

A Traders Academy International Publication

Short-coverings in JPY as G7 Complains

The Japanese Yen held firm on Wednesday, having swung higher in dramatic style as traders cut bearish positions after an official from the G7 said there were concerns about excessive movements in the Japanese Yen.

In a volatile session, USD-JPY at first strengthened after Japanese Finance Minister Taro Aso said a G7 statement recognised that Japan's reflationary policies are not aimed at affecting foreign exchange markets. But a G7 official later said the statement was meant to signal concerns about excessive moves in the Yen, prompting a vicious reversal in the currency.

A Canadian official later chimed in saying the statement was aimed at calming rhetoric on currencies, perhaps a hint that some G7 members feel Japan has been too vocal about the need for a softer Yen.

Amid the confusion, USD-JPY skidded to around 92.933 from a near 33-month high of 94.447 while EUR-JPY shed more than one yen to as far as 124.977. They settled at 93.45 and 125.781 respectively.

To be sure, there was bound to be volatility in the Japanese currency in the run-up to the February 15-16 G20 meeting given its breathtaking decline had drawn criticism from some of Japan's international peers.

Relentless pressure on the Bank of Japan by the country's new prime minister to defeat deflation gave traders the green light to sell the Yen, which has slumped nearly 20 percent against the US Dollar since November.

Traders were also likely to tread cautiously ahead of the outcome of a BOJ meeting due on Thursday, although many expect the bank to hold off on any fresh easing measures until a new governor is appointed.

With a resurgent Yen hogging centre stage, the other major currencies were mostly relegated to the sidelines. EUR-USD drifted higher, edging to 1.34529 as it continued to pull further away from a two-week low around 1.33253 plumbed Monday.

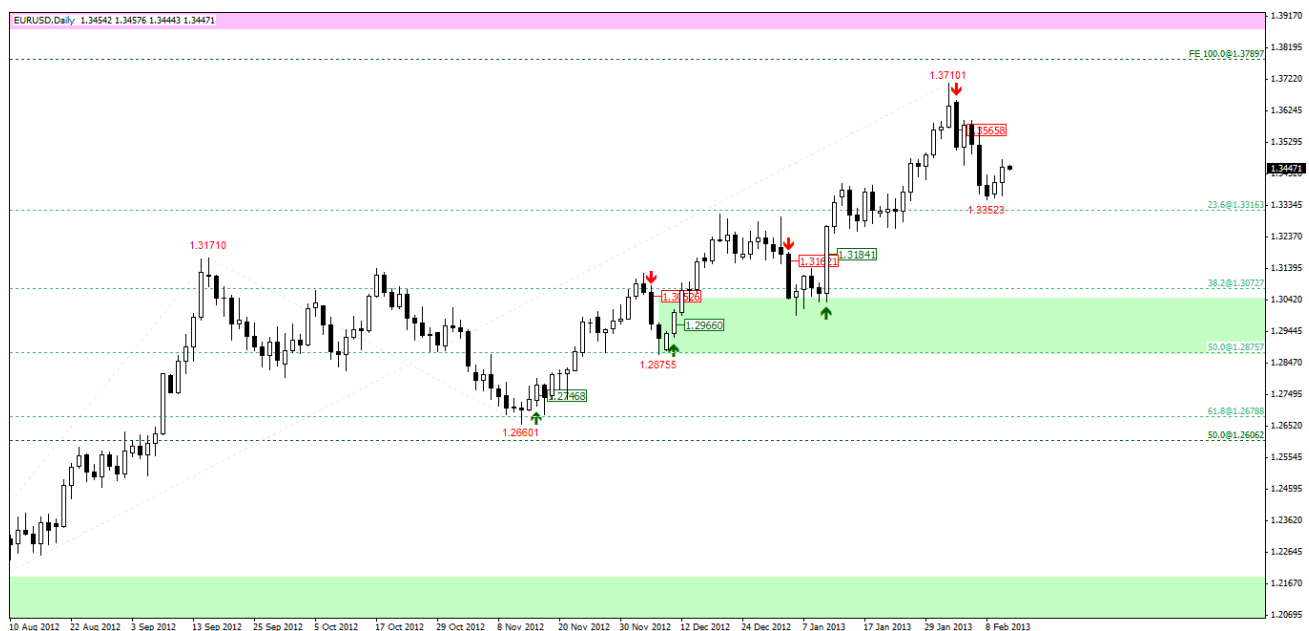
Commodity currencies also recovered a bit of ground against the U.S. Dollar. AUD-USD popped back above 1.03000, although it appeared to be trending lower since the Reserve Bank of Australia left the door open to more rate cuts last week.

There is a dearth of market-moving data out of Asia on Wednesday. In the Euro zone, industrial production figures are due, while U.S. retail sales will probably be the key focus for many traders.

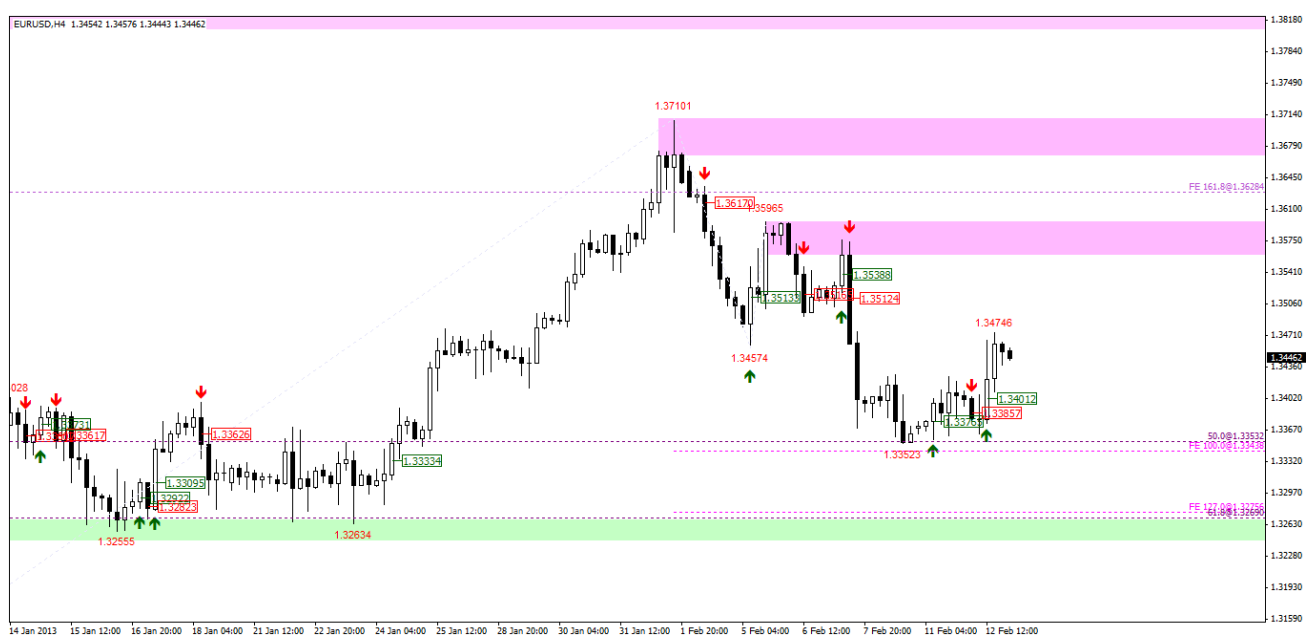
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EUR-USD DAILY



EUR-USD 4-HOURLY



EUR-USD Short Term Outlook

The idea that this market was basing for another push higher was right on the mark as last Friday's low of 1.33523 held. Price action edged higher in relatively quiet trading and may continue towards the overhead supply pocket at **1.35692-1.36965** where the 61.8% retracement of 1.37101 to 1.33523 at **1.35734** is located. As noted, the overall long-term uptrend remains intact (See W1 chart). That said, the entire up move from 1.20414 has a 3-wave structure, suggesting that the rally from last July is likely a larger degree correction of the fall from 1.49393 from way back in 2011 (see D1 chart). However, sustained trading above the Fibonacci cluster of the 100.0% projection of 1.20414 to 1.37101 from 1.26601 at **1.37897** as well as the 61.8% retracement of 1.49393 to 1.20414 at **1.38323** would require a re-look at this correction scenario (see W1 chart). So far, the Fibonacci cluster of the 50.0% retracement of 1.29963 to 1.37101 at **1.33532** and the 100.0% projection of 1.37101 to 1.34574 from 1.35965 at **1.33438** has held. Should the overhead supply pocket at **1.35692-1.36965** cap the current rebound and takes out last week's low, a secondary area in which this fall may be held is the 61.8% retracement of 1.29963 to 1.37101 at **1.32690** and the 127.0% projection of 1.37101 to 1.34574 from 1.35965 at **1.32756**; which incidentally sits just above demand pocket at **1.32452-1.32676** (see H4 chart). Since the long-term trend is still up, this price cluster offers opportunities to re-position long positions for another jab at 1.37101. 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 fully in charge.

EURUSD, H1 1.34513 1.34514 1.34434 1.34448

35965

1.35764

1.35667

1.35591

1.35492

1.35341

1.35124

1.34931

1.34746

1.34280

1.34263

1.34057

1.33857

1.33724

1.33543

1.33523

1.34448

1.34400

50.0@1.35734

50.0@1.35312

38.2@1.34890

50.0@1.33932

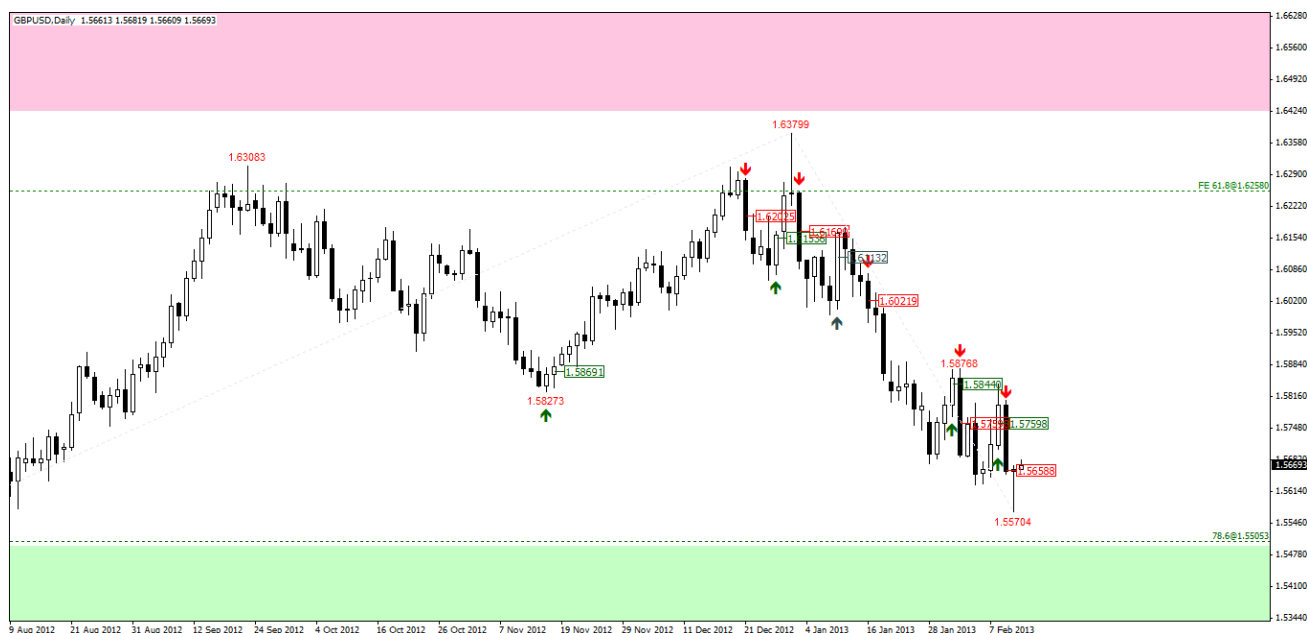
FF.100.0@1.33438

5 Feb 2013 6 Feb 00:00 6 Feb 08:00 6 Feb 16:00 7 Feb 00:00 7 Feb 08:00 7 Feb 16:00 8 Feb 00:00 8 Feb 08:00 8 Feb 16:00 11 Feb 00:00 11 Feb 08:00 11 Feb 16:00 12 Feb 00:00 12 Feb 08:00 12 Feb 16:00 13 Feb 00:00

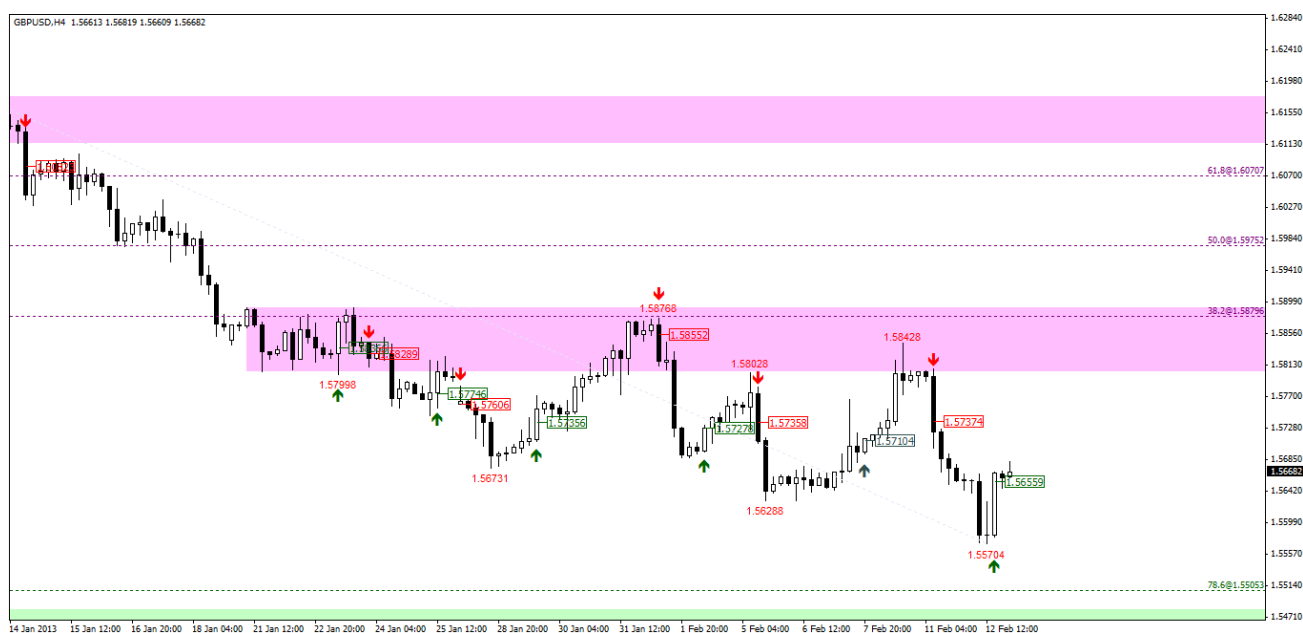
Action	Exit Condition	Entry Price	Stop-Loss	Profit Target 1	Profit Target 2	Exposure %	Exposure Units
Buy	Buy on buy signals between 1.32452-1.32765		1.32352	1.35258	1.36690	3	0.03m

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GBP-USD DAILY



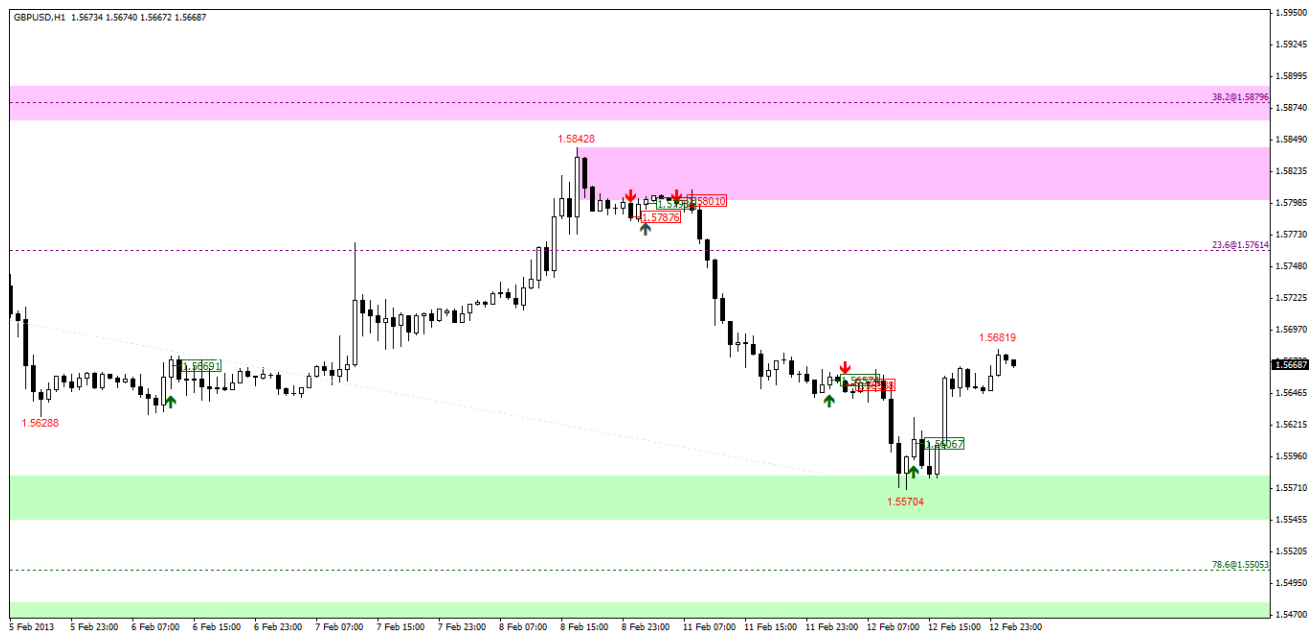
GBP-USD 4-HOURLY



GBP-USD Short Term Outlook

Wednesday's action was telling as the market closed as a long-legged shadow doji in the D1 chart. This market initially fell, registering a new low at 1.55704 and into a minor demand pocket at **1.55456-1.55806** and rebounded; invariably triggering buy signals in both the H1 and H4 charts respectively. Contrary to the idea that massive sell-stop orders were lurking below the longer-term ascending support line of the triangle formation, this market penetrated this psychologically important line and pulled back into the triangle – without any sign of major sell-off. Either the triangle interpretation is wrong or this market is lulling traders into complacency remains to be seen. It remains the opinion of this writer that a breakout from the longer-term triangle pattern, especially a weekly close outside of it, would have very serious bearish implications. In the short to medium-term, should the overnight rebound sustains; the overhead supply pocket at **1.58643-1.58915** offers a decent area in which to re-position short positions for a potential break-out of the longer-term triangle formation.

GBP-USD 1-HOURLY



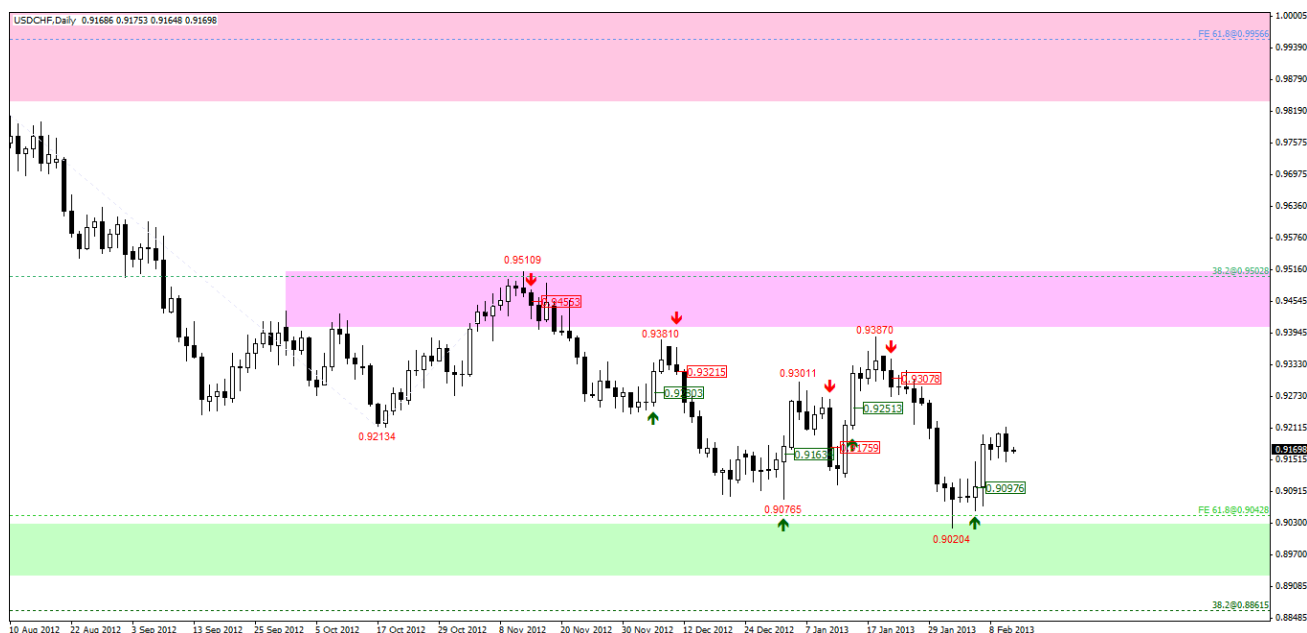
GBP-USD TRADE IDEAS

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

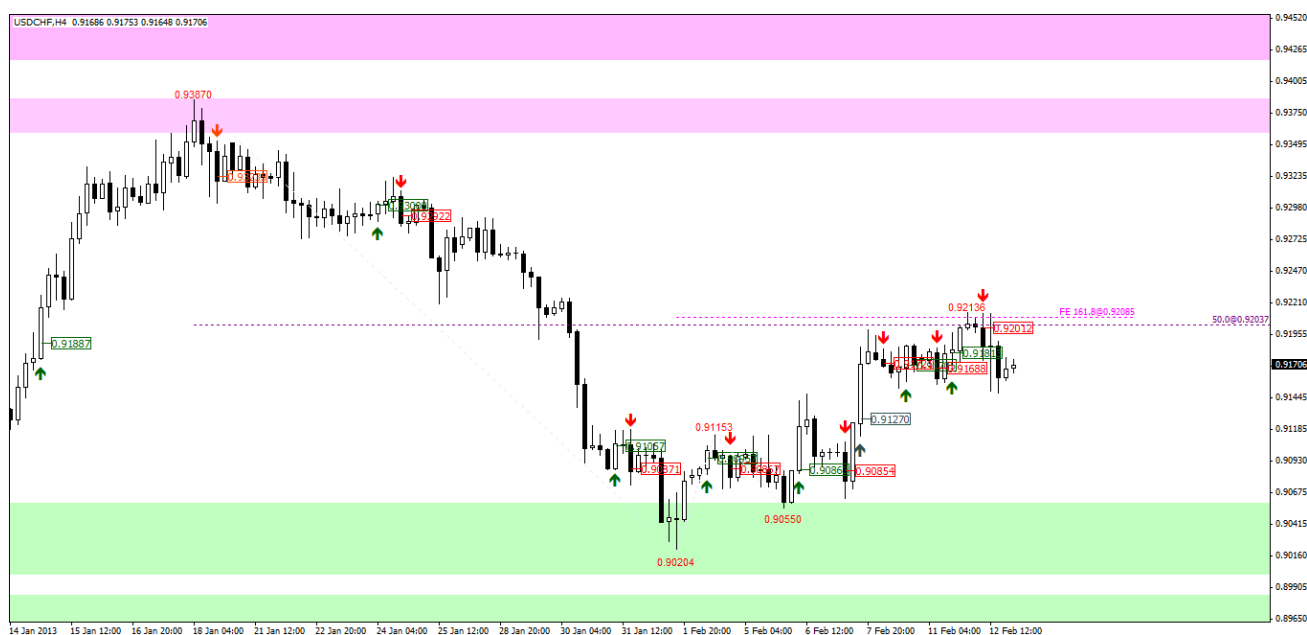
GBP-USD TRADE JOURNAL

Open Date	Sell (units)	Open Price	Close Date	Buy (units)	Close Price	Unrealized P/L		Realized P/L		Accumulative Balance	
						Pips	+ / - (\$)	Pips	+ / - (\$)	%	\$
2013.02.08										-3.41	9,659.50
2013.02.01 09:39	0.02m	1.58750	2013.02.12 23:59	0.02m	1.56606	428.8	428.89				

USD-CHF DAILY



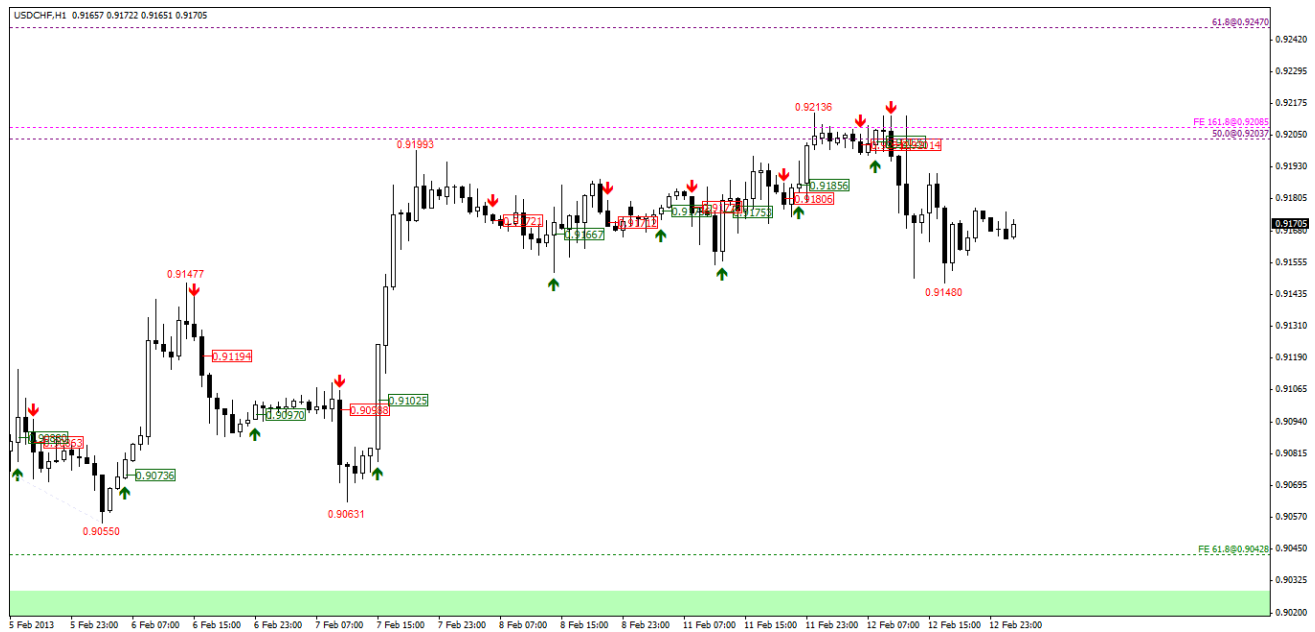
USD-CHF 4-HOURLY



USD-CHF Short Term Outlook

Nothing material has changed after three sessions into the week. Last week's rebound from the demand zone at **0.90010-0.90587** remains capped at the Fibonacci cluster of the 50.0% retracement of 0.93870 to 0.90204 at **0.92037** and the 161.8% projection of 0.90204 to 0.91153 from 0.90550 at **0.92085**. This cluster has so far held and may well be the key to the next move. As noted, ideally, this cluster caps any adventure to the upside and resumes its fall below **0.90204**. If so, focus will shift towards the next DZ at **0.89211-0.89847**. On the other hand, should this nascent rally accelerates through this cluster, focus would instead be shifted towards the SZ at **0.94058-0.95109** (see D1 chart). On balance, with the D1 chart having triggered a buy signal, the latter scenario has a higher probability of happening.

USD-CHF 1-HOURLY



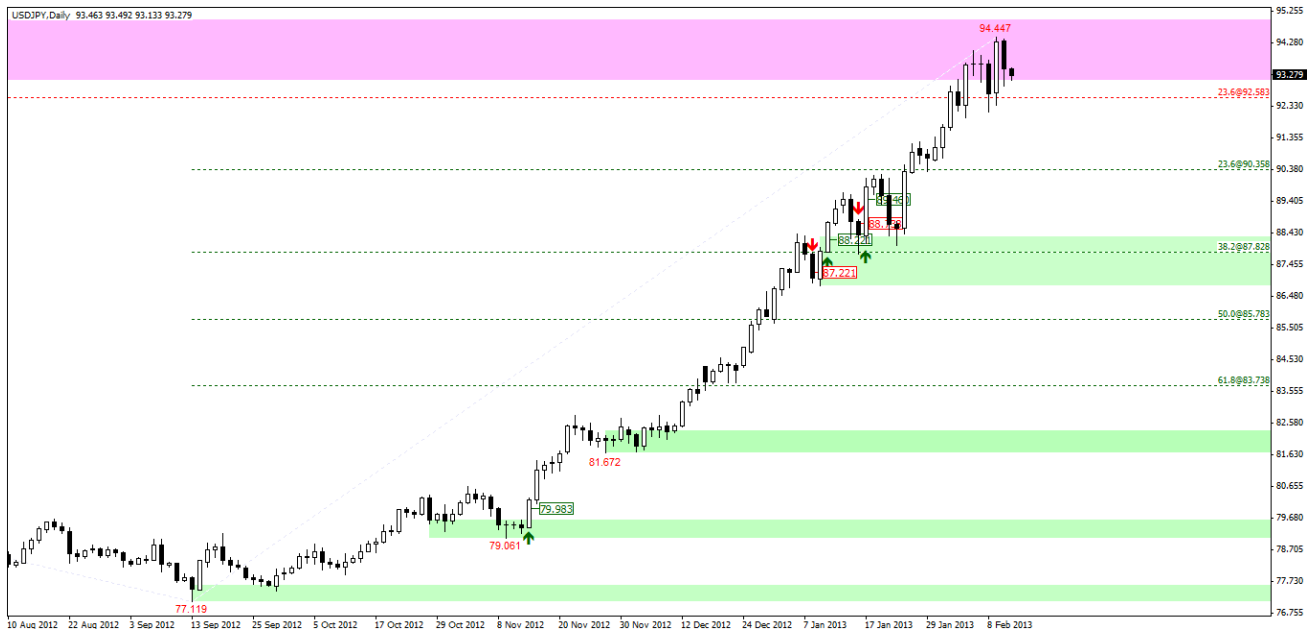
USD-CHF TRADE IDEAS

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

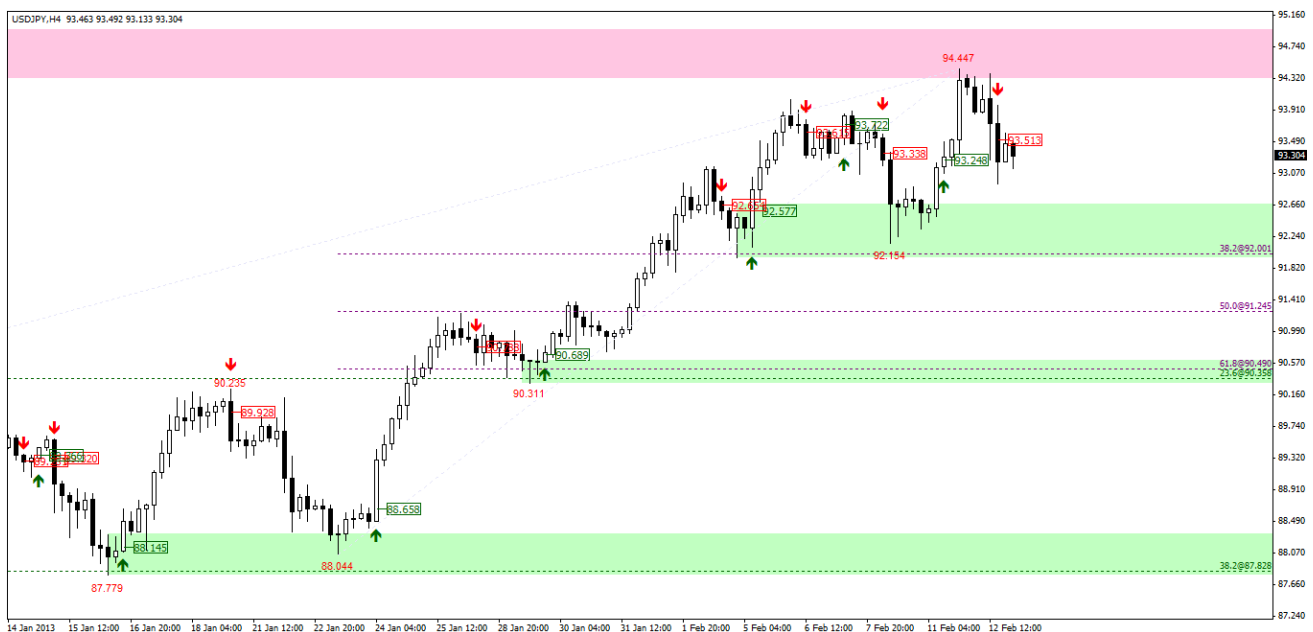
USD-CHF TRADE JOURNAL

Open Date	Sell (units)	Open Price	Close Date	Buy (units)	Close Price	Unrealized P/L		Realized P/L		Accumulative Balance	
						Pips	+ / - (\$)	Pips	+ / - (\$)	%	\$
2013.02.08										2.79	10,246.36
2013.01.17 20:44	0.02m	0.93520	2013.02.12 23:59	0.02m	0.91679	368.2	401.62				

USD-JPY DAILY



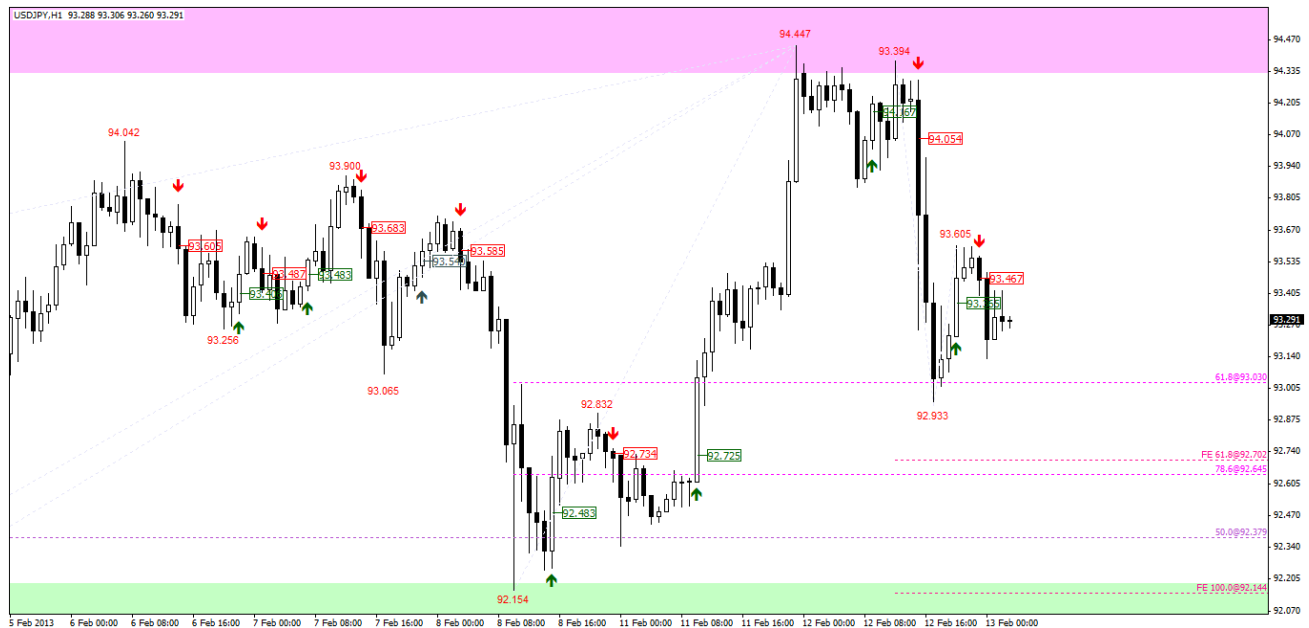
USD-JPY 4-HOURLY



USD-JPY Short Term Outlook

As mentioned in previous updates, in so long as price action is within this supply zone at **93.129-94.979**, this market is vulnerable to a sizable correction. Yesterday's actions may have added confidence to this view. Having registered a 33-month high at 94.447 on Monday, there was no follow-through buying since. As only a sustained rally above this SZ would suggest the resumption of the rally, the failure of this market to push higher has brought on profit-takings. Short-coverings were the order of the day as traders took profits. Immediate demand pocket at **91.769-92.187** should provide initial support (see H1 chart). In the medium-term, a more determined fall may see a correction to the demand zone at **86.908-88.326** where the 382.2% retracement of 77.119 to 94.447 at **87.828** is located (see D1 chart). In the longer-term, this incredible bull-run is unlikely to end until the 261.8% projection of 75.563 to 84.172 from 77.119 at **99.657** is hit.

USD-JPY 1-HOURLY



USD-JPY TRADE IDEAS

Action	Exit Condition	Entry Price	Stop-Loss	Profit Target 1	Profit Target 2	Exposure %	Exposure Units
Bought	Exit on D1 close below 92.359	90.487	92.349	92.583 Realized	99.657	3	0.03

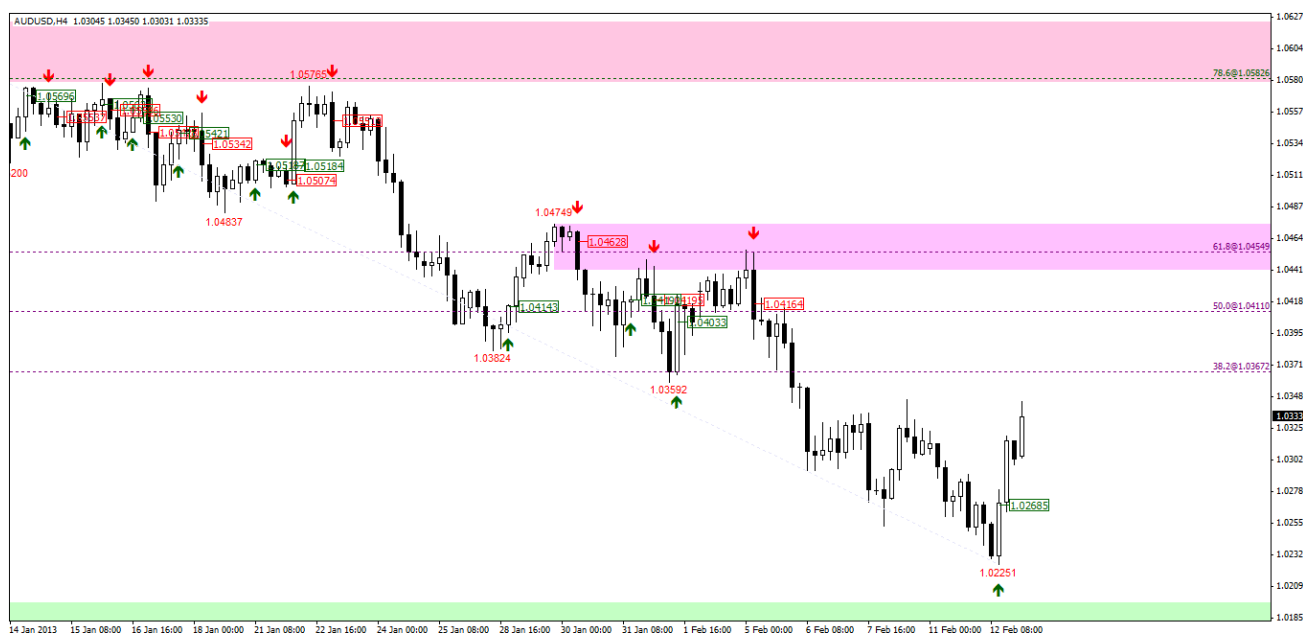
USD-JPY TRADE JOURNAL

Open Date	Buy (units)	Open Price	Close Date	Sell (units)	Close Price	Unrealized P/L		Realized P/L		Accumulative Balance	
						Pips	+ / - (\$)	Pips	+ / - (\$)	%	\$
2013.02.08										23.74	12,374.07
2013.01.28 01:32	0.02m	90.487	2013.02.12 23:59	0.02m	93.462	595.0	636.62				

AUD-USD DAILY



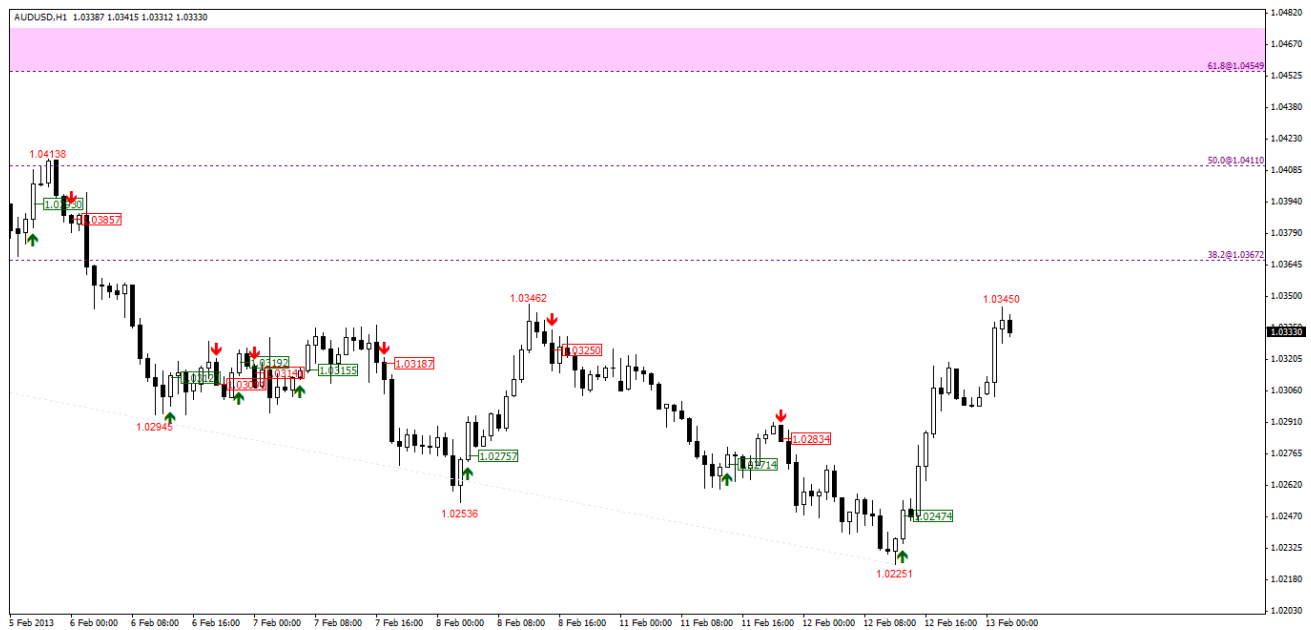
AUD-USD 4-HOURLY



AUD-USD Short Term Outlook

From the perspective of the weekly chart, this market is still hemmed in by the upper supply zone at **1.07292-1.10799** and the lower demand zone at **0.93867-0.96983**. Overnight this market took out the minor demand pocket at **1.02013-1.02587** and rebounded. The anticipated rebound to the supply pocket at **1.04549-1.04749** may yet materialize. As it is, buy signals were triggered in both the H1 and H4 charts and if this market closes above **1.03104**, it too would invariably trigger a buy signal in the D1 chart as well. If so, the next course of action is clear. Buy on dips.

AUD-USD 1-HOURLY



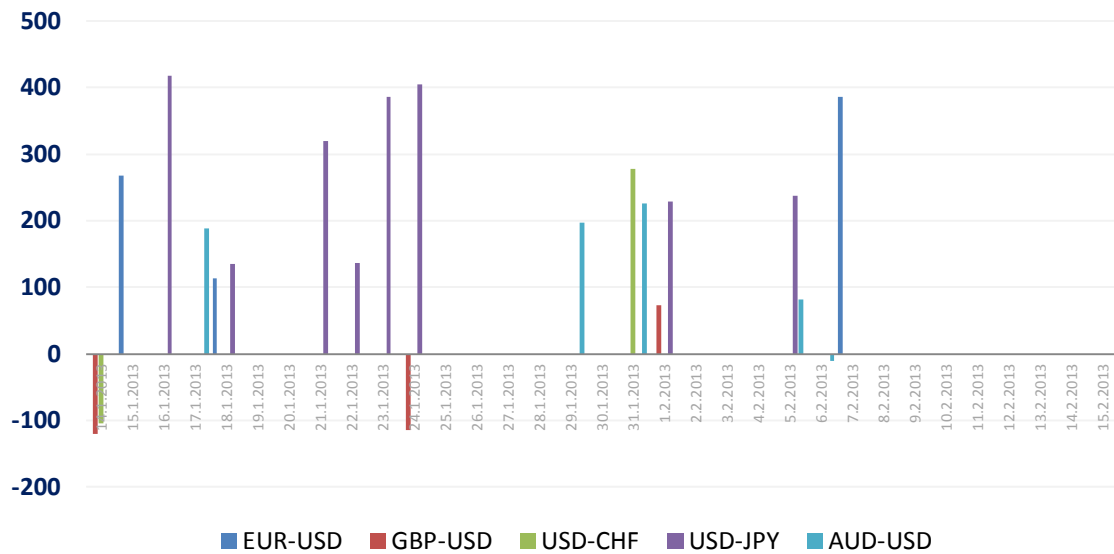
AUD-USD TRADE IDEAS

Action	Entry Condition	Entry Price	Stop-Loss	Profit Target 1	Profit Target 2	Exposure %	Exposure Units
			1.04849	1.02587	1.01801	3	0.03

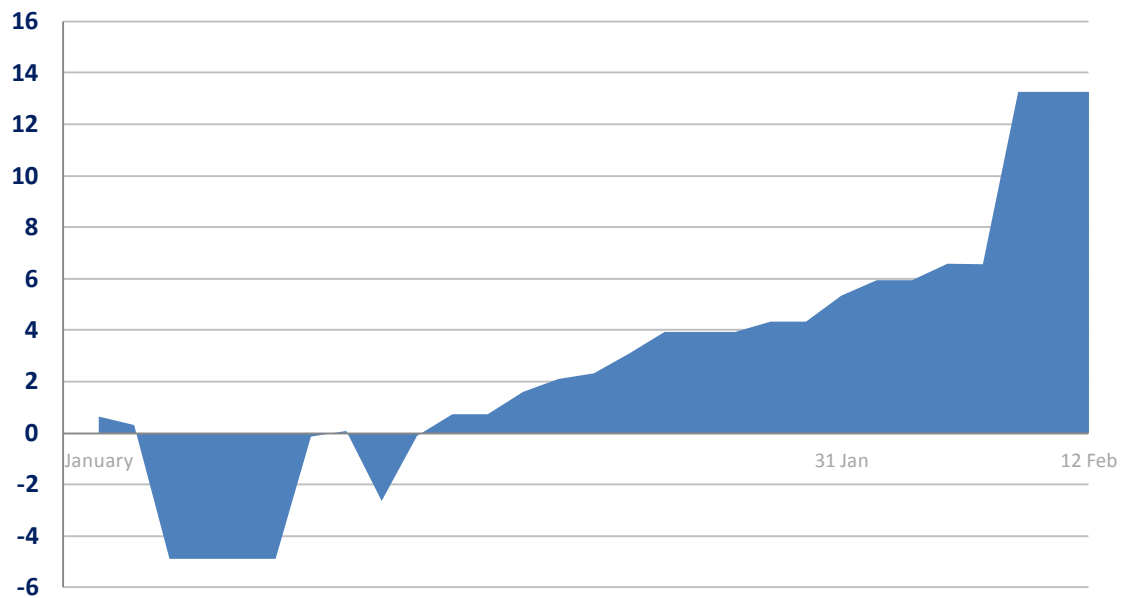
AUD-USD TRADE JOURNAL

Open Date	Buy (units)	Open Price	Close Date	Sell (units)	Close Price	Unrealized P/L		Realized P/L		Accumulative Balance	
						Pips	+ / - (\$)	Pips	+ / - (\$)	%	\$
2013.02.08										8.49	10,849.00

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.