

Global FX Insights

by LMAX Exchange Research & Analytics

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

Global Trade, Sintra, OPEC, Brexit [Wake-up call](#)

Wednesday is another light calendar day, with only US existing home sales standing out. This means the focus will continue to be on the bigger picture themes including global trade tension, the Sintra forum and the OPEC meeting in Vienna.

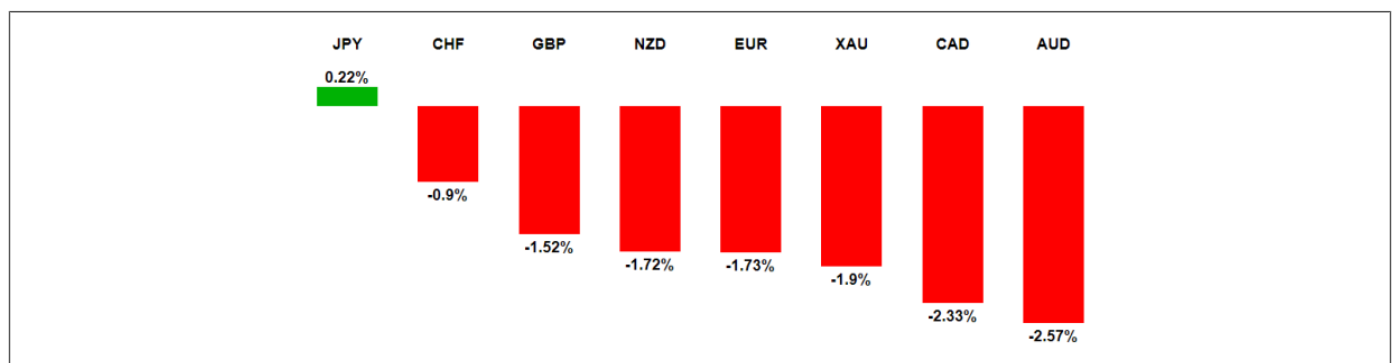
Technical highlights [Daily Video](#)

- **EURUSD** Pressure still on downside
- **GBPUSD** Back above 1.3475 to shift
- **USDJPY** Starting to roll back over
- **EURCHF** Choppy consolidation
- **AUDUSD** Thinking about 2017 low
- **USDCAD** Extends to fresh 2018 high
- **NZDUSD** Pressure remains on downside
- **US SPX 500** Risk for sizable reversal
- **GOLD** (spot) Well supported on dips
- **BTCUSD** Trying to hold over key level
- **ETHUSD** Bullish bounce of lows

Fundamental highlights

- **EURUSD** More updates from Sintra speak
- **GBPUSD** UK vote in focus ahead of Thursday BOE
- **USDJPY** Yen watching trade talks and sentiment
- **EURCHF** SNB challenge tougher post ECB decision
- **AUDUSD** US-China tension a strain on Aussie
- **USDCAD** NAFTA uncertainty unsettles Loonie
- **NZDUSD** Another negative GDT auction print
- **US SPX 500** Fed model will be important to watch
- **GOLD** (spot) Metal demand reflects uncertainty
- **BTCUSD** Growing pains as bubble bursts
- **ETHUSD** Macro outlook a worry for Ethereum

Five day performance v. US dollar

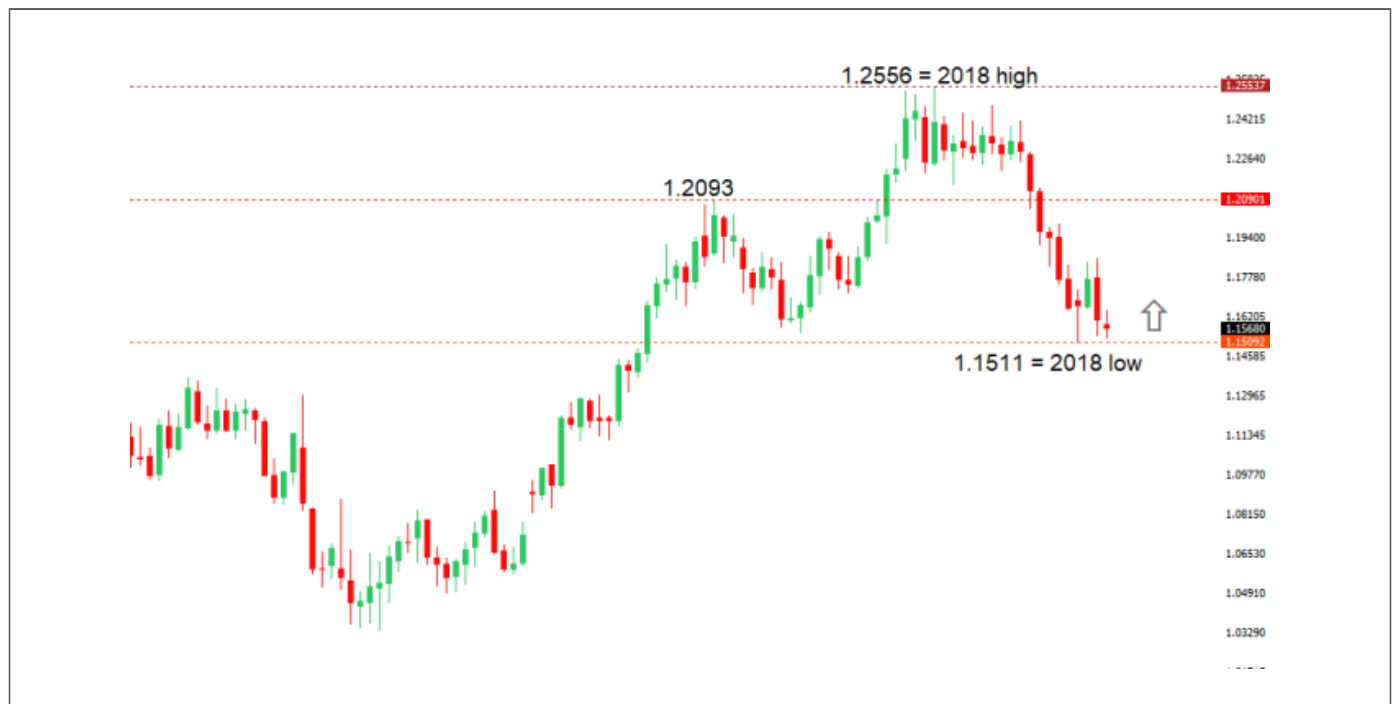


Suggested reading

- [The Trillion Thumb on the Bond-Market Scale](#), B. Chappatta Bloomberg (June 19, 2018)
- [Don't Kid Yourself – The Bull Market Will End](#), J. Dillian, MarketWatch (June 18, 2018)

EURUSD – technical overview

Despite the latest round of setbacks into the 1.1500 area, the Euro remains confined to a medium term uptrend, with any additional weakness expected to be limited. Daily studies are already looking to turn back up after the market finally dropped back to retest a major previous resistance turned support zone in the form of the breakout area from 2017. A daily close back above 1.1645 will strengthen the constructive outlook.



- R2 1.1726 – 14Jun high – Strong
- R1 1.1645 – 19Jun high – Medium
- S1 1.1531 – 19Jun low – Medium
- S2 1.1511 – 29May/2018 low – Strong

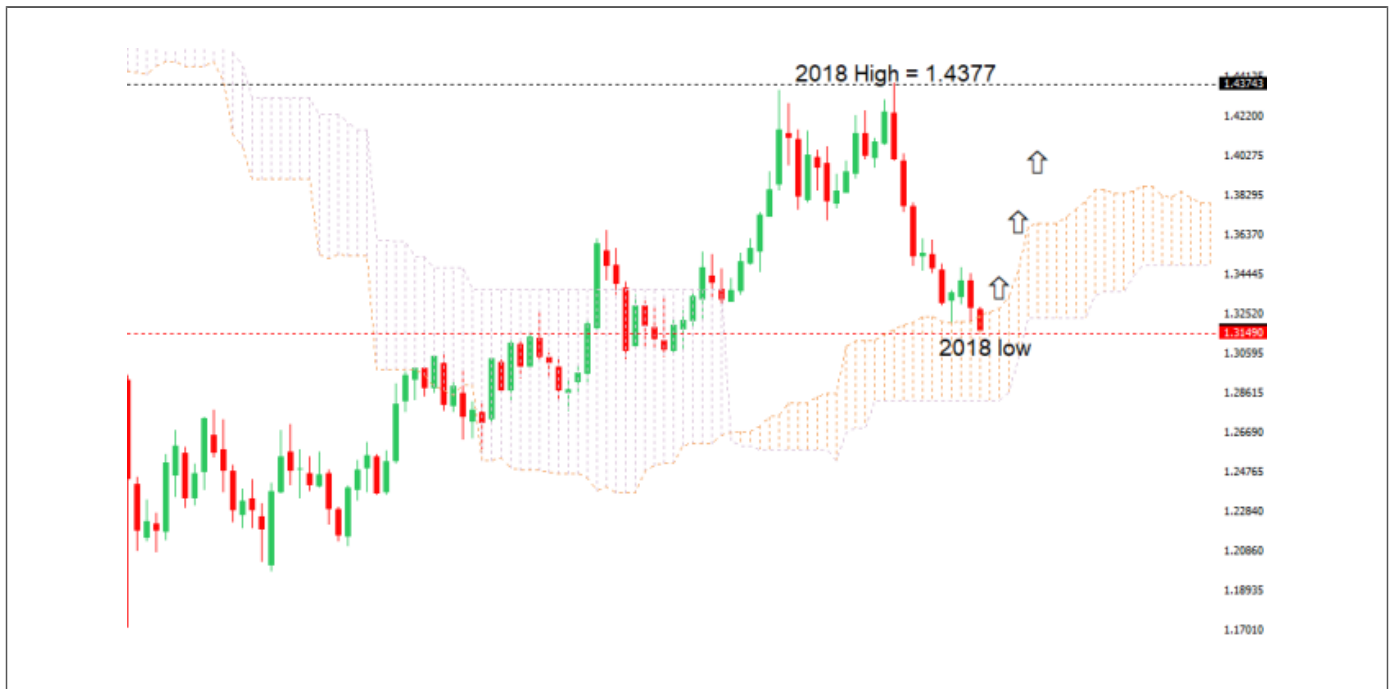
EURUSD – fundamental overview

This week hasn't been about the data, with the politics dominating the flow and dictating direction. This follows Euro weakness from the latest ECB decision in which there was a clear intention to respond to US protectionism and soft Dollar policy by way of dovish leaning monetary policy gestures. The ECB's unorthodox move to hold off on considering the possibility of higher rates until the summer of 2019 has been a primary driver of Euro selling since the Thursday decision, while on Tuesday, ECB Draghi reaffirmed his dovish leanings that were also accompanied by ECB Liikanen's similarly dovish tone. There has also been talk around prepared text for the EU Summit, which outlines a retaliation against US tariffs. Looking ahead, second tier data isn't likely to have any impact on direction, with the market continuing to focus on the bigger themes. US existing home sales is the only notable data release.

EURUSD – Technical charts in detail

GBPUSD – technical overview

Overall, the structure still remains constructive on a medium to longer term basis, despite a recent round of intense setbacks. The market will look to hold up into the weekly Ichimoku cloud and a higher platform is sought out for a bullish continuation. Ultimately, only a sustained break back below 1.3000 would force a rethink, while a continued recovery and push back above 1.3300 will strengthen the constructive outlook.



- R2 1.3390 – 13Jun high – Strong
- R1 1.3299 – 15Jun high – Medium
- S1 1.3151– 19Jun/2018 low – Medium
- S2 1.3028 – 6Oct 2017 low – Strong

GBPUSD – fundamental overview

The Pound had already been in a freefall since April and has come under additional pressure in recent days, sinking to fresh yearly lows on the back of a wave of broad based US Dollar demand from global opposition to US protectionism, and on renewed Brexit fears. On Tuesday, the EU’s chief negotiator contributed to additional Pound weakness after saying ‘the UK is leaving the EU’s ecosystem and that means losing the benefits of membership,’ while adding ‘trust doesn’t fall from the sky and is founded on an ecosystem based on common rules and safeguards.’ Looking ahead, absence of first tier data on the docket, will keep the market focused on the bigger picture risks including tomorrow’s Bank of England policy decision. US existing home sales is the only notable release.

GBPUSD – Technical charts in detail

Watch now

USDJPY – technical overview

Rallies continue to be very well capped in the major pair, with the medium-term outlook still favouring lower tops and lower lows. A recent topside failure ahead of 111.40 has strengthened the outlook, which may have set the stage for a drop back down to retest the 2018 low at 104.63. A break back above 111.40 would now be required to take the pressure off the downside.



- R2 110.91 – 15Jun high – Strong
- R1 110.31 – 18Jun low – Medium
- S1 109.56 – 19Jun low – Medium
- S2 109.20 – 8Jun low – Strong

USDJPY – fundamental overview

Overall, the major pair is still very much correlated to risk sentiment. Escalating tension around global trade wars on the back of US protectionism is something that has triggered a reduction in risk appetite, opening renewed downside pressure in USDJPY. Looking ahead it's a light calendar for the remainder of the day, with only US existing home sales standing out.

Watch now

EURCHF – technical overview

The market is working off an intense round of setbacks resulting in extended studies and a fresh 2018 low. Overall however, the rate has been trending higher and only a sustained break back below the 2018 low in the 1.1300s would suggest otherwise. Looking for a daily close back above 1.1660 to strengthen the outlook.



- R2 1.1700 – Figure – Strong
- R1 1.1658 – 11Jun high – Medium
- S1 1.1465 – 31May low – Medium
- S2 1.1369 – 29May/2018 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. 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 a more intensified liquidation on that front in 2018, will likely invite a very large wave of demand for the Franc, which will put the SNB in a more challenging position to prevent appreciation in the Franc. Last week’s ECB decision has added additional strain on the SNB, given the profit taking on Euro long exposure in the aftermath.

AUDUSD – technical overview

Overall, it's been a sequence of lower tops and lower lows on the daily chart, with setbacks extending below the 0.7500 barrier and down towards a retest of the 2017 low at 0.7330. Any rallies are classified as corrective, with only a break back above 0.7680 to take the immediate pressure off the downside.



- R2 0.7530 – 13Jun high – Strong
- R1 0.7455 – 18Jun high – Medium
- S1 0.7348 – 19Jun/2018 Low – Medium
- S2 0.7330 – 2017 low – Strong

AUDUSD – fundamental overview

The Australian Dollar has been hit hard over the past several days, sinking to fresh 2018 lows. Last week's softer employment data exposed the currency some more, before Thursday's bold ECB move then inspired a massive broad based wave of US Dollar demand. The risk correlated currency is also staring at a less stable risk outlook, with the prospect of intensified global trade wars seen as a drag. US-China relations will therefore be monitored closely this week, given Aussie's correlation with the China market. Tuesday's higher Aussie house price index and the release of the well telegraphed RBA Minutes haven't factored into price action. RBA Lowe is back on the wires today but hasn't made a habit of surprising the market. The market will continue to focus on the bigger picture themes, while taking in US existing home sales.

USDCAD – technical overview

Overall, there are signs of basing with the market breaking to fresh 2018 highs after months of downside pressure. Look for any setbacks to now be well supported ahead of 1.2700, in favour of the next major upside extension through towards 1.3500. Ultimately, a break back below 1.2730 would negate the medium term constructive outlook.



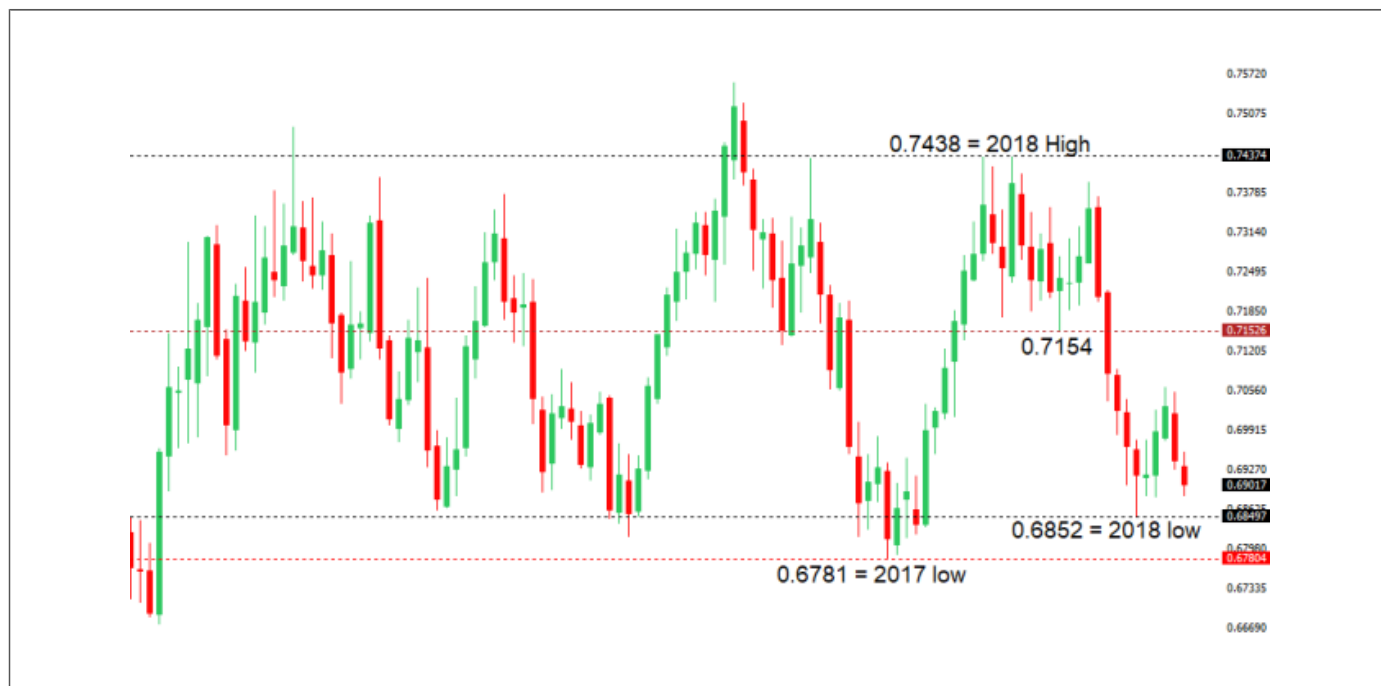
- R2 1.3309 – 23Jun 2017 high – Strong
- R1 1.3294 – 20Jun 2018 high – Medium
- S1 1.3094 – 15Jun low – Medium
- S2 1.2950 – 14Jun low – Strong

USDCAD – fundamental overview

The Canadian Dollar has extended its 2018 slide, which had accelerated after last weeks ECB decision in which the central bank sent a message to the US administration that it would not be willing to absorb USD weakness on account of the US administration’s protectionism. In the lead up to the ECB, the Loonie was already under a lot of pressure following the tension surrounding the latest US tariff announcements and fate of NAFTA. Looking ahead, the Canadian Dollar will continue to focus on all things trade wars, while also taking in US existing home sales.

NZDUSD – technical overview

The market remains under pressure after recently trading down to a fresh 2018 low. Deeper setbacks are on the cards with the next key level of support coming in the form of the 2017 low at 0.6781. Any rallies are now expected to be very well capped ahead of 0.7100, with only a daily close back above the 0.7061 to compromise the bearish outlook.



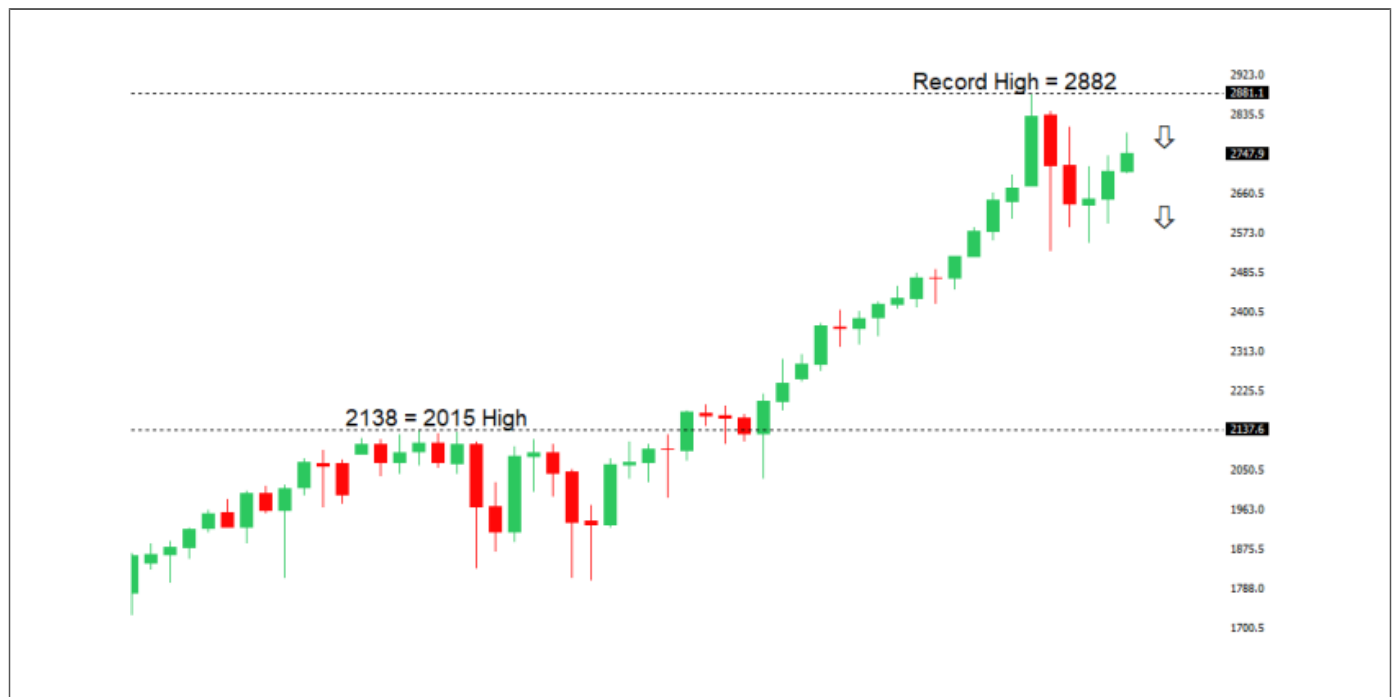
- R2 0.6977 – 15Jun high – Strong
- R1 0.6957 – 18Jun high – Medium
- S1 0.6886 – 19Jun low – Strong
- S2 0.6852 – 16May/2018 low – Medium

NZDUSD – fundamental overview

Another negative print from the GDT auction and a moderation in consumer confidence readings haven't done anything to help the New Zealand Dollar's cause, though this has been somewhat offset by a decent current account print. Overall, the New Zealand Dollar has held up surprisingly well when considering this latest surge in US Dollar demand in the aftermath of the ECB decision and an outlook for the Kiwi rate that has already been decidedly less rosy. The RBNZ has pushed back its timeline for rate hikes, while Governor Orr has also welcomed New Zealand Dollar weakness. The RBNZ also released a paper in May outlining its willingness to consider a more dovish course. The one supportive driver in 2018 has been healthy investor risk appetite, with US equities still sitting just off record highs. But the market is looking increasingly vulnerable as global trade war tension heats up. Looking ahead, the calendar is light, with only US existing home sales standing out.

US SPX 500 – technical overview

A market that has been extended on the monthly chart is finally showing signs of stalling out off the January record high, allowing for stretched monthly readings to unwind. Any rallies should now be very well capped ahead of 2800 in favour of continued weakness back below the yearly low and eventually towards a retest of strong longer-term resistance turned support in the form of the 2015 high at 2140.



- R2 2807 – 13Mar high – Strong
- R1 2800 – Psychological – Medium
- S1 2704 – 15May low – Medium
- S2 2656 – 8May low – Strong

US SPX 500 – fundamental overview

Despite ongoing demand that has the market just off record highs, investor immunity to downside risk is not looking as strong these days and there's a clear tension in the air. The combination of Fed policy normalisation (four rate hikes now signaled in 2018), US protectionism, geopolitical tension and unnervingly high levels of share buybacks are all warning of a possible capitulation ahead. The Fed has also finally acknowledged inflation no longer running below target, something that makes equity market valuations far less attractive at current levels, given the implication this could have on rates. We recommend keeping a much closer eye on the equities to ten year yield comparative going forward as this could be something that inspires a more aggressive decline.

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 some more chop followed by an eventual push above massive resistance in the form of the 2016 high at 1375. This will then open the door for a much larger recovery in the months ahead. In the interim, setbacks are expected to be well supported ahead of 1250.



- R2 1323 – 10May high – Strong
- R1 1310 – 14Jun high – Medium
- S1 1275 – 15Jun/2018 low – Medium
- S2 1250 – Psychological – Strong

GOLD (SPOT) – fundamental overview

Despite a perplexing Friday decline, there continues to be solid demand from medium and longer-term accounts, 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.

BTCUSD – technical overview

The overall pressure remains on the downside and a break back above 10,000 will be required at a minimum to alleviate this pressure. Still, the market is working hard to hold up above the yearly low from February into this latest drop to keep the possibility open for higher base off the yearly low and renewed upside momentum.



- R2 7,770 – 3Jun high – Strong
- R1 7,040 – 29May low – Medium
- S1 6,100 – 13Jun low – Strong
- S2 6,000 – 6Feb/2018 low – Very Strong

BTCUSD – fundamental overview

Bitcoin has managed to hold up above the 2018 low for now, after benefitting from the run up in Eth on the positive news out from the SEC. But overall, the cryptocurrency has been under pressure in 2018, with ramped up regulatory oversight and government crackdowns forcing many holders to exit positions. The market is also coming back to earth after a euphoric 2017 run that had bubble written all over. Bitcoin has struggled on the transaction side as well, with transactions per second still a major drawback, even with the Lightning network making some progress on this front. Still overall, while Bitcoin may be exposed against the US Dollar and other fiat, its store of value lure should continue to make it highly attractive within the crypto space.

BTCUSD – Technical charts in detail

ETHUSD – technical overview

The market remains under pressure after being unable to hold back above the daily Ichimoku cloud, leaving the downtrend firmly intact. While the price holds below the cloud, there is scope for deeper setbacks back towards a retest and possible break of the 2018 low. Back above 630 will be required at a minimum, to take the immediate pressure off the downside.



- R2 838 – 6May high – Strong
- R1 630 – 3Jun high – Medium
- S1 450 – 13Jun low – Strong
- S2 400 – Psychological – Strong

ETHUSD – fundamental overview

A nice boost for the price of Ether after an SEC official was on the wires the other week saying “current offers and sales of Ether are not securities transactions,” though the market may not want to get too excited just yet given his use of the word ‘current.’ Overall, we would not rule out risk for deeper setbacks given ongoing regulatory oversight and a global macro backdrop that would seemingly expose risk correlated projects on the Ethereum blockchain. Monetary policy normalization and an anticipated reduction in global risk appetite could put a tremendous strain on ERC20 projects that have yet to even produce proper use cases and proof of concept.



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