Market Analysis

14/07/2023

NEWS ANALYSIS

- The dollar index held its recent decline to below 100 on Friday, sinking to its lowest levels in 15 months as signs that US inflation is on a downward trend raised hopes that the Federal Reserve is nearing the end of its current monetary policy tightening cycle.
- Latest data showed that US consumer and producer inflation rose less than anticipated in June even as the US labor market remained robust. The US central bank is still seen raising rates by 25 basis points in July, while traders scaled back bets of further rate increases after this year. Market pricing also suggests that the Fed could start cutting rates next year. Markets are generally pretty pleasant with the lower inflation data, because lower inflation together with the still resilient labor market supports the narrative of a soft landing in the U.S. economy.
- Fed officials remain cautious, with Federal Reserve Governor Christopher Waller saying he's not ready to call an all clear on U.S. inflation and favors more rate rises this year. Shane Oliver, head of investment strategy at AMP Capital, said the Fed is still likely to hike another 25 bps this month on concerns that services inflation remain too high and worries that stopping too early when the labor market is still tight could see inflation reignite.

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EURUSD

MetaTrader4

EURUSD

- EUR/USD bulls take a breather at the highest levels in 16 months, as it seesaws around 1.1225 amid early Friday morning in Asia.

- Eurozone Industrial Production eased to 0.2% MoM for May on a seasonally adjusted basis versus 0.3% market forecasts and 1.0% previous readings.

- It should be noted, however, that the European Central Bank's (ECB) June policy meeting revealed on Thursday that minimum of two successive rate hikes is needed for inflation projections to materialize.

- Alternatively, ECB Governing Council member Ignazio Visco said during an interview with Italy's Sky TG24 news channel, "We are not very far' from peak in interest rates."

- The asset has faced barricades near the level of 1.1230 which could lead a pullback move to the broken upward-sloping resistance line near 1.1150. The next support stands at the 1.1100 area. Alternatively, some follow-through buying above the 1.1230 area will pave the way for additional gains. An occurrence of the same will drive the fiber towards 1.300, followed by Feb 10 2022 low around 1.1380.

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EURUSD, 1D, O1.12262 H1.12430 L1.12133 C1.12249 −0.00013 (−0.01%)
1.13800
1.13000
1.12300
1.12249
1.11500
1.11000
1.10000
1.09000
1.08000
1.07000
1.06000
1.05000
1.04000
1.03000
Nov
Dec
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AGRA
MARKETS


EURUSD, 4h, O1.12329 H1.12352 L1.12185 C1.12247 -0.00082 (-0.07%)
1.13000
1.12300
1.12247
1.12000
1.11500
1.11000
1.10500
1.10000
1.09500
1.09000
1.08500
1.08000
1.07500
1.07000
1.06500
Jun
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13:00
19
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26
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Jul
13:00
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13:00
17

GBPUSD

MetaTrader4

GBPUSD

- The GBP/USD pair displays a minor correction after refreshing a 15-month high at 1.3142 in Friday's Asian session.

- The major accelerated its gains after the US Bureau of Labor Statistics (BLS) revealed that prices paid by producers, also known as the Producer Price Index (PPI) in June, rose below estimates, suggesting the deflation process in the US is gathering pace.

- On the UK front, the UK economy dodged a recession, as UK's GDP growth for the last 3-months came at 0%, while month-over-month (MoM) figures in May dropped -0.1%, trailing April's 0.2% expansion. Although the economy didn't grow, concerns of a recession loom, as the Bank of England (BoE) is set to tighten monetary policy to curb high inflation at 8.6 percent levels.

- A minor pullback move towards the support of 1.3100 will be an optimal buying opportunity for investors, which will drive the major towards Mar 2022 swing high, near 1.3180. A breach of the latter will send the cable to the 1.3270 level. On the flip side, the greenback bulls could regain control if the asset drops below the aforementioned support area. An occurrence of the same will drag the asset towards the broken upward-sloping resistance line, near 1.3000.

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GBPUSD, 1D, O1.31350 H1.31422 L1.31145 C1.31210 −0.00140 (−0.11%)
1.32700
1.31800
1.31210
1.31000
1.30000
1.28500
1.28000
1.26000
1.24000
1.22000
1.20000
1.18000
Dec
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AGRA MARKETS


GBPUSD, 4h, O1.31306 H1.31322 L1.31145 C1.31210 −0.00096 (−0.07%)
1.31800
1.31210
1.31000
1.30000
1.29000
1.28500
1.28000
1.27000
1.26000
1.25000
1.24000
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AGRA
MARKETS

USDJPY

MetaTrader4

USDJPY

- The USD/JPY pair pares early Asian losses around 131.80 heading into Friday’s European session.
- The Japanese Yen (JPY) continues to draw support from growing speculations that the Bank of Japan (BoJ) could tweak its Yield Curve Control (YCC) policy as soon as this month. In contrast, the Federal Reserve (Fed) is expected to hold interest rates after a 25 bps lift-off in July, which keeps the US Dollar (USD) depressed near its lowest level since April 2022 and contributes to the prevailing selling bias surrounding the USD/JPY pair.
- Data released recently showed that Japan's nominal base salary grew at the fastest pace in 28 years in May. This is expected to push inflation higher, which has exceeded the 2% goal for more than a year, and should put pressure on the BoJ to adjust its ultra-loose monetary policy settings.
- Sellers need a daily close below the 138.00 threshold to bring May 10 high around 135.50 back in the spotlight. A breach of the latter will drag the yen pair towards the blue uptrend line. On the flip side, the immediate resistance is seen at the previous day’s low of 138.00, above which the short-term downtrend line will be probed.

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USDJPY, 1D, O138.054 H138.118 L137.239 C137.822 -0.232 (-0.17%)
150.000
148.000
146.000
145.000
144.000
142.500
140.000
138.000
137.822
135.500
134.000
132.000
130.000
128.000
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MARKETS


USDJPY, 4h, O137.700 H137.956 L137.591 C137.801 +0.101 (+0.07%)
145.000
144.000
143.000
142.500
142.000
141.000
140.000
139.000
138.000
137.801
137.000
136.000
135.500
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XAUUSD

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XAUUSD

- Gold prices were set on Friday for their biggest weekly gain since April, after rallying close to a one-month high, as markets scale back expectations of further U.S. interest rate hikes, sending the dollar to its lowest in more than a year.

- Gold prices are likely to find support in the medium term, with a peaking of interest rates and a softening of the dollar to act as a tailwind for the yellow metal. A pause in rate hikes by the Fed amid other more hawkish central banks should see the US dollar likely to weaken in the second half of this year. As a result, this should attract more buying of gold from central banks and also consumers in Asia. Further, the risk of a US recession is not completely off the table, which should attract haven fund flows into gold into 2024.

- After passing the upper band of the bearish channel, the bright metal rose and is being resisted at around $1,960 now. For more upside, bulls need to surpass that resistance, which will send the asset to the level of $1,980. Alternatively, pullback moves may initially aim for the level of $1,940.

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XAUUSD, 1D, O1960.640 H1963.795 L1957.980 C1959.445 −1.195 (−0.06%)
2040.000
2020.000
2000.000
1980.000
1960.000
1959.445
1940.000
1920.000
1900.000
1880.000
1860.000
1840.000
1820.000
1800.000
2023
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AGRA
MARKETS


XAUUSD, 4h, O1960.450 H1961.360 L1957.980 C1959.755 -0.695 (-0.04%)
2000.000
1990.000
1980.000
1970.000
1960.000
1959.755
1950.000
1940.000
1930.000
1920.000
1910.000
1900.000
22
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S&P

MetaTrader4

S&P

- Stock indexes Thursday added to Wednesday's gains, with the S&P 500 at a 15-month high and the Nasdaq 100 at a 1-1/2 year high. Stocks moved higher Thursday on optimism that the moderation of U.S. price pressures will soon allow the Federal Reserve to end its interest rate hiking campaign after producer prices rose less than expected in June. On the negative side was an unexpected decline in weekly jobless claims, a sign of a resilient U.S. labor market that is hawkish for Fed policy. The S&P 500 Index Thursday closed up +0.85%.

- Technology-related shares provided the most support to the S&P 500, and an index of tech-focused shares including megacaps NNYFANG gained 2.7% and registered a record high close. Focus also is shifting to the second-quarter U.S. earnings season kicking off this week. Shares of JPMorgan Chase JPM ended up 0.5% ahead of its quarterly results due before the opening bell Friday.

- Following the bullish move, the S&P 500 rose and is trading a little above the resistance of 4,500 at the press time. The next line of defense for sellers is placed at around 4,550. On the contrary, if the bears are attracted to the discount here, they will likely to drift the asset lower towards 4,400

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SPX, 1D, O4491.50 H4517.38 L4489.36 C4510.05 +37.90 (+0.85%)
4550.00
4510.05
4500.00
4400.00
4300.00
4200.00
4100.00
4000.00
3900.00
3800.00
3700.00
3600.00
Oct
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SPX, 4h, O4500.73 H4517.38 L4500.26 C4510.05 +9.31 (+0.21%)
4550.00
4510.05
4500.00
4400.00
4300.00
4200.00
4100.00
4000.00
3900.00
3800.00
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