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Global FX Insights

by LMAX Exchange Research & Analytics

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

US Dollar in Demand into Fed Week [Wake-up call](#)

We come into the new week with the US Dollar having reasserted itself, with a fresh wave a momentum, on the back of Friday's better-than-expected US industrial production data and an upward revision of US retail sales. ECB Draghi will be on the wires later today.

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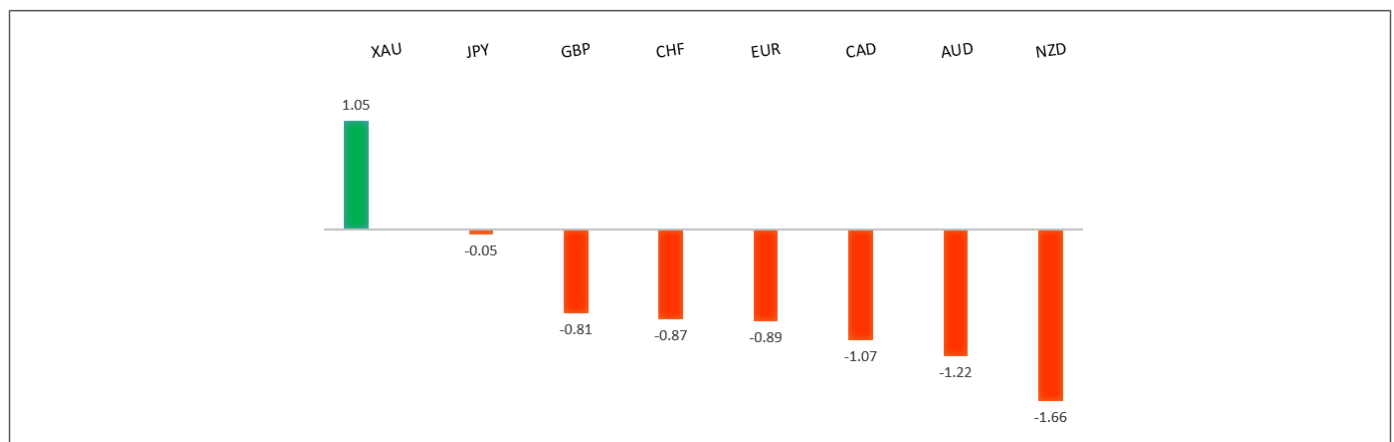
Technical highlights [Daily Video](#)

- [EURUSD](#) Support expected into dips
- [GBPUSD](#) Looking for major higher low
- [USDJPY](#) Room for additional decline
- [EURCHF](#) Below 1.1200 opens deeper dip
- [AUDUSD](#) Signs of longer term basing
- [USDCAD](#) Consolidates off yearly high
- [NZDUSD](#) Daily studies turning back up
- [US SPX 500](#) Lower top for next drop
- [GOLD \(spot\)](#) Higher low for next push
- [BTCUSD](#) Pushes to fresh 2019 high
- [ETHUSD](#) Risk for more consolidation

Fundamental highlights

- [EURUSD](#) ECB Draghi on the wires later today
- [GBPUSD](#) Boris Johnson resurrects Max-Fac solution
- [USDJPY](#) Getting mixed messages from markets
- [EURCHF](#) SNB's job a lot harder in 2019
- [AUDUSD](#) Aussie hit on calls for further rate cuts
- [USDCAD](#) Depressed OIL an added drag
- [NZDUSD](#) Kiwi manufacturing PMIs look ugly
- [US SPX 500](#) Investor risk appetite not as strong
- [GOLD \(spot\)](#) Macro players still buying dips
- [BTCUSD](#) Facebook moves give Bitcoin a bump
- [ETHUSD](#) Underperforms on global macro risk

Five Day performance v. US dollar



Suggested reading

- [Fed's Powell Can't Avoid Making Waves](#), J. Authers, **Bloomberg** (June 17, 2019)
- [Talk of Italy's Parallel Currency Worrying EZ](#), M. Sandbu, **Financial Times** (June 14, 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 1.1290** - 14 June high - Strong
- **S1 1.1200** - 6 June low - Strong
- **S2 1.1160** - 3 June low - Medium

EURUSD - fundamental overview

The Euro came under intensified pressure this past Friday, on the back of broad US Dollar demand from the better than expected US data, in the form of industrial production and retail sales. Meanwhile, added concerns about Eurozone growth, ongoing subdued inflation in the zone and the Italian spat with the EU, are all adding further weight on the single currency. At the same time, dealers continue to report demand into dips, with medium term players more inclined to play the soft Dollar outlook side, when considering growing expectations for a Fed rate cut, and a US administration intent on weakening the Buck through its protectionist trade policy. Looking at today's calendar, key standouts come in the form of US empire manufacturing and a speech from ECB Draghi.

EURUSD - Technical charts in detail

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GBPUSD - technical overview

The major pair has stumbled since putting in an impressive recovery off the multi-month low in early January. Still, the broader recovery still helps to support the case for a longer-term developing uptrend off the 2016 low. Pullbacks are now viewed as corrective on the daily chart, with dips expected to be supported well ahead of the yearly low in the 1.2400s. Look for a weekly close back above 1.3000 to strengthen the outlook.



- **R2 1.2682** - 14 June high - Strong
- **R1 1.2653** - 10 June low - Medium
- **S1 1.2560** - 31 May low - Strong
- **S2 1.2500** - Psychological - Strong

GBPUSD - fundamental overview

The Pound had already come under pressure last week, on the back of renewed concerns about the prospect for a hard Brexit in the Fall, with Boris Johnson at the helm. Johnson's talk on rehashing the Max-Fac proposal to the Irish border solution, has only made the market all the more nervous, as the EU has already said it will not be reopening the books as far as the deal goes. Meanwhile, the latest broad based run of US Dollar demand has been intense, with the Pound suffering on that side of the coin, on the back of last Friday's better than expected US retail sales and industrial production readings. Still, dealers continue to report demand into dips, with medium term players more inclined to play the soft Dollar outlook side, when considering growing expectations for a Fed rate cut, and a US administration intent on weakening the Buck through its protectionist trade policy. Looking at today's calendar, US empire manufacturing is the only notable standout on Monday's calendar.

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USDJPY - technical overview

Another topside failure has led to a sharp pullback, with the market unable to establish above a formidable resistance zone in the 112s. The recent drop back below 110.00 strengthens the bearish case, exposing the next major downside extension towards a retest of the January flash crash low in the 104s. Any rallies should now be well capped below 111.00, with only a break back above the yearly high at 112.40 to delay the bearish outlook.



- **R2 109.93** - 30 May high - Strong
- **R1 108.80** - 11 June high - Medium
- **S1 108.00** - Figure - Medium
- **S2 107.81** - 5 June low - Strong

USDJPY - fundamental overview

Overall, most of the movement in the major pair is being directed by investor appetite, with the Yen still tracking with traditional correlations. We had seen some demand for the major pair on the back of the wave of US Dollar inflow from Friday's round of better than expected industrial production and retail sales data, yet optimism from this run has been offset as US protectionist communications ramp up and geopolitical tension are on the rise. This in conjunction with expectations for a Fed rate cut, are keeping the major pair well capped into rallies. Looking at the calendar, US empire manufacturing data is the only notable standout.

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EURCHF - technical overview

The latest breakdown below critical range support in the 1.1200 area, has opened the door for an acceleration of declines that targets a move back towards initial support in the form of the 1.1000 psychological barrier. The market is trading at its lowest level 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.



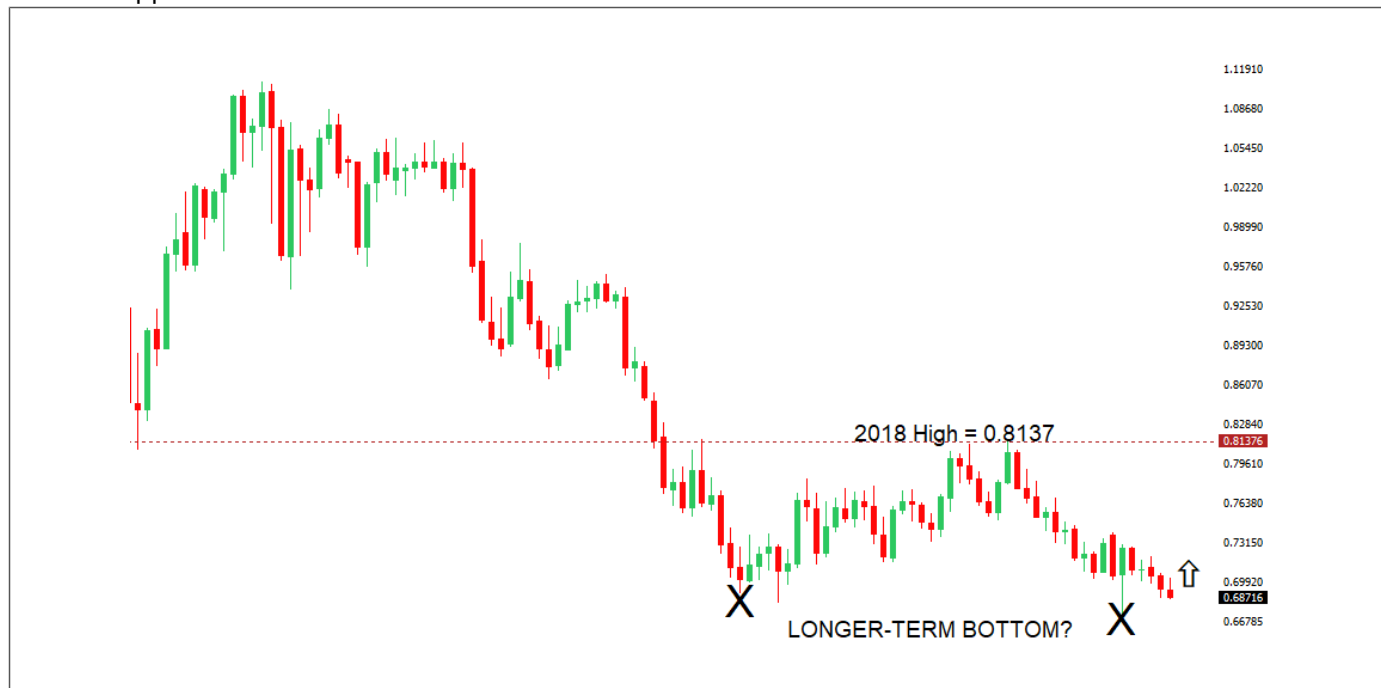
- **R2 1.1279** - 28 May high - Strong
- **R1 1.1265** - 12 June high - Medium
- **S1 1.1120** - 3 June/2019 low - Medium
- **S2 1.1100** - Figure - Medium

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 0.7023 to strengthen this outlook. In the interim, look for setbacks to continue to be well supported ahead of 0.6800.



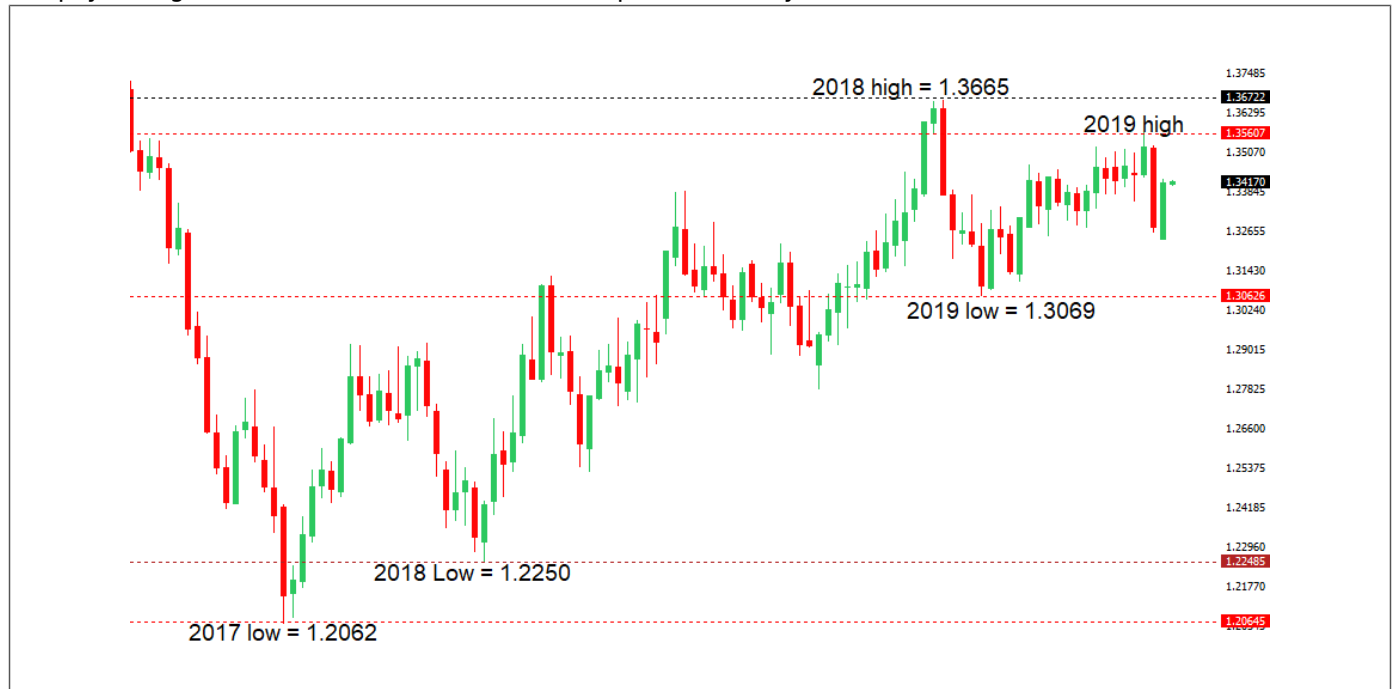
- **R2 0.6939** - 13 June high - Strong
- **R1 0.6900** - Figure - Medium
- **S1 0.6862** - 14 June low - Medium
- **S2 0.6800** - Figure - Strong

AUDUSD - fundamental overview

The Australian Dollar has been weighed down over the past several sessions, on the back of a combination of softer Aussie data, calls from major Aussie banks for additional RBA rate cuts, and broad US Dollar inflows following last Friday's solid US retail sales and industrial production prints. Still, overall, the Australian Dollar has been well supported into dips from medium term accounts. These players are more focused on the impact of soft Dollar US trade policy and growing expectations for a Fed rate cut. Looking at the calendar, US empire manufacturing is the only notable release for the remainder of the day.

USDCAD - technical overview

Despite breaking to a fresh yearly high in recent sessions, overall, the market has entered a period of choppy consolidation in 2019. However, the longer-term structure remains constructive, with dips expected to be well supported for fresh upside back above the 2018/multi-month high at 1.3665. Back below the psychological barrier at 1.3000 would be required to delay the outlook.



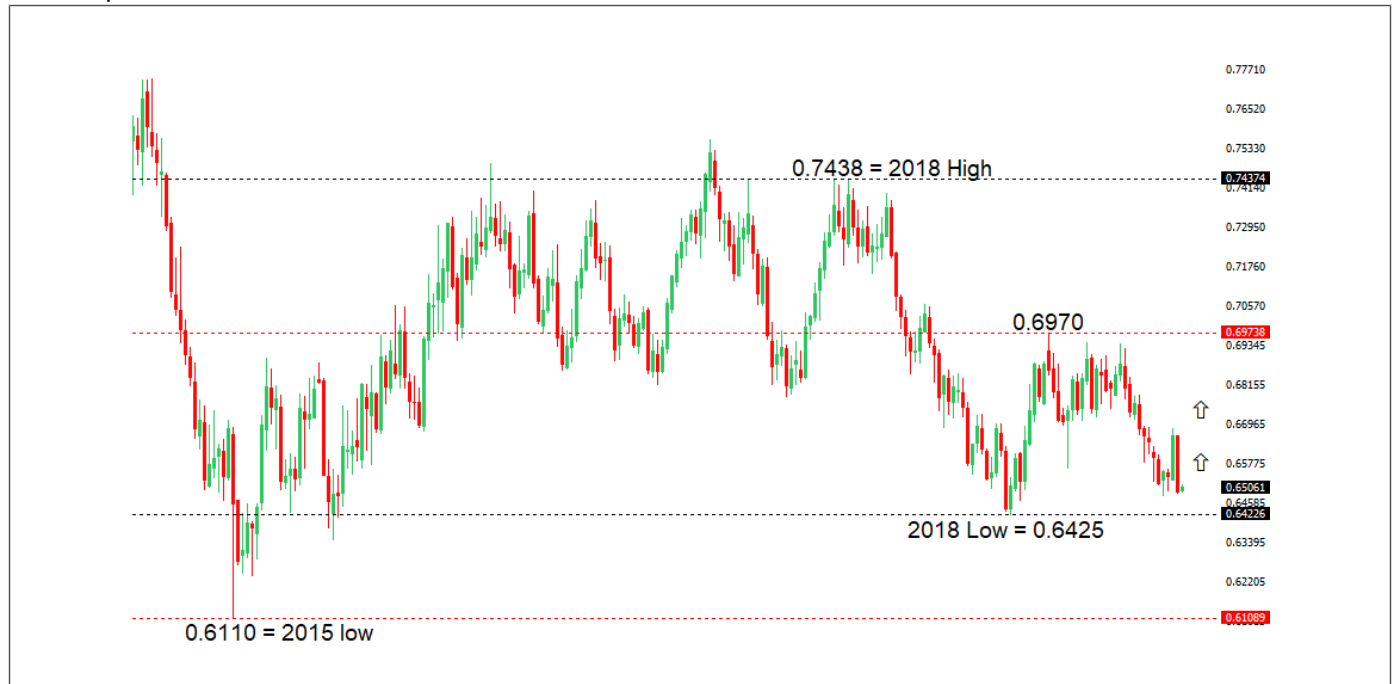
- **R2 1.3500** - Psychological - Strong
- **R1 1.3431** - 6 June high - Medium
- **S1 1.3324** - 14 June low - Strong
- **S2 1.3239** - 10 June low - Strong

USDCAD - fundamental overview

Plenty of selling in the Canadian Dollar of late, with the Loonie hit on a combination of variables including a more dovish Bank of Canada, depressed OIL prices, and this latest US Dollar demand from last Friday's solid US retail sales and industrial production prints. At the same time, setbacks have been finding support (USDCAD offers), with many medium to longer term accounts focused on emerging themes of ramped up soft US Dollar trade policy and increased prospects for a Fed rate cut. Looking at the calendar for today, absence of first tier data out of Canada will leave the focus US empire manufacturing.

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. At the same time, a push back above 0.6700 will be required to take pressure off the downside.



- **R2 0.6612** - 11 June high - Medium
- **R1 0.6588** - 13 June high - Medium
- **S1 0.6489** - 14 June low - Medium
- **S2 0.6482** - 23 May/2019 low - Strong

NZDUSD - fundamental overview

Kiwi has done a good job holding up into dips, despite downside pressure from a run of softer local data, downgrades to NZ growth and a clear dovish shift in RBNZ policy that had resulted in a rate cut last month. The market has even held up well, averting a drop to a fresh 2019 low, despite Friday's softer NZ manufacturing PMI reads and strong US prints from industrial production and retail sales. It seems the impact of US administration soft Dollar trade policy is playing a bigger role as we head towards the second half of the year. We've also been hearing more talk of a possible rate cut from the Fed, further supporting Kiwi dips, despite all of the Kiwi negative drivers. Looking at the calendar, US empire manufacturing is the only notable standout.

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 around 2600, with a break below to strengthen the outlook. A sustained move above 3000 would be required to delay.



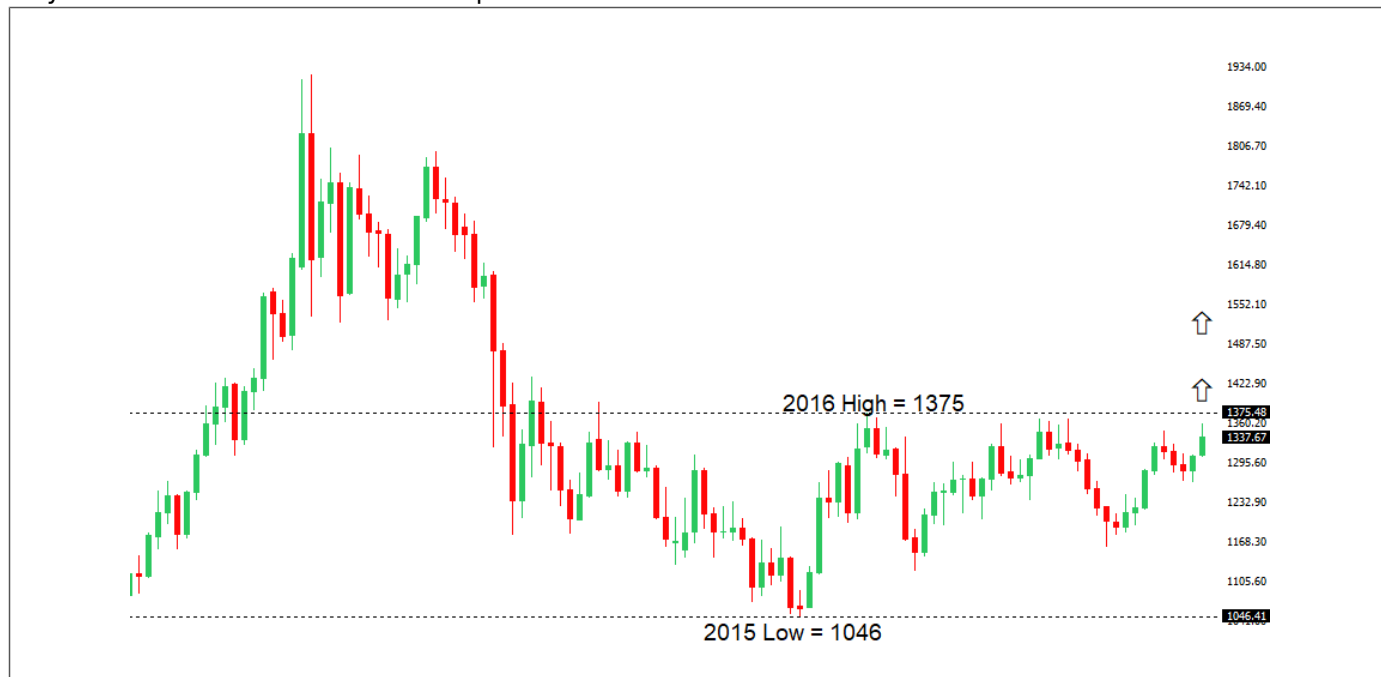
- **R2 2960** - 2019/Record high - Strong
- **R1 2911** - 11 June high - Medium
- **S1 2801** - 5 June low - Medium
- **S2 2729** - 3 June low - Strong

US SPX 500 - fundamental overview

Although we've seen the market extend to another record high in 2019, exhausted monetary policy tools post 2008 crisis suggest the prospect for a meaningful extension of this record run at this point in the cycle is not realistic. Meanwhile, ramped up 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

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 a recovery out from sub-1200 levels can extend back through big resistance in the form of the 2016 high at 1375. In the interim, look for setbacks to be well supported, with only a close back below 1250 to compromise the constructive outlook.



- **R2 1363** - 2018 high - Strong
- **R1 1358** - 14 June/2019 high - Medium
- **S1 1320** - 11 June low - Medium
- **S2 1266** - 23 April/2019 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 has resulted in extended technical readings after racing through the July 2018 peak at 8,500. Next key resistance comes in at the 10k psychological barrier. Overall, look for additional upside to be limited for now, to allow for these technical readings to unwind from stretched readings, before the market considers a meaningful push beyond 10k. Setbacks should ideally be supported ahead of 6,000.



- **R2 9,979** - April 2018 high - Strong
- **R1 9,380** - 16 June/2019 high - Medium
- **S1 7,447** - 6 June low - Strong
- **S2 7,000** - 17 May low - Strong

BTCUSD - fundamental overview

Bitcoin is enjoying a nice run in the second quarter of 2019, with the crypto asset racing to fresh yearly highs and trading towards 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 major tech giants now turning towards a world of crypto transactions has been a major boost over the past week, with a lot of the headlines surrounding moves over at Facebook.

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 255 and exposing next key resistance at 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 is looking stretched and before we see that test of 355, we could see rallies well capped, to allow for extended readings to unwind before the market gets going again. Setbacks should now be well supported into the 200 area.



- **R2 300** - Psychological - Strong
- **R1 289** - 31 May/2019 high - Medium
- **S1 226** - 10 June low - Medium
- **S2 200** - Psychological - Strong

ETHUSD - fundamental overview

There has been a lot more buzz around adoption as the price of Bitcoin surges, with many mainstream names coming out in support of blockchain integration. Demand for web 3.0 applications is on the rise, and the blockchain with the biggest front end application potential is Ethereum. We've started to see some catch up as well, with ETH finding relative strength off cycle lows versus its older cousin. At the same time, worry associated with fallout in the global economy, is worry that should weigh more heavily on risk correlated crypto assets like ETH. And considering the possibility an overextended Bitcoin runs into profit taking, there is risk we soon see a healthy adjustment back to the downside.



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