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Global FX Insights

by LMAX Exchange Research & Analytics

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

Market selling USDs and buying stocks [Wake-up call](#)

We come into the new week, the final week of full trade for the year, with US equities up at fresh record highs and the Pound going through a major turnaround. The catalysts for these developments come from the news of the agreed terms of the US-China trade deal and strong majority government for Boris Johnson in the UK election.

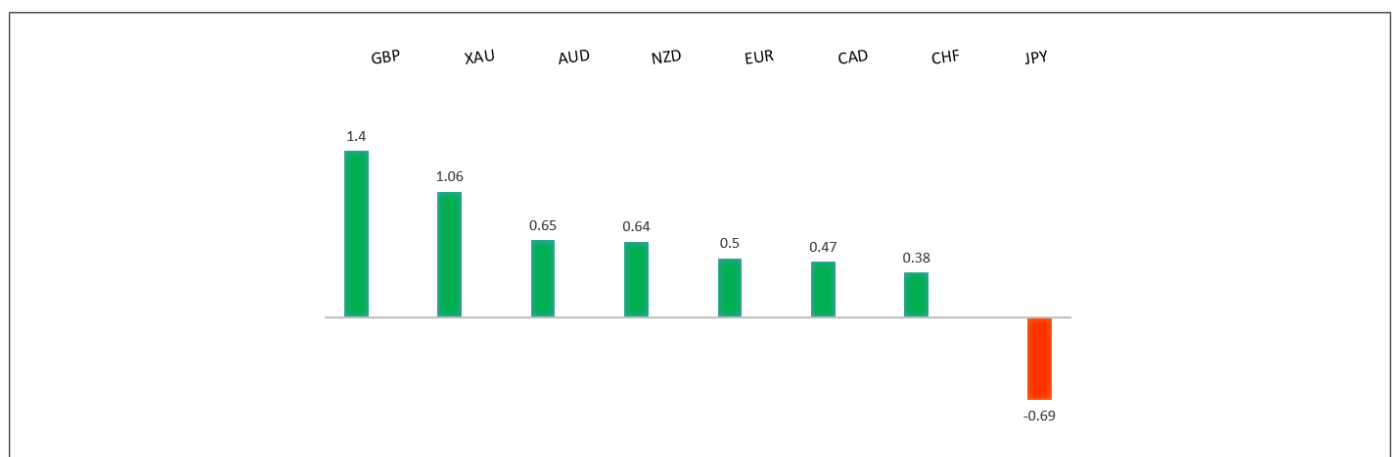
Technical highlights [Daily Video](#)

- [EURUSD](#) Next big move seen higher, not lower
- [GBPUSD](#) Look for setbacks to be well supported
- [USDJPY](#) Bearish while below 110 barrier
- [EURCHF](#) Rallies should be well capped for now
- [AUDUSD](#) Signs of longer-term bottoming
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Fundamental highlights

- [EURUSD](#) Eurozone, German manufacturing PMIs
- [GBPUSD](#) UK manufacturing PMIs
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- [EURCHF](#) SNB faces tougher battle with Franc
- [AUDUSD](#) Softer data out of Australia weighs
- [USDCAD](#) Canada foreign securities transaction
- [NZDUSD](#) Kiwi happy about trade deal outlook
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- [GOLD](#) (spot) Pick up in hard asset demand
- [BTCUSD](#) More institutional demand expected
- [ETHUSD](#) Ether exposed to traditional markets

5 Day Performance vs. US dollar



Suggested reading

- [Does the U.S. Have an Oligopoly Problem?](#), J. Authers, **Bloomberg** (December 11, 2019)
- [What Boris Johnson's Election Win Means for the UK](#), R. Shrimley, **Financial Times** (December 13, 2019)

EURUSD - technical overview

The downtrend off the 2018 high is looking exhausted and the prospect for a meaningful higher low is more compelling. A higher low is now sought out above the multi-year low from 2017, ahead of the next major upside extension. Only a weekly close back below 1.0800 would compromise this outlook. Back above 1.1412 will strengthen the view.



- **R2 1.1250** - 6 August high - Strong
- **R1 1.1200** - 13 December high - Medium
- **S1 1.1100** - Figure - Medium
- **S2 1.1040** - 6 December low - Strong

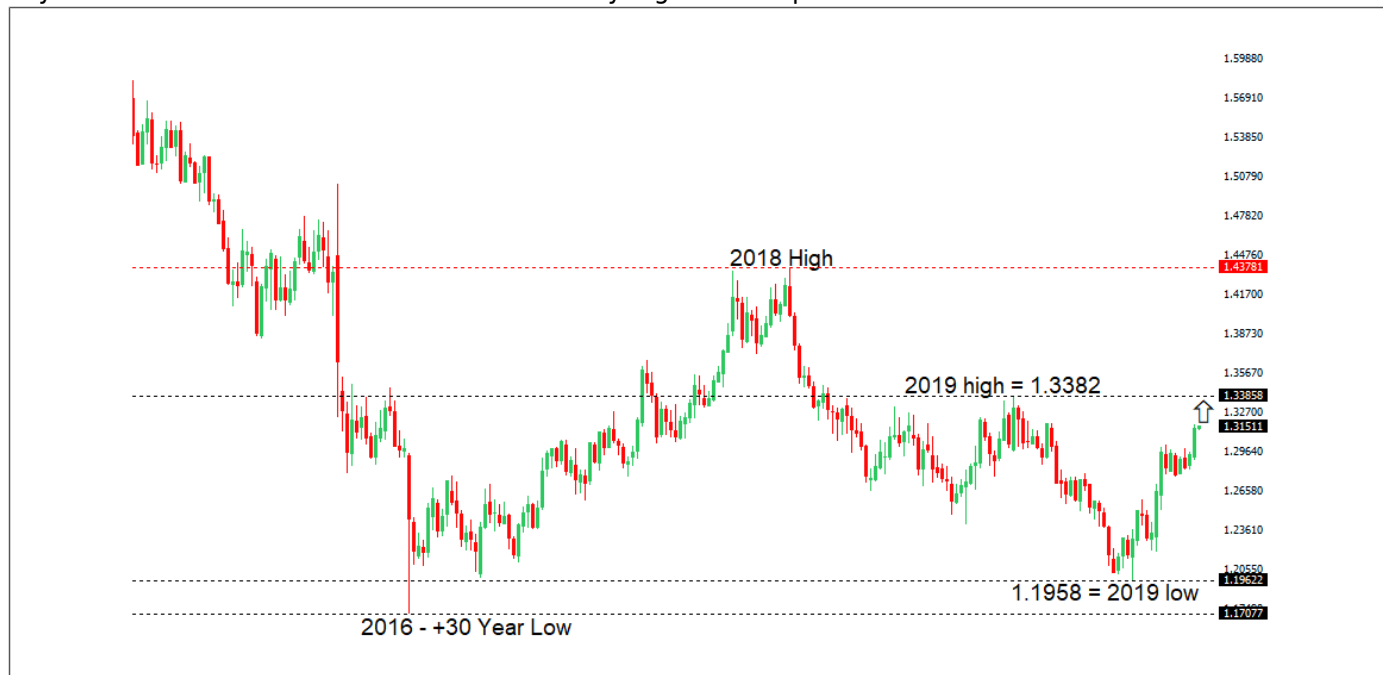
EURUSD - fundamental overview

The Euro is generally slightly firmer today, with sentiment shaped by the Sterling's gains. Last week, ECB President Christine Lagarde told EU leaders the Euro-area growth outlook is 'stabilizing'. The ECB's Guindos said the central bank 'still has room to act' with quantitative easing and lower rates 'if needed'. Guindos also said he 'didn't one hundred percent agree' on the Draghi stimulus package, but he 'backed the consensus', and EU markets 'must be competitive after Brexit'. The ECB's Vasiliauskas said the inflation target is a 'key issue for review', and the ECB's Holtmann said 'it could make sense to lower the inflation goal'. The ECB's Villeroy said focusing QE green assets 'wouldn't be a sufficient response to the challenges of climate change'. EU International Market Commissioner Thierry Breton said trade negotiations between the EU and the UK 'will be extremely complex' and 'could last until 2022'. Looking ahead, we get German and Eurozone manufacturing PMIs, Eurozone wage growth, speeches from ECB's Lane and Guindos, NY empire manufacturing, US Markit manufacturing PMIs, and NAHB housing.

EURUSD - Technical charts in detail

GBPUSD - technical overview

The market has seen a recovery out from the lowest levels since 2016, with the price now pushing back above the weekly Ichimoku cloud to signal a bullish structural shift. Ultimately, only back below the 1.2500 handle would compromise the newly established constructive medium and longer-term outlook. Next key resistance comes in the form of the monthly high from September 2017 at 1.3658.



- **R2 1.3658** - Monthly High September 2017 - Strong
- **R1 1.3515** - 13 December/**2019 High** - Medium
- **S1 1.3230** - 12 December high - Medium
- **S2 1.3050** - 12 December low - Strong

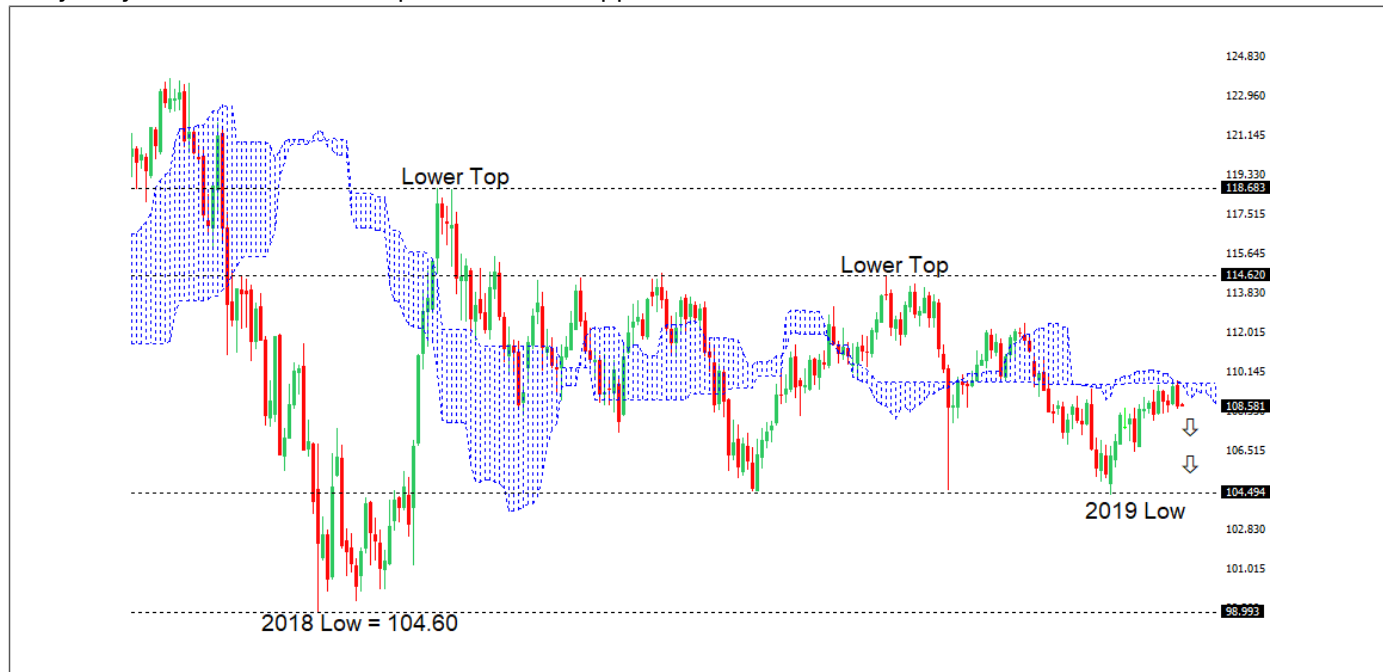
GBPUSD - fundamental overview

The Pound has extended an already explosive run of gains, with the confirmation of the Boris Johnson majority government fueling the run. The market is now optimistic the UK will officially leave the EU by the 31st of January, to finally put to rest this chaotic phase of Brexit. The Prime Minister is now expected to retable the withdrawal agreement in Parliament before Christmas. Looking ahead, we get UK manufacturing PMIs, NY empire manufacturing, US Markit manufacturing PMIs, and NAHB housing.

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USDJPY - technical overview

Despite rally attempts, the longer-term downtrend remains firmly intact. Rallies should continue to be well capped below 110.00 on a monthly closes basis, with deeper setbacks anticipated towards a retest of the yearly low, below which exposes critical support in the form of the 2016 low at 99.00 further down.



- **R2 110.00** - Psychological - Strong
- **R1 109.73** - 2 December high - Medium
- **S1 108.43** - 4 December low - Medium
- **S2 108.24** - 14 November low - Strong

USDJPY - fundamental overview

Most of the price action in this major pair has been dictated by risk on flow in global markets, on the back of the agreement of the terms of the trade deal between the US and China, and on the back of the majority government victory in the UK election. Looking ahead, we get NY empire manufacturing, US Markit manufacturing PMIs, and NAHB housing.

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EURCHF - technical overview

The market remains very well capped into offers and the medium-term picture continues to favour the downside. A break back above 1.1060 would be required to take the immediate pressure off the downside. Below 1.0800 exposes the 1.0600 area.



- **R2 1.1173** - 2 July high - Strong
- **R1 1.1060** - 17 October high - Medium
- **S1 1.0864** - 14 November low - Medium
- **S2 1.0811** - 4 September/2019 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, 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 under pressure over the past several months, but has also been well supported on dips. The price action suggests we could be seeing the formation of a major base, though it would take a clear break back above 0.7100 to strengthen this outlook. In the interim, look for setbacks to continue to be well supported above 0.6700 on a weekly close basis.



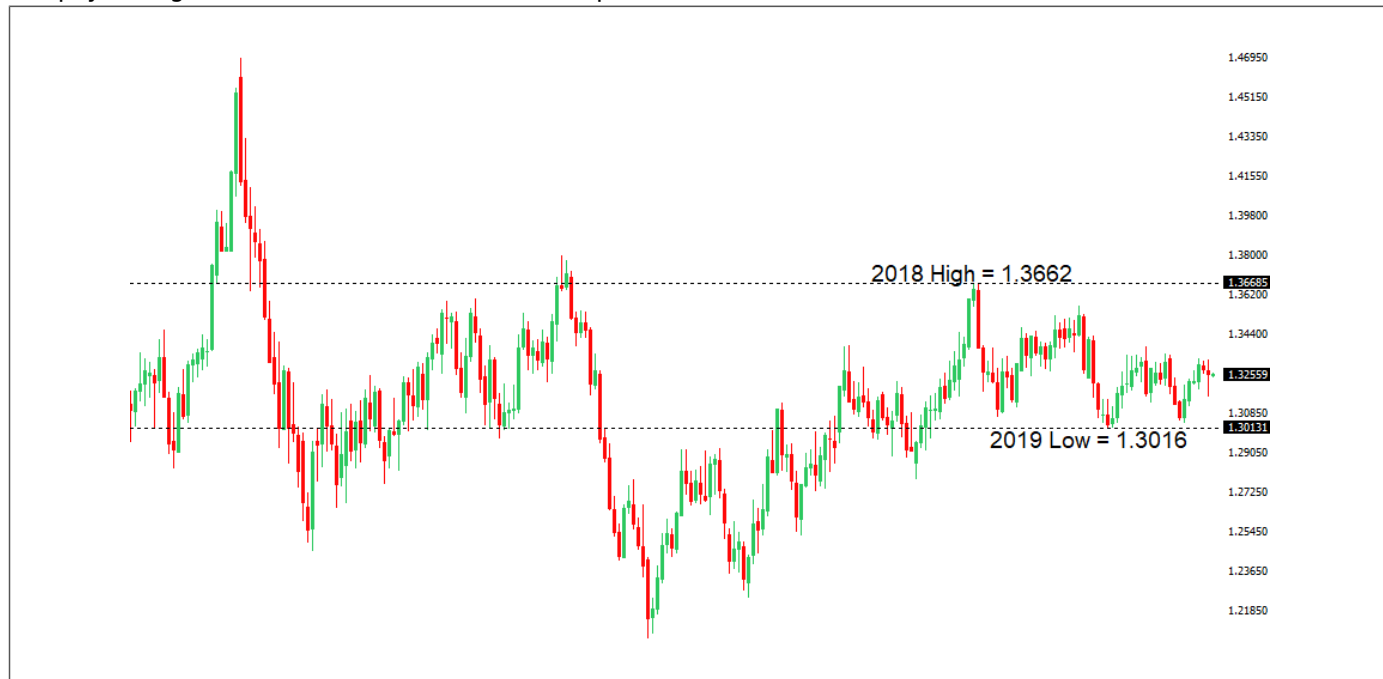
- **R2 0.7000** -Psychological - Strong
- **R1 0.6940** - 13 December high - Medium
- **S1 0.6800** - 10 December low - Medium
- **S2 0.6754** - 29 November low - Strong

AUDUSD - fundamental overview

Aussie gapped higher at the weekly open, but subsequently erased those gains amidst a rally in Australian bonds. This is down to the latter tracking Fri's US Treasuries move on caution over the details of the US-China "phase one" deal. Aussie sentiment has been further weighed down by the downgraded forecasts in the Australian government's Mid-Year Economic and Fiscal Outlook, resistance to fresh fiscal spending by Australian Treasurer Frydenberg and FinMin Cormann, and downbeat Australia PMIs. Looking ahead, we get NY empire manufacturing, US Markit manufacturing PMIs, and NAHB housing.

USDCAD - technical overview

The longer-term structure remains constructive, with dips expected to be well supported for renewed upside, eventually back above the 2018/multi-month high at 1.3665. At this point, only a weekly close below the psychological barrier at 1.3000 would compromise this outlook.



- **R2 1.3328** - 20 November high - Strong
- **R1 1.3270** - 6 December low - Medium
- **S1 1.3151** - 13 December low - Medium
- **S2 1.3115** - 5 November low - Strong

USDCAD - fundamental overview

The Canadian Dollar was better bid last week, on the back of a more dovish FOMC communication and the risk on news around the US-China trade deal. On the domestic front, Canadian Deputy PM Chrystia Freeland said Canada introduced USMCA amendments in Parliament. Looking ahead, we get Canada foreign securities purchases, NY empire manufacturing, US Markit manufacturing PMIs, and NAHB housing.

NZDUSD - technical overview

Despite recent weakness, there's a case to be made for a meaningful bottom, with the market rallying out from longer-term cycle low area around 0.6200. As such, look for setbacks to be well supported in the days ahead, in anticipation of a continued recovery. Only a weekly close below 0.6200 would give reason for rethink. Back above 0.6500 strengthens the outlook and takes the immediate pressure off the downside, with focus now on a test of next meaningful resistance in the form of the July 2019 high at 0.6791 .



- **R2 0.6664** - 26 July high - Medium
- **R1 0.6636** - 13 December high - Medium
- **S1 0.6522** - 11 December hlow - Medium
- **S2 0.6466** - 4 November high - Strong

NZDUSD - fundamental overview

Last week's more dovish Fed communication and the news of the agreed upon terms in the US-China trade deal have been fueling Kiwi gains. There has been some profit taking in the run up as some doubts around the trade deal creep in, given the broadness of the terms. Looking ahead, we get NY empire manufacturing, US Markit manufacturing PMIs, and NAHB housing.

US SPX 500 - technical overview

There have been signs of a major longer term top, after an exceptional run over the past decade. Any rallies from here, are expected to be very well capped, in favour of renewed weakness targeting an eventual retest of strong longer-term previous resistance turned support in the form of the 2015 high at 2140. The initial level of major support comes in at 3070, with a break below to strengthen the outlook. A monthly close above 3200 would be required to compromise the outlook.



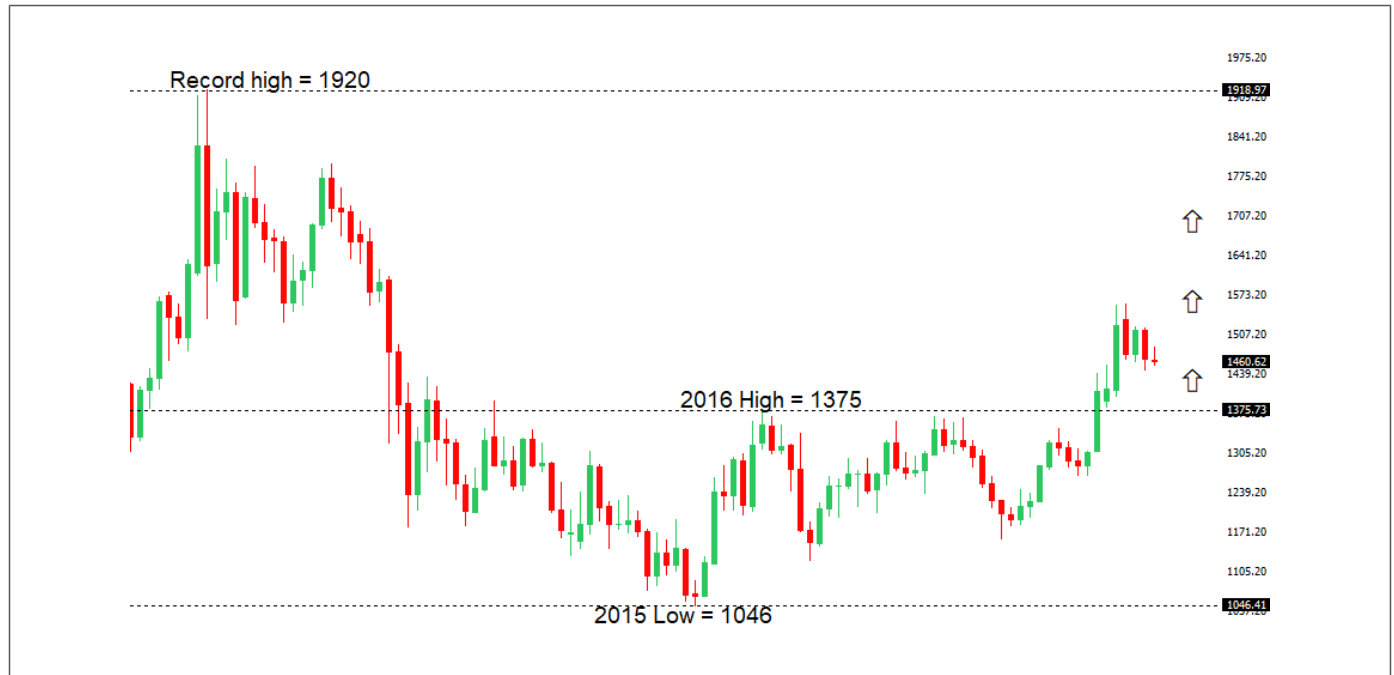
- **R2 3200** - Psychological - Strong
- **R1 3185** - 13 December/**Record high** - Medium
- **S1 3070** - 3 December low - Medium
- **S2 3000** - Psychological - Strong

US SPX 500 - fundamental overview

Although we've seen the market extending to fresh record highs in 2019, with so little room for additional central bank accommodation, given an already depressed interest rate environment, the prospect for a meaningful extension of this record run, on easy money policy incentives, should no longer be as enticing to investors as it once was. Meanwhile, tension on the global trade front should continue to be a drag on investor sentiment despite any signs that would suggest otherwise. We recommend keeping a much closer eye on the equities to ten year yield comparative going forward, as the movement here is something that could be a major stress to the financial markets looking out.

GOLD (SPOT) - technical overview

The 2019 breakout above the 2016 high at 1375 was a significant development, and suggests the market is in the early stages of a bullish move that follows a multi-month consolidation. The next major level of resistance comes in around 1600, while in the interim, look for any setbacks to be well supported above 1400.



- **R2 1558** - 4 September/2019 high - Strong
- **R1 1536** - 24 September high - Medium
- **S1 1445** - 12 November low - Medium
- **S2 1400** - Psychological - 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

The market continues to correct in the aftermath of a major surge in the second quarter of 2019. However, any setbacks should be very well supported in the 6,000 area, with a higher low sought out in favour of a bullish continuation back above the 2019 high and towards the record high from late 2017 further up. Ultimately, only a weekly close below 5,750 would compromise the constructive outlook.



- **R2 10,468**- 26 October high - Strong
- **R1 8,806** - 11 October high - Medium
- **S1 6,500** - Psychological - Strong
- **S2 5,755** - Internal support/June 2018 - Strong

BTCUSD - fundamental overview

Bitcoin is going through a period of technical adjustment after the fierce Q2 run up, though we anticipate continued demand from institutional players starved for yield in a world where global equities are increasingly vulnerable. Plenty of demand is reported on dips down towards \$6,000.

BTCUSD - Technical charts in detail

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ETHUSD - technical overview

The market is in the process of a major correction after a surge in the second quarter of 2019. Look for setbacks to be well supported above of previous resistance turned support at 100 on a weekly close basis, in favour of the next major higher low and bullish resumption back towards and through the 2019 high up at 363. Ultimately, only a weekly close below 100 would compromise the outlook.



- **R2 225** - 19 September high - Strong
- **R1 200** - Psychological - Medium
- **S1 133** - 25 November low - Medium
- **S2 102** - 6 February/2019 low - Strong

ETHUSD - fundamental overview

Profit taking in the aftermath of the rapid Q2 appreciation has triggered a healthy period of correction and consolidation, while critique of the space from the likes of President Trump and Fed Chair Powell, along with worry associated with fallout in the global economy, are stories that could continue to keep the more risk correlated crypto asset weighed down into the end of the year. Risk off in the global economy is expected to result in ETH underperformance relative to Bitcoin.



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