



SG Capital Research

Global Market Insights

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

MAEG- CZ-PEC-CURRENCY ANALYSIS- SG 2011 # NOV_09

For Immediate Release – *Bi Wkly Wednesday AM (EST)*

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Currency Analysis (B)

- **Coverage**

- **GOLD**
- **DXY**
- **EUR/USD**
- **GBP/USD**
- **JPY/USD**
- **AUD/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. Correlation Ratio Analysis USD v/s SPX, GLD
4. PEC Analysis. (If Applicable)
5. Sentiments (**if Extreme character**)

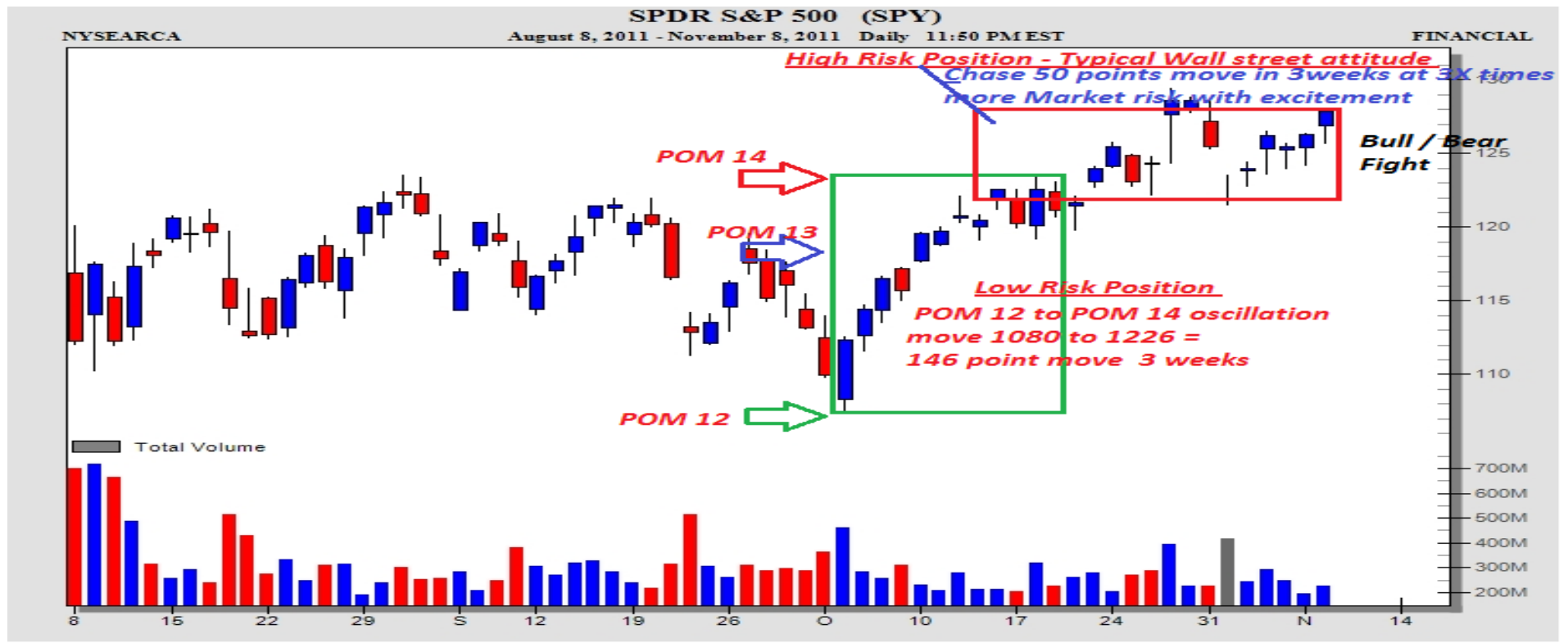
- Appendix - **OBJECTIVE , HISTORY** of past Signals & **POM Key Criteria**

(Due to Current Market Condition)

SPX / Strategy – Insights

On Mondays A # 1 – MS our expectation was that the market would put in a double top to the Climax highs of Oct 27. It is materializing as we approach the T termination of 10th – 11th Nov. This is part and parcel of rolling process within / around CZ of POM 14. Close below previous POM 13 – CZ 1190-1205 should add fuel to the decline. Conversely if it holds we will run back up again to the top

The underinvested money managers are probably sweating bullets when they read the seasonal history of how stocks always rise from November to May, especially just reading the Tape & Volume of all the exchanges from 4th Oct to 17th Oct suggests that they have been left out of the market for 1st 140 points of gains in 3 weeks. Therefore BULLS / BEARS chasing the last 50 points in past 3 week and hoping for more. This has been suggested by Price based move v/s Time based move (Refer the notes in the chart below)



SPX – Hrly - Poly trend Analysis

- At the time of POM 14 @ 1226 - The Warning rally indicated towards 1252 was reached along with Suggested price path of last Gasp to Double top towards the climax top . It went right into that zone
- POM 14 – CZ 1226 -1252 is good area to accumulate the Hedges – POM 14 is for Fully Hedge by SP - RA/RI
- NOTE – Earlier the Market jumped from 1254 to under 1240 with +VTO negating the Momentum Price Path move via Wave 1-2-3-4-5- up and down back to wave 3 towards the CZ closest to 3X3/9EMA area . This event tends to Repeat 3 times before it falls apart back in range.



- **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.

- *All CZ / PEC D / POM's – Marked on charts (in color) below has been Announced on Real time in our Previous Reports prior to Price shifts.*
- *Stops always on other side of CZ @ value based on Portfolio's Objectives & Risk tolerance.*
- *POM / PEC D Conclusions to be cross verified by other methods prior to final decision*
- *For Maximum utilization of POM / PEC –D Process for Risk Management. Refer to the Appendix below for guidelines on maximization of Market Observation*
- *In Some Charts, there may be possibility of 1- 2 days of delayed chart data due to processing and preparation time involved prior to release*

- 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

- **PRICE PATH - Our Mid term Triggers are stated (below) However Risk management within Bullish / Bearish Trading moves around CZ to CZ are indicated on charts. Stop - Loss around these areas are critical for Risk Management & sudden volatility**
- **GR – (1) – DXY, EURO & GBP -**

1. **DXY – Triggered CZ – 71 -73 - Stop below 71**

2 **EUR/USD – Triggered PEC D @ 1.45, still intact - Stop 1.49**

3. **BGP/USD – Triggered. PEC D @ 1.63, still intact - Stop 1.69**

- **GR – (2) - AUD & JPY –**

1. **JPY/USD - Trigger. PEC D @ 76 / Stop 74.5**

AUD/USD - Triggered. PEC D @ 1.09 still intact – Stop 1.11

- GR – (3) - GOLD

- STRATEGY – Insights

- **Alert** – In our B # Currency Report dated 10/13 – GOLD Triggered POM14 when it reached in CZ – 1680 -1740.(Mean CZ price 1710 , - 3 positions) This is Risk Management signal for Hedging the positions (based on Bull Market Regime) For the position that was entered at 1603 – POM 13 - NET LONG on 9/26. Resulted in rally of 107 points.
- As Indicated in C # Commodity Report protection we had a STOP on Hedge @ 1785 was Triggered) for 3 – Position - 1/3^d each at 1680,1710,1740 @ Mean CZ- 1710 from 1603.
- But by no means this is over (We could certainly be wrong) but We Think the move above 1785 was a false break
- **Currently GOLD is at 1785 and we re – initiate the Trigger back – ALERT . & stay hedged for our position taken at 1603 rather than Trying to get full fledged upside move which we are not sure off.** Dealing in probabilities is the nature of our business. Silver has been lagging gold since it made its high on April 25th.
- There will always be another POM 13, POM 12 in GOLD to enter back based on SP's RA / RI risk managed points

Key point Summary

- YTD – since 1st Jan GOLD is up +25% (+ 355 point gains from 1775 levels). & GDX down - 3% (-2.5 Points loss from 61 levels). POM Investment Conclusion” in the C # Commodity Report summarizes the point gains.
- **+ 437 points** gains on GOLD- for NET LONG, (in 5 - Signals) (additionally **+ 17 points** = 36% on GDX score)
- **+399 points** – Avoid Declines on Risk Management (in 8 – Signals)(additionally **+20 points** on GDX score)
- **+10 points** gains on SLV for NET SHORT (in 2- Signals)

(GOLD Signals are still within the norms of Bull market POM's)

Our Focus - POM's are better actionable areas for us to produce Highest Reward for the Risk where the “ Back is against the Wall” then entering positions in between the moves of POM

- **Currency – Insights**

- **GOLD – Insights**

- **On the Short term** – Since our Trigger POM 14 @ (1680-1740) immediately GOLD declined to hit lows of 1605, (11/21) & then bounced back to POM 14 – CZ area 1680-1740 and went to our STOP 1785
- We gun back in once again with another Trigger. It still appears the upside move does not have enough energy for meaningful ABC up to break CZ of POM 14 . We think some work needs to be done on downside back into 1600-1550 to test the previous POM 13 area.
- **On the Mid term**, The recent parabolic top in Gold at 1900 was formed with Bullish Top by our Mathematical process , which suggest after the pull back (or nasty correction) . Gold should go back to test those highs again. There are ways to negate this but indicators that we monitor for POM / CZ does not have evidence of it
- **On Longer term** - GOLD within the confines of Bull Market, POM Projection by our Mathematical based process is 2400 which is intact . Oscillation within the price moves are very healthy for next leg only after re balancing the retracement

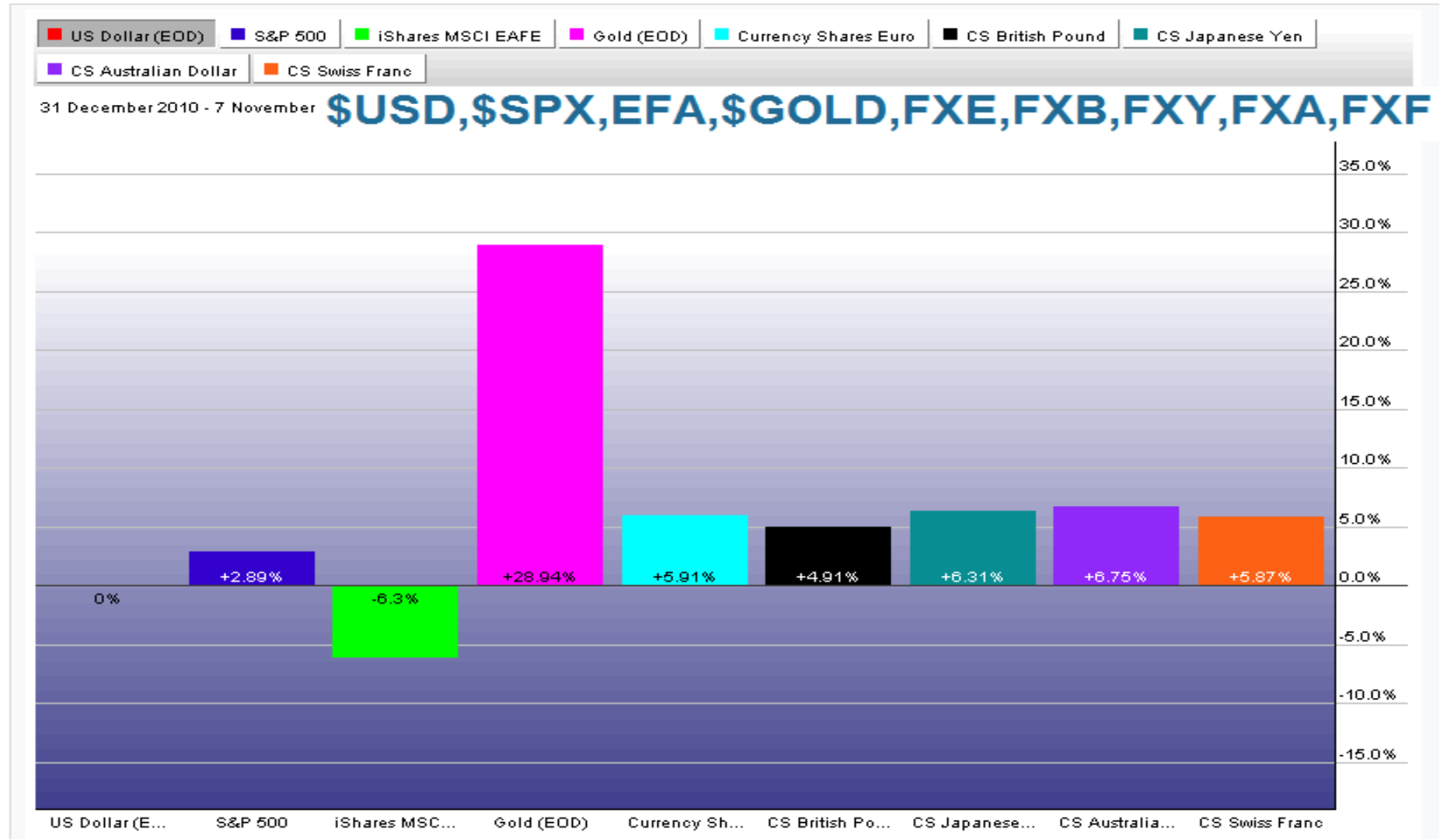
- **CURRENCY**

USD is under retracement. Earlier It finished its ABC up with Bullish Top. The retracement in USD has caused all the markets to rally simultaneously. 2nd ABC up in USD should put in another panic in market. .

AOM – All one market theme is driven by King Dollar

- YTD - SPX, EFA, GOLD, Currency ETF's performance v/s USD

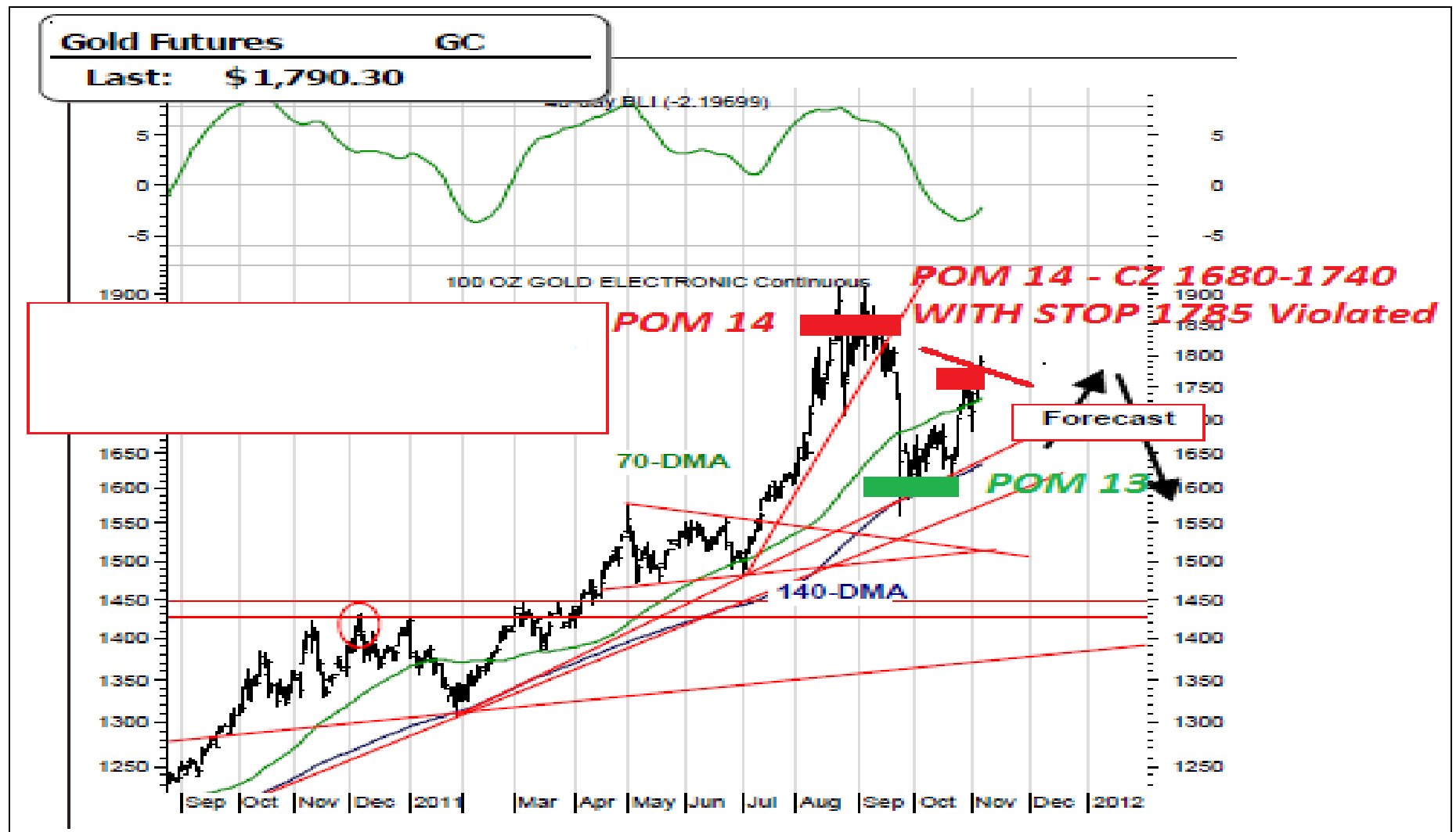
Since our last Report – We see due to decline in Dollar every instrument below has rallied on Ratio basis. In our Inter market Analysis Model Chart below shows Ratio Relative performance with respect to USD. Just to indicate how US Portfolios & Foreign currency denominated EFA- Portfolios are Hedged via Currency ETF's.



GOLD Analysis – = GOLD continuous contract.

The chart below reviews the DMA , Trend Analysis with Oscillator.

Consolidation between POM 14 and POM 13 areas are in effect. Usually when enters the CZ. Prices can get very volatile. The first rally of the bottom after the Crash was meaningful, we got 85 points out of it). POM 13 area below 1600-1550 is still bottom heavy still needs a test by this Method



GOLD- Poly Trend line / CZ Analysis -

Chart below indicates the Price path of GOLD

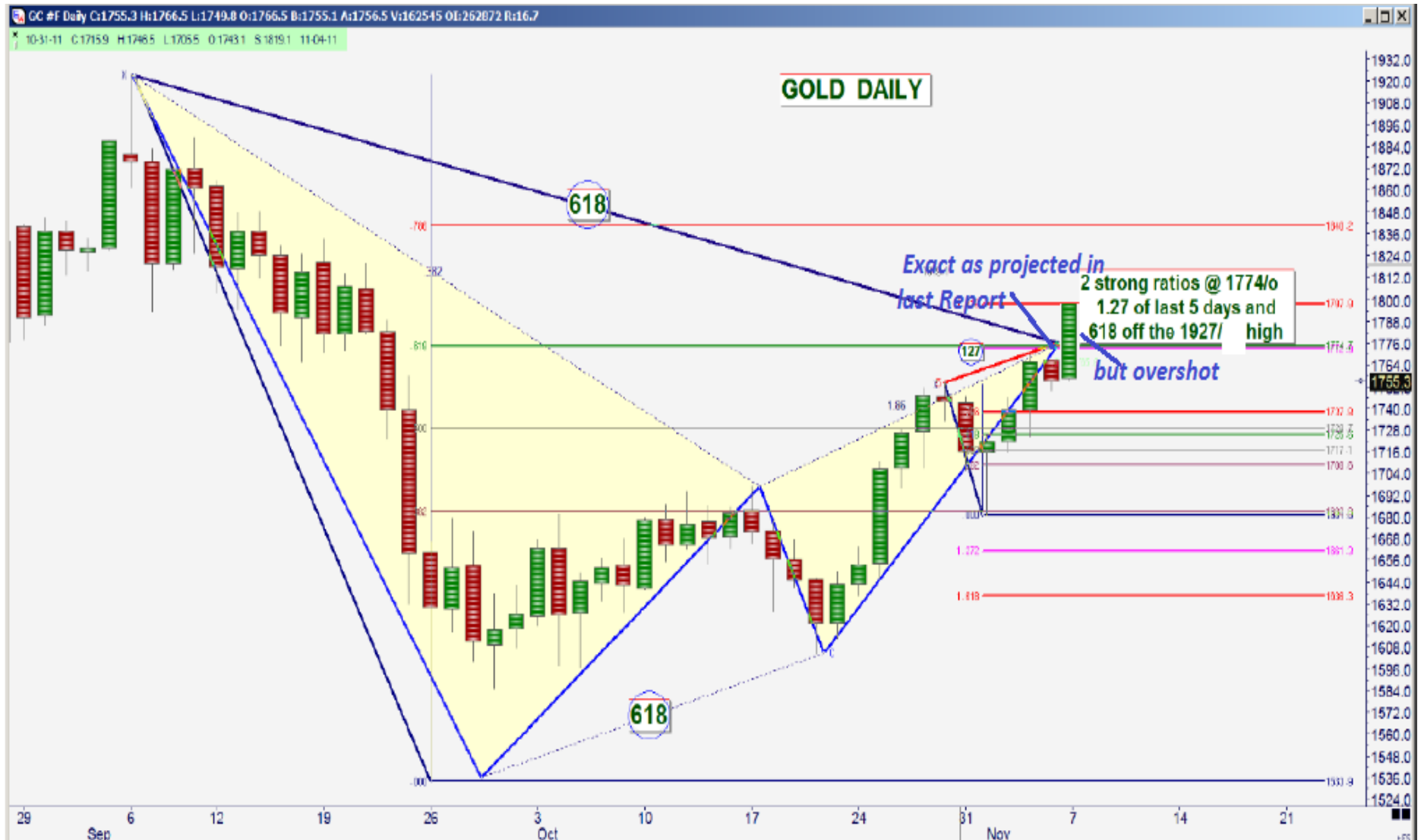
GOLD – POM 14 CZ has been exceeded but we think it requires quite bit of energy to continue and stay above . Volatility does increase in the CZ Banging between the TOP HEAVY (POM 14) and BOTTOM HEAVY (POM 13).



- GOLD - (GLD + \$ 50) = PEC -D Analysis

PEC -D Projection to 1770 as pointed out last week was met and exceeded.

At the bottom - 786 & 618 Convergence very much coincided with POM 13.(1570)



GOLD - Pattern Analysis

Below is chart of GOLD with 2- Crashes . Since the Mathematically the indicators on the bounce have not confirmed continuation of rally The point (7) peak of First crash equates to point (g) on 2nd crash (indicated in blue arrow.) Which suggest the decline towards point (d) is quite possible to mimic point (8)

Such analysis has validity only if all the market internal indicators matches as well.



- **EXTREAME Sentiment Analysis (3rd Party Data)**

Courtesy : SENTIMENT TRADERS

- **SENTIMENTS - GOLD – PUBLIC OPINION**

Comments – NO EXTREMES

In spite of huge rally still sentiments are not extremes – Suggests after retracement, the rally has more to go

- **SENTIMENTS - RYDEX CASH FLOW**

Comments – NO EXTREMES

In spite of huge rally Rydex Flow has not changed much – Suggests after retracement, the rally has more to go

- **SENTIMENTS - GOLD – COT**

Comments – NO EXTREMES

DXY - with Pattern & Oscillator Analysis

DXY is in retracement mode within rally mode. (after a massive shake out move) . We think the pull back in USD should be over soon . Rally continuation should put pressure as expected on AOM to decline .

Once the next Rally begins towards its Bullish Top, we should put another fear in the market.

DXY finished its ABC up 80 . USD Trigger @ 72-73 (stated in B # Currency Report. Subsequently in our C # REPORT 09/07



DXY - with Pattern & Oscillator Analysis

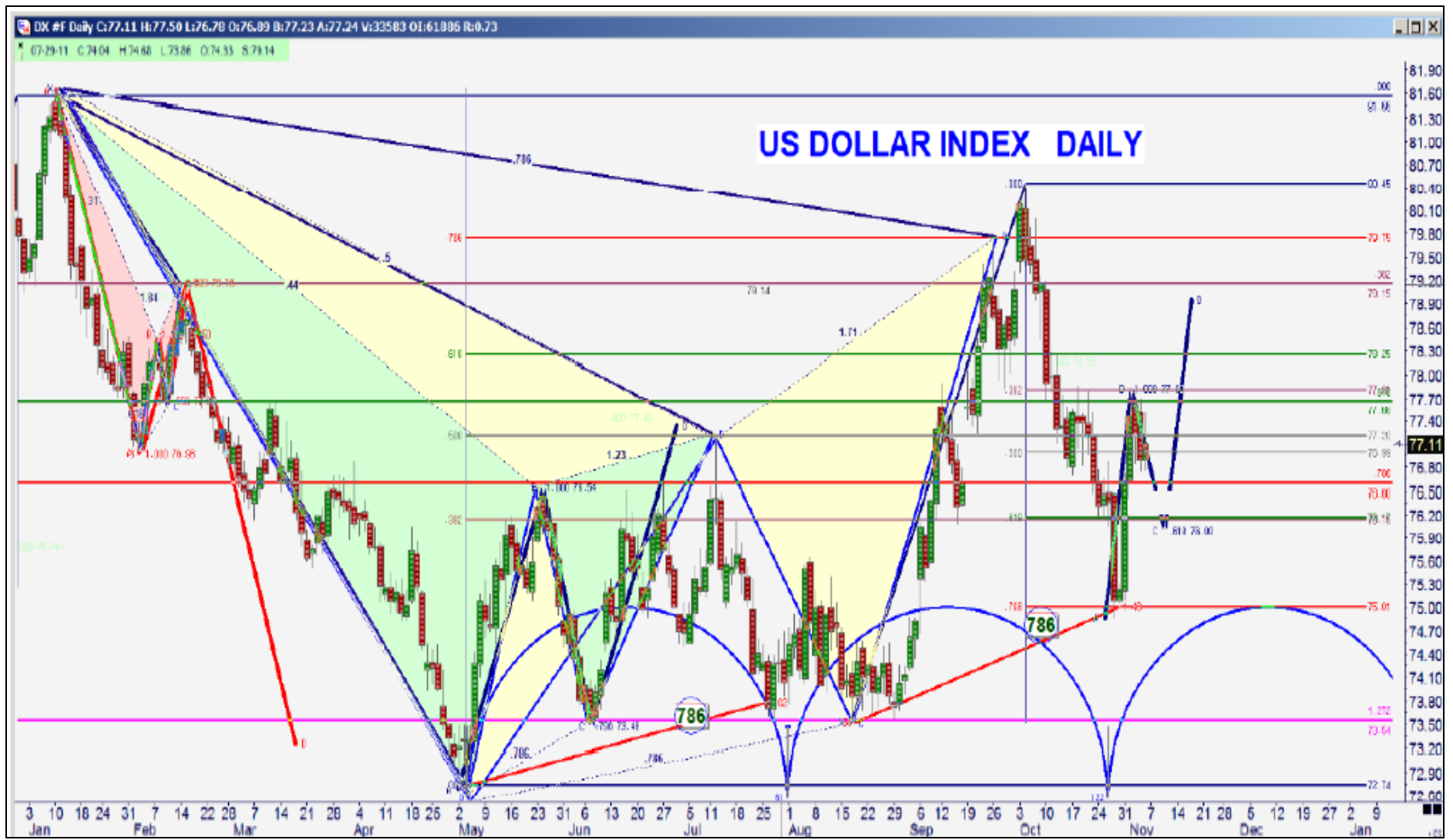
Declining Bullish Wedge is powerful . We suspect that the long term will see the Dollar Index soar even higher flight to safety once the market realizes there is no escape from the debt crisis.



2 - USD – PEC D

Retracement target about 76 should be over soon towards 618. We should get PEC D here . Next ABC could go to 83 . Earlier USD completed a perfect AB=CD pattern at the 80 level PEC –D

Longer term we think the dollar will remain strong versus the other currencies.



- **CORRELATION RATIO ANALYSIS**

Inter market Analysis – USD v/s SPX

Inverse Correlation to continue

Comments – NO CHNAGE

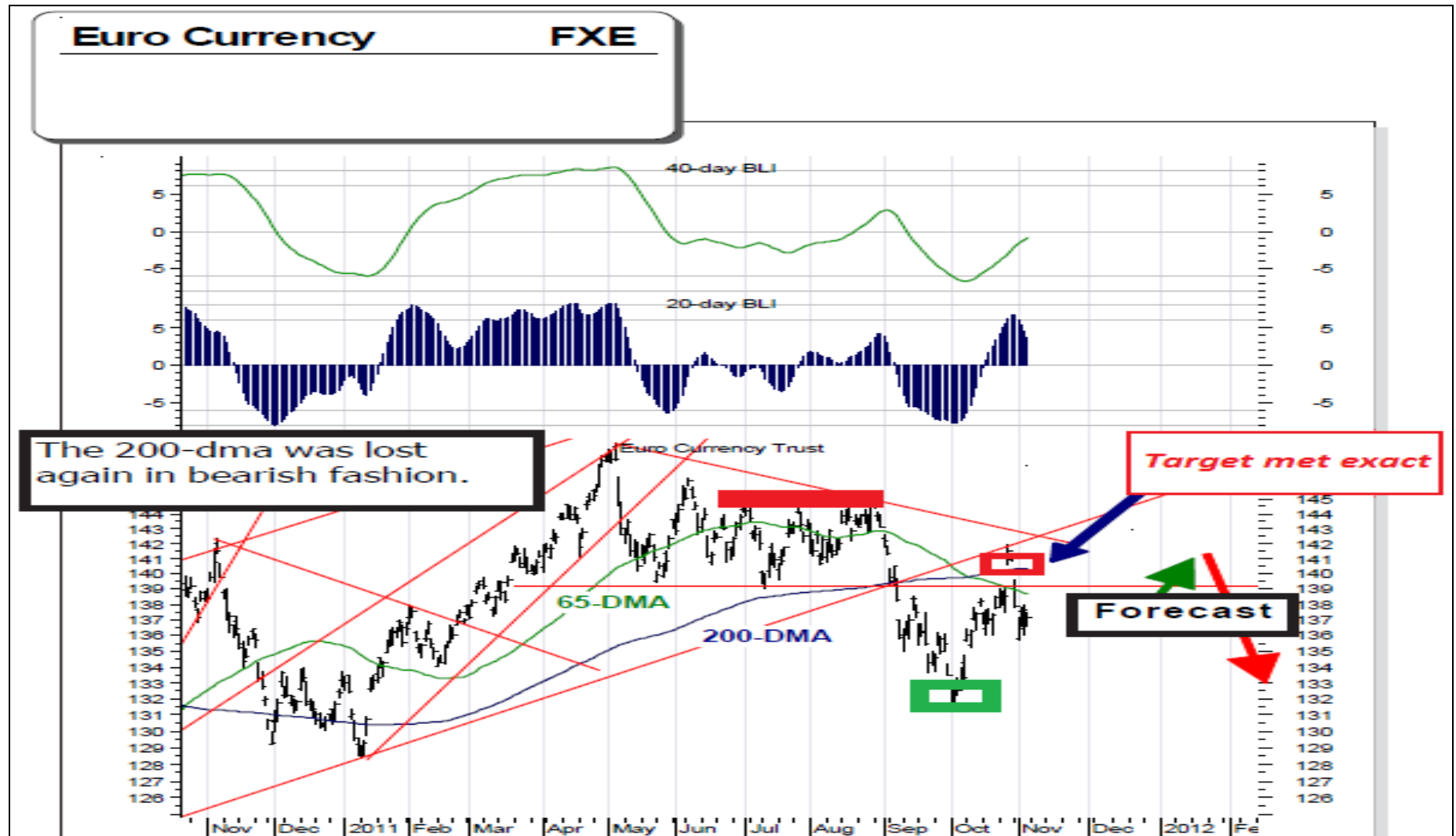
Inter market Analysis – USD v/s GOLD

Inverse Correlation to continue

Comments – NO CHANGE

EURO / USD - with Pattern & Oscillator Analysis

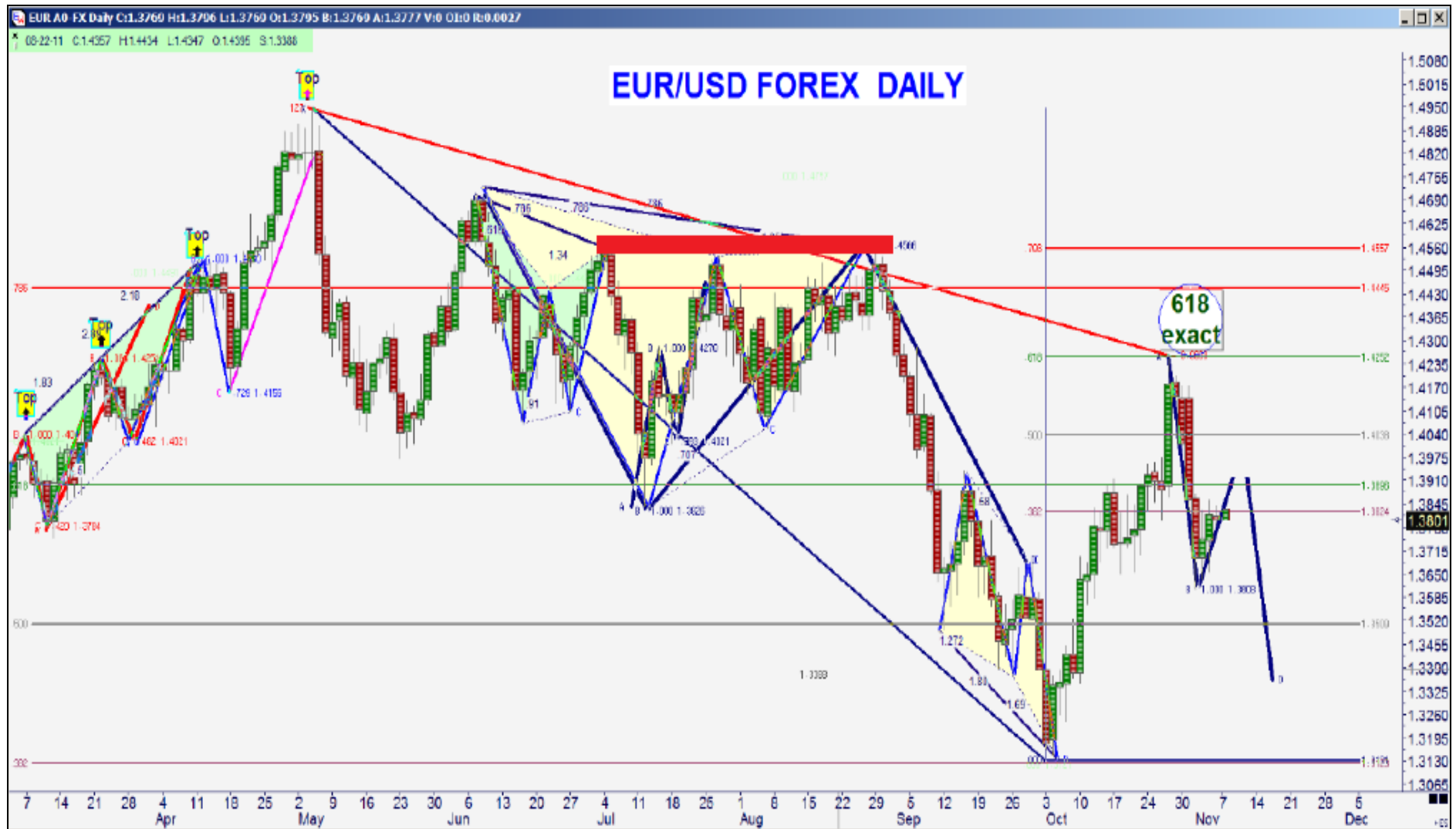
Our Target towards 1.39 was met & slightly exceeded to 1.41 and EURO was sold of soon after that .



EURO / USD – PEC Analysis - Intermediate term

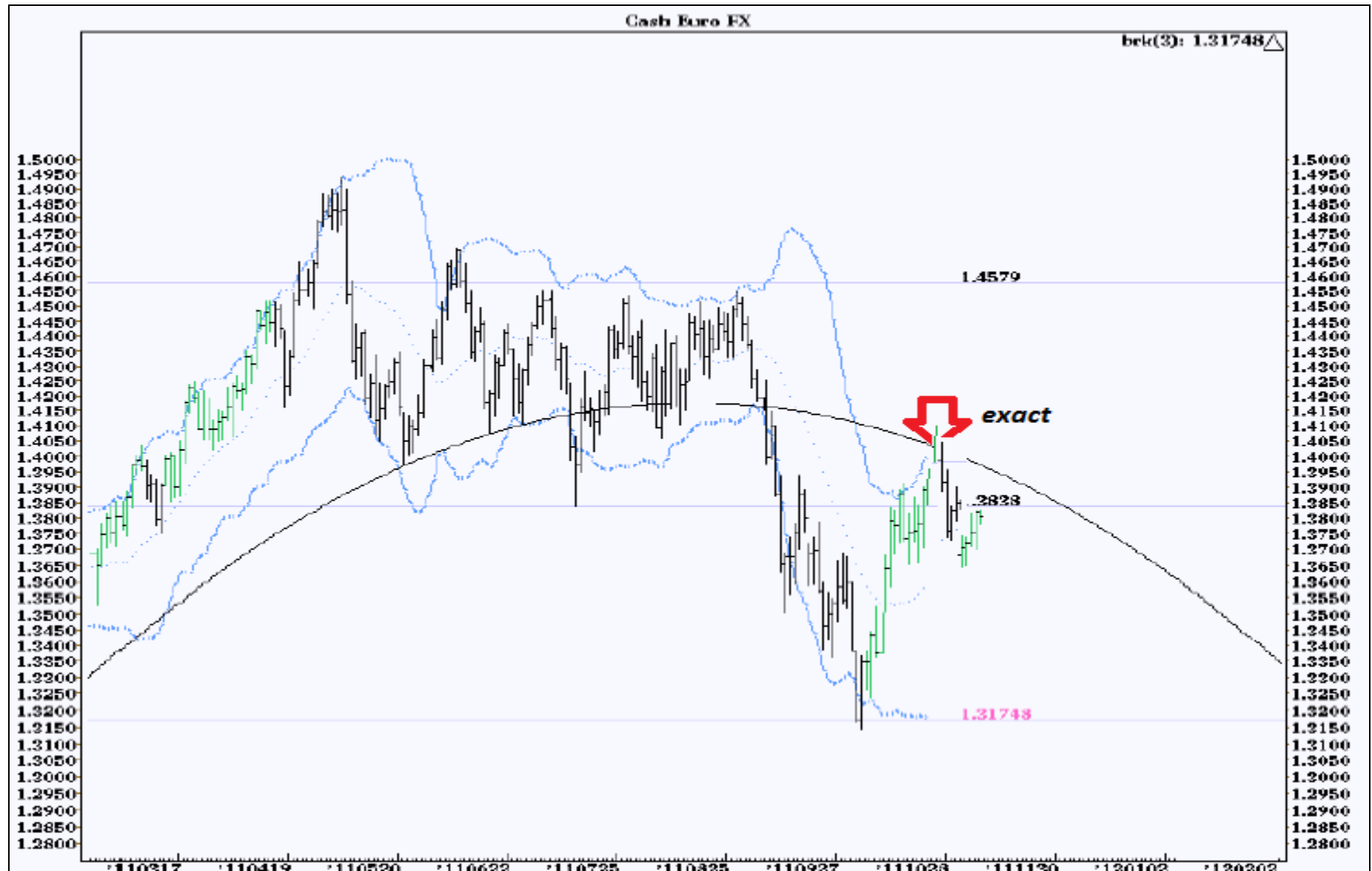
By PEC- D Method 618 Price projection for bounce is 1.41 EXACT & then was sold off.

Our Main PEC –D Trigger of 1.45 .Stop above 1.49, for risks management - The distribution in Euro along our CZ resulted in massive mark down on Trigger from debt crises will continue



EURO / USD – Poly Trend Analysis - Intermediate term

EURO bounce towards the Poly Trend has projection of 1.40. (EXACTLY) by this method as well Mathematically

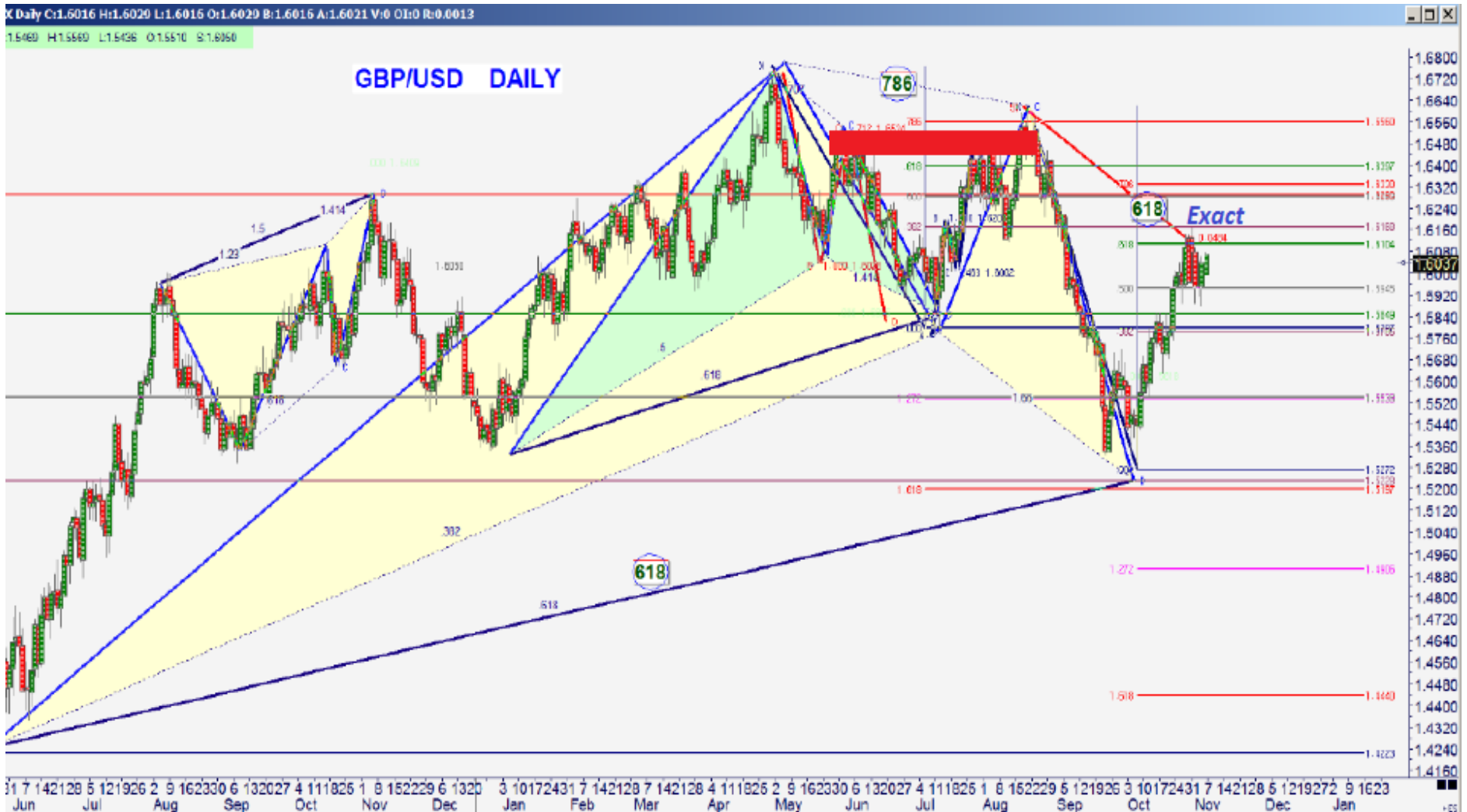


3 - GBP / USD – PEC Analysis - Intermediate term –

The counter Trend rally we expected 618 reaching target 1.61 (Exact) .

By PEC- D Method 618 Price projection for bounce is 1.61

Our Main PEC –D Trigger of 1.63 .Stop above 1.69, for risks management.



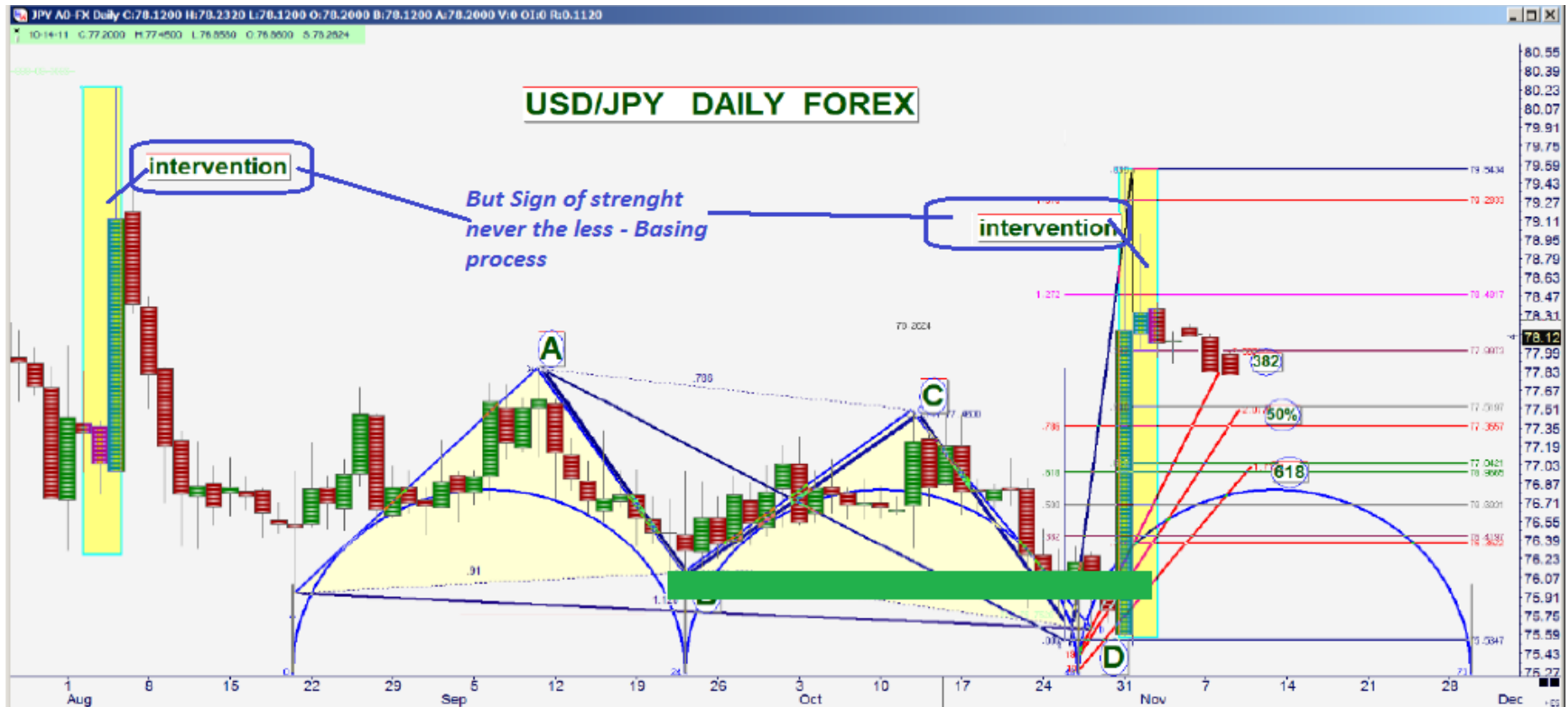
YEN / USD - PEC Analysis

The big news this week was the intervention BOJ much like what they did in August. The move in August was exactly the same as the move we made last week. This was to the exact pip.

But we think JPY was ready to move regardless. Earlier it made new lows and got strength. The odds were in favor of a rally.

YEN / USD spiked below 76 for a few minutes making new lows, but they didn't stay there very long. The AB=CD pattern is apparent at this low .

ALERT – 76 Trigger good entry point (as indicated in Green) . Stops below the lows 74.5 for risks management is still in tact.



AUD/USD – Poly Trend & Osc Analysis

AUD topped out at 1.07 trend line as indicated in last Report and decline massively.

AUD - 5/10 Trigger 1.09 (in red), forming long term top. Stops above 1.11 for risks management.



AUD/USD - PEC -D Analysis

PEC -D Pattern was completed @ 618 /786 suggests the bounce might be over @ 1.07 EXACT Proved it merit



Appendix

➤ Key Points for Full utilization of SP- Reports

- **Maximum Utilization of various POM's , CZ's & ABC's – for Risk Management & full enhancements on CZ pricing & CZ-PQV Timeliness**
- At Top down Level– Triggers around POM's -Mid term & CZ's - Short term – (CZ's happens in between the POM's) . Critical component for Clean execution is to maintain ongoing updated data base spreadsheet of CZ's Pre announced in SP releases prior to price shifts. These inputs when Computerized Daily Monitoring, Triggers, Timely PQV validations, Price projections Alerts on real time should warn in timely manner to take action. .
- Rebalancing Pre Planned procedure at Triggers – “ Rebalancing % of Overall Position Sizing” , Beta & , Net Exposures sizing depending on each Portfolio's Objective & Risks Tolerances for either Recycling of Capital or Fresh capital.
- Key points for Risk Management
- Hard Stops around CZ's
- STOP SELL- “ early warning Alerts” in fast moving markets, Over night Day / Night (IST) time delay Risks.
- Cross verification by Other Methods
Computerized Daily Monitoring, CZ Triggers, Timely PQV validations
- **2. CZ – Tracking**
- Programing - “Time/ Price Displacement, Supply / demand Activity Bar Analysis” –
 - At “Institutional Grade - Price , Volume with Time Integration
 - Supply / Demand Activity bar Analysis – Real time.
 - Candlestick – Price displacement Algo Programing experience at CZ Validation for Triggers

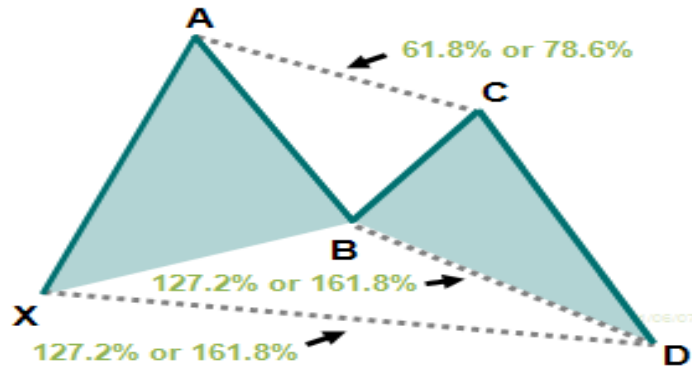
Pythagoras Expansion / Contraction – (PEC) Model

- 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

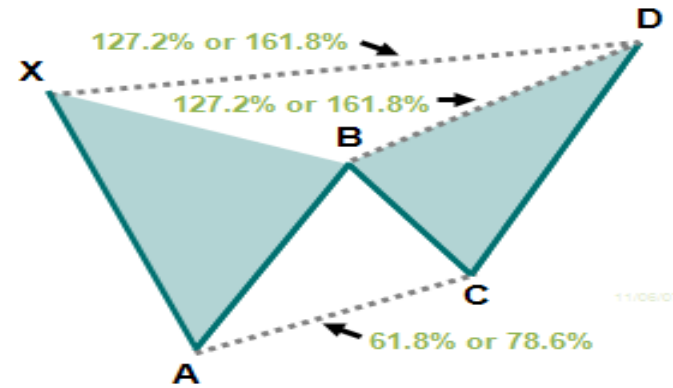
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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

Buy Pattern (bullish)



Sell Pattern (bearish)



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