



Market Analysis

05/07/2024

NEWS ANALYSIS

- The U.S. dollar was on the defensive near three-week lows on Friday ahead of payroll data that will likely influence the outlook for rates. The dollar index, which measures the U.S. currency against six rivals, was down 0.15% at 105, at its lowest point since mid-June.
- The data, due at 1230 GMT, are expected to show payrolls rose 200,000 in June, slowing from May's 272,000 increase, according to a Wall Street Journal survey of analysts. A weaker-than-expected set of data would fuel rate-cut bets and weigh on yields and the dollar, while a positive surprise would prompt a scaling back of rate-cut expectations, which have been rising recently after soft data and the Fed's comments.
- Earlier this week, data pointed to a surprise contraction in services activity and disappointing private employment numbers in the US, supporting a dovish outlook on Fed policy. Markets are currently priced for about a 73% chance that the Fed would start cutting rates in September. Markets are pricing in potentially two rate cuts this year, although the Fed last month forecast just one rate cut for 2024. Much will depend on upcoming data.





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EURUSD

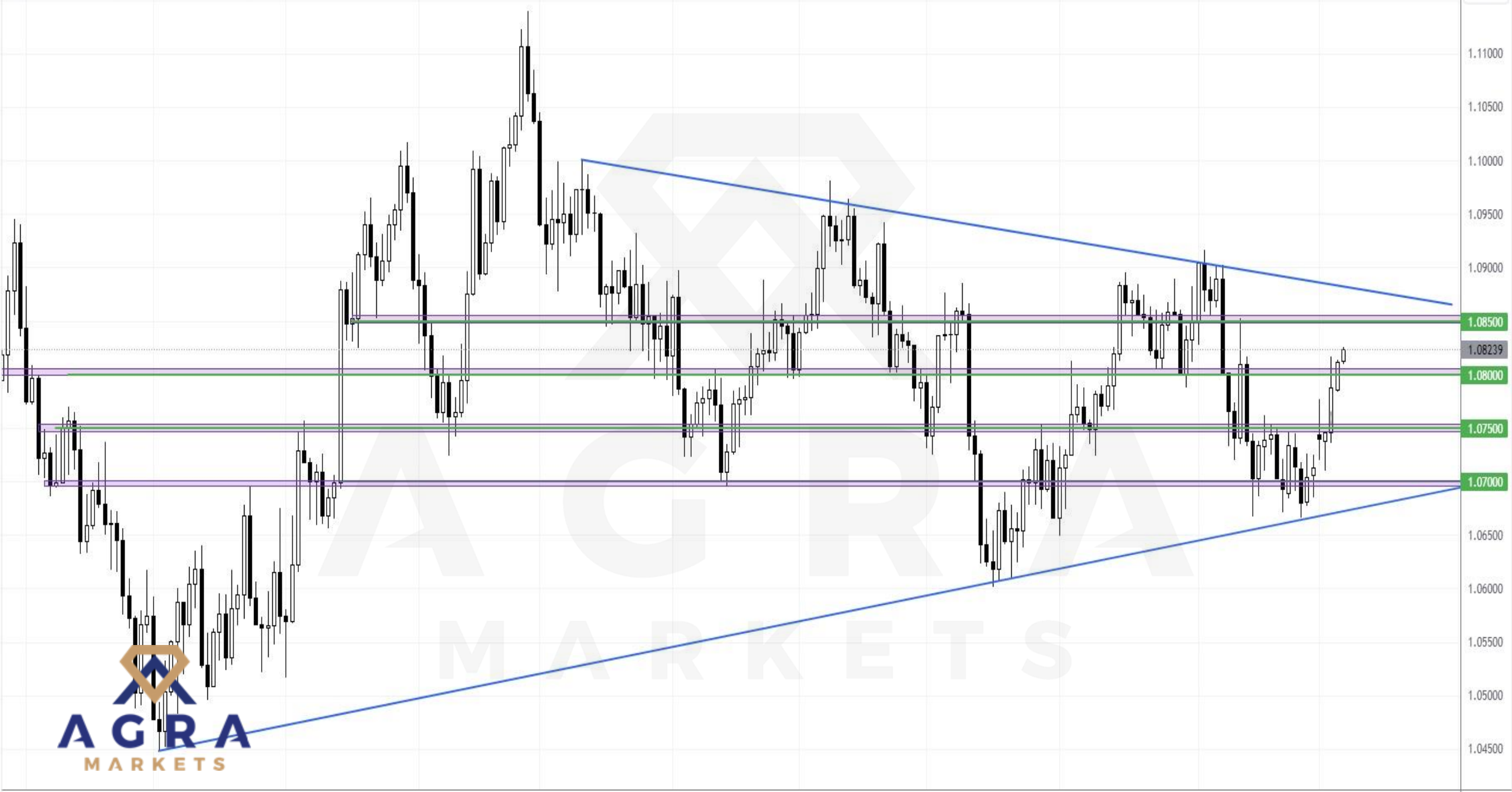
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EURUSD

- The EUR/USD gained against the dollar on Thursday after weak U.S. economic data sent the greenback lower the previous day, as the French election neared.
- The closely watched gap between German and French 10-year yields has narrowed to less than 70 basis points having been above 80 bps ahead of the first round of voting last week.
- This is due to numerous centre and left-wing candidates dropping out of three-way runoffs to curb prospects for Marine Le Pen's right-wing National Rally party.
- This raises the chances of a hung parliament, which appears a more desirable outcome for markets as it limits the chances of aggressive spending manoeuvres.
- The asset will likely extend its upside to the June 05 low, around 1.0850. A breach of the latter will drive Fiber to the downtrend line. Meanwhile, the 1.0800 support will prevent the immediate downside of the main pair.









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GBPUSD

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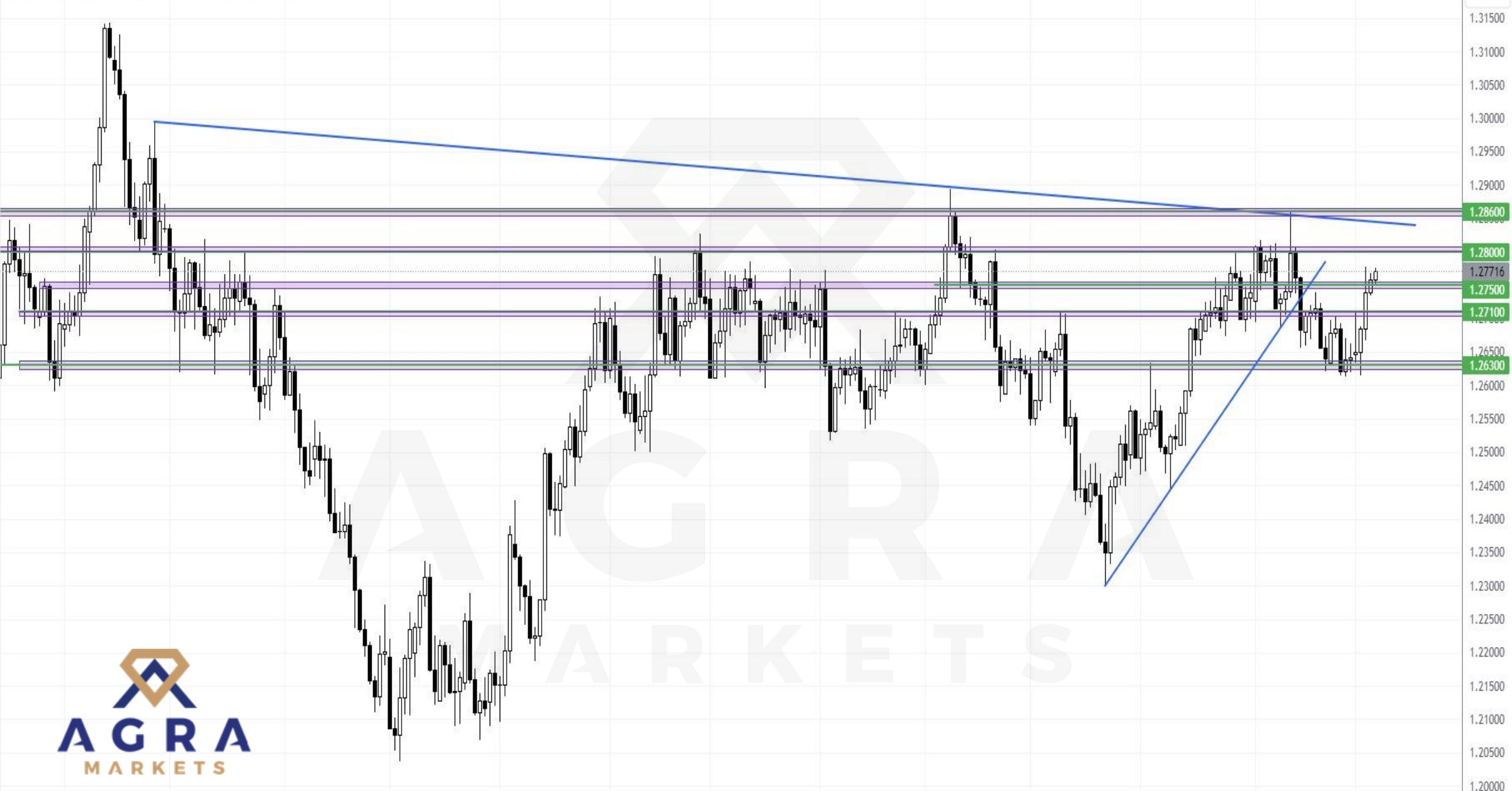


GBPUSD

- The GBP/USD is extending its gains for a seventh straight day on Friday after breaking the 1.2750 level.
- British voters began to go to the polls on Thursday and look set to elect Labor Party leader Keir Starmer as the next prime minister, sweeping Rishi Sunak's Conservatives out of office after 14 often turbulent years.
- There are two main reasons for the limited market reaction to the calling of elections and campaigning drama.
- Firstly, Labor has been consistently above (the Conservatives) in opinion polls for some time, so there has been no shock. The second reason is Keir Starmer and Rachel Reeves have done quite a good job at convincing investors and the electorate that they have moved the party into the centre ground.
- The asset will surge to the 1.2800 threshold during further advances. A breach of the latter will drive Cable to the daily downtrend line. On the contrary, GBP/USD will fall to July 01 high of 1.2710, if it conquers the 1.2750 support confidently.



GBPUSD, 1D, O1.27591 H1.27765 L1.27521 C1.27716 +0.00125 (+0.10%)



Jul Aug Sep Oct Nov Dec 2024 Feb Mar Apr May Jun Jul

USD
1.31500
1.31000
1.30500
1.30000
1.29500
1.29000
1.28600
1.28000
1.27716
1.27500
1.27100
1.26500
1.26300
1.26000
1.25500
1.25000
1.24500
1.24000
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1.22500
1.22000
1.21500
1.21000
1.20500
1.20000



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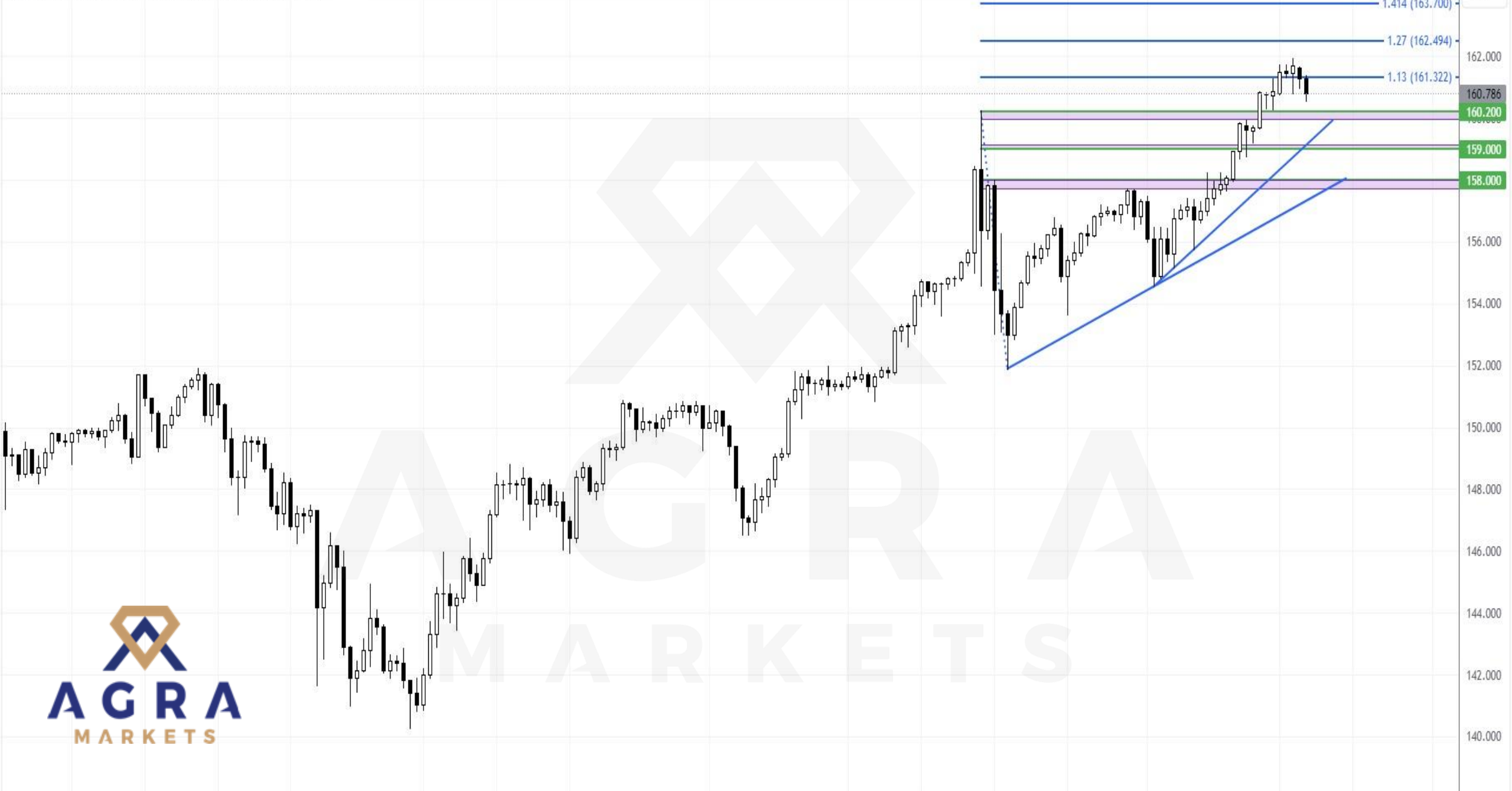
USDJPY



USDJPY

- The USD/JPY pair extends its correction to near 161.80 in Friday's European session. The asset comes under pressure as fears of Japan's intervention in the FX domain due to one-sided excessive moves, which have led to a sharp weakness in the Japanese Yen and a sheer sell-off in the US Dollar (USD) due to firm speculation that the Federal Reserve (Fed) to begin lowering interest rates from the September meeting.
- The Japanese Yen struggles to gain ground even though Bank of Japan (BoJ) policymakers have advocated tightening monetary policy further. The weak Japanese Yen has prompted consumer inflation expectations as Japan's exports have become competitive globally, and import costs have increased significantly.
- The yen pair is expected to resume a bullish move after completing its pullback move to the 160.20 level. An occurrence of the same will direct the asset to 161.32, followed by 162.49. Alternatively, USD/JPY will move towards 159.00, if it drops below 160.20 support.





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XAUUSD

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-  BB



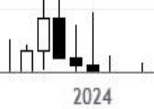
XAUUSD

- Gold prices firmed on Friday and were set for a second straight weekly gain, while traders awaited U.S. employment data to gauge the trajectory of the Federal Reserve's potential interest rate cuts. Spot gold rose 0.3% to \$2,363.25 per ounce, as of 0709 GMT and was up more than 1% for the week.
- Investor attention now turns to the nonfarm payrolls report due later Friday, which will provide further insight into the economy. Non-interest-bearing bullion typically has an inverse relationship with interest rates, with higher rates for longer damping investor enthusiasm for gold. We maintain the view that the decline in U.S. dollar strength in the second half of 2024 will add support to base metal prices, however, a later Fed cut could limit the upside.
- The bright metal has risen after meeting the support of \$2,350. The yellow metal bears can drift the asset towards the level of \$2,350 again and after the conclusion of the pullback move, the bright metal will resume its upside journey to \$2,375.





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XAUUSD, 4h, O2,364.015 H2,366.380 L2,362.685 C2,364.220 +0.190 (+0.01%)

USD

2,450.000

2,440.000

2,430.000

2,420.000

2,410.000

2,400.000

2,390.000

2,380.000

2,375.000

2,370.000

2,364.220

2,360.000

2,350.000

2,340.000

2,330.000

2,320.000

2,310.000

2,300.000

2,290.000

2,280.000



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S&P



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FOREX
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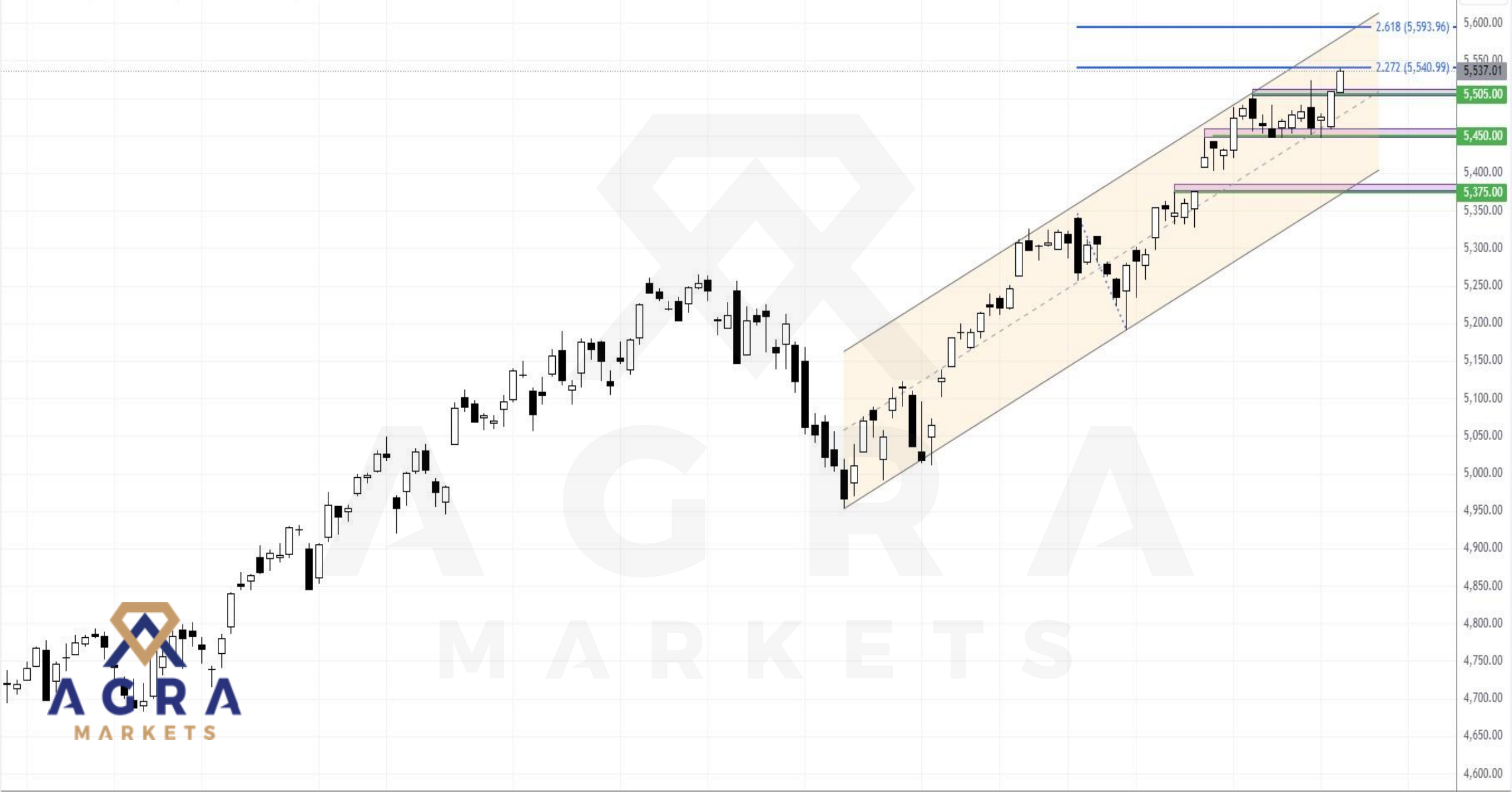
MetaTrader4

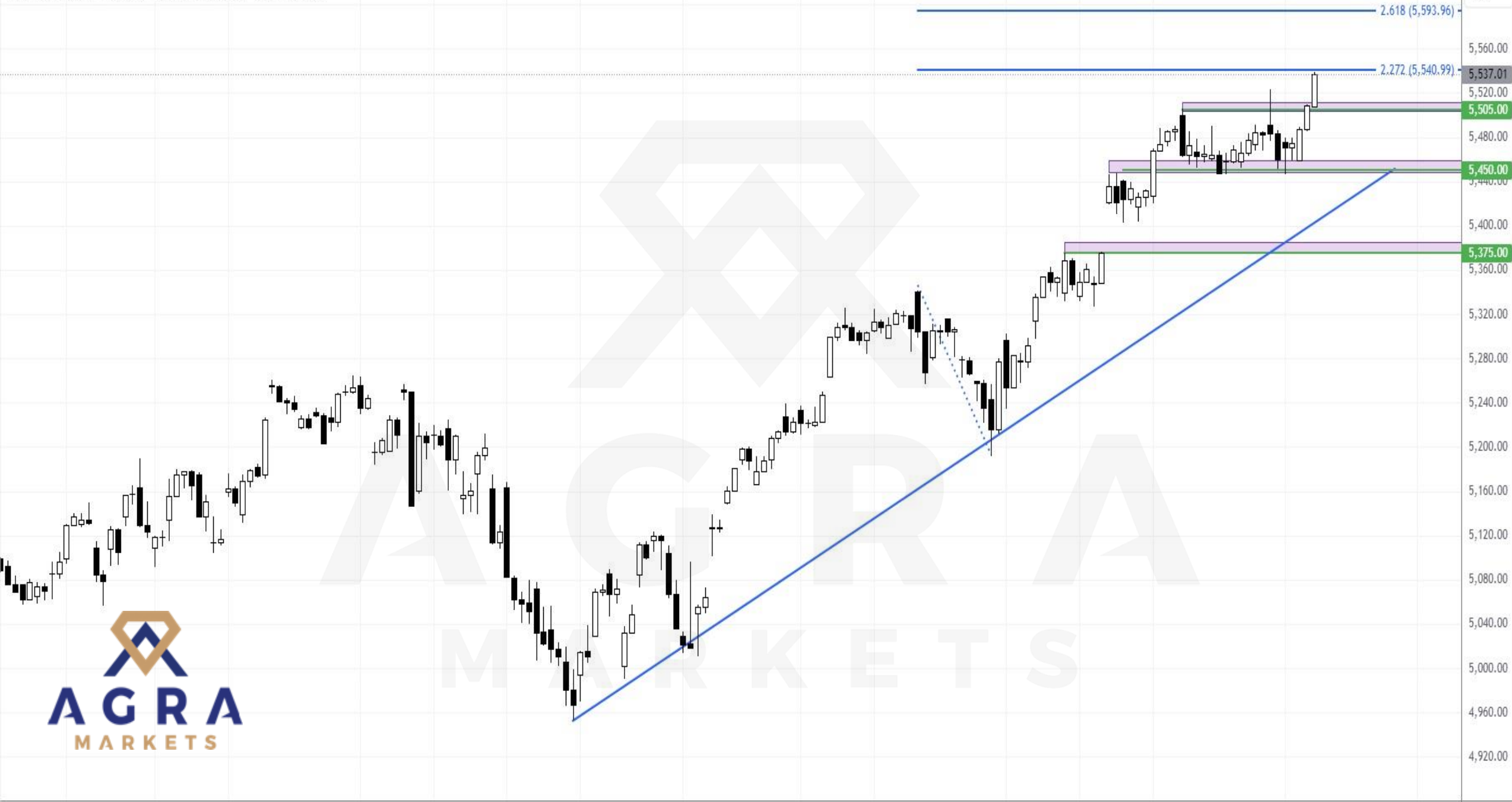


S&P

- The US markets remained shut on July 4 for Independence day. The S&P 500 and the Nasdaq Composite are on a roll. Record after record, these two Wall Street darlings wrapped up Wednesday's holiday-shortened session at fresh all-time highs. The broad-based equity average added 0.5% on the day to clock out at 5,537 points — its second straight close above the key 5,500 milestone. And the tech-heavy Nasdaq added 0.9% to finish at 18,188.30.
- Those moves came as a surprise contraction in US services activity and disappointing private employment numbers in the US bolstered dovish bets on Fed monetary policy. Tesla led the market higher, rallying 6.5% to extend its week-to-date gains to around 32% amid improved deliveries.
- The uptrend is going strong, but we suspect it is time for a correction movement to the support of 5,505. After meeting the support level the asset will collect strong buyers and will resume rallying higher to test 5,593.









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