

Global FX Insights

by LMAX Exchange Research & Analytics

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

Failed US Healthcare Repeal Fuels More USD Selling 📢 [Wake-up Call](#)

The US Dollar was able to gather itself for a moment, before coming back under another round of intense declines early Tuesday on the back of another US healthcare repeal failure. This was enough to get the Euro pushing to fresh 2017 highs through that illusive barrier at 1.1500.

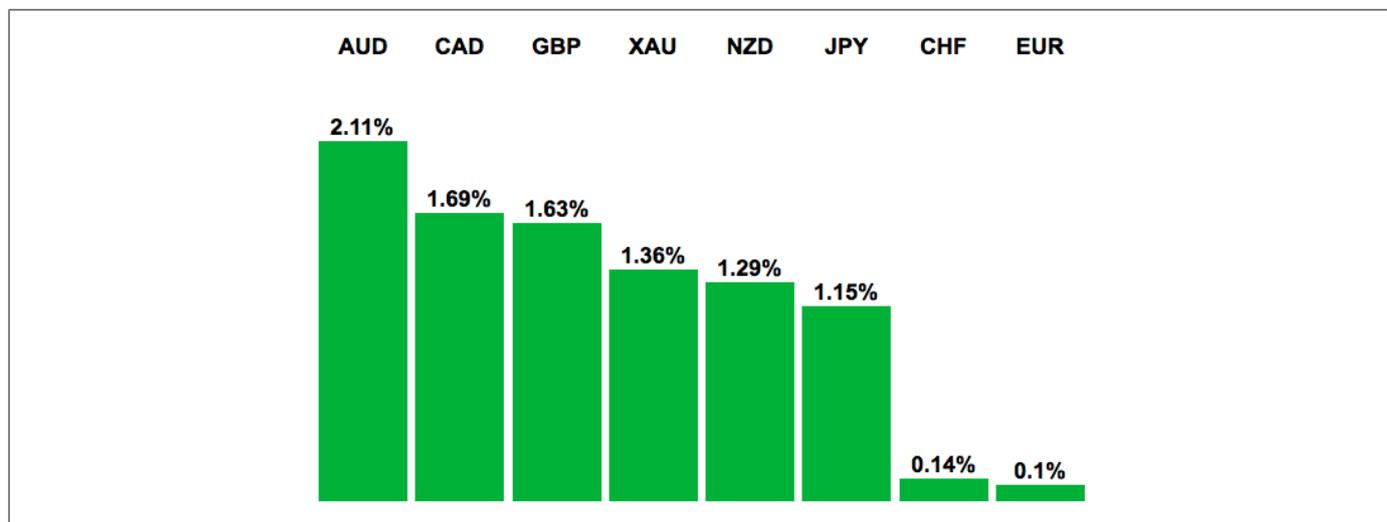
Technical highlights 📺 [Daily Video](#)

- **EURUSD** Into major range resistance
- **GBPUSD** Dips to be well supported
- **USDJPY** Room for deeper setbacks
- **EURCHF** Breakout exposes 1.1200
- **AUDUSD** Pierces longer-term levels
- **USDCAD** Poised for bullish reversal
- **NZDUSD** Stalling out after big run
- **US SPX 500** Only below 2400 shifts
- **GOLD** (spot) Uptrend back in play
- **Feature** – USDZAR Setbacks limited

Fundamental highlights

- **EURUSD** Eurozone and German ZEW readings ahead
- **GBPUSD** UK set to digest important inflation data
- **USDJPY** Yields and risk off flow fuel Yen demand
- **EURCHF** SNB strategy relies on elevated sentiment
- **AUDUSD** RBA Minutes reveal neutral rate at 3.25%
- **USDCAD** Diverging outlooks keep Loonie well bid
- **NZDUSD** Kiwi CPI much softer, GDT auction ahead
- **US SPX 500** US healthcare repeal failure rattles a bit
- **GOLD** (spot) Macro dynamics invite metal demand
- **Feature** – USDZAR SA CPI, SARB decision this week

Five day performance v. US dollar



Suggested reading

- **Debate Over the Principles of Economics**, J. Taylor, Economics One (July 17, 2017)
- **Jamie Dimon Right to Raise Alarm**, M. El-Erian, Bloomberg View (July 17, 2017)

EURUSD – technical overview

This recent break to fresh 2017 highs beyond 1.1300 has confirmed a higher low at 1.1110 opening the current extension into critical longer-term resistance in the 1.1500-1.1700 area. But daily studies are looking stretched, suggesting any additional upside could be difficult, with the greater risk building for some form of a meaningful bearish reversal between 1.1500 and 1.1600. Still, the uptrend in 2017 is well intact and a break back below 1.1371 would be required at a minimum to take the immediate pressure off the topside.



- R2 1.1617 – 2016 high – Strong
- R1 1.1570 – Measured Extension – Medium
- S1 1.1435 – 17Jul low – Medium
- S2 1.1371 – 13Jul low – Strong

EURUSD – fundamental overview

The Euro has extended its 2017 push on Tuesday, with the single currency finally clearing a major barrier at 1.1500. Monday's consensus Eurozone CPI and softer US empire manufacturing helped to keep the Euro consolidating recent gains, before the market finally broke out on news of another US healthcare repeal failure. All of this invites greater uncertainty over the effectiveness of the US administration and its ability to get anything done when it comes to policy change, which of course could easily delay tax cut reforms in the pipeline. Looking ahead, key standouts include German and Eurozone ZEW readings, US import prices and US NAHB housing.

GBPUSD – technical overview

This latest push to a fresh 2017 high beyond 1.3050 sets the stage for the next big push towards a measured move extension at 1.3500 over the coming days. However, it will be important to see how the market responds above 1.3050 in the sessions ahead, as inability to hold above this level could leave the market chopping around some more before it sets out on that journey to 1.3500. But overall, since breaking above 1.2775 in April, the outlook is constructive, with setbacks expected to be very well supported ahead of 1.2500.



- R2 1.3200 – Figure – Medium
- R1 1.3114 – 14Jul/2017 high – Medium
- S1 1.3000 – Psychological – Medium
- S2 1.2936 – 14Jul low – Strong

GBPUSD – fundamental overview

A minor bout of profit taking kicked in on Monday, though setbacks were very well supported on the back of yet another disappointing US economic data reading, this time in the form of empire manufacturing. But the market has pushed back up early Tuesday on a broad based wave of US Dollar selling from the latest news of the US healthcare repeal failure. Economic data out of the UK hasn't been all that great of late, though with Yellen scaling back last week and US data continuing to underdeliver, the Pound has been having an easier go, also helped along by a more hawkish BOE. Still, the Brexit negotiation hangover, UK data and macro risk could keep the Pound capped from here, while any signs of the BOE scaling back in response to last week's Yellen testimony could also invite renewed downside pressure. For now, the focus will be on today's UK inflation readings. Then in the US, we get import prices and NAHB housing data.

USDJPY – technical overview

The market remains confined to a multi-day range. The latest topside failure above 114.00 strengthens this outlook, leaving the door open for a drop back towards range support in the 108.00s, also coinciding with the 2017 low from April. Ultimately, it would take a clear break through 115.50 to negate this outlook and shift the focus back on the topside.



- R2 113.58 – 14Jul high – Strong
- R1 112.87 – Figure – Medium
- S1 112.00– Figure – Medium
- S2 111.73 – 30Jun low – Strong

USDJPY – fundamental overview

No surprise to see the major pair accelerating to the downside into Tuesday. Monday’s softer US empire manufacturing data helped to weigh some more, while the news of the US healthcare repeal failure, opened this latest wave of declines, with the market contemplating the establishment back below 112.00. The healthcare repeal failure has intensified setbacks, with the market now taking a hit on the yield differential front and on the back of risk off flow as investors become less confident in the US administration’s ability to deliver promised policies. Looking ahead, we get US import prices and NAHB housing data.

EURCHF – technical overview

The market has pushed up to a fresh 2017 high through a critical psychological barrier at 1.1000 which could now open the door for an extension to retest the major peak from 2016 at 1.1200. However, inability to hold above 1.1000 in the sessions ahead would suggest a false break and put the pressure back on the downside for an acceleration of declines towards 1.0600.



- R2 1.1130 – May 2016 high – Strong
- R1 1.1075 – 14Jul/2017 high – Medium
- S1 1.1000 – Psychological – Medium
- S2 1.0925 – 2Jul low – Strong

EURCHF – fundamental overview

The SNB is surely delighted with the most recent price action in the FX market, as the Swiss Franc extends its run of declines on the back of continued central bank activity, recent ECB hawkishness and record high US equities. However, the inflated US equity market should be a worry for the SNB as any capitulation on this front is likely to invite massive safe haven Franc demand the central bank will have an extremely difficult time offsetting, irrespective of the central bank’s negative rate policy and intervention efforts. For now, the SNB is hoping global sentiment will remain artificially elevated and the ECB will continue to paint a more hawkish picture as has been seen over the past few weeks.

AUDUSD – technical overview

Despite the latest intense rally to fresh 2017 highs, the market continues to be very well capped into medium-term resistance in the 0.7800s. Ultimately, any additional moves to the topside could be limited with the market once again at risk of stalling out and rolling over again. Only a daily close above 0.8000 would give reason for a rethink. Look for a break back below 0.7725 to strengthen this outlook and accelerate declines.



- R2 0.7939 – March 2015 high – Strong
- R1 0.7905 – 18Jul/2017 high – Medium
- S1 0.7787 – 17Jul low – Medium
- S2 0.7727 – 14Jul low – Strong

AUDUSD – fundamental overview

The Australian Dollar has exploded in early Tuesday trade, outperforming across the board, while posting fresh yearly and multi-month highs beyond 0.7900. The Aussie surge comes from the double shot of broad based US Dollar selling in reaction to the latest US healthcare repeal failure and a surprisingly hawkish RBA Minutes. The big revelation in the RBA Minutes was that the central bank now believes the neutral nominal cash rate to be at 3.25%, which means another 200 bps of tightening to get there as the RBA pushes towards policy normalization. Looking ahead, the market will continue to digest these latest developments while taking in US data that features import prices and NAHB housing. It's worth noting, Aussie bids were also helped along by cross related demand against the New Zealand Dollar following the softer Kiwi CPI release.

USDCAD – technical overview

There has been a clear shift in the outlook for this market over the past several days, with declines holding below 1.3000 and the market extending to fresh 2017 lows in the 1.2600s thus far. Technical studies are tracking in oversold territory, though a bounce may not come until the market retests the 2016 low at 1.2461. A break back above 1.3015 would be required to take the pressure off the downside.



- R2 1.2771 – 13Jul high – Strong
- R1 1.2700 – Figure – Medium
- S1 1.2628 – 17Jul/2017 low – Medium
- S2 1.2600 – Figure – Strong

USDCAD – fundamental overview

The Canadian Dollar surprised many last week, extending its 2017 run, rocketing to fresh highs, despite the market having already priced in the Bank of Canada's first hike in 7 years. Taking a page out of the Fed's book, the Bank of Canada downplayed subdued inflation, while communicating the economy had also adjusted to lower OIL prices. The central bank stopped short of offering more detailed insight on the path forward, leaving it up to data and macro developments, but despite all of this being telegraphed, there has been continued demand. A lot of this has to do with the contrasting developments out of the US, as highlighted by decidedly less hawkish comments from the Fed Chair and another soft run of US data. The early Tuesday news of the failed US healthcare repeal vote has kept the Loonie in demand on the back of another wave of US Dollar selling. Looking ahead, the Canada calendar is empty and the focus will be on OIL prices, broader macro flow and US import prices and NAHB housing.

NZDUSD – technical overview

Despite an impressive rally in recent weeks, the market remains confined to a longer-term range, with strong resistance into the 0.7400-0.7500 area. As such, look for this most recent topside failure to produce a more pronounced bearish reversal taking the market back down towards the 2017 low in the 0.6800s. Only a clear break back above 0.7500 would compromise the outlook, while back below 0.7200 strengthens the bearish case.



- R2 0.7376 – 7Feb/2017 high – Strong
- R1 0.7350 – Mid-Figure – Medium
- S1 0.7247 – 13Jul low – Medium
- S2 0.7202 – 11Jul low – Strong

NZDUSD – fundamental overview

The New Zealand Dollar has been holding up well, though the gains have been far less impressive than its commodity FX cousins, as New Zealand data continues to underwhelm. While the broad based US Dollar selling from a scaled back Yellen, ongoing weakness in US data and this latest failed US healthcare repeal has not been lost on the Kiwi rate, the New Zealand Dollar is finding solid offers in the 0.7300s. Tuesday's New Zealand CPI data came in much softer than expected and has fueled relative underperformance in the Kiwi rate despite the gains against the Buck. Looking ahead, Kiwi will have more to focus on today with the GDT auction results due, along with US import prices and NAHB housing.

US SPX 500 – technical overview

Any setbacks have been exceptionally mild thus far and at a minimum, a daily close back below 2400 would be required to take the immediate pressure off the topside, though only a break below 2320 would signal a meaningful shift in the structure. Until then, the market is capable of extending the record run towards the next measured move extension target at 2480 further up.



- R2 2480.00 – Measured Move – Strong
- R1 2464.00 – 14Jul/Record high – Medium
- S1 2403.00 – 31May low – Medium
- S2 2346.00 – 18May low – Strong

US SPX 500 – fundamental overview

The US equity market has done a good job proving it can hold up into any dip and can keep pushing to record highs as it focuses on rates staying lower for longer and the Fed continuing to underdeliver on forward guidance. Janet Yellen played right into the market’s hand last week, when the Fed Chair’s overall tone was quite a departure from recent messages since the June Fed meeting. Yellen was decidedly less hawkish, expressing upgraded concerns about low inflation, while also adding rates would only need to go a little higher before policy was at a neutral level. At this point, it might not be enough to completely remove hawkish prospects, though it’s clearly inviting additional record high demand with hawks forced to reconsider their bets. Into Tuesday, the market has been a little shaken on news of another US healthcare repeal failure, though worry over the ability for the US administration to deliver on policy is nothing new to investors and has been something the market has shrugged off many times already.

GOLD (SPOT) – technical overview

Setbacks have been well supported ahead of 1200, with the latest push back above 1230 setting the stage for a bullish resumption towards 1300. Only below 1200 would compromise the constructive outlook.



- R2 1258.90 – 23Jun high – Strong
- R1 1242.80 – 3Jul high – Medium
- S1 1204.90 – 10Jul low – Medium
- S2 1195.00 – 10Mar 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 supported around 1200, 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 is adding 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, GOLD will hold up on risk off macro implications.

Feature – technical overview

USDZAR is showing signs of the formation of a meaningful base since bottoming out around 12.30 earlier this year. A recent push back above 13.00 strengthens this outlook and sets the stage for a continuation of gains towards next key resistance at 13.71 further up. Any setbacks should ideally be well supported ahead of 12.55, with only a break back below this level to negate the constructive outlook.



- R2 13.63 – 11Jul high – Strong
- R1 13.28 – 13Jul high – Medium
- S1 12.80 – 27Jun low – Medium
- S2 12.55 – 14Jun low – Strong

Feature – fundamental overview

The Rand finally got a break from all the political and economic turmoil that had been weighing on the currency in recent days, instead benefiting from a fresh wave of broad based US Dollar selling and demand for risk assets in the aftermath of a decidedly less hawkish Yellen testimony, softer US data and this latest news of the failed US healthcare repeal. Meanwhile, there was some good news on the local front last week with South African mining production coming in much higher than expected, helping to keep the Rand recovery in play. Still, looking out, it's hard to be too dismissive of the South African political uncertainty, including a never ending string of Zuma corruption charges. Throw in persisting South African recessionary forces, yield differentials shifting in favor of the major central banks and the still looming prospect for a material reversal in elevated global equities and it all points to the greater risk for additional Rand weakness going forward. In the interim, the market will start to think about tomorrow's South Africa CPI and Thursday's SARB decision.



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