

## AETOS Market Commentary

03/04/2019

### AUDUSD

The Australian dollar fell on Tuesday, closing at 0.7064 (-45 pips). The Reserve Bank of Australia announced its decision to leave interest rates unchanged at 1.50 percent with added dovish language which has put downward pressure on AUDUSD throughout today's session. However, the move lower in AUDUSD could be exaggerated when considering the muted reaction in Australian OIS interest rate probabilities after the RBA released its latest monetary policy statement. Further dovishness by the RBA could have been interpreted from the shift in language from keeping rates 'unchanged which is consistent with sustainable growth' last month to 'setting policy to support sustainable growth in the economy' today. Moreover, the RBA's statement added that "growth has slowed and downside risks have increased." Although, Australia's labor market remains strong with the unemployment rate dropping to 4.9 percent – the lowest reading since June 2011 – which has led to an uptick in wage growth. Also, Australian building permit data shattered expectations today with a reading of 19.1 percent month-over-month growth in February compared to estimates of -1.8 percent. For today, Aussie traders will turn their attention to the Balance of Trade data release, scheduled to be out at 11:30 AEDT.



### AUDUSD 4 Hour Chart

Based on the chart above, the outlook for the pair is bearish as price broke below its 38.2 Fibonacci retracement level (January to February bullish run). With the RBA now in the rearview mirror and little reaction shown in future rate cut expectations, the Australian Dollar has potential to rebound higher from today's selloff. This could especially be the case if economic data continues to improve. Nevertheless, strength in the US Dollar could serve as a major headwind for further AUDUSD advances.

## GBPUSD

The Pound rose on Tuesday, closing at 1.3130(+64 pips) against the greenback. The cable pair trimmed its intraday losses and settled above 1.3100 after bottoming for the day at 1.3012. The Sterling came under selling pressure early London following the release of the UK Markit Construction PMI, down in March to 49.7, better than the previous 49.5 but below the market's forecast of 49.8. Brexit headlines kept coming, with the Pound up mid-US afternoon, after PM May made a statement following a cabinet meeting at Downing Street. Mrs. May said that a further extension is needed, aiming to leave the EU by May 22nd. She added that she is 'taking action to break the logjam,' and wants Corbyn to agree with her withdrawal agreement and on changes to the future relationship, offering a cross-party approach. Seems unlikely Corbyn will change his mind and support May, but rather keep seeking for an election. Meanwhile, MPs are focused on preventing a hard-Brexit, and will likely meet this week for another round of indicative votes. There were also some headlines indicating a possible emergency plan to pass a bill meant to stop a no-deal Brexit through an extension of Art. 50. The UK will see the release of the Markit Services PMI for March, foreseen at 50.9 vs. the previous 51.3.



### GBPUSD 4 Hour Chart

The pair now trades at 1.3128, the 4 hours chart shows that the pair surpassed its 20 SMA(Red Line) and 200 EMA(Blue Line), indicating a strong bullish run .Other technical indicators re-entered positive ground, with the Momentum lacking directional strength but the RSI meaning its upward slope, in line with further gains ahead, to be confirmed on a break above the weekly high of 1.3149.

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