Saturday, June 09, 2012
Weekend Edition

FOREX OUTLOOK

A Traders Academy International Publication

Discordant Central Bank Actions

Central bankers have been flooding the markets with statements for the past few weeks, embarking markets a rollercoaster ride. After the G-7, Japanese Finance Ministers stated no G-7 participant opposed the idea of coordinated intervention to counter a strengthening Yen. USD-JPY strengthened for four consecutive trading sessions, gaining 2.32%.

The RBA released its interest rate decision on Tuesday. As expected, the RBA cut its benchmark rate by 25 basis points when overnight index swaps were pricing in a 50bp monetary easing. The move however, proved to be reasonable in light of the Australian GDP published the next day that showed the economy has expanded by 1.3% quarter-on-quarter, more than double what analysts had forecast. The Australian Dollar rose against most of its counterparts on the news, and scored a 3-session gain of 3.11% vs. the US Dollar up from an 8-month low.

The Chinese central bank intervened Thursday through an interest rate cut of 25 basis points and rescheduled the tightening of lending rules for early 2013. The move was a surprise as the PBoC was seen joggling with RRR ratios since 2008 to control the markets. The RBA and PBoC easing were not followed by other main central banks such as the ECB, BoE and the Fed.

The ECB did not slash its interest rate to record lows in fear of paralyzing inter-bank lending markets, which the central bank is trying so hard to avoid through its permanent allotments. What's more, the BoE decided to maintain its Asset Purchase Target at £325 billion and its interest rate at 0.50%, disregarding the evident deterioration of the UK economy marked by a sticky inflation, slow wage increases and lower than expected PPI Input and Output (0.1% vs. 1.3% and -0.2% vs. 0.1% respectively).

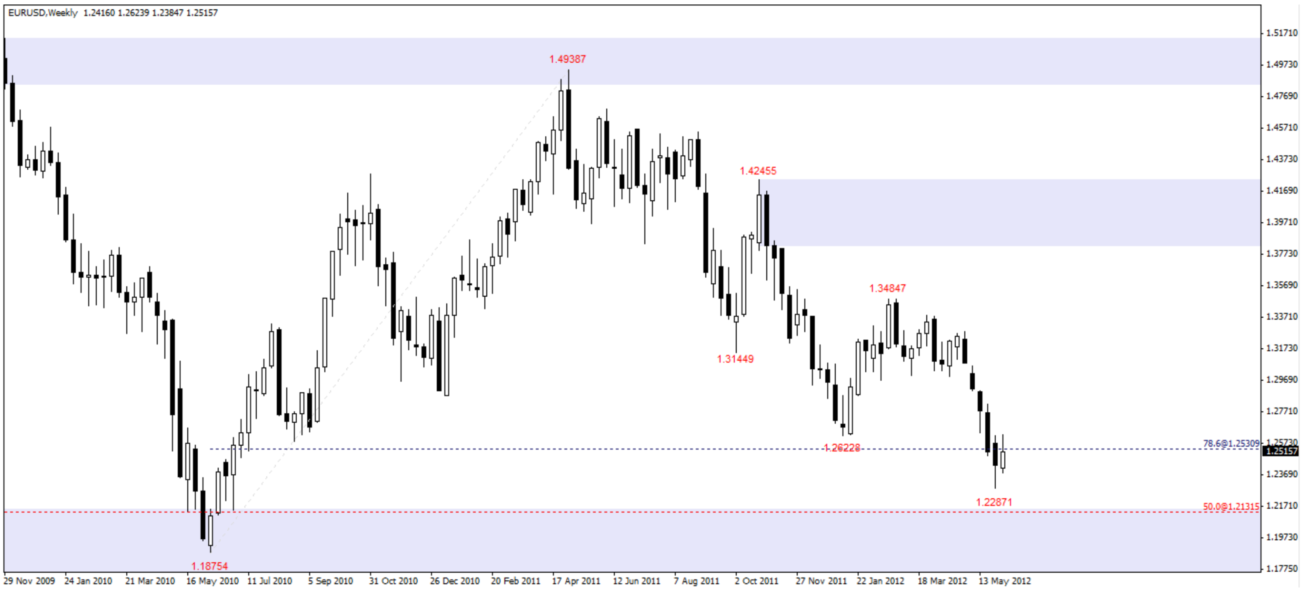
Bernanke's testimony Thursday in front of Congress took its toll on the frail recovering markets, slashing risk appetite even though the Fed's Chairman stuck to general statements. As a matter of fact, Bernanke confirmed that the situation in Europe is a big factor for the US recovery, and the Fed will be watching the progress to measure whether it would intervene further. The Chairman also assured the central bank had more instruments to shore up the economy without revealing the details, and that the Fed stands ready to act after its studies the situation.

EUR-USD dropped 1.36% from Thursday's high to 1.2453, and most major followed. USD-JPY lost 0.50% as the BoJ is seen failing to counter safe-haven appreciation. Gold dived 4.16% over the Bernanke statement, the second of its kind following a fall of -5.82% on February 29th. The question remains though if the RBA and the PBoC acted too early, or if the Fed, BoE and ECB are not capturing the full scope of the current global economic situation. Analysts believe more will be uncovered by June 17th Greek elections, and the June 18-19 G-20 summit.

Content:

EUR-USD MONTHLY

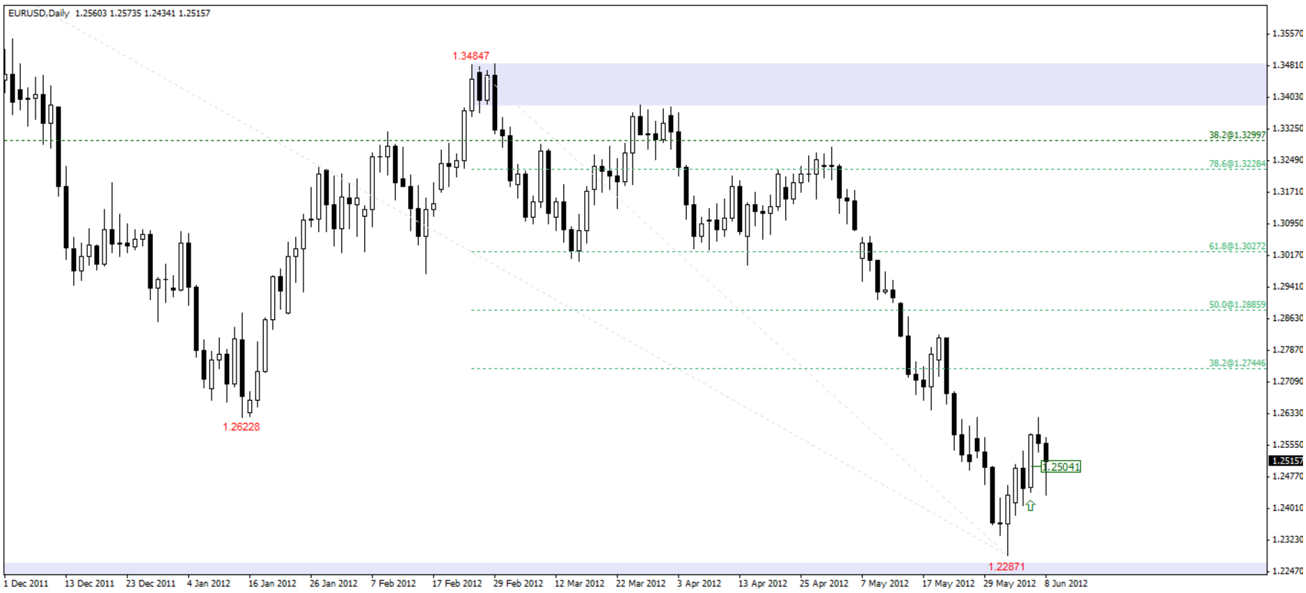
EUR-USD WEEKLY



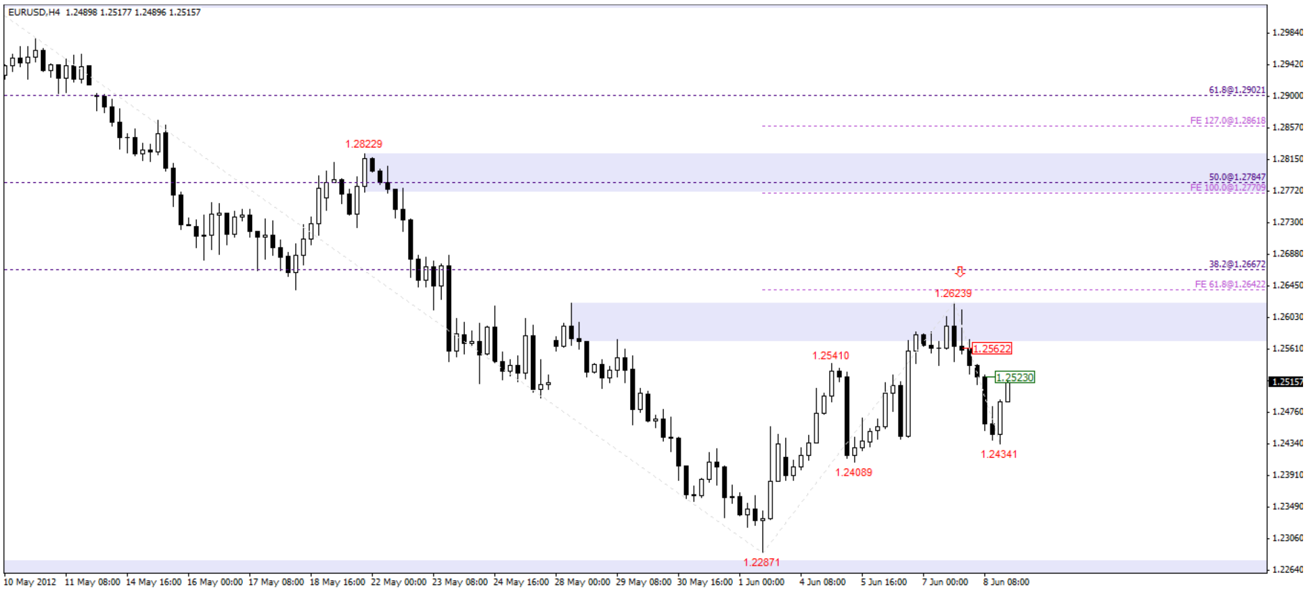
EUR-USD The Big Picture

In the bigger picture, the rise from 0.82250 to 1.60370 is part of a longer-term rally. Likewise, the fall from the July 15, 2008 high of 1.60370 marked the start of a long-term consolidation/continuation pattern which may ultimately stretch to the 61.8% retracement of 0.82250 to 1.60370 at **1.12092**; from which price action is likely to rise beyond its all-time high in a multi-year rally. As noted, the 100.0% projection of 1.49387 to 1.31449 from 1.42445 at **1.24507** represents perhaps the last line of defense before an all-out assault on the 2001 low of **1.18754** begins in earnest. . The entire month of May saw a loss of some 900 pips or so. The first week of June saw price action registering a low at **1.22871** before profit-taking into the second week of June. For the first time in five weeks, this market stopped falling. Over the longer-term, this fall from 1.49387 is merely an extension of the longer-term flag formation which may ultimately stretch to the 61.8% retracement of 0.82250 to 1.60370 at **1.12092**.

EUR-USD DAILY



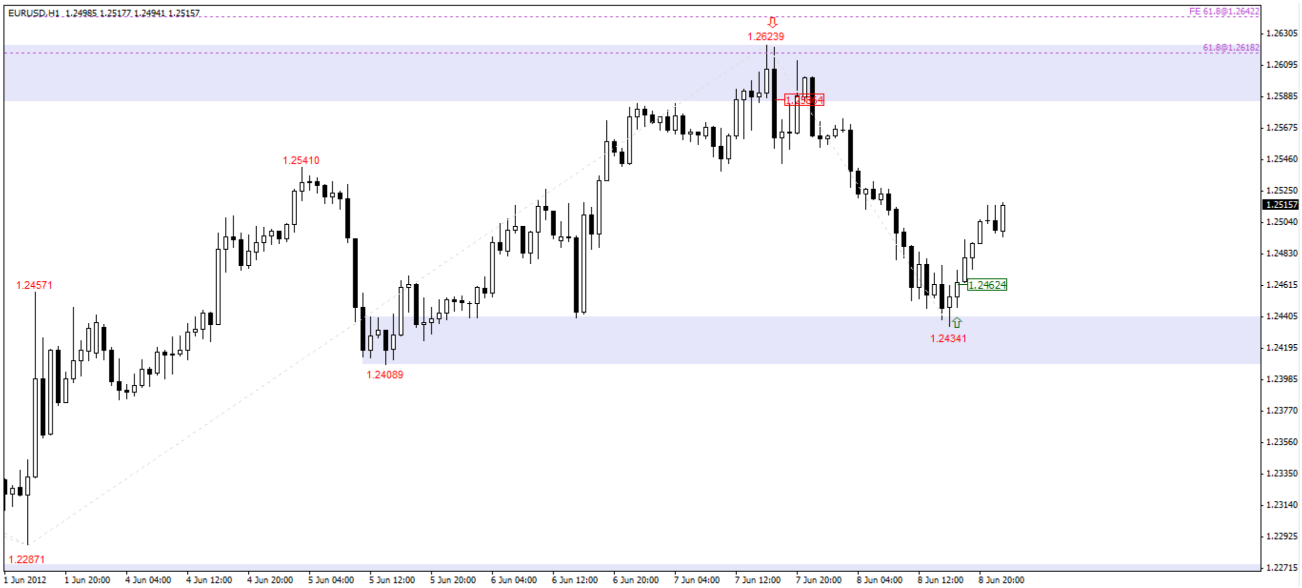
EUR-USD 4-HOURLY



EUR-USD Short to Medium-Term Views

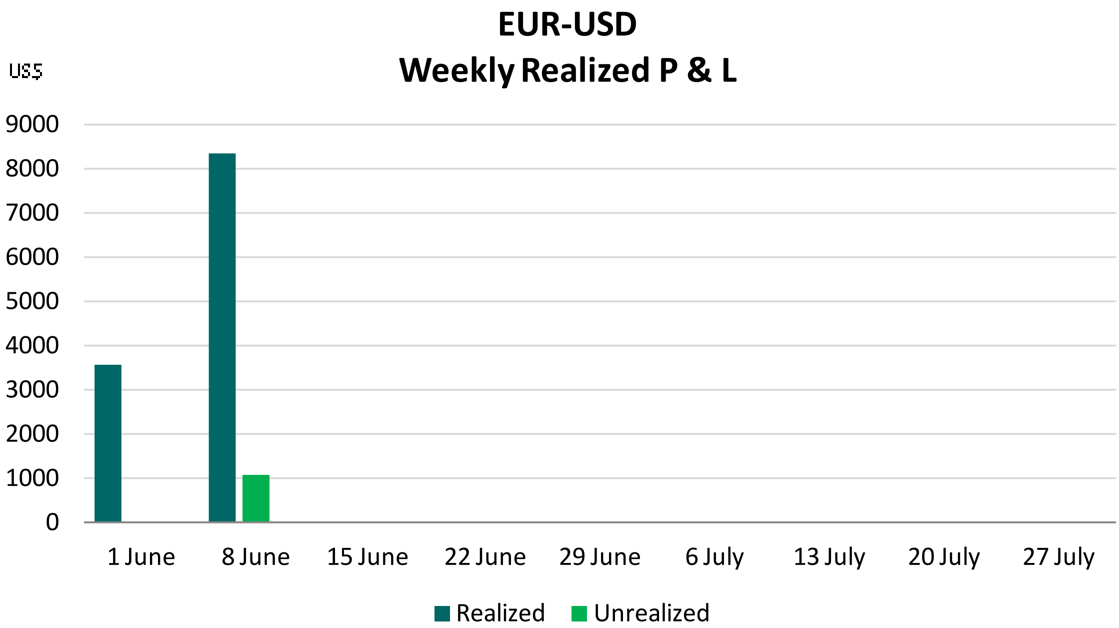
Price action has probably completed an initial 3-wave up from last Friday's low of 1.22871 and is set to stage possibly another 3-wave up to above Thursday's high of 1.26239. If so, an initial target is the 61.8% projection of 1.22871 to 1.26239 from 1.24341 at **1.26422**. Ultimately, this next corrective wave up (if it does not accelerate) is probably heading for the 100.0% projection of 1.22871 to 1.26239 from 1.24341 at **1.27709**. This level is incidentally just a touch below a SZ at **1.27717-1.28229** within which lies the 50.0% retracement of 1.32822 to 1.22871 at **1.27847**. This is most ideal outcome. A sell signal from those levels is worth keeping for the medium-term as the low at 1.22871 is expected to be taken out next. If, however, price action falls below the low at **1.22871** first, it would suggest that the fall from 1.34847 has resumed with a possible target at the 50.0% retracement of 0.82250 to 1.60370 at **1.21315** - before attempting the longer-term target at the 61.8% retracement of 0.82250 to 1.60370 at **1.12092**. In between these two targets, lies a major DZ at **1.18846-1.19770**.

EUR-USD 1-HOURLY

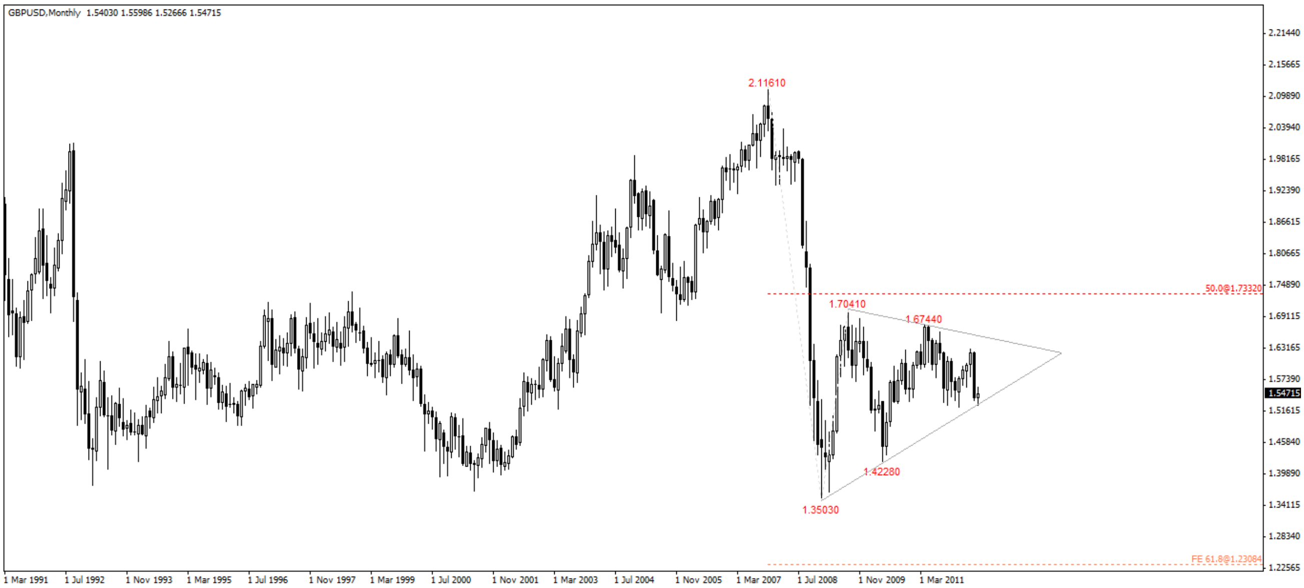


Trade Ideas

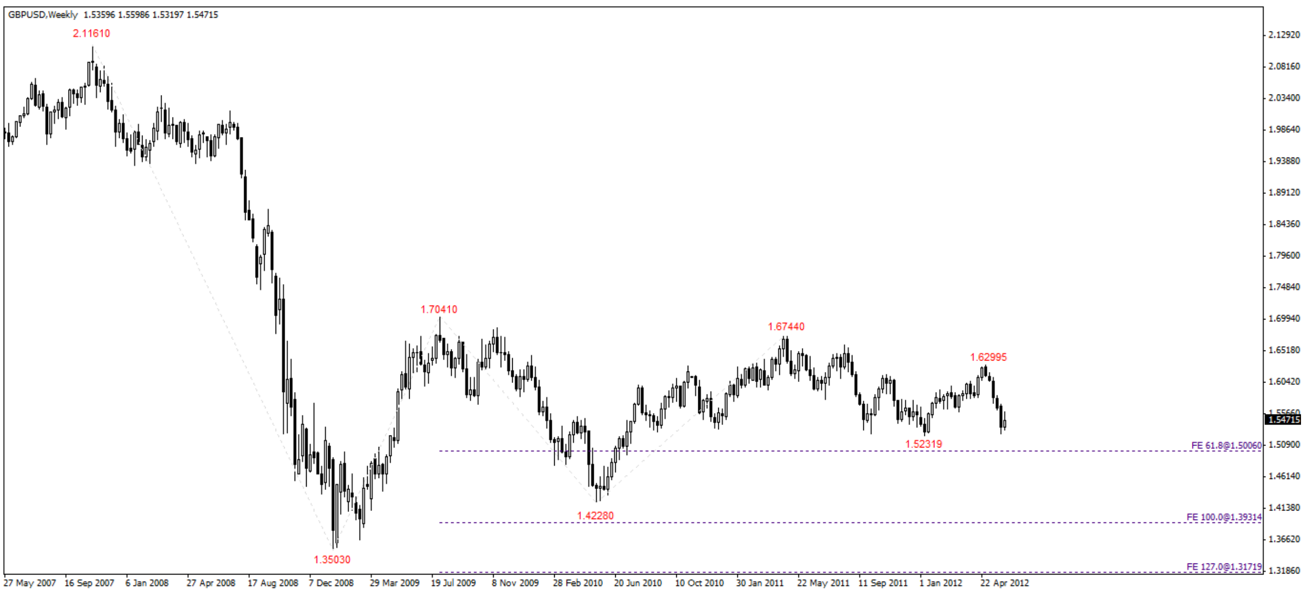
ACTION	Target 1	Target 2	EXIT
Bought @ 1.24624	1.26422	1.27709	Break-even



GBP-USD MONTHLY



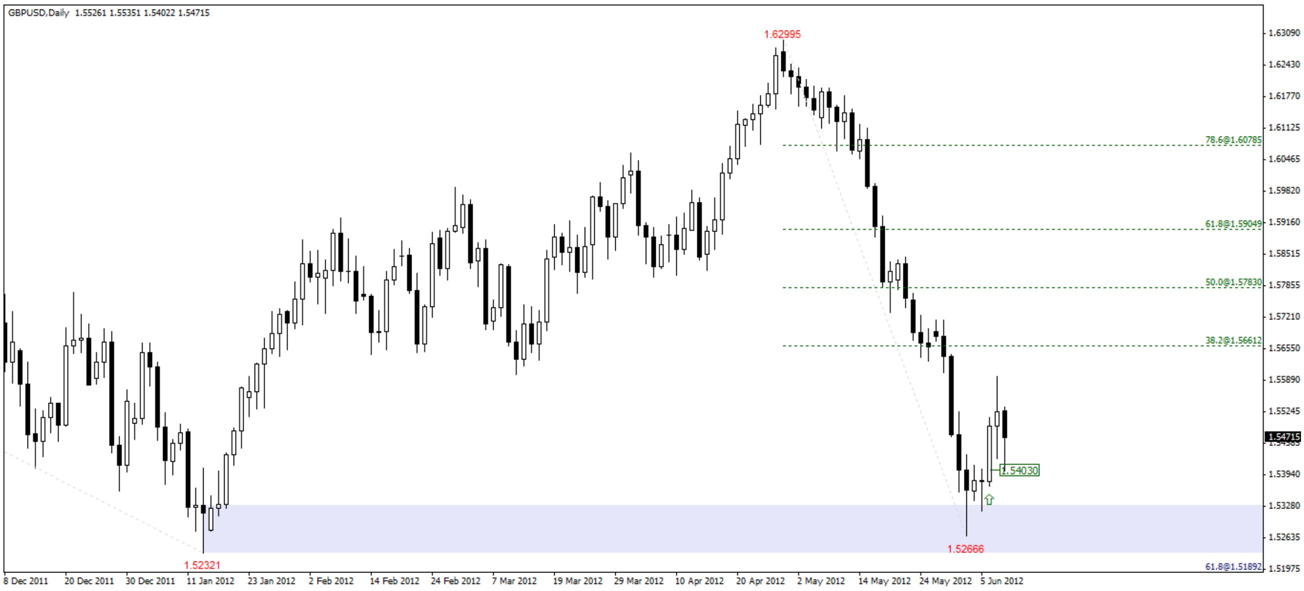
GBP-USD WEEKLY



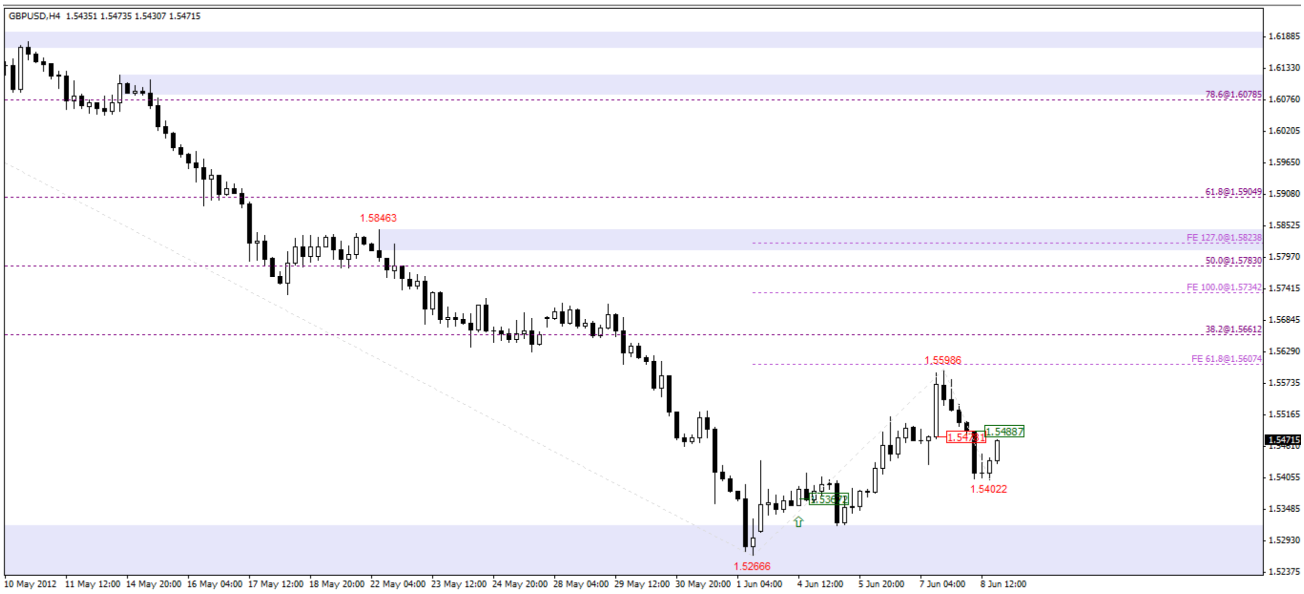
GBP-USD The Big Picture

In the bigger picture, price action from the 2009 low of 1.35030 is treated as a correction to the longer-term downtrend from the 2007 high of 2.11610. This multi-year correction beginning at the start of 2008 is developing into a triangle - which is a continuation pattern. Since the beginning of 2012, price action had rebounded from just above the baseline of the triangle formation near the 61.8% retracement of 1.42280 to 1.67440 at 1.51891 with a low of 1.52319. The rally from there terminated at 1.62995 - on the last day of the April. May began and ended on a decidedly weak note with price action losing some 444.5 pips by the end of the month. The first weekend of June saw price action extending May's losses before rebounding off the baseline of the longer-term triangle formation once again – with a 97-week low at **1.52666**. It is paramount that the baseline of this triangle formation holds and it did – so far. Sustained trading below this line would invariably extend losses towards the longer-term target at the 61.8% projection of 2.11610 to 1.35030 from 1.70410 at **1.23084**.

GBP-USD DAILY



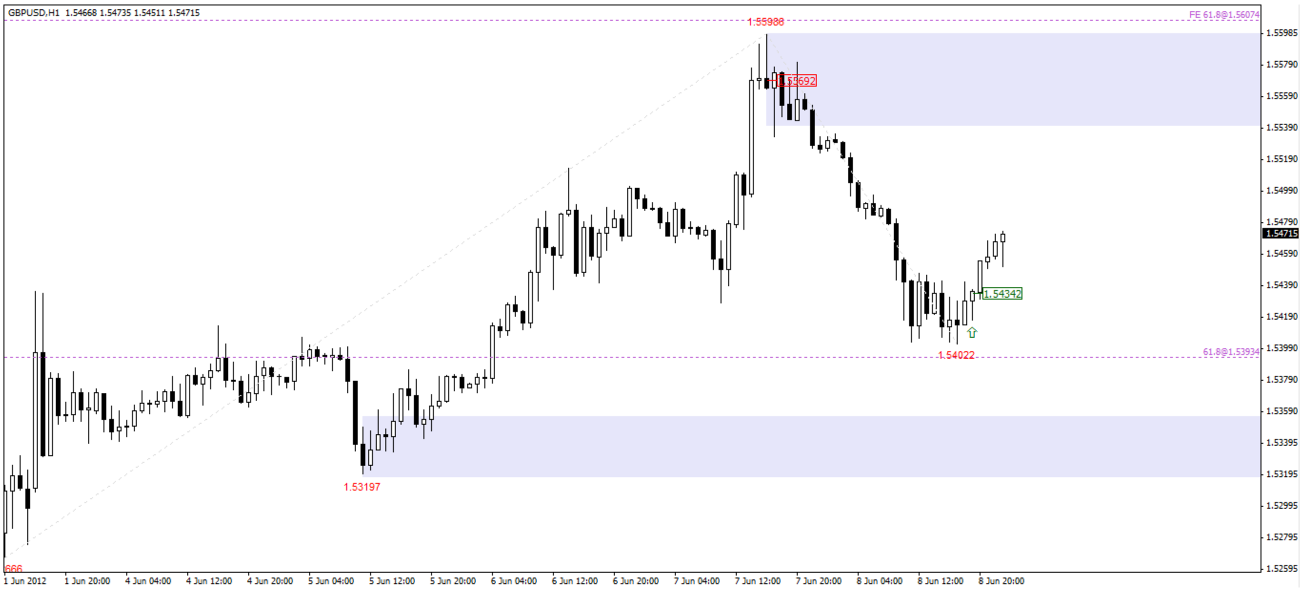
GBP-USD 4-HOURLY



GBP-USD Short to Medium Term Views

The counter-trend rally from last Friday's low of 1.52666 (after hitting a weekly high at 1.55986 on Thursday) pulled back some 61.8% of the rise from 1.52666 at 1.53934 with a print at **1.54022** on Friday and set the stage for possibly another assault on the week's high at **1.55986**. The next wave up has the potential to stretch to the SZ at **1.58087-1.58463** where the 127.0% projection of 1.52666 to 1.55986 from 1.54022 at **1.58238** lies. These levels in turn lay just above the 50.0% retracement of 1.62995 to 1.52666 at **1.57830**. From there, a resumption of the fall from 1.62995 is expected. Of course, this is assuming there is no acceleration to the upside beyond this SZ. A close above **1.54887** in the H4 would add confidence to the buy signal in the H1 chart which was triggered with a close above **1.54342** just after NY midday on Friday. Without this confirmation, there is still a possibility this correction within a correction may yet retrace back towards the immediate DZ at **1.53197-1.53563**. A sustained break below the year's low of **1.52321** would have major long-term bearish implications.

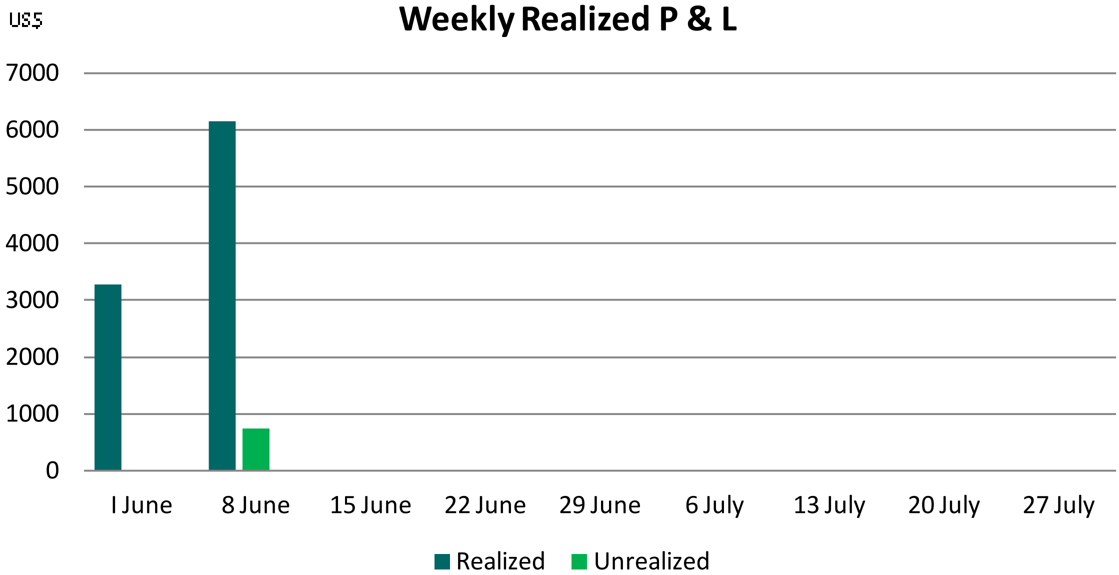
GBP-USD 1-HOURLY



Trade Ideas

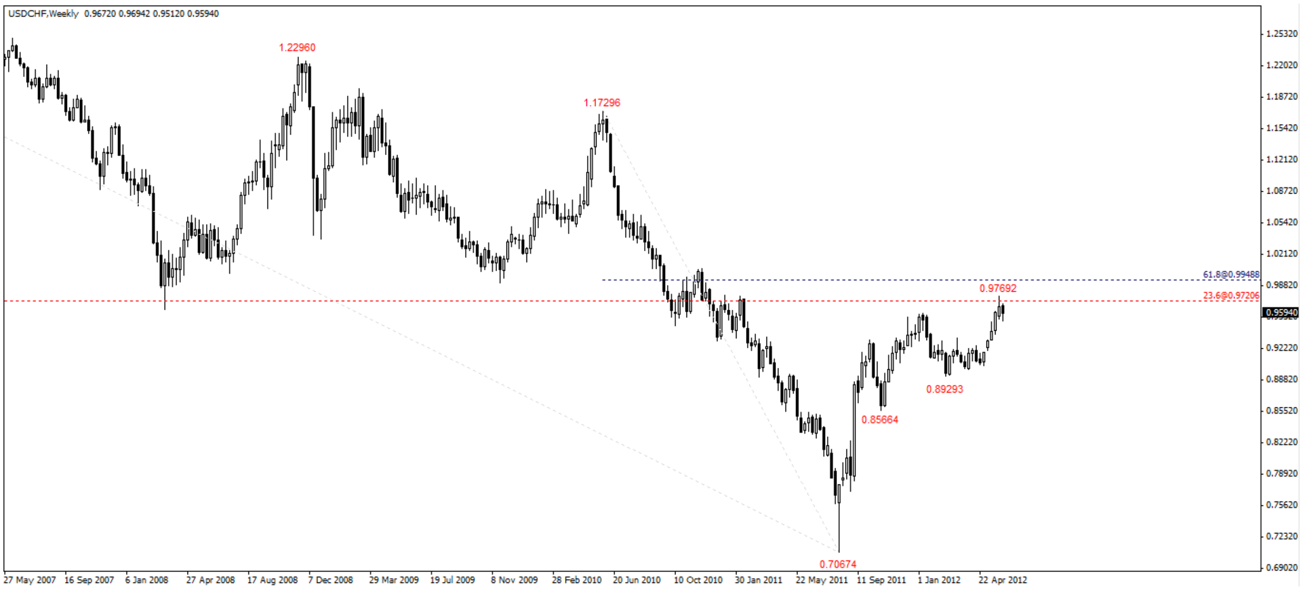
ACTION	Target 1	Target 2	EXIT
Bought @ 1.54342	1.56054	1.58087	Break-even

GBP-USD
Weekly Realized P & L



USD-CHF MONTHLY

USD-CHF WEEKLY

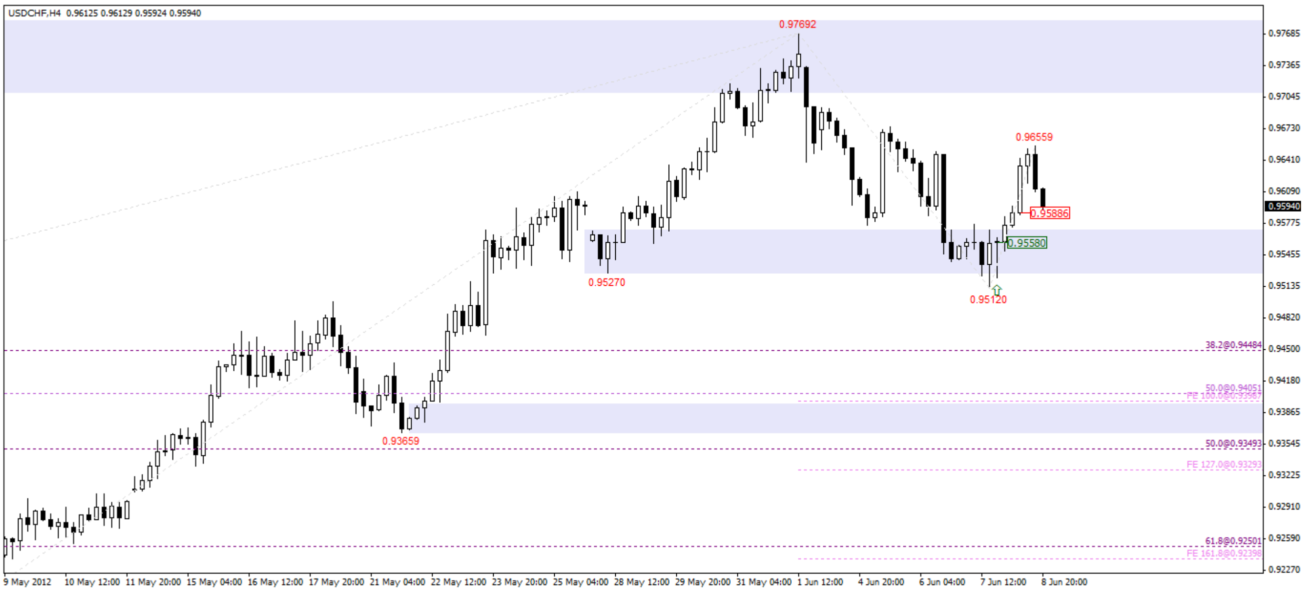


USD-CHF The Big Picture

In the bigger picture, the downtrend from 1.83090 has made an important long-term low at 0.70674 – having fallen short of a longer-term target at the 100.0% projection of 1.83090 to 1.12870 from 1.32830 at 0.62610. The rebound from 0.70674 is presently treated as a correction to this multi-year fall with strong resistance expected at the 38.2% retracement of 1.83090 to 0.70674 at **1.13617**. However, this rebound met headwinds just under the 23.6% retracement of 1.83090 to 0.70674 at **0.97204** with a high of 0.95935 on January 9. After consolidating for some two months, price action is once again on the move. Since the first day of May, what began as a continuation of the consolidation pattern, solidified into a rally above the year's high having registered a 16-month high at **0.97692** by the first trading day of June. This week saw the market taking a breather after five weeks of relentless rallying. Resistance is likely to emerge from between the 23.6% retracement of 1.83090 to 0.70677 at **0.97206** and the 61.8% retracement of 1.17296 to 0.70677 at **0.99488**; which is incidentally near the 61.8% projection of 0.70677 to 0.93132 from 0.85669 at **0.99546**.

USD-CHF DAILY

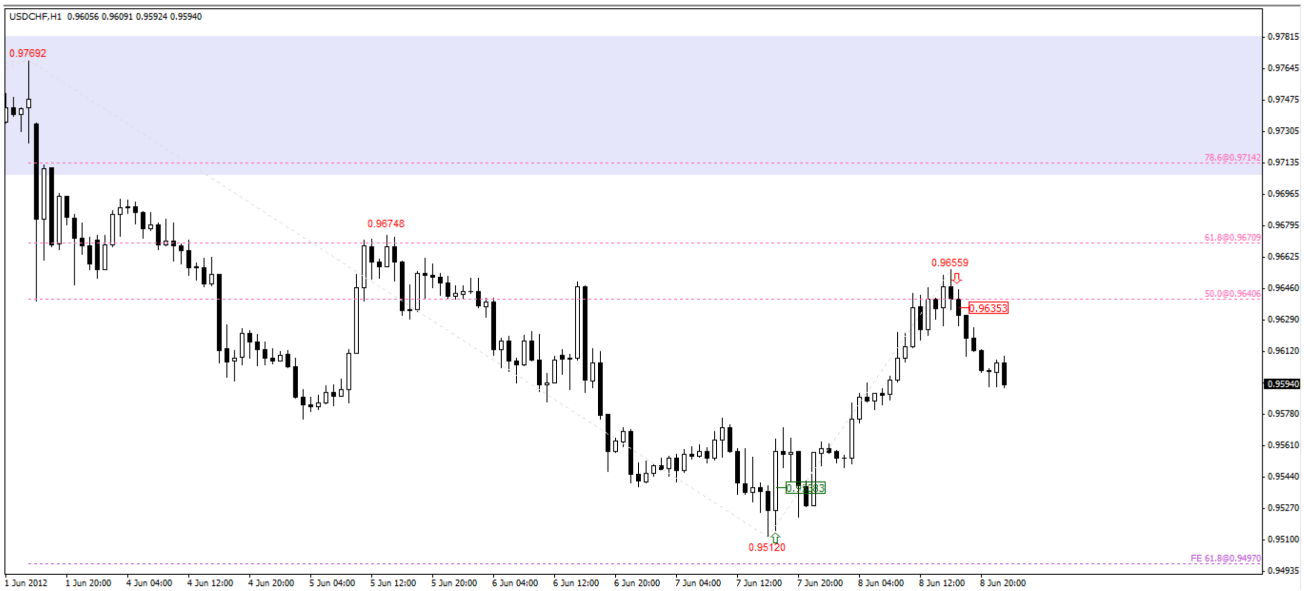
USD-CHF 4-HOURLY



USD-CHF Short to Medium Term View

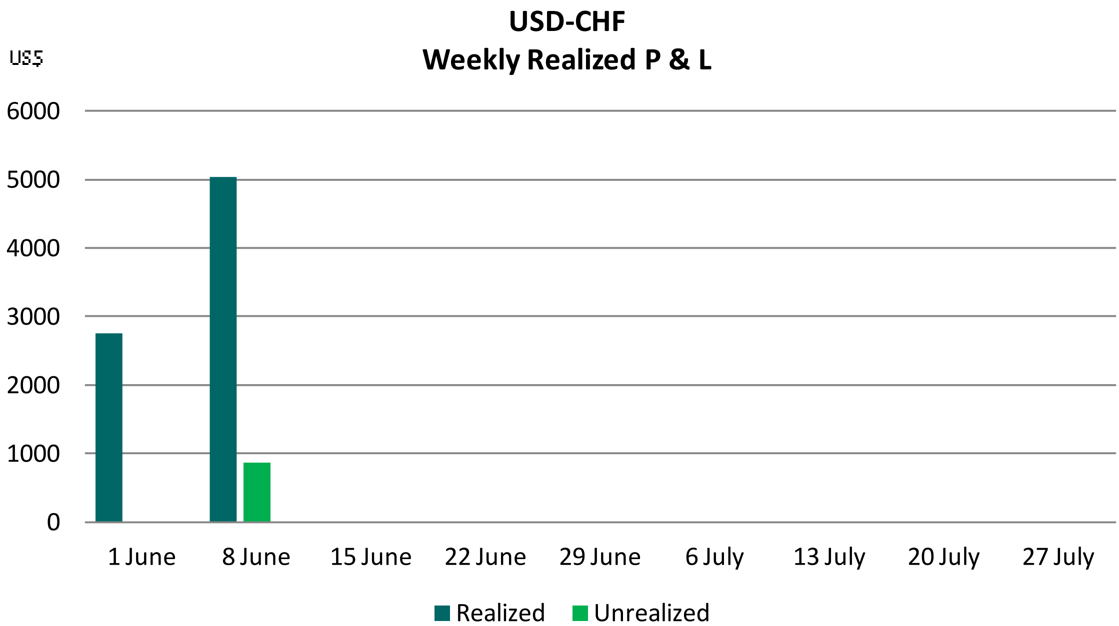
The fall from the SZ at **0.96631-0.97820** indeed developed into a 3-wave down to 0.95120 and rebounded on Thursday. There are two possible short-term scenarios. (1) Price action continues in its upward trajectory to retest last week's high at **0.97692** in another 3-wave structure or (2) Price action falls from current level and take out Thursday's low of **0.95120** towards the next DZ at **0.93656-0.93952**. Between the two possible outcomes, the latter has a higher probability. Incidentally, the 100.0% projection of 0.97692 to 0.95120 from 0.96559 is at **0.93987**, which is just above the aforementioned DZ. Likewise, the 50.0% retracement of 0.90411 to 0.97692 at **0.94052** is stacked right above the previous two. In the meantime, a sell signal was triggered in the H1 chart with a close below **0.96353** just after NY midday session on Friday. If and when price action too closes below **0.95886** in the H chart, it would add confidence to the call that the preferred second scenario is unfolding.

USD-CHF 1-HOURLY

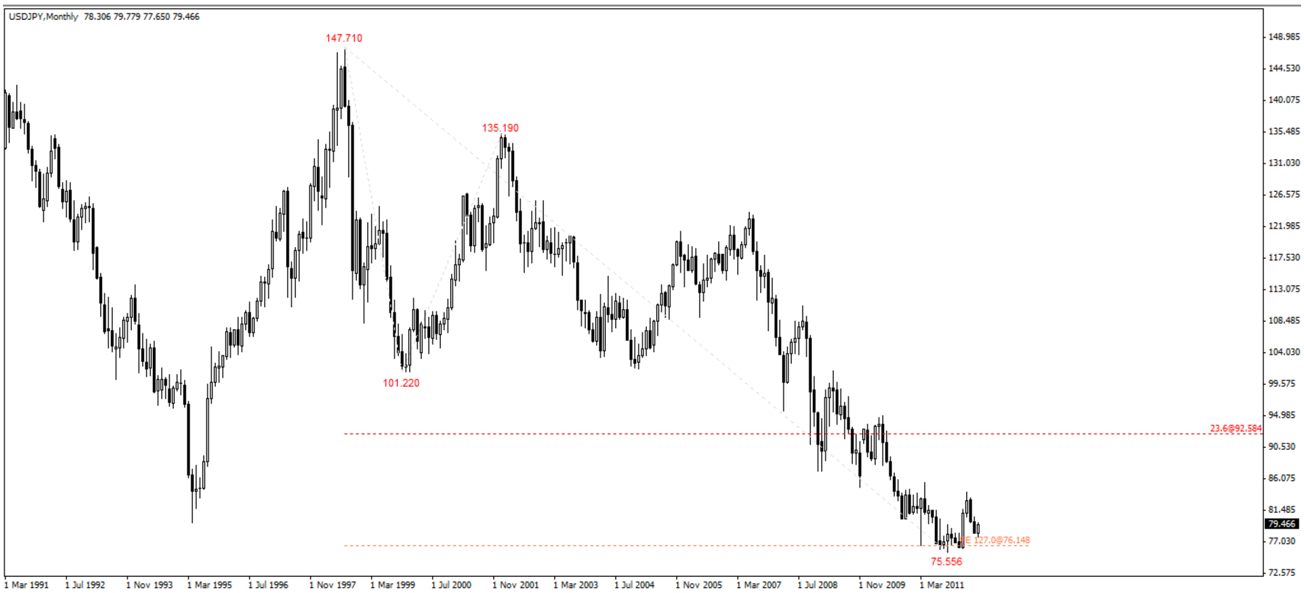


Trade Ideas

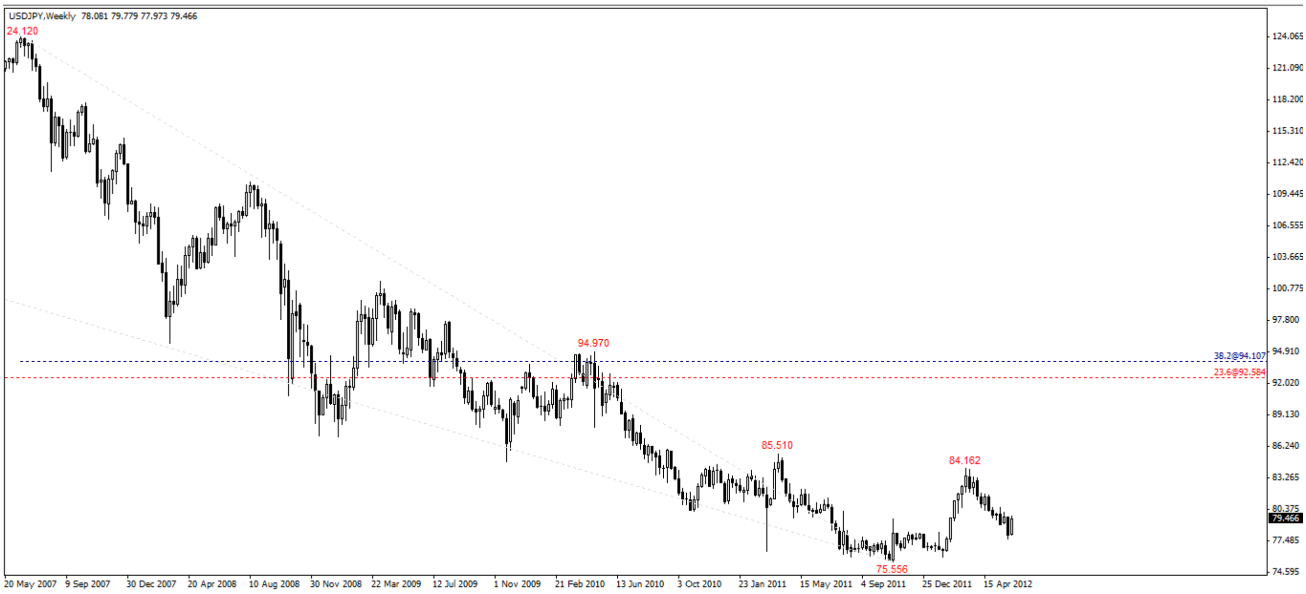
ACTION	Target 1	Target 2	EXIT
Sold @ 0.96353	0.94970	0.93987	Break-even



USD-JPY MONTHLY



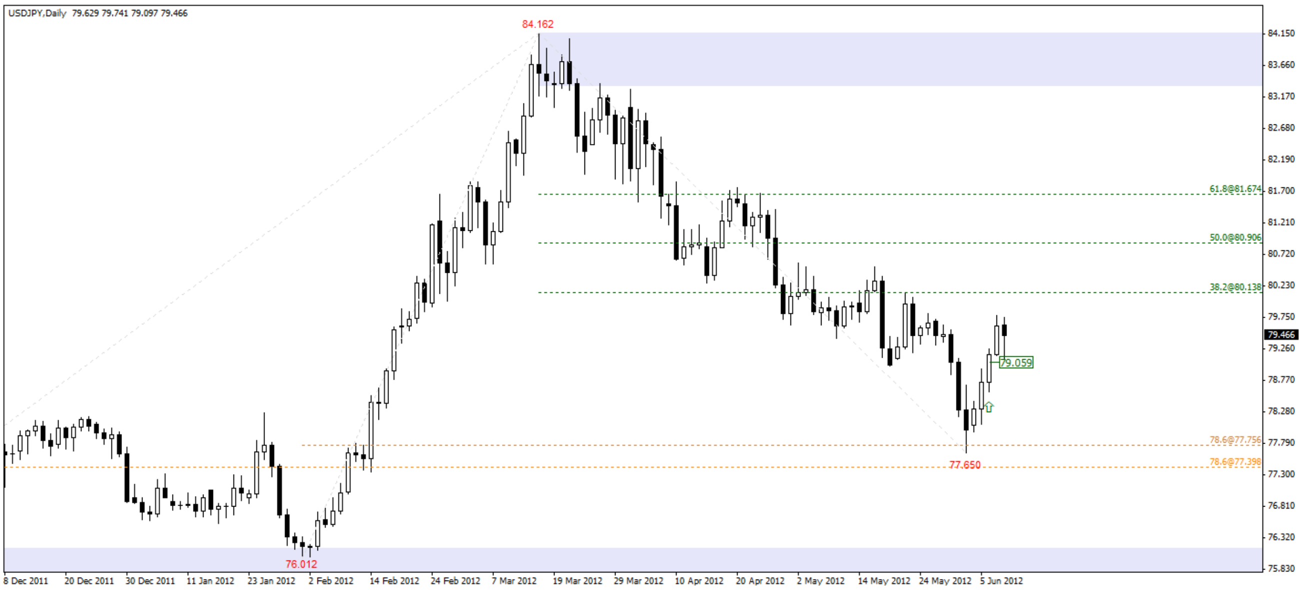
USD-JPY WEEKLY



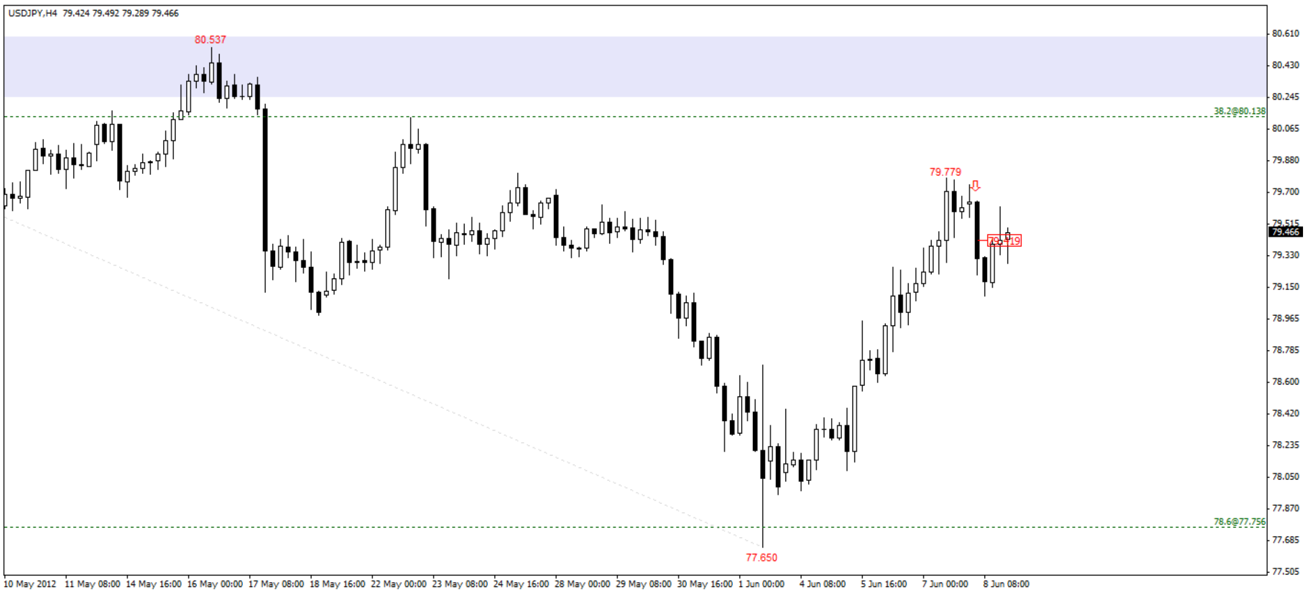
USD-JPY The Big Picture

The fall from 124.120 which started on June 2007 terminated on October 2011 at 75.556, just below the 127.0% projection of 147.710 to 101.220 from 135.190 at **76.148**. After spiking 4-yen to 79.517 initially, the market drifted for a good 13 weeks before rallying strongly to 84.162 in mid-March. This correction is now into its 12th week. So far, the pocket between the 78.6% retracement of 75.556 to 84.162 at **77.398** and the 78.6% of 76.012 to 84.162 at **77.756** has held the line. This week saw a rebound which may well extend beyond the March high of 84.162. At this point, it is a little premature to speculate on its likelihood. On the flipside, further losses below this cluster would seriously damage the view that the current fall is a correction. In fact, sustained trading below this area endangers the rebound from 76.012 and threatens to turn this pullback into a full-blown resumption of the longer-term downtrend.

USD-JPY DAILY



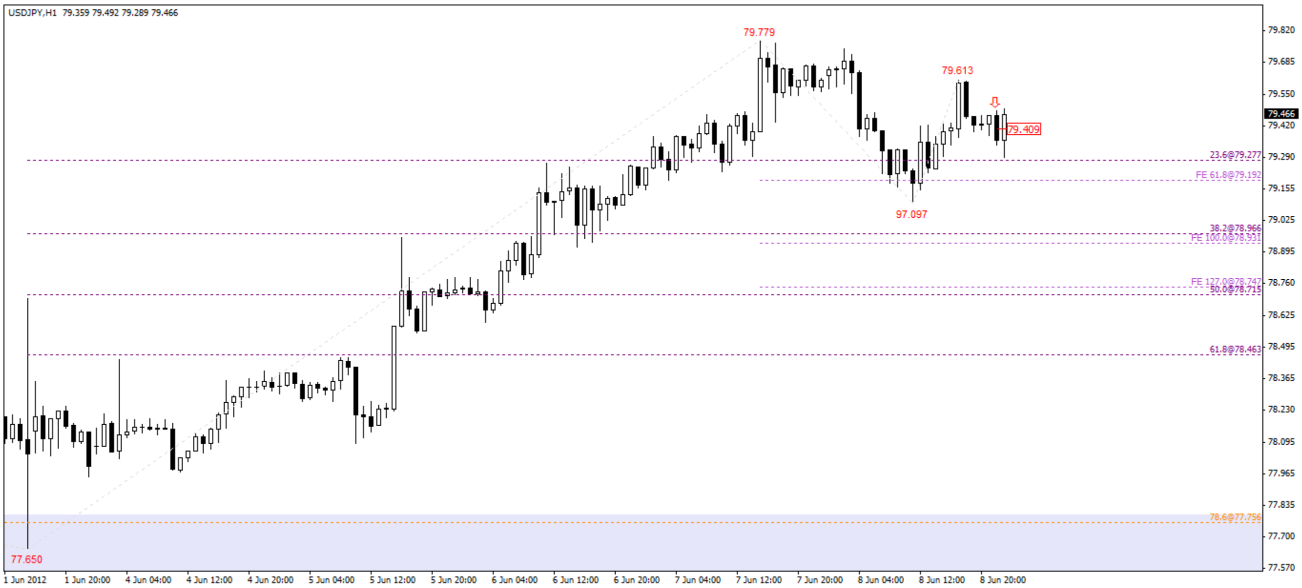
USD-JPY 4-HOURLY



USD-JPY Short to Medium Term Views

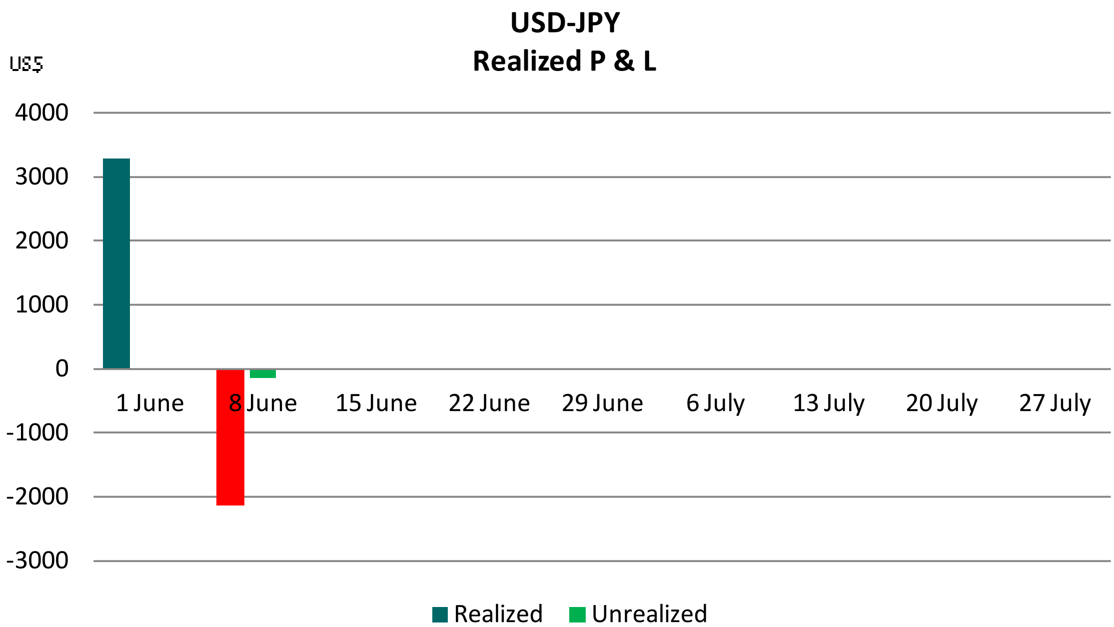
The rebound from last Friday's low of 77.650 surged more than two yen to a week's high of 79.779 on Thursday before profit-taking set in. The fact that the fall from 84.162 terminated between the 78.6% retracement of 75.556 to 84.162 at **77.398** and the 78.6% of 76.012 to 84.162 at **77.756** is telling. This is because, those levels were the last line of defense before the fall from 84.162 degenerates into a resumption of the longer-term fall from the 1998 peak of 147.710. Until proven otherwise, the belief that last year's low at **75.556** is an important long-term low holds. The moment there is clear 5-wave up from last Friday's low of 77.650; this bullish bias would gain further currency. Friday's pullback is probably a correction within a correction with the potential to ease below Friday's low of **97.097** to probably the 38.2% retracement of 77.650 to 79.779 at **78.966;** which is incidentally just above the 100.0% projection of 97.779 to 97.097 from 97.613 at **96.931**. Alternatively, this fall may stretch to the 50.0% retracement of 77.650 to 79.779 at **78.715;** which is in turn just below the 127.0% projection of 97.779 to 97.097 from 97.613 at **96.747**. What happens after that would no doubt help clear the fog considerably.

USD-JPY 1-HOURLY

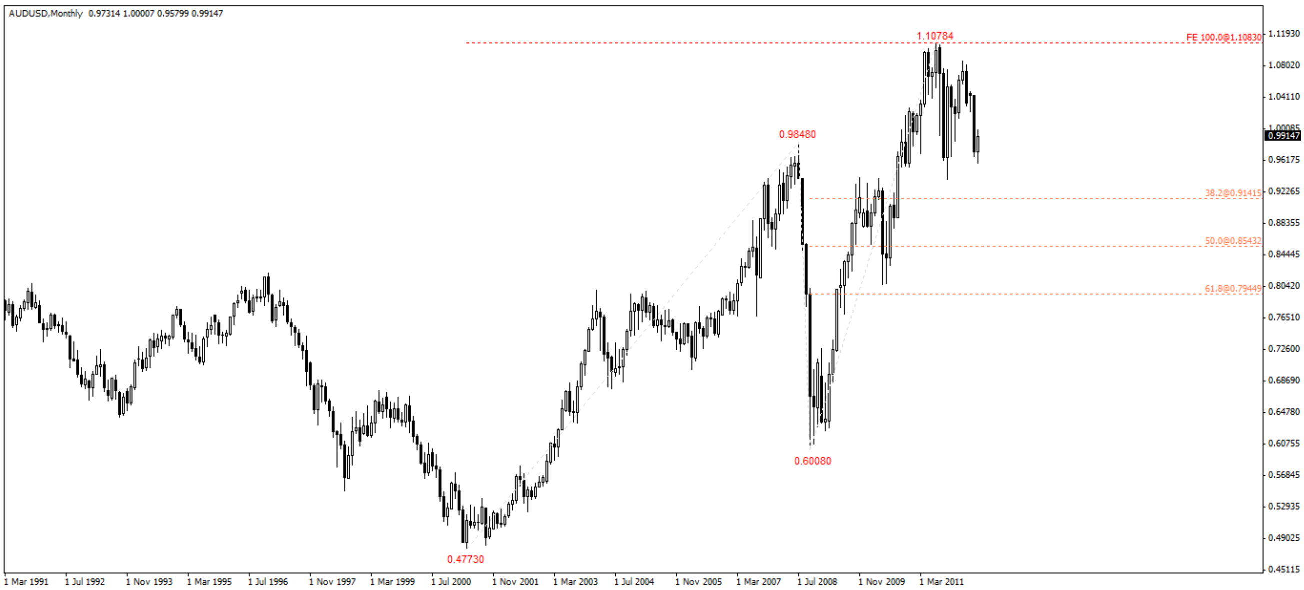


Trade Ideas

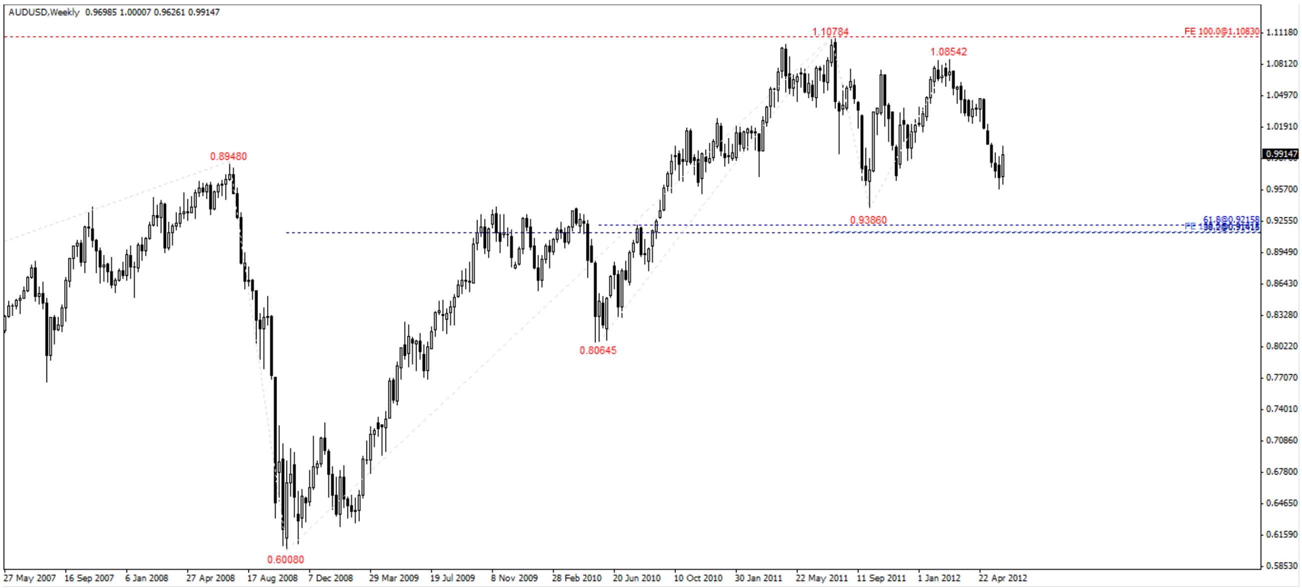
ACTION	Target 1	Target 2	EXIT
Sold @ 79.409	78.966	78.747	79.713 STOP



AUD-USD MONTHLY



AUD-USD WEEKLY

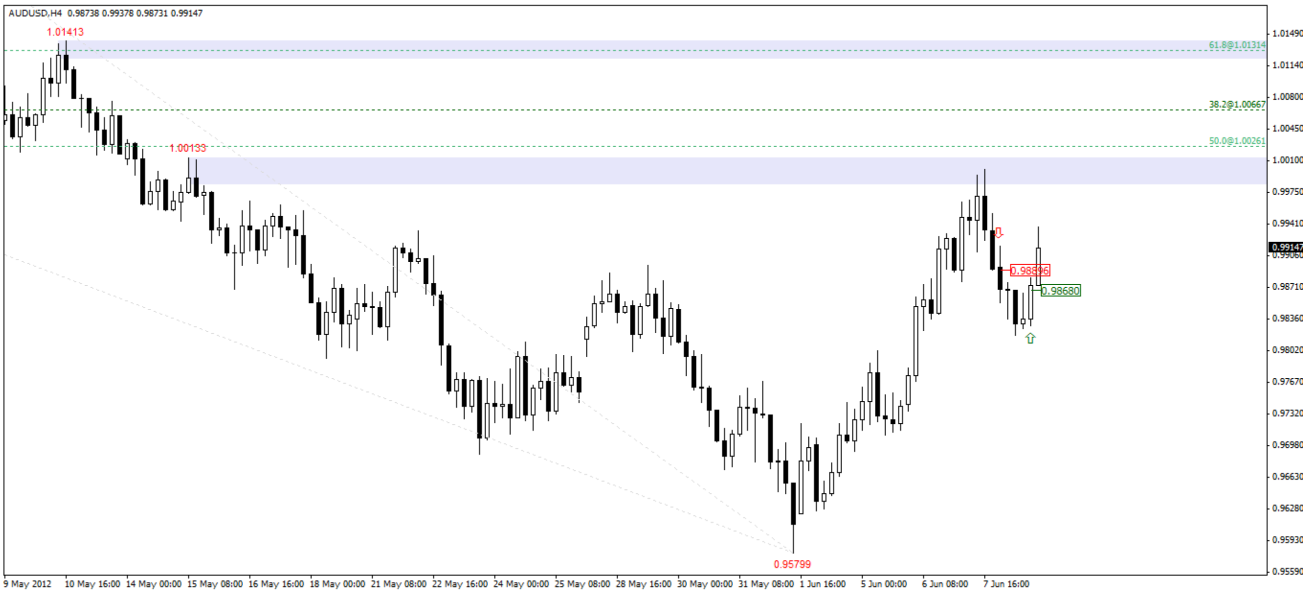


AUD-USD The Big Picture

In the bigger picture, the rise from 0.47730 missed the 100.0% projection of 0.47730 to 0.98480 from 0.60080 at 1.10830 on July 27 by a mere 4.6 pips with a high at **1.10784**. Price action since has been very choppy as it gyrates within an almost 1700 pips range between the all-time high and the October 4 low of **0.93860**. Overall, the broad sideway market since has sets of 3-waves structures, implying a period of consolidation between these two extreme points. Alternatively, it can also be said that price action since has been locked between the 100.0% projection of 0.47730 to 0.98480 from 0.60080 at **1.10830** and the 61.8% retracement of 0.80645 to 1.10784 at **0.92158**. As noted, last October low of **0.93860** is looking increasingly vulnerable. Below this level, focus would shift to the Fibonacci cluster of (1) 38.2% retracement of 0.60080 to 1.10784 at **0.91415** as well as (2) the 100.0% projection of 1.10784 to 0.93860 from 1.08542 at **0.91618**.

AUD-USD DAILY

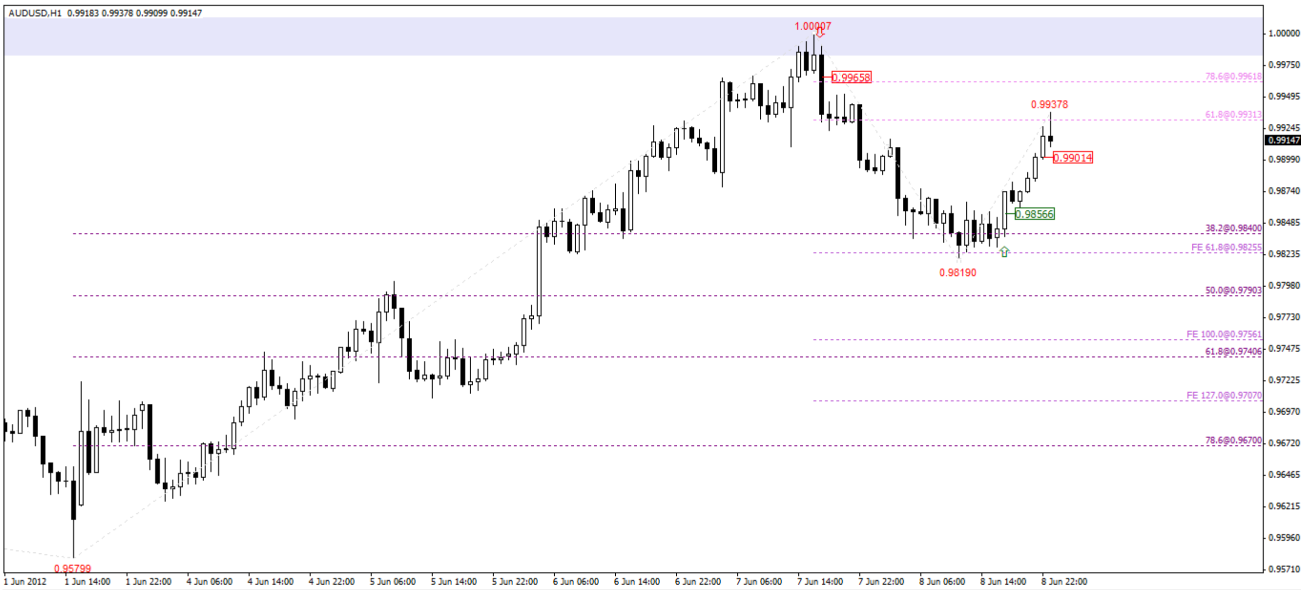
AUD-USD 4-HOURLY



AUD-USD Short to Medium Term Views

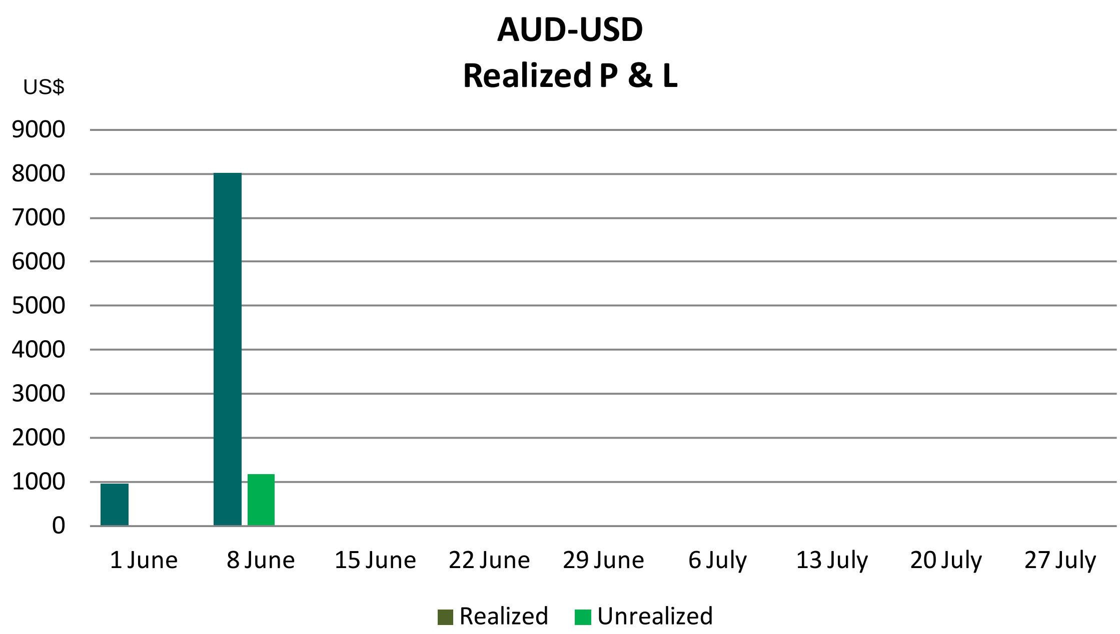
The rise from last Friday's low of 0.95799 terminated at Thursday's high of **1.00007** - within the SZ at **0.99834-1.00133**. As noted, this is the first time since mid-May that price action has hit parity. Though the encounter was brief, it suggested inherent strength in this rally. Overall the fall from 1.08542 to 0.95799 has a 3-wave structure suggesting that the fall was corrective in nature, within a larger degree consolidation pattern. From the look of this rally, another surge past this week's high is likely with focus on the next SZ at **1.01214-1.01412;** where the 61.8% retracement of 1.04723 to 0.95799 at **1.01314** is. From there, a smaller degree pullback is expected before extending the rally from 0.95799 towards the 61.8% retracement of 1.08542 to 0.95799 at **1.03674**. In the meantime, though price action rebounded from just under the 38.2% retracement of 0.95799 to 1.00007 at **0.98400** with a print of **0.98190**, this rally may yet unravel into a 3-wave fall below Friday's low of **0.98190** to possibly the 100.0% projection of 1.00007 to 0.98190 from 0.99378 at **0.97561;** which is situated above the 61.8% retracement of 0.95799 to 1.00007 at **0.97406**. From there, buy signal, if any, should be taken as a larger degree rally from 0.95799 may unfold as per the preferred bullish scenario mentioned.

AUD-USD 1-HOURLY



Trade Ideas

ACTION	Target 1	Target 2	EXIT
Bought @ 0.98566	0.99313 Realized	1.00667	Sell on 1-hour close below 0.99014



Traders Academy International

The people behind Traders Academy International are seasoned veterans in the financial service industry. Our trainers have individually over 25 years in both exchange-traded and OTC derivative financial products including but not limited to the foreign exchange market.

They bring with them unique market insights from their years in the brokerage and hedge fund business and education is a natural progression for traders as their accumulated knowledge of the market should be shared and continue to benefit those who are keen to learn the secrets and techniques used by successful traders.

One of who is still active in the hedge fund business.

The rise of the retail traders has also given rise to the demand for professionally run coaching courses on the art of trading the financial markets. This is a healthy and natural development. However, most of these so-called coaching courses are doing more harm and good. This is because students enrolled in such courses have unrealistic expectations. This is made worse by the quality of such courses.

Most, if not all, teach some form of technical analysis. In our humble opinion, they are more hype than sustenance. Over the years, we realized the methodologies touted by most traders and coaches alike are inherently ineffective to the point the signals generated by technical indicators lag so badly behind price action that they cannot beat the markets on a consistent basis.

We believe, trading methodologies and strategies should be simple and easy to implement on a daily basis that laymen with basic numeric ability should be able to grasp.

Website under development

Non Affiliation Policy

Traders Academy International is an independent organization with no affiliation with any brokers or organizers of our events. From the onset, this policy of non-affiliation has served us well as we do not believe our students' interests will be served if we have a separate agenda. This is in contrast with industry practice. Our objective has been and will continue to be to educate the trading public our time-tested and highly effective methodologies to take on the markets in an easy-to-understand format.

We have never advertised our services but words of mouth have spread far and wide. Over the last three years or so, demands for our trading workshops are so high that we have to turn away some due to scheduling.