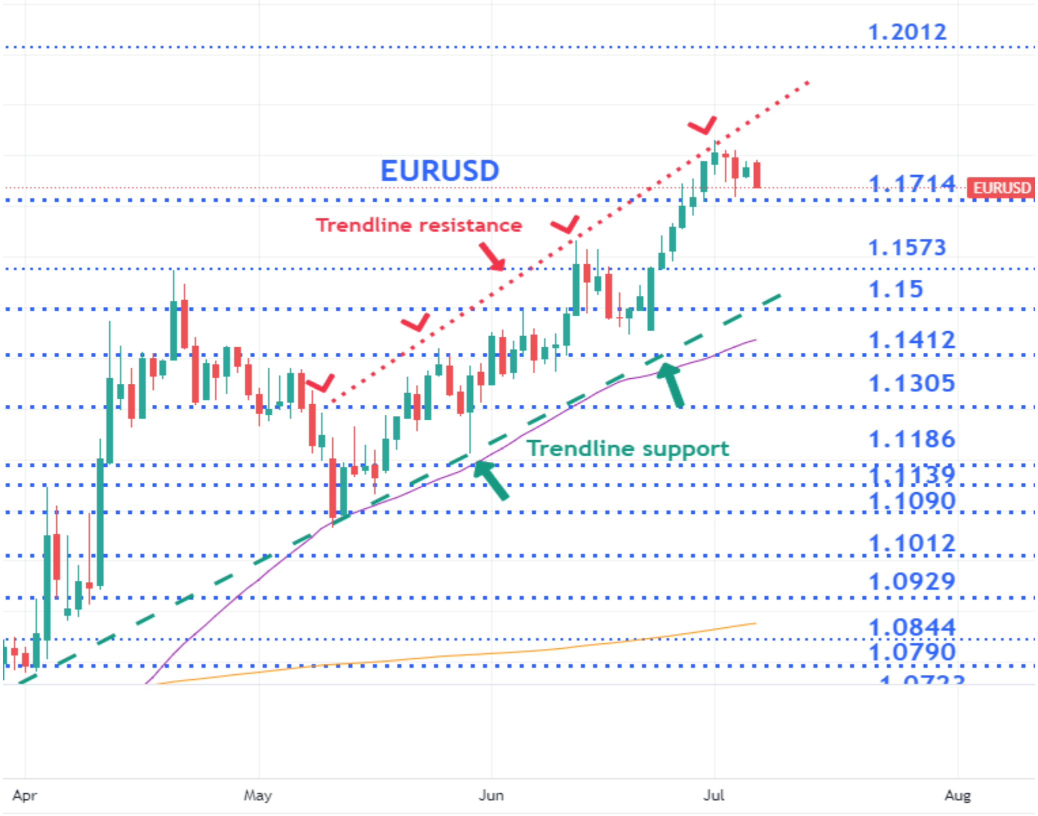
ARGENTEX

Weekly FX Majors Analysis

EUR/USD

7 July 2025

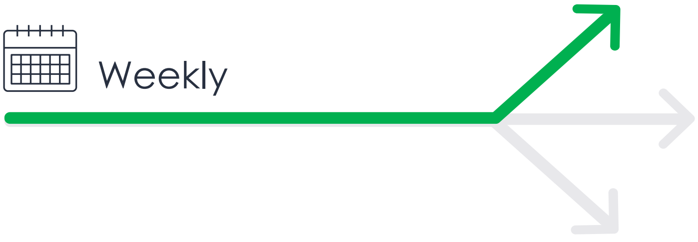
EUR/USD Daily Chart



Market Condition

Daily

Uptrend



Weekly

Uptrend

Fundamental Analysis

Recent developments

Eurozone CPI (inflation) came in at 2%, exactly in line with the central bank's target. With inflation on target and rates already close to the 'neutral rate', Lagarde's comments at the Sintra ECB forum sounded relatively hawkish and resistant to the need for further cuts. This has been, and should remain, euro supportive. The end of the 90-day tariff reprieve expires this Wednesday, which could prompt some euro volatility if tariffs are reoriented back towards 50%.

'US is applying maximum pressure on the EU as tariff deadline looms.'

US Treasury Secretary Bessent has stated he holds leverage over the EU in the final hours of trade talks, adding that he is applying maximum pressure. He noted that President Trump is sending letters to trading partners warning that, if agreements are not reached quickly, tariff levels will 'boomerang' back to pre-reprieve levels on 1 August. As such, EUR/USD will be buffeted by the possibility of concessions from the European side. There could be a rally, given there is now breathing space until August… or no progress is made, and the reapplication of highly punitive tariff levels unwinds some of the euro rally. It seems probable that a EUR/USD pullback is on the cards, but big technical buying support lies around the 1.15 level.

Investors are increasing hedge ratios – keeping USD under pressure

The US is applying pressure to major trading partners with which no agreements have yet been made, ahead of the 90-day tariff reprieve ending in the middle of this week. The re-imposition of higher tariffs has recently coincided with a weaker dollar, but the pending reaction could be less volatile this time: the dollar has already moved significantly since April, and markets have become slightly desensitised to the issue, assuming further delays and concessions. The immediate playbook is unclear, but from a positioning standpoint, some dollar shorts appear to be coming off the table, prompting a short-term bounce. We do know that any dollar bounce this year has been readily sold into by the market, so we must follow the price action, not our opinions, as a guide. Outside of this, a big FX theme right now is increasing hedge ratios! This is where overseas investors in US equities and bonds are now hedging their dollar downside (which keeps USD under pressure) while still buying US assets. This has been a key reason the dollar has remained weak even as US equities hit new all-time highs. We expect this to remain a heavy burden on the USD for the rest of the year.

Technical Analysis

The uptrend remains fully intact, though price action is retracing within the confines of the trend channel shown on p1. The upside, much like GBP/USD, has tested the upper trendline resistance. This is causing some speculators to take profit and adding some downside pressure. Price can retrace as far as 1.1450 and the uptrend is unaffected.

Upside

1.1714	1.1890	1.2012
Key resistance level since 2015 & near-term trendline resistance sits just above here.	Long-term trendline resistance sits here, which may provide a short-term lid on price action.	Significant chart level will be used for EUR/USD longs – very bullish of broken to upside.

Downside

1.1573	1.1446	1.1186
The April momentum high will now become the first downside technical support level.	The recent retracement held here. Likely to remain support if a pullback is seen.	If this breaks, the long-term uptrend is over!

Looking Ahead

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

EUR		USD
AM: Germany's Nagel speaks	MONDAY	
AM: German trade balance	TUESDAY	
	WEDNESDAY	PM: FOMC meeting minutes
	THURSDAY	PM: Unemployment claims
	FRIDAY	

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