

Thursday, January 16, 2020

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Global FX Insights

by LMAX Group Research & Analytics

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

Looking up or melting up? 📢 [Wake-up call](#)

All of the worry associated with US tariffs remaining in place through the 2020 election, has faded away, with the market feeling a lot better now that the phase one trade deal agreement has been signed off. Ahead, we get retail sales, the Philly Fed, initial jobless claims, and NAHB housing. We also get a speech from ECB Lagarde.

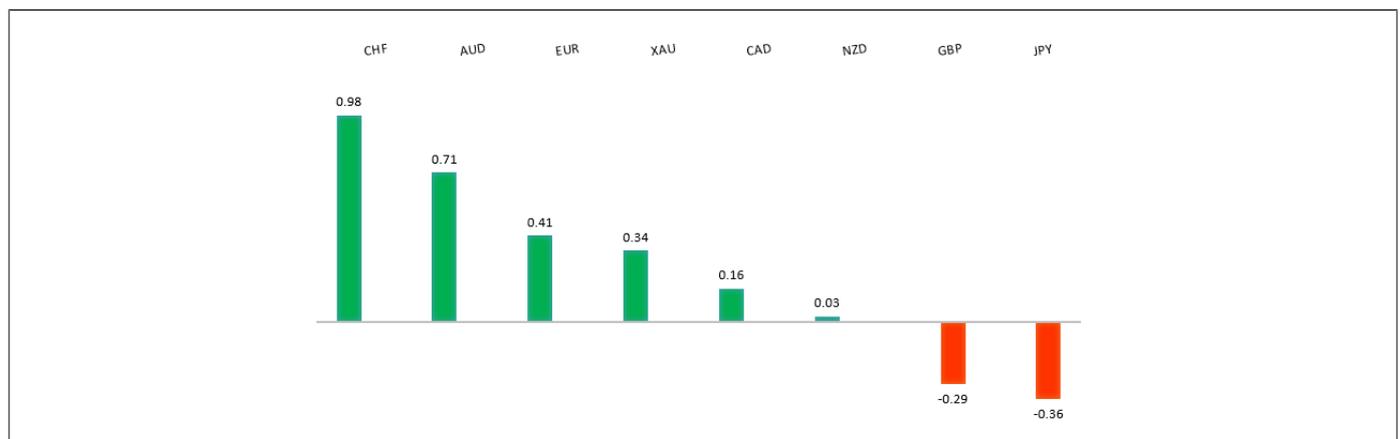
Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Carving out longer term bottom
- [GBPUSD](#) Setbacks should be well supported
- [USDJPY](#) Additional upside should be limited
- [EURCHF](#) Confined to tighter consolidation
- [AUDUSD](#) Room for recovery to extend
- [USDCAD](#) Breaks down to multi-month low
- [NZDUSD](#) Slow and steady recovery in works
- [US SPX 500](#) Uptrend begging for correction
- [GOLD](#) (spot) Fresh upside extension underway
- [BTCUSD](#) Constructive while above 6,000
- [ETHUSD](#) Solid support zone around 100

Fundamental highlights

- [EURUSD](#) ECB Lagarde on the wires late Thursday
- [GBPUSD](#) Pound shrugs off soft inflation reads
- [USDJPY](#) Yen keeps tracking with traditional correlation
- [EURCHF](#) US adds Switzerland to currency watchlist
- [AUDUSD](#) Veep says phase two discussions underway
- [USDCAD](#) OIL decline weighs on Loonie
- [NZDUSD](#) Kiwi holds up well despite mixed data
- [US SPX 500](#) Stocks more sensitive to downside risk
- [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

- [Don't Write Off Vice Stocks in this Virtuous Market](#), J. Authers, **Bloomberg** (January 16, 2020)
- [Why Commodities Won't Stay Cheap Forever](#), R. Foroohar, **FT** (January 16, 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 1.1239** - 31 December high - Medium
- **S1 1.1085** - 10 January low - Medium
- **S2 1.1066** - 20 December low - Strong

EURUSD - fundamental overview

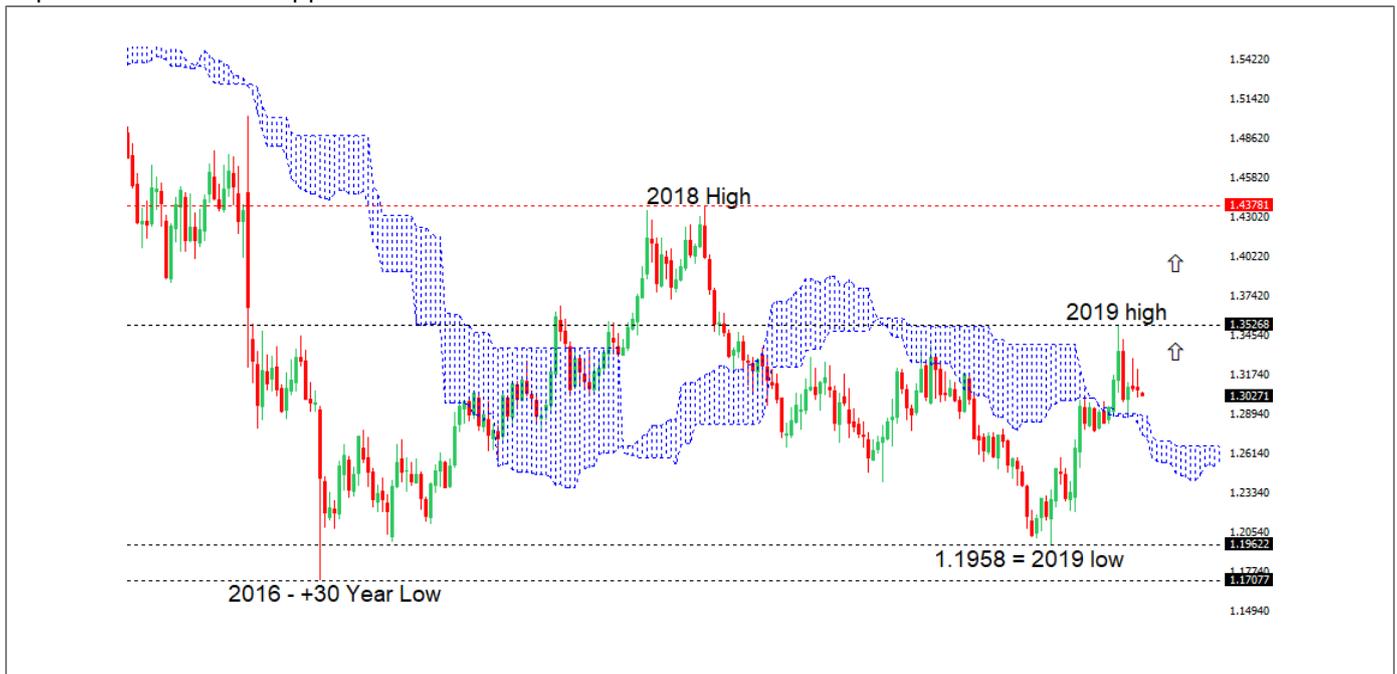
There continues to be strong demand for the Euro into dips, irrespective of softer economic data. Medium and longer term players are looking to build long exposure, anticipating a market backdrop that is less favourable for the US Dollar. These players cite US administration trade policy and increasingly accommodative Fed policy. Looking ahead, we get some German inflation reads, the ECB Minutes, and US releases in the form of retail sales, the Philly Fed, initial jobless claims, and NAHB housing. We also get a speech from ECB Lagarde at the end of the day.

EURUSD - Technical charts in detail

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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, with setbacks expected to be well supported ahead of 1.2800.



- **R2 1.3300** - Figure - Strong
- **R1 1.3285** - 31 December high - Medium
- **S1 1.2961** - 13 January low - Medium
- **S2 1.2905** - 23 December low - Strong

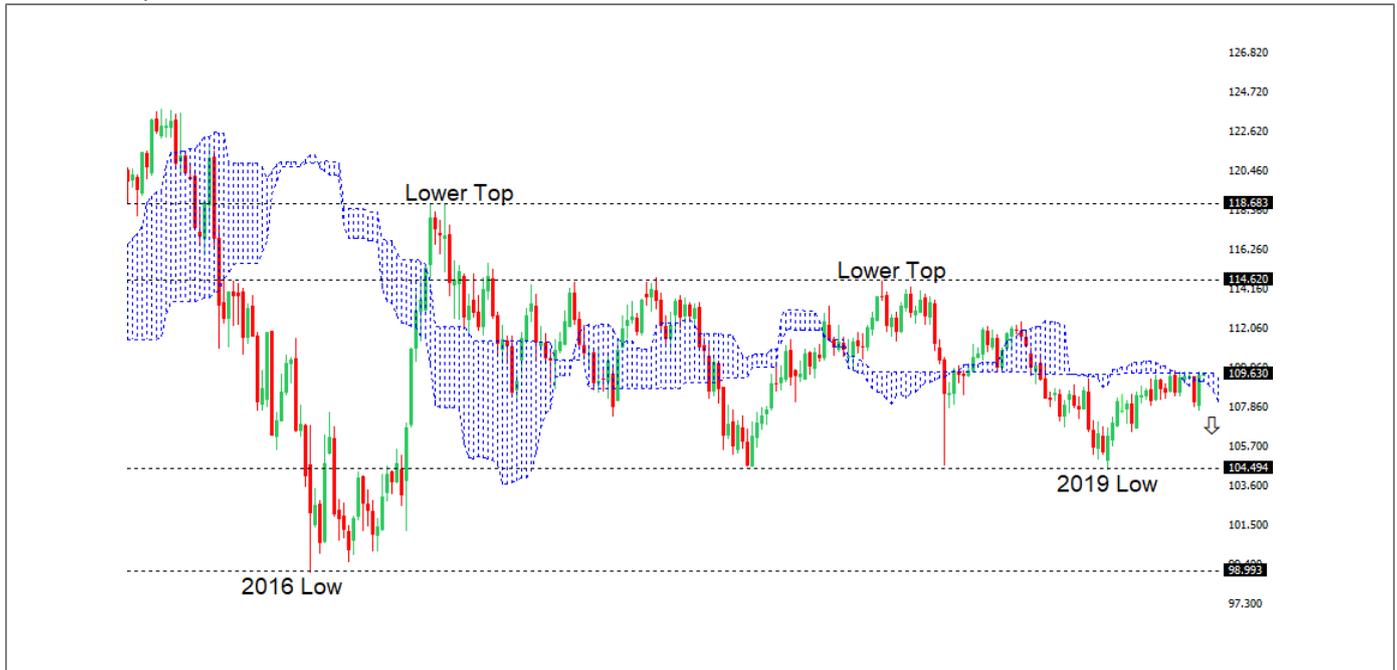
GBPUSD - fundamental overview

UK inflation reads came in below forecast, while BOE Saunders was out talking rate cuts. And yet, the Pound held up well on Wednesday, with the market less inclined to sell on headlines already all but priced in. Recent BOE forecasts had been warning of inflation moving lower this year, and the market is well aware of a dovish Saunders. On the Brexit front, there has been more optimism around the prospect that a trade deal will be agreed upon before the end of year. Looking ahead, there is no first tier data on the UK docket. The focus will be on US releases in the form of retail sales, the Philly Fed, initial jobless claims, 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. Next major support comes in the form of the October 2018 low at 106.48. Only back above the 112.40, 2019 high would compromise the bearish outlook.



- **R2 110.68** - 21 May high - Strong
- **R1 110.22** - 14 January high - Strong
- **S1 109.01** - 9 January low - Medium
- **S2 107.65** - 8 January low - Strong

USDJPY - fundamental overview

The major pair continues to track with broader risk sentiment. On the domestic front, the BoJ downgraded its assessment in 3 of 9 regions in its quarterly Sakura report and said 'some weakness is seen in exports, production and corporate sentiment due to a slowdown in the global economy and natural disasters.' BoJ Kuroda said Japan's economy is 'on a moderate expanding trend,' and the central bank 'won't hesitate to add stimulus if there is a greater risk of losing inflation momentum.' Looking ahead, the focus will be on US releases in the form of retail sales, the Philly Fed, initial jobless claims, 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 1.1060** - 17 October high - Strong
- **R1 1.0906** - 27 December high - Medium
- **S1 1.0743** - 15 January/**2019 low** - Medium
- **S2 1.0700** - Figure - 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, and from a US administration that has put Switzerland on its currency manipulator watchlist. Any signs of risk liquidation in 2020, 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.



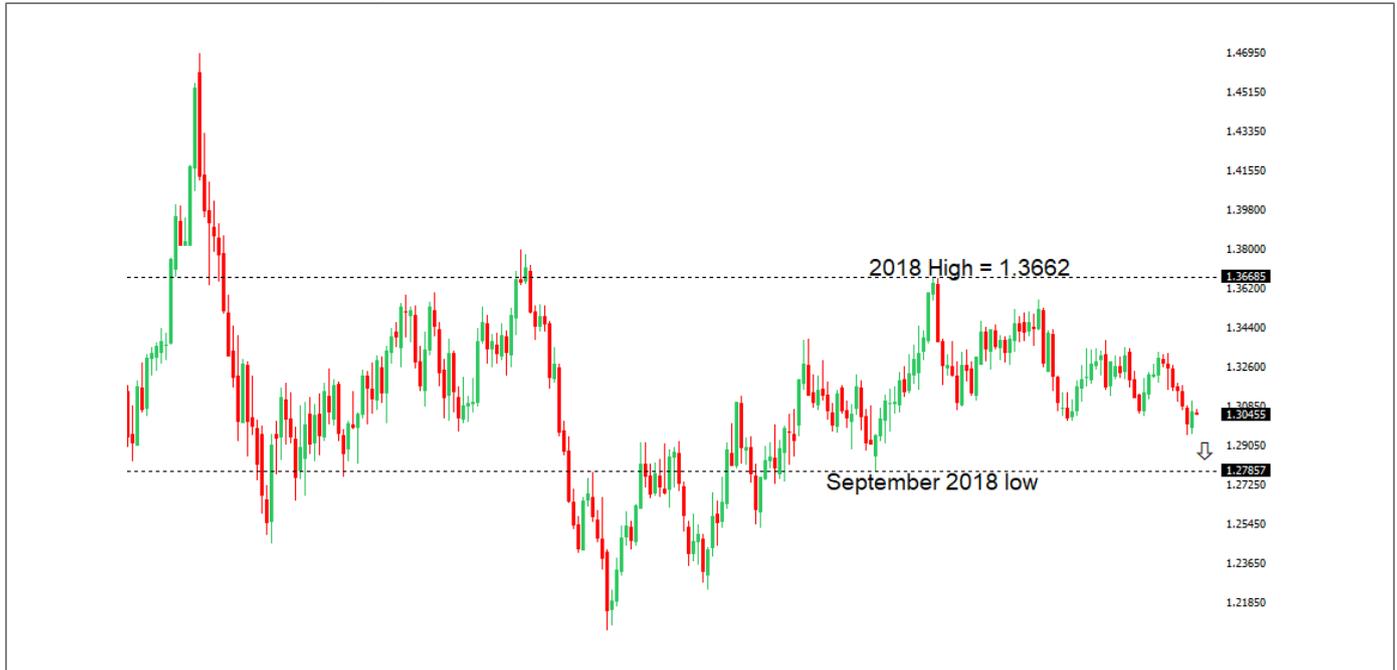
- **R2 0.7032** -31 December high - Strong
- **R1 0.6958** - 6 January high - Medium
- **S1 0.6850** - 8 January low - Medium
- **S2 0.6838** - 17 December low - Strong

AUDUSD - fundamental overview

The Australian Dollar is holding up well, with the market feeling a lot better about the outlook for US-China trade into Thursday. After some initial worry around news about US tariffs remaining in place through the 2020 election, optimism returned when Vice Mike Pence said phase two discussions had already begun. Looking ahead, the focus will be on US releases in the form of retail sales, the Philly Fed, initial jobless claims, and NAHB housing.

USDCAD - technical overview

The downturn in late 2019 has resulted in a medium-term shift in the trend, with the pressure back on the downside. The break back below major psychological support at 1.3000 now exposes deeper setbacks towards the 1.2782 low from September 2018. At this stage, the market would need to push back above the November 2019 high at 1.3328 to take the immediate pressure off the downside.



- **R2 1.3182** - 20 December high - Strong
- **R1 1.3105** - 9 January high - Medium
- **S1 1.3000** - Psychological - Strong
- **S2 1.2952** - 31 December/2019 low - Strong

USDCAD - fundamental overview

The Canadian Dollar has been well bid in recent weeks, but hasn't been able to muster much additional positive momentum in recent sessions, despite the well received Canada jobs data in the previous week. A sharp pullback in the price of OIL has unquestionably been an offsetting variable. Looking ahead, the focus will be on Canada ADP employment and new motor vehicle sales, along with US releases in the form of retail sales, the Philly Fed, initial jobless claims, and NAHB housing.

NZDUSD - technical overview

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 0.6800 strengthens the outlook and takes the medium to longer-term pressure off the downside.



- **R2 0.6756** - 31 December high - Strong
- **R1 0.6700** - Figure - Medium
- **S1 0.6600** - Figure - Medium
- **S2 0.6554** - 18 December low - Strong

NZDUSD - fundamental overview

The New Zealand Dollar is holding up well, despite a mixed round of Thursday data (house prices up, credit card spending down). Ongoing demand for risk assets has been a major supporter of the currency, and we're also hearing chatter about short covering that is giving the commodity currency an added boost. Looking ahead, the focus will be on US releases in the form of retail sales, the Philly Fed, initial jobless claims, 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 a major correction targeting an eventual test of the 2018 low at 2339. The initial level of major support comes in at 3070, with a break below to strengthen the outlook. A monthly close above 3300 would be required to compromise the outlook.



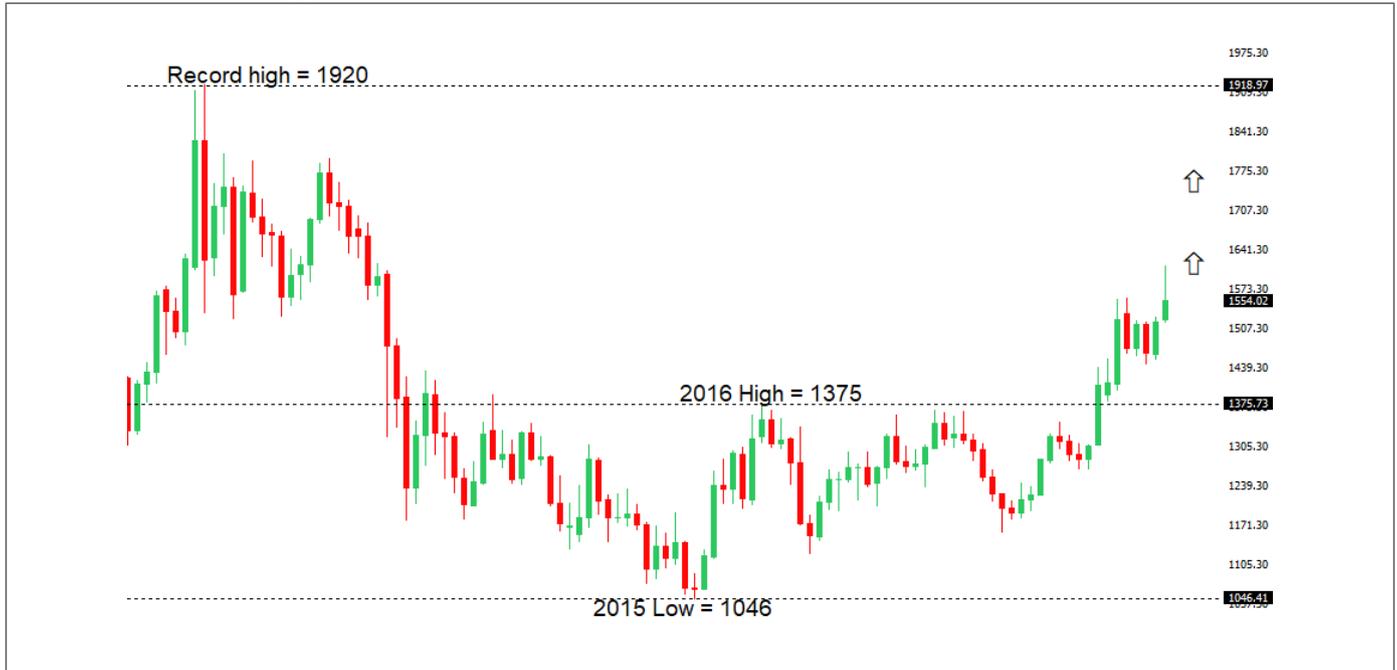
- **R2 3350** - Psychological - Strong
- **R1 3301** - 16 January/**Record high** - Strong
- **S1 3200** - Psychological - Medium
- **S2 3070** - 3 December low - Strong

US SPX 500 - fundamental overview

Although we've seen the market extending to fresh record highs, 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 and geopolitical risk, should continue to be a drag on investor sentiment into 2020, 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 1650 (measured move extension target), while in the interim, look for any setbacks to be well supported above 1400.



- **R2 1650** - Measured move target - Strong
- **R1 1612** - 8 January/2019 high - Medium
- **S1 1500** - Psychological - Medium
- **S2 1445** - 12 November 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

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. Back above 10,468 further encourages bullish prospect.



- **R2 10,468** - 26 October high - Strong
- **R1 9,000** - Round number - Medium
- **S1 7,000** - Psychological - Strong
- **S2 6,430** - 18 December low - Strong

BTCUSD - fundamental overview

Bitcoin demand is expected to pick up in 2020, with market forces to likely make a stronger argument for the emerging cryptocurrency. In a world where rates are at historic lows and the equity market looks to be inching closer to major capitulation, the idea of owning a decentralised, limited supply currency, becomes increasingly attractive as a store of value. Moreover, there is plenty of development going on in the decentralised technology space, which should only add to the draw.

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 117** - 18 December low - Medium
- **S2 102** - 6 February/2019 low - Strong

ETHUSD - fundamental overview

There is plenty of Ether demand built up in the 80-100 area, with so much optimism around prospects for the blockchain given all of the development going on in the decentralised finance space. At the same time, macroeconomics will likely play a negative role in 2020, at least relative to the price of Bitcoin, with Eth expected to underperform in a risk off backdrop, in light of Ethereum's higher sensitivity and correlation with risk themes.



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