



SG Capital Research

Global Market Insights

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

MAEG- CZ-PEC-CURRENCY ANALYSIS- SG 2012 # JUNE_27

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Currency Analysis (B) –(SP)

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● 1- Executive Summary

● CURRENCY

Currency Markets are marching time prior to EU – Summit . We should see PIP widens as we approach closer volatility increasing. These are excellent time to complete the ST patterns if it is closer to completion. Most of the currencies are in Trading range after completing ABCD pattern , except USD/YEN

DXY -

Currently - DXY - within the larger trend completed its ABC up to 83 (Bullish top) from key reversal at 78. It pulled back short term to 81.25 as a part of normal retracement . The Counter Trend rally is happening now towards 83 (Bullish top) which is quite normal after first pull back.

Next - Now we think it should double top & fail. This should build cause for some time to eventually break to the upside. But at first get go, it may not have enough energy to break upside .

Intermediate term - Once broken 83, the upside projection is 89. The Pullbacks in DXY has been moves within the Larger move higher. We are Bull on USD since 72 May /September 2011 and remain Long for long term. Charts on USD had several Long term pattern Bullish setup

Directional correlation between USD & AOM (All one Market “) are very much intact. Therefore USD continues to be the Key part of our Currency Analysis .

The counter trend bounce in USD to double top is causing current Retracement in Global & Commodity markets.

EURO -

Currently - Euro put in lows at 1.23 after nasty correction from PEC-D at 1.33 top (EXACT) as expected for leg down. The short term counter Trend rally tapered at 1.27 and pull back began towards the lows of 1.23 happening now .

Next - We think it may double bottom and try to rally once again just as part of building cause.

Intermediate term - Ultimately, after the bounce , the downside trend will carry the euro still lower to 1.18-1.20 .
Near term,

EU news will be the biggest driver of this failing currency which is why very short term projection is cloudy.

GBP -

Currently - GBP counter trend bounce to 1.57 came in as expected from lows of 1.52.

Next - We think pull back is in progress for closer to double bottom along with price path sympathy move with EURO

YEN -

Currently - As expected in last Report, YEN higher towards the Bullish Top 82 , completed at 81 from reversal of 77-78 . .

Next We think short term pull back in progress but YEN should move higher to test the Bullish Top to 82 , the pull backs needs to be bought.

Intermediate term - YEN has a major trend change . Last year we had this as Trade of the year, began from our Trigger point CZ 75-77 . This is very much intact.

AUD -

Currently - AUD bounce came in as expected from 0.97 – PEC-D Pattern and poly Trend Analysis CZ .

Next - ST it needs to consolidate , the first rally & then it appears to move higher towards 1.05.

1. GOLD – @ POM 13 – NET LONG

- **Last POM Trigger** – POM 13 NET LONG Position at on 5/15, 5/14 – **Alert @ 1540**. Within **CZ 1540-1580**.

LAST ACTION - We went LONG within **CZ 1540-1580 prices**. – Good entry point at the lows (after patient wait from CZ 1775 – POM 14, crashing down to POM 13- 1540)

Projected TARGET –

We had great rally off the bottom, First ABC up move was completed at 1620 which began from our POM 13 price point 1540, (we have concentrated position)

We had suggested in last week A # 1- MS Report 6/18 in Executive Summary of upcoming pull back into CZ 1580 -1540, due to some back filling back into the Trigger Zone which materialized quite effectively as a part of base building of the bottom. We shall look for another tertiary Bullish PQV validation to re verify the earlier Bullish PQV Validation & PEC-D completion as part of bottoming process.

NEXT

PLAN A - Final shakeout move back into **CZ 1580-1540** to scare all the Bulls below our **CZ 1540**.

PLAN B - For any Overweight / Short term Trading Position, we had recommend last week, a trailing STOP to lock in PROFIT or at Cost price / Breakeven as Risk Management move. (Rule 1) -Our Model does not convert our Profit into loss. We can always enter back later with same partial capital at lower prices.

Our Process of Entry, Exit or Re- entry Position is more suitable / relevant for the Positions entered by our very own Previous Signals. This tends to give better Reward when round price trip gets completed. .

POM Signals , Trading Conclusions - Price / CZ Projection Summary

B # Currency Report				
June 27-2012	CURRENT STATUS	CZ - Trigger Confluence Zone	Target to or target reached	Comments
GOLD				
SHORT-TERM -	NEUTRAL	1620	1580-1540	pull back in proress after ABC up 1620 completion
MID-TERM - POM 13 (1540) - Open	BULLISH	1540-1580	TBA	Nibbled into longs (1540 - 1580)
LONG-TERM POM 12 (1250-1225)	BULLISH	1250-1225	1900 -2000	Consolidation in larger range 1450-1825 Building up floor to test the Highs Covered Short -Decline from 1775 to 1580 met
USD				
SHORT-TERM	NEUTRAL	81.5	83	Counter trend bounce / consolidation 81.5-83 range for double top & decline
MID-TERM	BULLISH	71-73	89-88	1st leg up Target met, break above 83 should begin next legup
EURD / USD				
SHORT-TERM	NEUTRAL	1.27	1.23-1.24	consolidation 1.27-1.23 for double bottom & rally
MID-TERM	BEARISH	1.46-1.45	1.18-1.20	2nd leg down to 1.26-1.27 Target met from 1.33
BPS / USD				
SHORT-TERM	NEUTRAL	1.57	1.53	consolidation 1.57-1.52 for double bottom & rally
MID-TERM	BEARISH	1.63-1.64	1.52-1.53	2nd leg down to 1.52-1.53 Target met from 1.57
AUD / USD				
SHORT-TERM	NEUTRAL	0.97	1.02	First target met from our lows 0.97 in Bullish manner
MID-TERM	BULLISH	0.97	1.05	began rally from 0.97 2nd leg down Target met from 1.07 to 0.97
USD / JPY				
SHORT-TERM - Oct 2011 - 75-76	BULLISH	77-78	84	began rally from 77-78
MID-TERM - Oct 2011	BULLISH	75-76	84 & higher	

BACK UP SECTION

Commentary & Charts below are for Reference , backup & cross verification . It is required for in- depth understanding behind our Conviction, Logic & Risk disclosures / limitation.

GOLD - Commentary

SPX & GLD – Correlation – past 6 weeks Gold is leading the risk-on markets by one week, bottomed first, finishing up move first, going into a corrective pullback first . If this relationship holds up, we should see Gold turning up once again.

Presently on Short term, pull back towards CZ 1580-1540 is under process as a part of consolidation . On intermediate term GOLD Finished its first ABC up to 1620 since our POM 13 – 1540 trigger . It has come off the bottom in Bullish way. Re- testing CZ1540-1580 several times would be part and parcel of bottoming. This is Bullish with PQV Validation after such a huge decline. .

Currently, We stay long in this trade for move higher. Our “Scale into” the CZ price was more concentrated closer *to lower end of CZ 1540 at excellent entry price* .(for Longer term position, cross verify by other Methodologies based on Portfolio Objectives) . ALERT - 5/15, 5/14. – Triggered POM 13 at 1540

Once we get good entry point is Triggered to play the Larger trend , we would like to stay with the trend in spite of Contra views (shake out news) from surrounding . However we would manage our risk via recycling partial position at CZ turns to improve cost basis on Core position. Also in overweight positions , we raise Stop loss as Market goes higher to lock in the profits if market flips. CZ to CZ move is great for Risk management rebalancing , POM's for core position.

Our Position ((FYI) – BACKDROP

Currently GOLD remains, at Bull Market POM Rating - POM 13 - NET LONG Position triggered at 1540 within CZ – 1540-1580 area. ALERT - 5/15, 5/14.

Risk Management under the CZ Levels based on Portfolio Objectives. .

GOLD Price path has been following exact since our POM 14 re - Trigger at CZ - 1775-1750 to CZ -1650-1620 (*to cover hedges On 3/06 – Alert ,*) & then to next level CZ 1580-1540 to go LONG after decline of 200 points from 1775

Chart Analysis

- YTD – GOLD, Currencies, EFA, SPX performance v/s USD - Chart Analysis

GOLD – Chart Analysis

- GOLD – MA, Trend & Oscillator Analysis
- GOLD - PEC –D Analysis
- GOLD - Poly- Trend Analysis
- GOLD – Pattern / CZ – Price & Volume Analysis
- GOLD - **EXTREAME Sentiment Analysis** (3rd Party Data)

USD – Chart Analysis

- USD (DXY) – MA, Trend & Oscillator Analysis
- USD - PEC –D Analysis
- USD - Poly- Trend Analysis
- USD - **EXTREAME Sentiment Analysis** (3rd Party Data)
- USD - **CORRELATION RATIO Analysis** – with SPX, GOLD

EURO – Chart Analysis

- EURO – MA, Trend & Oscillator Analysis
- EURO - PEC –D Analysis
- EURO - Poly- Trend Analysis
- EURO - **EXTREAME Sentiment Analysis** (3rd Party Data)

BGP – Chart Analysis

- BGP – MA, Trend & Oscillator Analysis
- BGP - PEC –D Analysis
- BGP - **EXTREAME Sentiment Analysis** (3rd Party Data)

YEN – Chart Analysis

- YEN – MA, Trend & Oscillator Analysis
- YEN - PEC –D Analysis
- YEN - **EXTREAME Sentiment Analysis** (3rd Party Data)

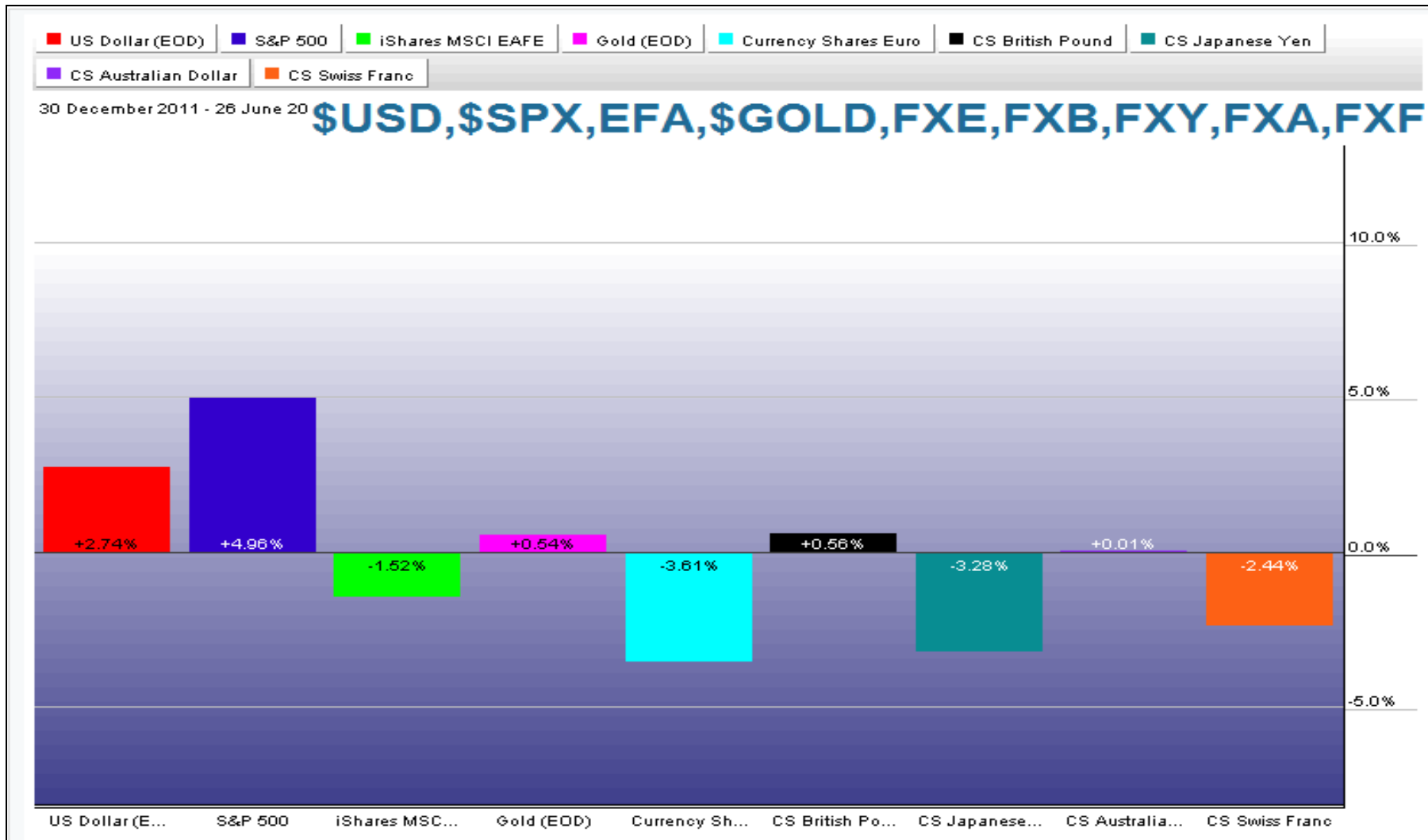
AUD – Chart Analysis

- AUD – MA, Trend & Oscillator Analysis
- AUD - PEC –D Analysis
- AUD – Poly- Trend Analysis
- AUD - **EXTREAME Sentiment Analysis** (3rd Party Data)

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

Weakest and strongest – For Hedging Global Portfolios

Since is beginning of the year 2012 , it is very critical to keep close eye on this chart for Strength / weakness pick up in these market . (Chart below is our Inter market Analysis Model with Ratio Relative performance v/s USD) .



GOLD - PEC -D Analysis -

By this Model - Pull back is in progress after huge rally to ABC completion at 1620 from POM 13 Trigger at 1540. Repair work & back filling in progress towards the testing of CZ 1540-1580, a possibility.



GOLD – CZ, Pattern Analysis

By this Method - Gold turned up right when it was supposed to have turned. It has broken out of area of the triangle apex price zone and trend is now up, basing process to continue. .

PQV / VTO turned bullish on test towards CZ 1540-1580 .



GOLD – COTI – MID TERM Price Analysis

Gold prices with the Commercials “Commitment Of Traders” (COT) indicated below. Significant lows have formed in Gold with the COT for Commercials reached between 160K to 150K. The three prior weeks had COT readings for Commercials under 140K and suggests the Commercials are getting extra bullish here and suggest gold is about to embark on a large rally. Gold has been consolidating since September 2011 and a lot of consolidation mark the half way point of the move and if it holds true this time , major impulse wave can begin after this bottoming process.



GOLD – RSI – LONG TERM Price Analysis

Weekly LT - GLD chart since 2005 , RSI (7) with a 10 WMA. This indicator has marked important lows when it reached 40 and lower (red arrows). It gave a double buy signal back in 2008 and is doing so again. The pattern that appears to be forming over the last 7 months is a Triangle pattern. A lot of the time a “Triangle pattern” can mark the half way point of the move. A “Triangle pattern” formed back in 2006 and more or less marked the mid point of that move that started in 2005 and lasted into 2008. The bottom window is the GDX/GLD ratio which is starting to show strength. It has managed to cross above the red downtrend line and suggests that gold stocks are starting to outperform Gold.



- **EXTREAME Sentiment Analysis GOLD & Currencies**
- **(3rd Party Data)**

Courtesy : SENTIMENT TRADERS

GOLD

None @ EXTREMES

- **SENTIMENTS - GOLD – PUBLIC OPINION**
- **SENTIMENTS - RYDEX CASH FLOW**
- **SENTIMENTS - GOLD – COT**

CURRENCIES

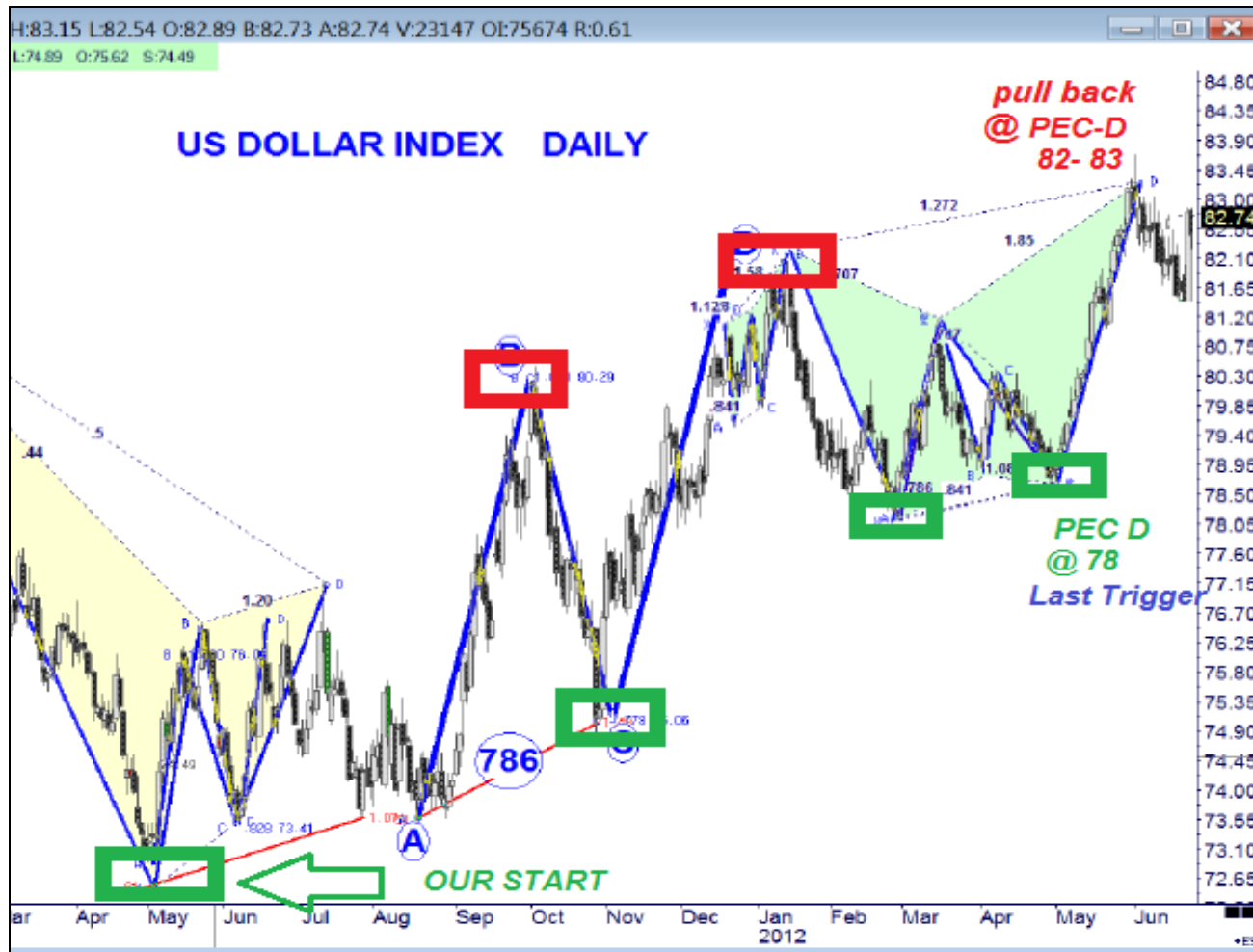
NONE @ EXTREMES

- **SENTIMENTS - USD, FXE, BGP, YEN, AUD,**

USD – MID TERM - PEC D – Analysis –

By this Method- Bullish top 83 is in process of getting tested after the pullback. Top came in EXACT- PEC-D . We will monitor the quality of double top on PQV.

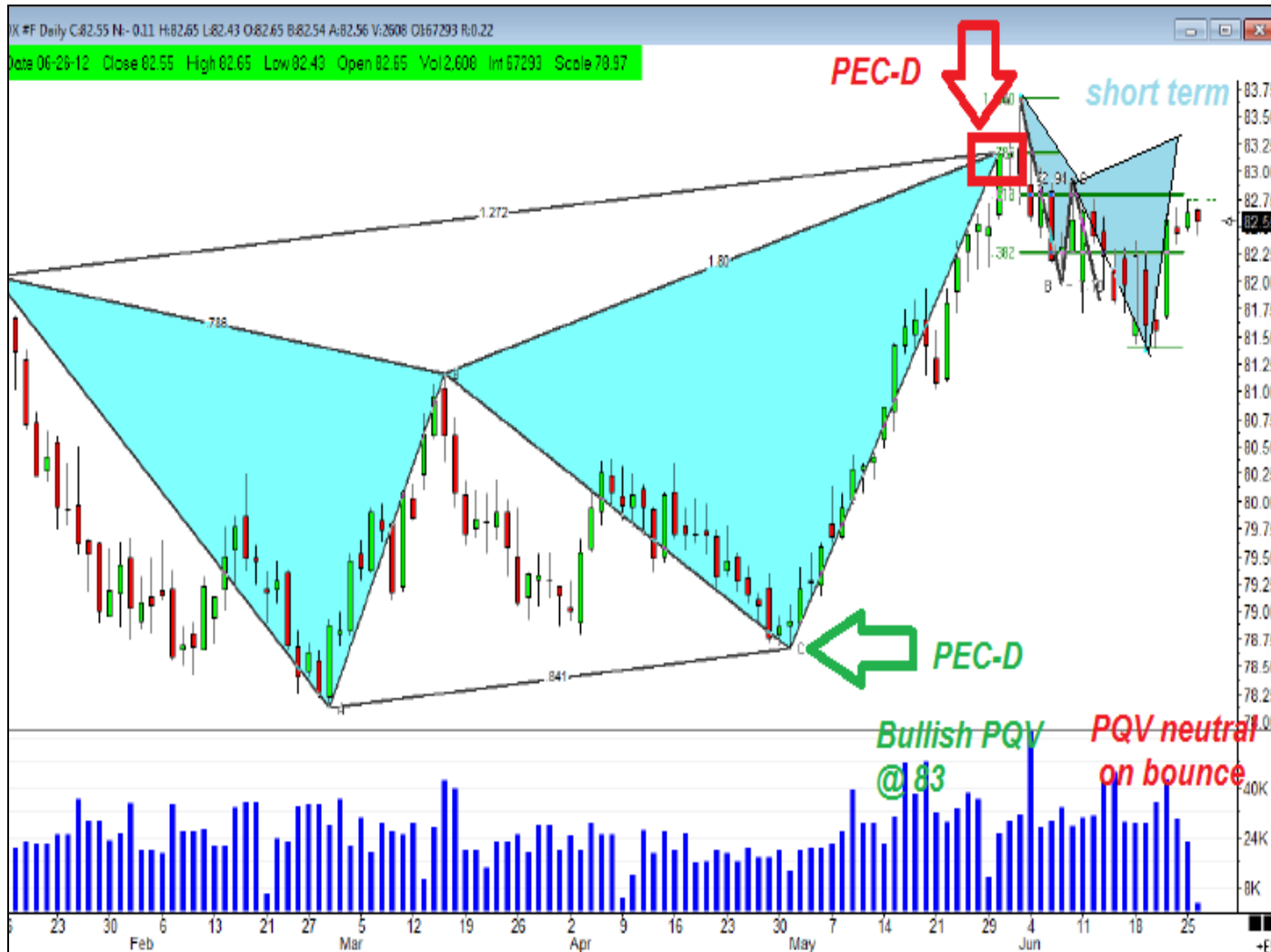
Longer term -DXY began MAIN Trigger @ 72-73 (09/07/2011). Weekly huge key reversal with Sign of Strength of Strength (SOS), Major bullish divergence on Oscillator that signals a bottom is solid on every rally. Our LT – Target 88.



USD – SHORT TERM – PEC-D Analysis –

On Short term DXY – consolidation between 81.25 – 83 to digest the leg up move . After larger leg up market needs to consolidate

ST – PEC-D @ 83 – 83.25. & then pull back . This short term pattern of bounces may or may not happen, but we are not day trading. Our objective is rally / retracement pattern for bulls and Bounce / correction pattern for bears.



- **CORRELATION RATIO ANALYSIS**

Inter market Analysis – USD v/s SPX

Inverse Correlation continues in Current Trend

Inter market Analysis – USD v/s GOLD

Inverse Correlation continues in Current Trend

EURO / USD – PEC Analysis – **SHORT TERM**

By this Method- Bearish bottom at **1.23** is in process of getting re - tested after the bounce. Our Target came in at **1.27** and was extended. We will monitor the quality of double Bottom on PQV.

On Short term DXY – consolidation between 1.27 – 1.23 to digest the leg up down.

Mid term charts has had three lower highs for continued decline. Main PEC –D Trigger of 1.45 .Stop above 1.49, for risks management .



EURO - with Pattern & Oscillator Analysis – LONG TERM

Projection via Poly Trend Method – Indicated in our last Report , Our target was at **1.24 (EXACT)** , we met those levels and reversed 1.27 . Re test of 1.24-1.23 is in progress a part of Bearish consolidation.

Main CZ 1.45 -1.46 - Mid term charts – has Long term Target of **1.20 -1.18.** (On the Poly Trend Top) . EURO is Dead Currency Walking as they say in Currency pits.



GBP / USD – PEC Analysis -

By this method – GBP - Turn came in at 1.52 along with EURO as expected . The bounce target 1.57, . Now re test of the bottom along with EURO

Mid term charts has had three lower highs for continued decline. Main PEC –D Trigger of 1.64 .Stop above 1.65, for risks management .



YEN / USD – PEC-D Analysis

Rally began from pull back 78-77 as indicated in previous Report. We suggested all the pull back needs to be bought . The correction is very healthy after a nice BULLISH TOP . This is going much higher. Top of the trading range 84 is decisively broken. Once we can clear this high 84,

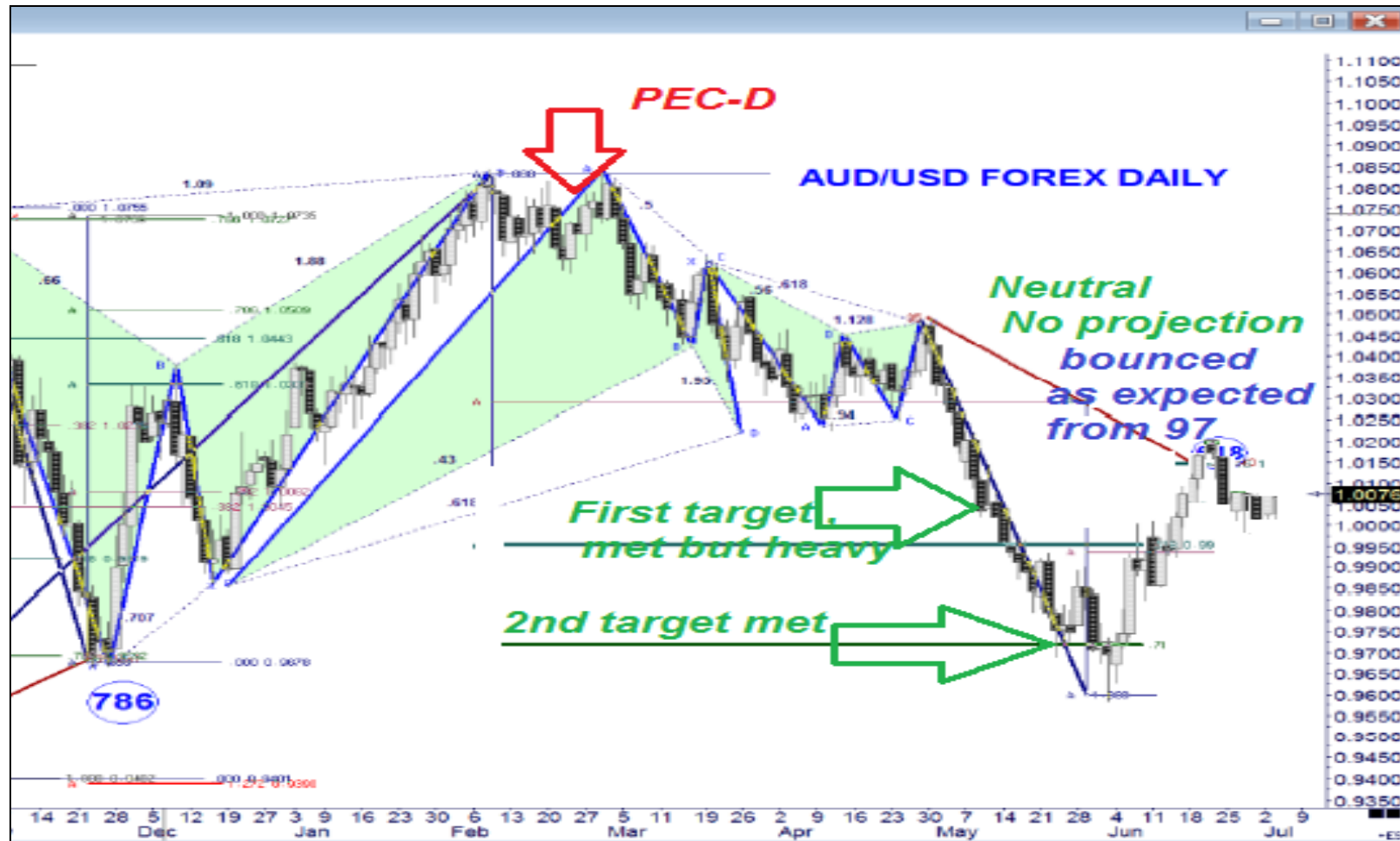
Main entry in OCT 2011, YEN / USD @ 76 Trigger good entry point (as indicated in Green) . The Yen took off after another successful test at 76



AUD/USD – SHORT TERM - PEC –D Analysis

By this method – AUD bounced from our target 97 to 1.02 in Bullish manner , we think after consolidating should move higher BUT no projection by this method till we finish the retracement .

Mid term charts . **Main PEC –D Trigger of 1.09 .Stop above 1.11, for risks management .**



AUD/USD – MID TERM - Poly Trend & Osc Analysis

By Poly trend Method – The Retracement was towards the Polytrend top - WAVE D @ 0.97 (yellow) which we have announced in previous messages. It appears the final projection is towards 1.05 – WAVE E

C Wave began from 1.07, to complete the triangular pattern possibility of wave E to be completed. (we shall keep watch)

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



Appendix Content

- **1. GOLD – POM Signals History for 2011**
- **2. Trading & Investment Conclusion History GOLD 2011**
- **3. Objectives & POM /CZ Guidelines**
- **4. Guidelines for Full Utilization of “ SP” Report with Limitations**
- **5. GOLD & Currencies – 52 Weeks Chart with Signal turns**
- **6. GOLD - POM – “ Price Oscillation Model “ Criteria**
- **7. PEC –D “ Pythagoras – Expansion & Contraction Criteria**
- **8. Definitions of Extreme Sentiment Indicators**

- - **2011** - - **GOLD** - **CLOSED FINAL** - POM Signals & Price Projections -
- Trading & Investment Concl - **Start point 1420 (1ST Jan) - 1560 (31 Dec)**

GOLD- 2011 -REAL TIME TURNS- POM & CZ



(5) POM 13 - Signals
 (5) POM 14 - Signals
 (2) POM 14 - Re

GOLD - YTD - Gains <u>+150 Points</u>	+10%
POM 12, 13 - Gains <u>+437 Points (4 Signals)</u>	+30%
POM 14 to 13 - Partially Hedged & Risk Management saving <u>+550 points (9 Signals)</u>	+35%
POM 15 - Net Short SLV <u>+10.5 gains (2 Signal)</u>	+33%

- **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*

➤ 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

NOTES

- *For more Justification for our current Market Calls and Price Path Analysis , Refer the “ Detail Chart Section “ within this Report for CZ & PEC –D for Risk Management Rebalancing areas. Each individual currency’s CZ to CZ moves within Main Price Path Analysis) are - stated below in our Section below “ Trading and Investment Conclusions for Details” with stops around CZ- Confluence Zone for risk management*
- *CZ’s indicated in Red and Green boxes are the Previously projected Turing points*

Core position remains at Main CZ, The Recycling / Rebalancing position should have STOPS above / below the Short term CZ for Risk Management based on Portfolio Objectives.

Currencies – 52 Weeks Chart with Signal turns

POM criteria for Implementation

- POM is rated from 10 to 15
- POM 14 , 15 (is Sell Signal) and 12 , 11 (is Buy Signal) both are the Actionable Area whereas POM 13 is A Neutral Signal for Risk management
- On way UP move, POM 13 signifies to STOP executing additional ‘New Buys’ that was initiated at POM 12 or POM 11 levels
- On way DOWN move, POM 13 signifies to STOP executing additional “ New Short Sells” that was initiated at POM 14 or POM 15 levels
- (Bear Markets) POM 15 is for - Net Short & POM 14 is for - Hedge Longs
- (Bull Markets) POM 15 is for -Hedge Longs & POM 14 is for - Partial Hedge
- POM 12 & 11 is for Net Long
- POM 10 is Climatic Crash low Buy Signal to add to Net long position (Rear event)

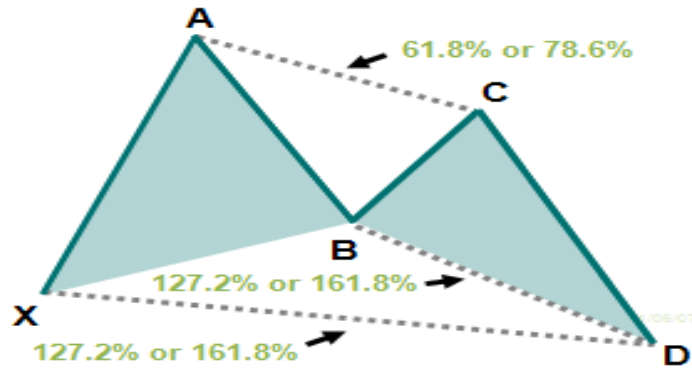
Pythagoras Expansion / Contraction – (PEC) Model

- 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

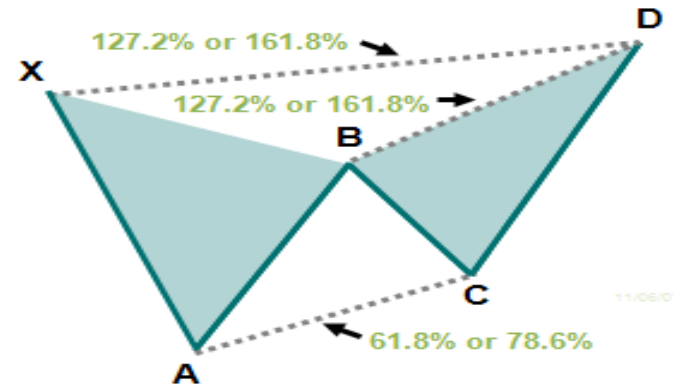
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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