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WEEK AHEAD BRIEFING NOTE

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US Jobs Report to Headline Quiet Easter Week

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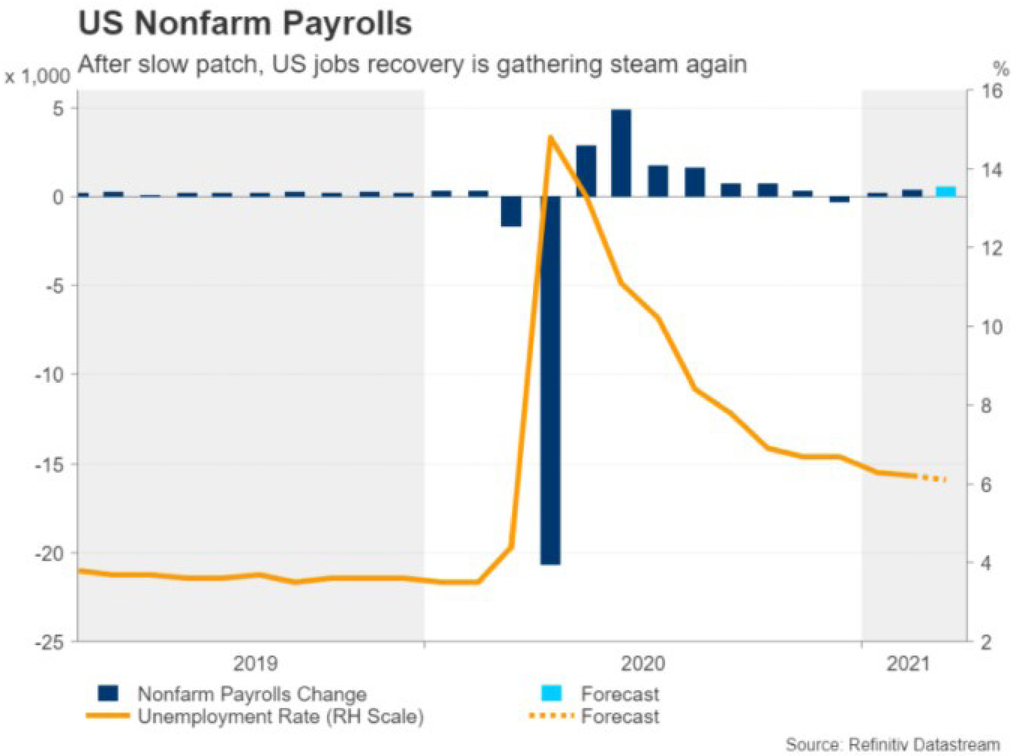
As markets reassess how soon European economies will be able to reopen, the March nonfarm payrolls report out of the United States will likely highlight the widening growth disparity between the two regions. The expected strong US data could help maintain the dollar's upward drive but ultimately, its path will be determined by whether or not risk appetite bounces back. Risk sentiment has been fragile of late as an increasingly bitter spat between the UK and EU over vaccine exports and revived Sino-US tensions have added to the downbeat tone set by Europe's lockdown woes. But in a week where trading is expected to wind down ahead of the long Easter weekend, there's not much on the horizon that could turn sentiment around.

NFP could be a win-win for the dollar

The US economy was outperforming even before the Biden administration's $1.9 trillion virus relief package came along. The additional stimulus, combined with an accelerating vaccination campaign, have put the US on track to record bumper GDP growth in 2021. The data due over the coming days are anticipated to further underscore the recovery.

In the run up to the all-important jobs report at the end of the week, the consumer confidence index by the Conference Board will be the first major release on Tuesday. The ADP employment reading will be watched on Wednesday as a precursor to Friday's official report. Pending home sales and the Chicago PMI are also due the same day, and on Thursday, the ISM manufacturing PMI is expected to hit the highest since 2004 in March, extending the impressive rebound from the depths of the virus crisis.

On Friday, the consensus forecasts for the March NFP figure are a jump of 500k jobs. That would represent a further quickening of the pace of the jobs rebound following the slow patch at the end of 2020. The unemployment rate is forecast to have slipped from 6.3% to 6.1%, while average earnings are projected to have increased by 0.1% over the month.

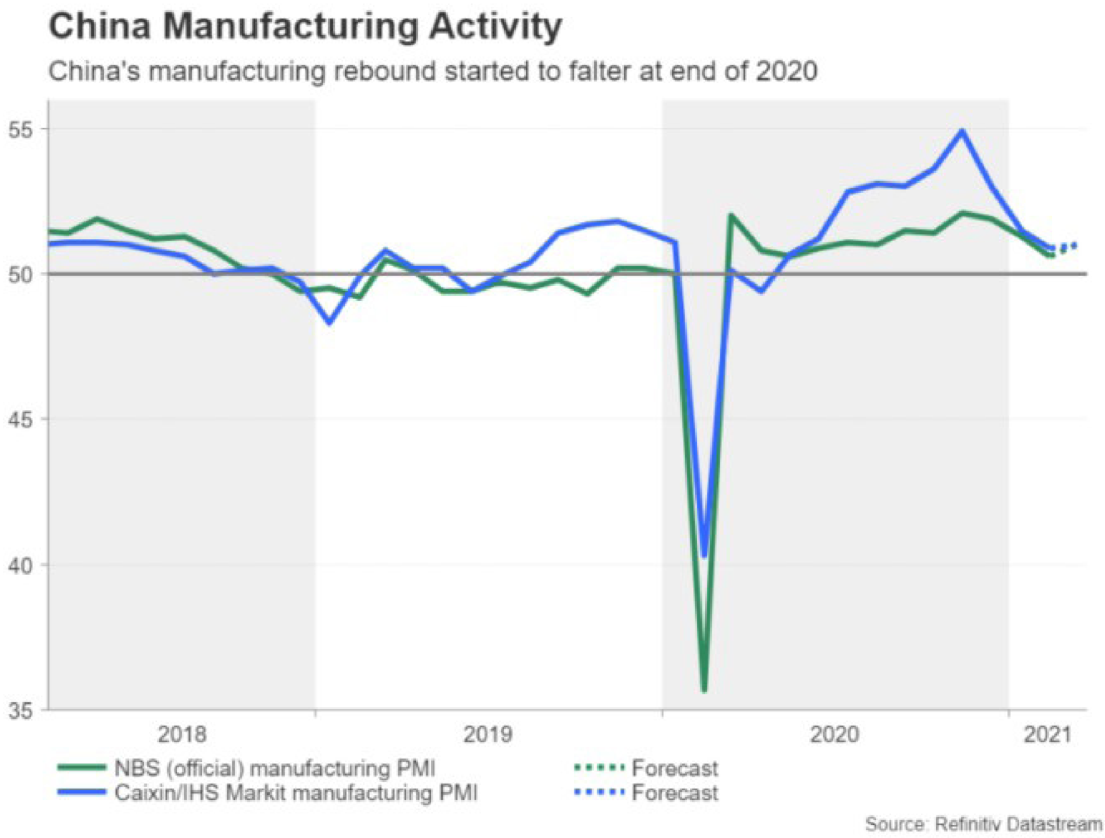


With the lockdown-induced gloom holding back risk assets in recent days, a soft nonfarm payrolls print could deal a further blow to risk appetite and potentially boost the safe-haven US dollar, especially in the current environment where the US recovery appears to be on the most solid footing. However, if there's a huge miss (which isn't very likely) and Treasury yields drop sharply as a result, the greenback would almost certainly follow yields lower. Similarly, a positive surprise that is big enough to spark a significant rebound in Treasury yields would make it difficult for other majors to gain much traction versus the dollar from any subsequent improvement in the risk tone.

Battered aussie to keep an eye on Chinese PMIs

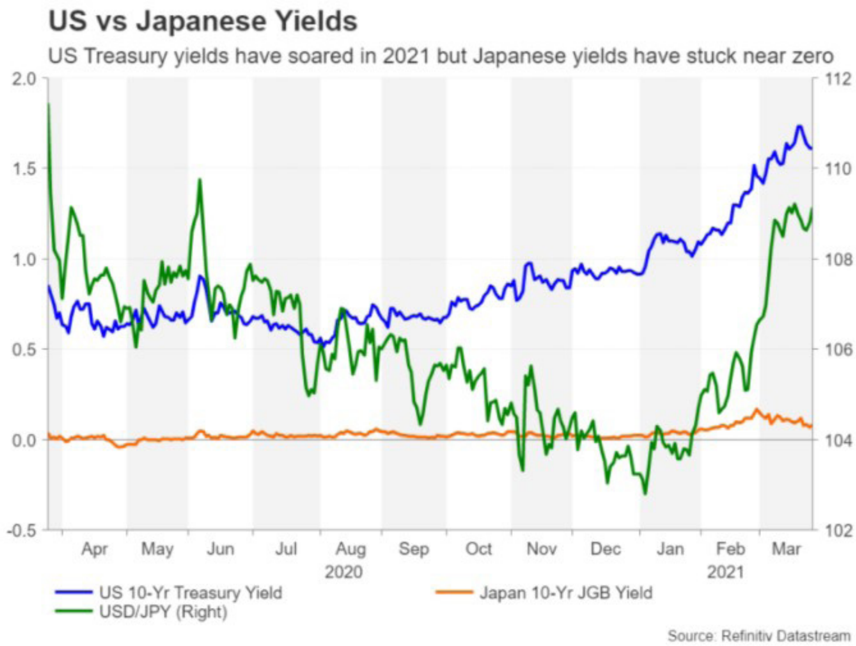
One of the currencies that's taken quite a battering against the greenback over the past week is the Australian dollar. The Reserve Bank of Australia's resolve to keep a lid on Australian government bond yields is the main reason why the aussie rally has run out of steam. But investors are also worried a slower recovery in Europe will mean less demand for commodities such as basic resources and mining products, which Australia is a major exporter of. All this has narrowed the spread between Australian and US 10-year yields, which the aussie has been tracking quite closely lately.

But in the absence of any key releases next week, there's not a lot that can inject a fresh dose of optimism for Australia's outlook. Domestic data will include building approvals on Wednesday, and the AIG manufacturing index, the final February retail sales report and trade figures, all on Thursday. But there might be a bigger reaction in the aussie to Chinese manufacturing gauges. The official manufacturing PMI is out on Wednesday and will be followed by the Caixin/ Markit manufacturing PMI on Thursday. Both PMIs have been trending lower since late 2020, confounding the global bounce in manufacturing output. If China's manufacturing activity decelerates further in March, it could further dampen the outlook for the global recovery outside of the US, weighing on sentiment and in turn, the aussie.



Sliding yen finds reprieve in Europe's pain

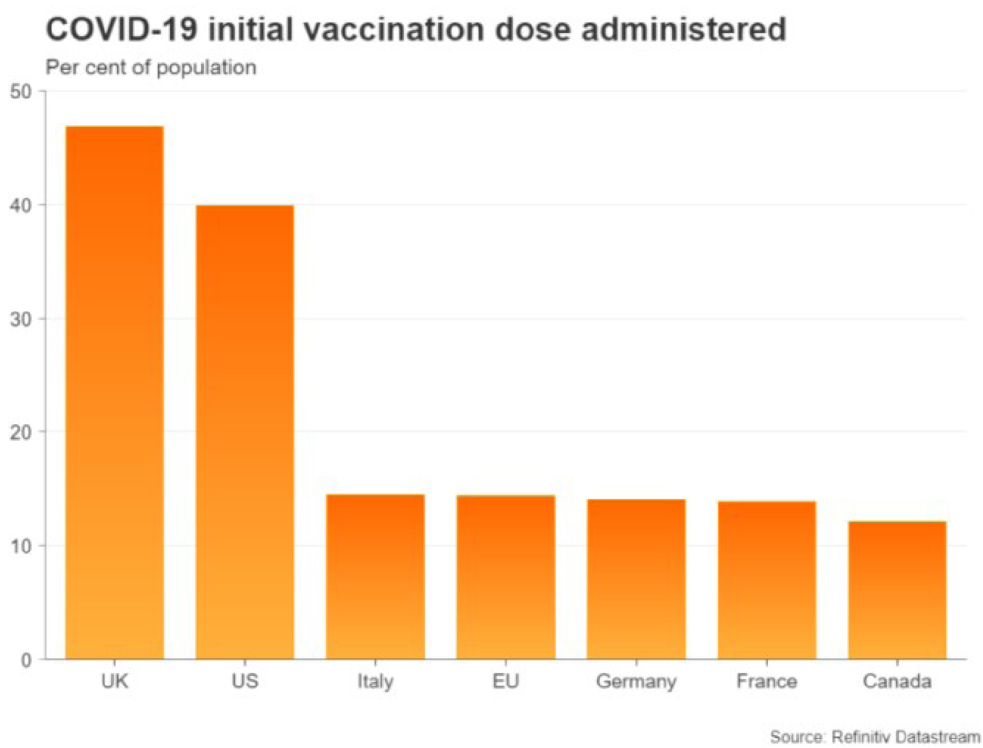
In Japan, there's a busy data schedule ahead with February unemployment and retail sales numbers coming up on Tuesday, the preliminary industrial output reading on Wednesday and the Bank of Japan's quarterly Tankan business survey rounding things up on Thursday. Japan's economy seems to be weathering the pandemic storm somewhat better than many of its peers, yet the yen has depreciated quite substantially in 2021. Rising yields globally have been crippling for the yen as Japanese government bond yields have barely budged above zero due to the Bank of Japan's tight yield curve control policy.



However, the latest fears about the European recovery on the back of the renewed lockdowns have boosted the safe-haven Japanese currency not just against the euro but most other majors as well. If Europe's virus and vaccine troubles continue to dominate the market theme in the coming days, the yen looks set to extend its gains.

Euro (and pound) wallow in EU's vaccine disaster

The euro on the other hand could plumb fresh lows against the dollar and yen if there are no positive headlines coming in Europe's way. The EU is struggling to get a grip on its vaccine mess and each attempt to put things right seems to be making matters worse. The block has come under fire from governments and vaccine manufacturers for its plans to restrict the export of EU-produced Covid shots. With EU nations still lagging well behind Britain and the US in the vaccination race, investors are becoming increasingly pessimistic about a summer reopening of the Eurozone economy as it will be difficult to relax virus measures when infections are rising and vaccine intakes are low.



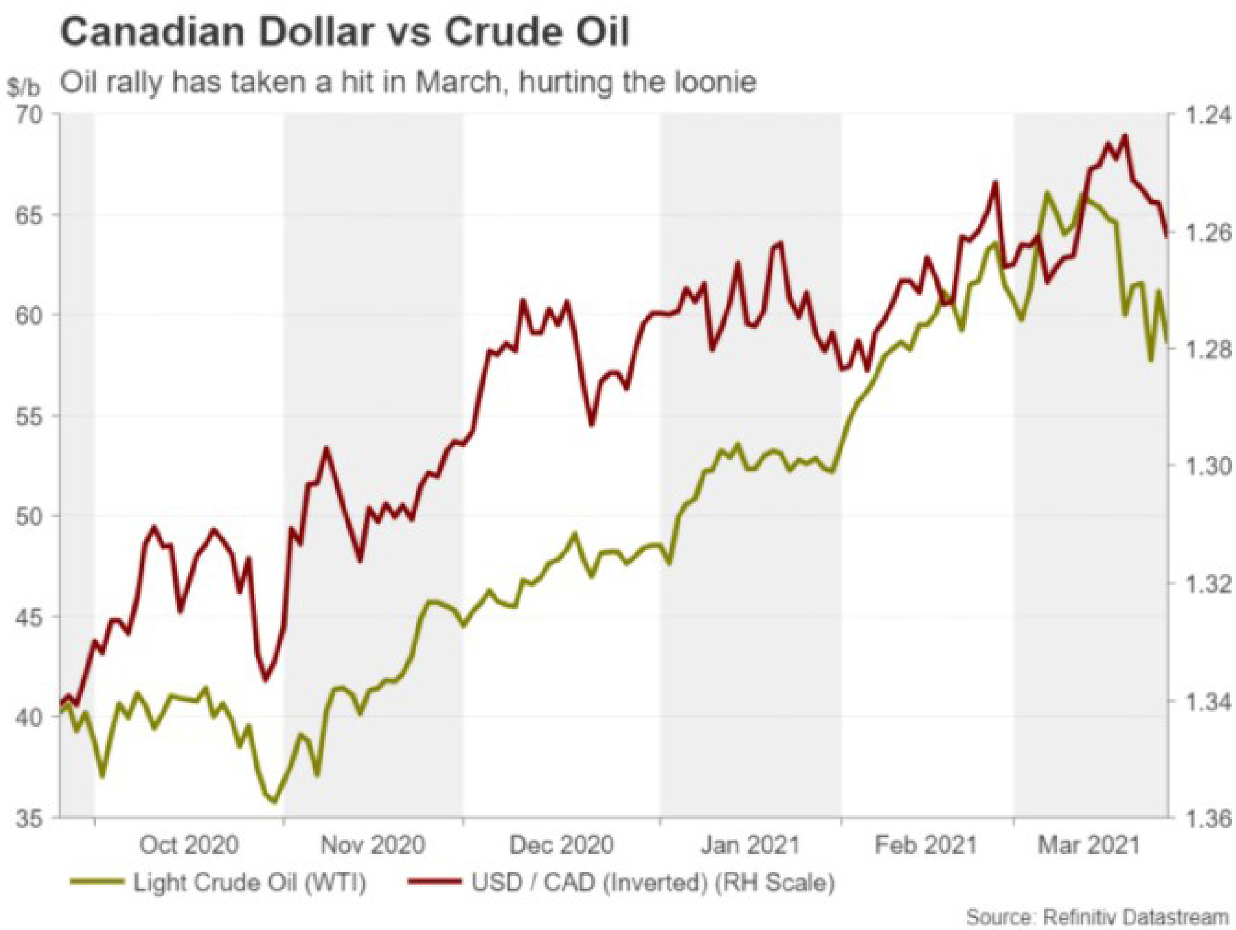
Looking at next week's data, the economic sentiment indicator (Tuesday) and the flash inflation print (Wednesday) are the only important releases. The Eurozone's headline rate of inflation is anticipated to edge up to 1.3% year-on-year in March, though it's unlikely to alter expectations for ECB policy.

Across the channel, the second estimate of fourth quarter GDP due on Wednesday is the only notable item on the UK's economic agenda. The pound has been caught in the euro's vaccine storm as the UK's supply of Covid jabs faces significant disruption from any EU decision to limit exports. But that's not the only setback for the pound. Prime Minister Boris Johnson has warned Europe's third wave could soon hit the UK, potentially derailing Britain's own lockdown exit path.

Hence any improvement in sentiment towards the euro could benefit the pound too over the next few days and vice versa.

Can OPEC+ halt slide in oil prices and loonie?

Finally, OPEC and it's non-OPEC allies will be holding their monthly output meeting on April 1. After the damage done to the demand picture for oil from the extended lockdowns in Europe, the major producers will probably again hold off from raising their output quotas just yet. This should provide some support to oil prices, which have been hammered from the gloomier outlook in Europe.



A rebound in crude oil could lift the oil-linked Canadian dollar too, which has pulled back from three-year highs amid a resurgent greenback. Domestically, the monthly GDP estimate due on Wednesday could attract attention, but loonie traders will mainly be watching for fresh clues on future production by OPEC+ countries as well as how the market mood evolves after a turbulent week.

Technical Analysis – US 30 index's gains curbed by 32,800 mark and Ichimoku cloud

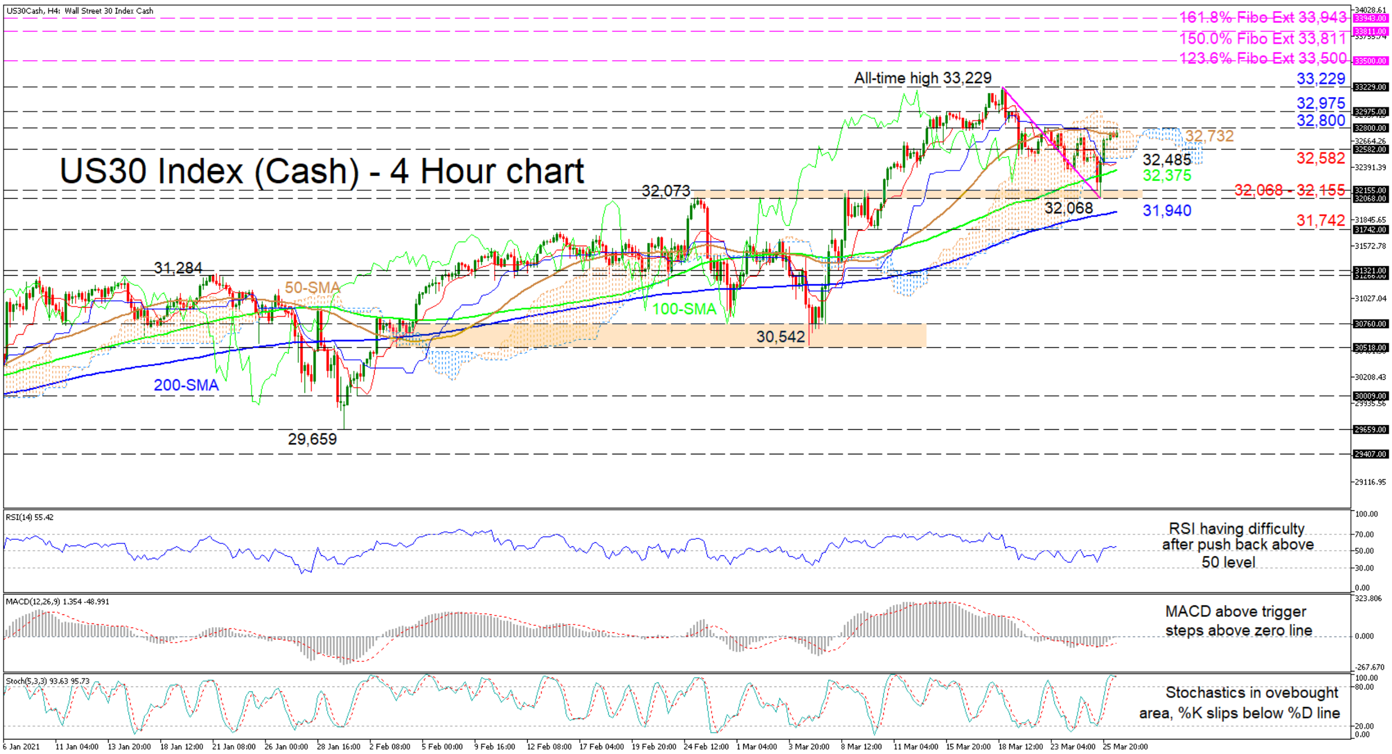
The US 30 stock index's (Cash) recently found foothold at the 32,068 level has elevated its price into the vicinity of the 50-period simple moving average (SMA). In spite of this, instantly limiting additional price gains is the 32,800 barrier coupled with the cloud's upper frontier. Regardless of the faded incline in the 50-period SMA – reflecting a slight setback in the up move – the rising 100- and 200-period SMAs are preserving the positive picture.

The short-term oscillators are favouring the upside, while the Ichimoku lines are confirming that negative momentum has subsided. The MACD, already above its red trigger line, has nudged back above its neutral mark, while the RSI is struggling to creep higher in the bullish region. The stochastic oscillator is persisting in overbought territory, and its %K line has yet to signal any strong negative price tendencies.

If buyers manage to surpass the cloud, early resistance could come from the 32,975 obstacle before they revisit the all-time-high of 33,229. Conquering this fresh summit, the bulls may then pilot the price towards the 33,500 level, which happens to be the 123.6% Fibonacci extension of the down leg from 33,229 until 32,068. Flying even higher resistance could emanate from the 150.0% Fibo extension of 33,811 and the neighbouring 161.8% Fibo extension of 33,943.

Otherwise, if buyers' upward drive succumbs to the 32,800 border, a dive in the price may stall around the level of 32,582 before encountering a zone of support from the floor of the cloud at 32,485 until the 100-period SMA at 32,375. Nonetheless, to tilt the scale negative, sellers would need to break below the vital support band of 32,068-32,155. From here, if the 200-period SMA fails to provide adequate footing to secure the bullish structure, the 31,742 level could then be challenged.

Summarizing, should the index hold above the 32,068-32,155 boundary, its attempts to improve could bear some fruit.



Technical Analysis – USDCHF spikes to 0.9417 but struggles to beat 123.6% Fibonacci extension

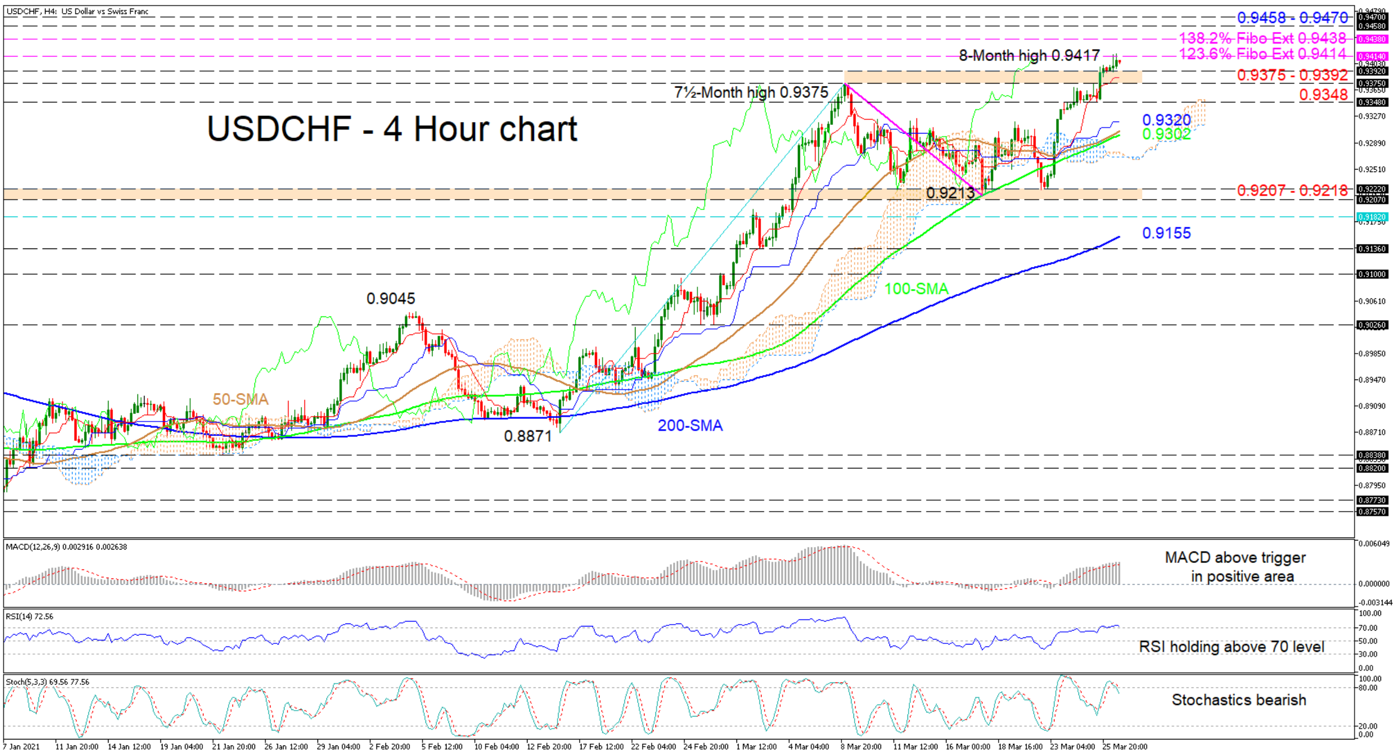
USDCHF is tackling the 0.9414 level, which happens to be the 123.6% Fibonacci extension of the down leg from 0.9375 to 0.9213. The soaring simple moving averages (SMAs) are nurturing the positive structure, while the Ichimoku lines are reflecting a minor pausing in bullish sentiment.

However, the short-term oscillators are transmitting mixed signals in directional momentum. The MACD, in the positive region, is holding above its slowing red trigger line, while the downwards pointing RSI, is persisting above the 70 level. That said, the recently adopted bearish tone in the stochastic oscillator is promoting growing negative momentum in the pair.

To the upside, instant resistance may develop from the 123.6% Fibo extension of 0.9414. If buying interest increases and the pair surges above this level and the fresh eight-month peak of 0.9417, the bulls may then target the 1382% Fibo extension of 0.9438. From here, slightly higher the resistance section of 0.9458-0.9470 could play a key role in the pair's shift to a stronger bullish bias.

Alternatively, if sellers resurface, initial support may arise from the 0.9375-0.9392 section ahead of the vital trough at 0.9348. Should the price return below this, a zone of support could evolve from the blue Kijun-sen line at 0.9320 until the 100-period SMA at 0.9302.

Summarizing, USDCHF's short-term bias remains increasingly bullish above the SMAs and the 0.9207-0.9218 support base. However, a dip below 0.9348 could signal a boost in selling interest.



Technical Analysis – GBPUSD rises after finding support at 7-week low

GBPUSD has been recorded a stunning rally since yesterday, finding support at the seven-week low of 1.3670 level. The price advanced above the 20-period simple moving average (SMA) in the 4-hour chart, with the RSI currently increasing positive momentum above the 50 level. The MACD is approaching the zero level, holding above the trigger line.

If the pair continues the bounce up, immediate resistance could be met at the 23.6% Fibonacci retracement level of the down leg from 1.4235 to 1.3670 at 1.3800. Steeper upside pressure could see the 40- and 100-period SMAs at 1.3810 and 1.3860 respectively ahead of 1.3875 and the 38.2% Fibonacci of 1.3885.Should the market extend losses again, support could come from the seven-week low of 1.3670. A significant leg below this area could send prices towards the 1.3565 and 1.3520 zones.

In the bigger picture, the pair is bearish as long as it holds below the 100-day SMA. In case it violates this line, bulls could take the upper hand.

Technical Analysis – NZDUSD's bearish risks grow as foothold appears feeble

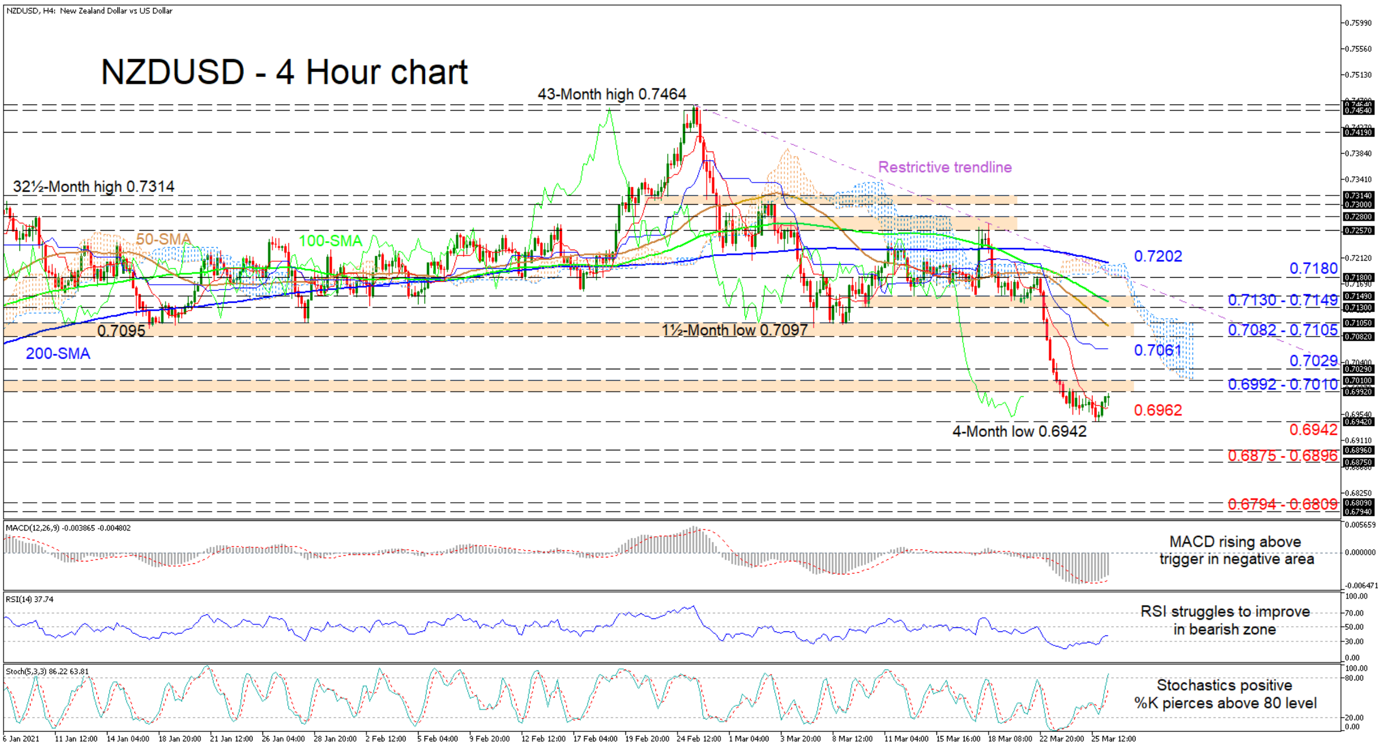
NZDUSD is echoing a dominating bearish tone as the vital resistance section of 0.6992-0.7010 (previous support-now-resistance) is curbing efforts of a greater positive pullback off 0.6942, which reflects a four-month low. The pair is now consolidating in the vicinity of the red Tenkan-sen line, while the falling simple moving averages (SMAs) are feeding the negative picture.

The flattening blue Kijun-sen line is reflecting the pause in the downwards price move, while the short-term oscillators are conveying mixed signals in directional momentum. The MACD and the stochastic oscillator are both endorsing bullish sentiment. The former, is far below its zero level although is rising above its red trigger line, while the latter's climbing %K line, has pierced into overbought territory. On the contrary, the RSI, which is struggling to progress in the bearish zone, is indicating waning in positive momentum.

Should the directly overhead resistance of 0.6992-0.7010 continue to cap gains, initial downside friction could come from the red Tenkan-sen line at 0.6962 ahead of the nearby low of 0.6942. If the pair resumes the decline, sellers may encounter downside constrictions from the region of 0.6875-0.6896. In the event the price sinks even further, subsequent tough support could emerge from the boundary of 0.6794-0.6809.

Alternatively, if buyers overtake the heavy border of 0.6992-0.7010, initial resistance may occur at the 0.7029 barrier before the bulls hit the blue Kijun-sen line at 0.7061. Next, the buffer zone of 0.7082-0.7105 could prove to be a difficult obstacle to overcome. However, if buyers conquer the Ichimoku cloud and the 100-period SMA, encapsulated in the resistance band of 0.7130-0.7149, this could be a tipping point for the bulls to regain control.

Concluding, NZDUSD is looking increasingly bearish. Yet, a break above the restrictive trend line and the 0.7180 high would be required to re-instil belief in a positive outcome.



Technical Analysis – GBPJPY climbs up within SMAs; bullish in long-term

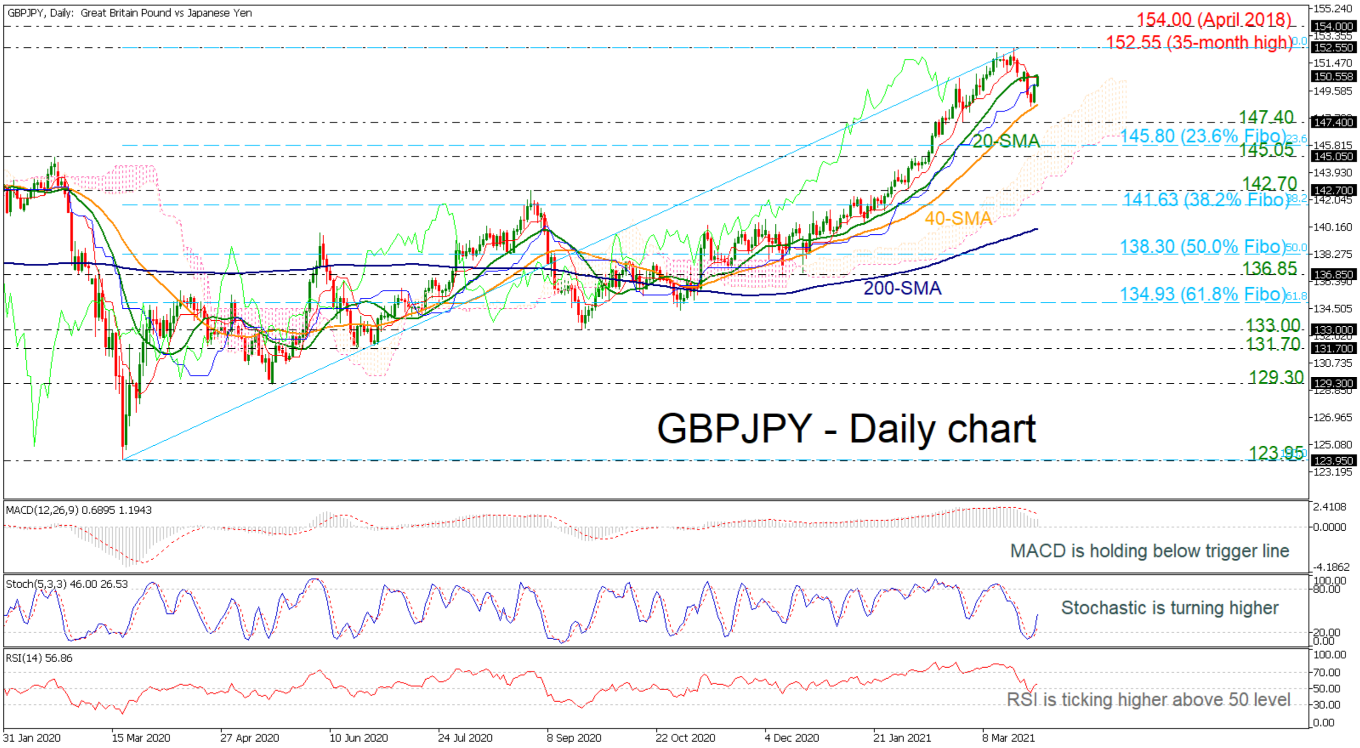
GBPJPY is edging higher again after the rebound off the 40-day simple moving average (SMA) and is approaching the 20-day SMA, which is acting as strong resistance around 150.60.

The momentum indicators are confirming the recent bullish movement. The MACD is holding below the trigger line but it looks ready to tick up, while the stochastic posted a bullish crossover in the oversold territory and the RSI is jumping above the neutral-threshold of 50.

A successful attempt above the 20-day SMA could take the pair towards the 35-month high of 152.55, reached on March 18 before flirting with the 154.00 handle, achieved in April 2018. More increases could send the bulls to retest the high from January 2018 at 156.50.

Alternatively, a dive beneath the 40-day SMA could meet the 147.40 support ahead of the 23.6% Fibonacci retracement level of the up leg from 123.95 to 152.55 at 145.80 before slipping to 145.05. Steeper losses could see the 142.70 barrier and the 38.2% Fibonacci of 141.63, while traders may plunge towards the 200-day SMA currently around the 140.00 psychological level.

Overall, GBPJPY has been in an ascending tendency since March 2020 and in case of declines below the 200-day SMA may open the way for a neutral bias.



GBPJPY, Daily: Great Britain Pound vs Japanese Yen
154.00 (April 2018)
152.55 (35-month high)
147.40
20-SMA
145.80 (23.6% Fibo)
145.05
142.70
141.63 (38.2% Fibo)
40-SMA
138.30 (50.0% Fibo)
136.85
200-SMA
134.93 (61.8% Fibo)
133.00
131.70
129.30
GBPJPY - Daily chart
123.95
MACD(12,26,9) 0.6895 1.1943
MACD is holding below trigger line
Stoch(5,3,3) 46.00 26.53
Stochastic is turning higher
RSI(14) 56.86
RSI is ticking higher above 50 level
31 Jan 2020
15 Mar 2020
27 Apr 2020
10 Jun 2020
24 Jul 2020
8 Sep 2020
22 Oct 2020
4 Dec 2020
21 Jan 2021
8 Mar 2021

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