

Monday, March 23, 2020

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# Global FX Insights

by LMAX Group Research & Analytics

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

## An ugly start to the week [🔊 Wake-up call](#)

Risk sentiment isn't looking good into Monday, as coronavirus fallout intensifies. One major US bank has called for a 30% decline in Q2 US GDP, while another leading institution has said markets are pricing a global recession. Adding additional fuel to the fire is the news out of the US, that the Democrats have blocked a \$2 trillion rescue package.

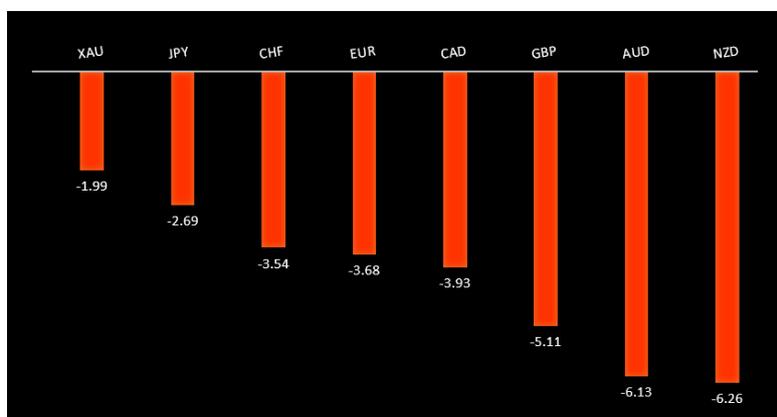
### Technical highlights [📺 Daily Video](#)

- [EURUSD](#) Still looking for major higher low
- [GBPUSD](#) Crashes below 1.2000, deeply extended
- [USDJPY](#) Confined to a large choppy triangle range
- [EURCHF](#) Comes into major psychological support
- [AUDUSD](#) Lowest levels since 2003, oversold
- [USDCAD](#) Pushes towards major peak
- [NZDUSD](#) Setbacks looking extended into dip
- [US SPX 500](#) Takes out 2018 low, 2016 low next
- [GOLD \(spot\)](#) Outlook remains constructive
- [BTCUSD](#) Expected to hold up above 2018 low
- [ETHUSD](#) Additional declines should be limited

### Fundamental highlights

- [EURUSD](#) Eurozone consumer confidence due
- [GBPUSD](#) PM Johnson to consider tougher measures
- [USDJPY](#) Dollar off, risk off fuels renewed Yen demand
- [EURCHF](#) **SNB policy** runs into tough times
- [AUDUSD](#) Australia launches 2nd stimulus package
- [USDCAD](#) Canada wholesale sales on tap
- [NZDUSD](#) RBNZ introduces QE policy
- [US SPX 500](#) Stocks stressed with little left in tank
- [GOLD \(spot\)](#) Pick up in hard asset demand
- [BTCUSD](#) Bitcoin feels heat of global turmoil
- [ETHUSD](#) Ether exposed to traditional markets

## 5 Day Performance vs. US dollar



## Suggested reading

- [Investors Will Emerge in Unfamiliar Terrain](#), M. El-Erian, **Bloomberg** (March 21, 2020)
- [Coronavirus: Why the West Will Be Hit Harder](#), C. Cookson, **Financial Times** (March 19, 2020)

## EURUSD - technical overview

**A higher low is now sought out above** the multi-year low from 2017, ahead of the next major upside extension. Look for the major pair to be well supported into dips ahead of the next big run towards the 2019 high at 1.1570. Ultimately, only a weekly close below 1.0700 would compromise this outlook.



- **R2 1.0982** - 19 March high - Strong
- **R1 1.0900** -Figure - Medium
- **S1 1.0638** - 20 March/2020 low - Medium
- **S2 1.0600** - Figure - Strong

## EURUSD - fundamental overview

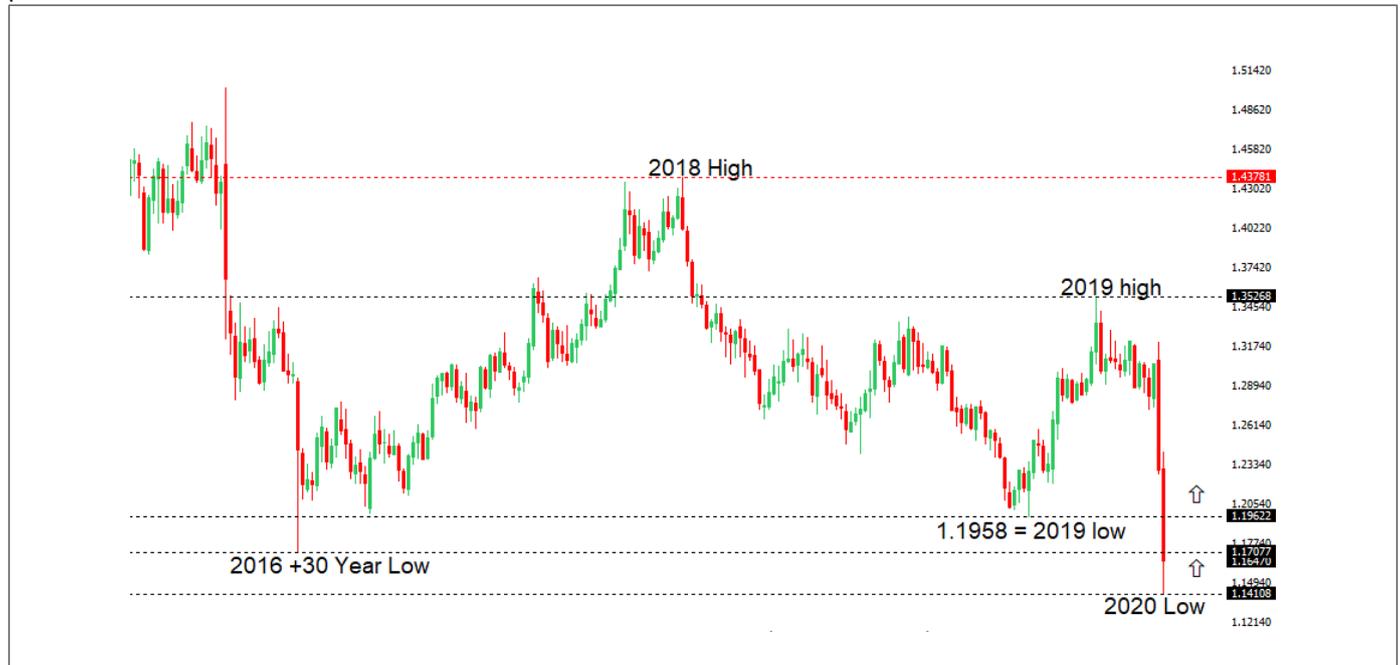
**The Euro is finding demand off its recent 2020 low**, despite ongoing fallout from the coronavirus. It seems the Euro is getting a boost from the intensification of virus fallout in the US, a delay of the \$2 trillion US economic rescue package, and the Fed's commitment to raise the frequency of its Dollar swap facility to daily from weekly. Germany has banned public gathering of more than two, while Chancellor Merkel is placed in quarantine. ECB Guindos proposes use of Eurobonds for virus. Monday's calendar is light with only the Chicago Fed national activity index and Eurozone consumer confidence standing out.

## EURUSD - Technical charts in detail

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## GBPUSD - technical overview

The price has accelerated to the downside, with the market trading to a 35 year low below 1.1500. Technical studies are now severely extended and warn of an aggressive bounce at a minimum. A push back above 1.2000 over the coming days will encourage prospect for the establishment of a longer-term base and potential double bottom.



- **R2 1.2130** - 18 March high - Strong
- **R1 1.2000** - Psychological - Medium
- **S1 1.1500** - Psychological- Medium
- **S2 1.1410** - 20 March/+30 year low - Strong

## GBPUSD - fundamental overview

The Pound is finding demand off its recent+30 year low, despite ongoing fallout from the coronavirus. It seems the Pound is getting a boost from the intensification of virus fallout in the US, a delay of the \$2 trillion US economic rescue package, and the Fed's commitment to raise the frequency of its Dollar swap facility to daily from weekly. UK PM Johnson has threatened a lockdown as the public ignores virus warnings, with new options to be considered over the coming hours. The FCA has requested companies to delay earnings releases for two weeks, given the virus disruption. Monday's calendar is light with only the Chicago Fed national activity index and Eurozone consumer confidence standing out.

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## USDJPY - technical overview

We're seeing a pickup in volatility in the major pair, with the market swinging wildly through the upper and lower bound of a massive triangle. Still, there is no clear direction insight, with rallies well capped above 110.00 and dips well supported below 104.00.



- **R2 112.23** - 20 February/2020 high - Strong
- **R1 111.51** - 20 March high - Medium
- **S1 107.85** - 19 March high - Medium
- **S2 106.76** - 18 March low - Strong

## USDJPY - fundamental overview

**Risk off, US Dollar off is the story into Monday**, with the Yen coming back into demand as a result. The primary driver of the flow has been the intensification of virus fallout in the US, a delay of the \$2 trillion US economic rescue package, and the Fed's commitment to raise the frequency of its Dollar swap facility to daily from weekly. Morgan Stanley has now forecast US Q2 GDP to plunge 30%, while Goldman Sachs has said the market is now pricing a global recession. The BOJ offered to buy additional 800b in 3-10y bonds, on top of scheduled OMOs for 10-20y, and over 25y bonds. Monday's calendar is light with only the Chicago Fed national activity index and Eurozone consumer confidence standing out.

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# EURCHF - technical overview

The market remains very well capped into offers and the medium-term picture continues to favour the downside. A break back above 1.0710 would be required to take the immediate pressure off the downside. Technicals are however looking extended and the market should be well supported ahead of 1.0500.



- **R2 1.0834** - 13 January high - Medium
- **R1 1.0710** - 3 March high - Strong
- **S1 1.0524** - 20 March/2020 low - Medium
- **S2 1.0500** - Psychological - 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, and from a US administration that has put Switzerland on its currency manipulator watchlist. Any signs of risk liquidation in 2020, 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

**Aussie has recently extended declines to its lowest levels** against the Buck since 2003. At the same time, technical studies are looking stretched and any additional setbacks below 0.5500 should be a difficult task, at least over the coming months. Back above the December 2019 high at 0.7032 would however be required to take the immediate pressure off the downside.



- **R2 0.6326** - 13 March high - Strong
- **R1 0.6029** - 18 March high - Medium
- **S1 0.5664** - 20 March low - Medium
- **S2 0.5507** - 19 March/2020 low - Strong

# AUDUSD - fundamental overview

**Despite an intensification of risk off flow into Monday**, the Australian Dollar has been able to find some demand. The price action can be reconciled from the intensification of virus fallout in the US, a delay of the \$2 trillion US economic rescue package, and the Fed's commitment to raise the frequency of its Dollar swap facility to daily from weekly. Meanwhile, the RBA has offered to buy up to A\$4b in government bonds, while injecting A\$3.7b in daily operations. The Australian government has also announced a second stimulus package worth A\$66b. Monday's calendar is light with only the Chicago Fed national activity index and Eurozone consumer confidence standing out.

## USDCAD - technical overview

The market has continued to be well supported on dips, extending its run to fresh multi-month highs. The recent push back above the 2017 high now exposes the next upside extension towards a retest of massive resistance in the form of the 2016 high at 1.4690. Look for setbacks to be well supported ahead of 1.3500.



- **R2 1.4690** - 2016 high - Strong
- **R1 1.4668** - 19 March/2020 high - Medium
- **S1 1.4300** - Figure - Medium
- **S2 1.4150** - 20 March low - Strong

## USDCAD - fundamental overview

The Canadian Dollar is finding demand off its recent multi-month low, despite ongoing fallout from the coronavirus and slumping OIL. It seems the Loonie is getting a boost from the intensification of virus fallout in the US, a delay of the \$2 trillion US economic rescue package, and the Fed's commitment to raise the frequency of its Dollar swap facility to daily from weekly. Friday's better than expected Canada retail sales may also be factoring a bit. Monday's calendar is light with only the Chicago Fed national activity index, Canada wholesale sales, and Eurozone consumer confidence standing out.

## NZDUSD - technical overview

**There's a case to be made** for a meaningful bottom, with the market looking quite extended as it dips below major psychological support at 0.5500. As such, look for setbacks to be well supported in the days ahead, in anticipation of sharp rebound. Only a weekly close below 0.5500 would give reason for rethink. Back above 0.6500 however, would be required to take the immediate pressure off the downside.



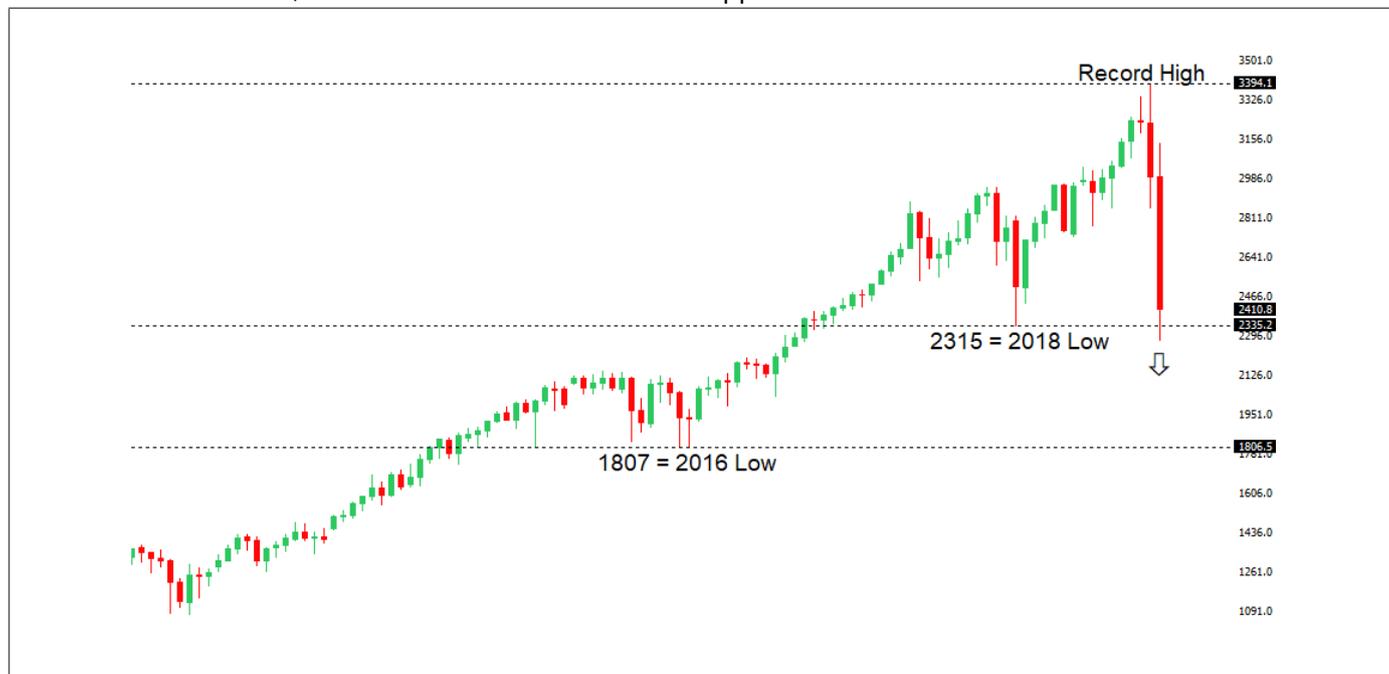
- **R2 0.5969** - 18 March high - Strong
- **R1 0.5882** - 20 March high - Medium
- **S1 0.5600** - Figure - Medium
- **S2 0.5469** - 19 March/2020 low - Strong

## NZDUSD - fundamental overview

**Despite the RBNZ's latest announcement of QE**, through the purchase of NZ\$30b of government bonds in the secondary market over the next 12 months, the New Zealand Dollar has been able to find some demand. The price action can be reconciled from the intensification of virus fallout in the US, a delay of the \$2 trillion US economic rescue package, and the Fed's commitment to raise the frequency of its Dollar swap facility to daily from weekly. New Zealand has also imposed a nationwide self isolation for 4 weeks. Monday's calendar is light with only the Chicago Fed national activity index and Eurozone consumer confidence standing out.

## US SPX 500 - technical overview

Setback have been intense as the market puts in a longer-term top. The market has collapsed through the 2018 low, with the next major support coming in at the 2016 low around 1800. Extended readings warn of a corrective bounce, but rallies should now be well capped ahead of 2800.



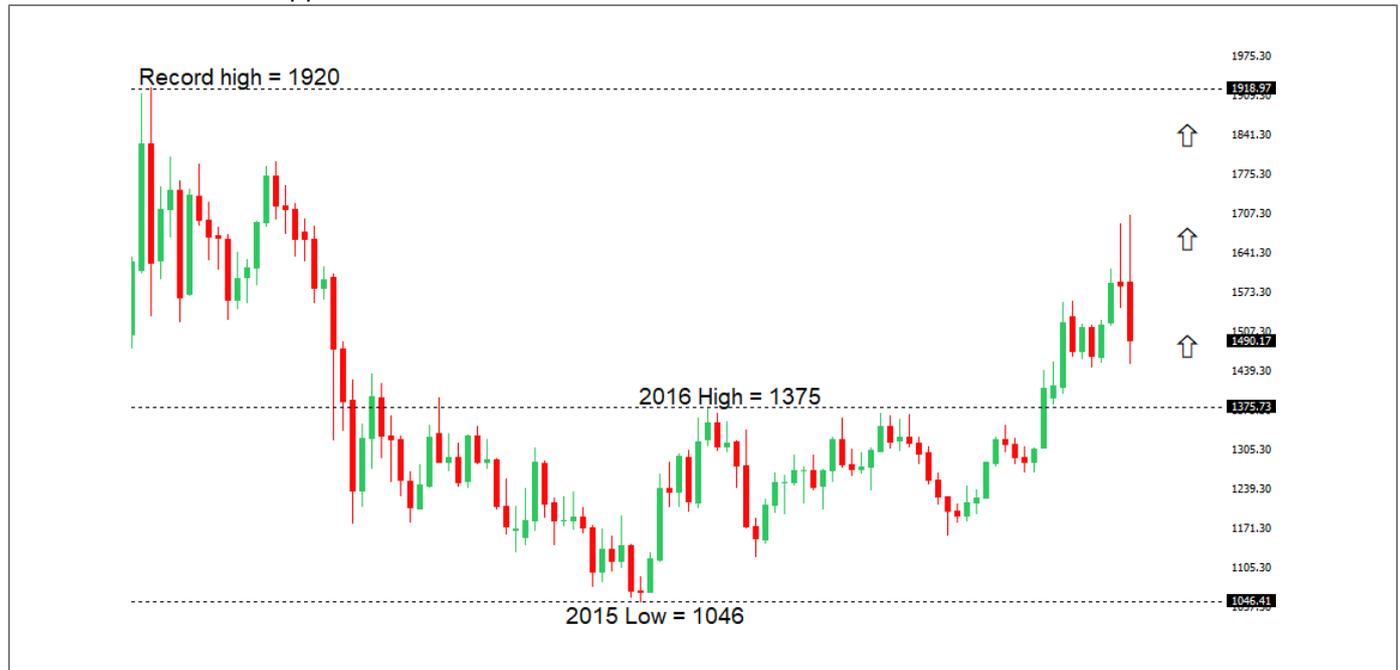
- **R2 3000** - Psychological - Strong
- **R1 2774** - 12 March high - Medium
- **S1 2271** - 20 March/**2020 low** - Medium
- **S2 2200** - Round number - Strong

## US SPX 500 - fundamental overview

Although we've seen the market extend to fresh record highs in 2020, with so little room for additional central bank accommodation, given an already depressed interest rate environment, the prospect for additional runs to the topside, on easy money policy incentives, should no longer be as enticing to investors as it once was. Meanwhile, tension on the global trade front, geopolitical risk, and worry associated with coronavirus fallout, should weigh more heavily on investor sentiment in 2020. 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 an ongoing stress to financial markets looking out.

## GOLD (SPOT) - technical overview

The 2019 breakout above the 2016 high at 1375 was a significant development, and suggests the market is in the early stages of a bullish move that follows a multi-month consolidation. The next major level of resistance comes in around 1800 (measured move extension target), while in the interim, look for any setbacks to be well supported above 1500.



- **R2 1800** - Measured move target - Strong
- **R1 1703** - 9 March/2020 high - Strong
- **S1 1451**- 16 March/2020 low - Strong
- **S2 1400** - Psychological - 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, coronavirus fallout, 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

**Setbacks should be very well supported** ahead of the 2018 low, with a higher low sought out in favour of a bullish continuation back above the 2019 high and towards the record high from late 2017 further up. Ultimately, only a weekly close below 5,000 would compromise the constructive outlook. Back above 10,500 further encourages the bullish prospect.



- **R2 10,477**- 9 February/**2020 high** - Strong
- **R1 6,907** - 20 March high - Medium
- **S1 3,995** - 13 March/**2020 low**- Strong
- **S2 3,215** - **2018 low** - Strong

# BTCUSD - fundamental overview

**Bitcoin is finally feeling the impact of global macro pressures**, with the new currency falling victim to broad based risk liquidation. However, despite the recent slide, there continues to be good demand from players looking out to the medium and longer term, who see Bitcoin as a safe haven, store of value asset.

# BTCUSD - Technical charts in detail

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# ETHUSD - technical overview

The market is in the process of attempting to establish a meaningful base after stalling out in the latter half of 2019. Look for setbacks to be well supported above the 2018 low, in favour of another big bounce, eventually back towards and through the 2019 high up at 363.



- **R2 200** - Psychological - Strong
- **R1 153** - 20 March high - Medium
- **S1 100** - Psychological - Strong
- **S2 90** - 13 March/ **2020 low** - Strong

# ETHUSD - fundamental overview

While there is plenty of Ether demand built up, with so much optimism around prospects for the blockchain, given all of the development going on in the decentralised finance space, macroeconomics will likely play a negative role in 2020, with Ether expected to underperform in a risk off backdrop, in light of Ethereum's higher sensitivity and correlation with risk themes.



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