

Monday, January 13, 2020

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Global FX Insights

by LMAX Group Research & Analytics

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

US Dollar mostly under pressure into Monday 🔊 [Wake-up call](#)

The US Dollar is mostly under pressure into the new week, with the Buck suffering from a weaker than expected US jobs report. We say mostly because there have been exceptions with respect to the Yen and Pound, albeit, for different reasons.

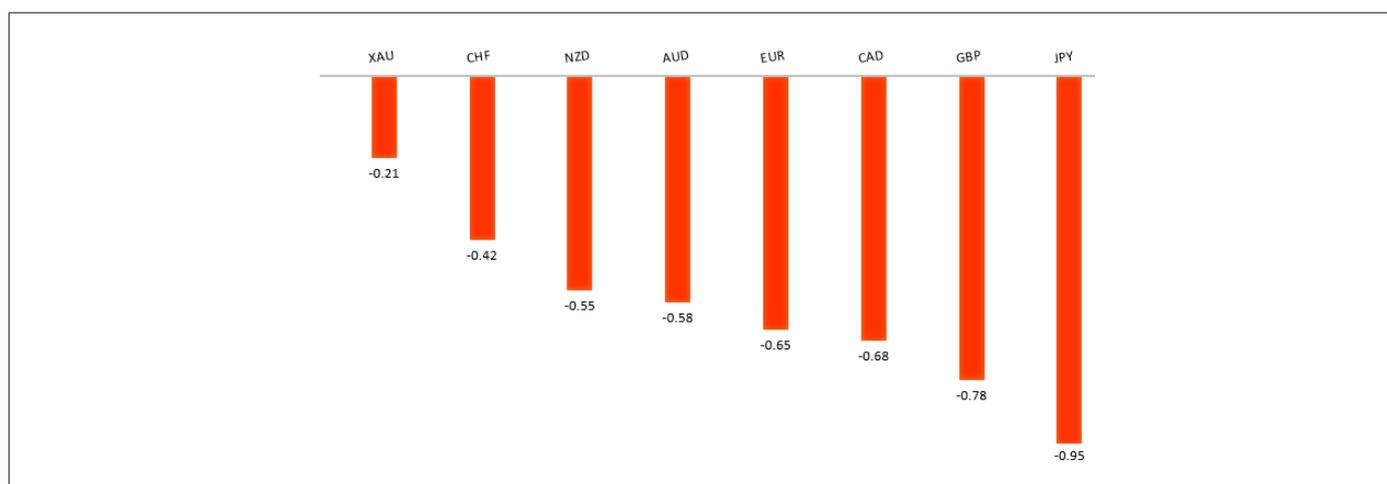
Technical highlights ▶ [Daily Video](#)

- [EURUSD](#) Carving out longer term bottom
- [GBPUSD](#) Setbacks should be well supported
- [USDJPY](#) Additional upside should be limited
- [EURCHF](#) Confined to tighter consolidation
- [AUDUSD](#) Room for recovery to extend
- [USDCAD](#) Breaks down to multi-month low
- [NZDUSD](#) Slow and steady recovery in works
- [US SPX 500](#) Uptrend begging for correction
- [GOLD](#) (spot) Fresh upside extension underway
- [BTCUSD](#) Constructive while above 6,000
- [ETHUSD](#) Solid support zone around 100

Fundamental highlights

- [EURUSD](#) German wholesale prices taken in
- [GBPUSD](#) Big batch of UK data on Monday
- [USDJPY](#) Yen excited about US-China trade deal
- [EURCHF](#) SNB faces tougher battle with Franc
- [AUDUSD](#) Aussie boosted on soft US jobs report
- [USDCAD](#) Solid Canada employment data
- [NZDUSD](#) Kiwi gets help from bigger picture flow
- [US SPX 500](#) Stocks more sensitive to downside risk
- [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

- [These Great Jobless Numbers Are Just Miserable](#), J. Authers, **Bloomberg** (January 13, 2020)
- [Can Anything Make the S&P500 Drop?](#), R. Armstrong, **FT** (January 10, 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 1.1250** - 6 August high - Strong
- **R1 1.1239** - 31 December high - Medium
- **S1 1.1085** - 10 January low - Medium
- **S2 1.1066** - 20 December low - Strong

EURUSD - fundamental overview

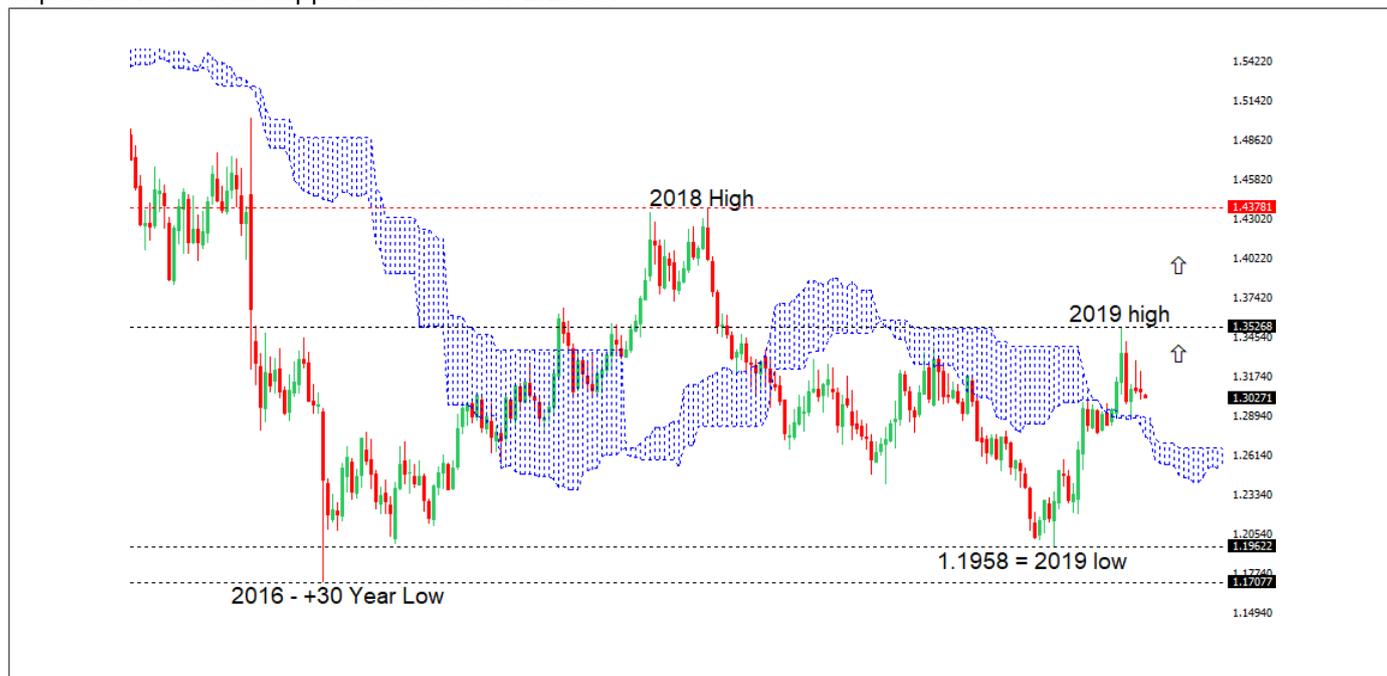
The Euro has found another wave of demand into the latest round of weakness, with the single currency mostly propped back up on the back of Friday's softer than expected US jobs report. Looking ahead, the calendar is rather light.

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



- **R2 1.3300** - Figure - Strong
- **R1 1.3285** - 31 December high - Medium
- **S1 1.3013** - 9 January low - Medium
- **S2 1.2905** - 23 December low - Strong

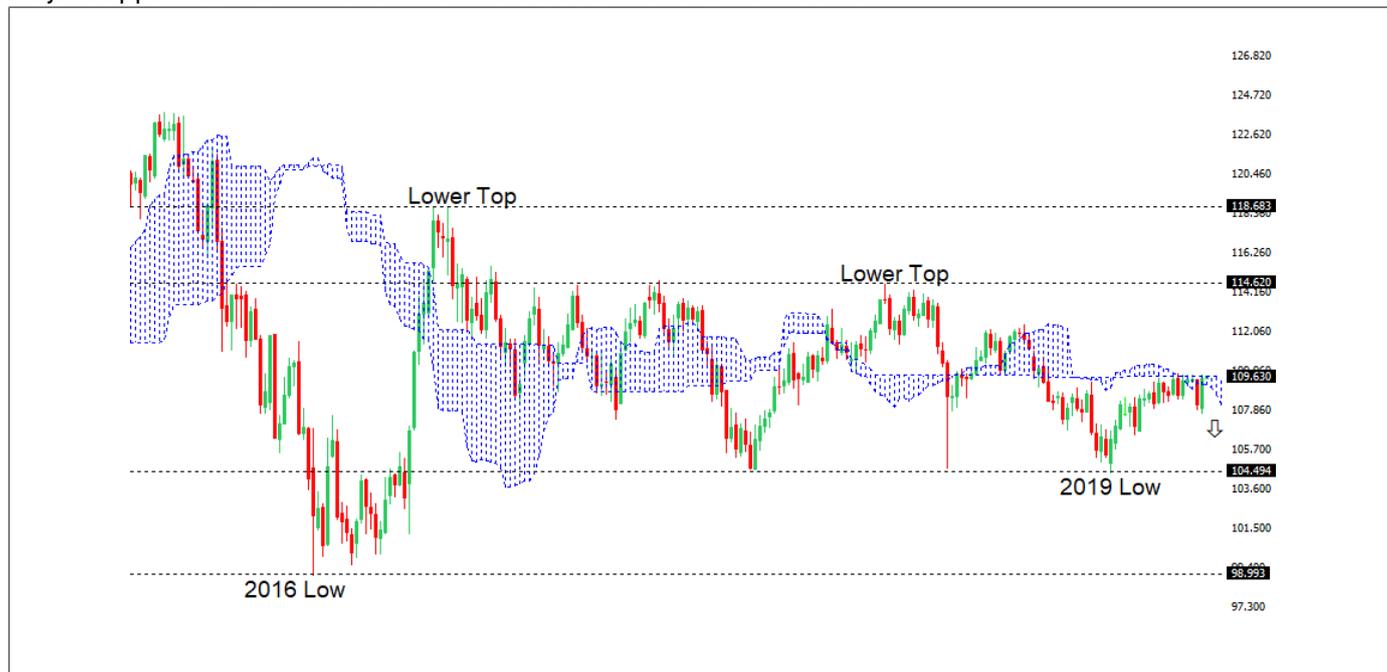
GBPUSD - fundamental overview

The Pound remains under pressure into the new week, with the UK currency unable to get much help from the softer US jobs report. It seems last week's downbeat comments from outgoing BOE Governor Carney, along with worry associated with trade talks, are what is keeping the Pound weighed down for now. Looking ahead, we get a batch of data out of the UK that includes, trade, industrial production, manufacturing production and GDP.

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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. Next major support comes in the form of the October 2018 low at 106.48.



- **R2 110.00** - Psychological - Strong
- **R1 109.73**- 2 December high - Strong
- **S1 108.64** - 7 January high - Medium
- **S2 107.65** - 8 January low - Strong

USDJPY - fundamental overview

Japan markets were out for holiday on Monday. The US-China trade deal signing will be on the Yen's mind on Monday, with the market likely to be focused on how all of this impacts sentiment. Still, with the event all but priced in, we don't expect much in the way of volatility. The Yen has come into the new week under pressure and trading at key support levels against the US Dollar. The recent round of weakness comes from risk on trade on the back of a US jobs report that should continue to keep investors feeling good about buying stocks. Of course, we're less inclined to share this sentiment and believe the Yen will find renewed demand sooner than later with USDJPY up into the 110.00 area. Looking ahead, we get updates from the US-China trade talk front.

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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 1.1060** - 17 October high - Strong
- **R1 1.0906** - 27 December high - Medium
- **S1 1.0783** - 8 January/2019 low - Medium
- **S2 1.0700** - 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. 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 0.6700 on a weekly close basis.



- **R2 0.7032** -31 December high - Strong
- **R1 0.6958** - 6 January high - Medium
- **S1 0.6850** - 8 January low - Medium
- **S2 0.6838** - 17 December low - Strong

AUDUSD - fundamental overview

Most of this latest recovery in the Australian Dollar has come from a weaker than expected US jobs report and optimism around the trade deal signing between the US and China. Looking ahead, we get updates from the US-China trade talk front.

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 1.3182** - 20 December high - Strong
- **R1 1.3105** - 9 January high - Medium
- **S1 1.3000** - Psychological - Strong
- **S2 1.2952** - 31 December/2019 low - Strong

USDCAD - fundamental overview

The Canadian Dollar held up well on Friday, with the currency tracking higher on the back of the contrasting data out of the two economies. In Canada, the monthly employment report came in above forecast, but over in the US, the data was disappointing. At the same time, with the Canadian Dollar already so well bid in recent weeks, there wasn't a whole lot of room for the Loonie to rally, especially with oil prices having pulled back so aggressively in the previous week. Looking ahead, we get the Canada business outlook survey and updates from the US-China trade talk front.

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 0.6756** - 31 December high - Strong
- **R1 0.6700** - Figure - Medium
- **S1 0.6600** - Figure - Medium
- **S2 0.6554** - 18 December low - Strong

NZDUSD - fundamental overview

Most of this latest recovery in the New Zealand Dollar has come from a weaker than expected US jobs report and optimism around the trade deal signing between the US and China. Looking ahead, we get updates from the US-China trade talk front.

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 3300 would be required to compromise the outlook.



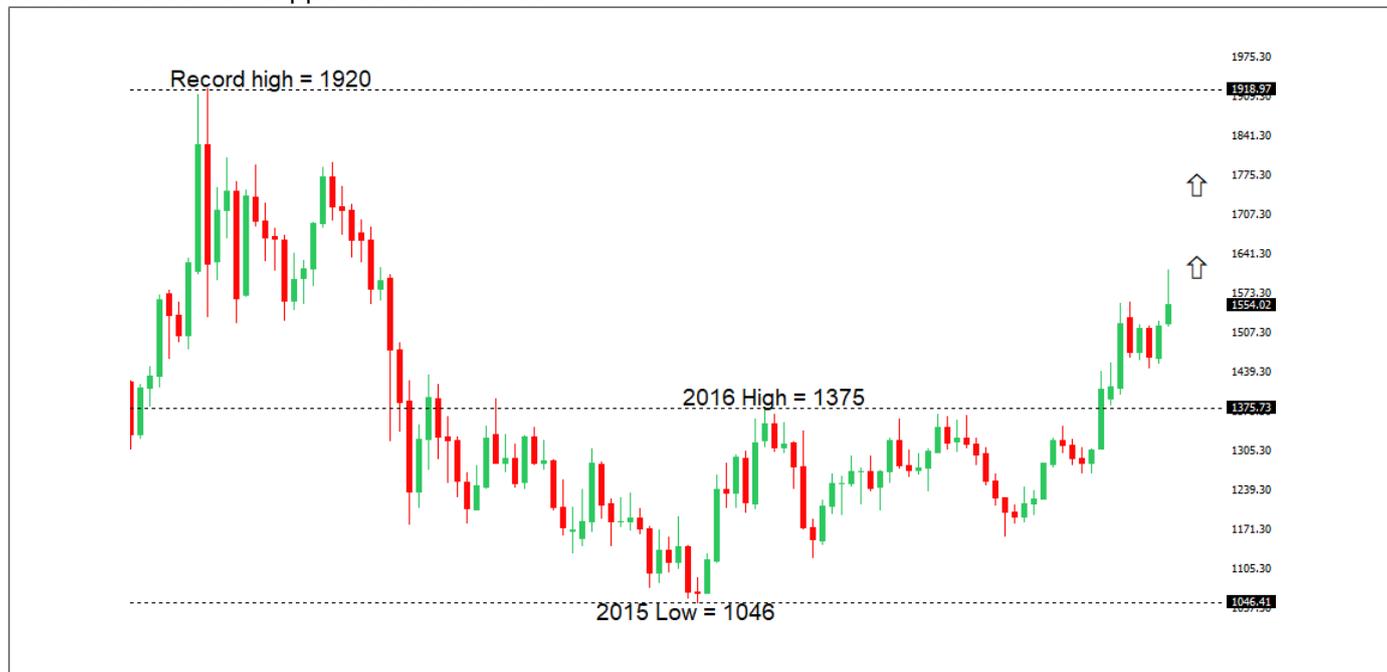
- **R2 3300** - Psychological - Strong
- **R1 3287** - 10 January/**Record high** - Strong
- **S1 3200** - Psychological - Medium
- **S2 3070** - 3 December low - Strong

US SPX 500 - fundamental overview

Although we've seen the market extending to fresh record highs, 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 and geopolitical risk, should continue to be a drag on investor sentiment into 2020, 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 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 10,468 further encourages bullish prospect.



- **R2 10,468** - 26 October high - Strong
- **R1 8,435** - 8 January high - Medium
- **S1 7,000** - Psychological - Strong
- **S2 6,430** - 18 December 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 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 117** - 18 December low - Medium
- **S2 102** - 6 February/2019 low - Strong

ETHUSD - fundamental overview

There is plenty of Ether demand built up in the 80-100 area, 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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