

Global FX Insights

by LMAX Exchange Research & Analytics

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

Thin Calendar But Lots Going On! [Wake-up call](#)

Wednesday should be an interesting day in financial markets, though it won't have anything to do with the economic calendar, which is exceptionally thin. As far as markets and levels go, we think EURUSD 1.2155 is going to be the one to watch.

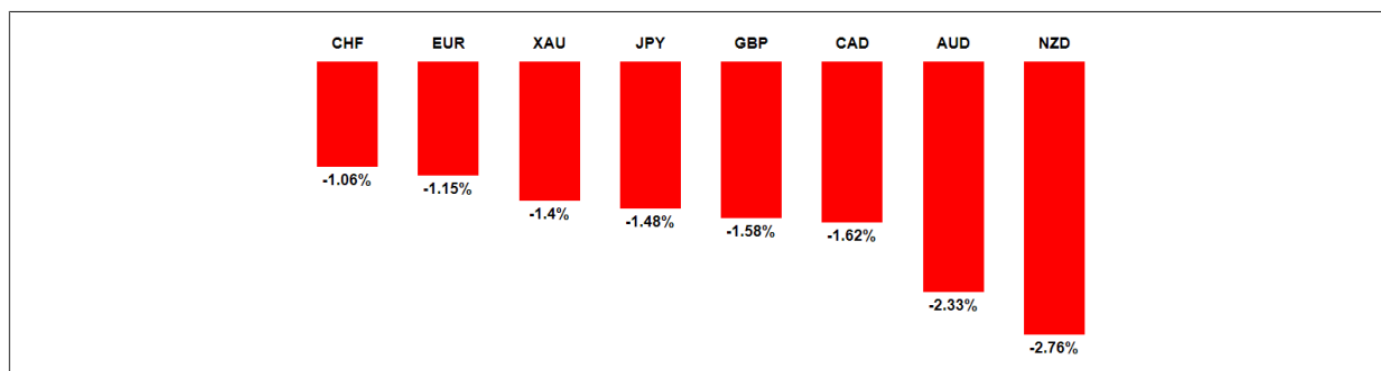
Technical highlights [Daily Video](#)

- **EURUSD** Risk build for deeper drop
- **GBPUSD** Closing on channel support
- **USDJPY** Surges through key level
- **EURCHF** Enters corrective phase
- **AUDUSD** Pressured to downside
- **USDCAD** Constructive outlook
- **NZDUSD** Deeper setbacks ahead
- **US SPX 500** Rallies should be capped
- **GOLD** (spot) Bullish above 1375
- **BTCUSD** Trying to bounce off low
- **ETHUSD** Pressure taken off downside

Fundamental highlights

- **EURUSD** ECB speak from Villeroy, Knot, Lane
- **GBPUSD** Brexit tension coming back into light
- **USDJPY** Major pair battles between diverging flow
- **EURCHF** SNB policy strategy likely to get tougher
- **AUDUSD** Aussie looking at broader macro themes
- **USDCAD** NAFTA risk a major overhang for Loonie
- **NZDUSD** Kiwi stands out as weakest currency
- **US SPX 500** Policy normalisation and inflation
- **GOLD** (spot) Metal demand reflects uncertainty
- **BTCUSD** Crypto headwinds challenge Bitcoin
- **ETHUSD** Ethereum exposed on macro pressure

Five day performance v. US dollar



Suggested reading

- **Markets Better Prepare for Stagflation**, D. DiMartino Booth, [Bloomberg](#) (April 24, 2018)
- **Worry About the Fed**, M. O'Brien, [Washington Post](#) (April 23, 2018)

EURUSD – technical overview

The major pair has come under pressure in recent trade and could be at risk for deeper setbacks ahead. Critical support now comes in at 1.2155 and a daily close below this level will strengthen the bearish case and open the door for a possible acceleration towards the December 2017 low around 1.1720. Inability to establish a daily close below 1.2155 will keep the range play intact, with the overall pressure remaining on the topside.



- R2 1.2354 – 20Mar high – Strong
- R1 1.2290 – 23Apr high – Medium
- S1 1.2185 – 24Apr low – Strong
- S2 1.2155 – 1Mar low – Strong

EURUSD – fundamental overview

Euro setbacks have intensified this week, driven off broad based Dollar bullishness that has been helped along by dialed down US protectionism rhetoric. Technicals have also been playing a part with some key short term levels broken. Dealers are now talking about bigger stops below 1.2155, and some fresh sell interest below the level. As far as today's docket goes, key standouts come in the form of ECB speak from Villeroy, Knot and Lane and US earnings that feature Facebook, eBay, Twitter, AT&T, Credit Suisse and Boeing.

EURUSD – Technical charts in detail

[Watch now](#)

GBPUSD – technical overview

The market hasn't been able to establish above the January high, with extended studies opening the door for a much needed corrective decline. There is risk for a deeper setback in the days ahead, with the market potentially gravitating to rising channel support off the 2017 uptrend which comes in around the 1.3700-1.3900 area. Still, overall, the structure remains highly constructive on a medium to longer term basis and a higher low is sought out ahead of a bullish continuation.



- R2 1.4247 – 19Apr high – Medium
- R1 1.4032 – 23Apr high – Medium
- S1 1.3919 – 24Apr low – Medium
- S2 1.3966 – 5Apr low – Strong

GBPUSD – fundamental overview

The UK PM has come against some opposition this week, which has reignited the conversation about confidence in the PM's ability to lead. This along with some more headlines related to Brexit (see Davis today) have weighed a little on the Pound, though most of the weakness has come from the recent run of weakness on broad based US Dollar demand as US protectionism is dialed down. Absence of first tier data will leave the market looking at the bigger picture themes and some US earnings due out later in the day that feature Facebook, eBay, Twitter, AT&T, Credit Suisse and Boeing. Things pick up again into the latter half of the week with UK and US GDP due.

GBPUSD – Technical charts in detail

Watch now

USDJPY – technical overview

The major pair has been attempting to **bottom out** after trading down to a 2018 low in the 104s. The latest break and close back above 108.00 strengthens the recovery outlook and opens the door for a bigger recovery back into the next key resistance zone in the 110.50-111.50 area. Back below 106.89 would be required to shift the focus back to the downside.



- R2 110.49 – 2Feb high – Strong
- R1 109.30 – Ichimoku top – Medium
- S1 107.91 – 21Feb high – Medium
- S2 106.89 – 17Apr low – Strong

USDJPY – fundamental overview

The Yen has come under some intense pressure this week, with the currency falling victim to broad based US Dollar as US protectionism rhetoric is dialed down. At the same time, the technicals are also playing a part after major stops were cleared above 108.00. We have however seen some technical selling that is coming into play ahead of 110.00. Another consideration here is the ability for USDJPY to keep running if we see more downside pressure in risk assets, something that traditionally correlates with the major pair. Looking ahead, the focus will be on risk sentiment and some US earnings that feature Facebook, eBay, Twitter, AT&T, Credit Suisse and Boeing. The market will also be thinking about Friday's Bank of Japan decision. As a side note, M&A related activity is getting some attention on reports of a possible Takeda acquisition of Shire.

USDJPY – Technical charts in detail

Watch now

EURCHF – technical overview

The market has recently pushed to a fresh multi-month high back through the massive 1.2000 level. This is the first time the market has traded 1.2000 since January 2015. However, studies are now extended across the major time frames and there is risk building for a sizable corrective decline before considering a bullish continuation.



- R2 1.2100 – Figure – Strong
- R1 1.2006 – 20Apr/2018 high – Medium
- S1 1.1927 – 23Apr low – Medium
- S2 1.1842 – 12Apr 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 a more intensified liquidation on that front into Q2 2018, 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. SNB Jordan was on the wires this week, once again reaffirming policy strategy, even with the rate pushing back through 1.2000.

AUDUSD – technical overview

The market has been in the process of rolling over after failing to sustain a break above 0.8100 earlier this year. This has set up a sequence of lower tops and lower lows on the daily chart, with deeper setbacks seen towards the 0.7500 barrier over the coming sessions. A break back above 0.7814 would be required to negate the structure and force a shift in the outlook.



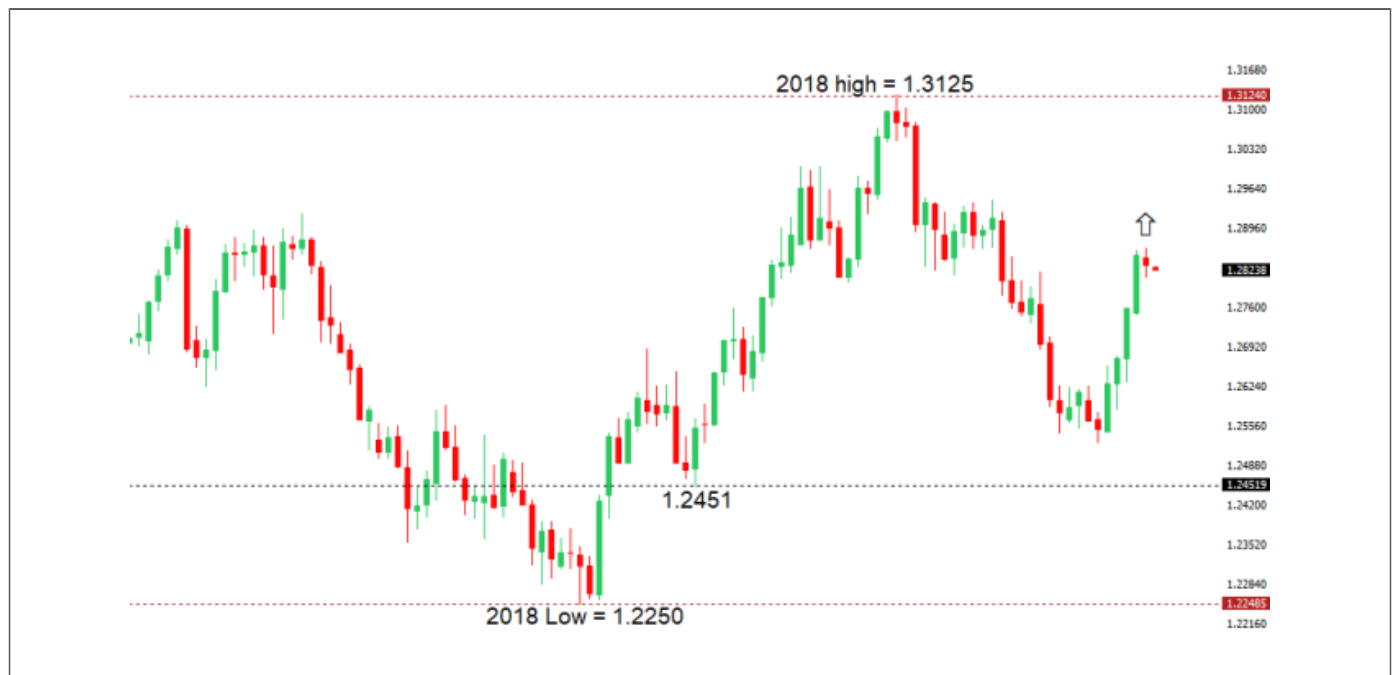
- R2 0.7732 – 20Apr high – Strong
- R1 0.7683 – 23Apr low – Medium
- S1 0.7563 – 24Apr/2018 low – Medium
- S2 0.7502 – 8Dec low – Medium

AUDUSD – fundamental overview

The Australian Dollar has come under renewed pressure, mostly on the back of broad based Dollar demand and sliding metals. Last week's Aussie employment data was also discouraging and could be another weighing factor. However, setbacks have been less intense as it seems cross related Aussie demand against its Kiwi cousin is helping to slow the pace of the drop. Overall, Aussie will continue to monitor developments on the global front, with any escalation in tension to add to the downside pressure. Looking ahead, the focus will be on risk sentiment and some US earnings that feature Facebook, eBay, Twitter, AT&T, Credit Suisse and Boeing.

USDCAD – technical overview

Despite a recent round of weakness, overall, there are signs of basing after months of downside pressure. Look for any setbacks to now be well supported ahead of 1.2500, with a higher low sought out in favour of the next major upside extension through 1.3125 and towards 1.3500 further up. A daily close above 1.2949 will strengthen the constructive outlook.



- R2 1.2949 – 22Mar high – Strong
- R1 1.2868 – 25Apr high – Medium
- S1 1.2800 – Figure – Medium
- S2 1.2749 – 23Apr low – Strong

USDCAD – fundamental overview

The Canadian Dollar has come under intense pressure over the past few sessions, with the Loonie suffering from a combination of negative developments on the local front and broad based US Dollar demand. On the local front, last week's more cautious Bank of Canada meeting got the selling going, with setbacks intensifying after last Friday's Canada retail sales and CPI came in soft. We also continue to believe the Loonie had gotten ahead of itself with NAFTA risk a big deal (despite some positive talk this week) and still well capable of giving the Bank of Canada a big headache if it gets too aggressive with policy normalization. Looking ahead, absence of first tier Canada data will leave the focus on the bigger picture themes and some US earnings that feature Facebook, eBay, Twitter, AT&T, Credit Suisse and Boeing.

NZDUSD – technical overview

The market looks to be in the process of topping out, with the daily chart slowly rolling over in 2018. Rallies are now expected to be very well capped ahead of 0.7500, with only a break back above the psychological barrier to negate. Look for a renewed weakness in the sessions ahead, with the latest break back below 0.7154 strengthening the bearish outlook and prospect for a drop back down towards 0.7000.



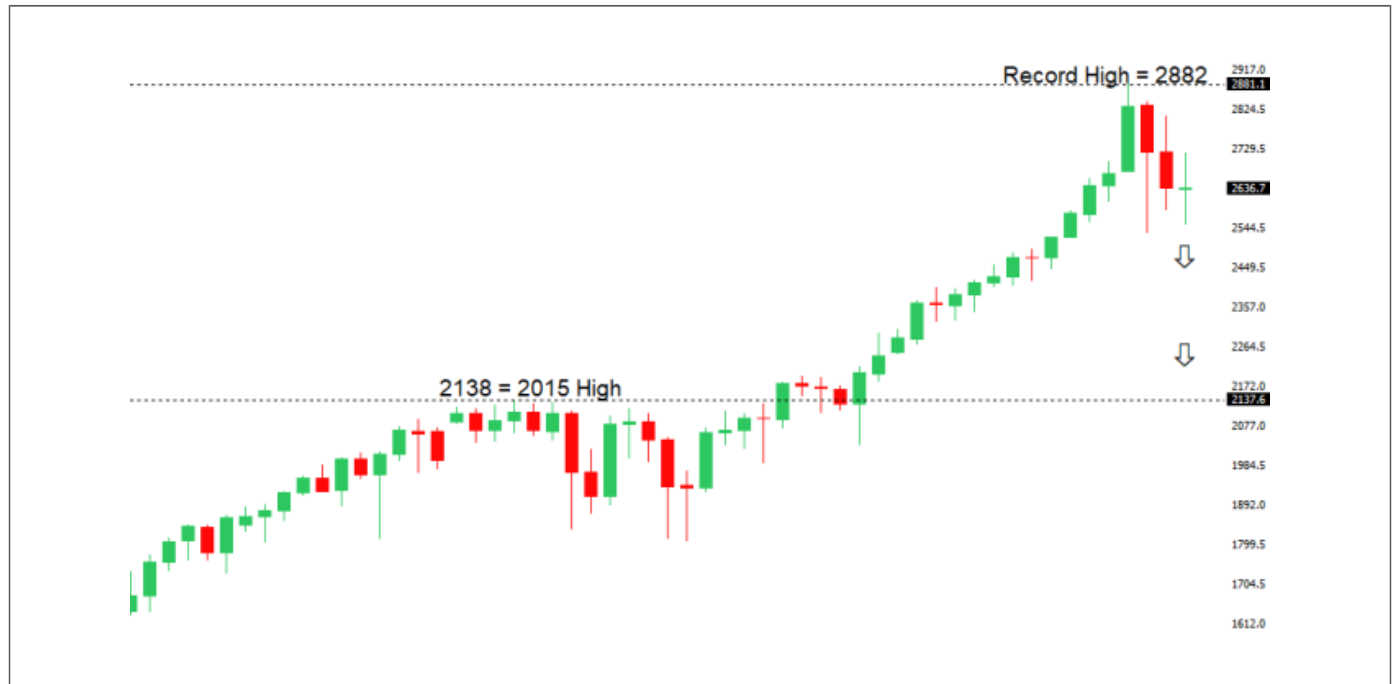
- R2 0.7219 – 23Apr high – Strong
- R1 0.7158 – 24Apr high – Medium
- S1 0.7075 – 25Apr low – Medium
- S2 0.7045 – 1Jan/2018 low – Strong

NZDUSD – fundamental overview

Last week's Kiwi inflation data was discouraging, with the dip in tradable goods prices and drop to the lowest year on year print since Q3 2016 putting the RBNZ in a position to consider a less hawkish path going forward. This has resulted in a period of relative Kiwi underperformance. Overall, the combination of escalating trade tension, fallout from an end to a near decade long post crisis global monetary policy accommodation and less than stellar economic data out of New Zealand in recent weeks is all starting to weigh on the Kiwi rate after the market had pushed into some medium term resistance towards 0.7500. It's worth noting, we've also seen cross related Kiwi selling against Aussie. Looking ahead, the focus will be on risk sentiment and some US earnings that feature Facebook, eBay, Twitter, AT&T, Credit Suisse and Boeing. .

US SPX 500 – technical overview

A severely overbought market is finally showing signs of rolling over off the January record high, allowing for stretched monthly readings to unwind. Any rallies should now be very well capped ahead of 2800 in favour of continued weakness towards the 2015 high at 2138.



- R2 2743 – 21Mar high – Strong
- R1 2718 – 18Apr high – Medium
- S1 2553 – 2Apr low – Medium
- S2 2533 – 6Feb/2018 low – Strong

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, ramped up US protectionism, and geopolitical tension have been capping the market into rallies, with any renewed setbacks at risk of intensifying on the prospect for the reemergence of inflationary pressure. Overall, we expect the bigger picture theme of policy normalisation to continue to weigh on investor sentiment into rallies.

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 1366 – 25Jan/2018 high – Medium
- S1 1320 – 6Apr low – Medium
- S2 1303 – 2Mar low – 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.

BTCUSD – technical overview

A recent break back above short term resistance at 9,200 has strengthened the recovery outlook, with scope for a correction further up towards 10,000. Still, the overall pressure remains on the downside and it is going to take a recovery back above 12,000 to suggest otherwise.



- R2 9,900 – 12Mar high – Strong
- R1 9,483 – 13Mar high – Medium
- S1 8,460 – 16Apr high – Medium
- S2 7,820 – 17Apr low – Strong

BTCUSD – 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 once the current correction fades away.

BTCUSD – Technical charts in detail

Watch now

ETHUSD – technical overview

Signs of recovery, with the market rallying out from the 2018 low and pushing back above some consolidation resistance. This has opened the door for a more significant recovery, though the market will need to establish a daily close back above the Ichimoku cloud to suggest we are seeing a bullish trend reversal.



- R2 895 – 27Feb high – Medium
- R1 745 – 10Mar high – Strong
- S1 638 – 24Apr low – Medium
- S2 537 – 16Apr high – Strong

ETHUSD – fundamental overview

Setbacks in the price of ETH have been more intense than those of Bitcoin in 2018. Though both markets are going through a period of shakeup following bubble activity in 2017, there has been a bigger exodus from ETH with this cryptocurrency more heavily correlated to risk in global markets. The reduction in global risk appetite has put a strain on the investment in projects on the blockchain and with most of the blockchain projects built on the Ethereum protocol, it makes sense to see this market more negatively impacted than bitcoin, which is considered to be the store of value digital currency.



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