



SG Capital Research

Global Market Insights

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

MAEG- CZ-PEC-CURRENCY ANALYSIS- SG 2012 # APRIL_25

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Currency Analysis (B) –(SP)

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

- **GOLD**
- **DXY**
- **EUR/USD**
- **GBP/USD**
- **JPY/USD**
- **AUD/USD**

Index

1. Executive Summary

2. Trading & Investment Conclusions, CZ / Price Projection Summary

3. GOLD – Commentary

4. CURRENCY – Commentary

5. GOLD – POM Signals, Price Projections & Conclusions.

6. Chart Analysis – GOLD & CURRENCIES

7. APPENDIX – Objectives, POM Signal History, POM /CZ Guidelines & Limitation , Disclaimers

• 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 -

DXY is completing its projected Pullback Target forming higher lows after completing its huge key reversal earlier on . These Pullbacks has been move within the Larger move higher. We are Bull on USD since 73 and remain so. Sign of Strength (SOS) from 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. Therefore USD continues to be the Key part of our Currency Analysis . This move could effect other market in more volatile manner in coming months. Charts on USD had several Long term pattern Bullish setup

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 is acting slightly stronger then EURO in topping process but should follow the price path of EURO in sympathy but NOT – Tick to Tick .

YEN -

YEN move higher is on Bullish Top to 82 , all the pull backs needs to be bought. Our recent pull back target was met and then moved higher (refer chart) .

YEN has a major trend change . Last year we had this as Trade of the year but it went sideways CZ 75-77 for 6 months & now it is working beautifully .

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

Today is FOMC announcement, we should see volatility in GOLD. It is difficult to predict one day move but FOMC has tendency to put it one day larger move in either direction.

Earlier GOLD upon reaching our suggested bounce target of 1660 reacted with nasty selling as expected. Now moving sideways. Our Price Projections CZ 1650-1620 for Tertiary test is wide open, earlier it reacted Violently during its secondary test in Bearish manner still creating more bottom heaviness on PQV Validation suggest valid break downside. and likely hood to ABC down to break the lows of 1620.but 1620 might give another bounce.

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.

Since PQV is invalidated at CZ 1650 -1620 TEST, the eventual downside projection is 1560 as Next target completion of PEC-D and near the next CZ 1580-1530. And should set up great Risk reward . It could very well be POM 13 at that time .

GOLD at current price is much closer to the Bottom Zone then to the Top as we were at 1775 – POM 14. After correcting 150 points., surely great place to cover hedges put in at CZ 1775. .

We think the downward move from 1610 to 1560 decline may be one of the fast price destruction move. In typical Bull Market move, Pull back tends to give fast Price destruction to finish the move. & does not stay down longer on Trigger

Current inter market Analysis theme , USD is on another ABC up from 78 –(key reversal) from our pull back trigger. Now move is targeting towards to 82 – Bullish Top . This is pushing GOLD down as expected . Till this ABC up in DXY is finished, GOLD needs to be watched carefully.

ALERT

PLAN B – Chart below has been Analyzed based on some justification to our thinking. If on cross verification by other Methods, it warrants entry at current prices then Practice – Risk Management with STOP under 1610. Aggressive Funds with quick fingers may play this bounce as well or If needed to scale in with partials CZ 1640-1620 accept the DRAWDOWN till next CZ – 1580-1550 level before reversal. By our Model we have saved declined from 1775 to 1630 = 9% drop. At 1775 Sentiments were very Bullish now its getting exactly opposite

BACKDROP –

GOLD Price path has been following exact since our POM 14 re - Trigger at CZ - 1775-1750 to CZ -1650-1620, a decline of 155 points

For Floating position - On 3/06, - Last email Alert Our Action was to Cover Hedge Position Triggered at CZ 1775-1750 failure , for decline towards 1668 to lock in gains & wait to add Longs .

Currently GOLD 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.

POM Signals , Trading Conclusions - Price / CZ Projection Summary

B # Currency Report	CURRENT STATUS	Target Reached CZ - Trigger Confluence Zone	Next Target	Comments
APRIL-25-2012				
GOLD				
SHORT-TERM - POM 14 (1725)	NEUTRAL	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 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	NEUTRAL	1.57	1.60	Just a bounce
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	BULLISH	80.5	84	Proved its merit - Retracement complete
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 exceeded			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)

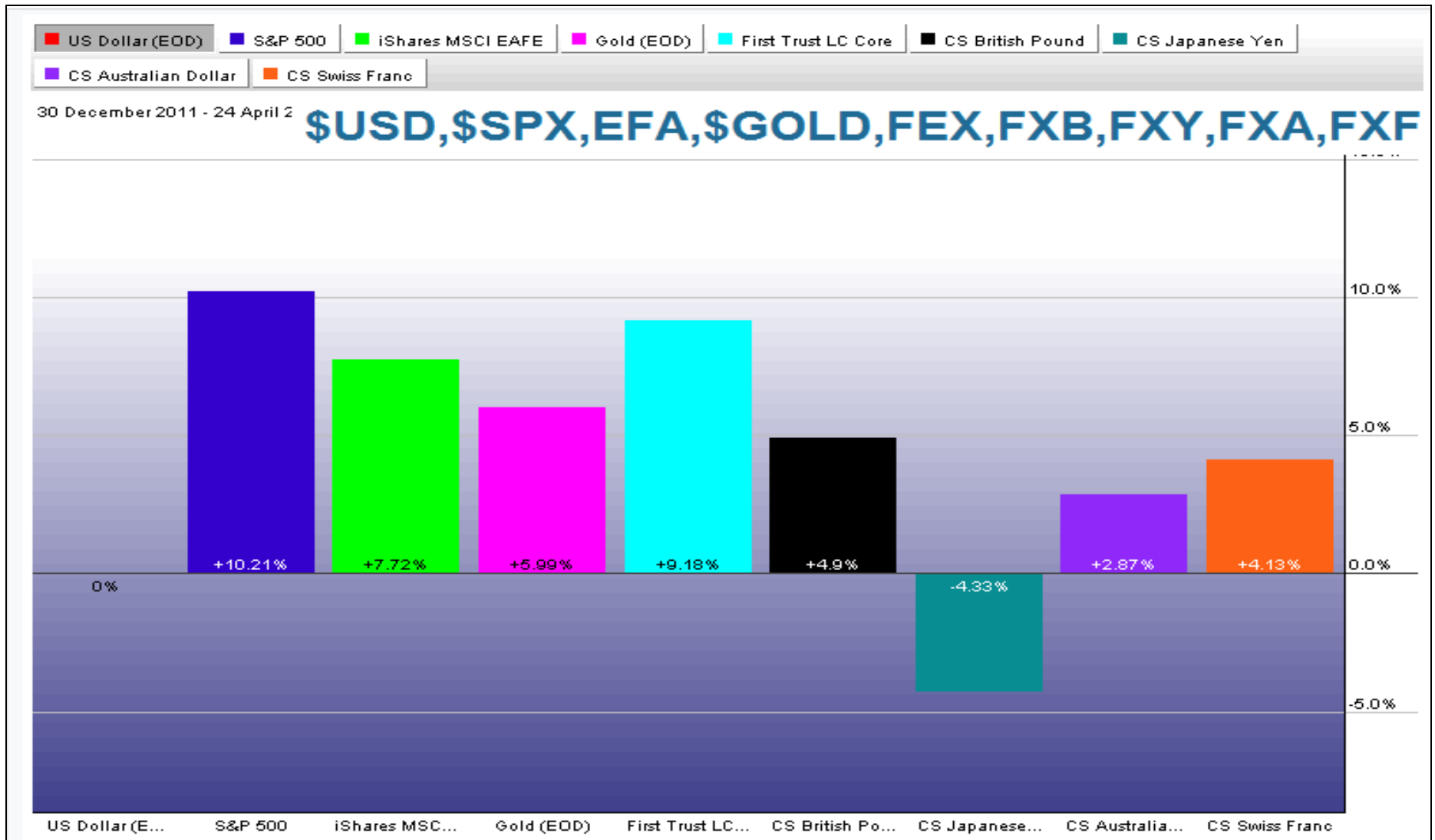
AUD – Chart Analysis

- 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

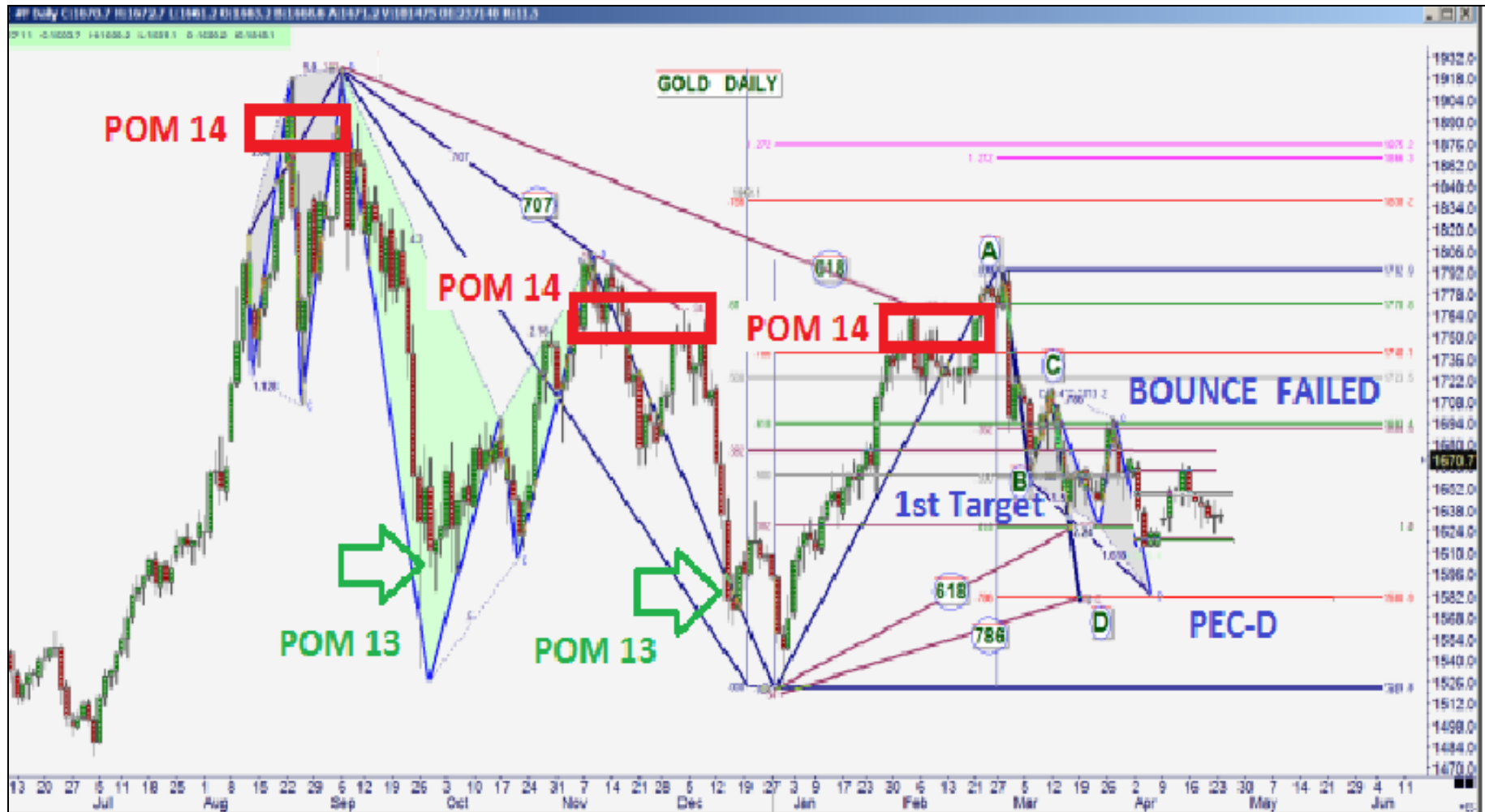
Since is beginning of the year 2012 , it is very critical to keep close eye on this chart for Strength / weakness pick up in these market . (Chart below is our Inter market Analysis Model with Ratio Relative performance v/s USD) .



GOLD - PEC -D Analysis -

By this Model - GOLD has **PEC-D @ 1580. (yellow)** – area where it could Trigger POM 13. We will wait and see

Failure began with wide ranging price bar into **PEC-D – 1775 – exact (POM 14)**. & nasty decline began towards 1610
Bounces back to 1660 as expected have kept failing.



GOLD – CZ, Pattern Analysis

By this Method - Reached our Downside target CZ 1650-1620 area . PQV / VTO Violation & heavy bottom . Close below 1610 now targets CZ 1575-1550 to provide best Risk Reward.

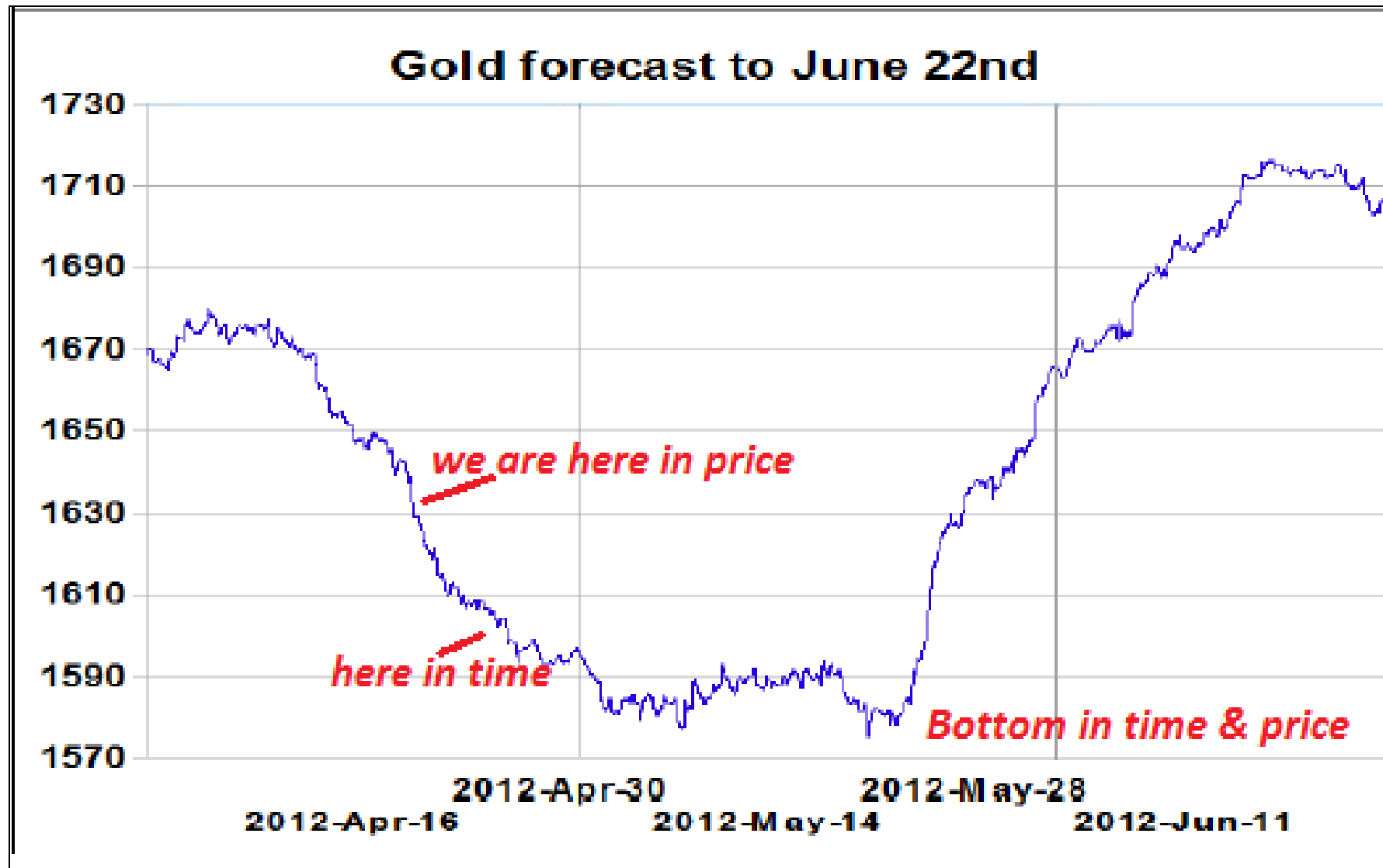
Earlier - POM 14 – CZ – proved its merit at red box CZ 1775 -1750 (red) for current decline to 1650-1620 (yellow) area as expected.

Notes within the charts)



GOLD – Cycle Analysis

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



- **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 – PEC D – Analysis – **SHORT TERM**

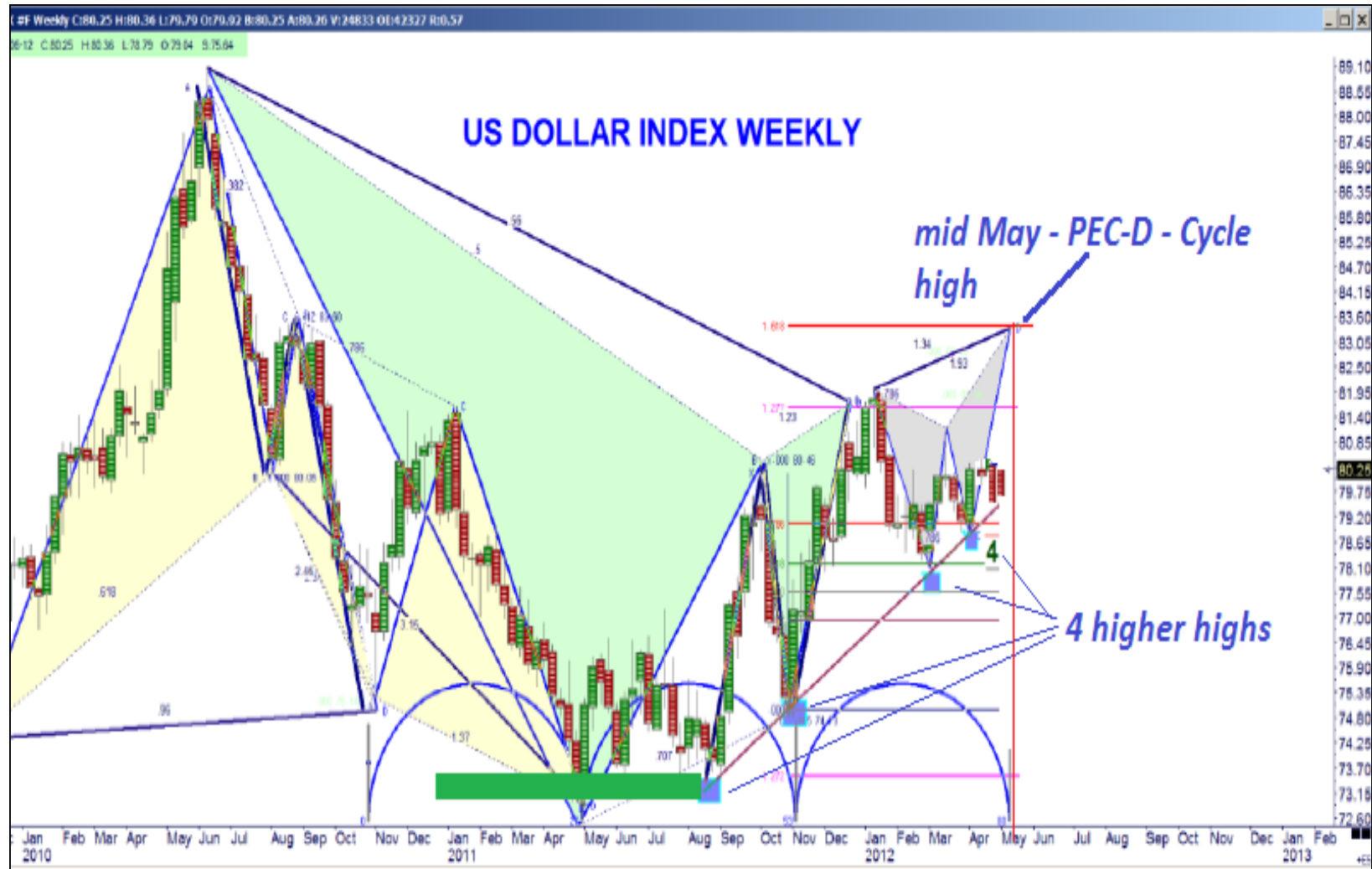
By this Method- PEC-D @ 78.5, completed retracement and rally began with key reversal and SOS. Moves in between the move are in progress. . DXY should rally to 81.25 Bullish Top



USD, - PEC-D Analysis – LONG TERM

Weekly huge key reversal with Sign of Strength of Strength (SOS), suggests next move to the top –PEC-D high 83.5 on weekly . Major bullish divergence on Oscillator that signals a bottom is solid on every rally.

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



- **CORRELATION RATIO ANALYSIS**

Inter market Analysis – USD v/s SPX

Inverse Correlation continues in Current Trend

Inter market Analysis – USD v/s GOLD

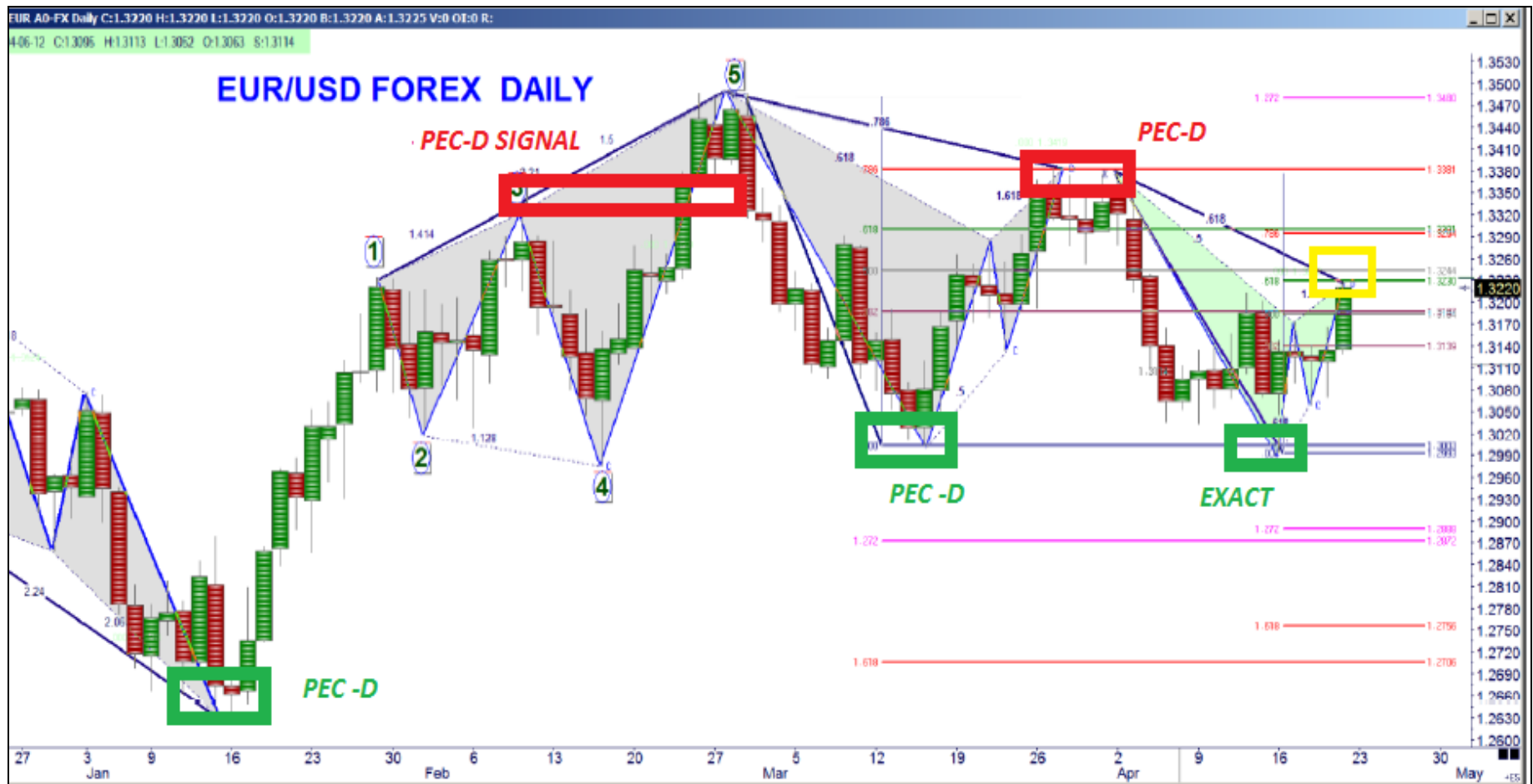
Inverse Correlation continues in Current Trend

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

By this method – Decline to **exact 1.30** from **PEC-D** is at **1.33 @ 618 /1.27** was met . These are moves within the moves (**ST turn indicated yellow**)

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 – LONG TERM

Our upside Target via Poly trend line for bounce was met @ 1.33 with -ve divergence on oscillator. Decline has begun . 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 Short term Downside Projection 1.56, BUT reversed at 1.57. Now rally back to PEC-D 1.62 but CZ 1.60-1.59 remains formidable zone (in red)

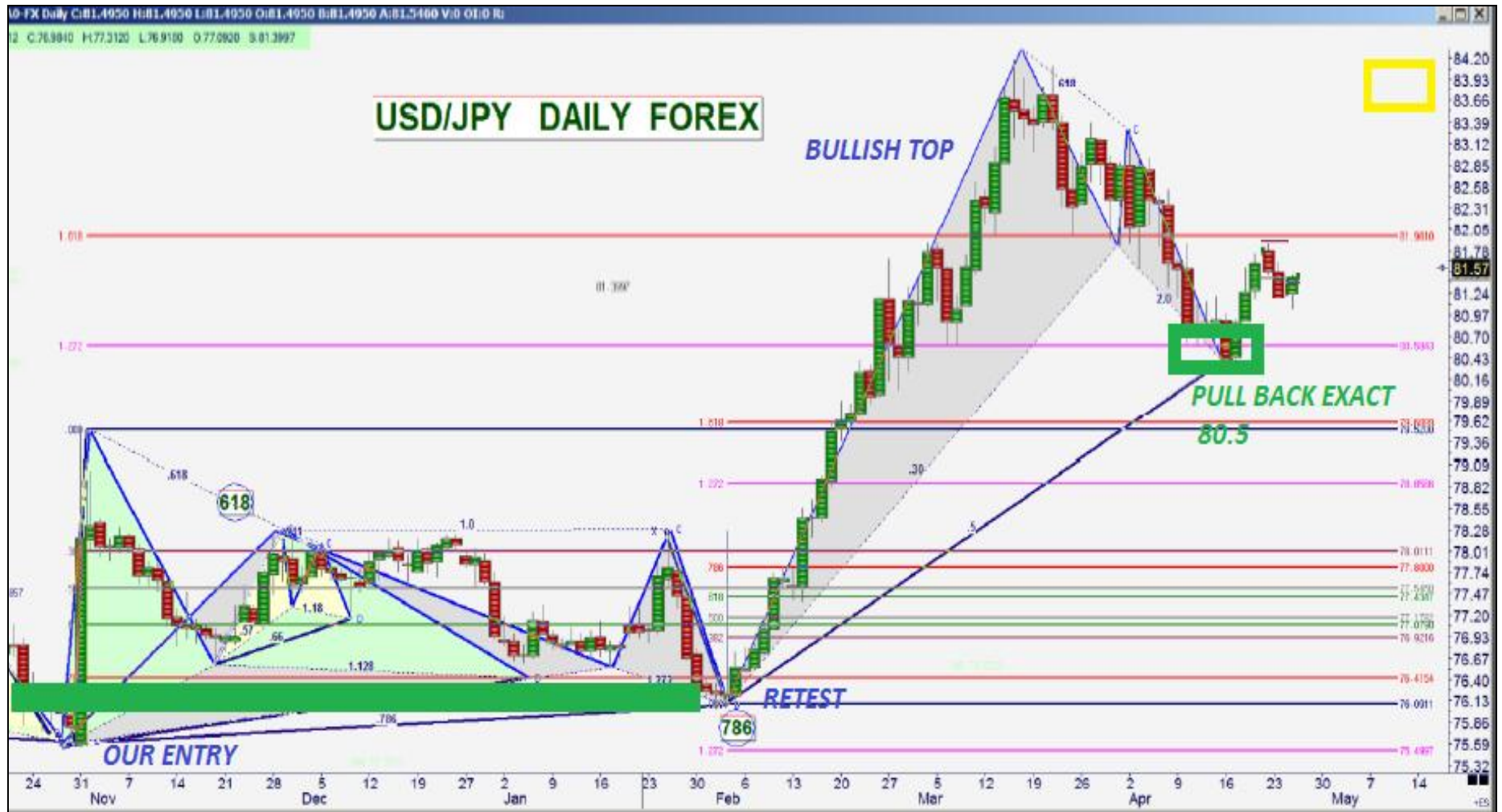
Our Main PEC –D Trigger of 1.63 .Stop above 1.64, for risks management.



YEN / USD – PEC-D Analysis

Pull back towards 81-80 was met. 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.

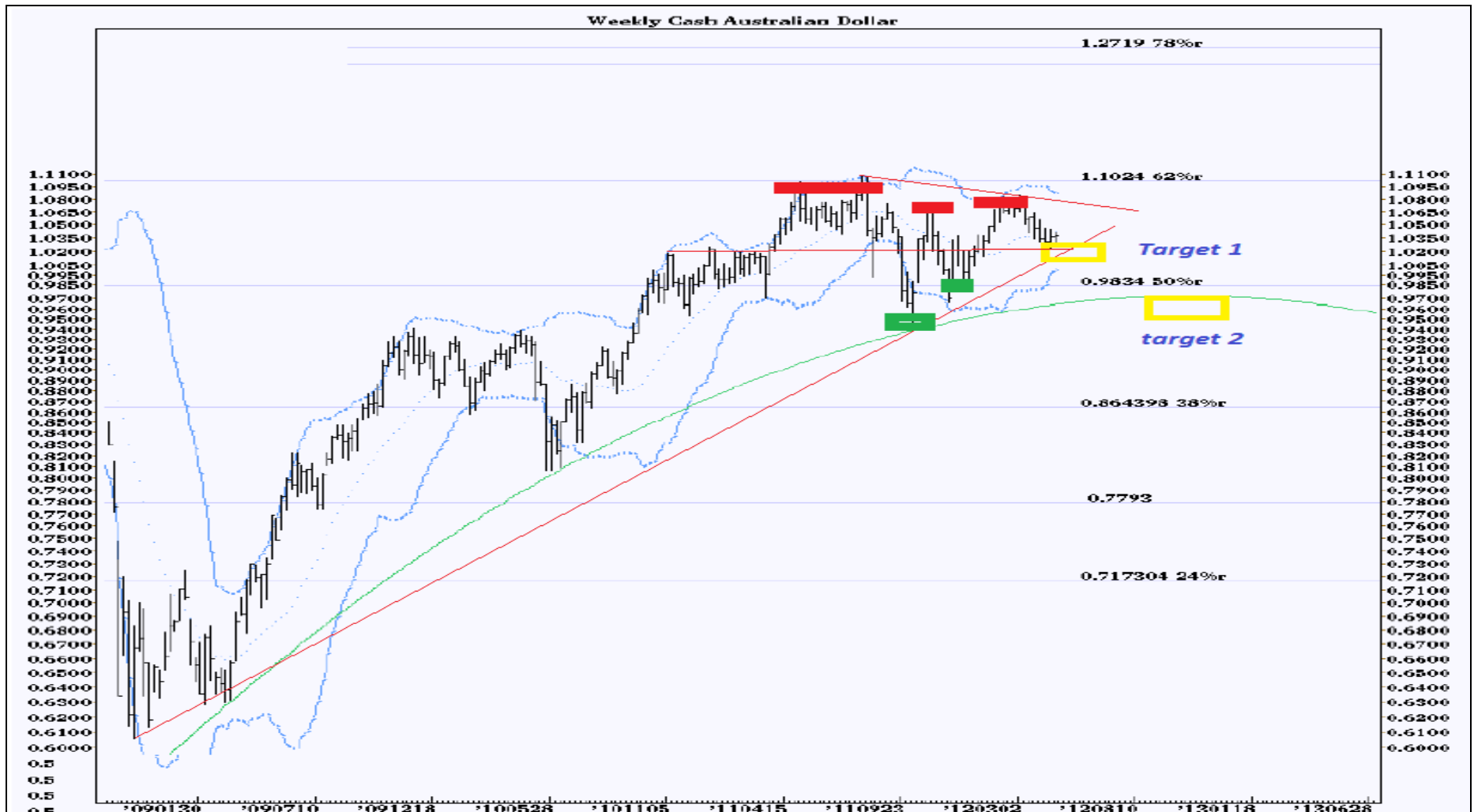
Earlier in OCT 2011, YEN / USD spiked below 76 with new lows, @ 76 Trigger good entry point (as indicated in Green) . The Yen took off after another successful test at 76 (The base of previous SOS- Bullish texture)



AUD/USD – Poly Trend & Osc Analysis

Our Pull back Target via Poly trend line for Retracement was towards the apex of Triangular Apex. 1.02-1.01 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 +150 Points ----- +10.0%

POM 12, 13 - Gains +437 Points (4 Signals) ----- +30%

POM 14 to 13 - Partially Hedged & Risk Management saving +550 points (9 Signals) ----- +35%

POM 15 - Net Short SLV + 10.5 gains (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.

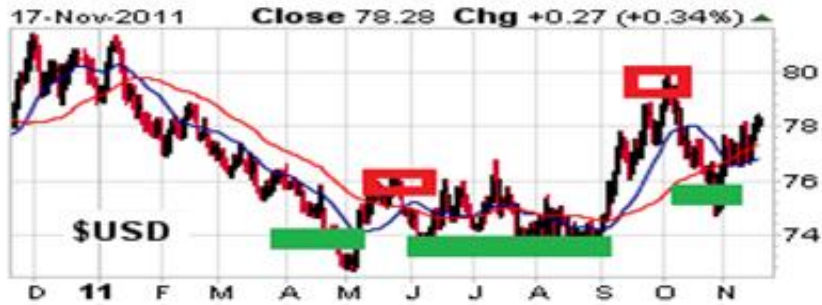
- *All CZ / PEC D / POM's – Marked on charts (in color) below has been Announced on Real time in our Previous Reports prior to Price shifts.*
- *Stops always on other side of CZ @ value based on Portfolio's Objectives & Risk tolerance.*
- *POM / PEC D Conclusions to be cross verified by other methods 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)

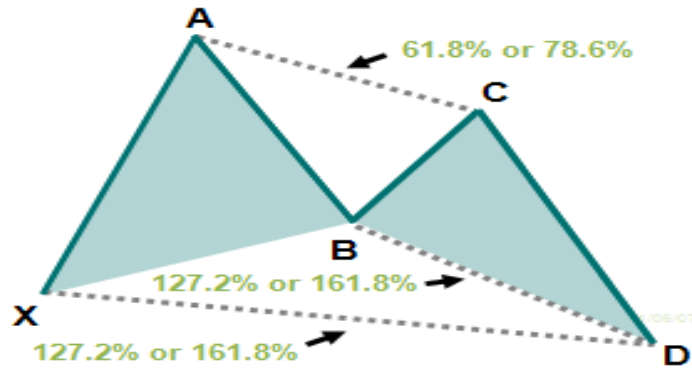
Pythagoras Expansion / Contraction – (PEC) Model

- 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

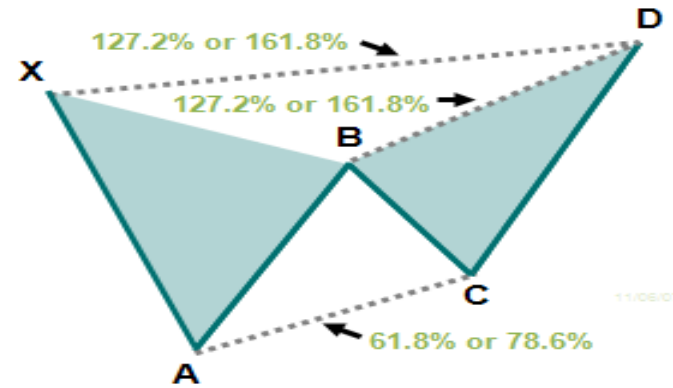
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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