

The Best and Worst Currencies of 2012

Time stops for no man so as we once again approach the Festive Season, it is time to review the best and worst currency pairs of 2012 for Forex Journal. This invitation from the editor of this august publication, behoves us to determine what characteristics affect our choice. For a carry trader the implicit strength, return and stability of the Aussie Dollar likely makes that currency a firm favorite, whereas a banker would applaud a currency with zero volatility thus negating the often onerous obligation to hedge.

At the Danielcode www.thedanielcode.com we are in neither of those camps. As relatively short term traders with average trades running from 3-12 days, we are the Genghis Khan of currency players, always seeking volatility, chaos and wide sweeping attacks both to the East and the West. The Khan was unmatched in the breadth of his campaigns stretching from his central Tibetan roots to conquer China in



the East, Russia in the North, modern day Iraq and most Eastern European countries leading to his sons and grandsons campaign Westward which culminated on the banks of the Volga with Western Europe at their mercy.

For those not familiar with the exploits of this feared warrior king, his Mongol hordes conquered almost a quarter of the world's surface and destroyed perhaps as many as 40 million people on the way to creating an empire that would last for 150 years. The most notable of his grandsons, Kublai Khan went on to become the Emperor of China and founded the

Yuan Dynasty. He is immortalized in verse for his creation and building of Xanadu which Marco Polo found so enchanting:

In Xanadu did Kubla Khan
A stately pleasure-dome decree :
Where Alph, the sacred river, ran
Through caverns measureless to man
Down to a sunless sea-Coleridge

The contrast between the Great Khan, Genghis and Kublai could not have been more extreme. Genghis held the view that the perfect life for a man was endless nomadic travelling with their families and horses (though likely not in that order of preference) whilst killing all who were not of the Mongol tribes. Success was through plunder and pillage and, if you own most of the known world, that's a strong definition. Unlike Genghis, his grandson Kublai started life as a scholar, was almost as great a conqueror as Genghis but ever a reluctant warrior. His love was for the Chin (Chinese) values and lifestyle including architecture, and he saw the building of Xanadu as his crowning achievement. It was certainly fitting that he founded one of the great Chinese Dynasties whilst holding the 5th Khanate of the ruling Mongol Empire.



You may think it strange for a currency trader to applaud what to many are barbaric and murderous values albeit warfare was the norm for the Mongol hordes, but Genghis had developed warfare to such a stage that arriving with his armies at a fortified city, he

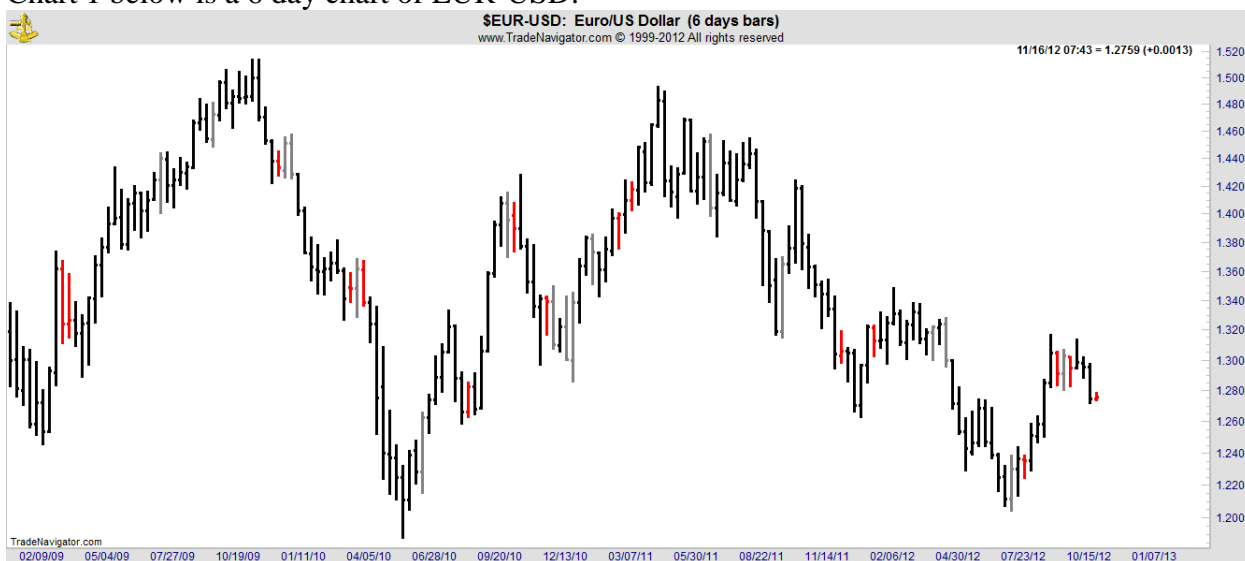
habitually set up one of 3 alternate tents in front of the city entrance. The first tent was white, and signified that if the city gates were opened to the invaders by sundown, the whole population could leave unmolested with whatever goods they could carry in their hands. If this demand was not met, the next day the white tent was exchanged for a red tent. This signified that if the city gates were not opened by sundown, the whole male population would be killed when the siege was won as invariably it was.



Finally if the threat of the Red tent did not bring the required response, a black tent was erected. This meant that when the city succumbed, every man, woman and child would be put to the sword. Whilst one admires the propaganda value of a swift escalation of threat, and its effect on future conquests, we as traders do not have the luxury of such tactics. Our job is instant warfare every time we enter a trade. And whilst our wars (remember there is always another on the other side of your trade) are fought with brains and strategy, the reality is the same as that encountered by Genghis, namely that to the victor goes the prize.

To emulate Genghis, we should spend plenty of time in reconnaissance, and it is this preparation that determines the best currency trades not only of 2012 but of every year. So let us now take a look at the EUR-USD pair, undoubtedly the most talked about currency since the Southern neighbors put their hands out for serial bailouts, a behavior of which the Great Khan would be seriously unimpressed:

Chart 1 below is a 6 day chart of EUR-USD:



The only feature of note for this chart is its construction which uses 6 trading days to create each bar. These 6 day charts and their adjuncts the 12 day and 24 day charts are our primary timing tools. For Danielcode analysis, 6 trading days comprise our trading “week”. If you would like to know much more of the proper method of timing and forecasting market turns, you can read my articles “Master Class I- It’s about Time” and “Master Class II-Timing Gold” under the Articles tab at my website

www.thedanielcode.com

Rather than regale you with the sheer enormity of what a proper understanding of market “Time” brings to your market insights, let me simply show you an extract from my February 2011 newsletter. It produced the chart below (Chart 2 S&P.12) and said that the S&P Index would be at the DC Black line at 1476, the last level of DC resistance on 19 September 2012, just in time to ensure Obama’s re-election in the 2012 Presidential contest. For the 6 day period ending 11/20/12 the S&P topped at 1474.51, less than 2 points from its Danielcode target published 21 months earlier! That being the expiration of an important time cycle, it was no surprise to Danielcode members at least, to see the market then start the present correction.

before the dominant bar. As the expiration of each time cycle is determined by the starting date of your data set, these signals are valid for +/- 1 period.

You can track the 59, 62 and 44 cycles on this chart remembering that they repeat at every half period which that great genius Daniel discovered when laying down the correct measurement of time for the Jewish people in about 640BC, and that's the hidden meaning of Chapter 12 in the Book of Daniel. This chart has an unusual affinity for the 70 week cycle, also from the Book of Daniel and Isaac Newton's prime tool in teasing out the foretelling of the coming of the Messiah. At that time, Daniel, a Jew who had been taken into captivity when the Medes (modern day Iraq) sacked Jerusalem had, through his interpretation of the King's dreams and his superb management skills, risen to become the highest ruler in the land of the Chaldeans, second only to the King. What an amazing accomplishment!

We owe much to Daniel. Sir Isaac Newton, the Father of modern Science declared the Book of Daniel as the most important in the Bible as "this book foretells the coming of the Messiah" and by using the same math set that Newton used I have been able to decipher the ratios in Daniel's hidden story of time, which in due course became the basis for the Danielcode which we use for all market timing. The picture at right is of Daniel by Michelangelo in the Sistine Chapel.

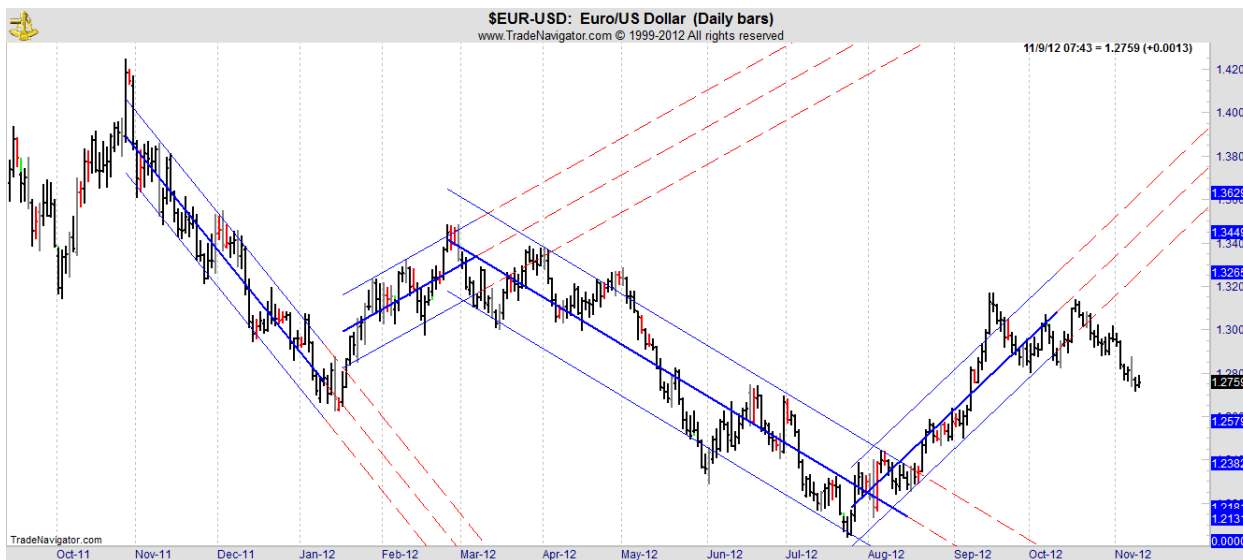


Having briefly looked at "Time" in EUR-USD we can now turn our attention to "Price". The hardest part for most traders to accept is that time and price are the same thing, but just on different axis. All markets turn at DC time and price ratios. I create daily and weekly price charts for 28 different markets in currencies and futures markets for Danielcode members. If you would like to see these amazing charts, I would be most happy to extend you a free trial of the Danielcode website for 30 days. Just email Support@thedanielcode.com and tell Terry you are a Forex Journal reader and he will be happy to enable your trial. The suggested daily trade signals that I create at the website have returned 78% over the past 20 months using just 2% risk. We make that better with our advanced GENIE PRO auto trade program being released next week which has averaged 14% per month on futures over the past 28 months. And that is not a misprint. 14% net per month average on 2% risk. The Currency version runs at 11% a month due to the lower leverage in the currency pairs. Of that 28 month period there has been one losing month and another 2 at break even. We believe this to be the best retail trading program anywhere and I tell you this to reinforce the strength of accurately knowing time cycles.

If you would like to peruse the many training videos under the Videos banner at the DC website (all free as are my published articles) you will see many of these techniques in action.

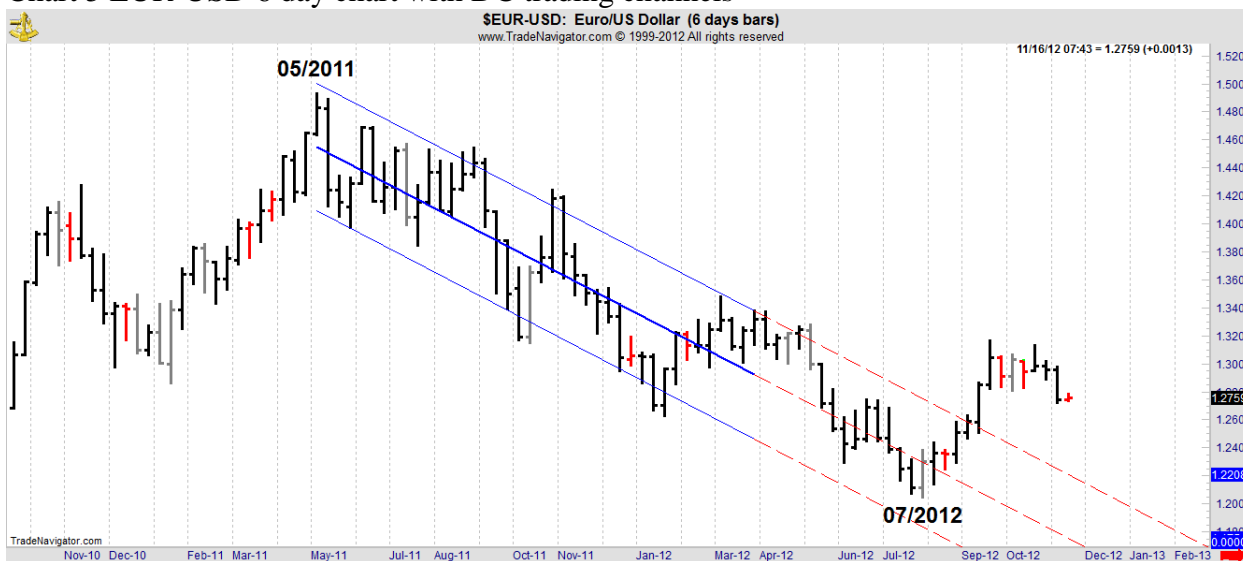
To these dominant techniques outlined above we can now add the Danielcode trading channels. The next chart is DC trading channels on the daily EUR-USD chart. You will see immediately that for most of the year this market has been tightly controlled by this special measurement. There are some specific rules on drawing these channels and there is a recent video explaining the detail at the DC website. I urge you to view it as all markets run within these channels, and for better than 94% of the time these channels define highs and lows and determine when trends end. It's well worth making them your friend!

Chart 4-EUR-USD with DC trading channels



We can use this technique on any time frame. Chart 5 below is the 6 day chart with DC trading channels:

Chart 5 EUR-USD 6 day chart with DC trading channels



You can see how nicely this chart has followed its trading channel from mid 2011 until its recent breakout. Indeed markets are rational, orderly and sometimes predictable. We strive every day to refute the Random Walkers!

Once you understand these techniques and put them all together you will have a template for success. The daily trade suggestions that I make for members at the DC website are dominated by our T.03 daily signals which are a time based signal based on fractals of what I have shown you today. The T.03 trade signals have an historic win rate of 86% which highlights the power of a proper understanding of market time.

The worst currency of the year for traders simply selects itself. EUR-CHF once a vibrant and tradeable market died an un-natural death when the Swiss Government threw up its hands in horror at the reality of “free” markets. Unable to stop the bleating from those cosseted exporters of Swiss ingenuity who were getting horribly mauled by the ceaseless depreciation of the Euro against the Franc, they decided they didn’t like this game so told their central bank the SNB to pack up its toys and go home. Thus with the Franc being pegged at 1.20 against the Euro, another great party has been ruined, further testament to the dead hand of government.

Much of the world is finding that free markets can be a pain when they are not going their way. As traders we have a sanguine view. Up or down we do not care. Just give me the volatility every time!

Dan 12:4 But thou, O Daniel, shut up the words, and seal the book, *even* to the time of the end: many shall run to and fro, and knowledge shall be increased.

John Needham, Sydney, Australia

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www.thedanielcode.com

John Needham is a Sydney Attorney who has traded futures and forex for over 20 years. He invented the Danielcode, a unique understanding of the DNA of markets and shares much of that knowledge through his website.

