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# Global FX Insights

by LMAX Exchange Research & Analytics

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

## Don't Get Sucked In [Wake-up Call](#)

We would caution against getting sucked into the Wednesday moves. On Wednesday, the US Dollar sold off aggressively in the US session, while US equities rallied hard. But it seems the hotter US CPI and implication market participants should be reconsidering their long exposure, have not been properly considered.

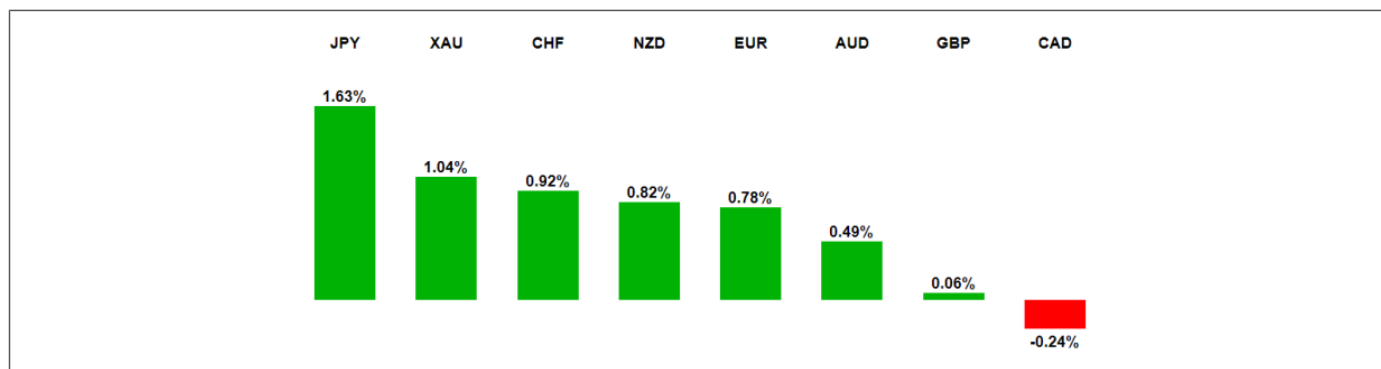
## Technical highlights [Daily Video](#)

- **EURUSD** Waiting for next big move
- **GBPUSD** Room for additional correction
- **USDJPY** Potential for fresh decline
- **EURCHF** Setbacks to be supported
- **AUDUSD** Rallies likely to be capped
- **USDCAD** Bullish consolidation
- **NZDUSD** Upside limited from here
- **US SPX 500** Signs of major top
- **GOLD** (spot) Constructive despite dips
- **Feature** – BTCUSD Bearish below 13k

## Fundamental highlights

- **EURUSD** ECB officials take to the wires
- **GBPUSD** Brexit tension shrugged off for now
- **USDJPY** Risk sentiment a major driver of flow
- **EURCHF** SNB battling unwelcome demand
- **AUDUSD** Aussie jobs data comes in soft
- **USDCAD** Still plenty of NAFTA uncertainty
- **NZDUSD** RBNZ policy moving to cautious track
- **US SPX 500** Investors ignoring the big red flags
- **GOLD** (spot) Metal demand reflects uncertainty
- **Feature** – BITCOIN Harder times for crypto assets

## Five day performance v. US dollar



## Suggested reading

- **[It's Different This Time](#)**, K. Muir, The Macro Tourist (February 13, 2018)
- **[Turmoil Could Help Restore Normal Markets](#)**, M. El-Erian, Bloomberg (February 14, 2018)

## EURUSD – technical overview

The Euro has entered a period of correction off the recent 2018 high, though overall, the uptrend remains firmly intact and there is still room to run. The break of the 2017 high set up a bullish continuation and the next major measured move upside extension into the 1.2650 area, which coincides with monumental resistance in the form of a falling trend-line off the record high from 2008. In the interim, any setbacks should be very well supported ahead of 1.1900, ideally into the 1.2100 area 2017 high.



- R2 1.2538 – 25Jan/2018 high – Strong
- R1 1.2476 – 5Feb low – Medium
- S1 1.2372 – 13Feb low – Medium
- S2 1.2277 – 14Feb low – Strong

## EURUSD – fundamental overview

Any Euro setbacks from the hotter US CPI print were easily supported and then some, with the single currency reacting more to solid Eurozone growth and industrial production data, an abysmal US retail sales print and ongoing concerns about soft US Dollar policy. There are some offers reported up into the 1.2500 area, though the strength of the bid is calling for another upside push through the recent +3 year high and towards a massive falling trend-line off the 2008 record high in the 1.2650 area. As far as today's schedule goes, we get some ECB speak from Mersch, Praet and Lautenschlaeger, followed by a batch of US releases featuring initial jobless claims, producer prices, empire manufacturing, the Philly Fed survey, industrial production, NAHB housing and TIC flows.

## GBPUSD – technical overview

The market has entered a corrective phase since pushing to a 2018 high at around 1.4350. There is still scope for additional corrective declines into the 1.3400-1.3600 area, though setbacks should be very well supported in favour of that next meaningful higher low and bullish continuation.



- R2 1.4068 – 8Feb high – Strong
- R1 1.4008 – 14Feb high – Medium
- S1 1.3925 – 13Feb high – Medium
- S2 1.3801 – 14Feb low – Strong

## GBPUSD – fundamental overview

The Pound has been well supported into this first dip in 2018, with the latest round of buying coming from broad based US Dollar selling on weak US retail sales, more hawkish expectations from the Bank of England and higher UK inflation. Interestingly, the market wasn't in the mood to extend its correction despite the hot US CPI print and ongoing Brexit concerns. Most recently, European Commission President Juncker came down hard on UK Foreign Secretary Johnson's comment about the EU wanting to create an "overarching European state," while Portugal's Dias said the two sides were far from reaching a second stage Brexit accord. Looking ahead, absence of first tier data in the UK will leave the focus on any Brexit related headlines and a batch of US releases including initial jobless claims, producer prices, empire manufacturing, the Philly Fed survey, industrial production, NAHB housing and TIC flows.

## USDJPY – technical overview

The major pair has just taken out the 2017 low, with the break a significant one, as it also compromises a range that has been in play for many months. If the market establishes a weekly close below 107.30, it could open the door for an accelerated decline in the days ahead, that takes the price down into the 102-103s, an area that coincides with a measured move extension target and the 78.6% fib retrace off the 2016 low to high move. On the other hand, inability to establish below 107.30, will suggest the range is still intact.



- R2 108.90 – 12Feb high – Strong
- R1 107.91 – 14Feb high – Medium
- S1 106.31 – 15Feb low – Strong
- S2 106.00 – Figure – Medium

## USDJPY – fundamental overview

Overall, the Yen has been well bid in early 2018, mostly on the back of a soft US Dollar campaign and some hawkish leaning tweaks to BOJ policy. Though we have seen a recovery in recent sessions, there has also been a clear downturn in global risk sentiment in recent weeks, which could invite additional Yen demand on the traditional correlation. Stops have now been taken out below the 107.30 area 2017 low, with the market dropping to a fresh multi-month low. Looking ahead, the major pair will be focused on risk appetite and a batch of US releases including initial jobless claims, producer prices, empire manufacturing, the Philly Fed survey, industrial production, NAHB housing and TIC flows.

## EURCHF – technical overview

Despite this latest round of setbacks, overall, the market continues to trend higher, recently extending gains to a fresh multi-month high. The bullish price action has the market thinking about a retest of that major barrier at 1.2000 further up. In the interim, look for the current round setbacks to be very well supported, while only back below 1.1260 would delay the overall constructive tone.



- R2 1.1834 – 15Jan/2018 high – Strong
- R1 1.1640 – 5Feb high – Medium
- S1 1.1450 – 8Feb low – Medium
- S2 1.1390 – 20Oct low – Strong

## EURCHF – fundamental overview

The SNB will need to be careful right now, as its strategy to weaken the Franc could face headwinds from the US equity market in 2018. The record run in the US stock market has been a big boost to the SNB's strategy with elevated sentiment encouraging Franc weakness. Of course, the SNB is no stranger to this risk, given a balance sheet with massive exposure to US equities. But any signs of capitulation on that front into this new year, will likely invite a very large wave of demand for the Franc, which will put the SNB in a more challenging position to weaken the Franc. And so, we speculate the SNB continues to be active buying EURCHF in an attempt to build some cushion ahead of what could be a period of intense Franc demand ahead. Recent outperformance in the Swiss Franc despite flows which should have otherwise been supportive of a higher EURCHF, could already be offering up a red flag.

## AUDUSD – technical overview

The market has been in the process of rolling over after failing to sustain a break above the 2017 high. The recent daily close back below 0.7957 strengthens this outlook and opens the door for a renewed wave of declines back towards 0.7500. At this point, only a daily close back above 0.8000 would delay.



- R2 0.7955 – 5Feb High – Strong
- R1 0.7947 – 15Feb high – Medium
- S1 0.7810 – 12Feb low – Medium
- S2 0.7774 – 14Feb low – Strong

## AUDUSD – fundamental overview

The Australian Dollar has managed to shrug off a downbeat Aussie employment report that showed a huge drop in full-time jobs. But overall, it seems the supportive price action is more a function of Wednesday's broad based and intense round of US Dollar weakness and additional upside could very well be limited. Risk sentiment is showing signs of deteriorating in 2018, while softer Aussie data has left room for the RBA to take a more cautious approach as reflected in its February decision. Looking ahead, the major pair will be focused on risk appetite and a batch of US releases including initial jobless claims, producer prices, empire manufacturing, the Philly Fed survey, industrial production, NAHB housing and TIC flows.

## USDCAD – technical overview

Despite a recent round of setbacks, there are signs of basing in this pair. This sets the stage for additional upside, with the next focus on a retest of the psychological barrier at 1.3000. In the interim, any setbacks should now be well supported above 1.2250.



- R2 1.2700 – Figure – Strong
- R1 1.2690 – 9Feb high – Medium
- S1 1.2492 – 7Feb low – Medium
- S2 1.2398 – 5Feb low – Strong

## USDCAD – fundamental overview

Overall, Canada's recovery is already somewhat fragile, and this coupled with an unstable macro picture and plenty of uncertainty around the fate of NAFTA, should be keeping the Canadian Dollar pressured, especially after the Bank of Canada opted to go ahead with another rate hike last month, which will only add to the strain if the global sentiment picture deteriorates even further. Looking ahead, we get Canada existing home sales, a speech from Bank of Canada Schembri and batch of US releases featuring initial jobless claims, producer prices, empire manufacturing, the Philly Fed survey, industrial production, NAHB housing and TIC flows.

## NZDUSD – technical overview

An impressive run has finally stalled out into formidable internal resistance. Overall, the risk is tilted to the downside and it will take a clear establishment back above 0.7400 to delay the bearish outlook and risk for another reversal. A daily close below 0.7200 will strengthen the bearish outlook and open deeper setbacks towards 0.7000.



- R2 0.7437 – 24Jan high – Strong
- R1 0.7400 – Figure – Medium
- S1 0.7300 – Figure – Medium
- S2 0.7178 – 8Feb low – Strong

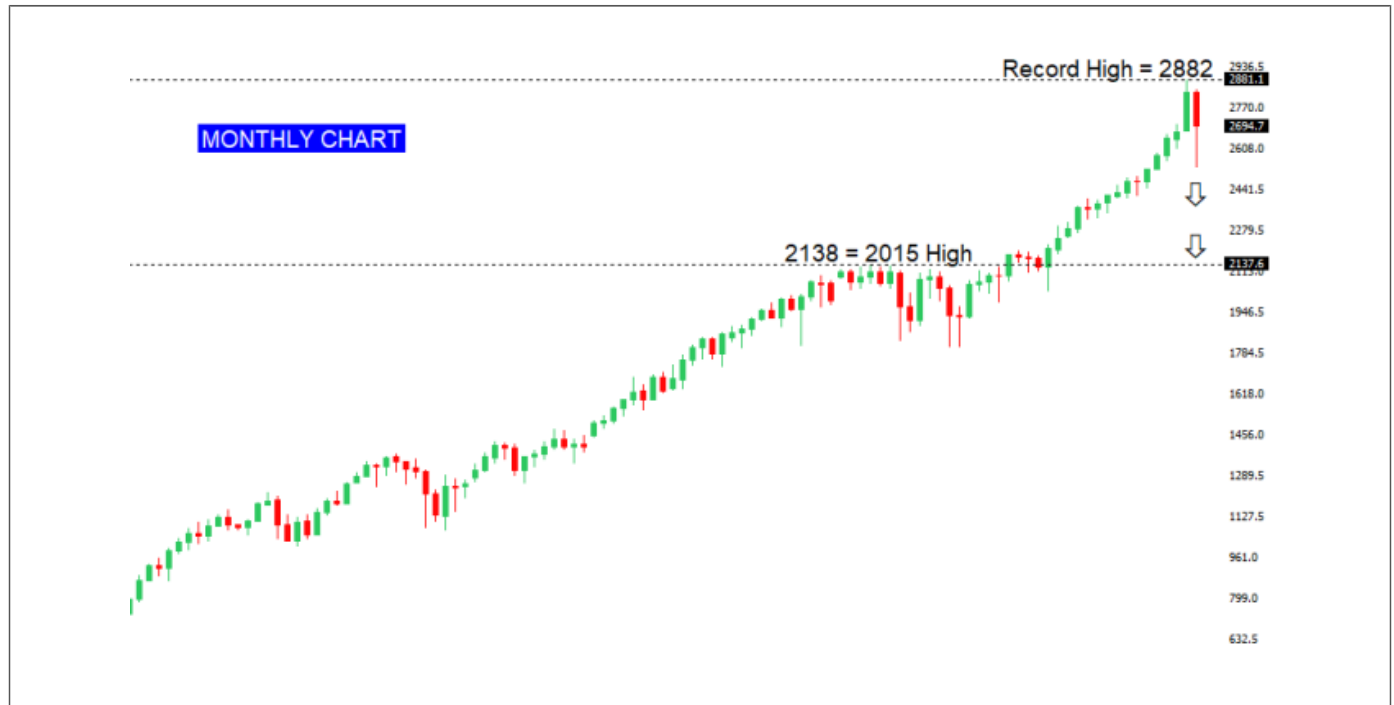
## NZDUSD – fundamental overview

Although the RBNZ left policy on hold as was widely expected last week, the central bank caught the market off guard, with a more dovish leaning outlook. The central bank pushed back inflation target projections by two years, to Q3 2020. This comes at a time when global sentiment is at risk of deteriorating in 2018 and the US Dollar is contemplating a recovery on the back of upgraded expectations for a more hawkish Fed trajectory. Looking ahead, the major pair will be focused on risk appetite and a batch of US releases including initial jobless claims, producer prices, empire manufacturing, the Philly Fed survey, industrial production, NAHB housing and TIC flows.



## US SPX 500 – technical overview

A severely overbought market has finally at long last relented, allowing for stretched readings to unwind. There's plenty of room for these setbacks to extend following the break back below the 2675 area January low, with the market at risk for a further intensification of declines. Any rallies should now be very well capped ahead of 2800.



- R2 2882 – 29Jan/Record high – Strong
- R1 2765 – 5Feb high – Strong
- S1 2534 – 6Feb low – Medium
- S2 2500 – Psychological – Strong

## US SPX 500 – fundamental overview

Investor immunity to downside risk is not looking as strong these days and there's a clear tension out there as the VIX starts to rise from unnervingly depressed levels. The fact that Fed policy is normalising, however slow, could start to resonate a little more, with stimulus efforts exhausted, balance sheet reduction coming into play and the Fed finally following through with forward guidance. Certainly, the more hawkish tone from the latest otherwise uneventful Fed meeting and subsequent jump in hourly earnings and CPI, are the types of things that could weigh more heavily on sentiment in the sessions ahead.

## GOLD (SPOT) – technical overview

**Setbacks have been well supported** over the past several months, with the market continuing to put in higher lows and higher highs. Look for the current run to break through and establish above massive resistance in the form of the 2016 high at 1375, with the push to suggest a major bottom has formed, opening the door for a much larger recovery in the months ahead. Any setbacks should now be well supported ahead of 1300.



- R2 1375 – 2016 high – Very Strong
- R1 1367 – 25Jan high – Medium
- S1 1306 – 4Jan low – Strong
- S2 1294 – 29Dec low – Medium

## GOLD (SPOT) – fundamental overview

**Solid demand from medium and longer-term players** persists, with these players more concerned about exhausted monetary policy, extended global equities, political uncertainty, systemic risk and geopolitical threats. All of this should continue to 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. Certainly the US Dollar under pressure has added 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 for an extended period, GOLD will hold up on risk off macro implications. The 2016 high at 1375 is a massive level that if broken and closed above, could be something that triggers a widespread panic and rush to accumulate more of the hard asset.

## Feature – technical overview

Bitcoin has come under intense pressure since topping out at a record high just shy of 20,000 in December. The market has now exceeded a measured move downside objective that had targeted a drop to \$7,000, with deeper setbacks now on the cards for a move to retest the September 2017 peak around \$5,000. At this point, it will take a daily close back above \$13,000 at a minimum, to take the pressure off the downside.



- R2 13,000 – 20Jan high – Strong
- R1 10,000 – Psychological – Medium
- S1 6,000 – 6Feb/2018 low – Strong
- S2 4,970 – September 2017 high – Strong

## Feature – fundamental overview

The crypto asset has come under intense pressure in 2018, with ramped up regulatory oversight and potential government crackdowns forcing many holders to exit positions. The market has also been on a euphoric ride, with the run gaining too much momentum as latecomers looked to get in on the action, often a sign of a bubbling asset. Bitcoin has struggled on the transaction side as well, with transactions per second a major drawback, along with a mining community that has been less willing to process transactions due to the lower fees. The Lightning network is expected to ramp up transaction speed, which could be a big help to Bitcoin, though it seems the combination of a massive bubble, more regulatory oversight and a market that is still trying to convince of its proof of concept, could all suggest even deeper setbacks ahead. We have seen some demand out from the 2018 low, but at this point, it would be premature to chalk it up to anything more than a corrective bounce.



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