

*A Traders Academy International Publication*

## Euro Gain On FED Bond Buying Plan

EUR-USD rose on Wednesday, adding to gains after the Federal Reserve, as expected, left benchmark U.S. interest rates unchanged and said it would extend its bond-buying economic stimulus program.

The Fed's program, which has also kept interest rates in a range of zero to 0.25 percent for four years, is being beefed up with a commitment to purchase \$45 billion monthly in long-term U.S. Treasuries. This is in addition to buying \$40 billion a month in agency mortgage-backed securities.

For the first time the Fed tied its monetary policy to a specific target, saying it will keep benchmark rates near zero until the jobless rate hits a target of 6.5 percent, at which point it will reconsider its policy stance. The rate is currently at 7.7 percent, near a four-year low.

Market expectations for the program were well flagged by traders and led to losses for the US Dollar ahead of the Fed's decision. The extra spending floods financial markets with cash, reducing the buying power of the Dollar.

While the US Dollar has weakened, the magnitude of the Fed's moves were probably not fully priced into the market as the market digests the implications of the Fed's balance sheet expanding by almost 40 percent on a year-on-year basis.

The Fed hopes the cash, which represents new money being printed versus the expiring "Operation Twist" program that bought long-term treasuries with the proceeds from the sale and redemption of short-term debt, will spur extra spending and investment and result in longer-term hiring. Considering the meagre success of the past four years in fostering economic growth with asset purchases, the Fed finds itself in a policy box with no exit, unable to improve the economy but afraid to temper its stimulative policies for fear that the economy will collapse. This will have very little impact on the US Dollar as it is a continuation of current policies and has already been priced in.

In the aftermath of the Fed's announcement, which caused a sharp decline in U.S. Treasuries prices and a surge in U.S. stock prices, EUR-USD climbed to a fresh intra-day high of 1.30961, before slipping back to 1.30725, a gain of 0.46 percent.

Inflation concerns remain low, the Fed said. The central bank is focusing on a 2 percent inflation rate alongside conditions consistent with maximum employment. Only then will it consider a "balanced approach" to tightening monetary policy and any removal would be relatively gradual, Federal Reserve Chairman Ben Bernanke said in a press conference. He reiterated the Fed has no tools available to offset a tightening of fiscal policies under the so-called "fiscal cliff" whereby lack of political agreement would result in a \$600 billion mix of spending reductions and expiring tax cuts due to take hold at the start of 2013.

As the US Dollar fell against the Euro and slumped against higher-yielding currencies such as the Australian and Canadian dollars, it maintained its advance against the Japanese Yen. USD-JPY hit a near 9-month high after the Fed's decision. Traders are betting the Bank of Japan will implement more aggressive monetary easing of its own after an election on Sunday that is expected to yield a victory for the Liberal Democratic Party. LDP leader Shinzo Abe has called for more aggressive monetary easing in Japan to revive the stagnant economy.

US Dollar settled at 83.36, up 0.76 percent and just off the session high of 83.279. EUR-JPY surged to a 1.25 percent gain to settle at 108.825, its best level since April 4.

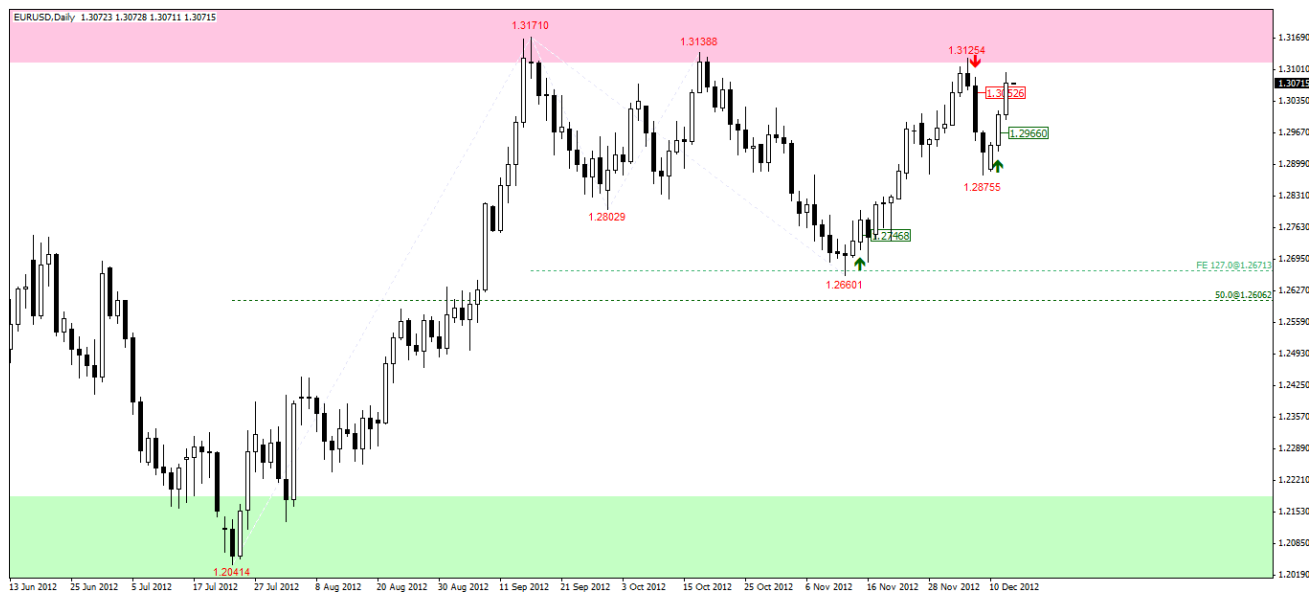
Another potential factor weighing on the Japanese Yen was the successful launch by North Korea of a rocket on Wednesday.

AUD-USD rose to 3-month high against the greenback while NZD-USD climbed to its best levels since February 29.

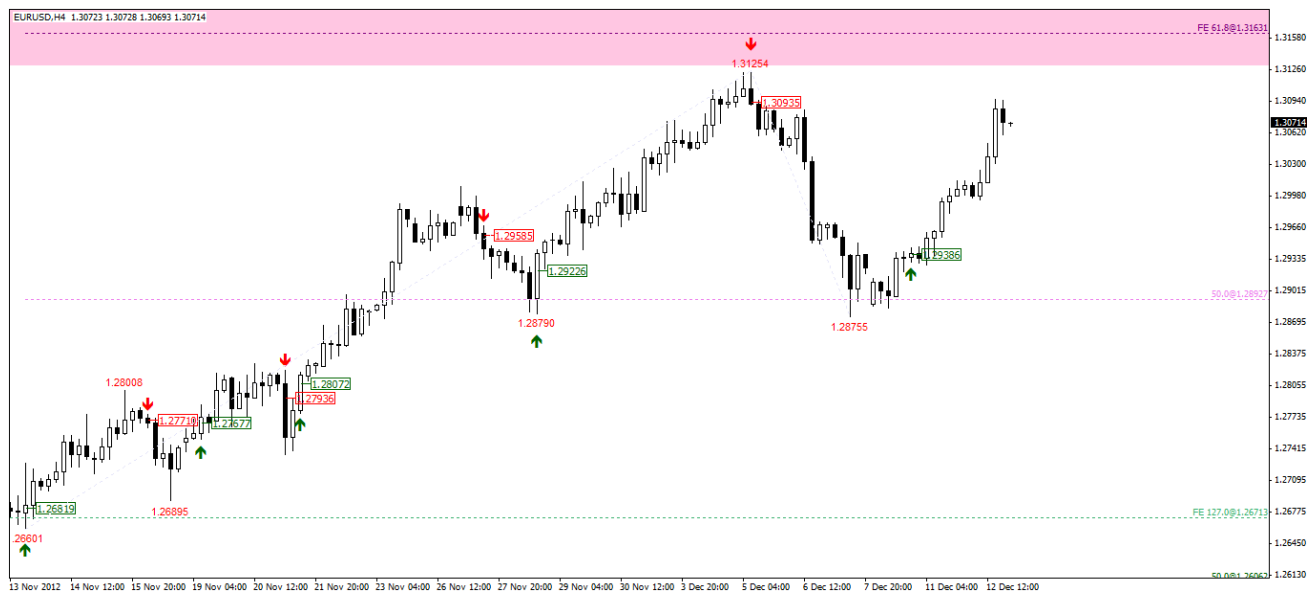
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## EUR-USD DAILY



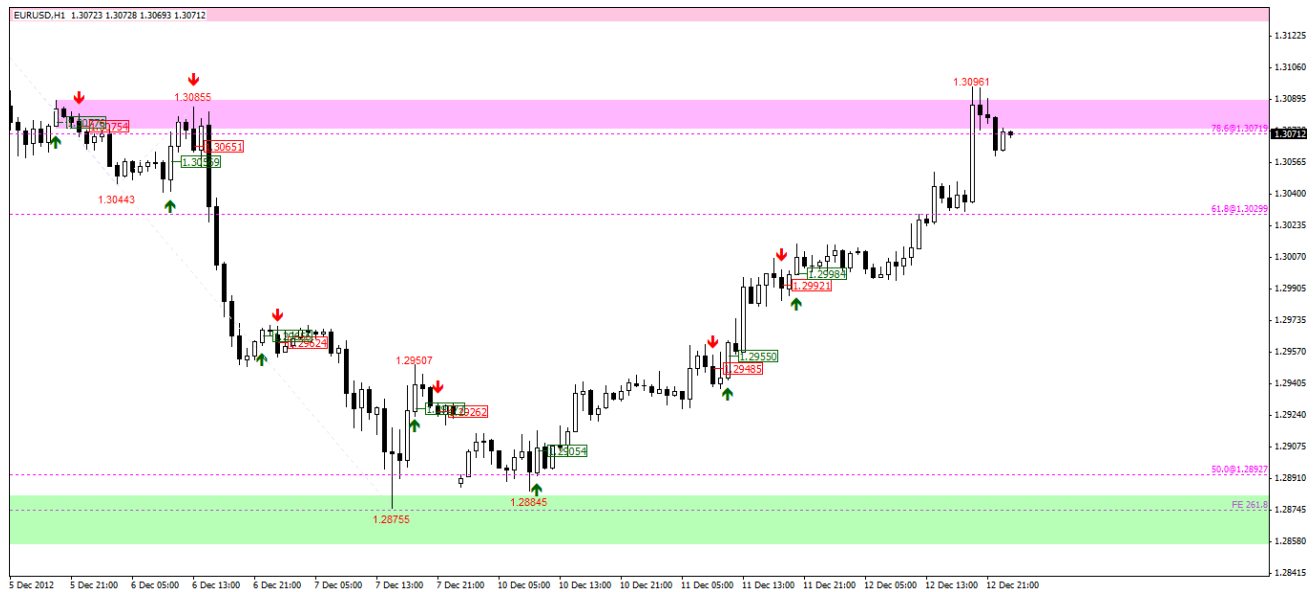
## EUR-USD 4-HOURLY



## EUR-USD Short to Medium-Term Views

EUR-USD surged higher on news of the US Federal Reserve plan to boost bond buying which was largely anticipated. Since the return of the bulls on Tuesday, price action had taken out a minor supply pocket at **1.29532-1.29714** where the 100.0% projection of 1.28755 to 1.29507 from 1.28845 at **1.29597** is located and past the 78.6% retracement of 1.31254 to 1.28755 at **1.30719** in overnight actions. This latter level lies just below a supply pocket at **1.30739-1.30891** which in turn contains the 261.8% projection of 1.28755 to 1.29507 from 1.28845 at **1.30814**. Focus would instead shift towards the 61.8% projection of 1.26601 to 1.31254 from 1.28755 at **1.31630** which in turn lies within the supply pocket of **1.31300-1.32831**. As noted, the rally from 1.26601 is seen as part of a larger degree rally from way back in November 13. Heavy resistance is expected at the supply pocket of **1.31300-1.32831**.

## EUR-USD 1-HOURLY



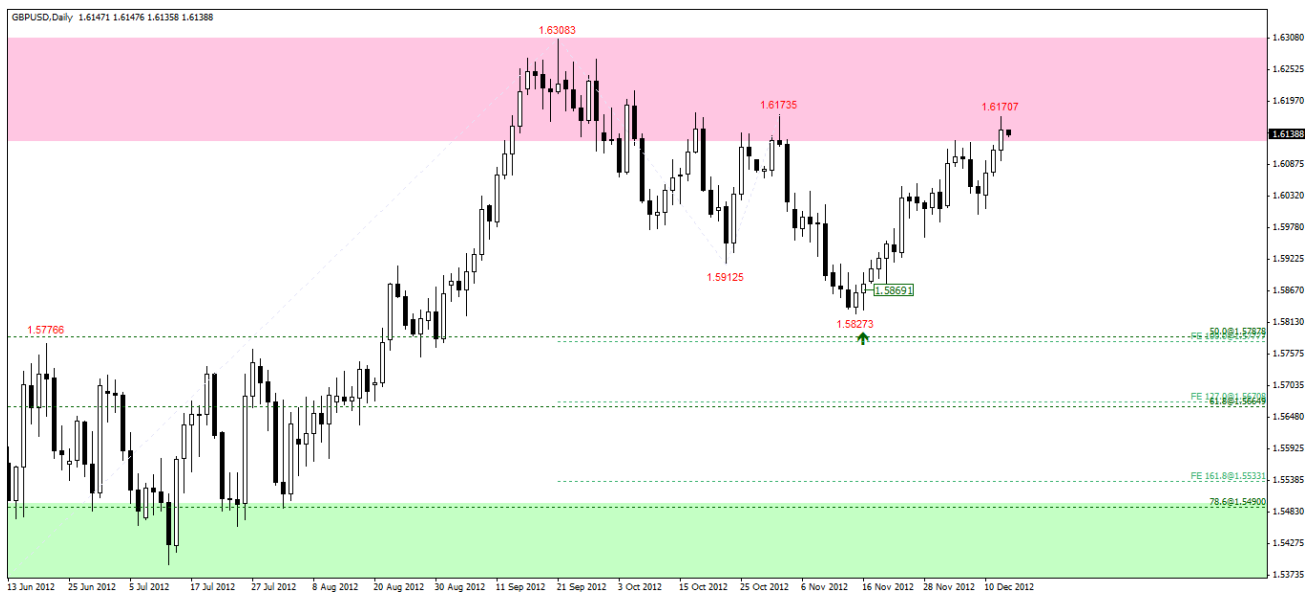
## Trade Ideas

ACTION	Target 1	Target 2	EXIT
Sell on sell signal within 1.31300-1.32831	1.30135 (tentative)	1.29624 (tentative)	1.32831 STOP (tentative)

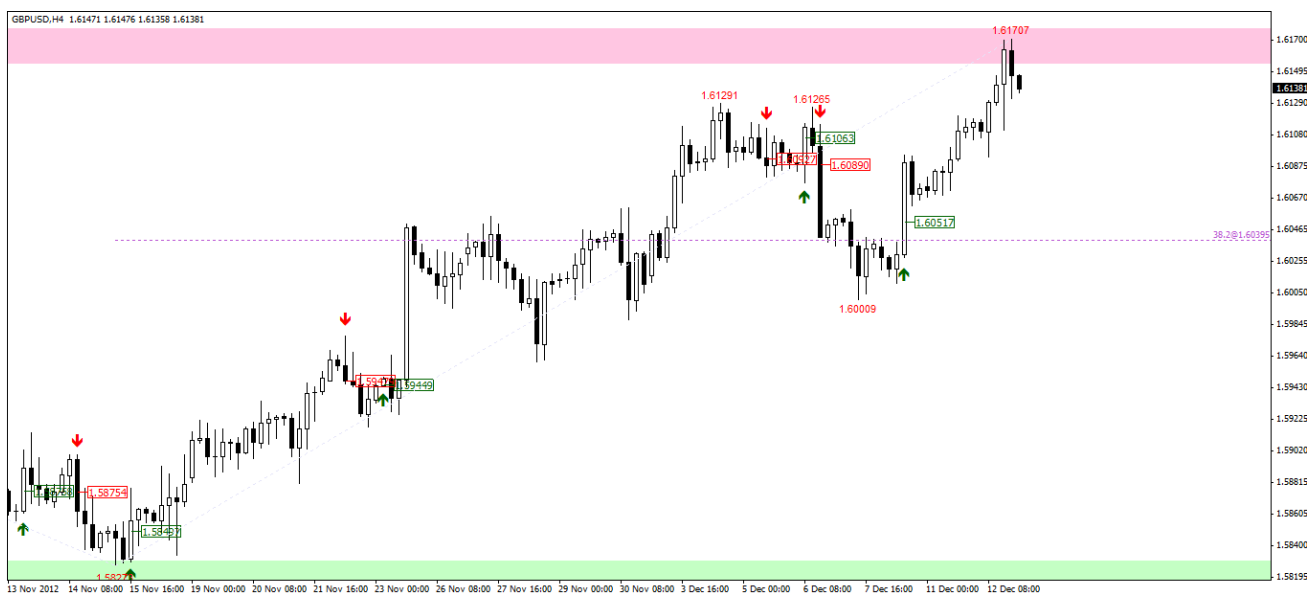
## Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade + / -	Realized + / -	Accumulative + / -
	B/F from 07-12-2012								\$75,491.00
EUR-USD	07-12-2012	1.0	1.28995	11-12-2012	1.0	1.29532	+\$537.00	+\$537.00	\$76,028.00
EUR-USD	07-12-2012	1.0	1.28995	12-12-2012	1.0	1.30716	+\$1,721.00	+\$1,721.00	\$77,749.00
Unrealized							\$0.00		

## GBP-USD DAILY



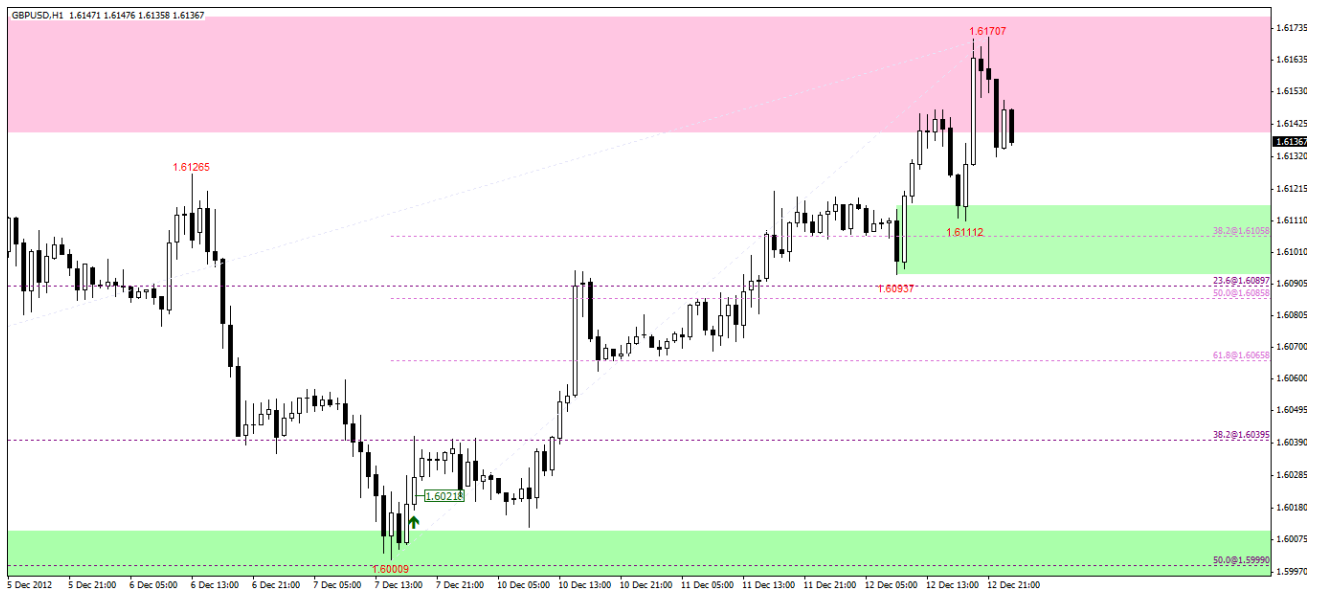
## GBP-USD 4-HOURLY



## GBP-USD Short to Medium Term Views

Price action powered forward for the third consecutive sessions and traded into **1.61302-1.63005** since November 2 with a print at 1.61707. Previous updates have noted that in order to maintain its overall bullish bias, price action needs to immediately rally beyond last week's high of **1.61291**. Last night's rally suggests that upward momentum has indeed picked up. Having said that, heavy resistance is expected within the major supply zone at **1.61302-1.63005**. As we have it, a potential reversal signal is developing at the point of writing. In the H4 chart, a bearish harami is taking shape and a close below **1.61412** would invariably triggers a sell signal. Likewise, a close below **1.61294** in the H1 chart too will trigger a sell signal. If so, the ensuing profit-taking may take price action to the minor demand pocket at **1.60937-1.61160**, where the 38.2% retracement of 1.60009 to 1.61707 at **1.61058** is located.

## GBP-USD 1-HOURLY



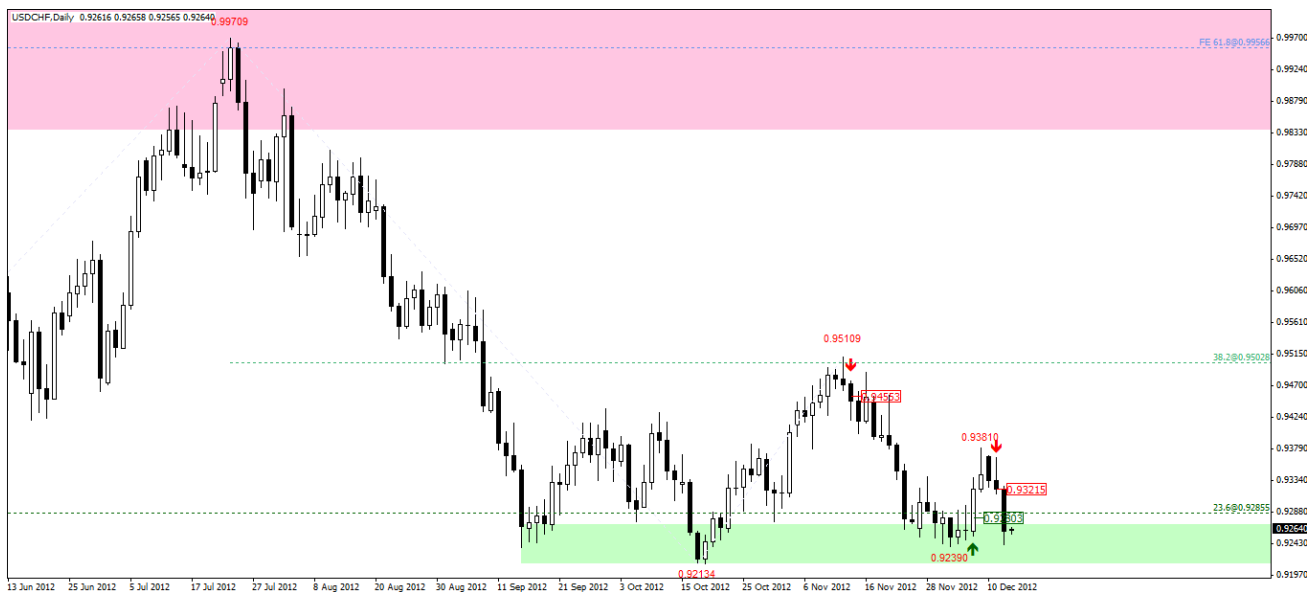
## Trade Ideas

ACTION	Target 1	Target 2	EXIT
Bought @ 1.59037	1.60063 Realized	1.65416	Exit on D1 close below 1.60743
Bought @ 1.59825	1.61546 Realized	1.62589	

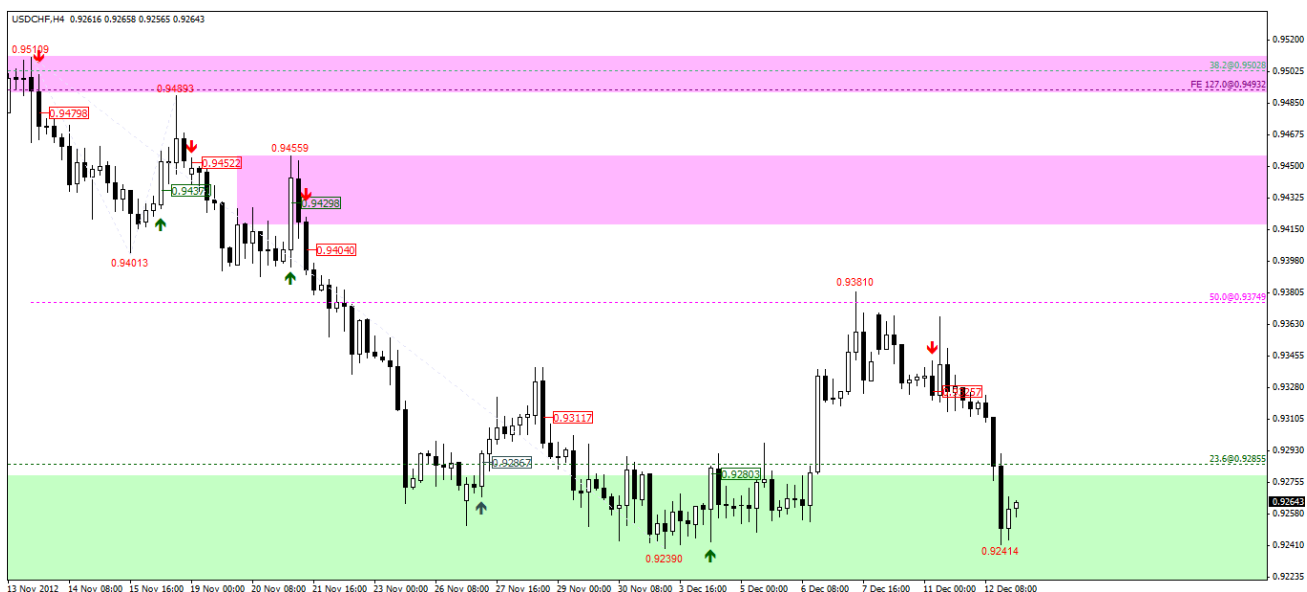
## Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade + / -	Realized + / -	Accumulative + / -
B/F from 07-12-2012									
GBP-USD	28-11-2012	1.0	1.59825	12-12-2012	1.0	1.61546	+\$1,721.00	+\$1,721.00	\$52,030.00
GBP-USD	21-11-2012	1.0	1.59037	12-12-2012	1.0	1.61473	+\$2,436.00		
GBP-USD	28-11-2012	1.0	1.59825	12-12-2012	1.0	1.61473	+\$1,648.00		
Unrealized							+\$4,084.00		

## USD-CHF DAILY



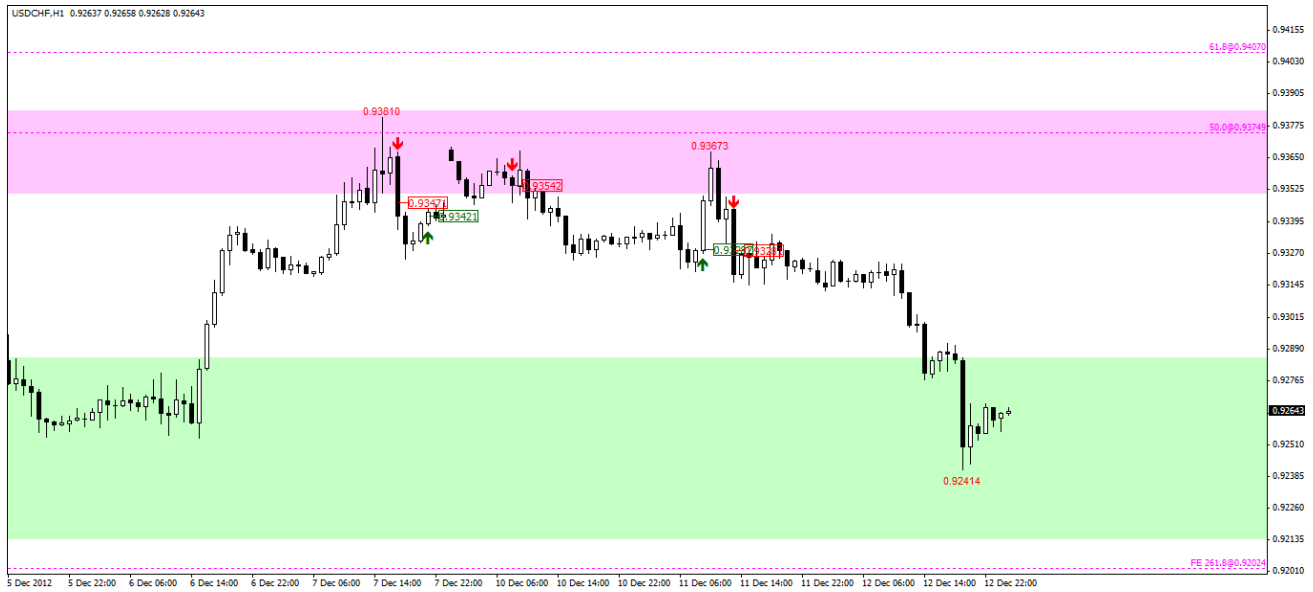
## USD-CHF 4-HOURLY



## USD-CHF Short to Medium Term View

The explosive rally from last Thursday lost momentum, stalled and unraveled last night. Price action is now back within the demand pocket at **0.92134-0.92858**. Is this the resumption of the fall from 0.99709? This possibility is relative high considering the other majors like the GBP-USD (which has an inverse correlation to USD-CHF) appears to have resumed its rally. However, price action within this price pocket previously also suggested that demand is present within this zone. For the bearish bias to gain prominence, this market needs to break below **0.92134** convincingly to cement the idea that the resumption of the fall from the July 24 high of 0.99709 has taken hold. In the meantime, a low risk counter-trend trade may develop next. Should a buy signal appears now within **0.92134-0.92858**, a speculative buy here with focus on the overhead supply pocket at **0.95741-0.96340** may be may be worth while attempting

## USD-CHF 1-HOURLY



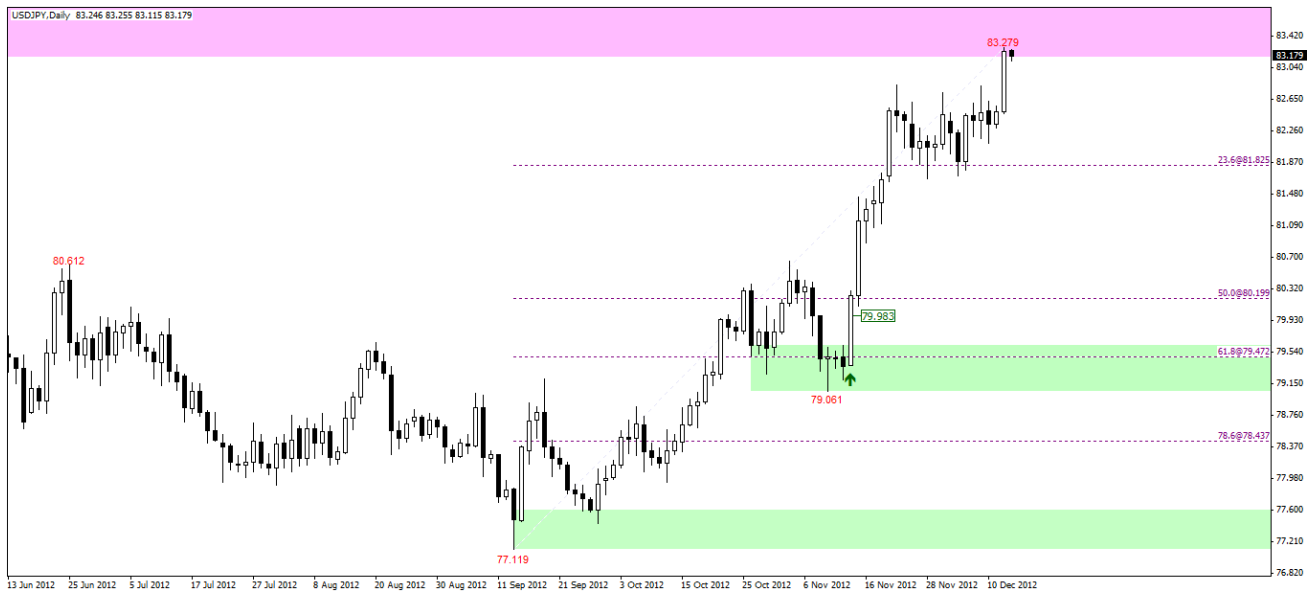
## Trade Ideas

ACTION	Target 1	Target 2	EXIT
Buy on H1 close within 0.92134-0.92858	0.93507	0.94262	0.92034 STOP

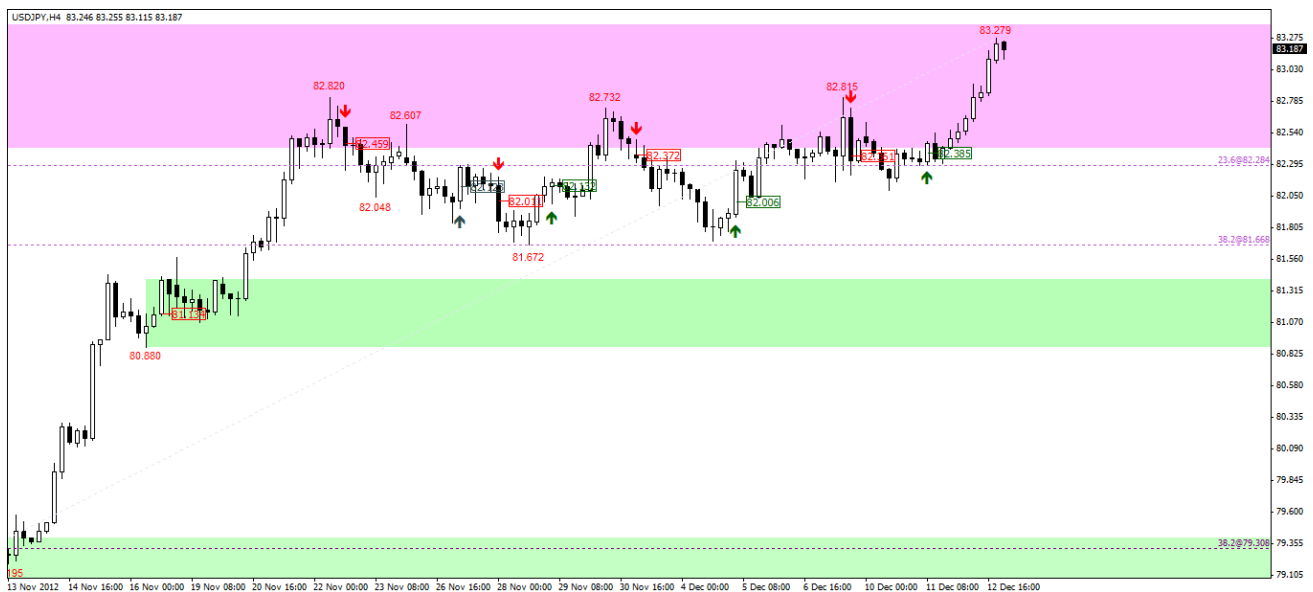
## Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade + / -	Realized + / -	Accumulative + / -
	B/F from 07-12-2012								\$35,851.84
USD-CHF	05-12-2012	1.0	0.92647	11-12-2012	1.0	0.93214	+\$608.28	+\$608.28	\$36,460.12
						Unrealized	+0.00		

## USD-JPY DAILY



## USD-JPY 4-HOURLY

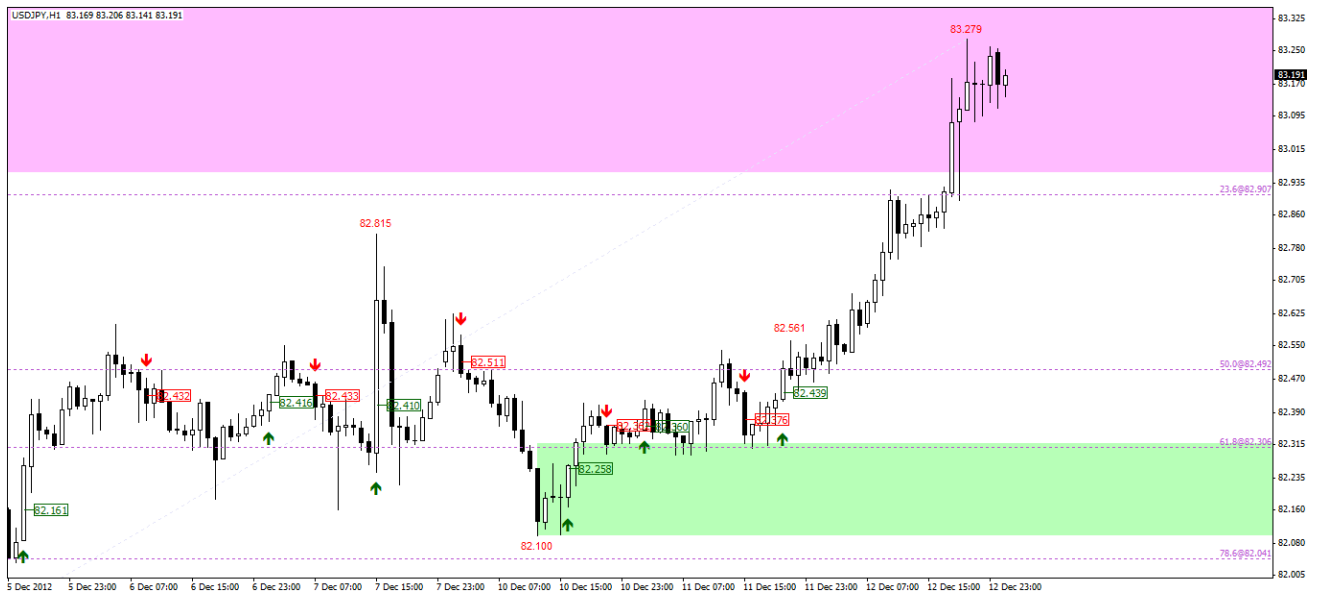


## USD-JPY Short to Medium Term Views

This market finally broke out of its tight trading range which had kept prices bounded for 3 weeks or so. Price took out the 78.6% retracement of 84.172 to 77.119 at **82.66** which basically confirms that the rally from 79.061 is not longer classified as a retracement. This is because the 78.6% retracement of 84.172 to 77.119 at **82.663** represents (to me) the maximum allowance retracement. As such, this bullish bias has the potential to gun for the 100.0% projection of 75.563 to 84.172 from 77.119 at **85.728** which incidentally sits within a known supply zone. Even so, price action is not expected to trade much higher above this price pocket, if ever. From there, the longer-term down trend is expected to resume below the all-time low of **75.563** (read big picture view above).



## USD-JPY 1-HOURLY



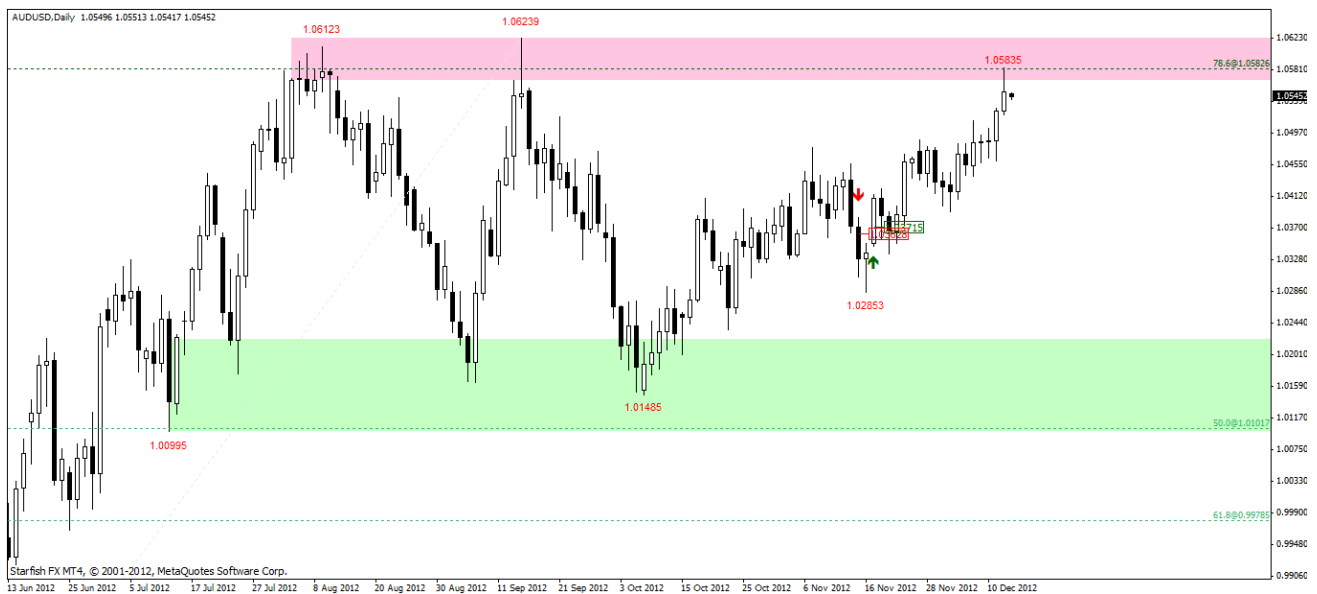
## Trade Ideas

ACTION	Target 1	Target 2	EXIT
Bought @ 81.903	82.424	83.716	Exit on H4 close below 82.852
	Realized		

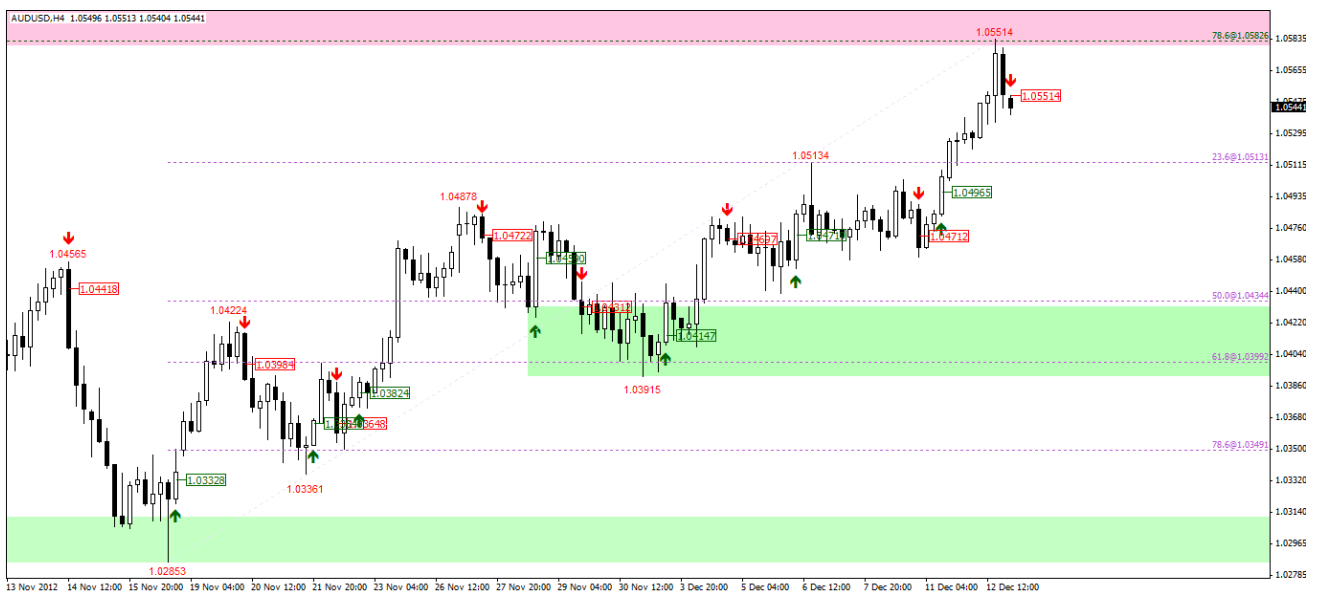
## Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade +/-	Realized +/-	Accumulative +/-
	B/F from 07-12-2012								\$31,172.58
USD-JPY	05-12-2012	1.0	81.903	12-12-2012	1.0	83.236	+\$1,601.47		
						Unrealized	+\$1,601.47		

# AUD-USD DAILY



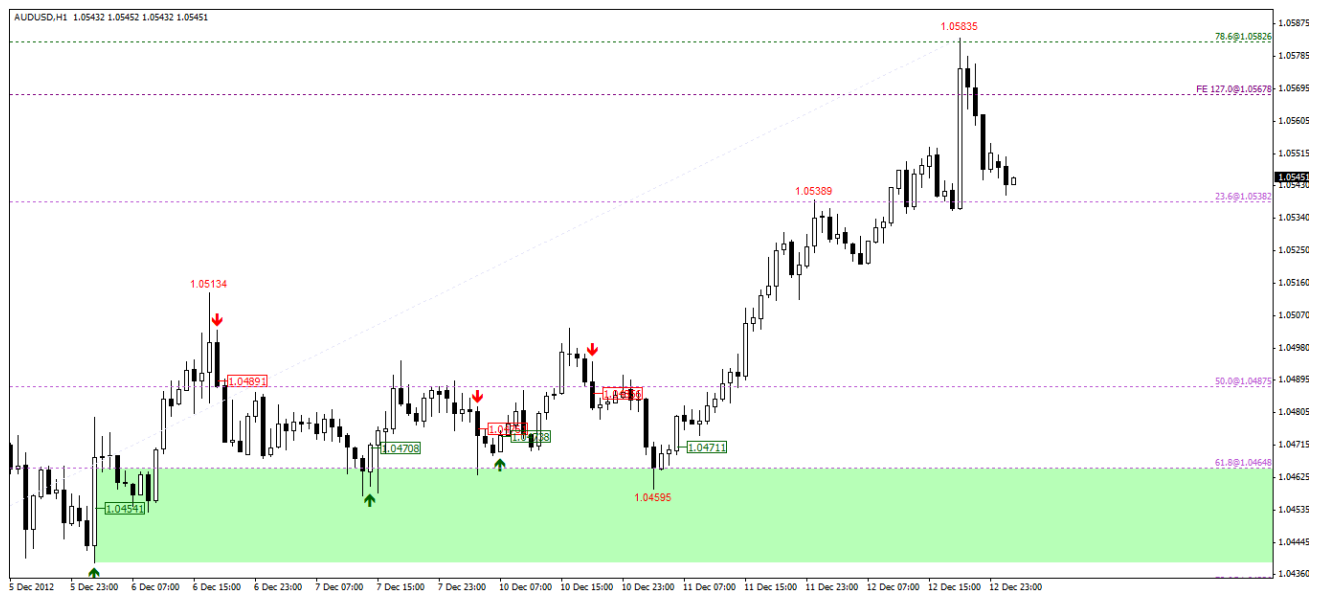
## AUD-USD 4-HOURLY



## AUD-USD Short to Medium Term Views

While the 78.6% retracement is taken out in USD-JPY, 78.6% retracement of 1.08557 to 0.95795 at **1.05826** capped the rally in AUD-USD. Despite RBA's interest rate cut last Thursday, this market continued to climb. While this rally may continue to power higher towards a major supply zone at **1.05675-1.06239**, the idea is to position shorts within this supply pocket especially at/near the 78.6% retracement of 1.08557 to 0.95795 at **1.05826**. Unfortunately, owing to the long bullish bar in the H1 chart on the hour when the day's high was registered, the risk/reward to position this short was poor. This is because the trigger price for the sell signal (*bearish harami*) has to be a close below **1.05366**. From where the the stop-loss level need to be placed (above 1.06239), this makes this trade not very appetizing. The idea, therefore, is to wait for a rebound (after the sell signal is triggered) and sell on the next sell signal using the lower time time charts, ideally with a better risk/reward profile.

## AUD-USD 1-HOURLY

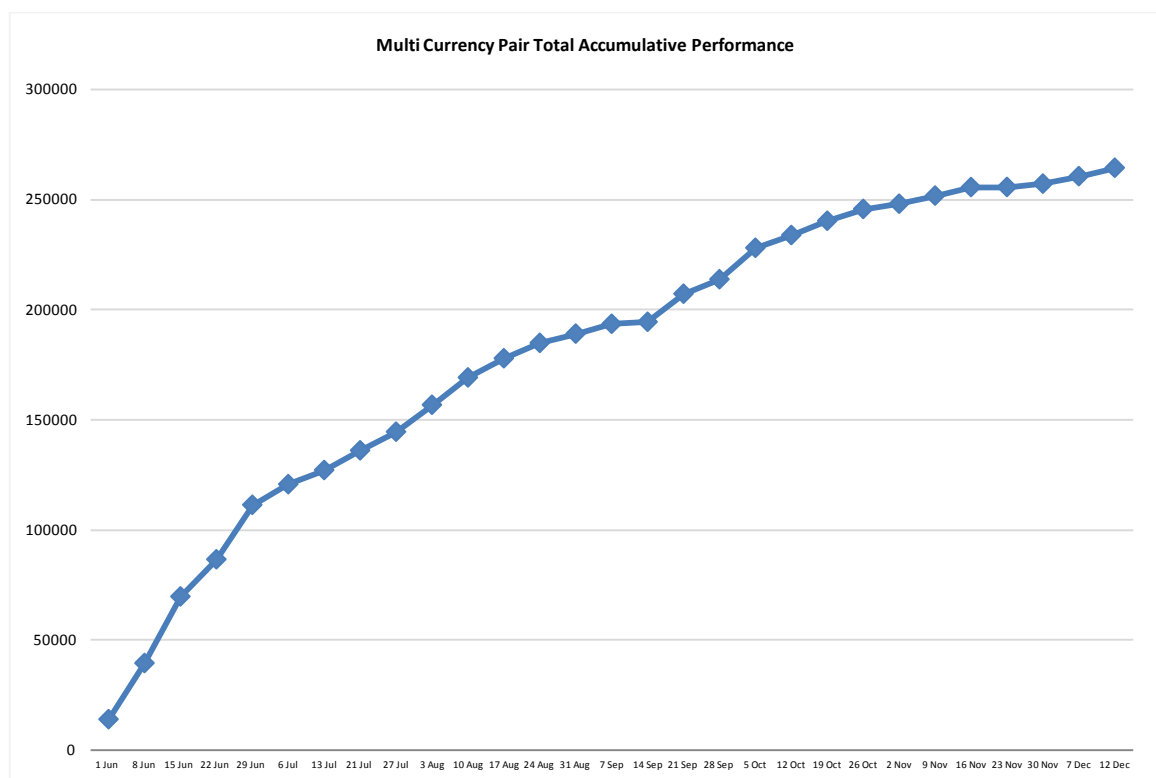
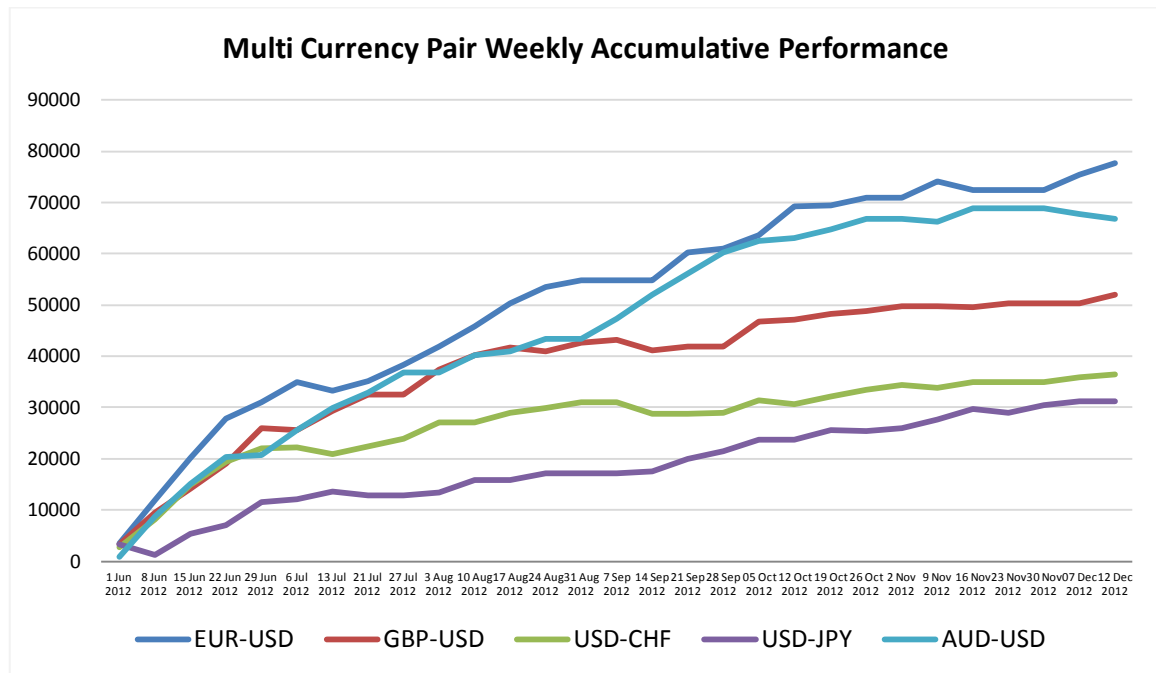


## Trade Ideas

ACTION	Target 1	Target 2	EXIT
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## Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade + / -	Realized + / -	Accumulative + / -
	B/F from 07-12-2012								\$67,661.00
AUD-USD	11-12-2012	1.0	1.05282	06-12-2012	1.0	1.04891	-\$391.00		\$67,270.00
AUD-USD	11-12-2012	1.0	1.05282	06-12-2012	1.0	1.04891	-\$391.00	-\$782.00	\$66,879.00
						Unrealized	\$0.00		



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[www.tradersacademyonline.com](http://www.tradersacademyonline.com)



## 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 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.