



SG Capital Research

Global Market Insights

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

MAEG- CZ-PEC-CURRENCY ANALYSIS- SG 2011 # OCT_26

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**
- **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 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 Risk tolerance.*
- *POM / PEC D Conclusions to be cross verified by other methods prior to final decision*
- *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

- **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 – - No safer entry point

- **GR – (3) - GOLD**

- **Last Alert** – In our B # Currency Report dated 10/13 – GOLD Triggered POM14 when it reached in CZ – 1680 -1730. This is Risk Management signal for Hedging the positions that was entered at 1603 – POM 13 - NET LONG on 9/26. Resulted in rally of 85 points
- This is the area to consider Rebalancing Hedges & Position sizing on Net & Beta Exposures depending on the Portfolio Objectives & Beta tolerances .

Key point Summary

- YTD – since 1st Jan GOLD is up +19% (+ 280 point gains from 1420 levels). & GDX down -6% (-4.5 Points loss from 61 levels). POM Investment Conclusion” in the C # Commodity Report summarizes it.
- +415 points gains on GOLD- for NET LONG, (in 4 - Signals) (additionally + 17 points 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 ur POM 14 Trigger (1680-1730) immediately GOLD declined to hit lows of 1605, 11/21 & then bounced back yesterday to POM 14 area 1680-1730 .
- We think some work needs to be done on downside back into 1600-1550 to test the previous POM 13 area. The upside move does not have enough energy for meaningful ABC up .
- However move above the POM 14 – upper CZ 1740) it can initiate momentum rally but we do not see it as ABC up (as protection place STOP on Hedge @ 1760 Close).
- **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

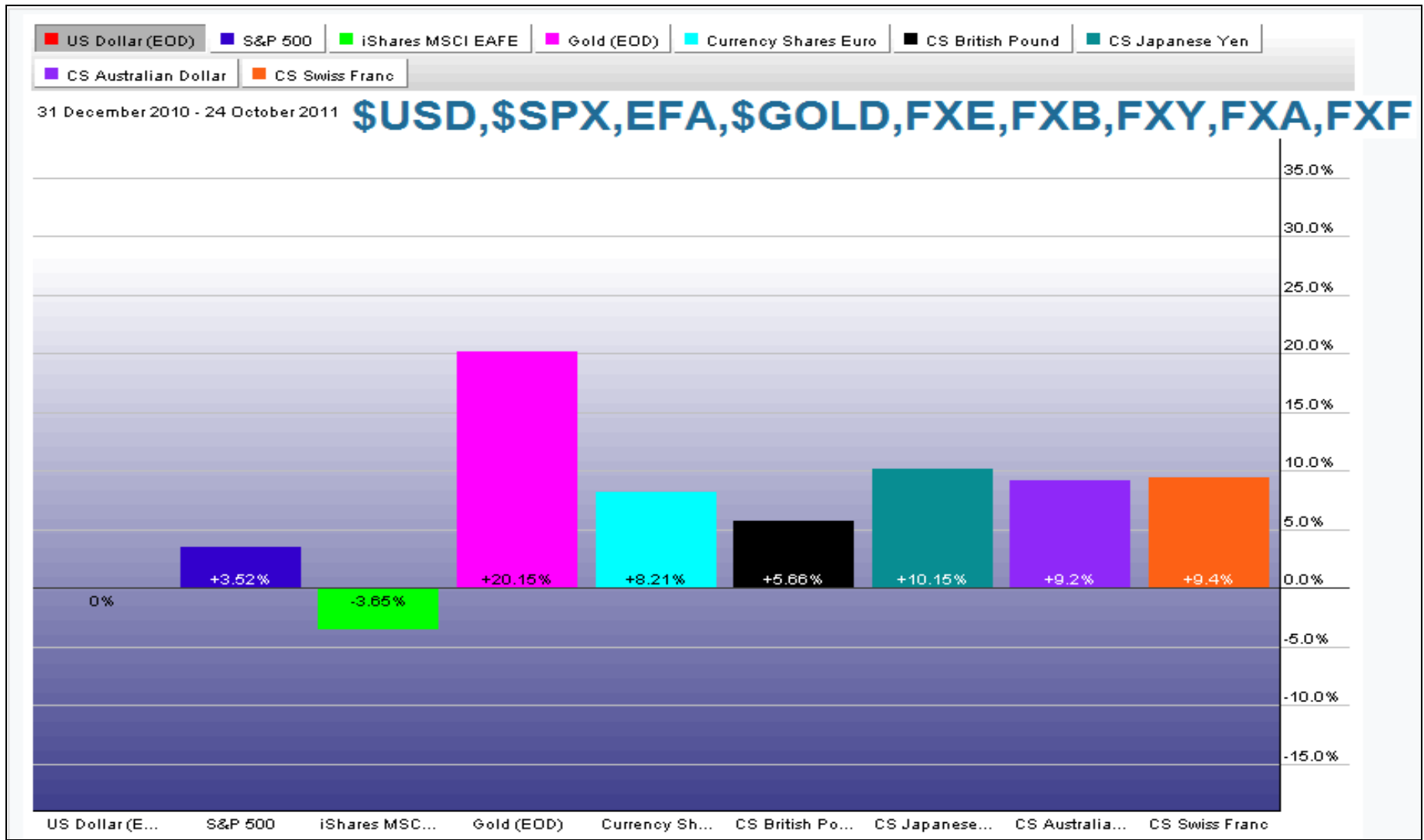
- **CURRENCY**

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 Portfolios are Hedge 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 of 110 (out of which we got 85 points). Now the back filling should continue to build cause. POM 13 area below 1600-1550 is still bottom heavy.



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

In chart below – PEC – D to price target 1720 by this Method now PEC –D is getting tested with projection to 1745 , 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

We think the pull back in USD should be over soon around 75.5. The pullback mode caused AOM) to rally . Once the next Rally begins towards its Bullish Top, we should put another fear in the market.

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



2 - USD – PEC D

Retracement target about 76 still in progress 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.



Inter market Analysis – USD v/s SPX v/s GOLD

GOLD BOUNCE...yesterday might be tied up with stock selling. In fact USD did not even move as much as it should. USD being at the lows of retracement and GOLD entering POM 14 makes it suspect. The surge in the dollar during September had a lot to do with the downturn in gold. Gold, however, is also influenced by the direction of stocks.



- **RATIO ANALYSIS**

Inter market Analysis – USD v/s SPX

Inverse Correlation to continue

Comments – NO CHNAGE

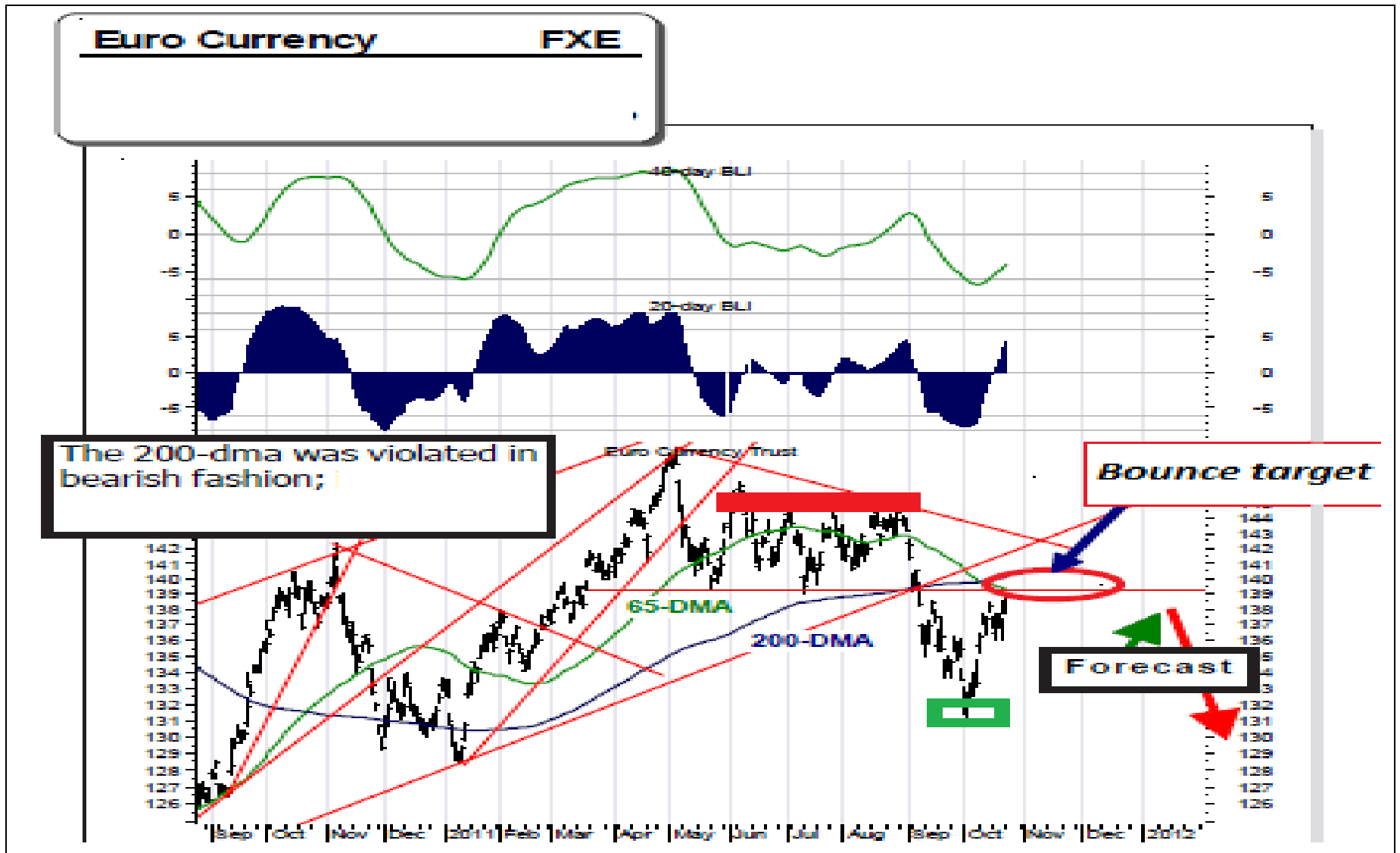
Inter market Analysis – USD v/s GOLD

Inverse Correlation to continue

Comments – NO CHANGE

EURO / USD - with Pattern & Oscillator Analysis

The counter Trend rally we expected from our previous Report @ 1.33 has reached our expected target 1.39.



EURO / USD – PEC Analysis - Intermediate term

By PEC- D Method 618 Price projection for bounce is 1.40

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. Mathematically

But over enthusiasm of politicians to resolve the fueling short covering among the traders.



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

The counter Trend rally we expected from our previous Report @ 1.53 has reaching target 1.60.

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 was in the YEN/USD as it made new lows and is getting a lot of press about further strength coming in the YEN against the Dollar. The odds are in favor of a rally of some magnitude.

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 . There is also a long term weekly cycle in the YEN

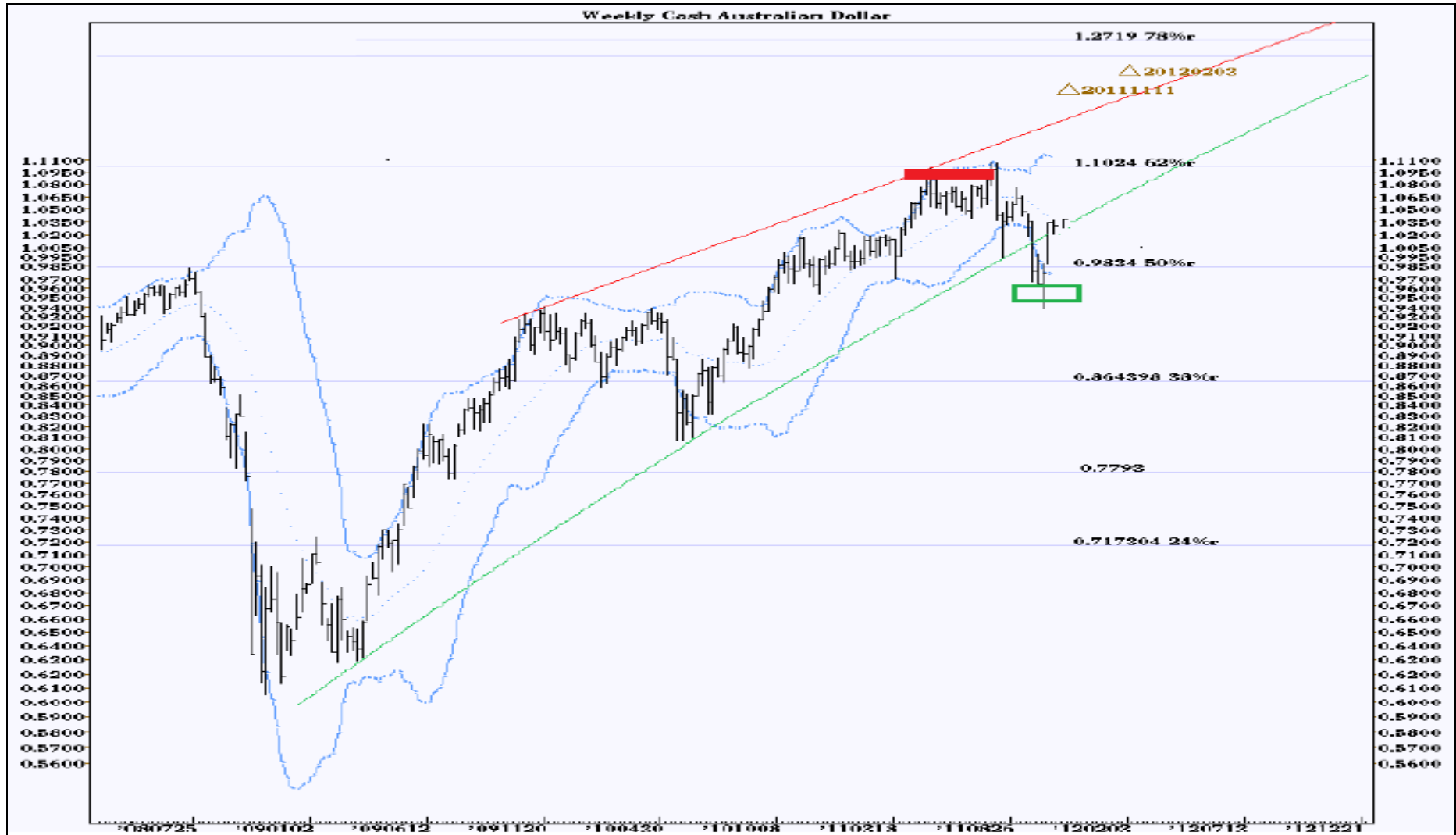
ALERT – we mentioned - 76 could be tested, and good entry point (as indicated in Green) . Stops below the lows 74.5 for risks management is still in tact. (Stop is critical if it goes in free fall).



3 - AUD / USD -Analysis

Bounce back in LT term line in process after decline between larger down Trend, should top out along with other currency.

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



Special Situation

SPX

Several large / High price stocks are Gapping away, this is first good sign for Bears. Usually High price stocks are favorites of Momentum Institutions (similar to lows price are Day trader's favorite) . Once Momentum Institutions starts loosing position on these stocks. Liquidation program kicks in (similar what happened in May).

Bonds are putting in low for another rally (Refer TLT below). This suggests rally in USD may be coming soon (usually Bonds tends to give head start for USD). Inverse relation in stocks and Bonds should follow the suit.

HFT Program should continue to cause the volatility in the Brick Wall. These Programs are front running the market knowing that they have Ready Buyer (STOPS) on other side of trade if they push the market harder. Yes !! looks like extension or breakout but in true sense its cleaning up the bids.

Overall we have achieved a price level on SPX consistent with a significant top . This doesn't rule out a retest of the high double-top at the levels achieved on Monday would not be a big surprise. The news from Europe which appears to be a solution to the debt crisis as market may react first and think second. This is a Typical texture of Rolling Top

According to the cyclic model, the most powerful force to the downside should occur (when bullet points below is satisfied) and the rolling Top is Setup for strong downtrend could take a few days to develop.

- Our Clue should come in Weekly close below 1220 and Monthly close below 1225. Should be good indication to negate Weekly Bullish reversal pattern we witnessed in Oct lows. Double topping into Brick Wall should be great nail in coffin for Bears while 1220/ 1225 levels are closed under.*
- Another clue to look for – All currencies mentioned above in Currency Reports to finish their bounce targets and reverse. The bigger move begin when these pattern get completed. (We are watching carefully)*

SPX Hrly Basis – CZ & Poly Trend Analysis - Special Situation

We had first sign of Day Traders CZ 1240-1245 broken which has established ABC down to 1200 -1210 (certainly not in straight line) . Tuesdays market internals suggests we should go back to Broken CZ 1240-1245 could be intraday. This is just a miniature road map on mini Price Path of SPX and follow the Poly Trend path down on right side.



BOND - Special Situation

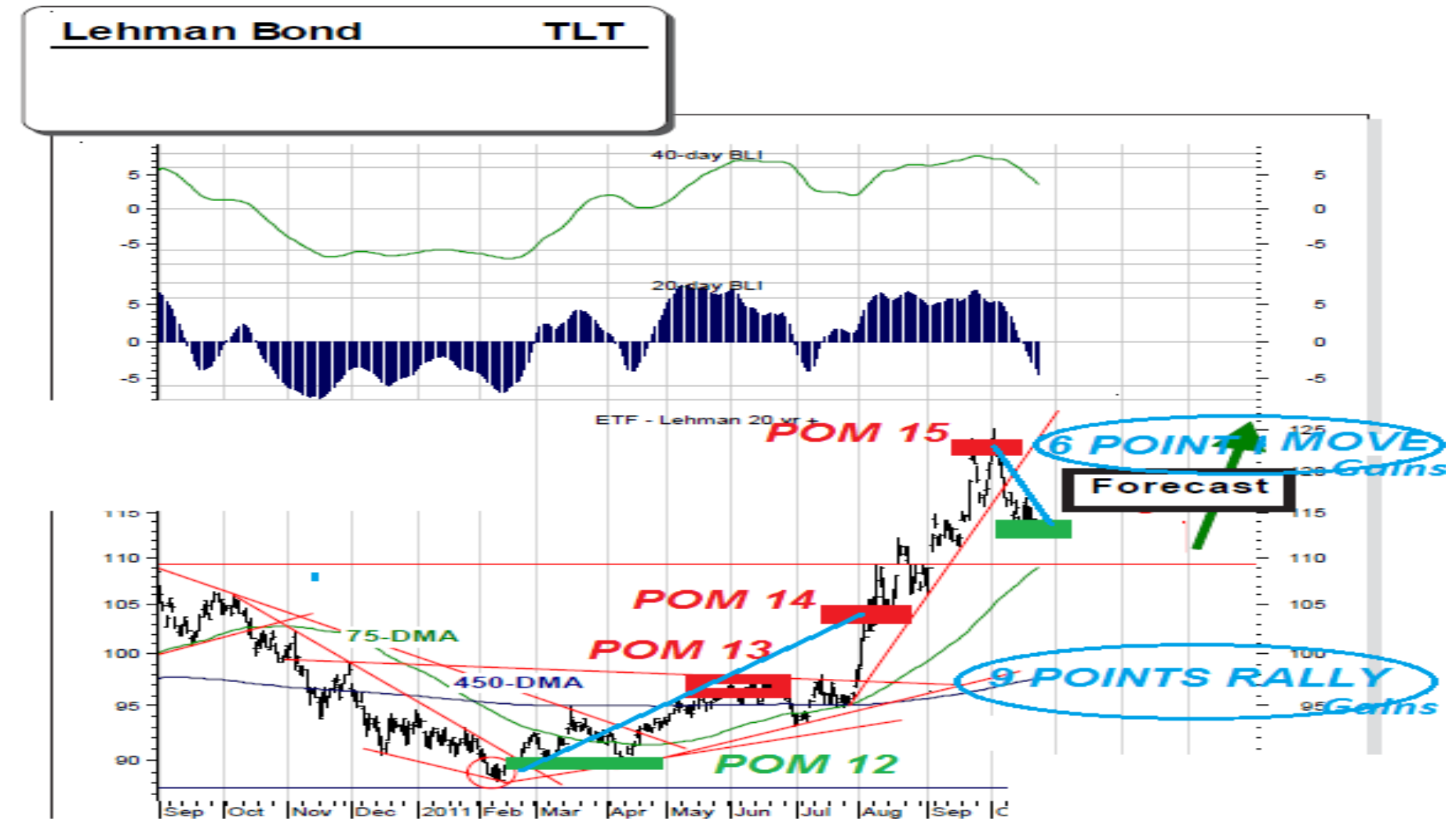
Bonds have finished its Projections 786 at 138 & rested once again. From POM 15 levels A rally should begin. (We do not have POM 13 Signal Triggered yet). Bonds are an asset class and not the safe haven they would like us to believe. It moves just like stock market.



TLT – MA / Pattern and Oscillator Analysis.

Alert email 10/7. Suggested Trailing STOP of \$1.00, based on that on 10/13, Market took us out @ 115.5 for \$8.00 Profit for + 6.4% gains. It went as lows as 113. Earlier it had Triggered POM 15 position @ 123.5, Via Email Alert) 10/4

We have reached our downside target for time being we think rally should begin towards POM 15 once gain on exhaustion move (Refer notes & CZ 's coincided with POM'S within the chart) – BELOW WE HAVE TLT'S POINT SUMMARY ON INVESTMENT CONCLUSIONS



TLT'S POINT SUMMARY ON INVESTMENT CONCLUSIONS

TLT – POM Signals & Price Projections - Start point 94- 1ST Jan

TLT - Trading & Investment Conclusion - – Updated

Net Short – POM 15 - (Total points gains= +6)

TLT – Short position closed @ 115 from 123.5 via Trailing stop for 8 points gains

- Alert 4 - POM 15 –, TLT – Triggered Alert – 10/4 @ 123.25 closed @ 115 = (+ 8 Points gains)
- Alert 3 - POM 15 –, TLT – Triggered Alert – 9/30 @ 119.25 / closed @ 117.25 = (+2. Points gain)
- Alert 2 - POM 15 –, TLT – Triggered Alert – 9/26 @ 120 / Stopped @ 122 = (-2. Points loss)
- Alert 1 - POM 15 –, TLT – Triggered Alert – 9/6 @ 113.65 / Stopped @ 115.5 = (-2. Points loss)

Net Long – POM 12,13 (Total point gains = + 9 or 10% %) + Yield of 6 months (POM 12 for Full Fresh capital to go long)

- Alert – 8/35 - POM 14 Triggered @ 102 exit (1/2) – Earlier POM 12 Triggered 01/21 (1/2p) & 04/ (1/2) for average price @ 89.5 = +12.5 points gains
- Alert – 5/5 - POM 13 Triggered @ 95 exit (1/2) – Earlier POM 12 Triggered 01/21 (1/2p) & 04/08 (1/2) for average price @ 89.5 = +5.5 points gains

Hedge Longs / Risk Management for corrections - NONE

Appendix

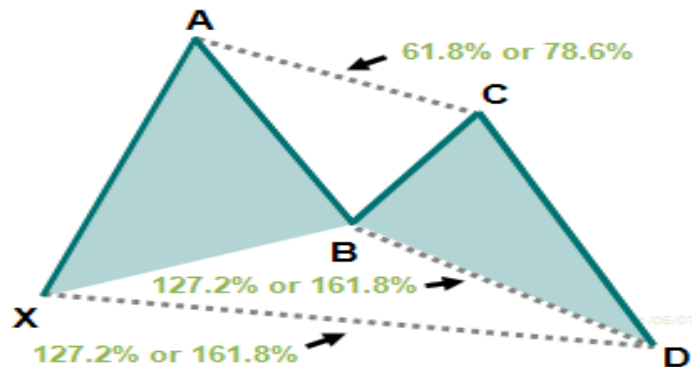
Pythagoras Expansion / Contraction – (PEC) Model

- 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 streams to achieve confluence point D coinciding with POM

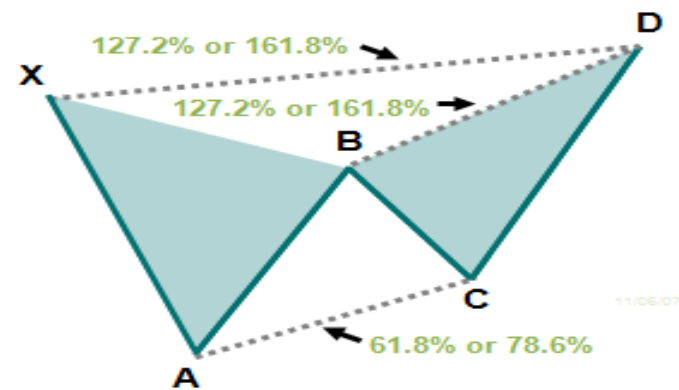
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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