

Global FX Insights

by LMAX Exchange Research & Analytics

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

Trump's Double Whammy Crushes US Dollar [Wake-up Call](#)

The currency market is on the move into Thursday with the US Dollar taking a big hit across the board on the back of a double whammy from President Trump that he supports lower interest rates and that he thinks the US Dollar is getting too strong. This in conjunction with risk off flow has resulted in a surging Yen.

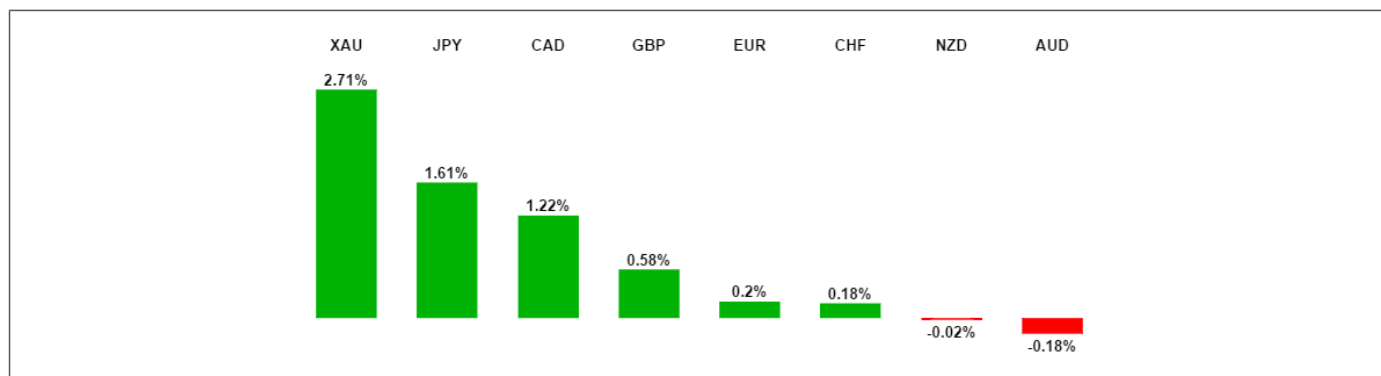
Technical highlights [Daily Video](#)

- **EURUSD** Signs of higher low
- **GBPUSD** Stiff resistance ahead
- **USDJPY** Closing on measured move
- **EURCHF** Confined to downtrend
- **AUDUSD** Looking for lower top
- **USDCAD** Additional setbacks limited
- **NZDUSD** Well capped on rallies
- **US SPX 500** Structural shift below 2320
- **GOLD** (spot) Poised for 1300 break
- **Feature** – USDSGD Strong support

Fundamental highlights

- **EURUSD** Trump comments fuel demand
- **GBPUSD** Real earnings less impressive in UK
- **USDJPY** Yen keeps trucking as sentiment fades
- **EURCHF** SNB exposed if risk off intensifies
- **AUDUSD** Aussie surges on stellar jobs report
- **USDCAD** Bank of Canada holds but more upbeat
- **NZDUSD** Kiwi up but global sentiment tempers
- **US SPX 500** Geopolitics making investors nervous
- **GOLD** (spot) Safety bids and USD selling fuel metal
- **Feature** – USDSGD MAS holds, GDP below forecast

Five day performance v. US dollar

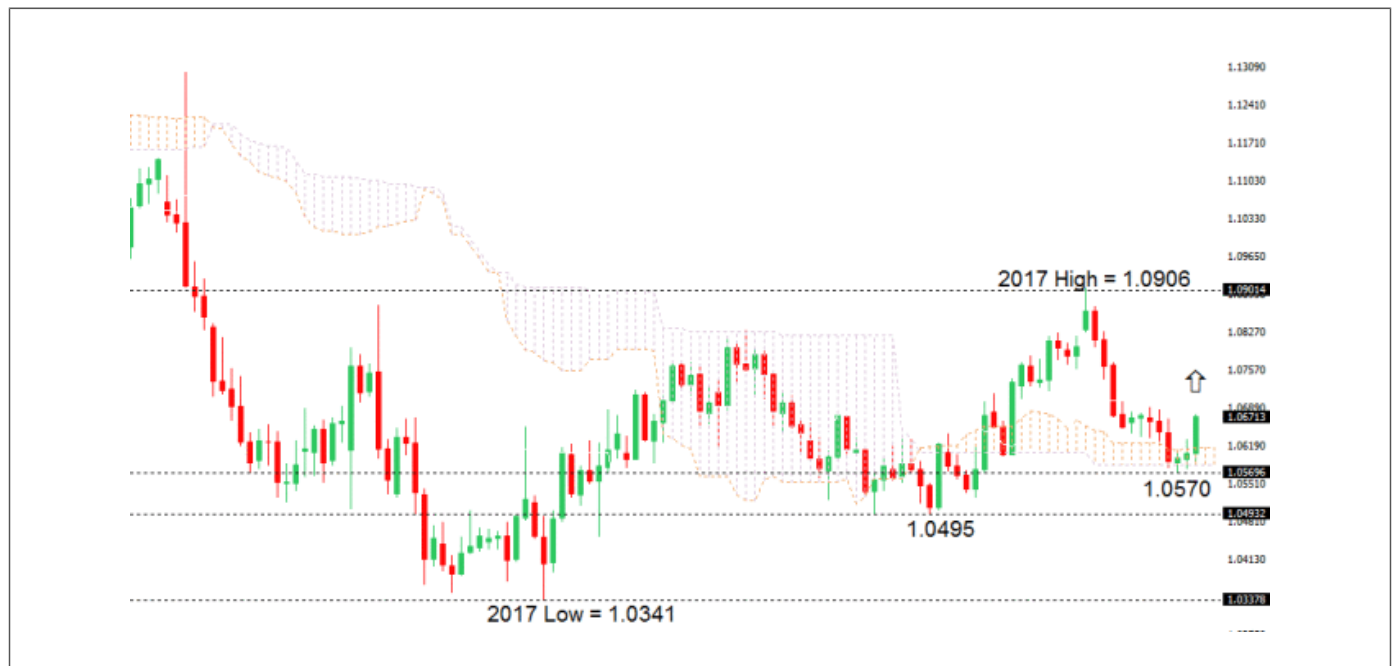


Suggested reading

- **[LIBOR Rigging Trader-Criminal Breaks Silence](#)**, L. Brinded, Business Insider (April 12, 2017)
- **[Yale's Faith Not Shaken by Stirring of Low Fees](#)**, N. Kaissar, Bloomberg (April 12, 2017)

EURUSD – technical overview

Inability to establish above resistance at 1.0875 several days back has kept the pressure on the downside, with the market stalling out into medium-term range resistance and rolling back over. While this could be a minor setback ahead of the next upside extension, it could also be the start to a resumption of the broader downtrend. At this point, a break back above 1.0900 or below 1.0500 will be required for clearer directional insight. But Wednesday’s recovery does increase prospects for a higher low and bullish resumption.



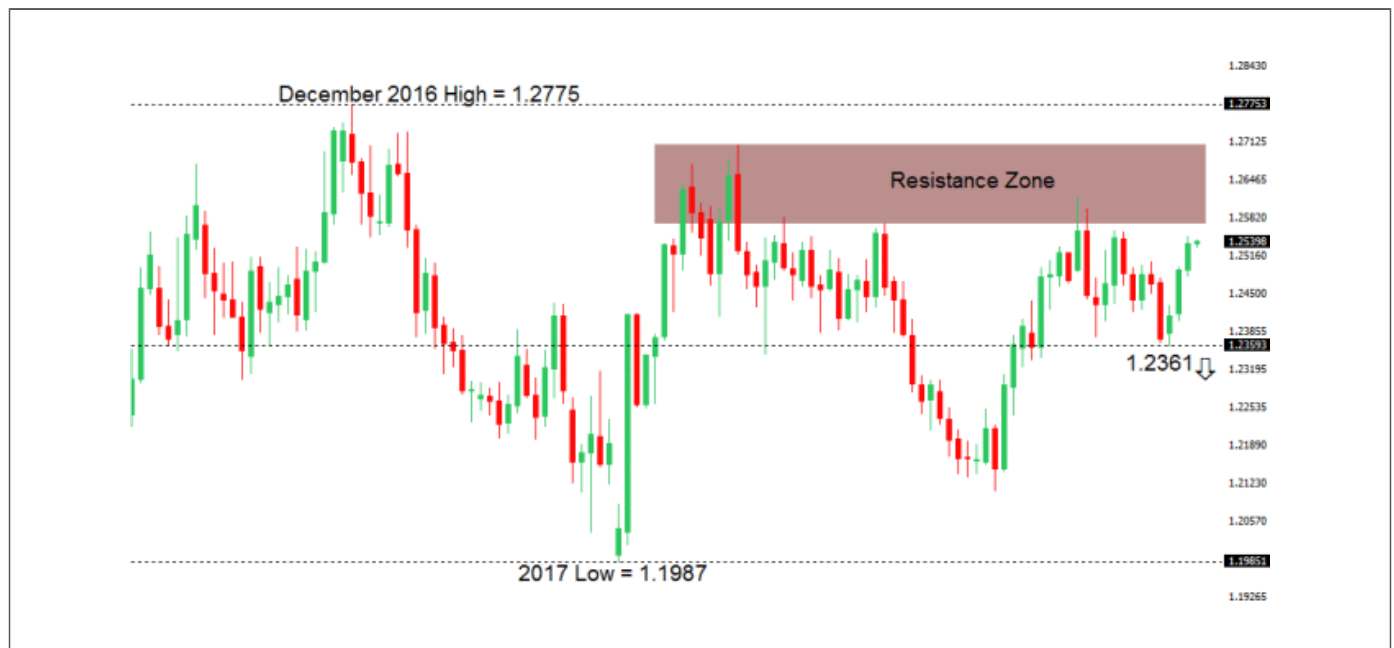
- R2 1.0770 – 30Mar high – Strong
- R1 1.0703 – 31Mar high – Medium
- S1 1.0570 – 10Apr low – Medium
- S2 1.0495 – 2Mar low – Strong

EURUSD – fundamental overview

There wasn’t a whole lot of movement in the Euro on Wednesday until late in the day, when President Trump made comments he favoured low interest rate policy and the US Dollar was getting too strong. That was all it took to jolt the currency market, with the single currency racing higher against the US Dollar. Trump’s protectionist policies are clearly having a bigger impact than any US Dollar supportive policies that now feel buried deep in the US administration’s pipeline which is also likely to be riddled with tough obstacles. Still, the Euro does need to be careful to not get too ahead of itself, particularly with French election risk hanging over its head and the possibility for a Le Pen victory still alive. Looking at today’s calendar, we get German CPI, US initial jobless claims and Michigan sentiment as the key stand outs.

GBPUSD – technical overview

Despite a recent bounce, the market remains confined to a well defined downtrend while it holds below the December 2016 peak at 1.2775. Ultimately, rallies should continue to be very well capped ahead of 1.2775, with only a break above 1.2775 to compromise the bearish structure. At the same time, a break back below 1.2361 will be required to strengthen the outlook and open the door for renewed downside pressure.



- R2 1.2616 – 27Mar high – Strong
- R1 1.2600 – Figure – Medium
- S1 1.2480 – 12Apr low – Medium
- S2 1.2361 – 10Apr low – Strong

GBPUSD – fundamental overview

UK employment data came in solid, though there was some concern with real earnings, still tracking in subdued territory. But in the end, it was the comments from President Trump that he favoured low interest rate policy and that the US Dollar was too strong that fueled Sterling demand late Wednesday, with the UK currency pushing back into major resistance towards 1.2700. Looking ahead, lack of first tier UK data will leave the market focused on a batch of US releases including initial jobless claims, producer prices and Michigan sentiment. Of course, the market will also continue to monitor risk sentiment and any headlines relating to Brexit negotiations.

USDJPY – technical overview

The recent break of a multi-week range low at 111.60 marked an end to a 400 point bearish consolidation that has now opened this next major downside extension towards a 400 point measured move that targets 107.60 in the sessions ahead. Look for any rallies to be well capped ahead of 112.20, while ultimately, only a daily close back above 112.20 would take the immediate pressure off the downside.



- R2 110.93 – 11Apr high – Strong
- R1 110.00 – Psychological – Medium
- S1 108.72 – 13Apr/2017 low – Medium
- S2 107.60 – Measured Move – Strong

USDJPY – fundamental overview

The Yen has been the strongest currency over the past week, with the Japanese currency extending its impressive run on the back of elevated geopolitical tension. The traditional correlation with flight to safety has not been lost on the Yen, with USDJPY breaking down below the major psychological barrier at 110.00. North Korea warnings of a nuclear attack and a standoff between the US and Russia on Syria are not sitting well with investors, fueling the risk liquidation flow. Meanwhile, President Trump's latest comments that he favoured low interest rate policy and that the US Dollar was getting too strong have opened another round of Yen gains, with USDJPY taking out stops below 109.00. Looking ahead, the focus on Thursday's calendar comes in the form of US producer prices, US initial jobless claims and Michigan sentiment.

EURCHF – technical overview

Rallies continue to be very well capped, with the market adhering to a broader downtrend of lower tops and lower lows. The most recent rally has stalled at 1.0826 where a fresh lower top is now sought ahead of the next major downside extension below the 2016 base at 1.0624 and towards 1.0400 further down. Only back above 1.0826 delays the bearish outlook.



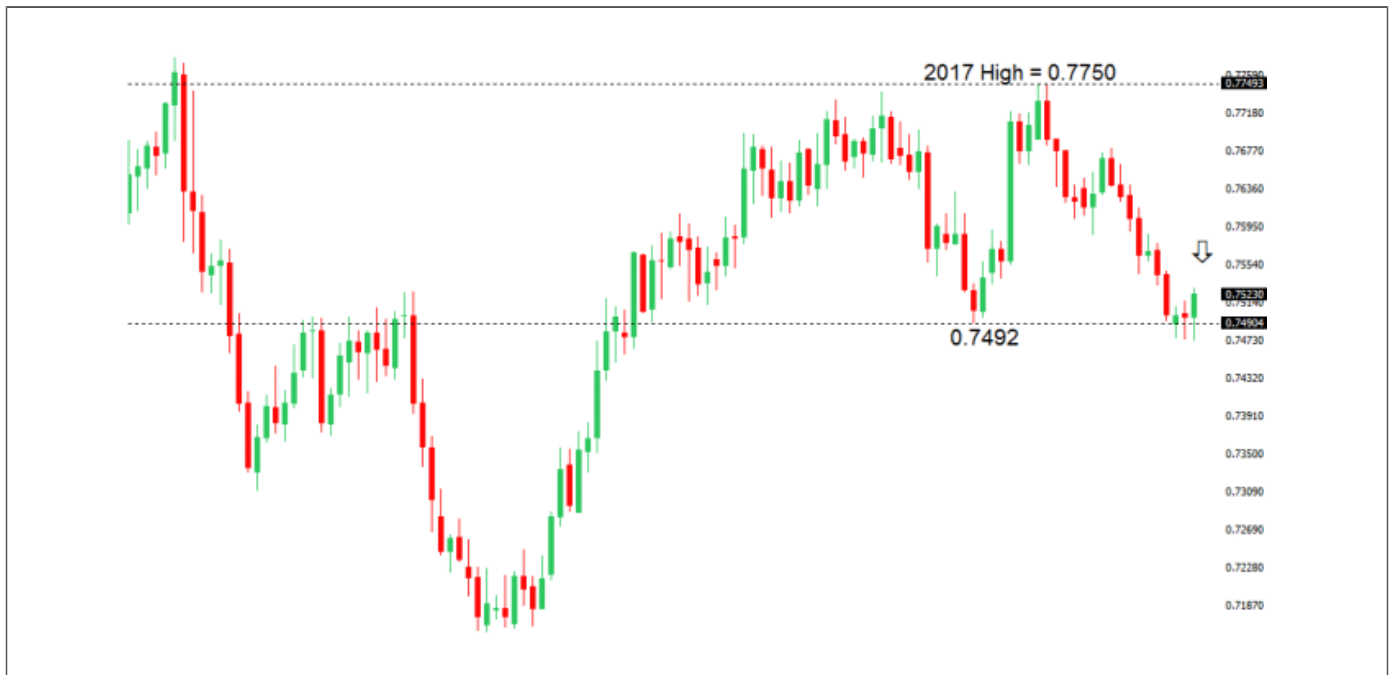
- R2 1.0826 – 13Mar/2017 high – Strong
- R1 1.0764 – 21Mar high – Medium
- S1 1.0650 – Mid-Figure – Medium
- S2 1.0624 – 24Jun/2016 low – Strong

EURCHF – fundamental overview

The SNB is in a quiet battle with the market, forced to contend with an ongoing wave of demand for the Swiss Franc in a less certain global environment, especially with the weapon of monetary policy worn down. The central bank has been committed to its mandate of ensuring the Franc does not appreciate further. But despite all efforts, the Franc continues to want to appreciate. It seems the central bank's strategy has been to sell Francs when risk comes off and to do nothing when risk is back on and natural flows should be CHF bearish. But the trouble is, even with global equities elevated, arguably reflecting appetite for risk, the Franc hasn't been able to weaken all that much. There have been some signs of the SNB perhaps making a little headway on reports of a boost in SNB reserves, but a meaningful pullback in risk markets could easily offset that advantage.

AUDUSD – technical overview

The impressive rally in 2017 has stalled out into significant medium-term resistance ahead of 0.7800. A recent break back below 0.7600 strengthens the prospect for some form of a top and could open the door for a deeper drop back towards the 0.7000 area in the days ahead. However, the market will need to see a daily close below previous support at 0.7492 to strengthen the bearish outlook. In the interim, any rallies should be well capped below 0.7700.



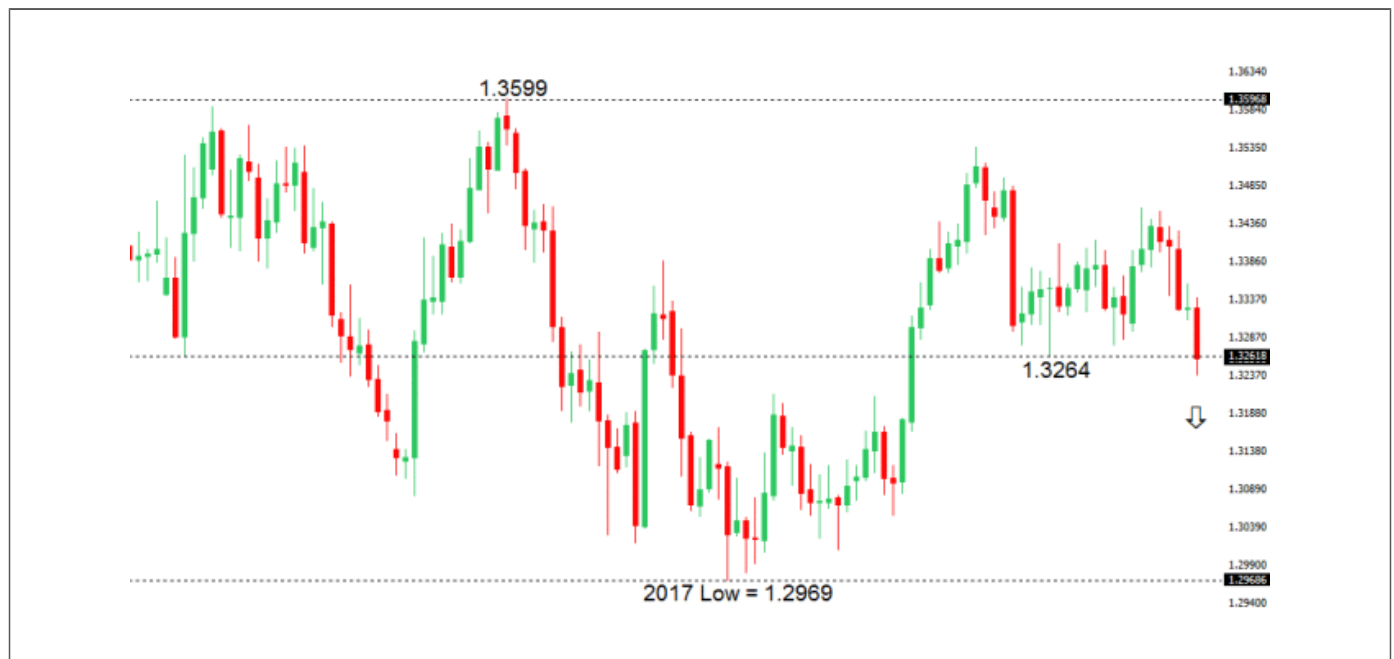
- R2 0.7616 – 4Apr high – Strong
- R1 0.7588 – 5Apr high – Medium
- S1 0.7519 – 13Apr low – Medium
- S2 0.7475 – 11Apr low – Strong

AUDUSD – fundamental overview

The Australian Dollar wasn't doing that much on Wednesday before getting a nice boost late in the day on the back of a comments from President Trump that he favoured low interest rates and that the US Dollar was getting too strong. Gains have accelerated into Thursday after Aussie employment data came in well above forecast. The employment change was very strong and even more impressive was the fact that most of these jobs came from full time employment. This was accompanied by a rise in the participation rate and steady unemployment rate. This has resulted in Australian Dollar outperformance early on, with the currency getting yet another boost on impressive China trade data. Still, with risk off and the market showing signs of topping out on a more medium-term basis, look for this rally to be well capped on offers from medium-term accounts. Looking ahead, as far as the economic calendar goes, we get US initial jobless claims, US producer prices and Michigan sentiment.

USDCAD – technical overview

The market remains very well supported on dips, with this year’s bounce out from the 1.3000 area warning of a more significant bullish resumption. Any setbacks should now be very well supported above 1.3200 on a daily close basis in favour of an eventual push back through the multi-day peak at 1.3599 and towards 1.4000 further up. Ultimately, only back below the 2017 low at 1.2969 would force a meaningful shift in the structure.



- R2 1.3400 – Figure – Strong
- R1 1.3340 – 12Apr high – Medium
- S1 1.3200 – Figure – Medium
- S2 1.3165 – 28Feb low – Strong

USDCAD – fundamental overview

The Canadian Dollar has managed to extend a recent run of gains, getting a boost initially on the back of a more upbeat Bank of Canada decision and then extending gains on broad based US Dollar declines from the Trump comments that he favoured low interest rates and that the US Dollar was getting too strong. Earlier on Wednesday, the Bank of Canada left rates on hold but surprised the market a bit after moving projections of when the output gap would be filled to the first half of 2018. Still, with risk off flow also a factor at the moment and with OIL prices stalling out, there are plenty of fresh Loonie offers into the rally and USDCAD is expected to be well supported into this dip. Looking ahead, key standouts include the Canada new house price index, Canada manufacturing shipments, US producer prices, US initial jobless claims and Michigan sentiment.

NZDUSD – technical overview

The overall pressure remains on the downside with the market expected to be very well capped on rallies. The weekly chart is reflective of this fact as it looks like we're seeing the formation of a major top off the 2016 high. As such, expect the market to continue to roll over in the days ahead, with setbacks projected towards medium-term support in the 0.6600s. Only back above 0.7400 compromises the outlook.



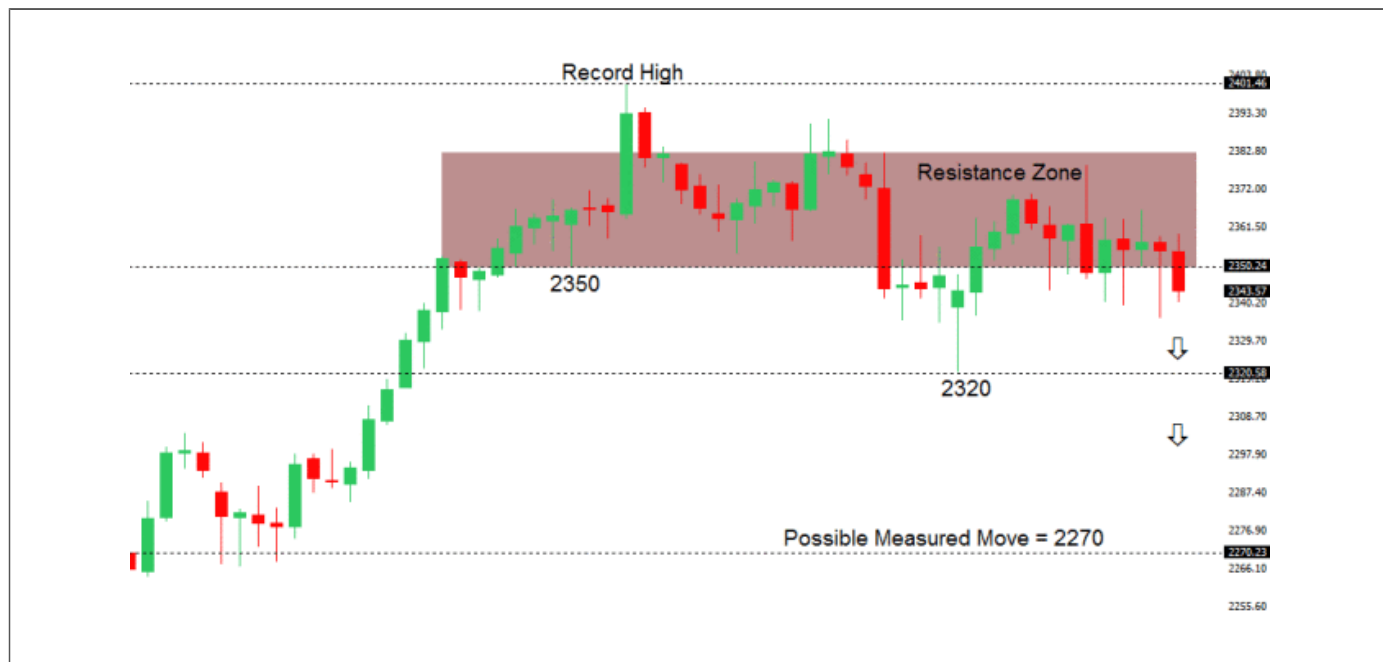
- R2 0.7090 – 21Mar high – Strong
- R1 0.7022 – 4Apr high – Medium
- S1 0.6890 – 9Mar low – Medium
- S2 0.6862 – 26Dec low – Strong

NZDUSD – fundamental overview

The New Zealand Dollar hasn't done much over the past week, with the commodity currency trading relatively unchanged despite this latest wave of strength on the back of Trump comments that he favours low interest rates and that he's concerned the US Dollar is getting too strong. It seems a concurrent wave of risk off flow on rising geopolitical tension has been helping to offset demand, with medium-term players more concerned with the possibility for a more intensified liquidation of risk assets than any US Dollar weakness on Trump. Looking ahead, we get a batch of US data that features initial jobless claims, producer prices and Michigan sentiment.

US SPX 500 – technical overview

An extended run to record highs is finally showing signs of exhaustion in 2017, with the market rolling over, taking out critical short-term support at 2350. This now opens the door for a possible acceleration of declines towards 2270 in the sessions ahead, with a daily close below 2320 to strengthen the outlook for a more significant structural shift. In the interim, rallies should be well capped below 2380.



- R2 2402.00 – 1Mar/Record high – Strong
- R1 2382.00 – 21Mar high – Medium
- S1 2321.00 – 27Mar low – Medium
- S2 2305.00 – 26Jan high– Strong

US SPX 500 – fundamental overview

Bulls remain in control overall despite recent setbacks, though there have been some cracks at the surface in recent days. Last week’s Fed Minutes citing equity overvaluation and possible balance sheet shrinkage later this year haven’t been stock market positive, while the rise in geopolitical tension is only adding to the strain. The market is waking up to the fact that the new US administration’s alternative take on diplomacy could make for a less predictable path for equity markets. Stocks will continue to monitor these developments going forward.

GOLD (SPOT) – technical overview

The market has been very well supported since basing out ahead of 1100 in 2016. This latest break to another yearly high through 1265 strengthens the outlook, confirming the next higher low at 1195, while opening the door for the next major upside extension towards a measured move into the 1335 area. Look for any setbacks to be well supported ahead of 1200, with only a break back below 1180 to compromise the constructive outlook.



- R2 1300.00 – Psychological – Strong
- R1 1288.00 – 13Apr/2017 high – Medium
- S1 1239.75 – 31Mar low – Medium
- S2 1226.95 – 21Mar low – Strong

GOLD (SPOT) – fundamental overview

Solid demand from medium and longer-term players continues to emerge, with these players more concerned about the limitations of exhausted monetary policy, extended global equities, political uncertainty, systemic risk and geopolitical threats. All of this should continue to keep the commodity in demand, 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. Meanwhile, a bout of US Dollar selling has also kicked in following protectionist Trump comments relating to concern over a strong US Dollar and his support for lower rates, which has opened additional upside in the metal.

Feature – technical overview

USDSGD has finally traded down into a strong previous resistance turned support area in the 1.3900s that could warn of the resumption of the more prominent uptrend. Look for a daily close back above 1.4100 to strengthen prospects for a bullish reversal. Ultimately, while the market holds above 1.3800, risk is tilted to the topside.



- R2 1.4160 – 14Mar high – Strong
- R1 1.4130 – 6Mar low – Medium
- S1 1.3907 – 27Mar/2017 low – Medium
- S2 1.3818 – 2Nov low – Strong

Feature – fundamental overview

Earlier today, the MAS left policy on hold as was widely expected, maintaining a neutral policy stance. However, the Singapore central bank did express some concern over the global outlook, sounding perhaps a little more cautious. Meanwhile, GDP grew year over year but less than expected. On net, the emerging market currency has been well bid in recent trade, though most of the demand has come from the late Wednesday wave of US Dollar selling on comments from President Trump that he favoured low interest rates and that he was concerned the US Dollar was getting too strong. Meanwhile, the rise in geopolitical tension has only further contributed to strain on global risk appetite, which could keep the Singapore Dollar from extending this run much further. Dealers continue to cite plenty of USDSGD demand in the 1.3850-1.3900 area.



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