

Global FX Insights

by LMAX Exchange Research & Analytics

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

Risk sentiment and Pre-ECB Euro positioning [Wake-up call](#)

US economic adviser Kudlow has attempted to calm investor nerves after rejecting reports trade talks with China were called off due to lack of progress. Kudlow went on to say that month-end talks would be “very very important” and “determinative.” Canada retail sales is the standout first tier data release on Wednesday.

Audio Player00:0000:0000:00Use Up/Down Arrow keys to increase or decrease volume.

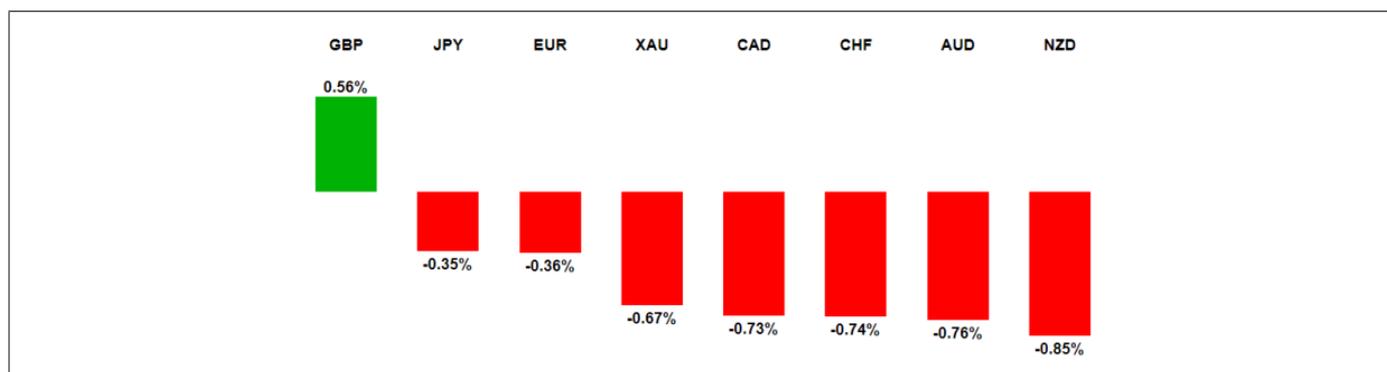
Technical highlights [Daily Video](#)

- [EURUSD](#) Solid internal support at 1.1300
- [GBPUSD](#) Case for major higher low
- [USDJPY](#) Lower top sought for fresh drop
- [EURCHF](#) No directional insight at moment
- [AUDUSD](#) Possible longer term bottom
- [USDCAD](#) Bigger picture uptrend intact
- [NZDUSD](#) Looking for next higher low
- [US SPX 500](#) Rally expected to stall out
- [GOLD](#) (spot) Slowly working to breakout
- [BTCUSD](#) Downtrend firmly intact
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Fundamental highlights

- [EURUSD](#) Pre-ECB positioning kicks into gear
- [GBPUSD](#) Market talking for Brexit extension
- [USDJPY](#) Kudlow comments prop sentiment
- [EURCHF](#) SNB policy strategy stress
- [AUDUSD](#) Softer data doesn't factor into action
- [USDCAD](#) Canada retail sales takes centre stage
- [NZDUSD](#) Kiwi gets boost from hot CPI print
- [US SPX 500](#) Fed model front and centre
- [GOLD](#) (spot) Hard asset demand ramps up
- [BTCUSD](#) Bitcoin outlook bright further out
- [ETHUSD](#) Demand expected despite setbacks

5-Day Performance v. US dollar



Suggested reading

- [OPEC Helping Us Oil Reach Tipping Point](#) J. Lee, **Bloomberg** (January 20, 2019)
- [Artificial Intelligence No Hoax, Just Over-Hyped](#), A. Lashinsky, **Fortune** (January 22, 2019)

EURUSD - technical overview

The Euro recently broke out from a period of extended consolidation off the 2018 low, setting the stage for a bullish structural shift. Look for the market to establish above 1.1500 over the coming sessions for confirmation, setting the stage for an acceleration towards next critical resistance in the 1.1815 area, which guards against a retest of the +3 year high from 2018 around 1.2550. Setbacks should now be well supported, with only a close back below 1.1300 to delay the constructive outlook.



- **R2 1.1490** - 15Jan high - Strong
- **R1 1.1411** - 18Jan high - Medium
- **S1 1.1337** - 22Jan Low - Medium
- **S2 1.1305** - 3Jan low - Strong

EURUSD - fundamental overview

We've seen some Euro weakness in the lead up to Thursday's ECB meeting, with many speculating Draghi will sound more dovish, highlighting increasing downside risks to the Eurozone economy. However, overall, the Euro continues to get bought aggressively by longer term players into dips. These players are less focused on the Euro side of the equation and more consumed with US Dollar dynamics that include a Fed shifting back to the dovish side, ongoing White House drama, and the US administration's soft Dollar protectionist agenda. Today's economic calendar is absent of first tier data and the focus will continue to be on bigger picture themes and pre-ECB event risk positioning.

EURUSD - Technical charts in detail

[Watch now](#)

GBPUSD - technical overview

We view the pullback in 2018 as a correction within a developing uptrend off the 2016 low and will be looking for a higher low to carve out well ahead of 1.1840, in favour of a push back to the topside. For this to play out, the market will ideally need to hold above some meaningful support in the 1.2300s and recover back through the September 2018 peak at 1.3300. The recent break back above short-term resistance at 1.2815 helps to strengthen the bullish prospect. Next short-term resistance is up at 1.3175.



- **R2 1.3073** - 14Nov high - Medium
- **R1 1.3001** -17Jan high - Medium
- **S1 1.2900** - Figure - Medium
- **S2 1.2831** - 21Jan low - Strong

GBPUSD - fundamental overview

Odds for a no-deal Brexit scenario have been reduced significantly over the past week and this has helped to inspire some profit taking on GBP shorts worried about the tail risk. The market is expecting a scenario in which the Article 50 trigger date is pushed back, if Theresa May is unsuccessful with her Plan B attempt. The Pound has also been helped along by an impressive UK employment report on Tuesday that produced a healthy jump in the earnings component. BOE Broadbent is on the wires on Wednesday and traders will be looking for additional insights into the Bank of England's thinking on Brexit. We also get UK CBI trends data.

GBPUSD - Technical charts in detail

USDJPY - technical overview

The major pair is in the process of consolidating the latest round of declines within a bigger picture downtrend. Look for any recovery rallies to be well capped ahead of 111.00 in favour of the next major downside extension below the 104.63, 2018 low. This would expose a very important psychological barrier at 100.00 further down.



- **R2 110.48** - 31Dec high - Strong
- **R1 109.90** - 18Jan high - Medium
- **S1 108.69** - 17Jan low - Medium
- **S2 107.77** - 10Jan low - Strong

USDJPY - fundamental overview

No big reaction to a Bank of Japan decision that came in as expected. The central bank left policy unchanged, cut its inflation outlook, and conceded downside risks to the economy and inflation had increased. The major pair should continue to track with risk sentiment and will be focused on this big picture theme on Wednesday, particularly in light of a quiet economic calendar, with no first tier data on the US docket.

[Watch now](#)

EURCHF - technical overview

The market has been in the process of consolidating off the 2018 low, which coincided with critical support in the 1.1200 area. However, at this stage, there is no clear directional bias, with the price action deferring to a neutral state. Back above 1.1500 would get some bullish momentum going for a push to 1.2000, while back below 1.1185 would be quite bearish.



- **R2 1.1435**- 16Nov high - Strong
- **R1 1.1359** - 22Nov high - Medium
- **S1 1.1200** - Psychological - Medium
- **S2 1.1185**- 7Sep/2018 low - 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 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

Despite the recent breakdown below the 2016 low, inability to establish below that low (around 0.6825), will keep the market from wanting to get overly bearish and could even warn of some form of a longer-term base. However, a drop back below the 2016 low again, would expose deeper setbacks towards the 2008 low around 0.6000. As far as the topside goes, the market would need to break back above 0.7400 to force a bullish shift in the structure.



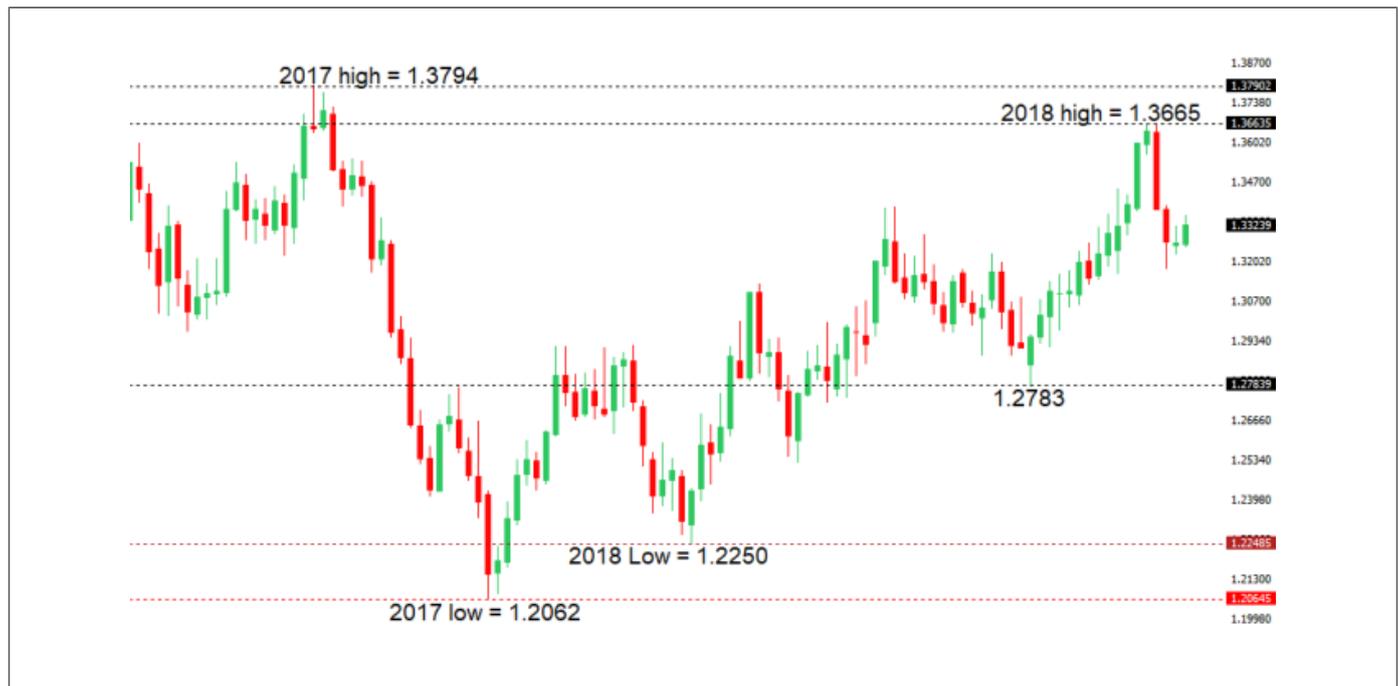
- **R2 0.7236** - 11Jan high - Strong
- **R1 0.7183** - 21Dec high - Medium
- **S1 0.7100** - Figure - Medium
- **S2 0.6994** - 4Jan low - Strong

AUDUSD - fundamental overview

The Australian Dollar is getting a boost after some risk off flow in Tuesday trade. It seems US top economic adviser Kudlow's rejection of reports that US-China trade talks were called off due to a lack of progress, has helped to inspire renewed confidence, with Kudlow adding month-end talks with China's V-P Liu will be "very very important" and "determinative." The Aussie Westpac leading index came in softer but has not factored into price action. Looking ahead, absence of first tier data for the remainder of the day will leave Aussie focused on bigger picture themes.

USDCAD - technical overview

A period of intense correction has kicked in after a run to its highest levels since May 2017. Overall, the structure remains constructive, with dips expected to be well supported ahead of 1.3000 for renewed upside. Only back below the psychological barrier would compromise this view.



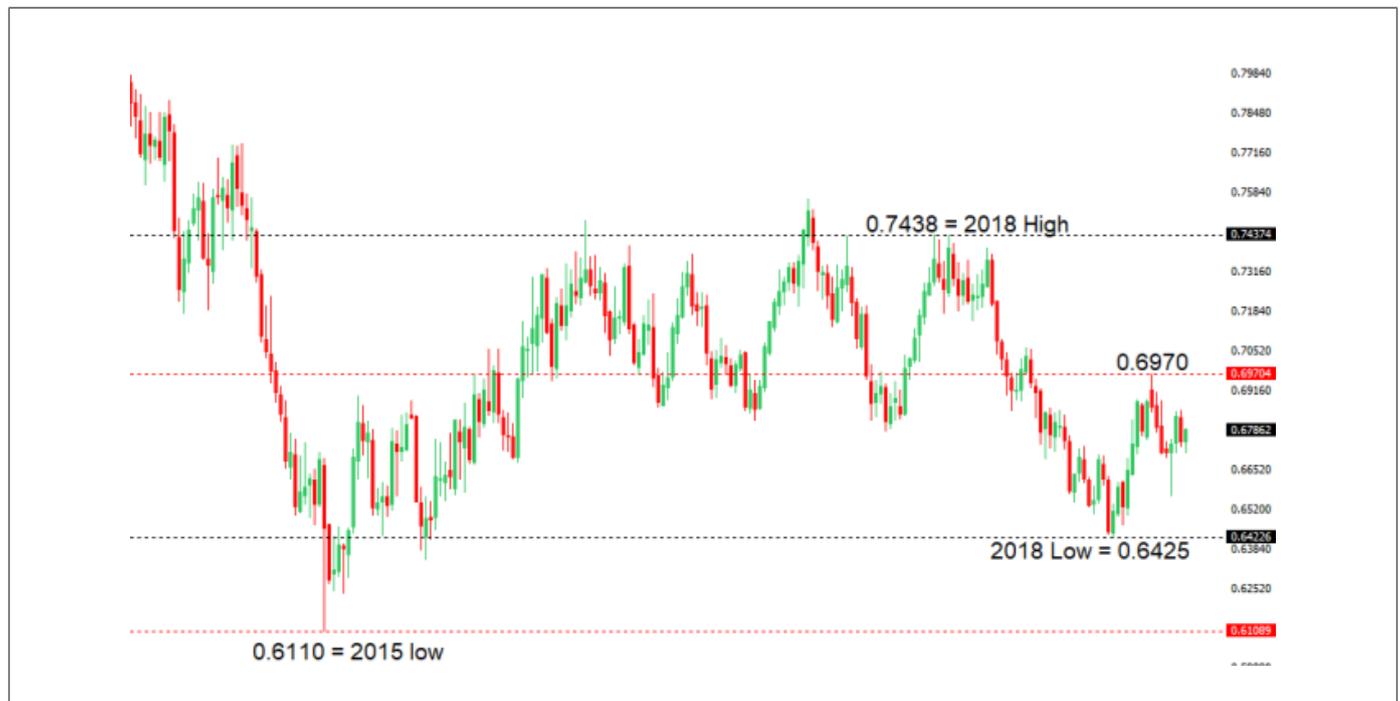
- **R2 1.3390** - 7Jan high - Strong
- **R1 1.3359** - 22Jan high - Medium
- **S1 1.3252** - 21Jan low - Medium
- **S2 1.3227** - 15Jan low - Strong

USDCAD - fundamental overview

The Canadian Dollar has been giving back some of its recent run of gains, with risk liquidation themes weighing on the Loonie in the early week. The Loonie had put in an impressive recovery run off the 2018 low against the Buck, getting a big boost from the recovery in OIL and a more balanced Bank of Canada outlook. Looking at today's calendar, the big focus will be on Canada retail sales. There is no first tier data on the US docket.

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 the latest 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 at 0.6425. A break back above 0.6970 will strengthen the constructive outlook.



- **R2 0.6850** - 15Jan high - Strong
- **R1 0.6800**- Figure - Medium
- **S1 0.6707** - 22Jan low - Medium
- **S2 0.6672** - 4Jan low - Strong

NZDUSD - fundamental overview

The New Zealand Dollar is feeling better into Wednesday on the back of more encouraging headlines relating to US-China trade talks, and a hotter than expected inflation reading. Looking ahead, absence of first tier data for the remainder of the day will leave Aussie focused on bigger picture themes.

US SPX 500 - technical overview

There have been legitimate signs of a major longer term top, with deeper setbacks projected in the months ahead. Any rallies should now continue to be very well capped ahead of 2800, in favour of renewed weakness that targets an eventual retest of strong longer-term 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 record high move.



- **R2 2688** - 12Dec high - Strong
- **R1 2676** - 18Jan high - Medium
- **S1 2560** - 10Jan low - Medium
- **S2 2437** - 4Jan low - Strong

US SPX 500 - fundamental overview

Investor immunity to downside risk is not as strong into 2019. The lag effect of Fed policy normalisation, US protectionism, ongoing White House drama and geopolitical tension are all warning of deeper setbacks ahead. The Fed has also finally acknowledged inflation no longer running below target, something that could very well result in even less attractive equity market valuations this year, given the implication on rates. We recommend keeping a much closer eye on the equities to ten year yield comparative going forward, as the movement here is something that will continue to stress the market in 2019.

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 this latest recovery can extend back through big resistance in the form of the 2016 high at 1375. Look for setbacks to be well supported ahead of 1200, with only a close back below 1200 to compromise the constructive outlook. Next key resistance comes in at the 1300 psychological barrier.



- **R2 1310** - 14Jun high - Strong
- **R1 1300**- Psychological - Medium
- **S1 1276** - 4Jan low - Medium
- **S2 1233** - 14Dec 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

At this stage, any upside moves are classified as corrective ahead of what could be the next downside extension and bearish continuation. It would take a break back above previous support in the 6,000 area to take the pressure off the downside. Next critical support comes in the form of the July and September 2017 lows, around 2,000 and 2,975 respectively.



- **R2 4,480** - 29Nov high - Strong
- **R1 4,380** - 24Dec high - Strong
- **S1 3,500**- Psychological -Medium
- **S2 3,212** - 15Dec/2018 low - Strong

BTCUSD - fundamental overview

Bitcoin has just gone through a tough 2018, with the cryptocurrency suffering on a number of fronts. Still, overall, the cryptocurrency and the technology it rests on continue to show a lot of potential looking out and we expect the market will regain composure over the medium to longer term.

BTCUSD - Technical charts in detail

[Watch now](#)

ETHUSD - technical overview

The latest recovery rally has stalled out into a meaningful previous support zone, to keep the pressure on the downside, with risk for a bearish continuation to next critical support in the 50-75 area. At this point, it would take a sustained break back above 167 to take the immediate pressure off the downside.



- **R2 200** - Psychological - Medium
- **R1 167** - Previous Support - Strong
- **S1 100** - Psychological - Medium
- **S2 83** - 7Dec/2018 low - Strong

ETHUSD - fundamental overview

We're coming off a year of dramatic weakness in the price of Ether in 2018 and the cryptocurrency continues to face headwinds into 2019. Ongoing regulatory challenges and a global economic downturn are some of those headwinds that need to be considered. At the same time, longer term prospects are looking quite bright and valuations are increasingly attractive. There is a lot of demand for Ether that has been reported below 100 and ahead of 50.



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