

July 14, 2020

GBP/USD STRUGGLES INTO AN EXTENDED SIDEWAYS PRICE ACTION, AT RISK OF FALLING FURTHER!

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"When you have eliminated the impossible, whatever remains, however improbable, must be the truth: - Sherlock Holmes.

The news

The Pound turned sour from a high of \$1.2665 last night as risky currencies were sold-off into the growing fears of an upcoming second wave of the coronavirus pandemic, after California's Governor Newsom scaled back on the state's reopening and imposed stiff new restrictions on many businesses and public spaces amid a surge in COVID-19 cases.

This morning, the British Pound was struggling to retain any meaningful traction to finally plunge to current \$1.2520 price zone, following the release of weak UK GDP growth in May. However, many uncertainties in the United Kingdom continues to undermine UK economic outlook;

- The lack of progress in Brexit talks toward a trade deal with the EU, adding to the risk of a no-deal Brexit event
- Chatter on possible negative rates in the UK
- Bank of England Governor Bailey was on the wires on Monday, saying that he thought that Britain's economy was starting to recover but had a long way to go, with the outlook for jobs a particular worry.

Technical outlook

GBP/USD extended sideways price action at risk of falling further to \$1.2169 and \$1.2115.

On June 24th, 2020, we posted the view that "**The British Pound remains tilted to the downside near \$1.2180 despite upbeat data**", follow the [link](#), and one week later on July 1st, 2020, it indeed fell to a **low of \$ 1.2249**, 80 pips shy of our initial target. From that low, the Pound rallied relentlessly to reach a high of \$1.2671 on July 9th, a week later.

However, in an Elliott wave perspective, the surge on the Pound lately, appear to be a 3- waves price movement, suggesting a corrective price structure with more downfall to follow.

The Hourly chart shows a one-month price explosion in GBP/USD from Mid-March 2020 low of \$1.1415 to Mid-April high of \$1.2653, in a clear cut Elliott wave five-wave sequence, followed by a complex corrective sideways price action to date.



Double three combination- (W)-(X) -(Y)- targets to \$1.2169 and \$1.2115

From Mid-April 2020, the Pound appeared to be caught into a continuous range bound price movement of \$1.2078 and \$1.2815. Elliott called this type of extended sideways base pattern a **double three combination** of two corrective patterns. A combination is composed of simpler types of corrections pattern, including zig-zags, flats and triangles. The simple corrective pattern components are labeled W, Y and Z.

An inspection of the double three combination on the hourly chart suggests the following: **Wave (w)** from April 15th to May 15th form a **flat correction**, while the rise from \$1.2078 to \$1.2815 was **wave (x)**. **Wave (y)** is still unfolding into a possible **Zig-Zag correction**. It is likely that two corrective waves (**a and b**) of the **Zig-Zag** may have been completed at this juncture and that the market is in the process of tracing out **Wave c of wave(y)**.

In the short term, Wave c of wave (y) could bottom at **\$1.2169** (within the area of the fourth wave of a lesser degree). While **\$1.2115** could prove as good alternative support based on typical ratio analysis guideline (Wave c=a, Wave (y)=(w)).

On the other hand, any upside reversal would depend upon a break of **\$1.2665/70** area comprising highs market on last Thursday and on Monday. A successful break at \$1.2670 would open the door for June month top near \$1.2815.



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