

Tuesday, January 10, 2017

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# Global FX Insights

by LMAX Exchange Research & Analytics

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

## Looking Ahead to Trump [Wake-up Call](#)

There isn't anything on the economic calendar for the remainder of the day that would have any meaningful impact on price action. Instead, the market will continue to focus on which way it wants to take the US Dollar next. Earlier today, Aussie retail sales disappointed, while China CPI came in cooler than expected.

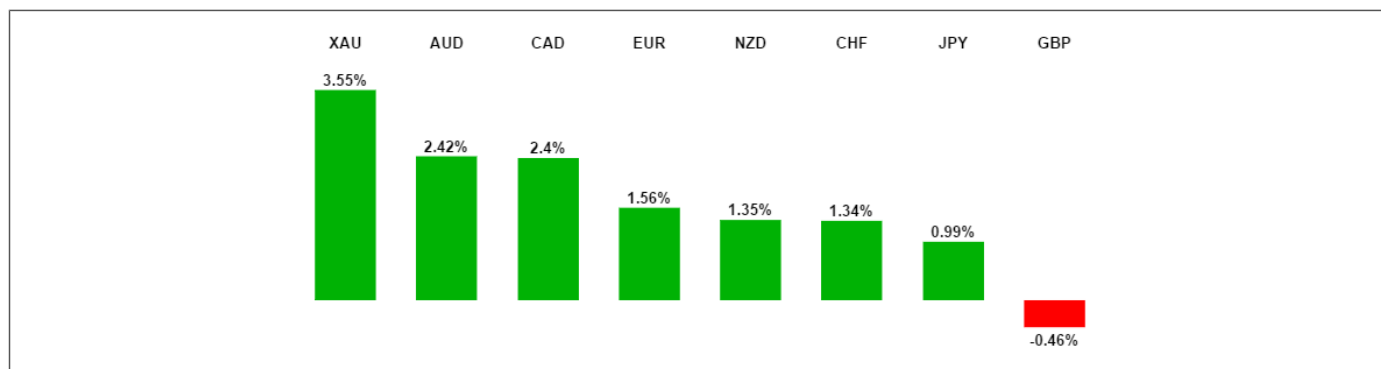
### Technical highlights [Daily Video](#)

- **EURUSD** Choppy consolidation
- **GBPUSD** Eyes on October low
- **USDJPY** Enters corrective phase
- **EURCHF** Rallies well capped
- **AUDUSD** Seeking lower top
- **USDCAD** Looking to resume trend
- **NZDUSD** Deeper setbacks ahead
- **US SPX 500** Below 2232 shifts
- **GOLD** (spot) Aiming higher up
- **Feature** – USDSGD Constructive

### Fundamental highlights

- **EURUSD** Upbeat Eurozone confidence helps to prop
- **GBPUSD** PM May Brexit talk not helping the Pound
- **USDJPY** Trump **inauguration** inspiring safety bids
- **EURCHF** SNB policy up against sentiment flows
- **AUDUSD** Aussie easily shrugs off softer retail sales
- **USDCAD** Loonie holds up well despite OIL decline
- **NZDUSD** Kiwi takes backseat on light calendar
- **US SPX 500** Fed hawkishness a strain for bulls
- **GOLD** (spot) Macro players hungry for metal
- **Feature** – USDSGD Little relief for Sing

## Five day performance v. US dollar



## Suggested reading

- **Outlook of Potential Fed Chairs**, R. Miller, Bloomberg (January 8, 2017)
- **Risk of Ignoring Arithmetic**, J. Hussman, Hussman Funds (January 9, 2017)

## EURUSD – technical overview

The major pair remains confined to a downtrend, recently trading to its lowest levels since 2003. Next key support comes in the form of the 2003 low at 1.0336, below which exposes an immediate drop to parity. At this point, look for the current rally to be very well capped ahead of 1.0800, with only a break back above 1.0875 to compromise the bearish outlook.



- R2 1.0654 – 30Dec high – Strong
- R1 1.0623 – 6Jan high – Medium
- S1 1.0511 – 9Jan low – Medium
- S2 1.0336 – 2003 low – Strong

## EURUSD – fundamental overview

Monday’s softer German industrial production print initially weighed on the Euro, though the market was quick to recover, with upbeat Eurozone Sentix investor confidence helping to prop. Hawkish rhetoric from Fed Rosengren didn’t do anything to hurt the Euro and the single currency managed to trade into Tuesday with a better bid tone, mostly on broad based US Dollar selling. Looking ahead, the economic calendar is razor thin for the remainder of the day, with only US JOLTS job openings standing out.

## GBPUSD – technical overview

The recent topside failure ahead of 1.2800 was a significant development as it confirmed the rebound from the +30 year low only corrective and kept the overall pressure on the downside. This has now opened a break back below internal support at 1.2300 which could pave the way for a retest of that 1.1840 critical base from October. Only back above 1.2800 forces a shift in the structure.



- R2 1.2433 – 5Jan high – Strong
- R1 1.2271 – 9Jan high – Medium
- S1 1.2150 – Mid-Figure – Medium
- S2 1.2082 – 25Oct low – Strong

## GBPUSD – fundamental overview

This latest Theresa May interview has done nothing to help the Pound’s cause, with the PM telling Sky News that leaving the EU also meant leaving the single market and that her priority was on immigration. Early 2017 has been an unsettling time for the UK currency as the March Article 50 date fast approaches and this coupled with any hawkishness out of the Fed could open the door for a retest of that critical +30 year low from October. Looking ahead, lack of first tier data will keep the market focused on broader macro flows, with only US JOLTS job openings standing out.

## USDJPY – technical overview

Daily studies are now unwinding from stretched levels which suggests additional upside could be limited in favour of a more significant healthy corrective pullback. The recent bearish break below 116.00 confirms and could open a deeper drop towards 114.00. But ultimately, any setbacks are expected to be well supported ahead of 110.00 in favour of that next higher low and bullish resumption towards 120.00.



- R2 118.67 – 15Dec high – Strong
- R1 117.43 – 5Jan high – Medium
- S1 115.07 – 6Jan low – Medium
- S2 114.74 – 13Dec high – Strong

## USDJPY – fundamental overview

While yield differentials and monetary policy divergence have been a major source of Yen weakness into 2017, the Yen has been finding some renewed demand over the past couple of sessions, seemingly as the market gets ready for President elect Trump’s inauguration. While many believe Trump’s policies will invite additional upside in the US Dollar, there is also a tension around this incoming administration that is weighing on risk sentiment which in turn is benefitting the correlated Yen a bit. Looking ahead, lack of first tier data will keep the focus on broader themes, with only US JOLTS job openings due.

## EURCHF – technical overview

A recent close below 1.0800 which had been defined as the bottom of a multi-week range strengthens the bearish outlook and opens the door for an acceleration of declines towards the 2016 low at 1.0624. At this point, a daily close back above 1.0900 would be required to take the immediate pressure off the downside and suggest the market is once again looking settle back into the previous range.



- R2 1.0900 – 8Dec high – Strong
- R1 1.0799 – 9Dec high – Strong
- S1 1.0650 – Mid-Figure – Medium
- S2 1.0624 – 24Jun/2016 low – Strong

## EURCHF – fundamental overview

The SNB has unquestionably had a challenging time of late, with the central bank forced to contend with an ongoing wave of demand for the Swiss Franc. The central bank has been committed to its mandate of ensuring the Franc does not appreciate further through monetary policy and intervention tools. Though despite all efforts, the Franc continues to want to appreciate against the Euro. It seems the strategy has been to buy Euro when risk comes off and to do nothing when risk is back on and natural flows should be CHF bearish. But the trouble is, with risk on and global equities elevated, the Franc is still not depreciating as much as the SNB would probably like to see and if global risk sentiment deteriorates, it could invite a massive wave of demand for the Franc that the SNB will be unable to offset.

## AUDUSD – technical overview

The recent break below 0.7400 is a significant development and now opens the door for deeper setbacks towards next key support at 0.7145. At this point, look for the current rally to be well capped ahead of 0.7500. Only back above 0.7525 delays the bearish outlook.



- R2 0.7400 – Previous Base – Strong
- R1 0.7385 – 10Jan high– Medium
- S1 0.7273 – 5Jan low – Medium
- S2 0.7160 – 26Dec low – Strong

## AUDUSD – fundamental overview

The Australian Dollar continues to impress with its performance. Tuesday’s Aussie retail sales data came in softer than expected and yet, the Australian Dollar has managed to push higher in the aftermath. It seems the currency has been supported on a wave of broad based US Dollar declines in the lead up to the Trump inauguration, with tomorrow’s Trump speech inspiring additional volatility. Looking ahead, lack of first tier data will leave the market focused on broader flows with only US JOLTS job openings due out of the US.

## USDCAD – technical overview

This market looks to be in the process of carving out a longer-term base off the 1.2461, 2016 low. Look for any additional weakness to be supported well ahead of 1.3081 in favour of the next major upside extension towards a measured move objective into the 1.4000 area. Ultimately, only back below 1.3081 would delay the constructive outlook.



- R2 1.3461 – 3Jan high – Strong
- R1 1.3313 – 5Jan high – Medium
- S1 1.3178 – 6Jan low – Medium
- S2 1.3081 – 14Dec low – Strong

## USDCAD – fundamental overview

The Canadian Dollar has been holding up relatively well in recent days as a wave of broad based profit taking on USD longs kicks in. Even setbacks in the price of OIL on Monday failed to have any weighing influence on the Loonie. It seems most of this demand is coming more from the profit taking on Dollar longs into the Trump inauguration as the market grows increasingly nervous about the implications. Still, overall, the driving force here is yield differentials and if the market continues to see risk for a more hawkish Fed, this could open additional weakness in the Loonie. As far as today’s calendar goes, lack of first tier data will keep the market focused on broader themes, with only US JOPLTS job openings standing out.

## NZDUSD – technical overview

The overall pressure has shifted back to the downside with the market now expected to be very well capped on rallies ahead of 0.7200. The recent break below 0.6972 confirms a fresh lower top at 0.7239 opening the next major downside extension towards medium-term support at 0.6676.



- R2 0.7100 – Figure – Medium
- R1 0.7048 – 10Jan high – Medium
- S1 0.6949 – 9Jan low – Medium
- S2 0.6862 – 26Dec low – Strong

## NZDUSD – fundamental overview

Lack of first tier data out of New Zealand has kept the primary focus on developments on the US Dollar front. For the most part, this has been a wave of profit taking on US Dollar longs ahead of the Trump inauguration which is getting the market a little jittery about being too extended on USD long exposure. But overall, look for the New Zealand Dollar to remain very well offered into rallies as a more hawkish Fed trajectory becomes more of a reality that will narrow yield differentials further in the US Dollar’s favour. Looking ahead, lack of first tier data will leave the market focused on broader flows, with only US JOLTS job openings standing out.



## US SPX 500 – technical overview

While this latest surge back to a fresh record high could compromise what has been the possibility for a toppish structure, the risk is still tilted to the downside if the market fails to sustain gains beyond 2200 over the coming weeks. But ultimately, at this point, any topside failure will also need to be met with a break back below 2180 to once again encourage the possibility for a significant bearish structural shift. Next resistance comes in at 2300, while initial support comes in at 2232, with a break below to take the immediate pressure off the topside.



- R2 2300.00 – Psychological – Strong
- R1 2282.00 – 6Jan/Record high – Medium
- S1 2232.00 – 30Dec low – Strong
- S2 2180.00 – 5Dec low – Strong

## US SPX 500 – fundamental overview

The ongoing support for US equities has been more than impressive, particularly at a time when the Fed is embarking on a more hawkish path to policy normalisation and the Trump administration could bring in policies that threaten prospects for global growth. This leaves financial markets vulnerable to any shocks and exposed to intense periods of additional risk liquidation going forward, especially at a time when monetary policy around the rest of the globe is exhausted with very little left in the tank. Last Friday's uptick in hourly earnings and another round of hawkish Fed speak, with some officials even warning of the possibility for more than three hikes this year, should be a concern to investors.

## GOLD (SPOT) – technical overview

The market has bounced out from critical 1120 area support in the form of a 78.6% fib retracement off of the 2015-2016 low-high move, with the hold above this level keeping the longer-term basing outlook intact. Daily studies are confirming, looking more constructive after trading into oversold territory. A daily close above 1200 will strengthen the bullish shift in structure and open the door for a push back towards the 2016 peak at 1375. Only below 1120 negates.



- R2 1197.70 – 28Nov high – Strong
- R1 1188.10 – 5Dec high – Medium
- S1 1122.75 – 15Dec low – Medium
- S2 1120.00 – 78.6% Fib – Strong

## GOLD (SPOT) – fundamental overview

Solid demand from medium and longer-term players continues to emerge on dips despite an intense round of setbacks in late 2016, with these players more concerned about the limitations of exhausted monetary policy, extended global equities, systemic risk and a bet that record low inflation will turn up even faster in a Trump presidency. All of this will almost certainly continue to keep the commodity in demand, with many market participants fleeing to the hard asset as the grand dichotomy of record high equities and record low yields comes to an unnerving climax.

## Feature – technical overview

USDSGD recently pushed up to a fresh multi-month high, taking the market to its highest levels since 2009. However, daily studies are starting to unwind from stretched levels which warns additional upside could be limited for now, in favour of a healthier corrective decline. Still, any setbacks should be well supported above 1.4000 in favour of the next higher low and bullish resumption.



- R2 1.4545 – 3Jan/2017 high – Strong
- R1 1.4407 – 5Jan high – Medium
- S1 1.4268 – 6Jan low – Medium
- S2 1.4148 – 8Dec low – Strong

## Feature – fundamental overview

The Singapore Dollar is doing its very best to battle against additional declines in early 2017. Last week's impressive Singapore GDP data, rumours of MAS intervention and some broad based profit taking on long US Dollar exposure helped to offset the intense bearish flows. But ultimately, downside pressure on the local currency isn't expected to fade away for any meaningful period of time as the market keeps its eye on overall solid US economic data, striking monetary policy divergence and prospects for slower emerging market growth when the new US administration takes over. This latest uptick in US hourly earnings and wave of hawkish Fed speak only strengthens the US Dollar supportive tone.



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