

Friday, July 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 to weekly opening levels into Friday 🔊 [Wake-up call](#)

As we scan across the major markets into Friday, there hasn't been much change since the weekly open. At the same time, the way things have played out is perhaps more interesting and meaningful, given the flow of volatility throughout the week. China trade data, Eurozone industrial production and US producer prices ahead.

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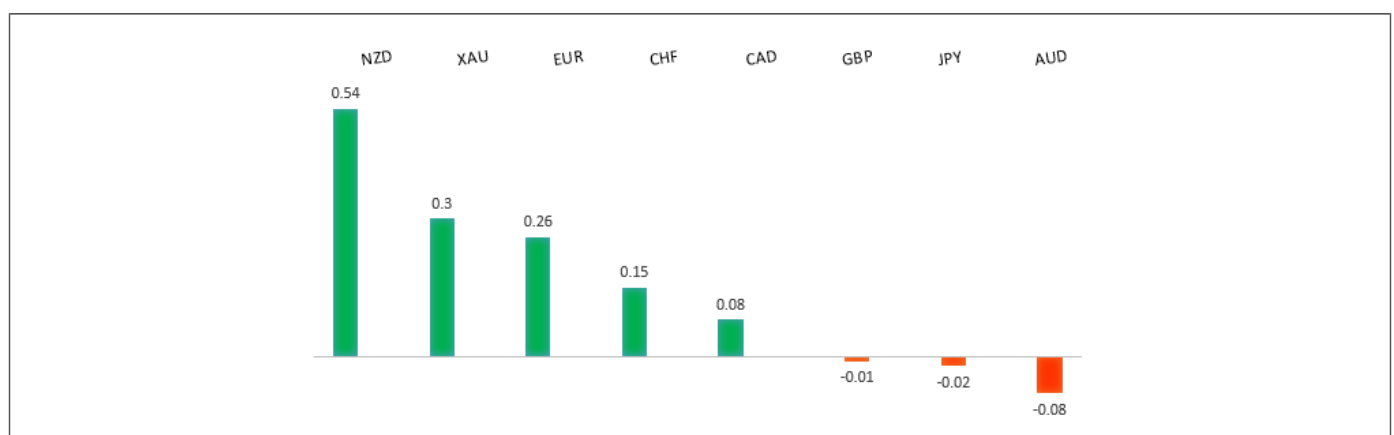
### Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Higher low sought out
- [GBPUSD](#) Bounces from critical support
- [USDJPY](#) Downtrend firmly intact
- [EURCHF](#) Room for additional downside
- [AUDUSD](#) Evidence of longer term basing
- [USDCAD](#) Major support into key barrier
- [NZDUSD](#) Room to extend recovery run
- [US SPX 500](#) Additional upside seen limited
- [GOLD](#) (spot) Setbacks viewed as corrective
- [BTCUSD](#) Consolidating after big upside push
- [ETHUSD](#) Well capped for the time being

### Fundamental highlights

- [EURUSD](#) Eurozone industrial production
- [GBPUSD](#) BOE warns of No-Deal risks
- [USDJPY](#) US producer prices close out week
- [EURCHF](#) SNB's job a lot harder in 2019
- [AUDUSD](#) Aussie takes in China trade
- [USDCAD](#) Canadian Dollar watching OIL flows
- [NZDUSD](#) Kiwi digests some PMI data
- [US SPX 500](#) Fed incentive not as strong
- [GOLD](#) (spot) Macro players buying dips in size
- [BTCUSD](#) Institutional demand ramps up in Q3
- [ETHUSD](#) Ether exposed to global economy

## 5 Day Performance vs. US dollar



## Suggested reading

- [The Fed Satisfies Fewer and Fewer These Days](#), M. El-Erian, **Bloomberg** (July 11, 2019)
- [The Metamorphosis](#), H. Kissinger, E. Schmidt, **The Atlantic** (August 2019 issue)

## EURUSD – technical overview

**The major pair has extended its run of declines** off the 2008 high, trading down to a fresh multi-month low in May. But with the downtrend looking exhausted, the prospect for a meaningful higher low is more compelling, with a higher low sought out above the multi-year low from 2017, ahead of the next major upside extension. 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 1.1348** - 7 June high - Strong
- **R1 1.1296** - 4 July high - Medium
- **S1 1.1194** - 9 July low - Medium
- **S2 1.1181** - 15 June low - Strong

## EURUSD – fundamental overview

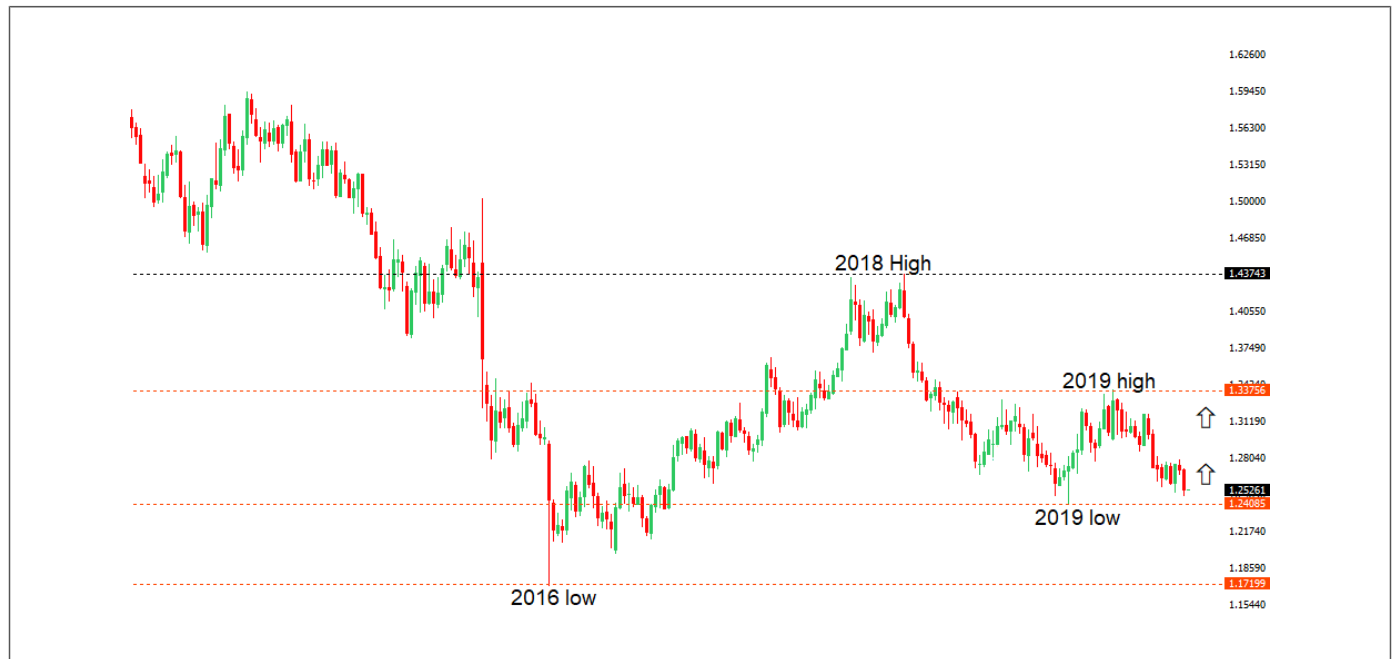
**The Euro gave back some of its recovery gains** from the Fed Chair's Wednesday testimony, but is looking better bid into the end of the week. The recovery rally came to a halt on Thursday, after US CPI came in above forecast. Moving on, the IMF was out saying the ECB had limited room to safeguard the Euro area's expansion and government should be ready to step in the event of a severe downturn. Looking at the Friday calendar, key standouts come in the form of German wholesale sales, Eurozone industrial production and US producer prices.

## EURUSD - Technical charts in detail

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## GBPUSD – technical overview

**Despite the latest round of setbacks**, there has been evidence of a major bottom off of the 2016 low, that would argue for dips to be well supported. As such, look for weakness to be well supported on dips into the 1.2400s, with a break back above 1.2600 to take the immediate pressure off the downside and strengthen the outlook. Only a weekly close back below 1.2400 would compromise the longer-term recovery structure.



- **R2 1.2601**– 3 July high – Strong
- **R1 1.2572** – 11 July high – Medium
- **S1 1.2440** – 9 July low – Medium
- **S2 1.2407**– 2 January/**2019 low** – Strong

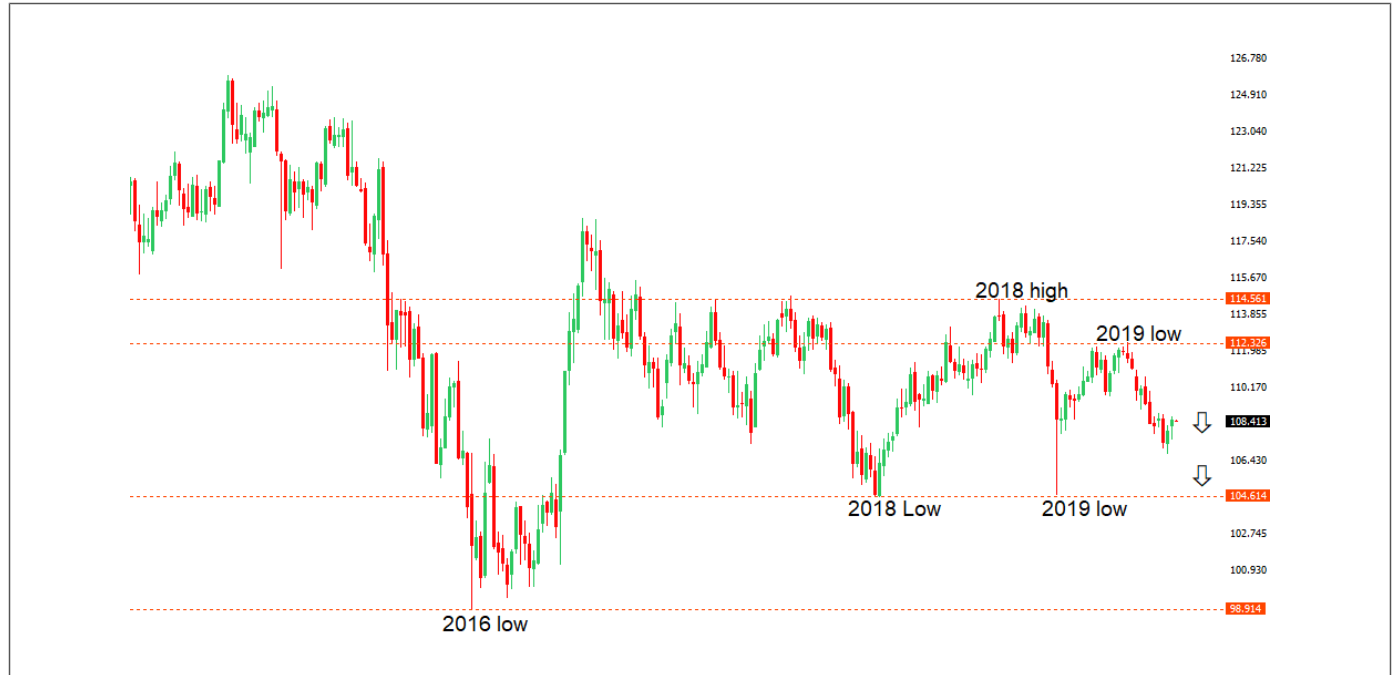
## GBPUSD – fundamental overview

**On Thursday, the BOE echoed its warnings about a severe** economic disruption in the event of a no-deal Brexit, while also highlighting increased risk to the global outlook. The Pound has managed a solid recovery in the second half of this week, benefiting from the Fed Chair's communication of additional rate cuts on the horizon. However, the rally did run into resistance on Thursday, after US CPI came in above forecast. Looking ahead to Friday's calendar, absence of first tier UK data will leave the focus on any Brexit related updates and US producer prices.

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## USDJPY - technical overview

**The longer-term downtrend remains firmly intact**, with the major pair gravitating back towards a retest of major support in the form of the 2018 and 2019 lows respectively, down in the 104s. Any rallies should now be well capped below 110.00, though only a break back above the yearly high at 112.40 would compromise the bearish outlook.



- **R2 109.93** - 26 May high - Medium
- **R1 109.00** - 10 July high - Strong
- **S1 108.28** - 8 July low - Medium
- **S2 107.53** - 3 July low - Strong

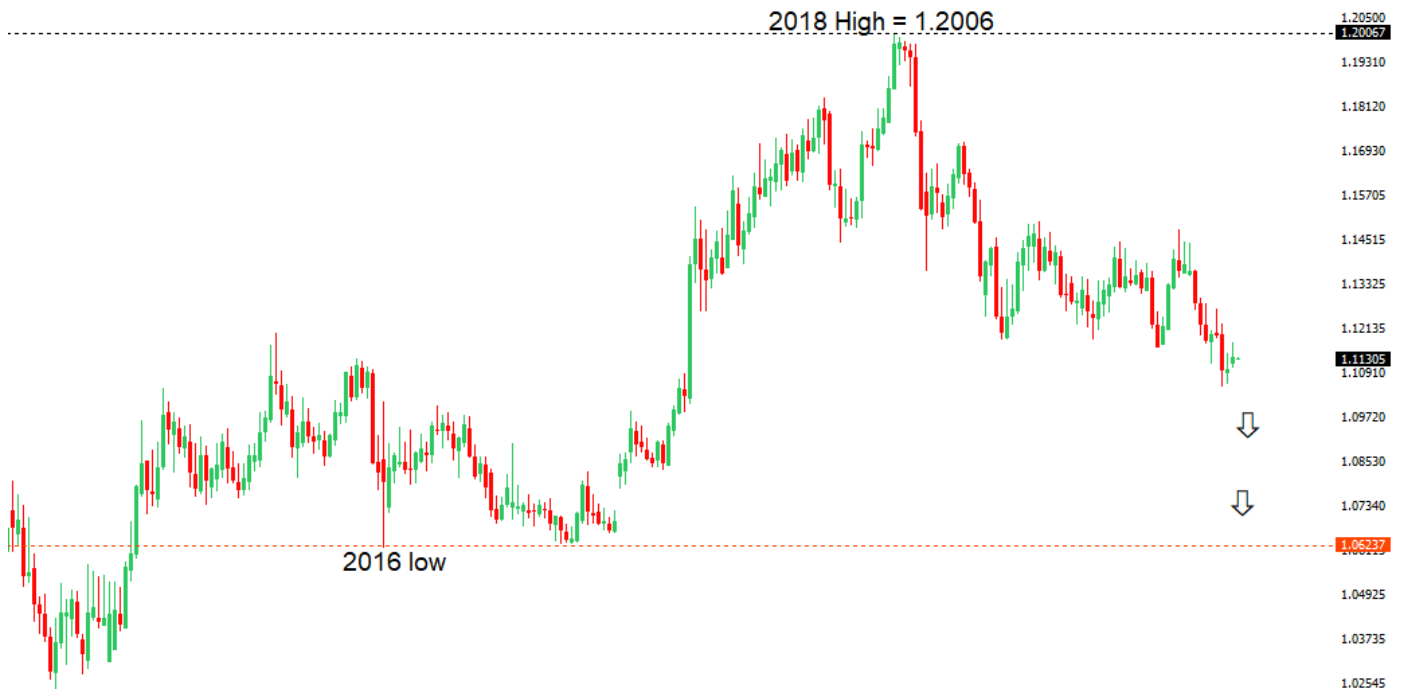
## USDJPY - fundamental overview

**The Yen comes into Friday trading around weekly opening levels** against the Buck. On the one side, there has been Yen weakness from the ongoing surge in US equities to record highs, while on the other side, the more dovish communication from the Fed Chair earlier this week, has fueled a round of broad based currency demand against the Buck. Looking ahead, Friday's calendar features Japan industrial production, China trade and US producer prices. Japan is also scheduled to sit down with South Korea to discuss the recent decision out of Tokyo to limit vital exports to South Korea.

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## EURCHF – technical overview

The recent breakdown below critical range support in the 1.1200 area, has opened the door for the next wave of declines targeting a move back towards initial support in the form of the 1.1000 psychological barrier. The market is trading at its lowest levels in nearly two years and at this point, it would take a daily close back above 1.1279 to take the immediate pressure off the downside.



- **R2 1.1265** – 12 June high – Strong
- **R1 1.1173** – 2 July high – Medium
- **S1 1.1057** – 20 June/2019 low – Medium
- **S2 1.1000** – Psychological – 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, 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 on dips 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 0.7100 to strengthen this outlook. In the interim, look for setbacks to continue to be well supported ahead of 0.6800.



- **R2 0.7049** – 7 May high – Strong
- **R1 0.6995** – 8 July high – Medium
- **S1 0.6910** – 10 July low – Medium
- **S2 0.6832** – 18 June low – Strong

## AUDUSD – fundamental overview

**Thursday's round of mixed second tier data out of Australia**, didn't factor into price action, with Aussie more focused on the US Dollar side of the equation. Overall, Aussie has been bid up in the aftermath of this week's Fed Chair testimony that communicated the central bank would still be looking to move forward with rate cuts. We did see some selling on Thursday after US CPI came in hot, though dealers cite demand into dips. It's worth noting an RBA publication that argued for the RBA to set interest rates higher than macroeconomic conditions warranted, as a means to safeguard against financial instability. Looking ahead, the Friday calendar features some early China trade data, followed by US producer prices late in the day.

## USDCAD – technical overview

The market has come under intense pressure over the past several weeks, extending declines to a fresh 2019 low. However, the longer-term structure remains constructive, with dips expected to be well supported for fresh upside, eventually back above the 2018/multi-month high at 1.3665. At this point, only a weekly close below the psychological barrier at 1.3000 would delay the outlook.



- **R2 1.3230**– 21 June high – Strong
- **R1 1.3146** - 1 July high – Medium
- **S1 1.3038** - 4 July/**2019 low** – Strong
- **S2 1.3000** - Psychological – Strong

## USDCAD – fundamental overview

On Wednesday, the Bank of Canada left rates on hold as widely expected, offering up no real surprises in its assessment of the economy. Overall, a balanced outlook, with the BoC considering downside risks to the global economy, but also recognizing positive developments within the local economy. This has left the Canadian Dollar to trade on other headlines, with the Loonie rallying back towards its recent 2019 high against the Buck, mostly on Fed Powell's signaling of the need for additional rate cuts. We've also seen Cad demand from a solid week of performance in the OIL market. Looking ahead, absence of first tier data on the Canada calendar, will leave the focus on OIL and US producer prices.

## NZDUSD – technical overview

**Despite recent weakness, there's a case to be made** for a meaningful low in place at 0.6425 (2018 low). As such, look for setbacks to be well supported above the latter, in anticipation of renewed upside, with only a close below to compromise the outlook. The most recent rally has triggered a double bottom, further strengthening the constructive outlook. Look for a higher low to carve out ahead of 0.6500.



- **R2 0.6727** – 1 July high – Strong
- **R1 0.6700** – Figure – Medium
- **S1 0.6568** – 10 July low – Medium
- **S2 0.6535** – 20 June low – Strong

## NZDUSD – fundamental overview

**The New Zealand Dollar has managed to find its way back** to the topside this week, with the primary driver of flow coming from Wednesday's Fed Chair Powell testimony. The central banker's opinion that rate cuts were still necessary in light of persistently low inflation and downside risks associated with US administration trade policy and global growth, was more than enough to wipe away the post US NFP US Dollar rally from last Friday. There was some profit taking on the hotter Thursday US CPI reading, though dealers have been reporting bids into dips. Looking ahead, the market will be digesting some early Friday New Zealand PMI data and China trade, before taking in US producer prices later in the day.



## 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 initial level of major support comes in at 2729, with a break below to strengthen the outlook. A monthly close above 3000 would be required to compromise the outlook calling for a top.



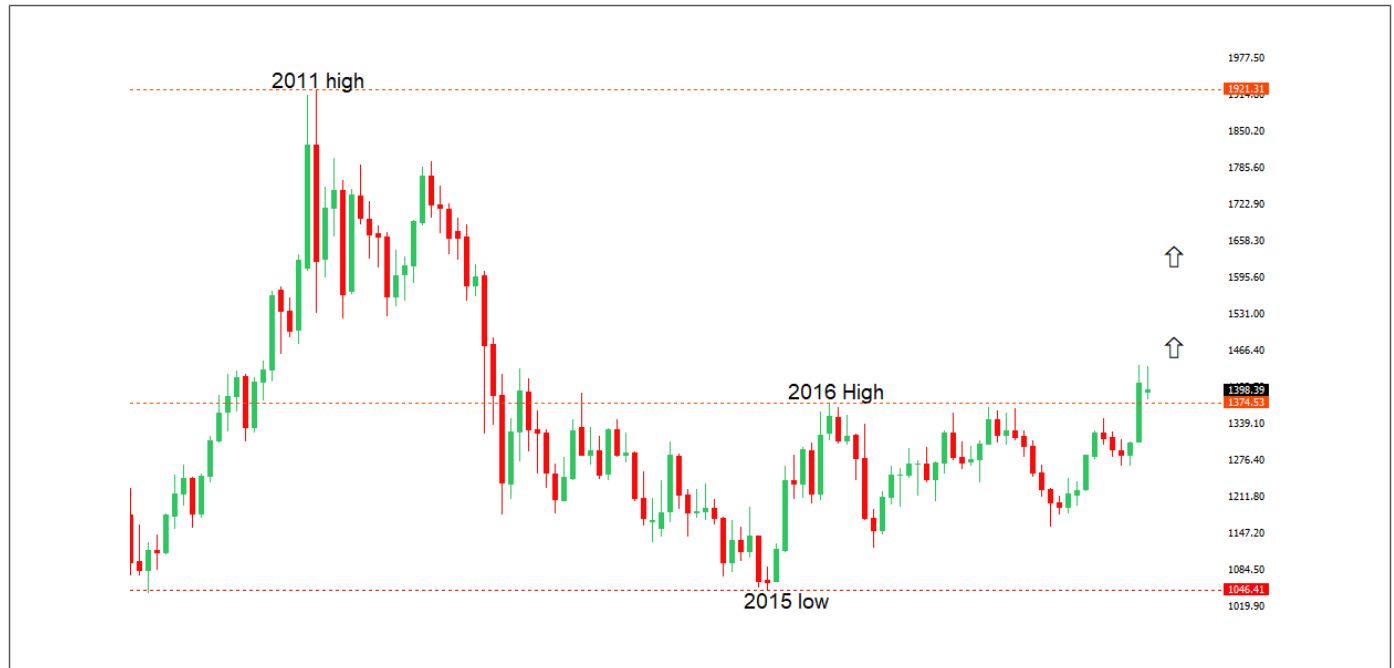
- **R2 3050** – Psychological – Strong
- **R1 3005** – 10 July/**Record high** – Medium
- **S1 2911** – 26 June low – Medium
- **S2 2867** – 13 June low – Strong

## US SPX 500 – fundamental overview

**Although we've seen the market extend to another record high** in 2019, on Fed signals of additional rate cuts, with so little room for additional easing, given an already depressed interest rate environment, the prospect for a meaningful extension of this record run, on easy money policy incentives, should no longer be as enticing to investors as it once was. Meanwhile, expected renewed tension on the global trade front, should continue to be a drag on investor sentiment. 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

The recent breakout above the 2016 high at 1375 was a significant development, and suggests the market is in the early stages of a bullish move that follows a multi-month consolidation. The next major level of resistance comes in around 1500, while in the interim, look for any setbacks to be well supported above 1300.



- **R2 1488** - May 2013 high - Strong
- **R1 1440** - 25 June/2019 high - Strong
- **S1 1358** - 20 June low - Medium
- **S2 1320** - 11 June 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, though the rally had resulted in extended technical readings after racing through 10k psychological barrier. Overall, look for additional upside to be limited for now, to allow for these technical readings to unwind some more from stretched readings, before the market considers that next meaningful push. Initial support comes in at 9,721, though ultimately, the structure remains constructive while above 7,000.



- **R2 14,335** - 15 January high (2018) - Strong
- **R1 13,748** - 26 June/2019 high - Medium
- **S1 9,721** - 2 July low - Medium
- **S2 8,935** - 19 June low - Strong

## BTCUSD - fundamental overview

Bitcoin is enjoyed a spectacular run in the second quarter of 2019, racing to fresh yearly highs, surging through 10k, on the back of increased adoption and a clear readiness for the investment community to welcome the new digital asset into the mainstream. The news of tech giants now turning towards a world of crypto transactions has given Bitcoin a major boost, with the latest moves over at Facebook, only serving to give crypto assets additional credibility. The market is going through a period of technical adjustment after the fierce run up, though we anticipate renewed demand from institutional players into dips.

## BTCUSD - Technical charts in detail

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## ETHUSD - technical overview

The recovery has recently accelerated to a fresh 2019 high, surging through medium-term resistance at 300 and back into critical previous support from back in 2018 around 355. The upside break suggests the market is now looking to establish a meaningful base, in favour of bullish structural shift. Still, shorter-term, the run was looking stretched and before we see that next major upside extension, expect rallies well capped, to allow extended readings to continue unwinding before the market gets going again. Initial key support comes in at 247, though ultimately, the structure remains constructive while above 200.



- **R2 363** - 26 June/**2019 high** - Strong
- **R1 318** - 9 July high - Medium
- **S1 260** - 9 July low - Medium
- **S2 246** - 10 June low - Strong

## ETHUSD - fundamental overview

There has been a lot more buzz around adoption following the Q2 2019 Bitcoin surge, with many mainstream names coming out in support of blockchain integration. Demand for web 3.0 applications is on the rise, and Ethereum is the blockchain with the biggest front end application potential. At the same time, profit taking in the aftermath of the rapid Q2 appreciation has triggered a healthy period of consolidation, while worry associated with fallout in the global economy, could be a theme that keeps the more risk correlated crypto asset weighed down, or at least underperforming relative to Bitcoin in the second half of the year.



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