

Global FX Insights

by LMAX Exchange Research & Analytics

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

Why Isn't the Euro Moving? [Wake-up call](#)

There is a lot going on in markets right now, though it's important to be reminded of the fact that even with all that's going on out there, the Euro hasn't really budged against the Dollar since May, with the most actively traded exchange rate caught in a sideways consolidation between 1.1500 and 1.1850.

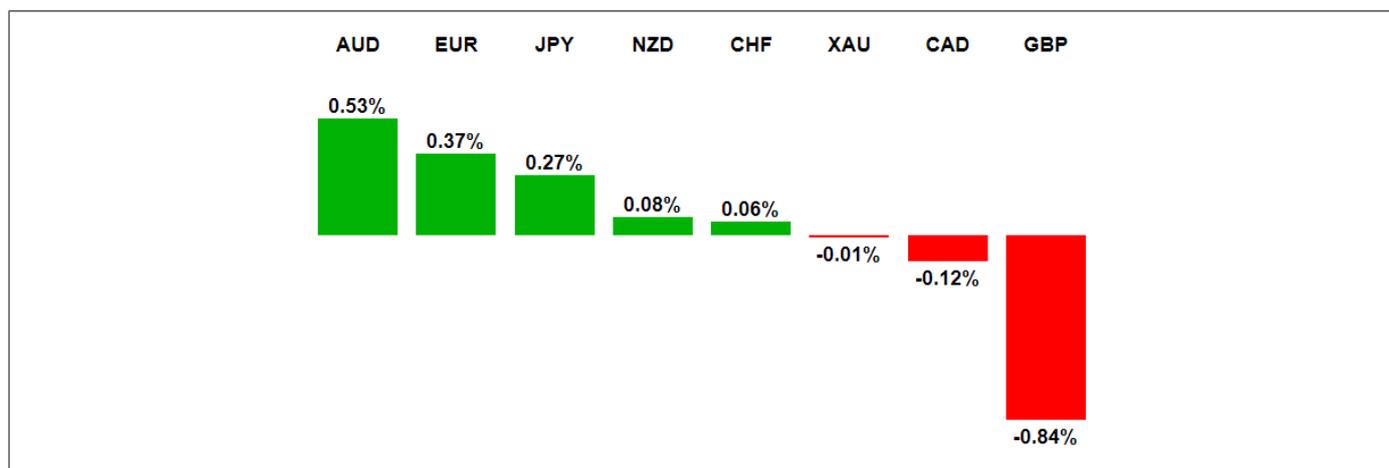
Technical highlights [Daily Video](#)

- **EURUSD** Bounces off range base
- **GBPUSD** Searching for next low
- **USDJPY** Below 110.60 accelerates
- **EURCHF** Well supported on dips
- **AUDUSD** Into consolidation phase
- **USDCAD** Setbacks should be limited
- **NZDUSD** Downtrend firmly intact
- **US SPX 500** Major double top in works
- **GOLD** (spot) Testing critical support
- **BTCUSD** Considers bearish resumption
- **ETHUSD** Exposed to fresh 2018 lows

Fundamental highlights

- **EURUSD** Euro takes backseat to all things trade wars
- **GBPUSD** Pound desperate for Brexit turnaround
- **USDJPY** Yen caught between diverging flow
- **EURCHF** SNB policy outlook gets complicated
- **AUDUSD** Aussie stands out as relative outperformer
- **USDCAD** Saudi Arabia lashes out on Canada
- **NZDUSD** Dovish RBNZ opens fresh yearly low
- **US SPX 500** Fed model will be important to watch
- **GOLD** (spot) Plenty of institutional demand
- **BTCUSD** SEC delays ETF decision, rocks crypto
- **ETHUSD** Extended equities a worry for Ethereum

Performance v. US dollar since weekly open



Suggested reading

- **S&P 500 Run at Record Lacks Animal Spirits**, C. Lieberman, Bloomberg (August 8, 2018)
- **Causes for China Equity Market Weakness**, E. Dunkley, Financial Times (August 8, 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 1.1668 – 2Aug high – Strong
- R1 1.1629 – 8Aug high – Medium
- S1 1.1531 – 6Aug low – Medium
- S2 1.1510 – 21Jun/2018 low – Strong

EURUSD – fundamental overview

The Euro has taken a backseat to all things trade wars and it's looking like the next move on this front will be determined by how things play out here. The US administration would like to see a weaker US Dollar to help rebalance the US economy, while the Eurozone and other US trading partners would like to avoid this playing out as it would mean unwanted upside pressure on their own currencies, which would take away from their export economies. Most of the focus has been on how all of this is unfolding between the US and China as per the back and forth on tariffs, though the ECB has taken measures of its own along the way, after putting a freeze on the consideration for any rate hikes until the summer of 2019. Looking ahead, absence of first tier data out of Europe on Thursday will keep the focus on trade wars and some US releases that include initial jobless claims and producer prices.

EURUSD – Technical charts in detail

[Watch now](#)

GBPUSD – technical overview

The intense round of setbacks out from the post EU referendum high in the 1.4300s has extended to fresh 2018 lows below 1.3000. The breakdown now opens the door for an even deeper drop into a critical previous resistance turned support zone from back in 2016 which comes in at 1.2775. Technical studies are however starting to look stretched and warn of a bigger bullish reversal ahead. A break back above 1.3044 will be required to take the immediate pressure off the downside.



- R2 1.3044 – 3Aug high – Strong
- R1 1.2961 – 8Aug high – Medium
- S1 1.2854 – 8Aug/2018 low – Medium
- S2 1.2775 – December 2016 peak – Strong

GBPUSD – fundamental overview

Uncertainty in the UK relating to the Brexit outlook has been running high and the development has not been lost on the exchange rate, with the Pound continuing to slump, extending declines against the US Dollar to fresh 2018 lows. There has also been a wave of Dollar demand as US trading partners fight back against the US administration’s soft Dollar policy, which has only intensified setbacks in the UK currency. Looking ahead, headlines relating to Brexit and updates on global trade will continue to take the spotlight, while on the data front, absence of first tier UK readings leave only US initial jobless claims and producer prices.

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 a daily close back below 110.00 to strengthen the bearish 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 112.16 – 1Aug high – Strong
- R1 111.53 – 6Aug high – Medium
- S1 110.60 – 26Jul low – Strong
- S2 110.00 – Psychological – Strong

USDJPY – fundamental overview

Ongoing worry associated with the impact of global trade tension has been weighing on the major pair in recent sessions, offsetting a good deal of demand on the back of a US stock market right back to record high levels. Of course, any signs of the US administration making headway with its soft Dollar policy efforts, will also invite another wave of broad based Dollar weakness, which could further accelerate USDJPY declines. Looking ahead, it will continue to be about trade wars and risk sentiment. Thursday’s calendar features US initial jobless claims and US producer prices.

Watch now

EURCHF – technical overview

The bigger picture continues to show the market in an uptrend, despite recent setbacks. Look for the market to continue to be well supported on dips ahead of the 2018 low, with only a clear break back below the yearly low to compromise the more constructive outlook. At the same time, we will need to see a push back above 1.1715 to get that bullish momentum going again.



- R2 1.1655 – 20Jul high – Strong
- R1 1.1607 – 27Jul high – Medium
- S1 1.1498 – 6Aug low – Medium
- S2 1.1480 – 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 a less certain global outlook. The record run in US equities 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 sustained risk liquidation in the second half of this year, 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

The market has managed to hold up and consolidate after the June drop to its lowest levels since January 2017. Overall however, the pressure remains on the downside, and risk remains for deeper setbacks. A break back above 0.7485 will be required to take the immediate pressure off the downside.



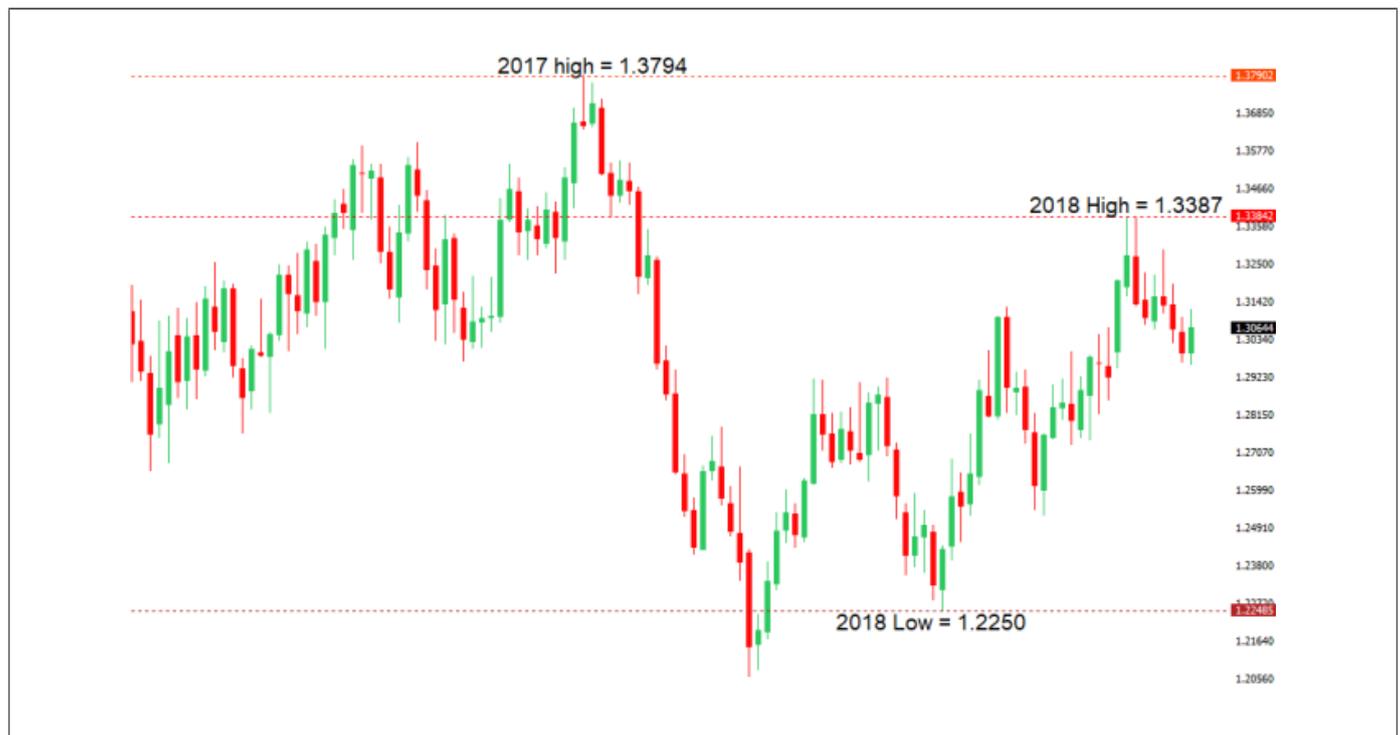
- R2 0.7485 – 10Jul high – Strong
- R1 0.7441– 31Jul high – Medium
- S1 0.7349 – 3Aug low – Medium
- S2 0.7311– 2Jul 2018 low – Strong

AUDUSD – fundamental overview

The Australian Dollar has held up well off its recent 2018 low, managing to even outperform against its peers over the past week, on the back of a recent run of solid economic data and RBA decision producing a more upbeat inflation outlook. US administration soft Dollar policy and an ongoing bid in US equities, back to record high levels, has been another source of Aussie support as well. Of course, if trade wars develop into a deeper anxiety for the China economy and if sentiment takes a turn for the worse, the Australian Dollar could be exposed, despite soft Dollar policy. As far as Thursday’s goes, the focus will continue to be on trade wars. On the economic data side, Aussie will be digesting China CPI, while looking ahead to US initial jobless claims and producer prices.

USDCAD – technical overview

The market has been trending up in 2018, extending its run of gains and thinking about a push to retest of the 2017 high up around 1.3800. The uptrend has however entered a corrective phase, which could still invite a deeper corrective decline before the next upside extension gets underway. Still, 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 1.3192 – 24Jul high – Strong
- R1 1.3121 – 8Aug high – Medium
- S1 1.2963 – 7Aug low – Medium
- S2 1.2950 – 14Jun low – Strong

USDCAD – fundamental overview

The Canadian Dollar took a hit on Wednesday on the back of falling OIL prices and a report that surfaced, highlighting Saudi displeasure with recent comments out of Canada that were critical of the Kingdom’s record on women’s rights. The report said Saudi instructions were given to sell investments in Canada as a result, though there was some reprieve after the Saudi foreign minister said investments in Canada were still ongoing. The market also saw broad based selling in the US Dollar, which added to the Loonie’s recovery off the low of the day (USDCAD high), with this flow dictated by sentiment towards global trade and US administration soft Dollar policy. Looking ahead, Thursday’s calendar features some Canada housing data, US producer prices and US initial jobless claims.

NZDUSD – technical overview

Another round of declines underway following a period of consolidation, with the market dropping to a fresh 2018 low and its lowest levels since March 2016. Overall, the pressure remains on the downside, with a break back above 0.6860 required to force a shift in momentum.



- R2 0.6860 – 9Jul high – Strong
- R1 0.6763 – 8Aug high – Medium
- S1 0.6665 – 9Aug/2018 low – Medium
- S2 0.6600 – Figure – Medium

NZDUSD – fundamental overview

The market has sold Kiwi aggressively in the aftermath of the latest RBNZ decision in which the central bank left rates on hold as expected but had its own OCR hike forecast pushed back to after 2019. This shouldn't however come as much of a surprise given what has been a less than impressive run of data out of New Zealand in the lead up to the decision. Nevertheless, the ensuing price action has resulted in a drop to fresh 2018 lows and the lowest level for the rate since March 2016. The market will continue to digest the more dovish leaning decision and will also look ahead to a US calendar that features initial jobless claims and producer prices.

US SPX 500 – technical overview

A market that has been extended on the monthly chart is showing signs of potentially starting to top out, with the possibility for a massive double top formation. Any rallies should now continue to be very well capped around the record high from January, in favour of renewed weakness back below the 2530 area yearly low (double top neckline) and towards a retest of strong longer-term resistance turned support in the form of the 2015 high at 2140.



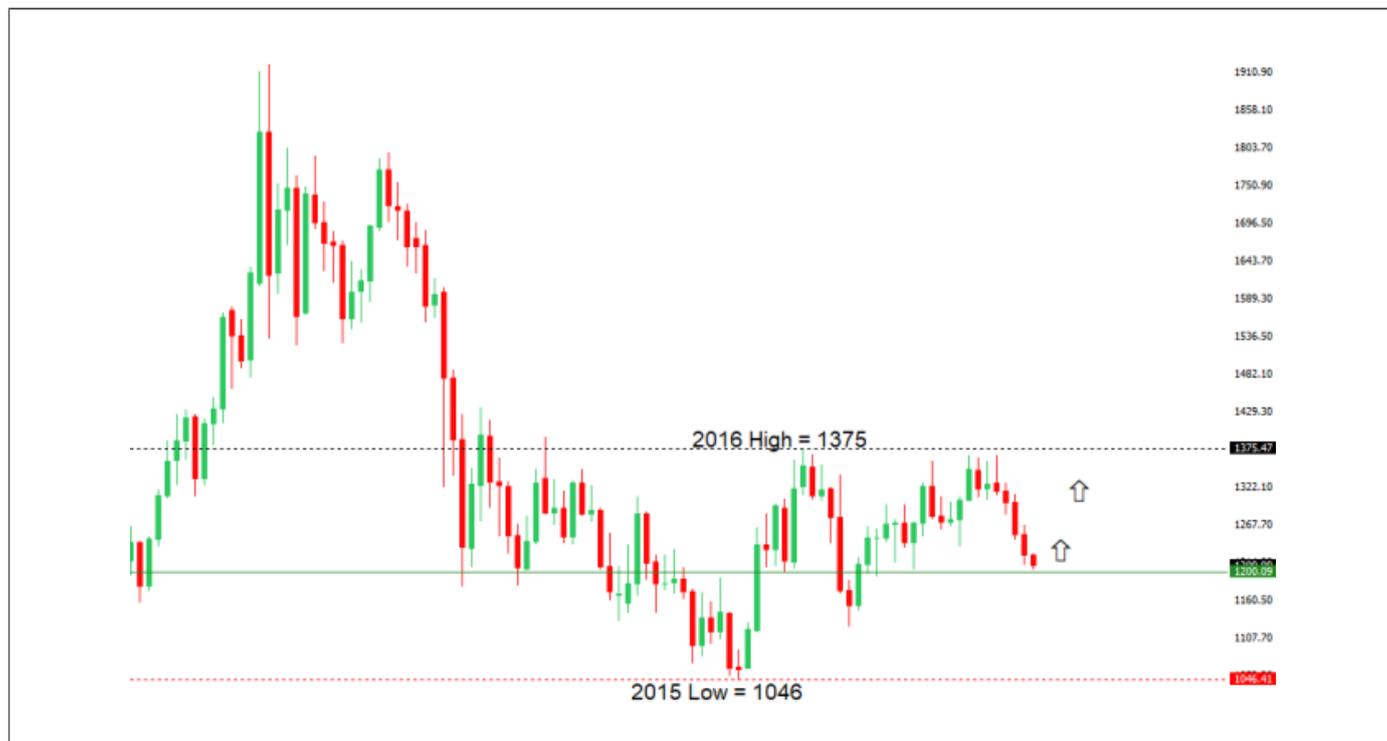
- R2 2882 – 29Jan/Record high – Strong
- R1 2865 – 7Aug high – Medium
- S1 2790 – 17Jul low – Medium
- S2 2765 – 11Jul low – Strong

US SPX 500 – fundamental overview

Stocks have been bid right back towards the record highs, though investor immunity to downside risk is not as strong these days given the shift to policy normalisation. 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 despite this latest run. 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. Key resistance comes in at 1266, with a push back above to strengthen the outlook.



- R2 1266 – 9Jul high – Strong
- R1 1236 – 26Jul high – Strong
- S1 1204 – 3Aug/2018 low – Medium
- S2 1200 – Psychological – Strong

GOLD (SPOT) – fundamental overview

Despite intense setbacks in the yellow metal over the past several days, there continues to be solid demand from medium and longer-term accounts. 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 latest topside failure keeps the downtrend firmly intact and puts the pressure back on the downside, with a fresh lower top sought out around \$8,490, to be confirmed on a bearish continuation below the current 2018 low. Only a break back above \$10,000 would negate and force a bullish structural shift. Below the yearly low could open a more intensified decline towards \$3,000.



- R2 7,775 – 1Aug high – Strong
- R1 7,145 – 6Aug high – Medium
- S1 6,075– 13Jul low –Medium
- S2 5,755 – 24Jun/2018 low – Strong

BTCUSD – fundamental overview

Bitcoin is doing its best to try and hold up above \$5,000 after undergoing a massive decline in 2018. At the moment, the market is trying to find some stability, while also looking for additional clarity on the regulatory front. The regulatory constraints should continue to weigh over the coming months, though there has also been good reason for optimism as larger players take additional interest. For the moment, things are a little ugly, after news the SEC announced it would be delaying its decision on a cryptocurrency ETF has opened a massive bout of liquidation, more than offsetting Tuesday's positive of Intercontinental Exchange's (ICE) plans to develop a regulated global digital assets platform. Ultimately, while there is a lot of light at the end of the tunnel, we suspect the market will need to get back above \$10k to really turn heads.

BTCUSD – Technical charts in detail

ETHUSD – technical overview

The market remains under pressure in 2018, extending its run of intense declines to fresh 2018 lows. The next level of major support comes in around \$230, which goes back to the low from September 2017. Daily studies are however extended, which could warn of a corrective bounce ahead, though it would take a break back above \$515 to officially take the pressure off the downside.



- R2 435 – 1Aug high – Medium
- R1 410 – 7Aug high – Medium
- S1 300 – Psychological – Medium
- S2 230 – September 2017 low – Strong

ETHUSD – fundamental overview

We’ve been seeing quite a bit of relative weakness in the price of Ether relative to Bitcoin in 2018 and there is still legitimate risk for deeper setbacks against the US Dollar this year, given technical hurdles within the Ethereum protocol, 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. On Wednesday, the entire space was hit hard on the news of the SEC delaying its decision on a cryptocurrency ETF.



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