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# Global FX Insights

by LMAX Exchange Research & Analytics

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

## Have We Hit The Wall? [Wake-up Call](#)

The run against the US Dollar is running into a wall on Wednesday, with the market perhaps unnerved with all of the shakeup going on away from FX. Eurozone CPI, US industrial production, US NAHB house prices, and the Bank of Canada decision stand out on today's calendar.

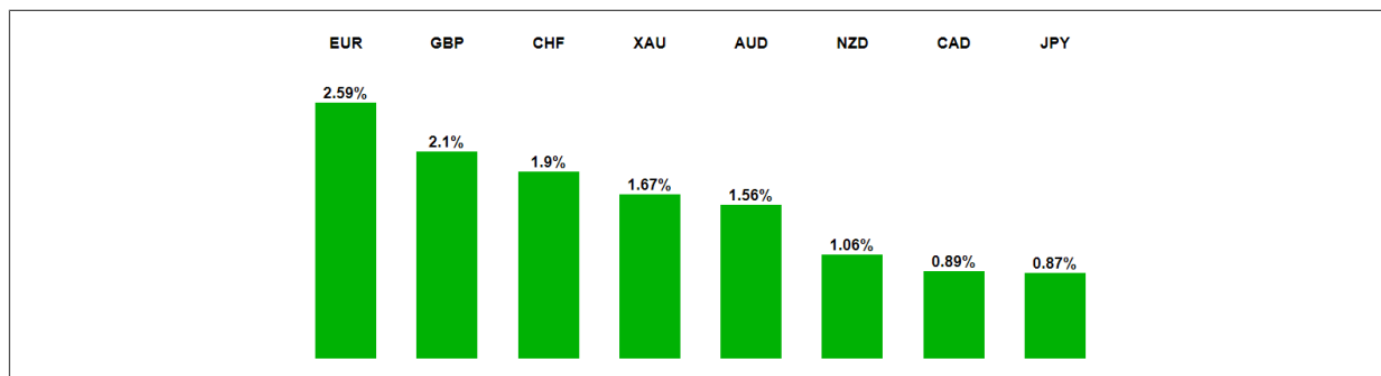
### Technical highlights [Daily Video](#)

- **EURUSD** Still room to run
- **GBPUSD** Closing in on 1.4000
- **USDJPY** Gravitating to range low
- **EURCHF** Setbacks well supported
- **AUDUSD** Additional upside limited
- **USDCAD** Reaching for reversal
- **NZDUSD** Slowly losing momentum
- **US SPX 500** Possible top forming
- **GOLD** (spot) Aiming for 2016 high
- **Feature** – USDTRY Constructive

### Fundamental highlights

- **EURUSD** Eurozone inflation readings taken in
- **GBPUSD** UK core CPI produces slight miss
- **USDJPY** Risk liquidation to invite Yen demand
- **EURCHF** SNB strategy will get more challenging
- **AUDUSD** Aussie succumbs despite home loans
- **USDCAD** Bank of Canada policy decision in focus
- **NZDUSD** GDT auction results don't help Kiwi
- **US SPX 500** US shutdown deadline looms
- **GOLD** (spot) Metal demand reflects uncertainty
- **Feature** – USDTRY CBRT decision on Thursday

## Five day performance v. US dollar



## Suggested reading

- **Charts that Matter: US Equities, Gilts**, A. Giustiniano, Financial Times (January 16, 2018)
- **Fed Losing Control of Financial Markets**, L. Komileva, Bloomberg (January 15, 2018)

## EURUSD – technical overview

Though the Euro has seen a nice run of late and is pushing up into overbought territory on the daily chart, there is still plenty of room to run, after the market took out the 2017 high. The break sets up a bullish continuation and the next major measured move upside extension into the 1.2600-1.2700 area, which coincides with monumental resistance in the form of a falling trend-line off the record high from 2008. In the interim, any setbacks should be very well supported ahead of 1.1900.



- R2 1.2350 – Mid-Figure– Medium
- R1 1.2324 – 17Jan/2018 high – Medium
- S1 1.2188 – 15Jan low – Medium
- S2 1.2094 – Previous High – Strong

## EURUSD – fundamental overview

The Euro managed to extend its 2018 run early Wednesday, before finally running into a wall of resistance above 1.2300. Some backtracking of ECB hawkish rhetoric on Tuesday, already had some longs heading for the exit door, and it seems the latest wave of risk off flow from a pullback in US equities and shakeup in the crypto space, have also inspired some Dollar bids. Nevertheless, there continues to be healthy demand for the single currency on dips and after breaking out above the 2017 high, there's plenty of room for the run to continue. As far as today's calendar goes, key standouts will be Eurozone CPI, US industrial production, US NAHB house prices, central bank speak and any updates relating to the German coalition government and Friday's US government shutdown deadline.

## GBPUSD – technical overview

The latest breakout above the 2017 high has confirmed the next higher low at 1.3025 and now opens the door for the next major extension, targeting the 1.4200-1.4300 area. Look for any setbacks to now be very well supported into the 1.3300 area, while ultimately, only back below 1.3025 would force a shift in the outlook.



- R2 1.3850– Mid-Figure– Medium
- R1 1.3837 – 17Jan/2018 high – Medium
- S1 1.3726 – 15Jan low – Medium
- S2 1.3658 – Previous high – Strong

## GBPUSD – fundamental overview

Tuesday’s UK inflation data was broadly in line with expectation, producing only a slight miss on the core CPI print. This kept the Pound well supported on the back of the broader US Dollar outflow, with the UK currency extending the post EU referendum run. The latest jump has come into some resistance on Wednesday, with currencies in retreat mode across the board as the US Dollar finds some demand on the back of a liquidation in risk assets as reflected by the US equity market reversal and exodus from cryptocurrencies. Looking ahead, absence of first tier data in the UK, will leave the focus on US industrial production, US NAHB house prices, some central bank speak and any updates relating to Brexit or Friday’s US government shutdown deadline.

## USDJPY – technical overview

The major pair has been confined to a range trade for much of 2017, with rallies well capped ahead of 115.00 and dips well supported below 108.00. The latest topside failure off the range high encourages this outlook, with the break back below 110.85 opening the door for an acceleration towards the 107.00-108.00 area range base in the days ahead. Look for any bounces to now be well capped ahead of 113.00.



- R2 111.19 – 15Jan high – Strong
- R1 110.99 – 16Jan high – Medium
- S1 110.20 – 17Jan low – Medium
- S2 109.56 – 15Sep low – Strong

## USDJPY – fundamental overview

The Yen has been very well bid in early 2018 despite rocketing US equities, though there are signs of capitulation on that front. This warns of even more Yen strength (USDJPY weakness) over the coming days, with a liquidation in risk correlated assets to inspire a flight back into the funding currency that is the Japanese Yen. Dealers are now talking heavy sell interest ahead of 112.00, with medium term accounts targeting a drop back down to the 107.00-108.00 area. Looking at today’s calendar, the focus will be on US industrial production, US NAHB house prices, some central bank speak and any updates relating to Friday’s US government shutdown deadline.

## EURCHF – technical overview

A period of multi-day consolidation has been broken, with the market pushing up to a fresh multi-month high. The bullish break could now get the uptrend thinking about a test of that major barrier at 1.2000 further up. In the interim, look for any setbacks to be very well supported ahead of 1.1400, while only back below 1.1260 would delay the overall constructive tone.



- R2 1.1900 – Figure – Strong
- R1 1.1834 – 15Jan/2018 high – Medium
- S1 1.1672 – 29Dec low – Medium
- S2 1.1609 – 19Dec low – Strong

## EURCHF – fundamental overview

The SNB will need to be careful right now, as its strategy to weaken the Franc could face headwinds from the US equity market in 2018. The record run in the US stock market has been a big boost to the SNB’s strategy with 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 capitulation on that front into this new year, will likely invite a very large wave of demand for the Franc, which will put the SNB in a more challenging position to weaken the Franc. And so, we speculate the SNB continues to be active buying EURCHF in an attempt to build some cushion ahead of what could be a period of intense Franc demand ahead.

## AUDUSD – technical overview

An impressive recovery out from the December low is starting to show signs of exhaustion, with the market looking extended and poised for reversal after stalling out into the major psychological barrier at 0.8000. A daily close back below 0.7900 will strengthen this outlook and open the door for a renewed wave of declines, while at this point, only a close back above 0.8000 would suggest the market wants to look to keep pushing higher.



- R2 0.8050 – Mid-Figure – Medium
- R1 0.8000 – 17Jan high – Strong
- S1 0.7876 – 5Jan high – Medium
- S2 0.7838 – 11Jan low – Strong

## AUDUSD – fundamental overview

Aussie home loans data was impressive early Wednesday, helping to extend the Australian Dollar’s impressive run. Overall, the Australian Dollar has benefitted from surging commodities, record high US equities and broad based negative sentiment towards the US Dollar. But into Wednesday, there has been a wave of intense Dollar demand, presumably on the back of Tuesday’s US equity market reversal and worry about fallout from a collapse in the cryptocurrency space. This has resulted in a pullback after the market stalled out into the major psychological barrier at 0.8000. Looking at the calendar for the remainder of the day, the focus will be on US industrial production, US NAHB house prices, some central bank speak and any updates relating to Friday’s US government shutdown deadline.

## USDCAD – technical overview

Despite the latest round of setbacks, there are signs of basing in this pair, after the recovery from plus two year lows back in September extended through an important resistance point in the form of the August peak. This sets the stage for additional upside, with the next focus on a retest of the psychological barrier at 1.3000. In the interim, any setbacks should now be well supported ahead of 1.2300.



- R2 1.2591 – 11Jan high – Strong
- R1 1.2500 – Psychological – Medium
- S1 1.2398 – 16Jan low – Medium
- S2 1.2356 – 6Jan low – Strong

## USDCAD – fundamental overview

All signs point to another rate hike from the Bank of Canada when it meets later today. But we would caution against making any big bets to buy the Loonie, given an outlook that we believe still justifies a central bank that needs to err on the side of a dovish hike. Canada’s recovery is still somewhat fragile, and this coupled with an unstable macro picture and plenty of uncertainty around the fate of NAFTA, should be keeping the Canadian Dollar from wanting to run much higher. Other standouts on today’s calendar include US industrial production, US NAHB house prices, Fed speak and any updates relating to Friday’s US government shutdown deadline.

## NZDUSD – technical overview

The market has done a good job recovering off the 2017 low from November, though additional upside could now be limited after overshooting a measured move objective in the 0.7200 area off an inverse head and shoulders formation. Overall, there is still medium term risk tilted to the downside and it will take a clear establishment back above 0.7400 to delay the bearish outlook and risk for another reversal.



- R2 0.7350 – Mid-Figure – Medium
- R1 0.7315 – 15Jan high – Medium
- S1 0.7220 – 12Jan low – Medium
- S2 0.7183 – 11Jan low – Strong

## NZDUSD – fundamental overview

The New Zealand Dollar looks like it finally could be running out of gas after an impressive recovery out from the 2017 low that was set in November. Tuesday’s impressive GDT auction result hasn’t been able to help Kiwi’s cause, while a slide in ANZ commodity prices isn’t helping. The risk correlated commodity currency has been reacting more to the broader flow, and with US equities rolling over, commodities coming under pressure and sentiment deteriorating, the market has been in the process of running back into the safety of the US Dollar. Looking at the calendar for the remainder of the day, the focus will be on US industrial production, US NAHB house prices, some central bank speak and any updates relating to Friday’s US government shutdown deadline.



## US SPX 500 – technical overview

The market continues to shrug off overextended technical readings, with any setbacks quickly supported for fresh record highs. Still, technical readings are tracking well overbought and are in desperate need for a period of healthy corrective action. Ultimately however, it will take a break back below 2670 at a minimum to alleviate immediate topside pressure.



- R2 2850.00 – Extension Target – Strong
- R1 2811.00 – 16Jan/Record high – Medium
- S1 2740.00 – 10Jan low – Medium
- S2 2700.00 – Psychological – Strong

## US SPX 500 – fundamental overview

The US equity market continues to push further into record high territory. It seems, on a macro level, the combination of blind momentum, expectation US tax reform will ultimately work out well, excitement around infrastructure plans and a belief the Fed will remain super accommodative under Jerome Powell are all factoring into the relentless bid. Ongoing subdued inflation readings have only made investors that much more confident in the slow Fed path, which has helped to fuel the parabolic run into 2018. Nevertheless, investor immunity to downside risk is not looking as strong these days and there’s a clear 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, balance sheet reduction coming into play and the Fed finally following through with forward guidance in 2017. At this point, it will take a breakdown in this market back below 2670 to turn heads. As far as risk goes, the market will be watching developments relating to Friday’s US government shutdown deadline.

## GOLD (SPOT) – technical overview

Setbacks have been well supported over the past several months, with the market continuing to put in higher lows and higher highs. Look for this most recent dip to round out that next meaningful base in favour of a bullish continuation towards a retest of the 2016 peak at 1375 further up. Ultimately, only a drop back below 1200 would negate the outlook.



- R2 1357.75 – 8Sep/2017 high – Strong
- R1 1350.00 – Psychological – Medium
- S1 1281.50 – 27Dec low – Medium
- S2 1236.70 – 12Dec low – 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 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. Dealers are now reporting demand in size ahead of 1200.

## Feature – technical overview

USDTRY is in the process of correcting off the record highs in November to allow for extended studies to unwind. However, the uptrend remains firmly intact and a fresh higher low is now sought out ahead of the next big push through the massive psychological barrier in the form of the 4 handle. Ultimately, any setbacks should be well supported ahead of 3.6500, with only a break back below this level to delay the outlook.



- R2 3.9820 – 22Nov/Record – Strong
- R1 3.8980 – 14Dec high – Medium
- S1 3.7330 – 5Jan low low – Medium
- S2 3.7000 – Psychological – Strong

## Feature – fundamental overview

The Lira has come under renewed pressure this week, initially on the back of geopolitical tension from President Erdogan’s threat of an offensive against Kurdish territory in North Syria and then on a wave of broad based Dollar demand from sentiment deterioration. The CBRT will meet tomorrow and the market will be looking to see if the central bank leans more to the accommodative side, as it did last time. This would fuel more declines and put the Lira closer to testing recent record lows and a major psychological barrier (USDTRY 4.0000). The emergence of new stress in the global economy could add to the Lira strain if we see a continued reduction in risk appetite.



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