

# Global FX Insights

by LMAX Exchange Research & Analytics

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

## US Dollar, Stocks Losing Confidence in Trump [Wake-up Call](#)

The market has been reacting to President Trump's failure to get his healthcare bill passed, which many believe will delay the implementation of US Dollar supportive, stock market supportive tax cut and fiscal spending policies. And so, we've seen a lower US Dollar and lower US equity futures into the Monday open.

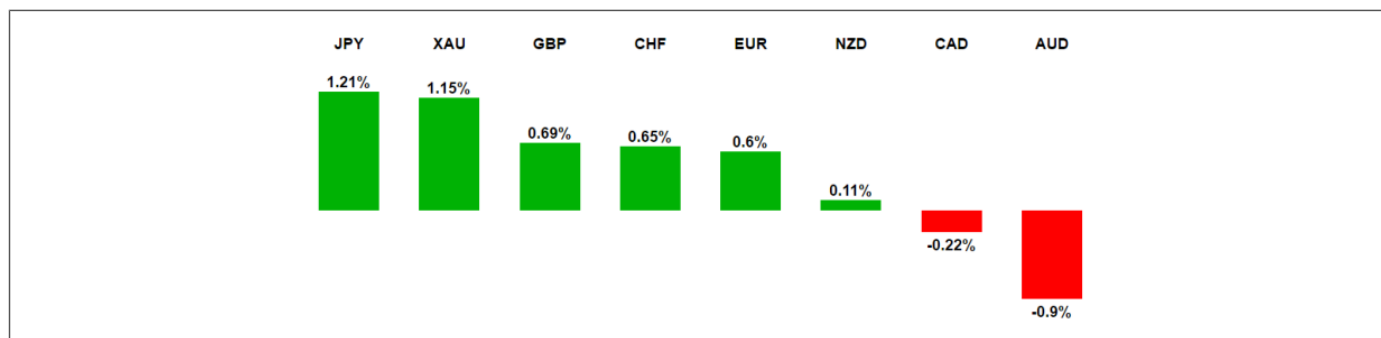
### Technical highlights [Daily Video](#)

- **EURUSD** Consolidates gains
- **GBPUSD** Runs into resistance
- **USDJPY** Room for fresh decline
- **EURCHF** Downtrend firmly intact
- **AUDUSD** Well capped into rallies
- **USDCAD** Setbacks supported
- **NZDUSD** Lower top sought out
- **US SPX 500** Gravitating to 2300
- **GOLD** (spot) Looking to extend gains
- **Feature** – USDSGD Broader uptrend

### Fundamental highlights

- **EURUSD** Merkel victory in regionals helps to prop
- **GBPUSD** PM May to meet with Scotland's Sturgeon
- **USDJPY** Trump's healthcare bill failure fuels risk off
- **EURCHF** SNB efforts tougher with sliding stocks
- **AUDUSD** Aussie caught between diverging flows
- **USDCAD** Loonie continues to monitor OIL price
- **NZDUSD** Macro players building Kiwi shorts
- **US SPX 500** Investors reconsider aggressive bets
- **GOLD** (spot) Global backdrop fuels metal demand
- **Feature** – USDSGD US Dollar declines prop EMFX

## Five day performance v. US dollar



## Suggested reading

- **Pension Crisis Too Big to Ignore**, D. DiMartino Booth, Bloomberg (March 24, 2017)
- **Investor Amnesia in Markets**, J. Hopkins, The Acquirer's Multiple (March 23, 2017)

## EURUSD – technical overview

The recent **bullish break suggests** the market could be getting ready for a big push to the topside in the days and weeks ahead, as an inverse head and shoulders takes form on the daily chart. A daily close above 1.0875 will strengthen this outlook, opening the door for a measured move extension into the 1.1400 area. Any setbacks should be very well supported ahead of 1.0600, with only a break back below 1.0495 to negate.



- R2 1.0875 – 8Dec high – Strong
- R1 1.0829 – 2Feb high – Medium
- S1 1.0706 – 16Mar low – Medium
- S2 1.0600 – 14Mar low – Strong

## EURUSD – fundamental overview

The Euro is trading up into critical resistance in the early week, with the single currency threatening to establish above the December 2016 peak at 1.0875. The primary driver behind this latest push comes from President Trump's failure to pass his healthcare reform bill, which now calls into question the ability for the President to pass US Dollar supportive, promised tax cut and fiscal spending reforms. Meanwhile, a victory in regional elections for Merkel in Saarland has also helped to boost the single currency in early Monday trade. Looking ahead, German IFO readings are the data highlights on the Monday calendar, though we also get Dallas Fed manufacturing and some ECB and Fed speak.

## GBPUSD – technical overview

Despite this latest bounce, the market remains confined to a well defined downtrend while it holds below the December 2016 peak at 1.2775. Ultimately, rallies should continue to be very well capped into the 1.2500-1.2600 area, with only a break above 1.2775 to compromise the bearish structure. Look for a daily close back below 1.2324 to strengthen the outlook, opening the door for a retest of the 2017 low just under 1.2000, which guards against the +30 year low from October 2016 at 1.1840.



- R2 1.2583 – 9Feb high – Strong
- R1 1.2531 – 23Mar high– Medium
- S1 1.2400 – Figure – Medium
- S2 1.2324 – 17Mar low – Strong

## GBPUSD – fundamental overview

There is no first tier data scheduled on the UK calendar today, though plenty of volatility is to be expected this week, with PM May set to trigger Article 50 on Wednesday. The Pound has however been well bid in recent days, this on the back of broad based US Dollar weakness from President Trump's failure to pass his healthcare bill, which calls into question the President's ability to pass promised US Dollar supportive reforms. The biggest event in the UK today will likely be the meeting between PM May and Scottish First Minister Sturgeon, with the market looking to see if there is any indication Scotland intends to go ahead with a second independence referendum. Later in the day, we get Dallas Fed manufacturing and some Fed speak.

## USDJPY – technical overview

The market has broken down below critical range support at 111.60 which could signal the end of a 400 point bearish consolidation that now opens the next major downside extension towards a 400 point measured move that targets 107.60 in the days ahead. Last Wednesday's daily close below 111.60 strengthens this bearish outlook and any rallies should be very well capped ahead of 114.00. Ultimately, only back above 115.60 would force a bullish structural shift.



- R2 111.79 – 22Mar high – Strong
- R1 111.05 – 27Mar high – Medium
- S1 110.00 – Psychological – Medium
- S2 109.80 – 18Nov low – Strong

## USDJPY – fundamental overview

President Trump was unable to get his healthcare bill passed and this has not only been a knock to the US Dollar but to risk assets as well, which has opened the door for an intensity of Yen demand early Monday, with the USDJPY rate dropping back into the 110.00 area. If the broad based US Dollar declines and pullback in equity markets continues, this will open the door for additional USDJPY declines in the days ahead, despite any favourable US Dollar yield differentials. Looking at today's calendar, only Dallas Fed manufacturing and some Fed speak stand out.

## EURCHF – technical overview

The latest surge through resistance at 1.0760 could threaten a broader downtrend and suggest we are in the process of seeing a bullish structural shift. However, a daily close above 1.0800 would be required to confirm, while inability to do so keeps the downtrend intact opening the door for a drop back towards and below the 2016 base at 1.0624.



- R2 1.0900 – 8Dec high – Strong
- R1 1.0826 – 13Mar high – Medium
- S1 1.0685 – 16Mar low – Medium
- S2 1.0624 – 24Jun/2016 low – Strong

## EURCHF – fundamental overview

The SNB is in a quiet battle with the market, forced to contend with an ongoing wave of demand for the Swiss Franc in a less certain global environment, especially with the weapon of monetary policy worn down. The central bank has been committed to its mandate of ensuring the Franc does not appreciate further. But despite all efforts, the Franc continues to want to appreciate. It seems the central bank's strategy has been to sell Francs when risk comes off and to do nothing when risk is back on and natural flows should be CHF bearish. But the trouble is, even with global equities elevated, arguably reflecting appetite for risk, the Franc hasn't been able to weaken all that much. There have been some signs of the SNB perhaps making a little headway on reports of a boost in SNB reserves, but this latest pullback in equities could easily offset that advantage.

## AUDUSD – technical overview

The impressive rally in 2017 has stalled out into significant medium-term resistance ahead of 0.7800. A recent break back below 0.7600 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. However, the market will need to hold below 0.7750 to keep the prospect of the bearish shift alive, with a subsequent break back below 0.7492 to confirm.



- R2 0.7750 – 21Mar/2017 high – Strong
- R1 0.7690 – 22Mar high – Medium
- S1 0.7600 – Figure – Medium
- S2 0.7492 – 9Mar low – Strong

## AUDUSD – fundamental overview

Decent two way flow in the Australian Dollar into Monday. On the one side, the currency has been supported on the back of broad based US Dollar weakness from Trump's failure to pass his healthcare bill. But on the other side, the currency has been well capped on this same development given the risk off implication and impact a deterioration in global sentiment has on the correlated Australian Dollar. The market will continue to battle with this on Monday, though given recent price action, it would seem the risk off flow could have more of an impact and weigh on Aussie, especially with the Australian Dollar having already been so well bid in 2017 and already coming up to critical resistance in the 0.7800 area. Looking ahead, lack of meaningful data on Monday will leave this market focused on the broader themes.

## USDCAD – technical overview

The market remains very well supported on dips, with the latest bounce out from 1.3000 warning of a more significant bullish resumption. Any setbacks should now be very well supported above 1.3200 on a daily close basis in favour of an eventual push back through the multi-day peak at 1.3599 and towards 1.4000 further up.



- R2 1.3422 – 10Mar low – Strong
- R1 1.3410 – 22Mar high – Medium
- S1 1.3264 – 21Mar low – Medium
- S2 1.3165 – 28Feb low – Strong

## USDCAD – fundamental overview

While the Canadian Dollar has been tracking with the rest of the currency market, benefiting from a recent wave of broad based US Dollar weakness on the back of Trump's failure to deliver on healthcare reform, there are other factors at play that have made price action in the Loonie more than one dimensional. The renewed volatility in the price of OIL has been a big driver of Canadian Dollar direction, with the Loonie having underperformed other currencies in recent days on a notable pullback in the price of the commodity. Meanwhile, last week's Canada budget underwhelmed, offering little in the way of any add on to current fiscal stimulus, which has proven to be a disappointment for Canadian Dollar bulls. Friday's Canada CPI came in broadly in line with expectation and hasn't factored into price action. Looking ahead, Monday's calendar is exceptionally thin, with only Dallas Fed manufacturing and some Fed speak standing out. There is no data scheduled on the Canada calendar.

## 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. 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 0.7400 compromises the outlook.



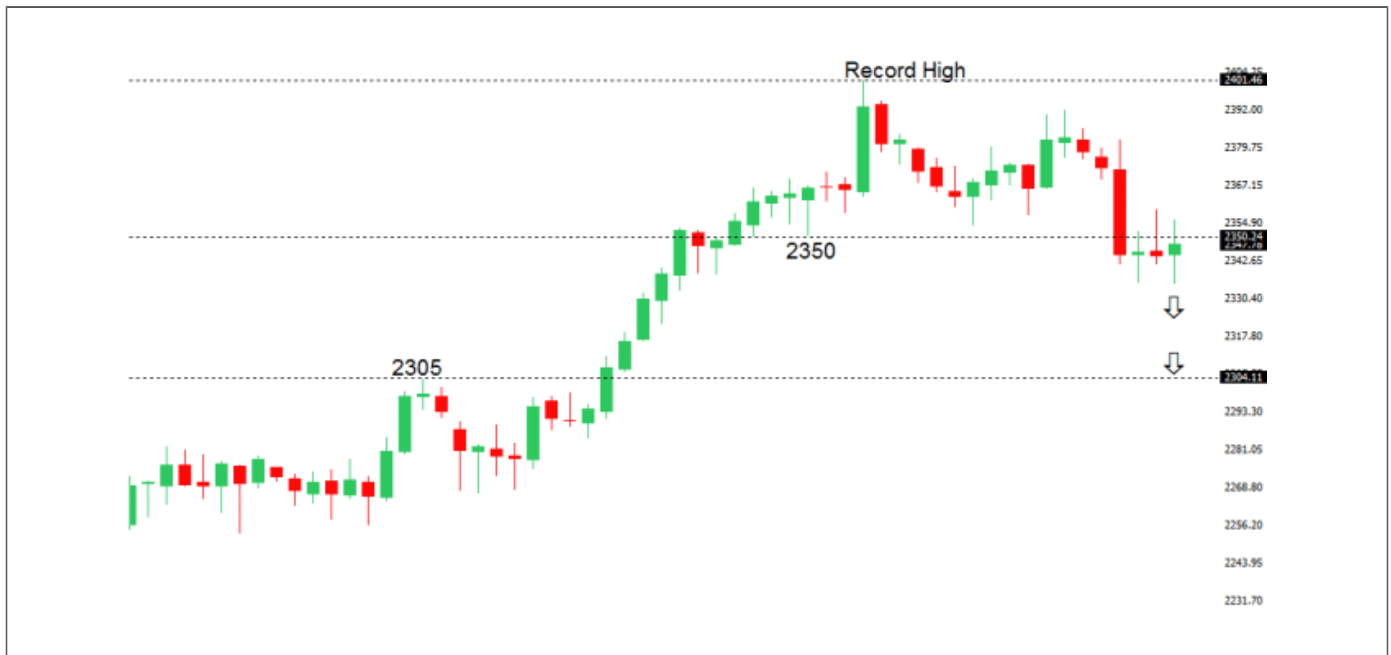
- R2 0.7100 – Figure – Strong
- R1 0.7090 – 21Mar high – Medium
- S1 0.6995 – 24Mar low – Medium
- S2 0.6969 – 16Mar low – Strong

## NZDUSD – fundamental overview

The New Zealand Dollar has been getting a bit of a boost into Monday on the back of another round of broad based US Dollar declines, this time from Trump's failure to pass his healthcare bill. Still, with economic data out of New Zealand looking less impressive of late, with the RBNZ continuing to talk down the Kiwi rate, with yield differentials favouring the US Dollar and with global equities showing signs of rolling over, all of this is expected to keep the New Zealand Dollar under pressure, with any rallies seen very well capped by medium-term players. Looking ahead, lack of meaningful data on Monday will leave this market focused on the broader themes.

## US SPX 500 – technical overview

An extended run to record highs is finally showing signs of exhaustion in 2017, with the market rolling over, taking out critical short-term support at 2350. This now opens the door for an acceleration of declines towards 2300 in the sessions ahead, with a daily close below this psychological barrier to suggest the possibility of a more significant structural shift. In the interim, rallies should now be well capped below 2375.



- R2 2402.00 – 1Mar/Record high – Strong
- R1 2382.00 – 21Mar high – Medium
- S1 2322.00 – 14Feb low – Medium
- S2 2305.00 – 26Jan high – Strong

## US SPX 500 – fundamental overview

The latest pullback in the stock market is generating a lot of attention as investors begin to wonder if this is warning of a more significant reversal ahead. Stocks have been supported on easy Fed policy for so many years, but with the Fed now on course to normalise policy, this could finally be resonating with investors. Higher rates means less attractive valuations and considering where this market is trading, there is a strong possibility that a mass exodus could inspire an intensified liquidation. Moreover, with Trump policies failing to materialize, investors are worried they may have been too aggressive pricing it all in. The politics have come front and centre in financial markets, with Trump pulling his healthcare bill off the table, calling into question the President's ability to actually follow through with tax cut and fiscal spending promises the market had aggressively priced in at the end of 2016.

## GOLD (SPOT) – technical overview

The market has been very well supported since basing out around 1120 in 2016. A recent bounce out from the 1200 area strengthens the outlook, opening the door for the next major upside extension towards a measured move into the 1330 area. Look for any setbacks to be well supported ahead of 1200, with only a break back below 1180 to compromise the constructive outlook.



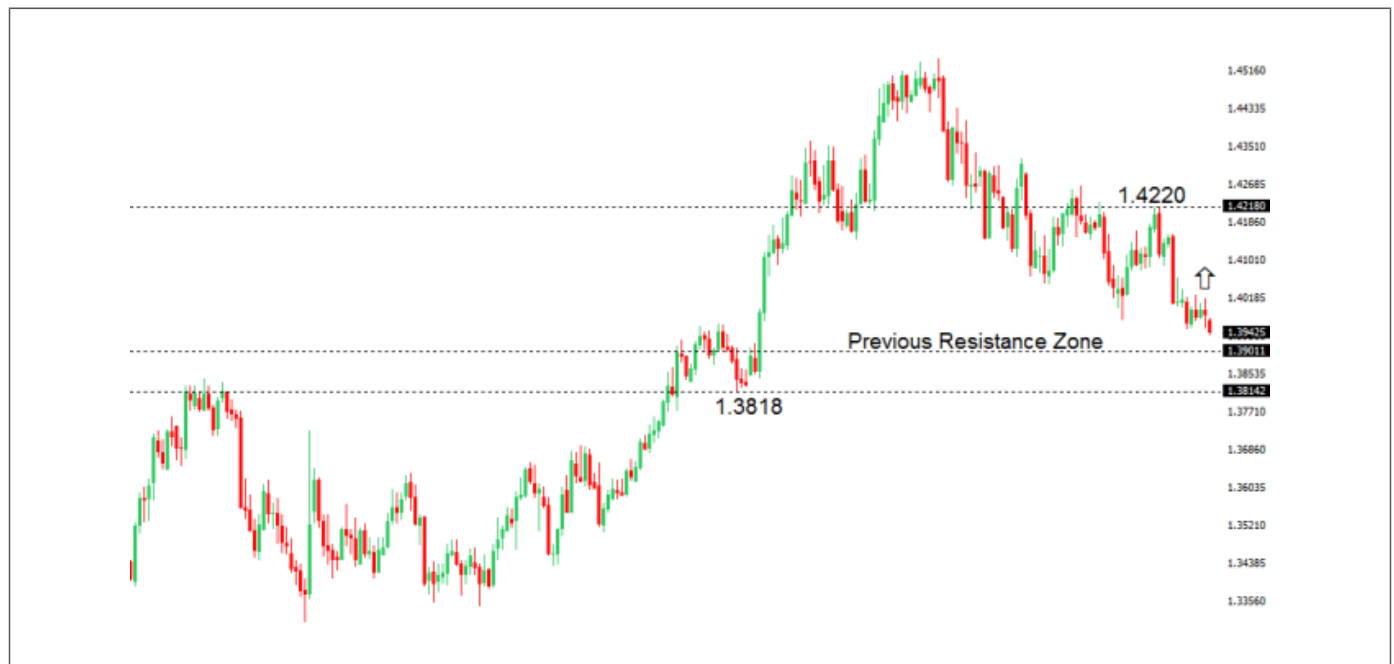
- R2 1264.00 – 27Feb high – Strong
- R1 1260.00 – Figure – Medium
- S1 1226.95 – 21Mar low – Medium
- S2 1195.05 – 27Jan low – Strong

## 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 and systemic risk. All of this should continue to keep the commodity in demand, with many market participants fleeing to the hard asset as the grand dichotomy of record high equities and record low yields comes to an unnerving climax. Of course, declines in the US Dollar post a dovishly perceived FOMC decision and worry over Trump policies have fueled additional gains in the metal.

## Feature – technical overview

**USDSGD** has been in the process of correcting out from the critical high 1.4545 from earlier this year, putting in a series of lower highs and lower lows. However, the market has finally traded down into a strong previous resistance turned support area in the 1.3900s that could warn of the resumption of the more prominent uptrend. Look for a daily close back above 1.4100 to strengthen prospects for a bullish reversal. Ultimately, while the market holds above 1.3800, risk is tilted to the upside.



- R2 1.4160 – 14Mar high – Strong
- R1 1.4130 – 6Mar low – Medium
- S1 1.3920 – 8Nov low – Medium
- S2 1.3910 – 2Nov low – Strong

## Feature – fundamental overview

The Singapore Dollar has been bolstered on US themes over the past several days. At the top of the list are the more dovishly perceived FOMC and a diminished confidence in President Trump's ability to deliver US Dollar supportive policies. Local data has been mixed and less relevant with last Thursday's core CPI readings on the soft side and Friday's industrial production coming in above forecast. But going forward, a pullback in US equities is likely to have a bigger influence on the risk correlated emerging market currency, and it seems that if the stock market comes under added pressure, it could open the door for a resumption of Singapore Dollar weakness. Dealers have also been talking of US Dollar demand ahead of 1.3900.



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