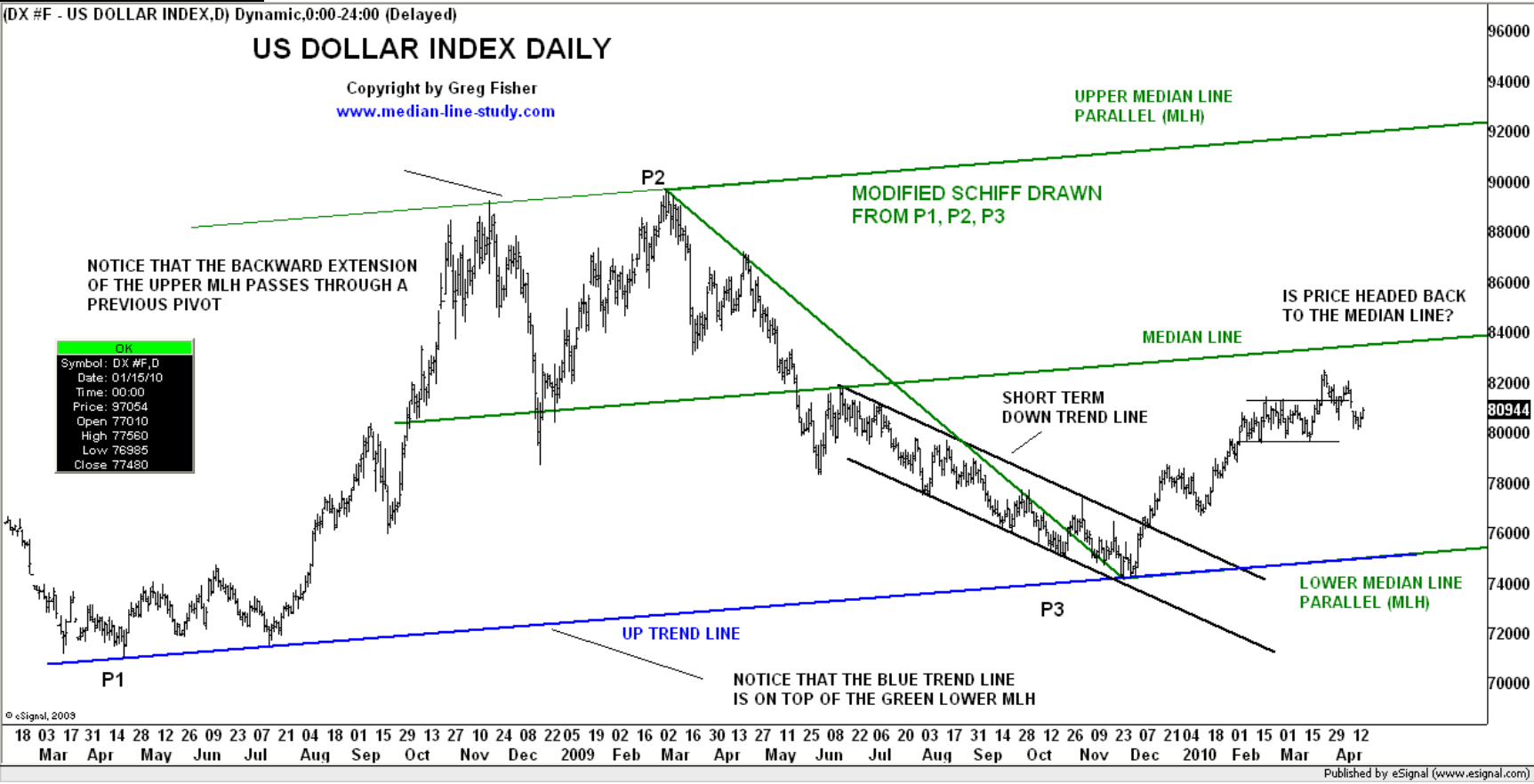


MEDIAN-LINE-STUDY.COM

Weekly Currencies Report – 04/18/10 By Greg Fisher

US DOLLAR INDEX



The Big Picture



Price is still above the blue sliding parallel after a slight rally higher. Price rallied to meet the blue lower MLH and closed back near the sliding parallel. A significant break below the blue sliding parallel would prompt the drawing of a first warning line below the lower MLH.

Note that price has not yet reached the red modified Schiff Median Line. The modified Schiff was drawn rather than a standard Median Line set because the move from P1 to P2 was so sharp – an excellent reason to use the modified Schiff. If price breaks higher without touching the red sliding parallel, the red upper MLH would be the first upper target.



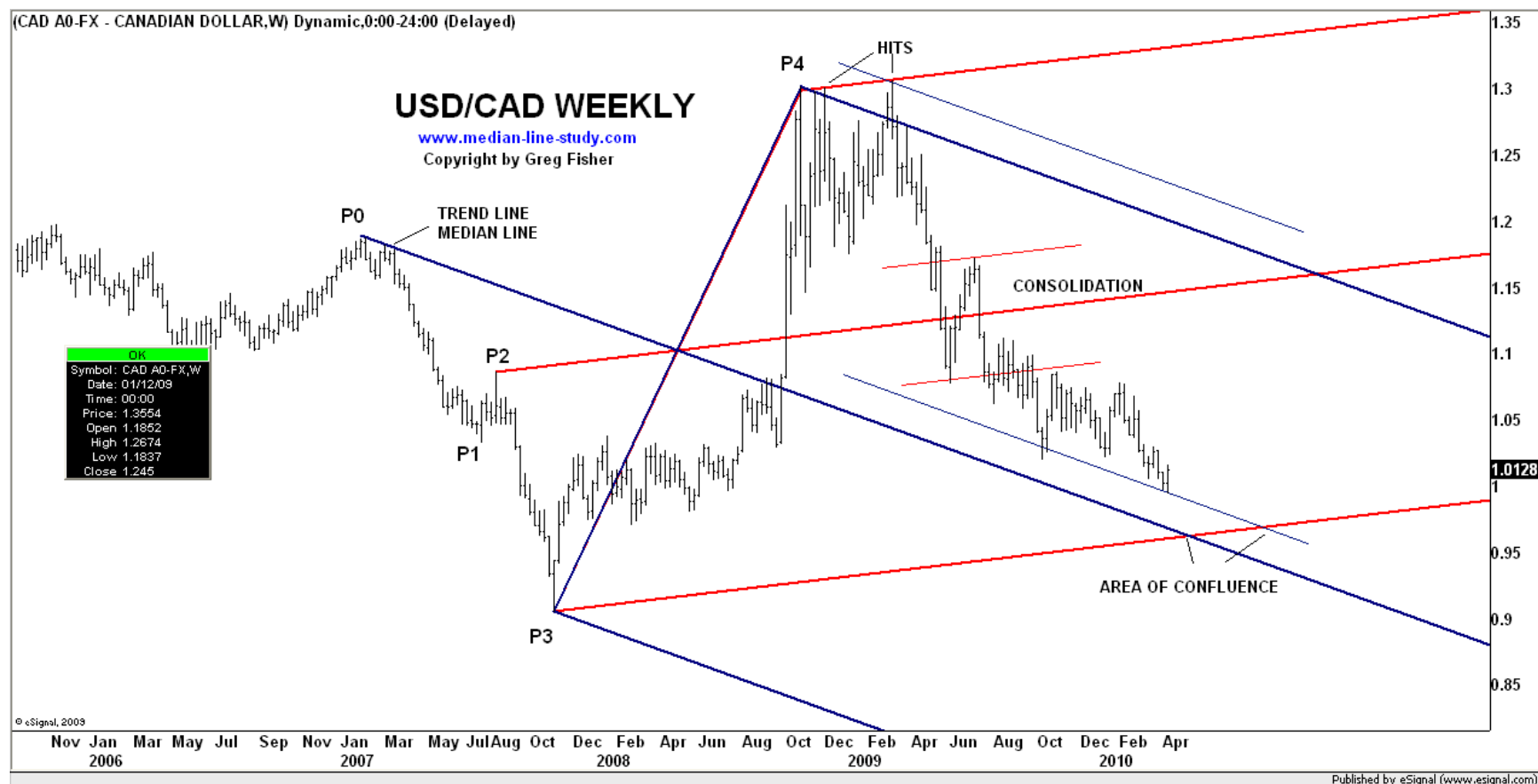
The green Median Line is another example of a trend line Median Line because of the number of hits on the “handle” of the set. Price often reverses on a trend line Median Line as it did here. Notice that price returned to the lower MLH and bounced upward.

Last week I wrote, “Will it return to the Median Line or will price fall through the lower MLH and head lower? Price broke above previous swing highs indicating it is a true reversal, odds are price will return to the Median Line.” Price met and surpassed the Median Line only to fall shortly after.

I also suggested drawing a standard Median Line from P0, P1, P2, as well as a modified Schiff Median Line and noted that because the move from P0 to P1 was fairly sharp, the modified Schiff Median Line set is likely to be the more important of the two sets. Price broke above the red upper MLH of the modified Schiff set, but ran straight into the 1st warning line and reversed.

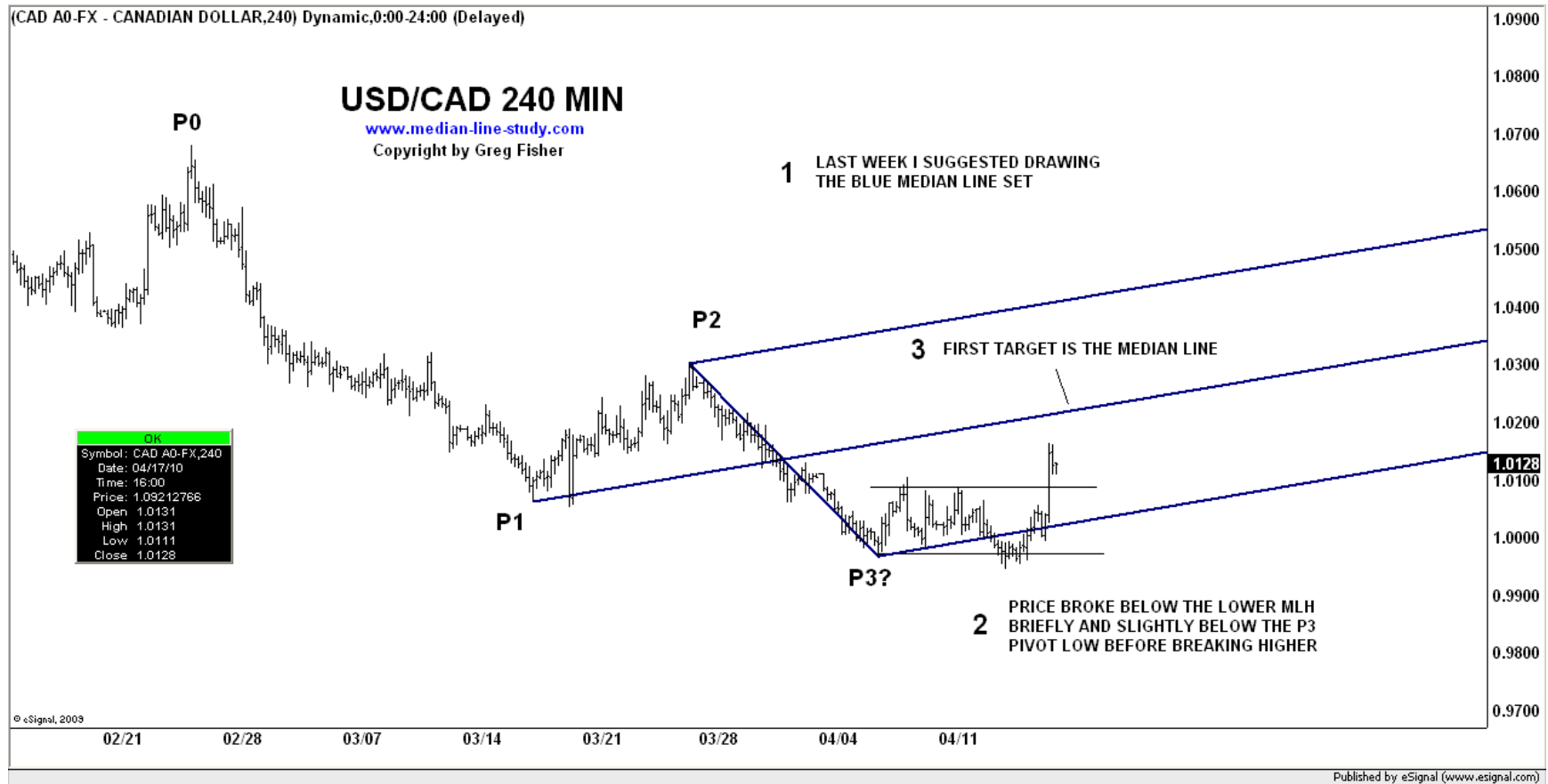
The red 1st warning line is the first potential line of resistance and the green lower MLH is the first potential line of support.

The Big Picture



The blue Median Line is a standard Median Line drawn from P0, P3, P4. Although price broke above the blue upper MLH before falling, The Median Line may still have magnetic power as it is a trend line Median Line. I added the sliding parallel above the blue upper MLH and a lower sliding parallel above the Median Line equidistant above the Median Line as the upper sliding parallel is above the upper MLH as a potential line of support.

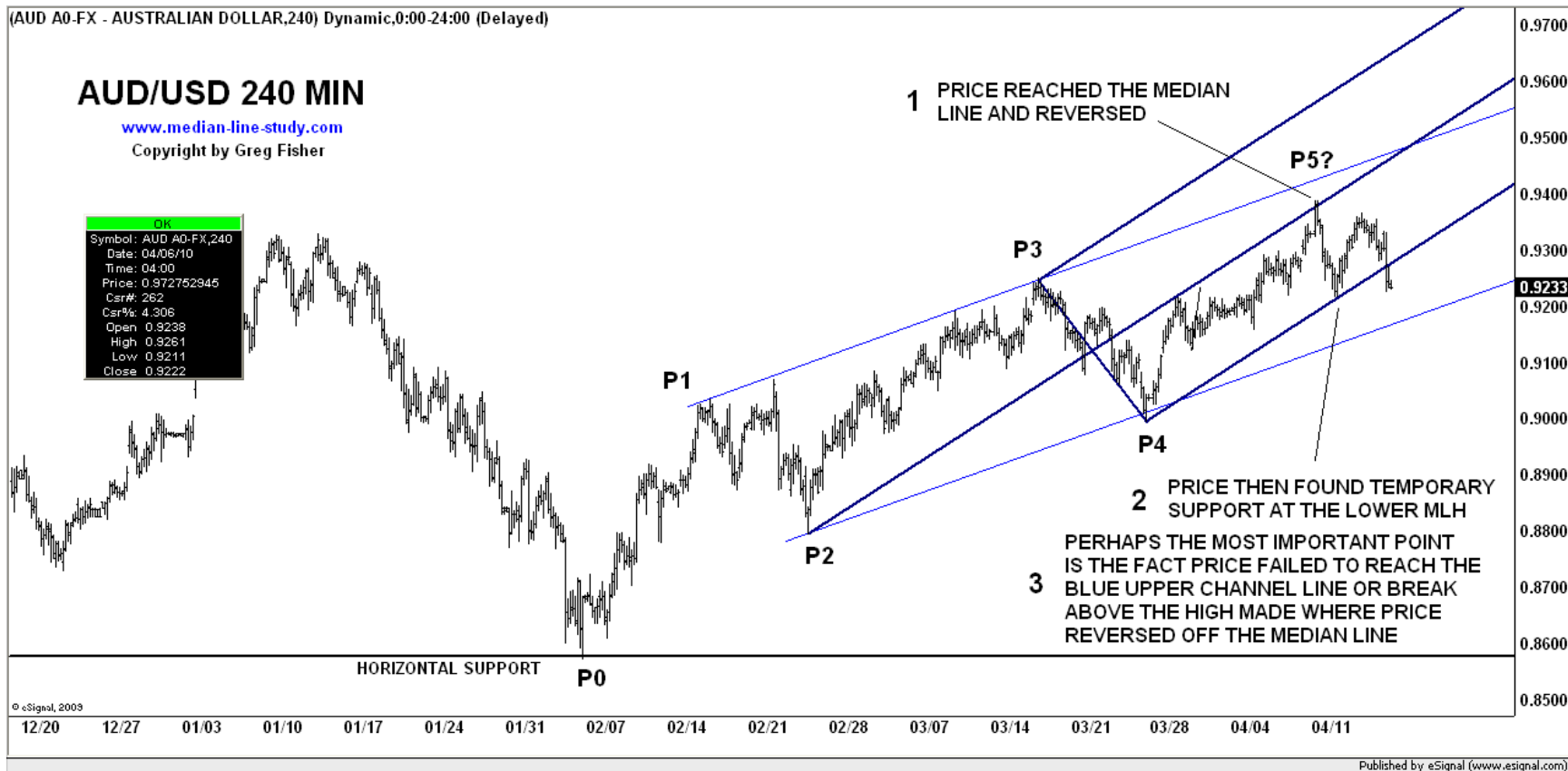
The red Median Line set is drawn from P2, P3, P4. I like this like because price has interacted with it often. Notice the hits on the red upper MLH and the symmetrical consolidation around the Median Line. Because of these interactions with price, it adds confidence that price will reach the red lower MLH. I marked an area of confluence where the red up sloping lower MLH and blue up sloping ML meet. Lower prices are likely. Price is still making lower lows as well.



Last week I suggested drawing in a new Median Line set from P1, P2, and P3, and “Assuming the new ML set you just drew holds price, we should see some upward movement in this market in the short term – perhaps a move back up to the blue lower MLH (or ML of the set you just drew).”

Price fell slightly below the blue lower MLH and below the P3 pivot. However, at the end of the week a swift move up broke above previous swing highs.

This can often be a frustrating occurrence when price falls out of the Median Line set only to reverse and head off the direction expected. Because the break was brief with a quick recovery, the Median Line can still act like a magnet to price.



Price made its way the Median Line and reversed exactly on the line. Price then dropped quickly to the lower MLH. The rally off the lower MLH proved to be short lived as price reversed short of the Median Line and then proceeded to drop down through the lower MLH.

Of particular interest is the fact that price may be having a hard time returning to the blue upper channel line. A break below the blue lower MLH suggests lower prices. The next line of potential support is the lower blue channel line.

A break below the blue lower channel line would signify a change in the upward trend that price has been in since the end of February.



The Median Line in from pivots P0, P1, and P2 shows that the green ML set is a trend line Median Line. This often adds to the attractive power of the line. Sure enough price marched right up to the green Median Line (also essentially the blue center line). After a small retracement, price returned to the magnetic Median Line once again.

Last week price failed to return to the Median Line. This indicates weakness. The lower Median Line parallel is the next line of support. If price breaks below the lower MLH, it will be time to draw the 1st warning line below the lower MLH and the next potential target.

Because price failed to reach the Median Line and then broke below previous swing lows, I marked the P3 pivot. Draw in the P1, P2, P3 Median Line to get the potential path of price lower. If price breaks below the green lower MLH, the crossing of the Median Line just drawn with the green 1st warning line provides an area of confluence that has the potential to attract price.

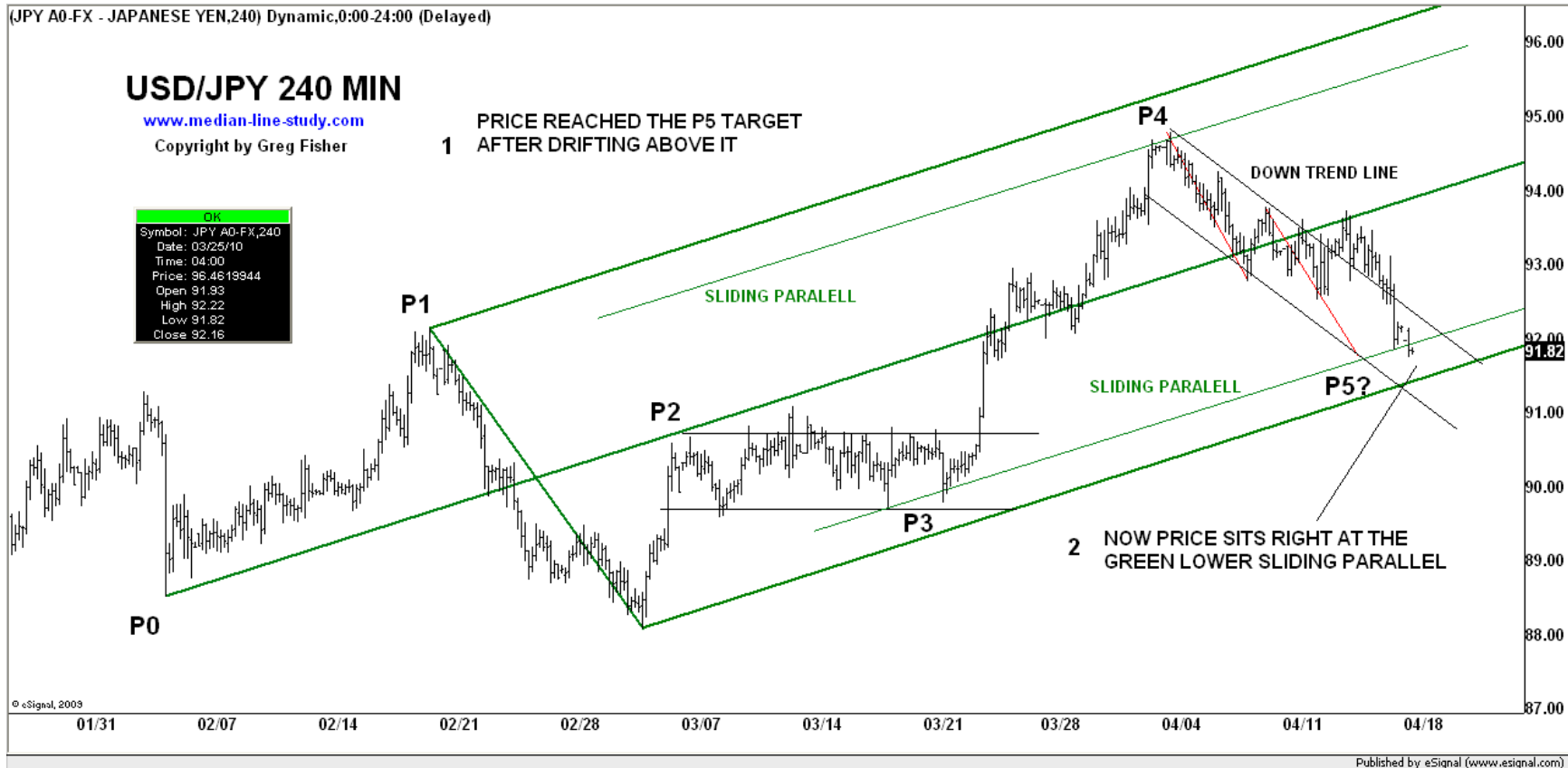
The Big Picture



Price had been contained by the blue trend line (labeled center line) for about two and a half years. Copying the center line down and labeling it “action line” gives a clear down sloping channel that price has been contained within during this time. Just recently price broke above the center line.

When price breaks above the center line, we draw a reaction line equidistant above the center line as the action line is below the center line. The expectation is for price to reach the reaction line.

The red Median Line set drawn from the last low-high-low pivots projects the path price will take. Notice that price has already bounced off the lower MLH giving it added credibility. Longer term, price appears headed higher. As long as price stays above the red lower MLH, the red Median Line set is expected to guide price higher.



Last week I was watching for price to fall within the black down sloping channel lines toward the P5? target. Price did fall, but not quite that fast. Price drifted outside of the black channel line, but still managed to fall to the price level at P5. Another interesting fact that complements the geometry of the lines is the Median Line drawn from P3, P4, P5. If you draw the Median Line, you will notice that the upper and lower parallels lie nearly directly on top of the green upper and lower sliding parallels. Price has now moved down entirely through the Median Line set.

A break below the green sliding parallel and the lower MLH would suggest lower prices.

The Big Picture



Price had been in a steady down trend defined by the down sloping red Median line. Notice that the red Median Line is a trend line Median Line because price hit the “handle” of the set a couple of times. Also notice that price reversed off of the Median Line and returned to the upper MLH and reversed back down. However, price failed to return to the Median Line at P3 and headed higher breaking above prior swing highs. Price also broke above the red upper MLH.

The blue Median Line projects a potential path for price. Price has yet to interact with the lower MLH. The lower MLH is support and as long as price stays above the blue lower MLH, the blue Median Line set will maintain its credibility and usefulness.

The analysis suggests higher prices for this market in the long term. The area where the blue lower MLH and red upper MLH is an area of confluence the may provide support for price.



Last week I was watching the green standard Median Line set and the green modified Schiff Median Line set to see which would interact with price. Price fell quickly to the red Median Line and then briefly reversed. After a fall lower, price found support at the black horizontal support line before rallying higher. Price is now at the red upper MLH. A break above the red upper Median Line suggests higher prices and a potential return to the blue Median Line. As long as price stays above the blue lower MLH, price is in a short term uptrend. A break below that line would mean a reversal in trend.

For another look, draw in the Median Line set from B,C, and D as well as the modified Schiff from B, C, and D.

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