EURUSD Friday, February 27, 2015

(1) E sells have been increasing along with U buys, even though the market was sideways - on weekly the candles are not even visible behind the blue 100 and red 200 EMAs. U sellers have been increasing during the past couple weeks as well, possibly expecting a considerable bounce from the EMAs support. When the price broke down in a powerful bearish candle next week, the speculators playing against U started losing heavily, but not giving up just yet.

(2) E sells and U buys increased even further. Traders fading the dollar trend are in heavy losses already and now starting to bail out, visible in decreased U short positions. Notice how the next week the price started bullish and reached the yearly S1 level (blue line) but then the candle turned very bearish. By the end of that week (the next one after the vertical line at (2)) virtually all U sellers were gone, accepting their losses, while even more buyers entered into the market.

(3) E sells have been decreasing somewhat during the past 3-4 weeks, possibly the bears taking their profits. E buys are still very low - no one is eager to start fading such a strong trend.

(4) As the price broke below the previous low (marked with red dashed line), the bulls kept trying to push it back above, failing repeatedly. On COT data we can see the reduced amount of U buys and E sells, while U sells were increasing. In a weaker trend this would have been a correction, reaching at least 20 EMA, but here the price kept coming down despite all the pressure. It has been squeezed between the prior low and the yearly S2 level (blue line). Sooner or later one side had to give up.

(5) A very interesting development: both E sells and U buys have decreased as the price was approaching the lows. It is my understanding that when the price starts trading in a range after a strong move, it means that the market is heavily oversold (or overbought in the opposite case) and the market needs to shake off weak participants before moving on, as the market cannot continue going in the same direction paying the majority of traders - their profits have to come from someone else's pockets. At the same time, no one is willing to start selling at these levels, and the market needs the bearish volume to go to lower levels. As weaker (or shorter term) bears start taking their profit, they push the market a little bit up, along with any early bulls who start fading the trend. In this case the price have been repeatedly pushed to the Red resistance (on weekly) and new bears were able to sell from there.

Now coming to Daily, we can see the start of the new bearish leg down. Notice the bullish day closed above December pivot, just before (5) and the heavy bearish candle breaking down and closing at December S1. A very bearish signal and a good time to watch for entries on H4.

(6) The price stalled again, this time with record selling in E and buying in U. On Daily we can see how bulls were fighting to push the prices up, but failed to break the February pivot, as well as green EMA on multiple attempts. Red dashed line together with pivot put the boundaries of the trading range. On H4 100 EMA acted as upper resistance.

(7) This Thursday the price finally broke out of range down. There was no easy entry point, unless you watched the intraday prices, since the H4 bar closed way low for a good SL above the weekly pivot. Note reducing E sells and U buys in COT, the market shaking off enough bears to continue. Right now it is a good opportunity to start looking for sells on H4.