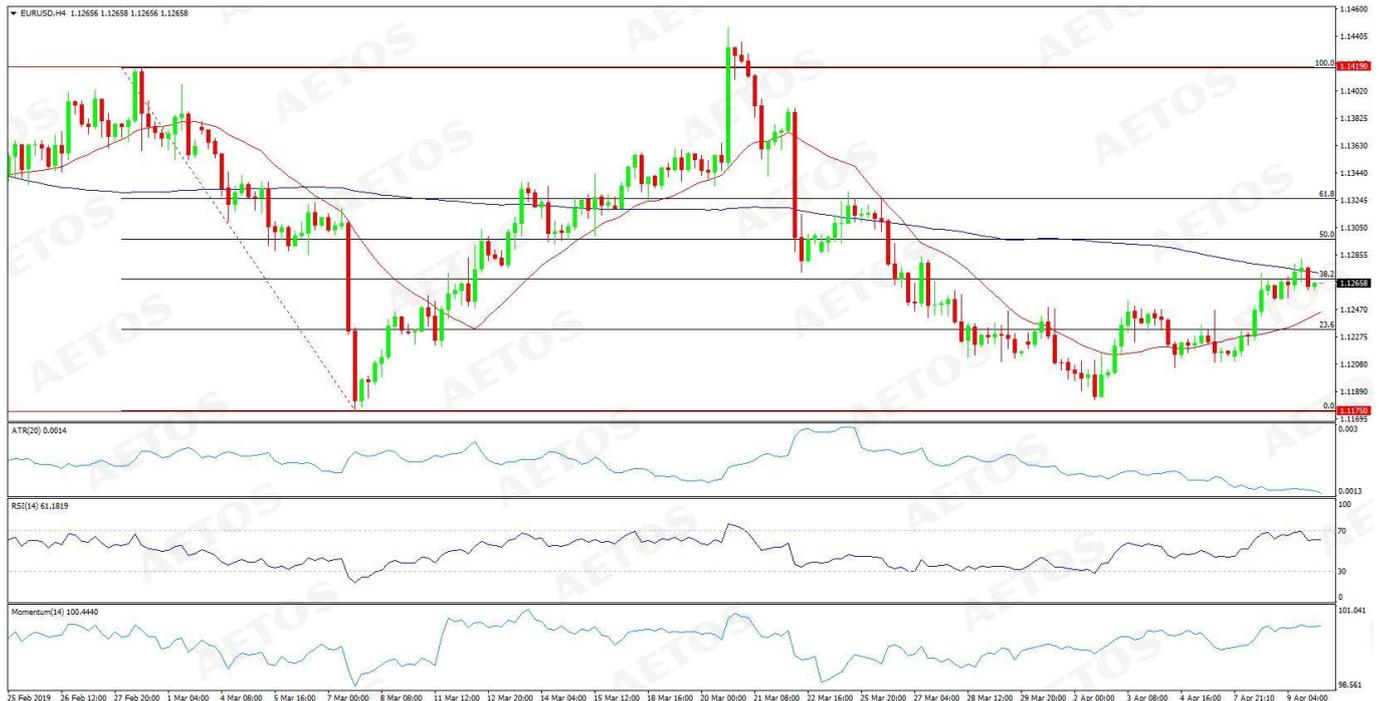


AETOS Market Commentary

10/04/2019

EURUSD

The Euro made gains on Tuesday 1.1265(+10 pips) against the greenback. The euro dollar pair rose its weekly advance up to 1.1283, finishing the day with modest gains at around 1.1265. The dollar was under selling pressure throughout the first half of the day, influenced by the positive tone of equities and US President Trump announcement that the country is studying to put tariffs on \$11B of EU products, particularly focused in aircrafts, as a way to counter the harm caused to Boeing by its subsidies for Airbus. The EU responded that it would act tit-for-tat against US tariffs, although it seems unlikely that the WTO will allow such an action from the US. Trade tensions weighed on Wall Street, which put an end to the winning strike of US indexes, sharply down for the day, also affected by caution ahead of earnings reports. Dollar's decline came to a halt mid-US session, with the EUR holding among the strongest. Caution prevails ahead of Wednesday when the ECB will unveil its latest monetary policy meeting. Given the dovish turn from the central bank from the previous meeting, it seems unlikely EU policymakers will make big announcements that could affect the common currency. If something, they are expected to express steepening concerns about the economic outlook. Later in the day, the FOMC will release the Minutes of its latest meeting, which also include a dovish tilt in its March meeting. The Fed would surprise negatively only if it fuel chances of a rate cut. Alongside these events, EU representatives will have an emergency summit to discuss a possible Brexit extension, while the US will publish March inflation data.



EURUSD 4 Hour Chart

Based on the chart above, the Euro has rebounded off key Fibonacci support with the recovery now testing resistance at the 1.13-handle ahead of tomorrow's highly anticipated European Central Bank (ECB) interest rate decision. Price touched the 38.2% retracement of the 1.1447/1.1183 slide at 1.1285 before investors turned cautious, now consolidating a few pips below the level. In the 4 hours chart, the price is stuck around a mild bearish 100 SMA(Blue Line), but well above a bullish 20 SMA(Red Line) that now approaches the 23.6% retracement of the same decline at around 1.1245. Technical indicators partially lost their upward strength after nearing overbought readings, still well into positive ground and far from suggesting an upcoming decline.

GBPUSD

The cable pair weakened by a margin on Tuesday, closing at 1.3055(-5 pips) against the greenback. Pound was the worst performer after the dollar, with the GBP/USD pair falling to the 1.3030 region after hitting a daily high of 1.3121. The Pound climbed on market talks speculating that German Chancellor Angela Merkel was willing to put a five-year limit to the Irish backstop, later denied and spurring some Sterling selling, despite broad dollar's weakness. EU's Chief negotiator Barnier repeated that the withdrawal agreement won't be reopened, not a surprise, but also a negative headline for GBP. Mid-US session, UK PM May's spokesman reported that the Government and Labour opposition had "further productive and wide-ranging talks," adding that both parts agreed to meet again next Thursday after the EU Summit concludes. The news sent the pair to daily lows, as market participants were hoping for some progress ahead of the EU summit, although it certainly hints a longer extension. The Cooper-Letwin bill passed Commons with the Lords amendments, which means shortly, it will become a law that will ensure the UK won't leave the EU without a no-deal Adding to the Brexit chaos, the UK will release this Wednesday, February Manufacturing Production, Industrial Production, Trade Balance and monthly GDP. The data will likely be overshadowed by Brexit-related headlines, yet worse-than-expected numbers would exacerbate the current sour tone of the UK currency.



GBPUSD 4 Hour Chart

GBP/USD pair heads into the daily opening with a sour tone, poised to challenge the 1.3000 threshold, although Brexit-related headlines could trigger directional moves either side of the board beyond whatever technical readings say. In the 4 hours chart, the early advance was capped by selling interest around the 200 EMA (Red Line), with the decline extending below a bearish 20 SMA (Blue Line), which now acts as an immediate resistance at around 1.3165. Technically indicators in the mentioned timeframe briefly entered bullish ground before changing course, now heading south within negative levels, in line with further slides ahead.



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