

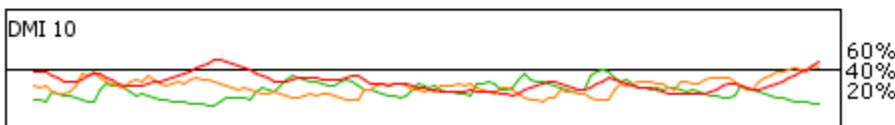
- EURUSD looks oversold in the short run but its technical tone is very weak.
- USDJPY spike allows USD to test key resistance in the upper 110s.
- GBPUSD remains in consolidation mode; bullish potential intact.
- USDMXN trend reflects fading downside momentum, heightened correction risk.
- AUDUSD's inability to recover exposes market to more losses below 0.6660.
- USDCLP retains a positive technical undertone for a test of 802.50/804.50.

 FOLLOW US ON TWITTER [@SCOTIABANKFX](https://twitter.com/SCOTIABANKFX)

Shaun Osborne
Chief FX Strategist
416.945.4538
shaun.osborne@scotiabank.com

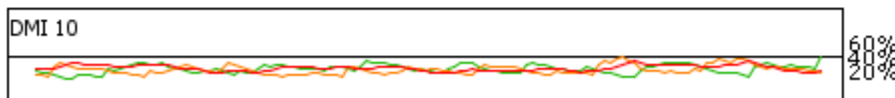
Juan Manuel Herrera
FX Strategist
416.866.6781
juanmanuel.herrera@scotiabank.com

EURUSD losses have accelerated sharply over the past two weeks, extending weakness to the 1.08 area. EURUSD losses below support in the upper 1.08 area (Oct low and the 76.4% Fib retracement support from the 1.03/1.25 rally at 1.0866) lift the risk of a further decline in price to the 1.03/1.04 range in the next few months and certainly leave the 1.0865/90 range as a key barrier to any meaningful EUR improvement going forward. While trend oscillators had looked a little slack earlier in February, there is now a clear alignment of the DMI oscillators across the short, medium and longer term studies which should further limit the EUR's ability to recover and encourage the market to fade any sort of short-term rebound or consolidation. The one caveat to a pretty bleak technical picture for the EUR is the fact that spot does look very oversold. We suspect that rebounds to the mid/upper 1.08s may be about as much as the EUR can expect to achieve by way of a bounce in the near term.



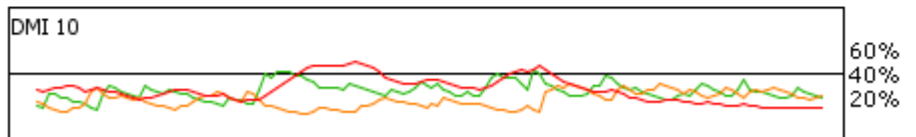
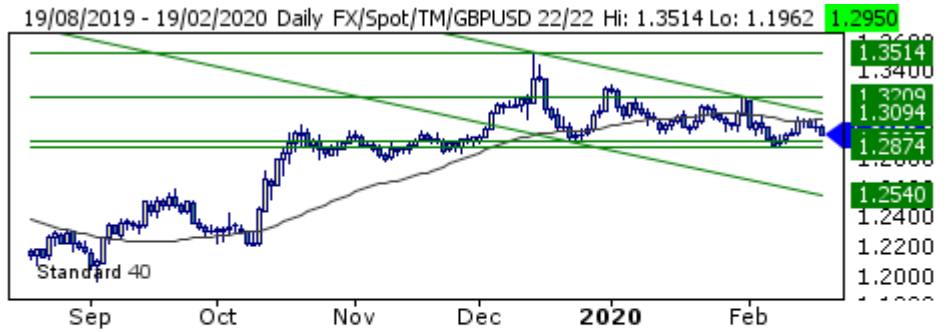
Copyright ©1985-2020 Tradermade Systems Ltd

USDJPY retains a firm undertone though mid-February, following its rebound from the mid/upper 108s. We had been a little skeptical of the USD's ability to rally significantly amid weak-looking DMI oscillator signals and the sharp rise in the USD today to test the upper 110s notwithstanding, the situation here remains less than ideal, from our perspective. We think the USD's sudden burst of strength after a period of narrow range trading risks reversing in the short run, rather than extending further—primarily because new highs for the USD are not being matched by new highs for the Slow Stochastic oscillator at this point. A firm close on the week may be needed to drive more USD gains (channel ceiling at 112 on the radar now); otherwise, the USD risks slipping back to the upper 109s at least near term.



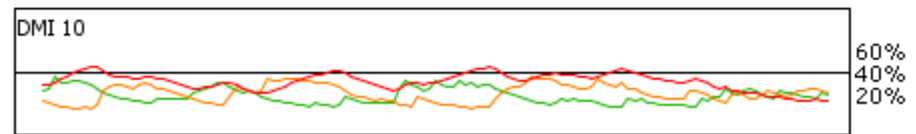
Copyright ©1985-2020 Tradermade Systems Ltd

GBPUSD continues to consolidate above key short and medium-term support points between 1.2875/1.2925. Meanwhile, the 40-day MA (1.3052 currently) is curbing the pound's ability to rally. Trend signals are weak on the intraday and daily DMI oscillator while the weekly study remains bullish but is weakening. The underlying message from the oscillators supports the broader picture of range trading on the daily chart. The overall backdrop is still relatively constructive for the GBP in the longer run, we think; price is consolidating (potential bull flag or wedge interpretation) after an extended run higher and the initial, major retracement support (1.2921—38.2% of the H2 2019 rally) is holding up relatively well. GBP gains should resume above 1.3095. More sustained weakness becomes a greater risk on a clear push below the 1.2875/1.2925 support range.



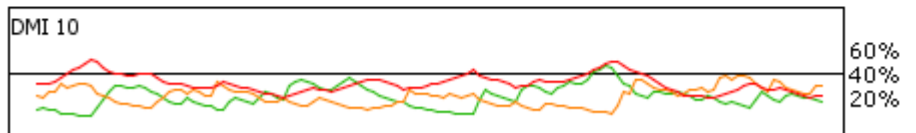
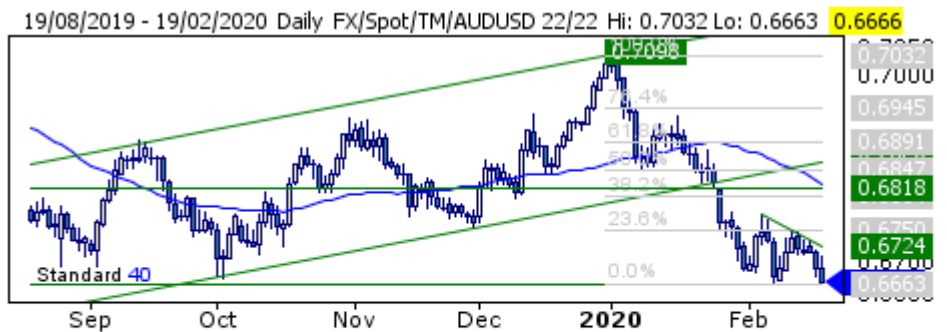
Copyright ©1985-2020 Trademade Systems Ltd

USDMXN has traded sideways in effect over the past week or so, supporting our contention that peso gains may be running out of momentum after the USD's sustained slide from the 20.25 high reached last September. The weakening momentum behind the sell-off is reflected in the slack DMI signals on the daily and weekly charts as well as the descending wedge pattern (red lines) on the daily chart. We anticipate a range trade between 18.50/18.75 in the very short term but feel that gains through the upper trend line resistance (which coincides with the 40-day MA approximately currently) should see a more impulsive move higher in the USD towards 19.00/20 unfold.



Copyright ©1985-2020 Trademade Systems Ltd

AUDUSD's failed attempt to reverse from support in the upper 0.66 area earlier this month leaves the market looking precariously poised above the 0.6660/65. Moreover, trend signals remain bearishly aligned for the AUD across the short, medium and longer term studies, with the daily DMI oscillator showing signs of picking up again after the recent consolidation. The AUD's inability—so far, at least—to make more obvious progress from the 0.66/0.67 area opens the door for extended weakness towards the 0.60/61 area potentially in the next few months. Some relief for the AUD would come from a move back above minor trend at 0.6725. Safer ground more generally lies above 0.68 at this point but the situation on the trend oscillators leaves the near-term outlook for the AUD looking quite negative.



Copyright ©1985-2020 Trademade Systems Ltd

USDCLP retains a positive technical undertone. The USD has not been able to extend gains meaningfully over the past couple of weeks but the limited downside movement in this market and the persistent bid for the USD, allied with still bullishly-aligned trend oscillators, suggest that the main risk here remains tilted towards more USD gains in the short/medium term. We think the 802.50/804.50 area is key for the USD from here—where the 50% retracement and intraday high points from Dec and Feb converge. A clear move above 805 should see the USD progress towards 820/25 fairly quickly. Major support is 788/90.



IMPORTANT NOTICE and DISCLAIMER:

This report is prepared by Scotiabank as a resource for clients of Scotiabank for information and discussion purposes only. This report should be considered a marketing communication and has not been prepared by a member of the research department of Scotiabank, it is solely for the use of sophisticated institutional investors, and this report does not constitute investment advice or any personal recommendation to invest in a financial instrument or “investment research” as defined by the UK Prudential Regulation Authority or UK Financial Conduct Authority. This document has not been prepared in accordance with EU legal requirements designed to promote the independence of investment research and the information contained in this publication is not subject to any prohibition in the EU on dealing ahead of the dissemination of investment research. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from publically available sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness and neither the information nor the forecast shall be taken as a representation for which Scotiabank or any of its employees incur any responsibility. Neither Scotiabank nor its representatives accept any liability whatsoever for any loss arising from any use of this report or its contents. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instruments and has no regard to the specific investment objectives, financial situation or particular needs of any recipient. It is not intended to provide legal, tax, accounting or other advice. Scotiabank and/or its respective officers, directors or employees may from time to time take positions in the products mentioned herein as principal or agent. Directors, officers or employees of Scotiabank may serve as directors of corporations referred to herein. Scotiabank may have acted as financial advisor and/or underwriter for certain of the corporations mentioned herein and may have received and may receive remuneration for same. This report may include forward-looking statements about the objectives and strategies of Scotiabank. Such forward-looking statements are inherently subject to uncertainties beyond the control of Scotiabank including but not limited to economic and financial conditions globally, regulatory development in Canada and elsewhere, technological developments and competition. The reader is cautioned that the member's actual performance could differ materially from such forward-looking statements. Past performance or simulated past performance is not a reliable indicator of future results. Forecasts are not a reliable indicator of future performance. You should note that the manner in which you implement any of strategies set out in this report may expose you to significant risk and you should carefully consider your ability to bear such risks through consultation with your legal, accounting and other advisors. Information in this report regarding services and products of Scotiabank is applicable only in jurisdictions where such services and products may lawfully be offered for sale and is void where prohibited by law. If you access this report from outside of Canada, you are responsible for compliance with local, national and international laws. Not all products and services are available across Canada or in all countries. All Scotiabank products and services are subject to the terms of applicable agreements. This report and all information, opinions and conclusions contained in it are protected by copyright. This report may not be reproduced in whole or in part, or referred to in any manner whatsoever nor may the information, opinions and conclusions contained in it be referred to without in each case the prior express consent of Scotiabank. Scotiabank is a Canadian chartered bank.

If you are affected by MIFID II, you must advise us in writing at trade.supervision@scotiabank.com.

TMTrademark of The Bank of Nova Scotia. Used under license, where applicable. Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including, Scotia Capital Inc. and Scotia Capital (USA) Inc., Scotiabank Europe plc, Scotiabank (Ireland) Limited - all members of the Scotia-bank Group and authorized users of the mark. The Bank of Nova Scotia is incorporated in Canada with limited liability. Scotia Capital Inc. is a member of the Canadian Investor Protection Fund. Scotia Capital (USA) Inc. is a broker-dealer registered with the SEC and is a member of FINRA, NYSE, NFA and SIPC. The Bank of Nova Scotia is authorized and regulated by the Office of the Superintendent of Financial Institutions in Canada. The Bank of Nova Scotia is authorized by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

To unsubscribe from receiving further Commercial Electronic Messages click this link: www.unsubscribe.gbm.scotiabank.com.