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Global FX Insights

by LMAX Exchange Research & Analytics

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

Sterling Jumps, Dollar Slumps 📢 [Wake-up Call](#)

As we enter the final day of trade for the week, it's the US Dollar that's once again taking most of the hits, with currencies higher against the Buck pretty much across the board. Most of this week's US Dollar selling has come from a softer run of US data and expectations the Fed will remain in a holding pattern.

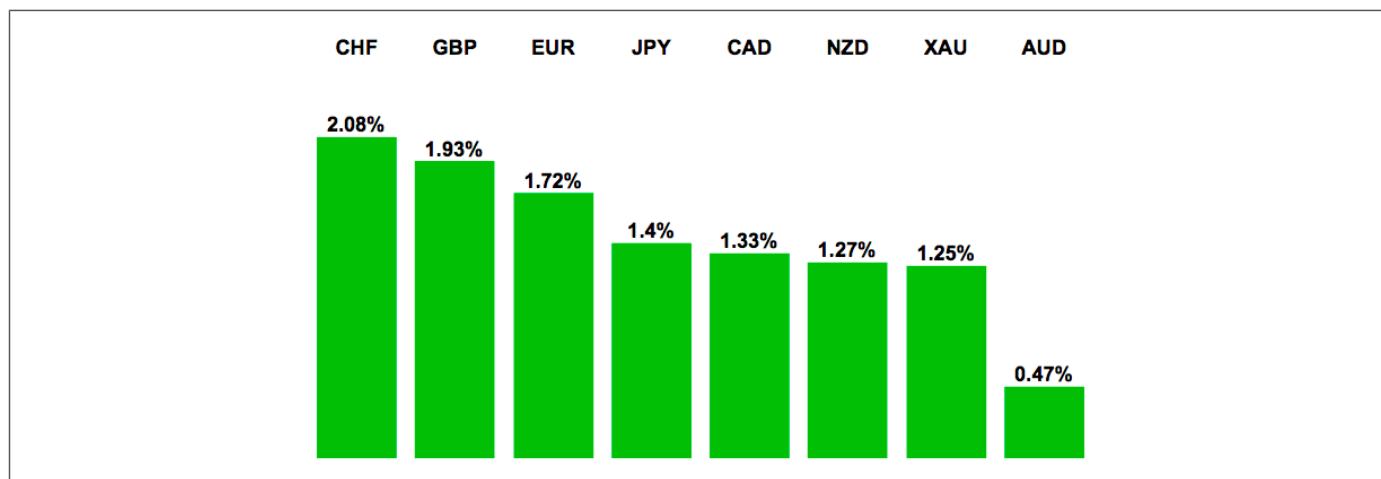
Technical highlights 📺 [Daily Video](#)

- **EURUSD** Extends impressive run
- **GBPUSD** Upside classed as corrective
- **USDJPY** Fresh lows come into sight
- **EURCHF** Content with range trade
- **AUDUSD** Slowly carving lower top
- **USDCAD** Additional setbacks limited
- **NZDUSD** Signs of rolling over
- **US SPX 500** Consolidates off record
- **GOLD** (spot) Closing on 2016 high
- **Feature** – USDTRY Uptrend intact

Fundamental highlights

- **EURUSD** German producer prices ahead
- **GBPUSD** Healthy run of data props Sterling
- **USDJPY** Verbal intervention may be helping
- **EURCHF** SNB strategy in trouble if stocks falter
- **AUDUSD** Aussie hit as reality of jobs data sinks in
- **USDCAD** Canada retail sales, inflation data on tap
- **NZDUSD** Kiwi retreats despite solid local data
- **US SPX 500** Central bank policy well drying up
- **GOLD** (spot) Metal emerges as ideal diversifier
- **Feature** – USDTRY Inflation expectations on rise

This Week's performance v. US dollar



Suggested reading

- **Incongruent Logic, Incongruent Markets**, J. Snider, Alhambra Partners (August 17, 2016)
- **Stupid is What Stupid Does**, E. Von Bohm-Bawerk, Bawerk (August 17, 2016)

EURUSD – technical overview

Although the overall pressure remains on the downside, this latest break back above the 100-Day SMA has triggered a short-term shift exposing next key resistance at 1.1428 in the sessions ahead. A break above 1.1428 would be a more significant development, opening the door for a full retracement back to the 2016 high at 1.1617 further up. At this point, back below 1.1241 would be required to signal a more immediate bearish resumption.



- R2 1.1428 – 24Jun high – Strong
- R1 1.1400 – Figure – Medium
- S1 1.1300 – Figure – Medium
- S2 1.1241 – 17Aug low – Strong

EURUSD – fundamental overview

The market has been selling US Dollars all week and this has been a big help to the Euro which has been driving higher back towards some critical resistance in the 1.1400s. Thursday's improved US initial jobless claims were shrugged off, with participants still hung up over the more dovish Fed Minutes. Looking ahead, German producer prices are due but aren't likely to factor much into trade. Otherwise, it's risk sentiment flow that will likely dictate trade.

GBPUSD – technical overview

The market remains confined to an intense downtrend and is in the process of consolidating just off the recent +30-year low from July. Any rallies are classified as corrective ahead of what should be the next major break below 1.2800 and towards 1.2500. Only back above 1.3372 will take the immediate pressure off the downside and force a shift in the structure.



- R2 1.3281 – 3Aug low – Strong
- R1 1.3175 – 5Aug high – Medium
- S1 1.3032 – 18Aug low – Medium
- S2 1.2978 – 17Aug low – Strong

GBPUSD – fundamental overview

A super impressive run of data this week for the Pound, resulting in some long overdue relative outperformance in the beaten down currency post EU referendum. This week, the market has seen higher UK inflation, solid employment and strong retail sales, all of which has inspired a very healthy resurgence in demand off +30 year lows. Looking ahead, the only notable release on the day comes in the form of UK public finance data. Otherwise, broader macro flows are likely to play a part into the weekend.

USDJPY – technical overview

The latest topside failure sets up a prospective lower top at 102.65 ahead of the next major downside extension below the recent yearly and multi-month low at 98.99. At this point, only a break back above 102.65 would delay this outlook and give reason for pause. Below 99.00 exposes the next major support level in the 95.00 area.



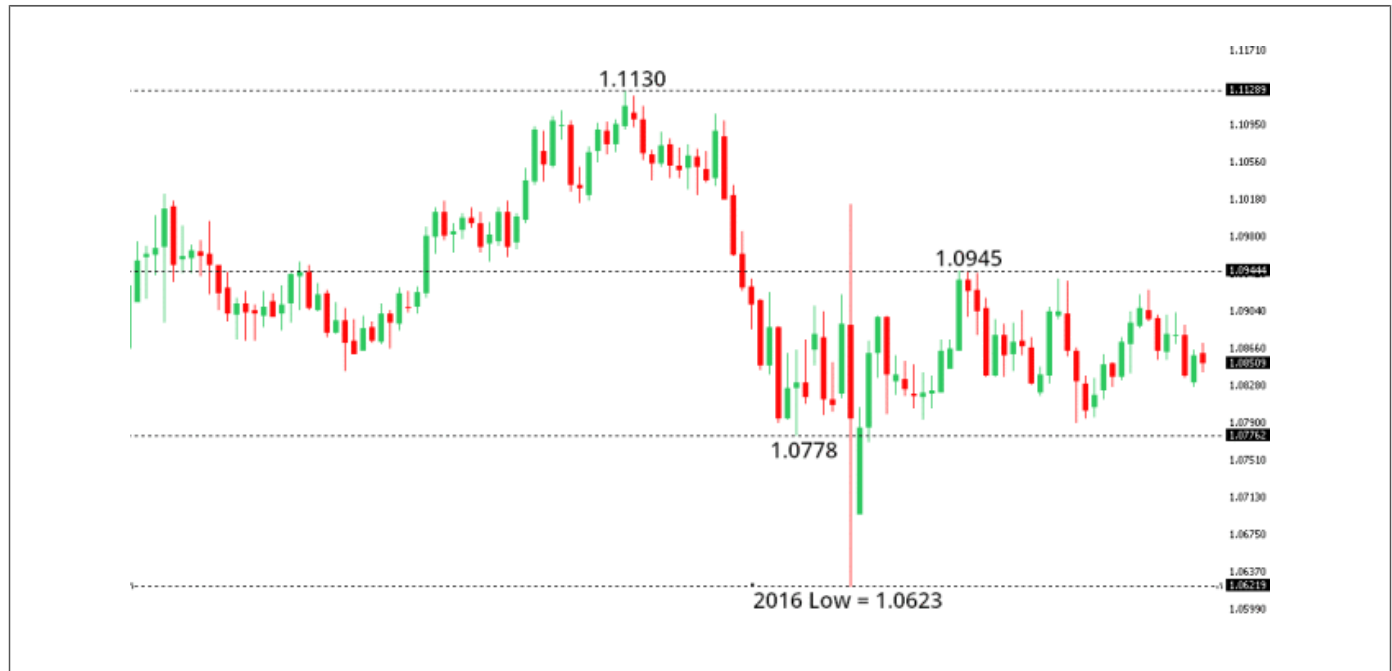
- R2 101.45 – 15Aug high – Strong
- R1 100.50 – 18Aug high – Medium
- S1 99.54 – 16Aug low – Medium
- S2 98.99 – 24Jun/2016 low – Strong

USDJPY – fundamental overview

There has a good amount of verbal intervention circling this week that it may be having a very short-term impact on the major pair, with USDJPY unwilling to establish back below 100.00. Ultimately, it's the combination of scaled back Fed rate hike expectations and the belief that the BOJ won't be looking to add much more stimulus, that has been driving a good portion of this recovery in the Yen. Looking ahead, the economic calendar is exceptionally thin with the focus likely to be on broader macro flows.

EURCHF – technical overview

Not much doing here over the past several days, with the market confined to a range trade, roughly between 1.0800 and 1.1000. At this point, a daily close above 1.1000 or back below 1.0800 will be required for clearer directional insight. Until then, look for dips to be supported and rallies well capped.



- R2 1.1014 – 24Jun high – Strong
- R1 1.0945 – 12Jul high – Medium
- S1 1.0790 – 29Jul low – Medium
- S2 1.0778 – 16Jun low – Strong

EURCHF – fundamental overview

SNB smoothing activity to prop the EURCHF rate has been helping to elevate the cross, but at the same time, any upside moves haven't been sustainable with the cross rate continuing to get sold aggressively into rallies. Overall, this is a market going nowhere right now and it seems sell-stops need to get taken out below 1.0750 or above 1.1000 for clearer insight. US stocks have been supporting EURCHF but are also looking extended which could invite Franc demand if the market starts to roll over from record highs in the sessions ahead.

AUDUSD – technical overview

The market has struggled on rallies above 0.7700 and this suggests the rate could be looking to carve a lower top below the 2016 high at 0.7835 in favour of the next major downside extension. Wednesday's break back below 0.7637 strengthens this outlook and should accelerate declines to 0.7500 in the sessions ahead. Ultimately, only back above 0.7758 will negate the newly adopted bearish outlook and invite a retest of the 2016 highs.



- R2 0.7758 – 11Aug high – Strong
- R1 0.7725 – 12Aug high – Medium
- S1 0.7610 – 17Aug low – Strong
- S2 0.7569 – 3Aug low – Medium

AUDUSD – fundamental overview

Any Aussie gains from Thursday's impressive headline employment print have been more than wiped away into Friday, with market participants waking up to the fact that the data wasn't all that constructive after all. All of the job gains came out of the part time sector, with full time still struggling. This keeps the RBA on the dovish side and leaves the door open for additional declines in a currency the RBA also believes to be overinflated at current levels. Looking ahead, lack of economic data leaves the market focused on risk appetite.

USDCAD – technical overview

Despite the latest round of setbacks, this market looks to be in the process of carving out a longer-term base off the 1.2461 2016 low. Look for any additional weakness to be supported ahead of 1.2655 in favour of the next major upside extension towards a measured move objective into the 1.3500-1.4000 area. Ultimately, only back below 1.2655 would delay the constructive outlook.



- R2 1.2918 – 17Aug high – Strong
- R1 1.2857 – 18Aug high – Medium
- S1 1.2700 – Figure – Strong
- S2 1.2655 – 8Jun low – Strong

USDCAD – fundamental overview

Thursday's better than expected US initial jobless claims print had no impact on this pair, with the Canadian Dollar building on some already impressive gains over the past several days. The run up in the price of OIL has been the primary driver of Canadian Dollar strength, while broad based USD selling on expectations for a lower for longer Fed have also been fueling Loonie demand. Looking ahead, Canada data takes centre stage on Friday with retail sales and CPI due.

NZDUSD – technical overview

Rallies to fresh 2016 highs above 0.7300 have been well capped, with the market looking to adhere to the broader downtrend. As such, look for this latest surge to once again fizzle out, in favour of a resumption of declines. Key support now comes in at 0.7087, but a break below 0.7165 will get things going to the downside.



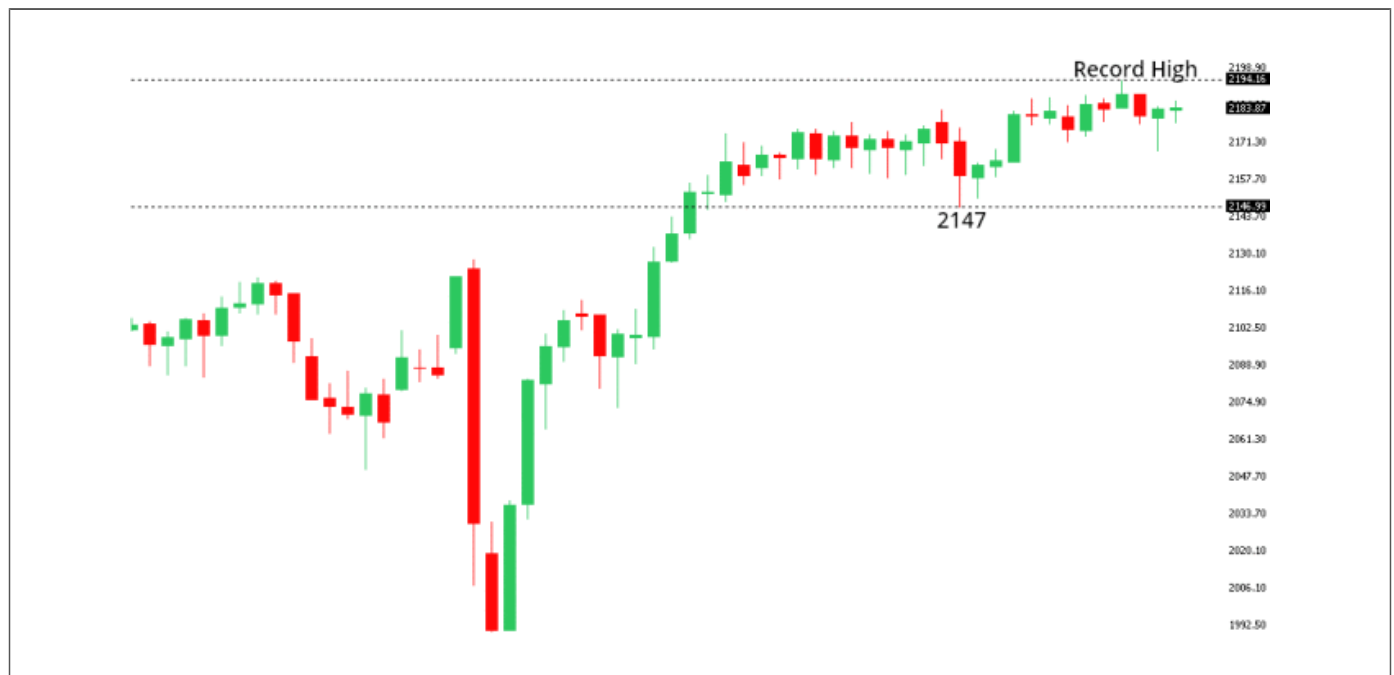
- R2 0.7341 – 11Aug/2016 high – Strong
- R1 0.7322 – 17Aug high – Medium
- S1 0.7199 – 16Aug low – Medium
- S2 0.7165 – 16Aug low – Strong

NZDUSD – fundamental overview

The New Zealand Dollar has been caught between short and medium-term flows this week, with the currency bid up on a healthy GDT auction and strong Kiwi employment, but at the same time, running into stiff offers from larger accounts looking for the currency to stall out in anticipation of additional RBNZ rate cuts over the coming months. Looking ahead, lack of economic data will leave this market focused on broader macro flows.

US SPX 500 – technical overview

The market continues to push to fresh record highs and there is scope from here for additional upside in the sessions ahead through next key psychological barriers at 2200. Still overall, the prospect for the formation of a longer-term top is very much alive and any signs of exhaustion and a rolling back over below 2147 in the sessions ahead will strengthen this outlook and invite renewed downside pressure.



- R2 2200.00 – Psychological – Strong
- R1 2194.00 – 15Aug/Record – Medium
- S1 2147.00 – 2Aug low – Medium
- S2 2136.00 – 12Jul low– Strong

US SPX 500 – fundamental overview

Overall, there is a sense that even if the Fed continues to hold off, with monetary policy already exhausted and the limitations of policy being reached, there could be a more intense period of weakness off the recently established record high over the coming days. Looking ahead, the economic calendar is exceptionally thin and this will leave the market trading on sentiment and risk appetite.

GOLD (SPOT) – technical overview

The recent break above the previous 2015 peak at 1307 strengthens the case for a longer term base with the market confirming a medium-term higher low in the 1200 area, opening the door for the next major upside extension towards a measured move at 1450. Any setbacks should be very well supported ahead of 1300, with only a break below this level to compromise the outlook.



- R2 1375.20 – 6Jul/2016 high – Strong
- R1 1367.30 – 2Aug high – Medium
- S1 1329.90 – 8Aug low – Medium
- S2 1310.90 – 21Jul low – Strong

GOLD (SPOT) – fundamental overview

Overall, GOLD has been very well supported in 2016, with the yellow metal finding solid demand from medium and longer-term players on the back of fears over the limitations of exhausted monetary policy and extended global equities. All of this will almost certainly continue to keep the commodity in demand, with many market participants fleeing to the hard asset as the grand dichotomy of record high equities and record low yields comes to an unnerving climax.

Feature – technical overview

USDTRY has recently broken up to another fresh record high after a period of multi-month consolidation. The latest break through the previous peak from 2015 now opens the door for a measured move upside extension towards 3.3500 in the weeks ahead. At this point, current setbacks should be limited to the 2.9000 area in favour of a higher low, with only a break back below 2.8395 to take immediate pressure off the topside.



- R2 3.0970 – 20Jul/Record – Strong
- R1 3.0270 – 4Aug high – Medium
- S1 2.9000 – Psychological – Medium
- S2 2.8755 – 14Jul low – Strong

Feature – fundamental overview

The latest CBRT survey of economists shows inflation expectations on the rise, something that should not be a positive development for the Lira. While inflation is moving higher, the CBRT has maintained an accommodative stance, with the central bank prepared to cut rates more over the coming months in an effort to stimulate the local economy. But the implications are Lira negative, with risk for renewed downside pressure over the medium-term. Into Friday, the key focus will be the Moody's rating review of Turkey, with any downgrade to open the door for a major acceleration of Lira declines.



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