

Valuation & Research Specialists (VRS)

VRS Research Team

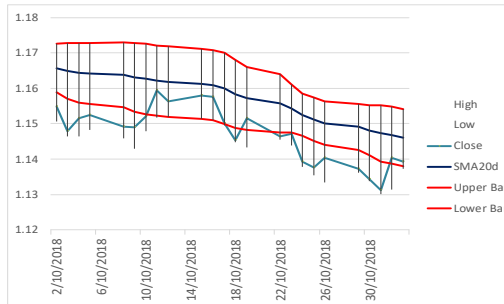
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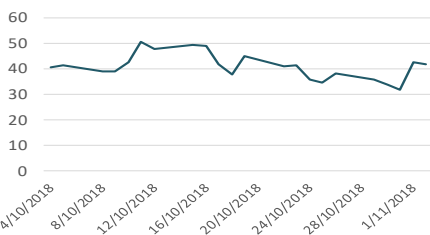
Graph 2: EUR/USD (October 2018, Candle Bar)



Graph 3: EUR/USD (October 2018, Bollinger Bands)



Graph 4: EUR/USD (October 2018, Relative Strength Index)



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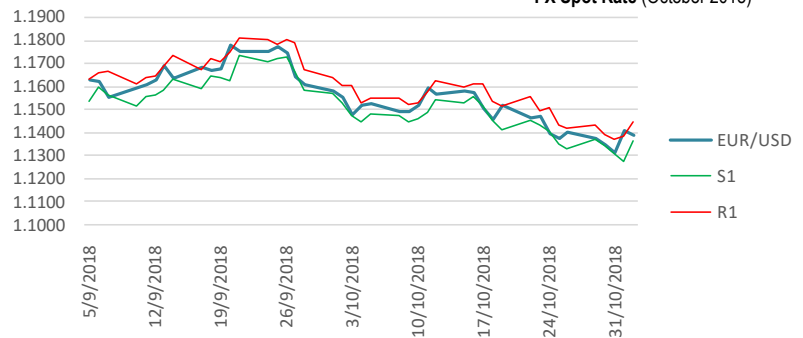
EUR/USD: 1.1389

[Bloomberg Ticker: EURUSD: CUR] US Dollars per 1 Euro

Graph Analysis and Technical View

According to graph 1, it seems that there has been a bearish market for the EUR/USD exchange rate, with small short-term reverses of the trend. More specifically, the exchange rate followed a downward trend until the 3rd of October and then an upward trend appeared until the 11th of October, where the pair hit the highest point of the examined period. Afterwards, a downward movement was formed with many day-to-day fluctuations until the 30th of October, where the currency moved to the lowest point of the last 15 months, followed by a slight upward movement. Regarding the resistance levels, they formed at 1.16 while support levels at 1.13. Graph 2 provides information about the daily fluctuations. There were many differences from day-to-day, with positive candle bars at the beginning of November and mainly negative ones after October 11th. During the examined period, a potential sell signal can be observed as the short-term moving average was constantly below the mid-term moving average, while in the last 3 days the exchange rate is close to the short-term moving average and a reversal is possible. According to graph 3, the exchange rate seems to be overbought as the prices move closer to the lower band. In contrast to the above indications, Relative Strength Index (Graph 4) is in the grey zone indicating a hold signal.

Graph 1: Euro / US Dollar (EUR/USD)
FX Spot Rate (October 2018)



Fundamental Analysis

On October 1st, as the concerns regarding Italy's budget became stronger, the single currency followed a downward trend. More specifically, strong doubts occurred as to whether Italy's proposal for an increased budget deficit will be accepted by the European Commission. | On October 2nd, the euro fell to a six-week low, after a senior lawmaker in one of Italy's ruling parties said most of the country's problems would be resolved if it readopted a national currency. | On October 3rd, US Dollar gained even more, as Jerome Powel, referring to last months' results of the Service Sector Index, indicated the strength of US Economy and intentions for further raise on interest rates. | On October 5th, US dollar weakened, after data for September showed a slow increase of wages on an annualized basis, easing concerns about a large run-up in inflation. | On October 12th, Euro revealed small losses, as ECB's president, Mario Draghi, expressed his concerns on the underlying inflation speed. | On October 15th, the pair moved upwards, as September's retail sales barely rose, in contrast with the high expectations of the U.S. market. | On October 17th, the US dollar seemed to strengthen, after the announcement of FED's intention to continue to increase the interest rates, forcing the EUR/USD exchange rate to move downwards. | On October 18th, the European Commission said Italy's 2019 budget draft is in serious breach of EU budget rules, making for another hit to the area's currency. | On October 22nd, the combination of the stagnant negotiations between EU and UK concerning the borders of Northern Island and the continuing uncertainty of Italy's budget forced Euro to decline again. | The single currency continued its downward trend on October 24th, after the rejection of Italy's budget plan by the EC. | Euro moved to even lower levels on October 25th, after the related business growth data to PMI's survey were revealed, along with Mario Draghi's speech, in which he expressed his intentions on maintaining the tightening policy. More specifically, ECB confirmed that the intentions were to increase interest rates after the APP finishes this year. | On October 29th, Angela Merkel, German Chancellor, claimed she had no intentions to be re-elected for the next period. The result was an additional decline in the exchange rate in favor of US dollar, where EUR/USD reached its lowest point of the examined period. | At the beginning of November, the British government and the EU officials seem to be close to a deal that could provide financial-services firms easy access on the European markets, helping Euro regain some of the losses.