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[Instead of CNN, watch the RSI, for the latest in news on Israel and the Middle East](#)

Posted on [November 15, 2012](#) by [Eric Harbor](#)

Did you know that one of the foundations of Technical Analysis, the RSI, tends to indicate moves before they occur? And without the noise and bothersome images that CNN shows?

Presently, Israel and Hamas are in conflict which CNN is now covering with amazing images of targeted strikes and missiles being fired. But the Daily Chart of the USD/ILS showed concern before we knew about it.

Why do I say this? Because the Shekel over the past decade has been one of the best performing currencies, since it is a fast growing emerging economy that joined the OECD with a very stable economy under the Central Bank headed by Stanley Fischer (Ben Bernanke's teacher).

When the USD/ILS rallies (which means the Israeli Shekel declines in value), there is either a slowing growth story or global crisis, an interest rate decision by Stanley Fischer, or Mid East tension. When we receive the news through the media outlets, it is usually the end result of tension that first shows up in the financial markets.

Most of you are familiar with how the technical indicator RSI is used; unfortunately, we know how to use it but the majority abuse. It is abused by using short term time frames under a day, using it as a signal generator, or simply not being consistent in applying this indicator. Always remember an indicator is used to **indicate** a future path of action not **predict** what will occur.

Two of the classic approaches with RSI are:

1. Spot Oversold and Overbought condition (usually 30 and 70)
2. Trend divergence

Below we highlight what we spotted this year in the USD/ILS and can be applied to any other tradable instrument, like OIL.

RSI vs CNN – You be the Judge

RSI

Note that any Oversold condition immediately led to a rally that would have made you a nice profit (the last oversold condition was the exception).

On every Overbought condition, there needed to be at least two days of this before a significant reversal occurred.

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DAILY, USD/ILS



CNN

We reviewed key dates that were highlighted on Wikipedia and found 8 significant areas where news events occurred more frequently or a highlighted event caused a media stir.

DAILY, USD/ILS



1. September 2011: Arab Spring – Israel embassy was under attack in Egypt and evacuated the Jordanian Embassy. Abbas announces that he will go forward with UN recognition and the UN releases a report slamming Israel's reaction to the Flotilla incident of 2010. With all that negativity, **the USD/ILS topped.**
2. October 2011: The United States FBI foil an Iranian assassination plot of Saudi and Israel diplomats. And the final prisoner swap with Egypt occurs. Positive momentum with Israel, **but the USD/ILS starts a multi-month rally!**
3. February 2012: Iran suspends OIL shipments to France and Britain. The Egyptian gas line to Israel and Jordan

- explodes yet again. Attack on Israel Diplomats. As tension ratchets up, **so does the USD/ILS** so news even and currency correspond.
4. March 2012: Several Clashes with Hamas and a bloody attack in Eilat. The news cycle was implying a war to occur at any moment. The outcome? **Sell-off in the USD/ILS**
5. June 2012: More conflict on the Egyptian border. **Pause in USD/ILS rally**
6. July to September 2012: Starting in July, Iran attacked a bus of tourists in Bulgaria. There were additional Egyptian border attacks. Canada closes its embassy in Iran. **All of these significant events led to weakness in the USD/ILS.**
7. October 2012: Big Joint Air Defence Exercise between USA, Israel, Germany, and Britain. Most people fell asleep on this news event, but it did **trigger the last and present rally in the USD/ILS.**
8. Significant clashes between Hamas and Israel. What will occur?

So what would you conclude from seeing Israel and MidEast tension in the news? And how would you [trade](#) the USD/ILS today?

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