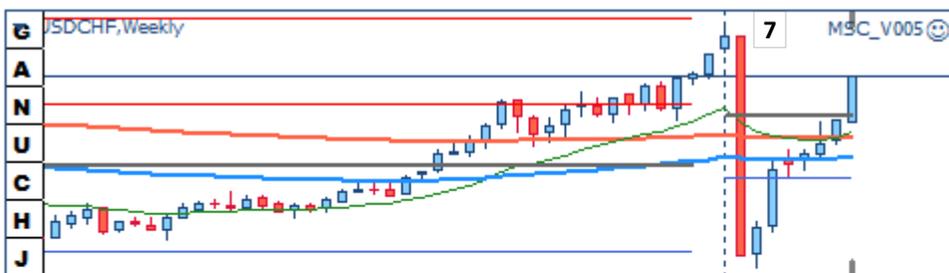
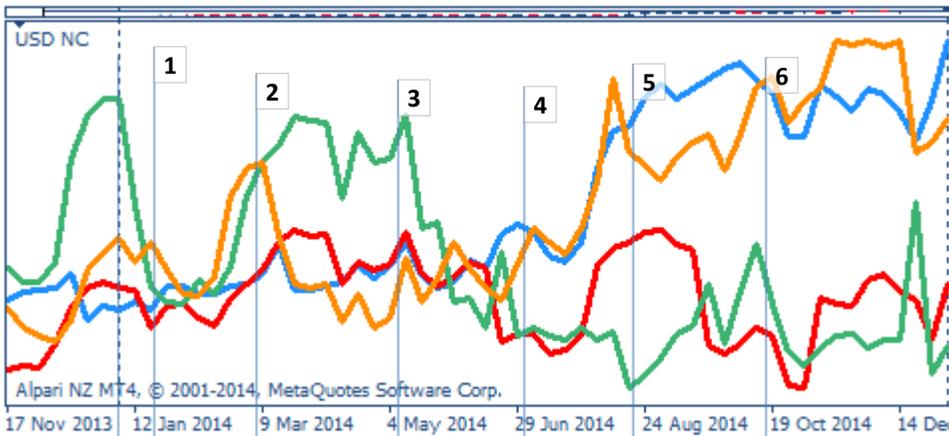


USDCHF Sunday, 8th of March 2015



(1) After the spike in CHF buying most traders closed on the first candle in their direction. COT speculators became indecisive on both USD and CHF.

Note price action, however, where the price tried to break 20 EMA but failed on numerous occasions. Aggressive CHF buying (pushing UH down) happened right on the first break of the average. This is a bearish sign – the rejection of the price on the attempt to reverse the trend (break the EMA).

(2) The speculators still do not have a strong bias in either direction on either currency. As soon as CHF traders started buying, equal amount of CHF traders started selling. Right after (2) CHF shorts started bailing out, possibly believing that it is their last chance to close without major losses. Their buying led to a strong bounce from the EMA again, showing bearish bias. We would have started looking for shorts there.

(3) USD still indecisive, CHF still bullish – overall bias is bearish for UH. We could have sold during the small bearish weekly bars right before (3).

The bar at (3) closes very bullish, trapping breakout traders who sold at the low. We can see that new bulls have entered the market at (3) and now they are in pain. If our position was not stopped out yet, we should have closed it here as the bias is changing to very bullish. The main rule: if the price is not going where it “should” have gone and the traders are trapped in losses, we expect the market to reverse, fueled by the traders bailing out.

(4) The price is now above the EMA, stalling in that area. Both USD and CHF speculators are supporting bullish premise on UH. We are looking for buys.

(5) Another great opportunity to enter long, as the price was building up below the 100 EMA and finally broke through. Note CHF sellers closing their positions just prior to breakout: the market possibly shaking off weak participants. On the other hand about the same amount of CHF buyers also closed their trades, balancing the overall CHF net position. It can possibly indicate that some speculators are unsure about the further direction of the price and prefer to stay on the sidelines until further clarification – but it is only my opinion and remains to be seen if there is any practical use to it.

(6) Finally, another good buying opportunity, as the price corrected back to 200 EMA but was aggressively rejected from it.

(7) This picture shows the most recent price action. We can see the huge bearish week during the CHF chaos on 15th of January. I removed the candle shadow to make the chart easier to see – the price traded much lower for some time.

We can see that there were A LOT of CHF shorts with very little longs. The shorts increased the next week, pushing the price a bit higher, and that’s when most large traders started bailing out.