

AUDCHF Monday, 9th of March 2015



(1) We are starting in a bearish trend (below EMA) with strong bearish bias on COT data as well: AUD shorts and CHF longs high, while AUD longs and CHF shorts low. After the next bar after (1) closed bearish we would have assumed a bearish bias and started looking for short entries on Daily.

(2) By the time we reached a new low on AH cross, most CHF buyers bailed out and CHF became around net zero on COT data. Even more AUD sellers entered the market, and yet the price bounced back (bullish bar at (2)). In such situation we start looking for AUD shorts to bail out in losses as an early signal of changing bias, even before AUD becomes net long.

(3) Here we can see many AUD shorts closed their positions. CHF speculators are still around net zero, even though both shorts and longs increased their positions.

If we look at price action, we can see a recognizable head and shoulders pattern, suggesting a bullish bias for AH.

(4) AUD longs started increasing their positions around (3) and still growing – AUD became net long. CHF became net long as well, but we can see that the price is failing to go in direction of this currency (the failure is visible on UH pair as well). We expect CHF longs to start closing losing positions, which should fuel the trend on AH to go up with much more strength.

Notice how the price bounced from combined support of 20 EMA and extended neck line 2 bars prior of (4) – great place to look for bullish entries.

(5) After both CHF and AUD COT positions were supporting bullish trend on AH it was unusual to see it continue with slow speed and many sideways pullbacks. As always, it is important to analyze major pairs to see real price action that this COT data is based upon. On AU we can see that the price is stuck below yearly pivot and any attempts to break above are countered with a lot of bearish pressure. Whatever the reason was, AUD longs could not push the price higher, no matter how hard they tried.

Apparently, the trend in AH continued up because of CHF, not because of AUD.

(6) The price just broke above yearly pivot and was instantly forced back below, locking a lot of AUD bulls in heavy losses. Analyzing AU and UH will help to see that CHF traders are still doing find, and CHF bias remains bearish, while AU bulls were increasing their positions just prior to collapse and AUD bias now changes to bearish. Because of both currencies aligned in the same direction, we do not expect a strong and consistent trend in cross pair.

(7) AUD became even more bearish while the price has been trading sideways around EMA for 10 weeks now. Looking on daily chart we can see price action around November pivot with bears being visibly stronger – both bullish attempts were countered within 1 week. Aggressive short entries are possible as the price closes below pivot at (a) and (b).