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Global FX Insights

by LMAX Exchange Research & Analytics

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

US-China Trade Talks Command Spotlight [Wake-up call](#)

The market hasn't had time to be impressed with solid China trade data, with most of the focus on the world of the political and updates out from the US-China trade talk front. Technically speaking, we're at a critical inflection point, with the Euro hovering just above the 2018 low against the US Dollar.

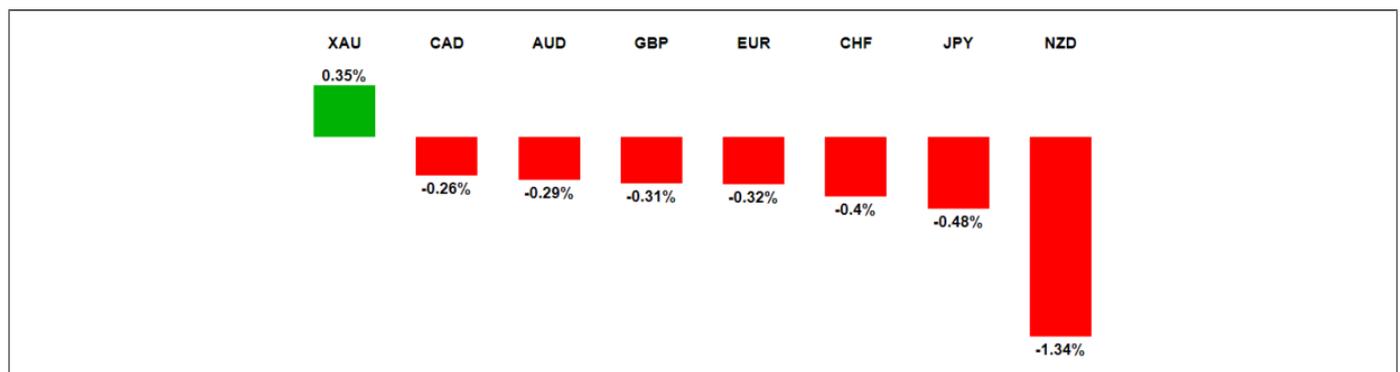
Technical highlights [Daily Video](#)

- [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
- [NZDUSD](#) Holding up above 0.6700
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Fundamental highlights

- [EURUSD](#) Eurozone GDP, employment
- [GBPUSD](#) May denies Brexit delay reports
- [USDJPY](#) Japan GDP in line with forecast
- [EURCHF](#) SNB policy strategy stress
- [AUDUSD](#) Added boost from China trade
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- [BTCUSD](#) Bitcoin outlook bright further out
- [ETHUSD](#) Demand expected despite setbacks

5-Day Performance v. US dollar



Suggested reading

- ['Risk On' Sentiment Never Felt So Tenuous](#), R. Burgess, **Bloomberg** (February 12, 2019)
- [State of the US Economy & Government](#), Volcker and Dalio, **Youtube** (February 7, 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 1.1250** - 13Feb low - Medium
- **S2 1.1216** - 12Nov/2018 low - Strong

EURUSD - fundamental overview

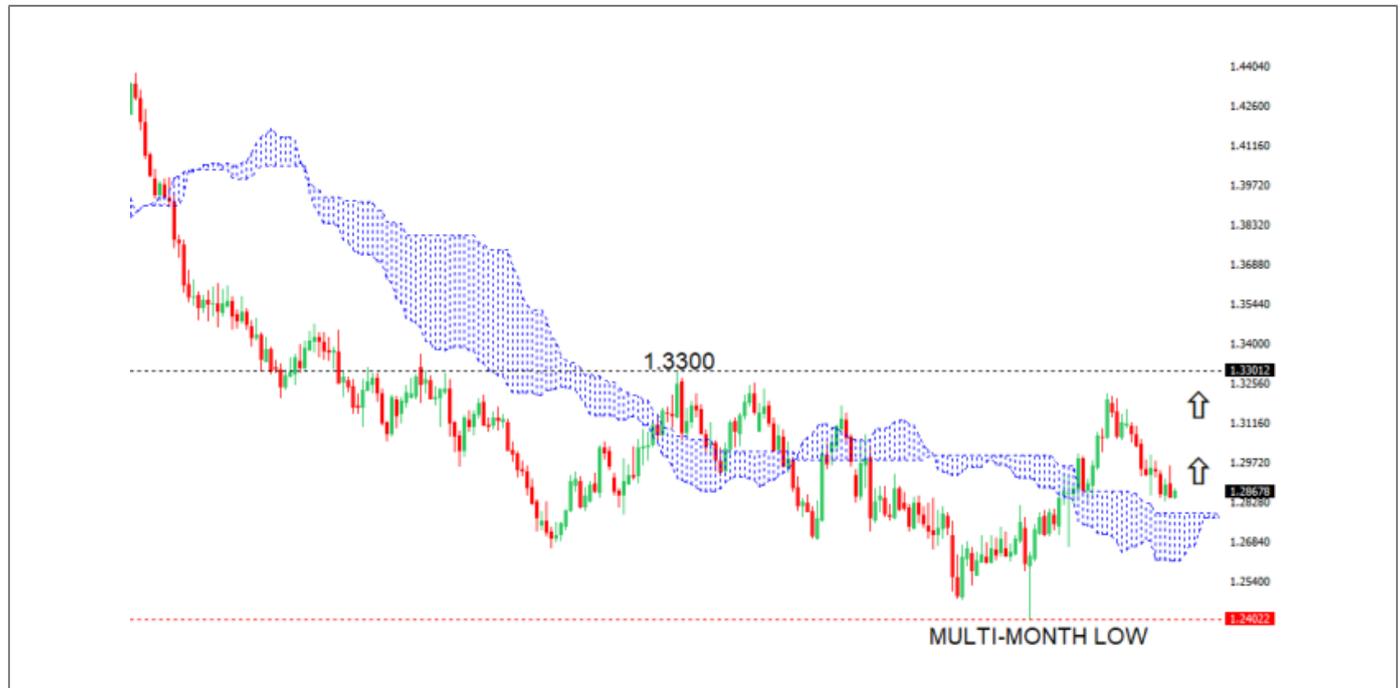
The Euro took another hit on Wednesday after it was unable to establish momentum from the Tuesday run. Most of the weakness came in Wednesday's North American session, in the aftermath of a hotter than expected US CPI reading. This came in contrast with an earlier disappointing Eurozone industrial production print. The Euro hovers just off the 2018 low, but has been very well supported down in this area for many months. 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. Ongoing risk associated with the US political climate, what should be soft US Dollar trade policy, and room for greater accommodative adjustment from the Fed, are all drivers that could continue to prop the single currency into dips. Key standouts on today's calendar come in the form of German and Eurozone GDP, Eurozone employment, US producer prices, US retail sales and US initial jobless claims.

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. The latest pullback is viewed as corrective on the daily chart, with the market still holding above the daily Ichimoku cloud top. 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 1.2997** - 7Feb high - Strong
- **R1 1.2959** - 13Feb high - Medium
- **S1 1.2833** - 12Feb low - Medium
- **S2 1.2800** - Figure - Strong

GBPUSD - fundamental overview

Theresa May's insistence that delay to Brexit is not an option, might be what the PM is thinking right now, though there's been plenty of evidence to suggest that when the time comes, considering a delay may be what is necessary. This follows reports that Olly Robbins was heard saying he expected MPs would either be given the option to back a reworked Brexit deal or a delay of Brexit. We continue to wait for more clarity on the Brexit front, though no vote is scheduled for this week, leaving the market more sensitive to UK data. On Wednesday, UK inflation readings came in a little softer overall, which contributed to the Pound's retreat that was then accelerated after US CPI printed on the hotter side. Looking ahead, absence of first tier data on the UK docket, will leave the focus on some scattered central bank speak and US releases that include, initial jobless claims, retail sales and producer prices.

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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

Japan GDP data was out earlier and came in mostly in line with expectation. 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. For today, the focus will be on market reaction to US-China trade talks and a round of US data that includes initial jobless claims, producer prices and retail sales.

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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.



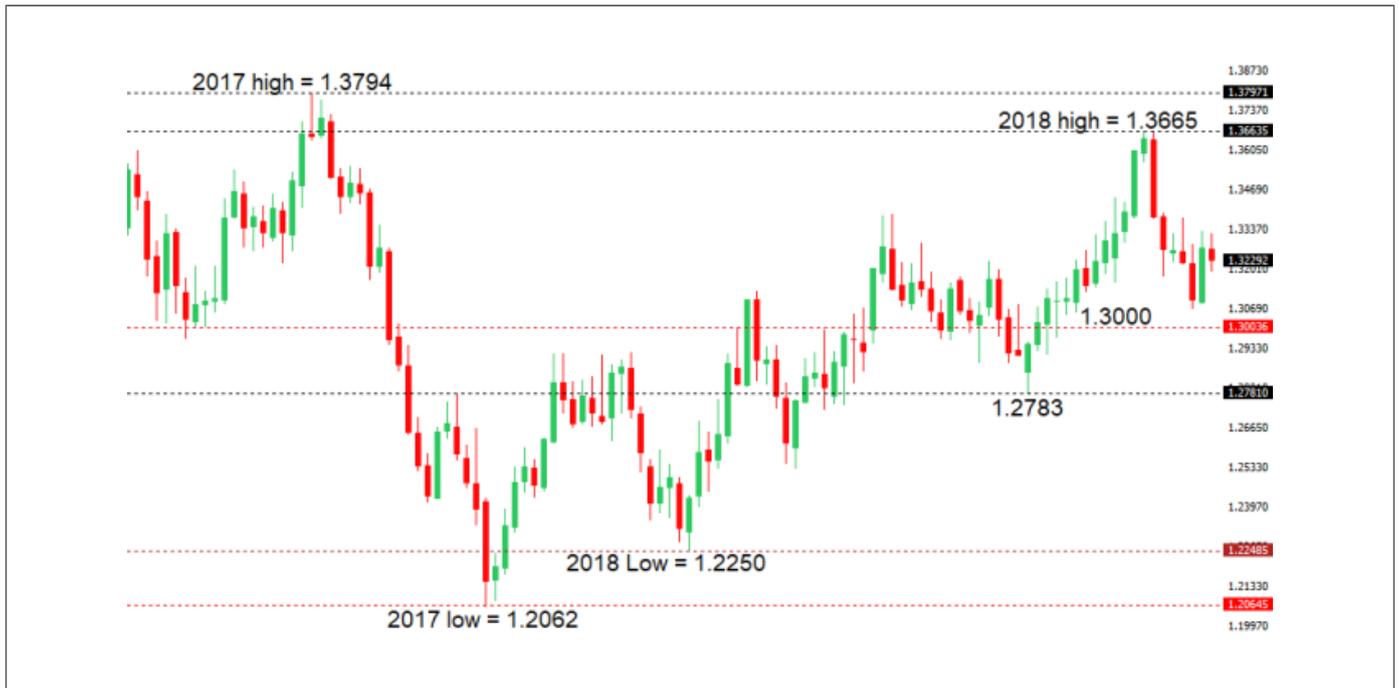
- **R2 0.7200** - Figure - Medium
- **R1 0.7137** - 13Feb high - Medium
- **S1 0.7055** - 12Feb low - Medium
- **S2 0.7000** - Psychological - Strong

AUDUSD - fundamental overview

Aussie consumer inflation expectations came in stronger than previous and this follows more upbeat RBA speak and some solid consumer confidence readings earlier this week. All of this has helped to keep Aussie in demand, with the currency getting another little boost early Thursday from the solid China trade data. Still, there is quite a bit of risk associated with the commodity currency, particularly as things relate to updates on the US-China trade talk front where more headlines are forthcoming. Aussie had stumbled in Wednesday trade after the Buck tried to work its way back on hotter CPI. Looking at the calendar, the focus will be on US releases, with initial jobless claims, retail sales and producer prices standing out.

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.



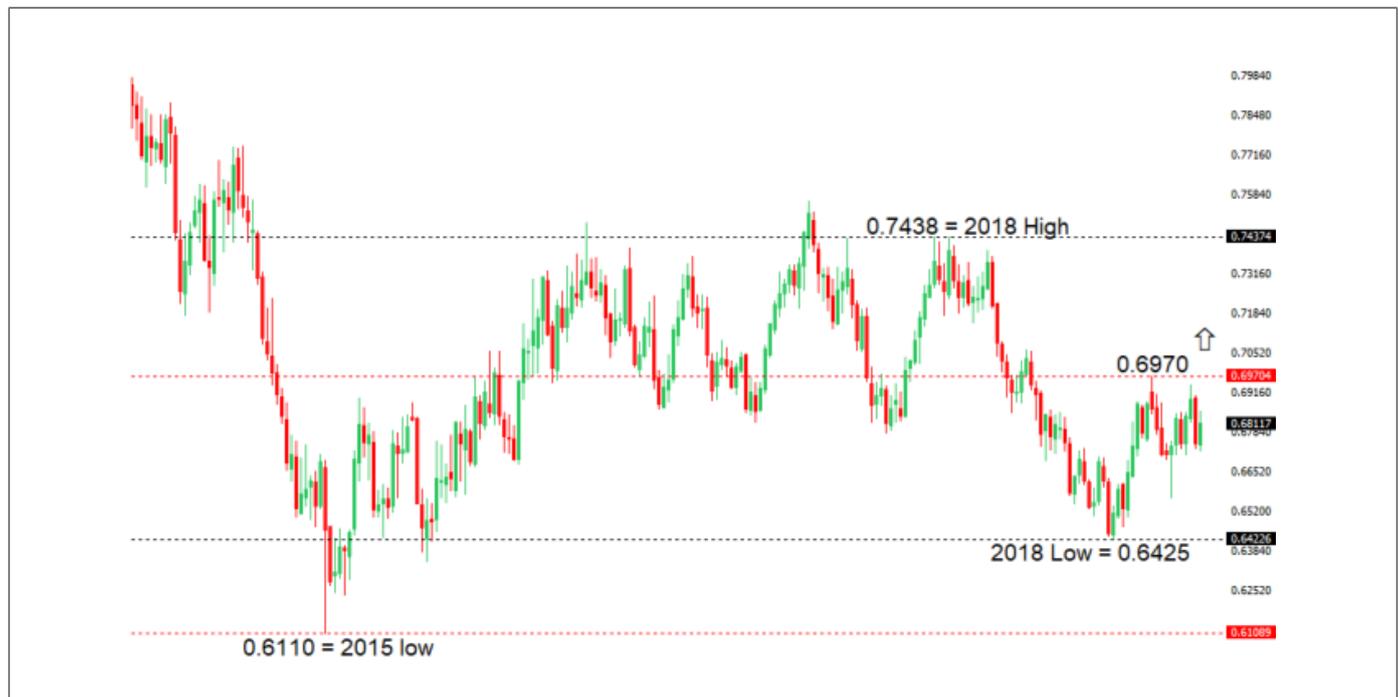
- **R2 1.3376**- 24Jan high - Strong
- **R1 1.3330** - 8Feb high - Medium
- **S1 1.3197** - 13Feb low - Medium
- **S2 1.3069** - 1Feb/2019 low - Strong

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 renewed broad based selling in the US Dollar, have helped the Loonie hold up into periods of weakness. Looking ahead, we get Canada manufacturing shipments, along with US readings in the form of initial jobless claims, retail sales and producer prices.

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

Kiwi has been an outperformer in the FX market over the past week. The relative strength comes from a more upbeat RBNZ policy decision, rallying equities, solid China data and decent local economic releases. Still, the New Zealand Dollar continues to face headwinds in an environment where US-China trade talks are shaky, and risk assets look vulnerable to the realities of exhausted monetary policy accommodation and government stimulus post 2008 crisis. Looking at the calendar, the focus will be on US releases, with initial jobless claims, retail sales and producer prices standing out.

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.



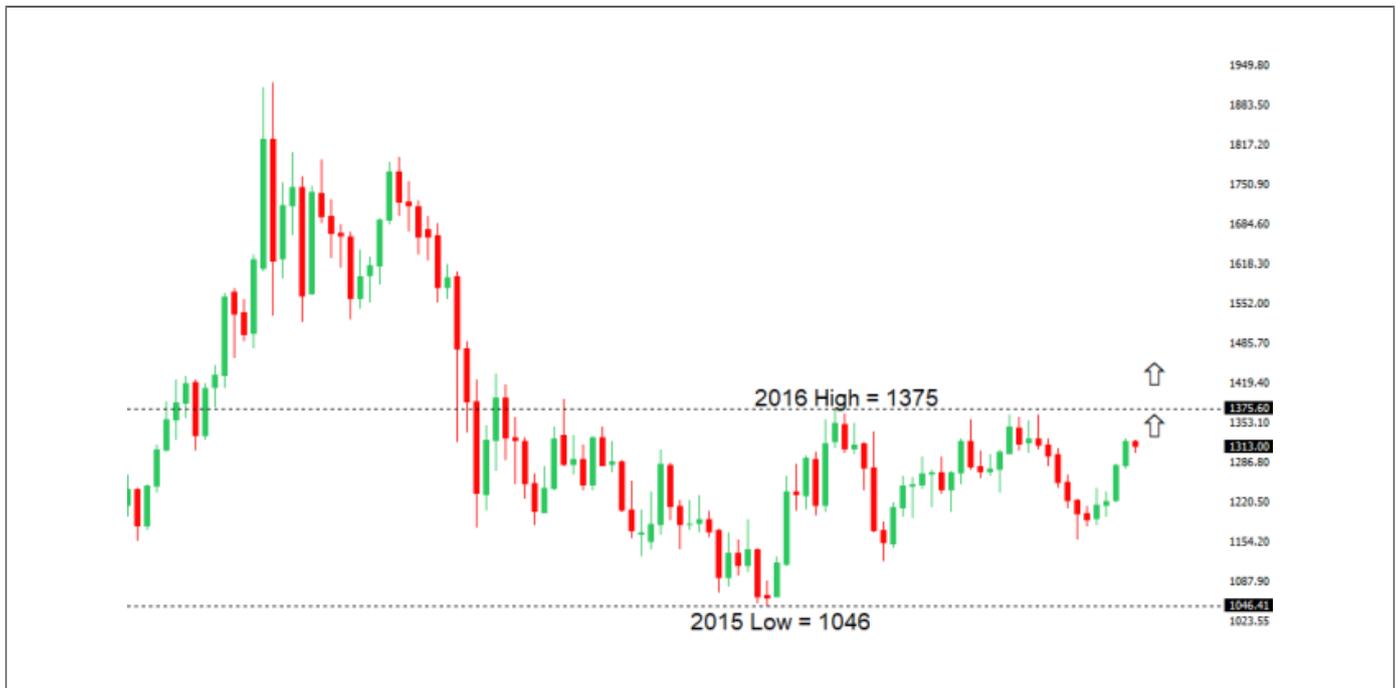
- **R2 2800** - Psychological - Strong
- **R1 2764** - 13Feb/2019 high - Medium
- **S1 2681** - 8Feb low - Strong
- **S2 2613** - 23Jan low - Strong

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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