



Date : 6th March 2013 (**Wednesday**)

CURRENCY REPORT (Strategy & Prop Tech)

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● **Executive Summary**

| | Current Price | Trigger POM or CZ & Date | Triggered Within CZ & Date | Progress Status | Current Position | NEW ACTION (Trigger to Watch)) | Upside CZ <u>Near Term</u> | Upside CZ <u>Mid term</u> | Downside CZ <u>Near term</u> | Downside CZ <u>Mid term</u> | Remark |
|---------------------|---------------|---|---------------------------------------|---|------------------|--|---|---------------------------|--|---|--|
| GOLD | 1577 | POM 13 @ 1540 On 5/15 For main entry Core position POM remains intact) | Secondary CZ 1625-1635 (extended) | BULLISH <u>Short term</u> Bottoming volatility | Net Long | NONE Alert - For any new buys wait till one last smash down below 1560 | CZ 1625 Met on bounce & pulled back | CZ 1690-1710, | Down thrust lows of 1560 was tested on Friday 3/01, Possibly One last smash down | ABC down extended to 1580 by 40 points | For Recycled exposure Still finding suitable entry @ 1625, 1575 With RM rules in place Earlier exited at 1770 9/17 For 220 profit Is providing profit cushion 2 –Stop losses of 10 points incurred |
| DXY (\$ USD) | 82.00 | CZ @ 72 Core on 7/9/2011 Intact | Secondary CZ 79.55-79.0 On 10/06 | BULLISH Short term Pull back | Net Long | NONE | CZ 81.75-81.00 Met bullishly extended | CZ 85-84 Bullish Top | CZ 79.55-79.0 PQV Validated floor | | (RM) below 79.25 (Revised) |

| | C. Price | Triggered POM or Main CZ & Date | Triggered within CZ | Progress Status | Current Position | NEW ACTION (Trigger to Watch) | Upside CZ Near Term | Upside CZ Mid term | Downside CZ Near term | Downside CZ Mid term | Remark |
|--------------------------------|----------|--|---|-----------------|-----------------------------------|--|-------------------------------------|---|--|----------------------|---|
| EUR /USD | 1.304 | CZ 1.352 On 2/13 <u>Announced</u> | CZ -1.36-1.345 | CAUTION | Net Short | NONE | CZ 1.35-1.36 | | CZ 1.29-1.27 | CZ 1.20-1.21 | CZ @ 1.49 <u>Core</u> , on 7/9/2011 Intact. 1 –Stop loss of 2.5 c incurred RM above 1.35 (revised) |
| GBP/USD Announcement | 1.505 | CZ 1.505 On 3/06 | CZ 1.51-1.49 On 3/06 | BULLISH | Net Long | Initiate Within CZ 1.51-1.49 RM below 1.48 | CZ 1.55-1.56 | CZ 1.65-1.64 | CZ 1.55-1.56 Met & extended | CZ 1.49-1.51 | Earlier 2/13 <u>Announced</u> To exit at 1.55, 2/13, <u>For 7.5 c profit</u> |
| USD / JPY | 93.1 | CZ @ 76 <u>Core</u> , on 10/7/2011 intact | Secondary CZ 77-78 On 7/18 | BULLISH | Net Long Up 23% from entry | NONE | CZ 90-88 Extended Bullish Top | To 95 for Triangular Bullish Top | CZ 90-88 | | <u>Exited ½</u> @ 89 on 01/11 for 17% gains <u>Long term Trade @ 76 remains</u> , 2012 Trade of the year, 2013 Will continue. |
| AUD/ USD | 1.024 | CZ 1.05 On 1/24 | CZ 1.06-1.05 On 1/23 | CAUTION | Net Short | NONE | CZ 1.06-1.055 | | CZ 1.02-1.025 Met Bearishly | CZ 0.99-1.00 | (RM) on Core above 1.05 (Revised)) CZ @ 1.09 <u>Core</u> on 10/7/2011 intact |

SIGNALS. - Price Projection CZ , Trading / Investment Conclusion

- **BULLISH CURRENCY**

GOLD, DXY, USD/JPY (i.e weaker Yen) , BPS

- **BEARISH CURRENCY -**

EURO, AUD,

- **NEUTRAL CURRENCY**

None

Portfolio – Overview

- *Currency Portfolio is well balanced. We are **Long DXY**, & **Short EUR**, both are moving well since our Triggers and acting as Good Hedges against Short term correction & bottoming volatility in **GOLD**.*
- *In this correction in **GOLD** for possibly one last final rally up. Our accumulation prices for **Net Long Position** are much closer to lower end of “correction CZ” lows . We have profit Cushion of (220 points) on **½ Recycling Position** having exited at highs 1770 & great desirable entry point on **½ Core position** (original entry at 1540). **This is Providing us the holding power***
- **Short AUD** moving well since our Trigger.
-
- **BPS** – Exited our position little early – Perhaps !!. & then it had mini Crash. We are now going Net Long @ 1.505 as per **Announcement**

Currency Overview

Currency Market has continued to remain volatile and should remain so this year. Bernanke's term expires next January. Fed's exit strategy from its aggressive monetary policies should get more complicated as we approach year end due to uncertainty. It suggests Money should move rapidly cross borders in 2nd half this year. .

To date, the euro has retraced almost half of its prior rally gains. At the same time the US equity markets have been on rise unlike previously both have moved in sync, possibly due to the Fed keeping US Equity levitated with QE's.

The euro has a potential – PEC-D confirmed “Head-and-Shoulders” top, a breakdown below projects a large drop. That would, raise the US Dollar Index substantially. Euro is the majority component of DXY. In such crises GOLD should move higher along with DXY.

This potential Drop in the euro could be setting up for later in the year, not necessarily immediately. One thing to consider is that as the euro moves down to test the shoulder line, the buy-the-dips crowd should kick in. If the euro breaks through that line, the dip-buyers will be quick to exit, with most reversing from long to short. This potential for a mini-crash in the euro would be consistent with the DXY holding its long term support line and accelerating to the upside:

BULLISH DXY - has rallied quite furiously to its first Bullish leg up from base CZ 79-79.50). It is slightly extended. Pull back should be in order. Once DXY begins its 2nd leg up, it should hammer risk-on markets hard in the 2nd half of 2013. We are looking for upward acceleration in Price and Volume to Bullish Top @ 85-84 once USD close above 82.5.

BULLISH USD/YEN . (i.e YEN is going to weaken). This pair continues to move higher beating 3rd ABC ups on Bullish Tops. This appears to be Triangular top within Bull Market. Pull back to CZ 90-88 and continuation move higher for next ABC up. USD / YEN should be another profitable up move in 2013 .

CAUTION EURO & AUD - We are CAUTIOUS on both. AUD Triggered @ 1.05 –PEC-D & EURO Triggered at 1.35 – PEC-D are on decline towards our target.

BULLISH GBP - Short term is bottoming out at 1.5 for rally .

GOLD – “BULLISH” - Short Term Bottoming volatility

Brief Overview -

The large Commercials have moved to the levels of net short that marked the 2008 low and the January 2011 low. The Commercials are always net short, because producers use futures contracts to sell forward their inventory.

Monday 03/04) was a Venus/Jupiter aspect which typically impacts GOLD prices. This cycle has at times 1 week lag

Bottoming process - Past several weeks we pointed out the upcoming Secondary Re test of **CZ 1620-1635 was** required to complete the down move with **Down Thrust (1600) now prices are at 1580 (extended)** . GOLD tends to get stretched in both direction. It is the organic nature of this Market. GOLD needs to come back within CZ range to 1625. On Monthly & weekly chart's Bullish bottom is still intact suggesting the force is still left on upside in spite of this pull back.

The High volume lows of **1560** is tested but we still feel one last smash down before this market gets traction on upside . Any bounce without such test should be short lived.

DXY ,(Net Long) is finishing its ABC up, its pull back should result as bounce in GOLD. Back & fill” . is required to digest this decline.

Upon completion of the bottoming , GOLD would initiate a Fifth wave rally. In the gold market, the fifth wave is usually the strongest of them all. The rally attempts towards our target of **CZ 1690-1710**, requires higher volume to break this CZ till such time there should be few false starts.

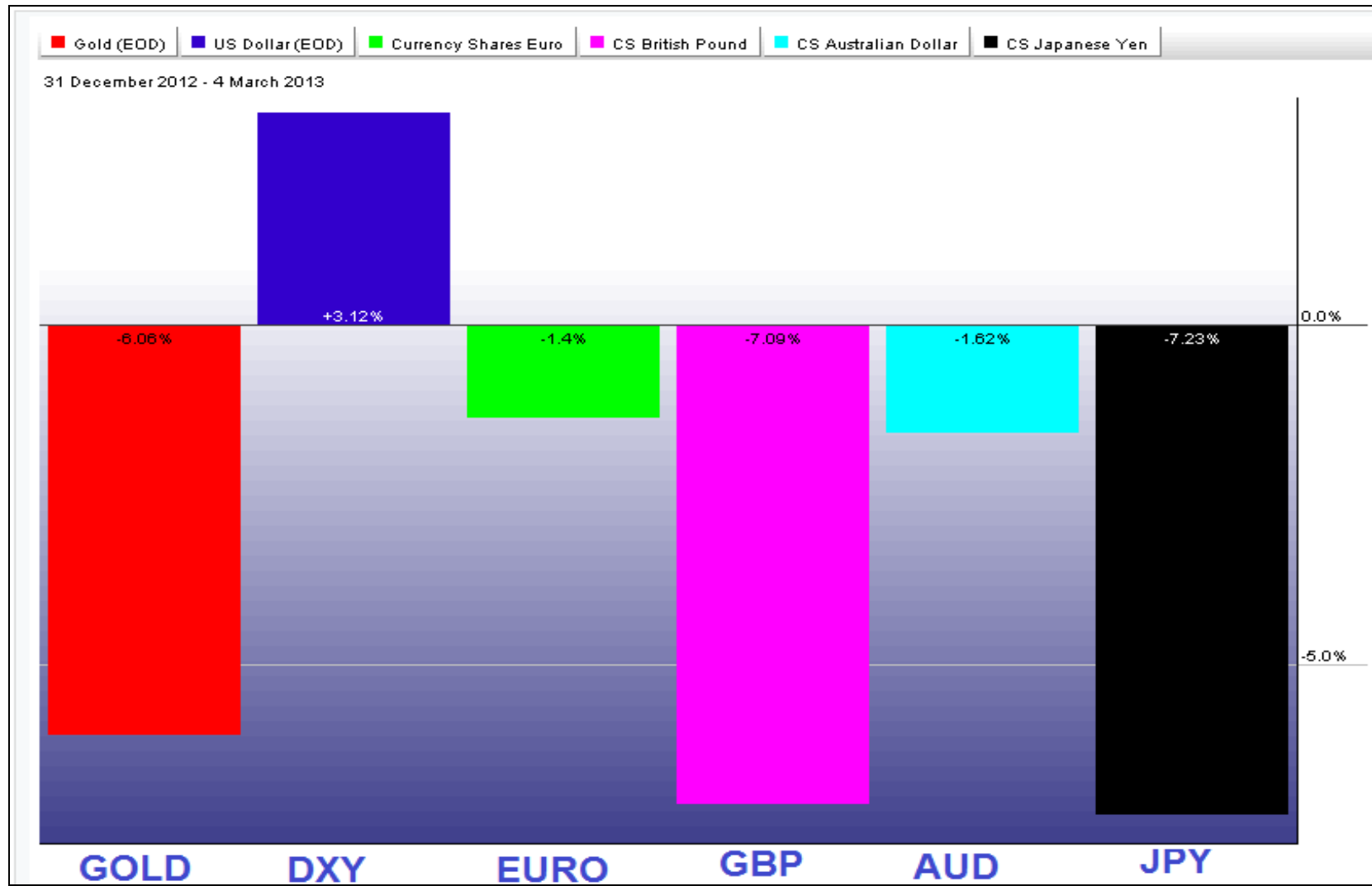
Our **ALERT on 1/05** , Re –Entry in GOLD @ 1645 remains – Net long , Our core entry GOLD (1548) and timely Caution exit (1770) on 9/17 for ½ recycling position, we booked 220 point profit. We re entered back on exited position @ 1645. & avoided the decline till re –entry @ 1645= 125 points - **(PS : 2 stop cost 10 point**

GOLD - Remains 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.

YTD - Currency performance v/s USD

Weakest and strongest currencies - For Hedging Global Portfolios against currency moves.

2013 - Strength / weakness. Chart below is our Inter market Analysis Model with Ratio Relative performance v/s USD .



GOLD – CZ/ PEC- D Analysis – – Daily chart

Texture - BULLISH TOP & BULLISH BOTTOM. (in Monthly & weekly) - ST Bottoming volatility

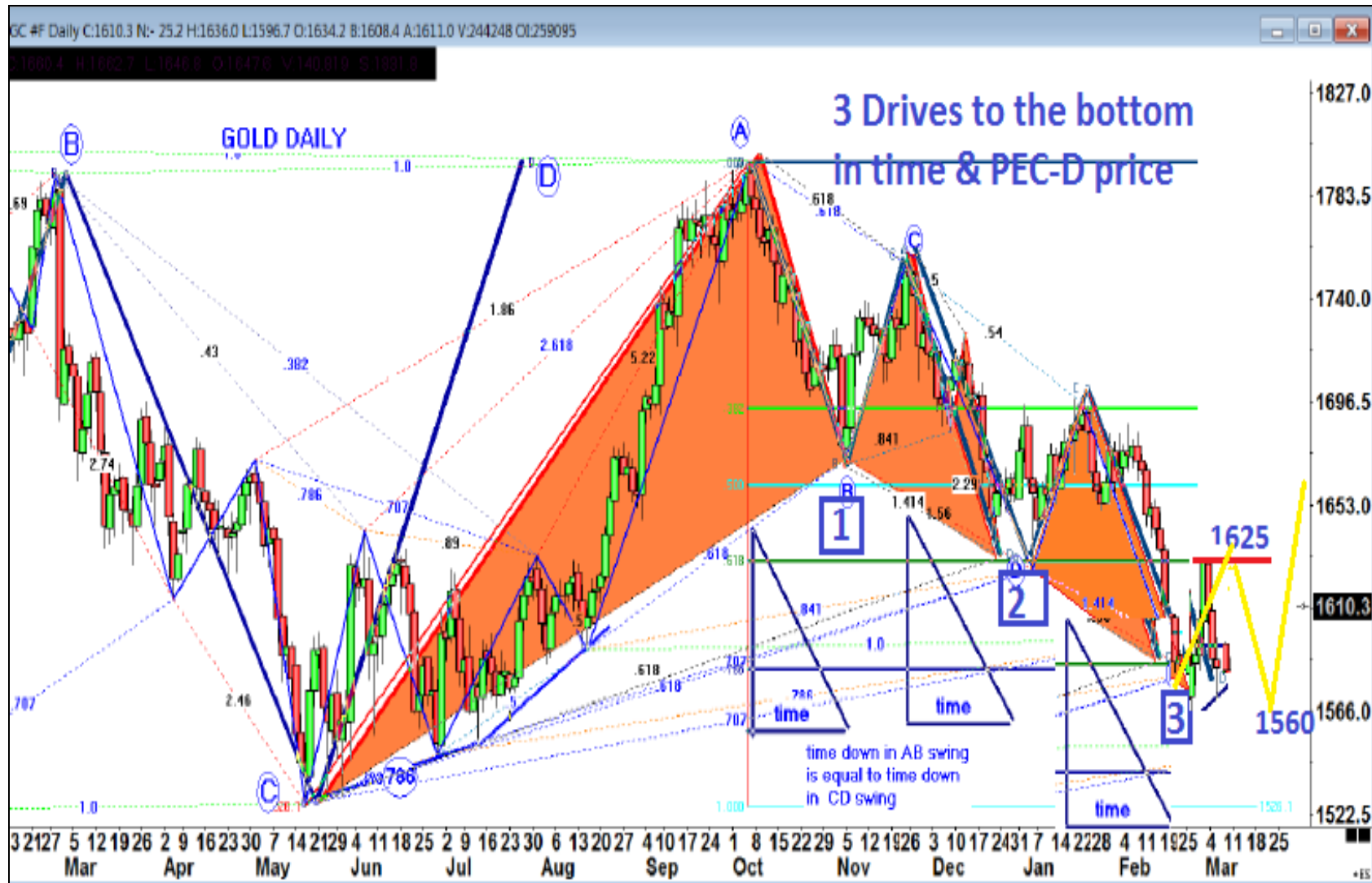
Downside – Down Thrust to 1580 has heavy volume within PEC-D 1625 for secondary Retest . Volume *needs to be diffused with another re test. We think one smash down is required to 1560 lows*

Upside – *Close above CZ at 1625 level is required to initiate up move.* .



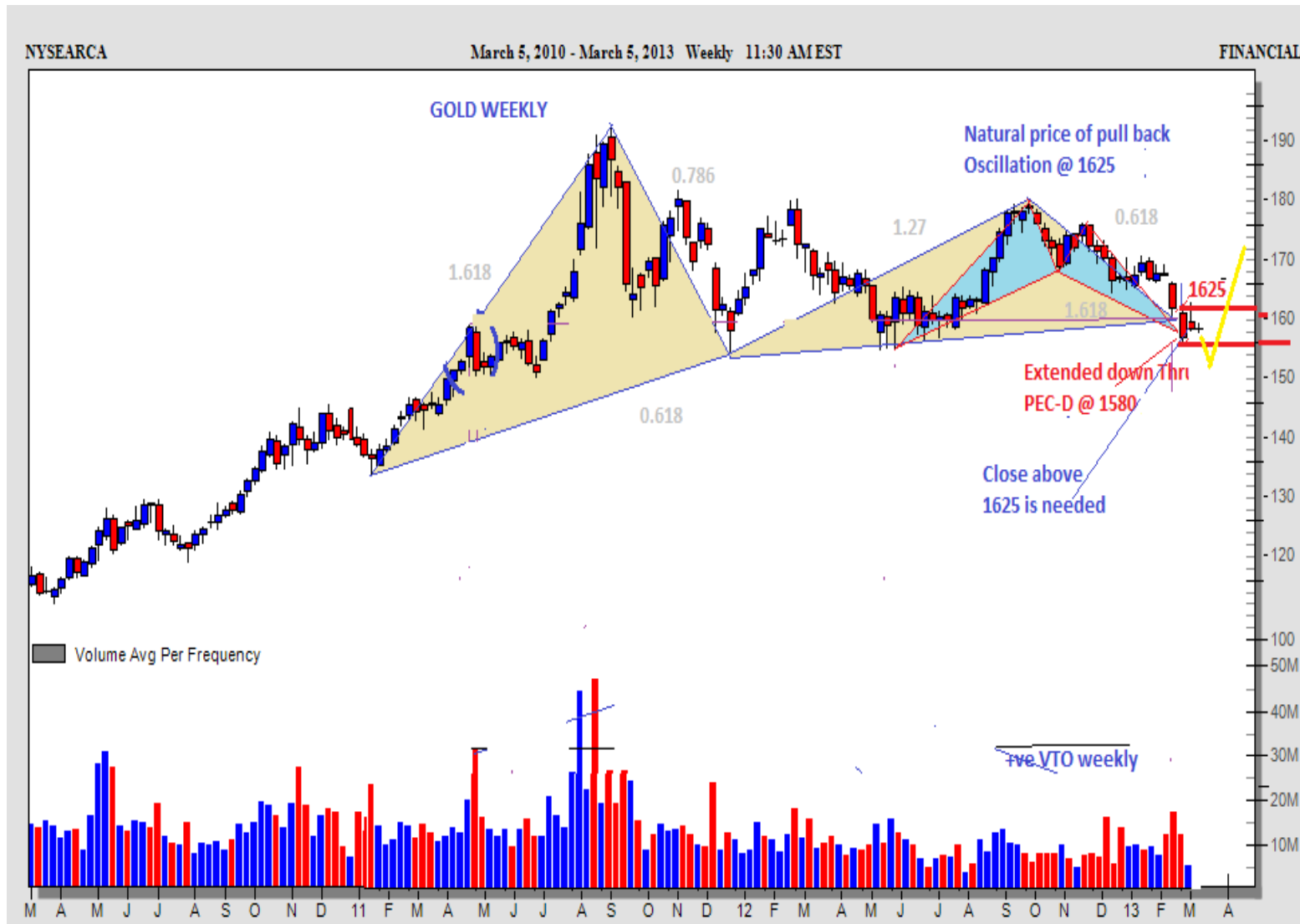
GOLD – “3 – Drives to the Bottom” Analysis – Daily chart

It appears “3 drives to the bottom”(In Time & PEC-D Price validated ”) which usually has bounce to neckline of broken CZ 1620-1635 followed by re test of lows 1560 as indicated in price path yellow



GOLD – CZ/ PEC- D Analysis – *Bullish* – Weekly chart - *ST Bottoming volatility*

Downside – Weekly Down thrust extended price *target 1580 met* , Larger PEC-D @ 1625 for secondary Retest , VTO +VE
(Refer volume notes in chart below)

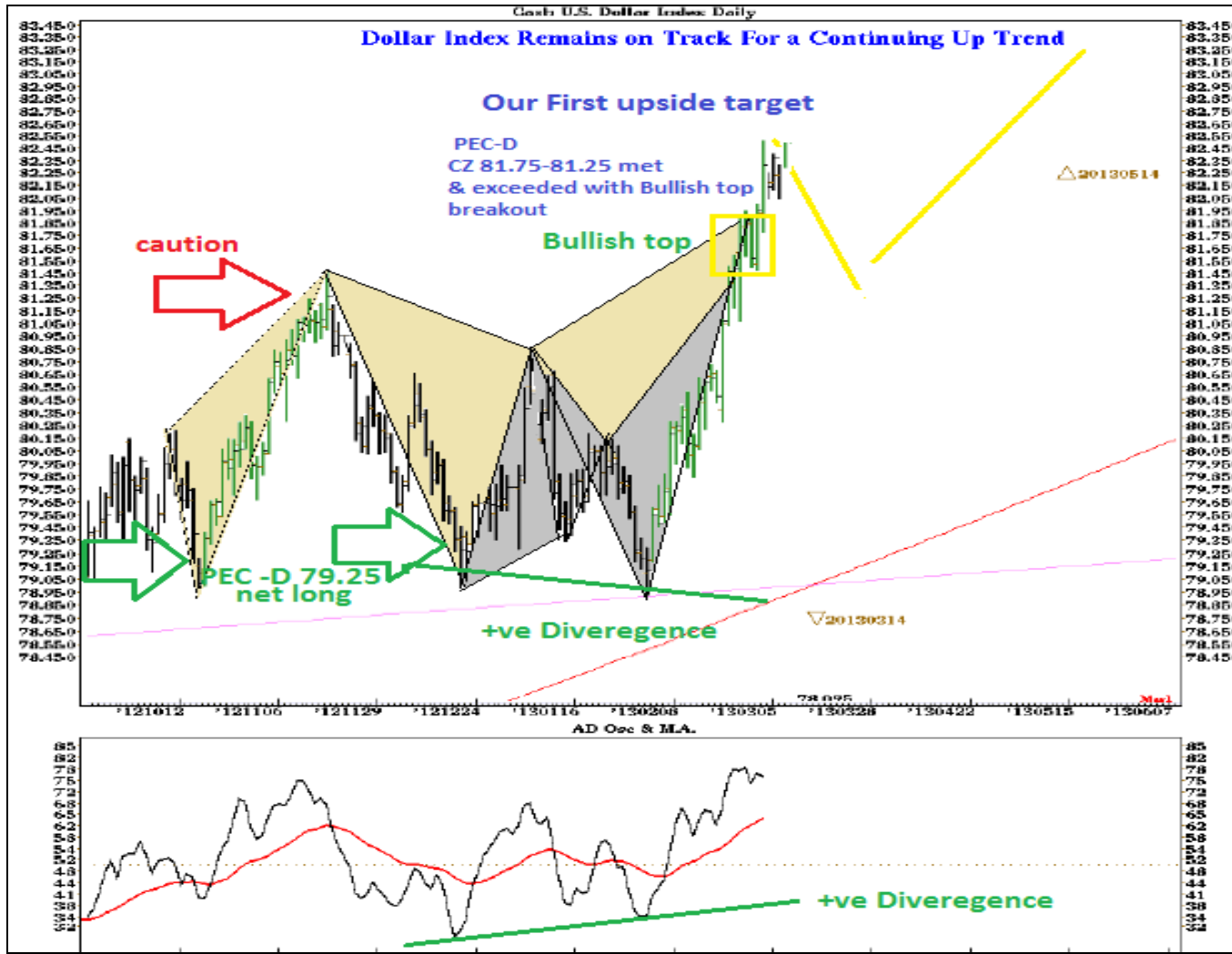


DXY (\$ USD) – CZ / PEC D – Analysis – **Bullish**

Upside - CZ – 81.75- 81.25 Met & exceeded - Powerful rally as expected is approached CZ with a Bullish top

Downside - Pull back first then move higher . DXY is Building Major base with Bullish bottom with +VE divergence

Main entry @ 72 Net Long Trigger



DXY (\$ USD) – Poly-Trend – Analysis – **Bullish** – Weekly

Bigger picture, DXY has formed great long term bottom on poly trend line. **This move may take few years.**

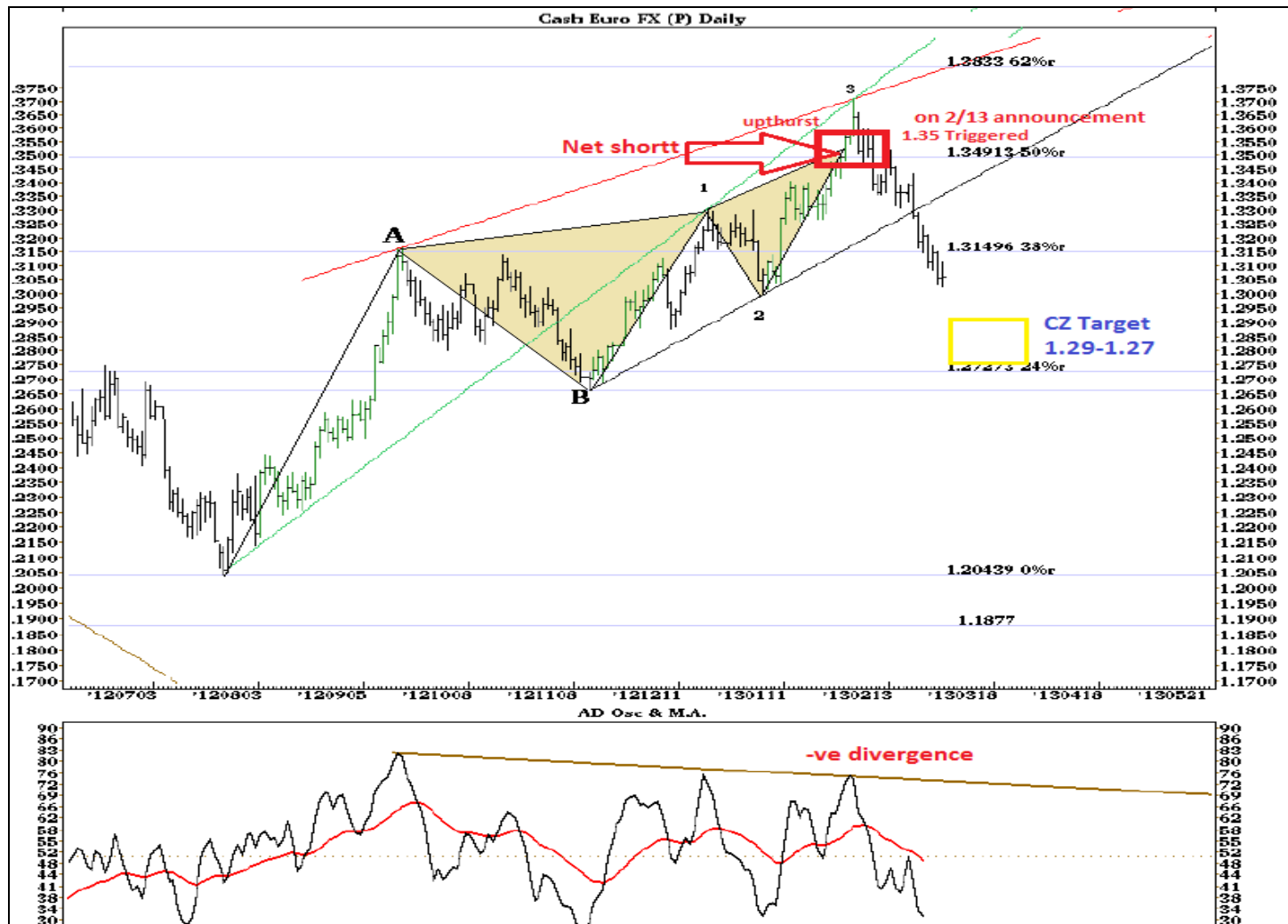


EURO / USD – CZ/ PEC Analysis – *Caution-Daily*

Upside target – CZ – 1.36-1.345 failed & 1.35 Triggered . EUR is still in –ve divergence.

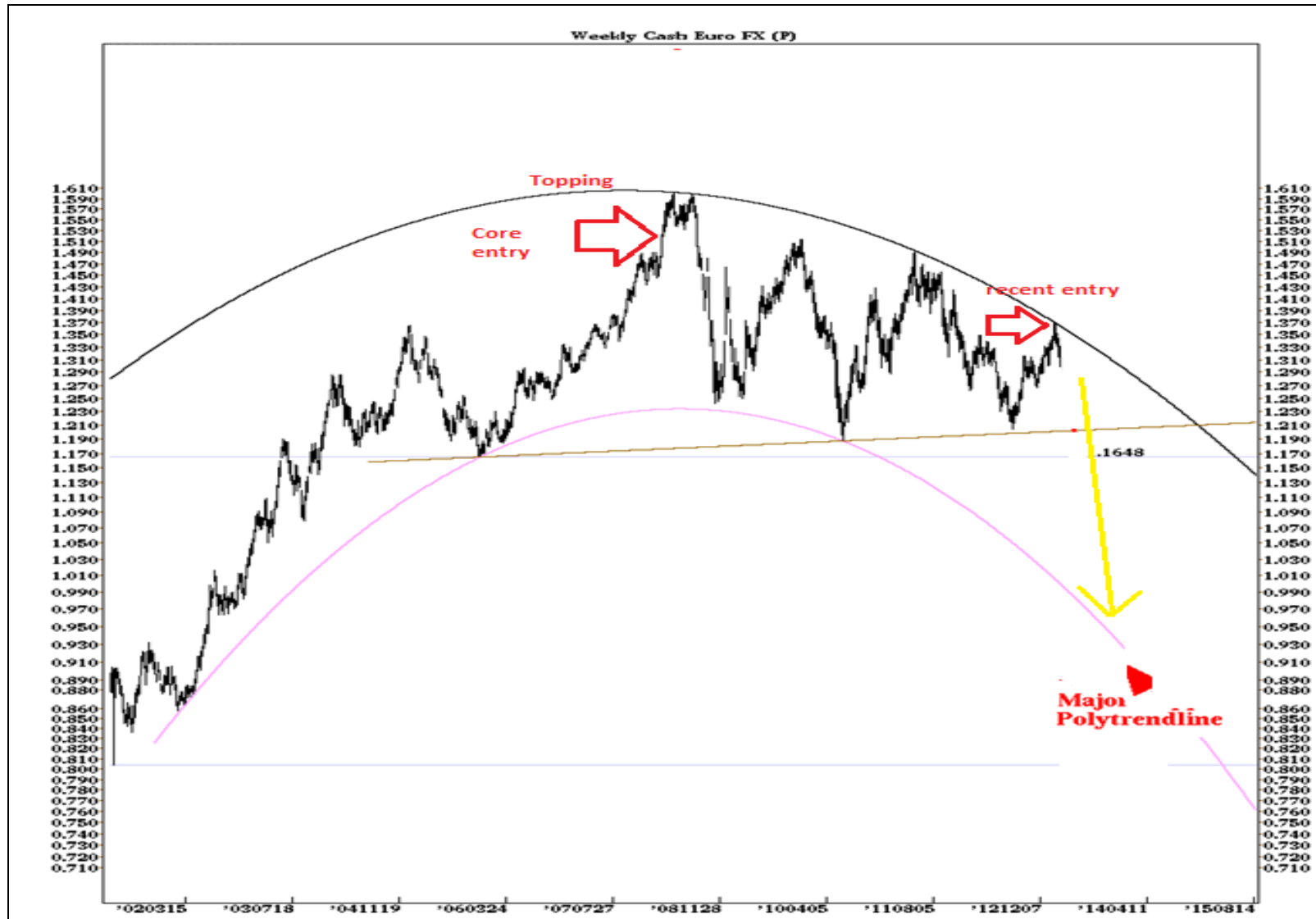
Downside - PEC –D @ 1.28

Main entry @ 1.49 - Net short Trigger .



EURO / USD – Poly- Trend – Analysis – *Bearish* - Weekly

Bigger picture, EURO has formed great long term Top on poly trend line. This move may take few years.

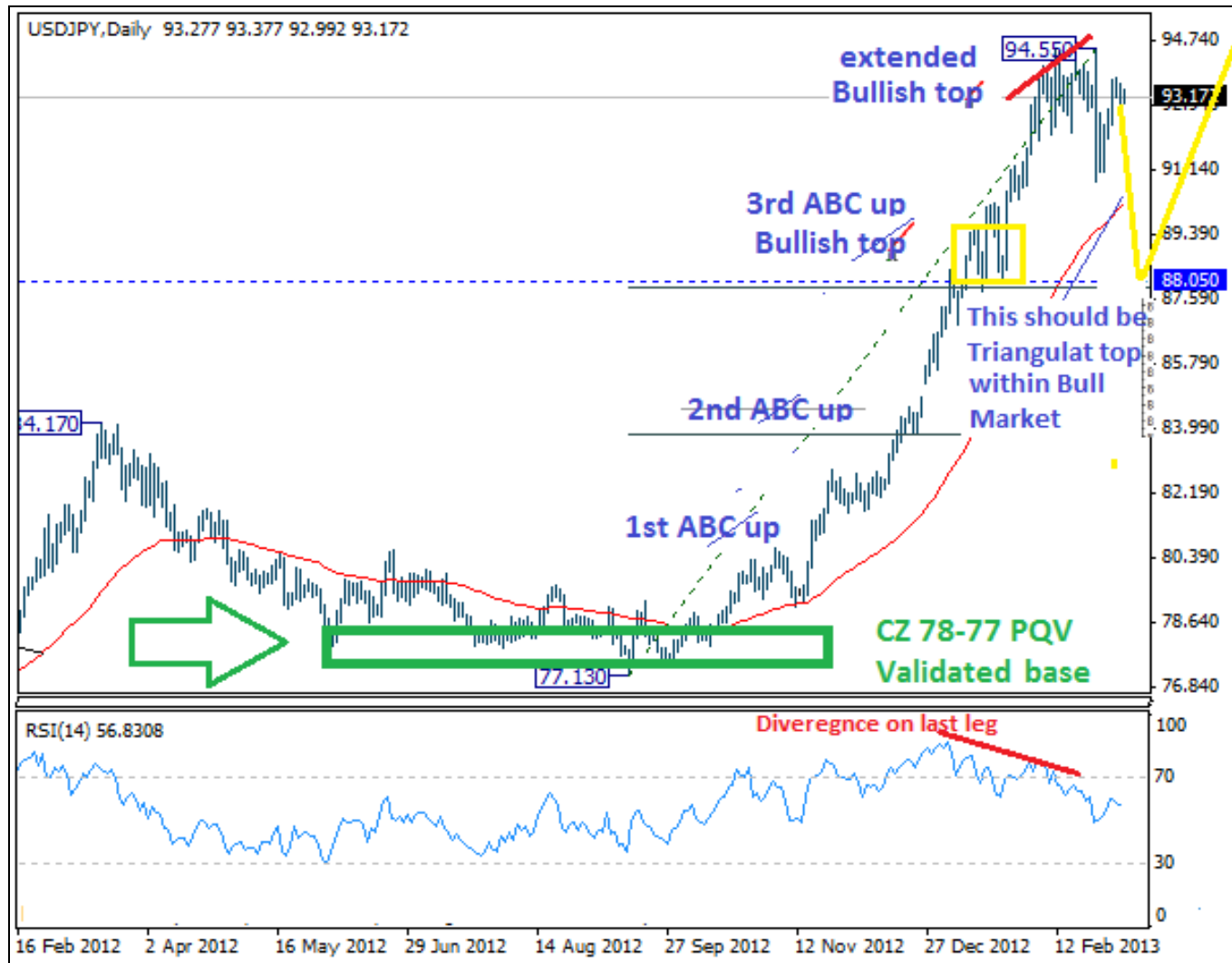


YEN / USD – PEC-D Analysis - **Bullish** - **ST Caution @ 89 on 1/11 Alert** – **Daily**

Upside - Extended to unusual 4th ABC up with Bullish top with –ve divergence. . This is Triangular Top in Bull Market.

Pull back target – CZ – 88-90 , For Next ABC up. .

Main entry in YEN / USD @ 76 – Net long Trigger .



YEN / USD – PEC-D Analysis - **Bullish** - **ST Caution @ 89 on 1/11 Alert** – **Weekly**

Downside - pull back CZ 88-90 move higher for next leg up .



AUD/USD – CZ / PEC –D Analysis – *Caution-*

Downside - CZ 1.025-1.02 met & now should result in bounce. .

Upside target – CZ – 1.05-1.06, Trigger @ 1.05. This was meaningful 3 Drives to the top pattern PEC-D Validated . Risk Management @ 1.07

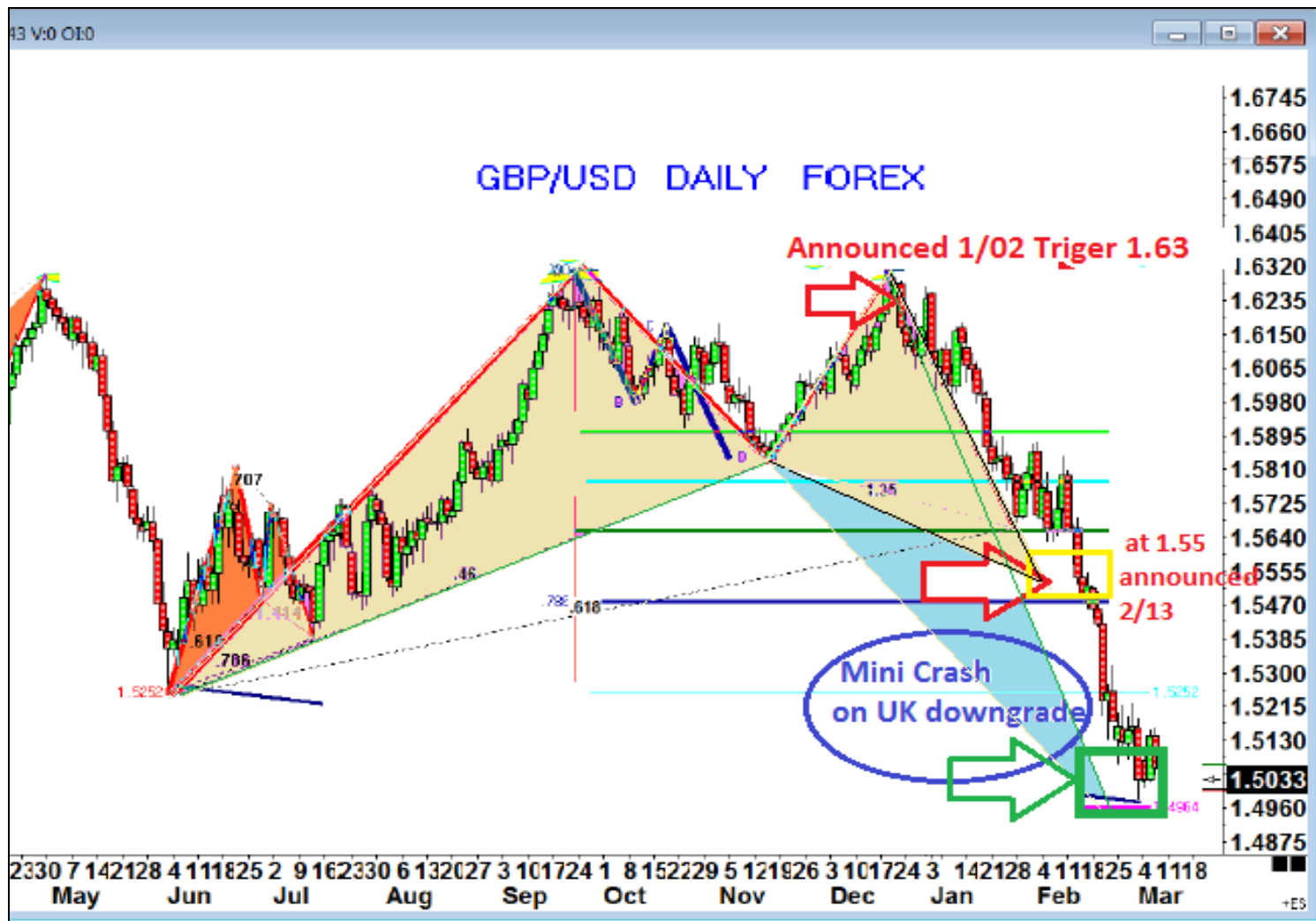
Main entry @ 1.09 Net short Trigger



GBP / USD – PEC Analysis – *Bullish*

Downside - CZ 1.51-1.49 is tested AND now should rally from this CZ, We have Trigger in CZ. Risk Management @ 1.48

Upside target – CZ 1.55-1.56,



DXY (USD) – “BULLISH”

DYX 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.

EUR / USD – “CAUTION”

EURO 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

USD/JPY – BULLISH”

USD / JPY 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 .

GBP/USD – “BULLISH”-ST

GBP 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 .

AUD / USD – “CAUTION

AUD 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 .

Appendix Content

- 2012 YTD – 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.*
 - *Externe Indicator Analysis*

Critical backdrop Notes –

- *Price path Analysis is running commentary of the Market’s price behavior , Not a Trade Signal.*
- *Intermittent CZ’s are Short time out / Risk management for overweight position / rebalancing spots. Unless your own Portfolio objective demands.*
- *POM’s are Action points. Also at times Action points is at Main CZ’s when specifically announced Triggers.*
- *Model does not encourage Buying in between unless its false break upside or false break downside soon after POM / Main CZ Trigger and is specifically announced . Model stays with Trend POM to POM Signal.*

- **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*

GOLD- 2012 –REAL TIME TURNS– POM & CZ



GOLD - YTD - Gains + 100 Points ————— + 6 %

POM 13 - Gains + 400 Points (2 Signals) ————— + 24%

POM 14 to 13 - Partially Hedged & Risk Management saving +300 points (2 Signals) — +18%

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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