

Global FX Insights

by LMAX Exchange Research & Analytics

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

Economic Calendar Heats Up [Wake-up call](#)

The market is feeling a little less uneasy into Tuesday, getting some relief from the lack of fireworks out of the North Korea summit. But there is a lot going on in Tuesday trade, with plenty of room for volatility. UK employment, Eurozone ZEW and US CPI ahead.

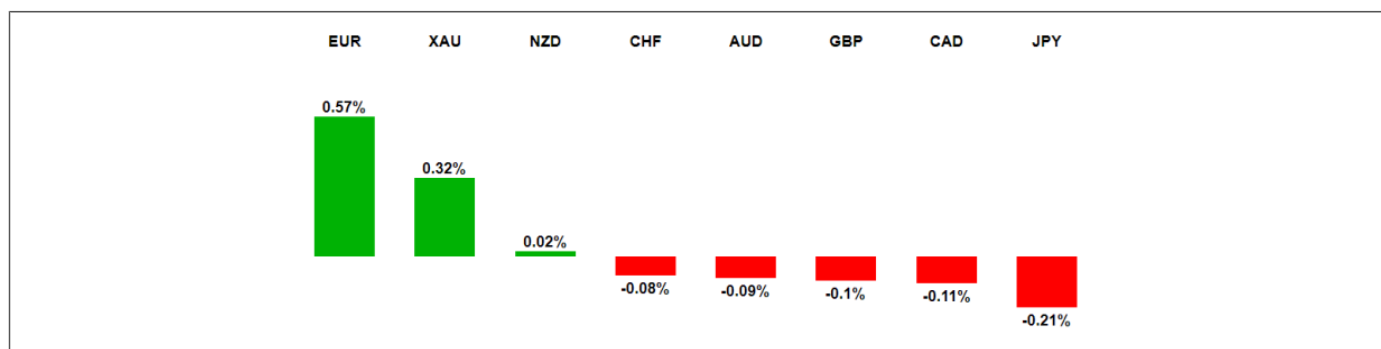
Technical highlights [Daily Video](#)

- **EURUSD** Room for recovery to extend
- **GBPUSD** Bullish back above 1.3620
- **USDJPY** Overall structure still bearish
- **EURCHF** Ready for return to 1.1500
- **AUDUSD** Upside move corrective
- **USDCAD** Plenty of choppy price action
- **NZDUSD** Recovery within downtrend
- **US SPX 500** Expected to stall out
- **GOLD** (spot) Well supported on dips
- **BTCUSD** Retest of 2018 low possible
- **ETHUSD** Loses bullish grip

Fundamental highlights

- **EURUSD** Eurozone, German ZEW surveys
- **GBPUSD** Commons vote, UK earnings out
- **USDJPY** North Korea summit goes off quietly
- **EURCHF** SNB battle ahead on equities extended
- **AUDUSD** Aussie business readings disappoint
- **USDCAD** Loonie worries more about NAFTA
- **NZDUSD** US protectionism has impact
- **US SPX 500** Fed model will be important to watch
- **GOLD** (spot) Metal demand reflects uncertainty
- **BTCUSD** Still feeling the effects of 2017 bubble
- **ETHUSD** Macro risk exposes correlated asset

Five day performance v. US dollar



Suggested reading

- **The Mystery of Puny Pay Raises**, N. Smith, Bloomberg (June 11, 2018)
- **Crunch Votes on Brexit – What to Expect**, J. de la Mare, Financial Times (June 11, 2018)

EURUSD – technical overview

Despite the latest round of setbacks into the 1.1500 area, the Euro remains confined to a medium term uptrend, with any additional weakness expected to be limited. Daily studies are already turning back up after the market finally dropped back to retest a major previous resistance turned support zone in the form of the breakout area from 2017. A daily close back above 1.1841 will strengthen the constructive outlook.



- R2 1.1855 – 16May high – Strong
- R1 1.1841 – 7Jun high – Medium
- S1 1.1728 – 8Jun low – Medium
- S2 1.1618 – 1Jun low – Strong

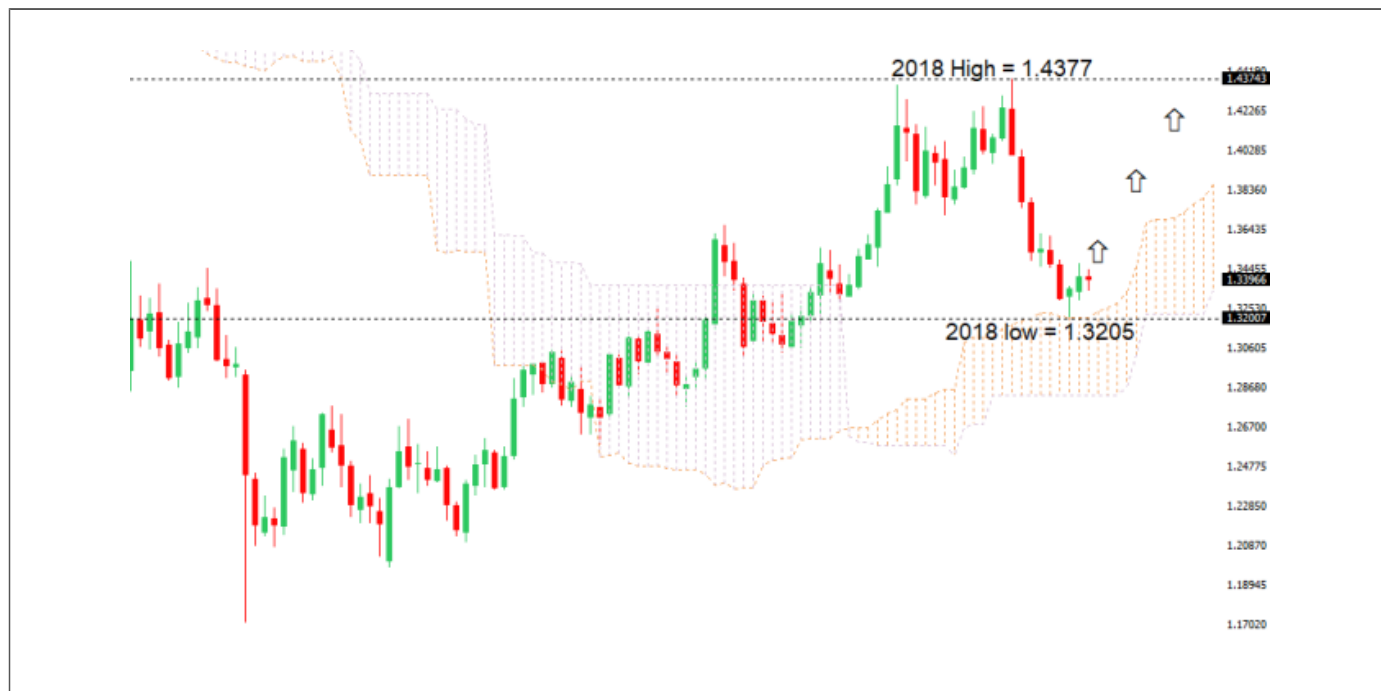
EURUSD – fundamental overview

There's been renewed demand for the Euro after the currency had been hit hard since mid-April. More bids have come into the market since this week, on the back of hawkish ECB speak and expectations for an ECB QE exit announcement at this week's ECB meeting. A recent run of data out of the Eurozone has also been more encouraging, while defused risk associated with Eurozone politics have done nothing to hurt the Euro's cause either. On Monday, Italian FinMin comments that the idea of leaving the Euro was out of the question offered more reassurance on this front. Meanwhile, on the other side of the equation, the US Dollar has come under pressure of its own as the US administration moves ahead with its protectionist, soft Dollar policy campaign. Looking ahead, key standouts come in the form of German and Eurozone ZEW surveys and US CPI.

EURUSD – Technical charts in detail

GBPUSD – technical overview

Overall, the structure remains constructive on a medium to longer term basis, despite a recent round of intense setbacks. The market will look to hold up above the weekly Ichimoku cloud and a higher low is sought out for a bullish continuation. Ultimately, only a sustained break back below 1.3000 would force a rethink, while a continued recovery and push back above 1.3620 will strengthen the constructive outlook.



- R2 1.3492 – 22May high – Strong
- R1 1.3473 – 7Jun high – Medium
- S1 1.3345 – 11Jun low – Medium
- S2 1.3296 – 4Jun low – Strong

GBPUSD – fundamental overview

Monday, was not a good day for the Pound, with the currency underperforming on the back of an ugly round of economic data in the form of trade, industrial and manufacturing production and NIESR GDP estimates. The spotlight will continue to be on the UK today, with critical employment and earnings data out, also accompanied by the start to voting on Brexit related amendments in the House of Commons. Nevertheless, the Pound has been trying to extend its recovery out from a recent 2018 low, with a lot of this demand coming from a wave of renewed Dollar selling as the US administration pushes forward with its protectionism campaign. Later in the day, we get a critical US CPI reading which will likely inspire volatility as the market contemplates the impact on this week's Fed decision.

GBPUSD – Technical charts in detail

Watch now

USDJPY – technical overview

Rallies continue to be very well capped in the major pair, with the medium-term outlook still favouring lower tops and lower lows. A recent topside failure resulting in a bearish outside week has strengthened the outlook, which may have set the stage for a drop back down to retest the 2018 low in the 104s. A break back above 111.40 would now be required to take the pressure off the downside.



- R2 110.46 – 15May high – Strong
- R1 110.27 – 6Jun high – Medium
- S1 109.20 – 8Jun low – Medium
- S2 108.73 – 1Jun low – Strong

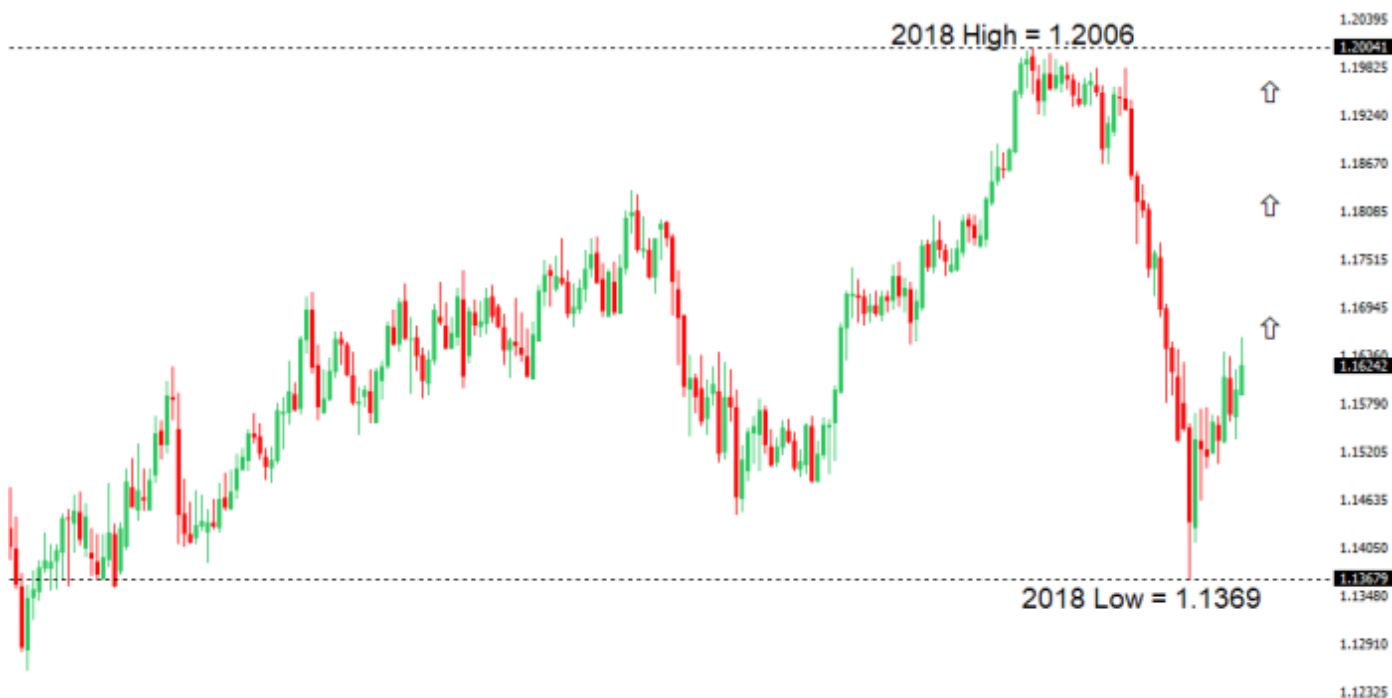
USDJPY – fundamental overview

Overall, the major pair is still very much correlated to risk sentiment and less focused on Japanese data. Investor appetite has been running strong despite ongoing worry of global trade wars, which has helped to inspire recent Yen declines. Yield differentials also play a part here, with the latest US jobs report making a compelling argument for a 4th rate hike from the Fed in 2018. We've also seen some demand as geopolitical risk is defused into Tuesday with no fireworks coming out of the North Korea summit. Nevertheless, we caution against sustained rallies in the major pair, with the risk rally in question amidst fallout from the G7, much of which is about a US administration now committed to soft Dollar policy. Looking ahead, US CPI is the big release for the day.

Watch now

EURCHF – technical overview

The market is working off an intense round of setbacks resulting in extended studies and a fresh 2018 low. Overall however, the rate has been trending higher and only a sustained break back below this recently established yearly low in the 1.1300s would suggest otherwise. Looking for a daily close back above 1.1641 to strengthen the outlook.



- R2 1.1700 – Figure – Strong
- R1 1.1641 – 6Jun high – Medium
- S1 1.1508 – 5Jun low – Medium
- S2 1.1369 – 29May/2018 low – Strong

EURCHF – fundamental overview

The SNB will need to be careful right now, as its strategy to weaken the Franc could face headwinds from the US equity market. The record run in the US stock market has been a big boost to the SNB's strategy with elevated sentiment encouraging Franc weakness. Of course, the SNB is no stranger to this risk, given a balance sheet with massive exposure to US equities. But any signs of a more intensified liquidation on that front in 2018, will likely invite a very large wave of demand for the Franc, which will put the SNB in a more challenging position to prevent appreciation in the Franc.

AUDUSD – technical overview

Overall, it's been a sequence of lower tops and lower lows on the daily chart, with setbacks extending below the 0.7500 barrier and exposing a possible retest of the 2017 low at 0.7330 further down. Any rallies are classified as corrective in search of a lower top for bearish continuation, with only a break back above 0.7815 to take the immediate pressure off the downside.



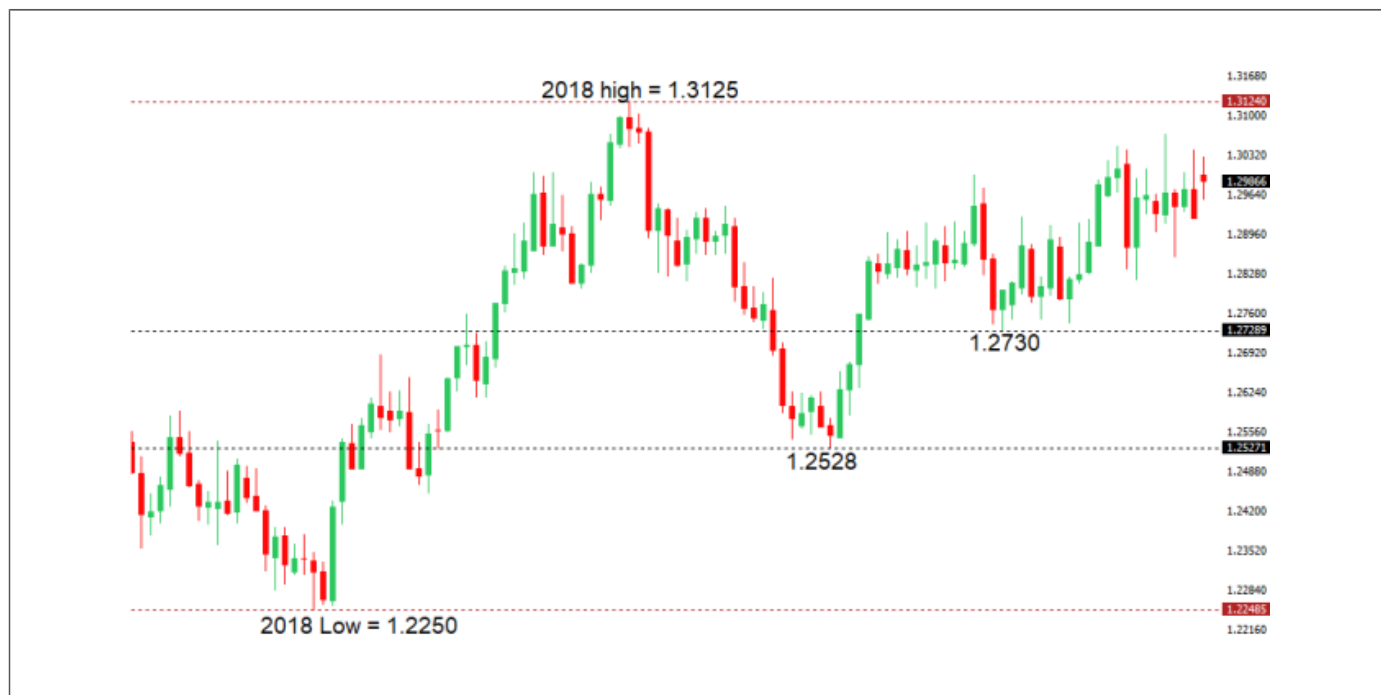
- R2 0.7700 – Figure – Strong
- R1 0.7677 – 6Jun high – Medium
- S1 0.7561 – 8Jun low – Medium
- S2 0.7477 – 30May low – Strong

AUDUSD – fundamental overview

Last week's RBA decision offered no surprises and hasn't factored into price action. Overall, the Australian Dollar will be most focused on the bigger picture drivers, leaving the currency in a position where it will need to decide if it wants to be rallying on the back of renewed broad based weakness in the US Dollar on account of US protectionism and soft Dollar policy, or selling off on what could be resulting deterioration in global sentiment. Earlier today, Aussie was weighed down on disappointing business conditions and business confidence readings, but was supported on the lack of fireworks out from the North Korea summit. Looking ahead, US CPI will be main calendar risk for the remainder of the day.

USDCAD – technical overview

Overall, there are signs of basing after months of downside pressure. Look for any setbacks to now be well supported ahead of 1.2700, in favour of the next major upside extension through 1.3125 and towards 1.3500 further up. Ultimately, a break back below 1.2730 would be required to negate the medium term constructive outlook.



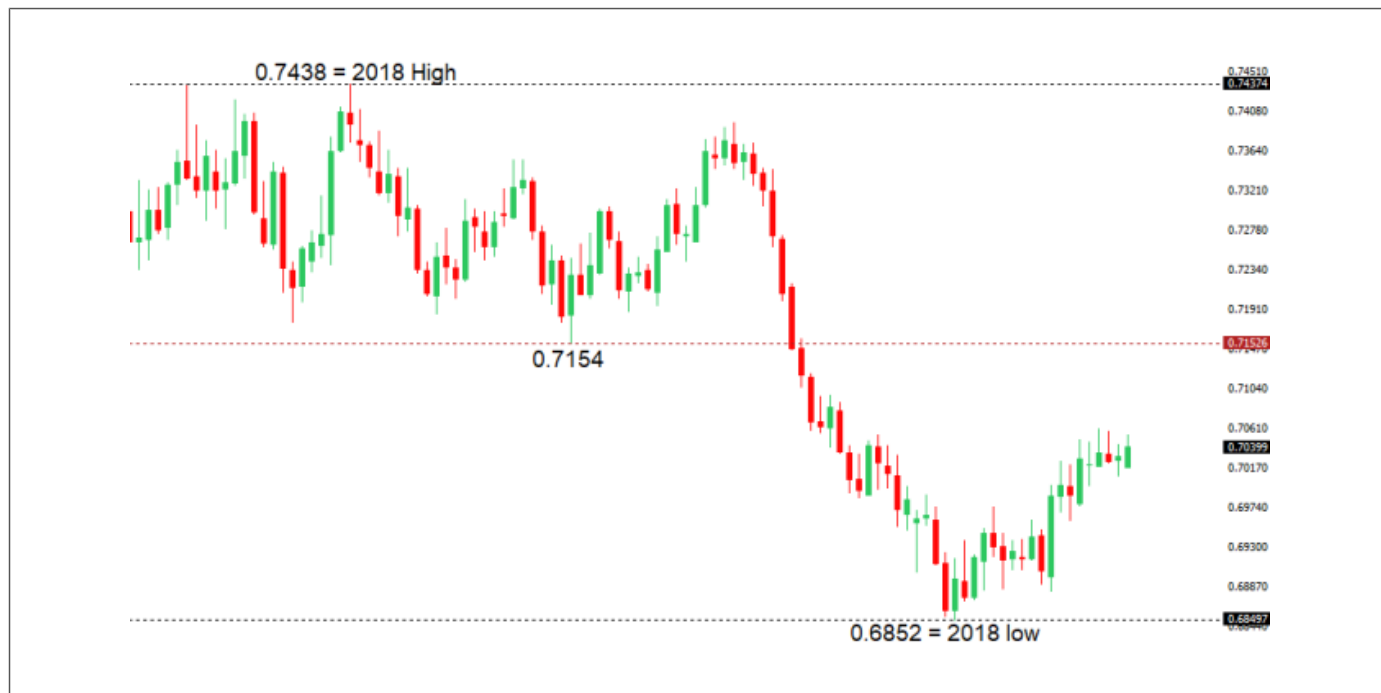
- R2 1.3125– 19Mar/2018 high – Strong
- R1 1.3068 – 5Jun high – Medium
- S1 1.2858 – 6Jun low – Medium
- S2 1.2819 – 31May low – Strong

USDCAD – fundamental overview

The Canadian Dollar is trying to figure out if it should be rallying in reaction to a US protectionism initiative that ultimately should lead to a softer US Dollar by the design of the US administration, or if it should be selling off given the direct impact on the Canadian economy. Canada has not been happy with US tariffs and reports of additional penalties, all of which opens the door to more uncertainty over the fate of NAFTA. And these worries have only intensified post G7 on tension between Trump and Trudeau. Ultimately, all of this should keep the Canadian Dollar well capped into rallies, despite the soft US Dollar policy. Looking ahead, absence of first tier data out of Canada will leave the focus on US CPI.

NZDUSD – technical overview

The market is in the process of turning up after trading down to a fresh 2018 low. But any rallies are now expected to be very well capped ahead of 0.7200, with only a break back above the barrier to negate the bearish outlook.



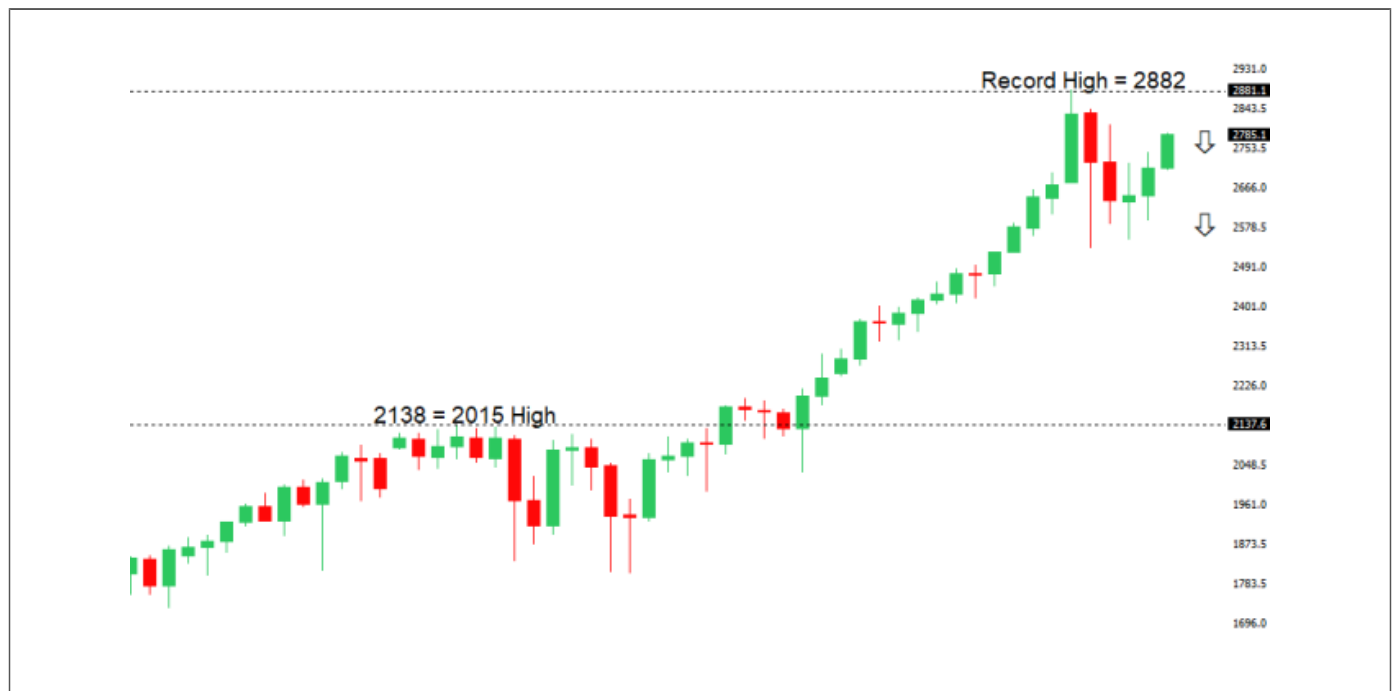
- R2 0.7097 – 27Apr high – Strong
- R1 0.7061 – 6Jun high – Medium
- S1 0.6961 – 1Jun low – Strong
- S2 0.6900 – Figure – Medium

NZDUSD – fundamental overview

The New Zealand Dollar has held up surprisingly well of late, given an outlook for the Kiwi rate that is decidedly less rosy on account of diverging monetary policy and yield differentials. The RBNZ has pushed back its timeline for rate hikes, while Governor Orr has also welcomed New Zealand Dollar weakness. The RBNZ also released a paper in May outlining its willingness to consider a more dovish course. Kiwi demand has come from external factors with soft Dollar policy and rallying US equities attributed to rallies. Looking ahead, US CPI data will be the main risk on Tuesday's economic calendar.

US SPX 500 – technical overview

A market that has been extended on the monthly chart is finally showing signs of stalling out off the January record high, allowing for stretched monthly readings to unwind. Any rallies should now be very well capped ahead of 2800 in favour of continued weakness back below the yearly low and eventually towards a retest of strong longer-term resistance turned support in the form of the 2015 high at 2140.



- R2 2807 – 13Mar high – Strong
- R1 2800 – Psychological – Medium
- S1 2704 – 15May low – Medium
- S2 2656 – 8May low – Strong

US SPX 500 – fundamental overview

Investor immunity to downside risk is not looking as strong these days and there's a clear tension out there as the VIX starts to rise from unnervingly depressed levels. The combination of Fed policy normalisation, US protectionism, and geopolitical tension have been capping the market into rallies in 2018, with any renewed setbacks at risk of intensifying on the prospect for the reemergence of inflationary pressure. Overall, we expect the bigger picture theme of policy normalisation to continue to weigh on investor sentiment into rallies. The Fed has also finally acknowledged inflation no longer running below target, something that makes equity market valuations far less attractive at current levels, given the implication this could have on rates. We also recommend keeping a much closer eye on the equities to ten year yield comparative going forward as this could be something that inspires a more aggressive decline.

GOLD (SPOT) – technical overview

Setbacks have been well supported over the past several months, with the market continuing to put in higher lows and higher highs. Look for some more chop followed by an eventual push above massive resistance in the form of the 2016 high at 1375. This will then open the door for a much larger recovery in the months ahead. In the interim, setbacks are expected to be well supported ahead of 1250.



- R2 1375 – 2016 high – Very Strong
- R1 1326 – 11May high – Medium
- S1 1289 – 1Jun low – Medium
- S2 1282 – 21May/2018 low – Strong

GOLD (SPOT) – fundamental overview

Solid demand from medium and longer-term players persists, 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 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. Certainly the US Dollar under pressure has added 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. The 2016 high at 1375 is a massive level that if broken and closed above, could be something that triggers a widespread panic and rush to accumulate more of the hard asset.

BTCUSD – technical overview

The overall pressure remains on the downside and a break back above 10,000 will be required at a minimum to alleviate this pressure. Still, the market is working hard to hold up above the yearly low from February into this latest drop to keep the possibility open for higher base off the yearly low and renewed upside momentum.



- R2 8,590 – 21May high – Strong
- R1 7,800 – Figure – Medium
- S1 6,500 – Psychological – Medium
- S2 6,000 – 6Feb/2018 low – Strong

BTCUSD – fundamental overview

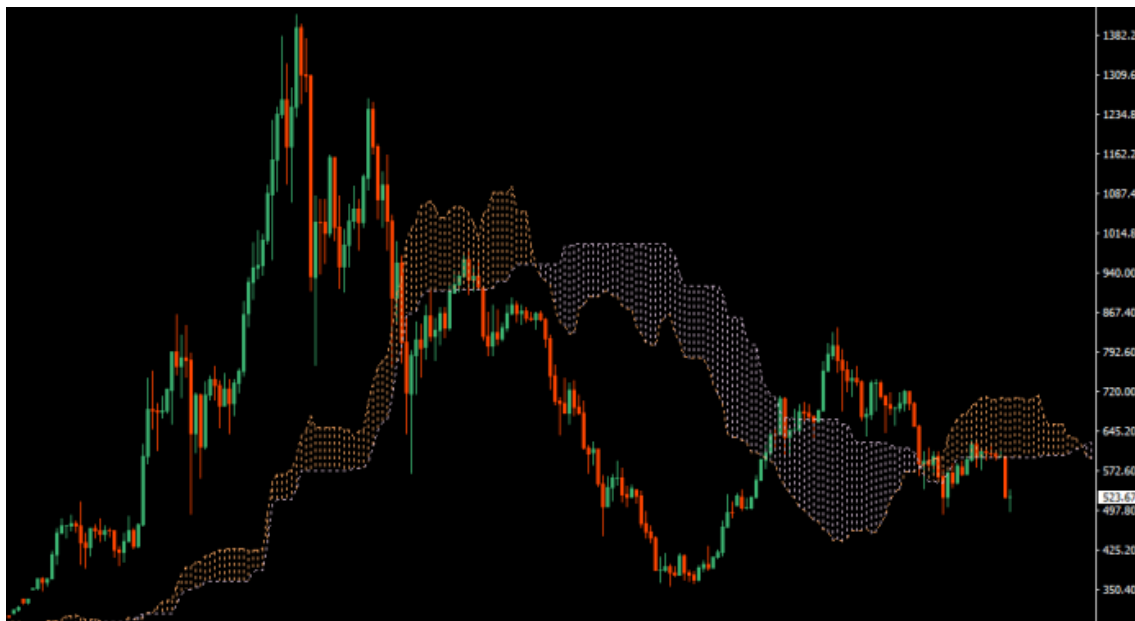
Bitcoin has been under pressure in 2018, with ramped up regulatory oversight and government crackdowns forcing many holders to exit positions. The market is also coming back to earth after a euphoric 2017 run that had bubble written all over. Bitcoin has struggled on the transaction side as well, with transactions per second still a major drawback, even with the Lightning network.

BTCUSD – Technical charts in detail

[Watch now](#)

ETHUSD – technical overview

The market remains under pressure after being unable to hold back above the daily Ichimoku cloud, leaving the downtrend firmly intact. While the price holds below the cloud, there is scope for deeper setbacks back towards a retest and possible break of the 2018 low. Back above 630 will be required at a minimum, to take the immediate pressure off the downside.



- R2 838 – 6May high – Strong
- R1 630 – 3Jun high – Medium
- S1 490 – 28May low– Strong
- S2 400 – Psychological – Strong

ETHUSD – fundamental overview

Ether remains under pressure in 2018 and we see more downside risk here given the bigger exposure to regulatory oversight and extended global equities. Monetary policy normalization and an anticipated reduction in global risk appetite should put a tremendous strain on ERC20 projects that are very much correlated to risk.



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