

# Global FX Insights

by LMAX Exchange Research & Analytics

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

## US Shakes Up Market with More Tariffs [Wake-up call](#)

It hasn't taken long for activity to pick up on Wednesday after what had been a relatively subdued Tuesday session. The fireworks come from the news of fresh US tariffs on Chinese goods. This will command most of the attention today, though we also get a Draghi appearance, US producer prices and Bank of Canada decision.

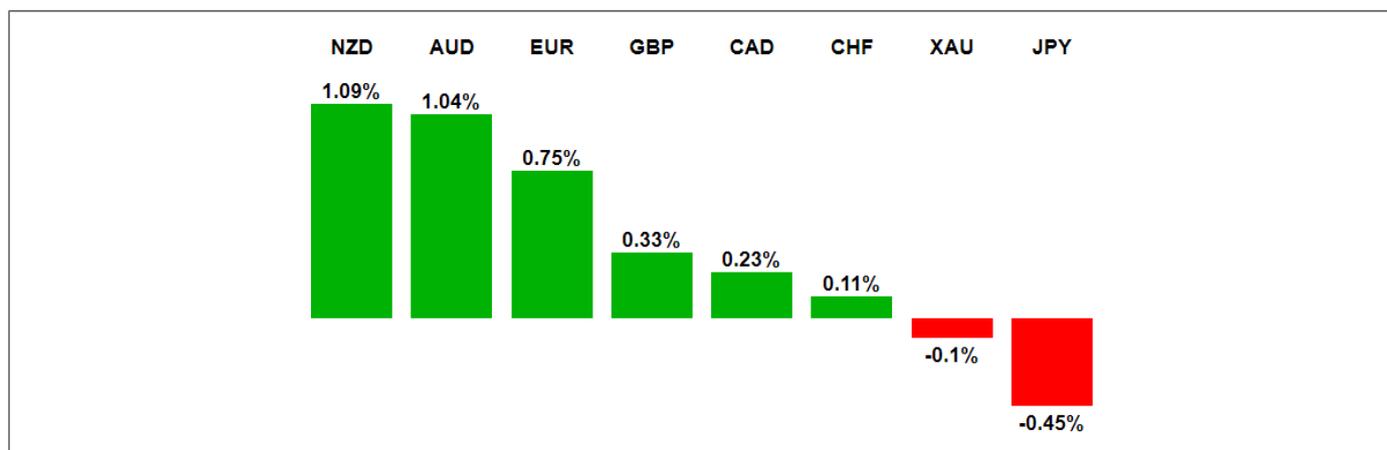
### Technical highlights [Daily Video](#)

- **EURUSD** Bullish on break of 1.1855
- **GBPUSD** Key resistance at 1.3475
- **USDJPY** Well capped into rallies
- **EURCHF** Supported on dips
- **AUDUSD** Mild recovery off lows
- **USDCAD** Room for more upside
- **NZDUSD** Looking for rebound
- **US SPX 500** Signs of major top
- **GOLD** (spot) Bigger picture base
- **BTCUSD** Recovery just corrective
- **ETHUSD** Holds up ahead of low

### Fundamental highlights

- **EURUSD** ECB Draghi appearance stands out
- **GBPUSD** Quiet calendar means Brexit headlines
- **USDJPY** Yen recovers on news of fresh tariffs
- **EURCHF** SNB policy faces tough challenges ahead
- **AUDUSD** Aussie getting help from lots of places
- **USDCAD** Bank of Canada policy decision on tap
- **NZDUSD** Kiwi up as yield differentials move back
- **US SPX 500** Fed model will be important to watch
- **GOLD** (spot) Unstable macro picture inspires bids
- **BTCUSD** Growing pains as bubble bursts
- **ETHUSD** Shaky equities a worry for Ethereum

### Five day performance v. US dollar

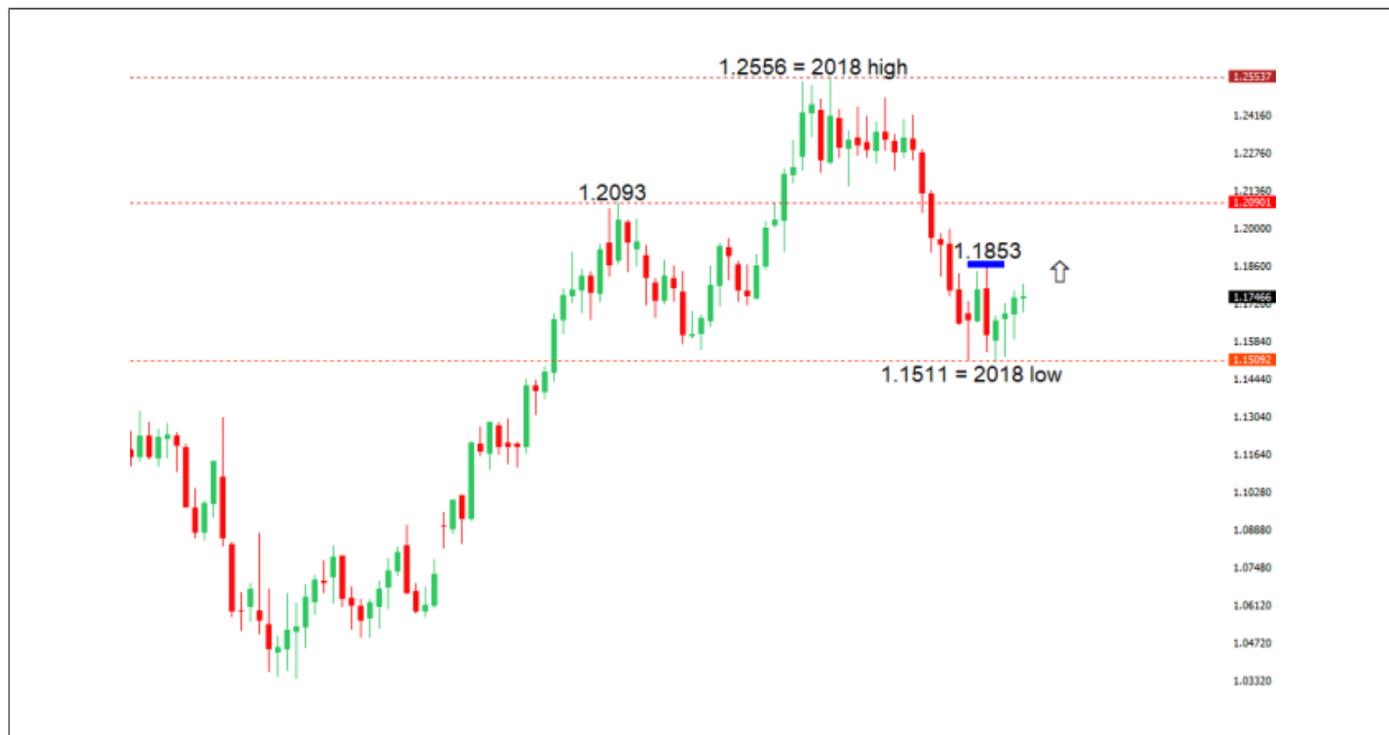


### Suggested reading

- **Deutsche Bank Brought in Some Help**, M. Levine, Bloomberg (July 11, 2018)
- **What the World's Biggest Investor Thinks**, M. Heimer, Fortune (July 9, 2018)

## EURUSD – technical overview

While the pressure is clearly on the downside at the moment, the market has dropped back into a critical support zone in the form of a previous resistance area that had capped rallies from 2015 to 2017. This keeps the medium term focus on the upside with only a sustained break back below 1.1500 to compromise the constructive outlook. Still, a push back above 1.1853 will now be required to alleviate the shorter term bearish momentum.



- R2 1.1800 – Figure – Medium
- R1 1.1791 – 9Jul high – Strong
- S1 1.1681 – 6Jul low – Medium
- S2 1.1621 – 3Jul low – Medium

## EURUSD – fundamental overview

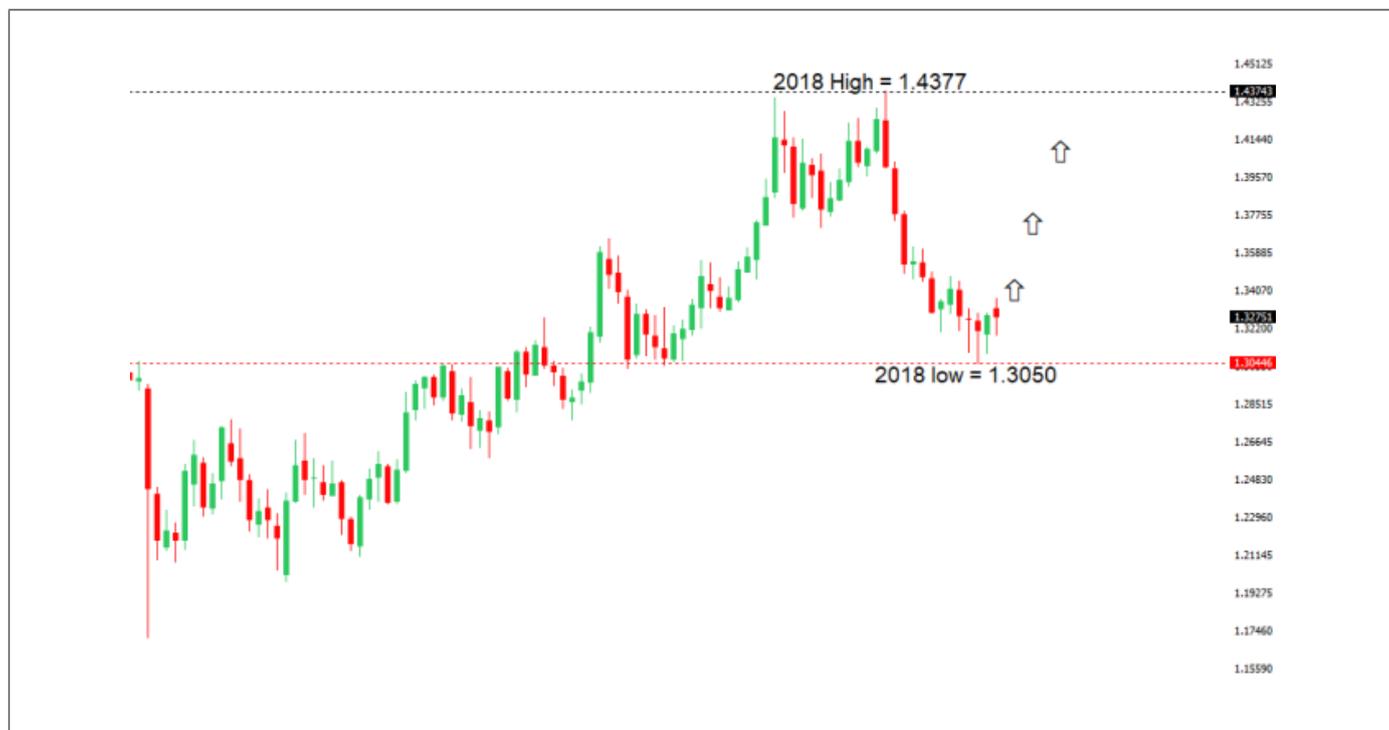
The Euro did a good job holding up well on Tuesday, with the currency supported after taking a hit early on from a disappointing German ZEW reading. But European data has been looking better of late we are seeing renewed bids because of the improving outlook at a time when the US Dollar is contending with US protectionism (another round of tariffs announced on China early Wednesday), a less aggressive Fed because of US trade policy and some softer US hourly earnings. Looking ahead, Wednesday’s calendar features a Draghi appearance and US producer prices.

## EURUSD – Technical charts in detail

**Watch now**

## GBPUSD – technical overview

Overall, the structure still remains constructive on a medium to longer term basis, despite this latest round of intense setbacks to a fresh 2018 low. The market has been in the process of recovering out from the +30 year low from October 2016, with a higher low sought out, ideally above 1.3000, ahead of a bullish continuation. Ultimately, only a sustained break back below 1.3000 would compromise the outlook. Key resistance comes in at 1.3473 and the market will be looking for a break of this level to reinforce this picture.



- R2 1.3473 – 7Jun high – Strong
- R1 1.3364 – 9Jul high – Medium
- S1 1.3190 – 6Jul low – Medium
- S2 1.3171 – 4Jul low – Strong

## GBPUSD – fundamental overview

There have been a number of bearish developments for the Pound this week and yet, the currency has done an exceptional job holding up. The government resignations, a downbeat BCC outlook and discouraging UK industrial and manufacturing production prints haven't done much to weigh on the Pound, with the currency more focused on an overall solid run of economic data, pleasing GDP estimates, upbeat central bank speak and a bond market that is comfortable looking for another BOE hike next month. Looking ahead, absence of first tier UK data on Wednesday's calendar will leave US producer prices as the only notable standout.

## GBPUSD – Technical charts in detail

## USDJPY – technical overview

Rallies continue to be very well capped, with the medium-term outlook still favouring lower tops and lower lows. Look for the recovery run off the 2018 low to stall out in the sessions ahead, with additional upside to struggle ahead of 113.00. Key support comes in at 110.28 and a break back below this level will strengthen the outlook, opening the door for the start to a move back down towards 108.00 which guards against the 104.60 area 2018 low.



- R2 112.00 – Figure – Medium
- R1 111.40 – 21Jun high – Strong
- S1 110.28 – 4Jul low – Medium
- S2 109.37 – 25Jun low – Strong

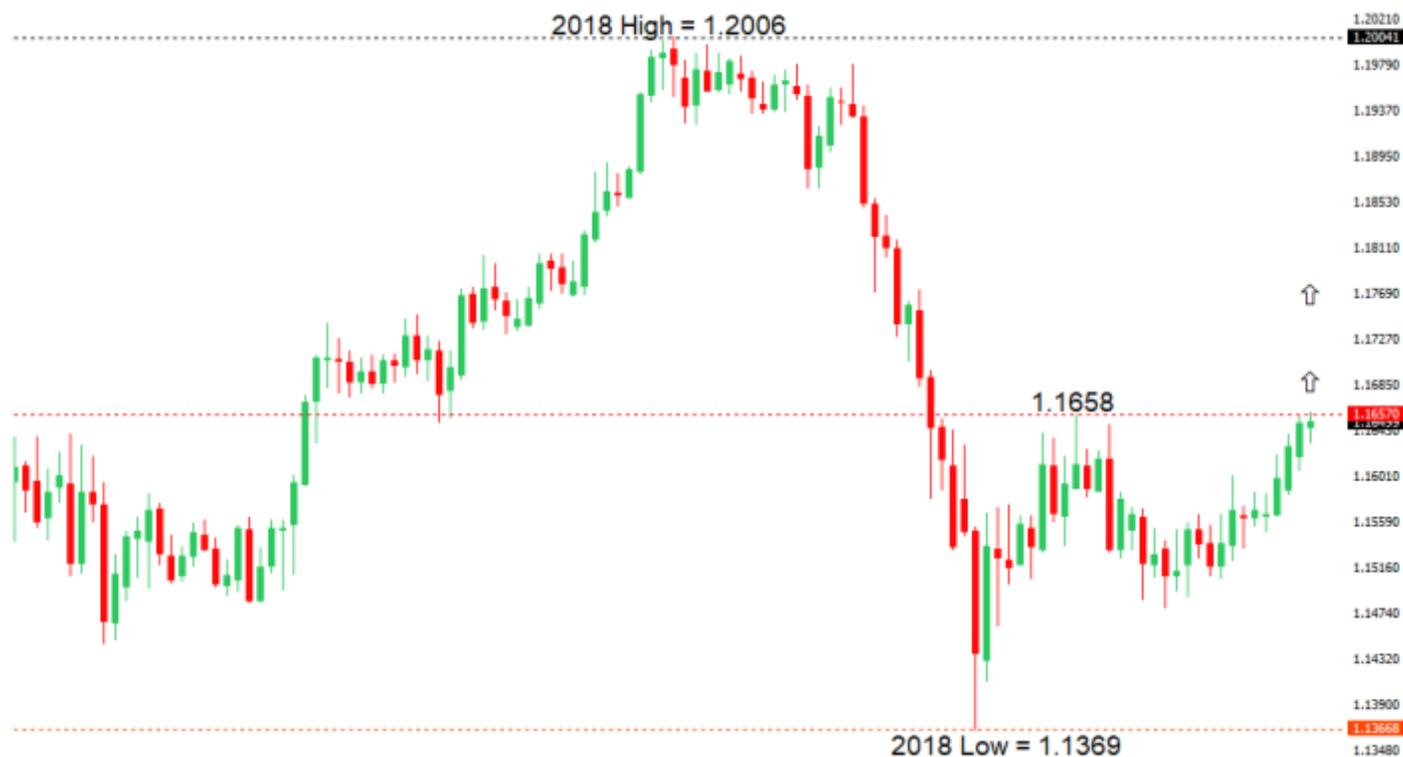
## USDJPY – fundamental overview

Overall, the major pair is still very much correlated to broader macro themes and risk sentiment. Monday and Tuesday price action saw a healthy push to the topside on the back of developments that would be keeping the Fed leaning to the cautious side. But early Wednesday flow is driving the market the other way, with the Yen rallying back as another round of US tariffs is imposed on China. Looking ahead, Wednesday’s economic calendar is less active, with only US producer prices standing out. Most of the attention will revolve around fallout from this latest US move.

**Watch now**

## EURCHF – technical overview

The market is working off an intense round of setbacks resulting in a fresh 2018 low. Overall however, the rate has been trending higher and only a sustained break back below the 1.1369, 2018 low would suggest otherwise. Look for a daily close back above 1.1658 to strengthen the outlook.



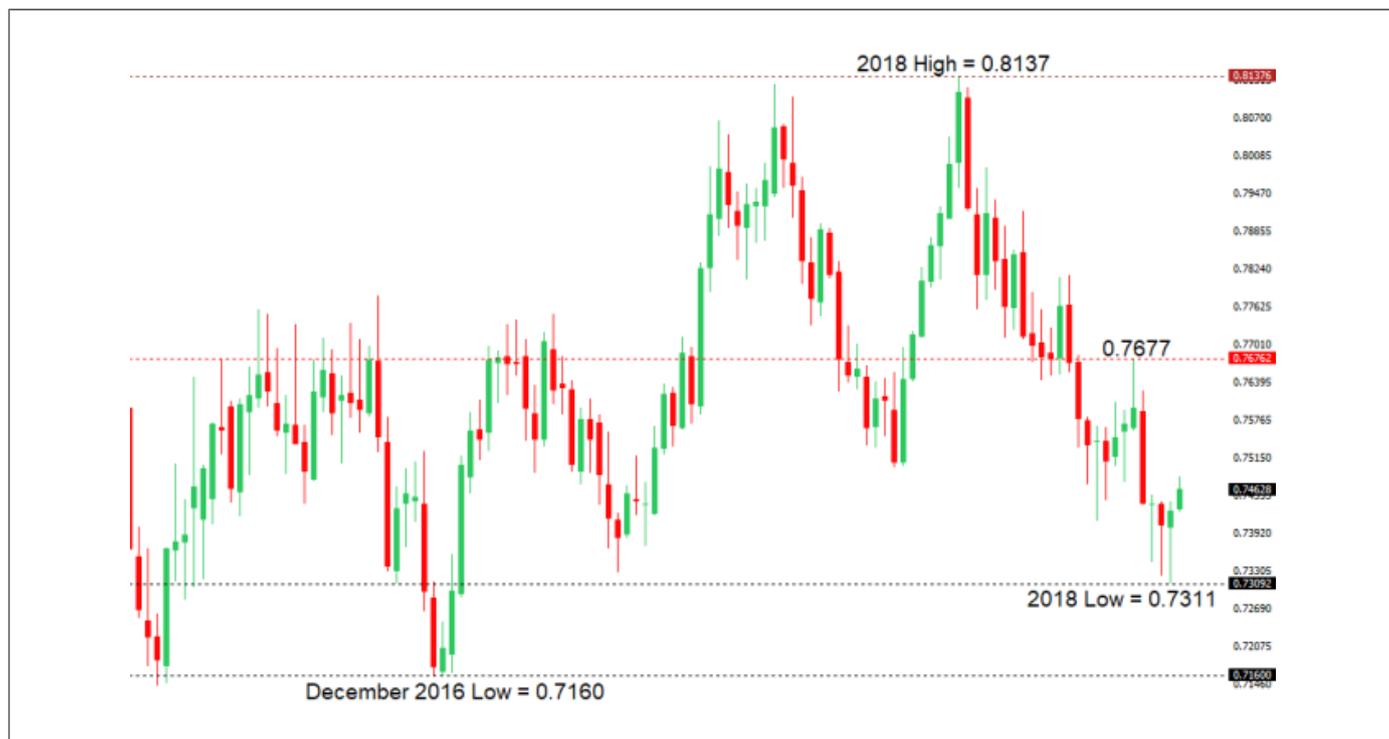
- R2 1.1698 – 23May high – Strong
- R1 1.1660 – 10Jul high – Medium
- S1 1.1564 – 5Jul low – Medium
- S2 1.1481 – 21Jun low – Strong

## 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 risk liquidation in 2018, will likely invite a very large wave of demand for the Franc, which will put the SNB in the more challenging position of needing to prevent appreciation in the Franc.

## AUDUSD – technical overview

Signs of recovery after a drop to its lowest levels since January 2017. Overall, the pressure remains on the downside, though there is scope for the recovery to extend back into the 0.7600s before the market thinks about a bearish resumption. Only back above 0.7677 would force a bullish shift in the structure.



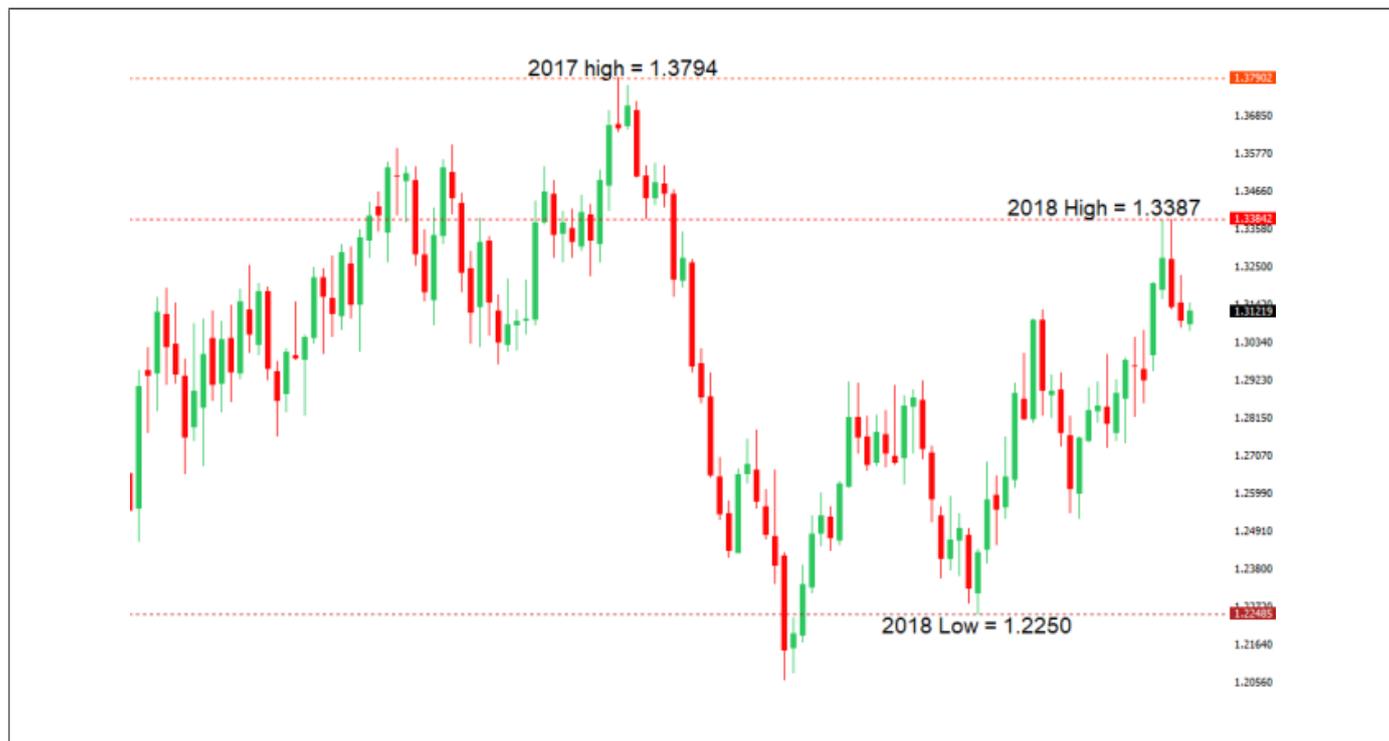
- R2 0.7500 – Psychological – Strong
- R1 0.7485– 10Jul high – Strong
- S1 0.7362 – 5Jul low – Medium
- S2 0.7311– 2Jul 2018 low – Strong

## AUDUSD – fundamental overview

There have been a number of factors that have helped to inspire a recovery run in the Australian Dollar out from its lowest levels since January 2017. These include a PBOC expressing its desire to see a stable Yuan, a less dovish than expected RBA decision, demand for metals, a scaled back Fed and concurrent recovery in global equities. Economic data out of Australia has also come in solid on Wednesday, with Westpac consumer confidence and home loans impressing. At the same time, US protectionism and global trade wars are a major concern to the Australian Dollar, which has very clearly given back some of its recovery on news of the latest tariffs imposed on China. Looking ahead, the market will digest Aussie consumer confidence and US producer prices.

## USDCAD – technical overview

The market has been trending up in 2018, extending its run of gains and now focused on a retest of the 2017 high at 1.3794. Daily studies are however starting to roll from stretched readings, which could open deeper setbacks ahead. But look for any weakness to be well supported ahead of 1.2700, with only a break back below this level to negate the constructive outlook.



- R2 1.3226 – 2Jul high – Strong
- R1 1.3151 – 6Jul high – Medium
- S1 1.3067 – 9Jul low – Medium
- S2 1.3000 – Psychological – Strong

## USDCAD – fundamental overview

There has been some relief for the Canadian Dollar since sinking to a fresh 2018 low in June. Overall however, the Canadian Dollar remains under pressure in 2018. The weakness comes on the back of tension surrounding US protectionism and uncertainty over the fate of NAFTA, which could prove to be an even bigger stress for the Loonie in the aftermath of this latest round of US tariffs on China. Last Friday’s solid Canada employment report wasn’t able to generate much upside for the Loonie after the data was offset by the wider than expected Canada trade deficit. Looking ahead, Wednesday will be an active day of trade for the Loonie, with the Bank of Canada decision standing out as the main event of the day. US producer prices are also due and will be watched.

## NZDUSD – technical overview

Signs of recovery after a drop to its lowest levels since May 2016. Overall, the pressure remains on the downside, though there is scope for the recovery to extend back towards 0.7000 before the market thinks about a bearish resumption. Only back above 0.7061 would force a bullish shift in the structure.



- R2 0.6923 – 25Jun high – Strong
- R1 0.6860 – 9Jul high – Medium
- S1 0.6782 – 6Jul low – Medium
- S2 0.6739 – 4Jul low – Strong

## NZDUSD – fundamental overview

Kiwi has managed to find demand in recent sessions after extending to its lowest levels since May 2016. Broad based profit taking on US Dollar longs has kicked in, particularly after the Fed expressed concern about the impact of US trade policy on the US economy. Last Friday’s US jobs report has also helped to inspire demand off the lows, after the data produced a jump in the unemployment rate and still subdued hourly earnings. But into Wednesday, offers are emerging with risk coming back off in reaction to the latest US sanctions on Russia. Looking ahead, the calendar is quite light, with only US producer prices standing out.

## US SPX 500 – technical overview

A market that has been extended on the monthly chart is 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 the record high in favour of continued weakness back below the 2530 area yearly low and towards a retest of strong longer-term resistance turned support in the form of the 2015 high at 2140.



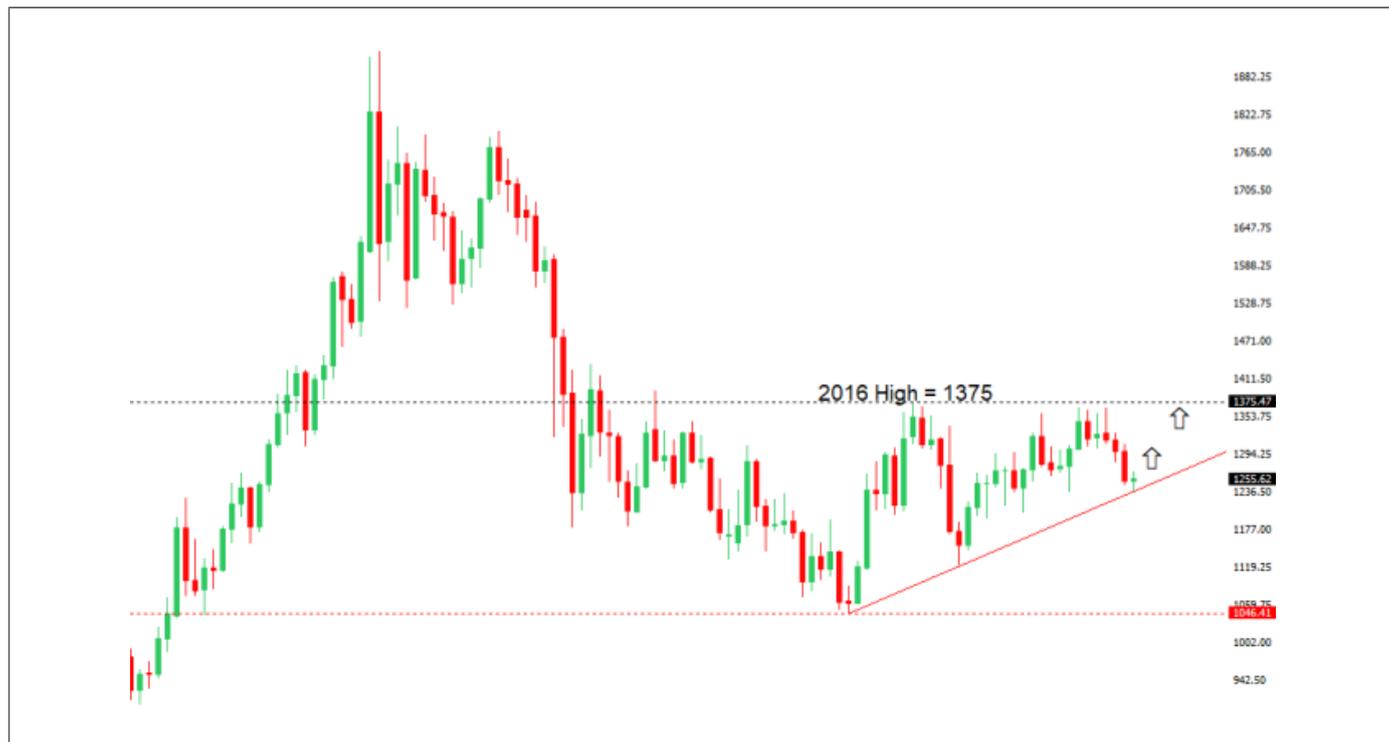
- R2 2807 – 13Mar high– Strong
- R1 2800 – Psychological – Strong
- S1 2693 – 28Jun low – Medium
- S2 2678 – 29May low – Strong

## US SPX 500 – fundamental overview

Investor immunity to downside risk is not looking as strong these days and there’s a clear tension 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 capitulation ahead. The Fed has also finally acknowledged inflation no longer running below target in 2018, something that could very well result in less attractive equity market valuations given the implication 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

Despite a recent run of declines, the overall outlook remains constructive, with the market in the process of carving out a longer term base off the 2015 low. Look for any additional weakness to be well supported ahead of 1200 in favour of the next major upside extension back towards critical resistance in the form of the 2016 high at 1375.



- R2 1310 – 14Jun high – Strong
- R1 1285 – 19Jun high – Medium
- S1 1238 – 3Jul/2018 low – Medium
- S2 1236 – 12Dec 2017 low – Strong

## GOLD (SPOT) – fundamental overview

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 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 is working hard to hold up after taking out the yearly low from February into this latest drop. Still any rallies are classed as corrective, ahead of the next major downside extension towards a now possible measured move extension target at 3,000. Back above 10,000 would ultimately be required to signal a bullish structural shift.



- R2 7,770 – 3Jun high – Strong
- R1 6,890 – 12Jun high – Medium
- S1 6,250 – 1Jul low –Medium
- S2 5,755 – 24Jun/2018 low – Strong

## BTCUSD – fundamental overview

Bitcoin has managed to hold up after sinking to a fresh 2018 low. 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

**Watch now**

## ETHUSD – technical overview

The market remains under pressure in 2018 with rallies well capped and risk for a retest of the 2018 low at 355 over the coming sessions. At this point, it would take a break back above 550 to take the immediate pressure off the downside, though a push back above 840 would be required to signal a bullish structural shift.



- R2 550– 19Jun high – Strong
- R1 480 – 24Jun high – Medium
- S1 405– 29Jun low – Medium
- S2 355 – 1Apr/2018 low – Strong

## ETHUSD – fundamental overview

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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