

HEDGFX MODEL TRENDS									BANK RATES	
	Quote	Current Trend	Expected Trend	TF	Comment	Key Levels		USD	0.25	
EURUSD	1.2990	↓	↓	D	↓	1.3140	1.4090	EUR	1.00%	
GBPUSD	1.5460	↓	↓	D	↓	1.6110	1.5340	GBP	0.50%	
USDJPY	0.7804	↔	↑	D	CT↑	0.7600	0.7931	JPY	0.10%	
USDCHF	0.9533	↑	↑	D	↑	0.9370	0.8750	CHF	0.00	
USDINR	53.577	↑	↑	4H	↑	-	-	INR	6.00%	
S&P500	1212	↓	↓	D	CT↑	1265	1150	CNY	6.56%	
FTSE	5366	↓	↓	D	CT↑	5100	5647	AUD	4.25%	
NIKKEI	8413	↔	↔	D	CT↑	8200	8950			
DAX	5725	↔	↓	D	CT↑	6550	5580			
NIFTY	4763	↓	↓	D	CT↑	5100	4650			
GOLD	1573	↓	↓	D	↔	1756	1630			
SILVER	28.99	↔	↓	D	↔	34.50	30.0			
Crude Oil	95.70	↔	↔	D	CT↑	93	102.50			

<u>ECONOMIC CALENDAR</u>				CCY	Forecast	Previous	GMT
SNB Monetary Assessment				CHF			830
SNB Press Conf				CHF			830
LIBOR rate				CHF	<0.25	<0.25	830
German PMI – Manufacturing & Services				EUR			830
EUR PMI – Manufacturing & Services				EUR			900
UK Retail Sales				GBP	-0.3%	0.6%	930
USD PPI				USD	0.3%	-0.3%	1330
Unemployment Claims				USD	389k	391k	1330
TIC Long Term Purchases				USD	53.4b	68.6b	1400
Philly FED Manufacturing Index				USD	5.1	3.6	1500

\*Hedgfx Trend is based on technical analysis and may not hold in serious fundamental shifts

## FXCURVE

### Run is beginning

HEDGFX

With just hours left for the Greek time bomb to be defused, with hours left for the almost imminent downgrade of France – there is no hope of printing presses turning on. Angel Merkel is in no mood to relent. And once the Bond-buyers go on a holiday and the financial institutions close for Christmas it's a close call if 2012 will be ushered in the way we left 2011.

On the brighter side more people will pray this Christmas than ever before. God and Santa will be very busy.

The blistering pace at which euro is cracking is likely to force some hands to move soon. Perhaps the only way to rationalize this move is to assume that traders and managers had given up on Euro putting a strong pressure on EUR crosses. Once it was clear that summit held no surprises like turning on the printing presses or some miracle, markets were free to short.



EURUSD has taken out several levels considered to be important on longer terms charts. But it is early days to trade on it as holiday volume trades usually stretch the technical. But any bounce towards 1.31 and 1.32 would be an excellent short. Euro badly needs its Christmas present.

Prophets are bringing very dour news and bytes. It's very hard to understand why they would take such hard-stance or use such hyperboles when hundreds of millions of people's lives and livelihoods are at stake. Unfortunately, they are spot on.

- Merkel: Fiscal and Stability union “Irreversible”
- Merkel, Consolidated total of ESM, EFSF is Eur 500billion and will stay that way
- France and Germany want a Euro Zone summit on growth, competitiveness, and jobs in January
- ECB’s Klaas Knot: At least Eur 1Trillion is needed to solve the European debt crisis
- ECB Knot: EFSF or IMF contribution should be upped to at least Eur 1Trillion
- Bundesbank’s Weidmann: Will Lend to IMF If Non-Euro Nations Do
- Weidmann: Higher borrowing costs create budget discipline.
- Weidmann: Time to drop idea ECB will solve crisis printing cash.
- IMF’s Blanchard: If Europe does not contain short run crisis, clearly world will be affected in major ways
- IMF’s Blanchard: European banks must be forced to increase capital
- IMF’s Balanchard: Deleveraging will have major implications for Europe.

#### About Greece:

- EU/IMF overestimated Greek ability to implement reform
- Need for strong structural reforms

Note: Troika review ends tomorrow. Next tranche payment is due on 19th. Greek bonds are currently trading at 10% of its par value, implying a 90% haircut. It’s hard to understand how it will be “voluntary.” But will it matter as a credit event is to be seen. If it is considered as an event then we have some interesting but painful times ahead.

#### In other news:

- Chinese PPI improves to 49 but it is still in contraction zone
- European Parliament calls for new free and fair elections in Russia
- OPEC oil output now set at 30mbpd
- Central Bank of Norway, Norges bank cuts rate by 50bps, higher than expected 25bps
- Norges Bank: There is a high degree of uncertainty as to the economic developments in the coming months.

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### Gold

The move of the day has to be that of Gold which created a new multi-month lows, giving up close to \$200 or nearly 10% - all in four trading sessions.

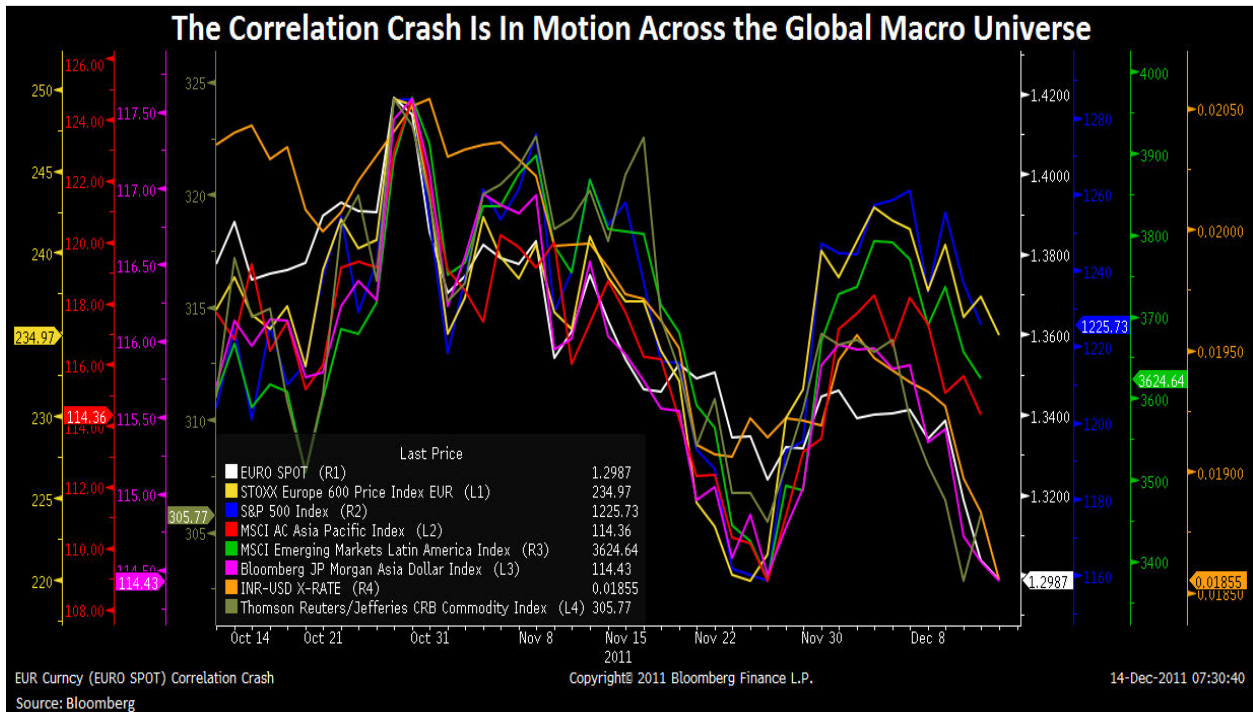
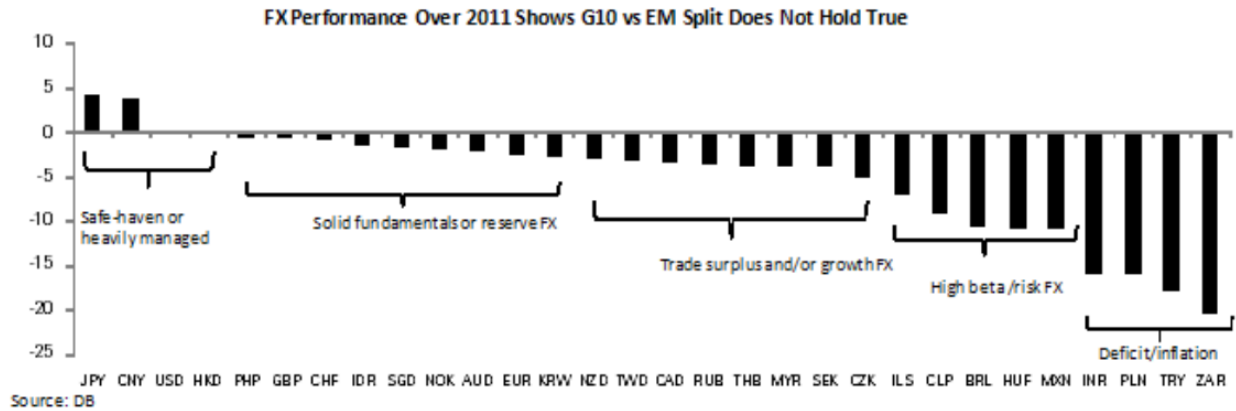
ECB and FED opting not to print more money hit Gold. It would remain a buy for long terms. Any dips should be used to buy for long terms.

Please note: the short term or even medium term could be severely affected due to on going deleveraging due to global and Euro factors.



## FXCURVE

### Charts of the day



Source: Hedgeye and DB/Zerohedge

Trading strategies remain mostly unchanged.

We now tighten our stops of Short Crude to initiation levels. On a short term, the stops can be brought down to 98 on basis of hourly of 4hourly close.

We retain the stop of 1260 (close) for SPX, for now, though traders have an option to bring it to break even levels.

*Reproducing some important portions*

*Equities:*

We remain short in equities considering the present value stretched relative to the immediacy factored in by other markets. Europe is likely to see some “brink” news flows heading into a thinly traded holiday season. Any bond or credit event during these periods may need ‘emergency funding’. Given the way things stand, Greece is most likely to default on 19<sup>th</sup>, the first EU sovereign to do that, unless Germany steps in to help out. ECB legally cannot lend to govt, and IMF lending may be challenged by members, France alone is not in a position to bailout Greece. Though a small sum, the repercussion of the first default in Eurozone would send shock waves, as it would imply a possibility of further defaults.

*Dollar*

Any defaults or aspersions raised on the summit credentials would keep Dollar firmly in control. For shorter term positional trades and due to thin trades, it is wise to use wider stops

HEDGFX TRADING CALLS									
Market	Security	Date	Strategy	TTF	Initiate	T1	T2	SL	Result
COM	Crude Oil	28/11/11	Short	-	\$100	\$95 (D)	\$93	100	Initiated
FX	EURUSD	29/11/11	Short	4H	<1.3140	1.30 (D)	1.2860	1.3400	Initiated 13/12
FX	USDJPY	30/11/11	Buy	8H	77.95	80.00	81.50	76.85	Initiated
EQ	SPX	13/12/11	Short	D	1239	1170	1150	1260 ©	Initiated

**HEDGFX Forex Concepts**

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