

# Global FX Insights

by LMAX Exchange Research & Analytics

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

## Bigger Picture Stories Over Economic Data [Wake-up Call](#)

There's plenty of economic data out today, with Thursday the most active day of the week in this regard. But as has been the case in recent weeks, it's unlikely any of this data has much impact on price action. Instead, the market will continue to focus on bigger picture stories.

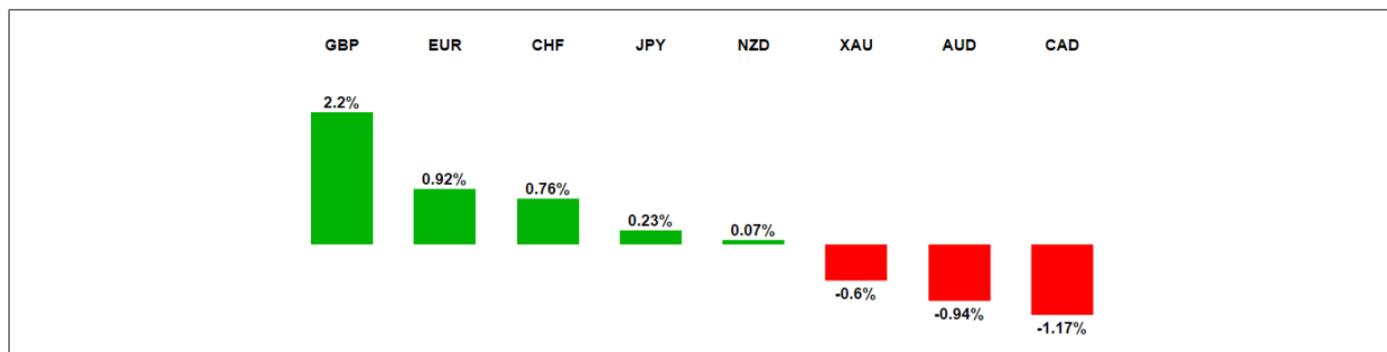
### Technical highlights [Daily Video](#)

- **EURUSD** Still between key levels
- **GBPUSD** Contemplating next move
- **USDJPY** Poised for deeper drop
- **EURCHF** Downtrend firmly intact
- **AUDUSD** Considers fresh downside
- **USDCAD** Back to multi-day highs
- **NZDUSD** Struggles into rallies
- **US SPX 500** Bullish above 2320
- **GOLD** (spot) Supported in dips
- **Feature** – USDTRY Sideways chop

### Fundamental highlights

- **EURUSD** Euro to be more cautious into weekend
- **GBPUSD** BOE Governor Carney on the wires today
- **USDJPY** LDP officials looking for QQE exit clarity
- **EURCHF** Risk liquidation poses big threat to SNB
- **AUDUSD** No waves from NAB business confidence
- **USDCAD** OIL volatility dictating Loonie's fate
- **NZDUSD** Kiwi gets another lift from hotter CPI
- **US SPX 500** Investor caution starting to creep in
- **GOLD** (spot) USD decline adds to hard asset bid
- **Feature** – USDTRY Political risk v. economic stability

## Five day performance v. US dollar



## Suggested reading

- **We'll Know Soon What Brexit Really Means**, L. Laurent, Bloomberg (April 19, 2017)
- **The End of the Chinese Miracle**, J. Anderlini, Financial Times (March 8, 2017)

## EURUSD – technical overview

Inability to establish above resistance at 1.0875 several days back has kept the pressure on the downside, with the market stalling out into medium-term range resistance and rolling back over. While this could be a minor setback ahead of the next upside extension, it could also be the start to a resumption of the broader downtrend. At this point, a break back above 1.0900 or below 1.0500 will be required for clearer directional insight.



- R2 1.0770 – 30Mar high – Strong
- R1 1.0737 – 19Apr high – Medium
- S1 1.0678 – 13Apr high – Medium
- S2 1.0570 – 10Apr low – Strong

## EURUSD – fundamental overview

The Euro paused for some rest in Wednesday trade, perhaps not wanting to get too ahead of itself into the weekend French election risk. There is the possibility that centrist Macron doesn't make it into the second round which would be a major strain on the single currency. Meanwhile, the US Treasury Secretary denied claims the President was trying to talk down the Buck, offering another reason for Euro longs to proceed with caution. As far as today's docket goes, we get German producer prices, Eurozone construction output, US initial jobless claims, the Philly Fed, Eurozone consumer confidence and US leading indicators. But economic data has taken a backseat of late. Another appearance from the US Treasury Secretary, any headlines relating to the weekend election and broader macro themes will generate more attention.

## GBPUSD – technical overview

This latest break back above the December 2016 peak is a significant development as it potentially ends a period of bearish consolidation, warning of the formation of a more meaningful longer-term base. Still, it will be interesting to see how the market responds above 1.2775 and if it can hold above the level in the sessions ahead. If the market holds above 1.2775 in the sessions ahead, it could pave the way for the next major upside extension into the 1.3500 area. If the market is unable to hold above 1.2775 it will suggest a false break and could open renewed downside. In the interim, key levels to watch above and below come in at 1.3000 and 1.2616 respectively.



- R2 1.3000 – Psychological – Strong
- R1 1.2907 – 18Apr/2017 high – Medium
- S1 1.2775 – Previous Peak – Medium
- S2 1.2616 – 27Mar high – Strong

## GBPUSD – fundamental overview

The Pound has held up exceptionally well since breaking through major resistance earlier this week on the news of the June 8th UK election. The market is feeling really good about the prospect the election will result in a stronger, more cohesive government for the PM, which ultimately, will help to make the Brexit negotiation process much smoother. Of course, there is still uncertainty associated with the election and with the Brexit negotiations that should keep the Pound from wanting to run too far and fast, but this week's breakout could reflect the beginnings of a shift in longer term sentiment, with any Sterling setbacks viewed more favourably as a buying opportunity rather than the start to another collapse. Looking ahead, appearances from BOE Carney and the US Treasury Secretary will be watched closely, along with broader macro themes associated with global sentiment. On the data front, we get US initial jobless claims, the Philly Fed and US leading indicators.

## USDJPY – technical overview

The recent break of a multi-week range low at 111.60 marked an end to a 400 point bearish consolidation that has now opened this next major downside extension towards a 400 point measured move that targets 107.60 in the sessions ahead. Look for any rallies to be well capped ahead of 110.00, while ultimately, only a daily close back above 112.20 would take the immediate pressure off the downside.



- R2 109.87 – 12Apr high – Strong
- R1 109.22 – 18Apr high – Medium
- S1 108.13 – 17Apr/2017 low – Medium
- S2 107.60 – Measured Move – Strong

## USDJPY – fundamental overview

The news of the US armada on the move, seemingly very ready to move closer towards North Korea, is something easily capable of escalating tension on the geopolitical front and also something that could open the door for a more intensified round of risk liquidation. At this point, there has been no escalation but any signs of distress on this front will likely invite more downside in the major pair as the Yen benefits from the risk off flow. Of course, with the US Dollar also under pressure on a broad scale basis, this only adds to risk for Yen appreciation. Meanwhile, on the local front, calls from the LDP for a BOJ explanation of its QQE exit strategy are also getting some attention, with these officials concerned about BOJ liabilities offsetting assets in an exit. Looking ahead, another US Treasury Secretary appearance will be watched closely, along with broader macro themes associated with global sentiment. On the data front, we get US initial jobless claims, the Philly Fed and US leading indicators.

## EURCHF – technical overview

Rallies continue to be very well capped, with the market adhering to a broader downtrend of lower tops and lower lows. The most recent rally has stalled at 1.0826 where a fresh lower top is now sought ahead of the next major downside extension below the 2016 base at 1.0624 and towards 1.0400 further down. Only back above 1.0826 delays the bearish outlook.



- R2 1.0826 – 13Mar/2017 high – Strong
- R1 1.0764 – 21Mar high – Medium
- S1 1.0650 – Mid-Figure – Medium
- S2 1.0624 – 24Jun/2016 low – Strong

## EURCHF – fundamental overview

The SNB is in a quiet battle with the market, forced to contend with an ongoing wave of demand for the Swiss Franc in a less certain global environment, especially with the weapon of monetary policy worn down. The central bank has been committed to its mandate of ensuring the Franc does not appreciate further. But despite all efforts, the Franc continues to want to appreciate. It seems the central bank's strategy has been to sell Francs when risk comes off and to do nothing when risk is back on and natural flows should be CHF bearish. But the trouble is, even with global equities elevated, arguably reflecting appetite for risk, the Franc hasn't been able to weaken all that much. There have been some signs of the SNB perhaps making a little headway on reports of a boost in SNB reserves, but a meaningful pullback in risk markets could easily offset that advantage.

## AUDUSD – technical overview

The impressive rally in 2017 has stalled out into significant medium-term resistance ahead of 0.7800. A recent break back below 0.7600 strengthens the prospect for some form of a top and could open the door for a deeper drop back towards the 0.7000 area in the days ahead. However, the market will need to see a daily close below previous support at 0.7475 to strengthen the bearish outlook. In the interim, any rallies should be well capped below 0.7700.



- R2 0.7611 – 17Apr high – Strong
- R1 0.7563 – 19Apr high – Medium
- S1 0.7475 – 11Apr low – Strong
- S2 0.7400 – Figure – Medium

## AUDUSD – fundamental overview

The Australian Dollar continues to take its hits despite some broad based US Dollar selling this week, with the commodity currency unable to avoid focusing on a more dovish RBA Minutes earlier this week, along with falling iron ore prices and some cross related selling against its Kiwi cousin after New Zealand GDT auction results were solid and New Zealand CPI came in hot. US Treasury Secretary comments there was no strategy to talk down the US Dollar could also keep Aussie capped, while any sign of a reduction in global risk appetite on geopolitical distress could present as yet another negative driver for the risk correlated currency. Earlier today, Aussie NAB business confidence kept pace with it's previous print and hasn't really factored into price action. Looking ahead, another US Treasury Secretary appearance will be watched closely, along with broader macro themes associated with global sentiment. On the data front, we get US initial jobless claims, the Philly Fed and US leading indicators.

## USDCAD – technical overview

The market remains very well supported on dips, with this year’s bounce out from the 1.3000 area warning of a more significant bullish resumption. Any setbacks should now be very well supported above 1.3200 on a daily close basis in favour of an eventual push back through the multi-day peak at 1.3599 and towards 1.4000 further up. Ultimately, only back below the 2017 low at 1.2969 would force a meaningful shift in the structure.



- R2 1.3535 – 9Mar high – Strong
- R1 1.3500 – Psychological – Medium
- S1 1.3400 – Figure – Medium
- S2 1.3375 – 19Apr low – Strong

## USDCAD – fundamental overview

The combination of weakness in the price of OIL, softer commodities in general, and last week’s Governor Poloz comments warning the Bank of Canada could not just follow the US on rates, have been preventing the Loonie from joining in on the party against the US Dollar. Over the past week, the Canadian Dollar has been a clear laggard in the FX market. And into the latter half of the week, another slide in OIL and the US Treasury Secretary’s comment that the administration has no strategy to talk down the Buck could be further contributing to Loonie offers. Looking ahead, absence of first tier data on the Canada calendar will leave the market focused on another US Treasury Secretary appearance, US initial jobless claims, the Philly Fed and US leading indicators.

## NZDUSD – technical overview

The overall pressure remains on the downside with the market expected to be very well capped on rallies. The weekly chart is reflective of this fact as it looks like we’re seeing the formation of a major top off the 2016 high. As such, expect the market to continue to roll over in the days ahead, with setbacks projected towards medium-term support in the 0.6600s. Only back above 0.7400 compromises the outlook.



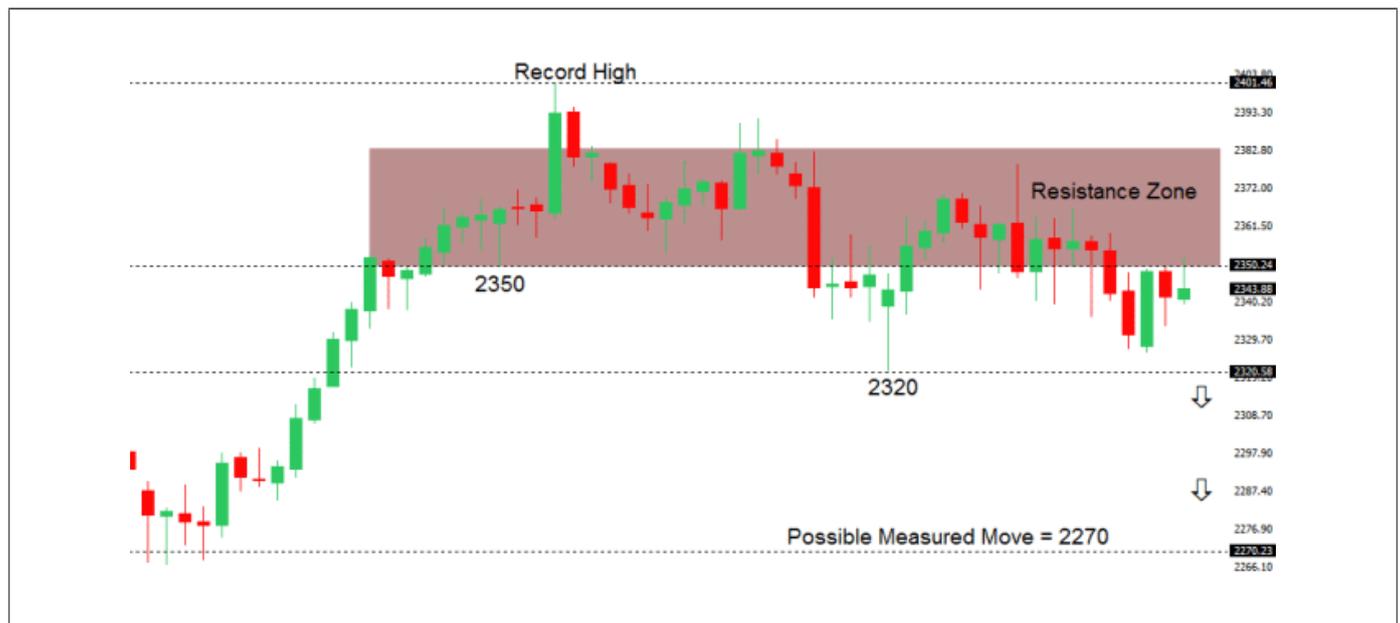
- R2 0.7090 – 21Mar high – Strong
- R1 0.7053 – 19Apr high – Medium
- S1 0.6984 – 17Apr low – Medium
- S2 0.6890 – 9Mar low – Strong

## NZDUSD – fundamental overview

Unlike its commodity currency cousins, the New Zealand Dollar has done a good job holding up this week, despite a slide in commodities and signs of distress in risk markets. The source of the gains comes from positive developments on the local front, with this week’s solid GDT auction result followed up early Thursday with a hotter than expected New Zealand CPI reading. Meanwhile, the wave of broad based US Dollar selling against the major currencies has slowed but hasn’t stopped and Kiwi is also benefiting from the broader US Dollar outflow. Looking ahead, another US Treasury Secretary appearance will be watched closely, along with broader macro themes associated with global sentiment. On the data front, we get US initial jobless claims, the Philly Fed and US leading indicators.

## US SPX 500 – technical overview

An extended run to record highs is finally showing signs of exhaustion in 2017, with the market rolling over, taking out critical short-term support at 2350. This now opens the door for a possible acceleration of declines towards 2270 in the sessions ahead, with a daily close below 2320 to strengthen the outlook for a more significant structural shift. In the interim, rallies should be well capped below 2380.



- R2 2402.00 – 1Mar/Record high – Strong
- R1 2382.00 – 21Mar high – Medium
- S1 2321.00 – 27Mar low – Medium
- S2 2305.00 – 26Jan high – Strong

## US SPX 500 – fundamental overview

Bulls remain in control overall despite recent setbacks, though there have been legitimate cracks at the surface in recent days. This month's Fed Minutes citing equity overvaluation and possible balance sheet shrinkage later this year haven't been stock market positive, while the rise in geopolitical tension and this week's sup-par earnings from Goldman Sachs are only adding to the strain. Furthermore, the market is waking up to the fact that the new US administration's alternative take on diplomacy could make for a less predictable path for equity markets. Stocks will continue to monitor these developments going forward.

## GOLD (SPOT) – technical overview

The market has been very well supported since basing out ahead of 1100 in 2016. This latest break to another yearly high through 1265 strengthens the outlook, confirming the next higher low at 1195, while opening the door for the next major upside extension towards a measured move into the 1335 area. Look for any setbacks to be well supported ahead of 1230, with only a break back below 1195 to compromise the constructive outlook.



- R2 1300.00 – Psychological – Strong
- R1 1295.60 – 17Apr/2017 high – Medium
- S1 1239.75 – 31Mar low – Medium
- S2 1226.95 – 21Mar low – Strong

## GOLD (SPOT) – fundamental overview

Solid demand from medium and longer-term players continues to emerge, with these players more concerned about the limitations of exhausted monetary policy, extended global equities, political uncertainty, systemic risk and geopolitical threats. All of this should continue to keep the commodity in demand, 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. Meanwhile, a bout of US Dollar selling (bullish gold on inverse correlation) has also kicked in as the market gives more serious consideration to US policies that are likely to direct the US Dollar lower despite comments from Treasury Secretary Mnuchin downplaying this possibility.

## Feature – technical overview

USDTRY has been in a period of choppy consolidation since topping out at a fresh record high earlier this year. At this point, the structure continues to favour the topside, with scope still existing for a bullish continuation to yet another record high. At a minimum, a break and close back below 3.5580 would be required to potentially force a shift in the outlook and open the door for a more significant bearish corrective phase.



- R2 3.7880 – 9Mar high – Strong
- R1 3.7510 – 7Apr high – Medium
- S1 3.5580 – 23Feb low – Strong
- S2 3.5000 – Psychological – Strong

## Feature – fundamental overview

The currency market is still taking time to digest the latest result in the Turkish referendum which produced a narrow “Yes” victory for President Erdogan. On the one hand, the result can be viewed as Lira supportive as it reduces political uncertainty which should translate into more stable economic policy. On the other hand, the move to grant an unlimited amount of power to the President could pose risk on the global stability front, which would be viewed as Lira bearish. And so, the Lira has been mostly sideways in the aftermath. Of course, geopolitical risk, the US administration’s protectionist policies and possible vulnerability in global equities are other themes that need to be considered with respect to the outlook for the emerging market currency.



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