

AETOS Market Commentary

19/03/2019

EURUSD

The Euro closed higher yesterday, closing at 1.1336(+17 pips) against the greenback. It was a relatively quiet start of the week for the FX market, with a scarce macroeconomic calendar exacerbated by low trading volumes. The EUR/USD pair, however, managed to advance to a fresh 2-week high of 1.3358 amid persistent dollar's weakness in a sort of optimistic financial environment. Equities surged in Asia, leading to a positive opening in Europe, while US Treasury yields remained near yearly lows. The positive mood eased ahead of Wall Street's opening, with US indexes unable to post gains, struggling around their opening levels for most of the session. No macroeconomic releases were coming from the Union, while the US just unveiled the NAHB Housing Market Index for March, which matched its previous reading with 62, missing the market's expectations of 63. The world, once again, gyrated around Brexit, as news that UK Commons' speaker Bercow said that there wouldn't be a third vote on May's deal unless it brings some changes. This Tuesday, Germany will release the ZEW survey on Economic Sentiment, seen improving modestly in March. The prevision for the country is -11.3 vs. the previous -13.4, while for the whole Union, the sentiment is seen deteriorating to -18.7 vs. -16.6 in February. The US macroeconomic calendar will have nothing relevant to offer, with tension mounting ahead of the Federal Reserve meeting next Wednesday. The Euro will likely garner some attention from currency traders with the latest reading on economic sentiment. If the report is perceived by markets as positive, EURUSD may continue its recovery back to the upside. Alternatively, further

deterioration of economic sentiment in the Eurozone could put renewed pressure on the bloc's currency.

Based on the chart above, price is currently trading above its 61.8 Fibonacci retracement level, suggesting the next target level at 1.4190. The 100SMA(Blue Line) will prove to be a major resistance level, should the price break above it, the Euro will have more room to trade towards the 1.1400 price level.



EURUSD 4 Hour Chart

GBPUSD

The Pound fell on Monday, closing at 1.3242(-53 pips) against the greenback. The UK added a couple of new chapters to the Brexit saga this Monday, with the Pound giving back some ground but managing to retain the 1.3200 level against the greenback. Aside from employment data expected out of the UK tomorrow, the latest Brexit development has injected additional uncertainty regarding the country's departure from the European Union. It now looks like MPs will no longer hold a third meaningful vote on the proposed EU Withdrawal Agreement this week, dealing the most recent blow to PM May and her Brexit deal. As Speaker Bercow stated this morning, the British government cannot hold another vote on the same proposition. Although the House of Commons just approved a Brexit extension last week in hopes of delaying the March 29 deadline, pushing back the date requires unanimous approval from all other 27 members of the EU. Greater uncertainty as we approach the Brexit finish line is likely bidding up GBPUSD option premium hedging costs which is reflected in the higher implied volatility. Ever since the day started, Brexit-related headlines flooded the news feeds, starting with ERG Chair Ress-Mogg, a Tory Brexiter, saying that in the case the choice comes down to May's deal or no Brexit, he would support for the deal. Other Tories, however, rejected the argument and said they will vote against May's deal regardless. There was some back and forth also about a possible agreement between the DUP and the government, and even May's spokesman reached the wires a couple of times, saying that PM May would prefer a short extension, in the case the Parliament decides so, later noting that the government was not in "a place to discuss motion and timing for another Brexit vote." The Sterling retained gains throughout all those headers,

finally easing after Commons Speaker Bercow warned the government it could not bring the same Brexit deal to another vote in the Parliament, dismissing a third meaningful vote. The Commons got involved in another lively discussion on which are the possibilities from now on, with Bercow's average answer being "depends on the circumstances." Is clear that the market still believes that a hard Brexit will be avoided, or else, the Sterling would have collapsed. However, and with just 11 days to go ahead of the exit date, nothing seems to be falling into place. May needs to deliver the undeliverable to save the UK and have a small, tiny chance of saving her career. The UK will publish February inflation figures this Tuesday, with the CPI foreseen up by 1.8%, matching January's reading. The data would likely be overshadowed by more Brexit drama.

The pair is currently finding support from its 20 SMA(Red Line). RSI currently at 55 indicating more room for downside risk. As previously mentioned, Brexit news will be the key driver of the currency pair. Support and resistance currently set at 1.3066 and 1.3355.



GBPUSD Daily Chart

USDJPY

The Japanese Yen made gains on Monday, closing at 111.39(-15 pips) against the greenback.

Rise in optimism during the first half of the day pushed it marginally higher, up to 111.62, unable to advance further amid absent demand for the greenback. Equities traded higher in Asia, giving modest support to the pair, although US indexes were unable to follow suit, while US Treasury yields remained near 2019 lows, capping the advance in the final session of the day. Japan released its February Trade Balance, which posted a larger-than-expected surplus of ¥339.0B, although a result of plummeting imports, down by 6.7% in the month. Exports also declined, falling by 1.2%, while Industrial Production in January fell by 3.4% MoM, slightly better than the -3.7% slide expected. There are no data scheduled in Japan for this Tuesday.

The pair has set a lower low and a lower high, a sign of mounting downward pressure, although it still stuck to its 100 SMA(Blue Line). The bearish case continues building up according to technical readings in the 4 hours chart, as the pair is barely holding above a bullish 100 SMA(Blue Line), while technical indicators entered bearish ground, the Momentum heading sharply lower and the RSI flat at around 44.



USDJPY 4 Hour Chart

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