

AETOS Market Commentary

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AUDUSD

The Aussie fell by a margin on Tuesday, closing at 0.7086(-12 pips) against the greenback. Main catalyst for the fall was due to renewed concern about trade talks between the United States and China. After doing little in both Asian and European trade, the bulk of the Aussie's move on Tuesday came late in the session, driven by a report from Bloomberg that Chinese officials are pushing back against US demands in trade talks. The report weighed on risk assets, including the Aussie dollar which has been highly sensitive to shifts in sentiment towards trade negotiations over recent months. "We are not too bothered by the news [given] it is normal negotiating behaviour," said Joseph Capurso, Senior Currency Strategist at the Commonwealth Bank. "The negotiations could drag on for months and cap gains in Aussie dollar." A separate report from the Wall Street Journal that trade talks between the two sides will resume next week in an attempt to strike a deal was largely overlooked by markets. Turning to the day ahead, the main event of interest will be the release of the US Fed's interest rate decision, along with the FOMC's latest economic forecasts. There'll be plenty of attention on the FOMC's dot plot for year-end and long-run Fed funds rate projections, along with any commentary on the outlook for the Fed's balance sheet. The dot plot is widely expected to show a slower or no further policy tightening based compared to what was offered in December. The decision will arrive at 5am AEDT on Thursday morning, followed by a press conference from Fed Chair Jerome Powell. Before that key event arrives, other highlights today include a speech from RBA Assistant

Governor Michelle Bullock at 11am AEDT. “[There’s] no tittle offered on the RBA website, but the invite in the event’s website has a rather punchy title of ‘Is it crunch time? The housing credit squeeze in a post royal commission economy?’,” said Catril at the NAB. If that is the topic of Bullock’s speech, it will receive plenty of attention given the housing market is one key area of uncertainty facing policymakers at the RBA.

Based on the chart above, the Australian dollar is currently finding support at its 20SMA(Red Line), still trading a handful of pips below its 100 SMA(Blue line). RSI currently reads at 48.7 ,indicating that there is more room for downside risk. Support and resistance currently set to 0.7061 and 0.7122.



AUDUSD Daily Chart

GBPUSD

The Pound made little changes on Tuesday, closing at 1.3268(+4 pips). Pound traders were left directionless after Bercow decided to veto a third meaningful vote, although the Sterling was able to post a modest intraday advance as a result of broad dollar's weakness. During Tuesday, the pair traded as high as 1.3310 and settled in the 1.3260/70 price zone at the end of the day, with mounting concerns about the future of Brexit. News gyrated around an extension of the departure date set for March 29, and the upcoming EU summit by the end of the week. It does seem doubtful that a decision regarding the issue will be achieved among it, as an EU official was cited saying that, despite the EU are planning to make a "contingent offer" is unlikely that it will be finalized these days. UK PM May's spokesman said that PM May would write to EU's Tusk to ask for an extension before the summit. Later in the day, EU's Chief Negotiator Barnier put the dots on the I's, reiterating that if the UK wants an orderly Brexit, the current deal is 'the only deal,' adding that they are now facing 'genuine uncertainty' about Brexit. The UK released its latest employment data which resulted upbeat as the unemployment rate fell to 3.9%, better than the 4.0% anticipated, while wages rose more than anticipated, up by 3.4% in January, both including and excluding bonuses. The Claimant Count Change for February was the only disappointing line, up to 27K. The kingdom will release February inflation figures this Wednesday, while the BOE is set to meet on Thursday. Inflation is seen steady at 1.8% YoY and given Brexit uncertainty and the central bank meeting, the readings could have a limited effect on the GBP, unless the numbers diverge from THE market's expectations

The pair spent the day seesawing around the current price zone, turning short-term neutral according to technical readings in the 4 hours chart, as the price is barely around a directionless 20 SMA(Red Line), while technical indicators lack directional strength around their midlines. The longer-term perspective still favors the upside on hopes Brexit won't be as chaotic as it looks, an even an extension of Art. 50 would be enough to trigger additional gains. Little is expected, anyway, despite the first-tier upcoming events, until the EU's summit result.



GBPUSD 4 Hour Chart

USDJPY

The Japanese Yen made little changes on Tuesday, closing at 111.37(+1 pips) against the greenback. The greenback was under pressure ever since the week started, as softer-than-expected US data lately anticipates another dovish outcome from the US Federal Reserve this Wednesday. The decline is being limited by also disappointing Japanese data, with the market unable to make up its mind on which of these two currencies is now the weaker. Japan will release the Minutes of its latest monetary policy meeting during the upcoming Asian session, alongside the final versions of the Coincident and the Leading indexes for January. The Minutes has little chances of surprising market's participants, with the focus on how concerned policymakers are about the global economic downturn.

The pair remains stuck to converging 100SMA (Blue Line) in the daily chart, while technical indicators hold right above their midlines, suggesting that the upward potential is still limited. Shorter term, however, the 4 hours chart shows that the risk of a bearish turn remains high, as the pair is finding it hard to bypass its 100 SMA which anyway maintains a bullish slope. Furthermore, technical indicators recovered from their intraday lows, but quickly lost upward strength, still developing within negative levels. The risk of a downward extension will increase if the pair loses the 111.00 mark, more likely in the case the US Federal Reserve disappoints more than anticipated.



USDJPY 4 Hour Chart

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