

# Global FX Insights

by LMAX Exchange Research & Analytics

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

## Is the Market Reconsidering Euro Bets? [Wake-up Call](#)

The Pound hasn't done much in reaction to the well telegraphed Article 50 trigger, though volatility is to be expected going forward as negotiations kick off. Meanwhile, the Euro has come under pressure on a story the ECB mishandled its March meeting message, while risk currencies have been propped on the US stock market recovery.

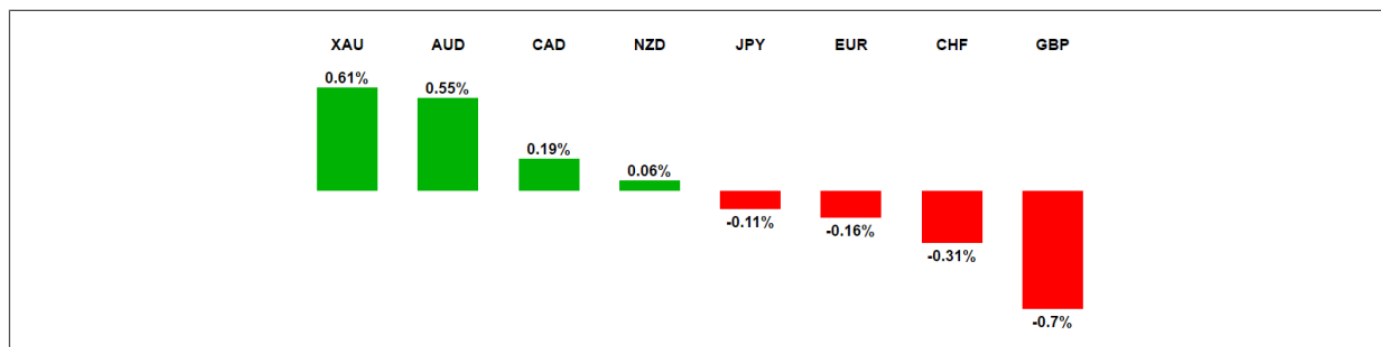
### Technical highlights [Daily Video](#)

- **EURUSD** Back below 1.0700 shifts
- **GBPUSD** Downtrend firmly intact
- **USDJPY** Still signs of deeper drop
- **EURCHF** Bearish consolidation
- **AUDUSD** Well capped into 0.7700
- **USDCAD** Additional setbacks limited
- **NZDUSD** Poised for fresh declines
- **US SPX 500** Correction still in play
- **GOLD** (spot) Sights set on 1300
- **Feature** – USDSGD Bottoming out

### Fundamental highlights

- **EURUSD** News ECB mishandled March message
- **GBPUSD** Pound holds up in immediate aftermath
- **USDJPY** Yen continues to monitor risk sentiment
- **EURCHF** SNB hoping for stock market strength
- **AUDUSD** Base metals recovery keeps Aussie bid
- **USDCAD** Loonie boosted on Wednesday OIL surge
- **NZDUSD** Kiwi seeing some correlation breakdown
- **US SPX 500** Stocks shrug Fed normalisation impact
- **GOLD** (spot) End of grand divergence props metal
- **Feature** – USDSGD EMFX exposed to macro themes

## Five day performance v. US dollar



## Suggested reading

- **Brexit, Bubble, Homes and Trouble**, E. He, Bloomberg (March 29, 2017)
- **What's Shaping Commodities in 2017**, V. Kortekaas, Financial Times (March 29, 2017)

## EURUSD – technical overview

The market has finally taken out critical resistance in the form of the 1.0875 December peak, triggering an inverse head and shoulders formation on the daily chart that projects gains towards 1.1400 in the days ahead. Still, the market will need to establish a daily close above 1.0875 to confirm the bullish formation. Inability to establish a daily close above 1.0875 could suggest a false break and negate the formation, opening the door for a resumption of the longer-term downtrend. A daily close below 1.0700 would strengthen this possibility and take the immediate pressure off the topside.



- R2 1.0906 – 27Mar/2017 high – Strong
- R1 1.0827 – 29Mar high – Medium
- S1 1.0740 – 29Mar low – Medium
- S2 1.0706 – 16Mar low – Strong

## EURUSD – fundamental overview

The Euro suffered another round of setbacks on Wednesday, with the single currency hit on news the ECB mishandled its March meeting, sending the wrong message to the market. The Euro has been bid up since the meeting after the market was pricing a more imminent exit from QE, though the ECB's apparent intention was to only flag reduced tail risk. Looking ahead, today's calendar features Eurozone confidence indicators, German CPI, US GDP, US personal consumption, US initial jobless claims and some more Fed speak with Kaplan and Williams on the docket.

## GBPUSD – technical overview

Despite the recent 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 ahead of 1.2775, 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 1.2531 – 23Mar high – Strong
- R1 1.2477 – 29Mar high– Medium
- S1 1.2377 – 29Mar low – Medium
- S2 1.2324 – 17Mar low – Strong

## GBPUSD – fundamental overview

It hasn't been all that surprising to see the Pound relatively unchanged post Article 50 invocation, with the event having been well telegraphed by the market. But there is still room for volatility going forward as negotiations kick off, which could be heated at the outset. The EU will be demanding an exit fee and won't want to be discussing anything else until that's out of the way, which could make the market nervous about holding Pounds. At the same time, Brexit downside has been priced and it's unlikely the Pound suffers more than it has already on the back of this event. All of this could result in choppy up and down trade going forward. As far as today's calendar goes, absence of UK data will leave the market focused on US GDP, US personal consumption, US initial jobless claims and some more Fed speak with Kaplan and Williams on the docket.

## 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 111.58 – 23Mar high – Medium
- S1 110.11 – 27Mar/2017 low – Medium
- S2 109.80 – 18Nov low – Strong

## USDJPY – fundamental overview

A well bid Yen has been finding renewed offers this week on the back of a strong recovery in US equity markets and renewed demand for the US Dollar on solid US data and more hawkish Fed speak. Still, Yen setbacks have been rather mild and with the USDJPY rate hovering above that major psychological barrier at 110.00, it feels as though the market still may want to see another Yen run that results in a break of the barrier. Much of the direction in the Yen will be predicated on risk sentiment and the US Dollar outlook, with Japanese fundamentals having very little, if any impact at the moment. Looking ahead, the market will be focused on US GDP, US personal consumption, US initial jobless claims and some more Fed speak with Kaplan and Williams on the docket.

## EURCHF – technical overview

Rallies continue to be very well capped, with the market adhering to a broader downtrend of lower tops and lower lows. The most recent rally has stalled at 1.0826 where a fresh lower top is now sought ahead of the next major downside extension below the 2016 base at 1.0624 and towards 1.0400 further down. Only back above 1.0826 delays the bearish outlook.



- R2 1.0826 – 13Mar/2017 high – Strong
- R1 1.0764 – 21Mar 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 0.7588 – 28Mar low – Medium
- S2 0.7492 – 9Mar low – Strong

## AUDUSD – fundamental overview

The Australian Dollar has done a very good job finding bids this week despite US Dollar demand elsewhere on the back of solid US data and more hawkish Fed speak. The primary driver of the Aussie outperformance comes from the healthy rebound in the US stock market, with the risk correlated currency benefiting from the resurgence in investor demand. Base metals and crude prices have also recovered, acting as another source of Aussie strength. Looking ahead, the market will be focused on US GDP, US personal consumption, US initial jobless claims and some more Fed speak with Kaplan and Williams on the docket.

## 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 1.3496 – 14Mar high – Strong
- R1 1.3415 – 28Mar high – Medium
- S1 1.3316 – 23Mar low – Medium
- S2 1.3264 – 21Mar low – Strong

## USDCAD – fundamental overview

Renewed volatility in the price of OIL this month has brought back that familiar correlation, where the Canadian Dollar tracks along with the commodity. And so, Wednesday's OIL surge has invited a decent round of Canadian Dollar demand, though overall, the Loonie is still confined to a multi-session range. Looking ahead, we get Canada industrial product and raw materials prices along with a healthy US docket featuring GDP, personal consumption, initial jobless claims and more Fed speak, with Kaplan and Williams due.

## 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 0.6969 – 16Mar low – Medium
- S2 0.6890 – 9Mar low – Strong

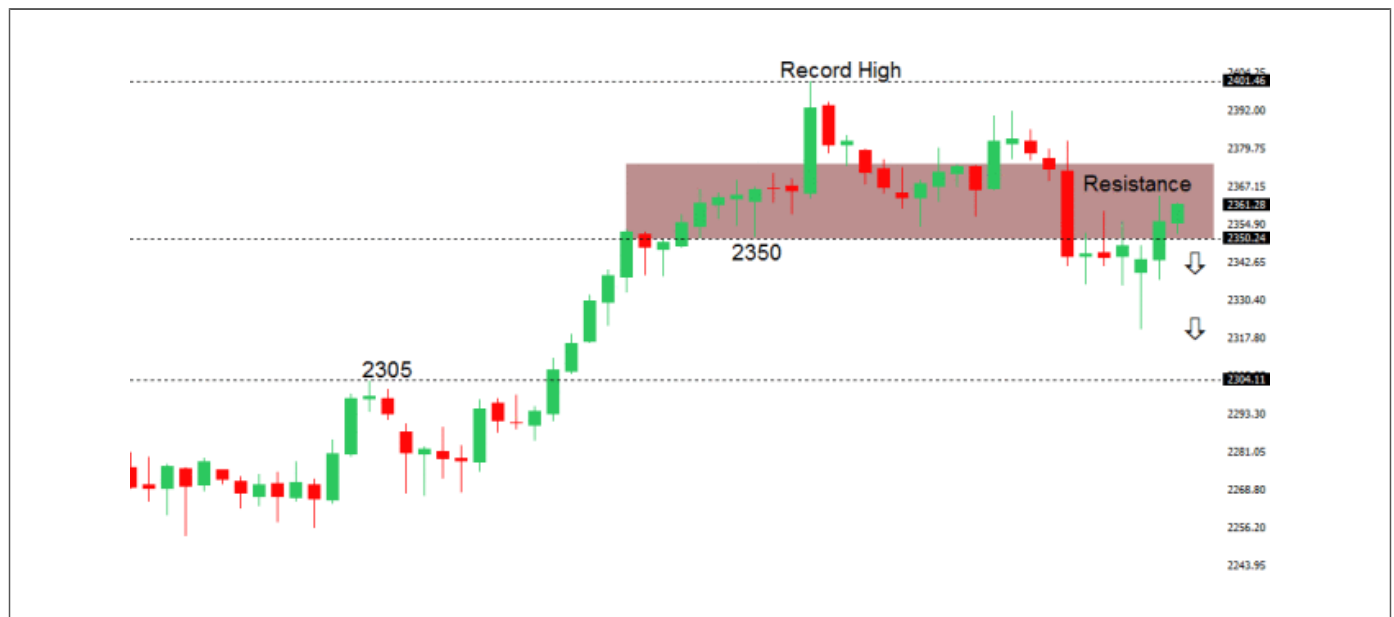
## NZDUSD – fundamental overview

The New Zealand Dollar hasn't able to benefit all that much from the run up in stocks this week, with all of these flows absorbed by an Australian Dollar that has been the preferred proxy for risk in the FX market right now. This in conjunction with a recovery in the US Dollar on the back of solid US data and more hawkish Fed speak have kept the Kiwi rate well capped. Looking ahead, the market will be focused on US GDP, US personal consumption, US initial jobless claims and some more Fed speak with Kaplan and Williams on the docket.



## 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 2321.00 – 27Mar low – Medium
- S2 2305.00 – 26Jan high – Strong

## US SPX 500 – fundamental overview

Investors were shaken earlier in the week after President Trump’s healthcare bill failed to pass, which cast doubts on his ability to deliver market supportive policies the investors have been counting on. But there has been a renewed confidence into the latter half of the week on talk Trump will now be looking to push through tax cut and fiscal spending reform all at once, which has helped to inspire a fresh round of bids. Still, the market shouldn’t forget about the influence of Fed policy in the process of normalising. 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.

## 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/2017 high – Strong
- R1 1261.10 – 27Mar high – 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 topside.



- R2 1.4160 – 14Mar high – Strong
- R1 1.4130 – 6Mar low – Medium
- S1 1.3907 – 27Mar/2017 low – Medium
- S2 1.3818 – 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. Meanwhile, local data has been mixed and less relevant. But going forward, the combination of still favourable US Dollar yield differentials, solid US economic data and risk for a deterioration in global sentiment are likely to have a weighing influence on the emerging market currency. Dealers have also been talking of US Dollar demand ahead of 1.3900.



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