

GBPAUD Tuesday, 3rd of March 2015



(1) Unlike EA, GA COT speculators were buying both GBP and AUD (in terms of their net positions) the first half of the previous year, resulting in a sideways market for many months, 20 EMA going flatly through the price. Notice 2 strong bullish bars trying to break the upper flat boundary at (a) and (b) but failing each time – very good signs of bearish control in terms of price action. The bar at (b) resulting at a triple top as well.

Just like with EA it was very hard to trade the strong week at (1).

(2) After the price broke above the past flat boundary (dotted line on (a) and (b) highs), it was pulled back by the bears and traded in that area for 6 weeks before breaking below on the bar prior to (2), stopping at the lower boundary of the same flat earlier that year (red dotted line). We can see AUD shorts dominating the COT chart, however GBP longs are very low as well and GBP started to increase. The overall picture is still much more bullish for GA than it was for EA the same time of year.

Even though it is not the best trending market, we could have started looking for buys after the price broke back above 20 EMA along with our weak bullish premise.

(3) Still very little speculators are buying either GBP or AUD and short positions are dominating for both currencies. In this situation our premise is based only on price action. With the bearish move coming ~50% of the previous bullish leg, only to rest on triply support of 20 EMA, yearly pivot and bullish TL, the premise for the weekly trend is clearly bullish.

Going down to Daily TF we can see the price trading in the support area, unable to break the prior low for 3 days before starting to move up at (c). As the price closed above EMA there was a good chance to enter on the correction on the next day (3rd day of the bullish move in the area of (c)).

(4) The price bounced from the round number level 2.0000 and started a sideways move lasting for more than 2 weeks already. AUD shorts reached a new high but once again, GBP is not supporting a bullish move on GA.

(5) The price was not able to break neither side of the range, being squeezed by the pattern line above and 20 EMA below. The overall pressure remains bullish, but if the price manages to break below the EMA and the lower boundary of the range, a lot of bearish volume will enter in the market, both sideline bears selling and bulls bailing out of their positions.

Notice false bullish break at (d) that was quickly faded by the bears. On H4 we can see that the bears were cancelling any up moves very aggressively and down candles were much stronger overall in the past couple days.

In any case, given the lack of clear bias in COT data and the price trading in the range, both sides are risky at the moment.