

Global FX Insights

by LMAX Exchange Research & Analytics

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

What Could Kill the Dollar's Run [Wake-up call](#)

We're into Friday and as we look at the week that was thus far, the scorecard shows the Dollar retaining its bid, up across the board since the Monday open. Key standouts on today's calendar are German producer prices, Eurozone trade, Canada retail sales and CPI and some more Fed speak.

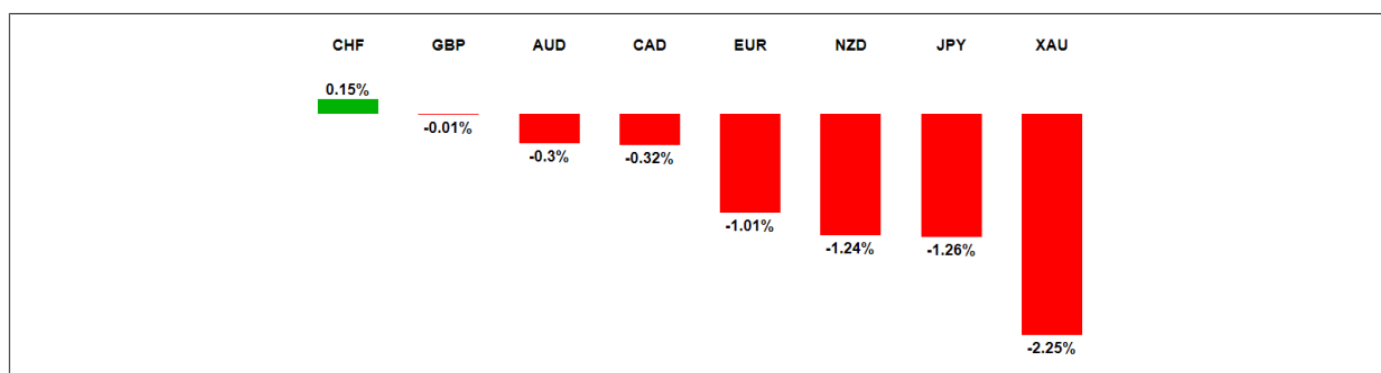
Technical highlights [Daily Video](#)

- **EURUSD** Getting closer to bottom
- **GBPUSD** Daily looking extended
- **USDJPY** Well capped into rallies
- **EURCHF** Into consolidation
- **AUDUSD** Looking for lower top
- **USDCAD** Bullish consolidation
- **NZDUSD** Upside seen limited
- **US SPX 500** Slowly rolling over
- **GOLD** (spot) Supported on dips
- **BTCUSD** Trying to turn back up
- **ETHUSD** Holding above Ichimoku

Fundamental highlights

- **EURUSD** EU Oettinger talks tariffs on US
- **GBPUSD** Pound retreats after rumour denied
- **USDJPY** Japan ready to impose tit-for-tat tariffs
- **EURCHF** SNB policy strategy to get tougher
- **AUDUSD** Aussie gets help from local data
- **USDCAD** Canada retail sales, CPI, NAFTA in focus
- **NZDUSD** Kiwi softer as RBNZ odds repriced
- **US SPX 500** Fed model will be important to watch
- **GOLD** (spot) Metal demand reflects uncertainty
- **BTCUSD** Crypto headwinds challenge Bitcoin
- **ETHUSD** Ethereum exposed on US designation

Five day performance v. US dollar



Suggested reading

- [Ripple Effect of EM Forex Falls](#), R. Blitz, Financial Times (May 17, 2018)
- ['Synchronized Global Upswing' Is Out of Sync](#), D. Moss, Bloomberg (May 18, 2018)

EURUSD – technical overview

The major pair has come under pressure in recent trade, breaking down to fresh 2018 lows and could be at risk for even deeper setbacks. A recent break below 1.2155 ended a period of consolidation that had been in play since the start of 2018 and has opened the door for this measured move downside extension towards the December 2017 low at 1.1720. A break and daily close back above 1.2000 would now be required at a minimum to alleviate the downside pressure.



- R2 1.1997 – 14May high – Strong
- R1 1.1855 – 15May high – Medium
- S1 1.1764 – 15May/2018 low – Medium
- S2 1.1700 – Figure – Medium

EURUSD – fundamental overview

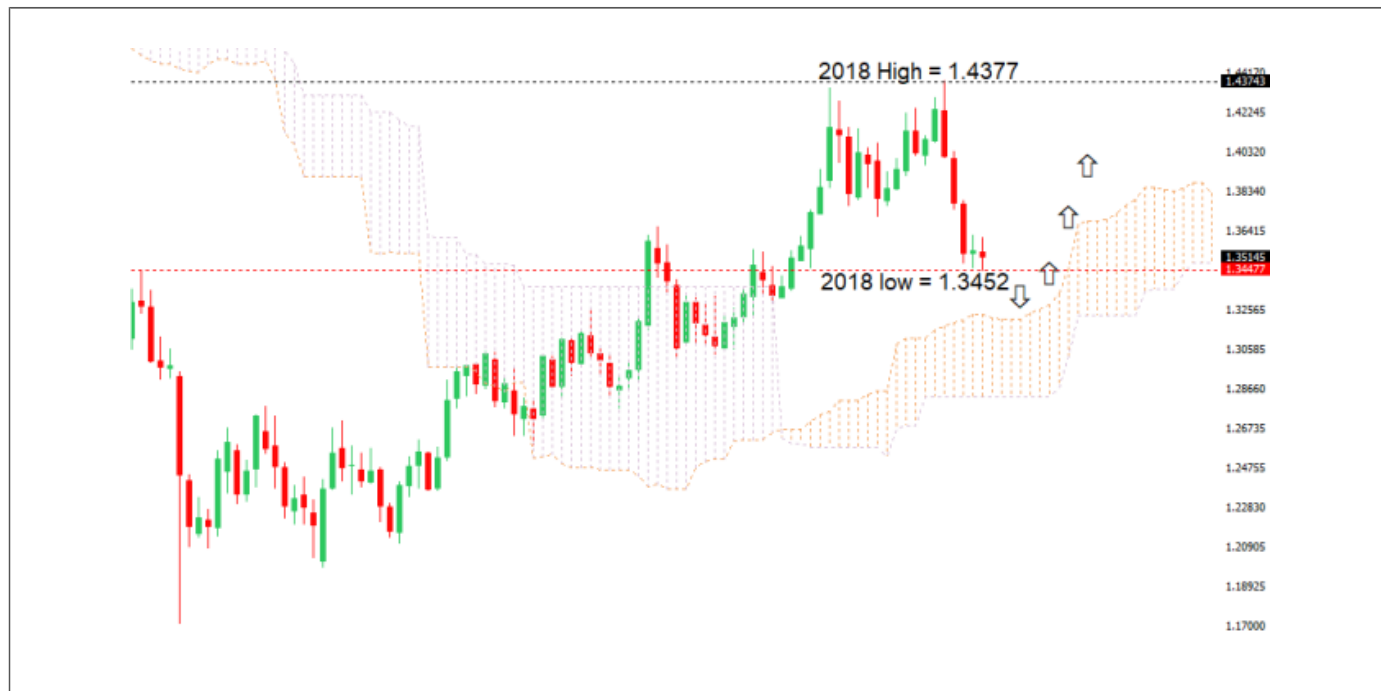
The Euro has managed to recover off Wednesday's yearly low to possibly warn of some form of a bottom. Medium-term players have been looking to build short US Dollar exposure given the expectation that the market will once again get back to focusing on US trade and soft Dollar policy. At the same time, a recent economic slowdown in the Eurozone, is expected to show signs of picking back up again following a tough winter. On the trade wars front, EU Oettinger has said tariffs could be imposed on the US for backing out of the Iran nuclear accord. Friday's calendar features German producer prices and Eurozone trade.

EURUSD – Technical charts in detail

Watch now

GBPUSD – technical overview

Extended studies have opened the door for a healthy decline to a fresh 2018 low. Still, overall, the structure remains constructive on a medium to longer term basis and a higher low is sought out ahead of 1.3300 in favour of a bullish continuation. Ultimately back below 1.3000 would compromise the medium to longer term constructive outlook.



- R2 1.3667 – 2May high – Strong
- R1 1.3618 – 10May high – Medium
- S1 1.3452 – 15May/2018 low – Strong
- S2 1.3303 – 15Dec low – Strong

GBPUSD – fundamental overview

Another light calendar day on Friday, with no first tier data scheduled out of the UK or US. Medium term players have been looking to buy back into this latest slide on the expectation that a downturn in UK data has been more weather related than anything else, and soft Dollar policy talk will come back into the spotlight as the US deals with trade related meetings around the world. There were some bids that emerged on Thursday on rumour the UK would be prepared to stay in the customs union until 2021. However this was later denied.

GBPUSD – Technical charts in detail

[Watch now](#)

USDJPY – technical overview

The major pair has been attempting to **bottom out** after trading down to a 2018 low in the 104s. Still, the medium term trend continues to point lower, and there is risk the rally could soon stall out into important resistance towards 112.00 in the form of a falling trend-line and the Ichimoku cloud bottom.



- R2 111.00 – Figure – Strong
- R1 110.49 – 2Feb high – Medium
- S1 109.16 – 11May low – Medium
- S2 108.65 – 4May low – Strong

USDJPY – fundamental overview

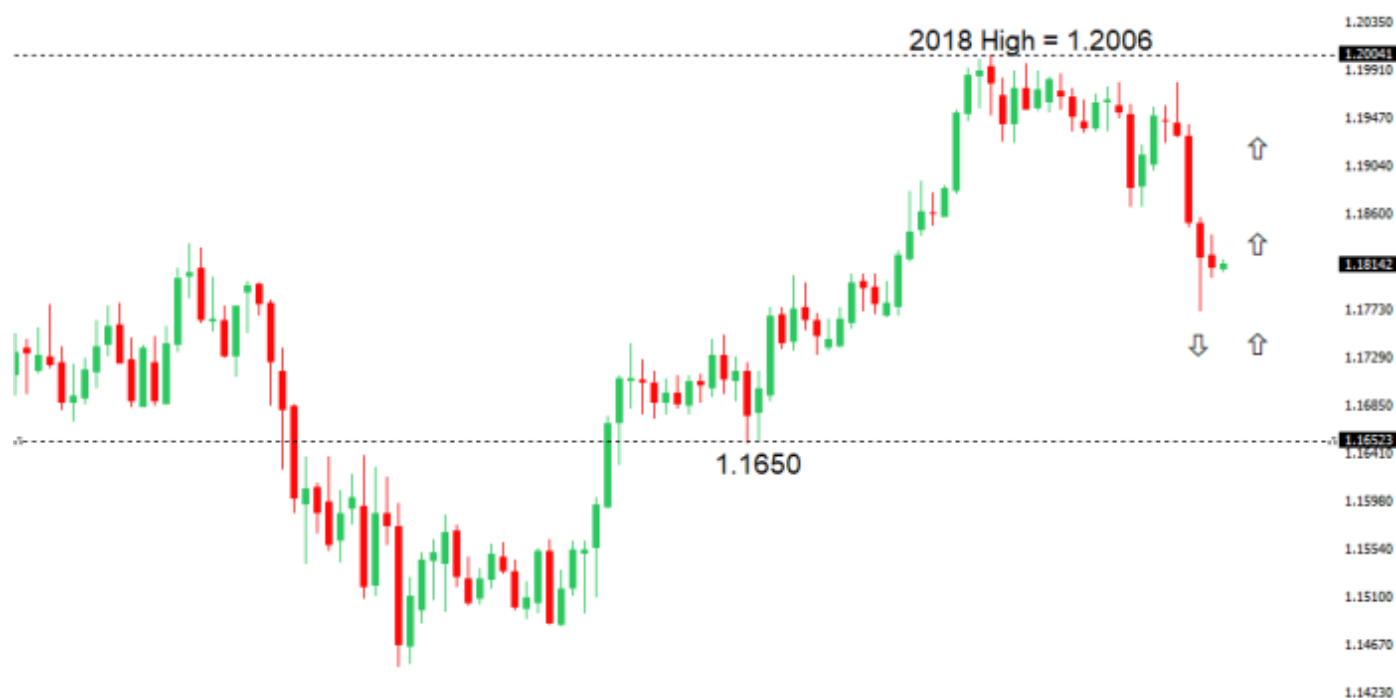
The Yen has come under pressure in recent weeks (USDJPY higher), with the currency falling victim to broad based US Dollar demand as the focus shifts to yield differentials. The recent tweak in the Fed statement acknowledging inflation no longer below target has backed up this view. However, the major pair is still very much correlated to risk sentiment and the negative risk implications of policy normalization, trade wars, and any renewed signs of escalating geopolitical tension (USDJPY lower). Looking ahead, the economic calendar is exceptionally thin and the market will look to take its cues from any comments out from the US administration relating to its protectionist agenda, in whatever form, be it China trade, Japan trade, EU trade or NAFTA. Japan has given the US something to think about after announcing it would be ready to impose tit-for-tat tariffs on the US, to the tune of \$409 million, in response to the US steel and aluminium tariffs.

USDJPY – Technical charts in detail

Watch now

EURCHF – technical overview

The market has entered an overdue corrective phase after trading back above 1.2000 for the first time since January 2015. Technical studies were highly extended when the market crossed through the barrier and this has led to a necessary corrective decline to allow for the extended readings to unwind. Ultimately, the next meaningful higher low is now sought out into this dip, ideally above 1.1600.



- R2 1.2006 – 20Apr/2018 high – Strong
- R1 1.1942 – 15May high – Medium
- S1 1.1772 – 16May low – Medium
- S2 1.1733 – 30Mar low – Medium

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. 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 a more intensified liquidation on that front in Q2 2018, 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.

AUDUSD – technical overview

The market has been in the process of rolling over after failing to sustain a break above 0.8100 earlier this year. This has set up a sequence of lower tops and lower lows on the daily chart, with setbacks extending below the 0.7500 barrier and exposing a possible retest of the 2017 low at 0.7330 further down. Any rallies are classified as corrective in search of a lower top for bearish continuation, with only a break back above 0.7700 required to take the immediate pressure off the downside.



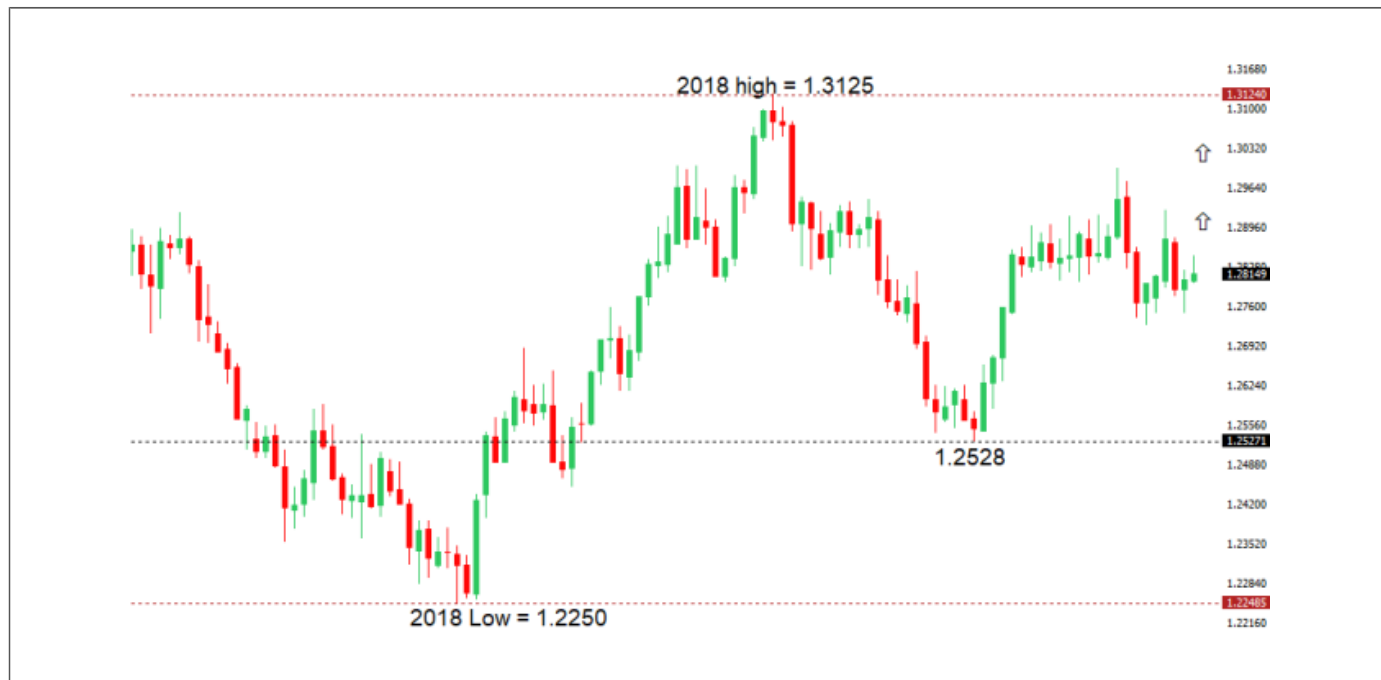
- R2 0.7600 – Figure – Medium
- R1 0.7568 – 11May high – Medium
- S1 0.7413 – 9May/2018 low – Medium
- S2 0.7330 – 9May/2017 low – Strong

AUDUSD – fundamental overview

A well received Aussie employment report out on Thursday helped to keep Aussie propped up and not hit as hard as many of its peers over the past week. But overall, Aussie rallies have been well capped, with the US Dollar and yield differentials driving flow. The Fed seems to be committed to moving forward with policy normalization, while the RBA is content to sit back and remain on hold for now. This week's push in the US ten year yield to its highest levels since 2011 has only emboldened the yield differential theme. Looking ahead, the economic calendar is exceptionally thin and the market will look to take its cues from any comments out from the US administration relating to its protectionist agenda, in whatever form, be it China trade, Japan trade, EU trade or NAFTA.

USDCAD – technical overview

Overall, there are signs of basing after months of downside pressure. Look for any setbacks to now be well supported ahead of 1.2500, in favour of the next major upside extension through 1.3125 and towards 1.3500 further up. Ultimately, a break back below 1.2500 would be required to negate the medium term constructive outlook.



- R2 1.2998 – 8May high – Strong
- R1 1.2925 – 15May high – Medium
- S1 1.2730 – 11May low – Medium
- S2 1.2660 – 18Apr high – Strong

USDCAD – fundamental overview

Overall, the US Dollar recovery will be tough to fight against after the Fed hawkishly tweaked its statement at the latest meeting to acknowledge inflation no longer running below target. Fed Powell has since dismissed concerns about negative shocks to financial markets from policy normalisation, while the US 10 year has pushed up to its highest level since 2011. Moreover, with NAFTA uncertainty still very much alive, there continues to be downside risk attached to the Canadian Dollar's fate. Looking ahead, the market will continue to monitor any updates relating to NAFTA, while also taking in some important Canada data in the form of CPI and retail sales.

NZDUSD – technical overview

Setbacks have intensified in recent days, leaving daily studies oversold and at risk for a corrective bounce. But any rallies are now expected to be very well capped ahead of 0.7200, with only a break back above the psychological barrier to negate the bearish outlook. The market decline has now extended below the critical psychological barrier at 0.7000, resulting in fresh 2018 lows as well, with the next key level of support coming in down at the 0.6781 2017 low.



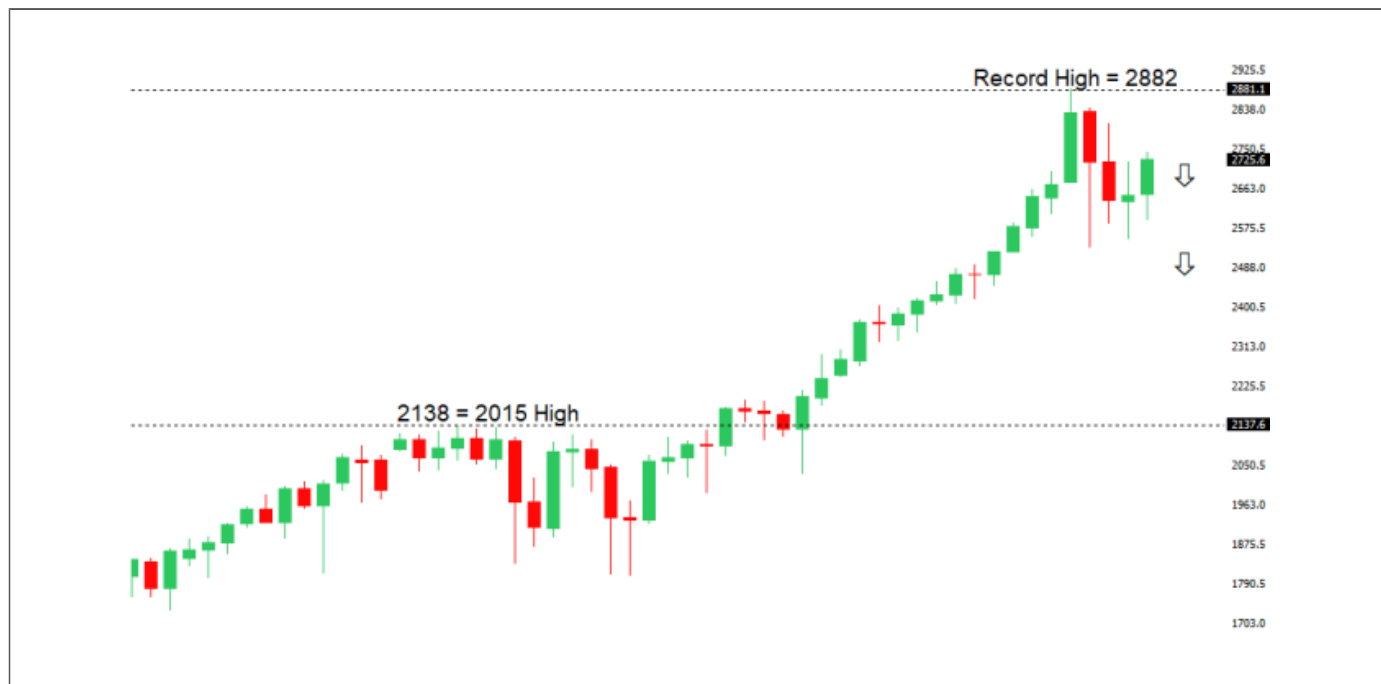
- R2 0.6988 – 11May high – Strong
- R1 0.6925 – 15May high – Medium
- S1 0.6852 – 16May/2018 low – Strong
- S2 0.6781 – 17Nov/2017 low – Medium

NZDUSD – fundamental overview

No surprise to see the New Zealand Dollar underperforming given last week's more dovish leaning RBNZ policy decision. The RBNZ's decision to push back its forecast for the next OCR hike has also been followed up by Governor Orr's welcoming of a lower Kiwi rate. All of this has intensified the yield differential narrative, with the US Dollar in demand across the board as the market processes the reality of a Fed committed to moving forward with its policy normalisation. The hawkish tweak in the latest Fed statement acknowledging inflation no longer running below target has been a major source of Dollar demand, with this outlook strengthened further since, on account of Fed Powell's dismissal of negative impact of higher rates on financial markets and the push in US tens to their highest level since 2011. Kiwi has found some demand off Wednesday's yearly low on short term profit taking from USD longs. Looking ahead, the economic calendar is exceptionally thin and the market will look to take its cues from any comments out from the US administration relating to its protectionist agenda, in whatever form, be it China trade, Japan trade, EU trade or NAFTA.

US SPX 500 – technical overview

A market that has been extended on the monthly chart is finally showing signs of rolling over off the January record high, allowing for stretched monthly readings to unwind. Any rallies should now be very well capped ahead of 2800 in favour of continued weakness back below the yearly low and eventually towards a retest of strong longer-term resistance turned support in the form of the 2015 high at 2138.



- R2 2807 – 13Mar high – Strong
- R1 2744 – 14May high – Medium
- S1 2656 – 8May low – Medium
- S2 2595 – 3May low – Strong

US SPX 500 – fundamental overview

Investor immunity to downside risk is not looking as strong these days and there's a clear tension out there as the VIX starts to rise from unnervingly depressed levels. The combination of Fed policy normalisation, ramped up US protectionism, and geopolitical tension have been capping the market into rallies in 2018, with any renewed setbacks at risk of intensifying on the prospect for the reemergence of inflationary pressure. Overall, we expect the bigger picture theme of policy normalisation to continue to weigh on investor sentiment into rallies. The latest Fed decision emboldens our view, with the central bank acknowledging inflation no longer running below target, something that makes equity market valuations far less attractive at current levels. We also recommend keeping a much closer eye on the equities to ten year yield comparative going forward as this could be something that inspires a more aggressive decline.

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 some more chop followed by an eventual push above massive resistance in the form of the 2016 high at 1375. This will then open the door for a much larger recovery in the months ahead. In the interim, setbacks are expected to be well supported ahead of 1250.



- R2 1375 – 2016 high – Very Strong
- R1 1326 – 11May high – Medium
- S1 1285 – 17May/2018 low – Medium
- S2 1250 – Psychological – Strong

GOLD (SPOT) – fundamental overview

Solid demand from medium and longer-term players persists, 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. The 2016 high at 1375 is a massive level that if broken and closed above, could be something that triggers a widespread panic and rush to accumulate more of the hard asset.

BTCUSD – technical overview

A recent break back above the daily Ichimoku cloud has encouraged the recovery prospect, with scope for additional upside towards more meaningful resistance up around 12,000. Still, the overall pressure remains on the downside and a break back above 12,000 will be required to force a bullish structural shift and get the market thinking about getting back to the type of demand seen in 2017. In the interim, look for any setbacks to be well supported ahead of the yearly low around 6,000.



- R2 9,980 – 5May high – Strong
- R1 8,870 – 14May high – Medium
- S1 7,920 – 18May low – Medium
- S2 7,820 – 17Apr low – Strong

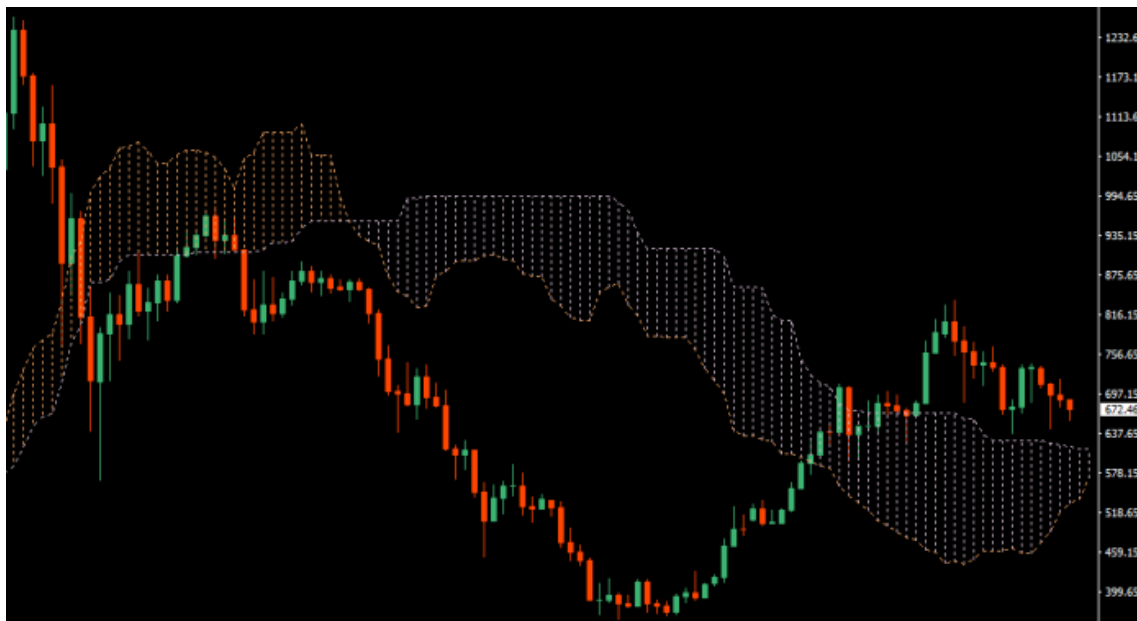
BTCUSD – fundamental overview

The crypto asset has come under pressure in 2018, with ramped up regulatory oversight and potential government crackdowns forcing many holders to exit positions. The market is also coming back to earth after a euphoric 2017 run that had bubble written all over. Bitcoin has struggled on the transaction side as well, with transactions per second a major drawback, along with a mining community that has been less willing to process transactions due to the lower fees. The Lightning network has been a welcome development and is helping to ramp up transaction speed, which has been behind some of the recovery off the 2018 low, though it seems the combination of a massive bubble, more regulatory oversight, a market that is still trying to convince of its proof of concept, and the threat of a reduction in global risk appetite, could all result in even deeper setbacks ahead once the current correction fades away.

BTCUSD – Technical charts in detail

ETHUSD – technical overview

Signs of recovery, with the market rallying out from the 2018 low and trading back above the daily Ichimoku cloud for the first time since February. This opens the door for additional upside in the days ahead, with the next major obstacle coming in around 980. Setbacks should be well supported ahead of 595, with only a break back below to negate the constructive outlook.



- R2 895 – 27Feb high – Medium
- R1 800 – Figure – Strong
- S1 636 – 12May low– Medium
- S2 595 – 25Apr high – Strong

ETHUSD – fundamental overview

The market has been watching the price of Ether with added interest as reports swirl of US deliberations regarding its status and designation. Overall, despite a recent recovery, the cryptocurrency remains under pressure in 2018 and setbacks have been more intense than those of Bitcoin. Though both markets are going through a period of shakeup following bubble activity in 2017, there has been a bigger exodus from ETH with this cryptocurrency more heavily correlated to risk in global markets. The reduction in global risk appetite has put a strain on the investment in projects on the blockchain and with most of the blockchain projects built on the Ethereum protocol, it makes sense to see this market more negatively impacted than bitcoin, which is considered to be the store of value digital currency.



Any opinions, news, research, analyses, prices or other information ("information") contained on this document, constitutes marketing communication and it has not been prepared in accordance with legal requirements designed to promote the independence of investment research. Further, the information contained within this Blog does not contain (and should not be construed as containing) investment advice or an investment recommendation, or an offer of, or solicitation for, a transaction in any financial instrument. LMAX Exchange has not verified the accuracy or basis-in-fact of any claim or statement made by any third parties as comments for every Blog entry.

LMAX Exchange will not accept liability for any loss or damage, including without limitation to, any loss of profit, which may arise directly or indirectly from use of or reliance on such information. No representation or warranty is given as to the accuracy or completeness of the above information. While the produced information was obtained from sources deemed to be reliable, LMAX Exchange does not provide any guarantees about the reliability of such sources. Consequently any person acting on it does so entirely at his or her own risk. It is not a place to slander, use unacceptable language or to promote LMAX Exchange or any other FX, Spread Betting and CFD provider and any such postings, excessive or unjust comments and attacks will not be allowed and will be removed from the site immediately.

LMAX Exchange will clearly identify and mark any content it publishes or that is approved by LMAX Exchange.

FX and CFDs are leveraged products that can result in losses exceeding your deposit. They are not suitable for everyone so please ensure you fully understand the risks involved. The information on this website is not directed at residents of the United States of America, Australia (we will only deal with Australian clients who are "wholesale clients" as defined under the Corporations Act 2001), Canada (although we may deal with Canadian residents who meet the "Permitted Client" criteria), Singapore or any other jurisdiction where FX trading and/or CFD trading is restricted or prohibited by local laws or regulations.

LMAX Limited operates a multilateral trading facility. LMAX Limited is authorised and regulated by the Financial Conduct Authority (firm registration number 509778) and is a company registered in England and Wales (number 6505809). Our registered address is Yellow Building, 1A Nicholas Road, London, W11 4AN.