

*A Traders Academy International Publication*

## ECB Draghi Preempt The Markets

Speaking at the Global Investment Forum in London, Mario Draghi announced that the ECB would do "everything it takes" to save the Euro. Draghi pre-empted the markets' disappointment by finding a loop hole in the mandate, saying that rising sovereign borrowing costs for Spain and Italy can disrupt the effectiveness of the ECB's monetary policy measures, thus he hinted that the ECB can get involved in depressing sovereign premia (read bond yields) by the back door.

So what can he do?

1, Re-start the SMP programme, so that the central bank starts buying up Spanish and Italian bonds and acting as a lender of last resort to the third and fourth largest economies in the currency bloc. There are a few problems with this 1, the ECB is not allowed to act as a direct lender to sovereigns, 2, the Bundesbank is against the SMP programme and 4, when it has bought government debt in the past it bought in such small size (approximately €200 billion) that it is unlikely to impact the deep credit markets of Spain and Italy.

2, Re-start the LTRO programme. This pumps money into the banks at an extremely cheap rate, which is designed to entice banks into buying sovereign debt. This is a risky strategy for the ECB because (1) it deepens the toxic link between the banks and the sovereigns and (2) the Bundesbank is also against LTRO.

3, Cut rates: while a rate cut may do little to spur economies or reduce risk premiums in Spain and Italy, by cutting the deposit rate (the rate at which banks get paid interest for storing money with the ECB) to below 0% it could boost lending to the wider economy, which may have a knock-on impact on growth. The problem with this is that (1) there is no guarantee that demand for debt is there and (2) if there was it would take a while to be reflected in economic growth and thus have a positive effect on credit risk.

4, Collateral requirements: By further reducing the quality of collateral banks can use to get cash from the ECB, Draghi may hope that the banks extend more loans to the wider economy and thus create new collateral to get fresh central bank cash. This has the same problems as above, but also reduces the quality of the ECB's balance sheet.

5, QE: If the ECB started up the printing presses and pumped money directly into the real economy it could have two effects: (1) boost growth through reducing the value of the Euro even further and (2) shock the markets into believing Draghi was serious that the Bank will not let the Eurozone fail. However, rounds of QE have done little to help the UK or US economies and the ECB's balance sheet is already enormous, which makes pure QE a less attractive option.

Working in these narrow confines, analysts believe Draghi could cut deposit rates to below zero; he could also re-start the SMP programme but with a strict limit on the amount of future purchases and also reduce collateral requirements for banks.

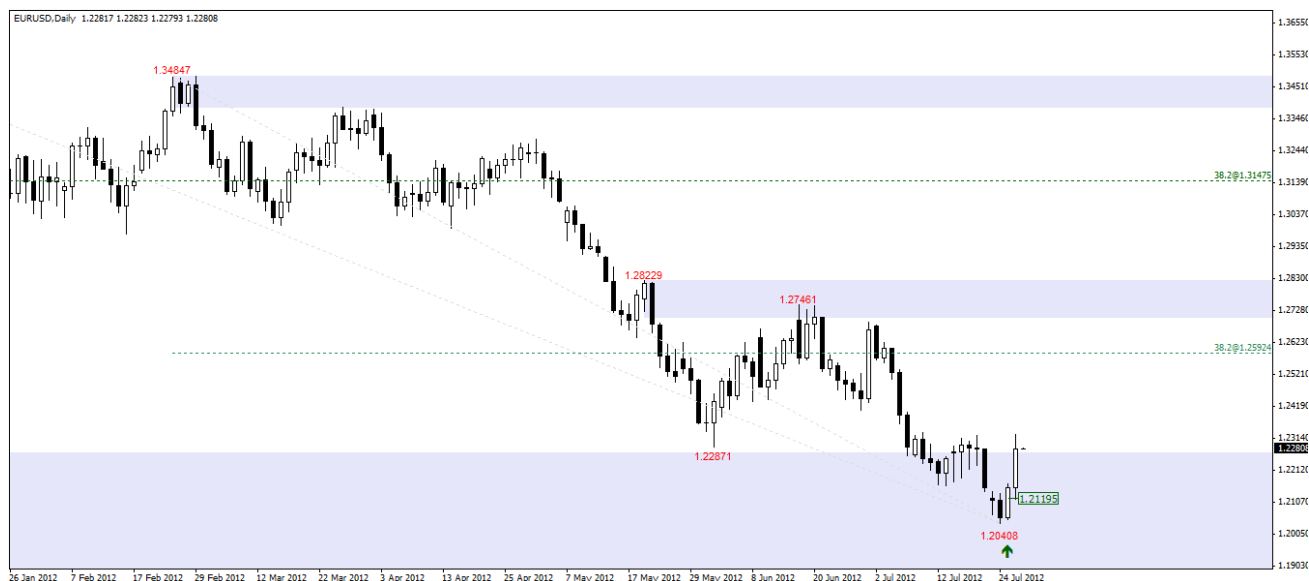
Draghi has broken ranks with other ECB officials, most noticeably the Bundesbank, and he has ushered in a new, more pro-active stance from the ECB. The former President Trichet was much more measured and stuck closely to the no-inflation mantra pedalled by the Bank. Draghi has shown he has the guts to stand up to powerful Germany and also to politicians. He won't do more if they don't.

EUR-USD climbed more than 200 bps at one stage But could the markets be overreacting? Probably. Added to this, the ECB doesn't tackle the real issue at the heart of this crisis: mountains of debt. Instead, the ECB can only act like a bridge. Thus, the ECB is only one part of the equation and without government action it's hard to see bond yields in Spain and Italy fall on a sustainable basis.

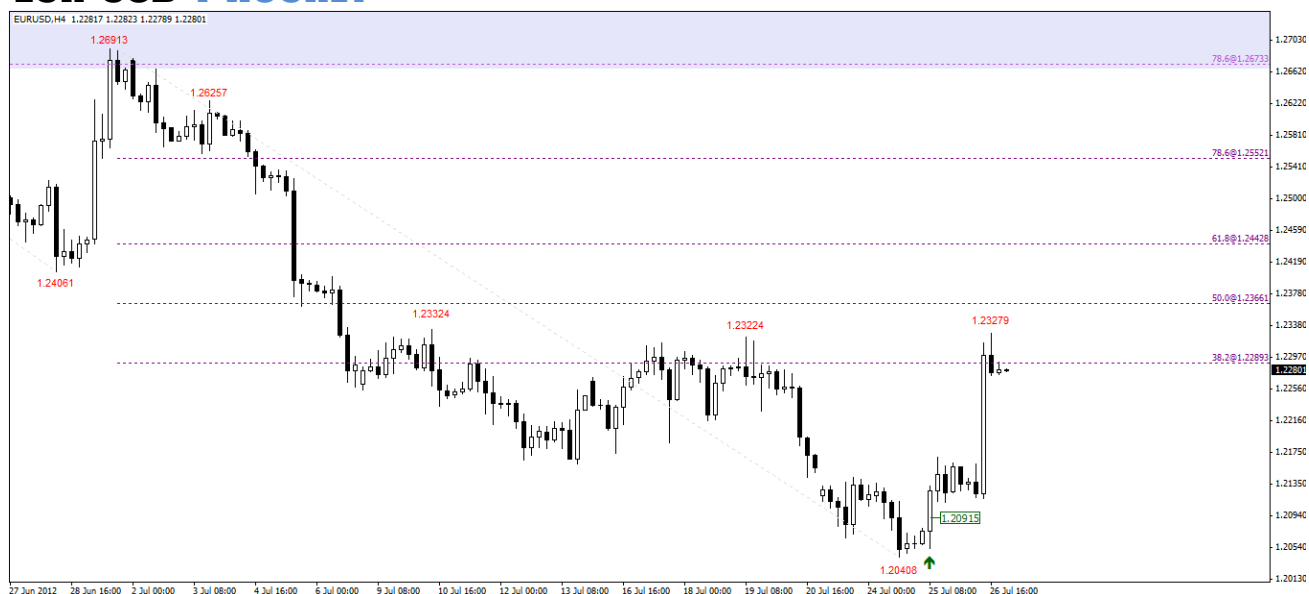
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## EUR-USD DAILY



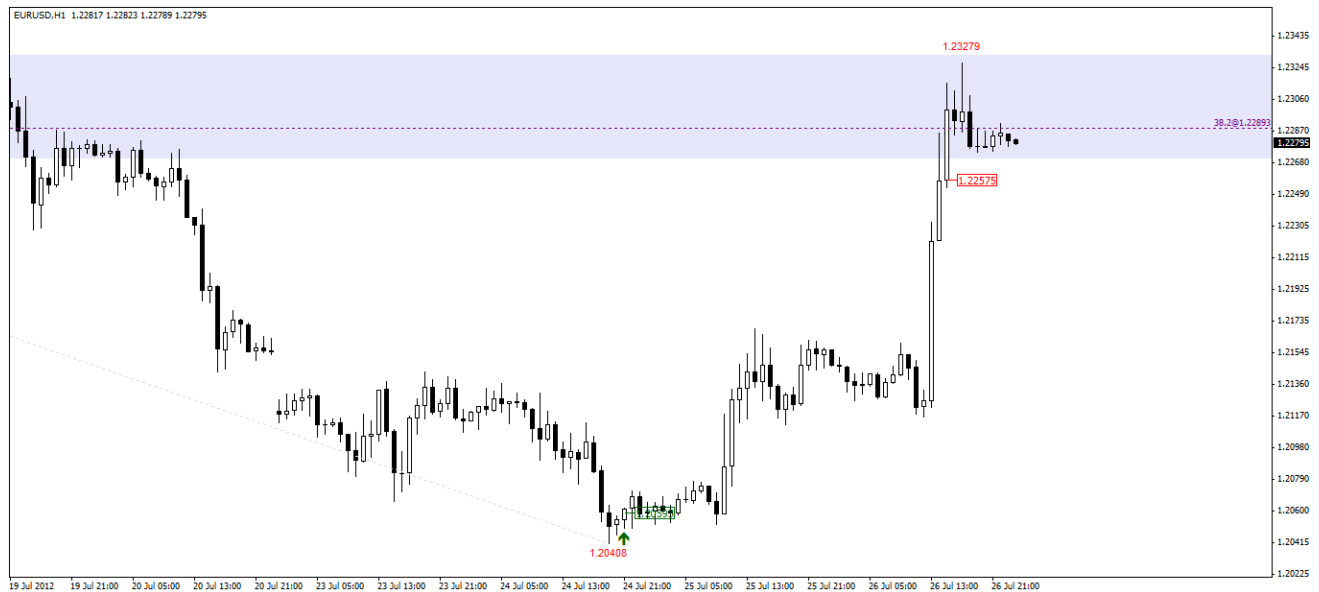
## EUR-USD 4-HOURLY



## EUR-USD Short to Medium-Term Views

Overnight trading was explosive in that the anticipated rebound did indeed hit the 38.2% retracement of 1.26913 to 1.20408 at **1.22893**; located within the overhead SZ at **1.22703-1.23324**. As mentioned, there is a possibility this rebound may extend towards the next SZ at **1.26656-1.27461**. On the other hand, price action at current level is likely to meet with headwind and a pullback is very likely. At any rate, the extension to the next SZ at **1.26656-1.27461** will probably unfold in a 3-wave up-move instead of a 90° surge as seen overnight.

## EUR-USD 1-HOURLY



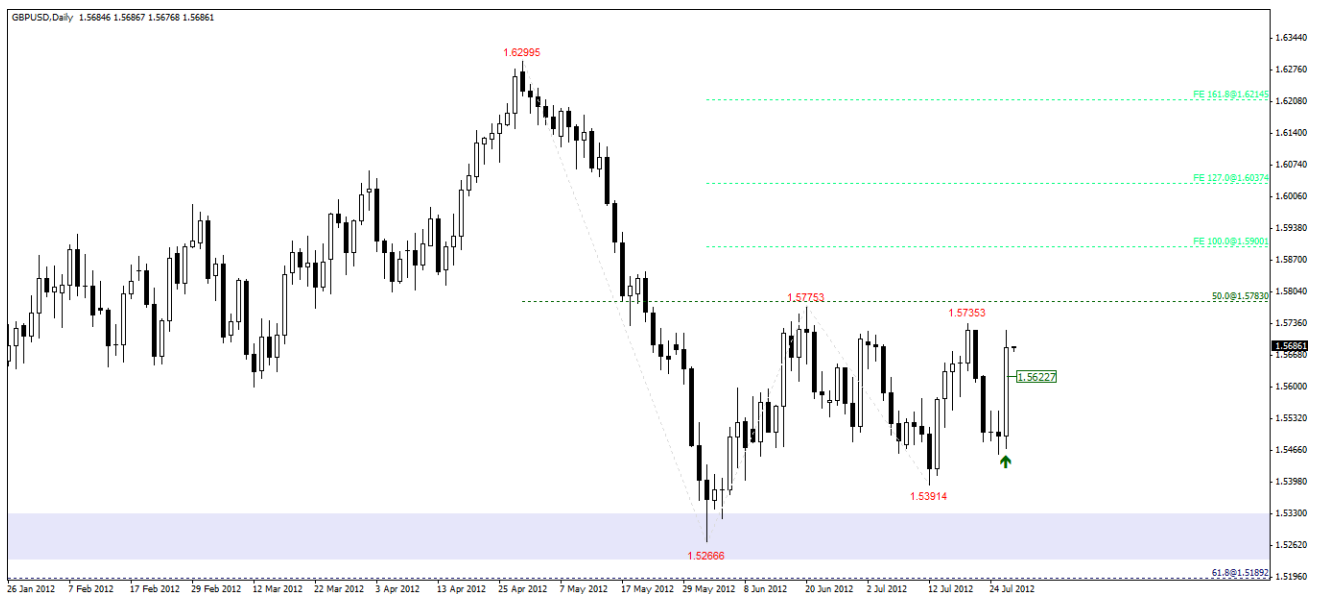
## Trade Ideas

ACTION	Target 1	Target 2	EXIT
Bought @ 1.20593	1.22703	1.25595	Exit on H1 close below 1.22575
	Realized		

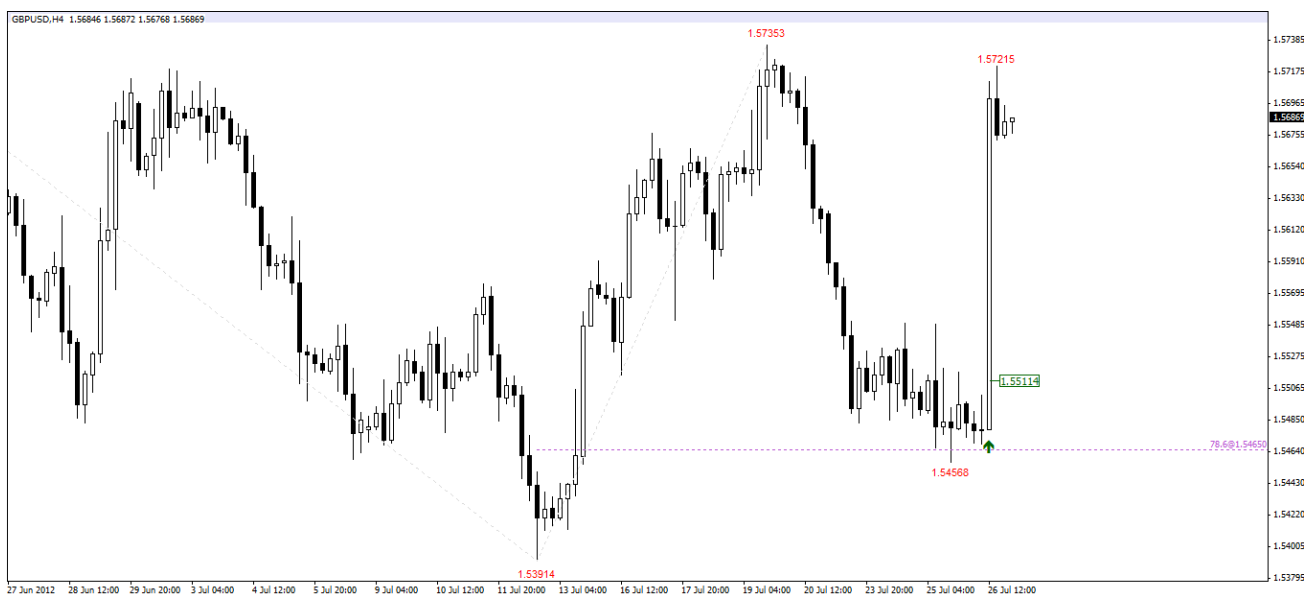
## Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade +/-	Realized +/-	Accumulative +/-
	B/F from 20-07-2012								+\$35,190.00
EUR-USD	23-07-2012	1.0	1.21076	24-07-2012	1.0	1.20560	-\$516.00		+\$34,674.00
EUR-USD	23-07-2012	1.0	1.21076	24-07-2012	1.0	1.20560	-\$516.00	-\$1,032.00	+\$34,158.00
EUR-USD	24-07-2012	1.0	1.20593	26-07-2012	1.0	1.22703	+\$2,110.00	+\$2,110.00	+\$36,268.00
EUR-USD	24-07-2012	1.0	1.20593	26-07-2012	1.0	1.22814	+\$2,221.00		
Unrealized							+\$2,221.00		

## GBP-USD DAILY



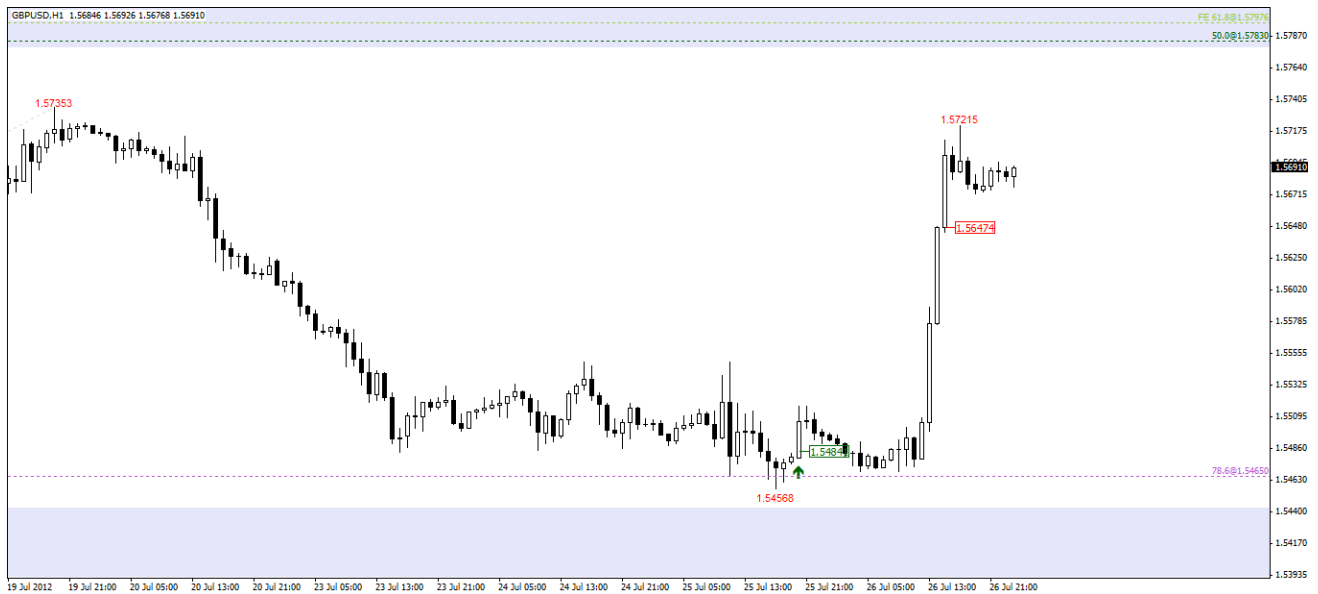
## GBP-USD 4-HOURLY



## GBP-USD Short to Medium Term Views

GBP-USD too exploded to the upside in a delayed reaction as if making up for lost time. From the 78.6% retracement of 1.53914 to 1.57353 at **1.54650**, price action surged powerfully to challenge last Thursday high at 1.57353 with a print at 1.57215 in overnight trading. As noted, in the medium-term, trading is likely to be confined to between the June 20 high of **1.57753** and June 1 low of **1.52666** or more accurately, between the DZ at **1.52302-1.53195** and the SZ at **1.57505-1.58463**. Unless price action surged beyond the upper band, this rebound should be capitalized and is deemed as a selling opportunity. Watch out for reaction at 38.2% retracement of 1.57353 to 1.54568 at **1.55632**. If a sell signal appears, take it as this market may ultimately challenge the June low of **1.52666** once again.

## GBP-USD 1-HOURLY



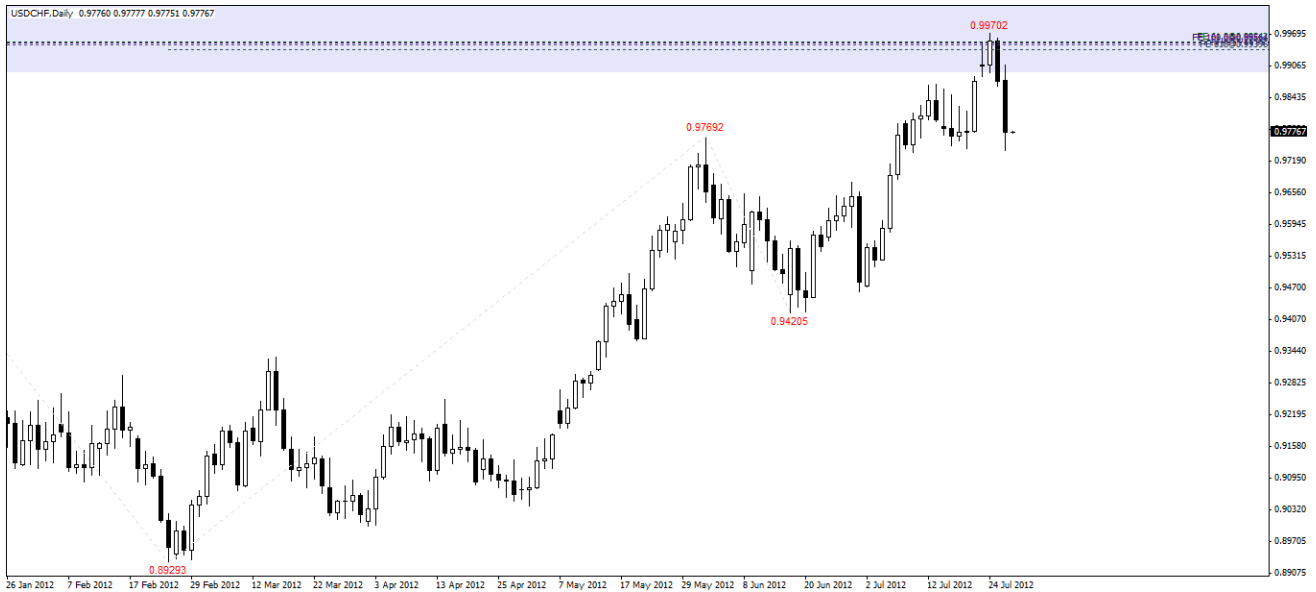
## Trade Ideas

ACTION	Target 1	Target 2	EXIT
Bought @ 1.54841	1.55632 Realized	1.58463	Exit on H1 close below 1.56474

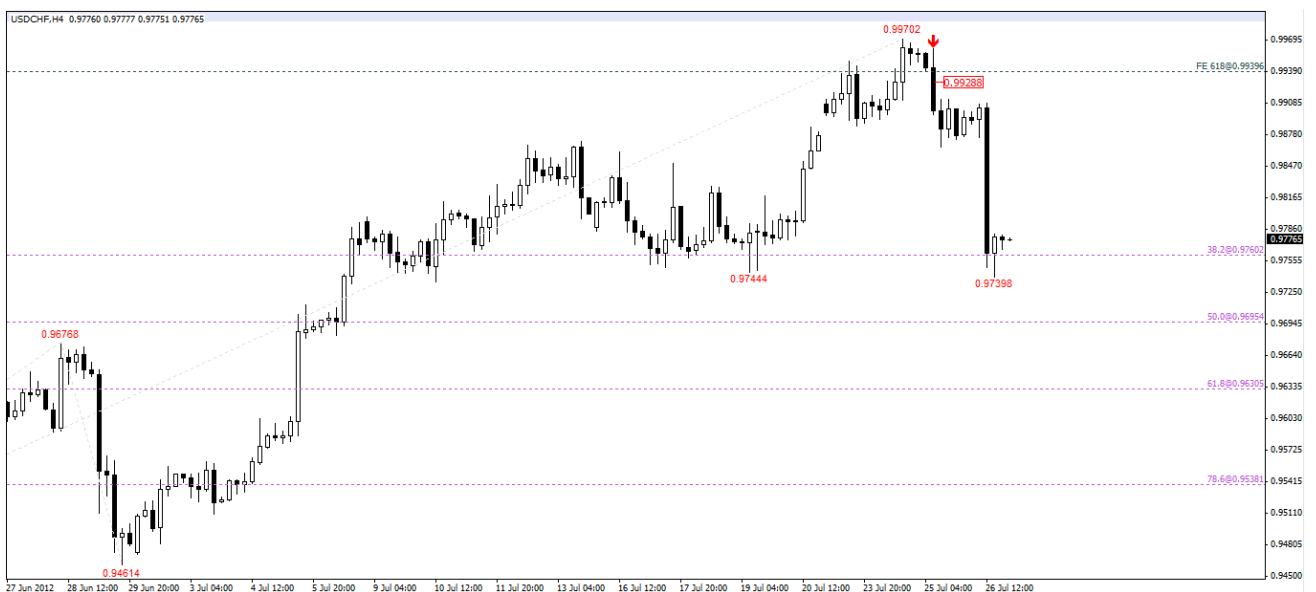
## Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade +/-	Realized +/-	Accumulative +/-
	B/F from								+\$32,547.00
	20-07-2012								
GBP-USD	24-07-2012	1.0	1.55233	25-07-2012	1.0	1.54735	-\$497.00		+\$32,050.00
GBP-USD	24-07-2012	1.0	1.55233	25-07-2012	1.0	1.54735	-\$497.00	-\$994.00	+\$31,553.00
GBP-USD	25-07-2012	1.0	1.54841	26-07-2012	1.0	1.55632	+\$791.00	+\$791.00	+\$32,344.00
GBP-USD	25-07-2012	1.0	1.54841	26-07-2012	1.0	1.56845	+\$2,004.00		
Unrealized							+\$2,004.00		

## USD-CHF DAILY



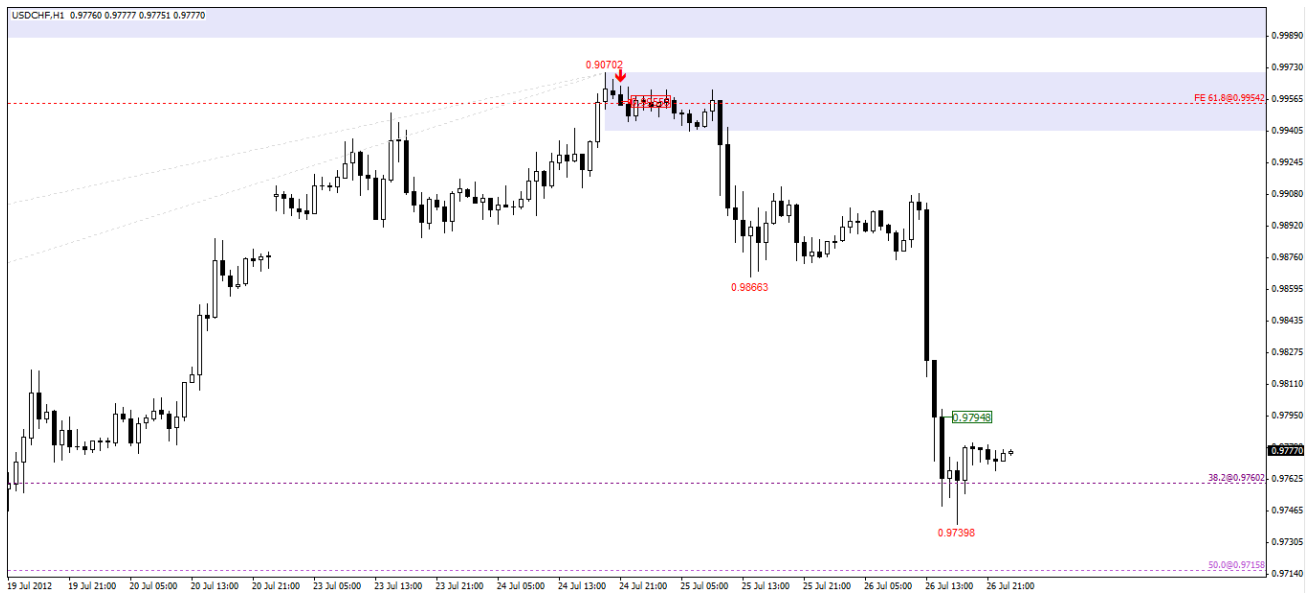
## USD-CHF 4-HOURLY



## USD-CHF Short to Medium Term View

The relevance of Fibonacci cluster is best exemplified in the USD-CHF. The rally from 0.70674 from way back in August 2011 hit a long-term target listed as the 61.8% retracement of 1.17296 to 0.70677 at **0.99488**; near the 61.8% projection of 0.70677 to 0.93132 from 0.85669 at **0.99546**. This cluster was expected to provide significant resistance as mentioned in the weekly report – and it did. The early signals seen in both the H1 and H4 charts with closes below **0.99555** and **0.99288** proved to be the trigger that saw a near-collapse in prices overnight. As noted, this pullback has the potential to correct to the June 18 low of **0.94205** or the June 29 low of **0.94614**. As expected, short-term support is at the 38.2% retracement of 0.94205 to 0.99702 at **0.97602** near the low at **0.97444**. As we have it, the overnight low was 0.97398. Profit-takings may next result in a rebound and another challenge of the overnight low can be expected for the next leg down.

## USD-CHF 1-HOURLY



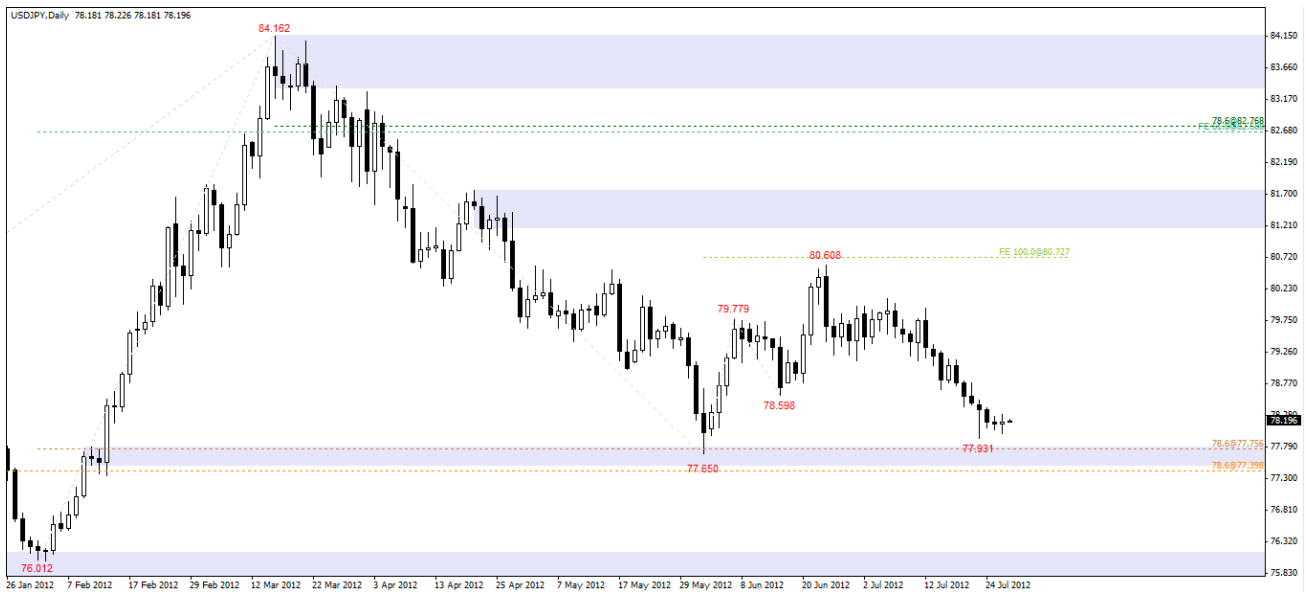
## Trade Ideas

ACTION	Target 1	Target 2	EXIT
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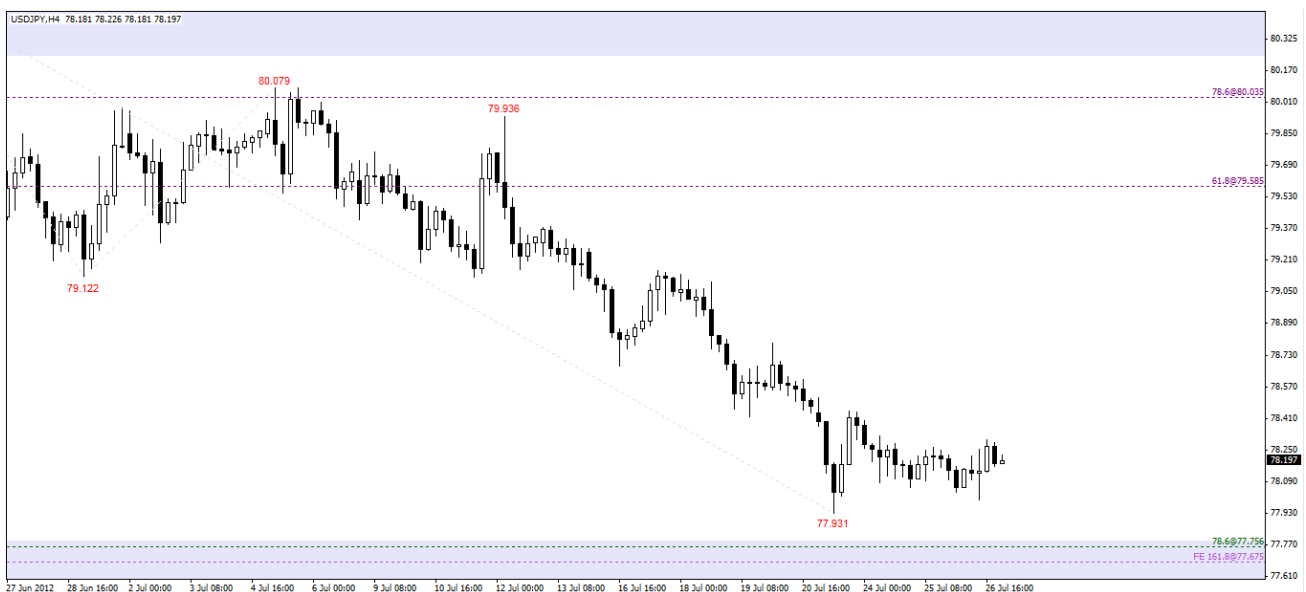
## Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade + / -	Realized + / -	Accumulative + / -
	B/F from								+\$22,420.77
	20-07-2012								
USD-CHF	24-07-2012	1.0	0.99597	23-07-2012	1.0	0.99157	-\$441.78		+\$21,978.99
USD-CHF	24-07-2012	1.0	0.99597	23-07-2012	1.0	0.99157	-\$441.78	-\$883.56	+\$21,537.21
USD-CHF	26-07-2012	1.0	0.98858	24-07-2012	1.0	0.99555	+\$705.05		+\$22,242.26
USD-CHF	26-07-2012	1.0	0.97938	24-07-2012	1.0	0.99555	+\$1,651.05	+\$2,356.10	+\$23,893.31
Unrealized							\$0.00		

## USD-JPY DAILY



## USD-JPY 4-HOURLY

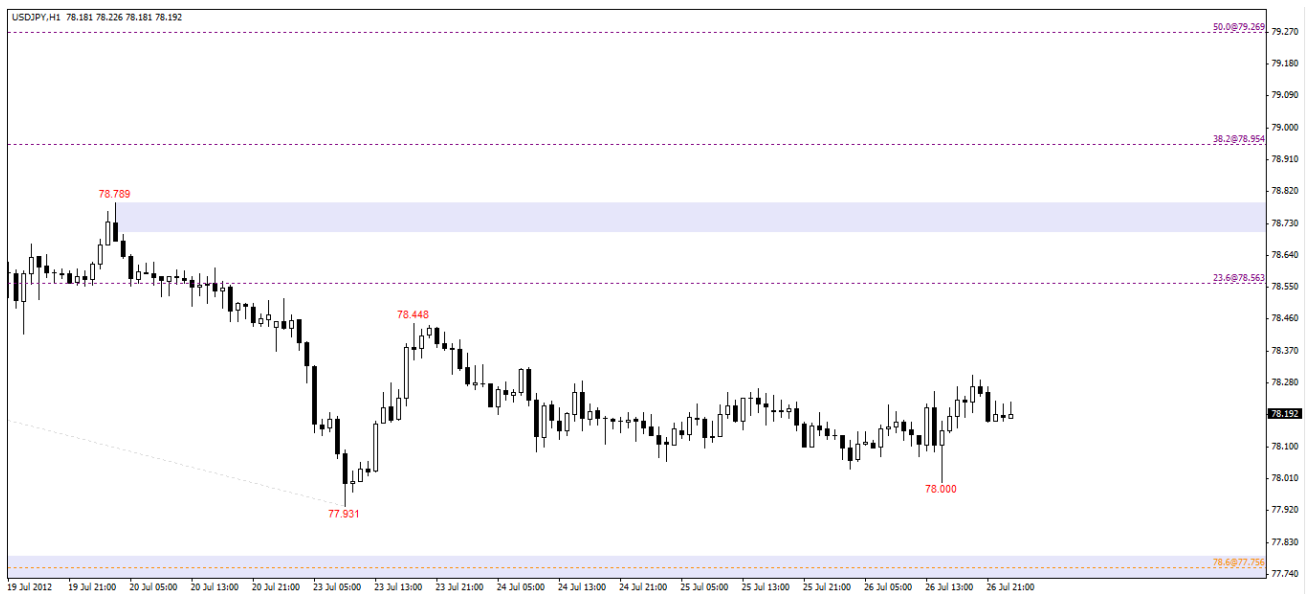


## USD-JPY Short to Medium Term Views

With fireworks exploding in all majors, price action was muted. This did not come as a surprise as the Japanese Yen is caught in the crosses as a safe-haven currency. This week trading activities remain bounded by Monday's trading range. The inability of price action to break out in either direction is proving to be less than ideal for trading. Overall, the trend is down with focus on the DZ at **77.353-77.792** where the 78.6% retracement of 76.012 to 84.162 at **77.756** as well as the 161.8% projection of 80.608 to 79.122 from 80.079 at **77.675** is located. (see H4 chart) Should price action trades into the DZ at **77.353-77.792**; it is viewed as buying opportunities. Topside potential is the immediate SZ at **78.705-78.789**.



## USD-JPY 1-HOURLY

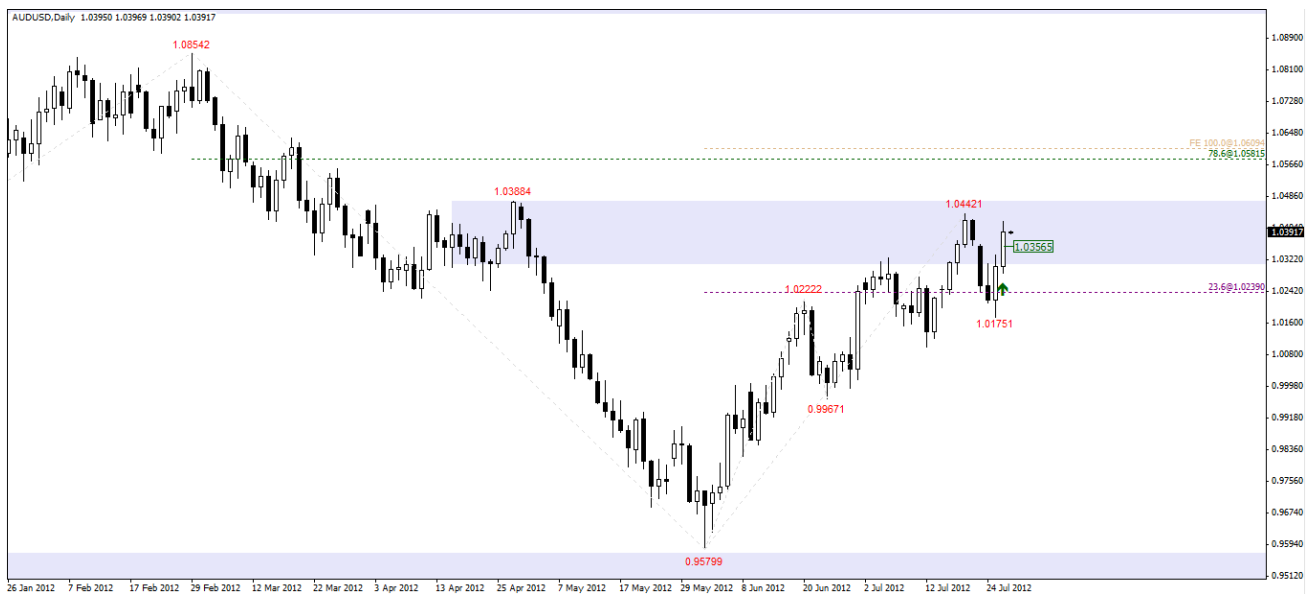
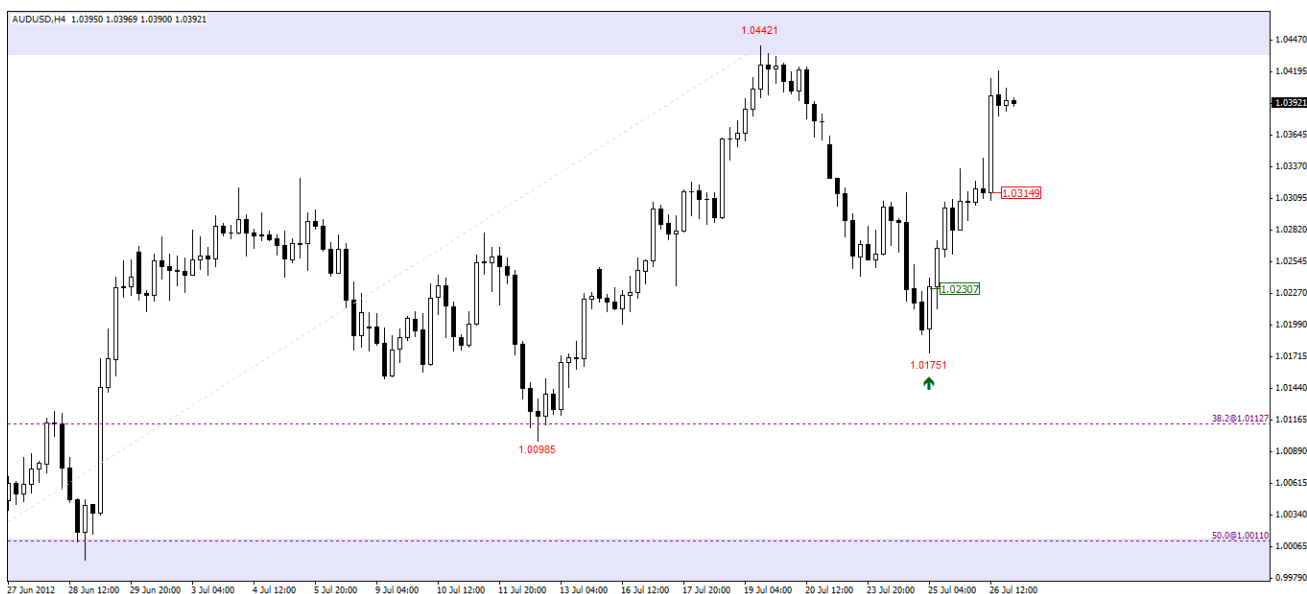


## Trade Ideas

ACTION	Target 1	Target 2	EXIT
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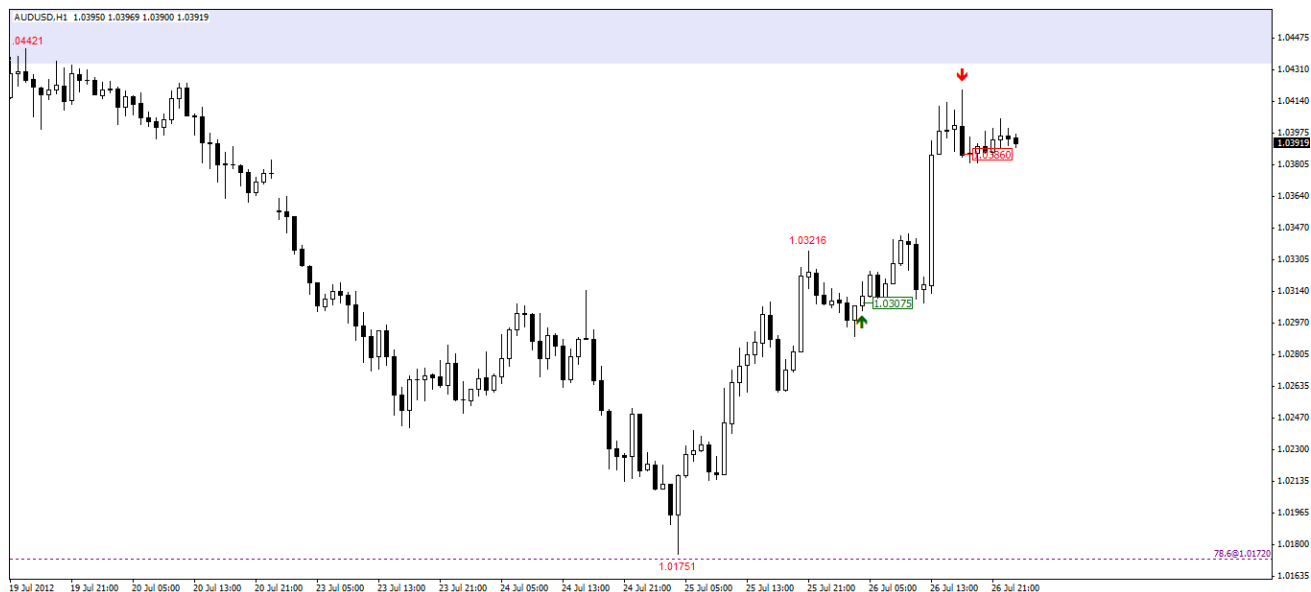
## Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade +/-	Realized +/-	Accumulative +/-
	B/F from 20-07-2012								+\$12,821.34
USD-JPY	23-07-2012	1.0	78.079	25-07-2012	1.0	78.079			+\$12,821.34
USD-JPY	23-07-2012	1.0	78.079	25-07-2012	1.0	78.079			+\$12,821.34
Unrealized							\$0.00		

**AUD-USD DAILY****AUD-USD 4-HOURLY****AUD-USD** Short to Medium Term Views

Aggressive trader who have taken the suggestion mentioned in yesterday's update by buying on the minor pullback seen in the Asian session would have profited rather handsomely from the extension of the rally from 1.01751. As noted, this rally is likely to hit the SZ at **1.04341-1.04723**. From there, traders should watch out for sell signals as the medium-term outlook is for price action to fall back to perhaps the 50.0% retracement of 0.95799 to 1.04421 at **1.00110** which is located within the DZ at **0.99671-1.00136**. On the other hand, sustained trading beyond the SZ at **1.04341-1.04723** may see this rally extending towards the 78.6% retracement of 1.08542 to 0.95799 at **1.05815** or the 100.0% projection of 0.95799 to 1.02222 from 0.99671 at **1.06094**. (see D1 chart)

## AUD-USD 1-HOURLY

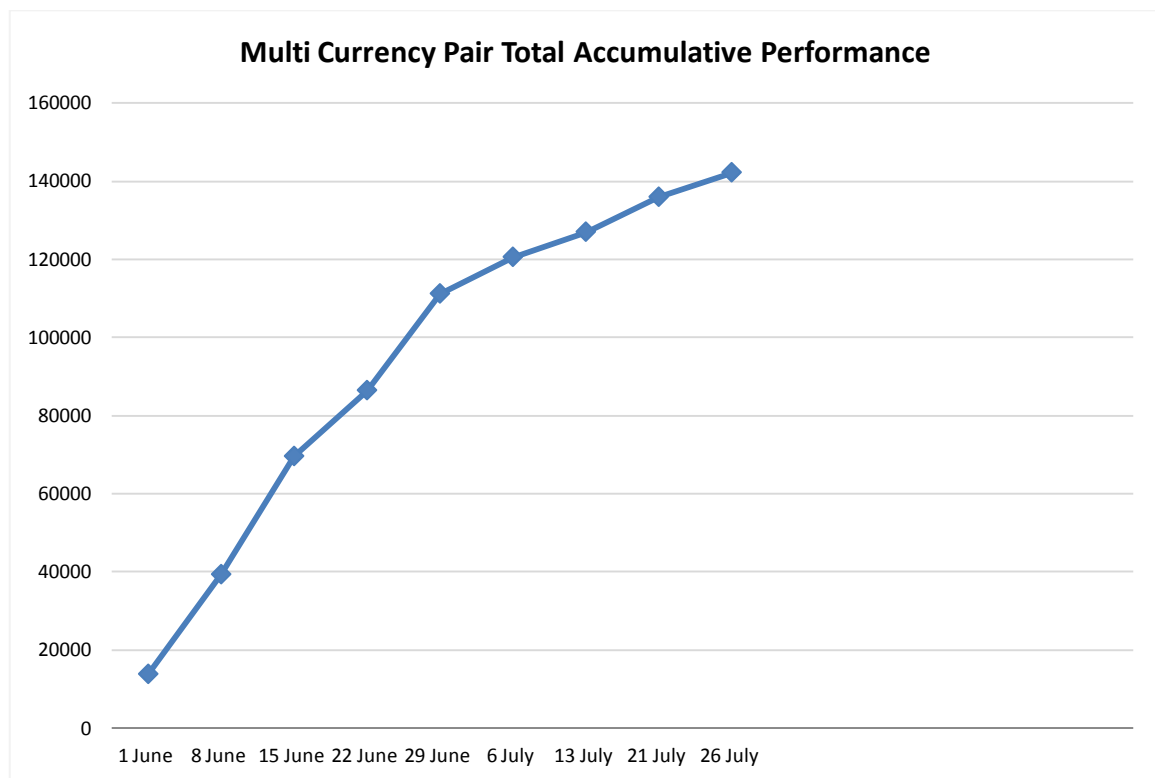
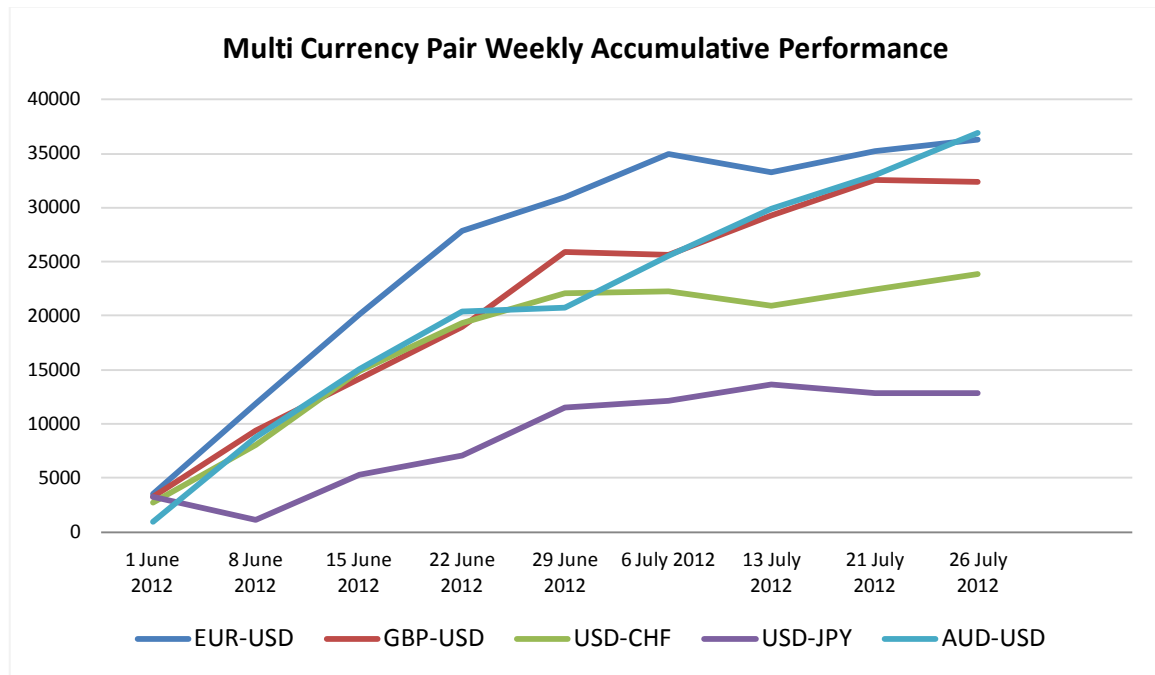


## Trade Ideas

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 20-07-2012								+\$32,967.00
AUD-USD	23-07-2012	1.0	1.03108	19-07-2012	1.0	1.04160	+\$1,052.00		+\$34,019.00
AUD-USD	23-07-2012	1.0	1.02492	19-07-2012	1.0	1.04160	+\$1,668.00	+\$2,720.00	+\$35,687.00
AUD-USD	24-07-2012	1.0	1.02794	24-07-2012	1.0	1.02316	-\$478.00		+\$35,209.00
AUD-USD	24-07-2012	1.0	1.02794	24-07-2012	1.0	1.02316	-\$478.00	-\$956.00	+\$34,731.00
AUD-USD	25-07-2012	1.0	1.02223	25-07-2012	1.0	1.02866	+\$643.00		+\$35,374.00
AUD-USD	25-07-2012	1.0	1.02223	25-07-2012	1.0	1.02866	+\$643.00	+\$1,286.00	+\$36,017.00
AUD-USD	26-07-2012	1.0	1.03075	26-07-2012	1.0	1.03946	+\$871.00	+\$871.00	+\$36,888.00
Unrealized							\$0.00		



Website under development

## Traders Academy International

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.

### Non Affiliation Policy

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.