

SAMPLE: STATISTICAL-FUNDAMENTAL ANALYSIS

EURUSD

JANUARY 20 2013

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FILTERING FUNDAMENTALS EURUSD

A set of 10 United States fundamental variables was selected. After a filtering process involving econometrics, the following fundamental variables were the most significant:

1. M1 (US)
2. M2(US)
3. ISM(US)
4. ISM NON MANUFACTURING (US)

RELATIONSHIPS:

1. M1 (US): IF M1 up, then EURUSD up
2. M2(US):IF M1 up, then EURUSD up
3. ISM(US): IF ISM up, then EURUSD up
4. ISM NON MANUFACTURING US: IF ISM NON MANUFACTURING UP, then EURUSD UP.

BINARY FILTERING

Using the selected fundamentals, a binary filter was used to detect emerging pattern

PRICE			FUNDAMENTAL VARIABLES				FILTERS			
EURUSD SPOT	PRICE%	PRICE	M1%	M2%	ISM%	ISM%NON	FILTER A	FILTER B	FILTER C	FILTER C
Feb-07	2%	1	0	1	0	1	0	1	0	0
Mar-07	1%	1	1	1	1	0	0	0	1	1
Apr-07	2%	1	1	1	0	0	0	1	0	1
May-07	-1%	0	1	1	1	1	1	0	0	1
Jun-07	1%	1	0	1	1	1	0	0	1	0
Jul-07	1%	1	1	1	1	1	1	0	0	1
Aug-07	0%	0	1	1	0	0	0	1	0	1
Sep-07	5%	1	0	1	0	0	0	0	0	0
Oct-07	1%	1	1	1	0	0	0	1	0	1
Nov-07	1%	1	0	1	0	1	0	1	0	0
Dec-07	0%	0	0	1	0	0	0	0	0	0
Jan-08	2%	1	1	1	0	1	0	0	1	1
Feb-08	2%	1	1	1	1	0	0	0	1	1
Mar-08	4%	1	1	1	0	1	0	0	1	1
Apr-08	-1%	0	1	1	1	1	1	0	0	1
May-08	0%	0	0	1	0	1	0	1	0	0
Jun-08	1%	1	1	1	1	0	0	0	1	1
Jul-08	-1%	0	1	1	1	0	0	0	1	1
Aug-08	-6%	0	0	0	0	1	0	0	0	0
Sep-08	-4%	0	1	1	0	1	0	0	1	1
Oct-08	-10%	0	1	1	0	0	0	1	0	1
Nov-08	0%	0	1	1	0	0	0	1	0	1
Dec-08	10%	1	1	1	0	0	0	1	0	1
Jan-09	-8%	0	0	1	0	1	0	1	0	0
Feb-09	-1%	0	0	1	1	1	0	0	1	0
Mar-09	5%	1	1	1	1	0	0	0	1	1
Apr-09	0%	0	1	0	1	0	0	1	0	0
May-09	7%	1	1	1	1	1	1	0	0	1

Chart 1: Extracted screen (Binary filter)

USING THE BINARY FILTERING

After a binary filter was added, a specific filtering method could be used. For example show dates, where M1 and M2 returns were greater than previous period. A simple process demonstrated a 58% probability of appreciation (EURUSD) when M1 and M2 rose. However we understand market behavior is technical by nature; using the following assumption a technical filter was added. Also a time filter was used to measure fundamentals leading properties. (At the T day from the Month M1 and M2 returns were greater than previous month, T day.)

Adding up:

1. M1:up
2. M2:up
3. MA 300,200,50: Price above this MA's
4. MACD: Bullish Cross
5. T day

After this process, the probability went up to 89%.

MEASURING PIPS

Using the method described above, 2500 pips were made from 2007 to 2012. This gain was only measured using the bullish scenario.

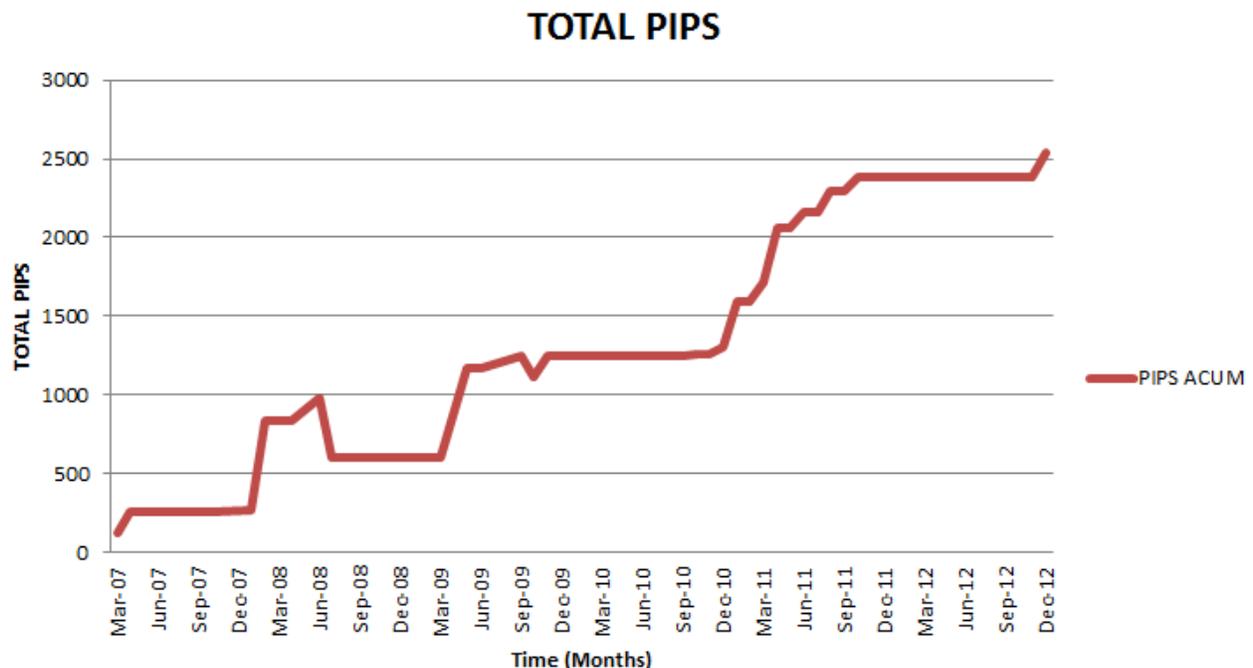


Chart 2: Accumulated Pips without fees

SUMMARY

This analysis shows a possible method to analyze the impact of the most significant variables found on the data set. Fundamental variables react with time and technical market structure.

Any Fundamental analysis, which avoids or just does not publish the historical probability of “If Fundamental Event A occurs then the selected currency will or will not appreciate” in a period no less than 3 years, could be misleading.

Specific filtering could lead to a major understanding of fundamental variables.

This report does not represent a final product.