



SG Capital Research

Global Market Insights

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

MAEG- CZ-PEC-CURRENCY ANALYSIS- SG 2012 # APRIL_04

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Currency Analysis (B) –(SP)

- **Contents for Coverage within B # Currency Report (SP)**

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- **DXY**
- **EUR/USD**
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• 1- Executive Summary

All Instruments within this Report GOLD, DXY, EURO, AUD, YEN, BPS have been very closely following the Price Projection & Price Path Analysis articulated in previous Reports.

• CURRENCY

DXY -

Yesterday completed our projected Pullback Target on retracement and had huge key reversal . This Pullback has been move within the Lager move higher. We are Mega Bull on USD since 73 and remain so. Yesterday's Sign of Strength of Strength (SOS) into our CZ, suggests next move is to the top of the upper range (Bullish Top at 82).

Directional correlation between USD & AOM (All one Market “) are very much in tact. We witnessed how USD power took the Market down. This just the beginning . Therefore USD continues to be the Key part of our Currency Analysis . Flight to quality will remain for next 1 year . This move could effect other market in more volatile manner in coming months. Charts on USD had several Long term pattern Bullish setup

EURO -

Weak Spanish Bonds are putting pressure on EURO as expected . This is all positive for DXY would be negative for EURO. Euro put in highs at 1. 33 as expected & began Leg down, now in progress. The long term for the euro is down. The near term shows the euro is topping. .

Ultimately, the downside trend channel will carry the euro much lower. Near term, news will be the biggest driver of this failing currency.

GBP -

GBP should follow the price path of EURO in sympathy but NOT – Tick to Tick – Overall only .

YEN -

YEN move higher is on Bullish Top , all the pull backs needs to be bought. Earlier YEN retraced & tested back successfully as expected and generated the SOS (Sign of strength base) and rallied back to the 82 (Broke the Upper Trading range we had projected, with Bullish Top) . We should see a pull back and move higher.

YEN should be a major trend change and big currency surprise for this year. Last year we had this as Trade of the year but it went side ways 75-77 for 6 months. We have been talking about CZ for the yen at the 76 level for weeks/ months.

AUD -

AUD put in highs at 1. 07 as expected and began Leg down. Now approaching pull back Target. AUD is clearly tied up with commodity & resources. CHINA's GDP is revised downwards, any trigger could break AUD to the downside.

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.

GOLD

GOLD Price path has been following exact since our POM 14 re - Trigger at CZ - 1775-1750 . Now entering back into CZ -1650-1620 as expected target for secondary test. We have repeatedly emphasized heavy ness in this area which keeps getting attracted like Magnet. The bounce from this area tapered into 1700 (1690) as expected & came right back down . We need a proper / methodical successful test of lows (which has not happened yet) . If it does then it would set up Bullish entry for next ABC up and not just a bounce.

But If PQV invalidates & fails at 1650 -1625 TEST, due to its current heaviness & Break / close below 1625 then downside would open up continue to 1560 as Next target. We are Bullish on USD that might push GOLD down . We shall announce via Trigger point. It could very well be POM 13 at that time . These CZ areas on GOLD have been indicated in our last week's Commodity Report C # SP

BACKDROP - On 3/06, - Last email Alert GOLD at 1668 – For Floating position –Our Action was to Cover Hedge Position Triggered at CZ 1775-1750 failure. Gold then failed miserably in CZ - 1775-1750. The reaction was 140 points decline to 1660 to lock in gains. In typical Bull Market move, Pull back tends to give fast Price destruction & does not stay down longer on Trigger

Currently remains, at Bull Market POM Rating - POM 14 which is Partially Hedged Long Positions Triggered within CZ area of POM 14 . Failure in this Zone provides best Risk Management opportunities during the ST GOLD declines within larger LT up move. .

LONG TERM BULLS - remain Long with (½) Core position from POM 12. The 2nd (½) floating HEDGE position at POM 14 CZ to capitalize on Market gyrations.

OUR POSITIONS

The Core Long Position has been in tact from our last POM 12 @ 1250 which we plan to hold long term towards 1900 to test the BULLISH TOP target and to 2400 our 6th Wave LT Price Target .

The Floating Hedge Position being rebalanced with Hedges several times_ for Profits within the GOLD's swinging gyration from POM 14 to POM 13 or when the Sell off target is reached). Currently awaiting for next step

POM Signals , Trading Conclusions - Price / CZ Projection Summary

B # Currency Report				
APRIL-04-2012	CURRENT STATUS	Target Reached CZ - Trigger Confluence Zone	Next Target	Comments
GOLD				
SHORT-TERM -POM 14 (1725)	NEUTRAL (No Trigger)	1650-1625	TBA	Decline from 1775 to 1668 (140 Points)
MID-TERM - POM 13 (1575-1550)	BULLISH	1575-1550	TBA	Leg down in progress
LONG-TERM POM 12 (1250-1225)	BULLISH	1250-1225	1900 -2000	Consolidation in larger range 1450-1825 Building up floor to test the Highs
USD				
SHORT-TERM	BULLISH	78	82-81	Leg up has just initiated
MID-TERM	BULLISH	71-73	89-88	1st leg up Target met
EURO / USD				
SHORT-TERM	BEARISH	1.33	1.28 -1.27	Leg down in progress
MID-TERM	BEARISH	1.46-1.45	1.18-1.20	2nd leg down 1.26-1.27 Target met
BPS / USD				
SHORT-TERM	BEARISH	1.59-1.58	1.56	Leg down in progress
MID-TERM	BEARISH	1.63-1.64	1.52-1.53	2nd leg down 1.52-1.53 Target met
AUD / USD				
SHORT-TERM	BEARISH	1.07-1.07	1.02 -1.01	Leg down in progress
MID-TERM	BEARISH	1.09-1.08	0.97	2nd leg down 0.97-0.98 Target met
USD / JPY				
SHORT-TERM - Oct 2011 - 75-76	NEUTRAL	84	81	Proved its merit - Retracement in process
MID-TERM - Oct 2011	BULLISH	75-76	TBA	
LEGEND				NOTE
POM 14	Partially Hedge Status	Bull Market Signals		For Detail Price Path Chart Analysis
POM 13	NET Long Status	Bull Market Signals		Indicators, Justification for our
POM 12	FULL Long Status	Bull Market Signals		Conclusions, refer to the full Report
Yellow color	Zone Triggered			for cross varification
Red Color	Zone Bursted			POM's for GOLD only
NEUTRAL	Trading Range			
TBA	To be advised			

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)

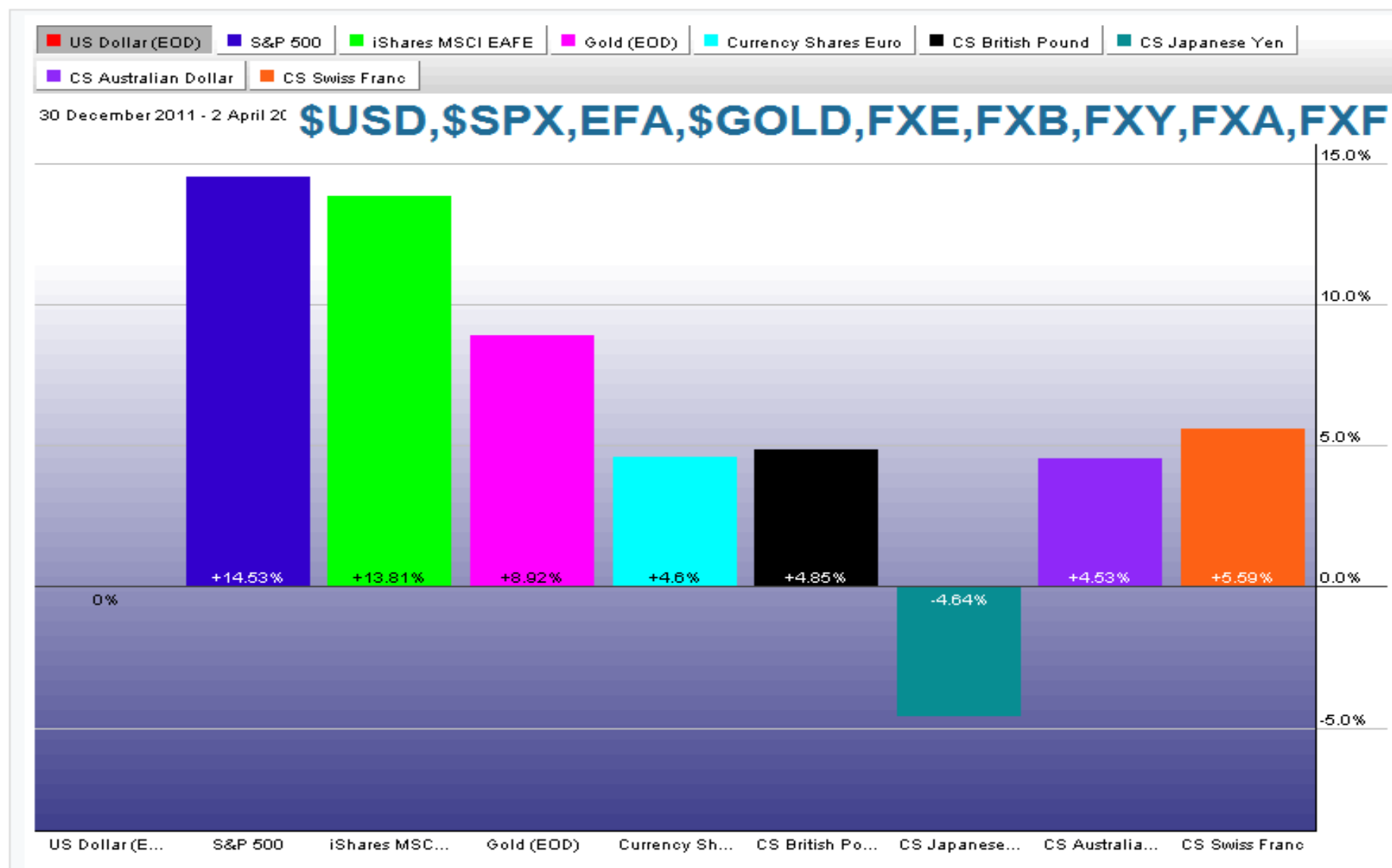
AUD – Chart Analysis

- 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 –. The pull back came in towards – **PEC-D @ 1635** & bounced as expected. We are watching Re test very carefully , the pull back into **CZ 1650-1625**, looks heavy and if PQV does not confirm then GOLD wants to jump to next Zone to **PEC-D @ 1575**, – area where it could Trigger POM 13. We will wait and see

Earlier we experienced a failure with wide ranging price bar into **PEC-D – 1775 – exact (POM 14)**. **786/618** & nasty decline began -.



GOLD – CZ, Pattern Analysis

By this Method -

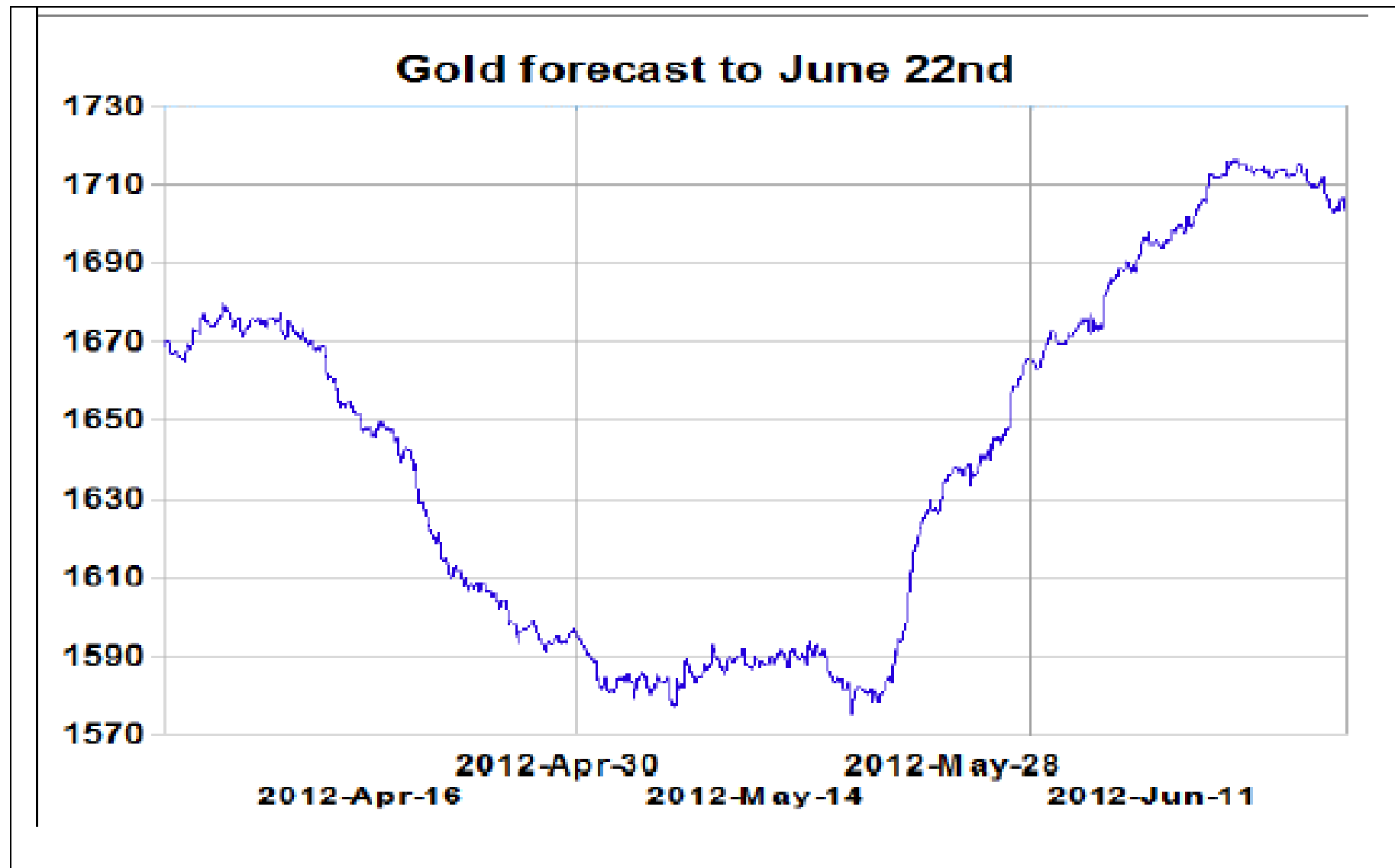
The bounce failed as expected towards 1700 (@ 1690) based on PQV – VTO Validation , which opened up downside target back to 1650-1620 area. Close below 1625 on PQV Violation should target CZ 1575-1530 to provide best Risk Reward.

Earlier - POM 14 – CZ – proved its merit at red box CZ 1775 -1750 for current decline that is in process.



GOLD – Cycle Analysis

Cycle chart – Suggests the same price path as PEC-D & CZ – Price Path Analysis . Lows towards CZ 1570-1540



GOLD - MA, Trend & Oscillator Analysis

By this Method - . It Results in the same conclusion .



- **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,**

DX - with MA, Trend & Oscillator Analysis

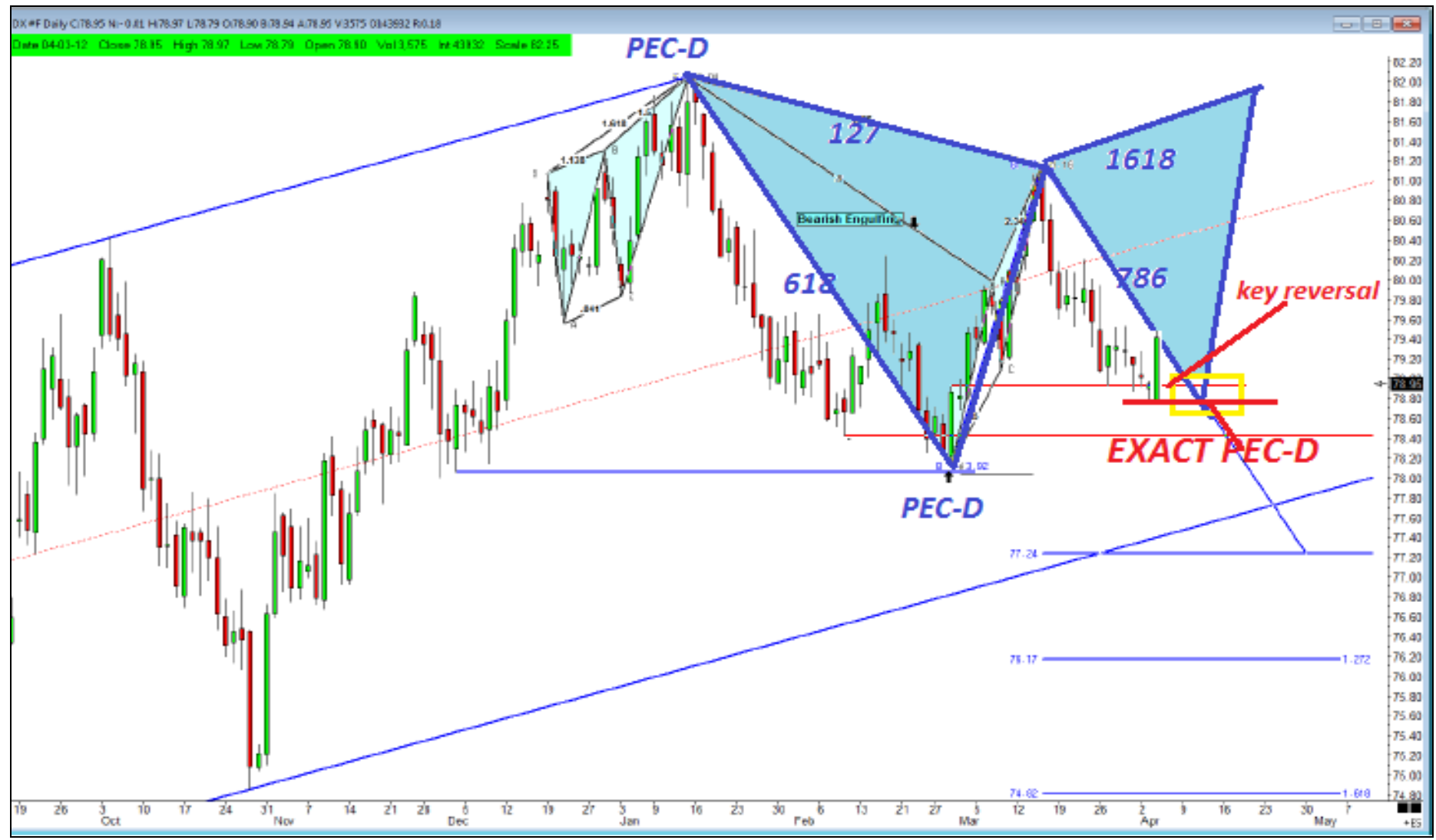
Yesterday completed our projected the Pullback Target on retracement and had huge key reversal (in yellow) . Sign of Strength of Strength (SOS) into the CZ, suggests next move to the top of the upper range (Bullish Top at 82). Major bullish divergence on Oscillator that signals a bottom is solid on every rally.

DX began MAIN Trigger @ 72-73 (09/07/2011)



USD – PEC D – Analysis – SHORT TERM

By this Method- PEC-D @ 78.5 was completed on retracement and rallied began with SOS.
DXY should rally to 82.25 Bullish Top



- **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

By this method **PEC-D is at 1.33 @ 618 /1.27** was met & decline began once again

Downside target - PEC-D target towards 1.28

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



EURO - with Pattern & Oscillator Analysis

Our upside Target via Poly trend line for bounce was met @ 1.33 with –ve divergence on oscillator. Now suggest decline should begin. Projection here is 1.24 towards Poly Trend .

Main CZ 1.45 -1.46 - Mid term charts - had three lower highs for continued decline



GBP / USD – PEC Analysis -

*By this method **PEC-D is at 1.59 @ 618 /1.27 met but repeatedly bounces back towards 1.59 and rejects . Short term Downside Projection 1.57 – 1.56***

Our Main PEC –D Trigger of 1.63 .Stop above 1.64, for risks management. Mid term charts has had three lower highs for continued decline ,



YEN / USD – PEC-D Analysis

*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 80 is decisively broken. Once we can clear this high 84 , We believe that the acceleration will increase with vigor. **Pull back towards 81-80***

*Earlier in OCT 2011, YEN / USD spiked below 76 with new lows, **@ 76 Trigger good entry point (as indicated in Green) .**
The Yen took off after another successful test at 76 (The base of previous SOS- Bullish texture)*



AUD/USD – Poly Trend & Osc Analysis

Our Pull back Target via Poly trend line for Retracement was towards the apex of Triangular Apex. **1.02-1.03 in yellow & then to 97 @ poly Trend top**

The Top was put in and Triggered at **1.07 (red) & decline began .** with –ve divergence on oscillator.

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



AUD/USD - PEC -D Analysis

By this method PEC-D is at 1.07 @ 786 /1.27 met – EXACT & decline began . Now Projecting 1.01 -1.02

Our Main PEC -D Trigger of 1.09 .Stop above 1.11, for risks management. Mid term charts has had two lower highs for continued decline



SD - OVERVALUED v/s SPX ETF (SD +2)

- **NONE**

SD - UNDERVALUED v/s SPX ETF (SD - 2)

- **NONE**

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



GOLD - YTD - Gains <u>+150 Points</u>	_____	+10.0%
POM 12, 13 - Gains <u>+ 437 Points</u> (4 Signals)	_____	+30%
POM 14 to 13 - Partially Hedged & Risk Management saving <u>+550 points</u> (9 Signals)	_____	+35%
POM 15 - Net Short SLV <u>+ 10.5 gains</u> (2 Signal)	_____	+33%

• GLD/ SLV - Trading & Investment Conclusion - – Updated

• GOLD – POM Signals & Price Projections

- Start point GLD -1420 (1ST Jan) YTD – 1560 up 140 points
- POM 15 - Net Short – - SLV (Total points gains SLV= +10.5 or 28%)
 - Alert - POM 15 –, SLV – Triggered Alert Jan 1st @ 30 target 26 , 25TH Jan = (4 points) 12% gains
 - Alert - POM 15 –, SLV – Triggered Alert April 26th & 28TH @ 47.5 target 41 = (6.5 points) 16% gains
 - None recommended for GLD to “SHORT” in Bull market by this Model. (Exception for SLV)
- POM 14 - Hedge Longs / Risk Management - (Total decline saved= + 560 = 36%)
 - Recycle partial capital to Trade from Bullish CZ to POM 14 Re Run - CZ whiles the bigger Trend kicks in
 - Proportion / Qty. of Hedges should be based on Portfolio's objective and Risks Tolerance
- Last Alert on 10/13- (OPEN POSITION) – 8th HEDGE - B # Report- POM 14 - CZ Trigger @ 1680-1740
 - 8TH Hedge - Closed @ 1550 (12/14 - Alert) from POM 14 Re run @ 1710 avg (10/30) = 160 points gain
 - 7TH Hedge - Closed @ 1680 CZ (9/23 - Alert) from POM 14 Re run @ 1825 , 8/23 = 145 points gain
 - 6th Hedge - Closed @ 1725 CZ (as per Target 1700 announced in Report 8/23 - Alert) from POM 14 Re run @ 1825 , 8/23 = 100 points gain
 - 5th Hedge - Stopped out on 8/17 @ 1825 from POM 14 – Re run Trigger at 1780 = (-45) points loss
 - 4th Hedge - Closed on 5/6 at POM 13 @1460 (GLD = 143) from POM 14 @ 1544 (150.48) = 84 points gain
 - 3rd Hedge - Stopped out on 4/5 @ 1450) from POM 14 – Re run Trigger at 1425) = (-25) points loss
 - 2nd Hedge - Closed on 3/16 at CZ (@ 1380) , from POM 14 – Re run Trigger at 1425) = 45 points gain
 - 1st Hedge - closed on 1/25 at POM 13 (@ 1325), from POM 14 @ 1420 (since 1st Jan) = 95 points gain
- POM 12,13 - Net Long – (Total point gains = + 437 = 25%)
 - Alert 9/26 – POM 13 @ entry 1603 (Trigger 1550) & Closed position (1/3) @ 1680 & (1/3) @ 1695 & 1740 (1/3) – POM 14- Alert (10/13) -Bearish CZ - Resulted in = 107 point gain
 - Alert 01/25 – POM 13 @ 1320 & Closed position @ 1375-1395 @ Bearish CZ (03/09) Resulted in = 65 point gain
 - Alert 5/6 - POM 13 @ 144-145 (1470) & Closed position @ 1596 – 1615 @ Bearish CZ .Resulted in = 135 point gain
 - Alert – 7/20 - Parabolic Warning announced in C # Commodity @ 1628 to target 1760 = 130 points gain- Parabolic Apex pattern although we announced it in timely manner, such long plays is for special Type of specialized Trading Desks- Risk Management is Critical (Disclosure -We did not play upside parabola Real time)
 - POM 12 Calls – None - so far this year. (POM 12 for Full Fresh capital to go long)

- **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

Currencies – 52 Weeks Chart with Signal turns

\$USD, FXE, FXB, FXA, FXY



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)

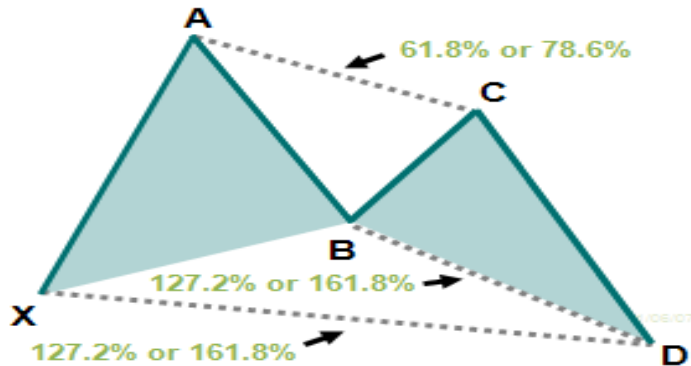
Pythagoras Expansion / Contraction – (PEC) Model

- 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

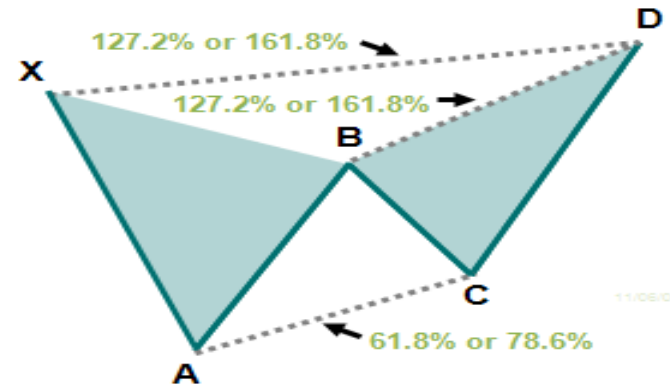
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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