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Global FX Insights

by LMAX Exchange Research & Analytics

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Trump Turmoil a Trigger....But Not the Cause [Wake-up Call](#)

The market has been consumed by the political turmoil in the US, with the news coinciding with a wave of broad based US Dollar selling and equity market weakness. But if we break it down, it would seem the market is giving too much credit to US politics for moves that were already in motion.

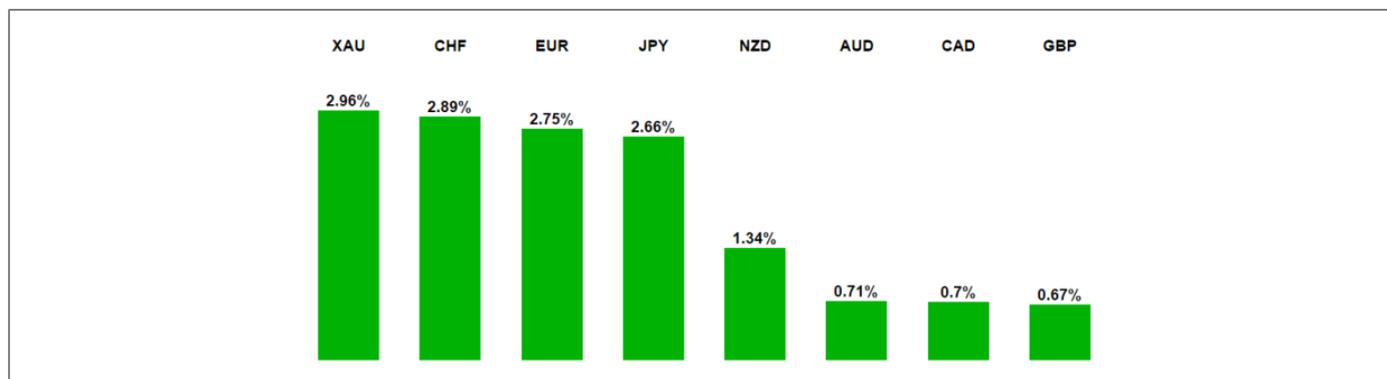
Technical highlights [Daily Video](#)

- **EURUSD** Headed for 1.1200-1.1300
- **GBPUSD** Contemplates 1.3000 test
- **USDJPY** Pressure back on downside
- **EURCHF** Capped ahead of 1.1000
- **AUDUSD** Expected to stall out
- **USDCAD** Minor setback underway
- **NZDUSD** Looking for lower top
- **US SPX 500** Bullish above 2320
- **GOLD** (spot) Sights set on 1375
- **Feature** – USDSGD Fresh lows

Fundamental highlights

- **EURUSD** ECB Draghi speech comes into focus
- **GBPUSD** UK retail sales stands out for Pound
- **USDJPY** US woes make Yen the safety play
- **EURCHF** SNB activity must be picking up
- **AUDUSD** Aussie employment has some cracks
- **USDCAD** Production cut talk gives another boost
- **NZDUSD** Kiwi consumer confidence impresses
- **US SPX 500** Fed odds scale back doesn't help
- **GOLD** (spot) Metal emerges as choice asset
- **Feature** – USDSGD Moving with the rest

Five day performance v. US dollar



Suggested reading

- **Big Reason for Low Volatility in Stocks**, T. Alloway, Bloomberg (May 17, 2017)
- **The US Dollar and Washington**, R. Blitz, Financial Times (May 17, 2017)

EURUSD – technical overview

The surge continues with the market extending its run in 2017 to fresh highs. The latest break above the previous 2017 high at 1.1020 confirms a fresh higher low in place at 1.0840 and opens a measured move extension to 1.1200-1.1250 area in the sessions ahead. Overall, the market is showing signs of the formation of a meaningful base, with the recovery off the multi-year low from January pointing to additional upside towards 1.1500. At this point, only back below 1.0840 will take the immediate pressure off the topside.



- R2 1.1200 – Measured Move – Strong
- R1 1.1172 – 18May/2017 high – Medium
- S1 1.1080 – 17May low – Medium
- S2 1.1022 – Previous High – Strong

EURUSD – fundamental overview

The persistent barrage of attacks on the US administration are taking their toll on a US Dollar already contending with a softer run of data and scaled back Fed rate hike bets. Meanwhile, the Euro continues to benefit from significantly reduced structural risk in the zone, more upbeat data and taper talk. All of this has fueled an intense rally in the single currency, which has emerged as one of the clear outperformers in the FX market. Looking ahead, the market will continue to monitor the White House drama while also taking in the ECB Minutes, US initial jobless claims, the Philly Fed and some central bank speak highlighted by ECB Draghi and Fed Mester. Clearly there will be interest in what Draghi has to say, though if recent comments are any reflection, the Euro could be let down by the central banker who hasn't wanted to talk about tapering and continues to err on the side of accommodation.

GBPUSD – technical overview

This latest push through 1.2775, the December 2016 peak, is a significant development as it potentially ends a period of bearish consolidation, warning of the formation of a more meaningful longer-term base. The break ends a multi week consolidation mostly ranging between 1.2000-1.2700 with the bullish move paving the way for a measured moved upside extension equal in size back into the 1.3500 area in the days ahead. Still, there is rise for a short-term pullback, though any declines are now classified as corrective and should be well supported ahead of 1.2500 in favour of a higher low and bullish resumption.



- R2 1.3000 – Psychological – Strong
- R1 1.2991 – 17May/2017 high – Medium
- S1 1.2845 – 12May low – Medium
- S2 1.2831 – 4May low – Strong

GBPUSD – fundamental overview

The Pound run has mostly been a function of US Dollar bearishness in recent days, with softer US data and the Trump saga keeping the Cable rate well supported and driving to fresh 2017 highs. Still, the UK currency's performance has been less than impressive when you consider how it stacks up against its peers over the past 5 days of trading. Clearly the upcoming UK election and Brexit negotiations are overhangs that should continue to weigh on the currency into rallies. Meanwhile, although Wednesday's UK employment data was solid, the fact that wage growth remains subdued is the more important point right now, as it is the thing the BOE is worried about and the thing that will keep the central bank from talking about rate hikes. Looking ahead, the market will continue to monitor the White House drama while also taking in the UK retail sales, US initial jobless claims and the Philly Fed.

USDJPY – technical overview

The run off the 2017 low has stalled out, with the market sharply reversing course to the downside. This latest daily close back below 112.00 now exposes a possible retest of the yearly low at 108.13. In the interim, look for any rallies to be well capped ahead of 113.00, with only a break back above the recent high at 114.37 to negate and take the pressure off the downside.



- R2 113.13 – 17May high – Strong
- R1 112.00 – Figure – Medium
- S1 110.52 – 18May low – Medium
- S2 109.59 – 25Apr low – Strong

USDJPY – fundamental overview

The Yen hasn't been able to ignore the latest swirl of controversy surrounding the White House, with tension heating up on the reports the President compromised a federal investigation involving Russia. There has been a consistent attack on the White House since the President has taken office and investors are starting to show they are concerned, with risk markets already well overdue for a more significant corrective decline. And so, the combination of the risk off flow and broad based US Dollar weakness on the back of this development and an already soft patch of US data have opened a more pronounced Yen rally this week. Looking ahead, the market will continue to monitor the White House drama while also taking in US initial jobless claims and the Philly Fed.

EURCHF – technical overview

A recent break back above 1.0900 takes pressure off the downside and could be warning of a more significant structural shift. Next key resistance comes in at 1.1000, with the psychological barrier coinciding with a high from August 2016. The establishment above 1.1000 would strengthen the bullish outlook and open the door for fresh upside. Back below 1.0780 would now be required to put the pressure on the downside.



- R2 1.1000 – Psychological – Strong
- R1 1.0989 – 12May/2017 high – Medium
- S1 1.0875 – 2May high – Medium
- S2 1.0782 – 24Apr low – Strong

EURCHF – fundamental overview

With global risk sentiment highly elevated, as reflected through stock markets, and geopolitical tension on the rise, there should be worry that any capitulation on that front could invite massive safe haven Franc demand the central bank will be unable to offset. For now, the SNB is hoping the ECB will take on a more hawkish policy approach as per reports the central bank is preparing for a taper, and today's ECB Draghi speech will be something the SNB will be monitoring. Of course, the SNB will need to be focused on US equity markets as well.

AUDUSD – technical overview

The impressive rally in 2017 has stalled out into significant medium-term resistance ahead of 0.7800. A recent break back below 0.7500 strengthens the prospect for some form of a top and could open the door for a deeper drop back towards the 0.7000 area in the days ahead. The drop below 0.7500 strengthens the bearish outlook and any rallies should be very well capped ahead of that previous support now turned resistance at 0.7600.



- R2 0.7500 – Psychological – Strong
- R1 0.7467 – 18May high – Medium
- S1 0.7385 – 15May low – Medium
- S2 0.7330 – 9May low – Strong

AUDUSD – fundamental overview

The Australian Dollar has been getting an added boost on Thursday following the release of a solid headline Australia employment report. However, on a closer glance, there is some room for concern, with most of the jobs coming from the part time sector, while full time has dropped off quite a bit from previous. Meanwhile, consumer inflation expectations were less impressive, pulling back from the previous print. Of course, the broad based decline in the US Dollar has been the bigger story here, with even a concurrent bout of risk off flow failing to weigh on the normally correlated Aussie. It would seem that the rally in commodity markets is also helping to offset. Looking ahead, the market will continue to monitor the White House drama while also taking in US initial jobless claims and the Philly Fed.

USDCAD – technical overview

The uptrend in this market remains firmly intact, getting added confirmation following this latest break to a fresh 2017 high and through a key peak from December 2016 at 1.3600. But the market is looking super stretched at the moment which has invited this short-term correction. Still, any setbacks should now be very well supported ahead of 1.3400 in favour of an eventual push towards the next measured move upside extension objective in the 1.4000 area. Ultimately, only back below 1.3224 would give reason for pause and delay the constructive outlook.



- R2 1.3723 – 15May high – Strong
- R1 1.3660 – 16May high– Medium
- S1 1.3572 – 17May low – Medium
- S2 1.3530 – 27Apr low– Strong

USDCAD – fundamental overview

The Canadian Dollar is finally recovering off 2017 lows after getting hit hard on the combination of US tariffs, rating agency downgrades, troubles at a mortgage lending giant and a drop in the price of OIL. But, a recovery in the price of OIL (latest run on Russia-Saudi Arabia talk of production cuts extending into 2018), soft batch of US data, comments from BOE Governor Poloz that risk associated with mortgage lending giant Home Capital Group has been contained and more controversy out of the White House relating to leaks have definitely helped to inspire some profit taking on Canadian Dollar shorts. Looking ahead, there is no first tier data scheduled in Canada and the market will continue to monitor the White House drama while also taking in US initial jobless claims, the Philly Fed and a speech from Fed Mester.

NZDUSD – technical overview

The overall pressure remains on the downside with the market expected to be very well capped on rallies. The weekly chart is reflective of this fact as it looks like we're seeing the formation of a major top off the 2016 high, with outlook strengthened on this week's breakdown to a fresh 2017 low. As such, expect the market to continue to roll over in the days ahead, with setbacks projected towards medium-term support in the 0.6600s. Only back above 0.7100 compromises the outlook.



- R2 0.6969 – 3May high– Strong
- R1 0.6951 – 10May high– Medium
- S1 0.6863 – 16May low – Medium
- S2 0.6818 – 11May/2017 low– Strong

NZDUSD – fundamental overview

This week's run of solid New Zealand data including this latest upbeat consumer confidence reading, a GDT auction extending its positive streak and firmer producer prices have been helping to give Kiwi an added boost. The commodity currency is already benefiting from the intense wave of negative US sentiment that has rocked the US Dollar across the board with the negative driver of risk off sentiment also getting offset by rallying commodities prices. Still, there are many out there doubting the presumption that the negative developments out of the US should be contained to the US and these players are happy to sell Kiwi into rallies. Looking ahead, the market will continue to monitor the White House drama while also taking in US initial jobless claims and the Philly Fed.

US SPX 500 – technical overview

The market has been unable to break down below major support at 2320 thus far, leaving the pressure on the topside and the door open for that next big record push towards a measured move extension at 2480. However, if setbacks intensify and the market breaks down and closes below 2320, this will signal a shift in the structure and suggest a meaningful top is finally in place ahead of a more significant corrective decline.



- R2 2480.00 – Measured Move – Strong
- R1 2406.00 – 8May/Record high – Medium
- S1 2356.00 – 17May low – Medium
- S2 2321.00 – 27Mar low – Strong

US SPX 500 – fundamental overview

There has been a lot of talk about a potential top in the US equity market, with the rally pushing to record highs at an unnerving pace in the face of some disturbing fundamentals including exhausted Fed policy and rising geopolitical risk. And certainly this latest turmoil surrounding the US President has exposed these more pressing fundamentals a little more. But overall, the US equity market has done a good job proving it can easily buy back into the shallow dips as it focuses on rates staying lower for longer and the Fed continuing to underdeliver on its forward guidance. The fact that the Fed has begun the reversal of policy has been of no consequence to this point, with negligible rate increases to date, doing nothing to dissuade the market, with valuations remaining attractive. Still, with asset prices where they are right now and with the Fed showing it may actually follow through with guidance in 2017, there is risk it could all come crashing down, with any additional upside limited before a major capitulation. It's worth highlighting the fact that although Fed rate hike odds have been scaled back, the stock market hasn't been able to rally on this news this week, which could be a major red flag if it isn't able to.

GOLD (SPOT) – technical overview

The market has been very well supported since basing out ahead of 1100 in 2016, putting in a series of higher lows and higher highs. This latest round of setbacks have been propped up above the previous higher low at 1195, with the 1215 area now sought out as the next higher low ahead of a fresh upside extension beyond the 2017 high at 1295 and towards the 2016 peak at 1375 further up. At this point, only a break back below 1215 would compromise the constructive outlook.



- R2 1295.60 – 17Apr/2017 high – Strong
- R1 1271.20 – 1May high – Medium
- S1 1241.30 – 4May high – Medium
- S2 1214.30 – 9May 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 the limitations of exhausted monetary policy, extended global equities, political uncertainty, systemic risk and geopolitical threats. All of this should continue to keep the commodity in demand, 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 back under pressure in recent days is adding to the metal’s bid tone as well.

Feature – technical overview

USDSGD has been trending lower in 2017, making a series of lower highs and lower lows. The most recent lower top has just been confirmed at 1.4130 following Wednesday’s break to a fresh 2017 low, with the drop now opening the door for the next measured move downside extension into the 1.3600-1.3700 area. At this point, rallies should be well capped ahead of 1.4000, with only a break back above 1.4130 to compromise the bearish outlook.



- R2 1.4130 – 11May high – Strong
- R1 1.4000 – Psychological – Medium
- S1 1.3885 – 18May/2017 low – Strong
- S2 1.3800 – Figure – Medium

Feature – fundamental overview

The Singapore Dollar has done a fabulous job overlooking this week’s non-oil domestic export data which came in quite weak. For now, it seems the currency is more focused on the broader macro flows and fallout from an intense wave of US Dollar selling on the back of softer US economic data and this latest controversy out of the White House. Looking ahead, the market will continue to focus on these broader flows with no local data of note until next weeks Q1 GDP release.



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