AETOS Market Commentary

27/03/2019

EURUSD

The Euro weakened and closed lower on Tuesday, closing at 1.1274(-39 pips) against the greenback. The most traded pair trimmed lower on Tuesday, despite the dollar, and in general safe-haven assets, were off investors' radar. The Euro attempted a rally that was contained by a selling interest around weekly highs, also by worse-than-expected German data, as the IFO Consumer Confidence Survey for April came in at 10.4, missing the market's expectations, while March reading was downwardly revised to 10.7 from 10.8. The decline was moderated by mixed US data, as, in February, Housing Starts, fell by 8.7% when compared to the previous month, much better than the -28.3% expected. Building Permits in the same month decreased by 1.6%, worse than the market's forecast of -0.6%. January readings for both were revised lower. The Richmond Fed Manufacturing Index printed 10 in March, down from the previous 16 and the expected 12, while the CB Consumer Confidence Index unexpectedly dropped to 124.1 points in March from 131.4 in February, with the subcomponents of current situation and expectations both sharply down, reflecting arising concerns about a possible recession in the US. ECB's Mario Draghi is scheduled to speak this Wednesday(18:00 AEDT), alongside a couple of other central bank representatives, although no surprises about the future of monetary policy are expected. The US will release the January Trade Balance with the deficit foreseen at $57.0B, better than the previous one at $59.8B.

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EURUSD 4 Hour Chart

Based on the chart above, the pair settled below the 61.8% retracement of the latest bullish run at around 1.1280, with a clear bearish stance in the short-term, as in the same chart, the pair is now developing below its 20 period moving average(Magenta Line). Technical indicators in the mentioned chart remain within negative territory, with the Momentum losing downward strength after an upward corrective movement than anyway stalled below its 100 line while the RSI grinds lower, currently at 34. Further declines toward the yearly low at 1.1175 seem likely for the upcoming sessions, particularly if the greenback becomes more attractive for speculators.

GBPUSD

The Pound closed marginally lower on Tuesday, closing at 1.3209(-2 pips) against the greenback. The pair recovered the ground lost Monday and closed the day at around 1.3210, pretty much unchanged weekly basis. The price of the Sterling is heavily dependent on Brexit related headlines, which continue to be a bunch of rumors and possibilities that don't seem to fit in reality. The UK Parliament agreed on some indicative votes that will take place this Wednesday and pretty much, will grant control to the Parliament. But that doesn't solve the issue that the EU refuses to renegotiate the withdrawal agreement or change the Irish backstop, something that lawmakers are not willing to approve. Meanwhile, UK Prime Minister May's leadership continue to be deteriorating, with rumors of her quitting or being ousted sounding louder day after day. Which adds extra pressure to the Pound as it would make matters much worse without her. Furthermore, seems a third meaningful vote won't take place this week, as May's spokesman reiterated that they will hold it only if the government believes it will be approved in Parliament. DUPs are in favor of a longer extension, up to a year, which means they are in no rush to approve May's deal either.

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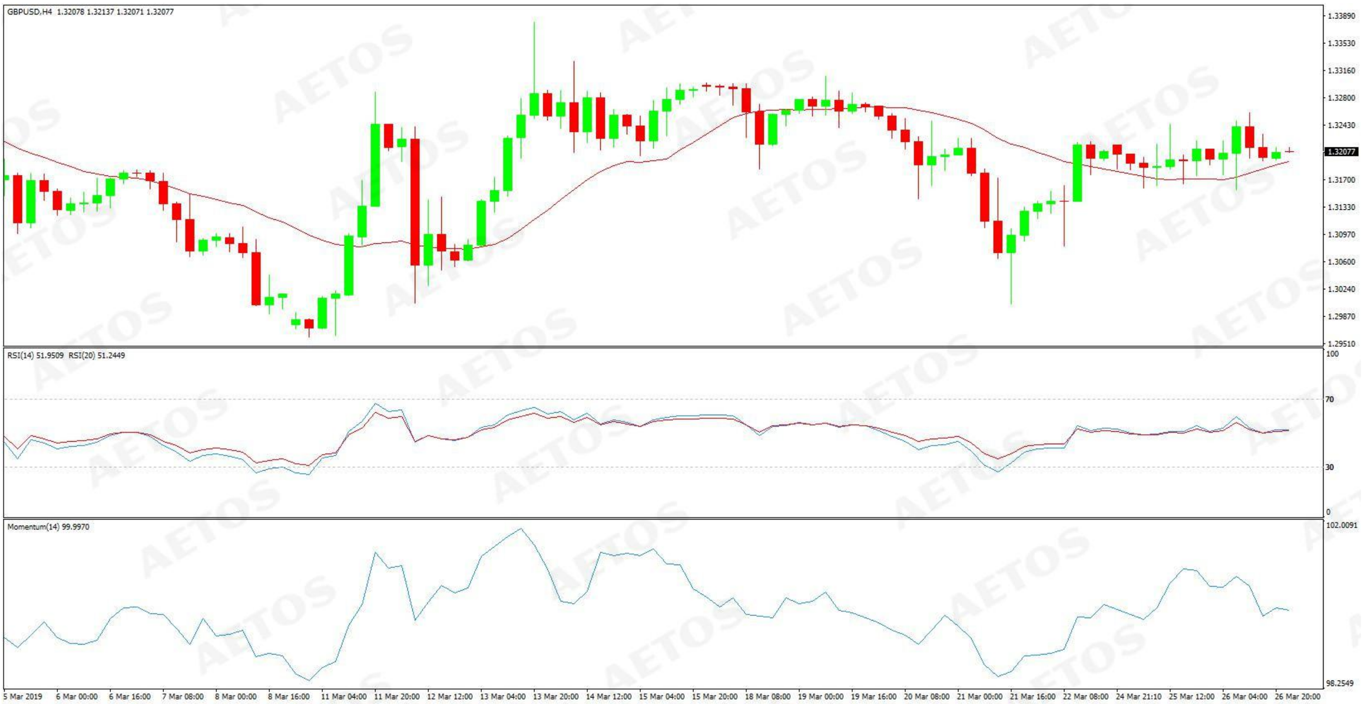

GBPUSD 4 Hour Chart

The cable pair advanced to a fresh weekly high of 1.3260 before retreating to the current price zone. The short-term picture shows that the downside potential remains limited, as the 20 SMA(Red Line) in the 4 hours chart continues providing a dynamic intraday support at around 1.3175. Technical indicators in the mentioned chart hold within positive levels, the Momentum heading south and the RSI directionless at around 51. The lack of directional strength will likely persist alongside Brexit uncertainty, with the pair expected to continue trading in the 1.31/1.33 range until a clearer picture surges.

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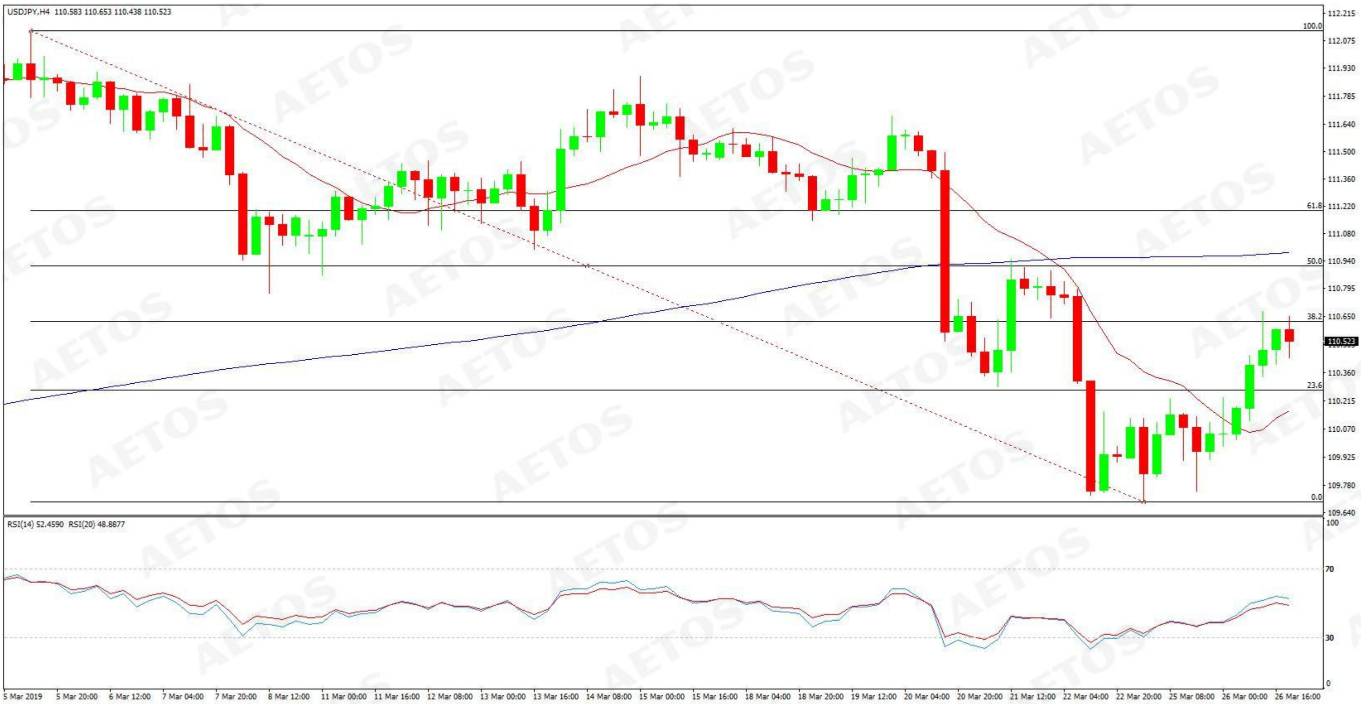
USDJPY

The Japanese Yen fell on Tuesday, closing at 110.53(-48 pips) against the greenback. Stable US Treasury yields and the better performance of worldwide equities underpinned the USD/JPY pair which rose to 110.68 this Tuesday. Equities closed in the green although there were no impressive rallies. US government bond yields bounced as appetite for riskier assets improved, with the benchmark yield for the 10-year note settling at around 2.41%. Safe-haven yen recovered some ground in the final hours of trading, as US indexes retreated from daily highs. Japan released at the beginning of the day the February Corporate Service Price which came in at 1.1% YoY, matching the previous month reading. The BOJ released its Summary of Opinions, which didn't surprise. Today will be a quiet day for the Japanese currency, with no data scheduled to be out.



USDJPY 4 Hour Chart

The pair is settling below the 38.2% Fib retracement of its latest daily slump. The pair continues developing below the 200 SMA(Blue Line), suggesting that longer-term advances are still in doubt, but broke above its 20 SMA(Red Line), now flat around 110.25. Technical indicators recovered ground, the Momentum maintaining its bullish slope and the RSI now flat at around 52, failing to confirm additional gains ahead, to be more clear if the pair surpasses the mentioned 110.70.