

Why your charts rhyme

CORRELATED PAIRS

FX pairs that share a currency move together to the extent that the shared leg drives them: EUR/USD and GBP/USD both fall when the dollar strengthens, whatever the euro and pound do to each other. Two positions on rhyming charts are partly the same position, so what reads as diversification on screen can be one exposure taken twice.

Watch EUR/USD and GBP/USD side by side for an afternoon and the two charts echo: the same lurches at the same minutes, different only in degree. Nothing mystical connects them. Both prices contain the dollar, and when the dollar moves, everything containing it moves together.

Where does the rhyme come from?

From lesson 1 of module 1: every pair is a ratio, so every pair moves when either of its legs does. A dollar-side repricing - a Fed announcement, a calendar release, a wave of dollar flow - enters every dollar pair at once, each chart printing its share of the same event. The rhyme is that shared leg showing through. The differences between the charts are the other legs: EUR/USD and GBP/USD diverge exactly where the euro and pound part company, which is why their cross, EUR/GBP, often sits quiet while both dollar charts thrash.

Reading the rhyme is a screen skill with an account consequence. On screen: when several charts jump in the same second, look for the shared leg before any pair-specific story - one cause, many prints. In the account: two rhyming positions rise and fall partly as one, and the worked example prices what that does to your arithmetic.

Diagram: Two dollar charts echoing one event while the cross sits quiet - the shared leg is the mover.

View it in the web lesson: <https://ticksprout.com/learn/fx/reading-the-market/why-your-charts-rhyme>

Worked example - figures in USD

You hold 0.5 lots of EUR/USD, and consider adding 0.5 lots of GBP/USD - both containing the dollar. A pip on a full lot is worth \$10.

1. You hold 0.5 lots of EUR/USD - \$5 per pip (\$10 per full lot). A 25-pip move on the shared leg prints \$125 through this one position.
2. Add a second 0.5 lots position on another pair sharing the same leg, with a similar pip value, and the same 25-pip repricing arrives twice: about \$250 across the pair of them, moving together.
3. Two charts, one event, double the arithmetic - in whichever direction the leg moved. The screen showed two instruments; the exposure was substantially one. What that means for sizing is module 4's business; the reading skill is noticing it before the account does.

What this means for you

Before reading any pair's move as its own story, name both legs and ask which one is speaking - a habit that costs seconds and prevents the commonest misreading on the screen. Count exposures by leg, not by chart: three dollar pairs open is closer to one large dollar position than three diversified ones. The rhyme is strongest in the moments this module taught you to watch - shared-leg calendar events, session transitions - and how to size around it belongs to module 4, with the deeper correlation machinery in module 8. This module's work is done when your screen reads as one market wearing many charts.

Try it yourself with the pip-value calculator: <https://ticksprout.com/tools/pip-value>

Check your understanding

1. EUR/USD and GBP/USD lurch downward in the same second. What is the first thing to check?

- a. The shared dollar leg - one dollar event prints on every pair containing it
- b. Euro news, then pound news, separately
- c. Whether the two platforms are copying each other
- d. Which pair moved first, to find the leader

Answer: a. One cause with many prints is the parsimonious reading, and the shared leg is the mechanism. Separate euro and pound stories arriving simultaneously is the unlikely coincidence, platforms draw their own quotes rather than each other's, and leader-follower readings of a common shock mistake noise for sequence.

2. Both dollar charts thrash while EUR/GBP barely moves. What does the quiet cross tell you?

- a. The action is in the dollar - the euro and pound are roughly holding their ratio
- b. EUR/GBP's feed is stale
- c. The cross always lags the majors
- d. Nothing - crosses are unrelated to majors

Answer: a. The cross prices the two non-dollar legs against each other, so its stillness isolates the mover: the shared dollar. A stale feed would show in its spread and ticks, crosses do not mechanically lag, and the three pairs are arithmetically linked - that linkage is the lesson.

3. You hold long positions in three dollar pairs of similar size. How should you count your exposure?

- a. As substantially one dollar position taken three times
- b. As three diversified positions
- c. As zero net exposure - they cancel
- d. By chart count - three charts, three exposures

Answer: a. The shared leg moves all three together, so the dollar risk stacks rather than spreads. Diversification requires exposures that do not share their driver, same-direction dollar positions reinforce rather than cancel, and counting charts counts drawings - the leg is the exposure.

4. Why do the two positions in the worked example move as roughly one?

- a. A repricing of the shared leg enters both pairs at once, at similar pip values
- b. Brokers link positions opened on the same day
- c. All FX pairs move together all the time
- d. Because they were the same size

Answer: a. The common leg is the transmission: one event, two prints, twice the arithmetic. No broker links anything, pairs without shared legs routinely diverge - the cross in this lesson just did - and equal sizing scales the effect without causing it.