Sucden Financial

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DAILY FX REPORT

FX Stalls Near Key Levels as Policy Signals and Trade Uncertainty Cloud Direction

EUR / USD

EUR/USD remains confined to a narrow holding pattern around 1.177–1.179, with we seeing trade policy uncertainty as a central constraint on directional conviction. The Supreme Court's tariff ruling has reduced Washington's flexibility and weakened perceived US negotiating leverage, while the European Union's decision to freeze trade agreement ratification pending clarity has deepened policy paralysis. That said, we note that improving eurozone sentiment — reflected in Germany's Ifo index rising to a six-month high — is providing a modest offsetting support for the single currency.

From a monetary policy standpoint, we see mixed signals shaping expectations. Elevated inflation supports a relatively hawkish Federal Reserve bias, yet officials have hinted at a possible March pause, while the ECB remains firmly in a wait-and-see stance near its inflation objective. This relative policy stability marginally favours the euro, though geopolitical risks and uncertainty over whether tariffs rise from 10% to 15% continue to suppress momentum across major pairs.

Technically, the pair is testing a critical confluence zone where the 20-day and 50-day SMAs and the 30-day VWAP converge near 1.18, with RSI around 46 signalling subdued momentum. We expect that a defence of 1.1722 combined with a sustained move back above the 1.18 cluster would be needed to shift the outlook constructively. Conversely, a decisive break below 1.1750 would likely accelerate downside towards the 1.1584 support area, making clarity on US tariff policy or Fed communication the probable catalyst for the next directional move.

USD / JPY

USD/JPY is trading within a complex macro framework shaped by diverging policy trajectories and evolving trade dynamics. We see the Bank of Japan's continued signalling of gradual normalisation, with markets pricing a potential hike as early as April amid persistent inflation and rising wages, as a key medium-term support for the yen. By contrast, expectations of Federal Reserve easing beginning in mid-2026 reinforce the prospect of a narrowing rate differential over time.

However, renewed tariff uncertainty, including the announcement of a broad 15% global tariff, complicates this outlook. We expect weaker global growth expectations and risk-off sentiment to introduce competing forces: safe-haven demand may support the yen, while deflationary trade effects could dampen its fundamental appreciation case.

Technically, USD/JPY is holding just above the 30-day VWAP at 155 and the 20-day SMA near 154.9, while remaining capped beneath the 50-day SMA resistance around 155.9. The RSI near 48 signals neutral momentum. We expect a sustained break above the 50-day average to open scope toward the 155.9–159.3 resistance zone. Nonetheless, authorities in both Japan and the United States have indicated discomfort with excessive yen weakness, suggesting that levels approaching 160 could trigger stronger stabilisation rhetoric or intervention signals.

GBP / USD

GBP/USD is trading in a constrained range near 1.3490 as technical and fundamental forces offset one another. We see price action caught between resistance from the 20-day SMA and 30-day VWAP around 1.36 and support from the 50-day SMA near 1.35, with RSI around 42 signalling lingering bearish momentum since the late-January high near 1.3848.

Fundamentally, we expect policy divergence to remain a central driver. Dovish signals from Bank of England officials indicating potential future rate cuts contrast with the Federal Reserve's relatively restrictive stance, sustaining a carry advantage that favours the dollar. Trade policy uncertainty and geopolitical tensions linked to Iran negotiations are adding further volatility and limiting sterling's upside.

Technically, we see the 1.35 region as the immediate battleground. A successful defence could allow a recovery toward the 1.36 resistance cluster, while a decisive break below 1.3480 would expose support near 1.3352 and potentially the 200-day SMA around 1.34. The failed rally attempt near 1.3524 on elevated volume reinforces the underlying selling pressure, and we expect sterling to remain vulnerable unless macro conditions shift meaningfully, particularly regarding BoE–Fed policy expectations or domestic political risks tied to the upcoming by-election.