

Support & Resistance Zones

Logical locations for highs and lows to form based on the continuation of prior trends.

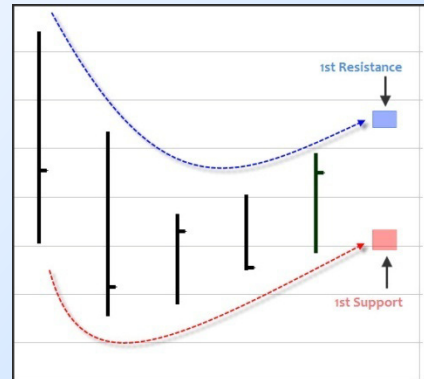
Using an unbiased and consistent methodology, the price momentum of the past five bars is projected forward in order to generate **support** and **resistance** zones. 1st Support and Resistance offer a logical range for prices assuming continuation of current momentum.

The zones are provided for multiple time periods (daily, weekly, monthly, quarterly, and yearly) to assist in determining **when** and **where** short-term trends may lapse or develop within long-term trends.

At the beginning of each time period, Support

and Resistance zones are calculated. 1st Support and Resistance are the focus, while 2nd Support and Resistance are logical targets and barriers for breaks from the expected range.

In its most basic form, the holding or breaking of 1st Support or Resistance zones confirms the strength of existing trends. 1st Supports and Resistances need to hold (closing basis) in order to sustain bull and bear trends, respectively. Breaks of 1st Support and Resistance efficiently confirm shifts in momentum. **Clients use zones to define momentum, set points of entry, establish targets and gauge risk.**



Zone Probabilities

AQA's approach compares current market characteristics with corresponding observations from the past. A database covering 100+ markets across 10+ years of trading is used to find similar multi-time period patterns and assess their outcomes. The query essentially answers the question "under similar market conditions, what have prices done over the next day, week, or month?" From this sample, AQA calculates the probabilities that each zone will be met and whether it is likely to hold or not. Most importantly, the approach removes human bias, creating truly objective expectations for the future.

Identify Market Conditions:

Zones generated and trends measured using multiple indicators.

Pattern Recognition:

Historical database filtered for analogous historical price behaviors.

Filtered Results:

Probabilities of Testing & Holding are calculated.

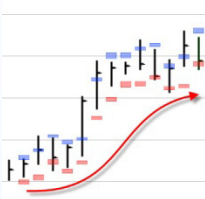
Each trading day, the results of these queries are presented as probabilities of **testing** and **holding** at current daily, weekly, and monthly support and resistance zones. The probability of testing indicates the percentage of times when similar setups have gone on to achieve given supports and/or resistances. The probabilities of holding indicate how often the zones have contained prices (on a closing basis) when achieved.

How to Interpret Zones and Probabilities

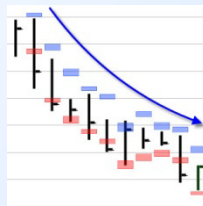
The analysis is designed to become an additional input into the clients' decision making process.

Zones: The 1st Support and Resistances zones signify locations where highs and lows should form if past momentum continues.

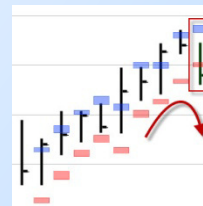
In **bull trends**, 1st Supports need to hold or else the trend is expected to discontinue or stall. 1st Resistances expected to be tested.



In **bear trends**, 1st Resistances need to hold or else the trend is expected to discontinue or stall. 1st Supports expected to be tested.



Breaks of 1st Support / Resistance efficiently confirm shifts in momentum.



Reviewing multiple time periods allows clients to locate targets over their expected holding period, as well as identify when prices make material deviations. The breaking of lower-time period zones suggests the targeting of higher-time period zones. For example, the breaking of 1st Daily Support following the testing of 1st Weekly Resistance would expose risk to 1st Weekly Support. The charts and zones should be viewed from each time period to the next higher time period.

Probabilities: Since the probability results are consistently generated without human bias, they offer a factual historical guide (like a farmer's almanac) that can be continually referred to. The probabilities boil AQA's intensive analysis down to simple percentages.

1st Support and Resistances zones are historically tested and hold (closing basis) approximately 50% and 60% of the time, respectively. Variation from these percentages should be noted. High probabilities of testing will highlight zones for targets, while high probabilities of holding will highlight zones marking potential inflection points. Conversely, low probabilities of holding indicate levels from which prices may "break-through" when tested.

Market Coverage Includes

US Interest Rates

US 2, 5, 10, & 30 yr
US 5, 10, and 30 yr Futures
US 2yr5yr Spread
US 2yr10yr Spread
US 2yr30yr Spread
US 3yr10yr Spread
US 5yr10yr Spread
US 5yr30yr Spread
US 10yr30yr Spread
\$ Swap Spreads 2, 5, 10, & 30 yr
\$ Swap Spread 5yr10yr
\$ Swap Spread 10yr30yr
US 10 and 30 yr TIP
US 10yr TIP 10yr Spread

Credit

iTraxx Euro XOVER
iTraxx Euro HiVol
iTraxx Euro Main
US HY CDSI
US IG CDSI 5 Yr

Foreign Interest Rates

Schatz, Bobl, and Bund
Schatz, Bobl, and Bund Futures
Bund 2yr10yr Spread
Bund 5yr10yr Spread
Bund 10yr30yr Spread
€ Swap Spreads 2, 5, 10, and 30 yr
Gilt 2, 5, 10, and 30 Yr
Gilt 2yr10yr
Gilt 10yr30yr
US 10yr Bund Spread
US 10yr Gilt Spread
Gilt Bund Spread
US 2yr Schatz Spread
US 10yr AUS 10yr Spread
US 10yr CAD 10yr Spread
CAD 2yr
CAD 5yr
CAD 10yr
JGB
AUS 10yr

Currencies

DXY
EURUSD
USDJPY
GBPUSD
USDCHF
AUDUSD
USDCAD
NZDUSD
USDMXN

Equities

S&P 500
SPDRS Sectors
DJIA
NDX
DAX
FTSE
CAC
STOXX 50
Nikkei

Commodities

Crude Oil
Brent Crude Oil
Gold
Silver
Copper
Soybeans
Wheat
Corn
CRB Index



* For a complete list of coverage, please contact AQA.

Zone Probability Reports & Charts

Arbor Quantitative Analytics

Commentary Special Reports **Probabilities** Charts Utilities About FAQ

Daily Commentary

September 12th, 2011 8:00 am Edit

AUDUSD Testing Significant Supports

The AUDUSD has declined significantly (-0.0095) on Monday to test significant Supports, presenting an opportunity to buy bounces.



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9/12/2011

Currency Pair	Daily Δ	ATR	Wkly Δ	ATR	Mnthly Δ	ATR
AUDUSD	-0.0117	0.0184	-0.0021	0.0261	-0.0099	0.0673
EURUSD	-0.0017	0.0184	-0.0021	0.0261	-0.0099	0.0673
GBPUSD	-0.0085	0.0189	-0.0329	0.0537	-0.0362	0.0647
USDJPY	-0.03	0.76	0.69	1.33	0.88	1.56
USDCAD	0.0077	0.0098	0.0124	0.0162	0.0176	0.0176
AUDUSD	-0.0122	0.0159	-0.0189	0.0297	-0.0236	0.0667

Each time periods' (daily, weekly, and monthly) zones and probabilities present expected outcomes and potential trading opportunities.

DAILY

WEEKLY

MONTHLY

AUDUSD	Daily Δ: -0.0122 ATR: 0.0159				Wkly Δ: -0.0189 ATR: 0.0297				Mthly Δ: -0.0236 ATR: 0.0667						
1.0451	Daily Zones		% Test	% Hold	Held For	Weekly Zones		% Test	% Hold	Held For	Monthly Zones		% Test	% Hold	Held For
Resistance	1.0633	1.0649	12%	70%		1.0745	1.0775	10%	38%		1.1166	1.1233	10%	90%	
Resistance	1.0560	1.0583	30%	54%	2	1.0567	1.0624	47%	66%	6	1.0919	1.0986	26%	67%	1
Fair Value	1.0565				1.0558				1.0686						
Support	1.0363	1.0378	52%	57%	0	1.0327	1.0360	70%	75%	5	1.0252	1.0318	60%	69%	3
Support	1.0264	1.0280	15%	75%		1.0186	1.0215	16%	77%		1.0022	1.0088	14%	45%	

AUDUSD	Daily Δ: -0.0122 ATR: 0.0159				
1.0451	Daily Zones		% Test	% Hold	Held For
Resistance	1.0633	1.0649	12%	70%	
Resistance	1.0560	1.0583	30%	54%	2
Fair Value	1.0565				
Support	1.0363	1.0378	52%	57%	0
Support	1.0264	1.0280	15%	75%	

30-day average true range

Displays how many consecutive days 1st Support / Resistance have held at the close of trading.

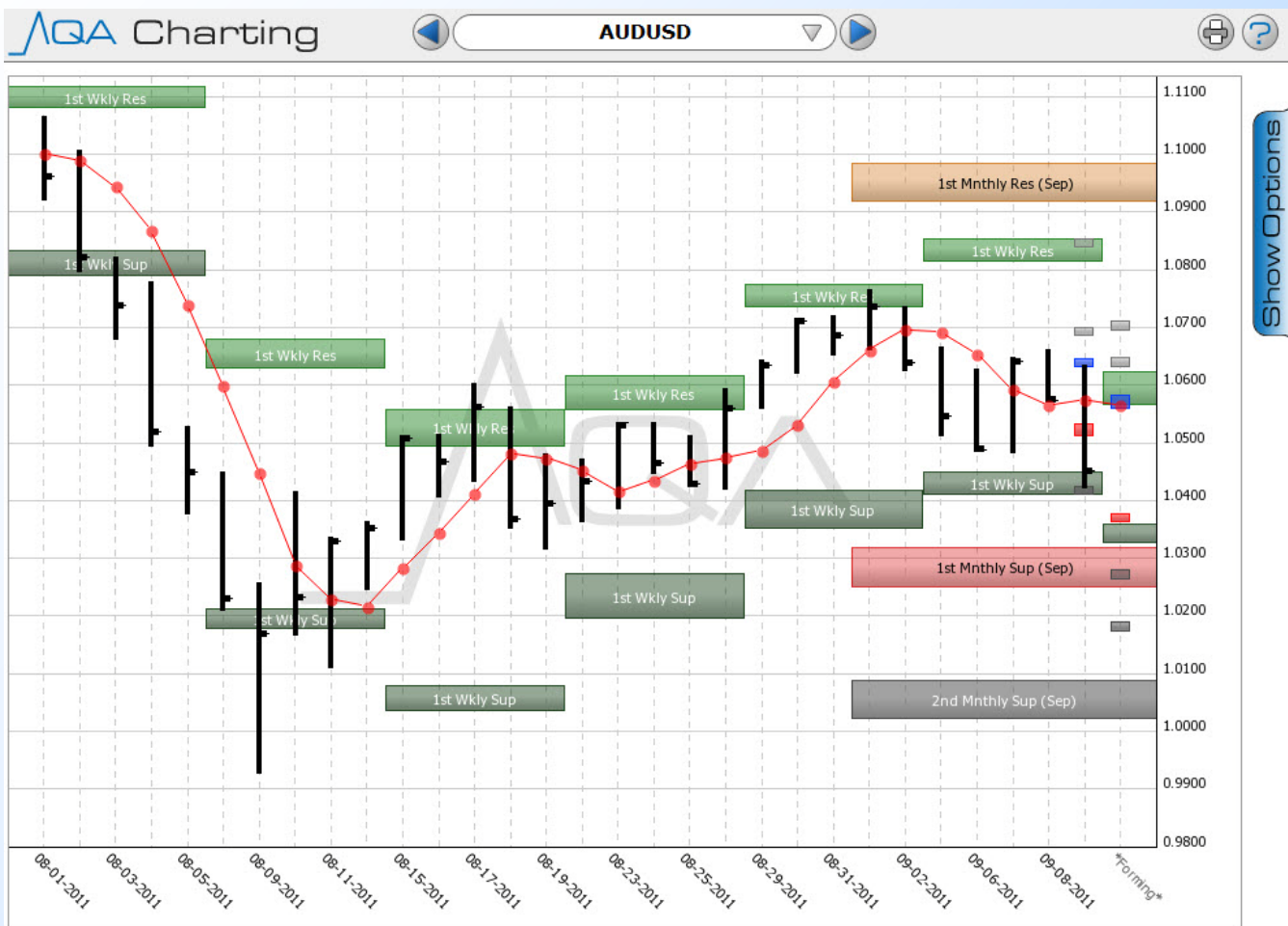
Chance of holding at zone (if tested)

Chance of testing zone

Range of each respective zone

AQA Charting

The AQA charting application allows for the easy viewing of all zones and their probabilities of being tested and holding. Clients may adjust time period of zones viewed and scaling based on their trading horizons and outlook. All charts are updated shortly after the closing of each respective market.



Last Date: September 9, 2011 O: 1.0576 H: 1.0635 L: 1.0422 C: 1.0451

Dly Chg: -0.0122	Zones	Test/Hold	Wkly Chg: -0.0189	Zones	Test/Hold	Mnthly Chg: -0.0236	Zones	Test/Hold
3rd Dly Res	1.0696 / 1.0711	- / -	3rd Wkly Res	1.0861 / 1.0891	- / -	3rd Mnthly Res	1.1410 / 1.1476	- / -
2nd Dly Res	1.0633 / 1.0649	12% / 70%	2nd Wkly Res	1.0745 / 1.0775	10% / 38%	2nd Mnthly Res	1.1166 / 1.1233	10% / 90%
1st Dly Res	1.0560 / 1.0583	30% / 54%	1st Wkly Res	1.0567 / 1.0624	47% / 66%	1st Mnthly Res	1.0919 / 1.0986	26% / 67%
Fair Value	1.0565		Fair Value	1.0558		Fair Value	1.0686	
1st Dly Sup	1.0363 / 1.0378	52% / 57%	1st Wkly Sup	1.0327 / 1.0360	70% / 75%	1st Mnthly Sup	1.0252 / 1.0318	60% / 69%
2nd Dly Sup	1.0264 / 1.0280	15% / 75%	2nd Wkly Sup	1.0186 / 1.0215	16% / 77%	2nd Mnthly Sup	1.0022 / 1.0088	14% / 45%
3rd Dly Sup	1.0174 / 1.0190	- / -	3rd Wkly Sup	1.0064 / 1.0094	- / -	3rd Mnthly Sup	0.9297 / 0.9363	- / -
Dly Res/Sup Held	2/0 Days		Wkly Res/Sup Held	5/4 Wks		Mnthly Res/Sup Held	1/3 Mnths	

Example Commentary

- Daily Trend: Bearish
- Objective: Buy Bounce Out of Weekly / Monthly / Quarterly Support
- Time Period: Days
- Risk: 2nd Weekly Support at 1.0186/1.0215

The AUDUSD initially tested 1st Yearly Resistance at 1.0919/1.1155 in April and has been pressuring the zone ever since. The AUDUSD is on course to challenge the cluster of support containing **1st Weekly at 1.0327/1.0360** (70% test / 75% Hold), **1st Monthly at 1.0252/1.0318** (69% Hold) and 1st Quarterly at 1.0205/1.0338 and remains favored to hold. This presents an opportunity to play for a short term bounce out of this cluster with downside risk limited to 2nd Weekly Support at 1.0186/1.0215 should the AUD continue to weaken.



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