

*A Traders Academy International Publication*

## Stock Markets Tanked On Obama Win

Shares on world markets slumped and EUR-USD slid further on Wednesday as traders worried that the fiscal challenges facing U.S. President Barack a day after his re-election could lead to a new recession. Fresh concerns about Europe's debt crisis added to the jitters. Benchmark U.S. Treasury yields had their biggest 1-day fall since May. Markets doubted that Obama can reach a timely deal with Republican lawmakers in the lame-duck session of a divided Congress to avert the "fiscal cliff" - some \$600 billion in automatic tax hikes and spending cuts set to kick in on January 1.

Rhetoric from Obama and some top lawmakers on Wednesday suggested a possibility of reaching a compromise to avoid to a dire path for the US economy and further erosion of the country's creditworthiness, but the contentious history between the two main political parties offered little confidence to investors.

Traders were also anxious about a vote in Greece's parliament later on Wednesday on an austerity package needed to secure a fresh injection of international aid and avert bankruptcy, which would rock the Euro zone and world markets. European Central Bank President Mario Draghi said the ECB expects the Euro zone economy to remain weak and that the problems were spreading to Germany. If the Greek vote doesn't go through, there is a lot of downside risk to the Euro as talk of a Greece exit will re-emerge.

On Wall Street, the market drop harks back to the one on the day after Obama won his first White House term in 2008. The Standard & Poor's 500 index had its worst 1-day loss since June. It ended down 33.86 points, or 2.37 percent, at 1,394.53. The Dow tumbled 312.95 points, or 2.4 percent, to 12,932.73 for its worst drop since November 9, 2011. The Standard & Poor's 500 Index, which is up 64 percent since Obama took office in 2009, lost 2.4 percent to 1,394.53, its lowest level since August. Ten-year U.S. yields sank 12 basis points to 1.64 percent. Oil slid almost 5 percent in its biggest decline of the year.

Despite Wednesday's ominous market reaction to a second Obama presidential term, the S&P had rallied 67 percent from the depth of global credit crisis under his first term - one of Wall Street's best runs ever under a single president.

As worries over the U.S. fiscal cliff and Greece's austerity votes moved to the forefront, traders flocked to the safety of low-risk assets, including the U.S. Dollar and U.S. and German government bonds.

The U.S. Dollar recovered from early losses, resuming its rally during this week's tense run-up to the U.S. election. EUR-USD on the other hand fell 0.4 percent to 1.27696, retreating from a session high of 1.28748.

Gold turned lower after hitting a 2-week high. It was last 0.3 percent lower at \$1,720.40 an ounce. In the bond market, the yield on 10-year Treasury notes ended 11 basis points lower at 1.6246 percent for its biggest single-day drop since May 30. Worries about weaker energy demand caused a sell-off in the oil market after it rallied on Tuesday. Brent crude oil fell \$4.25 to settle at \$106.82 a barrel and U.S. oil futures settled down \$4.27 at \$84.44.

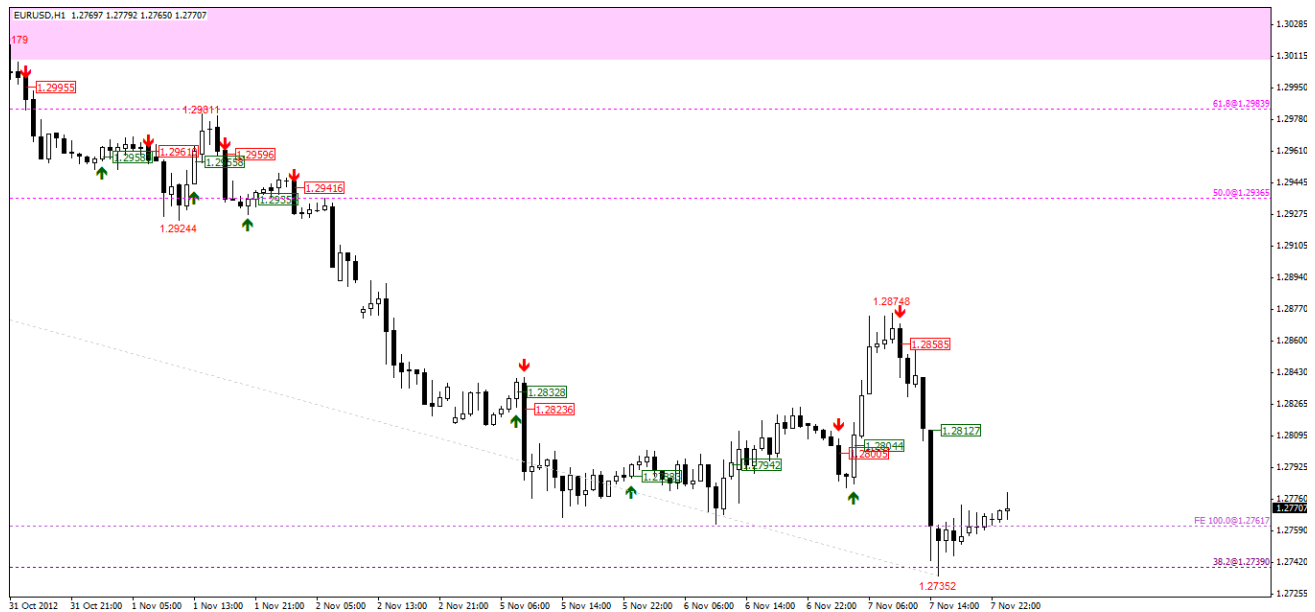
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The nice rally in EUR-USD hours before President Obama was re-elected unraveled quickly as stock index futures fell. The rush for US Dollar saw price action fell back into the minor demand pocket at **1.27533-1.28159** and then some. Price action hit the 38.2% retracement of 1.20408 to 1.31705 at **1.27390** with an overnight low at **1.27352**. This level is pivotal. Despite the overnight fall, the 4<sup>th</sup> wave correction scenario is still intact. This scenario calls for a rally beyond the September 17 high of **1.31705** from near current level. Only a sharp fall from here would debunk this bullish bias. As such, the idea is still to go long on the next buy signal going forward.

## EUR-USD 1-HOURLY



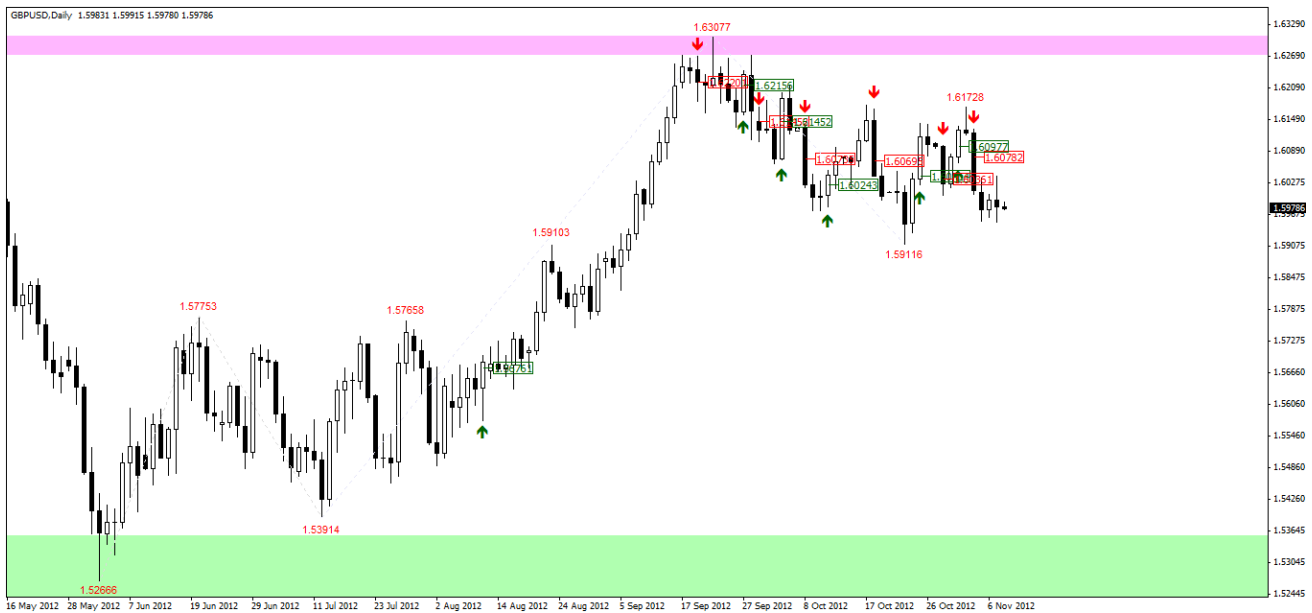
## Trade Ideas

ACTION	Target 1	Target 2	EXIT
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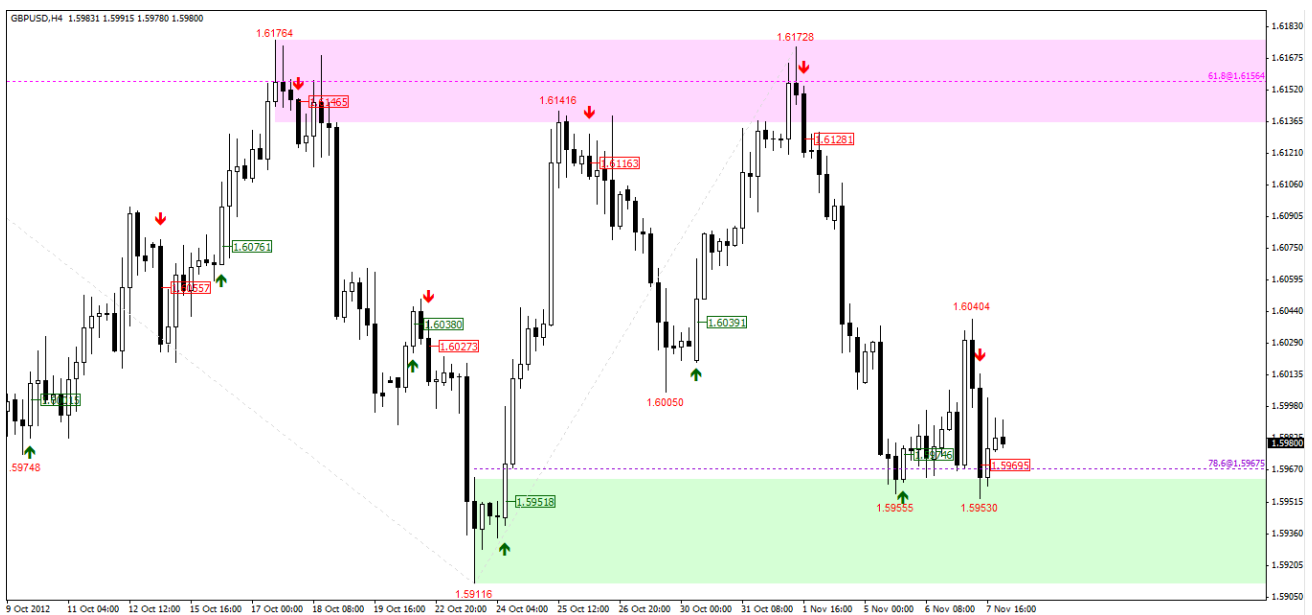
## Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade + / -	Realized + / -	Accumulative + / -
	B/F from 02-11-2012								\$70,956.00
EUR-USD	05-11-2012	1.0	1.28159	23-10-2012	1.0	1.30261	+\$2,102.00		
EUR-USD	05-11-2012	1.0	1.27937	25-10-2012	1.0	1.29966	+\$2,029.00	+\$4,131.00	\$75,087.00
EUR-USD	05-11-2012	1.0	1.27937	07-11-2012	1.0	1.27433	-\$504.00		\$74,583.00
EUR-USD	05-11-2012	1.0	1.27937	07-11-2012	1.0	1.27433	-\$504.00	-\$1,008.00	\$74,079.00
Unrealized							\$0.00		

## GBP-USD DAILY



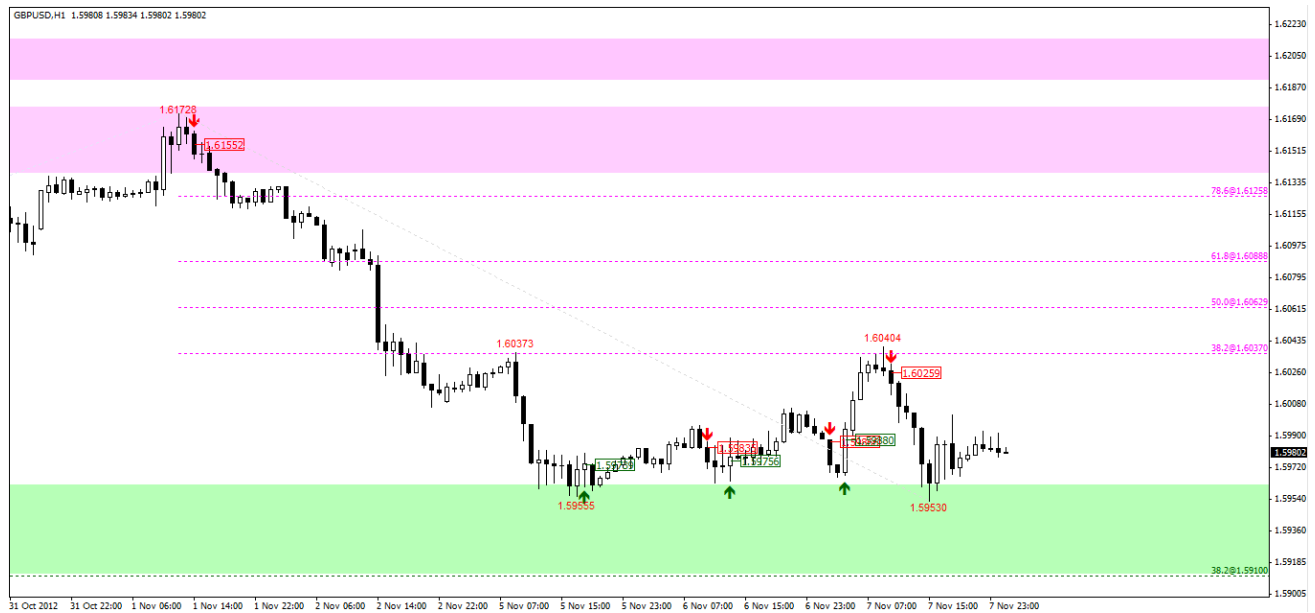
## GBP-USD 4-HOURLY



## GBP-USD Short to Medium Term Views

After the near collapse last Friday, the idea that price actions from 1.63077 to 1.59116 were part of a 4<sup>th</sup> wave correction and had terminated at 1.59116 last week may still be alive. The reason for this renewed optimism was the way price action held at the 78.6% retracement of 1.59116 to 1.61728 at **1.59675** in the last 72 hours. As the 78.6% Fibonacci ratio represents the maximum retracement allowable, if price action can hold from there, it suggests that the correction is over and a resumption of its original direction of trade is a high probability. Hours prior to the news of Obama been re-elected as president, this market appeared to take off but unraveled quickly on sell-off in equities futures. At any rate, price action fell back momentarily into the demand pocket at **1.59116-1.59625** where the 78.6% retracement of 1.59116 to 1.61728 at **1.59675** is located and rebounded – once again. Though tentative, this rebound may unfold into a sustainable rally in the hours ahead. A close above 1.59946 would invariably triggers a buy signal in the H1. If so, an intermediate target for this potential rally is the supply pocket at **1.61363-1.61764**, where the 61.8% retracement of 1.63077 to 1.59116 at **1.61564** is located (see H4 chart). However, if price action falls below **1.59116**, all bets are off.

## GBP-USD 1-HOURLY



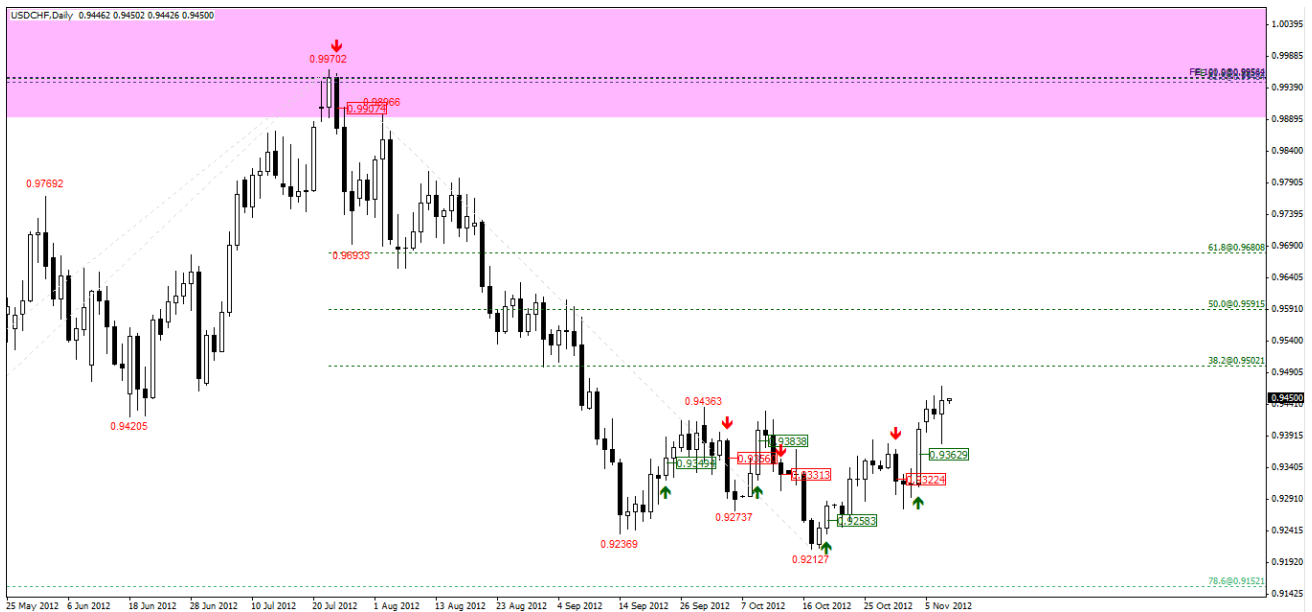
## Trade Ideas

ACTION	Target 1	Target 2	EXIT
Bought @ 1.59739	1.61363	1.64208	Break-even
Buy on buy signals within 1.59116-1.59625	1.60370	1.64208	1.59016 STOP

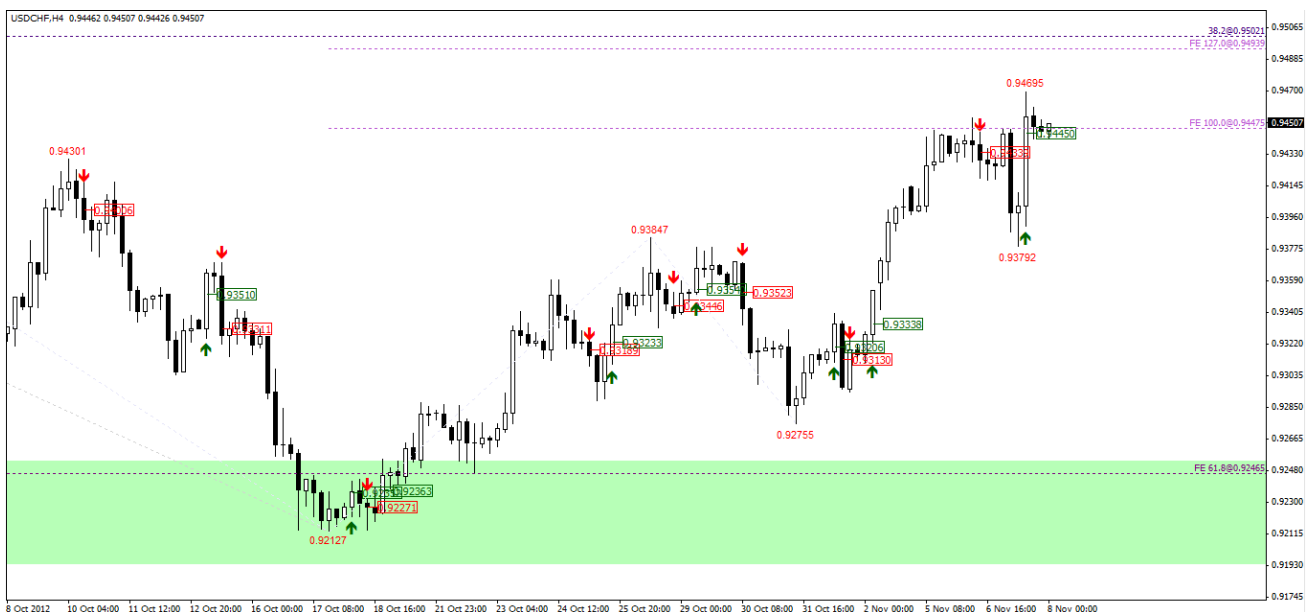
## Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade + / -	Realized + / -	Accumulative + / -
	B/F from 02-11-2012								\$50,069.00
GBP-USD	05-11-2012	1.0	1.59739	07-11-2012	1.0	1.59825	+\$86.00		
GBP-USD	05-11-2012	1.0	1.59739	07-11-2012	1.0	1.59825	+\$86.00		
Unrealized							+\$172.00		

## USD-CHF DAILY



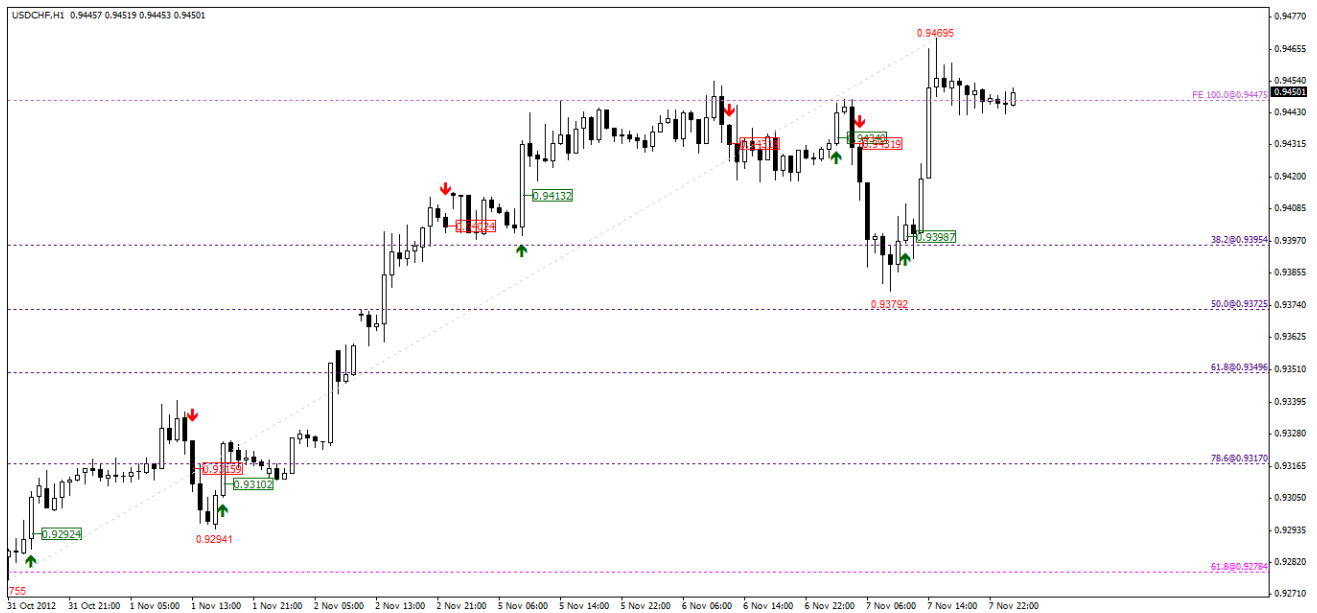
## USD-CHF 4-HOURLY



## USD-CHF Short to Medium Term View

The alternatively view that the fall from the July 24 high of 0.99702 is deemed 'completed' (it has a clear 5-wave down) and price action should rally has come to pass. Even though this market has rallied, the idea that this is a 4<sup>th</sup> wave corrective rally makes chasing this rally not particularly appetizing. If this view is correct, price action is vulnerable to a sudden and violent sell-off below **0.92127** in due course. As noted in previous updates, this rally has the potential to rally to the window between the 127.0% projection of 0.92127 to 0.93847 from 0.92755 at **0.94939** and the 38.2% retracement of 0.99702 to 0.92127 at **0.95021** (see H4 chart). This confluence of Fibo ratios makes this price window very sensitive to reversal. Yesterday's test sell did not quite work out as a spike above Tuesday's high of 0.94542 saw the test short position been stopped out. Now we'll see if price action can trade into the sweet-spot between the 127.0% projection of 0.92127 to 0.93847 from 0.92755 at **0.94939** and the 38.2% retracement of 0.99702 to 0.92127 at **0.95021**. A short position there (on sell signals) has a higher probability of success.

## USD-CHF 1-HOURLY



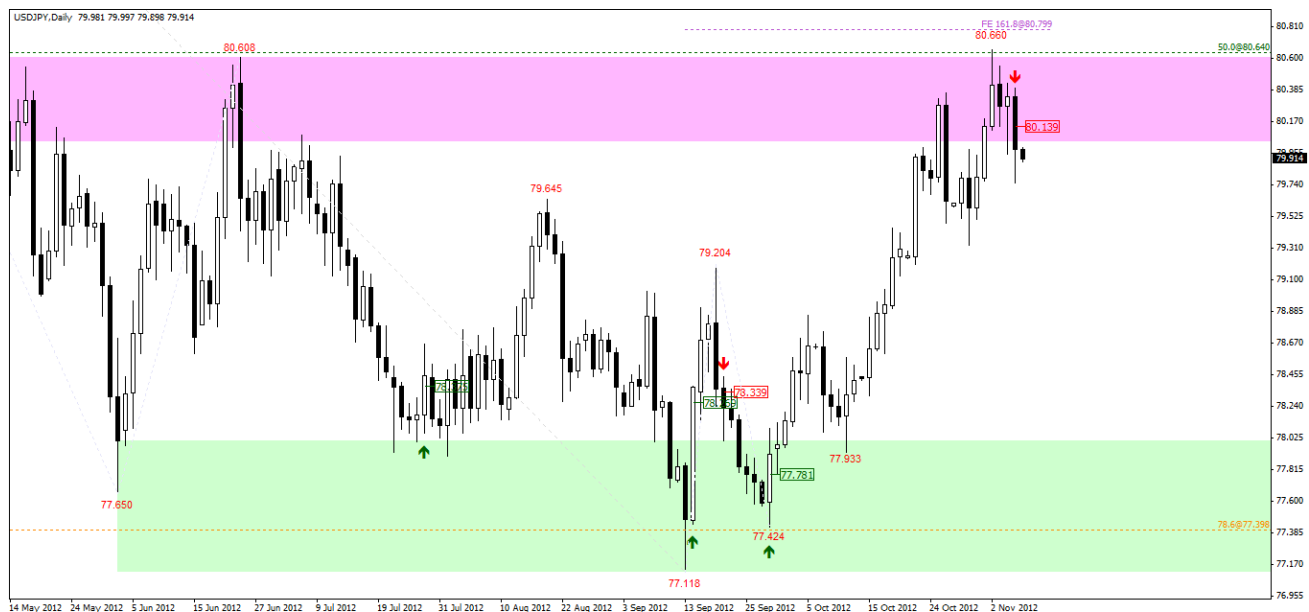
## Trade Ideas

ACTION	Target 1	Target 2	EXIT
Sell on sell signals between 0.94939-0.95021	0.93954	0.90293	0.95221 STOP

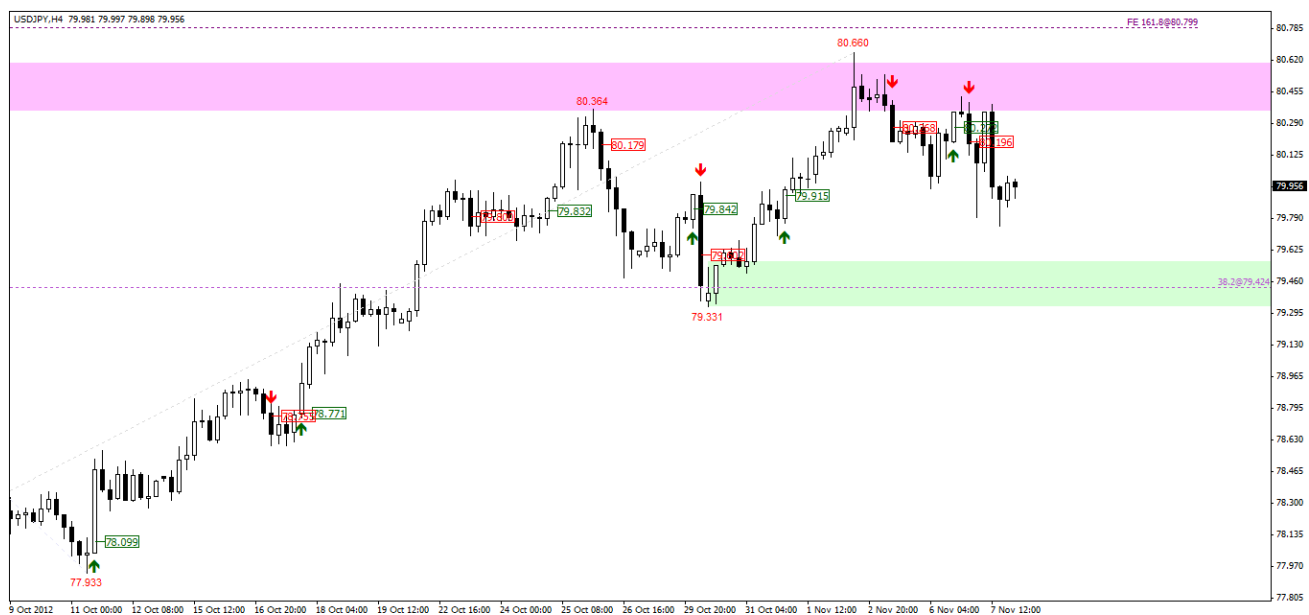
## Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade + / -	Realized + / -	Accumulative + / -
	B/F from 02-11-2012								\$34,451.71
USD-CHF	07-11-2012	1.0	0.94642	06-11-2012	1.0	0.94339	-\$320.15		\$34,131.56
USD-CHF	07-11-2012	1.0	0.94642	06-11-2012	1.0	0.94339	-\$320.15	-\$640.30	\$33,811.41
						Unrealized	\$0.00		

## USD-JPY DAILY



## USD-JPY 4-HOURLY

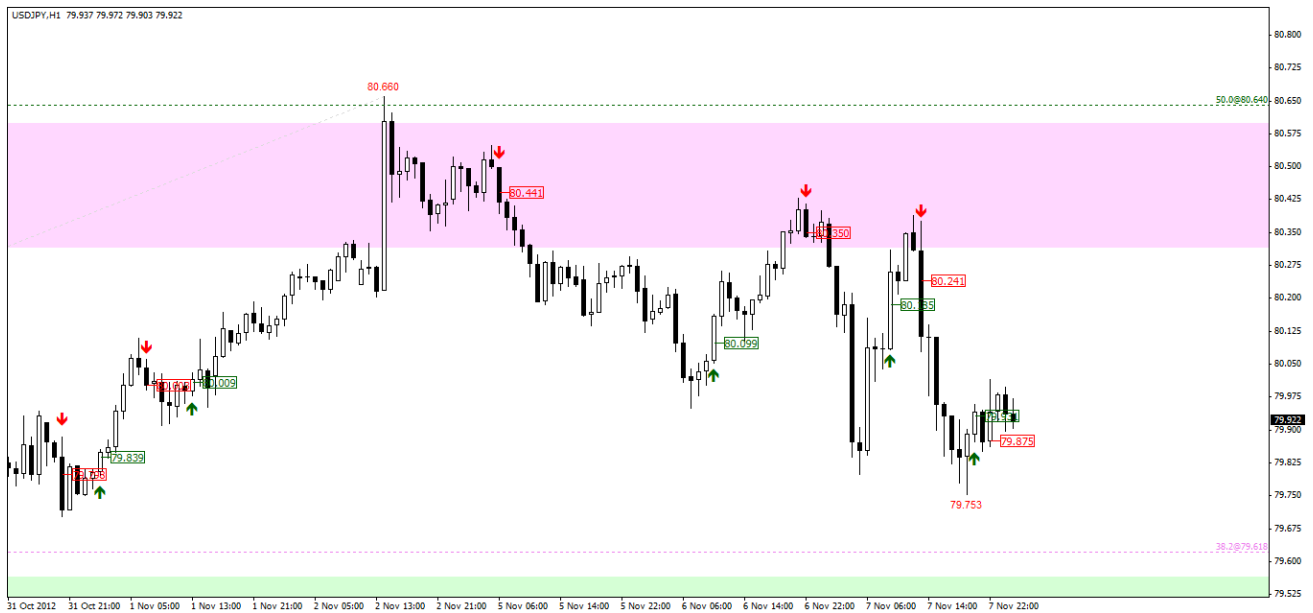


## USD-JPY Short to Medium Term Views

Since spiking to a 6-month high at 80.660 last week, caution has set in. As noted, the first real test of the bullish case is the immediate supply pocket at **80.357-80.608** followed by another at **81.469-81.850** (see H4 chart). A strong closing above these zones would pave the way for an attempt at the year's high **84.162** last seen in March. Friday's high at 80.660 is a tag above the immediate supply pocket and actions in the past 48 hours suggests that bulls are getting cautious as 80.660 has not been challenged since. But a look at the W1 chart, also suggests that this rally still has some more upside potential. A 100.0% projection of 75.556 to 84.162 from 77.118 reveals a potential target at **85.724** which incidentally sits within a known supply zone. That's a good 5 yen or 500 pips from where prices are right now. As such, traders should stay on the long side of this market. Any pullback would offer opportunities to join in the rally for those left out of this rally so far. After falling just below the 80.000 handle again last night and repeatedly attempting to rally back into the minor supply pocket at **80.357-80.608** were met with selling interests. This can only mean one thing. There is overwhelming supplies in this zone. As noted, a close below **80.139** in the D1 chart would suggest more robust selling going forward. Last night's closing below this level confirmed this bearish bias. One possible target for this pullback is the 38.2% retracement of 77.424 to 80.660 at **79.424** where a minor demand pocket at **79.331-79.564** is located. Buy signal from within this zone, if any, should be acted upon.



## USD-JPY 1-HOURLY



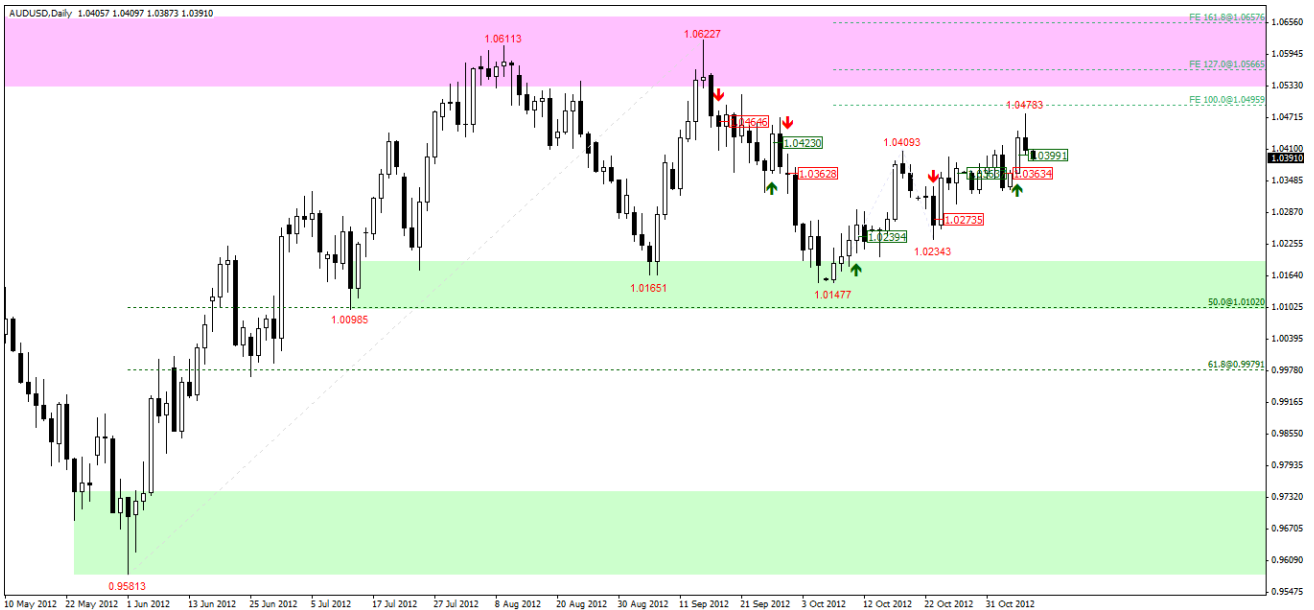
## Trade Ideas

ACTION	Target 1	Target 2	EXIT
Sell on sell signals between 80.398-80.429	79.424	79.167	80.760 STOP

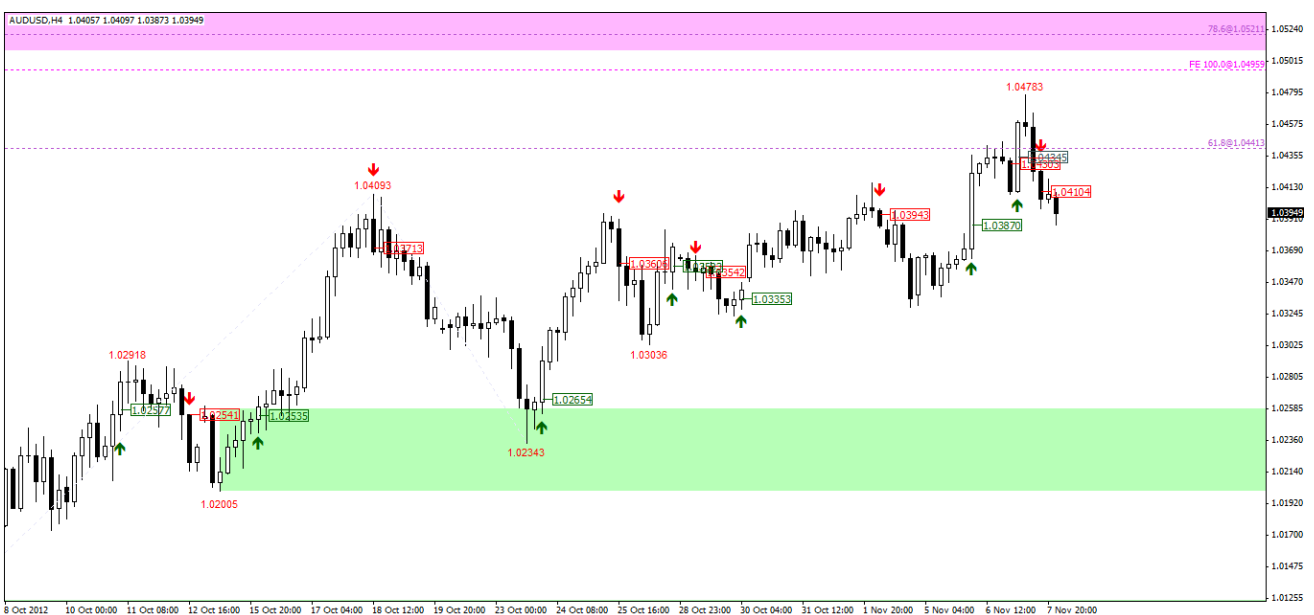
## Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade +/-	Realized +/-	Accumulative +/-
	B/F from 02-11-2012								\$26,014.03
USD-JPY	30-10-2-12	1.0	79.453	07-11-2012	1.0	80.139	+\$856.01		\$26,870.04
USD-JPY	30-10-2-12	1.0	79.453	07-11-2012	1.0	80.139	+\$856.01	+\$1,712.02	\$27,726.05
						Unrealized	+\$2,397.50		

# AUD-USD DAILY



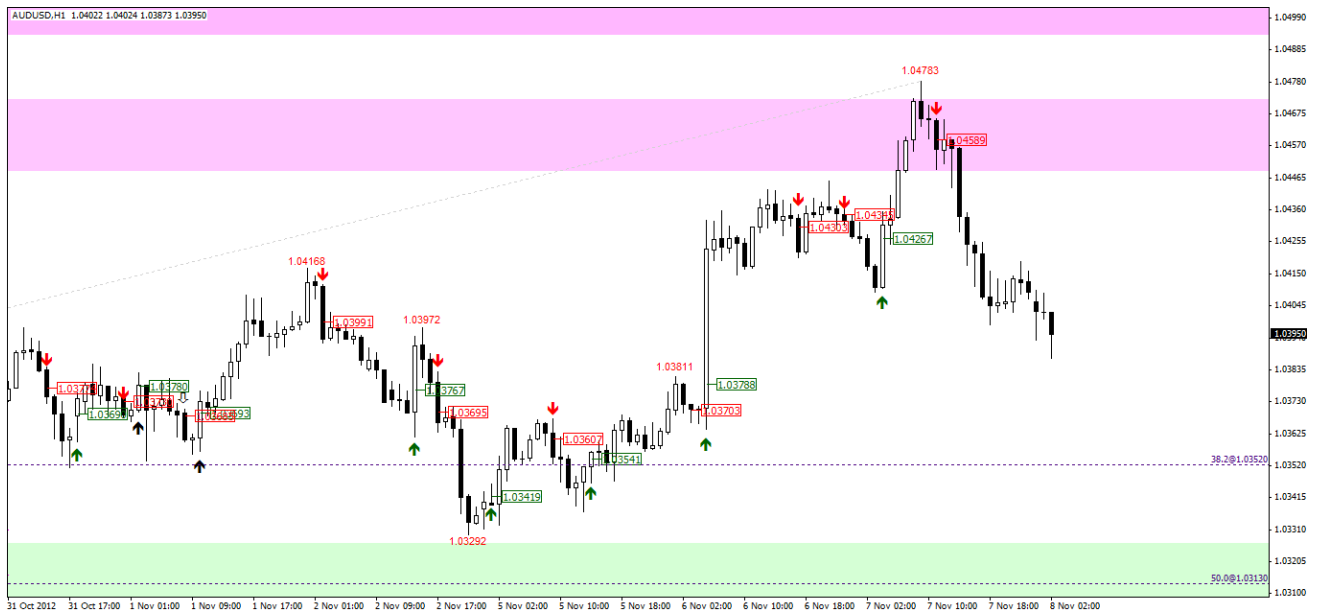
## AUD-USD 4-HOURLY



## AUD-USD Short to Medium Term Views

For more than a week price action has been in consolidation mode. However, yesterday's decision by the Australian central bank not to cut interest rate cut of 0.25% caught most traders unprepared. They reacted by buying back prepositioned short positions and the market spiked up to a 5-1/2 week high of 1.04454. However, there are early signs selling interests may be returning. In the H1 chart, a sell signal has been triggered 24 hours ago with a close below **1.04345** on the back of a shooting star. This, however, was a false alarm as price action spiked to a 7-week high at **1.04783** and into a minor supply pocket at **1.04486-1.04722** and eased (see H1 chart). The resulting fall triggered yet another set of sell signals in both the H1 and H4 charts with close below **1.04589** and **1.04104** respectively. Further closing below **1.03631** too would trigger a sell signal in the D1 chart. As a result, price action may next test the immediate demand pocket at **1.03036-1.03262** and if this zone cannot hold, an obvious medium-term target is the demand pocket at **1.00985-1.01911**. Alternatively, the 61.8% and 100.0% projection of 1.06227 to 1.01477 from 1.04168 at **1.01233** and **0.99418** respectively are also viable targets. On the other hand, should another rally develop, caution must be exercised in chasing this rally as the upside potential is rather limited as price action is rapidly nearing the upper boundary of the long-term consolidation pattern (see D1 chart). Extreme caution is warranted.

## AUD-USD 1-HOURLY

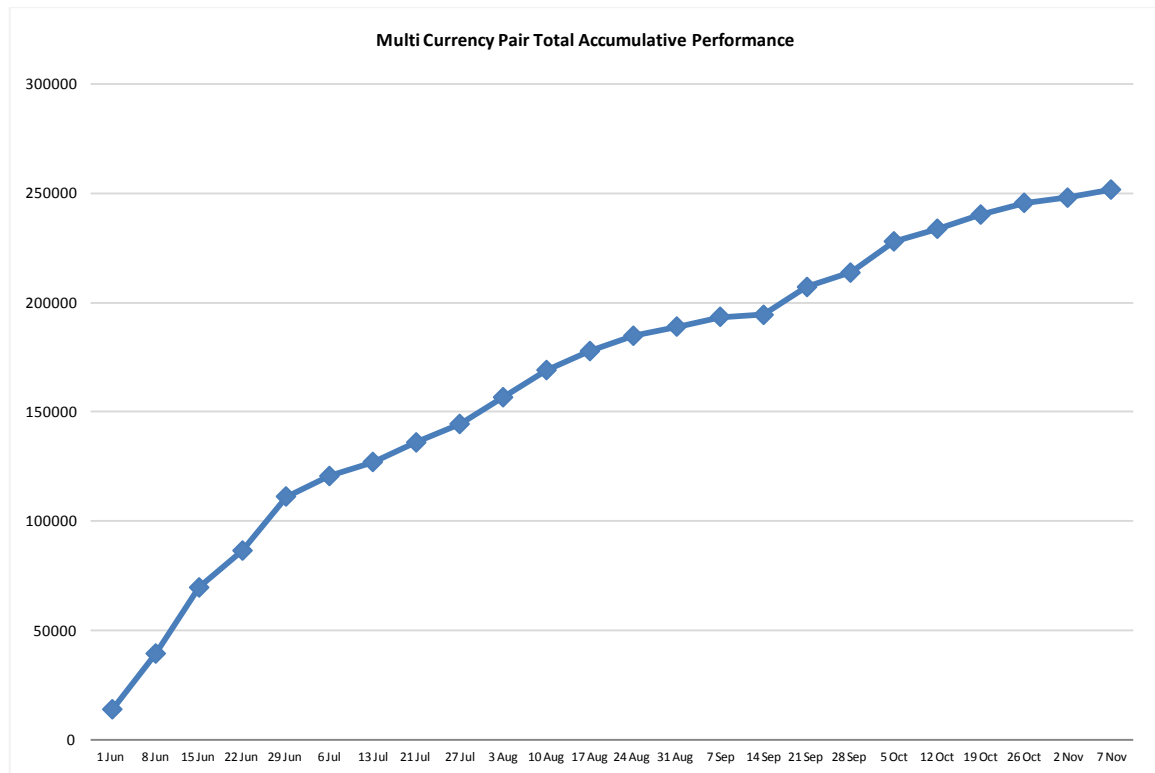
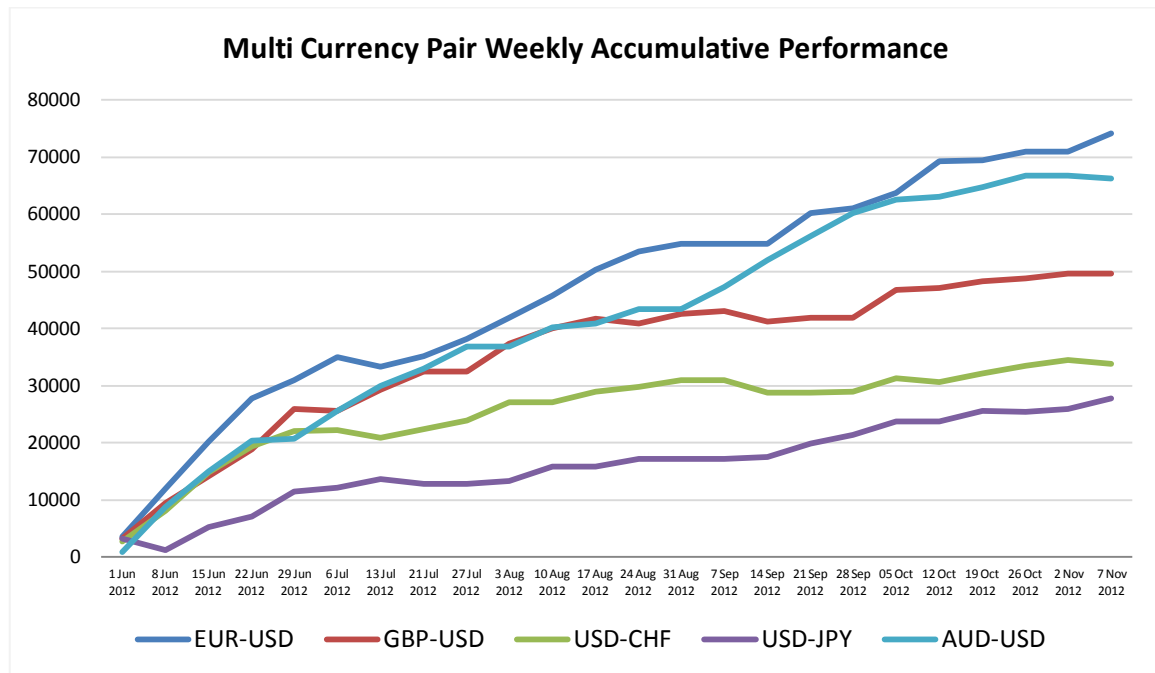


## Trade Ideas

ACTION	Target 1	Target 2	EXIT
Sold @ 1.04589	1.03262	1.01911	Break-even

## Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade + / -	Realized + / -	Accumulative + / -
	B/F from 26-10-2012								\$66,845.00
AUD-USD	07-11-2012	1.0	1.04554	07-11-2012	1.0	1.04303	-\$251.00		\$66,594.00
AUD-USD	07-11-2012	1.0	1.04554	07-11-2012	1.0	1.04303	-\$251.00	-\$502.00	\$66,343.00
AUD-USD	07-11-2012	1.0	1.04089	07-11-2012	1.0	1.04589	+\$500.00		
AUD-USD	07-11-2012	1.0	1.04089	07-11-2012	1.0	1.04589	+\$500.00		
Unrealized							+\$1,000.00		



Website under development

## 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.

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.