



SG Capital Research

Global Market Insights

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

MAEG- CZ-PEC-CURRENCY ANALYSIS- SG 2011 # OCT_12

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

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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**

- **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 (in color) on charts below has been Announced Real time in our Previous Reports prior to Price shifts.*
- *Stops always on other side of CZ @ value based on Portfolio's Risk tolerance.*
- *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*

- **SPX – Insights (Special Situation)**

- For E # 2 – Growth Portfolio

- Momentum Break Indicator MO – Trend Adjusted Signal (TAS)

New - TAS – “ SELL” Trigger – Close below 1199 SPX . (Note- This signal is Risk protection, Independent of POM but only if announced with override). **Caution - Trend Adjusted Hedge due to whip saw takes bite out of it whiles managing MO risks**

Previous - TAS – “ BUY“ Triggered at 1080 SPX – Email Alert on 4th Oct . Since then the Portfolio has been Un-Hedged on this Rally to 1200 (current)

- 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 Triggers are stated (below) However Risk management within Bullish / Bearish moves around CZ to CZ Trading moves 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, CHF & JPY –

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

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

CHF / USD – - Await for bottom @ panic lows to be tested for safer entry

- **GR – (3) - GOLD**

ALERT

UPSIDE – We had great rally in GOLD off the bottom from 1570 @ POM 13, Our Entry 1603 (US CME Open price) to current 1685 (rally of 80 points) . We are now reaching our **Bearish CZ 1680- 1730** with completion of Bearish wedge pattern. **ALERT - PQV should fail into CZ to Trigger POM 14,** nice profit of 80-90 points (In Asia account, entry could have been lucky bet 1550)

For the Position (that was entered at 1603) , the Action plan is to manage Risk around (within) CZ 1685 -1735 . Today it has entered the Zone. Gold being very volatile it has tendencies to run through the CZ volatility. It is not clear if SPX move to POM 14 would let GOLD go th' the entire CZ . It is AOM – ALL ONE MARKET Driven by king dollar.

Volatility increases as it enters any CZ . We are witnessing it today on SPX

YTD - GOLD is up 250 points. The recent Crash of 300 points was a TRAP for Bulls on the false breakout above 1900 and now the 120 point rally from 1550 – POM 13 was “BEAR FREEZE” awaiting for GOLD 1200 target. This reinforces the fact that in market it is all about “ When !! ” and not “What”!!

Gold being volatile use scale in process within the CZ

DOWNSIDE - This market is bottom heavy and upside energy is dissipating after good profit rally. The Price Path is indicated in chart below. Our pull back appears to be back to **Bullish CZ - 1600 -1560** where POM 13 was triggered and rally had began . (GOLD Signals are still within the norms of Bull market POM's)

The price movement in Gold will be similar to what happened to SLV after its Crash from 49 (POM 15) to 31 (POM 13) and bounced back to 38 (POM 14 in GOLD) and back to 33

- **GOLD too Crashed 300 Points Alert - 8/23 @ 1825 - POM 14 – Re Run (Hedge Signal) to 1570**

• Currency – Insights

• GOLD

- *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.*
- *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) whichever way one looks at it . Gold should go back to test those highs again. There are ways to negate this but indicators we monitor for POM / CZ does not have evidence of it*
- *Pull back in GOLD is very volatile even for Bullish Bull cases it tends to lose the identity in the correction.*
- *Since our last entry position is at the exact POM 13 trigger level (1603) , it gives favorable holding power during the retesting phase otherwise the Re tests are much difficult to handle if the position is accumulated at higher prices.*
- ***Paulson Factor** - His funds was the largest holder of GLD on way up and in the Crash. It would be interesting to see the effect of anticipated Investor's redemption to raise cash.*
- *Today is 12th Oct – Full Moon*

- **CURRENCY**

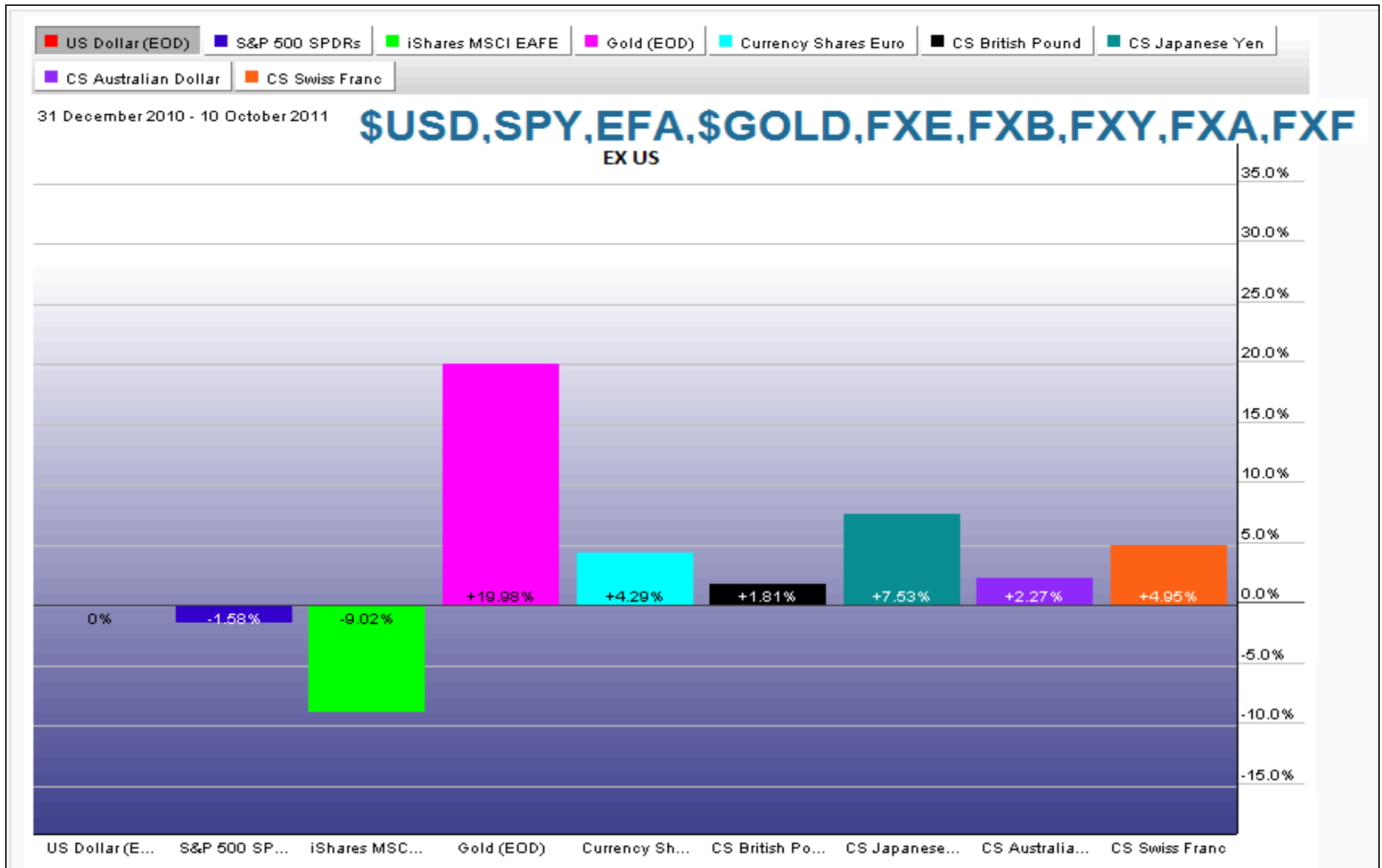
Volatility in the market is caused by the currency movements. When the spread in FX cross rates, PIP begin to widen because everyone wants some protection & hedges (See our Relative performance chart below) . All cross rates will have wide spreads and one of these months this will cause huge Gap away in Market. .

The entire surprise I which took market to turmoil was CZ of 73 in USD & initiation of ABC up . We had warned this in our Reports and it guarded us very well in SPX, GOLD, CRB

AOM – All one market theme is driven by King Dollar. ABC up has been finished with Bullish Top and now the Retracement in USD has caused all the markets rally simultaneously. 2nd ABC up in USD should put in another panic in market when it is ready.

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

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 Portfolios are Hedge via Currency ETF's

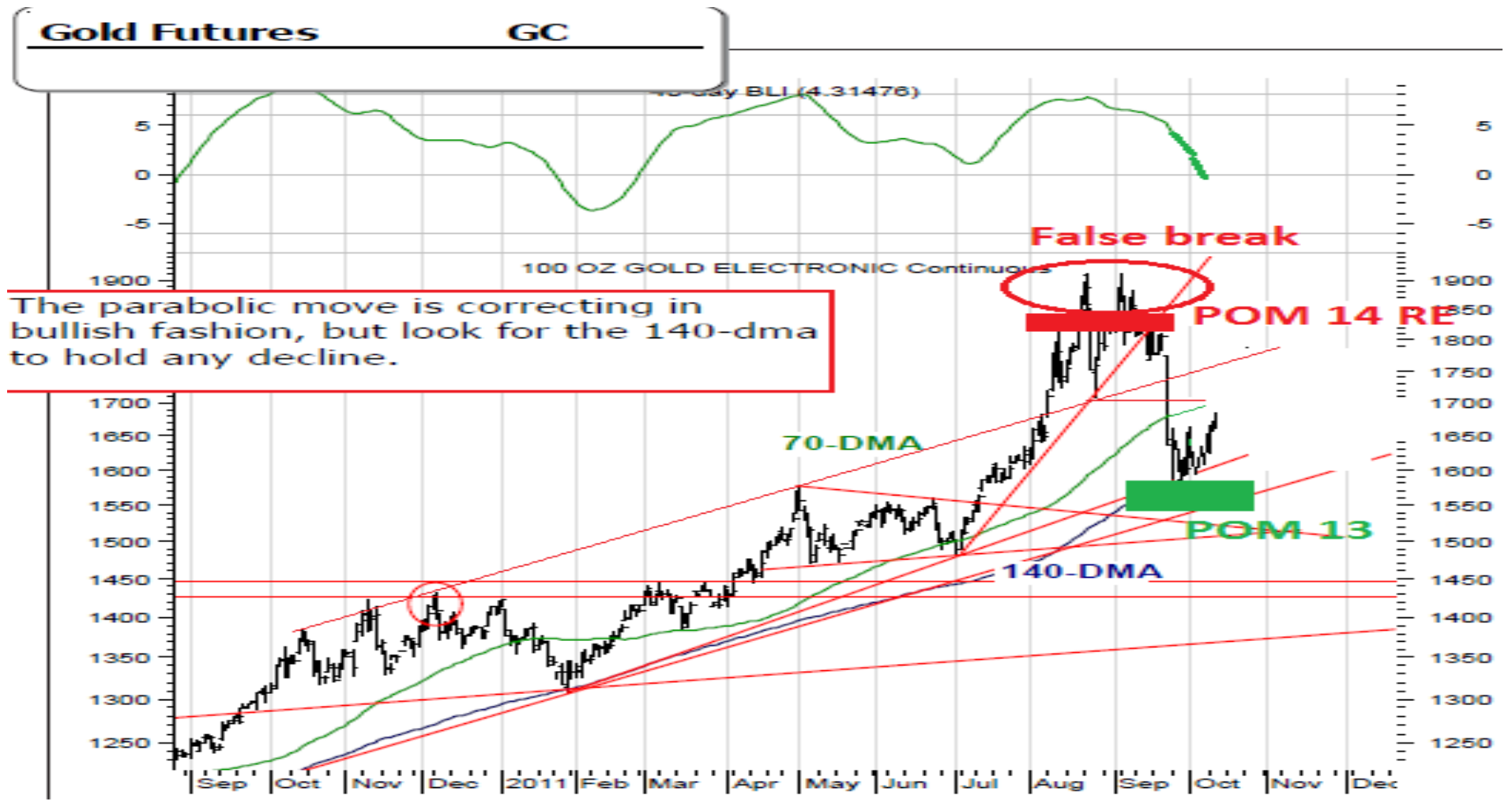


GOLD Analysis – = GOLD continuous contract.

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

We have reached our Price objective of 1570 and Triggered POM 13 via Alert 9/26 (See chart below) . It was a Crash scenario. *We should see some back filling, even test of lows*

Earlier Alert - 8/23 @ 1825 Trigger” POM 14 – Re Run resulted in decline of 300 points as per our Target.



GOLD- Poly Trend line / CZ Analysis -

Chart below indicates the New Price path of GOLD post POM 13

UPSIDE - Alert - We had great rally off the bottom from 1570 @ POM 13, Entry 1603 to 1680 (rally of 75 points) . We are now reaching our **Bearish CZ 1680 -1730** along with completion of Bearish wedge. **PQV should fail here to Trigger POM 14** (indicated in red) **after good profit of 80-90 points** (If it was Asia account entry at 1550 then the move of 130 points)

DOWNSIDE - This market is bottom heavy and upside energy is dissipating after good profit rally. Price Path indicated below. Our pull back appears to be back to **Bullish CZ - 1600 -1560** (In green Box) where POM 13 was triggered and rally began . (GOLD Signals are still within the norms of Bull market POM's)



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

In chart below – PEC – D to price target 1720 by this Method, which is almost the Top end of the CZ 1680-1730

Earlier - 786 & 618 Convergence very much coincided with POM 13. .(1570)



- **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**

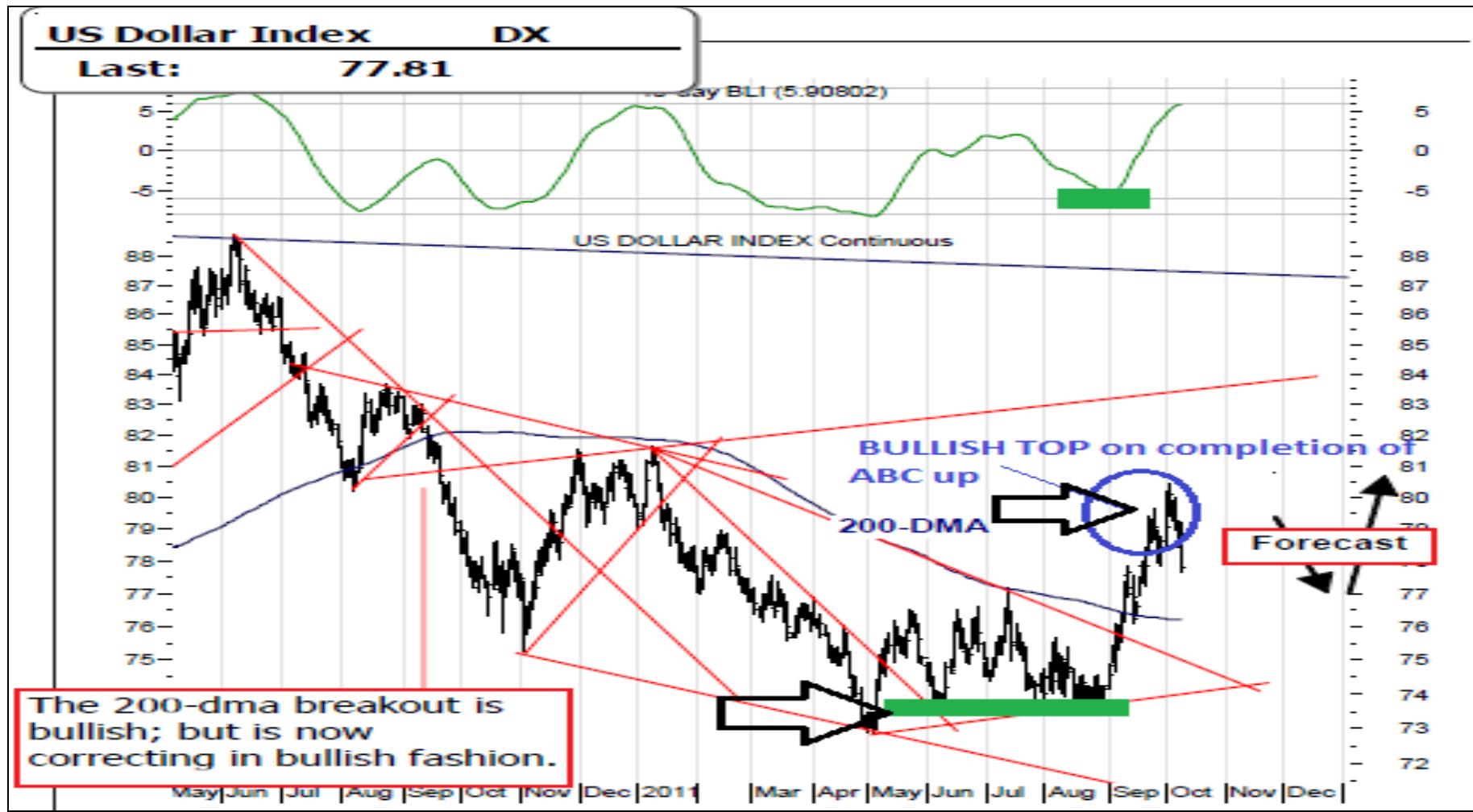
Comments – NO EXTREMES

DX - with Pattern & Oscillator Analysis

DX finished its ABC up 80 (We repeatedly had warnings of this event as wild card) . As expected USD Rally took all the markets downtown first and then up for rally

We are in pull back mode which is causing the markets to rally AOM . We are monitoring the QTY of pull back in USD. Next rally towards its Bullish Top should put another fear in the market

Earlier - USD Trigger @ 72-73 (stated in B # Currency Report. Subsequently in our C # REPORT 09/07



2 - USD – PEC D

USD completed a perfect AB=CD pattern at the 80 level PEC –D and Retracement began target about 76-77 still in progress. Next ABC could go to 83

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



Inter market Analysis – USD v/s SPX

We often use currency market in our Inter market Analysis . Our Analysis with CZ – PQV confirmed in USD rally as Key Inflection point. *We had warned in earlier messages- When USD began its full rally, the Equity market got destroyed . This confirms our inverse relation & demonstrates how action in one market can give early warning of action in the other.*

USD's NEXT RALLY NEXT ABC UP should put pressure on SPX , Currently USD is in pull back mode . (Correlation circled in red)



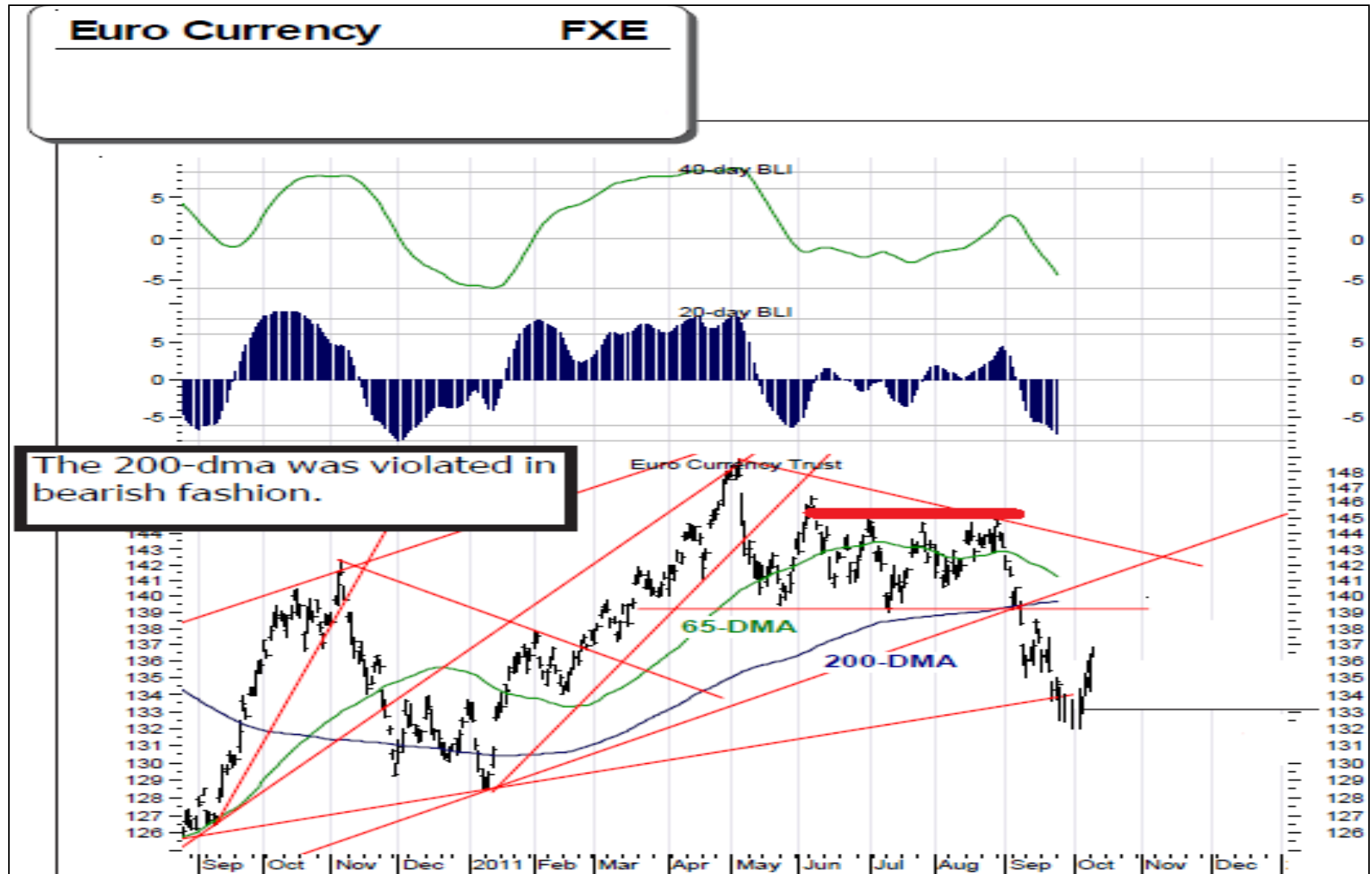
Inter market Analysis – USD v/s GOLD

*USD's Current pull back allows GOLD to reach its CZ – 1685 -1735 . Next rally in USD should fuel Pull back in Gold ,
(Correlation circled in red)*



EURO / USD - with Pattern & Oscillator Analysis

Now a counter Trend rally, earlier Broke down and violated in very Bearish away. **Could bounce up to 1.39**



- EURO / USD – PEC Analysis - Intermediate term

Our 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.

ST – PEC –D @ 1.35 was reached as expected and then extended to 1.33 in 5 week down move. Now counter trend rally only – for a bounce (no target projection yet)



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

Similar to Euro , GBP reached **ST PEC D @ 1.53**, down 6 weeks . **Now counter trend rally only – for a bounce** (no target projection yet). 1.53 was 35 week Cycle low

GBP -USD Our PEC –D @ 1.63 correctly, stops above 1.69 for risks management



YEN / USD - PEC Analysis

ALERT – we mentioned - 76 could be tested, and good entry point (as indicated in Green) . Stops below the lows 74.5 for risks management is still in tact. (Stop is critical if it goes in free fall). The JPY has been on a 48 week cycle low



3 - AUD / USD -Analysis

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

Bounces in process as expected after decline between larger down Trend. .



AUD/USD - PEC Analysis

AUD oversold and counter trend within larger move .

Earlier By this Method, PEC-D signal @ 1.09 STILL VALID analysis to judge , Stops above 1.11 for risks management –

NO CHART – TECHNICAL PROBLEM

CHF /USD - PEC Analysis

*The Swiss franc dropped more than 25% against the dollar in biggest shake out
We were expecting to test the bottom again but it has not given Trigger – - We do not have a test of safer entry point .*

NO CHART – TECHNICAL PROBLEM

Appendix

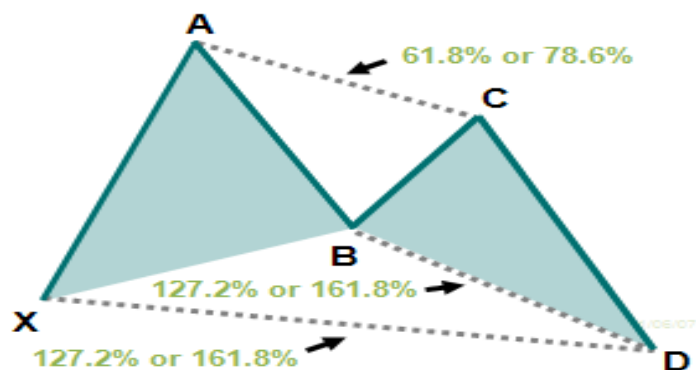
Pythagoras Expansion / Contraction – (PEC) Model

- 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

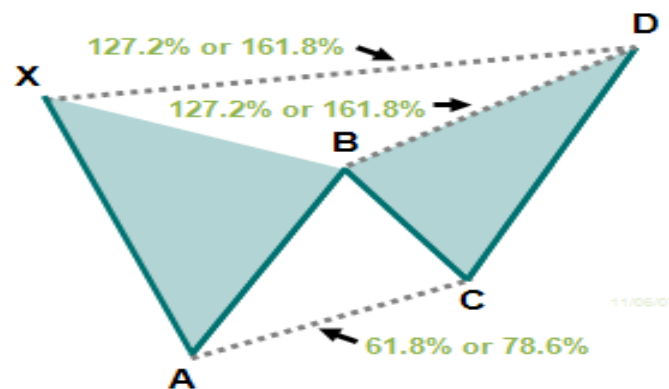
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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

Buy Pattern (bullish)



Sell Pattern (bearish)



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