

Thursday, July 11, 2019

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US Dollar sells off as Powell signals more cuts. Key standouts on the Thursday calendar include German inflation data, an ECB Coeure speech, the ECB Minutes, BOE financial stability report, US inflation readings, US initial jobless claims, more Powell testimony, and Fed speak from Williams, Bostic, Barkin, Quarles and Kashkari.

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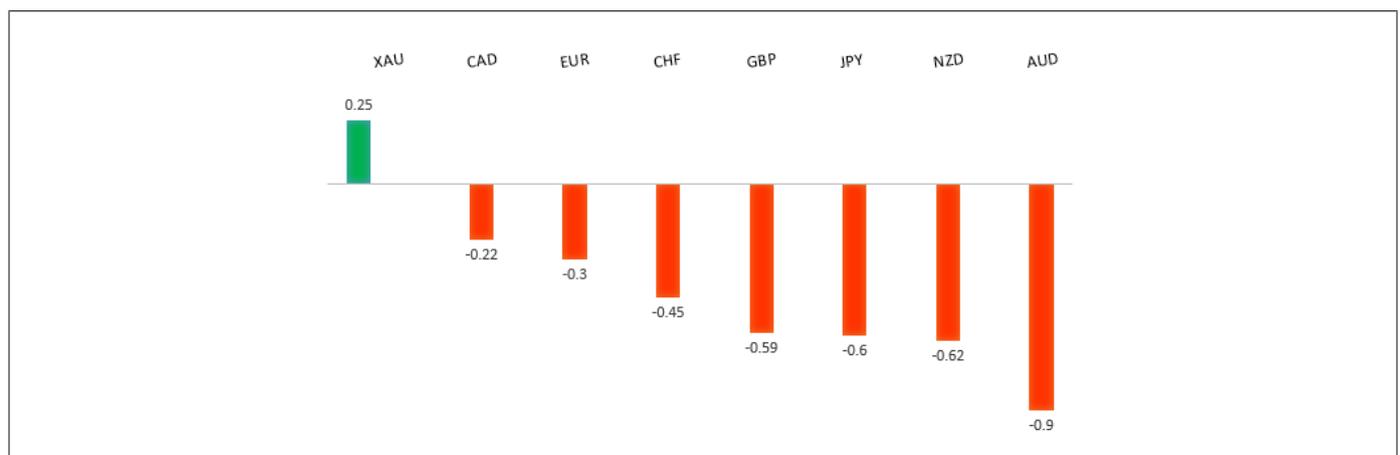
Technical highlights ▶ [Daily Video](#)

- [EURUSD](#) Higher low sought out
- [GBPUSD](#) Expected to hold up on dips
- [USDJPY](#) Downtrend firmly intact
- [EURCHF](#) Room for additional downside
- [AUDUSD](#) Evidence of longer term basing
- [USDCAD](#) Major support into key barrier
- [NZDUSD](#) Double bottom triggered on daily
- [US SPX 500](#) Additional upside seen limited
- [GOLD](#) (spot) Setbacks viewed as corrective
- [BTCUSD](#) Retracing after big upside push
- [ETHUSD](#) Well capped into previous resistance

Fundamental highlights

- [EURUSD](#) Euro up on Fed Powell rate cut signal
- [GBPUSD](#) UK GDP recovery an added prop
- [USDJPY](#) Yen rallies as yield differentials shift
- [EURCHF](#) SNB's job a lot harder in 2019
- [AUDUSD](#) Aussie finds renewed demand
- [USDCAD](#) BoC holds on rates, OIL surges
- [NZDUSD](#) Kiwi recovers on big picture flow
- [US SPX 500](#) Fed incentive not as strong
- [GOLD](#) (spot) Macro players buying dips in size
- [BTCUSD](#) Institutional demand ramps up in Q3
- [ETHUSD](#) Ether exposed to global economy

5 Day Performance vs. US dollar



Suggested reading

- [Jerome Powell Just Locked in a July Rate Cut](#), B. Chappatta, **Bloomberg** (July 10, 2019)
- [China's Growth Expected to Slow to 30 Year Low](#), D. Strauss, **Business Insider** (July 9, 2019)

EURUSD - technical overview

The major pair has extended its run of declines off the 2008 high, trading down to a fresh multi-month low in May. But with the downtrend looking exhausted, the prospect for a meaningful higher low is more compelling, with a higher low sought out above the multi-year low from 2017, ahead of the next major upside extension. Only a weekly close back below the psychological barrier at 1.1000 would compromise this outlook. Back above 1.1450 will strengthen the view.



- **R2 1.1348** - 7 June high - Strong
- **R1 1.1296** - 4 July high - Medium
- **S1 1.1194** - 9 July low - Medium
- **S2 1.1181** - 15 June low - Strong

EURUSD - fundamental overview

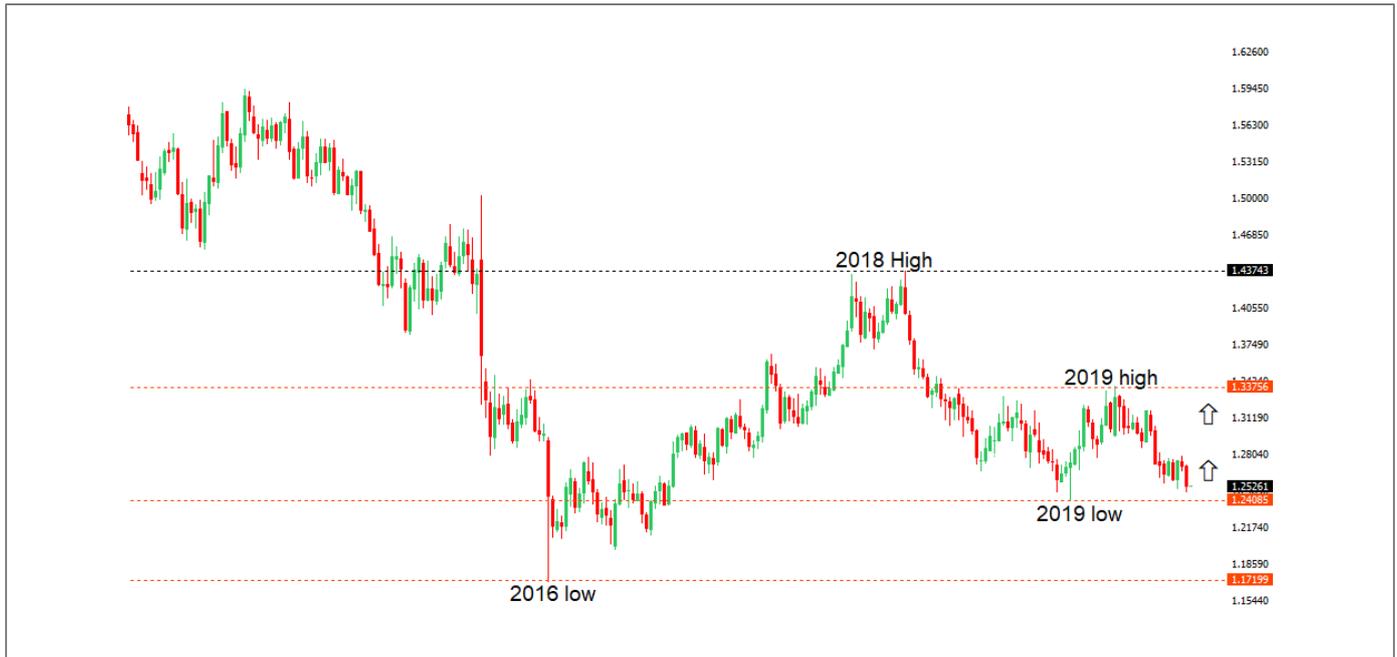
The Euro was able to put in an impressive recovery on Wednesday, with the rally in the single currency coming from Fed Powell testimony that revealed the need for additional rate cuts on account of persistently low inflation and downside risks associated with US administration trade policy and global growth. Looking ahead to Thursday's calendar, key standouts come in the form of German inflation data, an ECB Coeure speech, the ECB Minutes, US inflation readings, US initial jobless claims, more Powell testimony, and Fed speak from Williams, Bostic, Barkin, Quarles and Kashkari.

EURUSD - Technical charts in detail

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GBPUSD - technical overview

Despite the latest round of setbacks, there has been evidence of a major bottom off of the 2016 low, that would argue for dips to be well supported. As such, look for weakness to be well supported on dips into the 1.2400s, with a break back above 1.2600 to take the immediate pressure off the downside and strengthen the outlook. Only a weekly close back below 1.2400 would compromise the longer-term recovery structure.



- **R2 1.2601**- 3 July high - Strong
- **R1 1.2540** - 3 July high - Medium
- **S1 1.2440** - 9 July low - Medium
- **S2 1.2407**- 2 January/**2019 low** - Strong

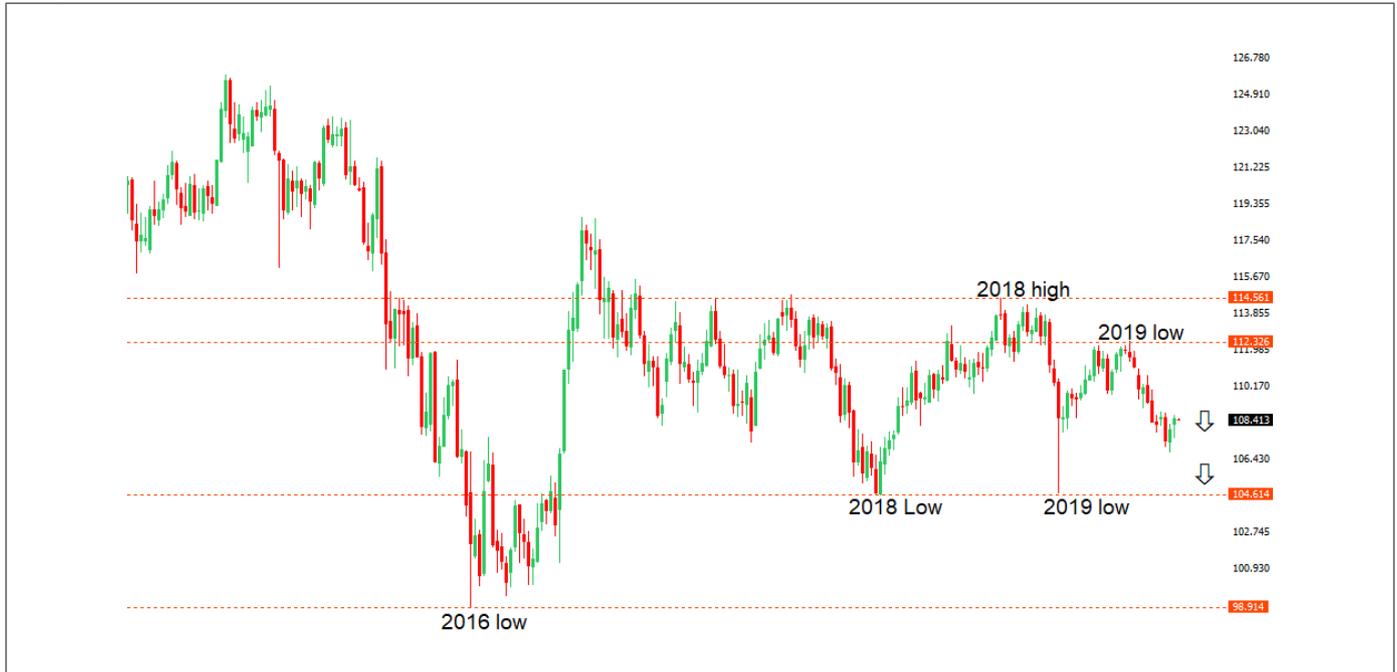
GBPUSD - fundamental overview

Finally a positive close for the Pound on Wednesday, with the UK currency initially supported on some improved data, highlighted by a rebound in GDP. The Pound was then able to accelerate back above 1.2500 in the revelation in the Fed Chair Powell testimony that there was still a need for additional rate cuts, in light of ongoing persistently low inflation and downside risks associated with US administration trade policy and global growth. Looking ahead to Thursday's calendar, key standouts come in the form of the BOE financial stability report, US inflation readings, US initial jobless claims, more Powell testimony, and Fed speak from Williams, Bostic, Barkin, Quarles and Kashkari.

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USDJPY - technical overview

The longer-term downtrend remains firmly intact, with the major pair gravitating back towards a retest of major support in the form of the 2018 and 2019 lows respectively, down in the 104s. Any rallies should now be well capped below 110.00, though only a break back above the yearly high at 112.40 would compromise the bearish outlook.



- **R2 109.93** - 26 May high - Medium
- **R1 109.00** - 10 July high - Strong
- **S1 108.28** - 8 July low - Medium
- **S2 107.53** - 3 July low - Strong

USDJPY - fundamental overview

The major pair came back under pressure on Wednesday, after putting in a rally over the past week on the combination of higher stocks and scaled back Fed rate cut bets post US NFPs. The primary driver of the reversal of flow came from Fed Chair Powell's testimony, in which the central banker highlighted a need for additional rate cuts, in light of ongoing persistently low inflation and downside risks associated with US administration trade policy and global growth. And while there were some attempts to support the market on the concurrent reaction in US equities, the yield differential implication component, which shifted back out of the Buck's favour, proved to be more than offsetting. Looking ahead, we get US inflation readings, US initial jobless claims, more Powell testimony, and Fed speak from Williams, Bostic, Barkin, Quarles and Kashkari.

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EURCHF - technical overview

The recent breakdown below critical range support in the 1.1200 area, has opened the door for the next wave of declines targeting a move back towards initial support in the form of the 1.1000 psychological barrier. The market is trading at its lowest levels in nearly two years and at this point, it would take a daily close back above 1.1279 to take the immediate pressure off the downside.



- **R2 1.1265** - 12 June high - Strong
- **R1 1.1173** - 2 July high - Medium
- **S1 1.1057** - 20 June/2019 low - Medium
- **S2 1.1000** - Psychological - Strong

EURCHF - fundamental overview

The SNB remains uncomfortable with Franc appreciation and continues to remind the market it will need to be careful about any attempts at trying to force an appreciation in the currency. But the SNB will also need to be careful right now, as its strategy to weaken the Franc is facing headwinds from a less certain global outlook. Any signs of sustained risk liquidation, will likely invite a very large wave of demand for the Franc that will put the SNB in the more challenging position of needing to back up its talk with action, that ultimately, may not prove to be as effective as it once was, given where we're at in the monetary policy cycle.

AUDUSD - technical overview

The market has been very well supported on dips since breaking down in early January to multi-year lows. The price action suggests we could be seeing the formation of a major base, though it would take a clear break back above 0.7100 to strengthen this outlook. In the interim, look for setbacks to continue to be well supported ahead of 0.6800.



- **R2 0.7049** - 7 May high - Strong
- **R1 0.6995** - 8 July high - Medium
- **S1 0.6910** - 10 July low - Medium
- **S2 0.6832** - 18 June low - Strong

AUDUSD - fundamental overview

The Australian Dollar was able to find its way back to the topside on Wednesday, with the primary driver of flow coming from the Fed Chair Powell testimony. The central banker's opinion that rate cuts were still necessary in light of persistently low inflation and downside risks associated with US administration trade policy and global growth, was more than enough to wipe away the post US NFP US Dollar rally from last Friday, that had the market buying USD on worry the Fed would no longer be able to make additional rate cuts. Looking ahead, Thursday's calendar features Aussie consumer inflation expectations, US inflation readings, US initial jobless claims, more Powell testimony, and Fed speak from Williams, Bostic, Barkin, Quarles and Kashkari.

USDCAD - technical overview

The market has come under intense pressure over the past several weeks, extending declines to a fresh 2019 low. However, the longer-term structure remains constructive, with dips expected to be well supported for fresh upside, eventually back above the 2018/multi-month high at 1.3665. At this point, only a weekly close below the psychological barrier at 1.3000 would delay the outlook.



- **R2 1.3230** - 21 June high - Strong
- **R1 1.3146** - 1 July high - Medium
- **S1 1.3038** - 4 July/**2019 low** - Strong
- **S2 1.3000** - Psychological - Strong

USDCAD - fundamental overview

On Wednesday, the Bank of Canada left rates on hold as widely expected, offering up no real surprises in its assessment of the economy. Overall, a balanced outlook, with the BoC considering downside risks to the global economy, but also recognizing positive developments within the local economy. This left the Canadian Dollar to trade on other headlines, with Loonie rallying back towards its recent 2019 high against the Buck on Fed Powell's justification of the need for additional rate cuts, and on another big push higher in the price of OIL. Looking ahead, the Thursday calendar features some Canada housing data, along with US inflation readings, US initial jobless claims, more Powell testimony, and Fed speak from Williams, Bostic, Barkin, Quarles and Kashkari.

NZDUSD - technical overview

Despite recent weakness, there's a case to be made for a meaningful low in place at 0.6425 (2018 low). As such, look for setbacks to be well supported above the latter, in anticipation of renewed upside, with only a close below to compromise the outlook. The most recent rally has triggered a double bottom, further strengthening the constructive outlook. Look for a higher low to carve out ahead of 0.6500.



- **R2 0.6727** - 1 July high - Strong
- **R1 0.6700** - Figure - Medium
- **S1 0.6568** - 10 July low - Medium
- **S2 0.6535** - 20 June low - Strong

NZDUSD - fundamental overview

The New Zealand Dollar was able to find its way back to the topside on Wednesday, with the primary driver of flow coming from the Fed Chair Powell testimony. The central banker's opinion that rate cuts were still necessary in light of persistently low inflation and downside risks associated with US administration trade policy and global growth, was more than enough to wipe away the post US NFP US Dollar rally from last Friday, that had the market buying USD on worry the Fed would no longer be able to make additional rate cuts. Looking ahead, Thursday's calendar features US inflation readings, US initial jobless claims, more Powell testimony, and Fed speak from Williams, Bostic, Barkin, Quarles and Kashkari.

US SPX 500 - technical overview

There have been signs of a major longer term top, after an exceptional run over the past decade. Any rallies from here, are expected to be very well capped, in favour of renewed weakness targeting an eventual retest of strong longer-term previous resistance turned support in the form of the 2015 high at 2140. The initial level of major support comes in at 2729, with a break below to strengthen the outlook. A weekly close above 3000 would be required to compromise the outlook calling for a top.



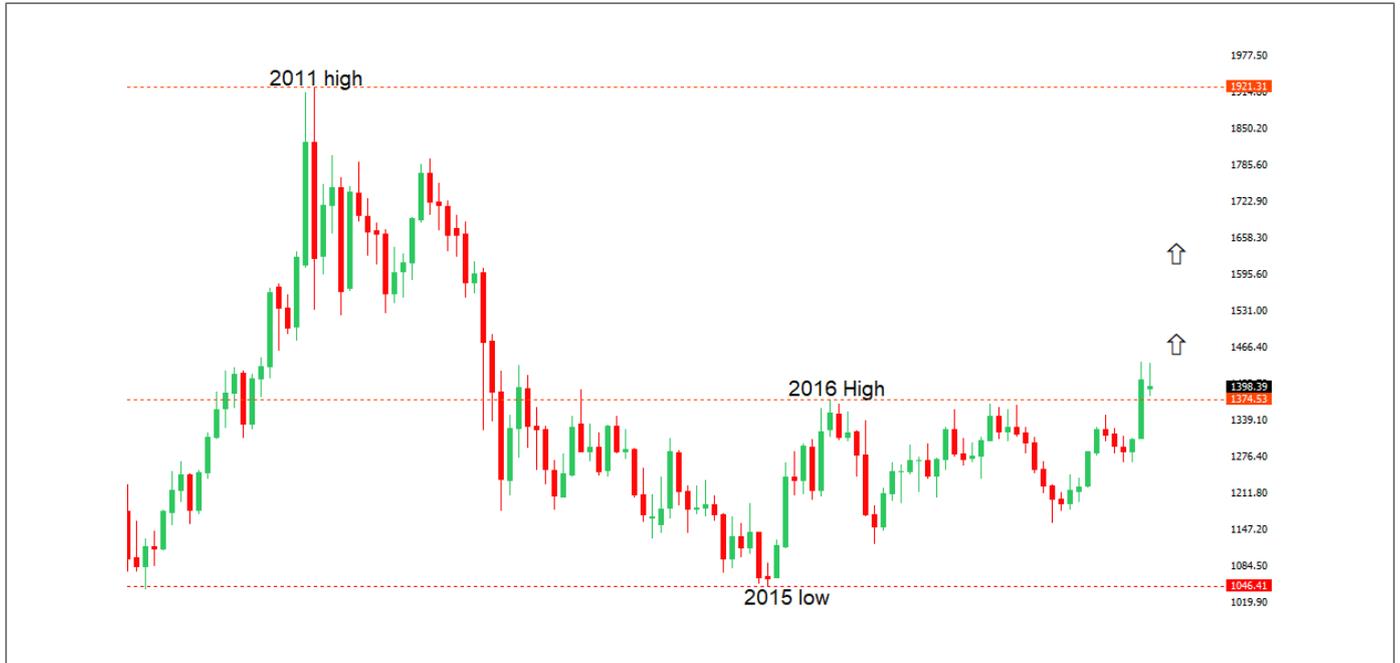
- **R2 3050** - Psychological - Strong
- **R1 3005** - 10 July/Record high - Medium
- **S1 2911** - 26 June low - Medium
- **S2 2867** - 13 June low - Strong

US SPX 500 - fundamental overview

Although we've seen the market extend to another record high in 2019, on Fed signals of additional rate cuts, with so little room for additional easing, given an already depressed interest rate environment, the prospect for a meaningful extension of this record run, on easy money policy incentives, should no longer be as enticing to investors as it once was. Meanwhile, expected renewed tension on the global trade front, should continue to be a drag on investor sentiment. We recommend keeping a much closer eye on the equities to ten year yield comparative going forward, as the movement here is something that could be a major stress to the financial markets looking out.

GOLD (SPOT) - technical overview

The recent breakout above the 2016 high at 1375 was a significant development, and suggests the market is in the early stages of a bullish move that follows a multi-month consolidation. The next major level of resistance comes in around 1500, while in the interim, look for any setbacks to be well supported above 1300.



- **R2 1488** - May 2013 high - Strong
- **R1 1440** - 25 June/2019 high - Strong
- **S1 1358** - 20 June low - Medium
- **S2 1320** - 11 June low - Strong

GOLD (SPOT) - fundamental overview

The yellow metal continues to be well supported on dips with solid demand from medium and longer-term accounts. These players are more concerned about exhausted monetary policy, extended global equities, political uncertainty, systemic risk and trade war threats. All of this should keep the commodity well supported, 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.

BTCUSD - technical overview

The market has enjoyed a nice run since breaking out above a consolidation between Q4 2018 and Q1 2019, though the rally had resulted in extended technical readings after racing through 10k psychological barrier. Overall, look for additional upside to be limited for now, to allow for these technical readings to unwind some more from stretched readings, before the market considers that next meaningful push. Initial support comes in at 9,721, though ultimately, the structure remains constructive while above 7,000.



- **R2 14,335**- 15 January high (2018) - Strong
- **R1 13,748** - 26 June/2019 high - Medium
- **S1 9,721** - 2 July low - Medium
- **S2 8,935** - 19 June low - Strong

BTCUSD - fundamental overview

Bitcoin is enjoyed a spectacular run in the second quarter of 2019, racing to fresh yearly highs, surging through 10k, on the back of increased adoption and a clear readiness for the investment community to welcome the new digital asset into the mainstream. The news of tech giants now turning towards a world of crypto transactions has given Bitcoin a major boost, with the latest moves over at Facebook, only serving to give crypto assets additional credibility. The market is going through a period of technical adjustment after the fierce run up, though we anticipate renewed demand from institutional players into dips.

BTCUSD - Technical charts in detail

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ETHUSD - technical overview

The recovery has recently accelerated to a fresh 2019 high, surging through medium-term resistance at 300 and back into critical previous support from back in 2018 around 355. The upside break suggests the market is now looking to establish a meaningful base, in favour of bullish structural shift. Still, shorter-term, the run was looking stretched and before we see that next major upside extension, expect rallies well capped, to allow extended readings to continue unwinding before the market gets going again. Initial support comes in at 272, though ultimately, the structure remains constructive while above 200.



- **R2 400** - Psychological - Strong
- **R1 363** - 26 June/**2019 high** - Medium
- **S1 272** - 2 July low - Medium
- **S2 260** - 19 June low - Strong

ETHUSD - fundamental overview

There has been a lot more buzz around adoption following the Q2 2019 Bitcoin surge, with many mainstream names coming out in support of blockchain integration. Demand for web 3.0 applications is on the rise, and Ethereum is the blockchain with the biggest front end application potential. At the same time, profit taking in the aftermath of the rapid Q2 appreciation has triggered a healthy period of consolidation, while worry associated with fallout in the global economy, could be a theme that keeps the more risk correlated crypto asset weighed down, or at least underperforming relative to Bitcoin in the second half of the year.



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