



SG Capital Research

Global Market Insights

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

**MAEG- CURRENCY ANALYSIS- SG 2011 # SEPT\_13**

**For Immediate Release – *Bi Wkly Tuesday 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**

- 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 Price Target stated ( below) . We advise risk management within Short term moves around CZ to CZ Trading moves with Stop - Loss ( due to sudden volatility)
- GR – (1) – DXY, EURO & GBP -

1. DXY – 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

- **GLD**

- **Alert - 8/23 @ 1825 “ Reverse decline Trigger” POM 14 – Re Run (Hedge Signal) – STOP 1875 ( revised) , Earlier GOLD offered one round Trip to Hedge from 1825 to 1700 and back 1825.**
- **Our Current Pull back Target on GLD is once again to 1700 and then to 1580 . The Downside target would give the best Buying Opportunity. These Areas could be POM13, or POM 12 depending on Volume, CZ & Price Rejections criteria**
- **SENTIMENTS - Sentiment Traders curtsey**

**NO – Extreme Sentiments - on any of the Instruments within our Coverage**

**Note – All CZ / PEC D – Marked ( in color) on charts below has been Announced Real time in our Previous Reports prior to Price shifts.**

## GOLD Analysis – ( GLD + \$ 50 ) = GOLD continuous contract.

In our Previous Reports C # Commodity Report & / or B # Currency Reports - we indicated our First move down target was 1700 & Rally back to 1825. It has satisfied those objective and then Doubled Top.

**Caution - We think there could be another push Top side in store ( into the false break area) before this market can give up but that does not change our view Mid term**

**Alert - 8/23 @ 1825 “ Reverse decline Trigger” POM 14 – Re Run – STOP 1875 ( revised) – POM 14 is Hedging only – Not Short Signal**



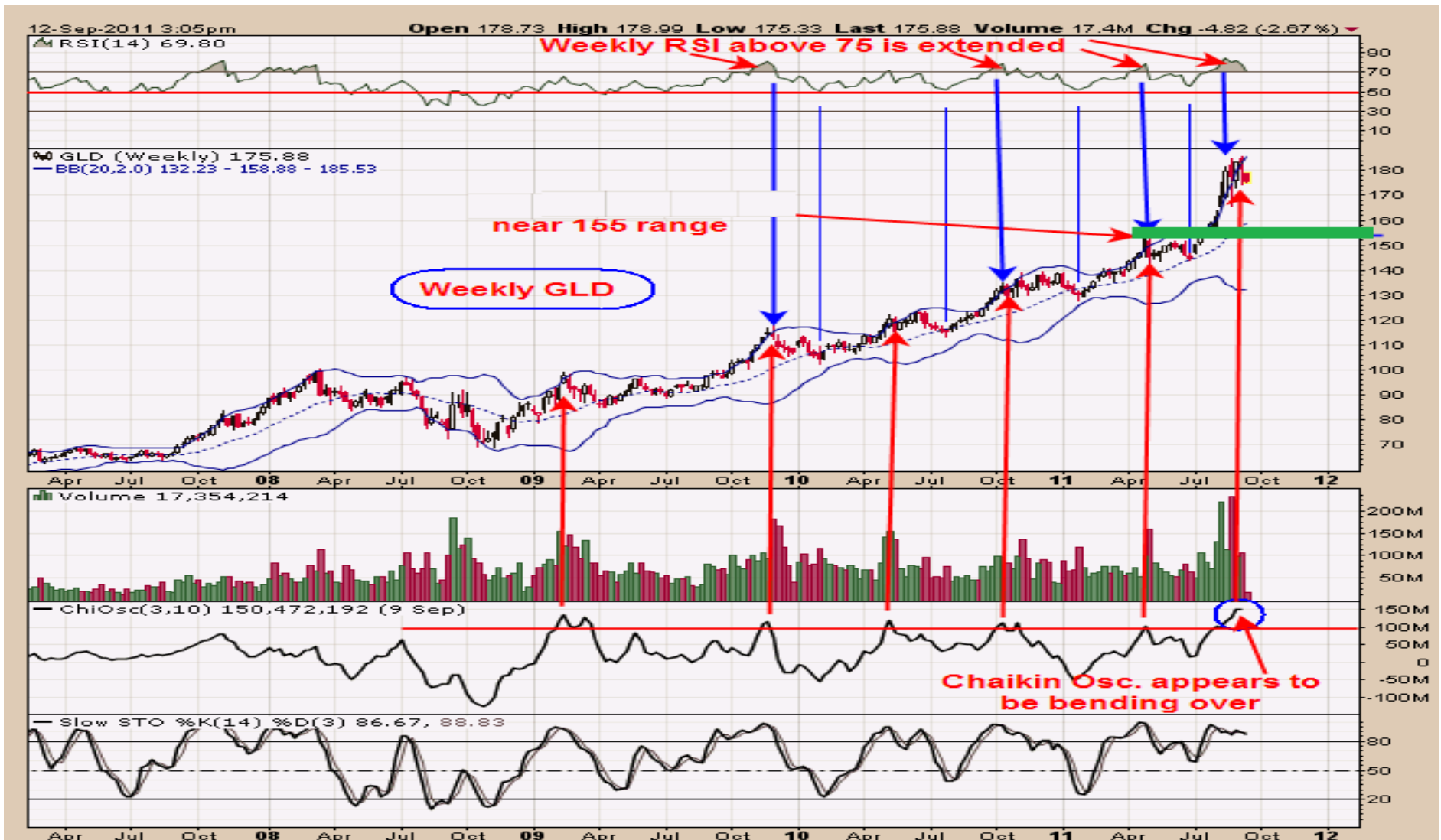
# GOLD Trend line Analysis – Our 1700 Target ( for the 2<sup>nd</sup> time)

*Bearish divergence warns that we are going to see a top in gold. The Rising and falling Poly-trend Analysis has target of 1700 once again. & then to 1580 towards the Poly Trend Analysis.*



## 2 – GOLD - ( GLD + \$ 50 ) = GOLD continuous contract - MID TERM – 1570 Target

GLD appears to have peaked . Previous times on GLD when the weekly RSI got above 75 and the Chaikin Oscillator traded above 100m, a multi week pull back occurred and we are expecting that here. Strong Mid term CZ comes in near the 154 ( 1570 on Gold ) In weekly up-trends the RSI normally finds support near the 50 range and a low in GLD after retracement. Bigger trend is up in GLD, but a pull back near 154 in the coming weeks. Will be looking for buy signal near 154 range on GLD.



## Inter market Analysis – USD v/s SPX

*In our A # 1 – MS- yesterday's note we previewed Intermarket Trends with respect to Commodity & Bonds ( Rates) . We have similar Analysis on Currencies as well. It often leads to use one market as a confirming or leading indicator of another. Our Analysis with CZ – PQV confirmed by outside the market assists for Key Inflection point.*

*We had warned in earlier messages- When USD begins its full rally ( which it has initiated ) , Equity market needs to watch out. This confirms our inverse relation & demonstrates how action in one market can give early warning of action in the other.*



## Inter market Analysis – FXE v/s EUROLAND

*Another classic example of similar Intermarket Analysis. In currency market when pips spread move out as much as 10 pips or more then risk appetite reduces and de-leveraging starts . We watched the same in 2008 as well*





# DXY - with Pattern & Oscillator Analysis

**Our CZ 73 -72 proved its merit** ( indicated in our Past Currency **Report 08/23** – indicated in green ) then the rally began. The price action in DXY appears to be valid breakout and confirmed ABC up.

We had warned in the previous messages the impact of USD RALLY & damage to other markets Equity & Commodity–



## 2 - USD – Poly Trend / Pattern Analysis - MID TERM

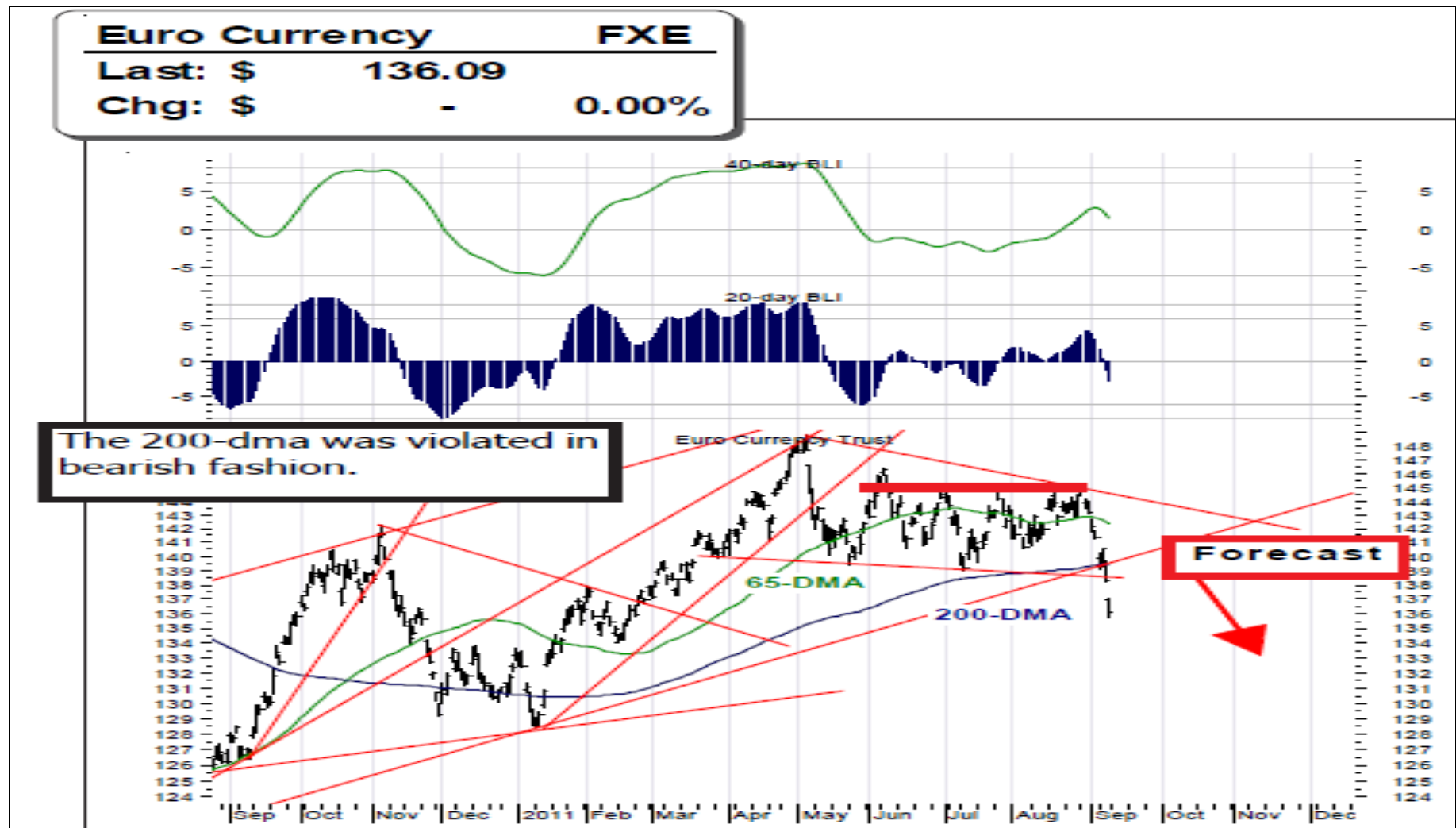
*In Poly Trend Analysis , the USD broke out of its falling wedge last week as fall of the euro sent fleeing for the safe haven of the dollar.*

*It's been 3 years since DXY made its low, but it hasn't been able to make much in the way of gains. The upside potential is uprising poly trend. Bullish Long term. CZ 73-72 coincided with Poly Trend Analysis as well - Stop below 71 , for risks management*



# EURO / USD - with Pattern & Oscillator Analysis

*Euro Broke down and violated our CZ in very Bearish away.*

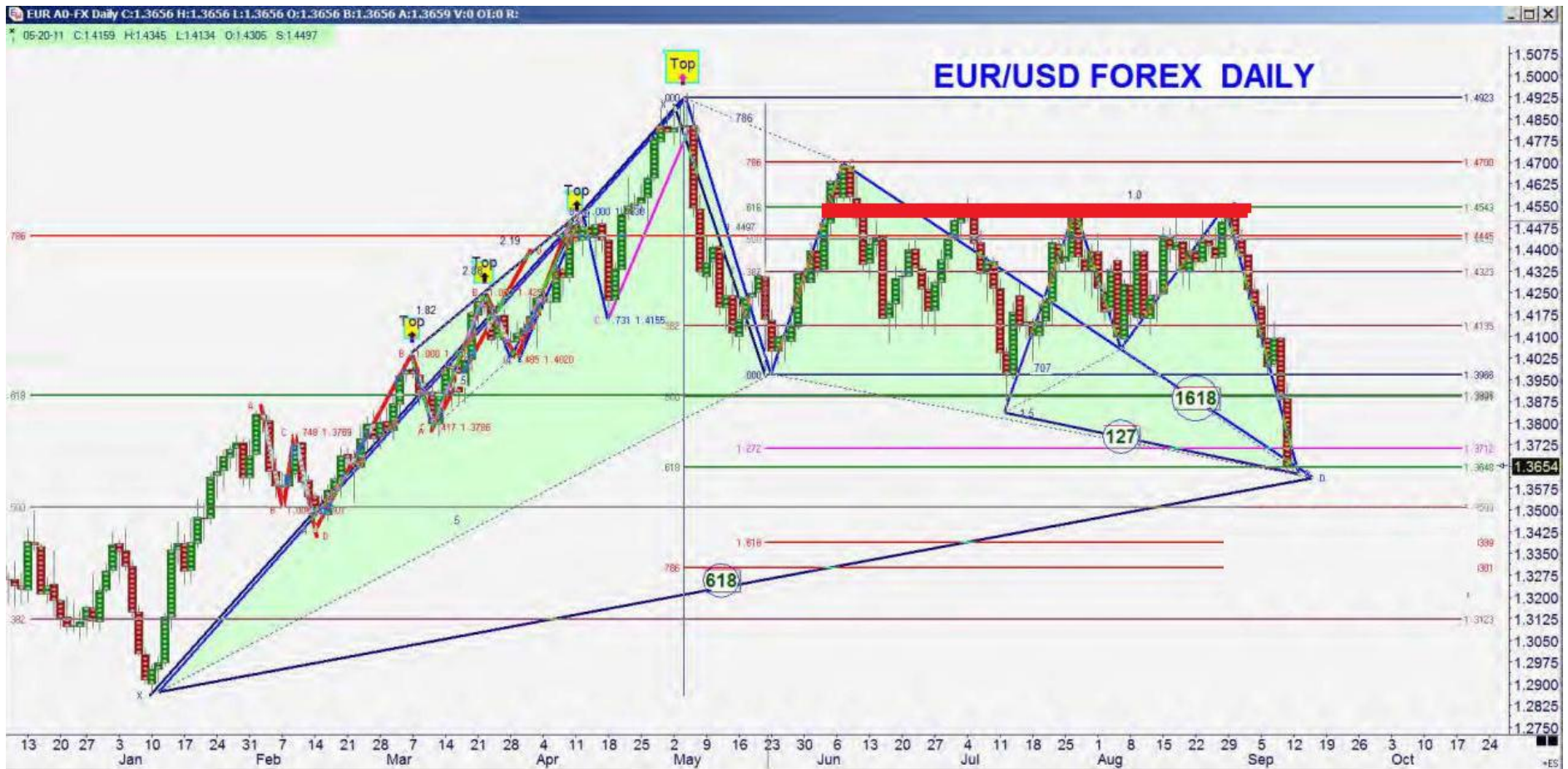


## - EURO / USD – PEC Analysis - Intermediate term

***Our PEC –D Trigger of 1.45 .Stop above 1.49, for risks management***

***The distribution in Euro was happening along our CZ and then it resulted in massive mark down on Trigger from debt crises.***

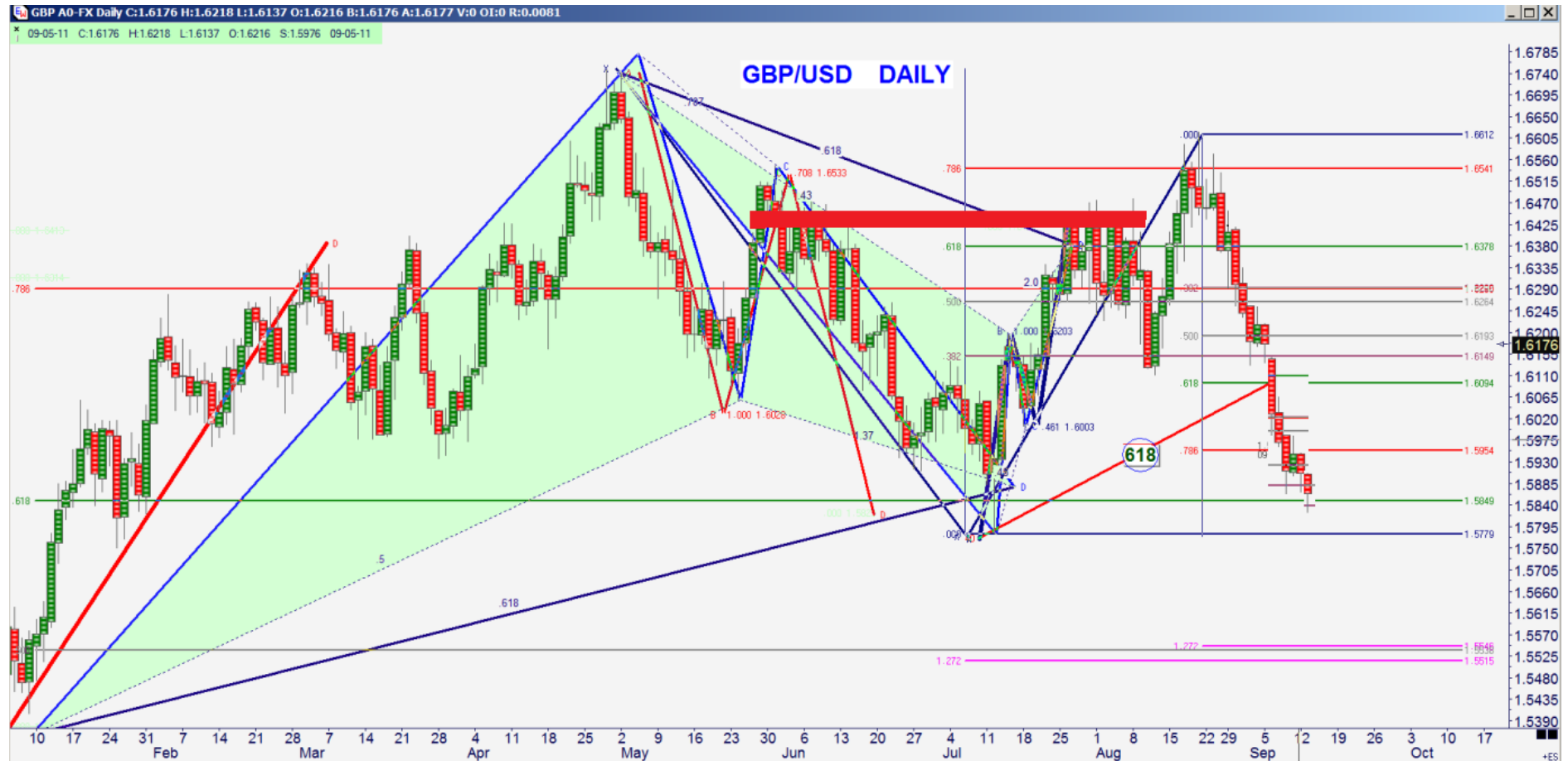
***ST – PEC –D @ 1.36 is for counter trend rally only – for a bounce.***



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

Similar to Euro , GBP is oversold and rally should come in anytime just for counter Trend bounce.

The British pound is in the same situation as the Euro **GBP -USD Our PEC –D @ 618 comes in at 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) ,**



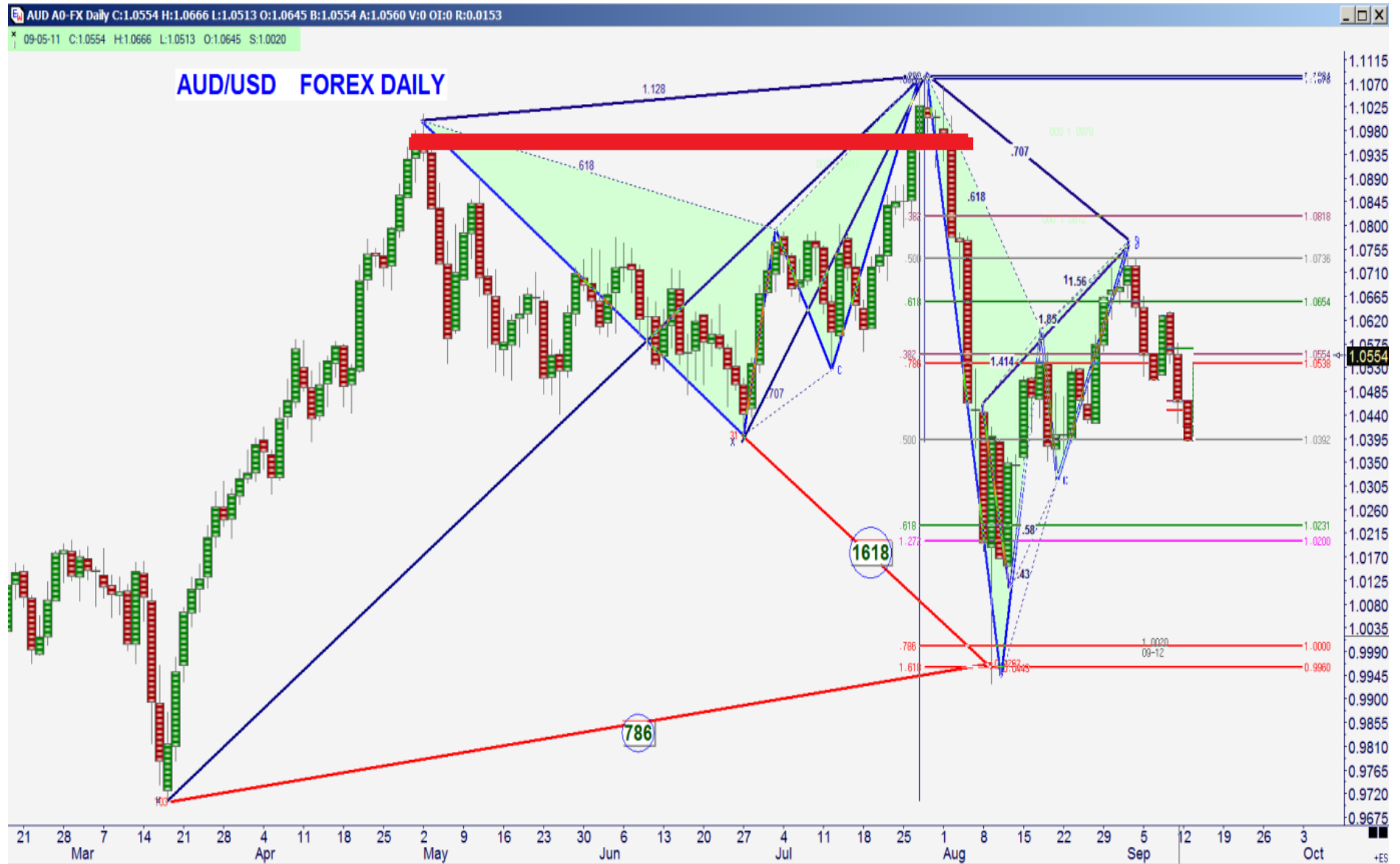
### 3 - AUD / USD -Analysis

**AUD - 5/10 Trigger 1.09 ( in red ) , Now It should find support at the Trend line below @ 1.00 but it is forming long term top. Stops above 1.11 for risks management. If a break of the support line could be waterfall drop . Only a breakdown below rising support would confirm that the trend is turned mid term bearish.**



# AUD/USD - PEC Analysis

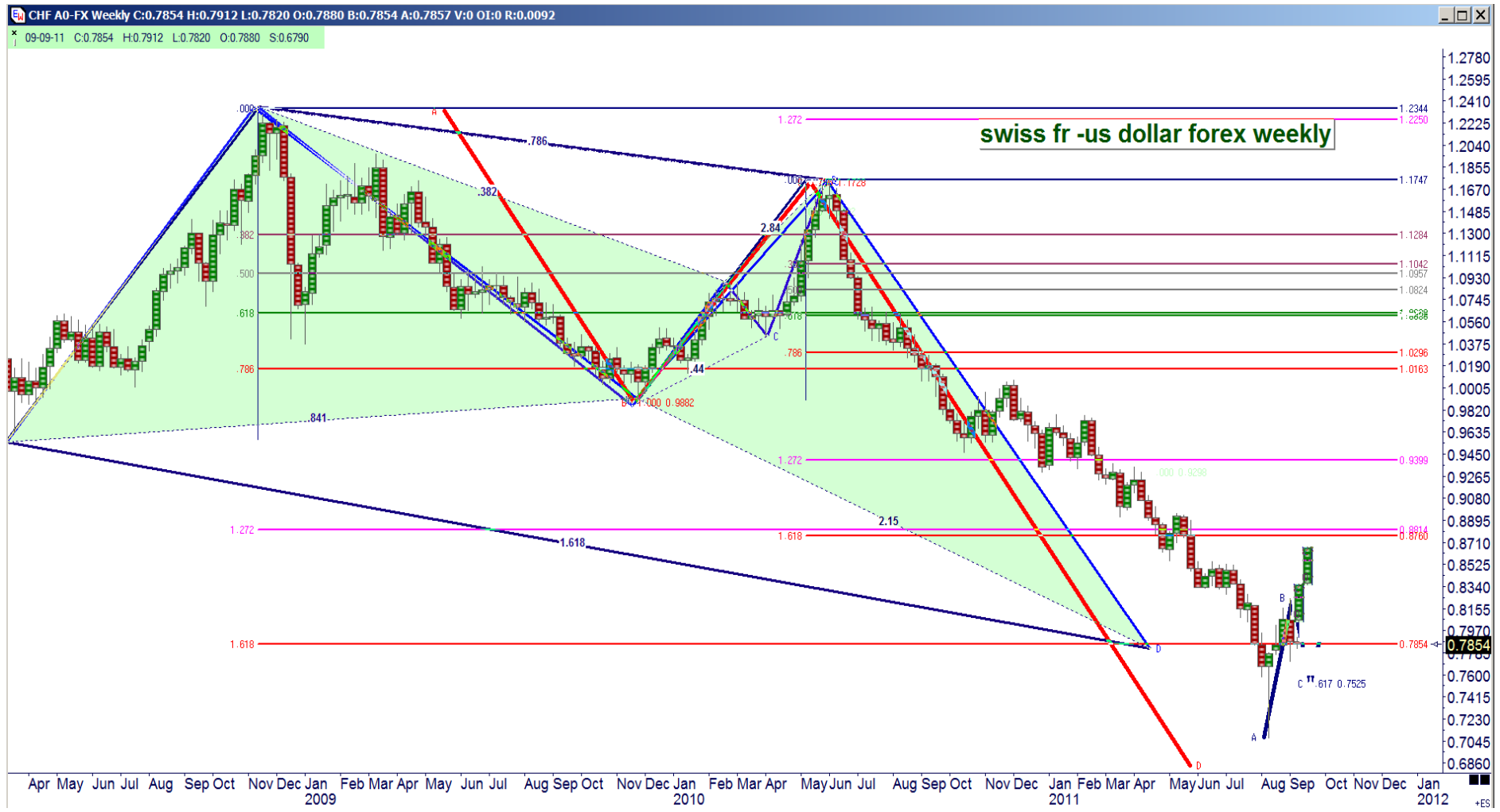
*By this Method, PEC-D signal @ 1.09 STILL VALID analysis to judge , Stops above 1.11 for risks management –*





# CHF /USD - PEC Analysis

We should test the bottom again and Should Give another Trigger – **ALERT** - Await for bottom @ panic lows to test for safer entry .



## Appendix

- 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.*

*( 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*

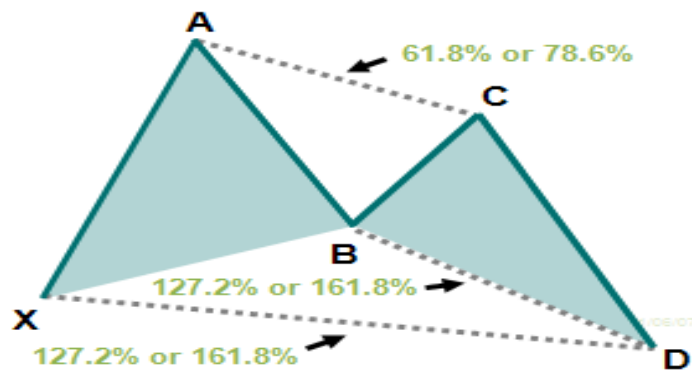
# Pythagoras Expansion / Contraction – (PEC) Model

- 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

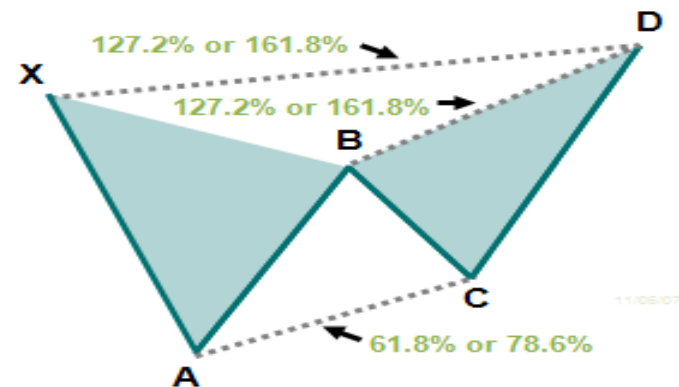
## PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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

### Buy Pattern (bullish)



### Sell Pattern (bearish)



## 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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