



SG Capital Research

Global Market Insights

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

MAEG- CZ-PEC-CURRENCY ANALYSIS- SG 2012 # AUG_15

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Currency Analysis (B) –(SP)

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

- **GOLD**
- **DXY**
- **EUR/USD**
- **GBP/USD**
- **JPY/USD**
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• 1- Executive Summary

• CURRENCY

USD

The dollar has been rallying since May of last year as the euro zone crisis has worsened, providing the U.S. dollar (and bonds) with safe haven status. On Short term the indicators on the dollar have lost momentum lately, coinciding with gold's attempt to rally, and bonds threatening to top out.

USD finished its ABC up to 83 with BULLISH Top from 78 Bullish Bottom, suggests at some point 83 will be broken topside once 2nd ABC up resumes. However currently normal Retracement came in as expected with counter trend move to double top . Breakout requires enough energy with sideways movement to build cause

Next – Our pull back Target depicted in our previous Currency Report (7/18) has been fast approaching the target 82.25- 81.5 , this is completion of “ 3 drives to the bottom pattern” (see chart below) this decline has been in Bullish manner which could set up stage for next ABC up.

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. USD continues to be the Key part of our Currency Analysis .

Direct correlation with USD - The Pullback in USD is causing rally in SPX & Commodity markets since POM 13 . We are watching GOLD closely which is may began to be acting slightly different on correlation . If Gold breaks out 1640, it should have mind of its own and disconnect from DXY.

EURO -

The counter trend rally in Euro came in as expected after it put in lows (1.21) with PEC-D @ 1.22 completion as depicted in last Report (after nasty correction from PEC-D at 1.33 top (EXACT) for leg down)

Next – *Our Target has been to 1.24-1.25 Short term if broken could run to 1.27, IF more false promises are made in Euro zone which can result in short covering rally extension . NOTE – Rally in USD will put pressure on EURO*

Intermediate term - *Ultimately, after the bounce , the downside trend will carry the euro still lower to 1.17-1.18 once promises fail and market forces take over the price moves. .*

GBP -

Currently - *GBP bounce target to 1.58 from lows of 1.52.*

Next - *We think GBP is in trading range 1.57-1.52*

YEN -

Currently - *As expected Yen pulled back to 78 after establishing Bullish Top at 82 . .*

Next *We think YEN should move higher to test the Bullish Top to 80 , the pull backs needs to be bought.*

Intermediate term - *YEN has a major trend change , began from our Trigger point CZ 75-77.*

AUD -

Currently - *AUD met its PEC-D – 1.05 target exact from 0.97 as projected .*

Next - *“ Pull back should begin “ No target yet”_.*

GOLD – @ POM 13 – NET LONG.- @ 1540 - No change in Signal

- **Last POM Trigger** –POM 13 NET LONG Position on 5/15 – Alert @ 1540.

LAST ACTION - We remain LONG , Entry point overweighed purchase concentrated at lows (1540) , within CZ 1540-1580 prices. (Avoiding_ nasty correction from CZ 1775 – POM 14 to POM 13- 1540 = to 240 point drop)

Projected TARGET

The upside of 1625 – met exact once again at lower end of CZ 1625-1635) for 4thrd rally attempt with another Bullish approach but inability to close above 1640 has put a damper on continuation move higher. The 2nd ABC up projection has a target of 1670 for the rally that began from POM 13 - 1540 off the bottom with Bullish PQV Validation .

As stated on Monday' s A # 1- MS Report , the downside pull back to 1580 -1560 is happening as we speak (since 1625 did not hold on Monday) . CZ 1580-1540 is still a solid floor which has been tested 4 times in Bullish Manner. Back filling process for 3 month base formation of bottoming process without breaking the lows appears to continue on consolidation. Overall Gold has finally broken out of the triangle that we have been watching for several weeks.

The pullback including Monday / Tuesdays has been in Bullish Manner suggests GOLD should keep making efforts to run to the TOP. BUT - Any overweight / Trading positions from 1540 with Trailing stops for Risk Management just in case bottom falls off, whiles maintain the core position of 1540.

NEXT

PLAN A –

Decisive close **above 1635**, with Sign of strength and PQV validation should begin next impulse ABC up that started from our POM 13 – 1540 point . The breakout has **PEC-D projection to 1670** , provided we break 1630 with PQV Validation

PLAN B

On Monday / Tuesday the Pull back from **1630 -1620** happened towards the target of **1580- 1560** and held in Bullish Manner as expected, but it could very well go at the Mid bottom of the range. .

GOLD has given (4) opportunity at 1625 to do so to re deploy the capital if 1540 is broken down to scale back in based on the Portfolio Objectives.

Although it has been patience game past 3 months, Once we get good entry point Triggered, we like to play & stay with the Larger trend. 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.

Note - Risk Management Advised on the Overweight / Short term Trading Position, with either Volatility based trailing STOPS to lock in PROFIT or at Cost price / Breakeven as Risk Management move. We can always enter back later with same partial capital at lower prices. Whiles maintain our core POM 13 position.

POM Signals , Trading Conclusions - Price / CZ Projection Summary

B # Currency Report	CURRENT STATUS	CZ - Trigger Confluence Zone	Target to or target reached	Comments
Aug 15-2012				
GOLD				
SHORT-TERM -	NEUTRAL	1630-1620	1580- 1560	Approaching , but Close above 1640 would validate breakout or pull back to 1580 if 1630 fails
MID-TERM - POM 13 (1540) - Open	BULLISH	1540-1580	TBA	Projection once 1630 is broken with PQV validation / Nimble 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	BULLISH	83.0	82.25-81.75	ST pull back after double top at 83
MID-TERM	BULLISH	71-73	89-88	1st leg up Target met, break above 83 should begin next legup
EUR0 / USD				
SHORT-TERM	NEUTRAL	1.22-1.21	1.24-1.25	ST bounce to 1.24-1.25
MID-TERM	BEARISH	1.46-1.45	1.18-1.20	2nd leg down to 1.22 Target met from 1.33
BPS / USD				
SHORT-TERM	NEUTRAL	1.52	1.58	consolidation 1.58-1.52
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	BEARISH	1.05	TBA	Target met 1.05 from 0.97
MID-TERM	NEUTRAL	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	77.0	80	began rally from 77
MID-TERM - Oct 2011	BULLISH	75-76	84 & higher	
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			

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.

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)*

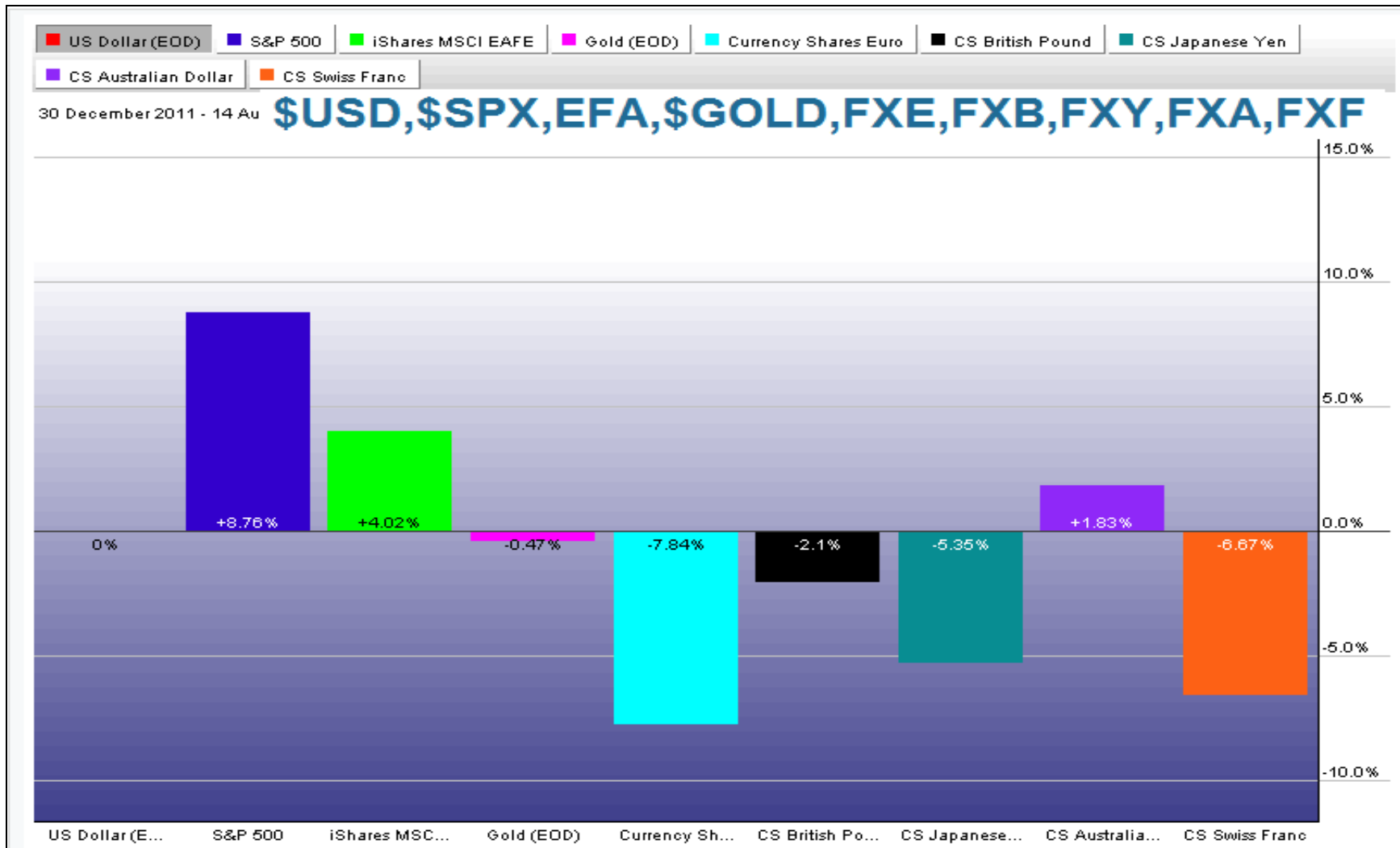
AUD – Chart Analysis

- *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 - - ST - PEC -D / CZ Analysis

By this Model - We reached 1625, 1st ABC up 1625, from POM 13 Trigger at 1540. Repair work & back filling in progress towards Gold turned up right at 1540. PQV / VTO turned bullish on test.

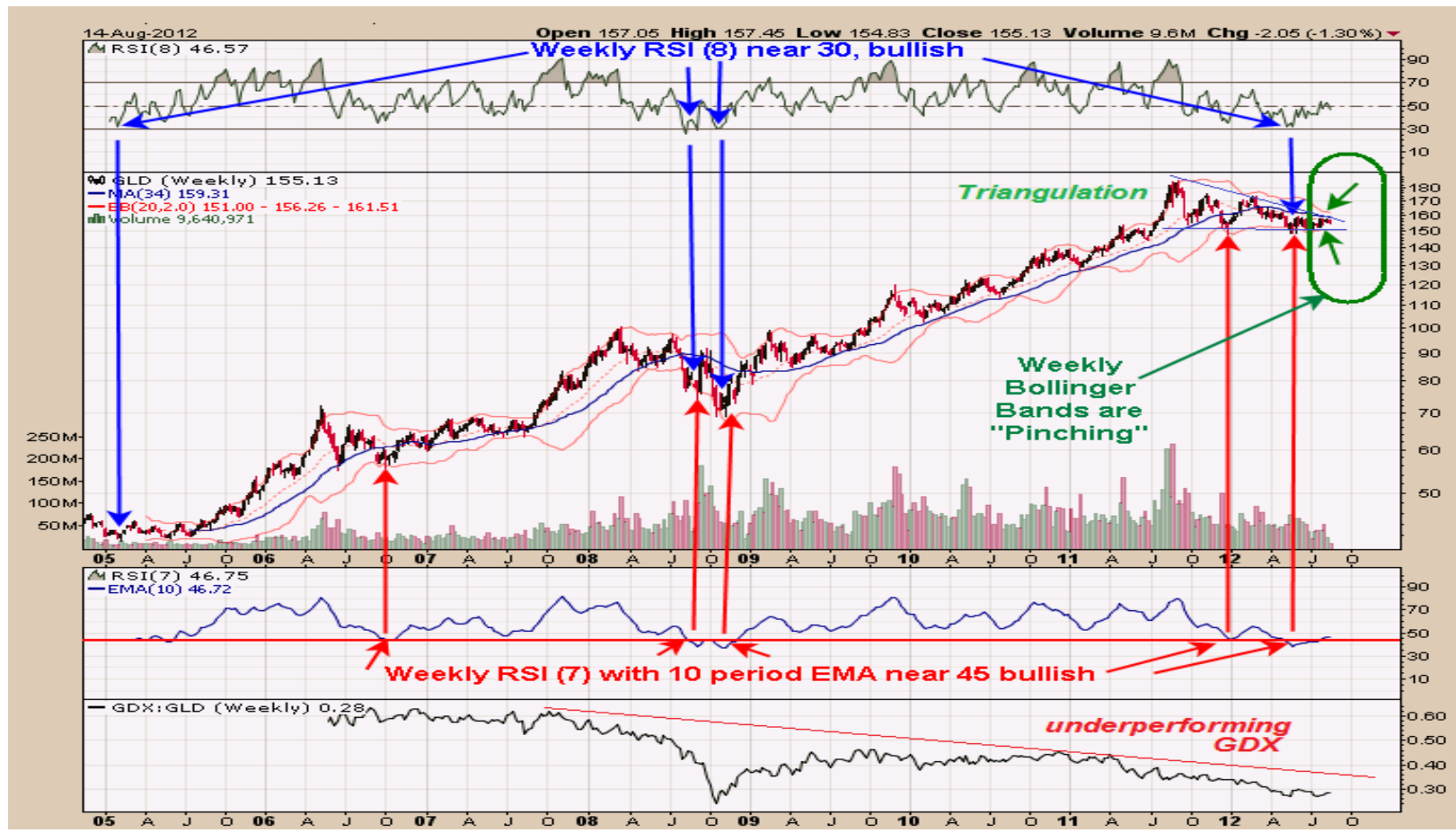
Downside Pull back to CZ 1580-1560 in progress

Upside target projected - target CZ 1670-1660, once 1635 is broken



GOLD – MID TERM Price Analysis

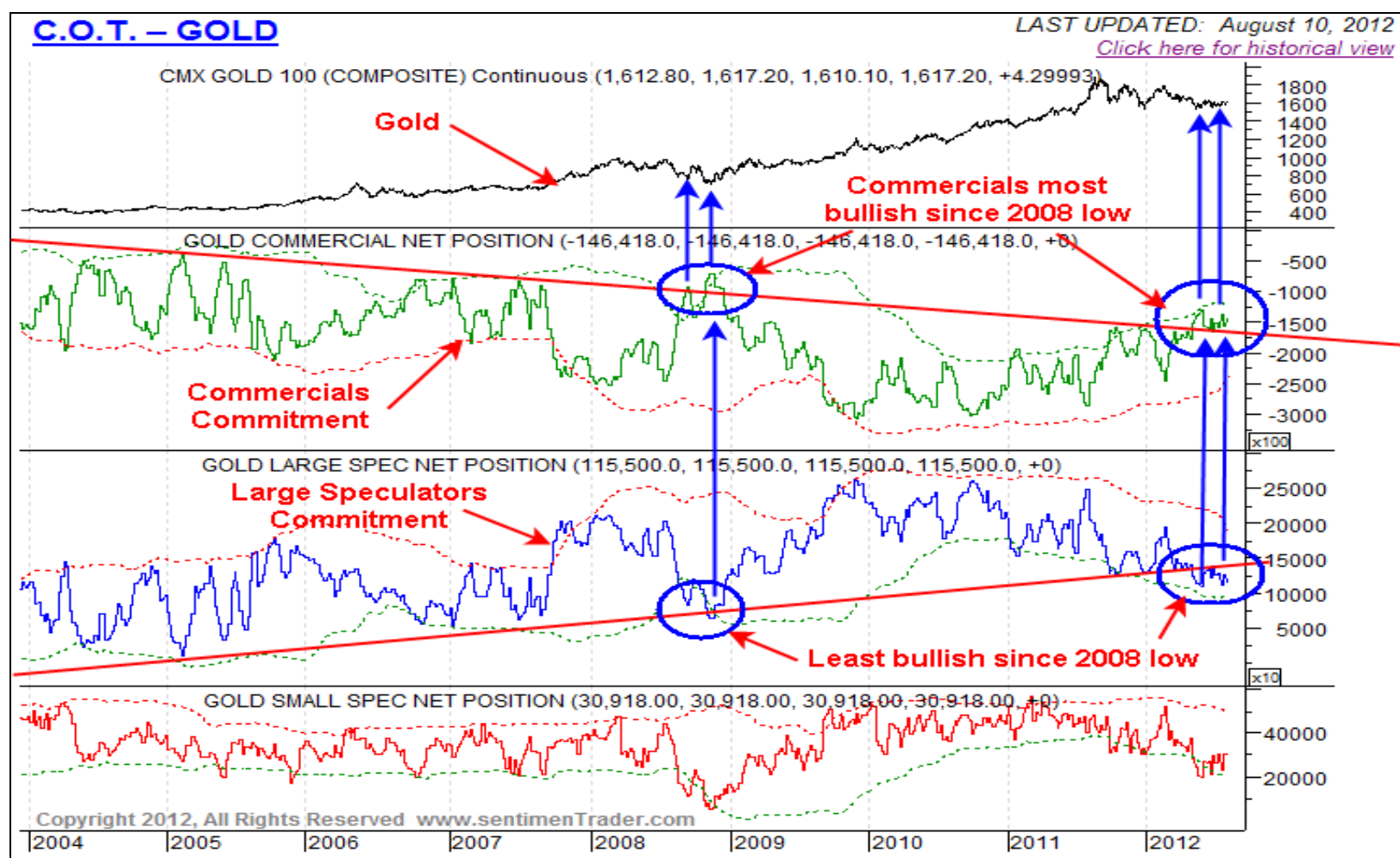
The weekly chart for GLD since 2005. Majors lows form in gold when the weekly RSI (8 p) reached near 30 and weekly 10 period EMA reaches near 45. These major bullish setups combination are rare and suggests a large rally in GLD. We have marked the signals on the above chart with arrows. The weekly Bollinger bands are starting to “pinch” and suggests a breakout move from this year long consolidation is about to occur. Since the Commitment of traders report show the Commercials in a heavy bullish stance, it suggests the break will be to the upside.



GOLD – COT Analysis

We have marked up our views on Sentiment Traders chart.

“Commitment of Traders” long and short positions for the Small Speculator (bottom); Large Speculators (next window up) and Commercials (third window up). The Commercials are the smart money. Normally the longer in time the consolidation then the longer the next rally should last. The consolidation in gold started back in August 2011 (one year). The impulse wave up should at least last that long.



- **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 - @ EXTREMES

CURRENCIES

NONE @ EXTREMES

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

USD – PEC D – Analysis –

By this Method- ST PEC-D pattern at 82.25, with “ Three Drives to bottom at 81.75” (We are almost there) The PQV on pull back suggest 2nd ABC up should begin after the pull back is complete in this CZ 82 -81.5 towards Bullish top 84 .

The double top came in exact at 83.5 earlier we had indicated –ve divergence



USD – MID TERM - PEC D – Analysis –

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.



- **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- PEC-D completed 1.22 , extended to 1.21 with Bearish bottom Our Target to 1.24-1.25, if event driven EU news pops up then it could get extended to 1.27- conversely if USD rallies it could reverse.

Mid term - Main PEC –D Trigger of 1.45 & PEC- @ 1.33 still in tact to Target 1.17- 1.18



EURO - with Pattern & Oscillator Analysis – LONG TERM

Projection via Poly Trend Method – The +ve divergence suggests the bounce is in progress. Our target **1.24-1.25**

Main CZ 1.45 -1.46 - Mid term charts – has Long term Target downside target of **1.17-1.18**. (On the Poly Trend Top) . once the bounce is complete.



YEN / USD – PEC-D Analysis

PEC-D 78 is being completed, It appears another rally is beginning **Target – PEC –D - 80**
The correction pull back from **BULLISH TOP** earlier is still in tact .

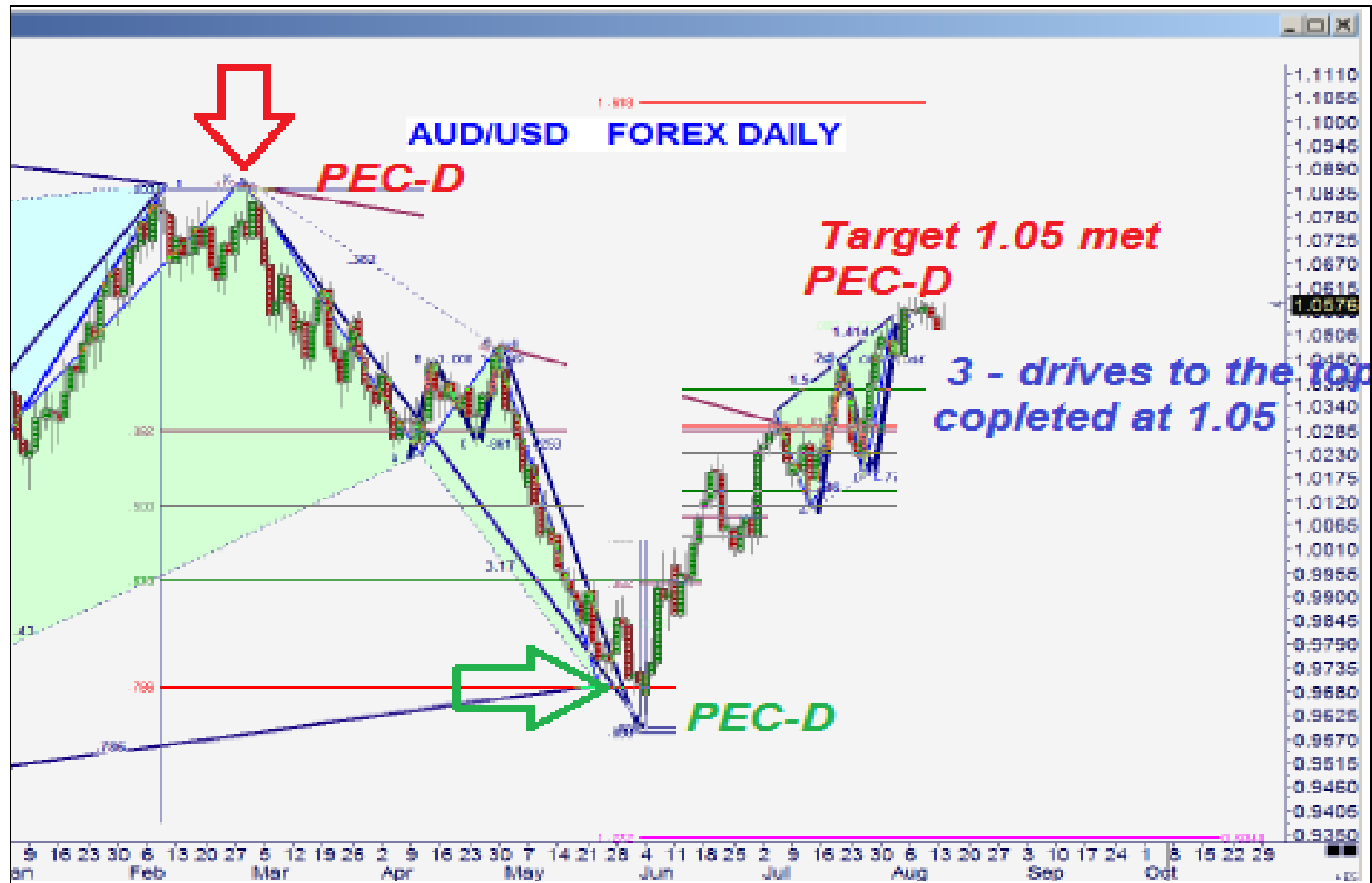
Main entry in OCT 2011, YEN / USD @ 76 Trigger (as indicated in Green) .



AUD/USD – SHORT TERM - PEC –D Analysis

By this method – AUD rallied from our *target 97 to 1.05* (*target 1.05 given in last Report was met*), Now retracement should begin “ *NO target yet* ” .

Mid term charts . *Main PEC –D Trigger of 1.09 & secondary PEC-D @ 1.07* .



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

By Poly trend Method – The triangulation pattern Wave E @ 1.05 (depicted in earlier Reports was met from Polytrend top - WAVE D @ 0.97.

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 +150 Points ————— +10%
 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%

- **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)

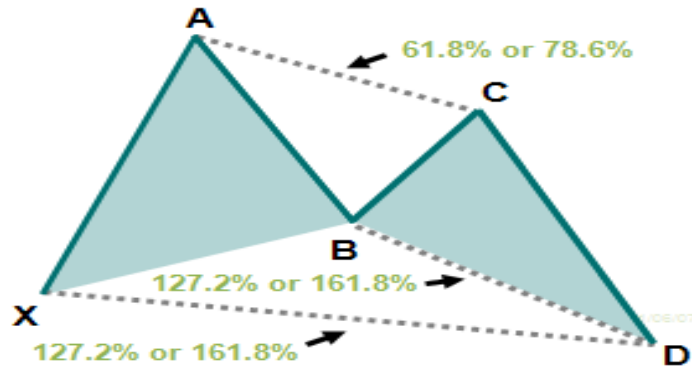
Pythagoras Expansion / Contraction – (PEC) Model

- 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

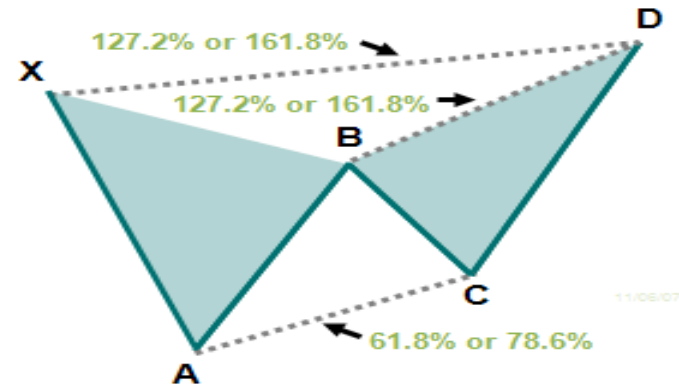
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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