

Monday, April 22, 2019

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# Global FX Insights

by LMAX Exchange Research & Analytics

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

## Global Macro Reflections [Wake-up call](#)

The inevitability of less accommodative, less friendly central bank and government policy, will be felt more acutely in 2019, resulting in the onset of an overdue period of sustained correction in the global equity market, as investors liquidate long exposure, forced to seek out a healthier, more balanced strategy of portfolio diversification.

[audio mp3="https://lemeaex2.files.wordpress.com/2019/04/22aprillmaxaudio.mp3"][/audio]

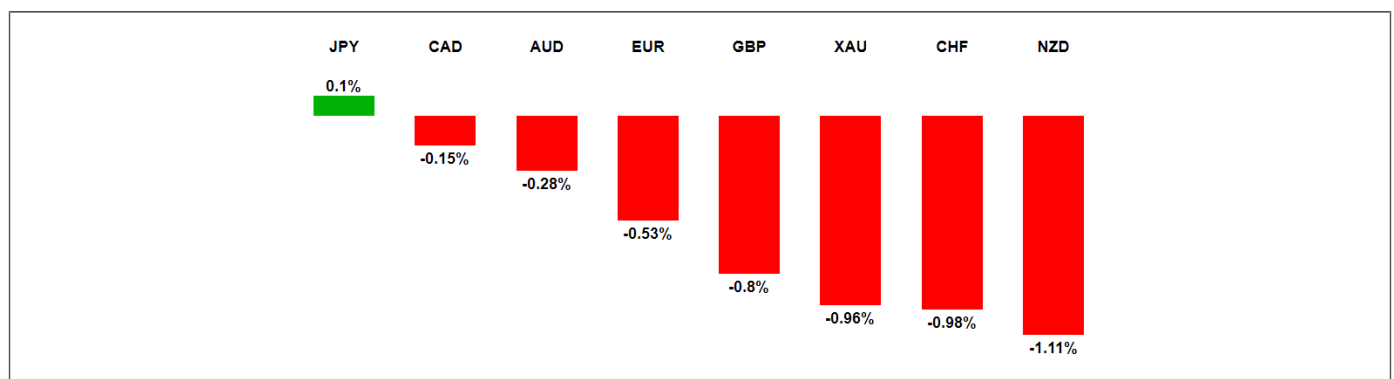
### Technical highlights [Daily Video](#)

- [EURUSD](#) Not as comfortable trading lower
- [GBPUSD](#) Thinking about bullish continuation
- [USDJPY](#) Risk for another topside failure
- [EURCHF](#) Up towards range resistance
- [AUDUSD](#) Signs of longer term basing
- [USDCAD](#) Confined to choppy trade
- [NZDUSD](#) Well supported on dips
- [US SPX 500](#) Rally expected to stall out
- [GOLD \(spot\)](#) Higher low for next push
- [BTCUSD](#) Room for run to ,000
- [ETHUSD](#) Holding up after bullish move

### Fundamental highlights

- [EURUSD](#) Euro downside risk priced in at this point
- [GBPUSD](#) Pressure builds for May's resignation
- [USDJPY](#) US trade policy to play a role in direction
- [EURCHF](#) SNB's job getting a lot harder in 2019
- [AUDUSD](#) Balanced PBOC poses risks to Aussie
- [USDCAD](#) US sanction news fuels fresh OIL rally
- [NZDUSD](#) Kiwi lags on diverging data and policy
- [US SPX 500](#) Investor optimism slowly fading
- [GOLD \(spot\)](#) Macro players still buying dips
- [BTCUSD](#) Bullish case building steam
- [ETHUSD](#) Starting to see real progress

## 5 Day Performance v. US dollar



## Suggested reading

- [Fashion's Carbon Impact Bigger than Airline Industry's](#), M. Cerullo, **CBS News** (April 19, 2019)
- [Amazon Primed: Cryptocurrency May Arrive Faster](#), P. Armstrong, **Forbes** (April 21, 2019)

## EURUSD - technical overview

The market has been confined to choppy trading conditions over the past several weeks. We are however coming off an intense round of setbacks since topping out at a +3 year high in 2018, with the drop taking the price back into an area that coincides with the 61.8% fib retrace off the 2017-2018 move, and bullish breakout zone from 2017. This suggests additional setbacks could continue to be very well supported, with the greater risk from here, for the formation of a meaningful higher low, ahead of a push back to the topside. At this point, we will need to see setbacks holding up above 1.1100 on a weekly close basis, and a break back above the current 2019 high around 1.1570 to encourage this prospect.



- **R2 1.1332** - 25 March high - Strong
- **R1 1.1279**- 17 April low - Medium
- **S1 1.1201** - 3 April low - Medium
- **S2 1.1176** - 7 March/2019 low - Strong

## EURUSD - fundamental overview

Overall, the Euro continues to hold up well on dips in 2019, despite a run of downbeat data and dovish policy talk out from the ECB. It seems the ECB's overly accommodative policy stance has already done a good job accounting for Euro weakness, all while the Fed policy outlook remains less clear, leaving room for further accommodative adjustment on that side. Throw in tough talk on trade from a US administration designed to effectuate a weaker US Dollar, and Euro demand on dips becomes easier to reconcile. We highlight exceptionally low volatility in the Euro at the moment, warning of a big move ahead. After seeing such a big move to the downside, of some 11% since mid-2018, it's also conceivable that the anticipated surge in volatility will coincide with a big move back to the topside. Markets are thinner this week given the holiday trade. *We are off the desk and will resume updates Monday, April 29.*

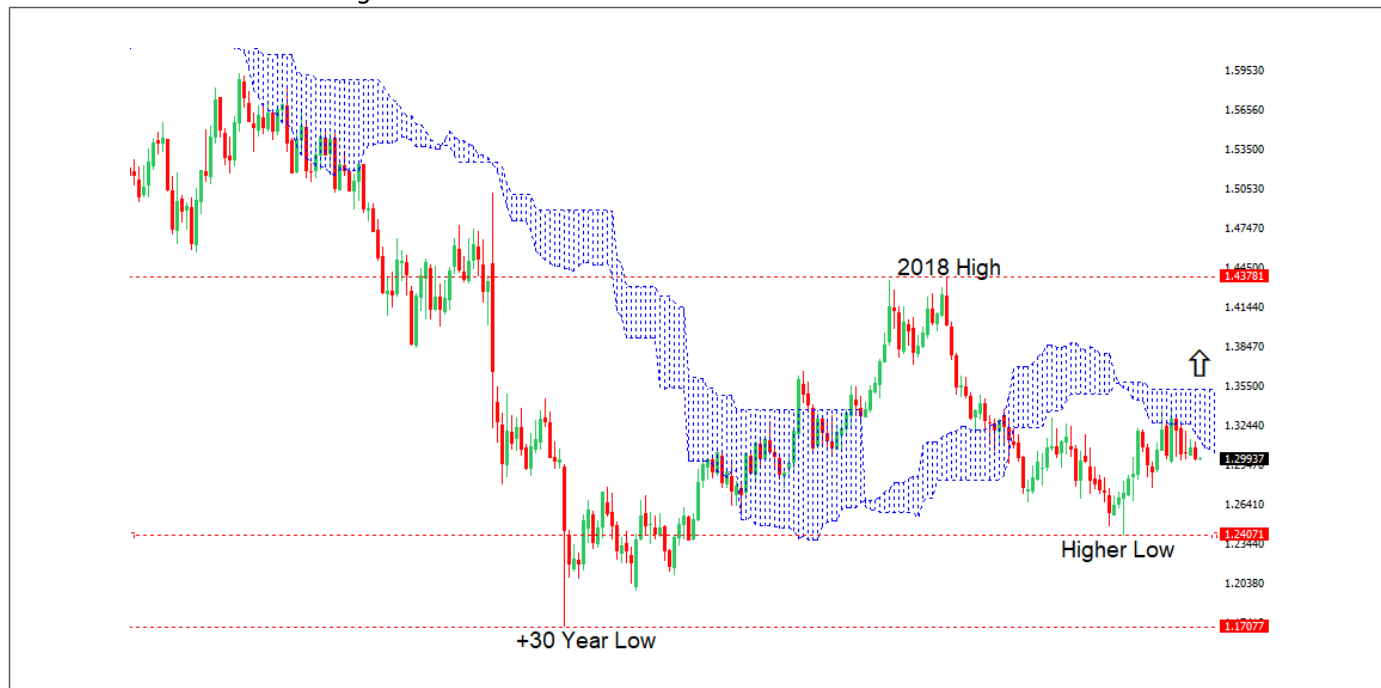
# EURUSD - Technical charts in detail

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## GBPUSD - technical overview

The major pair has put in an impressive recovery off the multi-month low in early January, helping to support the case for a longer-term developing uptrend off the 2016 low. Pullbacks are now viewed as corrective on the daily chart, with dips expected to be supported ahead of 1.2700. Look for a weekly close back above 1.3400 to strengthen the outlook.



- **R2 1.3197** - 3 April high - Strong
- **R1 1.3133** - 12 April high - Medium
- **S1 1.2978** - 29 March low - Medium
- **S2 1.2961** - 11 March low - Strong

## GBPUSD - fundamental overview

**Brexit remains in a perpetual state of wait and see** after the UK was granted another six months to figure it out. But if anything has become clear throughout the saga, it's the fact that a disorderly Brexit is not the desired outcome. This has been a significant fact for the market to process, as it has resulted in some outperformance in the Pound in 2019, as worst case fears are priced out. Meanwhile, there continues to be risk associated with a Fed that could adjust policy further back to the accommodative side and a US administration that will be pushing forward with protectionist trade policy, which could result in downside pressure in the US Dollar. The UK House of Commons will return from Easter break on Wednesday and a lot of the conversation will be around increased pressure for Theresa May to step down by the end of June. Markets are thinner this week given the holiday trade. *We are off the desk and will resume updates Monday, April 29.*

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## USDJPY - technical overview

The major pair has run into resistance in the 112 area, after an impressive run off the 2019 flash crash low. Look for this area to continue to cap rallies, setting the stage for the next major downside extension back towards that 2019 flash crash low, down in the 104s. Below 109.71 will strengthen the bearish outlook, while ultimately, only a weekly close back above 112.17 would delay.



- **R2 112.86** - 18 December high - Strong
- **R1 112.17** - 17 March/**2019 high** - Medium
- **S1 110.85** - 10 April low - Medium
- **S2 109.71** - 25 March low - Strong

## USDJPY - fundamental overview

**Overall, the major pair should continue to place a bigger focus** on global risk sentiment and US Dollar yield differentials. Updates on the US trade policy front are expected to have a major influence in 2019. We've also heard more dovish talk out from BOJ Kuroda of late, though the talk doesn't come as a surprise and the market isn't inclined to be selling more Yen because of it. We have seen Yen demand (USDJPY downside) from medium term accounts, while a minor pullback in stocks has contributed to flow back in favour of the Yen. News out of China of the need for a more balanced monetary policy outlook has played into some risk liquidation and demand for Yen. Markets are thinner this week given holiday trade. *We are off the desk and will resume updates Monday, April 29.*

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# EURCHF - technical overview

A recent breakdown below 1.1200 was well supported, with the price holding up into what has proven to be a formidable base. The market has since recovered, eyeing a push back towards multi-month range resistance around 1.1500. At this stage, there is no clear trend, and it will take a sustained break back above 1.1500 or below 1.1200 for directional insight.



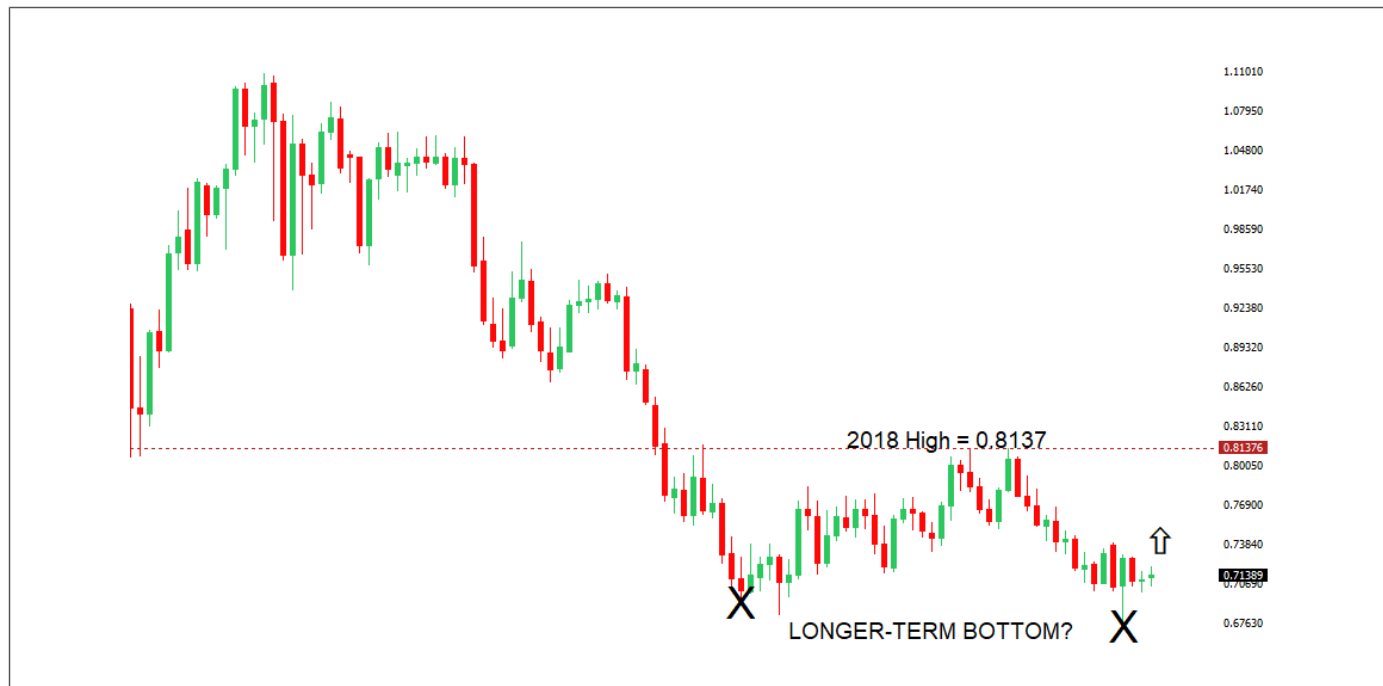
- **R2 1.1445** - 5 February/2019 high - Strong
- **R1 1.1423** - 17 April high - Medium
- **S1 1.1363** - 17 April low - Medium
- **S2 1.1283**- 12 April low - Medium

# EURCHF - fundamental overview

The SNB remains uncomfortable with Franc appreciation and continues to remind the market it will need to be careful about any attempts at trying to force an appreciation in the currency. But the SNB will also need to be careful right now, as its strategy to weaken the Franc is facing headwinds from a less certain global outlook. Any signs of sustained risk liquidation in 2019, will likely invite a very large wave of demand for the Franc that will put the SNB in the more challenging position of needing to back up its talk with action, that ultimately, may not prove to be as effective as it once was, given where we're at in the monetary policy cycle.

# AUDUSD - technical overview

The market has been very well supported since breaking down in early January to multi-year lows. The price action suggests we could be seeing the formation of a major base, though it would take a clear break back above 0.7400 to strengthen this outlook. Look for setbacks to continue to be well supported ahead of 0.7000.



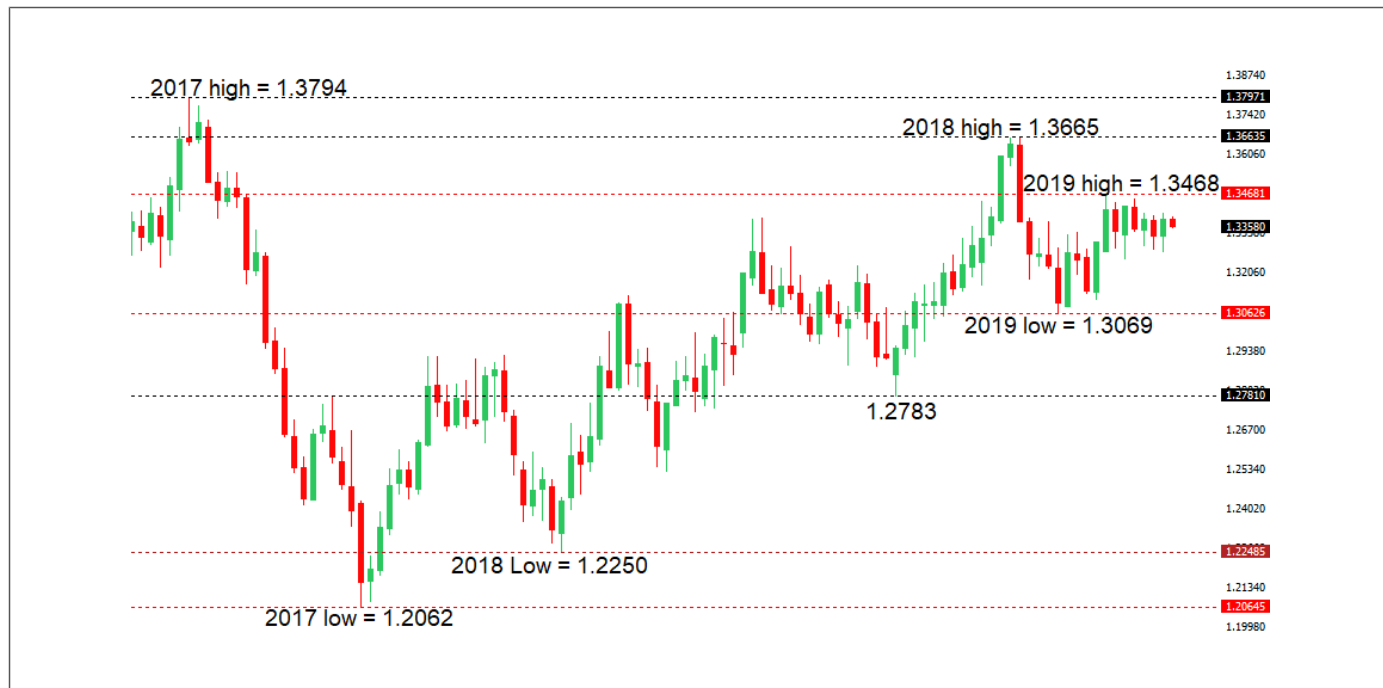
- **R2 0.7296** - 31 January/2019 high - Strong
- **R1 0.7207** - 21 February high - Strong
- **S1 0.7053** - 2 April low - Medium
- **S2 0.7004** - 8 March low - Strong

# AUDUSD - fundamental overview

Overall, Aussie has done a good job holding up in 2019. Ongoing support for equities markets, a Fed adjustment back to the accommodative side of policy and positive US-China trade talk have also served the commodity currency well. At the same time, upside has been limited, as concerns over the outlook for the global economy remain in place, with monetary policy accommodation post 2008 crisis exhausted and central bankers forced to reconsider the balance of risk. We've already heard reports out of China that echo this fact, which have invited risk off flow and Aussie selling by extension. Markets are thinner this week given holiday trade. *We are off the desk and will resume updates Monday, April 29.*

# USDCAD - technical overview

The market has entered a period of choppy consolidation in 2019, though overall, the longer-term structure remains constructive, with dips expected to be well supported for fresh upside back above the 2018/multi-month high at 1.3665. Back below the psychological barrier at 1.3000 would be required to delay the outlook.



- **R2 1.3468** - 7 March/2019 high - Strong
- **R1 1.3404** - 5 April high - Medium
- **S1 1.3275** - 17 April low - Medium
- **S2 1.3251** - 19 March low - Strong

# USDCAD - fundamental overview

The Canadian Dollar has seen a good amount of two way flow over the past several weeks. On the one side, the Loonie has benefitted from rallying OIL, while on the other side, it remains worried about the outlook for the global economy, now that monetary policy accommodation tools have been exhausted post 2008 crisis. OIL has extended its impressive recovery run, to fresh yearly highs this week, on news the US won't renew waivers that allow some countries to buy Iranian oil without facing US sanctions. Markets are thinner this week given holiday trade. *We are off the desk and will resume updates Monday, April 29.*



## NZDUSD - technical overview

While the bigger picture outlook still shows the market in a downtrend, as per the weekly chart, there's a case to be made for a meaningful low in place at 0.6425. As such, look for setbacks to be well supported ahead of 0.6500 in anticipation of additional upside, with only a break back below 0.6500 to put the focus back on the multi-month low from October 2018 at 0.6425. A push through 0.7000 will strengthen the constructive outlook.



- **R2 0.6838** - 1 April high - Strong
- **R1 0.6783** - 15 April high - Medium
- **S1 0.6667** - 17 April low - Medium
- **S2 0.6653** - 2 January low - Strong

## NZDUSD - fundamental overview

Though the New Zealand Dollar has been underperforming of late, overall, it has done a good job holding up in 2019. Despite softer local data and a dovish shift in RBNZ policy, the commodity currency has managed to garner support, largely on the back of rallying global equities and the turnaround at the Fed. At the same time, upside has been limited, as concerns over the outlook for the global economy remain in place, with monetary policy accommodation post 2008 crisis exhausted and central bankers forced to reconsider the balance of risk. We've already heard reports out of China that echo this fact, which have invited risk off flow and Kiwi selling by extension. Markets are thinner this week given holiday trade. *We are off the desk and will resume updates Monday, April 29.*

## US SPX 500 - technical overview

There have been signs of a major longer term top, after an exceptional run over the past decade. Any rallies from here, are expected to be very well capped, in favour of renewed weakness targeting an eventual retest of strong longer-term previous resistance turned support in the form of the 2015 high at 2140. The projection is based off a measured move extension derived from the previous 2018 low from February to the 2018 record high move. The initial level of major support comes in around 2785, with a break below to strengthen the outlook. A break back above the record high from late 2018 would be required to delay the outlook.



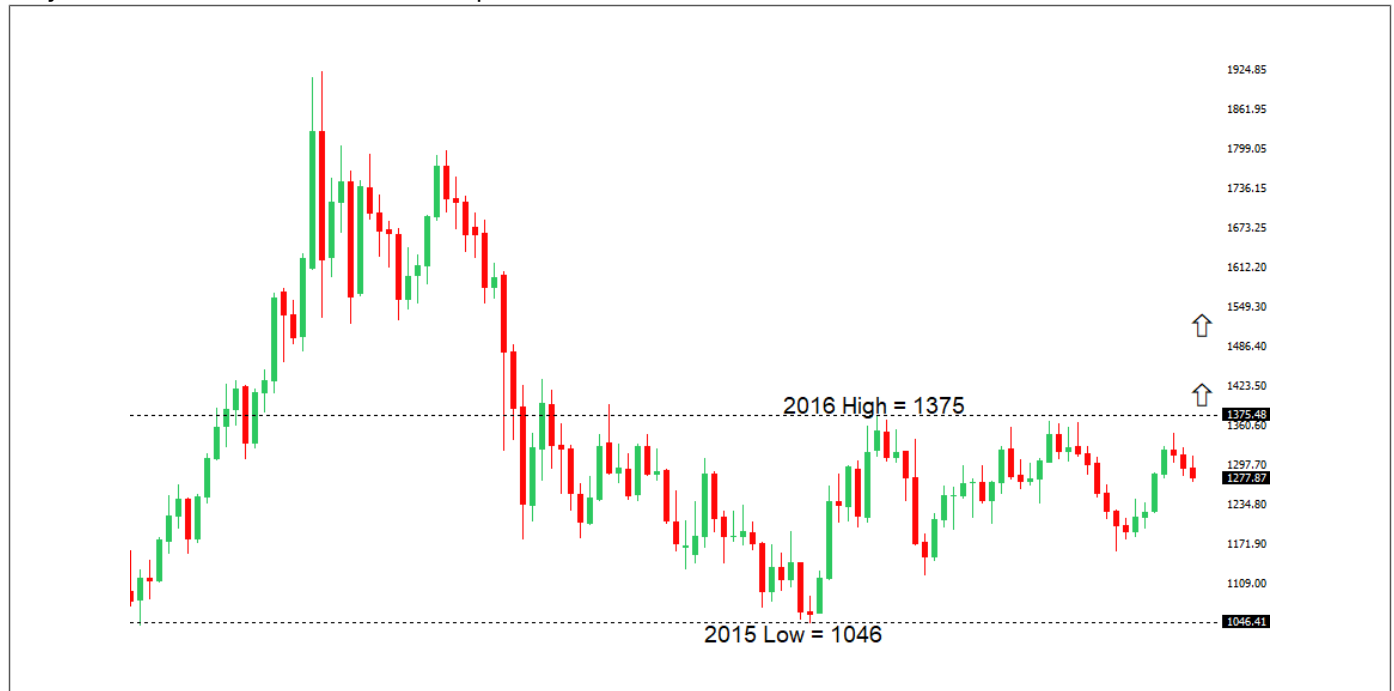
- **R2 2943** - Record high/2018 - Very Strong
- **R1 2922** - 17 April/2019 high - Strong
- **S1 2875** - 9 April low - Medium
- **S2 2786** - 25 March low - Strong

## US SPX 500 - fundamental overview

Although we've seen attempts to push the market higher in 2019, with the Fed's more cautious outlook keeping the market propped up, exhausted monetary policy tools post 2008 crisis suggest the prospect for fresh record highs at this point in the cycle are not realistic. We recommend keeping a much closer eye on the equities to ten year yield comparative going forward, as the movement here is something that could be a major stress to the financial markets looking out. *We are off the desk and will resume updates Monday, April 29.*

## GOLD (SPOT) - technical overview

There are signs that we could be seeing the formation of a more significant medium to longer-term structural shift that would be confirmed if a recovery out from sub-1200 levels can extend back through big resistance in the form of the 2016 high at 1375. In the interim, look for setbacks to be well supported, with only a close back below 1250 to compromise the constructive outlook.



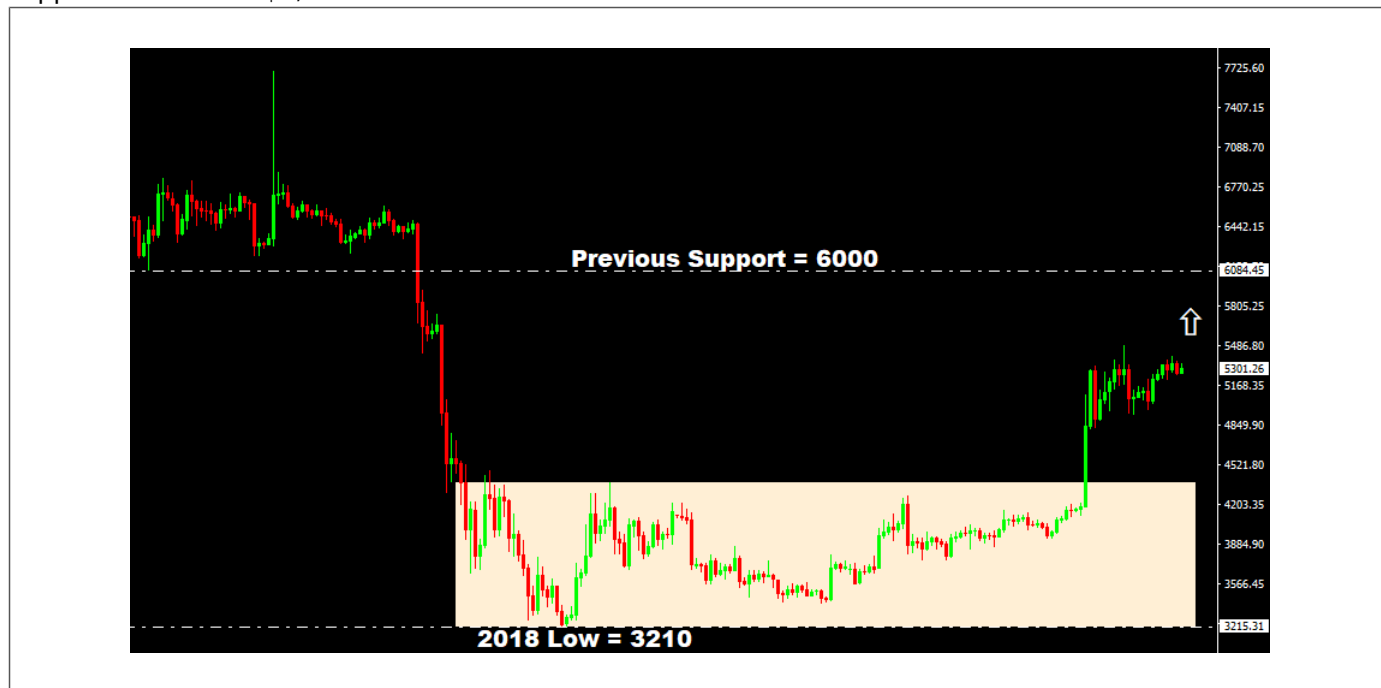
- **R2 1325** - 25 March high - Strong
- **R1 1311** - 10 April high - Medium
- **S1 1271** - 18 April/2019 low - Medium
- **S2 1233** - 14 December low - Strong

## GOLD (SPOT) - fundamental overview

The yellow metal continues to be well supported on dips with solid demand from medium and longer-term accounts. These players are more concerned about exhausted monetary policy, extended global equities, political uncertainty, systemic risk and trade war threats. All of this should 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. *We are off the desk and will resume updates Monday, April 29.*

## BTCUSD - technical overview

Bitcoin has broken out to the topside in Q2 2019, after trading in a range from Q4 2018. The break takes the immediate pressure off the downside and opens the door for a continuation of gains back into a critical previous support turned resistance zone in the \$6,000 area. Look for setbacks to now be well supported ahead of \$3,500.



- R2 5,740 - 18 November high - Strong
- R1 5482 - 10 April/2019 high - Medium
- S1 4,820 - 3 April low - Strong
- S2 4,280 - Previous range high - Strong

## BTCUSD - fundamental overview

Bitcoin has finally broken back to the topside, above a consolidation high from back in December, to suggest it could be thinking about turning back up again in a more meaningful way. At a time when central banks have exhausted themselves with the unprecedented printing of money to keep sentiment running high and the global economy afloat, over a decade after the crisis of 2008, it would seem, a peer to peer decentralized currency, with limited supply, and an attractive technology that it rests on, could be a compelling alternative option. *We are off the desk and will resume updates Monday, April 29.*

## BTCUSD - Technical charts in detail

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## ETHUSD - technical overview

A recent push back above \$170 takes the immediate pressure off the downside, opening the door for an upside extension towards the next critical level of resistance at \$255. Look for setbacks to now be well supported ahead of \$125, with only a break back below this level to compromise the outlook.



- **R2 200** - Psychological - Strong
- **R1 188** - 8 April/2019 high - Medium
- **S1 155** - 4 April low - Strong
- **S2 126** - 4 March low - Strong

## ETHUSD - fundamental overview

Looking out to the longer term, prospects are quite bright and valuations are increasingly attractive, with adoption showing signs of ramping up after a challenging 2018. At the same time, on a short to medium term basis, there is risk associated with a downturn in the global economy as central banks and governments are forced to move away from ultra accommodative monetary and fiscal stimulus supportive of risk correlated investments. While Ether is an asset born out of a rejection of traditional markets, we don't believe it will be immune to such a downturn in traditional markets after indirectly benefiting from post 2008 crisis stimulus that helped lead to investment in alternative asset classes like cryptocurrencies. *We are off the desk and will resume updates Monday, April 29.*



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