

Global FX Insights

by LMAX Group Research & Analytics

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

Dollar strength the US administration won't be happy about

🔊 [Wake-up call](#)

Into Tuesday, there has been some more relief around fallout from the coronavirus, with the number of new cases reported dropping to its lowest level since February 1st. Investors have been loving the news, with US equities once extending the record run.

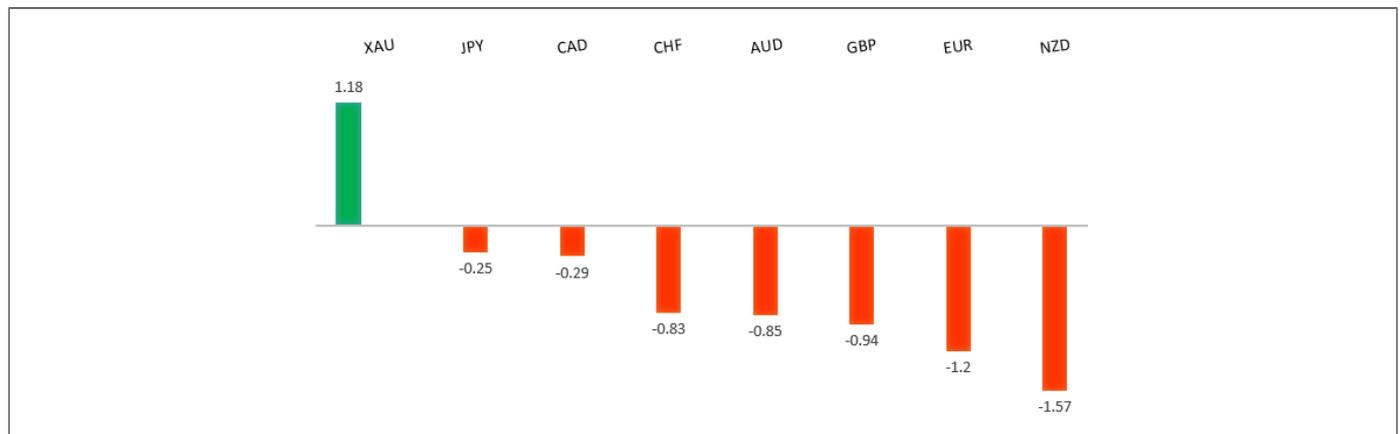
Technical highlights [Daily Video](#)

- [EURUSD](#) Carving out longer term bottom
- [GBPUSD](#) Setbacks should be well supported
- [USDJPY](#) Additional upside should be limited
- [EURCHF](#) Confined to tighter consolidation
- [AUDUSD](#) Signs of longer-term bottom
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- [NZDUSD](#) Next higher low sought out
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Fundamental highlights

- [EURUSD](#) ECB Lagarde on the wires today
- [GBPUSD](#) Data dump coming in the UK
- [USDJPY](#) Reduced stress around coronavirus
- [EURCHF](#) SNB challenge to weaken Franc intensifies
- [AUDUSD](#) Aussie gets boost from local data
- [USDCAD](#) Loonie still held up on weak OIL price
- [NZDUSD](#) Kiwi gets help from RBNZ expectations
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- [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

- [Things Are Falling Apart for Europe's Single Currency](#), J. Authers, **Bloomberg** (February 11, 2020)
- [Fundamentals Are There to Justify Bitcoin Growth](#), A. Westropp-Evans, **BlockTV** (February 10, 2020)

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 1.1000** - Psychological - Strong
- **R1 1.0958** - 10 February high - Medium
- **S1 1.0900** - Figure - Medium
- **S2 1.0879** - **2019 low** - Strong

EURUSD - fundamental overview

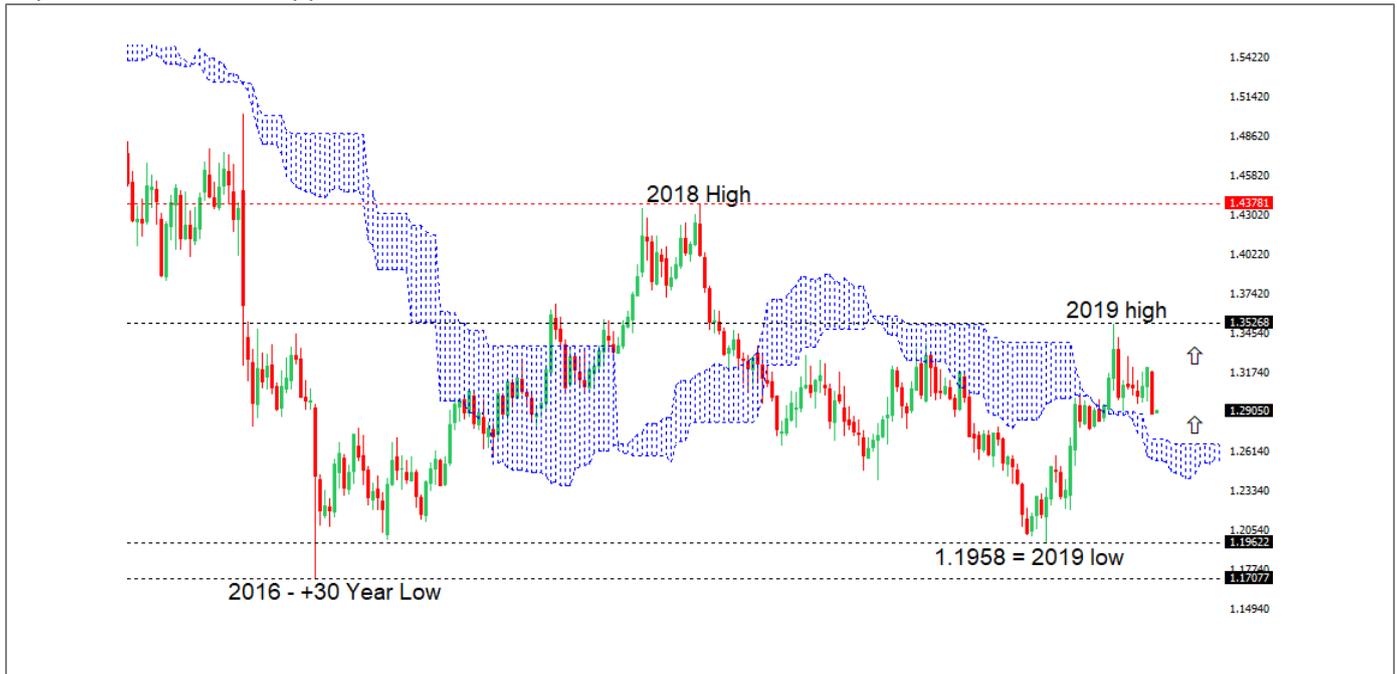
The Euro has extended its slide on the back of a wave of discouraging fundamentals. The ECB's Guindos said the central bank 'has tools', including cutting rates and debt purchases 'if needed', but 'hasn't reached the reversal rate'. Guindos also said the 'side effects of loose policy are more evident' and called for 'other policies to support monetary policy'. The ECB's Visco sees 'significant downside risks' to Italy's economy. Eurozone February Sentix investor confidence came at 5.2 vs 5.9 forecast, and Italy December industrial production fell more than forecast. Looking ahead, we get speeches from ECB Lagarde and Fed Chair Powell, other scattered central bank speak, and US data highlighted by JOLTs job openings.

EURUSD - Technical charts in detail

[Watch now](#)

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 monthly high from September 2017 at 1.3658, with setbacks expected to be well supported ahead of 1.2800.



- **R2 1.3071** - 5 February high - Strong
- **R1 1.3000** - Psychological - Medium
- **S1 1.2872** - 10 February low - Medium
- **S2 1.2768** - 8 November low - Strong

GBPUSD - fundamental overview

Scottish First Minister Nicola Sturgeon vowed to 'maintain pressure on the UK for another referendum on independence' and said UK PM Boris Johnson 'ultimately cannot deny democracy'. UK Foreign Secretary Dominic Raab said Britain sees Singapore in its 'first wave' of trade deals. Looking ahead, we get a batch of UK data in the form of trade, GDP, construction output and industrial production, speeches from Fed Chair Powell and BOE Haskel, other scattered central bank speak, and US data highlighted by JOLTs job openings. [Watch now](#)

USDJPY - technical overview

Despite rally attempts, the longer-term downtrend remains firmly intact. Rallies should continue to be well capped below 111.00 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. Next major support comes in the form of the October 2018 low at 106.48. Only back above the 112.40, 2019 high would compromise the bearish outlook.



- **R2 110.30** - 17 January high - Strong
- **R1 110.03** - 7 February high - Medium
- **S1 109.30** - 5 February low - Medium
- **S2 108.31** - 31 January low - Strong

USDJPY - fundamental overview

Though the global death toll for the coronavirus has risen, market participants seem to be taking it all in stride into the new week, with risk assets supported, and thereby helping to prop up the major pair. It seems China's efforts to continue to inject stimulus, and expectations from some authorities that the virus will start to peak in the weeks ahead are all contributing to this flow. Meanwhile, the IMF said Japan's monetary policy 'should remain accommodating', and Japan 'should improve its coordination with fiscal policies to enhance stimulus and stability.' Looking ahead, we get speeches from ECB Lagarde and Fed Chair Powell, other scattered central bank speak, and US data highlighted by JOLTs job openings.

[Watch now](#)

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 1.0906** - 27 December high - Strong
- **R1 1.0834** - 13 January high - Medium
- **S1 1.0660** - 11 February/2020 low - Medium
- **S2 1.0600** - Figure - 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

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 0.6500 on a monthly close basis.



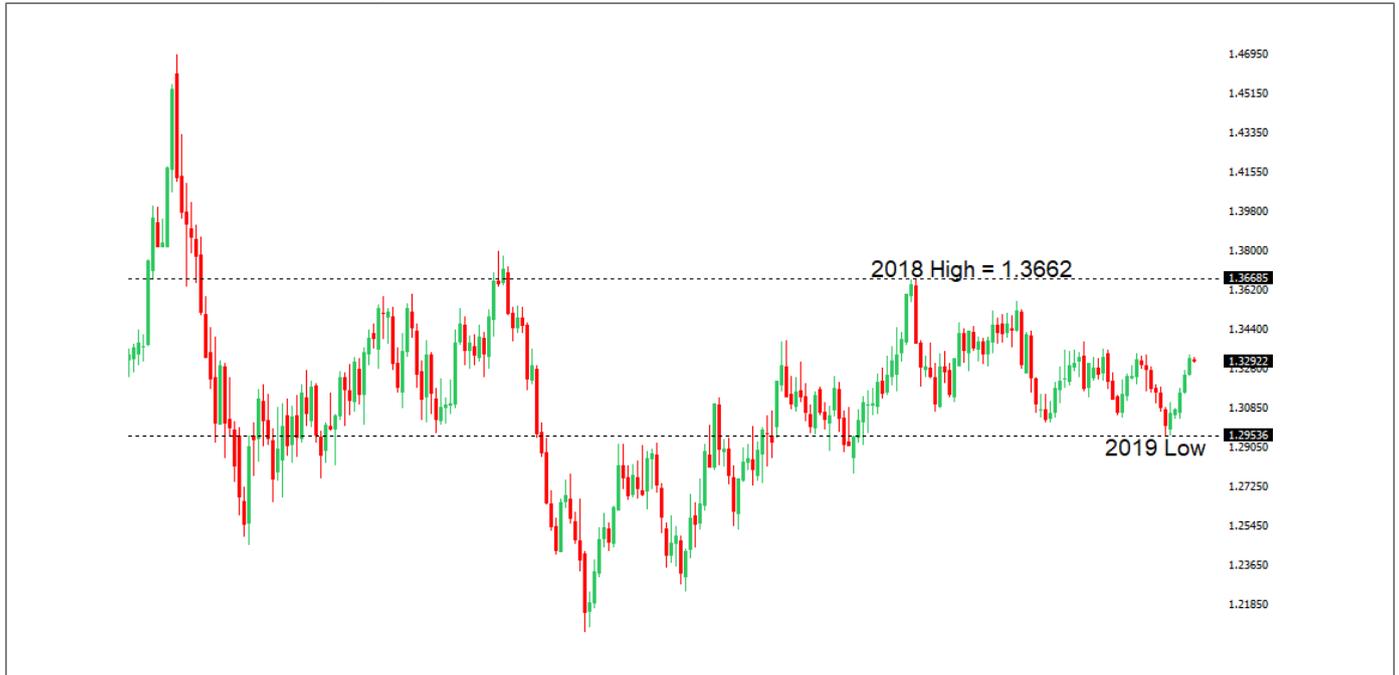
- **R2 0.6934** -16 January high - Strong
- **R1 0.6775** - 5 February high - Medium
- **S1 0.6662** - 7 February low/**Multi-Year low** - Medium
- **S2 0.6600** - Psychological - Strong

AUDUSD - fundamental overview

The Australian Dollar is finally getting some relief, with reduced concerns around the coronavirus and a solid round of local data factoring into the recovery. On Tuesday, NAB business confidence, business conditions, and home loan value all came in positive. Looking ahead, we get speeches from ECB Lagarde and Fed Chair Powell, other scattered central bank speak, and US data highlighted by JOLTs job openings.

USDCAD - technical overview

The downturn in late 2019 has resulted in a medium-term shift in the trend, with the pressure back on the downside. The break back below major psychological support at 1.3000 now exposes deeper setbacks towards the 1.2782 low from September 2018. At this stage, the market would need to push back above the November 2019 high at 1.3328 to take the immediate pressure off the downside.



- **R2 1.3348** - 3 October high - Strong
- **R1 1.3330** - 10 February high - Medium
- **S1 1.3232** - 3 February low - Medium
- **S2 1.3118** - 24 January low - Strong

USDCAD - fundamental overview

The Canadian Dollar is trying to find some renewed demand on the back of improved risk appetite and some solid employment data from the previous week. At the same time, the price of OIL is a concern and has limited the Loonie's ability to rally. Looking ahead, we get speeches from ECB Lagarde and Fed Chair Powell, other scattered central bank speak, and US data highlighted by JOLTs job openings. There is no first tier data on the Canada calendar.

NZDUSD - technical overview

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 0.6800 strengthens the outlook and takes the medium to longer-term pressure off the downside.



- **R2 0.6550** - 28 January high - Strong
- **R1 0.6500** - Figure - Medium
- **S1 0.6378** - 11 February low - Medium
- **S2 0.6322** - 8 November low - Strong

NZDUSD - fundamental overview

A beaten down New Zealand Dollar is recovering this week, helped along by reduced fear associated with the coronavirus. It seems the drop in the number of new virus cases reported, China's efforts to continue to inject stimulus, and overall expectations from some authorities that the virus will start to peak in the weeks ahead are all contributing to this flow. Calls for an RBNZ hold this week are also supporting Kiwi. Looking ahead, we get speeches from ECB Lagarde and Fed Chair Powell, other scattered central bank speak, and US data highlighted by JOLTs job openings.

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 a major correction targeting an eventual test of the 2018 low at 2339. The initial level of major support comes in at 3070, with a break below to strengthen the outlook. A monthly close above 3400 would be required to compromise the outlook.



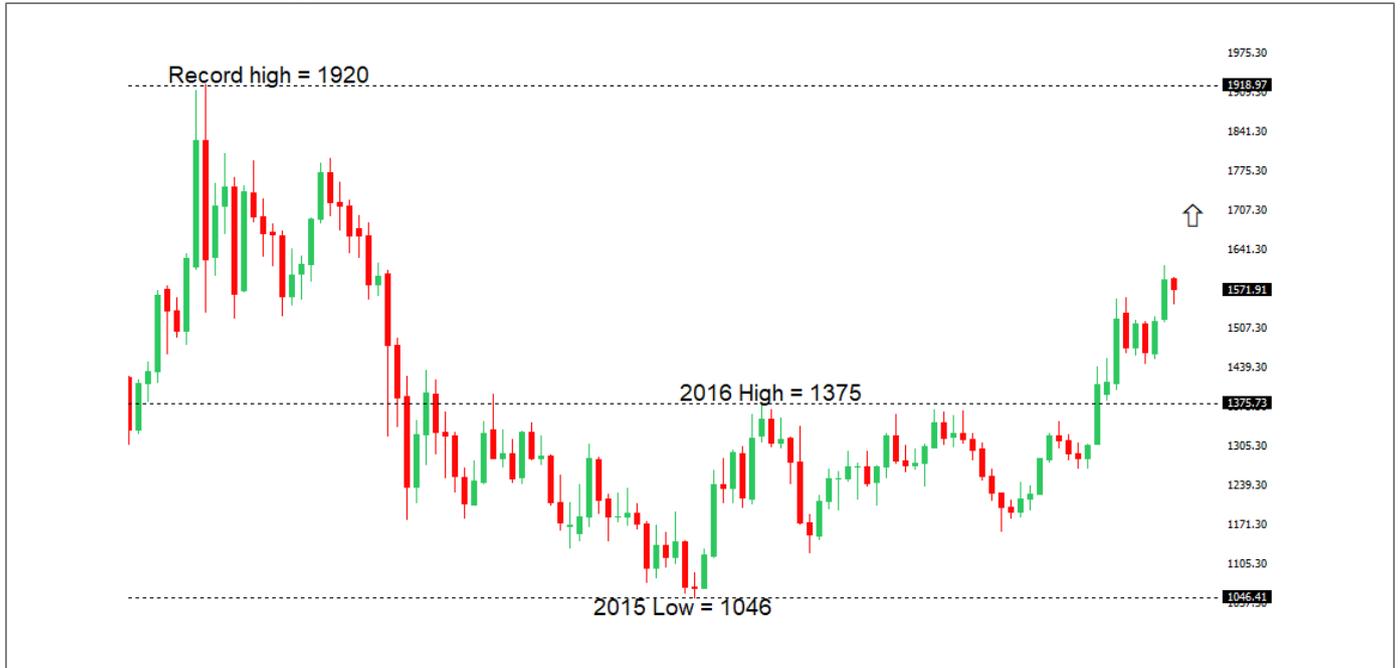
- **R2 3400** - Psychological - Strong
- **R1 3366** - 11 February/**Record high** - Medium
- **S1 3215** - 31 January low - Medium
- **S2 3070** - 3 December low - Strong

US SPX 500 - fundamental overview

Although we've seen the market extending 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 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, geopolitical risk, and worry associated with the coronavirus, should weigh more heavily on investor sentiment into 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 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 1650 (measured move extension target), while in the interim, look for any setbacks to be well supported above 1400.



- **R2 1650** - Measured move target - Strong
- **R1 1612** - 8 January/2019 high - Medium
- **S1 1500** - Psychological - Medium
- **S2 1445**- 12 November 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

Setbacks should be very well supported in the 6,000 area, 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 5,750 would compromise the constructive outlook. Back above the October 2019 high further encourages bullish prospect.



- **R2 10,468**- 26 October high - Strong
- **R1 10,175** - 10 February high - Medium
- **S1 9,102** - 4 February low- Medium
- **S2 8,235** - 24 January low - Strong

BTCUSD - fundamental overview

Bitcoin demand is expected to pick up in 2020, with market forces to likely make a stronger argument for the emerging cryptocurrency. In a world where rates are at historic lows and the equity market looks to be inching closer to major capitulation, the idea of owning a decentralised, limited supply currency, becomes increasingly attractive as a store of value. Moreover, there is plenty of development going on in the decentralised technology space, which should only add to the draw.

BTCUSD - Technical charts in detail

[Watch now](#)

ETHUSD - technical overview

The market is in the process of turning back up after stalling out in the latter half 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 240** - 6 August high - Medium
- **R1 230** - 9 February high - Strong
- **S1 200** - Psychological - Medium
- **S2 155** - 24 January low - Strong

ETHUSD - fundamental overview

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. At the same time, macroeconomics will likely play a negative role in 2020, at least relative to the price of Bitcoin, with Eth expected to underperform in a risk off backdrop, in light of Ethereum's higher sensitivity and correlation with risk themes.



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