

Monday, January 14, 2019

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

Brexit headlines work back into the spotlight [Wake-up call](#)

We're into the new week and a lot of the attention will be back on the fate of Brexit, with that important vote in parliament scheduled for Tuesday, in which the government will either approve or reject Theresa May's deal.

Audio Player 00:0000:0000:00 Use Up/Down Arrow keys to increase or decrease volume.

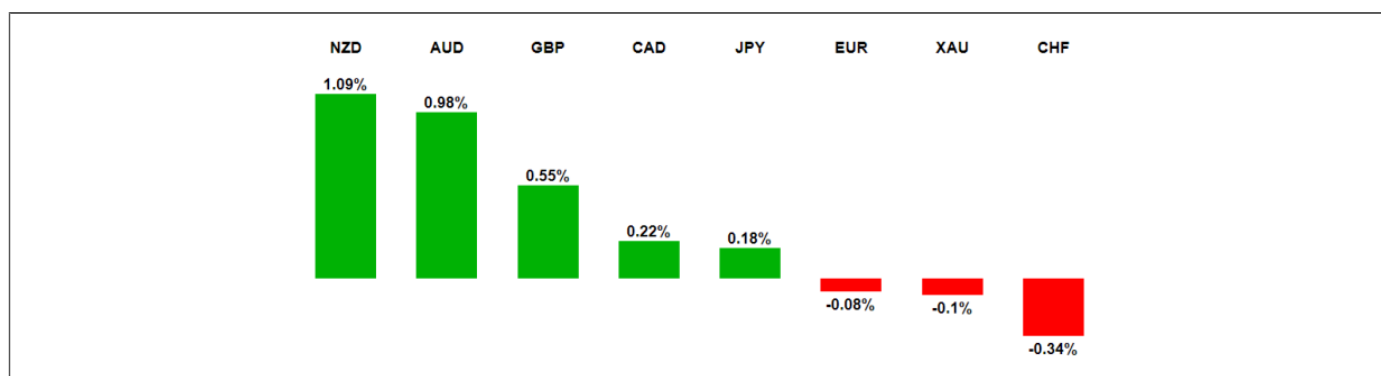
Technical highlights [Daily Video](#)

- [EURUSD](#) Takes out important level
- [GBPUSD](#) Case for major higher low
- [USDJPY](#) Considering deeper drop
- [EURCHF](#) No directional insight at moment
- [AUDUSD](#) Well supported after collapse
- [USDCAD](#) Extended studies unwinding
- [NZDUSD](#) Looking for next higher low
- [US SPX 500](#) Rally expected to stall out
- [GOLD](#) (spot) Slowly working to bullish break
- [BTCUSD](#) Downtrend firmly intact
- [ETHUSD](#) Stalls out into latest recovery

Fundamental highlights

- [EURUSD](#) Dovish Nowotny shrugged off
- [GBPUSD](#) Brexit tension heats up again
- [USDJPY](#) Risk sentiment remains shaky
- [EURCHF](#) SNB policy strategy stress
- [AUDUSD](#) Aussie hit on China trade data
- [USDCAD](#) Loonie gets help from OIL jump
- [NZDUSD](#) Kiwi rally stalls on risk off flow
- [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

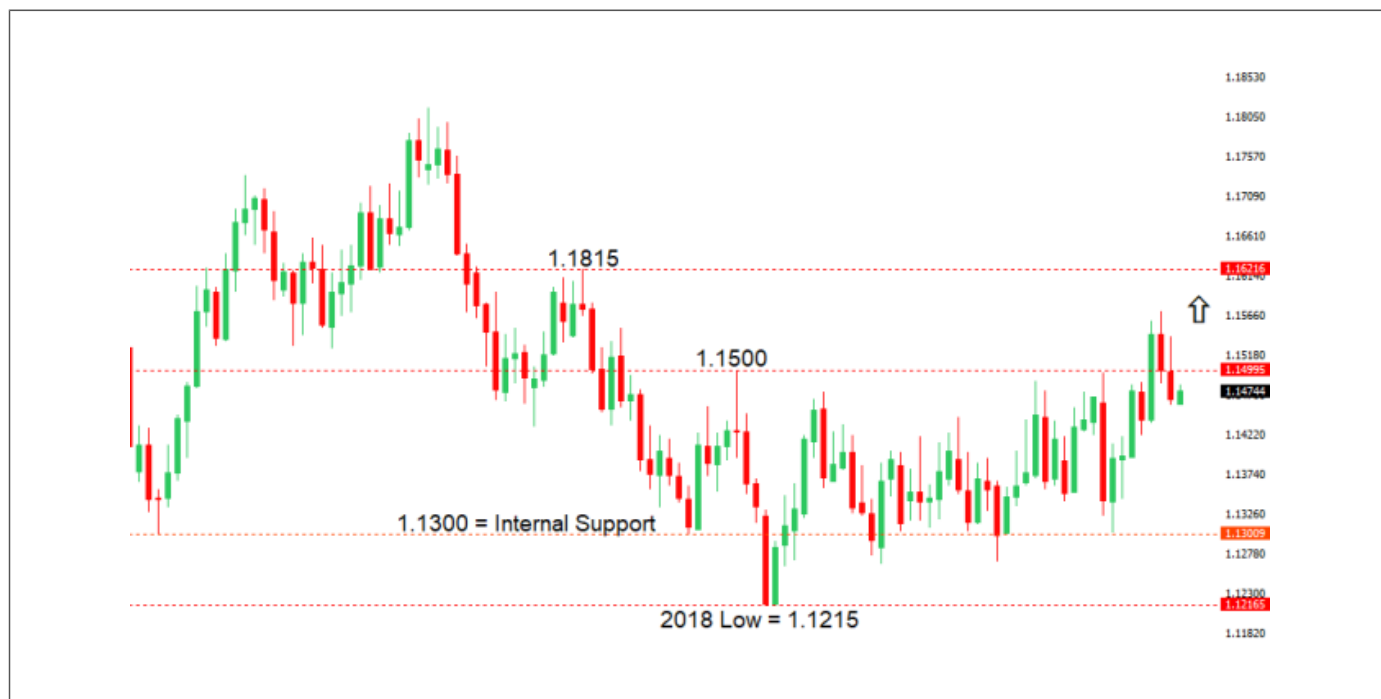


Suggested reading

- [Why the Fed and Investors Don't Agree](#) M. El Erian, **Bloomberg** (January 14, 2019)
- [Brexit Vote and UK Bank Results](#), J. de la Mare, **FT** (January 13, 2019)

EURUSD - technical overview

The Euro has broken out from a period of extended consolidation off the 2018 low, setting the stage for a bullish structural shift. Look for the market to establish above 1.1500 over the coming sessions for confirmation, setting the stage for an acceleration towards next critical resistance in the 1.1815 area, which guards against a retest of the +3 year high from 2018 around 1.2550. Setbacks should now be well supported, with only a close back below 1.1300 to delay the constructive outlook.



- **R2 1.1622** - 16Oct high - Strong
- **R1 1.1570** - 10Jan high - Medium
- **S1 1.1458** - 11Jan high - Medium
- **S2 1.1423** - 8Jan low - Strong

EURUSD - fundamental overview

The Euro has been well supported in recent sessions despite some softer data out of Europe last week and some dovish comments from ECB Nowotny. The combination of a Fed that's taking a full pause in 2019 more seriously, ongoing White House drama, and the US administration's soft Dollar protectionist agenda are all suggesting the Euro could continue to rally. Looking at today's calendar, Eurozone industrial production is the only notable standout.

EURUSD - Technical charts in detail

[Watch now](#)

GBPUSD - technical overview

We view the pullback in 2018 as a correction within a developing uptrend off the 2016 low and will be looking for a higher low to carve out well ahead of 1.1840, in favour of a push back to the topside. For this to play out, the market will ideally need to hold above some meaningful support in the 1.2300s and recover back through the September 2018 peak at 1.3300. The recent break back above short-term resistance at 1.2815 helps to strengthen the bullish prospect. Next short-term resistance is up at 1.2928.



- **R2 1.2928** - 22Nov high - Strong
- **R1 1.2866** -11Jan high - Medium
- **S1 1.2800** - Figure - Medium
- **S2 1.2707** - 8Jan low - Strong

GBPUSD - fundamental overview

We're into what could be a volatile week for the Pound as it gets ready to take in the next steps with respect to the Brexit process. The PM is still pushing hard to make a deal work when voted on Tuesday, with Theresa May reportedly more likely to block Brexit from happening if her deal is voted down, rather than to allow a disorderly no deal Brexit which by most accounts would be disastrous. If the deal is voted down, there will be another vote next week on the PM's plan B. Many are now expecting a delayed Brexit out to July, though the Labour leader has said he would be tabling a vote of no confidence if May's deal does not go through. There is no economic data on the Monday calendar.

GBPUSD - Technical charts in detail

USDJPY - technical overview

Setbacks have intensified as the market continues to confirm the bearish outlook since stalling out above 114.00 in early October. Look for any recovery rallies to be well capped ahead of 111.00 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.



- **R2 109.73** - 2Jan high - Strong
- **R1 109.09** - 8Jan high - Medium
- **S1 107.52** - 4Jan low - Strong
- **S2 107.00** - Figure - Medium

USDJPY - fundamental overview

Japan was out on holiday Monday, making for some thinner trade. Overall, optimism around the latest trade talks between the US and China have faded after nothing came of last week's meet, while investors are not getting the follow through in stocks they might have wanted to see after last week's Fed Minutes and subsequent Fed speak confirmed the Fed's reconsideration of policy. Meanwhile, evidence of a slowdown in China continues to present, as reflected in the economic data. All of this warns of additional Yen demand on traditional correlations, something that was recently echoed by former senior BOJ official Kazuo Momma, who said 'there's a good chance the Yen will strengthen to 100 against the Dollar in the coming months. Looking ahead, Monday's economic calendar is empty.

[Watch now](#)

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 1.1435**- 16Nov high - Strong
- **R1 1.1359** - 22Nov high - Medium
- **S1 1.1200** - Psychological - 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

Despite the recent breakdown below the 2016 low, inability to establish below that low (around 0.6825), will keep the market from wanting to get overly bearish and could even warn of some form of a longer-term base. However, a drop back below the 2016 low again, would expose deeper setbacks towards the 2008 low around 0.6000. As far as the topside goes, the market would need to break back above 0.7400 to force a bullish shift in the structure.



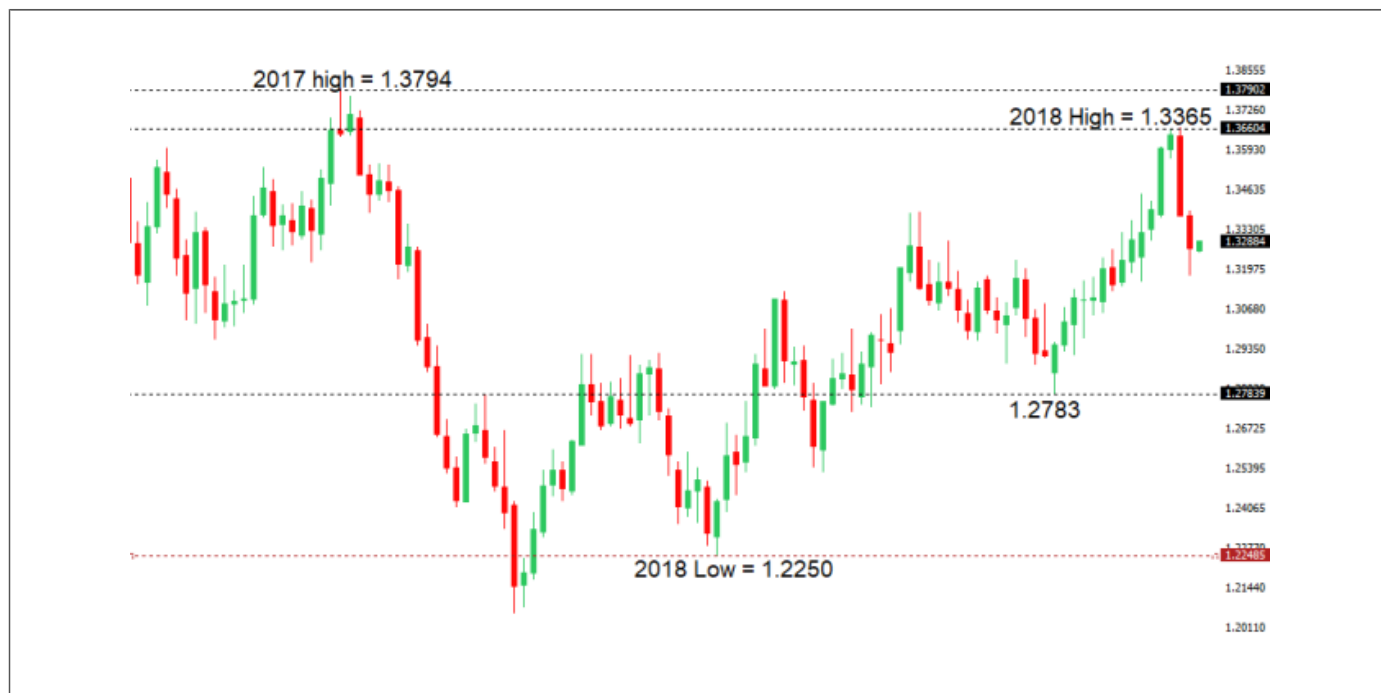
- **R2 0.7300** - Figure - Medium
- **R1 0.7247** - 13Dec high - Strong
- **S1 0.7147** - 10Jan low - Medium
- **S2 0.7110** - 7Jan low - Strong

AUDUSD - fundamental overview

Aussie has held up quite well into dips, with most of the demand coming from a broad based liquidation in USD longs. A possible Fed pause, ongoing drama at the White House and worry about US administration protectionism are all USD bearish drivers, while some better than expected data out of Australia last week has also helped to prop the commodity currency. Still, a concurrent round of selling in global equities and deterioration in risk sentiment are expected to keep Aussie from running up too much, especially with a lot of this risk off flow coming from worry around the outlook from China, in light of global trade and a round of softer economic data, mostly recently in the form of trade. There is no data of note for the remainder of the day.

USDCAD - technical overview

A period of intense correction has kicked in after a run to its highest levels since May 2017. Overall, the structure remains constructive, with dips expected to be well supported ahead of 1.3000 for renewed upside. Only back below the psychological barrier would compromise this view.



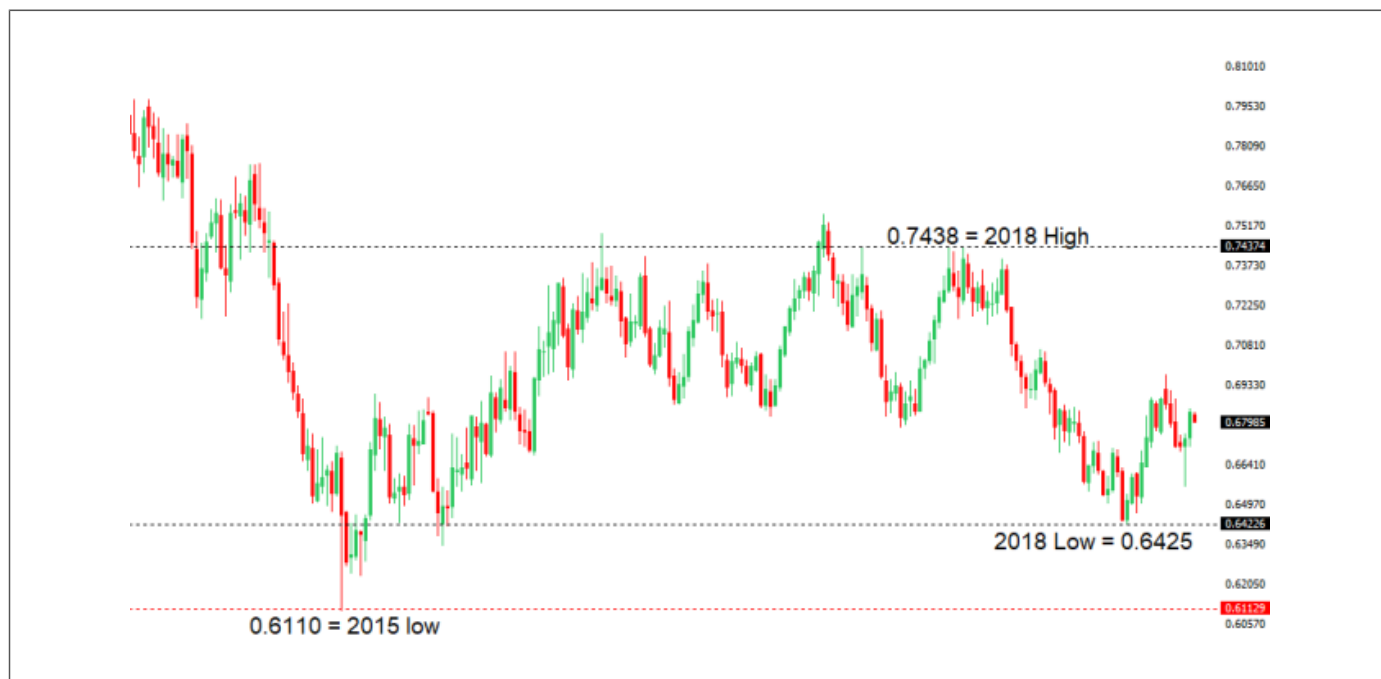
- **R2 1.3390** - 7Jan high - Strong
- **R1 1.3323** - 8Jan high - Medium
- **S1 1.3180** - 9Jan low - Medium
- **S2 1.3161** - 3Dec low - Strong

USDCAD - fundamental overview

The Bank of Canada was out last week leaving rates on hold, while citing the impact of lower oil. Still, the central bank balanced things out, with its expressed view that a slowdown in economic activity was expected to be temporary. Oil's recovery from the dump we had seen in recent weeks has helped to reinforce the BoC's view. Meanwhile, broad based selling of the US Dollar has been another major contributing factor to the recent run of Loonie gains. The US Dollar has been sold on a combination of factors that include a less hawkish Fed, the US government impasse and soft Dollar US protectionism. There is no economic data of note out on Monday.

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 the latest 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 break back above 0.6970 will strengthen the constructive outlook.



- **R2 0.6880** - 18Dec high - Strong
- **R1 0.6850** - Mid-Figure - Medium
- **S1 0.6708** - 8Jan low - Medium
- **S2 0.6672** - 4Jan low - Strong

NZDUSD - fundamental overview

The New Zealand Dollar held up relatively well in recent weeks. The commodity currency is benefitting from a less hawkish Fed outlook, ongoing White House drama, and soft Dollar protectionist US administration policy. It's also worth noting the most recent positive GDT auction result, something that gives the New Zealand Dollar another reason to be feeling good. Still, risk liquidation themes are a concern to a risk correlated commodity currency and after nothing has come of the latest US-China trade talks and China economic data has been soft (see latest trade data), offsetting bearish flow is to be expected. There is no economic data of note out on Monday.

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.



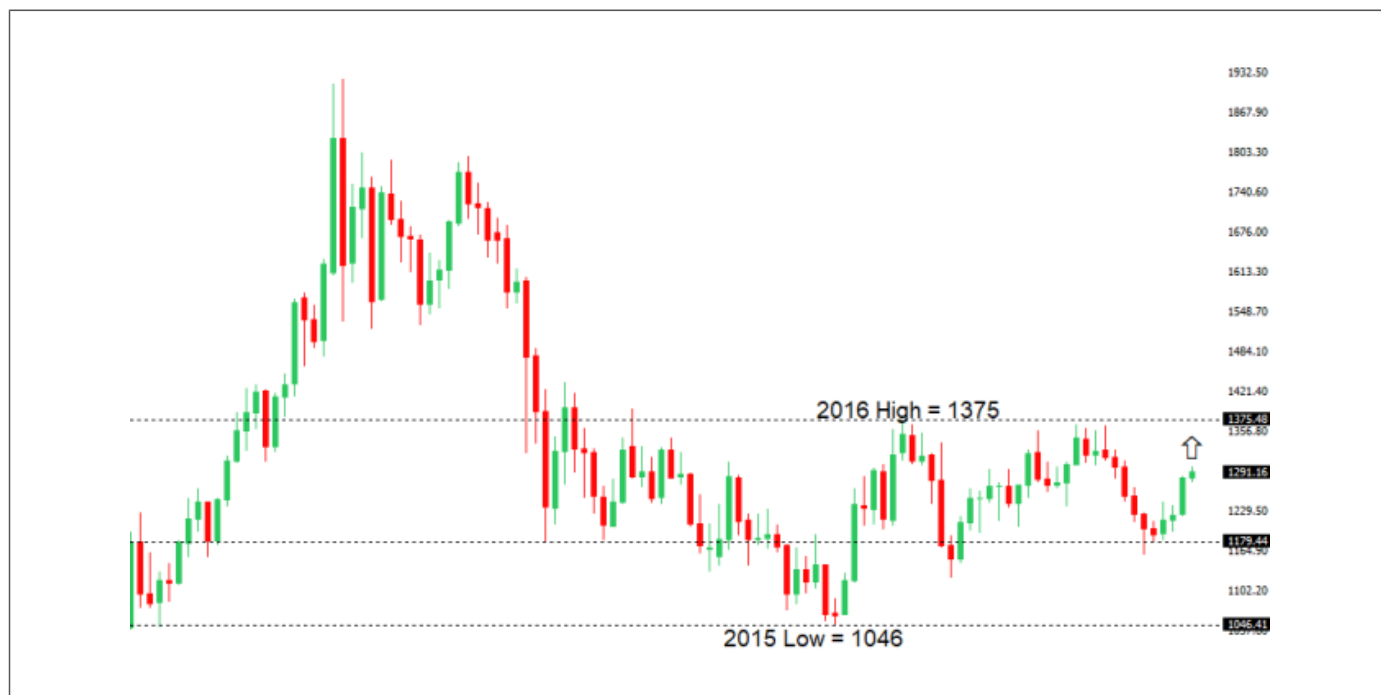
- **R2 2688** - 12Oct high - Strong
- **R1 2600** - 10Jan high - Medium
- **S1 2437** - 4Jan low - Medium
- **S2 2339** - 24Dec/2018 low - Strong

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. 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 ahead of 1200, with only a close back below 1200 to compromise the constructive outlook. Next key resistance comes in at the 1300 psychological barrier.



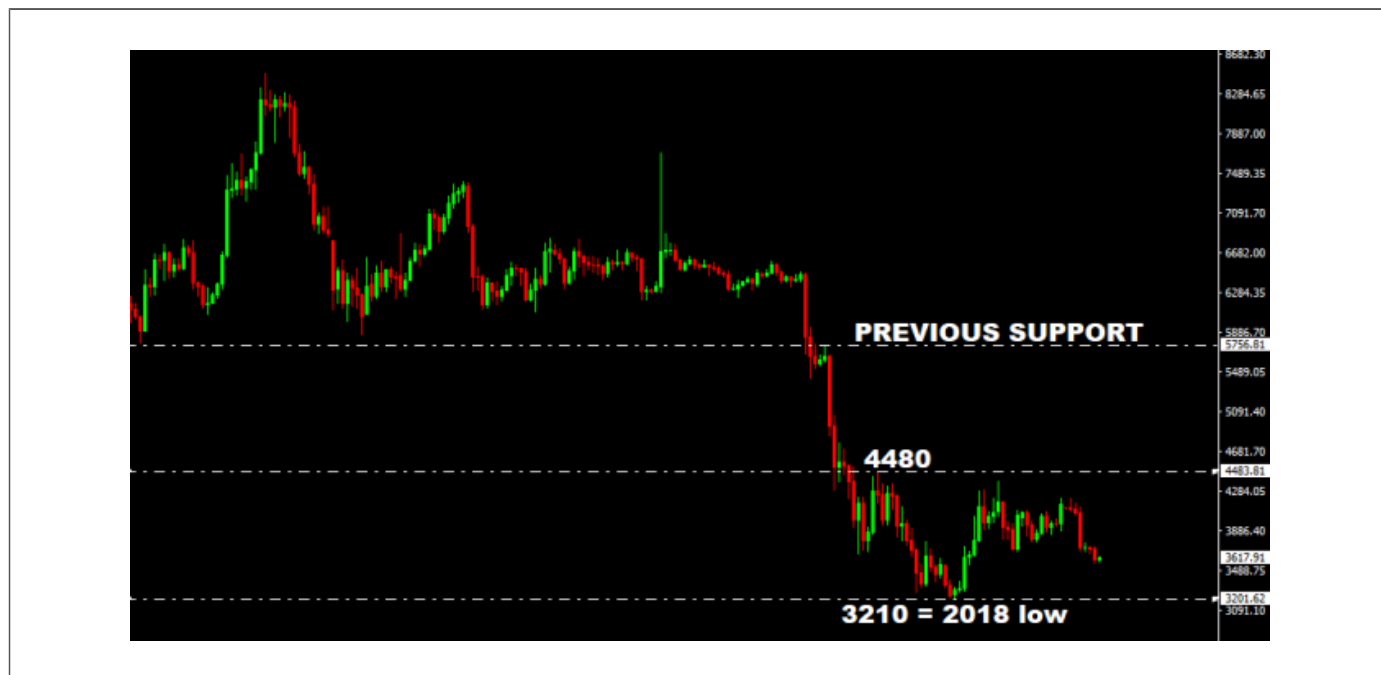
- **R2 1310** - 14Jun high - Strong
- **R1 1300**- Psychological - Medium
- **S1 1276** - 4Jan low - Medium
- **S2 1233** - 14Dec low - Strong

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 3,545**- 18Dec low -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

[Watch now](#)

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 116** - 14Jan low - Medium
- **S2 83** - 7Dec/2018 low - Strong

ETHUSD - fundamental overview

We're coming off a year of dramatic weakness in the price of Ether 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 below 100 and ahead of 50.



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.

