

HEDGFX MODEL TRENDS									BANK RATES	
	Quote	Current Trend	Expected Trend	TF	Comment	Key Levels				
EURUSD	1.3030	↓	↓	D	↓	1.3140	1.4090	USD	0.25	
GBPUSD	1.5478	↓	↓	D	↓	1.6110	1.5340	EUR	1.00%	
USDJPY	0.7797	↔	↑	D	CT↑	0.7600	0.7931	GBP	0.50%	
USDCHF	0.9454	↑	↑	D	↑	0.9370	0.8750	JPY	0.10%	
USDINR	53.40	↑	↑	4H	↑	-	-	CHF	0.00	
S&P500	1225.7	↓	↓	D	CT↑	1265	1150	INR	6.00%	
FTSE	5490	↓	↓	D	CT↑	5100	5647	CNY	6.56%	
NIKKEI	8505	↔	↔	D	CT↑	8480	8950	AUD	4.25%	
DAX	5725	↔	↓	D	CT↑	6550	5580			
NIFTY	4800	↓	↓	D	CT↑	5100	4650			
GOLD	1636	↓	↓	D	↔	1756	1630			
SILVER	30.92	↔	↓	D	↔	34.50	30.0			
Crude Oil	99.79	↔	↔	D	CT↑	95	102.50			

<u>ECONOMIC CALENDAR</u>				
	CCY	Forecast	Previous	GMT
Claimant Count Change	GBP	16.1k	5.3k	930
UK unemployment rate	GBP	8.4%	8.3%	930
ZEW Economic Expectations	CHF		-64.3	1000
Crude Oil Inventories	USD	-2.2m	1.3m	1530

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

FXCURVE**A Cold Christmas to Euro**

Euro simply imploded falling at almost no cues. After heavy duty fight it had put against the toughest of the crises, statements, gaffes and disappointments; it simply gave up today. Euro broke two important levels markets have been watching with no second thoughts. The Merkel-Sarkozy bailout rumor lows at 1.3145 and the 61% Fibonacci level for the entire rally from 1.18-1.49 were taken out without much fuss.

Euro has fallen 400pips or approx 3% since ECB's Draghi denied it was mandate of ECB to buy sovereign bonds. The impact of the summit on Euro, if there was one, is missing.

The year-end repatriations by US companies, the year-end funding pressures of the Euro countries, another expected summit in January, low holiday volumes, even the questions on legality of the summit agreements and FED consistently refusing to announce a QE had led to a rush into dollars. This is just a beginning of the shift in global safe-haven flows. Bullion could catch some bids on this account.

FOMC Statement

- Fed funds rates to stay exceptionally low at least to Mid- 2013
- Economy “expanding moderately”
- Strains in global financial markets continue to pose significant downside risks to the economic outlook
- Expects a moderate pace of economic growth over coming quarters
- The unemployment rate will decline only gradually

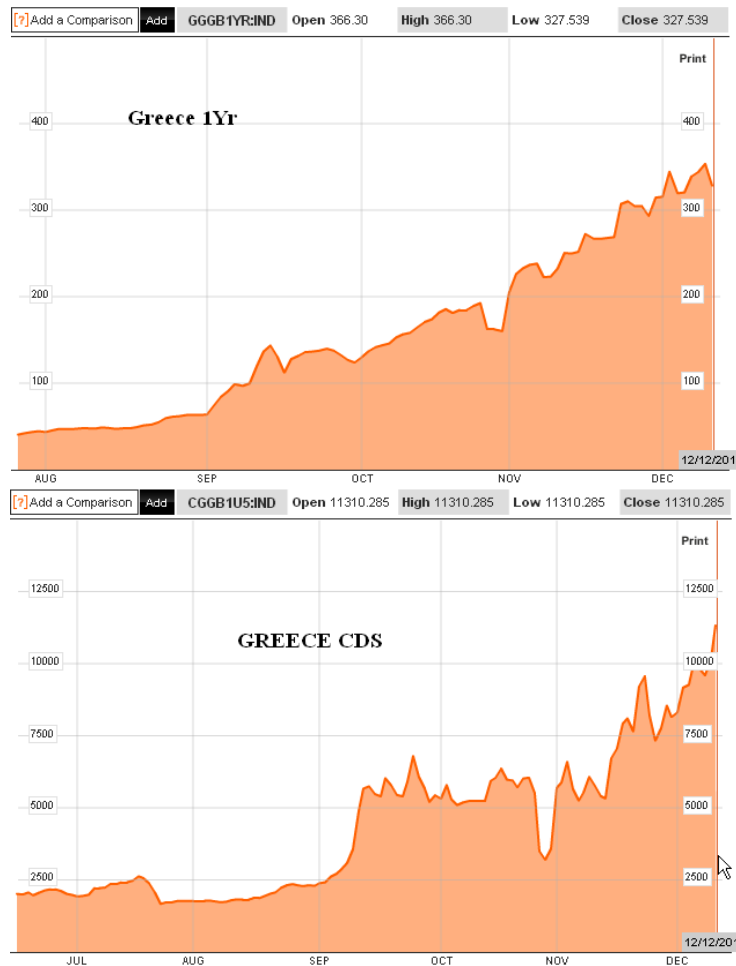
Greece is back in focus

This is would a cold hard Christmas for Euro. Greece has just hours left. European leaders don't have a luxury of holidays this season. The troika of review of Greece is expected to complete on 16th, and the first indications are not good.

- IMF's Thomsen: Greece Falling Short on Structural Reforms
- Greek economy to shrink up to 6% in 2011, to miss Government forecasts
- Programs rely too much on tax increases

The next tranche of the Greek payments are due on 19th. It's a big question if it default or not, or will be bailed out – again.

Greek bond-holders negotiations have ended without any decision. Its reported to continue later. Greek 1Yr bonds will yield you 330% but with some default risk! Well, they are probably looking at a 100% haircut. CDS have ballooned to new highs, and protection for the bond costs more than the par value of the bonds.



Important statements from yesterday:

- Merkel refuses to increase the size of ESM's lending cap to Eur 500Billion
- ECB's Costa: Construction of euro means there is no Lender Of Last Resort
- Experts: Summit accord legally challengeable
- Bundesbank: Will contribute to IMF "If other countries also contribute"

In other news:

- Don't Forget the S&P and its downgrades, it could pop up anytime now

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- US government auctioned \$21 billion 10 years at 2.02% with a bid to cover of 3.53. The second lowest yield and representing a very strong demand for USTs
- Fitch cuts Brazil 2011 GDP growth forecast from 3.5% to 2.8%
- Moodys reviews Spanish bond programs for downgrades.
- The rumor of Iran closing the strategic Straits of Hormuz spiked Crude Oil by \$3. This was later denied by Iran.

Trading Strategy*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 19th, 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.

From yesterday: “We initiate a Short on SPX at current levels with a stop of a daily close above 1260. Our first targets are at 1160-1170 levels giving us a risk a risk reward of 1:4.”

Dollar

EURUSD has hit the first targeted level on the first day of its initiation. However if todays moves are any indications, dollar has a long way to go. We still keep the stops at a wide 1.34s.

Our USDJPY trade is near its initiation levels. With each passing session the charts and the indicators become stronger. We would look to increase the target limits on reaching the target 1.

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

Commodities

The crude oil trade is still in the money, except for odd rumors that have kept it close to \$100. But its inability to cross and sustain above \$100 level despite some geo-politically significant occurrences are important clues to its price action. We would like to tighten the stops to 101.50.

HEDGFX TRADING CALLS									
Market	Security	Date	Strategy	TTF	Initiate	T1	T2	SL	Result
COM	Crude Oil	28/11/11	Short	-	\$100	\$95	\$93	101.50	Initiated
FX	EURUSD	29/11/11	Short	4H	<1.3140	1.3000s	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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