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Trade Pattern Ideas

GBP/NZD 1H Chart: Channel Down



Comment: At the beginning of the week GBP/NZD came close to the upper boundary of the falling wedge forming in the daily chart. As a result, the pair bounced off of 2.1240 and pierced through the five-week up-trend line, exposing the February low. Accordingly, we are bearish on the Sterling and expect the rate to keep falling within the descending channel. If both the weekly S2 at 2.0770 and the previous month's minimum at 2.0630 fail to initiate a rally, during the next several days GBP/NZD may already test demand circa 2.0550, where the weekly S3 reinforces the lower trend-line of the pattern. In the meantime, positioning among the SWFX traders reveals that they are currently undecided—49% of positions are long and 51% are short.

	Level	Rationale
R4	2.1100	Up-trend; 200-hour SMA
R3	2.0978/75	Daily R1; weekly S1
R2	2.0850/43	Daily PP; resistance level
R1	2.0800	Down-trend
S1	2.0773	Weekly S2
S2	2.0657	Daily S1
S3	2.0632	Feb low
S4	2.0555/30	Daily S2; weekly S3; down-trend

Indicator	1H	4H	Day
MACD (12; 26; 9)	Buy	Sell	Buy
RSI (14)	Neutral	Neutral	Neutral
Stochastic (5; 3)	Neutral	Neutral	Neutral
ADX (14)	Neutral	Neutral	Neutral
CCI (14)	Neutral	Neutral	Buy
AROON (14)	Sell	Sell	Sell
Alligator (13; 8; 5)	Sell	Sell	Sell
SAR (0.02; 0.2)	Sell	Sell	Sell
Aggregate	↘	↘	→

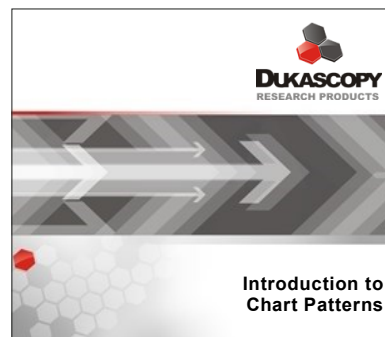




Comment: Although EUR/CAD appears to be trading in a well-defined channel at the moment, there is little room left for the Euro to go lower. The technical indicators are also mostly pointing south, but the fact that the currency pair is fluctuating near an intersection of the four-week and 12-month rising support lines, trumps these bearish signals. Accordingly, while we might see a sell-off from 1.4754/43 after the current rally, the downside is to be limited by a demand area between 1.4685 and 1.4650. The rate is soon expected to breach the red trend-line and set course towards 1.4840, namely the March 27 high. Meanwhile, there are other arguments against a prolonged recovery—the Euro is overbought with 74% of all positions being long.

	Level	Rationale
R4	1.4839/36	Daily R2; Mar 27 high
R3	1.4769	Daily R1
R2	1.4754/43	Weekly PP; down-trend; 200-hour SMA
R1	1.4714	Daily PP
S1	1.4685	Up-trend
S2	1.4669	Weekly S1; down-trend
S3	1.4655/47	Daily S1; up-trend
S4	1.4607	Mar 23 low

Indicator	1H	4H	Day
MACD (12; 26; 9)	Buy	Sell	Buy
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