AETOS Market Commentary

28/03/2019

AUDUSD

The Aussie fell heavily on Wednesday, closing at 0.7089(-47 pips) against the greenback. The Aussie were dragged lower due to the dovish commentary from the neighboring New Zealand's central bank indicating that it may cut interest rates again. "Given the weaker global economic outlook and reduced momentum in domestic spending, the more likely direction of our next overnight cash rate (OCR) move is down," the RBNZ said in the statement. While the Reserve Bank of Australia (RBA) still holds a neutral bias on the outlook for interest rates, the dovish shift from the RBNZ increased speculation that the RBA may soon follow suit. Like New Zealand, that saw markets move to price in nearly 50 basis points of rate cuts from the RBA in the coming years, dragging down Australian government bond yields along with the Australian dollar. Along with the dovish shift from the RBNZ, news that Chinese industrial profits fell at the sharpest annual pace since at least 2011 early this year also did little to help the Aussie's cause. Combined with modest weakness in European and North American stocks, along with most commodities, the soggy mood saw the AUD/USD slide to as low as .7069 before bouncing slightly towards the close. Today, trades will be focusing on the US initial jobless claim which follows with their GDP Growth rate for Q4.

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AUDUSD 4 Hour Chart

Based on the 4 Hour chart above, the pair is finding resistance of its 38.2 Fib retracement level(January to February bullish run). For the short term support, trades can utilize its 100 SMA(Blue line) as it has been proven to be a consistent support(20 March & 25 March). For the time being, the price of the pair will be heavily influenced by trade war related headlines and Australia’s economic indicators.

EURUSD

The Euro weakened on Wednesday, closing 1.1251(-22 pips) against the greenback. The greenback made a run in the American afternoon, getting some support from a better-than-expected US Trade Balance deficit for January, which decreased to $51.1B but also underpinned by fears, which sent Wall Street sharply lower and boosted demand for government debt. The common currency, in the meantime, retained the dubious honor of being among the weakest currencies of the G-10 bloc. ECB's Head Draghi spoke in Frankfurt, repeating that the risk to the outlook remains tilted to the downside, adding that the central bank is ready to act. His dovish remarks, also hinting that a rate hike could be further delayed if needed, limited any possible EUR gain. The US released its January Trade Balance, with the deficit unexpectedly shrinking to $51.1B, while the Current Account deficit for Q4 reached $134.4B, worse than anticipated. Thursday's macroeconomic calendar has multiple reports to offer although the most relevant one will be the final version of the US Q4 GDP, foreseen at 2.4% vs. the previous estimate of 2.6%. Europe will offer March Consumer Confidence and the Economic Sentiment Indicator, while Germany will post preliminary March inflation estimates.

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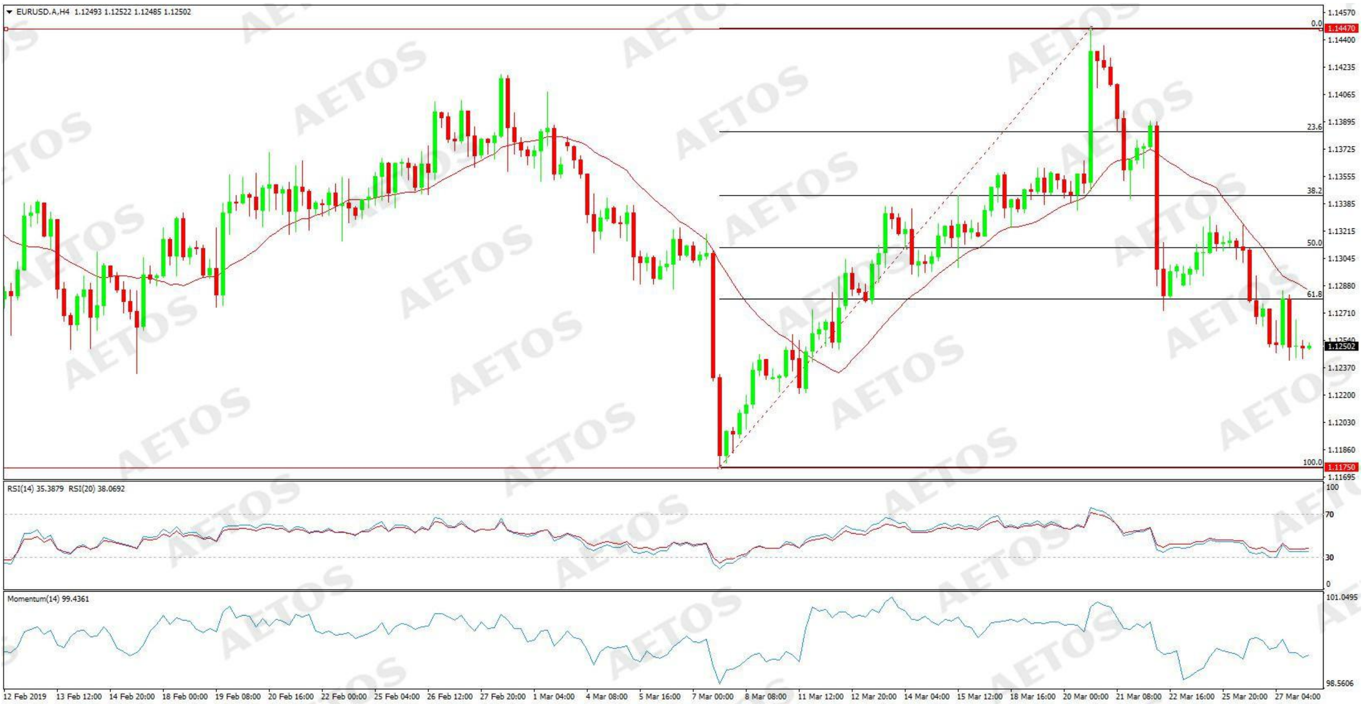
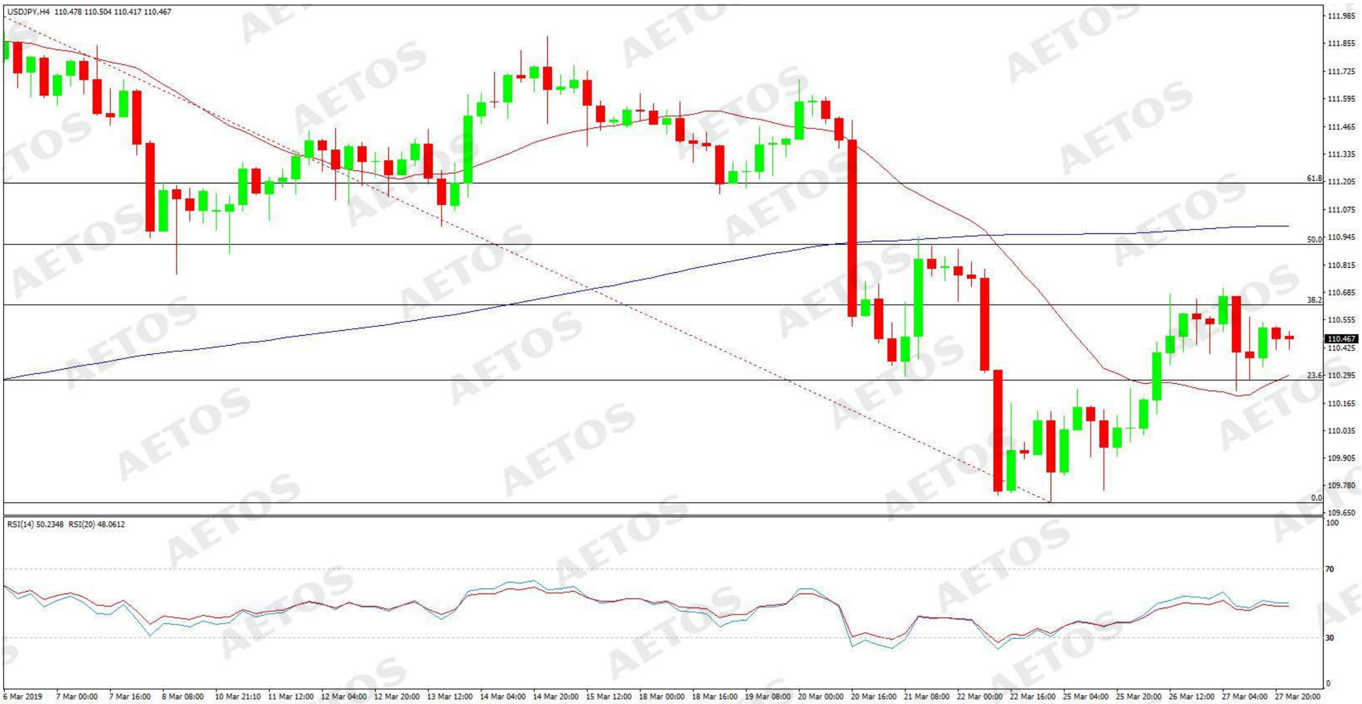


EURUSD 4 Hour Chart

The EUR/USD pair hit 1.1241, a fresh weekly low on the back of Wall Street's knee-jerk, ending the American session at around 1.1250. The early advance was rejected by selling interest aligned around the 61.8% retracement of the 1.1175/1.1447 rally at 1.1280, leaving doors open for a retest of the yearly low. In the 4 hours chart, the price is developing below all of its moving averages, with the 20 SMA(Red Line) maintaining a downward slope below the longer ones. Technical indicators in the mentioned chart remain within negative levels, with the Momentum heading south and the RSI consolidating near oversold readings.

USDJPY

The Japanese Yen made gains on Wednesday, closing at 110.49(+7 pips) against the greenback. The safe haven natured pair retreated as US Treasury yields crashed to over 1-year lows, and the yield curve flattened further, with the yield on the 3-month note roughly 10 basis point above that of the 10-year one. The market mood deteriorated as the day went by, with equities in Asia closing mixed, European ones hesitating around their opening levels and US ones edging lower, dominated by fears of a global economic downturn and a US recession. Japan's macroeconomic calendar was empty early Wednesday, although policymakers vowed to raise the sales tax to 10% as planned, following the passage in parliament of the budget bill for the next fiscal year beginning next month. No relevant releases are planned for this Thursday, leaving the pair in the hands of sentiment.



USDJPY 4 Hour Chart

The 4 hours chart shows that a directionless 20 SMA(Red Line) provided support now at around

110.25, a couple of pips above the 23.6% retracement of the latest bearish run. In the same chart, the 100 SMA extends its decline above the 200 SMA(Blue Line), both far above the current level, while technical indicators are attempting modest bounces after nearing their midlines, lacking strength enough to confirm further gains ahead.

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