



**SG Capital Research**

Global Market Insights

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

**MAEG- CURRENCY REPORT \_SP\_B- SG 2012 # SEPT\_06**

**For Immediate Release – *Thursday AM (EST)***

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## **Currency Report - Coverage**

### ***1. Executive Summary***

- ***CURRENCY Signal.***
- ***Price Projection CZ , Summary – Trading / Investment Conclusion.***

### ***2. Overview Commentary***

### ***3. Chart Analysis***

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

# • 1- Executive Summary

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

### USD – Has Entered CZ – “NET LONG”

#### Triggered Action

USD entered Bullish CZ 81.25-82, (close above 81.50 price would give a Trigger) &, We advise to remain NET LONG . On 5/23, we advised commencement pull back (HEDGING) due to CAUTION in CZ 83-83.5 .

#### Projected Target

NEAR TERM - Upside Target CZ 84-84.5

MID TERM – Existing positions should continue to remain NET LONG, Upside Target CZ 88-89

### NEW “CORE” POSITION – NET LONG –

#### Brief Commentary on Price path

We are looking for upward acceleration in Price and Volume soon for a valid NEW ABC up. Our Upside target has Bullish Top . It should be tested once leg up begins. Once broken out 83, the upside projection is 89 based on Monthly & Weekly Indicators.

Main CZ Trigger Announced CZ 71-73 on 09/07/2011 for Bull run, when we advised commencement of NET LONG . for rally phase . Signal continues till we advise otherwise. We wait for next CAUTION to initiate HEDGING .

## EURO – Has Entered CZ – “CAUTION”

### Triggered Action

EURO entered Bearish CZ 1.26-1.25 (close below 125.25 price would give a Trigger) &, We advise to remain **CAUTION** . On 5/23, we advised commencement of BOUNCE from CZ 1.21-1.22 .

### Projected Target

NEAR TERM - Downside Target CZ 1.20-1.21

MID TERM – Existing positions should continue to remain Fully HEDGED, downside Target CZ 1.18-1.17

NEW POSITION – Initiate HEDGING within CZ 1.27-1.25, upon price trigger

### Brief Commentary on Price path

Our Downside target has Bearish Bottom. This should be tested once leg down begins. Overall Bearish on CORE Position. Once broken 1.22, the downside projection is 1.18 based on Monthly & Weekly Indicators.

Main CZ Announced CZ 1.46-1.45 on 09/07/2011 for Bear Run , when we advised commencement of FULLY HEDGED Position for declining down phase . Signal continues till we advise otherwise

## **GBP – Has Entered CZ – “CAUTION”**

### **Triggered Action**

GBP entered Bearish CZ 1.59-1.57 (close below 158 price would give a Trigger) &, We advise to remain **CAUTION** . On 5/23, we advised commencement of BOUNCE from CZ 1.52-1.51 .

### **Projected Target**

NEAR TERM - Downside Target CZ 1.54-1.55

MID TERM – Existing positions should continue to remain Fully HEDGED, downside Target - No Projections

**NEW POSITION** – *Initiate HEDGING within CZ 1.59-1.57 , upon price trigger*

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

Our Downside target has Neutral Bottom ( Unlike EURO’s Bearish bottom) . This suggests GBP is in consolidation. We advise to Hedge the current pull back.

**Main CZ Announced CZ 1.64-1.63 on 09/07/2011,** when we advised commencement of FULLY HEDGED Position.

## YEN – Had Triggered CZ – “NET LONG”

### Triggered Action

Announced **CZ** on 7/18, commencement of NET LONG in CZ 77-78 . We advise to remain so. This signal completed the down move that was triggered on 06/27 in CZ 80-79 for pull back.

### Projected Target

SHORT TERM - Upside Target CZ 80-79

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

### NEW “CORE” POSITION – NET LONG

### Brief Commentary on Price path

YEN is great sleeper currency over the longer time frame. It is experiencing higher bottoms much like what has happened in Gold over the past 10 weeks, and we all know what happened there !!

We are looking for upward acceleration in Price and Volume for a valid NEW ABC up. Our Upside target has Bullish Top . Once broken 80, the upside projection is 84. based on Monthly & Weekly Indicators.

Main CZ Trigger Announced CZ 75-76 on 10/07/2011, Bull run, when we advised commencement of NET LONG . for rally phase . Signal continues till we advise otherwise. We wait for next CAUTION to initiate HEDGING .

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## AUD – Had Triggered CZ – **“CAUTION”**

### Triggered Action

Announced **CZ** on 8/15, commencement of HEDGING in CZ 1.05. We advised to remain **CAUTION** till we advise otherwise. This signal completed the up move that was triggered on 06/07 in CZ 0.97-0.98 for NET LONG position

### Projected Target

SHORT TERM - Downside Target – we are in the vicinity but no trigger

MID TERM – Existing positions should continue to remain Fully HEDGED, downside Target CZ 1.01-1.00

### NEW “CORE” POSITION – **NONE**

### Brief Commentary on Price path

We think current decline is almost over . Our Downside target has Neutral Bottom ( Unlike EURO's Bearish bottom) . This suggests AUD is in consolidation between **1.06 & 0.97**.

Main CZ Announced CZ 1.09-1.08, on 05/10/2011, when we advised commencement of FULLY HEDGED Position for declining down phase .

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## **GOLD – Had Triggered POM 13 – “NET LONG”**

### **Triggered Action**

Announced POM 13 on 7/19, when we advised commencement of NET LONG in CZ 1540-1580. POM 13 to continue till we advise otherwise. This signal completed POM 14 that was triggered in - CZ 1740-1775 for HEDGING positions

POM 13 is rally up phase. We wait for POM 14 to initiate HEDGING .

### **Projected Target**

UPSIDE – GOLD – 1725-1720, Today we hit high of 1715

MID TERM – Existing positions should continue to remain NET LONG, Downside pull back to CZ 1680-1670

### **NEW “CORE” POSITION – NONE**

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

The upside break from 1670 ( *Bullish Top* ) is valid NEW ABC up which has Projection of 1725 -1720  
The floor for this new leg up is now CZ 1680-1670 with higher high PEC-D's, for any pull back. PQV should validate on retracement.,

GOLD build a good amount of cause for past 3 months which resulted in this great rally. **POM 13 Triggered in CZ 1540-1580** was very solid base on Monthly & Weekly Indicators

## **BACK UP SECTION – II.**

***Commentary & Charts below is backup & cross verification ONLY . For in- depth understanding behind our Logic & Risk limitation please refer.***

### **Overview Commentary**

*We are at the critical juncture ( moment of truth) in FOREX market . Two things are critical in our Prop Technical while doing the Analysis. The Integrated 2-3 ratios for projection comes first and the patterns come second. We watch for the repetition that occurs, it will usually happen for just two or three repetitions and then it will Expand or Contract with volume.*

*Most encouraging for Gold has been that the current breakout is with PQV Validation & “Sign of Strength” initiating through the CZ. The rally has taken place in face of USD not breaking down within its **CZ 81.25-82.5**.*

*Historically every year , GOLD offers (2) opportunities at the Top and (2) opportunities at the bottom . We have 4 months remaining this year and so far this year it has offered only (2).*

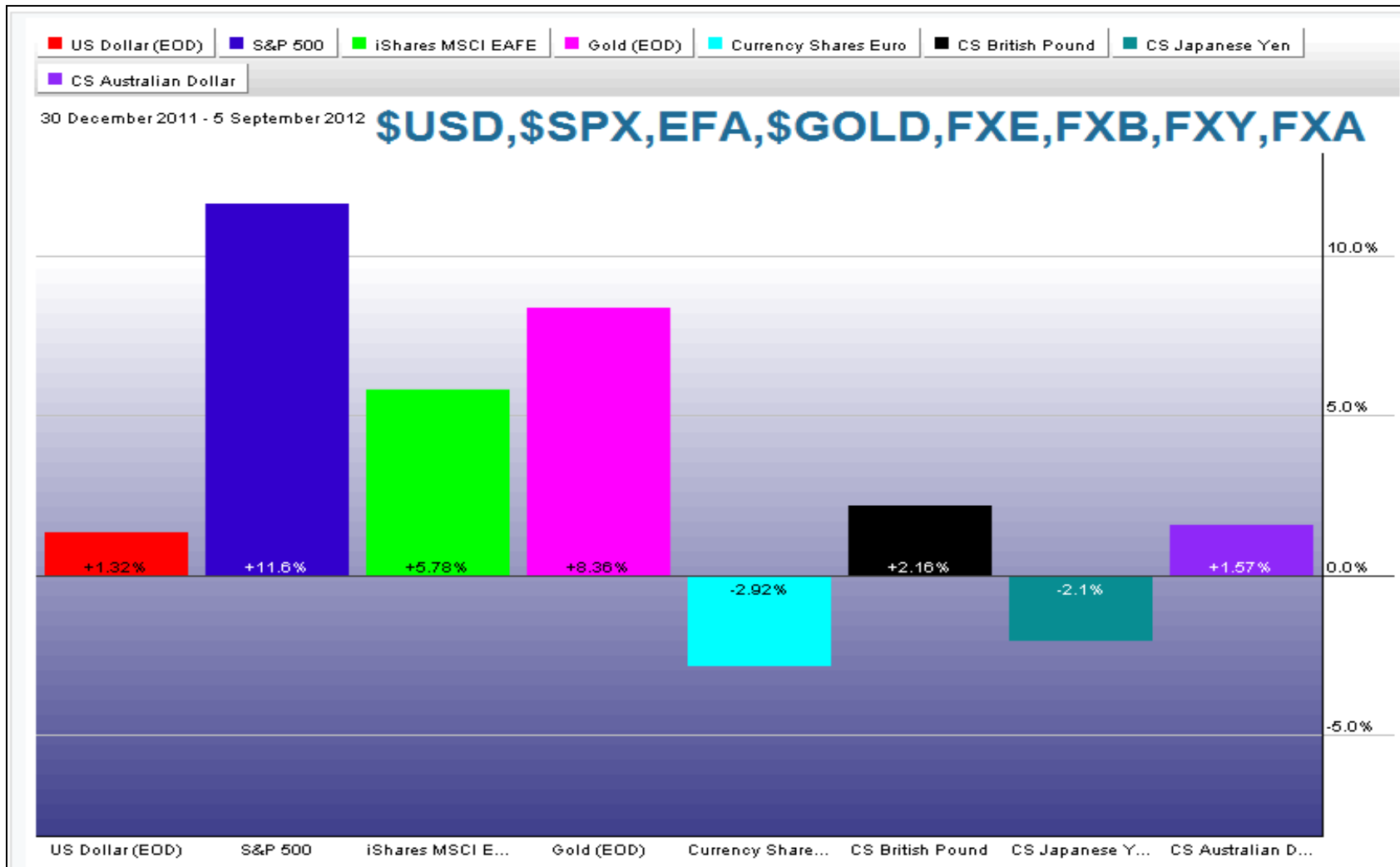
*In Past 6 Months, (2) Good Signals were Triggered. In February, POM 14 at average price of 1750 ( 1775-1750) for Hedging, In May, POM 13 at 1550 for Net Long . We think there will be another one before the end of the year.*



# 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 – NEAR TERM

Target of 1725-1720 stated in Mondays A # 1- MS is fast approaching . This is 3<sup>rd</sup> ABC up . We think this ABC up should be terminated with Neutral top.

Downside pull back target to CZ 1680-1660



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

Downside pull back target to CZ 81.25-82, is met in Bullish way, completion of PEC-D and 3 drives to bottom.

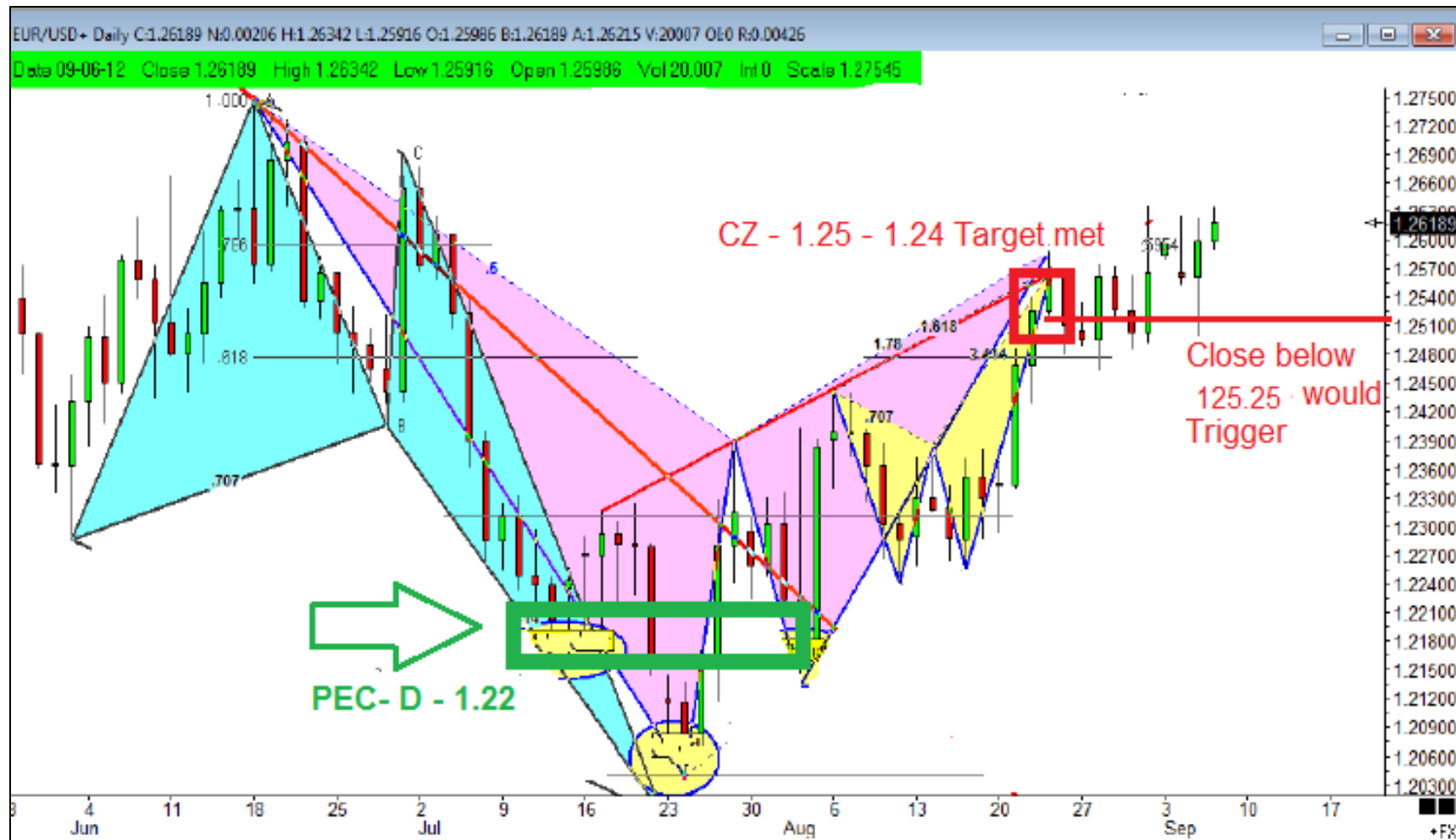
Upside Target 84 towards Bullish Top . Close above 81.50 would Trigger



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

Upside target to CZ 1.25-1.24 has met in Bearish way, completion of 2- PEC-D patterns, Close below 125.25 would Trigger

Downside Target CZ 1.20-1.21 Bearish bottom,



## EURO - with Pattern & Oscillator Analysis – MID TERM

*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.*

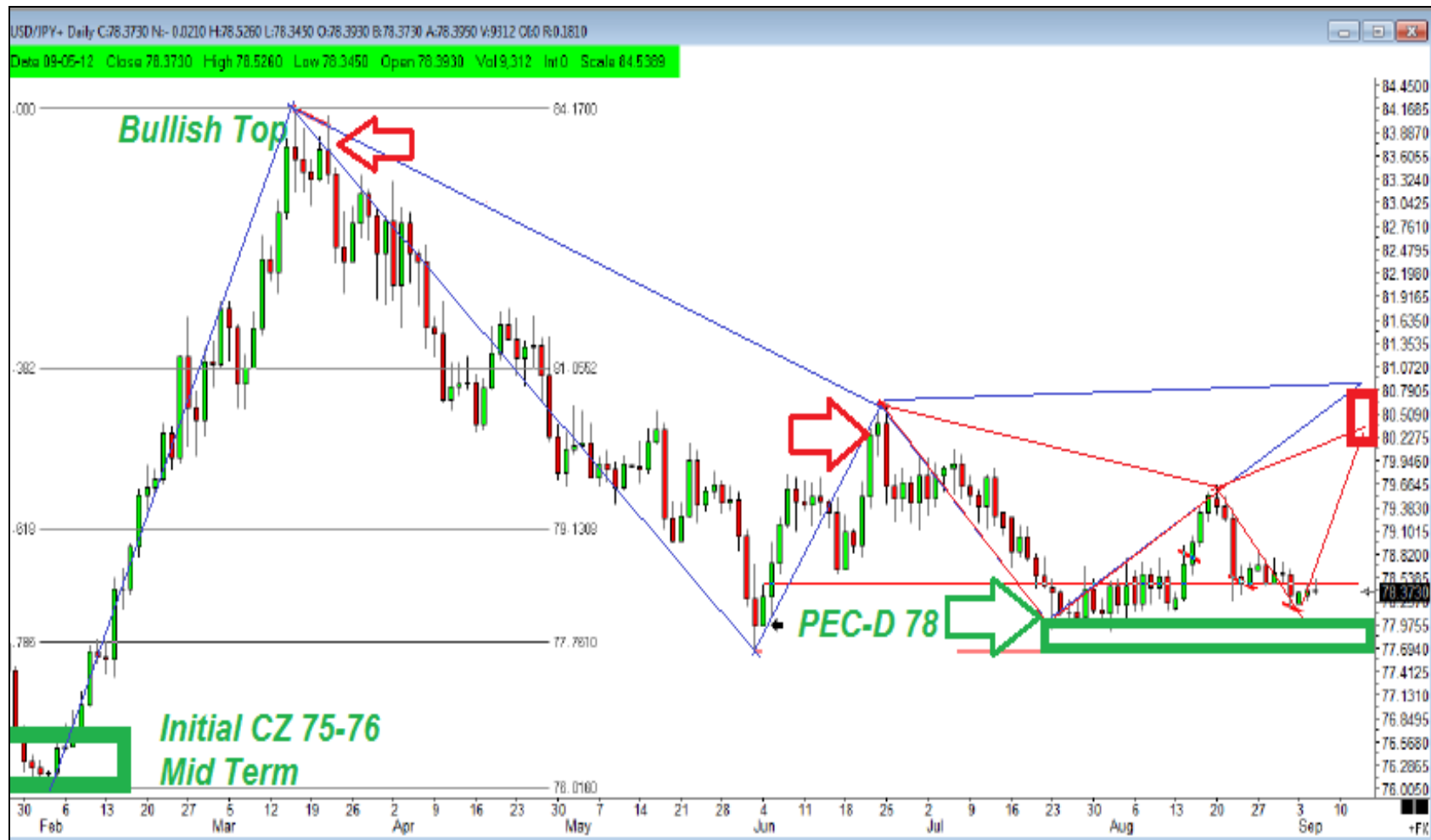


## YEN / USD – PEC-D Analysis - MID TERM

Downside pull back target to CZ 77-78, is met in Bullish way, completion of PEC-D

Upside Target 80-81 towards Bullish Top

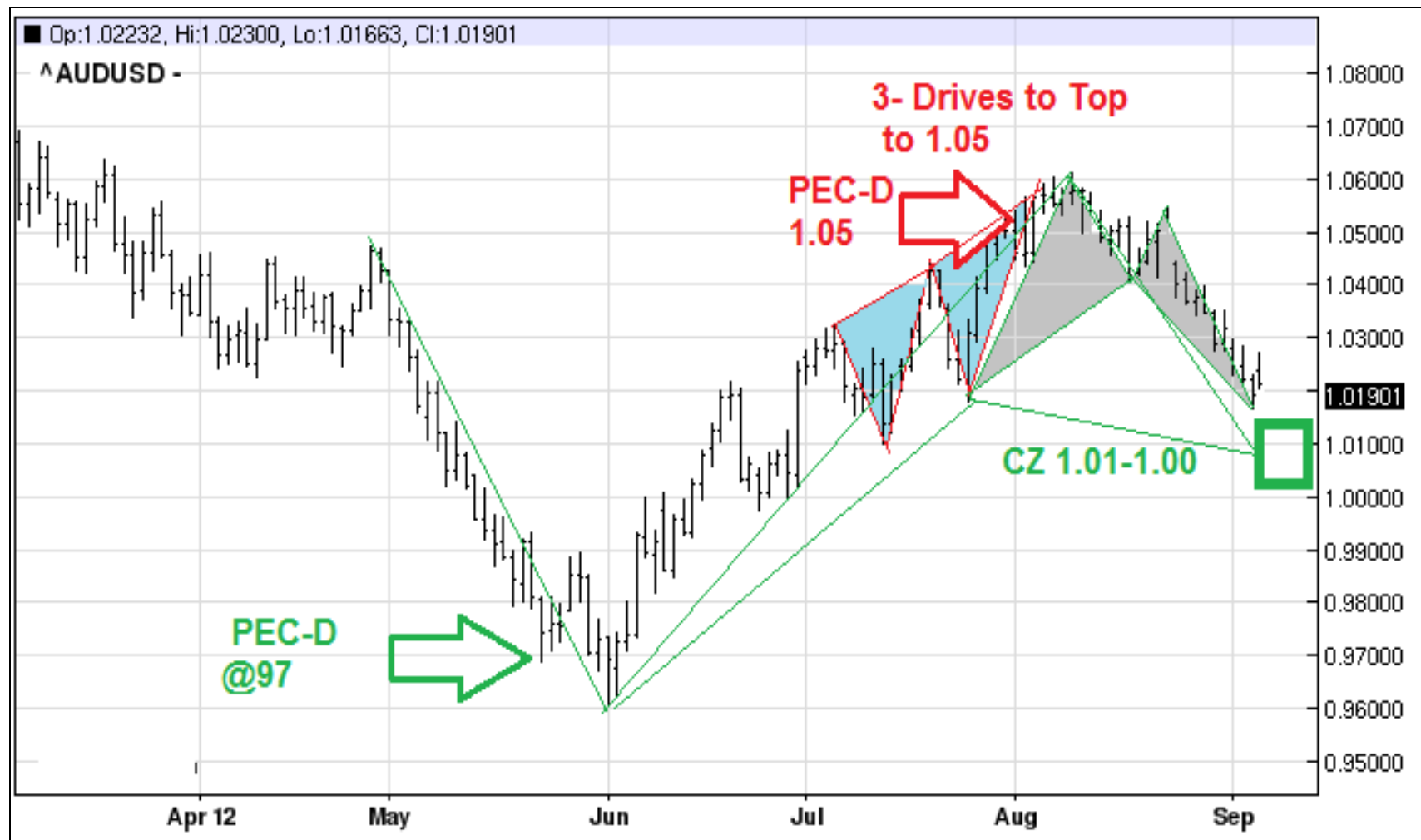
Main entry in YEN / USD @ 76 Trigger ( as indicated in Green ) .



# AUD/USD – PEC –D Analysis - MID TERM

We should get a bounce here but more serious lows should be after the Downside pull back target to CZ 1.01-1.0, which is still in progress completion of PEC-D

Decline began from 1.05 PEC-D



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

By Poly trend Method – The decline is in progress from the Top of the triangulation pattern Wave E @ 1.05 .

Mid term – AUD - 5/10 Trigger 1.09 ( in red ) , forming long term top.





## GBP / USD – PEC Analysis - NEAR TERM

Upside target to CZ 1.59-1.57 has met in Bearish way, completion of 2- PEC-D patterns

Downside Target CZ 1.54-155

Mid term charts *Main PEC –D Trigger of 1.64 .*



- **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**

# 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
- Chart Analysis
  - *Trend & Oscillator Analysis,*
  - *PEC –D Analysis,*
  - *Poly- Trend Analysis,*
  - *Pattern / CZ – Price & Volume Analysis.*
  - *Exterme Indicator Analysis*
- **OUR GOLD POSITIONS 2012 ( FYI).**
  - 1) Triggered - POM 13 – NET LONG Position in CZ (1540-1580) , initiated dated 5/16
  - 2) CLOSED – ALL HEDGES from POM 14 @ CZ - 1775-1750 at CZ 1580.

## 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)

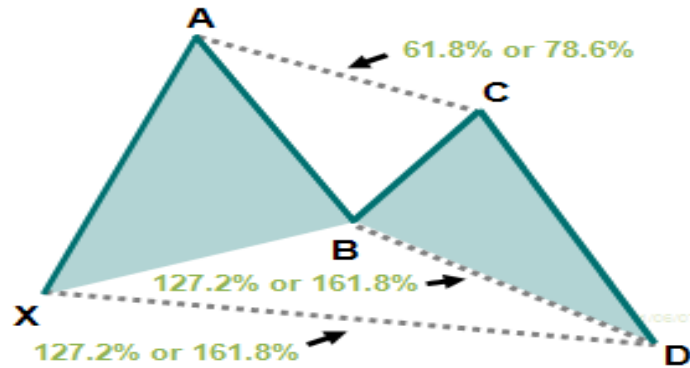
# Pythagoras Expansion / Contraction – (PEC) Model

- 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

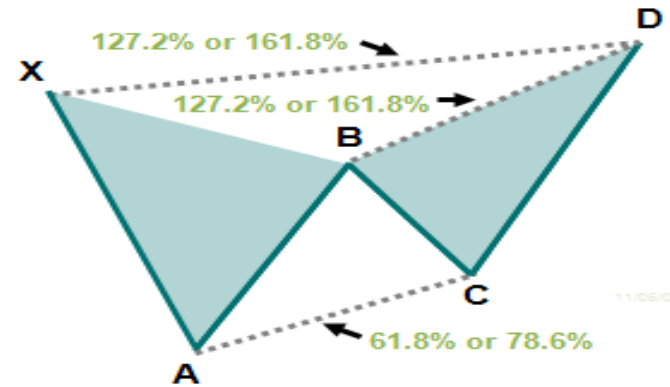
## PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

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

### Buy Pattern (bullish)



### Sell Pattern (bearish)



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