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Global FX Insights

by LMAX Exchange Research & Analytics

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

Investors Find Comfort in Yellen's Words [Wake-up call](#)

Janet Yellen was out calming global markets after saying a US recession wasn't likely. We've since seen attempts to rally stocks out from this latest minor sell-off low. Still, the reality of exhausted monetary policy tools in a world that could still be in need of such measures, is a reality that may keep stocks from wanting to run up much further.

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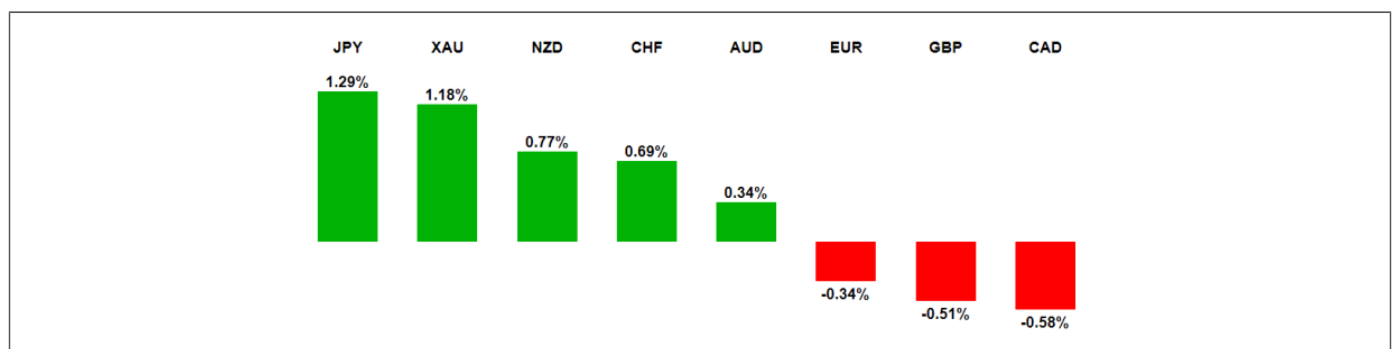
Technical highlights [Daily Video](#)

- [EURUSD](#) Defers back to frustrating chop
- [GBPUSD](#) Signs pointing higher up
- [USDJPY](#) Setbacks accelerate to downside
- [EURCHF](#) Tracking in neutral territory
- [AUDUSD](#) Strong support around barrier
- [USDCAD](#) Structure invites support on dips
- [NZDUSD](#) Looks to be carving a base
- [US SPX 500](#) Another big decline ahead
- [GOLD](#) (spot) Eyes test of 2016 high
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Fundamental highlights

- [EURUSD](#) Euro takes in German confidence
- [GBPUSD](#) UK parliament takes control
- [USDJPY](#) Risk liquidation drives Yen demand
- [EURCHF](#) SNB policy strategy stress
- [AUDUSD](#) Trade talks a worry for Aussie
- [USDCAD](#) Loonie recovers on OIL bounce
- [NZDUSD](#) RBNZ positioning factors into Kiwi
- [US SPX 500](#) Flushed out Fed policy a worry
- [GOLD](#) (spot) Global uncertainty fuels demand
- [BTCUSD](#) Fundamentals bright further out
- [ETHUSD](#) Starting to see real progress

Performance v. US dollar this week



Suggested reading

- [Low Interest Rates Might Be What's Hurting Growth](#), N. Smith, **Bloomberg** (March 23, 2019)
- [Investors Should Think Global Picture](#), K. Fisher, **USA Today** (March 24, 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 roughly coincides with a bullish breakout zone from 2017. This suggests that 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 a break back above the current 2019 high around 1.1570 to encourage this prospect.



- **R2 1.1449** - 20Mar high - Strong
- **R1 1.1343**- 21Mar low - Medium
- **S1 1.1267** - 28Nov low - Medium
- **S2 1.1176** - 7Mar/2019 low - Strong

EURUSD - fundamental overview

The Euro has recovered out from last week's low, helped along by well-received German IFO readings and favourable yield differentials on the back of expectations for a Fed rate cut in 2019. We also remind that that certainty of safe haven Dollar demand in risk off flow isn't exactly offering up the same degree of certainty when you have a US administration that still wants to push a soft Dollar policy via its trade initiative, in an effort to rebalance the US economy. This, another Euro supportive theme. Looking ahead, we get German consumer sentiment, US building permits and housing starts, US consumer confidence, and scattered central bank speak from officials at the Fed and ECB.

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 1.3382**- 13Mar high - Strong
- **R1 1.3312** - 19Mar high - Medium
- **S1 1.3082** - 22Mar low - Medium
- **S2 1.3004** - 21Mar low - Strong

GBPUSD - fundamental overview

Theresa May has conceded there isn't enough support for her deal and Parliament will now move to discuss the course of action going forward. This course ultimately favors a period of extended delay, and we suspect, more talk of the possibility for a second referendum. Looking at the calendar, absence of first tier UK data will leave the focus on Brexit, scattered central bank speak from BOE and Fed officials and US data in the form of building permits, housing starts and consumer confidence.

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USDJPY - technical overview

The major pair has stalled out after an impressive run up from the 2019 low. Look for this topside failure to set the stage for the next major downside extension back towards the 2019 flash crash low down in the 104.00s. The recent break back below 110.00 strengthens the bearish outlook. Ultimately, only back above 112.15 delays the bearish outlook.



- **R2 112.14** - 5Mar high - Strong
- **R1 110.96** - 21Mar high - Medium
- **S1 109.71** - 25Mar low - Medium
- **S2 109.44** - 4Feb 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. The shift in the Fed rate outlook has inspired a reconsideration of Dollar long exposure, while an accompanying bout of risk liquidation, is fueling additional Dollar profit taking into the Yen on the traditional correlation. Soured US-China trade talks have accounted for some risk off price action as well. Looking ahead, we get some Fed speak and US data in the form of building permits, housing starts and consumer confidence.

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EURCHF - technical overview

The market has been in the process of consolidating off the 2018 low, which coincides with critical medium-term 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 a sustained break back below 1.1200 would be quite bearish.



- **R2 1.1394** - 27Feb high - Strong
- **R1 1.1299** - 22Mar high - Medium
- **S1 1.1200** - Psychological - Strong
- **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

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.



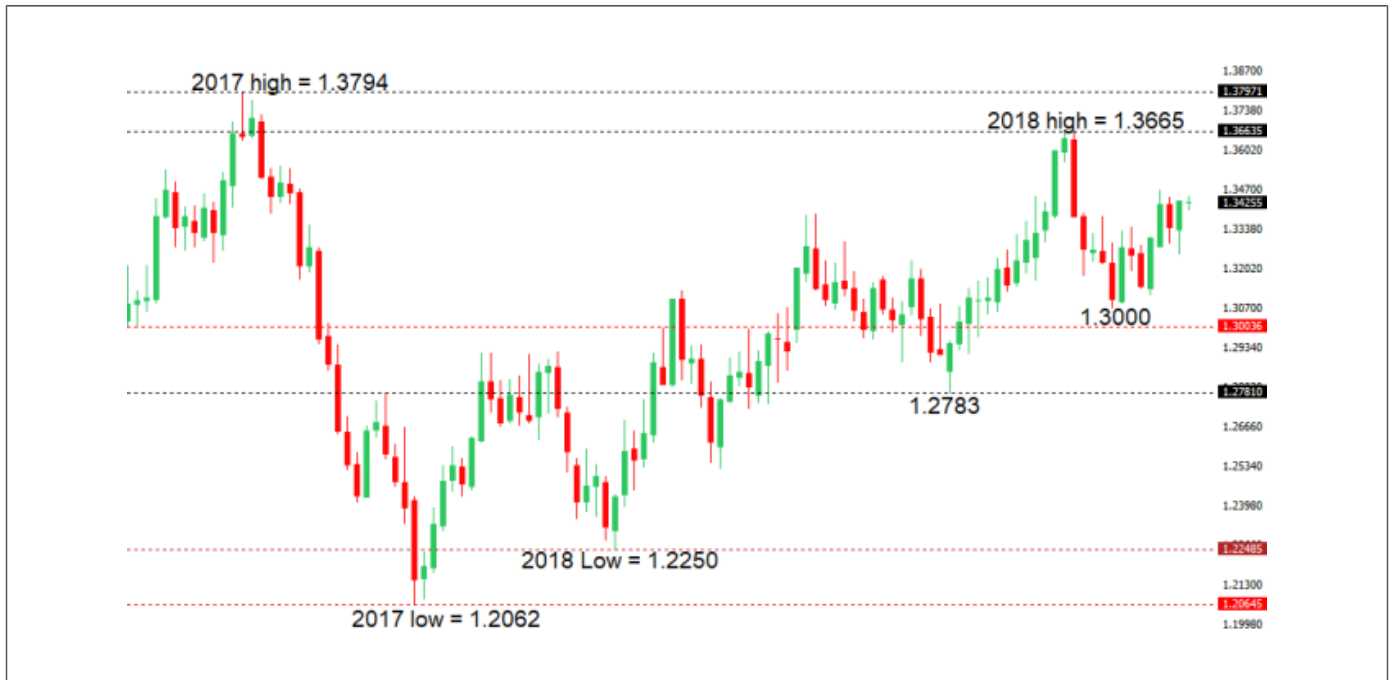
- **R2 0.7207** - 21Feb high - Strong
- **R1 0.7169** - 21Mar high - Medium
- **S1 0.7057** - 20Mar low - Medium
- **S2 0.7004** - 8Mar low - Strong

AUDUSD - fundamental overview

The Australian Dollar has been supported on the dovish shift in Fed policy. At the same time, downside pressure in stocks has proven to be offsetting. Setbacks in the US-China trade talks have also kept a lid on Aussie rallies. Looking ahead, we get some Fed speak and US data in the form of building permits, housing starts and consumer confidence.

USDCAD - technical overview

Overall, the 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.



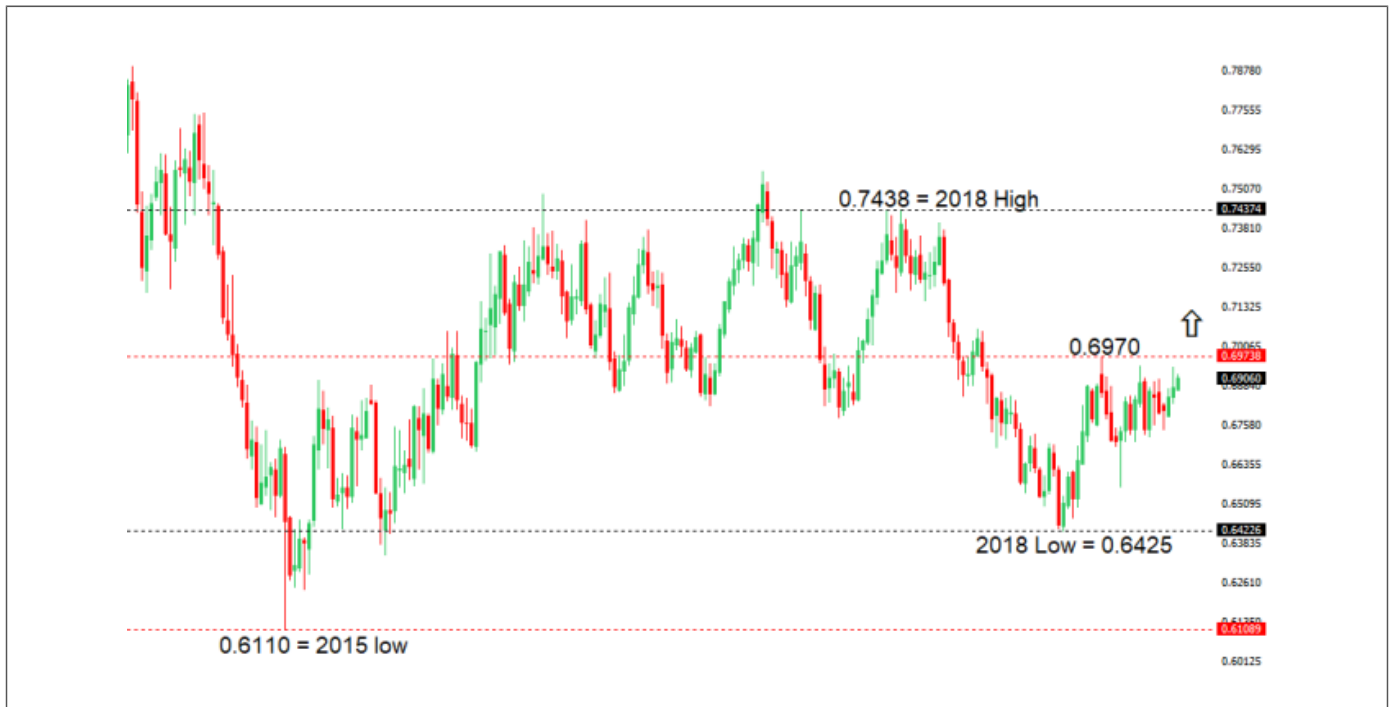
- **R2 1.3500** - Psychological - Strong
- **R1 1.3468** - 7Mar/2019 high - Medium
- **S1 1.3350** - 22Mar low - Medium
- **S2 1.3251** - 19Mar low - Strong

USDCAD - fundamental overview

The Canadian Dollar has managed to recover on the back of well supported US equities and recovering OIL prices. This has helped the Loonie, after the currency took a hit in the previous week on worrying US-China trade talk updates and softer Canada retail sales. Looking ahead, there's no first tier data scheduled out of Canada on Tuesday and it will be about US data in the form of building permits, housing starts and consumer confidence.

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 at 0.6425. A push through 0.7000 will strengthen the constructive outlook.



- **R2 0.6942** - 1Feb/2019 high - Strong
- **R1 0.6900** - Figure - Medium
- **S1 0.6809** - 14Mar low - Medium
- **S2 0.6745** - 7Mar low - Strong

NZDUSD - fundamental overview

The New Zealand Dollar has benefited from a recent run of solid local data and a dovish shift in Fed policy. Still, the currency is also sensitive to developments in risk markets and any intensified risk liquidation is likely to inspire renewed selling. Looking ahead, we should see plenty of positioning ahead of the upcoming RBNZ meeting. But first, it will be about some Fed speak and a round of US data that includes building permits, housing starts and consumer confidence.

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, 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. Next key support comes in at 2722, with a break to strengthen the outlook.



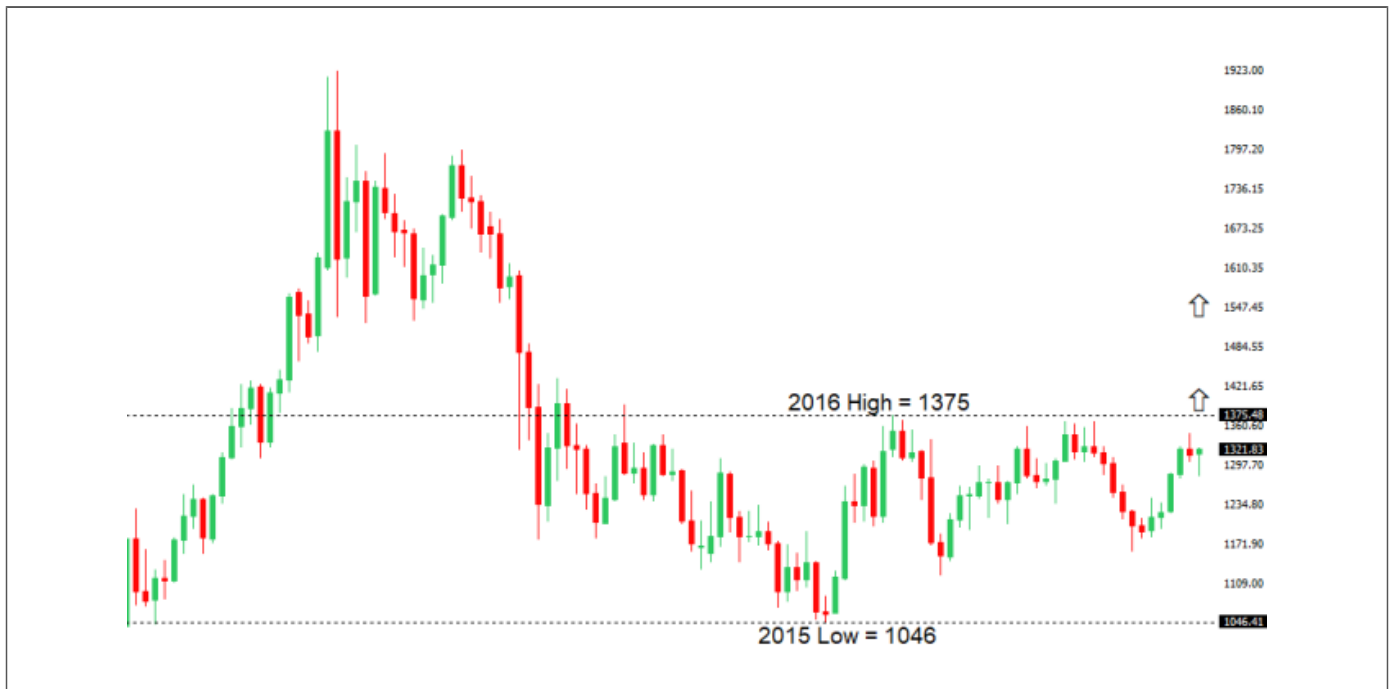
- **R2 2900** - Psychological - Strong
- **R1 2863** - 21Mar/2019 high - Strong
- **S1 2765** - 21Feb low - Medium
- **S2 2722** - 8Feb low - Strong

US SPX 500 - fundamental overview

Although we have seen attempts to push the market higher in Q1 2019, on the Fed's more cautious outlook, 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.

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, with only a close back below 1250 to compromise the constructive outlook.



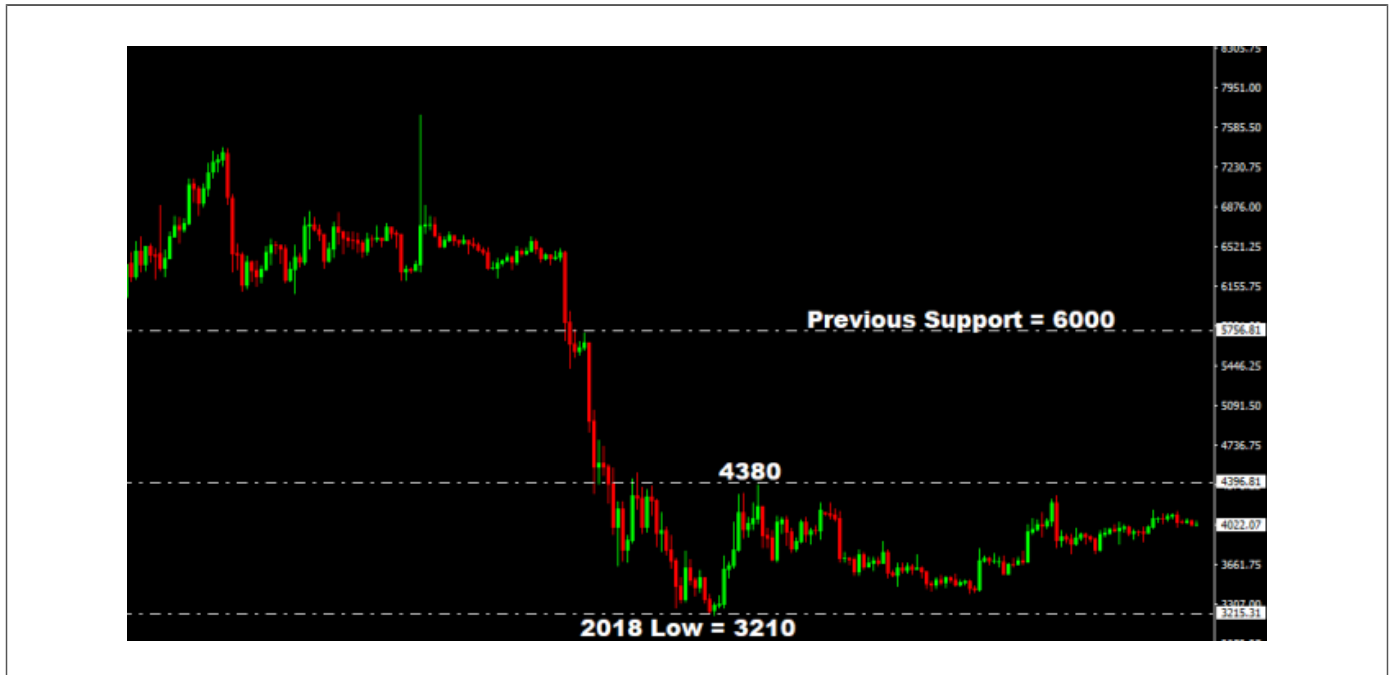
- **R2 1347** - 20Feb/2019 high - Strong
- **R1 1321** - 21Mar high - Medium
- **S1 1300** - Psychological - Medium
- **S2 1277** - 4Jan/2019 low - Strong

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 the December high at 4385 to take the immediate 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 4,278** - 24Feb/2019 high - Strong
- **R1 4,153** - 16Mar high - Strong
- **S1 3,763**- 4Mar low - Strong
- **S2 3,570** - 13Feb low - Strong

BTCUSD - fundamental overview

Bitcoin is showing signs of stability in Q1 2019 after an abysmal performance in 2018. At the moment, the market still faces headwinds in the form of regulatory uncertainty and ready to go front end applications with meaningful use cases, though looking out, there continue to be many encouraging signs the market is here to stay and will be seeing increased adoption.

BTCUSD - Technical charts in detail

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ETHUSD - technical overview

Recovery rally attempts have stalled out into a meaningful previous support zone, to keep the pressure on the downside, with risk for a bearish continuation below 100, towards the next critical support zone in the 50-75 area. At this point, it would take a sustained break back above 170 to take the immediate pressure off the downside.



- **R2 170** - 24Feb/2019 high - Strong
- **R1 148** - 16Mar high - Strong
- **S1 126** - 4Mar low - Strong
- **S2 102** - 6Feb low - Strong

ETHUSD - fundamental overview

Ongoing regulatory challenges, technological obstacles and a global economic downturn are some of those headwinds that need to be considered in the months ahead. At the same time, longer term prospects are looking quite bright and valuations are increasingly attractive with adoption showing signs of ramping up over the longer term.



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