

Tuesday, July 16, 2019

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# Global FX Insights

by LMAX Exchange Research & Analytics

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

## Tuesday calendar gets busy [Wake-up call](#)

Monday price action was rather subdued, though we did see another record print in US equity futures, relative weakness in the Pound, and an extension of the recovery runs in Aussie and Kiwi. Looking ahead, activity is expected to pick up, with Tuesday's calendar featuring a healthy amount of calendar risk.

[audio mp3="https://lemeaex2.files.wordpress.com/2019/07/16julylmaxaudio.mp3"][/audio]

### 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](#) Extends decline to fresh 2019 low
- [NZDUSD](#) Room to keep pushing higher
- [US SPX 500](#) Additional upside seen limited
- [GOLD](#) (spot) Into bullish consolidation phase
- [BTCUSD](#) Consolidating after big upside push
- [ETHUSD](#) Well capped for the time being

### Fundamental highlights

- [EURUSD](#) Eurozone and German ZEW readings
- [GBPUSD](#) UK employment and earnings due
- [USDJPY](#) Yen pauses for breather on light Monday
- [EURCHF](#) SNB policy faces major challenge ahead
- [AUDUSD](#) Aussie benefits from solid China data
- [USDCAD](#) Canada existing home sales miss
- [NZDUSD](#) Kiwi looks ahead to US retail sales
- [US SPX 500](#) Investors key in on Powell speech
- [GOLD](#) (spot) Macro players still buying dips in size
- [BTCUSD](#) Institutional demand expected on dips
- [ETHUSD](#) Ether exposed to global economy

## 5 Day Performance vs. US dollar



## Suggested reading

- [Citigroup Shows That Banks Can't Depend on Traders](#), B. Chappatta, **Bloomberg** (July 15, 2019)
- [Trump's Tariffs Against China are Working](#), R. Crawford, **Washington Examiner** (July 11, 2019)

# 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

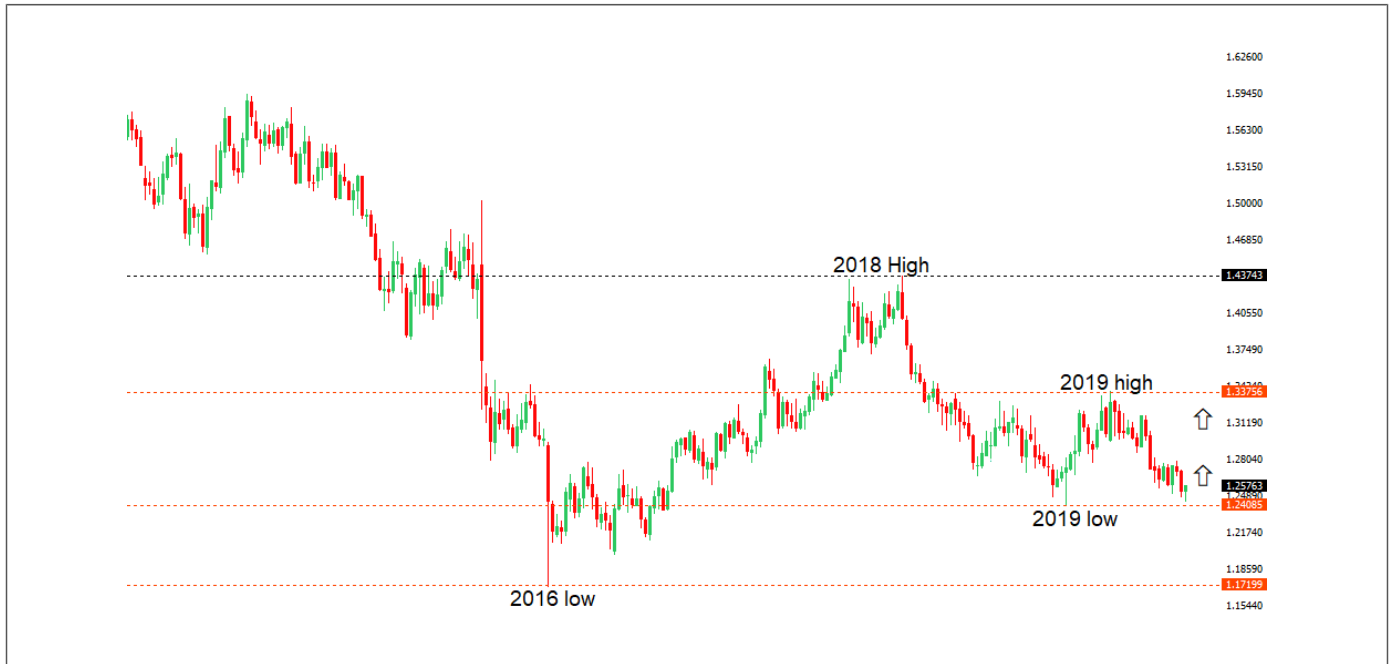
A slow start to the week, with Monday's super light economic calendar contributing to the lackluster trade. Tuesday's calendar is decidedly more active, which may have also helped to reconcile Monday's subdued market, with traders opting to sit tight ahead of the next wave of data and event risk. Key standouts on Tuesday come in the form of Eurozone trade, German and Eurozone ZEWs, US retail sales, industrial production, NAHB housing, business inventories and deluge of Fed speak, highlighted by Fed Chair Powell.

# 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 1.2649** - 2 July high - Strong
- **R1 1.2601** - 3 July high - Medium
- **S1 1.2498** - 11 July low - Medium
- **S2 1.2440** - 9 July low - Strong

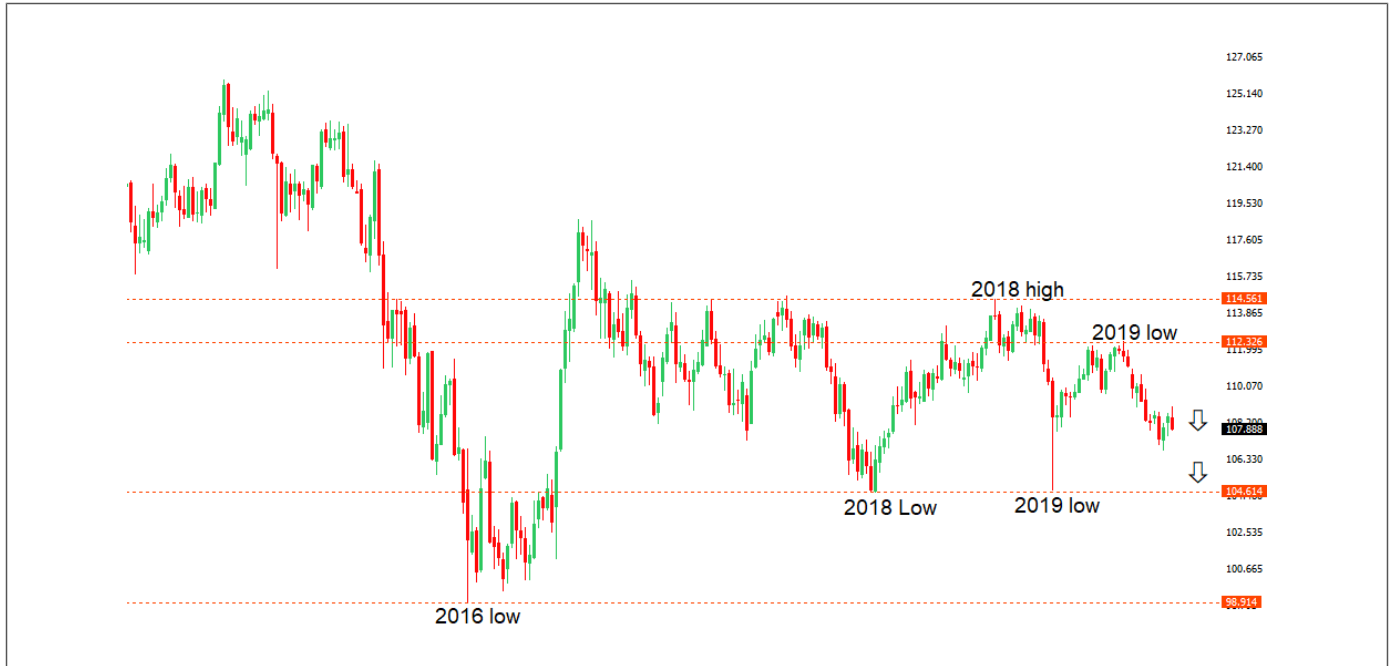
# GBPUSD - fundamental overview

The Pound was back on the defensive on Monday, with setbacks noticeable in an otherwise subdued day of trade. The weakness was attributed to ongoing stress associated with the Brexit outlook, with anti-Brexit campaigner Gina Miller saying she was ready to take the UK government to court again, if Boris Johnson made attempts to suspend Parliament in an effort to push through a no-deal Brexit. Tuesday's calendar is active. Key standouts come in the form of UK employment (highlighted by earnings), a BOE Carney appearance, US retail sales, industrial production, NAHB housing, business inventories and deluge of Fed speak, highlighted by Fed Chair Powell.

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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 109.00** - 10 July high - Medium
- **R1 108.61** - 12 July high - Strong
- **S1 107.71** - 4 July low - Medium
- **S2 107.53** - 3 July low - Strong

# USDJPY - fundamental overview

The major pair comes out of a subdued Monday session of trade and will be looking to take its next directional cues from a more active Tuesday calendar. Overall, the combination of an extended US equity market, once again looking poised for a pullback, a Federal Reserve committed to pushing forward with additional rate cuts, and a US administration pushing its soft US Dollar trade policy initiative, is a combination that warns of additional downside pressure in the major pair. On Monday, US empire manufacturing came out better than forecast, but didn't factor into price action. Tuesday's calendar is active. Key standouts come in the form of US retail sales, industrial production, NAHB housing, business inventories and deluge of Fed speak, highlighted by Fed Chair Powell.

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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.



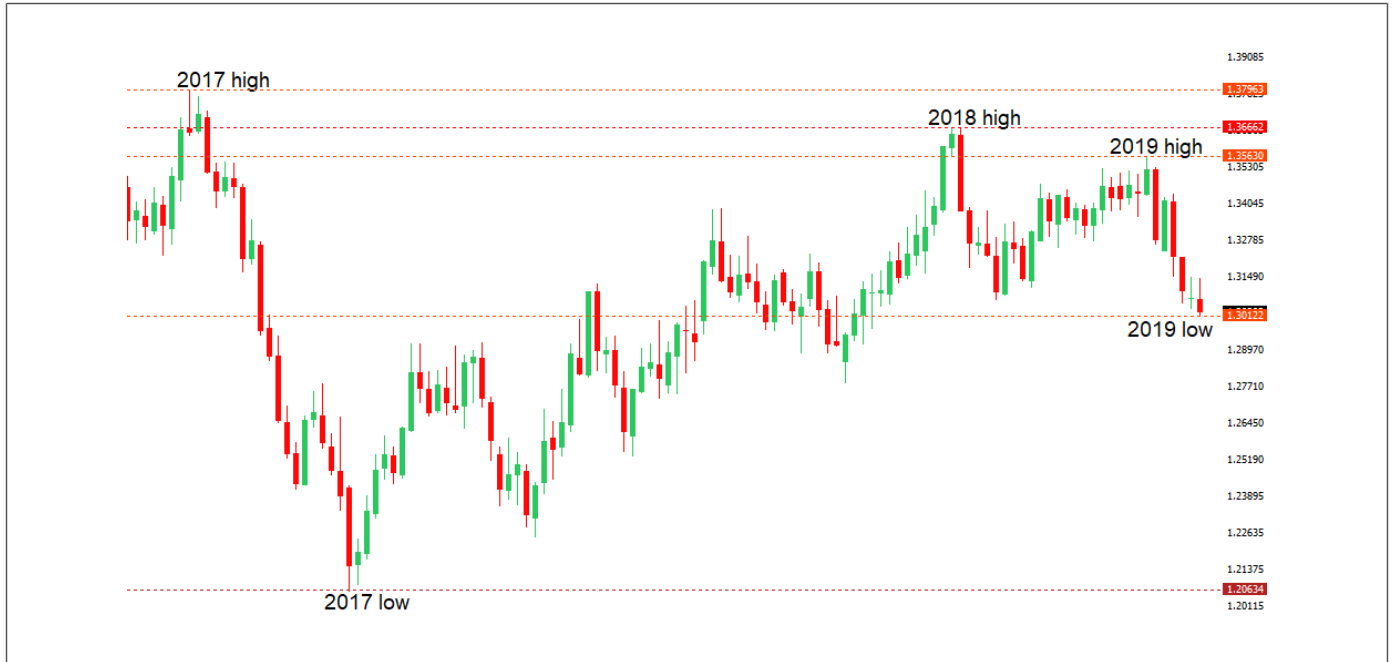
- **R2 0.7070** - 30 April high - Strong
- **R1 0.7049** - 7 May high - Medium
- **S1 0.6954** - 11 July low - Medium
- **S2 0.6911** - 10 July low - Strong

# AUDUSD - fundamental overview

The Australian Dollar has continued to build on positive momentum from the previous week, which came on the back of the communication from Fed Powell that more rate cuts are to be expected. Aussie has since benefited from an ongoing bid in commodities, record highs in US equities and the early Monday batch of solid first tier China reads. Monday's better than expected US empire manufacturing data didn't do much to factor into price action. Looking ahead, Tuesday's calendar is active. Key standouts come in the form of US retail sales, industrial production, NAHB housing, business inventories and deluge of Fed speak, highlighted by Fed Chair Powell.

# 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 1.3146**- 1 July high - Strong
- **R1 1.3100** - Figure - Medium
- **S1 1.3018** - 12 July/2019 low - Strong
- **S2 1.3000** - Psychological - Strong

# USDCAD - fundamental overview

Last week's combination of Fed Powell testimony flagging additional rate cuts, and a balanced Bank of Canada decision, was a combination that contributed the drive in the Canadian Dollar to fresh 2019 highs against the Buck. But on Monday, the Canadian Dollar took a hit, with the currency suffering from a pullback in the price of OIL and contrasting data. On Monday, Canada existing home sales disappointed, while US empire manufacturing exceeded expectation. Looking ahead, Tuesday's calendar is active. Key standouts come in the form of Canada portfolio investment stats, US retail sales, industrial production, NAHB housing, business inventories and deluge of Fed speak, highlighted by Fed Chair Powell.

# 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 projecting a measured move upside extension towards 0.7000, further strengthening the constructive outlook. The daily chart now shows the next confirmed higher low in place at 0.6568.



- **R2 0.6783** - 15 April high - Strong
- **R1 0.6735** - 15 July high - Medium
- **S1 0.6653** - 12 July low - Medium
- **S2 0.6568** - 10 July low - Strong

# NZDUSD - fundamental overview

**The New Zealand Dollar managed to find its way back** to the topside last 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 the week before. Kiwi has since extended its run this week, getting another boost from Monday's round of solid first tier China data. Of course, demand for commodities and record high US equities have also benefited the risk correlated currency. Tuesday's calendar is active. Key standouts come in the form of US retail sales, industrial production, NAHB housing, business inventories and deluge of Fed speak, highlighted by Fed Chair Powell.



## 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.



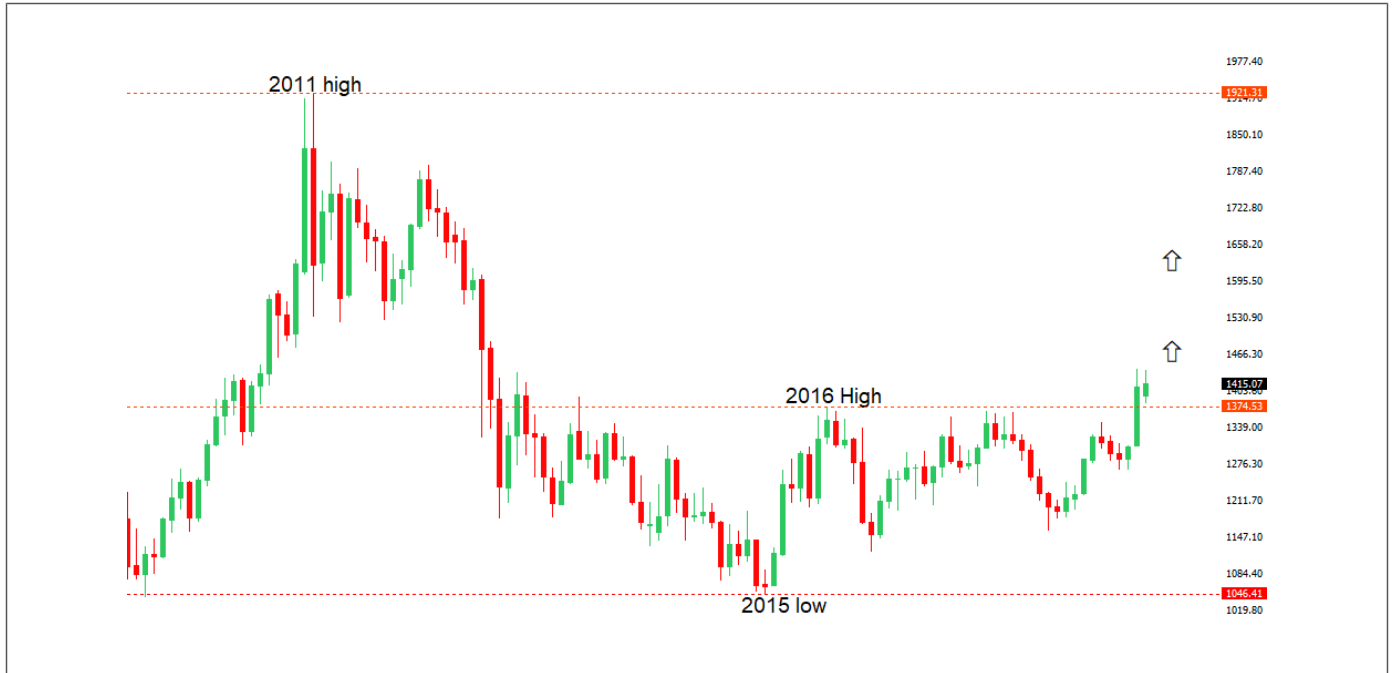
- **R2 3050** - Psychological - Strong
- **R1 3021** - 15 July/**Record high** - Medium
- **S1 2911** - 26 June low - Medium
- **S2 2867** - 13 June low - Strong

## 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

**Overall, look for additional upside to be limited** for now, as the market continues to consolidate, in the aftermath of a major surge in the second quarter of 2019. Any setbacks should be very well supported ahead of 7,000, with an eventual higher low sought out in favour of a bullish continuation back above the 2019 high at 13,748. Only a weekly close below 7,000 would compromise the constructive outlook.



- **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

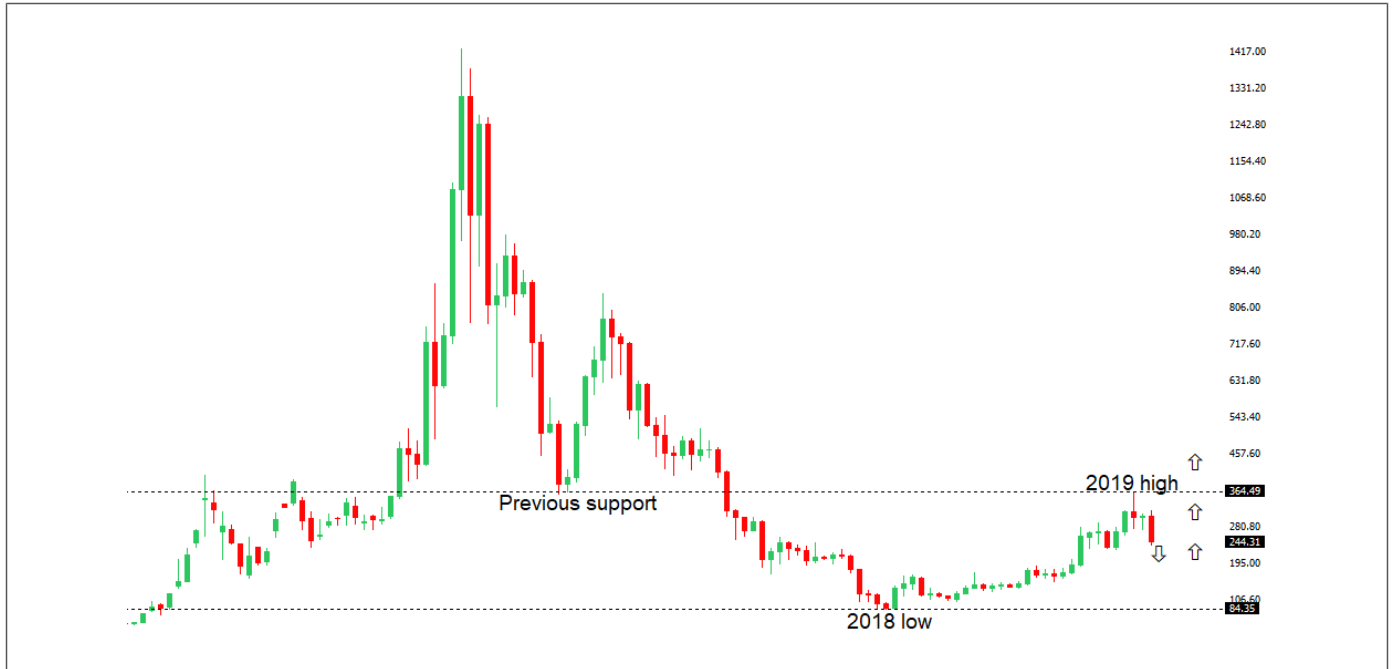
**Bitcoin enjoyed a spectacular run in the second quarter of 2019**, racing to fresh yearly highs, surging through 10k, on the back of increased adoption and a clear readiness for the investment community to welcome the new digital asset into the mainstream. The news of tech giants now turning towards 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. Some attribute recent weakness to criticism of the space from Fed Chair Powell and President Trump.

# BTCUSD - Technical charts in detail

[Watch now](#)

# ETHUSD - technical overview

The market is in the process of a major correction after a surge in the second quarter of 2019. Look for setbacks to be well supported above of 200 on a weekly close basis, in favour of the next major higher low and bullish resumption back towards and through the 2019 high up at 363. Ultimately, only a weekly close below 200 would compromise the constructive outlook.



- **R2 325** - 30 June high - Strong
- **R1 290** - 11 July high - Medium
- **S1 203** - 15 July low - Strong
- **S2 188** - 8 April High - 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 correction, while critique of cryptocurrencies from the likes of President Trump and Fed Chair Powell, along with worry associated with fallout in the global economy, could themes that keep 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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