

# Global FX Insights

by LMAX Exchange Research & Analytics

Comprehensive daily market research and analytics, with insightful commentary and charts

## More to Go or Business as Usual? [Wake-up Call](#)

There's been a notable shift in sentiment in recent days with the US Dollar attempting to claw its way back and US equities perhaps showing some signs of exhaustion. But after minor corrections, are we already about to see these underlying trends reassert?

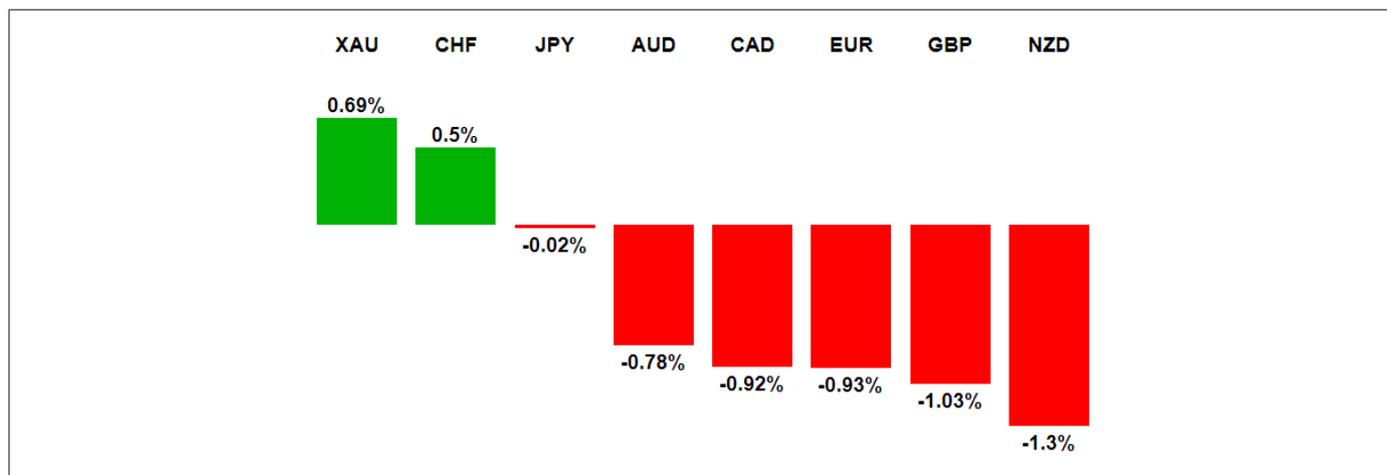
### Technical highlights [Daily Video](#)

- **EURUSD** Looking for next higher low
- **GBPUSD** Defers to a consolidation
- **USDJPY** Rallies seen well capped
- **EURCHF** Drops to former resistance
- **AUDUSD** Signs of interim top
- **USDCAD** Enters minor recovery phase
- **NZDUSD** Uptrend still intact
- **US SPX 500** Ignores extended studies
- **GOLD** (spot) Poised for fresh high
- **Feature** – USDSGD More upside ahead

### Fundamental highlights

- **EURUSD** Euro finds healthy demand into dips
- **GBPUSD** M&A activity injects fresh demand
- **USDJPY** Appetite returns, geopolitical threat fades
- **EURCHF** Franc weakness to persist if stocks hold up
- **AUDUSD** Consumer inflation expectations digested
- **USDCAD** More Canada housing data due Thursday
- **NZDUSD** RBNZ holds policy as widely expected
- **US SPX 500** Immunity to geopolitical risk holds up
- **GOLD** (spot) Shifting dynamics paint pretty picture
- **Feature** – USDSGD All quiet post Singapore holiday

## Five day performance v. US dollar



## Suggested reading

- **Bitcoin Wrestles With Spoofy the Trader**, L. Laurent, Bloomberg (August 7, 2017)
- **Groucho Marx and the JPX400**, L. Lewis, Financial Times (August 9, 2017)

## EURUSD – technical overview

The Euro has finally entered an overdue corrective phase after pushing through longer-term resistance to a plus two and a half year high just over 1.1900. Weekly studies have been highly extended, warning of the need for a healthy pullback and Tuesday's daily close below 1.1800 opens the door for further declines, potentially back towards the 50-Day SMA in the 1.1400s before the market considers a higher low and continuation of the 2017 run.



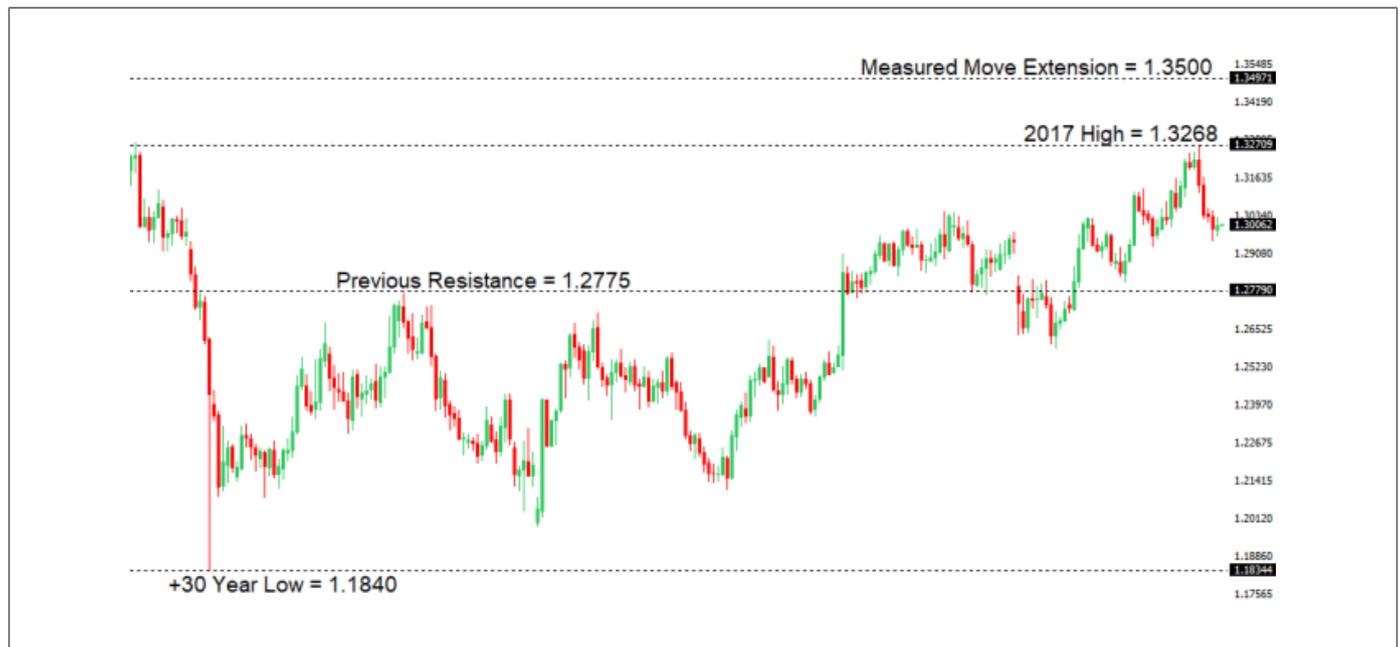
- R2 1.1824 – 8Aug high – Strong
- R1 1.1800 – Figure – Medium
- S1 1.1689 – 9Aug low – Medium
- S2 1.1613 – 26Jul low – Strong

## EURUSD – fundamental overview

Euro setbacks seemed to accelerate to the downside this week on the back of Tuesday's geopolitical risk escalation between the US and North Korea, though as has repeatedly been the case with geopolitical risk over the past several years, it isn't anything that threatens markets for more than a day or so. This helped the market find good support below 1.1700, with dip buyers stepping back into what is still a very healthy uptrend. Of course, US data has turned a productive corner over the past week, which is preventing the market from quickly racing back to recent highs above 1.1900. There wasn't any data to speak of on Wednesday and the market will now look ahead to today's calendar events which features US initial jobless claims and producer prices.

## GBPUSD – technical overview

On a longer-term basis, the breakout back in April through 1.2775 suggests the major pair has put in a meaningful base off the October 2016 +30 year low at 1.1840. But shorter-term, the market is looking tired following an impressive run to a fresh 2017 high and there is risk for a period of additional correction and consolidation before a bullish continuation to 1.3500. Still, any setbacks are now expected to be well supported in the 1.2700s, with only a break back below 1.2590 to compromise the constructive outlook.



- R2 1.3113 – 3Aug low – Strong
- R1 1.3059 – 7Aug high – Medium
- S1 1.2953 – 8Aug low – Medium
- S2 1.2933 – 20Jul low – Strong

## GBPUSD – fundamental overview

The Pound has come back under pressure over the past week with US economic data turning a corner and Brexit uncertainty and UK political worry coming back into the spotlight. But setbacks continue to be well supported and on Wednesday, the Cable rate was able to find demand below 1.3000 on M&A related activity. News Vantiv had agreed to buy Worldpay in a deal amounting to GBP 9 billion was enough to help the major pair recover from the weekly low. Looking ahead, the calendar picks up with UK industrial production, UK trade and UK NIESR GDP estimates due, followed by US initial jobless claims and US producer prices.

## USDJPY – technical overview

The market remains confined to a multi-day range. The latest topside failure above 114.00 strengthens this outlook, leaving the door open for a deeper drop back towards range support in the 108.00s, also coinciding with the 2017 low from April. Ultimately, it would take a clear break through 114.50 to negate this outlook and shift the focus back to the topside.



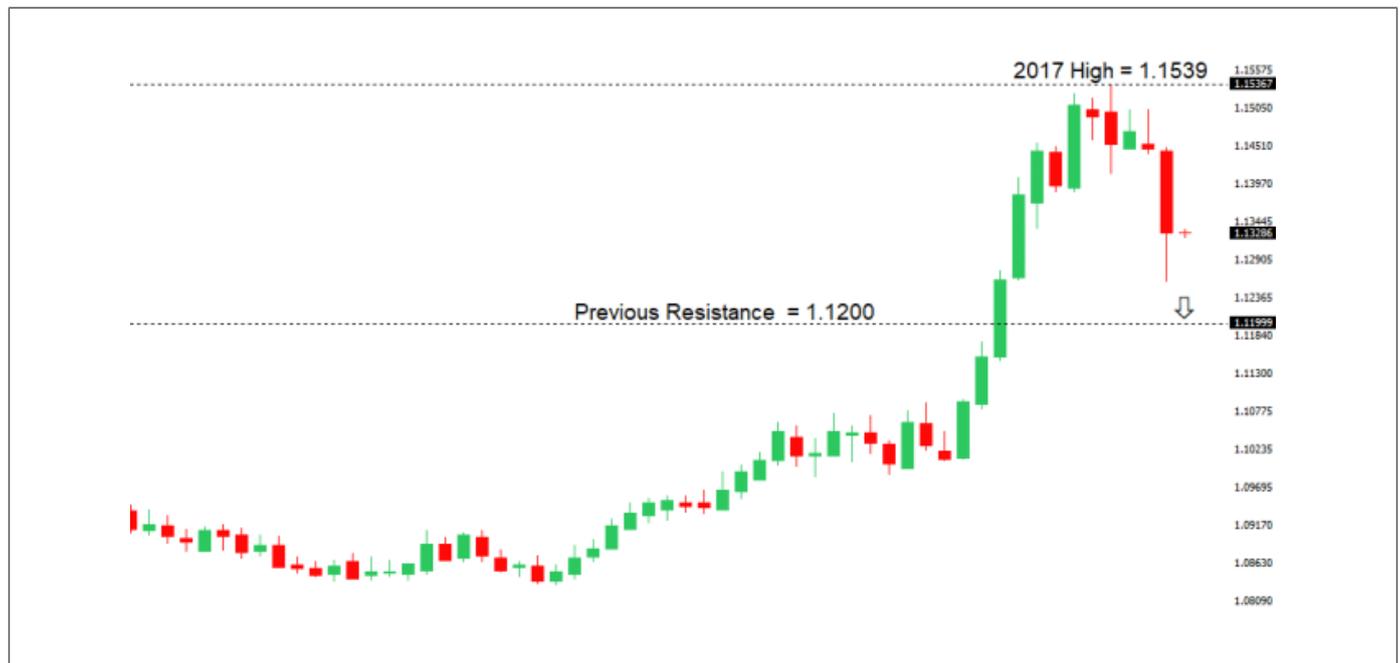
- R2 112.20 – 26Jul high – Strong
- R1 111.05 – 4Aug high – Medium
- S1 109.56 – 9Aug low – Medium
- S2 108.82 – 14Jun low – Strong

## USDJPY – fundamental overview

There had been a decent amount of Yen demand this week on rising geopolitical tension between the US and North Korea, with equity markets selling off and USDJPY pressure to multi-session lows below 110.00. But as has been the case time and again over the past several years, market immunity to such risk was able to win out, with USDJPY recovering nicely along with stocks into the Wednesday close. Looking ahead, focus will continue to be on broader sentiment, with the market also taking in US initial jobless claims and US producer prices.

## EURCHF – technical overview

The market recently pushed up to a fresh 2017 and multi-month high through massive resistance in the form of the 2016 peak at 1.1200, taking the rate above 1.1500 and to its highest level since the collapse of January 2015. However, daily studies are finally unwinding from highly overextended readings, warning of an additional corrective reversal in the sessions ahead, possibly back into a previous resistance turned support zone between 1.1000-1.1200, before the market considers a higher low and resumption of gains through 1.1539 and towards 1.2000.



- R2 1.1539 – 4Aug/2017 high – Strong
- R1 1.1450 – 9Aug high – Medium
- S1 1.1262 – 9Aug low – Medium
- S2 1.1200 – Previous High – Strong

## EURCHF – fundamental overview

Elevated risk sentiment has been a big friend to an SNB committed to doing what it can to discourage appreciation in the Franc. This, along with a recovery in the Eurozone, more hawkish ECB expectations and ongoing SNB activity have helped to push the exchange rate through 1.1500, with the market at its highest level since the January 2015 crisis. SNB Jordan has also been more active on the wires of late, adding to the bid tone as he reaffirms the central bank’s policy strategy. However, the SNB could also be doing whatever it can to weaken the Franc in anticipation of a tougher battle ahead. Any capitulation in US equities is likely to rattle global sentiment and invite an intense wave of unwanted Swiss Franc demand on the safe haven flow.

## AUDUSD – technical overview

The latest surge through major resistance at 0.8000 suggests the market could be in the process of carving out a meaningful longer-term base. However, shorter-term technicals are now in the process of unwinding from overbought readings, setting up the possibility for a more significant retreat in the sessions ahead. A daily close below 0.7876 would strengthen this outlook.



- R2 0.7980 – 4Aug high – Strong
- R1 0.7950 – 7Aug high – Strong
- S1 0.7856 – 9Aug low – Medium
- S2 0.7787 – 18Jul low – Strong

## AUDUSD – fundamental overview

The Australian Dollar has been showing signs of topping out off an impressive 2017 run. Last week, the RBA sent a message that it was not as hawkish as many thought, while also talking the currency down. Of course, distressing China trade figures and a run of solid US data over the past week that’s included higher core PCE a robust employment report employment and record US JOLTS job openings have also contributed to the Aussie pullback. Still, Aussie has done a decent job finding support on dips, perhaps on the recovery in global sentiment following Tuesday’s North Korea-US geopolitical escalation. The market is now taking in Aussie consumer inflation expectations and cross related fallout from the RBNZ decision and will be looking ahead to today’s US initial jobless claims and US producer prices.

## USDCAD – technical overview

Technical studies are in the process of turning up from deep oversold territory, warning of the possibility for a more significant bullish reversal to allow for these studies to unwind. The recent break back above 1.2575 strengthens this outlook, opening the door for a possible return to 1.3000 over the coming days.



- R2 1.2771 – 13Jul high – Strong
- R1 1.2722 – 9Aug high – Medium
- S1 1.2630 – 7Aug low – Medium
- S2 1.25553 – 3Aug low – Strong

## USDCAD – fundamental overview

The Canadian Dollar has been giving back some gains, following an impressive 14 big figure run that began in May when it was trading at a yearly low against the US Dollar. Diverging economic data and central bank outlooks had been the primary drivers of this flow, though we have since seen the market book profit on long Canadian Dollar positions that may have run a little too far and fast. Certainly things have been moving back the other way on the fundamental side, with last week's Canada data not as impressive and overshadowed by a robust US employment report. Tuesday's record print in US jobs JOLTS openings has only helped to keep the Loonie under pressure. Looking ahead, key standouts on today's calendar come in the form of the Canada new housing price index, US initial jobless claims and US producer prices. Of course, as is always the case, traders with exposure here will also be monitoring the price of OIL.

## NZDUSD – technical overview

Daily studies are in the process of unwinding from overbought readings after the market pushed up to a plus two year high through 0.7500. A recent close back below 0.7400 has opened the door for a more meaningful corrective pullback in the sessions ahead, possibly towards 0.7200, before the market considers a higher low and resumption of gains.



- R2 0.7455 – 4Aug high – Strong
- R1 0.7417 – 7Aug high – Medium
- S1 0.7309 – 9Aug low – Medium
- S2 0.7263 – 18Jul low – Strong

## NZDUSD – fundamental overview

No major fireworks from the RBNZ decision. The central bank left rates on hold as widely expected, while maintaining a neutral stance and welcoming a lower exchange rate. Some of the highlights from the decision were the RBNZ's expectation to stay on hold until Q3 2019 and lower inflation forecasts. Kiwi did however find some mild bids in the aftermath as it appeared the market liked the fact there was no upgraded distress about a recent run of softer data. Over the past week, Kiwi has been underperforming after taking in softer local CPI, GDP, employment, the weakest GDT auction since March, and a slide in consumer inflation expectations. Looking ahead, US initial jobless claims and US producer prices stand out.

## US SPX 500 – technical overview

The market has extended its record run, taking out the next measured move extension objective at 2480. Daily studies are however highly extended across the weekly and monthly time frames, warning of the possibility for some form of a meaningful corrective retreat. Still, setbacks continue to be well supported on the smallest of dips and only a daily close back below 2458 would take the pressure off the topside.



- R2 2500.00 – Psychological – Strong
- R1 2491.00 – 8Aug/Record high – Medium
- S1 2458.00 – 27Jul low – Medium
- S2 2403.00 – 31May low – Strong

## US SPX 500 – fundamental overview

The US equity market has done a good job proving it can hold up into any dip and can keep pushing to record highs as it focuses on rates staying lower for longer and the Fed continuing to underdeliver on forward guidance. While rates may not be going lower in the US, it seems a dovish policy normalisation is the next best thing and enough to keep the artificially supported rally going. Technically, this market is once again extended across all major time frames, which continues to warn of a meaningful pullback ahead, but as of yet, there have been no signs of any weakness.

## GOLD (SPOT) – technical overview

Setbacks have been well supported, with the latest push back above 1275 setting the stage for a bullish resumption through 1300 and towards the 2016 peak at 1375 further up. A higher low is now in place around 1250 and only back below this level would offset this latest wave of bullish momentum.



- R2 1296.20 – 6Jun/2017 high – Strong
- R1 1281.20 – 14Jun high – Medium
- S1 1251.45 – 8Aug low – Strong
- S2 1243.80 – 26Jul low – Medium

## GOLD (SPOT) – fundamental overview

Solid demand from medium and longer-term players continues to emerge on dips, with these players more concerned about exhausted monetary policy, extended global equities, political uncertainty, systemic risk and geopolitical threats. All of this should continue to keep the commodity supported around 1200, with many market participants also fleeing to the hard asset as the grand dichotomy of record high equities and record low yields comes to an unnerving climax. Certainly the US Dollar under pressure in 2017 is adding to the metal’s bid tone as well, but there is a growing sense that even in a scenario where the US Dollar is bid for an extended period, GOLD will hold up on risk off macro implications.

## Feature – technical overview

USDSGD has been under pressure in 2017, with the market recently dropping down to a fresh yearly low at 1.3544. However, stretched studies are starting to turn back up and there are signs of the possibility for a meaningful bullish reversal to allow for these studies to unwind. Setbacks have also stalled out around an important 78.6% fib retracement off the 2016 to 2017 low to high move. Look for a daily close back above 1.3650 to strengthen this outlook and open the door for a more meaningful bounce towards 1.4000 further up. Only a close below 1.3500 negates.



- R2 1.3720 – 17Jul high – Strong
- R1 1.3650 – 9Aug high – Medium
- S1 1.3544 – 27Jul/2017 low – Strong
- S2 1.3500 – Psychological – Strong

## Feature – fundamental overview

There have been signs of a reversal in the Singapore Dollar's fortunes of late. Various employment readings are tracking at their lowest levels in months, while soft domestic conditions and a reliance on exports could influence the MAS into encouraging weakness in the local currency. Meanwhile, US economic data is turning back up and this has helped to inspire additional profit taking in the EM currency as yield differentials shift back in the US Dollar's favour. As far as the calendar goes, Singapore markets are back to trading following this week's holiday but all is quiet until Friday when Singapore GDP and retail sales are released.



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