

Global FX Insights

by LMAX Exchange Research & Analytics

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

OPEC Meeting and Month End Flow [Wake-up Call](#)

The market didn't do much with Tuesday's strong US data showing and is more comfortable at the moment trading within tighter, familiar ranges. Much of today's focus will be on the OPEC meeting and we can expect volatility around these headlines. Draghi, US ADP employment and month end flow could also factor.

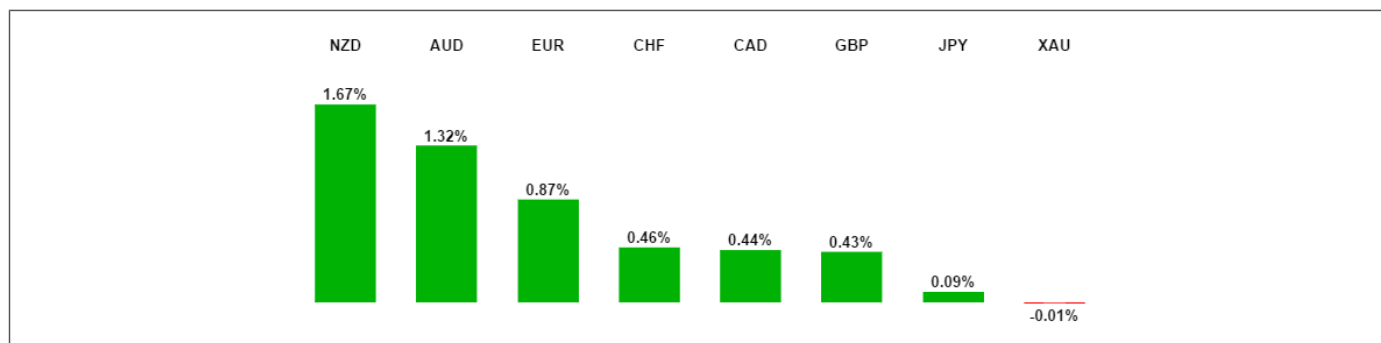
Technical highlights [Daily Video](#)

- **EURUSD** Rallies shallow for now
- **GBPUSD** Confined to tight trade
- **USDJPY** Additional upside limited
- **EURCHF** Risk for retest of 2016 low
- **AUDUSD** Lower top sought out
- **USDCAD** Bullish consolidation
- **NZDUSD** Risk tilted to downside
- **US SPX 500** Below 2180 accelerates
- **GOLD** (spot) Hovers above major support
- **Feature** – USDTRY Correcting off highs

Fundamental highlights

- **EURUSD** ECB Draghi due to speak later in the day
- **GBPUSD** BOE FSR featured in Wednesday trade
- **USDJPY** Thin liquidity keeps market elevated
- **EURCHF** SNB needs to be careful of risk deterioration
- **AUDUSD** Building approvals offset by private sector credit
- **USDCAD** OPEC meeting and Canada GDP highlight
- **NZDUSD** Kiwi up on official comments re global rates
- **US SPX 500** Investors ignoring alarming fundamentals
- **GOLD** (spot) Grand dichotomy comes to a climax
- **Feature** – USDTRY Major bank downbeat on Turkey

Five day performance v. US dollar



Suggested reading

- **Greece Isn't 'Crying Wolf' on Debt Relief**, M. Gilbert, Bloomberg (November 29, 2016)
- **Trump and the New Economic Order**, M. Spence, Project Syndicate (November 29, 2016)

EURUSD – technical overview

The latest break below the 2016 low at 1.0711 now opens the door for a deeper drop into longer-term support in the form of the multi-year base from 2015 at 1.0463. Any rallies should remain well capped below 1.1000, with a only a break above this figure to take the immediate pressure off the downside.



- R2 1.0760 – 16Nov high – Strong
- R1 1.0686 – 28Nov high – Medium
- S1 1.0564 – 28Nov low – Medium
- S2 1.0519 – 24Nov/2016 low – Strong

EURUSD – fundamental overview

The Euro is running into some resistance into Wednesday on mild, month end related selling from macro and leveraged funds. As far as risks for today go, we get German retail sales, Eurozone CPI an ECB Draghi speech and US ADP employment as the main standouts. Of course, all eyes will be on headlines out from the OPEC meeting which will likely have an influence on volatility. It's also worth noting that with the Italian referendum drawing near, any additional upside should prove tough given the possibility for a NO vote.

GBPUSD – technical overview

The market has broken out of a multi session consolidation off the multi-year low, which could now open the door for a more significant correction higher in the days ahead. Ultimately, there is room to run towards 1.2800 without compromising the intense downtrend, with a lower top sought out in favour of a bearish resumption back towards 1.2000. Only a weekly close above 1.2800 would compromise the structure. A daily close below 1.2300 will put the immediate pressure back on the downside.



- R2 1.2674 – 11Nov high – Strong
- R1 1.2532 – 28Nov high– Medium
- S1 1.2386 – 28Nov low – Medium
- S2 1.2302 – 18Nov low – Strong

GBPUSD – fundamental overview

The Pound is coming out of some Tuesday trade which saw the currency in decent demand, though it would be overstating things if we were to say the price action was head turning. Ultimately, the Pound remains confined to a range at the moment, with the market waiting for that next catalyst to get things moving. Today, we get the Bank of England Financial Stability Report which could inspire volatility, though most of the attention will be on headlines out from OPEC. Other things to watch today include month end flows and US ADP employment.

USDJPY – technical overview

The major pair has seen an intense **bullish** shift in recent days, with the most recent break above 107.50 exposing fresh upside towards next meaningful resistance in the 114.50 area. However, daily studies are looking stretched which suggests that additional upside could be limited in favour of a more significant healthy corrective pullback. But ultimately, any setbacks are expected to be well supported above previous resistance at 107.50.



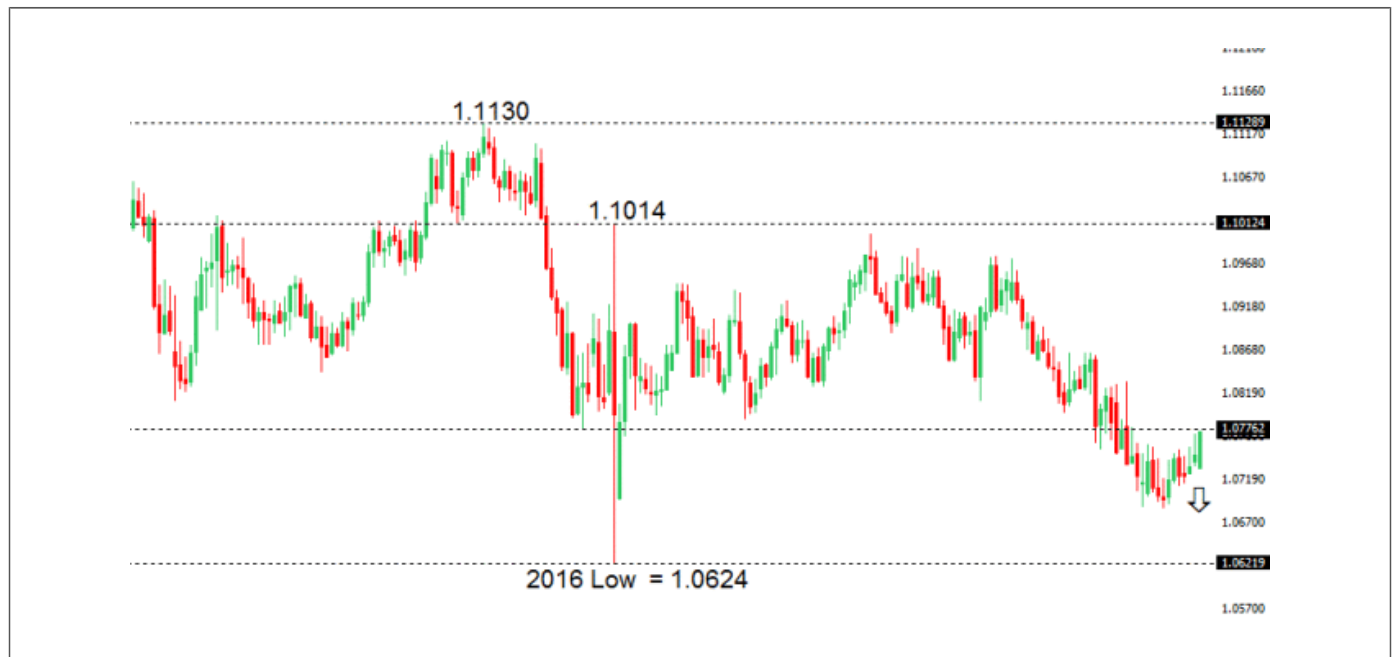
- R2 113.90 – 25Nov high – Strong
- R1 113.34 – 30Nov high – Medium
- S1 112.00 – Figure – Medium
- S2 111.36 – 28Nov low – Strong

USDJPY – fundamental overview

Thin liquidity conditions this week have been helping to keep the major pair well supported on dips and in demand. HFTs and leveraged spec accounts have been some of the names buying, though with technical studies extended and risk assets still looking inflated at record highs, it would seem there is legitimate risk for a healthy pullback in the sessions ahead. As far as today's calendar goes, US ADP employment is the major standout, though headlines out of OPEC will take centre stage.

EURCHF – technical overview

The latest daily close below 1.0738 strengthens the bearish outlook and opens the door for an acceleration of declines towards the 2016 low at 1.0624. At this point, a daily close back above 1.0865 would now be required to take the immediate pressure off the downside and suggest the market is once again looking settle back into the previous range.



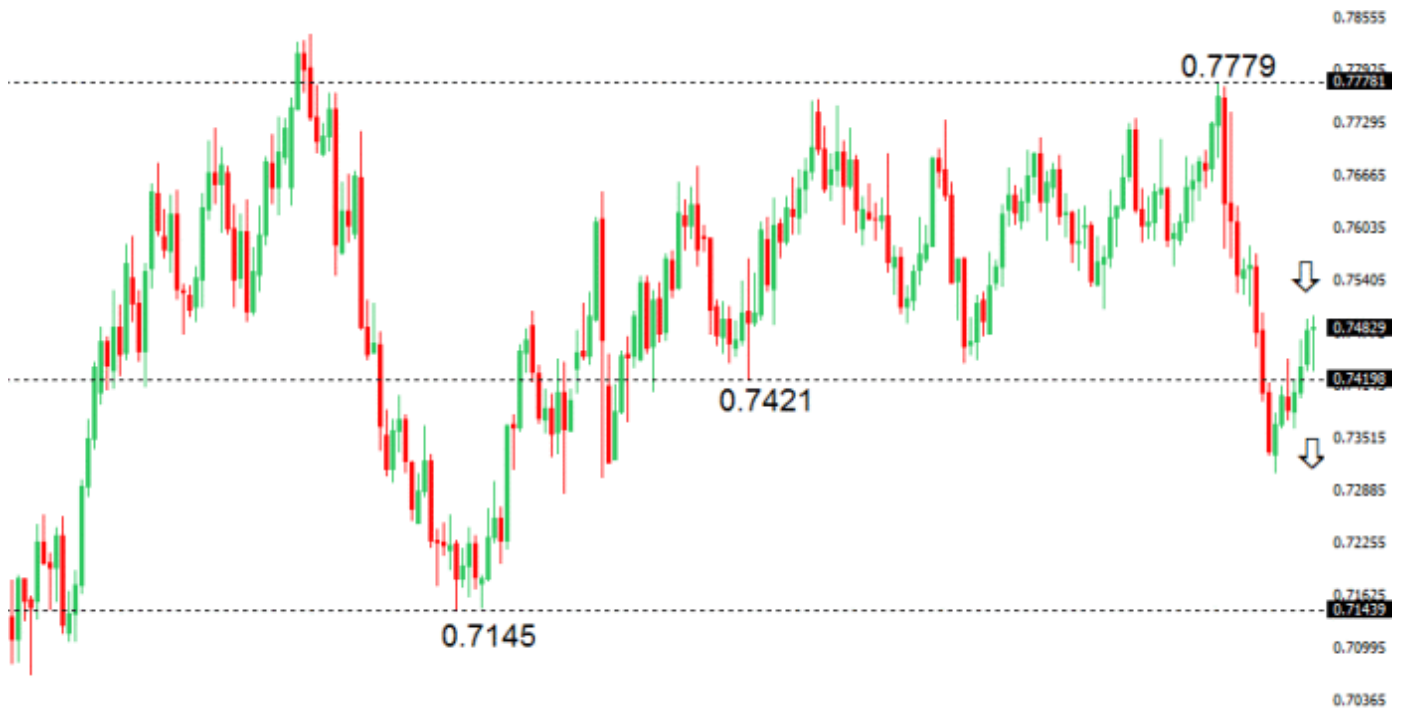
- R2 1.0865 – 28Oct high – Medium
- R1 1.0800 – Previous Support – Strong
- S1 1.0687 – 18Nov low – Medium
- S2 1.0624 – 24Jun/2016 low – Strong

EURCHF – fundamental overview

The SNB has unquestionably had a challenging time of late, with the central bank forced to contend with an intense wave of demand for the Swiss Franc. The central bank has been committed to its mandate of ensuring the Franc does not appreciate further through monetary policy and intervention tools. Though despite all efforts, the Franc continues to want to appreciate against the Euro. It seems the strategy has been to buy Euro when risk comes off and to do nothing when risk is back on and natural flows should be CHF bearish. But the trouble is, when risk comes back, the Franc is still not depreciating as much as the SNB would probably like to see and if global risk sentiment deteriorates, it could invite a massive wave of demand for the Franc that the SNB will be unable to offset.

AUDUSD – technical overview

The latest break below 0.7400 is a significant development and now opens the door for deeper setbacks towards next key support at 0.7145 in the days ahead. At this point, look for any rallies to be well capped ahead of 0.7600. Only back above 0.7700 delays the bearish outlook.



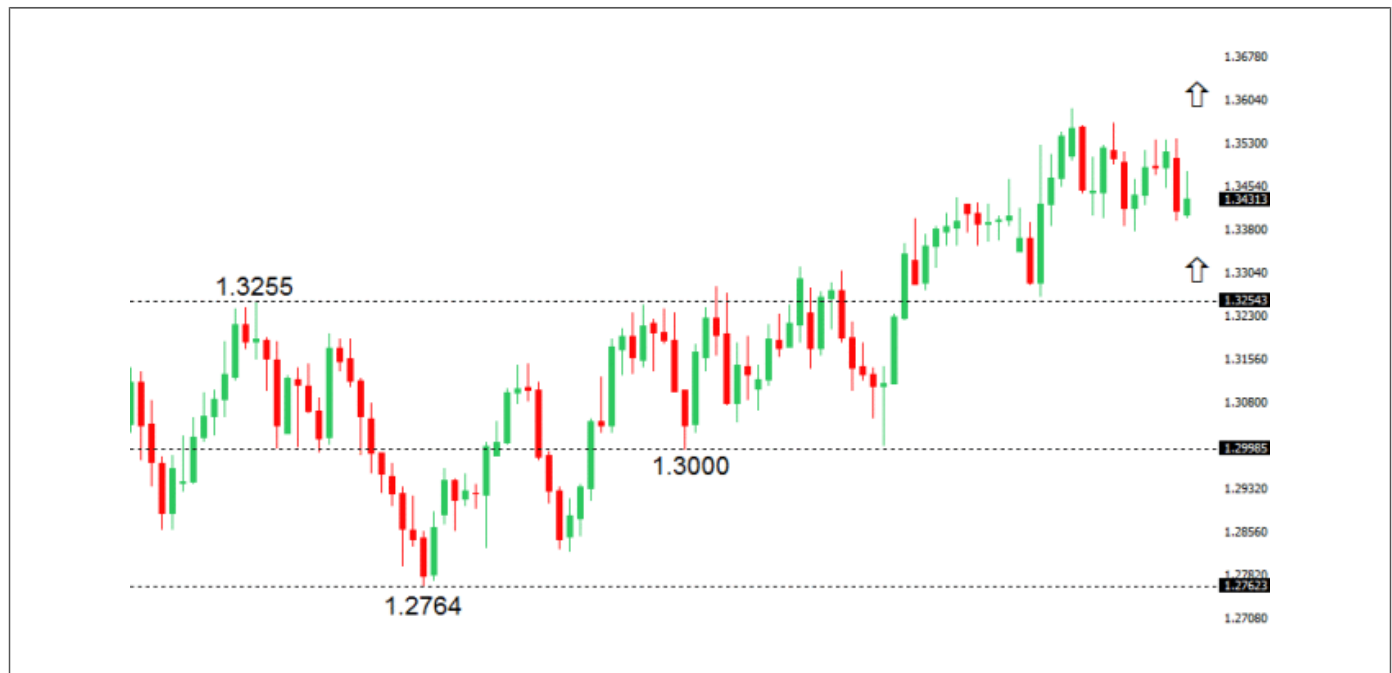
- R2 0.7582 – 15Nov high – Strong
- R1 0.7502 – 17Nov high – Medium
- S1 0.7433 – 29Nov low – Medium
- S2 0.7365 – 24Nov low – Strong

AUDUSD – fundamental overview

Leveraged accounts have been reported on the offer into month end, while the thinner liquidity conditions are also factoring into the offered tone a bit. Option related sell interest around 0.7500 is acting as yet another cap on this market. Earlier today, we got a mixed batch of data out of Australia, with Aussie building approvals coming in much softer and private sector credit stronger. Looking ahead, the OPEC meeting and US ADP employment are the key standouts for the remainder of the day. Possible volatility from month end flow should not be overlooked.

USDCAD – technical overview

This market looks to be in the process of carving out a longer-term base off the 1.2461, 2016 low. Look for any additional weakness to be supported well ahead of 1.3000 in favour of the next major upside extension towards a measured move objective into the 1.4000 area. Ultimately, only back below 1.3000 would delay the constructive outlook.



- R2 1.3589 – 14Nov high – Strong
- R1 1.3500 – Psychological – Medium
- S1 1.3378 – 22Nov low – Medium
- S2 1.3354 – 1Nov low– Strong

USDCAD – fundamental overview

It's likely to be a busy day for the Canadian Dollar today. On top of month end flow and US ADP employment, we get Canada GDP and the OPEC meeting. Clearly the first tier Canada data and direction in the price of OIL on OPEC headlines will ultimately carry the bigger influence on direction. But overall, with US yield differentials continuing to favour the Buck, it's unlikely any Canadian Dollar upside is meaningful.

NZDUSD – technical overview

Despite the latest bounce, the overall pressure has shifted back to the downside with the market now expected to be very well capped on rallies ahead of 0.7300. Look for a fresh lower top at 0.7403 in favour of the next major downside extension below 0.6952 and towards medium-term support at 0.6675 further down.



- R2 0.7229 – 11Nov high – Strong
- R1 0.7160 – 30Nov high – Medium
- S1 0.7100 – Figure – Medium
- S2 0.7066 – 29Nov low – Strong

NZDUSD – fundamental overview

The New Zealand Dollar has received a bit of a boost on Wednesday despite downbeat ANZ business confidence readings. Comments from RBNZ Deputy Governor Spencer and FinMin English highlighting the fact that it looks like global rates have hit a floor, seem to be helping to drive the relative outperformance. Looking ahead, the OPEC meeting, month end flow and US ADP employment will be the key standouts on the calendar for the remainder of the day.

US SPX 500 – technical overview

While this latest surge back to a fresh record high could compromise what has been the possibility for a toppish structure, the risk is still tilted to the downside if the market fails to establish above 2200 on a monthly close basis. But ultimately, at this point, any topside failure will also need to be met with a break back below 2100 to once again encourage the possibility for a bearish structural shift. Initial support comes in at 2181, with a break below to take the immediate pressure off the topside.



- R2 2250.00 – Psychological – Strong
- R1 2213.00 – 25Nov/Record high – Medium
- S1 2181.00 – 21Nov low – Medium
- S2 2156.00 – 25Oct high – Strong

US SPX 500 – fundamental overview

The ongoing bid for US equities has been more than impressive, particularly at a time when the Fed is about to embark on a more steady path to policy normalisation. But the market will need to once again think about the bigger, more worrying issue at hand, which is an exhaustion of global monetary policy tools globally and an inability for central banks to continue to support and stimulate growth. This leaves financial markets vulnerable to any shocks and exposed to intense periods of additional risk liquidation going forward, especially at a time when the Fed is moving further away from accommodation.

GOLD (SPOT) – technical overview

Despite a major setback, the overall structure remains constructive with the market in the process of carving out a longer-term base. Look for any weakness to be very well supported above 1130, with only a close back below this level to negate the basing outlook and give reason for pause. Back above 1233.10 strengthens the outlook and should accelerate gains towards a retest of the 2016 peak at 1375.



- R2 1265.50 – 11Nov high – Strong
- R1 1233.10 – 18Nov high – Medium
- S1 1170.95 – 25Nov low – Medium
- S2 1150.00 – Psychological – Strong

GOLD (SPOT) – fundamental overview

GOLD has suffered quite a blow over the past several days, with the yellow metal unable to ignore the intense rotation into the US Dollar. However, solid demand from medium and longer-term players continues to emerge on dips despite the setbacks, with these players more concerned about the limitations of exhausted monetary policy, extended global equities, systemic risk and a bet that record low inflation will turn up even faster in a Trump presidency. All of this will almost certainly continue to keep the commodity in demand, even if the Buck is propped, 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.

Feature – technical overview

USDTRY continues to push into uncharted territory, breaking to yet another record high last Friday. While the uptrend remains firmly intact, daily studies are now at the point where they are violently overextended, with the daily RSI pushing up to as high as above 90. This warns of some form of a major corrective pullback ahead to allow for these studies to unwind. Medium-term studies are also extended, yet another indication we could soon see a period of correction. Ultimately however, any setbacks should be well supported ahead of 3.2000.



- R2 3.5000 – Psychological – Strong
- R1 3.4750 – 25Nov/Record High – Medium
- S1 3.3520 – 21Nov low – Medium
- S2 3.3090 – 17Nov low – Strong

Feature – fundamental overview

While it's been clear for some time the Erdogan government has been opposed to rate hikes, it has also been very difficult to ignore the necessity for such action with the Lira continuing to decline to record lows. Last Thursday, the CBRT went ahead and pushed rates up 50 basis points in an effort to offset some of this currency depreciation, though it seems the market is going to need an even more aggressive move if it is going to make a dent in the current environment. Event risk and political risk are major headaches on the domestic front, while the CBRT also has to continue to worry about Fed normalisation and the prospect of ever widening yield differentials in favour of the US Dollar that continue to put pressure on the record low Lira. One major bank has come out with a downbeat assessment for Turkey and the Lira into 2017, declaring that Turkey has 'by far the worst external position in CEEMEA'.



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