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ACCELERATED TRADER FUNDING

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Market Outlook

Presented in collaboration with BKForex

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The month of March kicks off with dual themes of war and inflation as the Russian attack on Ukraine dominates market focus given the unprecedented financial retaliation by the US and EU.

The conflict therefore threatens to become both a humanitarian as well as an economic catastrophe as Russia, the 11th largest economy in the world which supplies a significant percentage of energy and food commodities, has been essentially cut off from the global trading system.

It's too early to tell at how the situation will develop, but the longer it persists the greater stress on both the global demand for basic energy needs and foodstuffs as well enormous pressure on Russian consumers and Ukrainian civilians both of which will become casualties in conflict not of their own making.

For now, the market response has been clear. Oil, gold, and Bitcoin have all been tremendous beneficiaries of the current market turmoil.

The critical question going forward is: Will the rally continue? While conventional wisdom argues that all three instruments should continue to climb, we remain skeptical about further rally in gold and oil given the parabolic price rise and the near universal bullish sentiment which could create swift positioning correction at a time when few expect it.

Looking at the charts both gold and oil are now approaching multiyear resistance levels that may be hard to breach. For gold the pandemic highs of 2100 are the key resistance point and so far, the yellow metal has had a hard time clearing $1950. If the Russia Ukraine crisis escalates even more, it is probable that gold could make a run for the highs, but for now the price action suggests that Gold may be scale up short with entries at 1950, 2000, 2050 and stop at 2200 above the Covid highs.

Oil is a riskier proposition given Russia's significant share of global supply, but here too the technicals are approaching long term resistance levels and perhaps one scenario that the market is not pricing in is the wholesale dumping of oil by Russia to pay its current account needs as the financial stranglehold leaves it desperate for hard currency. Here too a scale up short at $110, $115, $120 with a stop at $130 may be an interesting trade in the weeks ahead.

Lastly, the hidden beneficiary of the geopolitical turmoil is crypto. The unprecedented weaponization of finance by both the EU and US may have finally provided the case for Bitcoin to act as a true store of value rather than just another risk on/risk off asset. The near vertical rise in Bitcoin after the US imposed draconian sanctions on Russian central bank reserves and many of the Russian oligarchs was attributed to many of those actors shifting their assets into crypto. While direct evidence of heavy Russian buying has been scarce, the price action certainly suggests that there has been a radical shift in momentum flows. Crypto is no longer acting as a simple risk asset - selling off on every negative headline from Ukraine - but is instead holding bid with conviction. Technically, the instrument needs to clear the 46000 level.

In FX the single strongest theme is the widening divergence between commodity currencies and European FX. The second order impact of the Ukraine conflict is a very significant toll it will take on energy costs in Europe while at the same time driving income growth in commodity producing countries like Australia, New Zealand and Canada which are not only energy independent and should also see strong benefits from increase in foodstuff pricing.

EURNZD has been a poster child for the long commodity dollar/short Europe trade and although the trend is getting long in the tooth, the pair still has scope to move towards the 1.6000 figure before it finds any support on the charts. The trade is also an implicit bet on the conflict in Ukraine becoming worse and serves as a counterbalance to the more upbeat short oil short gold trades mentioned above.

It appears clear that market direction in March will continue to be driven by geopolitical risk rather than economic factors with volatility elevated. Therefore, traders should be mindful of both reducing size and widening stops to accommodate to the turbulent regime which will persist for the foreseeable future.

ABOUT SURGETRADER

Here at SurgeTrader, we fund traders up to $1 million. Our traders keep 75% of the profits. The program is built on three pillars:

1. Simple, straightforward trading rules
2. No time restrictions
3. Fast, responsive service

SurgeTrader offers a one-step funding model, where traders take an Audition with simple rules and no time restrictions. SurgeTrader exists to accelerate trader funding and help profitable traders with their biggest challenge: undercapitalization. We are not built to profit off of failed challenges like other firms. Our approach is long-term. We profit when you profit. When you win, we all win.

If you want to partner with a firm that has simple trading rules, incredible trader support and has your best interests at heart, SurgeTrader is the partner for you.

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