



EUR/USD

Weekly FX Report

Fundamental Analysis

Recent developments

EUR/USD continued to trade to the downside last week, weighed down by further flight to the dollar, eurozone exposure to higher energy costs, and technically-driven speculator selling – especially as the 1.15 level was breached last Friday. Concerns remain too around the idea that an ECB rate hike by July would hurt the nascent growth story which had been the mainstay of the more constructive sentiment toward the euro and eurozone area. The Fed and ECB meetings this week will see no rate change, but focus will remain on central banker inflation/growth related concerns borne out of the Iran conflict, and changes to the ‘dot plot’ within the Fed meeting.



‘A eurozone ‘terms of trade’ shock is hurting the euro’

The market sentiment toward the euro seems now to be centered around a ‘terms of trade’ shock. This is where Europe pays more for energy imports, but export prices do not rise as much, and so the terms of trade deteriorate. In other words, Europe must export more goods just to buy the same amount of oil. The EUR/USD sell off last week will now have to ‘price in’ a large degree of market concern. Nonetheless, bounces in the pair may prove ephemeral unless conditions in the middle east improve dramatically.

Dollar remains supported as Fed rate cut potential begins to dissolve

The lack of clarity over what the possible ‘off ramp’ for the Iran war may be leaves markets on edge, and over-reacting to soundbites, particularly hubristic ones from Trump. For example, the assertion from Trump last week that the war was ‘won’ and the conflict would end ‘soon’ was jumped upon by markets, as equities surged higher and oil sold off aggressively. Such moves were completely reversed within three days. As we said last week, it is difficult to prescribe a weaker dollar in periods where oil is rallying and equities are selling off, but short-term reversals can be aggressive. FX volatility continues to be comparatively subdued, but the trigger for a material increase in FX ‘vol’ is the ‘tail risk’ eventuality that the conflict escalates, and Oil enters the >\$150/ Barrel scenario. Trump has indicated that rising oil prices are a “small price to pay” for peace which has left markets on edge. The Fed meeting will yield no rate adjustment, but markets will scrutinize the ‘dot plot’ of future rate projections to see if further expected rate cuts are no longer on the table.

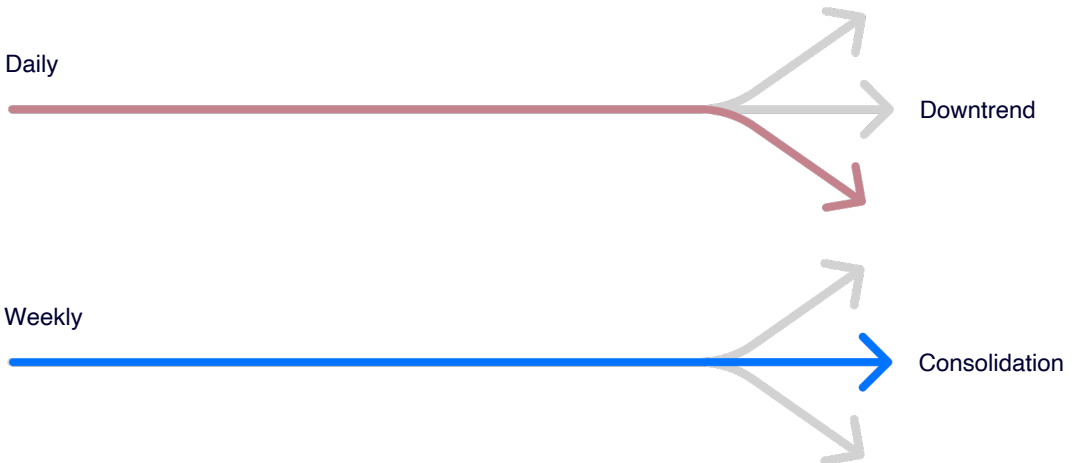
EUR/USD Daily Chart

IFX Payments created with TradingView.com, Mar 16, 2026 10:39 UTC



TradingView

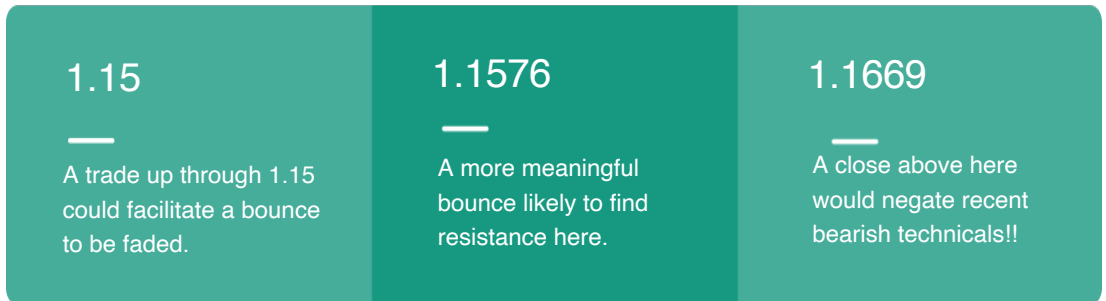
Market Condition



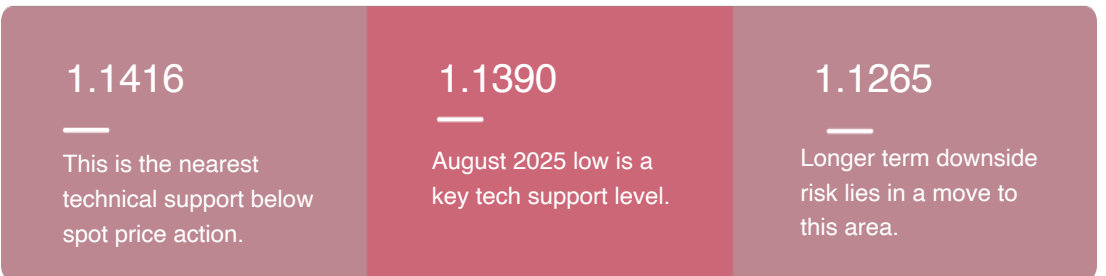
Technical Analysis

EUR/USD remains in the downtrend condition we identified in recent commentary. We stated last week that “a breakdown through 1.15 would be bearish and would open the door to a move to 1.1390 *if we see further USD strength*”. Indeed, the break of major technical support at 1.15 last week would have elicited some liquidation of EUR/USD longs and prompted fresh short selling from systematic speculators. Downside fell just shy of testing 1.1390, aided by some likely short-term technical buying from the trendline support, but our expectations should be for rallies toward the upper 1.15’s to be faded by the market. A resumption to the downside could see 1.1390/1.1265 tested this week if the dollar strength remains in place. To the upside, we cannot become constructive unless and until price can **close above the 1.1670 level.**

Upside



Downside



Looking Ahead

A look ahead to the key scheduled data releases for the week

EUR

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| 16 Mon | 17 Tue PM: Nagel speaks | 18 Wed | 19 Thu PM: ECB meeting | 20 Fri |
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USD

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| 16 Mon PM: Empire state manufacturing index | 17 Tue | 18 Wed PM: FOMC meeting | 19 Thu | 20 Fri |
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