

# Global FX Insights

by LMAX Exchange Research & Analytics

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

## The state of risk markets into the mid week [🔊 Wake-up call](#)

It isn't often you look at five-day performance in the currency market and see the Yen and Swiss Franc on opposite ends of the spectrum. The outperformance in the Swiss Franc suggests distress in markets, while the underperformance in the Yen says there isn't anything to be worried about.

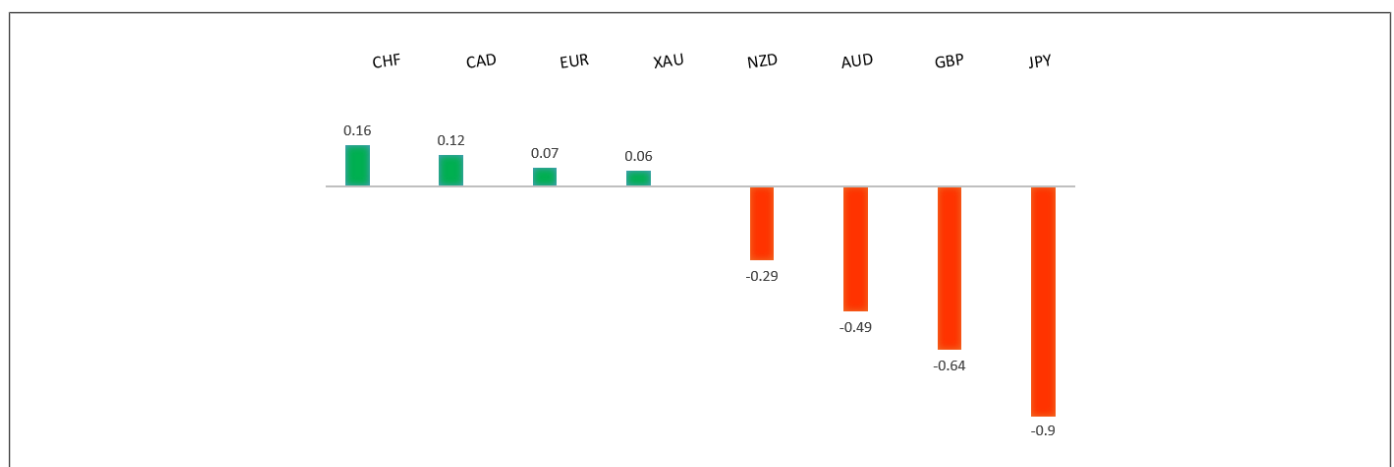
### Technical highlights [📺 Daily Video](#)

- [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
- [USDCAD](#) Setbacks should find support into dips
- [NZDUSD](#) Making its way back to the topside
- [US SPX 500](#) Uptrend showing signs of exhaustion
- [GOLD \(spot\)](#) Room for another big push higher
- [BTCUSD](#) Constructive while above 6,000
- [ETHUSD](#) Solid support zone around 100

### Fundamental highlights

- [EURUSD](#) Busy calendar for the Eurozone
- [GBPUSD](#) UK inflation readings stand out
- [USDJPY](#) Yen bought back as risk off works in
- [EURCHF](#) SNB faces tougher battle with Franc
- [AUDUSD](#) Aussie tracking with macro themes
- [USDCAD](#) Canada takes a look at inflation prints
- [NZDUSD](#) Kiwi hit on GDT disappointment
- [US SPX 500](#) Trade tension still expected to weigh
- [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

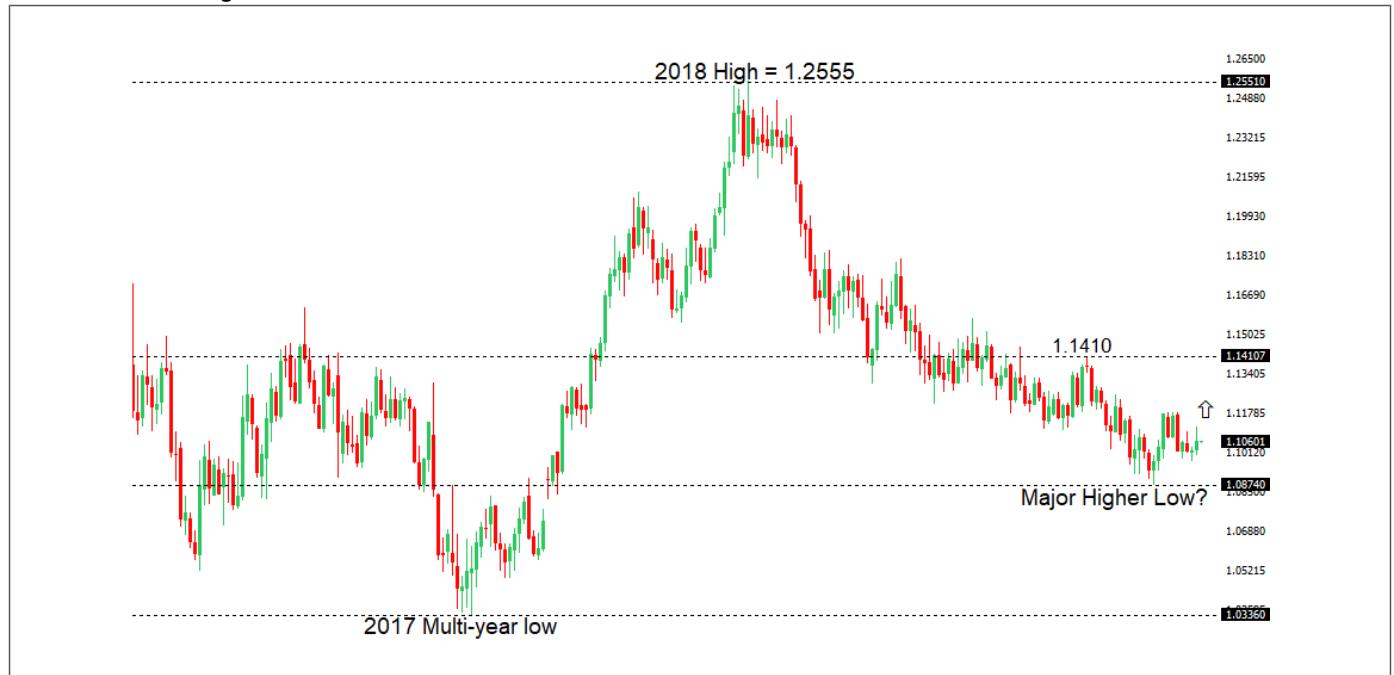


### Suggested reading

- [Bet the House on Inflation Wasn't Such a Bad Idea](#), J. Authers, **Bloomberg** (December 18, 2019)
- [A Tale of 2 Decembers for Investors](#), D. Kern, **US News** (December 17, 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

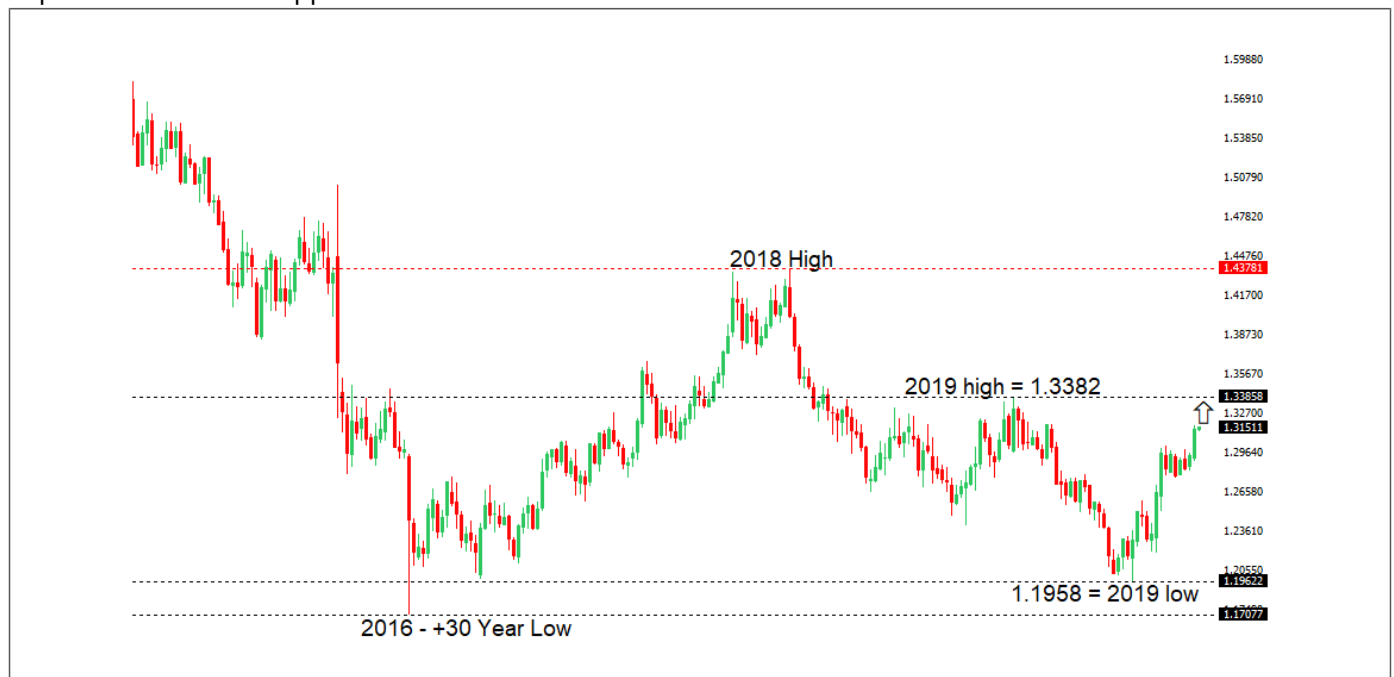
The Euro continues to find support from medium-term players, while getting some more prop from this latest cross related demand against the Pound. The latest official speak out of the zone includes ECB Villeroy, who said 'short-term rates could remain stable for a while', ECB's Rehn, who said Euro area inflation outlook is 'very subdued', and ECB Coeure, who said 'the cost base of European banks is too high'. Looking at the Wednesday calendar, key standouts come in the form of German producer prices, an ECB Lagarde speech, German IFO reads, Eurozone construction output, Eurozone inflation, a Fed Brainard speech, an ECB Coeure speech, and a Fed Evans speech.

## 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 1.2900.



- **R2 1.3515** - 13 December/**2019 high** - Strong
- **R1 1.3230** - 12 December high - Medium
- **S1 1.3073** - 18 December low - Medium
- **S2 1.3050** - 12 December low - Strong

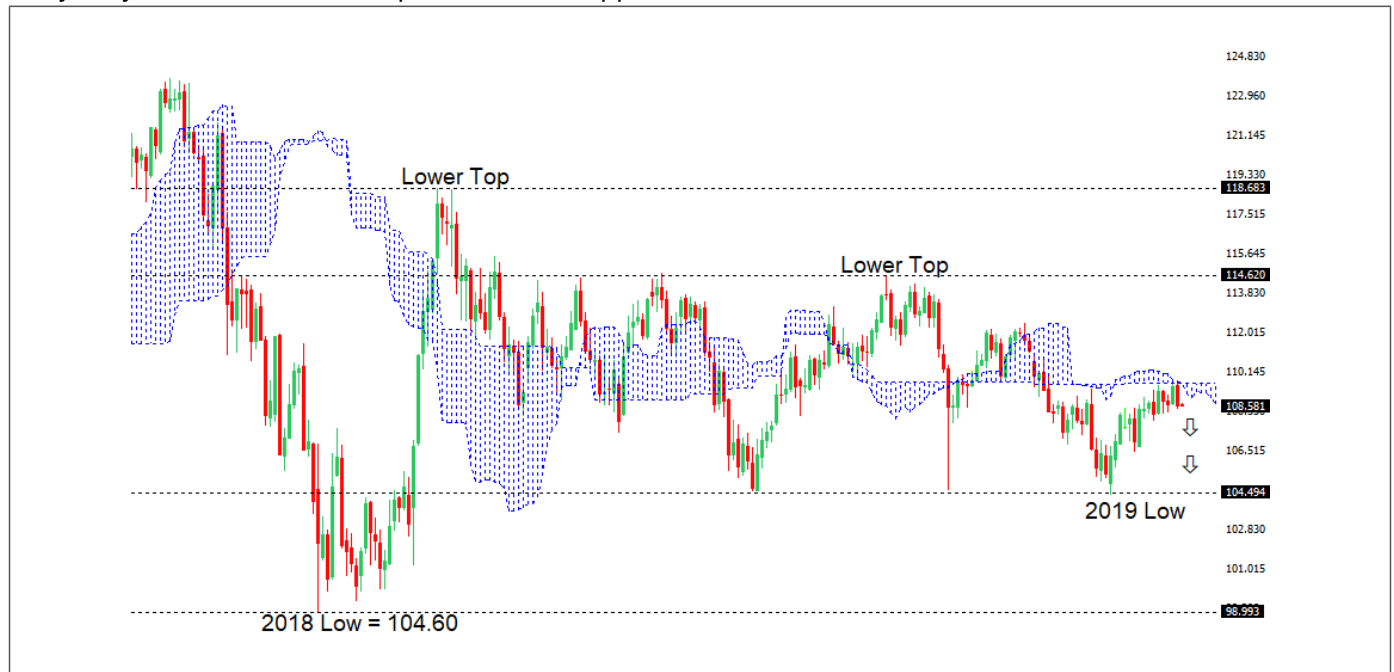
# GBPUSD - fundamental overview

The Pound extended its post UK election decline, not getting any help from the Boris Johnson comments that the UK would leave the EU by the end of next year, with or without a deal. Johnson won't be attending the World Economic Forum in Davos next month and has banned his ministers from attending as well. Economic data out of the UK has been less than stellar this week, but hasn't seemed to have much impact. The government has said it is in the final stages of determining Governor Carney's replacement. Looking at the Wednesday calendar, key standouts come in the form of UK inflation readings, and speeches from Fed's Brainard and Evans.

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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 related flow in global markets. After getting sold on a wave of risk on trade post last week's Fed decision, news of the agreed upon trade terms between the US and China, and UK election, it appears the momentum is fading, with risk off working back and the Yen recovering as a consequence. Looking at the Wednesday calendar, things are light, with only speeches from Fed's Brainard and Evans standing out.

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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.



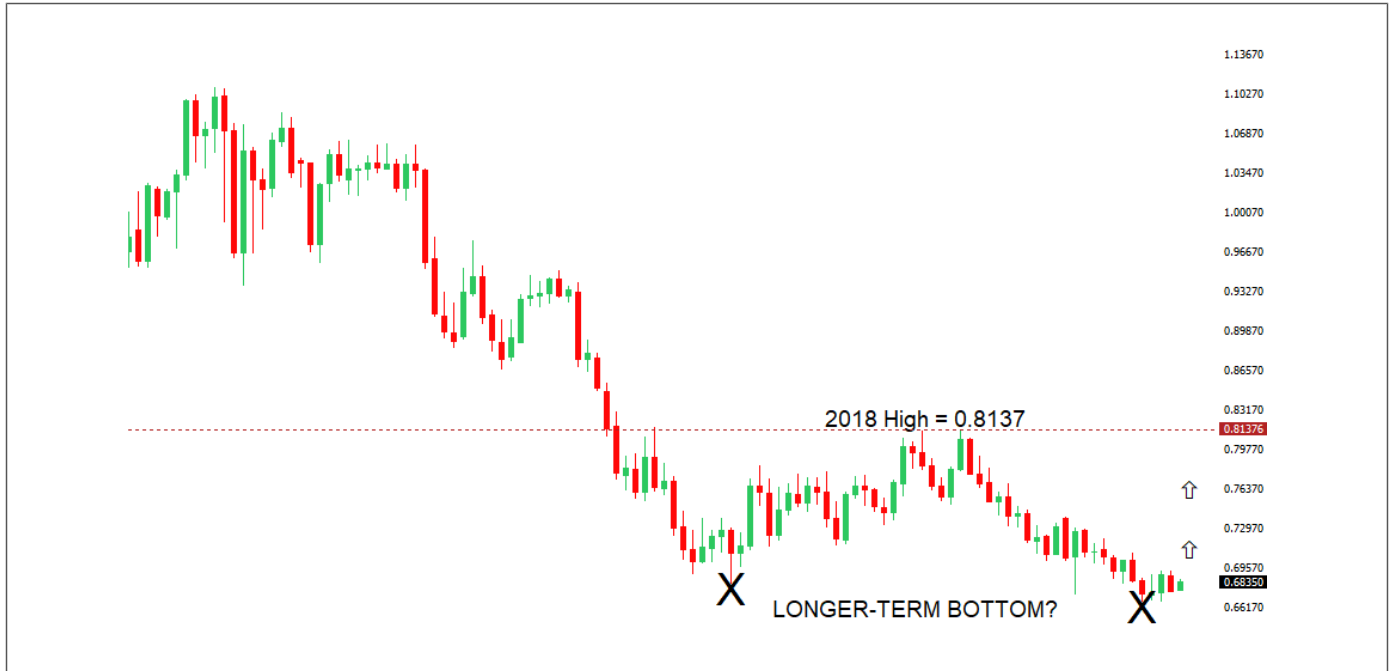
- **R2 1.1173** - 2 July high - Strong
- **R1 1.1060** - 17 October high - Medium
- **S1 1.0864** - 14 November low - Medium
- **S2 1.0811** - 4 September/**2019 low** - Strong

# 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.



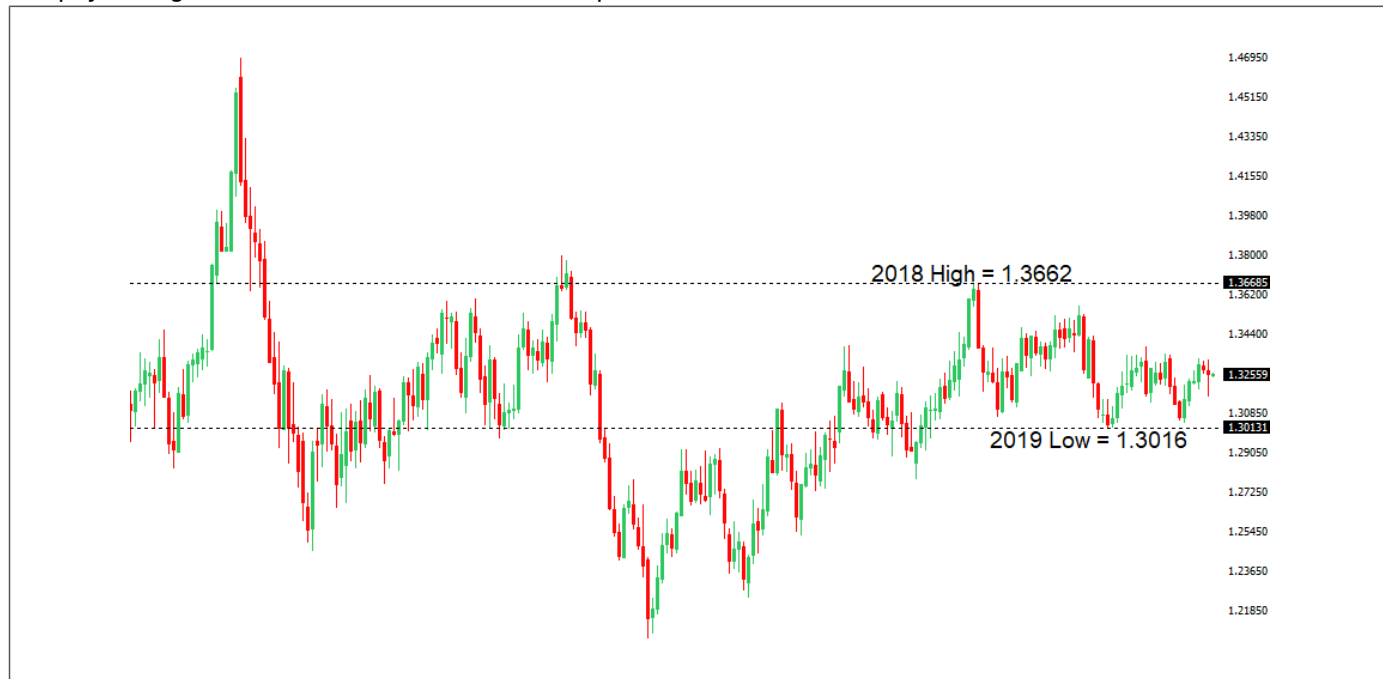
- **R2 0.7000** -Psychological - Strong
- **R1 0.6940** - 13 December high - Medium
- **S1 0.6800** - 10 December low - Medium
- **S2 0.6754** - 29 November low - Strong

# AUDUSD - fundamental overview

The Australian Dollar is trying to find support after suffering setbacks in Tuesday trade from the more dovish than expected RBA Minutes. We're also seeing added downside pressure on Wednesday, with risk sentiment deteriorating. Looking at the Wednesday calendar, things are light, with only speeches from Fed's Brainard and Evans standing out.

## 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 1.3270** - 6 December high - Strong
- **R1 1.3205** - 13 December high - Medium
- **S1 1.3115** - 16 December low - Medium
- **S2 1.3042** - 29 October low - Strong

## USDCAD - fundamental overview

Not much going on with the Canadian Dollar this week, though we did see some selling of the Loonie after Canada manufacturing sales unexpectedly declined. Looking at the Wednesday calendar, things are light, with only Canada inflation reads and speeches from Fed's Brainard and Evans standing out.

## 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

**The New Zealand Dollar is feeling a little more heat** into Wednesday, with the commodity currency suffering at the hands of a deeply discouraging GDT auction read and this latest downturn in risk sentiment. Looking at the Wednesday calendar, things are light, with only speeches from Fed's Brainard and Evans standing out.



## 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.



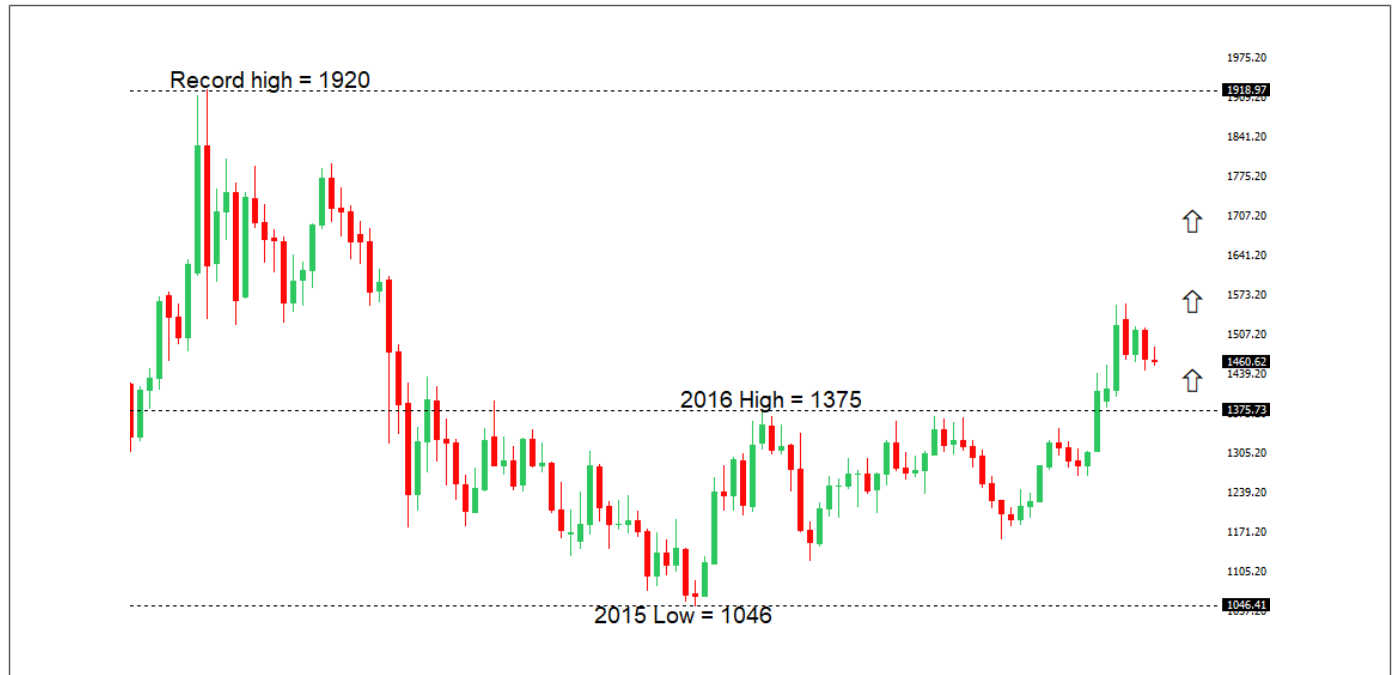
- **R2 3250** - Psychological - Strong
- **R1 3201** - 16 December/**Record high** - Medium
- **S1 3070** - 3 December low - Medium
- **S2 3000** - Psychological - Strong

## 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

[Watch now](#)

# 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 120** - 18 December 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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