FXTM

QUARTERLY **MARKET** FORECAST

Q4 2018

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EURUSD:

Investors not quite ready to pull trigger on rally

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

The longer-term outlook is that the Euro remains undervalued against the Dollar at its current levels (around 1.15 at time of writing), and that these remain attractive valuations to consider purchasing the EU currency in the long run.

However, investors want clear guidance from the European Central Bank (ECB) on when it will potentially raise EU interest rates to pull the trigger on a potential Eurodollar rally. With the ECB more likely than not to mirror memories of previous Federal Reserve Chair Janet Yellen and the Fed from 2015 by taking as much time as possible before finally raising interest rates, this is going to make investors hesitant to jump on a potential EURUSD trade for a while yet.

I personally do not think the ECB and President Mario Draghi will be in a confident position to prepare investors for an eventual increase of EU interest rates until the end of the year, at the earliest. Expectations that the ECB will be lifting interest rates away from their record low levels by the second half of 2019 are premature as it stands. An increase in EU interest rates, as we edge closer to the end of the current decade, is by far the more likely scenario. This ultimately means that investors might not be prepared to consider adding material Euro purchasing positions into their portfolios until the end of the year, at least when it comes to optimism over ECB monetary policy.

DAILY

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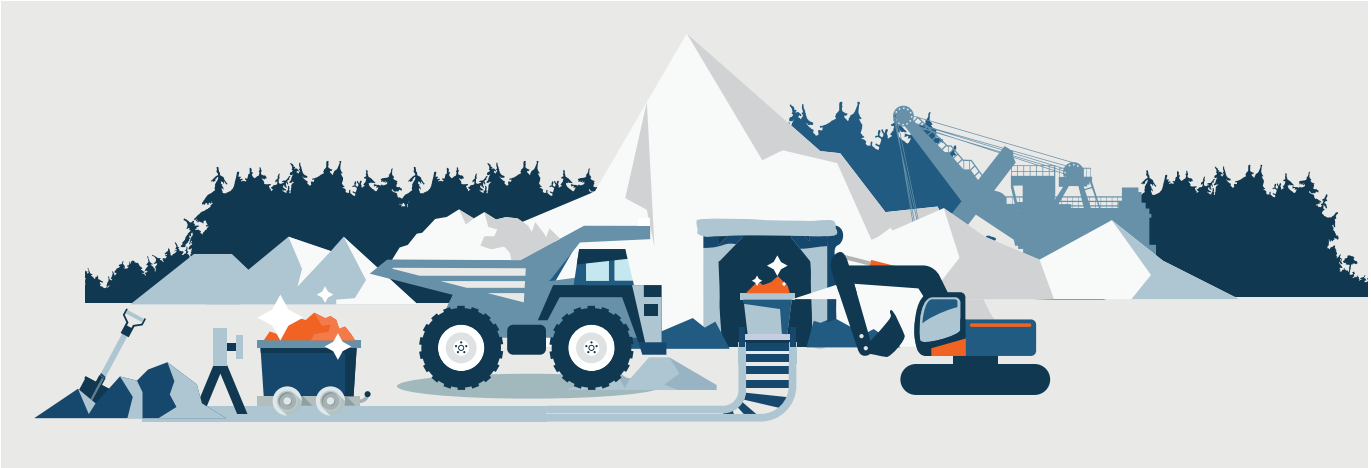
GOLD:

Fortunes hang on Dollar's performance

Written by Lukman Otunuga, Research Analyst at FXTM

Gold has repeatedly failed to live up to its title as a safe-haven asset for investors **despite ongoing global trade tensions and chaos across emerging markets weakening risk sentiment.**



The rising interest rate environment, robust US economic growth and bullish equity markets in the United States are just a handful of many themes that have offered nothing but pain to Gold. With the high opportunity cost of holding the zero-yielding metal a leading factor behind weak appetite, prices tumbled roughly 4.9% during the third trading quarter. However, the major culprit behind Gold's painful downfall remains a broadly stronger Dollar and this continues to be reflected in price action.

As we head into the final quarter of 2018, investors may continue shunning Gold in favour of the Dollar, which has become the go-to currency in times of global trade uncertainty. The Greenback has already stolen a fair chunk of Gold's safe-haven allure this year amid the bullish sentiment towards the US economy. It seems investors remain with the belief that robust economic growth could shield the United States from negative impacts of global trade risks, supporting the Dollar into a destination of safety for investors.

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