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# Global FX Insights

by LMAX Exchange Research & Analytics

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

## UK Election, US Data, G7 [Wake-up Call](#)

The big story into Friday comes out of the UK with polls showing a narrowing of the Tories' lead, something the market was not expecting. Later today, we get first tier data out of the US that will give the Fed more of an idea about whether or not a recent downturn in data has been transitory. G7 also kicks off.

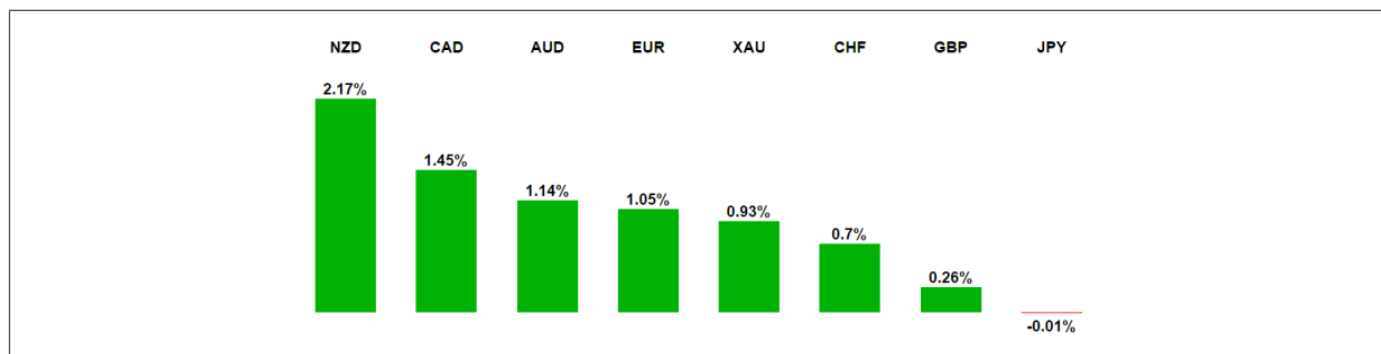
### Technical highlights [Daily Video](#)

- **EURUSD** Setbacks corrective
- **GBPUSD** Choppy consolidation
- **USDJPY** No direction right now
- **EURCHF** Stalls ahead of 1.1000
- **AUDUSD** Well capped into rally
- **USDCAD** Finds support on dip
- **NZDUSD** Signs of rolling over
- **US SPX 500** Looking to 2480
- **GOLD** (spot) Projected above 1300
- **Feature** – USDSGD Finding a base

### Fundamental highlights

- **EURUSD** Longs lighten up ahead of US data
- **GBPUSD** Tories' lead narrows, weighs on Pound
- **USDJPY** Yen getting pulled in both directions
- **EURCHF** Franc's fate in the hands of US equities
- **AUDUSD** Can't get away from China and iron ore
- **USDCAD** OPEC disappointment rattles Loonie
- **NZDUSD** Kiwi flying higher on domestic positives
- **US SPX 500** Stocks looking for 'transitory' insight
- **GOLD** (spot) Global backdrop a positive for metal
- **Feature** – USDSGD Singapore IP beats but ignored

## Five day performance v. US dollar



## Suggested reading

- **Reward Free Risk**, J. Felder, The Felder Report (May 25, 2017)
- **Low Interest Rates and Risk Taking**, C. Lian, MIT (January 25, 2017)

## EURUSD – technical overview

The market is showing signs of short-term exhaustion after extending its 2017 run on Tuesday. But with the medium-term structure still quite bullish, any setbacks that we do see in the sessions ahead should ideally be well supported above 1.1000 on a close basis in favour of the next higher low and bullish continuation towards the next key resistance point at 1.1367, which represents the August 2016 peak. Ultimately, only back below a confirmed higher low at 1.0840 would negate the outlook.



- R2 1.1300 – Figure – Medium
- R1 1.1269 – 23May/2017 high – Strong
- S1 1.1162 – 22May low – Medium
- S2 1.1076 – 18May low – Strong

## EURUSD – fundamental overview

A round of profit taking has kicked in as we come into the final day of the week. Overall, the Euro has been well bid on the back of an improving outlook in the Zone and prospects for a reversal of ECB policy in the months ahead. Meanwhile, US protectionism, ongoing White House turmoil, and softer US economic data have all helped to give the single currency an additional boost as Fed rate hike odds are scaled back and yield differentials move further in the Euro's favour. But with the market enjoying a nice run and a wave of important US data ahead, we've been seeing a lightening up of Euro long exposure. Later today we get US GDP, personal consumption, durable goods and Michigan sentiment. It's worth noting the G7 meeting kicks off today and while the event is usually a joke when it comes to market moving influence, given the impact of politics on markets in 2017, it will be worth keeping on eye on any headlines out of the Summit. US Memorial Day weekend is also here which means thinner trade until next Tuesday.

## GBPUSD – technical overview

This latest push through 1.2775, the December 2016 peak, is a significant development as it potentially ends a period of bearish consolidation, warning of the formation of a more meaningful longer-term base. The break ends a multi week consolidation mostly ranging between 1.2000-1.2700 with the bullish move paving the way for a measured moved upside extension equal in size back into the 1.3500 area in the days ahead. Still, there is rise for a short-term pullback, though any declines are now classified as corrective and should be well supported ahead of 1.2500 in favour of a higher low and bullish resumption.



- R2 1.3100 – Figure – Figure
- R1 1.3048 – 18May/2017 high – Strong
- S1 1.2845 – 12May low – Medium
- S2 1.2831 – 4May low – Strong

## GBPUSD – fundamental overview

The big story into Friday are the latest polls showing a narrowing of the Tories' lead to just 5 points over Labour in the June election. The news of the snap election several weeks back had given the Pound a big boost on the expectation the PM would be coming out with an even stronger government, but recent polls have been throwing cold water on this outcome prospect and reversing Pound sentiment in the process, with the US Dollar already making a bit of a move ahead of the poll results. The US Dollar is actually trying to fight its way back on a broad basis, though the recovery has been rather mild thus far, perhaps with market participants preferring to hold tight ahead of a very healthy batch of first tier data out of the US later today that will give the Fed more of an idea about whether or not a recent downturn in data has been transitory. Later today we get US GDP, personal consumption, durable goods and Michigan sentiment. But as far as the UK outlook goes, there are some out there that feel the Sterling run could be at risk for a pullback with the election uncertainty and Brexit negotiations ahead. Meanwhile, this week's softer UK GDP and last week's subdued wages also should keep the BOE from wanting to be thinking about rate rises right now.

## USDJPY – technical overview

A recent recovery run off the 2017 low has stalled out, with the market sharply reversing course to the downside. This latest daily close back below 112.00 now exposes a possible retest of the yearly low at 108.13. In the interim, look for any rallies to be well capped ahead of 113.00, with only a break back above the recent high at 114.37 to negate and take the pressure off the downside.



- R2 113.13 – 17May high – Strong
- R1 112.13 – 24May high – Medium
- S1 110.79 – 17May low – Medium
- S2 110.24 – 18May low – Strong

## USDJPY – fundamental overview

The major pair hasn't been able to move all that much of late and the price action makes sense, with macro themes pulling in both directions. On the one hand, a broad based wave of US Dollar declines on the back of scaled back Fed hike odds and Trump turmoil have been weighing into rallies, but on the other had, the concurrent surge in risk, with US equities racing to fresh record highs is supporting the market on dips. Looking ahead, the key focus will be on US initial jobless claims and some more Fed speak. Wednesday's dovish read of the Fed Minutes has inspired this latest round of volatility after the Fed expressed more doubt about a recent slowdown in US data. Looking ahead, we get US GDP, personal consumption, durable goods and Michigan sentiment. The G7 meeting also kicks off today and while the event is usually a joke when it comes to market moving influence, given the impact of politics on markets in 2017, it will be worth keeping on eye on any headlines out of the Summit. US Memorial Day weekend is also here which means thinner trade until next Tuesday.

## EURCHF – technical overview

A recent break above 1.0900 has taken the short-term pressure off the downside and could be warning of a more significant structural shift. Next key resistance comes in at 1.1000, with the psychological barrier coinciding with a high from August 2016. The establishment above 1.1000 would force a meaningful shift in the structure and open the door for longer-term upside. At the same time, while the market holds below 1.1000 the overall trend is still bearish and a break back below 1.0865 would renew downside pressure.



- R2 1.1000 – Psychological – Strong
- R1 1.0989 – 12May/2017 high – Medium
- S1 1.0868 – 18May low – Medium
- S2 1.0782 – 24Apr low – Strong

## EURCHF – fundamental overview

The combination of artificially supported, record high US equities and rising geopolitical tension should be a worry for the SNB as any capitulation on the equity front is likely to invite massive safe haven Franc demand the central bank will be unable to offset, irrespective of negative rate policy. For now, the SNB is hoping global sentiment will remain artificially elevated and the ECB will take on a more hawkish policy approach as per reports the central bank is preparing for a taper. But the key focus for this market going forward will unquestionably be on the performance in US equities given the influence on broader sentiment. Any renewed intensification to the downside will likely invite a pickup in Franc demand and unwanted downside pressure on EURCHF.

## AUDUSD – technical overview

An impressive rally in 2017 has stalled out into significant medium-term resistance ahead of 0.7800. A recent break back below 0.7500 strengthens the prospect for some form of a top and could open the door for a deeper drop back towards the 0.7000 area in the days ahead. Ultimately, any moves to the topside are classified as corrective with a fresh lower top sought out, with only a break back above 0.7611 to negate the outlook.



- R2 0.7557 – 2May high – Strong
- R1 0.7518 – 23May high – Medium
- S1 0.7407 – 19May low – Medium
- S2 0.7389 – 17May low – Strong

## AUDUSD – fundamental overview

Economic data out of Australia has been less impressive of late, while ongoing fear of a slowdown in China and slumping iron ore prices are only adding to the currency's stress. While Aussie has enjoyed a nice recovery in recent days, the upside has been driven on the US Dollar side, with US protectionism, ongoing White House turmoil, and softer US economic data all resulting to a scaling back of Fed rate hike odds. Even record high US equities haven't done much to inspire bids in the normally risk correlated commodity currency. We've also been seeing a lightening up of Aussie long exposure heading into today's important US data releases. Later today we get US GDP, personal consumption, durable goods and Michigan sentiment. It's worth noting the G7 meeting kicks off today and while the event is usually a joke when it comes to market moving influence, given the impact of politics on markets in 2017, it will be worth keeping on eye on any headlines out of the Summit. US Memorial Day weekend is also here which means thinner trade until next Tuesday.

## USDCAD – technical overview

The uptrend in this market remains firmly intact, getting added confirmation following this latest break to a fresh 2017 high, beyond a previous peak from December 2016 at 1.3600. A period of healthy correction has now ensued and the market will be trying to carve the next higher low, with any additional weakness likely to be limited in favour of a push towards the next measured move upside extension objective in the 1.4000 area. Ultimately, only back below 1.3224 would give reason for pause and delay the constructive outlook.



- R2 1.3541 – 22May high – Strong
- R1 1.3500 – Psychological – Medium
- S1 1.3388 – 25May low – Medium
- S2 1.3312 – 18Apr low – Strong

## USDCAD – fundamental overview

This week's cautiously optimistic Bank of Canada policy decision and a dovish reading of the Fed Minutes helped to fuel additional upside in the Canadian Dollar that had already been enjoying a healthy correction from 2017 lows against the Buck. The recovery in the price of OIL and a softer run of US data had initially inspired a Loonie run in recent days, with the BoC and Fed Minutes fallout only adding to the Loonie's bid tone. But on Thursday, we saw a sharp decline in OIL after OPEC disappointment those expecting bigger production cuts, while broad based US Dollar demand came into play as well on profit taking ahead of today's important data releases in the US. Later today we get US GDP, personal consumption, durable goods and Michigan sentiment. It's worth noting the G7 meeting kicks off today and while the event is usually a joke when it comes to market moving influence, given the impact of politics on markets in 2017, it will be worth keeping on eye on any headlines out of the Summit. US Memorial Day weekend is also here which means thinner trade until next Tuesday.

## NZDUSD – technical overview

The overall pressure remains on the downside with the market expected to be very well capped on rallies. The weekly chart is reflective of this fact as it looks like we're seeing the formation of a major top off the 2016 high, with outlook strengthened on this week's breakdown to a fresh 2017 low. As such, expect the market to continue to roll over in the days ahead, with setbacks projected towards medium-term support in the 0.6600s. Only back above 0.7100 compromises the outlook.



- R2 0.7090 – 21Mar high– Strong
- R1 0.7068 – 27Mar high – Medium
- S1 0.6989 – 24May low – Medium
- S2 0.6878 – 17May low– Strong

## NZDUSD – fundamental overview

New Zealand Dollar demand off recent 2017 lows has picked up, helped along by a wave of negative US Dollar sentiment, rallying commodities prices and an upbeat batch of recent Kiwi data including consumer confidence, the GDT auction, firmer producer prices and trade data. Meanwhile, local dairy giant Fonterra has come out this week raising its milk price forecasts to give the currency another prop. But at the same time, with global equities continuing to look like they have run too far and with many out there keeping with bets the Fed will follow through with its policy guidance of two more hikes in 2017 despite this latest dovish setback in the Fed Minutes, these players are happy to sell Kiwi into rallies. Later today we get US GDP, personal consumption, durable goods and Michigan sentiment. It's worth noting the G7 meeting kicks off today and while the event is usually a joke when it comes to market moving influence, given the impact of politics on markets in 2017, it will be worth keeping on eye on any headlines out of the Summit. US Memorial Day weekend is also here which means thinner trade until next Tuesday.



## US SPX 500 – technical overview

The market has been unable to break down below major support at 2320 thus far, leaving the pressure on the topside and the door open for that next big record push towards a measured move extension at 2480. However, if setbacks intensify and the market breaks down and closes below 2320, this will signal a shift in the structure and suggest a meaningful top is finally in place ahead of a more significant corrective decline.



- R2 2480.00 – Measured Move – Strong
- R1 2419.00 – 25May/Record high – Medium
- S1 2346.00 – 18May low – Medium
- S2 2321.00 – 27Mar low – Strong

## US SPX 500 – fundamental overview

There has been a lot of talk about a potential top in the US equity market, with the rally pushing to record highs at an unnerving pace in the face of some disturbing fundamentals including exhausted (and reversing) Fed policy and rising geopolitical risk. And certainly this latest turmoil surrounding the US President has made things even more tense. But overall, the US equity market has done a good job proving it can easily buy back into any dip and keep pushing to record highs as it focuses on rates staying lower for longer and the Fed continuing to underdeliver on its forward guidance promises. The market has been feeling good about this bet this week after the Fed suggested it was concerned that it may have been too quick to assign a recent slowdown as transitory. Still, with asset prices where they are right now and with the Fed still very capable of following through with guidance in 2017, there is risk it could all come crashing down, with any additional upside limited before a major capitulation. Certainly today's economic data will be most important to watch to see if in fact the data slump has been transitory. And so interestingly, if the data is strong, it may weigh on stocks given the implication the Fed will follow through with guidance. US GDP, personal consumption, durable goods and Michigan sentiment are due.

## GOLD (SPOT) – technical overview

The market has been very well supported since basing out ahead of 1100 in 2016, putting in a series of higher lows and higher highs. This latest round of setbacks have been well supported above the previous higher low at 1195, with the 1215 area now sought out as the next higher low ahead of a fresh upside extension beyond the 2017 high at 1295 and towards the 2016 peak at 1375 further up. At this point, only a break back below 1215 would compromise the constructive outlook.



- R2 1295.60 – 17Apr/2017 high – Strong
- R1 1271.20 – 1May high – Medium
- S1 1241.30 – 4May high – Medium
- S2 1214.30 – 9May low – Strong

## GOLD (SPOT) – fundamental overview

Solid demand from medium and longer-term players continues to emerge on dips, with these players more concerned about the limitations of exhausted monetary policy, extended global equities, political uncertainty, systemic risk and geopolitical threats. All of this should continue to keep the commodity in demand, 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 back under pressure in 2017 is adding to the metal's bid tone as well.

## Feature – technical overview

USDSGD has been trending lower in 2017, making a series of lower highs and lower lows. The most recent lower top has just been confirmed at 1.4130 following last week's break to a fresh 2017 low, with the drop now opening the door for the next measured move downside extension into the 1.3600-1.3700 area. At this point, rallies should be well capped ahead of 1.4000, with only a break back above 1.4130 to compromise the bearish outlook.



- R2 1.4130 – 11May high – Strong
- R1 1.3960 – 17May high – Medium
- S1 1.3820 – 23May/2017 low – Medium
- S2 1.3700 – Figure – Strong

## Feature – fundamental overview

The Singapore Dollar has done a great job overlooking a soft run of data including last week's non-oil domestic exports and yesterday's disappointing GDP result, with the emerging market currency rallying to a fresh 2017 high on an intense wave of US Dollar selling, from the combination of US protectionism and scaled back Fed rate hike odds, which ramped up following Wednesday's dovish Fed Minutes read. Meanwhile, China's revamped fix methodology has been another source of Singapore Dollar demand. But we have seen some profit taking on Singapore Dollar longs in recent sessions, with the market shrugging today's solid Singapore industrial production readings. It seems the emerging market currency doesn't want to get ahead of itself after this latest run, with some important US data ahead that could easily shift yield differentials back in the US Dollar's favour. US GDP, personal consumption, durable goods and Michigan sentiment are due.



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