

ALL NEW  
ANALYSIS

*A Traders Academy International Publication*

## Unwinding Of Yen Trades Caused Havoc

USD-JPY fell from recent multiyear highs on Monday as renewed worries about the global economy spurred traders to sell riskier investments funded by the relatively cheap Japanese Yen.

Commodity-linked currencies, such as the Australian and New Zealand Dollars, fell sharply against the U.S. Dollar as gold prices plunged below \$1,400 an ounce to a more than 2-year low. Prices for other precious metal were dragged lower as a result of gold's slide.

China's economic recovery stumbled unexpectedly in the first three months of 2013, data showed on Monday, leading to declines in agricultural commodities prices. Disappointing manufacturing growth in New York state as well as U.S. homebuilder sentiment added to concern the global economy may be losing momentum.

Reasons are myriad. There is likely disappointment in the market that Japanese investors were large sellers - not buyers - of foreign bonds in the first full week of the new fiscal year. Secondly, the U.S. stock market sold off. And thirdly, is positioning. Most traders were short Japanese Yen, long everything else - long gold, long emerging markets, long U.S. Treasuries. As they get out of the yen leg of these trades, they are being forced to get out of the long-leg of these trades as well.

USD-JPY settled 1.64 percent lower at 96.722 in New York, having earlier dropped as low as 96.355. It has retreated from a 4-year high of 99.944 on Thursday. EUR-JPY fell 2.25 percent to 126.100, its lowest level in a week and down for a second straight session. Last week, EUR-JPY touched 131.121 yen, its strongest since January 2010.

The Japanese Yen has been a favourite funding currency in so-called carry trades, when traders borrow Yen at near zero interest rates and then reinvest the money in currencies and assets with higher returns. When stress in financial markets rises, traders tend to unwind those trades and buy back the Japanese Yen.

Traders also refrained from selling the Yen ahead of a Group of 20 meeting in Washington. Fears members may discuss the Japanese Yen weakness after the United States said it would watch Japan's policies to ensure Tokyo was not devaluing the Yen to gain competitive advantage for its exports. The G20 meeting begins on Thursday and traders were wary other countries may complain about, or seek to stem, the Yen's rapid decline that accelerated after the BOJ unveiled radical easing steps on April 4.

The statement on Friday from the U.S. Treasury comes back to the theme of currency wars. There's the risk of political resistance to a significant fall in the Japanese Yen.

USD-JPY briefly extended its decline after data showed the pace of growth in manufacturing in New York state slowed more than expected in April while overseas traders were large sellers of long-dated U.S. government securities in February.

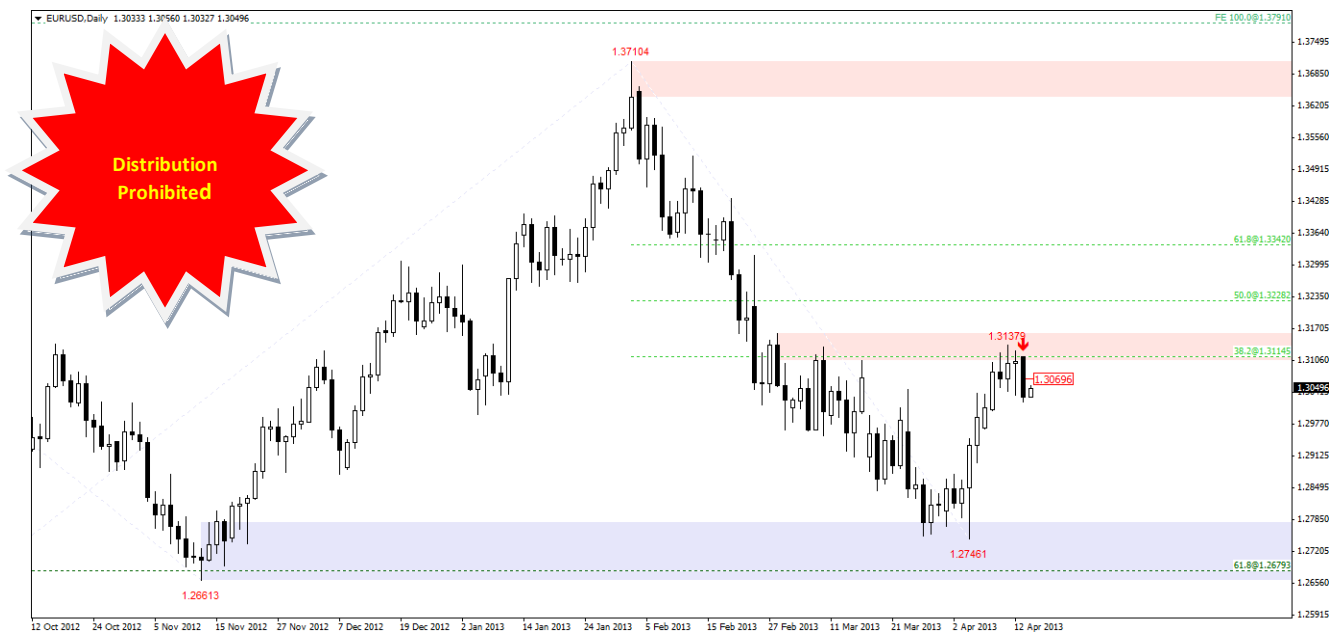
AUD-USD losses extended to a 1-month low of 1.02905 as gold tumbled and worries about China's economy, Australia's biggest export market. It settled at 1.03120, down 1.82 percent on the day, the worst percentage loss in a single session since Nov. 9, 2011. NZD-USD lost 2.11 percent to 0.84044, a 1-week low. Reports of explosions near the finish line of the Boston Marathon were seen contributing to some of the late New York reflexive selling in the Aussie and Kiwi Dollars to fresh session lows.

The drop in gold prices was likely to lead to more market volatility and further unwinding of long positions in riskier assets and currencies, which will benefit more liquid currencies like the Japanese Yen and the US Dollar.

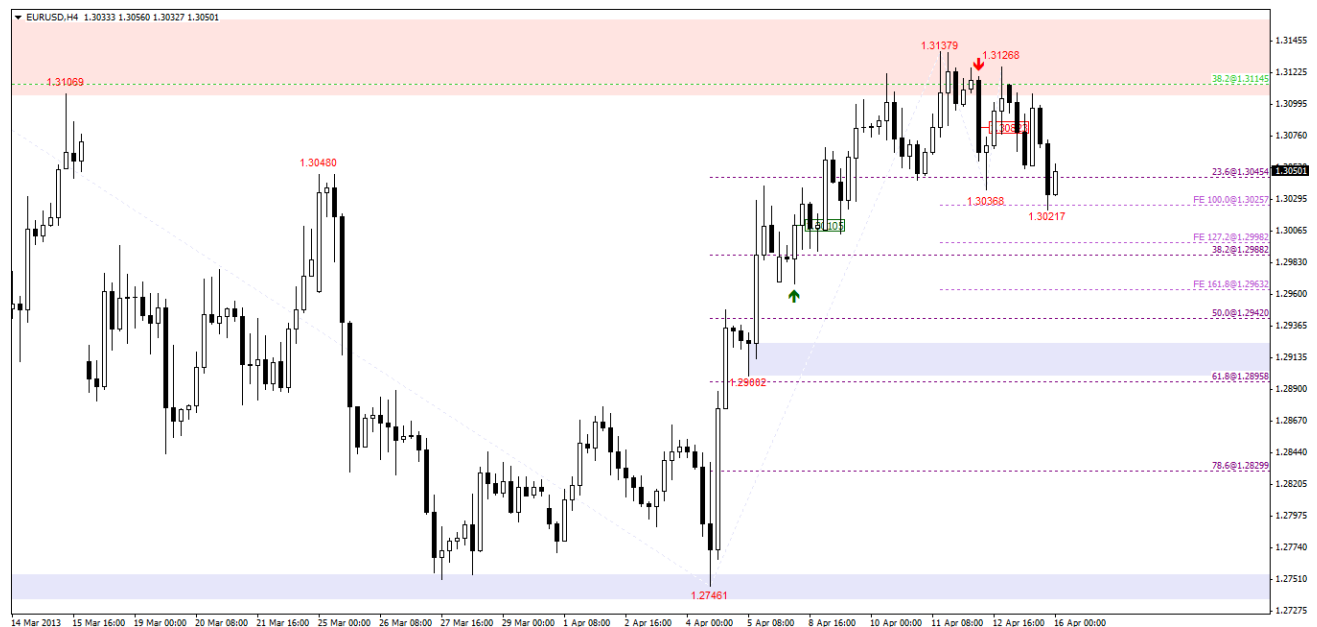
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## EUR-USD DAILY



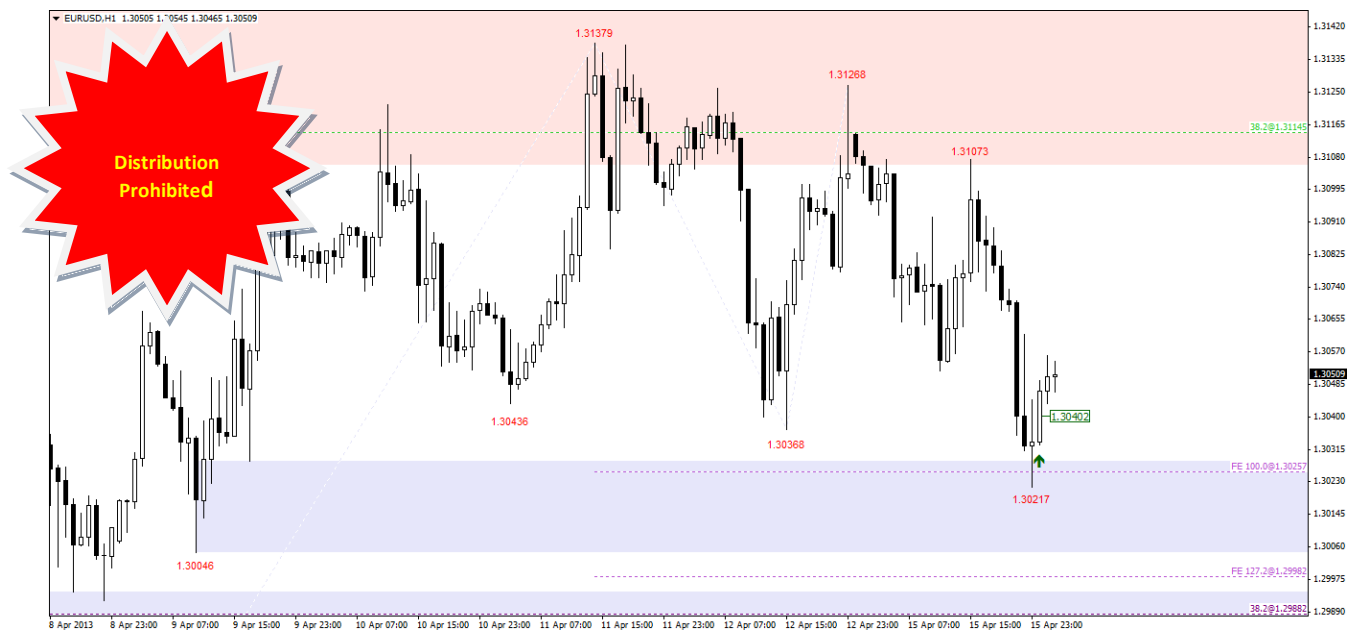
## EUR-USD 4-HOURLY



## EUR-USD Short Term Outlook

From a 19-month low of 1.27461 last week, this market powered to a 6-week high of 1.31379 last Thursday before coming under profit-taking on Friday. Overall, the medium-term bullish bias is still very much intact. Last night's dip into the demand pocket at **1.30046-1.30284** could well be the end of the corrective pullback from 1.31379. After all, the pullback from 1.31379 has hit the 100.0% extension of 1.31379 to 1.30368 from 1.31268 at **1.30257**. Unless the overnight fall accelerates below the demand pocket at **1.30046-1.30284**, the risk of another rally beyond last week's high is very real. However, last night close below **1.30696** in the D1 chart has shifted the immediate bias to the downside. If so, focus is on the 38.2% retracement of 1.27461 to 1.31379 at **1.29882** which lies within the demand pockets at **1.29680-1.29941**. A daily close below **1.30074** would add confidence that a top is in place at 1.31379 and further losses is in store for possibly the demand pocket at **1.29002-1.29197** which lies just above the 61.8% retracement of 1.27461 to 1.31379 at **1.28958** (see H1 chart).

## EUR-USD 1-HOURLY



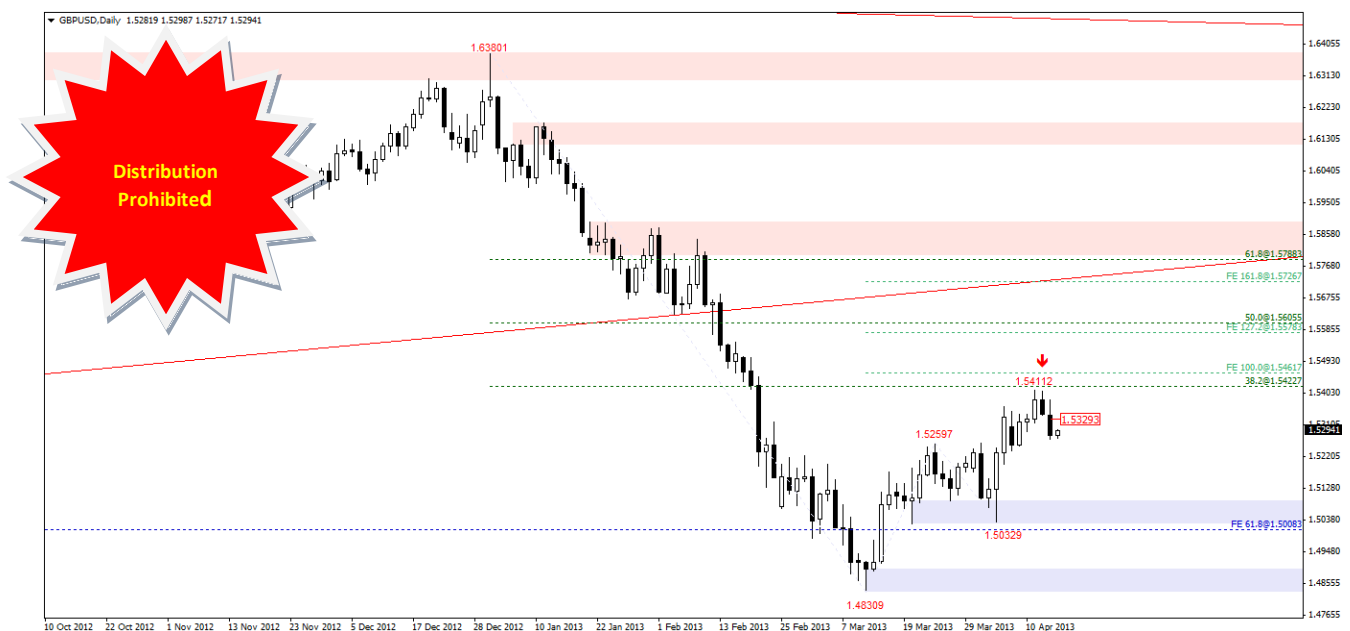
## TRADE IDEAS

Action	Exit Condition	Entry Price	Stop-Loss	Profit Target 1	Profit Target 2	Exposure %	Exposure Units
Sold		1.30856	1.31714	1.30454 Realized	-	1	0.01m
Sold		1.31075	1.31714	1.29941	1.29197	2	0.02m

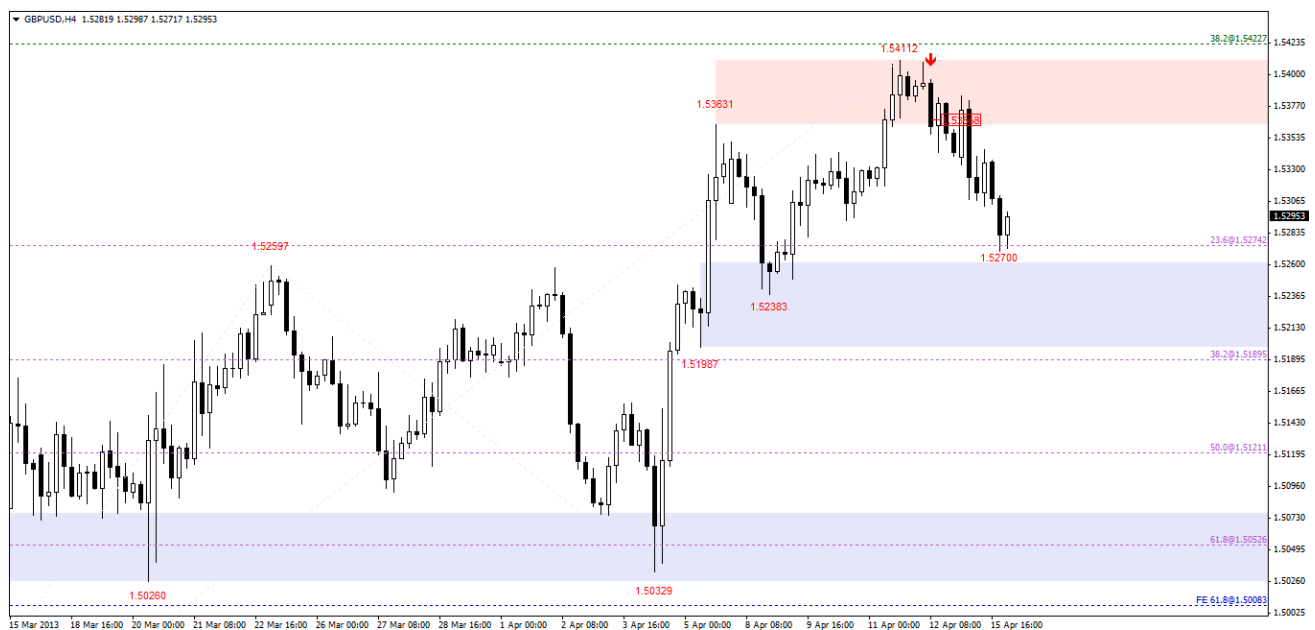
## TRADE JOURNAL

Open Date	Sell (units)	Open Price	Close Date	Buy (units)	Close Price	Unrealized P/L		Realized P/L		Accumulative Balance	
						Pips	+ / - (\$)	Pips	+ / - (\$)	%	\$
2013.04.12										9.94	10,993.60
2013.04.09 23:31	0.01	1.30856	2013.04.15 23:25	0.01	1.30454			40.2	40.20	10.34	11,033.80
2013.04.10 14:45	0.02	1.31075	2013.04.15 23:59	0.02	1.30333	148.4	148.40				

## GBP-USD DAILY



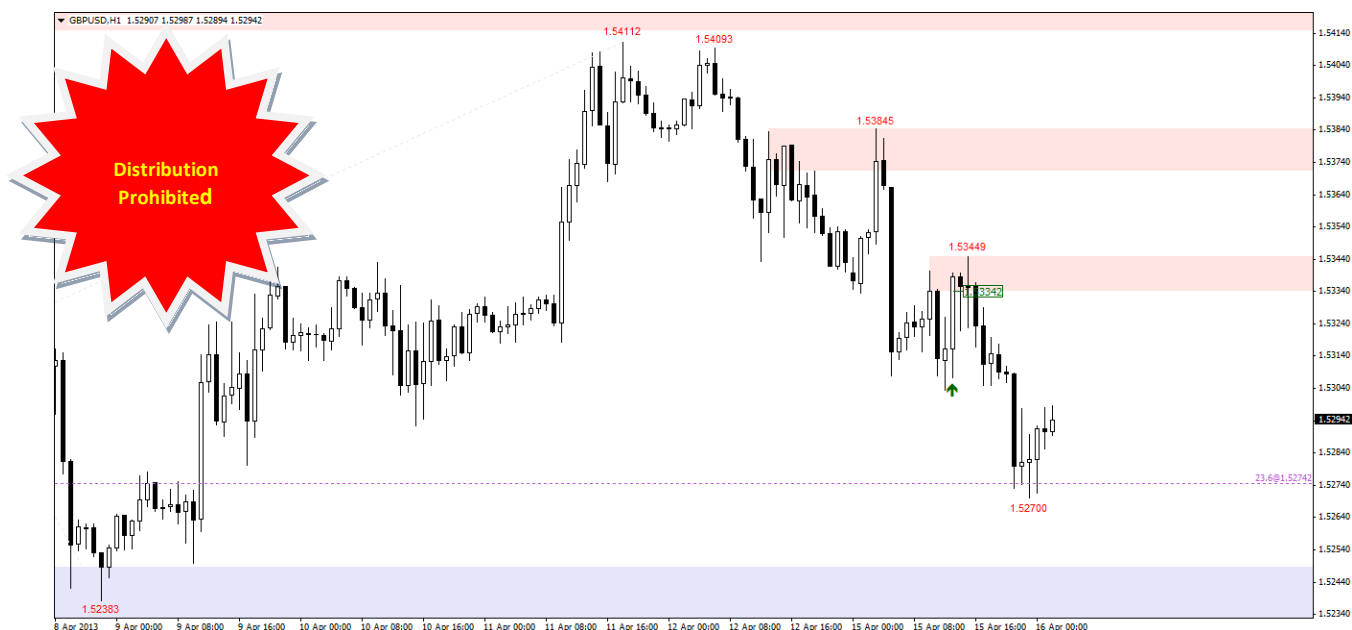
## GBP-USD 4-HOURLY



## GBP-USD Short Term Outlook

After falling 1550 pips from the start of the year to hit a 33-month low at 1.48309 on March 12, the rebound may have ended just shy of the Fibonacci cluster of the 38.2% retracement of 1.63801 to 1.48309 at **1.54227** and 100.0% extension of 1.50329 to 1.52451 from 1.51987 at **1.54109** which lies within the supply pocket at **1.54149-1.54505**. Unfortunately, the market missed the sweet-spot by a mere 3 pips and sold-off in the last hour of trading on Friday. At any rate, alert traders should not have missed selling when it became apparent that a close below **1.53917** in the H1 chart would have triggered a sell signal. Overnight, prices fell to the 23.6% retracement of 1.48309 to 1.54112 at **1.52742** and fell short of the demand pocket at **1.51987-1.52485**. It is likely another attempt may be made later in the day and if this price bracket fails to hold, the next area of demand is at **1.50260-1.50763**. On the upside, should prices rally, the supply pockets at **1.53340-1.53449** and **1.53714-1.53845** represents selling opportunities.

## GBP-USD 1-HOURLY



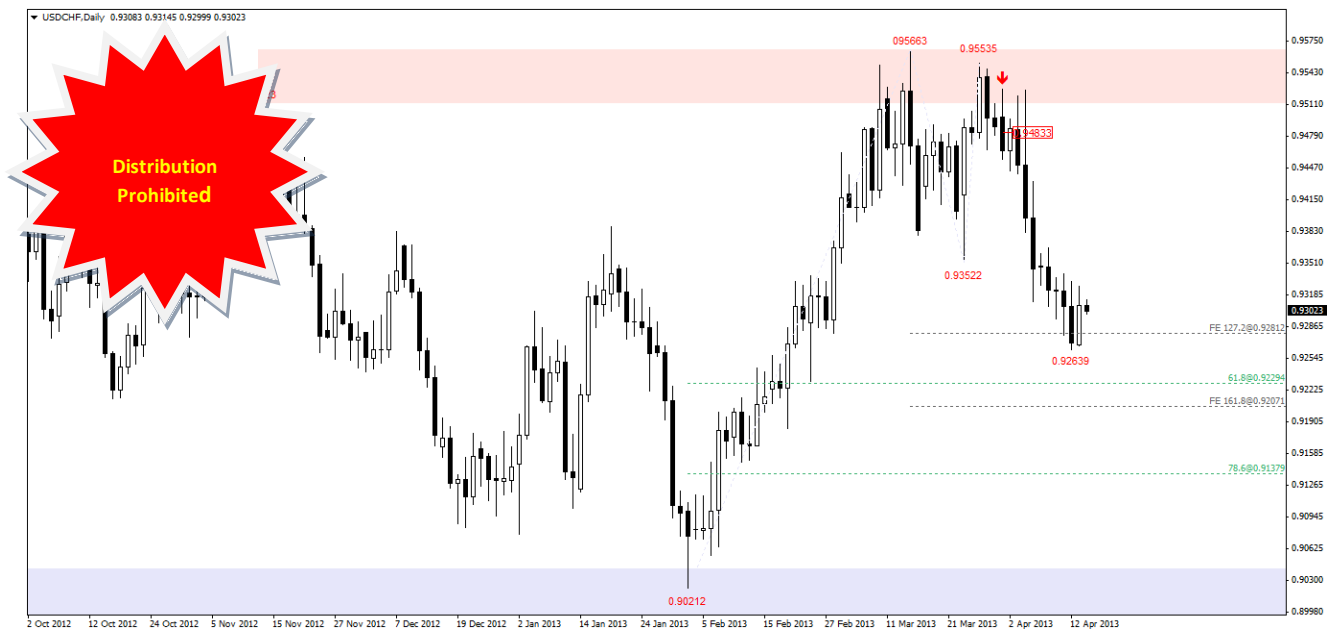
## GBP-USD TRADE IDEAS

Action	Entry Condition	Entry Price	Stop-Loss	Profit Target 1	Profit Target 2	Exposure %	Exposure Units
Sold		1.53917	Break-even	1.50763	1.48846	3	0.03m
Sell	Sell on sell signals between 1.53340-1.53449		1.53549	1.52485	1.50763	2	0.02m

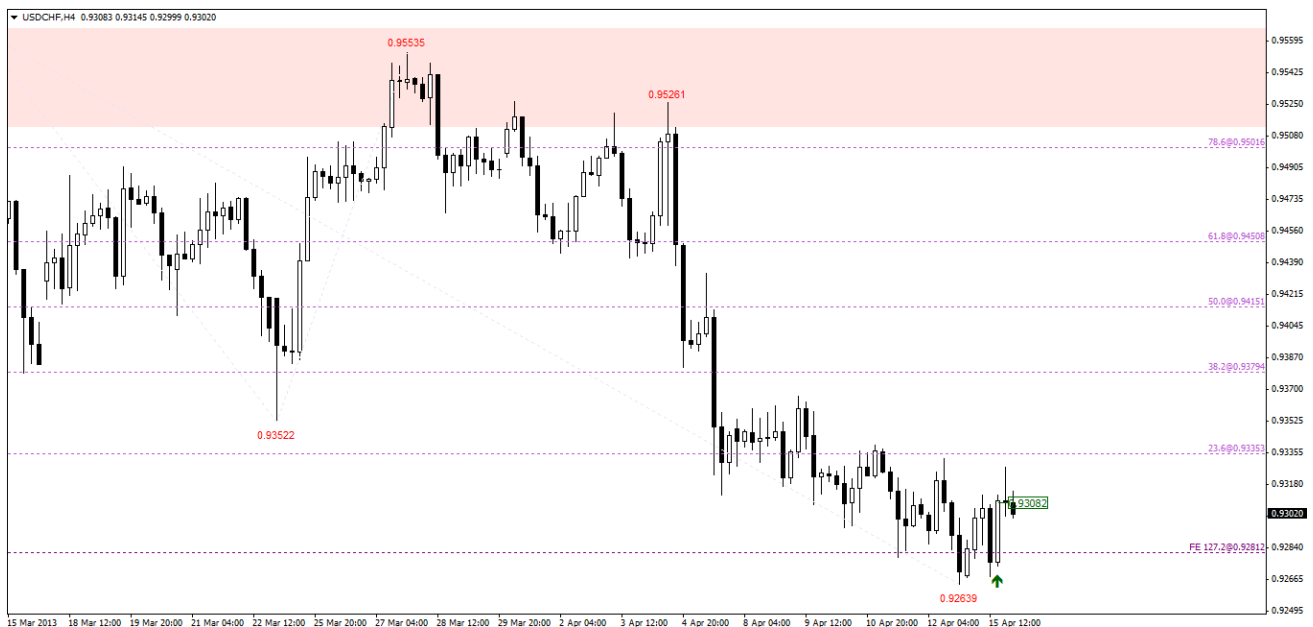
## GBP-USD TRADE JOURNAL

Open Date	Sell (units)	Open Price	Close Date	Buy (units)	Close Price	Unrealized P/L		Realized P/L		Accumulative Balance	
						Pips	+ / - (\$)	Pips	+ / - (\$)	%	\$
2013.04.05										19.19	11,919.00
2013.04.12	0.03	1.53917	2013.04.15 23:59	0.03	1.52821	328.8	328.80				

## USD-CHF DAILY



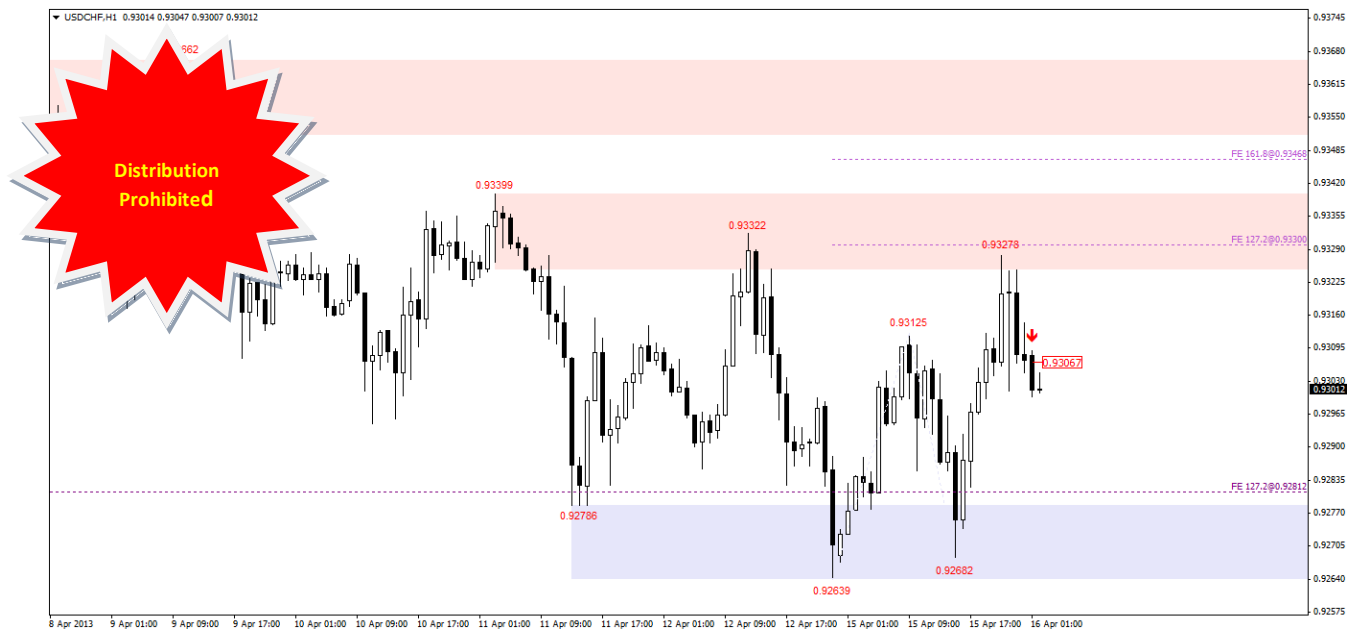
## USD-CHF 4-HOURLY



## USD-CHF Short Term Outlook

From the March 14 high of 0.95663, this market has been falling in a corrective pullback that appears to be accelerating. But by Monday, this fall has decelerated. With last week's weak closing and with a close below **0.92910** in the W1 chart, the medium to long bias have turned negative. Potentially, this market may fall towards the Fibonacci cluster make up of the 61.8% retracement of 0.90212 to 0.95663 at **0.92294** and the 161.8% extension of 0.95663 to 0.93522 from 0.95535 at **0.92071** where a minor demand pocket at **0.91843-0.92314** lies. If this price bracket fails to hold, medium-term focus would shift towards the Fibonacci cluster at the 100.0% extension of 0.99717 to 0.90212 from 0.95663 at **0.86158** and the 50.0% retracement of 0.70652 to 0.99717 at **0.85184**. A rebound, if it happens, thus represents selling opportunities. Wait for a decent correction before jumping on the short side of this market.

## USD-CHF 1-HOURLY



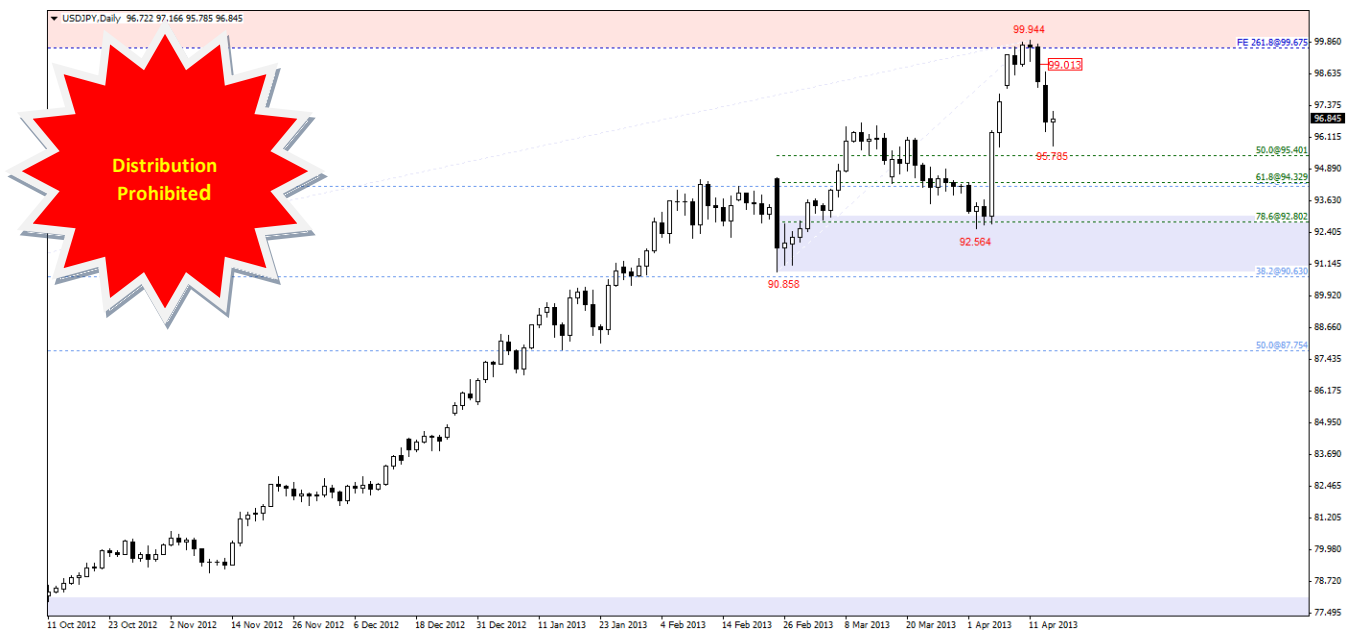
## USD-CHF TRADE IDEAS

Action	Entry Condition	Entry Price	Stop-Loss	Profit Target 1	Profit Target 2	Exposure %	Exposure Units
Sell	Sell on sell signals between 0.93250-0.93399		0.93762	0.92786	-	0.1	0.01m
Sell	Sell on sell signals between 0.93514-0.93662		0.93762	-	0.92314	0.2	0.02m

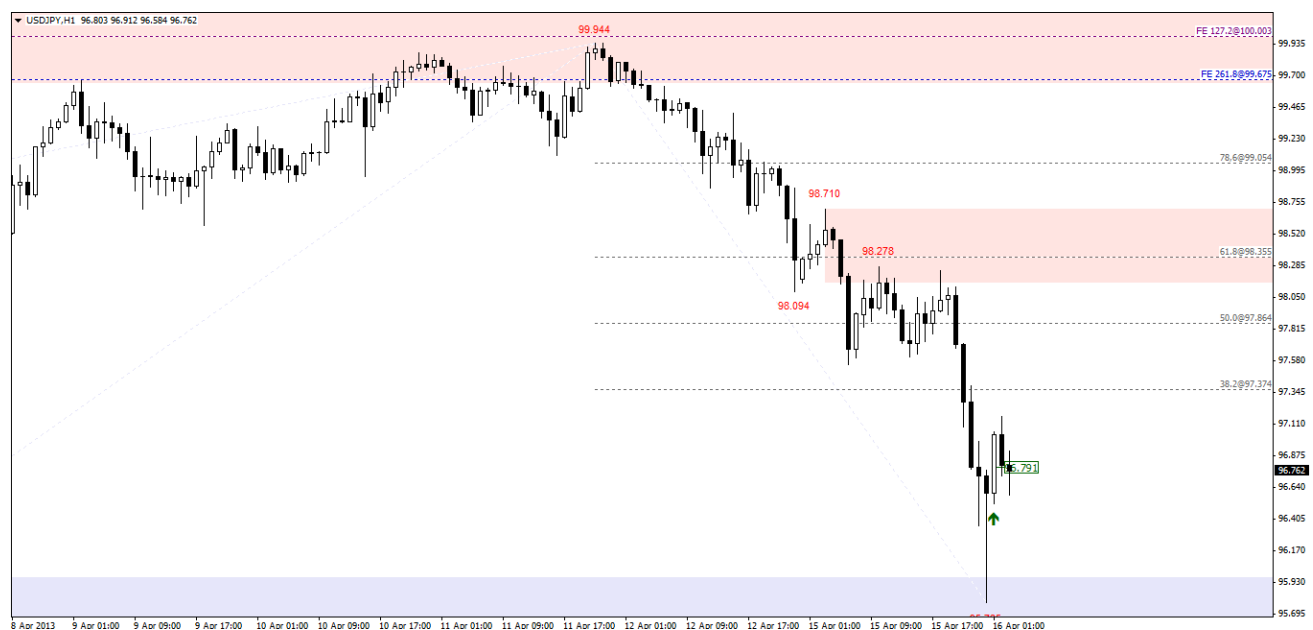
## USD-CHF TRADE JOURNAL

Open Date	Sell (units)	Open Price	Close Date	Buy (units)	Close Price	Unrealized P/L		Realized P/L		Accumulative Balance	
						Pips	+ / - (\$)	Pips	+ / - (\$)	%	\$
2013.04.12										7.44	10,743.64

## USD-JPY DAILY



## USD-JPY 4-HOURLY

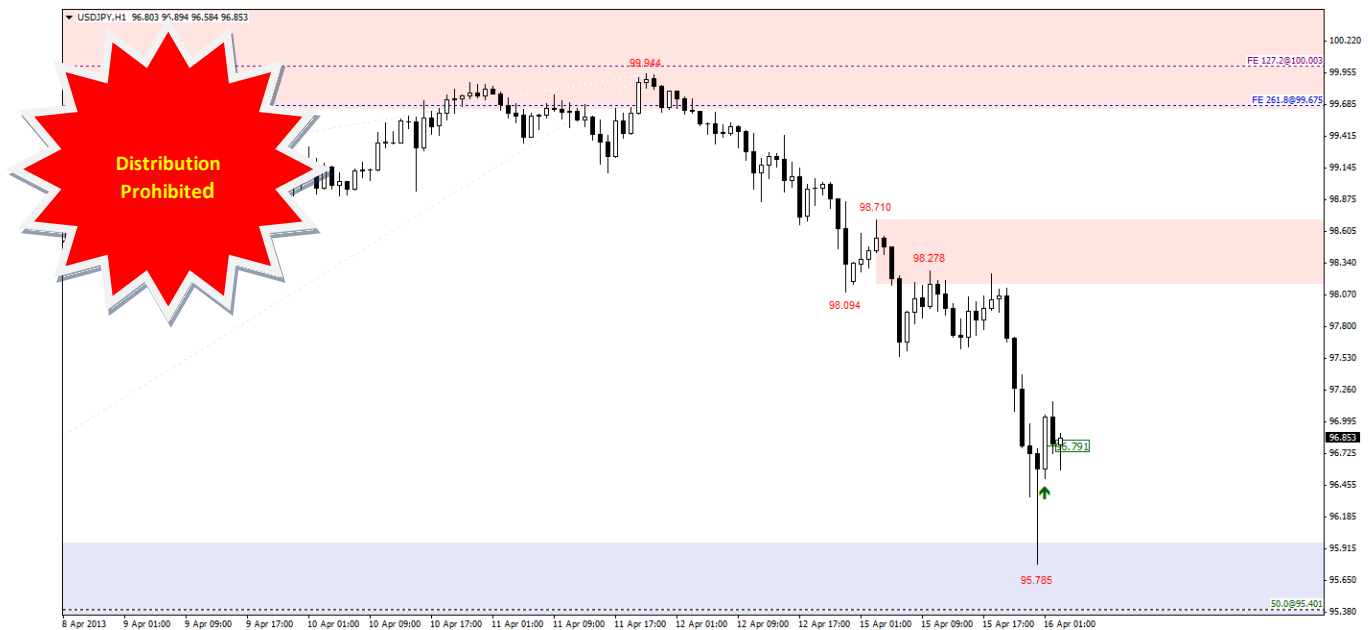


## USD-JPY Short Term Outlook

The profit-takings begun tentatively in the final hours of trading last Friday and gained traction early on Monday as massive unwinding of recent short yen positions turned into a stampede especially in AUD-JPY and NZD-JPY crosses. At any rate, it was noted that the rally from 92.564 has hit the long-term target where the Fibonacci cluster around the 261.8% extension of 75.563 to 84.174 from 77.131 at **99.675** as well as the 127.2% extension of 90.585 to 76.706 from 92.564 at **100.003** where is the supply zone at **99.672-101.437** is sited. The visibly lack of momentum in the run-up to last week's high may now result in a larger degree pullback which may eventually takes prices back to the 4<sup>th</sup> wave of one lesser degree where the demand pocket at **92.564-93.040** is located. Early this morning in Sydney, this market fell to just above the 50.0% retracement of 90.858 to 99.944 at **95.401** located within a minor demand pocket at **95.257-95.970** and rebounded. Should this rebound persist; another selling opportunity may present itself somewhere between the 50.0% and 61.8% retracement of 99.944 to 95.785 at **97.864** and **98.355** respectively. Alternatively, selling interests may emerge enforce from within the supply pocket at **98.157-98.710**.



## USD-JPY 1-HOURLY



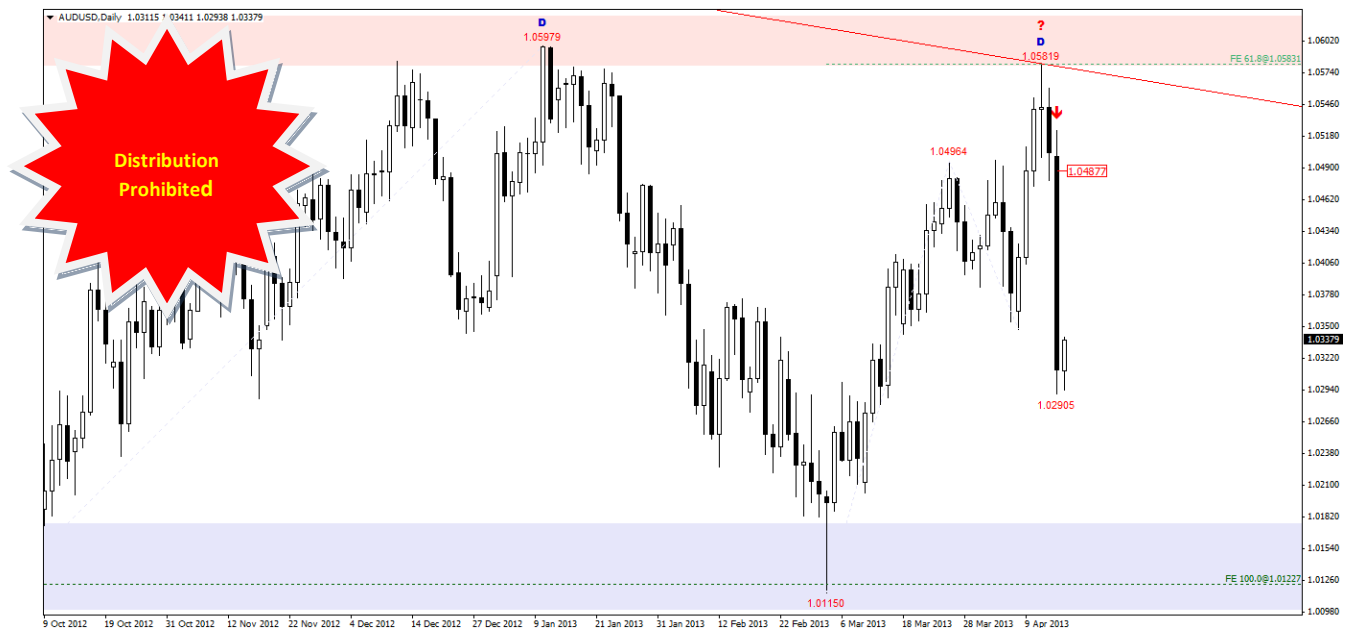
## USD-JPY TRADE IDEAS

Action	Exit Condition	Entry Price	Stop-Loss	Profit Target 1	Profit Target 2	Exposure %	Exposure Units
Sold		98.231	Break-even	96.722 Realized	93.041	3	0.03m
Sell	Sell on sell signal between 98.157-98.710		99.194	96.722	93.041	3	0.03m

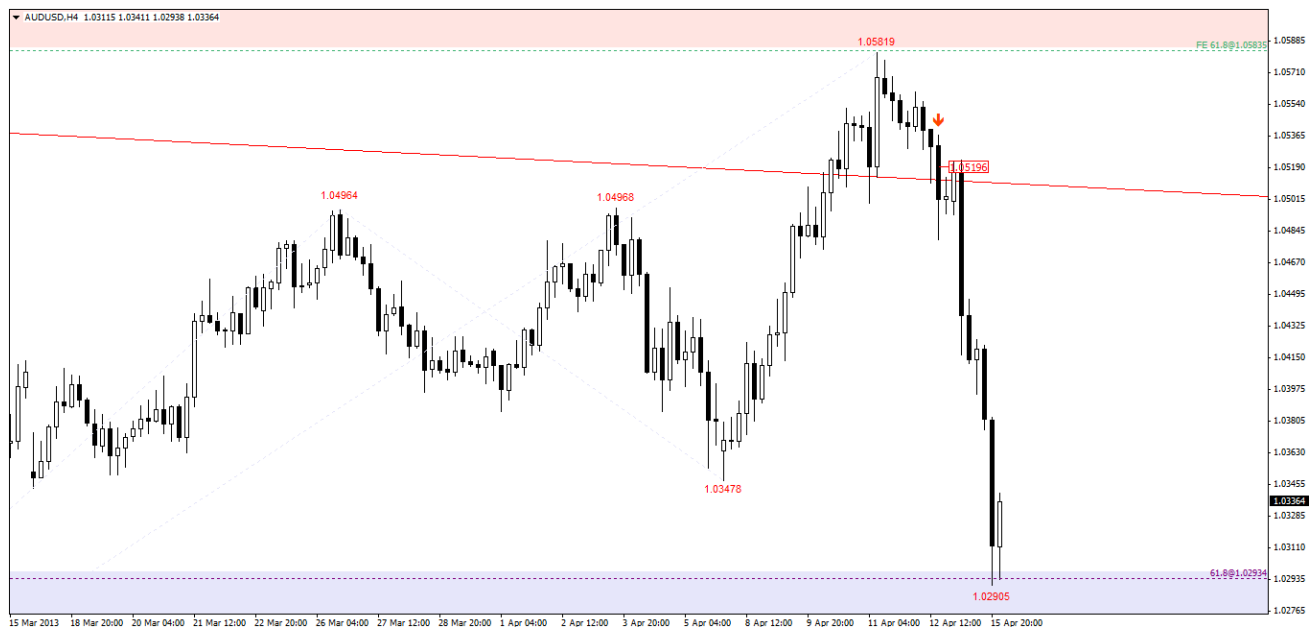
## USD-JPY TRADE JOURNAL

Open Date	Sell (units)	Open Price	Close Date	Buy (units)	Close Price	Unrealized P/L		Realized P/L		Accumulative Balance	
						Pips	+ / - (\$)	Pips	+ / - (\$)	%	\$
2013.04.12										34.92	13,491.76
2013.04.15 10:34	0.01	98.231	2013.04.15 00:18	0.01	95.970			226.1	235.59	37.27	13,727.35
2013.04.15 10:34	0.02	98.231	2013.04.15 23:59	0.02	96.722	301.8	312.03				

## AUD-USD DAILY



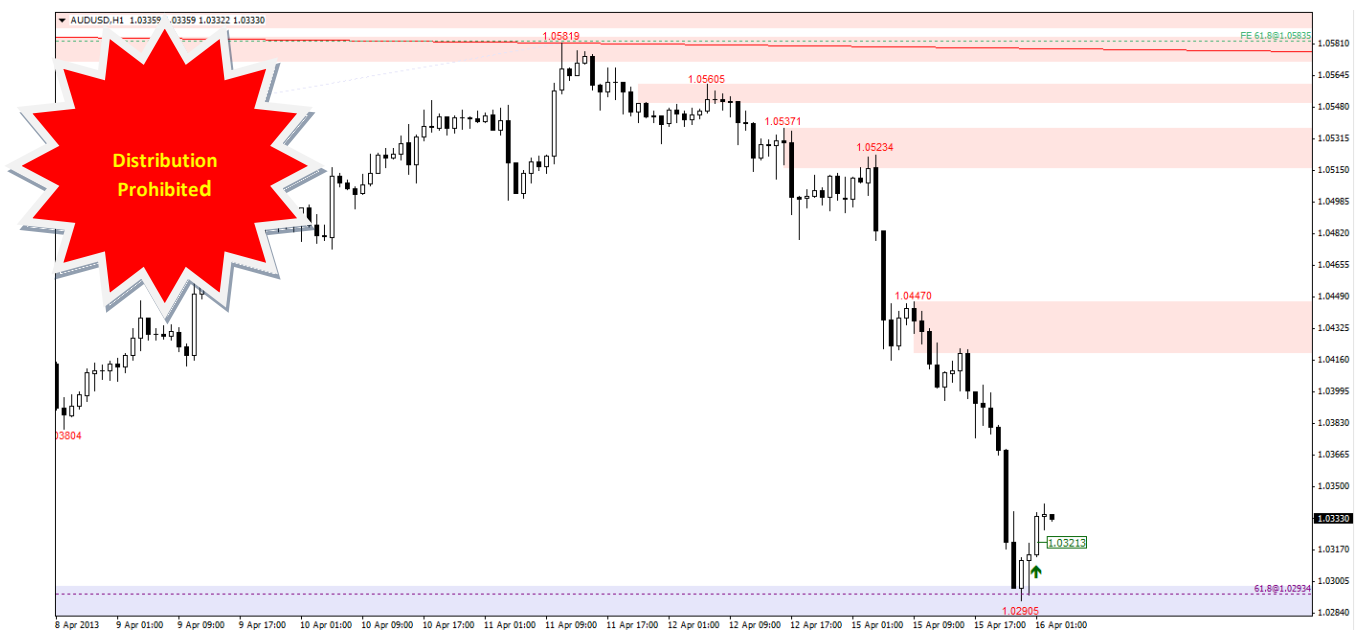
## AUD-USD 4-HOURLY



## AUD-USD Short Term Outlook

Weak data from China and more importantly, news that Cyprus may have to sell part of gold reserves to secure the bailout package caused a massive sell-off in gold and commodity currencies. This spectacular sell-off tied in neatly with the suspicion that the rally from 1.01150 looked suspect although it appeared to have broken out of the triangle pattern seen in the long-term chart. Previously, it was thought that the longer-term resistance line of the triangle pattern was somewhere near 1.05170 and a break of that would mean the triangle scenario was invalidated and the rally from 0.60090 has resumed. But it was also noted that unless and until **1.06244** is convincingly breached, the resumption of the longer-term rally is not confirmed. After prices rallied to the 61.8% extension of 1.01150 to 1.04964 from 1.03478 at **1.05835** to just below a major supply zone at **1.05848-1.06244** on Friday, this market came under heavy profit-takings in the hours before the weekend - setting the stage for further losses. With this sell-off, the possibility that the D leg of this triangle is at **1.05819** is gaining ground. Overnight, prices fell heavily to the 61.8% retracement of 1.01150 to 1.05819 at **1.02934** (located within a demand pocket at **1.02662-1.02980**) and rebounded in early Asian tradings this morning. Regardless of the medium-term outlook, a technical rebound is possibly happening right now and has the potential to rebound to as high as the 50.0% retracement of 1.05819 to 1.02905 at **1.04362** which is located within a supply pocket at **1.04196-1.04470**. At a minimum, a rebound to the 23.6% retracement of 1.05819 to 1.02905 at **1.03593** is expected. If so, re-establishing short positions within the supply pocket at **1.04196-1.04470** looks attractive.

## AUD-USD 1-HOURLY



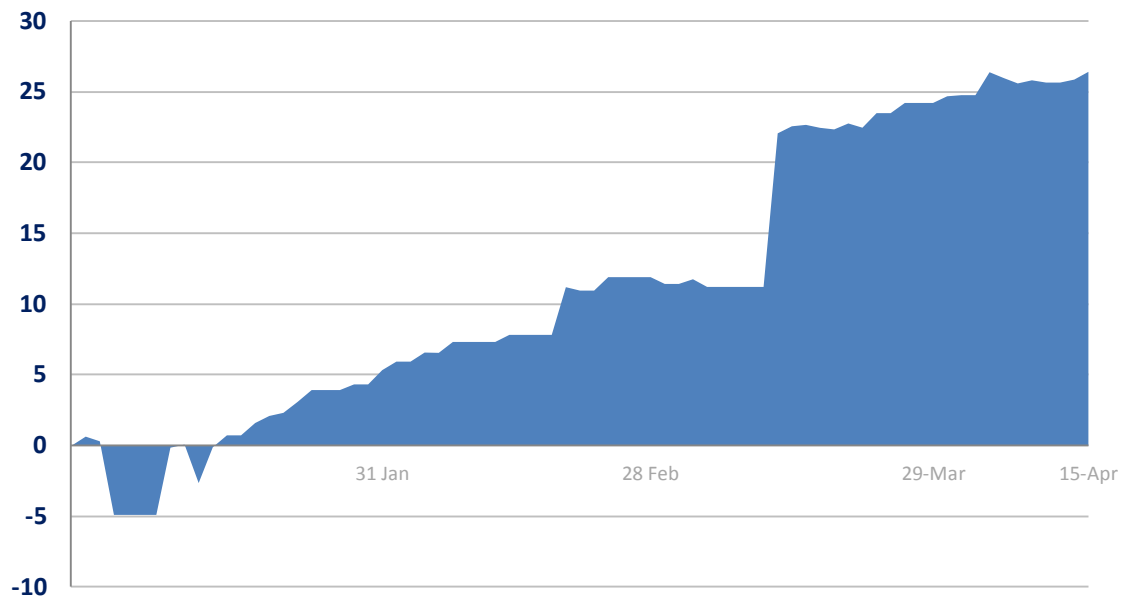
## AUD-USD TRADE IDEAS

Action	Entry Condition	Entry Price	Stop-Loss	Profit Target 1	Profit Target 2	Exposure %	Exposure Units
Bought		1.2924	1.2653	1.03593	1.04196	3%	0.03m
Sell	Sell on sell signals between 1.04196-1.04470		1.04570	1.02980	1.01227	3%	0.03m

## AUD-USD TRADE JOURNAL

Open Date	Buy (units)	Open Price	Close Date	Sell (units)	Close Price	Unrealized P/L		Realized P/L		Accumulative Balance	
						Pips	+ / - (\$)	Pips	+ / - (\$)	%	\$
2013.04.12										57.88	15,787.90
2013.04.15 23:33	0.03m	1.02924	2013.04.15 23:59	0.03m	1.03120	58.8	58.80				

## Accumulative Percentage P/L



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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.