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

MAEG- CZ-PEC-CURRENCY ANALYSIS- SG 2011 # JAN_04

For Immediate Release – Wednesday AM (EST)

By: Suneil R Pavse

Contact: apavse@aol.com

Currency Analysis (B) –(SP)

- ## Contents for Coverage within B # SP

- **GOLD (Covered in Yesterdays' (01/03) - A # 3 – MS – Interim Update)**
- **DXY**
- **EUR/USD**
- **GBP/USD**
- **JPY/USD**
- **AUD/USD**

Today's Quote

"Whatever we think about ………we can bring about ……Whatever we focus on GROWS

Index

• 1- Executive Summary

• *GOLD*

We reached our Price Target projected into CZ 1535-1560 from POM 14 Trigger 1710. Actionable point . Announced via 10/13 Alert , resulted in 160 point hard down . Currently GOLD is bouncing back from the CZ on oversold conditions. to (1620-1650). Bounces are just bounces

Since CZ target was achieved, Actionable point - we had send ALERT – 12/14– to cover hedges in the CZ 1560-1535 as Risk Management call based on Individual Portfolio Objectives of rebalancing).

We are very close to area of POM 13 for Trigger, but we could see one more move down as shake out . We think better Risk / reward should be set up on SUCESSFUL Retesting of CZ back down to (1535- 1490) dip below. Till such time our Model would not Trigger POM 13 for sustainable up move. We plan to wait patiently.

Additionally Pull back in SPX from its current POM 14 could help the pull back in Gold as well

Point to monitor - If the second dip we witnessed last week into our CZ – 1560-1535 was really the 2nd retest of CZ then on this current bounce the volume should pick up towards the target 1620-1650 should rally have legs.

• *Currency*

Bigger picture, USD continues to be the Key part of our Currency Analysis . It is Ruling the world markets. Flight to quality will remain for next 1 year . It has a projection of 2nd ABC up into Main Bearish CZ 88-89. (not in straight line). This move could effect other market in more volatile manner

- *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*

- ## **2- Trading & Invest Conclusions on Gold & Currency**

- ## *GOLD*

Downside Target reached to 1535-1560, the bounce in progress to 1620-1650 . No Trigger for POM 13,

- ## *DXY -*

Short term Risk Management Turns - From CZ – 72-73 to Target 81 -82 achieved
Bigger Trend - Triggered CZ – 71 -73 - Stop below 71 - Target 85-88

- ## *EURO / USD*

Short term Risk Management Turns From CZ – 1.39.- 1.40 - Target 1.28 achieved (1.32 did not look healthy, we had pointed out) . Oversold in CZ should bounce but still looks weak
Bigger Trend - Triggered PEC D @ 1.45, still intact - Stop 1.48 – Target 1.25

- ## *- BGP / USD*

Short term Risk Management Turns From CZ – 1.60-1.61 - Target 1.54 achieved (Does not look healthy-1.52 appears open)
Bigger Trend Triggered. PEC D @ 1.63, still intact - Stop 1.66

- ## *AUD / USD*

Short term Risk Management Turns From CZ – 1.03-1.04 - to Target which has No clear picture)
Bigger Trend Triggered. PEC D @ 1.09 still intact – Stop 1.11

- ## *JPY / USD*

Short term Risk Management Turns From CZ – 75-76 - Target 79 (Did not achieve fell short at 78)
Bigger Trend - Trigger. PEC D @ 76 / Stop 74.5

• *3- GOLD – Commentary*

The open interest RATIO on rolling contract on CME needs to improve.

<u>On the Short term</u> – We are monitoring the bounce to evaluate if there is upside energy for meaningful ABC up to break <u>CZ 1620-1650</u> . We think some work needs to be done on downside back into <u>1550-1490</u> to test to set footing for sustainable rally. This is the area our Next Signal should be triggered on pullback   for better risk reward for action based on SP"s RA / RI.

<u>On the Mid term</u>, The Last parabolic top in Gold <u>at 1900 was formed with Bullish Top by our Mathematical process</u> , which suggest after the pull back (or nasty correction which we expected and still in progress) . Gold should go back to test those highs again at 1950 . There are ways to negate this event but indicators that we monitor for POM / CZ does not have evidence of negation as of yet.

- *We think over Mid term DXY v/s GOLD correlation will detach itself as its done in past and we will monitor closely for that inflection point.*

<u>On Longer term</u> - GOLD within the confines of Bull Market, POM Projection by our Mathematical process <u>has 2400 Target which is intact .</u> The Natural Oscillation within the price moves are very healthy for next leg up only after re balancing the retracements

- ## *4- Currency Commentary*

- ### *DXY*

  Charts below on USD had several Long term pattern setup . Currently DXY pulled back after completing its 1st ABC up . This put in upward pressure on the rest of the other Markets to create January effect.

  After the retracement, the New leg up in DXY will begin sooner rather than later. The trigger for the 2nd leg up will begin when European Countries start selling their Bond in US denomination. We have already seen start of such occurrence.

- ### *EURO -*

  All positive for DXY would be negative for EURO. Euro reached our downward price projection and appears to be oversold. It wants to bounce first (so far not able to do so) before going down. BUT if breaks current lows without rally this could be huge problems for all the markets

- ### *GBP -*

  GBP till the crisis settles down, it should move in sympathy with EURO. .

- ### *YEN*

  After a huge SOS (Sign of strength) , it is retracing back 76 break out area .

- ### *AUD*

  AUD is clearly tied up with commodity & resources. If demand from China drops for any reason, support will fail & AUD break the downside.

- ### *As we begin New Year 2012 , below is the final Wrap up & Summary of GOLD – POM's on Real time for 2011*

- **5- 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

O 1795.80 H 1804.40 L 1785.10 C 1799.20 V 100.0K Chg +3.60 (+0.20%) ▲
$GOLD (Daily) 1799.20

Pre - Crash Signal

Pre- Big move Signal

(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%

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

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)
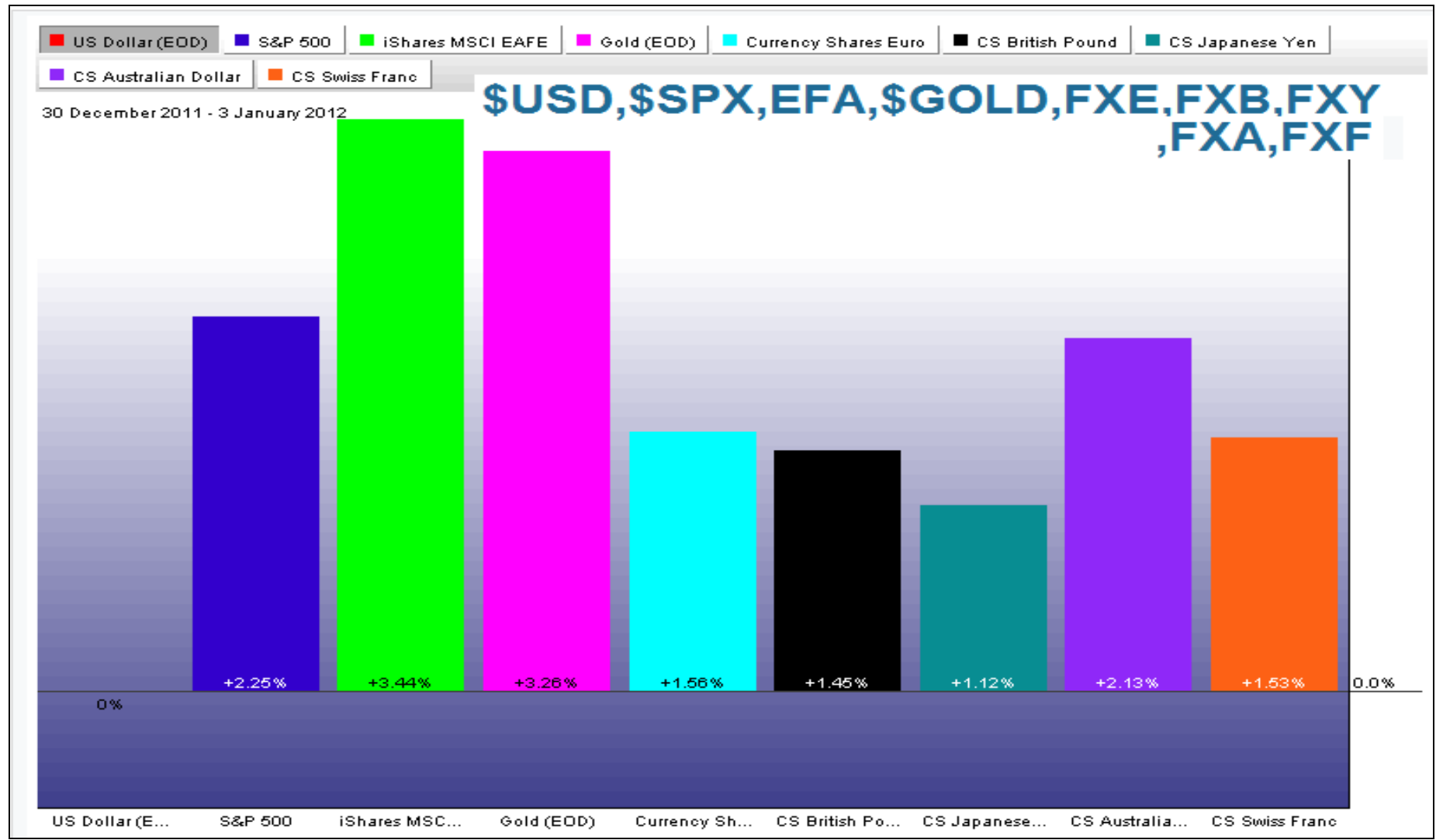
- **GOLD**

Covered in Yesterdays' (01/03) - A # 3 – MS – Interim Update)

- # [EXTREAME Sentiment Analysis GOLD & Currencies](#)
- # [(3rd Party Data)](#)

Courtesy : SENTIMENT TRADERS

NONE @ EXTREMES

GOLD

- **SENTIMENTS - GOLD – PUBLIC OPINION**

- <mark>NON CONCLUSIVE</mark>

- **SENTIMENTS - RYDEX CASH FLOW**

- <mark>NON CONCLUSIVE</mark>

- **SENTIMENTS - GOLD – COT**
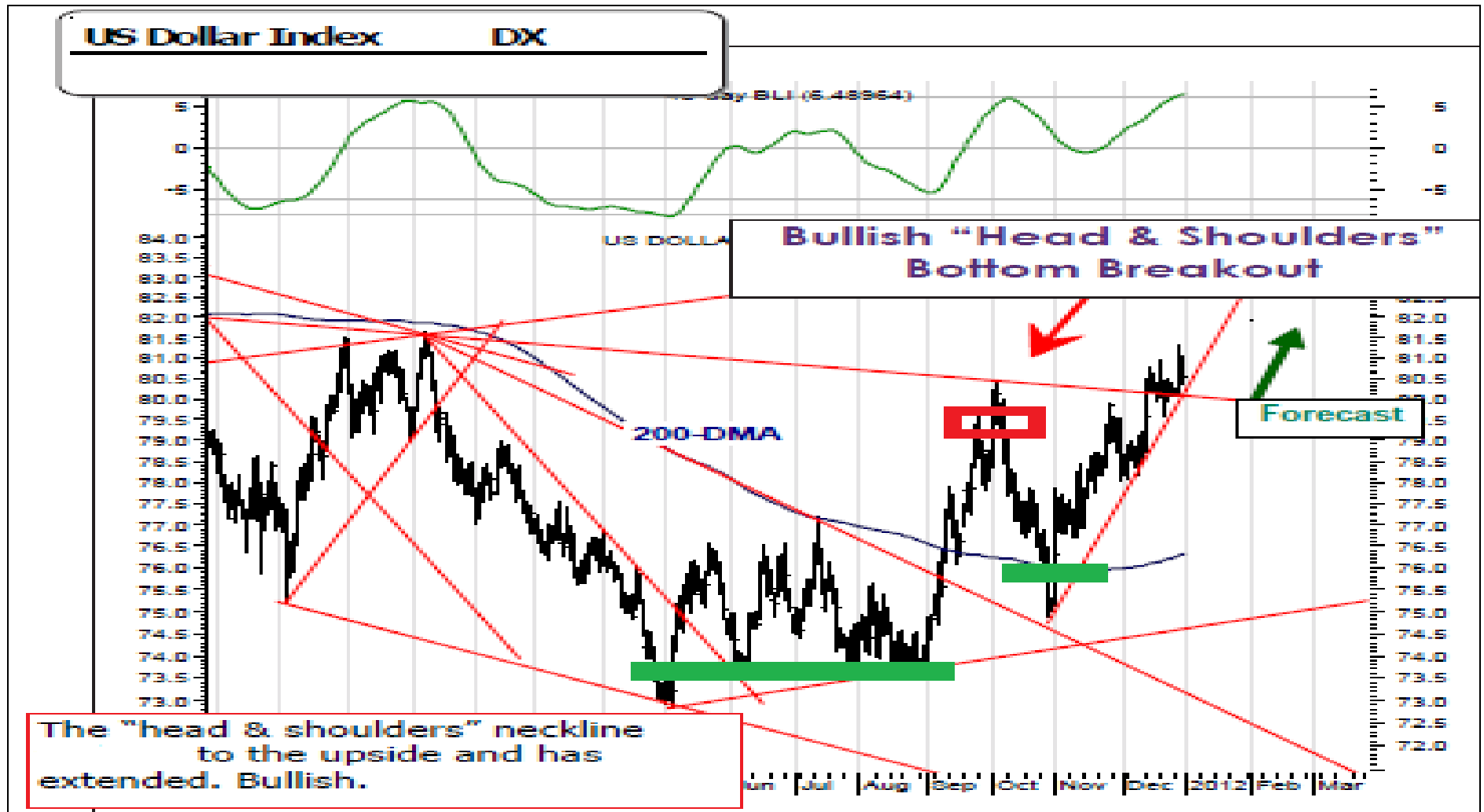
- <mark>NON CONCLUSIVE</mark>

CURRENCIES

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

- <mark>NON CONCLUSIVE</mark>

DXY - with MA, Trend & Oscillator Analysis

Our last C # Currency Report dated 12/07 we pointed out the formation of Monster H & T Bottom which lined up with T termination on Price & Time Symmetry and with PQV to confirm its validity (Notes within the chart last Report)

DXY broke out of Neckline just as expected towards the Bullish Top. It also now consolidating in tight range above the neckline.

DXY finished its 1ST ABC up 81 from Trigger @ 72-73 (09/07)

US Dollar Index   DX

US DOLLA

Bullish "Head & Shoulders" Bottom Breakout

200-DMA

Forecast

The "head & shoulders" neckline
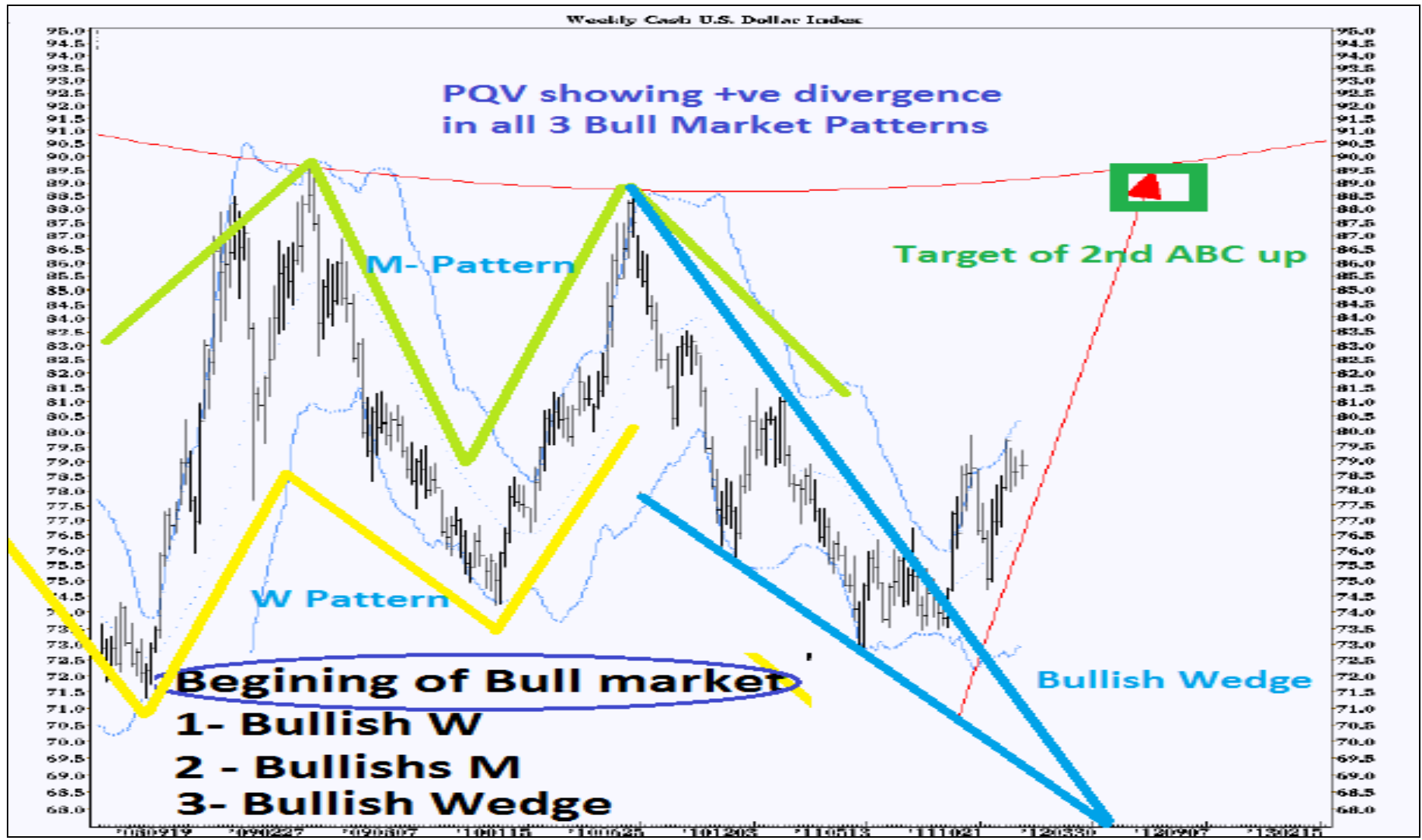   to the upside and has
extended. Bullish.

USD – PEC D – Analysis – SHORT TERM

*Short term another consolidation and our first target was **at PEC-D @ 80.5 was reached. (as indicated in last Report)** Retracement towards 79.20 as PEC-D indicated below should be normal retracement.*


US DOLLAR INDEX   DAILY
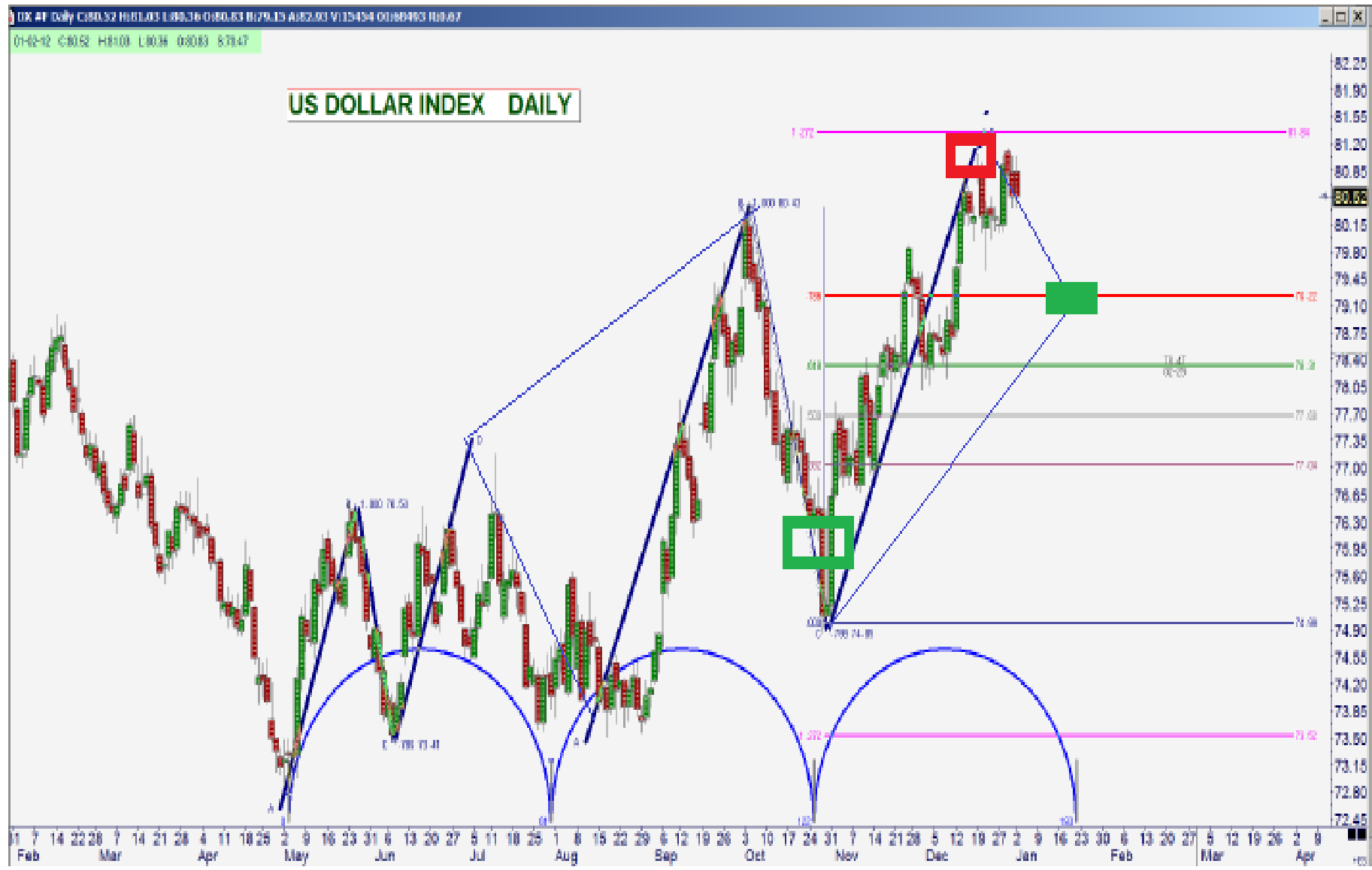
DXY - with Pattern & Oscillator Analysis MID TERM

Several powerful patterns are being setup here . W , M and Declining Bullish Wedge is powerful . We suspect that the long term will see the Dollar Index goes towards the under poly trend line (in green) . (refer notes within the chart)

Weekly Cash U.S. Dollar Index

PQV showing +ve divergence
in all 3 Bull Market Patterns

M- Pattern

Target of 2nd ABC up

W Pattern

Bullish Wedge

Begining of Bull market
1- Bullish W
2 - Bullishs M
3- Bullish Wedge

USD – PEC D – Analysis – MID TERM

By this method, PEC-D confirmation on 2ⁿᵈ leg up pattern can make the larger AB-CD at 84..

US DOLLAR INDEX WEEKLY
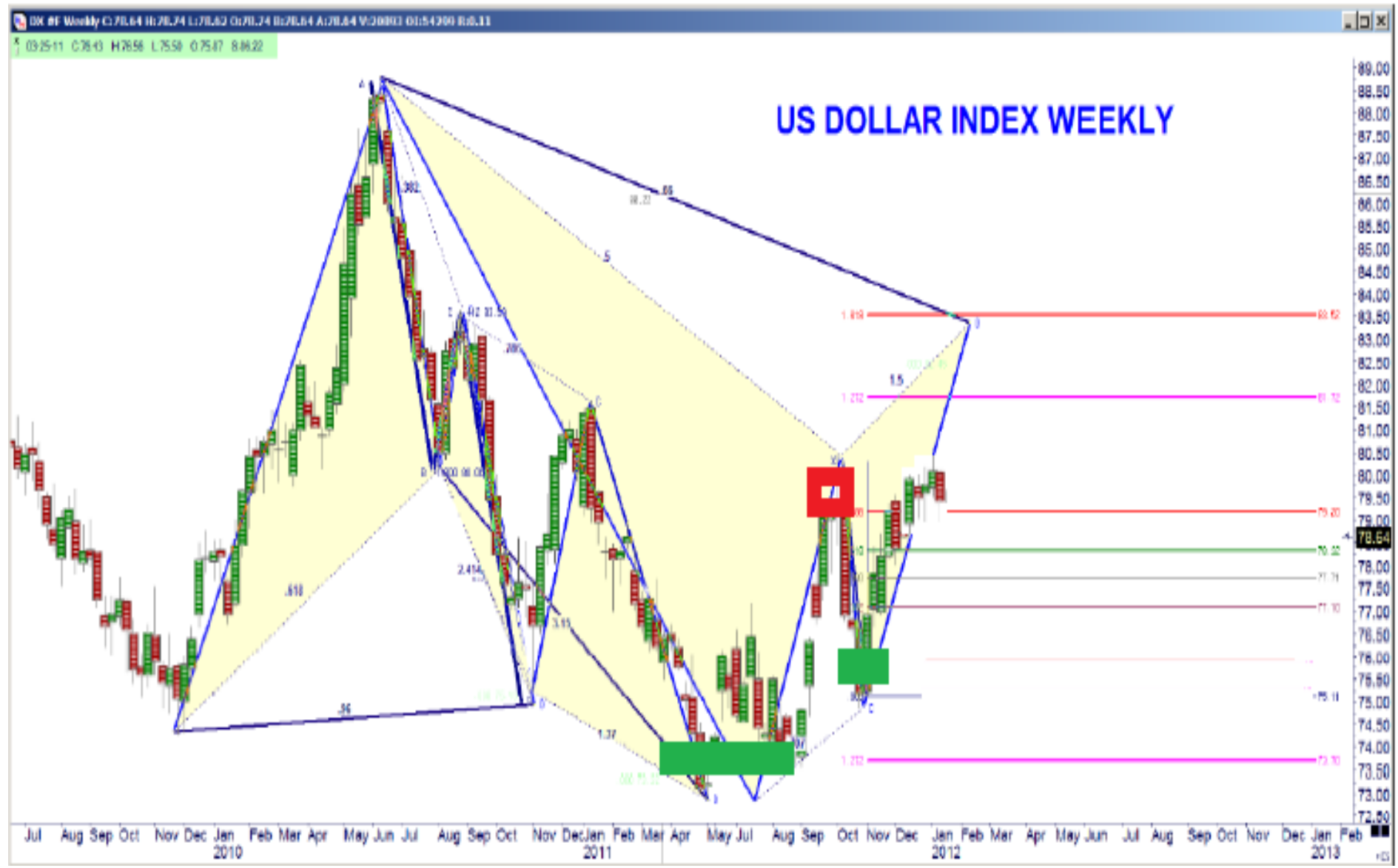
- ## CORRELATION RATIO ANALYSIS

Inter market Analysis – USD v/s SPX

NO CHANGE - Inverse Correlation continues in Current Trend

Inter market Analysis – USD v/s GOLD

NO CHANGE - Inverse Correlation continues in Current Trend

EURO - with Pattern & Oscillator Analysis

We have reached our expected target of 1.28 at the Poly trend line and oversold. Bounce should be natural retracement but Mid term powerful pattern H & S top validated by PVO is setting up above Poly trend base. Which has price target of 1.18 once broken (refer notes within the chart)

EURO / USD – PEC Analysis - Intermediate term

By this method PEC-D is at 1.29 but have no projections upwards yet. Bounce should come in from pattern completion

Main PEC –D Trigger of 1.45 .Stop above 1.49, for risks management -
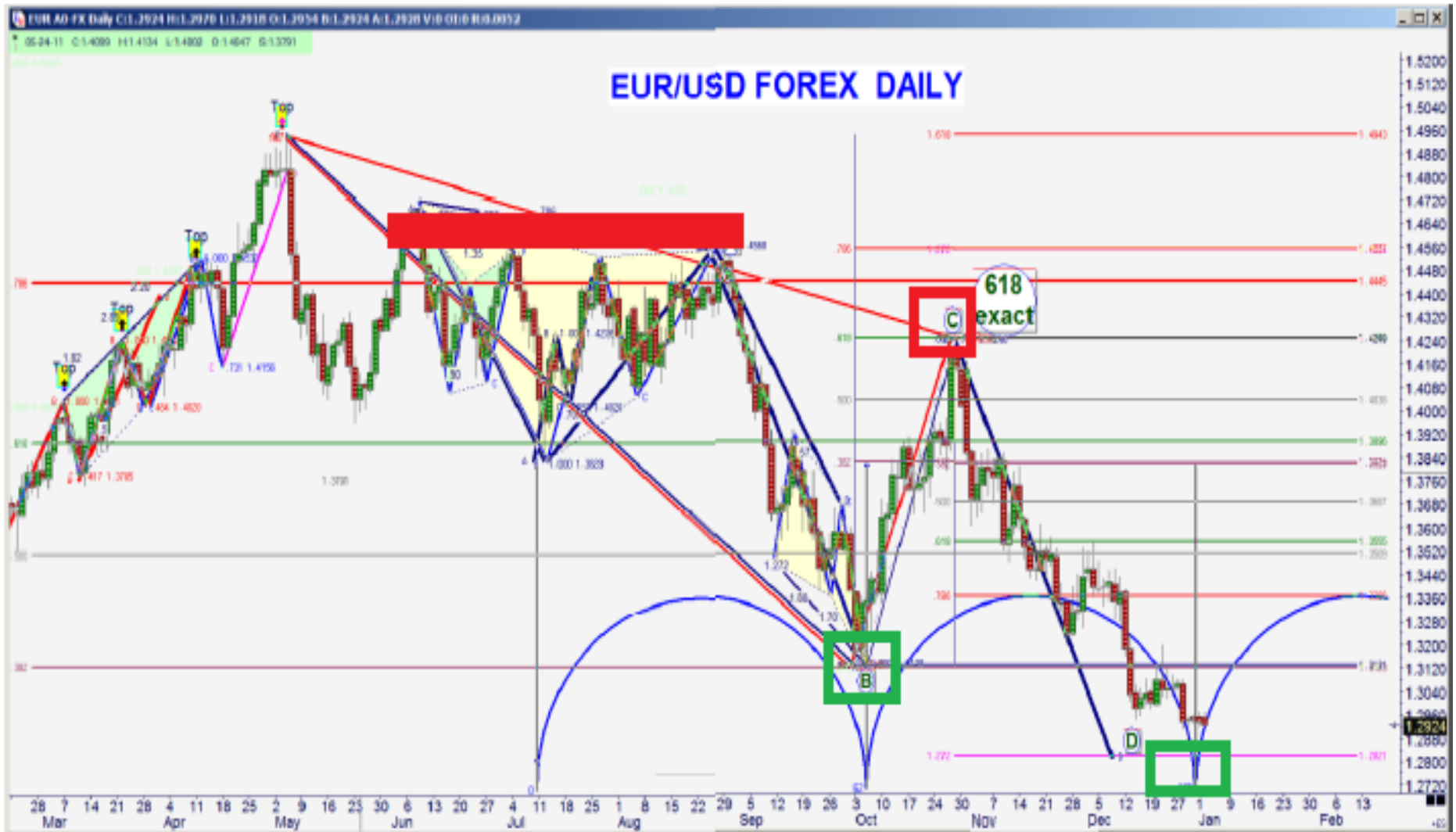
3 - GBP / USD – PEC Analysis - Intermediate term –

*GBP also looks weak on bounce . GBP 's rally appears to be on final leg after coming off of the 786 for PEC-D @ 1.54 looks weak to hold . **Target appears to be 1.52***

Mid term charts has had three lower highs, 618/786 for lower levels. By PEC- D Method the last bounce came in exact 618 Price projection for bounce is 1.61

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

YEN / USD – PEC-D Analysis

JPY fell short of our target of PEC-D @ 79 and sold off. <u>As long as 76 -75.5 holds</u> the Bullish texture still remains. But wide price of weakness may results in sideways consolidation for some time.

Earlier 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.
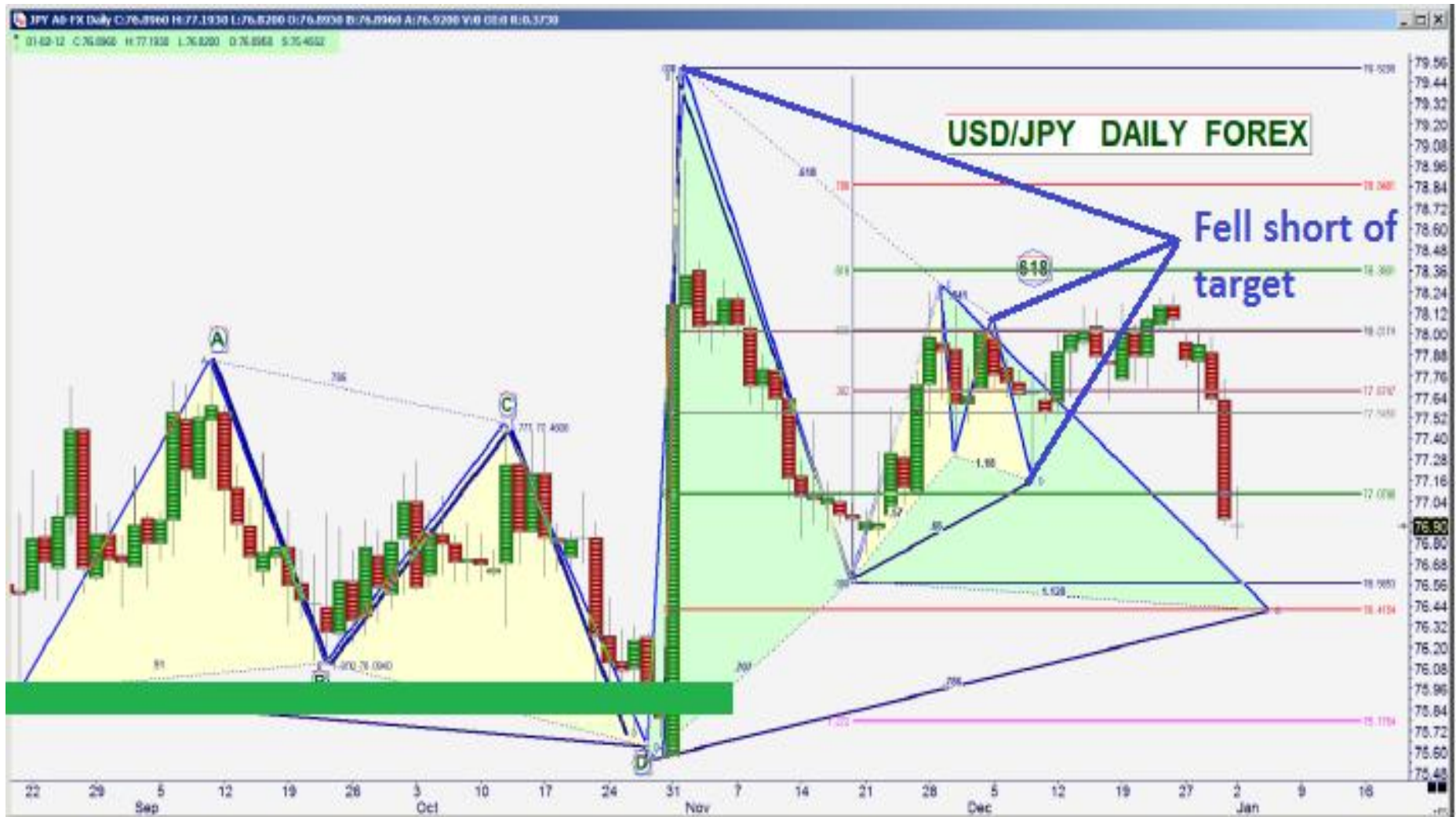
AUD/USD – Poly Trend & Osc Analysis

AUD is still building cause sideways above Poly Trend with Triangulation pattern with I Time termination at the apex at the center of Poly Trend lines. (refer charts below) . Last correction it bottomed out exact at 97 and topped out at 1.07 @ Bigger picture - Bearish Wedge trend line is broken as indicated in earlier Report

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

AUD/USD - PEC –D Analysis

As expected in our last Report the AUD bounce target was met at 1.02 -1.03 and decline began. Currently by PEC-D Method No clear picture.

Earlier - PEC –D Pattern was completed @ 618 /786 suggests the bounce might be over @ 1.07 EXACT Proved it merit

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**

- **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*
  - ➤ *3nd 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 <u>UP</u> move, *POM 13* signifies to <u>STOP</u> executing additional 'New Buys" that was initiated at *POM 12 or POM 11 levels*

- On way <u>DOWN</u> move, *POM 13* signifies to <u>STOP</u> executing additional " New Short Sells" that was initiated at *POM 14 or POM 15 levels*

- <u>*(Bear Markets)*</u> *POM 15* is for - <u>**Net Short**</u> & *POM 14* is for - <u>**Hedge Longs**</u>

- <u>*(Bull Markets)*</u> *POM 15* is for -<u>**Hedge Longs**</u> & *POM 14* is for - <u>**Partial Hedge**</u>

- *POM 12 & 11* is for Net Long

- **POM 10** is Climatic Crash low *Buy Signal* to add to Net long position <u>**(Rear event)**</u>

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 steams to achieve confluence point D coinciding with POM
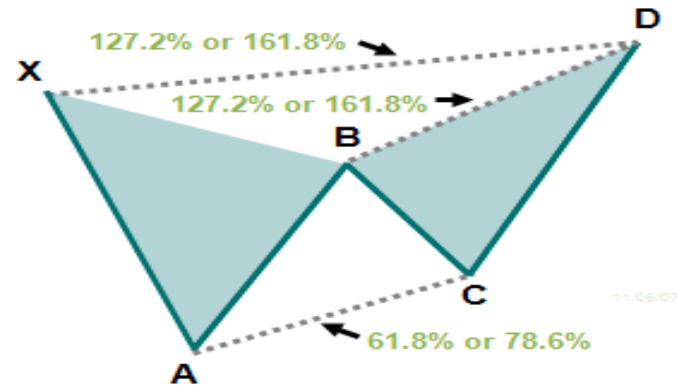
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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)

Buy Pattern (bullish):
A — 61.8% or 78.6% — C
B — 127.2% or 161.8%
X — 127.2% or 161.8% — D

Sell Pattern (bearish):
X — 127.2% or 161.8% — D
127.2% or 161.8% — B
C — 61.8% or 78.6%
A