

A Traders Academy International Publication

Euro Sank On Rate Cut Expectations

EUR-USD had its sharpest decline in a month on Thursday after comments from the European Central Bank chief and a downgrade to the region's growth and inflation forecasts boosted expectations of an interest rate cut.

ECB President Mario Draghi, speaking at a news conference after the bank's decision to keep its main interest rate at 0.75 percent, said a wide discussion on rates had preceded the consensus decision to leave them on hold. Draghi also said policymakers discussed setting a negative rate on the ECB's deposit facility in an attempt to encourage banks not to hoard cash at the ECB but lend it into the real economy instead.

Draghi's comments came as the ECB predicted the Euro zone economy would shrink again in 2013 and sharply lowered its growth and inflation forecasts. It also said risks to growth remained on the downside. The bank forecast gross domestic product in a range of falling by 0.9 percent to growing just 0.3 percent next year, suggesting contraction was far more likely than not. It predicted inflation at 1.1 percent to 2.1 percent next year.

The combination of the ECB's cooler growth and inflation forecasts opened the door to a rate cut in the months ahead.

EUR-USD fell as low as 1.29494 and settled last down 0.8 percent at 1.29686. By New York closing, it had the biggest daily percentage fall since November 2. Some US\$6.04 billion in Euro changes hands, according to Reuters Dealing, the highest daily volume since October 9

Political chaos in Italy drove Italian bond yields higher and added to losses in the Euro. Silvio Berlusconi's People of Freedom party withdrew its support for Italy's Prime Minister Mario Monti on Thursday, setting up a conflict that could force an early election.

Italian and Spanish government bond yields rose on tensions in Italy. A disappointing Spanish bond sale on Wednesday also weighed as it revived talk of an official bailout request from the Euro zone's fourth-largest economy. Some analysts are predicting Italy could be contracting by as much as negative 3 percent next year. If that's the case, then they could become another financing crisis for the Euro zone.

Traders are shifting attention to tonight's closely watched government report on U.S. nonfarm payrolls for November. Payrolls likely rose only 93,000 last month after advancing 171,000 in October. The unemployment rate is seen holding steady at 7.9 percent.

Some analysts said that while the outlook for the Euro zone remained bleak, EUR-USD losses could be limited. As some expect the Federal Reserve to announce a shift to outright Treasury purchases next week, the U.S. Dollar should soft. The Fed holds its December policy meeting next week.

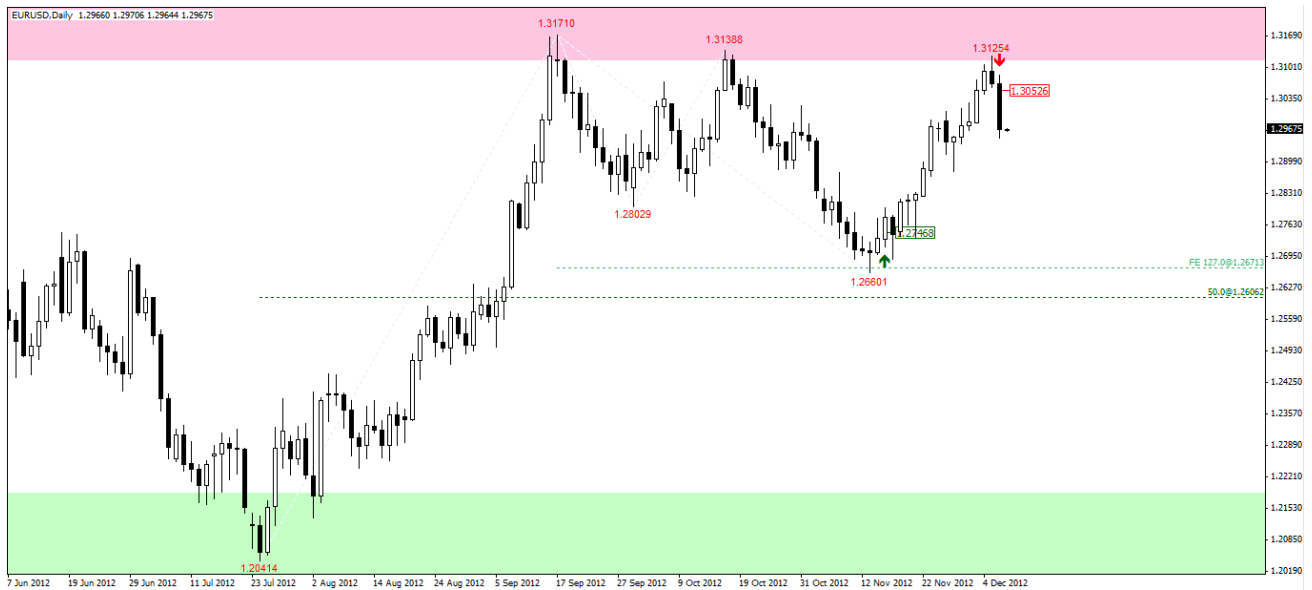
USD-JPY slipped 0.1 percent to 82.384, still not far from the 82.802 touched on November 22 which was the highest since early April. Traders expect the yen to remain under pressure on expectations of further monetary easing by the Bank of Japan following an election on December 16.

AUD-USD rose to a 2-1/2-month high after surprisingly strong Australian jobs data prompted traders to reduce expectations of further policy easing. It was last up 0.2 percent at 1.04836.

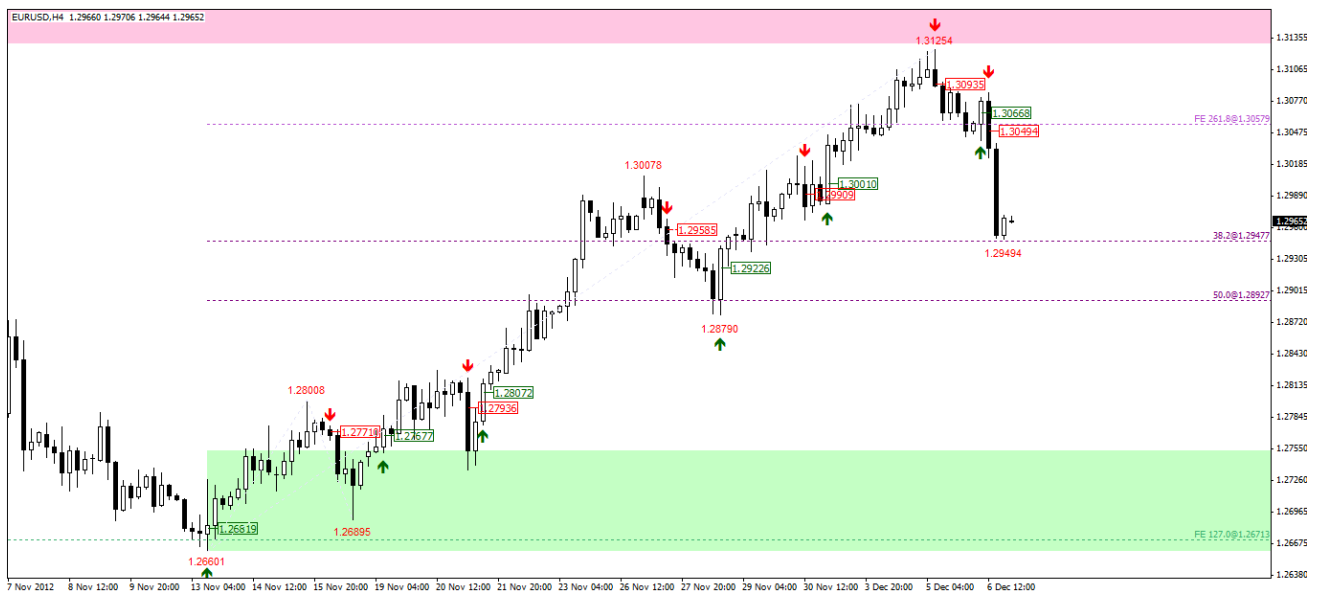
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EUR-USD DAILY



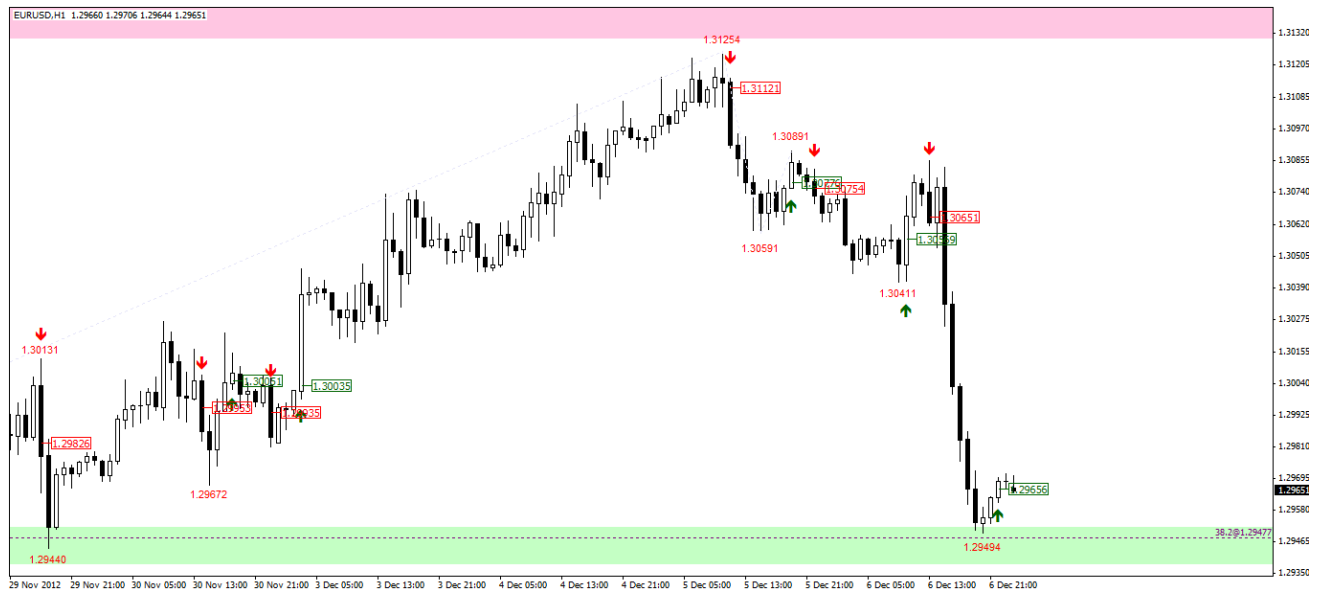
EUR-USD 4-HOURLY



EUR-USD Short to Medium-Term Views

What started off as a correction degenerated into a free-for all on poor prospects in the Euro zone (read cover story). Price action missed the supply pocket at **1.31300-1.32831** with a print at 1.31254 on Wednesday after 6 straight days of rally. While allowance for a pullback to the 100.0% projection of 1.31254 to 1.30591 from 1.30891 at **1.30228** was anticipated, a collapse wasn't. Up to till the New York session, the rally from 1.26601 was seen as part of a larger degree rally from way back in November 13. With last night's massive fall, the 5th wave scenario is compromised. Price action is now near the 38.2% retracement of 1.26601 to 1.31254 at 1.29477 with an overnight print of 1.29494. This level is also within a minor demand pocket located at **1.29379-1.29517**. Though unlikely to hold the line, this price pocket may see some profit-takings after last night's plunge. Any rebound may be capped at a minute supply pocket at **1.29832-1.29909** (M5 chart) before selling interests re-emerge. The momentum seen last night may well see price action testing last Wednesday's low at **1.28790** with medium-term focus on the demand pocket at **1.26601-1.27533**.

EUR-USD 1-HOURLY



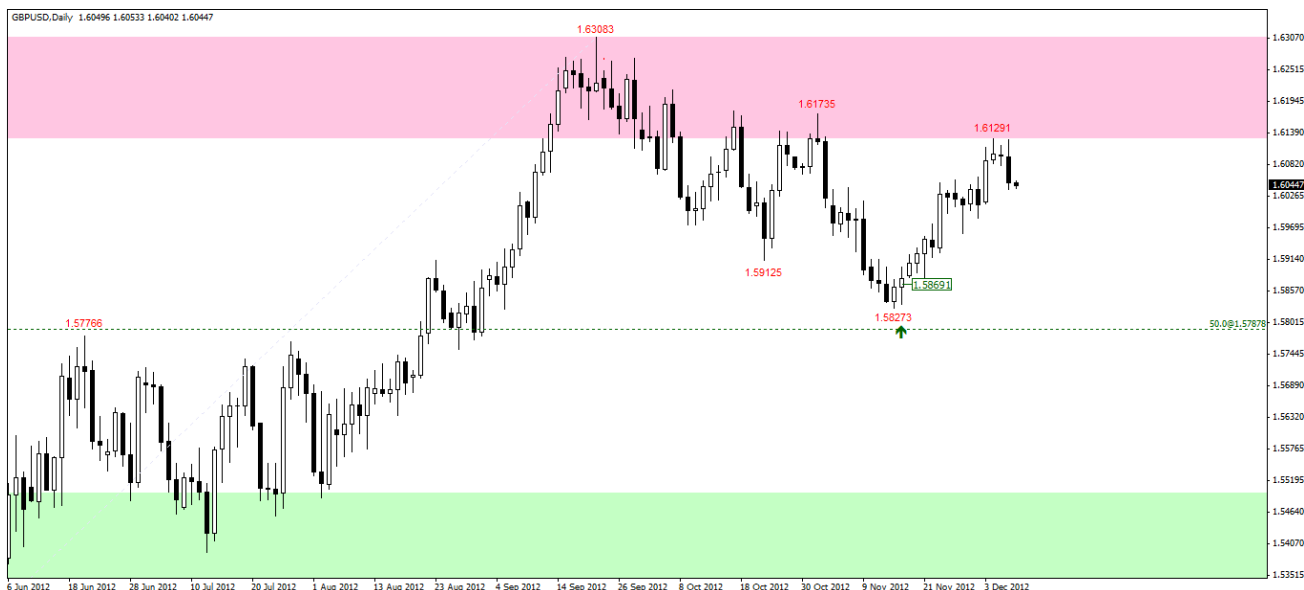
Trade Ideas

ACTION	Target 1	Target 2	EXIT
Sell on sell signal between 1.29832-1.29909 (M5 chart)	1.28818	1.27533	1.30009 STOP (tentative)

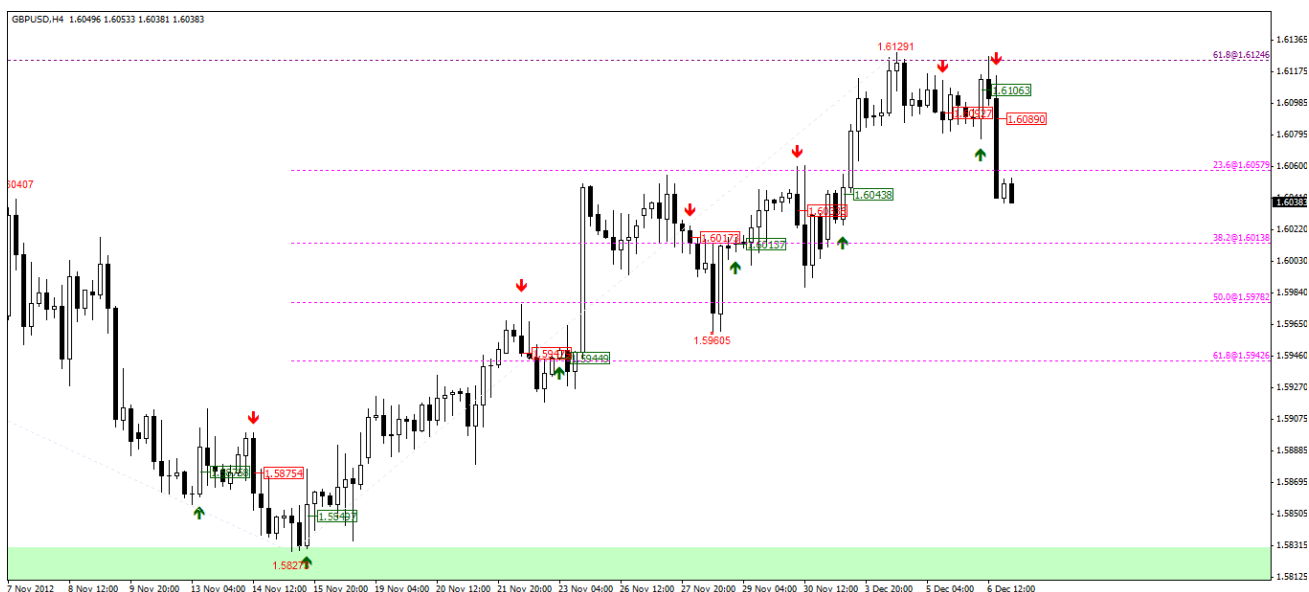
Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade +/-	Realized +/-	Accumulative +/-
	B/F from 30-11-2012								\$72,447.00
EUR-USD	28-11-2012	1.0	1.28923	03-12-2012	1.0	1.30364	+\$1,441.00	+\$1,441.00	\$73,888.00
EUR-USD	28-11-2012	1.0	1.28923	06-12-2012	1.0	1.30526	+\$1,603.00	+\$1,603.00	\$75,491.00
Unrealized							\$0.00		

GBP-USD DAILY



GBP-USD 4-HOURLY



GBP-USD Short to Medium Term Views

The spillover effect from the overnight rout in EUR-USD is seen clearly in GBP-USD. Up till London closing, this market was still holding out relatively well. Persistent selling interests only emerged after NY midday. Earlier on during London session, this market was still testing the week's high at 1.61291 with an intraday high of 1.61265; poised for a challenge of the September 21 peak at **1.63083**. Deep as the overnight fall may be, the medium-term bullish bias is not entirely compromised as yet. Only a close below **1.60165** in the D1 chart would claim the scalp of this bull.

GBP-USD 1-HOURLY



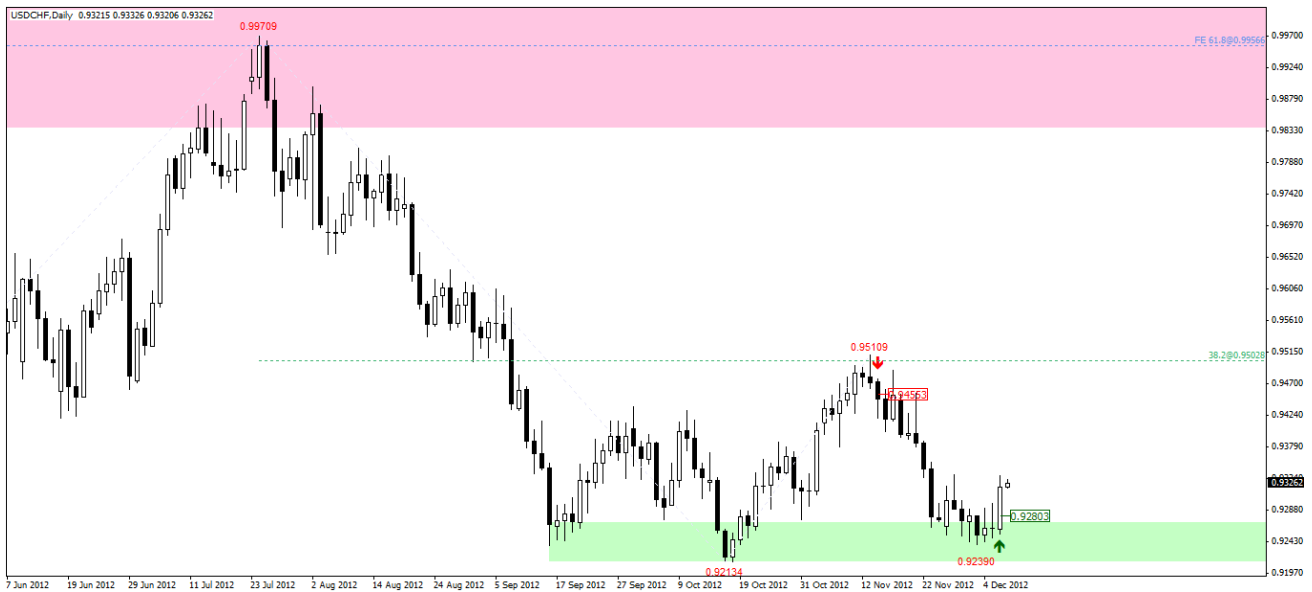
Trade Ideas

ACTION	Target 1	Target 2	EXIT
Bought @ 1.59037	1.60063 Realized	1.65416	Exit on D1 close below 1.60165
Bought @ 1.59825	1.61546	1.62589	

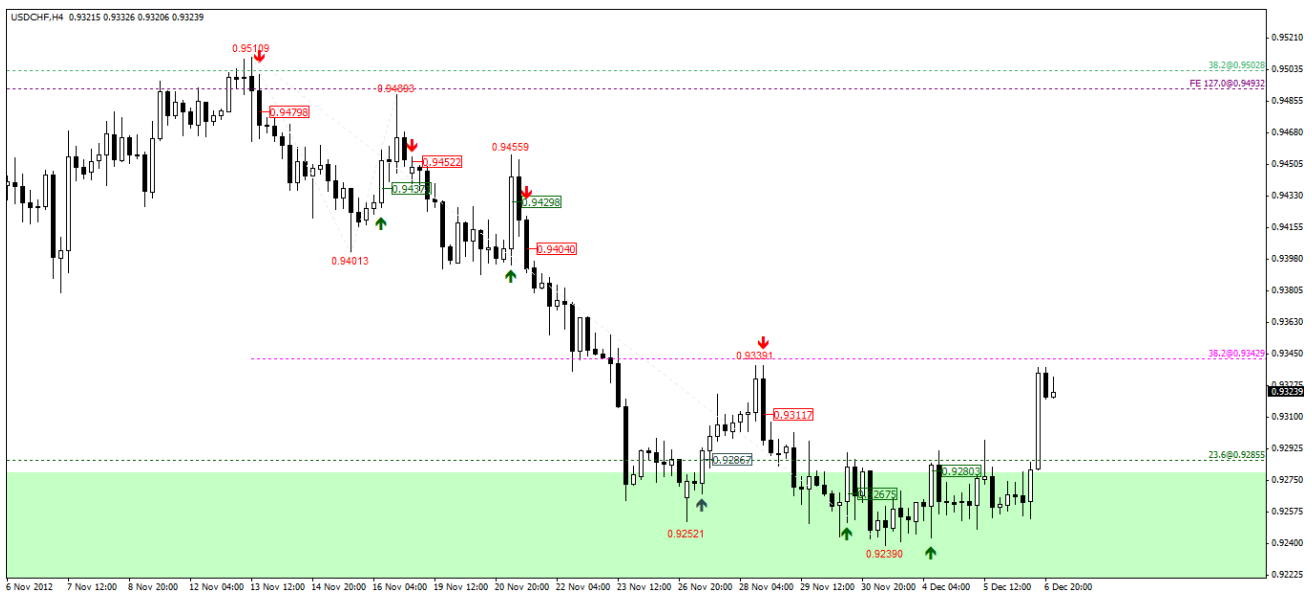
Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade + / -	Realized + / -	Accumulative + / -
	B/F from								\$50,309.00
GBP-USD	21-11-2012	1.0	1.59037	06-12-2012	1.0	1.60498	+\$1,461.00		
GBP-USD	28-11-2012	1.0	1.59825	06-12-2012	1.0	1.60498	+\$673.00		
GBP-USD	28-11-2012	1.0	1.59825	06-12-2012	1.0	1.60498	+\$673.00		
Unrealized							+\$2,807.00		

USD-CHF DAILY



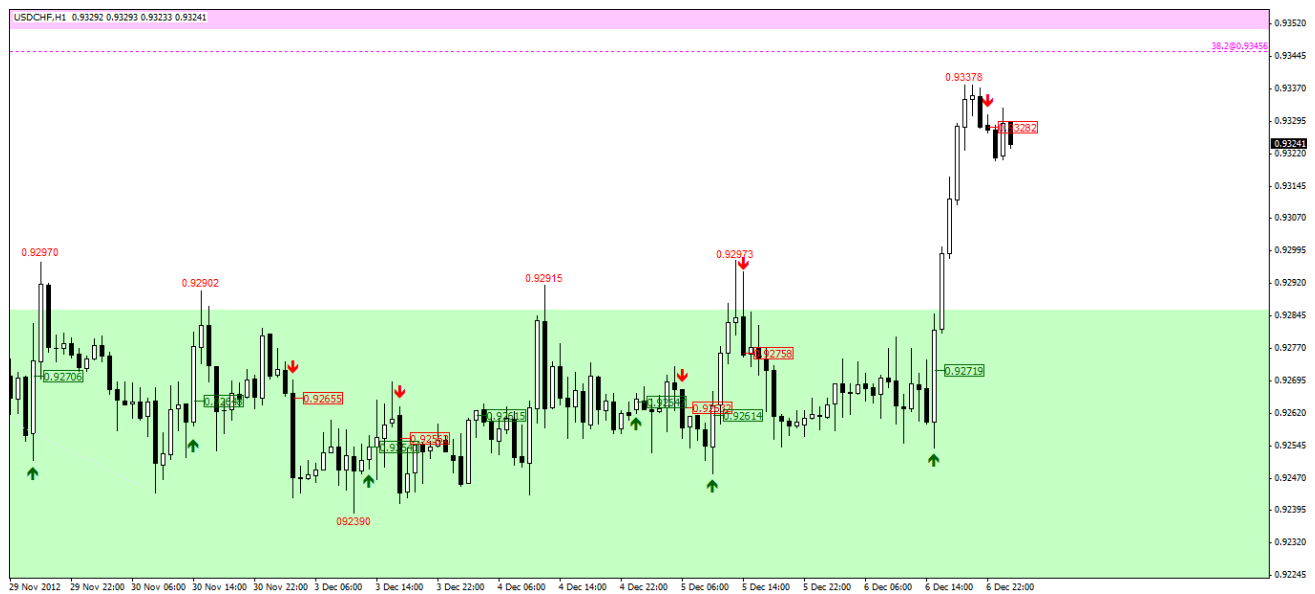
USD-CHF 4-HOURLY



USD-CHF Short to Medium Term View

As suspected, the fact that this market has stopped making new low for 3 consecutive days makes this market ripe for a rebound. Chart patterns from the D1 to the H1 charts showed that there were enough buying interests to support a punt on the long side. As noted, a strong rally out of the immediate demand pocket at **0.92746-0.92975** may signal the start of a correction. After all, the fall from the November 13 high of 0.95109 has developed into a neat 5-wave down structure into the demand pocket at **0.92746-0.92975** and a rebound is overdue. Now that a rebound has resulted, the initial idea was for a 3-wave up correction with focus on the 38.2% retracement of 0.95109 to 0.92435 at **0.93456** was anticipated. Last night's rally, however, was impulsive and does not have the characteristics of a typical correction. At any rate, we'll closely monitor what price action does if and when it trades into the minor supply pocket at **0.93507-0.93836**. Should sell signal emerges from there; the idea is to position shorts near those price levels for the next down leg of this fall. If all pans out, this bearish scenario has the potential to eventually extend below the demand pocket at **0.92746-0.92975**.

USD-CHF 1-HOURLY



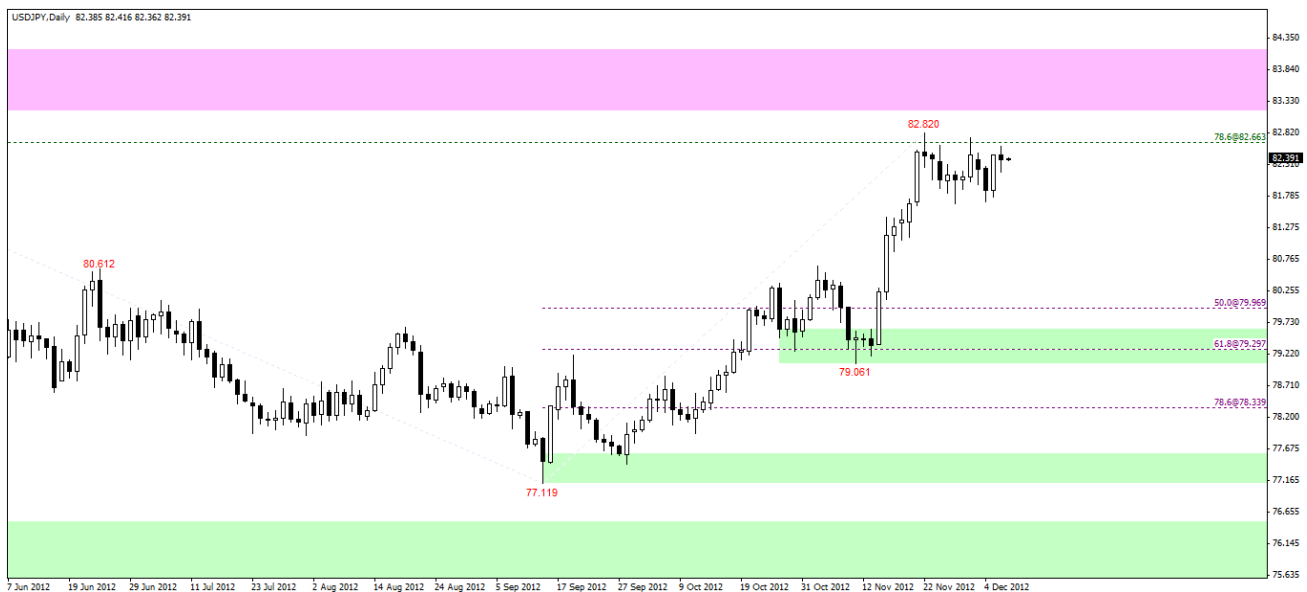
Trade Ideas

ACTION	Target 1	Target 2	EXIT
Bought 0.92647	0.93507	0.94465	Break-even

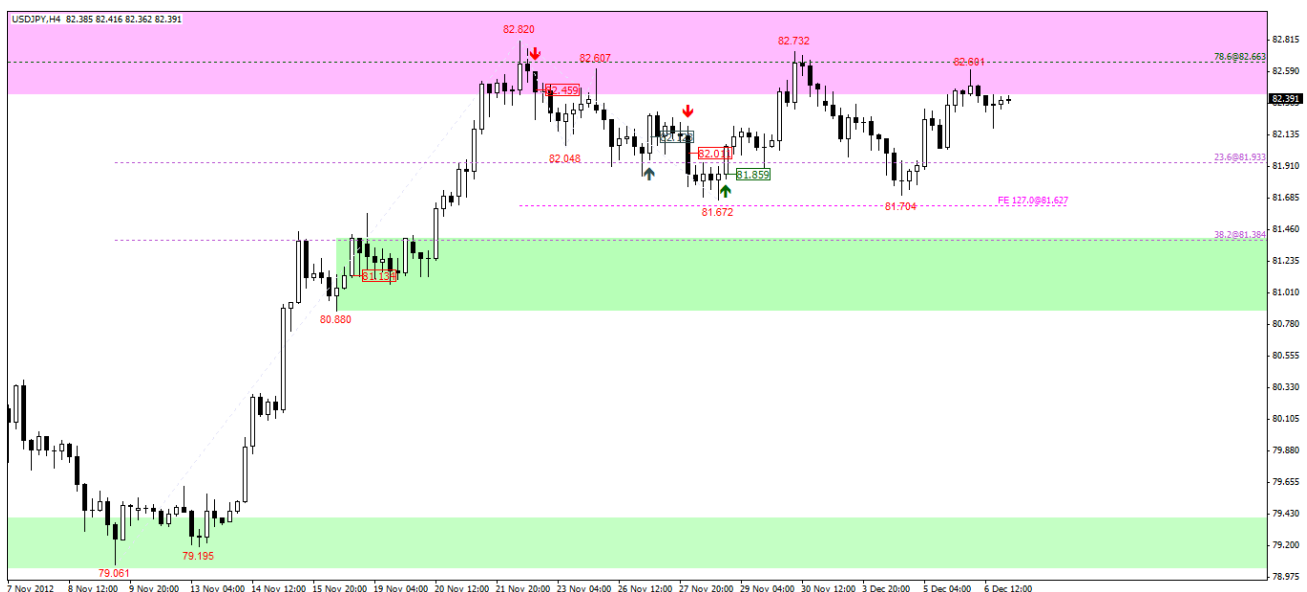
Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade + / -	Realized + / -	Accumulative + / -
	B/F from 23-11-2012								\$34,932.12
USD-CHF	05-12-2012	1.0	0.92647	06-12-2012	1.0	0.93211	+ \$605.08		
USD-CHF	05-12-2012	1.0	0.92647	06-12-2012	1.0	0.93211	+ \$605.08		
						Unrealized	+ \$1,210.16		

USD-JPY DAILY



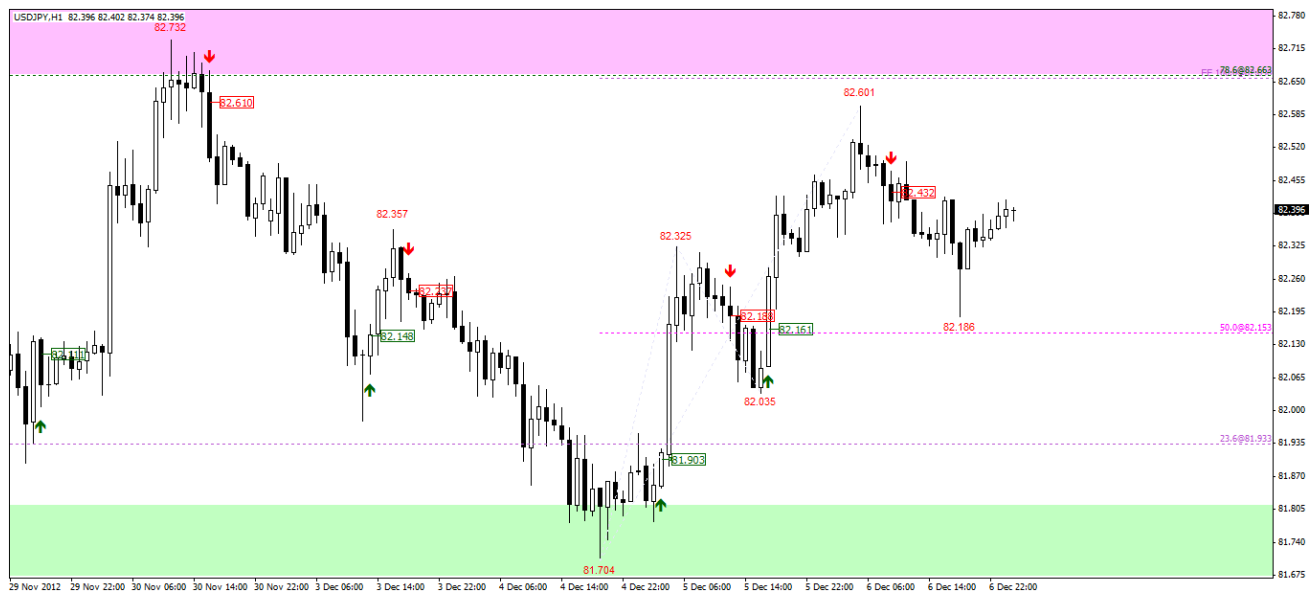
USD-JPY 4-HOURLY



USD-JPY Short to Medium Term Views

The rebound from 81.704 appears to have stalled after hitting an intraday high at 82.621. This not unexpected as yesterday's update did mention a possible cap at the 82.660 area as the 100.0% projection of 81.704 to 82.325 from 82.035 at **82.656** is located just below the 78.6% retracement of 84.172 to 77.119 at **82.663**; which in turn is located just below the supply pocket at **82.424-83.380**. Failure to break above this barrier may invite profit-taking all over again. In order to maintain the medium-term bullish bias, it is imperative for price action takes out the 78.6% retracement of 84.172 to 77.119 at **82.663** and breaks above this supply pocket at **82.424-83.380**. This is because the 78.6% retracement of 84.172 to 77.119 at **82.663** represents (to me) the maximum allowance retracement. So far, this market has not been successful in clearing this barrier. With the year's high at **84.172** in sight, this bullish bias still has the potential to gun for the 100.0% projection of 75.563 to 84.172 from 77.119 at **85.728** which incidentally sits within a known supply zone. From there, the longer-term down trend is expected to resume below the all-time low of **75.563** (read big picture view above). Another attempt to climb can still happen especially if we see a close above **82.488** in the H4 chart. Note the *long-legged shadow doji* in H4 chart.

USD-JPY 1-HOURLY



Trade Ideas

ACTION	Target 1	Target 2	EXIT
Bought @ 81.903	82.424 Realized	83.716	Break-even

Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade +/-	Realized +/-	Accumulative +/-
	B/F from 30-11-2012								\$30,540.48
USD-JPY	28-11-2012	1.0	81.774	04-12-2012	1.0	81.774			
USD-JPY	05-12-2012	1.0	81.903	05-12-2012	1.0	82.424	+\$632.10	+\$632.10	\$31,172.58
USD-JPY	05-12-2012	1.0	81.903	06-12-2012	1.0	82.384	+\$583.85		
						Unrealized	\$583.85		

AUDUSD, H4 1.04846 1.04854 1.04679 1.04727

1.04782

1.04565

1.04418

1.03571

1.04224

1.03984

1.03632

1.03328

1.02853

1.04878

1.04722

1.04531

1.04371

1.04650

1.05134

FE 127.0@1.05102

FE 100.0@1.04972

FE 100.0@1.04732

1.03915

1.03865

1.03927

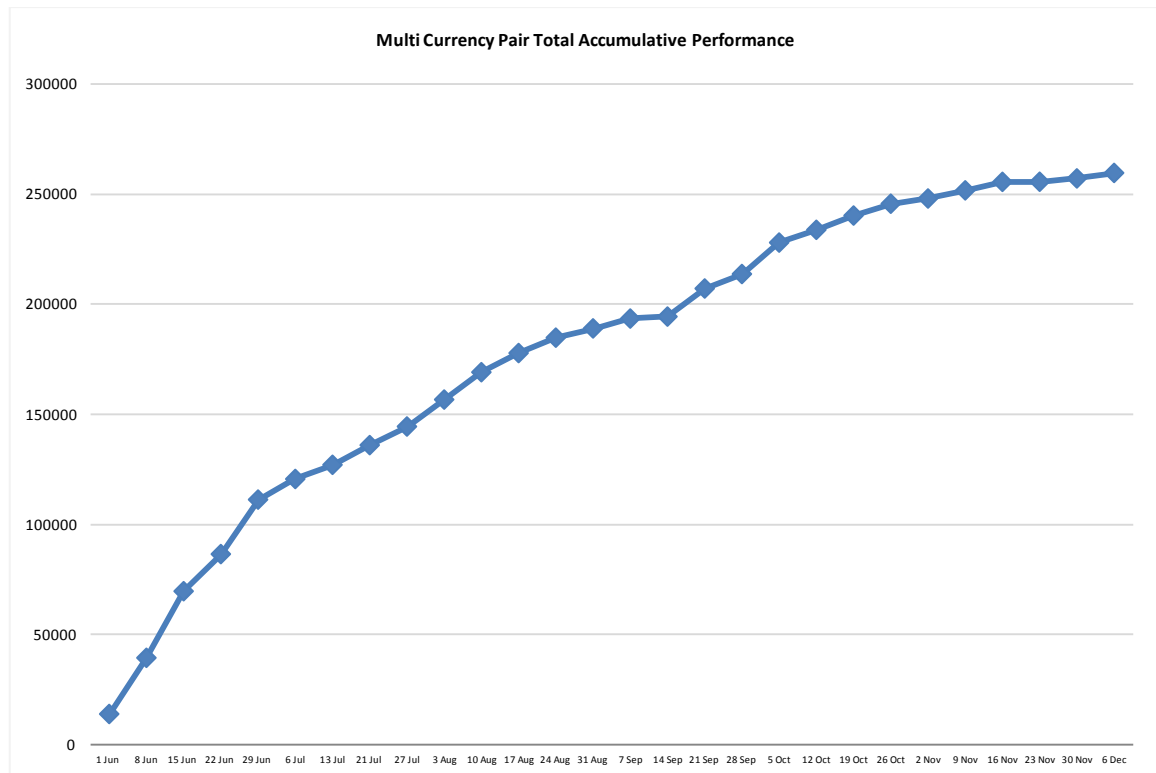
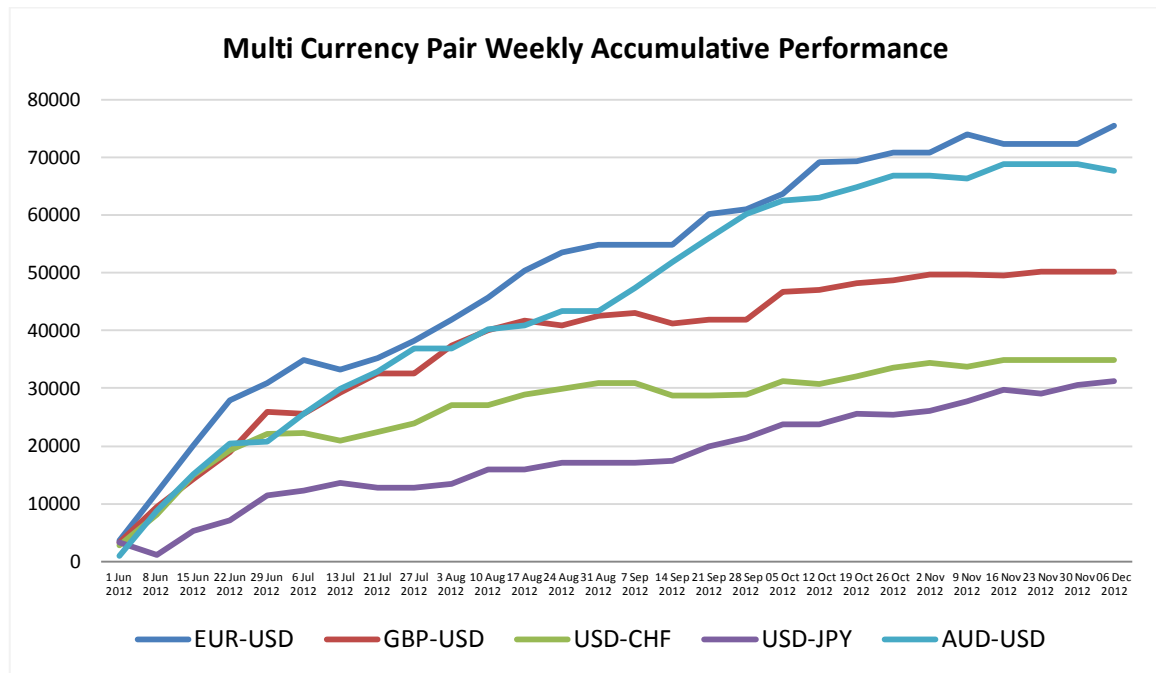
7 Nov 2012 8 Nov 12:00 9 Nov 20:00 13 Nov 04:00 14 Nov 12:00 15 Nov 20:00 19 Nov 04:00 20 Nov 12:00 21 Nov 20:00 23 Nov 04:00 26 Nov 12:00 27 Nov 20:00 29 Nov 04:00 30 Nov 12:00 3 Dec 20:00 5 Dec 04:00 6 Dec 12:00

1.05150
1.05010
1.04875
1.04725
1.04595
1.04460
1.04320
1.04185
1.04045
1.03905
1.03770
1.03630
1.03490
1.03355
1.03215
1.03080
1.02940
1.02800

Despite RBA's interest rate cut, this market continues to climb. Overnight, a marginal new high was registered at 1.05134 in NY session before easing. The fact that price action pulled back from this high may provide a clue. This is because this level is just above the 127.0% projection of 1.02853 to 1.04224 from 1.03361 at **1.05102**. As the 127.0% projection represents (to me) a ratio that often result in an 'overshoot' of a corrective move, any pullback from this level may suggest a termination point is in place. As can be seen in the H1 chart, a bearish engulfing bar appeared right after the day's high was registered and triggered a sell signal with a close below **1.04891**. With the upper boundary of the supply pocket at **1.04526-1.04722** so close, the risk/reward now looks a lot more attractive. This contrasts from the earlier short position at **1.04643** where the short-term potential was comparatively limited.

ACTION	Target 1	Target 2	EXIT
Sold @ 1.04891	1.04157	1.03118	1.05282 STOP

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade + / -	Realized + / -	Accumulative + / -
	B/F from 30-11-2012								\$68,225.00
AUD-USD	06-12-2012	1.0	1.04925	05-12-2012	1.0	1.04643	-\$282.00		\$67,943.00
AUD-USD	06-12-2012	1.0	1.04925	05-12-2012	1.0	1.04643	-\$282.00	-\$564.00	\$67,661.00
AUD-USD	06-12-2012	1.0	1.04836	06-12-2012	1.0	1.04891	+\$55.00		
AUD-USD	06-12-2012	1.0	1.04836	06-12-2012	1.0	1.04891	+\$55.00		
						Unrealized	+\$110.00		



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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.