

# Global FX Insights

by LMAX Exchange Research & Analytics

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

## Sour Grapes for Risk Assets 🔊 [Wake-up call](#)

There's been a clear deterioration in sentiment as we head into year end, with US equities sinking to fresh 2018 lows. Investors are still expecting another hike from the Fed tomorrow and are expressing their displeasure, with the prospect of another rate increase that will make valuations that much harder to justify.

Audio Player00:0000:0000:00Use Up/Down Arrow keys to increase or decrease volume.

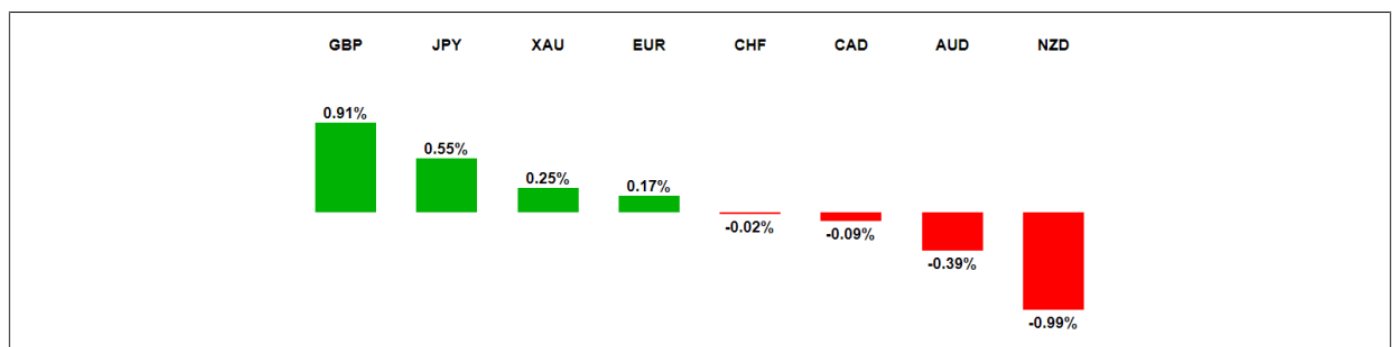
### Technical highlights ▶ [Daily Video](#)

- [EURUSD](#) Waiting for next big break
- [GBPUSD](#) Setbacks classified as corrective
- [USDJPY](#) Risk for another topside failure
- [EURCHF](#) No directional insight at moment
- [AUDUSD](#) Setbacks could be supported
- [USDCAD](#) Well offered into resistance
- [NZDUSD](#) Stalls out ahead of key barrier
- [US SPX 500](#) Room for much larger drop
- [GOLD](#) (spot) Slowly working to bullish break
- [BTCUSD](#) Eyes September 2017 low
- [ETHUSD](#) Extension target at 75

### Fundamental highlights

- [EURUSD](#) German IFO readings digested
- [GBPUSD](#) UK PM remains steadfast
- [USDJPY](#) Yen demand picks up in risk off
- [EURCHF](#) SNB headache as risk comes off
- [AUDUSD](#) No surprises from RBA Minutes
- [USDCAD](#) Loonie suffers from OIL weakness
- [NZDUSD](#) Kiwi outperforms on strong data
- [US SPX 500](#) Fed model front and centre
- [GOLD](#) (spot) Plenty of institutional demand
- [BTCUSD](#) Bitcoin vulnerable in current backdrop
- [ETHUSD](#) Eth exposed to global downturn

## 5-Day Performance v. US dollar

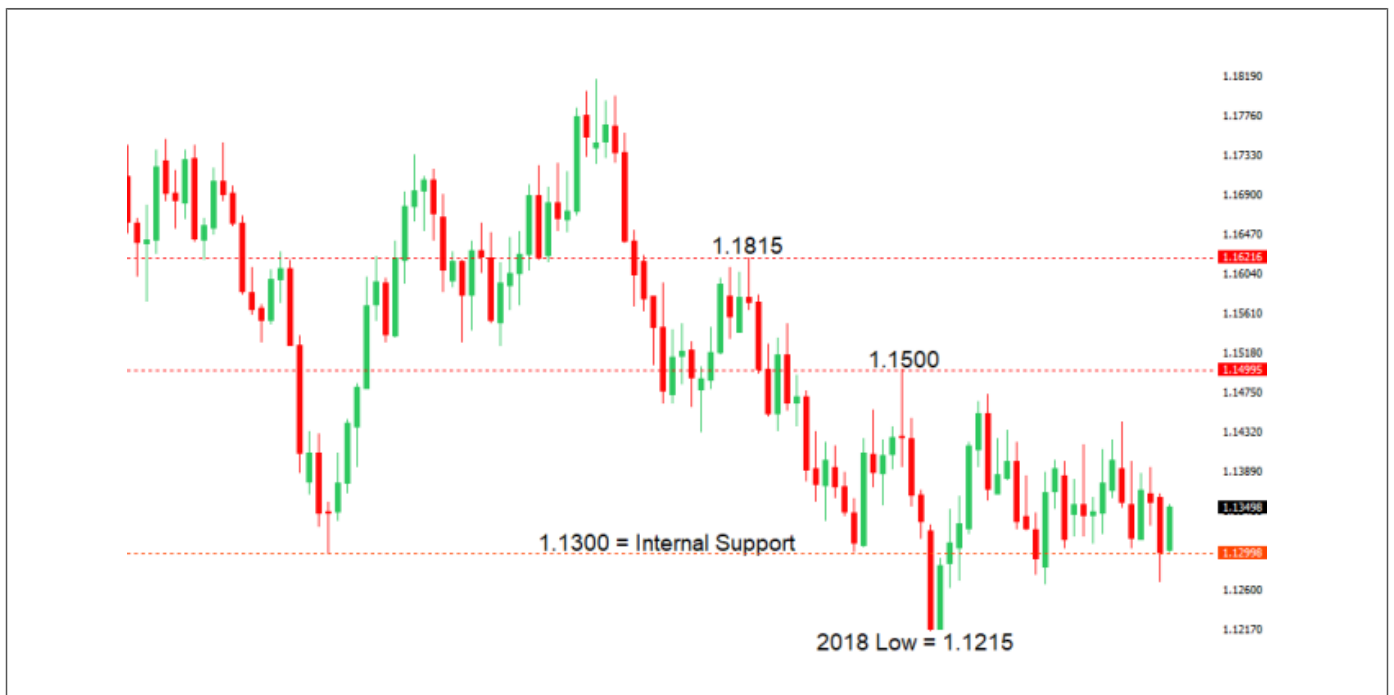


## Suggested reading

- [Bulls v. Bears - Guide to the World Economy 2019](#), E. Curran, **Bloomberg** (December 16, 2018)
- [OIL Price Volatility in Three Charts](#), A. Raval, **Financial Times** (December 14, 2018)

## EURUSD - technical overview

The Euro sits at a critical inflection point right now, trying to figure out whether it wants to hold up into dips for the start to a resumption of that bullish breakout from back in 2017 that led to a +3 year high earlier this year, or if it wants to keep extending this run of declines. A lot of this will hinge on how the market trades in the sessions ahead. If the major pair can hold up above 1.1268 and push through 1.1473, it sets the stage for a bigger bullish move ahead. If however the market breaks back down below 1.1268, it will open the door for a retest of the 2018 low, below which exposes the possibility for an extension all the way down to 1.0800.



- **R2 1.1444** - 10Dec high - Strong
- **R1 1.1394** - 14Dec high - Medium
- **S1 1.1268**- 28Nov low - Strong
- **S2 1.1217** - 13Nov/2018 low - Strong

## EURUSD - fundamental overview

Latest reports out of Italy still showing distance with the EU, to the tune of EUR3 billion, on the reduction of the structural deficit. But overall, things have been moving in a better direction and the Euro has been trying to find some support off the 2018 low. Meanwhile, market participants have begun position adjusting ahead of tomorrow's Fed decision. As far as today goes, we get German IFO readings, along with US housing starts and building permits.

## EURUSD - Technical charts in detail

## GBPUSD - technical overview

The latest breakdown below 1.2660 has opened the door for a bearish continuation that could ultimately invite a retest of the +30 year low from October 2016 at 1.1840. However, at this stage, we still view the pullback in 2018 as a correction within a developing uptrend off the 2016 low and will be looking for a higher low to carve out well ahead of 1.1840, in favour of a push back to the topside. For this to play out, the market will ideally need to hold above some meaningful support in the 1.2300s. The 78.6% fib retrace off the major 2016 high to low move, which comes in at 1.2385 is the next big level below. A break back above 1.2760 will now be required to take the immediate pressure off the downside.



- **R2 1.2760** - 10Dec high - Strong
- **R1 1.2687** - 13Dec high - Medium
- **S1 1.2478** - 12Dec/2018 low - Medium
- **S2 1.2385** - 78.6% of 2016-2018 - Strong

## GBPUSD - fundamental overview

Theresa May has rejected the option of extending Article 50 and remains steadfast in her approach, at least publicly for the time being. There have been reports of the UK government soliciting legal advice on extending Article 50. The UK Cabinet will be meeting today and the expectation is for additional preparations to be made for a no deal. As far as the calendar goes, absence of first tier data will leave the focus on Brexit and some US releases that feature housing starts and building permits.

## GBPUSD - Technical charts in detail

## USDJPY - technical overview

**Rallies continue to be very well capped** on a medium-term basis, with the outlook still favouring lower tops and lower lows. Look for the next major downside extension towards critical support around 109.75. Ultimately, only a break back above 114.75 would negate the bearish outlook. Below 111.38 strengthens the bearish outlook.



- **R2 114.22** - 12Nov high - Strong
- **R1 113.72** - 13Dec high - Medium
- **S1 112.48** - 18Dec low - Medium
- **S2 112.25** - 6Dec low - Strong

## USDJPY - fundamental overview

**The major pair is correlating with the bigger picture drivers**, with US Dollar yield differentials and risk sentiment dictating the flow. Renewed downside pressure in the US equities market has been capping USDJPY in recent weeks, while an expectation the Fed could deviate from a more hawkish course in 2019 is also weighing. Looking ahead, we get US housing starts and building permits, while the market will also start to position into tomorrow's Fed decision.

[Watch now](#)

# EURCHF - technical overview

The market has been in the process of consolidating off the 2018 low, 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 1.1200 would be quite bearish.



- **R2 1.1435**- 16Nov high - Strong
- **R1 1.1359** - 22Nov high - Medium
- **S1 1.1224** - 18Sep 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 between now and year end, 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

Despite shorter term setbacks, medium-term technical studies have been turning back up, with the recent break back above 0.7300 suggesting a meaningful base could be in the process of carving out. This puts the shorter-term pressure back on the topside, with dips expected to be supported ahead of 0.7100 for a push to the psychological barrier at 0.7500. A drop below 0.7100 would be required to negate the bottoming outlook.



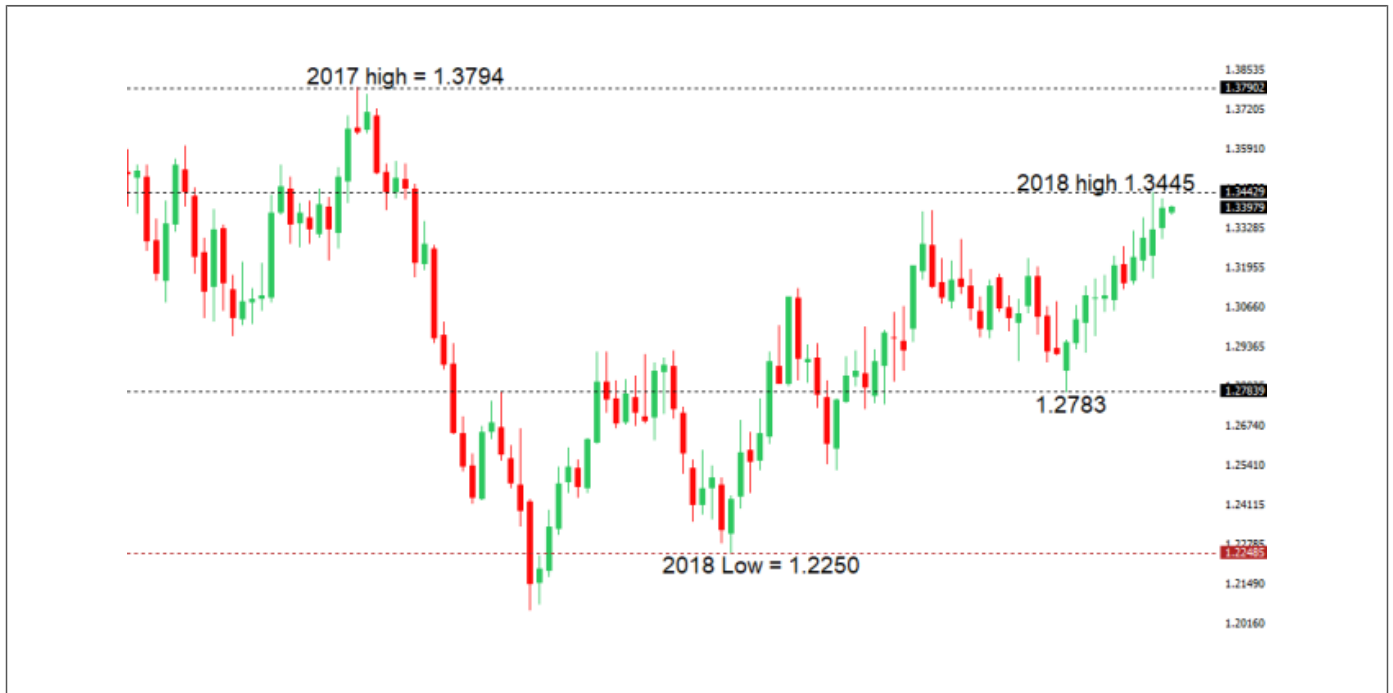
- **R2 0.7394** - 4Dec high - Strong
- **R1 0.7274** - 6Dec high - Medium
- **S1 0.7152** - 14Dec low - Medium
- **S2 0.7123** - 30Oct high - Strong

## AUDUSD - fundamental overview

While the Australian Dollar has been contending with risk off flow, the currency has found offsetting demand on the emergence of profit taking on long US Dollar exposure into year end. Though the Fed is expected to raise rates tomorrow, the market is expecting the 2019 outlook to be less restrictive. Commodity prices are also starting to firm up, and the outlook for the Australian economy is leaning to the optimistic side. Earlier today, the RBA Minutes were out and failed to produce any surprises. Looking ahead, we get US housing starts and building approvals.

# USDCAD - technical overview

The market has been consistently sold into rallies ahead of 1.3500, which could still invite a deeper decline before the next upside extension gets underway. Still, look for any weakness to be well supported, with only a break back below 1.2700 to negate the bigger picture constructive outlook.



- **R2 1.3500** - Psychological - Strong
- **R1 1.3445** - 6Dec/2018 high - Medium
- **S1 1.3253** - 5Dec low - Medium
- **S2 1.3161** - 3Dec low - Strong

# USDCAD - fundamental overview

The Canadian Dollar has come under a lot of pressure over the past several weeks on the back of a massive slide in the price of OIL. The commodity has since stabilised, though the setbacks are worrying and have continued to weigh on the Loonie. Meanwhile, a deterioration in risk sentiment into the end of the year poses additional downside risk to the Loonie. There has been some renewed downside pressure in the US Dollar on the expectation the Fed will look to pause in 2019, which has mitigated the Loonie's decline somewhat. Looking ahead, we get Canada manufacturing shipments, US housing starts and US building permits.

## NZDUSD - technical overview

The market has been in the process of recovering out from +2.5 year lows and is looking to extend the correction following the latest break back above consolidation resistance around 0.6725. This sets the stage for a push back above the psychological barrier at 0.7000. Look for setbacks to be supported above 0.6700 on a close basis, with only a daily close back below the figure to negate the recovery outlook.



- **R2 0.7000** - Psychological - Strong
- **R1 0.6970** - 4Dec high - Medium
- **S1 0.6754** - 27Nov low - Medium
- **S2 0.6707** - 12Nov low - Strong

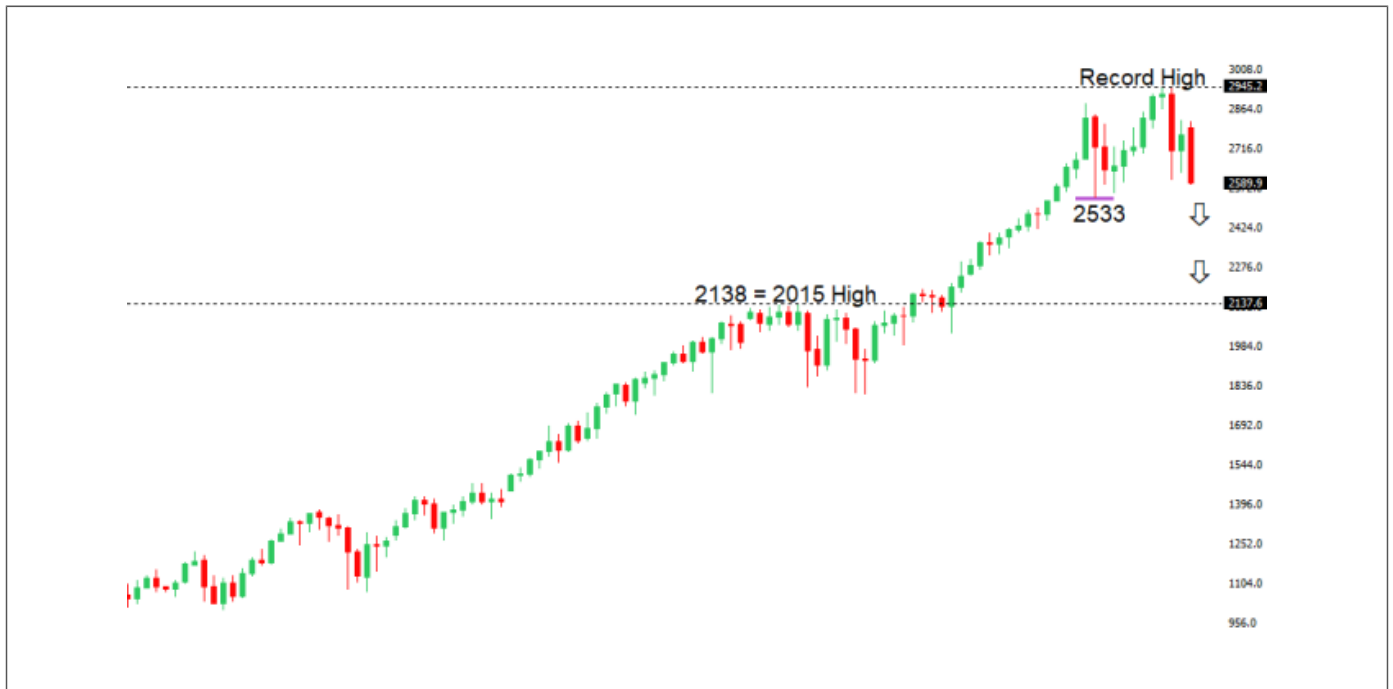
## NZDUSD - fundamental overview

The New Zealand Dollar is back on the bid and outperforming on Tuesday. The commodity currency is shrugging off downside pressure in stocks, instead deferring to profit taking on USD longs ahead of tomorrow's Fed decision, and today's much better New Zealand business confidence and business activity readings. Looking ahead, we get US housing starts and building approvals.



## US SPX 500 - technical overview

A market that has been extended on the monthly chart is at risk for a major correction, with the possibility for a massive topping formation. Any rallies should now continue to be very well capped ahead of 3000, in favour of renewed weakness back below the 2530 area yearly low (neckline) and towards a retest of strong longer-term resistance turned support in the form of the 2015 high at 2140. Only a weekly close above 3000 would negate the outlook.



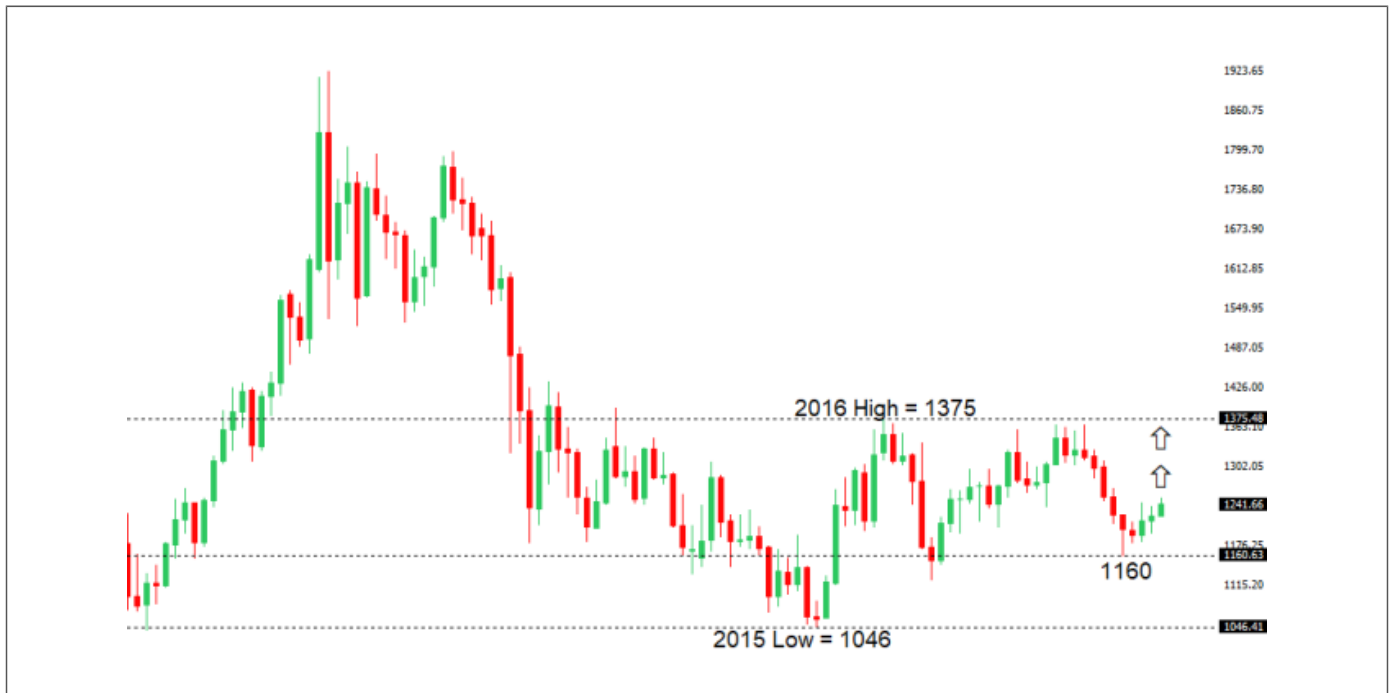
- **R2 2824** - 17Oct high - Strong
- **R1 2700** - Figure - Medium
- **S1 2584** - 10Dec low - Strong
- **S2 2533** - 6Feb/2018 low - Medium

## US SPX 500 - fundamental overview

**Investor immunity to downside risk** is not as strong these days. The combination of Fed policy normalisation, US protectionism, ongoing White House drama and geopolitical tension are all warning of capitulation ahead, despite this latest run to record highs. The Fed has also finally acknowledged inflation no longer running below target in 2018, something that could very well result in even less attractive equity market valuations into 2019, given the implication on rates. We recommend keeping a much closer eye on the equities to ten year yield comparative going forward, as this could be something that inspires a more aggressive decline in the fourth quarter.

## GOLD (SPOT) - technical overview

The market has been showing signs of wanting to turn back up on the daily chart. There are also 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 ahead of 1200, with only a close back below 1150 to compromise the constructive outlook. A daily close above 1250 will strengthen the outlook.



- **R2 1266** - 9Jul high - Strong
- **R1 1251** - 10Dec high - Medium
- **S1 1196** - 13Nov low - Medium
- **S2 1160** - 16Aug/2018 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

---

**An extended period of range contraction** has come to an end, with the market breaking down below the apex of a massive triangle formation in 2018. The decline has resulted in fresh yearly lows and warns of a deeper setbacks that could accelerate to the September 2017 low at 2,975. At this stage, it would take a break back above previous support in the 6,000 area to take the pressure off the downside.



- **R2 5,050** - 20Nov high - Strong
- **R1 4,480** - 29Nov high - Strong
- **S1 3,212**- 15Dec/2018 low -Medium
- **S2 2,975** - Sep 2017 low - Very Strong

## BTCUSD - fundamental overview

---

**Bitcoin is facing intense headwinds** from broader risk liquidation themes and has sunk to fresh 2018 lows. The cryptocurrency has already been struggling to find its place in 2018, with the decentralised technology space still very young and yet to fully prove concept. The current backdrop of global sentiment deterioration only makes things more challenging in the space and we are seeing investors head for the exits as a result. This could open a bigger drop below \$3,000 before the market looks for stability. 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 once this sell-off plays out.

## BTCUSD - Technical charts in detail

---

## ETHUSD - technical overview

The market remains under pressure in 2018, extending its run of intense declines to fresh 2018 lows below 100. Medium term studies are however stretched, which could warn of the start to a correction. Still, it would take a break back above 165 right now to take the pressure off the downside. The next major downside extension target comes in at a 75, a measured move extension target following a recent \$90 consolidation between 165 and 255.



- **R2 165** - Previous Support - Strong
- **R1 128** - 28Nov high - Strong
- **S1 83** - 7Dec/2018 low - Medium
- **S2 75** - Measured Move - Strong

## ETHUSD - fundamental overview

Overall, we've seen quite a bit of weakness in the price of Ether in 2018 and there's still legitimate risk for deeper setbacks below \$100, given technical hurdles within the protocol, ongoing regulatory challenges and a global macro backdrop exposing risk correlated projects on the Ethereum blockchain. Monetary policy normalisations around the globe and an anticipated reduction in global risk appetite are placing a tremendous strain on ERC20 projects that have yet to even produce proper use cases and proof of concept. At the same time, longer term prospects are looking quite bright and we expect significant demand will emerge well ahead of \$50.

## Share this:

- [Press This](#)
- [Page 12 of 15](#)
- [Twitter](#)

- [Facebook](#)
- [Google](#)

## Like this:

---

Like Loading...

## ***Related***

---

[The Last Full Week of Trade](#)In "daily"

[The Pound Has Held Up Quite Well Considering](#)In "daily"

[Risk Appetite Deteriorating into Weekend](#)In "daily"



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.

