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Some Qualitative Notes about the GBP SellOff of October 06 2016.

▣ Aim of the post.

Tuesday 06 October 2016 at 07pm (US hour) the GBP and its ForEx crosses, shows a massive SellOff, with moderate volume level and a violent evolution in 10 minutes about. In fact there are only two 5min bars on the chart and the hourly, daily and weekly frames shows the same long-tail candle structure. Some traders and analyst pointed out that the mini BlackSwan of the GBP is a scandalous phenomenon in the normal dynamics of the financial markets of the currencies.

The aim of this post is to search elements supporting or not this view.

Elements used are very similar to previous post regarding BitCoin [#01] large SellOff in 2014, and CHF [#02] historical BlackSwan of 2015.

▣ ITA Abstract.

In questo post si tenta di chiarire i violenti avvenimenti ribassisti della Sterlina subiti il 6 ottobre 2016.

Tutti i dati raccolti (struttura grafica locale post-2009; grafico di lungo termine; CoT; indicatore di instabilità politica UK; evento BrExit) concordano in una evoluzione ribassisti della Sterlina in seguito alla rottura nel 2016 (BrExit) del livello critico 140. Il target naturale sarebbe area 100 in caso di non recupero della base a 140.

Quindi i dati grafici, politici ed economici, mostrano che la rapida evoluzione di prezzo della Sterlina durante il 6 ottobre 2016, risulta solo una naturale evoluzione-conseguenza e non un evento scandaloso, e inoltre non costituisce nemmeno un evento raro e isolato su base mensile-settimanale. La fase post BrExit del prezzo della sterlina (nuovi minimi al di sotto di 140; assenza di recupero) era un chiaro segno di ulteriore debolezza in arrivo. Del resto i principali attori CoT erano correttamente posizionati fin dal 2014-2015, non come accadde sul CHF BlackSwan [#02].

▣ Graphical Elements.

The very long term structure of GBP index shows a large bearish pattern (large red rectangle) with a first hard phase in 1981-1984 ("A"), a very impulsive phase. A second phase (B1-B2-B3) as a large side action, but well below (in average) vs. mid-level of the previous fast leg "A" (175-180). B3 top demarcates the restart of violent bearish action of "A" with a very similar behaviour until to 2009 lows. The next phase is local blue side rectangle, pre-BrExit (see below).

Bearish of 2009 and 2016 broken down two important ascending rectangles (blue trend lines), visibly breaking the multiannual attempt to recovery the violent declines in "80 years.

The level 140 about, for GBP Index future, is a very critical value on very long term frame, according to some previous key lows (yellow circles). Only during 1984-1985, GBP was below this critical level, with a very fast and violent behaviour.

From the 2009 bottom (on 140 level about), there is a local side structure (in blue) under bearish attack in 2016 (BrExit event), and with possible bearish target at 100 (blue columns).

The BrExit event cause a monstre SellOff monthly candle, but not the largest (see monthly bars of 1981, 1992, 2008), with bearish activation of the side blue rectangle. Infact the level of 140 about was broken down during June 2016 (BrExit), without a subsequent recovery, but with new lows below 140.

The main bearish actions from 2008, shows fast increase and positive spread between Commercial players vs. Large Traders on CoT curves (see yellow lines). The top of this spread is in 2016.

The economic policy uncertainty index of UK, shows historical top values also pre-BrExit (2016 first quarter). In the phase BrExit this index obtain an unprecedented top of policy instability evaluations for UK.

▣ Notes.

All these data (local; long term; CoT; policy instability; BrExit event) agree in a continuation-bear evolution of GBP until area 100. This scenario is stopped if the GBP prices go above the base of the blue rectangle 2009-2016; It is canceled if the GBP prices go above the mid-line of the blue rectangle itself.

Graphical, political and economic data shows that the fast price evolution of GBP of Tuesday 06 October 2016 is a natural evolution and not a scandalous event; moreover, according to GBP long term chart, it is not rare and isolate on monthly-weekly base.

The post BrExit phase of GBP (new lows below 140, recovery-less) was a very clear sign of further weakness.

The CoT main players are correctly positioned from 2014-2015, not as in CHF BlackSwan [#02].

▣ Chart sources.

♦ FinViz; St.LouisFED; TimingCharts.

▣ Bibliography.

Salvatore Salvi Vicidomini, 2014 [#01] - Financial Markets Observatory Lab. Some notes/charts about the intraday giant spikes of BitCoin prices. - ForexFactory thread - <https://www.researchgate.net/publication/260159249>

Salvatore Salvi Vicidomini, 2015 [#02] - Financial Markets Observatory Lab. Notes and charts about the ForEx BlackSwan of Swiss Franc (CHF), powered by Swiss National Bank in January 15, 2015, based on a qualitative analysis of CoT curves. - ForexFactory thread - <http://www.researchgate.net/publication/271137015>

GBP

OCT 07 2016 05:00 PM O:1.2453 H:1.2456 L:1.2435 C:1.2444

-0.0173 (1.37%)

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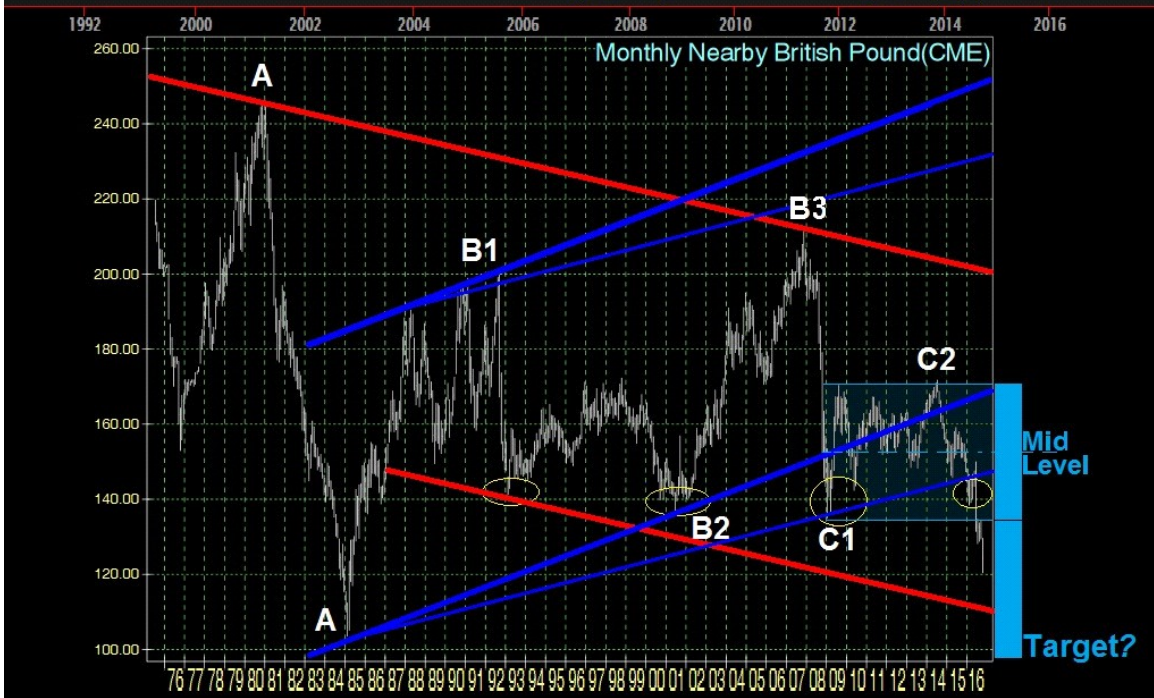
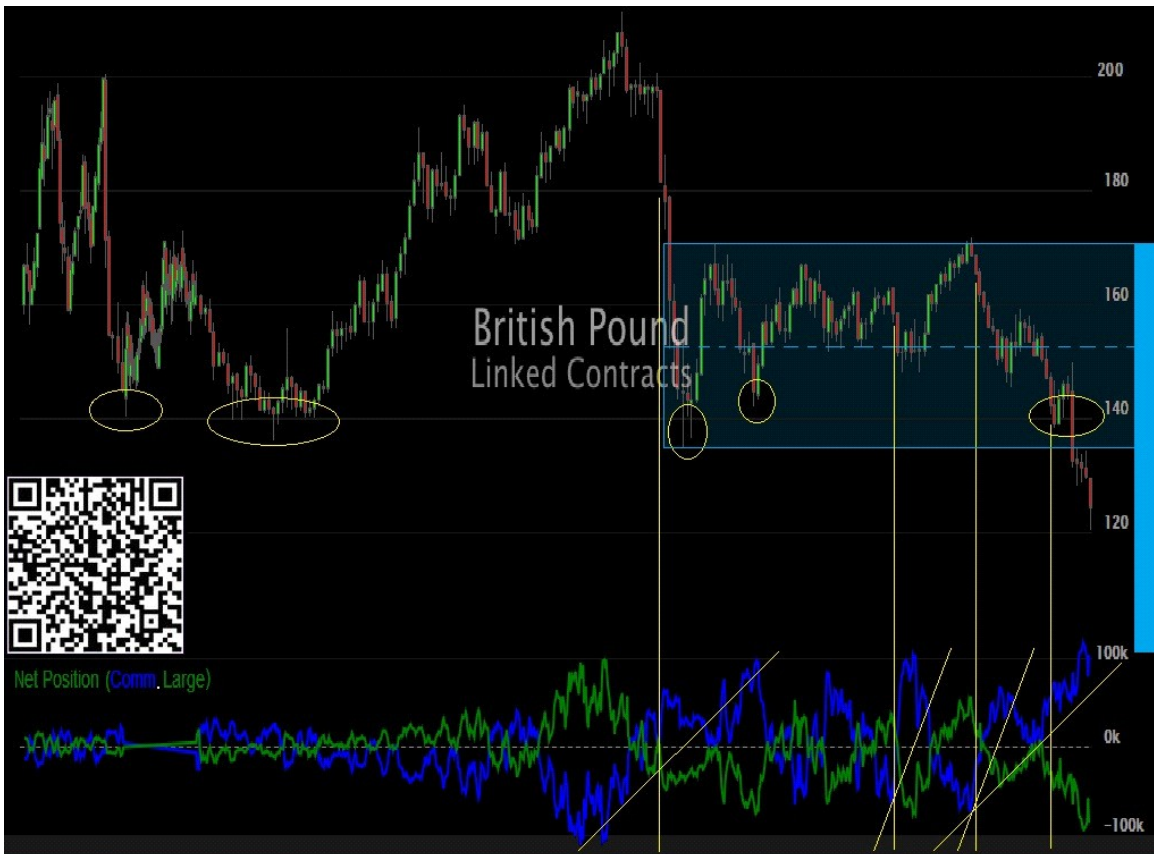
GBP

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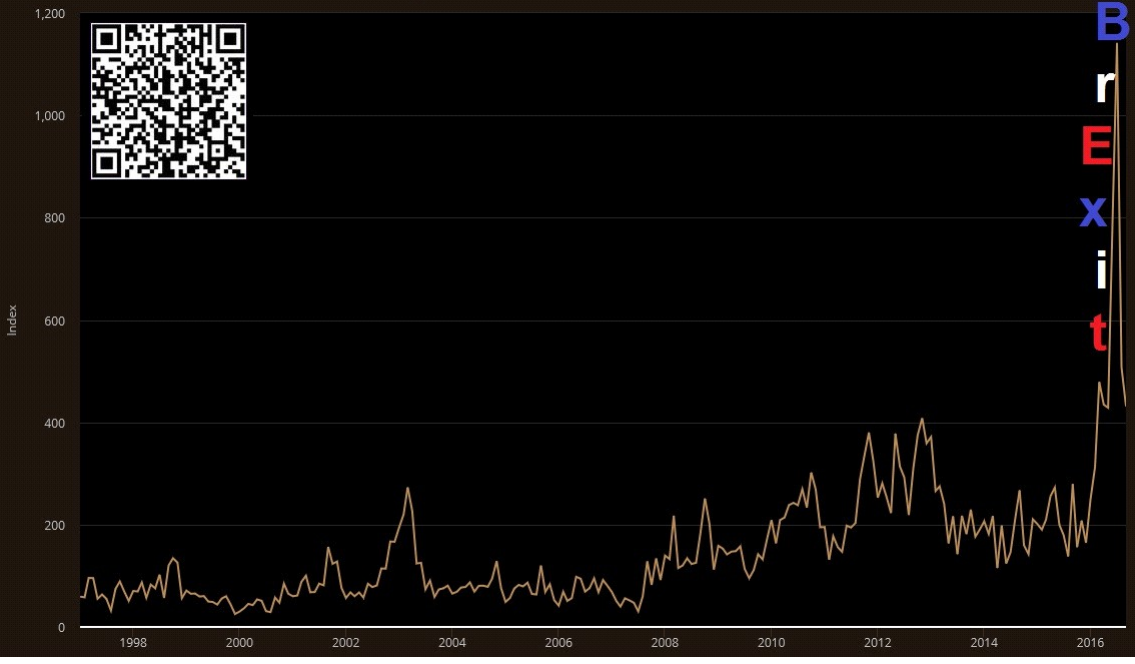
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Economic Policy Uncertainty Index for United Kingdom



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