

- **EURUSD** pressures support around 1.2175 as rally stalls, downside risks rise.
- **USDJPY** struggles to break above 104 trend but weekly price signal turns bullish.
- **EURCHF** pressures trend support, may push lower to 1.07 area.
- **USDMXN** retains a soft undertone but weekly price signal suggests upside risk.
- **AUDUSD** holds bull trend; downside risks increase below 0.7677 support.
- **USDCLP** reversal exceeds our target, USD rally tests 745/55.
- **USDCOP** consolidates between 3400/3515.

 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 last week overall took on a more negative technical tone than we expected. The weekly chart reflects a “doji” candle forming through last Friday, suggesting the EUR rally had stalled. Additional net losses this week and continued pressure on the upper 1.21 area, where we had expected firm support to emerge, suggests short-term downside risks for the EUR have increased. Note that the shorter-term trend oscillators (DMI) have turned neutral (daily study) or bearish (6-hour study), dampening the chances of the EUR rally getting back on track for now. Indeed, EUR rallies to the low 1.22s have met with firm resistance this week and short-term technical patterns are bearish. Corrective EUR losses may extend to the 1.1975/1.2075 range in the next few weeks. Look for firm resistance through the low 1.22s. The EUR’s short-term technical tone will improve on gains through 1.2230/40, however.



Copyright ©1985-2021 Trademade Systems Ltd

USDJPY price action suggests that gains through daily trend resistance have been rejected. We think that a change in the USD’s technical tone is developing here as well after a sustained move lower, however. While signals from the “cloud” charts remain bearish (daily, weekly etc. ichimoku charts), shorter-term USD price action remains better supported and intraday and daily trend (DMI) oscillators are moderating. Most importantly, weekly price action through last Friday formed a bullish weekly reversal (outside range week) after repeated failures to maintain USD losses below the 103 area on a weekly close basis. We think risks are tilting towards a corrective rally in USDJPY towards the 105/106 range (to take back around a third of the USD decline from the March high).



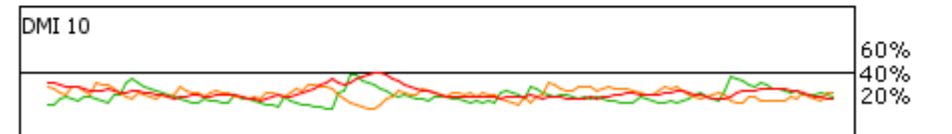
Copyright ©1985-2021 Trademade Systems Ltd

EURCHF price signals indicate that a major top/reversal formed through the New Year period. A bearish weekly reversal developed through late December and while thin, holiday-affected trade suggests some caution is required around the signal, the bearish EUR tone is also reflected in 1) the EUR's inability to hold gains through the upper 1.08s since mid-2020 and 2) weakness today below daily trend support. Note that Nov/Dec price action also takes the appearance of a bearish Head & Shoulders top. The asymmetry in the formation is not ideal (from my point of view) but it has the required elements and suggests potential weakness towards the 1.07 area over the next 2-4 weeks.



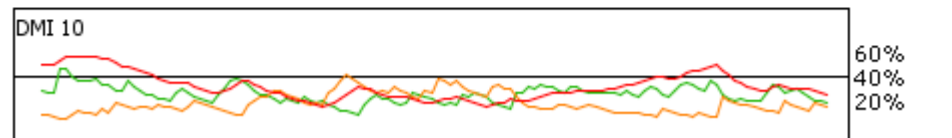
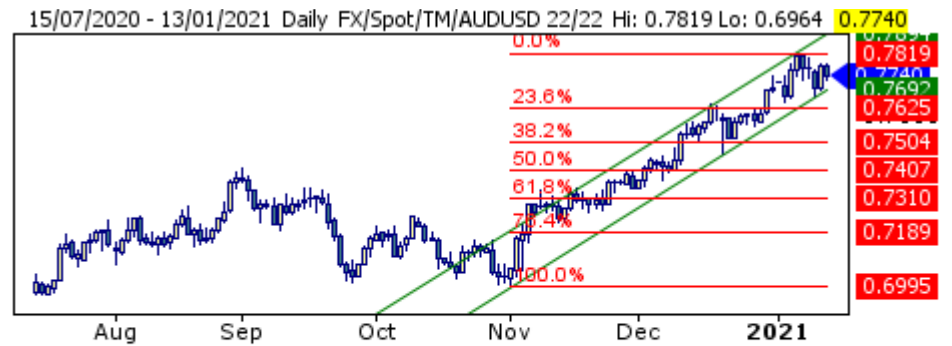
Copyright ©1985-2021 Trademade Systems Ltd

USDMXN retains a soft technical undertone, despite signs of fatigue in the USD sell-off elsewhere. But the USD remains well-supported in the 19.70 zone (recall the 200-week MA stands at 19.65) and last week's price action overall did deliver the positive price signal that we thought was possible on a firm close out to the week (a bullish outside range week). That signal plus the proximity of the 200-week MA and weak trend oscillator signals all combine to suggest that despite moderate net losses on the week so far for the USD, downside risks are limited and USDMXN should rather be pushing somewhat higher towards 20.40/50.



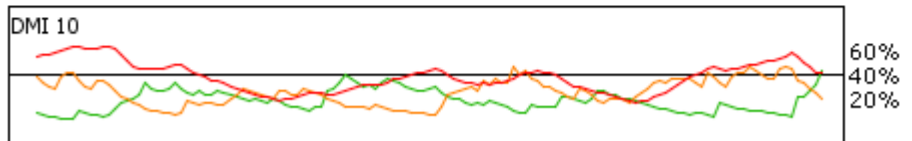
Copyright ©1985-2021 Trademade Systems Ltd

AUDUSD gains may be steady after two months of solid gains from the early Nov low. At the very least, price trends are showing signs of stalling—note that the shorter-term trend oscillators are neutral. But we think intraday price patterns are shaping up to be potentially more definitively bearish in the near-term; the 6-hour charts reflect a bearish Head & Shoulders top developing over the past two weeks and put key support (neckline trigger) at 0.7677 currently (rather than channel support at 0.7692). A break below the 0.7675 zone would set the AUD on course for a push to the low 0.75s over the next 2-4 weeks (essentially reflecting a correction back to the 38.2% Fibonacci retracement support from the 0.70/0.78 rally).



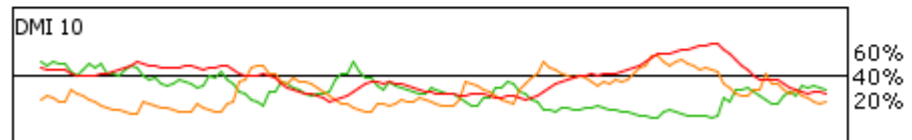
Copyright ©1985-2021 Trademade Systems Ltd

USDCLP's rebound exceeded our expectations (we had expected gains to reach the 725/35 range) but the USD bounce may run in to stronger resistance between 745/55 over the next week or so where retracement resistance converges with major low points for the USD from last year. The strength of the USD recovery means that we cannot exclude the risk of additional USD gains towards 776—a full retracement of the late 2020 decline—however. We expect firm resistance in the 775/780 range. Short term USD support is 730/35.



Copyright ©1985-2021 Trademade Systems Ltd

USDCOP is settling into a consolidation range after the sharp fall in the USD through late 2020. USDCOP resistance looks firm at 3515/20, as does support at 3400/05. Mixed trend strength signals across the daily and weekly oscillators support the outlook for more range trading in the short run at least. The USD rebound from last week's low reinforced support around the 3400 area but was not strong enough to suggest a stronger USD recovery was developing; this rather suggests that USDCOP is consolidating ahead of another push lower. Look for more range trading in the short run.



Copyright ©1985-2021 Trademade Systems Ltd

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.

™Trademark 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.