

Tuesday, August 14, 2018

Get Global FX Insights via email - [click here](#)



Global FX Insights

by LMAX Exchange Research & Analytics

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

Tuesday Calendar Stacked with Data [Wake-up call](#)

On Monday, Turkish authorities stepped in to try and stop the bleed that has been a collapsing Turkish Lira, though it seems these measures will be needing to be accompanied by an aggressive adjustment in the benchmark rate as well if Monday's price action is any indication. Tuesday's calendar is stacked with data.

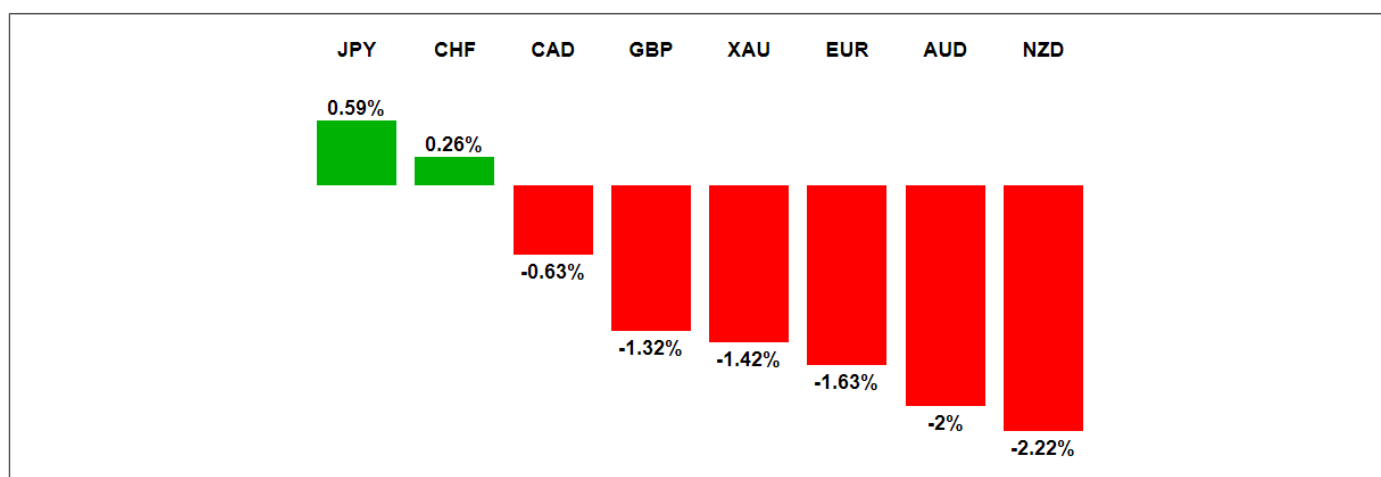
Technical highlights [Daily Video](#)

- **EURUSD** Bearish momentum
- **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) Poised to turn back up
- **BTCUSD** Considers bearish resumption
- **ETHUSD** Looking at July 2017 low

Fundamental highlights

- **EURUSD** Speculator attacks on Italy, active calendar
- **GBPUSD** UK markets ready for employment readings
- **USDJPY** Yen caught between diverging flow
- **EURCHF** SNB policy outlook gets complicated
- **AUDUSD** Aussie slide extends on contagion risk
- **USDCAD** Loonie struggles with political tension
- **NZDUSD** PM Arden welcomes Kiwi weakness
- **US SPX 500** Fed model will be important to watch
- **GOLD** (spot) Plenty of institutional demand
- **BTCUSD** Crypto constraints suffocating Bitcoin
- **ETHUSD** Extended equities a worry for Ethereum

Performance v. US dollar since weekly open



Suggested reading

- **[Solitary Rate Hike Can't Save Lira Now](#)**, M. Ashworth, Bloomberg (August 13, 2018)
- **[The Strange Story of a Goldman Whistleblower](#)**, D. Campbell, Financial Times (August 10, 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 1.1366 – 13Aug/2018 low – Medium
- S2 1.1337 – 4Jul low, 2017 – Strong

EURUSD – fundamental overview

The Euro has continues to face headwinds from the latest collapse in the Turkish Lira, with exposure at various European banks fueling contagion fears. Turkish authorities have attempted to calm things down, announcing limited swap transactions, a 250bp RRR cut on all Lira liabilities and list of additional measures for financial stability. Still, this hasn't done much to restore confidence. Additional downside pressure in the single currency has also come from worry over speculator attacks on Italy, while the Euro also struggles with broad based US Dollar demand on safe haven bids. Looking ahead, the calendar is quite active, with key standouts coming in the form of German CPI and GDP, Eurozone industrial production, GDP, and economic sentiment.

EURUSD – Technical charts in detail

Watch now

Aug 20, 2018

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

A UK currency trading at 2018 lows against the US Dollar and over 10% lower since April, will get some important economic data to digest on Tuesday, with UK employment readings on the docket. The Pound has been a victim of renewed Brexit stress and broad based US Dollar demand and will be looking for some positive takeaways in the Tuesday data to give it some relief. Theresa May is said to be considering a plan to keep EU rules in place after Brexit in an effort to break a deadlock in negotiations, while 50 Tory MPs have formed the ‘New Brexit Delivery Group’ in an effort to ensure a pragmatic outcome that results in the UK leaving the EU in March 2019.

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 from safe haven US Dollar bids. Of course, any signs of the US administration making headway with its soft Dollar policy efforts, or further liquidation in US equities, will invite another wave of risk off flow, which could further accelerate USDJPY declines. There was no reaction to comments from BOJ executive Momma who said the central bank should abandon negative interest rate policy and the cap on long-term bond yields. As far as Tuesday’s calendar goes, there is no first tier economic data out of the US to speak of.

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 1.1288 – 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.



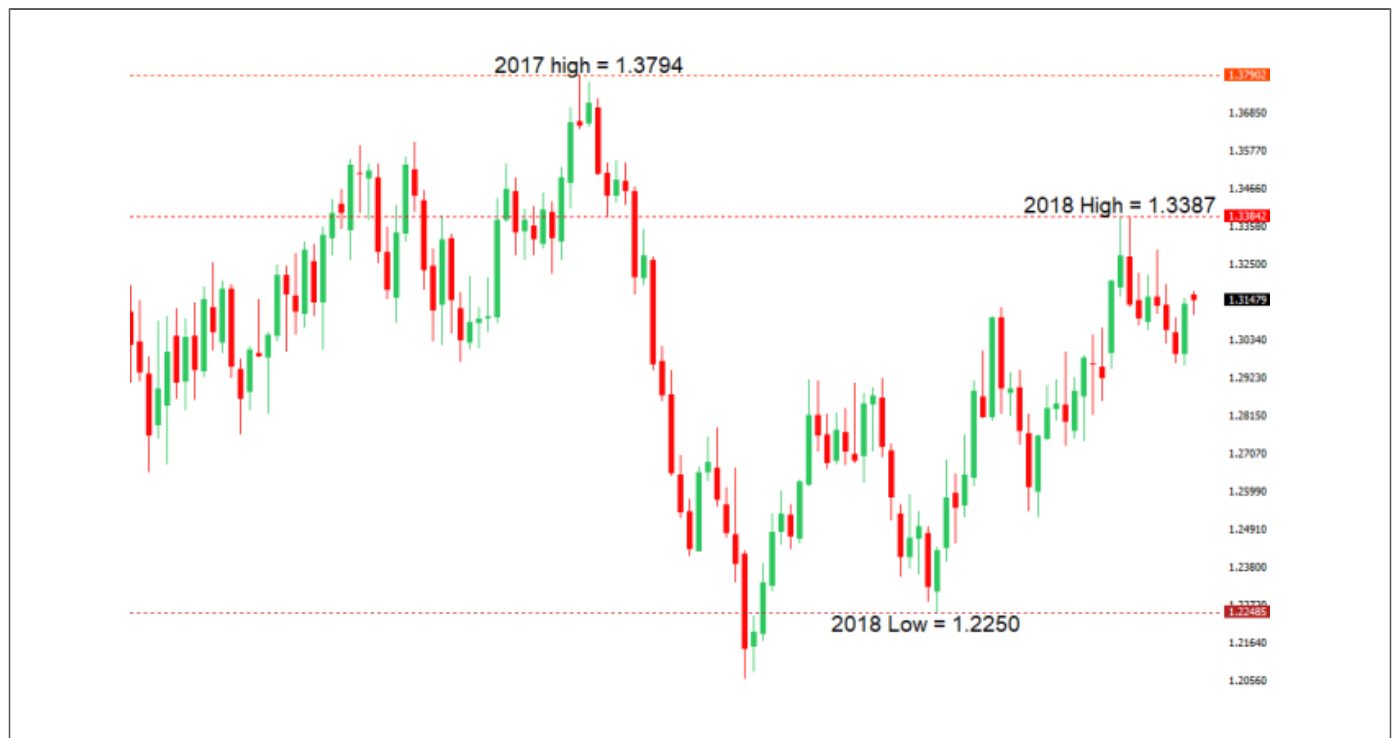
- R2 0.7485 – 10Jul high – Strong
- R1 0.7381– 10Aug high – Medium
- S1 0.7261 – 13Aug/2018 low – Medium
- S2 0.7200– Figure – Medium

AUDUSD – fundamental overview

The Australian Dollar has seen a fresh 2018 declines and is one of the worst performing currencies over the past week, on the back of this latest wave of broad based US Dollar demand associated with global uncertainty and contagion risk from Turkey. Australian fundamentals have been less influential in the price action, though it's worth noting last week's RBA SOMP was out talking the need for higher rates at some point despite inflation being below target through 2020. On Tuesday, the market will digest the latest NAB business confidence and conditions readings. There is no first tier data scheduled in the US.

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.



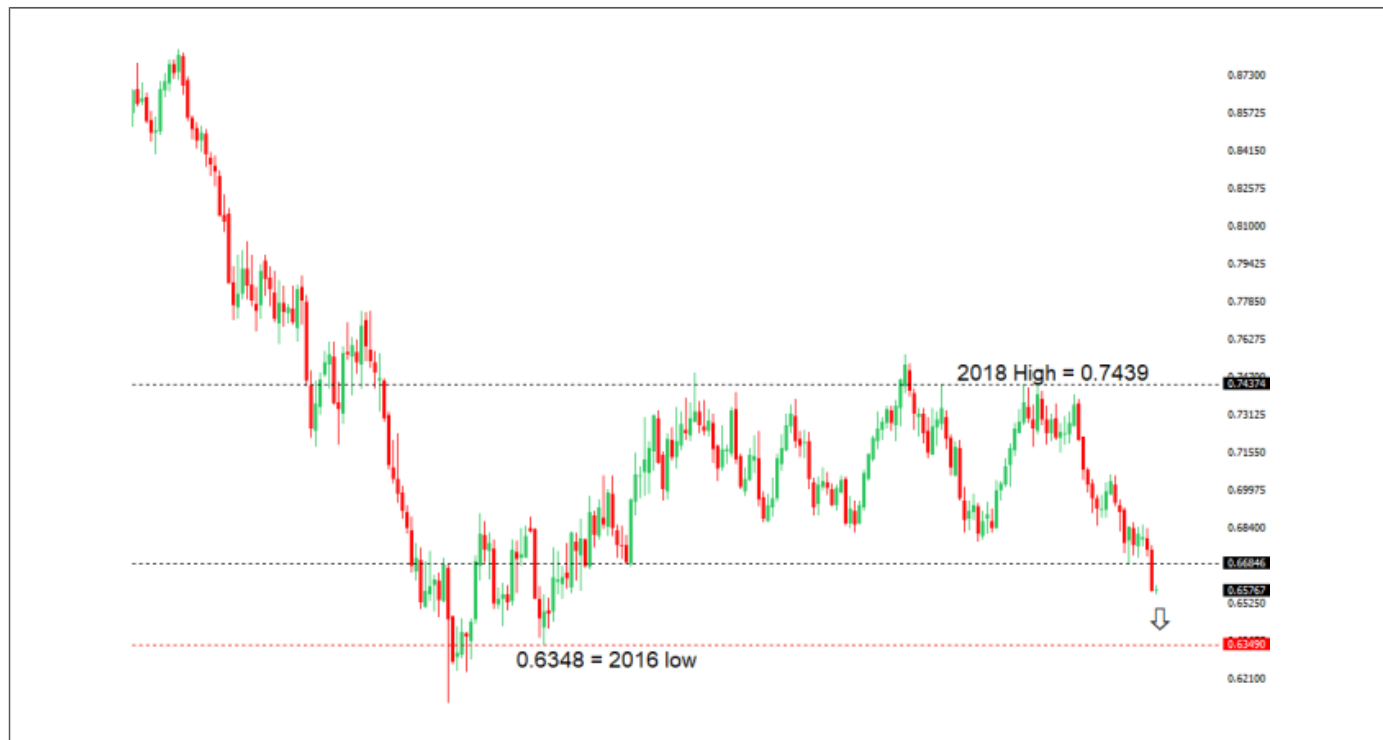
- R2 1.3192 – 24Jul high – Strong
- R1 1.3171 – 13Aug high – Medium
- S1 1.3040 – 10Aug low – Medium
- S2 1.2963 – 7Jun low – Strong

USDCAD – fundamental overview

The Canadian Dollar has come under pressure since last week's less than stellar employment report, with some oil weakness and tension surrounding Canada relations with Saudi Arabia and the US doing nothing to help the Loonie's cause. Of course, broad based demand for the US Dollar on elevated uncertainty, has also been a major contributor to Canadian Dollar weakness. Still, with the US Dollar running far and fast and the US administration capable of inspiring renewed Dollar selling, we are seeing decent USDCAD offers into rallies. Looking ahead, absence of first tier data out of Canada and the US 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 0.6562 – 13Aug/2018 low – Medium
- S2 0.6500 – Psychological – Strong

NZDUSD – fundamental overview

The New Zealand Dollar has been hit hard in 2018 and is the weakest currency among the developed currencies, with setbacks accelerating to fresh 2.5 year lows on the back of softer local data, more dovish leaning RBNZ policy, a PM welcoming Kiwi weakness and broad based US Dollar demand as global uncertainty ramps up. A rise in July NZ services PMIs hasn't done much to factor into price action. Looking ahead, there is no first tier data on Tuesday's US docket.

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.



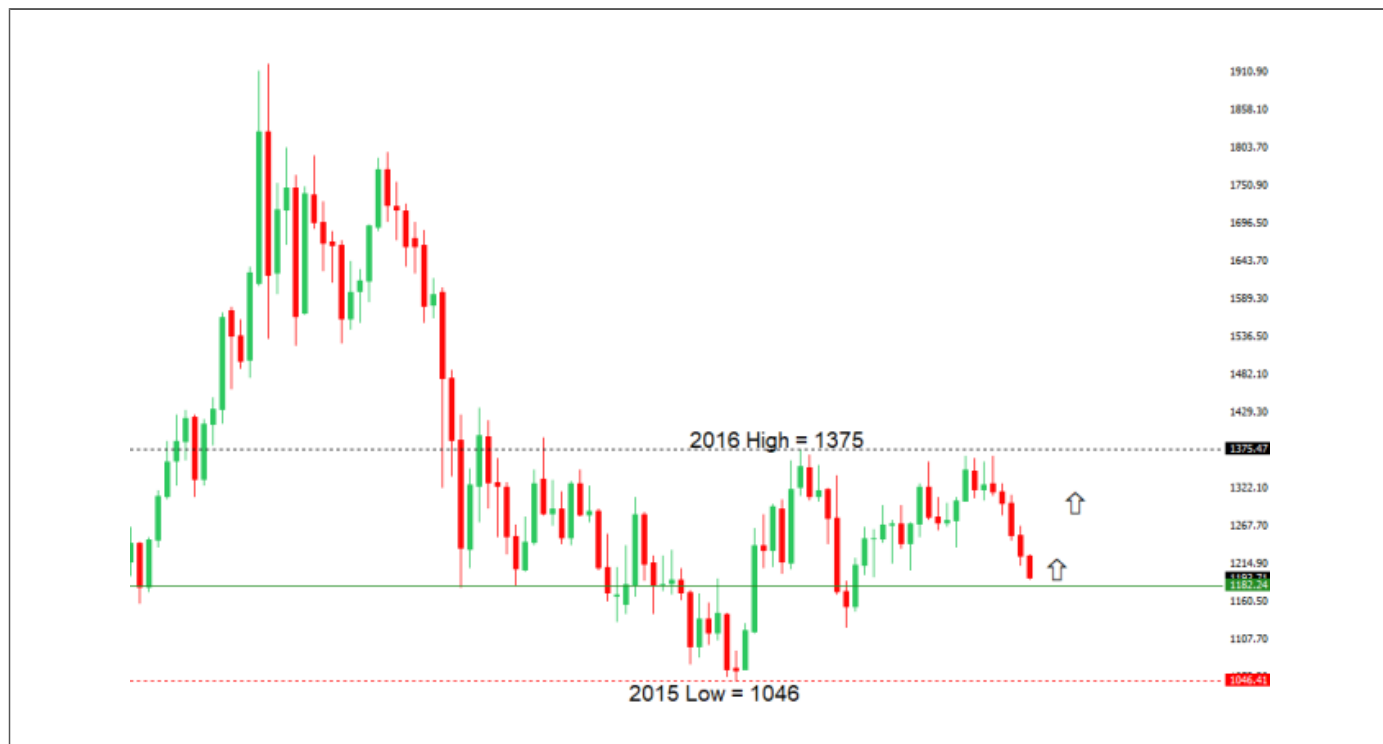
- R2 2882 – 29Jan/Record high – Strong
- R1 2865 – 7Aug high – Medium
- S1 2790 – 17Jul low – Medium
- S2 2765 – 11Jul low – Strong

US SPX 500 – fundamental overview

Stocks have been bid right back towards the record highs in August, 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 above 1180 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 1235, with a push back above to strengthen the outlook.



- R2 1266 – 9Jul high – Strong
- R1 1236 – 26Jul high – Strong
- S1 1192 – 13Aug/2018 low – Medium
- S2 1180 – 2013 low – 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’s 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 \$160, which goes back to the low from July 2017. Daily studies are however extended, which could warn of a corrective bounce ahead, though it would take a break back above \$370 to officially take the pressure off the downside.



- R2 435 – 1Aug high – Medium
- R1 370 – 10Aug high – Strong
- S1 285 – 13Aug/2018 low – Medium
- S2 230 – September 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 oversight and a global macro backdrop exposing risk correlated projects on the Ethereum blockchain. Monetary policy normalisation and an anticipated reduction in global risk appetite is placing 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.