ARGENTEX GROUP PLC

Weekly FX Majors Analysis

EUR/USD

March 20th 2023

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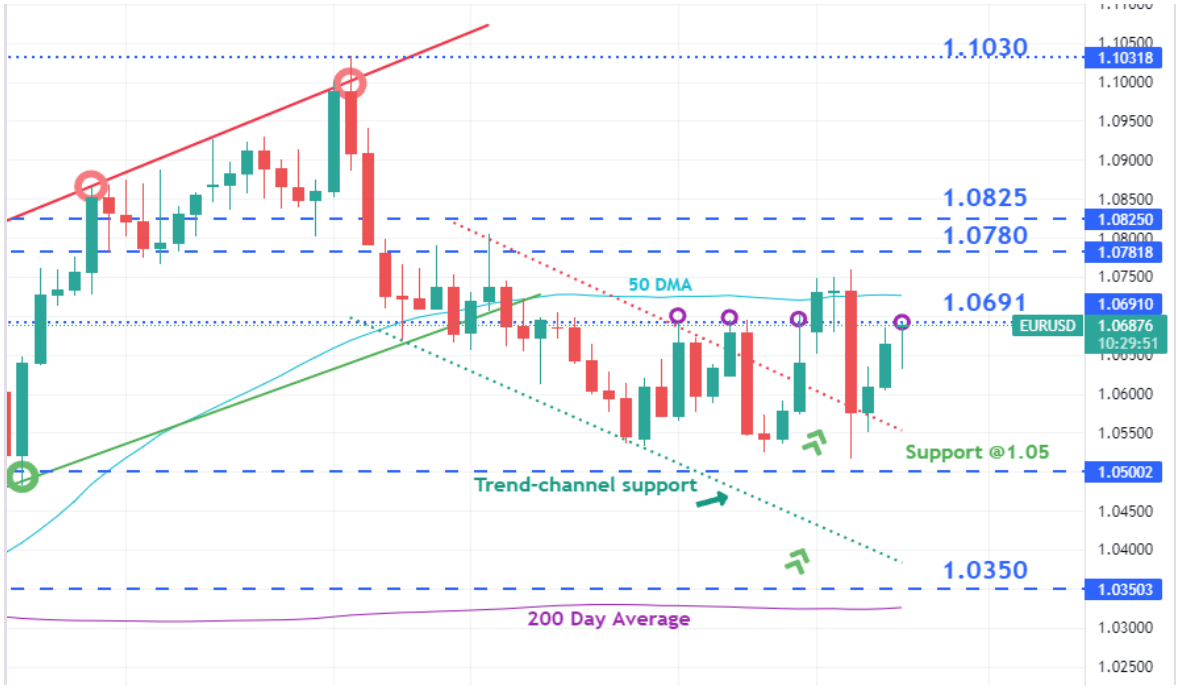
EUR/USD Daily Chart



Market Condition

Daily

CONSOLIDATION

Weekly

UPTREND

Fundamental Analysis

Recent Developments

Euro slid aggressively in the middle of last week driven by the Credit Suisse jitters, finding support at the 1.05 for the third time in a month, as the ECB pressed ahead with a 0.5% hike, whilst UBS bought the ailing bank at a discount. The pair begins the week with gains, as markets turn their attention to Wednesday's Fed meeting.

'ECB upheld their stance as the most hawkish CB'

The euro recovery from a mid-week drubbing has been impressive. In just a few days since the Credit Suisse (CS) issue escalated, Thursday saw the ECB stand by their 'done deal' 0.5% hike, which was being called into question by those who thought the CS issue would make the ECB reconsider. The ECB have inflation to fight. If they had totally U-turned and not made a hike, they may have induced wider market panic as the perception is, 'what do the ECB know that we don't?' The ECB did the right thing. There has been a raft of hawkish comments ever since, from Muller/Villeroy etc, and Lagarde speaks at 2 pm today. Euro should remain firm in this environment, especially if Friday's German/French manufacturing and services PMI data is strong!

FOMC on Wednesday in focus for USD

Interest rate expectations have had nothing short of a wild ride over the last two weeks, as the SVB collapse and the Credit Suisse wobble induced a sense that central banks would pare down their rate hike actions or stop altogether. Markets also went from expecting no rate cuts this year at all, to pulling forward cuts from mid-summer, all the way through to year end, with over 150 basis points of cuts in that period. Take a breath. Where does this leave the dollar now? Well, we think the middle ground is a modest 0.25% hike this week, with a focus on Wednesday's 'dot plot' where FOMC members outline their expectations for future rates. If these look conservative, the dollar appears to have made an interim peak. In this environment, it seems feasible euro can continue to make upside headway versus the dollar, especially as the stance of the two central banks could look more divergent once again.

Technical Analysis

Price action, for the third time in a few weeks, found buyers at 1.05, a level we have focused on for so long, and which clients responded to and took advantage of. Price action has pushed higher from there to probe the 1.0691 – illustrated in the chart on page one as a resistance area over the last two weeks. Euro bulls need to see a close ABOVE this level, and the 1.0750 area to facilitate gains, in what remains a sideways market. We still expect any retracements to be bought into. Should the USD weaken further, the multi week upside target remains 1.0825 and then 1.1030.

DOWNSIDE

1.05

This level is MASSIVE! Multiple yearly lows through 2015/2016. Very likely to see price HOLD here as per recent action.

1.0350

Multiple support in Q1 2017. Next support level if 1.05 breaks. 200 DMA here too.

1.00

Parity could be tested if euro fundamentals turn for worse. Unlikely in our current view.

UPSIDE

1.0691

Cluster of intraday resistance through March. Euro looks bullish if this can be broken to upside.

1.0780

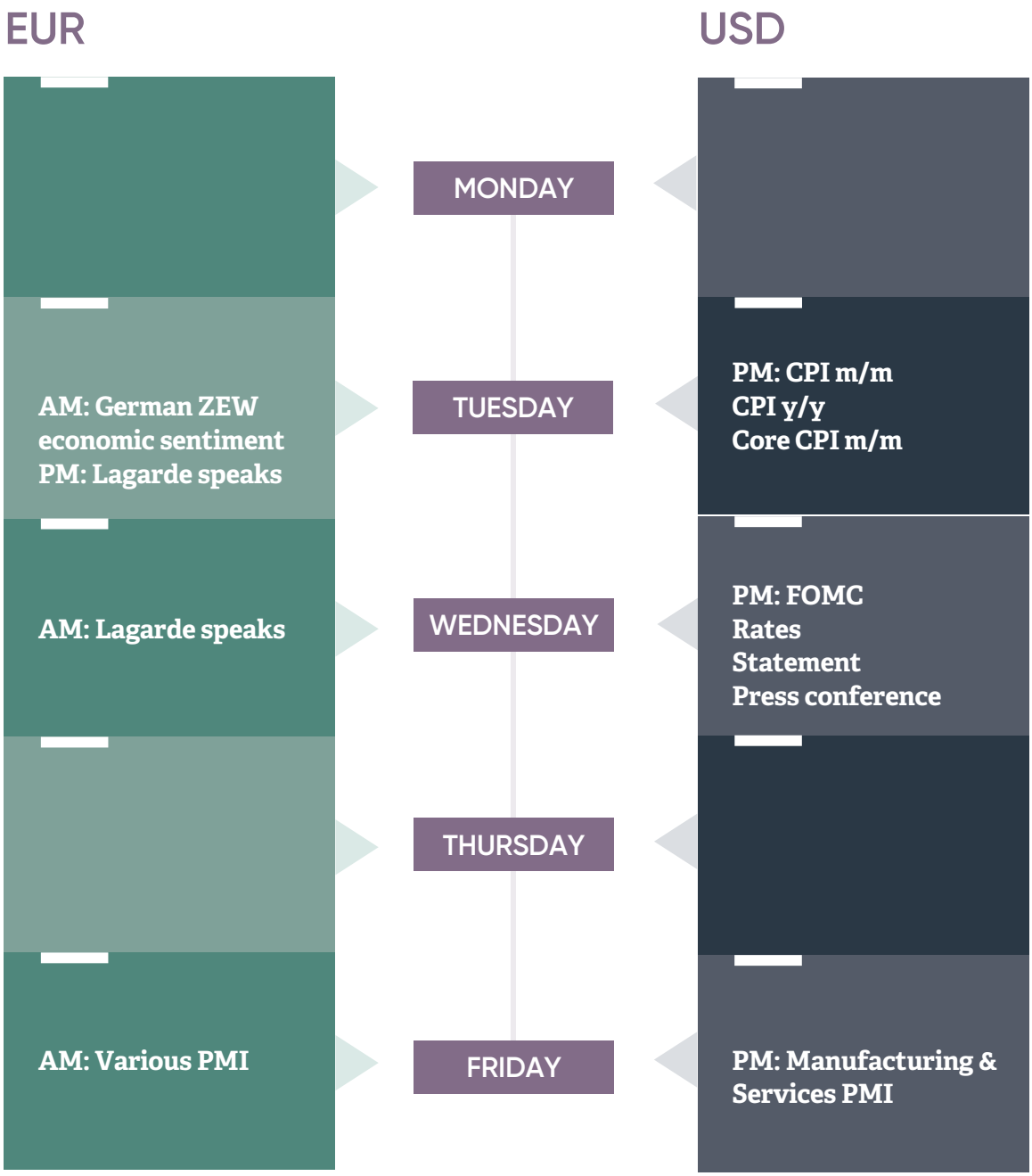
Huge multi year price level, and where upside failed in early February. First upside target if euro firms.

1.1030

Q1 highs are the multi week upside target.

Looking Ahead

A look ahead to the key scheduled data releases for the week



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Whether your objectives are short or long-term, our sharp execution combined with expert analysis achieves material impact on both pricing and efficiency.

Get in touch with one of our currency experts to find out more:

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