

Tuesday, June 4, 2019

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Global FX Insights

by LMAX Exchange Research & Analytics

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

Fed Rate Cut Talk Getting Louder 🗣️ [Wake-up call](#)

It's all about what's priced in to the market and looking at AUDUSD on Tuesday, this point could not be clearer, with the pair trading higher on the day despite the RBA cutting interest rates to 1.25%. Eurozone CPI, UK construction PMIs, US factory orders and a speech from the Fed Chair are the key standouts on today's calendar.

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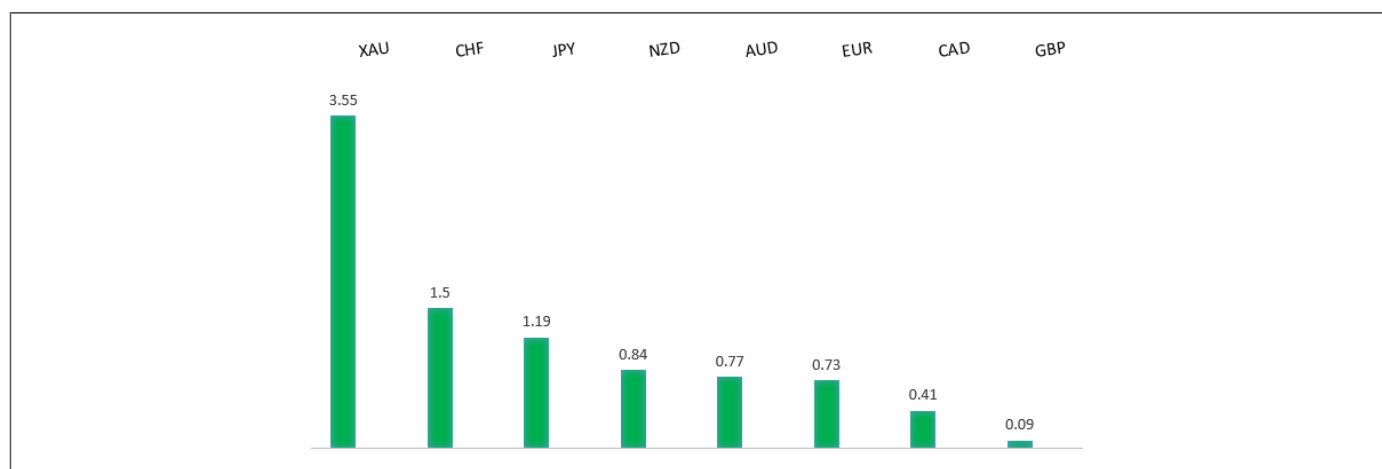
Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Balance of risk points higher
- [GBPUSD](#) Supported into major zone
- [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](#) Bearish reversal on monthly
- [GOLD](#) (spot) Higher low for next push
- [BTCUSD](#) Extended studies need to unwind
- [ETHUSD](#) Risk for more correction, consolidation

Fundamental highlights

- [EURUSD](#) Eurozone inflation read stands out
- [GBPUSD](#) UK construction PMIs on tap
- [USDJPY](#) Soft Dollar policy and Fed cut odds
- [EURCHF](#) SNB's job getting a lot harder in 2019
- [AUDUSD](#) Aussie higher after RBA cut
- [USDCAD](#) Loonie recovers despite OIL slump
- [NZDUSD](#) Kiwi more focused on global trade
- [US SPX 500](#) Investor risk appetite not as strong
- [GOLD](#) (spot) Macro players still buying dips
- [BTCUSD](#) Overdue round of profit taking
- [ETHUSD](#) Risk associated with global economy

5 Day performance v. US dollar



Suggested reading

- [Yuan Watchers Say 7 No Longer Sticking Point for China](#), **Bloomberg** (June 4, 2019)
- [Montesquieu and the Monetary System](#), B. Domitrovic, **Public Discourse** (May 30, 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 1.1324** - 17 April high - Strong
- **R1 1.1300** - Figure - Medium
- **S1 1.1200** - Figure - Medium
- **S2 1.1160** - 3 June low - Strong

EURUSD - fundamental overview

US administration protectionist policy is starting to have an impact on the FX market, with the strategy to rebalance the US economy also necessitating a softer US Dollar. We're seeing flight to safety demand ramp up for the other major currencies as a result, with the Euro a beneficiary of the flow, despite ongoing stress relating to the outlook for the Eurozone economy. Yield differentials have also been moving out of the US Dollar's favour, as the market starts to take the prospect for a Fed rate cut more seriously. Looking at the Tuesday calendar, we get Eurozone CPI, US factory orders and a speech from the Fed Chair.

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 1.2814** – 27 May high – Strong
- **R1 1.2700** – Figure – Medium
- **S1 1.2611** – 3 June low – Medium
- **S2 1.2560** – 3 June/2019 low – Strong

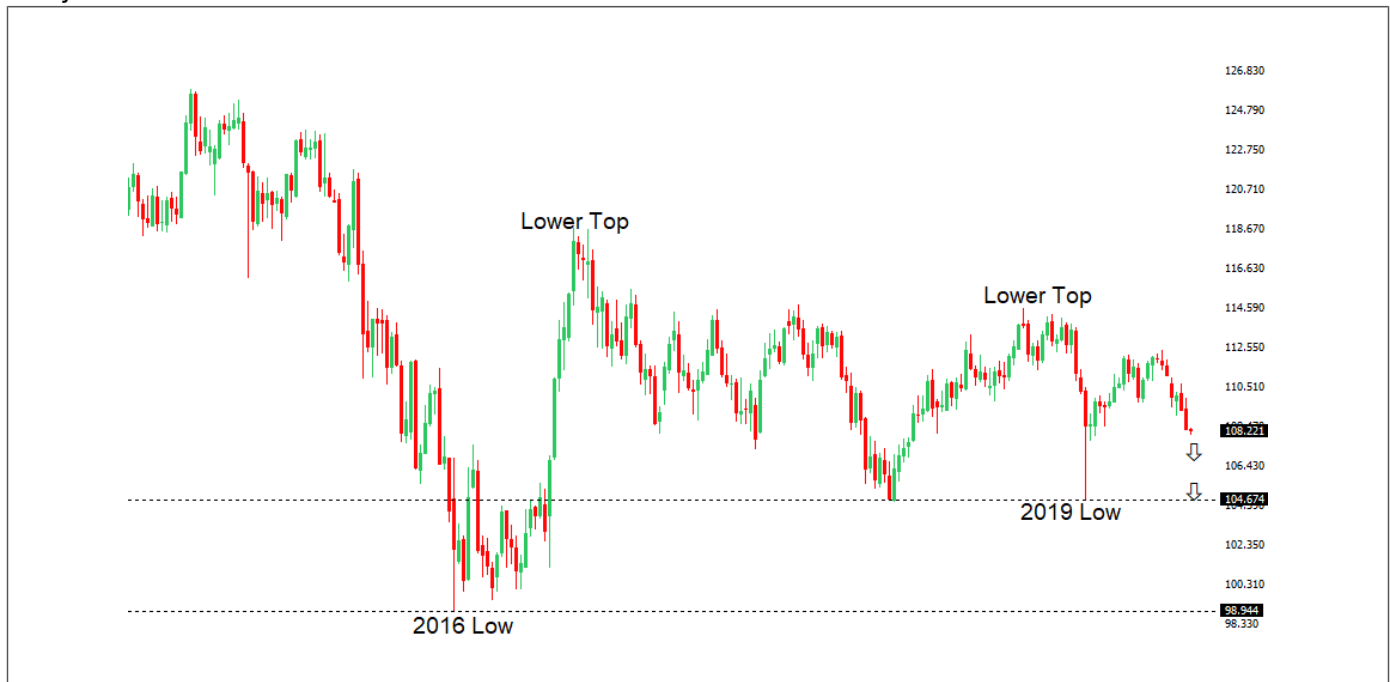
GBPUSD – fundamental overview

US administration protectionist policy is starting to have an impact on the FX market, with the strategy to rebalance the US economy also necessitating a softer US Dollar. We're seeing flight to safety demand ramp up for the other major currencies as a result, with the Pound a beneficiary of the flow, despite ongoing stress relating to the Brexit outlook and a softer round of Monday UK manufacturing PMIs. As far as the latest UK headlines go, there has been an added sense of urgency to move things along with Brexit, which could be supporting the Pound. Meanwhile, President Trump continues with his visit in the UK and comments relating to Brexit and trade will be watched closely. Talk of Fed rate cuts is yet another source of Dollar weakness into Tuesday. As far as the economic calendar goes, we get UK construction PMIs, US factory orders and a speech from the Fed Chair.

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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 109.02** - 13 May high - Strong
- **R1 108.45** - 03 June high - Medium
- **S1 107.51** - 4 January low - Strong
- **S2 107.00** - Figure - Medium

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. Risk sentiment has been trending lower of late and this is keeping the major pair under pressure into rallies. The primary catalyst for the downturn in sentiment and wave of Yen demand comes from ramped up soft Dollar US protectionism. Talk of Fed rate cuts has also been gaining momentum, yet another source of weakness in the major pair. Looking at the calendar for the remainder of the day, we get US factory orders and a speech from the Fed Chair.

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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 break back above 1.1279 to take the immediate pressure off the downside.



- **R2 1.1279** – 28 May high – Strong
- **R1 1.1200** – Figure – 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 0.7070 to strengthen this outlook. In the interim, look for setbacks to continue to be well supported ahead of 0.6800.



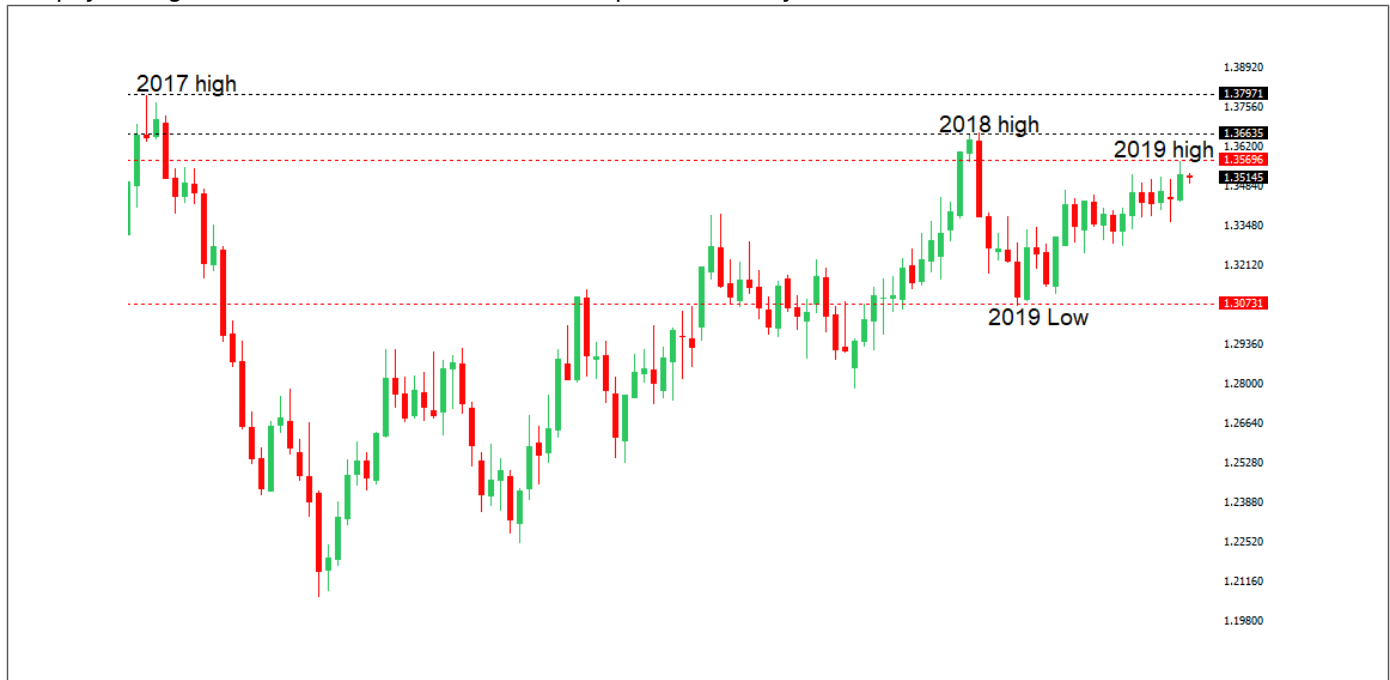
- **R2 0.7070** – 30 April high – Strong
- **R1 0.7000** – Psychological – Medium
- **S1 0.6899** – 30 May low – Medium
- **S2 0.6865** – 17 May low – Strong

AUDUSD – fundamental overview

The Australian Dollar has been bid up on Tuesday, despite today's RBA rate cut and round of softer Aussie retail sales. The demand for Aussie can be reconciled by the fact that the rate cut had already been priced into the market, while the softer data has been less of a focus, with the US Dollar flow more paramount. The US has been getting more aggressive over the past week with its soft Dollar trade policy, turning its attention from China, to Mexico, India and even Australia. Meanwhile, there has been an added weight on the Buck, as the market starts to talk more about the possibility for a Fed rate cut. Looking at the calendar for the remainder of the day, we get US factory orders and a speech from the Fed Chair.

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 1.3600** – Figure – Strong
- **R1 1.3565** – 31 May/2019 high – Medium
- **S1 1.3400** – Figure – Medium
- **S2 1.3358** – 22 May low – Strong

USDCAD – fundamental overview

A dovish read from the Bank of Canada and a slump in the price of OIL, had resulted in the Canadian Dollar sinking to fresh 2019 lows against the Buck this past week. However, the Loonie has managed to recover off the low despite these negative drivers and Monday's softer Canada manufacturing PMI print, with the greater focus on ramped up soft US Dollar trade policy and increased prospects for a Fed rate cut. Looking at the calendar for the remainder of the day, absence of first tier data out of Canada will leave the focus on US factory orders and a speech from the Fed Chair.

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 0.6615** – 10 May high – Strong
- **R1 0.6605** – 3 June high – Medium
- **S1 0.6560** – 27 May high – Medium
- **S2 0.6482** – 23 May/2019 low – Strong

NZDUSD – fundamental overview

Kiwi has done a good job recovering out from the recent yearly low, despite a run of softer local data and clear dovish shift in RBNZ policy that had resulted in a rate cut. The market has even held up well in the face of the latest risk liquidation, and it seems the impact of US administration soft Dollar trade policy is starting to shine through. We've also been hearing more talk of a possible rate cut from the Fed, further supporting Kiwi, despite all of the Kiwi negative drivers. Looking at the calendar for the remainder of the day, we get US factory orders and a speech from the Fed Chair.

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.



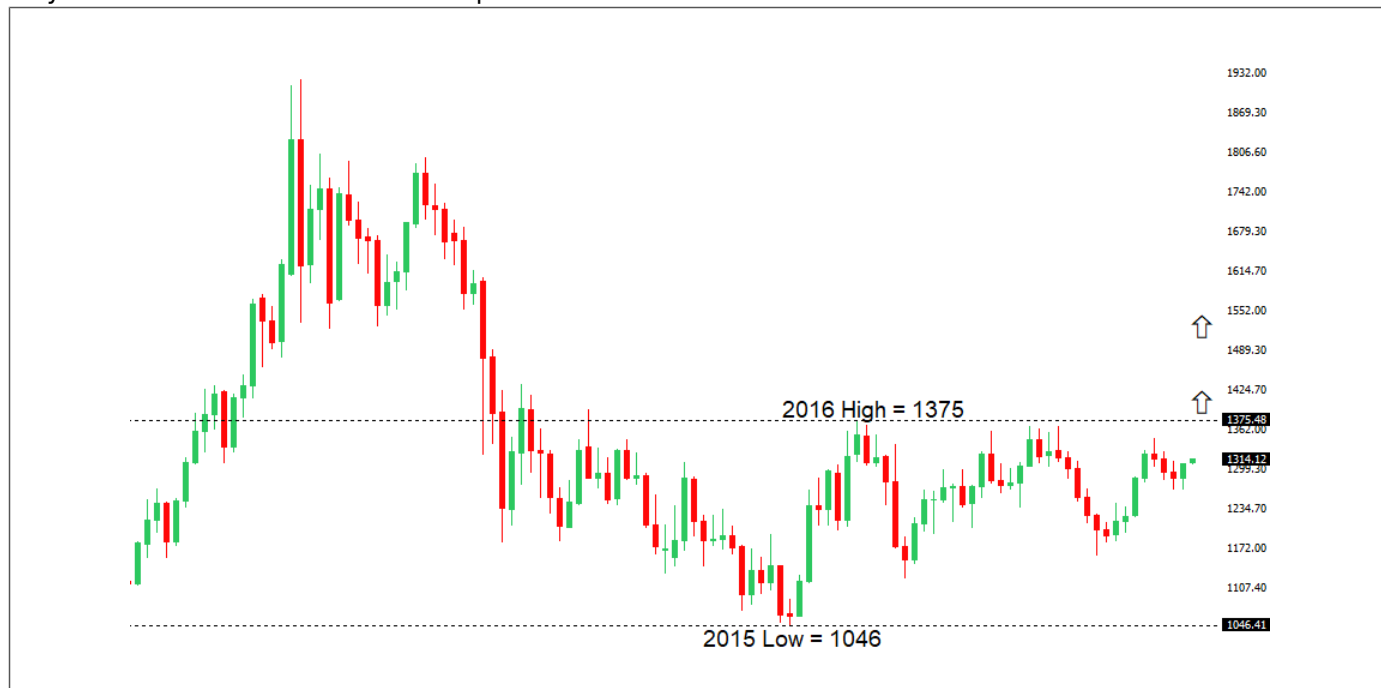
- **R2 2892** – 16 May high – Strong
- **R1 2800** – Round Number – Medium
- **S1 2722** – March low – Medium
- **S2 2682** – February low – Strong

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 1347** - 20 February/**2019 high** - Strong
- **R1 1333** - 22 February high - Medium
- **S1 1300** - Psychological - 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 9,094** - 30 May/2019 high - Medium
- **S1 7,432** - 23 May low - Medium
- **S2 7,000** - 17 May low - Strong

BTCUSD - fundamental overview

Bitcoin is finally taking an overdue breather after enjoying a stellar rally over the past few weeks. Last month's resiliency in the face of the hack at a major exchange has given the crypto asset a huge credibility boost, while reports of mainstream adoption haven't hurt the cause either. Household names like Starbucks, Microsoft, TD Ameritrade and Whole Foods are all making moves in the space, while governments have been more receptive to working with the crypto asset.

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 227** - 17 May 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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