

# Global FX Insights

by LMAX Exchange Research & Analytics

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

## Why the US Dollar sold off and stocks rallied [🔊 Wake-up call](#)

The US Dollar is off and stocks are up into Thursday. The primary driver here has been the Fed decision, with the central bank leaving rates on hold as expected, but also making it clear, that the bias has shifted even more to the accommodative side of policy.

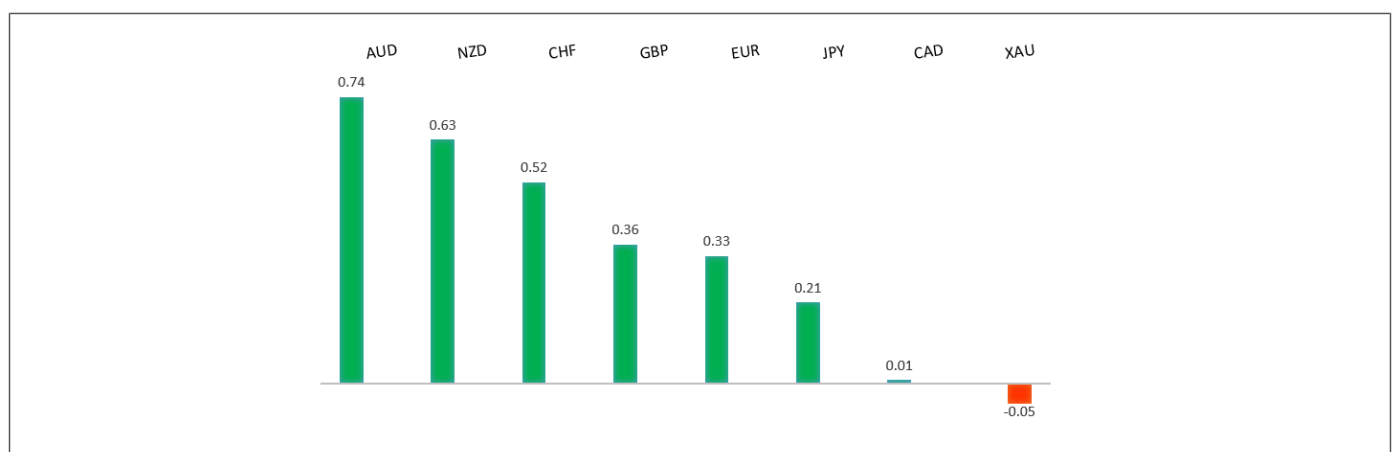
### Technical highlights [📺 Daily Video](#)

- [EURUSD](#) Next big move seen higher, not lower
- [GBPUSD](#) Pushes above weekly Ichimoku cloud
- [USDJPY](#) Bearish while below 110 barrier
- [EURCHF](#) Rallies should be well capped for now
- [AUDUSD](#) Signs of longer-term bottoming
- [USDCAD](#) Setbacks should find support into dips
- [NZDUSD](#) Making its way back to the topside
- [US SPX 500](#) Uptrend showing signs of exhaustion
- [GOLD](#) (spot) Room for another big push higher
- [BTCUSD](#) Constructive while above 6,000
- [ETHUSD](#) Solid support zone around 100

### Fundamental highlights

- [EURUSD](#) Eurozone industrial production
- [GBPUSD](#) UK election takes centre stage
- [USDJPY](#) Yen caught between offsetting flow
- [EURCHF](#) SNB faces tougher battle with Franc
- [AUDUSD](#) Aussie rallies after dovish Fed decision
- [USDCAD](#) **Governor Poloz** on the wires today
- [NZDUSD](#) Kiwi responds to risk on price action
- [US SPX 500](#) Trade tension still expected to weigh
- [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

- [World Is Stuck With the Dollar as the Reserve Currency](#), N. Smith, **Bloomberg** (December 11, 2019)
- [What Paul Volcker Taught Us About Taming Inflation](#), B. Fox, **Financial Times** (December 12, 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 1.1180** - 21 October high - Strong
- **R1 1.1145** - 11 December high - Medium
- **S1 1.0981** - 29 November low - Medium
- **S2 1.0941** - 8 October low - Strong

## EURUSD - fundamental overview

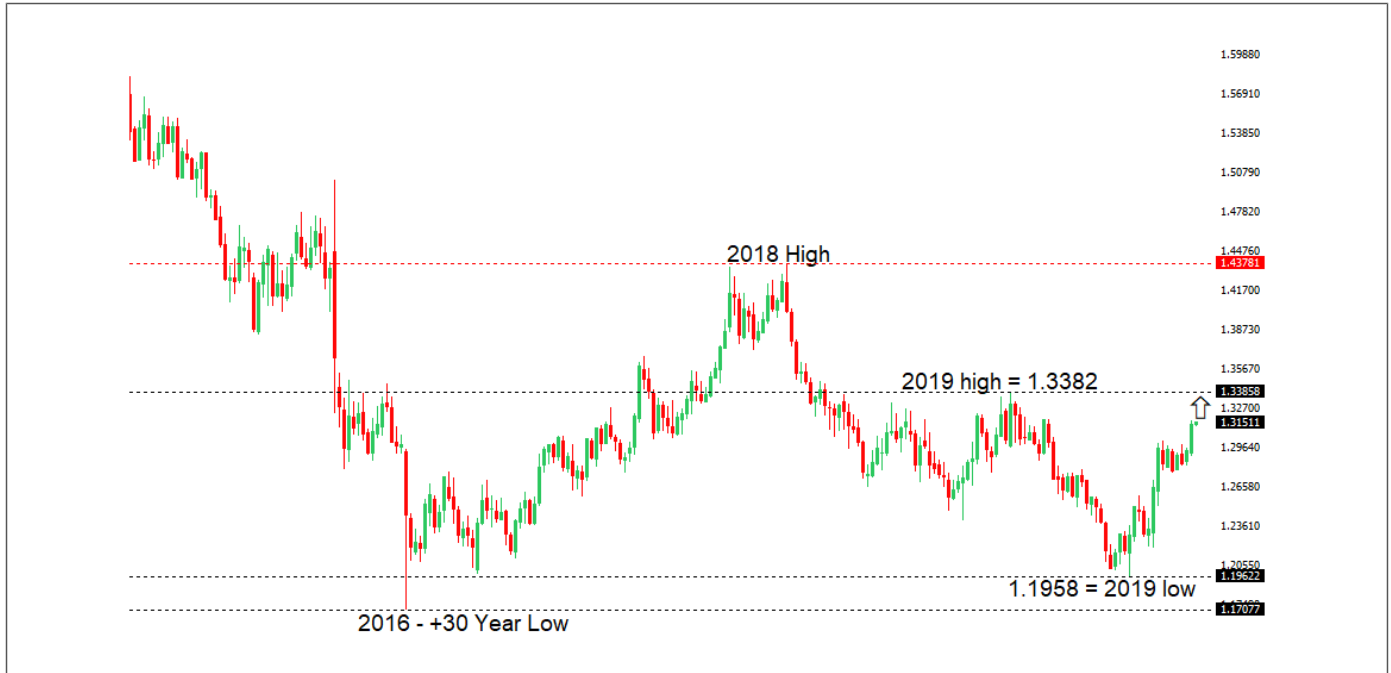
The Euro was already helped by solid data earlier in the week, before getting another boost on Wednesday from the more dovish leaning Fed communication. The Fed left rates on hold as widely expected, but Fed Chair Powell sounded a lot more committed to the accommodative side than he had in the past. This in conjunction with the Fed removing language around 'uncertainties' with respect to the economic outlook, were the main drivers behind the move. The Euro will also be interested in the UK election updates.

## 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 2019 high from March around 1.3380.



- **R2 1.3382** - 13 March/2019 high - Strong
- **R1 1.3300** - Figure - Medium
- **S1 1.3101** - 6 December low - Medium
- **S2 1.3000** - Psychological - Strong

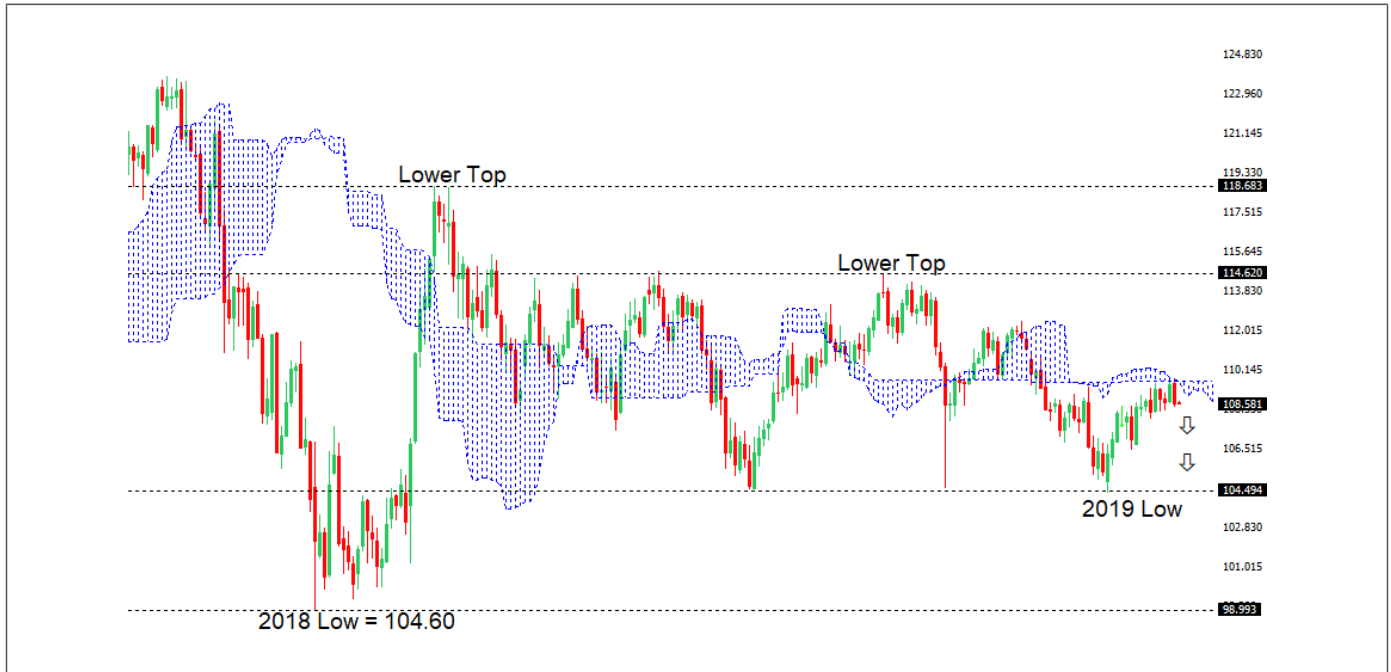
## GBPUSD - fundamental overview

**It's election day in the UK and the Pound** has been very well bid into this event risk. The expectation is that the ruling Conservatives will get their majority government, which will take a lot of the downside risk associated with Brexit off the table. Looking ahead, the primary focus will be on updates out from the UK election front. We also get US initial jobless claims and producer prices.

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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.



- **R2 110.00** - Psychological - Strong
- **R1 109.73** - 2 December high - Medium
- **S1 108.43** - 4 December low - Medium
- **S2 108.24** - 14 November low - Strong

## USDJPY - fundamental overview

**The major pair has been caught between offsetting flow** in the aftermath of the Fed decision. We've seen Dollar demand from the risk on implications of a more dovish leaning Fed, and Dollar selling on the back of the yield differential implication. Over in Japan, BoJ members were said to see a 'sizable impact' from the recently announced stimulus package, increasing the chances that the central bank will upgrade its economic forecast for the first time in a year when it meets next month. The BoJ's Kuroda said 'positive signs are seen for the global economy,' and the overall outlook is 'relatively bright' for next year. PM Abe said 'economists should get rid of their deflationary mindset.' Looking ahead, key standouts on the calendar come in the form of US initial jobless claims and producer prices.

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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.



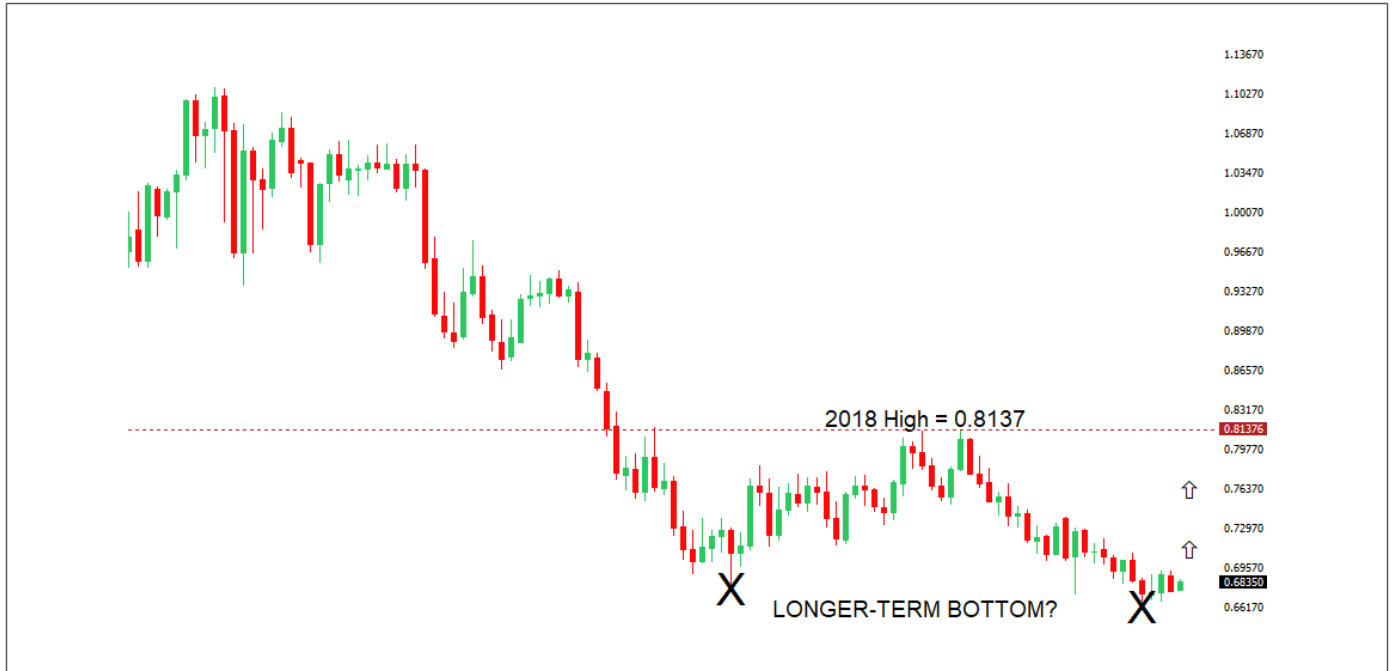
- **R2 1.1173** - 2 July high - Strong
- **R1 1.1060** - 17 October high - Medium
- **S1 1.0864** - 14 November low - Medium
- **S2 1.0811** - 4 September/**2019 low** - Strong

# 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 sustained risk liquidation, 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.



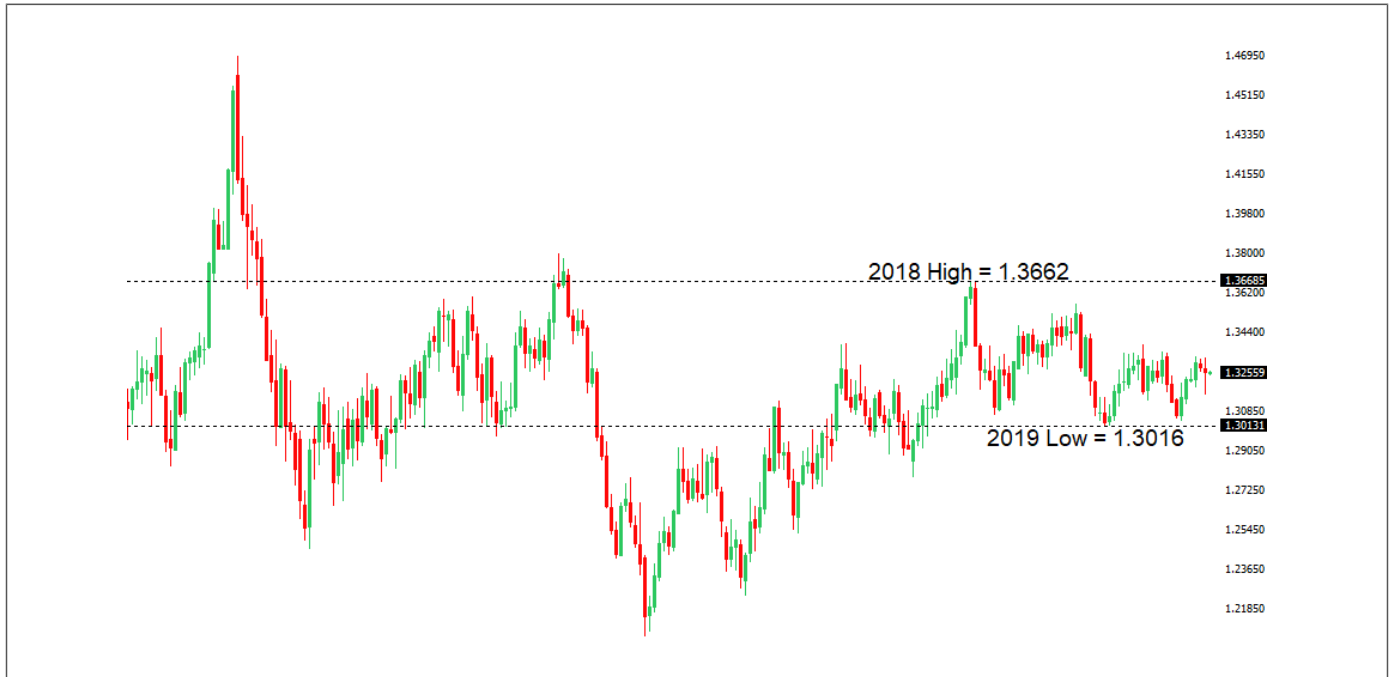
- **R2 0.6930** - 31 October high - Strong
- **R1 0.6890** - 11 December high - Medium
- **S1 0.6800** - Figure - Medium
- **S2 0.6754** - 29 November low - Strong

# AUDUSD - fundamental overview

The Australian Dollar is driving higher in the aftermath of the more dovish leaning Fed decision. The Fed signaled rates would be on hold through 2020 and the bar was now very high for rate hikes. This in conjunction with the risk on implication of the Fed decision was behind the move, with Aussie benefitting from yield differentials and risk on. Looking ahead, key standouts on the calendar come in the form of US initial jobless claims and producer prices.

## USDCAD - technical overview

The longer-term structure remains constructive, with dips expected to be well supported for renewed upside, eventually back above the 2018/multi-month high at 1.3665. At this point, only a weekly close below the psychological barrier at 1.3000 would compromise this outlook.



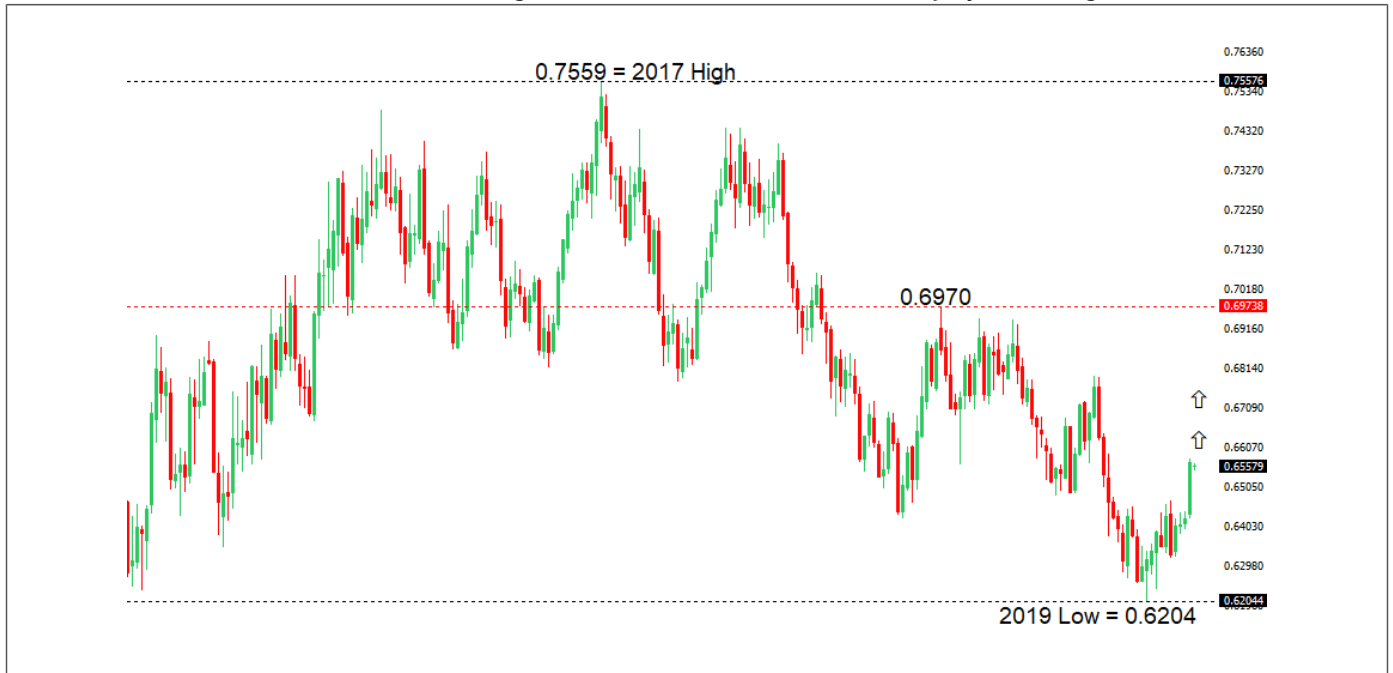
- **R2 1.3328** - 20 November high - Strong
- **R1 1.3270** - 6 December low - Medium
- **S1 1.3158** - 5 December low - Strong
- **S2 1.3115** - 5 November low - Strong

## USDCAD - fundamental overview

A big wave of demand for the Loonie on Wednesday, with all of the gains coming from the Fed decision. The Fed committed to a more dovish leaning communication which translated to less favourable US Dollar yield differentials and a more favourable risk outlook. Looking ahead, key standouts on the calendar come in the form of a Bank of Canada Governor Poloz speech, US initial jobless claims and US producer prices.

# NZDUSD - technical overview

**Despite recent weakness, 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 0.6500 strengthens the outlook and takes the immediate pressure off the downside, with focus now on a test of next meaningful resistance in the form of the July 2019 high at 0.6791 .



- **R2 0.6664** - 26 July high - Medium
- **R1 0.6604** - 11 December high - Medium
- **S1 0.6522** - 11 December hlow - Medium
- **S2 0.6466** - 4 November high - Strong

# NZDUSD - fundamental overview

**The New Zealand Dollar has been feeling good** after the Fed delivered its Wednesday decision. The dovish communication meant yield differentials moving in Kiwi's favour, while also giving the commodity currency a boost from the risk on implication. Looking ahead, key standouts on the calendar come in the form of US initial jobless claims and producer prices.



## 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 renewed weakness targeting an eventual retest of strong longer-term previous resistance turned support in the form of the 2015 high at 2140. The initial level of major support comes in at 3070, with a break below to strengthen the outlook. A monthly close above 3200 would be required to compromise the outlook.



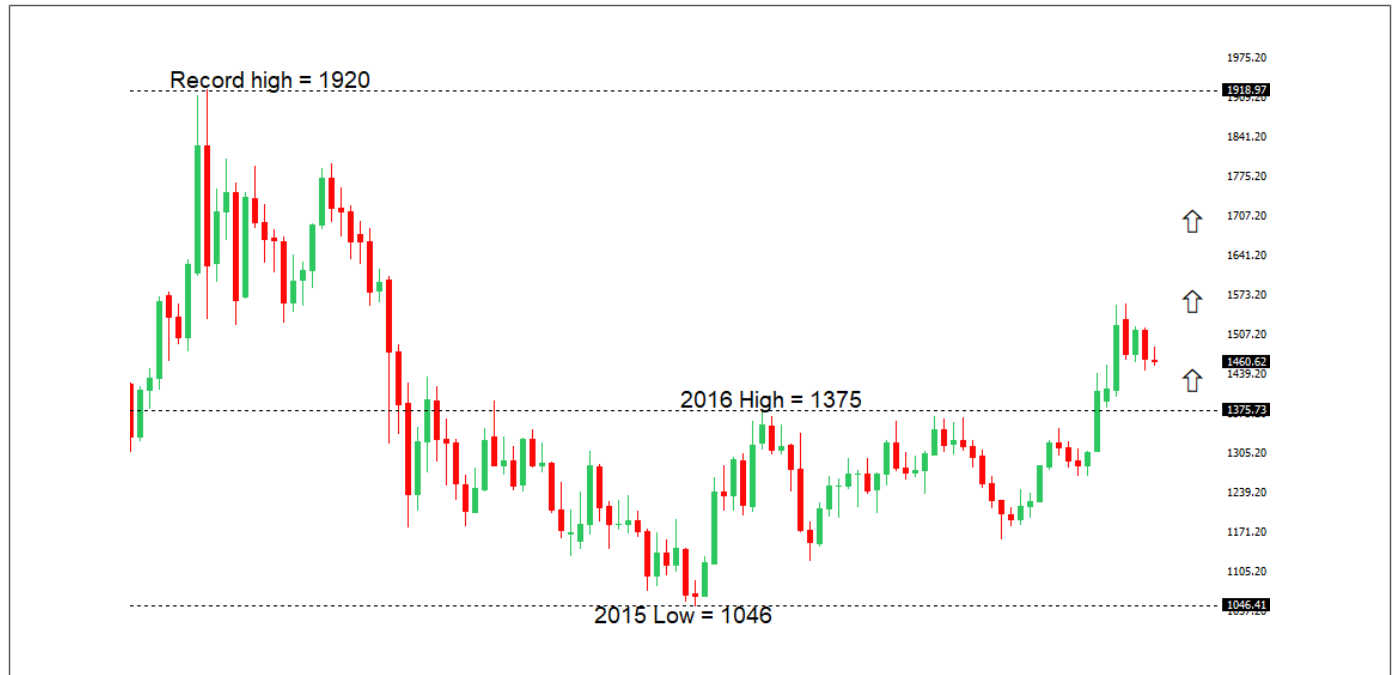
- **R2 3200** - Psychological - Strong
- **R1 3159** - 2 December/**Record high** - Medium
- **S1 3070** - 3 December low - Medium
- **S2 3000** - Psychological - Strong

## US SPX 500 - fundamental overview

Although we've seen the market extending to fresh record highs in 2019, 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 should continue to be a drag on investor sentiment 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 1600, while in the interim, look for any setbacks to be well supported above 1400.



- **R2 1558** - 4 September/2019 high - Strong
- **R1 1536** - 24 September high - Medium
- **S1 1445** - 12 November low - Medium
- **S2 1400** - Psychological - 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

The market continues to correct in the aftermath of a major surge in the second quarter of 2019. However, any setbacks should be very well supported in the 6,000 area, with an 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 6,000 would compromise the constructive outlook.



- **R2 10,468** - 26 October high - Strong
- **R1 8,806** - 11 October high - Medium
- **S1 6,500** - Psychological - Strong
- **S2 5,755** - Internal support/June 2018 - Strong

## BTCUSD - fundamental overview

Bitcoin is going through a period of technical adjustment after the fierce Q2 run up, though we anticipate continued demand from institutional players starved for yield in a world where global equities are increasingly vulnerable. Plenty of demand is reported on dips down towards \$6,000.

## BTCUSD - Technical charts in detail

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## 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 133** - 25 November low - Medium
- **S2 102** - 6 February/2019 low - Strong

## ETHUSD - fundamental overview

**Profit taking in the aftermath of the rapid Q2 appreciation** has triggered a healthy period of correction and consolidation, while critique of the space from the likes of President Trump and Fed Chair Powell, along with worry associated with fallout in the global economy, are stories that could continue to keep the more risk correlated crypto asset weighed down into the end of the year. Risk off in the global economy is expected to result in ETH underperformance relative to Bitcoin.



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