

Thursday 20 April 2017

Quotable

“Come what may, all bad fortune is to be conquered by endurance.”

--Virgil

Commentary & Analysis

Shorting Euro today...cautiously...

Clarity in the currency markets of late has been cloudy at best. The competing rationales continue to be: 1) End of the Trump reflation trade and therefore the US dollar has peaked: or 2) It wasn't necessarily the reflation trade (which still may be on but delayed) but the rising US yield differential supporting the dollar on the back of three Fed hikes in 2017 which was the driver anyway.

Some news from today and yesterday gave us a bit more confidence in our Wave chart setup....

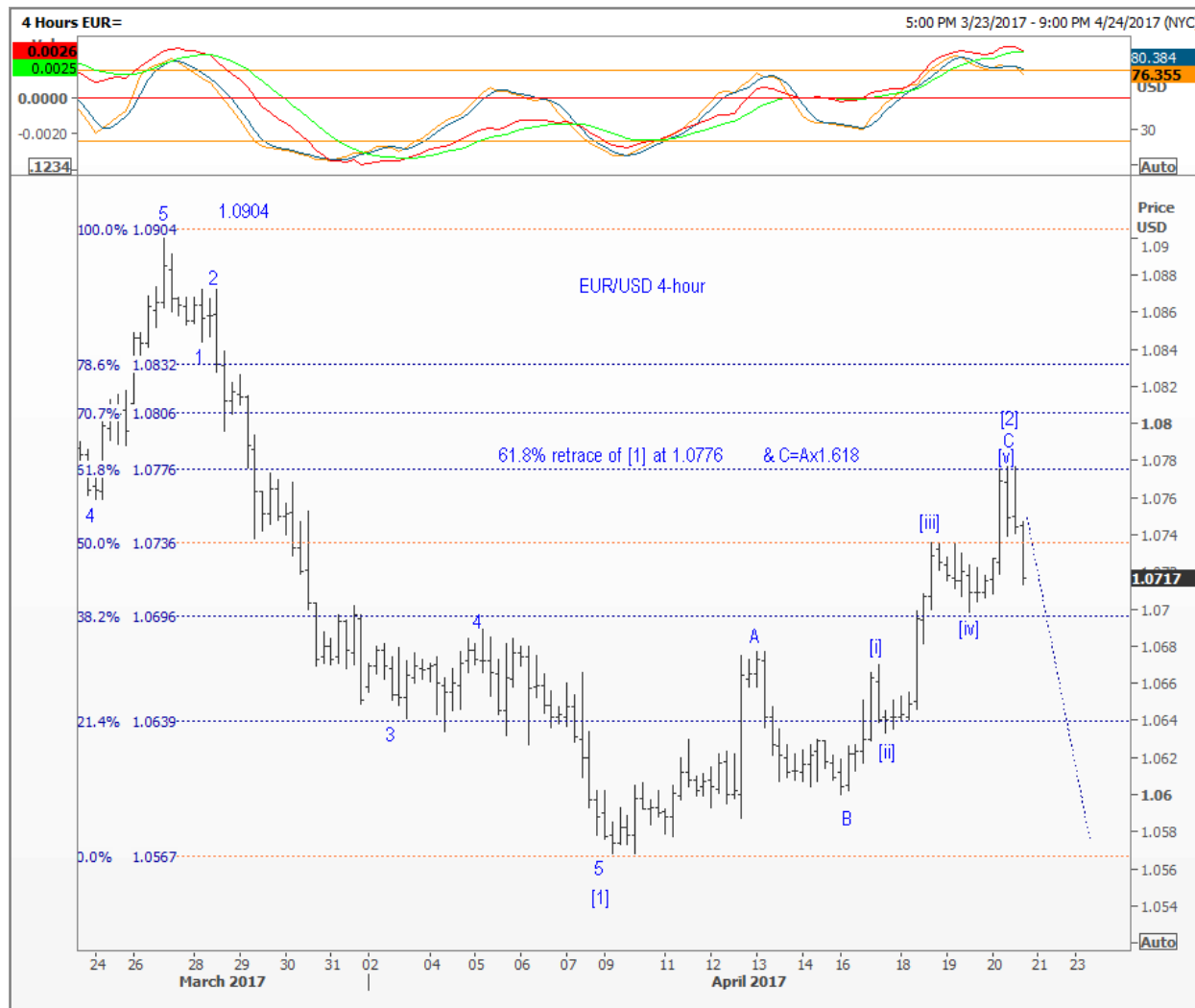
This headline story from Reuters, coupled with some data that suggest a decline in US growth momentum supports the dollar bearish view (or the euro bullish view):

- WASHINGTON, April 20 (Reuters) - Dallas Federal Reserve President Robert Kaplan said on Thursday that three interest rate hikes this year remains possible but that the U.S. central bank has the flexibility to wait and see how the economy unfolds. **"The median for three rate increases this year...is still a good baseline. If the economy develops a little more slowly, then we can do less than that and if the economy is a little stronger, we can do more than that,"** he said in an interview with Bloomberg TV.

Yesterday's inflation data out of the Eurozone likely plays into ECB rate expectations:



...so we went short a ½ position EUR/USD on this setup this morning, as we had an extension target of 1.0776, which it hit right on the button today. The target, technically, based on an extension of Wave C equaling 1.618 x Wave A and also a key retracement, 61.8% of Wave [1] down, coming in at the same level...1.0776...it seems to be holding now and looks as if this is a good risk/reward short:



You never know; but so far so good...

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Thank you.

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