

Tuesday, February 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

Back at a critical inflection point 📢 [Wake-up call](#)

We've talked a lot about the choppy, directionless nature of markets and how despite the latest run in the Dollar, there haven't been any major breaks at this stage, that would suggest we're at the end of the line as far as the chop goes. Appearances from BOE Governor Carney and Fed Chair Powell are on the Tuesday docket.

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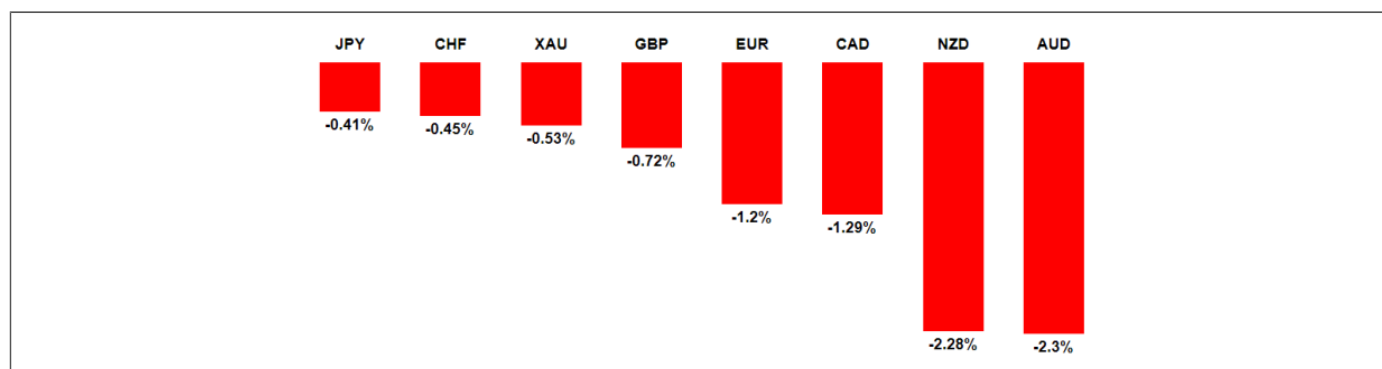
Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Another test of 1.1300 area
- [GBPUSD](#) Well supported on dips
- [USDJPY](#) Getting close to next drop
- [EURCHF](#) Tracking in neutral territory
- [AUDUSD](#) Drops into support zone
- [USDCAD](#) Medium-term constructive
- [NZDUSD](#) Signs of meaningful base
- [US SPX 500](#) Lower top sought out
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- [BTCUSD](#) Bearish consolidation in play
- [ETHUSD](#) Scope for fresh declines

Fundamental highlights

- [EURUSD](#) Bank of France data slump
- [GBPUSD](#) Governor Carney on the wires
- [USDJPY](#) Yen volumes pick back up again
- [EURCHF](#) SNB policy strategy stress
- [AUDUSD](#) Aussie watching US-China news
- [USDCAD](#) OIL retreat cools off Loonie
- [NZDUSD](#) Jerome Powell slated to speak
- [US SPX 500](#) Fed model front and centre
- [GOLD](#) (spot) Hard asset demand ramps up
- [BTCUSD](#) Bitcoin outlook bright further out
- [ETHUSD](#) Demand expected despite setbacks

5-Day Performance v. US dollar

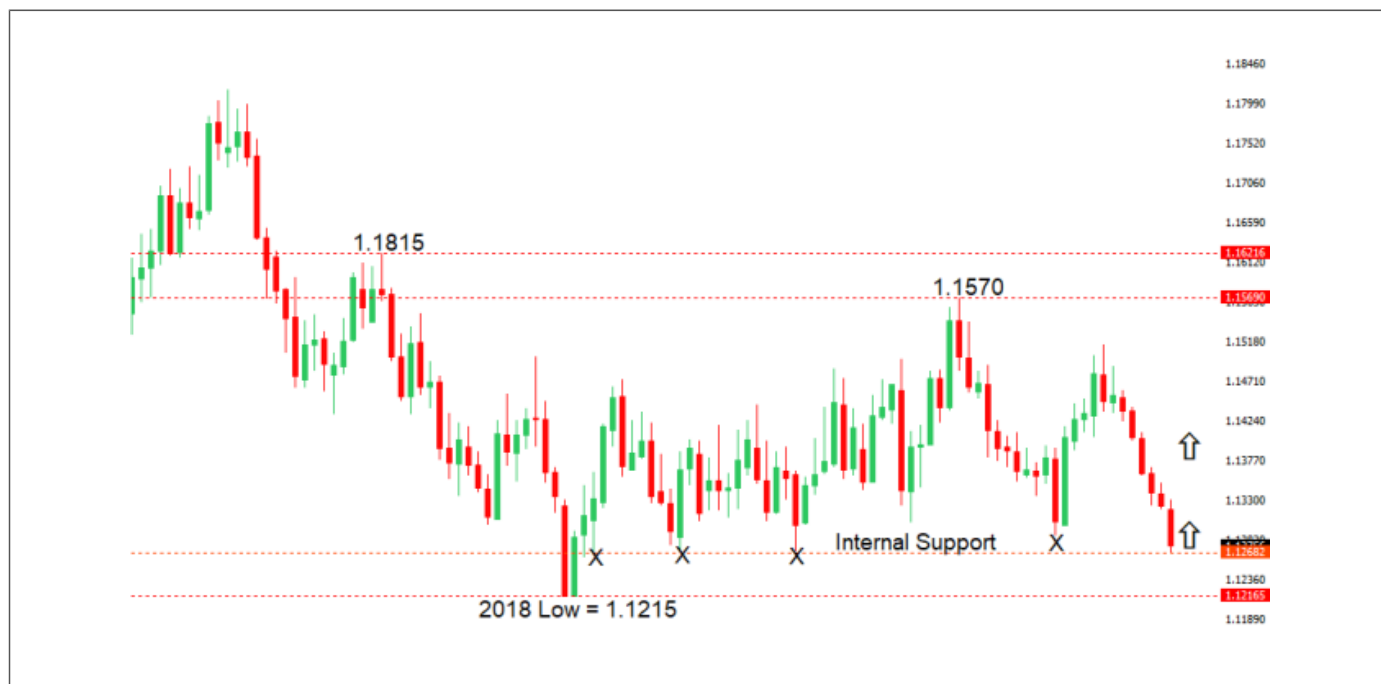


Suggested reading

- [4 Factors That Determine the Fed's Next Steps](#), M. El-Erian, **Bloomberg** (February 11, 2019)
- [Maldives Fears China Belt and Road Debt Trap](#), T. Griggs, **Financial Times** (February 11, 2019)

EURUSD - technical overview

The market looks to be in the process of carving out a meaningful base off the multi-year low from 2017, with a higher low sought out ahead of the next major upside extension back towards and through the +3 year high from 2018 around 1.2550. Look for the major pair to continue to be well supported on dips ahead of 1.1250, with only a close back below the 2018 low at 1.1215 to compromise the outlook. A push above 1.1570 will strengthen the outlook.



- **R2 1.1410** - 6Feb high - Strong
- **R1 1.1369** - 7Feb high - Medium
- **S1 1.1268** - 11Feb low - Medium
- **S2 1.1216** - 12Nov/2018 low - Strong

EURUSD - fundamental overview

The Euro has come under pressure over the past several sessions on the back of broad US Dollar demand, softer economic data and downwardly revised Euro area growth forecasts. On Monday, we got more discouraging news out of the zone, this time with the Bank of France's industrial sentiment indicator sinking to its lowest level since October 2016. Dealers report plenty of demand in the 1.1200s ahead of the 2018 low. Looking ahead, absence of first tier data on the European docket will leave the focus on US JOLTS job openings and an appearance from the Fed Chair.

EURUSD - Technical charts in detail

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GBPUSD – technical overview

The major pair has put in an impressive recovery in recent weeks, helping to support the case for a longer-term developing uptrend off the 2016 low, with a higher low sought out by the multi-month low from early January. A break back above the September 2018 high at 1.3300 will strengthen this outlook, while setbacks should now be well supported ahead of 1.2650.



- **R2 1.3052** – 5Feb high – Strong
- **R1 1.2997** – 7Feb high – Medium
- **S1 1.2845** – 11Feb low – Medium
- **S2 1.2831** – 21Jan low – Strong

GBPUSD – fundamental overview

The market continues to wait for more clarity on Brexit and will continue to monitor updates. On Monday, the EU chief negotiator reiterated that it was up to London to provide clarity on the way forward with Brexit. Meanwhile, on the data front, the Pound suffered from a weaker batch of data highlighted by discouraging GDP. Looking ahead, the PM is expected to address parliament today, though no vote will be happening this week. There is no first tier data out of the UK and the focus will be on the Brexit updates a BOE Carney speech and a US calendar that features BOE Carney Speech, US JOLTS job openings and an appearance from the Fed Chair.

GBPUSD – Technical charts in detail

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USDJPY - technical overview

The major pair is in the process of chopping within a bigger picture downtrend. Look for any recovery rallies to be well capped ahead of 111.50 in favour of the next major downside extension below the 104.63, 2018 low. This would expose a very important psychological barrier at 100.00 further down, which guards against the 2016 low at 99.00.



- **R2 111.47** - 21Dec high - Strong
- **R1 110.48** - 31Dec high - Medium
- **S1 109.44** - 4Feb low - Medium
- **S2 108.50** - 31Jan low - Medium

USDJPY - fundamental overview

Trading activity has picked back up again in Asia, with Japan returning from the Monday holiday. Overall, the major pair should continue to track along with risk sentiment. After benefiting from a healthy rebound in stocks since the yearly open, the market could be getting ready to roll back over again. We don't see equities holding up in a world where risk assets are exposed to the realities of exhausted monetary policy and government stimulus post 2008 financial markets crisis. We've also seen a lot of headline this week about downward revisions to growth outlooks in major economies around the globe. Looking at the calendar for the day, key standouts come in the form of US JOLTS job openings and an appearance from the Fed Chair.

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EURCHF – technical overview

The market has been in the process of consolidating off the 2018 high, which coincided with critical support in the 1.1200 area. However, at this stage, there is no clear directional bias, with the price action deferring to a neutral state. Back above 1.1500 would get some bullish momentum going for a push to 1.2000, while back below 1.1185 would be quite bearish.



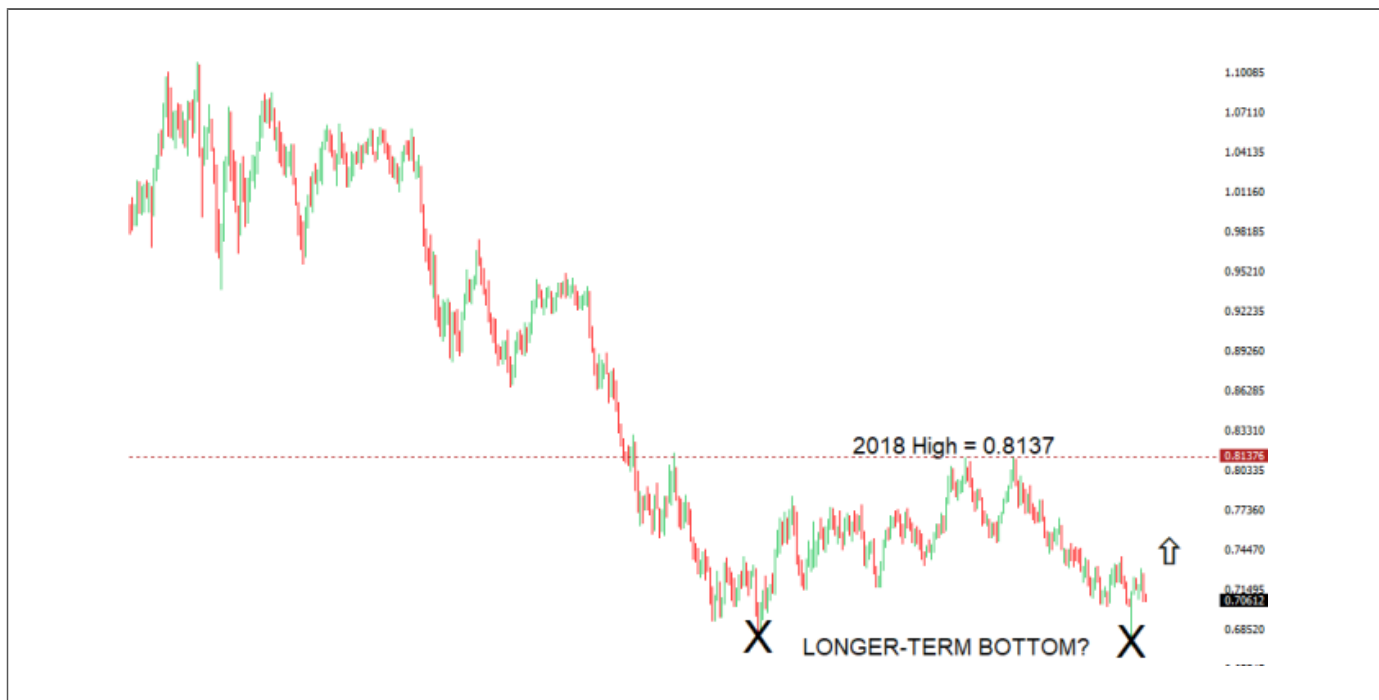
- **R2 1.1502**– 22Oct high – Strong
- **R1 1.1445** – 5Feb/2019 high – Medium
- **S1 1.1311** – 28Jan low – Medium
- **S2 1.1185**– 7Sep/2018 low – Strong

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 now be well supported ahead of 0.7000.



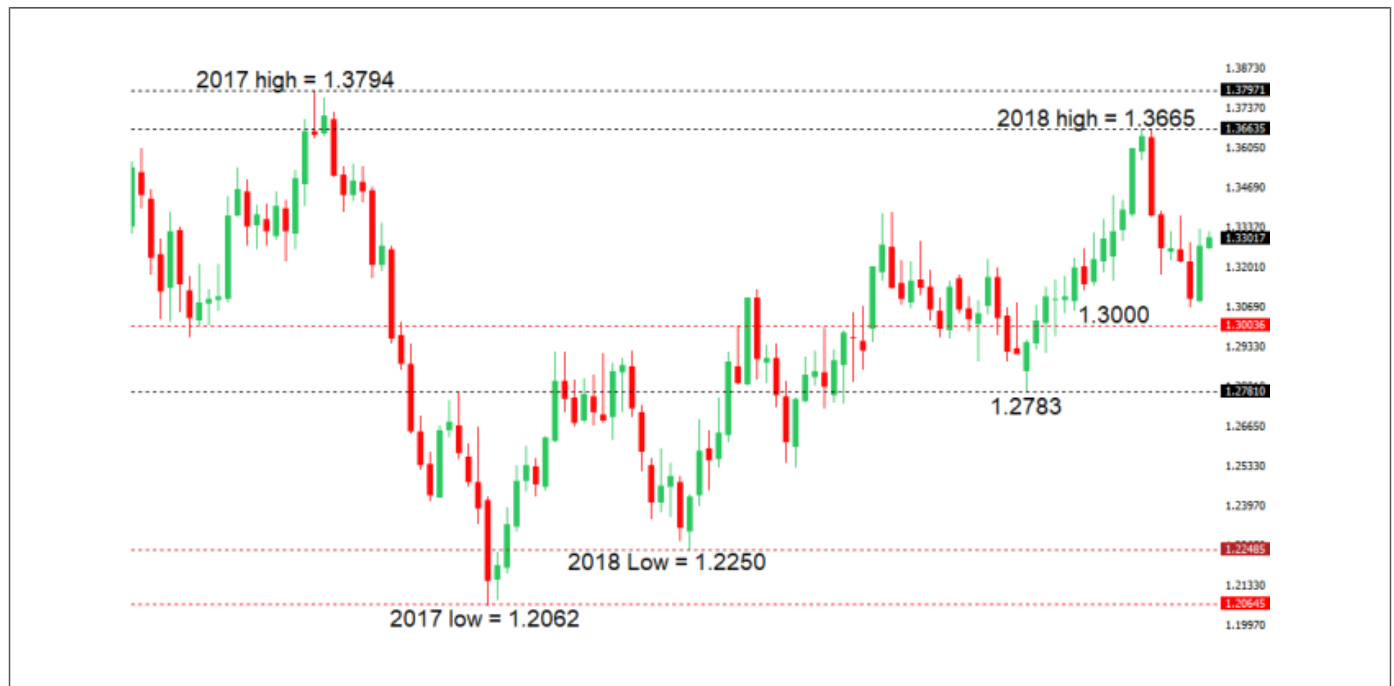
- **R2 0.7200** – Figure – Medium
- **R1 0.7118** – 7Feb high – Medium
- **S1 0.7050** – Mid-Figure – Medium
- **S2 0.7000** – Psychological – Strong

AUDUSD – fundamental overview

Aussie has been suffering from this latest wave of US Dollar demand and last week's more dovish leaning comments from RBA Lowe. We haven't seen much of a reaction to the early Tuesday business confidence readings. Overall, there could be a lot of choppy back and forth trade here, with Aussie capable of finding renewed bids into dips on the back of yield differentials that continue to show room to move out of the US Dollar's favour as the Fed makes further dovish adjustments to policy, and also capable of getting sold into rallies on a pullback in global equities and tension around China. The market will be looking for more updates this week on the US-China trade talk front. Looking at the calendar for the day, key standouts come in the form of US JOLTS job openings and an appearance from the Fed Chair.

USDCAD – technical overview

A period of correction has kicked in after a run at the end of 2018 to its highest levels since May 2017. Overall, the structure remains constructive, with dips expected to be well supported ahead of a medium-term higher low from September 2018 around 1.2780.



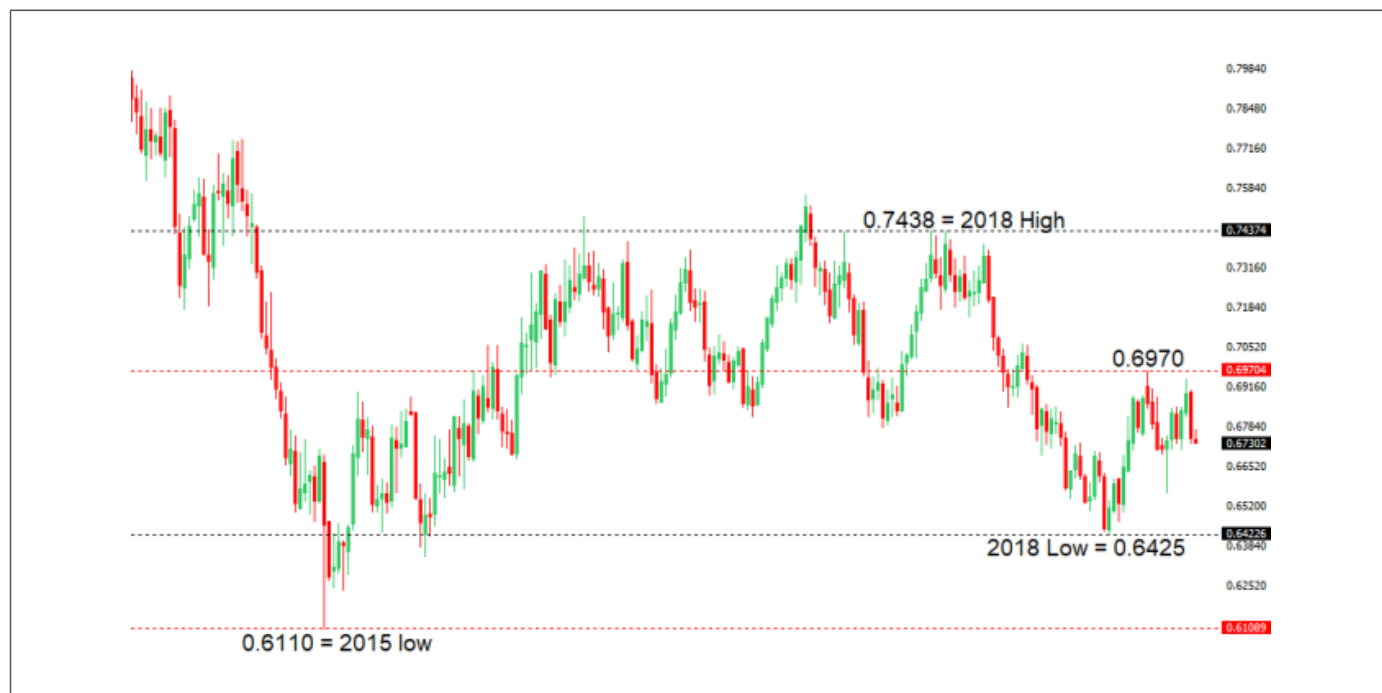
- **R2 1.3376**– 24Jan high – Strong
- **R1 1.3330** – 8Feb high – Medium
- **S1 1.3204** – 7Feb low – Medium
- **S2 1.3069** – 1Feb/2019 low – Strong

USDCAD – fundamental overview

The Loonie has started to come back under pressure following an impressive recovery run off the 2018 low against the Buck (USDCAD high). A pullback in the price of OIL, vulnerable risk assets after an impressive run since the start to the year, and worry about downside risks associated with US trade policy, have accounted for the price action. It's worth noting, Loonie setbacks were tempered this past Friday after Canada employment data was supportive. Looking ahead, absence of first tier will leave the focus on bigger picture themes and a Fed Bowman appearance.

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 0.6970 will strengthen the constructive outlook.



- **R2 0.6942** – 1Feb/2019 high – Strong
- **R1 0.6816**– 27Jan low – Medium
- **S1 0.6728** – 11Feb low – Medium
- **S2 0.6707** – 20Jan low – Strong

NZDUSD – fundamental overview

The New Zealand Dollar had put in an impressive recovery run since early January, before finally stalling out in recent days. Kiwi's run was initially halted on broad based US Dollar demand, before taking another big hit last Thursday, after New Zealand employment data came out much softer. Kiwi also faces headwinds in an environment where risk assets remain vulnerable to the realities of exhausted monetary policy accommodation and government stimulus post 2008 crisis. Looking at the calendar for the day, key standouts come in the form of US JOLTS job openings and an appearance from the Fed Chair.

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 ahead of 2800, 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.



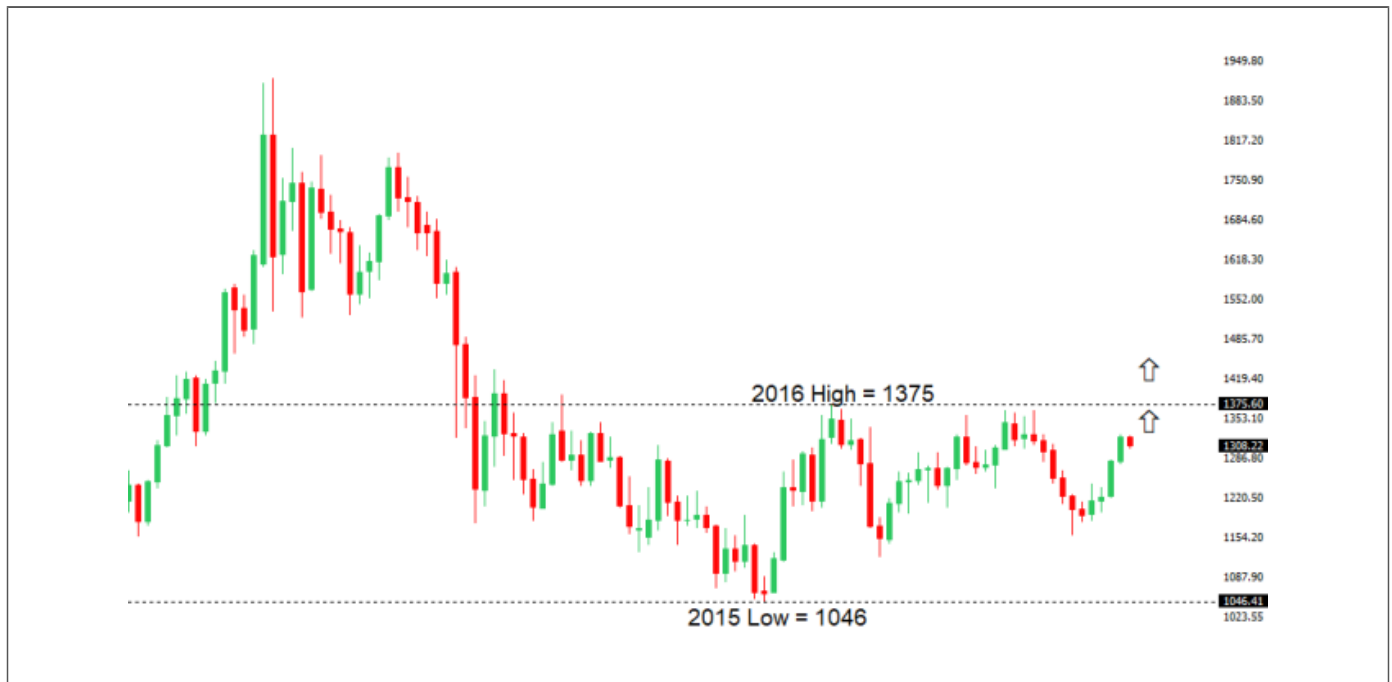
- **R2 2749** – 16Nov high – Strong
- **R1 2740** – 5Feb/2019 high – Medium
- **S1 2677** – 31Jan low – Medium
- **S2 2613** – 23Jan low – Strong

US SPX 500 – fundamental overview

Investor immunity to downside risk is not as strong into 2019. The lag effect of Fed policy normalisation, US protectionism, ongoing White House drama and geopolitical tension are all warning of deeper setbacks ahead. The Fed has also finally acknowledged inflation no longer running below target, something that could very well result in even less attractive equity market valuations this year, given the implication on rates. Although we have seen attempts to push the market higher in early 2019, on the Fed's more cautious outlook, exhausted monetary policy tools post 2008 crisis suggest the prospect for fresh record highs at this point in the cycle are not a realistic prospect. We recommend keeping a much closer eye on the equities to ten year yield comparative going forward, as the movement here is something that will continue to stress the market in 2019.

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. The latest push through 1300 strengthens the outlook.



- **R2 1375** - 2016 high - Very Strong
- **R1 1327** - 31Jan/2019 high - Medium
- **S1 1277** - 4Jan low - Medium
- **S2 1233** - 14Dec 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

At this stage, any upside moves are classified as **corrective** ahead of what could be the next downside extension and bearish continuation. It would take a break back above previous support in the 6,000 area to take the pressure off the downside. Next critical support comes in the form of the July and September 2017 lows, around 2,000 and 2,975 respectively.



- **R2 4,480** - 29Nov high - Strong
- **R1 4,380** - 24Dec high - Strong
- **S1 3,400** - Round number -Medium
- **S2 3,212** - 15Dec/2018 low - Strong

BTCUSD - fundamental overview

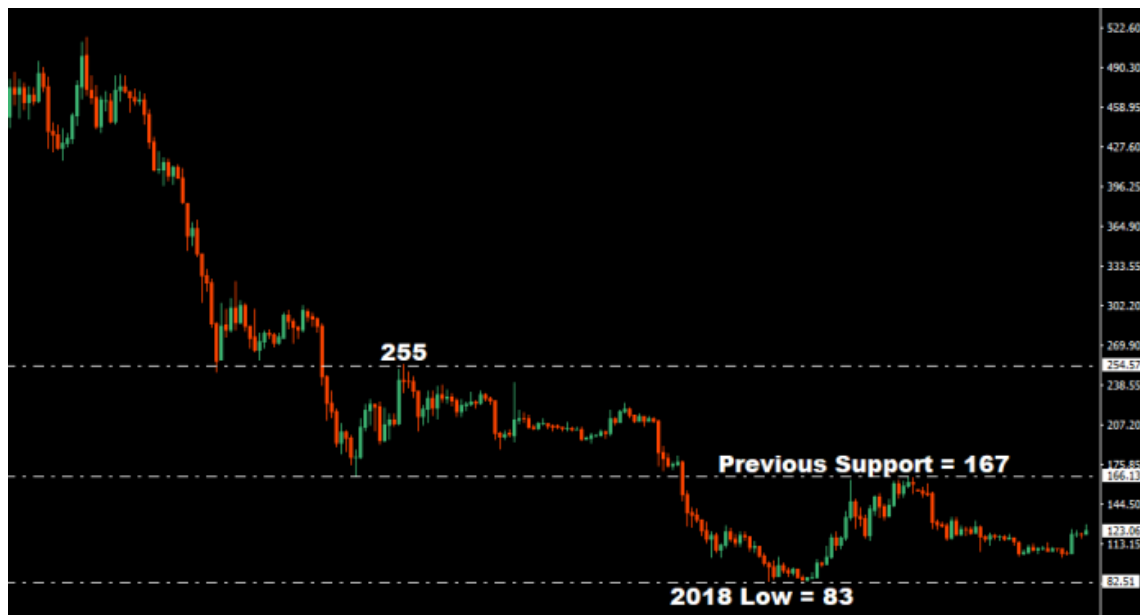
Bitcoin has just gone through a tough 2018, with the cryptocurrency suffering on a number of fronts. Still, overall, the cryptocurrency and the technology it rests on continue to show a lot of potential looking out and we expect the market will regain composure over the medium to longer term.

BTCUSD - Technical charts in detail

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ETHUSD - technical overview

The latest recovery rally has stalled out into a meaningful previous support zone, to keep the pressure on the downside, with risk for a bearish continuation to next critical support in the 50-75 area. At this point, it would take a sustained break back above 167 to take the immediate pressure off the downside.



- **R2 200** - Psychological - Medium
- **R1 167** - Previous Support - Strong
- **S1 100** - Psychological - Medium
- **S2 83** - 7Dec/2018 low - Strong

ETHUSD - fundamental overview

We're coming off a year of dramatic weakness in 2018 and the cryptocurrency continues to face headwinds into 2019. Ongoing regulatory challenges and a global economic downturn are some of those headwinds that need to be considered. At the same time, longer term prospects are looking quite bright and valuations are increasingly attractive. There is a lot of demand for Ether that has been reported between \$50 and \$100.



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