

Thursday, September 13, 2018

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Global FX Insights

by LMAX Exchange Research & Analytics

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

Central Bank Risk and Important CPI Data [🔊 Wake-up call](#)

The market comes into Thursday with the Dollar having been sold off a bit, mostly on the back of softer US producer prices and some dovish comments from Fed Bullard that that rates may already be high enough to restrict economic growth. BOE and ECB decisions ahead, followed by US CPI.

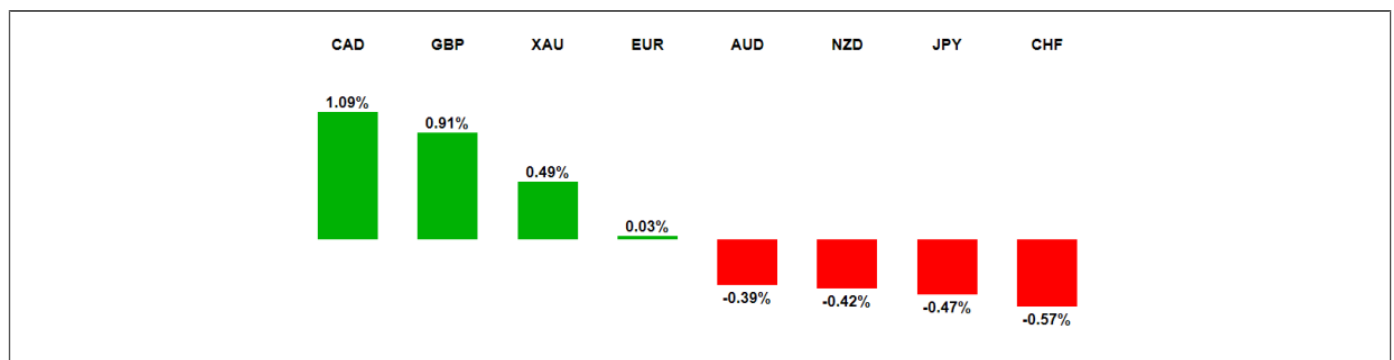
Technical highlights [📺 Daily Video](#)

- [EURUSD](#) Confined to holding pattern
- [GBPUSD](#) Signs of longer term basing
- [USDJPY](#) Rallies should continue to be capped
- [EURCHF](#) Well supported into major zone
- [AUDUSD](#) Intense setbacks warn of bounce
- [USDCAD](#) Lots of chop but no clear direction
- [NZDUSD](#) Downside stretched at 2.5 year low
- [US SPX 500](#) Considering major topping pattern
- [GOLD](#) (spot) Signs of major basing pattern
- [BTCUSD](#) Risk for acceleration to downside
- [ETHUSD](#) Closes in on critical 160 support

Fundamental highlights

- [EURUSD](#) ECB decision featured on Thursday
- [GBPUSD](#) BOE meeting gets attention
- [USDJPY](#) Yen still trading on traditional drivers
- [EURCHF](#) SNB headache getting larger
- [AUDUSD](#) Aussie benefits from USD weakness
- [USDCAD](#) Loonie expecting imminent NAFTA deal
- [NZDUSD](#) Kiwi up on US PPI miss, dovish Bullard
- [US SPX 500](#) Fed model will be important to watch
- [GOLD](#) (spot) Plenty of institutional demand
- [BTCUSD](#) Trying to hold up on brighter prospects
- [ETHUSD](#) Sentiment downturn a worry for ETH

Performance v. US dollar since weekly open

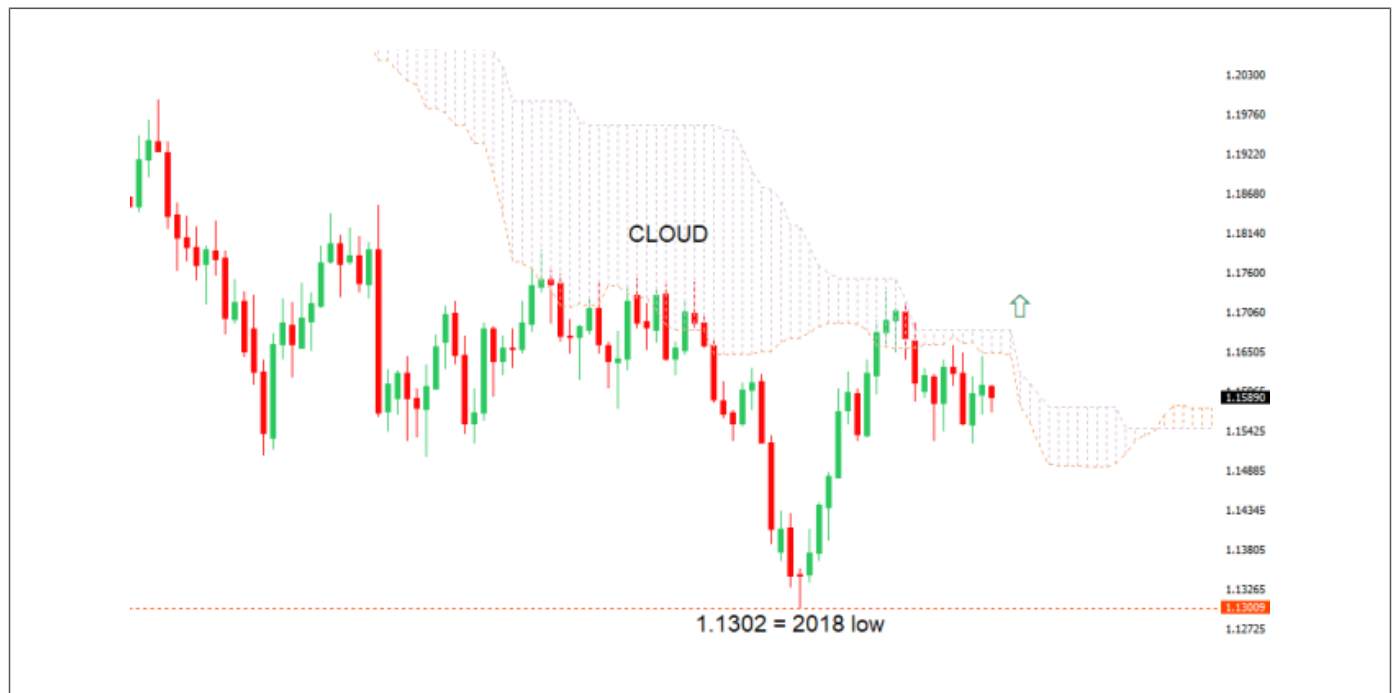


Suggested reading

- [The Catastrophe Bond Business is Booming](#), B. Chappetta, **Bloomberg** (September 11, 2018)
- [It's Hard to be a Contrarian These Days](#), J. Calhoun, **Alhambra** (September 10, 2018)

EURUSD - technical overview

The market has been trying to correct back up following a breakdown below a multi-week consolidation that resulted in a fresh 2018 low in the previous week. Look for a daily close back above the daily Ichimoku cloud to signal that the market has bottomed out and could be looking for a more significant bullish reversal. Until then, the pressure remains on the downside. Support comes in around the 1.1500 handle which has supported the market quite a bit on other dips between May and August.



- **R2 1.1680** - Ichimoku cloud top - Strong
- **R1 1.1660** - 5Sep high - Medium
- **S1 1.1527** - 10Sep low - Medium
- **S2 1.1500** - Internal Support - Strong

EURUSD - fundamental overview

Wednesday's price action wasn't exactly a head turner though there were some highlights worth noting. On the economic data front, the market didn't pay much attention to the weaker Eurozone industrial production readings, but did see some movement on the back of a below forecast run of US producer prices, with the Euro bid up in the aftermath. The Euro had been trading moderately lower on the day ahead of the US release, with the news the ECB might downwardly revise its Euro area economic growth forecasts later today, attributed to the initial weakness. Adding to the Euro's recovery post US producer prices were dovish leaning Fed Bullard comments that rates may already be high enough to restrict economic growth. Looking ahead, the ECB decision will be the standout event risk on the day, though we also get Germany CPI and an important US CPI reading.

EURUSD - Technical charts in detail

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GBPUSD - technical overview

The market has been trying to work off the 2018 low from August, with a recent poke above 1.3000 encouraging the possibility for a more meaningful recovery ahead. At the same time, setbacks will need to hold up around the 1.2800 area and push back through 1.3214 to strengthen this outlook. Inability to do so will expose a retest of the yearly low.



- **R2 1.3214** - 26Jul high - Strong
- **R1 1.3088** - 11Sep high - Medium
- **S1 1.2898** - 10Sep low - Strong
- **S2 1.2786** - 5Sep low - Medium

GBPUSD - fundamental overview

Reports of 50 Conservative lawmakers meeting to discuss how they could oust Theresa May from office, didn't seem to carry much market moving influence on Wednesday, with the Pound holding up nicely into dips. The Pound had received some positive news earlier this week, when UK employment data came in solid, highlighted by a pickup in earnings. Attention now turns to today's Bank of England policy decision, though the central bank isn't expected to rock the boat. Also out on Thursday is an important round of US CPI data.

GBPUSD - Technical charts in detail

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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 109.78 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. Only back above 113.20 would compromise the bearish structure.



- **R2 112.16** - 1Aug high - Strong
- **R1 111.83** - 29Aug high - Medium
- **S1 110.39** - 7Sep low - Medium
- **S2 109.78** - 21Aug low - Strong

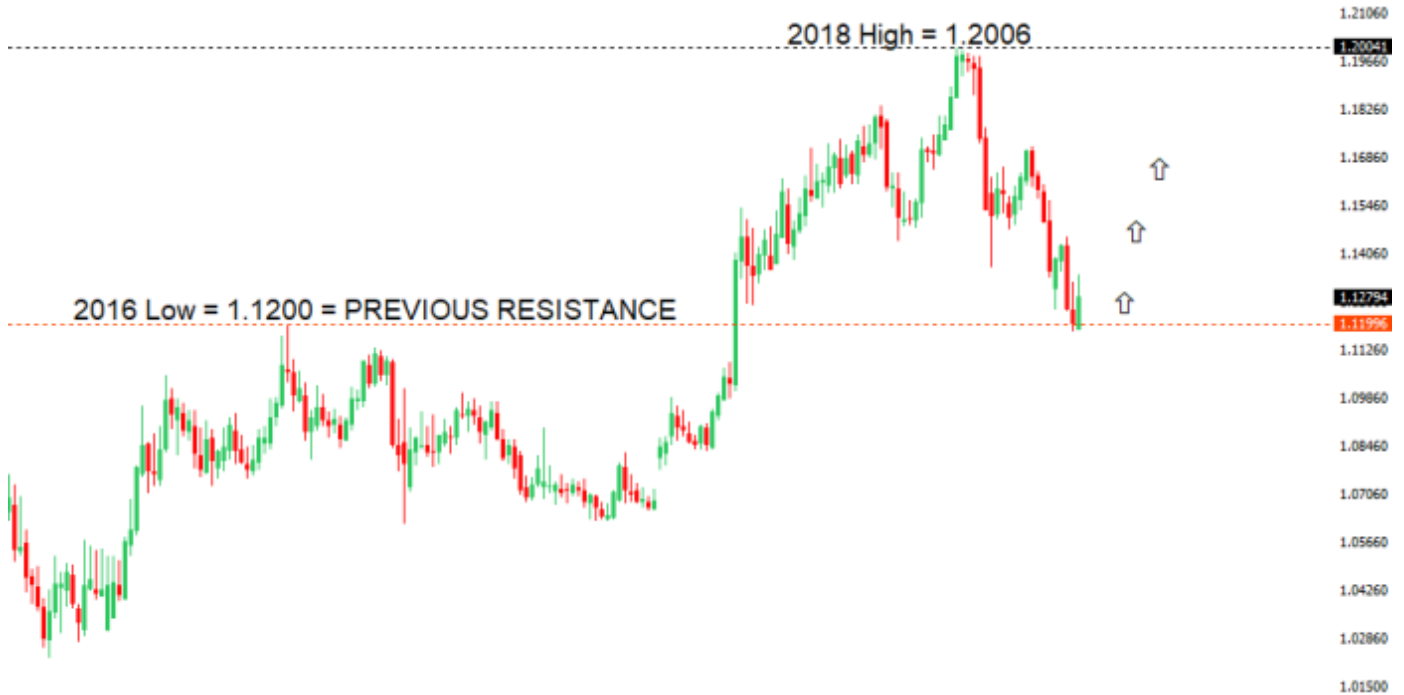
USDJPY - fundamental overview

Correlations with risk sentiment continue to play a part in Yen direction. Offers continue to cap USDJPY upside and there's still plenty of risk for an intensified liquidation in stocks at a time when monetary policy accommodation has been exhausted. Moreover, the US administration remains committed to pushing forward with its protectionist agenda promoting a softer Dollar policy, which should also play a part in pressuring USDJPY to the downside. Looking ahead, the market will be looking for fallout from ECB and BOE decisions, while monitoring updates out of the White House and taking in US CPI readings. The US CPI print will be scrutinised a little more than it already is expected to be after Wednesday's US producer prices readings came in soft.

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EURCHF - technical overview

A recent breakdown to a fresh 2018 low has intensified downside pressure, exposing the possibility for a more significant bearish structural shift. Look for a daily close below 1.1200 to strengthen this outlook. Back above 1.1455 would be required to take the pressure off the downside.



- **R2 1.1455**- 28Aug high - Strong
- **R1 1.1344** - 11Sep high - Medium
- **S1 1.1184** - 7Sep/2018 low - Strong
- **S2 1.1100**- Figure - 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 between now and year end, 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

Setbacks have extended to fresh yearly lows and the pressure remains on the downside, with the market looking back to the 2016 low as the next major support zone. At this point, it would take a break back above 0.7236 to take the immediate pressure off the downside.



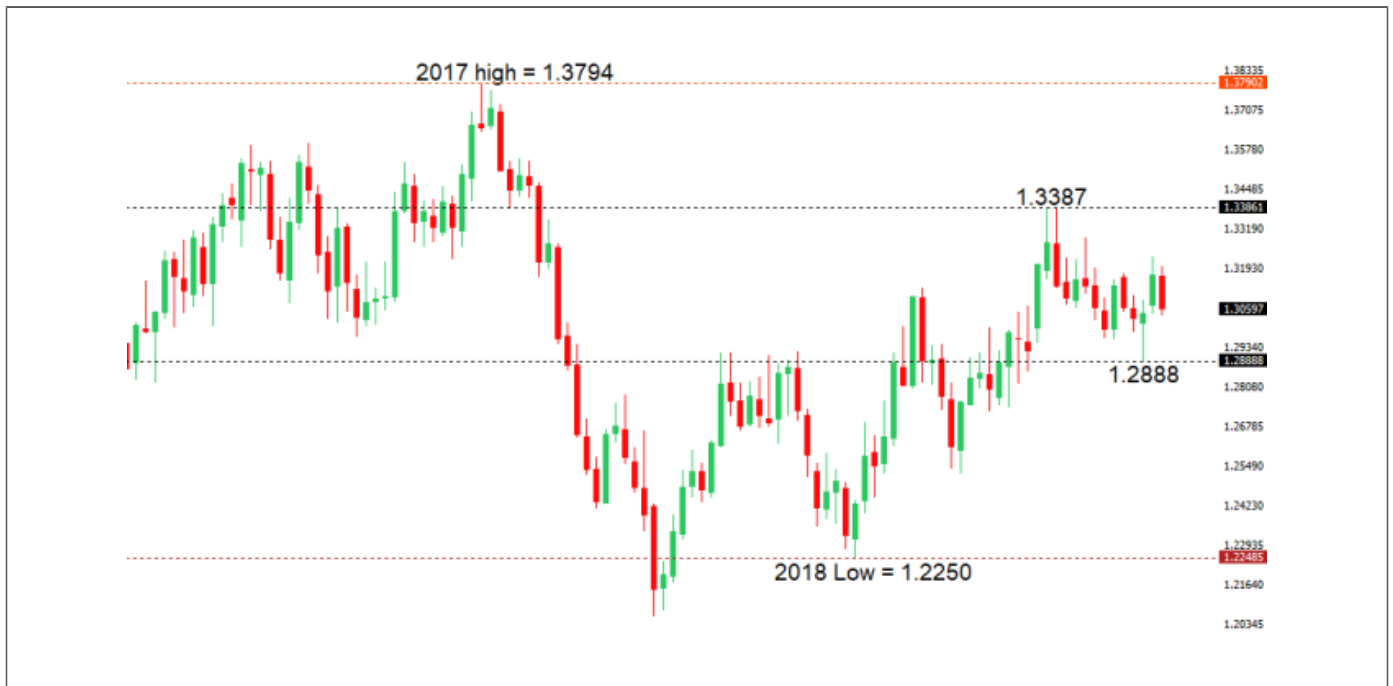
- **R2 0.7236** - 4Sep high - Strong
- **R1 0.7203** - 7Sep high - Medium
- **S1 0.7086** - 11Sep/2018 low - Medium
- **S2 0.7000** - Psychological - Strong

AUDUSD - fundamental overview

Aussie consumer inflation expectations and employment data out earlier today haven't really factored into price action. The Australian Dollar is trying to work its way out from multi-month lows set earlier this week, with some broad based selling in the US Dollar helping to spur on an overdue correction. Wednesday's softer round of US producer prices has been behind the recovery, while dovish comments from Fed Bullard that rates may already be high enough to restrict economic growth have also factored. All of this has temporarily offset downside pressure in 2018 on the back of downside risks associated with US trade policy. Looking ahead, the ECB decision will be the standout event risk on the day, though we also get Germany CPI and an important US CPI reading. Looking ahead, the market will be looking for fallout from ECB and BOE decisions, while monitoring updates out of the White House and taking in US CPI readings. The US CPI print will be scrutinised a little more than it already is expected to be after Wednesday's US producer prices readings came in soft.

USDCAD - technical overview

The uptrend has entered a corrective phase since topping out in June, 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 1.2500 with only a break back below this psychological barrier to negate the constructive outlook.



- **R2 1.3175** - 11Sep high - Strong
- **R1 1.3079** - 12Sep high - Medium
- **S1 1.2965** - 31Aug low - Medium
- **S2 1.2888** - 28Aug low - Strong

USDCAD - fundamental overview

The Canadian Dollar was already bid up earlier in the week on the back of an impressive OIL rally before getting another boost on Wednesday from additional OIL demand and news that a NAFTA deal between Canada and the US was imminent. Also helping to inspire Loonie demand was the broad based US Dollar selling from softer US producer prices and dovish comments from Fed Bullard. Looking ahead, we get the Canada new housing price index along with an important US CPI read, particularly after the Wednesday producer prices miss.

NZDUSD - technical overview

The declines continue, with setbacks extending to a fresh +2.5 year low and now threatening continued downside towards the 2016 low at 0.6345. At this point, only a break back above 0.6728 to take the immediate pressure off the downside.



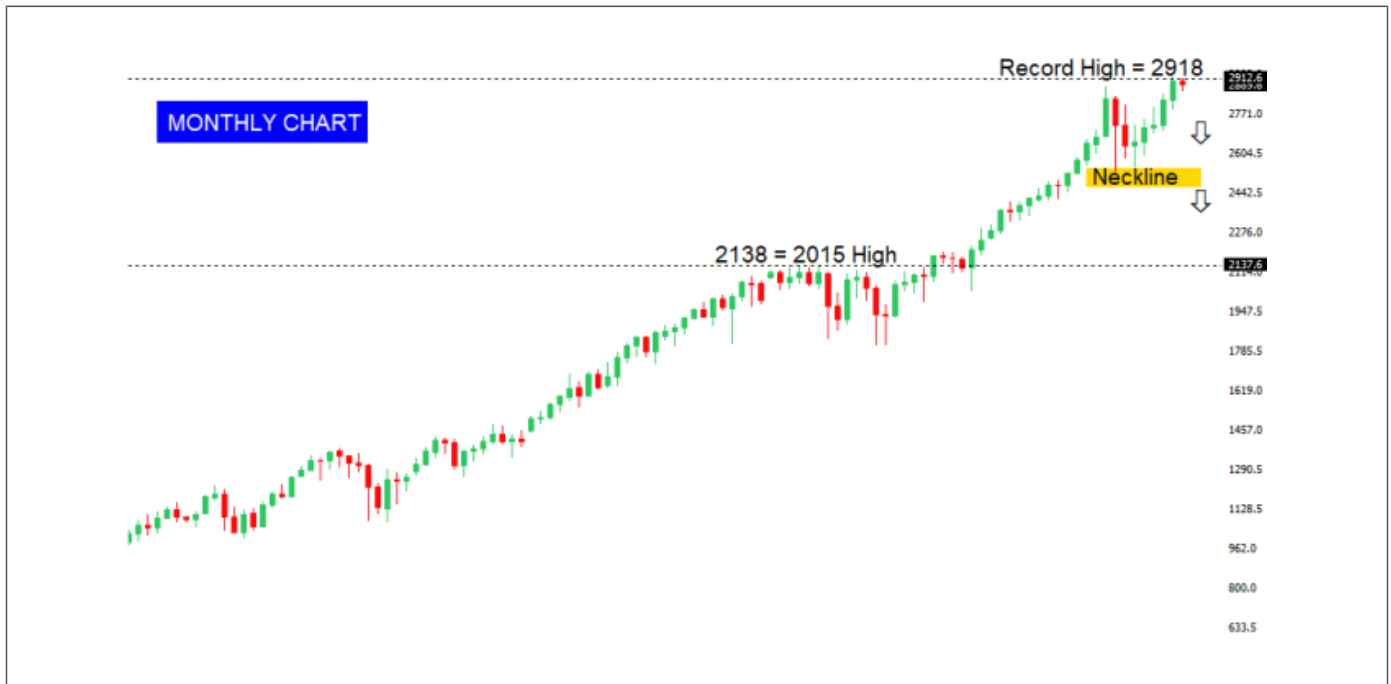
- **R2 0.6728** - 28Aug high - Strong
- **R1 0.6617** - 6Sep high - Medium
- **S1 0.6502** - 11Sep/**2018 low** - Medium
- **S2 0.6500** - Psychological - Strong

NZDUSD - fundamental overview

The New Zealand Dollar is trying its best to work its way out from another fresh 2.5 year low this week, on the back of a softer round of US producer prices and dovish comments from Fed Bullard who said rates may already be high enough to restrict economic growth. Looking ahead, the market will be looking for fallout from ECB and BOE decisions, while monitoring updates out of the White House and taking in US CPI readings. The US CPI print will be scrutinised a little more than it already is expected to be after Wednesday's US producer prices readings came in soft.

US SPX 500 - technical overview

A market that has been extended on the monthly chart is at risk for a major correction, 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. Only a weekly close above 3000 would negate the outlook.



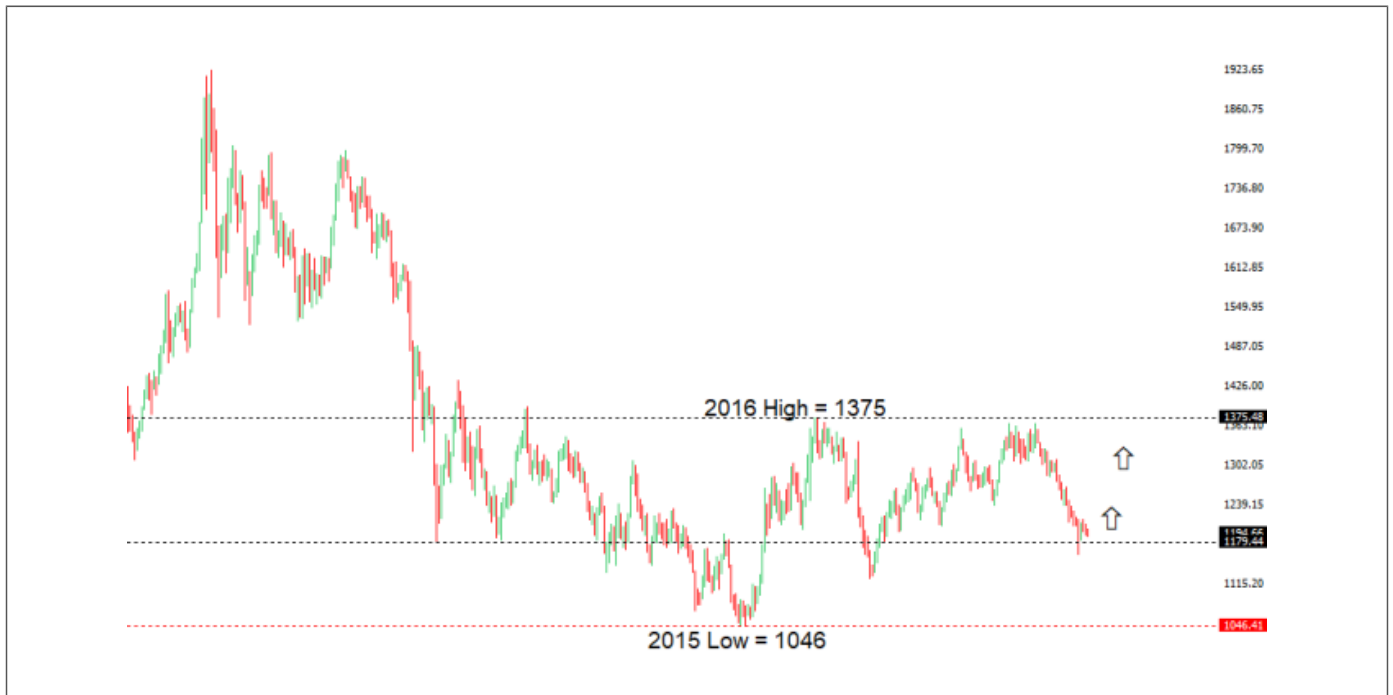
- **R2 2950** - Psychological - Strong
- **R1 2918** - 29Aug/Record - Medium
- **S1 2865** - 7Sep low - Medium
- **S2 2846** - 22Aug low - Strong

US SPX 500 - fundamental overview

Stocks have been bid right back to record highs in recent weeks, though investor immunity to downside risk is not as strong these days. The combination of Fed policy normalisation, US protectionism, ongoing White House drama and geopolitical tension 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 in this second half of 2018.

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 above 1150 on a daily close basis, 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 1236, with a push back above to strengthen the outlook.



- **R2 1266** - 9Jul high - Strong
- **R1 1236** - 26Jul high - Strong
- **S1 1183** - 24Aug low - Medium
- **S2 1160** - 16Aug/2018 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

The downtrend remains firmly intact, with the next lower top now sought out around \$7,000 ahead of a retest and break below the current yearly low. Only a push back above \$8,500 would ultimately negate and force a bullish structural shift, while below the yearly low could open a more intensified decline towards the September 2017 low around \$2,975.



- **R2 7,405** - 4Sep high - Strong
- **R1 6,985** - 6Sep high - Medium
- **S1 6,110** - 8Sep low - Medium
- **S2 5,860** - 14Aug low - Strong

BTCUSD - fundamental overview

Overall, bitcoin is doing its best to try and hold up above \$6,000 in 2018 after undergoing a massive decline off the record high from December 2017. At the moment, the market has found some stability around the \$6,000 barrier, with buyers stepping in on the view that the regulatory challenges will eventually work themselves out, leaving a very bullish picture for a technology with tremendous potential.

BTCUSD - Technical charts in detail

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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 \$160, which goes back to the low from July 2017. Daily studies are however oversold, which could warn of a bigger corrective bounce before the next downside extension and bearish continuation. It would take a break back above \$321 to officially take the pressure off the downside.



- **R2 321** - 18Aug high - Strong
- **R1 247** - 6Sep high - Medium
- **S1 167** - 12Sep/2018 low - Medium
- **S2 158** - July 2017 low - Strong

ETHUSD - fundamental overview

We've been seeing quite a bit of weakness in the price of Ether in 2018 and there is still legitimate risk for deeper setbacks, given technical hurdles within the Ethereum protocol, ongoing regulatory challenges and a global macro backdrop exposing risk correlated projects on the Ethereum blockchain. Meanwhile, monetary policy normalisations around the globe and an anticipated reduction in global risk appetite are placing a tremendous strain on ERC20 projects that have yet to even produce proper use cases and proof of concept.



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