

Global FX Insights

by LMAX Exchange Research & Analytics

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

US Averts Shutdown, Monthly Jobs Report Ahead [Wake-up Call](#)

There's a lot of optimism out there to start the day. China trade data has blown away expectations, coming out super strong, while in the US, a 2 week stopgap funding bill has been passed. Brexit, UK data and the US jobs report are all due.

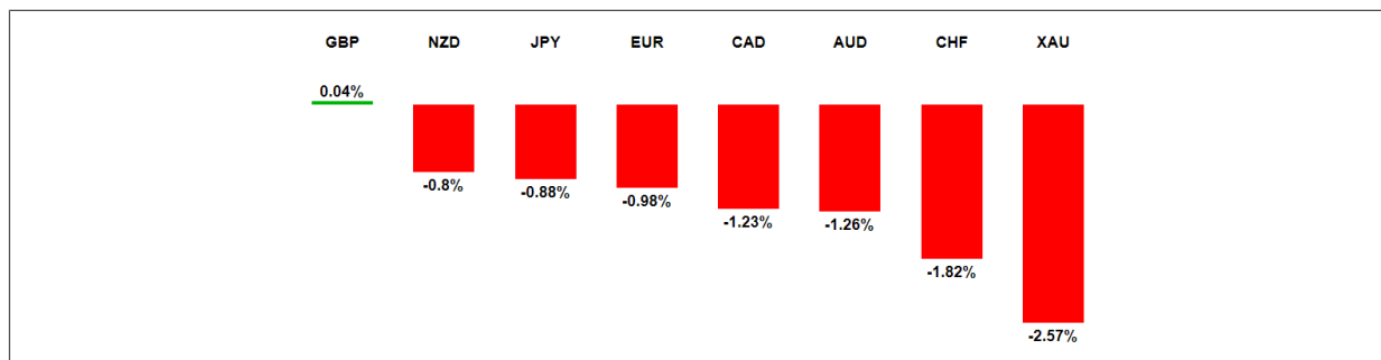
Technical highlights [Daily Video](#)

- **EURUSD** Firm uptrend above 1.1700
- **GBPUSD** Poised for fresh 2017 high
- **USDJPY** Waiting for next big move
- **EURCHF** Intent on extending run
- **AUDUSD** Extends run of declines
- **USDCAD** Looking up to 1.3000
- **NZDUSD** Hovers above yearly low
- **US SPX 500** Ignores extended readings
- **GOLD** (spot) Takes out 1250 support
- **Feature** – USDTRY Pauses for breather

Fundamental highlights

- **EURUSD** Dealers talk strong demand on dips
- **GBPUSD** Plenty of optimism on Brexit progress
- **USDJPY** Yen sold off as risk on comes back
- **EURCHF** SNB strategy will get more challenging
- **AUDUSD** Aussie doesn't get help from China trade
- **USDCAD** Loonie forced to consider NAFTA fate
- **NZDUSD** US stopgap measure another drag
- **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

- **When Even Value Investors Can't Find Any**, S. Ren, Bloomberg (December 6, 2017)
- **IMF Calls China Banks to Boost Capital Buffers**, J. Han, FT (December 7, 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

The Euro has been under pressure this week and trades with an offered tone into the monthly employment report out of the US. Tax reform optimism and a stopgap measure to avoid government shutdown in the US have been attributed to this latest slide into Friday. Dealers report stops below 1.1700, but at the same time, are also showing solid demand on dips below the figure. The market will digest some German trade data and then look ahead to the US jobs report where average hourly earnings will be the key component. US Michigan confidence is also out later on. It's worth noting, Merkel will be sitting down for coalition talks again, though nothing here has been having an impact on the price of the major pair.

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. Overall there is clear sense of optimism around the progress being made 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, the Pound will be digesting industrial production, manufacturing production, construction output and NIESR GDP estimates, before then turning its attention to the star event of the day, the US monthly employment report. The Pound has also held up well against US Dollar demand from tax reform and the stopgap to avoid government shutdown in the US.

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 topside failure off the range high strengthens this outlook, though the market will ideally need to hold below 113.50 on a daily close basis to further encourage the bearish prospect.



- R2 114.00 – Figure – Strong
- R1 113.59 – 4Dec high – Medium
- S1 113.08 – 8Dec low – Medium
- S2 112.63 – 6Dec high – Strong

USDJPY – fundamental overview

The major pair has extended a recovery run on Friday, with all of the optimism surrounding impressive China trade data, US stopgap measures and US tax reform helping to drive the risk correlated market. There's also been talk of new infrastructure spending updates from President Trump at the State of the Union address, which has only helped to prop the pair further. Overall however, the gains in USDJPY should be taken with a grain of salt. There has been broad based negative sentiment for the US Dollar in 2017 and this in conjunction with a 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. US Dollar positives from tax reform will also fade, leaving the market with what could be a ramped up soft Dollar campaign out from the US administration into 2018 as it promotes a protectionist platform. For now, the market is looking ahead to the monthly employment report out of the US, with the key focus on average hourly earnings. US Michigan confidence is also due.

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 0.7502 – 8Dec low – Medium
- S2 0.7458 – 6Dec low – Strong

AUDUSD – fundamental overview

Upbeat retail sales, a less dovish outlook on inflation out from the RBA and Friday's stellar China trade data haven't been enough to keep the Australian Dollar from extending its run of declines. The currency has been contending with slumping iron prices, softer Aussie GDP and USD bids from tax reform, stopgap measures to avoid a US government shutdown and news of fresh infrastructure spending plans from President Trump. Still, with the market looking a little extended around the 0.7500 barrier and the US jobs report ahead, we would caution against getting overly bearish at current levels. We also get US Michigan confidence later today.

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

Earlier this week, the Bank of Canada came out and left rates unchanged as widely expected, though the fact there were no changes to the policy outlook was a disappointment to Canadian Dollar bulls. 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 reconsidering 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 housing starts and capacity utilisation, though the big focus will be on the US jobs report. US Michigan confidence is also out.

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 this week have helped to prop up an ailing New Zealand Dollar, 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 on tax reform, stopgap measures to avoid a US government shutdown and news of fresh infrastructure spending plans from President Trump. As far as the economic calendar for the remainder of the day goes, all of the attention will be on the US jobs report, we would caution against getting overly bearish at current levels. We also get US Michigan confidence later today.

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.



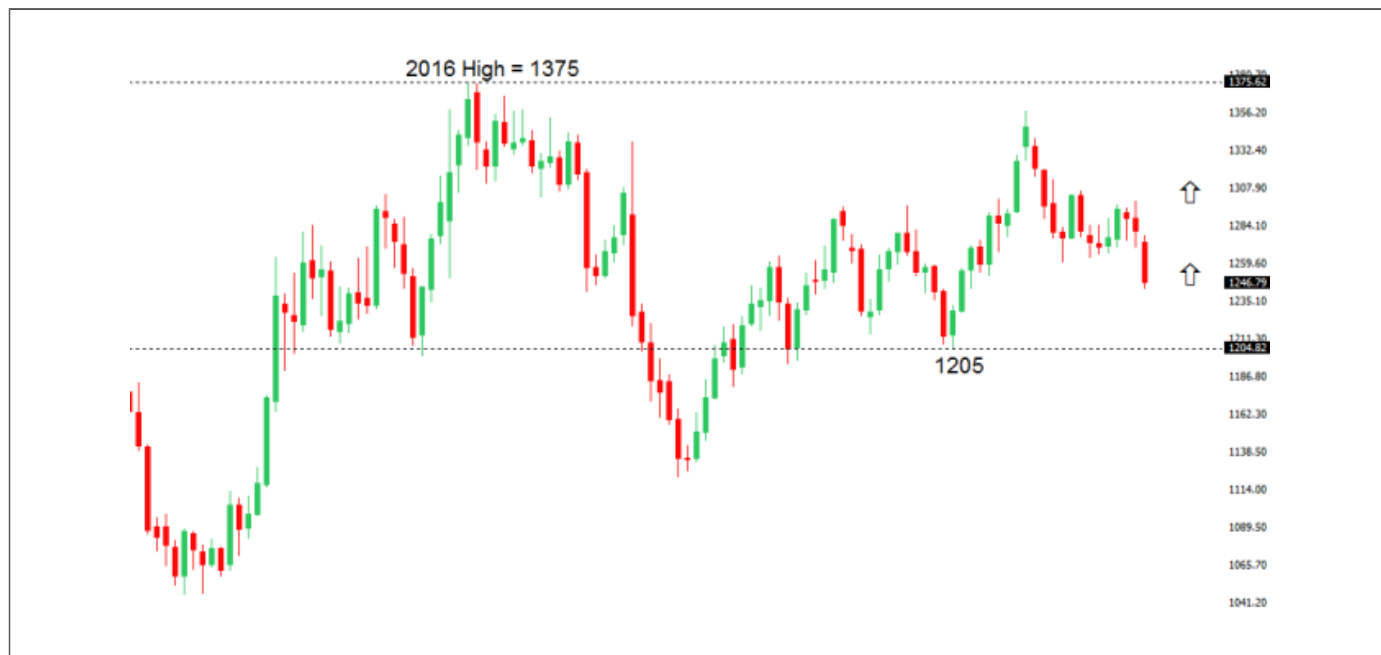
- R2 2700.00 – Extension Target – Strong
- R1 2665.00 – 4Dec/Record high – Medium
- S1 2599.00 – 28Nov low – Strong
- S2 2557.00 – 15Nov low – Strong

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. This latest stopgap measure relief and news there will be a fresh infrastructure spending announcement from the President certainly haven't hurt the market. 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. 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 in favour of a bullish continuation towards a retest of the 2016 peak at 1375 further up. Thursday's break of 1250 is a setback but ultimately, only a drop back below 1200 would negate the outlook.



- R2 1289.30 – 1Dec high – Strong
- R1 1264.50 – 7Dec high – Medium
- S1 1243.75 – 26Jul low – Medium
- S2 1229.20 – 6Jul high – 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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