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Global FX Insights

by LMAX Exchange Research & Analytics

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

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A week packed with a healthy amount of event risk, will close out on a quieter note, at least as far as the economic calendar is concerned, with only US durable goods, new home sales, Canada CPI and some central bank speak standing out. Of course, there is still room for plenty of volatility.

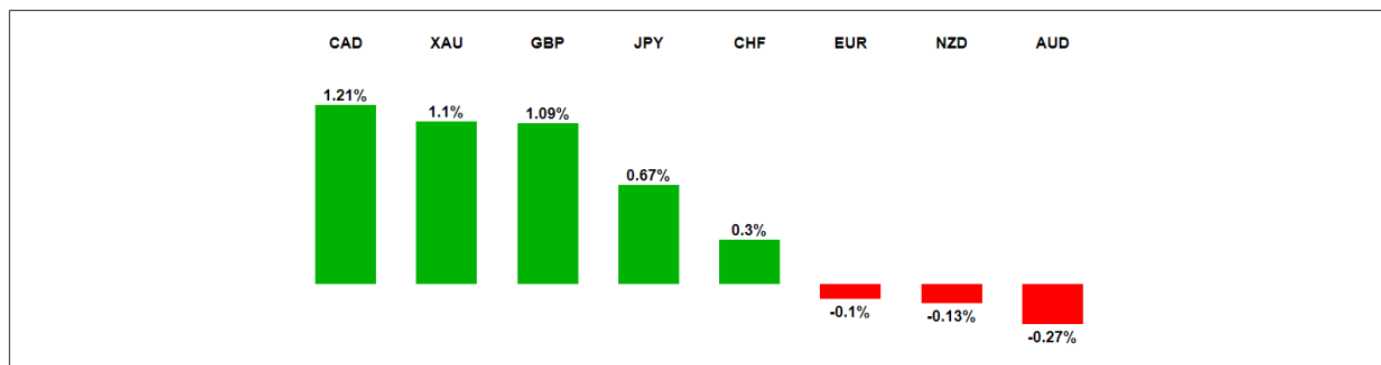
Technical highlights [Daily Video](#)

- **EURUSD** Continues to chop around
- **GBPUSD** Room for deeper correction
- **USDJPY** Bearish while below 107.90
- **EURCHF** Continues to hold up on dips
- **AUDUSD** Rallies should be well capped
- **USDCAD** Looking for next higher low
- **NZDUSD** Ready to roll over
- **US SPX 500** Monthly chart warns of reversal
- **GOLD** (spot) Waiting for push through 1375
- **Feature** – BTCUSD Capped for now on rallies

Fundamental highlights

- **EURUSD** Euro continues to find two-way demand
- **GBPUSD** Transition deal expected to be confirmed
- **USDJPY** Risk liquidation opens more Yen demand
- **EURCHF** No surprises from SNB decision to hold
- **AUDUSD** Aussie stumbles on China sanctions
- **USDCAD** Canada CPI and retail sales ahead
- **NZDUSD** Kiwi faces pressure from macro flow
- **US SPX 500** Global trade tension heating up
- **GOLD** (spot) Metal demand reflects uncertainty
- **Feature** – BITCOIN Harder times for crypto assets

Five day performance v. US dollar



Suggested reading

- **Europe's Safe Bonds Not So Safe After All**, F. Giugliano, Bloomberg (March 22, 2018)
- **When Will All These Crowded Trades Reverse**, K. Muir, Bloomberg (March 21, 2018)

EURUSD – technical overview

The major pair has stalled out after trading up to a +3 year high above 1.2500. Daily studies have been in the process of consolidating off stretched readings, though setbacks continue to be exceptionally well supported into dips. A daily close back above 1.2400 will suggest the market wants to extend the run up through the 2018 high and towards a massive falling trend-line off the record high, which comes in around 1.2650. But if the market can't hold above 1.2400 and rolls back over, look out for a drop below 1.2155 to accelerate setbacks towards an initial retest of the 2018 low around 1.1915.



- R2 1.2447 – 8Mar high – Strong
- R1 1.2389 – 22Mar high – Medium
- S1 1.2240 – 20Mar low – Medium
- S2 1.2252 – 2Mar low – Strong

EURUSD – fundamental overview

There's no first tier data out of the Eurozone today and the calendar focus will be on US releases in the form of durable goods and new home sales, along with some Fed speak. The Euro continues to find solid two way interest, leaving the market undecided about that next big move. Global sentiment is deteriorating and this could start to become more of a factor, though the added wrench of what this means as far as direction goes, in light of US protectionism and soft Dollar policy, has made it all much more difficult for traders to figure out, perhaps contributing to the directionless market.

GBPUSD – technical overview

The market has entered a consolidative phase since pushing to a 2018 high at around 1.4350 and rallies should be well capped ahead of the 2018 high for additional corrective activity. There is still scope for additional declines into the 1.3600 area, though setbacks should then be very well supported in favour of that next meaningful higher low and bullish continuation.



- R2 1.4279– 1Feb high – Strong
- R1 1.4220 – 22Mar high – Medium
- S1 1.4076 – 22Mar low – Medium
- S2 1.3983 – 20Mar low – Strong

GBPUSD – fundamental overview

Absence of first tier data out of the UK will leave this market digesting the week's events, which included a transition deal, softer CPI, higher wages and a Bank of England decision that was less hawkish than expected, with the central bank failing to offer a clear guarantee of a May hike. On the transition deal front, the market will be looking for confirmation later today, though there are still substantive issues that will need to get worked out. These include the Irish border and Spain's veto over the inclusion of Gibraltar into the agreement. As a final note for Friday, BOE Vlieghe is on the wires but this isn't expected to turn heads.

USDJPY – technical overview

A multi-month range trade was broken in February after the market sunk below 107.30. This has opened the door for deeper setbacks in the days ahead, possibly down towards a measured move extension target of 100.00 after the market had consolidated for much of 2017 between 107.00 and 114.00. At this point, a daily close back above 107.91 would be required at a minimum to take the immediate pressure off the downside.



- R2 106.00 – Figure – Strong
- R1 105.34 – 23Mar high – Medium
- S1 104.50 – Mid-Figure – Medium
- S2 104.00 – Figure – Strong

USDJPY – fundamental overview

The Yen has been well bid in 2018 and is the strongest of the developed currencies. The outperformance comes from initial broad based Dollar weakness and has been accelerated on the back of a deterioration in global sentiment and flight to safety bid. Escalating tension relating to US protectionism and the latest US sanctions on China have many fearing the worst of global trade wars and the major pair is now gravitating back towards a big level at 100.00. Looking at today's calendar, we get US durable goods and new home sales along with Fed speak, though most of the attention will likely be on any new headlines relating to trade tension.

EURCHF – technical overview

Despite this latest round of setbacks, overall, the market continues to trend higher, recently extending gains to a fresh multi-month high. The bullish price action has the market thinking about a retest of that major barrier at 1.2000 further up. In the interim, look for the current round setbacks to be very well supported, while only back below 1.1448 would delay the overall constructive tone.



- R2 1.1834 – 15Jan/2018 high – Strong
- R1 1.1750 – Mid-Figure – Medium
- S1 1.1632 – 7Mar low – Medium
- S2 1.1448 – 8Feb/2018 low – Strong

EURCHF – fundamental overview

The SNB will need to be careful right now, as its strategy to weaken the Franc could face headwinds from the US equity market in 2018. The record run in the US stock market has been a big boost to the SNB's strategy with elevated sentiment encouraging Franc weakness. Of course, the SNB is no stranger to this risk, given a balance sheet with massive exposure to US equities. But any signs of capitulation on that front into this new year, will likely invite a very large wave of demand for the Franc, which will put the SNB in a more challenging position to weaken the Franc. And so, we speculate the SNB continues to be active buying EURCHF in an attempt to build some cushion ahead of what could be a period of intense Franc demand ahead. .

AUDUSD – technical overview

The market has been in the process of rolling over after failing to sustain a break above the 2017 high. The recent daily close below 0.8000 strengthens this outlook and opens the door for a renewed wave of declines towards 0.7500. At this point, only a daily close back above 0.8000 would delay.



- R2 0.7886 – 15Mar high – Strong
- R1 0.7786 – 22Mar high – Medium
- S1 0.7680 – 20Mar low – Medium
- S2 0.7628 – 14Dec low – Strong

AUDUSD – fundamental overview

Overall, the Australian Dollar has been very well offered into rallies, with the currency weighed back down on an escalation in global trade tension and White House drama. US protectionism, tariffs and soft Dollar policy are additional variables in the equation and ultimately, any signs of capitulation in risk assets, will be what drives this market, with the Australian Dollar at risk for additional declines. On the data front, mixed Aussie jobs this week hasn't been a help to the local currency. Looking at today's calendar, we get US durable goods and new home sales along with Fed speak, though most of the attention will likely be on any new headlines relating to trade tension.

USDCAD – technical overview

There are signs of basing after months of downside pressure, with the market racing back above critical resistance at 1.2921. A fresh higher low has been confirmed, with the market extending its 2018 run and now open for a push into a measured move extension objective around 1.3200. At this point, setbacks should be well supported above 1.2800.



- R2 1.3125– 19Mar/2018 high – Strong
- R1 1.3000 – Psychological – Medium
- S1 1.2831 – 22Mar low – Medium
- S2 1.2804 – 12Mar low – Strong

USDCAD – fundamental overview

The Canadian Dollar has managed to find some relief this week, with the Loonie initially recovering on short term profit taking and then accelerating in the aftermath of the market's initial dovish read of the Fed decision. But overall, the Canadian Dollar continues to stand out as a relative underperformer in 2018. A softer run of recent Canada data and NAFTA uncertainty should continue to weigh, with medium term players expected to step in and take advantage of the Loonie recovery to build into existing short exposure. Looking ahead, we get Canada retail sales and CPI along with US durable goods, new home sales and some Fed speak. Of course, all of this tension around US protectionism and the latest developments with China will be watched closely.

NZDUSD – technical overview

The market looks to be in the process of rolling over, with the daily chart showing a possible topping formation. Right now, it will take a clear break above 0.7400 to take the pressure off the downside. Until then, there is risk for continued weakness back towards 0.6900, with a break below 0.7154 to trigger the bearish formation and strengthen the outlook.



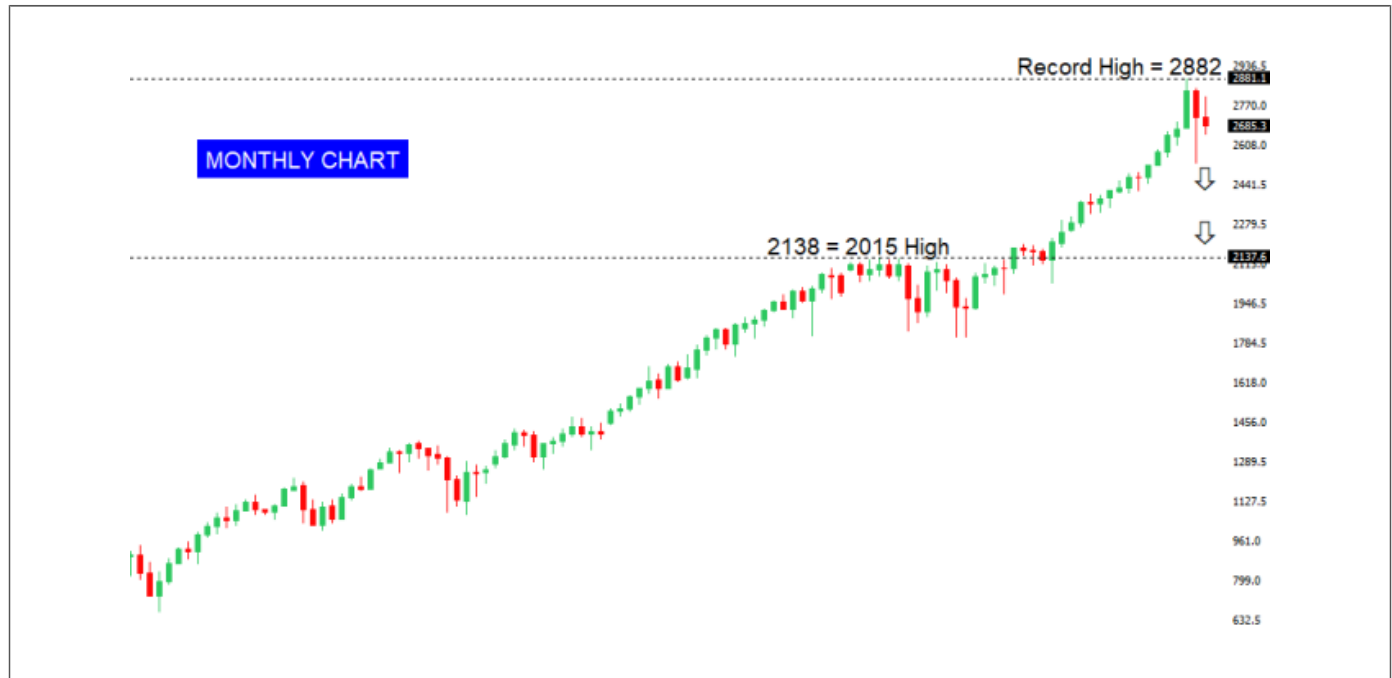
- R2 0.7355 – 13Mar high – Strong
- R1 0.7263 – 22Mar high – Medium
- S1 0.7154 – 21Mar low – Medium
- S2 0.7100 – Figure – Strong

NZDUSD – fundamental overview

Overall, the New Zealand Dollar has been well offered into rallies, particularly in light of the central bank's recent adoption of a more dovish leaning outlook which was maintained this week. This coupled with signs of rising inflation in the US and increased tension around fallout from White House exits and US administration protectionist measures, could easily offset any demand from alternative flows that might otherwise be supportive of the Kiwi rate. Certainly recent local data has not done anything to help Kiwi's cause, with last week's softer GDP print followed up by another discouraging GDT auction result this week that produced the third consecutive negative print. As far as today's calendar goes, we get US durable goods and new home sales along with Fed speak, though most of the attention will likely be on any new headlines relating to trade tension.

US SPX 500 – technical overview

A severely overbought market is finally showing signs of relenting, allowing for stretched readings to unwind. There's plenty of room for these setbacks to extend following the break back below the 2675 area January low, with the market at risk for a further intensification of declines. Any rallies should now be very well capped ahead of 2800.



- R2 2882 – 29Jan/Record high – Strong
- R1 2805 – 78.6% of Jan-Feb move – Strong
- S1 2650 – 2Mar low – Medium
- S2 2624 – 12Feb low – Medium

US SPX 500 – fundamental overview

Investor immunity to downside risk is not looking as strong these days and there's a clear tension out there as the VIX starts to rise from unnervingly depressed levels. The combination of Fed policy normalisation and White House drama featuring a revolving door of personnel and ramped up US protectionism, have been driving the market lower. Setbacks are now at risk of intensifying on the prospect of added rate hikes and trade wars.

GOLD (SPOT) – technical overview

Setbacks have been well supported over the past several months, with the market continuing to put in higher lows and higher highs. Look for some more chop followed by an eventual push above massive resistance in the form of the 2016 high at 1375. This will then open the door for a much larger recovery in the months ahead. In the interim, setbacks are expected to be well supported around 1300.



- R2 1375 – 2016 high – Very Strong
- R1 1341 – 26Feb high – Medium
- S1 1303 – 2Mar low – Strong
- S2 1300 – Psychological – Strong

GOLD (SPOT) – fundamental overview

Solid demand from medium and longer-term players persists, with these players more concerned about exhausted monetary policy, extended global equities, political uncertainty, systemic risk and geopolitical threats. All of this should continue to 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. Certainly the US Dollar under pressure has added 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 for an extended period, GOLD will hold up on risk off macro implications. The 2016 high at 1375 is a massive level that if broken and closed above, could be something that triggers a widespread panic and rush to accumulate more of the hard asset.

Feature – technical overview

Bitcoin has come under intense pressure since topping out at a record high just shy of 20,000 in December. The market has exceeded a measured move downside objective that had targeted a drop to \$7,000, with deeper setbacks now on the cards for a move to retest the September 2017 peak around \$5,000. At this point, it will take a daily close back above recent highs at \$12,000, which also coincide with the top of the Ichimoku cloud, to take the pressure off the downside.



- R2 12,000 – Ichimoku top – Strong
- R1 10,000 – Psychological – Medium
- S1 7,000 – Figure – Strong
- S2 6,000 – 6Feb/2018 low – Strong

Feature – fundamental overview

The crypto asset has come under pressure in 2018, with ramped up regulatory oversight and potential government crackdowns forcing many holders to exit positions. The market is also coming back to earth after a euphoric 2017 run that had bubble written all over. Bitcoin has struggled on the transaction side as well, with transactions per second a major drawback, along with a mining community that has been less willing to process transactions due to the lower fees. The Lightning network has been a welcome development and is helping to ramp up transaction speed, which has been behind some of the recovery off the 2018 low, though it seems the combination of a massive bubble, more regulatory oversight, a market that is still trying to convince of its proof of concept, and the threat of a reduction in global risk appetite, could all result in even deeper setbacks ahead.



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