

Global FX Insights

by LMAX Exchange Research & Analytics

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

How convincing is the US jobs report Dollar rally? [Wake-up call](#)

Trading conditions will get back to full form as the US market returns to their desks after last week's July 4th festivities. We come into the new week with the US Dollar having closed out the previous week on a strong note. As far as today's calendar goes, German trade and industrial production are the only notable standouts.

[audio mp3="https://lemeaex2.files.wordpress.com/2019/07/8julylmaxaudio.mp3"][/audio]

Technical highlights [Daily Video](#)

- [EURUSD](#) Higher low sought out
- [GBPUSD](#) Expected to hold up on dips
- [USDJPY](#) Downtrend firmly intact
- [EURCHF](#) Room for additional downside
- [AUDUSD](#) Evidence of longer term basing
- [USDCAD](#) Major support into key barrier
- [NZDUSD](#) Double bottom triggered on daily
- [US SPX 500](#) Additional upside seen limited
- [GOLD \(spot\)](#) Setbacks viewed as corrective
- [BTCUSD](#) Retracing after big upside push
- [ETHUSD](#) Well capped into previous resistance

Fundamental highlights

- [EURUSD](#) German trade and industrial production
- [GBPUSD](#) Pound underperforms on data, Brexit worry
- [USDJPY](#) BOJ Amamiya says central bank ready to act
- [EURCHF](#) SNB's job a lot harder in 2019
- [AUDUSD](#) Aussie hit on solid NFP print out of US
- [USDCAD](#) Soft Canada data offset by trade news
- [NZDUSD](#) Kiwi retreats as Fed cut bets scaled back
- [US SPX 500](#) Investor risk appetite not as strong
- [GOLD \(spot\)](#) Macro players buying dips in size
- [BTCUSD](#) Profit taking kicks in post Q2 surge
- [ETHUSD](#) Ether exposed to global economy

5-Day Performance vs. US dollar



Suggested reading

- [Currency Wars Are Back on the Agenda](#), J. Stepek, **MoneyWeek** (July 7, 2019)
- [Slowing Economy. Trade War. Market Highs. Why?](#), K. Rapoza, **Forbes** (July 3, 2019)

EURUSD - technical overview

The major pair has extended its run of declines off the 2008 high, trading down to a fresh multi-month low in May. But with the downtrend looking exhausted, the prospect for a meaningful higher low is more compelling, with a higher low sought out above the multi-year low from 2017, ahead of the next major upside extension. Only a weekly close back below the psychological barrier at 1.1000 would compromise this outlook. Back above 1.1450 will strengthen the view.



- **R2 1.1348** - 7 June high - Strong
- **R1 1.1296** - 4 July high - Medium
- **S1 1.1207** - 5 July low - Medium
- **S2 1.1181** - 15 June low - Strong

EURUSD - fundamental overview

The Euro came under pressure this past Friday, largely on the back of the better than expected US NFP print (German industrial orders were also soft earlier in the day), which had many currency traders scaling back on Fed rate cut bets. However, dealers continue to report Euro demand on dips and there is still plenty of pressure for the Fed to move forward with cuts, despite the Friday print. Meanwhile, President Trump has continued to push the administration's soft Dollar policy agenda, which adds to the case for Euro support into dips. Looking ahead, key standouts on the Monday calendar come in the form of German trade and industrial production,

EURUSD - Technical charts in detail

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GBPUSD - technical overview

The major has been well supported ahead of the 2019 low, helping to strengthen the case for a major base. Look for the market to start making its way back towards 1.3000, with a break above the psychological barrier to expose a retest of the 2019 high up at 1.3380. Only a weekly close back below 1.2500 would delay the constructive outlook.



- **R2 1.2649** - 2 July high - Strong
- **R1 1.2601** - 3 July high - Medium
- **S1 1.2500** - Psychological - Strong
- **S2 1.2481** - 5 July low - Strong

GBPUSD - fundamental overview

The Pound comes into the new week as a standout underperformer over the past week, with the currency taking its hits from a string of disappointing data (UK PMI readings were all below forecast last week), renewed fears associated with no-deal Brexit and a well received US NFP print that has the market reconsidering Fed rate cuts. On the political front, there have been reports of Boris Johnson considering the possibility of calling a general election in October if he wins. Meanwhile, efforts continue to be made by MPs to ensure a no-deal Brexit can't happen. Looking ahead, absence of first tier data releases on the UK and US calendars will leave the focus on bigger picture macro themes.

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USDJPY - technical overview

The longer-term downtrend remains firmly intact, with the major pair gravitating back towards a retest of major support in the form of the 2018 and 2019 lows respectively, down in the 104s. Any rallies should now be well capped below 110.00, though only a break back above the yearly high at 112.40 would compromise the bearish outlook.



- **R2 108.80** – 11 June high – Strong
- **R1 108.64** – 5 July high – Medium
- **S1 108.00** – Figure – Medium
- **S2 107.53** – 3 July low – Strong

USDJPY - fundamental overview

The major pair rallied sharply in Friday trade after the US jobs report came in better than expected on the NFP print. This had the market scaling back expectations for Fed rate cuts, which helped the US Dollar on the yield differential implications. At the same time, the US administration continues to talk soft Dollar policy, while risk off flow could easily invite renewed demand for the Yen. Over in Japan, BOJ Deputy Governor Amamiya said the BOJ would be ready to act and was open to all options, while acknowledging downside risk to baseline inflation expectations remained high. Looking ahead, absence of first tier data will leave the focus on bigger picture themes.

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EURCHF - technical overview

The recent breakdown below critical range support in the 1.1200 area, has opened the door for the next wave of declines targeting a move back towards initial support in the form of the 1.1000 psychological barrier. The market is trading at its lowest levels in nearly two years and at this point, it would take a daily close back above 1.1279 to take the immediate pressure off the downside.



- **R2 1.1265** – 12 June high – Strong
- **R1 1.1173** – 2 July high – Medium
- **S1 1.1057** – 20 June/**2019 low** – Medium
- **S2 1.1000** – Psychological – Strong

EURCHF – fundamental overview

The SNB remains uncomfortable with Franc appreciation and continues to remind the market it will need to be careful about any attempts at trying to force an appreciation in the currency. But the SNB will also need to be careful right now, as its strategy to weaken the Franc is facing headwinds from a less certain global outlook. Any signs of sustained risk liquidation, will likely invite a very large wave of demand for the Franc that will put the SNB in the more challenging position of needing to back up its talk with action, that ultimately, may not prove to be as effective as it once was, given where we're at in the monetary policy cycle.

AUDUSD - technical overview

The market has been very well supported on dips since breaking down in early January to multi-year lows. The price action suggests we could be seeing the formation of a major base, though it would take a clear break back above 0.7100 to strengthen this outlook. In the interim, look for setbacks to continue to be well supported ahead of 0.6800.



- **R2 0.7070** – 30 April high – Strong
- **R1 0.7049** – 7 May high – Medium
- **S1 0.6929** – 24 June low – Medium
- **S2 0.6832** – 18 June low – Strong

AUDUSD - fundamental overview

The Australian Dollar has been holding up well on a relative basis, but came under pressure on Friday, initially on the back of sinking iron ore prices and then on the broad based US Dollar demand that came from the above forecast US NFP print. However, with the US administration continuing to push soft Dollar policy and with many still expecting the Fed to move forward with additional rate cuts, Aussie demand persists into dips. Looking ahead, absence of first tier data on Monday's calendar will leave the focus on bigger picture themes.

USDCAD - technical overview

The market has come under intense pressure over the past several weeks, extending declines to a fresh 2019 low. However, the longer-term structure remains constructive, with dips expected to be well supported for fresh upside, eventually back above the 2018/multi-month high at 1.3665. At this point, only a weekly close below the psychological barrier at 1.3000 would delay the outlook.



- **R2 1.3230** - 21 June high - Strong
- **R1 1.3146** - 1 July high - Medium
- **S1 1.3038** - 4 July/2019 low - Strong
- **S2 1.3000** - Psychological - Strong

USDCAD - fundamental overview

It could have been a lot worse for the Canadian Dollar on Friday, with the Loonie coming under intense pressure on the double whammy of weaker Canada data and stronger US data. Canada jobs were softer than expected, and we also saw a drop in Canada's Ivey index. Meanwhile, US NFPs came in well above forecast to further support the strong US Dollar recovery out from last week's 2019 USDCAD low. But on Friday, there was also news on the trade front that encouraged the outlook for the Loonie, on the back of reports Mexico and the US were working to close a loophole on USMCA. Looking ahead, absence of first tier data releases on the Canada and US calendars will leave the focus on bigger picture macro themes.

NZDUSD - technical overview

Despite recent weakness, there's a case to be made for a meaningful low in place at 0.6425 (2018 low). As such, look for setbacks to be well supported above the latter, in anticipation of renewed upside, with only a close below to compromise the outlook. The most recent rally has triggered a double bottom, further strengthening the constructive outlook. Look for a higher low to carve out ahead of 0.6500.



- **R2 0.6727** - 1 July high - Strong
- **R1 0.6700** - Figure - Medium
- **S1 0.6602** - 5 July low - Medium
- **S2 0.6535** - 20 June low - Strong

NZDUSD - fundamental overview

The New Zealand Dollar had been enjoying a nice rally in recent weeks on the back of improving Kiwi data, rallying stocks and better bid commodities. But on Friday, Kiwi couldn't ignore the broad based US Dollar demand that came from the stronger than expected headline NFP print in the US jobs report. This had many traders scaling back Fed rate cut bets, which in turn, opened the door for a healthy pullback in the New Zealand Dollar. Looking ahead, absence of first tier data on Monday's calendar will leave the focus on bigger picture themes.

US SPX 500 - technical overview

There have been signs of a major longer term top, after an exceptional run over the past decade. Any rallies from here, are expected to be very well capped, in favour of renewed weakness targeting an eventual retest of strong longer-term previous resistance turned support in the form of the 2015 high at 2140. The initial level of major support comes in at 2729, with a break below to strengthen the outlook. A weekly close above 3000 would be required to compromise the outlook calling for a top.



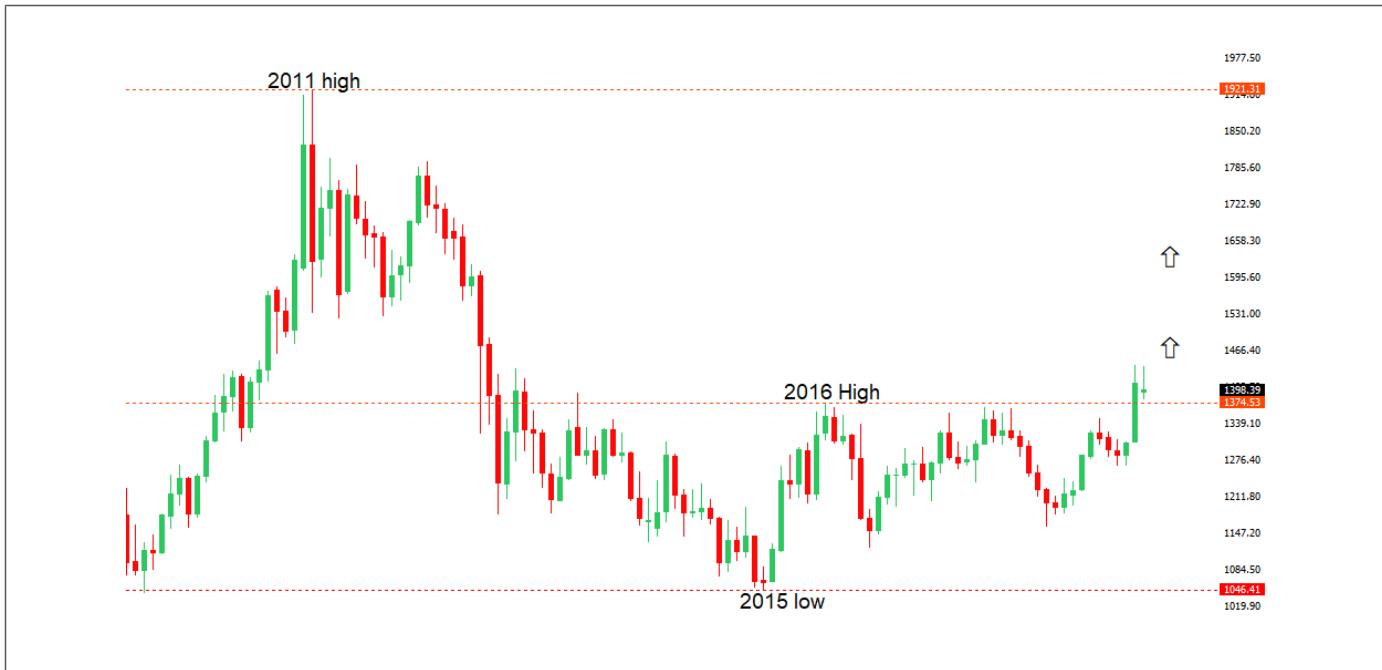
- **R2 3050** - Psychological - Strong
- **R1 3001** - 5 July/Record high - Medium
- **S1 2911** - 26 June low - Medium
- **S2 2867** - 13 June low - Strong

US SPX 500 - fundamental overview

Although we've seen the market extend to another record high in 2019, exhausted monetary policy tools post 2008 crisis suggest the prospect for a meaningful extension of this record run at this point in the cycle is not realistic. Meanwhile, expected renewed tension on the global trade front, should continue to be a drag on investor sentiment. We recommend keeping a much closer eye on the equities to ten year yield comparative going forward, as the movement here is something that could be a major stress to the financial markets looking out.

GOLD (SPOT) - technical overview

The recent breakout above the 2016 high at 1375 was a significant development, and suggests the market is in the early stages of a bullish move that follows a multi-month consolidation. The next major level of resistance comes in around 1500, while in the interim, look for any setbacks to be well supported above 1300.



- **R2 1488** - May 2013 high - Strong
- **R1 1440** - 25 June/2019 high - Strong
- **S1 1358** - 20 June low - Medium
- **S2 1320** - 11 June low - Strong

GOLD (SPOT) - fundamental overview

The yellow metal continues to be well supported on dips with solid demand from medium and longer-term accounts. These players are more concerned about exhausted monetary policy, extended global equities, political uncertainty, systemic risk and trade war threats. All of this should 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.

BTCUSD - technical overview

The market has enjoyed a nice run since breaking out above a consolidation between Q4 2018 and Q1 2019, though the rally had resulted in extended technical readings after racing through 10k psychological barrier. Overall, look for additional upside to be limited for now, to allow for these technical readings to unwind some more from stretched readings, before the market considers that next meaningful push. Setbacks should ideally be supported ahead of 7,000.



- **R2 14,335** - 15 January high (2018) - Strong
- **R1 13,748** - 26 June/2019 high - Medium
- **S1 9,721** - 2 July low - Medium
- **S2 8,935** - 19 June low - Strong

BTCUSD - fundamental overview

Bitcoin is enjoyed a spectacular run in the second quarter of 2019, racing to fresh yearly highs, surging through 10k, on the back of increased adoption and a clear readiness for the investment community to welcome the new digital asset into the mainstream. The news of tech giants now turning towards a world of crypto transactions has given Bitcoin a major boost, with the latest moves over at Facebook, only serving to give crypto assets additional credibility. The market is going through a period of technical adjustment after the fierce run up, though we anticipate renewed demand from institutional players into the dip.

BTCUSD - Technical charts in detail

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ETHUSD - technical overview

The recovery has recently accelerated to a fresh 2019 high, surging through medium-term resistance at 300 and back into critical previous support from back in 2018 around 355. The upside break suggests the market is now looking to establish a meaningful base, in favour of bullish structural shift. Still, shorter-term, the run was looking stretched and before we see that next major upside extension, expect rallies well capped, to allow extended readings to continue unwinding before the market gets going again. Setbacks should now be well supported ahead of 200.



- **R2 400** - Psychological - Strong
- **R1 363** - 26 June/2019 high - Medium
- **S1 272** - 2 July low - Medium
- **S2 260** - 19 June low - Strong

ETHUSD - fundamental overview

There has been a lot more buzz around adoption following the Q2 2019 Bitcoin surge, with many mainstream names coming out in support of blockchain integration. Demand for web 3.0 applications is on the rise, and Ethereum is the blockchain with the biggest front end application potential. At the same time, profit taking in the aftermath of the rapid Q2 appreciation has triggered a healthy period of correction, while worry associated with fallout in the global economy, could be a theme that keeps the more risk correlated crypto asset weighed down, or at least underperforming against Bitcoin in the second half of the year.



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