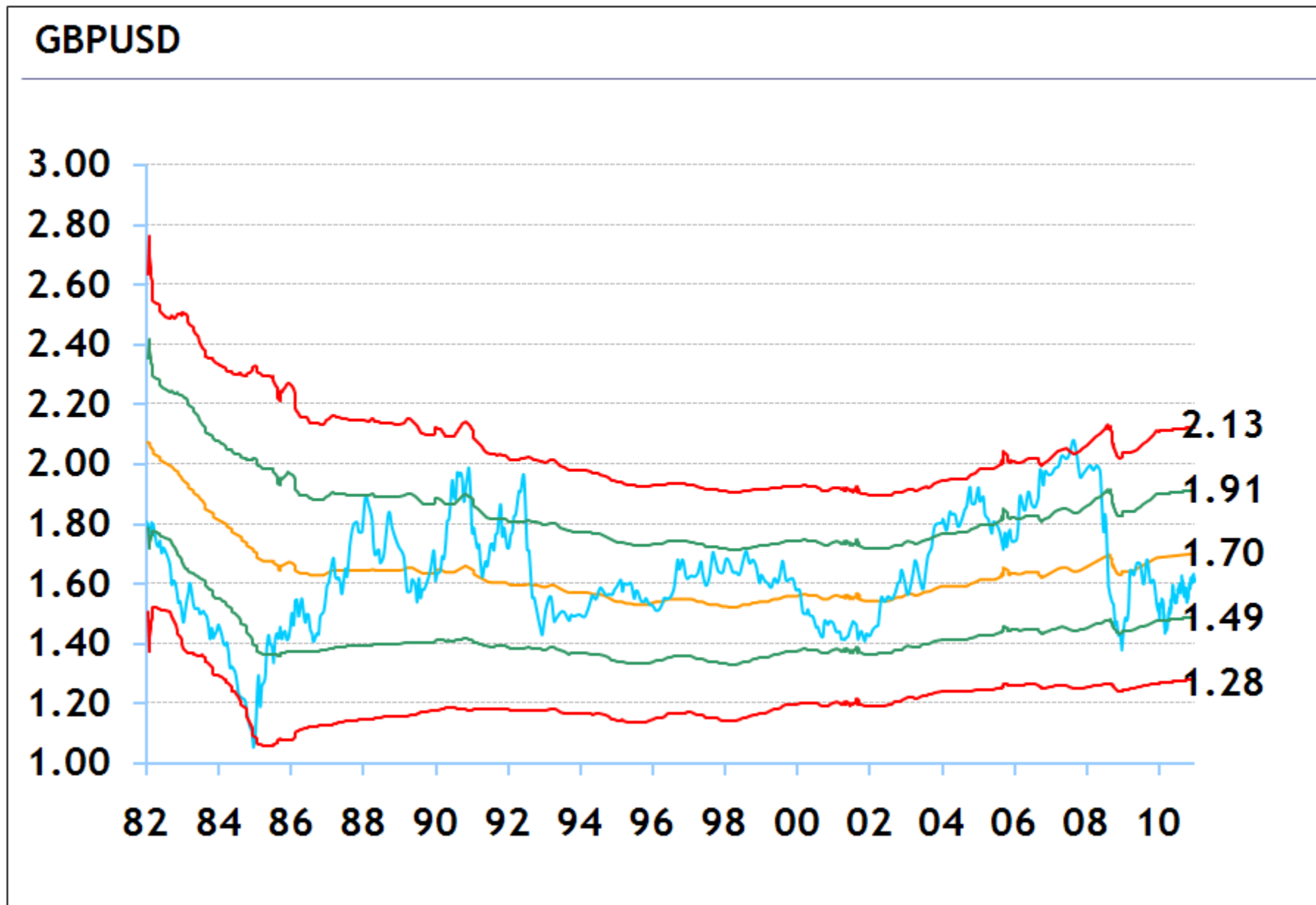


## BPS Last 5 yrs Analysis





#### 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)

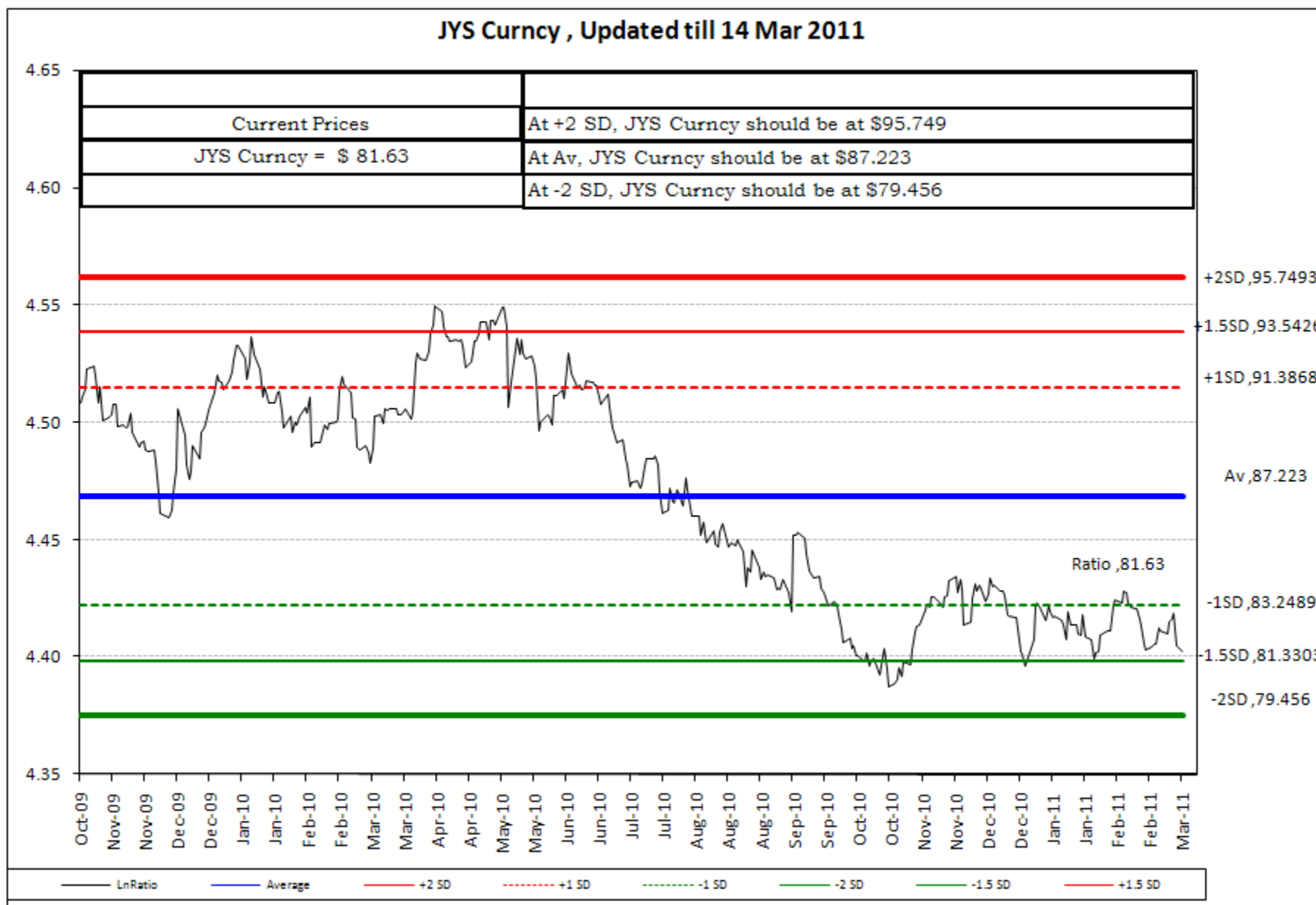


## YEN / USD - PEC Analysis

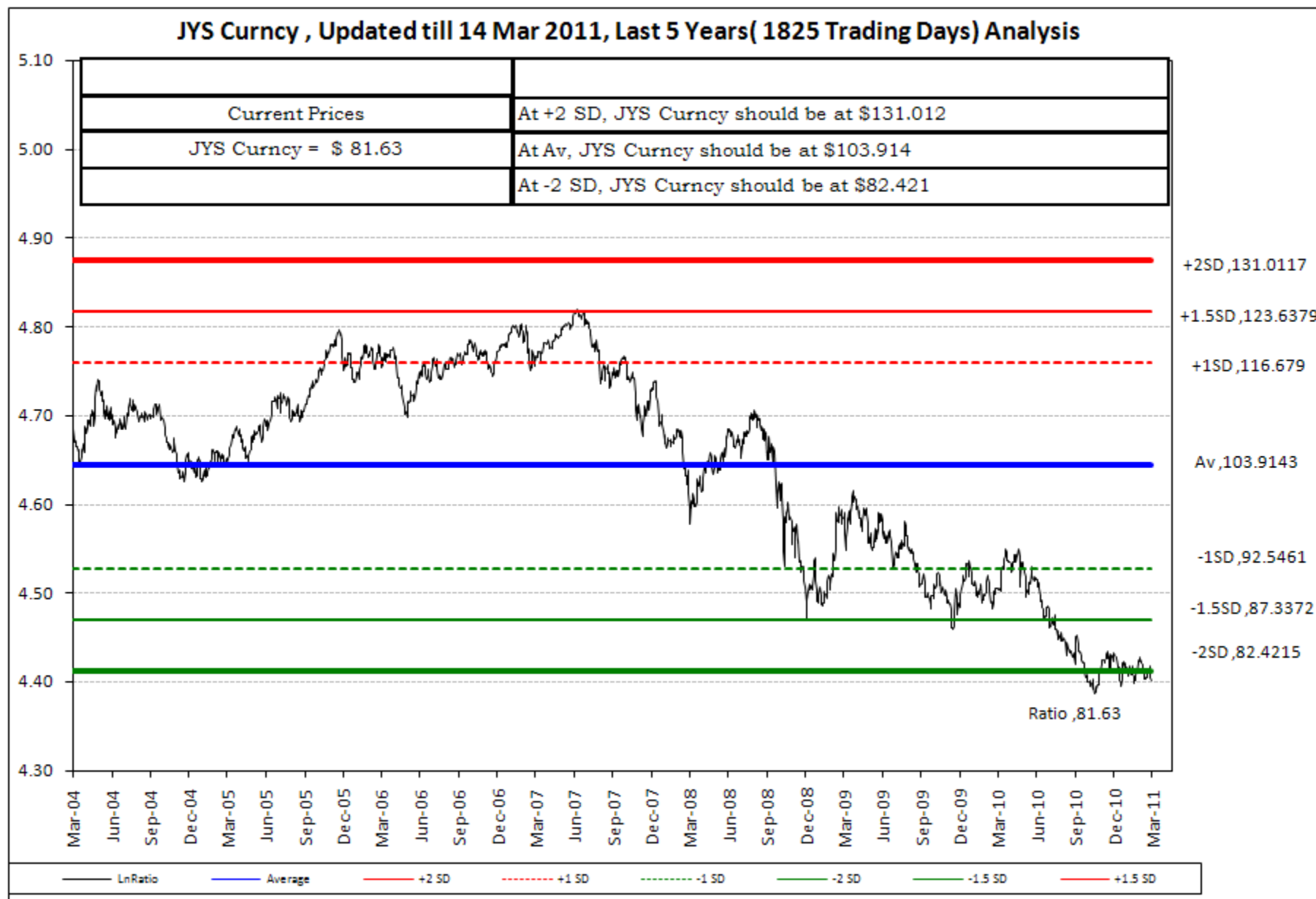
*Earth quake's first reaction , we think 80 will hold PEC D Confirmed at 81*



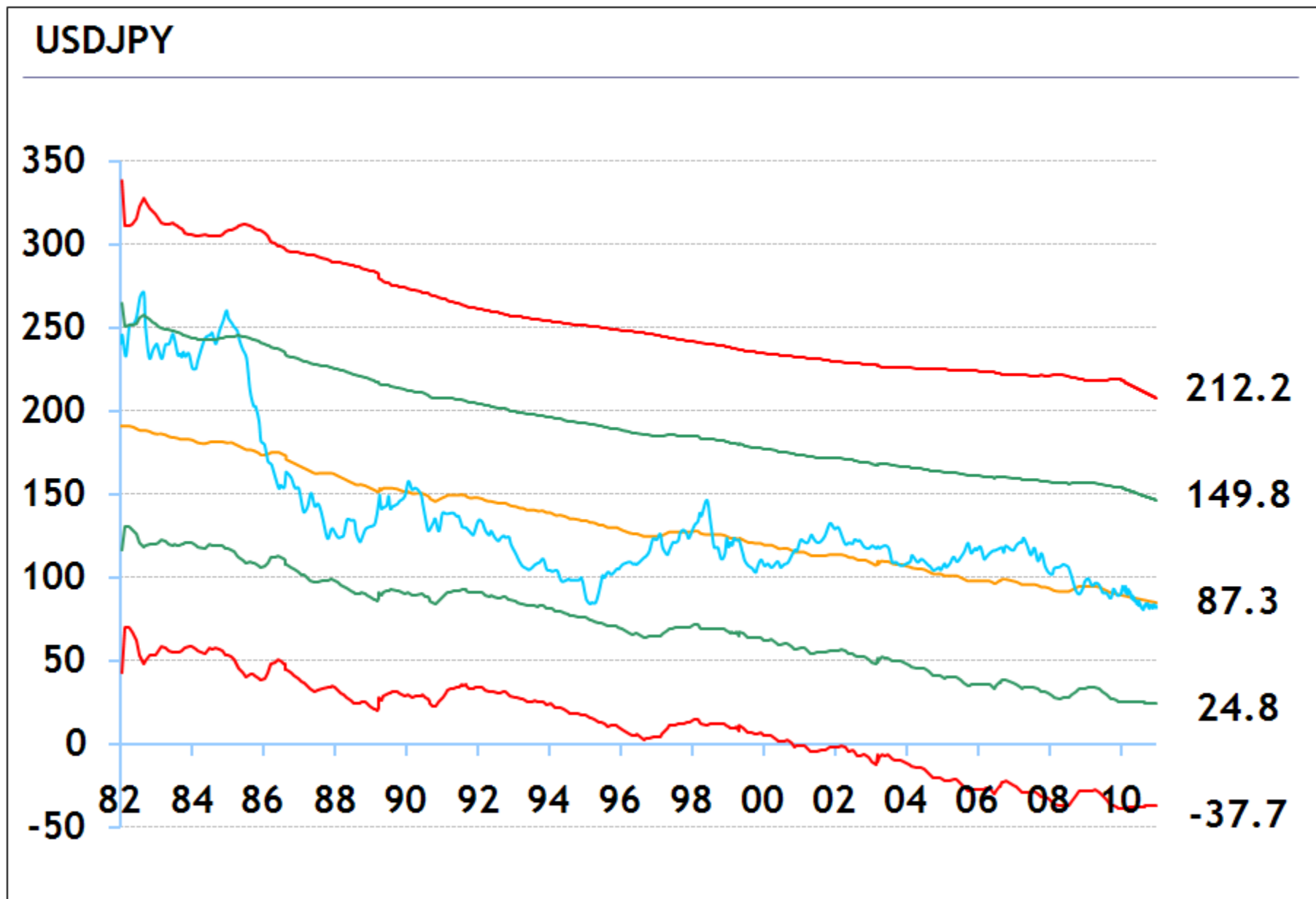
## JYS Last 365 Analysis



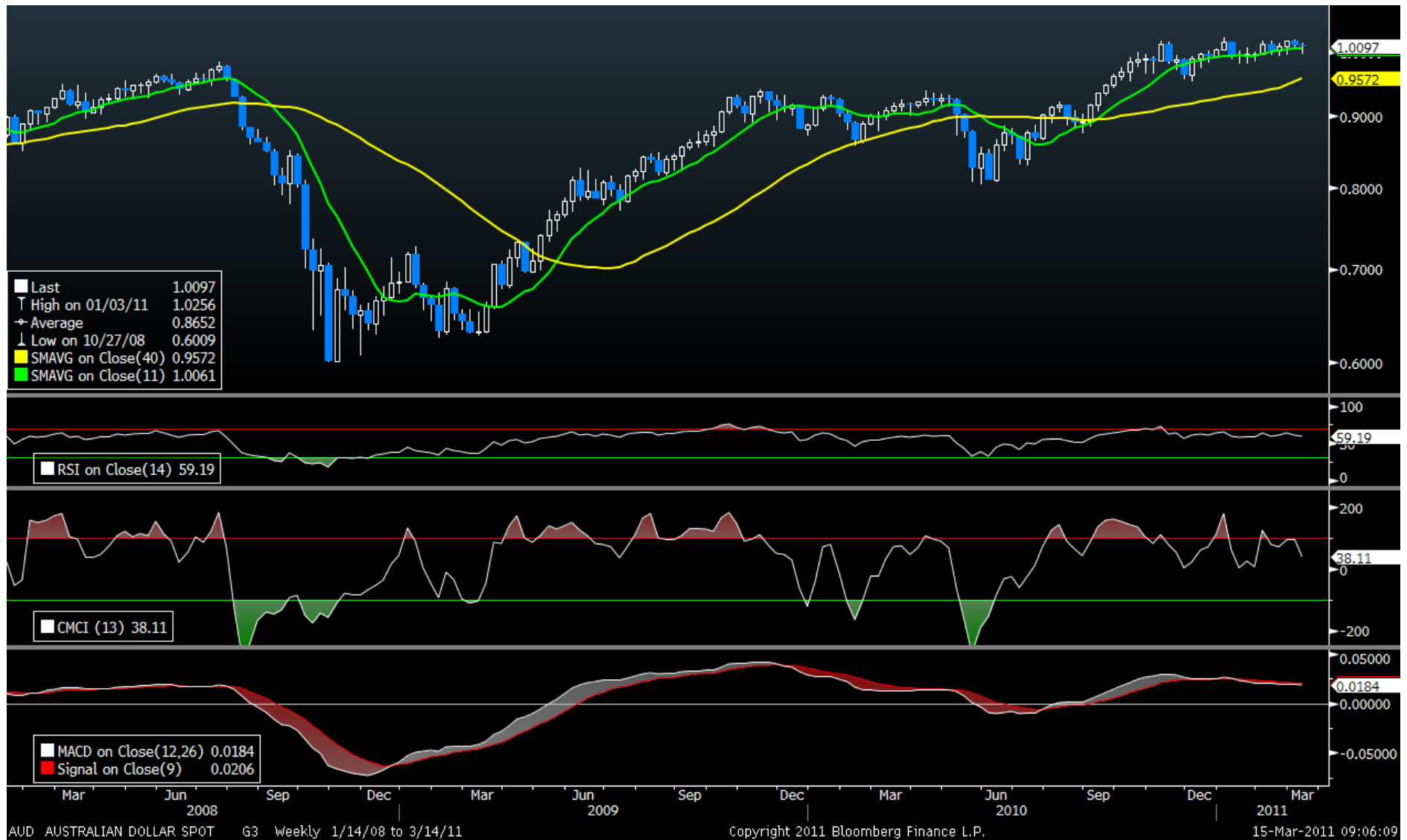
## JYS Last 5 yrs Analysis



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

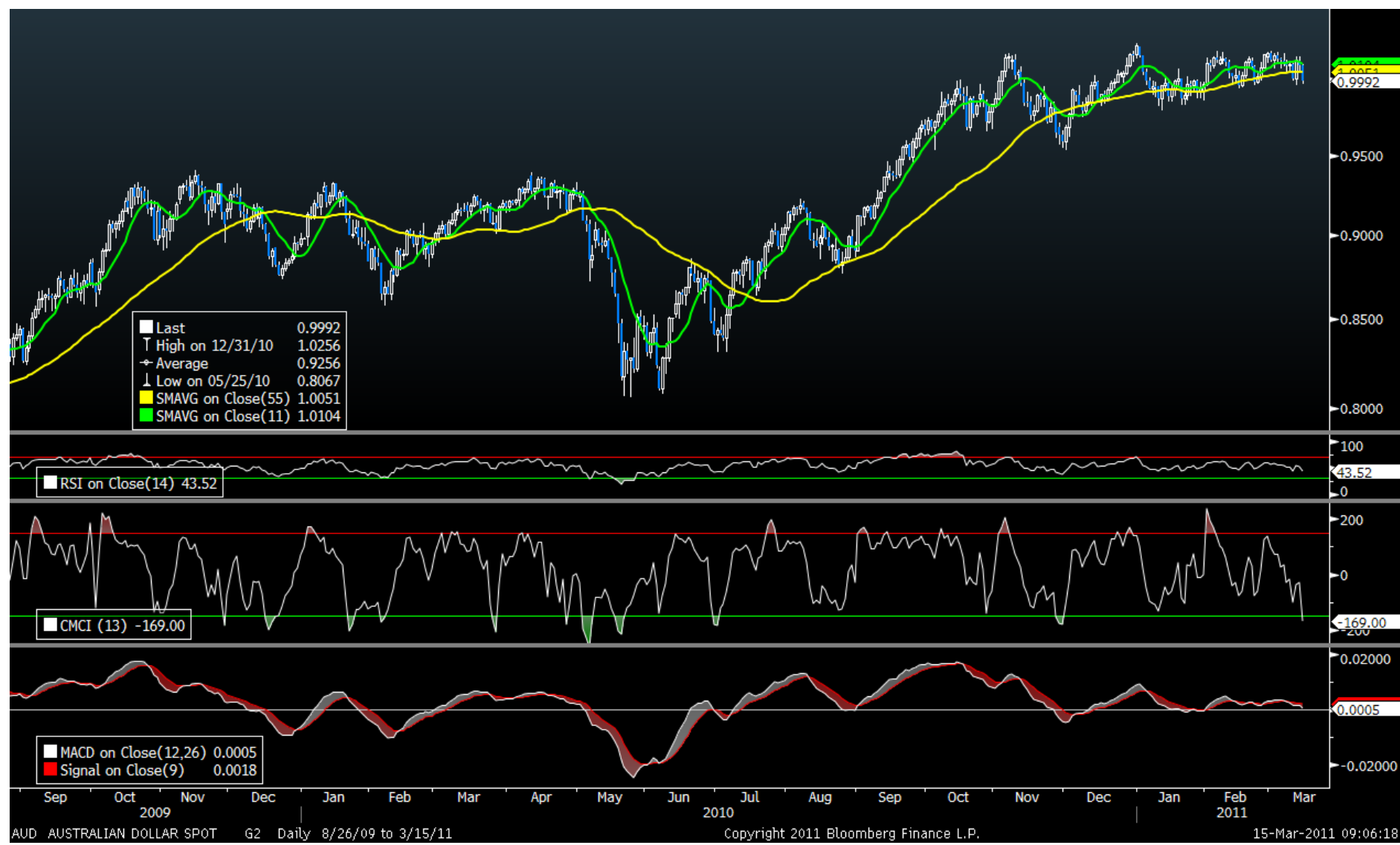


# 1- AUD / USD - Weekly – 3 Year with RSI, CCI, MACD ( 11 W / 40 W SMA)



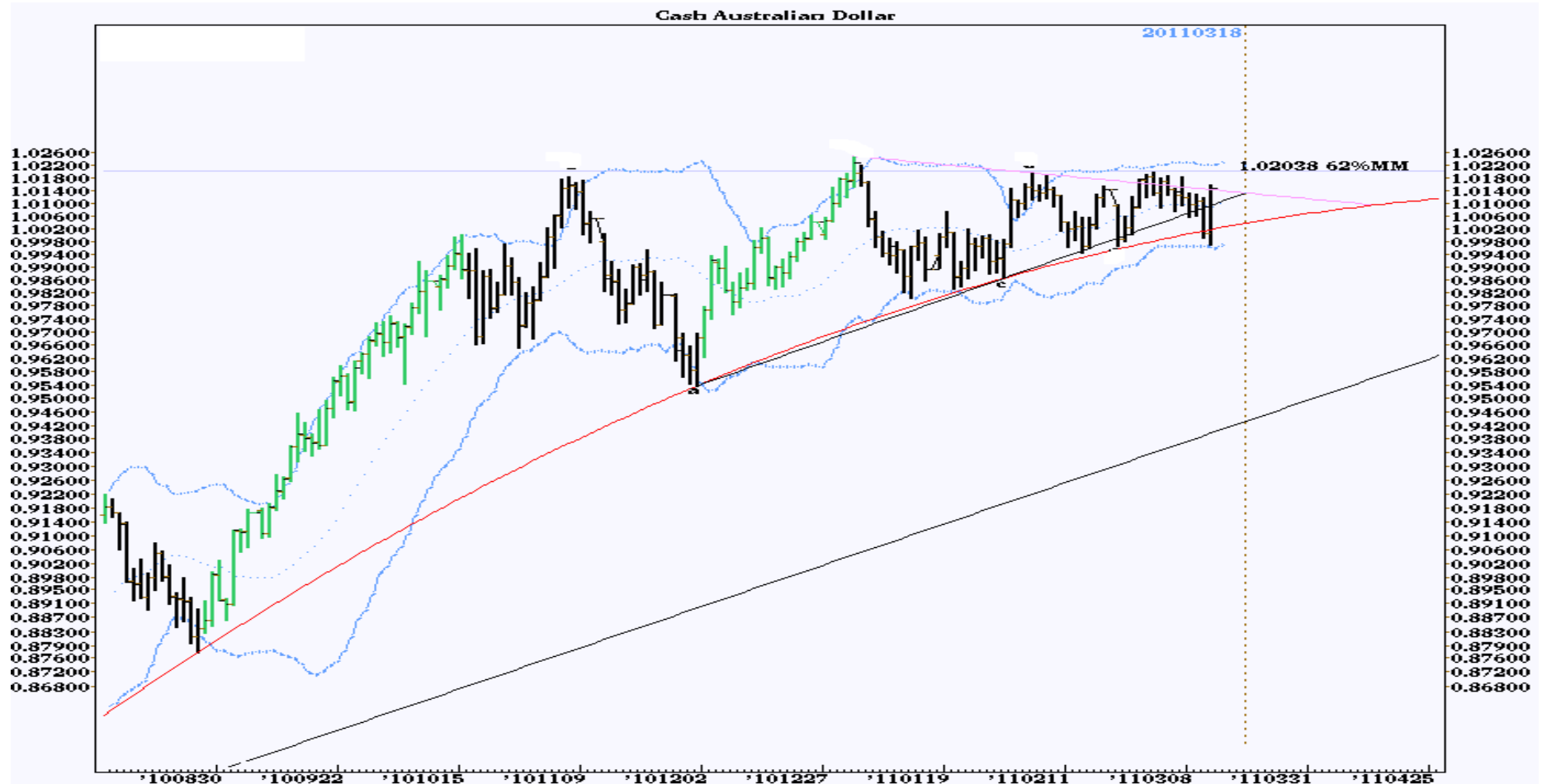


# AUD / USD - Daily – 3 Year with RSI, CCI, MACD ( 11D / 55D SMA)



### 3 - AUD / USD –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 . It is climbing the Poly Trend line. We would wait for new position. 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.*



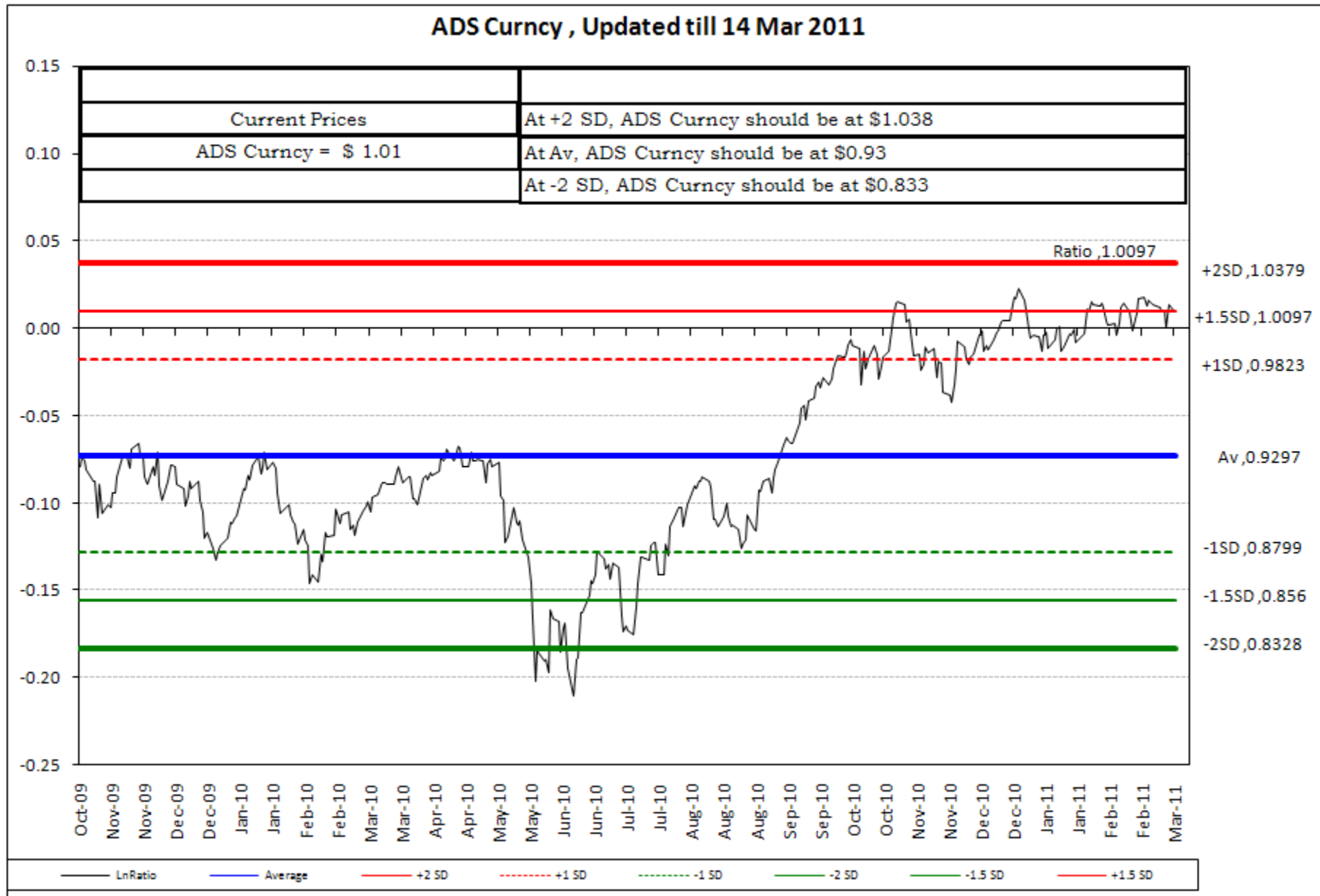
## AUD/USD - PEC Analysis

***By this method, Australian dollar, which is closely linked to commodities prices, is also potentially forming a peak at this level and was unable to make new highs when we experienced big moves in commodities.***

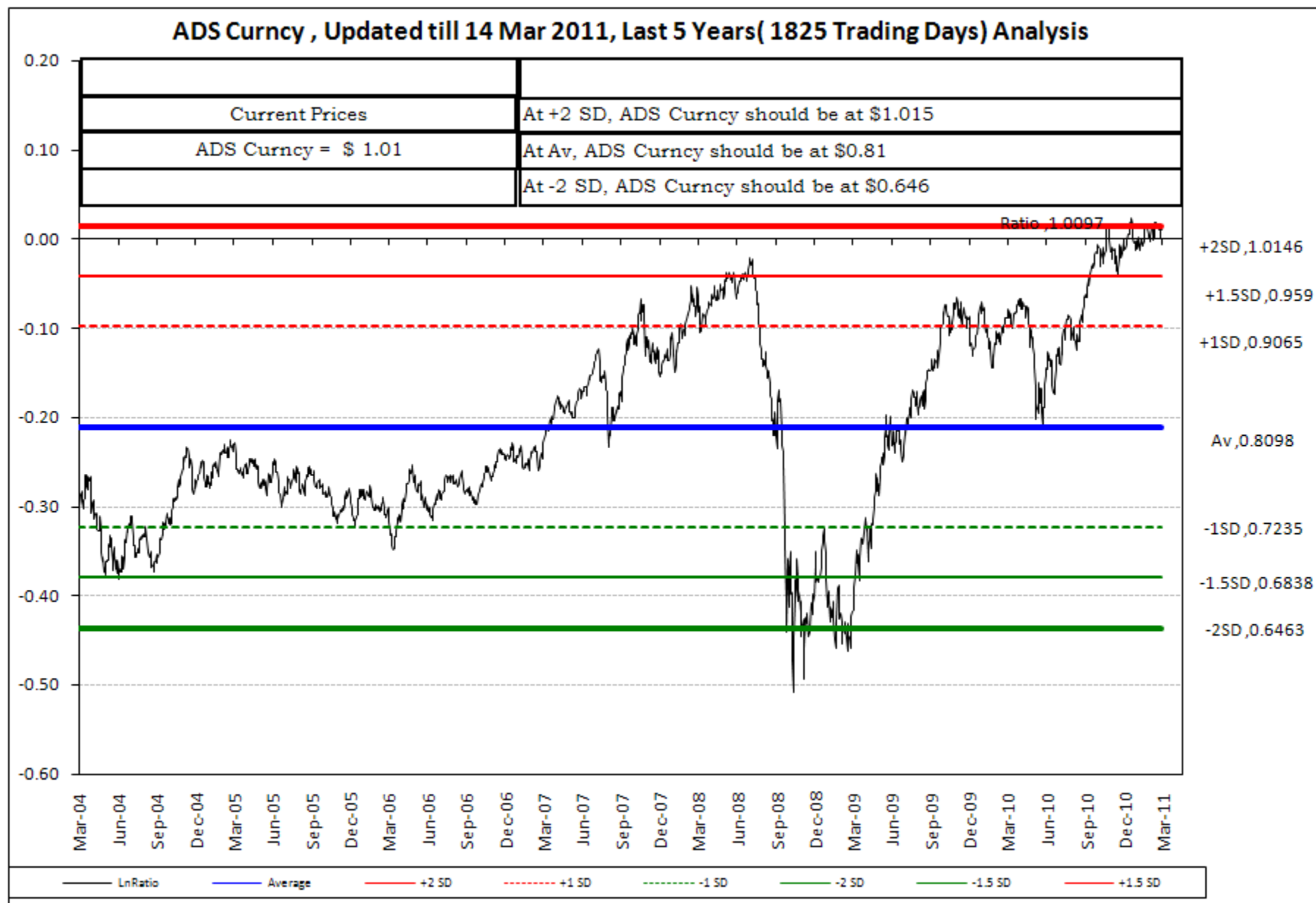
***For new position would wait for 1.02 to be rested.***



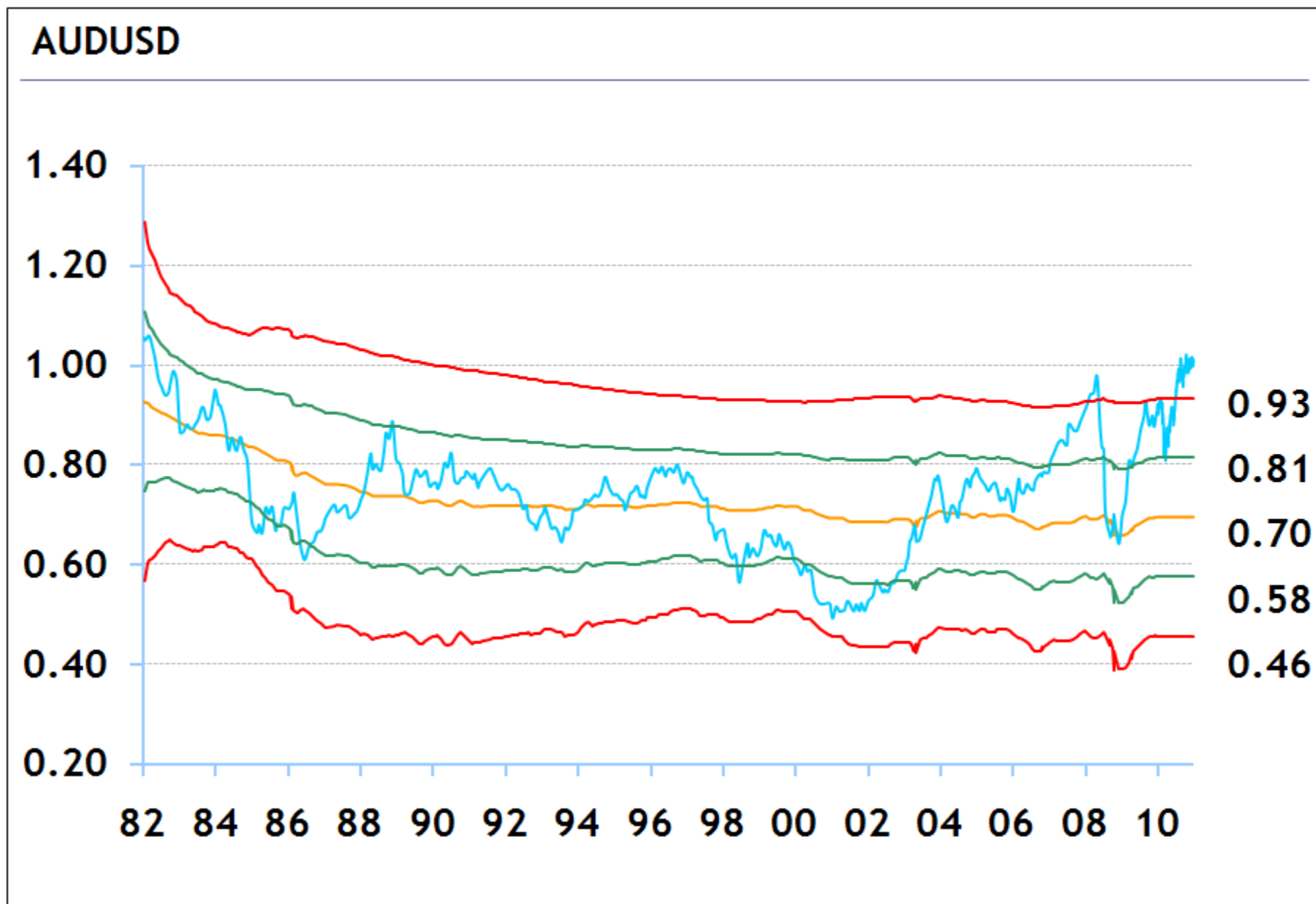
## ADS Last 365 Analysis



## ADS Last 5 yrs Analysis



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

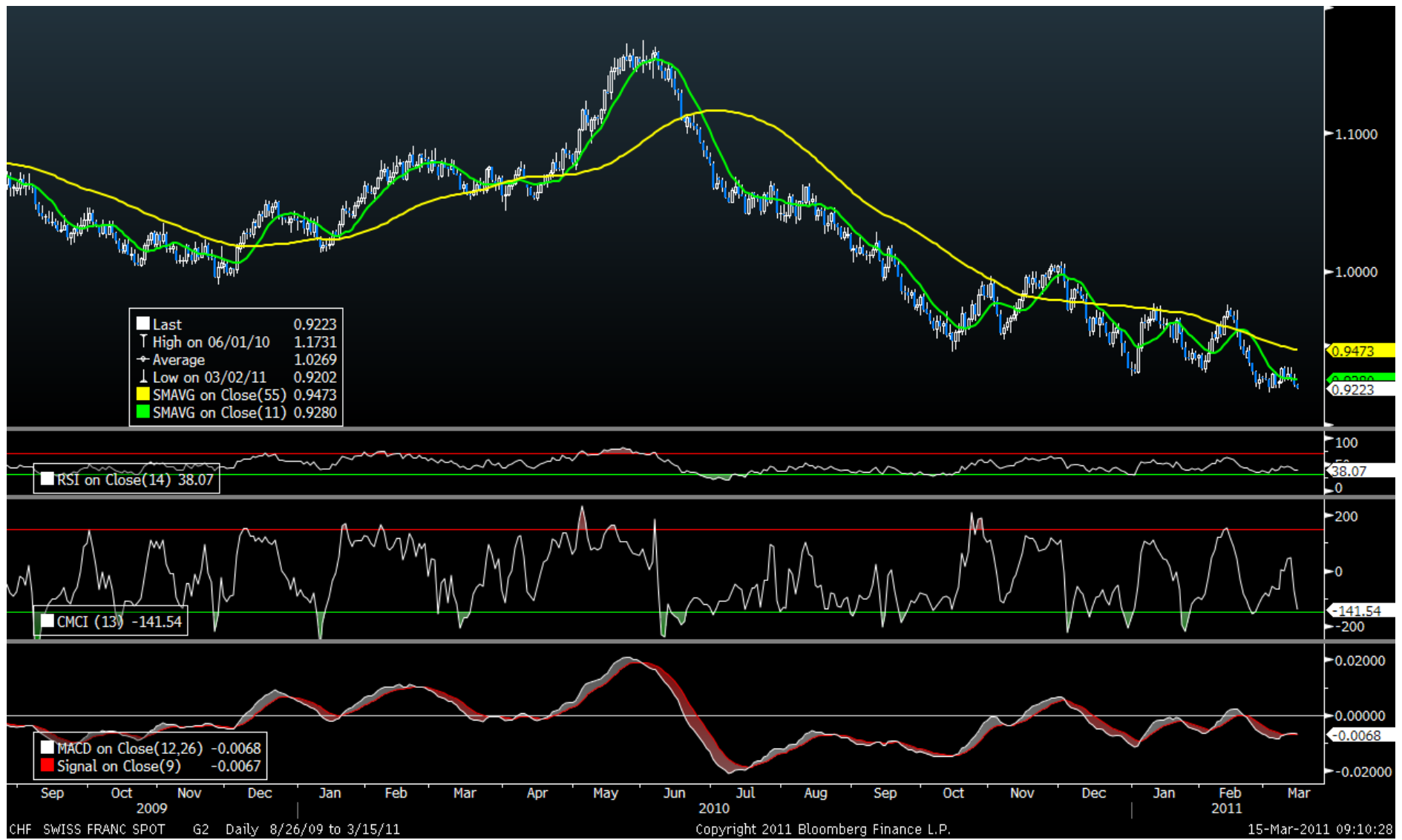


# 1- CHF / USD - Weekly – 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)



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



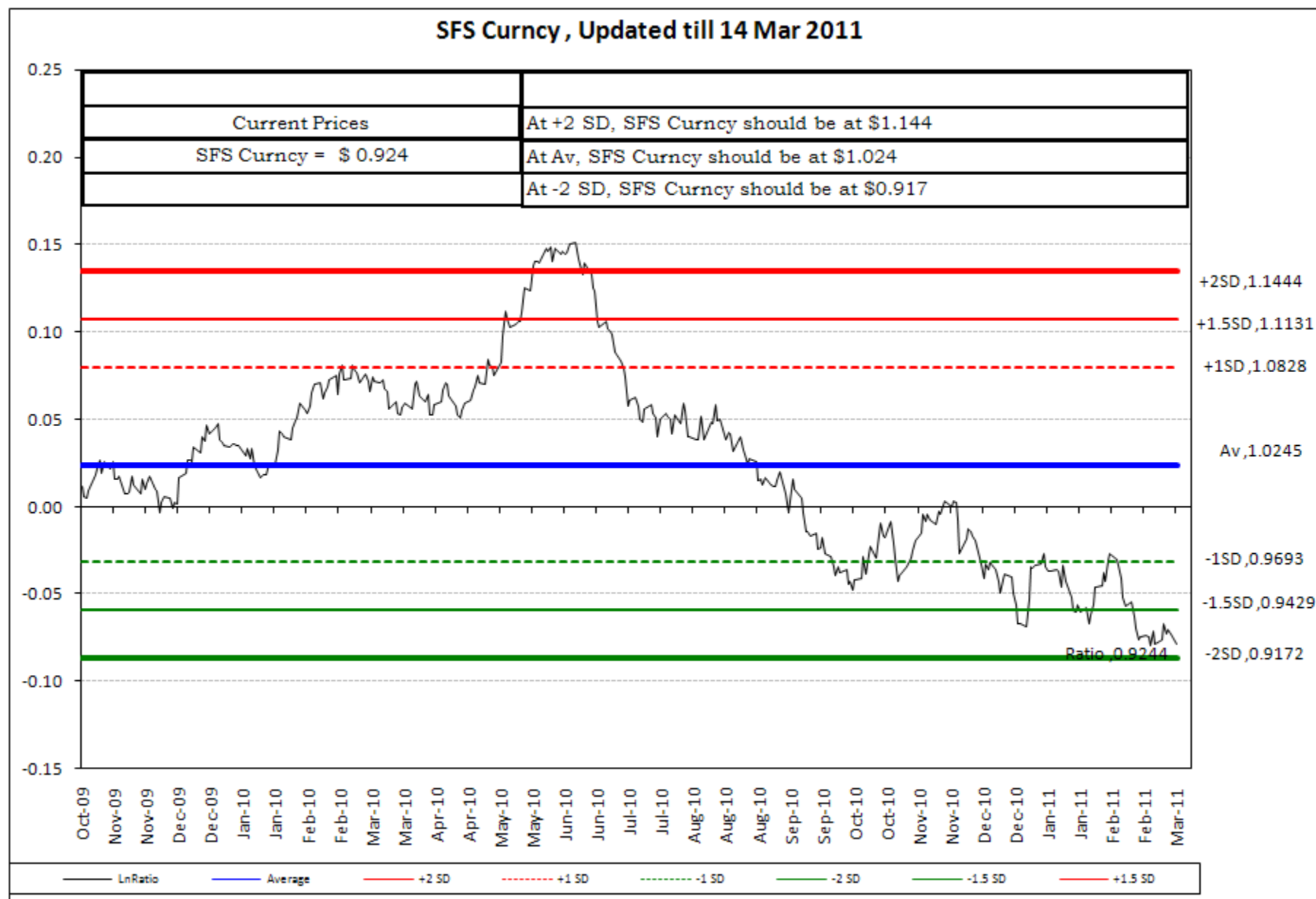


## CHF / USD – PEC Analysis -

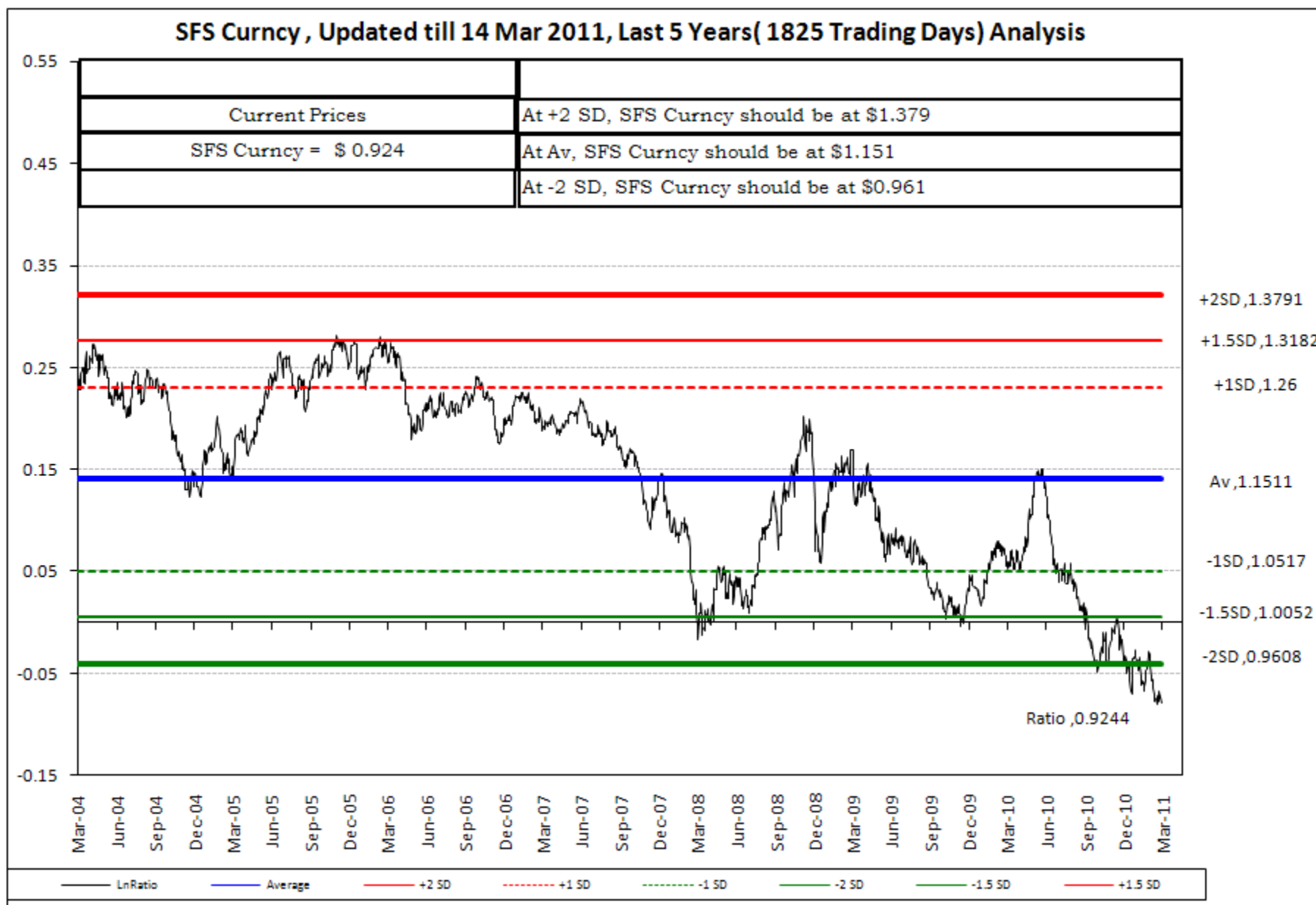
**Reaching PEC D @** We reached our retracement target 92 @ 0.27 as we had indicated last week and it had the turn .  
This looks like good opportunity on Risk reward for rally to 96 first  
Although Long term this will make a big move but Short term use stop around those key break Numbers.



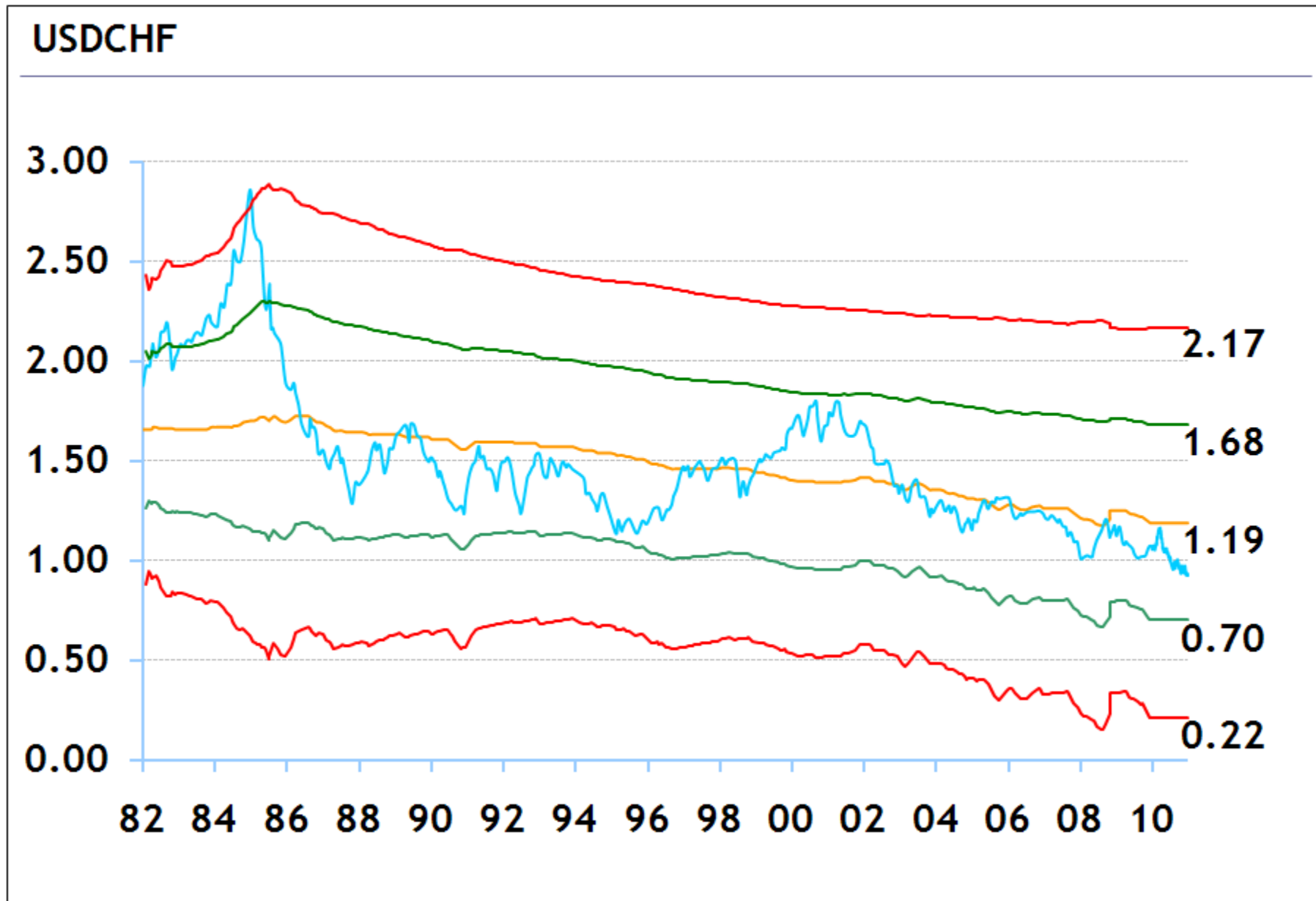
## SFS Last 365 Analysis



## SFS Last 5 yrs Analysis



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

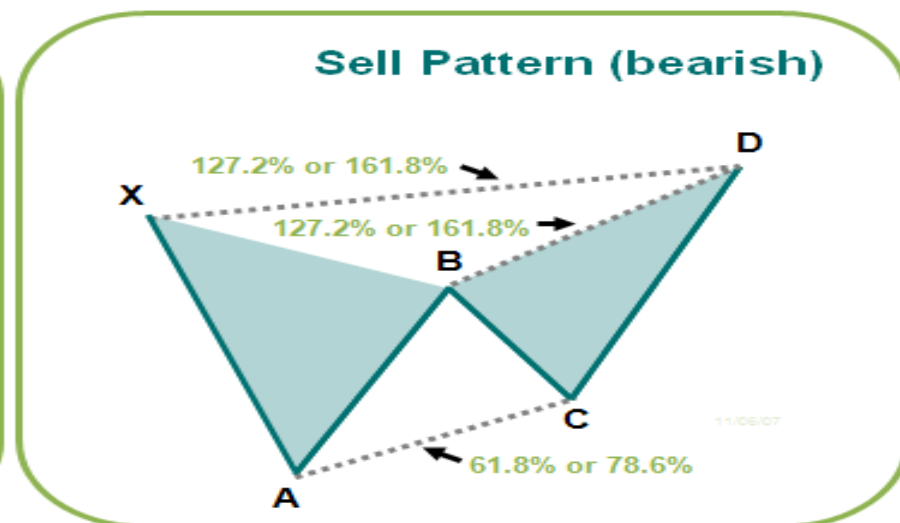
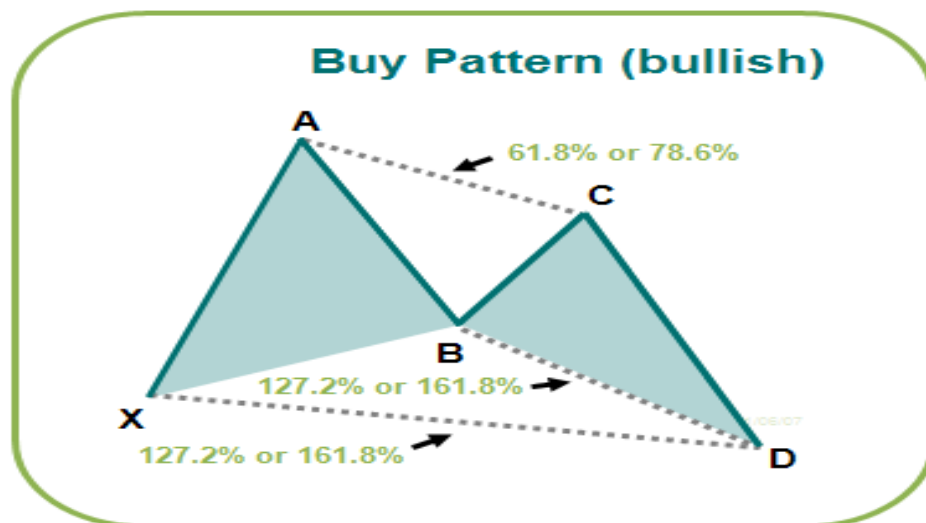


# Pythagoras Expansion / Contraction – (PEC) Model

- PEC Model is a 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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