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Global FX Insights

by LMAX Exchange Research & Analytics

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Pound Strong, USD Bid, North Korea Provokes [Wake-up Call](#)

The weekly scorecard has the US Dollar performing well into Friday, with only the Pound doing a better job, largely on the back of Thursday's decidedly more hawkish BOE tone. On the geopolitical risk front, North Korea is back at it but the market is less concerned.

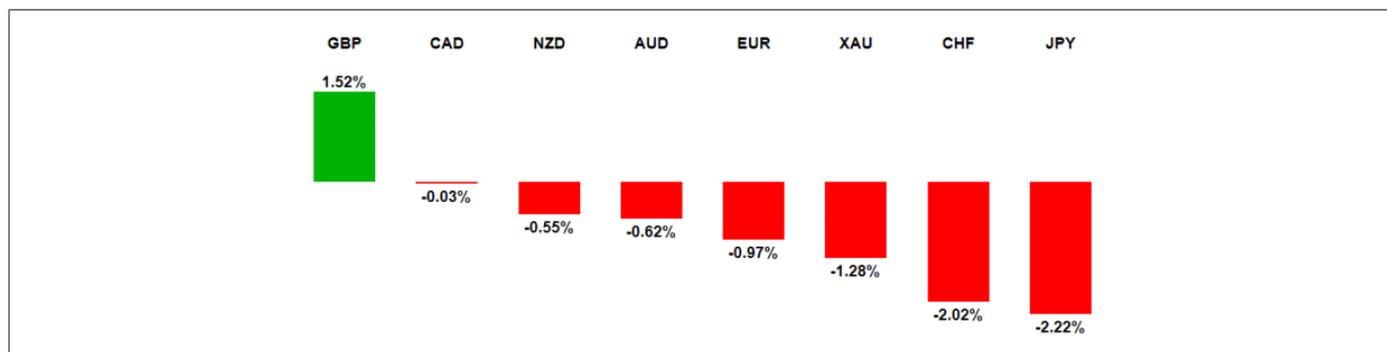
Technical highlights [Daily Video](#)

- **EURUSD** Considers deeper drop
- **GBPUSD** Into major resistance
- **USDJPY** Reaches inflection point
- **EURCHF** Stuck in consolidation
- **AUDUSD** Signs of further decline
- **USDCAD** Slowly turning back up
- **NZDUSD** Gravitating to range low
- **US SPX 500** Uptrend won't relent
- **GOLD** (spot) Seeking higher low
- **Feature** – USDSGD Basing out

Fundamental highlights

- **EURUSD** ECB speak Nouy, Visco, Lautenschlaeger
- **GBPUSD** Traders get ready for the BOE decision
- **USDJPY** Yen rallies after North Korea does it again
- **EURCHF** SNB holds but softens Franc language
- **AUDUSD** Aussie looking ahead to US data releases
- **USDCAD** Canada existing home sales on tap
- **NZDUSD** Kiwi outlook less attractive these days
- **US SPX 500** US retail sales highlight calendar
- **GOLD** (spot) Metal supported in shaky backdrop
- **Feature** – USDSGD EM FX knocked on USD bounce

Five day performance v. US dollar



Suggested reading

- **Can Renewables Bring Profit?**, A. Livsey, Financial Times (September 13, 2017)
- **How I Snatched 153,037 ETH After A Bad Date**, M. Brenner, Medium (September 13, 2017)

EURUSD – technical overview

Last week's push to a fresh 2017 and +2.5 year high hasn't been able to garner much momentum thus far, though the breakout does expose the next measured move extension objective in the 1.2300s. However, weekly studies are well overextended, already warning that additional upside could soon be limited in favour of a significant bearish reversal. But a daily close back below 1.1824 would be required at a minimum to take the pressure off the topside.



- R2 1.2093 – 8Sep/2017 high – Strong
- R1 1.1996 – 13Sep high – Medium
- S1 1.1839 – 14Sep low – Medium
- S2 1.1824 – 25Aug low – Strong

EURUSD – fundamental overview

It's been a quiet week for the Euro, with the single currency trading sideways and taking a backseat as volatility swirls around other markets like the Pound and Yen. We have seen some signs of the major pair wanting to cool off from recent +2.5 year highs, with Thursday's hotter US CPI reading helping this along. Still, the market remains well supported on dips for now and would need to clear stops below 1.1820 to turn some heads. As far as today goes, we get a wave of ECB speak from Nouy, Visco and Lautenschlaeger, followed up by US releases which include retail sales, industrial production and Michigan sentiment. Earlier, North Korea conducted another missile launch but the market is growing increasingly immune to antics and hasn't reacted much at all.

GBPUSD – technical overview

The latest bullish push out from very strong previous resistance turned support at 1.2775 has opened the door for a healthy rally to fresh 2017 highs. Still, with technical studies looking a little stretched on the daily chart, any additional upside could be limited for the time being, ahead of another reversal to the downside. Overall, the structure is now constructive, favoring an eventual push into the 1.3500-1.4000 area over the medium-term. But short-term, we still could see some more choppy consolidation that leads to a more pronounced topside failure in the sessions ahead and drop back down below 1.3000. Look for the market to struggle to hold gains on the initial rally into strong resistance up at 1.3500.



- R2 1.3445– September 2016 high – Strong
- R1 1.3414 – 15Sep/2017 high – Medium
- S1 1.3268 – 3Aug high – Medium
- S2 1.3150 – 14Sep low – Strong

GBPUSD – fundamental overview

The weekly scorecard has the US Dollar performing well into Friday, with only the Pound doing a better job, largely on the back of Thursday's decidedly more hawkish BOE tone. The BOE move has now pushed up what had been very small odds for a November hike to basically even money. Still, while we continue to see the Pound in the process of carving out a longer term base, the market should be careful not to get too far ahead of itself. In the end, there was no change to policy, the vote split did not reflect the same degree of hawkishness after coming in at 7-2, the growth outlook remains questionable, wages continue to be subdued and Brexit uncertainty has not gone away. There is plenty of Cable resistance up around 1.3500, which could invite a wave of renewed selling. Looking ahead, the key focus will be on US data featuring retail sales, industrial production and Michigan sentiment.

USDJPY – technical overview

Despite the latest run up from last week’s sub-108, 2017 low, the overall pressure is still on the downside, with the market capable of stalling out around 111.00 and rolling back over. At this point, it would take a clear break above 111.00 to suggest the market has bottomed out and is looking for a more significant run to the topside back towards the 115.00 area.



- R2 112.20 – 26Jul high – Strong
- R1 111.05 – 4Aug high – Strong
- S1 109.91 – 13Sep low – Medium
- S2 109.24 – 12Sep low – Strong

USDJPY – fundamental overview

Another North Korea provocation has shaken up the major pair into Friday, with the Yen rallying on the back of the news (USDJPY lower). The fact that the missiles are flying over Japanese air space is what is perhaps causing the Yen to be more sensitive to the risk on its traditional safe haven appeal, though the move has also come at a time when the USDJPY rally was looking quite extended and at risk for reversal after testing important resistance at 111.00. Already into the European open, US equity futures had recovered from the news, with the Yen coming back under pressure off the daily highs (USDJPY lows). Overall, the major pair continues to track along with traditional correlations. The combination of an equity market back at record highs and broad based demand for the US Dollar, have really helped to propel the support the major pair. Looking ahead, the market will continue to monitor global sentiment while taking in US data highlighted by retail sales, industrial production and Michigan sentiment.

EURCHF – technical overview

The market recently pushed up to a fresh 2017 and multi-month high through massive resistance in the form of the 2016 peak at 1.1200, taking the rate above 1.1500 and to its highest level since the collapse of January 2015. However, medium-term studies are unwinding from extended readings, warning of an additional consolidation in the sessions ahead, possibly back into previous resistance turned support around 1.1200, before the market considers a higher low and resumption of gains through 1.1539 and towards 1.2000.



- R2 1.1539 – 4Aug/2017 high – Strong
- R1 1.1500 – Psychological – Medium
- S1 1.1362 – 8Sep low – Medium
- S2 1.1260 – 18Aug low – Strong

EURCHF – fundamental overview

The SNB kept with its general policy line when it met on Thursday and there were no major waves from the event risk. The one notable exception was the language relating to the strength of the Franc, with the SNB viewing the Franc as “highly valued” rather than significantly overvalued. This was a downgrade to the level of concern over the currency’s strength, but again, not much of a reaction. Overall, the sell-off in the Franc in 2017 has been a welcome development for the SNB. Still, the central bank will need to be careful as the record run in the US stock market has been a big boost to the SNB’s strategy. Any signs of capitulation on that front, will likely invite a very large wave of demand for the Franc, which could put the SNB in a more challenging position to weaken the Franc.

AUDUSD – technical overview

Despite rallying to a fresh +2 year high the other week, the market has been unable to hold onto gains, quickly reversing course and trading back below 0.8000. There is now risk for the formation of a more meaningful top. This would be confirmed if setbacks extend back below what looks to be neckline support at 0.7808. Back above 0.8126 would negate and keep the pressure on the topside.



- R2 0.8126 – 8Sep/2017 high – Strong
- R1 0.8050 – 12Sep high – Medium
- S1 0.7922 – 1Sep low – Medium
- S2 0.7867 – 24Aug low – Strong

AUDUSD – fundamental overview

The Australian Dollar has come back under pressure this week after surging up to fresh +2 year highs in the previous week. But the currency has struggled to hold gains above 0.8000 and a renewed demand for the US Dollar has contributed to this week’s round of weakness. Expectations for US tax reform and Thursday’s hotter US CPI reading have certainly weighed on Aussie, though dips have been supported for now, helped along by a strong Aussie employment reading. North Korea’s latest provocation moved the market for a short minute early Friday, but it’s clear the market is growing immune to the antics. Looking ahead, US data comes into focus, highlighted by retail sales, industrial production and Michigan sentiment.

USDCAD – technical overview

Despite this latest intense breakdown to a fresh 2017 and +2 year low, stretched medium-term technical studies continue to warn of the possibility for a significant bullish reversal to allow for these studies to unwind. But right now, the market would need to break back above 1.2242 to encourage this prospect.



- R2 1.2336 – 5Sep low – Strong
- R1 1.2242 – 7Sep high– Medium
- S1 1.2131– 13Sep low – Medium
- S2 1.2062 – 8Sep/2017 low – Strong

USDCAD – fundamental overview

The Canadian Dollar has come under some pressure since last week’s run to fresh +2 year highs. Last Friday’s Canada employment report was rather discouraging beneath the surface and this has been followed up by some broader demand for the US Dollar this week on the back of US tax reform and hotter US CPI. Still, the Loonie remains in the driver’s seat for the time being and USDCAD would need to clear buy stops above 1.2250 to really suggest the Canadian Dollar is relenting. As far as OIL goes, we haven’t seen much movement on that front of late, which has made this market less of a factor when looking at the price action. Looking at today’s calendar, the focus will be on Canada existing home sales and a batch of US releases that include retail sales, industrial production and Michigan sentiment.

NZDUSD – technical overview

Medium term studies have turned down after the market pushed up to a plus two year high through 0.7500 in late July. A recent break below 0.7200 warns of the possibility for a more meaningful reversal, that could be setting the stage for a drop all the way back down towards the 2017 low in the 0.6800s. From here, look for any rallies to be well capped below 0.7400 on a daily close basis in favour of the next downside extension towards the psychological barrier at 0.7000.



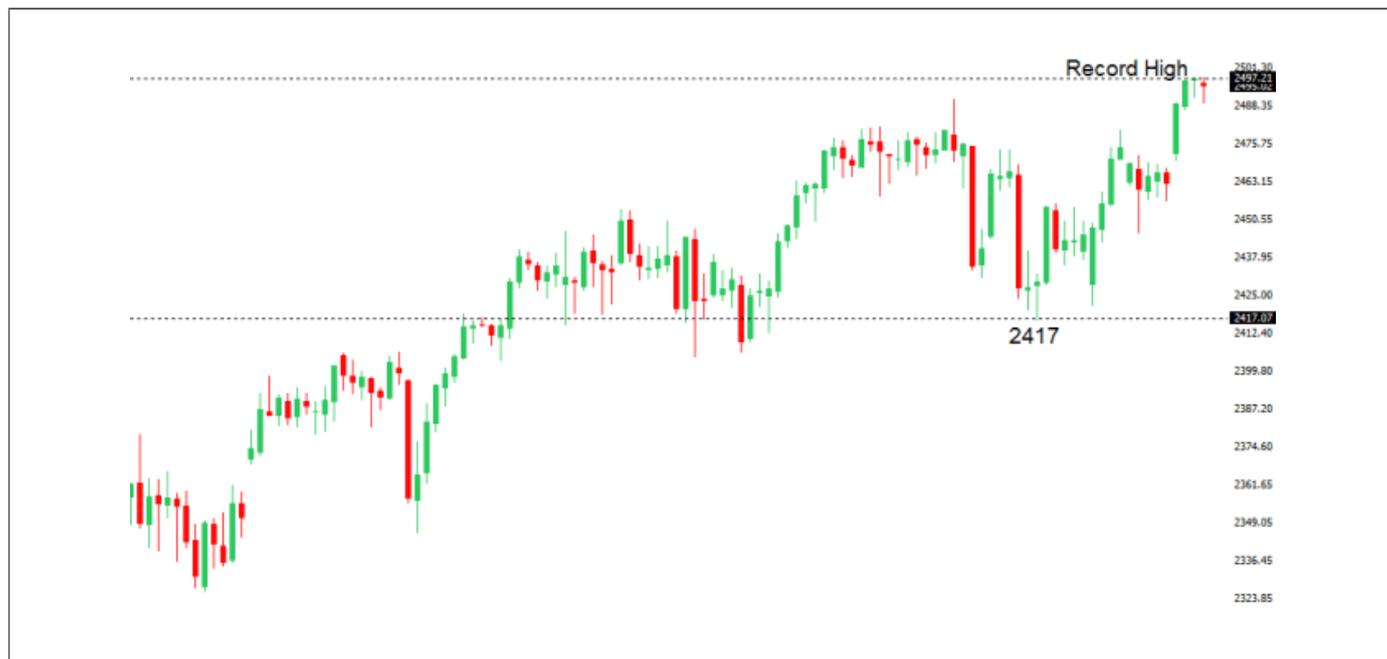
- R2 0.7337 – 8Sep high – Strong
- R1 0.7263 – 14Sep high – Medium
- S1 0.7172 – 7Sep low – Medium
- S2 0.7132 – 31Aug low – Strong

NZDUSD – fundamental overview

Overall, the Kiwi outlook is less encouraging right now, as there have been too many negative drivers for the market to ignore, which should continue to inspire offers into rallies. New Zealand government growth and budget cuts, discouraging economic data and lingering uncertainty around the upcoming election continue to weigh. The only saving grace for the Kiwi rate in 2017 has been the intense distaste for US Dollar and this hasn't been a help this week as the Buck is back in demand on US tax reform expectation and hotter US CPI. Looking ahead, US data comes into focus, highlighted by retail sales, industrial production and Michigan sentiment.

US SPX 500 – technical overview

The market continues to shrug off overextended longer term technical readings, once again pushing up to fresh record highs. The latest break now opens the door for the possibility of a measured move upside extension into the 2550 area. At this point, it would take a clear break back below 2417 at a minimum to take the pressure off the topside and suggest we could finally be seeing the onset of a bearish structural shift.



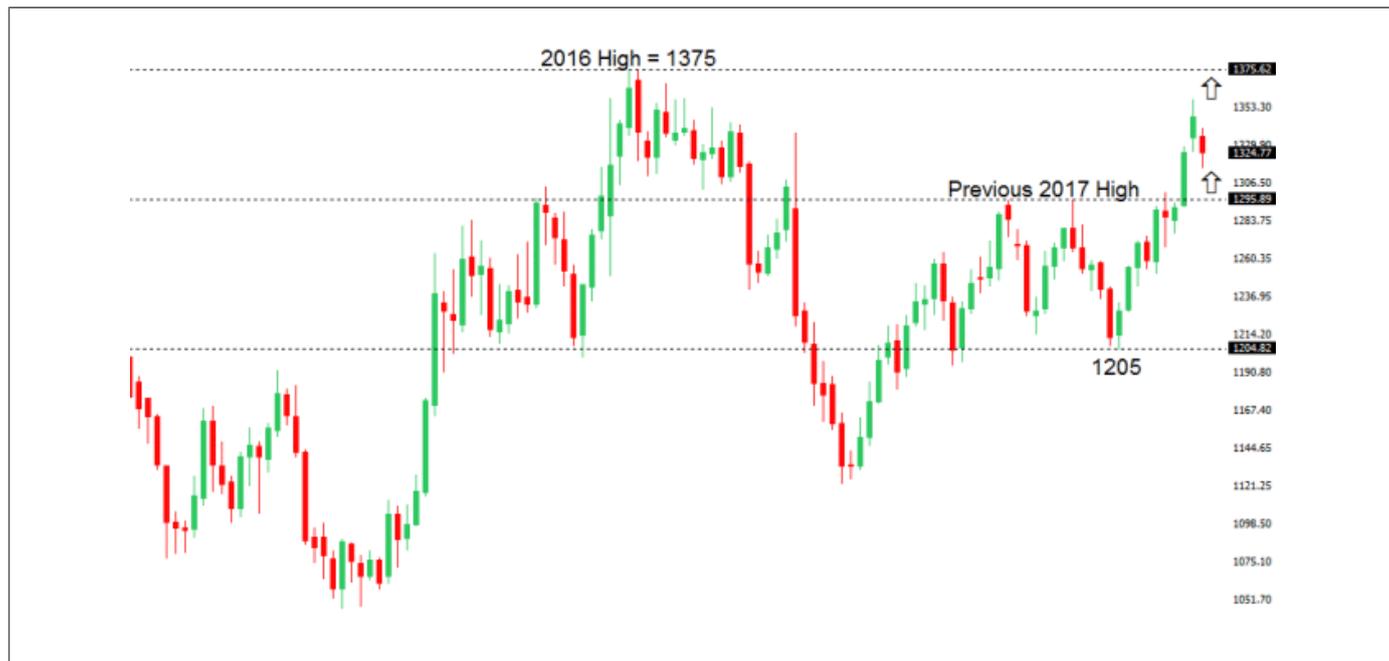
- R2 2500.00 – Psychological – Very Strong
- R1 2499.00 – 14Sep/Record high – Strong
- S1 2446.00 – 5Sep low – Strong
- S2 2417.00 – 21Aug low – Very Strong

US SPX 500 – fundamental overview

The US equity market continues to be well supported on dips, pushing further into record high territory. It seems the combination of blind momentum, diminished geopolitical risk and expectation of favourable tax reform are helping to keep the move going this week. But at the same time, there is a nervous tension out there as the VIX sits at unnervingly depressed levels. The fact that Fed policy is normalising, however slow, could start to resonate a little more, with stimulus efforts exhausted, wage growth still subdued, balance sheet reduction coming into play and another rate hike still on the cards this year. But for now, it's more of the same keep pushing to record highs. There has been no confirmation of any bearish shift and it will take a breakdown in this market back below 2400 to turn heads. Looking ahead, investors will be watching US retail sales, industrial production and Michigan sentiment.

GOLD (SPOT) – technical overview

Setbacks have been well supported, with the latest surge to fresh 2017 highs through 1300 setting the stage for a bullish continuation to the 2016 peak at 1375 further up. A higher low is now in place around 1265 and only back below this level would offset this latest wave of bullish momentum. Look for any dips to be well supported now around 1300.



- R2 1375.00 – 2016 high – Very Strong
- R1 1357.50 – 5Sep/2017 high – Strong
- S1 1316.40 – 1Sep low – Medium
- S2 1300.00 – Psychological – Strong

GOLD (SPOT) – fundamental overview

Solid demand from medium and longer-term players continues to emerge on dips, with these players more concerned about exhausted monetary policy, extended global equities, political uncertainty, systemic risk and geopolitical threats. All of this should continue to 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. Certainly the US Dollar under pressure in 2017 has added to the metal’s bid tone as well, but there is a growing sense that even in a scenario where the US Dollar is bid for an extended period, GOLD will hold up on risk off macro implications.

Feature – technical overview

USDSGD has been under pressure in 2017, with the market recently dropping down to a fresh yearly low below 1.3500, stalling just shy of the 2016 base down at 1.3315. However, stretched studies are warning of the possibility for a meaningful bullish reversal, with the latest break back above 1.3500, strengthening that case for the formation of another base in favor of significant medium-term upside back above 1.4000.



- R2 1.3611 – 31Aug high – Strong
- R1 1.3540 – 6Sep high – Medium
- S1 1.3348 – 8Sep/2017 low – Medium
- S2 1.3315 – 2016 low – Strong

Feature – fundamental overview

The Singapore Dollar has come under a little pressure this week, though the moves are less a function of any Singapore related weakness and more about a resurgence in demand for the US Dollar across the board. Expectation for US tax reform and hotter US CPI have been behind the USD recovery this week. But overall, the Asian EM currency has performed well in 2017, trading just off yearly highs and very close to its 2016 high against the Buck. Data out of Singapore has been solid. Last week's PMI readings were strong and have been followed up by this week's retail sales beat. Dealers report buy stops above 1.3600 and that level would need to be taken out to suggest sentiment is turning.



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