

# Global FX Insights

by LMAX Exchange Research & Analytics

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

## Lira Collapse Sends Shockwaves Through Markets [Wake-up call](#)

The collapse in the Turkish Lira has sent shock-waves through financial markets, with risk coming off in a big way as a result. The market is back to thinking about systemic risk and contagion, and the US Dollar has found yet another wave of demand on account of its safety status.

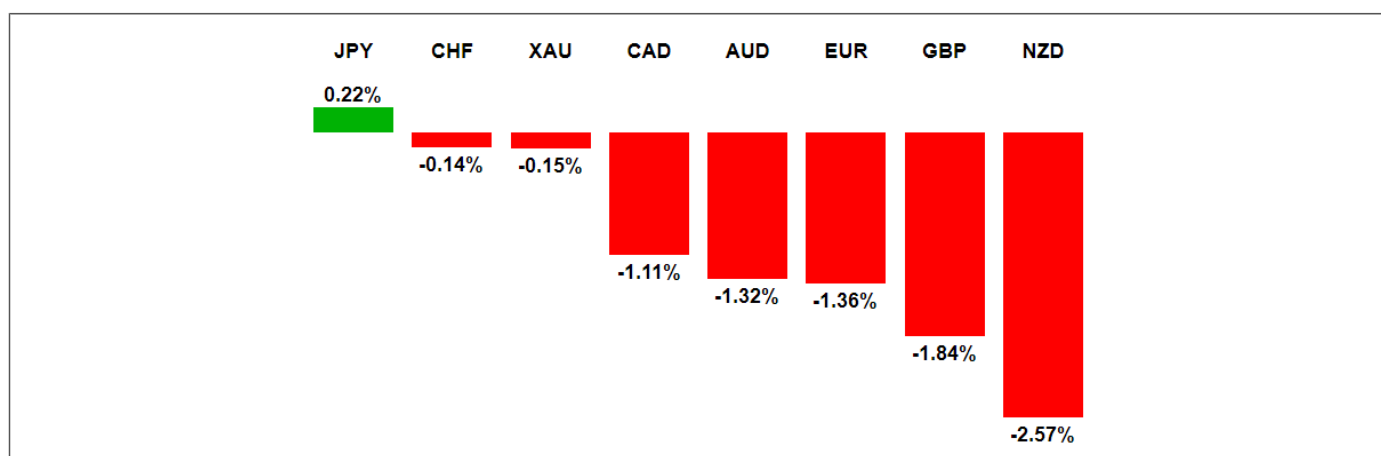
### Technical highlights [Daily Video](#)

- **EURUSD** Sinks the range low
- **GBPUSD** Drops into critical zone
- **USDJPY** Risk for deeper setbacks
- **EURCHF** Pressure shifts to downside
- **AUDUSD** Extends run of declines
- **USDCAD** Bullish consolidation phase
- **NZDUSD** No signs of bottom just yet
- **US SPX 500** Major double top in works
- **GOLD** (spot) Trying to turn back up
- **BTCUSD** Considers bearish resumption
- **ETHUSD** Looking at July 2017 low

### Fundamental highlights

- **EURUSD** Euro takes backseat to all things trade wars
- **GBPUSD** Pound desperate for Brexit turnaround
- **USDJPY** Yen caught between diverging flow
- **EURCHF** SNB policy outlook gets complicated
- **AUDUSD** Aussie stands out as relative outperformer
- **USDCAD** Saudi Arabia lashes out on Canada
- **NZDUSD** RBNZ decision digested on Thursday
- **US SPX 500** Fed model will be important to watch
- **GOLD** (spot) Plenty of institutional demand
- **BTCUSD** SEC delays ETF decision, rocks crypto
- **ETHUSD** Extended equities a worry for Ethereum

### Performance v. US dollar since weekly open



### Suggested reading

- [Erdogan Answers Lira's Pleas With an Ottoman Slap](#), M. Gilbert, Bloomberg (August 10, 2018)
- [Key UK Data, South African Leaders Meet](#), V. Kortekaas, Financial Times (August 11, 2018)

## EURUSD – technical overview

The Euro has extended its run of 2018 declines, breaking down below critical support at 1.1500. The bearish break ends a period of multi-week consolidation and opens the door for a bearish continuation towards a measured move extension target around 1.1200, which roughly coincides with a major 61.8% fib retrace off the 2017 low to high move. At this point, it would take a break back above 1.1630 to take the immediate pressure off the downside.



- R2 1.1537 – 10Aug high – Strong
- R1 1.1500 – Psychological – Medium
- S1 1.1369 – 13Aug/2018 low – Medium
- S2 1.1337 – 4Jul low, 2017 – Strong

## EURUSD – fundamental overview

The Euro has dropped to a fresh 2018 low, taking out barriers at 1.1500 as fears of contagion take hold on the back of this latest collapse in the Turkish Lira. Tensions between the US and Turkey have escalated on the story of the jailed American pastor and the ECB Single Supervisory Mechanism see BBVA, Unicredit and BNP Paribas particularly exposed to this drama, given their respective exposures to the Lira. Additional downside pressure in the single currency has also come from broader risk off flow, with a reversal in US equities fueling liquidation in EURCHF longs. There is no first tier data scheduled for release on the Monday calendar.

## EURUSD – Technical charts in detail

**Watch now**

## GBPUSD – technical overview

The breakdown has extended into the 1.2700s, which coincides with a massive previous resistance zone from back in 2016 off the +30 year low. Technical studies are highly extended and warn of an imminent reversal, with any additional weakness expected to be well supported above 1.2500. Look for a break and close back above 1.3000 to strengthen the case for a meaningful low and start to a much bigger recovery back towards the 2018 high up in the 1.4300s.



- R2 1.2912 – 9Aug high – Strong
- R1 1.2838 – 10Aug high – Medium
- S1 1.2724 – 10Aug/2018 low – Strong
- S2 1.2700 – Figure – Medium

## GBPUSD – fundamental overview

Friday's batch of data out of the UK was actually quite pleasant (GDP, industrial output and construction), though this did nothing to prevent the Pound from extending its intense run of declines in 2018. The weakness was more a function of the broad based US Dollar demand on the back of flight to safety flow from systemic risk associated with the collapse in the Turkish Lira. Even the UK's Chancellor of the Exchequer, Philip Hammond, was out with some upbeat comments on Brexit, saying he was confident the UK will get a deal done. There is no first tier data on Monday's calendar.

## GBPUSD – Technical charts in detail

[Watch now](#)

## USDJPY – technical overview

Rallies continue to be very well capped, with the medium-term outlook still favouring lower tops and lower lows. Look for a daily close back below 110.00 to strengthen the bearish outlook, opening the door for the start to a move back down towards 108.00 which guards against the 104.60 area 2018 low.



- R2 112.16 – 1Aug high – Strong
- R1 111.53 – 6Aug high – Medium
- S1 110.00 – Psychological – Medium
- S2 109.37 – 25Jun low – Strong

## USDJPY – fundamental overview

Ongoing worry associated with the impact of global trade tension has been weighing on the major pair in recent sessions, offsetting a good deal of demand on the back of broad based demand for the US Dollar. Of course, any signs of the US administration making headway with its soft Dollar policy efforts, or further liquidation in US equities, will also invite another wave of risk off flow, which could further accelerate USDJPY declines. Monday's calendar is empty.

**Watch now**

## EURCHF – technical overview

The latest breakdown to a fresh 2018 low puts the pressure back on the downside and now exposes deeper setbacks towards next key support which comes in between 1.1200 and 1.1260. At this point, it would take a push back above 1.1715 to alleviate downside pressure.



- R2 1.1560– 8Aug high – Strong
- R1 1.1462 – 10Aug high – Medium
- S1 1.1293 – 13Aug/2018 low – Medium
- S2 1.1260– Aug 2017 low – Strong

## EURCHF – fundamental overview

The SNB will need to be careful right now, as its strategy to weaken the Franc is facing headwinds from a less certain global outlook. The record run in US equities that has extended into 2018 has been a big boost to the SNB’s strategy with the 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 sustained risk liquidation in the second half of this year, will likely invite a very large wave of demand for the Franc, which will put the SNB in the more challenging position of needing to prevent appreciation in the Franc.

## AUDUSD – technical overview

A period of multiday consolidation has come to an end, with the market breaking down to fresh 2018 lows and now at risk for a deeper setbacks towards 0.7000. At this point, it would take a break back above 0.7485 to take the immediate pressure off the downside.



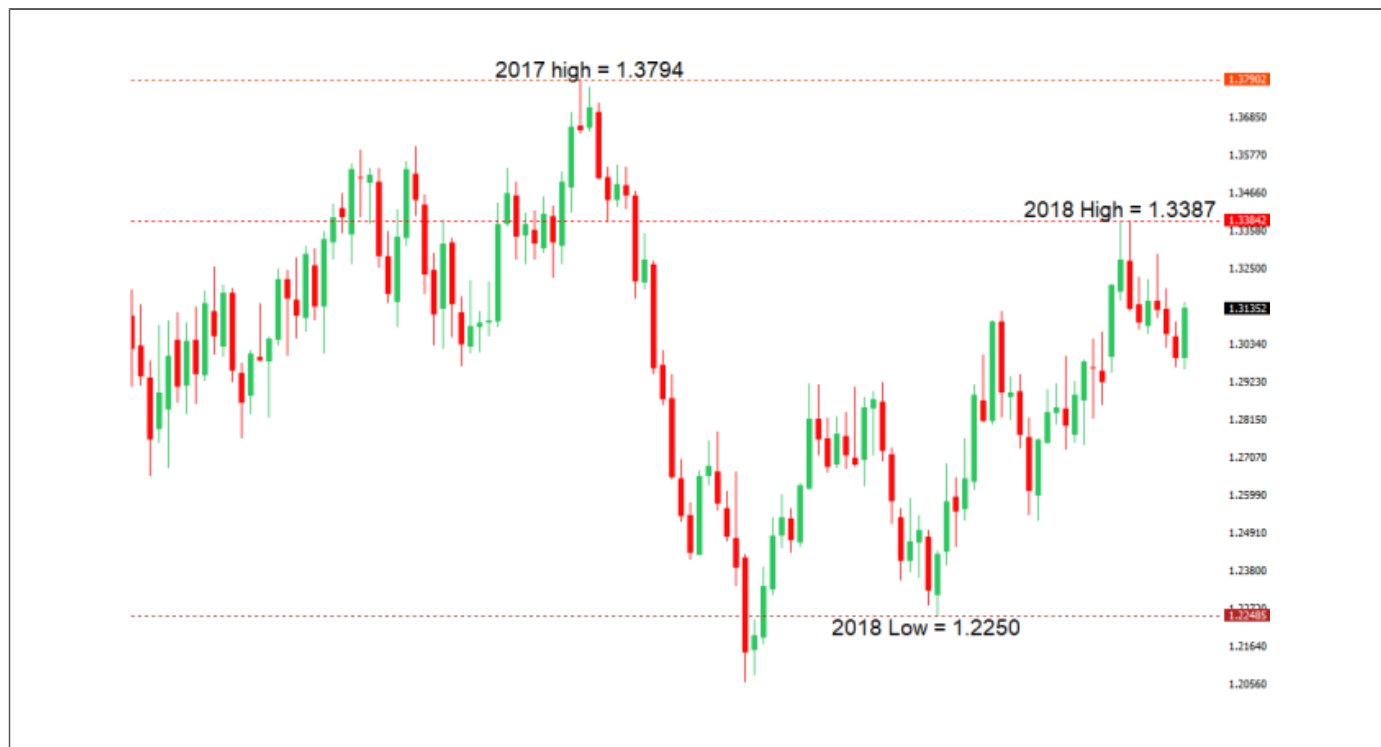
- R2 0.7485 – 10Jul high – Strong
- R1 0.7381– 10Aug high – Medium
- S1 0.7264 – 13Aug/2018 low – Medium
- S2 0.7200– Figure – Medium

## AUDUSD – fundamental overview

The Australian Dollar has seen a fresh 2018 declines on the back of this latest wave of broad based US Dollar demand associated with global uncertainty and systemic risk. The local fundamentals have been less influential in the price action, though it's worth noting the latest RBA SOMPs was out talking the need for higher rates at some point despite inflation being below target through 2020. Looking ahead, there is no first tier data on Monday's calendar.

## USDCAD – technical overview

The market has been trending up in 2018, extending its run of gains and thinking about a push to retest of the 2017 high around 1.3800. The uptrend has however entered a corrective phase, which could still invite a deeper corrective decline before the next upside extension gets underway. Still, look for any weakness to be well supported ahead of 1.2700, with only a break back below this level to negate the constructive outlook.



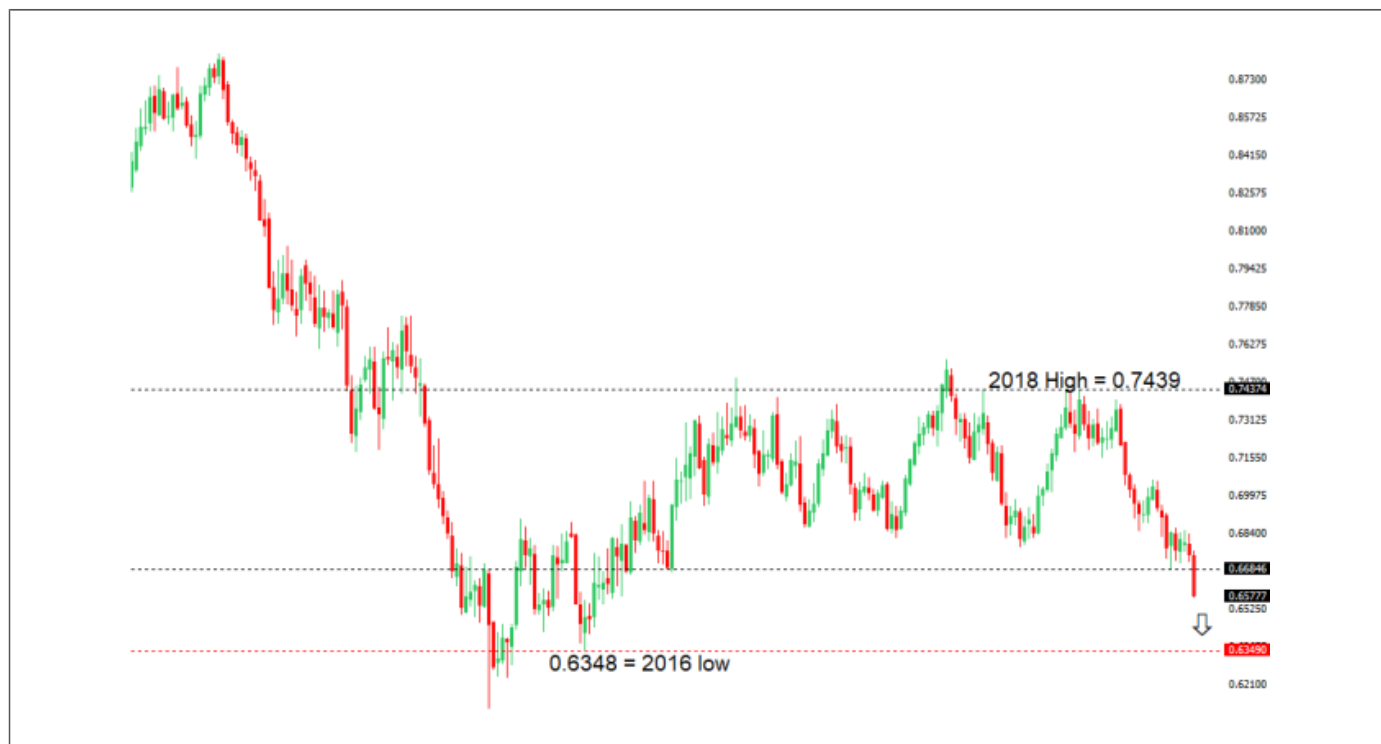
- R2 1.3192 – 24Jul high – Strong
- R1 1.3164 – 13Aug high – Medium
- S1 1.3040 – 10Aug low – Medium
- S2 1.2963 – 7Jun low – Strong

## USDCAD – fundamental overview

Friday's Canada jobs report was deceptive in that it produced a strong headline number, though upon closer glance, the full time change in employment was actually quite discouraging. This was also accompanied by a miss in the unemployment rate and resulted in Loonie declines. Of course, the broad based demand for the US Dollar on elevated uncertainty, was also seen as a major contributor to Canadian Dollar weakness. Looking ahead, absence of first tier data will leave the market focused on the bigger picture themes.

## NZDUSD – technical overview

A period of multi-day consolidation has come to an end, with the market extending its run of 2018 declines, sinking to its lowest levels since February 2016. Daily studies are however highly extended and there is risk building for a major correction. Look for any additional setbacks to be well supported around 0.6500 for the time being.



- R2 0.6689 – Previous 2018 low – Strong
- R1 0.6622 – 10Aug high – Medium
- S1 0.6545 – February 2016 low – Strong
- S2 0.6500 – Psychological – Strong

## NZDUSD – fundamental overview

The New Zealand Dollar has been hit hard in 2018, with setbacks accelerating to fresh 2.5 year lows on the back of this latest more dovish leaning RBNZ policy decision in which projections for rate hikes were pushed out, and on the back of broad based US Dollar demand as global uncertainty ramps up. Looking ahead, there is no first tier data for the remainder of the day.



## US SPX 500 – technical overview

A market that has been extended on the monthly chart is showing signs of potentially starting to top out, with the possibility for a massive double top formation. Any rallies should now continue to be very well capped around the record high from January, in favour of renewed weakness back below the 2530 area yearly low (double top neckline) and towards a retest of strong longer-term resistance turned support in the form of the 2015 high at 2140.



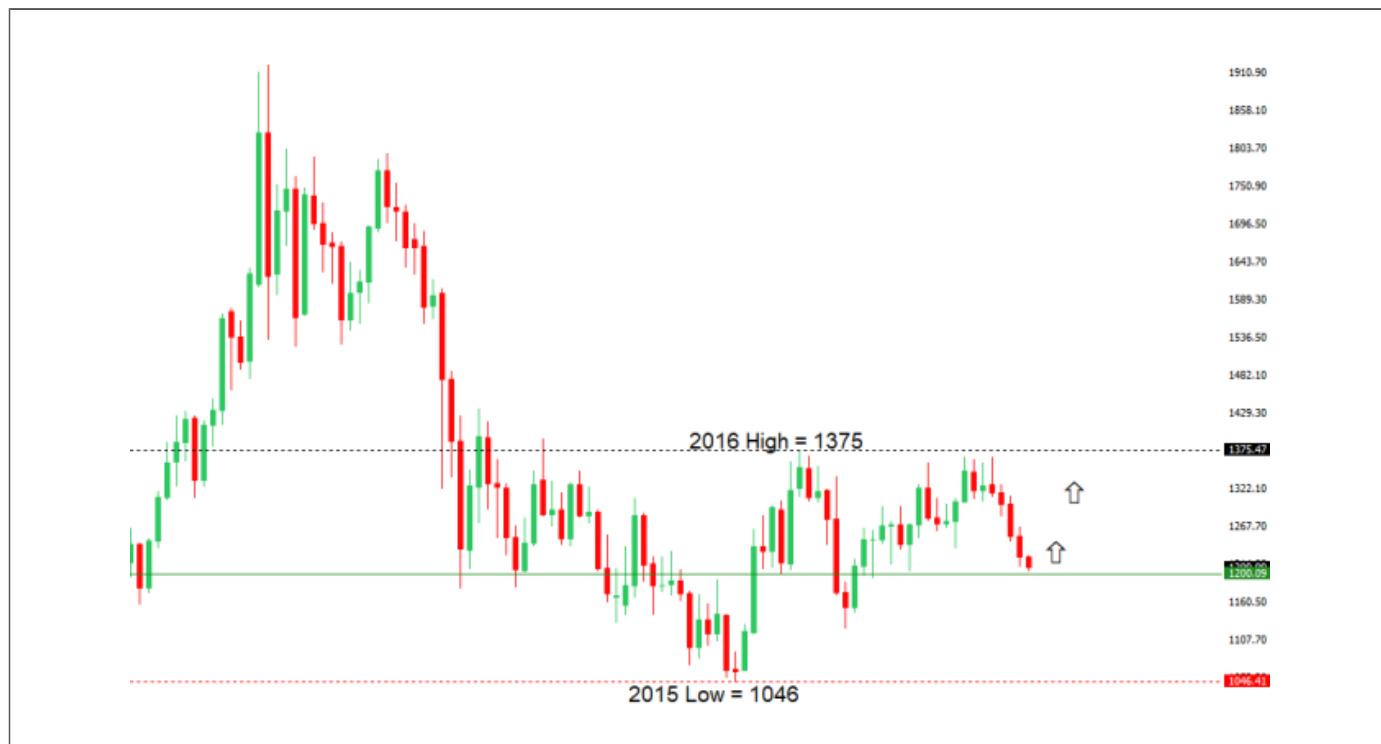
- R2 2882 – 29Jan/Record high – Strong
- R1 2865 – 7Aug high – Medium
- S1 2790 – 17Jul low – Medium
- S2 2765 – 11Jul low – Strong

## US SPX 500 – fundamental overview

Stocks have been bid right back towards the record highs, though investor immunity to downside risk is not as strong these days given the shift to policy normalisation. The combination of Fed policy normalisation (four rate hikes now signaled in 2018), US protectionism, geopolitical tension and unnervingly high levels of share buybacks are all warning of capitulation ahead despite this latest run. The Fed has also finally acknowledged inflation no longer running below target in 2018, something that could very well result in less attractive equity market valuations given the implication on rates. We 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

Despite a recent run of declines, the overall outlook remains constructive, with the market in the process of carving out a longer term base off the 2015 low. Look for any additional weakness to be well supported ahead of 1200 in favour of the next major upside extension back towards critical resistance in the form of the 2016 high at 1375. Key resistance comes in at 1266, with a push back above to strengthen the outlook.



- R2 1266 – 9Jul high – Strong
- R1 1236 – 26Jul high – Strong
- S1 1204 – 3Aug/2018 low – Medium
- S2 1200 – Psychological – Strong

## GOLD (SPOT) – fundamental overview

Despite intense setbacks in the yellow metal over the past several days, there continues to be solid demand from medium and longer-term accounts. These players 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 latest topside failure keeps the downtrend firmly intact and puts the pressure back on the downside, with a fresh lower top sought out around \$8,490, to be confirmed on a bearish continuation below the 2018 low. Only a break back above \$10,000 would negate and force a bullish structural shift, while back below the yearly low could open a more intensified decline towards \$3,000.



- R2 7,145 – 6Aug high – Strong
- R1 6,620 – 10Aug high – Medium
- S1 6,000 – 11Aug low – Medium
- S2 5,755 – 24Jun/2018 low – Strong

## BTCUSD – fundamental overview

Bitcoin is doing its best to try and hold up above \$5,000 after undergoing a massive decline in 2018. At the moment, the market is trying to find some stability, while also looking for additional clarity on the regulatory front. Last week news of the SEC delaying its decision on a cryptocurrency ETF has been the latest thorn at Bitcoin's side, resulting in less overall interest in the space. Ultimately, while it looks like there is a lot of light at the end of the tunnel, we suspect the market will need to get back above \$10k to really turn heads.

## BTCUSD – Technical charts in detail

[Watch now](#)

## ETHUSD – technical overview

The market remains under pressure in 2018, extending its run of intense declines to fresh 2018 lows. The next level of major support comes in around \$230, which goes back to the low from September 2017. Daily studies are however extended, which could warn of a corrective bounce ahead, though it would take a break back above \$515 to officially take the pressure off the downside.



- R2 435 – 1Aug high – Medium
- R1 410 – 7Aug high – Medium
- S1 300 – Psychological – Medium
- S2 230 – September 2017 low – Strong

## ETHUSD – fundamental overview

We've been seeing quite a bit of relative weakness in the price of Ether relative to Bitcoin in 2018 and there is still legitimate risk for deeper setbacks against the US Dollar this year, given technical hurdles within the Ethereum protocol, ongoing regulatory oversight and a global macro backdrop that would seemingly expose risk correlated projects on the Ethereum blockchain. Monetary policy normalisation and an anticipated reduction in global risk appetite could put a tremendous strain on ERC20 projects that have yet to even produce proper use cases and proof of concept. On Wednesday, the entire space was hit hard on the news of the SEC delaying its decision on a cryptocurrency ETF.



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