

FOREX OUTLOOK

A Traders Academy International Publication

USD-JPY Continues Its Bull Run Above 86.00

USD-JPY rose to a more than 2-year low on Thursday on expectations of bold monetary stimulus in Japan, while EUR-USD too rose ahead of more talks in Washington to avert the "fiscal cliff." EUR-USD rose 0.2 percent to 1.32350.

USD-JPY has risen 12 percent in 2012 and on track for its biggest annual gain since 2005. The rally has accelerated in the past two months on speculation Japan's new Prime Minister Shinzo Abe will pursue policies to weaken the Japanese Yen.

Traders and hedge funds have been increasingly buying USD-JPY. USD-JPY rose to 86.136, its highest since mid-August 2010. It settled up 0.5 percent at 86.085. Traders took out option barriers at 86.000 and stop-loss buy orders above 86.100.

In the options market, risk reversals in USD-JPY showed a further bias toward yen weakness. Risk reversals from 1-month up to 4-years were skewed toward Dollar calls or Yen puts, reflecting increased confidence among traders to bet against the Japanese Yen.

1-month implied USD-JPY volatility, a gauge of expected moves, rose to 8.5 vols from 7.3 last week, close to the December 13 near - 6-month high of around 8.65, highlighting growing demand to hedge against sharp price swings.

Abe, who has promised aggressive monetary easing by the Bank of Japan and steps to weaken the Japanese Yen, appointed a cabinet of close allies on Wednesday. A weaker Yen helps Japanese exports and has lifted Japanese stocks.

EUR-JPY rose 0.6 percent to 113.960, having risen as high as 114.307, the strongest since July 2011.

Traders are looking to see whether the Bank of Japan will ease at its next policy meeting in January, and if it doesn't ease aggressively enough, then the new government could come, which would hurt the BoJ's independence.

There's limited scope for a Yen rebound while the Abe government continues to threaten BoJ independence.

Over in the U.S., House of Representatives will hold a work session on Sunday beginning at 6:30 p.m. EST (2330 GMT), a day before the Dec. 31 deadline for reaching a deal that would avert automatic tax increases and spending cuts.

The US Dollar had earlier gained after the top Democrat in the U.S. Senate warned that the United States looks to be headed over the "fiscal cliff."

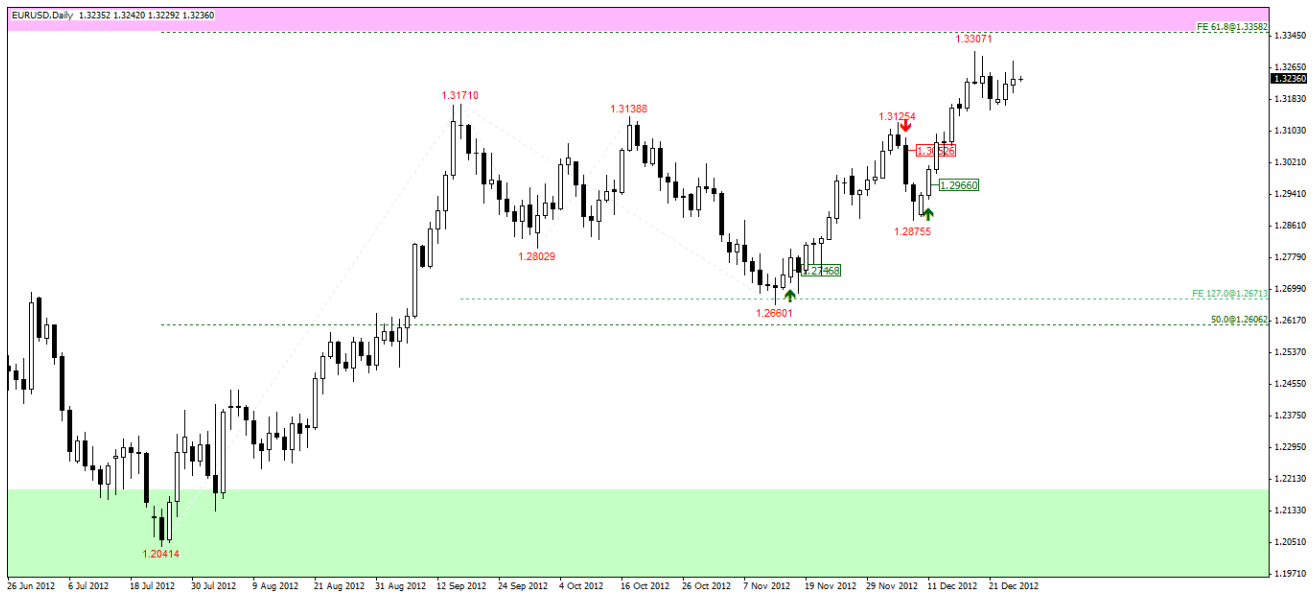
Should Congress fail to act by Dec. 31, tax rates for all Americans would jump back to pre-2001 levels. Two days later, \$109 billion in automatic spending cuts would start to take effect. Together, the higher taxes and lower spending would suck about \$600 billion out of the U.S. economy, potentially causing a new recession in 2013.

The US Dollar tends to benefit when there are snags in U.S. budget negotiations because it is highly liquid and perceived as a safe haven. Conversely, when talks are running smoothly, traders tend to buy currencies such as the Euro and Australian Dollar.

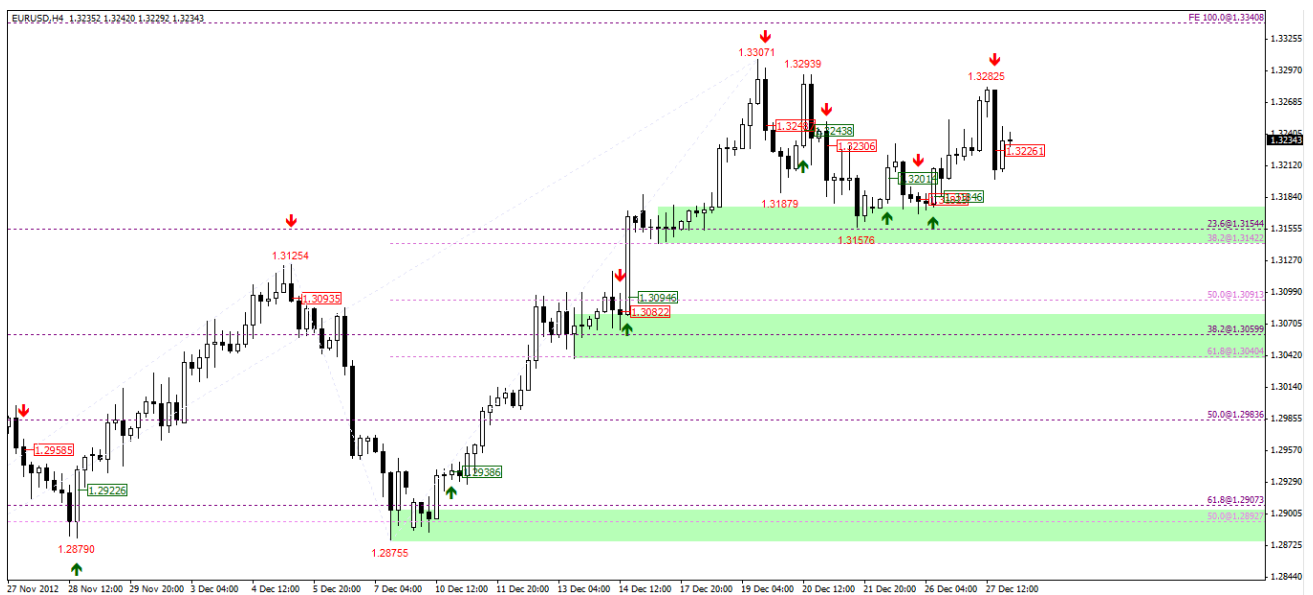
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EUR-USD DAILY



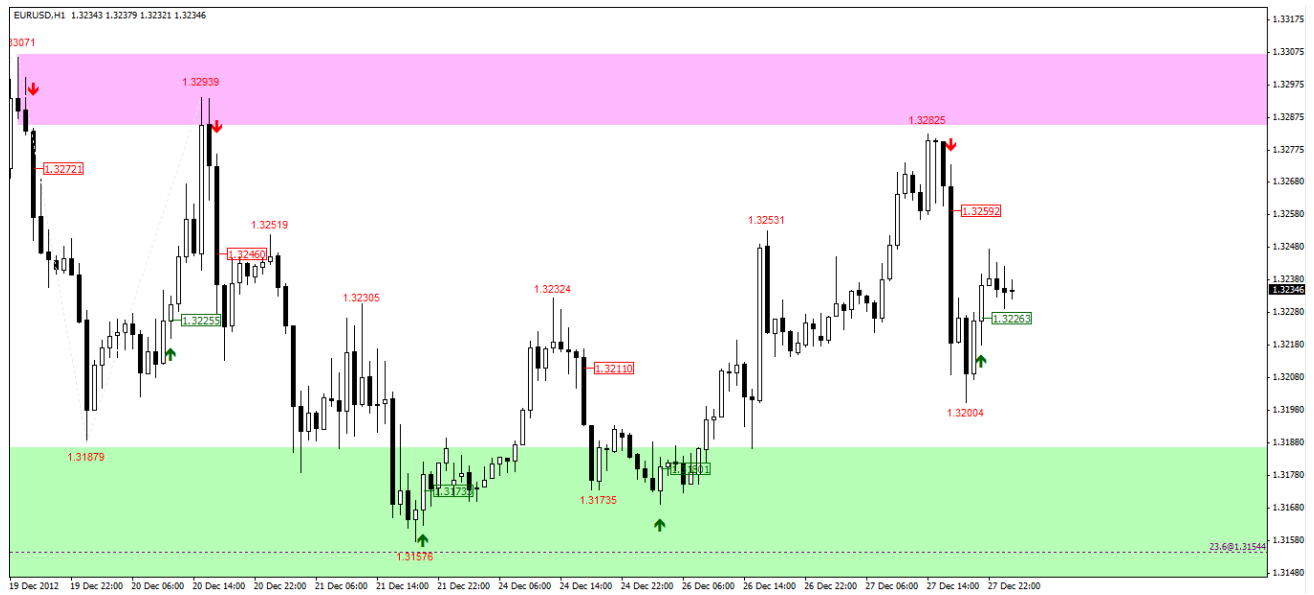
EUR-USD 4-HOURLY



EUR-USD Short to Medium-Term Views

Price action did not quite make it into the demand pocket at **1.31430-1.31864** and rallied. Prices were elevated all the way in the US session before turning around immediately after London closed for the day in overnight trading. As with the demand pocket, the price action too failed to trade into the overhead supply pocket of **1.33575-1.34857** before being sold off. Since hitting 1.33071 last week; just shy of the 61.8% projection of 1.20414 to 1.31710 from 1.26601 at **1.33582**, this market has been in consolidation with a trading range between the demand pocket at **1.31430-1.31864** and supply pocket of **1.33575-1.34857**. Overall, the medium to long-term pictures remains decidedly bullish. With each passing day (without triggering the sell signal in the D1 chart), the odds of this correction hitting its full potential is getting remote. As noted, the pullback ideal target is somewhere 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**, which coincides with the 127.0% projection of 1.33071 to 1.31879 from 1.32939 at **1.31425** which is in turn stacked above the 38.2% retracement of 1.28755 to 1.33071 at **1.31422**. Together, these Fibonacci confluences represent an ideal launch pad for another assault at the year's high at **1.34857**. Last night marked the 5th day of this correction from 1.33071 and it is highly probable that the sell signal in the D1 chart may never be triggered and the rally from 1.20414 may resume in earnest.

EUR-USD 1-HOURLY



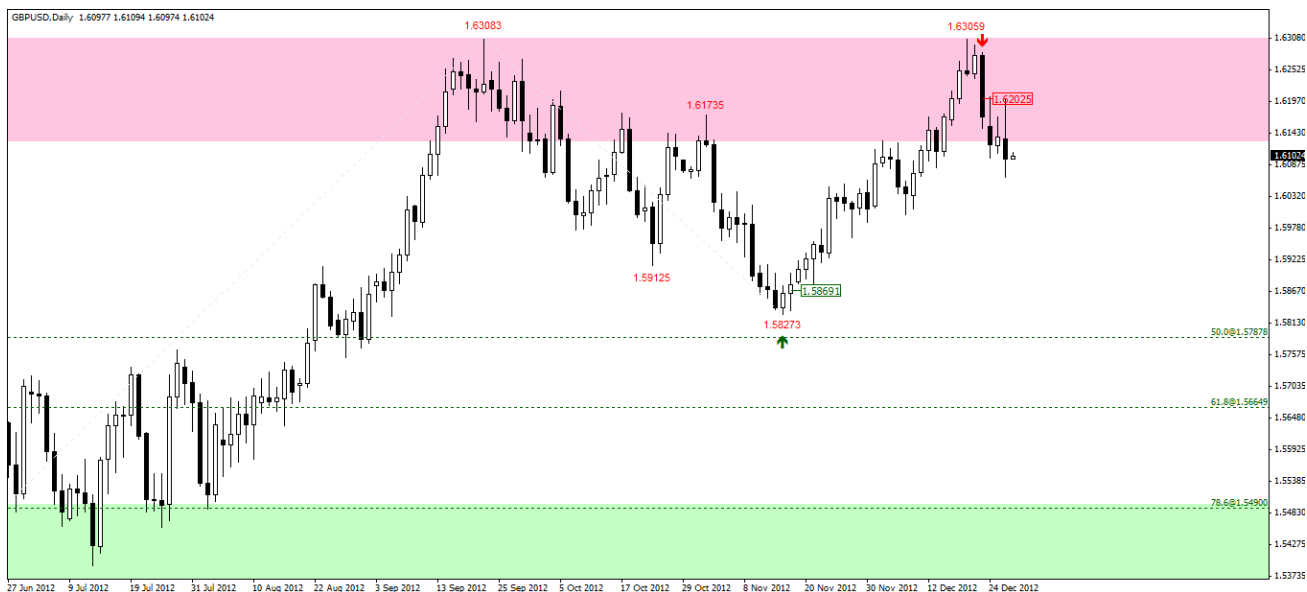
Trade Ideas

ACTION	Target 1	Target 2	EXIT
Buy on buy signal within 1.31430-1.31864	1.32853	1.33582	1.31330 STOP

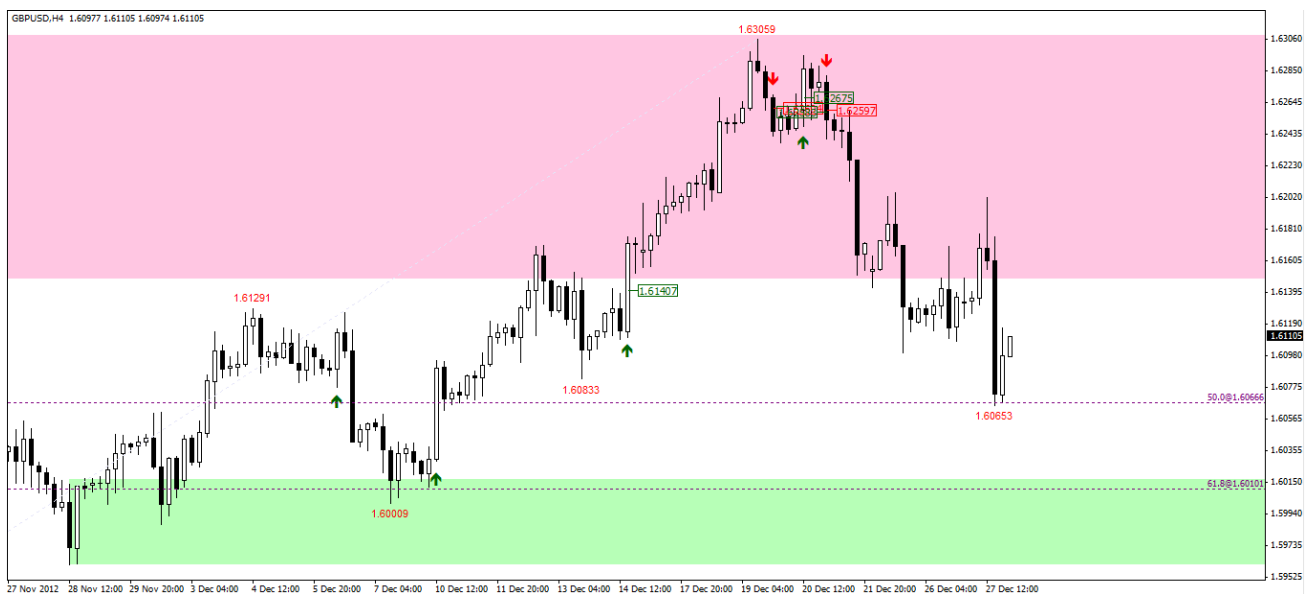
Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade + / -	Realized + / -	Accumulative + / -
	B/F from 21-12-2012								\$77,678.00
EUR-USD	26-12-2012	1.0	1.32460	20-12-2012	1.0	1.32460			
EUR-USD	26-12-2012	1.0	1.32460	20-12-2012	1.0	1.32460			
Unrealized							\$0.00		

GBP-USD DAILY



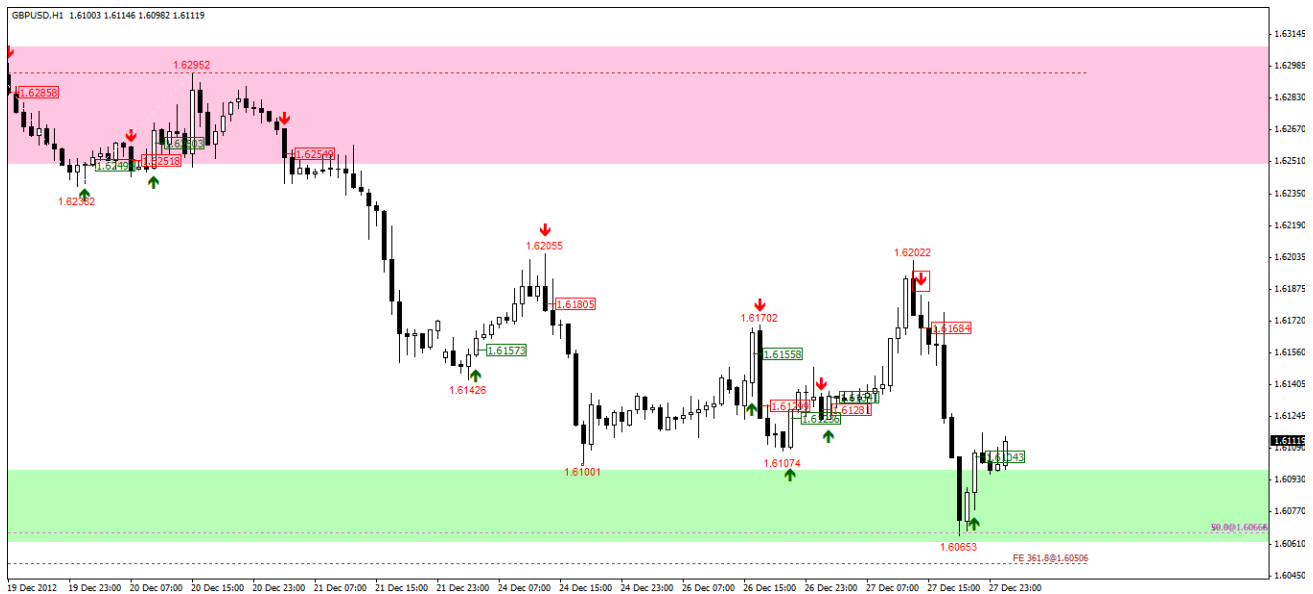
GBP-USD 4-HOURLY



GBP-USD Short to Medium Term Views

Price action attempted to rally throughout the day in overnight trading only to unravel to close the day on a negative note. Price actions were elevated all the way till London closing when NY based traders sold off the Sterling. Price hit the 50.0% retracement of 1.58273 to 1.63059 at **1.60666** and rebounded. This level is incidentally within the demand pocket at **1.59605-1.60165** where the 61.8% retracement at 1.58273 to 1.63059 at **1.60101** is located. As noted in previous updates, this area is where this market may find a bottom. Now that it has happened, it is imperative that this price pocket hold the market to maintain its overall bullish outlook. From here, price action is expected to mount another challenge on the 2012 high of **1.63083** and higher going forward.

GBP-USD 1-HOURLY



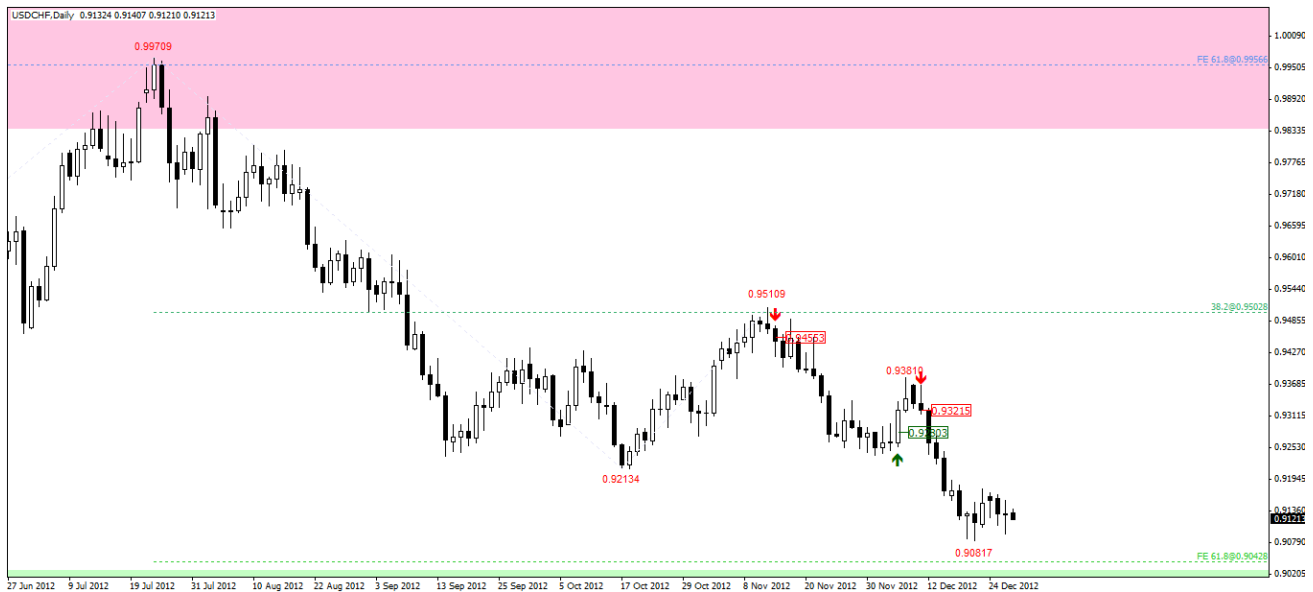
Trade Ideas

ACTION	Target 1	Target 2	EXIT
Bought @ 1.60811 (M5 chart)	1.61020	1.62499	1.59505 STOP

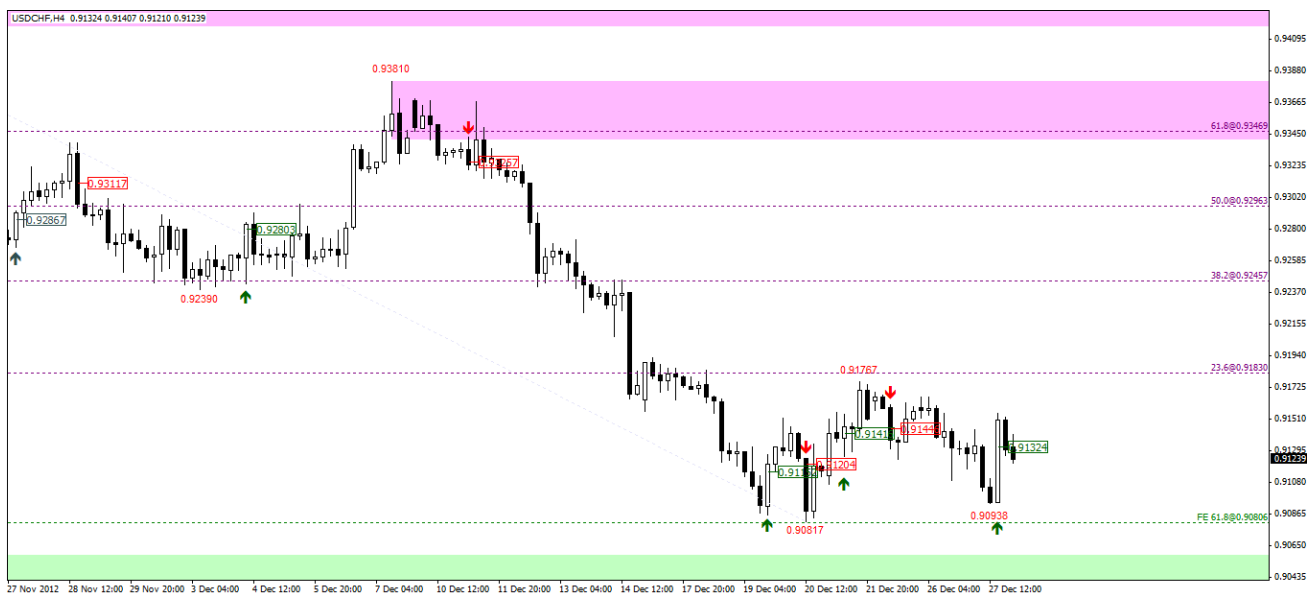
Weekly Performance

Currency	Date	Buy	Price	Date	Sell	Price	Per Trade + / -	Realized + / -	Accumulative + / -
	B/F from								\$57,782.00
	21-12-2012								
GBP-USD	27-12-2012	1.0	1.60811	27-12-2012	1.0	1.60979	+\$168.00		
GBP-USD	27-12-2012	1.0	1.60811	27-12-2012	1.0	1.60979	+\$168.00		
						Unrealized	+\$336.00		

USD-CHF DAILY



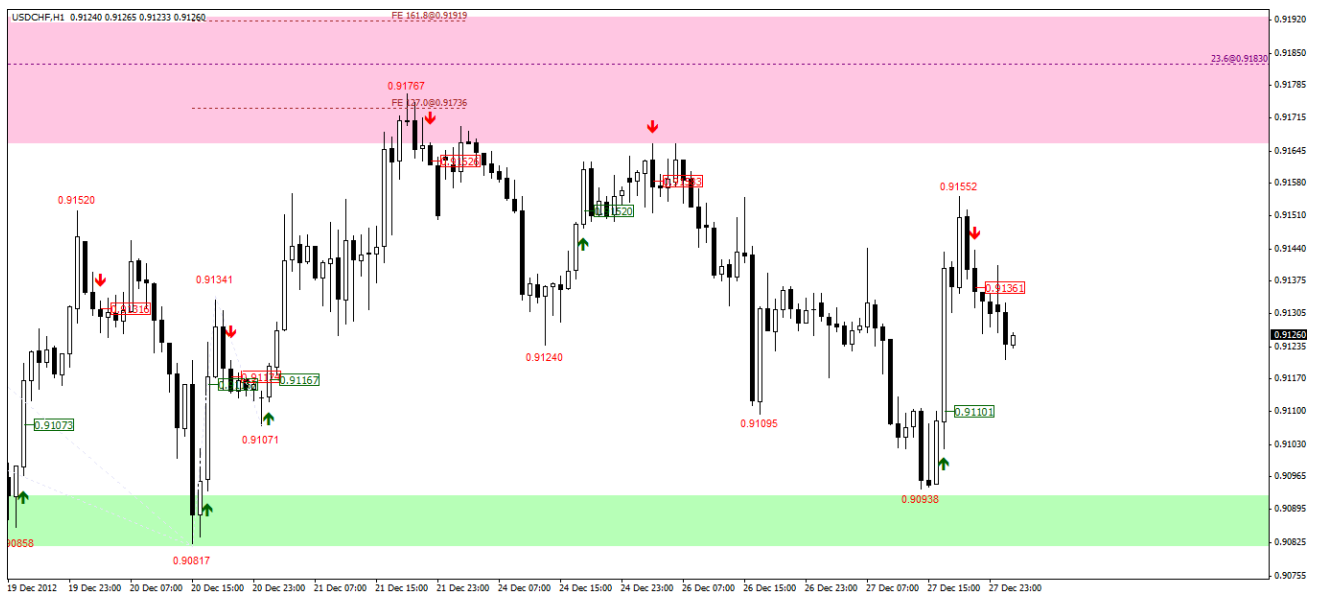
USD-CHF 4-HOURLY



USD-CHF Short to Medium Term View

This market continues to consolidate between the December 20 low of 0.90817 to December 21 high of 0.91767. The rebound from 0.90817 seen last Thursday is probably just a correction and this market is expected to resume its fall after this corrective phase is over. The initial rebound topped out at the 127.0% projection of 0.90817 to 0.91341 from 0.91071 at **0.91737** within the supply pocket at **0.91662-0.91927** last Friday. Ideally, this market corrects towards the 38.2% retracement of 0.95109 to 0.90817 at **0.92457** where a supply pocket at **0.92400-0.92734** lies. The idea is to position shorts there for a resumption of the fall from 0.99709; which is expected to trade below the year's low at **0.89301** going forward. That said, if it appears that price action is struggling within the immediate supply pocket at **0.91662-0.91927**, a sell there may be all we can expect realistically.

USD-CHF 1-HOURLY



Trade Ideas

ACTION	Target 1	Target 2	EXIT
Sell on sell signal within 0.91662-0.91927	0.90924	0.89847	0.92027 STOP

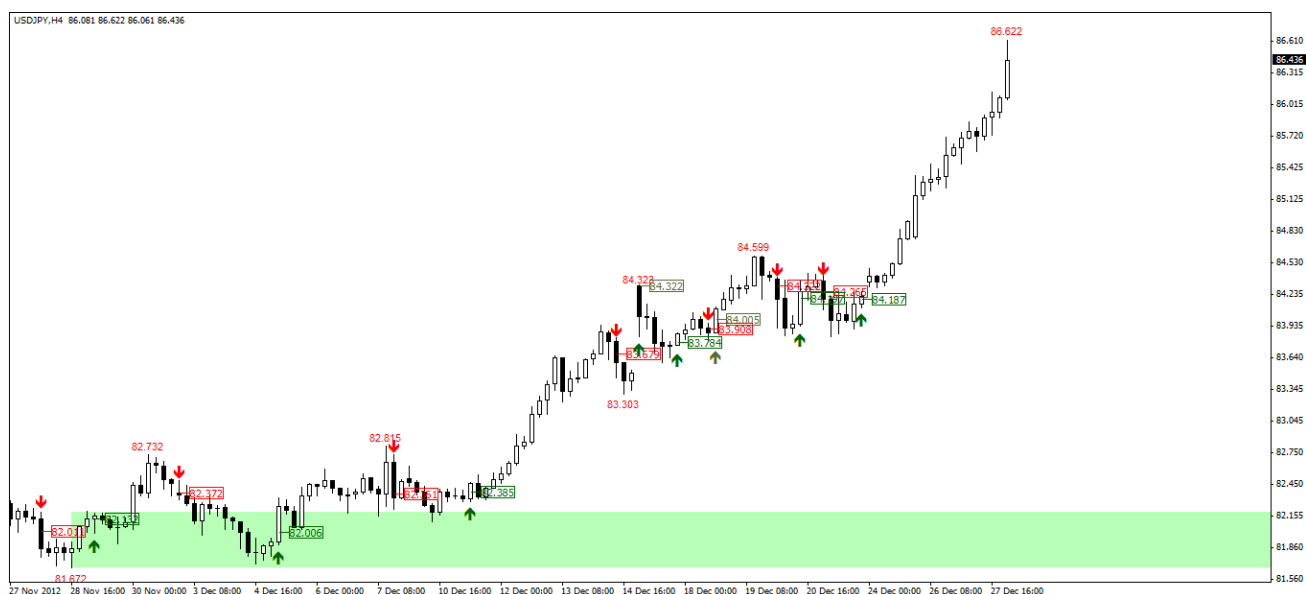
Weekly Performance

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	27-12-2012	1.0	0.91140	-\$18.65	-\$18.65	\$36,345.05
						Unrealized	\$0.00		

USD-JPY DAILY



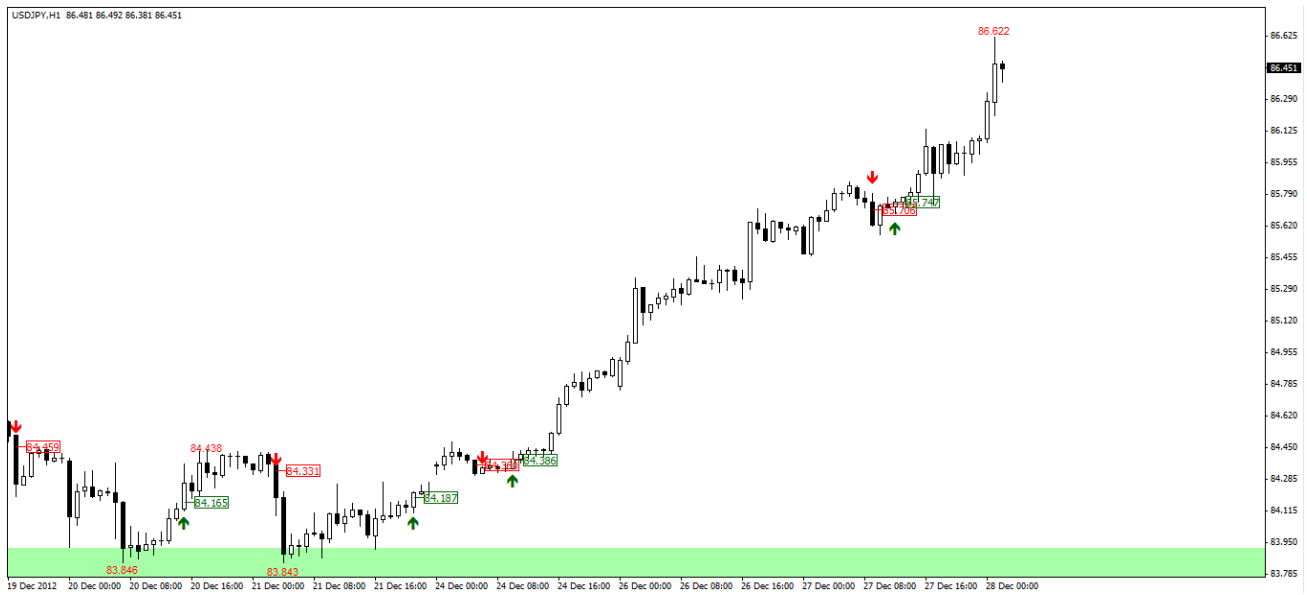
USD-JPY 4-HOURLY



USD-JPY Short to Medium Term Views

The exuberance in this market saw traders took rice action to above last year's high of 85.520. At the point of writing, this market has registered a new high for the year at 86.622 in early Asian trading this morning. In so long as the newly re-elected Prime Minister Shinzo Abe is seen to be continuing to pressure the BoJ into rolling back the effects of deflation by targeting a 2% inflation rate by aggressive easing, traders will continue to sell the Japanese yen. To this end, 90.000 is widely believed to be the exchange rate target set by the new LDP led government. The idea that a short position within the supply zone at **84.240-84.85.920** represented a very attractive proposition did not work out as expected. The rally accelerated above 86.020, taking out a ton of buy-stops along with it in overnight trading. With this move, focus has shifted to the longer-term correction target at the 23.6% retracement of 147.71 to 75.563 at **61.216**.

USD-JPY 1-HOURLY



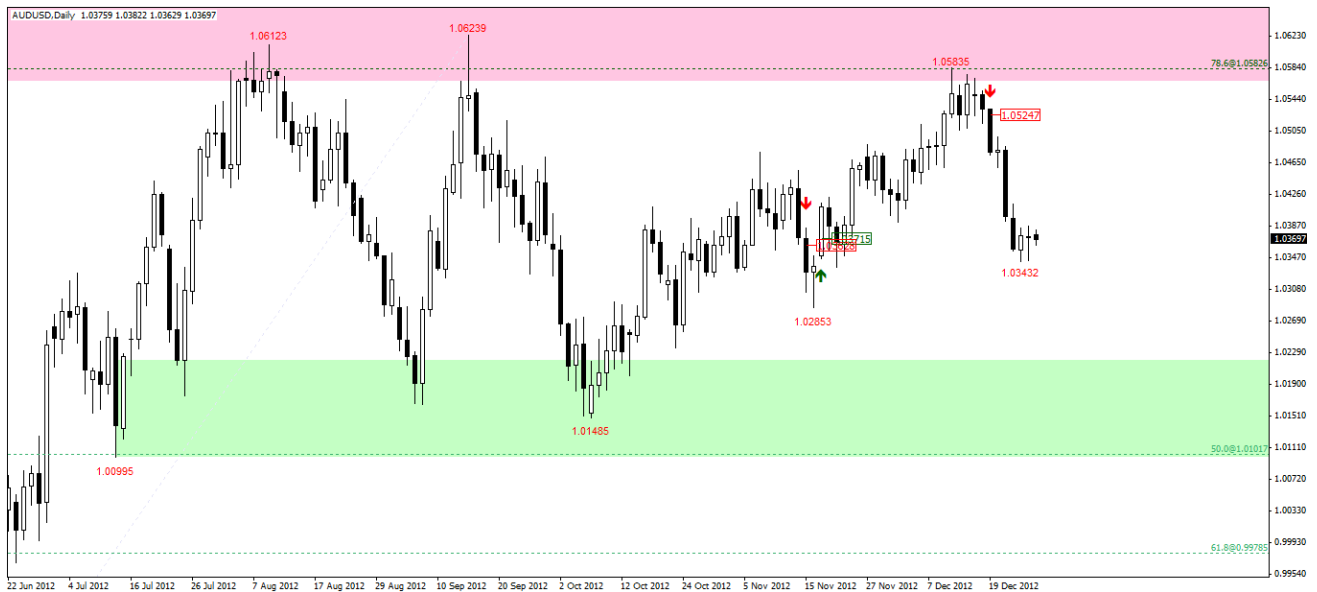
Trade Ideas

ACTION	Target 1	Target 2	EXIT
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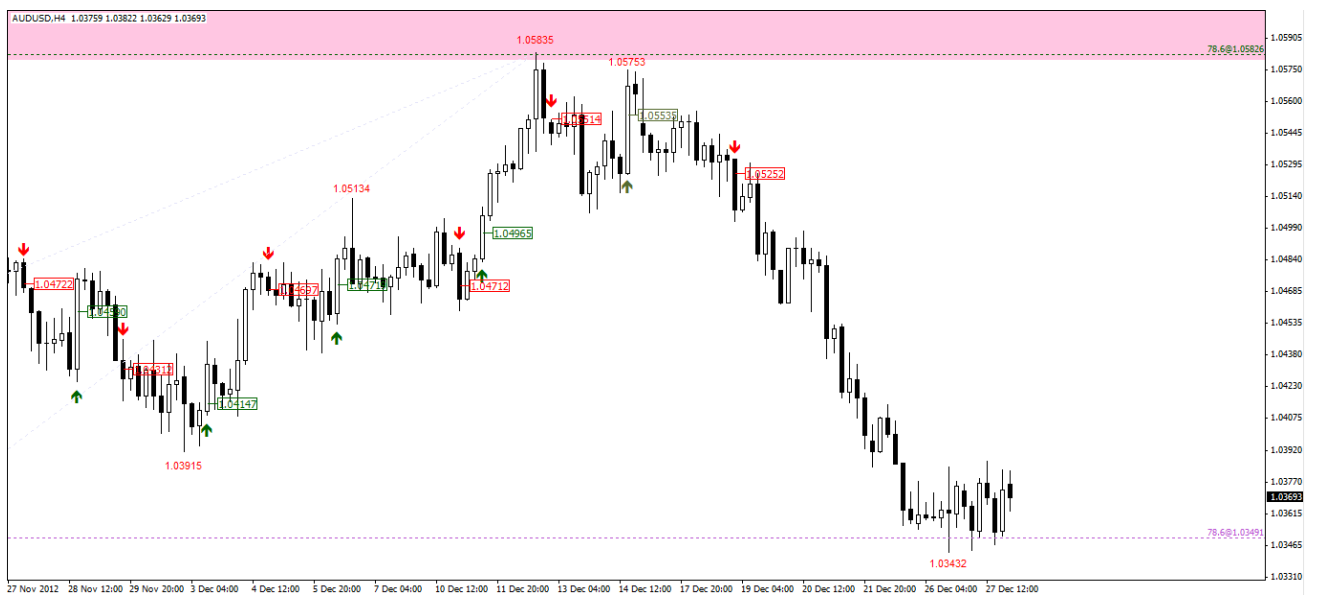
Weekly Performance

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			
USD-JPY	27-12-2012	1.0	86.020	27-12-2012	1.0	85.706	-\$365.03		\$33,314.08
USD-JPY	27-12-2012	1.0	86.020	27-12-2012	1.0	85.706	-\$365.03	-\$730.06	\$32,949.05
Unrealized							\$0.00		

AUD-USD DAILY



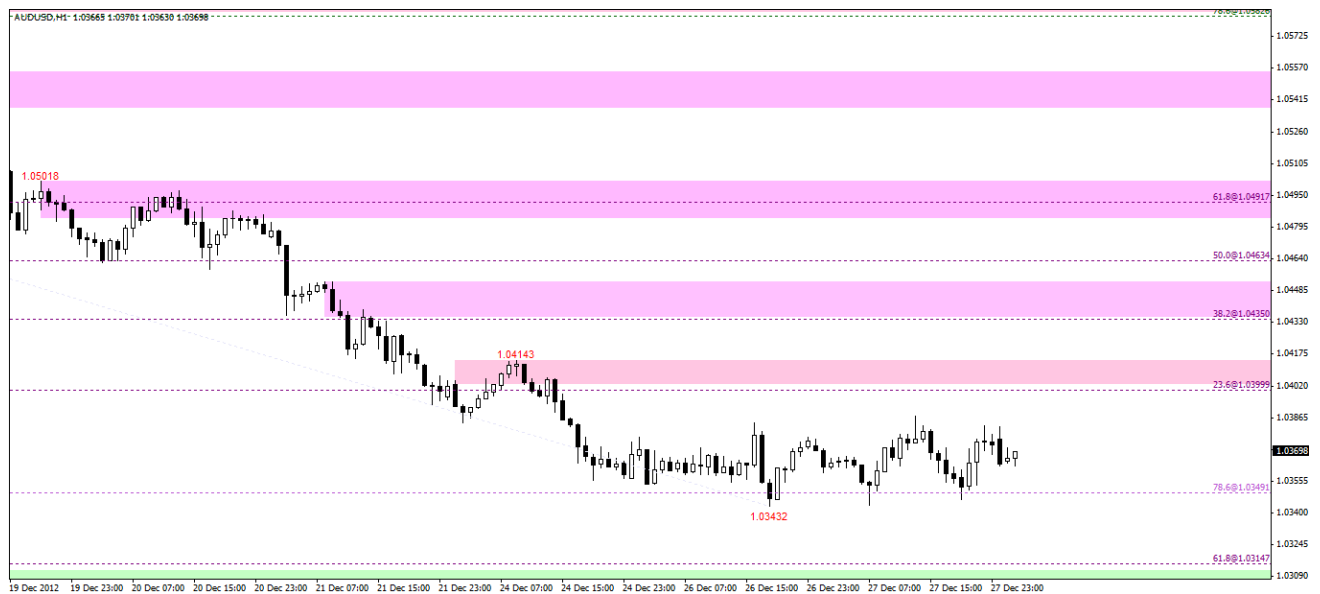
AUD-USD 4-HOURLY



AUD-USD Short to Medium Term Views

This market has practically gone into hibernation. Price action is stagnant since Boxing Day and may well end the year around current levels. Overall, the fall from the 78.6% retracement of 1.08557 to 0.95795 at **1.05826** appears to be accelerating and may have found a temporary bottom at the Boxing Day low of 1.03432. This level is just below the 78.6% retracement of 1.02853 to 1.05835 at **1.03491**. As noted, the short-term outlook is extremely over-stretched and a decent rebound is to be expected. Should a correction ensue, 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**.

AUD-USD 1-HOURLY

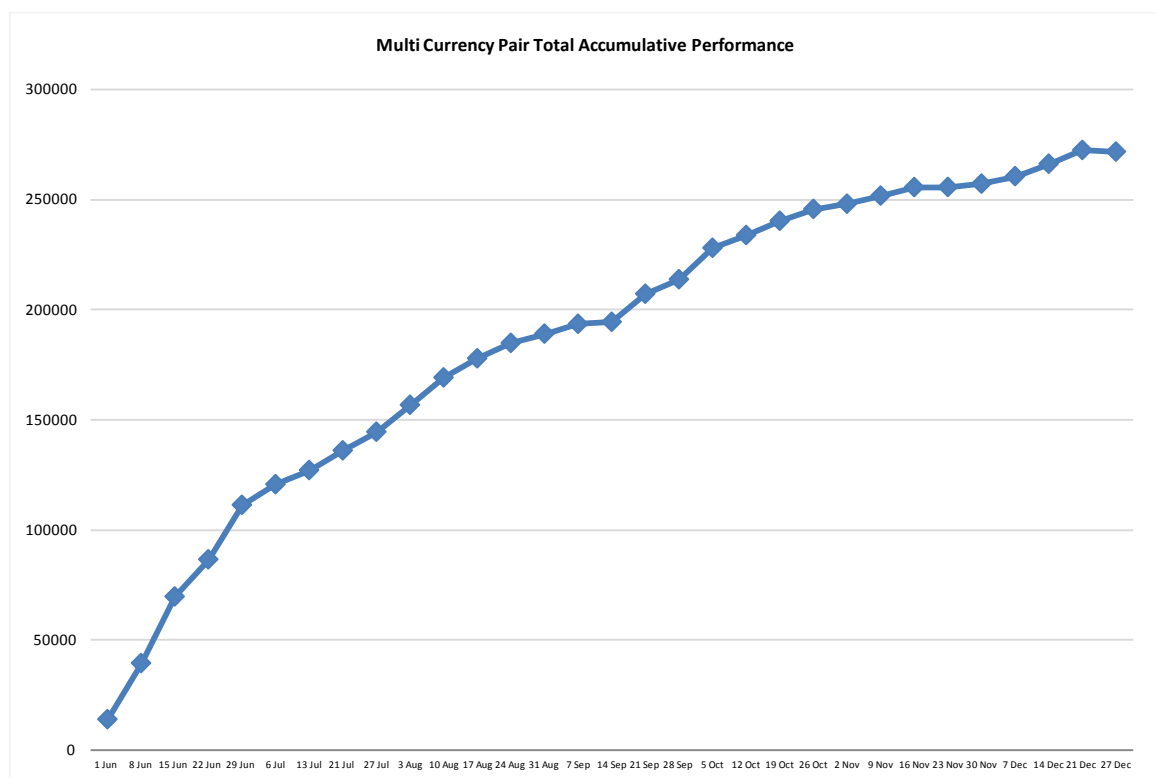
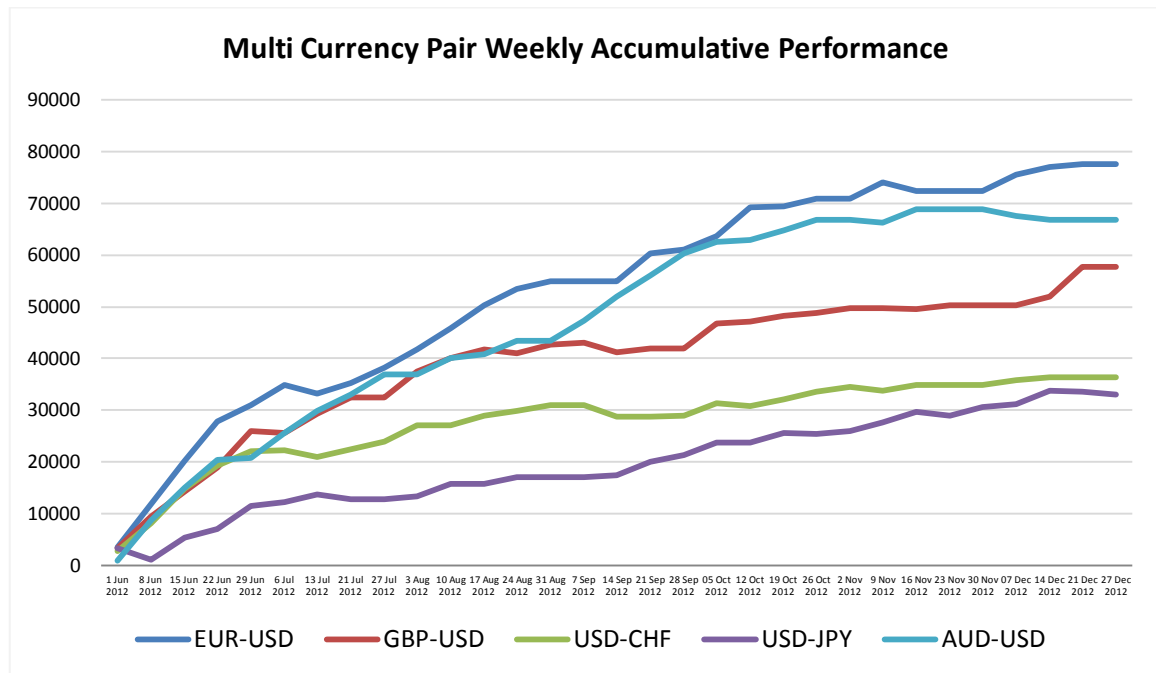


Trade Ideas

ACTION	Target 1	Target 2	EXIT
Buy on buy signal on H4 close above 1.03858	1.04350	1.04835	1.03332 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		



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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.