

Global FX Insights

by LMAX Exchange Research & Analytics

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

Currencies feeling the US trade policy squeeze [🔊 Wake-up call](#)

The currency market has started to once again feel the impact of US trade policy, with the US administration's soft Dollar protectionist agenda getting a lot of attention this week. Looking at performance over the past week into Thursday, currencies, along with GOLD, are up across the board against the Buck.

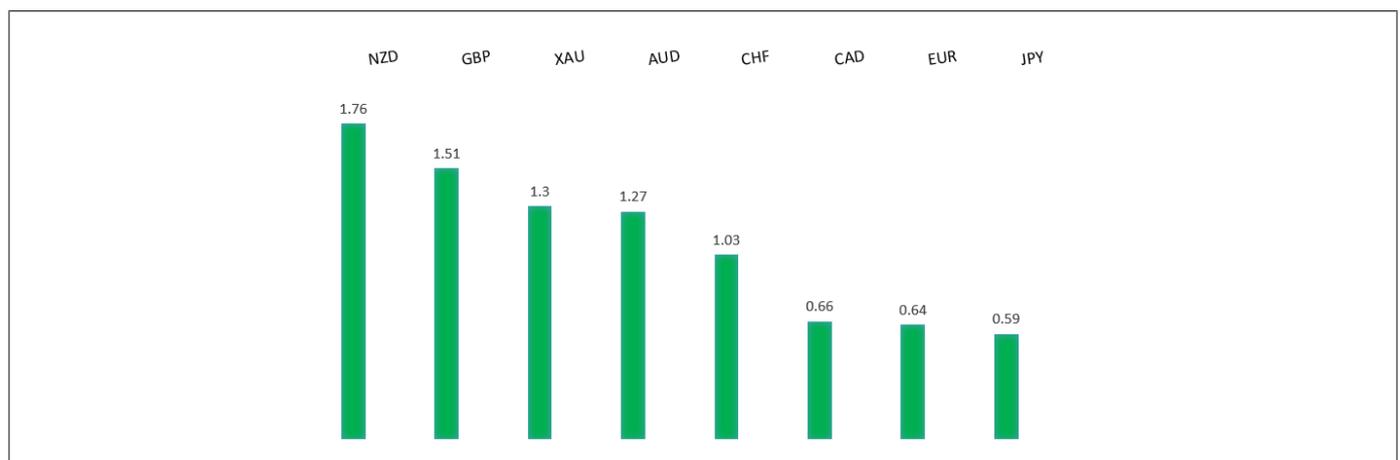
Technical highlights [📺 Daily Video](#)

- [EURUSD](#) Next big move seen higher, not lower
- [GBPUSD](#) Pushes above weekly Ichimoku cloud
- [USDJPY](#) Bearish while below 110 barrier
- [EURCHF](#) Rallies should be well capped for now
- [AUDUSD](#) Signs of longer-term bottoming
- [USDCAD](#) Setbacks should find support into dips
- [NZDUSD](#) Making its way back to the topside
- [US SPX 500](#) Uptrend showing signs of exhaustion
- [GOLD](#) (spot) Room for another big push higher
- [BTCUSD](#) Constructive while above 6,000
- [ETHUSD](#) Solid support zone around 100

Fundamental highlights

- [EURUSD](#) Data stacked Eurozone calendar on Thursday
- [GBPUSD](#) Market finally looking for Brexit closure
- [USDJPY](#) Yen can't ignore demand from risk off
- [EURCHF](#) SNB faces tougher battle with Franc
- [AUDUSD](#) Aussie hit on trade and retail sales
- [USDCAD](#) Loonie races higher post BoC decision
- [NZDUSD](#) RBNZ Orr says central bank in hold mode
- [US SPX 500](#) Trade tension still expected to weigh
- [GOLD](#) (spot) Pick up in hard asset demand
- [BTCUSD](#) More institutional demand expected
- [ETHUSD](#) Ether exposed to traditional markets

5 Day Performance vs. US dollar



Suggested reading

- [Singapore's Long-Awaited Moment May Have Arrived](#), D. Fickling, **Bloomberg** (December 5, 2019)
- [What the UK General Election Means for Northern Ireland](#), L. Hughes, **Financial Times** (December 5, 2019)

EURUSD - technical overview

The downtrend off the 2018 high is looking exhausted and the prospect for a meaningful higher low is more compelling. A higher low is now sought out above the multi-year low from 2017, ahead of the next major upside extension. Only a weekly close back below 1.0800 would compromise this outlook. Back above 1.1412 will strengthen the view.



- **R2 1.1180** - 21 October high - Strong
- **R1 1.1117** - 4 December high - Medium
- **S1 1.0981** - 29 November low - Medium
- **S2 1.0941** - 8 October low - Strong

EURUSD - fundamental overview

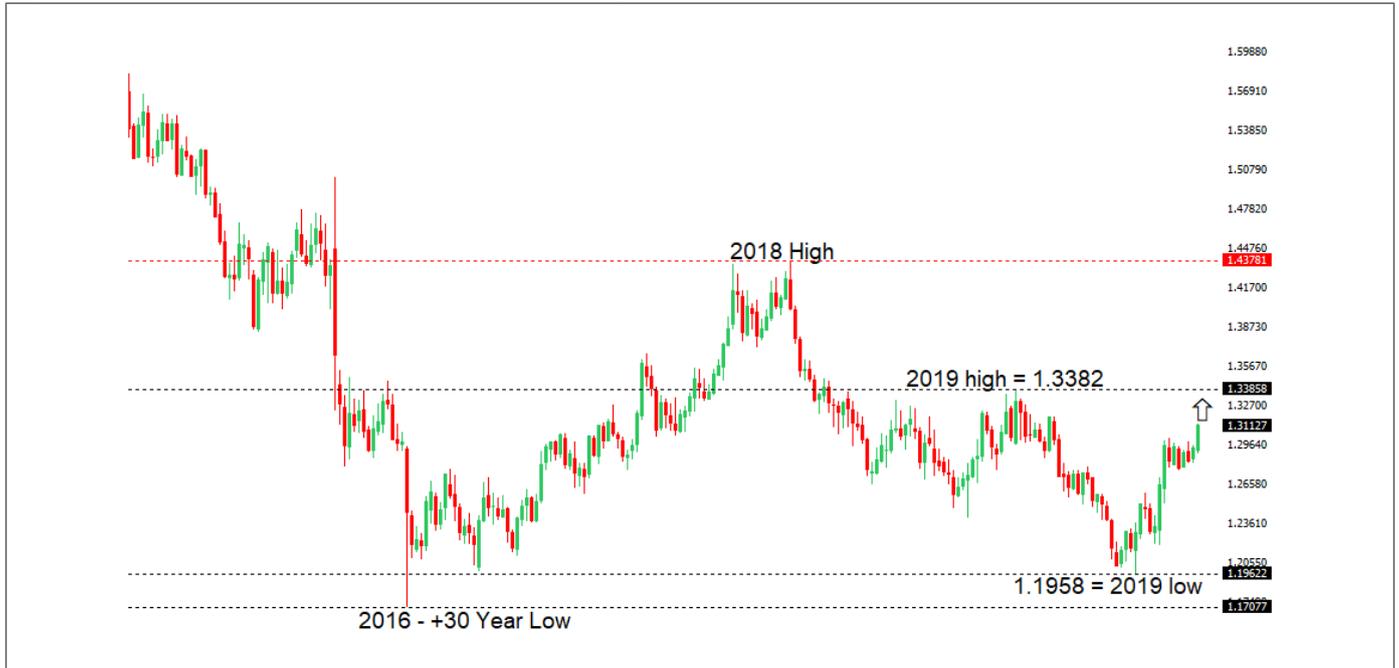
ECB's Knot said the central bank 'needs more flexibility' to reach its inflation goal due to the 'accumulation of economic forces that it can't control.' ECB's Visco said 'limits on bank's holdings of sovereign debt could only be considered together with the creation of a so-called safe asset for the Euro-area.' Italian PM Conte said he 'won't rule out' reviewing Italy's position on reforms to the EU's bailout fund. November services PMI and composite PMI both exceeded expectations in the Eurozone and Germany. Eurozone October household purchase borrowing costs dropped 4 bps to 1.44%, and October corporates borrowing costs increased 2 bps to 1.56%. Looking ahead, we get German factory orders and construction PMIs, Eurozone employment, GDP and retail sales, US trade, initial jobless claims and factory orders.

EURUSD - Technical charts in detail

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GBPUSD - technical overview

The market has seen a recovery out from the lowest levels since 2016, with the price now pushing back above the weekly Ichimoku cloud to signal a bullish structural shift. Ultimately, only back below the 1.2500 handle would compromise the newly established constructive medium and longer-term outlook. Next key resistance comes in the form of the 2019 high from March around 1.3380.



- **R2 1.3200** - Figure - Medium
- **R1 1.3177** - 3 May high - Strong
- **S1 1.3000** - Psychological - Medium
- **S2 1.2879** - 29 November low - Strong

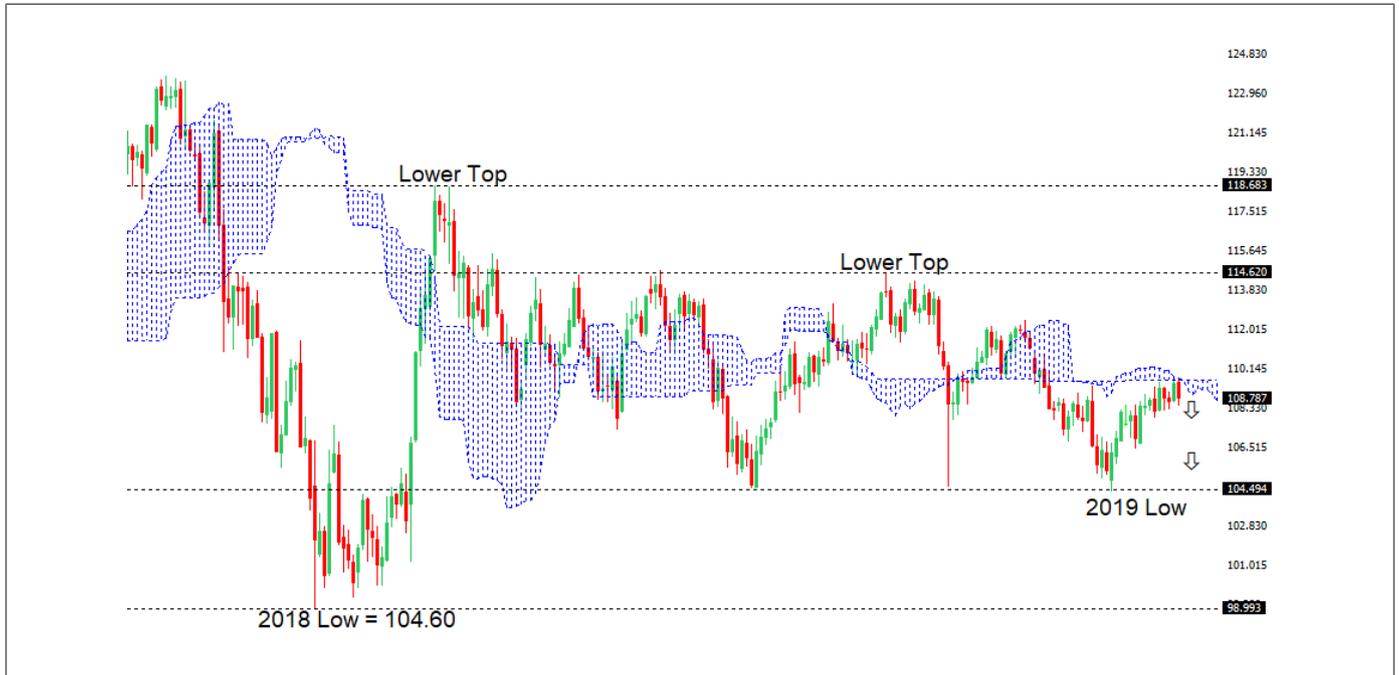
GBPUSD - fundamental overview

The Pound has continued to run higher, outperforming across the board, with the currency benefitting from growing market expectation for closure on Brexit, along with solid local data. Election polls have the ruling Conservatives well out in front, while Wednesday's UK services and composite PMIs both exceeded estimates. Looking ahead, we get some second tier data in the UK, ahead of US trade, initial jobless claims and factory orders.

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USDJPY - technical overview

Despite rally attempts, the longer-term downtrend remains firmly intact. Rallies should continue to be well capped below 110.00 on a monthly closes basis, with deeper setbacks anticipated towards a retest of the yearly low, below which exposes critical support in the form of the 2016 low at 99.00 further down.



- **R2 110.00** - Psychological - Strong
- **R1 109.73** - 2 December high - Medium
- **S1 108.43** - 4 December low - Medium
- **S2 108.24** - 14 November low - Strong

USDJPY - fundamental overview

The Yen has regained a bid tone (USDJPY sold) this week, as trade war tensions work back into the mix. On the domestic front, PM Abe revealed a fiscal stimulus package worth about JPY 26 trillion though JPY reactions were few and far between. BOJ board member Harada was also on the wires, reiterating the need for maintained monetary stimulus in Japan, seeing no need for the reduction of monetary accommodation, even in the presence of added fiscal stimulus. Looking ahead, we get US trade, initial jobless claims and factory orders.

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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 1.1060 would be required to take the immediate pressure off the downside. Below 1.0800 exposes the 1.0600 area.



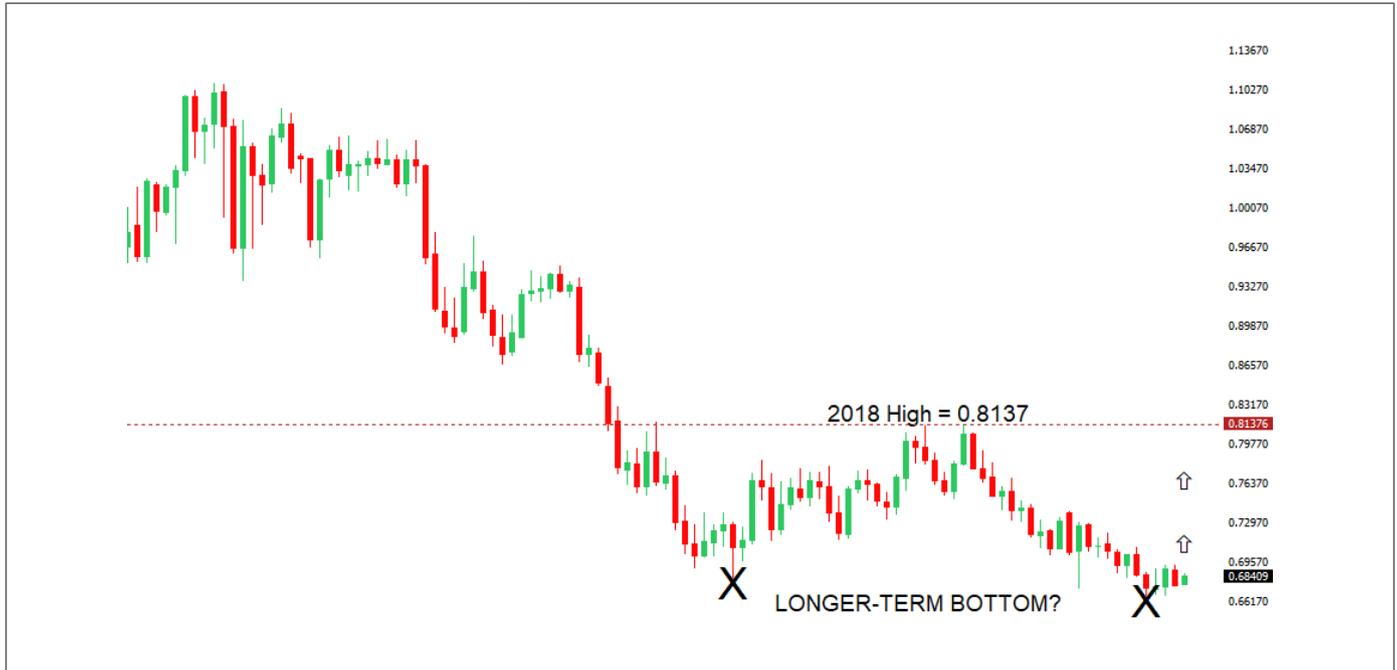
- **R2 1.1173** - 2 July high - Strong
- **R1 1.1060** - 17 October high - Medium
- **S1 1.0864** - 14 November low - Medium
- **S2 1.0811** - 4 September/2019 low - Strong

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, 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 under pressure over the past several months, but has also been well supported on dips. The price action suggests we could be seeing the formation of a major base, though it would take a clear break back above 0.7100 to strengthen this outlook. In the interim, look for setbacks to continue to be well supported above 0.6700 on a weekly close basis.



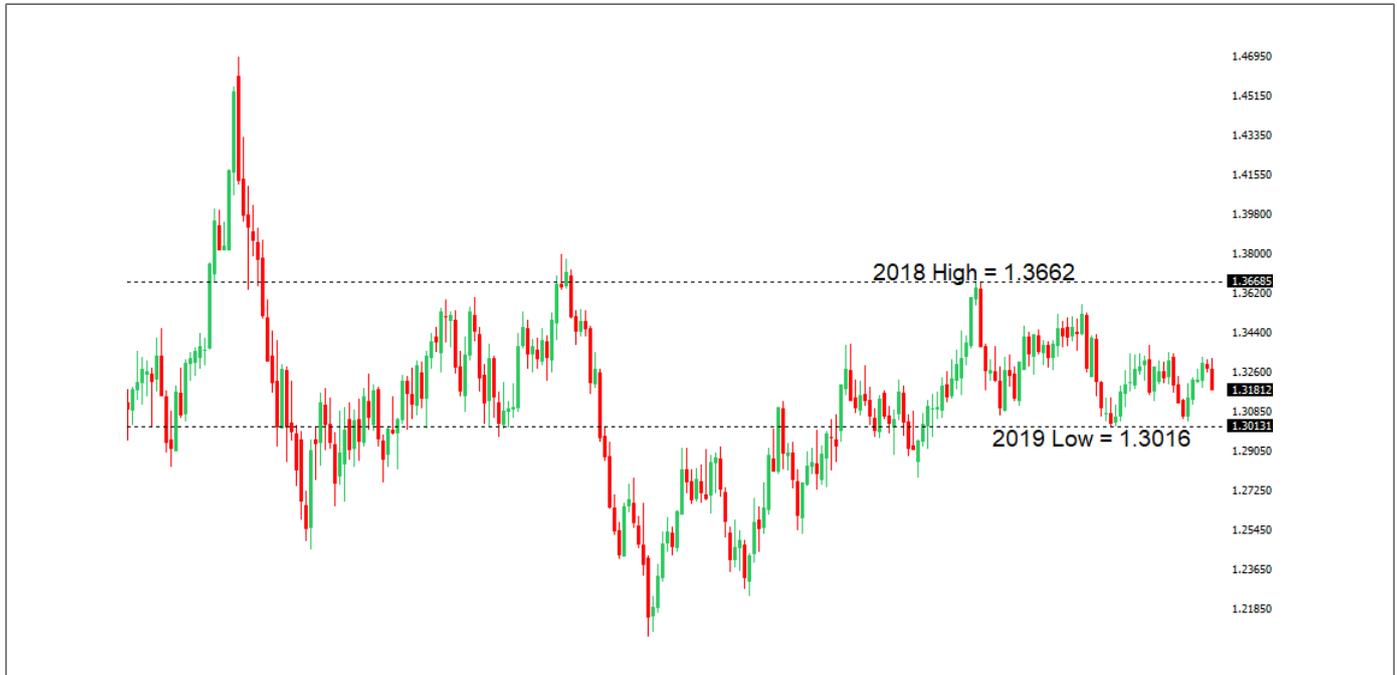
- **R2 0.6930** - 31 October high - Strong
- **R1 0.6863** - 3 December high - Medium
- **S1 0.6800** - Figure - Medium
- **S2 0.6754** - 29 November low - Strong

AUDUSD - fundamental overview

The Australian Dollar has stalled out, after initially being well bid in the aftermath of Tuesday's more upbeat communication from the RBA. But we've since seen softer Aussie GDP, trade data and retail sales, that are calling into question that outlook for RBA policy. Risk sentiment has also been compromised on account of trade tensions, yet another thorn at Aussie's side right now. Looking ahead, we get US trade, initial jobless claims and factory orders.

USDCAD - technical overview

The longer-term structure remains constructive, with dips expected to be well supported for renewed upside, eventually back above the 2018/multi-month high at 1.3665. At this point, only a weekly close below the psychological barrier at 1.3000 would compromise this outlook.



- **R2 1.3328** - 20 November high - Strong
- **R1 1.3255** - 22 November low - Medium
- **S1 1.3115** - 5 November low - Strong
- **S2 1.3000** - Psychological - Strong

USDCAD - fundamental overview

Wednesday was a strong session for the Canadian Dollar, which was boosted on many front. The Bank of Canada was out leaving rates on hold, while communicating a more upbeat message, WTI crude was back on the bid, and the US Dollar was under pressure across the board. We also heard from Moody's, forecasting Canada real GDP growth for 2020 at 1.6%. Looking ahead, we get Canada trade, a Bank of Canada Lane appearance, US trade, initial jobless claims and factory orders.

NZDUSD - technical overview

Despite recent weakness, there's a case to be made for a meaningful bottom, with the market rallying out from longer-term cycle low area around 0.6200. As such, look for setbacks to be well supported in the days ahead, in anticipation of a continued recovery. Only a weekly close below 0.6200 would give reason for rethink. Back above 0.6500 strengthens the outlook and takes the immediate pressure off the downside.



- **R2 0.6600** - Figure - Medium
- **R1 0.6589** - 6 August high - Strong
- **S1 0.6466** - 4 November high - Medium
- **S2 0.6424** - 2 December low - Strong

NZDUSD - fundamental overview

The New Zealand Dollar is performing well this week, getting a boost from Kiwi terms of trade, plans to spend more on infrastructure, and RBNZ Orr comments that the central bank is in a hold phase with monetary policy. All of this demand comes despite added worry around the timing and prospect for a phase one trade deal between the US and China. Looking ahead, we get US trade, initial jobless claims and factory orders.

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 at 3070, with a break below to strengthen the outlook. A monthly close above 3200 would be required to compromise the outlook.



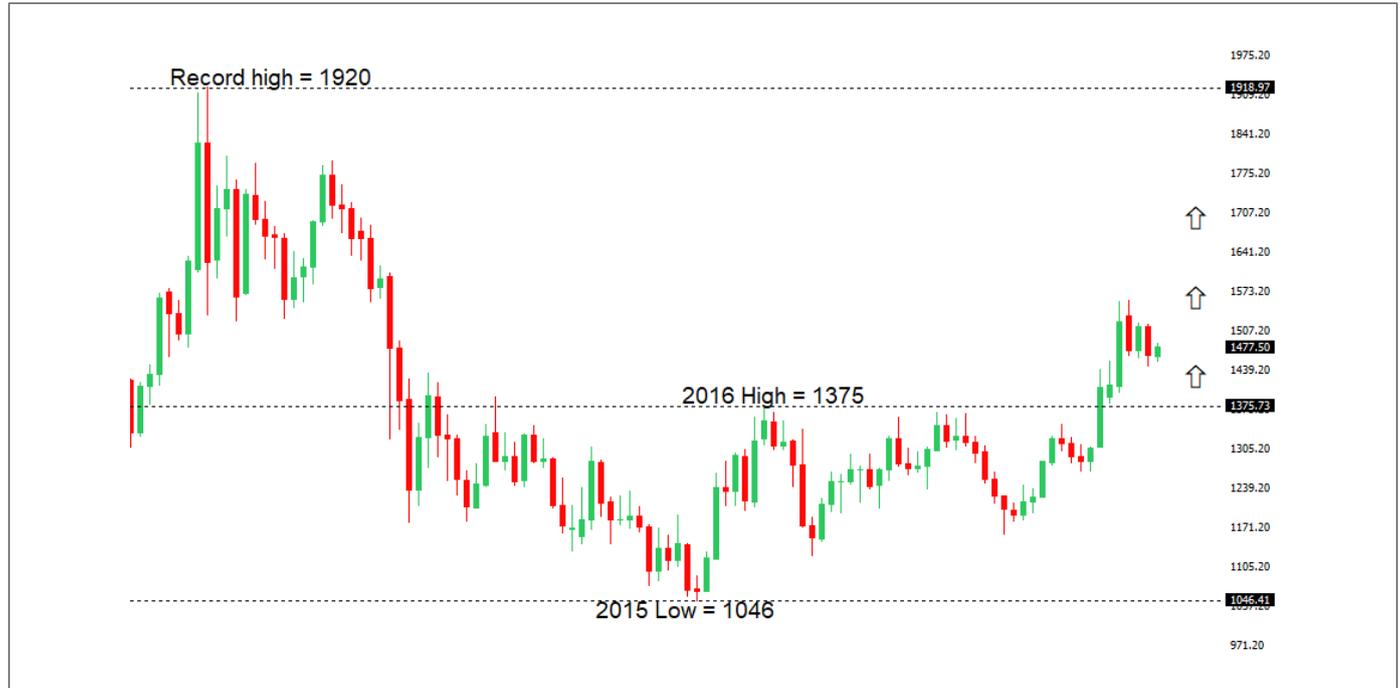
- **R2 3200** - Psychological - Strong
- **R1 3159** - 2 December/**Record high** - Medium
- **S1 3070** - 3 December low - Medium
- **S2 3000** - Psychological - Strong

US SPX 500 - fundamental overview

Although we've seen the market extending to fresh record highs in 2019, with so little room for additional central bank accommodation, given an already depressed interest rate environment, the prospect for a meaningful extension of this record run, on easy money policy incentives, should no longer be as enticing to investors as it once was. Meanwhile, tension on the global trade front should continue to be a drag on investor sentiment despite any signs that would suggest otherwise. 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

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 1600, while in the interim, look for any setbacks to be well supported above 1400.



- **R2 1558** - 4 September/2019 high - Strong
- **R1 1536** - 24 September high - Medium
- **S1 1445** - 12 November low - Medium
- **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, 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 continues to correct in the aftermath of a major surge in the second quarter of 2019. However, any setbacks should be very well supported in the 6,000 area, with an 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 6,000 would compromise the constructive outlook.



- **R2 10,468** - 26 October high - Strong
- **R1 8,806** - 11 October high - Medium
- **S1 6,500** - Psychological - Strong
- **S2 5,755** - Internal support/June 2018 - Strong

BTCUSD - fundamental overview

Bitcoin is going through a period of technical adjustment after the fierce Q2 run up, though we anticipate continued demand from institutional players starved for yield in a world where global equities are increasingly vulnerable. Plenty of demand is reported on dips down towards \$6,000.

BTCUSD - Technical charts in detail

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ETHUSD - technical overview

The market is in the process of a major correction after a surge in the second quarter of 2019. Look for setbacks to be well supported above of previous resistance turned support at 100 on a weekly close basis, in favour of the next major higher low and bullish resumption back towards and through the 2019 high up at 363. Ultimately, only a weekly close below 100 would compromise the outlook.



- **R2 225** - 19 September high - Strong
- **R1 200** - Psychological - Medium
- **S1 133** - 25 November low - Medium
- **S2 102** - 6 February/2019 low - Strong

ETHUSD - fundamental overview

Profit taking in the aftermath of the rapid Q2 appreciation has triggered a healthy period of correction and consolidation, while critique of the space from the likes of President Trump and Fed Chair Powell, along with worry associated with fallout in the global economy, are stories that could continue to keep the more risk correlated crypto asset weighed down into the end of the year. Risk off in the global economy is expected to result in ETH underperformance relative to Bitcoin.



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