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Trade Pattern Ideas

EUR/GBP 1H Chart: Channel Up



Comment: The British Pound is weakening across the board, giving the Euro a good opportunity to outperform it. The main reason to be bullish the common currency, however, is the fact that the pair has recently established an ascending channel, and at the moment it is near the lower boundary of the pattern. In addition, the four-hour indicators are giving 'buy' signals and the market is overcrowded with bears (65% of positions are short). Consequently, we expect the price to rebound from 0.76 and start a rally, which will likely extend up to 0.78 before there is a significant retracement. Meanwhile, if the rate dips beneath the trend-line at 0.76, the target will be the 200-hour SMA and daily S3 at 0.7530.

	Level	Rationale
Resistance 4	0.7713	Daily R2
Resistance 3	0.7694	Jan 15 high
Resistance 2	0.7681	Daily R1
Resistance 1	0.7638	Daily PP
Support 1	0.7606/00	Daily S1; weekly PP; up-trend
Support 2	0.7563	Daily S2
Support 3	0.7531	Daily S3; 200-hour SMA
Support 4	0.7504	Weekly S1

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

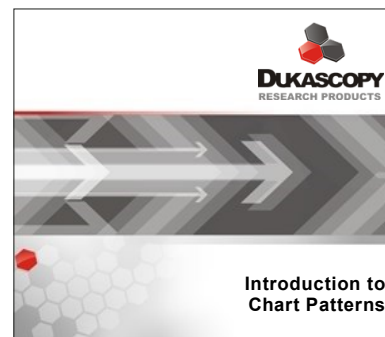
GBP/USD 4H Chart: Channel Down



Comment: Since the last week of December, the Cable has been trading within a narrow but at the same time solid channel. Being that the studies are either bearish or mixed and the Sterling is overbought (63% of positions are long), there are no reasons to expect a reversal but one—the price is at the 2010 low. However, the initial reaction after the test of the historically important level was shallow, meaning demand near 1.4230 is unlikely to be enough to stop the sell-off, and the near-term rallies should be capped by the monthly S2 and the falling trend-line at 1.4390/70. Below 1.4230, the currency pair should aim for support at 1.4050, followed by the 2009 low at 1.35 dollars.

	Level	Rationale
Resistance 4	1.4725	Weekly R2
Resistance 3	1.4567	Monthly S1
Resistance 2	1.4494	Weekly R1
Resistance 1	1.4390/73	Weekly PP; monthly S2; down-trend
Support 1	1.4229/00	Down-trend; 2010 low
Support 2	1.4142	Weekly S1
Support 3	1.4053/21	Weekly S2; monthly S3
Support 4	1.3790	Weekly S3

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



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