

# Global FX Insights

by LMAX Exchange Research & Analytics

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

## Is the US Dollar Trying to Reassert? [Wake-up Call](#)

Tuesday's much stronger than expected US new home sales data, which rose to a 9 year high, is taking some of the wind out of the sails of this latest currency rally against the Buck. Looking ahead, German GDP and US existing home sales are the key standouts on today's calendar.

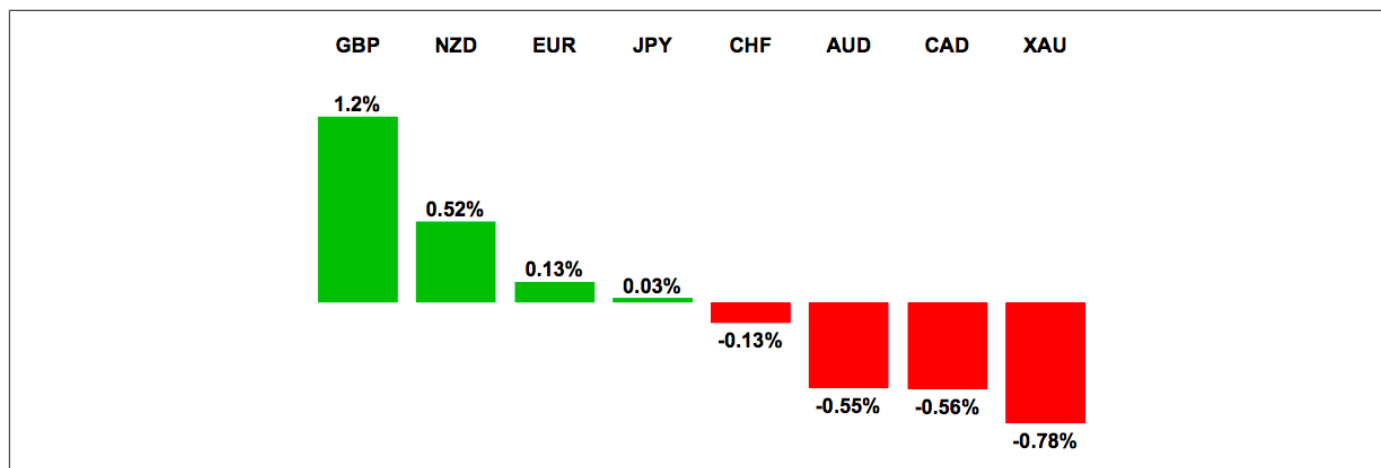
### Technical highlights [Daily Video](#)

- **EURUSD** Rally poised to stall
- **GBPUSD** Correction nearing limits
- **USDJPY** Room for fresh drop
- **EURCHF** Stuck in middle of range
- **AUDUSD** Carving major lower top
- **USDCAD** Plenty of upside ahead
- **NZDUSD** Fresh 2016 high lacks bite
- **US SPX 500** Record run looks tired
- **GOLD** (spot) Next big push to topside
- **Feature** – USDTRY Turning back up

### Fundamental highlights

- **EURUSD** German GDP print in focus Wednesday
- **GBPUSD** May considering additional stimulus
- **USDJPY** Yen caught between diverging flows
- **EURCHF** UBS consumption indicator digested
- **AUDUSD** Aussie construction work disappoints
- **USDCAD** OIL stabilisation not much help to CAD
- **NZDUSD** Bullish momentum fades post Kiwi trade
- **US SPX 500** New home sales encourages hawks
- **GOLD** (spot) Macro backdrop favours metal bids
- **Feature** – USDTRY Lira softer after CBRT rate cut

## This Week's performance v. US dollar



## Suggested reading

- **Six Ways Central Banks Have Distorted Markets**, S. Verma, Bloomberg (August 23, 2016)
- **Origins And Stubbornness of the 'Rising Dollar'**, J. Snider, Alhambra Partners (August 23, 2016)

## EURUSD – technical overview

Although the overall pressure remains on the downside, this latest break back above the 100-Day SMA has triggered a short-term shift exposing next key resistance at 1.1428. A break above 1.1428 would be a more significant development, opening the door for a full retracement back to the 2016 high at 1.1617 further up. At this point, back below 1.1272 would be required to signal a more immediate bearish resumption.



- R2 1.1428 – 24Jun high – Strong
- R1 1.1367 – 18Aug high – Medium
- S1 1.1272 – 22Aug low – Medium
- S2 1.1241 – 17Aug low – Strong

## EURUSD – fundamental overview

The Euro rally looks to be losing momentum into the mid-week despite Tuesday’s solid German manufacturing PMIs. It seems this data was outdone by the impressive US new home sales, posting a 9 year high and backing up a recent slew of more hawkish Fed comments. The market will once again look to German and US data today when it takes in a German GDP print and US existing home sales. Otherwise, positioning ahead of the Jackson Hole Symposium will also factor into price action.

## GBPUSD – technical overview

The market remains confined to an intense downtrend and is in the process of consolidating just off the recent +30-year low from July. Any rallies are classified as corrective ahead of what should be the next major break below 1.2800 and towards 1.2500. Only back above 1.3372 will take the immediate pressure off the downside and force a shift in the structure.



- R2 1.3281 – 3Aug low – Strong
- R1 1.3211 – 23Aug high – Medium
- S1 1.3129 – 23Aug low – Medium
- S2 1.3023 – 19Aug low – Strong

## GBPUSD – fundamental overview

The Pound has held up relatively well over the past week, outperforming against all of the developed currencies. The latest chatter of Prime Minister May mulling additional stimulus measures for the UK economy has certainly been helping to keep the UK currency supported into Wednesday. However, there has been some selling into this rally as US economic data impresses, with new home sales putting in a 9 year best. Looking ahead, US existing home sales and HPI are the key standouts for the remainder of the day.

## USDJPY – technical overview

The latest topside failure sets up a prospective lower top at 102.65 ahead of the next major downside extension below the recent yearly and multi-month low at 98.99. At this point, only a break back above 102.65 would delay this outlook and give reason for pause. Below 99.00 exposes the next major support level in the 95.00 area.



- R2 101.45 – 15Aug high – Strong
- R1 100.93 – 22Aug high – Medium
- S1 99.54 – 16Aug low – Medium
- S2 98.99 – 24Jun/2016 low – Strong

## USDJPY – fundamental overview

There isn't a whole lot going on with the Yen this week, with the currency comfortable trading within a tight consolidation range. Overall, the Yen is caught between flows with record high US equities and solid US economic data weighing, while less dovish BOJ prospects, broad based US Dollar selling and signs of waning investor risk appetite supporting the Japanese currency. Looking ahead, US existing home sales and HPI are the only notable standouts on the calendar for the remainder of the day.

## EURCHF – technical overview

Not much doing here over the past several days, with the market confined to a range trade, roughly between 1.0800 and 1.1000. At this point, a daily close above 1.1000 or back below 1.0800 will be required for clearer directional insight. Until then, look for dips to be supported and rallies well capped.



- R2 1.1014 – 24Jun high – Strong
- R1 1.0945 – 12Jul high – Medium
- S1 1.0790 – 29Jul low – Medium
- S2 1.0778 – 16Jun low – Strong

## EURCHF – fundamental overview

SNB smoothing activity to prop the EURCHF rate has been helping to elevate the cross, but at the same time, any upside moves haven't been sustainable with the cross rate continuing to get sold aggressively into rallies. Overall, this is a market going nowhere right now and it seems sell-stops need to get taken out below 1.0750 or above 1.1000 for clearer insight. US stocks have been supporting EURCHF but are also looking extended which could invite Franc demand if the market starts to roll over from record highs in the sessions ahead. The latest Swiss UBS consumption indicator is getting digested in today's trade.

## AUDUSD – technical overview

The market has struggled on rallies above 0.7700 and this suggests the rate could be looking to carve a lower top below the 2016 high at 0.7835 in favour of the next major downside extension. The recent break back below 0.7637 strengthens this outlook and should accelerate declines towards 0.7400 in the sessions ahead. Ultimately, only back above 0.7758 will negate the newly adopted bearish outlook and invite a retest of the 2016 highs.



- R2 0.7758 – 11Aug high – Strong
- R1 0.7656 – 23Aug high – Medium
- S1 0.7584 – 22Aug low – Strong
- S2 0.7569 – 3Aug low – Medium

## AUDUSD – fundamental overview

Though the price action has been subdued, the Australian Dollar has come under renewed downside pressure in recent trade. Tuesday’s impressive US new home sales data, posting a 9 year high has been sourced as a primary driver behind this latest Aussie downside, while the early Wednesday releases of disappointing Aussie construction work and skilled vacancies are also factoring into trade. Looking ahead, US existing home sales and HPI are on tap.

## USDCAD – technical overview

This market looks to be in the process of carving out a longer-term base off the 1.2461, 2016 low. Look for any additional weakness to be supported ahead of 1.2655 in favour of the next major upside extension towards a measured move objective into the 1.3500-1.4000 area. Ultimately, only back below 1.2655 would delay the constructive outlook.



- R2 1.3000 – Psychological – Strong
- R1 1.2976 – 15Aug high – Medium
- S1 1.2859 – 23Aug low – Medium
- S2 1.2764 – 18Aug low – Strong

## USDCAD – fundamental overview

OIL declines stalled out on Tuesday and the market tried its best to take advantage, looking to sell back into this latest USDCAD recovery. But overall, it is becoming increasingly difficult to be buying the Canadian Dollar in the current environment with a fresh batch of more hawkish Fed commentary and some very impressive US new home sales supporting the Greenback. Looking ahead, US existing home sales and HPI are the notable standouts on today’s calendar.

## NZDUSD – technical overview

Rallies to fresh 2016 highs above 0.7300 have been well capped, with the market looking to adhere to the broader downtrend. As such, look for this latest surge to once again fizzle out, in favour of a resumption of declines. Key support now comes in at 0.7087, but a break below 0.7199 will get things going to the downside.



- R2 0.7400 – Figure – Medium
- R1 0.7345 – 23Aug/2016 high – Strong
- S1 0.7266 – 23Aug low – Medium
- S2 0.7199 – 16Aug low – Strong

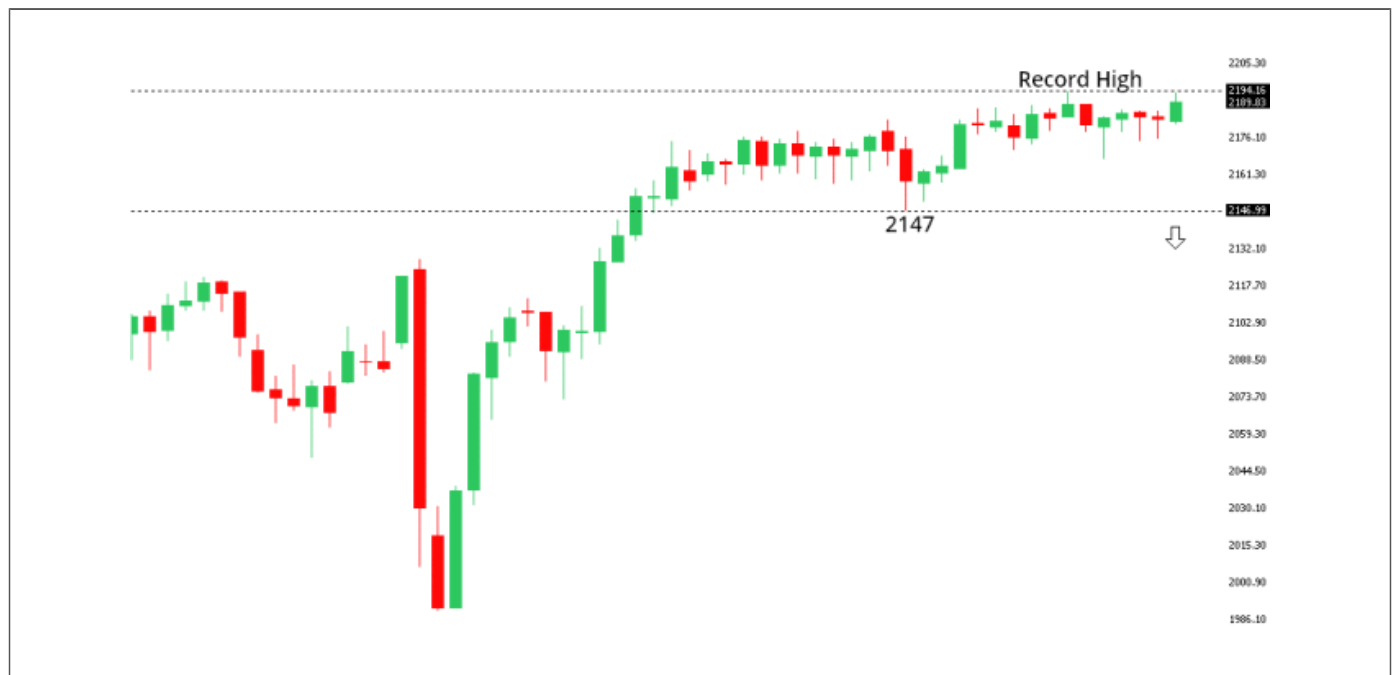
## NZDUSD – fundamental overview

All of the bullish Kiwi momentum from Tuesday’s less dovish RBNZ Wheeler comments that fueled a fresh 2016 high in this pair has been washed away. A subsequent release of very impressive US new home sales at a 9 year high and the early Wednesday release of disappointing New Zealand trade data have been the primary drivers behind the Kiwi selling off the highs. More stops are reported below 0.7250 and 0.7200 and it’s US existing home sales and HPI that could inspire additional downside today.



## US SPX 500 – technical overview

The market continues to push to fresh record highs and there is scope from here for additional upside in the sessions ahead through next key psychological barriers at 2200. Still overall, the prospect for the formation of a longer-term top is very much alive and any signs of exhaustion and a rolling back over below 2147 in the sessions ahead will strengthen this outlook and invite renewed downside pressure.



- R2 2200.00 – Psychological – Strong
- R1 2194.00 – 15Aug/Record – Medium
- S1 2147.00 – 2Aug low – Medium
- S2 2136.00 – 12Jul low – Strong

## US SPX 500 – fundamental overview

Overall, there is a sense that even if the Fed continues to hold off, with monetary policy already exhausted and the limitations of policy being reached, there could be a more intense period of weakness off the recently established record highs over the coming days. Much of investor attention is now on the upcoming Jackson Hole Symposium and an anticipated speech from the Fed Chair which could shed further light on the Fed’s monetary policy outlook. Certainly hawkish comments from Fed Fischer could be setting the stage for Yellen’s speech, which if confirmed, would add to downside pressure on record high stocks as the reality of a rate hikes this year discourages investors. Looking ahead, US existing home sales and HPI are due on Wednesday.

## GOLD (SPOT) – technical overview

The recent break above the previous 2015 peak at 1307 strengthens the case for a longer term base with the market confirming a medium-term higher low in the 1200 area, opening the door for the next major upside extension towards a measured move at 1450. Any setbacks should be very well supported ahead of 1300, with only a break below this level to compromise the outlook.



- R2 1375.20 – 6Jul/2016 high – Strong
- R1 1367.30 – 2Aug high – Medium
- S1 1329.90 – 8Aug low – Medium
- S2 1310.90 – 21Jul low – Strong

## GOLD (SPOT) – fundamental overview

Overall, GOLD has been very well supported in 2016, with the yellow metal finding solid demand from medium and longer-term players on the back of fears over the limitations of exhausted monetary policy and extended global equities. All of this will almost certainly continue to keep the commodity in demand, with many market participants fleeing to the hard asset as the grand dichotomy of record high equities and record low yields comes to an unnerving climax.

## Feature – technical overview

USDTRY has recently broken up to another fresh record high after a period of multi-month consolidation. The latest break through the previous peak from 2015 now opens the door for a measured move upside extension towards 3.3500 in the weeks ahead. At this point, current setbacks should be limited to the 2.9000 area in favour of a higher low, with only a break back below 2.8395 to take immediate pressure off the topside.



- R2 3.0270 – 4Aug high – Strong
- R1 2.9705 – 10Aug high – Medium
- S1 2.9135 – 18Aug low – Medium
- S2 2.8755 – 14Jul low – Strong

## Feature – fundamental overview

No surprise to see the Lira under added pressure into the mid-week following Tuesday’s 25bp CBRT rate cut to 8.50%. While the cut was mostly priced in, the reality of lower rates in an inflationary backdrop is not a pretty recipe and adds to investor concern over the outlook for the emerging market currency, already more at risk post coup attempt and downgrades from S&P and Moody’s. Looking ahead, the Lira will be very much focused on the upcoming Yellen speech in Jackson Hole, with her tone to likely have an impact on emerging market FX as it related to the Fed’s timeline. Anything more hawkish will invite increased downside pressure on the Lira.



Any opinions, news, research, analyses, prices or other information ("information") contained on this document, constitutes marketing communication and it has not been prepared in accordance with legal requirements designed to promote the independence of investment research. Further, the information contained within this Blog does not contain (and should not be construed as containing) investment advice or an investment recommendation, or an offer of, or solicitation for, a transaction in any financial instrument. LMAX Exchange has not verified the accuracy or basis-in-fact of any claim or statement made by any third parties as comments for every Blog entry.

LMAX Exchange will not accept liability for any loss or damage, including without limitation to, any loss of profit, which may arise directly or indirectly from use of or reliance on such information. No representation or warranty is given as to the accuracy or completeness of the above information. While the produced information was obtained from sources deemed to be reliable, LMAX Exchange does not provide any guarantees about the reliability of such sources. Consequently any person acting on it does so entirely at his or her own risk. It is not a place to slander, use unacceptable language or to promote LMAX Exchange or any other FX, Spread Betting and CFD provider and any such postings, excessive or unjust comments and attacks will not be allowed and will be removed from the site immediately.

LMAX Exchange will clearly identify and mark any content it publishes or that is approved by LMAX Exchange.

FX and CFDs are leveraged products that can result in losses exceeding your deposit. They are not suitable for everyone so please ensure you fully understand the risks involved. The information on this website is not directed at residents of the United States of America, Australia (we will only deal with Australian clients who are "wholesale clients" as defined under the Corporations Act 2001), Canada (although we may deal with Canadian residents who meet the "Permitted Client" criteria), Singapore or any other jurisdiction where FX trading and/or CFD trading is restricted or prohibited by local laws or regulations.

LMAX Limited operates a multilateral trading facility. LMAX Limited is authorised and regulated by the Financial Conduct Authority (firm registration number 509778) and is a company registered in England and Wales (number 6505809). Our registered address is Yellow Building, 1A Nicholas Road, London, W11 4AN.