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Global FX Insights

by LMAX Exchange Research & Analytics

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

UK Data Puts Spotlight on Pound [Wake-up Call](#)

Though most currencies were either up or sideways against the US Dollar on Monday, the Pound could not fall in line and was back under pressure, relatively underperforming. Today, UK economic data comes front and centre with CPI standing out and the bar set quite high for this key inflation reading.

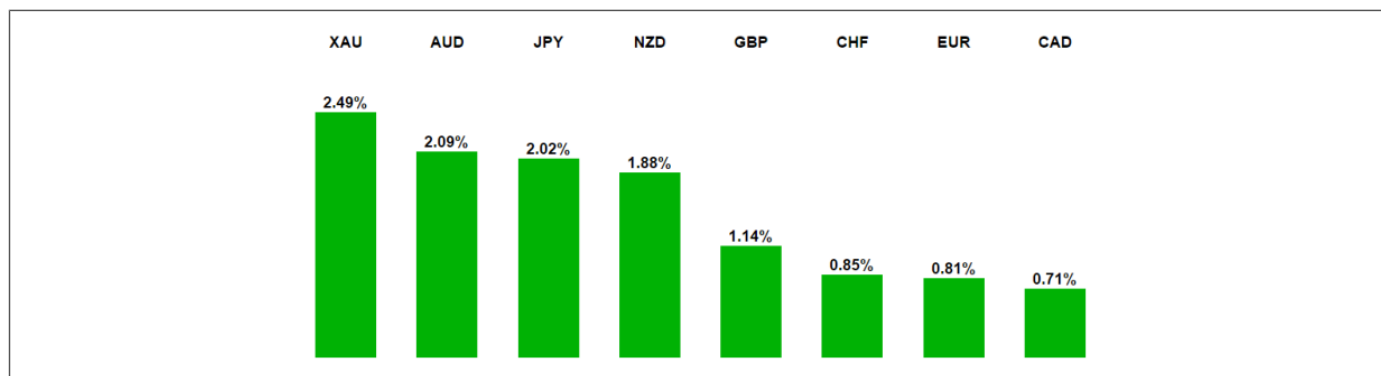
Technical highlights [Daily Video](#)

- **EURUSD** Additional upside favoured
- **GBPUSD** Well capped ahead of 1.2500
- **USDJPY** Room for fresh downside
- **EURCHF** Consolidates off 2016 low
- **AUDUSD** Medium-term resistance
- **USDCAD** Higher low sought out
- **NZDUSD** Downtrend intact
- **US SPX 500** Below 2350 shifts
- **GOLD** (spot) Sights set on 1300
- **Feature** – USDSGD Into support

Fundamental highlights

- **EURUSD** German wise men give Euro added boost
- **GBPUSD** Harsh words from EU Juncker on Brexit
- **USDJPY** Japan PM Abe appeals to Trump on trade
- **EURCHF** Ongoing Franc demand warns of distress
- **AUDUSD** Aussie slumps as iron ore prices decline
- **USDCAD** Canada retail sales stand out Tuesday
- **NZDUSD** New Zealand GDT auction on tap
- **US SPX 500** Investors unfazed by higher rates
- **GOLD** (spot) Macro backdrop supportive of metal
- **Feature** – USDSGD Trump trade policy props Sing

Five day performance v. US dollar



Suggested reading

- **The Worldwide Hunt for Yield**, Financial Times (March 20, 2017)
- **Coming Clean on the Cost of Brexit**, L. Laurent, Bloomberg (March 20, 2017)

EURUSD – technical overview

The recent break back above 1.0680 suggests the market could be getting ready for a big push to the topside in the days and weeks ahead. Wednesday’s daily close above 1.0680 strengthens the constructive outlook, firming up the possibility for an inverse head and shoulders formation, with a neckline in the 1.0800s. Any setbacks should be very well supported ahead of 1.0500 in favour of the next major upside extension towards the December 2016 peak at 1.0875. Only a daily close below 1.0495 negates.



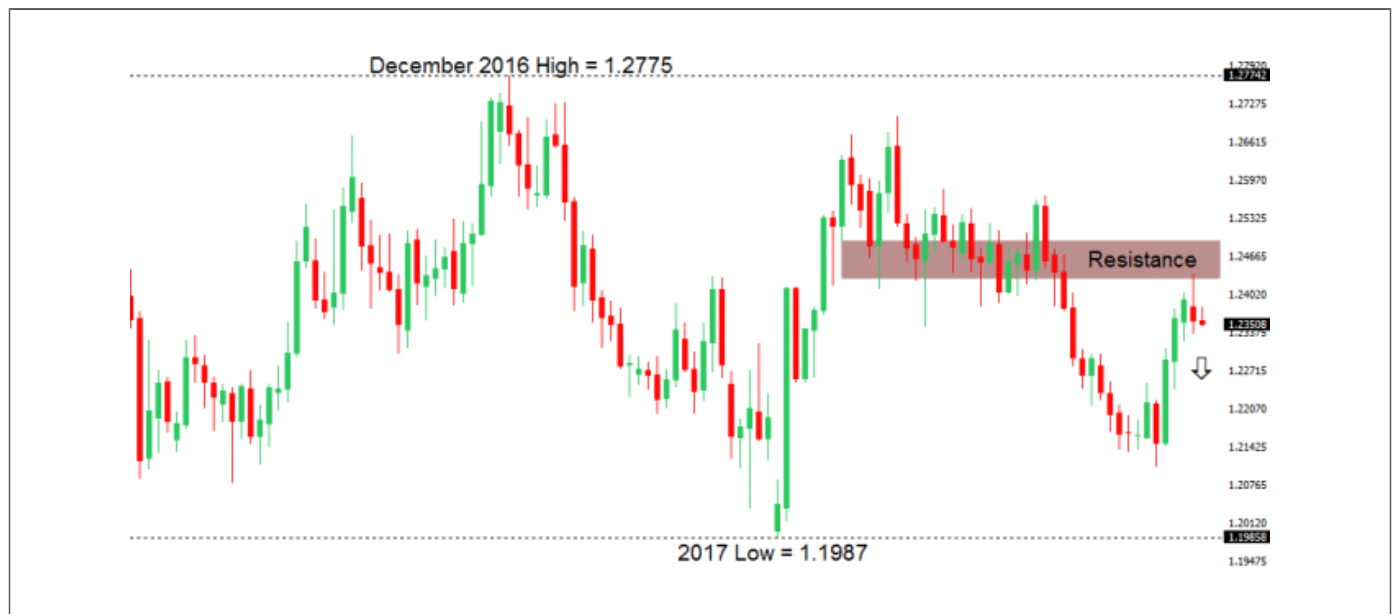
- R2 1.0829 – 2Feb high – Strong
- R1 1.0783 – 17Mar high – Medium
- S1 1.0706 – 16Mar low – Medium
- S2 1.0600 – 14Mar low – Strong

EURUSD – fundamental overview

The Euro has been well supported on dips, with comments from the German wise men panel helping the cause after saying the ECB should start winding down its bond buying program as soon as possible. This follows bullish momentum for the single currency on the more dovishly perceived Fed decision in the previous week and the omission of an anti protectionism pledge in the G20 communique. Monday’s Presidential debate in France hasn’t made any major waves, though polls showing Macron as the most convincing are Euro supportive. Looking ahead, absence of first tier data out of the Eurozone will leave the Euro tracking with broader themes and flows until later in the day when it also takes in the US current account and Fed speak from Dudley, Mester and George.

GBPUSD – technical overview

Despite this latest bounce, the market remains confined to a well defined downtrend while it holds below the December 2016 peak at 1.2775. A recent close below 1.2345 ends a period of choppy consolidation exposing an eventual drop back towards a retest of the +30 year base from October 2016 at 1.1841. Ultimately, rallies should continue to be very well capped into the 1.2500 area, with only a break above 1.2775 to compromise the overall bearish outlook.



- R2 1.2479 – 27Feb high – Strong
- R1 1.2405 – 17Mar high – Medium
- S1 1.2324 – 17Mar low – Medium
- S2 1.2242 – 16Mar low – Strong

GBPUSD – fundamental overview

Though most currencies were either up or sideways against the US Dollar on Monday, the Pound could not fall in line and was back under pressure, relatively underperforming. At this point, setbacks haven't been all that intense, but it seems the combination of the March 29, Article 50 trigger date being set in stone and comments from EU Juncker that Brexit will make everyone realize that it isn't worth leaving the EU, are what have been weighing on the UK currency. And today, UK economic data is front and centre with CPI standing out and the bar set quite high for this reading, which could set the stage for disappointment and further weakness in the Pound. Other UK data includes producer prices, the retail price index, public finances and CBI trends. Into North America, we get the US current account and speeches from Fed's Dudley, Mester and George.

USDJPY – technical overview

The market continues to be very well capped on rallies into the 115.00 area, respecting a multi-day range resistance. This latest topside failure now sets the stage for a resumption of declines back towards the range low around 111.60 in the sessions ahead. There is also risk that if the market breaks down below 111.60 we could see an acceleration well below the 110.00 psychological barrier, possibly into the 107.00s on a measured move extension.



- R2 115.62 – 19Jan high – Strong
- R1 113.55 – 16Mar high – Medium
- S1 112.27 – 21Mar low – Medium
- S2 111.59 – 7Feb low – Strong

USDJPY – fundamental overview

Japan PM Abe was on the wires earlier appealing to President Trump to get on board with global reform goals promoting fair and free trade. This follows some US Dollar weakness at the outset of the week after the G20 had removed an anti protectionism pledge in the statement, seemingly on pressure from the US. Most of the direction in the Yen at the moment has been contingent on US Dollar sentiment and risk flow and this will continue to be the case on Tuesday, with a light economic calendar that only features the US current account. The market will also want to watch Fed speak from Dudley, Mester and George.

EURCHF – technical overview

The latest surge through resistance at 1.0760 could threaten a broader downtrend and suggest we are in the process of seeing a bullish structural shift. However, a daily close above 1.0800 would be required to confirm, while inability to do so keeps the downtrend intact opening the door for a drop back towards and below the 2016 base at 1.0624.



- R2 1.0900 – 8Dec high – Strong
- R1 1.0826 – 13Mar high – Medium
- S1 1.0685 – 16Mar low – 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 we will need to see if this latest EURCHF rally holds up above 1.0700.

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 would need to hold below 0.7741 to keep the prospect of the bearish shift alive, with a subsequent break back below 0.7492 to confirm.



- R2 0.7779 – 8Nov high – Strong
- R1 0.7749 – 20Mar high – Medium
- S1 0.7664 – 17Mar low – Strong
- S2 0.7600 – Figure – Medium

AUDUSD – fundamental overview

The RBA Minutes were released earlier today and though mostly upbeat, didn't really produce any surprises, with the central bank still wanting to maintain its current policy accommodation and still expressing concern with a higher Australian Dollar exchange rate. We have seen some Aussie selling on the fact post Minutes, while sliding iron ore prices are also contributing to a mild pullback on Tuesday. But there are no meaningful sell stops reported until below 0.7650, which keeps the pressure on the topside for now, with the currency ultimately benefiting from a wave of broad based US Dollar weakness. Looking ahead, we get the US current account and Fed speak from Dudley, Mester and George.

USDCAD – technical overview

The market remains very well supported on dips, with the latest bounce out from 1.3000 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.



- R2 1.3422 – 10Mar low – Strong
- R1 1.3378 – 17Mar high – Medium
- S1 1.3277 – 16Mar low – Medium
- S2 1.3165 – 28Feb low – Strong

USDCAD – fundamental overview

The Canadian Dollar has been consolidating following last Wednesday's broad based US Dollar selloff in the aftermath of the more dovishly perceived Fed decision. Last Friday's solid Canada manufacturing data has also helped to keep the Loonie bid into dips. Still, on the other side, recent weakness in the price of OIL has been a worry and could keep the Loonie from making any serious runs. Looking ahead, Canada retail sales will be the big piece of data on the day. We also get the US current account and speeches from Fed's Dudley, Mester and George.

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.



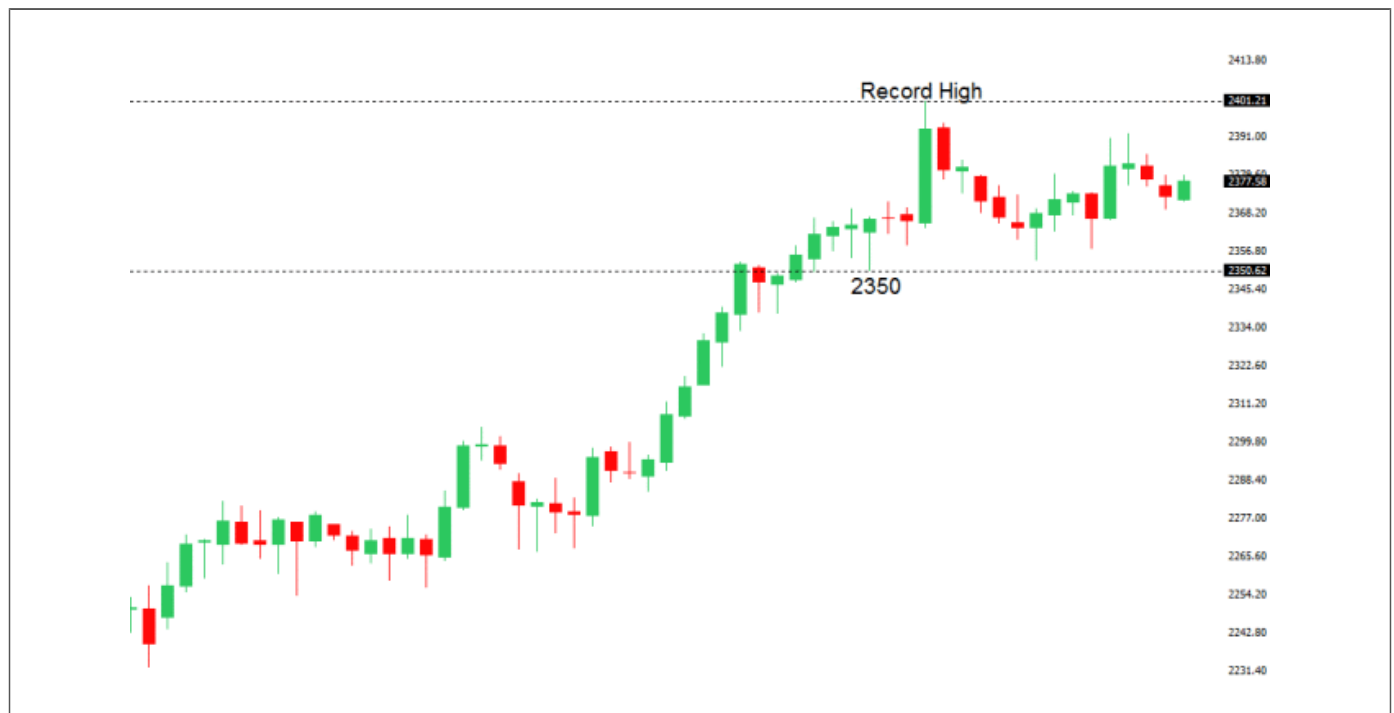
- R2 0.7100 – Figure – Strong
- R1 0.7074 – 20Mar high – Medium
- S1 0.6969 – 16Mar low – Strong
- S2 0.6890 – 9Mar low – Strong

NZDUSD – fundamental overview

The New Zealand Dollar has been finding bids since this past Wednesday's dovishly perceived FOMC decision, with Kiwi getting an added boost into Monday on the back of the G20 communique's omission of its anti-protectionism pledge. This sends a message the US administration will be looking to follow through with policy that would encourage a softer US Dollar as the Trump administration looks to promote US manufacturing and exports. Still, overall, yield differentials continue to favour the US Dollar, while economic data out of New Zealand has been softer. Today, we'll get another feel for the local data with the New Zealand GDT auction results due. We also get the US current account and a batch of Fed speak from Dudley, Mester and George.

US SPX 500 – technical overview

The latest break to yet another record high following a healthy period of consolidation, has opened the door for the next big push through 2400. While technicals are severely stretched and there are definitive signs of exhaustion on the horizon, given the intensity of this uptrend, a break back below 2350 would be required at a minimum to alleviate immediate topside pressure.



- R2 2450.00 – Psychological – Strong
- R1 2402.00 – 1Mar/Record high – Medium
- S1 2350.00 – 24Feb low – Medium
- S2 2304.00 – 26Jan high– Strong

US SPX 500 – fundamental overview

US equities haven't been bothered by anything over the past several years, with even rate rises from the Fed doing nothing to dissuade equity investors. Instead, the focus has been on a still exceptionally low rate environment supportive of higher stocks and Trump policies that will fuel additional upside in the market. Market participants have dismissed the idea that the reversal of Fed policy will have negative impact on stocks, citing recent price action as a testament to this fact. The market hasn't believed the Fed will hike at a consistent pace, given the fact that the only consistency investors have seen is the Fed's consistency to back away from hawkish guidance. Last Wednesday, the Fed proved investors right yet again. While the central bank delivered a rate hike that was fully priced, there was nothing in the Fed's language or projections that offered any shift in the outlook, this despite all of the hawkish speak in the lead up to the event. And so, stocks hold up by record highs and will seemingly continue to push on the accommodative Fed outlook. Dealers aren't reporting any meaningful sell stops until below 2350.

GOLD (SPOT) – technical overview

The market has been very well supported since basing out around 1120 in 2016. A recent break above 1260 strengthens the outlook, opening the door for the next major upside extension towards a measured move into the 1300 area. Look for the latest setbacks to be very well supported around 1200, with only a break back below 1180 to compromise the constructive outlook.



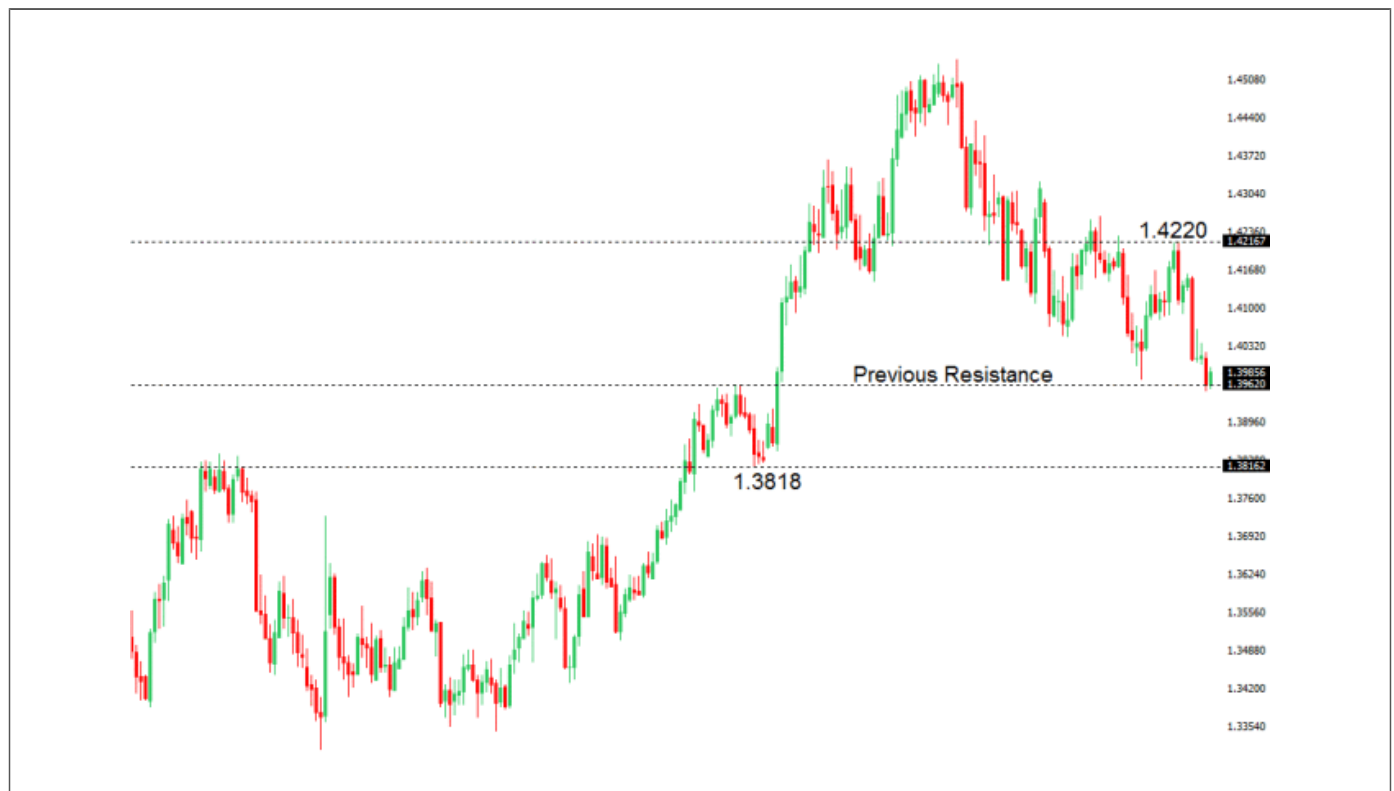
- R2 1264.00 – 27Feb high – Strong
- R1 1236.85 – 6Mar high – Medium
- S1 1195.05 – 10Mar low – Medium
- S2 1180.60 – 27Jan low – Strong

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 and systemic risk. All of this should continue to keep the commodity in demand, with many market participants fleeing to the hard asset as the grand dichotomy of record high equities and record low yields comes to an unnerving climax. Of course, the selloff in the the US Dollar post a dovishly perceived FOMC decision and this latest USD bearish G20 communique are fueling additional gains in the metal.

Feature – technical overview

USDSGD has been in the process of correcting out from the critical high 1.4545 from earlier this year, putting in a series of lower highs and lower lows. That next lower high could now be in place around 1.4220, with a daily close below 1.3950 to confirm and open the door for the next measured move downside extension towards 1.3700. Back above 1.4265 would be required to negate the bearish outlook.



- R2 1.4160 – 14Mar high – Strong
- R1 1.4130 – 6Mar low – Medium
- S1 1.3950 – Mid-Figure – Medium
- S2 1.3910 – 2Nov low – Strong

Feature – fundamental overview

The Singapore Dollar has been bolstered on many fronts over the past several days. At the top of the list is a more dovishly perceived FOMC decision which has tilted yield differentials back in the emerging market currency’s favour. At the same time, the latest Singapore trade data is fueling additional SGD demand, with the data set showing consistent growth. And early this week, pressure from the US at the G20 to drop its anti-protectionist pledge is fueling additional SGD demand on the implication the G20 communique edit is a sign the US will be looking to promote a softer USD policy to make America great again via US manufacturing and exports.



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