

GBPNZD Wednesday, 4th of March 2015



It would be difficult to choose a worse trading pair in terms of a trend during the 2014. The speculators on GBP and NZD almost mirrored each other, consistently taking the same side on both currencies. As we are looking at the cross between GBP and NZD here, we need them to be pushing in the opposite sides in order to see any consistent trend and that did not happen in the past 12+ months.

Let's look at a couple areas and try to analyze the balance of power for educational purposes.

(1) Slightly bullish area, with the price moving up in a sideways channel. The price was rejected below the yearly pivot and then was struggling its way through the EMAs, stalling for 4 weeks in the area of 20 and 100 EMAs. It ultimately reached the 200 EMA but was rejected above it.

The COT data is strongly bullish for both currencies, forcing the trading pair to bounce from one direction to another in a sideways move.

Because of the way EMAs were going flatly through the price, we could have assumed after the bounce at the end of area (1) that the sideways market can continue for a long time.

(2) Completely sideways market, even more so than (1). After the bounce from the 200 EMA, the price retraced back to 100 EMA and was trading up and down around it for 6 straight weeks. It finally reached the 200 EMA again, only to stale there for another 6 weeks and go down.

Notice that the spike in NZD shorts had very little effect here, as GBP longs started dropping around the same time.

(3) The same strong move that we saw on GA and EA happened here as well. The week at the start of (3) opened below the 100 EMA with a big gap and was instantly bought up until it closed above the previous week and 200 EMA. The next week we could see a spike in GBP buying on COT data, suggesting that the bias became slightly bullish. Trading this move would not be a good idea, in view of overall situation on GN.

(4) This period started with the price being violently rejected from above S1 level. At the same time both GBP and NZD COT became undecided, with shorts and longs being about the same.

(5) Here GBP COT became bearish while NZD was still undecided, finally providing at least some real bias to work with. At the same time the price reached the bearish TL and was instantly sold from there, resulting in a much lower close. This gave us a reason to look for sells on lower TFs.

(6) The price started down very slow as it was struggling through 20 and 100 EMAs on Daily. When it finally broke below and then retraced up to the 200 EMA there was an opportunity to sell. Bearish bias was even further confirmed at (a) when the bulls managed to force the price back to 100 EMA, only to be rejected and pushed much further down.