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Global FX Insights

by LMAX Exchange Research & Analytics

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

One and Done Optimism Keeps Markets Stable [Wake-up call](#)

The economic calendar will be quite active this week, though on Monday, there isn't anything of note due in the European session. All of the Monday calendar market movers are in the US, with retail sales headlining, and backed up by business inventories, Empire manufacturing, NAHB housing and TIC flows.

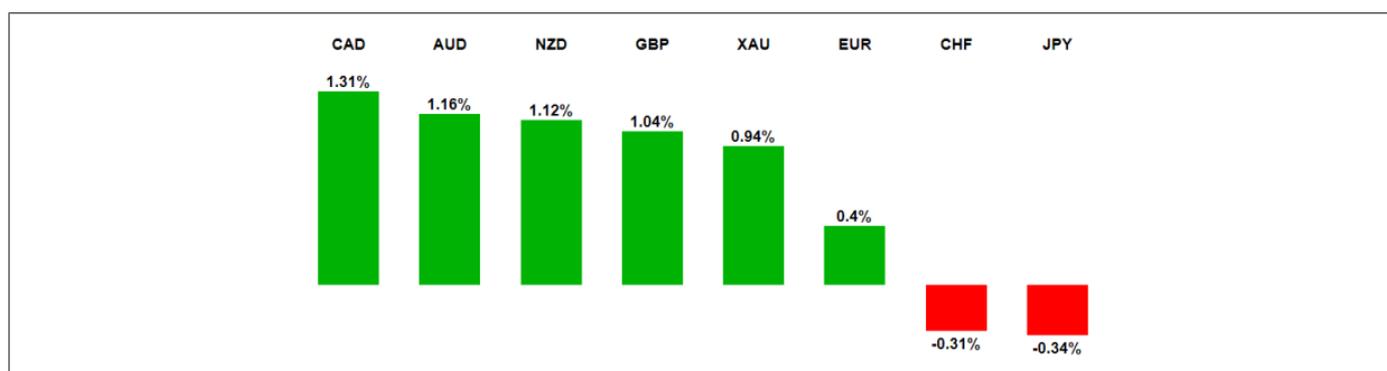
Technical highlights [Daily Video](#)

- **EURUSD** Contraction suggests break
- **GBPUSD** Signs of exhaustion near high
- **USDJPY** Still holding below key level
- **EURCHF** Focused on return to 1.2000
- **AUDUSD** Looking for next lower top
- **USDCAD** Setbacks viewed as corrective
- **NZDUSD** Well capped ahead of barrier
- **US SPX 500** Slowly starting to roll
- **GOLD** (spot) Bullish above 1375
- **BTCUSD** Beginning of corrective phase
- **ETHUSD** Pressure taken off downside

Fundamental highlights

- **EURUSD** Dealers talking volatile times ahead
- **GBPUSD** UK calendar active with first tier data
- **USDJPY** Trump-Abe summit kicks off Tuesday
- **EURCHF** SNB policy strategy likely to get tougher
- **AUDUSD** Aussie takes a hit on sliding iron ore
- **USDCAD** Loonie worried about US protectionism
- **NZDUSD** Local data hasn't been as hot of late
- **US SPX 500** Policy normalisation and inflation
- **GOLD** (spot) Metal demand reflects uncertainty
- **BTCUSD** Crypto headwinds challenge Bitcoin
- **ETHUSD** Ethereum exposed on macro pressure

Five day performance v. US dollar



Suggested reading

- [Dow Theory Sends Concerning Signal on Trade Tensions](#), N. Colas, Bloomberg (April 12, 2018)
- [Reading the Tea Leaves of the Yield Curve](#), S. Grannis, Calafia Beach Pundit (April 12, 2018)

EURUSD – technical overview

The major pair has stalled out after trading up to a +3 year high above 1.2500. Daily studies have been in the process of consolidating, with setbacks exceptionally well supported into dips. A break back above 1.2550 will open a continuation of the uptrend, through the 2018 high and towards the next major level of resistance in the form of falling trendline resistance off the record high from 2018, which comes in just over 1.2600. However, there has been some short term pressure on the downside and a daily close below 1.2155 could warn of a meaningful top, opening a deeper pullback to significant support down towards the December 2017 low at 1.1720.



- R2 1.2422 – 28Mar high – Strong
- R1 1.2397 – 11Apr high – Medium
- S1 1.2261 – 9Apr low – Medium
- S2 1.2216 – 6Apr low – Strong

EURUSD – fundamental overview

Quiet start to the week for the Euro, with absence of first tier data out of the zone, putting the focus on the US session, which features retail sales, business inventories, Empire manufacturing, NAHB housing and TIC flows. We also get some Fed speak from Kashkari and Bostic. There has been a lot of tension building in the major pair, with ranges contracting to the point where dealers are expecting a burst in volatility ahead.

EURUSD – Technical charts in detail

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GBPUSD – technical overview

Setbacks have been very well supported in 2018, with the market confined to a well defined uptrend. A break above the 2018 high at 1.4346 will confirm the next meaningful higher low at 1.3712, opening a measured move upside extension to the 1.5000 area. However, the major pair may not be ready to extend the run just yet in 2018, with another reversal ahead of the 2018 high to open the door for another round of setbacks, possibly back down towards some rising bull channel trendline support in the 1.3600s.



- R2 1.4346– 25Jan/2018 high – Strong
- R1 1.4297 – 13Apr high – Medium
- S1 1.4146 – 12Apr low – Medium
- S2 1.4079 – 9Apr low – Strong

GBPUSD – fundamental overview

The Pound will get a lot of action this week, with the UK currency taking in plenty of first tier UK data including earnings, the claimant count, unemployment rate, CPI and retail sales. But none of that comes on Monday and absence of first tier UK data to start the week, will leave the focus on the US calendar highlighted by retail sales, business inventories, Empire manufacturing, NAHB housing, TIC flows and Fed speak from Kashkari and Bostic.

GBPUSD – Technical charts in detail

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USDJPY – technical overview

The major pair has been trading to **bottom out**, after trading down to a 2018 low in the 104s. Still, a break and daily close back above 107.91 will be required to suggest the downside pressure has come off. Until then, risk remains for another topside failure and reversal back down towards the 2018 low.



- R2 107.91 – 21Feb high – Strong
- R1 107.79 – 13Apr high – Medium
- S1 106.62 – 9Apr low – Medium
- S2 105.67 – 2Apr low – Strong

USDJPY – fundamental overview

Risk markets have done a good job absorbing the Syria strike on optimism for a one and done effort, while the US Treasury refraining from labelling any nations as currency manipulators has also helped to mitigate Monday fallout. Of course, we have seen some deterioration in sentiment from Friday's close and this has opened some renewed downside pressure on the major pair. Overall, market sentiment remains quite fragile in the face of rising geopolitical risk, global trade tension and White House uncertainty. This week's Trump-Abe summit will get attention, with the event running Tuesday and Wednesday. Looking ahead, we get a Monday US calendar that features retail sales, business inventories, Empire manufacturing, NAHB housing, TIC flows and Fed speak from Kashkari and Bostic.

USDJPY – Technical charts in detail

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EURCHF – technical overview

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 1.1652 would delay the overall constructive tone.



- R2 1.2000 – Psychological – Strong
- R1 1.1891 – 12Apr/2018 high – Medium
- S1 1.1768 – 9Apr low – Medium
- S2 1.1652 – 22Mar 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 a more intensified liquidation on that front into Q2 2018, 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.

AUDUSD – technical overview

The market has been in the process of rolling over after failing to sustain a break above 0.8100 earlier this year. This has set up a sequence of lower tops and lower lows on the daily chart, with deeper setbacks seen towards the 0.7500 barrier over the coming sessions. A break back above 0.7917 would be required to negate the structure and force a shift in the outlook.



- R2 0.7917 – 14Mar high – Strong
- R1 0.7810 – 13Apr high – Medium
- S1 0.7694 – 10Apr low – Medium
- S2 0.7644 – 29Mar low – Strong

AUDUSD – fundamental overview

Sliding China stocks to start the week, along with a drop in the price of iron ore futures, have been contributing to this latest wave of renewed Aussie selling. Overall, the risk correlated commodity currency will continue to monitor developments on the global front, with any escalation in tension to add to the downside pressure. Looking ahead, we get a Monday US calendar that features retail sales, business inventories, Empire manufacturing, NAHB housing, TIC flows and Fed speak from Kashkari and Bostic.

USDCAD – technical overview

Despite the latest round of weakness, overall, there are signs of basing after months of downside pressure. Look for any setbacks to now be well supported ahead of 1.2500, with a higher low sought out in favour of the next major upside extension through 1.3125 and towards 1.3500 further up.



- R2 1.2708– 10Apr high – Strong
- R1 1.2624 – 11Apr high – Medium
- S1 1.2545 – 11Apr low – Medium
- S2 1.2500 – Psychological – Strong

USDCAD – fundamental overview

The Canadian Dollar has enjoyed a nice period of recovery, standing out as the top performer against the US Dollar over the past week amongst the developed currencies. The latest jolt has come from the combination of conciliatory global trade talk, a Bank of Canada Q1 survey which showed the business sales outlook improving, solid Canada housing starts and a rally in the price of OIL. But at a closer glance, it looks like the Loonie may have run too far and fast, with plenty of global tension exposing the currency, especially with the fate of NAFTA remaining a major thorn at the Loonie's side. As far as today's calendar goes, absence of first tier data out of Canada, will leave the focus on the US calendar which features retail sales, business inventories, Empire manufacturing, NAHB housing, TIC flows and Fed speak from Kashkari and Bostic.

NZDUSD – technical overview

The market looks to be in the process of topping out, with the daily chart slowly rolling over in 2018. Rallies are now expected to be very well capped ahead of 0.7500, with only a break back above the psychological barrier to negate. Look for a renewed weakness in the sessions ahead, with a break back below 0.7300 to strengthen the outlook and accelerate declines towards 0.7000.



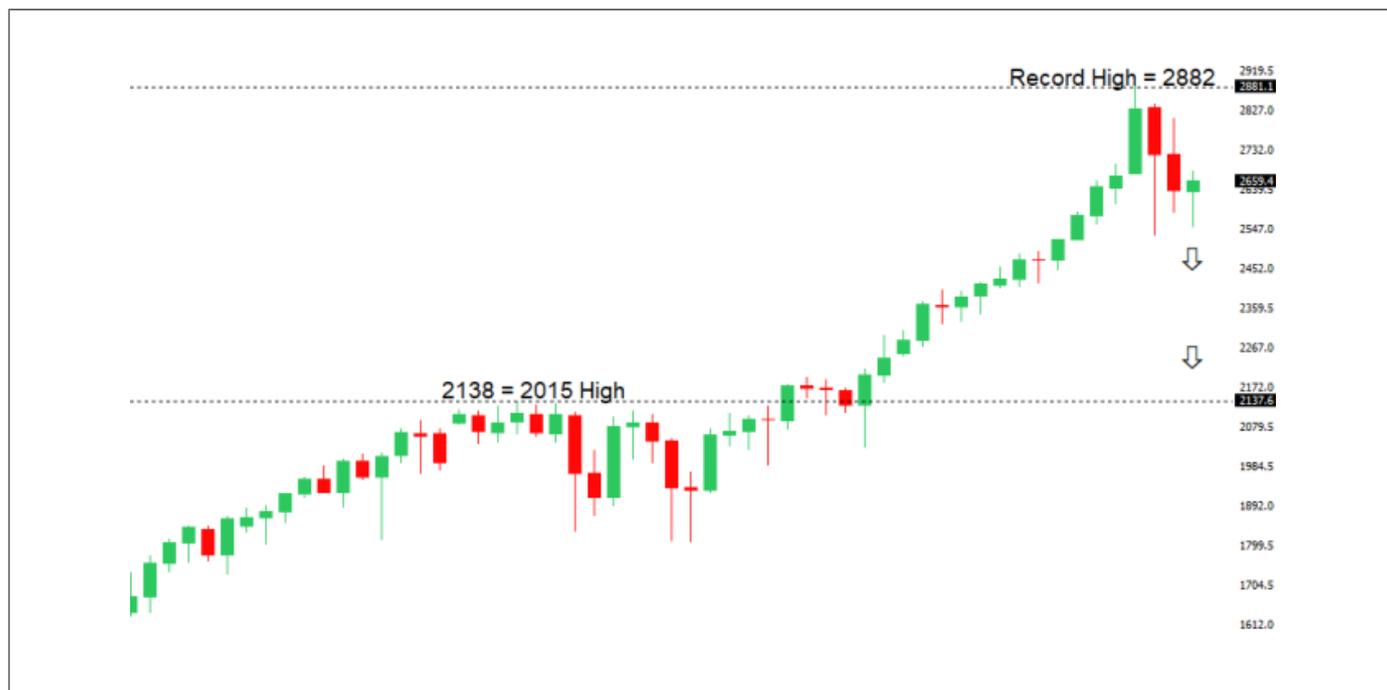
- R2 0.7438 – 16Feb/2018 high – Strong
- R1 0.7396 – 13Apr high – Medium
- S1 0.7304 – 10Apr low – Medium
- S2 0.7244 – 6Apr low – Strong

NZDUSD – fundamental overview

The Kiwi rate is coming off a week where the New Zealand Dollar was able to perform well, benefitting from conciliatory trade talk out from the US and China and some broad based US Dollar selling. However, risk sentiment is back under pressure following the weekend airstrike on Syria and this in conjunction with ongoing global trade tension and less than stellar economic data out of New Zealand in recent weeks, including four consecutive negative GDT auction prints, should not encourage additional demand. Dealers had been talking decent sell orders ahead of 0.7400 and this has materialised over the past few sessions. Looking ahead, we get a Monday US calendar that features retail sales, business inventories, Empire manufacturing, NAHB housing, TIC flows and Fed speak from Kashkari and Bostic.

US SPX 500 – technical overview

A severely overbought market is finally showing signs of rolling over 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 towards the 2015 high at 2138.



- R2 2743 – 21Mar high – Strong
- R1 2682 – 13Apr high – Medium
- S1 2585 – 6Apr low – Medium
- S2 2533 – 6Feb/2018 low – 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 combination of Fed policy normalisation, ramped up US protectionism, and geopolitical tension have been driving the market lower, with setbacks at risk of intensifying on the prospect for the reemergence of inflationary pressure. Overall, we expect the bigger picture theme of policy normalisation to continue to weigh on investor sentiment into rallies.

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 around 1300.



- R2 1375 – 2016 high – Very Strong
- R1 1366 – 25Jan/2018 high – Medium
- S1 1320 – 6Apr low – Medium
- S2 1303 – 2Mar low – Strong

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.

BTCUSD – technical overview

A break back above short term resistance at 7500 has taken the immediate pressure off the downside, with scope for a correction further up towards 9200. Still, the overall pressure still leaves the market in a downtrend and it is going to take a recovery back above 12000 to suggest otherwise.



- R2 9,200 – 21Mar high – Strong
- R1 8,643 – 26Mar high – Medium
- S1 6,420 – 1Apr low – Medium
- S2 6,000 – 6Feb/2018 low – Strong

BTCUSD – fundamental overview

The crypto asset has come under pressure in 2018, with ramped up regulatory oversight and potential 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 a major drawback, along with a mining community that has been less willing to process transactions due to the lower fees. The Lightning network has been a welcome development and is helping to ramp up transaction speed, which has been behind some of the recovery off the 2018 low, though it seems the combination of a massive bubble, more regulatory oversight, a market that is still trying to convince of its proof of concept, and the threat of a reduction in global risk appetite, could all result in even deeper setbacks ahead.

BTCUSD – Technical charts in detail

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ETHUSD – technical overview

Signs of recovery, with the market rallying out from the 2018 low and pushing back above some consolidation resistance. This opens the door to more significant resistance at 590, though a clear break back above the 590 level will be required to officially take the immediate pressure off the downside. Until then, the pressure remains on the downside and the market could be looking for a lower top ahead of a bearish resumption.



- R2 590 – 21Mar high – Strong
- R1 545 – 24Mar high – Medium
- S1 412 – 12Apr/2018 low – Strong
- S2 358 – 1Apr/2018 low – Strong

ETHUSD – fundamental overview

Setbacks in the price of ETH have been more intense than those of Bitcoin in 2018. Though both markets are going through a period of shakeup following bubble activity in 2017, there has been a bigger exodus from ETH with this cryptocurrency more heavily correlated to risk in global markets. The reduction in global risk appetite has put a strain on the investment in projects on the blockchain and with most of the blockchain projects built on the Ethereum protocol, it makes sense to see this market more negatively impacted than bitcoin, which is considered to be the store of value digital currency.



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