

Global FX Insights

by LMAX Exchange Research & Analytics

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

Markets, Poker, Big Hands, Bluffs and All-Ins [Wake-up Call](#)

The economic calendar is pretty thin this week, and for now, most of the attention is on the central banks and where we're headed with this grand monetary policy accommodation experiment that has gone on for so many years now.

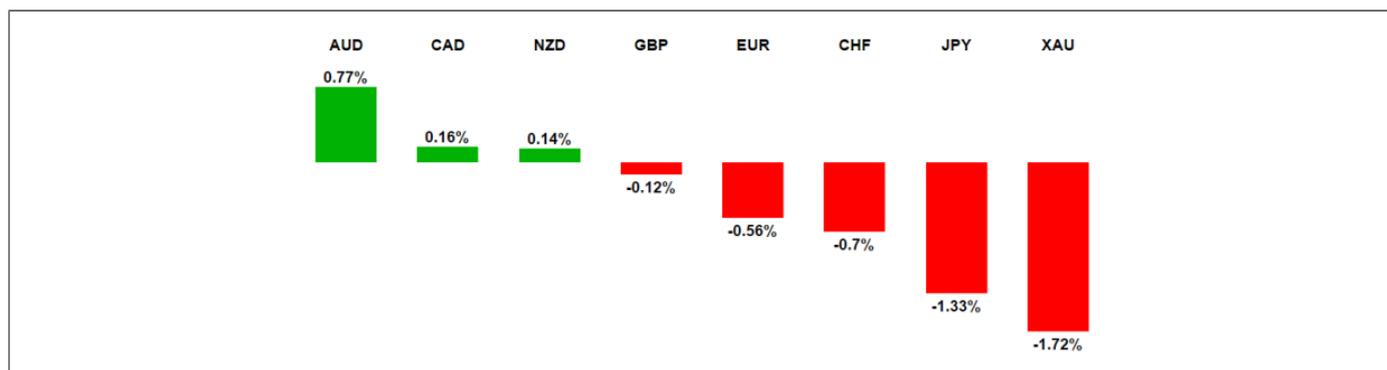
Technical highlights [Daily Video](#)

- **EURUSD** Possible drop to 1.0900s
- **GBPUSD** Room for deeper pullback
- **USDJPY** Downtrend still intact
- **EURCHF** Holding below 1.1000
- **AUDUSD** Runs into resistance zone
- **USDCAD** Looking to turn back up
- **NZDUSD** Close below 0.7200 bearish
- **US SPX 500** On pace for 2480 test
- **GOLD** (spot) Higher low sought out
- **Feature** – USDZAR On the bounce

Fundamental highlights

- **EURUSD** ECB Smets out with dovish talk
- **GBPUSD** BOE Carney comes into the spotlight
- **USDJPY** Yen weakness on yields and equities
- **EURCHF** SNB confronting major risk ahead
- **AUDUSD** RBA Minutes reflect balanced policy
- **USDCAD** Loonie needs to be mindful of OIL
- **NZDUSD** Kiwi traders eye today's GDT auction
- **US SPX 500** Another batch of Fed speak on tap
- **GOLD** (spot) Global uncertainty supports metal
- **Feature** – USDZAR SARB report rattles Rand

Five day performance v. US dollar

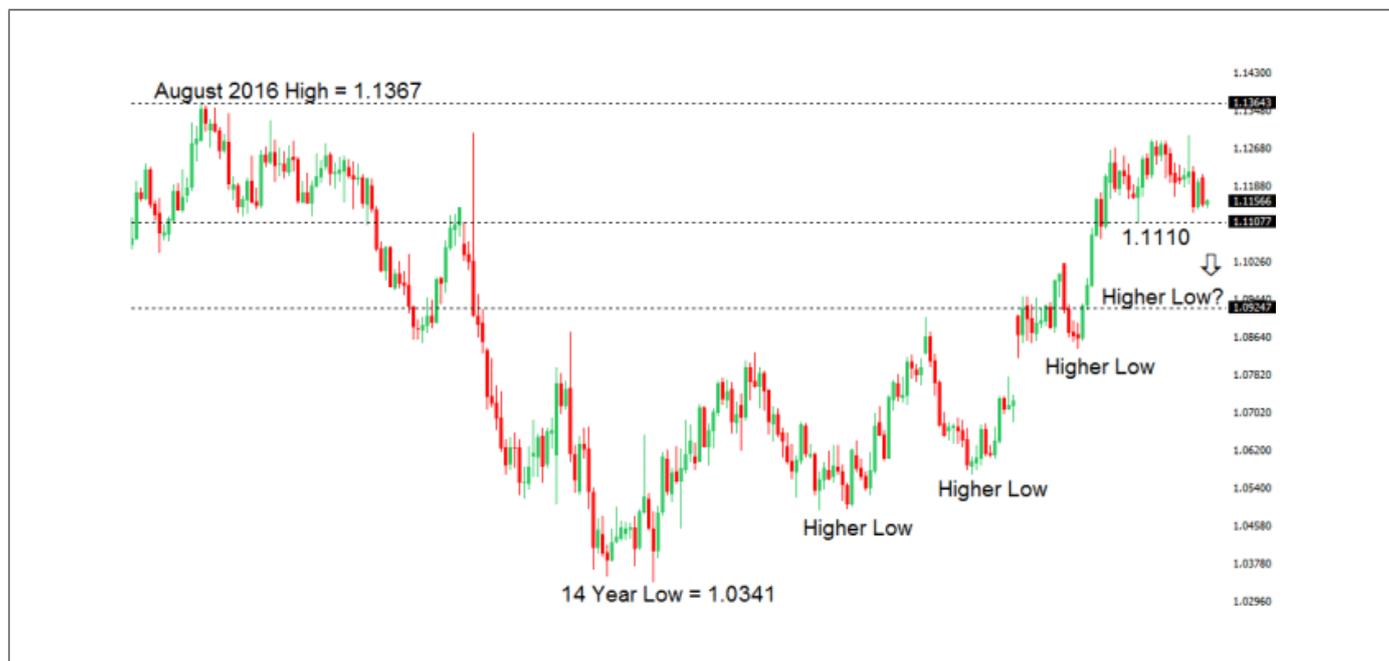


Suggested reading

- **Barron's 2017 Mid-Year Roundtable**, L. Rublin, Barron's (June 10, 2017)
- **A Tour of the Ethereum Token Bubble**, L. Cantor, Medium (June 18, 2017)

EURUSD – technical overview

The market is showing signs of short-term exhaustion after extending its 2017 run. But with the medium-term structure still quite bullish, any setbacks that we do see in the sessions ahead should ideally be well supported in favour of the next higher low and bullish continuation towards key resistance around 1.1365, which represents the August 2016 peak. While above 1.1110 on a daily close basis, the outlook favours a more immediate continuation of gains. However, a daily close below 1.1110 would open the door for a deeper correction targeting a measured move extension at 1.0925.



- R2 1.1296 – 14 Jun/2017 high – Strong
- R1 1.1229 – 15 Jun high – Medium
- S1 1.1133 – 15 Jun low – Medium
- S2 1.1110 – 30 May low – Strong

EURUSD – fundamental overview

Although the Euro managed to post a fresh 2017 high last week it wasn't able to extend gains much further before settling back. The fresh push came from a softer batch of first tier US data ahead of the Fed policy decision on Wednesday. However, the Fed disappointed Euro bulls, retaining its forward guidance for a total of three rate hikes in 2017. Of course, the implication is not as Euro favourable given the fact that this pushes yield differentials back in the Buck's favour. All of this has been backed up in the early week, with Fed speak remaining consistent with the Fed's message, while on the other side, ECB Smets hasn't helped the Euro, with his dovish talk on Monday. Still, with nothing confirmed as of yet, the trend of selling the US Dollar and buying the Euro remains intact and demand is expected to emerge into dips. As far as today goes, we get German producer prices, the Eurozone and US current accounts and speeches from Fed's Fischer, Rosengren and Kaplan.

GBPUSD – technical overview

The latest round of setbacks are viewed as corrective with the market expected to be very well supported on dips ahead of 1.2500 in favour of a higher low and bullish continuation towards a measured move extension objective at 1.3500 in the weeks ahead. A breakout above critical resistance at 1.2775 back in April triggered a structural shift in the major pair warning of a longer-term base. Only a break back below 1.2360 would compromise this outlook.



- R2 1.2978 – 8Jun high – Strong
- R1 1.2831 – 9Jun high – Medium
- S1 1.2690 – 15Jun low – Medium
- S2 1.2635 – 9Jun low – Strong

GBPUSD – fundamental overview

The Bank of England followed in the Fed’s footsteps last week, delivering its own hawkish surprise, with two more members (total three now) jumping over to the rate hike camp. The market was looking for the hawk count to remain at 1, with some even talking about a unanimous vote for no hikes. And so, the Pound was bid up in the aftermath, despite softer data including retail sales and wages. Still, the combination of some US Dollar demand post a surprisingly hawkish Fed decision, political uncertainty in the UK post election, and the Brexit negotiation overhang should make it difficult for the UK currency to run much higher right now. As far as today goes, we get an appearance from BOE Governor Carney, the US current account and speeches from Fed’s Fischer, Rosengren and Kaplan.

USDJPY – technical overview

Despite the latest recovery rally, the overall pressure remains on the downside. In the interim, look for any additional upside to remain capped below 113.00, though only a break back above the recent high at 114.37 will negate the outlook and take the pressure off the downside.



- R2 112.13 – 24May high – Strong
- R1 111.78 – 20Jun high – Medium
- S1 110.65 – 16Jun low – Medium
- S2 110.34 – 14Jun high – Strong

USDJPY – fundamental overview

In a week where we got hawkish surprises from the Bank of Canada, Fed and Bank of England, and at a time when there was already chatter of the Bank of Japan having discussions about policy reversal, one would have thought there would be some waves out from the BOJ this past Friday. But this wasn't the case, with the central bank decision going off without a hitch, with no change to policy and no meaningful changes to the policy statement. And so, the market has been left with the combination of a more hawkish Fed decision and an ongoing bid in US equities, two drivers that have been very supportive of the major pair. Of course, scope exists for renewed Yen demand if risk markets become more sensitive to the reality of the dangers associated with stocks if the Fed actually does follow through. Looking ahead, we get the US current account and speeches from Fed's Fischer, Rosengren and Kaplan.

EURCHF – technical overview

A recent break above 1.0900 has taken the short-term pressure off the downside and could be warning of a more significant structural shift. Next key resistance comes in at 1.1000, with the psychological barrier coinciding with a high from August 2016. The establishment above 1.1000 would force a meaningful shift in the structure and open the door for longer-term upside. At the same time, while the market holds below 1.1000 the overall trend is still bearish and a break back below 1.0800 would renew downside pressure.



- R2 1.0989 – 12May/2017 high – Strong
- R1 1.0910 – 19Jun high – Medium
- S1 1.0840 – 7Jun low – Medium
- S2 1.0782 – 24Apr low – Strong

EURCHF – fundamental overview

The combination of artificially supported, record high US equities and rising geopolitical tension should be a worry for the SNB as any capitulation on the equity front is likely to invite massive safe haven Franc demand the central bank will be unable to offset, irrespective of the central bank’s commitment to negative rate policy as reflected in this latest policy decision. For now, the SNB is hoping global sentiment will remain artificially elevated and the ECB will take on a more hawkish policy approach in the months ahead. But the key focus for this market going forward will unquestionably be on the performance in US equities given the influence on broader sentiment. Any signs of intensification to the downside will likely invite a pickup in Franc demand and unwanted downside pressure on EURCHF. Certainly the message from the Fed in which it refused to back away from forward guidance will only make the SNB’s job that much tougher. SNB Jordan will be on the wires today and his comments could offer additional insight into the SNB’s strategy in the face of this intense risk.

AUDUSD – technical overview

Despite the latest rally, the market continues to be very well capped into medium-term resistance around 0.7800. Ultimately, any moves to the topside are therefore classified as corrective with the market expected to stall out and roll over again. Look for a break back below 0.7500 to strengthen this outlook and accelerate declines.



- R2 0.7680 – 30Mar high – Strong
- R1 0.7636 – 14Jun high – Medium
- S1 0.7520 – 10Jun low – Medium
- S2 0.7458 – 6Jun low – Strong

AUDUSD – fundamental overview

Overall, the Australian Dollar has done a good job holding up, outperforming over the past week on the back of broad based US Dollar weakness in 2017 and local developments that include balanced RBA policy (once again reflected in today's Minutes), better than expected Australia GDP, solid China data and this latest impressive Aussie employment report. However, there are plenty of offers from medium-term players into this rally, with these accounts still feeling quite skeptical about the outlook for China, elevated equities and choppy commodities prices. Moreover, the Fed has just delivered a decision that was more hawkish than expected, which could both push yields back in favour of the Buck, while also weighing on Aussie if risk comes off as a consequence. Looking ahead, we get the US current account and speeches from Fed's Fischer, Rosengren and Kaplan.

USDCAD – technical overview

The latest round of setbacks has taken the pressure off the topside for now, with the market trading back into the middle of a longer-term range. The recent break below 1.3200 opens the door for the possibility of a more pronounced decline in the days ahead towards 1.3000. Ultimately however, the longer-term uptrend remains intact and setbacks should be well supported around the 1.3000 psychological barrier. Look for a break back above 1.3325 to strengthen the constructive outlook.



- R2 1.3325 – 13Jun high– Strong
- R1 1.3309 – 15Jun high – Medium
- S1 1.3200 – Figure– Medium
- S2 1.3165 – 14Jun low– Strong

USDCAD – fundamental overview

The Canadian Dollar is coming off an impressive week of gains, helped along by surprisingly hawkish comments from Bank of Canada’s Wilkins and Poloz. The central bankers have been flagging a reconsideration of current policy stimulus and the prospect for a rate hike in the 2017 pipeline. Odds for a 2017 rate hike have jumped well above 50%, reflecting this shift in BoC sentiment, clearly benefiting the Loonie as a result. However, the Loonie has been finding some renewed offers in light of last week’s Fed hawkishness and ongoing setbacks in the price of OIL. Looking ahead, we get Canada wholesale sales, the US current account and speeches from Fed’s Fischer, Rosengren and Kaplan.

NZDUSD – technical overview

Despite the intense surge over the past several days, the overall pressure remains on the downside with the market expected to be very well capped around 0.7300. 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, with the outlook strengthened on the May breakdown to fresh 2017 lows. Only a clear break back above 0.7300 would compromise the outlook, while back below 0.7170 strengthens the bearish case.



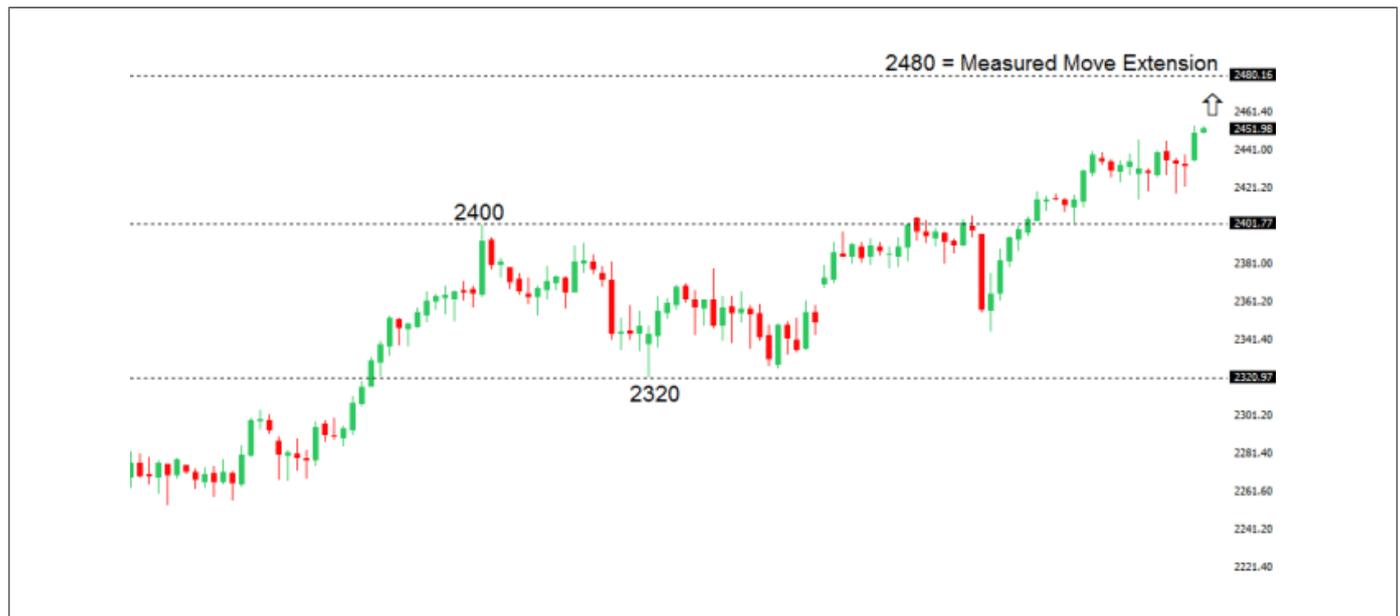
- R2 0.7320 – 14Jun high – Strong
- R1 0.7298 – 19Jun high – Strong
- S1 0.7186 – 15Jun low – Medium
- S2 0.7170 – 7Jun low – Strong

NZDUSD – fundamental overview

The New Zealand Dollar has extended its impressive recovery from 2017 lows, with the currency racing up to multi-day highs, largely on the back of broad based negative US Dollar sentiment in 2017 and ongoing demand for US equities. However, the combination of last week’s more hawkish Fed decision, softer Kiwi GDP and an RBNZ research paper postulating a continued decline in the neutral rate could start to invite medium-term players to look to sell into what might be an overdone rally. Looking ahead, we get the GDT auction, US current account and speeches from Fed’s Fischer, Rosengren and Kaplan.

US SPX 500 – technical overview

The record run continues with the intense bullish momentum intact and the door open for that next push towards a measured move extension at 2480. At a minimum, a break back below 2400 would be required to take the immediate pressure off the topside, while only a break below 2320 would signal a meaningful shift in the structure.



- R2 2480.00 – Measured Move – Strong
- R1 2454.00 – 20Jun/Record high – Medium
- S1 2403.00 – 31May low – Medium
- S2 2346.00 – 18May low – Strong

US SPX 500 – fundamental overview

There has been a lot of talk about a potential top in the US equity market, with the rally pushing to record highs at an unnerving pace in the face of some disturbing fundamentals including exhausted (and reversing) Fed policy and rising geopolitical risk. And certainly this ongoing turmoil surrounding the US administration has made things even more tense. But overall, the US equity market has done a good job proving it can easily buy back into any dip and keep pushing to record highs as it focuses on rates staying lower for longer and the Fed continuing to underdeliver on forward guidance. This bet will be put to the test in an even bigger way going forward, after the Fed surprisingly held to its forward guidance last week, still calling for another rate hike in 2017 despite a slowdown in data, something that could start to weigh more heavily on investor sentiment if Fed speak backs this up in the days ahead. On Monday, Fed Dudley backed up the Fed’s outlook and today we get more Fed speak from Fed’s Fischer, Rosengren and Kaplan.

GOLD (SPOT) – technical overview

The market has been very well supported since basing out ahead of 1100 in 2016, putting in a series of higher lows and higher highs. This latest break to a fresh 2017 high confirms that next higher low in the 1215 area and opens an upside extension towards the 2016 peak at 1375 further up. At this point, only a break back below 1215 would compromise the constructive outlook with setbacks ideally seen well supported in the 1230s.



- R2 1300.00 – Psychological – Strong
- R1 1296.20 – 6Jun/2017 high – Strong
- S1 1240.00 – Figure – Medium
- S2 1236.50 – 17May 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 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. Certainly the US Dollar back under pressure in 2017 is adding 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, gold may continue to find bids on risk off macro implications.

Feature – technical overview

USDZAR has been under pressure in recent weeks, though setbacks have managed to stall ahead of the 2017 low thus far. Look for a break back above 13.21 to negate the bearish outlook and open the door for a bullish resumption.



- R2 13.21 – 31May high – Strong
- R1 12.96 – 9Jun high – Medium
- S1 12.55 – 14Jun low – Medium
- S2 12.31 – 27Mar/2017 low – Strong

Feature – fundamental overview

The South African Rand has done a good job holding up when considering ongoing domestic woes including a prosecutor report critical of the SARB, regulatory dispute between miners and the government, and a Moody’s downgrade. But it seems these troubling fundamentals coupled with last week’s more hawkish Fed decision are starting to get the better of the Rand, with the greater risk from here for renewed weakness. Remember, US equities are also exceptionally elevated and at risk for capitulation, yet another risk that could expose the emerging market currency to additional pressure. On Tuesday, South African current account data is due.



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