

Friday, December 13, 2019

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# Global FX Insights

by LMAX Exchange Research & Analytics

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

## Risk markets get major boost into Friday 🔊 [Wake-up call](#)

Two huge risk on events are propelling markets into Friday. The first is the news President Trump has signed off on the terms of a trade deal with China. The second is the news projecting a majority government in the UK election for the ruling Conservative party. US retail sales ahead.

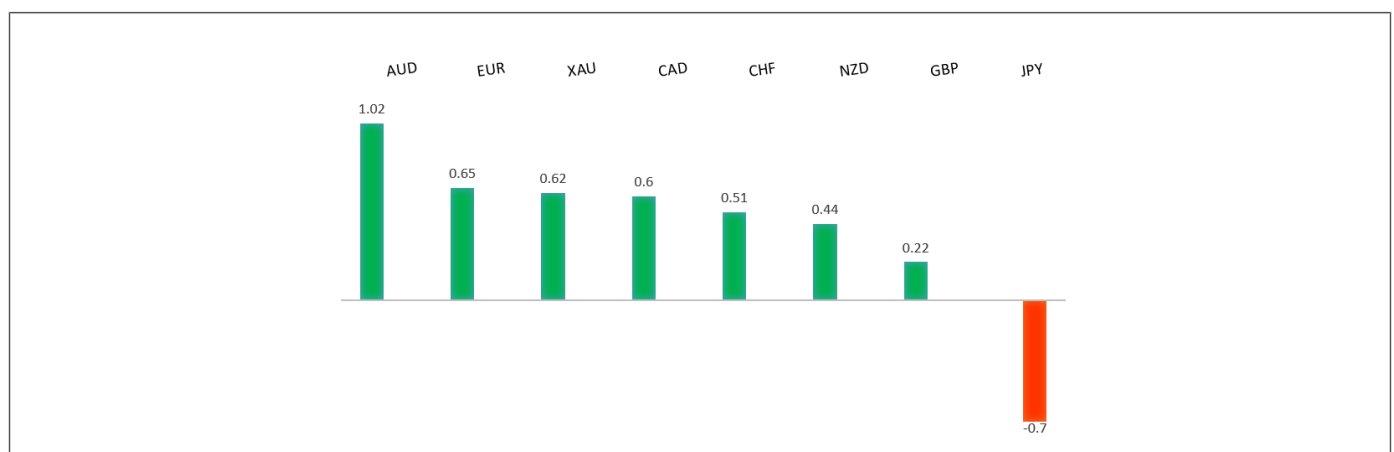
### Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Next big move seen higher, not lower
- [GBPUSD](#) Breaks to fresh 2019 high
- [USDJPY](#) Bearish while below 110 barrier
- [EURCHF](#) Rallies should be well capped for now
- [AUDUSD](#) Signs of longer-term bottoming
- [USDCAD](#) Setbacks should find support into dips
- [NZDUSD](#) Making its way back to the topside
- [US SPX 500](#) Tracking in overbought territory
- [GOLD](#) (spot) Room for another big push higher
- [BTCUSD](#) Constructive while above 6,000
- [ETHUSD](#) Solid support zone around 100

### Fundamental highlights

- [EURUSD](#) ECB holds as widely expected
- [GBPUSD](#) Pound rockets on majority projection
- [USDJPY](#) Yen sells off as trade deal looks close
- [EURCHF](#) SNB faces tougher battle with Franc
- [AUDUSD](#) Aussie yields get boost from risk on
- [USDCAD](#) **Governor Poloz** sounds upbeat
- [NZDUSD](#) Kiwi shrugs off softer data
- [US SPX 500](#) Record high on trade deal
- [GOLD](#) (spot) Pick up in hard asset demand
- [BTCUSD](#) More institutional demand expected
- [ETHUSD](#) Ether exposed to traditional markets

## 5 Day Performance vs. US dollar

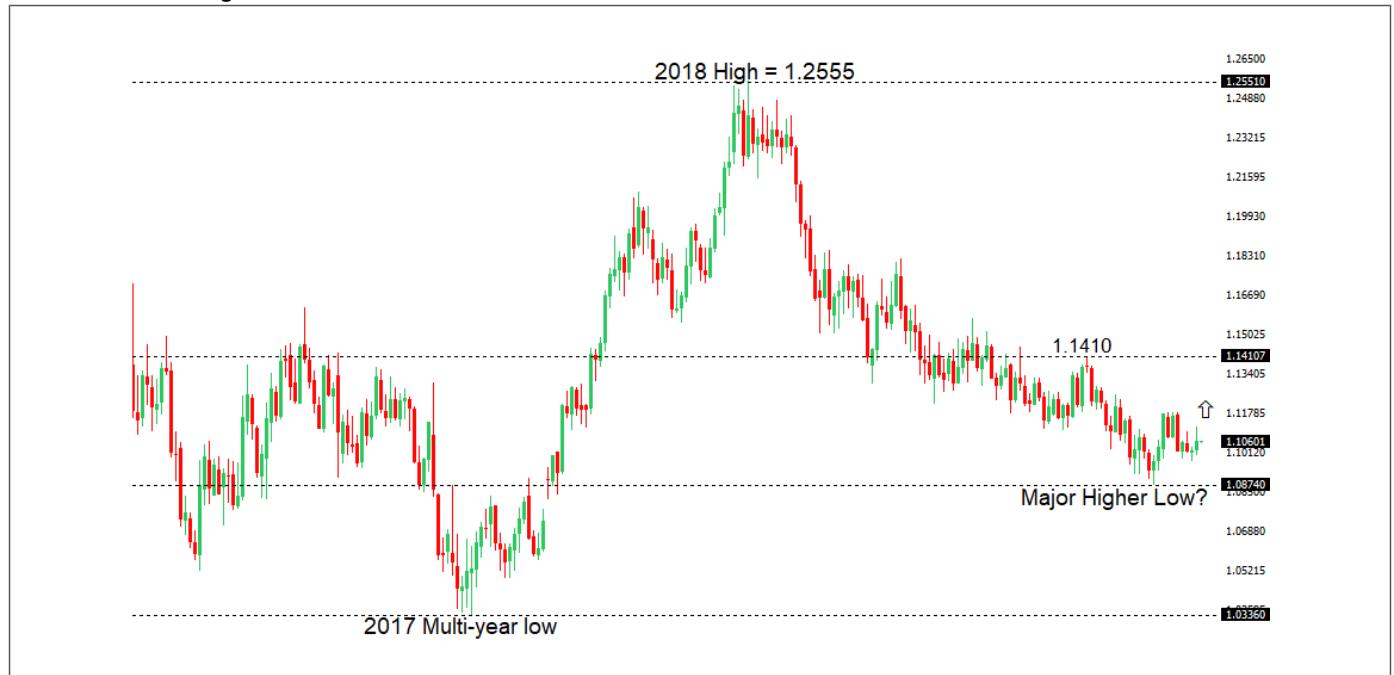


## Suggested reading

- [Just Buy All The Unicorns](#), M. Levine, **Bloomberg** (December 12, 2019)
- [Financial Stability Should be the Prime Objective](#), M. Buiters, **Project Syndicate** (December 11, 2019)

## EURUSD - technical overview

The **downtrend off the 2018 high is looking exhausted** and the prospect for a meaningful higher low is more compelling. A higher low is now sought out above the multi-year low from 2017, ahead of the next major upside extension. Only a weekly close back below 1.0800 would compromise this outlook. Back above 1.1412 will strengthen the view.



- **R2 1.1180** - 21 October high - Strong
- **R1 1.1155** - 12 December high - Medium
- **S1 1.0981** - 29 November low - Medium
- **S2 1.0941** - 8 October low - Strong

## EURUSD - fundamental overview

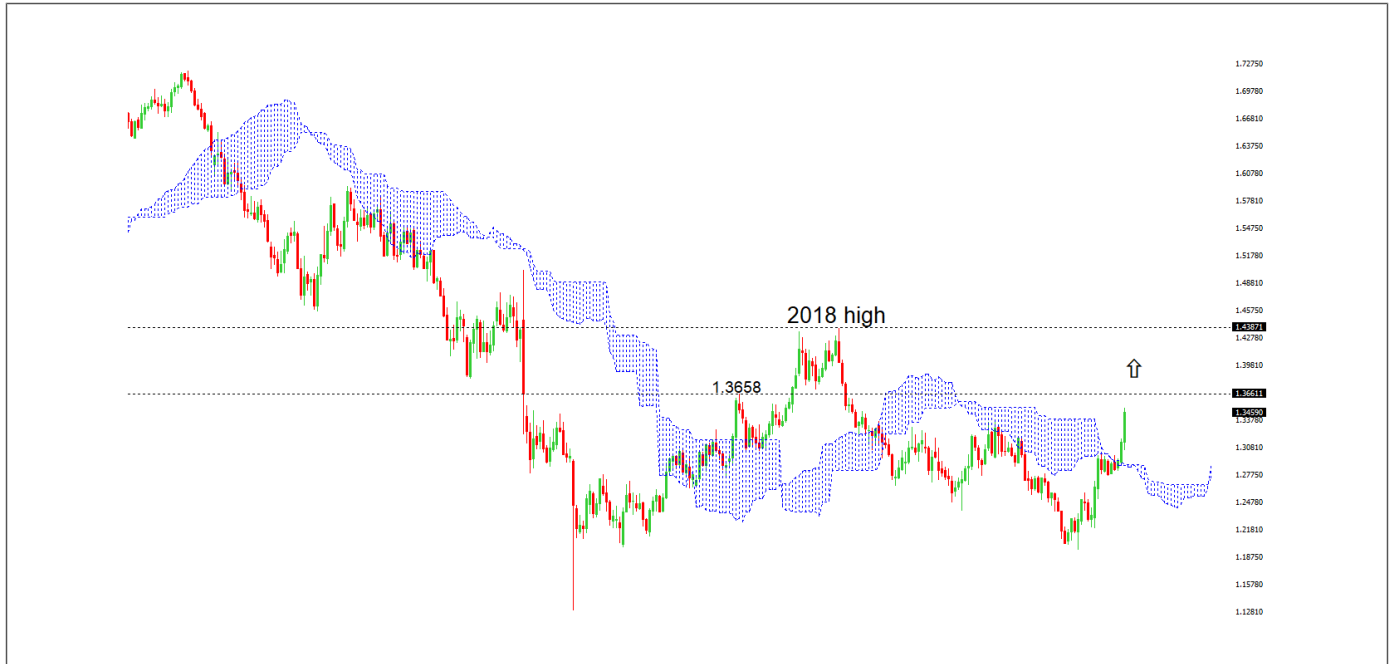
The **ECB kept rates on hold as expected** and said they would remain at 'present or lower levels' until inflation 'nears' its target, and 'bond buying will continue until shortly before rates are raised.' This was in line with market expectation and the Euro managed to extend its recent run on the back of the post central meeting rate differential implications. The Euro also got some help from risk on news around the US-China trade story (President Trump signing off on terms of trade deal), while also getting a push from softer US data, in the form of producer prices and initial jobless claims. Looking ahead, we get German wholesale prices, a speech from ECB Guindos, US retail sales, and US business inventories.

## EURUSD - Technical charts in detail

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## GBPUSD - technical overview

The market has seen a recovery out from the lowest levels since 2016, with the price now pushing back above the weekly Ichimoku cloud to signal a bullish structural shift. Next key resistance comes in the form of a monthly high from September 2017 at 1.3658. Daily studies are however looking extended, warning of a potential correction ahead. Still, setbacks should now be well supported into the 1.3000 area.



- **R2 1.3658** - September 2017 high - Strong
- **R1 1.3515** - 12 December/**2019 high** - Medium
- **S1 1.3230** - 12 December high - Medium
- **S2 1.3050** - 12 December low - Strong

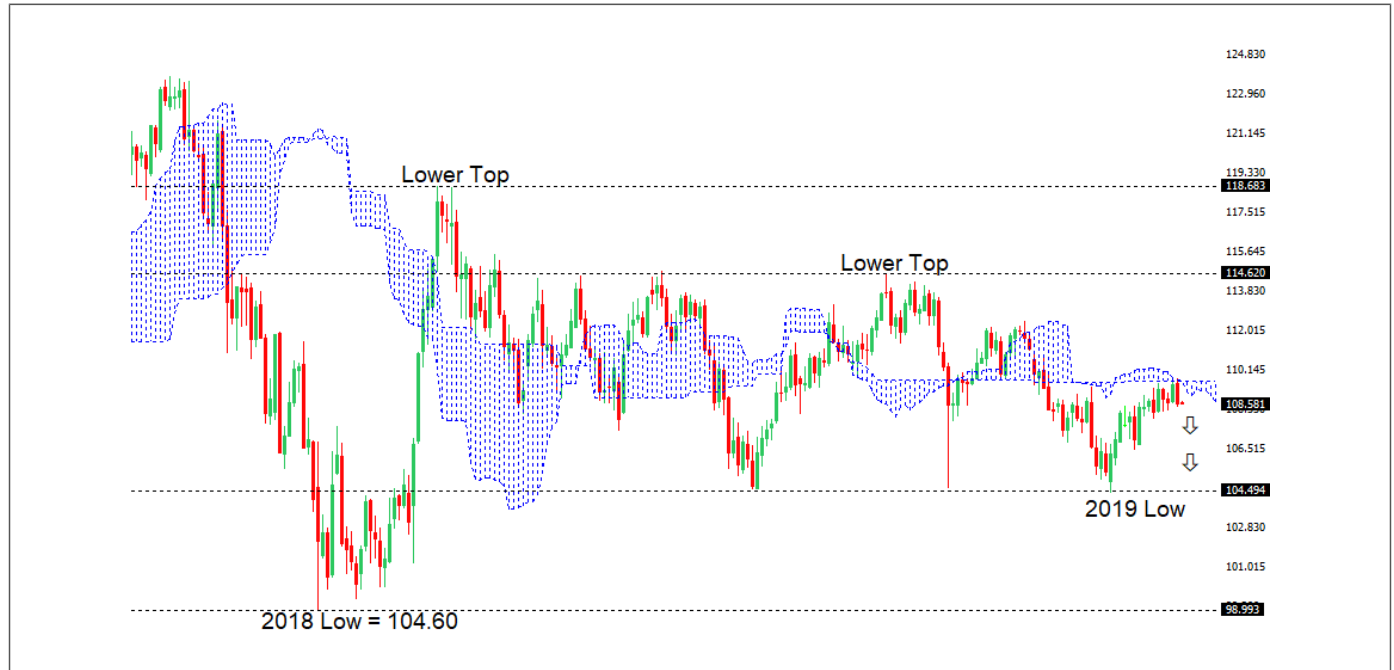
## GBPUSD - fundamental overview

The Pound rocketed higher, extending its run to fresh 2019 highs on the back of the election projection, which had Boris Johnson securing his majority government as had been anticipated. While there is still uncertainty around the Brexit outlook, the election result now puts a healthy chunk of uncertainty to rest, with a deal expected to get pushed through in early 2020. The Pound has also benefited from risk on news around a US-China trade deal and softer Thursday data out of the US. Looking ahead, the market will continue to digest the election result, while taking in US retail sales and business inventories.

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## USDJPY - technical overview

**Despite rally attempts, the longer-term downtrend** remains firmly intact. Rallies should continue to be well capped below 110.00 on a monthly closes basis, with deeper setbacks anticipated towards a retest of the yearly low, below which exposes critical support in the form of the 2016 low at 99.00 further down.



- **R2 110.00** - Psychological - Strong
- **R1 109.73** - 2 December high - Medium
- **S1 108.43** - 4 December low - Medium
- **S2 108.24** - 14 November low - Strong

## USDJPY - fundamental overview

**Market sentiment was greatly boosted following news** President Trump has signed off on the terms for a US-China trade deal, which would mean the avoidance of fresh and looming trade tariffs on China, if such a deal is eventually cemented. This has propelled the major pair higher on its traditional correlation with risk sentiment. Japanese data has been shrugged off given the focus on the bigger picture theme. Dealers do however report sizable offers up around the 110.00 barrier. Looking ahead, the market will monitor updates from the trade front, while taking in US retail sales and business inventories.

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## EURCHF - technical overview

The market remains very well capped into offers and the medium-term picture continues to favour the downside. A break back above 1.1060 would be required to take the immediate pressure off the downside. Below 1.0800 exposes the 1.0600 area.



- **R2 1.1173** - 2 July high - Strong
- **R1 1.1060** - 17 October high - Medium
- **S1 1.0864** - 14 November low - Medium
- **S2 1.0811** - 4 September/2019 low - 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 under pressure over the past several months, but has also been well supported on dips. 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 above 0.6700 on a weekly close basis.



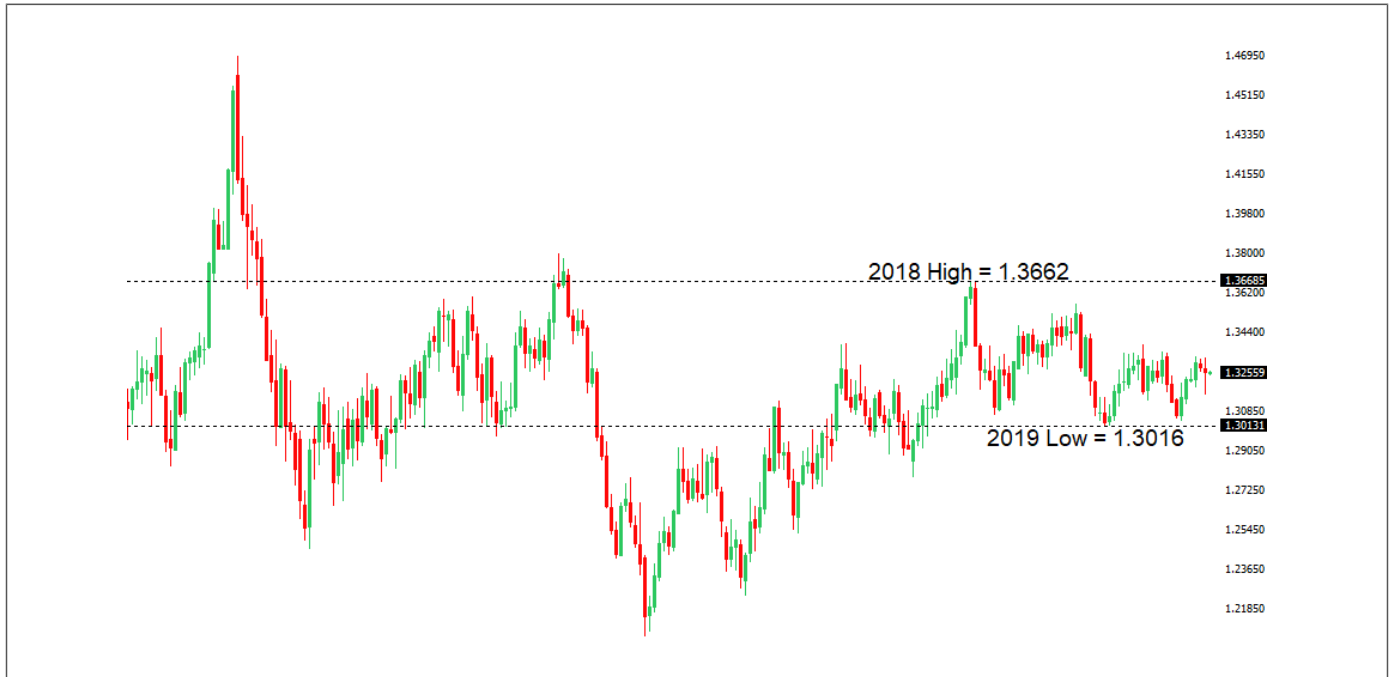
- **R2 0.7000** - Psychological - Strong
- **R1 0.6939** - 13 December high - Medium
- **S1 0.6800** - Figure - Medium
- **S2 0.6754** - 29 November low - Strong

## AUDUSD - fundamental overview

**Market sentiment was greatly boosted following** news President Trump has signed off on the terms for a US-China trade deal, which would mean the avoidance of fresh and looming trade tariffs on China, if such a deal is eventually cemented. This has propelled the risk correlated Australian Dollar higher on its traditional correlation with risk sentiment. Looking ahead, the market will monitor updates from the trade front, while taking in US retail sales and business inventories.

## USDCAD - technical overview

The longer-term structure remains constructive, with dips expected to be well supported for renewed 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 compromise this outlook.



- **R2 1.3328** - 20 November high - Strong
- **R1 1.3270** - 6 December low - Medium
- **S1 1.3158** - 5 December low - Strong
- **S2 1.3115** - 5 November low - Strong

## USDCAD - fundamental overview

**Bank of Canada Governor Poloz** said the central bank 'doesn't look at individual data points,' and the job market is 'in a nice spot.' The Canadian Dollar got some help from these comments on Thursday, though most of the demand came from the risk on reaction on the back of the trade deal update, with President Trump signing off on the terms of the deal with China. Looking ahead, the market will monitor updates from the trade front, while taking in US retail sales and business inventories. There is no first tier data on the Canada calendar.

## NZDUSD - technical overview

**Despite recent weakness, there's a case to be made** for a meaningful bottom, with the market rallying out from longer-term cycle low area around 0.6200. As such, look for setbacks to be well supported in the days ahead, in anticipation of a continued recovery. Only a weekly close below 0.6200 would give reason for rethink. Back above 0.6500 now strengthens the outlook and takes the immediate pressure off the downside, with focus now on a test of next meaningful resistance in the form of the July 2019 high at 0.6791



- **R2 0.6664** - 26 July high - Medium
- **R1 0.6636** - 13 December high - Medium
- **S1 0.6522** - 11 December hlow - Medium
- **S2 0.6466** - 4 November high - Strong

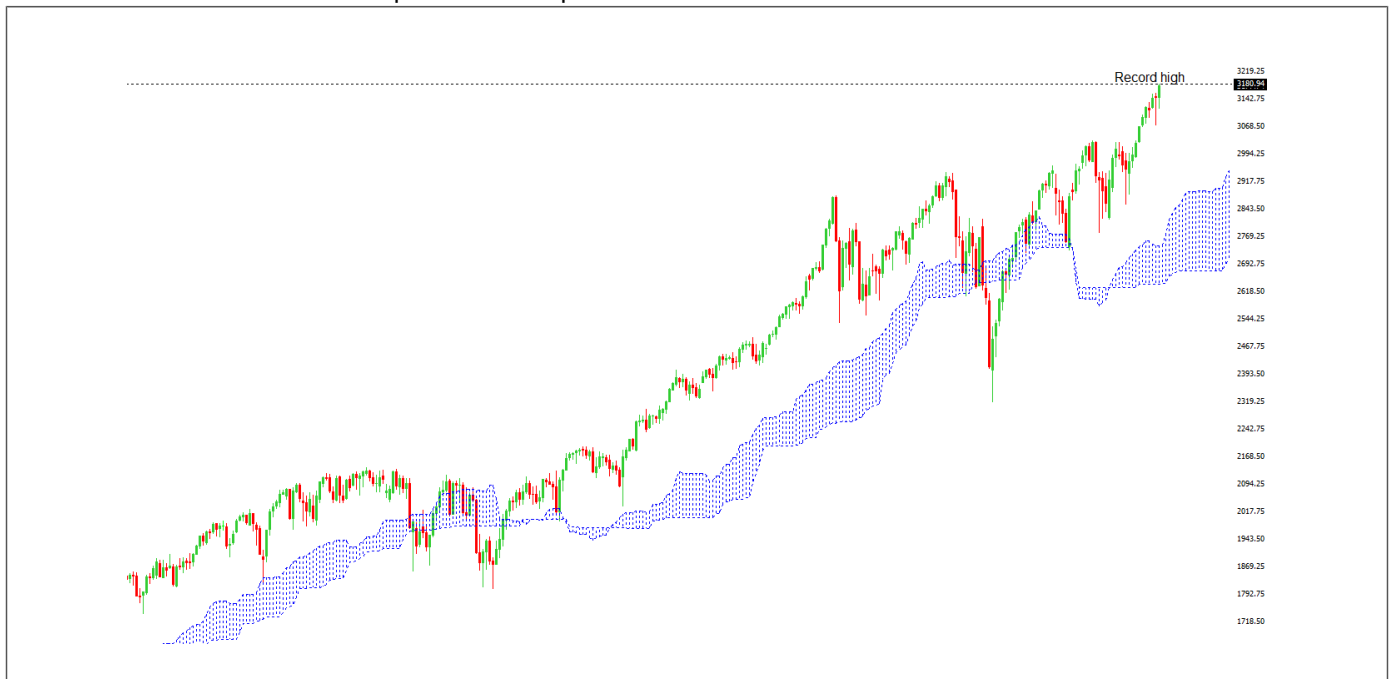
## NZDUSD - fundamental overview

**Market sentiment was greatly boosted following news President Trump** has signed off on the terms for a US-China trade deal, which would mean the avoidance of fresh and looming trade tariffs on China, if such a deal is eventually cemented. This has propelled the risk correlated New Zealand Dollar higher on its traditional correlation with risk sentiment. Kiwi hasn't been bothered all that much by the softer NZ manufacturing PMI read. Looking ahead, the market will monitor updates from the trade front, while taking in US retail sales and business inventories.



## 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 3070, with a break below to strengthen the outlook. A monthly close above 3200 would be required to compromise the outlook.



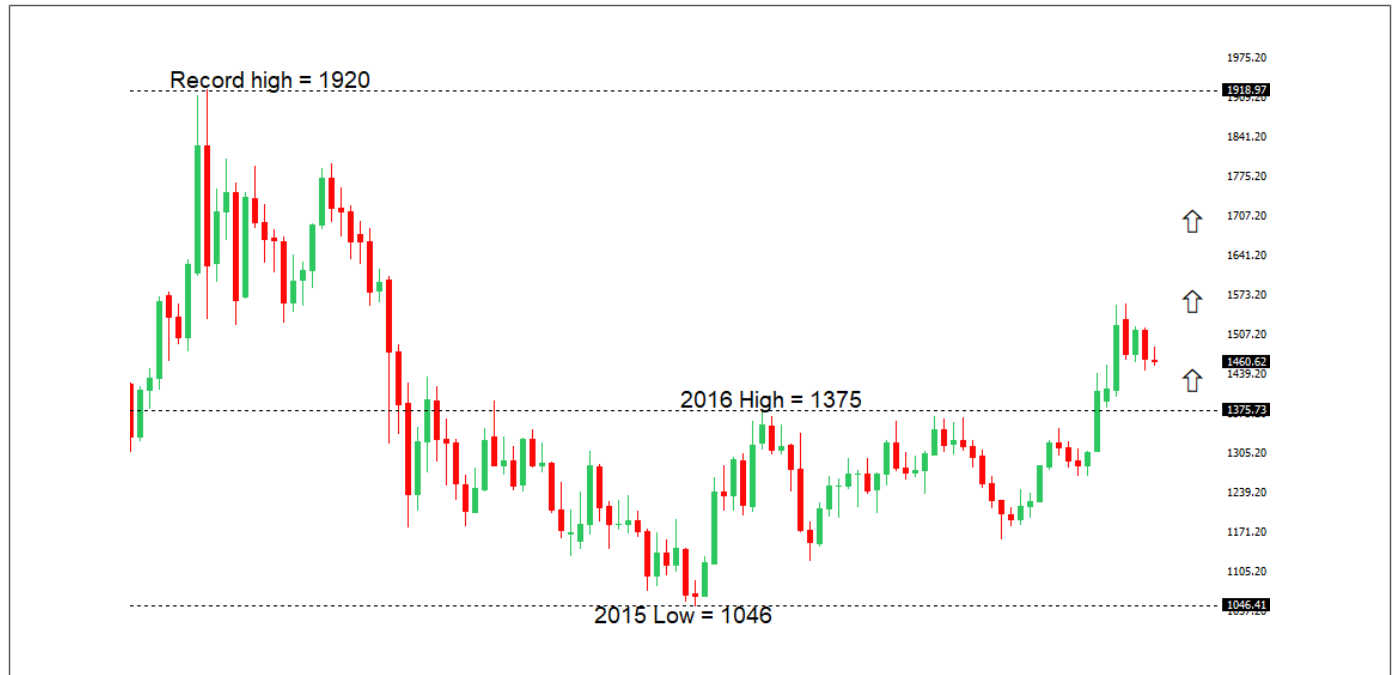
- **R2 3200** - Psychological - Strong
- **R1 3183** - 13 December/**Record high** - Medium
- **S1 3070** - 3 December low - Medium
- **S2 3000** - Psychological - Strong

## US SPX 500 - fundamental overview

Although we've seen the market extending to fresh record highs in 2019, with so little room for additional central bank accommodation, 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, tension on the global trade front should continue to be a drag on investor sentiment, despite any signs that would suggest otherwise. 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 2019 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 1600, while in the interim, look for any setbacks to be well supported above 1400.



- **R2 1558** - 4 September/2019 high - Strong
- **R1 1536** - 24 September high - Medium
- **S1 1445** - 12 November low - Medium
- **S2 1400** - Psychological - 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 continues to correct in the aftermath of a major surge in the second quarter of 2019. However, any setbacks should be very well supported in the 6,000 area, with an higher low sought out in favour of a bullish continuation back above the 2019 high and towards the record high from late 2017 further up. Ultimately, only a weekly close below 6,000 would compromise the constructive outlook.



- **R2 10,468** - 26 October high - Strong
- **R1 8,806** - 11 October high - Medium
- **S1 6,500** - Psychological - Strong
- **S2 5,755** - Internal support/June 2018 - Strong

## BTCUSD - fundamental overview

Bitcoin is going through a period of technical adjustment after the fierce Q2 run up, though we anticipate continued demand from institutional players starved for yield in a world where global equities are increasingly vulnerable. Plenty of demand is reported on dips down towards \$6,000.

## BTCUSD - Technical charts in detail

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## ETHUSD - technical overview

The market is in the process of a major correction after a surge in the second quarter of 2019. Look for setbacks to be well supported above of previous resistance turned support at 100 on a weekly close basis, in favour of the next major higher low and bullish resumption back towards and through the 2019 high up at 363. Ultimately, only a weekly close below 100 would compromise the outlook.



- **R2 225** - 19 September high - Strong
- **R1 200** - Psychological - Medium
- **S1 133** - 25 November low - Medium
- **S2 102** - 6 February/2019 low - Strong

## ETHUSD - fundamental overview

**Profit taking in the aftermath of the rapid Q2 appreciation** has triggered a healthy period of correction and consolidation, while critique of the space from the likes of President Trump and Fed Chair Powell, along with worry associated with fallout in the global economy, are stories that could continue to keep the more risk correlated crypto asset weighed down into the end of the year. Risk off in the global economy is expected to result in ETH underperformance relative to Bitcoin.



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