

AETOS Market Commentary

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AUDUSD

The Australian dollar rose on Friday, closing at 0.7096(+15 pips). The Australian dollar surged upon the resumption of trade on Monday, supported by better-than-expected Chinese economic data released over the weekend. After closing last week at .7094, the AUD/USD rose to as high as .7129, helped by a rebound in China's official manufacturing PMI to 50.5 in March. Markets had been expecting a smaller increase to 49.5 following a 49.2 reading in February. A far slower deterioration in activity levels at small and medium-sized manufacturing firms, along with stronger growth in new domestic orders, was largely responsible for the improvement seen from February. Separately, activity levels across China's non-manufacturing sectors improved at a faster rate in March, helped in part by a strong lift in construction activity. "This is the first month in four that Chinese manufacturing activity has returned to growth and suggests a read through of Chinese macro policy growth support beginning to flow through into the economy," said David de Garis, Economist at the National Australia Bank. "After markets closed with something of a risk on tone at the end of last week, the China PMIs for March seem to have added a little more to that mood, helped along with positive mood music around the continuing US-China trade talks." On Friday, Xinhua, a Beijing based official newswire, reported that Chinese and US negotiators had made "new progress" towards a trade agreement after a series of meetings in Beijing. For the economic events that's scheduled for this week, it looks to be a busy first half of the week for the Aussie pair- Manufacturing figures, business confidence, and new home sales

are due out at the start of the week. Concerns over the housing sector will leave the Aussie Dollar sensitive to the full suite of stats that precede Tuesday’s RBA monetary policy decision. While the RBA is expected to hold rates steady, there is an expectation that the RBA will take a more dovish stance. The housing sector in itself will be a material concern, with bank NPLs a major stress point following some questionable lending standards in recent years. Post RBA, retail sales and trade data on Wednesday will also have a material impact on the Aussie.



AUDUSD Daily Chart

Based on the chart above, first level of resistance for the pair will be its 100SMA(Blue Line) at 0.7127. The outlook for the pair remains neutral to bearish, as market will be expecting RBA’s statement to sound somewhat dovish based on the neighboring country central bank’s stance as well.

EURUSD

The Euro weakened further on Friday, closing at 1.1217(-12 pips) against the greenback. Concerns about a global economic downturn, an inverted yields' curve in the US, more central banks flipping to the dovish side, and Brexit chaos, all backed the American currency. The EUR/USD pair closed in the red for a second consecutive week, just above the 1.1200 figure and not far from the yearly low set earlier this month at 1.1175. On Friday, German Retail Sales surprised to the upside, up in February by 0.9% MoM and 4.7% YoY, although Import Prices rose by less-than-expected in the same month. Private sector PMI numbers due out on Monday and Wednesday will be the key drivers. Following February numbers, a more significant contraction on German manufacturing could drive expectations of a near-term move by the ECB. In the latter part of the week, factory orders and industrial production figures out of Germany will influence, though much will depend on the prelim private sector numbers earlier on the week. Out of the Eurozone, prelim inflation, retail sales, and unemployment figures will likely have a muted impact in the week. Outside of the data, the ECB monetary policy meeting minutes could give some more color on tiered deposit rates. These last few days, weaker than expected US data only fueled concerns about the future, and dollar's demand alongside.



EURUSD 4 Hour Chart

The technical indicators for the pair provides a south direction, with the Momentum in neutral territory and the RSI at 38, both reflecting a strong selling interest. In the shorter term, and according to the 4 hours chart, the pair is also offering a bearish stance, with a firmly bearish 20 SMA capping the upside at around 1.1245 and technical indicators resuming their declines within negative levels.

Major Economic Events happening this week (AEDT Time Zone)

Economic event (Date)	Previous	Forecasted	Actual
JP-Tankan Large Manufacturers Index Q1 (1 April)	19	13	TBA
AU- NAB Business Confidence for March (1 April)	2	4	TBA
CN- Caixin Manufacturing PMI for March (1 April)	49.9	50.1	TBA
DE- Markit Manufacturing PMI Final for March (1 April)	47.6	44.7	TBA
US- Retail Sales MoM for Feb (1 April)	0.2%	0.3%	TBA
US- ISM Manufacturing PMI for March (2 April)	54.2	54.5	TBA
US- Durable Goods Orders MoM (2 April)	0.4%	-1.1%	TBA
AU- Balance of Trade Feb (3 April)	A\$4.549B	A\$3.8B	TBA
US- ISM Non- Manufacturing PMI for March (4 April)	59.7	58.7	TBA
EU- ECB Monetary Policy Meeting Accounts (4 April)	N/A	N/A	N/A
CA- Ivey PMI s.a for March (5 April)	50.6	51.4	TBA
US- Non-Farm Payrolls for March (5 April)	20K	170K	TBA

*Pulled from Trading Economics website



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