

AETOS Market Commentary

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EURUSD

The Euro weakened further on Monday, closing at 1.1205(-18 pips) against the greenback. The EUR/USD pair finishes Monday at daily lows around 1.1198, as the dollar gathered momentum in the last trading session of the day compliments to better-than-expected US data, in opposition to EU one that missed the market's forecast. The good mood prevailed, with equities up throughout the day on the back of encouraging Chinese data released during the weekend, and rising US Treasury yields, but for the shared currency, more signs of economic slowdown weighed more. According to the official releases, EU March preliminary inflation was slightly below expected, up by 1.4% YoY in the month vs. 1.5% previously. Core CPI printed 0.8%, missing the market's forecast of 0.9% and below the previous 1.0%. Also, the final versions of the Markit Manufacturing PMI for the same month suffered downward revisions, with the German index down to 44.1, its lowest since mid-2012. For the whole EU, the manufacturing index was downwardly revised to 47.5. The pair retreated to the 1.1230 price zone, where it consolidated ahead of US data. The US Markit Manufacturing PMI suffered a strong downward revision, from 52.6 to 50.5, but the official ISM index surged to 55.3 surpassing the expected 54.5 and above the previous 54.2. Also, Construction Spending rose by 1.0% in February, surpassing the market's expectations. Dollar's rally, however, was contained by poor February Retail Sales, which unexpectedly fell by 0.2% MoM. This Tuesday, it will be the turn for the EU to release February PPI at 20:00 AEDT, seen up by 0.1% MoM and by 3.1% YoY, although following CPI

numbers the impact it could have will be even lower than usual. The US, on the other hand, will release Durable Goods Orders for February, seen falling by 1.8% after January reading was downwardly revised 0.3%. Nondefense Capital Goods Orders ex Aircraft are expected flat after a 0.8% advance in the previous month.



EURUSD 4 Hour Chart

Based on the 4 Hour chart above, the short term outlook for the pair is bearish, with the first support level being the yearly low at 1.1175. The pair also failed to sustain gains above its 20 SMA(Magenta Line). Momentum indicators have bounced within negative levels, but remains in negative ground, while the RSI consolidates near oversold territory, in line with further slides ahead.

GBPUSD

The Pound made gains yesterday, closing at 1.3076(-56 pips) against the greenback. Sterling appreciated strongly against its American rival, with the GBP/USD pair reaching an intraday high of 1.3149 ahead of UK Parliament indicative votes that took place by the end of the day. The positive momentum was backed by a better-than-expected UK Manufacturing PMI, which printed 55.1 in March, its highest in over a year. Also leaning support to Pound, the news showed that the DUP Northern Irish party would abstain voting on a softer version of Brexit, so-called the Customs Union 2.0 or a Norway plus deal, opening doors for the option to get a majority after members of the Labour Party said they would support it. Such deal would allow the UK to be a member of the European Free Trade Association and European Economic Area, also involving a customs union with the EU, the best scenario to avoid a hard border in Ireland. The Pound also surged on the back of hopes an indicative vote on revoking Art. 50 as a last resort would also get enough support to pass.



GBPUSD 4 Hour Chart

The pair holds on to gains trading around 1.3120, once again meeting sellers around the daily ascendant trend line broken to the downside last week. In the 4 hours chart, the pair is now above a firmly bearish 20 SMA(Red Line) and around a directionless 200 EMA(Blue Line), while technical indicators recovered up to neutral levels, not enough to confirm a steadier recovery ahead. The daily high was set at 1.3149, now the immediate resistance, followed by the 1.3200 figure.



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