

# Global FX Insights

by LMAX Exchange Research & Analytics

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

## RBNZ Reflections, Crypto Exchange Hack 🔊 [Wake-up call](#)

Markets are still jittery about the outlook for global trade after President Trump expressed his intense dissatisfaction with progress ahead of the weekly open. The New Zealand Dollar has been getting a lot of attention on Wednesday after the RBNZ went ahead and cut rates 25 basis points.

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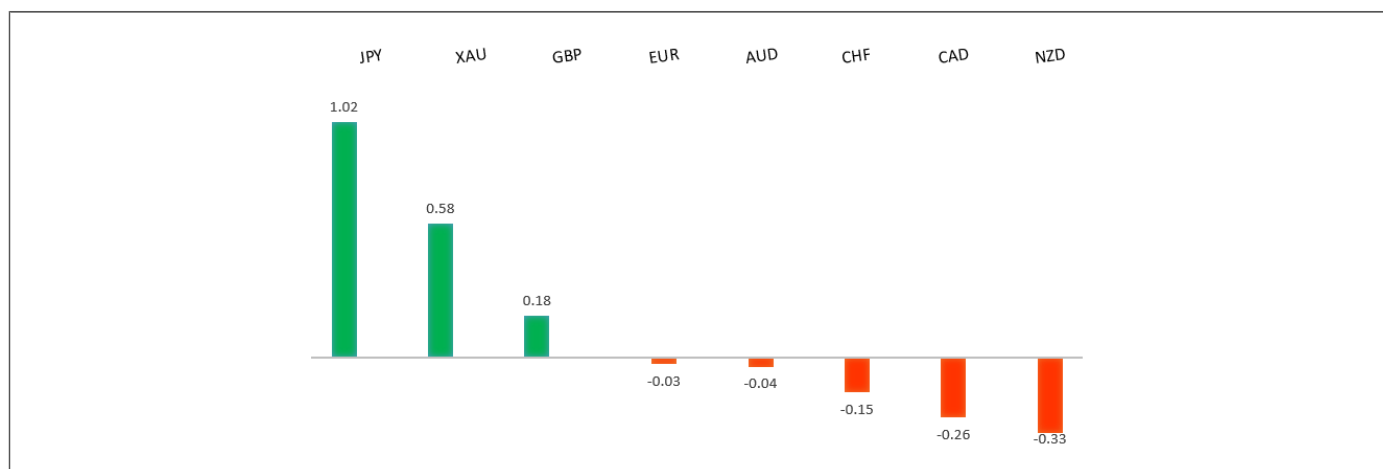
### Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Major higher low sought out
- [GBPUSD](#) Signs of longer term base
- [USDJPY](#) Remains well capped into rallies
- [EURCHF](#) Confined to well defined range
- [AUDUSD](#) Limited setbacks below barrier
- [USDCAD](#) Lots of choppy up and down
- [NZDUSD](#) Inclined to hold up on dips
- [US SPX 500](#) Uptrend looking exhausted
- [GOLD](#) (spot) Higher low for next push
- [BTCUSD](#) Reaches previous support zone
- [ETHUSD](#) Trying to hold up post breakout

### Fundamental highlights

- [EURUSD](#) German factory orders digested
- [GBPUSD](#) Government talks break down
- [USDJPY](#) Yen watching global trade and yields
- [EURCHF](#) SNB's job getting a lot harder in 2019
- [AUDUSD](#) Aussie gets help from China imports
- [USDCAD](#) OIL weakness added strain for Loonie
- [NZDUSD](#) RBNZ cuts rates 25 basis points
- [US SPX 500](#) Investor risk appetite not as strong
- [GOLD](#) (spot) Macro players still buying dips
- [BTCUSD](#) Bitcoin holds well despite Binance hack
- [ETHUSD](#) Negative write-up about altcoins

## 5 Day Performance v. US dollar



### Suggested reading

- [Markets Have More to Worry About than Tariffs](#), R. Burgess, **Bloomberg** (May 7, 2019)
- [Turkish Lira Hit After Poll Rerun Decision](#), E. Szalay, **Financial Times** (May 7, 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. Still, with the downtrend looking exhausted at this stage, the greater risk from here points to some form of a meaningful higher low to carve out above the multi-year low from 2017, with a higher low sought above 1.1000, ahead of the next major upside extension and continuation of a bigger picture developing uptrend. 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 1.1324** - 12 April high - Strong
- **R1 1.1265**- 1 May high - Medium
- **S1 1.1111** - 26 April/**2019 low** - Medium
- **S2 1.1100** - Figure - Medium

# EURUSD - fundamental overview

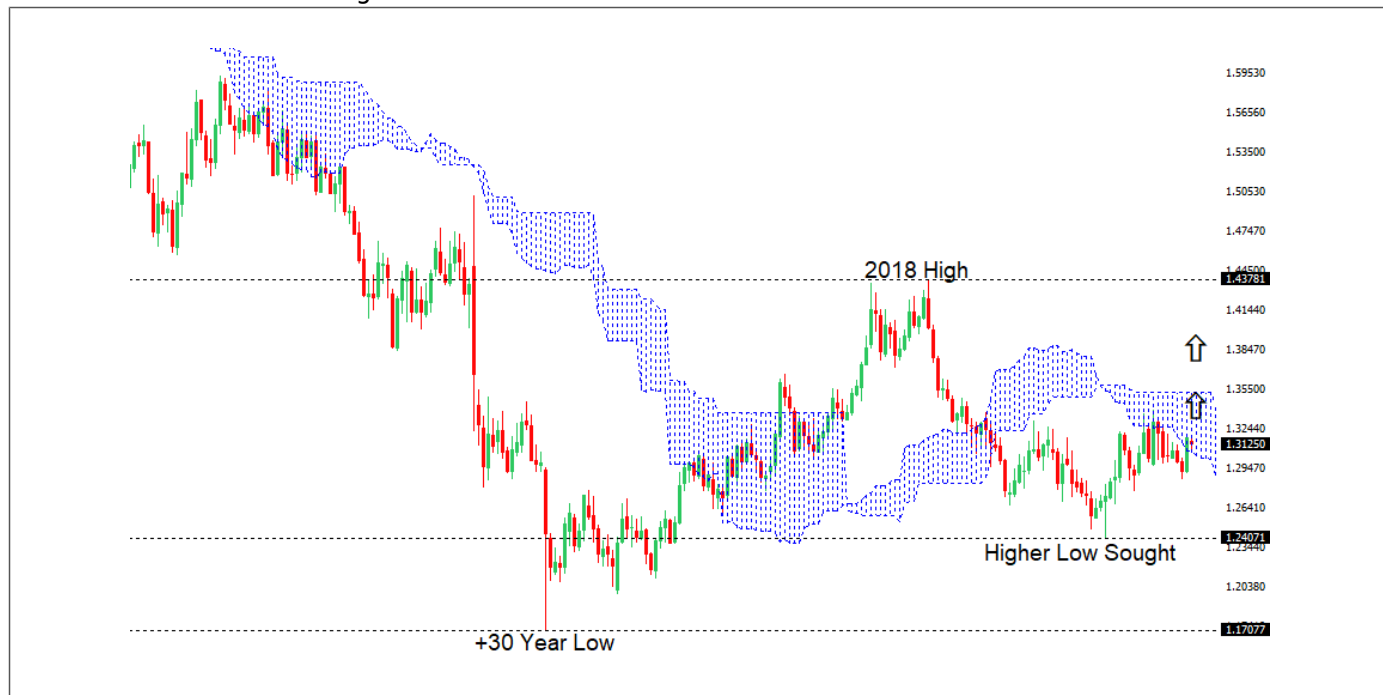
Medium-term players continue to step in, supporting the Euro on dips. The view here is about a Euro that has already seen a massive pullback off the 2018 high, an ECB that has already laid out an intensely accommodative priced in outlook, a Fed that continues to adjust back to the accommodative side, a global equity market that could roll over at any moment (fueling demand for the major currency), and a US administration that is committed to a softer Dollar policy. On Wednesday, the market will digest the latest German factory orders print, while also taking in a speech from ECB Draghi.

# EURUSD - Technical charts in detail

[Watch now](#)

# GBPUSD - technical overview

The major pair has put in an impressive recovery off the multi-month low in early January, helping to support the case for a longer-term developing uptrend off the 2016 low. Pullbacks are now viewed as corrective on the daily chart, with dips expected to be supported ahead of 1.2700. Look for a weekly close back above 1.3400 to strengthen the outlook.



- **R2 1.3200**- Figure - Medium
- **R1 1.3177** - 3 May high - Strong
- **S1 1.3040** - 7 May low - Medium
- **S2 1.2988** - 3 May low - Strong

# GBPUSD - fundamental overview

Some mild selling of the Pound into Wednesday, on the back of the news that hopes for an imminent Brexit deal have faded away. A round of intense cross party talks led to the eventual government concession that it could not reach a deal in time to avoid EU elections. Still, overall, Brexit risk has been reduced and is not what it was several weeks back, leaving the Pound in position to continue to be well supported on dips for continued upside in 2019. There is no first tier data out of the UK or US on Wednesday and the focus will be on the bigger picture themes.

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## USDJPY - technical overview

The major pair has run into resistance in the 112 area, after an impressive run off the 2019 flash crash low. Look for this area to continue to cap rallies, setting the stage for the next major downside extension back towards that 2019 flash crash low, down in the 104s. Below 109.71 will strengthen the bearish outlook, while ultimately, only a weekly close back above 113.00 would delay.



- **R2 111.71** - 3 May high - Strong
- **R1 111.00** - Figure - Medium
- **S1 110.00** - Psychological - Medium
- **S2 109.71** - 25 March low - Strong

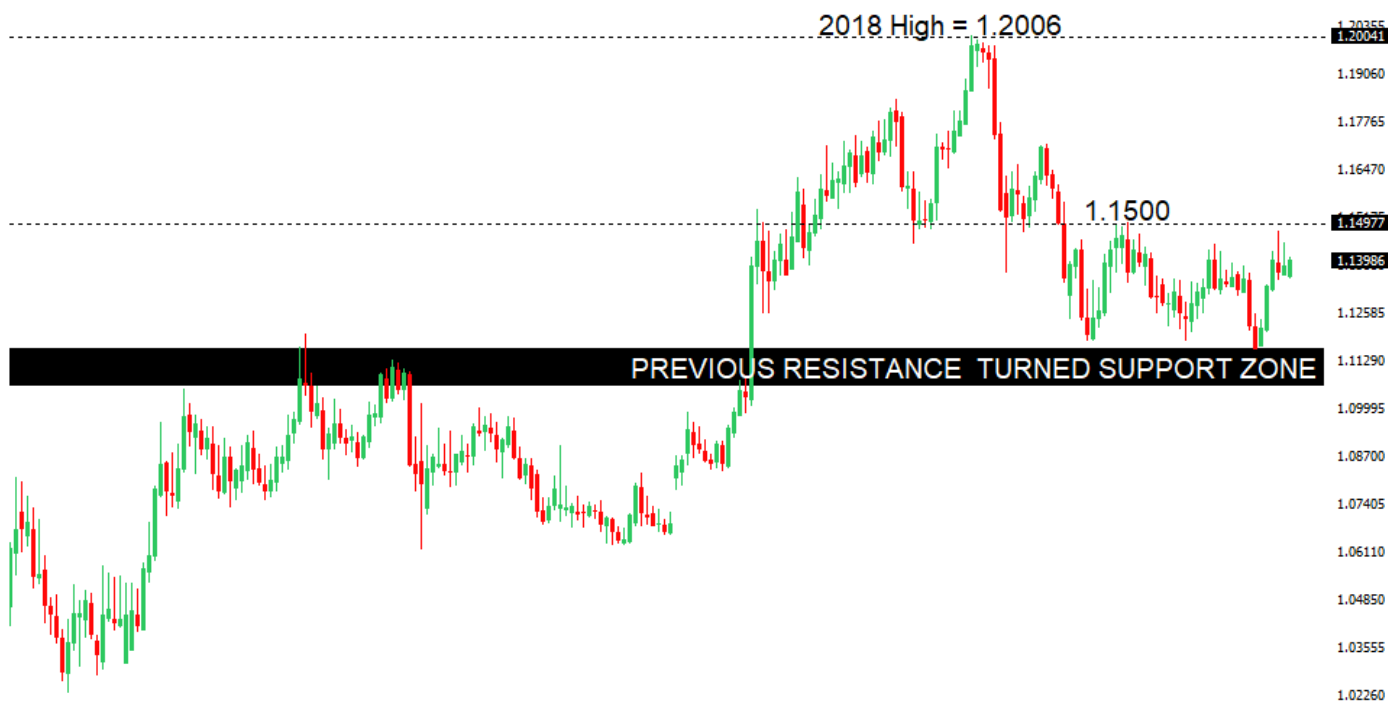
## USDJPY - fundamental overview

Overall, the major pair should continue to place a bigger focus on global risk sentiment and US Dollar yield differentials. Updates on the US trade policy front are expected to have a major influence in 2019. And after President Trump was out pressuring Japan the other week, he caused a bigger shakeup into this week, fueling flames in US-China trade talks, after expressing his intense dissatisfaction. We've also seen some Yen demand on US Dollar selling in the aftermath of last Friday's softer than expected hourly earnings component in the US jobs report, which has forced interest rate traders to reconsider yield differentials. OIL weakness has also played into the flow. Looking ahead, absence of first tier data will leave the market focused on bigger picture themes.

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# EURCHF - technical overview

The market continues to do a good job adhering to a medium-term range, with rallies well capped towards 1.1500 and dips well supported into the 1.1200 area. At this stage, there is no clear trend, and it will take a sustained break back above 1.1500 or below 1.1200 for directional insight.



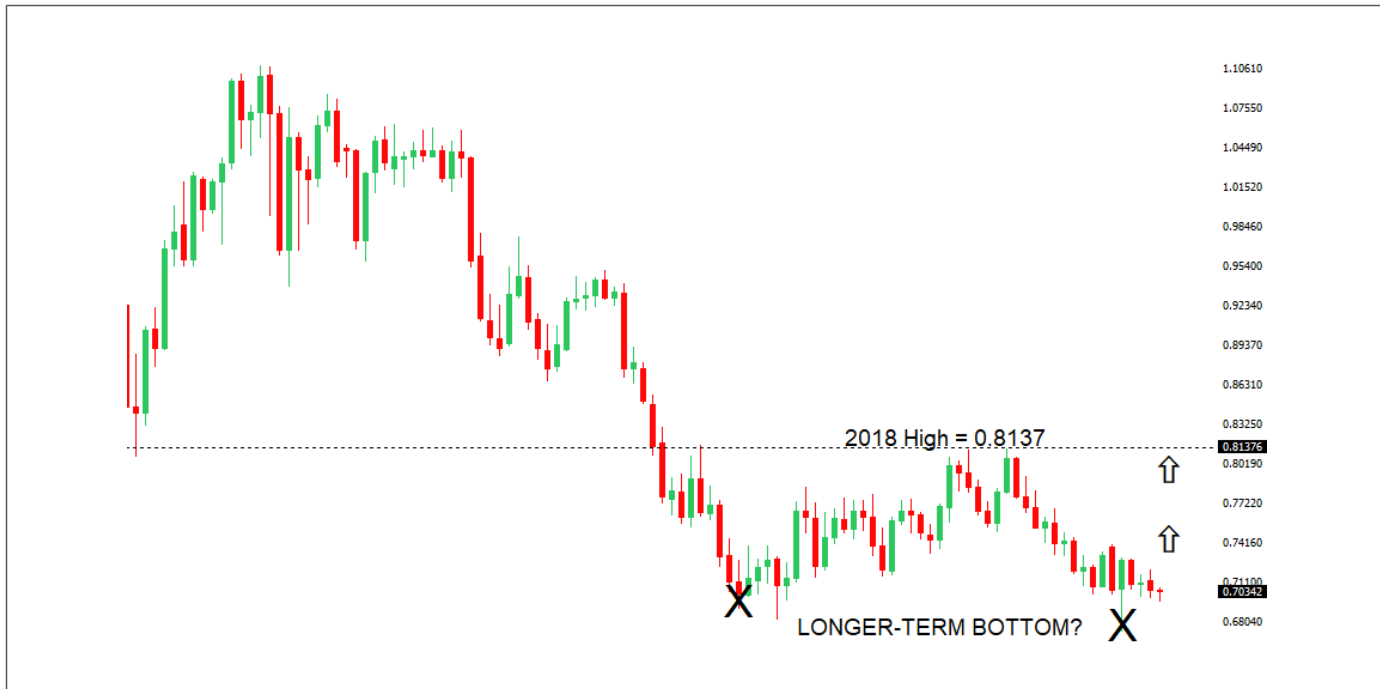
- **R2 1.1477** - 23 April/2019 high - Strong
- **R1 1.1446** - 30 April high - Medium
- **S1 1.1351** - 26 April low - Medium
- **S2 1.1300**- Figure - Medium

# 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 in 2019, 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 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 0.7400 to strengthen this outlook. Look for setbacks to continue to be well supported above 0.6900.



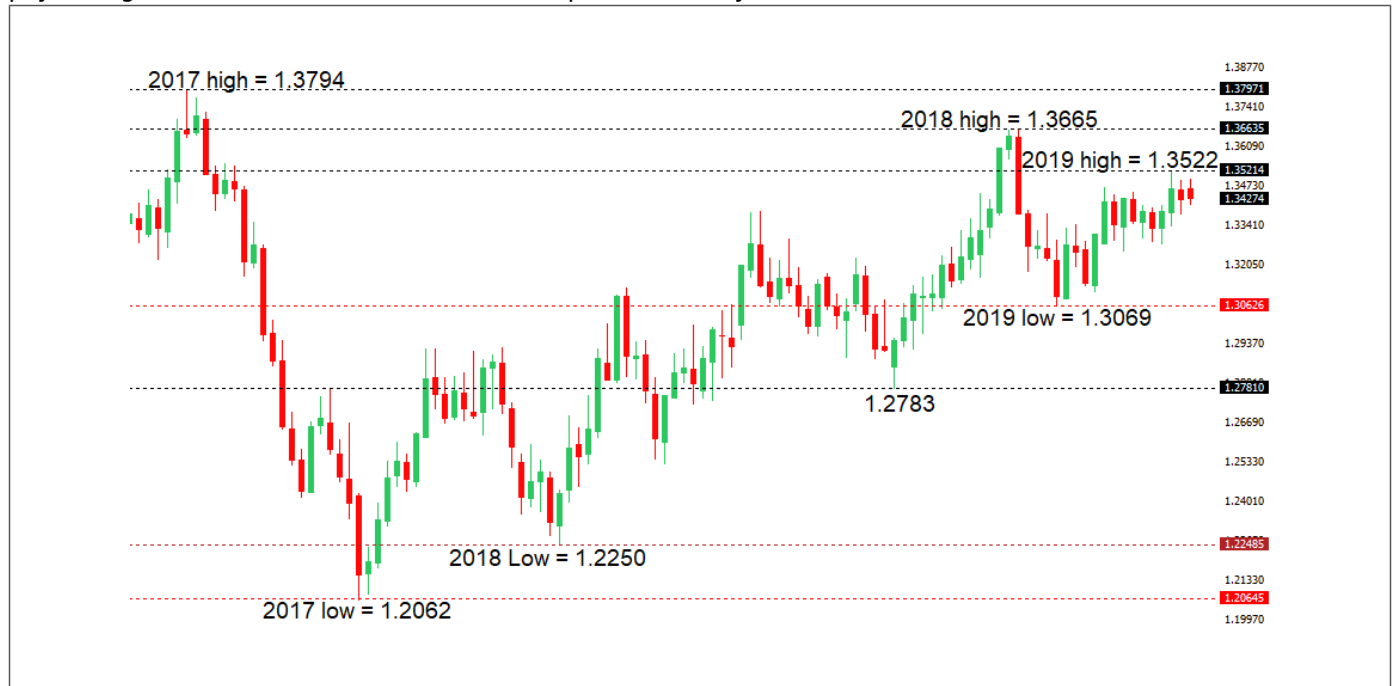
- **R2 0.7140** - 23 April high - Strong
- **R1 0.7069** - 30 April high - Medium
- **S1 0.6963** - 6 May low - Medium
- **S2 0.6900** - Figure - Strong

# AUDUSD - fundamental overview

Aussie had come under pressure earlier today, in reaction to the Kiwi selloff from the RBNZ rate cut. But we've since seen the market supported, with Kiwi recovering and China import data coming in on the stronger side. Earlier this week, the RBA was out with its policy decision and did Aussie a favour when it decided against cutting rates. Still, the emergence of risk off flow in markets this week, on the back of fallout from the US-China trade negotiations, is risk that could keep the correlated Australian Dollar from wanting to run too far and fast back to the topside. Looking ahead, absence of first tier data will leave the market focused on bigger picture themes.

# USDCAD - technical overview

Despite breaking to a fresh yearly high in recent days, overall, the market has entered a period of choppy consolidation in 2019. However, the longer-term structure remains constructive, with dips expected to be well supported for fresh upside back above the 2018/multi-month high at 1.3665. Back below the psychological barrier at 1.3000 would be required to delay the outlook.



- **R2 1.3522** - 24 April/**2019 high** - Strong
- **R1 1.3500** - Psychological - Medium
- **S1 1.3407** - 3 May low - Medium
- **S2 1.3378** - 1 May low - Strong

# USDCAD - fundamental overview

The Canadian Dollar sits just off its yearly low against the Buck, unable to find any sustained momentum from Bank of Canada Governor Poloz's upbeat talk earlier in the week. It seems the recent pullback in the price of OIL, along with worry about the global trade outlook, have been too much for the Loonie to ignore. Throw in the onset of some softer economic data out of Canada over the past several weeks and there is more risk for additional selling of the Loonie. Looking ahead, Canada housing starts is the only notable standout on the calendar.

# NZDUSD - technical overview

While the bigger picture outlook still shows the market in a downtrend, as per the weekly chart, there's a case to be made for a meaningful low in place at 0.6425 (2018). As such, look for setbacks to be well supported ahead of 0.6500 in anticipation of additional upside, with only a break back below 0.6500 to put the focus back on the multi-month low from October 2018 at 0.6425. A push through 0.7000 will strengthen the constructive outlook.



- **R2 0.6694** - 19 April high - Strong
- **R1 0.6631** - 7 May high - Medium
- **S1 0.6528** - 8 May/2019 low - Medium
- **S2 0.6500** - Psychological - Strong

# NZDUSD - fundamental overview

The New Zealand Dollar sunk to a fresh yearly low earlier today, after the RBNZ came out and followed through with a rate cut that caught many off guard. Though the cut was mostly anticipated, it still came as an initial surprise to many a trader, with the move representing ongoing necessity for ultra accommodative monetary policy post 2008 crisis. However, Kiwi was able to recovery rather quickly, with many pricing the move as a one and done. On Tuesday, GDT auction results came in only slightly positive and mildly softer than the previous print. Looking ahead, absence of first tier data will leave the market focused 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 projection is based off a measured move extension derived from the previous 2018 low from February to the 2018 record high move. The initial level of major support comes in around 2786, with a break below to strengthen the outlook. A sustained break above 3000 would be required to delay the outlook.



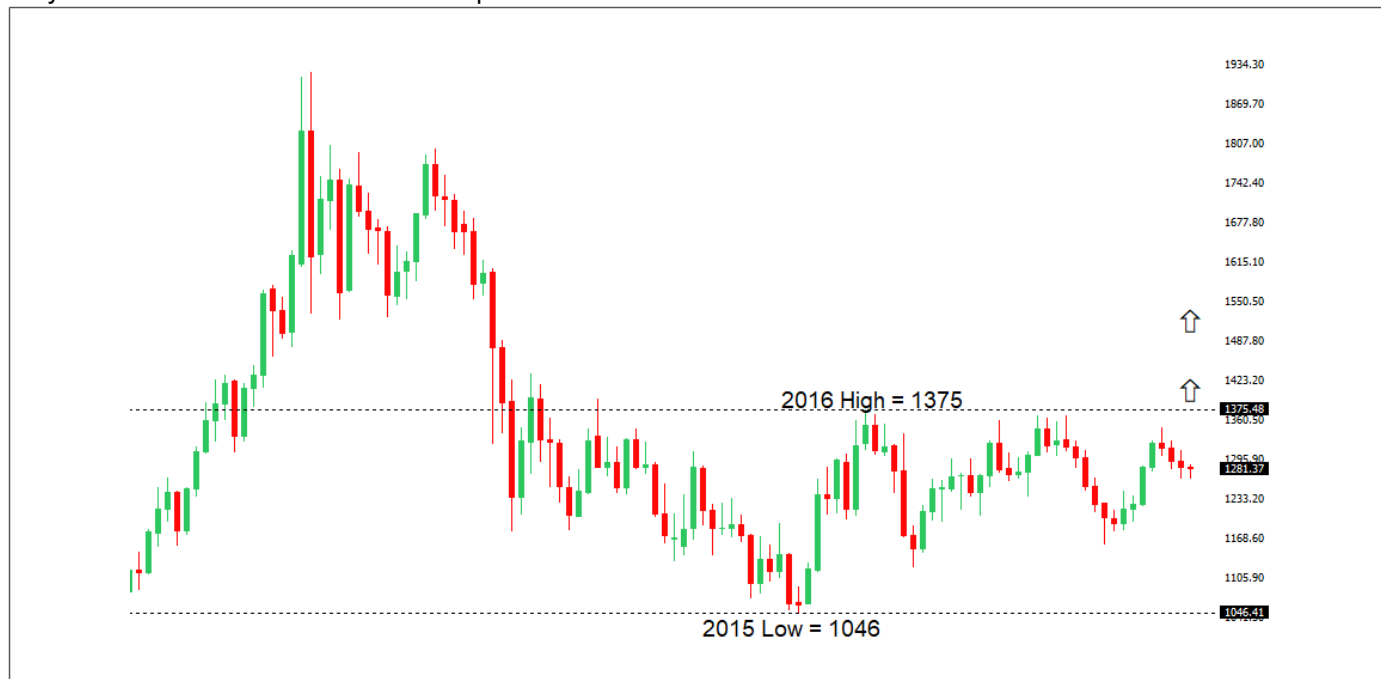
- **R2 3000** -Psychological - Very Strong
- **R1 2961** - 1 May/**Record** - Medium
- **S1 2862** - 7 May low - Medium
- **S2 2786** - 25 March low - Strong

## US SPX 500 - fundamental overview

**Although we've seen the market extend to another record high**, mostly on the back of the Fed's dovish shift 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. 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

There are signs that we could be seeing the formation of a more significant medium to longer-term structural shift that would be confirmed if a recovery out from sub-1200 levels can extend back through big resistance in the form of the 2016 high at 1375. In the interim, look for setbacks to be well supported, with only a close back below 1250 to compromise the constructive outlook.



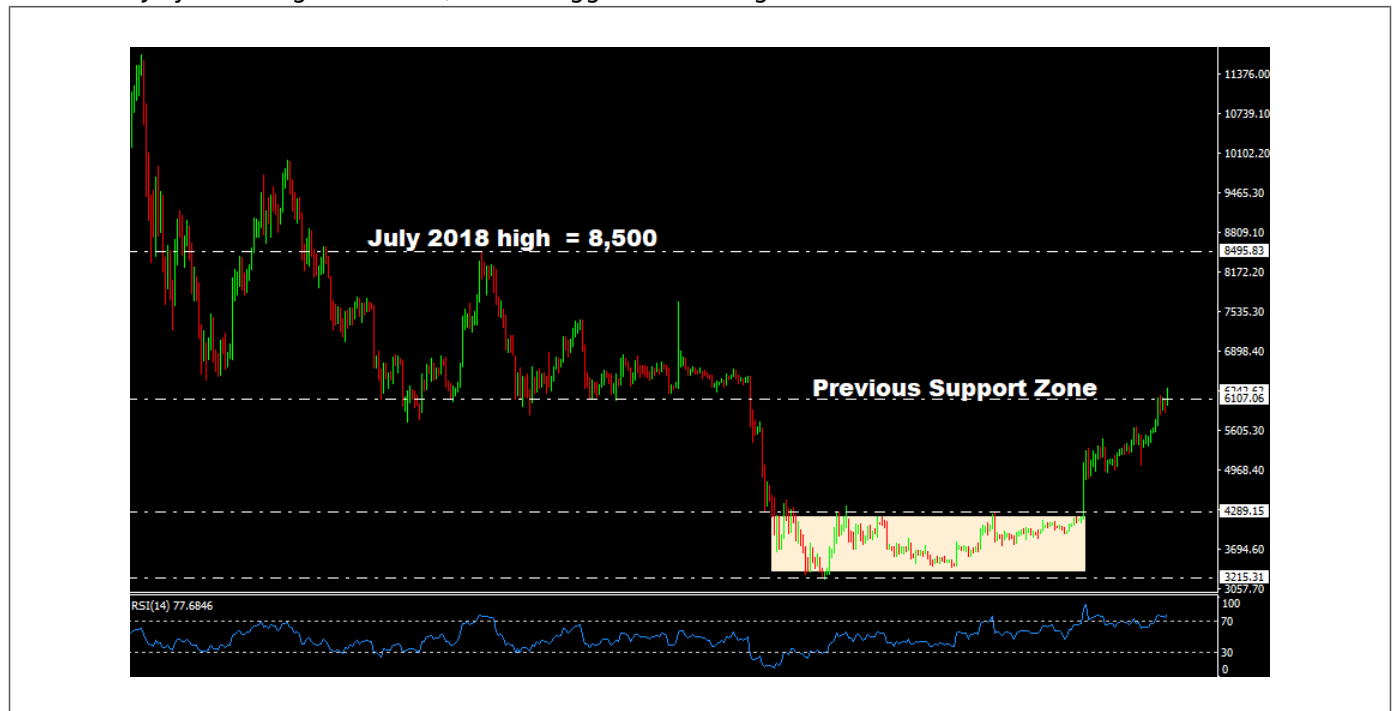
- **R2 1311** - 10 April high - Strong
- **R1 1289** - 26 April high - Medium
- **S1 1266** - 23 April/**2019 low** - Medium
- **S2 1233** - 14 December low - Strong

## 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. But the rally has now extended back into a formidable previous support zone around 6,000 from back in 2018, and this in conjunction with some extended readings, warns additional upside could be limited from here, with risk for a resumption of a medium term downtrend. Ultimately, it will take a break back above the July 2018 high around 8,500 to trigger a meaningful bullish structural shift.



- **R2 6,607** - 7 November high - Strong
- **R1 6292** - 7 May/2019 high - Medium
- **S1 5,697** - 3 May low - Medium
- **S2 5,055** - 26 April low - Strong

## BTCUSD - fundamental overview

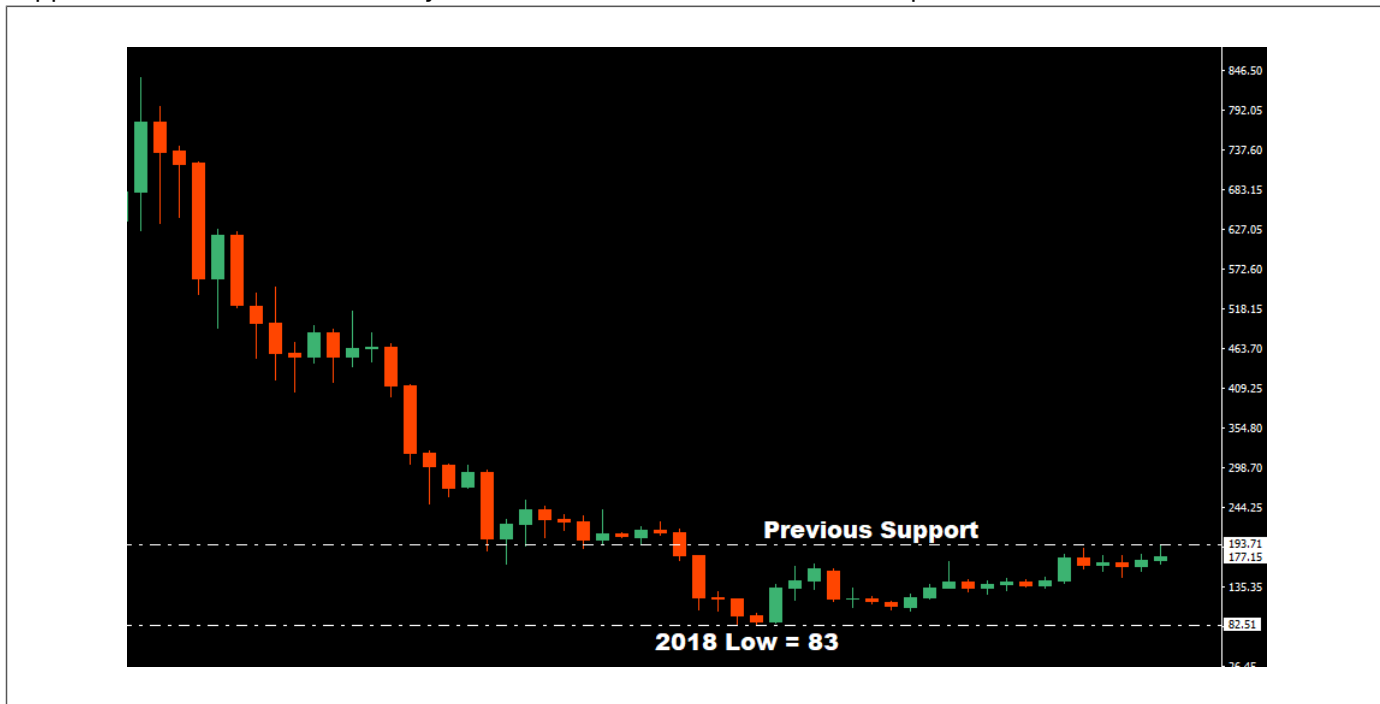
At a time when central banks have exhausted themselves with the unprecedented printing of money to keep sentiment running high and the global economy afloat, over a decade after the crisis of 2008, it would seem, a peer to peer decentralized currency, with limited supply, and an attractive technology that it rests on, could be a compelling alternative option. Still, any intensified pullback in global equities resulting from exhausted central bank policy efforts, could open a concurrent round of selling in the cryptocurrency, as risk off dynamics work their way into the system. Overall, the outlook is quite bright, though there continues to be risk for shorter term pullbacks along the way. Bitcoin had come under some pressure this week on the news of a Binance hack, costing the organization some USD \$40 million. Still, the reaction to the news should be encouraging for Bitcoin, with the market holding up well, despite the negative shock.

## BTCUSD - Technical charts in detail



# ETHUSD - technical overview

A recent push back above 170 takes the immediate pressure off the downside, opening the door for an upside extension towards the next critical level of resistance at 255. Look for setbacks to now be well supported ahead of 125, with only a break back below this level to compromise the outlook.



- **R2 200** - Psychological - Strong
- **R1 192** - 7 May/2019 high - Medium
- **S1 149** - 26 April low - Strong
- **S2 126** - 4 March low - Strong

# ETHUSD - fundamental overview

Looking out to the longer term, prospects are quite bright and valuations are increasingly attractive, with adoption showing signs of ramping up after a challenging 2018. At the same time, on a short to medium term basis, there is risk associated with a downturn in the global economy as central banks and governments are forced to move away from ultra accommodative monetary and fiscal stimulus supportive of risk correlated investments. While Ether is an asset born out of a rejection of traditional markets, we don't believe it will be immune to such a downturn in traditional markets after indirectly benefiting from post 2008 crisis stimulus that helped lead to investment in alternative asset classes like cryptocurrencies. The 2019 recovery has run into resistance this week on the back of a Binance hack and perhaps on some negative write ups about the value of Blockchain to anything other than Bitcoin.



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