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# Global FX Insights

by LMAX Exchange Research & Analytics

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

## BOJ Decision, Soft US Dollar, Pound Outperformance [Wake-up call](#)

If we look at the performance in the major currencies since the weekly open, with the exception of the Pound, all are confined to well within 1% of weekly opening levels. Still, the broad direction has been Dollar bearish, perhaps having something to do with the softer round of inflation data out of the US this week.

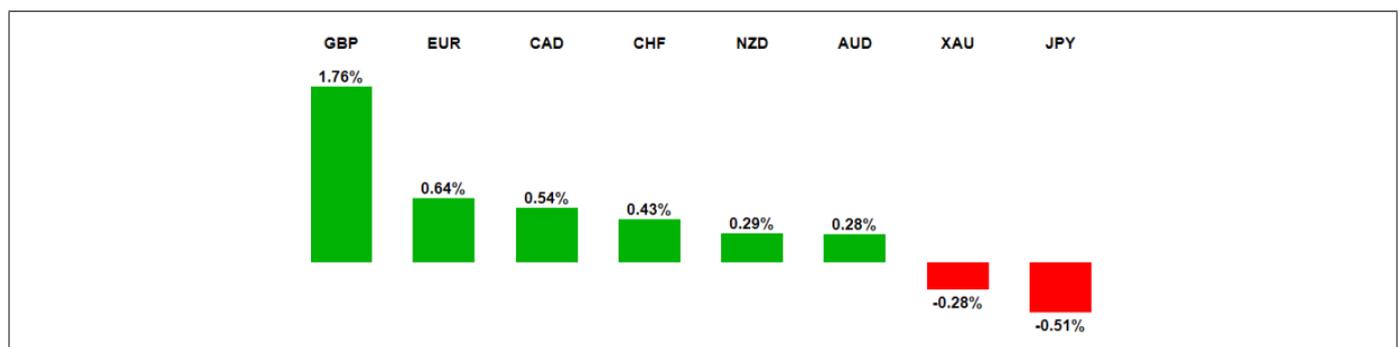
### Technical highlights [Daily Video](#)

- [EURUSD](#) Not as bearish as it looks
- [GBPUSD](#) Bigger bullish shift in works
- [USDJPY](#) Signs warn of topside failure
- [EURCHF](#) Tracking in neutral territory
- [AUDUSD](#) Strong support around barrier
- [USDCAD](#) Setbacks should be propped
- [NZDUSD](#) Could be a long term bottom
- [US SPX 500](#) Another big drop ahead
- [GOLD](#) (spot) Expected to shoot back up
- [BTCUSD](#) Stuck in sideways chop
- [ETHUSD](#) Confined to downtrend

### Fundamental highlights

- [EURUSD](#) Eurozone CPI readings due
- [GBPUSD](#) Brexit delay length in question
- [USDJPY](#) BOJ decision digested on Friday
- [EURCHF](#) SNB policy strategy stress
- [AUDUSD](#) Aussie monitoring trade updates
- [USDCAD](#) Loonie feels better about OIL jump
- [NZDUSD](#) Kiwi looks to US docket
- [US SPX 500](#) Macro themes warn of downturn
- [GOLD](#) (spot) Hard asset demand ramps up
- [BTCUSD](#) Fundamentals bright further out
- [ETHUSD](#) Starting to see real progress

## Performance v. US dollar this week



## Suggested reading

- [Market Concentration is Threatening the US Economy](#), J. Stiglitz, **Project Syndicate** (March 11, 2019)
- [Why the Fintech Revolution is for Real](#), M. Goldberg, **MarketWatch** (March 11, 2019)

## EURUSD - technical overview

The recent setback below 1.1200 has thrown a dent in an outlook that was arguing for a medium to longer-term higher low off the multi-year low from 2017, ahead of the next major upside extension within a developing uptrend. However, while we did see the market break below the barrier, setbacks were quickly supported, with the market unwilling to establish a weekly close below 1.1400. This keeps the prospect for that higher low alive. Back above the February high at 1.1420 would be required to strengthen this outlook and take the immediate pressure off the downside.



- **R2 1.1382** - 4Mar high - Medium
- **R1 1.1339** - 13Mar high - Medium
- **S1 1.1277** - 13Mar low - Medium
- **S2 1.1222** - 11Mar low - Medium

## EURUSD - fundamental overview

The Euro's has taken a back seat in this week, with most of the focus on Brexit related updates and US Dollar sentiment amidst Fed policy direction and US-China trade talks. On the data front, data has been mostly mixed out of the zone this week and on Friday, we get some Eurozone CPI readings. The Euro has held up well into dips, despite a 2019 German growth downgrade from the IFO. Looking to the US calendar, we get empire manufacturing, industrial production, JOLTS job openings and Michigan sentiment.

## EURUSD - Technical charts in detail

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## GBPUSD - technical overview

The major pair has put in an impressive recovery off the multi-month low in early January, helping to support the case for a longer-term developing uptrend off the 2016 low. Pullbacks are now viewed as corrective on the daily chart, with dips expected to be supported above the bottom of the daily Ichimoku cloud. Look for a weekly close back above 1.3400 to strengthen the outlook.



- **R2 1.3400** - Figure - Medium
- **R1 1.3382** - 13Mar/2019 high - Strong
- **S1 1.3200** - Figure - Medium
- **S2 1.3056** - 13Mar low - Medium

## GBPUSD - fundamental overview

There is still the possibility that Theresa May makes some more headway to get a deal pushed through, but if this doesn't happen, all signs point to a delay that should get the unanimous support from EU member states. The length of the delay will be a topic of debate and the longer the delay, the more that risk builds for a second referendum. But overall, as we continue to highlight, the move towards a delay has been a constructive development for the Pound in that it leaves the market staring at an uncertainty far more palatable than the uncertainty of disorderly Brexit. Looking at the calendar, absence of first tier data out of the UK will leave the focus on Brexit updates and a US docket that includes empire manufacturing, industrial production, JOLTS job openings and Michigan sentiment.

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## USDJPY - technical overview

The major pair is in the process of correcting within a bigger picture downtrend. Look for the recovery rally to be capped below 113.00 on a daily close basis, 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. Ultimately, only back above 113.00 delays the bearish outlook.



- **R2 112.15** - 5Mar/2019 high - Medium
- **R1 111.66** - 8Mar high - Strong
- **S1 110.79** - 8Mar low - Medium
- **S2 110.26** - 15Feb low - Strong

## USDJPY - fundamental overview

The market will digest the latest Bank of Japan decision on Friday, though the risk of any big fallout from the event risk is small. The BOJ will leave policy on hold and the key focus here will be whether or not there is any upgraded dovishness that would have the BOJ hinting at a rate cut this year. The odds for a 2019 rate cut are at 41%, which is the highest level of the year. This could set the market up for disappointment on that front, which could lead to a reversal of flow into the Yen. Overall, the major pair should continue to place a bigger focus on global risk sentiment and US Dollar yield differentials. This week's discouraging updates from the US-China trade front have generated interest for Yen and it if things continue to go south, we could see more Yen demand from the liquidation in risk correlated assets. Looking ahead, the calendar features US data in the form of empire manufacturing, industrial production, JOLTS job openings and Michigan sentiment.

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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 1.1300** - 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

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 continue to be well supported ahead of 0.7000.



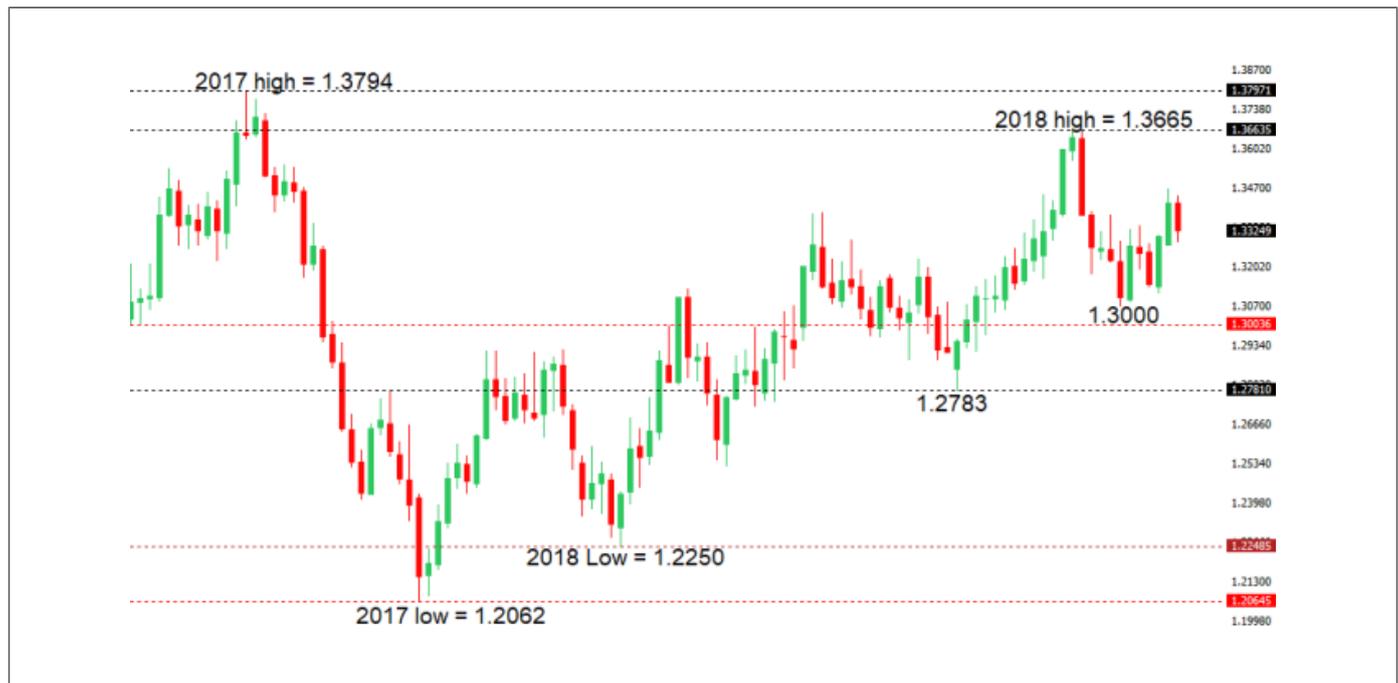
- **R2 0.7122** - 1Mar high - Strong
- **R1 0.7098** - 13Mar high - Medium
- **S1 0.7004** - 8Mar low - Medium
- **S2 0.6982** - 2Jan low - Strong

## AUDUSD - fundamental overview

We've seen mild setbacks in the Australian Dollar this week, with softer Aussie confidence readings, discouraging China economic data and a less favourable US-China trade deal outlook all weighing on the commodity currency. But overall, the Australian Dollar has been well supported on dips, with the currency getting a boost from broad based US Dollar declines in the aftermath of last Friday's discouraging US NFP print, softer US inflation readings and more dovish leaning speak. Looking at the calendar, we get US data in the form of empire manufacturing, industrial production, JOLTS job openings and Michigan sentiment.

## USDCAD - technical overview

**Overall, the structure remains constructive**, with dips expected to be well supported for fresh upside back above the 2018/multi-month high at 1.3665. Back below the psychological barrier at 1.3000 would be required to delay the outlook.



- **R2 1.3468** - 7Mar high - Strong
- **R1 1.3372** - 13Mar high - Medium
- **S1 1.3320** - 14Mar low - Medium
- **S2 1.3275** - 4Mar low - Strong

## USDCAD - fundamental overview

**The Canadian Dollar has managed to recover this week**, after taking a healthy hit in recent weeks. The primary driver behind the recovery has been contrasting employment data (Canada positive, US negative), dovish Fed speak and softer US inflation readings. The Loonie has also been finding support on the latest run up in the price of OIL, with the commodity breaking out above multi-session consolidation highs. Looking at the calendar for the day, we get Canada manufacturing shipments and US readings that include empire manufacturing, industrial production, JOLTS job openings and Michigan sentiment.

## 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 0.6900** - Figure - Strong
- **R1 0.6874** - 12Mar high - Medium
- **S1 0.6800** - Figure - Medium
- **S2 0.6745** - 7Mar low - Strong

## NZDUSD - fundamental overview

The New Zealand Dollar has come under some pressure in the latter half of the week, with some softer local data, discouraging China readings and setbacks in US-China trade talks all weighing. Overall however, the New Zealand Dollar has been better bid in 2019, with the currency getting a boost from the more dovish leaning Fed outlook and ongoing support for US equities. Looking at the calendar, we get US data in the form of empire manufacturing, industrial production, JOLTS job openings and Michigan sentiment.

## 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 2825, 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.



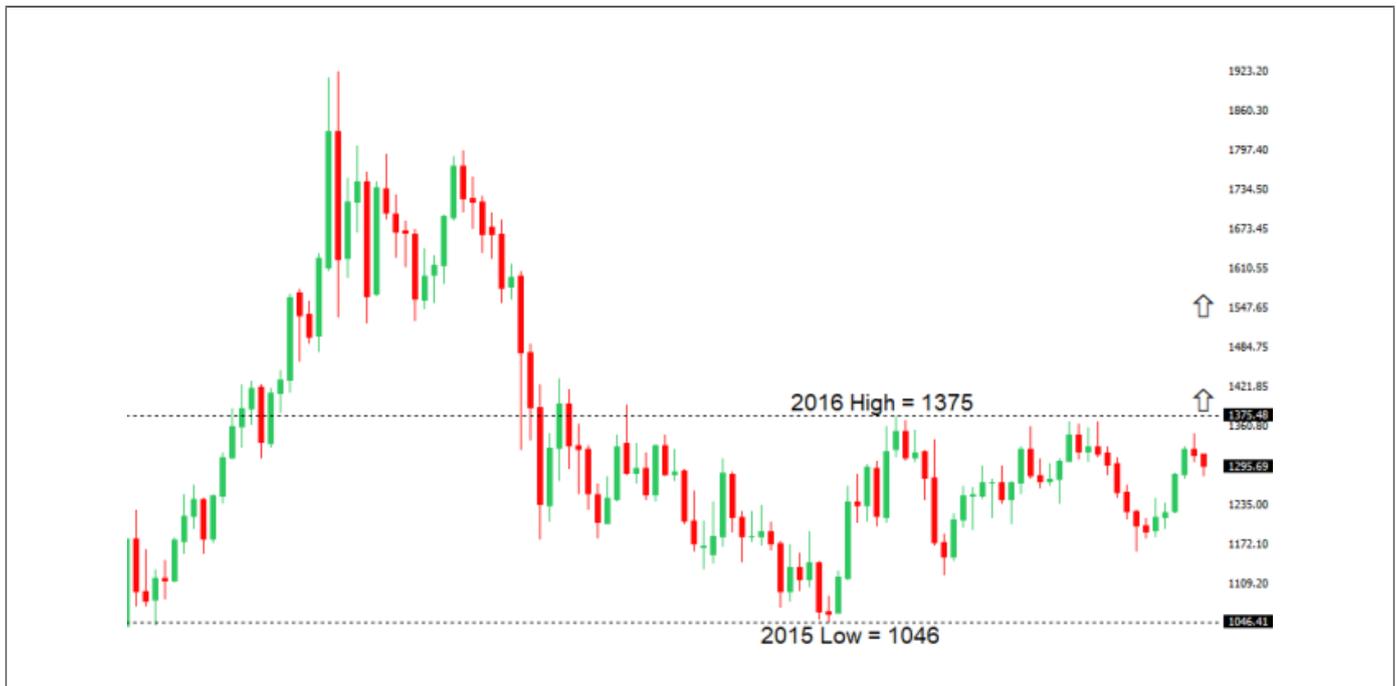
- **R2 2824** - 17Oct high - Strong
- **R1 2824** - 13Mar/2019 high - Strong
- **S1 2722** - 8Mar low - Medium
- **S2 2681** - 8Feb low - Strong

## 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. US hourly earnings are starting to move up, which could be a warning of a jump in inflation. 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 1347** - 20Feb/2019 high - Strong
- **R1 1316** - 1Mar high - Medium
- **S1 1281** - 7Mar low - Medium
- **S2 1277** - 4Jan/2019 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 the December high at 4385 to take the immediate 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 is showing signs of stability after an abysmal performance in 2018. At the moment, the market still faces headwinds in the form of regulatory uncertainty and front end application, though looking out, there continue to be many encouraging signs the market is here to stay and will be seeing increased adoption.

## 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 170 to take the immediate pressure off the downside.



- **R2 200** - Psychological - Medium
- **R1 170** - 24Feb high - Strong
- **S1 100** - Psychological - Medium
- **S2 83** - 7Dec/2018 low - Strong

## ETHUSD - fundamental overview

Ongoing regulatory challenges, technological obstacles and a global economic downturn are some of those headwinds that need to be considered in the months ahead. At the same time, longer term prospects are looking quite bright and valuations are increasingly attractive with adoption showing signs of ramping up over the longer term.



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