

DOLLAR YEN FIVE STEP POLKA

By Daryl Guppy

Japanese Prime Minister Abe needs more than three arrows to make progress with the dollar yen. This currency pair is moving in a five step polka dance with a potential downside target at 100. Unfortunately all the steps lead downwards which is great for short-side traders but not so encouraging for Prime Minister Abe.

The steps in the dance are created by the well-defined trading bands. Every time the lower edge of the trading band is broken the market moves quickly to the next lower step. Currently the dance is between 105 and 109. A fall below 105 gives the next support level near 100.

Long term analysis of the dollar yen chart shows that dollar yen moves within well defined trading bands. The lower edge of the upper trading band is near 117. The fall below this step 1 level in February set an immediate downside target near 113. This was rapidly reached in a single down move and was followed by weak consolidation. This is step 2 of the dance.



The base of step 3 had a downside target near 109 but historically this is a weak level. During the dollar yen rise this level offered little resistance. Historically it's a minor point so there is a high probability it would not offer good support in the

current fall and this proved to be the case and now the pair is heading towards the base of step 4 and 105.

The 105 level is the upper level of a well defend and psychologically important trade band between 100 and 105.

All these levels use a projection of the trading band width to establish each step in this downward dance.

The pattern of well established pattern of trading bands sets up the strategic trading pattern. It remains bearish. This means trading market retreats as these are most likely to be a continuation of the falling trend towards 105 and 100. We use the [ANTSSYS](#) trade and analysis method to identify the opportunities as the falls develop. This is traded with a tight stop using a customised ATR indicator. One warning for short traders. The downtrend pressure ends near 100 and is most likely to be followed by a period of consolidation. This changes the trade from a simple short trade to a more complex rally and retreat trading environment as the market moves sideways.