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# Global FX Insights

by LMAX Exchange Research & Analytics

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

## Yen Second Only to Bitcoin this Week [Wake-up Call](#)

If we look at performance in the developed currencies since the weekly open, the US Dollar is up across the board, with the exception of the Yen, which has managed to perform just a little better. But all currencies are trading within 1% of weekly opening levels.

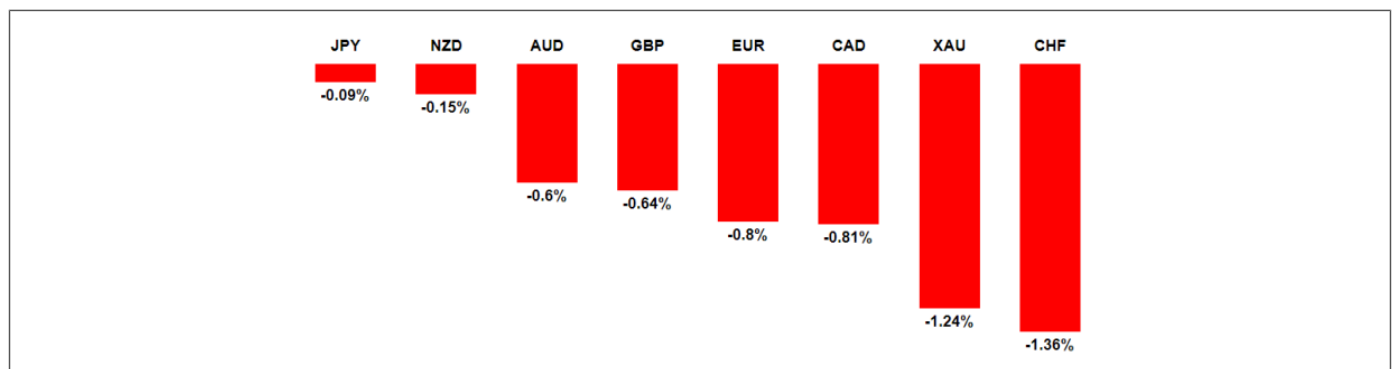
### Technical highlights [Daily Video](#)

- **EURUSD** Looking for next higher low
- **GBPUSD** Setbacks to be well supported
- **USDJPY** Stuck in major range trade
- **EURCHF** Refuses to back off
- **AUDUSD** Downside pressure persists
- **USDCAD** Bounces out from key support
- **NZDUSD** Consolidated off 2017 low
- **US SPX 500** Crying out for correction
- **GOLD** (spot) Expected to turn up again
- **Feature** – USDTRY Pauses for breather

### Fundamental highlights

- **EURUSD** German IP, Eurozone GDP on tap
- **GBPUSD** Still waiting on Brexit divorce bill
- **USDJPY** BOJ Kuroda on wires but no moves
- **EURCHF** SNB strategy will get more challenging
- **AUDUSD** Another disappointing data series
- **USDCAD** Loonie needs to worry about NAFTA
- **NZDUSD** Kiwi trying to hold up on GDT
- **US SPX 500** Investors keep shrugging red flags
- **GOLD** (spot) Macro accounts happy to buy dips
- **Feature** – USDTRY Surging inflation to force action

## Five day performance v. US dollar



## Suggested reading

- **The 2018 Outlook for Central Banks**, M. El Erian, Bloomberg (December 6, 2017)
- **Bitcoin: Will Stunning Rally Sustain or Sour**, E. Norland, CME Group (December 4, 2017)

## EURUSD – technical overview

A recent break back above 1.1880 is a significant development, as it undermines the prospect for a deeper correction, while opening the door for a more immediate resumption of a well defined uptrend that has taken form in 2017. Look for any setbacks to be well supported ahead of 1.1700, for the next major upside extension beyond the current yearly high of 1.2093 and towards the 1.2500 area further up. Only a daily close back below 1.1700 will delay this outlook.



- R2 1.1962 – 27Nov high – Strong
- R1 1.1877 – 5Dec high – Medium
- S1 1.1750 – Mid-Figure – Medium
- S2 1.1714 – 21Nov low – Strong

## EURUSD – fundamental overview

Thursday's calendar is light and the Euro hasn't had much to chew on this week as far as making any decisions about its next big move goes. Setbacks have mostly come from a wave of renewed US Dollar demand, though it's hard to pinpoint the catalyst for this flow, with the market not as impressed by US tax reform and a possible government shutdown still hanging over. As far as today's economic calendar goes, it isn't expected to inspire any big moves with only German industrial production, Eurozone GDP, US initial jobless claims and US consumer credit standing out. Instead, the market will continue to monitor Brexit headlines and a swirl of risk in the US relating to tax reform, the threat of a government shutdown if there is no agreement on a spending bill, the President Trump-Russia collusion investigation and geopolitical tension.

## GBPUSD – technical overview

The market has broken out to the topside, signaling the end to a range that had defined price action since early October. The push back above 1.3340 now suggests the market is poised for a continuation of the 2017 uptrend, with a higher low in place at 1.3027, to be confirmed on a break of the 2017 high at 1.3658. This will then open the door for a measured move upside extension back above 1.4000 and towards 1.4200 into 2018. Any setbacks should now be well supported into that previous range resistance now turned support at 1.3340.



- R2 1.3550– 1Dec high – Strong
- R1 1.3443 – 6Dec high – Medium
- S1 1.3340 – 29Nov low – Medium
- S2 1.3221 – 28Nov low – Strong

## GBPUSD – fundamental overview

The Pound continues to do a good job holding up, despite a recent run of mild declines in the face of last minute shuffling to formalise the Brexit divorce bill and despite a broad based wave of renewed demand for the US Dollar. The UK PM will be working hard to come up with a deal that works both for Northern Ireland and those in her government that do not want to see concessions made to Ireland leading to a softer Brexit. But the optimism is still there and while there still could be some bumps, setbacks in the Pound are expected to be well supported as the two sides push forward and get through to trade and transition talks. As far as today's economic calendar goes, it isn't expected to inspire any big moves with only US initial jobless claims and US consumer credit standing out. Instead, the market will continue to monitor Brexit headlines and a swirl of risk in the US relating to tax reform, the threat of a government shutdown if there is no agreement on a spending bill, the President Trump-Russia collusion investigation and geopolitical tension.

## USDJPY – technical overview

The major pair has been confined to a range trade for much of 2017, with rallies well capped ahead of 115.00 and dips well supported below 108.00. The latest break below 111.65 reaffirms this outlook, encouraging the next big drop all the way back to the range lows in the 107-108 area. Look for rallies to be well capped below 113.50.



- R2 113.44 – 6Oct high – Strong
- R1 113.09 – 4Dec high – Medium
- S1 111.41 – 1Dec low – Medium
- S2 110.84 – 27Nov high – Strong

## USDJPY – fundamental overview

BOJ Governor Kuroda has been on the wires today reiterating the central bank will continue with its easing program in light of weak inflation. Other news out of Japan relates to the introduction of a new tax on high income earners, though none of these stories is having any material impact on the Yen. Overall, the combination of broad based negative sentiment for the US Dollar in 2017 and highly extended US equity market, that could soon be on the verge of rolling over, are major drivers that could weigh heavily on the major pair going forward. Tax reform optimism has faded and the market is also worried about a potential US government shutdown, wider Trump-Russian collusion probe and ongoing geopolitical tension. As far as today’s economic calendar goes, we get US initial jobless claims and consumer credit.

## EURCHF – technical overview

A period of multi-day consolidation has been broken, with the market pushing up to a fresh 2017 high. The bullish break could now get the uptrend thinking about a test of that major barrier at 1.2000 further up. In the interim, look for any setbacks to be very well supported ahead of 1.1400, while only back below 1.1260 would delay the overall constructive tone.



- R2 1.1800 – Figure – Strong
- R1 1.1738 – 1Dec/2017 high – Medium
- S1 1.1544 – 5Nov low – Medium
- S2 1.1485 – 17Oct low – Strong

## EURCHF – fundamental overview

The SNB will need to be careful right now as its strategy to weaken the Franc could face headwinds from the US equity market. The record run in the US stock market has been a big boost to the SNB’s strategy with elevated sentiment encouraging Franc weakness. Of course, the SNB is no stranger to this risk, given a balance sheet with massive exposure to the US equity market. But any signs of capitulation on that front, will likely invite a very large wave of demand for the Franc, which will put the SNB in a more challenging position to weaken the Franc. And so, we speculate the SNB continues to be active buying EURCHF in an attempt to build some cushion ahead of what could be a period of intense Franc demand ahead.

## AUDUSD – technical overview

The market has been under a lot of pressure over the past several weeks, extending declines into the 0.7500s thus far. It's worth noting technical studies are in the process of unwinding from stretched readings, resulting in this latest consolidation, which could be well supported for the time being in the 0.7500 area. But overall, the pressure is on the downside and rallies are viewed as corrective while below 0.7900, with the possibility for another downside extension towards 0.7000 not to be ruled out.



- R2 0.7666 – 13Nov high – Strong
- R1 0.7600 – Figure – Medium
- S1 0.7533– 21Nov low – Medium
- S2 0.7500 – Psychological – Strong

## AUDUSD – fundamental overview

The Australian Dollar continues to feel the weight of this latest bout of renewed US Dollar demand, while also taking hits post this week's solid Aussie retail sales and less downbeat inflation outlook from the RBA. Aussie GDP disappointed on Wednesday and trade data was a miss earlier today. The decline in Australia's iron ore exports and decline in exports to China are the major standouts, with the data perhaps also sending a message to risk correlated assets about a cooling off in the global economy. As far as the economic calendar for the remainder of the day goes, it isn't expected to inspire any big moves with only US initial jobless claims and US consumer credit standing out. Instead, the market will continue to monitor Brexit headlines and a swirl of risk in the US relating to tax reform, the threat of a government shutdown if there is no agreement on a spending bill, the President Trump-Russia collusion investigation and geopolitical tension.

## USDCAD – technical overview

Clear signs of basing in this pair, with the recovery from plus two year lows back in September extending through an important resistance point in the form of the August peak. This sets the stage for additional upside in the days and weeks ahead, with the immediate focus now on a retest of the psychological barrier at 1.3000. In the interim, any setbacks should now be well supported ahead of 1.2600.



- R2 1.2917 – 27Oct high – Strong
- R1 1.2837 – 21Nov high – Medium
- S1 1.2727 – 4Dec high – Medium
- S2 1.2624 – 5Dec low – Strong

## USDCAD – fundamental overview

On Wednesday, the Bank of Canada came out and left rates unchanged as widely expected, though it seems the fact there were no changes to the policy outlook was a disappointment to Canadian Dollar bulls. The Canadian Dollar came under pressure in the aftermath and was a clear underperformer on a day that already had the US Dollar broadly bid. It seems there was an expectation for the BoC to produce some more hawkish leaning messages and failure to do so had weak USDCAD shorts heading for the exit. The Canadian Dollar has been under consistent pressure since topping out at a plus 2 year high against the Buck in September, with the market reconsider bets after the BoC's move to hike rates consecutively this year was followed up by a run of softer economic data. Looking out to 2018, there could be more downside risk to the Loonie as the fate of NAFTA comes back into the spotlight, with any talk of a breakup to put more pressure on the Loonie. As far as today's calendar goes, we get Canada building permits and Ivey PMIs along with US initial jobless claims and consumer credit.

## NZDUSD – technical overview

**Medium term studies have turned down** sharply after the market pushed up to a plus two year high through 0.7500 in late July. A recent break below 0.7000 has opened a more meaningful reversal that has accelerated declines to fresh 2017 lows below 0.6800. This sets the stage for a fresh downside extension to support from May 2016 at 0.6676, though with daily studies looking stretched, the market is taking time to allow those studies to unwind before making the next move. While below 0.7200, the structure remains bearish.



- R2 0.6945 – 28Nov high – Strong
- R1 0.6913 – 1Dec high – Medium
- S1 0.6817 – 1Dec low – Medium
- S2 0.6780 – 17Nov/2017 low – Strong

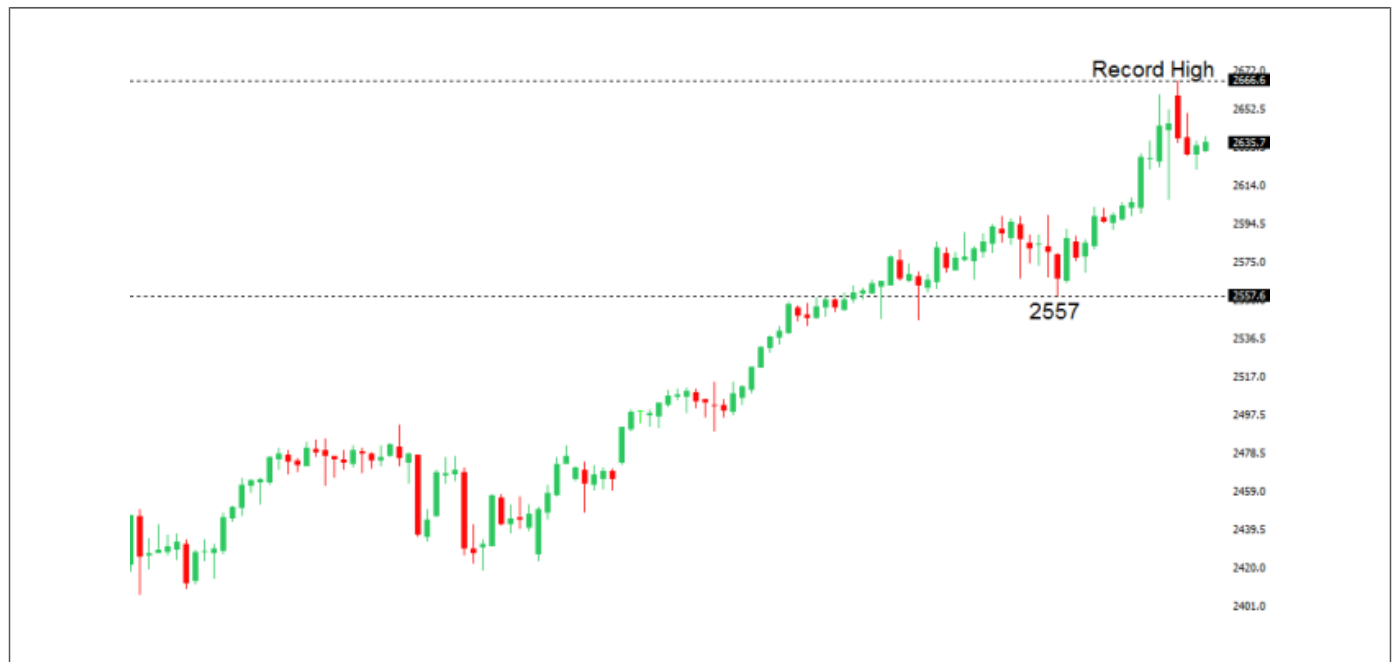
## NZDUSD – fundamental overview

Some cross related selling in the AUDNZD rate and a welcome positive GDT reading on Tuesday have helped to prop up the New Zealand Dollar this week, with the currency still contending with recent setbacks to fresh 2017 lows. The combination of an overall softer run of local data, downside pressure on commodities prices, worry about external factors associated with global risk appetite, and post election uncertainty with a new government in place, have all been major drivers behind the run of Kiwi setbacks in recent months. Meanwhile, the US Dollar has been better bid, yet another source of Kiwi weakness. As far as the economic calendar for the remainder of the day goes, it isn't expected to inspire any big moves with only US initial jobless claims and US consumer credit standing out. Instead, the market will continue to monitor Brexit headlines and a swirl of risk in the US relating to tax reform, the threat of a government shutdown if there is no agreement on a spending bill, the President Trump-Russia collusion investigation and geopolitical tension.



## US SPX 500 – technical overview

The market continues to shrug off overextended technical readings, with any setbacks quickly supported for fresh record highs. Still, technical readings are tracking well overbought and are in desperate need for a period of healthy corrective action. Ultimately however, it will take a break back below 2557 at a minimum to alleviate immediate topside pressure.



- R2 2700.00 – Extension Target – Strong
- R1 2665.00 – 4Dec/Record high – Medium
- S1 2599.00 – 28Nov low – Strong
- S2 2557.00 – 15Nov low – Strong

## US SPX 500 – fundamental overview

The US equity market continues to be well supported on dips, pushing further into record high territory. It seems, on a macro level, the combination of blind momentum, expectation US tax reform will ultimately work out well and the appointment of Jerome Powell as the next Fed Chair are helping to keep the move going. But at the same time, there's a clear tension out there as the VIX sits at unnervingly depressed levels. The fact that Fed policy is normalising, however slow, could start to resonate a little more, with stimulus efforts exhausted, balance sheet reduction coming into play and another rate hike still on the cards this month. But for now, it's more of the same, with the market shrugging off any red flags, including doubts over the effectiveness of tax reform, a possible government shutdown and a wider probe into the Trump-Russia collusion investigations. At this point, it will take a breakdown in this market back below 2500 to turn heads.

## GOLD (SPOT) – technical overview

Setbacks have been well supported over the past several months, with the market continuing to put in higher lows and higher highs, opening a recent push to a fresh 2017 high up around 1357. And so, look for this most recent dip to round out that next higher low around 1250 in favour of a bullish continuation towards a retest of the 2016 peak at 1375 further up. Ultimately, only a drop back below 1200 would negate the outlook.



- R2 1334.35 – 15Sep high – Strong
- R1 1316.10 – 20Sep high – Medium
- S1 1250.00 – Psychological – Strong
- S2 1251.45 – 8Aug 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 exhausted monetary policy, extended global equities, political uncertainty, systemic risk and geopolitical threats. All of this should continue to 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. Certainly the US Dollar under pressure in 2017 has added to the metal’s bid tone as well, but there is a growing sense that even in a scenario where the US Dollar is bid for an extended period, GOLD will hold up on risk off macro implications. Dealers are now reporting demand in size ahead of 1260.

## Feature – technical overview

USDTRY has extended its record run, with the market contemplating the establishment above major psychological resistance at 4.0000. At the same time, with medium technical studies looking extended, risk is building for a healthy corrective reversal in the sessions ahead. Ultimately, any setbacks should be well supported ahead of 3.6500, with only a break back below this level to force a shift in the structure.



- R2 4.0000 – Psychological – Strong
- R1 3.9820 – 22Nov/Record – Medium
- S1 3.8400 – 5Dec low – Medium
- S2 3.7660 – 30Oct low – Strong

## Feature – fundamental overview

The CBRT is in that awful position of needing to decide between reacting to rocketing inflation and a free fall in the currency, or to a sluggish economy that is strained by the removal of any accommodation in place. Of course, the situation is even more stressful for the CBRT, with President Erdogan consistently calling for more accommodation. Monday's inflation data came in hot yet again and has done nothing to help the central bank's cause, though we have since seen the Lira recover a little, perhaps with the market feeling more confident in the CBRT taking action as the move will be more justified in the eyes of the government. How the CBRT decides to tighten policy is another question and we could see moves by way of alternative mechanisms.



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