

# Global FX Insights

by LMAX Exchange Research & Analytics

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

## How Will the Buck Close Out the Week? [Wake-up call](#)

Friday's calendar is quite thin and certainly doesn't feature any meaningful first tier data releases. This will leave the focus on the bigger picture macro drivers, with global trade updates and Brexit headlines to get a lot of the attention.

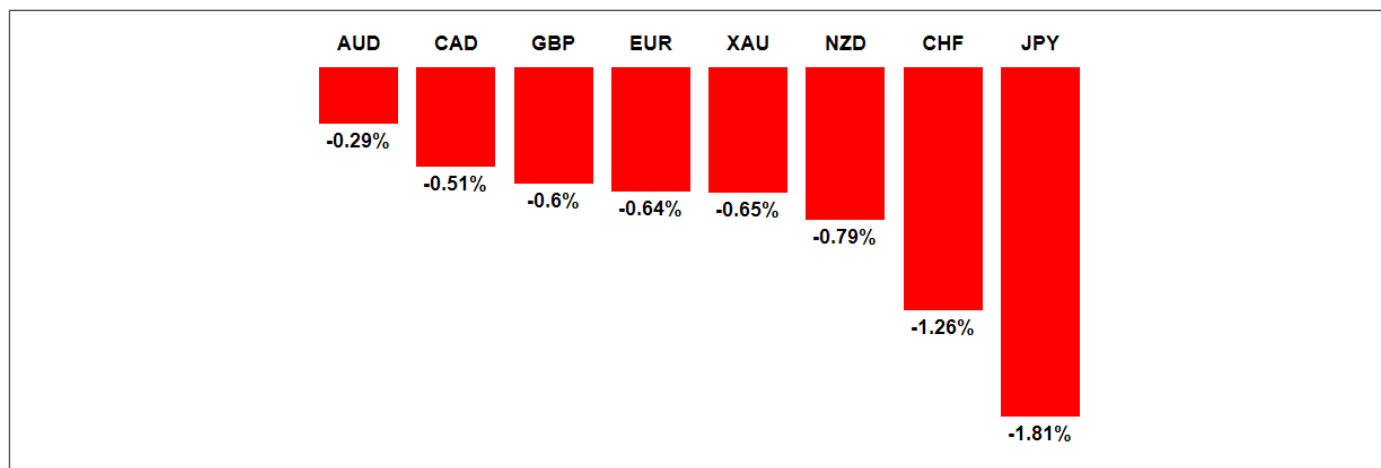
### Technical highlights [Daily Video](#)

- **EURUSD** Bullish on break of 1.1855
- **GBPUSD** Key resistance at 1.3475
- **USDJPY** Well capped into rallies
- **EURCHF** Supported on dips
- **AUDUSD** Mild recovery off lows
- **USDCAD** Room for more upside
- **NZDUSD** Looking for rebound
- **US SPX 500** Signs of major top
- **GOLD** (spot) Bigger picture base
- **BTCUSD** Recovery just corrective
- **ETHUSD** Holds up ahead of low

### Fundamental highlights

- **EURUSD** Upbeat Powell keeps Euro down
- **GBPUSD** Brexit worry not helping the Pound
- **USDJPY** Scaled back protectionist rhetoric
- **EURCHF** SNB policy faces tough challenges ahead
- **AUDUSD** Aussie caught between diverging flow
- **USDCAD** Loonie looking for NAFTA closure
- **NZDUSD** Kiwi tries to hold up post soft CPI in US
- **US SPX 500** Fed model will be important to watch
- **GOLD** (spot) Unstable macro picture inspires bids
- **BTCUSD** Growing pains as bubble bursts
- **ETHUSD** Extended equities a worry for Ethereum

## Five day performance v. US dollar



## Suggested reading

- [How to Buy LIBOR for Good](#), M. Gilbert, Bloomberg (July 12, 2018)
- [Welcome to the Slowdown](#), J. Calhoun, Alhambra Investments (July 6, 2018)

## EURUSD – technical overview

While the pressure is clearly on the downside at the moment, the market has dropped back into a critical support zone in the form of a previous resistance area that had capped rallies from 2015 to 2017. This keeps the medium term focus on the topside with only a sustained break back below 1.1500 to compromise the constructive outlook. Still, a push back above 1.1853 will now be required to alleviate the shorter term bearish momentum.



- R2 1.1800 – Figure – Medium
- R1 1.1791 – 9Jul high – Strong
- S1 1.1651 – 12Jul low – Medium
- S2 1.1621 – 3Jul low – Medium

## EURUSD – fundamental overview

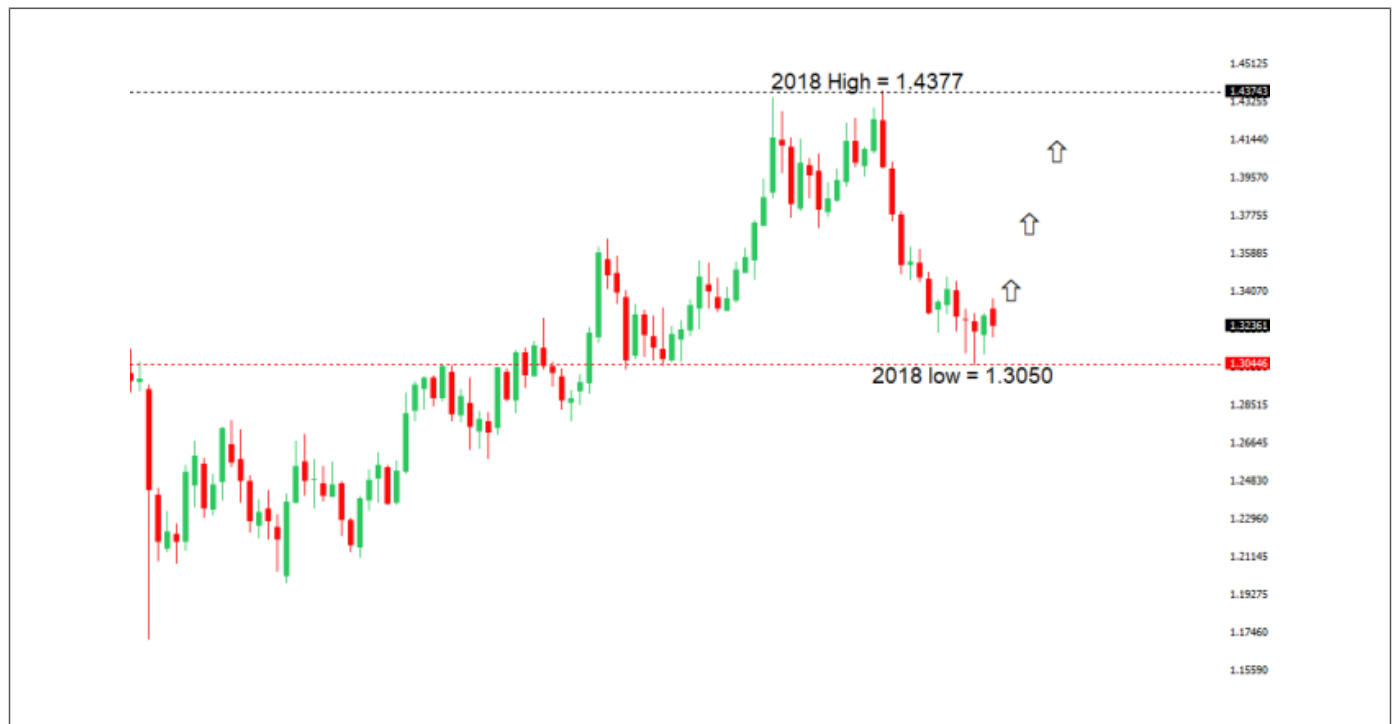
The ECB Minutes echoed some of the downbeat sentiment that had come out of the latest policy decision but didn't really do much to knock the Euro, with the single currency instead trying to recover from a round of setbacks. German CPI came in as expected, Eurozone industrial production was a little stronger and US CPI proved to be a major disappointment to USD bulls, which helped to support the Euro into dips. However scaled back protectionist rhetoric and a relatively upbeat Fed Powell kept the US Dollar mostly bid. Looking ahead, absence of first tier data will leave the market focused on the bigger picture themes.

## EURUSD – Technical charts in detail

**Watch now**

## GBPUSD – technical overview

Overall, the structure still remains constructive on a medium to longer term basis, despite this latest round of intense setbacks to a fresh 2018 low. The market has been in the process of recovering out from the +30 year low from October 2016, with a higher low sought out, ideally above 1.3000, ahead of a bullish continuation. Ultimately, only a sustained break back below 1.3000 would compromise the outlook. Key resistance comes in at 1.3473 and the market will be looking for a break of this level to reinforce this picture.



- R2 1.3473 – 7Jun high – Strong
- R1 1.3364 – 9Jul high – Medium
- S1 1.3150 – Mid-Figure – Medium
- S2 1.3115 – 3Jul low – Strong

## GBPUSD – fundamental overview

The Pound will continue to battle the uncertainty around Brexit, but has managed to hold up relatively well in a week where we saw a shakeup in government and some weaker data in the form of industrial production and manufacturing production. At the same time, BOE officials have been more upbeat, while the bond market continues to price good odds for an August rate hike. Of course, Thursday's softer than expected US CPI print was another supportive driver for the Pound, though the UK currency will need to find support into weakness from scaled back US protectionist rhetoric and relatively upbeat Fed Powell comments. Looking ahead, absence of first tier data will leave the market focused on the bigger picture themes including Theresa May's path forward and global trade.

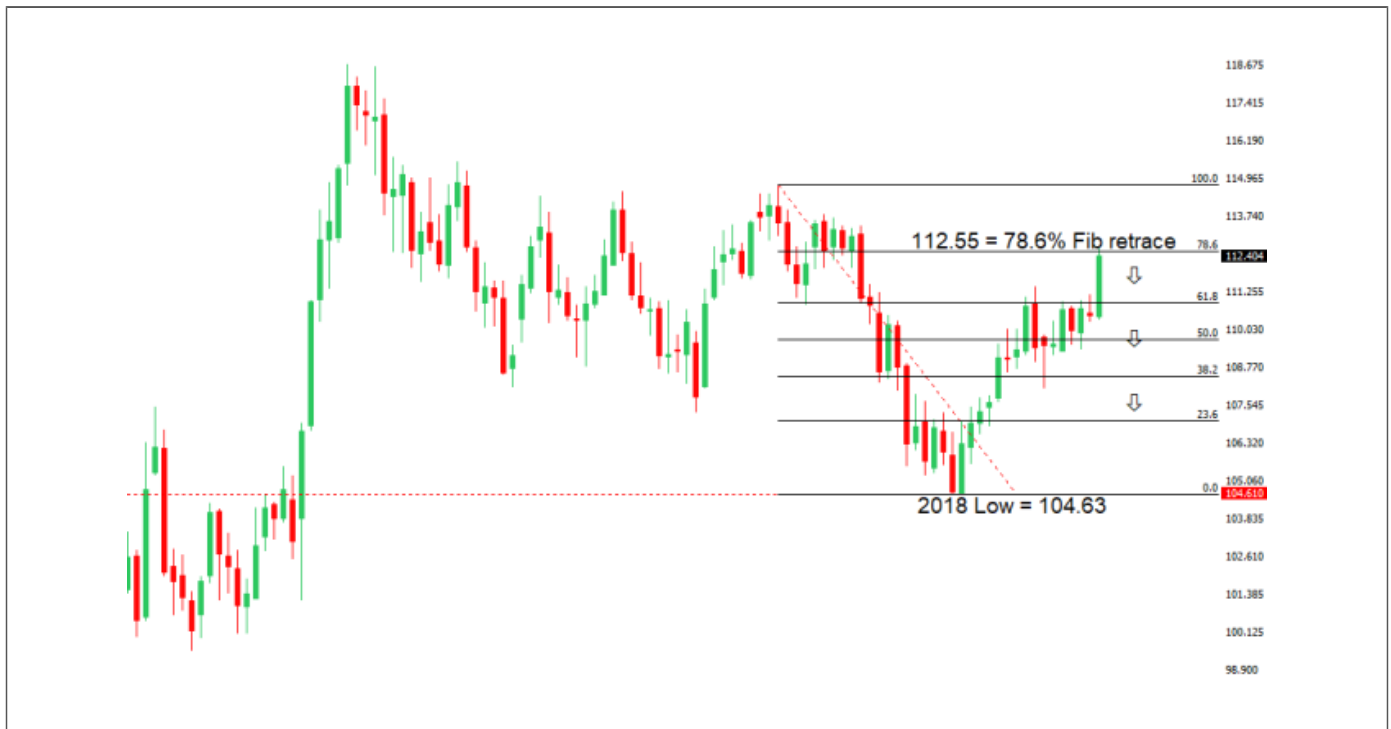
## GBPUSD – Technical charts in detail

[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 the recovery run off the 2018 low to stall out in the sessions ahead, with additional upside to struggle in trying to establish above 113.00. Key support comes in at 110.28 and a break back below this level will strengthen the 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 113.00 – Figure – Medium
- R1 112.67 – 13Jul high – Medium
- S1 111.36 – 10Jul high – Medium
- S2 110.77 – 11Jul low – Strong

## USDJPY – fundamental overview

Overall, the major pair is still very much correlated to broader macro themes and risk sentiment which should ultimately dictate direction over the medium term. With US equities well supported this week back into record high territory, the major pair has performed well, breaking to its highest levels since January, though there is clear risk this all could be coming to an end, with risk markets looking extended yet again. While Thursday's softer CPI was not a positive for the US Dollar, the accompanying rally in stocks more than offset any USDJPY selling from the CPI. A relatively upbeat Fed Powell and some scaled back US protectionist rhetoric also did nothing to hurt the run up in the major pair. Looking ahead, absence of first tier data will leave the market focused on the bigger picture themes.

**Watch now**

## EURCHF – technical overview

The market is working off an intense round of setbacks resulting in a fresh 2018 low. Overall however, the rate has been trending higher and only a sustained break back below the 1.1369, 2018 low would suggest otherwise. Look this latest close back above 1.1660 to accelerate gains back into next resistance in the 1.1800 area.



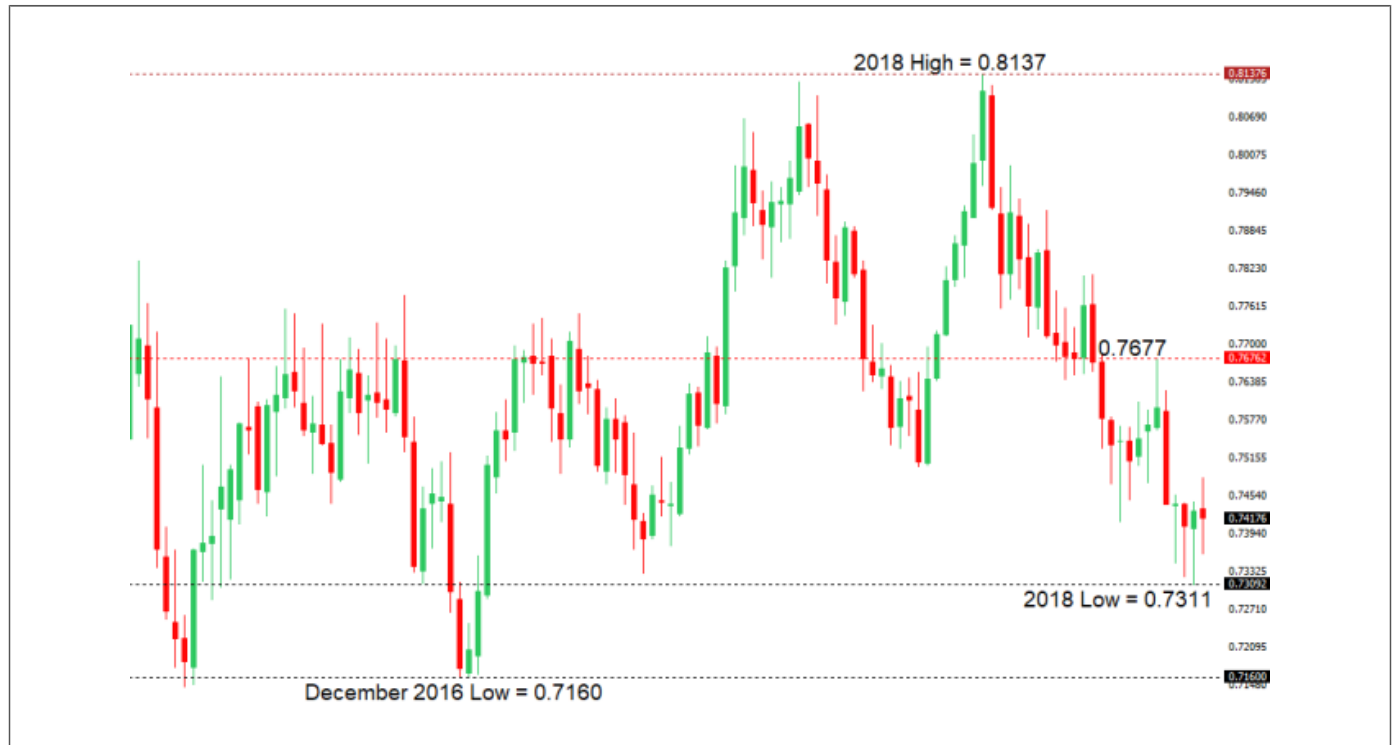
- R2 1.1800 – Figure – Strong
- R1 1.1772 – 22May high – Medium
- S1 1.1709 – 12Jul low – Medium
- S2 1.1550 – 4Jul low – Strong

## 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 risk liquidation in 2018, 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

**Signs of recovery after a drop to its lowest levels** since January 2017. Overall, the pressure remains on the downside, though there is scope for the recovery to extend back into the 0.7600s before the market thinks about a bearish resumption. Only back above 0.7677 would force a bullish shift in the structure.



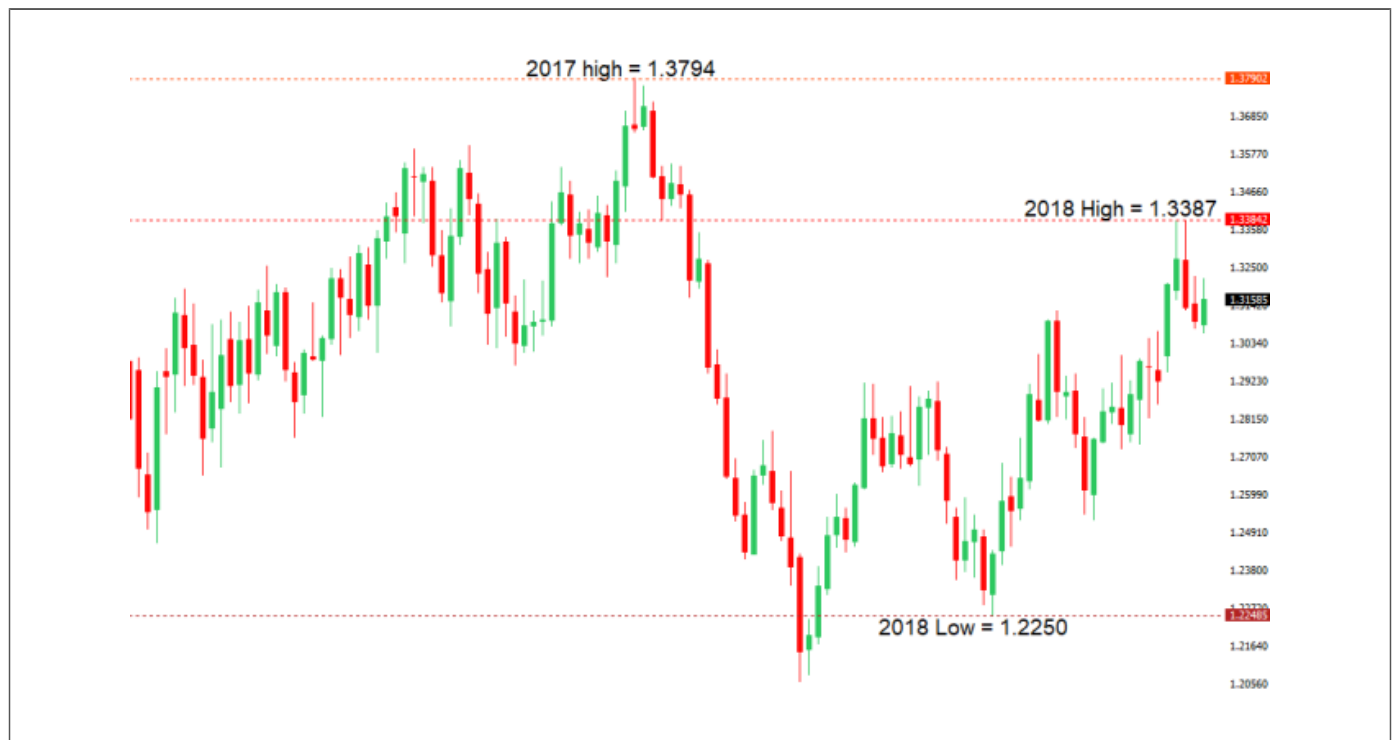
- R2 0.7500 – Psychological – Strong
- R1 0.7485– 10Jul high – Strong
- S1 0.7361 – 12Jul low – Medium
- S2 0.7311– 2Jul 2018 low – Strong

## AUDUSD – fundamental overview

**The Australian Dollar has been doing a lot of chopping around** this week, with no clear idea which way it wants to break next. Aussie consumer inflation expectations came in on the softer side but didn't really factor into trade, with bigger picture themes driving most of the volatility. On the one side, a resurgence in demand for US equities and softer US CPI readings helped to prop Aussie, while on the other side, worry about the fallout from trade wars and sliding base metals invited offers into rallies.

## USDCAD – technical overview

The market has been trending up in 2018, extending its run of gains and now focused on a retest of the 2017 high at 1.3794. Daily studies are however starting to roll from stretched readings, which could open deeper setbacks ahead. But 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 1.3270 – 29Jun high – Strong
- R1 1.3219 – 12Jul high – Medium
- S1 1.3147 – 10Jul high – Medium
- S2 1.3065 – 11Jul low – Strong

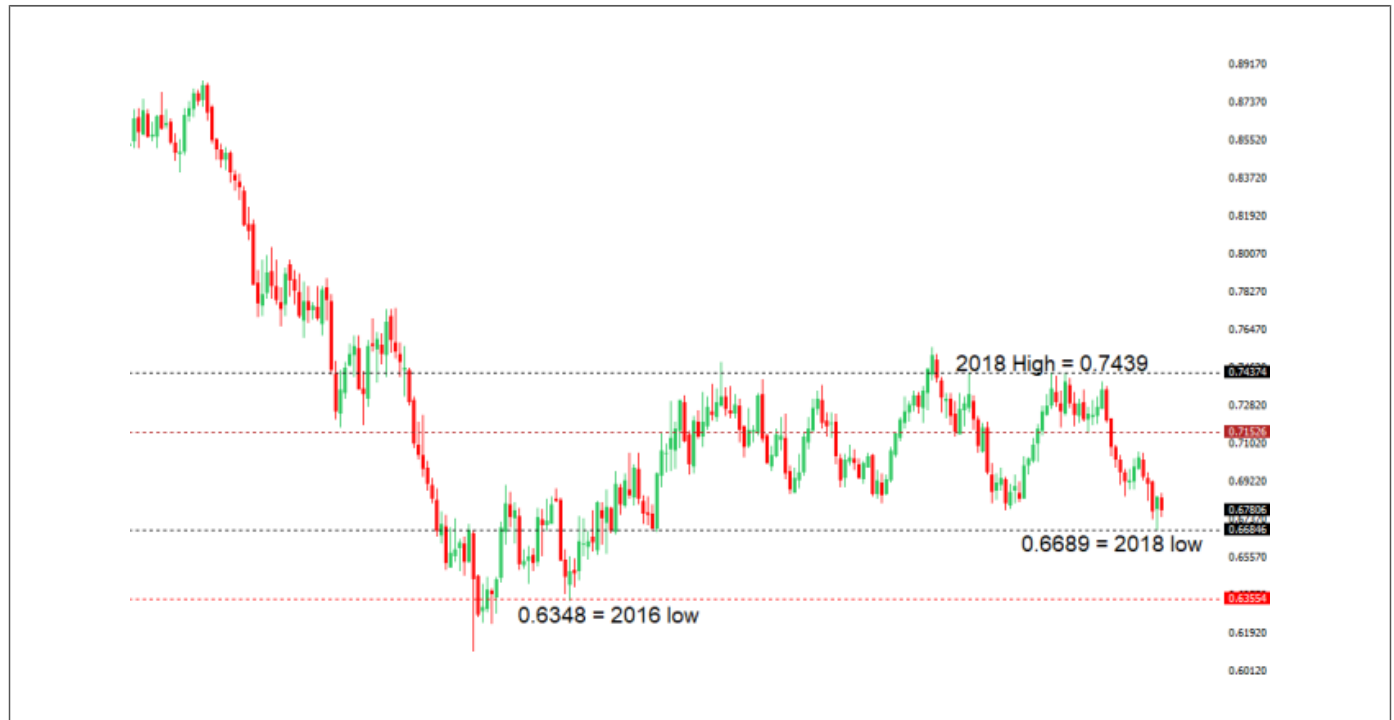
## USDCAD – fundamental overview

Despite another rate hike from the Bank of Canada this week, the Canadian Dollar hasn't been able to muster much momentum. The Loonie's struggles come from tension around global trade and the possible implications with respect to the NAFTA outlook. However, there has been some room for optimism for the Canadian Dollar with Treasury Secretary Mnuchin highlighting the priority of the NAFTA talks. Softer US CPI data also helped to prop CAD on Thursday, offsetting some upbeat talk from Fed Powell. Looking ahead, second tier Canada housing data isn't likely to factor on Friday, with most of the focus to be on the bigger picture themes.



## NZDUSD – technical overview

Signs of recovery after a drop to its lowest levels since May 2016. Overall, the pressure remains on the downside, though there is scope for the recovery to extend back towards 0.7000 before the market thinks about a bearish resumption. Only back above 0.7061 would force a bullish shift in the structure.



- R2 0.6860 – 9Jul high – Strong
- R1 0.6800 – Figure – Medium
- S1 0.6749 – 12Jul low – Medium
- S2 0.6739 – 4Jul low – Strong

## NZDUSD – fundamental overview

Sliding base metals and tension on the back of the latest US tariffs on China have invited renewed downside pressure in the New Zealand Dollar this week, though setbacks have been supported by the concurrent round of bids in US equities and some broad based selling of the Dollar after US CPI came in softer than expected. Looking ahead, Friday's calendar is quite thin and the market will continue to monitor developments on the global trade front.

## US SPX 500 – technical overview

A market that has been extended on the monthly chart is 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 the record high in favour of continued weakness back below the 2530 area yearly low and 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 – 12Jul high – Strong
- S1 2693 – 28Jun low – Medium
- S2 2678 – 29May 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 in the air. 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. 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.



- R2 1310 – 14Jun high – Strong
- R1 1285 – 19Jun high – Medium
- S1 1238 – 3Jul/2018 low – Medium
- S2 1236 – 12Dec 2017 low – Strong

## GOLD (SPOT) – fundamental overview

There continues to be solid demand from medium and longer-term accounts, with 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 market is working hard to hold up after taking out the yearly low from February into this latest drop. Still any rallies are classed as corrective, ahead of the next major downside extension towards a now possible measured move extension target at 3,000. Back above 10,000 would ultimately be required to signal a bullish structural shift.



- R2 7,770 – 3Jun high – Strong
- R1 6,890 – 12Jun high – Medium
- S1 6,250 – 1Jul low – Medium
- S2 5,755 – 24Jun/2018 low – Strong

## BTCUSD – fundamental overview

Bitcoin has managed to hold up after sinking to a fresh 2018 low. But overall, the cryptocurrency 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 making some progress on this front. Still overall, while Bitcoin may be exposed against the US Dollar and other fiat, its store of value lure should continue to make it highly attractive within the crypto space.

## BTCUSD – Technical charts in detail

[Watch now](#)

## ETHUSD – technical overview

The market remains under pressure in 2018 with rallies well capped and risk for a retest of the 2018 low at 355 over the coming sessions. At this point, it would take a break back above 550 to take the immediate pressure off the downside, though a push back above 840 would be required to signal a bullish structural shift.



- R2 550 – 19Jun high – Strong
- R1 480 – 24Jun high – Medium
- S1 405 – 29Jun low – Medium
- S2 355 – 1Apr/2018 low – Strong

## ETHUSD – fundamental overview

Overall, we would not rule out risk for deeper setbacks given ongoing regulatory oversight and a global macro backdrop that would seemingly expose risk correlated projects on the Ethereum blockchain. Monetary policy normalization 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.



Any opinions, news, research, analyses, prices or other information ("information") contained on this document, constitutes marketing communication and it has not been prepared in accordance with legal requirements designed to promote the independence of investment research. Further, the information contained within this Blog does not contain (and should not be construed as containing) investment advice or an investment recommendation, or an offer of, or solicitation for, a transaction in any financial instrument. LMAX Exchange has not verified the accuracy or basis-in-fact of any claim or statement made by any third parties as comments for every Blog entry.

LMAX Exchange will not accept liability for any loss or damage, including without limitation to, any loss of profit, which may arise directly or indirectly from use of or reliance on such information. No representation or warranty is given as to the accuracy or completeness of the above information. While the produced information was obtained from sources deemed to be reliable, LMAX Exchange does not provide any guarantees about the reliability of such sources. Consequently any person acting on it does so entirely at his or her own risk. It is not a place to slander, use unacceptable language or to promote LMAX Exchange or any other FX, Spread Betting and CFD provider and any such postings, excessive or unjust comments and attacks will not be allowed and will be removed from the site immediately.

LMAX Exchange will clearly identify and mark any content it publishes or that is approved by LMAX Exchange.

FX and CFDs are leveraged products that can result in losses exceeding your deposit. They are not suitable for everyone so please ensure you fully understand the risks involved. The information on this website is not directed at residents of the United States of America, Australia (we will only deal with Australian clients who are "wholesale clients" as defined under the Corporations Act 2001), Canada (although we may deal with Canadian residents who meet the "Permitted Client" criteria), Singapore or any other jurisdiction where FX trading and/or CFD trading is restricted or prohibited by local laws or regulations.

LMAX Limited operates a multilateral trading facility. LMAX Limited is authorised and regulated by the Financial Conduct Authority (firm registration number 509778) and is a company registered in England and Wales (number 6505809). Our registered address is Yellow Building, 1A Nicholas Road, London, W11 4AN.