

*A Traders Academy International Publication*

## Euro Rallied Ahead of ECB Meeting

EUR-USD rallied strongly on Tuesday as better-than-expected Euro zone data bolstered expectations the European Central Bank will keep monetary policy steady when it meets this week. The rally gained momentum during the New York session as traders positioned for the ECB meeting, pushing EUR-USD gains for the year up to 3 percent.

French President Francois Hollande called on the Euro zone on Tuesday to protect the Euro from "irrational movements," but German Economy Minister Philipp Roesler said countries must focus on boosting competitiveness and not on cutting the value of their currency. The comments did not have an immediate impact on the Euro, but served as an indication of the growing split among leaders on the Euro's strength, which may check further gains even as traders bought on the upbeat economic data.

Instead, the market focus remains the ECB meeting on Thursday. Analysts think (ECB President Mario) Draghi will be dovish in his comments by stating the ECB's willingness to add liquidity if needed given the reduction in excess reserves that resulted from the early LTRO repayments. Daingerfield was referring to the repayments to the ECB from banks which took loans out during the financial crisis to backstop their balance sheets.

EUR-USD settled at 1.35819, up 0.51 percent on the session. That put it near the session peak at 1.35965, but still below a near 15-month high of 1.37101 struck on Friday.

The ECB is unlikely to contemplate an interest rate cut at Thursday's policy meeting despite the Euro's sharp rise, but its chief almost certainly faces a grilling afterward over an Italian banking scandal. The Euro's strength will need to show significant harm to the economy before the Governing Council reverses course and there is next to zero chance of that happening at its monthly meeting.

The Euro zone economy is expected to show it is recovering even as the gulf between its two biggest members, Germany and France, is widening, according to a survey on Tuesday that pegged business optimism in the bloc at an eight-month high. Euro zone data also indicated the services sector had improved more than expected in January.

Rising risk tolerance also boosted the Euro in New York trade when a report showed the U.S. services sector grew in January. The US economy continues its grudging recovery with services following manufacturing after the second-half slump last year.

Meanwhile, Bank of Japan governor Masaaki Shirakawa said he would step down on March 19, three weeks before the official end of his term. He is likely to be replaced with someone who is amenable to Prime Minister Shinzo Abe's drive to ease policy aggressively and end deflation. The Bank of Japan is about to get a lot more dovish – and sooner than previously thought.

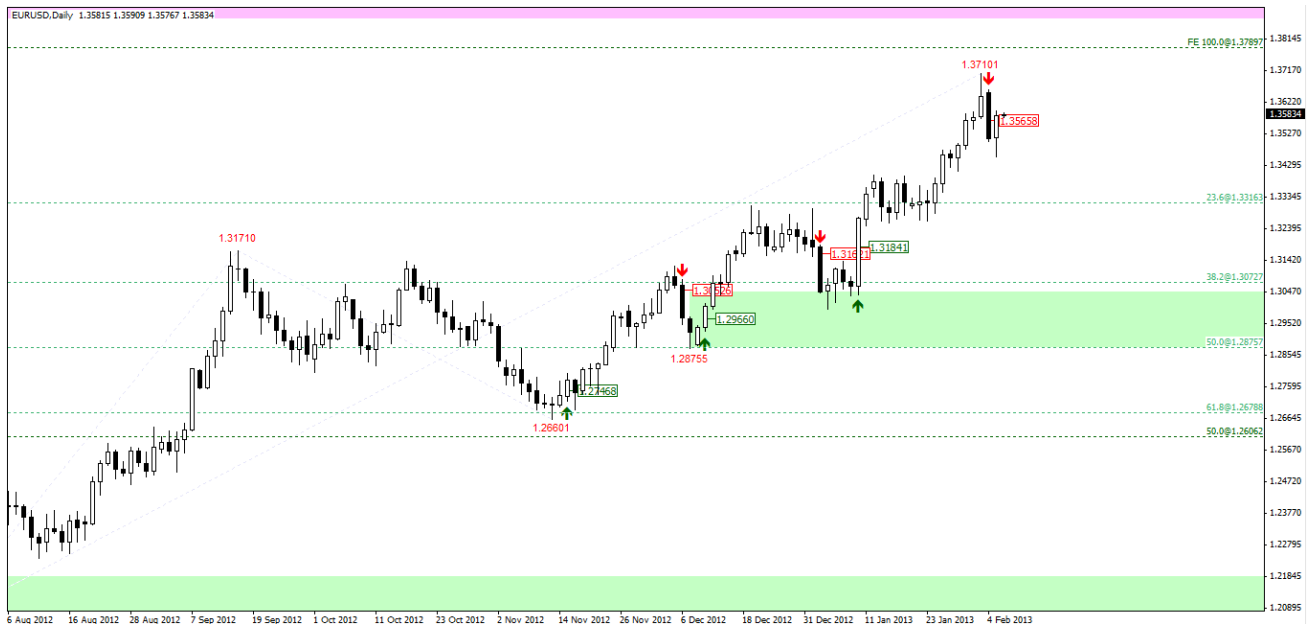
USD-JPY rose as high as 93.640, its highest since mid-2010. It last traded at 93.609, up 1.35 percent on the day. EUR-JPY settled at 127.152, up 1.88 percent on the day, with the session peak of 127.197, the highest since mid-April 2010.

Further yen weakness could be checked due to growing opposition from other countries before a G20 meeting in Moscow this month. Japan could face a growing backlash about its recent policies, which have produced a sustained Yen weakness; and given that the Euro was the currency that appreciated the most, this could mean the Europeans in particular could complain about the loss of international competitiveness.

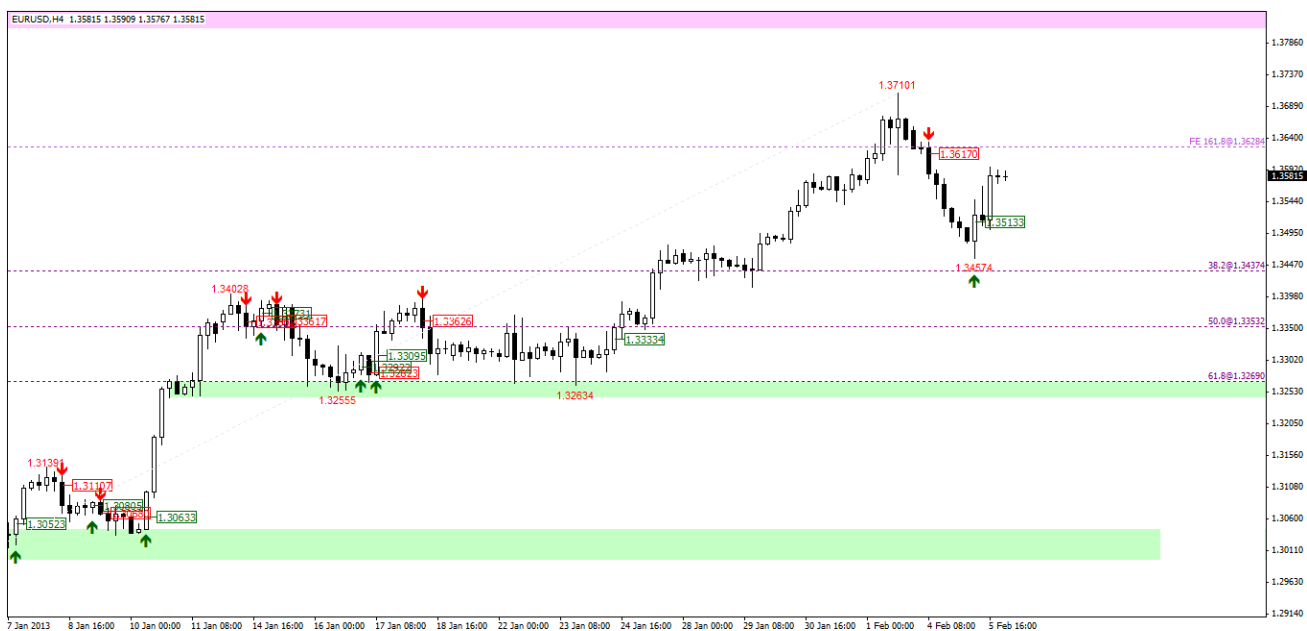
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## EUR-USD DAILY



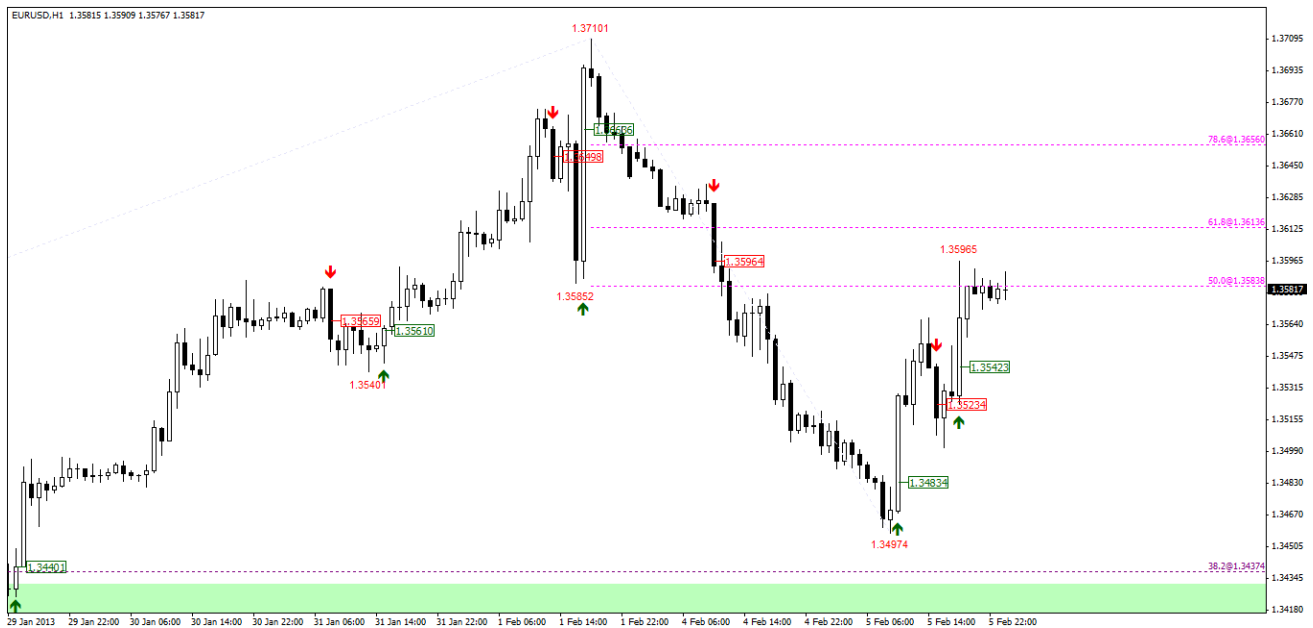
## EUR-USD 4-HOURLY



## EUR-USD Short Term Outlook

After sliding for two consecutive sessions, buying interests appear to be back but it is premature to draw any conclusion to the overnight strength. Only a break above **1.37101** would confirm the resumption of the rally from 1.20414. Even so, the entire move from 1.20414 to 1.37101 from 1.26601 at **1.37897** which lies just below an overhead supply zone at **1.38074-1.38687**. As this rally matures, the upside potential becomes limited with each marginal high traded. In the meantime, the rebound from 1.34974 also has a 3-wave structure. Unless and until this rebound extends aggressively above **1.37101**, short-term bias is to the downside. At the current level, it is vulnerable to selling pressure. Previously, price action fell close to the 38.2% retracement of 1.29963 to 1.37101 at **1.34374** which lies just above minor demand pocket at **1.34132-1.34313** and reversed. As noted, there is a good chance this price pocket may hold. Below this, a more formidable demand pocket lies at **1.32452-1.32676** which incidentally lies just below the 61.8% retracement of 1.29963 to 1.37101 at **1.32690**. Only a close below **1.33090** in the W1 chart would suggest that the 3-wave corrective rebound from 1.20414 is over and bears are in charge. Signals across all time frames are mixed with W1 chart showing a buy, D1 a sell and H4 and H1 a buy.

## EUR-USD 1-HOURLY



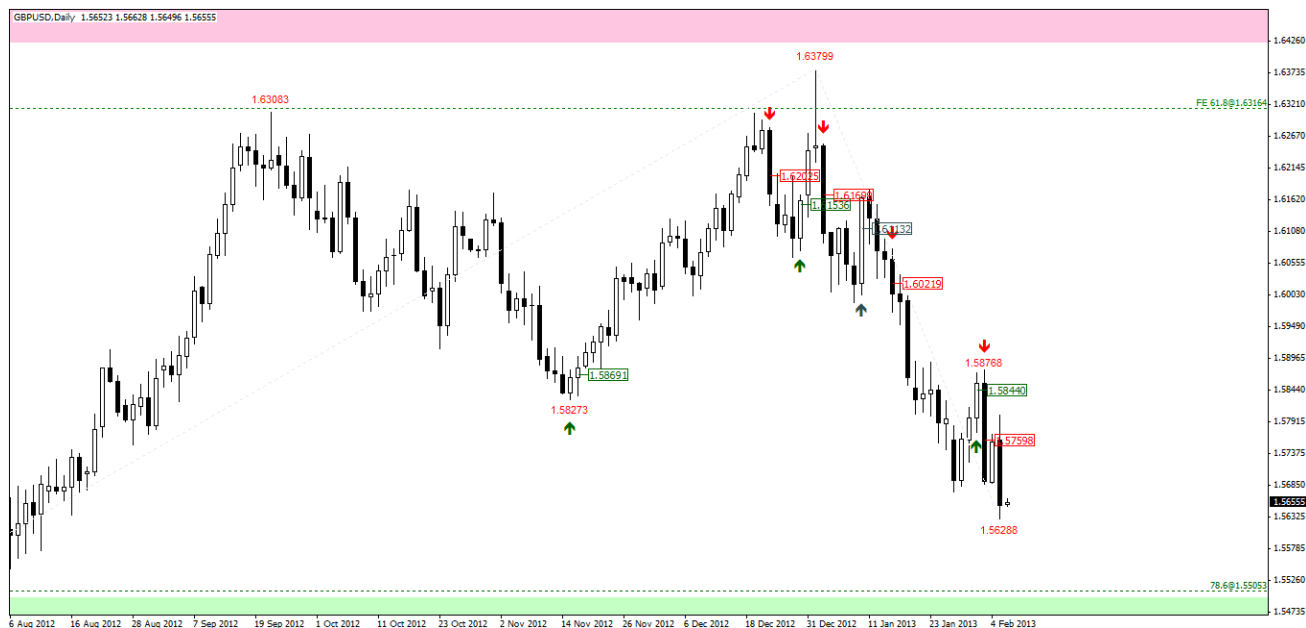
## TRADE IDEAS

| Action | Exit Condition          | Entry Price | Stop-Loss | Profit Target 1     | Profit Target 2 | Exposure % | Exposure Units |
|--------|-------------------------|-------------|-----------|---------------------|-----------------|------------|----------------|
| Bought | D1 close below 1.34903. | 1.32874     | 1.34803   | 1.33575<br>Realized | 1.37897         | 3          | 0.03m          |

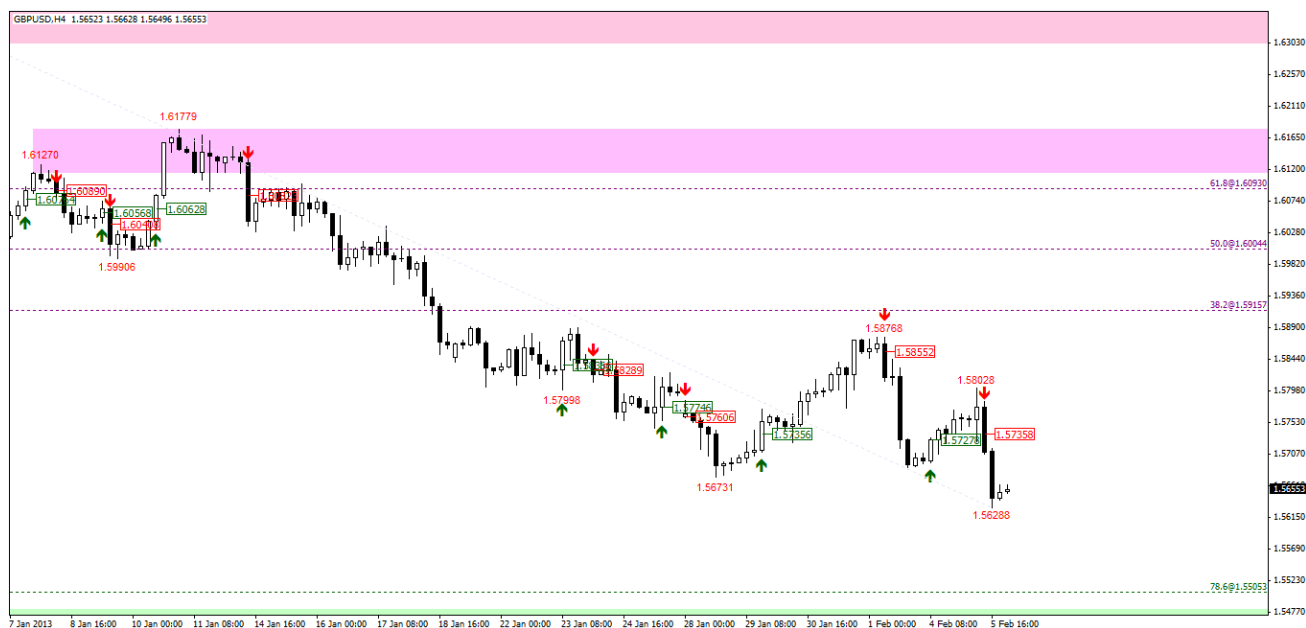
## TRADE JOURNAL

| Open Date        | Buy (units) | Open Price | Close Date       | Sell (units) | Close Price | Unrealized P/L |            | Realized P/L |            | Accumulative Balance |           |
|------------------|-------------|------------|------------------|--------------|-------------|----------------|------------|--------------|------------|----------------------|-----------|
|                  |             |            |                  |              |             | Pips           | + / - (\$) | Pips         | + / - (\$) | %                    | \$        |
| 2013.02.01       |             |            |                  |              |             |                |            |              |            | 1.49                 | 10,149.10 |
| 2013.01.22 17:50 | 0.02m       | 1.32874    | 2013.02.05 23:59 | 0.02m        | 1.35819     | 589.0          | 589.00     |              |            |                      |           |

## GBP-USD DAILY



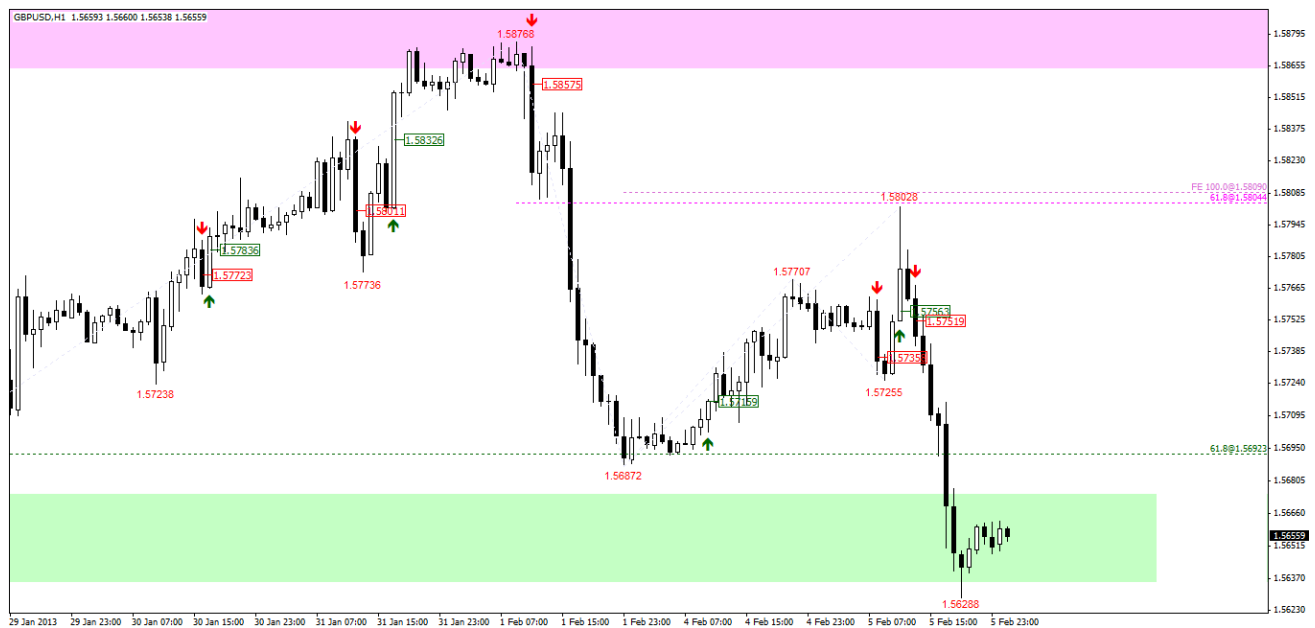
## GBP-USD 4-HOURLY



## GBP-USD Short Term Outlook

After a brief rebound which lasted 3 sessions, the fall from within the supply pocket at **1.58643-1.58915** resumed with a relatively steep decline to hit a minor demand pocket at **1.56354-1.56749** (see H1 chart). Interestingly, last night's high at 1.58028 stalled and reversed direction near the Fibonacci cluster of the 61.8% retracement of 1.58768 to 1.56872 at **1.58044** and the 100.0% projection of 1.56872 to 1.57707 from 1.57255 at **1.58090** - once again proving the significance of Fibonacci confluences. With the overnight fall, this market is now very near the longer-term ascending support line within the triangle formation (see MN chart). Should this fall accelerate below the **1.56000** level; it will all but confirm the breakout from the longer-term triangle pattern developing since August 2009 with serious bearish implications. It is thus natural that as this market approaches this all-important trend-line, traders turned cautious. To get an idea on the longer-term bearish implications of this fall (should price action falls below the longer-term trend line), refer to the weekend report. Something potentially huge is brewing in this market.

## GBP-USD 1-HOURLY



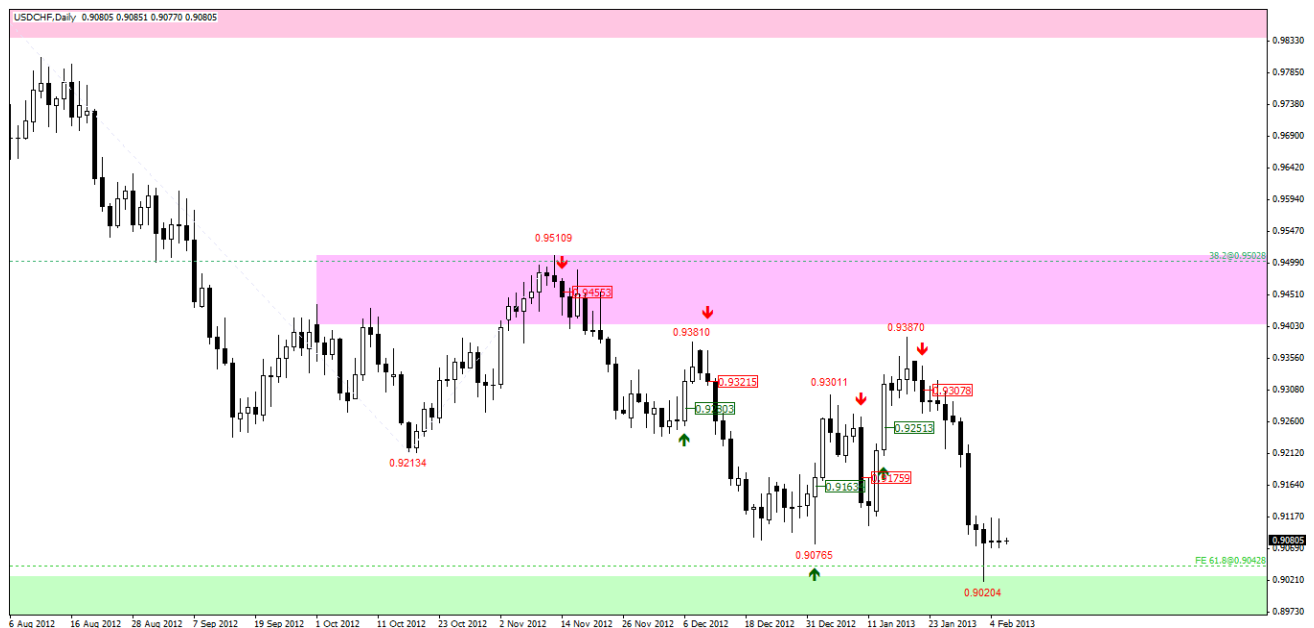
## GBP-USD TRADE IDEAS

| Action | Entry Condition | Entry Price | Stop-Loss  | Profit Target 1     | Profit Target 2 | Exposure % | Exposure Units |
|--------|-----------------|-------------|------------|---------------------|-----------------|------------|----------------|
| Sold   |                 | 1.58750     | Break-even | 1.56749<br>Realized | 1.54800         | 3          | 0.03m          |

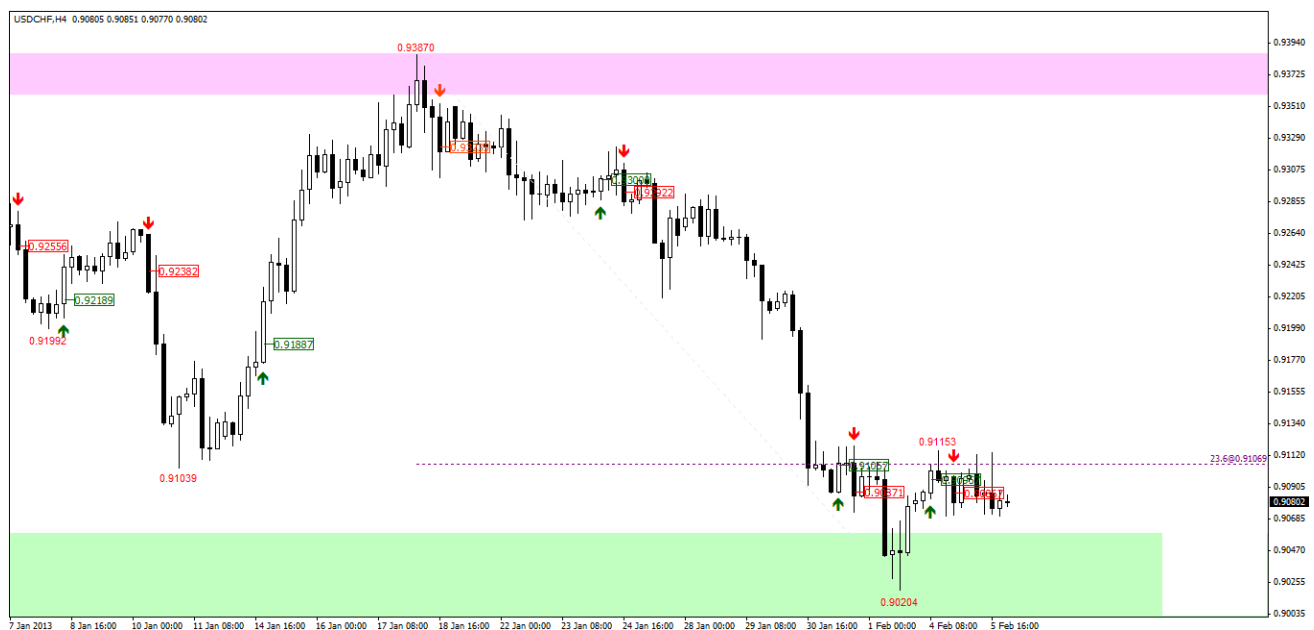
## GBP-USD TRADE JOURNAL

| Open Date        | Sell (units) | Open Price | Close Date       | Buy (units) | Close Price | Unrealized P/L |            | Realized P/L |            | Accumulative Balance |          |
|------------------|--------------|------------|------------------|-------------|-------------|----------------|------------|--------------|------------|----------------------|----------|
|                  |              |            |                  |             |             | Pips           | + / - (\$) | Pips         | + / - (\$) | %                    | \$       |
| 2013.02.01       |              |            |                  |             |             |                |            |              |            | -3.41                | 9,659.50 |
| 2013.02.01 09:39 | 0.02m        | 1.58750    | 2013.02.05 23:59 | 0.02m       | 1.56514     | 447.2          | 447.20     |              |            |                      |          |

## USD-CHF DAILY



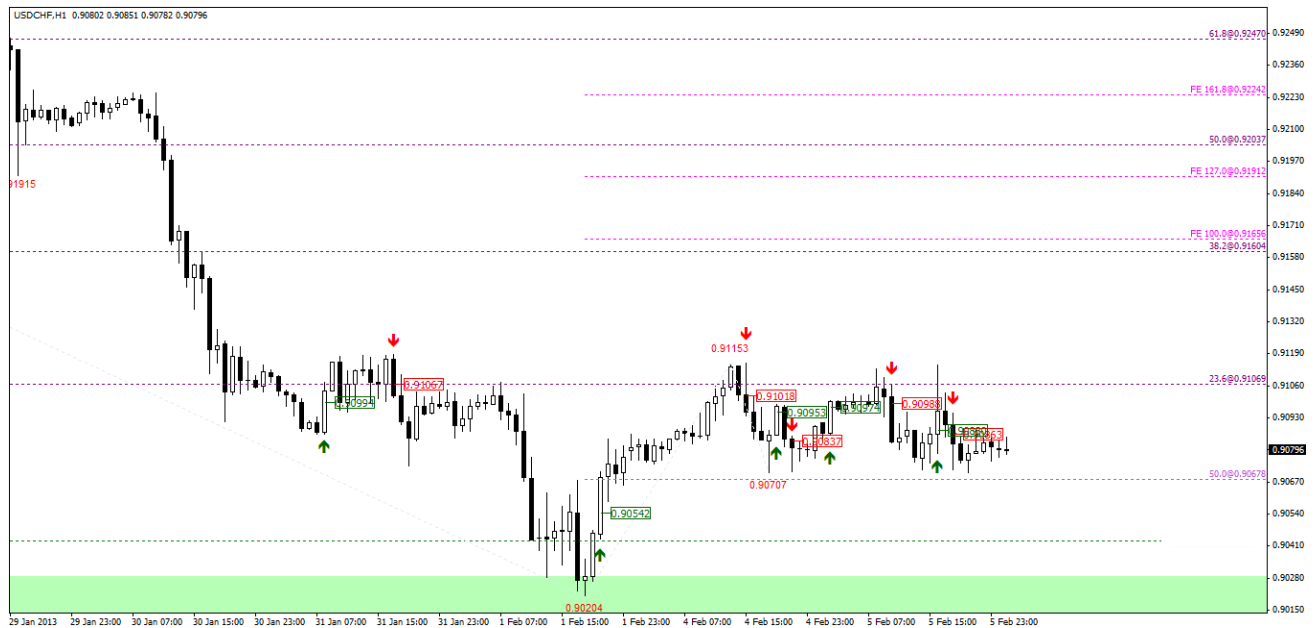
## USD-CHF 4-HOURLY



## USD-CHF Short Term Outlook

The sharp fall from last Friday's high of 0.98370 accelerated to the demand zone at **0.90010-0.90587** and rebounded. And since then, nothing has happened. Volatility fell off the cliff and this market simply marked time. While earlier on in the week, the unwinding of long Euro positions had a corresponding effect on this market in the last two sessions; it did respond as the EUR-USD rallied. At any rate, the rebound from the demand zone at **0.90010-0.90587** is expected to be capped at the 38.2% retracement of 0.93870 to 0.90204 at **0.91604**; which is stacked just below the 100.0% projection of 0.90204 to 0.91153 from 0.90707 at **0.91656**. If this market recovers above this Fibonacci cluster, a look at the D1 chart should provide some perspective. Overall, the medium to long term picture suggests long-term trading may be confined to the lower demand zone at **0.89301-0.90278** and the upper supply zone at **0.98372-1.00660**. However, should the fall resumes below **0.90204**, focus will shift towards the next DZ at **0.89211-0.89847**. Acceleration below this price pocket would invariably triggers a ton of sell-stops accumulated below this level resulting in another selloff (see D1 chart). From the perspective of the W1 chart, sustained trading below the next DZ at **0.85672-0.86934** would suggest the correction from 0.70667 is practically over and the longer-term downtrend from 1.83090 from way back in 2000 has resumed.

## USD-CHF 1-HOURLY



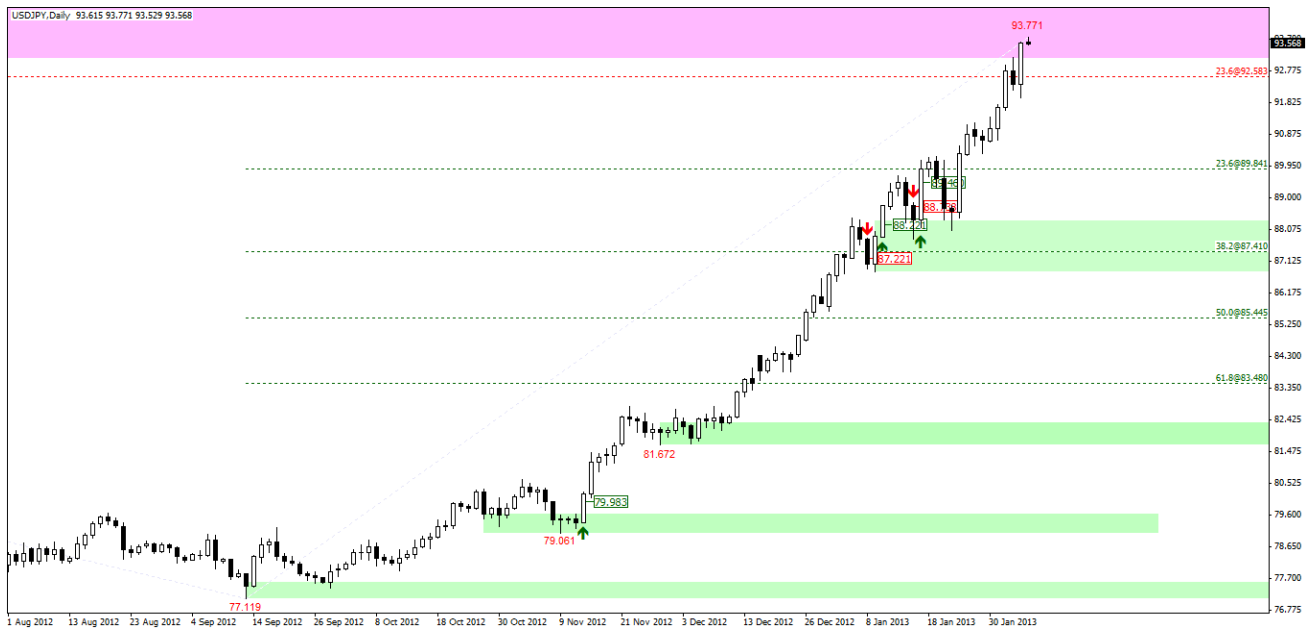
## USD-CHF TRADE IDEAS

| Action | Entry Condition | Entry Price | Stop-Loss | Profit Target 1      | Profit Target 2 | Exposure % | Exposure Units |
|--------|-----------------|-------------|-----------|----------------------|-----------------|------------|----------------|
| Sold   |                 | 0.93520     | 0.92349   | 0.90587<br>(covered) | 0.89847         | 3          | 0.03           |

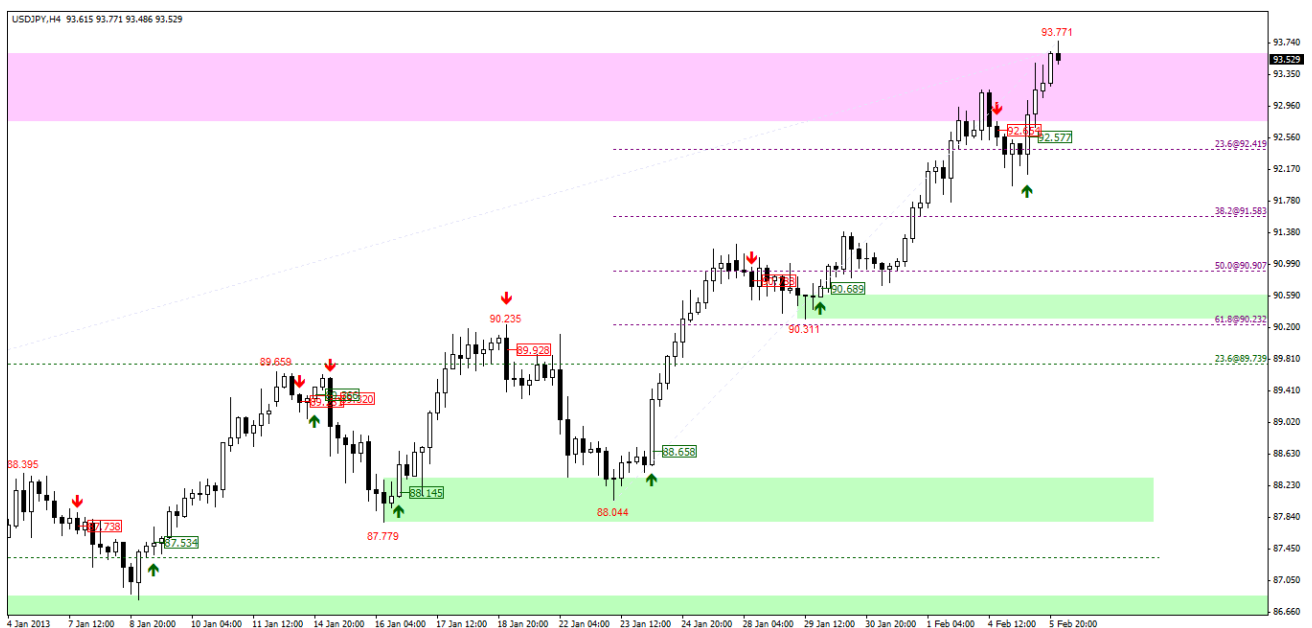
## USD-CHF TRADE JOURNAL

| Open Date        | Sell (units) | Open Price | Close Date      | Buy (units) | Close Price | Unrealized P/L |            | Realized P/L |            | Accumulative Balance |           |
|------------------|--------------|------------|-----------------|-------------|-------------|----------------|------------|--------------|------------|----------------------|-----------|
|                  |              |            |                 |             |             | Pips           | + / - (\$) | Pips         | + / - (\$) | %                    | \$        |
| 2013.02.01       |              |            |                 |             |             |                |            |              |            | 2.79                 | 10,246.36 |
| 2013.01.17 20:44 | 0.02m        | 0.93520    | 2013.02.5 23:59 | 0.02m       | 0.90813     | 541.4          | 596.2      |              |            |                      |           |

## USD-JPY DAILY



## USD-JPY 4-HOURLY

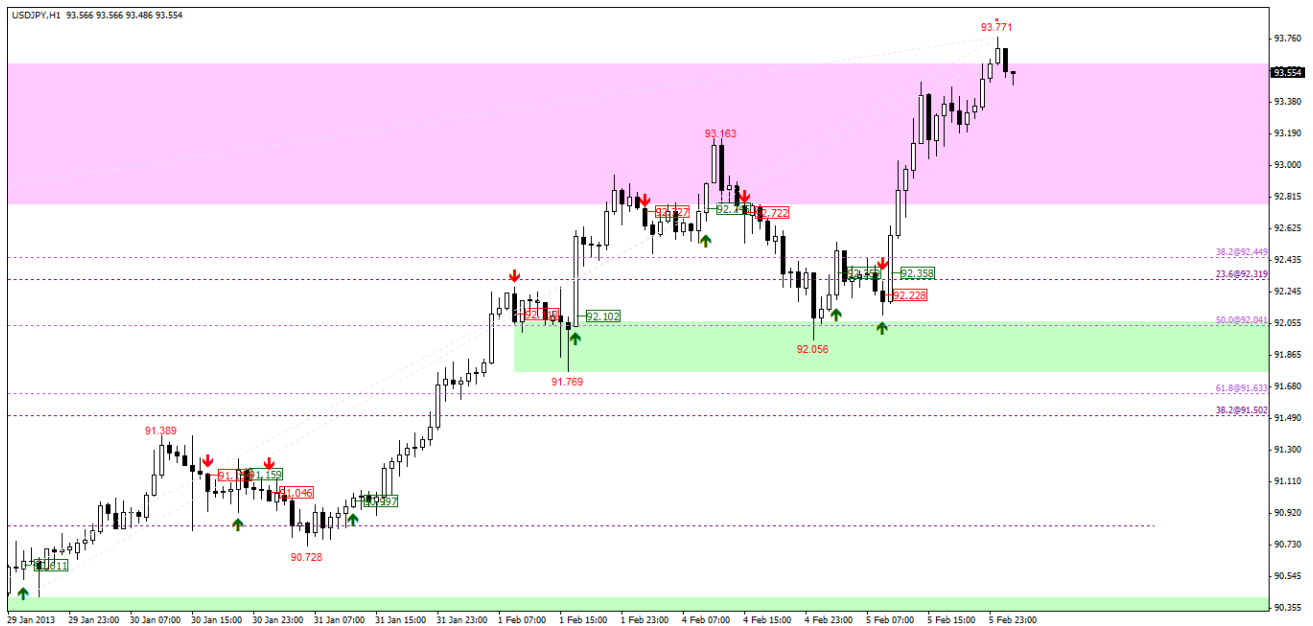


## USD-JPY Short Term Outlook

This market extended its amazing run yet again to another marginal new 32-month high at 93.771 in early Tokyo session this morning after recovering from a round profit-taking earlier on in the week. Price action remains within the supply zone at **93.129-94.979** and as mentioned in previous updates, this price pocket is formidable and heavy selling interests are expected to emerge enforce within this major supply zone (see W1 chart). Earlier on, price action dipped into a minor demand pocket at **91.769-92.068** (see H1 chart) and rebounded sharply. This did not come as a surprise. In fact, yesterday's update allured to the possibility of buying within this price pocket for a quick punt for the overhead supply pocket at **93.129-94.979**. As bullish as this market is right now, danger of a sizable correction cannot be ruled out. After all, this bull-run is into its 5<sup>th</sup> month and after a solid 16 yen rally and with prices now within a major supply pocket at **93.129-94.979**, this market is increasingly vulnerable to a sizable correction. As such, counter-trend sell signals within the supply zone at **93.129-94.979** are worth taking - considering the size of this rally and the potential for a chunky 5 yen correction – at least in the medium-term. Stay alert for reversal signal within the supply zone at **93.129-94.979**.



## USD-JPY 1-HOURLY



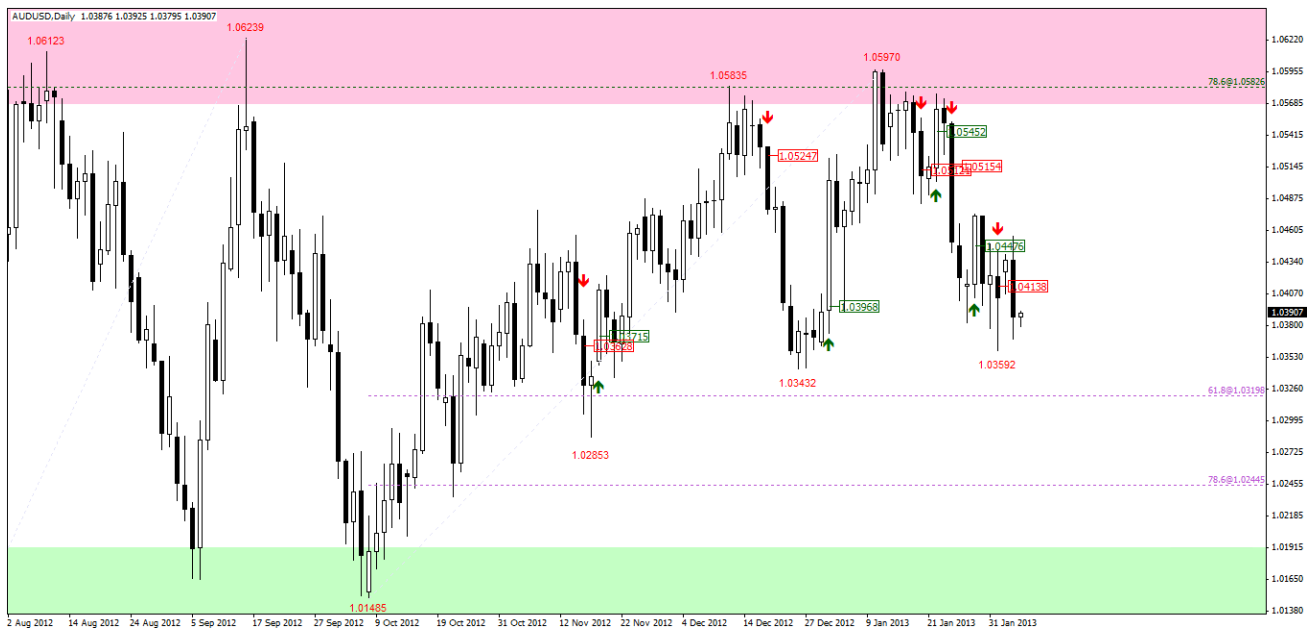
## USD-JPY TRADE IDEAS

| Action | Entry Condition                           | Entry Price | Stop-Loss  | Profit Target 1    | Profit Target 2 | Exposure % | Exposure Units |
|--------|---|-------------|------------|--------------------|-----------------|------------|----------------|
| Bought | Bought on buy signal within 90.272-90.420 | 90.487      | Break-even | 92.583<br>Realized | 99.657          | 3          | 0.03           |

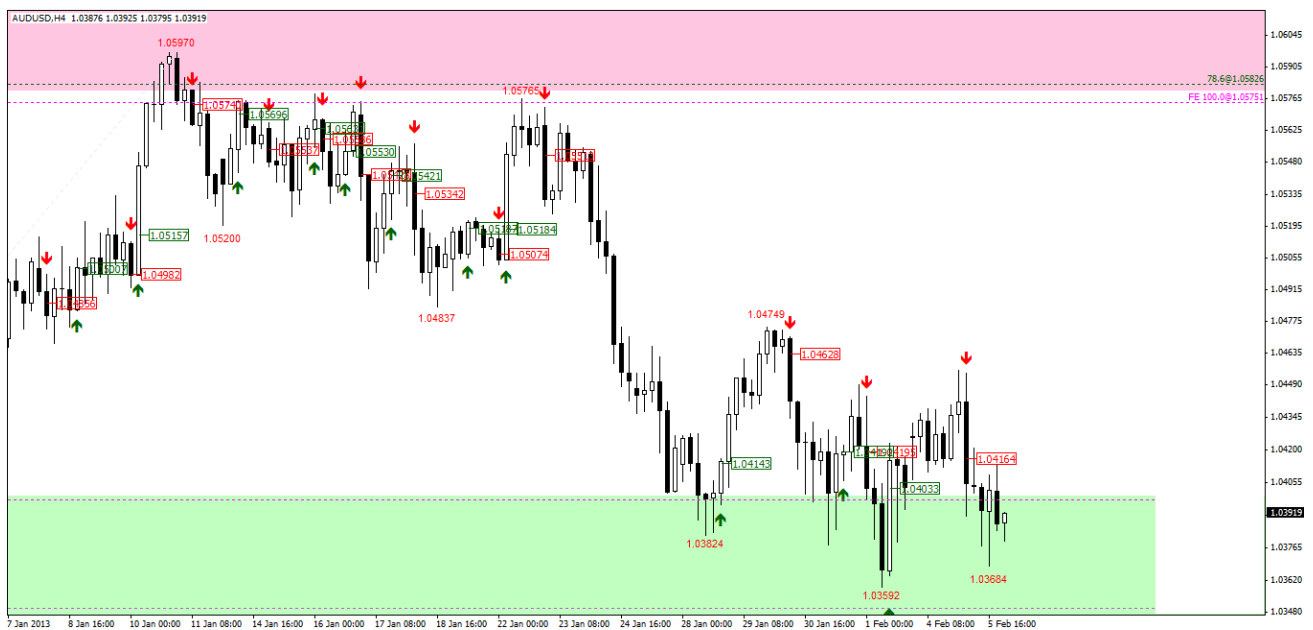
## USD-JPY TRADE JOURNAL

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|------------------|-------------|------------|------------------|--------------|-------------|----------------|------------|--------------|------------|----------------------|-----------|
|                  |             |            |                  |              |             | Pips           | + / - (\$) | Pips         | + / - (\$) | %                    | \$        |
| 2013.02.01       |             |            |                  |              |             |                |            |              |            | 21.14                | 12,136.76 |
| 2013.02.05 00:58 | 0.02m       | 92.024     | 2013.02.05 13:21 | 0.02m        | 93.129      |                |            | 221.0        | 237.31     | 23.74                | 12,374.07 |
| 2013.01.28 01:32 | 0.02m       | 90.487     | 2013.02.05 23:59 | 0.02m        | 93.609      | 624.4          | 667.03     |              |            |                      |           |

## AUD-USD DAILY



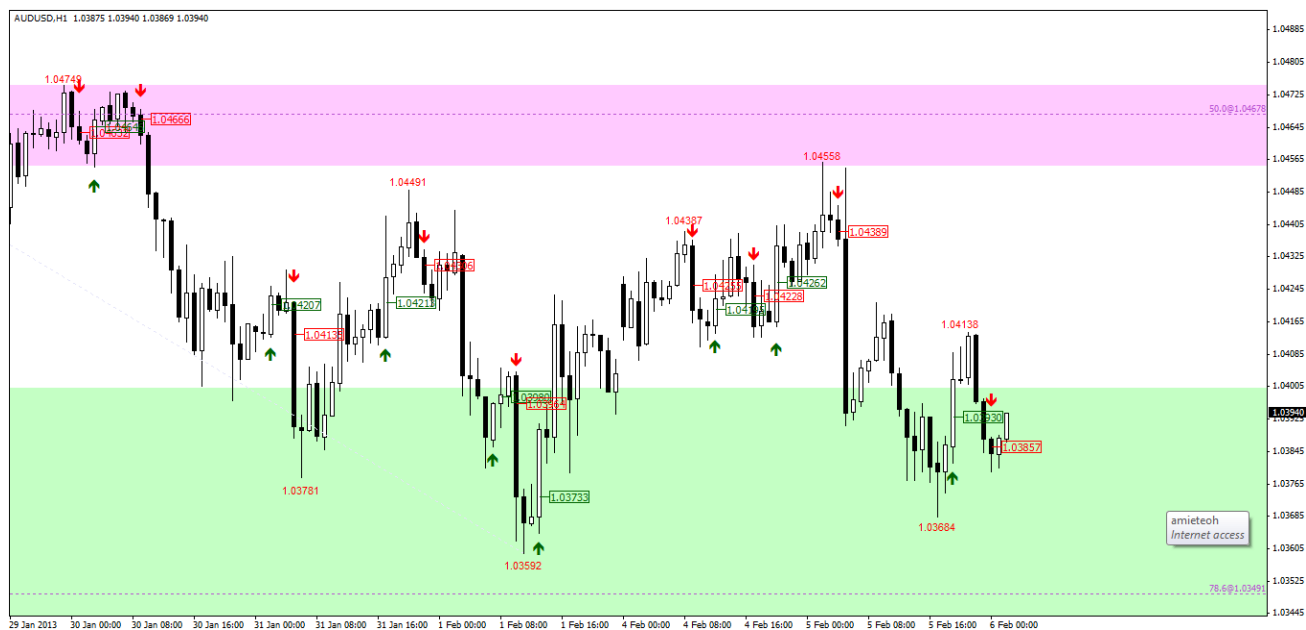
## AUD-USD 4-HOURLY



## AUD-USD Short Term Outlook

Trading condition remains choppy without any clear direction. After opening the week with a vacuum to the upside, the rebound from within the demand pocket at **1.03432-1.03997** briefly flirted with the overhead supply pocket at **1.04549-1.04749** and eases. This price pocket is proving to be a major hurdle to higher prices. Yesterday's update noted that should price action somehow rallies into this price action without any acceleration, this area could well provide another selling opportunity for the adventurous. This was exactly what it did overnight. It penetrated the supply pocket at **1.04549-1.04749** for less a minute with a high at **1.04558** and reversed. With the inability of rally, this market may decide that the path of less resistance is to the downside. Stay short.

## AUD-USD 1-HOURLY



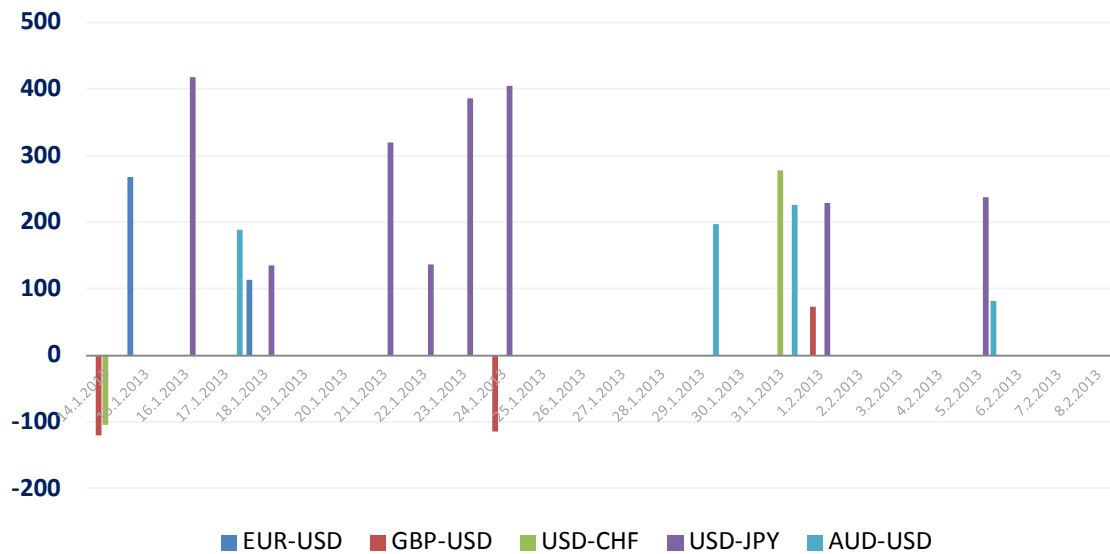
## AUD-USD TRADE IDEAS

| Action | Entry Condition | Entry Price | Stop-Loss | Profit Target 1     | Profit Target 2 | Exposure % | Exposure Units |
|--------|-----------------|-------------|-----------|---------------------|-----------------|------------|----------------|
| Bought |                 | 1.03733     | 1.03681   | 1.04549<br>Realized | 1.05796         | 3          | 0.03           |

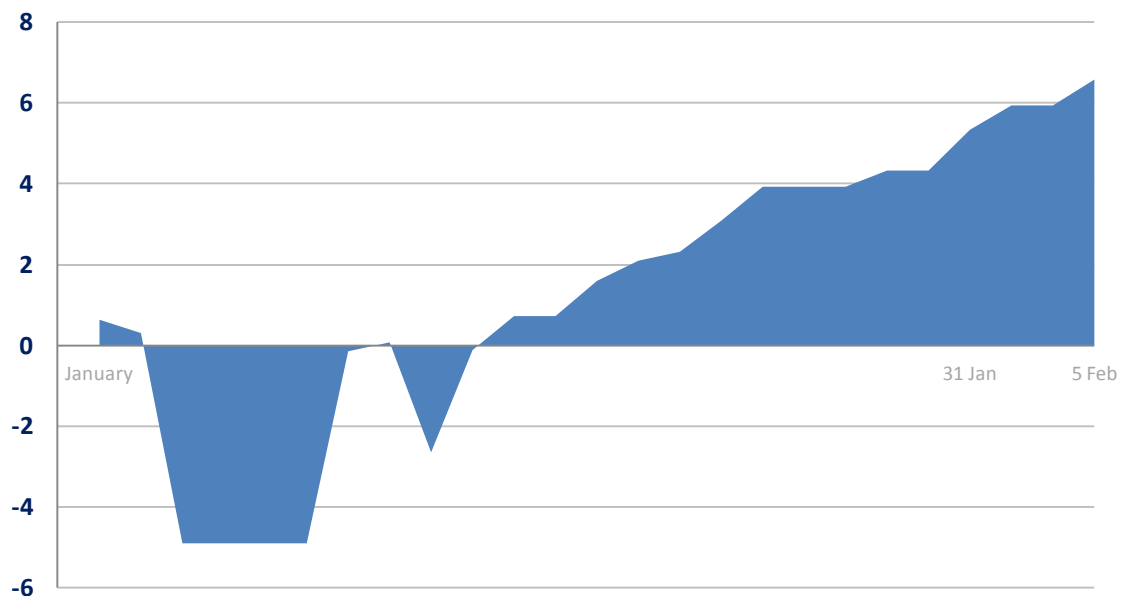
## AUD-USD TRADE JOURNAL

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|------------------|-------------|------------|------------------|--------------|-------------|----------------|------------|--------------|------------|----------------------|-----------|
|                  |             |            |                  |              |             | Pips           | + / - (\$) | Pips         | + / - (\$) | %                    | \$        |
| 2013.02.01       |             |            |                  |              |             |                |            |              |            | 7.78                 | 10,777.80 |
| 2013.02.01 13:15 | 0.01m       | 1.03733    | 2013.02.05 02:42 | 0.01m        | 1.04549     |                |            | 81.6         | 81.60      | 8.59                 | 10,859.40 |
| 2013.02.01 13:15 | 0.02m       | 1.03733    | 2013.02.05 23:59 | 0.02m        | 1.03875     | 28.4           | 28.40      |              |            |                      |           |

## Daily Realized P/L



## Accumulative Percentage P/L



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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 substance. 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.