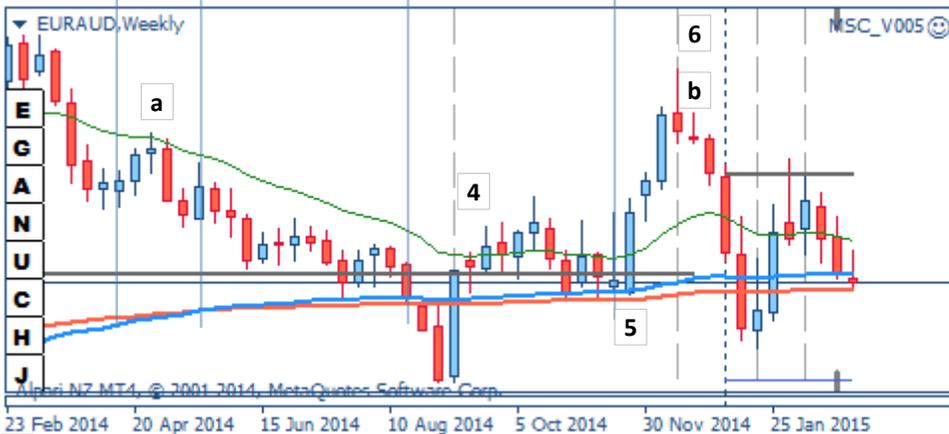
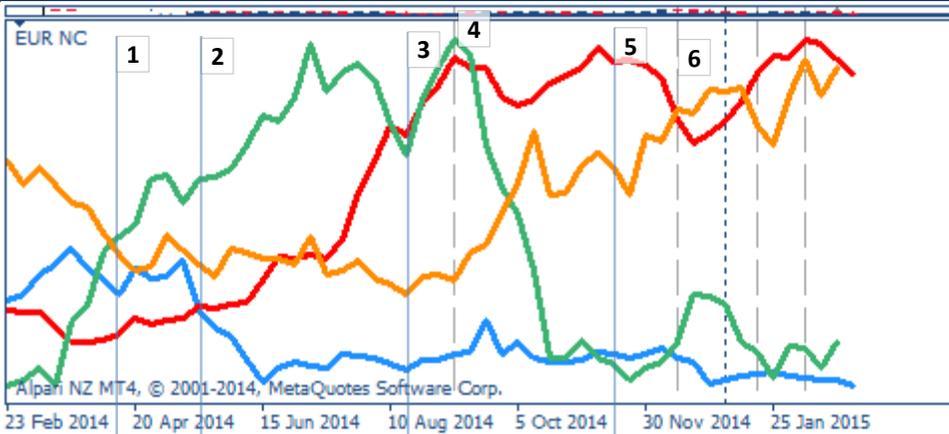


EURAUD Tuesday, 3rd of March 2015



(1) The price has just broken below the 20 EMA on weekly indicating a possible start of the new trend. AUD longs have been increasing a couple past weeks, while AUD shorts were decreasing. EUR longs and shorts remained largely unchanged, so we can speculate that the trend was fueled by AUD speculators at that point. At (1) COT reached turning point, speculators became net long on AUD.

Note (a) where the price retraced back to 20 EMA providing a good price action pattern to watch for possible sell entry on Daily.

(2) Now EUR speculators became net short, further confirming bearish bias for EA.

(3) As the price got to the 100 and 200 EMAs support the COT was lined up very bearish for EA. When the next week closed very bearish below the EMAs and another week followed with an unsuccessful test back to the same level, confirming that prior support now became resistance, it seemed that nothing will stop that trend. With the benefit of hindsight we can see that it was not the case.

(4) This week closed up, cancelling all price action in the previous two, breaking through the EMAs and stopping only at the yearly pivot. Such a move does not seem to make any sense in terms of COT data, as all the volumes were lined up very bearish for EA. There are 2 important points we have to remember in order to understand such moves:

1. The price always comes first – even the largest market participants that we are watching on COT data will lose money at some point as they cannot predict where the market will go. They are playing a probability game, just like we are.

2. The COT data is reported for currency futures. These traders are not trading EA trading pair, they are buying and selling AUD future and EUR future separately, as explained before.

The reasons for this move are covered in detail in last week AU analysis.

(5) With both EUR and AUD now lined up down on COT data, we cannot expect any consistent long term trend on EA. The best conservative decision is to avoid trading such pair. Aggressive choice is to analyze price action and see which side is more likely to give up when the price is stalled. Here at (5) is a great example of both currencies struggling for leadership, as the price is locked between 2 EMAs and yearly pivot for a couple weeks. When the week after (5) closed very bullish there was a good entry available on Daily chart (see 1st-3rd of December).

(6) The price reversed on Weekly once again, with the COT speculators still aligned sideways for EA. We could use the knowledge that the bullish trend from (5) to (6) is not supported by both currencies and try to trade against it in the area of (b) when the price broke below the red support level and then 20 EMA.