forex trends

AFRASIA bank different

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On last Wednesday, the Federal Reserve announced that it is leaving the federal funds target range at 0.25-0.50% after concluding its two-day policy meeting and unveiled few hints about further action at its March monetary meeting. While this decision to keep rate unchanged was broadly expected the focus was more in the statement. The FOMC reiterated that the economy is expected to warrant only gradual rate hikes, highlighting that the actual path of rates will remain data dependent.

The Fed discussed about recent turbulence in markets last week and said they are "closely monitoring global economic and financial developments and is assessing their implications for the labour market and inflation, and for the balance of risks to the outlook."

Early this week, The U.S dollar lost momentum against a basket of currencies weighed down on expectation that the Federal Reserve would not be able to hike interest rate further this year, after U.S. economic growth started to slow down in the fourth quarter, raising concerns about its momentum in 2016.

The weak growth has impacted overall factory activities in the U.S. and has renewed concerns about the nation's ability to withstand a series of major headwinds, including a slowdown in China and a stronger greenback that seemed to pinch U.S manufacturers' profits.

Market will turn their focus on the U.S. jobs report this Friday, as the Federal Reserve stated last week that any progress or deterioration in the labour market will affect the Fed's tightening strategy for this year.

EUR/USD still on wait and see mode, but not for long!!

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The euro managed to recover ground from Friday's low of $1.0810 and swung back sharply higher to trade around 1.0910 on Tuesday, as the low-yielding common currency was back in demand following fresh sell-off in the oil prices and equities, together with expectations for a more dovish path of the Fed rate hikes.

On the technical Side, as stated last week, we were looking for the completion of Wave D & E for a thrust out from a possible bullish triangle formation, unfolding since mid-December 2015.

Wave E might have been done at $1.0810 on last Friday. But we will need to see a bounce above wave D at $1.0970 to confirm the completion of the triangle formation that would possibly send the pair to 1.1060/1.1160. However, only a move beneath $1.0710 would argue for a retest of previous low of $1.0538 printed on 3rd of December 2015.

EUR/USD... one week later!