

Friday, April 12, 2019

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Global FX Insights

by LMAX Exchange Research & Analytics

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

Tight Trading Conditions Hold into Friday 🔊 [Wake-up call](#)

We come into Friday, after an interesting week of trade, where there was plenty of risk out there, and yet, not a lot of activity. Looking at the more actively trading currencies as we head into the weekly close, all are trading well within a half a percent from weekly opening levels. Friday's economic calendar is exceptionally thin.

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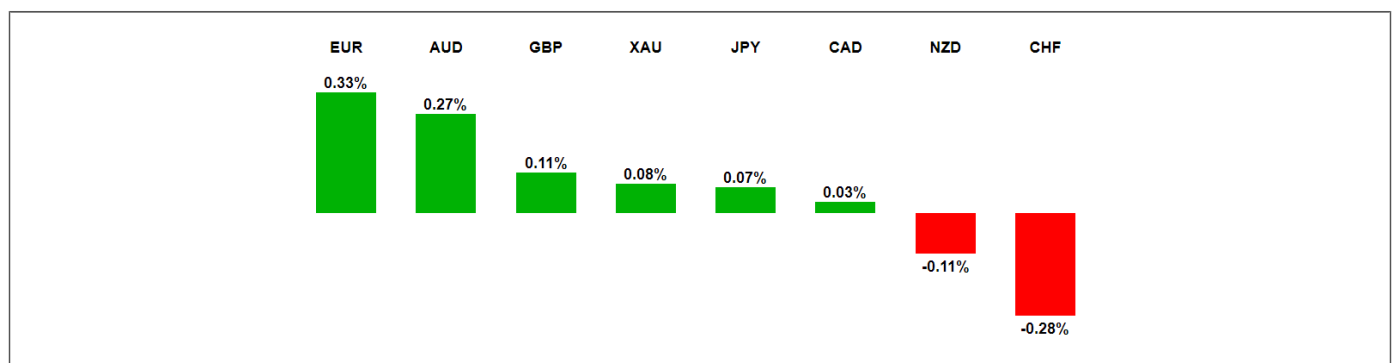
Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Looking for another bounce
- [GBPUSD](#) Holding up well into dips
- [USDJPY](#) Room for another big decline
- [EURCHF](#) Tracking just off critical level
- [AUDUSD](#) Into consolidation phase
- [USDCAD](#) Confined to choppy trade
- [NZDUSD](#) Bounces out from range base
- [US SPX 500](#) Another big decline ahead
- [GOLD](#) (spot) Higher low for next push
- [BTCUSD](#) Bullish breakout from range
- [ETHUSD](#) Extends to fresh 2019 high

Fundamental highlights

- [EURUSD](#) Euro finds bids with dovishness priced
- [GBPUSD](#) Brexit can kicked down the road again
- [USDJPY](#) US Michigan confidence stands out
- [EURCHF](#) SNB policy strategy stress
- [AUDUSD](#) Australia election called for May 18
- [USDCAD](#) Decent two-way flow for Loonie
- [NZDUSD](#) Kiwi underperforms on RBNZ outlook
- [US SPX 500](#) Investors happy about Fed shift
- [GOLD](#) (spot) Macro players still buying dips
- [BTCUSD](#) Bullish case building steam
- [ETHUSD](#) Starting to see real progress

This Week's Performance v. US dollar



Suggested reading

- [Brexit Delay Gives the U.K. Financial Markets a Reprieve](#), J. Authers, **Bloomberg** (April 11, 2019)
- [Are Russia and China Planning Move to Gold Standard?](#), R. Wenzel, **EPJ** (April 9, 2019)

EURUSD - technical overview

The market has been confined to choppy trading conditions over the past several weeks. We are however coming off an intense round of setbacks since topping out at a +3 year high in 2018, with the drop taking the price back into an area that coincides with the 61.8% fib retrace off the 2017-2018 move, and a bullish breakout zone from 2017. This suggests additional setbacks could continue to be very well supported, with the greater risk from here, for the formation of a meaningful higher low, ahead of a push back to the topside. At this point, we will need to see setbacks holding up above 1.1100 on a weekly close basis, and a break back above the current 2019 high around 1.1570 to encourage this prospect.



- **R2 1.1449** - 20 March high - Strong
- **R1 1.1332** - 25 March low - Medium
- **S1 1.1200** - Figure - Medium
- **S2 1.1176** - 7 March/2019 low - Strong

EURUSD - fundamental overview

The ECB left rates unchanged as expected earlier this week, while reiterating that it saw rates at current levels until at least through the end of 2019. While there are plenty of downside risks to the Eurozone economy, it seems the ECB's overly accommodative policy stance has already done a good job accounting for this, all while the Fed policy outlook still shows room for further accommodative adjustment. Throw in tough talk on trade from a US administration designed to effectuate a weaker US Dollar, and that Euro demand on dips becomes easier to reconcile. Thursday's Euro setbacks came from hotter US producer prices, some upbeat Fed comments and a solid US jobless claims print, though none of these developments should have any lasting impact, with the Euro once again expected to be well supported. Looking ahead, Friday's calendar is exceptionally thin, with only Michigan confidence data standing out.

EURUSD - Technical charts in detail

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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 1.3270** - 27 March high - Strong
- **R1 1.3197** - 3 April high - Medium
- **S1 1.3000** - Psychological - Medium
- **S2 1.2978** - 29 March low - Strong

GBPUSD - fundamental overview

The Pound hasn't done much at all this week, with the currency stuck in a consolidation as it continues to contemplate the next steps with respect to the never ending Brexit saga. But the fact that the currency has been supported on dips, after taking such a big hit since topping out in 2018, is a positive development, with medium and longer term players feeling a lot better with that no deal Brexit risk fading into the background. The EU has granted a six month extension, though the PM would like to get something figured out as soon as possible. Attempts to work with the opposition haven't been able to produce anything substantive and we're back into another period of wait and see. Looking at the Friday calendar, it's all very light, with only Michigan confidence readings standing out in the US.

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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 104.00s. Below 109.70 will strengthen the bearish outlook, while ultimately, only a daily close back above 112.15 would delay.



- **R2 112.14** - 5 March high - Strong
- **R1 111.83** - 5 April high - Medium
- **S1 110.81** - 1 April low - Medium
- **S2 109.71** - 25 March low - Strong

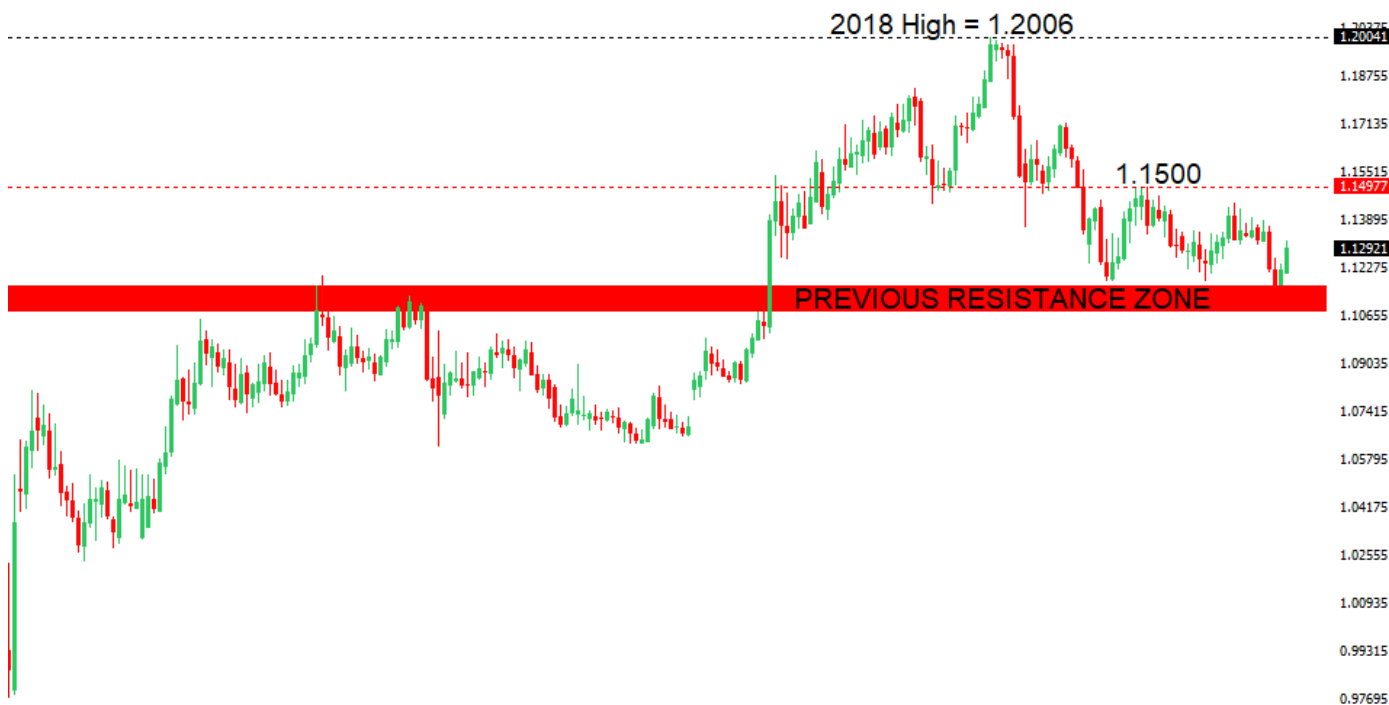
USDJPY - fundamental overview

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 on direction as a consequence. US-Japan trade talks will kick off next week, scheduled April 15-18. There had been some mild demand for Yen this week, on tension around US trade policy, softer US hourly earnings, and softer US CPI, though Thursday's hotter US producer prices and ongoing demand for stocks has been offsetting. Looking ahead, Michigan confidence data is the only notable standout on the Friday calendar.

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EURCHF - technical overview

A recent breakdown below **1.1200** was well supported, with the market holding up into what has proven to be a formidable base. 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 1.1394** - 27 February high - Strong
- **R1 1.1335** - 21 March high - Medium
- **S1 1.1200** - Psychological - Strong
- **S2 1.1163**- 29 March/**2019 low** - 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 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 ahead of 0.7000.



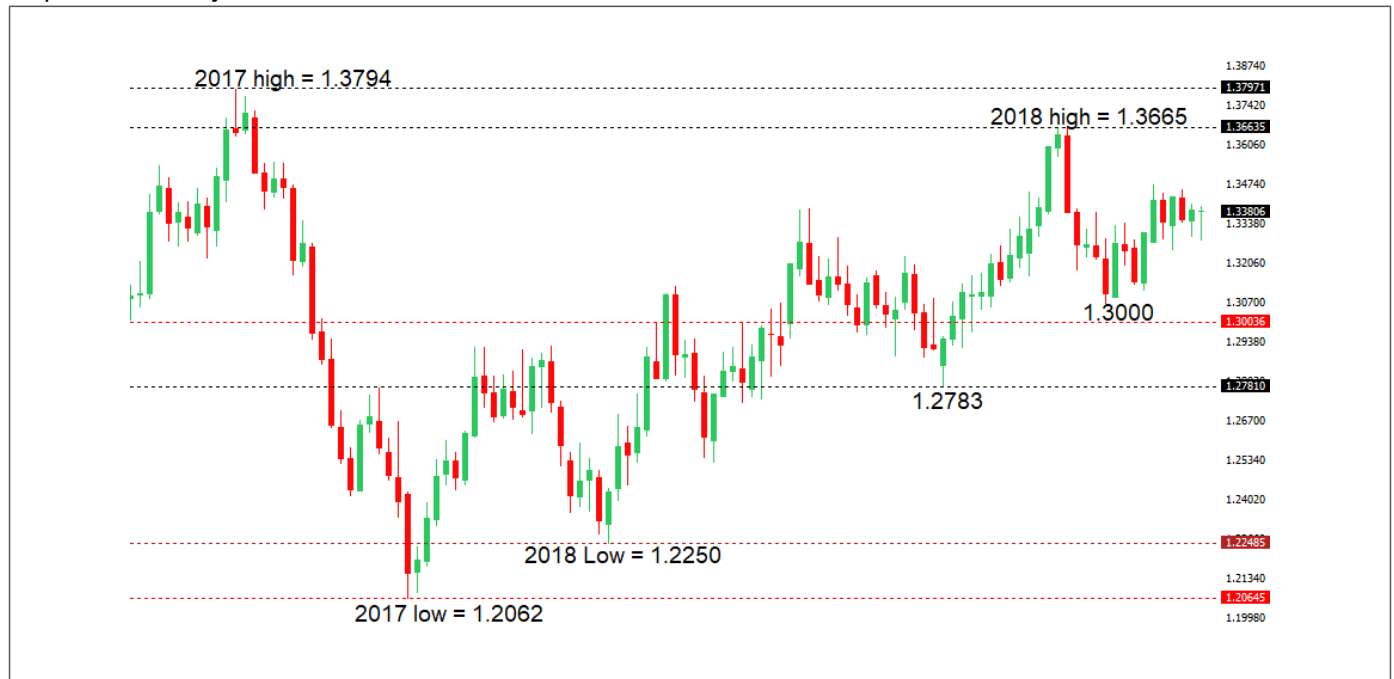
- **R2 0.7296** - 31 January/**2019 high** - Strong
- **R1 0.7207** - 21 February high - Medium
- **S1 0.7053** - 2 April low - Medium
- **S2 0.7004** - 8 March low - Strong

AUDUSD - fundamental overview

Aussie has done a good job recuperating from setbacks in the previous week that came after the RBA shifted its stance to a more neutral outlook. Unlike the RBNZ, the RBA stopped short of calling for that next move to be a rate cut and was actually more balanced in its outlook than anything else. Positive US-China trade talk updates and bid equities have also helped to support Aussie. On Thursday, we did see some Aussie selling as the US Dollar benefitted from hotter producer prices and solid initial jobless claims, though dealers continue to report sizable demand into dips. It's worth noting, there have been some jitters around the Australia federal election, which was officially called for May 18th. Looking ahead, Michigan confidence is the only notable standout on the Friday calendar.

USDCAD - technical overview

Overall, the 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.



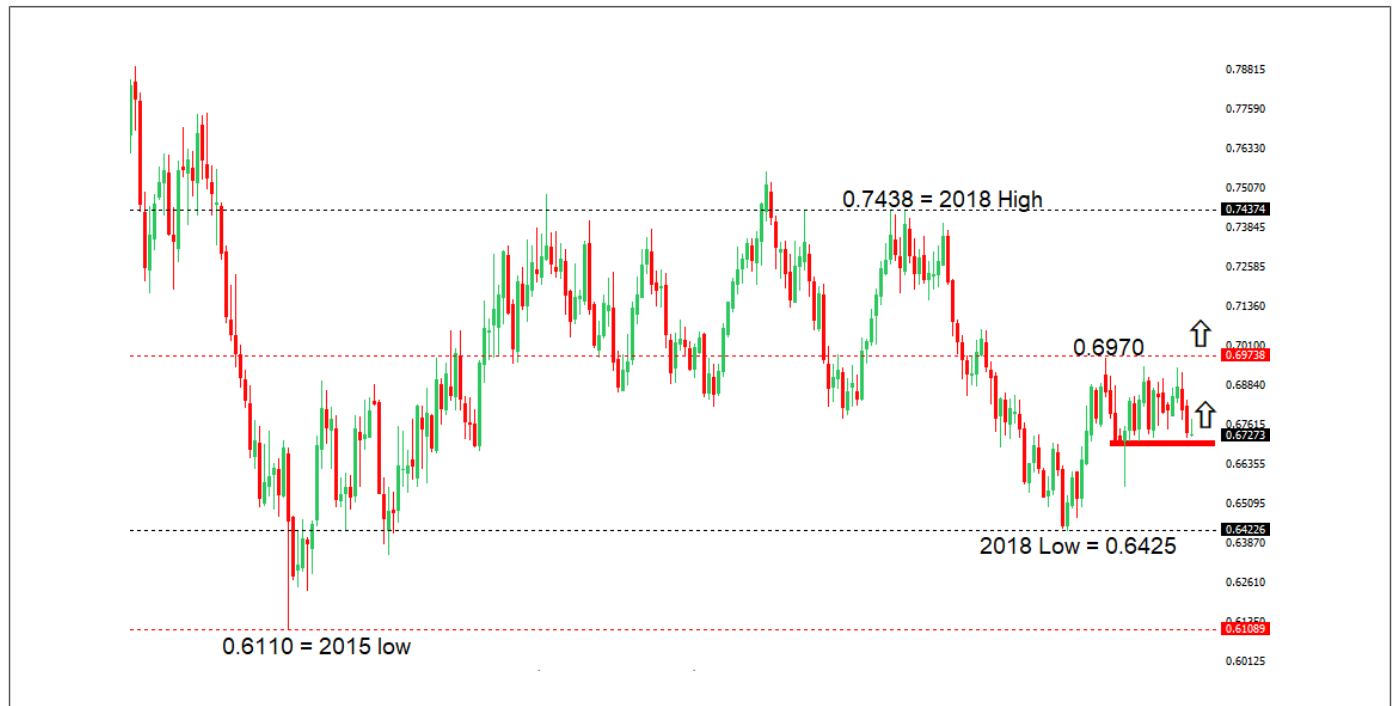
- **R2 1.3468** - 7 March/2019 high - Strong
- **R1 1.3404** - 5 April high - Medium
- **S1 1.3284** - 9 April low - Medium
- **S2 1.3251** - 19 March low - Strong

USDCAD - fundamental overview

The Canadian Dollar has seen a good amount of two way flow over the past several days. On the one side, it has benefitted from rallying OIL, solid Canada growth data, and the dovish shift in Fed policy. At the same time, the Loonie has been held up on ongoing uncertainty relating to US trade policy, and some softer economic data components, including last Friday's unimpressive Canada jobs report and softer Canada housing data this week. Looking ahead, Friday's calendar is exceptionally thin. Absence of first tier data out of Canada, will leave the focus on a US Michigan confidence release.

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. 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 at 0.6425. A push through 0.7000 will strengthen the constructive outlook.



- **R2 0.6942** - 1 February/2019 high - Strong
- **R1 0.6838** - 1 April high - Medium
- **S1 0.6719** - 5 April low - Medium
- **S2 0.6700** - Figure - Strong

NZDUSD - fundamental overview

The New Zealand Dollar has been one of the weakest over the past week, with the commodity currency hit on a dovish RBNZ policy shift and subsequent round of softer than expected Kiwi data. Still, the New Zealand Dollar is trying to hold up in the face of all of this, with the currency broadly supported in 2019 on rallying global equities and a dovish shift in Fed policy. Thursday's setbacks came from hotter US producer prices and well received US initial jobless claims, though weakness from this data is not expected to have a meaningful impact. Looking ahead, Michigan confidence is the only notable standout on the Friday calendar.

US SPX 500 - technical overview

There have been legitimate signs of a major longer term top, with deeper setbacks projected in the months ahead. Any rallies should now continue to be very well capped, in favour of renewed weakness that targets an eventual retest of strong longer-term 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 record high move. Key support comes in at 2722, with a break to strengthen the outlook. A break back above the record high from late 2018 would be required to delay the outlook.



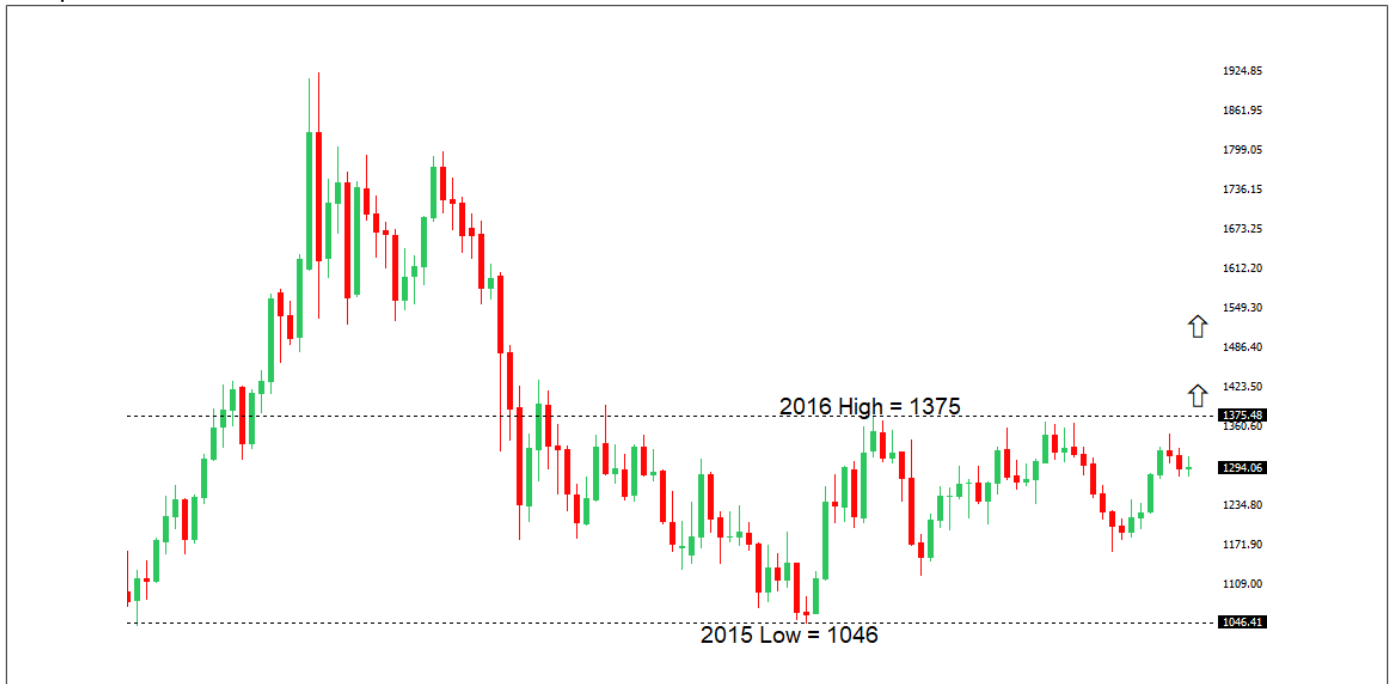
- **R2 2900** - Psychological - Strong
- **R1 2898** - 8 April/2019 high - Strong
- **S1 2765** - 21 February low - Medium
- **S2 2722** - 8 February low - Strong

US SPX 500 - fundamental overview

Although we've seen attempts to push the market higher in 2019, with the Fed's more cautious outlook keeping the market propped up, exhausted monetary policy tools post 2008 crisis suggest the prospect for fresh record highs at this point in the cycle are 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 this latest recovery can extend back through big resistance in the form of the 2016 high at 1375. Look for setbacks to be well supported, with only a close back below 1250 to compromise the constructive outlook.



- **R2 1347** - 20 February/**2019 high** - Strong
- **R1 1321** - 21 March high - Medium
- **S1 1281** - 4 April low - Medium
- **S2 1277** - 4 January/**2019 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

Bitcoin has broken out to the topside, after trading in a range since Q4 2018. The break takes the immediate pressure off the downside and opens the door for a continuation of gains back into a critical previous support turned resistance zone in the \$6,000 area. Look for setbacks to now be well supported ahead of \$3,500.



- **R2 5,740** - 18 November high - Strong
- **R1 5482** - 10 April/2019 high - Medium
- **S1 4,820** - 3 April low - Medium
- **S2 4,280** - Previous range high - Strong

BTCUSD - fundamental overview

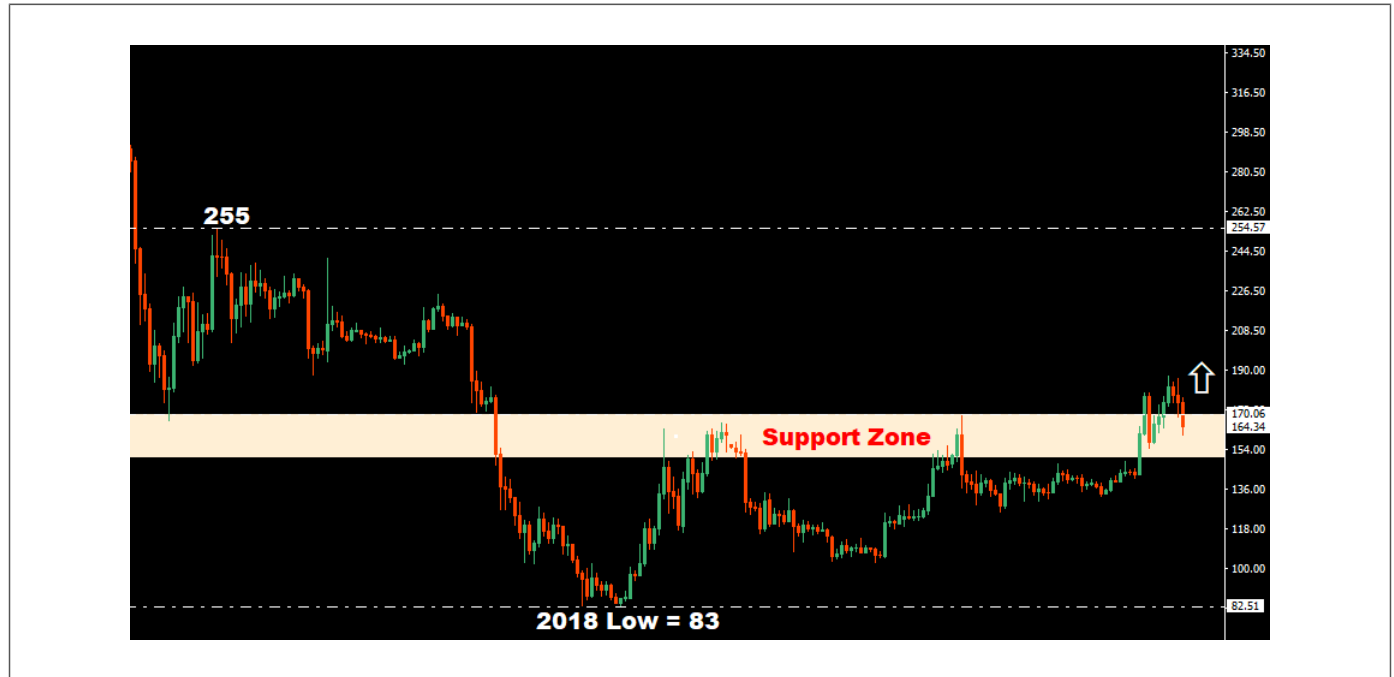
Bitcoin has rocketed higher, to clear some major levels, breaking back above a consolidation high from back in December, to suggest it could be thinking about turning back up again in a more meaningful way. At a time when central banks have exhausted themselves with the unprecedented printing of money 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.

BTCUSD - Technical charts in detail

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ETHUSD - technical overview

A recent push back above \$170 takes the immediate pressure off the downside and opens 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 188** - 8 April/2019 high - Medium
- **S1 155** - 4 April low - Strong
- **S2 126** - 4 March low - Strong

ETHUSD - fundamental overview

Ongoing regulatory challenges and technological obstacles are some of those headwinds that are being fleshed out into 2019. Meanwhile, fear of broad based risk liquidation in global financial markets now that the monetary policy accommodation well has dried up, is yet another worry for the more risk correlated Ether. At the same time, longer term prospects are looking quite bright and valuations are increasingly attractive with adoption showing signs of ramping up over the longer term.



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