

FX

TRADER MAGAZINE

SNB
HIGH RISK
STRATEGY

FOREX
ARBITRAGE

KELTNER CHANNELS
MARABUZO LINE
ICHIMOKU KINKO HYO

BINARY
OPTIONS

QUARTERLY
ANALYSIS

euromageddon

WILL GREEK DEFAULT, ECB MONETARY POLICY, CENTRAL
BANKS INTERVENTIONS LEAD TO A CATAclySMIC SCENARIO?

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EUROMAGEDDON

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Quarterly Rendez-Vous With The Experts

Analysis and forecasts are among the most important aspects of trading decisions. And once again, this year *FX Trader Magazine* authors (who - permit me to remind you - are all selected among the best market experts) have had the right handle on the market, bringing accurate analysis and forecasts to our readers about the currency moves over the last months.

Alessandro Balsotti, who analysed the “life or death” options of the euro with great accuracy, anticipated the current EuroZone crisis development months in advance.

Kevin Sollitt, who continues to see the EUR/USD retesting the level of 1.18 as a reasonable expectation, was again very accurate when predicting in July that the Dollar would strengthen against the Euro, as the Euro just fell to an eight-month low against the dollar, hitting the initial profit target of his latest analysis as we go to print. He had also foreseen the overvaluation of the Swiss Franc in July, which actually fell against the Dollar and the Yen in August, as data showed the country's consumer demand dropped to the

lowest level in almost two years.

From a technical analysis point of view, the Ichimoku Kinko Hyo has proven to be a highly valuable indicator. During the last three months, the trends of most of the major currency pairs analysed by Gabor Kovacs in July, continued to verify. Even the SNB intervention couldn't change the overall picture



of the Ichimoku charts on the higher time frames.

Alex Kazmarck, who had predicted that risk would be the main driving force of the last months, had also rightly anticipated the bullish move of the dollar. He gives his clear vision of the EuroZone situation in this edition's *Euromageddon* scenario analysis.

It is my duty and my pleasure to bring forward the expertise and professionalism of our authors and contributors, and to emphasize the content quality of *FX Trader Magazine*. I would also like to mention Maurizio Milano and Steve Jarvis for their highly valuable technical analysis of the Majors, Emerging and Asian market pairs, as well as Elite E Services for their excellent contributions about the various FX market aspects, and Steve Ward for sharing his experience as a traders coach through his educational and actionable articles!

In this edition Alan Collins introduces two technical analysis indicators: he explains how to use the Marabuzo Line, and the Keltner Channels specifically for intraday forex trading.

Our aim is to continue providing our readers with expert, unbiased, editorial content and bring you the most valuable *Quarterly FX Trading Rendez-Vous*.

Please continue sending us your feedback.

Emmanuelle Girodet

Alessandro Balsotti, worked for several years as market maker of Italian Lira, Greek Dracma and Czechoslovak Koruna in JP Morgan. He was then in charge of the FX trading desk in Abax Bank and Caboto. He is currently responsible in JW Partners for the FX Single Manager strategies.

Alan Collins has been involved in the FX markets for more than 30-years. Beginning as a spot trader with Barclays, through Head of Sales/Prop Trader at KOP/Merita and Technical Analyst at Dresdner his current position is co-founder and Director of FX Analysis at PIA-First. www.pia-first.com

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Gabor Kovacs, is a technical analyst specialized in the Ichimoku Kinko Hyo indicator, as well as a qualified journalist with more than 8 years experience. Gabor is the writer and editor of the Ichimoku World website, where he provides articles and video presentations about trading with the Ichimoku Kinko Hyo charting system. His weekly analyses of the major currency pairs can be viewed on: www.ichimokuworld.com.

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E IN TUTTE LE MIGLIORI GIOIELLERIE



Global Currency Analysis

3rd quarter review 2011

For FX traders, the most amazing thing about the recent Euro decline from 1.44 to 1.35 against the USD is not really the direction of the move itself but more the contributory twin factors of witnessing such little support and then consequent speed of the move down; markets got themselves wrong-footed listening to official comments that all was well and rates might have to rise.

The fact that markets can now smell blood is evidenced by a lower EUR/USD despite the continued enforcement and endorsement of a low interest

rate environment in the U.S. for at least another year, maybe two. From a technical standpoint there appears to be no real support

between here and 1.2500 aside from 1.3150, thus with all things equal the move lower could now be swift as the cracks that have been papered over by Europe's



The ECB has finally acknowledged that they're in more of a pickle than had previously been realized (or admitted.)

political and financial leaders for months now begin to widen, show through and therefore stoke the fires of market fear even further.

Regular readers of this column may recall that we see a retest of 1.18 as a reasonable expectation and if Germany withdraws from the single currency, that level would be a conservative estimate. As discussed last issue, the ECB has finally acknowledged, verbally of course with no immediate monetary policy action, that they're in more of a pickle than had previously been realized (or admitted.)

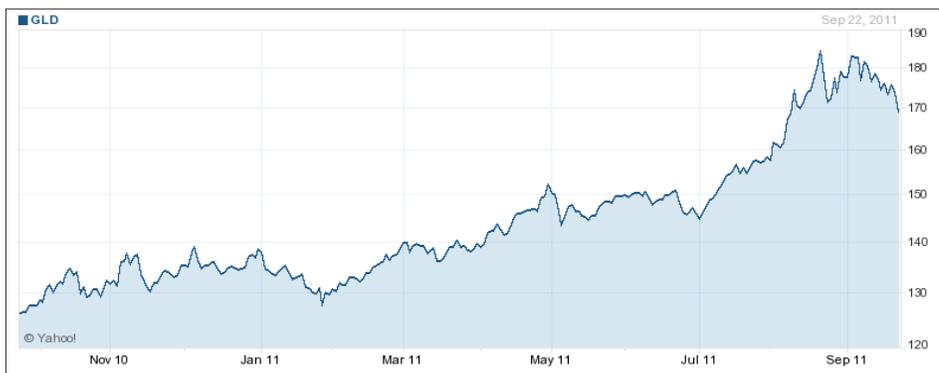
M. Trichet and co. sounded distinctly dovish on a relative basis

at the September meeting and a rate cut in October cannot only be suspected but is also now quite likely, a distinct U-turn from the inflation hawkishness that resonated loudly so recently yet (even without the added benefit of hindsight) was so transparently hollow.

Harsher critics of the ECB might say such rhetoric verged on the ridiculously arrogant side, especially with so many of the EU's major trading partners maintaining official interest rates at or near to zero in the US, UK & Japan. With the then latent but now impending effects of what is approaching, a full-blown meltdown of Greek and peripheral debt issues, bond markets

have a tough task in their current and future attempts to discern which of the remaining European governments might be classified properly as either illiquid or worse, insolvent.

The latest rescue attempt by the Fed providing swap lines to the ECB provided some respite in the selling pressure on Euro but of course this only solves a liquidity issue not that of ultimate solvency - it will be really interesting at around the turn of the calendar year, where pressure on USD rates is often seen from a purely domestic basis, now that Europeans are borrowing Dollars that will have to be rolled over or even repaid - this could add upward



Gold spikes: "double-tops hold while triple tops fold"

pressure on USD Libors and the USD currency itself should debtors decide to repay by buying Dollars in the market.

Whatever the outcome it's hard to see much topside for the EUR/USD rate all the while questions of ability to repay debt and rescheduling/restructuring mechanisms unfold. Not unsurprisingly in the midst of such uncertain conditions. Gold added to previous gains as prices spiked higher by around 20% in a short-covering frenzy, Venezuela adding to global concerns of a demand-driven short squeeze by requesting physical delivery of its gold reserves, held within the vaults of esteemed North American and British banks.

We spoke about a gold bubble in the last issue and who knows, perhaps the double top at around \$1,900 per ounce may yet be indicative of something bigger going on, with a realistic/conservative trading caveat: double-tops hold while triple tops fold.

As previously discussed and with

fears now realized, an escalation in social unrest has taken place across parts of Europe, beginning in the UK at the end of July and is now, unfortunately, gaining further traction in other countries, most notably of course in Greece; people

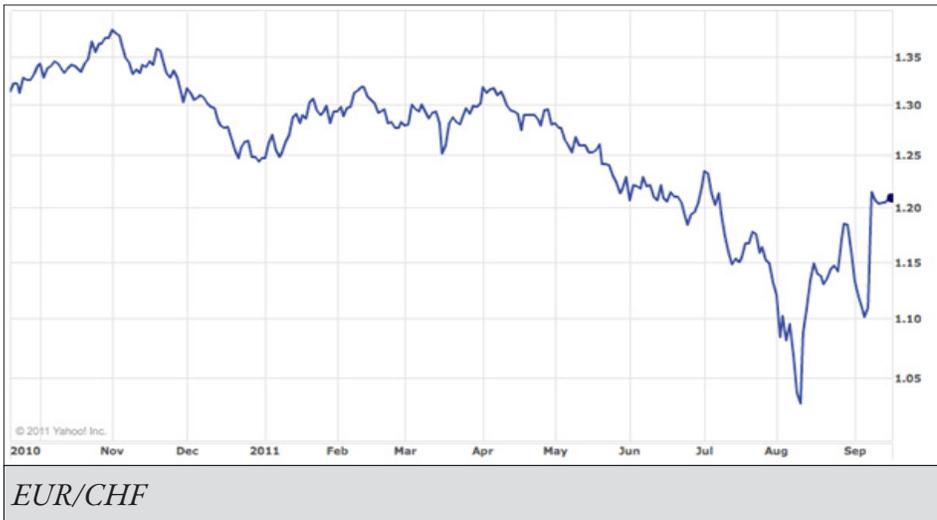
are worried about the potentially devastating economic effects of impending public sector layoffs, reportedly now set higher at 100,000 jobs, a larger number by 20,000 than had originally been projected but now demanded by the EU and the ECB as a precondition for Greece receiving the next tranche (EUR 8bio) of bailout funds.

As Greece looks poised to fall to its knees financially, the honeymoon may already be over for the IMF's new chief Christine Lagarde given potential association with her home nation's defiant and obvious lack of support for the packages being

An escalation in social unrest has taken place across parts of Europe, gaining further traction in other countries, most notably of course in Greece.



Photo REUTERS - John Kolesidis



Unofficial leaks are now suggesting the new floor will be raised again very soon, perhaps to 1.25.

hammered out by the IMF team and other 'Troika' partners of the EU and the ECB; a stunning 87% of French respondents to an IFOP poll published on September 18th believe that the latest bailout plan will amount to the money simply being lost, as 'Greece will never be able to reimburse it.' My French is admittedly a bit rusty so I am unsure whether "quel damage" or "quel dommage" is most apt, perhaps somewhat ironically both might apply.

The as yet unknown ramifications of the continuous political battles and 'horse-trading' by the 'Troika' to resolve EFSF issues are also reasons why the FX markets are getting short Euros in earnest, although perhaps not so much against the Swiss Franc these days after some hefty intervention by

the SNB saw the EUR/CHF cross rise from virtual parity to the Euro by around 20 percent to 1.20 in a matter of days, with 9 percent of that move from 1.10 to 1.20 occurring in one day on September 6th. At this point is where the line in the sand has now been drawn although with such raging success further emboldening the authorities, unofficial leaks are now suggesting the new floor will be raised again very soon, perhaps to 1.25.

Shortly after its EUR/CHF intervention the SNB was reported to have made clear its intent to diversify reserves further still by offering to buy any amounts of foreign denominated currency vs. the Franc, quite a strong statement and one that may yet come back to haunt them in future, unless of course the SNB backs away from the

intervention as in 2009. Still, it's a brave tactician who would take on the SNB given the reaction to this month's intervention and the cross is still trading way below perceived and popular estimates of fair value, which seem to range between 1.30 and 1.45.

The following is certainly not a trade recommendation, more an observation, in that although the Central Banks usually win the intervention battles that occur from time to time, the ultimate victors of such wars are not always entirely clear. The Plaza accord of 1985 for example was probably a job done too well by the U.S., Japan, U.K., West Germany and France, given the subsequent collapse in the trade-weighted Dollar index by around 40 percent or so since then, with particular emphasis on the USD/JPY rate which has fallen by around 70% of its value from 243 then to 76 now.

Perhaps the BoJ will be inspired to take a leaf from the SNB's handbook of intervention techniques as a possible Q4 FX market surprise?

Regardless, the point is that over time it's market fundamentals and not central banks that truly dictate free-floating currency values and as much as we did point out last issue that the market was running a clear risk of encountering the SNB due to the severe overvaluation of the Franc, it really would be absolutely incredible if markets

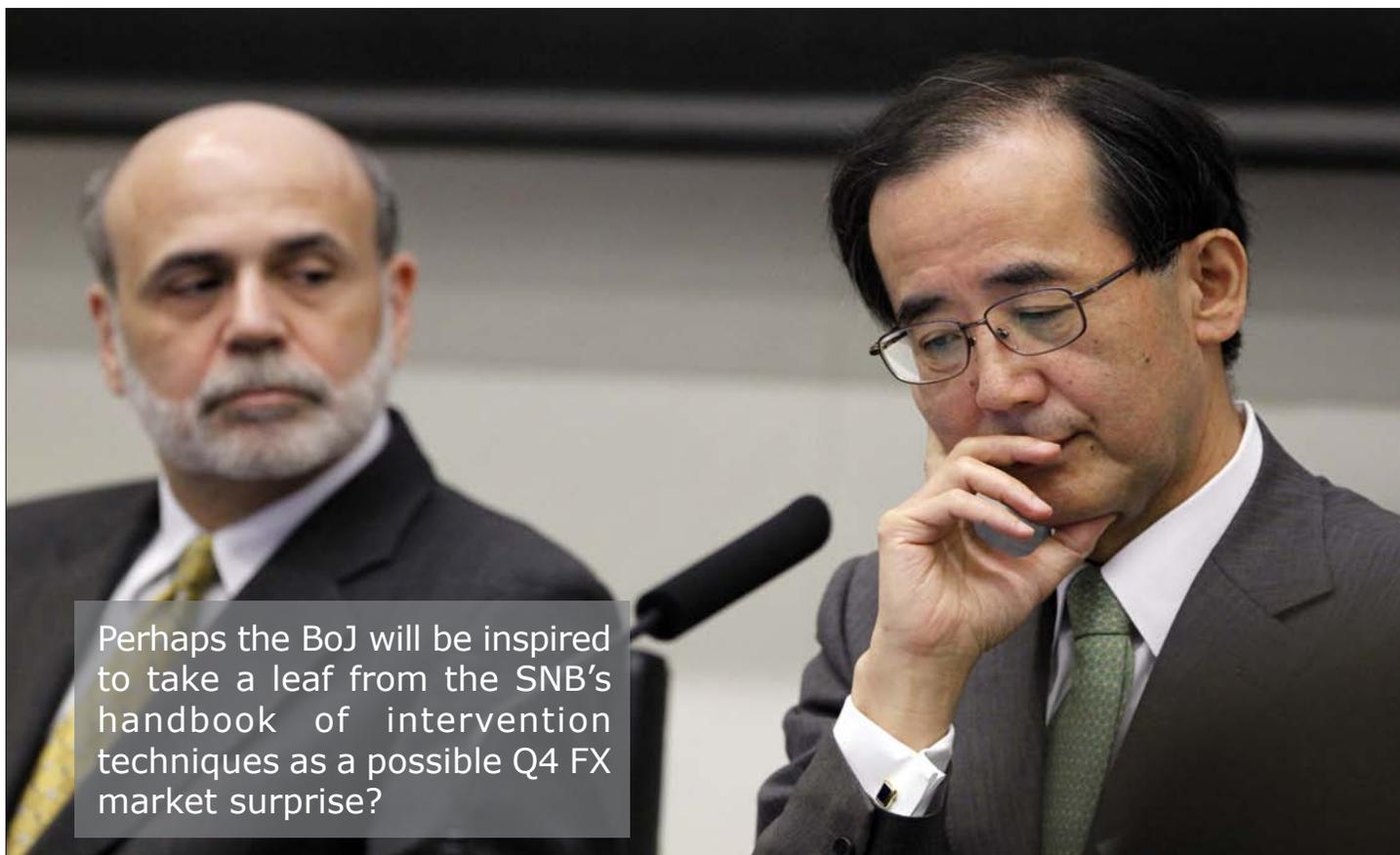
did not at some future point test the resolve of the Swiss National Bank and see if the promise to buy 'any amount' of foreign currency holds true, although perhaps not until the European sovereign issue resolutions are more clearly visible, so we shan't hold our breath on the timing.

In fact as we go to print, we learn of rumours that Greek Prime Minister George Papandreou is succumbing to internal governmental pressure and may now consider a referendum on whether Greece should continue to tackle its debt crisis within the EuroZone or by exiting the single currency. Papandreou likely

hopes that this would constitute a fresh mandate for his Socialist government to continue with an austerity drive backed by the 'Troika', see FX Trader Magazine July-Sep edition for our explanation of why it may make sense for Greece to exit the Euro on an exchange-rate basis, the GRD is still way too strong even on current conversion rates.

With everything discussed so far, it's no real surprise that risk appetite amongst currency buyers of AUD, BRL and NZD has ebbed lately, although in Australia the RBA just announced that despite being well placed to respond to global

economic conditions and noting consumer cautiousness, market pricing for large rate cuts 'might not be accurate.' This may be good for a short squeeze as the currency bears take some pain but it surely still makes sense to sell any decent Aussie rally until the uncertain global outlook lifts, not least because the Australian economic 'wagon' seems very much hitched to China right now and, as evidenced by Chinese equity market weakness, the FXI hit a new low for the year on Sep 19th, begging the question of how much bigger the Chinese economic miracle can grow in the near future. From the above and looking from a trading standpoint, one clear



Perhaps the BoJ will be inspired to take a leaf from the SNB's handbook of intervention techniques as a possible Q4 FX market surprise?



From a trading stand-point, the AUD may truly fulfill its perceived status as the 'Swiss Franc of Asia', not by becoming stronger but being recognized as overvalued at any level above USD parity.

takeaway is that the AUD may truly fulfill its perceived status as the 'Swiss Franc of Asia', not by becoming stronger but being recognized as overvalued at any level above USD parity.

The FOMC did the twist in September by rebalancing its long/short portfolio shift and leaving the markets with nothing to chew on but an uncertain future. Many think the Fed 'printing money' with little to show so far in the way of tangible results is wrong, a stubborn 9% unemployment rate just won't go away. Some commentators are even going as far to suggest that such an exercise might be construed as tantamount to counterfeiting. This is a matter for further debate of course

but opponents to this lambasting say the Fed is acting entirely in the spirit of the law given that U.S. law allows the monetary authorities to 'strike coin' as necessary - we'd love to hear feedback on this topic to broaden the discussion.

In the bigger picture we'd reiterate that the fact an inflation target is being mulled at this juncture by the Fed might have a three-fold effect, one of injecting confidence as economic expectations rise as a direct consequence of anticipation of better times ahead, two of deflecting or disarming criticism of recent monetary stimulus that many commentators have said would lead to out of control inflation, and perhaps more importantly, setting a realistic

level of expectations in the future as the country emerges from this continuing but unlikely permanent slump.

In case we forget, despite the current political stalemate, next year is election year and we expect some positive economic spin to begin very soon - if true, then JPY crosses are surely worth watching especially if the authorities somehow manage to learn from each other and/or conspire to generate some equilibrium in the global capital markets.

Good luck trading!

Kevin Sollitt

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TRADER TOUGHNESS TRAINING



DEVELOPING RESILIENCE TO COPE WITH LOSSES, SETBACKS AND TOUGH TIMES

RESILIENCE – THE KEY TO LONG TERM TRADING SUCCESS

It would be hard to find any experienced trader who has not endured tough periods in their trading career and whilst at the time these periods are obviously not that enjoyable it is interesting that in retrospect they often add to a traders ability, knowledge or psychological strength, and in some cases can also be significant turning or launching points to greater success. In fact a very useful technique that I teach my clients when they are having a tough time which utilises this perspective is to ‘use the long lens’ or the ‘wide lens’ (see below).

Resilience In Action : ‘Using The Long Lens and Wide Lens’

- Think of a loss/setback/error you have encountered recently. Look at it with a long lens – go six months, 12 months, 2 years into the future and imagine looking back on the event - what do you notice? What perspective would you have on it from the future looking back?
- Think of a loss/setback/error you have encountered. Look at it with a wide lens – ‘What can I learn from this?’ - what do you notice?

“Resilience is a mindset.
It is about how you mentally deal
with tough situations.
It is both teachable and learnable.”



Exercise : Resiliency Rating Self-Assessment

Answer each one of the following statements either TRUE OR FALSE

1. I have future trading goals which I feel motivated and excited about achieving.
2. I find it easy trade again (in a disciplined way) after a loss or an error.
3. I don't give up when progress is slow or get put off achieving an objective by tasks I find boring or unpleasant.
4. I find creative ways of rising to challenges.
5. Under pressure I rarely feel helpless or fatigued.
6. I don't let difficult periods, with few wins, affect my confidence.
7. When challenged, I am able to summon a wide range of positive emotions engage my fighting spirit and maintain a sense of humour.
8. I know how to motivate myself under adverse conditions.
9. If I start out badly, with a losing trade for example, it's easy for me to stay positive, confident and disciplined.
10. I can see slumps in performance as temporary.

The more TRUE answers you have the greater your resilience . Total up the number of times you have answered TRUE and then multiply by 10 to get a percentage score e.g. 6 True = 60%. This is your current Resiliency Rating.

Make a note of your rating and also the areas where you answered FALSE. These are key areas for development. Which one if you could change the answer to a TRUE do you feel would have the biggest positive impact on your trading performance? Make this your primary resiliency development goal.

Trading presents you with much challenge, pressure and often periods of adversity. Traders lose, they make mistakes, they encounter tough periods in the market, they go through drawdown and they have setbacks. What separates those who 'bounceback', who keep going and eventually make it through and those who get beaten by their situation? Toughness – resilience is the deciding factor.

"I can think of no psychological characteristic more important to long-term trading success than psychological resilience. Resilience has been defined in a number of ways, sometimes as a process, other times as a trait. In all cases, resilience presumes exposure to stressful conditions and an ability to maintain high levels of social, emotional, and vocational functioning throughout this exposure.

My experience with traders suggests that even the most successful ones go through periods of drawdown. Sometimes these drawdowns are extended, either in time or in the amount of money lost. Some traders bounce back from these losses; others don't."

Brett Steenbarger, traderblogspot.com

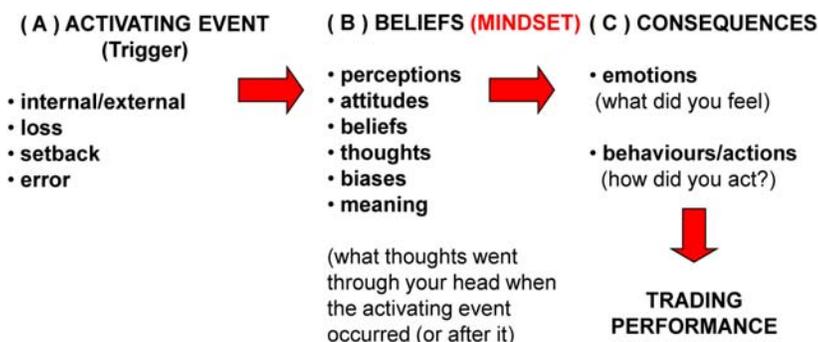
Think back over the last few months of your trading. When, and how, have you been resilient?

MINDSET : THE MIDDLE MAN OF YOUR EXPERIENCE

Psychological resilience is a mindset – it is about how you mentally deal with tough situations. What you chose to think and say to yourself in those events and what beliefs, attitudes and perceptions you have that underpin them.

The diagram below shows how your mindset operates. An activating event such as a loss is filtered through the traders mindset in terms of their beliefs, attitudes, perceptions and this

Psychological Resilience Is A Mindset



* Model taken from Cognitive Behavioural Coaching

physical fitness. A key component part of this program is resilience training, building mental toughness, enabling soldiers to deal effectively with the traumas of war, and interestingly to enable soldiers to move away from PTSD (Post Traumatic Stress Disorder) to PTG (Post Traumatic Growth).

Seligman has found that three factors were important in dealing with setbacks and being resilient.

1. Seeing the event as temporary
2. Seeing the event as local
3. Seeing the event as changeable

generates a feeling and a set of subsequent behaviours and actions which is then played out as the traders performance. The activating event can be the same for many different traders and yet the outcomes, how they perform could all be vastly different based on their mindset. It is therefore not the events that happen to us that actually determines our results but rather our mindset that dictates how we respond.

DEVELOPING TRADER TOUGHNESS: LESSONS FROM COGNITIVE PSYCHOLOGY AND THE US MILITARY

Thirty years of research suggests that resilience can be measured and taught and the US army is currently testing this with its 'Comprehensive Soldier Fitness' program, developed by prominent psychologist Martin Seligman, which aims to build a soldiers psychological fitness as well as their

(It's going away quickly; it's just this one situation; and I can do something about it)

How you interpret the events that occur to you is a critical factor in your experience of them, reaction to them and performance after them. The meaning



US Army "Comprehensive Soldier Fitness" program



Martin Seligman, author of "Learned Optimism"

of any event is the meaning you give it.

The research done by Martin Seligman (Learned Optimism 1990) suggests that individuals with an optimistic explanatory style not only consistently outperform those with a pessimistic explanatory style but are also happier and live longer. An optimistic explanatory style, particularly about bad events, encourages perseverance: pessimistic people are more likely to lose confidence and motivation after a poor performance than optimists, and encouraging optimism in traders can therefore lead to perseverance which is of course a key part of resilience. With pessimistic traders when a negative event occurs - for example,

a big loss; a sustained period of drawdown; making an error; and so on - then their explanatory style would promote less perseverance, and may be result in those traders not achieving their full potential.

How do you currently deal with setbacks?

What meaning do you give to mistakes, losses, setbacks?

How could changing your perspective of such events enhance your performance?

TWO OTHER DIMENSIONS TO TRADING RESILIENCE

Psychological resilience is critical to long term trading success, however I feel that there are two other dimensions to a traders level of resilience that are important and impact on a traders psychological functioning.

- Trading capital

The size of your trading capital is significant because it is not only a determinant of the size that you can trade and the positions that you can take, but also more importantly contributes significantly to how you feel, your level of confidence and composure for example, and subsequently often the decisions you make and the risks you take, or don't take, as well as your ability to cope with future losses.

- Physical energy

Your physical energy impacts on your ability to mobilise and to sustain high intensity emotional states such as motivation, confidence, enthusiasm and focus, and to maintain composure under duress. When times are tough you often employ significant amounts of mental and emotional energy to cope with the situation and so your

physical energy stores are more readily depleted and your resilience lowers.

Focusing on maintaining high energy levels is useful for all traders, and is particularly important during periods of higher stress where interestingly and counter productively you are most likely to give up your good energy habits in order to spend more time focussing on the markets.

There are four key areas to address in order to build and sustain physical resilience:

- Sleep (6-8 hours per night)
- Nutrition and hydration (Avoid excessive sugar and caffeine)
- Exercise (5 x 30 minutes per week of moderate activity)
- Rest and relaxation (recovery and downtime) (Information in brackets based on UK government health agency guidelines for general health and wellness)

GET TOUGH!

In trading, ups and downs are the norm not the

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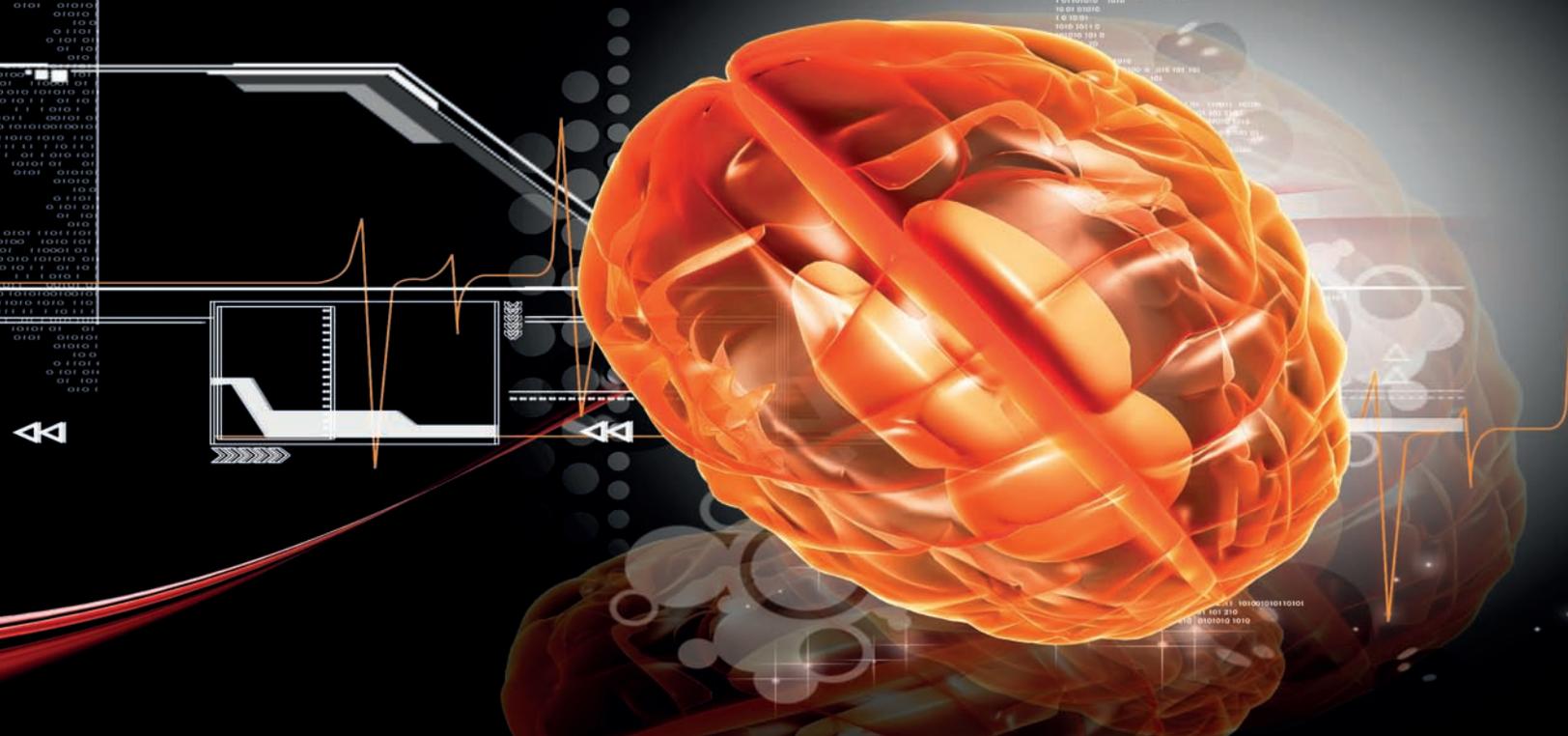
Complete the resilience assessment, build on your resilience strengths and address the areas where you have answered FALSE, perhaps utilizing the 'Lens' concept to change perspectives or by looking at the meaning you are giving to the events and your

explanatory style about them.

Steve Ward

Reference:

'Building Resilience; What business can learn from a pioneering army program for fostering post-traumatic growth', Martin E.P. Seligman, Harvard Business Review, April 2011



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The shocking statement of the SNB.

The risks: losses, inflation, international investments, Swiss taxpayers burden



“There is always an easy solution to every human problem: neat, plausible and wrong”

Henry Louis Mencken

SNB HIGH RISK STRATEGY: another step towards global currency war?

On Tuesday September 6th 2011, markets were already experiencing a quite high volatility - as it has been the norm since the end of July with all the fears regarding double-dip recession fears, US political impasse (and downgrade) and obviously the complicated situation of the EuroZone. But around 10am CET a quite unprecedented event, as far as modern history of foreign exchange is concerned, was about to happen, suddenly, abruptly. In fourteen minutes EUR/CHF,

which was trading around 1.1265 (already significantly higher than previous day close around 1.1100) skyrocketed to almost 1.2200 to never look back below 1.2000. A move of over 8% in less than a quarter of an hour. Definitely an unprecedented move for major currencies. It was generated from a communication of the Swiss National Bank. Following is the ‘shocking statement’.

The current massive overvaluation of the Swiss franc poses an acute threat to

the Swiss economy and carries the risk of a deflationary development.

The Swiss National Bank (SNB) is therefore aiming for a substantial and sustained weakening of the Swiss franc. With immediate effect, it will no longer tolerate a EUR/CHF exchange rate below the minimum rate of CHF 1.20. The SNB will enforce this minimum rate with the utmost determination and is prepared to buy foreign currency in unlimited quantities.

Even at a rate of CHF 1.20 per euro, the Swiss franc is still high and should continue to weaken over time. If the economic outlook and deflationary risks so require, the SNB will take further measures.

Such an unexpected ‘verbal intervention’, coupled with some real buying on the way up (estimated in 5 billion euro) and some more later in the day to avoid a slip back below 1.20 (few more billion bought) has done the trick: a somehow weaker (than the last few weeks) and stable Swiss franc.

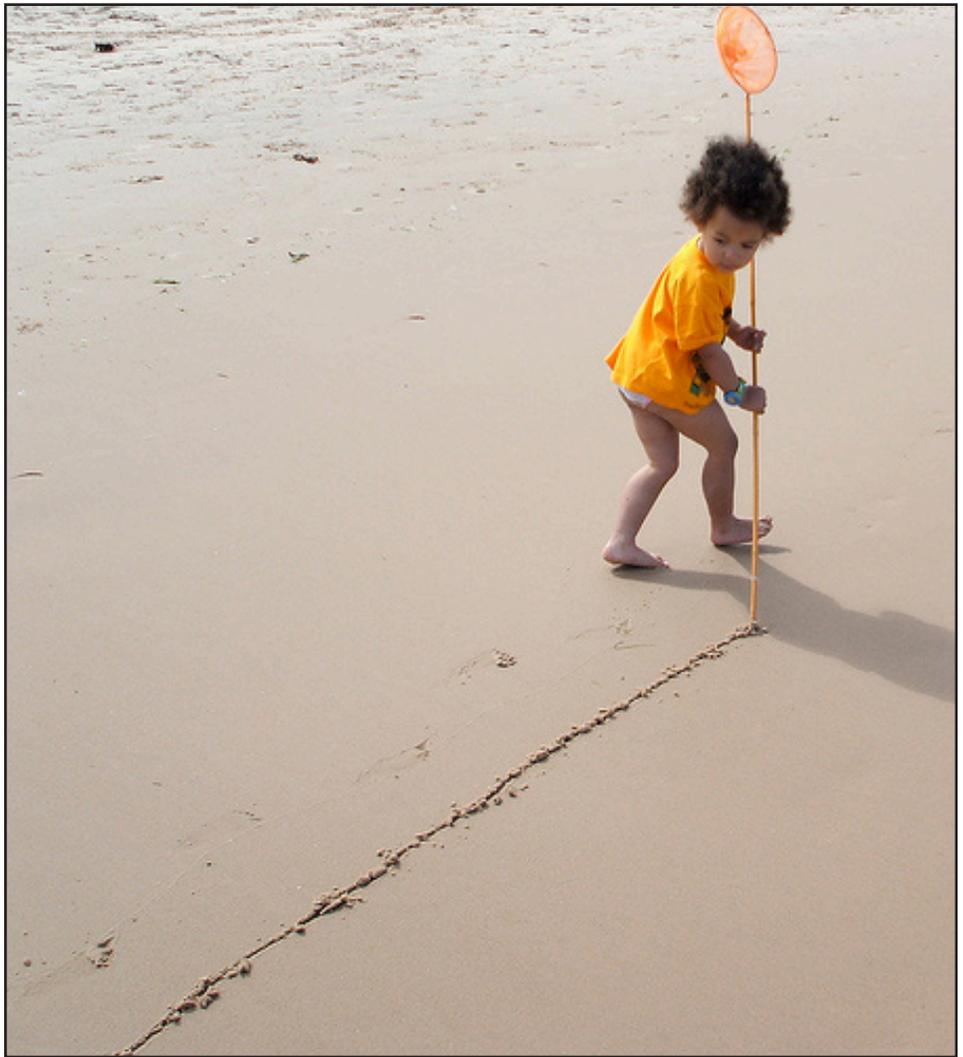


Chart 1. EUR/CHF 8% move in 14 minutes on September 6th.

In this article we will try to analyze how we got to this point; which are the risks SNB will be facing for such a bold move; the impact on the FX world and other asset classes; and finally the risk of this being another step getting nearer to a global currency war.

TWO YEARS OF EFFORTS TRYING TO CONTAIN THE FRANC BULL RUN

On March 12th 2009, few days after EUR/CHF hit an all-time low at 1.4576, SNB intervened in the currency markets for the first time since 1995. Surprise, the amount (estimated at around 4 billion euros bought), was able to drive the market from 1.4800 to 1.5400. At the time it was not mainly annoyance for the franc strength (how would they like a 1.45 level now!) driving the intervention. In fact it was presented and explained as a monetary tool. In the middle of the global recession caused from the credit crisis, the SNB was embarking in the same unconventional monetary stimulus now widely known as QE – Quantitative Easing. Unfortunately the bond market in Switzerland – government and eventually corporate – was too small to achieve a decent liquidity injection without distorting prices too much. The only alternative was to use the far bigger FX market, selling CHF, to get the same QE result. Those days, the buying pressure on the CHF was more limited than recently experienced, mostly due to general risk-aversion (which was destined to subside from H2 2009) and a structural surplus of the current account. Till



SNB draws a line in the sand at 1.20. A bold move. A move with many risks. Maybe a desperate move.

mid December 2009 it was then fairly simple for them to keep the currency in a 1.5000-1.5400 range with limited intervention activity.

Towards 2009 year end and in the first months of 2010 a new more specific and lethal problem for the EUR/CHF exchange rate was about to surface: the EuroZone crisis. Swiss franc was not

anymore just a typical 'risk-aversion' currency due to appreciate in tough times for the positive external balances and the broad deleveraging from carry trades financed in low-yielding currencies (CHF and JPY being the prominent examples). It was the safe-haven quasi-Deutsche-mark every other investor fleeing from the euro



experiment wanted to hold.

Life got far more difficult for the SNB and currency levels started to be what worried them more than the QE effectiveness itself. Despite intervention volumes getting bigger, they had to leave more and more ground to the advance of market forces. They defended 1.46 for a while, then 1.43. A latest desperate battle was fought in May 2010, defending 1.40. On May 19th only 17 billion Euros were bought allowing a push above 1.45. But that was just a brief and last success. By the first week of June, 1.40 was broken and never regained: the SNB had to acknowledge that the forces it was battling against were too large to be contained. In less than 15 months of intervention activity their foreign exchange reserves were grown from less than 50 billion dollars to almost 200 billions. To put the figures in perspective, there have been only two months when China, the world's largest holder of FX reserves with more than 2 trillion dollars in assets, saw its reserves increase more. The SNB now claims the world's 7th largest foreign exchange reserves,

ahead of the perennial interveners of Brazil and of Hong Kong with his peg against the dollar.

For several months Swiss central bankers, with the added burden of massive foreign exchange losses growing by the day under the

unstoppable appreciation of the Swiss franc, had to revert to simple verbal intervention: "the bank will act in a decisive manner if needed" (i.e. if economic growth slows and/or deflation sets it) being a typical line.

They could only be passive witnesses of a bull run destined to become parabolic with the EUR/CHF accelerating below 1.20 in June this year, to reach an astonishing 1.0070 on August 9th. The following rebound (almost touching 1.20 again) was due, with overstretched CHF longs in the short-term market. SNB also helped, starting to be an active actor again with new monetary measures: with three successive massive liquidity injections (the last on August 18th) they upped sight deposits available to

If global growth slows down below stall speed, risks of a currency war will raise



the financial system to 200 billion francs (about one third of Swiss yearly GDP). The 3 months annualized carry on EUR/CHF went from -1.5% to -2.5%: to hold short term balances in Swiss franc was now an investment generating negative interest rates. But, by the first week of September, interest implied in FX forwards were going back where they were before the injections, since in the end domestic banks could invest CHF balances at the SNB at the floor 0.00% (never touched by the central bank) and the arbitrage was slowly correcting the previously negative implied rates.



SNB President - Philipp Hildebrand

The SNB was starting again to lose the initiative and after the wild rebound to 1.20, EUR/CHF was again starting to flirt with 1.10. The atomic option of being “prepared to buy foreign currency in unlimited quantities” was the only one left.

SUCCESS IS ALMOST GUARANTEED FOR NOW. HIGHER RISKS LATER ON.

When a central bank deems necessary to intervene in the FX market to weaken its own currencies it is obviously in a much better position than when trying instead to stem the weakening. In this second case selling foreign exchange reserves in the market to support the domestic currency is the only way and reserves are always a finite quantity. If the market have enough ammunitions, the defense will be overcome: the most famous example in history has

probably been the British Pound devaluation in 1992.

To weaken or to avoid strengthening of its own currency is definitely easier: in the end it is enough to crank up the printing presses. So in the short term SNB action are credible and success pretty likely. It is not an absolute novelty for them either. In 1978, worried from excessive strength of the franc, they started a similar episode of exchange rate targeting (vs DEM). It lasted for 13 months, managing to weaken CHF by a maximum of 17% from the strongest level (it would be more now

considering 1.01 as bottom of EUR/CHF), before the SNB could stomach the inflationary consequences of currency depreciation no longer and abandoned FX targeting in favour of money supply targeting. It has to be noted that the natural flow into CHF is currently much greater than it was in 1978. Then Switzerland current account surplus was only 2.4% of GDP versus 14% now. In addition, there is still an uncertain volume of CHF funding trades that could be unwound while this most certainly was not a feature of the 1978 landscape. It is then clear, considering also that SNB has a weaker balance

SNB is going to follow its new narrow path, alone. Reaction from the rest of the world has not been one of encouragement and support.



The SNB could be restricted by potential losses on its foreign exchange reserves. An unconditional expansion of the money supply could create inflation further down the line. SNB could create the wrong incentives to investors fleeing the EuroZone sovereign debt crisis.

sheet (due to recent FX losses) than three decades ago, that all this does not come completely without future risks. I see three different types of risks: potential losses, losing control on inflation and giving international investor the wrong type of incentives penalizing Swiss taxpayers.

Potential Losses

The SNB could be restricted by potential losses on its foreign exchange reserves. By committing to an unconditional expansion of its balance sheet, it risks greater mark-to-market losses on its foreign exchange reserves. Indeed, the SNB posted a 10.8 billion loss on its reserves so far this year, with its equity capital and loan loss provisions dropping from a peak of more than 60 billion CHF in 2007 to 29 billion in June. There are ways around this, however.

First, the SNB could be recapitalized to bolster its balance sheet. The upcoming October 23rd election, as well as greater political consensus on preventing further CHF strengthening, suggests there are fewer political constraints to recapitalizing the SNB compared to the beginning of the year. Second, the SNB could alter the accounting treatment on its balance sheet and avoid marking-to-market its foreign currency reserves. There are precedents for this. The Federal Reserve does not mark its gold holdings to market, for instance. Alternatively, the SNB could move reserves off-balance sheet, similar to the Norges Bank petroleum fund, and establish a sovereign wealth fund. Finally, as obvious as it may seem, by setting a lower bound for the Swiss Franc, the SNB precludes any losses on its holdings by preventing Swiss Franc

strength.

Inflation risk

The second limitation of SNB policy is more important, and relates to the impact of current policy on inflation. The SNB has de-facto subordinated its price stability mandate to an exchange rate target, even though it maintains a de-jure inflation mandate. An unconditional expansion of the money supply could create inflation further down the line. In the near-term this is arguably not a constraint. First, Switzerland does not face an inflationary problem, with recent downside surprises in the CPI numbers mainly originating from imported goods and confirming the downward pressure, which the exchange rate is exerting on the domestic price level. Second, the SNB could sterilize its monetary policy

intervention, in a similar manner to many emerging market countries. With the interest rate differential between Switzerland and the rest of the developed world close to zero, sterilized intervention is possible while maintaining the exchange rate target. Things will change if the SNB is forced to raise interest rates due to rising inflationary pressures however. Switzerland does not have a closed capital account like China: it can pick between an exchange rate or interest rate target, but not both.

International investors and Swiss taxpayers

There is a risk that the SNB will create the wrong incentives to investors fleeing the EuroZone sovereign debt crisis. Together with current account recycling flows, it is these investors who have been the main driver of Swiss franc strength rather than speculative flows. By setting an explicit lower bound to the exchange rate, the SNB is reducing volatility in the cross and creating additional incentives for investors to swap out of European and into Swiss-denominated assets. EuroZone risk is effectively being transferred from private-sector balance sheets to Swiss taxpayers. If the euro area debt crisis drags along, the pressure towards a stronger Swiss Franc will continue and the SNB will have to undertake very large intervention amounts going forward. The extent to which the tough political and macroeconomic decisions outlined above will

be taken to sustain SNB policy beyond a few months, remains to be seen. Especially if combined with significantly higher inflation, the political climate, currently favoring a support to a (supposedly) ailing export sector, could heavily change.

WHAT WILL HAPPEN TO THE EUROS BOUGHT ?

If SNB succeeds in preventing further CHF strength or even to weaken it, only time will tell. It could be interesting, in the meanwhile, to try to speculate on the impact that a protracted intervention could have in the FX and other markets.

The SNB does not have a specific benchmark allocation for reserves, albeit the relative proportions have stayed relatively constant over time. Currently, the allocation is as follows: 25% USD, 55% EUR, 3% GBP, 10% JPY, 4% CAD and 3% in AUD, SEK, DKK and SGD. The allocation is dynamically managed, with the portion of reserves denominated in EUR

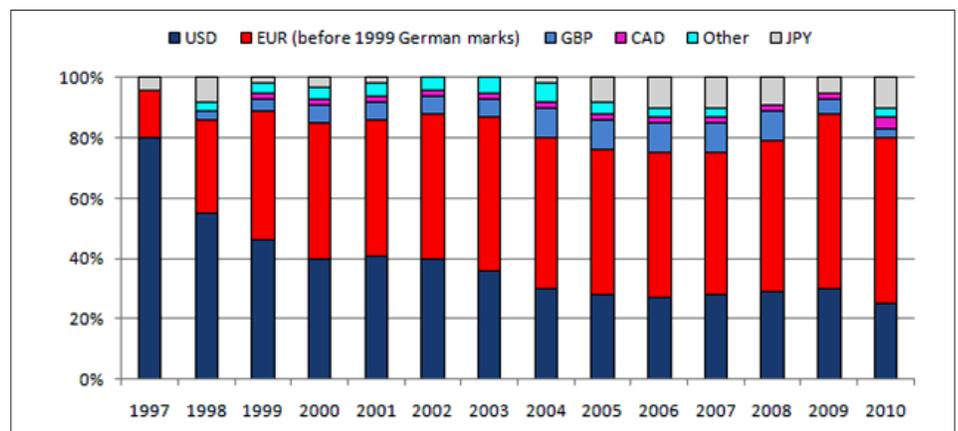
rising substantially as interventions took place over 2009-10, but then returning to more “normal” levels as the SNB re-balanced over time.

The SNB does therefore have scope to invest in currencies in a different portion to its existing allocations. With the political sensitivities of buying Japanese yen arguably high and the US dollar suffering from its own structural weaknesses, one could make a case for the SNB to increase its allocation to other currencies in its portfolio. This includes AUD, SEK, CAD, DKK or SGD. Beyond that however, the SNB is not precluded from expanding its holdings to other currencies. SNB reserve policy is managed according to principles set out in its “Investment Policy Guidelines”, which do not rule this out.

http://www.snb.ch/en/iabout/snb/legal/id/snb_legal_rules/3

More broadly, the guidelines state that:

“When investing its assets, the SNB



SNB reserve currency allocation

Source: Deutsche Bank



From the very same day in which SNB put up a 1.20 EUR/CHF limit to Swiss franc strength, the market started to debate which currencies could be used as the next 'safe-haven' for the likely tough times ahead.

bases its decisions on the three criteria of security, liquidity, and return. It meets the requirement for secure investments by holding a substantial part of its portfolio in the form of government paper. The SNB achieves a high level of liquidity by holding a large part of its foreign currency reserves in the world's most liquid currencies and securities markets. In addition, there is scope for diversification into other investment instruments. Broader diversification into different investment categories improves the risk/return profile of the assets.”

As far as asset allocation within Europe goes, the SNB is restricted to investing in issues with a “combined investment grade rating from the leading rating agencies”. This rules out Greece, but allows investment in the rest of Europe. There has been some discussion that the SNB should make a point of buying peripheral debt in easing the Euro zones debt crisis the SNB could contribute to an easing in the underlying tensions that have propelled CHF higher. This is a superficially attractive proposition but one that I doubt will gain much traction with the SNBs reserve managers. A recent story in the FAZ newspaper, covered also in the WSJ, claimed that the SNB would confine its purchases to German and French paper. Such a choice would seem entirely reasonable for a central bank that lacks the balance sheet strength of its Asian counterparts, whose 84%

of assets are currently invested in AAA-rated and has a “security, liquidity and return” guideline for the investment process.

THE QUEST FOR THE ‘SAFE-HAVEN GRAAL’

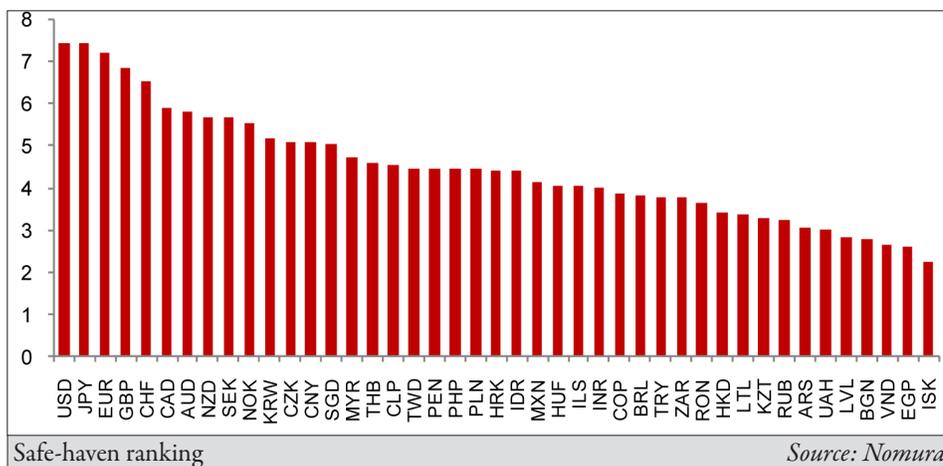
Another consequence of ‘withdrawing’ CHF from the FX arena, at least in the free-floating way we were used to, has been to steal from global investors a common instrument of ‘macro hedging’ to protect risky asset and high-beta investments.

From the very same day in which SNB put up a 1.20 EUR/CHF limit to Swiss franc strength, the market started to debate which currencies could be used as the next ‘safe-haven’ for the likely tough times ahead. In particular countries with a sound balance-sheet (i.e. not much public and private debt and possibly positive external balances) seem a good target for what has been called a ‘fiscal hedge’ because it is needed to protect investors from the global fiscal crisis that is menacing most of the Western world. Norwegian krone, Swedish krona, Singaporean dollar have been the most popular. Some

other nominations were given to the Czech koruna, the Canadian, Australian and New Zealand dollars. The most optimistic commentators argue that even some Emerging Markets (now to be called Growth Markets according to the BRIC acronym father Jim O’Neill) could do the trick in the perfect world of decoupling.

All the currencies mentioned have positives and potential. As far as being a proper safe-haven investment I would suggest caution. What really enabled CHF to rally enormously over the past year was not only inflows seeking a fiscal refuge from the EuroZone but also the massive pre-existing short-base in CHF and the unwind of this funding position when risk-averse times force deleveraging. All the Central Eastern Europe mortgages in CHF are just the most evident example. The currencies, which people are now suggesting could be the new CHF, are generally on the long side of shorter or longer term investors for value or carry reasons, or both. In times of stress (as could be seen even in these days) some (or many) longs are likely to be unwound creating an important headwind to any safe-haven appreciation hope.

Currency ranking based on main criteria					
	1	2	3	4	5
Macroeconomic and political stability	CAD	NOK	CHF	SGD	SEK
Balance Sheet of Govt	TWD	KRW	RUB	CNY	CHF
Size and liquidity of markets	USD	EUR	JPY	GBP	CNY
Flexibility and convertibility	EUR	USD	GBP	SEK	NOK
Resilience to external shocks	JPY	CHF	CNY	GBP	PHP
Overall	USD	JPY	EUR	GBP	CHF
Currency ranking based on main criteria					<i>Source: Nomura</i>



Being the problem complex but interesting I would like to add some more meat to the debate. In a recent research paper Nomura put down a model trying to rank currencies on the safe-haven axis. Being ‘size and liquidity of markets’ and ‘flexibility and convertibility’ two main characteristics requested in order to get a good ranking, the likes of G5 (EUR, USD, CHF, JPY, GBP) are top of the list.

Still market is now looking for some protection from the structural problems affecting US, EuroZone and UK. And they also have to avoid the aggressive response of SNB and a potential move from Bank of Japan in case of more Yen strength. In this situation such a ranking cannot be embraced as it is.

All in all, a very difficult quest, considering that conventional safe-haven choices in other asset classes like gold (at 1,800 dollars an ounce) or 10 year Treasuries and Bunds (yielding around 2%, and much less in real terms) are certainly not cheap.

IN A SLOW GROWTH WORLD A CURRENCY WAR IS ALWAYS BEHIND THE CORNER (EVEN MORE NOW)

The SNB is drawing a line in the sand. A bold move. A move with many risks. Maybe a desperate move. In the short term it is almost assured to work. In a year time or more it is impossible to say. Much will depend on the future evolution of the EuroZone troubles.

SNB is going to follow its new narrow path, alone. Reaction from the rest of the world has not been one of encouragement and support, though. The ECB, with Jean Claude Trichet words, has been somehow softer, remarking that SNB were acting under their own responsibility, but defining their intent as understandable (differentiating their situation from Japan’s one). Emerging Markets voices have been far more critical. Here an example: “the Philippine central bank will prevent unwarranted volatility in the peso that may arise from the move of the Swiss National Bank to put a ceiling on the franc”, Governor Amando Tetangco said and continued

“with one less hard currency to ‘share’ the burden, volatility in the markets can increase, particularly in emerging market economies.” Once again Chinese could not be beaten as far as aphorism utterance goes: PBoC Advisor Li Daokui said the SNB’s currency intervention will not work, it is akin to “drinking poison to end thirst”.

This is just another sign that if global growth slows down below stall speed, risks of a currency war will raise as this *The Economist* article quite brilliantly explains:

“Given sluggish domestic demand, most countries in the developed world would like to see their currencies depreciate. But the foreign-exchange markets are a zero-sum game: some currencies have to go up. The most obvious candidate, the Chinese yuan, is rising regrettably slowly. That puts pressure on market favourites like the Swiss franc and the yen. It is rather like a game of deflationary ‘pass the parcel’ in which the loser is whoever gets landed with the strongest currency. The danger is that the countries which get left with the parcel may decide that foreign-exchange intervention is not enough and resort to trade barriers instead. In the 1930s countries opted for tariffs not just ‘beggar-thy-neighbour’ devaluations. Though understandable, then, the Swiss action is nonetheless regrettable. A globally co-ordinated round of monetary easing would be far better than a series of tit-for-tat measures that simply pass the buck (or franc).”

Alessandro Balsotti



TradingUnderground

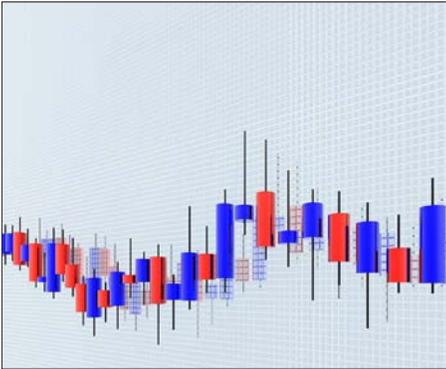
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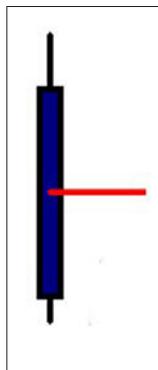




Trading with the Marabuzo Line

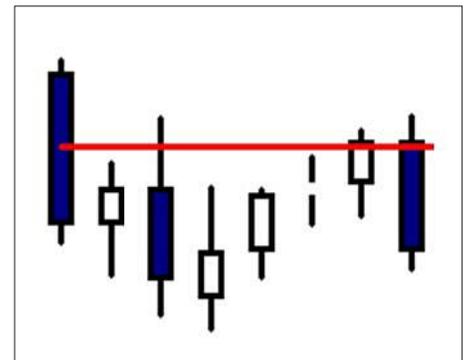
WHAT IS A MARABUZO LINE? application of principle.

Before we can see the relevance of the Line we have to look at what a Marabuzo actually is. The term is applied to the real body of a candlestick that is larger than the norm. That is a fairly nebulous concept and there is no hard and fast rule that can be applied here. An evaluation of the chart being studied and the time period being used will determine the relevant numbers. Even that result will have to be reappraised to reflect different market conditions. Sideways, trendless trading will create less sizeable movements, therefore a relevant Marabuzo will, naturally, be of a smaller size than in volatile markets where all candlesticks are larger. Let us be clear; this style of analysis, like all Technical Analysis, is not a science but a **reasoned**



Once a Marabuzo has been determined then the Marabuzo line can be drawn from the mid-point of the body; in other words halfway between the open and the close. In other words, a 50% retracement. As a candlestick chart is only a bar chart with the open and close filled in, the Marabuzo line could be drawn using a bar chart just as well, but for graphic purposes it is clearer when applied to candlestick charts. One of the first things learnt when beginning technical analysis is the importance of retracements points and whether the preference is for Fibonacci or Gann percentages, 50% is the most important of these levels. The major difference here is that the 50% retracement is applied not to the high and low of a movement but to the open and close of a time period - to a practitioner of candle charts, the key features. A horizontal line is drawn between the two and is extended to the right (into the future) where it will act as a support

or resistance point. As mentioned at the beginning of this article a 50% line such as this is not drawn on every candlestick body but is used only on those judged to be greater than the norm. While it is a subjective measurement, I have found using an open/close difference roughly 50%



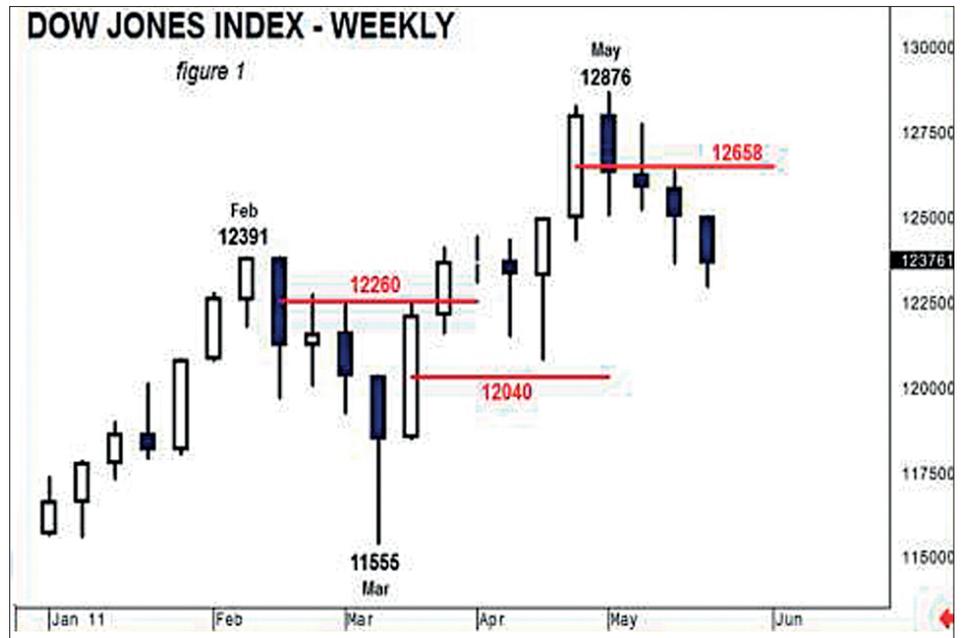
greater than the average produces the best results. For example; EURUSD gave an average open/close difference of 84-pips during May. Therefore a difference of 122 or greater would have been of immediate interest. It is important though to keep a rough eye on changing market conditions to make alterations to these numbers. One

thing will become obvious while looking at the following examples and by trying these concepts out in practice yourself; the larger the Marabuzo, the greater the importance that the resultant 50% level is likely to have on subsequent movements.

HOW TO USE THE 50% MARABUZO LINE

The primary use of this line is as a support or resistance line. Picture a downward Marabuzo; the close 100 pips lower than the open. The Marabuzo line will be drawn 50 points below the open (50- points above the close). The high and the low are not irrelevant as they may help to form a recognisable candle pattern but their importance is secondary. As it is likely that the next period's open will be close to the previous close, the Marabuzo line is likely to act as initial resistance. Like all such lines it is only **potential** resistance. That resistance has to be tested and proved. Once that is done the line is likely to show continued importance. The same principle is applied to supports. A key point is that the support/resistance is applicable to the close of the period being used, not necessarily during the period. in other words trading during the subsequent period(s) can exceed the line but the line is not considered broken until the close of the period (whether it be hourly, daily or even monthly).

It must also be stressed that like all technical indicators, the Marabuzo



line cannot be solely judged in isolation. Context is vital and so the likely strength of the impact of the line will be heavily influenced by whether prices are overbought/sold, at an important Fibonacci point, close to a trend line etc.

Of course if the 'Support' Marabuzo line does give way then sentiment should be expected to show increased negativity and the line itself will become 'Resistance' until it is supplanted by a new Marabuzo created by subsequent



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price action. Figure 1 is a chart of the weekly Dow Jones and contains 3 Marabuzo lines. The 1st is entered on a weekly decline that is clear larger than preceding candles. The line comes in at 12260 and caps the topside, on a closing basis, for the next 2 weeks. This then leads to a sharp decline of more than 700-points before demand returns. The next Marabuzo line is drawn on the subsequent net weekly improvement which was the strongest weekly performance of 2011 to date. In the following weeks that level was only approached, not tested, with the move through the previous Marabuzo line confirming the new positive tone for the Dow. Finally, the market peaked during May and the first weekly fall stalled on a closing basis at Marabuzo line 3, 12658.

However the next week confirmed that sentiment had turned negative by a close beneath the line with the market then posting 2 down weeks in succession.

Figure 2 is of daily EURUSD. On this chart I've also marked 3 Marabuzo lines although the first has, at the time of writing, not been used as a trading signal. This may yet happen. The 2nd Marabuzo line is drawn on the 2nd down day and this time the level, 1.4426, is tested on each of the following 3 trading days – each time providing levels for investors to sell. The 3rd line comes 3 days later as the market begins to sell again and the relevance of this can be gauged by the market's upside failure near this point five times over the next seven days.

Figure 3 is a 2 hourly EURJPY chart and you can see the relevance of the lines even with another change of time period. The first Marabuzo line was drawn on the first exceptional decline period, at 114.91. After forming a low beneath 114.00 the market's rally stalled for 3 periods at the Marabuzo line before a close above confirmed a new positive tone. The line then protected the downside during 5 of the subsequent seven 2 hourly periods. In fact it helped formed a base that then yielded significantly higher levels. The 2nd Marabuzo line was drawn on a bigger than normal up candle after another setback had found buying interest at similar levels. This line came in at 115.13 and held the downside over the next 3 sessions before the market posted steady upside.



CONCLUSION

It can be seen from the above examples, and from putting this simple methodology into practice yourself, that although using 50% Marabuzo lines provides new support and resistance levels, the application of these levels is exactly the same as in those arrived at by other, more traditional means. Like all such levels they must always be regarded as potential influences until tested and proved. However, the regular use of these signals provide an invaluable, additional tool and one that I heavily rely on.

Alan Collins



Using Keltner Channels for Intraday Trading

BACKGROUND

The Keltner channels were originally developed by Chester Keltner in his 1960 book *How to Make Money in Commodities*. The basics have been amended since and the accepted default method is currently that the bands are based on the average true range (ATR), but the ATR is calculated over 10 periods. This ATR value is then doubled and added to a 20 period exponential moving average for the plus band and subtracted from it for the minus band. (This multiple of 2x is the default but there are many practitioners who use variations of between 1.5 and 2.5).

Basically the smaller the multiple the more trading signals are provided. For a long-term trader this is something to avoid and so he/she would err towards 2.5. For the intraday trader though more trading signals, as long as they're filtered, are good.

THEORY

The Keltner like other similar indicators like Envelops and Bollinger Bands are intended to contain the most likely price action. Therefore the recommended use of these channels is that when prices close above the upper band, a positive signal is given as it indicates a breakout of upward volatility. On the other hand a negative signal is given when prices close below the lower channel. This is quite a simple method of creating buy and sell triggers but

Keltner lines can provide more.

The two extreme parameters can also be useful as counter indicators when prices stall, on a closing basis, at the line.

Even the middle, moving average, line can be useful giving trading signals as will be seen from the following examples.

IN PRACTICE WITH PERSONAL ADJUSTMENTS

Although the default uses exponential moving averages I have changed this back to a Simple



Moving Average as I found this to produce more consistent results. I have also altered the ATR moving average from 10 to 13. The reason here is that I am a firm believer in Fibonacci numbers and that gives an alternative in this situation of 8 or 13 and back testing has indicated that a consistent use of 13 provides the best results.

- **Figure 1 is a USDCAD 2 Hourly Chart**

The first signal here is given at point **A** where over two sessions the market fails at the top of the Keltner line. Prices come off from that point, offering ample profit opportunities and although the bulk of the trading lacks strong direction, it is trading gradually lower.

Eventually at point **B** selling pressure accelerates and this is highlighted by the first close beneath the lower Keltner channel. Prices trend steadily lower with the absolute bottom marked by a sharp rejection of the lows.

The subsequent bounce takes prices back inside the lower Keltner band marked, for our trading purposes, by the session close in side at point **C**.

The market trades steadily higher from this point and the positive tone is confirmed/accelerated by the close above the top of the Keltner channel market by **D**.

Further gains are seen but these are curtailed by two consecutive unchanged session closes – the

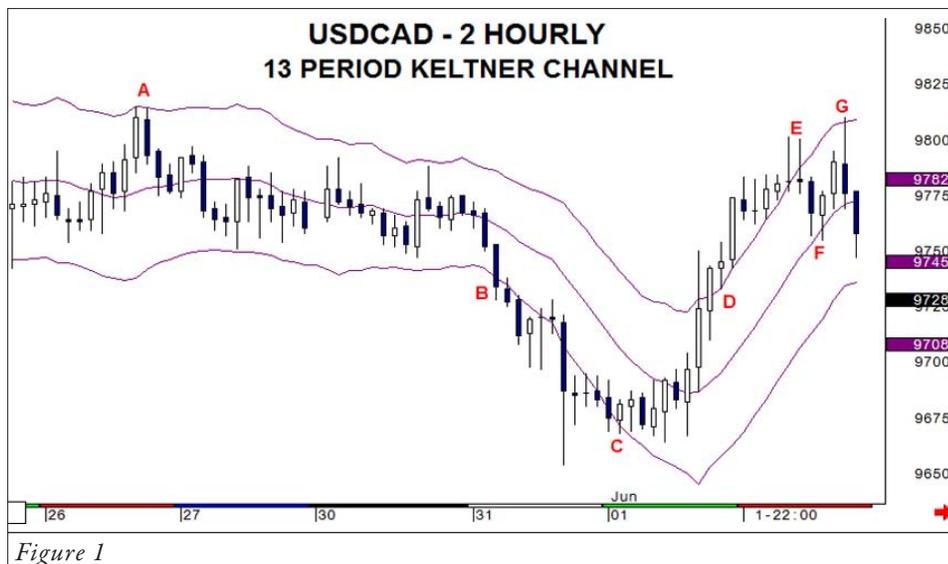


Figure 1

2nd of which (**E**) closes inside the Keltner channel upper end and provides a sell signal.

The resulting decline is not an extensive one however and it is the failure at the midpoint of the Keltner bands, **F**, which gives another intraday Buy signal.

Finally this rise fails at the top of the channel with subsequent losses reinforcing the potential for a double top (**E & G**).

- **Figure 2 is a GBPJPY 2 Hourly Chart.**

Point **A** gives the initial signal here with a close above the top of the Keltner channel. This does result in gains but these turn out to be limited with candle price action giving some upside warning before prices plunge back inside the channel.

For our trading perspective this change to a negative bias is

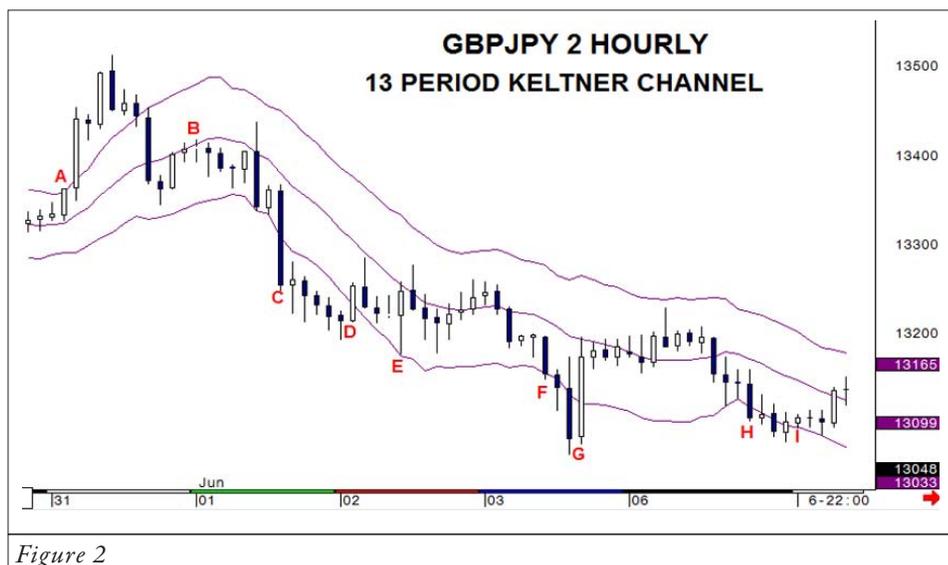


Figure 2

confirmed by the failure at the mid-point of the channel at point **B**. This gave a cautious sell signal. This selling pressure accelerated on a close below the bottom band at **C** with the market steadily declining.

Point **D** provided a buy signal with a session close back inside the channel but this proved limited as did a buy signal at **E**. It must be remembered that this style of trading was never take place in isolation. Confirmation in the form of other indicators is always sought and in this case buy signals must be taken with significant caution as the descent of the channel clearly shows that the underlying trend if negative. Closing once again below the bottom of the channel increasing bearish momentum and once again this results in further losses – point **F**.

This time there is a more significant rejection of the lows (in fact this

turns out to be the absolute base in the time period covered) and the strong close back within the bands is another intraday buy signal – **G**. This happens one more time with a Sell signal **H** swiftly followed by a Buy at **I**. This buying at similar price levels and with closes inside the line is added evidence that a significant low is in place. The market duly rose to the top of a Keltner channel that was then beginning to rise.

• **Figure 3 shows a Weekly Dow Jones chart**

To show that using the Keltner channels as a trading tool is not confined to intraday we now look at a Weekly Dow Jones chart. Point **A** closed outside the bands and generated a buy signal. Prices traded to higher levels for the next four weeks.

A close back inside the channels, **B**, signalled a sell signal which was proved correct over the next 3

weeks until...

Point **C** showed a firm rejection of the mid-point of a rising channel and this buy signal saw the market rise steadily over the following 11 weeks with an additional buy signal generated at **D**, a close above the upper end of the Keltner line.

E then saw a close within the bands signalling a negative bias that led to the Dow trading all the way lower, in 2 weeks, to the bottom of the bands.

Here a rejection of this key level (**F**) gave another Buy signal that lead to gains over the subsequent 6 weeks, including an unmarked rejection of the midpoint of the channel once again.

Point **G** does show a false acceleration to buying pressure but that is followed the next week with a close beneath the upper band of the channels – a Sell signal that 5 down weeks.

CONCLUSIONS

Keltner Channels are, like some many technical indicators, trend following but with the added facility to suggest acceleration in either direction and also, when used more creatively, as failure points. While it is beyond the scope of this short article, it is also essential that Keltner Channel signals for trading are used in conjunction with other technical indicators such as Candle Patterns or Stochastics rather than employed in isolation.

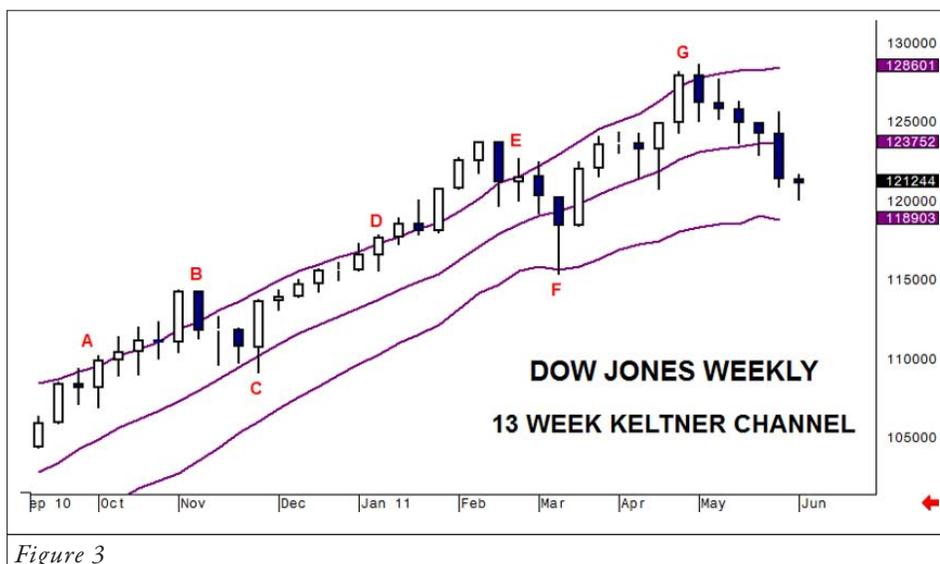


Figure 3

Alan Collins

Emil Stavriotis

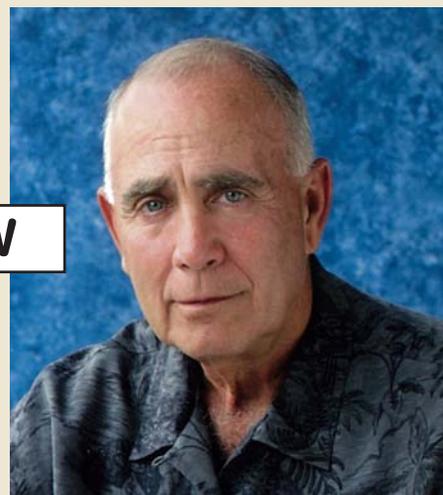
Director and FX Manager at Spectrum Asset Management, LLC

interviewed by JW Partners for FX Trader Magazine

INTERVIEW

Emil Stavriotis tells FX Trader Magazine about the lessons he learned throughout his 45 years of trading experience in both commodity futures and foreign exchange. He also

explains about Spectrum's currency programs and strategies, the "Multi-Strategy" (Trend Following) and the "Mean Reverting" (Counter Trend) Strategy.



JW
How long have you been trading foreign exchange for and what first attracted you to this industry? Tell us about your career evolution?

ES
Although I have been trading commodity futures for nearly 45 years I have only been trading foreign exchange for four years. I began trading foreign exchange when I joined Spectrum nearly four years ago. Prior to joining Spectrum I was the founder and President of two CTA firms, Northstar and PAS Management, Inc. Both these firms traded diversified managed futures. I also traded my own account and gave consulting advice to several firms in Agribusiness for many years. Prior to that, I was employed by several leading agribusiness firms.

JW
What do you particularly like

about your job?

ES
The degree of autonomy that Mike Songer (President of Spectrum Asset Management) has given me. That autonomy has enabled me to continue evolving and improving the Mean Reversion strategy to what it is today.

JW
In which way is trading currencies different from trading other financial instruments?

ES
In terms of money management, there is no difference in trading currencies from any other financial instruments. The biggest single difference between the two is the

Spectrum Asset Management, LLC

<i>Manager</i>	<i>Emil Stavriotis</i>
<i>Strategy</i>	<i>Mean Reversion & Multi-Strategy</i>
<i>Location</i>	<i>Chicago</i>
<i>Assets Under Management</i>	<i>\$245M Spectrum GDP \$18M Spectrum FX</i>
<i>Type</i>	<i>Systematic</i>
<i>Style</i>	<i>Mean Reverting and Trend Following</i>
<i>Instruments</i>	<i>Spot/Forward Only</i>
<i>Traded Currencies</i>	<i>G5 Only</i>

24 hour nature inherent in trading currencies.

JW

When was the company born?

ES

Spectrum Asset Management, LLC was formed in 2002.

JW

How is the company structured today in terms of headcounts and offices?

ES

The company has two offices. The main office is at the Chicago Board of Trade and has six employees located in that office. There is another office located in Georgia which houses two others, including myself.

JW

Which authorities regulate the company?

ES

We are regulated by the CFTC and NFA.

JW

You are in charge of the currency program. How do you describe your investment strategy?

ES

Spectrum has two types of currency

programs. One of them is a Multi-Strategy trend following system and the second is a Mean Reverting system. I will concentrate on the Mean Reverting system since it is the vlarger strategy from the AUM point of view.

JW

How did you create and develop your current FX management strategy? Has it changed over time, and if yes, for what reasons did you

very conscious of which “window” he chooses to trade. What I mean by this is that every trader should decide what constitutes a short term and long term window for his style of trading as well as the assets he has under management. It has been my experience that in the course of a given year, there are relatively small opportunities for strong upside moves commensurate with limited losses for such moves. Way too often many trading managers see far too many of these

opportunities and suffer the resulting losses in assets that come from being wrong. Consensus is the name of the trading strategy that underlies both Spectrum currency programs. As developed, it requires that several market indicators agree with each other before a position is initiated



decide to change it?

ES

To answer this question requires that I briefly discuss what lessons I have learned throughout my 45 years of trading experience in both commodity futures and foreign exchange. Through trial and error and the experiences that are gained as a result of trial and error, I came to the conclusion several years ago that a successful trader should be

and maintained. If those market indicators fail to agree with each other after a position is initiated, the position will be closed. This type of strategy helps to produce low drawdowns, particularly during periods of high volatility. Spectrum’s Multi-Strategy Program is also governed by the same principals as that of the Mean Reverting system. One of the drawbacks of this system is that the strategy may miss moves because of its conservative nature.

JW

How do you manage risk in the company?

ES

We absolutely believe in the effectiveness of stop losses and our position sizing reflects a pre-set maximum risk as a percent of NAV.

JW

Do you use a blend of strategies

or one only one?

ES

Spectrum employs two strategies. The Multi-Strategy (Trend Following) Program which was established nearly seven years ago and the Mean Reverting (Counter Trend) Strategy begun in CY 2006. The Mean Reverting Strategy came about largely as a result of a request by one of

Spectrum's customers so as to give clients a choice between two strategies.

JW

What are the market conditions that you consider ideal, and which ones are the most challenging, for the performance of your strategy?

ES

Less volatile markets rather than highly volatile markets.

JW

Can you give us an example of a memorable winning trading decision?

ES

Spectrum's trading style does not necessarily believe in looking for home runs, but rather small and consistent returns while maintaining small drawdowns.

JW

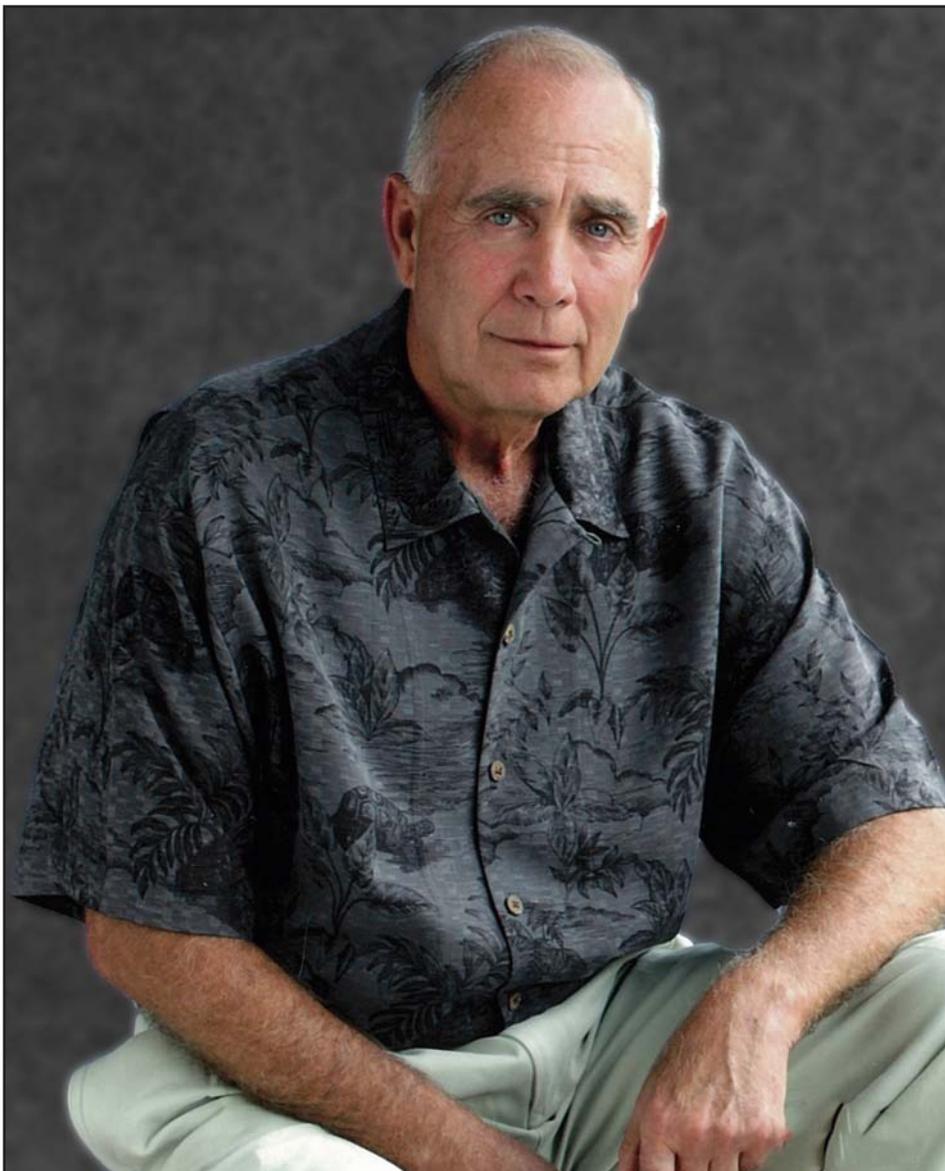
When developing a strategy, do you give a higher priority to building entry signals, exit signals or money management rules?

ES

Risk Management has the highest priority.

JW

Do you think that every strategy loses its accuracy sooner or later, or do you believe in long lasting market rules? Have you ever found a strategy that became profitable again after a long negative phase?



ES

To a certain extent all strategies will encounter losses that were not expected at the time they were first implemented. That is why continuous research is essential to the success and longevity of any trading system.

JW

Do you use any form of optimization? If so, how do you make sure it doesn't create curve fitting and confirms robustness of the model?

ES

Some optimization is used. Caution is exercised so that over-optimization is avoided in creating signals. Rather, repeating levels are sought for entry and exit signals as opposed to optimal signals which do not repeat themselves as often.

JW

Do you favor any particular time frame in your strategies? What is your average trade duration and trading frequency?

ES

Both currency strategies trade long and short term durations. The typical trading frequency can be from one day to two weeks with

the average holding period lasting approximately three days.

JW

What is the average leverage that you normally use? And the maximum leverage?

Our leverage is quite low compared to the industry. More often than not our leverage reflects approximately the utilization of 15% of available margin.

ES

Our FX strategies are based on exchange and CSI data.

JW

How does liquidity impact the efficiency of your strategies? Have you already explored to what AUM limit the strategies would allow you to grow to?

ES

Liquidity has not impacted the efficiency of our strategies to date. It is our belief that we could bring our AUM up to \$200 millions without any additional changes.

JW

What is the biggest strength of your team?

ES

The positive way in which we

interact.

JW

What's the best advice you would give to traders who want to enter the FX fund management industry?

ES

That they are very patient and make sure that the trading strategy they wish to employ is compatible with the interests of their client/clients.



JW

How many execution brokers do you use? How do you split execution between electronic and voice?

ES

Presently we have two. All orders are voice execution.

JW

Which historical data do you use when developing your strategies? How important is that?



The various options of ECB President entrant Mario Draghi



Jose Manuel Barroso's plan for the introduction of common eurobonds

Euromageddon

“It is the inability for some of the eurozone member states to meet their financial commitments and their continued requirement for bailouts from the ECB, EFSF, and the IMF that will create a crisis worse than that of 2008 and 1929.”

Euromageddon! With no economic recovery in sight, this is exactly the type of scenario that may play out in the months ahead if officials cannot contain the spread of this crisis. What started off as an emergency centered on the financing of Greek debt, deteriorated and quickly spread to other EuroZone member countries in the form of contagion over the coming months due to concerns over rising government deficits and debt levels. The initial 110 billion euro Greek bailout was followed by an additional 85 billion euros for Ireland and 78 billion euros for Portugal, money coming from the European Financial Stability Fund and the International Monetary Fund.

Now, the most recent developments within Italy and their fight for survival may eventually be the reason the euro gets the boot, pun intended. Greece will most likely end up going through a restructuring period during which the euro will lose value, as risk aversion fuels a flight for U.S. dollar liquidity. The lower euro, however, may save Italy from a similar Greek tragedy. Whatever the final outcome, the euro will - if it survives - not look the same.

ECB POLICY CHANGES

During the most recent ECB policy meeting and press conference, ECB President Trichet made clear their own concern toward the downside risk to growth within the EuroZone. More importantly, his outlook on inflation

also changed. Mr. Trichet believes the inflation rate should fall below 2% next year. He also downgraded 2011 GDP estimates to 1.4%-1.8% growth rate from the previous 1.5%-2.3% forecast. The market is now expecting the ECB to hold interest rates steady into the fourth quarter. As conditions

will most likely force the ECB to lower interest rates before they increase, the euro will continue to feel pressure.

With Trichet leaving the post at the end of October, Mario Draghi, an Italian, will have to wear the shoes made of cinderblocks. This may be

If Mario Draghi isn't able to bring confidence back into the marketplace, the Euro's fall may accelerate.



the turning point as Trichet's calm demeanor was a soothing point for traders as he always knew what to say and more importantly what not to say when it came to questions dealing with the current crisis. Trichet made it clear during the last conference that there remains a full arsenal of tools that Draghi will be able to implement if needed as the ECB President. What's even more important is the timing as the situation within the EuroZone has become more unstable. If Draghi isn't able to bring confidence back into the marketplace during a time when Greece faces its most decisive moment in history as

it tries to secure its October bailout payment, the euro's fall may accelerate.

GERMAN COURT RULING

The recent German Court ruling that upheld the legality of the bailouts to the troubled EuroZone member states provided a breath of fresh air for the markets, as it also made sure that any

future bailouts will have to be approved by a parliamentary panel. In the long run, this isn't good for the euro as Germans, along with other Europeans, have become increasingly hesitant in playing the role of savior and having

economic system, a growing consensus within Europe believes the EuroZone will be better off letting Greece default. Although the initial reaction to this news was euro positive, we feel it was only a reason to book profits and provide an opportunity to reestablish longer term selling positions.

EUROBONDS/ EFSF

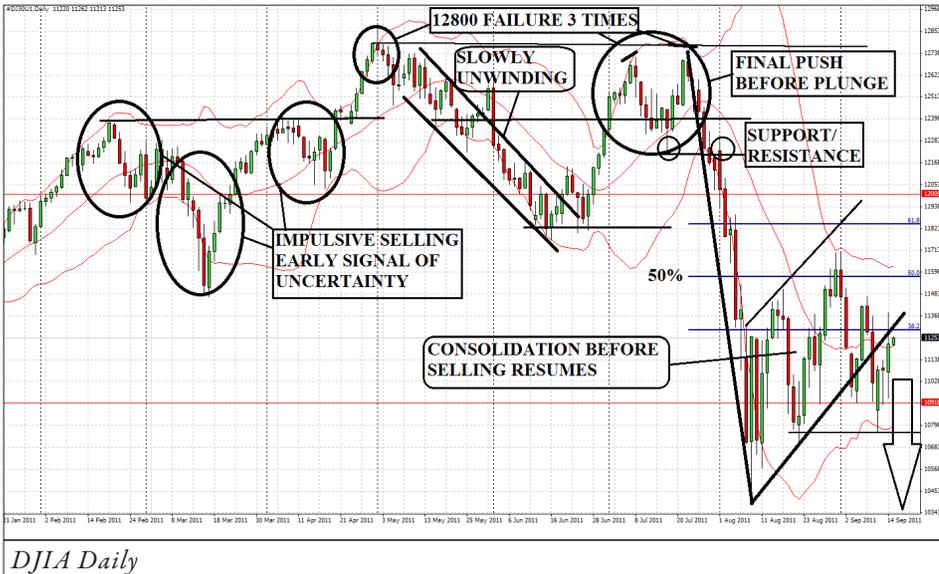
The German court decision has not shut down the idea of "eurobonds" within some political camps. European Commission President Jose Manuel Barroso told the European Parliament that he is planning to present options for the introduction of common eurobonds. The idea is to provide insurance to debt holders and lower the overall yield that public markets demand from



European Commission President Jose Manuel Barroso told the European Parliament that he is planning to present options for the introduction of common eurobonds

to bear the brunt of the burden. More importantly, the German court ruled out the possibility of "eurobonds" that would be backed by the taxpayers of all EuroZone nations, thought by some to be the solution to the current crisis that will restore confidence to the debt-ridden members. The fact that austerity measures have not shown to have an overall positive effect on the

struggling economies such as Greece. Currently, yields have risen to record highs, asking 143% return for one year note, 76% for two year note, and 25% for a 10 year note. Asking the Germans or the French to take on fiscal responsibility for Greece, Spain, Portugal, Italy, and/or Ireland, given that previous cost-cutting measures have further deteriorated the economies, is just



DJIA Daily

unrealistic. This announcement also provided the euro with some breathing room as it gives investors hope that the outcome is still uncertain and officials are doing all they can to alleviate market concerns. Unfortunately, we don't see eurobonds existing within the current EuroZone framework in current global economic conditions.

EQUITIES

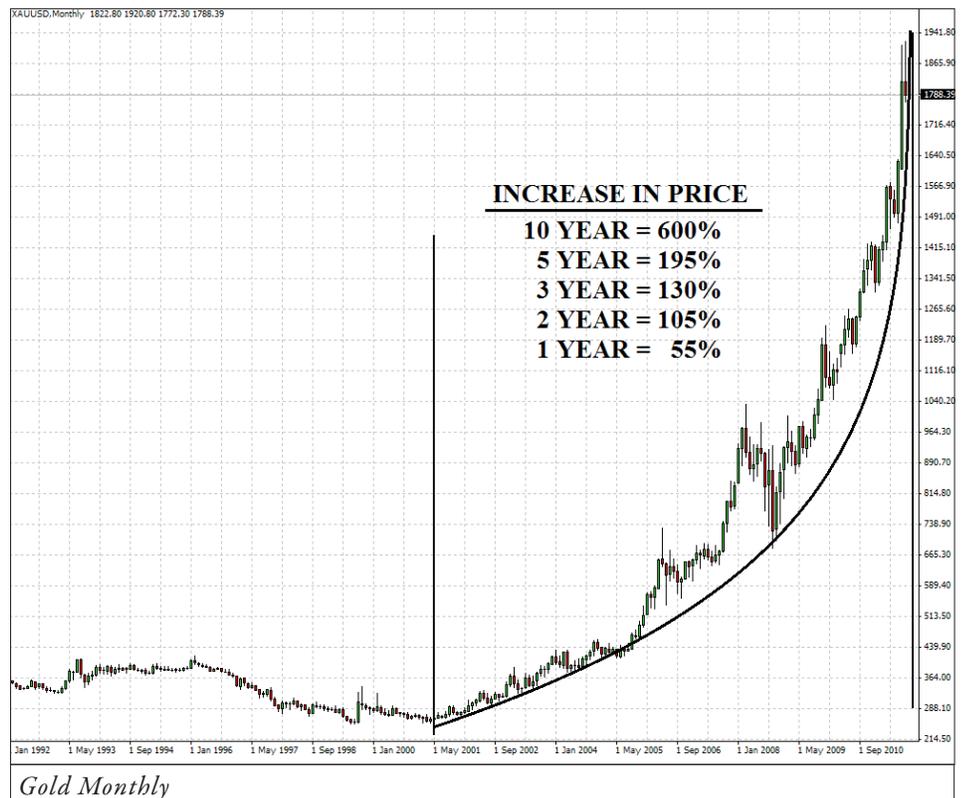
Equity indices, specifically those in the U.S., have begun to show weakness on any sign of bad news. The recent decline below 11,000 for the Dow Jones Industrial Average opens further room into the mid and lower 10K levels. The price action that took place mid-August has already started to unravel by breaking below the consolidation channel and may be ready to fall below 10,500 over the next few weeks. The 12,800 ceiling that was tested between April and July will now act as the main resistance level. In case the Federal Reserve releases

another round of quantitative easing during the next policy announcement that takes place on September 21st, the market may get a temporary relief rally. We expect selling pressure between

11,850 and 12,000 Dow Jones level. Depending on the severity of the situation, the Dow Jones may decline by as many as 5,500 points. The falling global equity indices correlate well with risk aversion, which has been the main driver for a weaker euro.

GOLD

Deteriorating global economics, coupled with the condition of the EuroZone, and the increasing likelihood of a credit event fueled the price of Gold to new highs, reaching just above \$1,900/oz. This level will now be resistance for future demand. Excessive volatility will most likely cause the price to trade within a wider range, ever since the surge above \$1,600/oz. With the euro still overvalued



Gold Monthly

at current sub-1.40 levels, we expect gold to climb above \$2000 on further risk aversion. Gold has exponentially increased in price as levels of global uncertainty continued to increase in the past 5 years. The volatile nature of the recent surge to new record highs is just another sign of a panic driven trading environment that will continue to pressure the euro to the downside.

INTERVENTION

The uncertainty in the euro has provided strength to safe haven assets such as gold, but it has also forced investors to move their money into other safe haven assets such as the Swiss Franc and the Japanese Yen, strengthening them to record highs. The Swiss National Bank, in order to protect its domestic economy, decided to intervene in the currency markets as they made clear that a rate below 1.20 EUR/CHF will not be tolerated. The exact statement reads:

“The current overvaluation of the Swiss franc poses an acute threat to the Swiss economy and carries the risk of a deflationary development. The Swiss National Bank is therefore aiming for a substantial and sustained weakening of the Swiss franc. With immediate effect, it will no longer tolerate a EUR/CHF exchange rate below the minimum rate of CHF 1.20. The SNB will enforce this minimum rate with the utmost determination and is prepared to buy foreign currency in unlimited quantities. Even at a rate of 1.20 per euro, the Swiss franc is still high and should continue to weaken over time. If the economic outlook and deflationary risk



Did Central Banks not learn anything from the Bank of England and the infamous “Black Wednesday”?

so require, the SNB will take further measures.” – Swiss National Bank

Did Central Banks not learn anything from the Bank of England and the infamous “Black Wednesday” - the day when the pound sterling had to be withdrawn from the European Exchange Rate Mechanism after the BOE was unable to keep the sterling above its agreed limit? This scenario is different this time around as the SNB is selling its currency as opposed to buying it, which means it can literally print as much paper as there is demand; however, the fact that 55% of its current reserves are in euro, the damage the ailing currency may cause this Central Bank’s balance sheet as well as others provides further indication

for a potential spike in demand for U.S. dollars.

CHART ANALYSIS

The technical studies are pointing to much deeper and sustained setbacks for the euro. The market consolidation that took place between May and July traded within very large ranges before settling into a tight ascending trend in August. The attempt to break higher and above the 1.4500 level failed and price quickly began to drop. The 1.4500 figure failed because demand for the euro for the prior four months was mostly coming from Central Banks diversifying their dollar holdings near the 1.4000 level. There was just enough market demand for a final



attempt at a euro rally but the worsening conditions in the EuroZone once more sent a fresh reminder that Greece may not be able to meet its cost-cutting austerity plans and may be left with default as the only option – this led to a sell-off which is now pointing to a much longer and sustained path for a weaker euro. Further uncertainty of Greece being able to meet its fiscal austerity measures and secure the next round of financing increases the

likelihood of a default within the next three months and will most likely send the euro much lower while Central Banks all over the world perform a coordinated intervention to bring confidence back into the marketplace. I see euro trading near the 1.30 level within the next three months and below the 1.20 level within the next 6-12 months. Only a rise in the euro above \$1.4500 and \$1.4800 would negate our bearish outlook.

An Italian default may be avoided if the euro can reach much lower levels in which case the devaluation could help correct the deficits in the balance of payments. This should spur manufacturing production which will lead to higher employment and set in motion events that would keep the economy growing and prevent the demise of the euro altogether.

OUTLOOK

As Prime Ministers and other officials continue to preach about their commitment to meet deficit-reduction targets in order to maintain funding from the ECB, IMF, and the EFSE, the market continues to price in a Greek default and Euromageddon inches closer to reality. The change in the ECB monetary policy statement that forecasts lower inflation and downside risk to growth will have a negative effect on the euro during the next 12 months. The likelihood that the ECB will have to lower interest rates within the next 3-4 months can be seen in weaker economic data, even within German and French economies. The recent intervention by the Central Banks that vow to fight demand for their currency during such high levels of uncertainty also lends credence for a weaker euro.

Ultimately, it is the inability for some of the EuroZone member states to meet their financial commitments and their continued requirement for bailouts from the ECB, EFSE, and the IMF that will create a crisis worse than that of 2008 and 1929.



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FOREX ARBITRAGE



The following is an explanation of what arbitrage is and in further articles we will delve into larger technical issues of executing “arb” systems.

WHAT IS ‘ARBITRAGE’ ?

In economics and finance, arbitrage (IPA: /ˈɑːbrɪtʃ/) is the practice of taking advantage of a price difference between two or more markets: striking

a combination of matching deals that capitalize upon the imbalance, the profit being the difference between the market prices. When used by academics, an arbitrage is a transaction that involves no negative cash flow at any probabilistic or temporal state and a positive cash flow in at least one state; in simple terms, it is the possibility of a risk-free profit at zero cost.

In principle and in academic use,

an arbitrage is risk-free; in common use, as in statistical arbitrage, it may refer to expected profit, though losses may occur, and in practice, there are always risks in arbitrage, some minor (such as fluctuation of prices decreasing profit margins), some major (such as devaluation of a currency or derivative). In academic use, an arbitrage involves taking advantage of differences in price of a single asset or identical cash-flows; in common use, it is also used to refer

to differences between similar assets (relative value or convergence trades), as in merger arbitrage.

People who engage in arbitrage are called arbitrageurs (IPA: /ˌɑːbrɪtrəˈʒɜːr/)—such as a bank or brokerage firm. The term is mainly applied to trading in financial instruments, such as bonds, stocks, derivatives, commodities and currencies.ⁱ

TYPES OF FINANCIAL ARBITRAGE

- Arbitrage betting
- Covered interest arbitrage
- Fixed income arbitrage
- Political arbitrage
- Risk arbitrage
- Statistical arbitrage
- Triangular arbitrage
- Uncovered interest arbitrage
- Volatility arbitrage

BROKER ARB

Broker arb is where a trader capitalizes on a price discrepancy between 2 brokers in the same market. For example Broker A offers a price of 1.4542 and Broker B offers a price of 1.4556. Broker arb is fair in that the broker is offering the price, but brokers who throw many bad prices may not like that traders are taking advantage of those bad prices.

Some customers of large retail US based brokers have said that certain brokers will give different prices to different customers. In cases like this, broker arb would be a viable trading strategy but it would be questionable if they would allow you to keep your profits.

LATENCY ARB

Latency arb is when a trader takes a network advantage over the markets.

This may take many forms, but the concept of latency arb is a network or 'speed' advantage that allows you to see into the future.

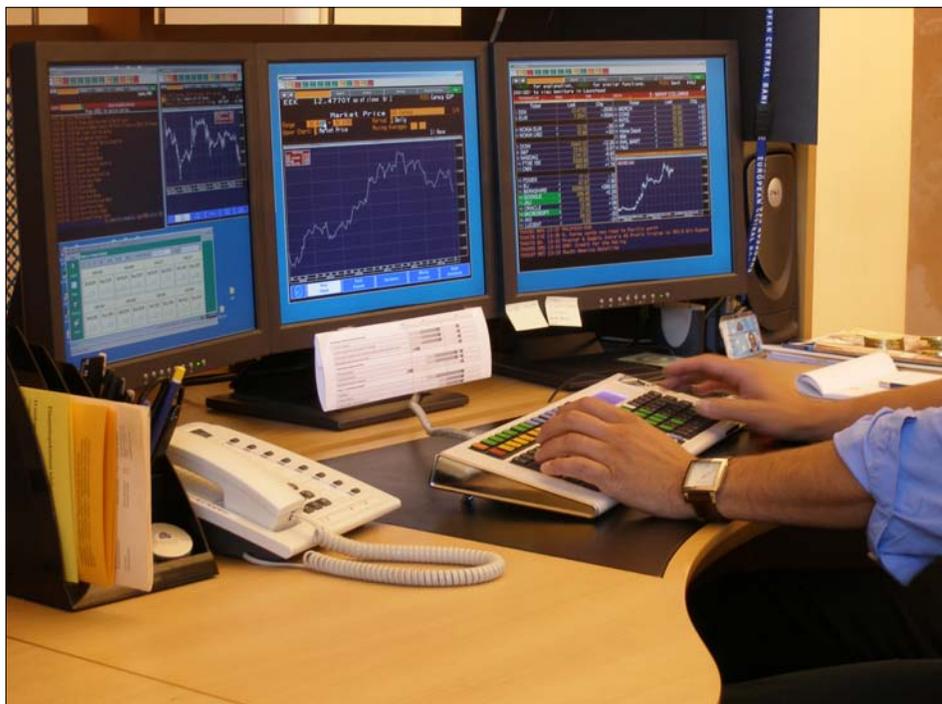
Latency arb is practiced both on a retail and institutional level. It became popular in Forex in 2007ⁱⁱ, however, due to a large amount of new participants entering the strategy, and due to large scale network and I.T. infrastructure upgrades undertaken by major market players, it is less viable today.

Retail latency arb is a highly debated topic in the MT4 community. On forums you will find many developers offering software that uses a 'fast broker' and a 'slow broker' to arb based on what is in fact latency arb. The dangers of this type of trading are that:

- If the 'slow broker' is really slow, your profits could be large and he may not allow you to withdraw them
- There can be network or software upgrades that the strategy may work for a certain period of time and then stop working.

SOFTWARE ARB

The least ethical, most dangerous, and most difficult to execute, is arb that takes advantage of discrepancies inside the software trading platform. This was noticed in 2007 by some EA developers that had strategies that could effectively trade price discrepancies between MT4 server and MT4 terminal. In certain builds of MT4, MT4 would only update the terminal every X ticks (let's use 10 as extreme example) – the



terminal price was guaranteed, so an EA could hammer the MT4 server for requests for new prices, and in some cases, the server price was different than the terminal price, thus allowing for risk free arb. This was however not 'real' trading.

INFORMATION ARB

This is the least defined, and the highest probability of success of any type of arb. Most have disregarded this strategy because of insider trading laws pertaining to securities, but information arb can take other forms in other markets that do not have insider trading laws. The most common example of information arb is in the movie Trading Places, when the Duke brothers attempt to learn the forecast of the Orange crop report before it's released to the market. With information arb, a trader has a 99% guarantee of success, 1% leaving that it is always possible that information can change during that time.



The most common example of information arb is in the movie Trading Places



MARKET ARB

In rare cases, market discrepancies will allow for arbitrage on a pure market basis. It is so rare in fact, it isn't likely that a trader could base a strategy completely on this method. See the below snapshot of Currenex during NFP release:

RISK ARB

Risk arb, or merger arbitrage, is when a hedge fund bets on the price of a stock which will change in price in the event of a merger or acquisition. There is supposedly a calculable chance of the deal not going through, which can be built into the strategy in the form of out of the money options, to limit the risk in the event of a negative outcome. Risk arb is

an example of a type of arb that really isn't arbitrage according to the traditional definition, but is used to describe the high probability that a stock price may go to a pre-defined level based on the proposed merger.

Two principal types of merger are possible: a cash merger, and a stock merger. In a cash merger, an acquirer proposes to purchase the shares of the target for a certain price in cash. Until the acquisition is completed, the stock of the target typically trades below the purchase price. An arbitrageur buys the stock of the target and makes a gain if the acquirer ultimately buys the stock.

In a stock for stock merger, the acquirer proposes to buy the target by exchanging its own stock for the stock of the target. An arbitrageur may then short sell the acquirer and buy the stock of the target. This process is called "setting a spread." After the merger is completed, the target's stock will be converted into stock of the acquirer based on the exchange ratio determined by the merger agreement. The arbitrageur delivers the converted stock into his short position to complete the arbitrage.

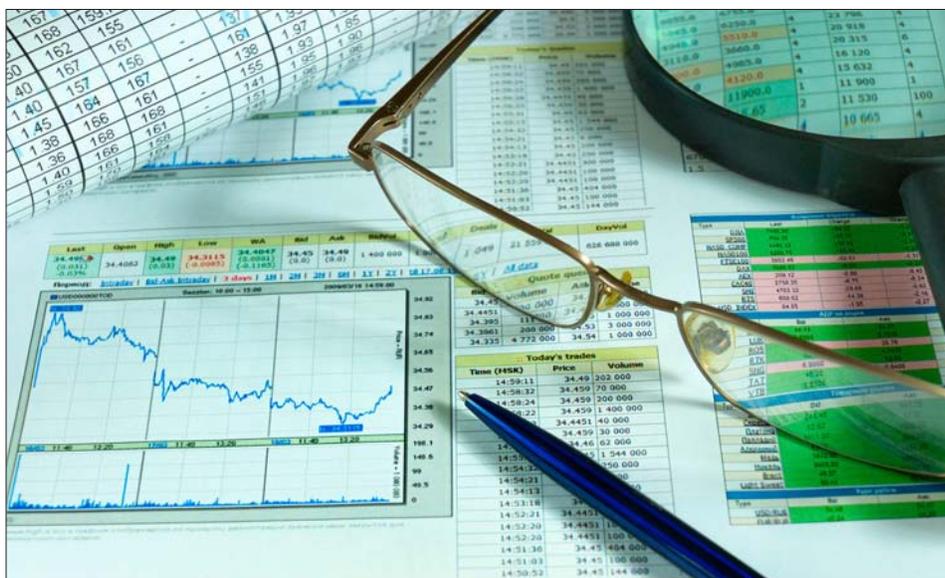
If this strategy were risk-free, many investors would immediately adopt it, and any possible gain for any investor would disappear. However, risk arises from the possibility of deals failing to go

through. Obstacles may include either party's inability to satisfy conditions of the merger, a failure to obtain the requisite shareholder approval, failure to receive antitrust and other regulatory clearances, or some other event which may change the target's or the acquirer's willingness to consummate the transaction. Such possibilities put the risk in the term risk arbitrage.

Additional complications can arise in stock for stock mergers when the exchange ratio is not constant but changes with the price of the acquirer. These are called "collars" and arbitrageurs use options-based models to value deals with collars. In addition, the exchange ratio is commonly determined by taking the average of the acquirer's closing price over a period of time (typically 10 trading days prior to close), during which time the arbitrageur would actively hedge his position in order to ensure the correct hedge ratio.ⁱⁱ

DIFFERENCE BETWEEN PURE ARBITRAGE AND SUBTLE ARBITRAGE

Pure arbitrage would be if you had in the same pair a price discrepancy where you could buy in one account, sell in another, and have a risk free profit of the discrepancy. This is known in all markets as pure arbitrage. The word 'arbitrage' however has expanded to mean more subtle forms of arbitrage such as statistical arb and triangular arb which while not pure arb, they employ a 'mean reversion' calculation that implies that no matter what happens, 99.9% of the time the market will revert



to the mean model. This is also the case in Risk arb, clearly not a form of pure arb, but still called arbitrage nonetheless.

ETHICAL ISSUES

Some believe that some forms of arbitrage are somehow taking an unfair advantage of the market. While this is debatable, the larger issue is that due to perception by some, they may not allow a trader to withdraw his profits.

TRADING WITH ARB

Trading any type of arb model poses unique risks, challenges, and costs, not associated with traditional trading systems. Anyone who is considering 'arbitrage' should consider:

- It may require substantially more time investment
- Many arb systems require a large investment in computer and network hardware
- May require an extensive experience

in trading, I.T., and mathematics

- As arb is always evolving, information obtained on the internet may be outdated
- Large risk in some types of arb where you may not be able to withdraw your profits, or you may only have 1 leg filled causing the model to not be arb but an actual trade!

CONCLUSION

Arbitrage is a niche that while it can be profitable for extremely experienced and well funded traders, there are many unique 'unknown unknowns' when trading these types of systems. Even with a substantial time and money investment, combined with excellent research, it may not provide a guarantee for profit (which is implied assumption of arb systems).

Elite E Services

ⁱ <http://www.investopedia.com>

ⁱⁱ <http://www.ftmandate.com>

Binary Options

A New Opportunity for Forex Traders



Binary options trading is a form of options trading that offers new and exciting opportunities for traders to make serious money quickly. A binary option is so called because there are only two possible outcomes — a trader will receive a payment when finishing in the money or will lose their whole investment, or a proportion of it, if the option expires out of the money. The likely return is fixed at the time the trade is made.

Trading binary options is different to most other forms of trading in that you don't actually own anything. Instead, you invest an amount of money on a forecast that the price of an asset will move in a particular way. The accuracy of your forecast will determine whether you finish in the money or not.

THE DEVELOPMENT OF BINARY OPTIONS

Binary options have been available for some time but were originally considered 'exotic' instruments with no liquid market. To trade binary options, you needed a specialist broker.

This all changed in 2008 when the Securities and Exchange Commission approved the listing of binary options in the US. The American Stock Exchange then launched binary options in May 2008 followed by the Chicago Board

Options Exchange a month later. Since then, many organizations have entered the sector to provide binary options broker services and a number of trading platforms are now available.

This opening up of the market meant that binary options became more accessible and trading became a much simpler process. As a result, many more people have been attracted to this form of trading and its popularity grew at an increasingly fast pace. So far, this pace shows no sign of slowing as more and more traders begin to

recognize the attractions of trading binary options.

HOW BINARY OPTIONS ARE TRADED

Trading binary options is really a straightforward process. Once you've selected a broker, registered and deposited some funds, making a trade involves just a few steps. Firstly, you'll select an asset from those that are available, which will be individual stocks, market indices, currency pairs and commodities. Each will show the asset's current quoted price, the option's expiration time and the percentage payout for a correct forecast.

You'll then make your forecast by choosing a call option if you think the asset's price will be higher at the expiration time or select a put option if you expect it to fall. Enter your investment amount, which will be fixed when you confirm the trade. This will determine the payout you'll receive if your forecast is correct.

Once the option expires, you'll receive your original investment plus the stated percentage payout if you've forecast correctly. If you're incorrect, however, you'll either receive nothing or a small percentage of your investment amount. This depends on the policy of the individual broker.

THE ASSETS THAT CAN BE TRADED

Since binary options trading is



In 2008 the Securities and Exchange Commission approved the listing of binary options in the US

about forecasting the direction of price movements, anything with a price that changes and which is quoted on a recognized market can in theory be traded. In practice, only specific types of assets are traded. You can trade individual company shares that are quoted on a stock market or a complete market index such as the NASDAQ, FTSE, etc. You can also trade any commodity, such as gold or oil, or a currency pair, such as the EUR/USD, which are quoted on a foreign exchange market.

These assets are known as underlying assets because you never actually own them as you would do an actual asset but simply forecast how they're going to change in price. Trading platforms will quote the actual assets that are available to trade.

Trading currency pairs is particularly attractive to forex traders who have knowledge of the market. Since there are large numbers of combinations of currency pairs and these are changing constantly in different directions, there are tremendous opportunities to make money.

Foreign exchange offers the largest financial trading market in the world with the greatest liquidity. You can trade with zero commission and no spread, which will lead to increased profits for successful trades.

WHAT YOU NEED TO DO TO TRADE BINARY OPTIONS SUCCESSFULLY

If you're going to trade binary options successfully, you need to gain as much knowledge as you can about the asset you're going to trade. For example, although you may be fully conversant with how forex trading works, you'll be better placed if you have detailed information about the individual currency pairs you're going to trade. It's also vital that the information

is kept current so you're not relying on out-of-date data. To improve your chances of success, there are two types of analysis you can undertake:

1. Technical analysis

Technical analysis assumes that assets are always priced correctly and the price will have been discounted to take account of events. Consequently, prices will always move in a consistent manner and identifying the ways they have moved in the past will give a guide to the way



Using a combination of technical and fundamental analysis will give you the greatest chance of success.



"Binary options trading is about forecasting the direction of price movements. Since currency pairs are changing constantly in different directions, there are tremendous opportunities to make money."

they will move in the future.

One of the main tools of technical analysis is a price chart that is constantly updated to show the latest prices. Each chart may show recognizable patterns that will indicate whether prices are likely to continue along their current trend or whether a reversal is due. Identifying these patterns and interpreting them correctly will enable you to forecast how prices are likely to move.

2. Fundamental analysis

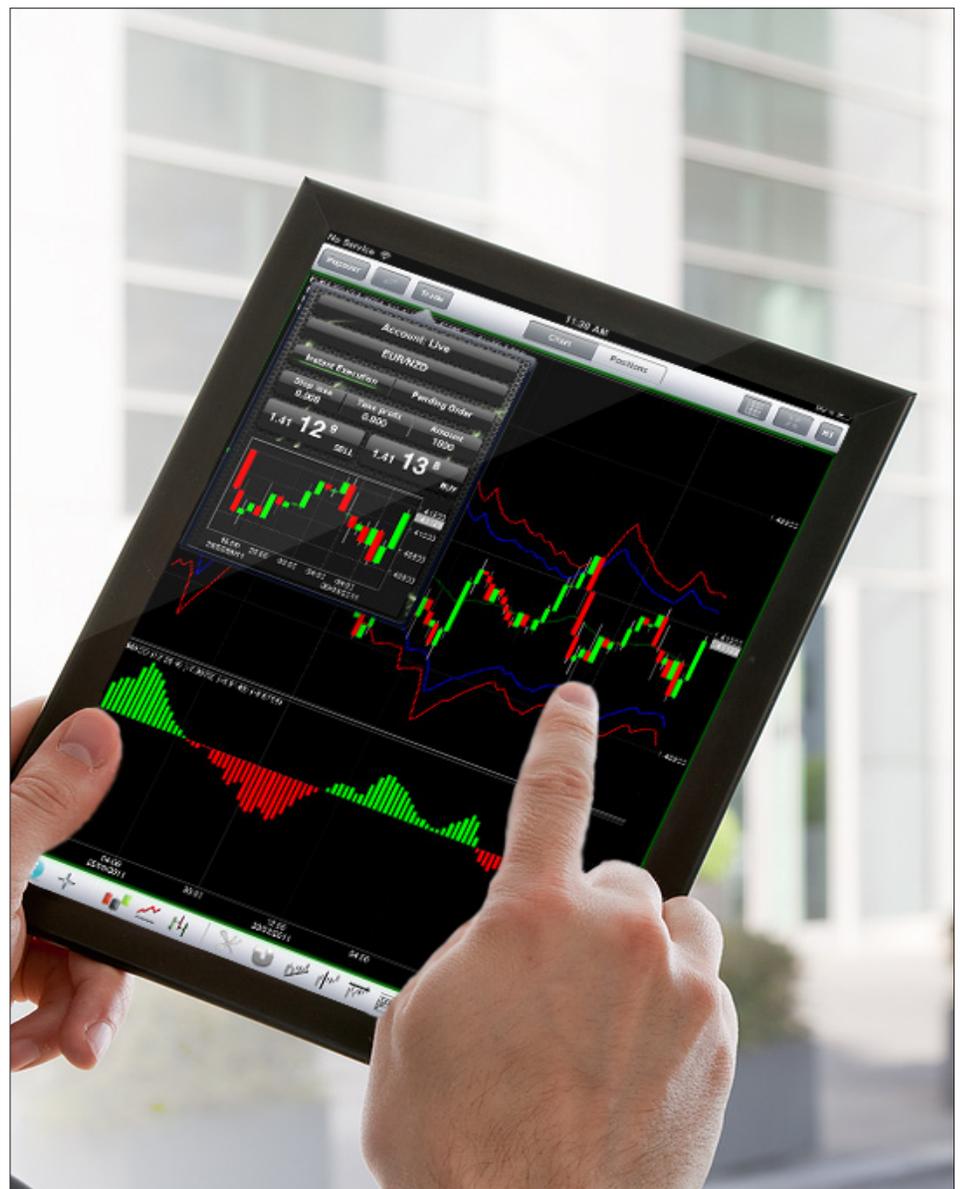
Fundamental analysis is based on the principle that assets are generally priced incorrectly and that markets are constantly attempting to correct them. These corrections are based on events that occur and therefore you will need to constantly check news items, announcements and various publications.

This type of analysis can be subjective because you are forming a view based on events that you see. However, you need to look at all levels of data, depending on the asset you're trading, from company level through industry, markets and to country and global level. Many events are inter-related and can affect the price of different assets and even different classes of assets. Each type of analysis will help you be more successful in your forecasts. Using a combination of technical and fundamental analysis will, however, give you the greatest chance of success.

WHAT TO LOOK FOR WHEN CHOOSING A BINARY OPTIONS BROKER

The growing popularity of binary options trading has attracted a number of brokers into the market. They will have some common features but all will have

certain points that differentiate them from the rest. Since you need a broker to be able to trade, it's important that you choose one who provides the type and level of service that you need. When choosing a broker, look at a particular feature to compare what each one offers.



Most trading platforms are web-based. Ideally, a mobile version of the platform will be available.

The trading platform is your access to the markets and it's crucial that the platform has comprehensive features so you're not limited in what you can do. Equally, it has to be easy to use so you can concentrate on trading rather than having to work out how to achieve particular objectives. The organization's website and sign-up procedure usually give a good pointer because, if they're easy to use, it's likely that the trading platform will be as well.

Most trading platforms are web-based so you can access your account using a browser. Ideally, a mobile version of the platform will be available so you can trade using a smart phone or similar device and trade from anywhere and at any time.

Some brokers may offer only a limited range of tradable assets in a relatively small number of markets; this can seriously restrict your opportunities to trade and make money. What you really need is a broker that offers plenty of assets across as many global markets as possible. That means there will usually be at least one open market to trade and you have a better chance of choosing the asset you actually want to trade rather than having to settle for something simply because of the choice that's available.

Security is crucial because you will be providing your broker with

your personal details and will also be depositing money to fund your trading. You need to be sure the broker offers a safe trading environment. There must be a privacy policy so your details aren't divulged to others and there needs to be adequate authentication to prevent unauthorized access to your account. It's also vital that all data and transmissions are securely encrypted so others can't gain access them.

Check and compare what each broker provides and go for the one that has the absolutely highest level of security.

You have to deposit money to fund your trades and will want to withdraw accumulated profits. Ensure the broker makes this a simple, quick and inexpensive process so you're not prevented from trading unnecessarily and aren't kept waiting for your money. Look for a broker that offers multiple methods of depositing and withdrawing money and where the process isn't over-complicated.

Some brokers will offer bonuses. These may be initial bonuses when you first sign up so you can make more trades to get started quickly or can be additions to every deposit you make. You may also receive bonuses to take advantage of particular financial events or rebate bonuses that depend on the amount you've traded over

a period. Whatever the reason for the bonuses, they provide additional funds and offer further trading opportunities.

However experienced you are as a trader, you're likely to want a degree of support at some time. As a new trader, you'll want information about binary options and how to trade them as well as the assurance of help and advice being readily available. As an experienced trader, you'll need up-to-date information, prices, analysis and reviews.

Brokers offer different levels of service that are designed to meet the needs of different types of traders, depending on the type of account that is selected. Make sure there's a help line, an email address and a live chat facility in case you get into trouble. Look at the type and extent of the information that's provided and how often it's updated. Most importantly ensure the information provided is accurate and of the highest quality.

Some brokers offer different accounts with varying features aimed at different levels of trader from the novice, to the seasoned professional. You may be able to start with a practice account where you can trade without risking any money (although without making any either). Some brokers, however, will require a deposit even for a practice account. After that, there could

be a basic account with a low deposit requirement right up to a top of the range account that requires a much higher deposit but provides a more personal and comprehensive service. Check the accounts that are available and make sure there's one that meets your needs now and in the future.

Most importantly look at a number of brokers, compare what they offer, then choose the one that's best for you.

TRADING STRATEGIES YOU CAN USE

Trading binary options is a simple process and each trade is a separate contract, however by combining options and looking at several assets together you can increase your success rate. There are various strategies you can adopt in different situations. A reversal may apply when a price chart indicates a trend is about to reverse. In this case, you will forecast a price change that is the opposite of the direction it's been moving previously.

A straddle involves purchasing both a put and a call option on the same asset at a different price level. You will finish in the money on both if the price is in between the levels at expiry. Otherwise, you should have at least one success and so will minimize your losses.

A knock-on effect occurs when

WHY BINARY OPTIONS TRADING IS GROWING IN POPULARITY

The increasing popularity of binary options trading is due to a number of factors. One of the main ones is that binary options traders can be successful in any market conditions. You don't need a rising market to

make money from binary options trading. Since you're forecasting the way prices will move, it doesn't matter if a bull or a bear market is underway as long as your forecast is correct. In fact market volatility often increases the opportunities to make money.

Trading foreign exchange means you can finish in the money by forecasting either a fall or a rise in the value of one currency against another. With the constant changes to rates and the number of available combinations, this gives almost limitless opportunities to achieve a significant return.

All markets follow trends and you can make money on an up trend by buying call options as well as buying



the change in the price of one asset affects the price of another. This may occur, for example, when a rising commodity price causes a company's profits to fall and its share price also. Purchasing a call option on the former and a put option on the latter will leave you in the money on both.

Other strategies are possible and will, if correctly used, increase your profits or minimize your losses.

put options when a downward trend is underway. It's simply a matter of forecasting the direction a market will move. Instability brings uncertainty but it can also provide opportunities for you to make money as a binary options trader. The key to doing this is to be alert to what's going on, follow the signs and then profit through forecasting correctly.

Another significant factor is availability since the market opened up, more brokerages provide trading platforms and anyone with a PC can trade binary options.

A major attraction of binary options trading is its simplicity since each trade requires only a small number of simple steps. You select the asset you want to trade, forecast whether its price will rise or fall by a set time and enter the amount you want to invest. After that, you just wait for the expiration time to see if your forecast is correct.

Above all, binary options' trading is low risk because each trade can be for a relatively low stake that you specify

at the outset. This is generally \$25 with a maximum trade of \$2,500 on each option, although this may be increased for certain types of account. You therefore know the maximum you can possibly lose and can limit this to an amount you can afford.

Despite the low risk, you can often make high returns quickly. A binary

same tax rules as regular commodities (Internal Revenue Code Section 1256 contracts) or under the special rules of Internal Revenue Code Section 988 (Treatment of Certain Foreign Currency Transactions). The profits from binary options trading, however, are considered short-term capital gains, which are taxed at your ordinary income rate. You may offset any losses against your gains

for tax purposes but must report to the IRS any overall profit.

THE FUTURE OF BINARY OPTIONS

Binary options' trading has come a long way in a relatively short time. As more brokers enter the market and traders realize the opportunities

that are available,

it seems likely that expansion will continue. Trading will become more flexible, with increased mobile platforms allowing anywhere, any time trading. The range of tradable assets will also grow, with rainfall index binary options already on offer. Whatever the future, it seems unlikely it will involve anything but continued growth.

Oren Laurent

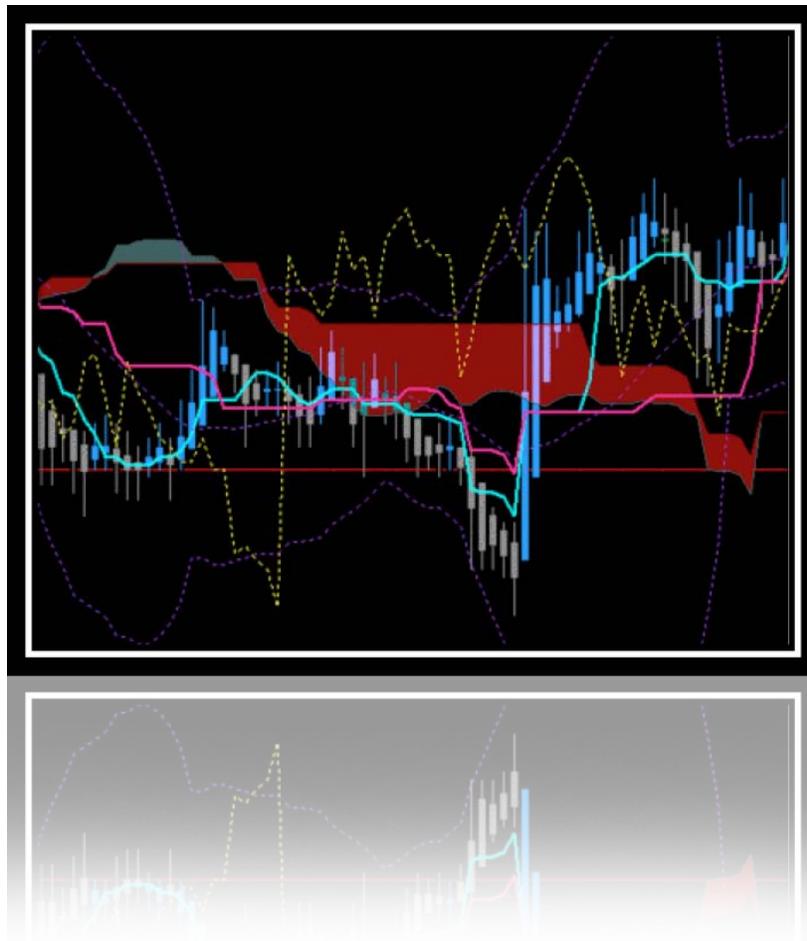


options trade will typically expire in only a few hours or even a few minutes and pay a 70-81% return on your investment for a correct forecast. This means that high returns can result from a number of successful trades over a short period of time.

For forex traders, an attractive aspect of binary options trading is that the taxes on profits you make are less onerous. As a currency trader, you can choose to be taxed under the

Majors Analysis with Ichimoku Kinko Hyo

During the last 3 months, previous trends continued on most of the major currency pairs; even the Swiss National Bank intervention couldn't change the overall picture of the Ichimoku charts on the higher time frames. However the low volume of the summer months seems to be finally broken by the significant moves of September.



For a better understanding of the following Ichimoku Kinko Hyo analysis, please refer to the author's introductory article in the October 2010 edition of FX Trader Magazine "The Art of the Chart", which explains the use of this technical indicator.

EURUSD Retrospect

On the EURUSD Monthly chart the price was above the

Kumo in July and August, which indicated bullish movements. The Tenkan-Sen was above Kijun-Sen and the Chikou



Figure 1: EURUSD Monthly



Figure 2: EURUSD Weekly



Figure 3: EURUSD Daily

Span was above all components and the price. Furthermore the Kumo future was bullish too. These facts were all supporting future up movements. However in September the price started to fall below the Kumo till it reached the strong support Kijun-Sen level. Although the fact that the price is below the Kumo basically indicates bearish trend, it is important to notice that the price is still above the Kijun-Sen; Tenkan-Sen is also above Kijun-Sen and the Chikou Span is above the Kumo, however it is below the price. On the Weekly EURUSD chart it was clear that after the nice Kumo breakout of the spring months, the summer volume wasn't enough for the price to continue it's way up, so – although it stayed above the Kumo – it started to move closer and closer to the Senkou Span A level. The Kumo top was finally reached in September after a long ranging period. On the Daily chart, July started with a valid bearish Kumo breakout, but the move didn't have enough volume and reversed after a few days. The reversal was quite strong, as the price moved back to the Senkou Span B level and tried to break out on the upside of the Kumo. The breakout wasn't successful, because the Chikou Span hasn't confirmed this move, it stayed below the Kumo top and bounced back from it. After this a ranging

period happened as in August the price tried to break out first on the bottom of the Kumo, then on the top of the Kumo. Finally, September decided the direction: a fully confirmed bearish breakout happened on the 2nd of September and then the price moved down more than 700 pips.

EURUSD Prospect

Currently the Daily chart is clearly bearish, but it is important to see that the price is still above the Weekly Senkou Span B and the Monthly Kijun-Sen, which are very strong support levels. If the price gets below the Weekly Kumo cloud and the Chikou Span also confirms the down breakout, it would indicate an upcoming bearish trend, especially if the Chikou Span gets below the Kumo on the Monthly chart too.

GBPUSD Retrospect

On the GBPUSD Weekly chart the price was below the thick bearish Kumo cloud during the whole of July, August and September, however the price was only ranging as during these months it stayed above the strong support Kijun-Sen level. On the Weekly chart, the price was moving above the Kumo during this time. It reached the top of the Kumo right in the beginning of July, then bounced up from that level and reached its high in the middle of August. Then the price fell down to the top of the Kumo again. Currently the price is moving in the body of the Kumo, which indicates temporal uncertainty in the price direction on this time frame. On the Daily GBPUSD chart the previous bullish movement just ended in the beginning of July



Figure 4: GBPUSD Monthly



Figure 5: GBPUSD Weekly



Figure 6: GBPUSD Daily

and the price started to move up while it was crossing up the strong resistance Kijun-Sen line. The price reached the body of the Kumo at the end of July and stayed inside it till the middle of August. Then a confirmed bullish Kumo breakout happened and the price reached its 3 months high on the 19th of August. After that it fell down to the flat top Kumo and then broke out on the downside right in the beginning of September and moved down more than 300 pips after the breakout.

GBPUSD Prospect

The picture is quite mixed. While the Monthly chart is mostly bearish, the Weekly chart has just turned from bullish to neutral and the Daily chart is strongly bearish too. It seems that the down movements are more probable but it is important to keep in mind that the Weekly Senkou Span B and the Monthly Kijun-Sen levels are very strong support levels and the price should close under these to confirm the bearish direction.

USDCHF Retrospect

On the Monthly USDCHF chart movements were clearly bearish as during the last 3 months the previous down trend continued. The price was

below the Kumo cloud and the Kijun-Sen, the Chikou Span was below all Ichimoku components and the price, and the Kumo future was bearish too. The Swiss intervention in September moved the price a bit back but the picture remained the same and the price hasn't even touched the Monthly Kijun-Sen line. On the Weekly USDCHF chart the picture is very similar. The price was moving below the Kumo and the Chikou Span was staying constantly below the price. The only difference

here is that because of the intervention, the price crossed up the Kijun-Sen line. But as the Chikou Span hasn't crossed the price up, the bearish picture remained the same. On the Daily chart the price was on a clear and confirmed down trend till the middle of August. Then the price started to move up a bit, but bounced back from the bottom of the Kumo. Finally the intervention pushed the price through the Kumo and a valid Kumo breakout happened on the 8th of September.



Figure 7: USDCHF Monthly



Figure 8: USDCHF Weekly



Figure 9: USDCHF Daily

USDCHF Prospect

While the Weekly and Monthly USDCHF charts are

still clearly bearish, the Daily chart turned into bullish in the first part of September. The continuation of the



Figure 10: USDJPY Monthly



Figure 11: USDJPY Weekly

down trend will be confirmed if the price can break out the Daily Kumo on the downside. Currently the price is very far from the Daily Kijun Sen and the Kumo has a flat top, so a bearish correction is very possible in the near future.

USDJPY Retrospect

On the Monthly USDJPY chart the bearish trend continued in the last 3 months too. The price and the Chikou Span were below the other Ichimoku components and the Kumo future was clearly bearish too. The Kumo became thicker and thicker, which is the sign of a healthy and strong trend. On the Weekly chart July started with a strong bearish Tenkan-Sen/Kijun-Sen crossover and it was a fully confirmed sell entry signal as all other Ichimoku components were clearly bearish too. After the crossover, the price marched down more than 300 pips till the middle of September. On the Daily USDJPY chart the picture was clearly bearish too with a strong bearish Tenkan-Sen/Kijun-Sen crossover signal on the 20th of July.

USDJPY Prospect

All higher time frames are still

supporting the bearish trend, however on the Weekly chart the Kijun-Sen turned flat for a while so a smaller bullish correction might happen in the near future.

USDX Retrospect

On the Weekly USDX chart the price was moving below the Kumo cloud and the Kijun-Sen till the end of August. At the beginning of September the price crossed up the Kijun-Sen with a spectacular bullish



Figure 12: USDJPY Daily

candle, but still stayed below the Kumo and bounced back a bit from the Senkou Span A level. On the Daily chart the

price was in a bearish range in July and August and finally found its direction at the beginning of September with a confirmed bullish Kumo breakout, then moved up more than 250 pips till the middle of September.

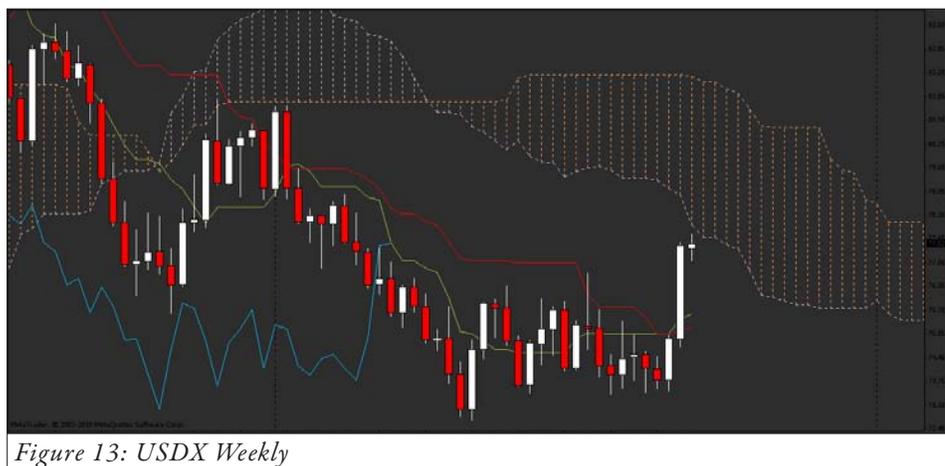


Figure 13: USDX Weekly

USDX Prospect

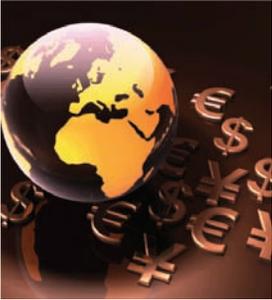
As the Kumo is very thick on the Weekly USDX chart and the price was bounced back by the Senkou Span A level, while the Daily charts are clearly bullish, the overall picture seems to be neutral or undecided at the moment. If the price could break out from the Kumo on the Weekly chart it would indicate a bullish change in the trend direction. But if the price closes below the Daily Kumo, it would mean that the previous bearish trend continues.



Figure 14: USDX Daily

Gabor Kovacs

MAJORS REPORT



TREND EURO, US DOLLAR, YEN, BRITISH POUND

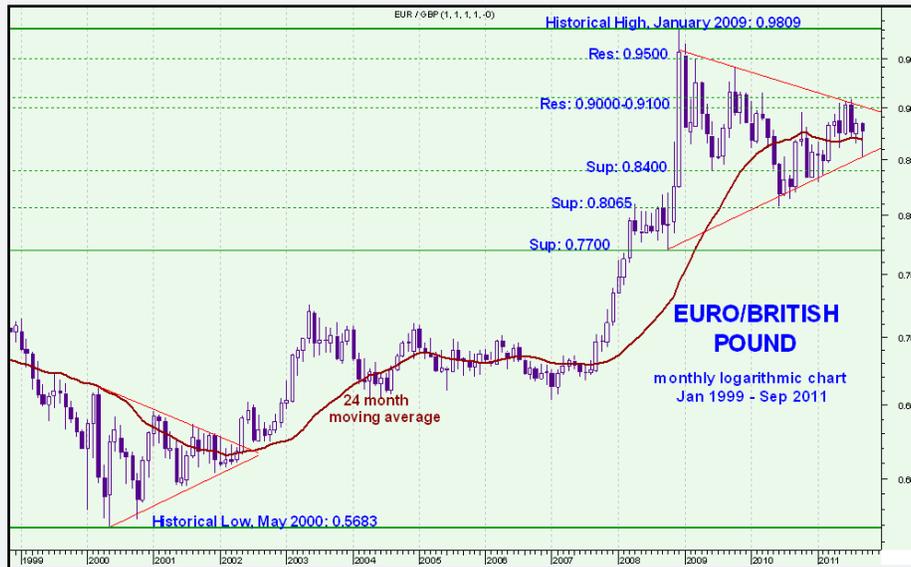
SPOT PRICE	16/09/2011	01/01/2011	Δ%	01/01/2010	Δ%
EURUSD	1.3788	1.3366	3.2%	1.4331	-3.8%
USDJPY	76.86	81.19	-5.3%	93.14	-17.5%
EURJPY	105.97	108.64	-2.5%	133.22	-20.5%
EURGBP	0.8731	0.8575	1.8%	0.8858	-1.4%

EURO/GBP

The cross euro/gbp was first traded in January 1999, at around 0.7100, and fell to a historical low at 0.5683 in May 2000. From the bottom, the euro began moving upwards, entering progressively a major up-trend, and reaching a historical high at 0.9809 on January 1st, 2009 (+72.6% vs. the May 2000 low). From that peak a strong correction drew the cross down to a low at 0.8070 in June 2010. From that level a rally pushed the cross to a peak at 0.9083 on July 1st, 2011. In the last months, the cross declined

to 0.8535 and raised again towards 0.8800. The trend in the last semester has been neutral-positive, but it's weakening.

A break above 0.9000-0.9100 is necessary in order to have a new bullish signal for the coming months (not very likely), targeting 0.9410. Weakness would be triggered by a decline below 0.8600, for a test of 0.8400. Below this strong support the cross would enter a bearish trend for the months to come, targeting the key support level at 0.8065.

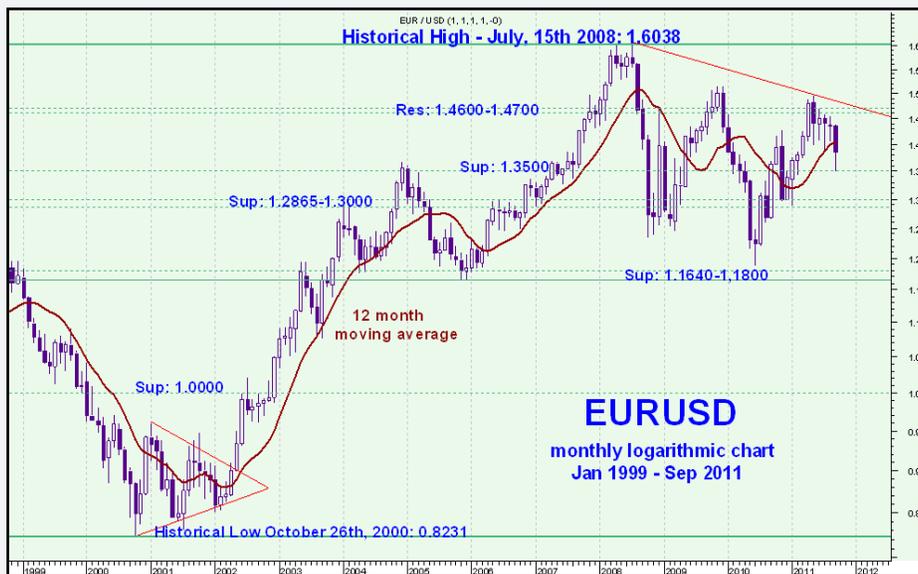


TREND		SUPPORTS		SPOT PRICE	RESISTANCES	
Trend 3-6 months	side/down	S1	0.8600	0.8731	R3	0.9500++
Trend 6-12 months	up/side	S2	0.8400		R2	0.9410+
Trend 12-18 months	side	S3	0.8285		R1	0.9000-0.9100

EUR/USD

Euro/dollar was first traded in January 1999, at around 1.1800-1.1900 and fell to a historical low at 0.8231 on October 26th, 2000. From that bottom, the euro began accumulating and – since summer 2002 – moving upwards, entering progressively a major up-trend and reaching a top at 1.6038 on July 15th, 2008 (+95% vs. the historical low). The fall below the strong support at 1.5275 on August 8th, 2008 (level that had supported the pair in the period April-July) caused a major reversal, with a strong decline and a new bottom at 1.2330 at the end of October, 2008 (during the worsening of the financial crisis). Since March 2009 the euro tried to recover and reached a peak at 1.5145 at the end of November 2009. From that level the pair started to decline again, with a sell-off at the break of 1.3000 and a new low at 1.1876 on June 7th 2010, on the levels of beginning 2006. Then the euro started rising again, with a top at 1.4282 on November 4th, 2010. The following correction exhausted at 1.2867 on January 10th, 2011. From that level, a new rally brought the pair to a peak at 1.4940 on May 4th; the euro then went back to 1.4000. In the last months the pair moved side-ways, in the 1,3835 - 1,4600/1,4700 trading-range. Since the end of August, the increasing tensions on the peripheral countries' sovereign

debt – mainly Italy – provoked a fall from 1.4600 to 1.3500. Last 2 years' market action reflects a sort of stabilization of the pair euro/dollar, due to the influence of two antagonistic drivers: on one side, the structural weakness of the US dollar, worsened by the Fed' quantitative easing 1 and 2; on the other side, the euro area's intrinsic fragility due to the peripheral countries' debt problems. The consequence is a sort of *impasse*, an unstable equilibrium between the two currencies, that remain both very weak in comparison with the major world currencies. Considering the "political" difficulty for the Fed to start the Qe3 (that would trigger out of control inflation and the retaliation risk from the trade partners, especially China) together with the worsening of the tensions in the euro area's peripheral countries, in the coming months the downward pressure should be prevailing. As long as the pair stays below 1.4000, the tone remains very weak, with a possible new test of 1.3500, below which there could be a downward acceleration with a first important target at 1.3300-1.3400 and then the critical support in the 1.2865-1.3000 area. The downward risk would be warded off only by a prompt recovery and consolidation above the 1.4200 resistance level (not very likely).



TREND		SUPPORTS		SPOT PRICE	RESISTANCES	
Trend 3-6 months	down	S1	1.3500+	1.3788	R3	1.4300
Trend 6-12 months	side/down	S2	1.3300-1.3400+		R2	1.4200++
Trend 12-18 months	side/down	S3	1.2865-1.3000 ++		R1	1.4000+

EUR/JPY

The cross euro/yen was first traded in January 1999, at around 132.50-135.50, and fell to a historical low at 88.96 in October 2000. From the bottom, the euro began moving upwards, entering progressively a major up-trend, and reaching a historical high at 169.95 in July 2008 (+91% vs. the October 2000 bottom). The strong depreciation of the yen during the years 2002 – 2007 has been mainly caused by the so called “carry trade”, i.e. the funding in low-yield currencies like the Japanese yen with the contextual reinvestment in asset classes in other currencies (i.e. stocks and bonds in euro, Australian and American dollars, etc.). After the burst of the real estate and financial bubble – begun in the 2007 summer, with an acceleration after September 2008 – a progressive strong disinvestment from Stock Exchanges around the world led to massive yen buying in order to square up carry trade positions. That provoked a crash of euro vs. yen, driven by a double source: the fall of euro against the US dollar and, at the same time, the decline of the US dollar versus the yen. After the break of 156 in September 2008 – in correspondence with the trendline

that sustained the major up trend), the cross collapsed to a low at 112.11 in January 2009: the following bounce ran out of steam in the 138.50-139.20 area, during summer 2009; then the cross started going down again, with a bottom at 105.44 in August 2010. From the bottom at 106.84, touched on January 10th 2011, a strong rally – interrupted by the sell-off after the earthquake that brought the cross back to the January lows (March 17th low: 106.81) – pushed the cross to a peak at 123.32 on April 11th. From that level the selling pressure resumed, with a constant decline in the last 5 months, touching a new low at 103.93 on September 12nd (-38.8% from the historical high).

Bounces towards 107.50-108 can't be ruled out but as long as the cross stays below such resistance the technical outlook remains very weak. The break of 103.90 would push the cross towards the psychological support at 100. There would be a signal of stabilization only above 110 (not very likely). A bullish signal for the coming months would only come above the strong 112-113.50 resistance area (unlikely).



TREND		SUPPORTS		SPOT PRICE	RESISTANCES	
Trend 3-6 months	down	S1	103.90+	105.97	R3	112-113.50+
Trend 6-12 months	down	S2	102		R2	110++
Trend 12-18 months	down	S3	100+		R1	107.50-108+

USD/JPY

Dollar/yen has been moving in a major down-trend for several decades: at the beginning of the seventies it was trading at around 350, since the mid-eighties it went stably below 175. After having collapsed to a historical low at 79.75 in April 1995, the dollar started a strong reversal, reaching a top at 147.65 in August 1998. From that level, the major down-trend resumed, with a series of falling highs and “raids” below the key support at 115 (a level repeatedly supported by the Bank of Japan’s interventions). The dollar reached a bottom at around 101.35/85 at the end of 1999, support tested again at the end of 2004. The break of that support during 2008 caused a new sell-off, that led the dollar to a new bottom at 84.83 at the end of November 2009. Afterwards the pair started moving sideways below the resistance at 95; since September 2010 the downtrend resumed to a bottom at 80.22 on November 1st, 2010. Since the beginning of November till mid-march 2011 the pair traded side-ways in the 80.22 - 84.51 trading-range. The break through the mid-March’s bottoms – after

the natural catastrophe that hit Japan – provoked a panic-selling reaction that pushed the pair to a new historical low at 76.59, on March 17th (below the former bottom at 79.75 reached in April, 1995). After a joint intervention of the leading Central Banks the pair recovered to a high at 85.53 on April 6th. Then the selling pressure resumed again, and pushed the pair to a new historical low at 76.09 on August 19th. The following bounce remained below 78.

The major trend for the US dollar against yen remains bearish (support at 75.50-76), but there is an increasing risk of a support intervention by the Bank of Japan: a first recovery signal would be triggered by a recovery above 78, but only above 80 the pair would provide a stabilization signal for the coming weeks. Anyway, only above the key resistance at 85.50 (unlikely) the dollar would give a bullish signal for the months to come, targeting 88-90.

Maurizio Milano



TREND		SUPPORTS		SPOT PRICE	RESISTANCES		
Trend 3-6 months	down/side	S1	75.50-76+++		76.85	R3	85.50++
Trend 6-12 months	down	S2	72.5			R2	80+
Trend 12-18 months	down	S3	70	R1		78	



CURRENCY OUTLOOK

MAJOR US DOLLAR RATES - FEATURED MARKET – USD / JPY.

USD/JPY peaked at 124.14 in June 2007, a 4-5 year high, before breaking down from a year-long (orange) bull channel connecting 109.03 & 115.17 lows to signal a downtrend. A succession of significant declines followed by corrective recoveries has occurred since then and as yet there are still no clear-cut signs of a base. There are two long-term bear channels in force, a (purple) 13 year channel connecting the 147.61 (1998) & 124.14 (2007) peaks with the 1999 low at 101.28 and a steeper narrower (brown) four year channel connecting 124.14 (2007), 94.97 (2010) & 85.53 (2011) tops with the 2008 low at 87.13. Also, within the 4 year bear channel there is a narrower (red) sub-channel connecting 94.97 & 85.53 highs with 80.25 & 76.53

lows. The bases of the two long-term channels currently intersect around 69.77 & 59.30, falling by around .05 & .20 per week, while the sub-channel is around 71.39, also falling by around .20 per week. A breakdown through the April 1995 all-time low at 79.91 occurred in March 2011, with an initial spike lower to 76.53 being followed by a recovery to 85.53 three weeks later. A return to / slight overshoot of 76.53 has followed, we see the risk of a continued decline over coming weeks and months towards the base of the sub-channel and the 13 year channel. To improve matters, we would need to see the top of the red & brown channels (currently around 81.00 & 81.15) and then key former support-turned-resistance at 84.83-85.53 cleared.



MAJOR TRENDS AND TARGETS FOR SELECTED ASIAN FX RATES

As at 08 September	Current level	Major trend	Major target	Trend change level
EUR/USD	1.3990	Up	1.5144 & 1.6039	1.3428
GBP/USD	1.6035	Sideways		1.4783 / 1.7041
USD/JPY	77.30	Down	67.42 & 62.07	85.53
USD/CHF	.8670	Down	.7005 & .5864	.9783
USD/CAD	.9850	Down	.9061 & .8073	1.0854
AUD/USD	1.0630	Up	1.1460 & 1.1890	.9538

MAJOR CROSS-RATES - FEATURED MARKET - EUR/GBP.

EUR/GBP recorded an all-time traded high at .9801 in December 2008, before undergoing a two-legged retreat to .8400 and .8069 in June 2009 and June 2010, interrupted by a recovery which topped out at .9411 and then left a lower high at .9150. Since bottoming at .8069 in June 2010, a prolonged recovery phase has occurred, this has taken the form of two distinct rallies (from .8069 to .8940, then from .8286 to .9083) but left a failed upwards break through the top of the (orange) projected bear channel, and a reversal towards the base of the shorter-term term (red) corrective bull channel is well under way. At this stage, most of the primary signals are still bullish. The (red, green & blue) 13, 52 & 260 week moving averages are positively aligned, with higher lows seen on MACD.

However, a possible head and shoulders top pattern has been forming over recent months above a neck-line connecting lows at .8609 & .8644. To avert the risk of this reversal pattern being completed and signalling a continued retreat from the recent top at .9083 we will need to see former key resistance at the October 2010 high of .8940 regained. Failure to do so, ahead of a breakdown through the .8609-.8644 area would warn of an impending breakdown from the (red) bull channel to retest the key 2011 & 2010 lows at .8286 & .8069, raising fears of the possibility of a deeper medium-term retreat towards the October 2008 higher low at .7695 which is close to the supporting downtrend line connecting the 2009 & 2010 bottoms at .8400 & .8069.



MAJOR TRENDS AND TARGETS FOR US DOLLAR MAJORS

As at 08 September	Current level	Major trend	Major target	Trend change level
EUR/GBP	.8725	Sideways		.8286 / .9411
GBP/JPY	123.95	Down	118.92 & 100	140.00
EUR/JPY	108.15	Down	100 & 81.26	117.88
EUR/CHF	1.2130	Down	1.0000 & .8414	1.2822
EUR/NOK	7.5320	Down	7.2175 & 7.1021	7.9779
EUR/SEK	8.9340	Down	8.4430 & 8.2960	9.4253

FX EMERGING MARKETS – FEATURED MARKET – USD/RUR.

USD/RUR extended the recovery from the 23.130 extreme low recorded in July 2008 to reach a peak of 36.353 in February 2009, before undergoing a two-legged retreat to 30.523 (June 2009) and 28.603 (November 2009), interrupted by a lower top at 33.076 (July 2009). A two-legged recovery eventually topped out at 31.946 in June 2010, with a resumption of losses having commenced from there. A breakdown extended to 27.154 in May 2011, this being an almost exact 61.8% Fibonacci extension of the initial 36.353-28.603 decline measured from 31.946, ahead of a multi-month base pattern being traced out and completed by August's break above May's 28.545 lower top. 30.169 has so far capped gains and potentially this marks a failed upwards

break above a 2 ½ year downtrend connecting 36.353 & 31.575. However, successfully leaving a higher low now by support-turned-resistance in the 28.545-28.603 area may set up a renewed recovery to a minimum of the 30.523-30.896 area and possibly to retest the 2010 tops at 31.575-31.949. However, failure to clear the recent high at 30.169 and then the 30.523-30.896 region ahead of a reversal 28.545-28.603 will increase the likelihood of a renewed decline over coming weeks and months in the direction of 26.251, the 76.4% Fibonacci retracement of the entire 23.130-36.353 2008-2009 rise, possibly accelerating towards 24.196 on a clean break, this lower target being the 100% projection of the 36.353-28.603 decline measured from the 31.946 lower top.



MAJOR TRENDS AND TARGETS FOR FX EMERGING MARKETS

As at 08 September	Current level	Major trend	Major target	Trend change level
EUR/CZK	24.330	Down	22.925 & 19.259	25.387
EUR/HUF	276.45	Sideways		260.96 / 291.97
EUR/PLN	4.2335	Sideways		3.8238 / 4.3280
EUR/RON	4.2480	Sideways		3.8354 / 4.3892
USD/ILS	3.6880	Down	3.2043 & 2.7358	3.7484
USD/RUR	29.595	Down	26.251 & 24.196	30.896
USD/TRL	1.7645	Up	2.0626 & 2.2600	1.5007
USD/ZAR	7.1465	Sideways		6.4318 / 8.2653

SELECTED ASIAN FX RATES – FEATURED MARKET – AUD/CAD.

AUD/CAD broke beneath the 2001 bottom at .7539 to reach a new all-time low at .7181 in October 2008 before immediately rebounding to leave a failed downwards break. Losses from the July 2008 recovery peak at .9841 were then fully retraced over the following 12 months, extending to .9915 in November 2009 before retracing close to 50% of the rise to leave a higher low at .8582 in June 2010. A two-legged extension higher has followed, highs around 1.0207-1.0213 & 1.0533-1.0557 being followed by dips which left higher lows at .9641 and .9917 in March and August of this year. Price action is contained within a three year bullish channel with the 13, 52 & 260 week (3 month, 1 year & 5 year) moving averages remaining positively aligned. We favour a

continued advance over coming weeks and months, with 1.0649-1.0659 and 1.1272-1.1316 the next major target areas. These targets are a 61.8% projection of the .8582-1.0213 rise measured from .9641 / 50% retracement of entire (1981-2008) 1.4137-.7181 decline and a 100% projection of the .8582-1.0213 rise measured from .9641 / 100% projection of .7181-.9915 measured from .8582. To weaken the bullish outlook we need to see a third failure to clear the 1.0533-1.0557 area followed by a reversal under previous resistance-turned-support around the 1.0132-1.0213 area. At present we favour a dip towards the latter support area to mark the start of a fresh advance.

Steve Jarvis



MAJOR TRENDS AND TARGETS FOR MAJOR CROSS-RATES

As at 08 September	Current level	Major trend	Major target	Trend change level
USD/IDR	8570	Down	8000 & 7695	9090
USD/SGD	1.2130	Down	1.1966 & 1.1327	1.3254
USD/MYR	2.9940	Down	2.7550 & 2.5076	3.1700
USD/THB	30.020	Down	29.325 & 25.000	31.200
AUD/CAD	1.0470	Up	1.1316 & 1.2000	.9641
AUD/NZD	1.2735	Sideways		1.2105 / 1.3233
EUR/AUD	1.3150	Down	1.1500 & 1.0550	1.5456
EUR/NZD	1.6750	Down	1.4308 & 1.2886	1.9568



FX SPOT MONITOR

Country	Flag	USD Spot	Last vs USD	% Ch 3M	% Ch 12M	12mth High	12mth Low
Eurozone		EUR=	1.3588	-6.3%	0.1%	1.4826	1.2916
UK		GBP=	1.5635	-2.6%	-1.0%	1.6701	1.5336
Japan		JPY=	76.75	-4.7%	-8.5%	85.46	76.27
Switzerland		CHF=	0.8961	6.7%	-8.2%	1.0041	0.7224
Australia		AUD=	0.9911	-7.5%	2.5%	1.1023	0.9575
Canada		CAD=	1.02	5.9%	-1.0%	1.0322	0.9436
New Zealand		NZD=	0.7893	-4.8%	6.8%	0.8786	0.7185
Sweden		SEK=	6.7473	6.7%	-0.2%	7.0235	6.007
Norway		NOK=	5.7514	6.8%	-1.6%	6.2071	5.242
Iceland		ISK=	117.64	3.1%	3.5%	118.54	108.49
Israel		ILS=	3.715	9.4%	1.3%	3.725	3.3562
South Africa		ZAR=	7.8524	16.5%	13.8%	8.39	6.5656
Egypt		EGP=	5.963	-0.1%	4.6%	5.9825	5.7975
Saudi Arabia		SAR=	3.7505	0.0%	0.0%	3.7505	3.7485
Czech Rep.		CZK=	17.979	7.3%	-0.7%	19.291	16.262
Poland		PLN=	3.2326	17.9%	10.7%	3.3496	2.6443
Hungary		HUF=	211.58	15.6%	4.0%	216.58	177.74
Russia		RUB=	31.725	13.6%	4.4%	32.327	27.33
Turkey		TRY=	1.8445	13.9%	26.0%	1.851	1.3936
China		CNY=	6.3975	-1.0%	-4.4%	6.6912	6.378
Hong Kong		HKD=	7.7948	0.2%	0.5%	7.8068	7.75
Singapore		SGD=	1.2827	4.5%	-2.6%	1.32	1.2007
Taiwan		TWD=	30.41	5.9%	-3.2%	31.415	28.5
India		INR=	48.91	9.4%	8.7%	49.57	43.9
South Korea		KRW=	1169.3	9.7%	2.1%	1181	1048.7
Thailand		THB=	30.83	0.4%	0.9%	31.1	29.48
Malaysia		MYR=	3.143	4.1%	1.7%	3.1802	2.937
Indonesia		IDR=	8900	3.8%	-0.6%	9058	8455
Philippines		PHP=	43.28	-0.1%	-1.4%	44.6	41.925
Mexico		MXN=	13.3588	14.1%	7.0%	14.0644	11.496
Brazil		BRL=	1.8037	15.5%	5.6%	1.9028	1.5378
Chile		CLP=	505.5	8.2%	4.0%	519.15	456.6
Venezuela		VEB=	2144.6	0.0%	0.0%	2144.6	2144.6
Colombia		COP=	1886	6.7%	4.6%	2033	1745

Levels Date: 28-Sep-11

Source: Thomson Reuters



CENTRAL BANKS

Country	Flag	Central Bank	Rate Name	Actual	Previous
USA		FED	Fed funds	0-0.25	0.25
Eurozone		ECB	Refi	1.50	1.50
UK		BOE	Bank Repo	0.50	0.50
Japan		BOJ	O/N Call	0.10	0.10
Switzerland		SNB	3 mth Libor	0.00	0.00
Australia		RBA	Cash	4.75	4.75
Canada		BOC	O/N Funding	1.00	1.00
New Zealand		RBNZ	Cash	2.50	2.50
Sweden		Riksbank	Repo	2.00	2.00
Norway		Norges Bank	Depo	2.25	2.25
Iceland		CBI	Policy	4.50	4.50
Israel		BOI	Short Term Lending	3.00	3.25
South Africa		Reserve Bank	Repurchase	5.50	5.50
Egypt		CBE	O/N Depo	9.75	9.75
Czech Rep.		CNB	2 Week Repo	0.75	0.75
Poland		NBP	28 Day Intervention	4.50	4.50
Hungary		MNB	2 Week Depo	6.00	6.00
Russia		CBR	Refinancing	8.25	8.25
Turkey		TCMB	O/N Borrowing	5.75	5.75
China		PBC	1 Year Lending	6.56	6.310
Taiwan		CBC	Discount	3.50	3.50
India		RBI	Repo	8.25	8.00
South Korea		BOK	O/N Call	3.23	3.27
Thailand		BOT	Repo	6.25	6.25
Indonesia		BI	BI	6.75	6.75
Philippines		BSP	Repo	4.50	4.50
Mexico		BDM	Target	4.50	4.50
Brazil		BCB	Selic	12.00	12.50
Chile		CBC	MPR	5.25	5.25

Levels Date: 28-Sep-11

Source: Thomson Reuters



ECONOMIC DATA

	GDP	CPI	Industrial Production	Unemployment
	y-o-y	y-o-y	y-o-y	level
USA	2.50	3.80	0.20	9.10
Eurozone	1.60	3.80	1.00	10.00
UK	0.70	4.50	-0.20	7.90
Japan	-0.30	0.10	0.40	4.70
Switzerland	2.30	0.20	na	3.00
Australia	1.40	3.60	na	5.30
Canada	-0.40	3.10	na	7.30
New Zealand (participation)	1.50	5.30	na	68.4 (participation)
Sweden	4.90	3.40	2.80	6.60
Norway	0.40	1.30	-1.50	2.70
South Africa	3.00	5.30	-6.00	25.70
Czech Rep.	2.20	1.70	4.40	8.20
Poland	4.30	4.30	8.10	11.60
Hungary	1.50	3.60	0.30	10.80
Russia	5.20	-0.20	6.20	6.10
China	9.50	6.20	13.50	na
India	8.50	na	3.30	na
Mexico	3.30	0.12	3.20	5.79
Brazil	3.10	0.37	-0.30	6.00

Levels Date: 28-Sep-11

Source: Thomson Reuters

FX POLL

3 Month	Days since Poll	Poll Median	Poll Min	Poll Max	Poll Mean	Std Deviation	Spot@Poll Date
EurUsd	21	1.42	1.35	1.5	1.422	0.041	1.3994
GbpUsd	21	1.62	1.25	1.69	1.613	0.062	1.5941
AudUsd	21	1.05	0.95	1.113	1.043	0.041	1.0488
UsdJpy	21	78	73	86	78	2.7	77.54
UsdChf	21	0.85	0.77	0.9	0.84	0.028	0.8618
UsdCad	21	0.98	0.948	1.05	0.985	0.024	0.9899
EurJpy	21	110.6	101.3	121.6	111	4.4	108.54
EurChf	21	1.2	1.096	1.287	1.197	0.037	1.2064
EurGbp	21	0.875	0.844	1.144	0.881	0.04	0.8777
GbpJpy	21	126.4	100	139.4	125.7	5.7	123.58
1 Year	Days since Poll	Poll Median	Poll Min	Poll Max	Poll Mean	Std Deviation	Spot@Poll Date
EurUsd	21	1.425	1.15	1.55	1.412	0.089	1.3994
GbpUsd	21	1.64	1.42	1.85	1.635	0.084	1.5941
AudUsd	21	1.04	0.81	1.2	1.032	0.072	1.0488
UsdJpy	21	80	70	95	81.2	5.8	77.54
UsdChf	21	0.87	0.7	0.99	0.866	0.067	0.8618
UsdCad	21	0.972	0.9	1.1	0.977	0.046	0.9899
EurJpy	21	114.1	93.1	135	114.6	8.6	108.54
EurChf	21	1.239	1.015	1.376	1.227	0.072	1.2064
EurGbp	21	0.861	0.772	0.981	0.864	0.037	0.8777
GbpJpy	21	130.7	113.3	153	132.5	9.4	123.58

Levels Date: 28-Sep-11

Source: Thomson Reuters



MARKETS VIEW

Stock Indices	Last	% Ch 6M	% Ch 12M
MSCI World	1140.33	-15%	-4%
Dow Jones Ind.	11190.69	-10%	3%
S&P 500	1175.38	-12%	2%
Nasdaq 100	2253.55	-4%	12%
Eurostoxx 50	2202.7	-26%	-21%
UK FTSE 100	5282.94	-12%	-5%
Dax	5657.95	-21%	-10%
Cac 40	3029.43	-25%	-19%
FT MIB	14861.33	-32%	-28%
Swiss SMI	5588.55	-13%	-12%
Nikkei 225	8615.65	-11%	-9%
Australia AORD	4097.739	-17%	-13%
HK Hang Seng	18011.06	-24%	-19%
Shanghai Comp.	2392.0617	-19%	-8%
Singapore StraitT.	2701.17	-13%	-13%
India BSE30	16446.02	-15%	-18%
Brazil Bovespa	53920.36	-22%	-22%
Russia RTSI	1370.4	-34%	-8%

Levels Date: 28-Sep-11

Commodities	Last	% Ch 6M	% Ch 12M
Gold	1650.79	16%	26%
Silver	31.33	-17%	44%
Brent DTD	112.12	-6%	40%
WTI	83.48	-22%	10%

Bonds	Last	% Ch 6M	% Ch 12M
5Y Euro	1.102	-59%	-23%
10Y Euro	1.954	-42%	-13%
10Y US Treasury	1.98	-43%	-20%
30Y US Treasury	3.077	-31%	-16%
10Y UK Gilt	2.54	-32%	-14%
10Y CH Govt Bond	0.918	-54%	-30%

Money Markets	Last	% Ch 6M	% Ch 12M
US 6M Depo	0.5484	19%	19%
EUR 6M Depo	1.7460	12%	53%
GBP 6M Depo	1.2250	9%	20%
CHF 6M Depo	0.0650	-75%	-73%
JPY 6M Depo	0.3331	-3%	-22%

Source: Thomson Reuters

FX

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OCTOBER, NOVEMBER, DECEMBER 2011

GMT London Time

October			
3 Mon	-	GBP	Halifax HPI m/m
	4:30am	GBP	Manufacturing PMI
	10:00am	USD	ISM Manufacturing PMI
	5:00pm	NZD	NZIER Business Confidence
	8:30pm	AUD	Trade Balance
	11:30pm	AUD	Cash Rate
	11:30pm	AUD	RBA Rate Statement
4 Tue	4:30am	GBP	Construction PMI
	10:00am	USD	Fed Chairman Bernanke Testifies
	8:30pm	AUD	Building Approvals m/m
	8:30pm	AUD	Retail Sales m/m
5 Wed	4:30am	GBP	Current Account
	4:30am	GBP	Services PMI
	-	GBP	Inflation Report Hearings
	8:15am	USD	ADP Non-Farm Employment Change
	10:00am	USD	ISM Non-Manufacturing PMI
6 Thu	-	GBP	Asset Purchase Facility
	-	GBP	MPC Rate Statement
	7:00am	GBP	Official Bank Rate
	8:15am	CAD	Housing Starts
	8:30am	CAD	Building Permits m/m
	8:30am	USD	Unemployment Claims
	8:45am	EUR	Minimum Bid Rate
	9:30am	EUR	ECB Press Conference
	10:00am	CAD	Ivey PMI
	-	JPY	Monetary Policy Statement
	-	JPY	Overnight Call Rate
7 Fri	-	JPY	BOJ Press Conference
	4:30am	GBP	Manufacturing Production m/m
	4:30am	GBP	PPI Input m/m
	7:00am	CAD	Employment Change
	7:00am	CAD	Unemployment Rate
	8:30am	USD	Non-Farm Employment Change
	8:30am	USD	Unemployment Rate
	8:30am	USD	Unemployment Rate
10 Mon	10:00am	CAD	BOC Business Outlook Survey
	10:00pm	CNY	CPI y/y
11 Tue	-	CNY	Trade Balance
	2:00pm	USD	FOMC Meeting Minutes
	5:45pm	NZD	CPI q/q
	8:30pm	AUD	Home Loans m/m
12 Wed	4:30am	GBP	Claimant Count Change
	8:30pm	AUD	Employment Change
	8:30pm	AUD	Unemployment Rate

13 Thu	8:30am	CAD	Trade Balance
	8:30am	USD	Trade Balance
	8:30am	USD	Unemployment Claims
14 Fri	3:15am	CHF	Retail Sales y/y
	8:30am	USD	Core Retail Sales m/m
	8:30am	USD	Retail Sales m/m
	9:55am	USD	Prelim UoM Consumer Sentiment
17 Mon	8:30pm	AUD	Monetary Policy Meeting Minutes
18 Tue	4:30am	GBP	CPI y/y
	5:00am	EUR	German ZEW Economic Sentiment
	8:30am	USD	PPI m/m
	9:00am	USD	TIC Long-Term Purchases
19 Wed	5:30am	GBP	MPC Meeting Minutes
	8:30am	USD	Building Permits
	8:30am	USD	Core CPI m/m
20 Thu	4:30am	GBP	Public Sector Net Borrowing
	4:30am	GBP	Retail Sales m/m
	8:30am	USD	Unemployment Claims
	10:00am	USD	Existing Home Sales
	10:00am	USD	Philly Fed Manufacturing Index
	10:00pm	CNY	GDP q/y
21 Fri	10:30pm	CNY	HSBC Flash Manufacturing PMI
	5:00am	EUR	German Ifo Business Climate
	7:00am	CAD	Core CPI m/m
	8:30am	CAD	Core Retail Sales m/m
	8:30am	CAD	Core Retail Sales m/m
23 Sun	8:30pm	AUD	PPI q/q
25 Tue	4:30am	GBP	Prelim GDP q/q
	10:00am	CAD	BOC Rate Statement
	10:00am	CAD	Overnight Rate
	10:00am	USD	CB Consumer Confidence
	8:00pm	NZD	NBNZ Business Confidence
	8:30pm	AUD	CPI q/q
26 Wed	-	JPY	BOJ Press Conference
	8:30am	USD	Core Durable Goods Orders m/m
	9:30am	CAD	BOC Monetary Policy Report
	10:00am	USD	New Home Sales
	10:15am	CAD	BOC Press Conference
	4:00pm	NZD	Official Cash Rate
	4:00pm	NZD	RBNZ Rate Statement
	-	JPY	Monetary Policy Statement
	-	JPY	Overnight Call Rate
	27 Thu	6:30am	CHF
8:30am		USD	Advance GDP q/q
8:30am		USD	Unemployment Claims

27 Thu	10:00am	USD	Pending Home Sales m/m	
28 Fri	-	GBP	Nationwide HPI m/m	
30 Sun	5:45pm	NZD	Building Consents m/m	
31 Mon	8:30am	CAD	GDP m/m	
	5:45pm	NZD	Labor Cost Index q/q	
	9:00pm	CNY	Manufacturing PMI	
	11:30pm	AUD	Cash Rate	
	11:30pm	AUD	RBA Rate Statement	
November				
1 Tue	5:30am	GBP	Manufacturing PMI	
	10:00am	USD	ISM Manufacturing PMI	
2 Wed	-	GBP	Halifax HPI m/m	
	5:30am	GBP	Construction PMI	
	8:15am	USD	ADP Non-Farm Employment Change	
	12:30pm	USD	FOMC Statement	
	2:15pm	USD	FOMC Press Conference	
	5:45pm	NZD	Employment Change q/q	
	5:45pm	NZD	Unemployment Rate	
	8:30pm	AUD	Retail Sales m/m	
3 Thu	5:30am	GBP	Services PMI	
	8:30am	USD	Unemployment Claims	
	8:45am	EUR	Minimum Bid Rate	
	9:30am	EUR	ECB Press Conference	
	10:00am	USD	ISM Non-Manufacturing PMI	
	8:30pm	AUD	RBA Monetary Policy Statement	
4 Fri	5:30am	GBP	PPI Input m/m	
	7:00am	CAD	Employment Change	
	7:00am	CAD	Unemployment Rate	
	8:30am	CAD	Building Permits m/m	
	8:30am	USD	Non-Farm Employment Change	
	8:30am	USD	Unemployment Rate	
6 Sun	8:30pm	AUD	Building Approvals m/m	
	7 Mon	9:15am	CAD	Housing Starts
		8:30pm	AUD	Trade Balance
8 Tue	5:30am	GBP	Manufacturing Production m/m	
	4:00pm	NZD	RBNZ Financial Stability Report	
	8:30pm	AUD	Home Loans m/m	
9 Wed	8:30pm	AUD	Employment Change	
	8:30pm	AUD	Unemployment Rate	
10 Thu	8:00am	GBP	Asset Purchase Facility	
	-	GBP	MPC Rate Statement	
	8:00am	GBP	Official Bank Rate	
	9:30am	CAD	Trade Balance	
	9:30am	USD	Trade Balance	

10 Thu	9:30am	USD	Unemployment Claims
	10:00pm	CNY	CPI y/y
11 Fri	-	CNY	Trade Balance
	10:55am	USD	Prelim UoM Consumer Sentiment
13 Sun	5:45pm	NZD	Core Retail Sales q/q
	7:50pm	JPY	Prelim GDP q/q
14 Mon	8:30pm	AUD	Monetary Policy Meeting Minutes
15 Tue	4:15am	CHF	Retail Sales y/y
	5:30am	GBP	CPI y/y
	6:00am	EUR	German ZEW Economic Sentiment
	9:30am	USD	Core Retail Sales m/m
	9:30am	USD	PPI m/m
	9:30am	USD	Retail Sales m/m
	-	JPY	Monetary Policy Statement
	-	JPY	Overnight Call Rate
16 Wed	-	JPY	BOJ Press Conference
	5:30am	GBP	Claimant Count Change
	6:30am	GBP	BOE Gov King Speaks
	6:30am	GBP	BOE Inflation Report
	9:30am	USD	Core CPI m/m
	10:00am	USD	TIC Long-Term Purchases
	5:45pm	NZD	PPI Input q/q
17 Thu	5:30am	GBP	Retail Sales m/m
	9:30am	USD	Building Permits
	9:30am	USD	Unemployment Claims
	11:00am	USD	Philly Fed Manufacturing Index
18 Fri	9:30am	CAD	Core Retail Sales m/m
21 Mon	5:30am	GBP	Public Sector Net Borrowing
	8:00am	CAD	Core CPI m/m
	11:00am	USD	Existing Home Sales
	10:00pm	NZD	Inflation Expectations q/q
22 Tue	10:30pm	CNY	HSBC Flash Manufacturing PMI
	9:30am	USD	Prelim GDP q/q
	3:00pm	USD	FOMC Meeting Minutes
23 Wed	5:30am	GBP	MPC Meeting Minutes
	9:30am	USD	Core Durable Goods Orders m/m
	8:30pm	AUD	Private Capital Expenditure q/q
24 Thu	5:00am	EUR	German Ifo Business Climate
	5:30am	GBP	Revised GDP q/q
	6:00am	GBP	Inflation Report Hearings
27 Sun	9:30am	USD	Unemployment Claims
	8:00pm	NZD	NBNZ Business Confidence
	-	GBP	Nationwide HPI m/m
28 Mon	6:30am	CHF	KOF Economic Barometer
	11:00am	USD	New Home Sales

29 Tue	11:00am	USD	CB Consumer Confidence
	5:45pm	NZD	Building Consents m/m
30 Wed	9:15am	USD	ADP Non-Farm Employment Change
	9:30am	CAD	GDP m/m
	11:00am	USD	Pending Home Sales m/m
	8:30pm	AUD	Retail Sales m/m
	9:00pm	CNY	Manufacturing PMI
December			
1 Thu	-	GBP	Halifax HPI m/m
	5:30am	GBP	Manufacturing PMI
	9:30am	USD	Unemployment Claims
	11:00am	USD	ISM Manufacturing PMI
2 Fri	5:30am	GBP	Construction PMI
	9:30am	USD	Non-Farm Employment Change
	9:30am	USD	Unemployment Rate
5 Mon	5:30am	GBP	Services PMI
	11:00am	USD	ISM Non-Manufacturing PMI
	11:30pm	AUD	Cash Rate
	11:30pm	AUD	RBA Rate Statement
6 Tue	9:30am	CAD	Building Permits m/m
	10:00am	CAD	BOC Rate Statement
	10:00am	CAD	Overnight Rate
	11:00am	CAD	Ivey PMI
	8:30pm	AUD	GDP q/q
7 Wed	5:30am	GBP	Manufacturing Production m/m
	9:15am	CAD	Housing Starts
	4:00pm	NZD	Official Cash Rate
	4:00pm	NZD	RBNZ Rate Statement
	8:30pm	AUD	Building Approvals m/m
	8:30pm	AUD	Employment Change
	8:30pm	AUD	Unemployment Rate
8 Thu	-	GBP	Asset Purchase Facility
	-	GBP	MPC Rate Statement
	8:00am	GBP	Official Bank Rate
	8:45am	EUR	Minimum Bid Rate
	9:30am	EUR	ECB Press Conference
	9:30am	USD	Unemployment Claims
9 Fri	5:30am	GBP	PPI Input m/m
	8:00am	CAD	Employment Change
	8:00am	CAD	Unemployment Rate
	9:30am	CAD	Trade Balance
	9:30am	USD	Trade Balance
9 Fri	10:55am	USD	Prelim UoM Consumer Sentiment
11 Sun	8:30pm	AUD	Home Loans m/m
	8:30pm	AUD	Trade Balance

11 Sun	10:00pm	CNY	CPI y/y
12 Mon	-	CNY	Trade Balance
	7:50pm	JPY	Tankan Manufacturing Index
13 Tue	4:15am	CHF	Retail Sales y/y
	5:30am	GBP	CPI y/y
	6:00am	EUR	German ZEW Economic Sentiment
	9:30am	USD	Core Retail Sales m/m
	9:30am	USD	Retail Sales m/m
	3:15pm	USD	FOMC Statement
14 Wed	5:30am	GBP	Claimant Count Change
15 Thu	4:30am	CHF	Libor Rate
	4:30am	CHF	SNB Monetary Policy Assessment
	4:30am	CHF	SNB Press Conference
	5:30am	GBP	Retail Sales m/m
	9:30am	USD	PPI m/m
	9:30am	USD	Unemployment Claims
	10:00am	USD	TIC Long-Term Purchases
	11:00am	USD	Philly Fed Manufacturing Index
16 Fri	5:00am	EUR	German Ifo Business Climate
	9:30am	USD	Core CPI m/m
18 Sun	8:00pm	NZD	NBNZ Business Confidence
19 Mon	8:30pm	AUD	Monetary Policy Meeting Minutes
20 Tue	-	JPY	BOJ Press Conference
	5:30am	GBP	Public Sector Net Borrowing
	9:30am	USD	Building Permits
	5:45pm	NZD	Current Account
	-	JPY	Monetary Policy Statement
	-	JPY	Overnight Call Rate
21 Wed	5:30am	GBP	MPC Meeting Minutes
	8:00am	CAD	Core CPI m/m
	11:00am	USD	Existing Home Sales
	5:45pm	NZD	GDP q/q
22 Thu	-	GBP	Nationwide HPI m/m
	5:30am	GBP	Current Account
	9:30am	USD	Unemployment Claims
	10:30pm	CNY	HSBC Flash Manufacturing PMI
23 Fri	9:30am	CAD	Core Retail Sales m/m
	9:30am	CAD	GDP m/m
	9:30am	USD	Core Durable Goods Orders m/m
	11:00am	USD	New Home Sales
27 Tue	6:30am	CHF	KOF Economic Barometer
	11:00am	USD	CB Consumer Confidence
29 Thu	9:30am	USD	Unemployment Claims
	11:00am	USD	Pending Home Sales m/m
31 Sat	9:00pm	CNY	Manufacturing PMI

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