

EURJPY Friday, 13th of March 2015



(1) COT traders are bearish for both EUR and JPY, expecting to change trend direction often. The price has been trading in a range slightly below EMA. Just recently it broke above for 2 weeks, but was quickly rejected.

This week spiked below the lower boundary of the range, but closed back above – a bullish sign. 2 weeks later the price was already above EMA and breaking the upper boundary of the range providing strong bullish bias. COT was still undecided for EJ cross so going long with short targets, expecting the trend to reverse any time.

(2) Let's analyze the turning point on Daily in detail. The first sign came with candle (a). The next 2 weeks continued slowly up, just reaching the previous high on candle (b). On daily we can see clear change of momentum, and by the time candle (b) closed down, we could put the upper range boundary and lower support on swing long at (a). Candle (c) reached EMA for the first time since the start of the trend, and the bulls showed a weak bounce, reaching the high of (c) in 2 days. The next day closed below all previous candles and below EMA – if we are ready to put our SL above (b) or (c) it was a possible entry trigger. Candle (d), however, failed to follow through, being rejected on the break below support, after which the price was squeezed between the support and EMA.

A very good entry was available on the break below (e), after the day after it closed bearish as well. That break would take care of low at (d) and we were already below the support. To boost, SL could be put closer to the entry.

(3) The next good entry opportunity could've been perceived as the price broke above the past support, but closed right below it, making it now into resistance (note also 2 bearish weeks before the correction, with the shadows showing some struggle pushing through that level). This and increasing EUR shorts were enough to start looking for entries on lower TFs.

(a) After 2.5 weeks of correction the price broke above Daily EMA and long term SR level. The next 3 bars pushed the price back below, showing that the bears are still strong.

(b) Another bullish attempt to buy from the short term support (the bars at vertical heavy dashed line). Once again, the bears defended the same resistance level very well. At that point we could see the price trading in a range.

(c) This bar shows that the bears tried pushing below the support and succeeded for a while (imagine how the candle looked when the price was at its low), but the bulls bought the lows once again. Still no signals, but we are waiting only for sells with our long term bias.

(d) This candle marked the first time when the bears pushed below the support, without immediate bounce. The next 2 bars are showing neutral bias. Break below this candle provides a good entry, because it will simultaneously break the low of bar C, we are trading away from EMA and with strong bearish bias.