FX RESEARCH REPORT

SIGNAL EXPERT GLOBAL

DATE – 22 JULY 2024

SIGNAL EXPERT GLOBAL

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WORLD INDICES

INDICES	CURRENT	% CHG
DOW JONES	40,287.53	-0.93
NASDAQ	17,726.94	-0.81
DAX	18,171.93	-1.01
FTSE	8,155.72	-0.60
NIKKEI	40,063.79	-0.16

WEEKLY SUPPORT AND RESISTANCE

CURRENCY	SUP.2	SUP.1	PIVIOT POINT	RES.1	RES.2
EUR/USD	1.0790	1.0860	1.0885	1.0950	1.1000
GBP/USD	1.2830	1.2890	1.2920	1.2960	1.3050
USD/JPY	155.50	157	157.50	158	159
AUD/USD	0.6570	0.6640	0.6680	0.6720	0.6800
GBP/JPY	202	202.90	203.50	204.30	206

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NEWS

The S&P 500 slumped to its worst weekly loss since April as the broad rotation out of high-flying tech stocks rattled markets. At 16:00 (20:00 GMT), the S&P 500 fell 0.7% and NASDAQ Composite fell 0.8%, Dow Jones Industrial Average fell 377 points, or 0.9%. Small-cap index iShares Russell 2000 ETF (NYSE:IWM) ended the week in the positive, however, underpinned by rotation into small caps as investors price in sooner rate cuts that are expected boost performance.

Federal Reserve Chair Jerome Powell expressed increased confidence that inflation was declining. Although he did not explicitly mention a rate cut, the markets interpreted his comments as signaling that a cut was imminent.

According to the CME FedWatch tool, there is now a 93.3% chance that the Federal Reserve will lower its target range for the federal funds rate to 5% to 5.25% in September, down from the current 5.25% to 5.50%.

Moreover, there is a 6.7% chance of a half-percentage point cut. This shift follows a 0.1% decrease in the June consumer price index, dropping the annual inflation rate to 3%, the lowest in three years. A month ago, the odds of a September rate cut were around 70%. Recent data shows a cooling trend in US inflation, with the Consumer Price Index (CPI) unexpectedly decreasing by 0.1%. All this is fueling hopes for monetary easing and therefore could push buyers to buy more gold.

Friday's session, the NZD/USD sustained its downward momentum, dropping by 0.65% to touch 0.6010. The pair's failure to reclaim the 0.6070 level resulted in a dip to the significant 0.6000 line, consequently closing its worst week since the start of the year with a weekly loss of around 1.80%.

On Friday, the US Dollar measured by the DXY index continued its rebound beyond the 104.00 mark, reaching 104.30, despite persistent worries about the labor market. This rise can be attributed to the sellers easing off and markets refuging itself in safe havens. Market anticipations of a rate cut in September by the Federal Reserve and the fragility of the US labor market are primary factors investors are focused on as their impact could put additional pressure on the currency.

Gold price sinks by more than 1.50% on Friday and hovers around $2,400 as traders book profits ahead of the weekend. The golden metal could finish the week with losses close to 1% after hitting an all-time high of $2,483 and trading at around the $2,300 handle. The XAU/USD exchanges hands at $2,399 after reaching a high of $2,447.

Besides that, reports emerged that US President Joe Biden could pull out of the race as high-level democrats said polls following Trump’s assassination attack show that he can’t beat him.

In the meantime, Federal Reserve policymakers continued to turn slightly dovish yet failed to undermine the US Dollar. Nevertheless, the International Monetary Fund (IMF) said on Thursday that the Fed should not cut interest rates until late 2024.

The US Dollar Index, which tracks the currency's performance against six other currencies, is up 0.18% at 104.34. US Treasury bond yields are also rising across the yield curve, with the 10-year Treasury note yielding 4.233%, up more than three basis points (bps).

The USD/JPY edged up during the North American session, gaining a decent 0.06% as traders failed to push the exchange rate above 158.00. At the time of writing, the major consolidates in the middle of a 90-pip range and trades at 157.44.

The Pound Sterling (GBP) extends its correction against the majority of its peers in Friday’s New York session. The British currency slides further as the United Kingdom (UK) Office for National Statistics (ONS) has reported weaker-than-expected Retail Sales data for June.

Our expectation for EUR to test the significant resistance zone of 1.0970/1.0980 did not turn out, as EUR pulled back sharply, closing at 1.0896 (-0.37%). The pullback seems to be a bit overdone, and EUR is unlikely to weaken much further. Today, we expect EUR to trade sideways between 1.0885 and 1.0935.”

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CURRENCY ANALYSIS

EURUSD:

- The European Central Bank failed to motivate investors with an uneventful monetary policy announcement.
- The United States will release updates on the Gross Domestic Product and inflation next week.
- EUR/USD in a corrective slide, 1.0800 must hold for bulls to retain control.

The EUR/USD pair halted its latest run and is closing the week unchanged, just below the 1.0900 mark. However, it reached a fresh multi-month high of 1.0947 mid-week, only turning south after the European Central Bank (ECB) uneventful monetary policy announcement.
From a technical point of view, the EUR/USD pair stands at the upper end of its latest range, and the risk remains skewed to the upside. In the weekly chart, the pair develops above its 20 and 100 Simple Moving Averages (SMAs), which lack directional strength. At the same time, a mildly bearish 200 SMA provides dynamic resistance at around 1.1080. The Momentum indicator aims north above its 100 line, while the Relative Strength Index (RSI) indicator turned flat at around 55, suggesting that, while buyers retain control, interest has decreased. Still, there are no technical signs that suggest the pair could abandon its current trend.

In the daily chart, technical readings are aligned with the ongoing downward correction, yet far from suggesting the slide may extend in time. Technical indicators have retreated from overbought readings, offering downward slopes but still within positive levels. Moving averages, on the other hand, remain well below the current level, in line with the dominant bullish trend. Furthermore, a firmly bullish 20 SMA is crossing above converging and directionless 100 and 200 SMAs, usually a sign of additional gains ahead.

EUR/USD needs to hold above 1.0800 to keep the bullish trend alive, with a break below the level exposing the 1.0740 region, en route to 1.0660. The year low at 1.0600 is the a major bearish target should the US Dollar return to the spotlight. Resistance comes at 1.0950, followed by the 1.1000 psychological threshold. Gains beyond the latter should result in EUR/USD testing 1.1080, followed later by the 1.1140 price zone.

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CURRENCY ANALYSIS

GBPUSD:

- The Pound Sterling reached its highest level in a year versus the US Dollar, 1.3050 tested.
- GBP/USD appears to be a ‘buy-the-dips’ trade in the action-packed week ahead.
- Pound Sterling reverses from the overbought zone, implying more upside going forward.

The Pound Sterling (GBP) recorded a fresh 12-month high above 1.3000 against the US Dollar (USD) but the GBP/USD pair snapped its two consecutive weekly gains to settle in the red.
Following a brief attempt to penetrate the 1.3000 level, the Pound Sterling continues to remain as a ‘buy-dips’ trade, as observed on the GBP/USD daily chart.

The 14-day Relative Strength Index (RSI) has reversed from the overbought territory to trade near 64, at the press time, suggesting that the upside risks remain intact.

However, if the GBP/USD correction from the 2024 highs gathers steam, the immediate cushion is seen at the throwback support from the March 8 high of 1.2894.

A sustained move below the latter will challenge the bullish commitments at the previous key resistance near 1.2800. At that level, the 21-day Simple Moving Average (SMA) converges.

Further south, the 50-day SMA at 1.2751 will be tested. Additional declines will call for a test of the June low of 1.2613.

On the upside, recapturing the 1.3000 key level on a weekly closing basis is critical to reviving the uptrend toward the yearly high of 1.3045.

If buyers gain a strong foothold above that level, a fresh run to the 1.3100 round figure and beyond cannot be ruled out.

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WEEKLY MAJOR ECONOMIC EVENT

PARTICULARS	TIME	FORECAST	PREVIOUS	CURREN-
22 JULY 2024				
1-y Loan Prime Rate	6:45am	3.45%	3.45%	CNY
23 JULY 2024				
Existing Home Sales	7:30pm	3.99M	4.11M	USD
Richmond Manufacturing Index	7:30pm	-7	-10	USD
24 JULY 2024				
French Flash Manufacturing PMI	12:45pm	45.7	45.4	EUR
French Flash Services PMI	12:45pm	49.7	49.6	EUR
German Flash Manufacturing PMI	1:00pm	44.1	43.5	EUR
German Flash Services PMI	1:00pm	53.3	53.1	EUR
Flash Manufacturing PMI	1:30pm	46.0	45.8	EUR
Flash Services PMI	1:30pm	52.9	52.8	EUR
Flash Manufacturing PMI	2:00pm	51.1	50.9	GBP
Flash Services PMI	2:00pm	52.5	52.1	GBP
BOC Monetary Policy Report	7:15pm			CAD
BOC Rate Statement	7:15pm			CAD
Overnight Rate	7:15pm	4.50%	4.75%	CAD
Flash Manufacturing PMI	7:15pm	51.6	51.6	USD
Flash Services PMI	7:15pm	54.5	55.3	USD
New Home Sales	7:30pm	643K	619K	USD
BOC Press Conference	8:00pm			CAD
Crude Oil Inventories	8:00pm			USD
25 JULY 2024				
German ifo Business Climate	1:30pm	88.9	88.6	EUR
Advance GDP q/q	6:00pm	1.9%	1.4%	USD
Unemployment Claims	6:00pm	239K	243K	USD
Advance GDP Price Index q/q	6:00pm	2.6%	3.1%	USD
Core Durable Goods Orders m/m	6:00pm	0.2%	-0.1%	USD
Durable Goods Orders m/m	6:00pm	0.4%	0.1%	USD
ECB President Lagarde Speaks	8:30pm			EUR
G20 Meetings	Day 1			ALL
26 JULY 2024				
Tokyo Core CPI y/y	5:00am	2.2%	2.1%	JPY
Core PCE Price Index m/m	6:00pm	0.2%	0.1%	USD
Revised UoM Consumer Sentiment	7:30pm	66.6	66.0	USD
G20 Meetings	Day 2			USD

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