

EUR/USD Q4 2021 TECHNICAL OUTLOOK

Bagus Manunggal

*Lecturer, Faculty of Economic and Business, Universitas Islam Syekh Yusuf
bagusmanunggal@unis.ac.id*

ABSTRACT

During the months of July to August, reports on the US economy were not very good. Many of the results did not match the expectations of economists. On the other hand, EUR exceeded expectations, but the trend is likely to decline. Meanwhile, in 2021, only Q4 remains. This study attempts to describe the opportunities in Q4 2021 and how to optimize profits on EUR/USD trading. Overall, EUR/USD tends to be bearish. However, with the unfavorable report on the US economy, the upward trend was quite significant throughout July-August. So there is a short sell opportunity, but by first testing the 1.1900 level. If the price is able to break through this level, EUR/USD will continue to be bullish. However, if the price is unable to penetrate that level, the price will have a bearish opportunity according to the major trend.

Keywords:

EUR,
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chart pattern

INTRODUCTION

The August Manufacturing PMI, increase 0.4 percentage point from the July reading of 59.5 percent, registered 59.9 percent. The overall economy notching a 15th consecutive month of growth, it mean economic activity in the manufacturing sector grew in August. (Institute for Supply Management, 2021)

ADP reported that private payrolls in August rose 374K. It is a modest improvement from July's downward revised 326K. The downward was the lowest since February. ADP have a huge miss to the 638K expected and it is the lowest forecast by polled economists (+400K). (Durdin, 2021)

According to estimates released by the Bureau of Economic Analysis, Personal consumption expenditures (PCE) increased 0.3 percent (\$42.2 billion). It reflected a decrease of \$60.4 billion in spending for goods and an increase of \$102.6 billion in spending for services. Within goods, decreases were widespread across most spending categories like motor vehicles and parts, recreational goods and vehicles, as well as clothing and footwear. Within services, increases were widespread across all spending categories like food services and accommodations. The increased on PCE is same with expected 0.3 percent. (Bureau of Economic Analysis, 2021)

According to the "second" estimate released by the Bureau of Economic Analysis, in the second quarter of 2021, real Gross Domestic Product (GDP) increased at an annual rate of 6.6 percent. It below the estimate of 6.7%. The increase in real GDP was 6.5 percent, in the advance estimate. (Bureau of Economic Analysis, 2021)

Worries over the delta variant of Covid-19 have dampened activity. Government stimulus also dried up. They make shoppers in the U.S. cut back their purchases in July even more than expected. The Dow Jones estimate of a 0.3% decline, but Retail sales for the month fell 1.1%. It worse than estimate. If automobiles excluded, sales declined 0.4%, according to Commerce Department. (Cox, 2021)

On the other hand, Flash Germany PMI Composite Output Index at 60.6 above 50.0 indicate of strong rate growth. But still below July's record of 62.4. If breakdown by sector, services activity index grew at 61.5 and manufacture activity index at 59.0. Its mean German economy continues to grow strongly in August. (IHS Markit, 2021).

These news affect the price fluctuation of EUR against USD during July to August. Meanwhile, in 2021, there are only 4 months left. So what are the odds for EUR/USD in Q4? Is it still profitable to trade? This study seeks to answer these questions.

METHOD

The method used in this study is the observation of graphic patterns. The chart patterns that are observed are daily charts to project long-term movements and to obtain major trends. While the 1-hour chart is used to project short-term movements and to find minor trends. (Rockefeller, 2019)

RESULTS AND DISCUSSION



At the daily time frame, EUR/USD is forming a pennants pattern. At the beginning of 2017 the price was low around 1.0340. In a period of 1 year, in March 2018 it formed its highest peak around the price of 1.2550. Then throughout March 2018 to March 2020 the price tried to test its support, but stopped around 1.0630 forming the second support and turned bullish. Next, the second resistance is at 1.2350 in early 2021. However, the price was unable to continue bullish and reversed until August 2021. Based on the big pattern, the price seems likely to be bearish. If the price continues to decline, the next support target is at 1.0800. If the price reverses up, it will test the resistance at 1.2300.



On the 1 hour time frame, the minor trend can be seen. There is support at the level of 1.1670. Meanwhile, the price is trying to approach the closest resistance at the level of 1.1900. If the price breaks through the 1.1900 level, then the next one will test the 1.1880 level. If the price reverses down, it will test the level of 1.1780, then continue to 1.1670.

Based on the two observations above, it can be seen that overall prices tend to be bearish. But for short positions, waiting for confirmation of the minor trend. If the minor trend fails to break through 1.1900, then the chance for the price to follow the major trend is getting bigger.

The recommendation based on the observation of the chart pattern above is that traders can open a pending sell limit order position at the level of 1.1800 with a profit target of 1.1700 to 1.1670 and a stop loss at 1.1900. Use trailing stops to secure potential profits that are already running.

CONCLUSION

The major trend tends to be bearish forming a pennants pattern. However, on a smaller time frame, the minor trend tends to be bullish. So that traders can open sell limit positions by setting profit targets and stop losses according to their support and resistance levels. For optimal profit potential, traders can use trailing stops.

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