

# How low will the British pound go?



It is tempting, even for a technical analyst, to put the recent moves in Sterling down to the uncertainty over Brexit. But the reality is that the pound has been in a long term downtrend for years. This monthly chart (not many people look at monthly charts) shows the breakdown in 2008/9 to a low point of \$1.35. In fact the cloud chart says we have been in bearish territory since the end of 2008. If we move below \$1.35, this will be the lowest level for GBPUSD in over 30 years. That will get some headlines! In the mid 80s we went from \$2.45 to \$1.05 in a couple of years. After several years of consolidation, we could be embarking on the next leg down, but we also found support at these levels twice before.



The 1c x 3 point and figure chart shows this trading range and we have two significant downside targets hanging over us. The \$1.28 target was given from the initial sell off in 2008. That is a further 8% downside and in 2014 we had a 'highpole pattern' which gave a new downside target to \$1.08, a further 22% lower from where we are now. The \$1.08 target is likely to take much longer to play out, but it is there. A move into the \$1.20s is more conceivable in the coming months.

# The medium term picture for Sterling



Thinking in terms of the weeks and months ahead which matches the run up to the UK Referendum on EU membership, we see the 0.5c x 3 chart gives a separate target of \$1.27 (8.7% lower). The fact that this target is very close to the \$1.28 target given on the 1c chart from a completely different selling thrust is highly significant. This 'cluster' increases the likelihood that Sterling is headed to the \$1.27-\$1.28 level in the coming weeks and months. It is also important to notice that the \$1.4150 target given in the \$1.60s back in 2014 was met and exceeded, which is bearish action. Ignore these price targets at your peril.



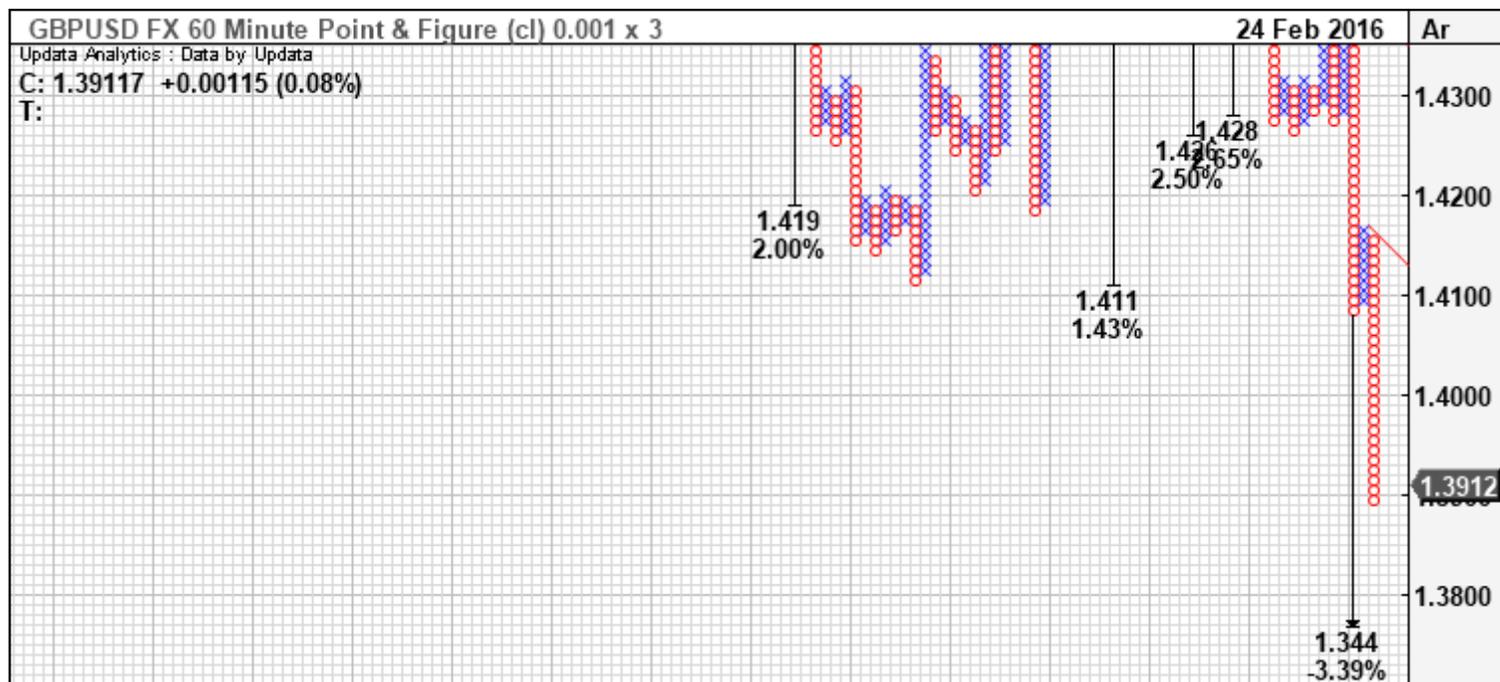
The daily cloud chart shows how Sterling went into a bear trend against the dollar last summer with the move below the cloud. The top of the cloud resistance in the next few weeks is \$1.4650 and a move back above this level seems highly unlikely. The \$1.41 low set in January is now a possible level or resistance and we are gripped by downward pressure on the pound for a while now.

Want to understand the clouds? Watch my [Cloud Charts Training Video](#) on the Update web site

# The short term picture - Days ahead

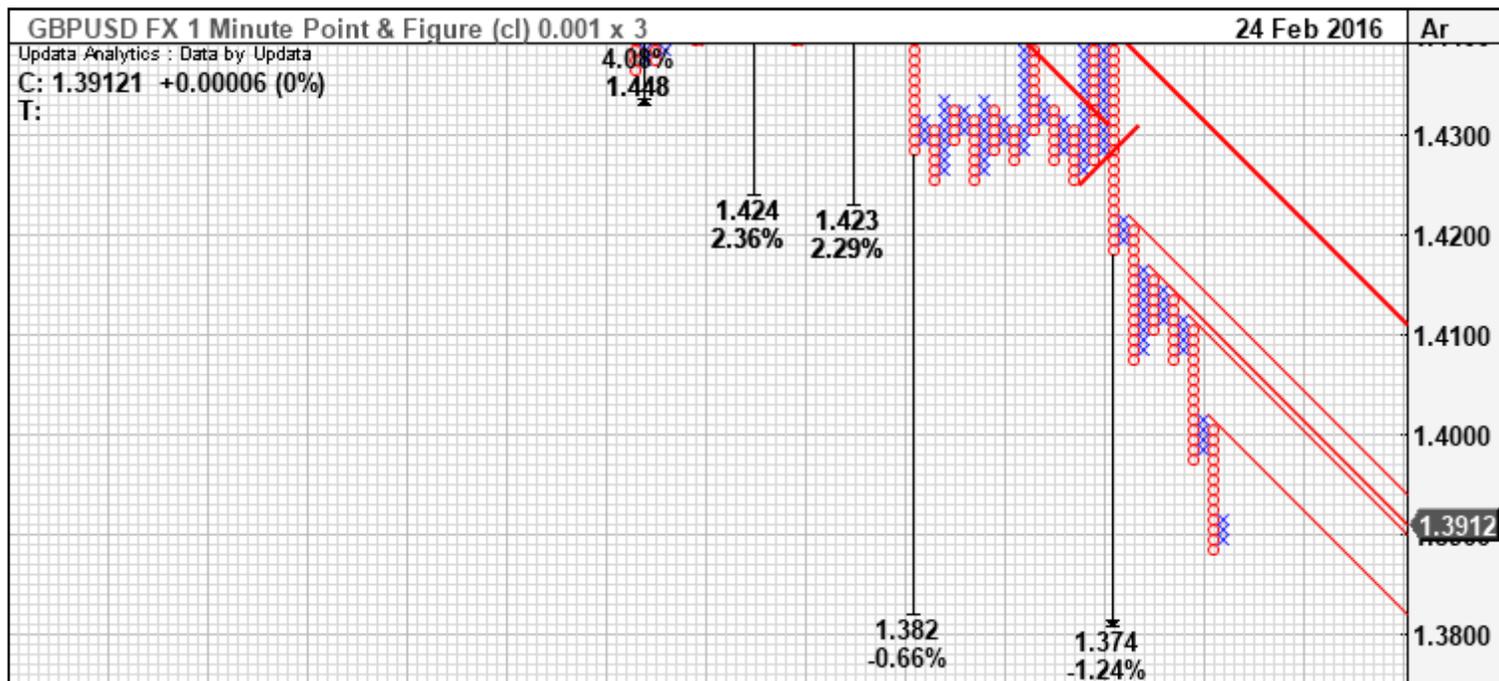


We look at daily charts for the weeks ahead and hourly charts for days ahead. This is a vital aspect of time horizon we talk about time and time again. Here GBPUSD turned bearish at the start of last week, so we were expecting moves to the downside. Remember big down moves happen in downtrends. Us pure technicians believe, bad news happens in downtrends. We probably won't go to the high \$1.20s in one move. Expect to see counter trend moves up on this chart. Short term resistance is currently \$1.41 and falling. If we cross above the cloud on this chart, the counter trend might be longer and stronger, so keep an eye on that.

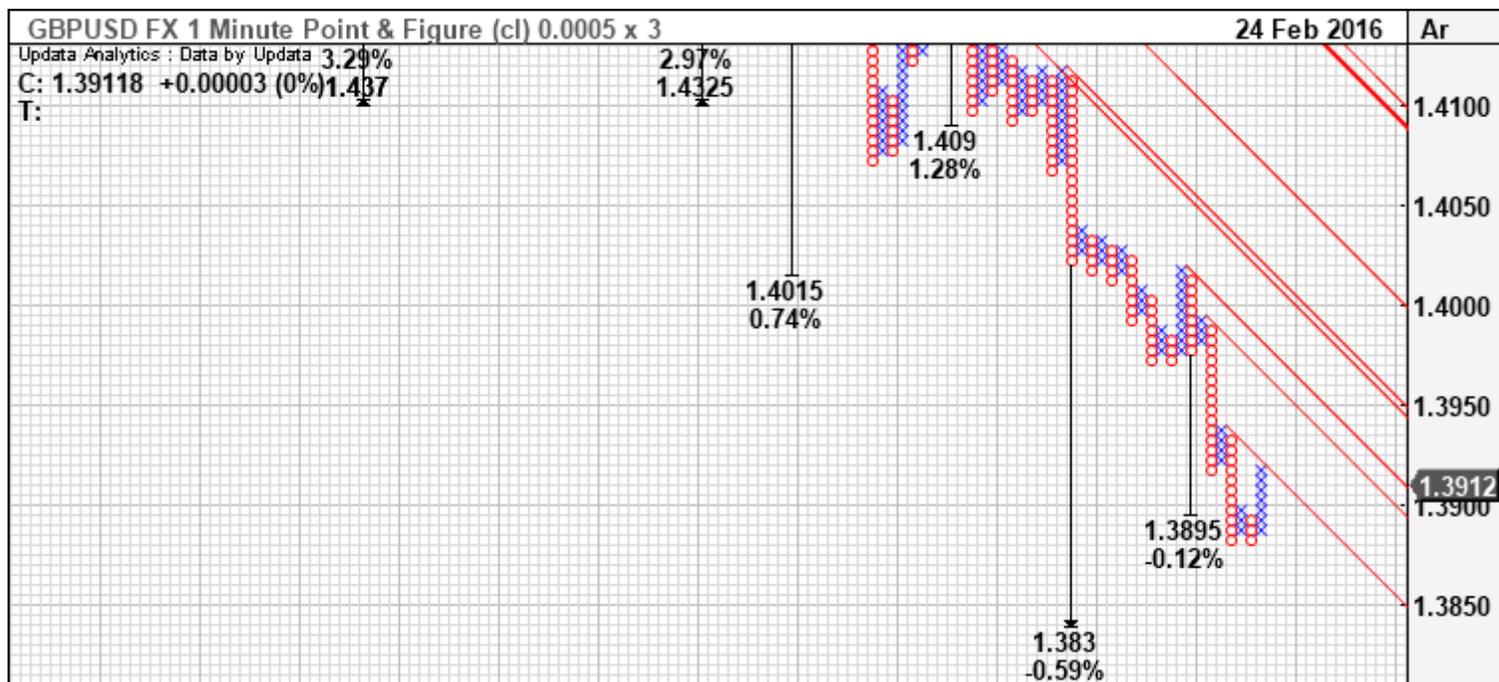


The 0.1c x 3 chart (just hit the SHIFT and T keys in Updata) gives a downside target to \$1.3440 (3.4% downside). This is the likely next stop before the high \$1.20s and by that time we will probably have new targets on this chart which will probably start emerging to the same \$1.27-8 area.

# The very short term picture - Hours ahead

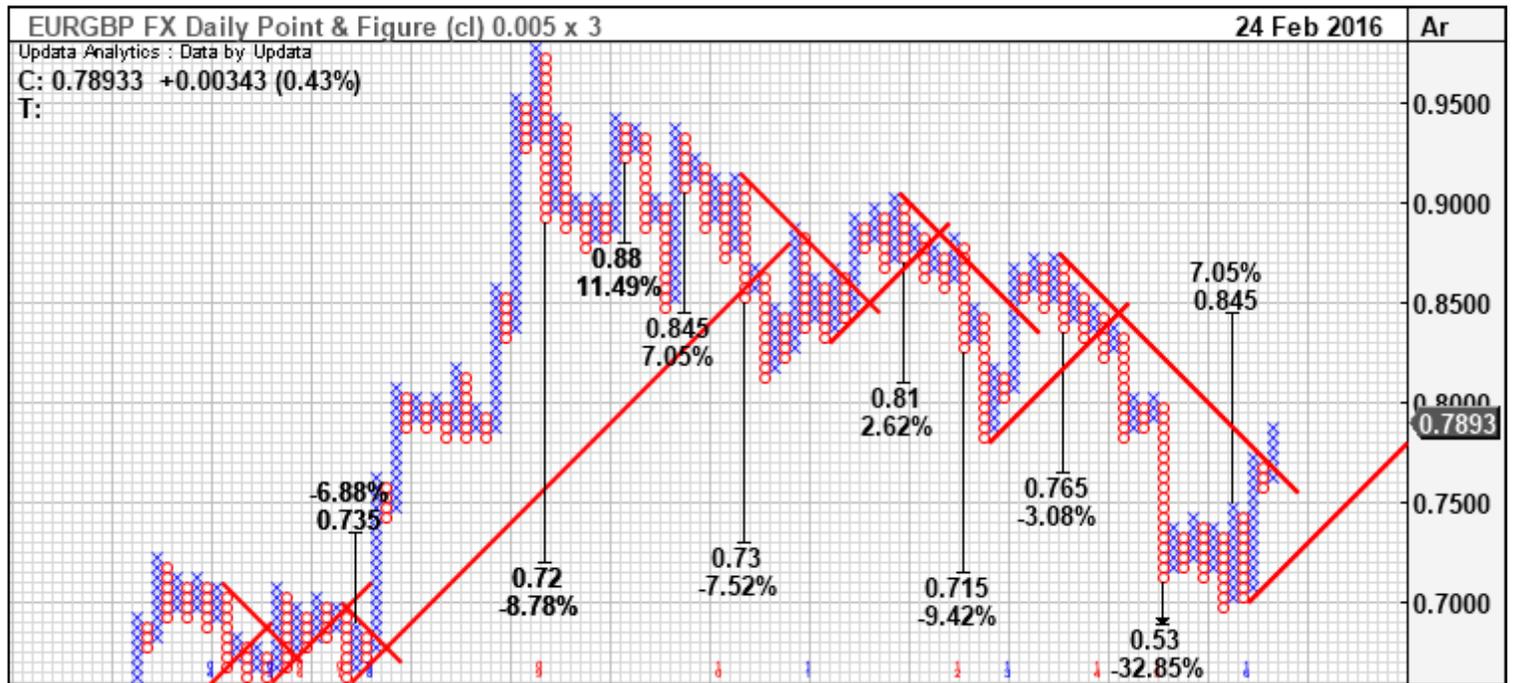


These point and figure charts will have already changed by the time you read this, but they are highly useful for seeing the first signs of a reversal and new price targets. Here we have \$1.3820 and \$1.3740.

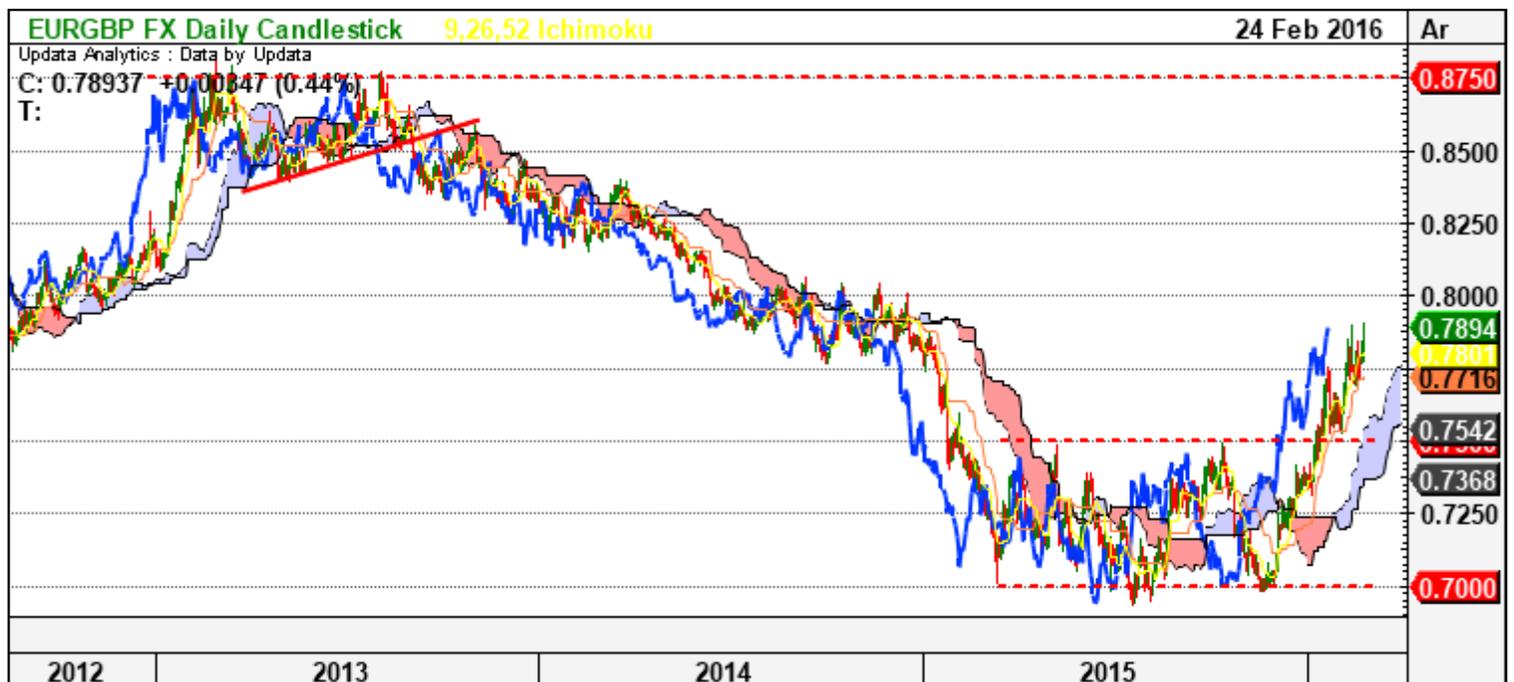


And going one smaller box size still (+/- in bottom right hand corner of your Updata charts) will show up the first counter trend targets. If you trade FX, these charts are a must!

# Sterling against the Euro



We have been bullish on the dollar and bearish on the Euro for some months. See our recent long term report on the Euro. Here on EURGBP we saw three thrust targets to the low 70p area given over many years. The last target of 53p may never happen and will be negated by a move above 80p. The 84p target and new uptrend gives us a long term target of 7% upside. The Euro still looks bearish against the US dollar, it is just that Sterling now looks more bearish. The pound has gone from being the middle man to the dog. But it is the dollar that will be the likely relative star in 2016.



The daily cloud chart shows the move out of the 70-75p range into a new uptrend after of two years of Sterling strength against the Euro. The resistance level of 80p we saw play on the price in late 2014 may exert some pressure again.

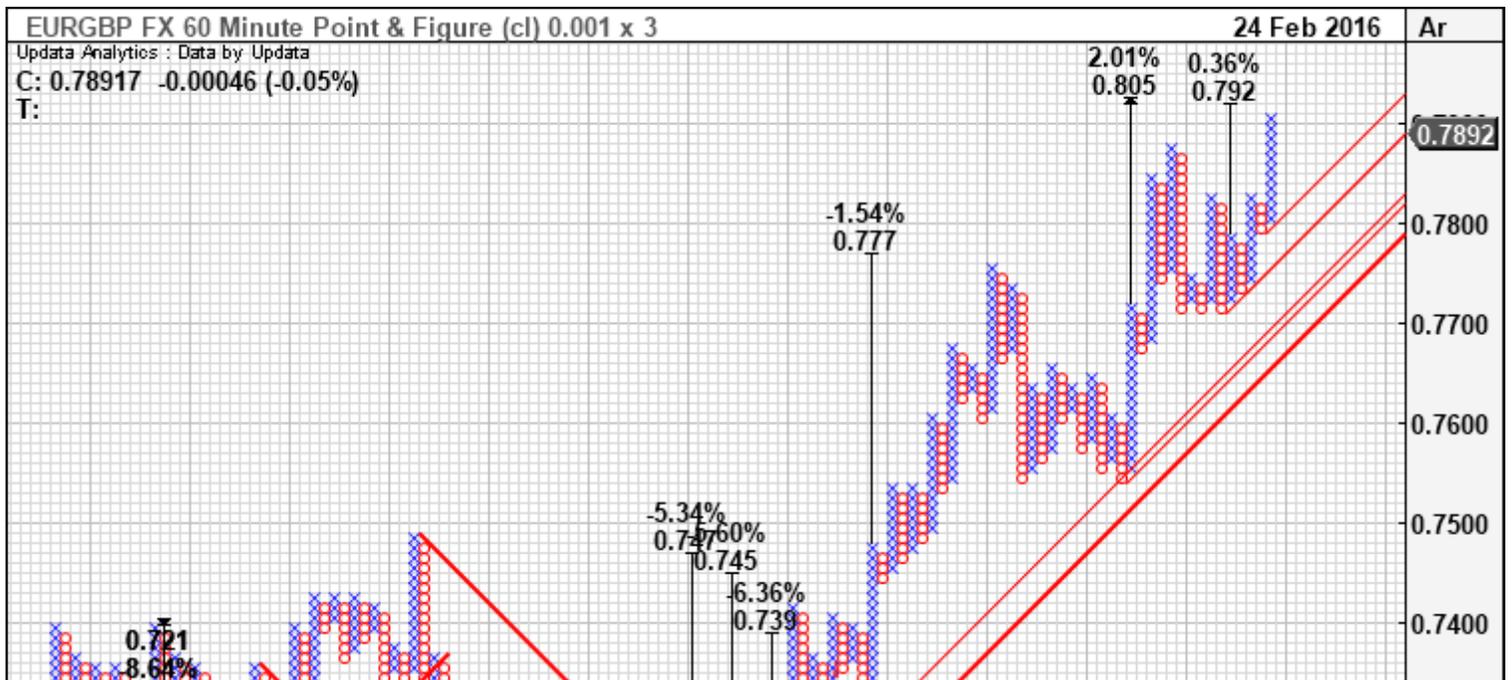
# Euro-Sterling shorter term



This 60 minute chart shows the trend skew. Big moves up, smaller and shorter counter-trend moves down. This has already been going on for several weeks.

The 60 minute point and figure chart below gives two upside targets, but it is the moves against the US dollar that are likely to be more significant.

**Summary: Mid \$1.30s short to medium term, into the high \$1.20s into the summer.**



This report was produced using the Report Writer in Update Analytics. It can be re-run and the charts updated at any time. A range of platforms can be used to run Update including - Bloomberg, Thomson Reuters Eikon, DTN, FutureSource, Trayport and many more.

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