



SG Capital Research

Global Market Insights

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

MAEG- CZ-PEC-CURRENCY ANALYSIS- SG 2012 # FEB_22

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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

GOLD

Currently remains, at POM 14 (Partial Hedged Long Positions) – Bull Market POM Rating

SHORT TERM NEUTRAL - GOLD's price move in yesterday's trading looks positive but our review point would be based on how it reacts to our overhead CZ – 1750 – 1775. We are looking North of 225k contract on GC 3 to decisively valid break above. We are still seeing divergence in GOLD and would like to follow our Probability rules on Bullish / Bearish case to get the best Risk reward. We are not willing to step in front of sudden 50-60 point overnight drop if happens and loose its identity. We prefer to avoid such incidences till following divergences are sorted out. .

First – USD has picked up move upon meeting our downside at 78, . a continuation move higher on DXY should Trigger pull back in GOLD.

Second – GDX might move down with General Market SPX on Pull back. GOLD too has 0.8 Correlation with SPX

Third – SLV is still struggling

MID TERM BULLISH - remain partial long with (½) Core position from POM 12. The 2nd (½) floating hedge position timely exited for Profit at 1560 lows on 14th December prior to the bounce towards 1750-1775 . If we break 1780 level upside the momentum should kick in and benefit long term Core Bull Positions

ST - BEARISH SIDE Gold keeps getting attracted to the CZ 1775 -1750 from under & fizzles out repeatedly. After first drop from CZ Market tends to go back into CZ on lighter volume to test the CZ once again & Gives up.

However, If volume picks up in this CZ 1750-1775 with Sign of Strength on PQV – (valid breakout) then might be different story , (we do not see it happening - Refer charts below) Either way it does not effect our current Floating position as we are FLAT on this Timing Call. Move after the Move is more important to trigger setup on better Risk / Reward. Market tends to leave a better foot print on Price Path to prove itself. Therefore.....

ST - BULLISH PULL BACK (we can add to the Buy Position) into CZ -1650-1620. - This CZ Area we broke out with "Sign of Strength and validated PQV. on FOMC day 1/25)_ Now if it holds the decline with PQV quality on the pull back towards 1650, it would set up Bullish entry for next ABC up . This should invalidate price drop below 1600 as shake out move for all the Bears. **If PQV is invalidated at 1650 TEST then downside would continue to 1560. Next target**

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). Is now looking to re instate once the dust settled down.

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.**

• CURRENCY

DXY -

Upon completing the retracement at 78 rally began . We might see some back filling but the New leg up in DXY will begin sooner rather than later.

Bigger picture, 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 setup

EURO -

All positive for DXY would be negative for EURO. Euro put in highs at 1. 33 as expected and should begin a Leg down. The bounce in EURO lasted for 5 weeks from lows of 1.26 to 1.33 by Greek driven news

The long term for the euro is down. The near term shows the euro is topping. .

GBP -

GBP should follow the price path of EURO in sympathy.

YEN -

_YEN retraced & tested back to SOS (Sign of strength base) as expected and rallied back to the 80 (our Upper Trading range we had projected, with Bullish Top) . We should see a pull back and move higher

This move was a big news this week in currencies. We have been talking about CZ for the yen at the 76 level for weeks/ months, now and finally the market has rallied off those levels not seen since the BOJ last intervened.

A move above 81 would signal a major trend change and begin what we think could be the big currency surprise for this year, with the whole world looking for the Euro to collapse, there are few eyes on the yen. .

AUD -

AUD put in highs at 1. 07 as expected and could begin a Leg down_AUD is clearly tied up with commodity & resources. If demand from China drops for any reason, support will fail & AUD break the downside.

POM Signals , Trading Conclusions - Price / CZ Projection Summary

B # Currency Report					
FEB 22 -2012		CURRENT STATUS	Target Reached CZ - Trigger Confluence Zone	Next Target	Comments
GOLD					
SHORT-TERM -POM 14 (1725)	BEARISH	1750-1775	1650-1625	Re - testing in process (Stop above 1775)	
MID-TERM - POM 13 (1575-1550)	NEUTRAL	1725	1650-1625	Re - testing in process	
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	78-79	82-81	Leg up has just initiated	
MID-TERM	BULLISH	71-73	89-88	1st leg up Target met	
EURD / USD					
SHORT-TERM	BEARISH	1.33 -1.32	1.26-1.25	Leg down to begin soon	
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	1.58-1.57	1.52-1.53	Leg down to begin soon	
MID-TERM	BEARISH	1.63-1.64	TBA	2nd leg down 1.52-1.53 Target met	
AUD / USD					
SHORT-TERM	BEARISH	1.07-1.07	TBA	Leg down to begin soon	
MID-TERM	BEARISH	1.09-1.08	TBA	2nd leg down 0.97-0.98 Target met	
USD / JPY					
SHORT-TERM - Oct 2011	NEUTRAL	75-76 (tested)	Trading Range from 75 to 80 -	Proved its merit - Retracement to begin soon	
MID-TERM - Oct 2011	BULLISH	75-76 (tested)	TBA		
LEGEND					NOTE
POM 14	Partially Hedge Status	Bull Market Signals	For Detail Price Path Chart Analysis Indicators, Justification for our Conclusions, refer to the full Report for cross varification		
POM 13	NET Long Status	Bull Market Signals			
POM 12	FULL Long Status	Bull Market Signals			
Yellow color	Zone Triggered		POM's for GOLD only		
Red Color	Zone Bursted				
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)*

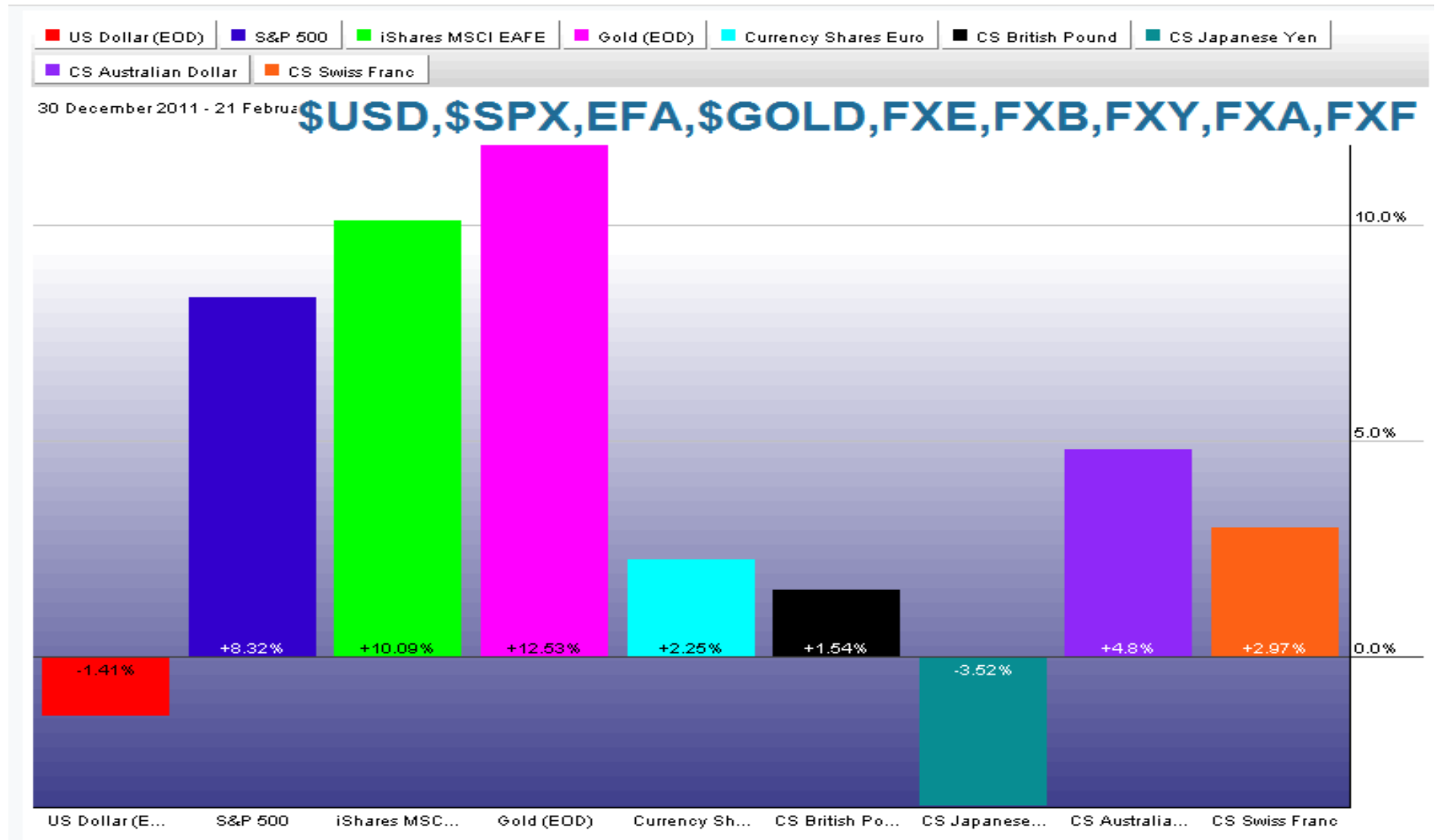
AUD – Chart Analysis

- *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)



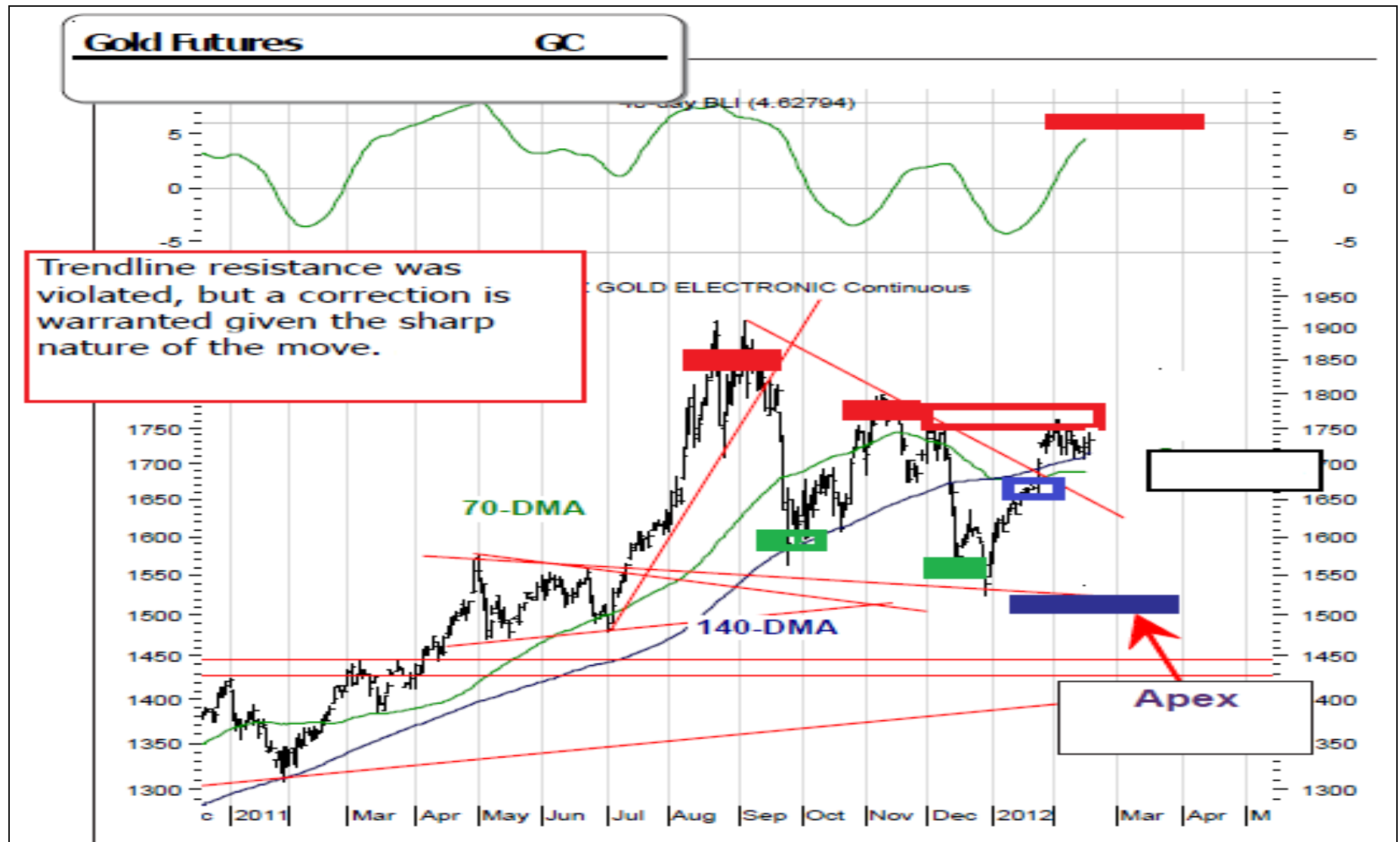
GOLD - PEC -D Analysis -

By this Model – Once again GOLD is at top end of the range. Twice, the bounce has tapered into **786/618 - PEC-D towards 1750**. (Now entering back again) . This Area requires quite a bit of force to burst. Move above 1770 Momentum may take over . However move up in DXY might Trigger the pull back due to its inverse correlation towards **1650-1625** (Yellow) for better Risk reward.



GOLD MA, Trend & Oscillator Analysis – Pull back Case

By this Model – CZ 1750-1725 (in red) appears top heavy, Once the retracement begins to our downside target 1650-1620 area, (This is the breakout CZ Price (blue circle) along with breakout in Oscillator) . We think better Risk /reward should be set up on_ till such time our Model would not Trigger sustainable up move. We plan to wait patiently.



GOLD MA, Trend & Pattern Analysis – (LONG TERM)

In Chart below CASE 1,2,3 are identical pattern recognition count . The prices in all 3 cases above blue CZ is bullish however in Case 2 it was broken down

In fact our reason to be patient is evident from chart below – We would like a proper test of CZ 's to avoid getting caught in CASE 2 Type of scenario



- **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,**

- **DXY - with MA, Trend & Oscillator Analysis**

*DXY reached our retracement **target 78 and** began the move higher towards its **Bullish Top at 81** . Bullish Tops tend to get tested after pull backs if not broken*

Earlier it completed ABC up with Bullish Top at 81 from Trigger @ 72-73 (09/07/2011)



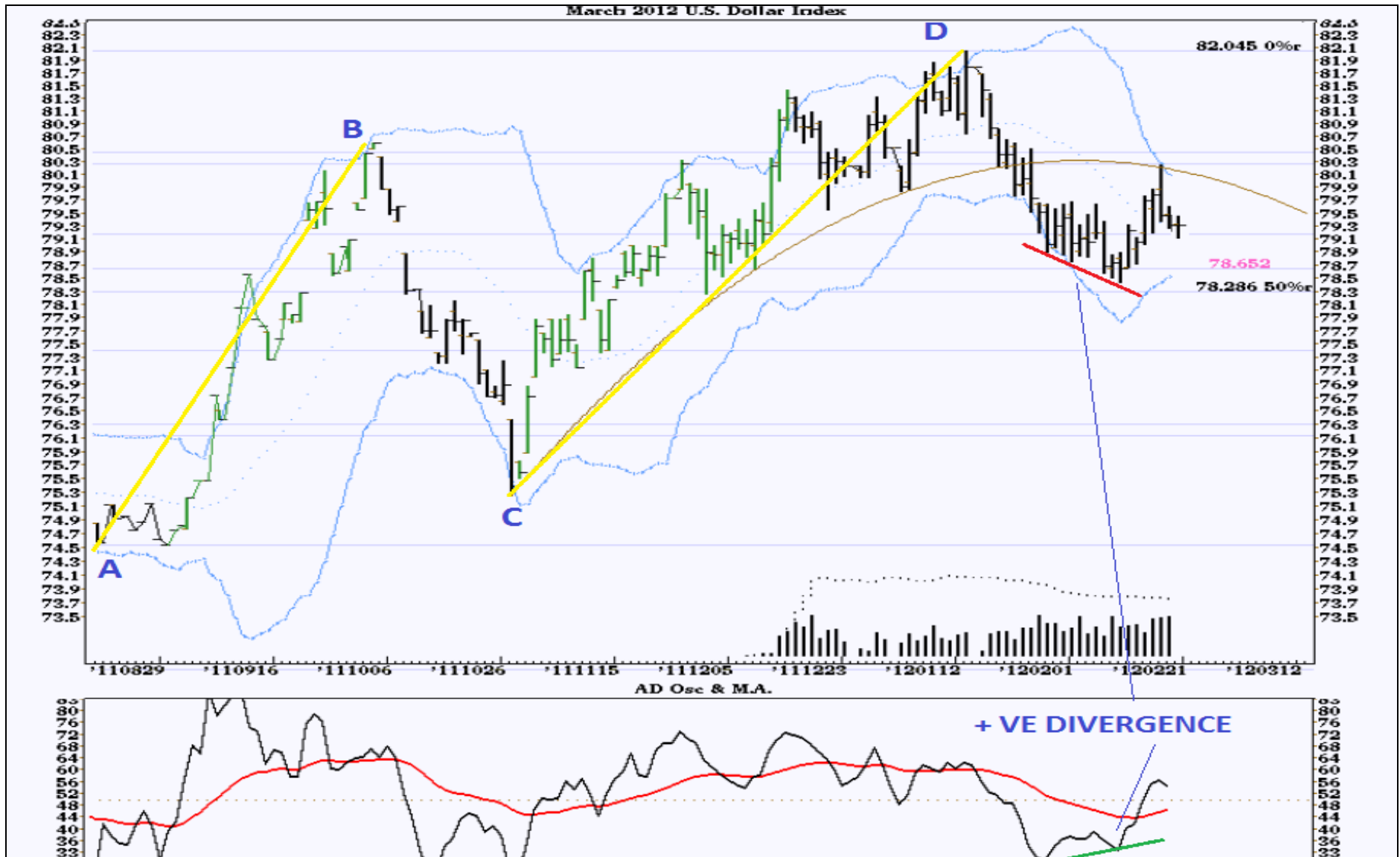
USD – PEC D – Analysis – SHORT TERM

By this Method- *PEC-D @ 78 with 786/ 618 was met and rally began .*



USD – PEC D – Analysis – SHORT TERM

After classic ABCD of exact equal magnitude. (text book style) . The pull back has positive divergence with oscillator suggest the rally should have legs.



- 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 . Earlier PEC-D @ 1.27 was triggered at lows

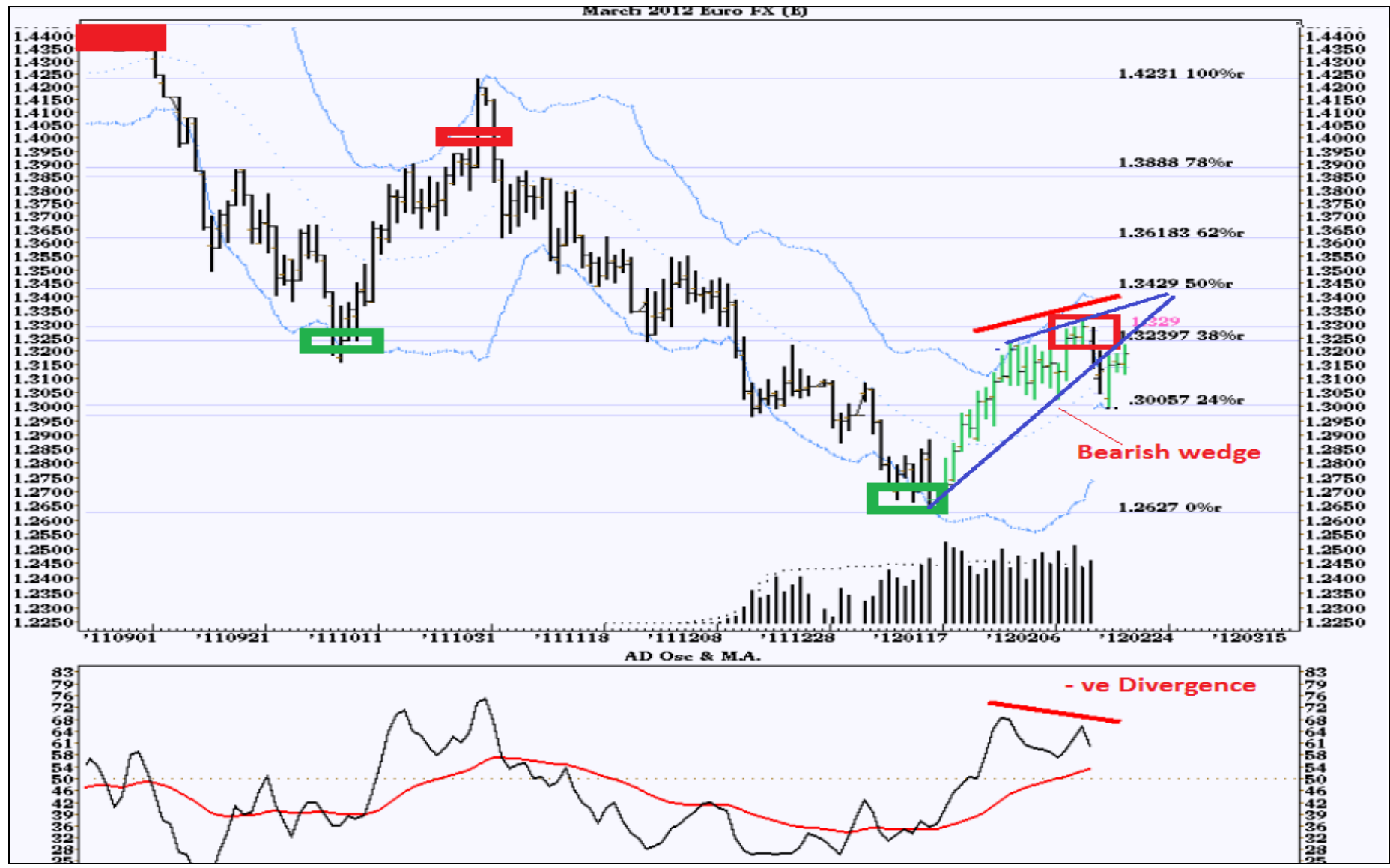
Main PEC –D Trigger of 1.45 .Stop above 1.49, for risks management - Mid term charts has had three lower highs for continued decline ,



EURO - with Pattern & Oscillator Analysis

Our Target via Poly trend line for bounce was 1.33-1.32 & has met

However, the bounce has been with -ve divergence on oscillator and Bearish wedge suggest decline should begin.



GBP / USD – PEC Analysis -

By this method PEC-D is at 1.58 @ 618 /1.27 met & decline began . Earlier PEC-D @ 1.52 was triggered at lows

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

The Yen as expected retested the **retracement level at 76**. (The base of previous SOS- Bullish texture) & Rally began back to Highs of the TRADING RANGE 80 which was our Target. The move certainly helped Japanese stock market which we had Buy signal since 16th Dec . After such a big move expect a pull back .

Earlier in OCT 2011, YEN / USD spiked below 76 with new lows, @ 76 Trigger good entry point (as indicated in Green) . Stops below the lows 74.5 for risks management is still in tact.



AUD/USD – Poly Trend & Osc Analysis

Our Target via Poly trend line was 1.07-1.06 & has met, this was initiated at 0.97

However, the bounce has been with –ve divergence on oscillator. The pull back should be towards the apex of Triangular Apex.

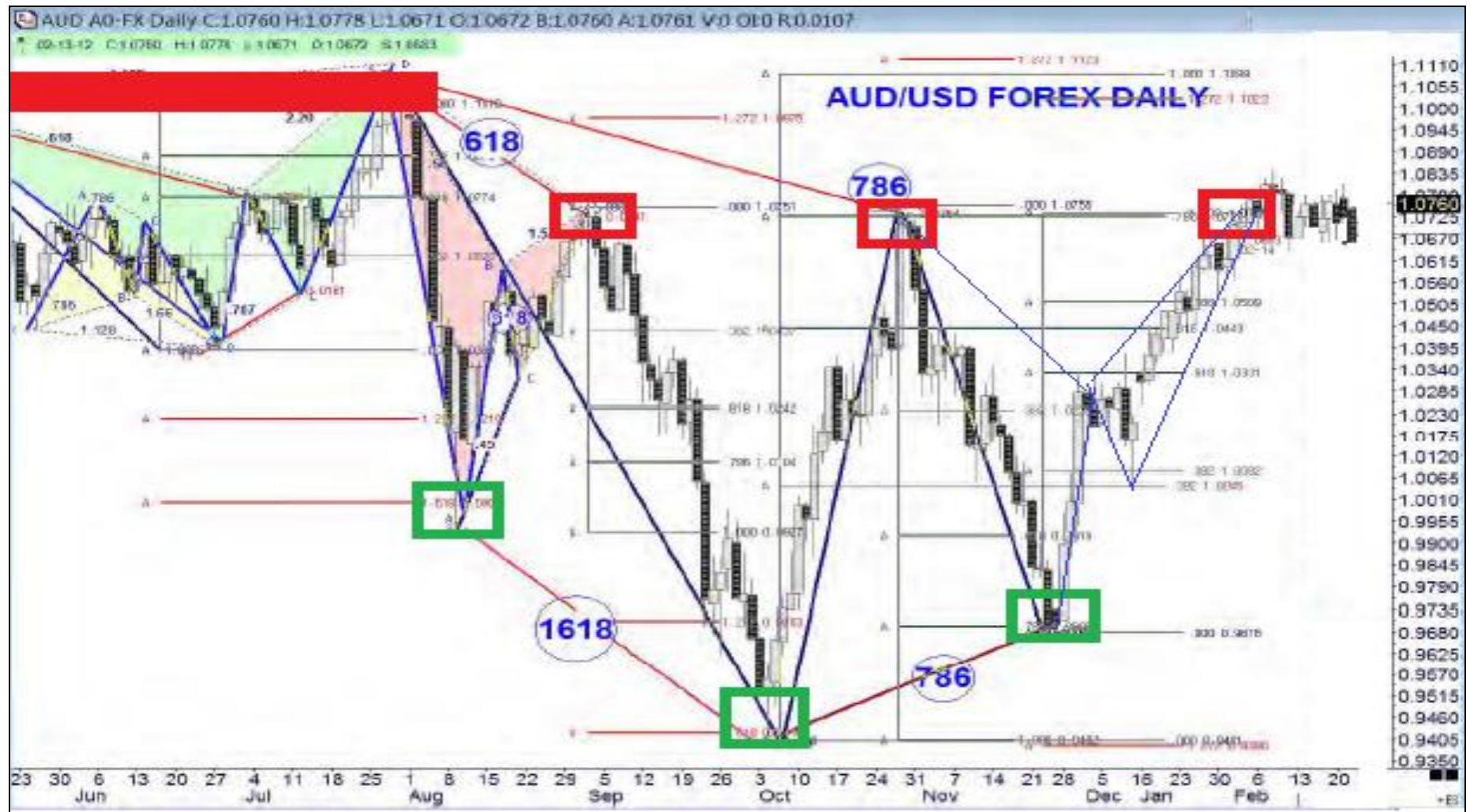
AUD - 5/10 Trigger 1.09 (in red), forming long term top. Stops above 1.11 for risks management.



AUD/USD - PEC -D Analysis

By this method PEC-D is at 1.07 @ 786 /1.27 met & decline began . Earlier PEC-D @ 0.97 was triggered at lows

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



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

GOLD - YTD - Gains <u>+150 Points</u>	_____	+10.0%
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%

- **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)

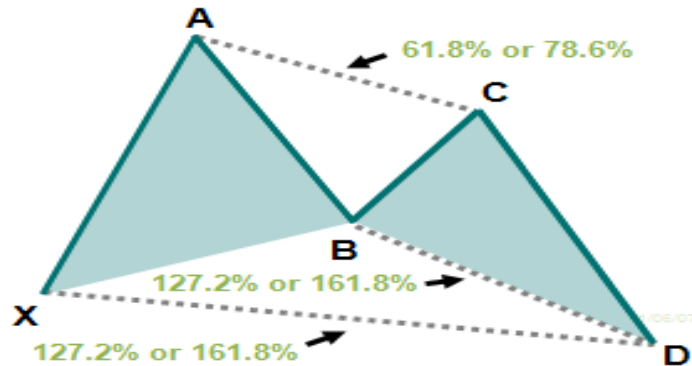
Pythagoras Expansion / Contraction – (PEC) Model

- 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

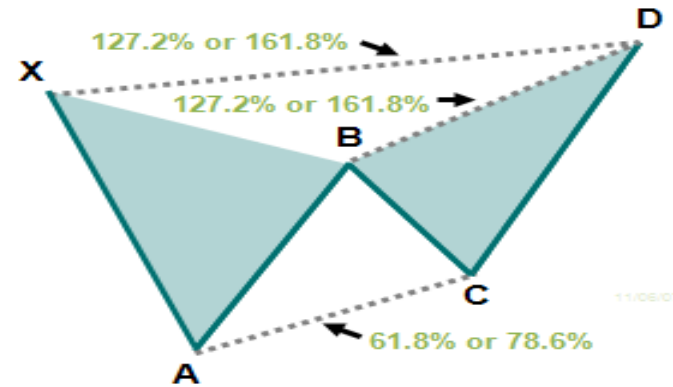
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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