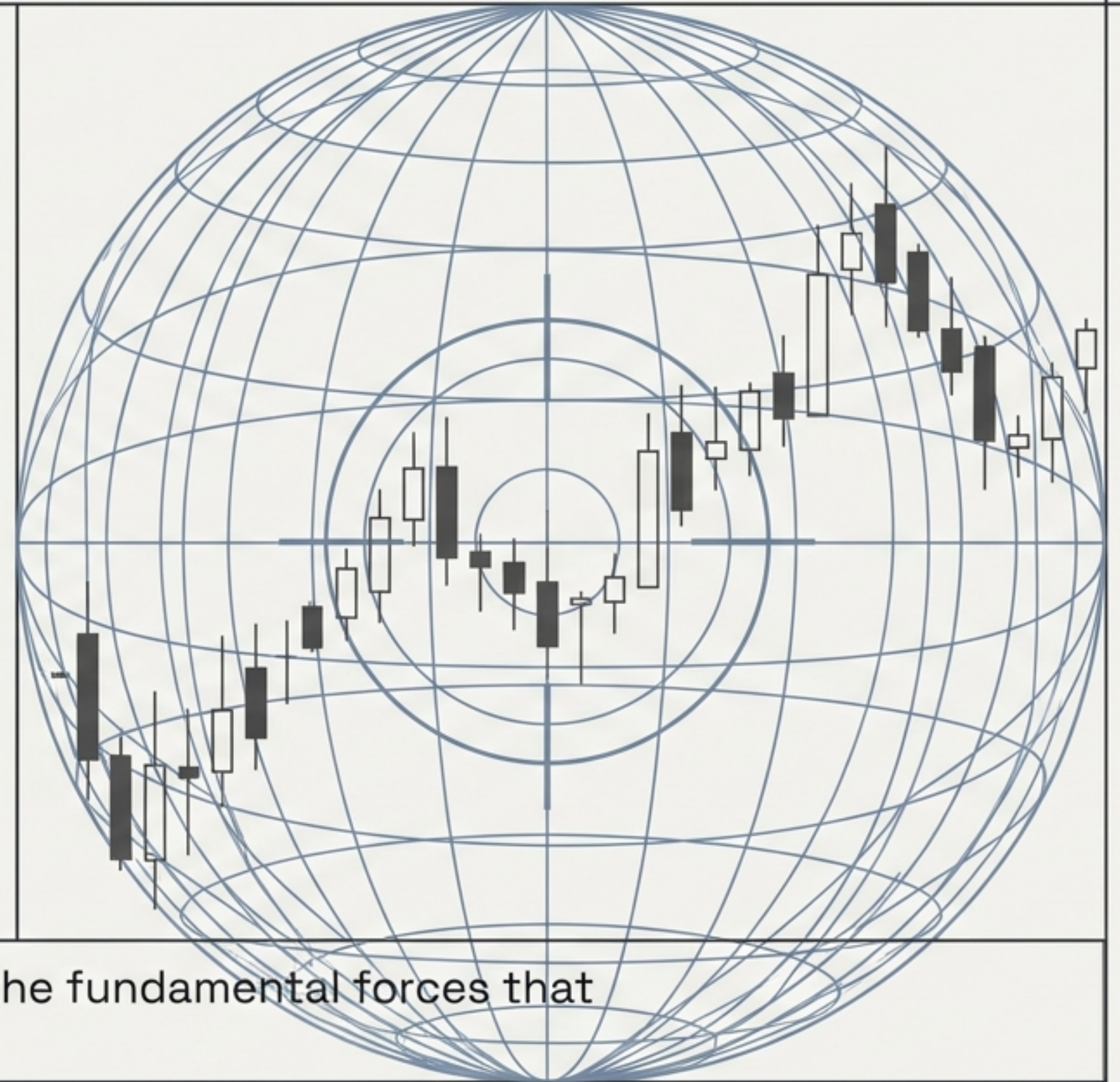


The Macro Edge

A Masterclass in
Forex Fundamental
Analysis



Move beyond technical charts. Understand the fundamental forces that dictate the flow of global capital.

Defining the Trader's Division of Labour



The Radar Fundamental Analysis

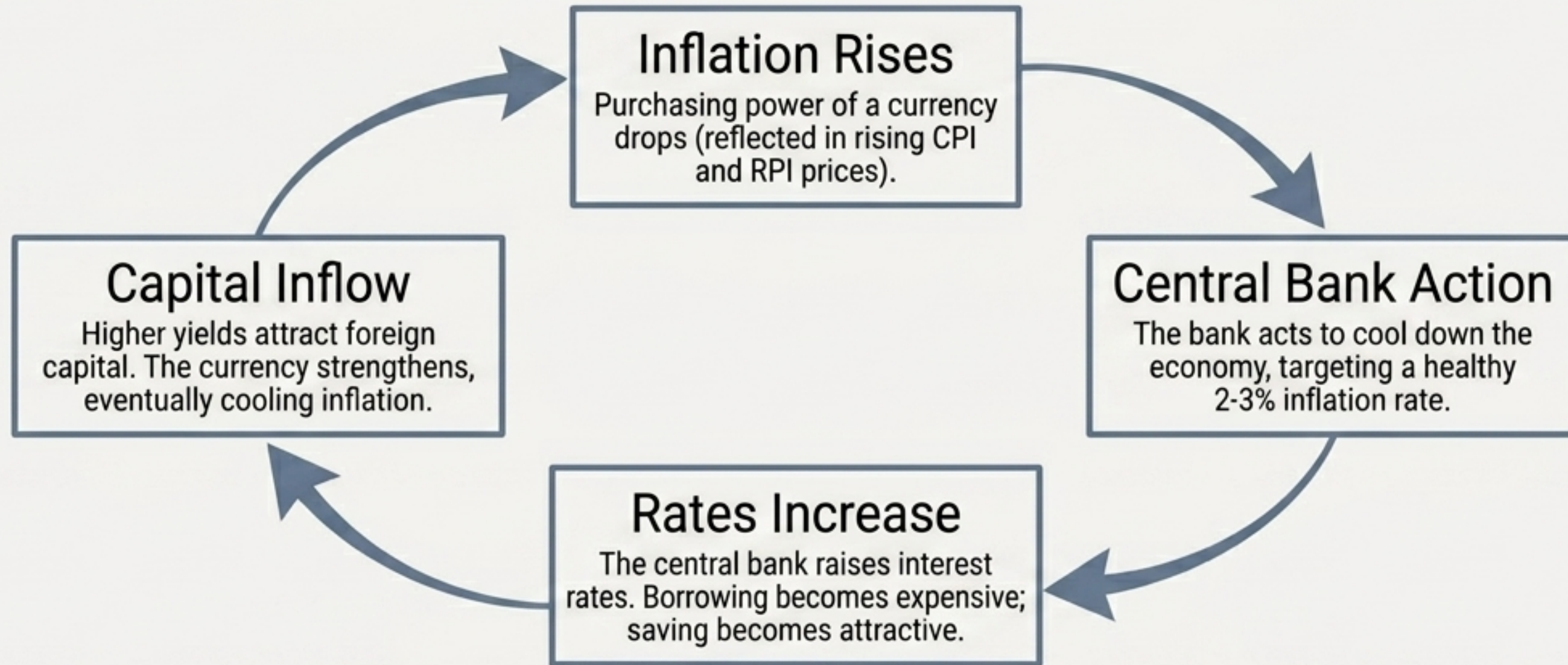
- Identifies Why a currency moves and What direction it will take.
- Determines if a currency is objectively undervalued or overvalued.
- Predicts whether a currency pair is highly likely to trend or range.



The Crosshairs Technical Analysis

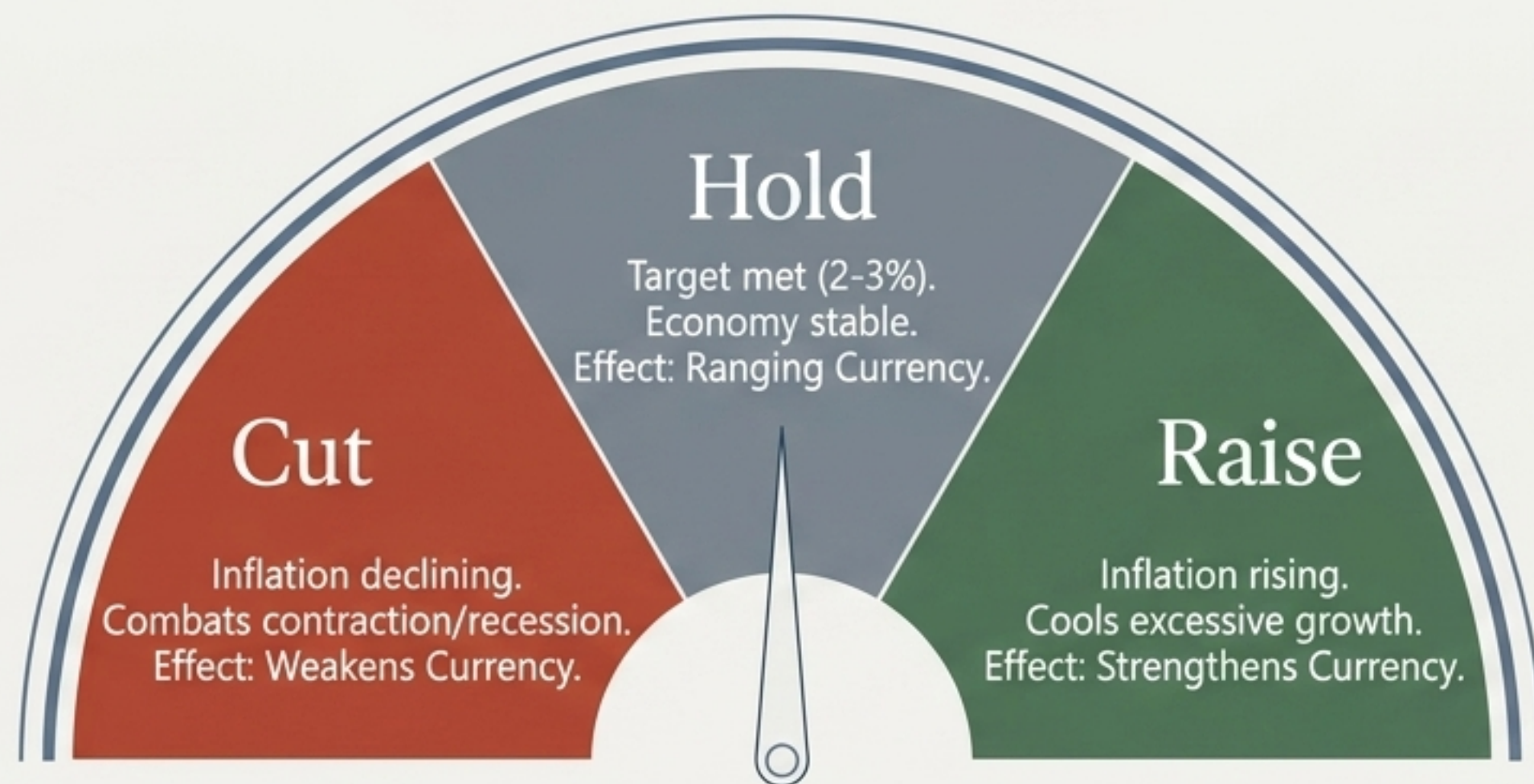
- Dictates When to execute the trade.
- Times the precise market entry and exit once the fundamental bias is established.

The Economic Balancing Act



Interest rates are the fee lenders charge and the yield investors seek.
Global money always flows towards the highest safe yield.

Central Bank Policy and the Interest Rate Cycle

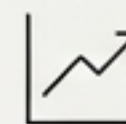


Quantitative Easing (QE)



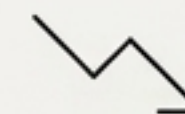
When interest rates hit absolute zero, banks print money electronically to buy government bonds. This floods the financial system with usable funds, lowering rates to stimulate spending, which suppresses currency value.

Case Study: 2015



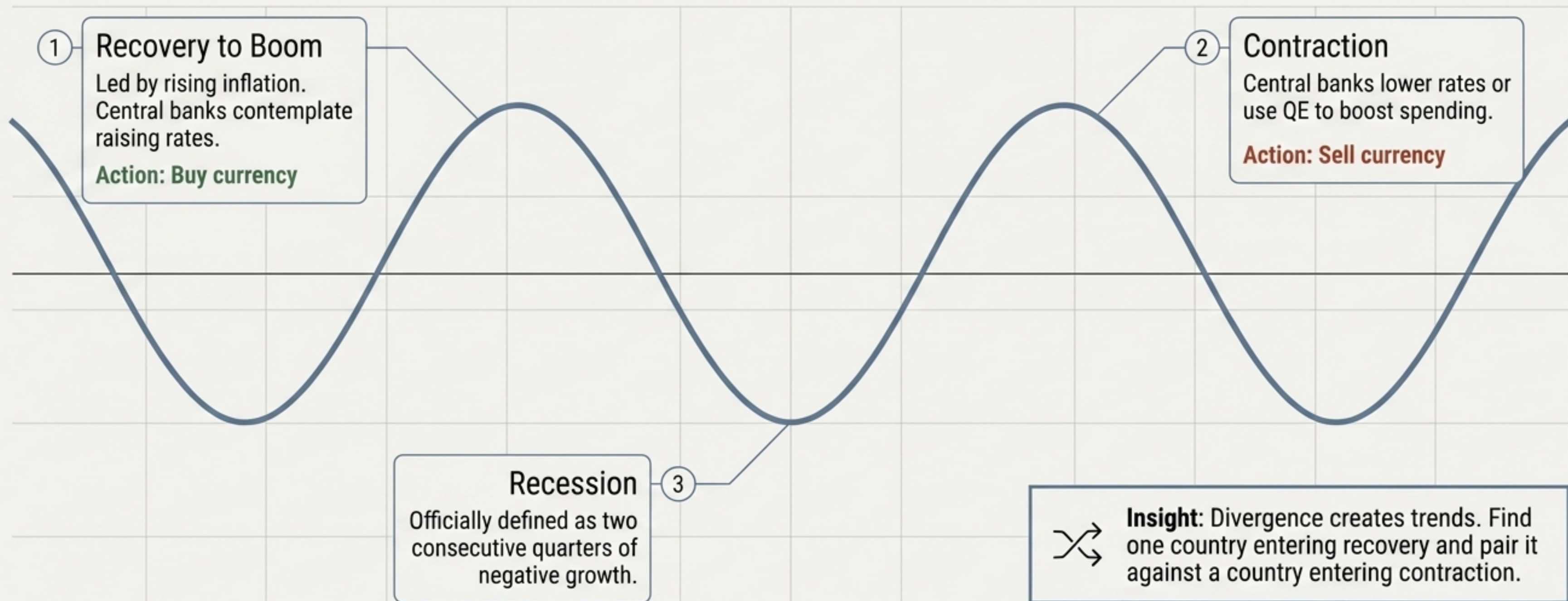
Bank of Canada cut rates twice (preventing recession) while the US Fed hinted at raising rates.

Result: Massive downtrend in CAD vs USD.



Mapping Strategy to the Global Business Cycle

GDP = Consumption + Business Investment + Government Spending + Net Exports. Currency strength shadows GDP growth.





The Intermarket Web of Commodity Currencies

A nation's currency is only as strong as its **primary export market**. If an importing partner slows down, the **exporting currency** suffers, regardless of local economic data.



Diagnosing the Risk Sentiment Environment

Risk-On Environment	Risk-Off Environment
Environment: High market confidence and stability.	Uncertainty, political instability, or financial turbulence (e.g., Brexit, China slowdown).
Investor Focus: Generating maximum return and seeking higher yields.	Investor Focus: Capital protection and retaining
Winning Assets: Equities (Stock Market), AUD, NZD, CAD. 	Winning Assets: Gold, US Government Bonds, Japanese Yen (JPY), Swiss Franc (CHF). 
Losing Assets: Safe Havens.	Losing Assets: Equities, Commodity Currencies.

Rule: Never trade against the prevailing global risk sentiment.

The Architecture of Market Psychology



Political Instability

Markets demand the status quo. Unexpected political events create instant uncertainty. Money aggressively **abandons** the affected currency and flows directly into safe havens like the JPY and CHF.

Fair Value and Market Breakouts



Inside the Box: Ranging Markets

Buyers and sellers are in total agreement on the Fair Value of a currency. Anything below the median is cheap; anything above is expensive. Price moves sideways.

The Breakout: Trending Markets

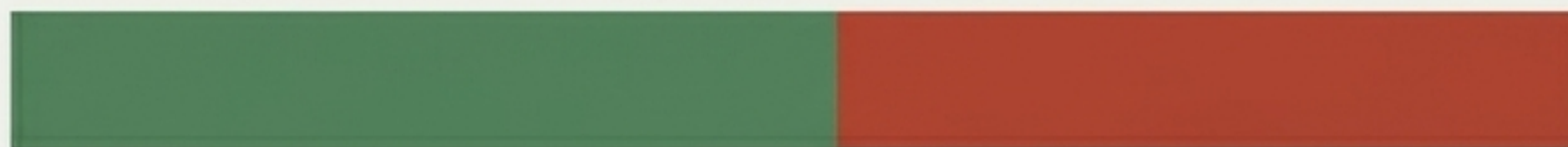
Price breaks out when underlying fundamentals shift (e.g., central bank policy change or Risk-On/Risk-Off flip). One currency is suddenly perceived as vastly undervalued. Price trends aggressively until a new Fair Value is found.

Tracking Institutional Money with the COT Report

Issued by the CFTC every Friday, it aggregates positions in the US futures market, revealing exactly where the Smart Money is positioned.

Commercials (Hedgers)

Businesses protecting against price swings.



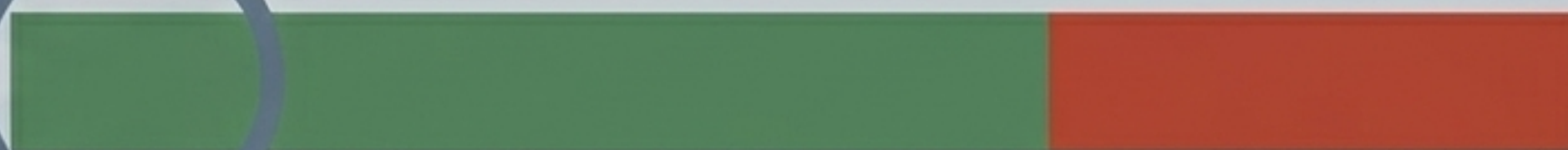
Non-Reportable (Retail)

Small speculators.



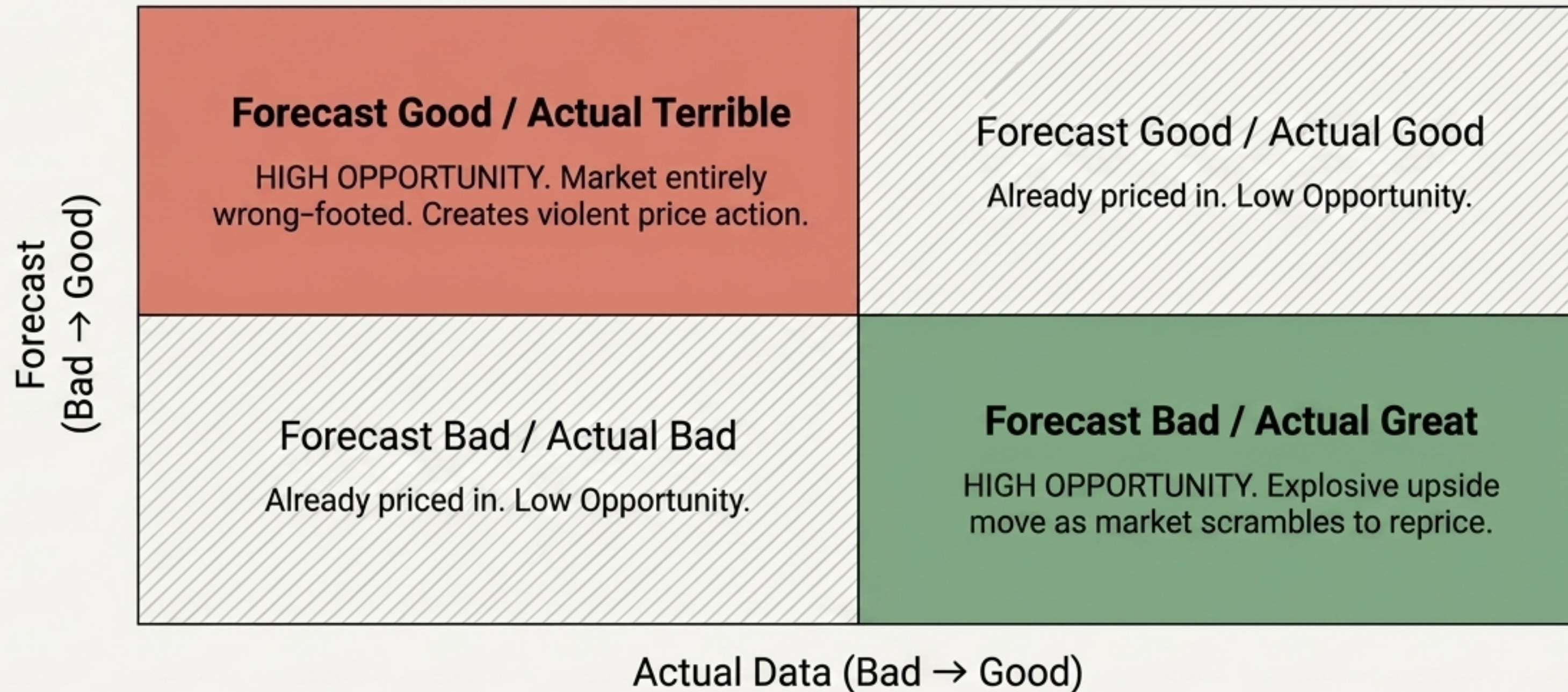
Non-Commercials (Large Speculators)

Hedge funds and major banks.



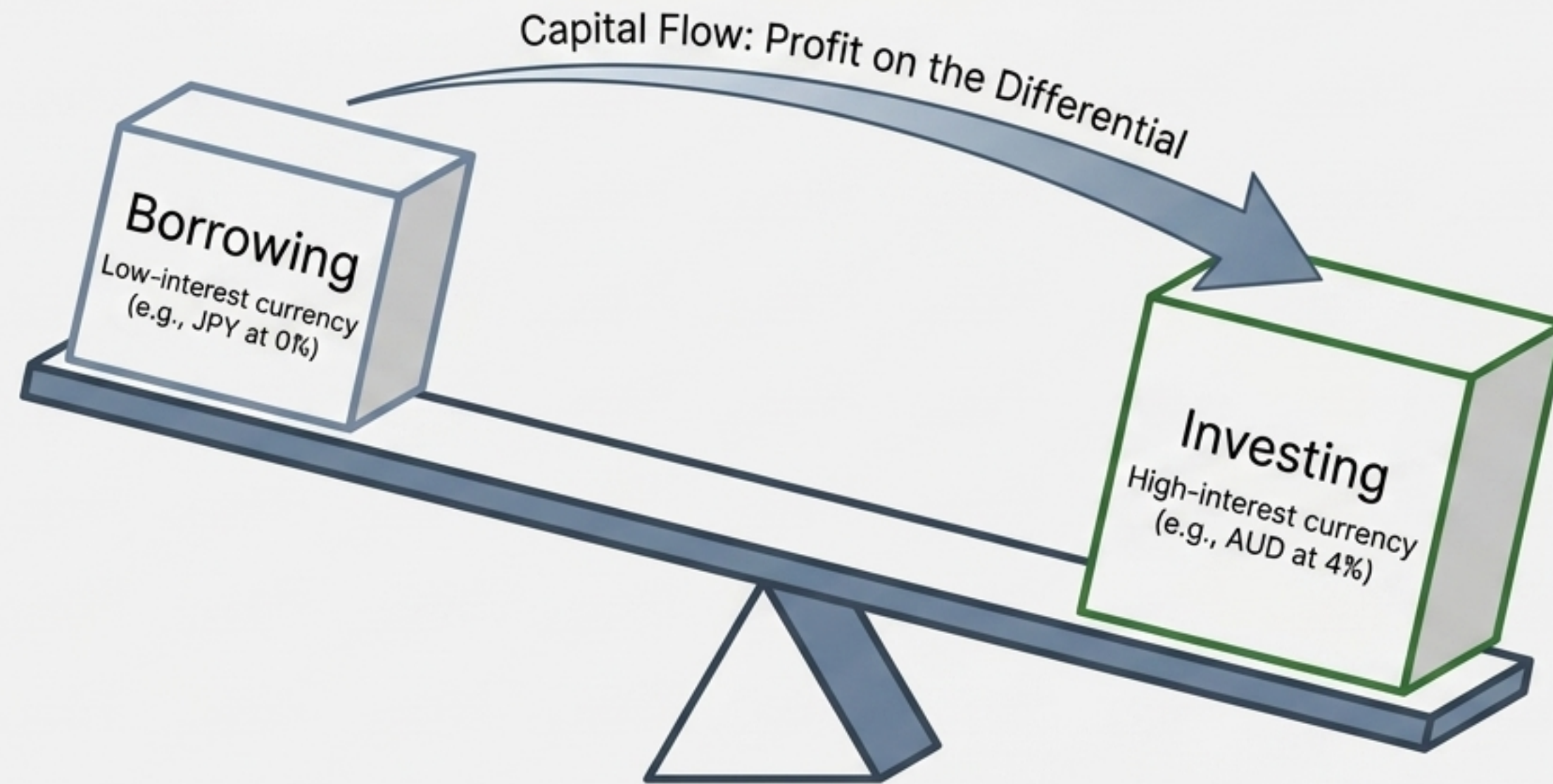
Action Trigger: This is the critical data point. Use changes in Net Non-Commercial long/short positions as confluence. If fundamentals suggest a currency is strong, ensure the large speculators are heavily net long.

Capitalising on Unexpected News Data



Core Insight: Never trade the news itself; trade the asymmetry between market expectation and reality.

The Carry Trade Mechanic



The Strategy:

Borrowing a currency with a rock-bottom interest rate to fund investments in a currency with a high interest rate.

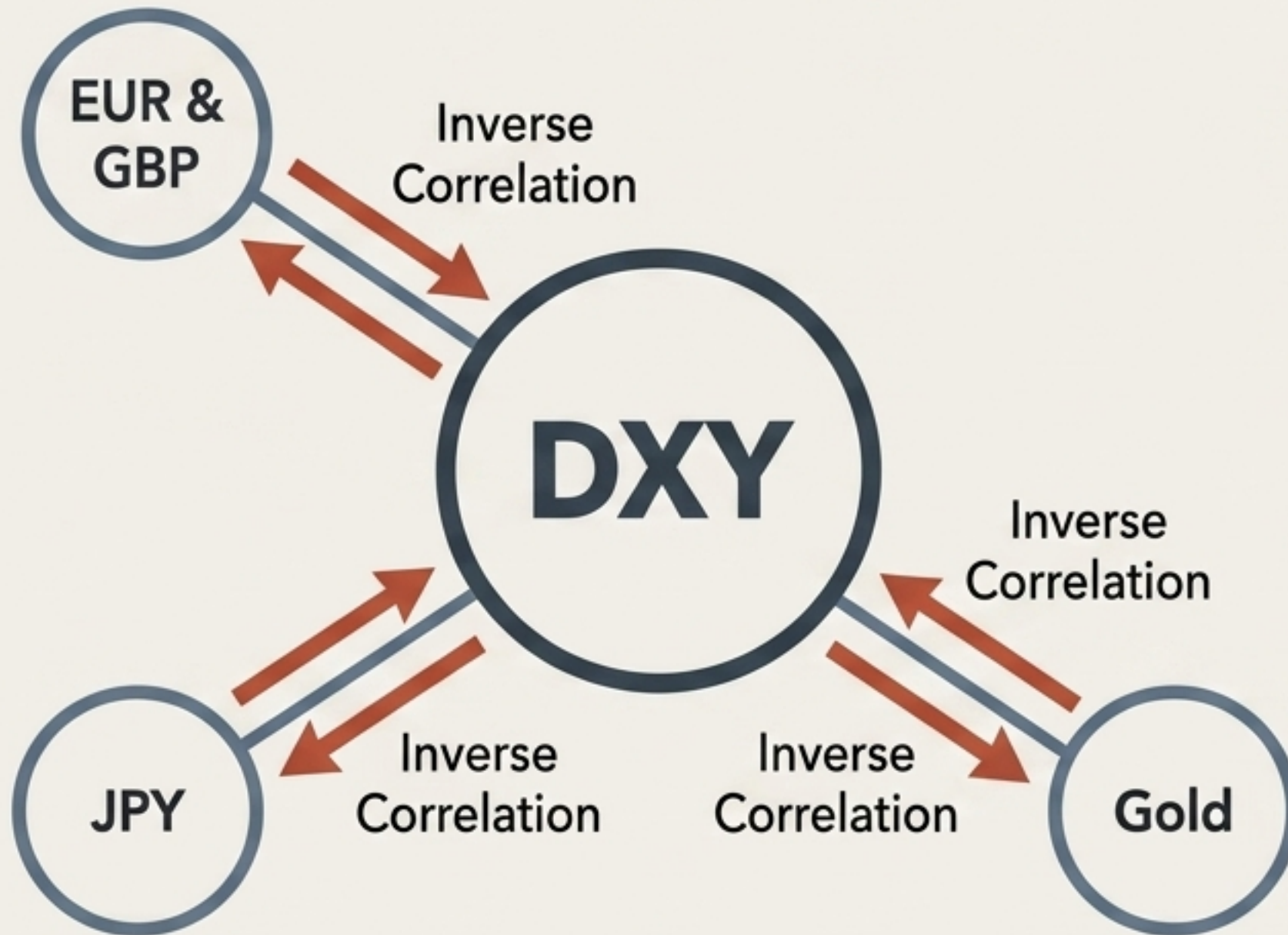
The Profit Engine:

The trader makes money purely on the differential between the two interest rates.

Crucial Constraint:

Thrives exclusively in Risk-On environments. In a Risk-Off panic, capital violently unwinds out of the high-yielding asset and rushes back to the safe haven, crushing the carry trade.

The Gravitational Pull of the US Dollar

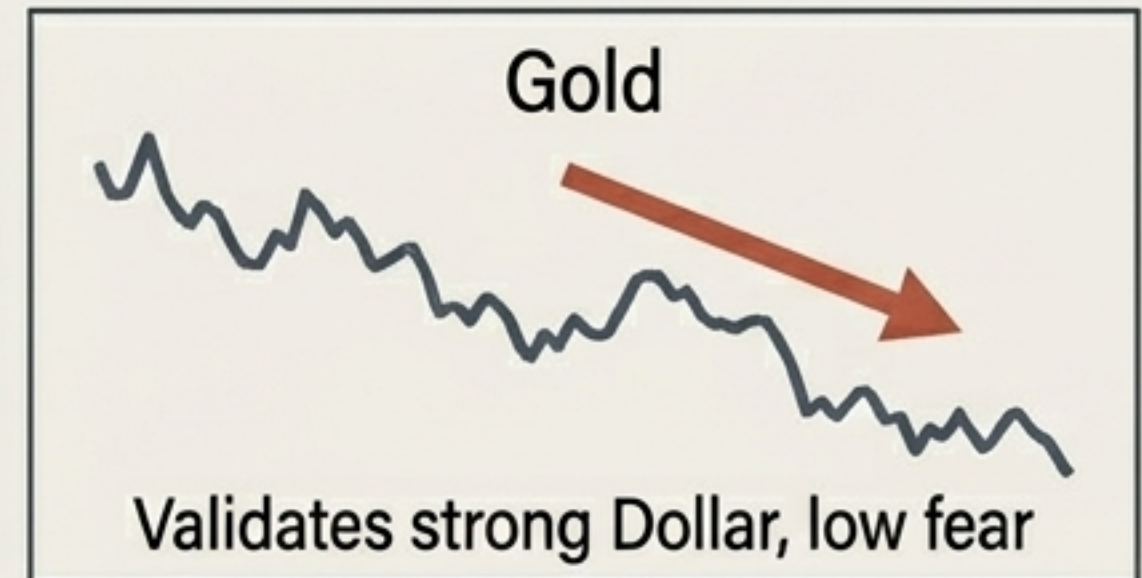


- **Definition:** The DXY measures the value of the USD relative to a basket of foreign currencies (primarily Euro, Yen, Pound).
- The **Inverse Law:**
 - **Currencies:** A falling USD automatically increases the value of opposing currencies, especially the Euro.
 - **Commodities:** Gold is **inversely correlated**. If the Dollar drops, it costs more dollars to buy an ounce of Gold. Investors also flee to Gold as an alternative store of value.

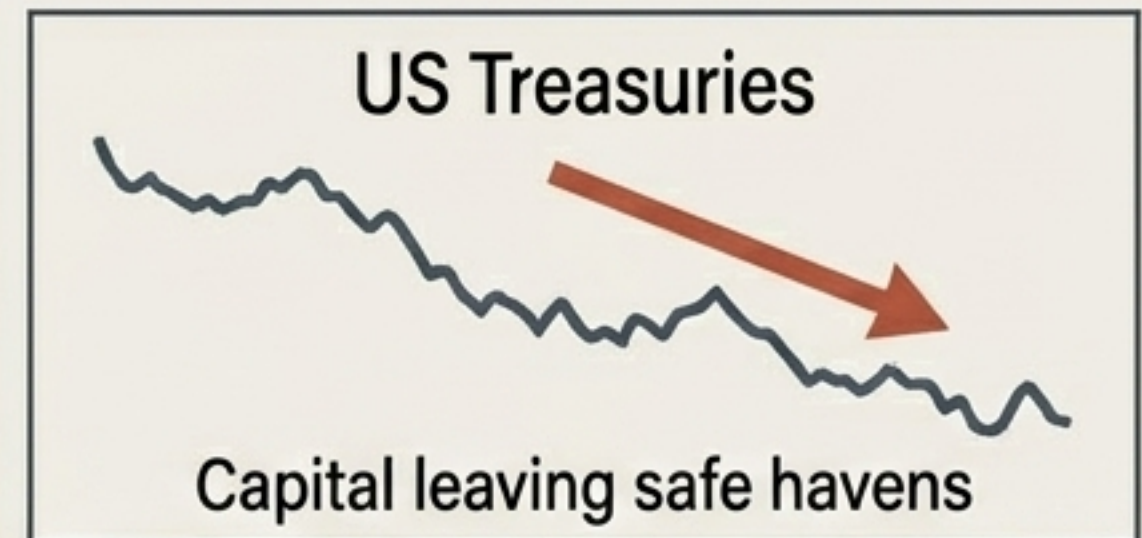
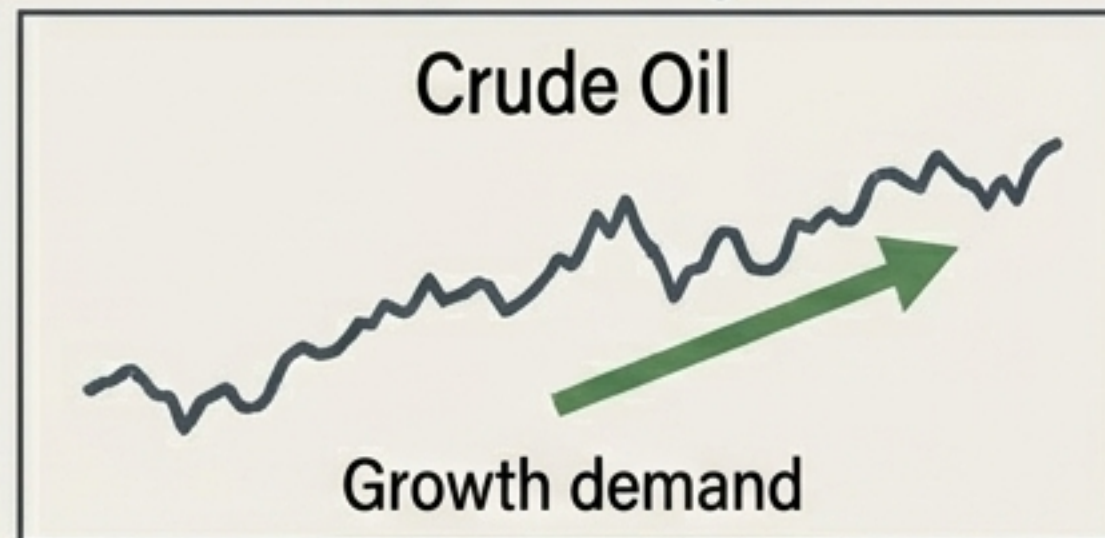
Rule: Never execute a trade on a major USD pair without first checking the trend of the DXY.

Synthesising the Intermarket Terminal

The Anchors



The Risk Gauges



The Fundamental Verdict: Stocks are high, oil is up, and gold/bonds are down. Confirmed Risk-On environment.

Trade Execution: Buy high-yielding commodity currencies (AUD, CAD, NZD) and sell safe havens (JPY, CHF).
Action: Long AUD/JPY.

The Fundamental Execution Checklist

1

Map the Business Cycle

Where are the target countries in their growth cycle (Boom vs. Contraction)?

2

Diagnose the Environment

Is the broader global market currently Risk-On or Risk-Off?

3

Check Central Bank Divergence

Are the two central banks moving in opposite directions on the interest rate cycle?

4

Verify Institutional Sentiment

Does the COT report confirm that Smart Money large speculators are backing the move?

5

Execute via Technicals

Only now do you open the technical charts to locate the value area and time the optimal entry point.