



Charting the Markets, issue 9, November 27, 2012

We encourage you to print these charts out and write comments on them yourselves and review. Presently, some of the suggestions have worked well, but require a strategy on your part to implement. Nothing is as frustrating as missing an opportunity that one was prepared for.

Topics for discussion:

1. Hungarian Forint (EUR/HUF & USD/HUF)
 - a) Review last comment made November 1, 2012
 - b) Update on EUR/HUF, Quarterly Chart
 - c) Review USD/HUF
2. Silver
3. Model Portfolio
4. Methodology

EUR/HUF

November 1st we wrote:

News - [Hungary to keep interest rates low](#)

Surprisingly, the Hungarian Forint is strong despite having deficits and run-ins with the ECB. It could be because it has its own sovereign currency.

It's interesting that the EUR/HUF had a blow off spike that failed and now appears to want to head to 265.80.

The quarterly range keeps going down in value; usually, there is an area where, as shown below, the EUR/HUF will tend to sport big volatility gains. Probably in early 2013.



Notes:

As of November 27th 2012:

[S&P Cuts Rating on Hungary](#) – Was the headline, but read the article and you’ll see that the market wasn’t agreeing.

“This move in the ratings is a bit hard to justify,” Timothy Ash, head of emerging-market research at [Standard Bank \(SBK\) Group Ltd.](#) in [London](#) said in an e-mail. “It does kind of make you think what planet the [ratings agencies](#) are on these days.”

Currencies move in patterns, since it relates to business cycles and the strength of the underlying economy. If we look at the past 10 years we can see a certain rhythm on a longer term and a shorter term time frame. Both time frames imply that the next move will be **down**. The question for a trader is:

How can that be? And what information do we need to study this a little bit more?



Notes:

USD/HUF

The Euro to the Forint is tied more to fundamentals and the interrelationship of European countries while the US Dollar to the Forint will move based on Euro strength or weakness. The benefit of watching this pair is to see where the HUF can outperform or underperform the Euro currency. Or, simply, finding low risk entry points.

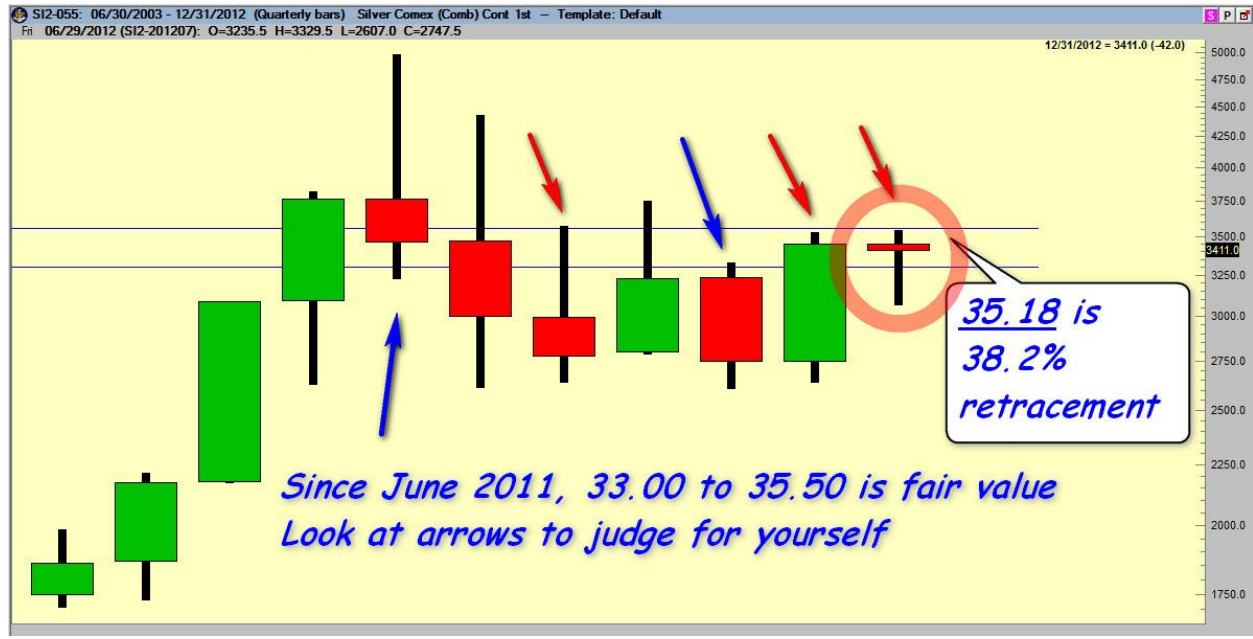
Using cycles and Elliott wave analysis presents a clear 5 waves down with rallies halted at Fib retracement levels. What more can you ask for? There is support at 213.51, so that is a good area to anticipate further decline at a *faster rate*.



Notes:

Silver

Silver has been in a flat trading range for awhile. 35.18 is the 38.2% retracement level and strong resistance. It is presently inside a trading band as shown by the red and blue arrows. The fact that it is attempting to push to its quarterly highs is very encouraging. The bias is bullish.



Notes:

Model Portfolio 1 – SCALPING LONG TERM – You now have plenty of time to put in orders into market

EUR/HUF –	Buy Stop 286.69, can lead to 300. Sell Limit 275.87, can lead to at least 265.80
USD/HUF-	We cannot see it rising from analysis presented, only a potential sell-off Sell Limit 213.51, can lead to 190 – 180
Silver-	Buy Stop 35.18, can head to 37 Sell Limit 33, can head to 30

Methodology

We use long term charts as a starting point for our analysis and try to anticipate the next move by using trend lines, support and resistance, highs and lows, and three retracement levels 38.2%, 50%, 61.8%.

Money Management

If one of the levels presented is against the trend then using higher leverage with a tight stop may be warranted (Buy Low, Sell High)

If one of the levels presented goes with the trend then using less leverage may be warranted since there is sometimes back and forth after a breakout (Buy High, Sell Higher)

Risk Management

Is considered the price levels mentioned. Quarterly charts, even weekly, are longer term in nature and the closing price levels tend to have more importance for both traders and investors and, therefore, should not only be monitored but also be considered as lower risk entry/exit points.

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