EURUSD

EURUSD: The parity dream fades away

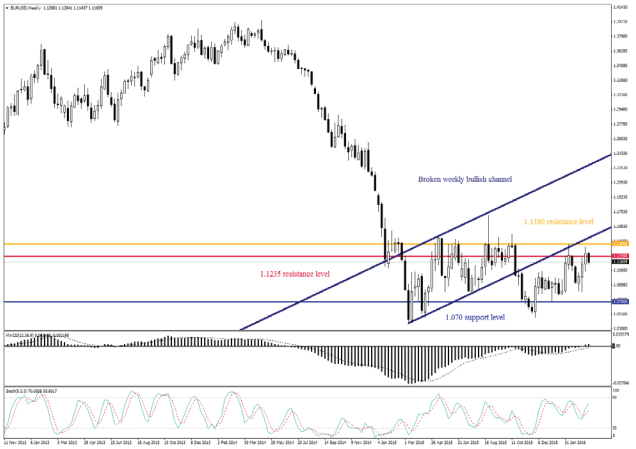
The EURUSD found comfort in a wide range in the early parts of Q1, with ongoing EUR and USD strength keeping the pair in a fierce tug of war. Investors remained on standby as expectations mounted on the European Central Bank, unleashing further stimulus measures while the growing optimism of four possible US rate hikes in 2016 kept the parity dream alive for the EURUSD. Q1 was quite turbulent with data from the Eurozone following a negative trajectory, while elevated fears over the state of the global economy exposed the United States to downside risks. In early February, tepid data from the States renewed fears over a potential economic slowdown, consequently dampening US rate rise expectations. As a result the Dollar lost ground against the Euro with prices surging towards 1.1200.

With Eurozone inflation failing to jumpstart, the ECB took the bold steps in March to unleash aggressive stimulus measures in a bid to boost Eurozone growth. The initial market reaction to the ECB slashing deposit rates, further empowered the Euro bears but when expectations of further rate cuts were diminished, buyers exploited this opportunity, consequently sending the EURUSD back towards the previous 1.120 resistance. If this ECB disappointment was not enough to erase the parity dream for 2016, then the latest developments from a cautious Fed who trimmed rate hike expectations from four to two could provide the inspiration the EURUSD bulls need, to take the currency back towards 1.143. Euro bulls have ended Q1 firmly, and with optimism rapidly fading over the Federal Reserve raising US rates more than twice this year, the EURUSD may be poised for more gains.

As we enter Q2, there is a strong possibility that Dollar weakness will take center stage as US rate hike expectations may rapidly diminish amid the global uncertainty. The European Central Bank may likely slash deposit rates further in Q2, in a bid to boost both borrowing and inflation, but this may have a negative impact as investors see the actions as an act of desperation. This potential catalytic combination of Euro appreciation and Dollar weakness makes the EURUSD fundamentally bullish entering Q2 with the stubborn yearly resistance at 1.150 open for the taking.

EURUSD Daily

EURUSD Weekly



From a technical standpoint, the Euro has displayed bullish tendencies in almost all timeframes with prices cutting through the stubborn 1.120 resistance, before declining back towards the 1.107 support. Although the monthly timeframe has traded in a range for an extended period with 1.138 acting as a gatekeeper, the weekly and daily periods continue to generate higher highs and higher lows, which reinforce the forming bullish outlook on the EURUSD. When using multiple time frame analysis (MTFA), the breakout above 1.120 simply opened the doors to 1.138, which in turn may assist any pending bullish runs on the weekly and daily timeframe.

Lagging indicators, such as the moving averages and MACD, have already started to point to the upside while the three consecutive bullish weekly candles suggest that the 1.1380 resistance may be crumbling. There may be a possibility that previous resistance at 1.1070 becomes a dynamic support, which provides a foundation for prices to trade back towards 1.120 and potentially higher. A solid weekly close above 1.1380 may open a path to the yearly 1.1500 resistance. With Dollar weakness potentially rippling through the currency markets and concerns lingering over the European central bank's inability to revive Eurozone growth that is fueling the EURUSD bulls, the parity dream rapidly fades into the distance.

EURUSD Monthly

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