

# QUARTERLY **MARKET** FORECAST

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## Q2 2018



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# 01

## EURUSD:

Supported by QE speculation, weighed by low inflation fears

Written by Lukman Otunuga, Research Analyst at FXTM

**Euro bulls were injected with a renewed sense of confidence at the start of 2018** thanks to a firmly bullish sentiment towards the European economy.



Growing speculation over the European Central Bank (ECB) ending QE before year end supported the Euro's hefty appreciation with prices topping 1.2555, levels not seen since December 2014. With the Eurozone economy growing an impressive 2.5% during 2017, its best for more than a decade, Euro strength was a dominant market theme in January.

### ▶ DAILY

▶ Daily

Interestingly, the Euro rally eventually ran out of steam as fears resurfaced over low inflation in the Euro area. Harmonised inflation in Europe dipped to its weakest level at 1.1% in February, slipping away from the European Central Bank's target of just under 2%. It's interesting that the currency remained pressured in March, despite the ECB taking a small step towards monetary policy normalisation by dropping their "easing bias".

## 04

## USDJPY:

## Yen stands to gain from trade war tensions

Written by Jameel Ahmad, Global Head of Currency Strategy and Market Research at FXTM

As has been the case over the past year, catalysts behind fluctuations in the **Japanese Yen are unlikely to be strongly correlated to news around the Japanese economy.**



I expect the Yen to remain attractive to investors in uncertain times and will personally be keeping an eye on how the Yen reacts to the ongoing trade tensions between the U.S. and China. I would expect the currency to gain significantly if the trade dispute between the U.S. and China heats up over Q2.

► DAILY

The general consensus is that a global trade war is not upon us, but any retaliation from China in response to President Trump's ongoing negative narrative on trade will be enough to spook the markets from time to time. The 105 level will likely be used by traders as another psychological checkpoint as the USDJPY continues to respect a negative trajectory. While geopolitical tensions and heightened trade war fears could continue to stimulate appetite for the Yen as Q2 gets underway, a recovering U.S. Dollar has the ability to limit the Yen's upside potential.



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