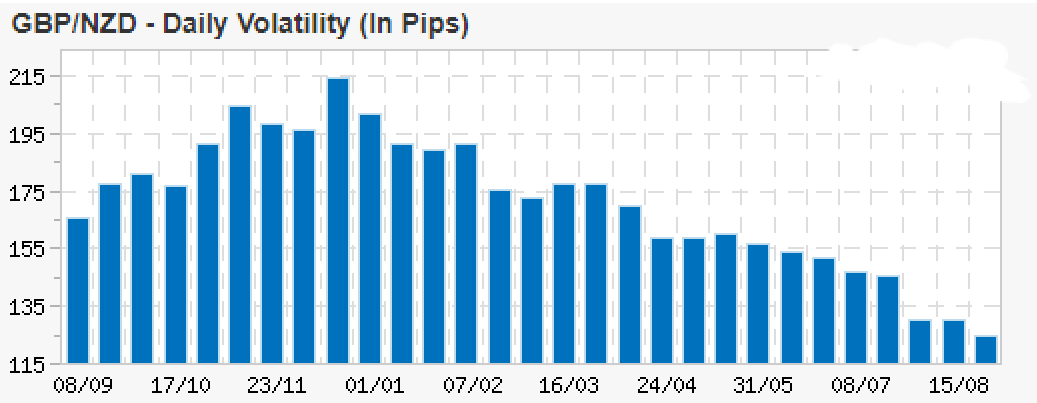
Why lowering volatility is a concern?

Summer, the yearly doldrums in the markets we know can be better avoided. Nearing September the signs should be that the vibrant market returns. However this year is different for a few reasons. Volatility is down big compared to last year, in this article I will try to explain my views on why this may be the case, the effect of regulation and why volatility should be every trader's concern.

Why a concern? If volatility continues to be down 30/40 percent a month, for a trader that is a drop of 60 percent a month, 20 percent would be on moves that traders don't trade due to news and overnight volatility, for a trader, movement is opportunity if there is a drop of movement there is a drop of profit- simple.

Ask yourself this. If Adidas were concerned that their profit was going to drop 50 percent do you think they would not be not addressing the problem head on!



Invest.com/source

GBPNZD is the biggest beast in FX, and its struggling, traders like Strat are starving for pip's, but jokes aside look at the consistent drop in daily Movement. Normally there is drop in summer but usually we drop to 140 pips ADR and stay stable at that level, however this year it's consistently dropping.

So it's happening. But why?

This question is hardest to answer, but there a few factor's, 1- less is happening politically, GBP dominated last year, Korea tension, stocks market fears all helped keep FX moving very well last year. 2. Crypto has taken a bite, traders that love the movement of crypto and the idea to trade them is great for the modern trader, lots of new traders that would normally go into fx/indices have gone into crypto. If you think it ended with the drop of bitcoin from 18k to 6k then you're wrong, cost of trading has dropped on crypto massively and more traders love the up and down movement of this instrument. Institutional capital has accepted crypto more and more as time has gone on. It's here. Get used to it.

3. ESMA regulation's has dropped leverage, across Europe, there are plans and sign's all round that it would be soon worldwide accepted regulation. During my own calls to regulators it seemed these rules are here to stay even though it's only being implemented for 3 months. If traders are trading less size. There is less money in the market, less money –less profit simple.

A glance into my next article.

How do we adapt?

Stock traders typically scan market's for best movement, Fx traders may have to do the same and add currencies like USD/TRY to their possible instrument's to trade. Other ways of adaptation are adding other instruments you have not traded before. Bitcoin, certain stocks. A future watch list may include GBPJPY EURUSD DAX BITCOIN TESLA AMAZON

Concluding this page, the smart move is to prepare before movement sinks further, the lowering ADR is not yet a major problem but we must be prepared if this situation becomes the norm.

A final thought provoker.

Do you think regulators don't know what they doing with their actions, string puller's want a slower market, why? One reason could be easily highlighted with the recent Stock market drop, it dropped massively in 3 days. Imagine that carried on for 10 day's. Carnage. A slower market is easier to control.

Joke of the article

As I was writing this article, GBPNZD Popped 150 pips. Nice!

Read more on

ESMA: https://www.fxstreet.com/analysis/trading-forex-in-europe-this-is-what-the-new-esma-regulations-mean-for-you-201804131324

Forex stats: https://uk.investing.com/tools/forex-volatility-calculator

More data and correlation: https://www.mataf.net/