Saturday, Dec 29, 2012
Weekend Edition

FOREX OUTLOOK

A Traders Academy International Publication

US Fiscal Cliff Looms

The US Dollar edged up to a 2-week high against major currencies on Friday as uncertainty about fiscal talks in Washington to avert tax hikes and spending cuts next year drove traders to the relative safety of the U.S. Dollar.

President Barack Obama was reportedly not planning to make a new offer at a White House meeting with congressional leaders on Friday to avert the so-called "fiscal cliff" that looms on January 1.

An agreement on the U.S. budget would be viewed as positive for the Euro and Australian Dollar, while a deadlock is deemed positive for US Dollar.

Conflicting developments in Washington over the budget debate have sparked volatility in the currency market. On Thursday, the US Dollar rose after Senate Majority Leader Harry Reid warned that the United States appears to be headed over the "fiscal cliff." But it gave up gains on news of a House of Representatives session on Sunday.

With time running short, lawmakers may opt to allow the higher taxes and across-the-board spending cuts to take effect and attempt to pass a retroactive fix soon after the New Year. Standard & Poor's said an impasse on the cliff would not have an impact on the sovereign rating of the United States.

EUR-USD slipped 0.6 percent to 1.32153, having hit a session low of 1.31648 after triggering stop-loss sell orders around 1.31700. On the week, it gained 0.9 percent, its third straight week of gains.

EUR-USD has made rapid strides since mid-November, gaining 5 percent in a month to hit an 8-1/2-month high of 1.33071 on December 19 as worries about the Euro zone debt crisis ebbed.

Price level have become so elevated that there was little enthusiasm to rally further. Once the selling began, it quickly triggered stops across the board, taking EUR-USD below the 1.32000 level.

Although analysts partly attributed EUR-USD drop to year-end US Dollar demand and thin liquidity, unwinding of long Euro positions also weighed on the pair.

EUR-JPY fell 0.4 percent at 113.495, having earlier hit a 17-month high.

USD-JPY fell 0.25 percent at 85.865, having earlier risen to 86.622, its strongest since August 2010. Options barriers were reported at 86.750 and 87.000.

Expectations the new Japanese government of Premier Shinzo Abe will push for further easing in monetary policy have weighed heavily on the Japanese Yen and analysts say it could fall further. The Yen has hit more than two-year lows against the Dollar for three straight days.

USD-JPY has gained 12 percent in 2012, putting it on track for its biggest annual percentage rise since 2005.

On the week, USD-JPY gained about 2 percent, its seventh straight week of gains.

Analysts expect the Bank of Japan to move toward a 2 percent inflation target at the January meeting and plans for a foreign bond buying program to be announced in the second quarter.

Shinzo Abe has been consistent in signalling an aggressive push toward monetary easing. Importantly, this push is likely to be front loaded. Nomura forecasts the USD-JPY will rise to 90.000 by the end of the second quarter, up from a previous target of 85.000 yen.

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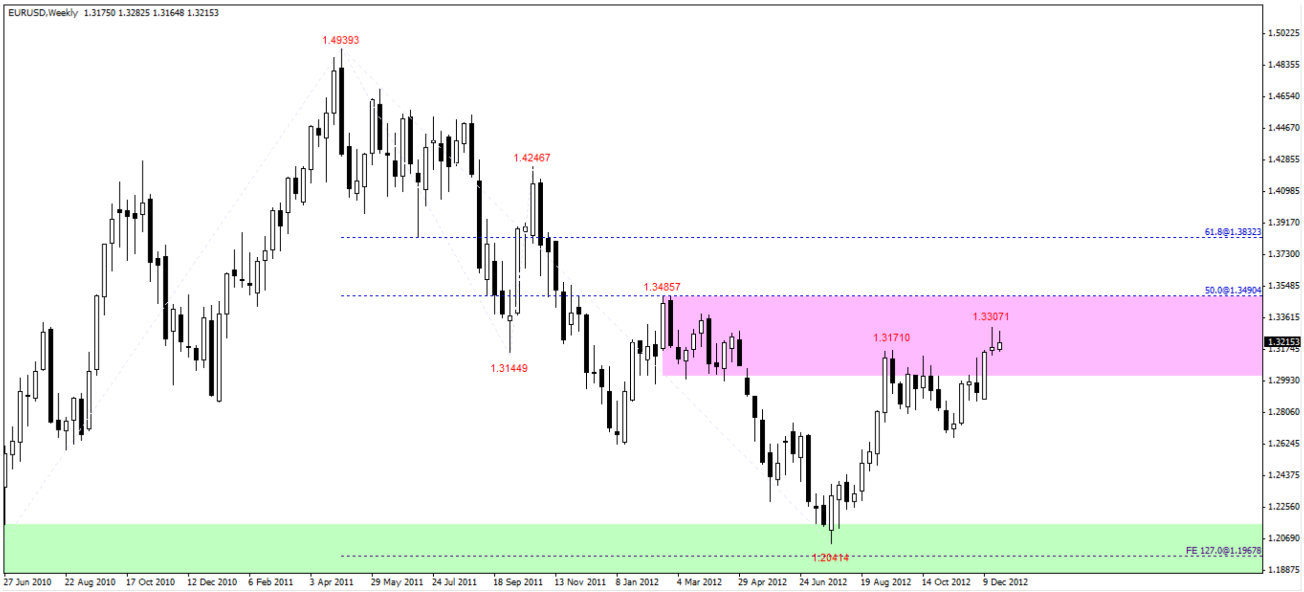
EUR-USD MONTHLY

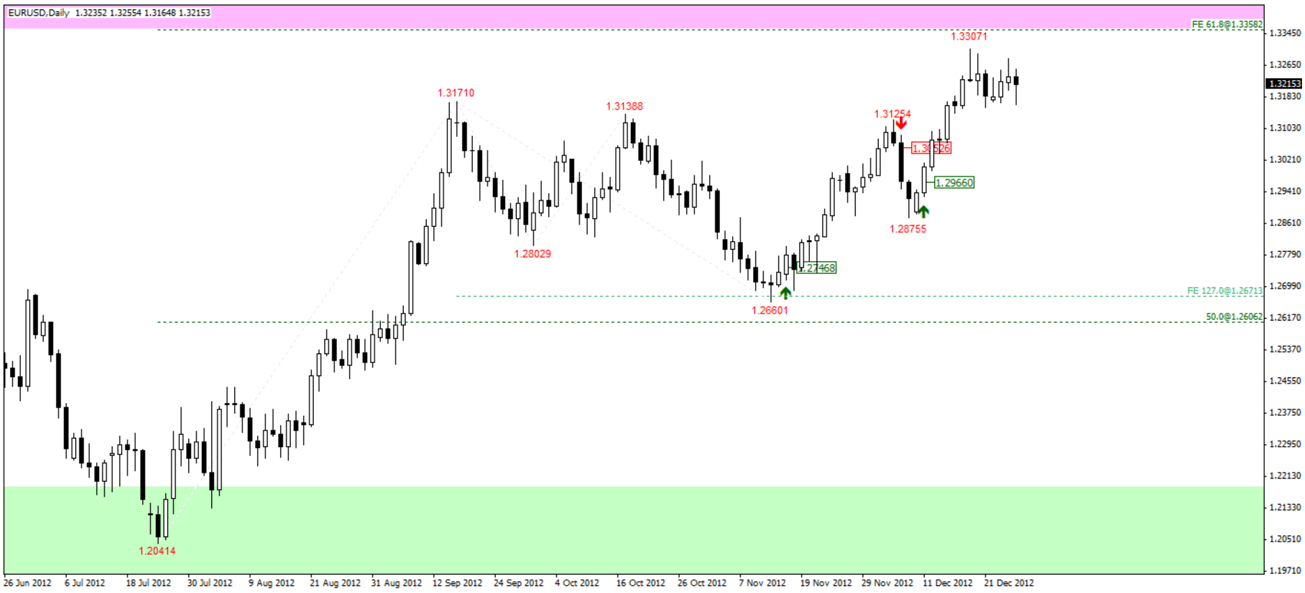
EUR-USD WEEKLY



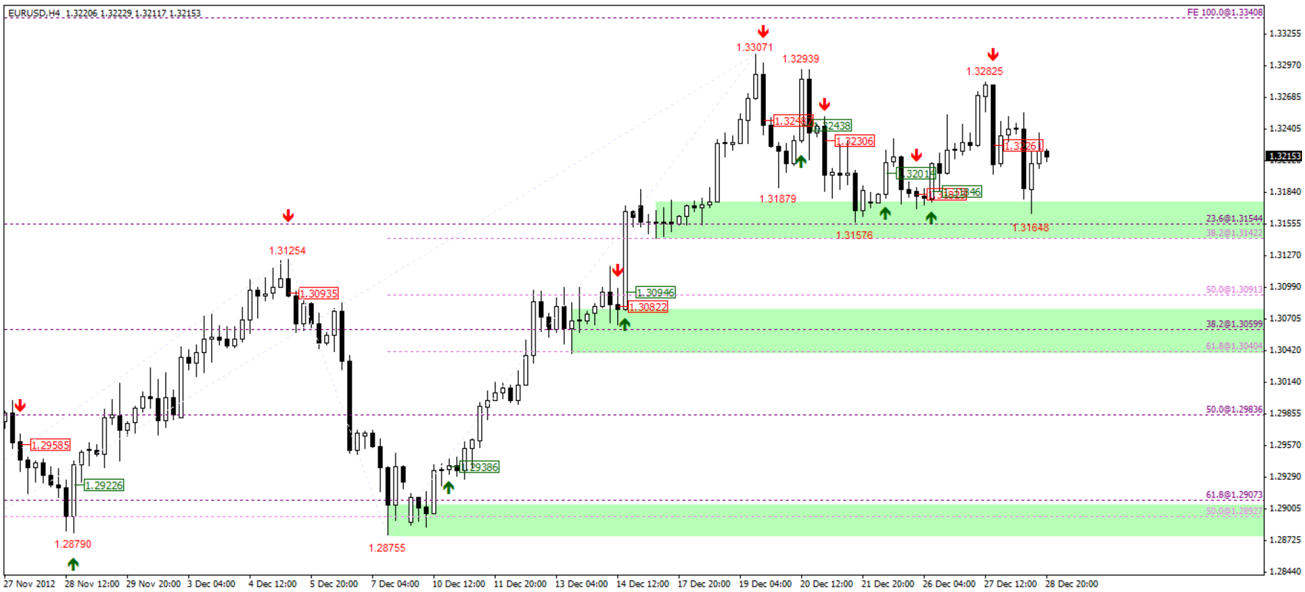
EUR-USD The Big Picture

In the bigger picture, the rise from 0.82250 to 1.60373 is part of a longer-term rally. Likewise, the fall from the July 15, 2008 high of 1.60373 marked the start of a long-term consolidation/continuation pattern which may ultimately stretch to the 61.8% retracement of 0.82250 to 1.60373 at **1.12093**; from which price action is likely to rise beyond its all-time high in a multi-year rally (see MN chart). On 24 July 20012, price action pulled back from a 29-month low at **1.20414** after failing to take out the 2010 low of 1.18757 and ended the week as a *Bullish Engulfing Bar*. The resulting rally lasted a good 7 weeks and hit a 20-week high of 1.31710, just above the 38.2% retracement of 1.49393 to 1.20414 at **1.31484**. What followed was a distinct 3-wave retracement that lasted a good 2 months before resuming its bull-run. Last week this market hit at a 8-month high at 1.33071 before pulling back. Though no new high was traded this week, this rally is poised to extend towards the 50.0% retracement of 1.49393 to 1.20414 at **1.34904**. This level coincides with the February 19 peak of **1.34857**. Break of **1.34857** will confirm this bullish analysis and would pave the way to the **1.50000** psychological level over time.

EUR-USD DAILY



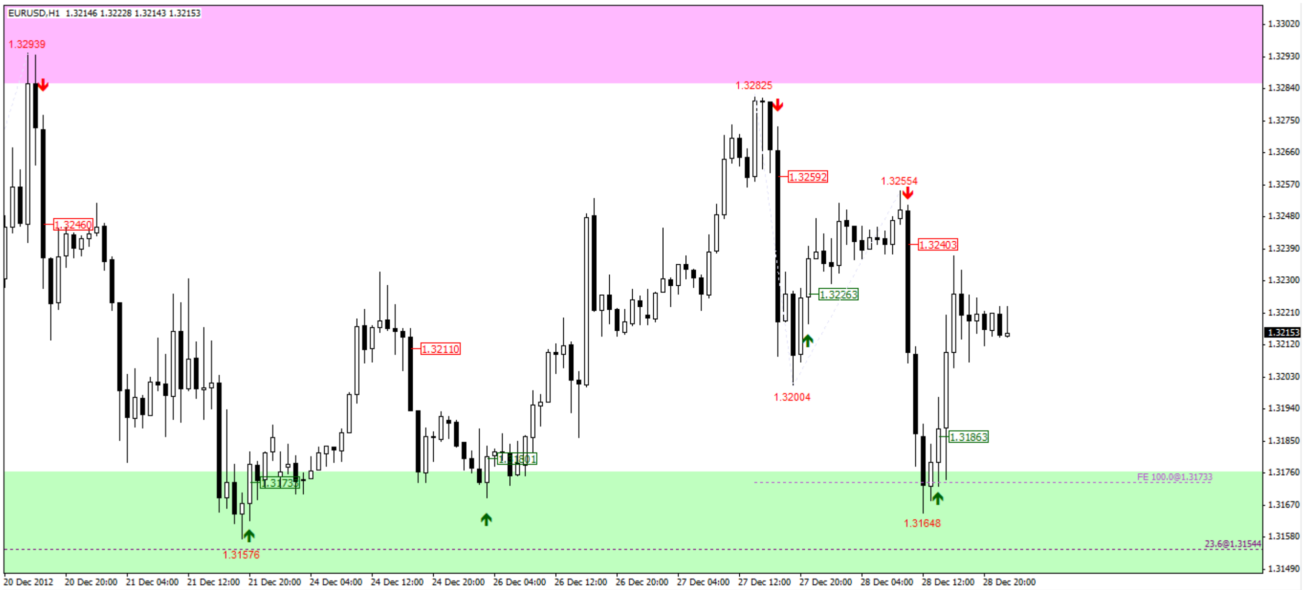
EUR-USD 4-HOURLY



EUR-USD Short to Medium-Term Views

Price action momentarily dipped into the demand pocket at **1.31430-1.31864** and rebounded in overnight trading. This is a repeat of the previous day's pattern in which price action failed to trade into the demand pocket and rallied. However, price action did not unravel as in Thursday. Still it was noted that price action was easier following the end of the London session. Focus has shifted to the overhead supply pocket of **1.33575-1.34857** where the 61.8% projection of 1.20414 to 1.31710 from 1.26601 at **1.33582** is located. For more than a week, this market has been locked within a trading range between the demand pocket at **1.31430-1.31864** and supply pocket of **1.33575-1.34857**. In the medium to long-term pictures, bias remains decidedly bullish. With one more trading session to go before the end of 2012 on Monday, another assault at the year's high at **1.34857** (just below the 50.0% retracement of 1.49393 to 1.20414 at **1.34904**) now seems unlikely but this level is solidly in the crosshair of most traders going forward.

EUR-USD 1-HOURLY



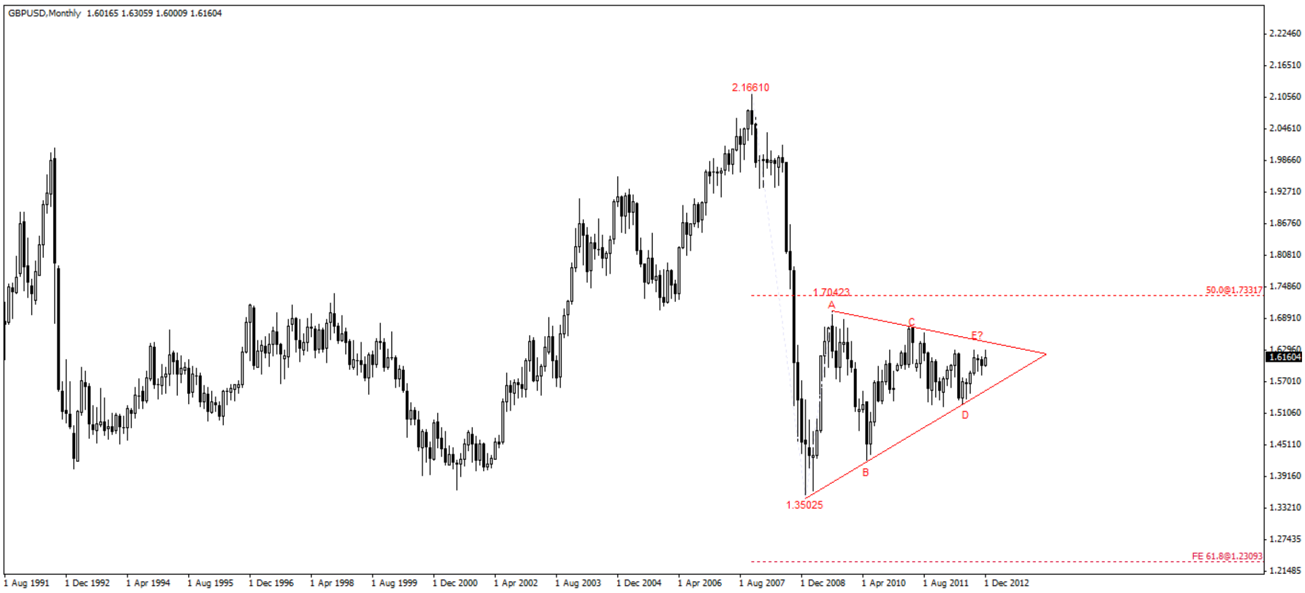
Trade Ideas

ACTION	Target 1	Target 2	EXIT
Bought @ 1.31863	1.32853	1.33582	Break-even

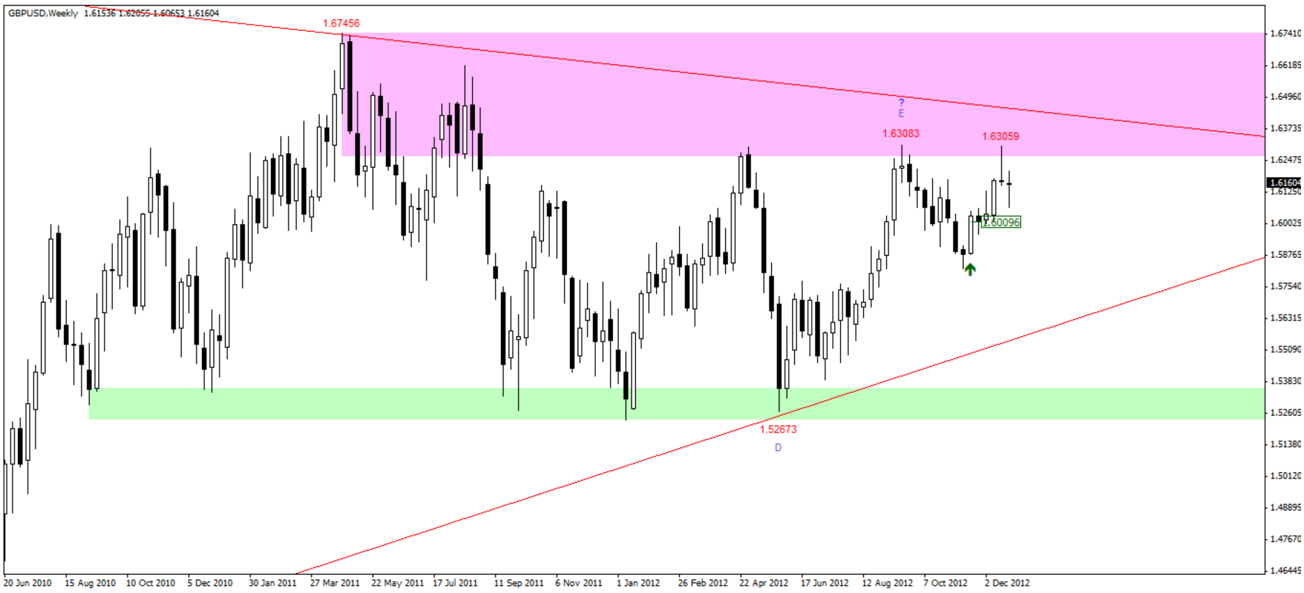
Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade + / -	Realized + / -	Accumulative + / -
	B/F from 21-12-2012								$77,678.00
EUR-USD	26-12-2012	1.0	1.32460	20-12-2012	1.0	1.32460			
EUR-USD	26-12-2012	1.0	1.32460	20-12-2012	1.0	1.32460			
EUR-USD	28-12-2012	1.0	1.31863	28-12-2012	1.0	1.32153	+$290.00		
EUR-USD	28-12-2012	1.0	1.31863	28-12-2012	1.0	1.32153	+$290.00		
						Unrealized	+$580.00		

GBP-USD MONTHLY



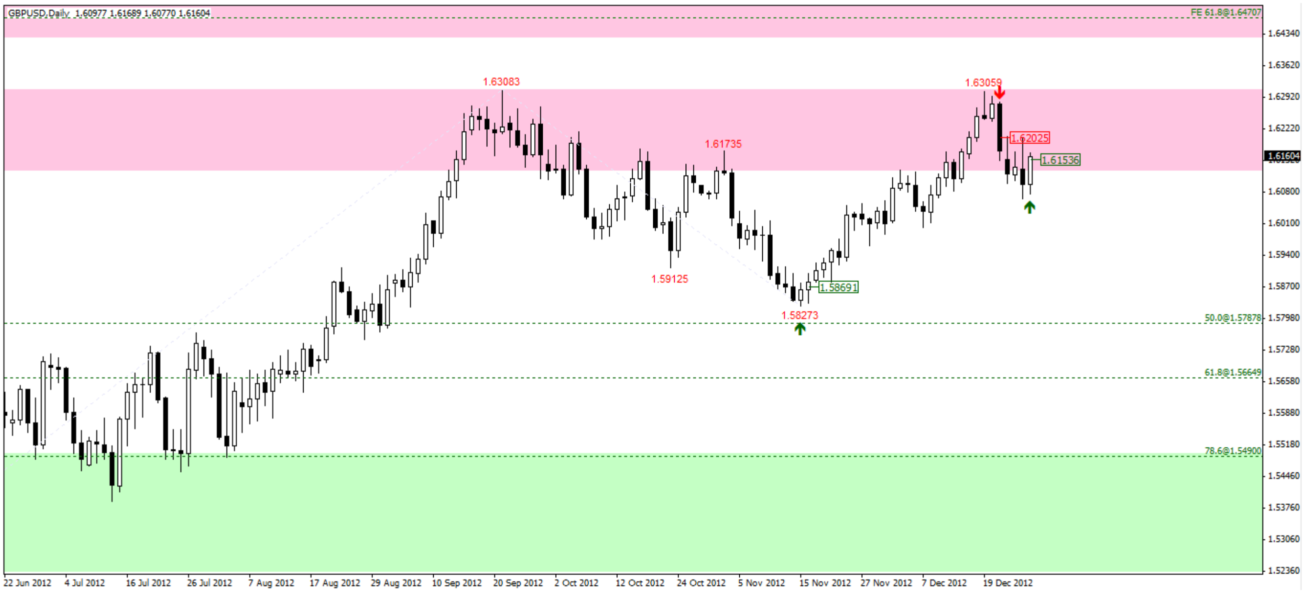
GBP-USD WEEKLY



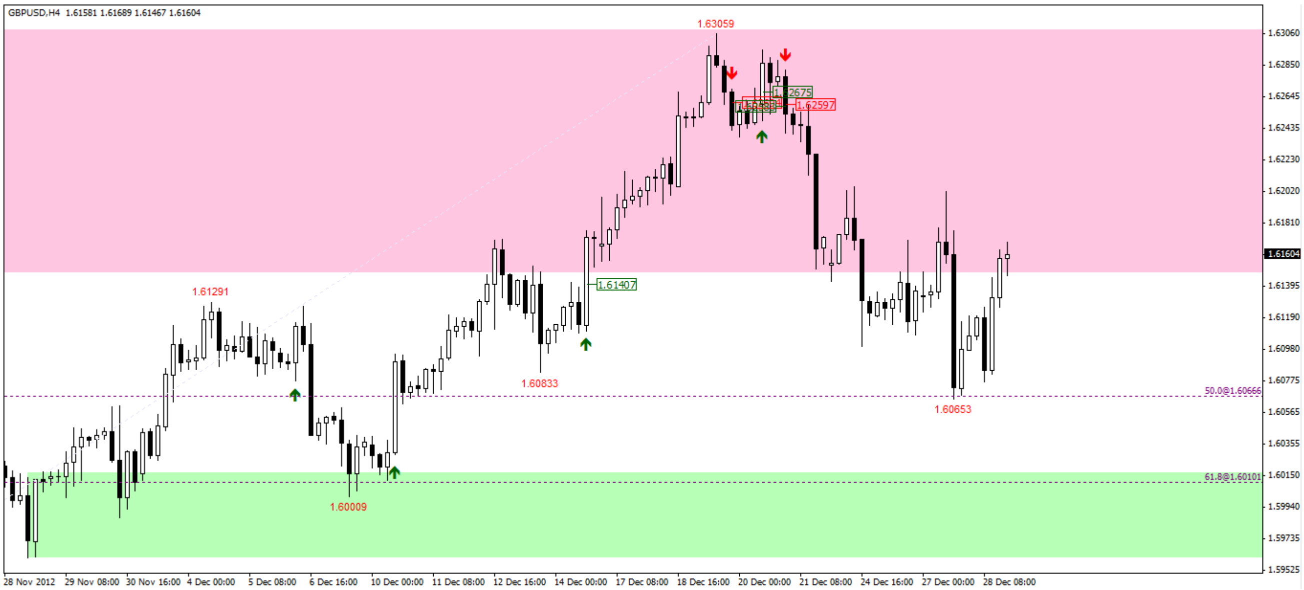
GBP-USD The Big Picture

In the bigger picture, price action from the 2009 low of 1.35025 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. 9 months ago, this market ended with tantalizing clues of a classic reversal - a *long-legged shadow doji* in W1 chart resulting in a 3-wave pullback that lasted a good 2 months. 2 weeks ago, the strong closing suggests another probable attempt at the September 21 high of **1.63083** in the medium-term. The big question is was the September high of 1.63083 the end of wave E or alternatively wave E has to yet to be in place and this developing rally may be lead us there? This is important. The wave E typically marks the end of the triangle pattern and in the case of GBP-USD; the trend prior to this triangle pattern was down. As the triangle is a continuation pattern, the breakout to the downside is anticipated - and it will be an aggressive fall. The idea is to anchor a short position at the end of wave E for a dramatic long-term fall. Last week saw this market attempted to rally past the September 21 high of **1.63083** with a print at **1.63059** and failed; ending the weekly chart with a *long-legged shadow doji*. This week saw further retreat from 1.63059 but rallied on Friday to end the week as another *long-legged shadow doji*. This suggests traders are unsure about the medium-term direction of this market. Is the E wave finally in place? If so, the nearest longer-term target is the 61.8% projection of 2.11610 to 1.35025 from 1.70423 at **1.23093,** which is roughly equidistance from the widest part of the triangle. The only problem with this rather bearish analysis is the long-term picture in EUR-USD which has a positive correlation to the GBP-USD. Should price action breaks above **1.67456**, the triangle pattern scenario is invalidated. Until that happens, the bearish bias stays.

GBP-USD DAILY



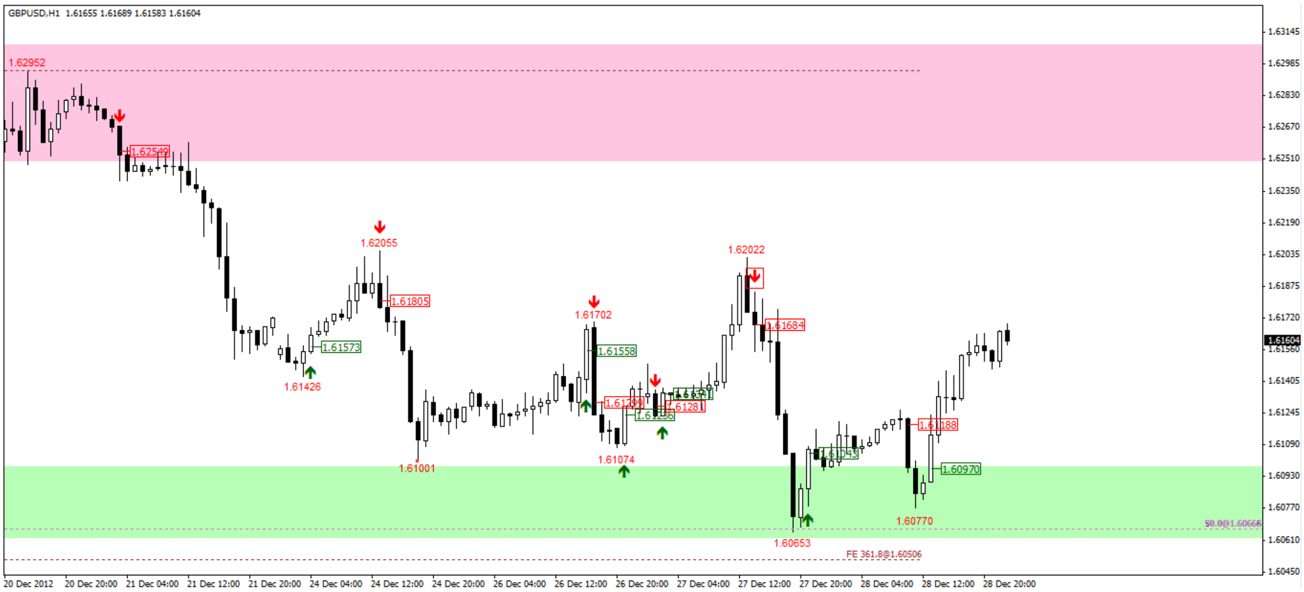
GBP-USD 4-HOURLY



GBP-USD Short to Medium Term Views

Price action attempted to rally throughout Thursday only to unravel towards the close. Buyers were back in force on Friday after dipping momentarily into the minor demand pocket at **1.60623-1.60980** and rebounded strongly (see H1 chart). There is a good chance this market may have found a bottom and is poised to resume its rally beyond the 2012 high of **1.63083** going forward. Immediate focus is the overhead supply pocket at **1.62499-1.63083**. Clearance of this price pocket would greatly enhance this bullish count. One the downside, a fall below minor demand pocket at **1.60623-1.60980** would suggest a deeper correction to the next demand pocket at **1.59875-1.60105.**

GBP-USD 1-HOURLY



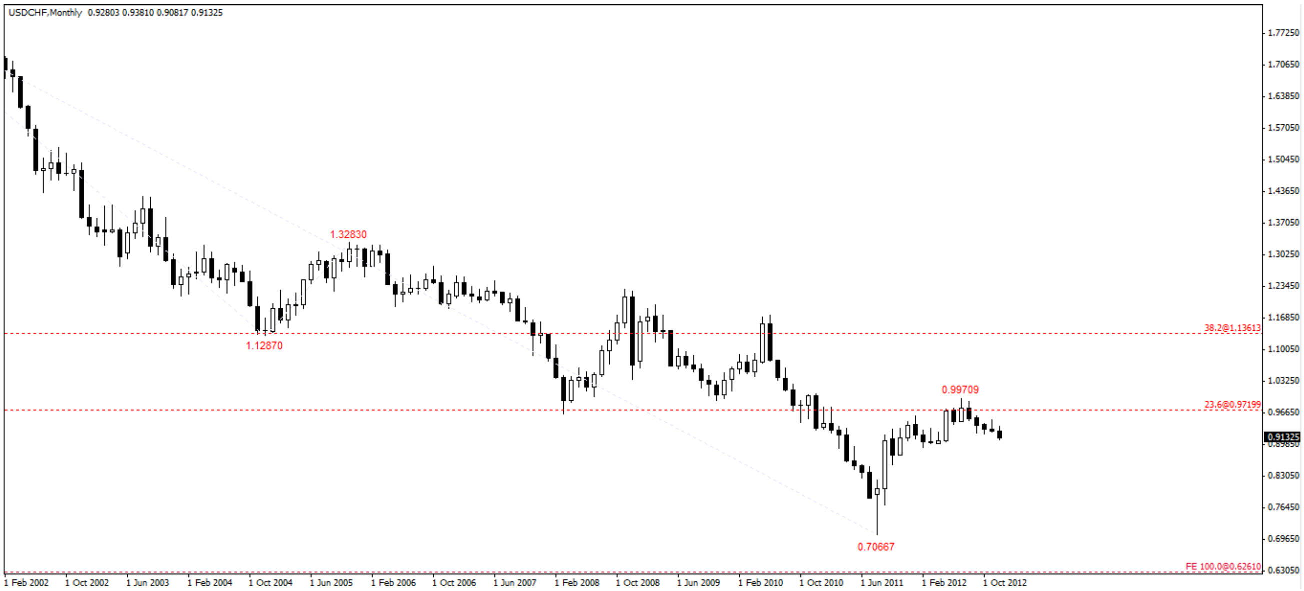
Trade Ideas

ACTION	Target 1	Target 2	EXIT
Bought @ 1.60811 (M5 chart)	1.61020 Realized	1.62499	1.59505 STOP

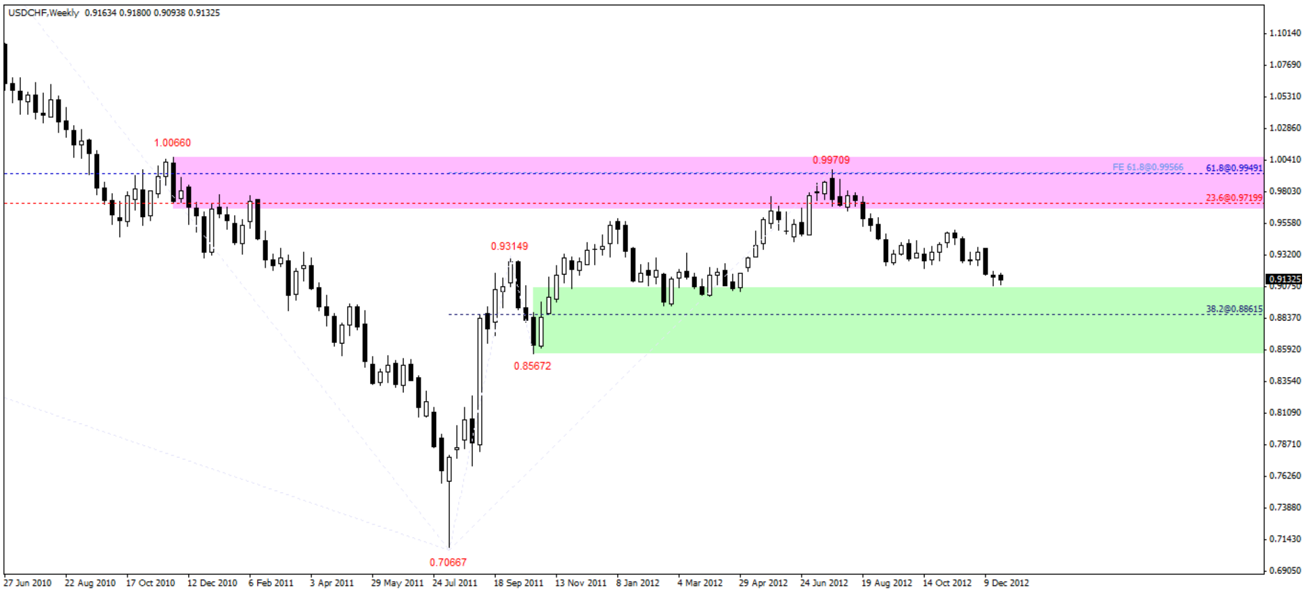
Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade + / -	Realized + / -	Accumulative + / -
	B/F from 21-12-2012								$57,782.00
GBP-USD	27-12-2012	1.0	1.60811	28-12-2012	1.0	1.61020	+$209.00	+209.00	$57,991.00
GBP-USD	27-12-2012	1.0	1.60811	28-12-2012	1.0	1.61604	+$793.00		
						Unrealized	+$793.00		

USD-CHF MONTHLY



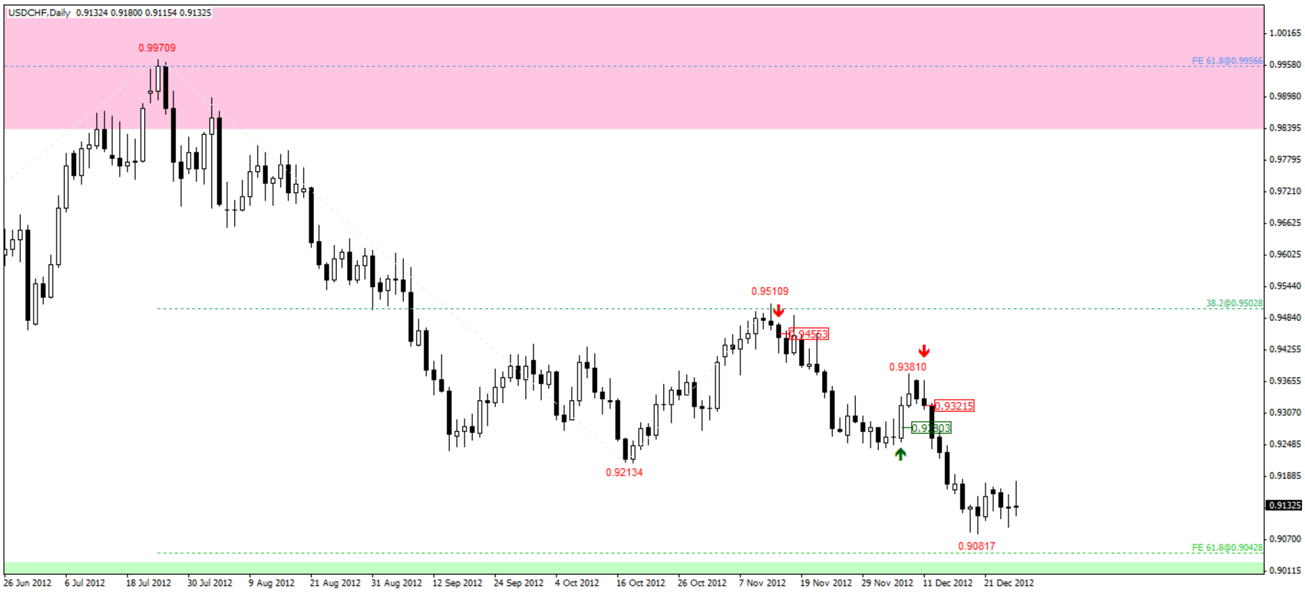
USD-CHF WEEKLY



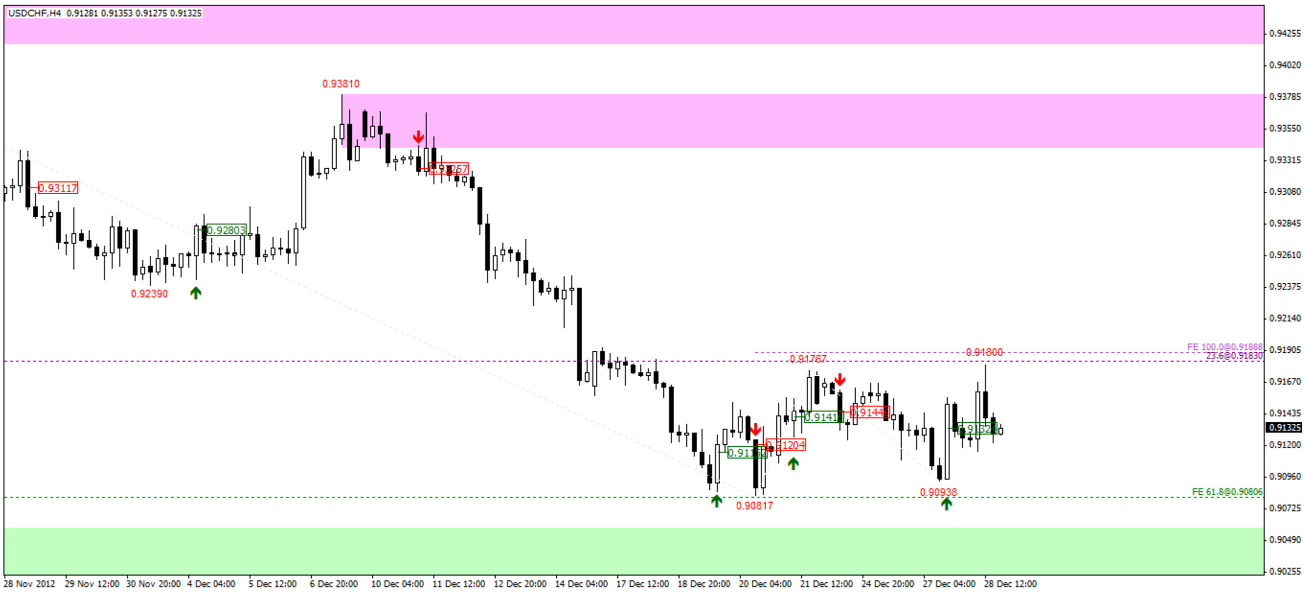
USD-CHF The Big Picture

In the bigger picture, the rebound from 0.70667 is treated as a correction to the multi-year fall from 1.83090. This counter-trend rally stalled at 0.99709 within the price window between the 61.8% retracement of 1.17307 to 0.70667 at **0.99490** and the 61.8% projection of 0.70667 to 0.93149 from 0.85672 at **0.99566** (see D1 chart) to an 18-week low of **0.92134** on July 24. A fortnight ago, this market resumes its downtrend with the break below the October 18 low of 0.92134 and has not looked back. In the longer-term picture, this downtrend from 1.83090, after making an important long-term low at **0.70667** last August, is expected to head towards the 38.2% retracement of 0.70667 to 0.99709 at **0.88615** and may eventually fall towards the longer-term target at the 100.0% projection of 1.83090 to 1.12870 from 1.32830 at **0.62610**.

USD-CHF DAILY



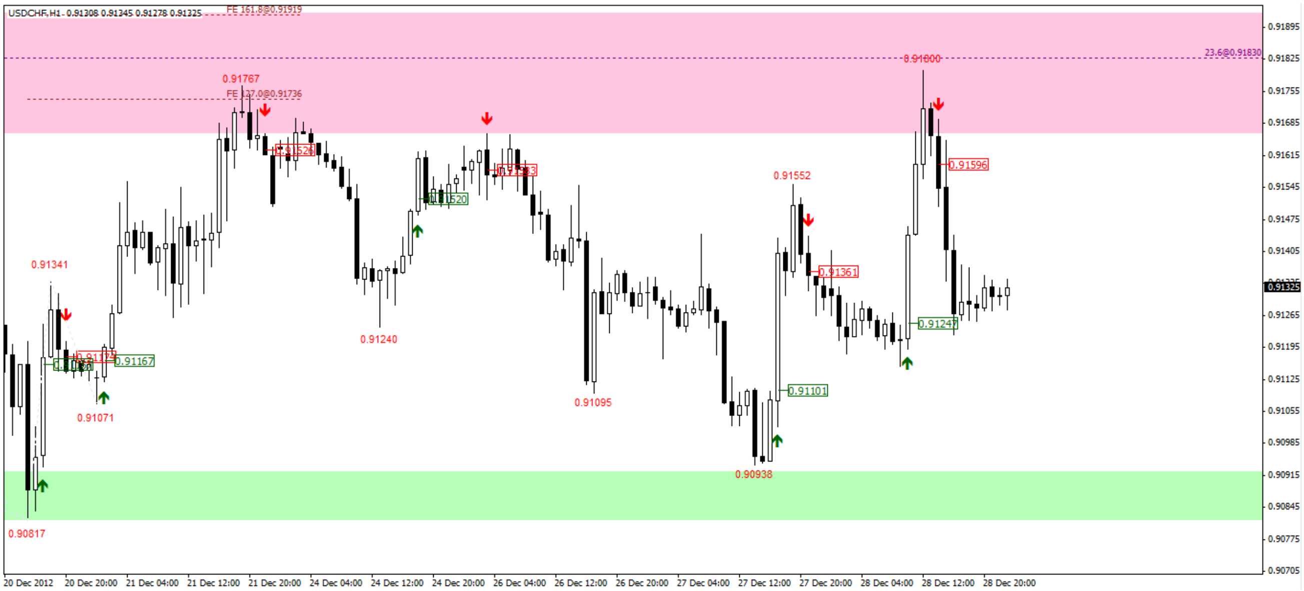
USD-CHF 4-HOURLY



USD-CHF Short to Medium Term View

This market continues to consolidate between the December 20 low of 0.90817 to December 21 high of 0.91767. The rebound from last Thursday at 0.90817 was probably just a correction and after hitting a marginal high at 0.91800 on Friday, the 3-wave corrective rally is completed and this market is now expected to resume its fall. As noted in the previous update, though the ideal correction target is the 38.2% retracement of 0.95109 to 0.90817 at **0.92457** where a supply pocket at **0.92400-0.92734** lies, a sell within the immediate supply pocket at **0.91662-0.91927** is realistically all that can be expected. This market is now expected to fall below the year's low at **0.89301** going forward.

USD-CHF 1-HOURLY



Trade Ideas

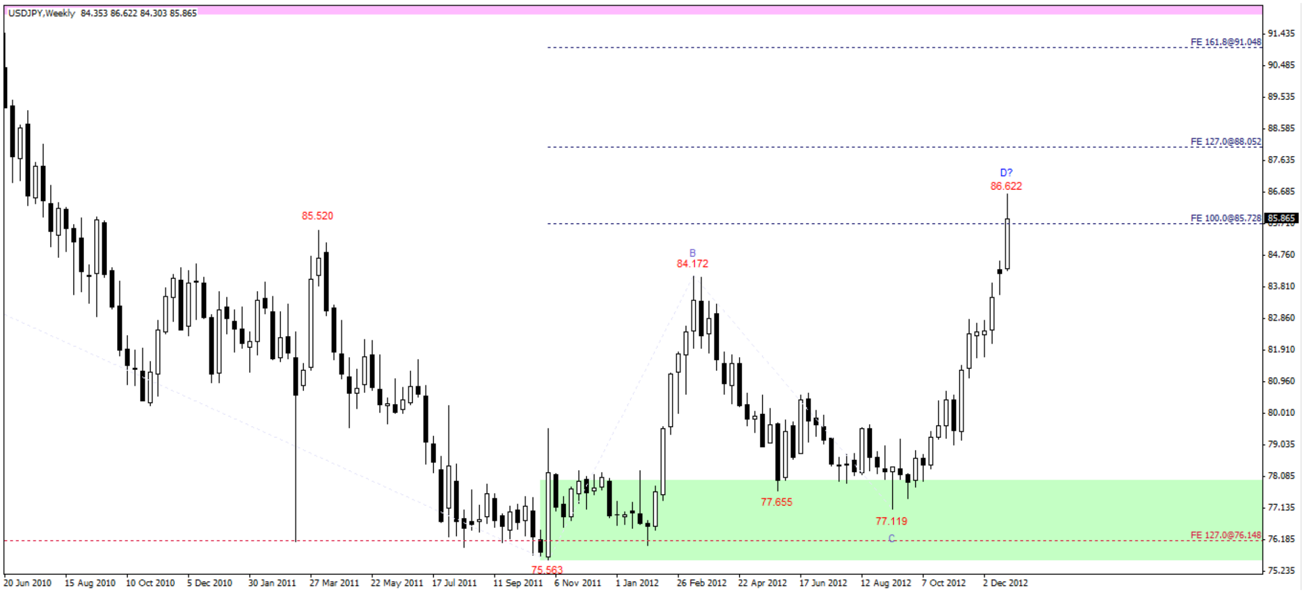
ACTION	Target 1	Target 2	EXIT
Sold @ 0.91596	0.90924	0.89847	Break-even

Weekly Performances

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade + / -	Realized + / -	Accumulative + / -
	B/F from 28-12-2012								$36,345.05
USD-CHF	28-12-2012	1.0	0.91325	28-12-2012	1.0	0.91596	+$296.74		
USD-CHF	28-12-2012	1.0	0.91325	28-12-2012	1.0	0.91596	+$296.74		
						Unrealized	+$593.48		

USD-JPY MONTHLY

USD-JPY WEEKLY

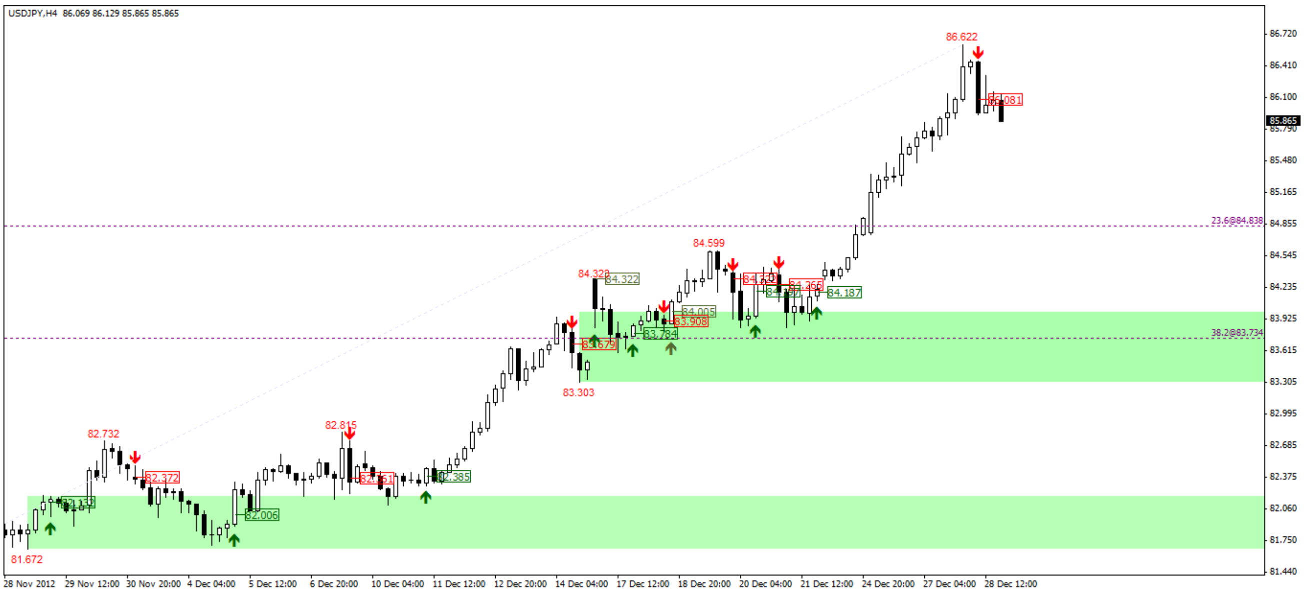


USD-JPY The Big Picture

The fall from 124.120 which started on June 2007 probably terminated on October 2011 at **75.563**, just below the 127.0% projection of 147.680 to 101.220 from 135.160 at **76.156**. In the bigger picture, the move from 75.563 to 84.172 is most likely the termination point of wave B at **84.172** with wave A at **75.563**. Wave C is probably at **77.119**. From there a hammer appeared in the W1 chart in early September and price action has since powered higher and is probably heading towards the wave D. One possible target for wave D is the 127.0% of 75.563 to 84.172 from 77.119 at **88.052.** This rally is impulsive and has the characteristic of a 3rd wave rally. If so, it is en-route to the 161.8% projection of 75.563 to 84.172 from 77.119 at **91.048**. On the other hand, if this rally stalls at the 127.0% of 75.563 to 84.172 from 77.119 at **88.052**, then this is just a simple correction of the fall from 147.680. After which another massive fall below the all-time low of 75.563 is anticipated.

USD-JPY DAILY

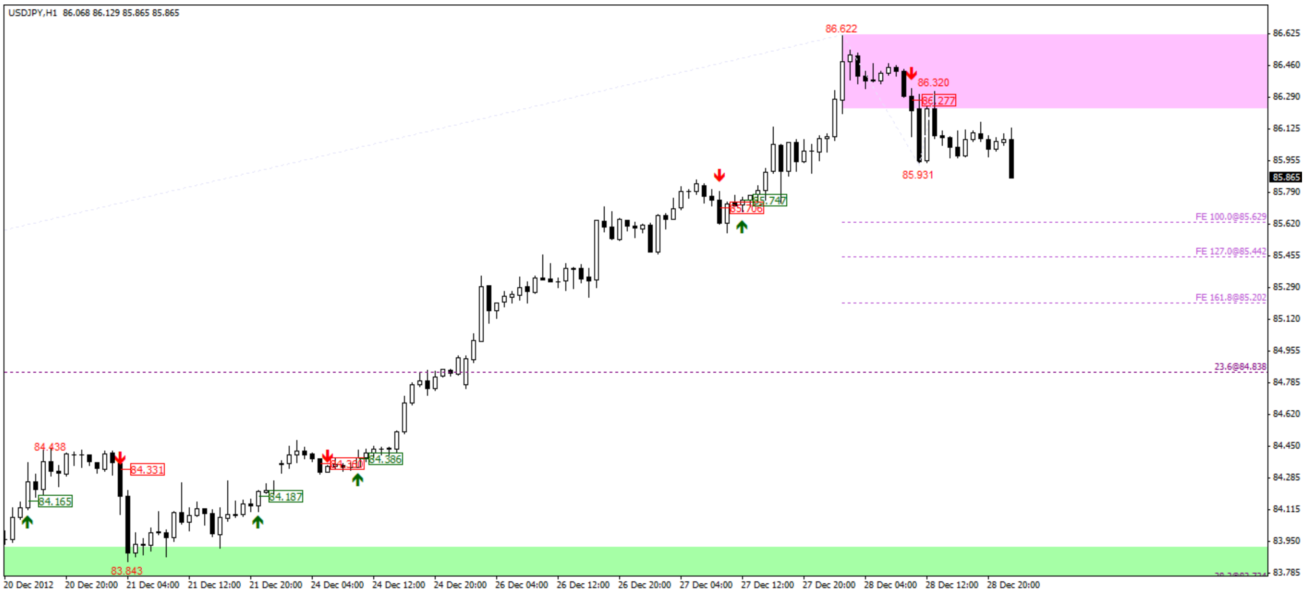
USD-JPY 4-HOURLY



USD-JPY Short to Medium Term Views

The exuberance in this market saw traders took price action to above last year's high of 85.520. Early in Asian trading session on Friday, this market registered a new 28-month high at 86.622 - and then stalled. In so long as the newly re-elected Prime Minister Shinzo Abe is seen to be pressuring the BoJ into rolling back the effects of deflation by targeting a 2% inflation rate by aggressive easing, traders will continue to sell the Japanese yen. To this end, 90.000 is widely believed to be the exchange rate target set by the new LDP led government. The original idea that a short position within the supply zone at **84.240-84.85.920** represented a very attractive proposition did not work out as expected. Price action accelerated above 86.020, taking out a ton of buy-stops on the way up some 24 hours ago. With this move, focus has shifted to the longer-term correction target at the 23.6% retracement of 147.71 to 75.563 at **61.216**. However, the profit-takings seen overnight may see this market retracing somewhat before resuming its long-term rally. In terms of serious demand, there is nothing between 86.622 to the demand pocket at **83.303-83.996** (see H4 chart). At a minimum, the immediate target for this correction is the 100.0% projection of 86.622 to 85.931 from 86.320 at **85.629** (see H1 chart).

USD-JPY 1-HOURLY



Trade Ideas

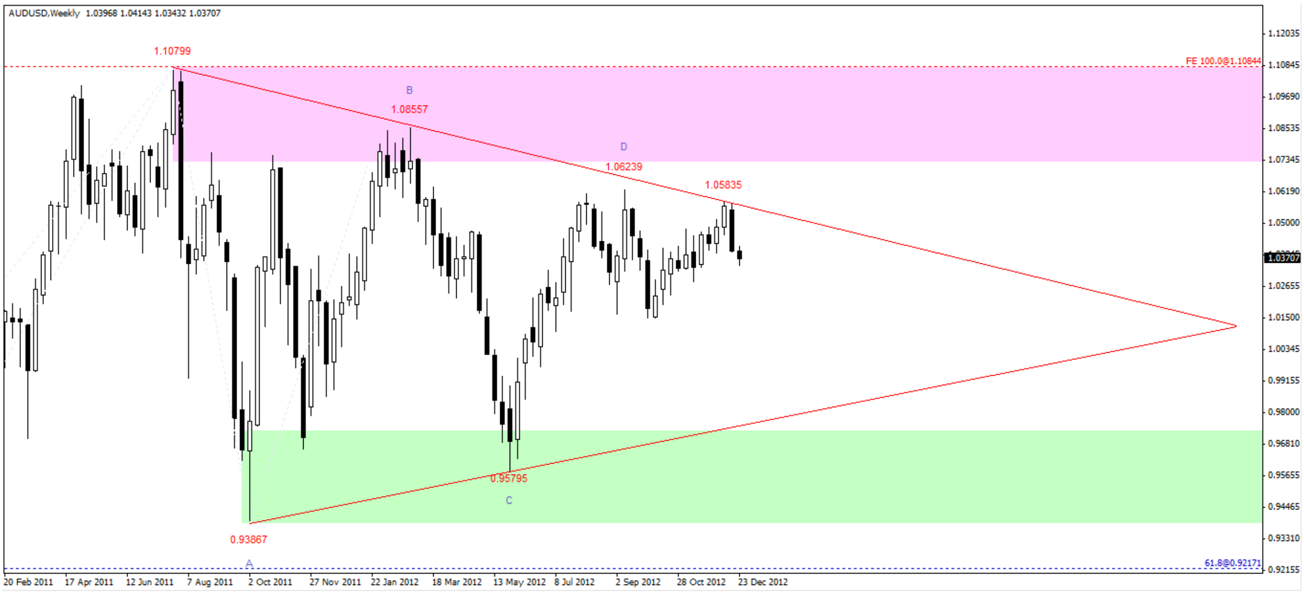
ACTION	Target 1	Target 2	EXIT
Sold @ 86.277	85.629	83.919	Break-even

Weekly Performances

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade +/-	Realized +/-	Accumulative + / -
	B/F from 21-12-2012								$33,679.11
USD-JPY	24-12-2012	1.0	84.459	19-12-2012	1.0	84.459			
USD-JPY	27-12-2012	1.0	86.020	27-12-2012	1.0	85.706	-$365.03		$33,314.08
USD-JPY	27-12-2012	1.0	86.020	27-12-2012	1.0	85.706	-$365.03	-$730.06	$32,949.05
USD-JPY	28-12-2012	1.0	85.865	28-12-2012	1.0	86.277	+$479.82		
USD-JPY	28-12-2012	1.0	85.865	28-12-2012	1.0	86.277	+$479.82		
						Unrealized	+$959.64		

AUD-USD MONTHLY

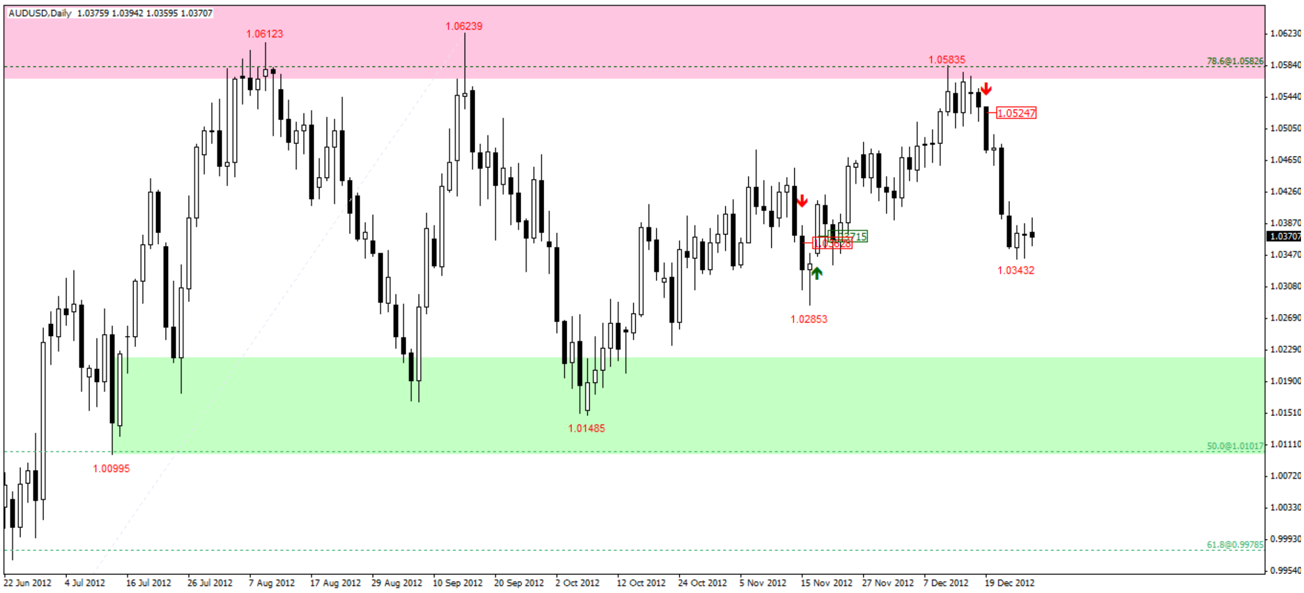
AUD-USD WEEKLY



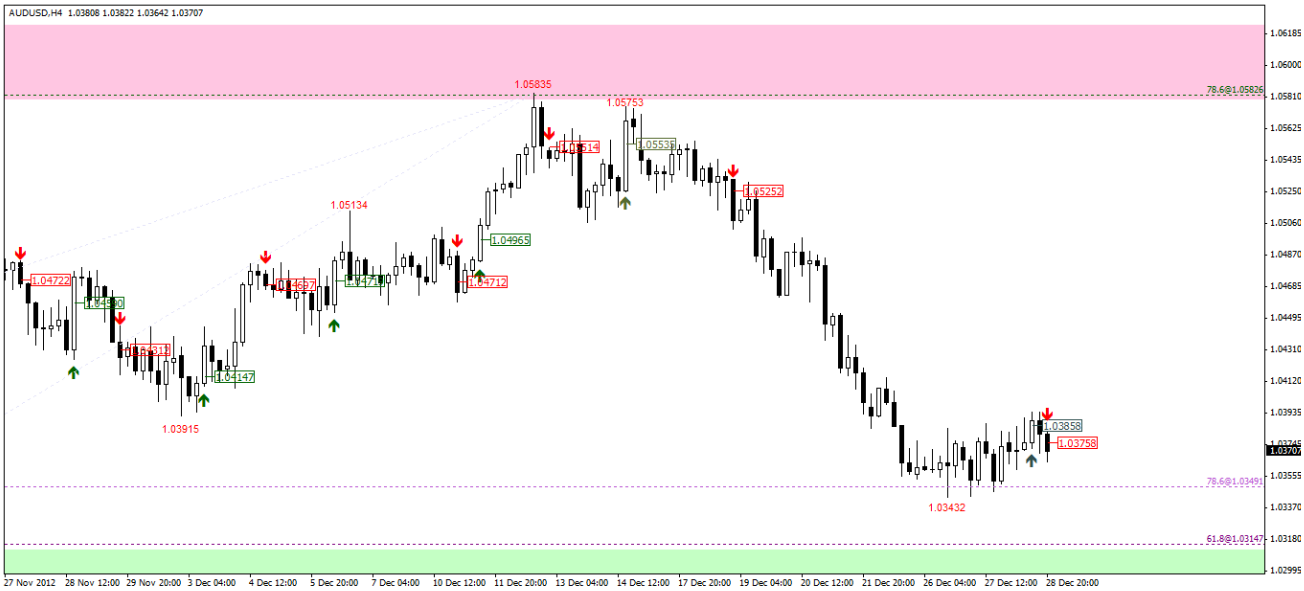
AUD-USD The Big Picture

In the bigger picture, the rise from 0.47730 missed the 100.0% projection of 0.47730 to 0.98490 from 0.60084 at **1.10844** on July 27 by a mere 4.5 pips with a high at 1.10799. Price action since has been very choppy as it gyrates within an almost 1700 pips range between the all-time high and last October 4 low of **0.93809**. Overall, the broad sideway market since has sets of 3-waves structures, implying a period of consolidation between these two extreme points. The long-held view that this market is consolidating within a triangle was severely tested the last 2 weeks. Price action tested the upper trend-line of the triangle last Friday only to reverse direction late last week. The push-back was important as sustained rally above this trend-line will invalidate the triangle scenario and will have shifted focus towards the February high of **1.08557** and all-time high of **1.10799** registered last July. With one more trading day before the month end, a potential shooting is developing in the MN chart. This development has massive implication going forward into 2013. It would suggest that wave D is in place this market is next heading towards the last leg of the longer-term triangle pattern. Once wave E is in place, the ensuing rally should send AUD-USD through **1.08557** to retest the July 27, 2011 high at **1.10799** and beyond.

AUD-USD DAILY



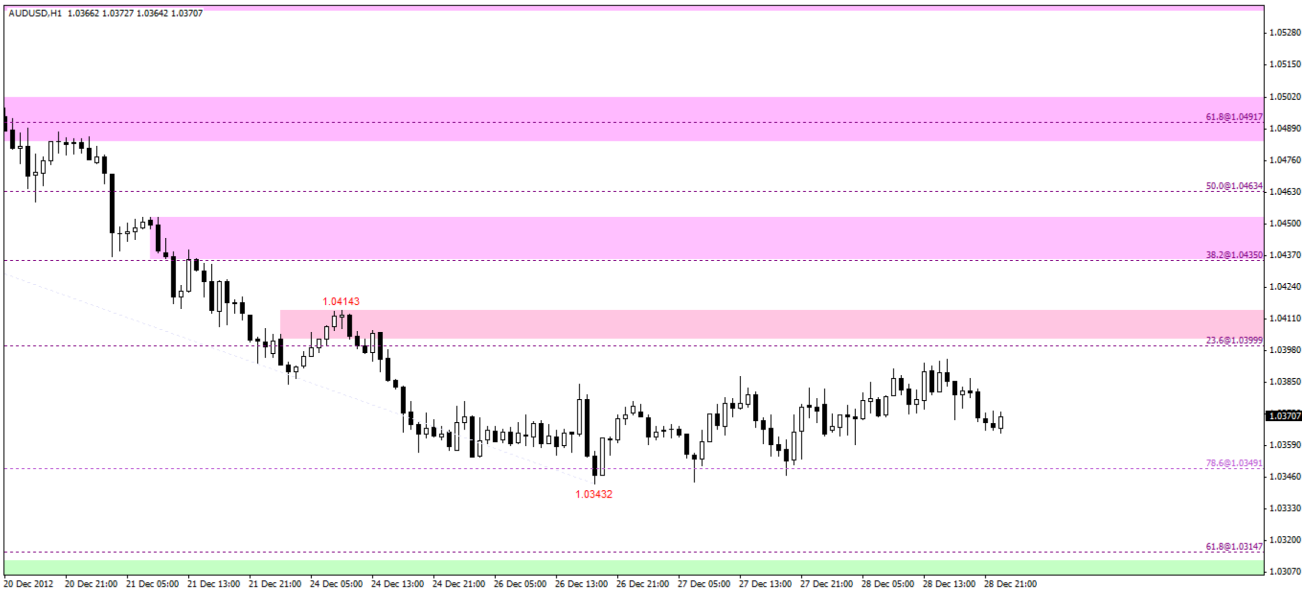
AUD-USD 4-HOURLY



AUD-USD Short to Medium Term Views

This market has practiically gone into hibernation. Pice action remains stagnant since Boxing Day and as noted, may well end the year around current levels. Overall, the fall from the 78.6% retracement of 1.08557 to 0.95795 at **1.05826** appears to be accelerating and may have found a temporary bottom at the Boxing Day low of 1.03432. This level is just below the 78.6% retracement of 1.02853 to 1.05835 at **1.03491**. As noted, the short-term outlook is extremely over-stretched and a decent rebound is to be expected. Should a correction ensues, other than the minor supply pocket at **1.04354-1.04528**, it is probable that any rebound may be capped at the immediate price pocket at **1.04027-1.04143**. Below this week's low of 1.03432, a demand pocket at **1.02853-1.03118** awaits. This is just below the 61.8% retracement of 1.01485 to 1.05835 at **1.03147**.

AUD-USD 1-HOURLY

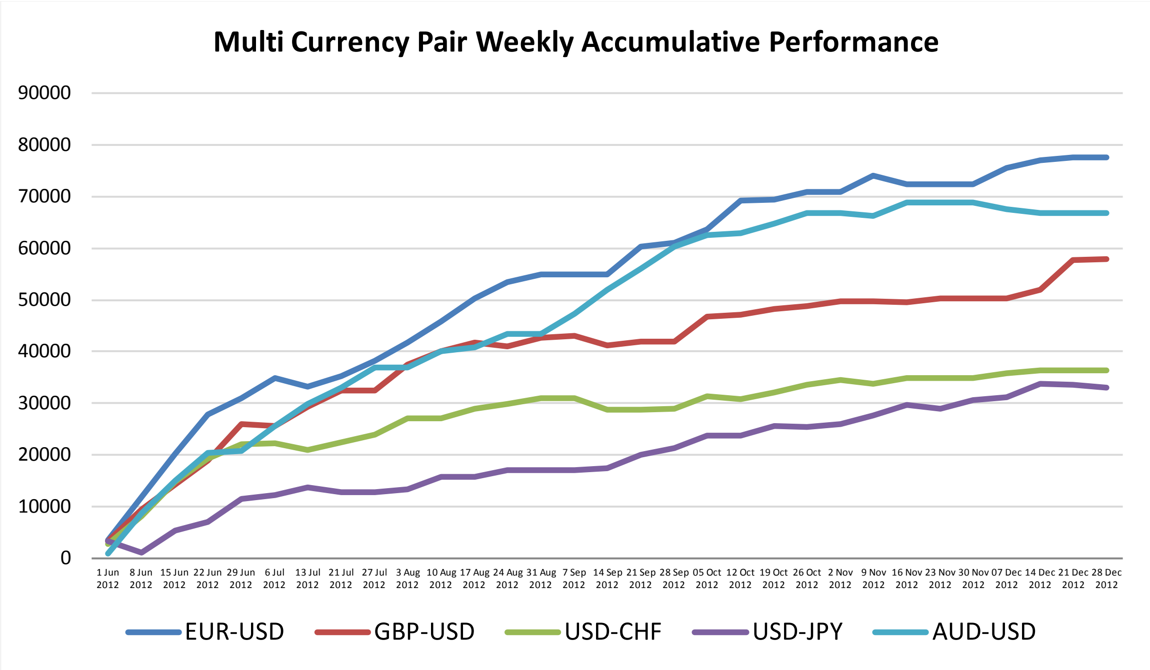


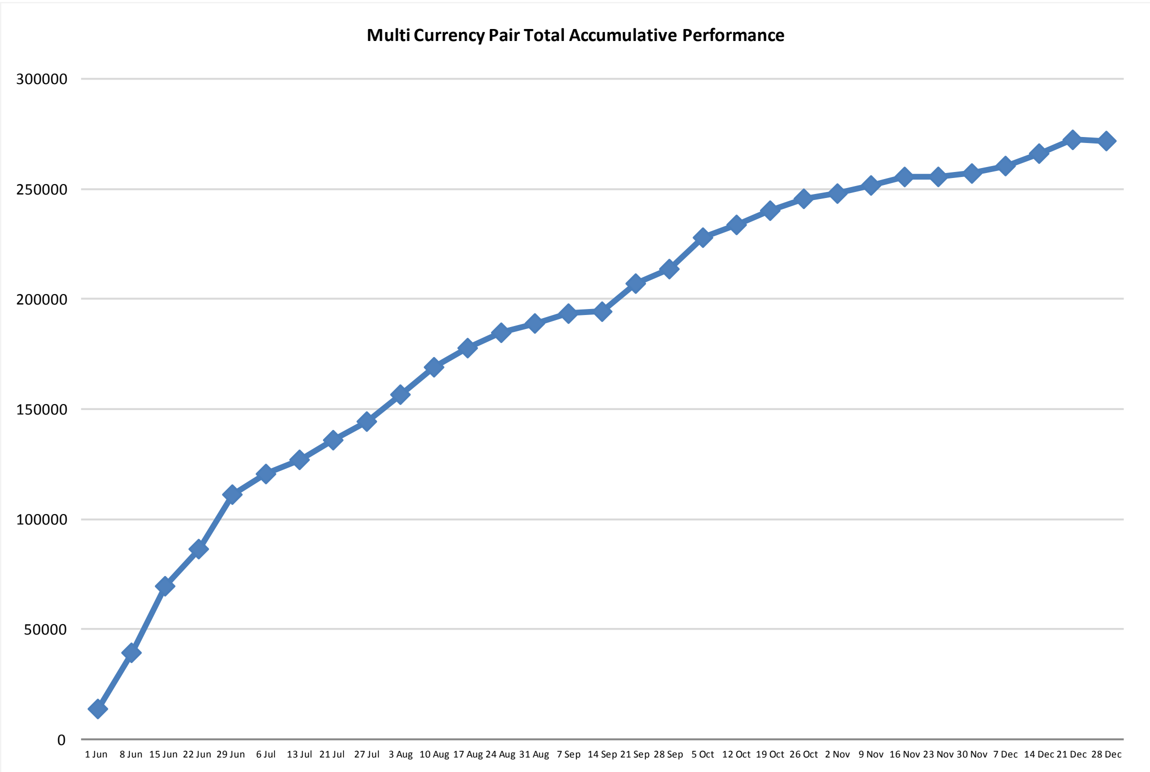
Trade Ideas

ACTION	Target 1	Target 2	EXIT
Bought @ 1.03858	1.04350	1.04835	1.03332 STOP

Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade + / -	Realized +/ -	Accumulative + / -
	B/F from 21-12-2012								$66,879.00
AUD-USD	28-12-2012	1.0	1.03858	28-12-2012	1.0	1.03707	-$151.00		
AUD-USD	28-12-2012	1.0	1.03858	28-12-2012	1.0	1.03707	-$151.00		
						Unrealized	+$302.00		


Multi Currency Pair Weekly Accumulative Performance
90000
80000
70000
60000
50000
40000
30000
20000
10000
0
EUR-USD
GBP-USD
USD-CHF
USD-JPY
AUD-USD


Multi Currency Pair Total Accumulative Performance
300000
250000
200000
150000
100000
50000
0

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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.

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.