

AETOS Market Commentary

14/03/2019

GBPUSD

The British Pound rose strongly on Wednesday, closing at 1.3317(+254 pips). Catalyst for the strong pound for yesterday was due to the MP's vote down on a no deal Brexit. Today's action in British Parliament focused on the possibility of the United Kingdom departing the European Union without a Brexit deal. MPs voted on Caroline Spelman's Amendment A and Damian Green's Amendment F aiming to tailor the Prime Minister's Brexit Withdrawal Agreement. PM Theresa May's decisive defeat yesterday when the second meaningful vote failed to garner enough support to pass her renegotiated Brexit deal brought about today's votes. Amendment A, which narrowly passed with 312 votes in favor and 308 against, rejects the UK leaving the EU without a Withdrawal Agreement and a Framework for the Future Relationship. On the other hand, Amendment F was voted down with 374 'noes' and 164 'ayes' which would have pushed for a 21-month transition period for the UK to prepare for a no-deal Brexit. UK PM spoke after the votes and mentioned that the options remain the same as before, including a "damaging" second referendum. At the same time, the media is reporting of resignations at the cabinet.

GBPUSD 4 Hour Chart

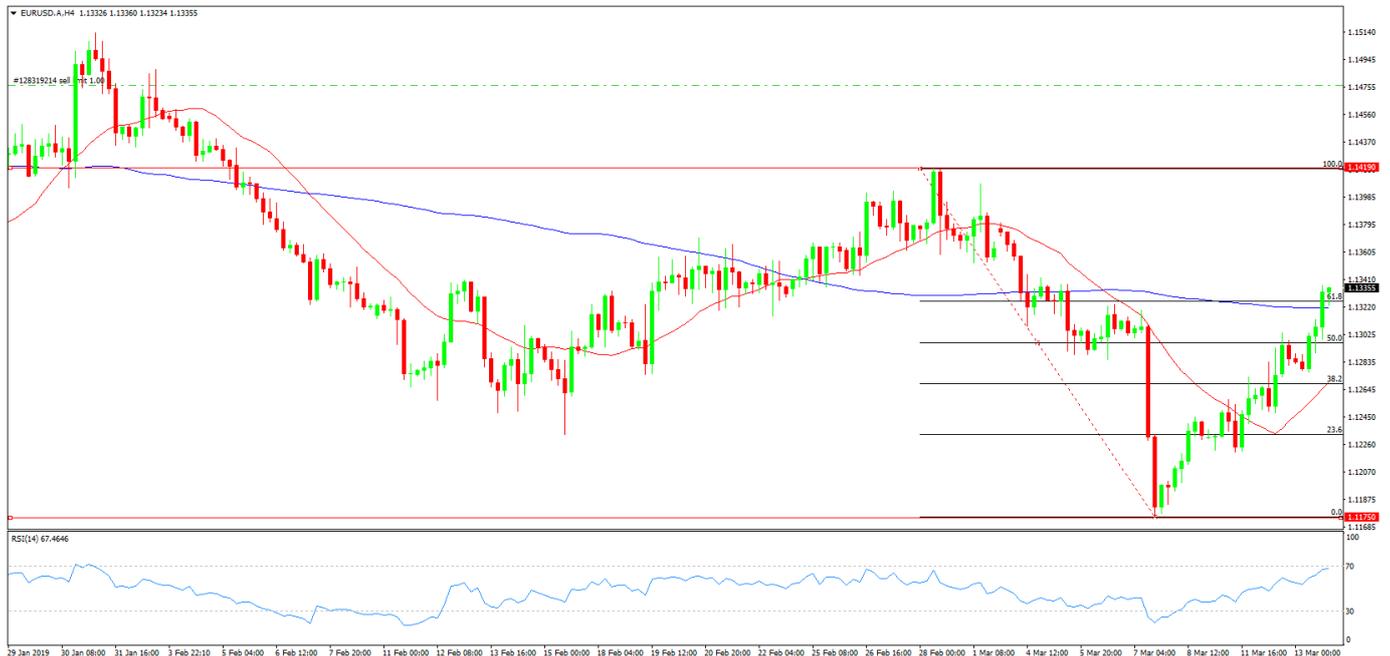


Based on the chart above, the GBP/USD pair nears its weekly high and retains a short-term bullish stance, as in the 4-hour chart, it remains far above its moving averages, while technical indicators hold near overbought readings, with the RSI heading north at around 65. At this point, the pair is poised to break its weekly high at 1.3290, the immediate resistance, en route to the 1.3350 region where it topped late February.

EURUSD

The Euro strengthened on Wednesday as well, closing at 1.1335(+49 pips) against the greenback. The advance was the result of broad dollar's weakness and renewed interests for the Pound following May's deal failure at the Parliament yesterday, in the hopes the UK will find its way on avoiding a hard-Brexit. In the data front, the EU released Industrial Production for January, which rose monthly basis by 1.4%, while the yearly reading presented a 1.1% decline, both beating market's expectations. In the US, inflation at factory levels increased by less-than-anticipated in February, while January Goods Orders were better-than-expected up by 0.4% vs. a 0.5% decline expected. Orders ex-transportation decreased by 0.1%, while Nondefense ex-aircraft increased by 0.8%. The greenback was unable to gather an advantage, pressured by a nice comeback in Wall Street which kept government bond yields hovering near weekly lows. This Thursday, Germany will release February inflation, seen unchanged from preliminary estimates, while the US will offer the usual weekly unemployment claim figures and January New Home Sales.

EURUSD 4 Hour Chart



The pair heads into the Asian opening trading just above the 61.8% retracement of the 1.1419/1.1175 decline at around 1.1330, retaining a positive stance in the short-term despite the limited upward momentum. In the 4 hours chart, the pair remains above a bullish 20 SMA (Red Line) which now stands around the 38.2% retracement of the mentioned slide. Technical indicators extended their consolidative phase well above their mid-lines before resuming their advances, now nearing overbought territory. Further gains seem now likely, with the immediate resistance at 1.1375.

USDJPY

The Japanese Yen made little gains on Wednesday, closing at 111.25(-5 pips) against the greenback. The safe have natured pair climbed at the beginning of the day as Japanese data once again disappointed, as the Domestic Corporate Goods Price Index increased in February, but just by 0.2% MoM, with null inflationary pressures at factory levels. Furthermore, Machinery Orders fell sharply in January, down by 5.4% in the month, while the Tertiary Industry Index increased in February by 0.4%, less than the 0.5% anticipated. The pair retreated in US trading hours, as investors were unimpressed by local data. Wall Street advanced, usually a bullish factor for the pair, offset by US Treasury yields holding steady at weekly lows. There are no relevant data scheduled in Japan for this Thursday.

USDJPY 4 Hour Chart



The pair's breaking below the lower end of its weekly range, ahead of Wall Street's close, as the greenback remains under strong selling pressure. The 4 hours chart shows that it's extending just above the 100 SMA (Blue Line), after holding just above it pretty much since the week started. Support and resistance currently set to 111.07 and 111.36.



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