Saturday, Dec 22, 2012
Weekend Edition

FOREX OUTLOOK

A Traders Academy International Publication

US Budget Talks In Disarray

Traders turned to the relative safety of the U.S. Dollar on Friday as Washington's struggle to come up with a negotiated budget that averts spending cuts and tax increases took a turn for the worse, sparking greater fears of a recession.

Stock markets fell beginning late on Thursday when the budget plan proposed by the Republican speaker of the U.S. House of Representatives, John Boehner, failed to win support from his own party, increasing the chances the austerity measures kick in and pull the country over the so-called fiscal cliff.

The breakdown in talks creates the perverse circumstance in currency markets in which the historical safe-haven

US Dollar is boosted over currencies driven most by economic growth, such as the Euro and the Australian Dollar.

Despite the stronger-than-expected U.S. data, risk appetite has not been able to rally back and that can be attributed to the overhang of the fiscal cliff. Data on Friday showed the U.S. economy was surprisingly resilient in November despite the approaching fiscal cliff.

Consumer spending hit a three-year high in November, and new factory orders for capital goods outside the defense and aerospace sectors jumped.

In a news conference on Friday, Boehner said it is now up to President Barack Obama and his fellow Democrats in Congress to reach a solution before year end. Boehner's Plan B, which would have raised taxes only on those earning $1 million or more a year, was rejected by conservative Republicans who adamantly oppose any tax increases.

While the latest developments have not scuttled the possibility of a broader budget agreement being reached, the timing is now very tight and the margin for error even slimmer.

Further U.S. Dollar strength and foreign currency weakness is possible with the uncertain backdrop likely to persist for at least the next few days.

EUR-USD was down 0.45 percent at 1.31861, its worst daily showing in two weeks. Euro had been in demand in recent sessions on improved sentiment on Euro zone assets and earlier optimism a U.S. budget plan could be reached.

USD-JPY meanwhile lagged, as traders trimmed large short positions against the Japanese Yen after the Bank of Japan this week increased its asset purchase program by less than some had expected. USD-JPY was down 0.13 percent at 84.216.

EUR-JPY fell 0.62 percent to 111.061.

Both the US Dollar and the Japanese Yen, the most liquid currencies, are likely to be in demand as long as the outcome of the U.S. budget talks remains uncertain. Thin market conditions before the year-end could exacerbate price movements.

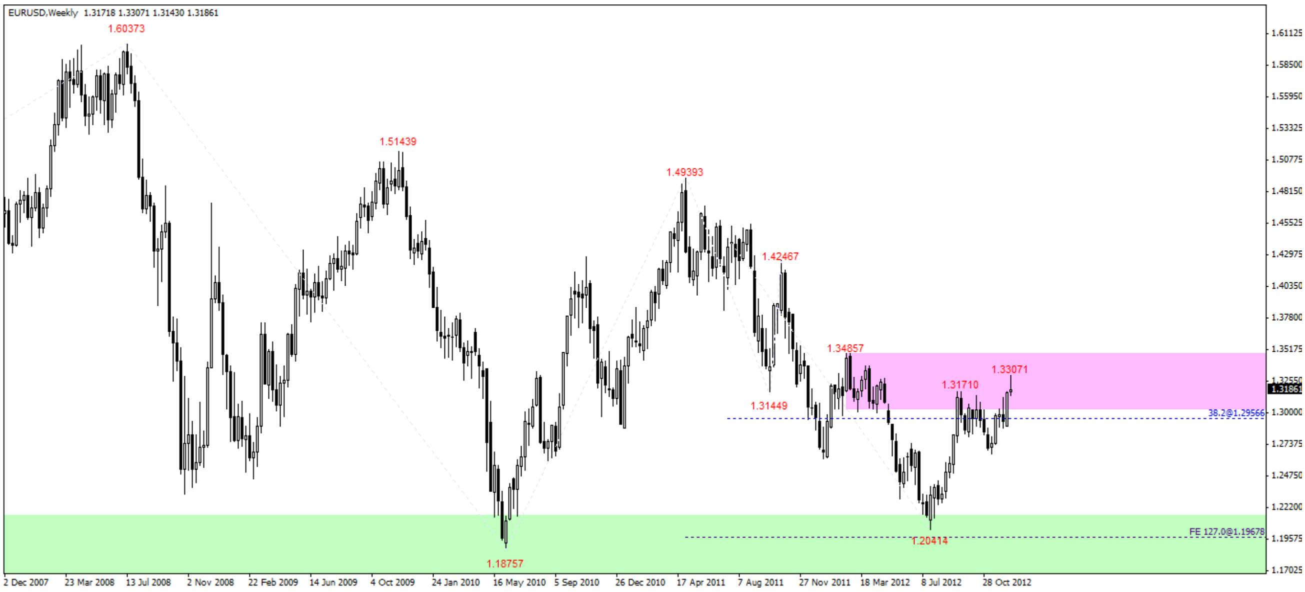
Traders pared bets against the Japanese Yen, which has been pressured in recent weeks by expectations that a new Japanese government will push the Bank of Japan into more forceful monetary easing.

AUD-USD traded at its lowest level since December 3, at 1.0394, before finishing the New York trading session at 1.03994, down 0.75 percent.

Content:

EUR-USD MONTHLY

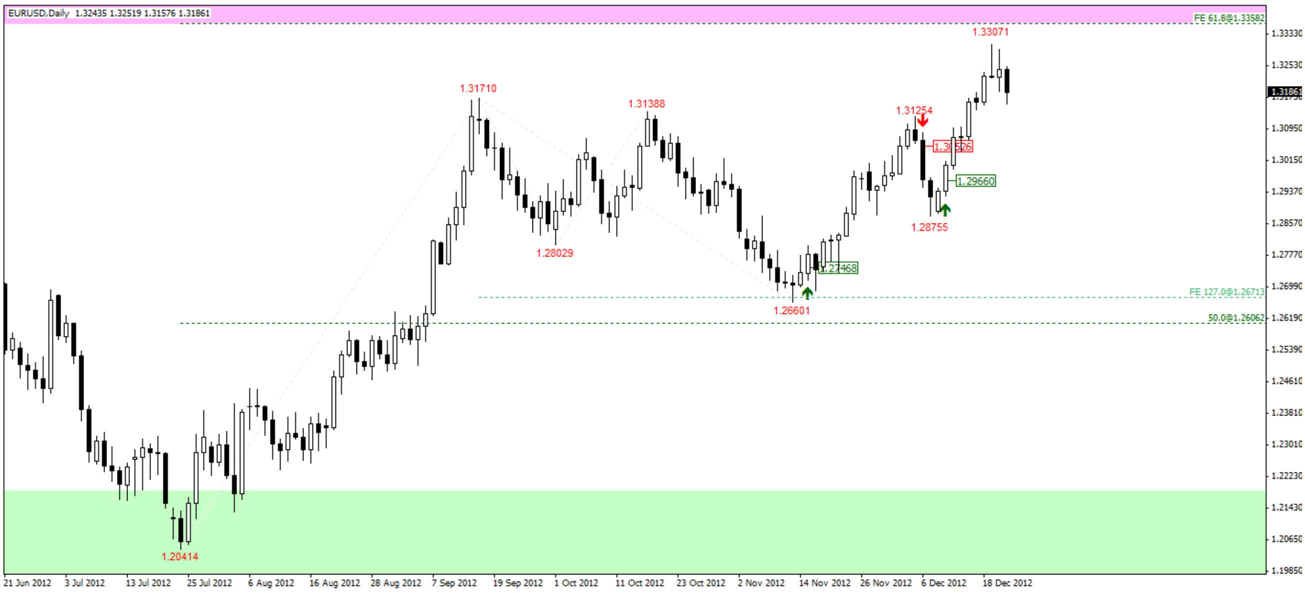
EUR-USD WEEKLY



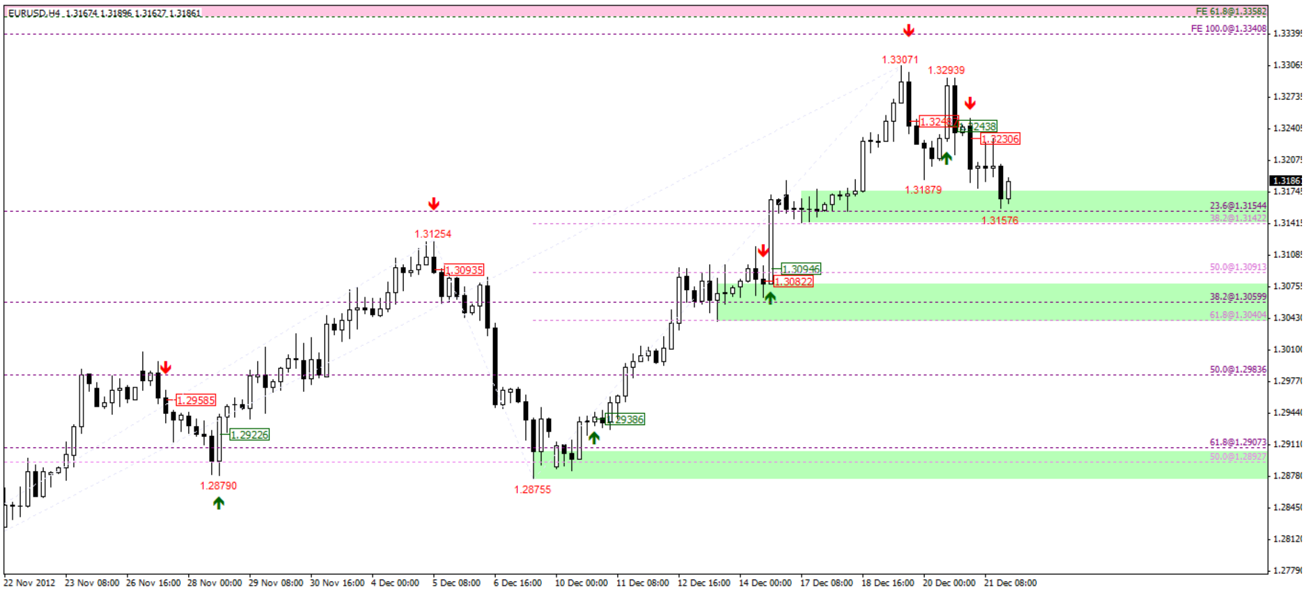
EUR-USD The Big Picture

In the bigger picture, the rise from 0.82250 to 1.60373 is part of a longer-term rally. Likewise, the fall from the July 15, 2008 high of 1.60373 marked the start of a long-term consolidation/continuation pattern which may ultimately stretch to the 61.8% retracement of 0.82250 to 1.60373 at **1.12093**; from which price action is likely to rise beyond its all-time high in a multi-year rally (see MN chart). On 24 July 20012, price action pulled back from a 29-month low at **1.20414** after failing to take out the 2010 low of 1.18757 and ended the week as a *Bullish Engulfing Bar*. The resulting rally lasted a good 7 weeks and hit a 20-week high of 1.31710, just above the 38.2% retracement of 1.49393 to 1.20414 at **1.31484**. What followed was a distinct 3-wave retracement that lasted a good 2 months before resuming its bull-run. This week saw this market hit at a 8-month high at 1.33071 before pulling back. Structurally this is potentially poised to extend beyond the September 17 high of **1.31710**. Break of **1.34857** will confirm this bullish analysis and should pave the way to the **1.50000** psychological level over time.

EUR-USD DAILY



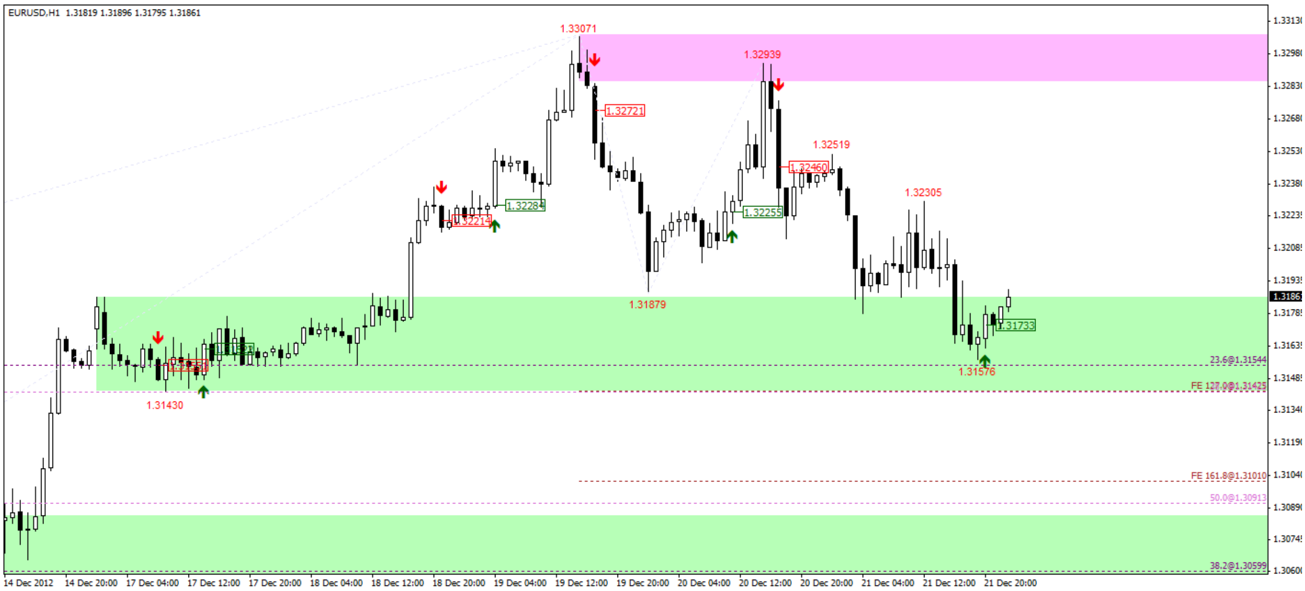
EUR-USD 4-HOURLY



EUR-USD Short to Medium-Term Views

The idea that this market may have found a temporary top 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 a just 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**. Book squaring by traders before the super long weekend over the Christmas season was apparent in the last 72 hours of trading. A daily close below **1.31621** (triggering a sell signal) 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 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



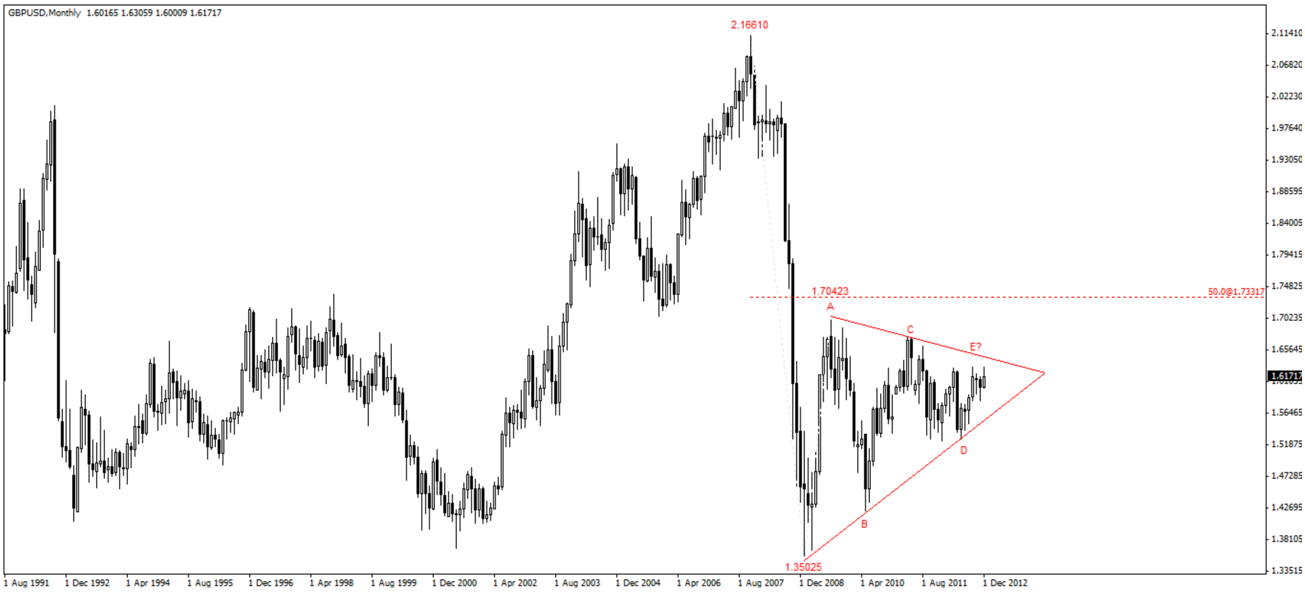
Trade Ideas

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

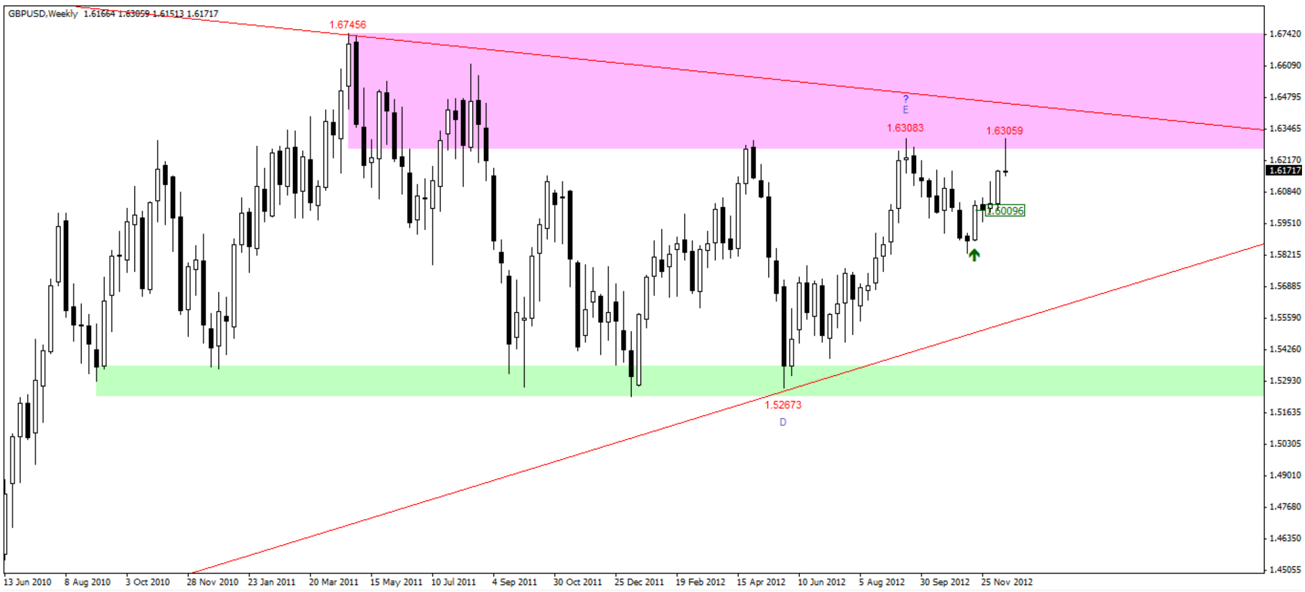
Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade + / -	Realized + /-	Accumulative + / -
	B/F from 14-12-2012								$77,009.00
EUR-USD	20-12-2012	1.0	1.32052	19-12-2012	1.0	1.32721	+$669.00	+$669.00	$77,678.00
EUR-USD	20-12-2012	1.0	1.32721	19-12-2012	1.0	1.32721	$0.00		
EUR-USD	21-12-2012	1.0	1.31861	20-12-2012	1.0	1.32460	+$599.00		
EUR-USD	21-12-2012	1.0	1.31861	20-12-2012	1.0	1.32460	+$599.00		
						Unrealized	+$1,198.00		

GBP-USD MONTHLY



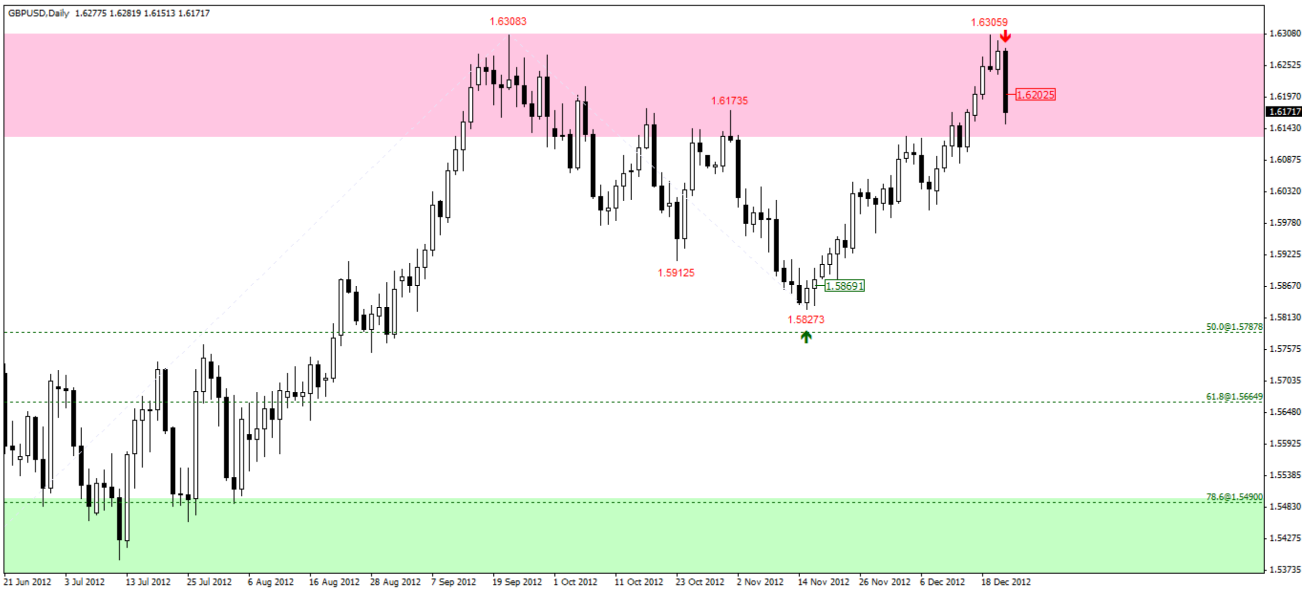
GBP-USD WEEKLY



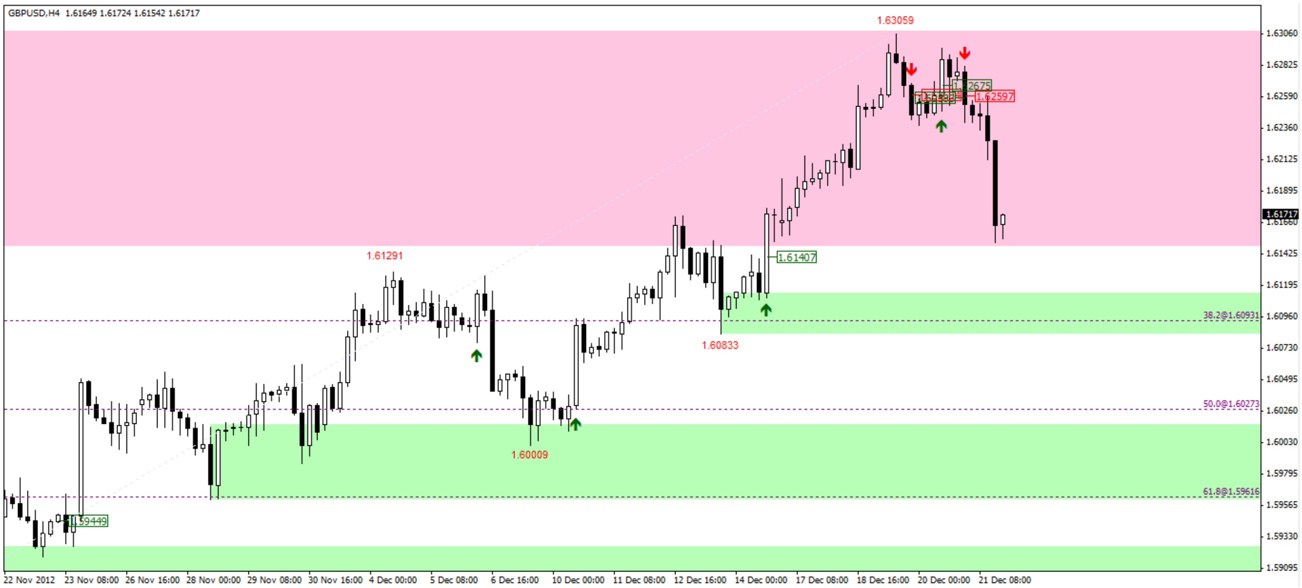
GBP-USD The Big Picture

In the bigger picture, price action from the 2009 low of 1.35025 is treated as a correction to the longer-term downtrend from the 2007 high of 2.11610. This multi-year correction beginning at the start of 2008 is developing into a triangle. 9 months ago, this market ended with tantalizing clues of a classic reversal - a *long-legged shadow doji* in W1 chart resulting in a 3-wave pullback that lasted a good 2 months. 2 weeks ago, the strong closing suggests another probable attempt at the September 21 high of **1.63083** in the medium-term. The big question is was the September high of 1.63083 the end of wave E or alternatively wave E has to yet to be in place and this developing rally may be lead us there? This is important. The wave E typically marks the end of the triangle pattern and in the case of GBP-USD; the trend prior to this triangle pattern was down. As the triangle is a continuation pattern, the breakout to the downside is anticipated - and it will be an aggressive fall. The idea is to anchor a short position at the end of wave E for a dramatic long-term fall. This week saw this market attempted to rally past the September 21 high of **1.63083** with a print at **1.63059**. By the end of Friday's trading, this market pulled back big time; ending the weekly chart with a *long-legged shadow doji*. This may be important. Is the E wave finally in place? If so, the nearest longer-term target is the 61.8% projection of 2.11610 to 1.35025 from 1.70423 at **1.23093,** which is roughly equidistance from the widest part of the triangle. The only problem with this rather bearish analysis is the long-term picture in EUR-USD which has a positive correlation to the GBP-USD. Should price action breaks above **1.67456**, the triangle pattern scenario is invalidated. Until that happens, the bearish bias stays.

GBP-USD DAILY



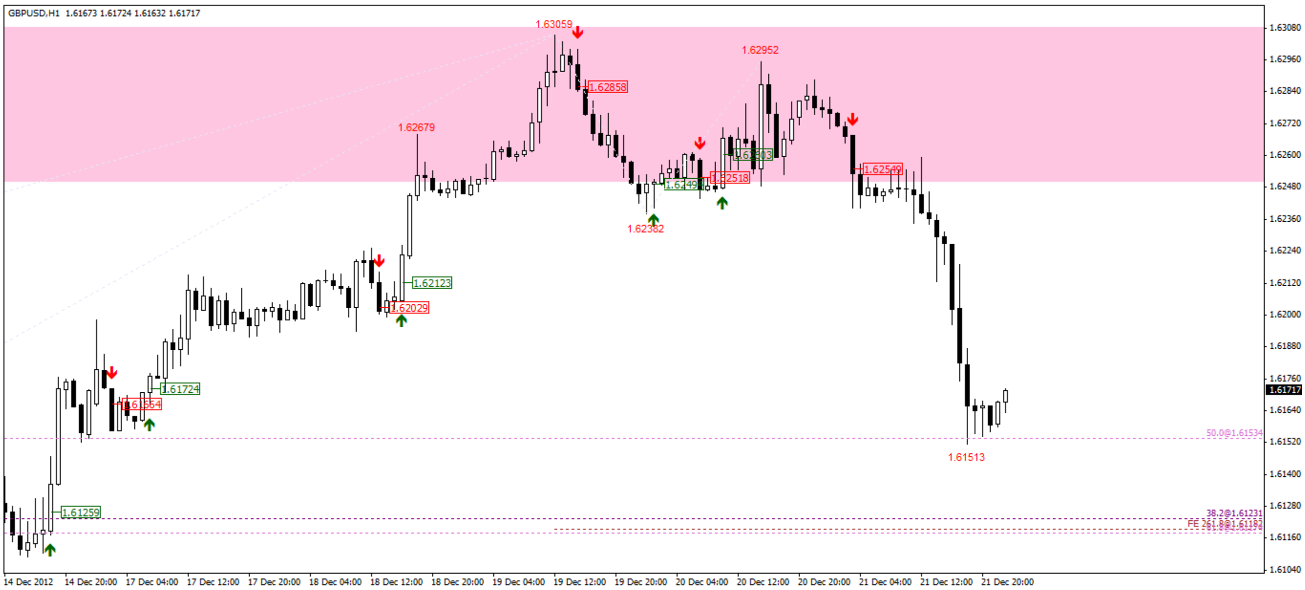
GBP-USD 4-HOURLY



GBP-USD Short to Medium Term Views

Price action surged to the upper boundary of a major supply zone at **1.61302-1.63083** on Wednesday and stalled (see D1 chart). The resulting pushback was so strong; this market gave back all the day's entire gains and then some to close in negative territory; ending the day as a *gravestone doji*. On Thursday, diehard bulls attempted to retake the market but ran out of fuel at 1.62952 and once again stalled. Signs of book-squaring by traders were evident across all majors and it should not be too different for this currency pair. Massive profit-takings took place last night with the daily chart having a close below **1.62025**. That, as noted, is the definitive sign that profit-taking is ongoing. Wednesday's high of 1.63059 came within a hair breath away from the year's high of **1.63083** set on September 21. Having taking out 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 has 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.**

GBP-USD 1-HOURLY



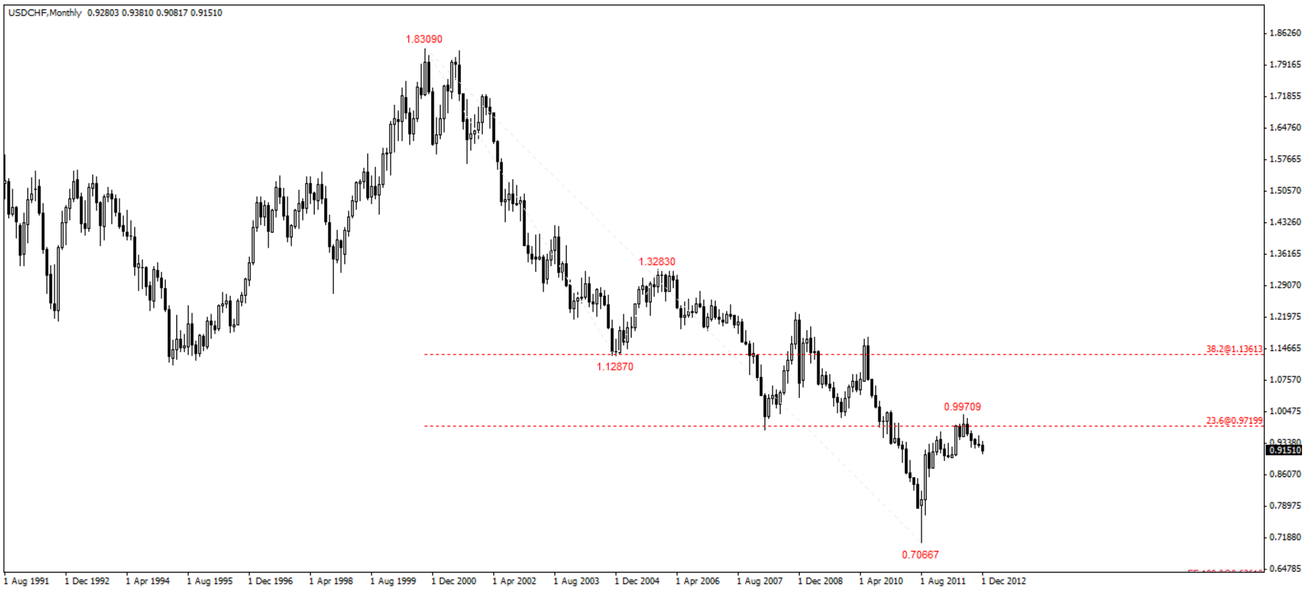
Trade Ideas

ACTION	Target 1	Target 2	EXIT

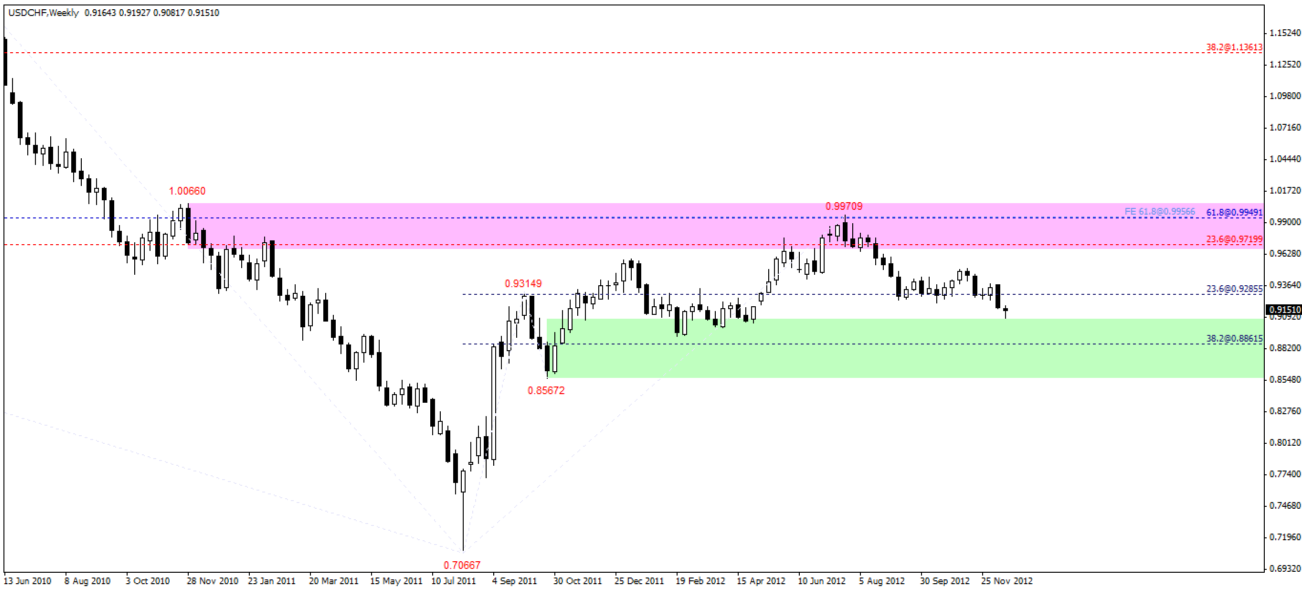
Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade + / -	Realized + / -	Accumulative + / -
	B/F from 14-12-2012								**$52,030.00**
GBP-USD	28-11-2012	1.0	1.59825	18-12-2012	1.0	1.62589	+$2,764.00	+$2,764.00	**$54,794.00**
GBP-USD	21-11-2012	1.0	1.59037	21-12-2012	1.0	1.62025	+$2,988.00	+$2,988.00	**$57,782.00**
						Unrealized	$0.00		

USD-CHF MONTHLY



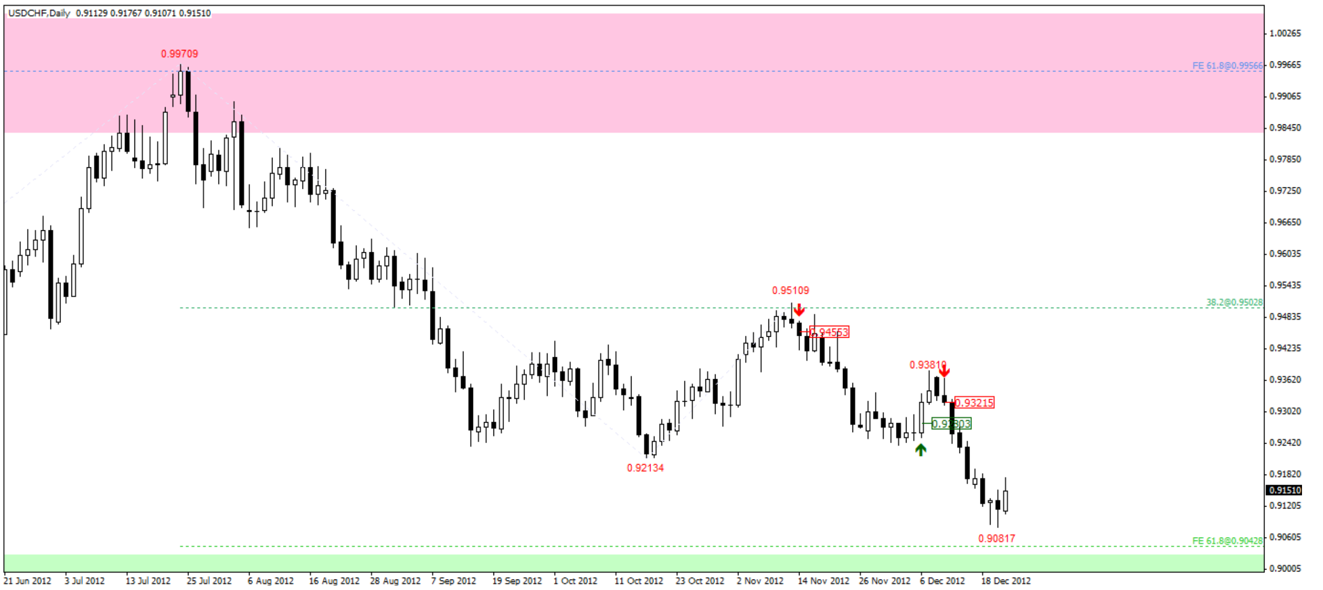
USD-CHF WEEKLY



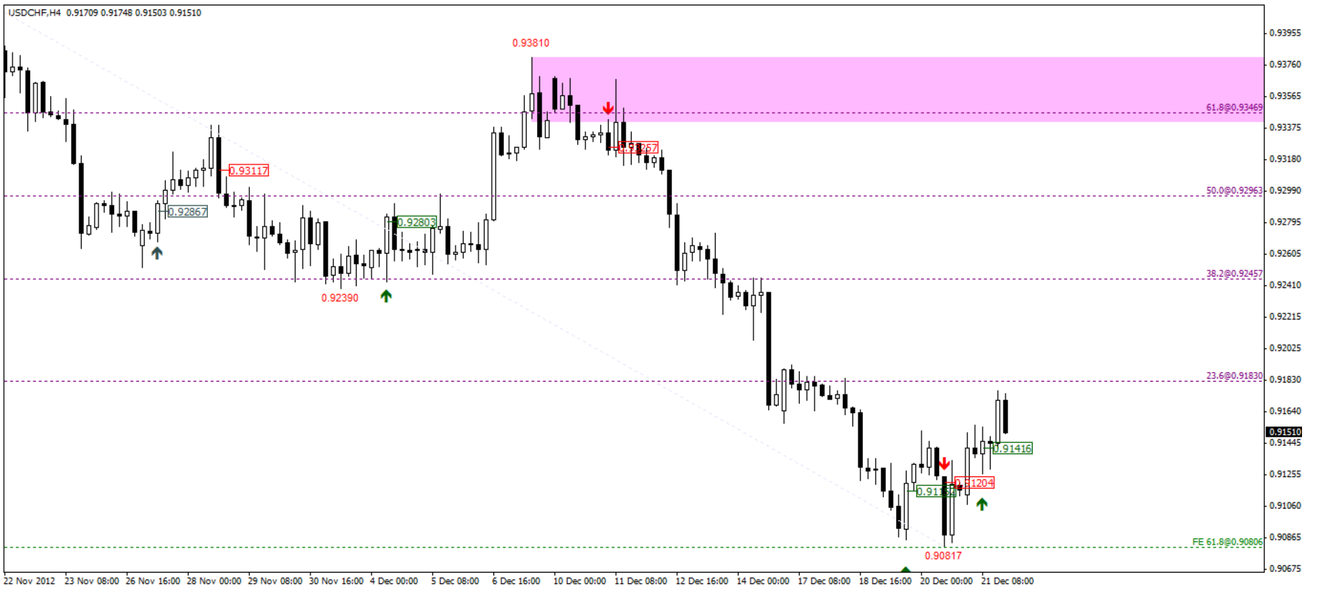
USD-CHF The Big Picture

In the bigger picture, the rebound from 0.70667 is treated as a correction to the multi-year fall from 1.83090. This counter-trend rally stalled at the price window between the 61.8% retracement of 1.17307 to 0.70667 at **0.99490** and the 61.8% projection of 0.70667 to 0.93149 from 0.85672 at **0.99566** (see D1 chart) to an 18-week low of **0.92134** 2 months ago. This week saw this market resuming its downtrend with the break below the October 18 low of 0.92134 last Friday. In the longer-term picture, this downtrend from 1.83090, after making an important long-term low at **0.70667** last August, is expected to head towards the 38.2% retracement of 0.70667 to 0.99709 at **0.88615** and may eventually fall towards the longer-term target at the 100.0% projection of 1.83090 to 1.12870 from 1.32830 at **0.62610**.

USD-CHF DAILY



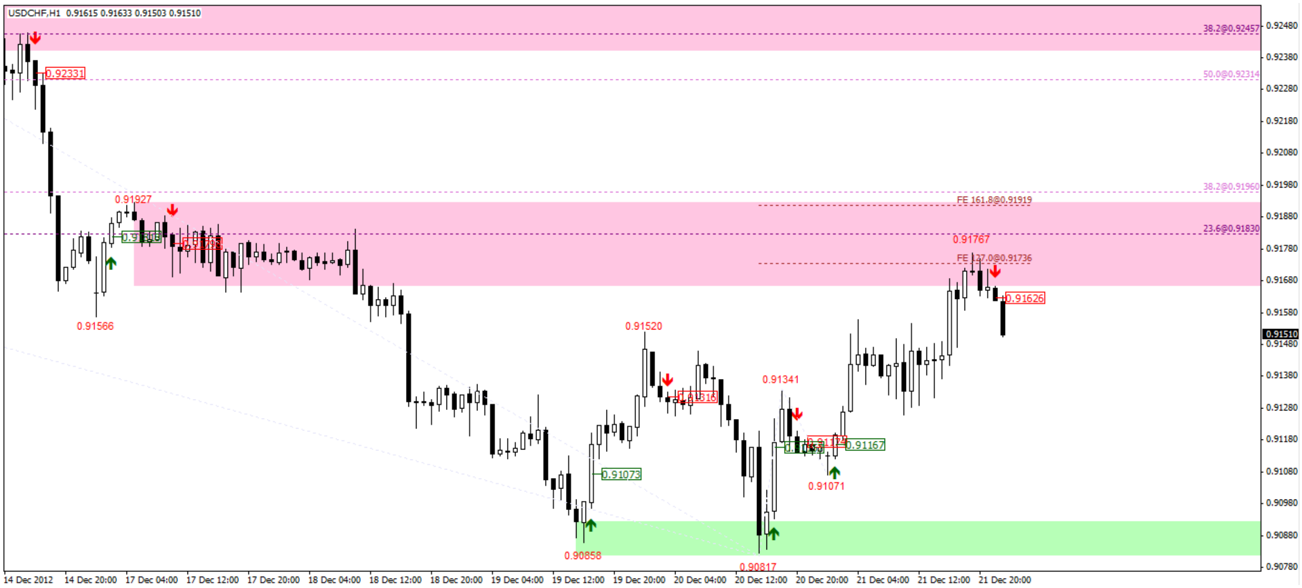
USD-CHF 4-HOURLY



USD-CHF Short to Medium Term View

This market went into a freefall after taking out the October low of 0.92134 last Friday. Thursday saw price action coming close to the 61.8% projection of 0.99709 to 0.921334 from 0.95109 at **0.90428** with a print at **0.90817** and rebounded. In the short and perhaps the medium-term, a rebound is overdue even though the overall longer-term picture is still decidedly bearish. For the time being, this rebound is treated as a correction of the fall from 0.99709. 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. For the time being, price action topped out at the 127.0% projection of 0.90817 to 0.91341 from 0.91071 at 0.91737 and eased. Is the correction from 0.90817 over? Perhaps. A close below **0.90817** would all but confirm the resumption of the fall. On the upside, further rise to the 38.2% retracement of 0.95109 to 0.90817 at **0.92457** cannot be ruled out just yet. This level is incidentally sited within a minor supply pocket at **0.92400-0.92734**. This is the most ideal outcome as a sell from this area offers a better risk/reward profile.

USD-CHF 1-HOURLY



Trade Ideas

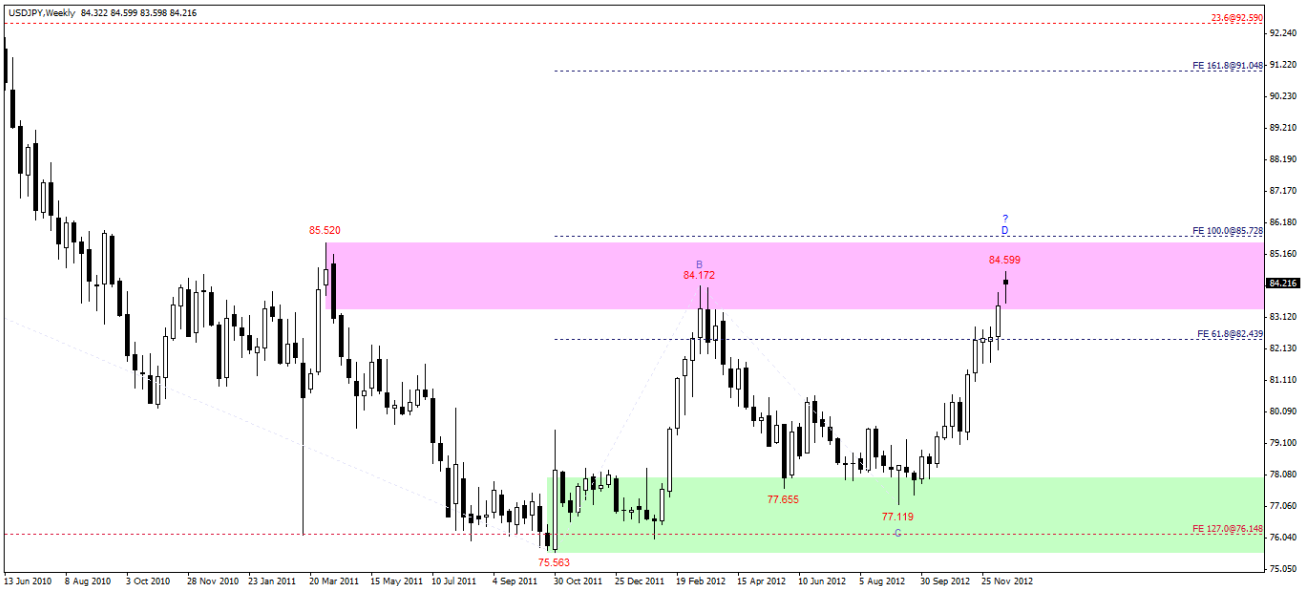
ACTION	Target 1	Target 2	EXIT
Bought @ 0.91157	0.91626 Realized	0.92457	Break-even

Weekly Performances

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade + / -	Realized + / -	Accumulative + / -
	B/F from 14-12-2012								$35,851.84
USD-CHF	19-12-2012	1.0	0.91073	20-12-2012	1.0	0.91073			
USD-CHF	19-12-2012	1.0	0.91073	20-12-2012	1.0	0.91073			
USD-CHF	20-12-2012	1.0	0.91157	21-12-2012	1.0	0.91626	+$511.86	+$511.86	$36,363.70
USD-CHF	20-12-2012	1.0	0.91157	21-12-2012	1.0	0.91510	+$395.75		
						Unrealized	+$385.75		

USD-JPY MONTHLY

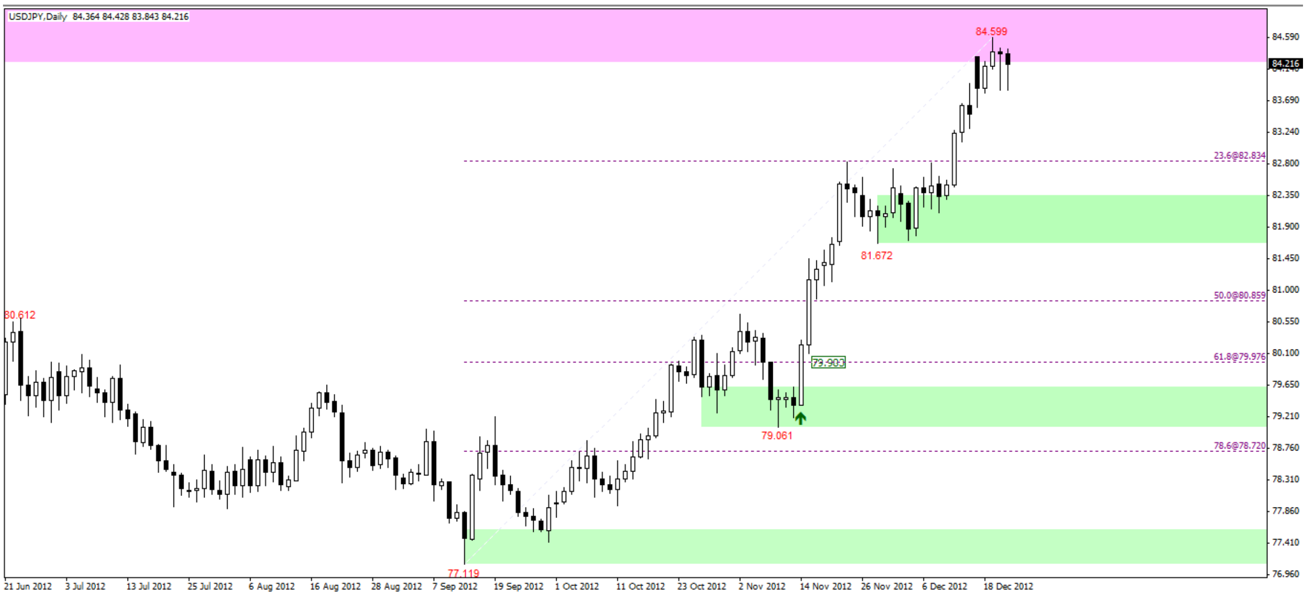
USD-JPY WEEKLY



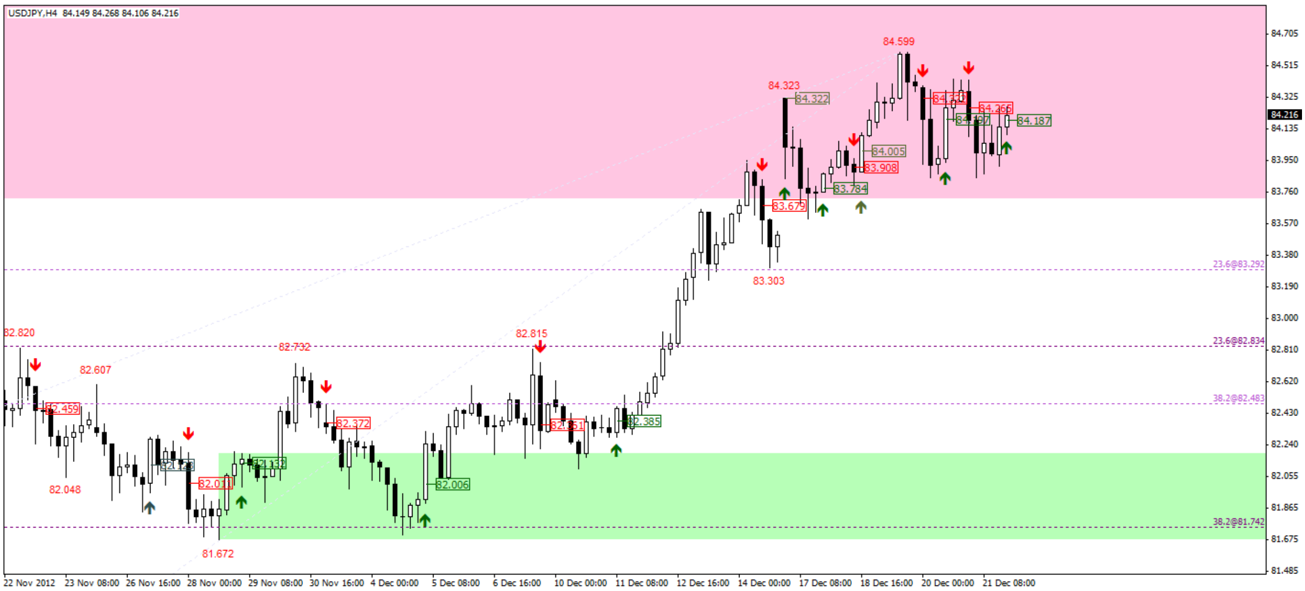
USD-JPY The Big Picture

The fall from 124.120 which started on June 2007 probably terminated on October 2011 at **75.563**, just below the 127.0% projection of 147.680 to 101.220 from 135.160 at **76.156**. In the bigger picture, the move from 75.563 to 84.172 is most likely the termination point of wave B at **84.172** with wave A at **75.563**. Wave C is probably at **77.119**. From there a hammer appeared in the W1 chart some 2 months ago and price action has since powered higher and is probably heading towards wave D. One possible target for wave D is the 100.0% of 75.563 to 84.172 from 77.119 at **85.728.** This rally is impulsive and has the basic ingredient for a sustainable rally to as high as the 161.8% projection of 75.563 to 84.172 from 77.119 at **91.048**. This very bullish prospect will be greatly enhanced if and when price action can take out the supply zone at **83.291-85.520** (see W1 chart). On the other hand, if this rally stalls at the 100.0% projection of 75.563 to 84.172 from 77.119 at **85.728** (the preferred count), then this is just a simple correction of the fall from 147.680; another massive fall below the all-time low of 75.563 is in store.

USD-JPY DAILY



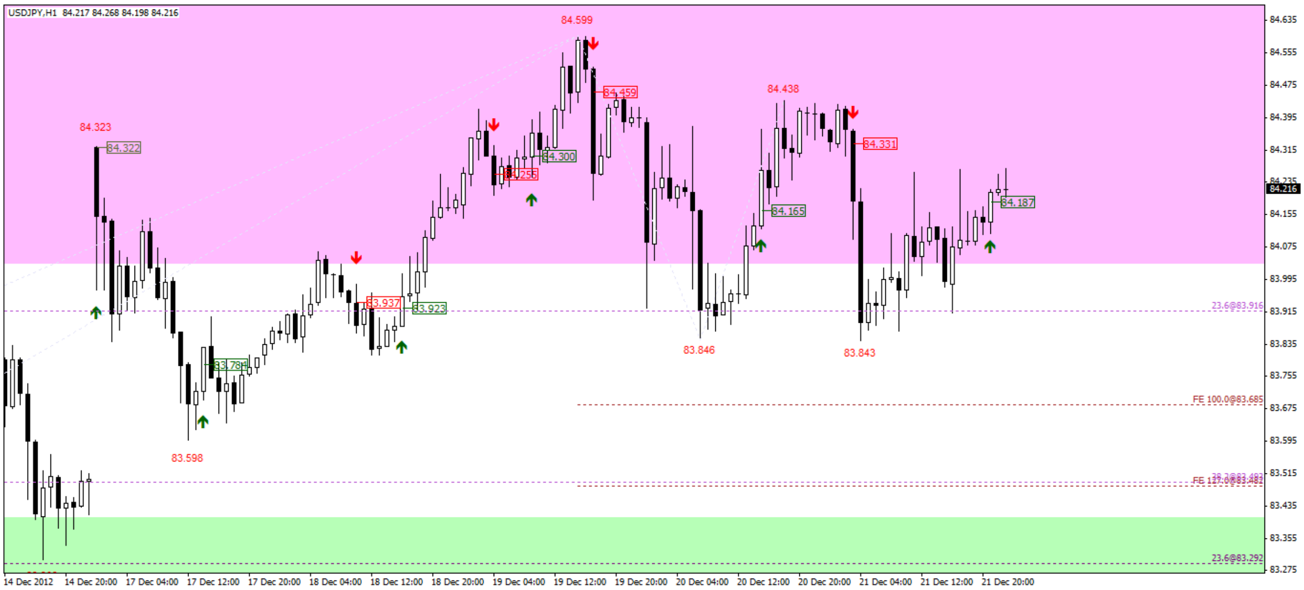
USD-JPY 4-HOURLY



USD-JPY Short to Medium Term Views

Unlike the other majors which are showing signs of corrections, this market is stubbornly well bid. Even though sell signals were triggered; there is no sizable correction except for a brief dip below the 84.000 handle on Thursday and Friday. On the w1 chart, it appears this market is gunning for last year's high of 85.520. With the LDP winning the Japanese election and the BoJ having expanded its asset-buying programme by an expected ¥10 trillion, this week, there is very little in the form of fundamentals to drive this market in the coming week. Technically, though the longer-term trend is decidedly bullish, 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**. Until and unless this week's peak at 84.599 is taken out, immediate focus is on the 23.6% retracement of 81.704 to 84.599 at **83.917;** followed by the 38.2% retracement level at **83.493**. A demand pocket at **82.230-83.384** lies just above the latter and may possibly arrest any further fall – at least in the short-term. Below this, focus will shift to the price pocket between **82.100-82.318** (see H1 chart). 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**.

USD-JPY 1-HOURLY



Trade Ideas

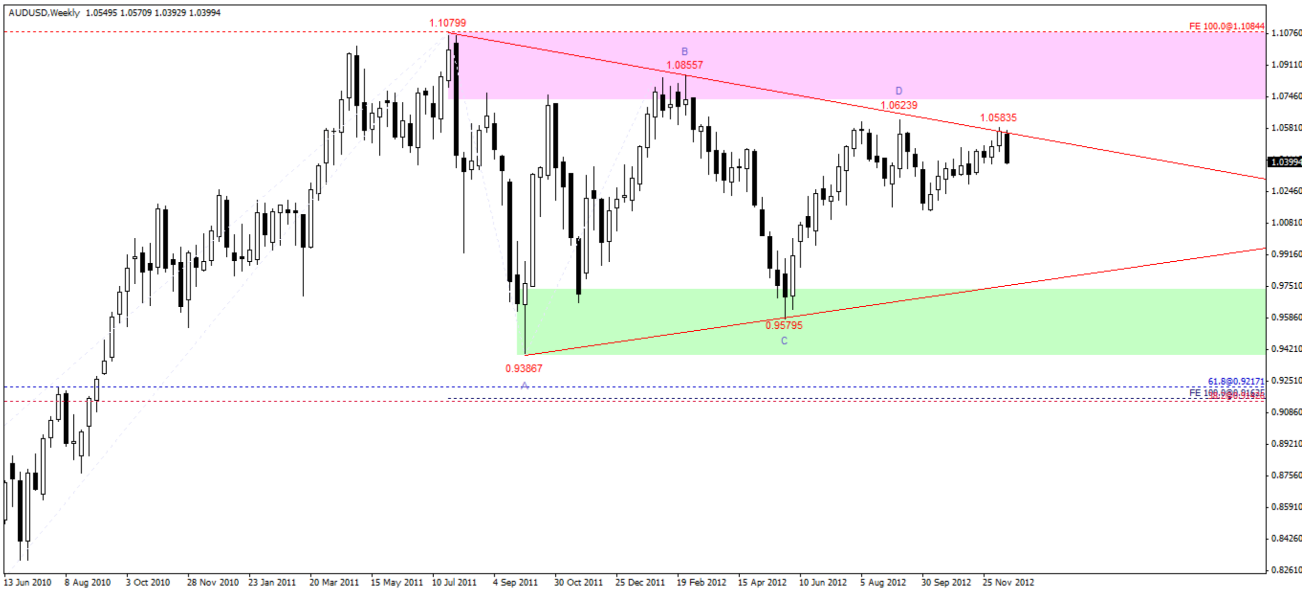
ACTION	Target 1	Target 2	EXIT
Sold @ 84.459	83.916 Realized	83.292	Break-even

Weekly Performances

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade +/ -	Realized +/ -	Accumulative + / -
	B/F from 14-12-2012								$33,743.59
USD-JPY	17-12-2012	1.0	84.322	14-12-2012	1.0	83.722	-$711.56	-$711.56	$33,032.03
USD-JPY	21-12-2012	1.0	83.916	19-12-2012	1.0	84.459	+$647.08	+$647.08	$33,679.11
USD-JPY	21-12-2012	1.0	84.216	19-12-2012	1.0	84.459	+$288.54		
						Unrealized	+$288.54		

AUD-USD MONTHLY

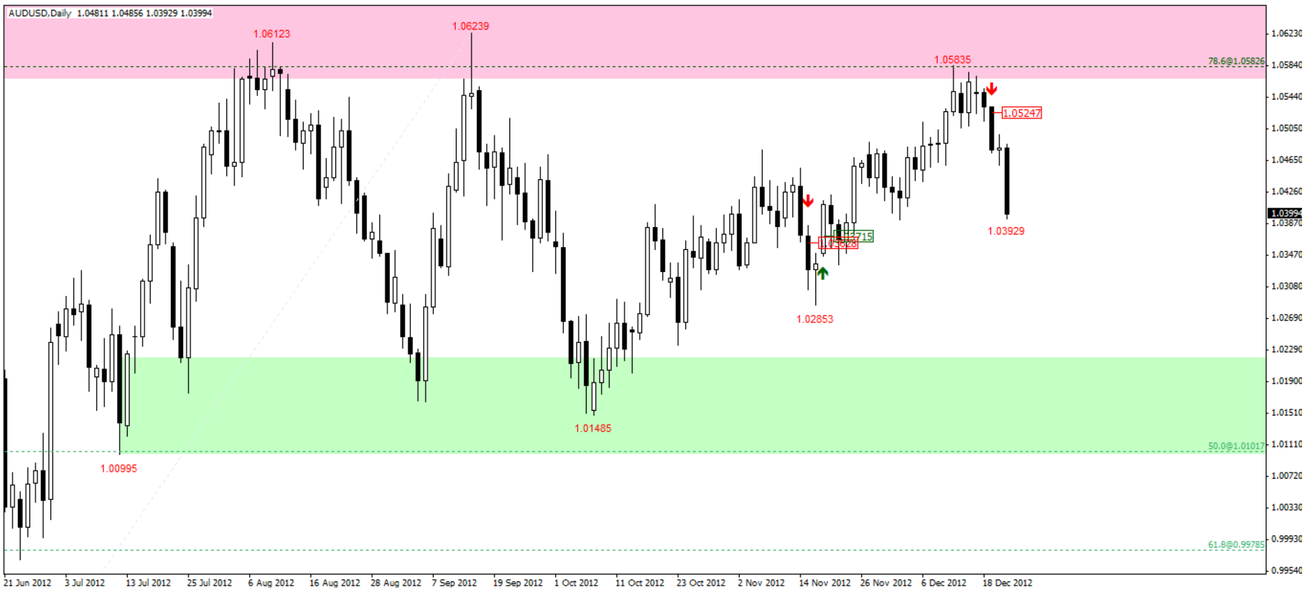
AUD-USD WEEKLY



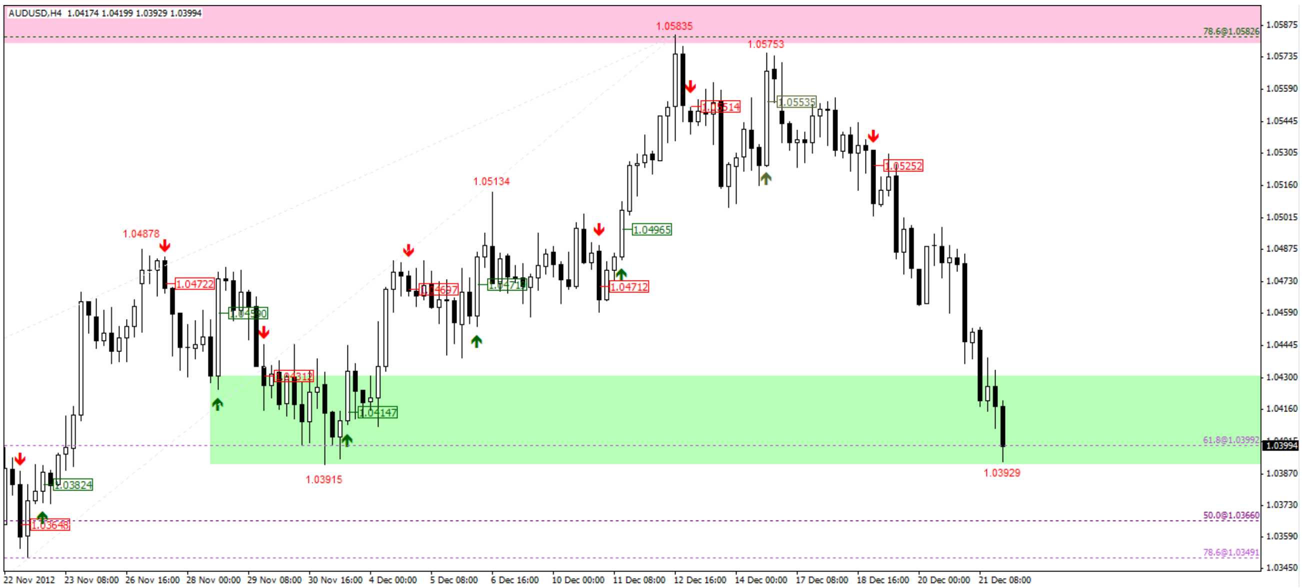
AUD-USD The Big Picture

In the bigger picture, the rise from 0.47730 missed the 100.0% projection of 0.47730 to 0.98490 from 0.60084 at **1.10844** on July 27 by a mere 4.5 pips with a high at 1.10799. Price action since has been very choppy as it gyrates within an almost 1700 pips range between the all-time high and last October 4 low of **0.93809**. Overall, the broad sideway market since has sets of 3-waves structures, implying a period of consolidation between these two extreme points. The long-held view that this market is consolidating within a triangle was severely tested this week. Price action briefly poked above the upper trend-line of the triangle last Friday only to reverse direction this week. Sustained rally above this trend-line will invalidate the triangle scenario and will have shifted focus towards the February high of **1.08557** and all-time high of **1.10799** registered last July. With one more week to go before the month end, a potential hangman is developing in the MN chart. This would have massive implication. It would suggest that wave D is in place this market is next heading towards the last leg of the longer-term triangle pattern. Once wave E is in place, the ensuing rally should send AUD-USD through **1.08557** to retest the July 27, 2011 high at **1.10799** and beyond.

AUD-USD DAILY



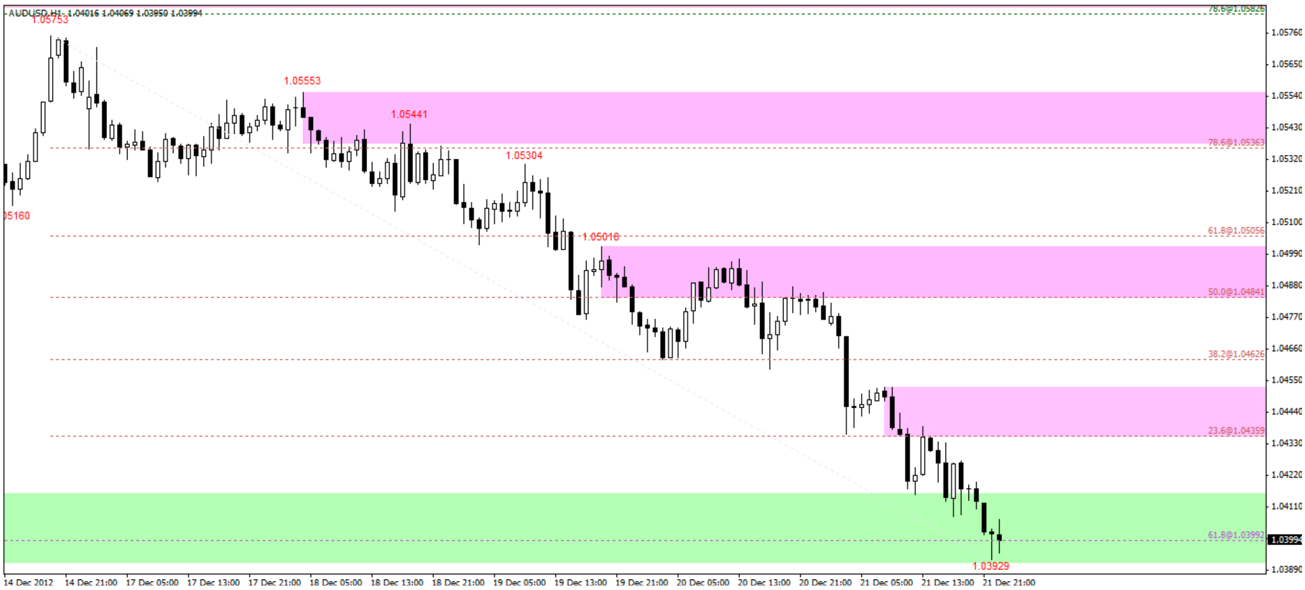
AUD-USD 4-HOURLY



AUD-USD Short to Medium Term Views

As mentioned, the 78.6% retracement of 1.08557 to 0.95795 at **1.05826** proved to the turning point of the rally from 1.04595 earlier last week. Price action attempted to re-test this level late last Friday before falling back. Early this week saw this market opened weaker by some 14 pips and struggled; ending the first trading day of the week as a doji. This week is massive reversal which have taken the wind out of the remianing bulls. After two weeks of advance, this week closing is the weakest in three weeks. Would the 61.8% retracement of 1.02853 to 1.05835 at **1.03992** which lies within the demand pocket at **1.03915- 1.04312** where price action is right now able to contain this fall? Regardless, a short-term rebound is overdue as this market is extremely over-stretched right now. Selling after a decent rebound makes a lot more sense than chasing this market lower at current levels. Overhead lies a minor supply pocket at **1.04354-1.04528** where the 23.6% retracement of 1.05753 to 1.03929 at **1.04359** lies. Though less than ideal, this area could potentially be where the rebound (if it happens) may top out and a level to position shorts. Ideally, a short position within the supply pocket at **1.04837-1.05018** where the 50.0% retracement of 1.05753 to 1.03929 at **1.04841** is preferred but considering the persistency in which this fall develops, the lower target area may be all there is for those wishing to ride this fall down.

AUD-USD 1-HOURLY

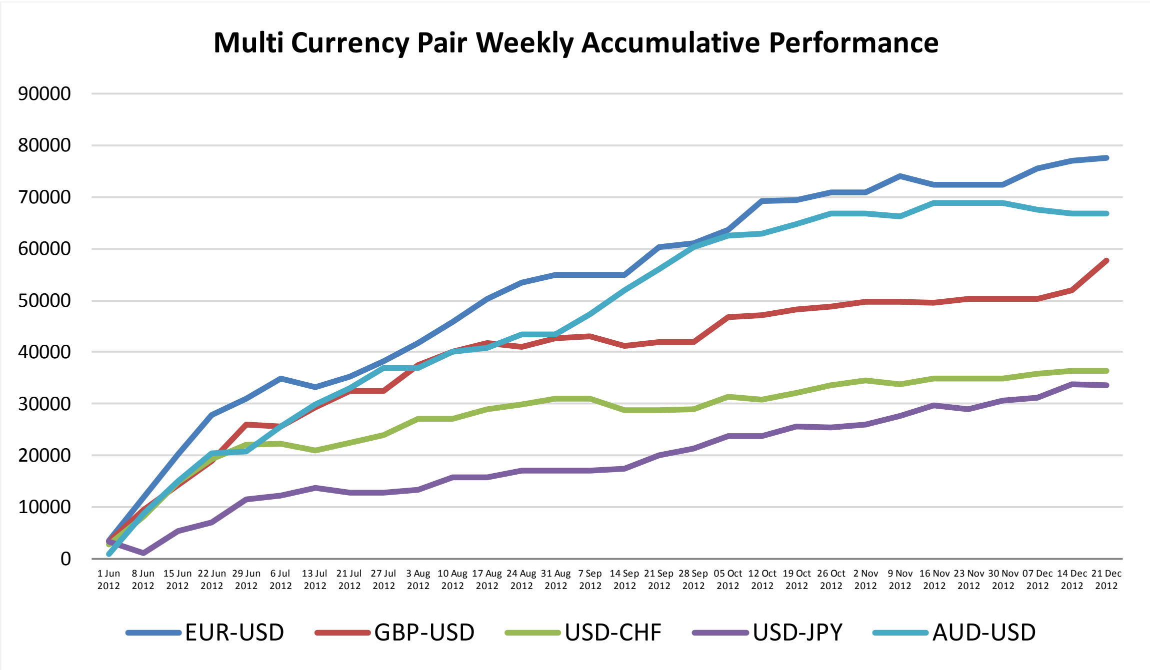


Trade Ideas

ACTION	Target 1	Target 2	EXIT
Sell in sell signal within 1.04354-1.04528	1.03118	1.01892	1.04628 STOP

Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade + / -	Realized +/ -	Accumulative + / -
	B/F from 14-12-2012								$66,879.00
						Unrealized	$.00		


Multi Currency Pair Weekly Accumulative Performance
90000
80000
70000
60000
50000
40000
30000
20000
10000
0
1 Jun 2012
8 Jun 2012
15 Jun 2012
22 Jun 2012
29 Jun 2012
6 Jul 2012
13 Jul 2012
21 Jul 2012
27 Jul 2012
3 Aug 2012
10 Aug 2012
17 Aug 2012
24 Aug 2012
31 Aug 2012
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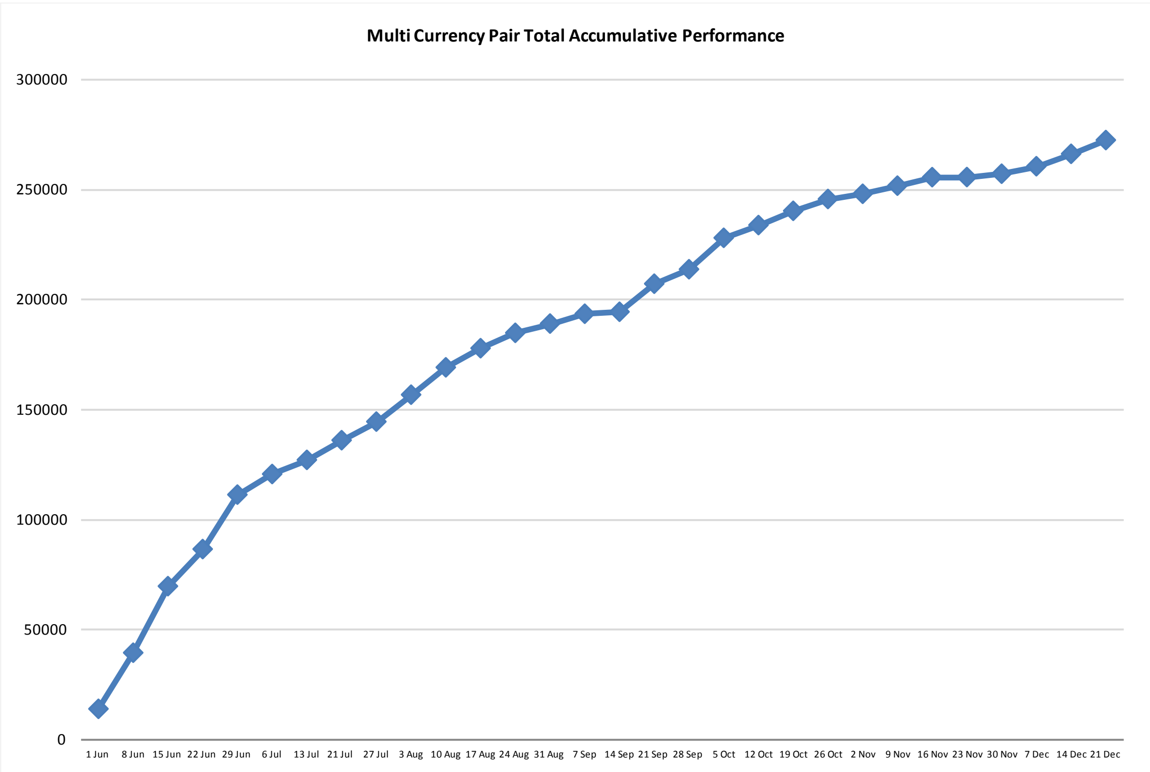
23 Nov 2012
30 Nov 2012
07 Dec 2012
14 Dec 2012
21 Dec 2012
EUR-USD
GBP-USD
USD-CHF
USD-JPY
AUD-USD


Multi Currency Pair Total Accumulative Performance
300000
250000
200000
150000
100000
50000
0
1 Jun
8 Jun
15 Jun
22 Jun
29 Jun
6 Jul
13 Jul
21 Jul
27 Jul
3 Aug
10 Aug
17 Aug
24 Aug
31 Aug
7 Sep
14 Sep
21 Sep
28 Sep
5 Oct
12 Oct
19 Oct
26 Oct
2 Nov
9 Nov
16 Nov
23 Nov
30 Nov
7 Dec
14 Dec
21 Dec

Check out our website at

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.

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.