

AETOS Market Commentary

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AUDUSD

The Aussie rose on Monday, closing at 0.7111(+31 pips) against the greenback. The commodity pair trimmed Friday's losses and settled a couple of pips above the 0.7100 figure, surging during the Asian session on comments from the Chinese premier Li Keqiang, who said that China had the ability to resist downward pressure on the economy to provide additional support to the currency, bringing relief to the Aussie. A strong advance in gold prices, with spot trading at fresh 1-month highs in the 1,322.00 area, also backed the commodity-linked currency. Australia didn't publish macroeconomic data at the beginning of the week, and for this Tuesday, the only event scheduled is a speech from RBA's Ellis. The pair advanced within range, stalling around a critical figure that so far can't clearly break. The short term picture suggests that bulls' conviction has already begun easing as, despite the price is now above all of its moving averages, technical indicators are losing upward momentum, with the RSI now gyrating south at around 53. The downside potential will remain limited as long as the price holds above 0.7055, the level to break to open doors for a steeper slide.



AUDUSD Daily Chart

Based on the chart above, short term outlook for the pair is bullish as it currently trades above its 14 SMA(Red Line). However, the pair is currently 30 pips below its 100 DMA(Blue Line). A bullish break above 0.7120 can lead to 0.7140 and 0.7160. Downside risk remains limited, support currently set at 0.7080 and 0.7065.

GBPUSD

The Pound made marginal gains yesterday, closing at 1.3210(+6 pips) against the greenback. The cable pair's overnight implied volatility has jumped to its highest level since November 15 as forex option traders price in the latest Brexit uncertainty. Increasing implied volatility reflects higher 'insurance' costs for GBPUSD currency traders who utilize options to hedge their positions and reflects the market's view that spot prices could experience significant swings over the contract's respective duration. There were some reports indicating that PM May could resign or be ousted, others suggesting that a general election was discussed within her Cabinet, and more suggesting that a third meaningful vote could be held on Tuesday, this last, later denied by May's spokesman. The UK PM addressed lawmakers, adding little new to what the market already knew. May reiterated that there are no chances of changing the withdrawal agreement, and that is either her deal approved between this week and the next one, or leaving without a deal, a scenario nor her, neither lawmakers desire. She mentioned that an alternative would be to pursue a different form of Brexit or a second referendum, quickly adding that "it is important Parliament abides by 2016 referendum result rather than talking about holding a second referendum," also adding that is very difficult to take Britain out of the UK against the Parliament's will. May won't submit her deal for a third meaningful unless it gets enough support ahead of it. Speaker Bercow has selected three amendments to be voted early Asia. The UK macroeconomic calendar has nothing of relevance to offer this Tuesday.



GBPUSD 4 Hour Chart

In the short run, the pair remains neutral-to-bullish, given that, in the 4 hours chart, a directionless 20 SMA(Red Line) acted as a dynamic support throughout the day, rejecting bears. Technical indicators in the mentioned chart are now pivoting around their midlines with limited directional strength. Hopes prevail despite the Brexit mess, that the UK will avoid a hard landing, therefore keeping the downside limited for the Pound. A long term ascendant trend line coming from January's low comes at around 1.3110 this Tuesday, with bears having more chances on a break below it.

USDJPY

The Japanese Yen strengthened on Monday, closing at 109.99(+9 pips) against the greenback. The move for the pair was a lot to do with the US Treasury yields, as the yield on the benchmark 10-year note surged to 2.47% ahead of the opening, to later fall to 2.38%, its lowest since December 2017, mid-US afternoon. Japan's macroeconomic figures were again unpromising, as the All Industry Activity Index for January, which resulted at -0.2%, missing the market's expectations of a 0.2% advance, while December figure was downwardly revised to -0.6%. Nevertheless, the inversion of the US yield-curve weighed more, boosting demand for safe-havens yen and gold. Japan will release early Tuesday the February Corporate Service Price, previously at 1.1%, and the BOJ Summary of Opinions.



USDJPY 4 Hour Chart

The pair has retreated back towards the 110.00 price zone as yield also bounced, the pair is technically bearish and poised to extend its slide according to the 4 hours chart, in where the 20

SMA(Red Line) keeps heading lower almost vertically above the current level and further below the longer ones. Technical indicators in the mentioned chart resumed their declines within negative levels after correcting the oversold conditions reached at the beginning of the day. A steeper decline is still possible on a break below 109.70, the daily low and the immediate support

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