

# GJ



Since this pair is not as liquid as the other majors, I am not as confident with the basic technical analysis. GJ Seemed to be creating a wedge but low volumes at the end of December are sloshing it through the 70% barrier. I would use Simple MAs on this pair. In the lower frame you can see MA50 is providing some friction but PA is settling closer and closer to it. On the higher timeframe, MA100 is acting the same, obviously. Old TL has switched roles and PA is bouncing off of it. Might be an MA cross in the works. Wait for next week's Weekly and Daily Pivs and SR to reset and look for confluence. Also, be aware of old low (purple line) coming up. On weekly frame you will see an obvious triangle forming. See below for the reasons why I trade the pairs I do.

# Self-Fulfilling Prophecy

---

I have found that there are two camps on Technical Analysis, the Mystics and the Self-Fulfilling prophecy groups. Agree with me or not, no big deal.

## The Mystics-

The mystics, as I like to call them, believe in ratios throughout nature (been proven) and throughout our lives. Like the “golden ratio” and what not. A lot of our technical are derived from some of this “Sacred” math. Some believe that the markets react to these numbers because of natural laws, phases of the moon, tides, etc...Which could be right.

## The Self-Fulfilling Prophecy Group-

This group believes that if enough people are following or believe in something, that it will occur only because the action of the group reacting at the same time creates this outcome. For a better understanding of this concept, just throw it in google. Since Fibonacci's, Large round MAs, Trendlines, Pivots, MACD, RSI, etc... are such widely used indicators, most people will be trading off of them, including large hedge funds and banks. Here is an example on GU Daily Fibs below:





GBP/USD is one of the most widely traded currency pairs. IBs and HFs trade it in High volumes all day. This is also a “Hedging” pair in that large corporations probably have Operational Exposure to this pair.

We have established that these large players definitely use Fibs and that Fib 38, 50 and 62 are the most significant. One the first chart, there was an obvious large upswing and price began to retrace. Every player in the market will be expecting heavy friction at fib 38. You can KNOW that banks will be buying to cover shorts and going long at least medium-term at this fib. Price reaches it and since there are enough participants buying at the fib, price bounces hard, creating another swing high. And the same with the next chart.

The Self-fulfilling Prophecy group believes that price only bounced due to the large number of people expecting it to bounce there and placing orders there. The “Mystics” believe that it was because natural laws and ratios demanded it.

I am in the self-fulfilling prophecy group 100%. I believe that indicators and ratios are only as good as the amount of people using them.

GBP/USD, USD/CHF, EUR/USD, USD/JPY, AUD/USD and USD/CAD are widely traded pairs by ALL market participants and are VERY liquid. All of these participants use FIBS, MACD, RSI, Trendlines, and other basic analytical tools. I know this first hand.

Before I trade I ALWAYS ask myself, HOW MANY PARTICIPANTS ARE SEEING THE SAME THING AS ME? If I can’t say that I am 100% sure that everyone sees the same thing, DON’T TRADE! I really only trade the Majors for obvious reasons (See the Name “Majors”). And use only the most BASIC of technical tools.

Basically the first day of any technical analysis class would be all your need (RSI, MACD, Trendlines, Fibs, pivs, etc...)

Being a Self-Fulfilling Prophecy believer and just looking at that GU chart. I would place a Limit Buy at fib 38 with a 50 pip SL and made 700-800 pips. More than most high frequency traders make in a year. I would have done the same after the next swing and made roughly 400 pips. That is two trades using the most basic of analysis on 1 pair. If you do the same on only 4 of the majors, you can see what the potential outcome would be.

I am sorry for the rant. I know this wasn't your question. But a lot of people ask me why I don't trade some of the more illiquid crosses. It is because I am in the self-fulfilling prophecy camp and because of that, I only trade where the majority of traders are, the Major Pairs.

I hope I didn't insult anyone. I only used the word Mystics for lack of a better term. I have many friends that trade that way and it works for them and I am only trading what I believe, and the word itself, Believe, inherently means something that I "think " is true, but has not been proven to be true. So I could be wrong and they could be right. This is how I trade. I am tying this why everyone opens their Christmas presents so I am kinda distracted but I think I got my general concept across. ☺