

Thursday, April 19, 2018

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Global FX Insights

by LMAX Exchange Research & Analytics

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Thursday won't be the busiest of days as far as the economic calendar goes, though there's plenty of room for volatility when considering a tense EURUSD market and ongoing sensitivity to all things US protectionism and global trade. UK retail sales highlights the docket.

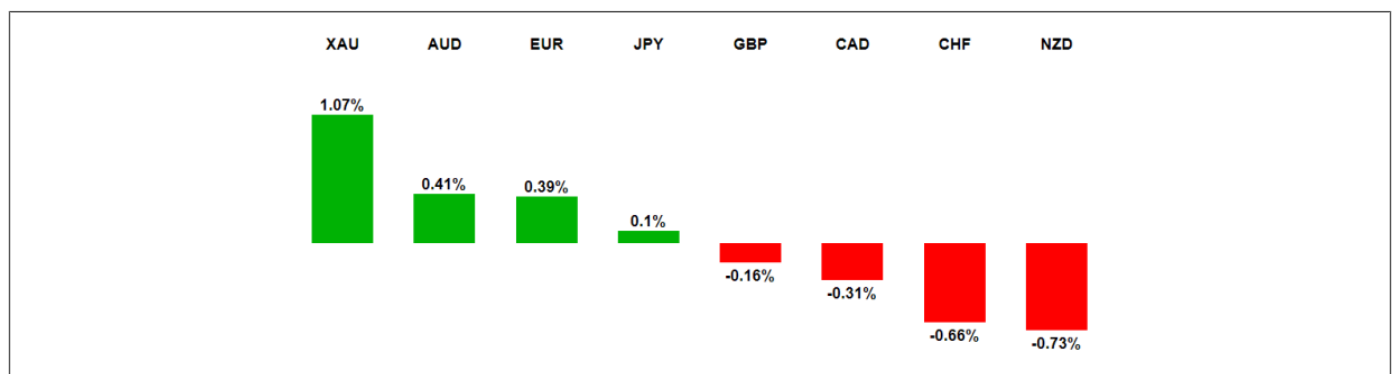
Technical highlights 📺 [Daily Video](#)

- **EURUSD** Getting ready for big move
- **GBPUSD** Room to extend declines
- **USDJPY** Struggles ahead of 108.00
- **EURCHF** Finally back to barrier
- **AUDUSD** Looking for next lower top
- **USDCAD** Starting to turn back up
- **NZDUSD** Stalls into big resistance
- **US SPX 500** Rallies should be capped
- **GOLD** (spot) Bullish above 1375
- **BTCUSD** Trying to bounce off low
- **ETHUSD** Pressure taken off downside

Fundamental highlights

- **EURUSD** Eurozone current account taken in
- **GBPUSD** Pound cools off post softer inflation read
- **USDJPY** Yen tracking with traditional correlations
- **EURCHF** SNB policy strategy likely to get tougher
- **AUDUSD** Aussie shrugs discouraging jobs data
- **USDCAD** Loonie hit on unexpected BoC caution
- **NZDUSD** Kiwi fails to generate bids post CPI print
- **US SPX 500** Policy normalisation and inflation
- **GOLD** (spot) Metal demand reflects uncertainty
- **BTCUSD** Crypto headwinds challenge Bitcoin
- **ETHUSD** Ethereum exposed on macro pressure

Five day performance v. US dollar

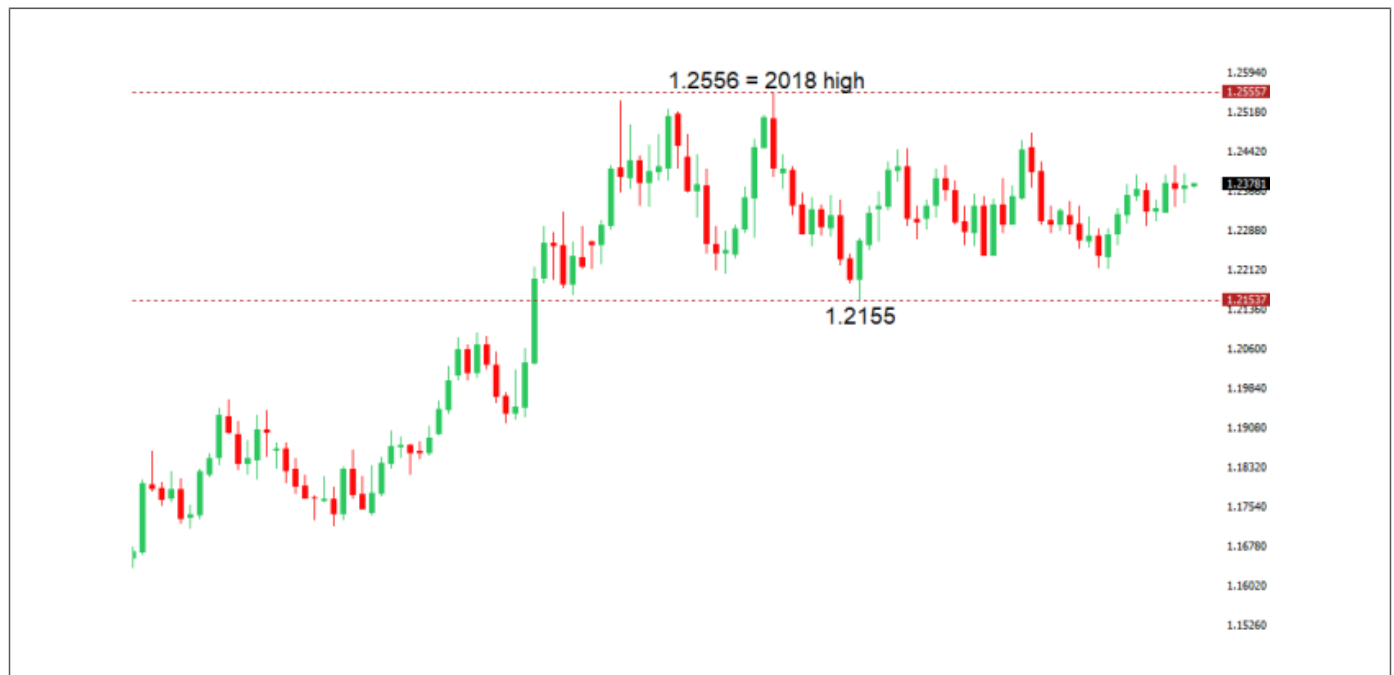


Suggested reading

- **[Banks Adding Crypto Trading to Their Resumes](#)**, M. Levine, Bloomberg (April 18, 2018)
- **[Top Business Tips from Female Founders](#)**, V. Kortekaas, Financial Times (April 18, 2018)

EURUSD – technical overview

The major pair has been mostly sideways in 2018, resulting in a contracted range that has taken the form of a triangle. At this point, with the price consolidating past 2/3 of the way to the apex, there is risk for that next breakout. Key levels to watch over the coming sessions will be 1.2477 and 1.2215. Above 1.2477 will open a move to a fresh 2018 and +3 year high, exposing massive falling trend-line resistance off the record high from 2008 which comes in around 1.2600. Back below 1.2215 will open the door for a deeper correction targeting a retest of the December 2017 low at 1.1720.



- R2 1.2477 – 27Mar high – Strong
- R1 1.2415 – 17Apr high – Medium
- S1 1.2300 – 12Apr low – Medium
- S2 1.2216 – 6Apr low – Strong

EURUSD – fundamental overview

The Euro continues to struggle with direction and the market is unsure which way the single currency wants to break. It seems monetary policy and yield differentials have been more Euro bearish, while US protectionism and the threat of trade wars have been more supportive. On Wednesday, Euro setbacks from softer inflation data were offset on news Iran would be swapping US Dollars for Euros on foreign transactions. As far as today's docket goes, we get some Eurozone current account data, though this is expected to be much of a market mover and the main focus will be on broader macro themes and US data in the form of initial jobless claims and the Philly Fed.

EURUSD – Technical charts in detail

Watch now

GBPUSD – technical overview

Setbacks have been very well supported in 2018, with the market confined to a well defined uptrend. The latest break to a fresh yearly high above 1.4346 has confirmed the next meaningful higher low at 1.3712, opening an eventual measured move upside extension to the 1.5000 area. However, the major pair may not be ready to extend the run just yet in 2018, with daily studies starting to look stretched following what has already been an aggressive move early in the year. This leaves the door open for a more significant corrective decline, with room to easily extend back below 1.4000. Key short term support comes in at 1.4146 and a break below would strengthen this outlook.



- R2 1.4377– 17Apr/2018 high – Medium
- R1 1.4315 – 18Apr high – Medium
- S1 1.4174 – 18Apr low – Medium
- S2 1.4146 – 12Apr low – Strong

GBPUSD – fundamental overview

The Pound extended its correction off this week's fresh 2018 high, with the weakness coming from a softer round of UK inflation data. There will be more focus on the UK economic calendar today as the market digests the latest retail sales numbers. Other standouts on the calendar include US initial jobless claims and the Philly Fed survey.

GBPUSD – Technical charts in detail

[Watch now](#)

USDJPY – technical overview

The major pair has been trading to **bottom out**, after trading down to a 2018 low in the 104s. Still, a break and daily close back above 107.91 will be required to suggest the downside pressure has come off. Until then, risk remains for another topside failure and reversal back down towards the 2018 low.



- R2 107.91 – 21Feb high – Strong
- R1 107.79 – 13Apr high – Medium
- S1 106.62 – 9Apr low – Medium
- S2 105.67 – 2Apr low – Strong

USDJPY – fundamental overview

The Yen has come under some mild pressure this week on the back of the Nikkei rally, while a lack of protectionist headlines is also getting sourced for Yen weakness (USD demand). The main focus here continues to be on bigger picture themes on the macro front, with risk sentiment front and center. Looking ahead, we get US initial jobless claims, the Philly Fed and some more central bank speak.

USDJPY – Technical charts in detail

Watch now

EURCHF – technical overview

The market continues to trend higher, recently extending gains to a fresh multi-month high. The bullish price action has the market thinking about a retest of that major barrier at 1.2000 further up. In the interim, look for the current round setbacks to be very well supported, while only back below 1.1652 would delay the overall constructive tone.



- R2 1.2000 – Psychological – Strong
- R1 1.1990 – 19Apr/2018 high – Medium
- S1 1.1842 – 12Apr low – Medium
- S2 1.1768 – 9Apr 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 a more intensified liquidation on that front into 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. And so, we speculate the SNB continues to be active buying EURCHF into 1.2000 in an attempt to build some cushion ahead of what could be a period of intense Franc demand.

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 deeper setbacks seen towards the 0.7500 barrier over the coming sessions. A break back above 0.7917 would be required to negate the structure and force a shift in the outlook.



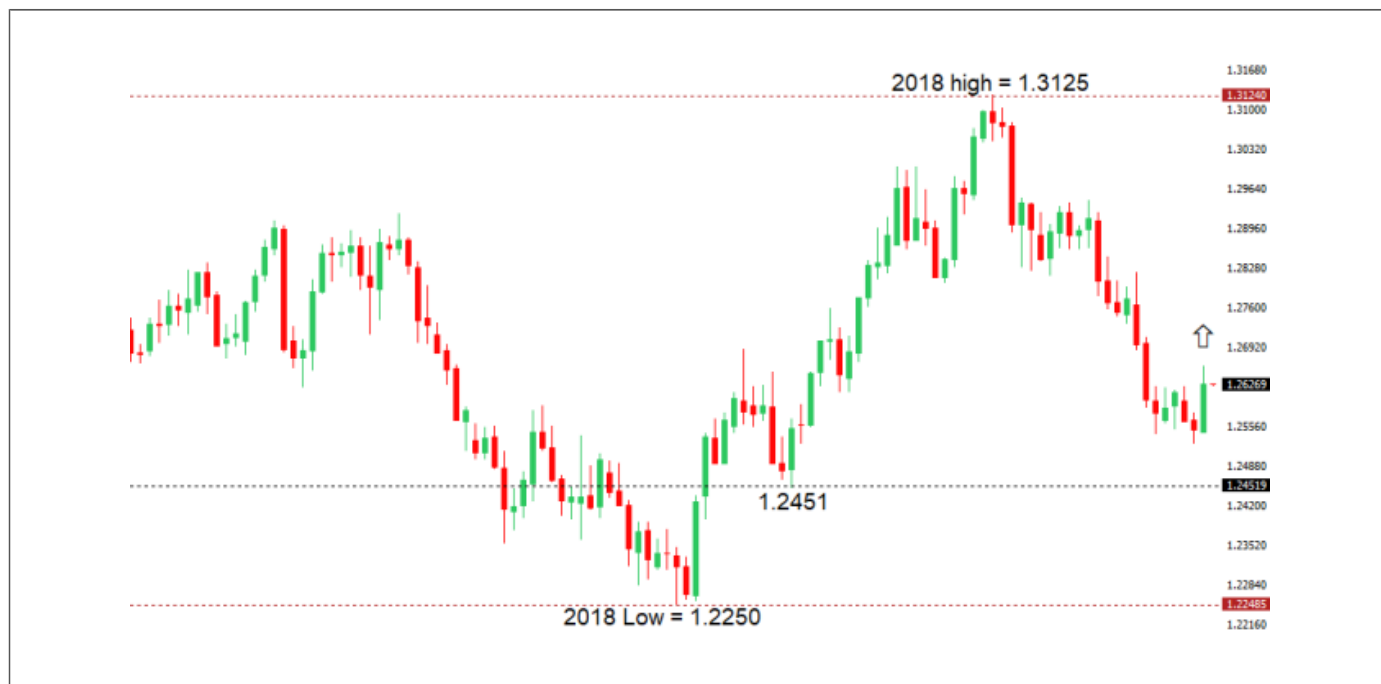
- R2 0.7917 – 14Mar high – Strong
- R1 0.7810 – 13Apr high – Medium
- S1 0.7694 – 10Apr low – Medium
- S2 0.7644 – 29Mar low – Strong

AUDUSD – fundamental overview

The Australian Dollar has done a fabulous job holding up after Aussie employment data came in on the soft side early Thursday. It seems cross related Aussie demand against its Kiwi cousin is factoring into Aussie’s bid tone despite the weak jobs data. Overall, the risk correlated commodity currency will continue to monitor developments on the global front, with any escalation in tension to add to the downside pressure. Looking ahead, we get US initial jobless claims, the Philly Fed and some more central bank speak.

USDCAD – technical overview

Despite the latest round of weakness, overall, there are signs of basing after months of downside pressure. Look for any setbacks to now be well supported ahead of 1.2500, with a higher low sought out in favour of the next major upside extension through 1.3125 and towards 1.3500 further up.



- R2 1.2708– 10Apr high – Strong
- R1 1.2660 – 18Apr high – Medium
- S1 1.2528 – 17Apr low – Medium
- S2 1.2500 – Psychological – Strong

USDCAD – fundamental overview

The Canadian Dollar was the biggest mover in FX land on Wednesday, with the Loonie falling from grace after bulls were disappointed with the central bank's policy decision. While there were no surprises with respect to the rate hold, bets that the Bank of Canada would lean to the hawkish side on the back of robust data, upbeat BoC survey, higher oil and positive Nafta developments were let down after the central bank sounded quite a bit more cautious than had been anticipated. The line that monetary policy accommodation was still needed seemed to be the dagger for Canadian Dollar longs and we continue to believe the Loonie had gotten ahead of itself with NAFTA risk a big deal and still well capable of giving the Bank of Canada a big headache if it gets too aggressive with policy normalization. Looking ahead, US initial jobless claims and the Philly Fed are the key standouts.

NZDUSD – technical overview

The market looks to be in the process of topping out, with the daily chart slowly rolling over in 2018. Rallies are now expected to be very well capped ahead of 0.7500, with only a break back above the psychological barrier to negate. Look for a renewed weakness in the sessions ahead, with a break back below 0.7300 to strengthen the outlook and accelerate declines towards 0.7000.



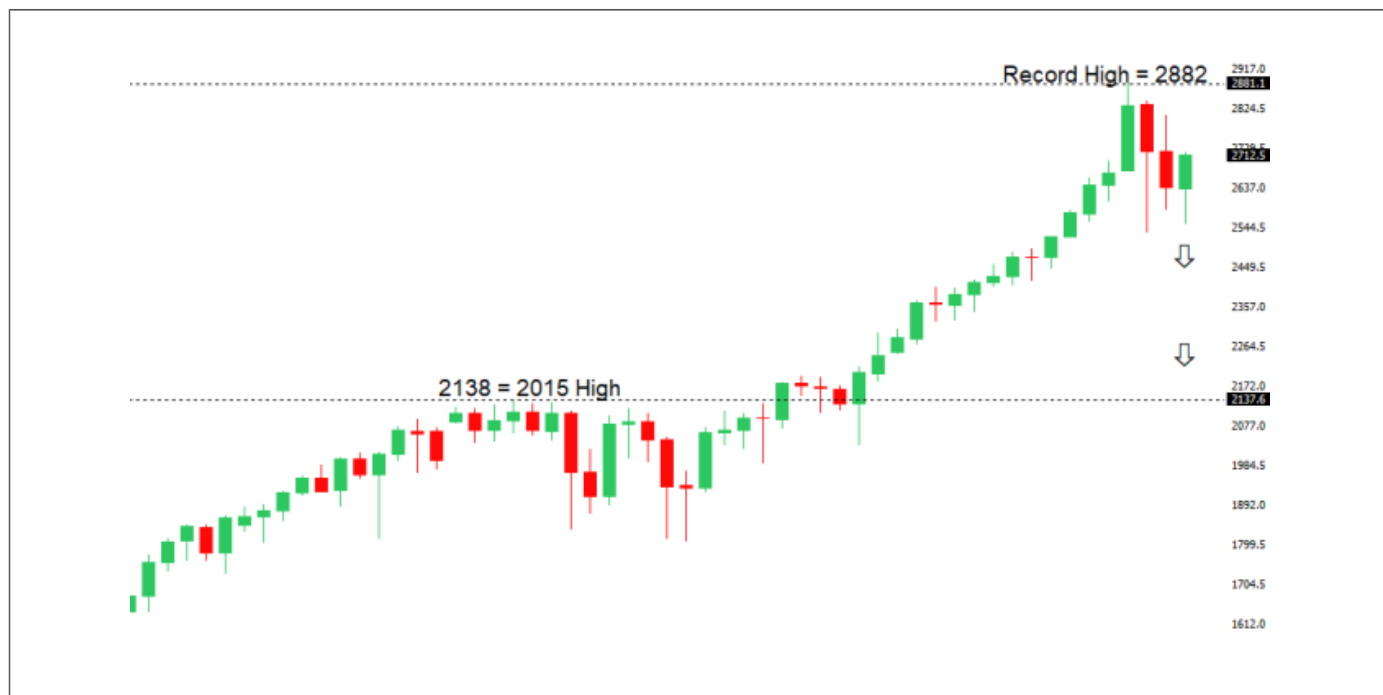
- R2 0.7396 – 13Apr high – Strong
- R1 0.7373 – 17Apr high – Medium
- S1 0.7304 – 10Apr low – Medium
- S2 0.7244 – 6Apr low – Strong

NZDUSD – fundamental overview

Thursday’s Kiwi inflation data was discouraging on net, with the dip in tradable goods prices and drop to the lowest year on year print since Q3 2016 putting the RBNZ in a position to consider a less hawkish path going forward. Overall, the combination of escalating trade tension, fallout from an end to a near decade long post crisis global monetary policy accommodation and less than stellar economic data out of New Zealand in recent weeks is all starting to weigh on the Kiwi rate after the market had pushed into some medium term resistance towards 0.7500. Looking ahead, we get US initial jobless claims, the Philly Fed and some more central bank speak.

US SPX 500 – technical overview

A severely overbought market 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 towards the 2015 high at 2138.



- R2 2743 – 21Mar high – Strong
- R1 2726 – 22Mar high – Medium
- S1 2585 – 6Apr low – Medium
- S2 2533 – 6Feb/2018 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, 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.

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 around 1300.



- R2 1375 – 2016 high – Very Strong
- R1 1366 – 25Jan/2018 high – Medium
- S1 1320 – 6Apr low – Medium
- S2 1303 – 2Mar low – 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 break back above short term resistance at 7500 has taken the immediate pressure off the downside, with scope for a correction further up towards 9200. Still, the overall pressure still leaves the market in a downtrend and it is going to take a recovery back above 12000 to suggest otherwise.



- R2 9,200 – 21Mar high – Strong
- R1 8,643 – 26Mar high – Medium
- S1 6,420 – 1Apr low – Medium
- S2 6,000 – 6Feb/2018 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.

BTCUSD – Technical charts in detail

ETHUSD – technical overview

Signs of recovery, with the market rallying out from the 2018 low and pushing back above some consolidation resistance. This opens the door to more significant resistance at 590, though a clear break back above the 590 level will be required to officially take the immediate pressure off the downside. Until then, the pressure remains on the downside and the market could be looking for a lower top ahead of a bearish resumption.



- R2 590 – 21Mar high – Strong
- R1 545 – 24Mar high – Medium
- S1 412 – 12Apr/2018 low – Strong
- S2 358 – 1Apr/2018 low – Strong

ETHUSD – fundamental overview

Setbacks in the price of ETH have been more intense than those of Bitcoin in 2018. 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.



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