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# Global FX Insights

by LMAX Exchange Research & Analytics

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

## Pound Desperate for Data Relief [Wake-up Call](#)

While most currencies have managed to put in a decent recovery against the Buck over the past several days, the same cannot be said for the Pound, which has underperformed on the back of ongoing Brexit uncertainty. As far as the broader market goes, it seems most of today's volatility will come from the Trump news conference.

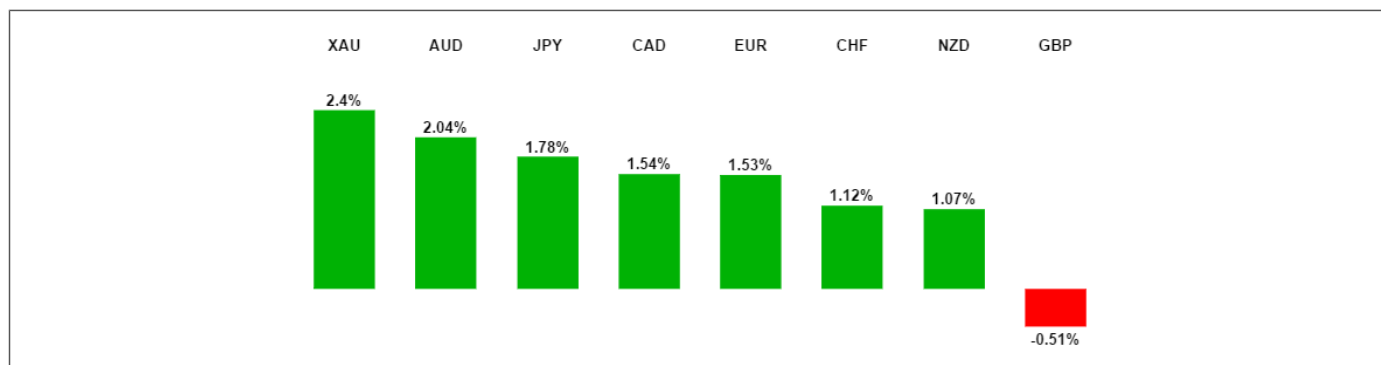
### Technical highlights [Daily Video](#)

- **EURUSD** Downtrend firmly intact
- **GBPUSD** Consolidates off low
- **USDJPY** Setbacks are corrective
- **EURCHF** Upside should be limited
- **AUDUSD** Structure still bearish
- **USDCAD** Higher low sought out
- **NZDUSD** Room for deeper drop
- **US SPX 500** Highly constructive
- **GOLD** (spot) Extends recovery run
- **Feature** – USDTRY Record highs

### Fundamental highlights

- **EURUSD** Lack of EMU data puts focus on Trump
- **GBPUSD** Batch of UK releases come into focus
- **USDJPY** Yield differentials may take backseat
- **EURCHF** Risk liquidation a worry for SNB policy
- **AUDUSD** Cross related demand props Aussie
- **USDCAD** Loonie holds up despite OIL weakness
- **NZDUSD** Kiwi one of the weaker currencies
- **US SPX 500** Bulls maintaining firm grip
- **GOLD** (spot) Metal offers attractive alternative
- **Feature** – USDTRY CBRT measures fall short

## Five day performance v. US dollar



## Suggested reading

- **[That Milestone Could Be a Warning Sign](#)**, N. Kaissar, Bloomberg (January 9, 2017)
- **[Myths about Diversified Portfolios](#)**, M. Edesess, Advisor Perspectives (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

The Euro has been locked in a holding pattern into Wednesday, with the single currency looking ahead to today’s Trump press conference in which the President Elect is likely to highlight his campaign promises. Lack of first tier EMU data will keep the market steady into Trump, though the broader theme of monetary policy divergence and a more hawkish leaning Fed should ultimately keep the Euro well offered into rallies.

## 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 1.2107 – 10Jan low – Medium
- S2 1.2082 – 25Oct low – Strong

## GBPUSD – fundamental overview

The Pound is doing its best to recover from Tuesday’s 10 week low, but the currency is having a very hard time finding an appetite to the upside in light of ongoing Brexit worry. PM May’s latest interview in which she discussed the possibility of leaving the single market has opened this latest downleg and the market will be hoping it can get some economic data relief from the slew of releases due today in the form of trade, industrial production and NIESR GDP estimates. Later today, the market will get more volatility when President Elect Trump gives his press conference in which he is expected to back up his campaign promises.

## 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 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. Lack of first tier data on today’s calendar will therefore put all of the attention on today’s Trump presser.

## 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

Real money bids and demand from a local exporter have been helping to keep the Australian Dollar propped, with the currency doing a good job holding up after Tuesday’s softer Aussie retail sales print. It seems the Australian Dollar is also benefitting a great deal from a rotation out of the New Zealand Dollar and back into Aussie, with AUDNZD making a move this week. However, medium term investors continue to look to sell AUDUSD into rallies, with the Fed policy divergence theme too much to ignore. Today, the focus shifts to Donald Trump’s presser.

## 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 have failed to have any major 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, all of the focus will be on the Trump presser.

## 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. Another Kiwi negative at the moment is what looks to be the start of a major rotation out of the New Zealand Dollar and back into the Australian Dollar, with local traders starting to find value in a cyclically oversold AUDNZD cross rate. Looking ahead, lack of first tier data will leave the market focused on today's anticipated Trump presser.



## 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. Today, look for the market to respond to developments out from the Trump presser.

## 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

USDTRY has exploded to the topside, with the market extending its violent run of fresh record highs, closing in on critical psychological barriers at 4.0000. The parabolic price action does however warn of some form of an intense corrective pullback around the corner to allow for severely stretched studies to unwind. The market is highly extended across all three major time frames, with the daily weekly and monthly charts severely overbought. A break and close back below 3.7000 is required to take the immediate pressure off the topside.



- R2 4.0000 – Psychological – Strong
- R1 3.8950 – 11Jan/Record High – Medium
- S1 3.7830 – 11Jan low – Medium
- S2 3.7075 – 10Jan low – Strong

## Feature – fundamental overview

The Turkish Lira has been in an absolute freefall these past several months, with the currency’s declines accelerating dramatically in early 2017 to fresh record lows. Political instability, terrorist activity and an already vulnerable Turkish economy have contributed to the declines, while on the other side, the Lira isn’t getting any help from the US Dollar, which has been driving higher on favourable interest rate differentials. Tuesday’s attempts to calm the market have done nothing to slow the depreciation thus far after the CBRT announces a 50bp cut to reserve requirements across all maturities. Interbank borrowing limits were also reduced effective today and the CBRT has added that market developments will be closely watched with additional steps to be taken if necessary.



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