

ARGENTEX GROUP PLC

Weekly FX Majors Analysis

GBP/EUR

March 20th 2023

GBP/EUR Daily Chart




Market Condition

 Daily

 CONSOLIDATION

 Weekly

 DOWNTREND

Fundamental Analysis

Recent Developments

As another banking concern is diffused, sterling enjoys a lift given its sensitivity to moves in risk assets, whilst the markets look ahead to a busy week with inflation data (CPI) on Wednesday, ahead of Thursday's BoE meeting.

'Market expectation sits between no action, and a 0.25% hike.'

Wednesday's CPI will be notable as this is the last relevant data release ahead of the Bank of England's meeting which could amend their action. The trend has shown inflation steadily reducing, and markets look for a 9.9% print. A significant drop below that may lead markets to assume the BoE don't need to hike on Thursday, but a number there, or above, probably solidifies a 0.25% move this week, especially after the ECB held firm last week in their commitment to 0.5%.

Sterling has done well of late, especially considering the dovish tone of central bank communiqué, and, with the possible end to the BoE rate hike cycle in place, there should start to be a greater focus on organic economic growth potential.

Friday's PMI data one to watch

Euro weakness was of course led by the concern over Credit Suisse, which has caused some significant euro centric moves, especially in European banks and equity indices. The fact that the ECB did NOT capitulate to financial system volatility sent out the correct signal, adhering to their mandated inflation target, and pressing ahead with a 0.5% hike. Various ECB members have struck a resoundingly hawkish tone, and for sure the ongoing commitment to further hikes, should the data warrant them, is a supportive factor. Friday sees French and German PMI data, which could assist euro gains, especially if manufacturing prints strong numbers with what have been solid services numbers in recent months.

Technical Analysis

Price action has pushed higher from the coiling, converging the price action we highlighted last week. We saw the market respond beautifully to the big upside resistance level of 1.1463 which we had drawn client's attention to in recent weeks. Indeed, this represented the high last Wednesday and many of our euro buyers took advantage of the move to this level! This remains a massive area – a break above would be bullish and open a test of the 200-day average, then the 1.1551. There remains scope for some modest downside after the rally last week, and if so, look for support at 1.1385 and then 1.1280.



DOWNSIDE

1.1385

A high in January and February should offer some modest support on a re-test.

1.1280

Big long-term level and may offer support.

1.1140

The early February low will be a technical reference point and expected support.



UPSIDE

1.1463

HUGE level all through in 2020, then again in Q2 2021. Price stopped here last week! Bullish if broken to upside.

1.1551

Big technical level from long term charts and will be the first target on a breakout to upside.

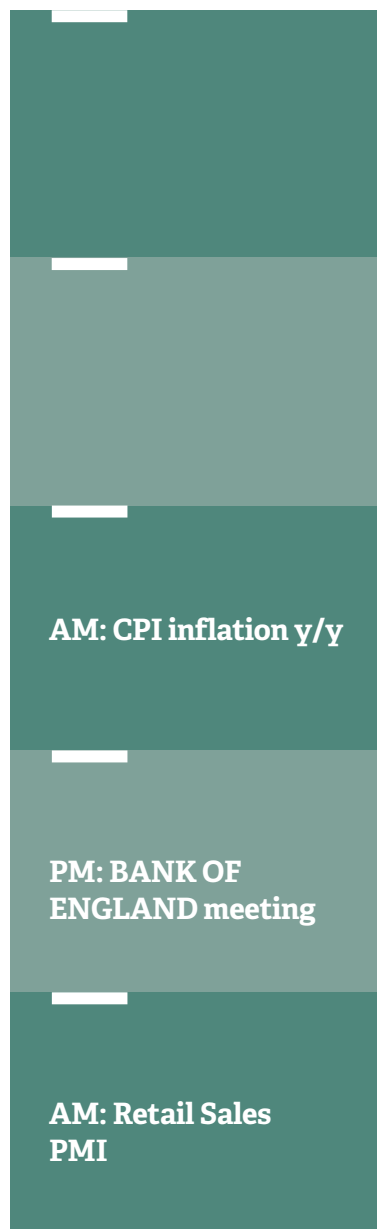
1.1640

Huge resistance level but unlikely to play a role for many weeks.

Looking Ahead

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

GBP



MONDAY

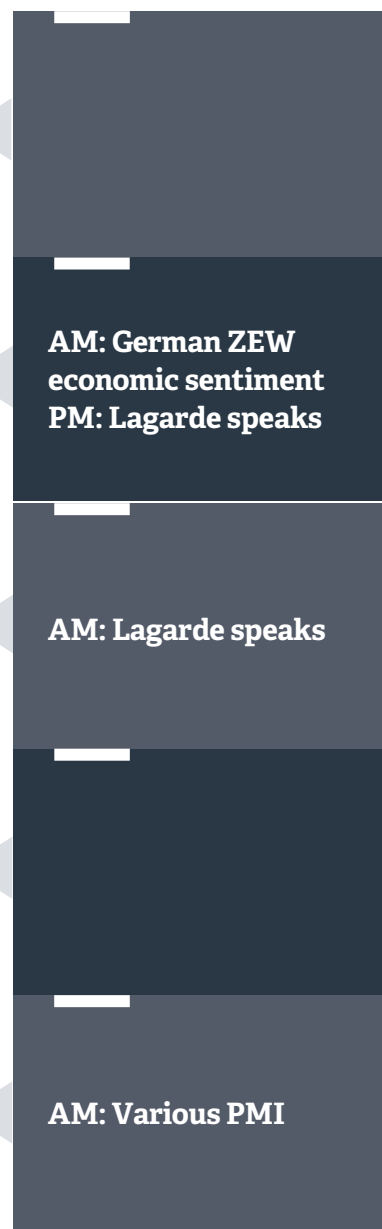
TUESDAY

WEDNESDAY

THURSDAY

FRIDAY

EUR



AM: German ZEW economic sentiment
PM: Lagarde speaks

AM: Lagarde speaks

AM: Various PMI

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Argentex is one of Europe's leading currency solutions providers for corporate, institutional, and high-net-worth private clients. We're FCA regulated and listed on the London Stock Exchange with offices in the UK, the Netherlands and Australia. We have traded more than \$100bn in over 70 currencies for our clients since 2012, making and receiving payments on their behalf. We operate as a Riskless Principal broker for non-speculative and commercial currency transactions.

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

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