

Global FX Insights

by LMAX Exchange Research & Analytics

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

UK Politics, ECB Decision Highlight Week Ahead 🗣️ [Wake-up call](#)

We come into the new week, with currencies thinking about building some momentum against the US Dollar, after initially trading down in the early portion of last week, before recovering in the latter half. Key standouts this week include the transition for the next UK PM on Tuesday, Wednesday, and the ECB decision on Thursday.

[audio mp3="https://lemeaex2.files.wordpress.com/2019/07/22julylmaxaudio.mp3"][/audio]

Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Looking for a move higher
- [GBPUSD](#) Recovers off key support zone
- [USDJPY](#) Rallies should be well capped
- [EURCHF](#) Room for additional downside
- [AUDUSD](#) Evidence of longer term basing
- [USDCAD](#) Supported ahead of 1.3000 barrier
- [NZDUSD](#) Room to keep pushing higher
- [US SPX 500](#) At risk for severe pullback
- [GOLD](#) (spot) Sights set on 1500 barrier
- [BTCUSD](#) Choppy trade post Q2 surge
- [ETHUSD](#) Looking for next base

Fundamental highlights

- [EURUSD](#) Thursday's ECB decision highlights week
- [GBPUSD](#) Boris Johnson expected to be next PM
- [USDJPY](#) BOJ Kuroda on the wires late Monday
- [EURCHF](#) SNB policy faces major challenge ahead
- [AUDUSD](#) Fed Bullard sings different tune
- [USDCAD](#) Loonie suffers from Canada retail sales
- [NZDUSD](#) Kiwi feels stress of equities retreat
- [US SPX 500](#) Fed incentives less attractive
- [GOLD](#) (spot) Macro players still buying dips in size
- [BTCUSD](#) Higher profile meets higher profile critique
- [ETHUSD](#) Ether exposed to global downturn

5 Day Performance vs. US dollar



Suggested reading

- Are We Sure We Need This Rate Cut, M. Gongloff, **Bloomberg** (July 19, 2019)
- [Markets In Everything: Rhino Bonds](#), T. Cowen, **Financial Times** (July 18, 2019)

EURUSD - technical overview

The major pair has extended its run of declines off the 2008 high, trading down to a fresh multi-month low in May. But with the downtrend looking exhausted, the prospect for a meaningful higher low is more compelling, with a higher low sought out above the multi-year low from 2017, ahead of the next major upside extension. Only a weekly close back below the psychological barrier at 1.1000 would compromise this outlook. Back above 1.1450 will strengthen the view.



- **R2 1.1348** - 7 June high - Strong
- **R1 1.1286** - 11 July high - Medium
- **S1 1.1194** - 9 July low - Medium
- **S2 1.1181** - 15 June low - Strong

EURUSD - fundamental overview

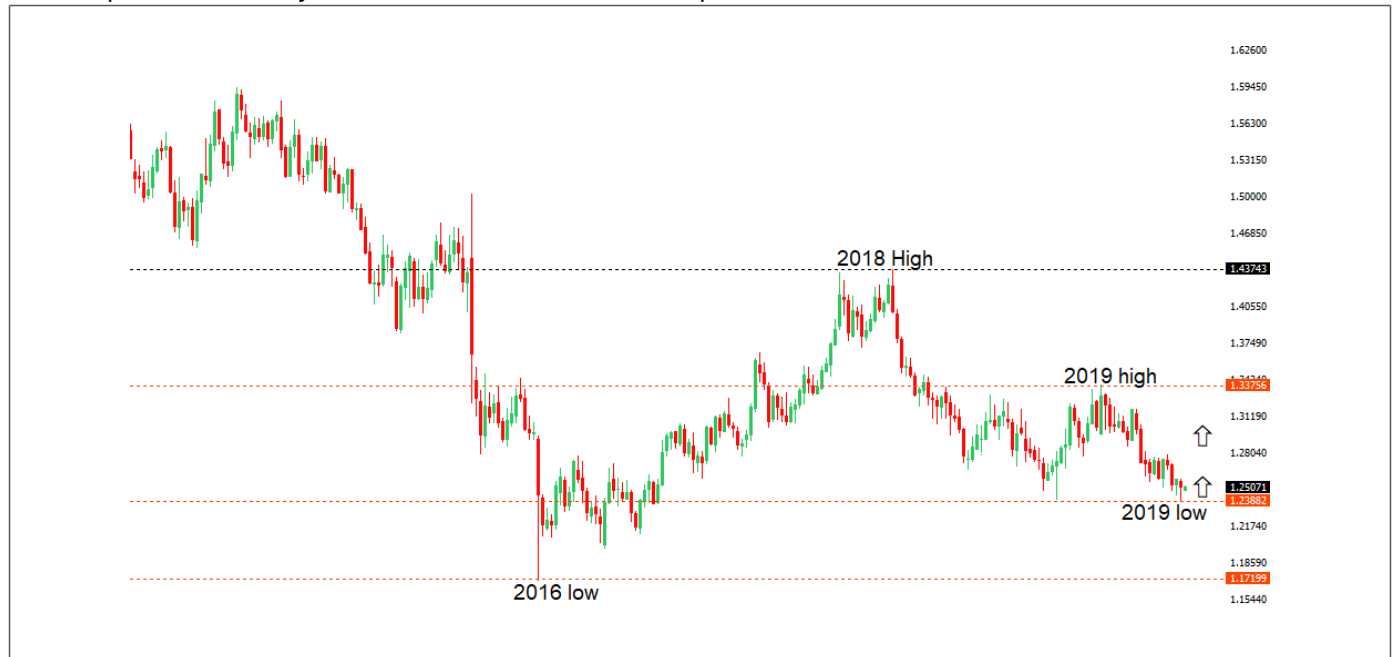
The Euro traded back to the downside on Friday, with the market perhaps selling on some softer German producer prices and comments from Fed Bullard, who threw cold water on the 50 bp rate cut talk from Fed Williams a day earlier. But the setbacks were mild and there continues to be a good amount of demand for the single currency on dips, with US administration soft Dollar trade policy and expectations for more aggressive cuts from the Fed, fueling renewed Euro demand. On the political front, it was reported that most of Italian Deputy PM Salvini's advisors would like him to force an election. Elsewhere, Angela Merkel said Germany's balanced budget policy was 'the right one.' Looking ahead, Monday's calendar is light, with only the Chicago Fed national activity index standing out.

EURUSD - Technical charts in detail

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GBPUSD – technical overview

The major has been well supported on dips in 2019, but will need to hold up above 1.2400 on a weekly close basis, to keep the constructive outlook intact. If the market can hold up above 1.2400, it will set up a higher low above the +30 year low from 2016, ahead of the next major upside extension. If however the market puts in a weekly close below 1.2400, this will open the door for a retest of the sub-1.2000 2016 low.



- **R2 1.2579** – 12 July high – Strong
- **R1 1.2559** – 17 July low – Medium
- **S1 1.2424** – 18 July low – Medium
- **S2 1.2382** – 17 July/**2019 low** – Strong

GBPUSD – fundamental overview

On Friday, UK data produced a wider than expected deficit read, and Fed Bullard threw cold water on dovish comments from Fed Williams, which contributed to the Pound's weaker performance. At the same time, UK data was solid overall last week, and most of the focus was elsewhere, with the position change at 10 Downing and the Brexit outlook dictating flow. Boris Johnson is expected to be announced as the victor over Jeremy Hunt on Tuesday, before formally taking over as the Theresa May's replacement on Wednesday. There had been some worry that knocked the Pound to a 27-month low against the Buck, before those worries were calmed into the latter half of last week. On Friday, Angela Merkel said she would agree to give the UK more time if needed. Meanwhile, President Trump was out offering up a greater degree of confidence in Boris Johnson's ability to govern in the aftermath of Theresa May's Brexit 'disaster.' Looking ahead, Monday's calendar is light, absence of first tier data out of the UK, will leave the focus on UK political updates and Brexit headlines, before the market takes in the Chicago Fed national activity index in the US session.

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USDJPY - technical overview

The longer-term downtrend remains firmly intact, with the major pair gravitating back towards a retest of major support in the form of the 2018 and 2019 lows respectively, down in the 104s. Any rallies should now be well capped below 110.00, though only a break back above the yearly high at 112.40 would compromise the bearish outlook.



- **R2 108.61** - 12 July high - Strong
- **R1 108.00** - Figure - Medium
- **S1 107.22** - 19 July low - Medium
- **S2 106.78** - 25 June low - Strong

USDJPY - fundamental overview

The latest round of inflation data out of Japan came in as expected and didn't factor into price action. On Friday, the Yen sold off a bit on the back of a wave of mild US Dollar demand into the end of the week, brought on by Fed Bullard, who threw cold water on the 50bp rate cut talk from Fed Williams a day earlier. But overall, there continues to be heavy sell interest in the major pair into rallies, with risk off flow and downside pressure in US equities expected to drive the Yen higher (USDJPY lower) on traditional correlations with risk sentiment. US administration soft Dollar policy and expectation the Fed will be more aggressive with rate cuts, has also been behind Yen demand. Looking ahead, Monday's calendar is light, with only the Chicago Fed national activity index standing out. BOJ Kuroda is in the US and will be making an appearance late in the day.

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EURCHF – technical overview

The recent breakdown below critical range support in the 1.1200 area, has opened the door for the next wave of declines targeting a move back towards initial support in the form of the 1.1000 psychological barrier. The market is trading at its lowest levels in nearly two years and at this point, it would take a daily close back above 1.1279 to take the immediate pressure off the downside.



- **R2 1.1265** – 12 June high – Strong
- **R1 1.1173** – 2 July high – Medium
- **S1 1.1012** – 19 July/**2019 low** – Medium
- **S2 1.1000** – Psychological – Strong

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, 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 on dips 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 0.7100 to strengthen this outlook. In the interim, look for setbacks to continue to be well supported ahead of 0.6800.



- **R2 0.7140** – 23 April high – Strong
- **R1 0.7083** – 19 July high – Medium
- **S1 0.6996** – 17 July low – Strong
- **S2 0.6911** – 10 July low – Strong

AUDUSD – fundamental overview

The Australian Dollar is coming off a solid week of performance, with the currency benefitting from soft Dollar trade policy out of the US, expectations for more aggressive rate cuts from the Fed, solid economic data and rallying metals prices. On Friday, we did see Aussie give back some of its gains, with some mild broad-based US Dollar demand working its way into end of week flow. The Dollar demand was brought on by Fed Bullard, who threw cold water on the 50bp rate cut talk from Fed Williams a day earlier. The downturn in US equities was also seen weighing on the risk correlated commodity currency. Looking ahead, Monday's calendar is light, with only the Chicago Fed national activity index standing out.

USDCAD – technical overview

The market has come under intense pressure over the past several weeks, extending declines to a fresh 2019 low. However, the longer-term structure remains constructive, with dips expected to be well supported for fresh upside, eventually back above the 2018/multi-month high at 1.3665. At this point, only a weekly close below the psychological barrier at 1.3000 would delay the outlook.



- **R2 1.3146**– 1 July high – Strong
- **R1 1.3100** - Figure – Medium
- **S1 1.3016** – 19 July/**2019 low** – Strong
- **S2 1.3000** – Psychological – Strong

USDCAD – fundamental overview

The Canadian Dollar ended the week giving back an initial round of Friday gains that had the Loonie squeaking out a fresh 2019 high against the Buck (USDCAD low). The Canadian Dollar has been strong on the back of soft US Dollar trade policy and upgraded dovish expectations from the Fed, but couldn't ignore Friday's disappointing Canada retail sales print and more setbacks in the price of OIL. Also fueling Loonie selling into the end of the week were comments from Fed Bullard, who threw cold water on the 50bp rate cut talk from Fed Williams a day earlier. The Looking ahead, Monday's calendar is light, with only Canada wholesale sales and the Chicago Fed national activity index standing out.

NZDUSD – technical overview

Despite recent weakness, there's a case to be made for a meaningful low in place at 0.6425 (2018 low). As such, look for setbacks to be well supported above the latter, in anticipation of renewed upside, with only a close below to compromise the outlook. The most recent rally has triggered a double bottom projecting a measured move upside extension towards 0.7000, further strengthening the constructive outlook. The daily chart now shows the next confirmed higher low in place at 0.6568.



- **R2 0.6838** – 1 April high – Strong
- **R1 0.6791** – 19 July high – Medium
- **S1 0.6683** – 15 July low – Medium
- **S2 0.6641** – 11 July low – Strong

NZDUSD – fundamental overview

The New Zealand Dollar is coming off a solid week of performance, with the currency benefitting from soft Dollar trade policy out of the US, expectations for more aggressive rate cuts from the Fed, solid economic data and rallying metals prices. On Friday, we did see Kiwi give back some of its gains, with some mild broad-based US Dollar demand working its way into end of week flow. The Dollar demand was brought on by Fed Bullard, who threw cold water on the 50bp rate cut talk from Fed Williams a day earlier. The downturn in US equities was also seen weighing on the risk correlated commodity currency. Looking ahead, Monday's calendar is light, with only the Chicago Fed national activity index standing out.

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 initial level of major support comes in at 2729, with a break below to strengthen the outlook. A monthly close above 3000 would be required to compromise the outlook calling for a top.



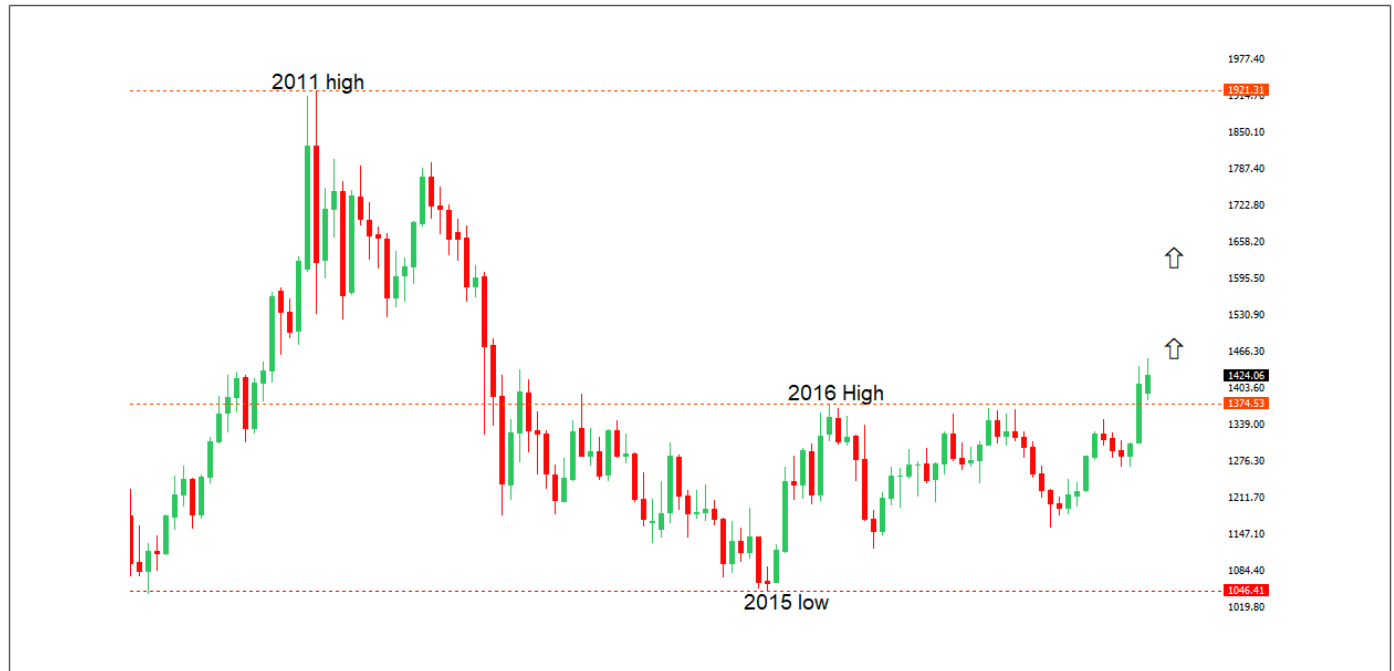
- **R2 3050** – Psychological – Strong
- **R1 3021** – 15 July/**Record high** – Medium
- **S1 2960** – 9 July low – Medium
- **S2 2911** – 26 June low – Strong

US SPX 500 – fundamental overview

Although we've seen the market extend to another record high in 2019, on Fed signals of additional rate cuts, with so little room for additional easing, given an already depressed interest rate environment, the prospect for a meaningful extension of this record run, on easy money policy incentives, should no longer be as enticing to investors as it once was. Meanwhile, expected renewed tension on the global trade front, should continue to be a drag on investor sentiment. 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.

GOLD (SPOT) - technical overview

The recent breakout above the 2016 high at 1375 was a significant development, and suggests the market is in the early stages of a bullish move that follows a multi-month consolidation. The next major level of resistance comes in around 1500, while in the interim, look for any setbacks to be well supported above 1400.



- **R2 1488** - May 2013 high - Strong
- **R1 1453** - 19 July/2019 high - Strong
- **S1 1382** - 1 July low - Strong
- **S2 1358** - 20 June 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.

BTCUSD - technical overview

Overall, look for additional upside to be limited for now, as the market continues to correct and consolidate, in the aftermath of a major surge in the second quarter of 2019. Any setbacks should be very well supported ahead of 7,000, with an eventual higher low sought out in favour of a bullish continuation back above the 2019 high at 13,748. Only a weekly close below 7,000 would compromise the constructive outlook.



- **R2 13,748** - 26 June/**2019 high** - Strong
- **R1 11,031** - 16 July high - Medium
- **S1 9,075** - 17 July low - Strong
- **S2 8,935** - 19 June low - Strong

BTCUSD - fundamental overview

Bitcoin enjoyed a spectacular run in the second quarter of 2019, racing to fresh yearly highs, surging towards 14k, on the back of increased adoption and more openness from the traditional investor community. The news of tech giants now turning towards the world of crypto has invited a higher profile that should be a net positive in the long run, but that has also exposed the ethos to critique from higher levels at the central bank and government levels. The market is also going through a period of technical adjustment after the fierce run up, though we anticipate demand from institutional players into dips.

BTCUSD - Technical charts in detail

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ETHUSD - technical overview

The market is in the process of a major correction after a surge in the second quarter of 2019. Look for setbacks to be well supported above of previous resistance turned support at 170 on a weekly close basis, in favour of the next major higher low and bullish resumption back towards and through the 2019 high up at 363. Ultimately, only a weekly close below 170 would compromise the longer term constructive outlook.



- **R2 325** - 30 June high - Strong
- **R1 290** - 11 July high - Medium
- **S1 191** - 16 July low - Strong
- **S2 170** - 24 February High - Strong

ETHUSD - fundamental overview

There was a lot more buzz around adoption following the Q2 2019 Bitcoin surge, with many mainstream names coming out in support of blockchain integration. Demand for web 3.0 applications is on the rise, and Ethereum is the blockchain with the biggest front end application potential. At the same time, profit taking in the aftermath of the rapid Q2 appreciation has triggered a healthy period of correction, while critique of the space from the likes of President Trump and Fed Chair Powell, along with worry associated with fallout in the global economy, are stories that could keep the more risk correlated crypto asset weighed down in the second half of the year.



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