

# Global FX Insights

by LMAX Exchange Research & Analytics

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

## Risk Appetite Fading Away [Wake-up call](#)

A light Tuesday calendar but plenty of room for volatility nonetheless, on account of ramped up global trade war tension. This has taken a toll on equity markets in recent sessions, with an already extended asset class very much exposed to a period of significant downturn.

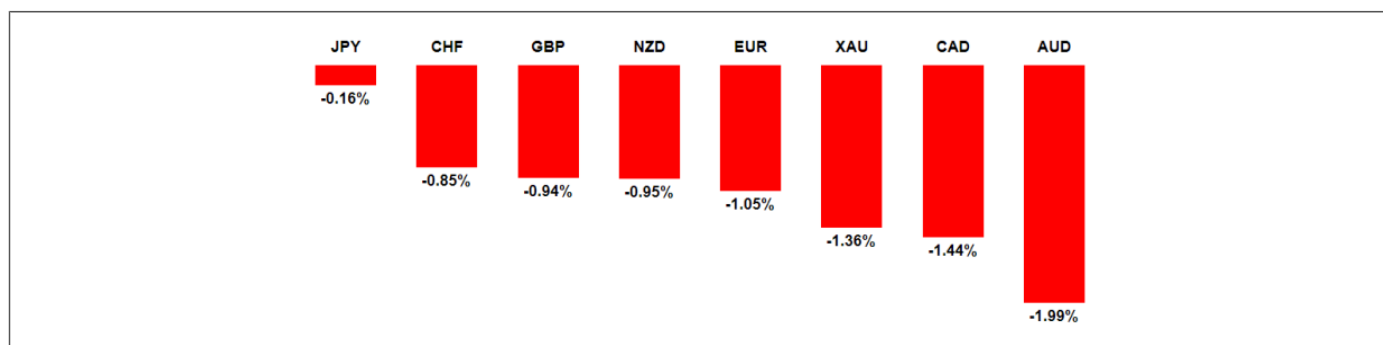
### Technical highlights [Daily Video](#)

- **EURUSD** Pressure still on downside
- **GBPUSD** Back above 1.3475 to shift
- **USDJPY** Expected to stall out soon
- **EURCHF** Into bullish consolidation
- **AUDUSD** Thinking about 2017 low
- **USDCAD** Extends to fresh 2018 high
- **NZDUSD** Pressure remains on downside
- **US SPX 500** Risk for sizable reversal
- **GOLD** (spot) Well supported on dips
- **BTCUSD** Trying to hold over key level
- **ETHUSD** Bullish reversal of lows

### Fundamental highlights

- **EURUSD** Hanging on Draghi at Sintra forum
- **GBPUSD** Brexit updates and BOE positioning
- **USDJPY** Yen watching trade talks and sentiment
- **EURCHF** SNB challenge tougher post ECB decision
- **AUDUSD** Nothing new from latest RBA Minutes
- **USDCAD** Loonie suffers from US protectionism
- **NZDUSD** Kiwi at risk on equity reversal, USD move
- **US SPX 500** Fed model will be important to watch
- **GOLD** (spot) Metal demand reflects uncertainty
- **BTCUSD** Growing pains as bubble bursts
- **ETHUSD** Macro outlook a worry for Ethereum

### Five day performance v. US dollar

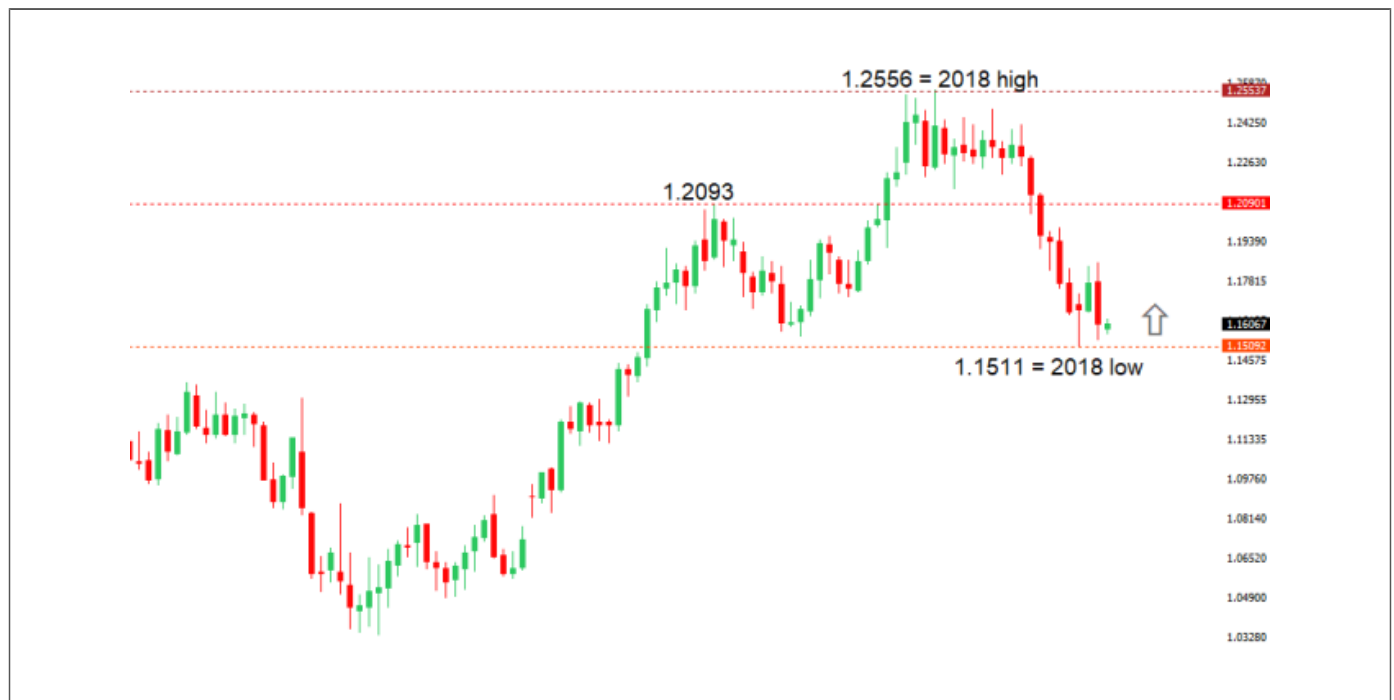


### Suggested reading

- **Bitcoin Breaking the Internet is A Cry for Help**, L. Laurent, Bloomberg (June 18, 2018)
- **How to Stop A Global Trade War**, R. Armstrong, Financial Times (June 18, 2018)

## EURUSD – technical overview

Despite the latest round of setbacks into the 1.1500 area, the Euro remains confined to a medium term uptrend, with any additional weakness expected to be limited. Daily studies are already looking to turn back up after the market finally dropped back to retest a major previous resistance turned support zone in the form of the breakout area from 2017. A daily close back above 1.1853 will strengthen the constructive outlook.



- R2 1.1853 – 14Jun high – Strong
- R1 1.1726 – 13Jun low – Medium
- S1 1.1544 – 15Jun low – Medium
- S2 1.1511 – 29May/2018 low – Strong

## EURUSD – fundamental overview

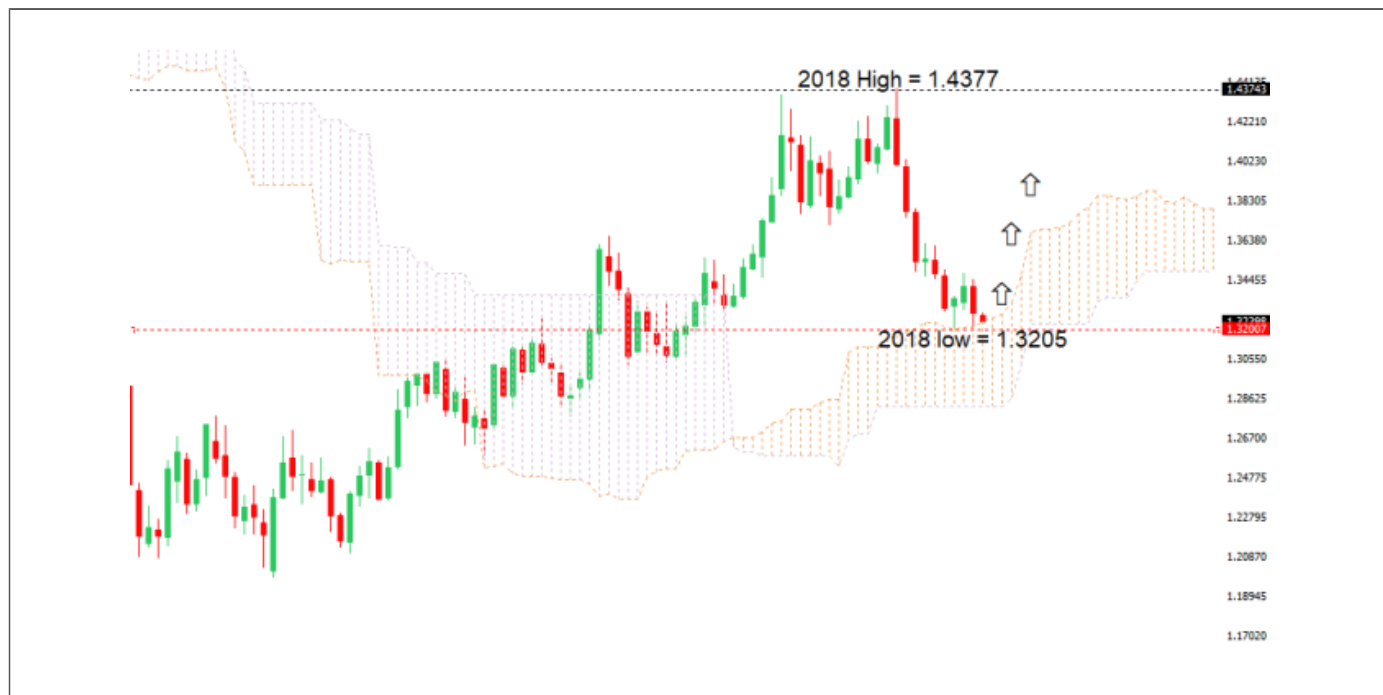
Tuesday's economic calendar features the Eurozone current account and construction output, another Draghi appearance from the Sintra forum and US data in the form of housing starts, building permits. The market continues to digest the implications from last week's dovish ECB takeaways and will be wanting more colour from the ECB President today. Meanwhile, Germany's coalition government has been making headlines with Merkel reportedly accepting a two week deadline to strike an EU deal on migrants.

## EURUSD – Technical charts in detail

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## GBPUSD – technical overview

Overall, the structure remains constructive on a medium to longer term basis, despite a recent round of intense setbacks. The market will look to hold up above the weekly Ichimoku cloud and a higher low is sought out for a bullish continuation. Ultimately, only a sustained break back below 1.3000 would force a rethink, while a continued recovery and push back above 1.3475 will strengthen the constructive outlook.



- R2 1.3390 – 13Jun high – Strong
- R1 1.3299 – 15Jun high – Medium
- S1 1.3212– 15Jun low – Medium
- S2 1.3205 – 29Jun/2018 low – Strong

## GBPUSD – fundamental overview

The latest round of Sterling declines have been more a function of broad based US Dollar weakness in the aftermath of last Thursday’s ECB communication. UK data was actually a bright spot in the latter half of last week, after employment data was solid and retail sales came in well above forecast. Absence of first tier data out of the UK on Tuesday will put the focus on Brexit related updates as PM May tries to push forward with a transition plan her government can get behind. Later in the day, we get US data in the form of housing starts and building permits.

## GBPUSD – Technical charts in detail

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## USDJPY – technical overview

Rallies continue to be very well capped in the major pair, with the medium-term outlook still favouring lower tops and lower lows. A recent topside failure resulting in a bearish outside week has strengthened the outlook, which may have set the stage for a drop back down to retest the 2018 low in the 104s. A break back above 111.40 would now be required to take the pressure off the downside.



- R2 110.91 – 15Jun high – Strong
- R1 110.31 – 18Jun low – Medium
- S1 109.50 – Mid-Figure – Medium
- S2 109.20 – 8Jun low – Strong

## USDJPY – fundamental overview

Overall, the major pair is still very much correlated to risk sentiment. Escalating tension around global trade wars on the back of US protectionism is something that has triggered a reduction in risk appetite, opening renewed downside pressure in USDJPY. Looking ahead it's a light calendar for the remainder of the day, with only US housing starts and building permits standing out.

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## EURCHF – technical overview

The market is working off an intense round of setbacks resulting in extended studies and a fresh 2018 low. Overall however, the rate has been trending higher and only a sustained break back below this recently established yearly low in the 1.1300s would suggest otherwise. Looking for a daily close back above 1.1641 to strengthen the outlook.



- R2 1.1700 – Figure – Strong
- R1 1.1658 – 11Jun high – Medium
- S1 1.1508 – 5Jun low – Medium
- S2 1.1369 – 29May/2018 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. 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 2018, will likely invite a very large wave of demand for the Franc, which will put the SNB in a more challenging position to prevent appreciation in the Franc. Last week’s ECB decision has added additional strain on the SNB, given the profit taking on Euro long exposure in the aftermath.

## AUDUSD – technical overview

Overall, it's been a sequence of lower tops and lower lows on the daily chart, with setbacks extending below the 0.7500 barrier and exposing a retest of the 2017 low at 0.7330 further down. Any rallies are classified as corrective in search of the next lower top for bearish continuation, with only a break back above 0.7680 to take the immediate pressure off the downside.



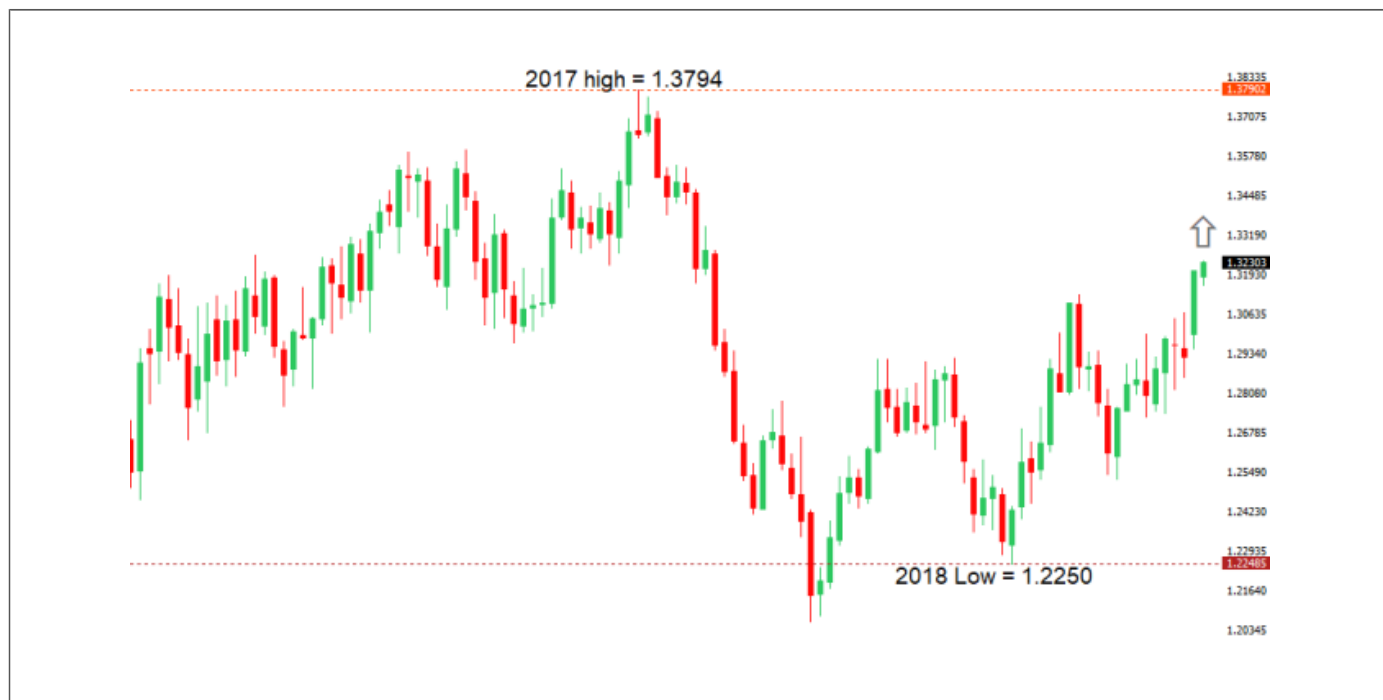
- R2 0.7530 – 13Jun high – Strong
- R1 0.7455 – 18Jun high – Medium
- S1 0.7350 – Mid Figure – Medium
- S2 0.7330 – 2017 low – Strong

## AUDUSD – fundamental overview

The Australian Dollar has been hit hard over the past several days, sinking to fresh 2018 lows. Last week's softer employment data exposed the currency some more, before Thursday's bold ECB move then inspired a massive broad based wave of US Dollar demand. The risk correlated currency is also staring at a less stable risk outlook, with the prospect of intensified global trade wars seen as a drag. US-China relations will therefore be monitored closely this week, given Aussie's correlation with the China market. Tuesday's higher Aussie house price index and the release of the well telegraphed RBA Minutes haven't factored into price action. Looking ahead, the calendar is light, with only US housing starts and building permits standing out.

## USDCAD – technical overview

Overall, there are signs of basing with the market breaking to fresh 2018 highs after months of downside pressure. Look for any setbacks to now be well supported ahead of 1.2700, in favour of the next major upside extension through towards 1.3500. Ultimately, a break back below 1.2730 would negate the medium term constructive outlook.



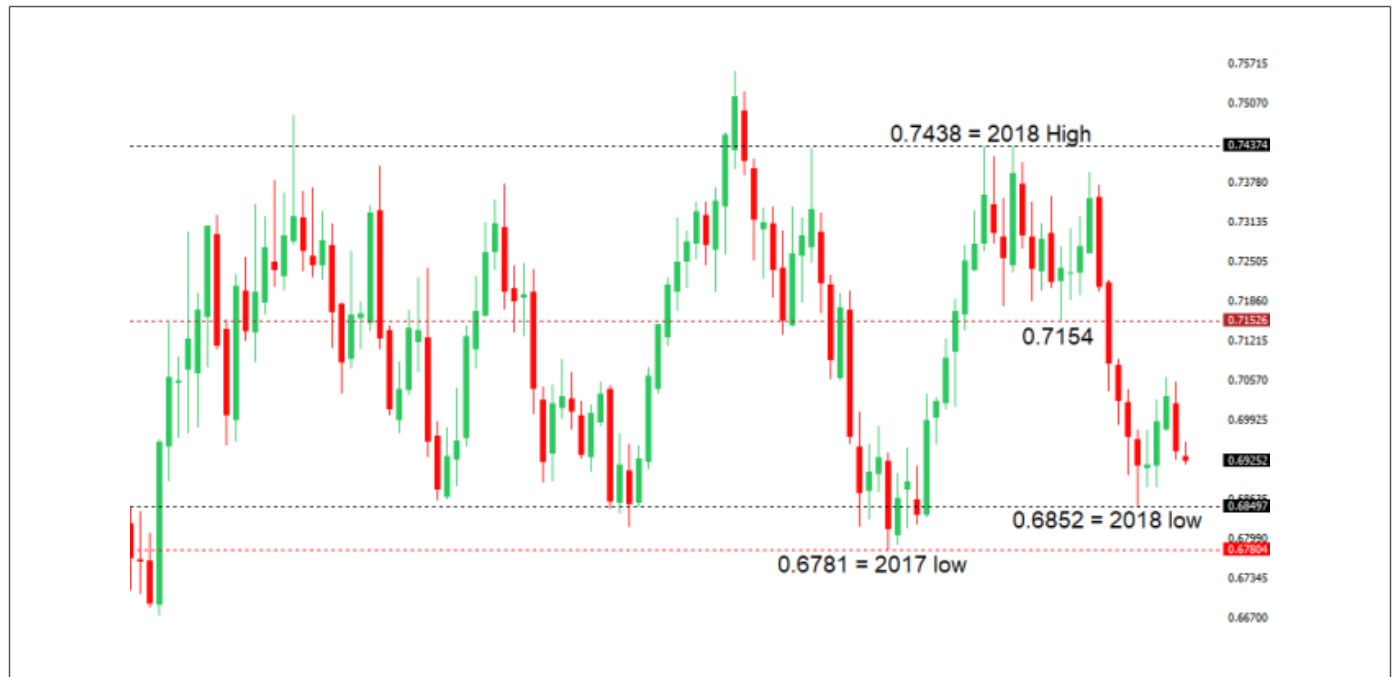
- R2 1.3309 – 23Jun 2017 high – Strong
- R1 1.3238 – 18Jun 2018 high – Medium
- S1 1.3094 – 15Jun low – Medium
- S2 1.2950 – 14Jun low – Strong

## USDCAD – fundamental overview

The Canadian Dollar has extended its 2018 slide, which had accelerated after last weeks ECB decision in which the central bank sent a message to the US administration that it would not be willing to absorb USD weakness on account of the US administration’s protectionism. In the lead up to the ECB, the Loonie was already under a lot of pressure following the tension surrounding the latest US tariff announcements and fate of NAFTA. Looking ahead, the Canadian Dollar will continue to focus on all things trade wars, while also watching US housing starts and building permits.

## NZDUSD – technical overview

The market is in the process of turning up after trading down to a fresh 2018 low. But any rallies are now expected to be very well capped ahead of 0.7200, with only a break back above the barrier to negate the bearish outlook.



- R2 0.7097 – 27Apr high – Strong
- R1 0.7061 – 6Jun high – Medium
- S1 0.6921 – 18Jun low – Strong
- S2 0.6900 – Figure – Medium

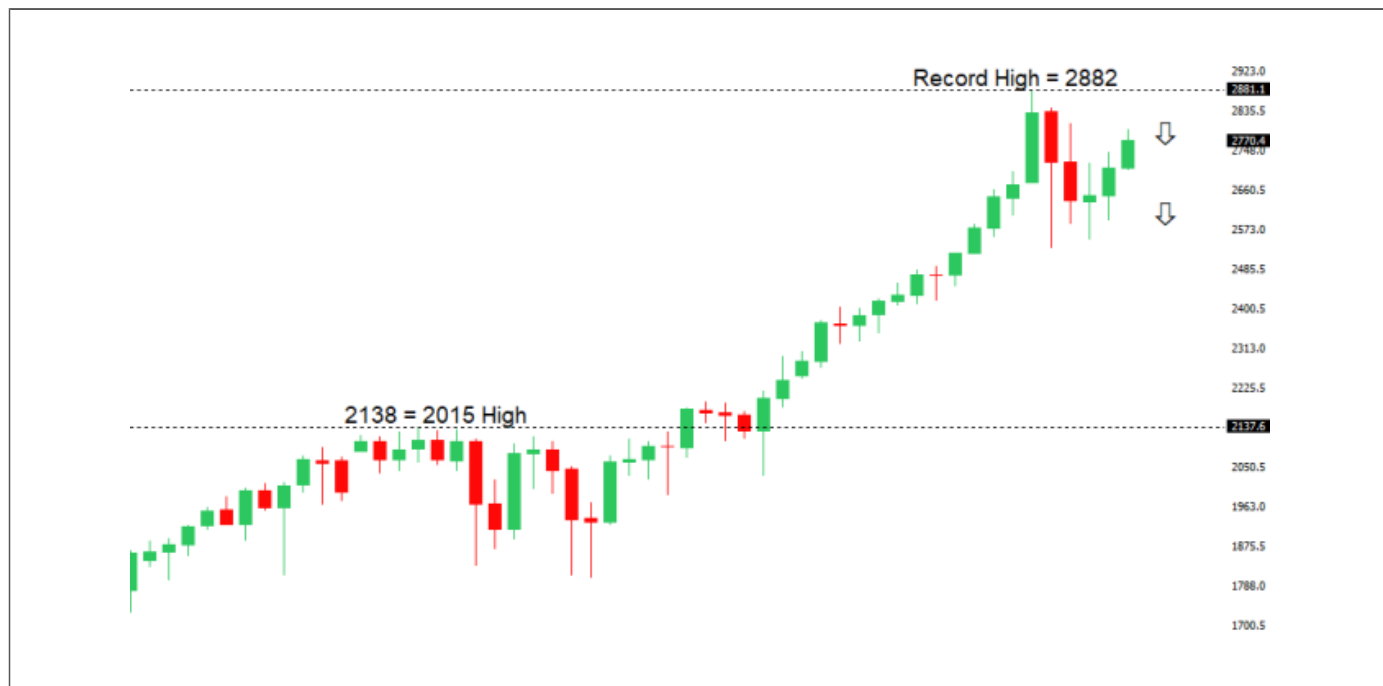
## NZDUSD – fundamental overview

The New Zealand Dollar has actually held up surprisingly well of late, when considering this latest surge in US Dollar demand in the aftermath of the ECB decision and an outlook for the Kiwi rate that has already been decidedly less rosy. The RBNZ has pushed back its timeline for rate hikes, while Governor Orr has also welcomed New Zealand Dollar weakness. The RBNZ also released a paper in May outlining its willingness to consider a more dovish course. The one supportive driver in 2018 has been healthy investor risk appetite, with US equities still sitting just off record highs, though the market is looking increasingly vulnerable as global trade war tension heats up. Looking ahead, the calendar is light, with only US housing starts and building permits standing out.



## US SPX 500 – technical overview

A market that has been extended on the monthly chart is finally showing signs of stalling out 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 2140.



- R2 2807 – 13Mar high – Strong
- R1 2800 – Psychological – Medium
- S1 2704 – 15May low – Medium
- S2 2656 – 8May low – Strong

## US SPX 500 – fundamental overview

Despite ongoing demand that has the market just off record highs, investor immunity to downside risk is not looking as strong these days and there’s a clear tension in the air. The combination of Fed policy normalisation (four rate hikes now signaled in 2018), US protectionism, geopolitical tension and unnervingly high levels of share buybacks are all warning of a possible capitulation ahead. The Fed has also finally acknowledged inflation no longer running below target, something that makes equity market valuations far less attractive at current levels, given the implication this could have 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.

## 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 1323 – 10May high – Strong
- R1 1310 – 14Jun high – Medium
- S1 1275 – 15Jun/2018 low – Medium
- S2 1250 – Psychological – Strong

## GOLD (SPOT) – fundamental overview

Despite a perplexing Friday decline, there continues to be solid demand from medium and longer-term accounts, 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

The overall pressure remains on the downside and a break back above 10,000 will be required at a minimum to alleviate this pressure. Still, the market is working hard to hold up above the yearly low from February into this latest drop to keep the possibility open for higher base off the yearly low and renewed upside momentum.



- R2 7,770 – 3Jun high – Strong
- R1 7,040 – 29May low – Medium
- S1 6,100 – 13Jun low – Strong
- S2 6,000 – 6Feb/2018 low – Very Strong

## BTCUSD – fundamental overview

Bitcoin has managed to hold up above the 2018 low for now, after benefitting from the run up in Eth on the positive news out from the SEC last week. But overall, the cryptocurrency has been under pressure in 2018, with ramped up regulatory oversight and 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 still a major drawback, even with the Lightning network making some progress on this front. Still overall, while Bitcoin may be exposed against the US Dollar and other fiat, its store of value lure should continue to make it highly attractive within the crypto space.

## BTCUSD – Technical charts in detail

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## ETHUSD – technical overview

The market remains under pressure after being unable to hold back above the daily Ichimoku cloud, leaving the downtrend firmly intact. While the price holds below the cloud, there is scope for deeper setbacks back towards a retest and possible break of the 2018 low. Back above 630 will be required at a minimum, to take the immediate pressure off the downside.



- R2 838 – 6May high – Strong
- R1 630 – 3Jun high – Medium
- S1 450 – 13Jun low– Strong
- S2 400 – Psychological – Strong

## ETHUSD – fundamental overview

A nice boost for the price of Ether after an SEC official was on the wires last week saying “current offers and sales of Ether are not securities transactions,” though the market may not want to get too excited just yet given his use of the word ‘current.’ Overall, we would not rule out risk for deeper setbacks given ongoing regulatory oversight and a global macro backdrop that would seemingly expose risk correlated projects on the Ethereum blockchain. Monetary policy normalization and an anticipated reduction in global risk appetite could put a tremendous strain on ERC20 projects that have yet to even produce proper use cases and proof of concept.



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