

Global FX Insights

by LMAX Exchange Research & Analytics

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

Theresa May Still Trying to Work it Out 🔊 [Wake-up call](#)

We come into Wednesday with the US Dollar mostly under pressure and the Pound outperforming. The Dollar weakness has confounded many, especially after Tuesday's run of Euro data left much to be desired. Looking ahead, we get Eurozone consumer confidence and the Fed Minutes later in the day.

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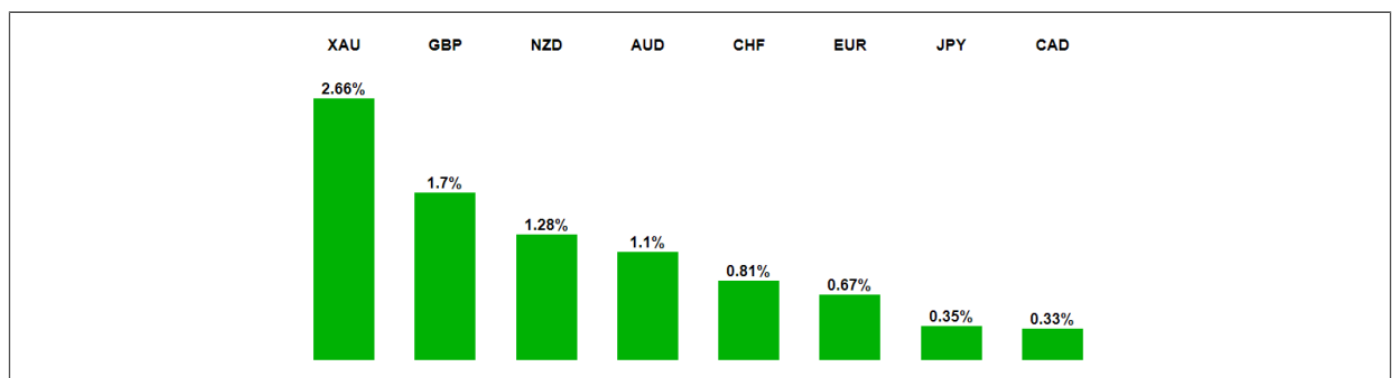
Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Still well supported on dips
- [GBPUSD](#) Signs of longer-term bottom
- [USDJPY](#) Time for another downturn
- [EURCHF](#) Tracking in neutral territory
- [AUDUSD](#) Plenty of support into dips
- [USDCAD](#) Bullish structure overall
- [NZDUSD](#) Holding up above 0.6700
- [US SPX 500](#) Topside failure on cards
- [GOLD](#) (spot) Positioning for breakout
- [BTCUSD](#) Stuck in sideways chop
- [ETHUSD](#) Still confined to downtrend

Fundamental highlights

- [EURUSD](#) Eurozone consumer confidence
- [GBPUSD](#) May trying to work out Brexit deal
- [USDJPY](#) Traditional forces a major drives
- [EURCHF](#) SNB policy strategy stress
- [AUDUSD](#) Eyes on US-China trade talks
- [USDCAD](#) Loonie helped by OIL bounce
- [NZDUSD](#) GDT auction results pull back
- [US SPX 500](#) Fed Minutes in focus
- [GOLD](#) (spot) Hard asset demand ramps up
- [BTCUSD](#) Bitcoin outlook bright further out
- [ETHUSD](#) Positive Denver conference vibes

5-Day Performance v. US dollar



Suggested reading

- [Simple Idea to Improve Fed Communication](#), M. El-Erian, **Bloomberg** (February 19, 2019)
- [Gold Demand Trends Full year and Q4 2018](#), **GoldHub** (January 31, 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 below 1.1300, 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 - Medium
- **R1 1.1358** - 19Feb high - Strong
- **S1 1.1235** - 15Feb low - Medium
- **S2 1.1216** - 12Nov/2018 low - Strong

EURUSD - fundamental overview

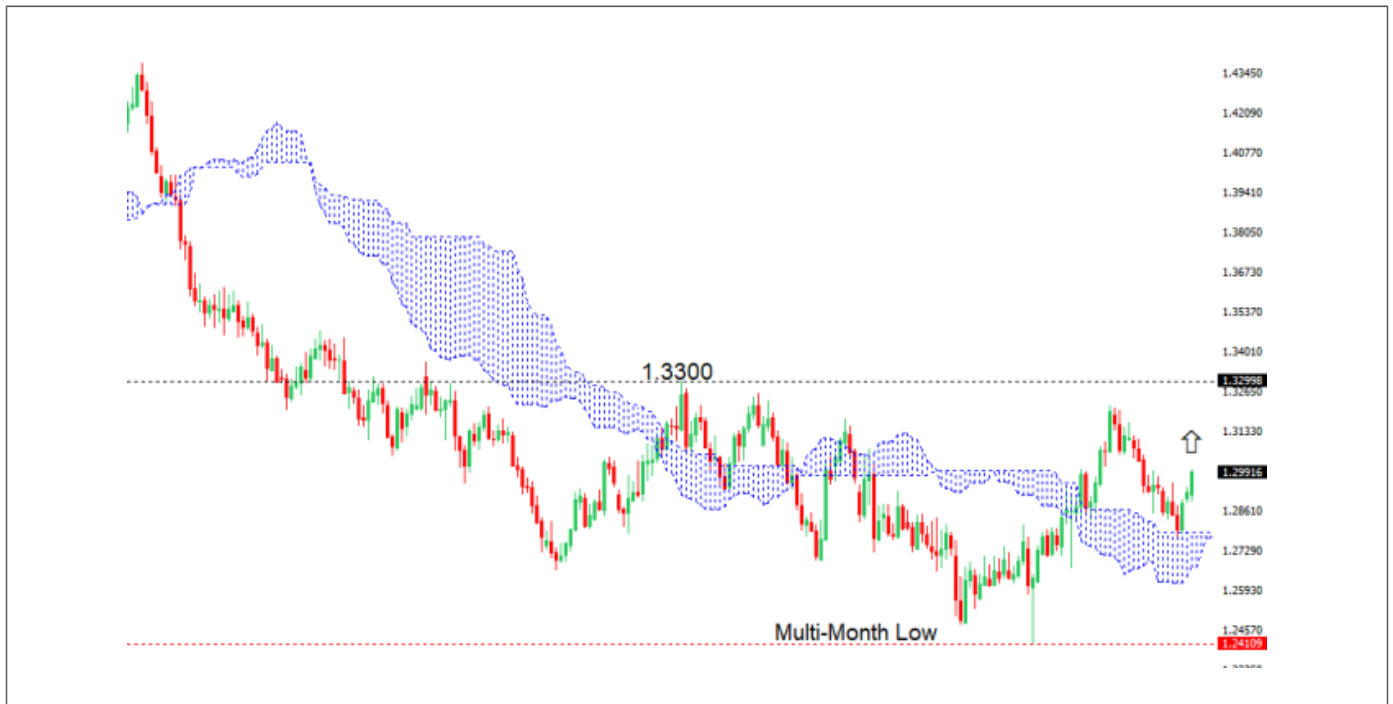
Despite another round of soft economic data and recent dovish comments from ECB Couere, the Euro has held up well into dips and has managed to find support. There has been demand from larger players who have been positioning into the bigger forces at play in the FX market these days, which are not as US Dollar supportive. These include US administration soft Dollar policy and yield differentials that show more room for the Fed to scale back. Looking ahead, we get Eurozone consumer confidence and the Fed Minutes. Earlier today, German producer prices came in hot.

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. The latest pullback is viewed as corrective on the daily chart, with the market still holding above the daily Ichimoku cloud top. 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 1.3116**– 1Feb high – Medium
- **R1 1.3077** – 19Feb high – Medium
- **S1 1.2940** – 18Feb high – Medium
- **S2 1.2892** – 18Feb low – Strong

GBPUSD – fundamental overview

The Pound is coming off a strong Wednesday performance in which the currency managed to benefit from a solid batch of UK employment data and renewed optimism around the prospect of Theresa May making some progress in her efforts to secure an acceptable Brexit deal. The Prime Minister will be meeting with EU Juncker today and the market will be interested to see what comes of the meet. Meanwhile, the US Dollar has come back under broad pressure. As far as today's economic calendar goes, absence of first tier data will leave the focus on Brexit and the Fed Minutes late in the day.

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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 111.13** - 14Feb high - Medium
- **S1 110.26** - 15Feb low - Medium
- **S2 109.56** - 6Feb low - Strong

USDJPY - fundamental overview

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 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 plenty of headlines in recent days talking downward revisions to growth outlooks in major economies around the globe. Looking ahead, the Fed Minutes is the major release for Wednesday.

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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 1.1185 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.



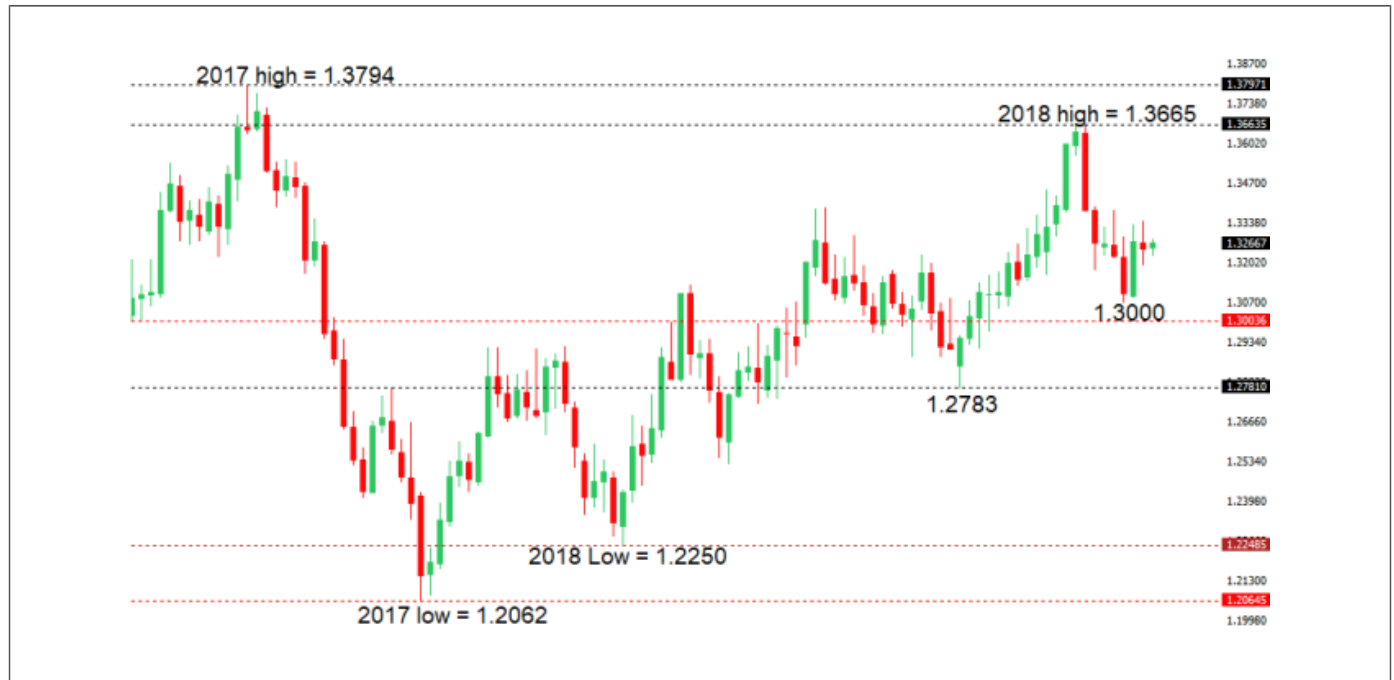
- **R2 0.7296** – 31Jan high – Medium
- **R1 0.7200** – Figure – Medium
- **S1 0.7104** – 19Feb low – Medium
- **S2 0.7055** – 2Feb low – Strong

AUDUSD – fundamental overview

We didn't get any surprises from Tuesday's RBA Minutes release. Overall, the Australian Dollar has been supported into dips over the past several sessions, with the currency getting help from a combination of factors that include a less downbeat RBA outlook, positive headlines out from the US-China trade talk front, rallying commodities and last week's horrid US retail sales print. At the same time, there is still quite a bit of risk associated with the commodity currency, particularly as things relate to updates these updates on US-China trade and what looks to be an overextended equity market. The Fed Minutes is the major calendar risk on Wednesday.

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.



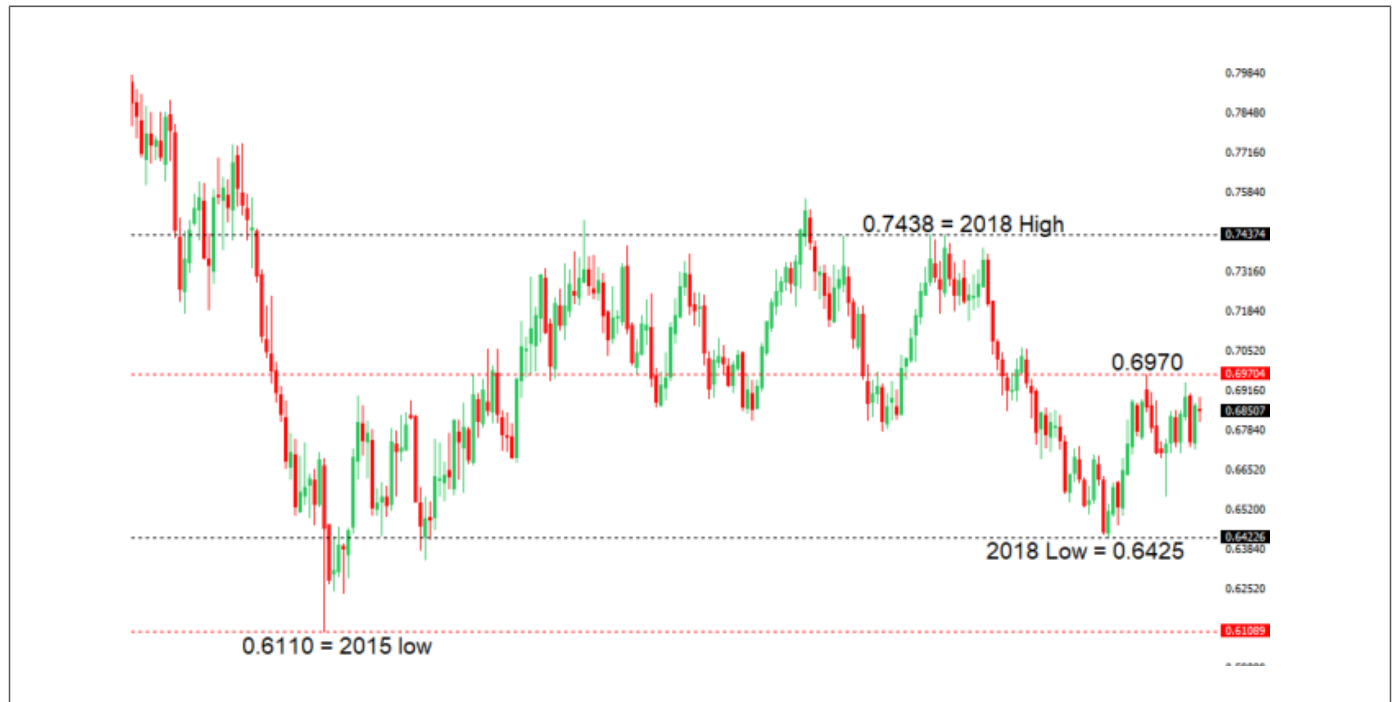
- **R2 1.3376**– 24Jan high – Strong
- **R1 1.3341** – 14Feb high – Medium
- **S1 1.3184** – 20Feb low – Medium
- **S2 1.3069** – 1Feb/2019 low – Strong

USDCAD - fundamental overview

The Loonie has entered a period of stabilisation following an impressive recovery run off the 2018 low against the Buck (USDCAD high). Better bid OIL and renewed broad based selling in the US Dollar in the aftermath of last week's horrid US retail sales print, have helped the Loonie hold up into periods of weakness, offsetting some of the negative fallout from last Thursday's discouraging Canada manufacturing report. Looking ahead, the major calendar focus will be on the Fed Minutes release.

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 0.6907** – 5Feb high – Medium
- **S1 0.6794** – 14Feb low – Medium
- **S2 0.6720** – 12Feb low – Strong

NZDUSD – fundamental overview

GDT auction results have been running consistently in positive territory since December, though Tuesday's release was somewhat discouraging, with the result pulling back quite a bit from a robust previous print. Overall however, Kiwi has been an outperformer in the FX market over the several days. The relative strength comes from a more upbeat RBNZ policy decision, rallying equities, solid China data, decent local economic releases and horrid US retail sales. But, the New Zealand Dollar continues to face headwinds in an environment where US-China trade talks are shaky, and risk assets look vulnerable to the realities of exhausted monetary policy accommodation and government stimulus post 2008 crisis. Looking ahead, the Fed Minutes stands out on the calendar.

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.



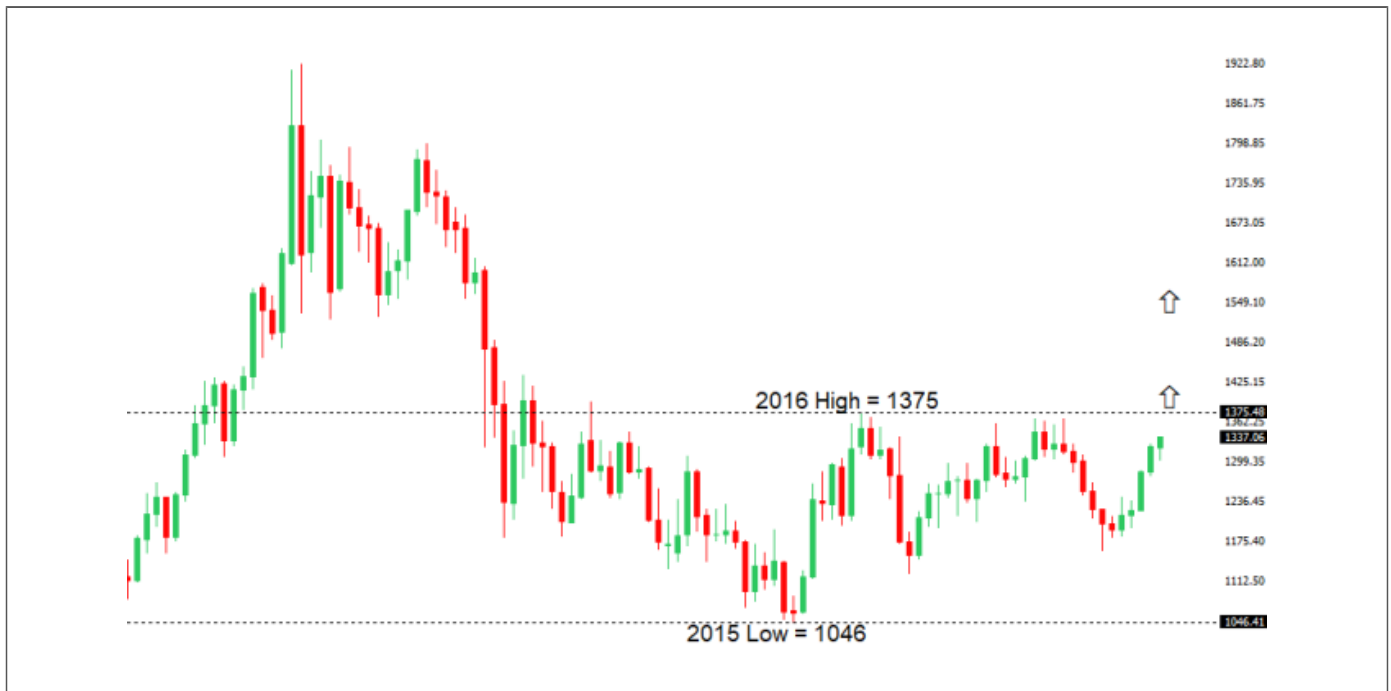
- **R2 2800** – Psychological – Strong
- **R1 2789** – 19Feb/2019 high – Medium
- **S1 2730** – 15Feb low – Medium
- **S2 2681** – 8Feb low – Strong

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 1350** - Psychological - Medium
- **S1 1302** - 14Feb low - Medium
- **S2 1277** - 4Jan/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

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

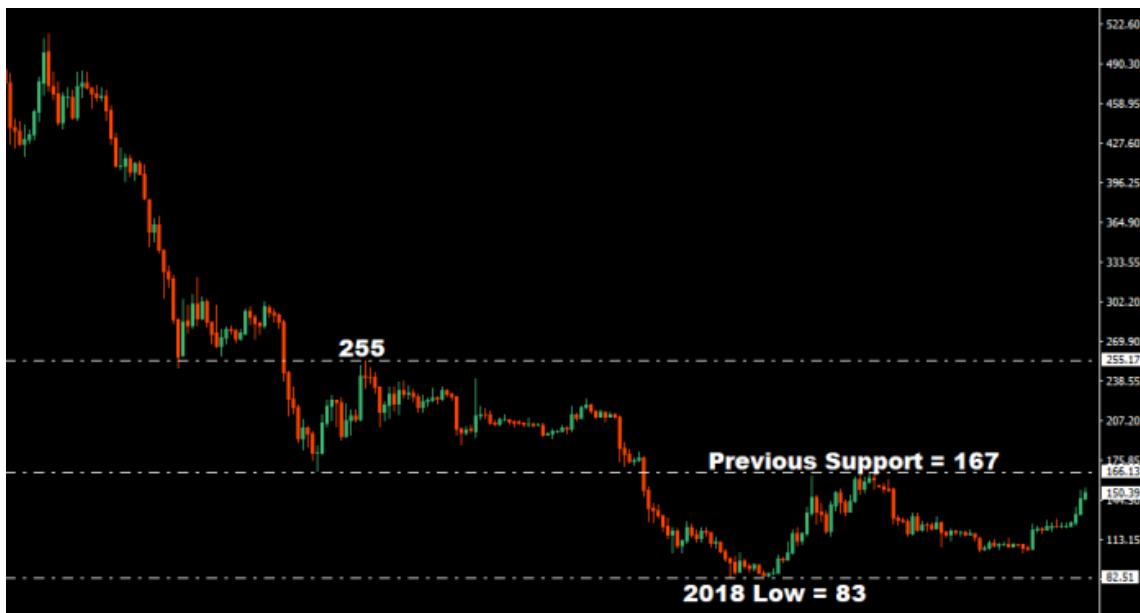
Bitcoin has just gone through a tough 2018, with the cryptocurrency suffering on a number of fronts. Still, overall, the cryptocurrency and the technology it rests on continue to show a lot of potential looking out and we expect the market will regain composure over the medium to longer term.

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 in the weeks and months ahead. At the same time, longer term prospects are looking quite bright and valuations are increasingly attractive with adoption showing signs of ramping up again. There has been a good wave of optimism out of Denver conference that has also been sourced as a contributor to recent outperformance.



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