Tues, June 05, 2012
Weekday Edition

FOREX OUTLOOK

A Traders Academy International Publication

Euro Recovers On Misplaced Optimism

The Euro rallied against the US Dollar and the Japanese Yen on Monday as Euro zone peripheral bond yields eased on optimism European authorities will yet keep the Euro zone intact though concerns over Spain's ailing banking sector and global growth capped gains.

Markets had already been speculating there could be some new plan or action to work through the euro zone debt crisis and keep Greece in the Euro zone before Nowotny's comments. More insight on potential monetary easing may come from Wednesday's European Central Bank meeting, with markets positioning for an outside chance of a rate cut.

Factory prices held steady in the euro zone in April, giving the ECB some room to cut rates. The outlook of the euro will depend on how ready and willing the European Central Bank's is to provide stimulus to the European economy.

On Thursday, Federal Reserve Chairman Ben Bernanke testifies before a congressional committee about the U.S. economy and may offer more clues to possible policy stance. The weak U.S. labor market has raised expectations of more Fed quantitative easing by some analysts.

The Euro's sell-off intensified last week after Spain's borrowing costs spiked on worries it may need to issue more bonds to bolster its ailing banks, putting more stress on markets already concerned that Greece may exit the euro zone. Spanish and Italian bond yields eased on Monday, but with no credible and long-lasting policy response expected, borrowing costs are likely to stay elevated.

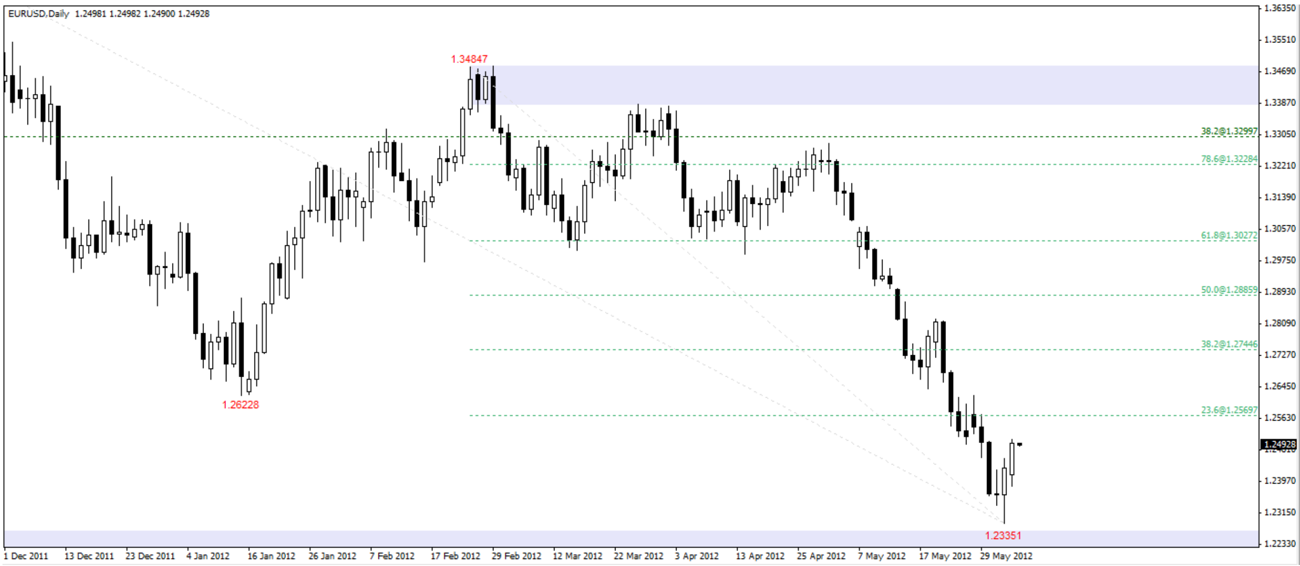
Market players saw few reasons to buy the Euro, though there could be bouts of short-covering. Short positions in the Euro surged to the highest on record, the Commodity Futures Trading Commission said.

USD-JPY rose to 78.444 yen, off Friday's trough of 77.650, its lowest since mid-February. The pair has been volatile on fears of Yen-selling intervention by the Japanese authorities, a factor which will keep traders edgy.

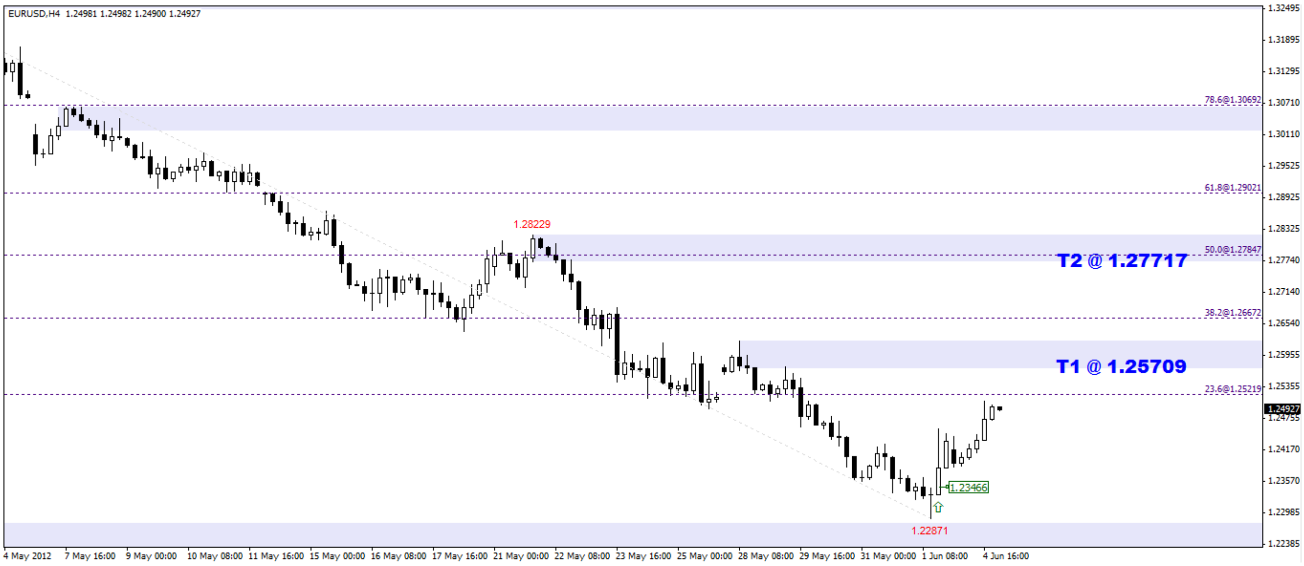
Expectations of more easing by the Bank of England also kept a lid on the British pound. GBP-USD was 0.3 percent higher at 1.54136, with some traders looking to sell into a bounce before a BoE policy decision on Thursday.

Content:

EUR-USD DAILY



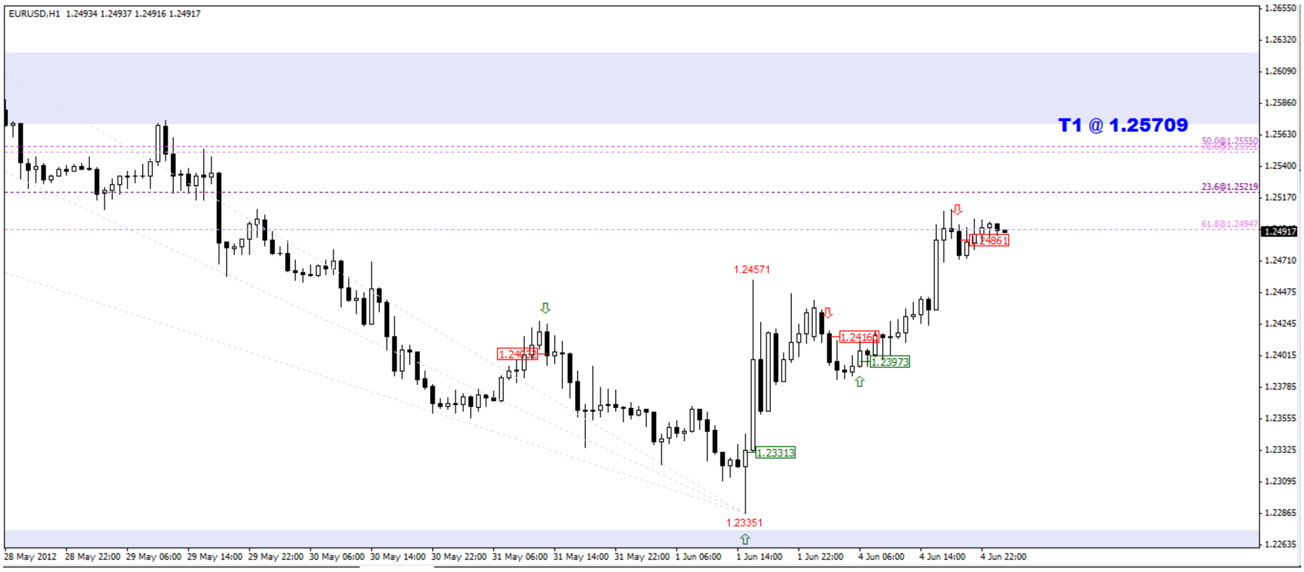
EUR-USD 4-HOURLY



EUR-USD Short to Medium-Term Views

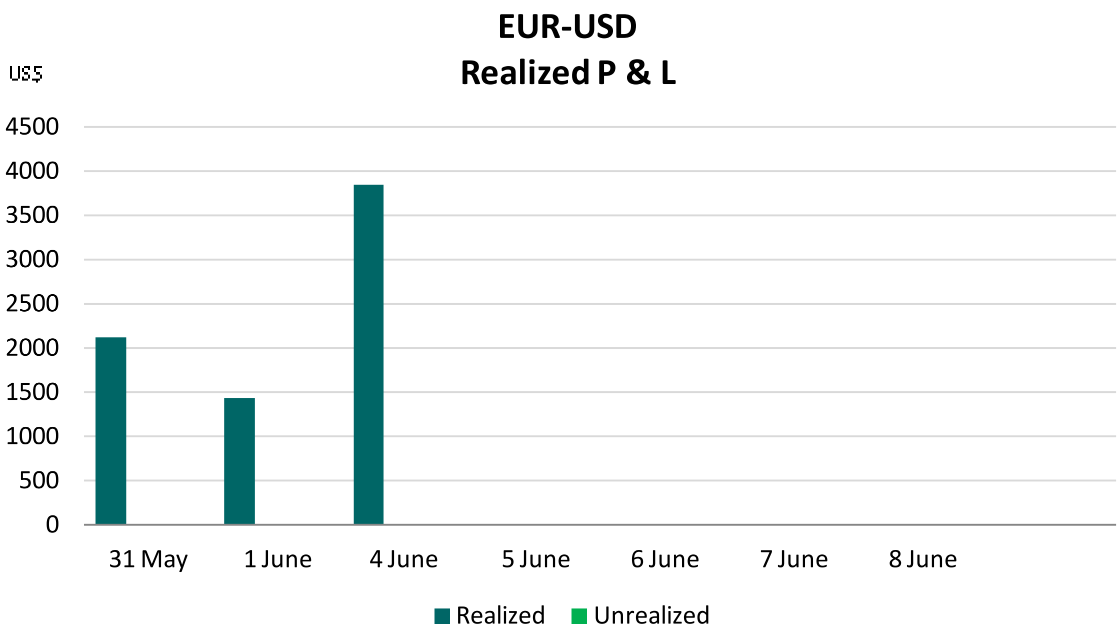
Price action recovered from last Friday's low of **1.22871** (which was just a touch above the DZ at **1.21466-1.22740)** following the appearance of a long-legged shadow doji in the H4 chart - which promptly triggered a buy signal with a close above **1.23465**. This rebound could eventually take price action back to the 50.0% retracement of 1.32822 to 1.22871 at **1.27847** – which in turn is within a SZ at **1.27810-1.28229**. Immediate resistance may come from **1.25608-1.26230** (see H4 chart). However, in the H1 chart, a sell signal was triggered with a close below **1.24861** on the back of a bearish harami. Overall, the downtrend from the May's peak of 1.32822 is very much intact. The longer-term view that the flag formation seen in the monthly chart is likely to result in price action stretching all the way to the 61.8% retracement of 0.82250 to 1.60370 at **1.12092** - with the nearest area of possible buying interests at the DZ at **1.21466-1.22740** followed by another at **1.18754-1.19770**.

EUR-USD 1-HOURLY

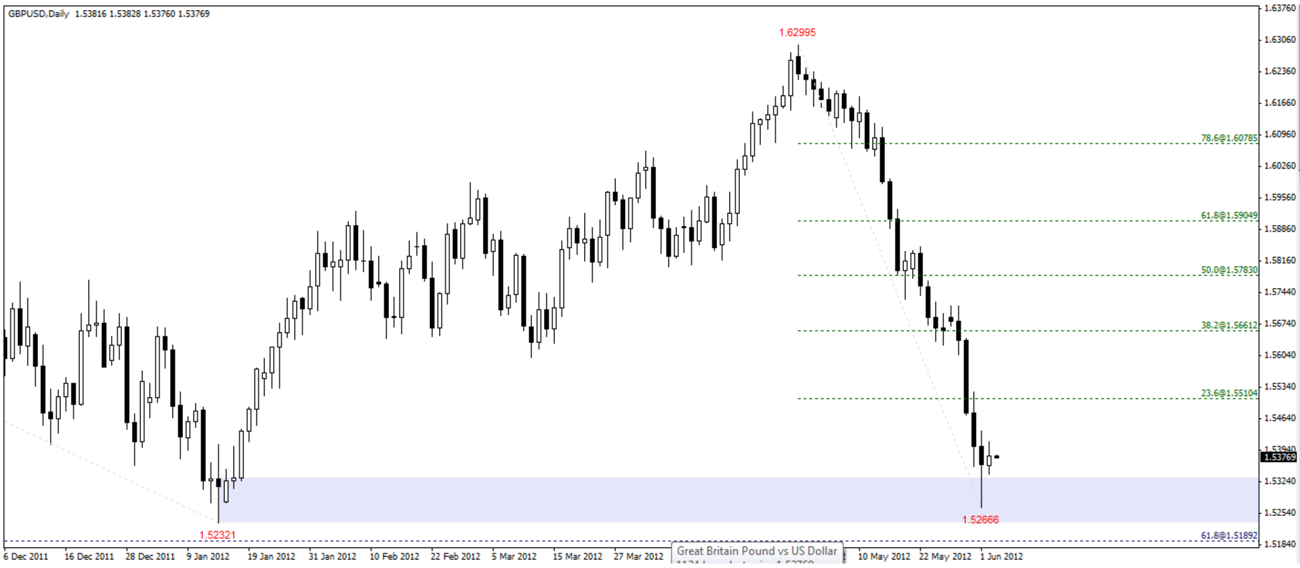


Trade Ideas

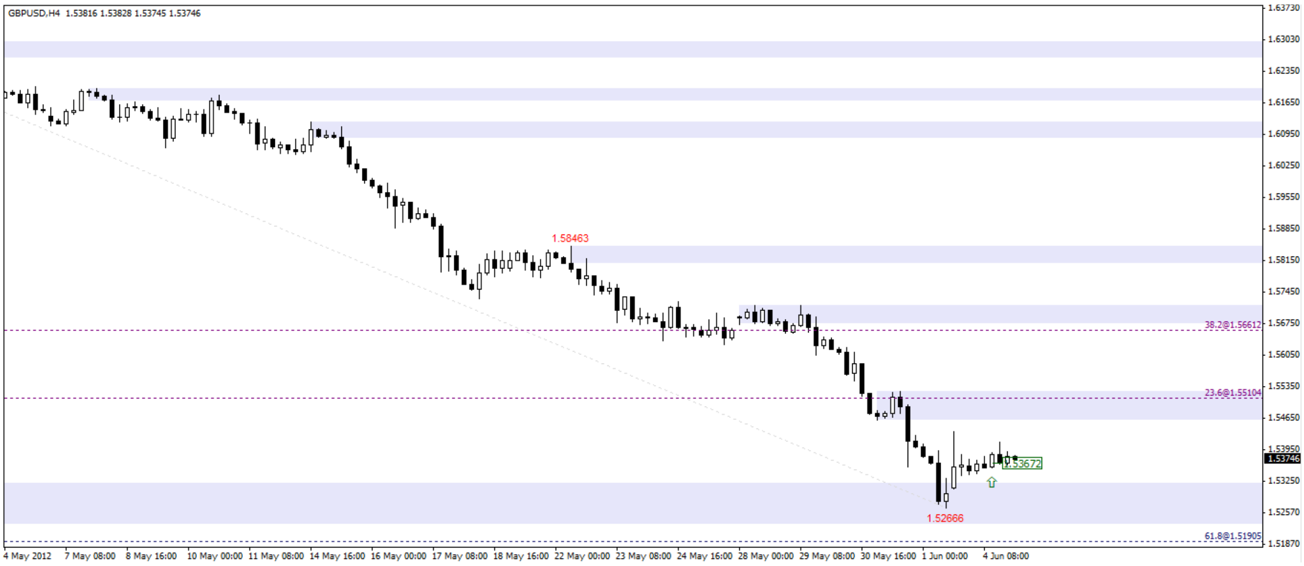
ACTION	Target 1	Target 2	EXIT



GBP-USD DAILY



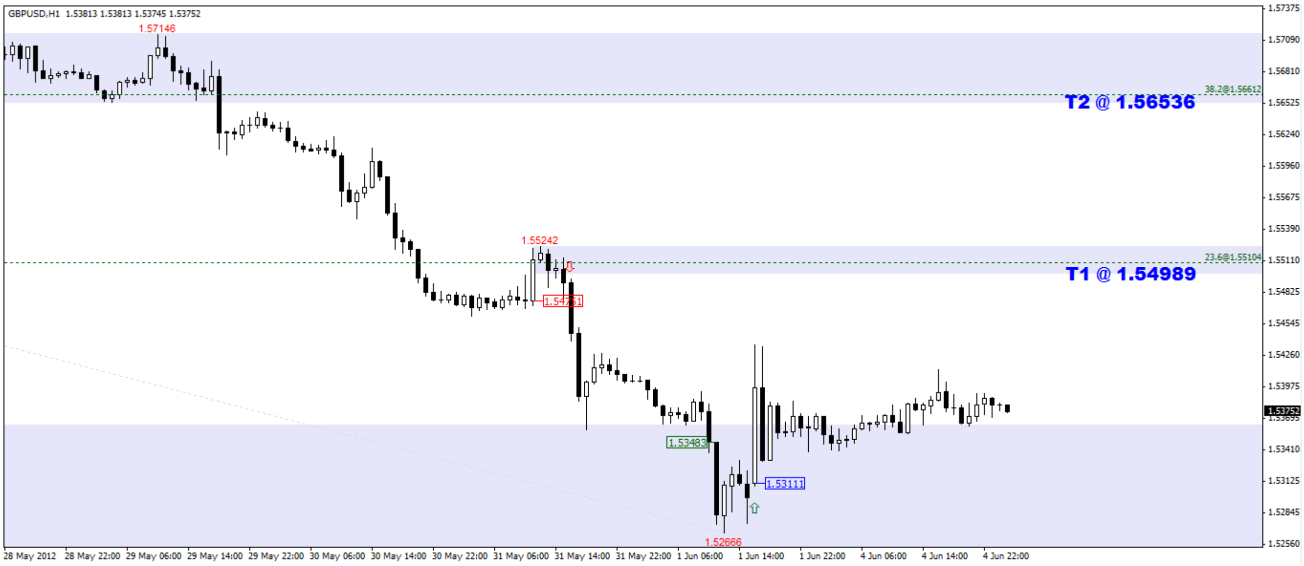
GBP-USD 4-HOURLY



GBP-USD Short to Medium Term Views

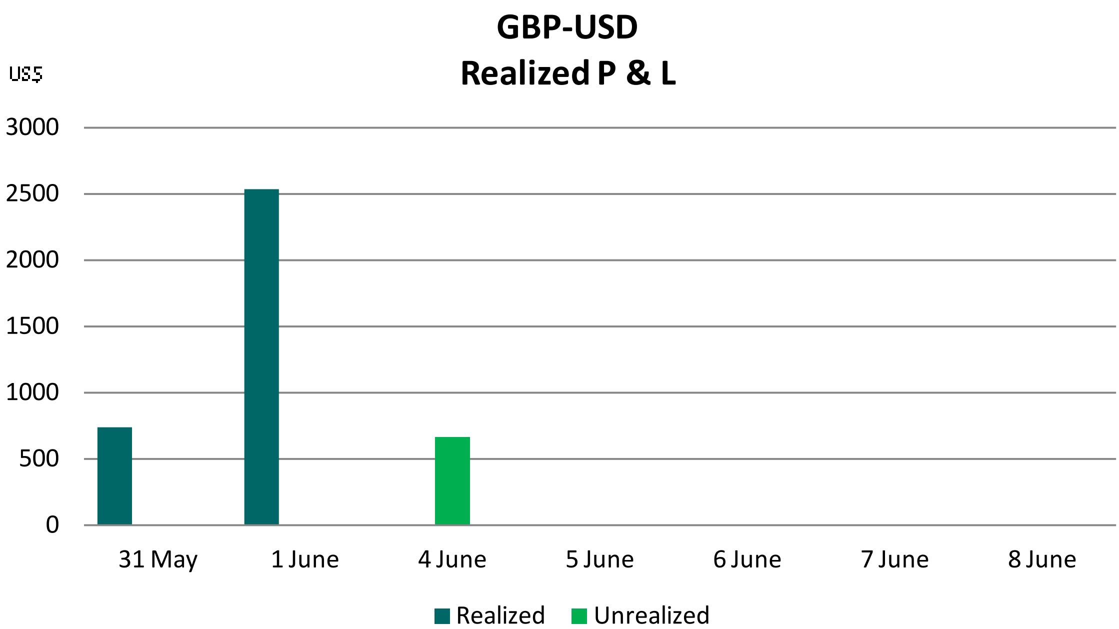
The rebound from last Friday's low of 1.52666 has been rather shallow throughout Monday's session, partly because of the UK bank holiday. The massive fall of some 1032.9 pips or 6.7 in May from a height of 1.62995 is no longer treated as a correction but a resumption of the long-term downtrend having extended its losses below the 78.6% retracement of 1.52321 to 1.62995 at **1.54605**. As noted, this level represents perhaps the deepest correction allowable. Friday's low at **1.52666** hit an important longer-term demand zone at **1.53231-1.53277** and rebounded. Below this immediate DZ at **1.53231-1.53277** lies a more significant DZ at **1.42300-1.45260**. What happen next can be illuminating. As noted, a sustained rebound from 1.52666 could mark a significant turning point as price action rebounded off the longer-term triangle formation. As the market corrects in the coming sessions, an immediate hurdle is the overhead SZ at **1.54982-1.55242** where the 23.6% retracement of 1.62995 to 1.52666 at **1.55104** is.

GBP-USD 1-HOURLY

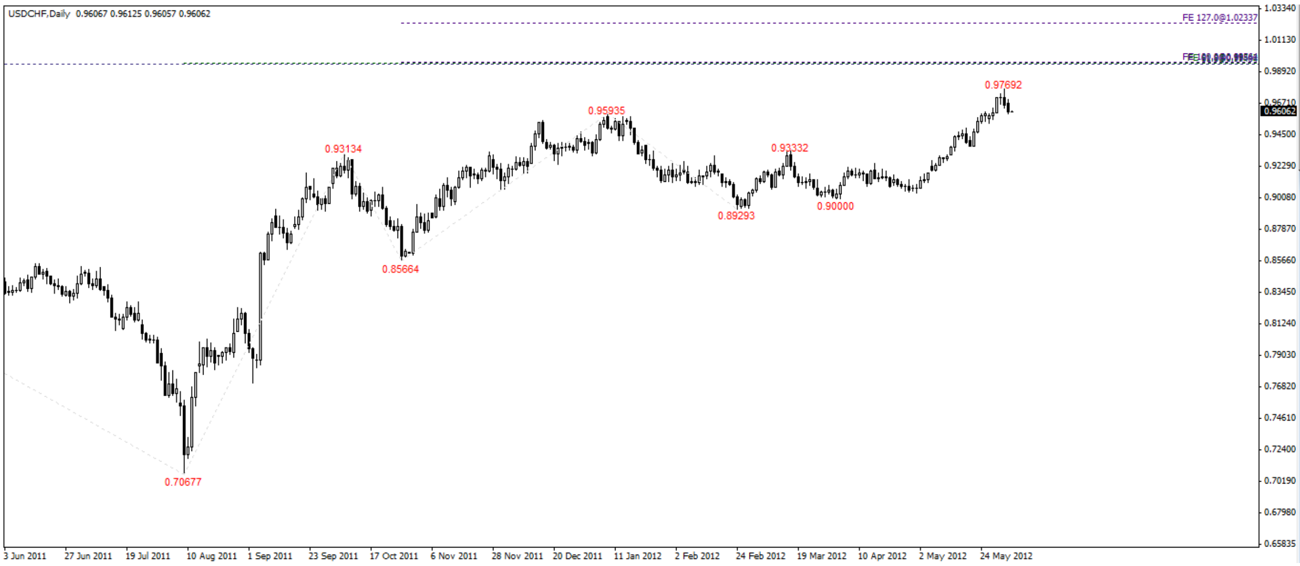


Trade Ideas

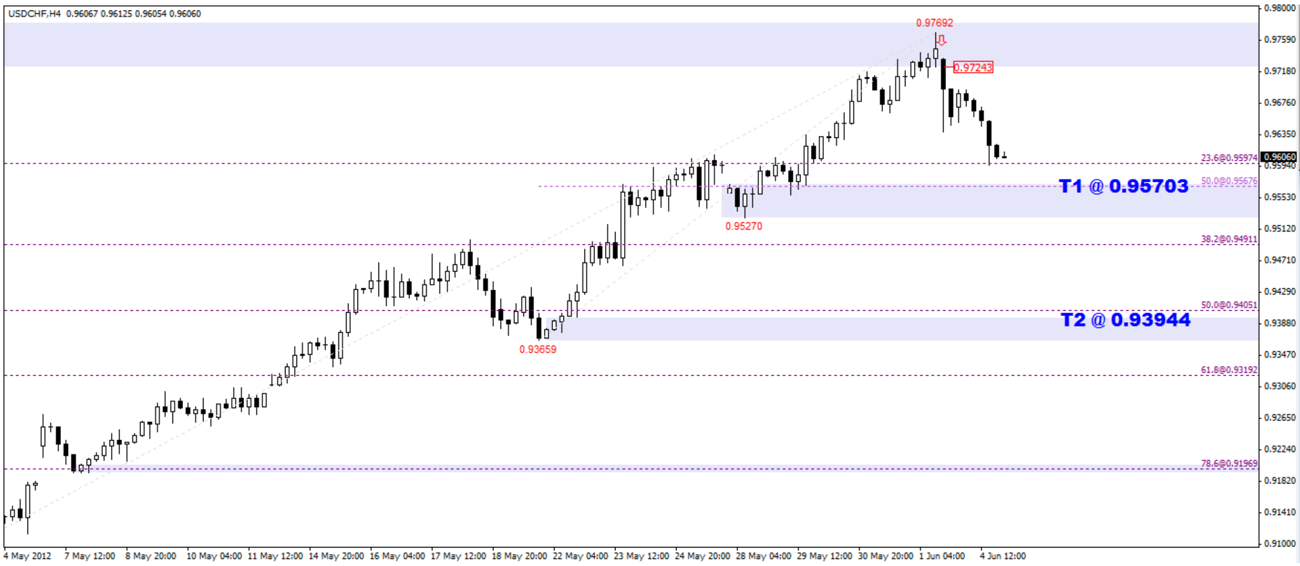
ACTION	Target 1	Target 2	EXIT
Bought @ 1.53483	1.54958	1.56536	Exit on 1-hr close below 1.53111



USD-CHF DAILY



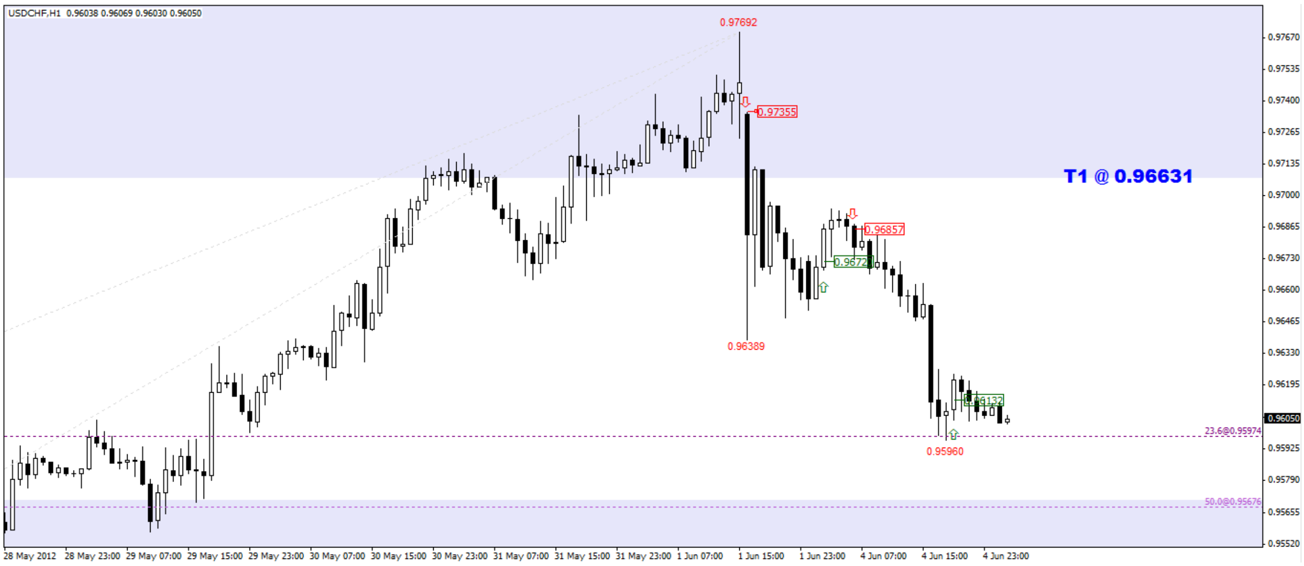
USD-CHF 4-HOURLY



USD-CHF Short to Medium Term View

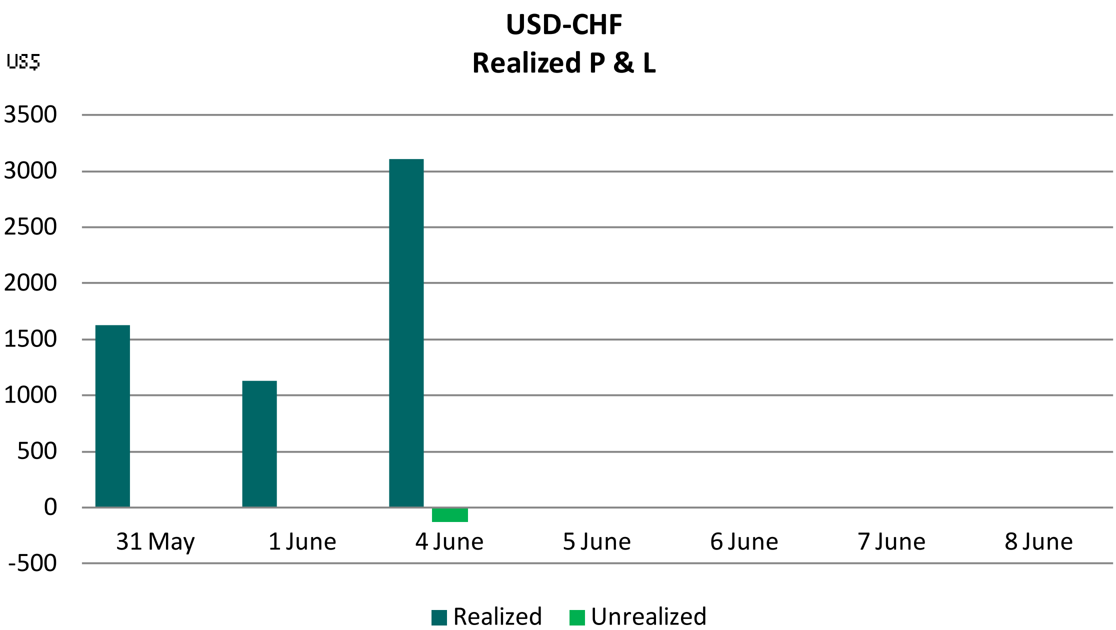
Last week's rally culminated with a high at **0.97692** – a level not seen since 16 February 2011 and into an ancient supply zone at **0.96631-0.97820** from way back in January 11, 2011. As suspected, long liquidations persist into the new week and have taken price action to the 23.6% retracement of 0.90411 to 0.97692 at **0.95974** with an overnight low at 0.95960. The sharp fall in the overnight NY session may yet take this correction back to the immediate DZ at **0.95268-0.95704** where the 50.0% retracement of 0.93659 to 0.97692 at **0.95946** resides. From there, potential re-emergence of buying interests which may propel price action to test last week's high. As noted, failure to contain this rally at Friday's high would shift focus to the 61.8% retracement of 1.17296 to 0.70674 at **0.99486**

USD-CHF 1-HOURLY

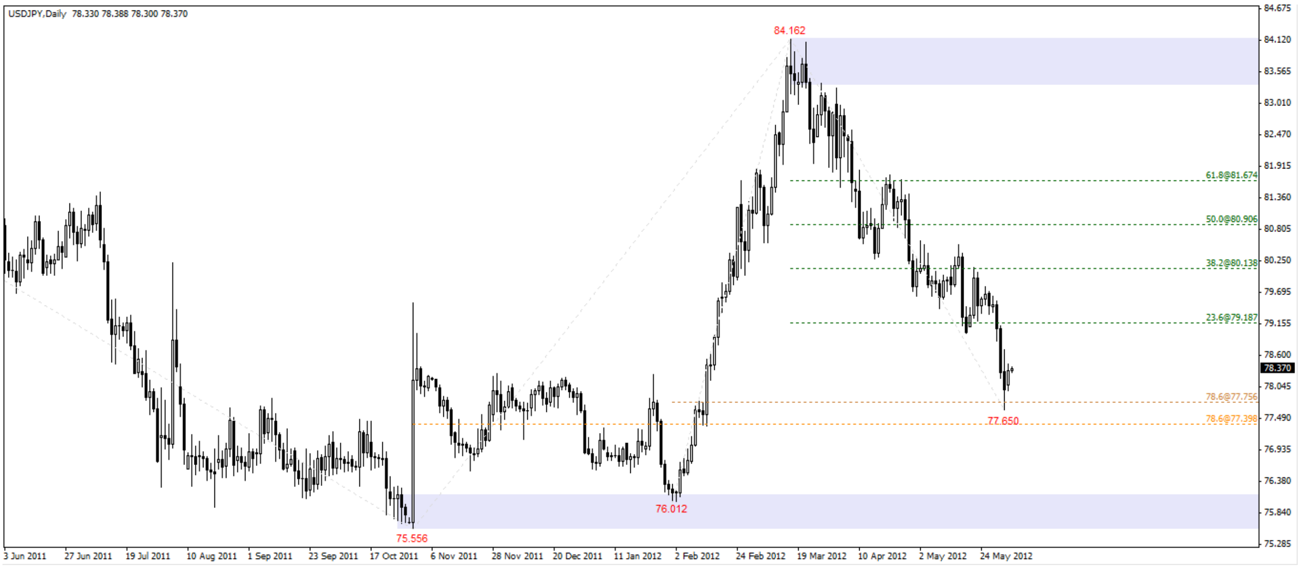


Trade Ideas

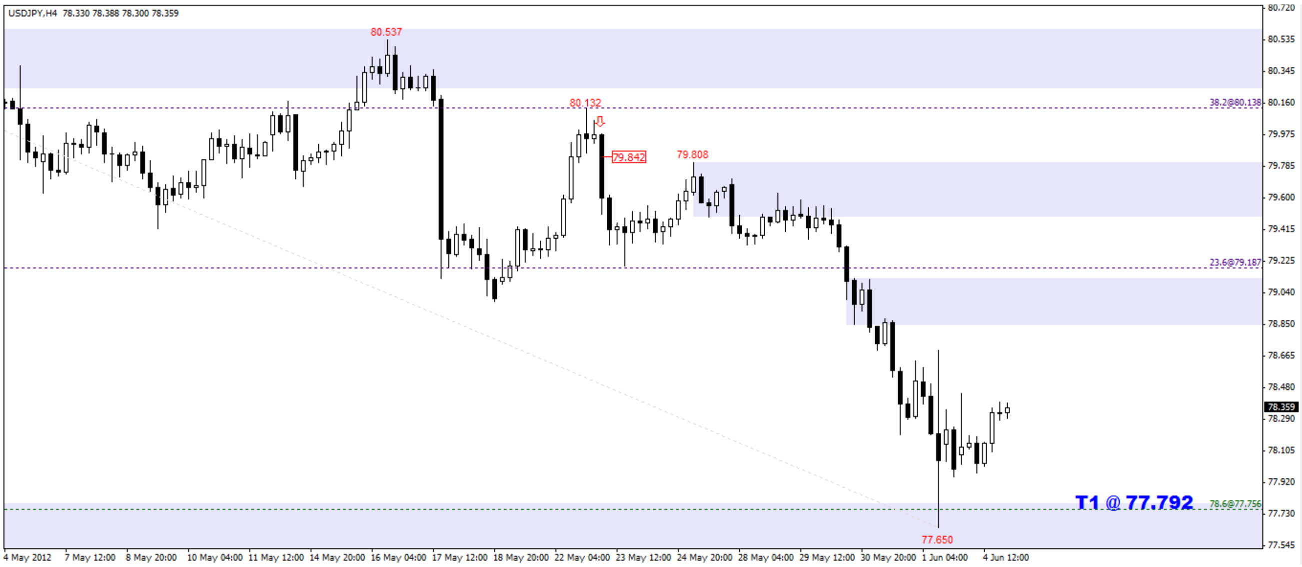
ACTION	Target 1	Target 2	EXIT
Bought @ 0.96132	0.96631	0.99486	0.95860 Stop



USD-JPY DAILY



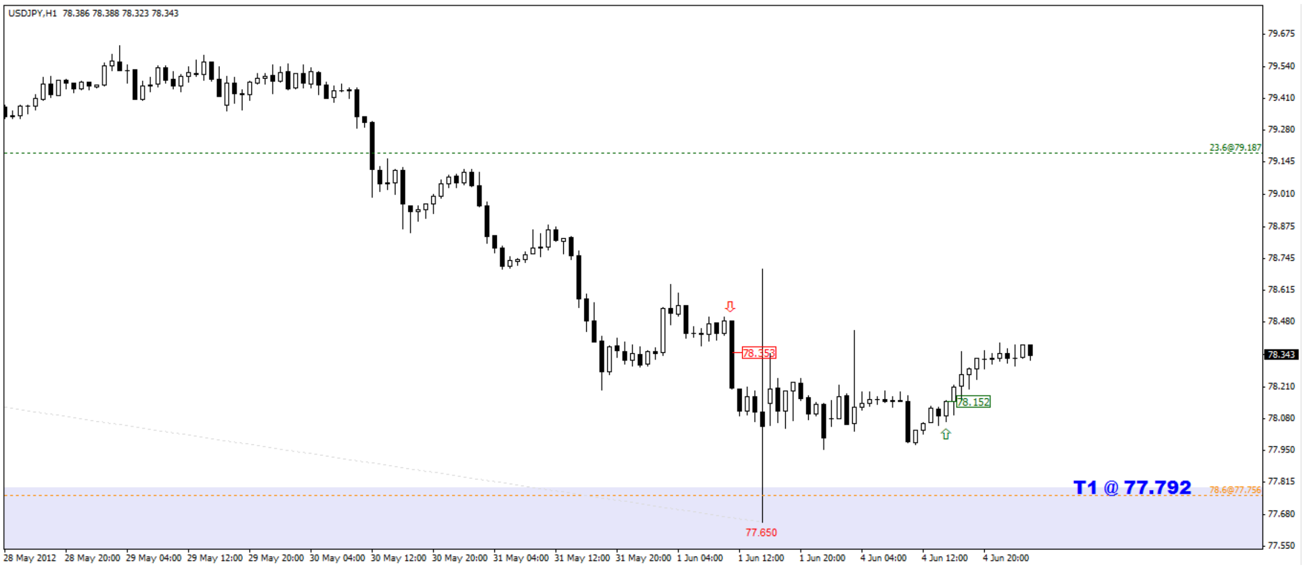
USD-JPY 4-HOURLY



USD-JPY Short to Medium Term Views

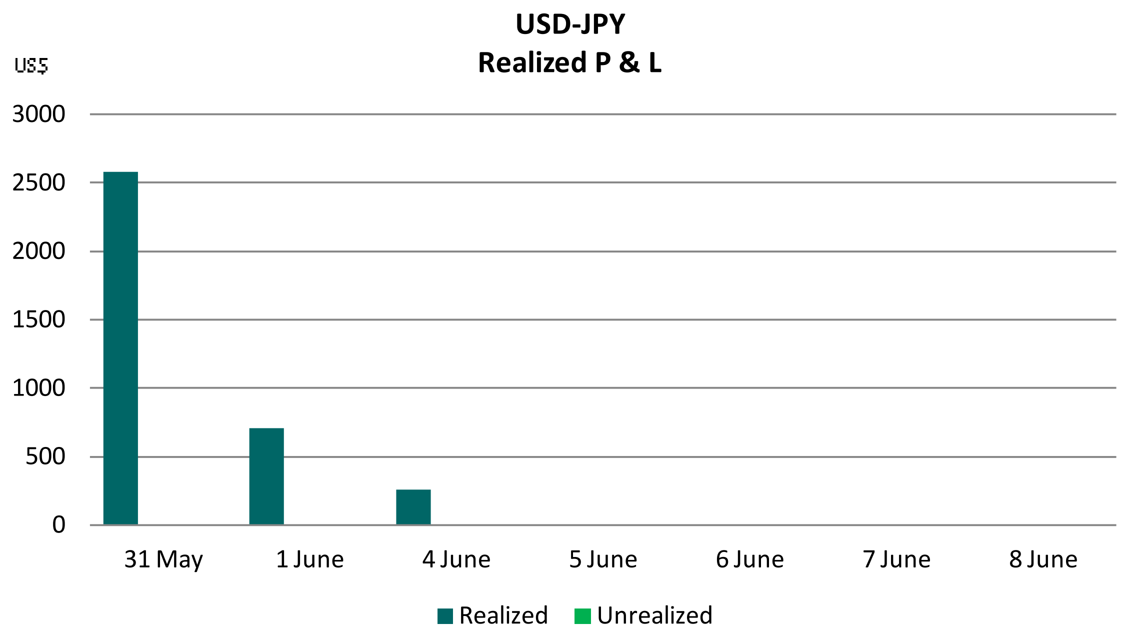
Last week's price collapse hit the pocket between the 78.6% retracement of 75.556 to 84.162 at **77.398** and the 78.6% of 76.012 to 84.162 at **77.756** within the demand zone at **77.350-77.795** and rebounded. As noted, this area represents perhaps the last line of defense before this correction unravels into a full resumption of the long-term downtrend - below the all-time low of **75.556**. The rebound so far has been tentative and there is still a possibility that price action may re-test this demand zone in the coming sessions. Even if the rebound persists, it is likely to encounter resistance from within the overhead supply zone at **80.244-80.598** which sits just above the 38.2% retracement of 84.162 to 77.650 at **80.138**.

USD-JPY 1-HOURLY

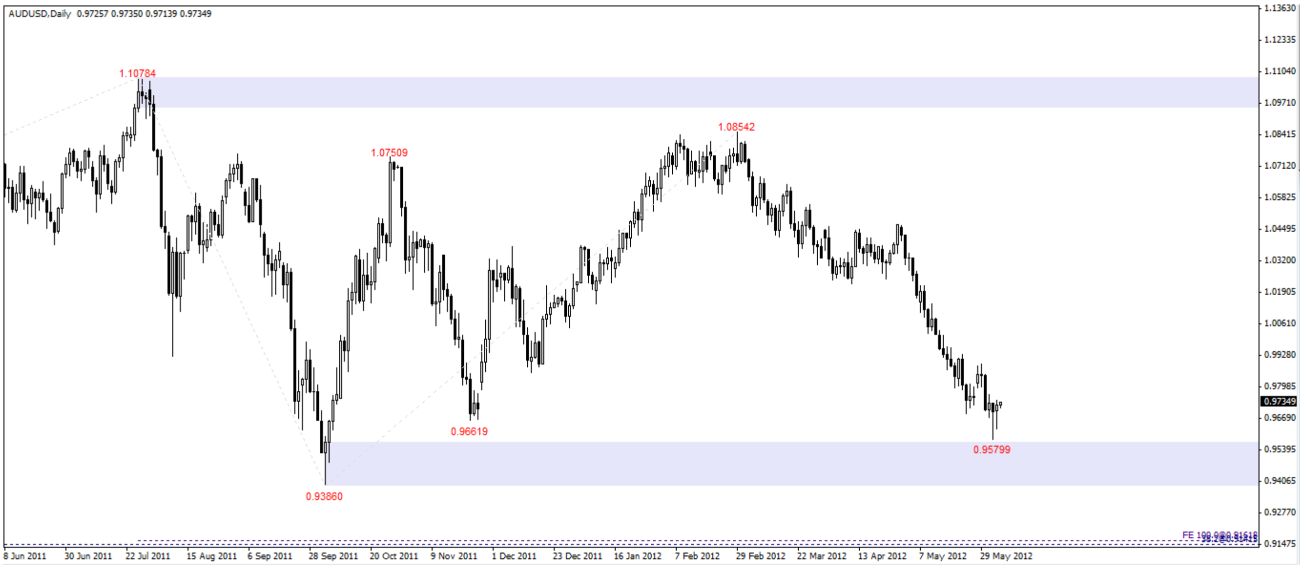


Trade Ideas

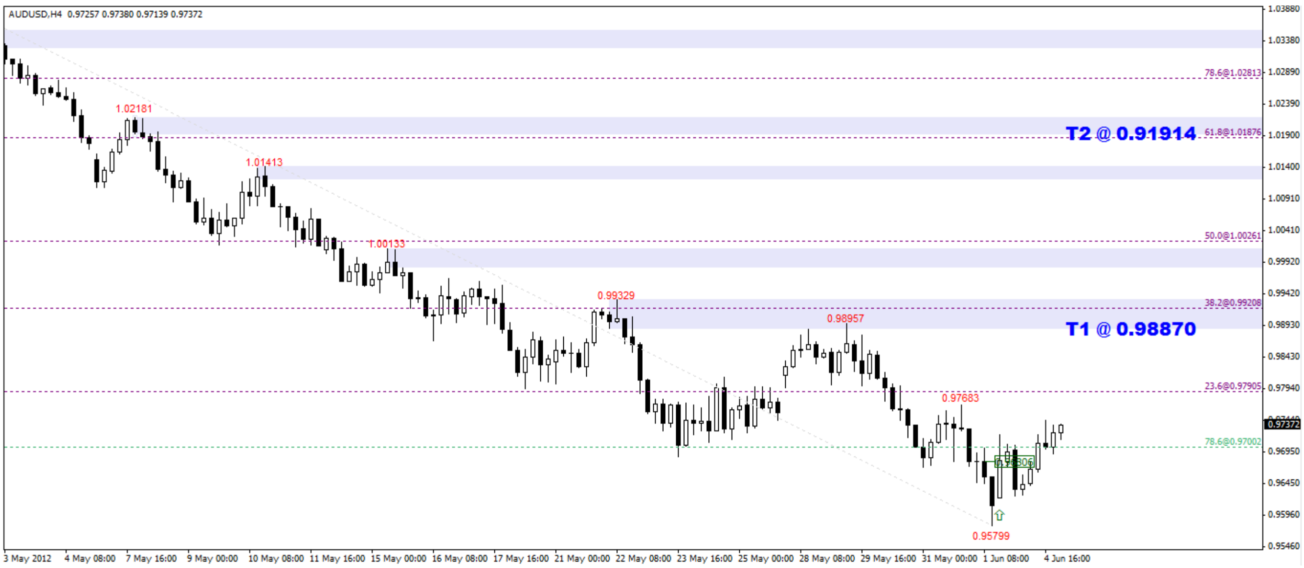
ACTION	Target 1	Target 2	EXIT



AUD-USD DAILY



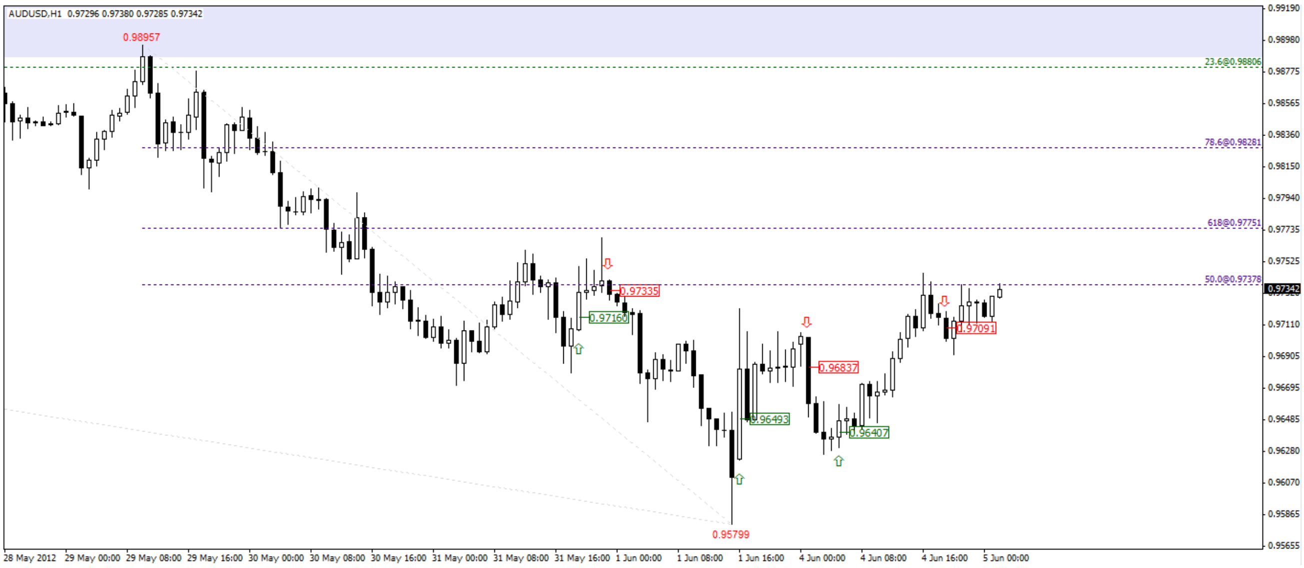
AUD-USD 4-HOURLY



AUD-USD Short to Medium Term Views

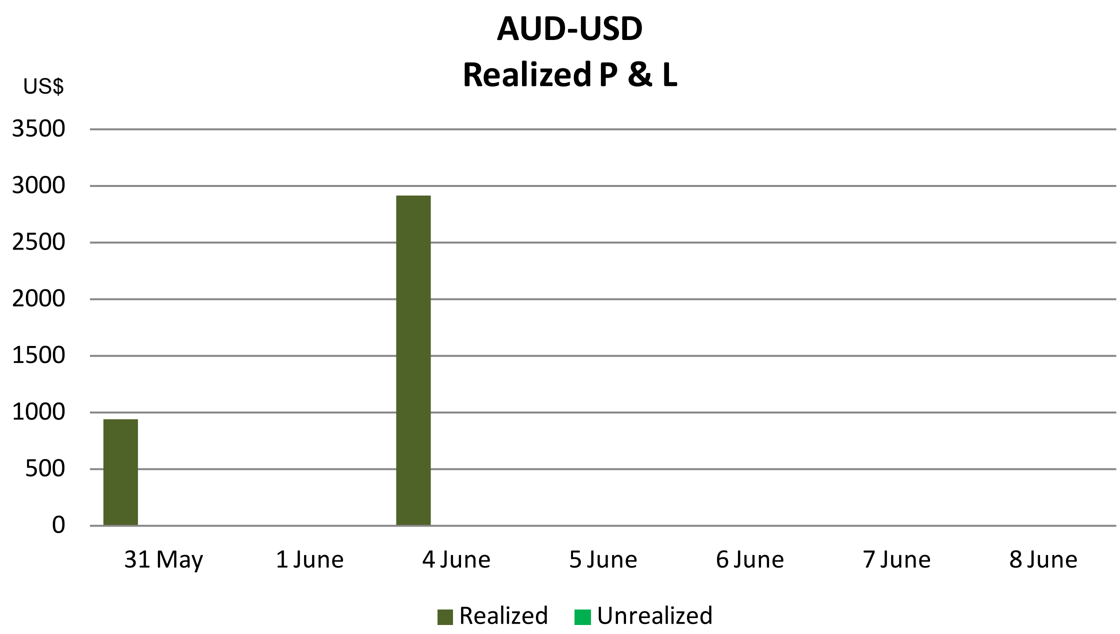
The fall from 1.08542 on the last day of Feburary may have reached a climax last Friday with an accelerated fall to a 14-weeks low at **0.95799**. This is because by the end of last week's closing, a hammer has appeared in the daily chart. A daily close above **0.98470** next would add considerable confidence to this assessment. Now that a correction is taking hold, focus is on the 23.6% retracement of 1.08542 to 0.95799 at **0.98806** which lies just below the overhead supply zone at **0.98878-0.99329**. Having said that, in the absence of a concerted rally, the last three months fall appears destined for the Fibonacci cluster of (1) the 61.8% retracement of 0.80645 to 1.10784 at **0.92158**, (2) 38.2% retracement of 0.60080 to 1.10784 at **0.91415** as well as (3) the 100.0% projection of 1.10784 to 0.93860 from 1.08542 at **0.91618**.

AUD-USD 1-HOURLY



Trade Ideas

ACTION	Target 1	Target 2	EXIT



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.