



A Sentiment Based Approach

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- I. Trends – A Produce of Psychology
- II. Sentiment Indicators
- III. Elliott Wave Introduction and Setups
- IV. Speculation as a Fine Art
- V. Forecasts



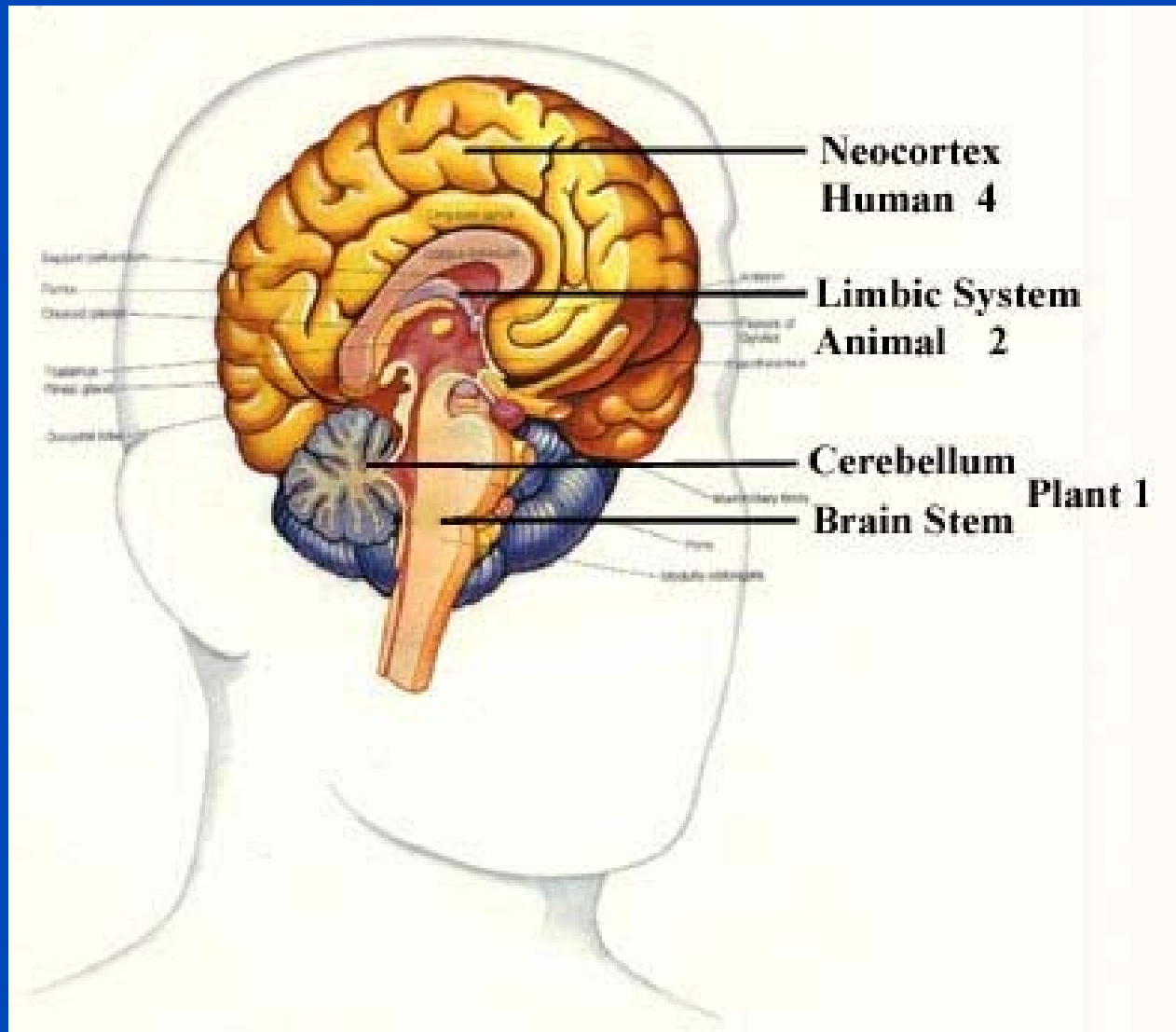
Bernard Baruch:

“All economic movements, by their very nature, are motivated by crowd psychology.”



Arthur C. Pigou

“An error of optimism tends to create a certain measure of psychological interdependence until it leads to a crisis. Then the error of optimism dies and gives birth to an error of pessimism.”





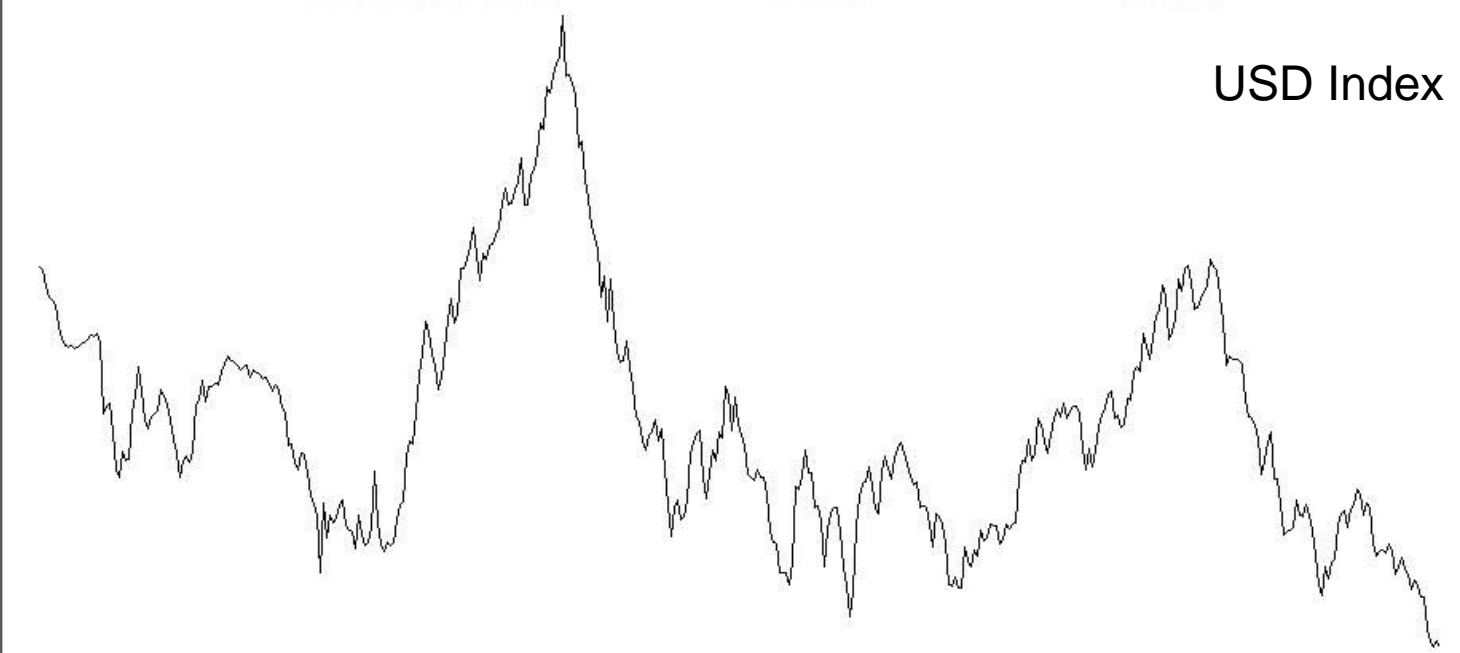
Efficient Market Hypothesis	Socionomic Theory of Finance
1. Objective, conscious, rational decisions	1. Subjective, unconscious, prerational impulses
2. Financial markets tend toward equilibrium	2. Financial markets are dynamic
3. Decisions are based on knowledge and certainty.	3. Decisions are based on uncertainty.
4. Exogenous variables determine most decisions.	4. Endogenous social processes determine most decisions.
5. Financial prices are unpredictable.	5. Financial prices are probabilistically predictable.



Economic Data and FX Trends: No Correlation

\$DXY(D) - Monthly NYBOT L=76.12 0.01 0.01% B=0.00 A=0.00 O=76.08 Hi=76.19 Lo=76.05 C=76.12 V=0

USD Index

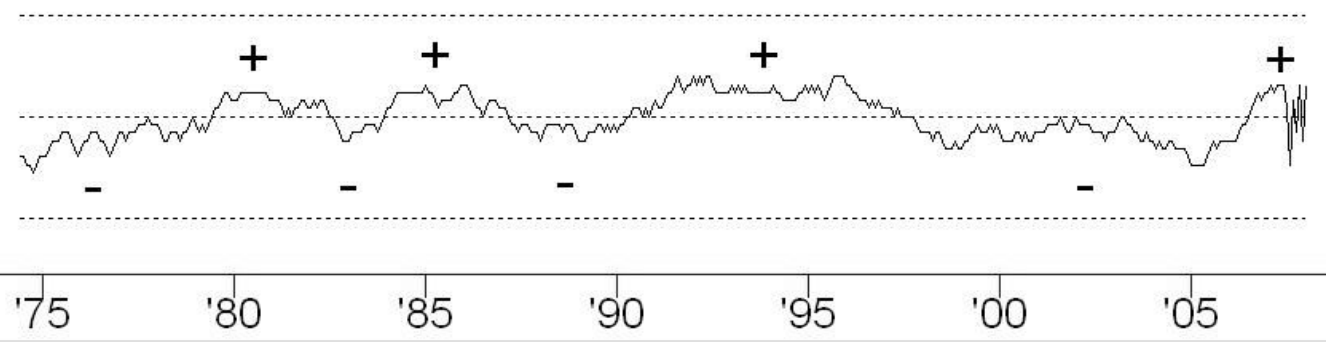


+ASC:NFP.CSV - Monthly FOREX L=132.00000 O=0.00000 Hi=0.00000 Lo=0.00000 C=132.00000 V=0

NFP



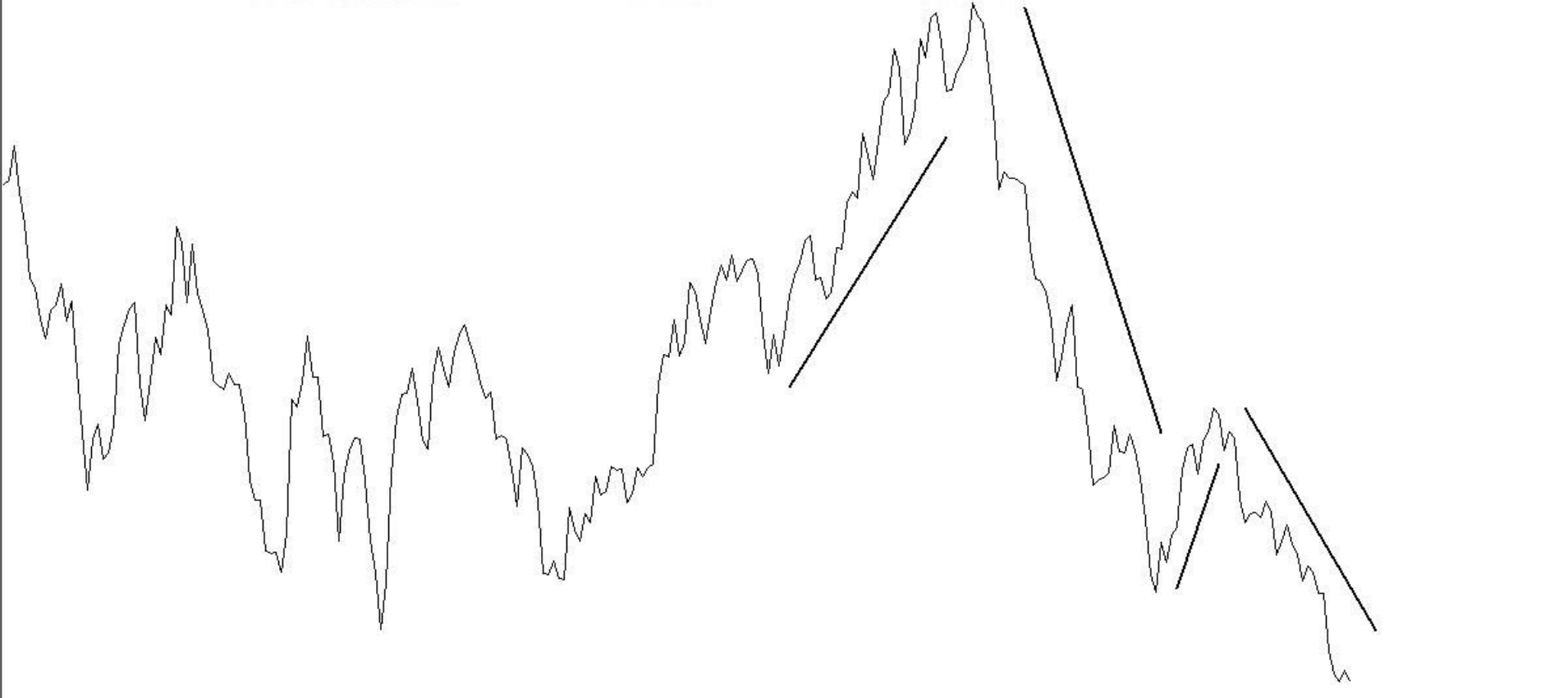
Correlation (Close of data1,Close of data2,36,-.7) 0.22 0.70 -0.70 0.00





Month	Actual-Expected NFP	USD Index % Change	Result
July 1999	-206	-3.01%	Agree
November 1999	-227	2.99%	Disagree
August 2000	-251	2.77%	Disagree
June 2001	-237	0.36%	Disagree
April 2003	-312	-1.91%	Agree
May 2004	188	-1.91%	Disagree
September 2004	-206	-1.74%	Agree

\$DXY(D) - Monthly NYBOT L=76.14 0.02 0.03% B=0.00 A=0.00 O=76.08 Hi=76.19 Lo=76.05 C=76.14 V=0



+ASC:GDP.CYOY.CSV - Monthly FOREX L=2.80000 O=0.00000 Hi=0.00000 Lo=0.00000 C=2.80000 V=0

**GDP and the USD Index
actually moved opposite one
another until 2005!**



'87 '88 '89 '90 '91 '92 '93 '94 '95 '96 '97 '98 '99 '00 '01 '02 '03 '04 '05 '06 '07 '08

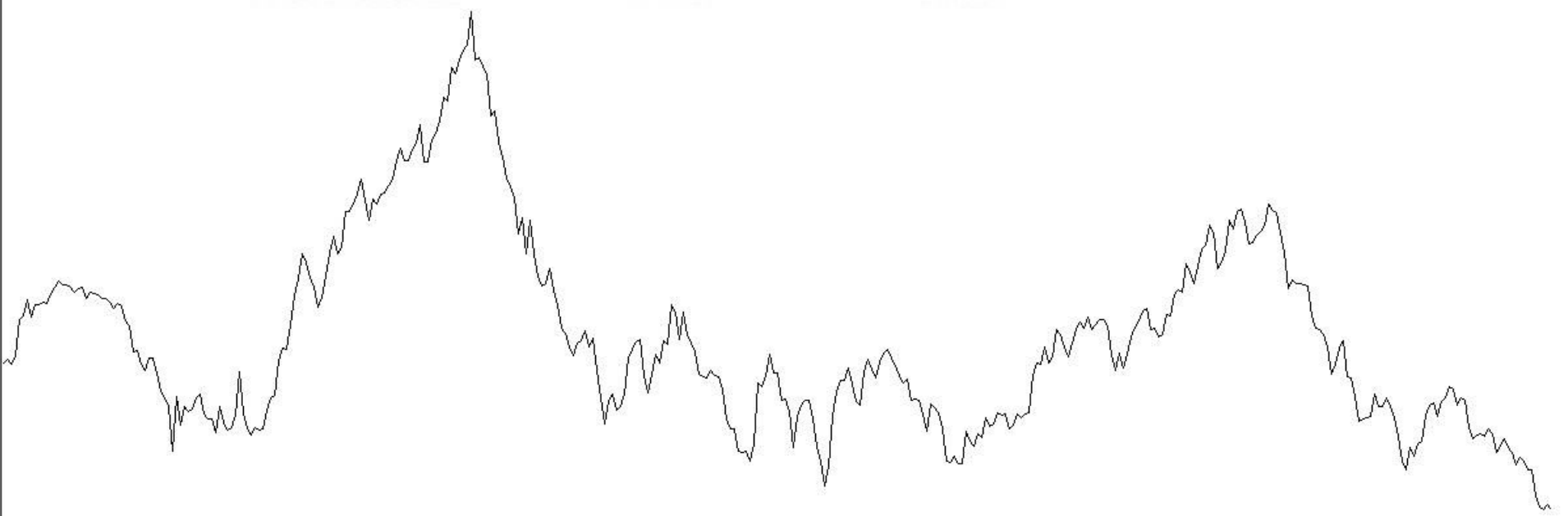
\$DXY(D) - Monthly NYBOT L=76.13 O=0.02 0.02% B=0.00 A=0.00 O=76.08 Hi=76.19 Lo=76.05 C=76.13 V=0

The trade deficit has steadily increased but the USD Index has rallied and declined significantly during this time.

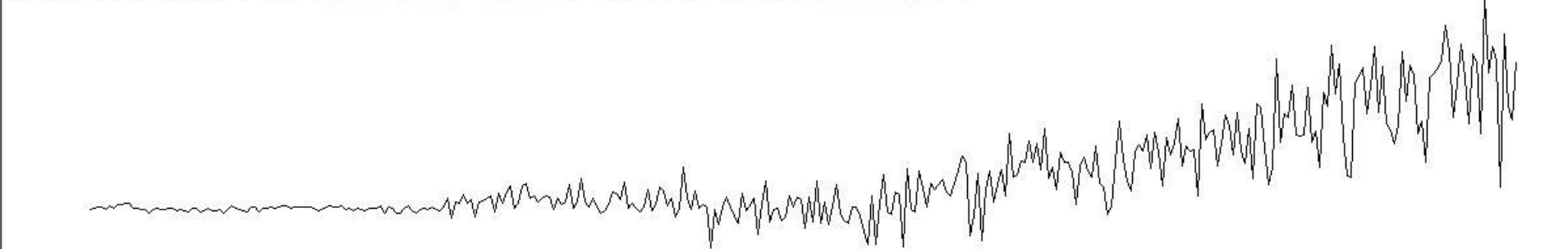


+ASC:USTB.CSV - Monthly FOREX L=-60.03600 O=0.00000 Hi=0.00000 Lo=0.00000 C=-60.03600 V=0

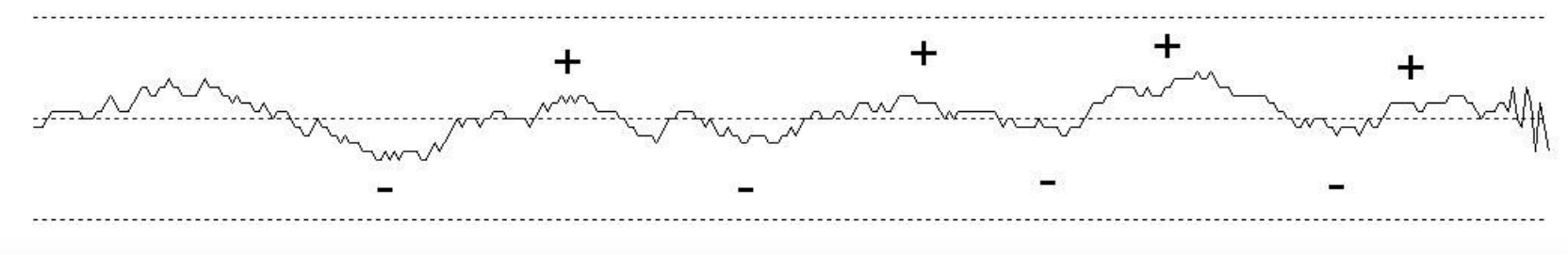
\$DXY(D) - Monthly NYBOT L=76.13 0.02 0.02% B=0.00 A=0.00 O=76.08 Hi=76.19 Lo=76.05 C=76.13 V=0



+ASC:TIC.CSV - Monthly FOREX L=84.14700 O=0.00000 Hi=0.00000 Lo=0.00000 C=84.14700 V=0



Correlation (Close of data1, Close of data2, 36, 7, -.7) -0.22 0.70 -0.70 0.00



'80 '85 '90 '95 '00 '05

\$DXY(D) - Monthly NYBOT L=76.13 0.02 0.02% B=0.00 A=0.00 O=76.08 Hi=76.19 Lo=76.05 C=76.13 V=0



+ASC:CPIY.CSV - Monthly FOREX L=2.70000 O=0.00000 Hi=0.00000 Lo=0.00000 C=2.70000 V=0



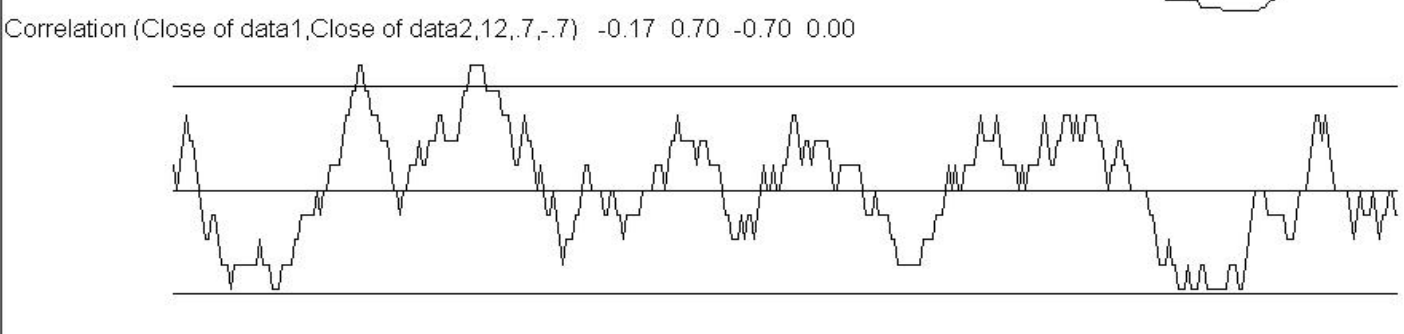
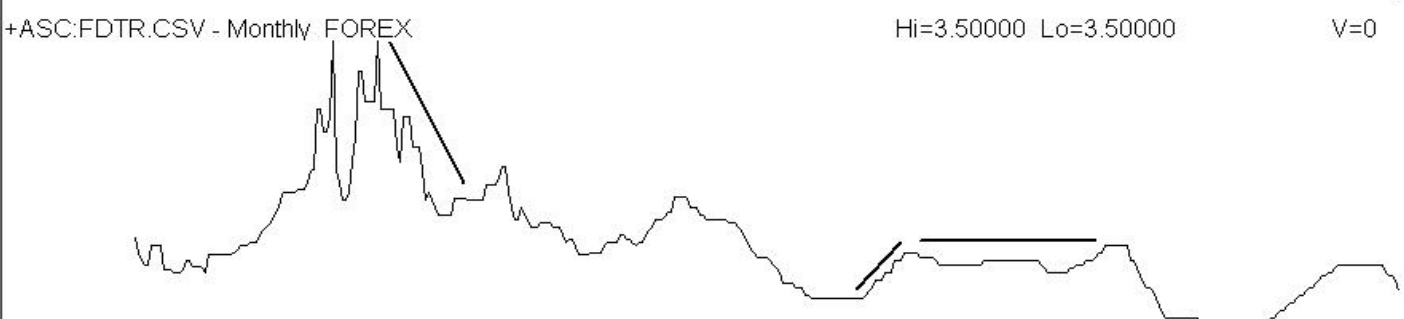
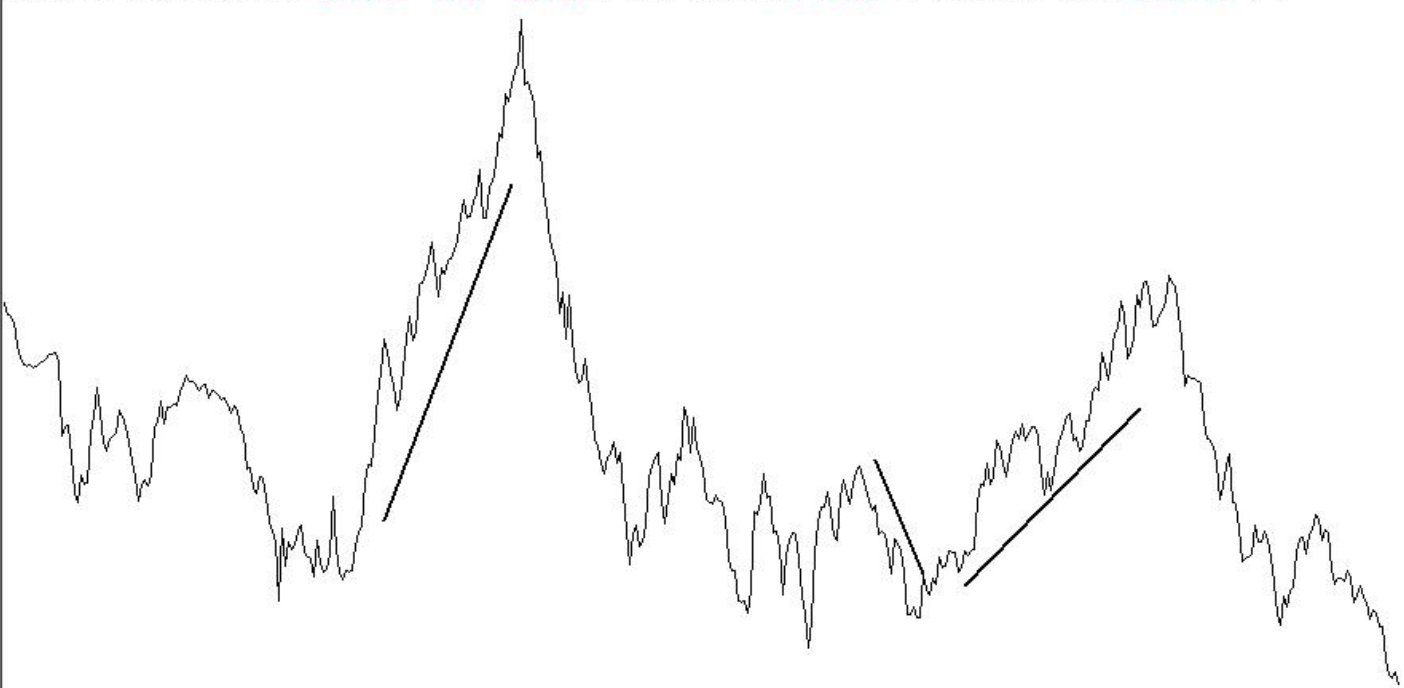
Correlation (Close of data1,Close of data2,36,-.7) -0.06 0.70 -0.70 0.00

Correlation is mostly negative



'75 '80 '85 '90 '95 '00 '05

\$DXY(D) - Monthly NYBOT L=75.51 -0.46 -0.61% B=0.00 A=0.00 O=75.89 Hi=76.02 Lo=75.48 C=75.51 V=0



'75 '80 '85 '90 '95 '00 '05



Contrarian Signals: The Power of the Financial Media

- Magazine Cover Features
- Headlines in financial periodicals with 'strong language'
- News Volume