



SG Capital Research

Global Market Insights

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

MAEG- CURRENCY REPORT _SP_B- SG 2012 # SEPT_26

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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***
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- ***JPY/USD***
- ***AUD/USD***

• 1- Executive Summary

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

USD / DXY – Has exceeded below the Bullish CZ – “NET LONG”

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

Action - To be Triggered - Alert -pre- announcement .

USD completed the extended PEC-D @ 78.5 , it exceeded below the targeted Bullish CZ 81.25-82 , On 5/23, we advised commencement of HEDGING (or raise cash) due to CAUTION of pull back from CZ 83.5-83 .

NEW POSITION – Today we pre -announce to Initiate to COVER those HEDGES dated 5/25 to position us back to NET LONG .

TRIGGER TO WATCH - “Scale in” within CZ 79.55-79.00 would give a Trigger for the rally with stop loss @ 78.30

Next Projected Target

NEAR TERM - Upside Target CZ 81.25 - 82

MID TERM – Existing Mid Term positions should continue to remain NET LONG, Upside Target CZ 84-84.5

Brief Commentary on Price path

Our earlier 81.5 Trigger price did not trigger within CZ 81.25-82 to initiate the rally and USD declined to 78.5. Overall nothing has changed in our USD's long term entry point at 72. USD is under correction in Bull Market. Once USD is closed 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. Stop loss would assist only if surprise ECB intervention

EUR / USD – Has exceeded above the Bearish CZ – “CAUTION”

On 07/09/2011, in Main CZ 1.46-1.45, 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.

Action - To be Triggered - Alert -pre- announcement .

EURO completed the extended PEC-D @ 1.32 , It exceeded above the targeted Bearish CZ 1.26-1.25 . On 5/23, we advised commencement of HEDGING (or raise cash) due to CAUTION of rally from CZ 1.21-1.22 .

NEW POSITION – Today we pre -announce to Initiate to COVER those HEDGES dated 5/23 to position us back to NET SHORT .

TRIGGER TO WATCH – “Scale in” within CZ 128.5-131.5 would give a Trigger for the decline *with stop loss @ 133*

NEXT Projected Target

NEAR TERM - Downside Target CZ 1.26-1.25

MID TERM – Existing Mid Term positions should continue to remain NET SHORT, downside Target CZ 1.20-1.21

Brief Commentary on Price path

Our earlier 125.5 Trigger price did not trigger within CZ 126-125 to initiate the decline and EURO rallied to 132.5. Euro zone problems have once again “heated up” with Spanish “anti-austerity” protest. EURO has been in bear market since our initial entry at 1.49. The protective Stop loss would assist only if surprise ECB intervention

GBP/USD – Has exceeded above the Bearish CZ – “CAUTION”

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

Action - Triggered – ALERT

GBP completed the extended PEC-D @ 1.62, It exceeded above the targeted Bearish CZ 1.59-1.57.
On 5/23, we advised commencement of HEDGING (or raise cash) due to CAUTION of rally from CZ 1.52-1.51

NEW POSITION – Today we announce to Initiate to COVER those HEDGES dated 5/23 to position us back to NET SHORT

TRIGGER TO WATCH – “Scale in” within CZ 1.62-1.61 would give a Trigger for the decline. The Stop loss @ 1.64

Next Projected Target

NEAR TERM - Downside Target CZ 1.57-1.59

MID TERM – Existing Mid Term positions should continue to remain NET SHORT, downside Target CZ 1.54-1.55

Brief Commentary on Price path

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

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

On 10/07/2011, in Main CZ 75-76, 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 .

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.

Next Projected Target

SHORT TERM - Upside Target CZ 80-79

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

NEW “CORE” POSITION – NONE

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

The Yen has CZ at 77-78. I still believe this could be the surprise Forex pair in the coming months. Remember the old high on this was in the 260 range.

We are looking for upward acceleration in USD/JPY Price 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.

AUD / USD – Remains Triggered CZ – “CAUTION”

On 05/10/2011, in **Main CZ 1.09-1.085**, we initiated **FULLY SHORT position** for a medium term target of **CZ 1.01-1.00**. All subsequent commentary refers to CZ to CZ Risk management rebalancing moves within the **NET SHORT** stance.

Triggered Action

Announced **CZ** on 8/15, commencement to **UNLOCK HEDGES** in **CZ 1.05 -106** . due to **CAUTION** of Decline . This signal completed the up move that was triggered on 06/07 in **CZ 0.97-0.98**.

Projected Target

SHORT TERM - Upside target to **CZ 1.06-1.07**

MID TERM – Existing Mid Term positions should continue to remain **NET SHORT** , downside Target **CZ 1.01-1.00**

NEW “CORE” POSITION – NONE

Brief Commentary on Price path

On 9/5 we missed the Bullish CZ 1.01-1.00 entry by half penny . The counter trend bounce began from that point to target 1.06 -1.07 . AUD is in consolidation between **1.06 & 0.97**.

GOLD – Remains Triggered at POM 13 – CZ – “NET LONG”

On 02/05/2010, at POM 12- CZ 1125-1075, we initiated FULLY LONG Signal for a Long term target of 2150. All subsequent commentary refers to POM 13 to POM 14 moves within the NET LONG stance & CZ to CZ moves for Risk Management rebalancing.

Triggered - Action

Announced ALERT - on 9/17, to Exit $\frac{1}{2}$ Position in GOLD @ 1770 as Risk Management move. Hold the remaining $\frac{1}{2}$ position till POM 14 Target.

We advise POM 13 on remaining $\frac{1}{2}$ position to continue till we advise otherwise. POM 13 is rally up phase, was triggered 5/15 at 1540 for commencement of NET LONG position within CZ 1540-1580.

Projected Target

NEAR TERM – Our Target Downside pull back to CZ 1690-1675 (PEC-D @ 1695)

MID TERM – Existing $\frac{1}{2}$ positions continue to remain NET LONG till next POM 14 is Triggered . Our potential target is CZ 1790-1820 for POM 14.

NEW “CORE” POSITION – NONE

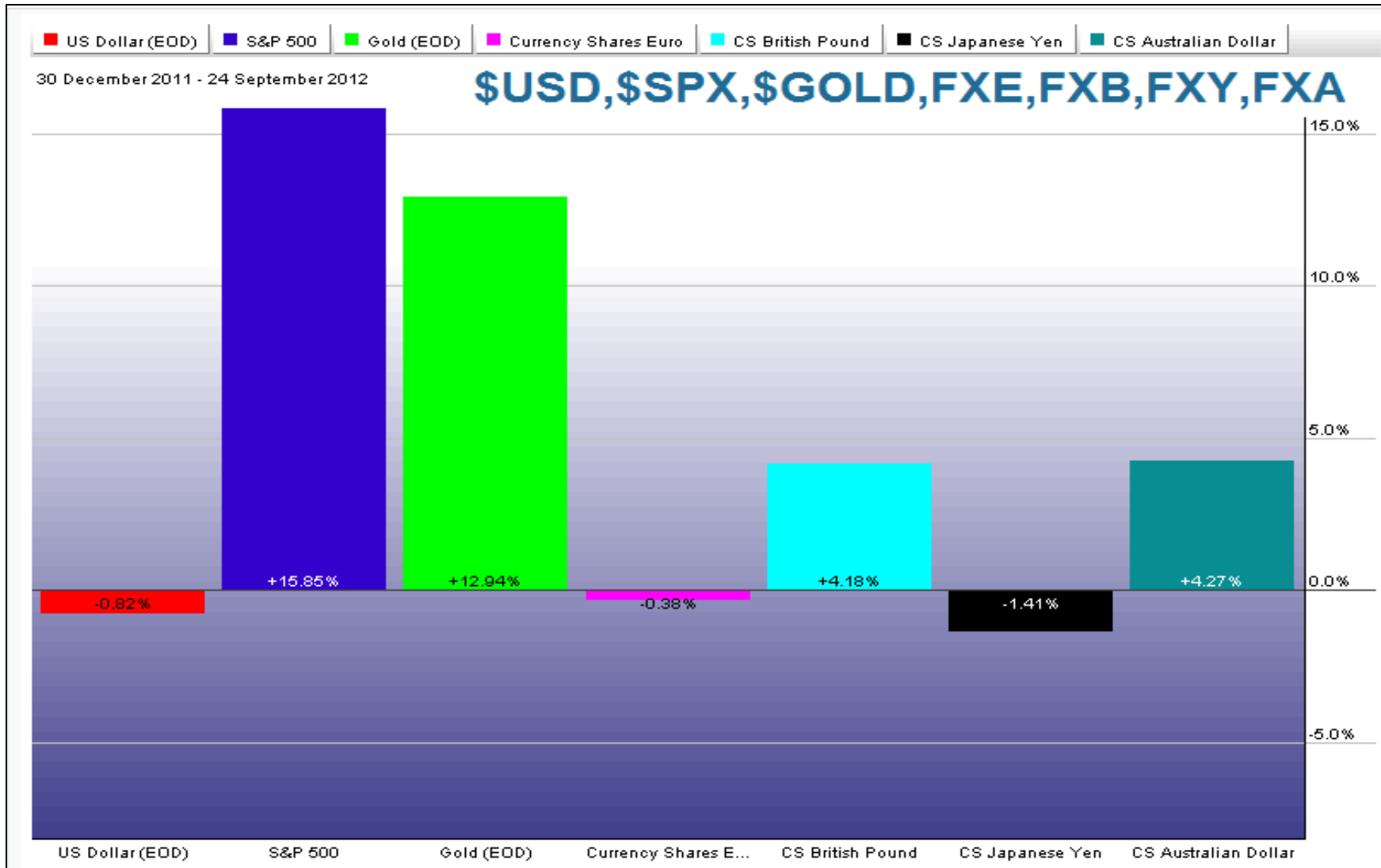
Brief Commentary on Price path

Gold is down 18 today , it appears PEC-D @ 1770 proved its merit. However the multiple Bullish Tops at ABC's causes shallow Retracement . QE is likely to prevent a substantial fall for now. We'd continue to maintain with a core exposure to gold. The floor for pull back is CZ 1690 -1675 with PEC-D's @ 1695. October seasonality is weak.

YTD - SPX, EFA, GOLD, Currency ETF's 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**

Projections- (Notes within the charts)

Upside - POM 14 – area 1790- 1820, Extension is with Bullish Top . 3RD ABC up (**exited ½ position @ 1770 on 9/17)**

Potential Near Term Pull back – CZ – 1695-1680, PEC-D – 1695, . Bullish Top tends to have shallow retracements.



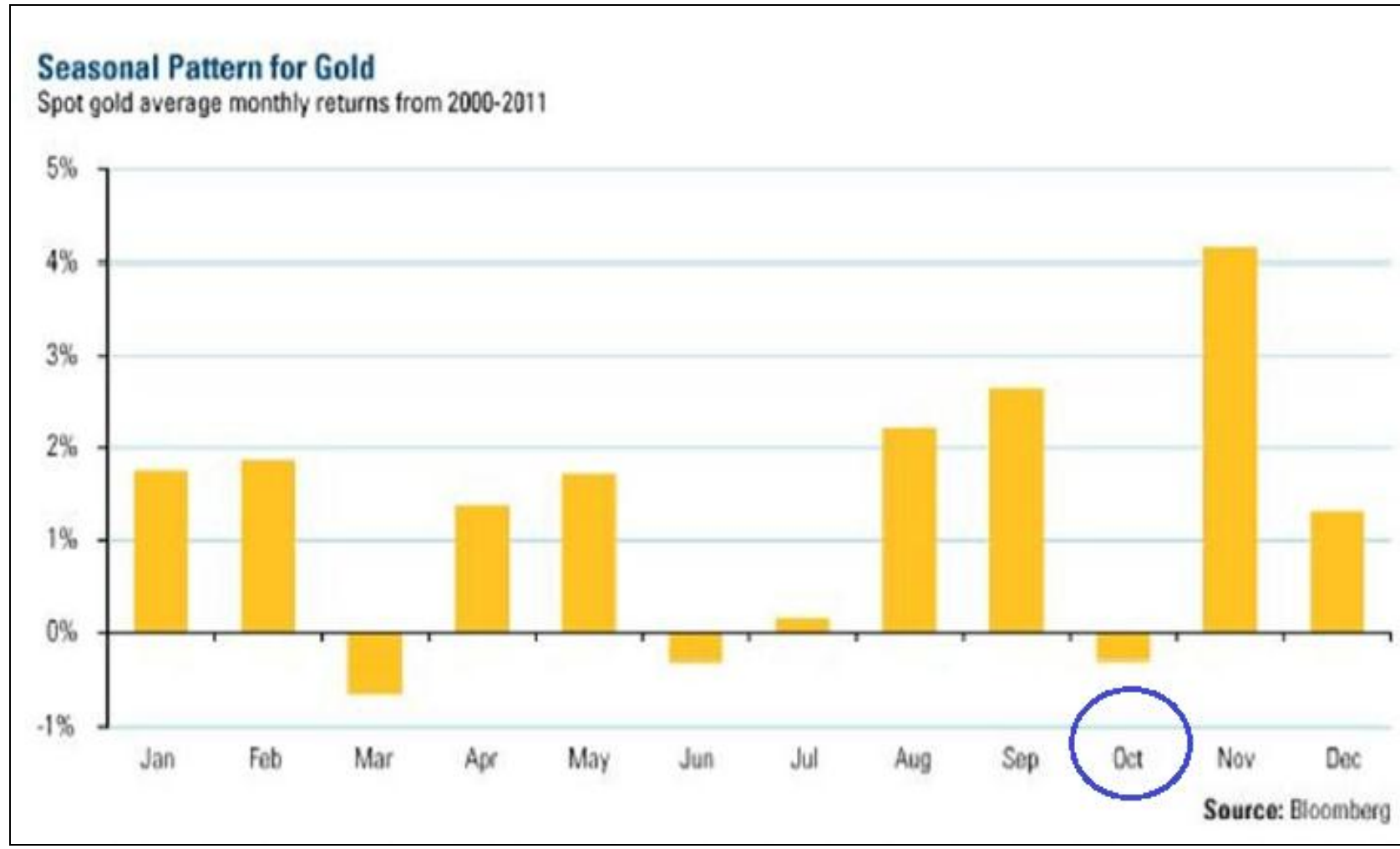
GOLD – AD Oscillator Analysis – **Near Term**

Clear –ve divergence at 1770 price.



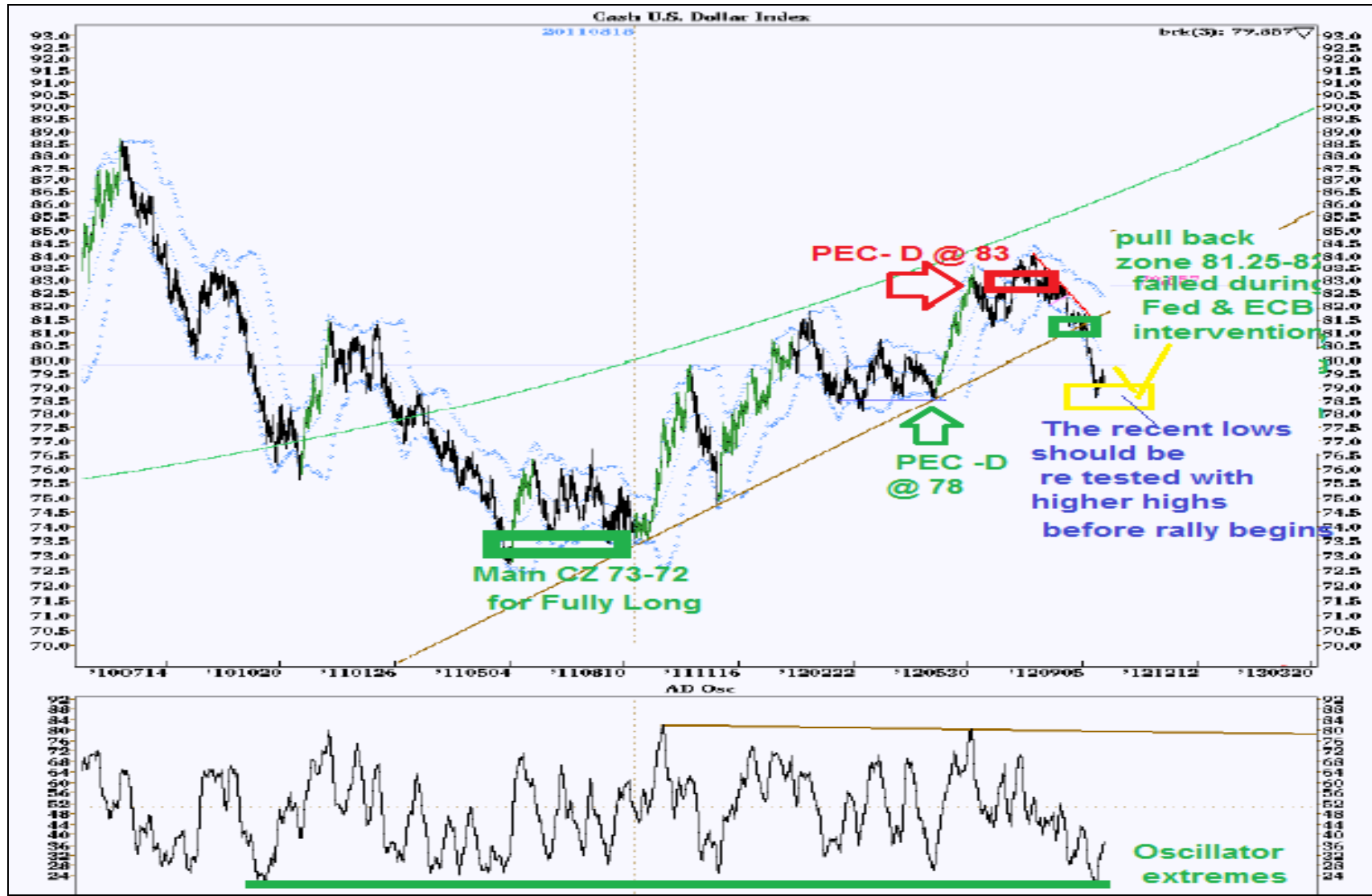
GOLD – Seasonality

Courtesy Bloomberg – October negative, but the rally should come back strong for November strongest month for Gold. Mostly all Bullish tops should get tested in November



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

FOMC broke the pull back rhythm of USD bull market. Notes within the chart . Potential Price path in yellow . Rally off the lows 78.5 and then re- test to 79.4 before heading higher.



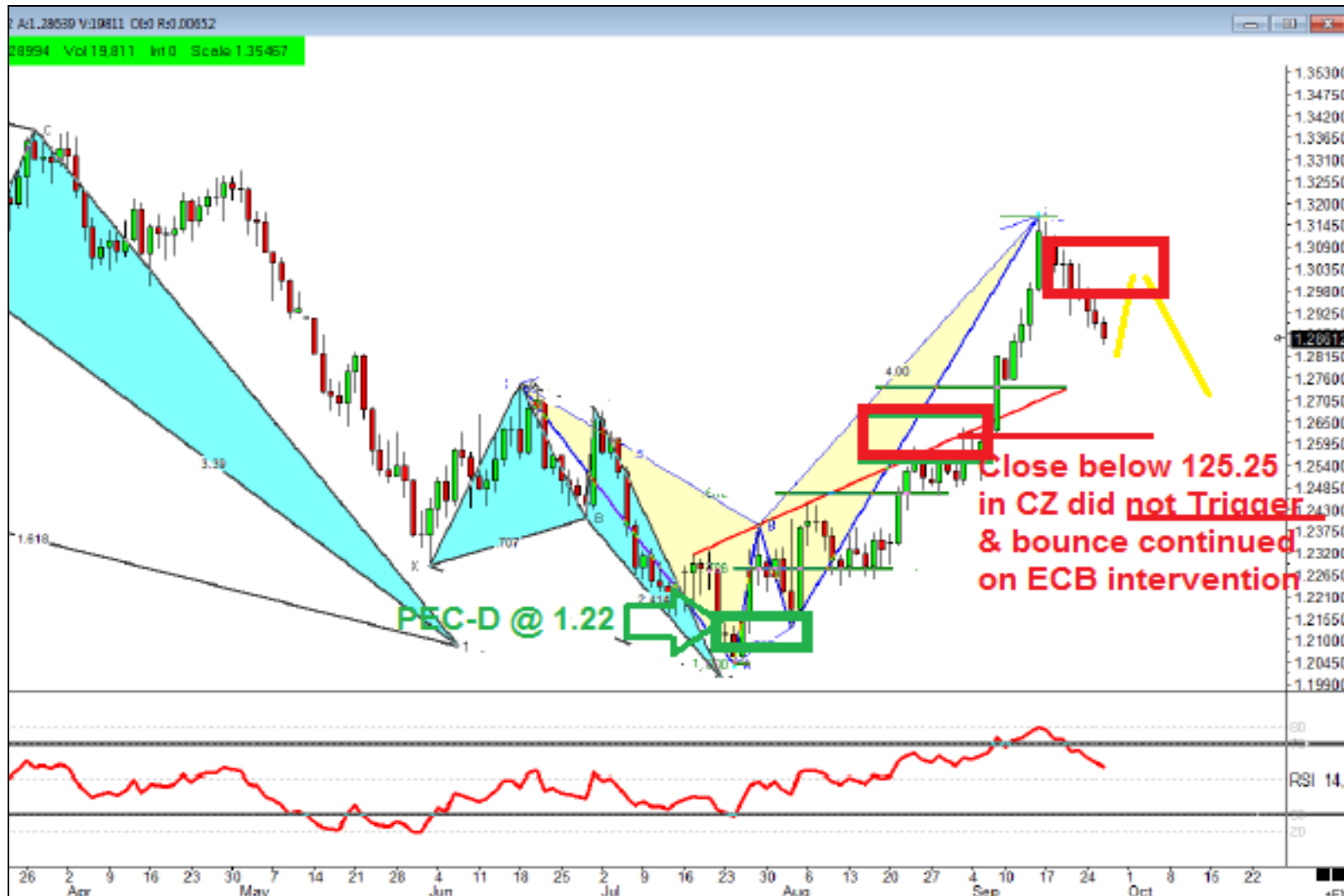
USD – PEC D – Analysis – NEAR TERM

Downside pull back target to CZ 79.55-79.0, would Trigger entry – Notes within chart.



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

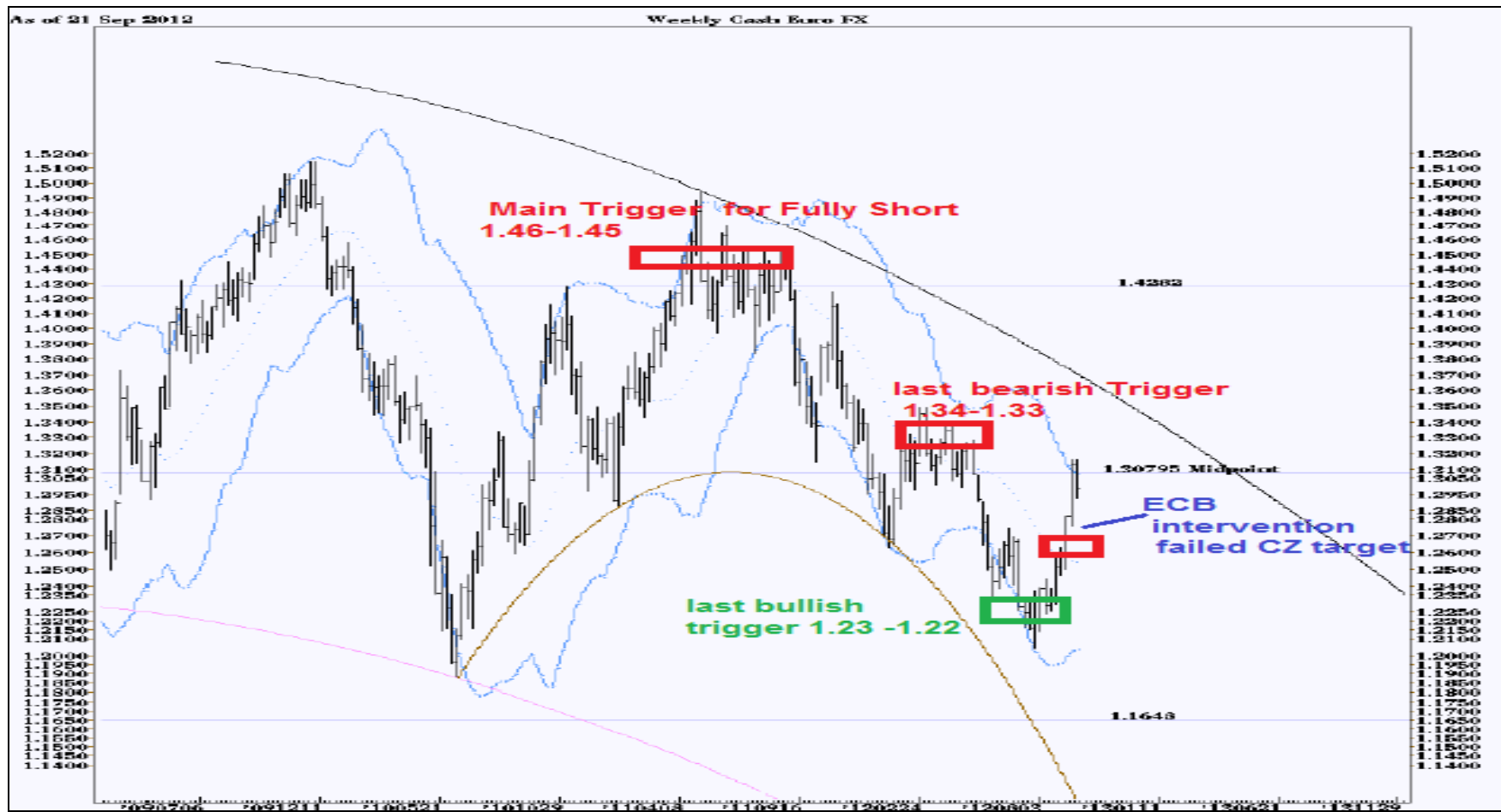
Upside bounce target to CZ 128.5-131.5 would Trigger decline – Notes within chart. Potential Price path in yellow



EURO - with Pattern & Oscillator Analysis – MID TERM

Decline off the highs 132 and then expect re- test to **CZ 128.5-131.5** before heading lower. Earlier ECB broke rhythm of EURO's bear market the bounce

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

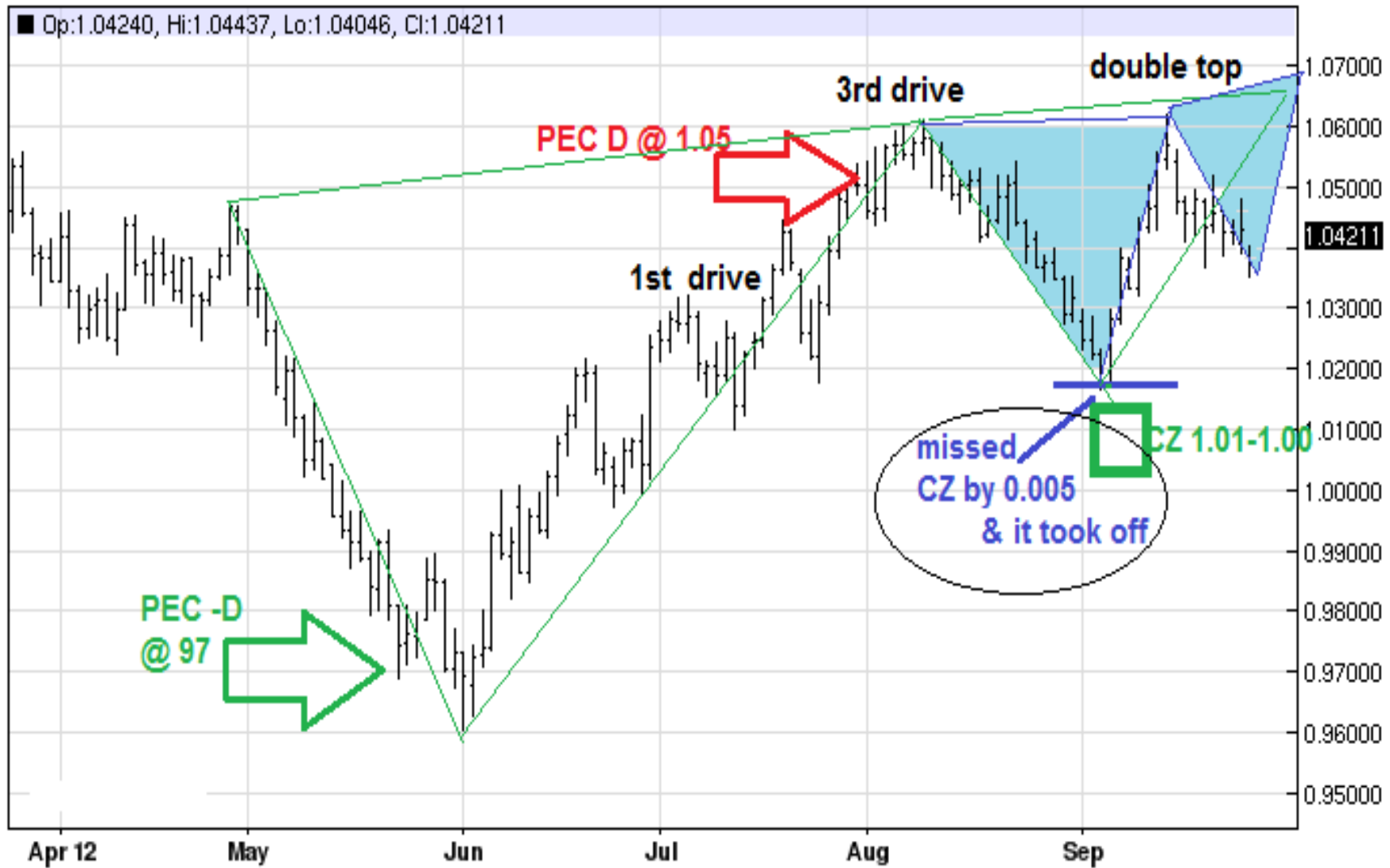
Upside Target 80-81 towards Bullish Top

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



AUD/USD – PEC –D Analysis – NEAR TERM

We missed the bullish CZ by pennies (tough!!) . The counter trend move is still in progress to CZ 1.06-1.07.
It appears to be double top of 3 Drives to the top pattern.



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 .

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

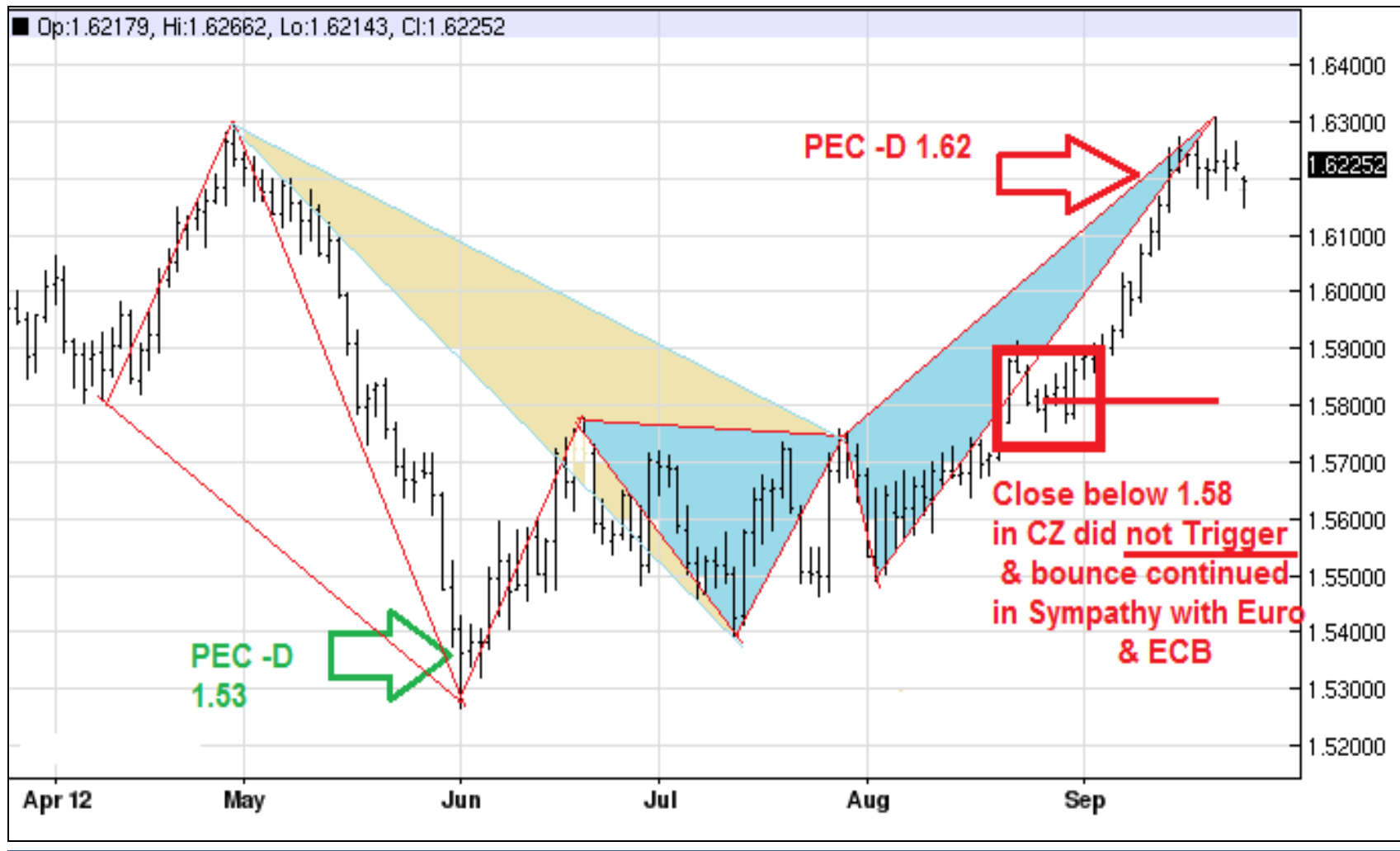


GBP / USD – PEC Analysis - **NEAR TERM**

Upside target to PEC-D 1.62 has met in Bearish way in 2- PEC –D's

Downside Target CZ 1.57-1.59

Mid term charts - *Main PEC –D Trigger of 1.64 on, 07/09/2011.*



- **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,**

- **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
- 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*

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

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