

Friday, March 22, 2019

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Global FX Insights

by LMAX Exchange Research & Analytics

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

Lots of Chop, No Clear Direction [Wake-up call](#)

Currency markets have been quite choppy in 2019, with no clear trend taking form. It seems, each time it looks as though we're about to see a breakout, the market reverses sharply the other way. Looking at the Friday calendar, key standouts come from German and Eurozone manufacturing PMIs, Canada retail sales and CPI, and US existing home sales.

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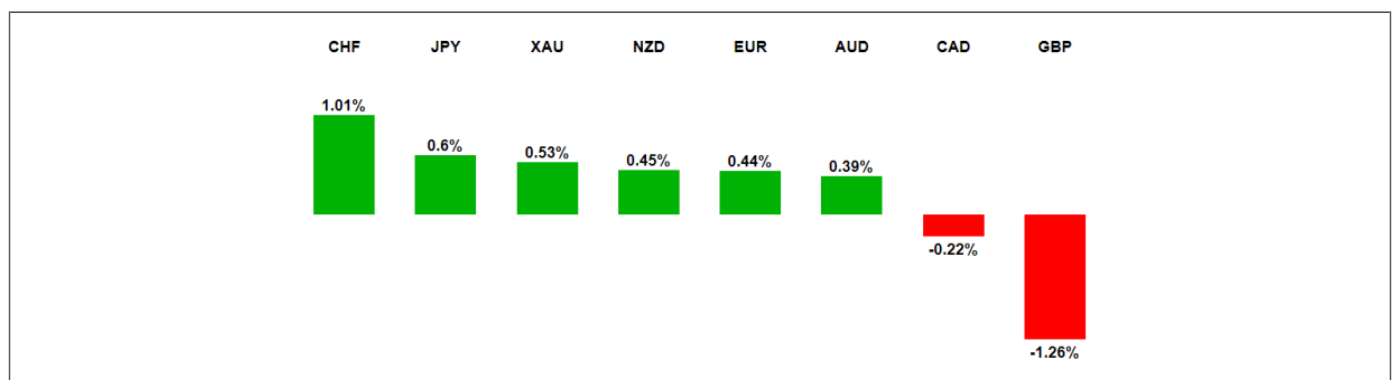
Technical highlights [Daily Video](#)

- [EURUSD](#) Breaking back to topside
- [GBPUSD](#) Bigger bullish shift in works
- [USDJPY](#) Signs warn of deeper drop
- [EURCHF](#) Tracking in neutral territory
- [AUDUSD](#) Strong support around barrier
- [USDCAD](#) Setbacks should be propped
- [NZDUSD](#) Could be a long term bottom
- [US SPX 500](#) Another big decline ahead
- [GOLD \(spot\)](#) Expected to shoot back up
- [BTCUSD](#) Stuck in sideways chop
- [ETHUSD](#) Confined to downtrend

Fundamental highlights

- [EURUSD](#) Eurozone, German manufacturing PMIs
- [GBPUSD](#) Pound stumbles despite BOE decision
- [USDJPY](#) Yen keeps tracking risk sentiment
- [EURCHF](#) SNB policy strategy stress
- [AUDUSD](#) Trade talks a worry for Aussie
- [USDCAD](#) Canada CPI and retail sales ahead
- [NZDUSD](#) **Kiwi data** comes in solid this week
- [US SPX 500](#) Investors sitting on borrowed time
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- [BTCUSD](#) Fundamentals bright further out
- [ETHUSD](#) Starting to see real progress

Performance v. US dollar this week



Suggested reading

- [Stock and Bond Markets Can't Both be Right](#), K. Sri-Kumar **Bloomberg** (March 20, 2019)
- [The Blind Spot in the Trade Debate](#), L. Tyson, **Project Syndicate**(March 20, 2019)

EURUSD - technical overview

The Euro has done a good job holding up into a recent dip, despite the decline resulting in a break to fresh multi-month lows below 1.1200. Inability to establish below 1.1200 continues to reflect a strong level of support around the barrier ahead of what could be a higher low trying to carve out off the multi-year low from 2017. This would open the next major upside extension back towards and through the 2018 high in the 1.2550 area. Still, a break back above the 2019 high at 1.1570, would be required to strengthen this outlook.



- **R2 1.1500** - Psychological - Strong
- **R1 1.1449**- 20Mar high - Medium
- **S1 1.1300** - Figure - Medium
- **S2 1.1278** - 13Mar low - Strong

EURUSD - fundamental overview

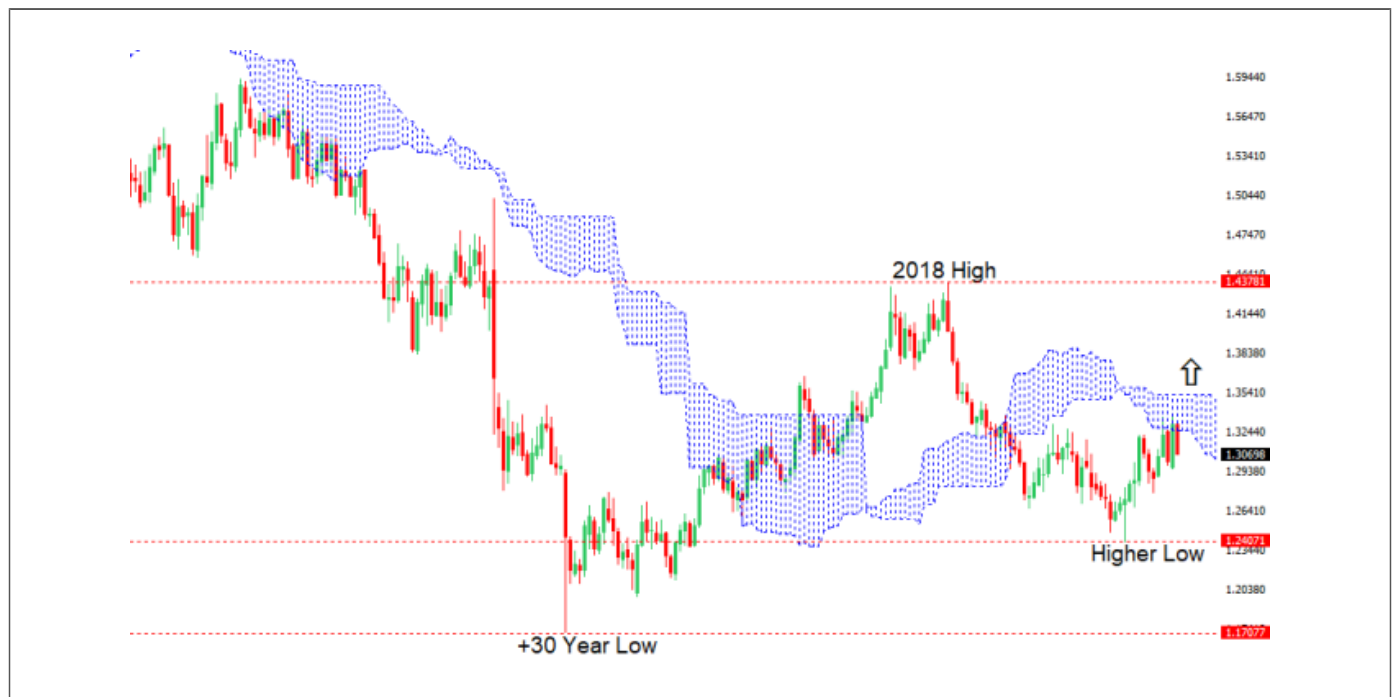
The Euro has taken a back seat over the past week, with most of the focus on Brexit related updates and US Dollar sentiment amidst Fed policy direction and US-China trade talks. On the data front, data has been mostly mixed out of the zone, though the Euro has held up well into dips, on continued demand from medium to longer term accounts. Looking ahead, we get German and Eurozone manufacturing PMIs, US existing home sales and US manufacturing PMI data.

EURUSD - Technical charts in detail

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GBPUSD - technical overview

The major pair has put in an impressive recovery off the multi-month low in early January, helping 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 above the bottom of the daily Ichimoku cloud. Look for a weekly close back above 1.3400 to strengthen the outlook.



- **R2 1.3228**- 21Mar high - Strong
- **R1 1.3100** - Figure - Strong
- **S1 1.3000** - Psychological - Medium
- **S2 1.2961** - 11Mar low - Strong

GBPUSD - fundamental overview

We've been moving to a better place with the Brexit outlook, but that doesn't mean we're quite out of the woods. On Thursday, there was a wave of panic that crippled the Pound, with worry of a no-deal outcome coming back on the table. This did a good job overshadowing the Bank of England policy decision, in which the central bank left policy on hold, while highlighting a positive outlook for GDP and the need for gradual limited tightening. The Pound came under additional pressure on Thursday, even with UK retail sales beating forecast, on the back of a resurgence in US Dollar demand, after the Buck had taken a big hit on Wednesday's dovish FOMC decision. Looking ahead, we get US existing home sales and manufacturing PMI data.

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USDJPY - technical overview

The major pair is showing signs of stalling out after an impressive run up from the 2019 low. Look for this topside failure to set the stage for the next major downside extension back towards the 2019 flash crash low down in the 104.00s. Initial support comes in ahead of the 110.00 barrier and a break and close below the barrier, will help to strengthen the outlook. Ultimately, only back above 113.00 delays the bearish outlook.



- **R2 111.70** - 20Mar high - Strong
- **R1 111.00** - Figure - Medium
- **S1 110.26** - 15Feb low - Strong
- **S2 110.00** - Psychological - Strong

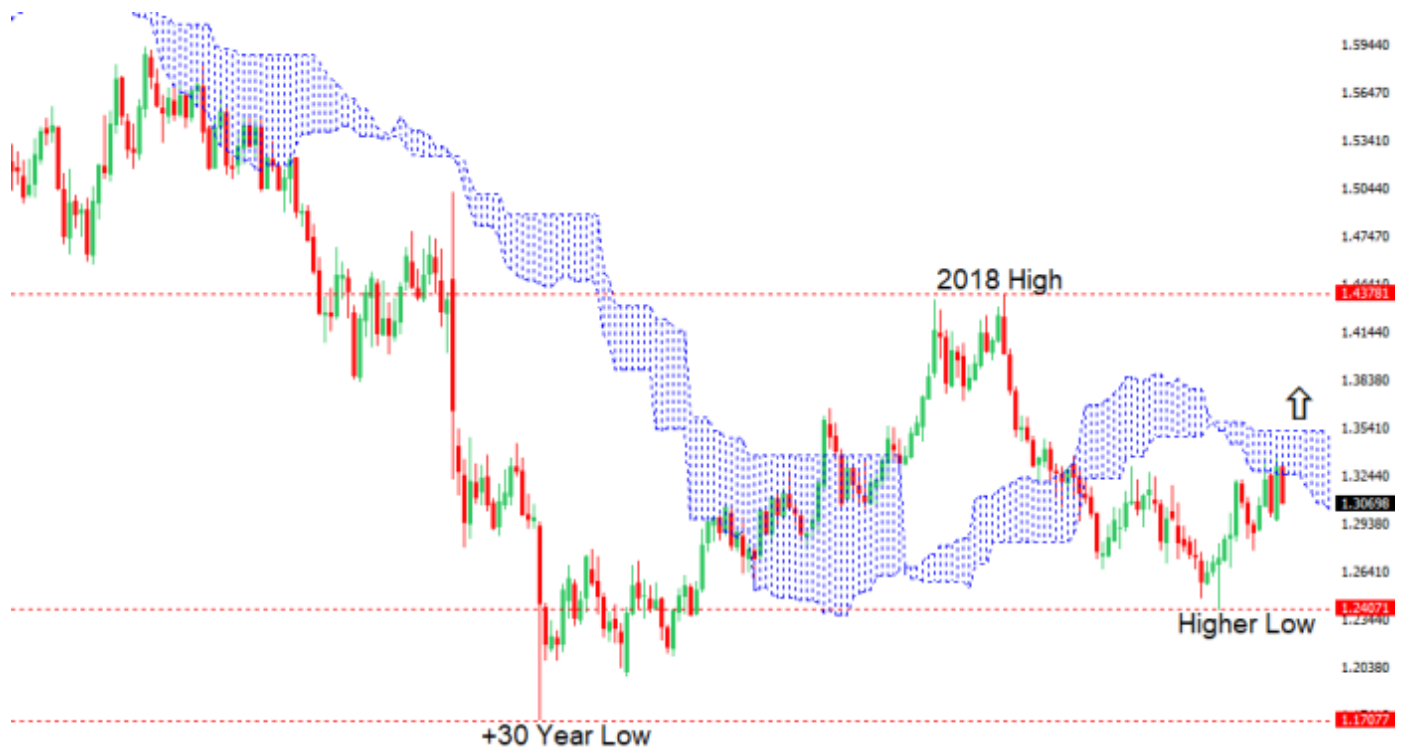
USDJPY - fundamental overview

Overall, the major pair should continue to place a bigger focus on global risk sentiment and US Dollar yield differentials. The dovish Fed read has inspired broad based currency demand against the Buck, and this has also been accompanied by risk off flow, with investors perhaps more concerned about the Fed's added caution, than encouraged by the extra cushion of accommodation. Meanwhile, US-China trade talks have soured, weighing further on risk sentiment. This has fueled a round of renewed Yen demand. As far as today's calendar goes, we get US existing home sales and manufacturing PMI data.

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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 1.1268** - 21Mar 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 continue to be well supported ahead of 0.7000.



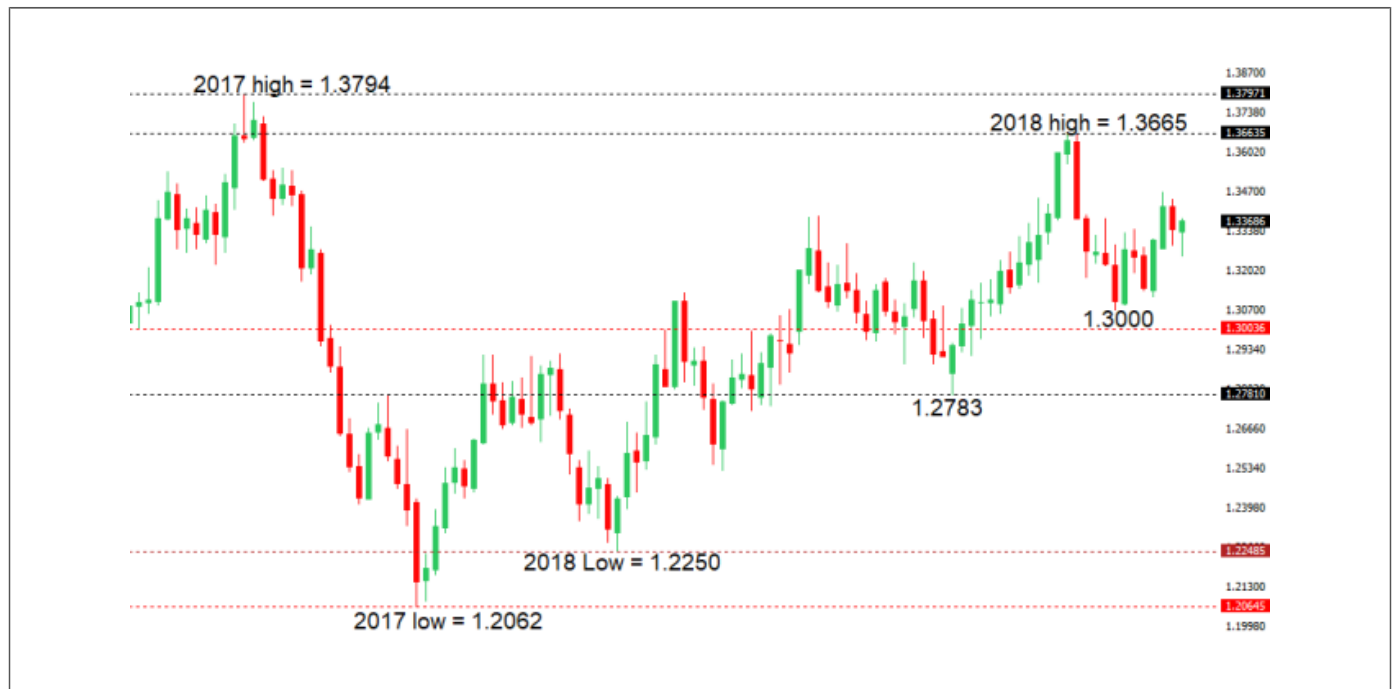
- **R2 0.7207** - 21Feb high - Strong
- **R1 0.7169** - 21Mar high - Medium
- **S1 0.7057** - 20Mar low - Medium
- **S2 0.7004** - 8Mar low - Strong

AUDUSD - fundamental overview

Aussie employment data came in mixed on Thursday and was largely shrugged off, with the market more consumed by the flows on the US Dollar side of the equation, in the aftermath of the this week’s Fed decision. However, the risk correlated currency could see some offsetting flow in the sessions ahead, if US equities are unable to do anything with the more accommodative Fed tone. As far as today’s calendar goes, we get US existing home sales and manufacturing PMI data.

USDCAD - technical overview

Overall, the 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.



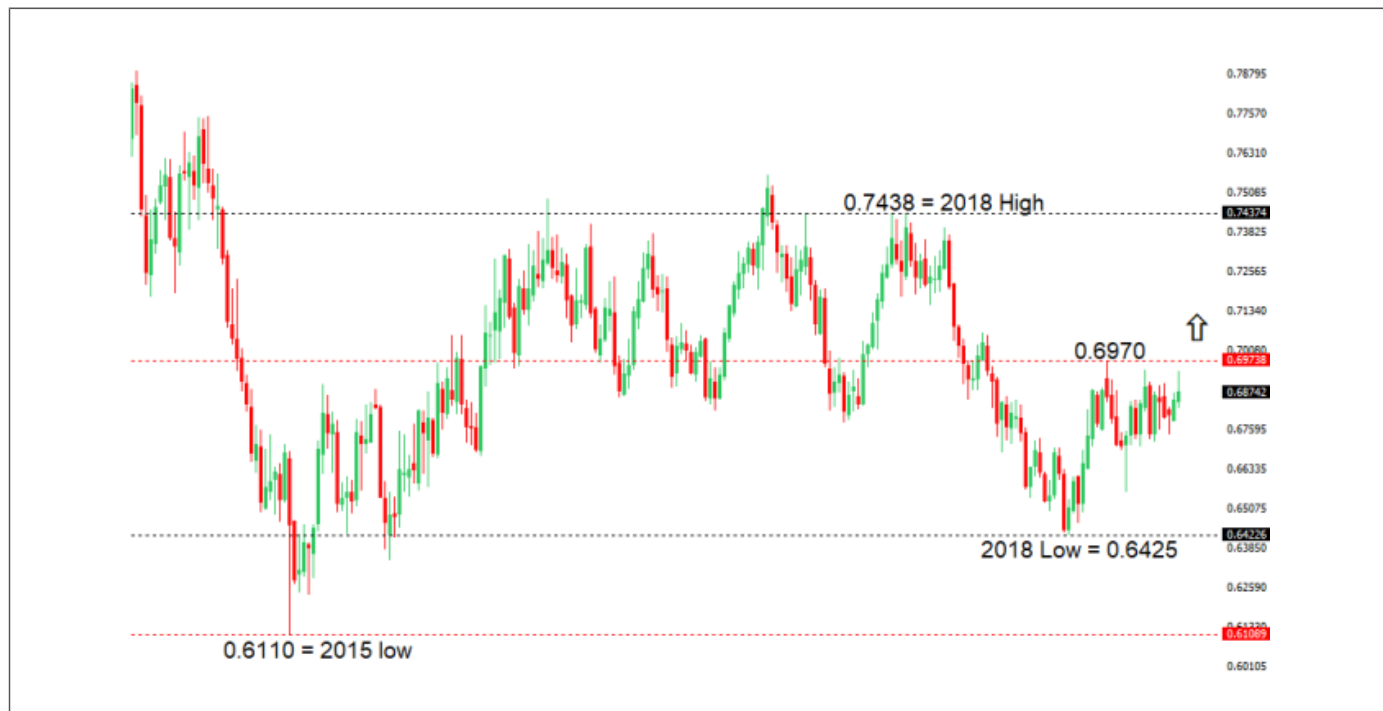
- **R2 1.3468** - 7Mar high - Strong
- **R1 1.3418** - 12Mar high - Medium
- **S1 1.3251** - 19Mar low - Medium
- **S2 1.3200** - Figure - Strong

USDCAD - fundamental overview

The Canadian Dollar has been chopping around quite a bit of late, not really wanting to make any shorter term directional moves. The Loonie had been bid up handsomely in the aftermath of this week's dovish Fed decision, but could not hold onto those gains, worried about the outlook for US trade with China. Still, OIL prices are an important one to keep an eye on and the recent recovery to multi-week highs, should make it a tough go for USDCAD to trade much higher at the moment. Looking ahead, Friday's calendar features two first tier data releases in Canada, with retail sales and CPU out. In the US, we get existing home sales and manufacturing PMI data.

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 0.6900** - Figure - Medium
- **S1 0.6809** - 14Mar low - Medium
- **S2 0.6745** - 7Mar low - Strong

NZDUSD - fundamental overview

With the exception of some softer consumer confidence readings earlier in the week, Kiwi data has been solid on the whole. On Thursday, this was reflected via impressive components within Kiwi GDP. Broadly speaking, the New Zealand Dollar has been better bid in 2019, with the currency getting a boost from bigger picture macro themes that include a more dovish leaning Fed outlook and ongoing support for US equities. As far as today's calendar goes, we get US existing home sales and manufacturing PMI data.

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 2850, 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.



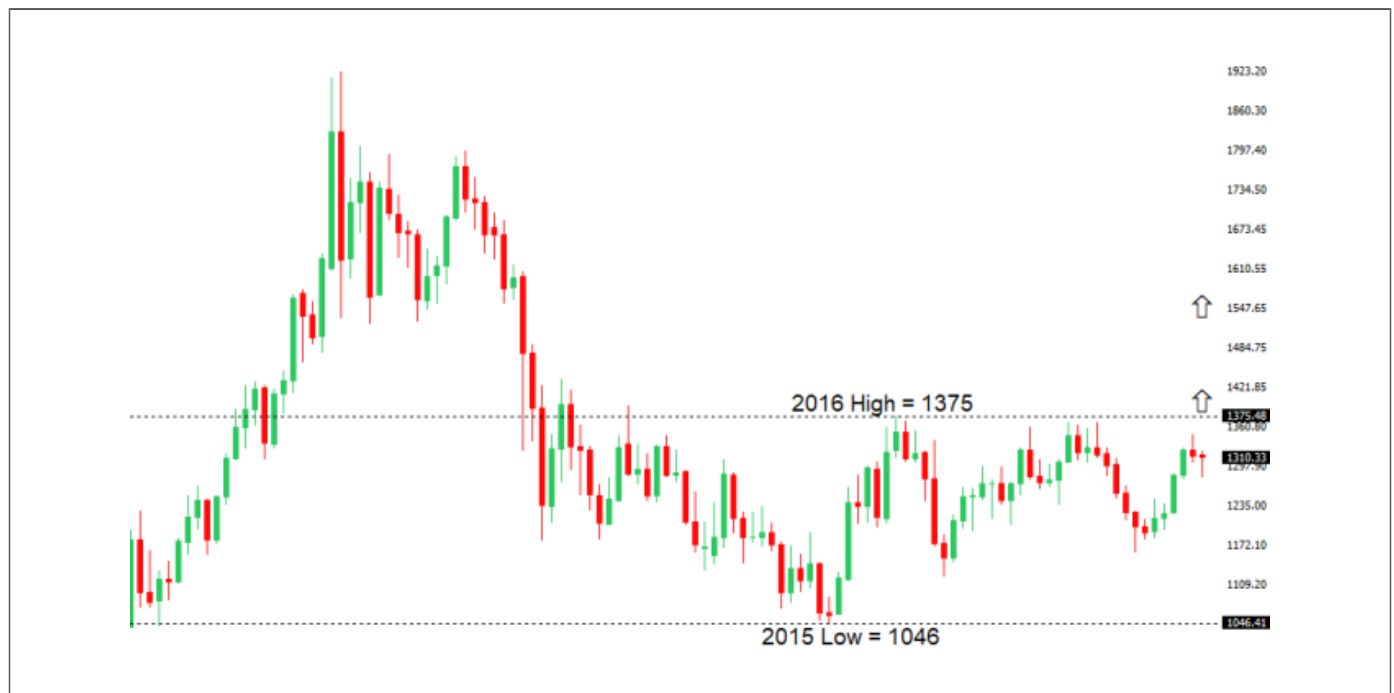
- **R2 2864** - 8Oct low - Strong
- **R1 2855** - 19Mar/2019 high - Strong
- **S1 2722** - 8Mar low - Medium
- **S2 2681** - 8Feb low - Strong

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. US hourly earnings are starting to move up, which could be a warning of a jump in inflation. 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.



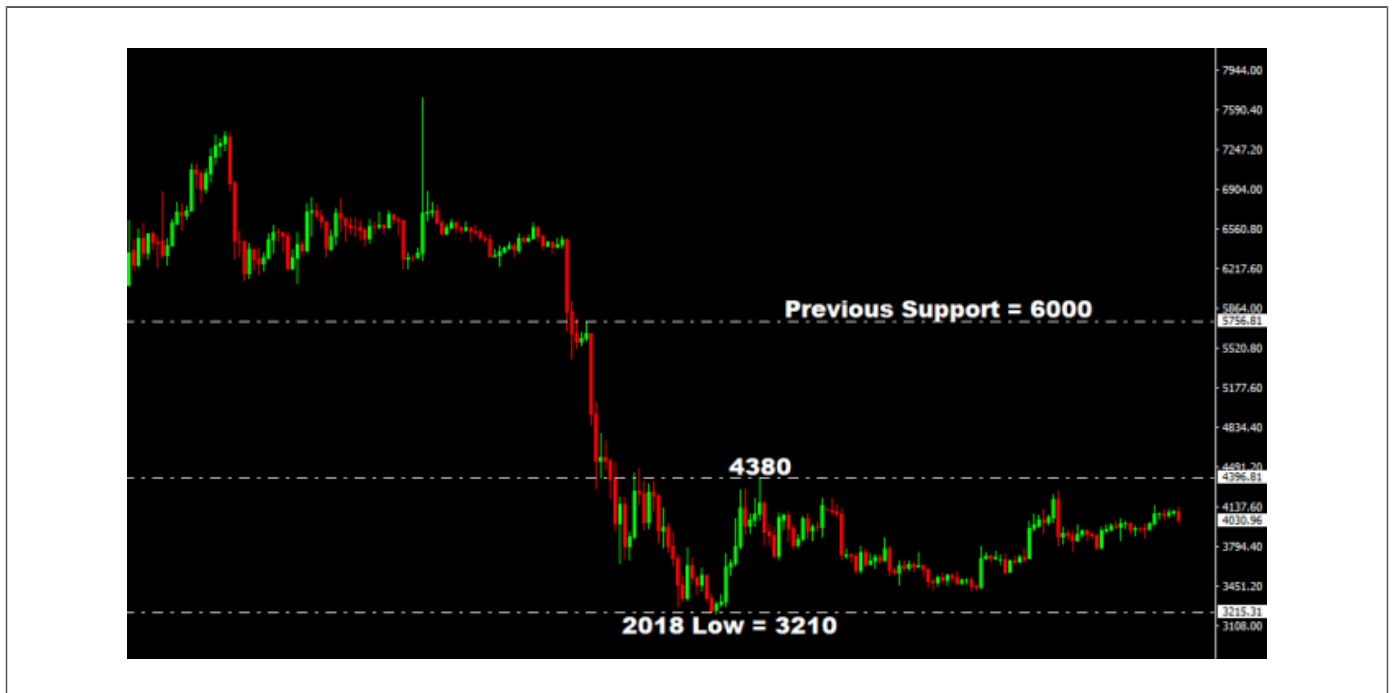
- **R2 1347** - 20Feb/2019 high - Strong
- **R1 1321** - 21Mar high - Medium
- **S1 1281** - 7Mar low - Medium
- **S2 1277** - 4Jan/2019 low - Strong

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 the December high at 4385 to take the immediate 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

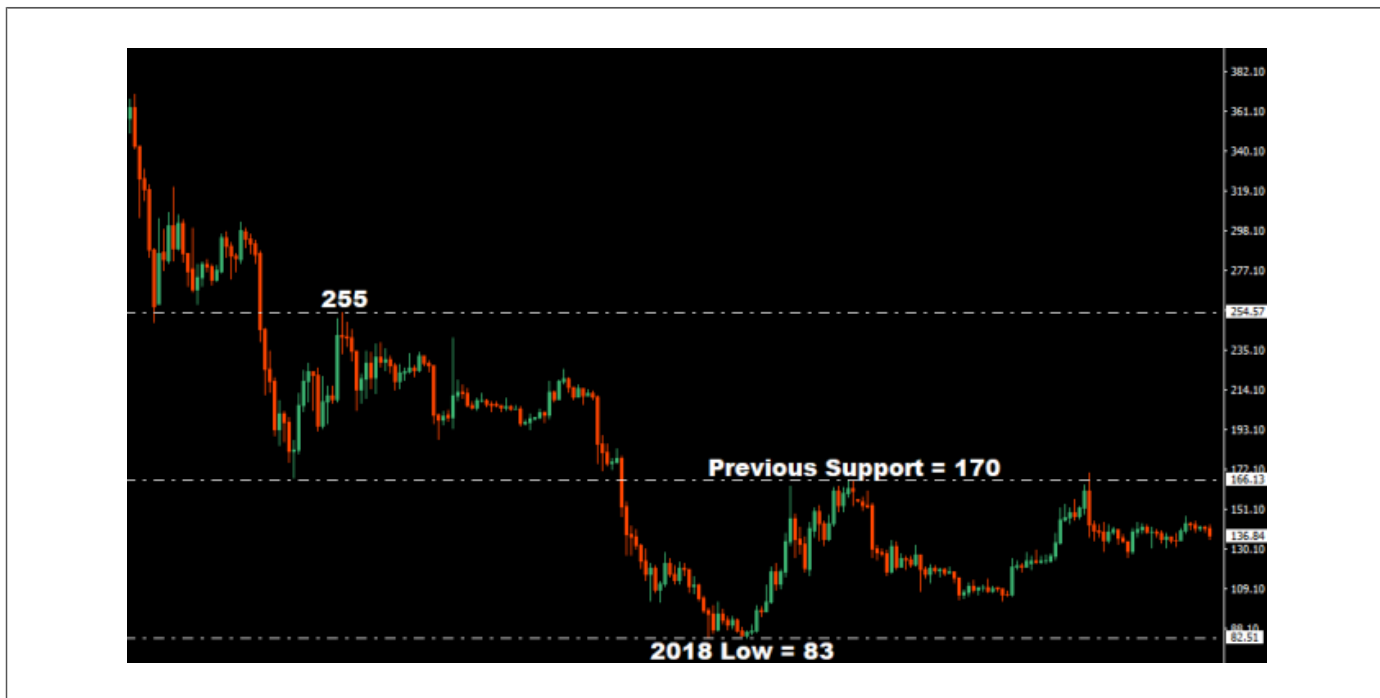
Bitcoin is showing signs of stability after an abysmal performance in 2018. At the moment, the market still faces headwinds in the form of regulatory uncertainty and front end application, though looking out, there continue to be many encouraging signs the market is here to stay and will be seeing increased adoption.

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 170 to take the immediate pressure off the downside.



- **R2 200** - Psychological - Medium
- **R1 170** - 24Feb high - Strong
- **S1 100** - Psychological - Medium
- **S2 83** - 7Dec/2018 low - Strong

ETHUSD - fundamental overview

Ongoing regulatory challenges, technological obstacles and a global economic downturn are some of those headwinds that need to be considered in the 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 over the longer term.



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