



SG Capital Research

Global Market Insights

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

MAEG- CZ-PEC-CURRENCY ANALYSIS- SG 2012 # JULY_18

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Currency Analysis (B) –(SP)

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- **EUR/USD**
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• 1- Executive Summary

• CURRENCY

USD

Currently, USD finished its ABC up to 83 BULLISH top from 78. Retracement came in as expected with counter trend move to double top .

Next – Watch for short term normal pull back to 81.5 once again around Bullish Top to build cause for eventually break to the upside. Breakout requires enough energy with sides ways movement .

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

Based on direct correlation with USD. The Pullback in USD is causing rally in Global & Commodity markets since POM 13 .

EURO -

Currently - Euro put in lows at 1.22 after nasty correction from PEC-D at 1.33 top (EXACT) for leg down. The counter Trend rally should taper into 1.27 .

Next - We think double bottom may be place for Short term rally.

Intermediate term - Ultimately, after the bounce , the downside trend will carry the euro still lower to 1.18-1.20 . later on .

GBP -

Currently - GBP counter trend bounce to 1.57 came in as expected from lows of 1.52.

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

YEN -

Currently - As expected in last Report, Yen pulled back to 78 after establishing Bullish Top at 82 . .

Next We think YEN should move higher to test the Bullish Top to 82 , 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 bounce came in as expected from 0.97 – PEC-D Pattern and poly Trend Analysis CZ towards target 1.02 met then pull back (shallow consolidation) .

Next - It appears to move higher towards 1.05.

GOLD – @ POM 13 – NET LONG.

- **Last POM Trigger** – POM 13 NET LONG Position on 5/15, 5/14 – Alert @ 1540 . Within CZ 1540-1580.

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

Projected TARGET –

In our earlier Reports, we had indicated the pullback to 1580 as Back filling process of the base formation of bottoming process after hitting 1625 – exact (Twice) at lower end of CZ 1625-1635) . It is a low volume pull back in consolidation.

On downside, ST Price path , We may go back under within CZ1540 -1580 to re- test before 3^d rally attempt.

On upside, Trend wise, we shall review how it approaches our CZ 1625 -1635 in more methodical manner to complete the 2nd ABC up . We need Bullish top for continuation move higher in CZ (The first ABC up move was completed at 1620 which began from our POM 13 price point 1540) great rally off the bottom with Bullish PQV Validation and tertiary Bullish test.

NEXT

PLAN A Pull back from 1630 -1620 towards 1540-1580 is continuing. Risk Management Advised on the Short Term pull back on any 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. It gave (2) opportunity at 1620 to do so.

PLAN B - Decisive break above 1630, with Sign of strength and PQV validation should begin next impulse wave up that started from our POM 13 – 1540 point . The breakout have PEC-D to 1670 eventually, provided we break 1630 with PQV Validation

POM Signals , Trading Conclusions - Price / CZ Projection Summary

B # Currency Report				
July 18-2012	CURRENT STATUS	CZ - Trigger Confluence Zone	Target to or target reached	Comments
GOLD				
SHORT-TERM -	NEUTRAL / BULLISH	1540	1620-1630	pull back from 1620 TO 1540 met & Rally began
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	NEUTRAL	83.0	81.5	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
EURO / USD				
SHORT-TERM	NEUTRAL	1.23-1.24	1.27	ST bounce to 1.27
MID-TERM	BEARISH	1.46-1.45	1.18-1.20	2nd leg down to 1.26-1.27 Target met from 1.33
BPS / USD				
SHORT-TERM	NEUTRAL	1.53	1.57	consolidation 1.57-1.52
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	NEUTRAL	0.97	1.05	First target met from our lows 0.97 in Bullish manner to 1.02
MID-TERM	BULLISH	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	77-78	81	began rally from 77-78
MID-TERM - Oct 2011	BULLISH	75-76	84 & higher	

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.

GOLD - Commentary

It tested the CZ 1540- 1580 almost 4 Times and It has come off the bottom in Bullish way bottoming in Bullish Manner with PQV Validation after huge decline. We stay in this trade for next move higher. Our "Scale into" the CZ price was more concentrated closer to lower end of CZ 1540 at POM 13.(for Longer term position If cross verified by other Methodologies based on Portfolio Objectives)

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.

GOLD POSITION / BACKDROP

Currently GOLD remains, at Bull Market POM Rating - POM 13 which is NET LONG Position triggered at 1540 within CZ – 1540-1580 area. ALERT - 5/15, 5/14. Risk Management under the CZ Levels based on Portfolio Objectives. .

GOLD Price path has been following exact since our POM 14 re - Trigger at CZ - 1775-1750 to CZ -1650-1620 (to cover hedges On 3/06 – Alert ,) & then to next level CZ 1580-1540 to go LONG after decline of 200 points from 1775

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)*

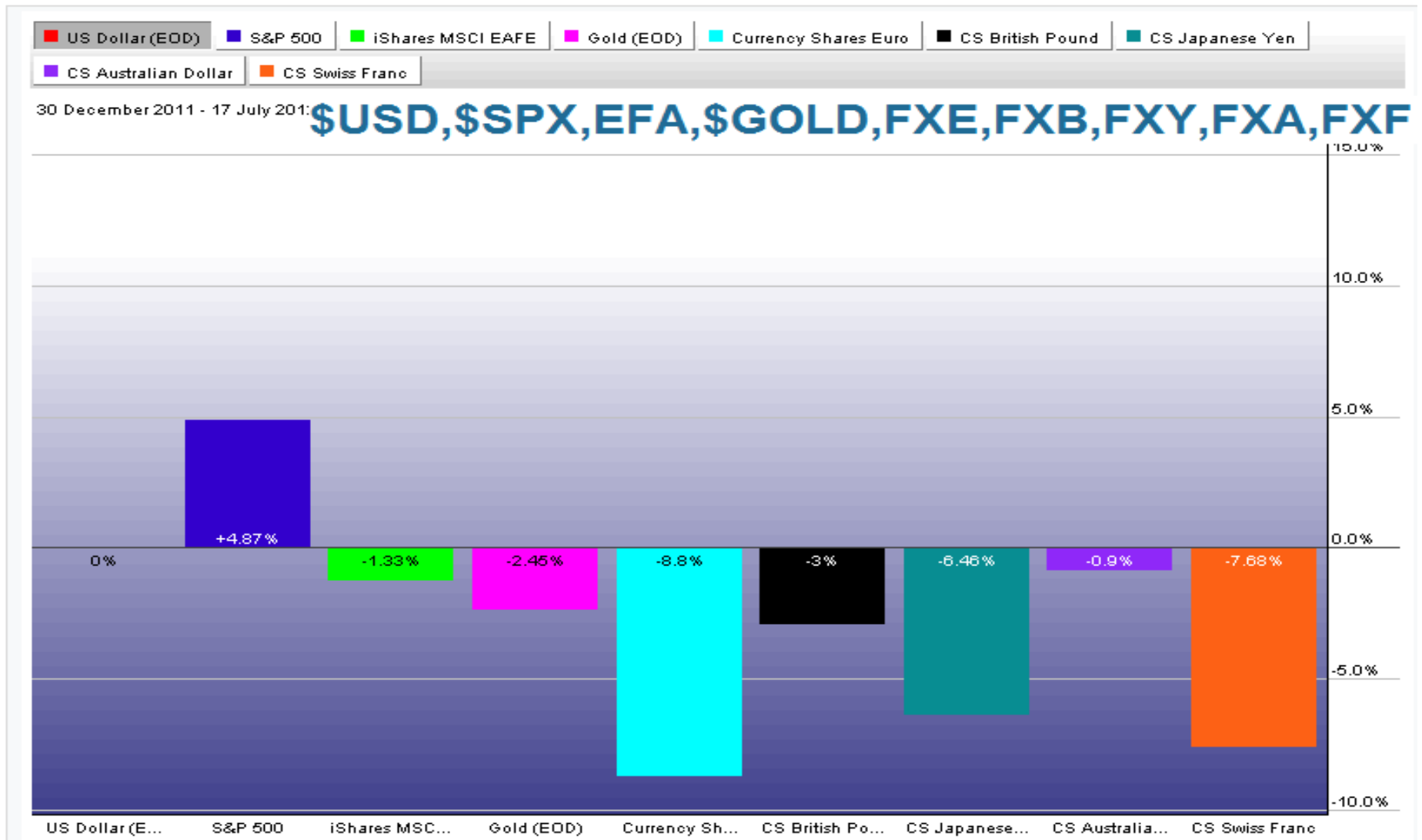
AUD – Chart Analysis

- *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 / CZ Analysis

Downside target – Pull back to CZ 1540 -1580, at (PEC-D -1540), in progress

Upside target projected - GOLD Rallied towards target CZ 1625 -1650, . Ultimately if 1630 CZ is broken target is (PEC-D -1660)

By this Model - We reached 1620 , 1st ABC up 1620, from POM 13 Trigger at 1540. Repair work & back filling in progress towards Gold turned up right at 1540 . P Q V / V T O turned bullish on test.



GOLD – MID TERM Price Analysis - NO CHANGE

COT numbers got attractive again in June , Weekly (GLD) – Mid term. Triangular consolidation, RSI near an intermediate term low. We have labeled with red arrows previous signals. The current signal will carry more weight in that the Commercials “Commitment of Traders” (COT) report starting in mid May had shorts of 139k; 136k and 131K respectively which puts them in the most bullish since the 2008 low.



- **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 –

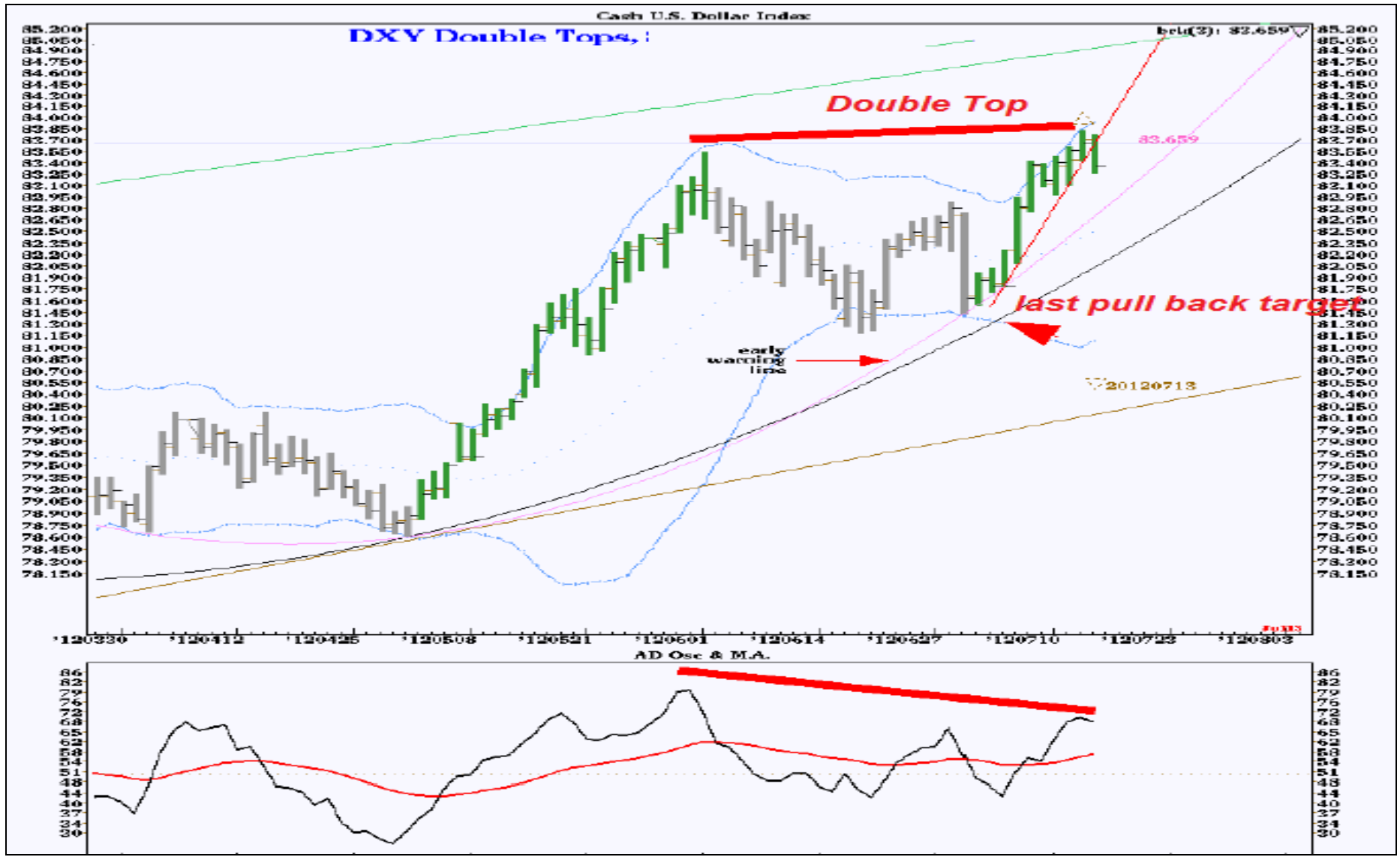
By this Method- ST PEC-D pattern at 83 was testing the main Bullish top 83. The PQV on double top was -ve suggests , another retracement to 81.5.

The pull back to 81 came in exact earlier



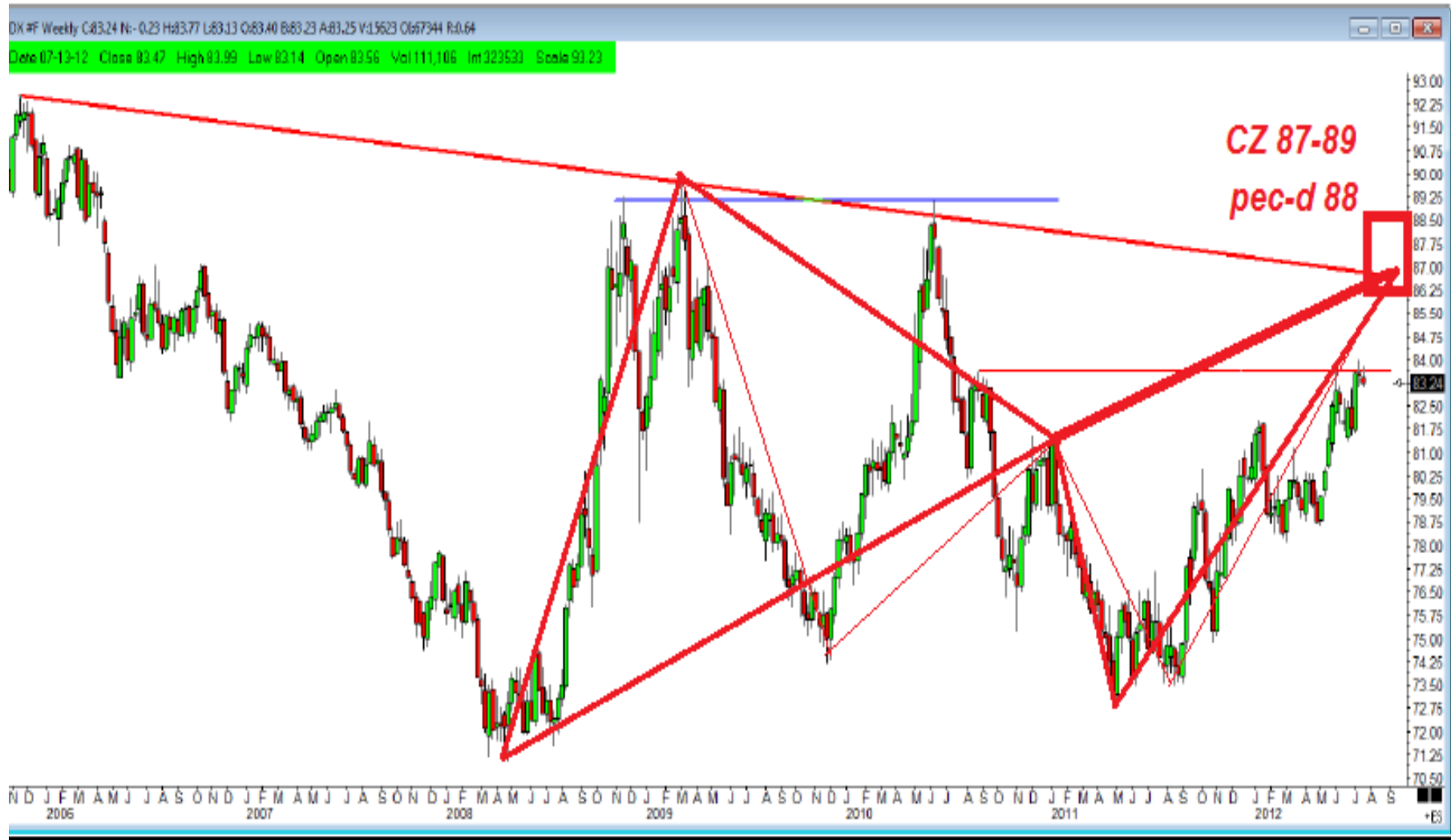
USD – Poly trend Analysis –

The first pull back to ST Poly trend 81 then double top 83 (bullish top) with 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

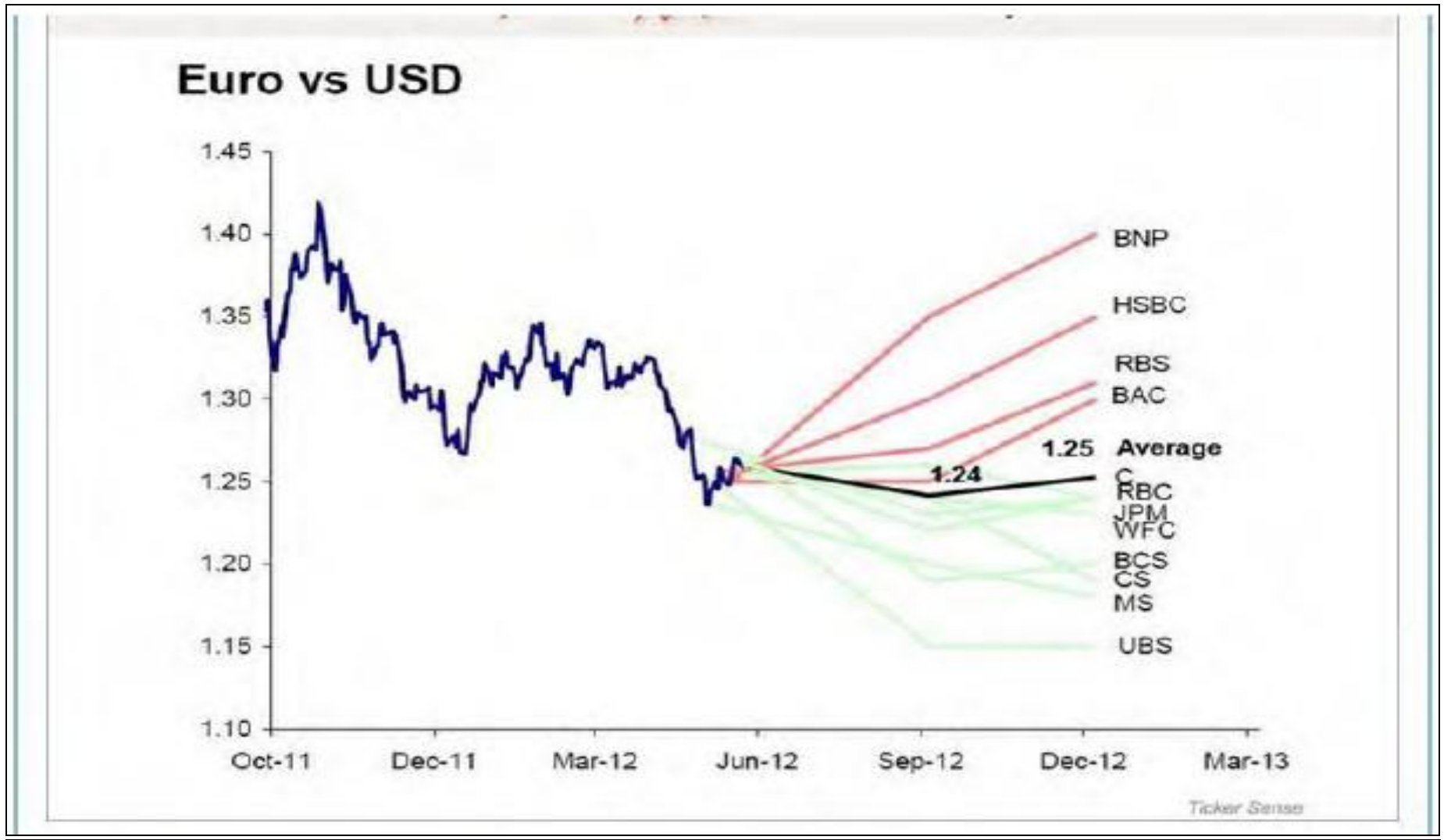
Inverse Correlation continues in Current Trend

Inter market Analysis – USD v/s GOLD

Inverse Correlation continues in Current Trend

EURO – MID TERM - PEC D – Analysis –

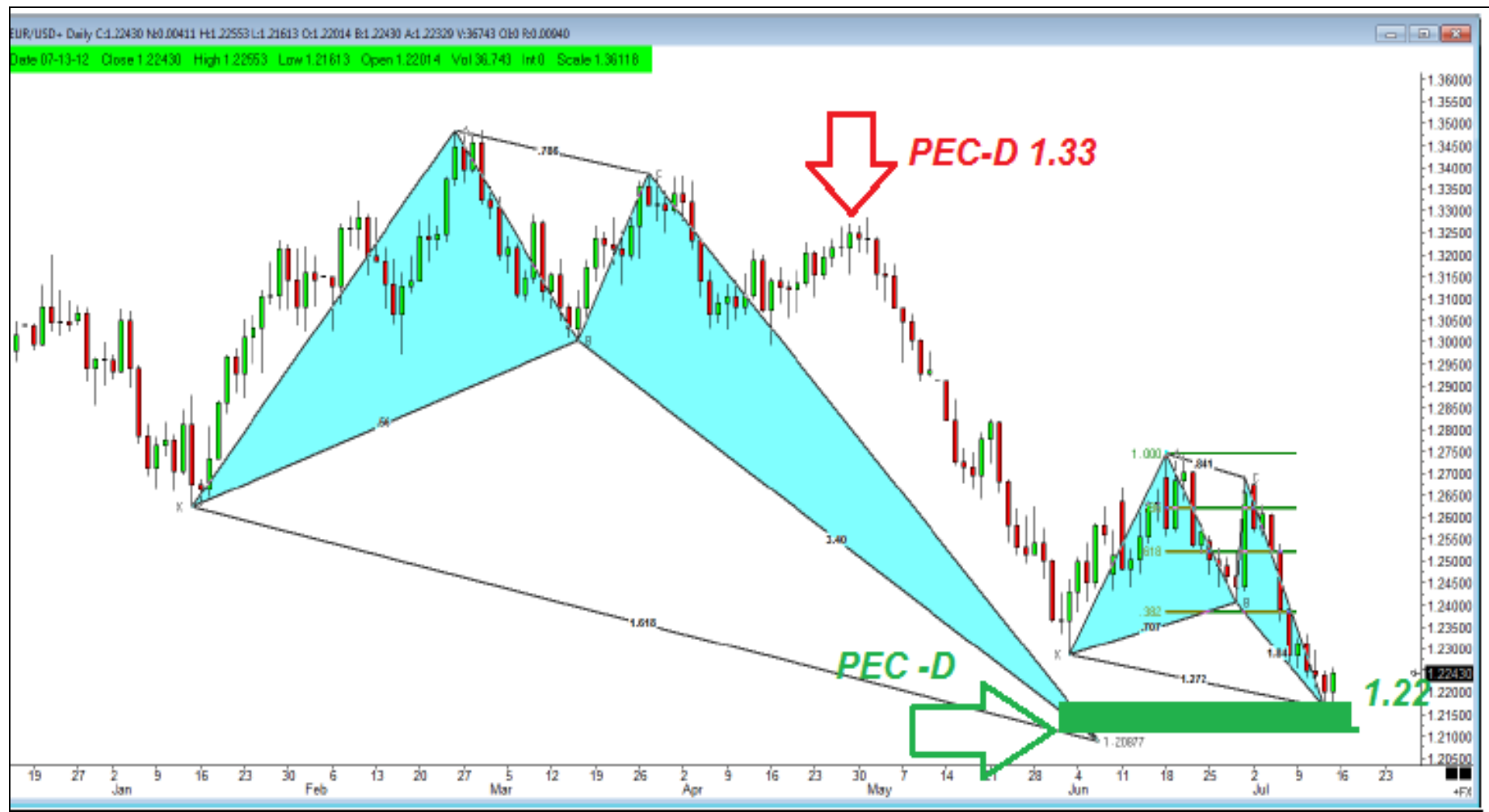
(11) **BROKER DEALERS HAVE DIFFERENT TARGETS IN NEXT 6 MONTH ON EURO – (Curtsey 3rd part Ticker sense)**
Doesn't appear Wall Street has any clue



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

By this Method- PEC-D completed 1.22 , The Bearish bottom at 1.22- 1.23 is being tested. **Our Target to 1.27**

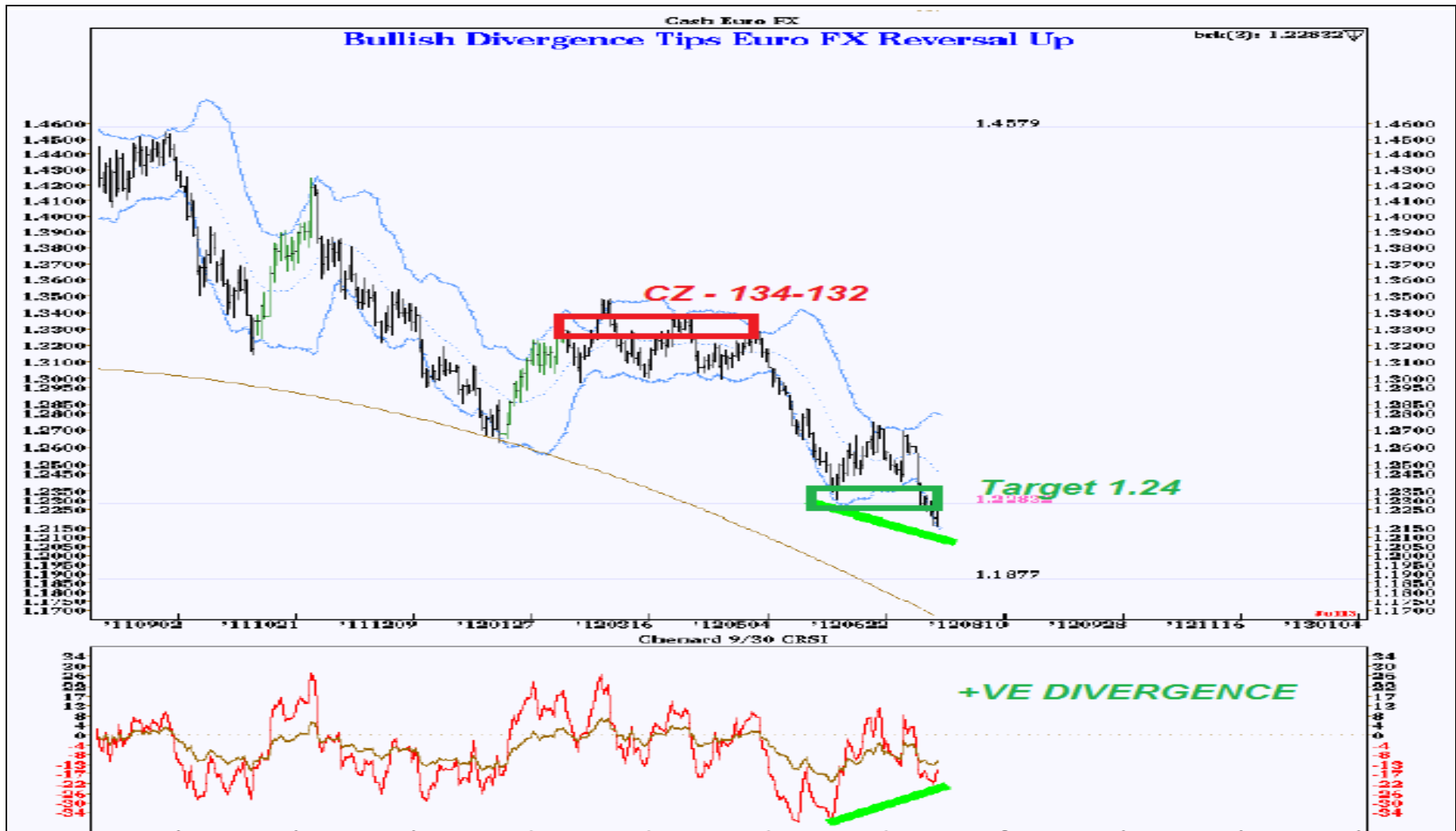
Mid term charts has had three lower highs for continued decline. Main PEC –D Trigger of 1.45 .Stop above 1.49, for risks management



EURO - with Pattern & Oscillator Analysis – **LONG TERM**

Projection via Poly Trend Method – Our target was at 1.23-1.24. Re test is in progress with +v divergence. **Target 1.27**

Main CZ 1.45 -1.46 - Mid term charts – has Long term Target of 1.20 -1.18. (On the Poly Trend Top).



YEN / USD – PEC-D Analysis

PEC-D 78 is being completed, It appears another rally is beginning from pull back 78-77 as indicated in previous Report. . The correction is very healthy after a nice **BULLISH TOP 84** .

Target – PEC –D - 81

Main entry in OCT 2011, YEN / USD @ 76 Trigger good entry point (as indicated in Green) . The Yen took off after another successful test at 76



AUD/USD – SHORT TERM - PEC –D Analysis

By this method – AUD rallied from our target 97 to 1.02 in Bullish manner (target given in last Report) , we think after consolidating should move higher to 1.05 by this method till we finish the retracement .

Mid term charts . **Main PEC –D Trigger of 1.09 .Stop above 1.11, for risks management .**



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

By Poly trend Method – The Retracement was towards the Polytrend top - WAVE D @ 0.97. It appears the final projection is towards 1.05 – WAVE E

C Wave began from 1.07 , to complete the triangular pattern possibility of wave E to be completed. (we shall keep watch)

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



GBP / USD – PEC Analysis -

By this method – GBP - Turn came in at **1.52 - PEC-D** as expected . The bounce **target 1.57**, as suggested in last Report in progress.

Mid term charts has had three lower highs for continued decline. **Main PEC –D Trigger of 1.64 .Stop above 1.65, 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)

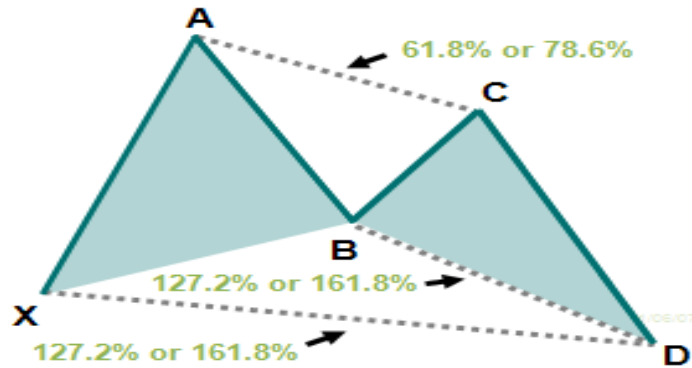
Pythagoras Expansion / Contraction – (PEC) Model

- 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

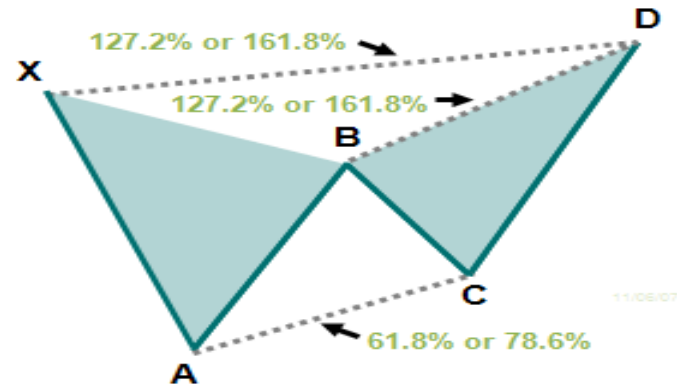
PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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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