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# Global FX Insights

by LMAX Exchange Research & Analytics

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

## BOE and BoC Fuel Fresh FX Demand [Wake-up Call](#)

What started as a Euro rally earlier this week has turned into a resumption of broad based US Dollar selling. Any benefit to the Buck from the Fed meeting earlier this month has now been more than offset by a concurrent wave of hawkishness out from other major central banks.

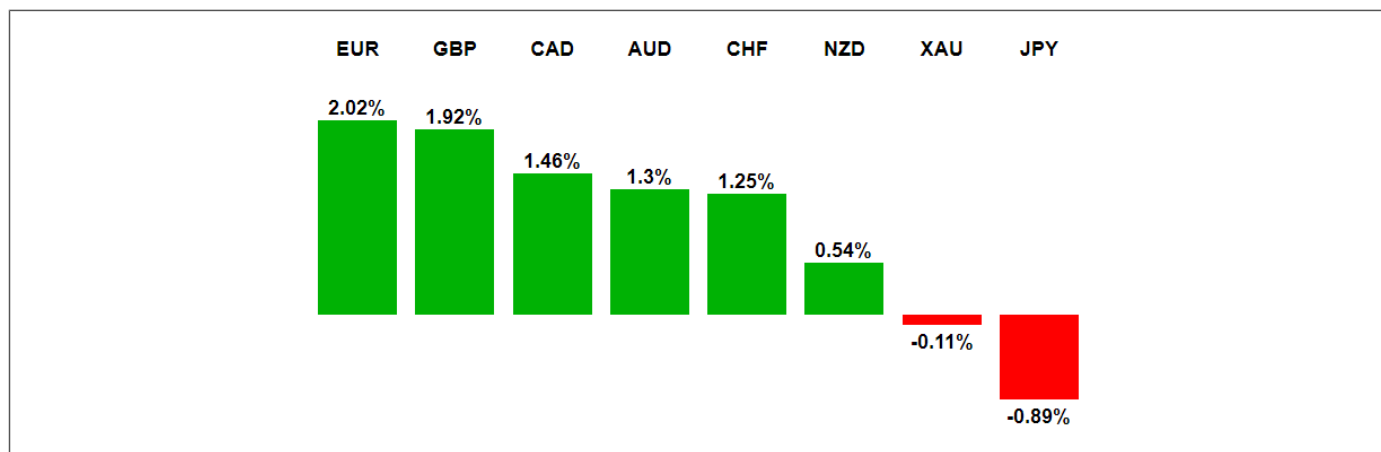
### Technical highlights [Daily Video](#)

- **EURUSD** Into major levels
- **GBPUSD** Surges through 1.2900
- **USDJPY** Rallies still well capped
- **EURCHF** Stalls ahead of 1.1000
- **AUDUSD** Room to extend run
- **USDCAD** Testing psych barrier
- **NZDUSD** Looking at 2017 high
- **US SPX 500** Determined trend
- **GOLD** (spot) Higher low in play
- **Feature** – USDZAR Signs of base

### Fundamental highlights

- **EURUSD** Market shrugs off ECB's message
- **GBPUSD** Hawkish Carney talk rockets Pound
- **USDJPY** Yield differentials, stocks weigh on Yen
- **EURCHF** SNB getting help from exhausted flow
- **AUDUSD** Ex-RBA Edwards talks policy tightening
- **USDCAD** Poloz and OIL drive Loonie outperformance
- **NZDUSD** Positioning data warns of Kiwi reversal
- **US SPX 500** Investors look to GDP data and core PCE
- **GOLD** (spot) Healthy demand for hard asset in 2017
- **Feature** – USDZAR Endless domestic woes spell trouble

## Five day performance v. US dollar



## Suggested reading

- **Robots, Buybacks and Golfers**, M. Levine, Bloomberg View (June 28, 2017)
- **Is Theresa May Here to Stay?**, L. Barber, Business Insider (June 28, 2017)

## EURUSD – technical overview

This latest break to fresh 2017 highs beyond 1.1300 confirms a higher low at 1.1110 and sets the stage for this next upside extension, which takes us into a critical longer-term resistance zone in the 1.1500-1.1700 area. Technically, after consolidating between 1.1100 and 1.1300, the push projects a measured move in the sessions ahead to 1.1500. At this point, it would take a break back below 1.1110 to negate the constructive outlook.



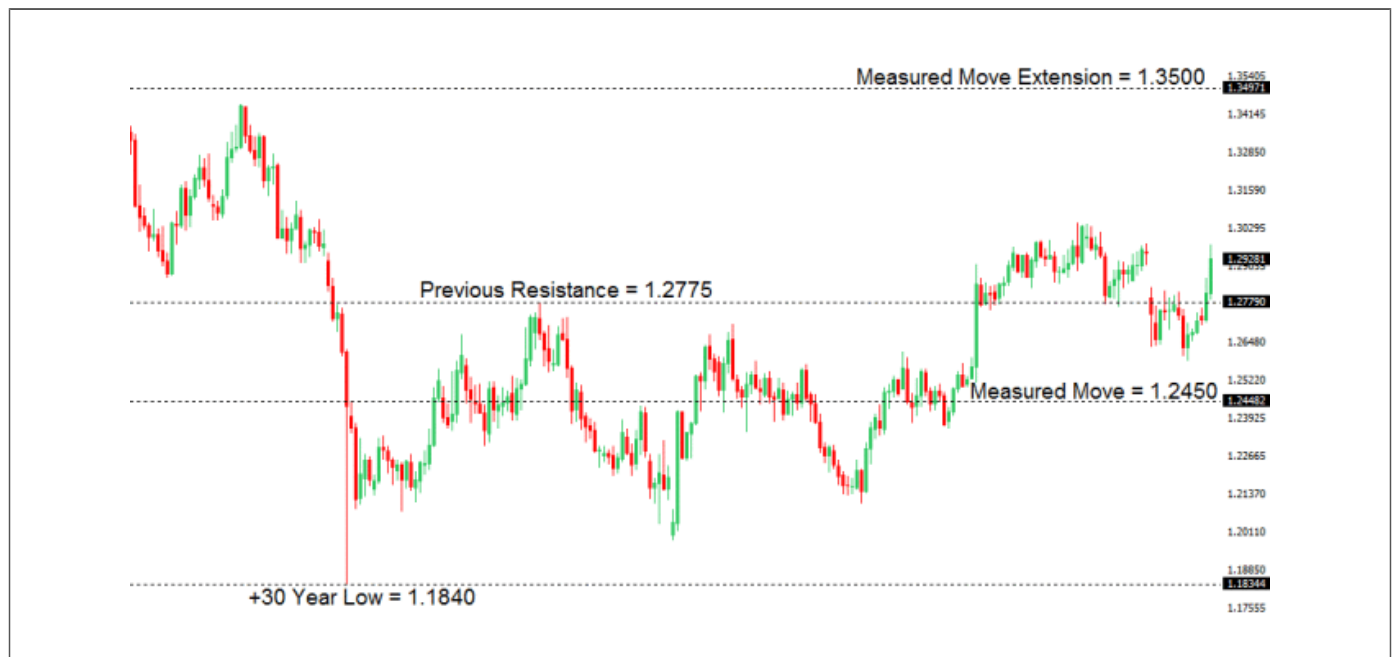
- R2 1.1500 – Measured Move – Strong
- R1 1.1428 – 24Jun high/2016 – Medium
- S1 1.1292 – 28Jun low – Medium
- S2 1.1220 – 26Jun high – Strong

## EURUSD – fundamental overview

The ECB wasn't pleased with the market response to Tuesday's hawkishly perceived Draghi comments, issuing a statement that the market had misinterpreted the central bank President's comments. But after a minor stumble, the single currency was quick to recover, pushing on to a fresh 2017 high. Whatever the intent of the ECB, it really didn't seem to matter, with Draghi shift in gears proving too much to dismiss. Meanwhile, technical buying also factored in to trade, with a recent push above 1.1300 inviting momentum types to play a run up into the 1.1500 area. Softer US pending home sales also did nothing to hurt the Euro's cause. Looking ahead, key standouts on the calendar include German Gfk consumer confidence, Eurozone confidence readings, US GDP, US core PCE and US initial jobless claims.

## GBPUSD – technical overview

The market has entered a period of choppy consolidation over the past several sessions but is now expected to be very well supported on dips in favour of a higher low and bullish continuation towards a measured move extension objective at 1.3500 in the weeks ahead. A breakout above critical resistance at 1.2775 back in April triggered a structural shift in the major pair warning of a longer-term base. Only back below 1.2360 would compromise this outlook.



- R2 1.3048 – 18May/2017 high – Strong
- R1 1.2978 – 8Jun high – Medium
- S1 1.2862 – 27Jun high – Medium
- S2 1.2794 – 28Jun low – Strong

## GBPUSD – fundamental overview

There has been a lot of policy shifting from central bankers in recent days and Wednesday, it was BOE Governor Carney's turn. After consistently sticking to a more dovish tone for much of this year, Carney was out with a decidedly more hawkish outlook, talking tapering and discussions on rate hikes. Of course, it was no surprise to see the Pound rocket higher in the aftermath, before finally finding some offers ahead of 1.3000. Softer Brexit prospects have been another source of Sterling demand, though the negotiation process could still present challenges that will make it more challenging for the Pound to sustain rallies beyond 1.3000 right now. Looking ahead, we get UK consumer credit and a batch of US data featuring GDP, core PCE and initial jobless claims.

## USDJPY – technical overview

Despite the latest recovery rally, the overall pressure remains on the downside. In the interim, look for any additional upside to remain capped below 113.00, though only a break back above the recent high at 114.37 will negate the outlook and take the pressure off the downside.



- R2 113.13 – 17May high – Strong
- R1 112.47 – 27Jun high – Medium
- S1 111.46– 27Jun low – Medium
- S2 110.95 – 22Jun high – Strong

## USDJPY – fundamental overview

The more hawkish policy trajectories at the Fed, ECB and BOE are unquestionably impacting the Yen right now, with the Japanese currency under pressure as yield differentials widen in favor of the US Dollar, Euro and Pound. Meanwhile, US equities continue to be supported at every turn, refusing to show any signs of weakness, with the record run contributing to additional Yen weakness on the traditional correlation. Looking ahead, we get a healthy batch of US data featuring GDP, core PCE and initial jobless claims.

## EURCHF – technical overview

A recent break above 1.0900 has taken the short-term pressure off the downside and could be warning of a more significant structural shift. Next key resistance comes in at 1.1000, with the psychological barrier coinciding with a high from August 2016. The establishment above 1.1000 would force a meaningful shift in the structure and open the door for longer-term upside. At the same time, while the market holds below 1.1000 the overall trend is still bearish and a break back below 1.0800 would renew downside pressure.



- R2 1.0989 – 12May/2017 high – Strong
- R1 1.0950 – Mid-Figure – Medium
- S1 1.0834 – 23Jun low – Medium
- S2 1.0782 – 24Apr low – Strong

## EURCHF – fundamental overview

Overinflated, record high US equities should be a worry for the SNB as any capitulation on the equity front is likely to invite massive safe haven Franc demand the central bank will have an extremely difficult time offsetting, irrespective of the central bank's commitment to negative rate policy. The SNB is hoping global sentiment will remain artificially elevated and the ECB will continue to paint a more hawkish picture. But it looks like it really should come down to the performance in US equities given the influence on broader sentiment. Any signs of intensification to the downside will likely invite a pickup in Franc demand and unwanted downside pressure on EURCHF.

## AUDUSD – technical overview

Despite the latest rally, the market continues to be very well capped into medium-term resistance around 0.7800. Ultimately, any moves to the topside are therefore classified as corrective with the market expected to stall out and roll over again. Look for a break back below 0.7536 to strengthen this outlook and accelerate declines.



- R2 0.7700 – Figure – Strong
- R1 0.7680 – 30Mar high – Medium
- S1 0.7578 – 27Jun low – Medium
- S2 0.7536 – 22Jun low – Strong

## AUDUSD – fundamental overview

Overall, the Australian Dollar has done a good job holding up, helped along by developments that include balanced RBA policy, and solid local data. And although comments from an ex-RBA official aren't going to get as much attention as comments from Yellen, Draghi and Carney, the comments have not gone unnoticed and could be contributing to this latest Aussie run up. Ex-RBA member Edwards came out with his own hawkish speak, outlining the possibility the RBA could hike eight times over the next two years, bringing the cash rate up to 3.50%. Looking ahead, we get a healthy batch of US data featuring GDP, core PCE and initial jobless claims.

## USDCAD – technical overview

The latest round of setbacks have taken the pressure off the topside for now, with the market trading back into a longer-term range. The recent break below 1.3200 has opened the door for a more pronounced decline into major psychological support at 1.3000. Ultimately however, the longer-term uptrend remains intact and setbacks should be well supported around the 1.3000 barrier. Look for a bounce in the sessions ahead and break back above 1.3348 to strengthen the constructive outlook.



- R2 1.3198 – 28Jun high – Strong
- R1 1.3100 – Figure – Medium
- S1 1.3013 – 28Jun low – Medium
- S2 1.3000 – Psychological– Strong

## USDCAD – fundamental overview

There was a lot of attention given to the ECB's downplaying of Draghi comments and hawkish BOE Carney remarks, but on Wednesday, neither the Euro or Pound performed as well as the Canadian Dollar. This wave of central bank hawkishness has not been lost on the Bank of Canada by any stretch and BoC Governor Poloz did a good job backing that up again on Wednesday. Odds for a 2017 BoC hike have ramped up considerably in recent days and this has been a major prop for the Canadian Dollar. Of course, talking the Loonie without talking OIL is a hard thing to do, and Wednesday's run higher in the black gold provided another excuse to pile into the Loonie, with the currency trading to a major psychological barrier and multi day highs against the US Dollar. Looking ahead, absence of Canada data will leave the focus on US releases that include GDP, core PCE and initial jobless claims.

## NZDUSD – technical overview

Despite the intense surge over the past several days, the overall pressure remains on the downside with the market expected to be very well capped in the 0.7300s. The weekly chart is reflective of this fact as it looks like we're seeing the formation of a major top off the 2016 high. Only a clear break back above 0.7400 would compromise the outlook, while back below 0.7186 strengthens the bearish case.



- R2 0.7376 – 7Feb/2017 high – Strong
- R1 0.7344 – 27Jun high – Medium
- S1 0.7254 – 28Jun low – Medium
- S2 0.7186 – 15Jun low – Strong

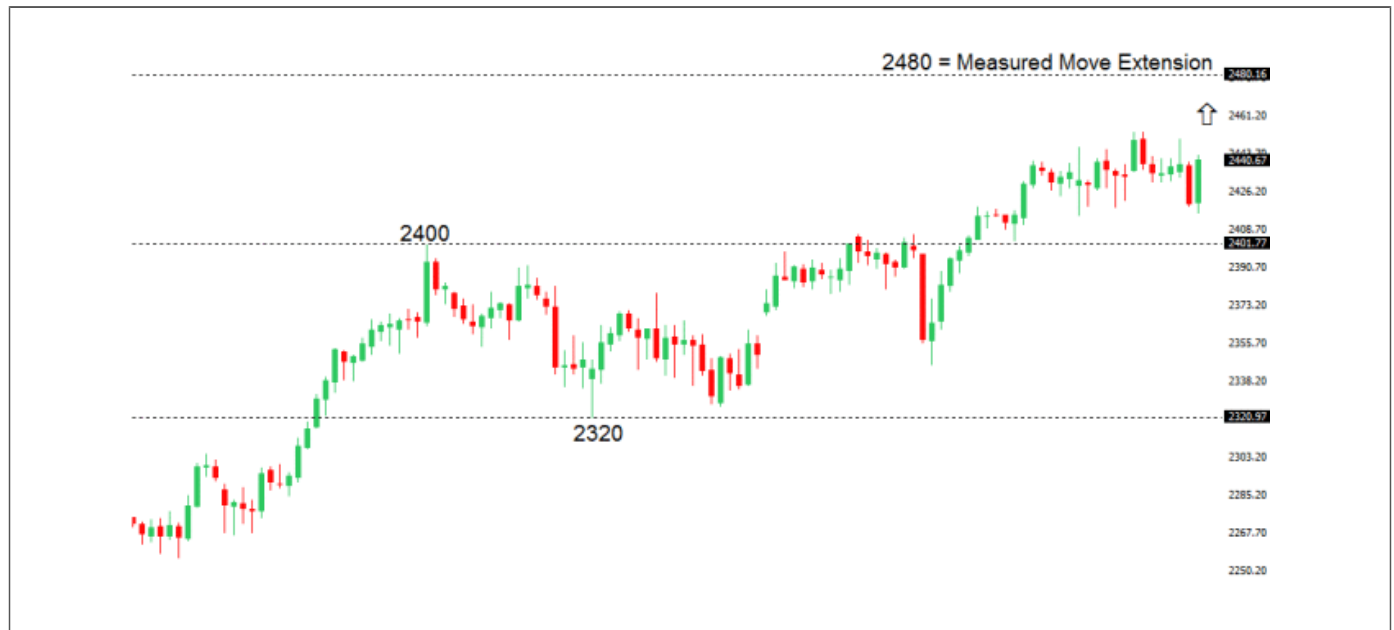
## NZDUSD – fundamental overview

The New Zealand Dollar has put in an impressive rally over the past several days, but is starting to crack a bit, with local data not as impressive and elevated global risk sentiment looking increasingly vulnerable. The one saving grace right now is the broad based US Dollar selling, helped along by a wave of hawkishness from other major central banks that is offsetting the Fed's commitment to keeping with its normalisation timeline. Still, when considering positioning data that shows speculative Kiwi longs at their highest level in over four years, it would seem the currency could be getting close to some form of a top. Looking ahead, we get a healthy batch of US data featuring GDP, core PCE and initial jobless claims



## US SPX 500 – technical overview

The record run continues with the intense bullish momentum intact and the door open for that next push towards a measured move extension at 2480. Any setbacks have been exceptionally mild thus far and at a minimum, a break back below 2400 would be required to take the immediate pressure off the topside. But only a break below 2320 would signal a meaningful shift in the structure.



- R2 2480.00 – Measured Move – Strong
- R1 2454.00 – 20Jun/Record high – Medium
- S1 2403.00 – 31May low – Medium
- S2 2346.00 – 18May low – Strong

## US SPX 500 – fundamental overview

There has been a lot of talk about a potential top in the US equity market, with the rally pushing to record highs at an unnerving pace in the face of some disturbing fundamentals including exhausted (reversing) Fed policy and rising geopolitical risk. And certainly this ongoing turmoil and gridlock surrounding the US administration has made things even more tense. But overall, the US equity market has done a good job proving it can easily buy back into any dip and keep pushing to record highs as it focuses on rates staying lower for longer and the Fed continuing to underdeliver on forward guidance. This bet will be put to the test in an even bigger way going forward, as the Fed continues to stick to its policy timeline, while adopting a different approach that is less data dependent. The major takeaway is that the Fed is shifting from a strategy that errs on the side of accommodation to a strategy now erring on the side of policy normalization. Any more confirmation in the days ahead could invite downside pressure. US GDP and core PCE will be worth watching later today.

## GOLD (SPOT) – technical overview

The market has been very well supported since basing out ahead of 1100 in 2016, putting in a series of higher lows and higher highs. This latest break to a fresh 2017 high confirms that next higher low in the 1215 area and opens an upside extension towards the 2016 peak at 1375 further up. At this point, only a break back below 1214 would compromise the constructive outlook with setbacks ideally seen well supported in the 1230s.



- R2 1296.20 – 6Jun/2017 high – Strong
- R1 1258.90 – 23Jun high – Medium
- S1 1236.20 – 26Jun low – Medium
- S2 1214.30 – 9May low – Strong

## GOLD (SPOT) – fundamental overview

Solid demand from medium and longer-term players continues to emerge on dips, with these players more concerned about the limitations of exhausted monetary policy, extended global equities, political uncertainty, systemic risk and geopolitical threats. All of this should continue to keep the commodity in demand, 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. Certainly the US Dollar under pressure in 2017 is adding to the metal’s bid tone as well, but there is a growing sense that even in a scenario where the US Dollar is bid, gold may continue to find bids on risk off macro implications.

## Feature – technical overview

USDZAR has been under pressure in recent weeks, though setbacks have managed to stall ahead of the 2017 low thus far. Look for a break back above 13.21 to negate the bearish outlook and open the door for a bullish resumption.



- R2 13.21 – 31May high – Strong
- R1 12.96 – 9Jun high – Medium
- S1 12.55 – 14Jun low – Medium
- S2 12.31 – 27Mar/2017 low – Strong

## Feature – fundamental overview

Overall, the South African Rand has done a good job holding up when considering recent domestic woes including a prosecutor report critical of the SARB, regulatory dispute between miners and the government, a Moody’s downgrade and drama surrounding the Zuma no confidence court ruling and Rand rigging hearings. But it seems these troubling fundamentals coupled with a weaker growth outlook, depressed commodities prices and a more hawkish Fed are starting to weigh on the Rand, with the greater risk from here for additional weakness. Remember, US equities are also exceptionally elevated and at risk for capitulation, yet another risk that could expose the emerging market currency to additional pressure.



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