

Thursday, January 24, 2019

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# Global FX Insights

by LMAX Exchange Research & Analytics

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

## Volatility Expected to Pick Up on Thursday [Wake-up call](#)

If you're thinking about the major currencies this week and feeling like we haven't seen anything, you'd be right, so long as we're not talking about the Pound. The Pound has been doing its own thing, up towards 1.5% since the weekly open. All of this can be reconciled by a market pricing out that tail risk of a hard Brexit outcome.

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

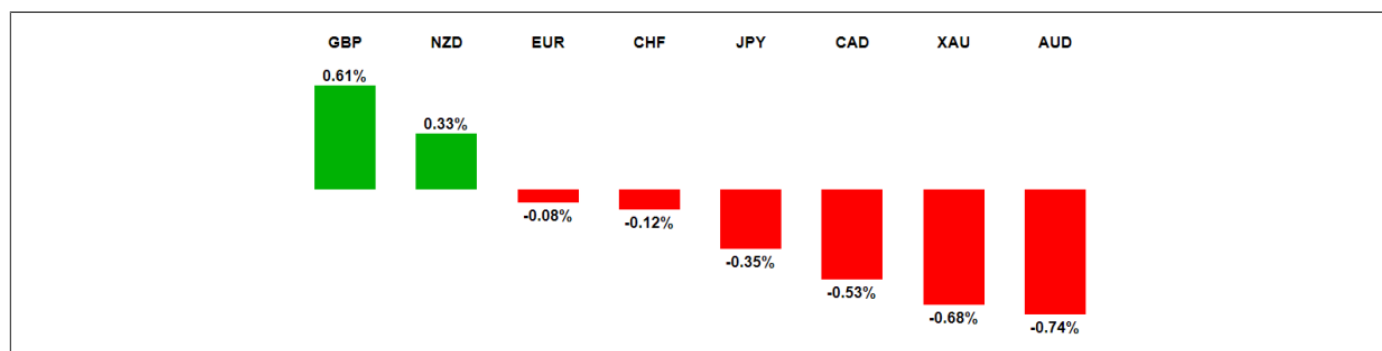
### Technical highlights [Daily Video](#)

- [EURUSD](#) Solid internal support at 1.1300
- [GBPUSD](#) Sights set on September high
- [USDJPY](#) Lower top sought for fresh drop
- [EURCHF](#) No directional insight at moment
- [AUDUSD](#) Possible longer term bottom
- [USDCAD](#) Bigger picture uptrend intact
- [NZDUSD](#) Looking for next higher low
- [US SPX 500](#) Rally expected to stall out
- [GOLD](#) (spot) Slowly working to breakout
- [BTCUSD](#) Downtrend firmly intact
- [ETHUSD](#) Stalls out into latest recovery

### Fundamental highlights

- [EURUSD](#) Market gears up for ECB decision
- [GBPUSD](#) Investors rotating back into Pound
- [USDJPY](#) Tracking with bigger picture themes
- [EURCHF](#) SNB policy strategy stress
- [AUDUSD](#) Misleading employment data
- [USDCAD](#) Loonie hit on softer retail sales
- [NZDUSD](#) Credit card spending dip
- [US SPX 500](#) Fed model front and centre
- [GOLD](#) (spot) Hard asset demand ramps up
- [BTCUSD](#) Bitcoin outlook bright further out
- [ETHUSD](#) Demand expected despite setbacks

## 5-Day Performance v. US dollar



## Suggested reading

- [Davos Elite Prepared to Scapegoat the Fed](#) B. Chappatta, **Bloomberg** (January 23, 2019)
- [Inside Britain's Nobel Prize Factory](#), C. Cookson, **Fortune** (January 23, 2019)

## EURUSD - technical overview

The Euro recently broke out from a period of extended consolidation off the 2018 low, setting the stage for a bullish structural shift. Look for the market to establish above 1.1500 over the coming sessions for confirmation, setting the stage for an acceleration towards next critical resistance in the 1.1815 area, which guards against a retest of the +3 year high from 2018 around 1.2550. Setbacks should now be well supported, with only a close back below 1.1300 to delay the constructive outlook.



- **R2 1.1490** - 15Jan high - Strong
- **R1 1.1411** - 18Jan high - Medium
- **S1 1.1337** - 22Jan Low - Medium
- **S2 1.1305** - 3Jan low - Strong

## EURUSD - fundamental overview

We've seen some Euro weakness in the lead up to today's ECB meeting, with many speculating Draghi will sound more dovish, highlighting increasing downside risks to the Eurozone economy. However, overall, the Euro continues to get bought aggressively by longer term players into dips. These players are less focused on the Euro side of the equation and more consumed with US Dollar dynamics that include a Fed shifting back to the dovish side, ongoing White House drama, and the US administration's soft Dollar protectionist agenda.

## EURUSD - Technical charts in detail

[Watch now](#)

## GBPUSD – technical overview

We 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 and recover back through the September 2018 peak at 1.3300. The recent break back above 1.3000 helps to strengthen the bullish prospect. Next short-term resistance is up at 1.3175.



- **R2 1.3175** – 7Nov high – Medium
- **R1 1.3095** – 24Jan high – Medium
- **S1 1.2944** – 23Jan low – Medium
- **S2 1.2831** – 21Jan low – Strong

## GBPUSD – fundamental overview

**Odds for a no-deal Brexit scenario have been reduced significantly** over the past week and this has helped to inspire some profit taking on GBP shorts worried about the tail risk. The market is expecting a scenario in which the Article 50 trigger date is pushed back, if Theresa May is unsuccessful with her Plan B attempt. The Pound has also been helped along by this week's impressive UK employment report which produced a healthy jump in the earnings component. The Pound is the star performer on the week and has seen notable cross related demand against the Euro ahead of today's ECB decision. There is no first tier UK or US data of note on Thursday.

## GBPUSD – Technical charts in detail

[Watch now](#)

## USDJPY - technical overview

**The major pair is in the process** of consolidating the latest round of declines within a bigger picture downtrend. Look for any recovery rallies to be well capped ahead of 111.00 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.



- **R2 110.48** - 31Dec high - Strong
- **R1 109.90** - 18Jan high - Medium
- **S1 108.69** - 17Jan low - Medium
- **S2 107.77** - 10Jan low - Strong

## USDJPY - fundamental overview

**No big reaction to this week's Bank of Japan decision** that came in as expected. The central bank left policy unchanged, cut its inflation outlook, and conceded downside risks to the economy and inflation had increased. The major pair should continue to track with risk sentiment and will be focused on the bigger picture themes. For today, a lot could revolve around fallout from the ECB decision and any new updates out relating to the US government shutdown.

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## EURCHF – technical overview

The market has been in the process of consolidating off the 2018 high, 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 1.1435**– 16Nov high – Strong
- **R1 1.1359** – 22Nov high – Medium
- **S1 1.1200** – Psychological – 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

**Despite the recent breakdown below the 2016 low**, inability to establish below that low (around 0.6825), will keep the market from wanting to get overly bearish and could even warn of some form of a longer-term base. However, a drop back below the 2016 low again, would expose deeper setbacks towards the 2008 low around 0.6000. As far as the topside goes, the market would need to break back above 0.7400 to force a bullish shift in the structure.



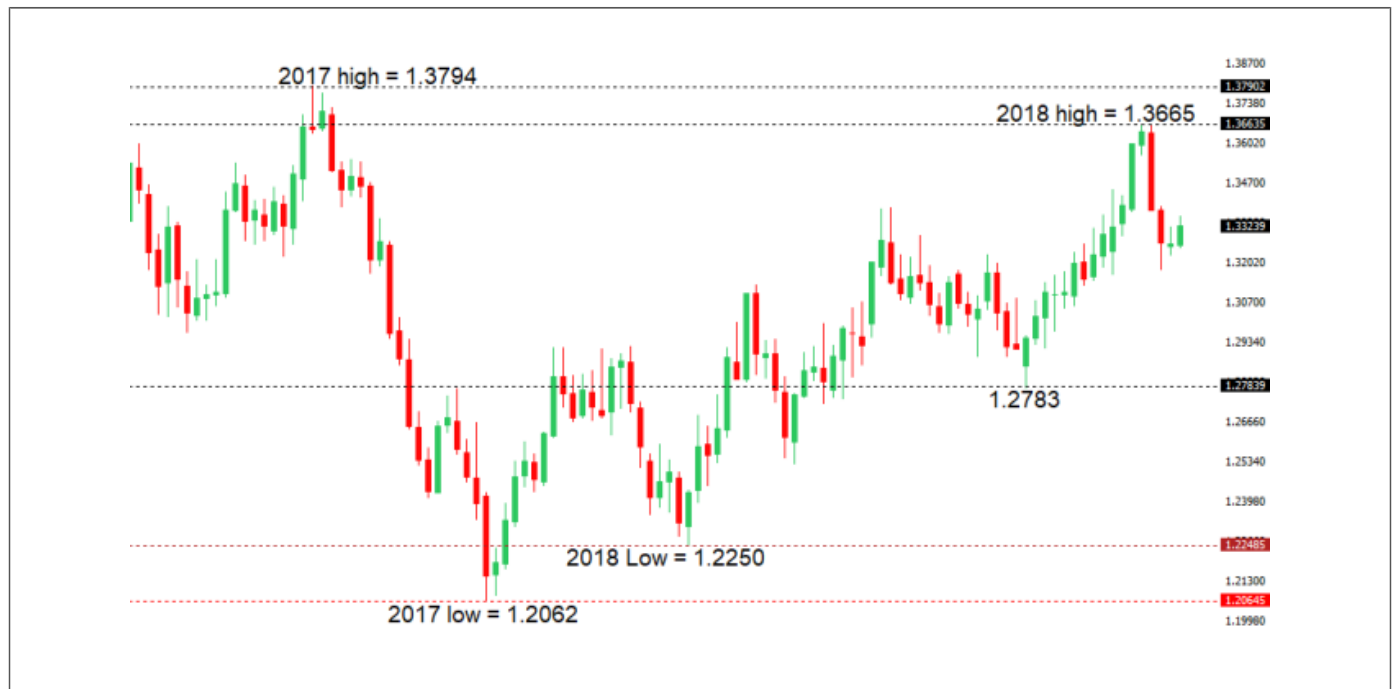
- **R2 0.7236** – 11Jan high – Strong
- **R1 0.7183** – 21Dec high – Medium
- **S1 0.7094** – 24Jan low – Medium
- **S2 0.6994** – 4Jan low – Strong

## AUDUSD – fundamental overview

**We've been seeing some relative underperformance** in the Australian Dollar this week, with a lot of this coming from Thursday price action. Indeed, the headline Aussie employment readings were solid relative to expectation. However, the data was misleading, as most of the jobs came out of the part time sector. This was also accompanied by a dip in the participation rate. Other weighing factors on Thursday included NAB's announcement that it would raise variable mortgage rates and some downside pressure in metals prices.

## USDCAD – technical overview

**A period of intense correction has kicked in after a run** to its highest levels since May 2017. Overall, the structure remains constructive, with dips expected to be well supported ahead of 1.3000 for renewed upside. Only back below the psychological barrier would compromise this view.



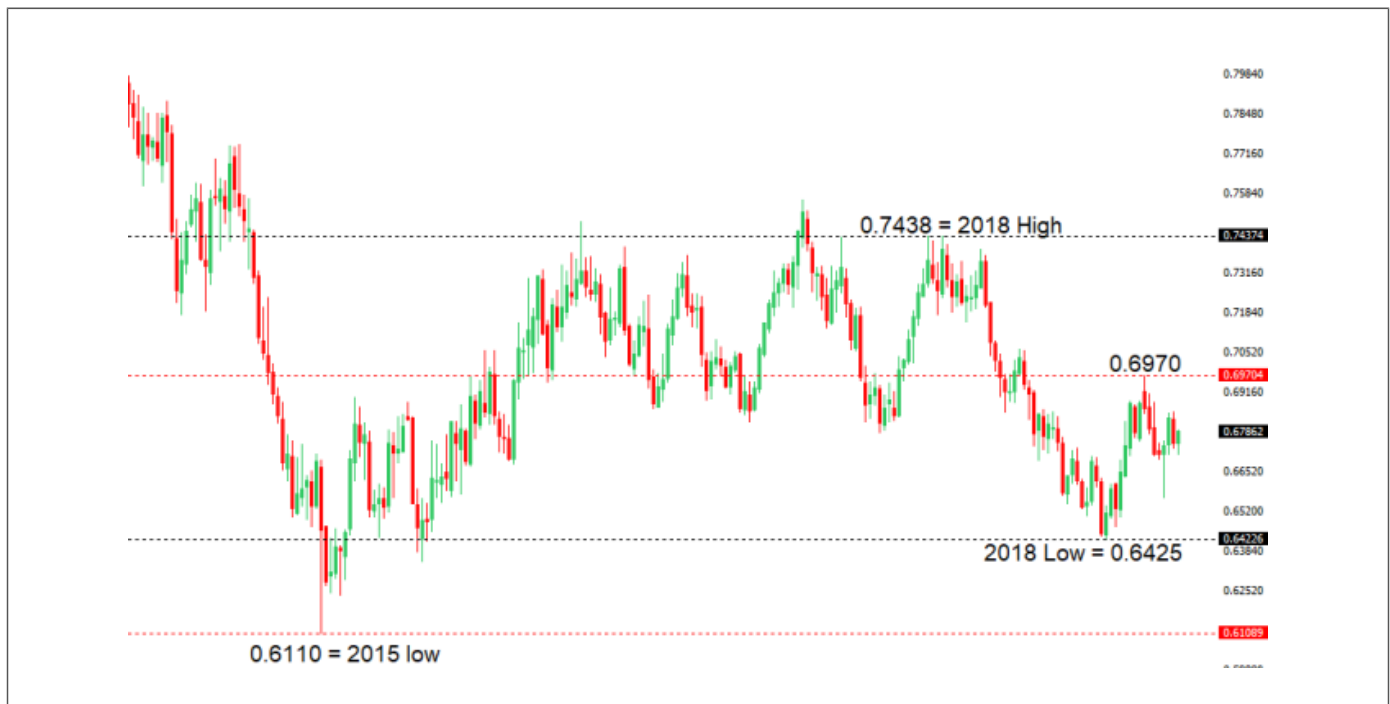
- **R2 1.3390**– 7Jan high – Strong
- **R1 1.3371** – 23Jan high – Medium
- **S1 1.3252** – 21Jan low – Medium
- **S2 1.3227** – 15Jan low – Strong

## USDCAD – fundamental overview

**The Canadian Dollar has been giving back some** of its recent run of gains, with Wednesday's softer Canada retail sales print only contributing further to this price action. The Loonie had put in an impressive recovery run off the 2018 low against the Buck, getting a big boost from the recovery in OIL and a more balanced Bank of Canada outlook. Looking at today's calendar, absence of first tier data out of Canada and the US will leave the market focused on the price of OIL and bigger picture macro themes.

## 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 the latest 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 break back above 0.6970 will strengthen the constructive outlook.



- **R2 0.6850** – 15Jan high – Strong
- **R1 0.6808** – 24Jan high – Medium
- **S1 0.6707** – 22Jan low – Medium
- **S2 0.6672** – 4Jan low – Strong

## NZDUSD – fundamental overview

The New Zealand Dollar has been holding up well despite ongoing vulnerability associated with the risk correlated commodity currency and this latest dip in credit card spending. A lot of this is a function of the latest rebound in US equities and cross related demand from fallout in the Australian Dollar post Aussie employment data and stress around NAB's announcement that it would raise variable mortgage rates. Looking ahead, absence of first tier data for the remainder of the day will leave Kiwi focused on bigger picture themes.













