



SG Capital Research

Global Market Insights

**Research Note – Currency Report – (SP) STRATEGY & PROP Analysis**

**MAEG- CURRENCY REPORT \_SP\_B- SG 2012 # OCT\_17**

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*By: Suneil R Pavse*

*Contact: apavse@aol.com*

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## **Currency Report**

### **Coverage**

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

## **SIGNALS. - Price Projection CZ , Trading / Investment Conclusion**

### **DXY ( USD) – Remains Triggered CZ – “NET LONG”**

Triggered Main CZ 72-73 on 07/09/2011, we initiated FULLY LONG position for a medium term target of CZ 88-89. All subsequent commentary refers to CZ to CZ Risk management / rebalancing moves within the NET LONG stance.

### **NEW POSITION - NONE**

#### **Triggered Action -**

Net long Triggered 10/06 within CZ 79.55-79 is in progress till we announce next Signal. On 5/23, we had advised to raise Cash (or Hedge) within CZ 83.5-83, a ST Risk Management ( RM) against the counter trend move.

#### **Projected Target**

NEAR TERM - Upside Target CZ 81.25 - 82

MID TERM – Upside Target CZ 84-84.5, Existing positions should continue to remain Net Long

DOWNSIDE - Risk Management below 78.30 level

### **Brief Commentary on Price path on USD**

The Commercials are moving toward a big net long position. The large commercial traders tend to take positions little early and therefore USD could begin its next significant up move with some time lag **Stop loss would assist only if surprise intervention**

On big picture, nothing has changed in our USD's long term entry point at 72. USD is under correction in Bull Market. Once USD close above 81.5, we are looking for upward acceleration in Price and Volume for NEW ABC up. Our Upside target has Bullish Top @ 84 . It should be tested once leg up begins.

## **EUR / USD – Remains in CZ – “NEUTRAL”**

Triggered Main CZ 1.46-1.45, on 07/09/2011, we initiated FULLY SHORT position for a medium term target of CZ 1.18-1.17, All subsequent commentary refers to moves CZ to CZ – Risk Management / rebalancing within the NET SHORT stance .

**NEW POSITION** - TRIGGER TO WATCH – Close under 128.5 for NET SHORT, If not continue higher above 1.33

### **Triggered Action -**

Trigger within CZ 1.285-1.315 is in progress till we announce next Signal. On 5/23, we had advised to raise Cash (or Hedge) within CZ 1.22-1.21, a ST Risk Management ( RM) against the counter trend up move.

### **Projected Target**

NEAR TERM - Downside Target CZ 1.27-1.26

MID TERM – Downside Target CZ 1.20-1.21, Existing positions should continue to remain Net Short

UPSIDE - Close 1.33 level should continue the rally

### **Brief Commentary on Price path on EUR**

Euro appears to be in Neutral Mode of consolidation between 1.25-1.32 with positive bias into CZ. On big picture , EURO has been in bear market since our core initial entry at 1.49. .

## **GBP/USD – Remains Triggered CZ – “CAUTION”**

*Triggered Main CZ 1.64-1.63, on 07/09/2011, we initiated FULLY SHORT position for a medium term target of, CZ 1.52-1.51, All subsequent commentary refers to moves CZ to CZ – Risk Management / rebalancing within the NET SHORT stance .*

### **NEW POSITION - NONE**

#### **Triggered Action -**

*Net Short Triggered 9/26 within CZ 1.62-1.61 is in progress till we announce next Signal. On 5/23, we had advised to raise Cash ( or Hedge) within CZ 1.52-1.51, a ST Risk Management ( RM) against the counter trend up move.*

#### **Projected Target**

*NEAR TERM - Downside Target CZ 1.57-1.59*

*MID TERM – Downside Target CZ 1.54-1.55 , Existing positions should continue to remain Net Short*

*UPSIDE - Risk Management above 1.64 level*

### **Brief Commentary on Price path on GBP**

*GBP has PEC-D @ 1.62 and doubled top failure and offers a good risk/reward for decline. GBP is in consolidation between 1.59-1.52*

## USD/JPY – Remains Triggered CZ – “NET LONG”

Triggered Main CZ 75-76, on 10/07/2011, we initiated FULLY LONG position for a medium term target CZ 83-84 Yen is going to weaken . All subsequent commentary refers to CZ to CZ Risk management / rebalancing moves. within the NET LONG stance .

### NEW POSITION - NONE

#### Triggered Action –

Net Long Triggered 7/18 within CZ 77-78, is in progress till we announce next Signal. On 6/27, we had advised to raise Cash ( or Hedge) within CZ 80-79 a ST Risk Management ( RM) against the counter trend move.

#### Projected Target

NEAR TERM - Upside Target CZ 80-79

MID TERM – Upside Target CZ 83-84 , Existing positions should continue to remain Net Long

### Brief Commentary on Price path on JPY - YEN is going to weaken from here.

USD / JPY tested successfully CZ at 77-78. It has build great cause past several months for upward acceleration in Price for a valid NEW ABC up. Our Upside target has Bullish Top at 80 . Once broken 80, the upside projection is 84. based on Monthly & Weekly Indicators.

Long this pair would be good in the coming months. The old high on this was in the 260 range. .

## **AUD / USD – Remains Triggered CZ – “NEUTRAL”**

*Triggered Main CZ 1.09-1.08, on 05/10/2011, in we initiated FULLY SHORT position for a medium term target of CZ 0.97-0.98, All subsequent commentary refers to moves CZ to CZ – Risk Management / rebalancing within the NET SHORT stance .*

### **NEW POSITION - NONE**

#### **Triggered Action -**

*Net Short Triggered 8/15 within CZ 1.06-1.05 is in progress till we announce next Signal. On 6/7, we advised to raise Cash ( or Hedge) within CZ 0.97-0.98, a ST Risk Management ( RM) against the counter trend up move.*

#### **Projected Target**

*UPSIDE - Target CZ 1.06-1.07*

*NEAR TERM - Downside Target CZ 1.01-1.00*

*MID TERM – Downside Target CZ 0.97-0.98, Existing positions should continue to remain Net Short*

### **Brief Commentary on Price path on AUD**

*On 9/5 & 10/10, Twice we missed the Bullish CZ 1.01-1.00 test entry by 0.5 penny . Now the counter trend bounce from that point would target 1.06 -1.07 .*

## **GOLD – Remains Triggered at POM 13 @ 1540 within CZ 1540 -1580 – “NET LONG”**

Triggered **POM 13 @ 1540-** on 5/15 we initiated **NET LONG** within **CZ 1540-1580**, This signal completed **POM 14 Triggered** . On 2/6 for **HEDGING** within **CZ 1790-1765**. All subsequent commentary refers to CZ to CZ moves are for Risk Management.

### **NEW POSITION - NONE**

#### **Triggered - Action**

POM 13 Triggered @ 1540 within **CZ 1540-1580** is in progress till we announce next trigger. on 9/17, Exited ½ Position in GOLD @ 1770 as Risk Management move

#### **Projected Target**

**NEAR TERM** – Downside pull back to **CZ 1720-1690 ( PEC-D @ 1720)**

**MID TERM** –Upside **target is CZ 1790-1820** for POM 14. Existing ½ positions continue to remain **NET LONG** till next POM 14 is Triggered .

### **Brief Commentary on Price path on GOLD**

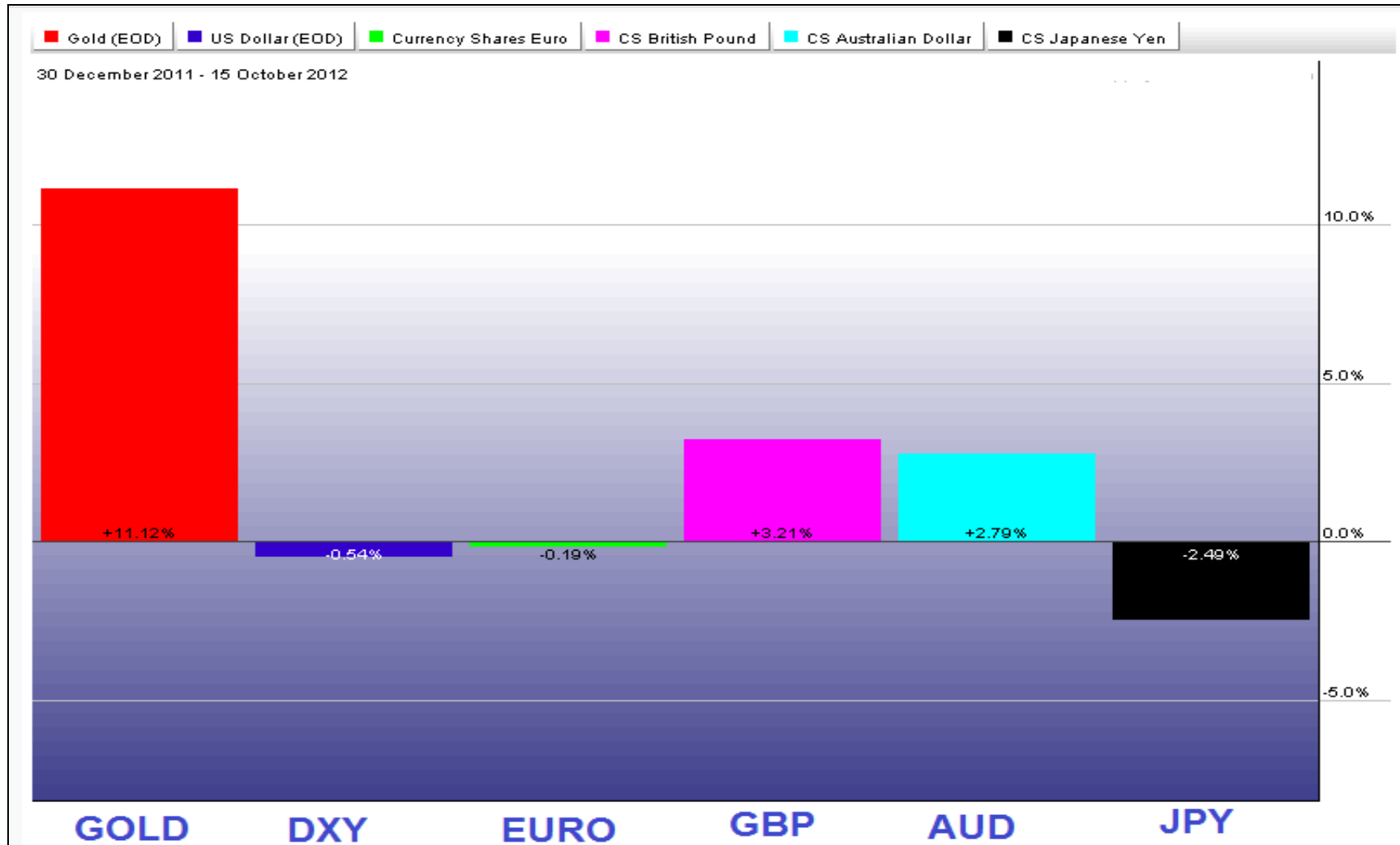
GOLD dropped 35 points since our Short term CAUTION signal to lows of 1728. Our PEC-D target is at **1720**. The suitable floor for pull back is **CZ 1720-1690**. , If this area is tested successfully we would re – instate our ½ exited position of 1770 back in. October seasonality is weak. The November has strong seasonality.

On upside, our POM 14 CZ 1790-1820 target. In order to Trigger POM 14 on upside decisively, We would like to see a huge spike up in 1790-1820 CZ for termination process and the move could reverse as quickly till such we remain on POM 13 with ½ position **NET LONG** .

# YTD - Currency performance v/s USD

Weakest and strongest currencies - For Hedging Global Portfolios

2012 - Strength / weakness. Chart below is our Inter market Analysis Model with Ratio Relative performance v/s USD .





# GOLD – CZ/ PEC- D Analysis – **NEAR TERM**

Current price 1750

Near Term Pull back – CZ – 1720-1690, PEC-D – 1720,.

Upside - POM 14 – area 1790- 1820, 3<sup>RD</sup> ABC up with BULLISH TOP

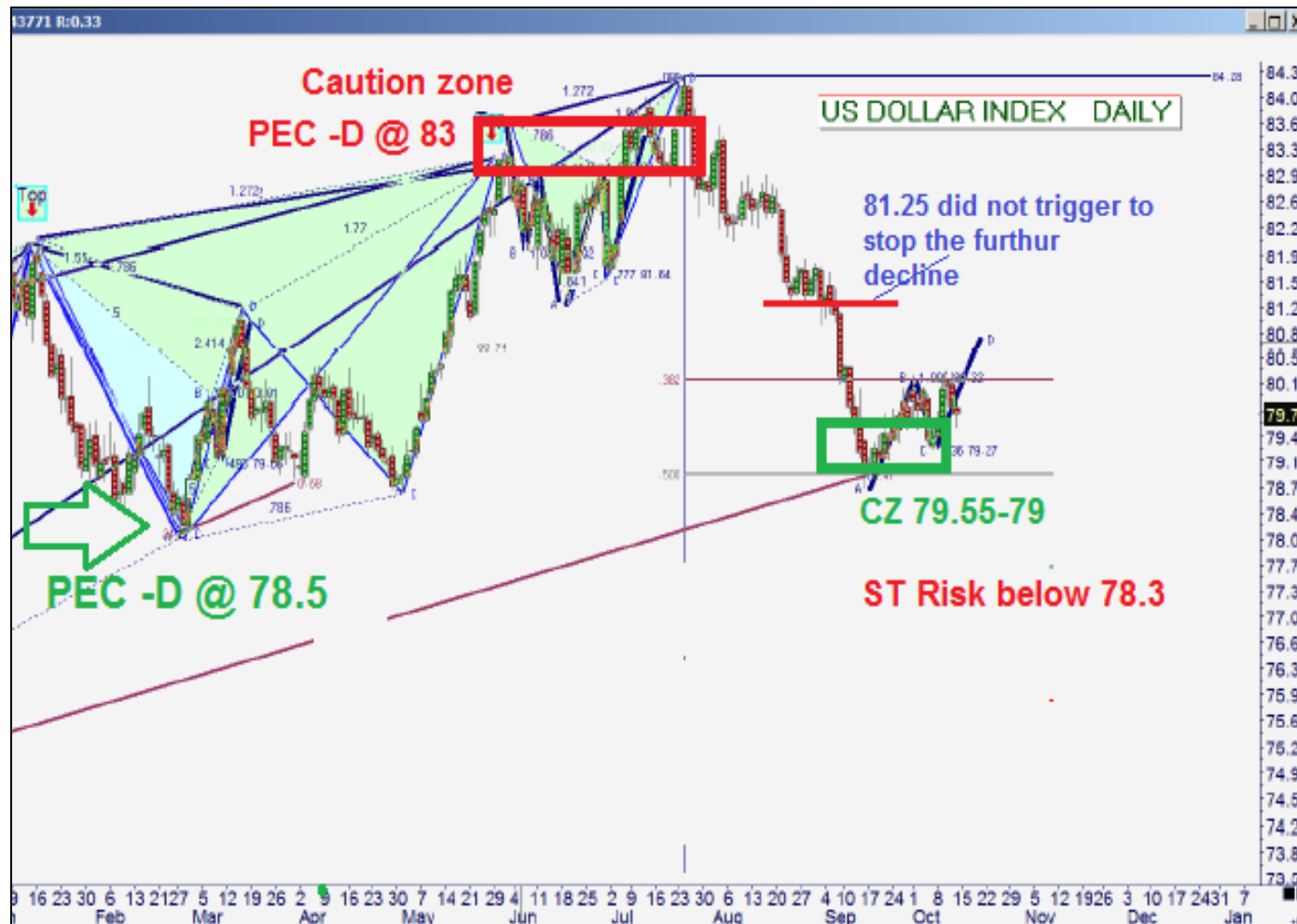


# DXY ( \$ USD) – PEC D – Analysis – **NEAR TERM**

Current price 79.40

Near Term Pull back target – CZ – 79.55-79, PEC-D – 79.25

*We think DXY may go into sideways movement building up the base.*



# EURO / USD – PEC Analysis – **NEAR TERM**

Current price 131

Near Term Bounce back target – CZ – 131.5-128.5, - This critical point for continuation move higher if closes above 133 – **WATCH FOR TRIGGER IN SUMMARY**

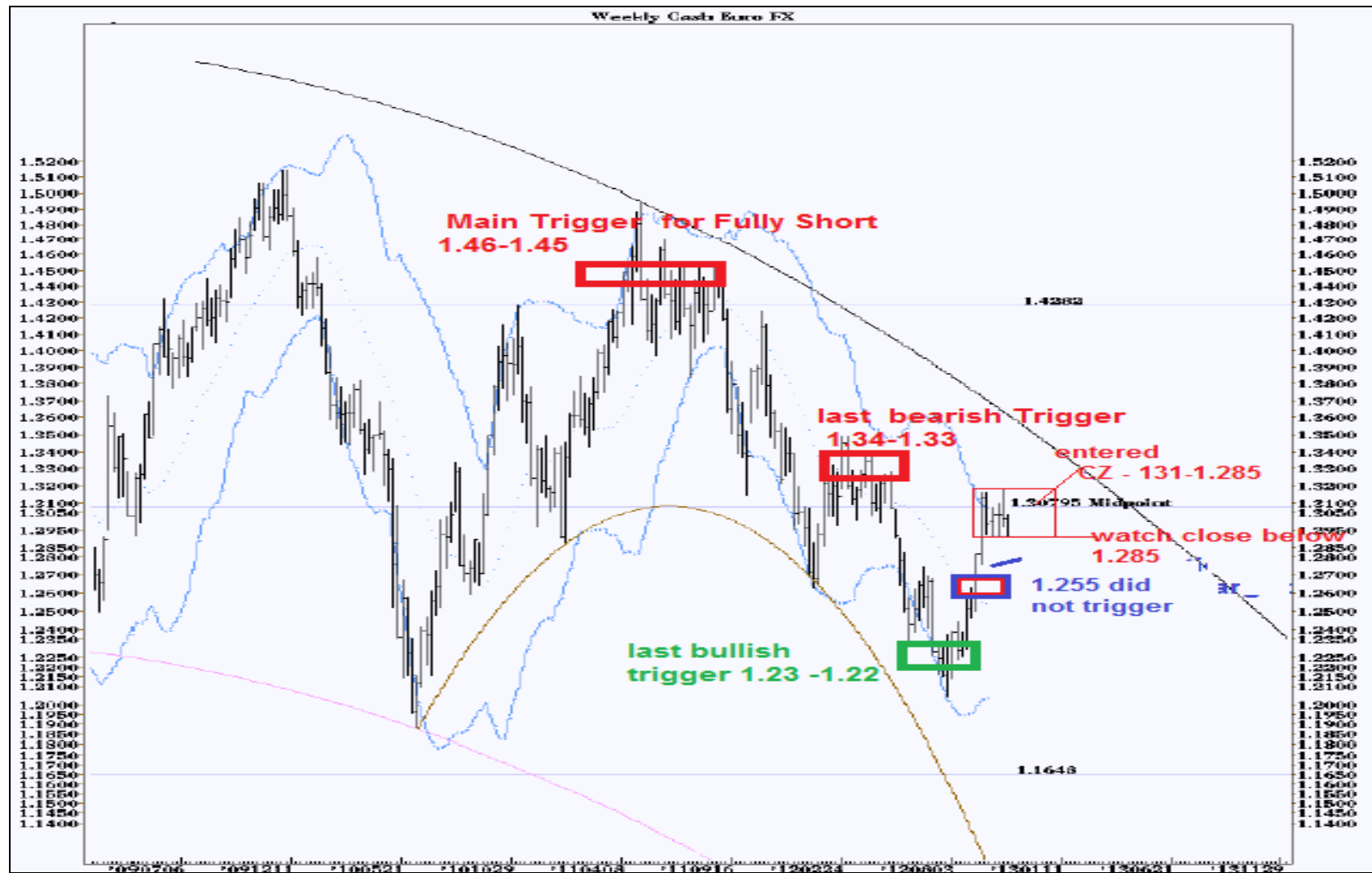
Downside - **PEC-D @ 1.27-1.26 – CZ**



# EURO - with Pattern & Oscillator Analysis – MID TERM

Prices in the CZ 1.31-1.285, WATCH FOR CLOSE BELOW 1.285

Main entry CZ 1.45 -1.46 - Mid term charts has Long term Target downside target of 1.17-1.18. On the Poly Trend Top right side of the slope.



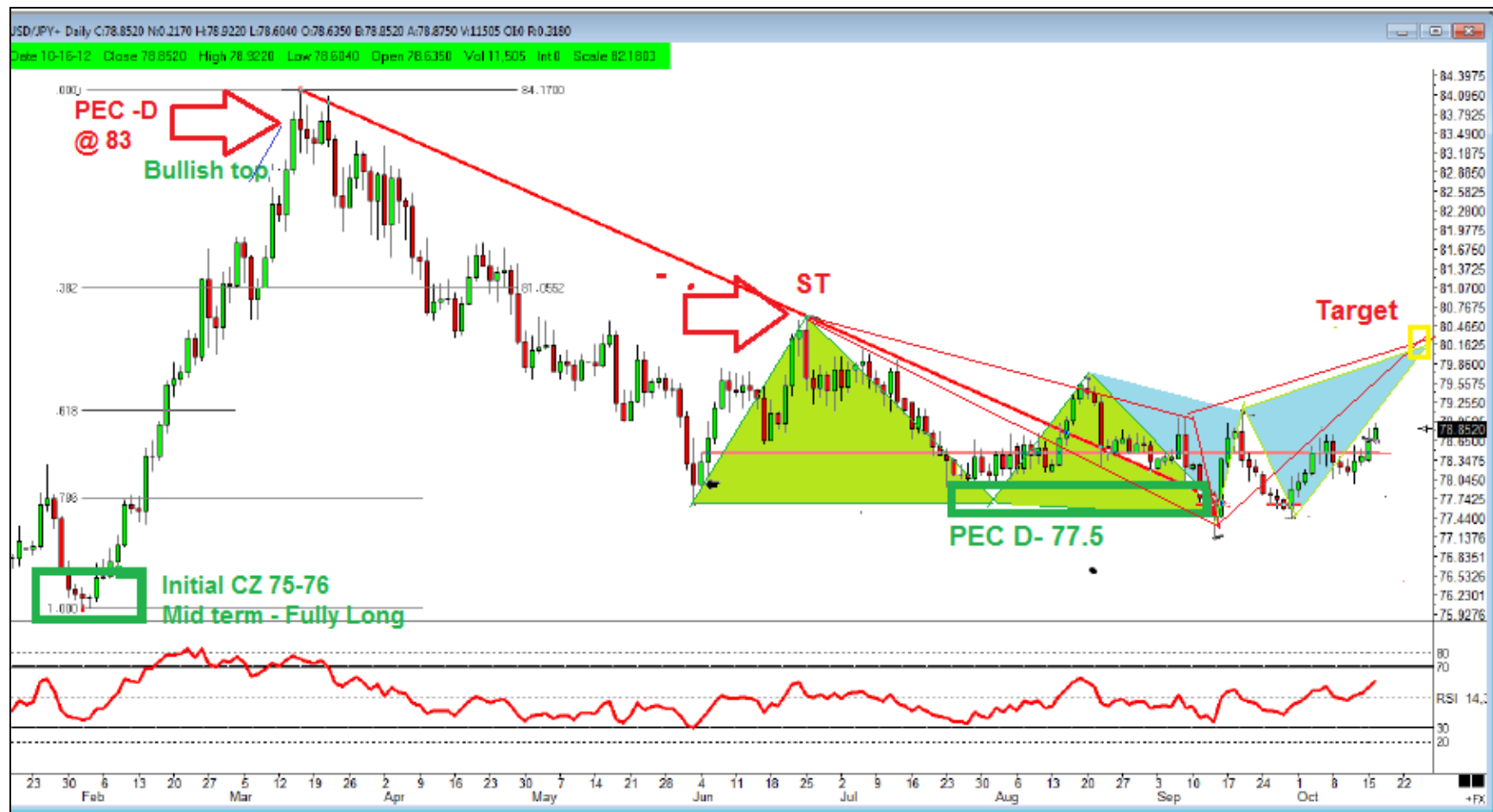
# YEN / USD – PEC-D Analysis - **MID TERM**

Current price 78.9

Near Term Pull back target – CZ – 77-78, PEC-D – 77.25 , JPY is building cause for larger ABC up

Upside - CZ 81-80, BULLISH TOP

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

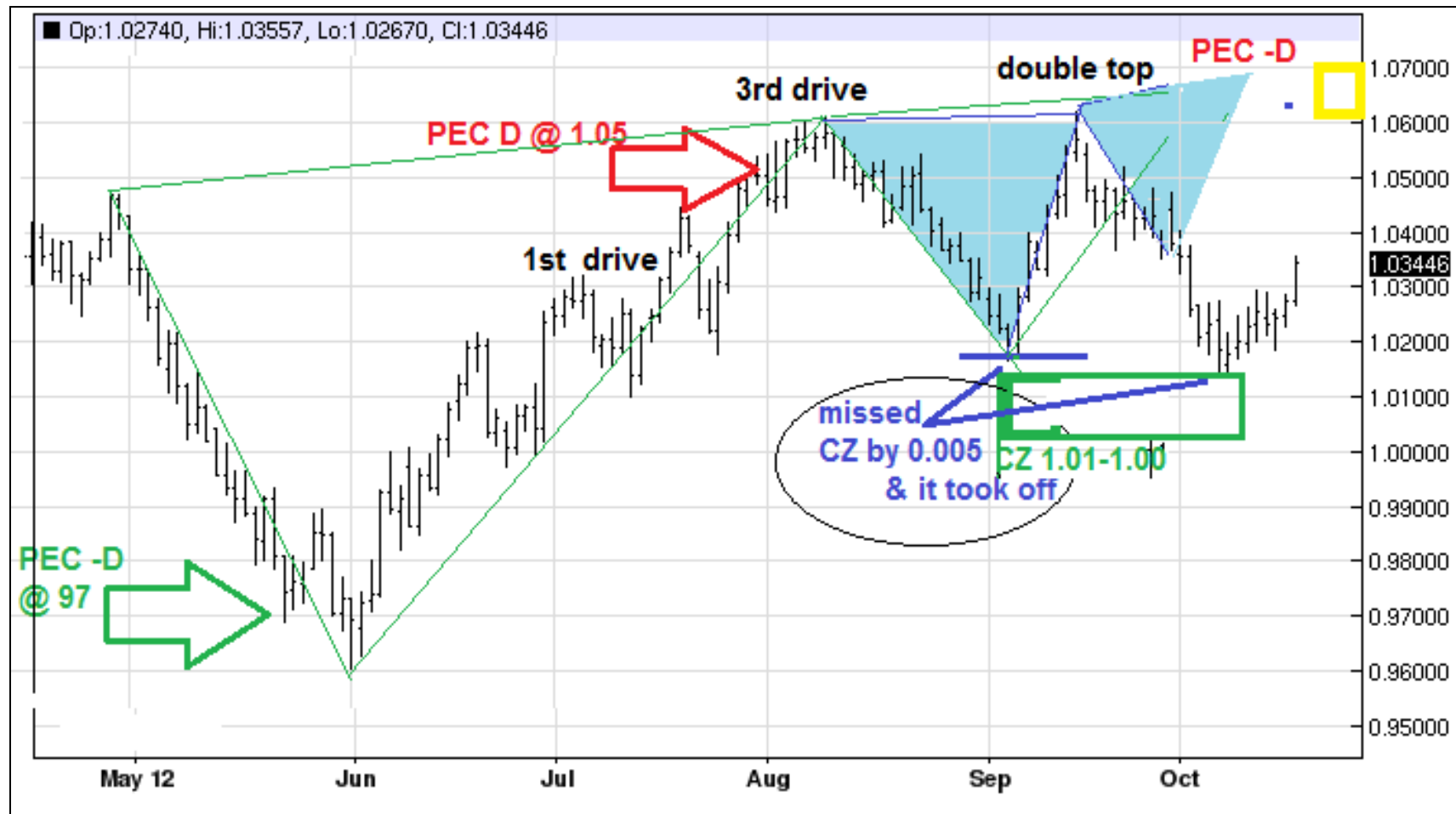


# AUD/USD – PEC –D Analysis – **NEAR TERM**

Current price 1.034

Near Term Bounce back target – CZ – 1.06-1.07 - It appears to be double top of 3 Drives to the top pattern.

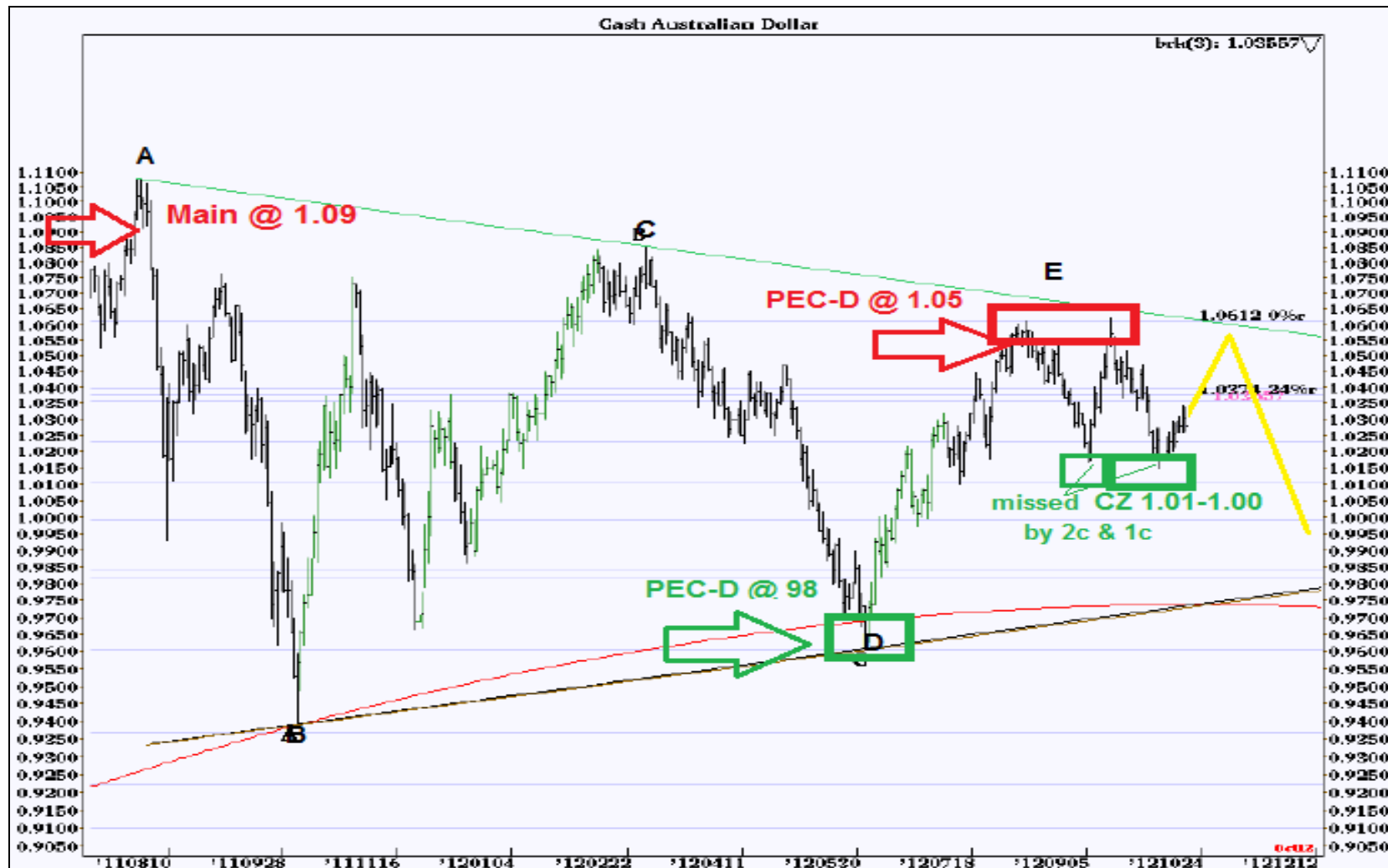
Downside - PEC –D @ 1.01-1.00 CZ, Twice missed the CZ 1.01-1.00, from Triggers by 1cent . **OOPS !!!**  
. The counter trend move is still in progress.



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

By Poly trend Method – The counter trend is moving towards the triangulation pattern Wave E @ 1.06. & then decline .

Main entry CZ 1.09-1.08 - 5/10 Mid term charts has Long term Target downside target of 0.97-0.98.



# GBP / USD – PEC Analysis - NEAR TERM

Current price 161.5

Near Term Bounce back target – CZ – 161-162, - This critical point for continuation move higher if closes above 164

Downside - CZ 1.57-1.59





# Appendix Content

- 2012 YTD – SPX - Position Summary
- Objectives & POM /CZ / PEC –D Guidelines – Refer to detail Annexure
- Full Utilization of “ SP” Report Guidelines & Limitations - Refer to detail Annexure
- POM – “ Price Oscillation Model “ Criteria
- PEC –D “ Pythagoras – Expansion & Contraction Criteria
- CZ- Confluence Zone Criteria
- TEXTURES – Bullish , Bearish , Neutral
- Chart Analysis
  - *Trend & Oscillator Analysis,*
  - *PEC –D Analysis,*
  - *Poly- Trend Analysis,*
  - *Pattern / CZ – Price & Volume Analysis.*
  - *Exterme Indicator Analysis*

- **EXTREAME Sentiment Analysis GOLD & Currencies**
- **( 3<sup>rd</sup> 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,**

- **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**

## 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 2<sup>th</sup> 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

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