

# Global FX Insights

by LMAX Exchange Research & Analytics

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

## Inflation Readings and Central Bank Risk [Wake-up call](#)

Markets have slowed down into Wednesday, with traders opting to settle in ahead of the always anticipated Fed decision. The Dollar has been mildly offered into the risk, with a good deal of the price action attributed to profit taking and position squaring.

Audio Player 00:0000:0000:00 Use Up/Down Arrow keys to increase or decrease volume.

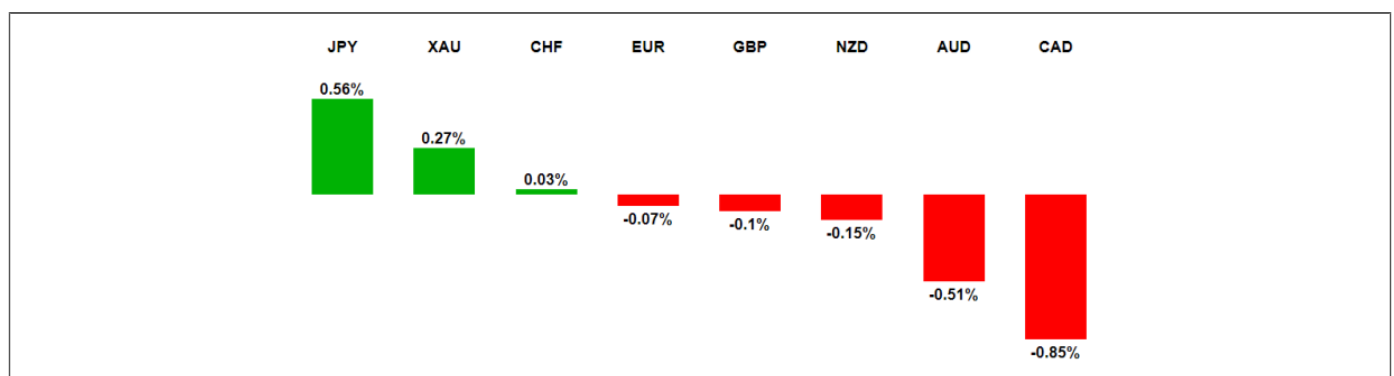
### Technical highlights [Daily Video](#)

- [EURUSD](#) Waiting for next big break
- [GBPUSD](#) Setbacks classified as corrective
- [USDJPY](#) Risk for another topside failure
- [EURCHF](#) No directional insight at moment
- [AUDUSD](#) Setbacks could be supported
- [USDCAD](#) Well offered into resistance
- [NZDUSD](#) Stalls out ahead of key barrier
- [US SPX 500](#) Room for much larger drop
- [GOLD \(spot\)](#) Slowly working to bullish break
- [BTCUSD](#) Eyes September 2017 low
- [ETHUSD](#) Extension target at 75

### Fundamental highlights

- [EURUSD](#) German PPI, Eurozone construction
- [GBPUSD](#) UK takes in batch of inflation data
- [USDJPY](#) JGB shake-up adds to investor worry
- [EURCHF](#) SNB headache as risk comes off
- [AUDUSD](#) Aussie up on dovish Fed pricing
- [USDCAD](#) Loonie suffers from OIL weakness
- [NZDUSD](#) Back to back positive GDT results
- [US SPX 500](#) Fed model front and centre
- [GOLD \(spot\)](#) Plenty of institutional demand
- [BTCUSD](#) Bitcoin vulnerable in current backdrop
- [ETHUSD](#) Eth exposed to global downturn

## 5-Day Performance v. US dollar



## Suggested reading

- [How to Avoid an Emerging Market Crisis in 2019](#), M. Ashworth, **Bloomberg** (December 18, 2018)
- [Blockchain Helps Taiwan's Farmers](#), K. Hille, **Financial Times** (December 10, 2018)

## EURUSD - technical overview

**The Euro sits at a critical inflection point right now**, trying to figure out whether it wants to hold up into dips for the start to a resumption of that bullish breakout from back in 2017 that led to a +3 year high earlier this year, or if it wants to keep extending this run of declines. A lot of this will hinge on how the market trades in the sessions ahead. If the major pair can hold up above 1.1268 and push through 1.1500, it sets the stage for a bigger bullish move ahead. If however the market breaks back down below 1.1268, it will open the door for a retest of the 2018 low, below which exposes the possibility for an extension all the way down to 1.0800.



- **R2 1.1444** - 10Dec high - Strong
- **R1 1.1403** - 18Dec high - Medium
- **S1 1.1268** - 28Nov low - Strong
- **S2 1.1217** - 13Nov/2018 low - Strong

## EURUSD - fundamental overview

**Italy-EU accord talk has been helping** to give the Euro an added boost into Wednesday. We've also seen profit taking and position squaring into the Fed, as traders lighten up on long US Dollar exposure, anticipating a more dovish leaning outlook. As far as other calendar events go, we get German producer prices, Eurozone construction output, UK CBI trends and US existing home sales.

## EURUSD - Technical charts in detail

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## GBPUSD - technical overview

The latest breakdown below 1.2660 has opened the door for a bearish continuation that could ultimately invite a retest of the +30 year low from October 2016 at 1.1840. However, at this stage, we still view the pullback in 2018 as a correction within a developing uptrend off the 2016 low and will be looking for a higher low to carve out well ahead of 1.1840, in favour of a push back to the topside. For this to play out, the market will ideally need to hold above some meaningful support in the 1.2300s. The 78.6% fib retrace off the major 2016 high to low move, which comes in at 1.2385 is the next big level below. A break back above 1.2760 will now be required to take the immediate pressure off the downside.



- **R2 1.2760** - 10Dec high - Strong
- **R1 1.2706** - 18Dec high - Medium
- **S1 1.2530** - 14Dec/2018 low - Medium
- **S2 1.2478** - 12Dec/2018 low - Strong

## GBPUSD - fundamental overview

Things have settled down for a moment as we wait for more clarity on Brexit. This has been helpful to the Pound, with the currency managing to work its way out from last week's 2018 low below 1.2500. A lot of the demand has come from the profit taking on US Dollar long positions into a Fed meeting that many believe will produce a more downbeat, dovish leaning outlook. Ahead of the Fed, there's plenty of risk on the UK docket, with a round of inflation data in the form of both PPI and CPI, along with some CBI trends. In the US session, existing home sales stands out.

# GBPUSD - Technical charts in detail

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[Watch now](#)

## USDJPY - technical overview

**Rallies continue to be very well capped** on a medium-term basis, with the outlook still favouring lower tops and lower lows. Look for the next major downside extension towards critical support around 109.75. Ultimately, only a break back above 114.75 would negate the bearish outlook. Below 111.38 strengthens the bearish outlook.



- **R2 113.72** - 13Dec high - Strong
- **R1 113.00** - Figure - Medium
- **S1 112.25** - 6Dec low - Medium
- **S2 111.38** - 26Oct low - Strong

## USDJPY - fundamental overview

**The major pair is correlating with the bigger picture drivers**, with US Dollar yield differentials and risk sentiment dictating the flow. Renewed downside pressure in the US equities market has been capping USDJPY in recent weeks, while an expectation the Fed could deviate from a more hawkish course in 2019 is also weighing. We also saw an unusual yield inversion in JGBs earlier, which could be factoring in to additional Yen demand. Looking ahead, the market will get some more colour from the Fed late in the day at its final meeting for the year, with US existing home sales out earlier.

[Watch now](#)

# EURCHF - technical overview

The market has been in the process of consolidating off the 2018 low, which coincided with critical support in the 1.1200 area. However, at this stage, there is no clear directional bias, with the price action deferring to a neutral state. Back above 1.1500 would get some bullish momentum going for a push to 1.2000, while back below 1.1200 would be quite bearish.



- **R2 1.1435**- 16Nov high - Strong
- **R1 1.1359** - 22Nov high - Medium
- **S1 1.1224** - 18Sep low- Medium
- **S2 1.1185**- 7Sep/2018 low - Strong

# EURCHF - fundamental overview

The SNB remains uncomfortable with Franc appreciation and continues to remind the market it will need to be careful about any attempts at trying to force an appreciation in the currency. But the SNB will also need to be careful right now, as its strategy to weaken the Franc is facing headwinds from a less certain global outlook. Any signs of sustained risk liquidation between now and year end, will likely invite a very large wave of demand for the Franc that will put the SNB in the more challenging position of needing to back up its talk with action, that ultimately, may not prove to be as effective as it once was, given where we're at in the monetary policy cycle.

## AUDUSD - technical overview

**Despite shorter term setbacks, medium-term technical studies have been turning back up**, with the recent break back above 0.7300 suggesting a meaningful base could be in the process of carving out. This puts the shorter-term pressure back on the topside, with dips expected to be supported ahead of 0.7100 for a push to the psychological barrier at 0.7500. A drop below 0.7100 would be required to negate the bottoming outlook.



- **R2 0.7394** - 4Dec high - Strong
- **R1 0.7274** - 6Dec high - Medium
- **S1 0.7152** - 14Dec low - Medium
- **S2 0.7123** - 30Oct high - Strong

## AUDUSD - fundamental overview

**No reaction to the dip** in the Aussie Westpac leading index. Overall, while the Australian Dollar has been contending with risk off flow, the currency has found offsetting demand on the emergence of profit taking on long US Dollar exposure into year end. Though the Fed is expected to raise rates today, the market is also expecting the 2019 outlook to be decidedly more accommodative in light of recent developments. Gold prices are also starting to firm up, another offsetting positive for the commodity currency. US existing home sales are out ahead of the Fed.

## USDCAD - technical overview

The market has been consistently sold into rallies ahead of 1.3500, which could still invite a deeper decline before the next upside extension gets underway. Still, look for any weakness to be well supported, with only a break back below 1.2700 to negate the bigger picture constructive outlook.



- **R2 1.3500** - Psychological - Strong
- **R1 1.3445** - 6Dec/2018 high - Medium
- **S1 1.3253** - 5Dec low - Medium
- **S2 1.3161** - 3Dec low - Strong

## USDCAD - fundamental overview

The Canadian Dollar has come under a lot of pressure over the past several weeks, with USDCAD to fresh yearly highs, on the back of a massive slide in the price of OIL. Meanwhile, a deterioration in risk sentiment into the end of the year poses additional downside risk to the Loonie. The only mitigating factor at the moment is the market's selling of the US Dollar ahead of today's Fed decision, on the expectation the Fed will be leaning more dovish. On the data front, we get Canada CPI and US existing home sale ahead of the Fed risk.



## NZDUSD - technical overview

The market has been in the process of recovering out from +2.5 year lows and is looking to extend the correction following the latest break back above consolidation resistance around 0.6725. This sets the stage for a push back above the psychological barrier at 0.7000. Look for setbacks to be supported above 0.6700 on a close basis, with only a daily close back below the figure to negate the recovery outlook.



- **R2 0.7000** - Psychological - Strong
- **R1 0.6970** - 4Dec high - Medium
- **S1 0.6754** - 27Nov low - Medium
- **S2 0.6707** - 12Nov low - Strong

## NZDUSD - fundamental overview

The New Zealand Dollar has held up relatively well in the face of global risk liquidation. The commodity currency is shrugging off downside pressure in stocks, instead deferring to profit taking on USD longs ahead of today's Fed decision. Economic data out of New Zealand has also been more encouraging, most highlighted by the back to back positive GDT auction results. Looking ahead, we get US existing home sales and the Fed decision.

## US SPX 500 - technical overview

A market that has been extended on the monthly chart is at risk for a major correction, with the possibility for a massive topping formation. Any rallies should now continue to be very well capped ahead of 3000, in favour of renewed weakness back below the 2530 area yearly low (neckline) and towards a retest of strong longer-term resistance turned support in the form of the 2015 high at 2140. Only a weekly close above 3000 would negate the outlook.



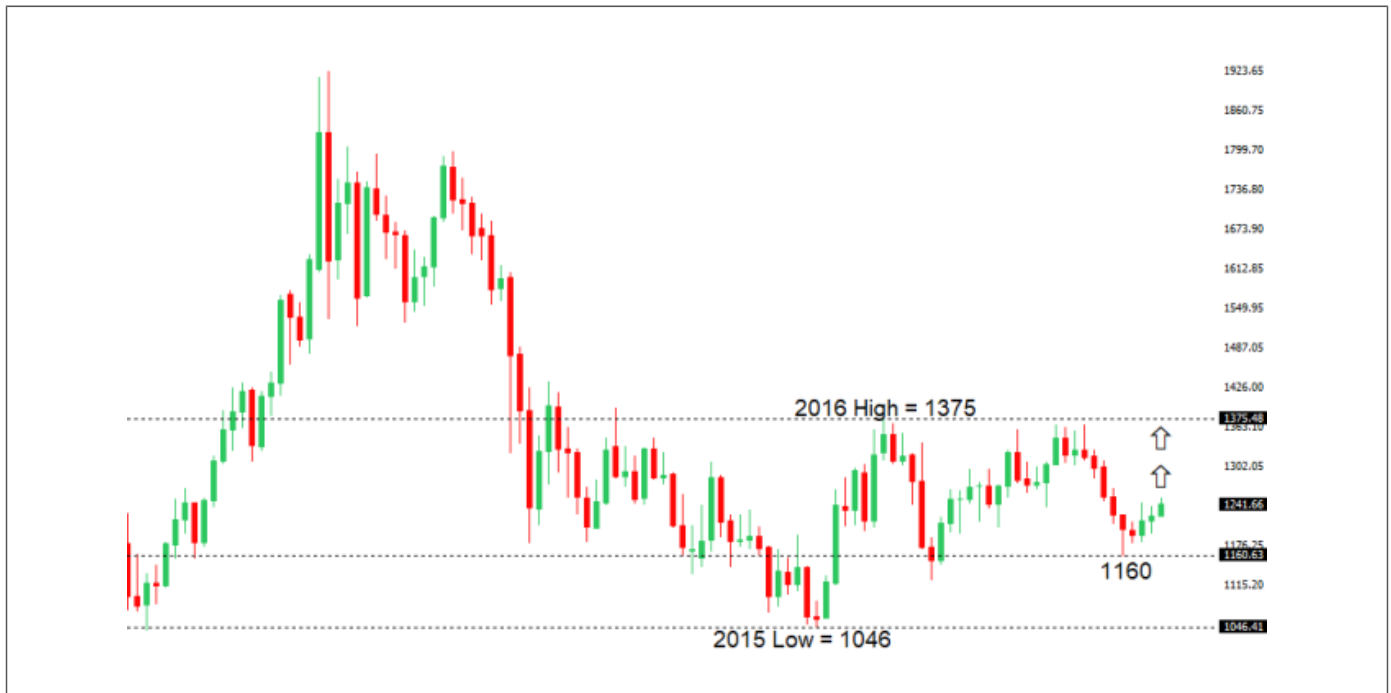
- **R2 2824** - 17Oct high - Strong
- **R1 2700** - Figure - Medium
- **S1 2584** - 10Dec low - Strong
- **S2 2533** - 6Feb/2018 low - Medium

## US SPX 500 - fundamental overview

**Investor immunity to downside risk** is not as strong these days. The combination of Fed policy normalisation, US protectionism, ongoing White House drama and geopolitical tension are all warning of capitulation ahead, despite this latest run to record highs. The Fed has also finally acknowledged inflation no longer running below target in 2018, something that could very well result in even less attractive equity market valuations into 2019, given the implication on rates. We 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 in the fourth quarter.

## GOLD (SPOT) - technical overview

The market has been showing signs of wanting to turn back up on the daily chart. There are also signs that we could be seeing the formation of a more significant medium to longer-term structural shift that would be confirmed if this latest recovery can extend back through big resistance in the form of the 2016 high at 1375. Look for setbacks to be well supported ahead of 1200, with only a close back below 1150 to compromise the constructive outlook. A daily close above 1250 will strengthen the outlook.



- **R2 1266** - 9Jul high - Strong
- **R1 1251** - 10Dec high - Medium
- **S1 1196** - 13Nov low - Medium
- **S2 1160** - 16Aug/2018 low - Strong

## GOLD (SPOT) - fundamental overview

The yellow metal continues to be well supported on dips with solid demand from medium and longer-term accounts. These players are more concerned about exhausted monetary policy, extended global equities, political uncertainty, systemic risk and trade war threats. All of this should 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.

## BTCUSD - technical overview

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An extended period of range contraction has come to an end, with the market breaking down below the apex of a massive triangle formation in 2018. The decline has resulted in fresh yearly lows and warns of a deeper setbacks that could accelerate to the September 2017 low at 2,975. At this stage, it would take a break back above previous support in the 6,000 area to take the pressure off the downside.



- **R2 5,050** - 20Nov high - Strong
- **R1 4,480** - 29Nov high - Strong
- **S1 3,212**- 15Dec/2018 low -Medium
- **S2 2,975** - Sep 2017 low - Very Strong

## BTCUSD - fundamental overview

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**Bitcoin is facing intense headwinds** from broader risk liquidation themes and has sunk to fresh 2018 lows. The cryptocurrency has already been struggling to find its place in 2018, with the decentralised technology space still very young and yet to fully prove concept. The current backdrop of global sentiment deterioration only makes things more challenging in the space and we are seeing investors head for the exits as a result. This could open a bigger drop below \$3,000 before the market looks for stability. Still, overall, the cryptocurrency and the technology it rests on continue to show a lot of potential looking out and we expect the market will regain composure once this sell-off plays out.

## BTCUSD - Technical charts in detail

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## ETHUSD - technical overview

**The market remains under pressure in 2018**, extending its run of intense declines to fresh 2018 lows below 100. Medium term studies are however stretched, which could warn of the start to a correction. Still, it would take a break back above 165 right now to take the pressure off the downside. The next major downside extension target comes in at a 75, a measured move extension target following a recent \$90 consolidation between 165 and 255.



- **R2 165** - Previous Support - Strong
- **R1 128** - 28Nov high - Strong
- **S1 83** - 7Dec/2018 low - Medium
- **S2 75** - Measured Move - Strong

## ETHUSD - fundamental overview

**Overall, we've seen quite a bit of weakness in the price** of Ether in 2018 and there's still legitimate risk for deeper setbacks below \$100, given technical hurdles within the protocol, ongoing regulatory challenges and a global macro backdrop exposing risk correlated projects on the Ethereum blockchain. Monetary policy normalisations around the globe and an anticipated reduction in global risk appetite are placing a tremendous strain on ERC20 projects that have yet to even produce proper use cases and proof of concept. At the same time, longer term prospects are looking quite bright and we expect significant demand will emerge well ahead of \$50.



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