

Global FX Insights

by LMAX Exchange Research & Analytics

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

The Dollar's Devastating 1-2 Punch Combo [Wake-up call](#)

Right now, the US Dollar is on a tear and it's not looking like anything is going to be able to get in its way. We've entered into a period in which the Buck is in the very unique position of being able to find demand no matter what's going on out there.

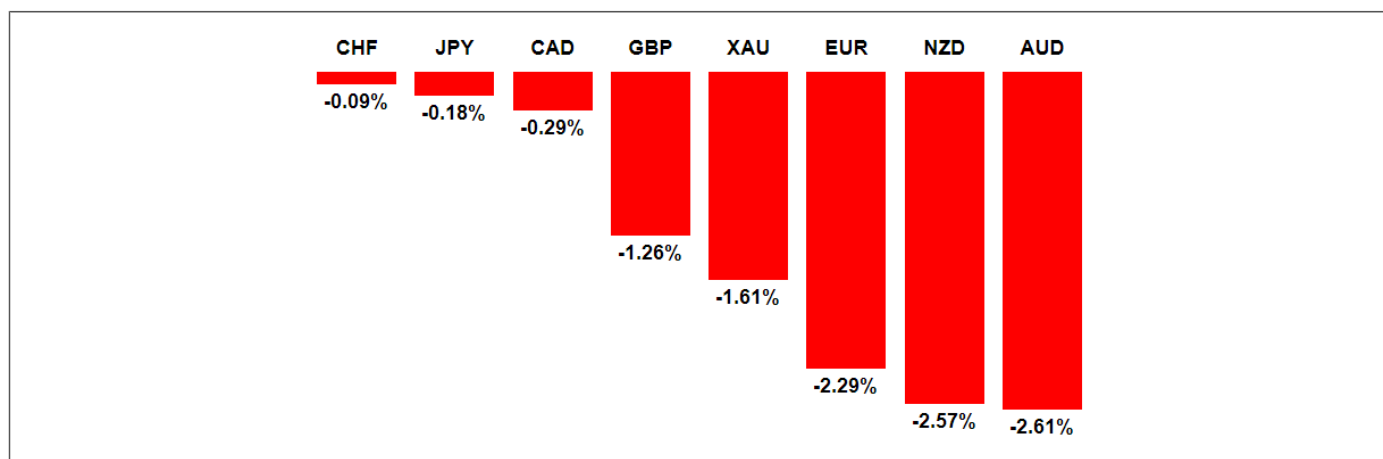
Technical highlights [Daily Video](#)

- **EURUSD** Getting close to bottom
- **GBPUSD** Looking to turn back up
- **USDJPY** Rallies should be well capped
- **EURCHF** Gravitating to major support
- **AUDUSD** Next big support in 0.7100s
- **USDCAD** Into consolidation phase
- **NZDUSD** Remains under pressure
- **US SPX 500** Major double top in works
- **GOLD** (spot) Basing structure alive
- **BTCUSD** Considers bearish resumption
- **ETHUSD** Sights set on July 2017 low

Fundamental highlights

- **EURUSD** Euro gets no love from solid data
- **GBPUSD** UK jobs data produces good news
- **USDJPY** Major pair sees healthy two-way flow
- **EURCHF** SNB policy outlook gets complicated
- **AUDUSD** Aussie data soft, China readings miss
- **USDCAD** Loonie gets lift from housing release
- **NZDUSD** NZ Robertson helps to support Kiwi
- **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

- **Different Kind of Message from US Bond Market**, B. Chappatta, Bloomberg (August 14, 2018)
- **China Investment in Bangladesh Worries India**, K. Stacey, Financial Times (August 13, 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 1.1500 – Psychological – Strong
- R1 1.1434 – 13Aug high – Medium
- S1 1.1313 – July 2017 low – Medium
- S2 1.1200 – Measured Move – Strong

EURUSD – fundamental overview

Ongoing worry associated with contagion from Turkey and vulnerability in Italy, along with a continued broad based bid for the US Dollar, were more than enough to offset any positives from economic data out of the Eurozone on Tuesday. The data included solid growth, inflation and sentiment readings, but as has been the case of late, the market just wasn't in the mood to be trading on the data. The Euro extended its run of 2018 declines and is still looking for a bottom, despite extended technical readings. The news that Italy officials had agreed to cut the debt load, didn't factor into price action. Looking ahead, key standouts on Wednesday's calendar come from a US docket that features empire manufacturing, retail sales, industrial production, business inventories and NAHB housing.

EURUSD – Technical charts in detail

[Watch now](#)

GBPUSD – technical overview

The breakdown has extended into the 1.2700 area, 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 1.3010 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 1.2700 – Figure – Medium
- S2 1.2590 – June 2017 low – Strong

GBPUSD – fundamental overview

UK data has been looking up this week but has been overshadowed by ongoing Brexit worry and broad based demand for the US Dollar. The Pound couldn't avoid extending its dramatic run of 2018 declines despite the release of solid employment data that showed the UK jobless rate falling to its lowest levels since 1975. As far as Brexit news goes, the latest headlines getting attention involve the Conservative 'Tory Brexiteer' group's plan to challenge the PM with its own Brexit plan arguing for a 'Canada-style' free trade agreement. Looking at the calendar, all eyes will be on UK CPI readings, sure to make waves. This will then be followed up by a US docket that features empire manufacturing, retail sales, industrial production, business inventories and NAHB housing.

GBPUSD – Technical charts in detail

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 110.12 – 13Aug low – Medium
- S2 109.37 – 25Jun low – Strong

USDJPY – fundamental overview

Ongoing worry associated with the impact of global trade tension has kept the major pair from rallying much, despite a very clear wave of broad based US Dollar demand. And any signs of the US administration making more headway with its soft Dollar policy efforts, or any signs of further liquidation in US equities, will likely invite another wave of risk off flow, which could end up making the Yen the more ideal beneficiary. Japanese industrial production contracted less than the previous month, while capacity utilization decreased by more than forecast. But none of this has factored into price action. Looking ahead, we get a healthy batch of US data that features empire manufacturing, retail sales, industrial production, business inventories and NAHB housing.

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 the form of the 2016 high at 1.1200. Daily studies are starting to look stretched however, which could warn of a bounce in the sessions ahead.



- R2 1.1462– 10Aug high – Strong
- R1 1.1361 – 13Aug high – Medium
- S1 1.1265 – 14Aug/2018 low – Medium
- S2 1.1200– 2016 High – 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 deeper setbacks towards the December 2016 low at 0.7160. At this point, it would take a break back above 0.7485 to take the immediate pressure off the downside.



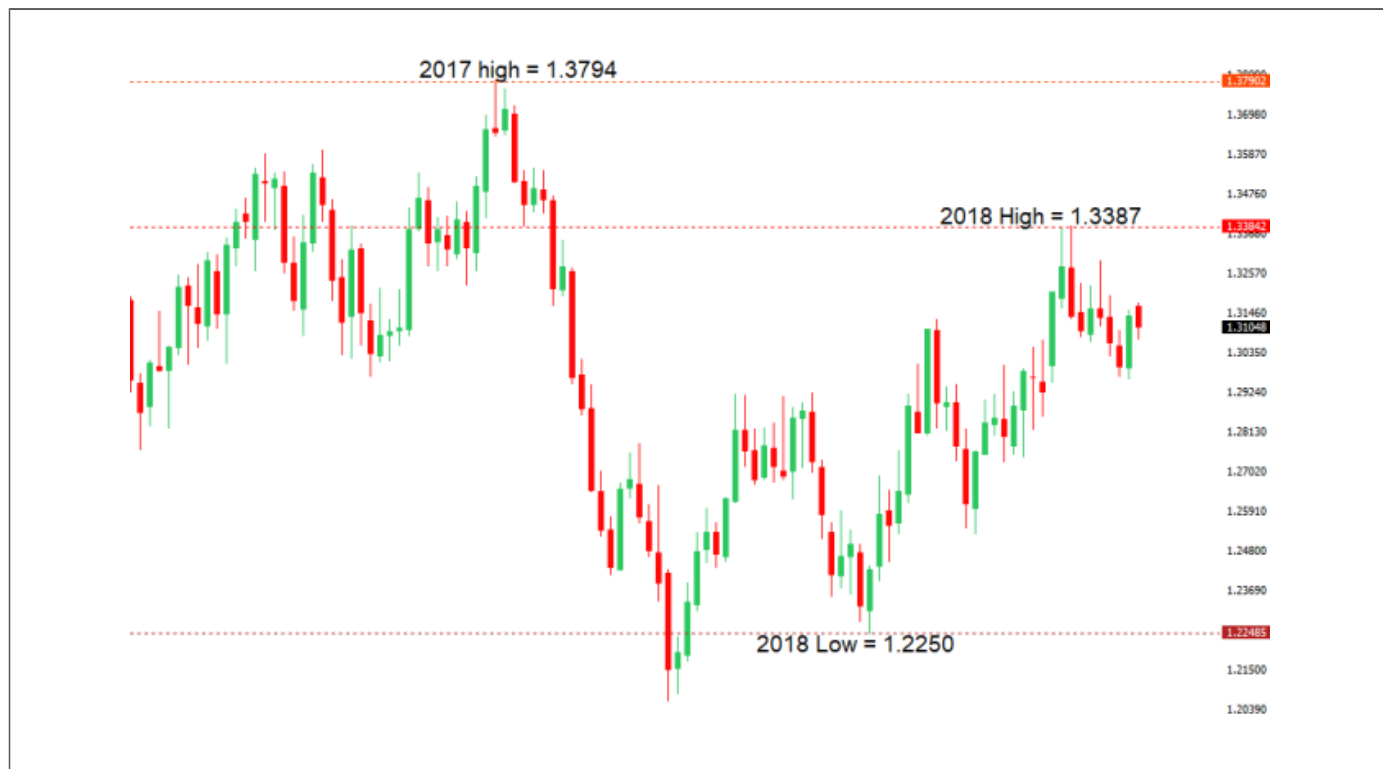
- R2 0.7485 – 10Jul high – Strong
- R1 0.7381– 10Aug high – Medium
- S1 0.7225 – 14Aug/2018 low – Medium
- S2 0.7200– Figure – Medium

AUDUSD – fundamental overview

The Australian Dollar has continued with its run of 2018 declines and is now the worst performer among the developed currencies over the past week. Aussie had already been weighed down by broad based US Dollar demand and some risk off flow, while softer confidence readings and a disappointing batch of China data have only added to the offered tone. The market will now digest Aussie wage prices and a US docket highlighted by empire manufacturing, retail sales, industrial production, business inventories and NAHB housing.

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 did a good job shaking off another round of broad based US Dollar demand on Tuesday, while also ignoring some late weakness in the price of OIL. There were some positives on the local front that helped to fuel a renewed bid for the Loonie, with the Canada Teranet/National Bank House Price Index ticking up. Still, price action has been quite choppy with the Loonie and the currency remains exposed to the global trade outlook and fate of NAFTA. As far as Wednesday goes, we get Canada existing home sales, along with US readings that feature empire manufacturing, retail sales, industrial production, business inventories and NAHB housing.

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.



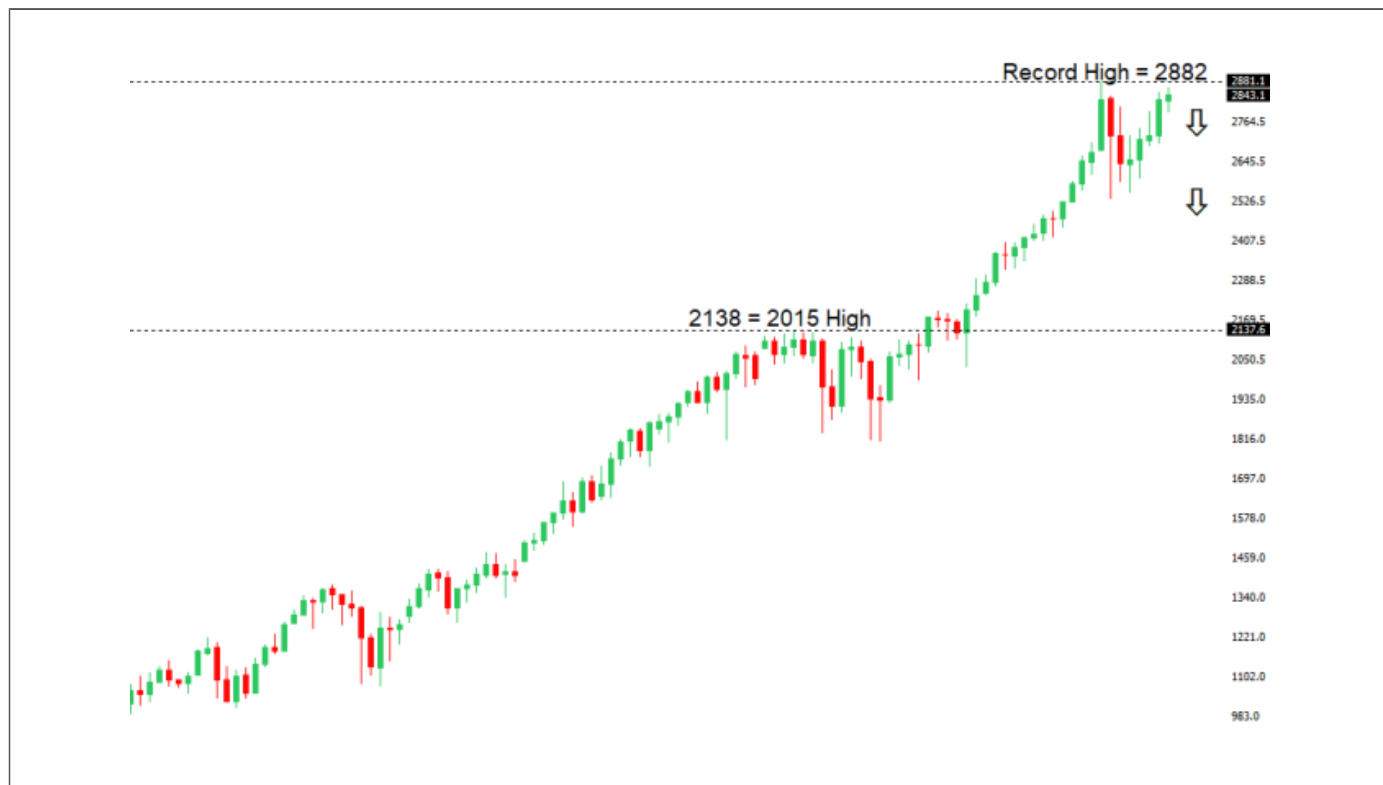
- R2 0.6689 – Previous 2018 low – Strong
- R1 0.6622 – 10Aug high – Medium
- S1 0.6562 – 13Aug/2018 low – Medium
- S2 0.6500 – Psychological – Strong

NZDUSD – fundamental overview

The New Zealand Dollar has been hit hard in 2018, 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. Still, the currency was able to avoid extending the 2018 run of declines on Tuesday, which helped it to move up from the weakest among the developed currencies over the past week, leaving that spot for its Aussie cousin. Upbeat comments from NZ Finance Minister Grant Robertson perhaps helped to support the currency, after Robertson said he was optimistic about the outlook for the economy. Looking ahead, Wednesday’s calendar features a healthy batch of US data in the form of empire manufacturing, retail sales, industrial production, business inventories and NAHB housing.

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.



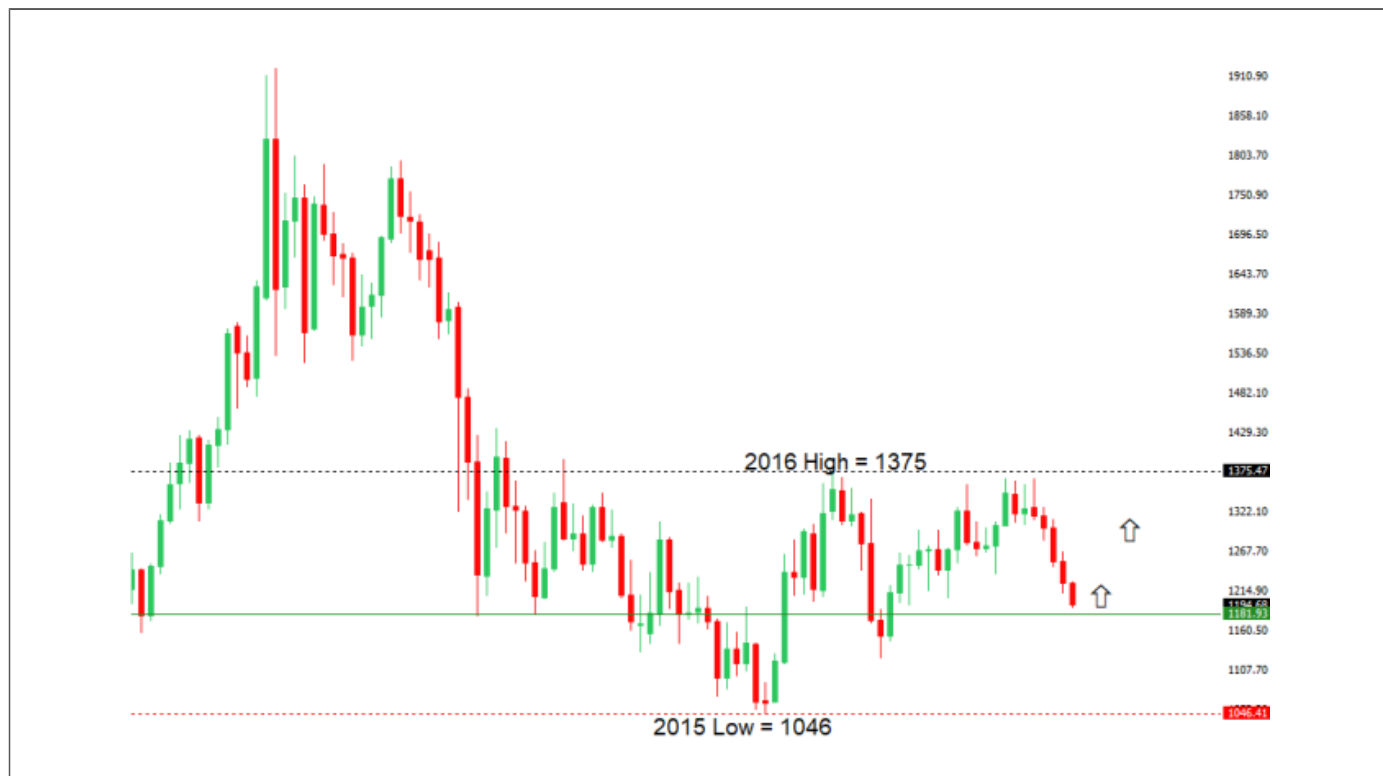
- R2 2882 – 29Jan/Record high – Strong
- R1 2865 – 7Aug high – Medium
- S1 2790 – 17Jul low – Medium
- S2 2765 – 11Jul low – Strong

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 1191 – 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 5,860 – 14Aug 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 250 – 14Aug/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.



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