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Global FX Insights

by LMAX Exchange Research & Analytics

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

Break of a bearish sequence 🔈 Wake-up call

Over the past several months, Euro setbacks have been repeatedly propped up against the US Dollar. Tuesday's bullish reversal has set the stage for yet another bounce, after the single currency took out Monday's high, ending a sequence of seven consecutive daily lower tops.

Use Up/Down Arrow keys to increase or decrease volume.

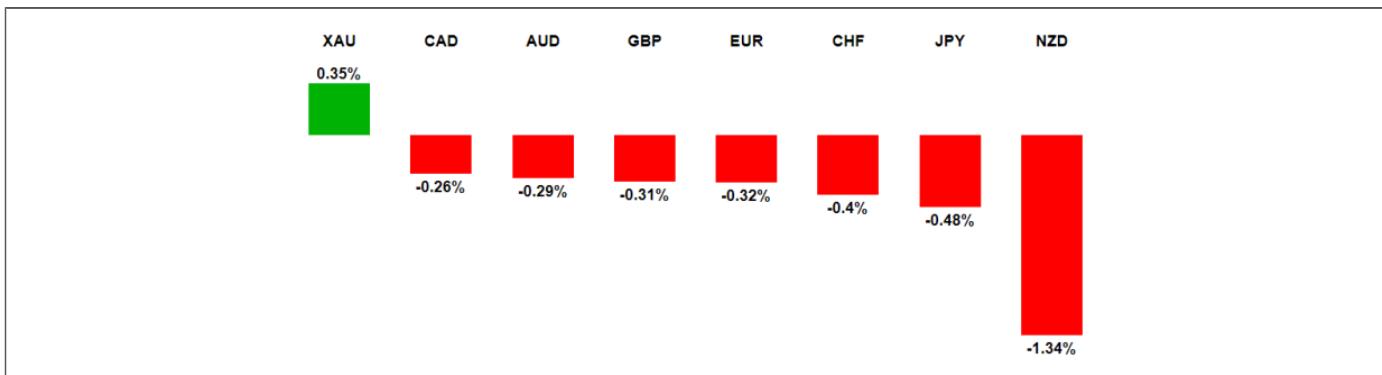
Technical highlights [Daily Video](#)

- EURUSD Looking for another bounce
 - GBPUSD Getting back to recovery run
 - USDJPY Additional upside limited
 - EURCHF Tracking in neutral territory
 - AUDUSD Plenty of support into dip
 - USDCAD Bullish structure overall
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 - GOLD (spot) Positioning for breakout
 - BTCCUSD Stuck in sideways chop
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Fundamental highlights

- EURUSD Eurozone industrial production
 - GBPUSD UK inflation readings digested
 - USDJPY Looking ahead to US CPI
 - EURCHF SNB policy strategy stress
 - AUDUSD US-China optimism props
 - USDCAD Loonie demand from OIL bounce
 - NZDUSD RBNZ upbeat, surprises market
 - US SPX 500 Fed model front and centre
 - GOLD (spot) Hard asset demand ramps up
 - BTCUSD Bitcoin outlook bright further out
 - ETHUSD Demand expected despite setbacks

5-Day Performance v. US dollar



Suggested reading

- [China's Problems Hit All At Once](#), M. Gongloff, **Bloomberg** (February 11, 2019)
 - [Carney's Outlook for the Global Economy](#), C. Giles, **Financial Times** (February 12, 2019)

EURUSD - technical overview

The market looks to be in the process of carving out a meaningful base off the multi-year low from 2017, with a higher low sought out ahead of the next major upside extension back towards and through the +3 year high from 2018 around 1.2550. Look for the major pair to continue to be well supported on dips below 1.1300, with only a close back below the 2018 low at 1.1215 to compromise the outlook. A push above 1.1570 will strengthen the outlook.



- **R2 1.1410** – 6Feb high – Strong
- **R1 1.1351** – 8Feb high – Medium
- **S1 1.1258** – 12Feb low – Medium
- **S2 1.1216** – 12Nov/2018 low – Strong

EURUSD - fundamental overview

Over the past several months, setbacks have been repeatedly propped up and Tuesday's bullish reversal has set the stage for yet another bounce, with the Euro taking out Monday's high in the process, to also end a sequence of seven consecutive daily lower highs. While there has been softer data out of the Eurozone and downward assessments to the Euro area growth outlook, there's been plenty of risk on the US side as well. Ultimately, given ongoing risk associated with the US political climate, what should be US trade policy that pushes for a softer US Dollar, and yield differentials that still show room for greater accommodative adjustment on the Fed side, there's room to see the Euro build momentum and look to trade back up towards and through the 2019 high at 1.1570. On today's docket, Eurozone industrial production and US CPI stand out.

EURUSD - Technical charts in detail

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GBPUSD - technical overview

The major pair has put in an impressive recovery in recent weeks, helping to support the case for a longer-term developing uptrend off the 2016 low, with a higher low sought out by the multi-month low from early January. A break back above the September 2018 high at 1.3300 will strengthen this outlook, while setbacks should now be well supported ahead of 1.2650.



- **R2 1.3052** – 5Feb high – Strong
- **R1 1.2997** – 7Feb high – Medium
- **S1 1.2833** – 12Feb low – Medium
- **S2 1.2800** – Figure – Strong

GBPUSD - fundamental overview

The market continues to wait for more clarity on Brexit and will continue to monitor updates. On Tuesday, Theresa May addressed parliament, but as per our updates, there won't be a vote on Brexit this week and this will keep things in a holding pattern for the moment. Mark Carney did however help with the Pound's recovery, after talking expansion and the need for a modest tightening of policy to achieve inflation targets. Looking ahead, key standouts on the calendar come in the form of inflation readings out of the UK and US.

GBPUSD - Technical charts in detail

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USDJPY - technical overview

The major pair is in the process of chopping within a bigger picture downtrend. Look for any recovery rallies to be well capped ahead of 111.50 in favour of the next major downside extension below the 104.63, 2018 low. This would expose a very important psychological barrier at 100.00 further down, which guards against the 2016 low at 99.00.



- **R2 111.47** – 21Dec high – Strong
- **R1 111.00** – Figure – Medium
- **S1 109.44** – 4Feb low – Medium
- **S2 108.50** – 31Jan low – Medium

USDJPY - fundamental overview

Overall, the major pair should continue to track along with risk sentiment. After benefiting from a healthy rebound in stocks since the yearly open, the market could be getting ready to roll over again. We don't see equities holding up in a world where risk assets are exposed to the realities of exhausted monetary policy and government stimulus post 2008 financial markets crisis. We've also seen plenty of headlines in recent days talking downward revisions to growth outlooks in major economies around the globe. The major has been supported of late on a possible delay of the China tariff deadline and news the US government will likely avoid another shutdown. Looking at the calendar for the day, US CPI is the major standout.

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EURCHF - technical overview

The market has been in the process of consolidating off the 2018 low, which coincided with critical support in the 1.1200 area. However, at this stage, there is no clear directional bias, with the price action deferring to a neutral state. Back above 1.1500 would get some bullish momentum going for a push to 1.2000, while back below 1.1185 would be quite bearish.



- **R2 1.1502** - 22Oct high - Strong
- **R1 1.1445** - 5Feb/2019 high - Medium
- **S1 1.1311** - 28Jan low - Medium
- **S2 1.1185** - 7Sep/2018 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 in 2019, 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 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 0.7400 to strengthen this outlook. Look for setbacks to now be well supported ahead of 0.7000.



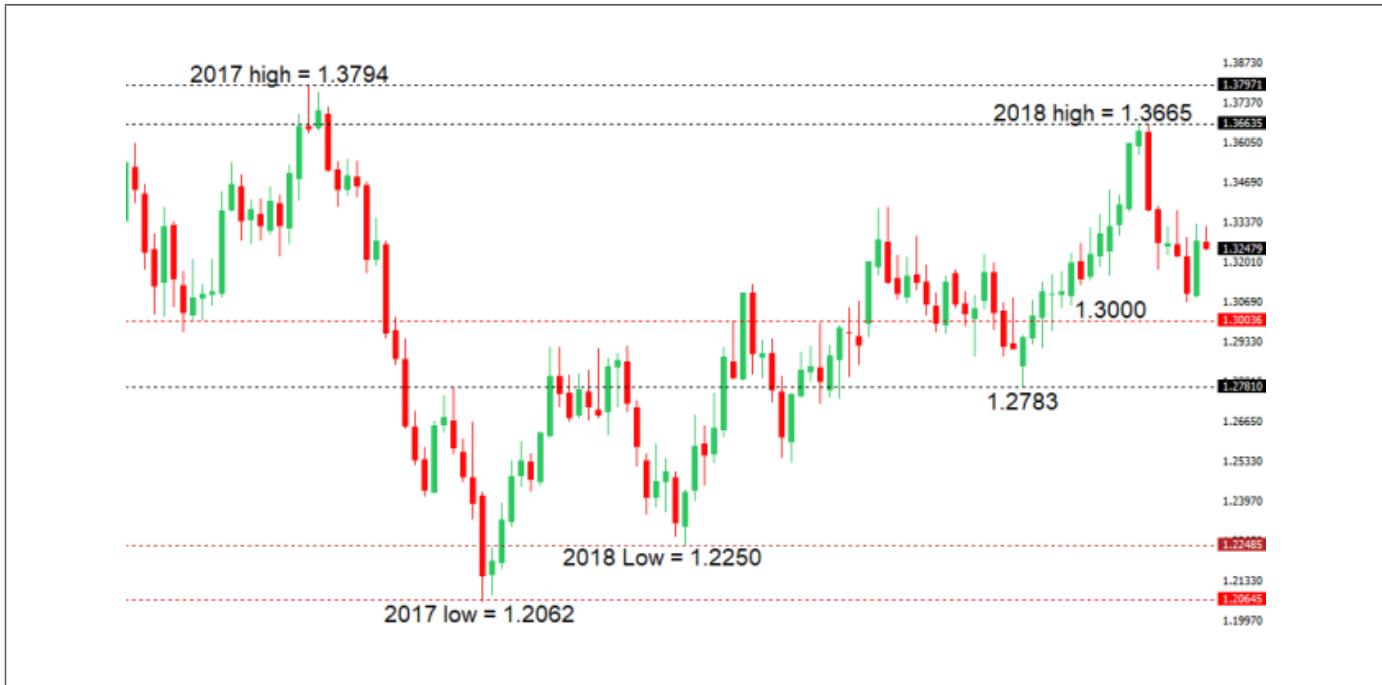
- **R2 0.7200** - Figure - Medium
- **R1 0.7137** - 13Feb high - Medium
- **S1 0.7055** - 12Feb low - Medium
- **S2 0.7000** - Psychological - Strong

AUDUSD - fundamental overview

RBA Heath was out talking policy, saying rising wage growth could buffer slowing consumption, while Aussie consumer confidence rebounded. This helped to support Aussie, along with renewed pressure on the US Dollar, optimism on the risk outlook relating to a China tariff delay from the US and the US government likely avoiding another shutdown. Overall, there could be a lot of choppy back and forth trade here, with Aussie capable of finding renewed bids into dips on the back of yield differentials that continue to show room to move out of the US Dollar's favour as the Fed makes further dovish adjustments to policy, but also capable of getting sold into rallies on a pullback in global equities and tension around China. The market will be looking for more updates this week on the US-China trade talk front. For today, US CPI is the major standout left on the calendar.

USDCAD - technical overview

A period of correction has kicked in after a run at the end of 2018 to its highest levels since May 2017. Overall, the structure remains constructive, with dips expected to be well supported ahead of a medium-term higher low from September 2018 around 1.2780.



- **R2 1.3376** - 24Jan high – Strong
- **R1 1.3330** - 8Feb high – Medium
- **S1 1.3197** - 13Feb low – Medium
- **S2 1.3069** - 1Feb/2019 low – Strong

USDCAD - fundamental overview

The Loonie has entered a period of stabilisation following an impressive recovery run off the 2018 low against the Buck (USDCAD high). Last Friday's solid Canada jobs report, better bid OIL and and renewed broad based selling in the US Dollar, have helped the Loonie hold up into periods of weakness. Looking ahead, absence of first tier data on the Canada calendar will leave the focus on US CPI.

NZDUSD - technical overview

While the bigger picture outlook still shows the market in a downtrend, as per the weekly chart, there's a case to be made for a meaningful low in place at 0.6425. As such, look for setbacks to be well supported ahead of 0.6500 in anticipation of additional upside, with only a break back below 0.6500 to put the focus back on the multi-month low from October at 0.6425. A push through 0.6970 will strengthen the constructive outlook.



- **R2 0.6942** - 1Feb/2019 high - Strong
- **R1 0.6852** - 13Feb low - Medium
- **S1 0.6720** - 12Feb low - Medium
- **S2 0.6707** - 20Jan low - Strong

NZDUSD - fundamental overview

The market was caught off guard with the RBNZ decision, which inspired a wave of demand for the risk correlated commodity currency. While the central bank left rates on hold as widely expected, it also was decidedly more upbeat, talking a pickup in economic growth and closing the door on prospects for a near term rate cut. Renewed broad based selling in the US Dollar had already been propping up Kiwi ahead of the RBNZ. Still, the New Zealand Dollar continues to face headwinds in an environment where risk assets remain vulnerable to the realities of exhausted monetary policy accommodation and government stimulus post 2008 crisis. Looking at the calendar for the day, US CPI is the major release.

US SPX 500 - technical overview

There have been legitimate signs of a major longer term top, with deeper setbacks projected in the months ahead. Any rallies should now continue to be very well capped ahead of 2800, in favour of renewed weakness that targets an eventual retest of strong longer-term resistance turned support in the form of the 2015 high at 2140. The projection is based off a measured move extension derived from the previous 2018 low from February to the record high move.



- **R2 2800** - Psychological - Strong
- **R1 2758** - 13Feb/2019 high - Medium
- **S1 2681** - 8Feb low - Strong
- **S2 2613** - 23Jan low - Strong

US SPX 500 - fundamental overview

Investor immunity to downside risk is not as strong into 2019. The lag effect of Fed policy normalisation, US protectionism, ongoing White House drama and geopolitical tension are all warning of deeper setbacks ahead. The Fed has also finally acknowledged inflation no longer running below target, something that could very well result in even less attractive equity market valuations this year, given the implication on rates. Although we have seen attempts to push the market higher in early 2019, on the Fed's more cautious outlook, exhausted monetary policy tools post 2008 crisis suggest the prospect for fresh record highs at this point in the cycle are not a realistic prospect. We recommend keeping a much closer eye on the equities to ten year yield comparative going forward, as the movement here is something that will continue to stress the market in 2019.

GOLD (SPOT) - technical overview

There are signs that we could be seeing the formation of a more significant medium to longer-term structural shift that would be confirmed if this latest recovery can extend back through big resistance in the form of the 2016 high at 1375. Look for setbacks to be well supported, with only a close back below 1250 to compromise the constructive outlook. The latest push through 1300 strengthens the outlook.



- **R2 1375** - 2016 high - Very Strong
- **R1 1327** - 31Jan/2019 high - Medium
- **S1 1277** - 4Jan low - Medium
- **S2 1233** - 14Dec 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

At this stage, any upside moves are classified as corrective ahead of what could be the next downside extension and bearish continuation. It would take a break back above previous support in the 6,000 area to take the pressure off the downside. Next critical support comes in the form of the July and September 2017 lows, around 2,000 and 2,975 respectively.



- **R2 4,480** – 29Nov high – Strong
- **R1 4,380** – 24Dec high – Strong
- **S1 3,400** – Round number – Medium
- **S2 3,212** – 15Dec/2018 low – Strong

BTCUSD - fundamental overview

Bitcoin has just gone through a tough 2018, with the cryptocurrency suffering on a number of fronts. Still, overall, the cryptocurrency and the technology it rests on continue to show a lot of potential looking out and we expect the market will regain composure over the medium to longer term.

BTCUSD - Technical charts in detail

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ETHUSD - technical overview

The latest recovery rally has stalled out into a meaningful previous support zone, to keep the pressure on the downside, with risk for a bearish continuation to next critical support in the 50-75 area. At this point, it would take a sustained break back above 167 to take the immediate pressure off the downside.



- **R2 200** - Psychological - Medium
- **R1 167** - Previous Support - Strong
- **S1 100** - Psychological - Medium
- **S2 83** - 7Dec/2018 low - Strong

ETHUSD - fundamental overview

We're coming off a year of dramatic weakness in 2018 and the cryptocurrency continues to face headwinds into 2019. Ongoing regulatory challenges and a global economic downturn are some of those headwinds that need to be considered. At the same time, longer term prospects are looking quite bright and valuations are increasingly attractive. There is a lot of demand for Ether that has been reported between \$50 and \$100.



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