Sunday, June 03, 2012
Weekend Edition

FOREX OUTLOOK

A Traders Academy International Publication

US Job Numbers Disappoint

US job growth slowed sharply in May and the unemployment rate rose for the first time since June, putting pressure on the Federal Reserve to ease monetary policy further to shore up the sputtering recovery.

The Labor Department report on Friday, which showed employers added a paltry 69,000 jobs to their payrolls last month, the fewest since May last year. Economists had expected nonfarm payrolls to increase 150,000 and the jobless rate to hold steady at 8.1 percent.

The unemployment rate rose to 8.2 percent from 8.1 percent partly because people flocked into the labor market.

While unseasonably warm weather, which brought forward hiring into the winter months, has been blamed for the step back in March and April, the latest report hinted at more fundamental weakness in the economy.

Employers added 49,000 fewer jobs than previously estimated in March and April. The report further eroded confidence, coming on the back of a raft of soft regional factory surveys and a worsening of the debt crisis in Europe.

However, a survey of households showed stronger employment gains. Though the unemployment rate rose, more people sought work.

The weak payrolls report could cause the Federal Reserve to move closer to launching a third round of bond purchases. This puts the Fed firmly in play and they will likely feel compelled to respond. The missing ingredient preventing the Fed from action had been the equity market, but now we are seeing it softening.

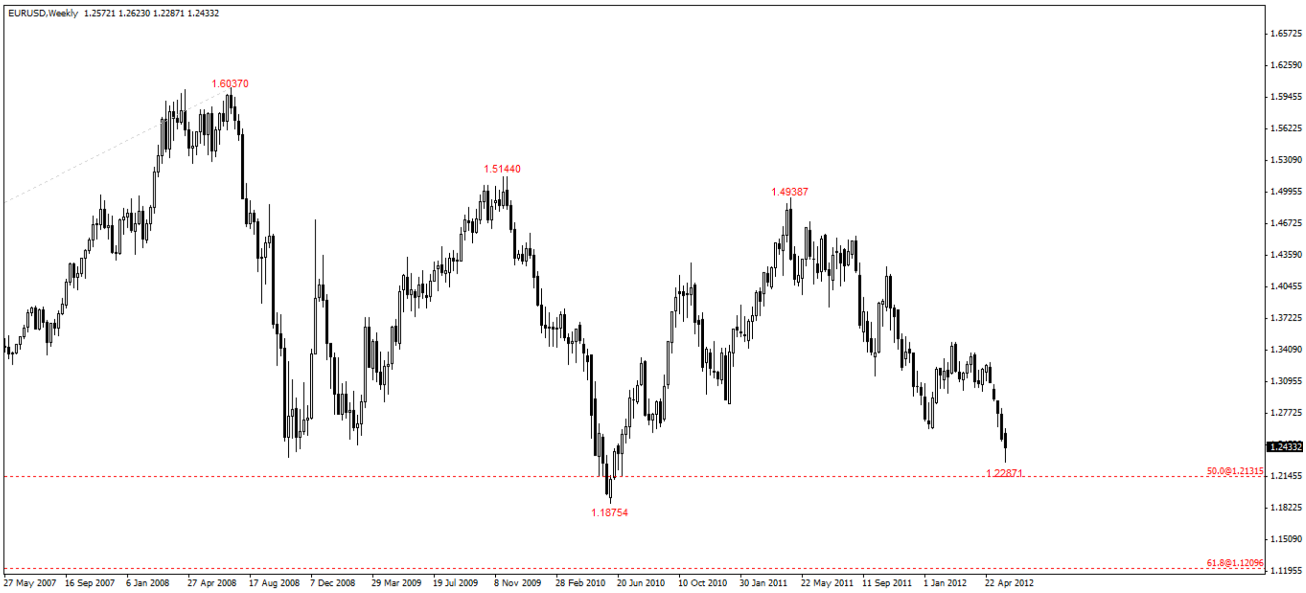
The level of employment is about 5 million jobs below where it was in December 2007, when the economy fell into recession. Analysts say the economy needs to create roughly 125,000 jobs a month just to keep the unemployment rate steady.

The labor force participation rate - the share of working-age Americans who either have a job or are looking for one - rose to 63.8 percent after dropping to a 30-year low in April. Job gains were weak across the board last month, with the private sector adding only 82,000 positions. Government payrolls dropped by 13,000, dragged down by ongoing belt-tightening by local governments. Construction employment fell 28,000 in May - the fourth straight decline. Manufacturing, the recovery's star performer, added 12,000 jobs. Given the high unemployment rate, average hourly earnings rose only two cents and the average workweek fell to 34.4 hours.

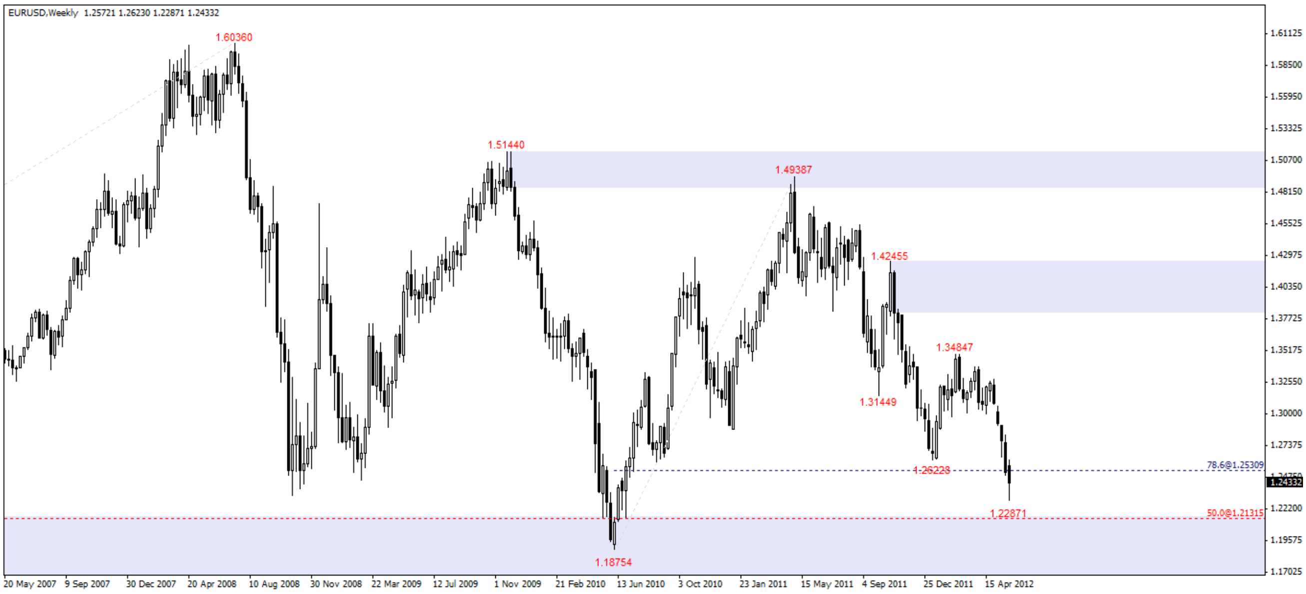
Slower income growth is holding back consumer spending. A report from the Commerce Department showed consumer spending rose 0.3 percent in April after gaining 0.2 percent in March.

Content:

EUR-USD MONTHLY



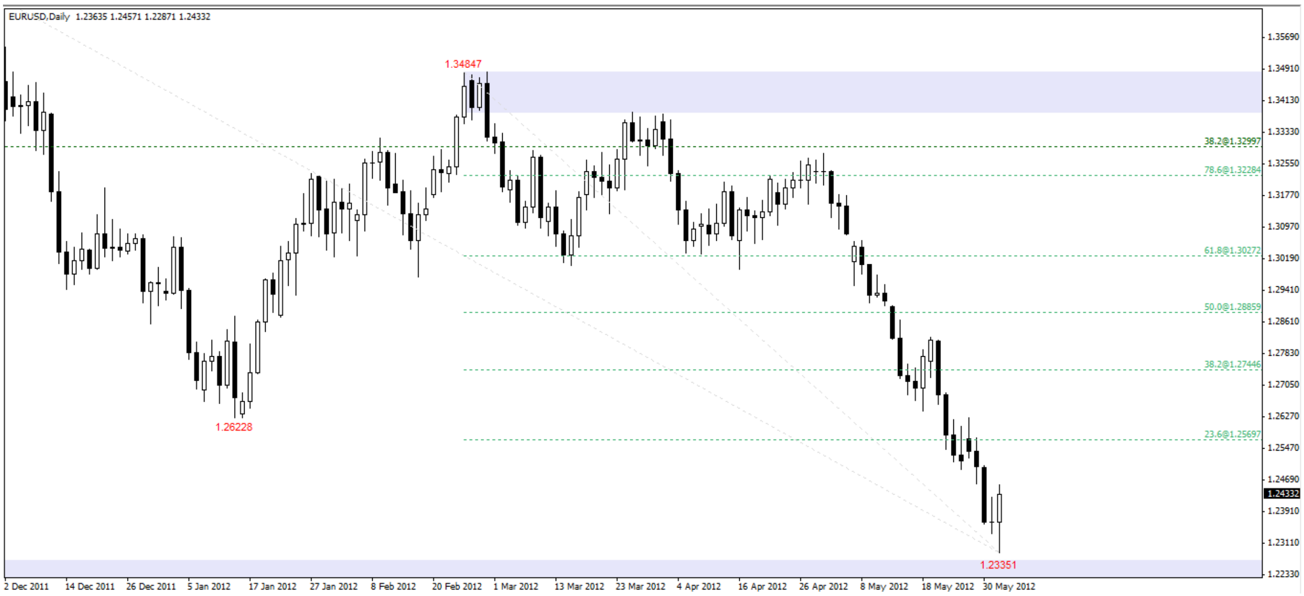
EUR-USD WEEKLY



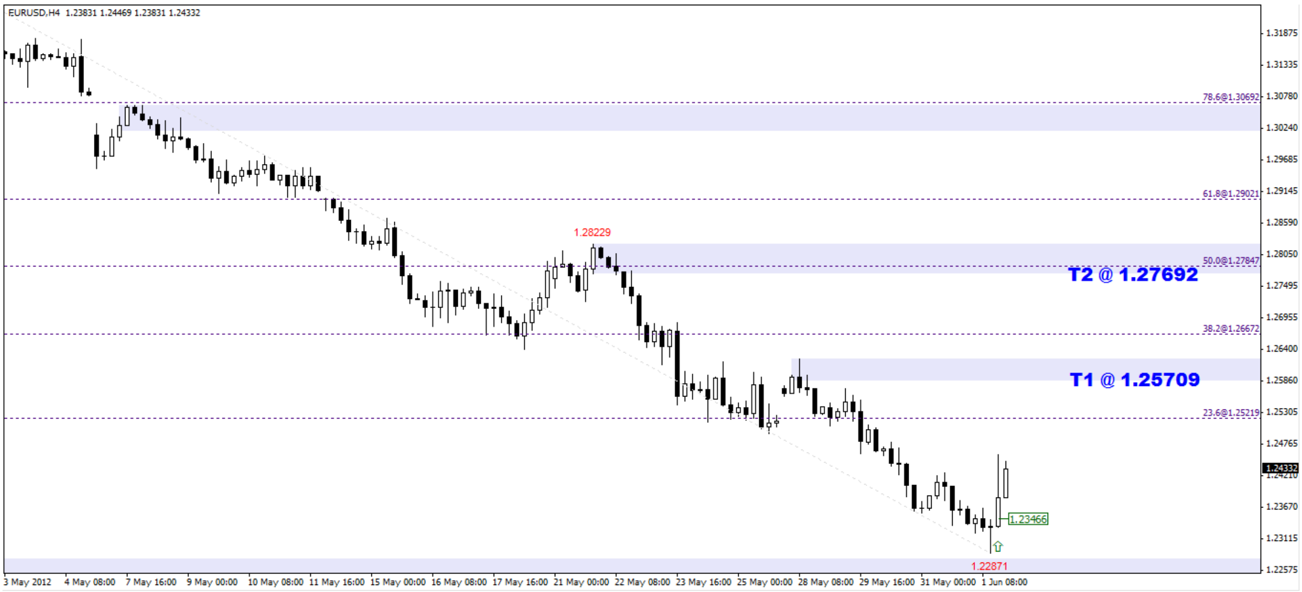
EUR-USD The Big Picture

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. May began and ended on a decidedly weak note, having lost a whopping 900 pips or so. 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 first week of June saw price action registering a low at **1.22871** before weekend profit-taking set in. Over the longer-term, this fall 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



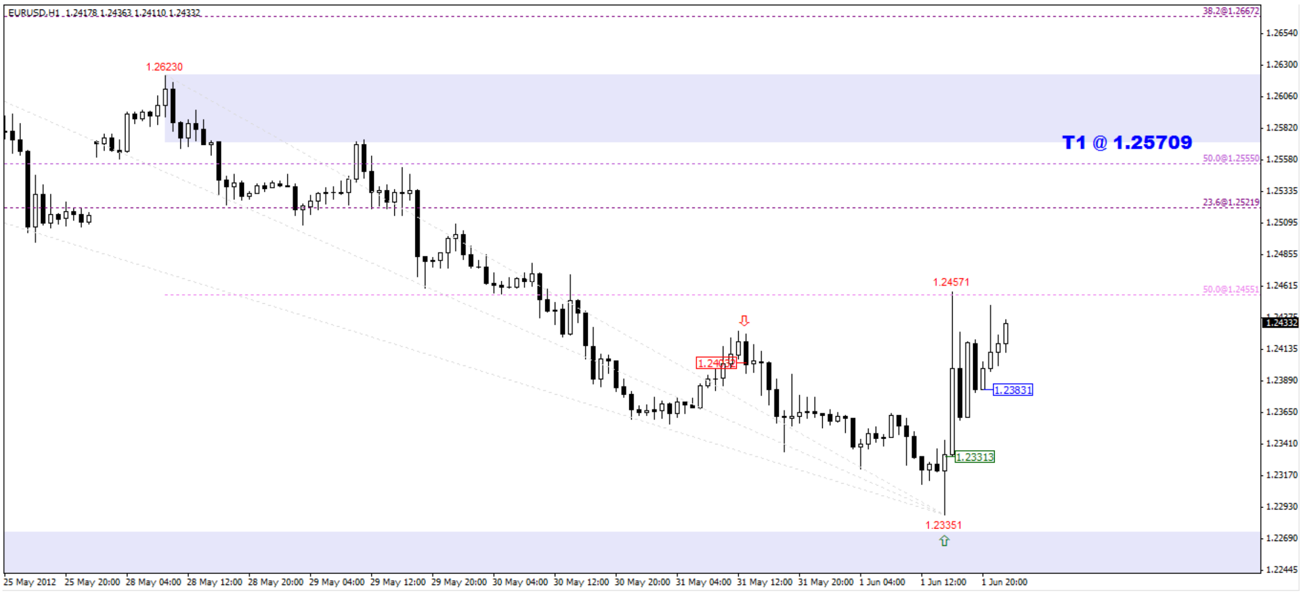
EUR-USD 4-HOURLY



EUR-USD Short to Medium-Term Views

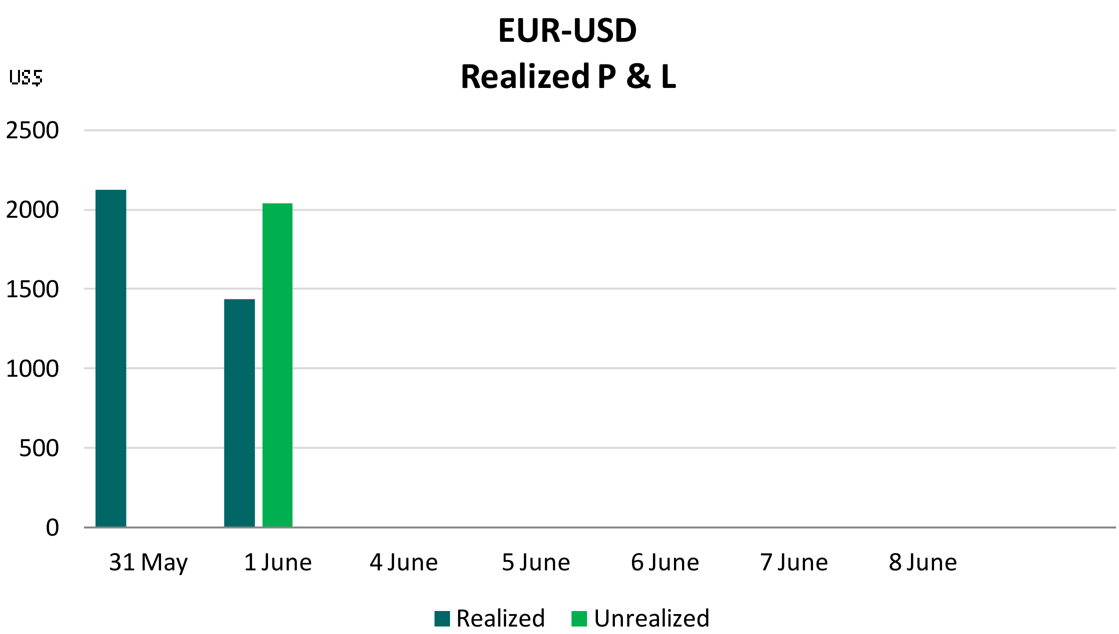
In a sign of capitulation, price action accelerated to a new 23-month low at **1.22871** on Friday. All in all, price action had fell an amazing 995.1 pips in just over 24 trading sessions from the peak at 1.32822 at start of May to the first weekend of June. Though the speed in which price action has unraveled was stunning to say the least, the targets were never in doubt. For quite sometimes now, the longer-term view that the flag formation seen in the monthly chart is likely to result in price action stretching all the way to the 61.8% retracement of 0.82250 to 1.60370 at **1.12092** - with the nearest area of possible buying interests at the DZ at **1.21466-1.22740** followed by another at **1.18754-1.19770**. It just so happened that Friday's low of 1.22871 was just a touch above the DZ at **1.21466-1.22740**. This was followed immediately by a long-legged shadow doji in the H4 chart which promptly triggered a buy signal with a close above **1.23465**. This rebound could be the start of a more robust correction that may eventually take price action back to the 50.0% retracement of 1.32822 to 1.22871 at **1.27847** – which in turn is within a SZ at **1.27810-1.28229**. Immediate resistance may come from the SZ at **1.25608-1.26230**.

EUR-USD 1-HOURLY

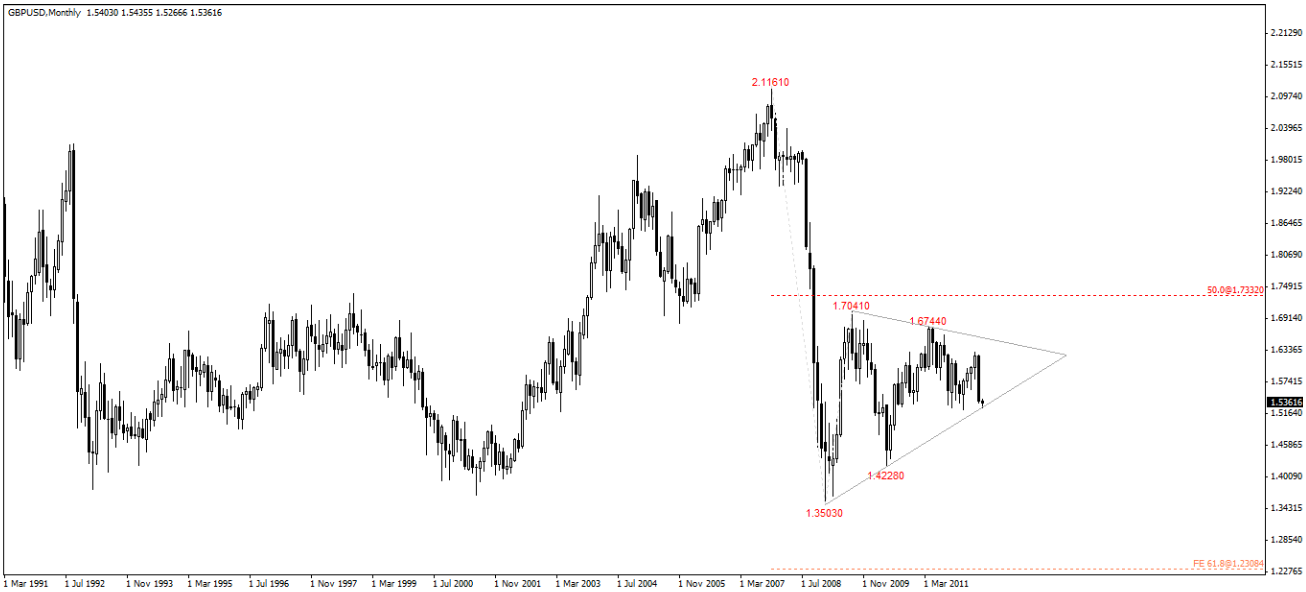


Trade Ideas

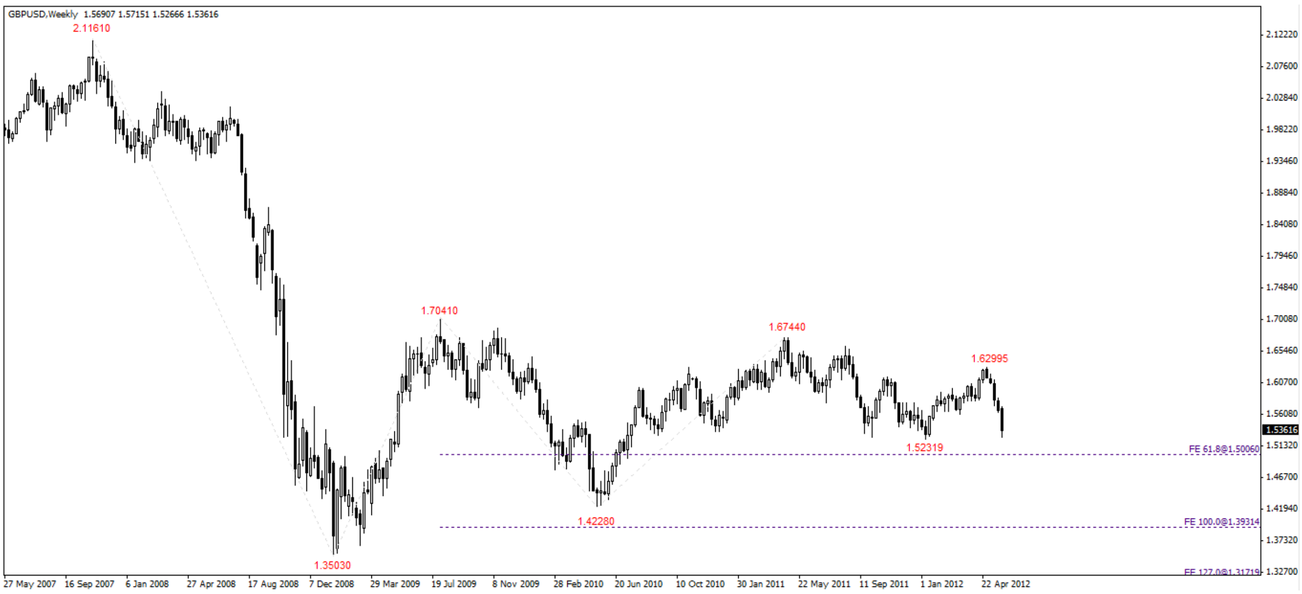
ACTION	Target 1	Target 2	EXIT
Bought @ 1.23313	1.25709	1.27692	Break-even



GBP-USD MONTHLY



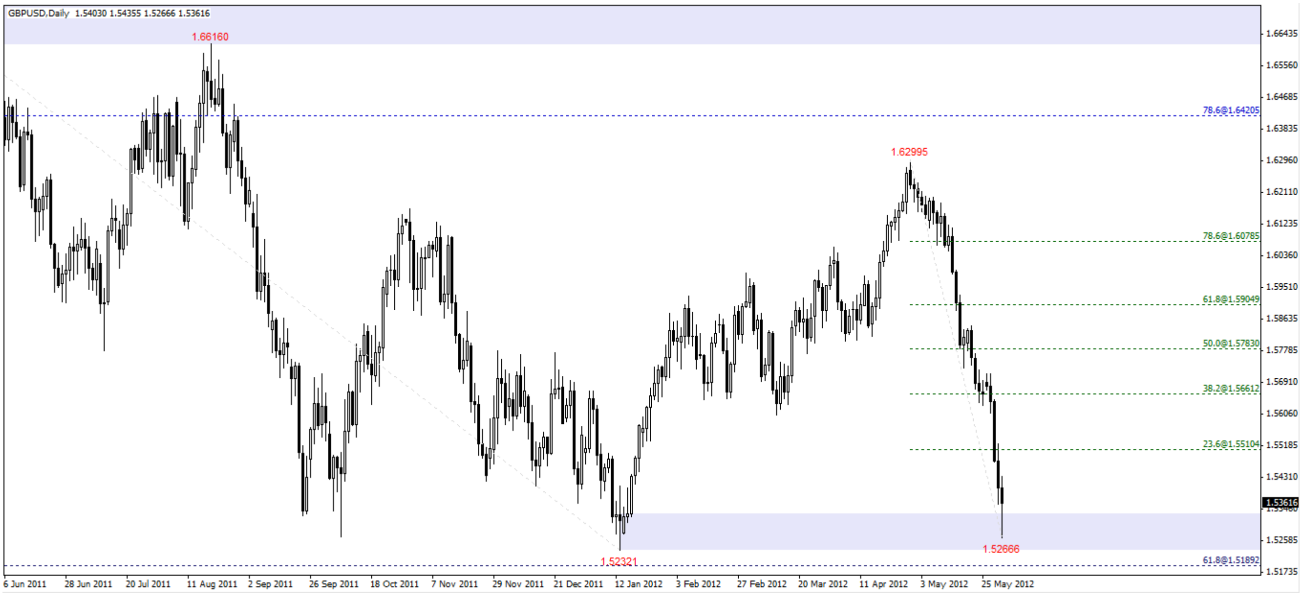
GBP-USD WEEKLY



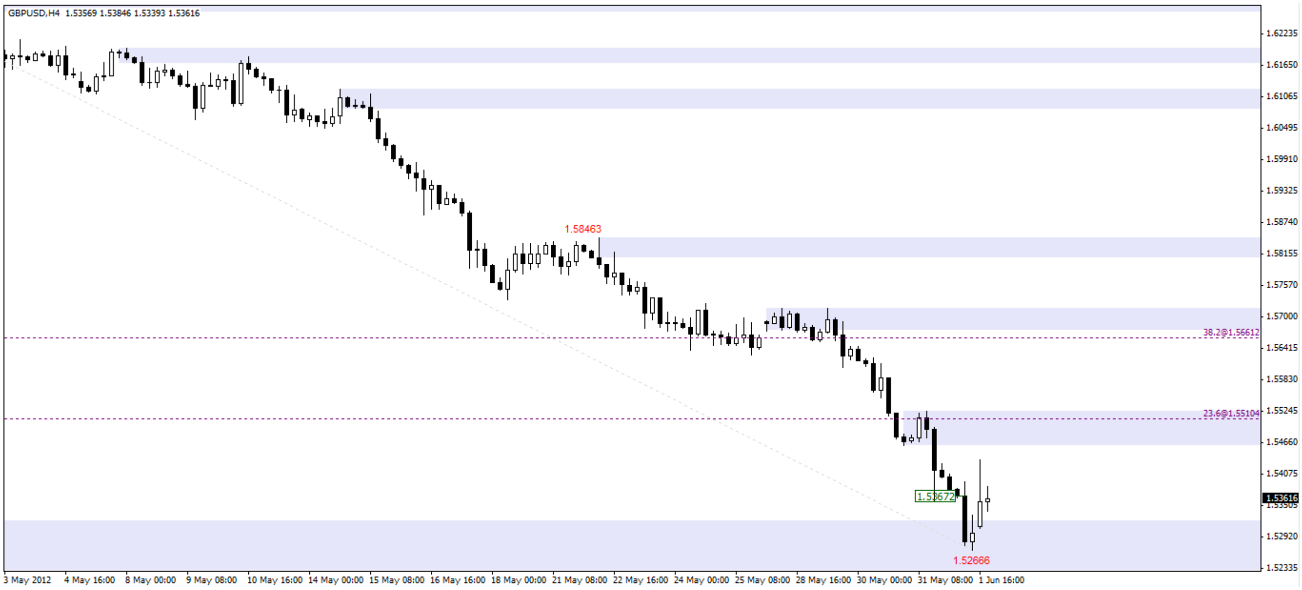
GBP-USD The Big Picture

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. 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



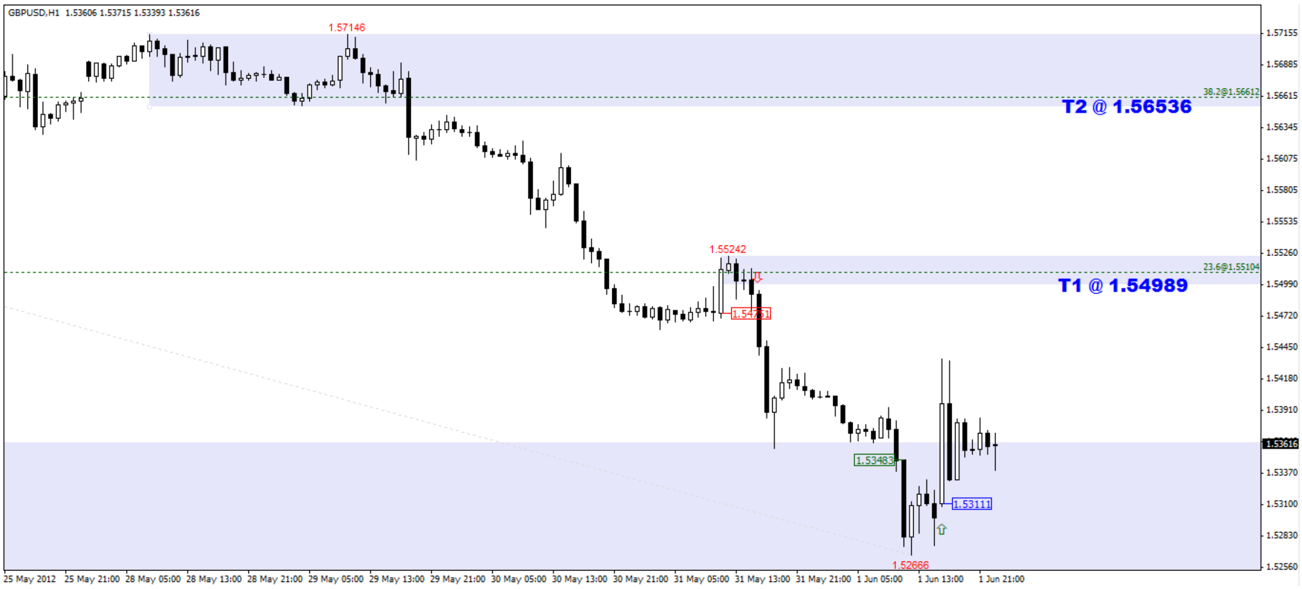
GBP-USD 4-HOURLY



GBP-USD Short to Medium Term Views

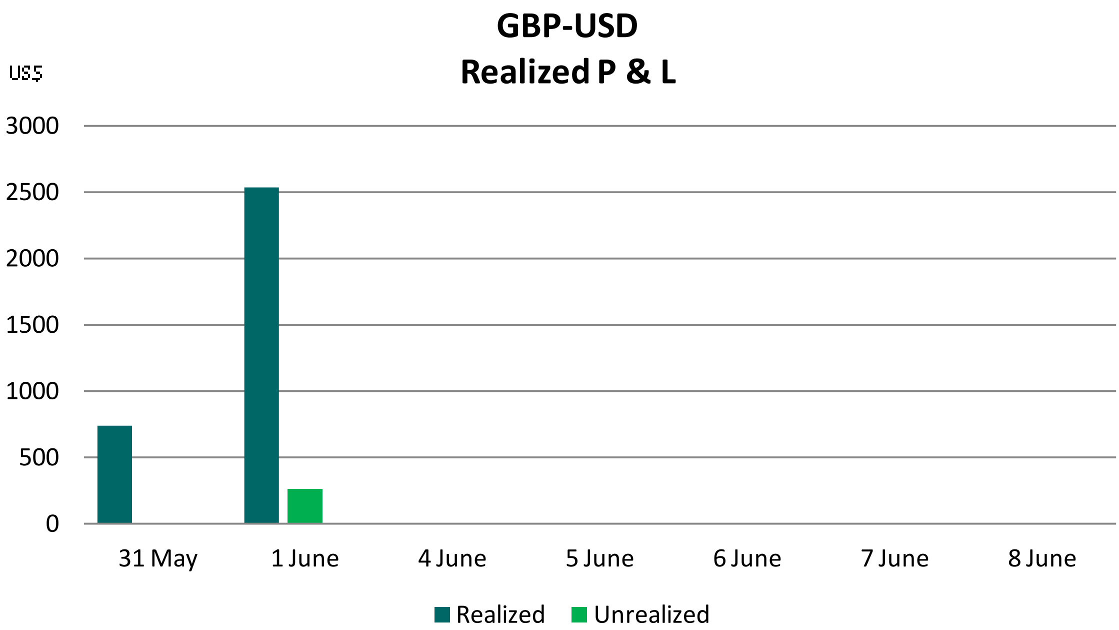
From a height of 1.62995 in the last day of April from to Friday's low at 1.52666, Sterling Pound lost a whopping 1032.9 pips or 6.7 percent in a single month. The last time the market saw a thousand pips loss in a month was back in May 2010. As noted, the fall from 1.62995 is no longer treated as a correction but a resumption of the long-term downtrend having extended its losses below the 78.6% retracement of 1.52321 to 1.62995 at **1.54605**. As noted, this level represents perhaps the deepest correction allowable. Confirmation came with the eventual fall below the year's low at **1.52319**. At any rate, Friday's low at **1.52666** hit an important longer-term DZ at **1.53231-1.53277** and rebounded. What happen next is instrumental. A sustained rebound from **1.52666** would mark a significant turning point as price action rebounded off the longer-term triangle formation. As the market corrects in the coming sessions, an immediate hurdle is the overhead SZ at **1.54982-1.55242** where the 23.6% retracement of 1.62995 to 1.52666 at **1.55104** is. Below the immediate DZ at **1.53231-1.53277** lies a more significant DZ at **1.42300-1.45260**.

GBP-USD 1-HOURLY



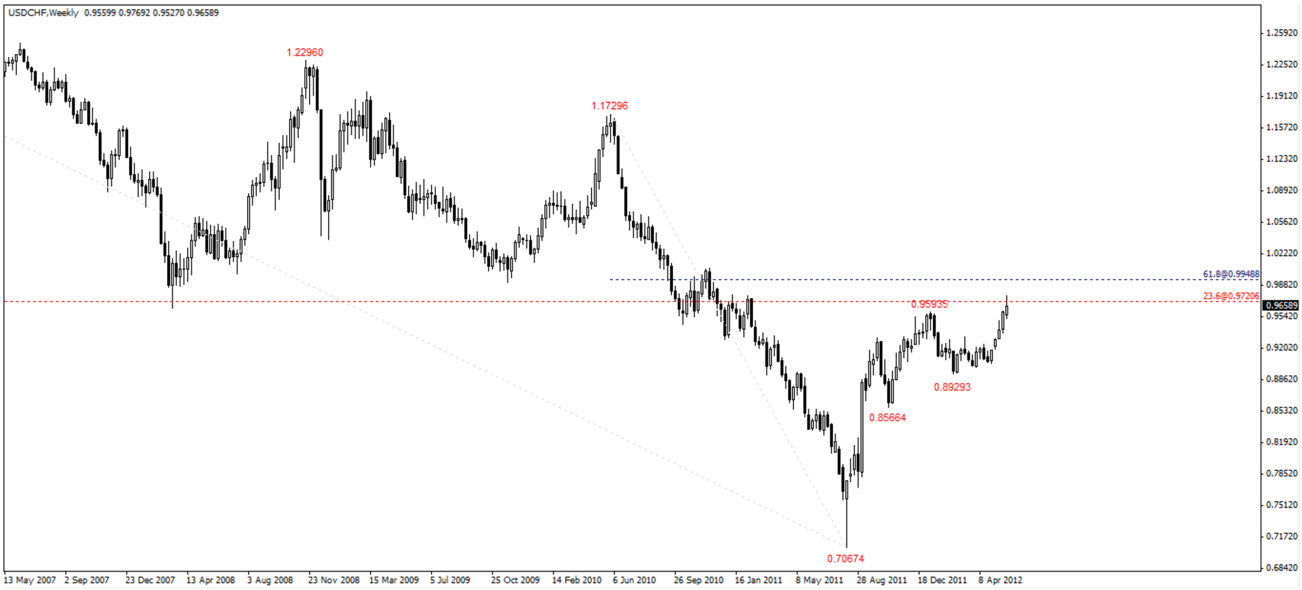
Trade Ideas

ACTION	Target 1	Target 2	EXIT
Bought @ 1.53483	1.54958	1.56536	Exit on 1-hr close below 1.53111



USD-CHF MONTHLY

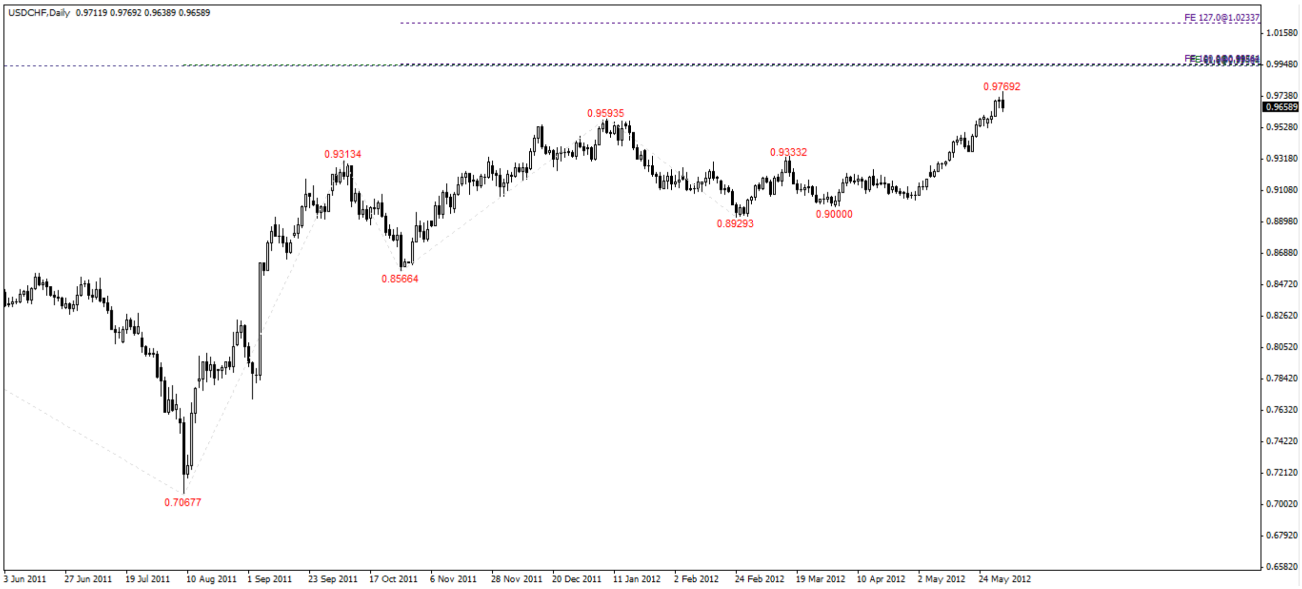
USD-CHF WEEKLY



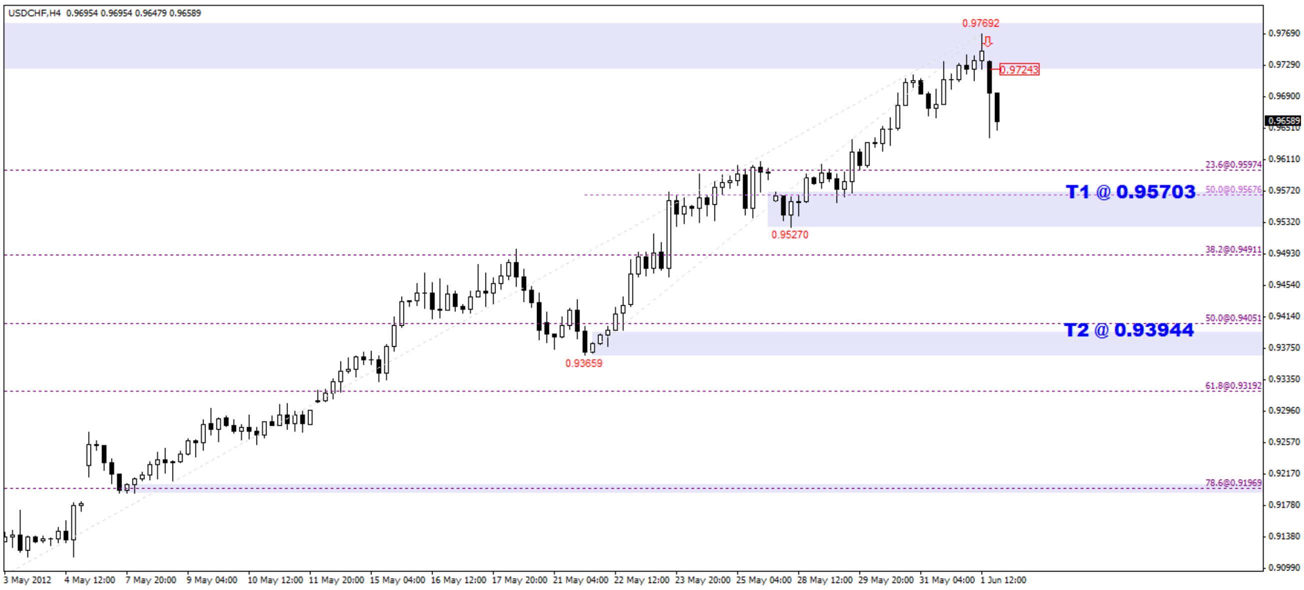
USD-CHF The Big Picture

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 Friday. Resistance is likely to emerge 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



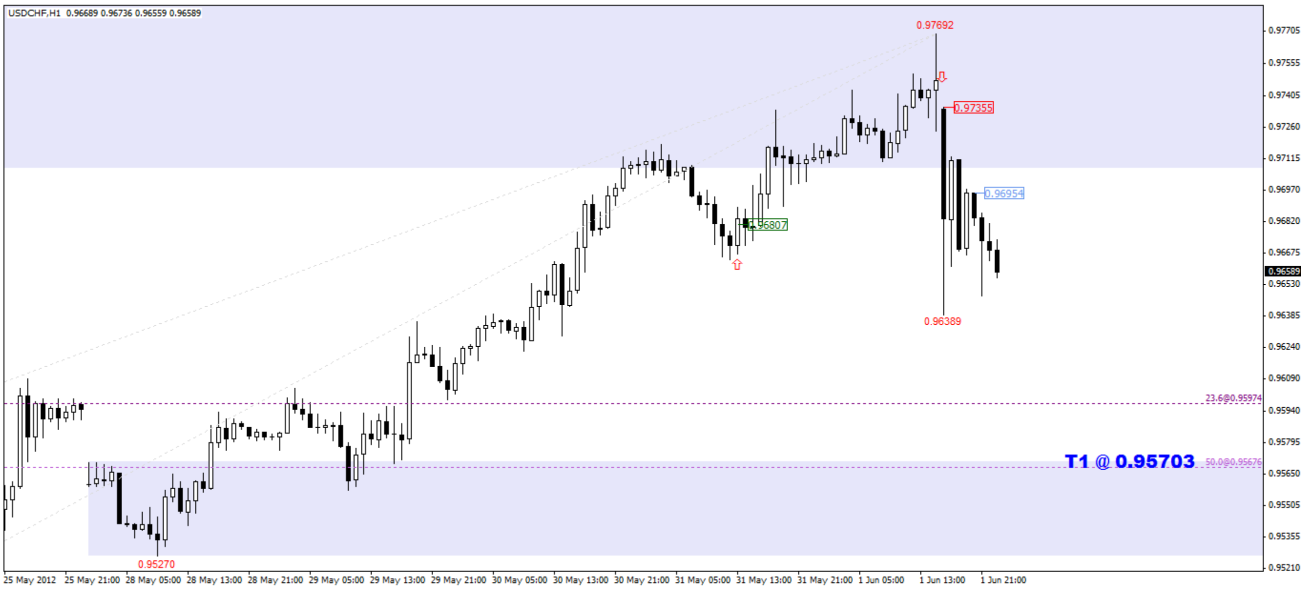
USD-CHF 4-HOURLY



USD-CHF Short to Medium Term View

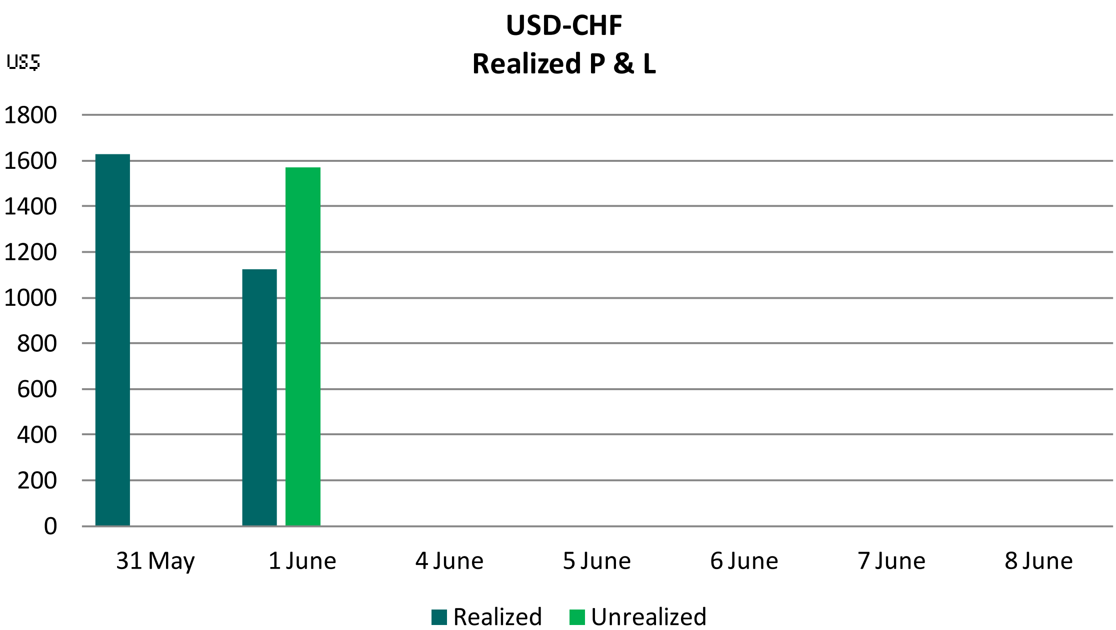
The week started on a weak note and rallied persistently throughout the week, culminating in a high at **0.97692** – a level not seen since 16 February 2011. This level is within an ancient SZ at **0.96631-0.97820** from way back in January 11, 2011. Prior to Friday's actions, reversal signals were flashing across all majors and although none of those seen on Thursday resulted in immediate reversals, the writings were on the wall. As we have it, Friday witnessed the final capitulations with a blowout rally before the weekend. Should the long liquidations persist in the coming sessions, this correction may initially take price actions back to the 23.6% retracement of 0.93659 to 0.97692 at **0.96740**. Failure to contain this rally at Friday's high would shift focus to the 61.8% retracement of 1.17296 to 0.70674 at **0.99486**.

USD-CHF 1-HOURLY

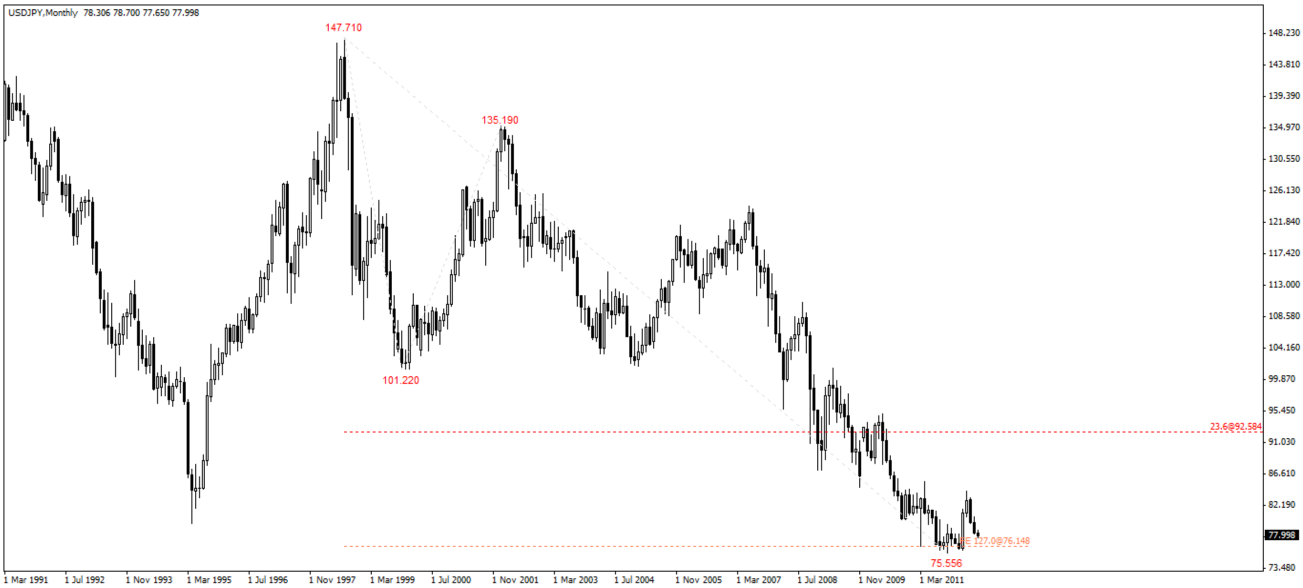


Trade Ideas

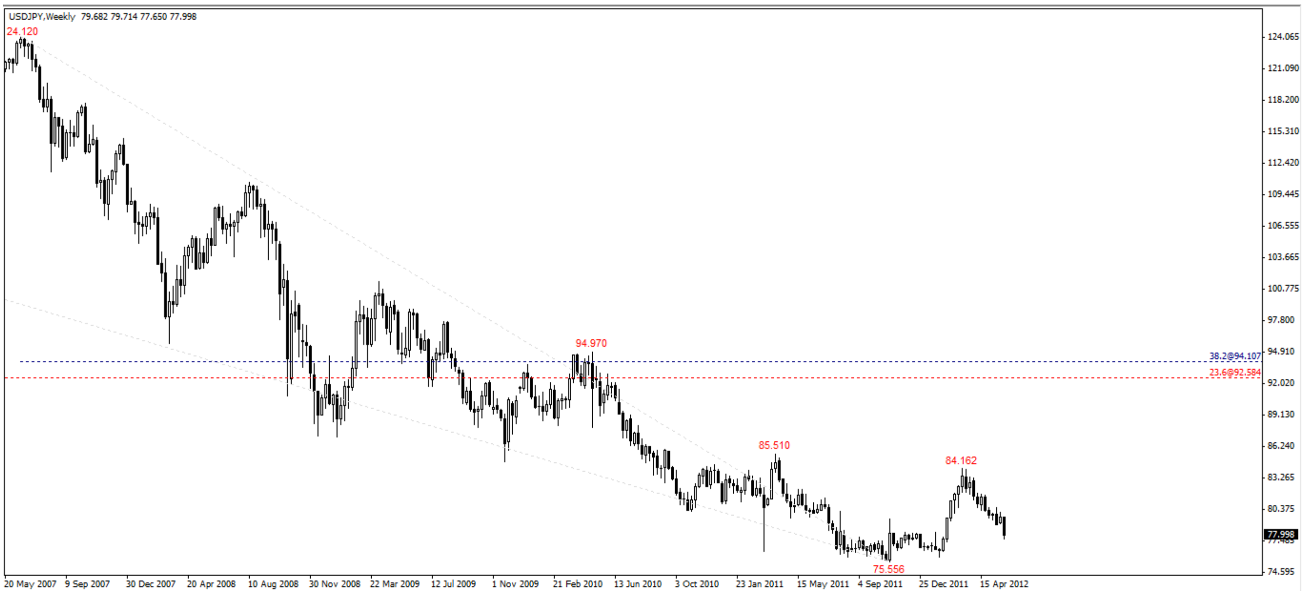
ACTION	Target 1	Target 2	EXIT
Sold @ 0.97355	0.95703	0.93944	Exit on 1-hr close above 0.96954



USD-JPY MONTHLY



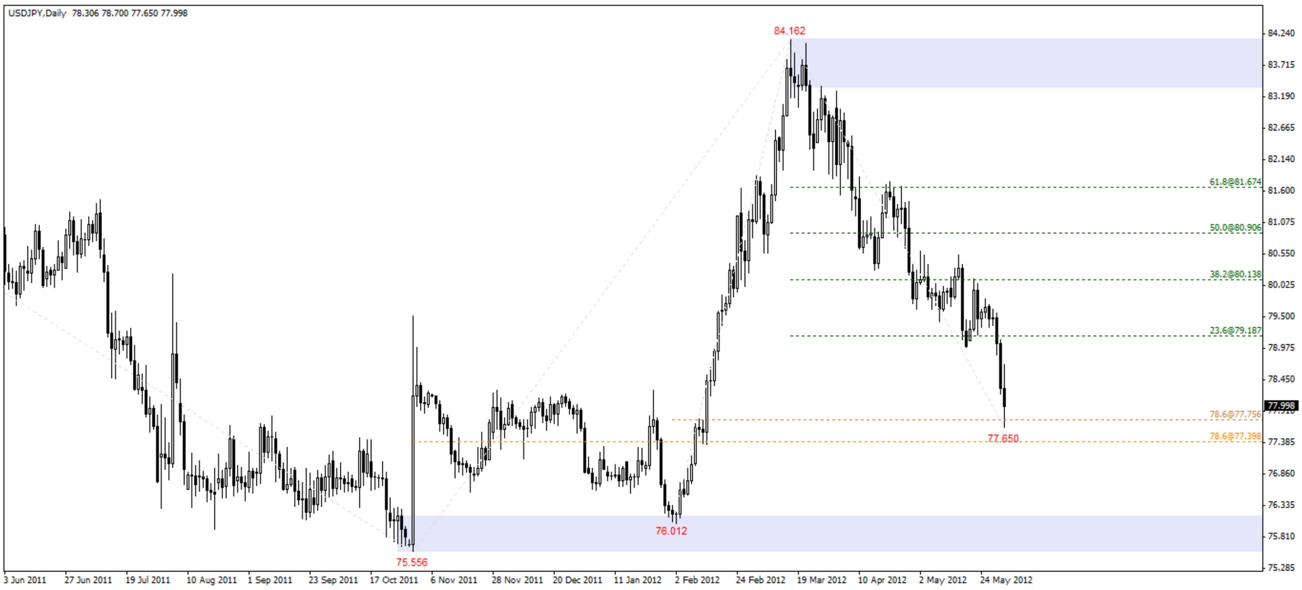
USD-JPY WEEKLY



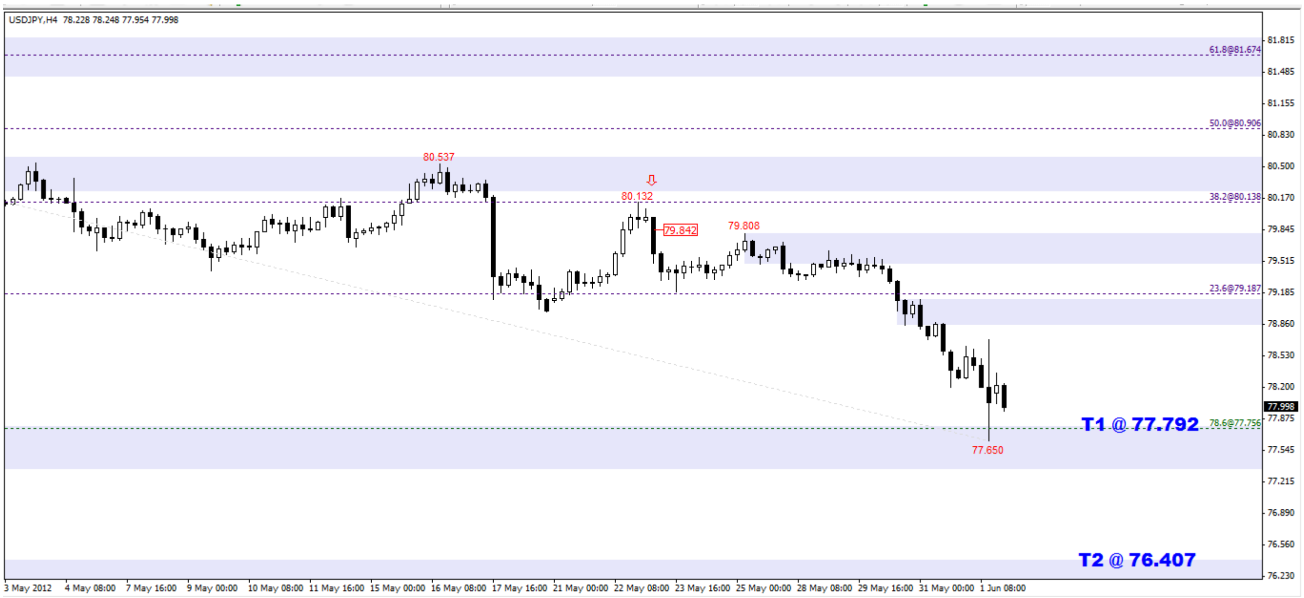
USD-JPY The Big Picture

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 11th week – with another low at **77.650**. There is an even chance that 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** may hold the line. 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



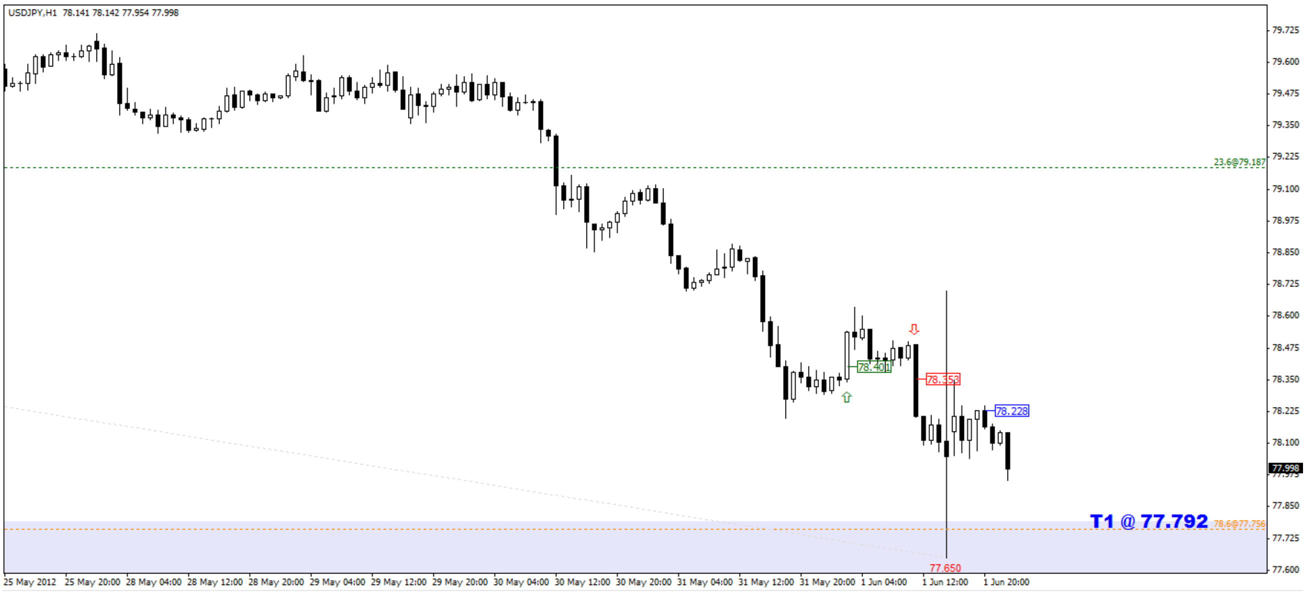
USD-JPY 4-HOURLY



USD-JPY Short to Medium Term Views

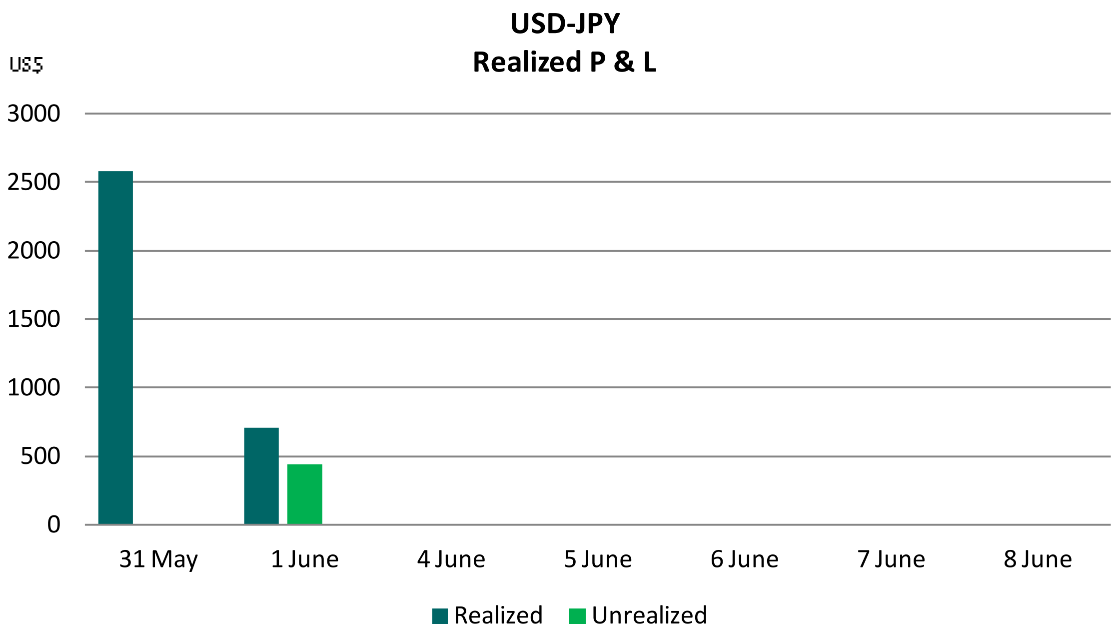
In the aftermath of the disappointing NFP numbers, the buy signal seen in the H1 chart on Thursday was swiftly negated. Price action collapsed and hit the pocket between the 78.6% retracement of 75.556 to 84.162 at **77.398** and the 78.6% of 76.012 to 84.162 at **77.756** and rebounded. As noted, this area within the DZ at **77.350-77.795** represents perhaps the last line of defense before this correction unravels to become a full resumption of the long-term downtrend - below the all-time low of **75.556**. There is still a possibility that price action may re-test this demand zone in the coming week. Whatever the case, a counter-trend rebound is likely to encounter resistance from within the overhead SZ at **80.244-80.598** which sits just above the 38.2% retracement of 84.162 to 77.650 at **80.138**.

USD-JPY 1-HOURLY

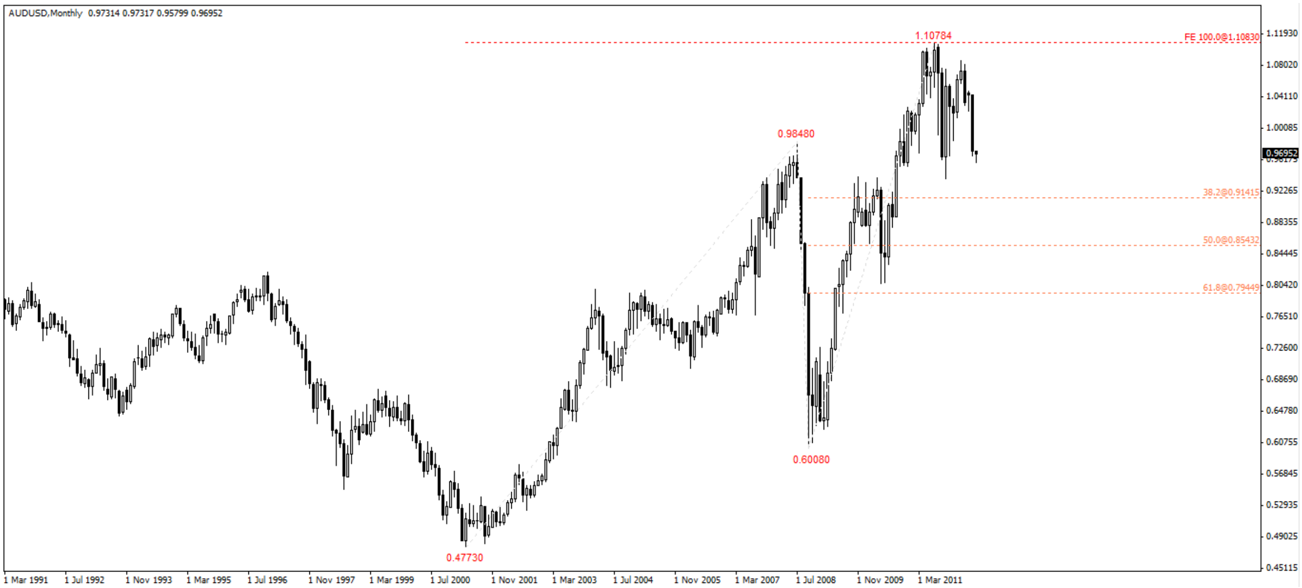


Trade Ideas

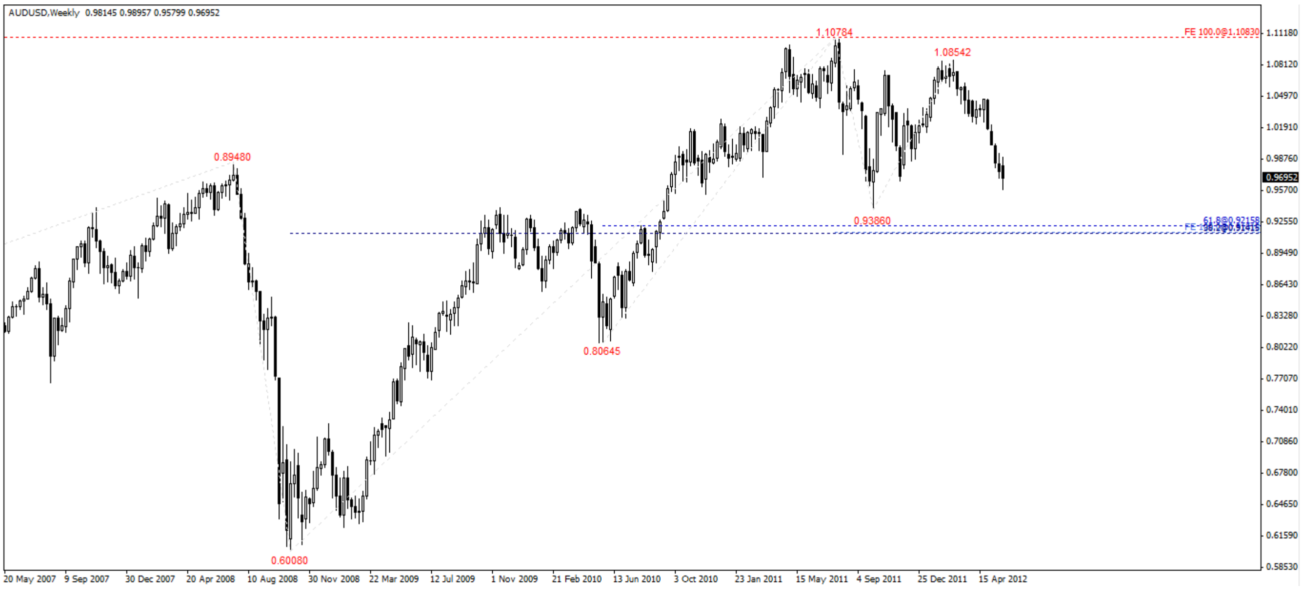
ACTION	Target 1	Target 2	EXIT
Sold @ 78.353	77.792 Realized	76.407	Exit on 1-hr close above 77.228



AUD-USD MONTHLY



AUD-USD WEEKLY

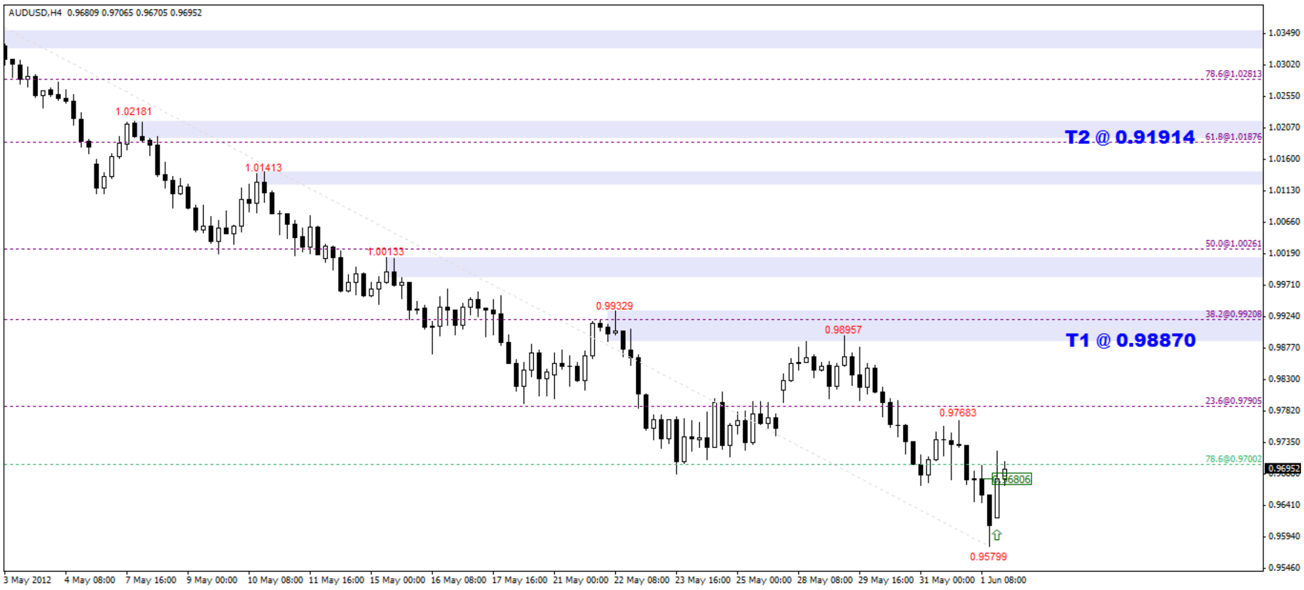


AUD-USD The Big Picture

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 and another week of soft closing is not helping. 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

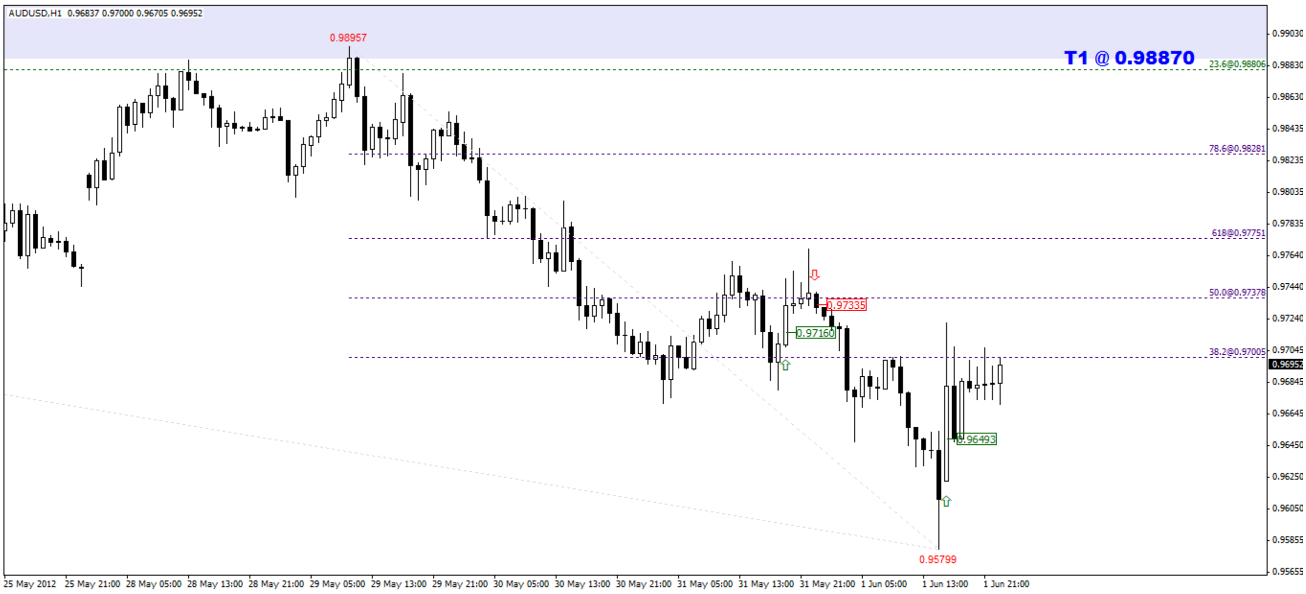
AUD-USD 4-HOURLY



AUD-USD Short to Medium Term Views

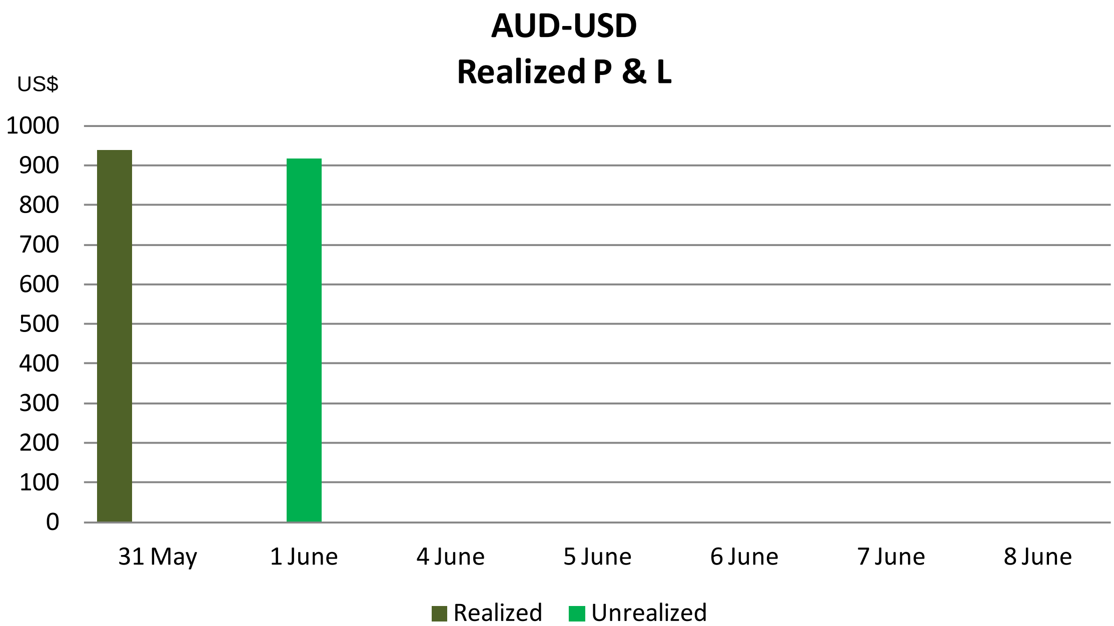
The fall from **1.08542** on the last day of February may have reached a climax on Friday with an accelerated fall to a 14-weeks low at **0.95799**. This is because by the end of Friday's closing, a hammer has appeared in the daily chart. A daily close above **0.98470** would add considerable confidence to this assessment. In the absence of any concerted rally, this fall appears destined for the Fibonacci cluster of (1) the 61.8% retracement of 0.80645 to 1.10784 at **0.92158**, (2) 38.2% retracement of 0.60080 to 1.10784 at **0.91415** as well as (3) the 100.0% projection of 1.10784 to 0.93860 from 1.08542 at **0.91618**. Should a correction develop; immediate topside resistance is at the 23.6% retracement of 1.08542 to 0.95799 at **0.98806** which lies just below the overhead SZ at **0.98878-0.99329**.

AUD-USD 1-HOURLY



AUD-USD Short to Medium Term Views

ACTION	Target 1	Target 2	EXIT
Bought @ 0.96493	0.98870	0.91914	Break-even



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.

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.