

A Traders Academy International Publication

Japanese Plunges To Year Low

The US Dollar rose against major currencies on Monday, buoyed by uncertainty about U.S. budget talks, while the Japanese Yen tumbled to a 20-month low after Japan's incoming prime minister stepped up pressure on the Bank of Japan to ease monetary policy.

Volatility could increase as the year-end deadline on the U.S. "fiscal cliff" approaches with little progress on reaching a deal to avoid \$600 billion in tax hikes and spending cuts that could tip the U.S. economy back into recession. A deal in the coming days could spark a rally in the Euro, the Australian and Canadian dollars as traders' appetite for risk increases, while no deal may spur demand for the safe-haven U.S. Dollar and Japanese Yen.

The shortened week may possibly make this week a volatility event for the market with some analysts expecting a 1 percent rally for risk FX if a deal looks to be done, but a possible severe selloff of 2 percent or more if it fails to materialize. The risks are skewed to the downside as market remains complacent about a compromise, but for now traders are betting that a deal gets done. Many traders opted to stay on the sidelines in thin pre-holiday trading on Monday, awaiting headlines from Washington.

The Democratic president and Republican House of Representatives Speaker John Boehner, the two key negotiators, are not talking and are out of town for the Christmas holidays. Congress is in recess, and will have only a few days next week to act before January 1. Some lawmakers voiced concern that the country would go over the "cliff".

USD-JPY rallied 0.7 percent to 84.917, having risen as high as 84.927, the best level since April 2011.

Shinzo Abe, who is set to become prime minister on Wednesday, renewed pressure on the BOJ to adopt a higher inflation target. Abe said he would try to revise a law guaranteeing the BoJ's independence if his demand for a binding 2 percent inflation target - double its current goal - is not met. He also said he will pick someone who agrees with his views on the need for bolder monetary easing to succeed BOJ Governor Masaaki Shirakawa when his term expires in April next year.

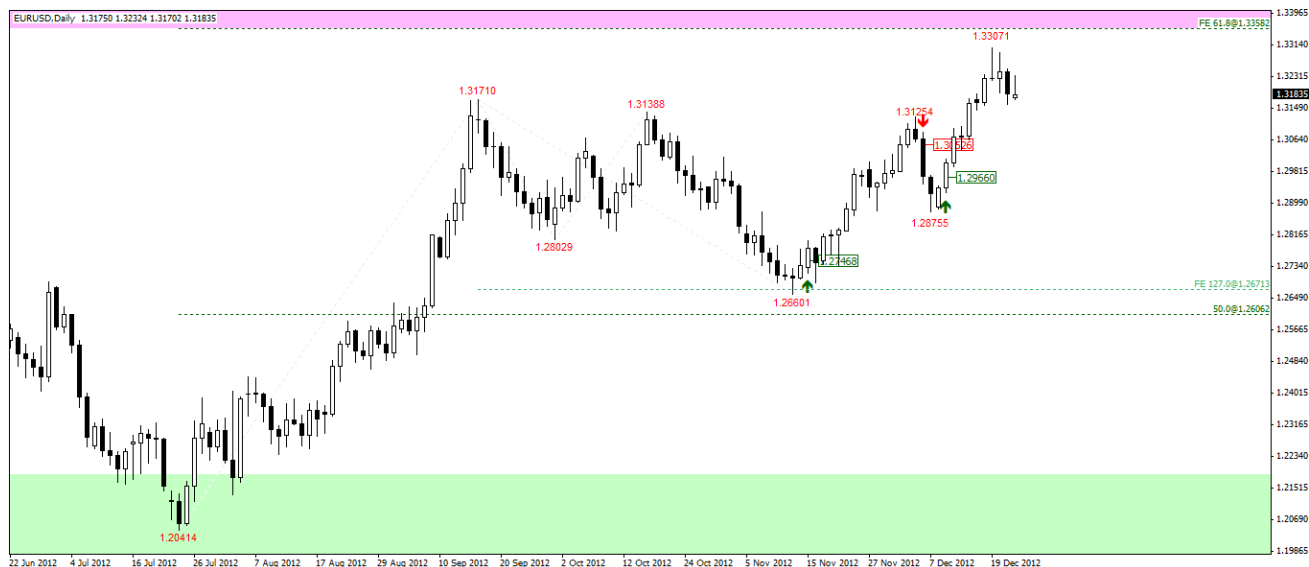
EUR-USD was little changed at 1.31835. Offers were cited above 1.32400. It hit a more than 8-month high of 1.33071 last Wednesday as the Euro zone debt crisis showed signs of improvement. EUR-JPY rose 0.7 percent to 111.961, not far from a 16-month high of 112.480 hit on December 19.

Strategists said developments on the Italian elections and Greece could see the Euro grind higher in thin year-end trading. However, if an impasse over the so-called U.S. "fiscal cliff" deepens, traders could sell it for the US Dollar. Some believe the U.S. government will go over the cliff in January, but a deal will be worked out eventually. If no deal is reached before the New Year, adjustments will be phased in over time, meaning that the fundamental effect is likely to be smaller than much fear. That doesn't mean that markets aren't facing significant risks and traders "will be forced to protect themselves en masse. This could have a major impact in the foreign exchange markets, as traders buy perceived safe havens like the US Dollar and the Japanese Yen, while selling more sensitive currencies like the Canadian and Australian Dollars.

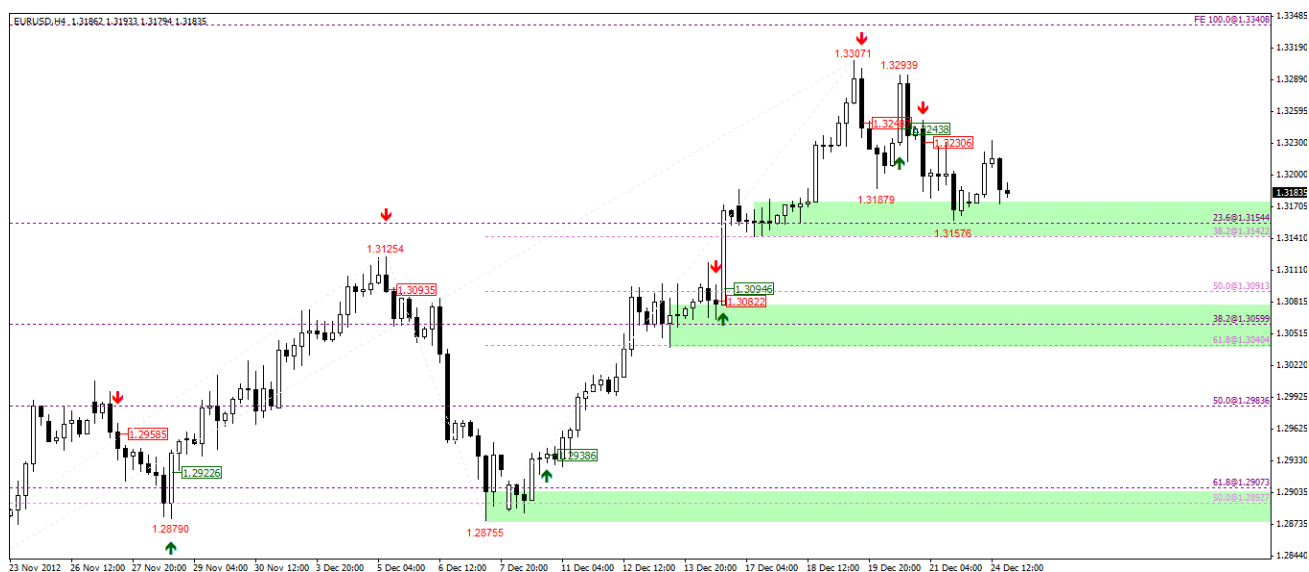
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EUR-USD DAILY



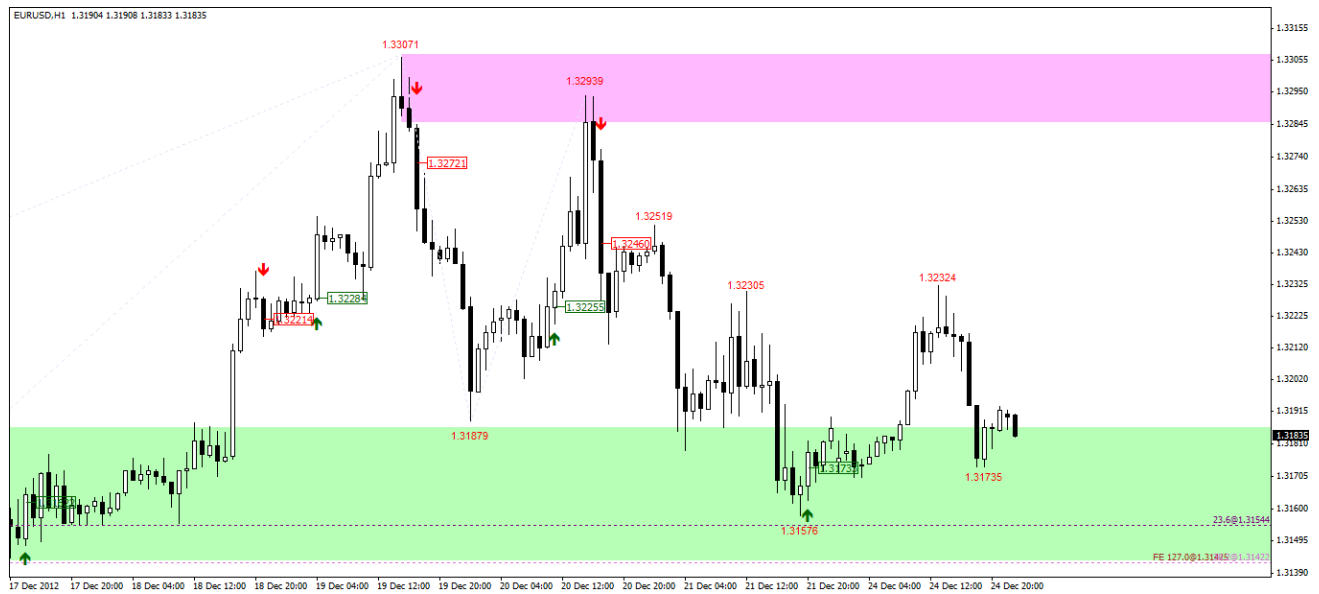
EUR-USD 4-HOURLY



EUR-USD Short to Medium-Term Views

The idea that this market may have found a temporary top at 1.33071; just short of the 61.8% projection of 1.20414 to 1.31710 from 1.26601 at **1.33582** was right on. This level, as noted, lies just a touch above the immediate supply pocket of **1.33575-1.34857** (see D1 chart) which in turn lies just above the 8-month high of 1.32829 but below the year's high at **1.34857**. Market overnight was very thin as most traders have closed their books for the year. Last Friday saw this market came close to triggering a sell signal in the D1 chart if only it has a close below **1.31621** (overnight low was 1.31702). If so, it would set the tone for the remaining days of 2012 going forward. Overall, the medium to long-term pictures are still decidedly bullish and this pullback we are seeing since last Wednesday is currently treated as a correction. In terms of potential, this pullback may possibly stabilize at or in between the 23.6% retracement of 1.26601 to 1.33071 at **1.31544** and the 38.2% retracement of 1.28755 to 1.33071 at **1.31422**. Interestingly the 127.0% projection of 1.33071 to 1.31879 from 1.32939 at **1.31425** also coincides with the 38.2% retracement of 1.28755 to 1.33071 at **1.31422**. Together, these Fibonacci confluences may well be an ideal launch pad for another assault at the year's high at **1.34857** next. This outcome is ideal as there's a possibility the May 5 high of **1.31254** may just hold.

EUR-USD 1-HOURLY



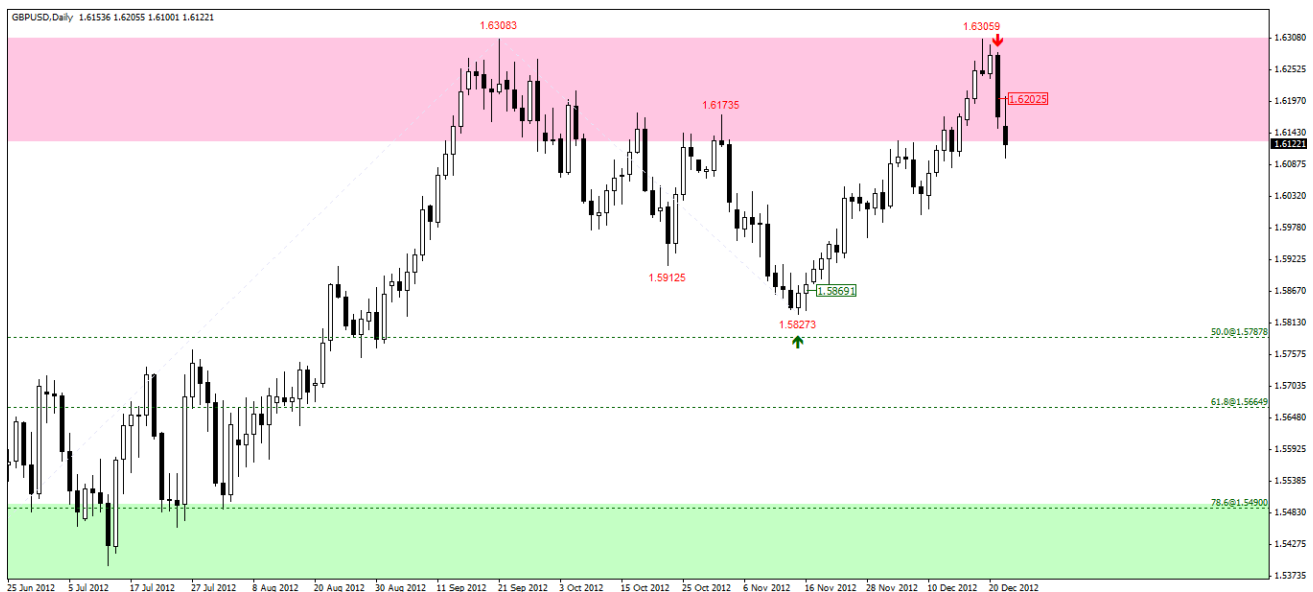
Trade Ideas

ACTION	Target 1	Target 2	EXIT
Sold @ 1.32460	1.31430	1.30599	Break-even

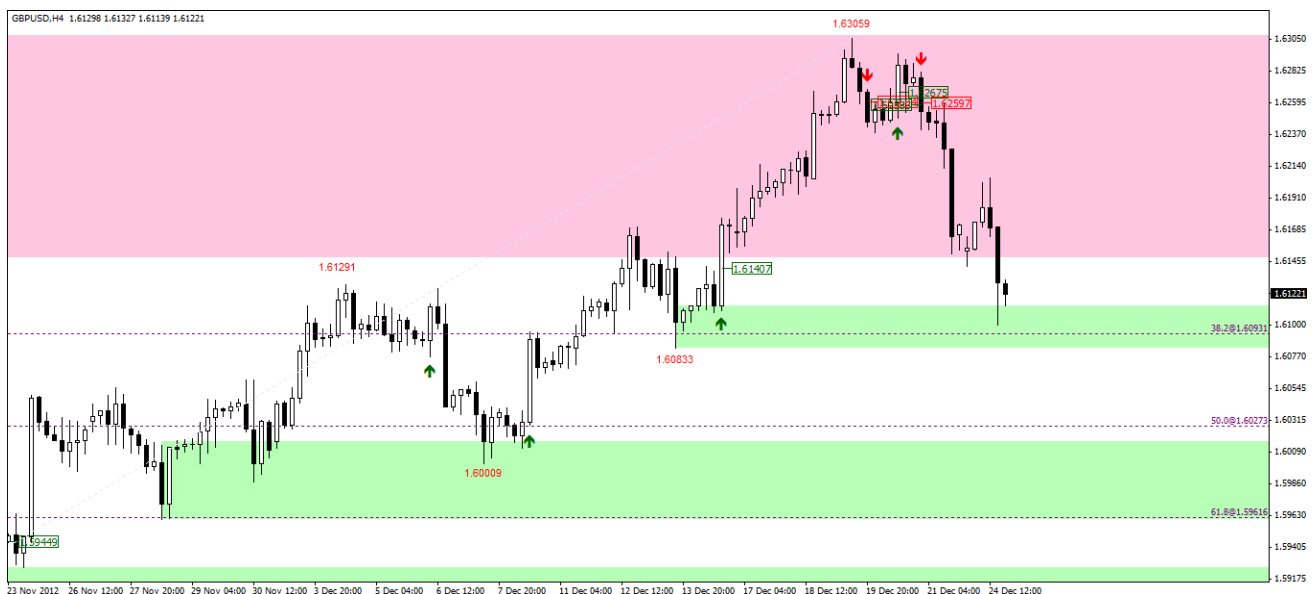
Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade +/-	Realized +/-	Accumulative +/-
	B/F from 21-12-2012								\$77,678.00
EUR-USD	24-12-2012	1.0	1.31835	20-12-2012	1.0	1.32460	+\$625.00		
EUR-USD	24-12-2012	1.0	1.31835	20-12-2012	1.0	1.32460	+\$625.00		
						Unrealized	+\$1,250.00		

GBP-USD DAILY



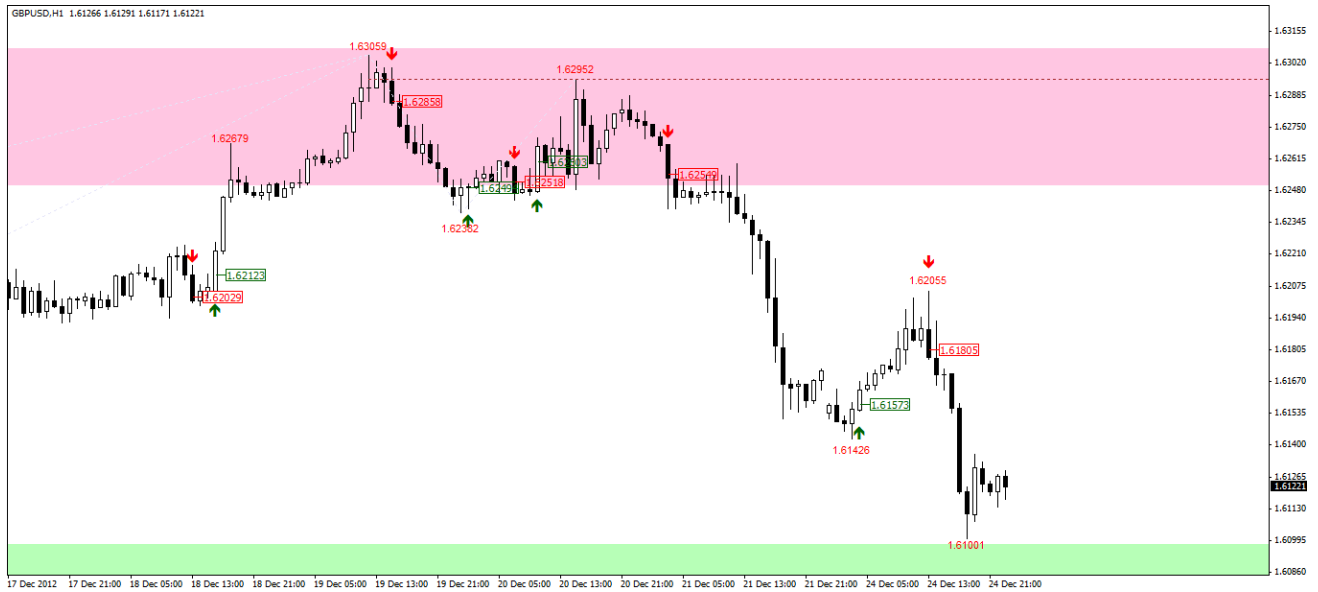
GBP-USD 4-HOURLY



GBP-USD Short to Medium Term Views

Price action surged to the upper boundary of a major supply zone at **1.61302-1.63083** last Wednesday and stalled (see D1 chart). The resulting pushback was so strong; this market gave back all the entire day's gains and then some to close in negative territory; ending the day as a *gravestone doji*. The following day saw diehard bulls attempting to retake the market but ran out of fuel at 1.62952 and once again stalled. Massive profit-takings took place on the last trading day of last week; triggering a sell signal in the D1 chart having a close below **1.62025**. Having plunged through the first target at the Fibonacci confluence of the 23.6% retracement of 1.58273 to 1.63059 at **1.61930** and the 38.2% retracement of 1.60009 to 1.63059 at **1.61894** as well as the 161.8% projection of 1.63059 to 1.62382 from 1.62952 at **1.61857** with ease, focus shifted to 38.2% 1.58273 to 1.63059 at **1.61231** the 61.8% retracement of 1.60009 to 1.63059 at **1.61174** as well as the 261.8% projection of 1.63059 to 1.62382 from 1.62952 at **1.61180**. Even these levels proved incapable of holding the market. Traders dumped long positions after Monday's data suggested UK household finances had deteriorated sharply to a 7-month low. This was on top of last Friday's sharply lower consumer confidence numbers. Price action is currently within a demand pocket at **1.60883-1.61141** where the 38.2% retracement of 1.58273 to 1.63059 at **1.61231** is located. Below this lies another demand pocket at **1.59605-1.60165** where the 61.8% retracement at 1.58273 to 1.63059 at **1.60101** is located. To maintain the overall bullish outlook, it is imperative that this latter price pocket hold the market for another jab at the 2012 high of **1.63083** early next year.

GBP-USD 1-HOURLY



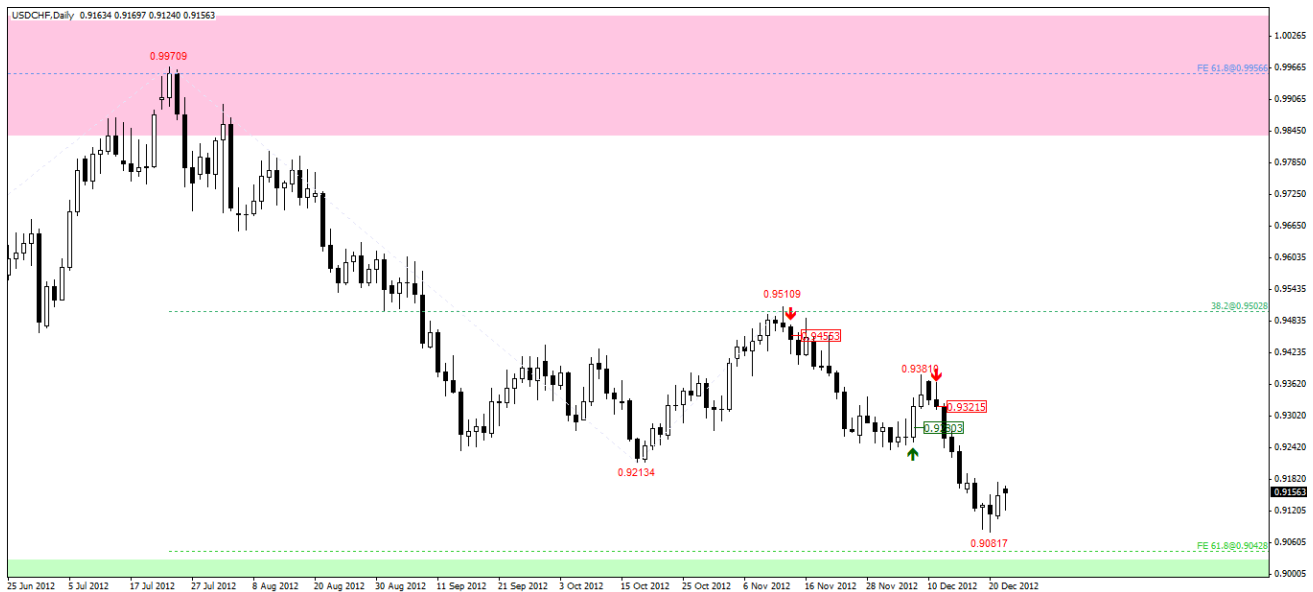
Trade Ideas

ACTION	Target 1	Target 2	EXIT
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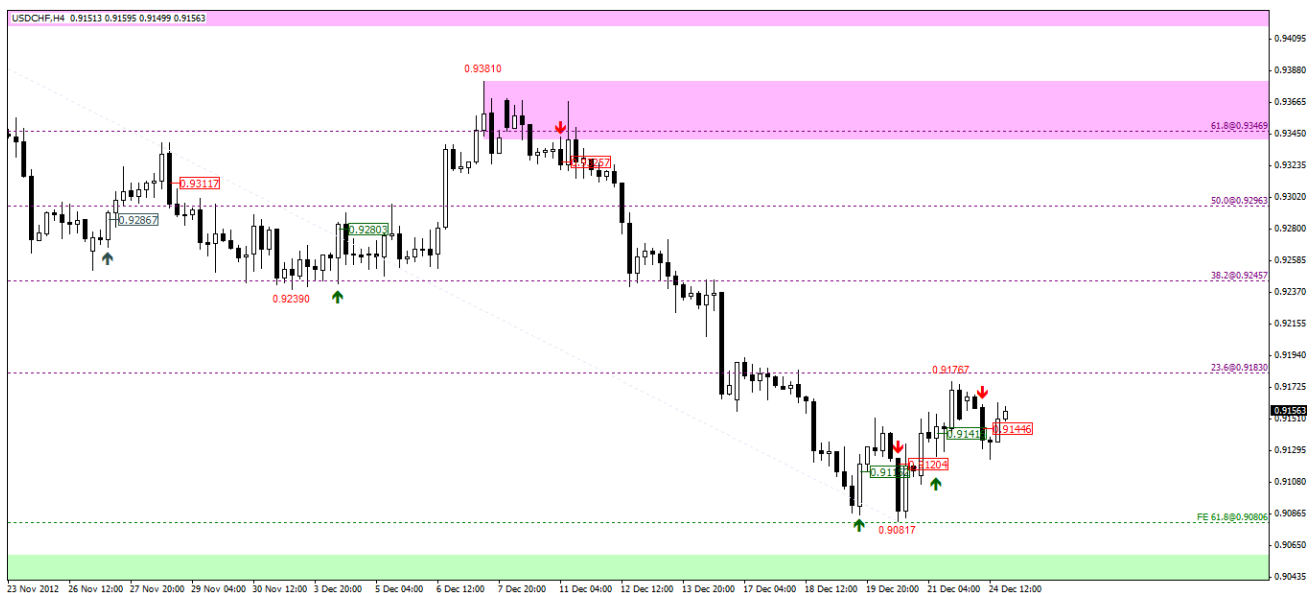
Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade + / -	Realized + / -	Accumulative + / -
	B/F from 21-12-2012								\$57,782.00
						Unrealized	\$0.00		

USD-CHF DAILY



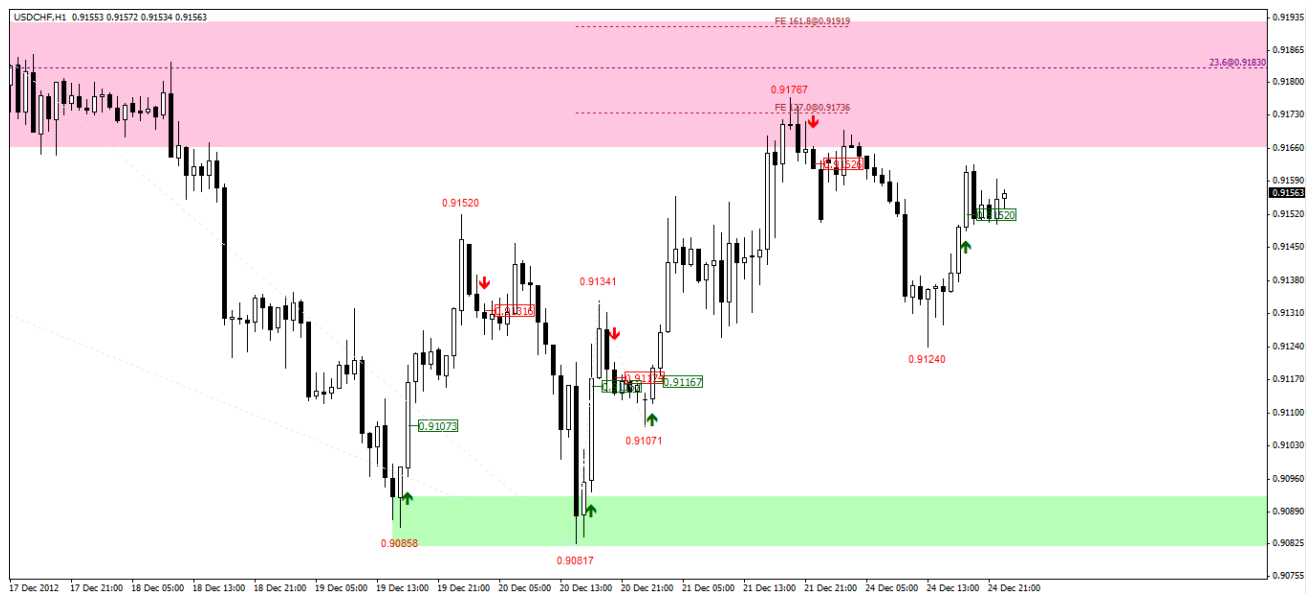
USD-CHF 4-HOURLY



USD-CHF Short to Medium Term View

After going into a freefall last week after taking out the October low of 0.92134, this market hit a temporary bottom at 0.90817 last Friday and rebounded. This level is not far from the 61.8% projection of 0.99709 to 0.921334 from 0.95109 at **0.90428**. In the short and perhaps the medium-term, this rebound may be very limited as the overall longer-term picture is still decidedly bearish. In the long to longer picture, it is conceivable that another challenge of the year's low at **0.89301** may be mounted over time. The initial rebound topped out at the 127.0% projection of 0.90817 to 0.91341 from 0.91071 at 0.91737 and another attempt to rally may be made in the near future. It is conceivable that the immediate overhead supply pocket at **0.91662-0.91927** may well cap this nascent attempt to rally even though the ideal outcome is for this market to rise towards the 38.2% retracement of 0.95109 to 0.90817 at **0.92457** where a supply pocket at **0.92400-0.92734** lies. A sell there offers a much better risk/reward profile.

USD-CHF 1-HOURLY



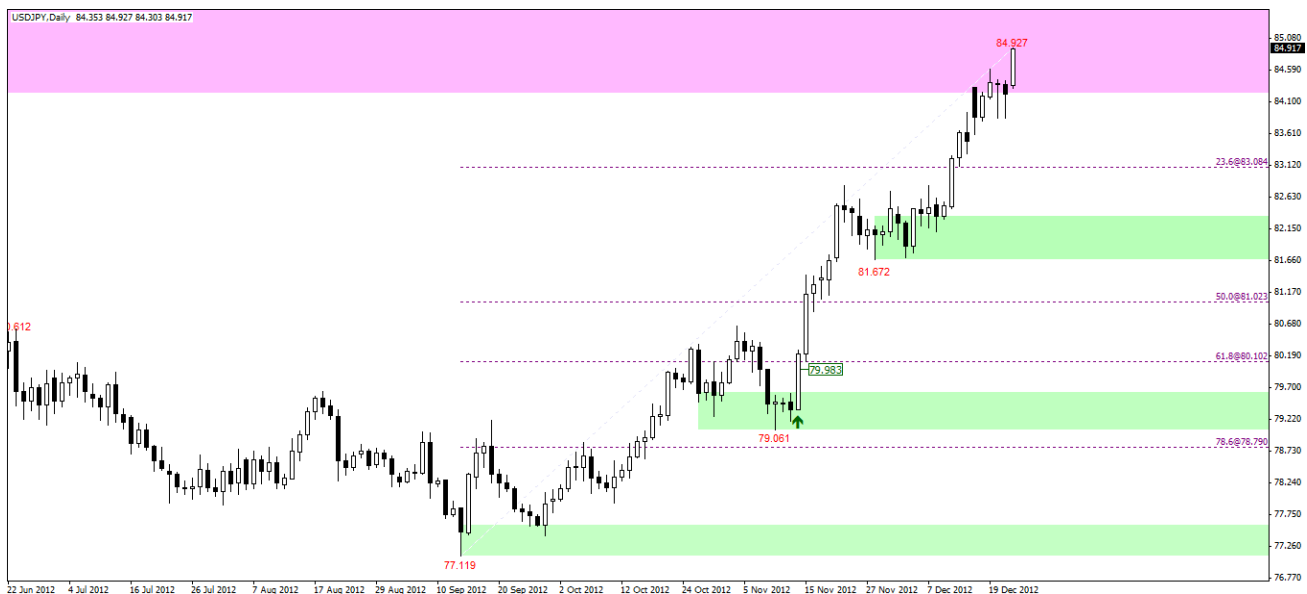
Trade Ideas

ACTION	Target 1	Target 2	EXIT
Bought @ 0.91157	0.91626 Realized	0.92482	0.91140 STOP

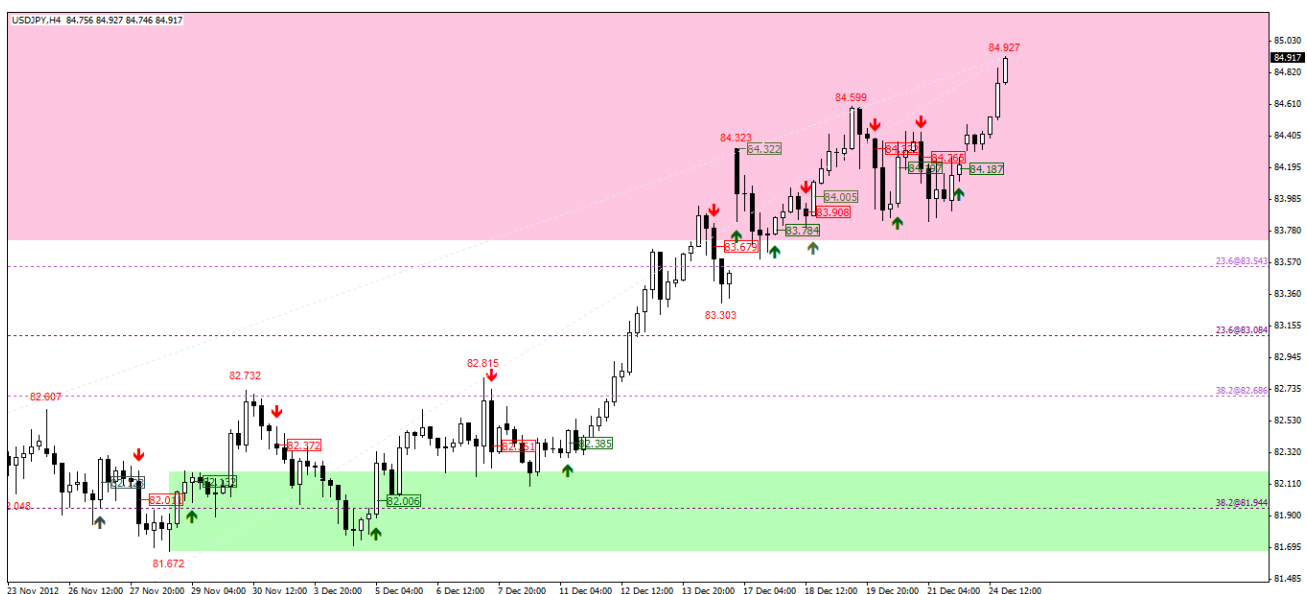
Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade + / -	Realized + / -	Accumulative + / -
	B/F from 21-12-2012								\$36,363.70
USD-CHF	20-12-2012	1.0	0.91157	24-12-2012	1.0	0.91563	+\$443.41		
						Unrealized	+\$443.41		

USD-JPY DAILY



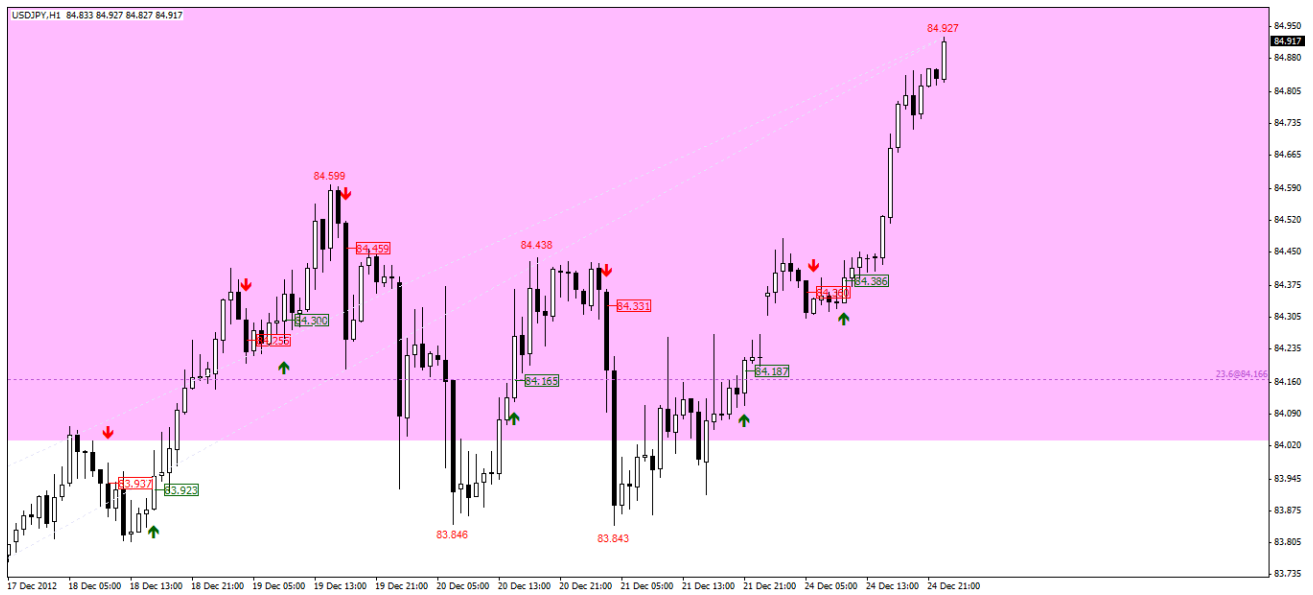
USD-JPY 4-HOURLY



USD-JPY Short to Medium Term Views

Unlike the other majors which are showing signs of corrections, this market, as noted, remains stubbornly well bid. Even though sell signals were triggered; there is still no sizable correction except for a brief dip below the 84.000 handle late last week. As mentioned in the weekend report, this market appears to be gunning for last year's high of 85.520. With the LDP winning the Japanese election and continuing to pressure the BoJ into hitting a 2% inflation target even after it have expanded its asset-buying programme by an expected ¥10 trillion last week, traders believe the BoJ will crumble into further easing measures. Technically, though the longer-term trend is decidedly bullish. That said, short positions within the current supply zone at **83.719-84.85.520** still represents a very attractive proposition; considering that the longer-term fall from 124.120 is expected to resume below the all-time low of **75.563**. Considering the longer-term potential, it may be worth the while to keep some long-term core short positions for an eventual fall below the all-time low of **75.563** – assuming of course this market does not rallies beyond 85.520.

USD-JPY 1-HOURLY



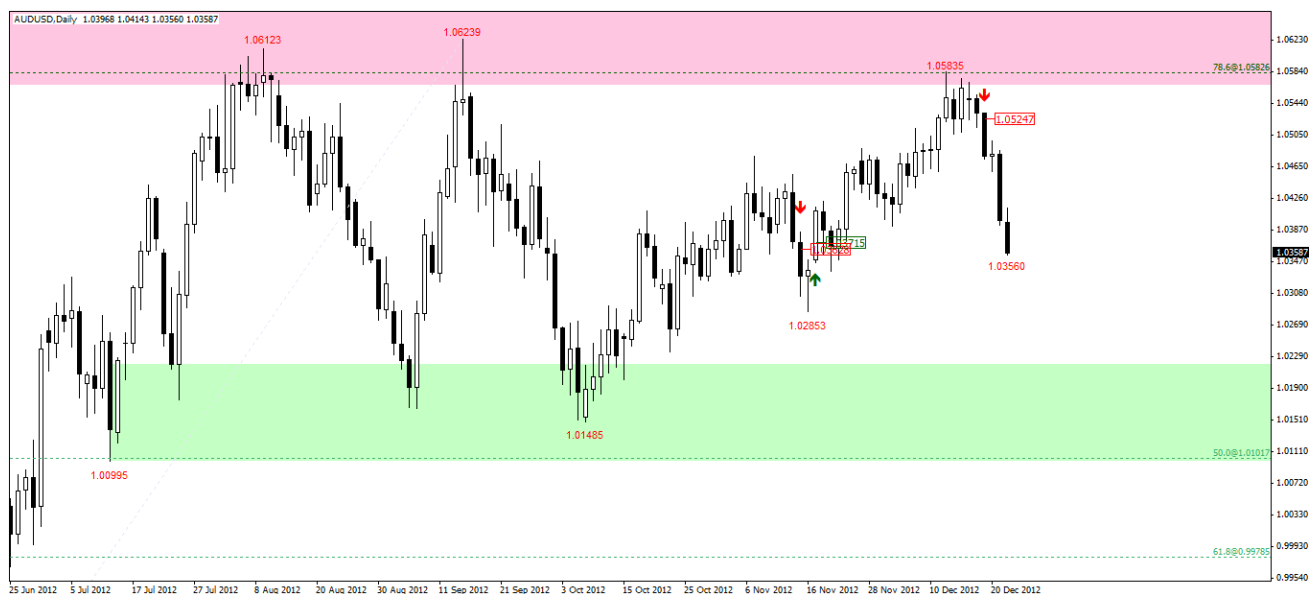
Trade Ideas

ACTION	Target 1	Target 2	EXIT
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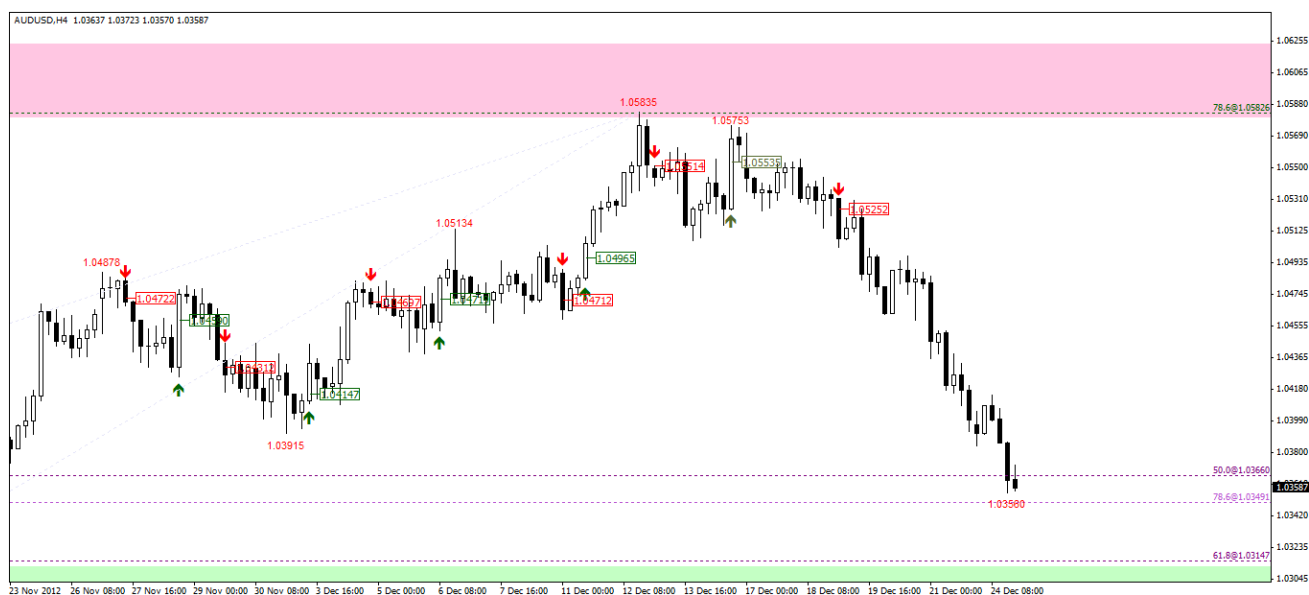
Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade +/-	Realized +/-	Accumulative +/-
	B/F from 21-12-2012								\$33,679.11
USD-JPY	24-12-2012	1.0	84.459	19-12-2012	1.0	84.459			
						Unrealized	\$0.00		

AUD-USD DAILY



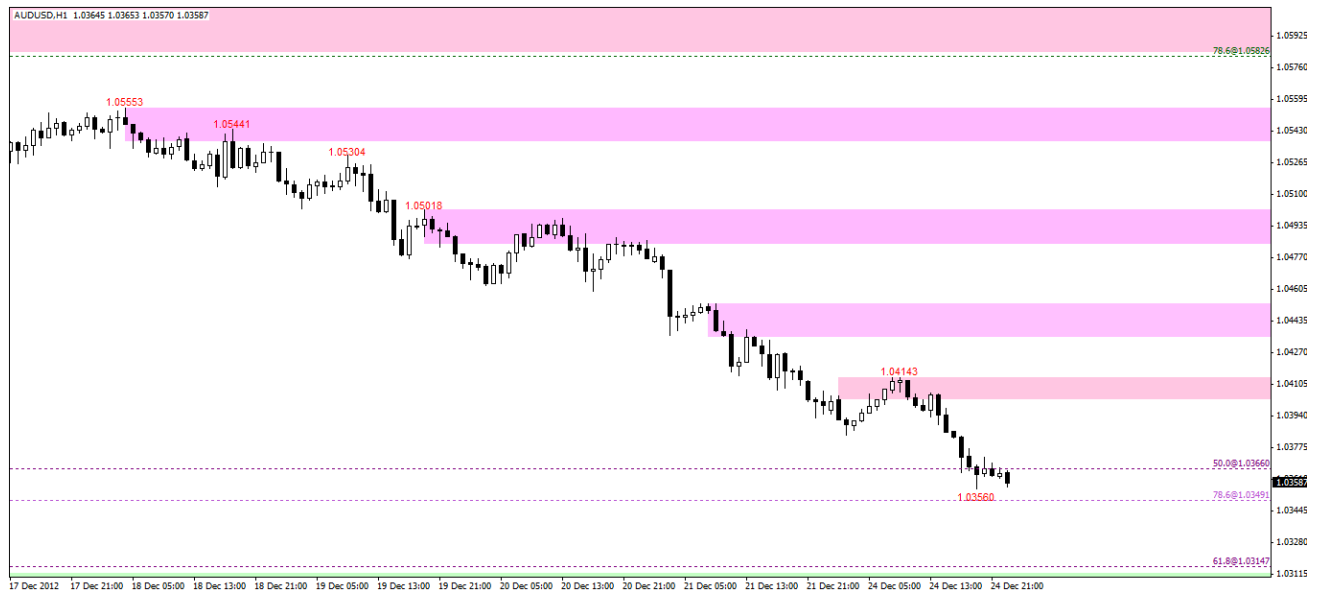
AUD-USD 4-HOURLY



AUD-USD Short to Medium Term Views

The fall from the 78.6% retracement of 1.08557 to 0.95795 at **1.05826** is accelerating. After two weeks of advance, last week's closing is the weakest in three weeks and yet Monday saw this market continuing to fall. Price action sliced through the 61.8% retracement of 1.02853 to 1.05835 at **1.03992** which lies within the demand pocket at **1.03915- 1.04312** in overnight actions. While the short-term outlook is extremely over-stretched, a sharp rebound cannot be ruled out. At any rate, selling after a decent rebound makes a lot more sense than chasing this market ever lower. After last night's plunge, other than the minor supply pocket at **1.04354-1.04528**, it is probable that any rebound may be capped at the immediate price pocket at **1.04027-1.04143**. This is less than ideal with a demand pocket coming up, selling now does not make a lot of sense.

AUD-USD 1-HOURLY

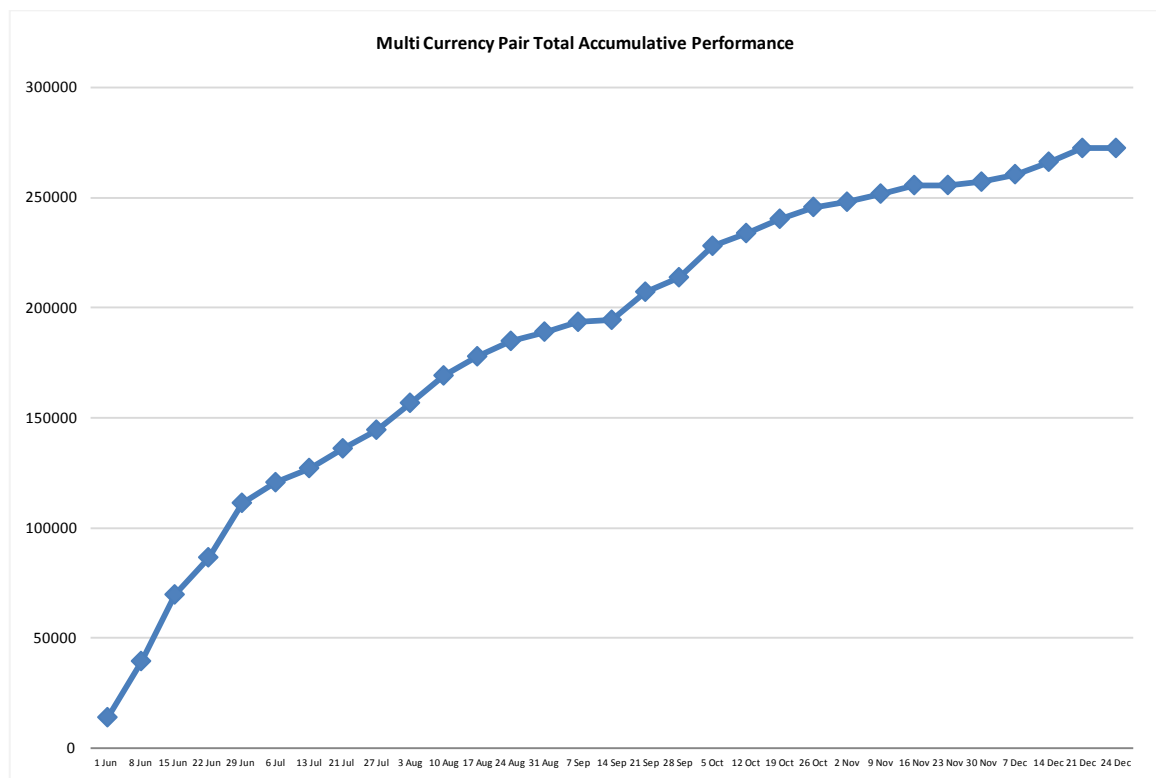
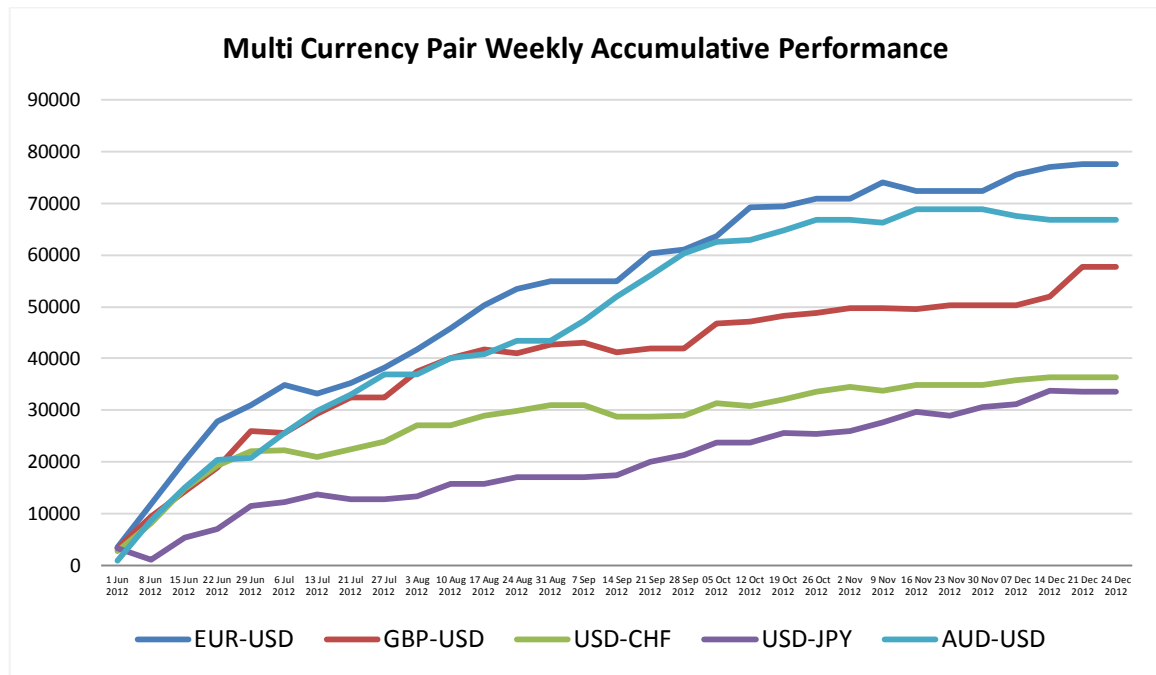


Trade Ideas

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 14-12-2012								\$66,879.00
						Unrealized	\$..00		



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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.