Tue, June 12, 2012
Weekday Edition

# FOREX OUTLOOK

*A Traders Academy International Publication*

## Early Euphoria Gave Way To Doubt

The Euro dropped against the US Dollar and Japanese Yen on Monday as optimism over Spain's bank bailout gave way to unease about the country's debt problems, with markets wary of taking on risk ahead of next weekend's Greek elections. Over the weekend, the Euro zone agreed to lend Spain, the region's fourth-largest economy, up to €100 billion to help prevent a run on banks, offering some reassurance to investors and helping the common currency jump more than 1 percent in early Asian trade. But those early gains were erased during the New York session as traders and analysts said details of the bailout were unclear and concerns remained about Spain's large debt burden, given the country's stagnant economy.

Traders did not perceive the bailout as way to reduce credit risk in the periphery. In fact Spanish bond yields rose to their highest level since the end of May as investors digested the prospect they may not get all of their money back in the event of a Spanish default. And it didn't stop there. Italian 10-year yields are rising at an alarming rate and ended the European session above 6% for the first time since January. Back in November the ECB acted to stem the crisis with its LTRO programme when French bonds joined Italian and Spanish ones and started to rise. It's important to keep an eye on other markets, not just Spain, in this environment. As we have seen in the past, the problem with the sovereign debt crisis is that it is systemic and as such France, Italy etc. are all at risk of contagion. Thus, the Spanish bailout may be no panacea to this crisis.

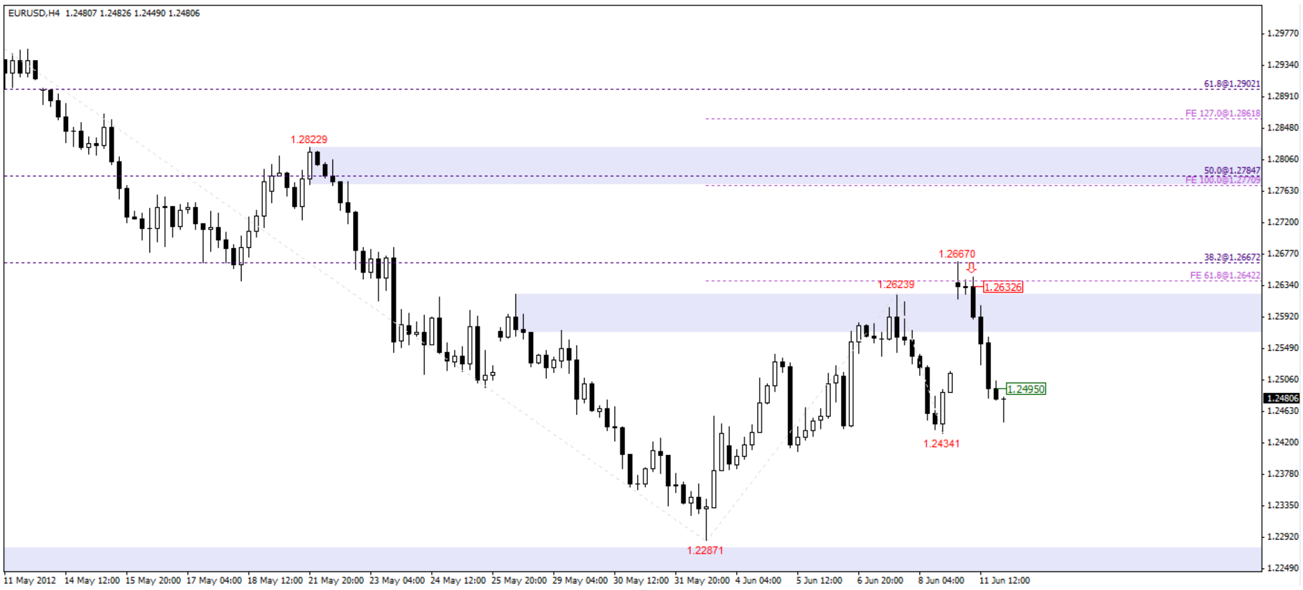
Today could be an interesting day. The markets will be preparing for Wednesday's debt auction by Italy and also looking for more details of Spain's bailout. Thus we are back to headline risk and rising volatility levels. The problem for Europe is that the rules are changing: the once implicit guarantee that sovereign debt would be underwritten by Germany has been ripped apart. This doesn't just apply to Greece, but it applies to the entire currency bloc. The German taxpayer is not the Fed-equivalent of the Euro-zone and as such does not have a printing press to fall back on. This means traders must adjust to a permanent period of higher credit risk in the currency bloc and elevated bond yields could be here to stay. The market will get used to it, but it's a shock at first, and could thwart attempts to push the EUR-USD safely out of the 1.2000 handle.

In the Asia Pacific, not even a better than expected Chinese trade data or a rate cut by PBoC could help the Australian Dollar Monday. By the time being, parity is capping the upside. The Euro-zone is dominating the headlines and is likely to do so until the Greek elections and the EU summit later this month. The next couple of weeks is likely to be volatile.

*Content:*

## EUR-USD DAILY

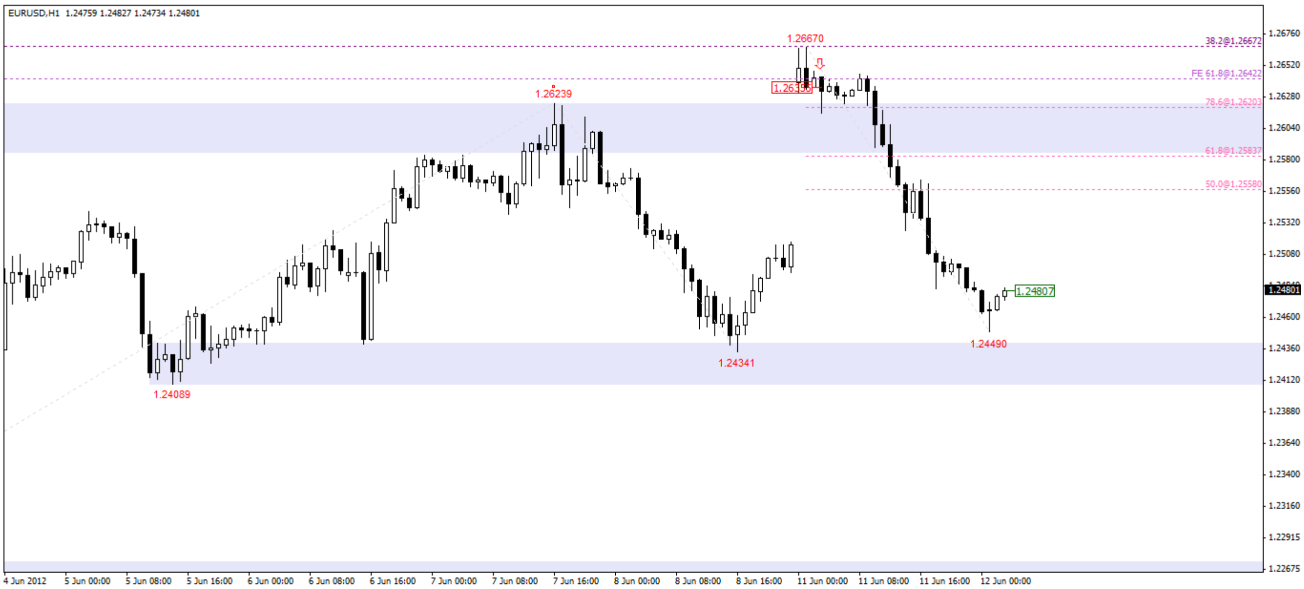

## EUR-USD 4-HOURLY




## EUR-USD Short to Medium-Term Views

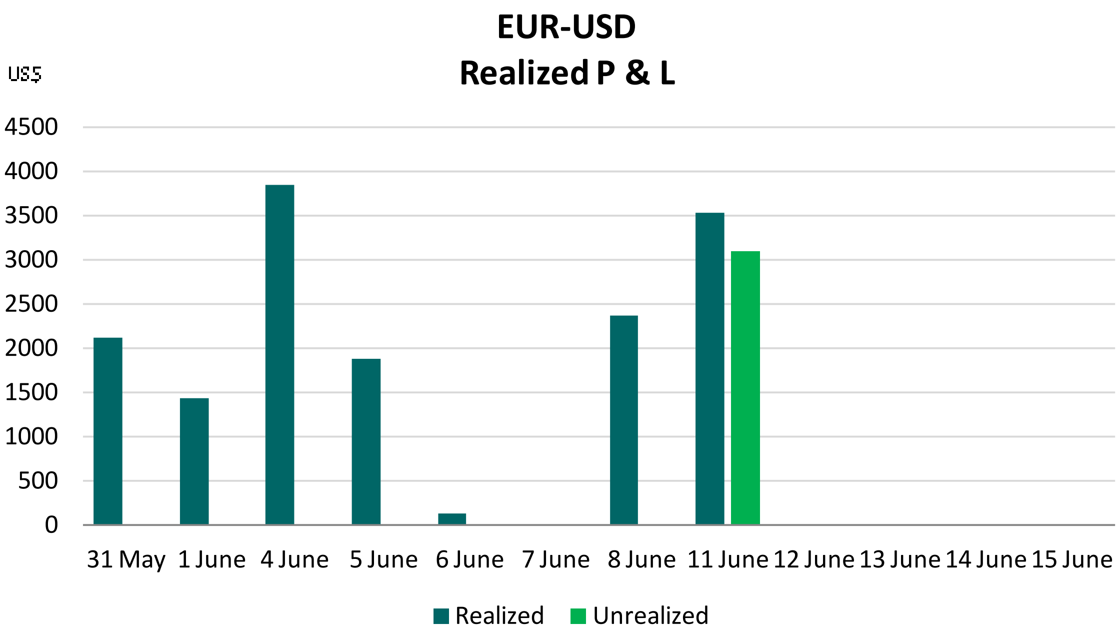
Price action opened the week with a massive 140 pips gap to the upside on news that Spain has secured a €100 billion lifeline for its ailing banking system over the weekend. This development dovetailed with expectation that price action is probably set to stage another 3-wave up above last Thursday's high of **1.26239**. Upon opening, price action raced straight for the 61.8% projection of 1.22871 to 1.26239 from 1.24341 at **1.26422** with a high at **1.26670**. This is incidentally the 38.2% retracement of 1.32822 to 1.22871 at **1.26672**. However, the most ideal setup did not quiet pan out. This corrective wave up was anticipated to head for the 100.0% projection of 1.22871 to 1.26239 from 1.24341 at **1.27709**; which is just a touch below a SZ at **1.27717-1.28229,** within which lies the 50.0% retracement of 1.32822 to 1.22871 at **1.27847**. The idea is to position medium-term short positions there as the low at 1.22871 is expected to be taken out next. As we have it, the strong opening and high seen in Asia on Monday precipitated into a freefall to 1.24490 some 24 hours later. If, price action falls below the low at **1.22871** first, it would suggest that the fall from 1.34847 has resumed with a possible target at the 50.0% retracement of 0.82250 to 1.60370 at **1.21315** - before attempting the longer-term target at the 61.8% retracement of 0.82250 to 1.60370 at **1.12092**. In between these two targets, lies a major DZ at **1.18846-1.19770**.

## EUR-USD 1-HOURLY

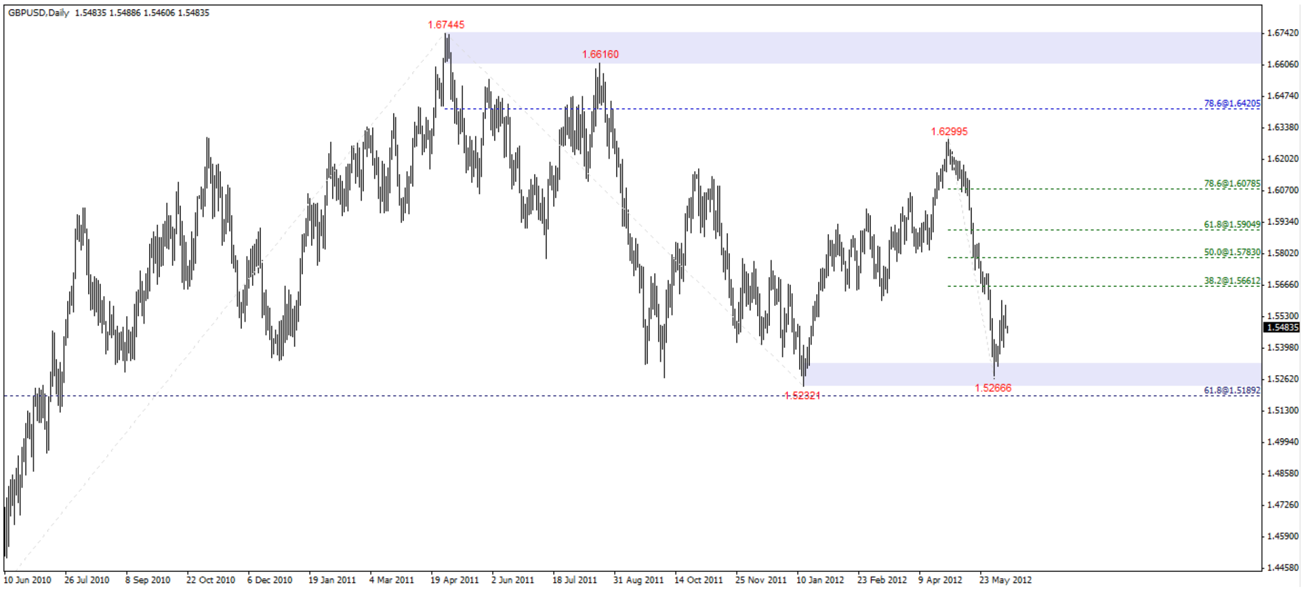



## Trade Ideas

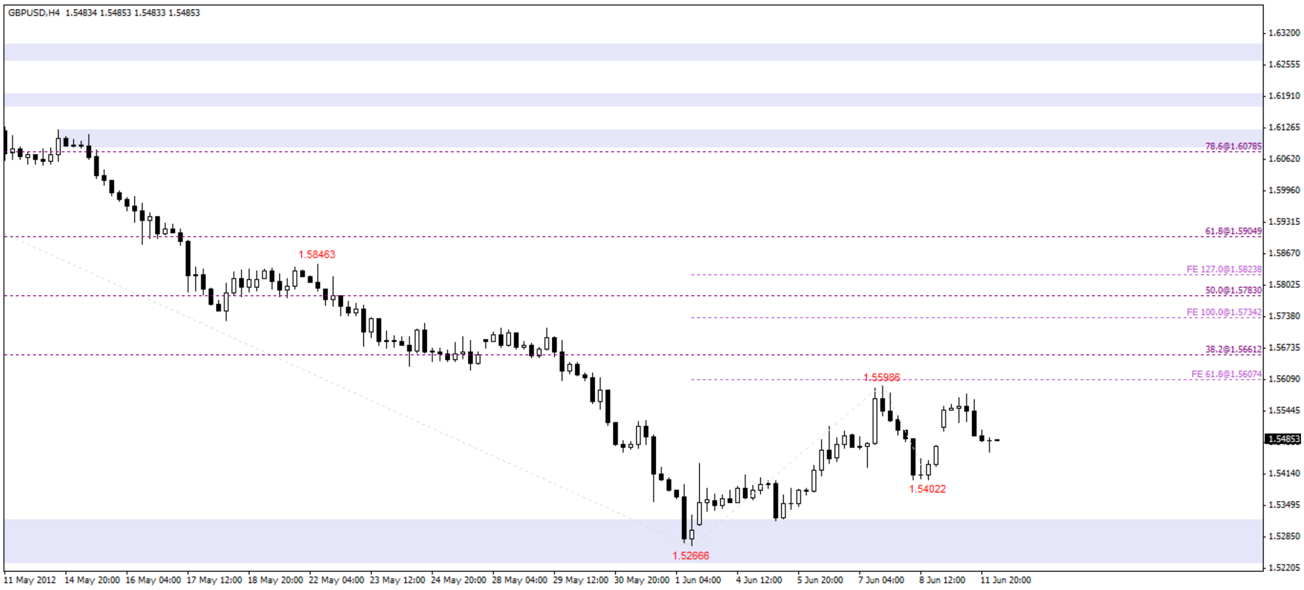
| ACTION | Target 1 | Target 2 | EXIT |
|---|---|---|---|
| **Buy on 1-hour close 1.24807** | 1.25837 | 1.27709 | 1.24694 STOP |



## GBP-USD DAILY



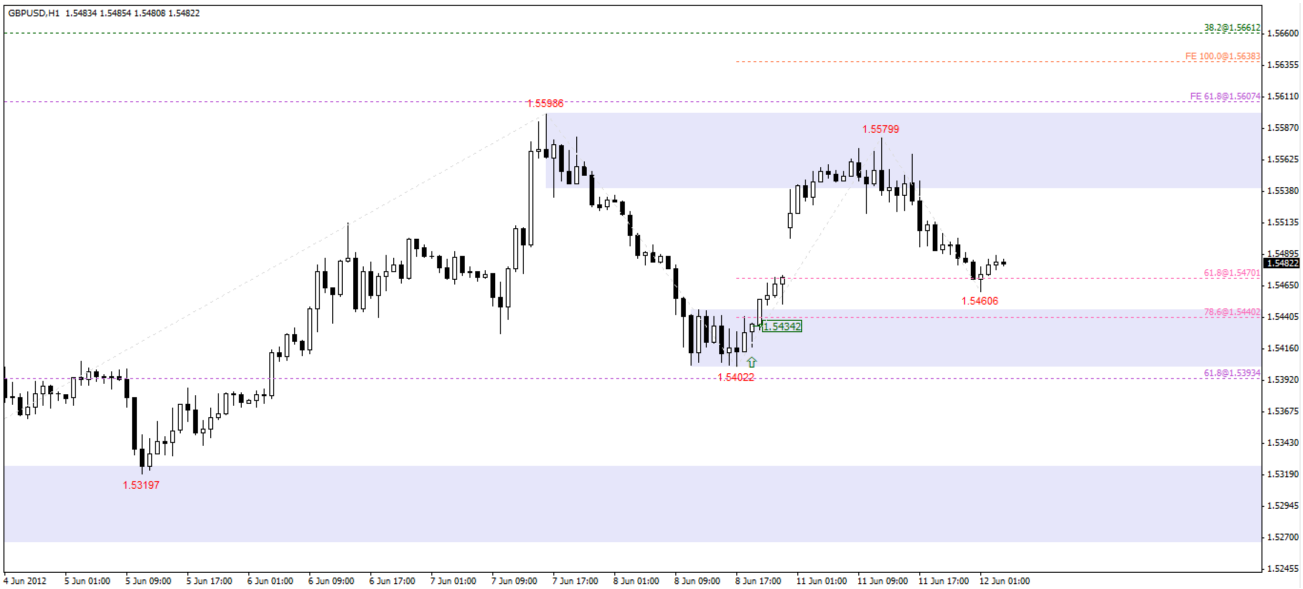

## GBP-USD 4-HOURLY




## GBP-USD Short to Medium Term Views

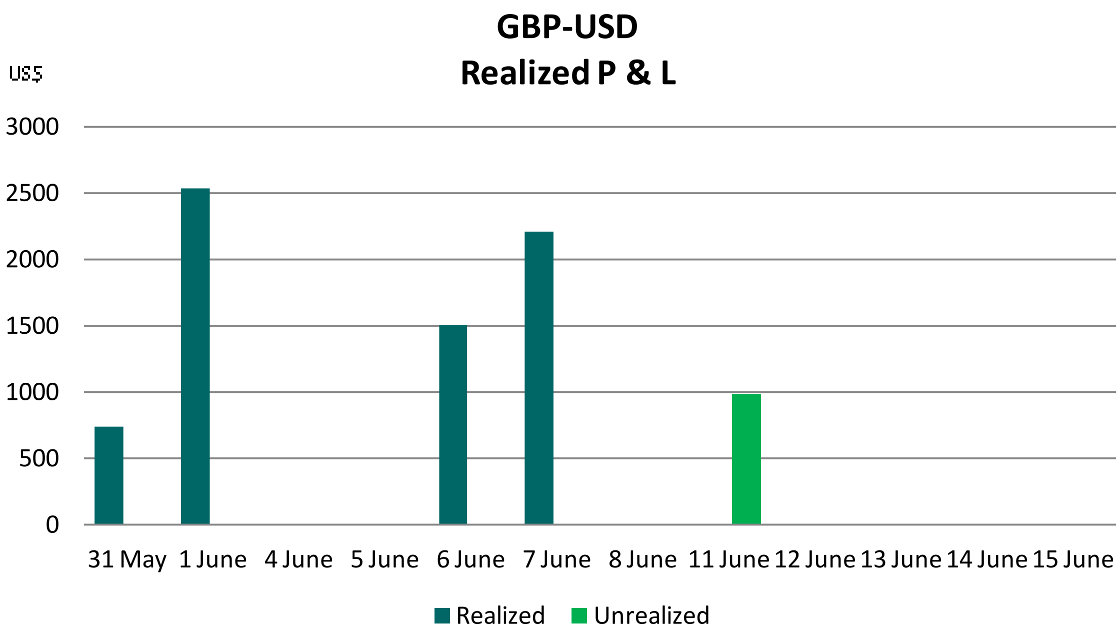
Compared to EUR-USD, price actions in GBP-USD was relatively tame as it opened trade some 39 pips higher compared to last Friday's closing in sympathy with the Euro. Previous report has noted that the counter-trend rally has pulled back some 61.8% of the rise from 1.52666 at 1.53934 with a print at 1.54022 on Friday and may be setting the stage for possibly another assault at last week's high of **1.55986**. This scenario did not quite pan out - yet as the overnight high of 1.55799 was some 19 pips short. However, on a close-to-close basis, GBP-USD did managed to register a positive closing. The possibility of a challenge of this level is still very much alive. The ideal scenario is for price action to stretch to the SZ at **1.58087-1.58463**; where the 127.0% projection of 1.52666 to 1.55986 from 1.54022 at **1.58238** lies. As noted, these levels in turn lay just above the 50.0% retracement of 1.62995 to 1.52666 at **1.57830**. From there, the idea is to position shorts for an anticipated resumption of the fall from 1.62995. This bearish scenario is, of course, subject to the assumption that there is no acceleration to the upside beyond this SZ.

# GBP-USD 1-HOURLY

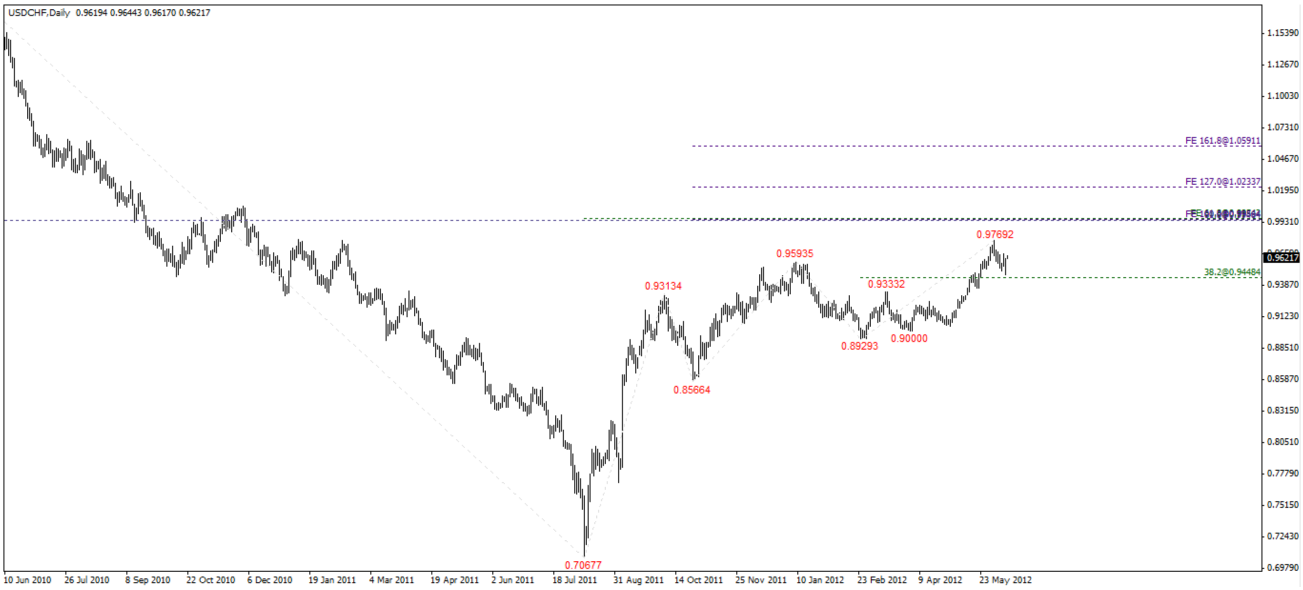



# Trade Ideas

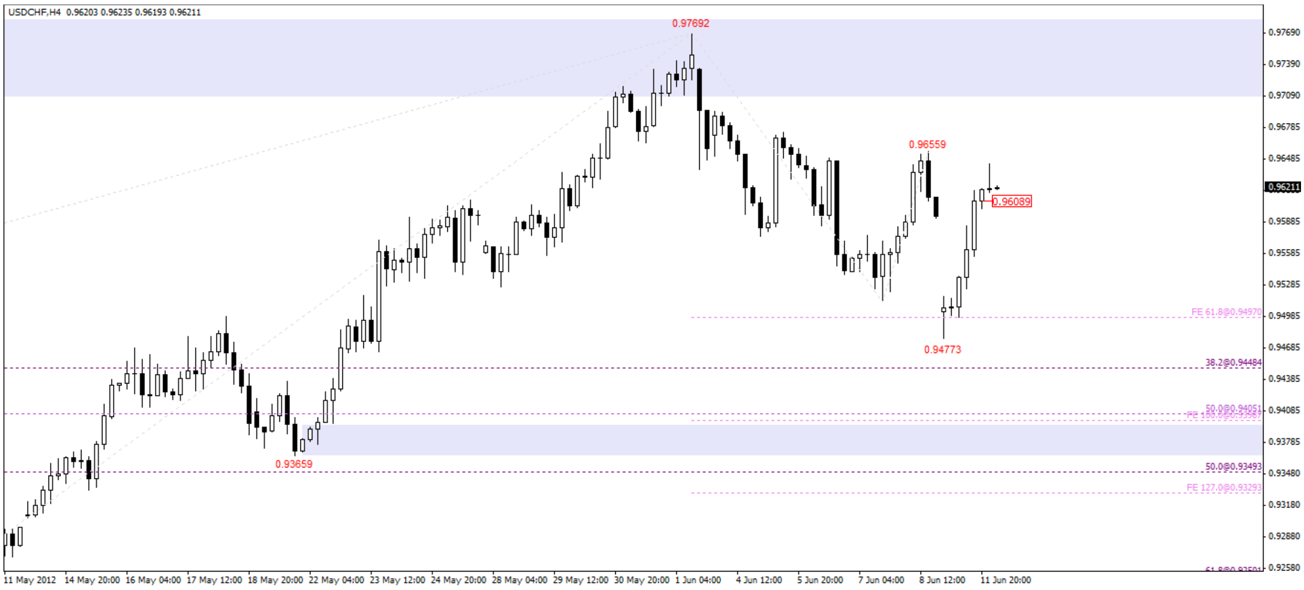
| ACTION | Target 1 | Target 2 | EXIT |
|---|---|---|---|
| **Bought @ 1.54342** | 1.56054 | 1.58087 | Break-even |



## USD-CHF DAILY



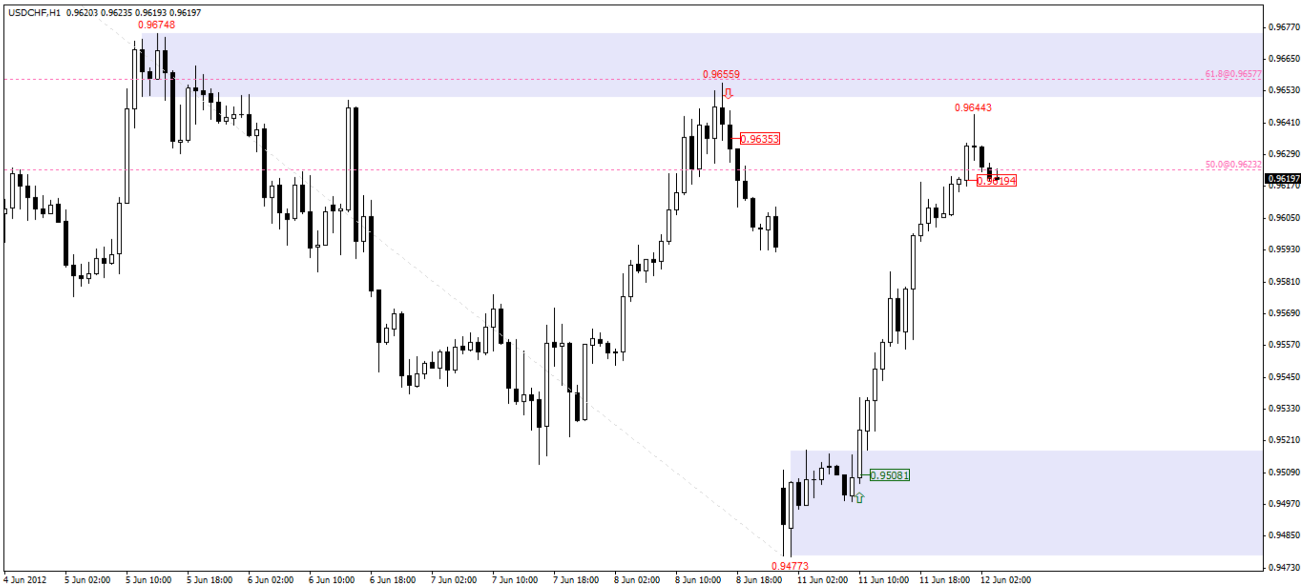

## USD-CHF 4-HOURLY




## USD-CHF Short to Medium Term View

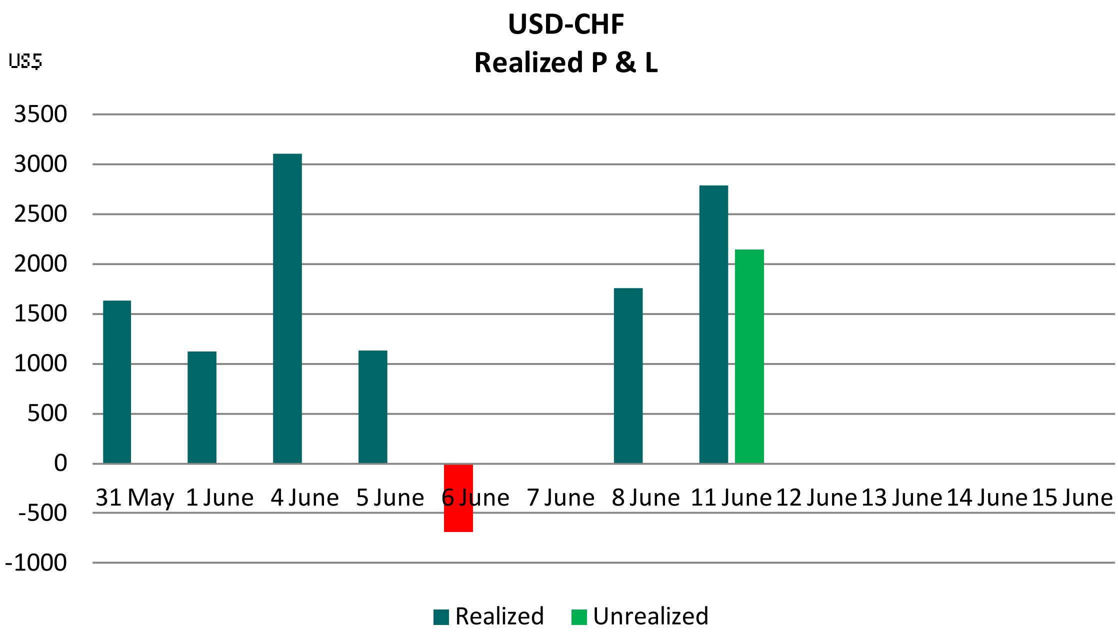
As noted, the fall from the SZ at 0.96631-0.97820 to the low at 0.95120 has a 3-wave structure. The weekend report allured to the possibility that price action may fall from Friday's closing level and eventually takes out **0.95120** before extending towards the DZ at **0.93656-0.93952**. Monday's decidedly weak opening fulfilled the initial bearish assessment but price action failed to extend towards the SZ as expected – at least not yet. From an opening gap of some 91 pips, the recovery from an early Asian low at 0.94773 was swift and sustained throughout the day until NY closing. Unless last week's high of **0.97692** is taken out convincingly, the short-term bearish bias is very much alive. If, however, **0.97692** is taken out first, it suggests that resumption of the medium to long-term rally from 0.70677 has begun.

## USD-CHF 1-HOURLY

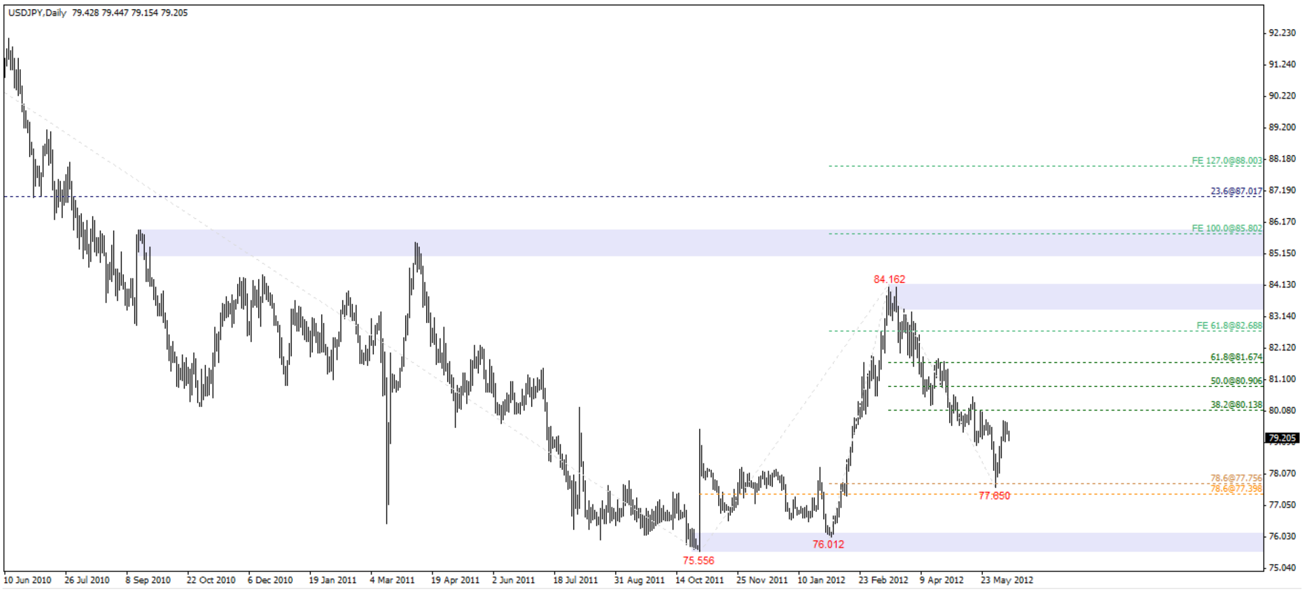



## Trade Ideas

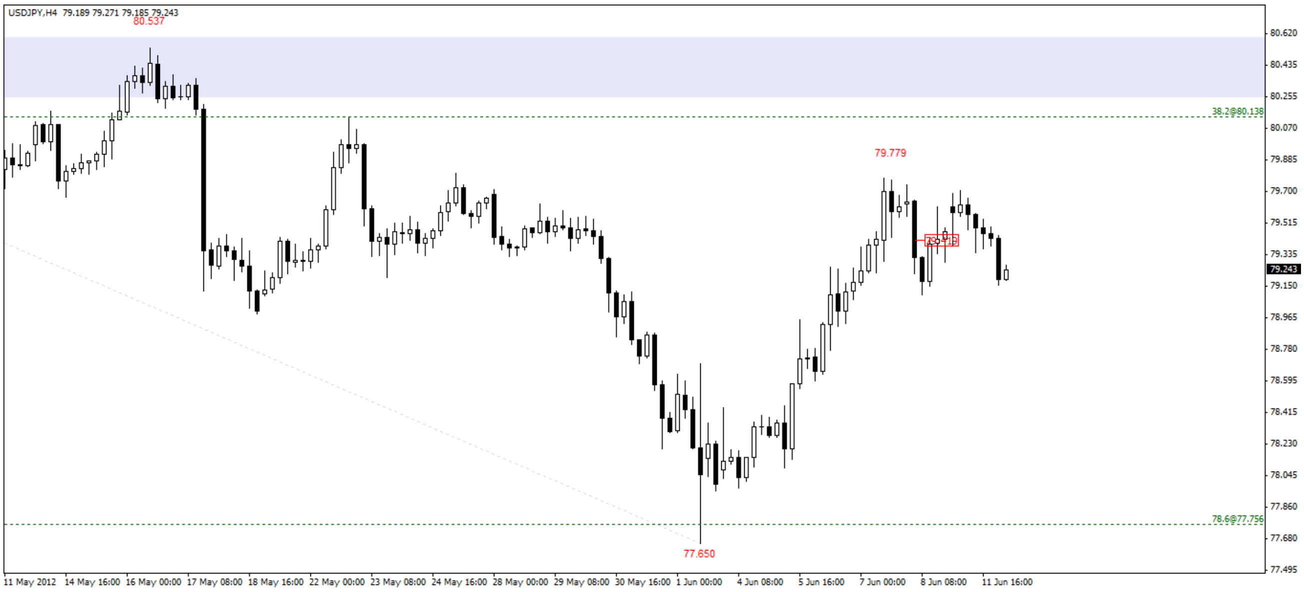
| ACTION | Target 1 | Target 2 | EXIT |
|---|---|---|---|
| **Bought @ 0.95081** | 0.96511 Realized | 0.97206 | Sell on 1-hour close below 0.96194 |



## USD-JPY DAILY



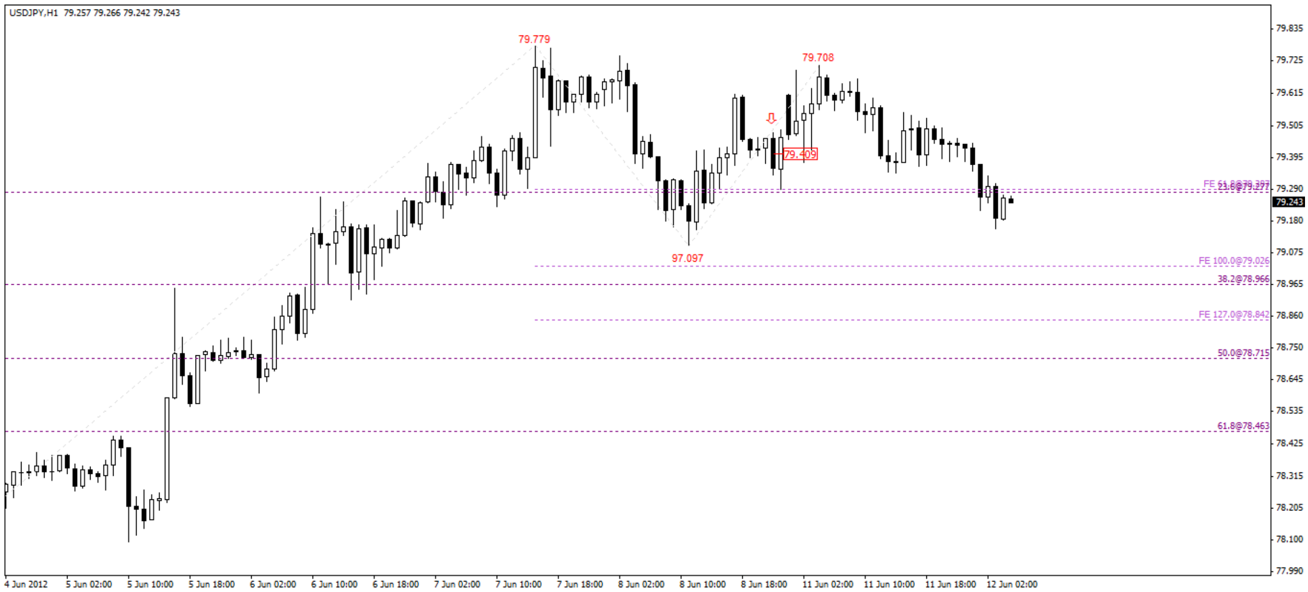

## USD-JPY 4-HOURLY




## USD-JPY Short to Medium Term Views

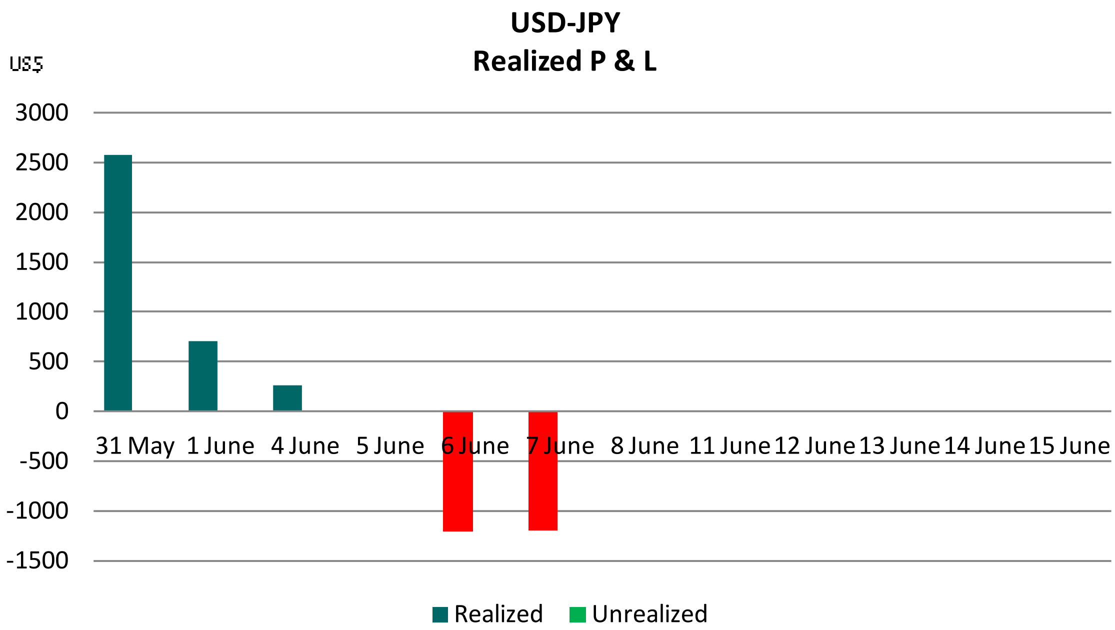
Unlike the other majors, price action hardly changed on Monday but gyrated between 79.692 and 79.381 upon Tokyo's opening before hitting an intraday high of 79.708 and drifted lower throughout the day. As noted, the relative strength of the rebound from 77.650 may yet extend towards the SZ at **80.244-80.598** - just above the 38.2% retracement of 84.162 to 77.650 at **80.138**. On balance, the rally from 76.012 is probably part of an initial wave of a counter-trend rally. The first wave probably terminated at the high of 84.162 and the current recovery from 76.012 is quite possibly the C wave of this corrective rally. If so, this unfolding rally may stretch to the 100.0% projection of 76.012 to 84.162 from 77.650 at **85.800**. This is also where a SZ at **85.072-85.914** is located. In the meantime, an initial target is the 38.2% retracement of 84.162 to 77.650 at **80.138** or the SZ at **80.244-80.598**. A pullback from there would ideally set the stage for a further extension towards the 61.8% retracement of 84.162 to 77.650 at **81.674** before attempting the C wave objective of **85.800**.

# USD-JPY 1-HOURLY

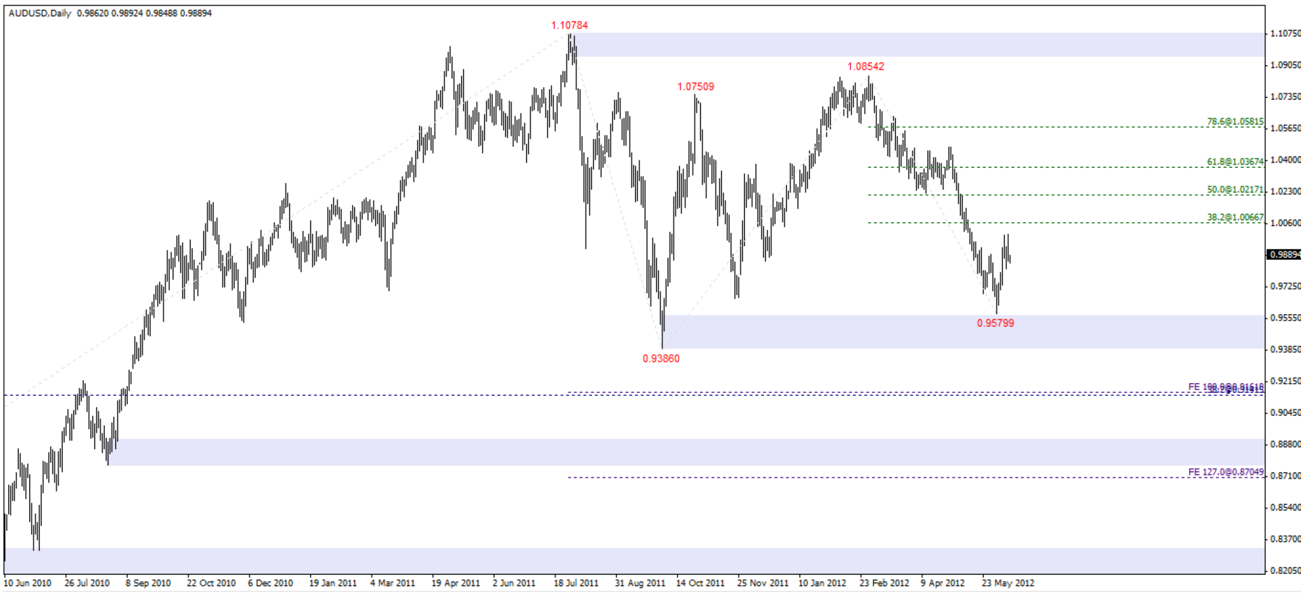



# Trade Ideas

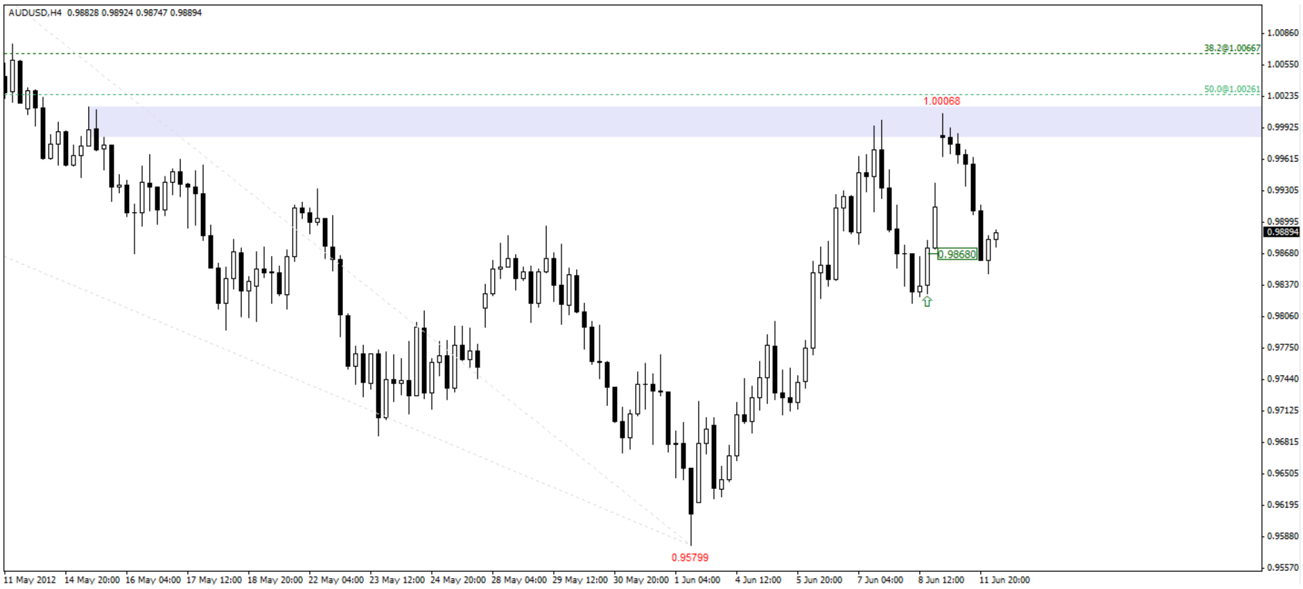
| ACTION | Target 1 | Target 2 | EXIT |
|---|---|---|---|
| Sold @ 79.409 | 78.966 | 78.747 | 79.713 STOP |



## AUD-USD DAILY



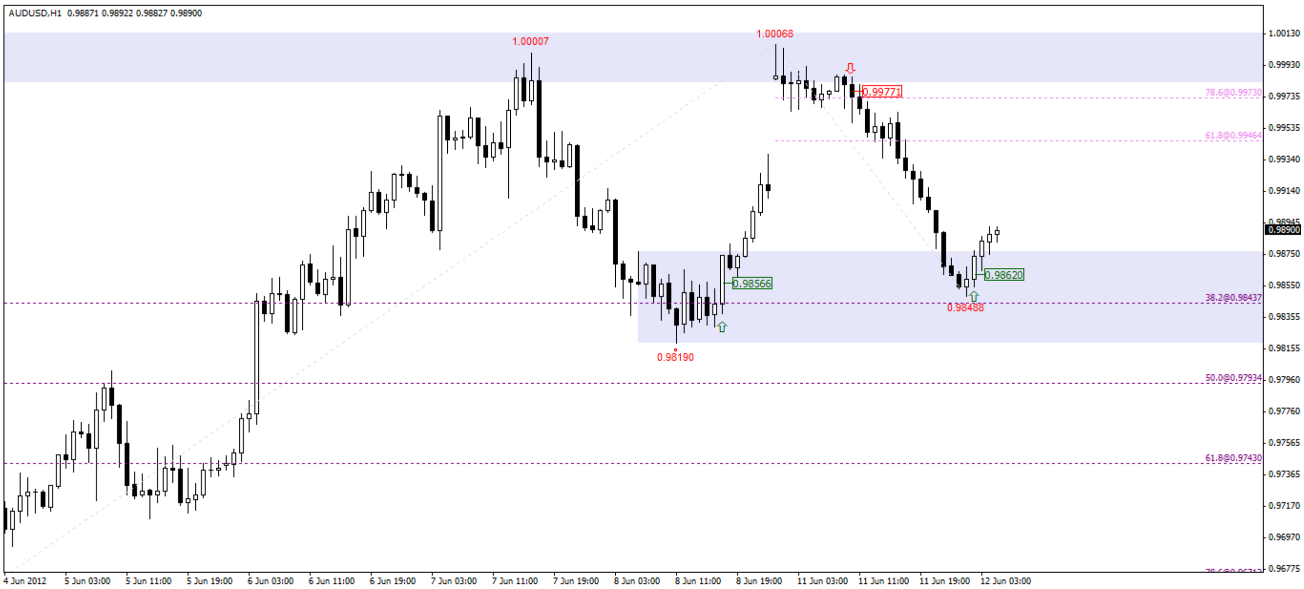

## AUD-USD 4-HOURLY




## AUD-USD Short to Medium Term Views

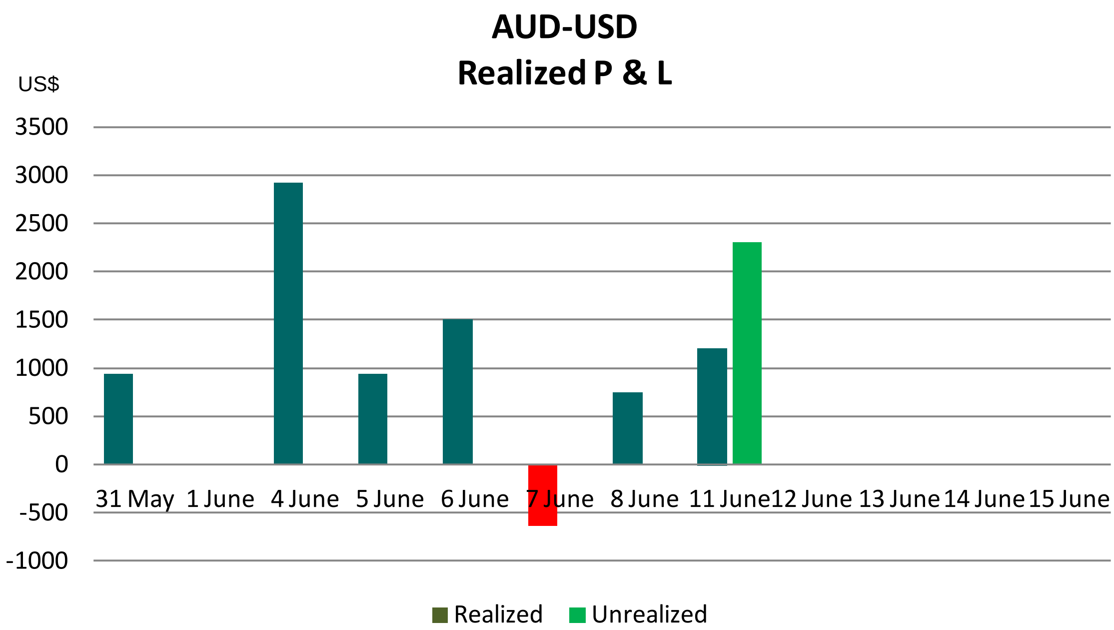
Price action gapped up some 70 pips at the opening on Monday and traded back into the the SZ at **0.99834-1.00133** with an intraday high at 1.00068. This completed the 5-wave structure which bodes well for a bullish case. After all, it was earlier noted that the rise from 0.95799 has inherent strength and the fact that the daily chart has turned positive is a reminder that the underlying bias is bulish. This bullish bias will be further enhanced with a closing above **1.00120** in the weekly chart in due course. In the meantime, a pullback to the 4th wave of a lesser degree near **0.98190** where an immediate DZ at **0.98190-0.98766** is probably setting the stage for another surge to challenge the April high at **1.04723**. An intermediate target is the 61.8% retracement of 1.08542 to 0.95799 at **1.03674**.

# AUD-USD 1-HOURLY




# Trade Ideas

| ACTION | Target 1 | Target 2 | EXIT |
|---|---|---|---|
| **Bought @ 0.98620** | 0.99464 | 1.00667 | 0.98090 STOP |



Website under development

# 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.

## Non Affiliation Policy

Traders Academy International is an independent organization with no affiliation with any brokers or organizers of our events. From the onset, this policy of non-affiliation has served us well as we do not believe our students' interests will be served if we have a separate agenda. This is in contrast with industry practice. Our objective has been and will continue to be to educate the trading public our time-tested and highly effective methodologies to take on the markets in an easy-to-understand format.

We have never advertised our services but words of mouth have spread far and wide. Over the last three years or so, demands for our trading workshops are so high that we have to turn away some due to scheduling.