

Tuesday, September 19, 2017

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Global FX Insights

by LMAX Exchange Research & Analytics

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

A Lot of Work to Gain Little Ground [Wake-up Call](#)

Another quiet economic calendar day ahead for the market, with most out there fine to sit back ahead of tomorrow's FOMC decision. The US Dollar has been trying to gain momentum in recent days, but it feels like the Buck is fighting really hard to only move a little bit.

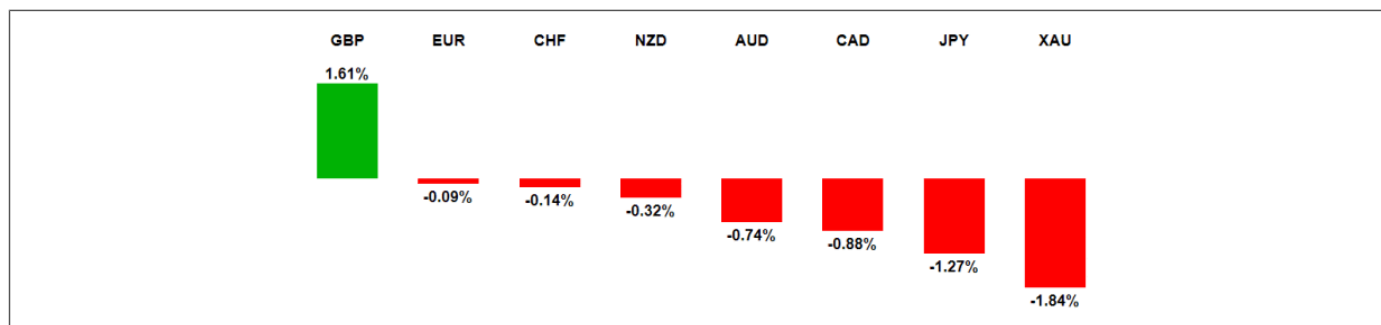
Technical highlights [Daily Video](#)

- **EURUSD** Holding off on next move
- **GBPUSD** Setbacks to be supported
- **USDJPY** Above 111 exposes 115
- **EURCHF** Bullish consolidation
- **AUDUSD** Well capped above 0.8000
- **USDCAD** Possible correction
- **NZDUSD** Deeper setbacks ahead
- **US SPX 500** Can't be stopped
- **GOLD** (spot) Looking for higher low
- **Feature** – USDZAR Eyes range high

Fundamental highlights

- **EURUSD** German ZEW survey stands out Tuesday
- **GBPUSD** BOE Carney not as excited about rate hikes
- **USDJPY** Japan returns from Monday holiday
- **EURCHF** SNB strategy gets a lot of help from stocks
- **AUDUSD** RBA Minutes err on the side of caution
- **USDCAD** BoC Lane warns about future rate hikes
- **NZDUSD** Kiwi to take in latest GDT auction results
- **US SPX 500** Investors look ahead to FOMC decision
- **GOLD** (spot) Dealers reporting demand on dips
- **Feature** – USDZAR Calls for 50bp SARB cut

Five day performance v. US dollar



Suggested reading

- **Helicopter Parenting the Rmb**, J. Hughes, Financial Times (September 18, 2017)
- **Assessing Yellen's Far Reaching Impact**, G. Torres, Bloomberg (September 18, 2017)

EURUSD – technical overview

The market is trading just off a fresh 2017 and +2.5 year high, with the uptrend firmly intact. However, in recent days, there have been signs of exhaustion. Weekly studies are in overbought territory and there's scope for the onset of a healthy corrective decline to allow for stretched studies to unwind. Still, we would need to see a daily close back below 1.1824 at a minimum to strengthen this outlook. Until then, the focus remains on the topside and on the possibility for another round of gains up towards a measured move in the 1.2300 area.



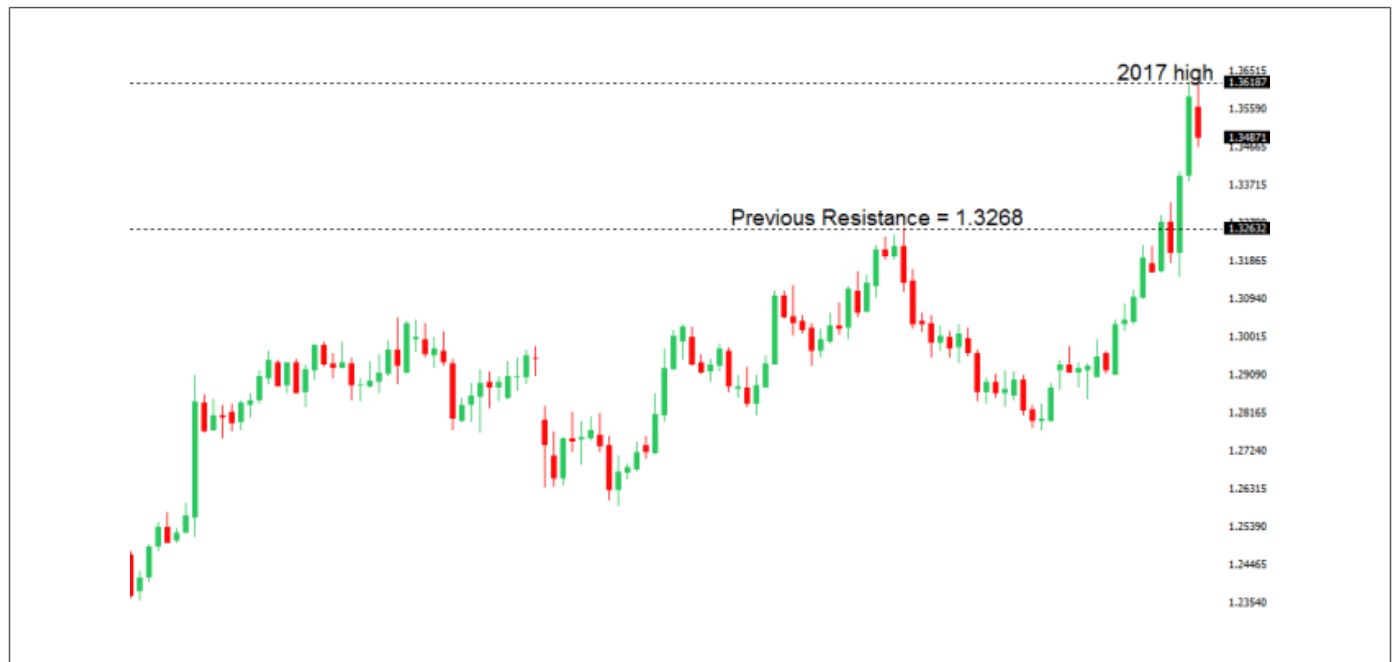
- R2 1.2093 – 8Sep/2017 high – Strong
- R1 1.1996 – 13Sep high – Medium
- S1 1.1839 – 14Sep low – Medium
- S2 1.1824 – 25Aug low – Strong

EURUSD – fundamental overview

All continues to be quiet on the Euro front, with a light economic calendar and pre-FOMC positioning keeping the market in a subdued state. The key standouts on today's calendar are German and Eurozone ZEW surveys along with US housing starts. Overall, the Euro has been well supported in 2017 on the back of yield differentials that have moved in the single currency's favour as the market anticipates ECB tapering on the horizon. Other things to pay attention to on Tuesday include President Trump in Qatar, GOP last ditch attempts to repeal Obamacare and US trade rhetoric on China.

GBPUSD – technical overview

The rally in this market has been impressive since it broke out above critical resistance at 1.2775 earlier this year. The breakout suggested the major pair had put in a longer term base and was in the process of turning back up, with an initial objective around 1.3500. That objective has now been met and exceeded, leaving daily studies quite stretched and at risk of rolling over. This also sets up risk for a short term pullback in the sessions ahead, though setbacks should be well supported on dips into the 1.3000 area in favour of a continuation of the newly established uptrend which now will be focused on 1.4000-1.4500.



- R2 1.3836– February 2016 low – Strong
- R1 1.3619 – 18Sep/2017 high – Medium
- S1 1.3400 – Figure – Medium
- S2 1.3382 – 15Sep low – Strong

GBPUSD – fundamental overview

On Monday, the Pound retreated from its 2017 high, with setbacks coming from some broad Dollar demand and BOE Carney comments that partnered the central banker’s hawkishness with reluctance and reservation. Carney talked about the need for rate hikes in order to keep up with the global equilibrium. But overall, the Pound continues to be a major outperformer in FX over the past week, with the BOE seemingly on track for a faster move to rate hikes than many had been expecting. Looking ahead, the economic calendar is quiet, with only US housing starts standing out. The market will also start to position ahead of tomorrow’s FOMC decision. Other things to pay attention to on Tuesday include President Trump in Qatar, GOP last ditch attempts to repeal Obamacare and US trade rhetoric on China.

USDJPY – technical overview

The market has seen an impressive recovery out from a recent 2017 low at 107.32. This sets up the possibility for a bullish shift and run up towards multi-day range resistance in the 115.00 area. However, the market will need to establish above 111.00 in the sessions ahead to strengthen this outlook. Until then, there is still risk for another bearish break and retest back down towards and below the 2017 low in the 107.00s.



- R2 112.20 – 26Jul high – Strong
- R1 112.00 – Figure – Medium
- S1 111.00 – Previous Resistance – Medium
- S2 109.55 – 15Sep low – Strong

USDJPY – fundamental overview

Japan come back from holiday to find the Yen under more pressure. Overall, the major pair continues to track along with traditional correlations. The combination of an equity market back at record highs and some renewed demand for the US Dollar, have really helped to bolster the major pair over the past week. Looking ahead, the economic calendar is quiet, with only US housing starts standing out. The market will also start to position ahead of tomorrow’s FOMC decision. Other things to pay attention to on Tuesday include President Trump in Qatar, GOP last ditch attempts to repeal Obamacare and US trade rhetoric on China.

EURCHF – technical overview

The market recently pushed up to a fresh 2017 and multi-month high through massive resistance in the form of the 2016 peak at 1.1200, taking the rate above 1.1500 and to its highest level since the collapse of January 2015. However, medium-term studies are unwinding from extended readings, warning of an additional consolidation before the market considers a higher low and resumption of gains through 1.1539 and towards 1.2000.



- R2 1.1539 – 4Aug/2017 high – Strong
- R1 1.1500 – Psychological – Medium
- S1 1.1362 – 8Sep low – Medium
- S2 1.1260 – 18Aug low – Strong

EURCHF – fundamental overview

The SNB kept with its general policy line when it met last week and there were no major waves from the event risk. The one notable exception was the language relating to the strength of the Franc, with the SNB viewing the Franc as “highly valued” rather than significantly overvalued. This was a downgrade to the level of concern over the currency’s strength, but again, not much of a reaction. Overall, the sell-off in the Franc in 2017 has been a welcome development for the SNB. Still, the central bank will need to be careful as the record run in the US stock market has been a big boost to the SNB’s strategy. Any signs of capitulation on that front, will likely invite a very large wave of demand for the Franc, which could put the SNB in a more challenging position to weaken the Franc.

AUDUSD – technical overview

Despite rallying to a fresh +2 year high the other week, the market has been unable to hold onto gains, quickly reversing course and trading back below 0.8000. There is now risk for the formation of a more meaningful top. This would be confirmed if setbacks extend back below what looks to be neckline support at 0.7808. Back above 0.8126 would negate and keep the pressure on the topside.



- R2 0.8126 – 8Sep/2017 high – Strong
- R1 0.8036 – 15Sep high – Medium
- S1 0.7922 – 1Sep low – Medium
- S2 0.7867 – 24Aug low – Strong

AUDUSD – fundamental overview

Aussie was pressured lower on Monday as the US Dollar tried to gain some momentum across the board. A sharp pullback in the price of GOLD also weighed on the commodity currency. Earlier today, the RBA released its latest Minutes, though we didn't get anything new, with the central bank echoing its cautious and nearly balanced tone. We say nearly because the central bank is definitely sounding more concerned about high indebtedness, low wage growth and inflation, external risks and an Australian Dollar that is too strong. Looking ahead, the economic calendar is quiet, with only US housing starts standing out. The market will also start to position ahead of tomorrow's FOMC decision. Other things to pay attention to on Tuesday include President Trump in Qatar, GOP last ditch attempts to repeal Obamacare and US trade rhetoric on China.

USDCAD – technical overview

Despite this latest intense breakdown to a fresh 2017 and +2 year low, stretched medium-term technical studies continue to warn of the possibility for a significant bullish reversal to allow for these studies to unwind. But right now, the market would need to break back above 1.2415 to really encourage this prospect.



- R2 1.2415 – 6Sep high – Strong
- R1 1.2336 – 5Sep low– Medium
- S1 1.2131– 13Sep low – Medium
- S2 1.2062 – 8Sep/2017 low – Strong

USDCAD – fundamental overview

Bank of Canada deputy governor Lane may have helped contribute to this latest run of Canadian Dollar declines after the central banker spoke on Monday. While Lane was supportive of the BoC’s recent moves to hike rates, he also expressed reservation and warned that any future decisions would be data dependent. The market has been buying Canadian Dollars aggressively in 2017 on what has been a dramatic turnaround in the BoC outlook, though it feels like a lot of this has now been priced in, leaving room for some correction and profit taking ahead of tomorrow’s FOMC. As far as today goes, we get Canada manufacturing shipments and US housing starts. Other things to pay attention to on Tuesday include President Trump in Qatar, GOP last ditch attempts to repeal Obamacare and US trade rhetoric on China.

NZDUSD – technical overview

Medium term studies have turned down after the market pushed up to a plus two year high through 0.7500 in late July. A recent break below 0.7200 warns of the possibility for a more meaningful reversal, that could be setting the stage for a drop all the way back down towards the 2017 low in the 0.6800s. From here, look for any rallies to be well capped below 0.7400 on a daily close basis in favour of the next downside extension towards the psychological barrier at 0.7000.



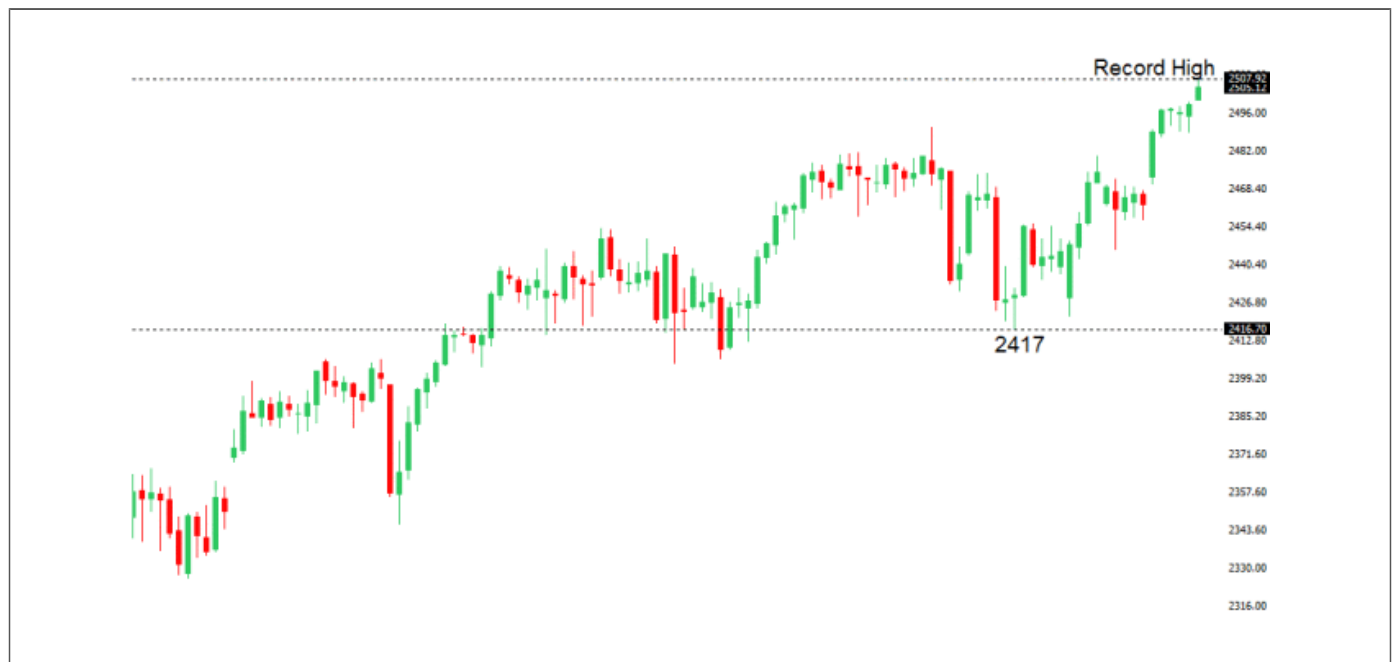
- R2 0.7344 – 18Sep high – Strong
- R1 0.7300 –Figure – Medium
- S1 0.7183 – 14Sep low – Medium
- S2 0.7132 – 31Aug low– Strong

NZDUSD – fundamental overview

Overall, the Kiwi outlook is less encouraging right now, as there have been too many negative drivers for the market to ignore, which should continue to inspire offers into rallies. New Zealand government growth and budget cuts, discouraging economic data and lingering uncertainty around the upcoming election continue to weigh. The only saving grace for the Kiwi rate in 2017 has been the intense distaste for US Dollar. But even here, we are starting to see some demand for the Buck on US tax reform expectation and hotter US CPI. Looking ahead, we get the always watched GDT auction results and US housing starts. The market will also start to position ahead of tomorrow’s FOMC decision. Other things to pay attention to on Tuesday include President Trump in Qatar, GOP last ditch attempts to repeal Obamacare and US trade rhetoric on China.

US SPX 500 – technical overview

The market continues to shrug off overextended longer term technical readings, once again pushing up to fresh record highs. The latest break now opens the door for the possibility of a measured move upside extension into the 2550 area. At this point, it would take a clear break back below 2417 at a minimum to take the pressure off the topside and suggest we could finally be seeing the onset of a bearish structural shift.



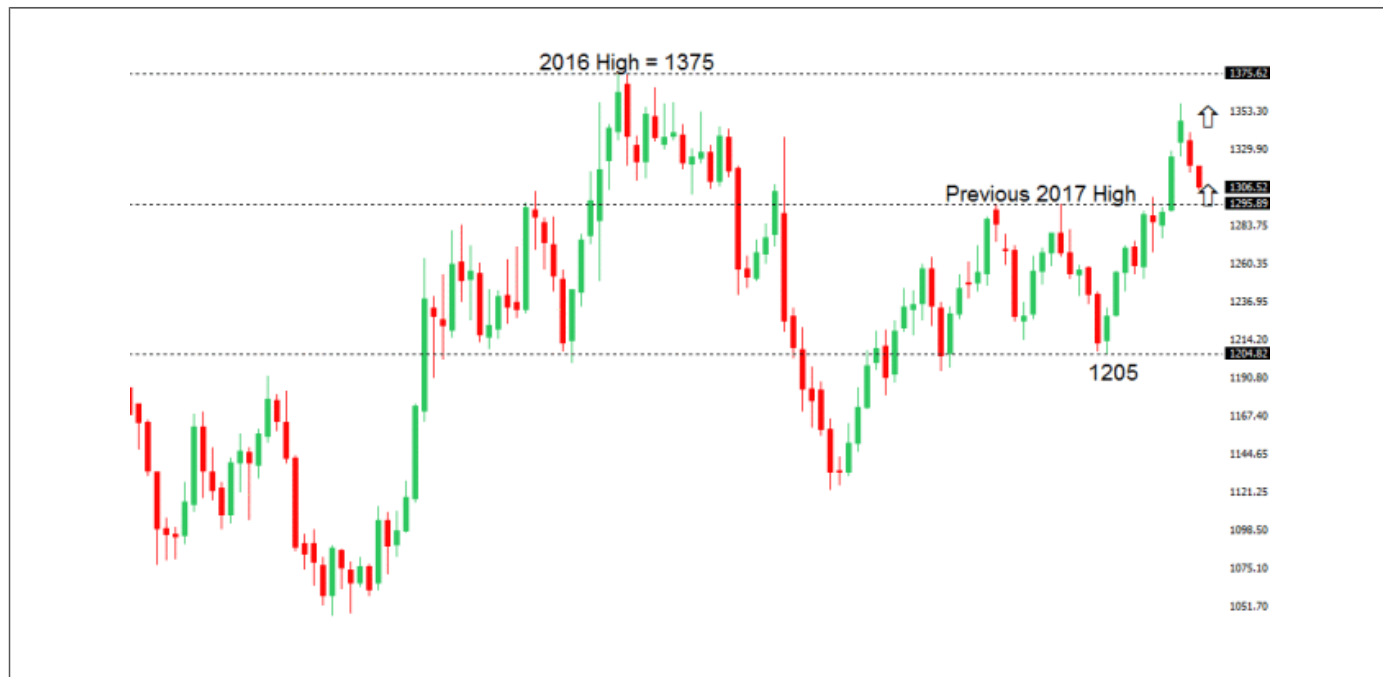
- R2 2550.00 – Psychological – Strong
- R1 2507.00 – 18Sep/Record high – Strong
- S1 2446.00 – 5Sep low – Strong
- S2 2417.00 – 21Aug low – Very Strong

US SPX 500 – fundamental overview

The US equity market continues to be well supported on dips, pushing further into record high territory. It seems the combination of blind momentum, diminished geopolitical risk and expectation of favourable tax reform are helping to keep the move going into this week. But at the same time, there is a nervous tension out there as the VIX sits at unnervingly depressed levels. The fact that Fed policy is normalising, however slow, could start to resonate a little more, with stimulus efforts exhausted, wage growth still subdued, balance sheet reduction coming into play and another rate hike still on the cards this year. But for now, it's more of the same. It will take a breakdown in this market back below 2400 to turn heads. Today's calendar is light but the market will be thinking about tomorrow's FOMC decision.

GOLD (SPOT) – technical overview

Setbacks have been well supported, with the latest surge to fresh 2017 highs through 1300 setting the stage for a bullish continuation to the 2016 peak at 1375 further up. A higher low is now in place around 1265 and only back below this level would offset this latest wave of bullish momentum.



- R2 1375.00 – 2016 high – Very Strong
- R1 1357.50 – 5Sep/2017 high – Strong
- S1 1298.90 – 31Aug low – Medium
- S2 1276.30 – 25Aug low – Strong

GOLD (SPOT) – fundamental overview

Solid demand from medium and longer-term players continues to emerge on dips, 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 in 2017 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. Dealers are now reporting demand in size ahead of 1260.

Feature – technical overview

USDZAR has been confined to a consolidation over the past several months, with the market unwilling to establish any new directional bias at the moment. In the interim, rallies are expected to be well capped towards 13.71, while dips should be supported towards 12.55. We have recently seen a bounce out from the range lows, which could open the door for a bigger recovery back towards the 13.71 range high in the days ahead. But only a clear break above 13.71 or back below 12.55 would force a shift in the structure.



- R2 13.54 – 9Aug high – Strong
- R1 13.30 – 16Sep high – Medium
- S1 12.74 – 6Sep low – Medium
- S2 12.55 – 14Jun low – Strong

Feature – fundamental overview

The Rand has been struggling of late and is coming off a week of poor performance on the back of ongoing tension on the political front as President Zuma is incapable of escaping controversy. This has made the Rand one of the least attractive emerging market currencies out there, at a time when many are buying back into the group. The strained political environment has also had some out there calling for 50bps of rate cuts when the SARB meets later this week. The consensus at the moment is for a 25bp reduction. Meanwhile, we have seen demand for the US Dollar after last week’s US CPI came in hot and the market grew more optimistic about US tax reform. Looking ahead, the market will be positioning into upcoming FOMC and SARB risk.



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