

Global Macro Overview  
Q2/2018

# The Quarterly REPORT

 #lcgquarterlyreport

## Fundamental views

On this page, LCG presents a brief synopsis of its outlook for the most popular markets traded on the LCG Trader platform. The markets covered are split between indices, forex and commodities.



### EURUSD

We remain optimistic on the euro despite cooling economic activity in Q1. We expect the ECB to end its asset purchase program in 2018 and start raising rates in H2 2019, putting upward pressure in Euro-area yields. Political uncertainty remains finely balanced, with Germany forming another 'Grand coalition' but Italy looking toward a populist government.

### GBPUSD

We are maintaining our positive fundamental view, backed up by the agreement of Brexit transition deal and with the idea that the Bank of England should raise interest rates at its May meeting. Downside risks are disagreement over the Irish border that could hamper Brexit progress and a return to referendum day price levels.

### USDJPY

Demand for a haven amid the equity market downturn in Q1 and a political scandal involving Japan's finance minister that could embroil Prime Minister Abe and his economic agenda have forced us to switch to a more bullish outlook for the yen. Any yen downside risk would most likely come in concert with a return to a risk-on environment.

### FTSE 100

A firming up of the British pound, which hurts UK-listed multinational earnings as well as the dramatic global equity market correction in Q1 means we have turned neutral on the FTSE 100. Downside risk might be limited by higher commodity prices and interest rates, which could support heavily-weighted basic resource and financial sectors.

### German DAX

The threat of a US-China trade war, two large markets for German exports as well as fraught relations between the West and Russia have put pressure on the DAX. We think risks are skewed towards a bigger downturn in Q2 but higher volatility means another swing to the upside is easily possible.

### Dow Jones

Rising bond yields, a high staff turnover at the White House and the prospect of a US-China trade war makes further gains in US equities in Q2 difficult. The shift to higher volatility supports our expectation that 2018 is a 'transition year'. If focus can return to earnings growth and potential infrastructure spending, then the downside could be limited.

### GOLD

Gold had a mixed performance as a traditional haven asset in Q1 amid the equity market correction. Gold did offer some protection since gold prices tended to drop with equities, just by less. The weakness in equities, the dollar and even cryptocurrencies should play into the hands of gold bugs. On the other hand, we think the threat of runaway inflation is minimal.

### Crude Oil

Oil market fundamentals have deteriorated in Q1 but geopolitics, particularly the future of the Iran nuclear deal and what it means for the country's oil exports, have helped push prices higher. We think there is a good chance the Iran deal is amended rather than ended, which could put downward pressure on prices.

# Technical Views

## EURUSD

Daily candlestick chart



Source: LCG 29/3/2018

## EURUSD

Weekly candlestick chart



Source: LCG 29/3/2018

### EURUSD Medium term

We maintain a bullish medium term view while price remains above 1.21, which sees the 200 DMA just behind it. A drop through 1.21 could target 1.15.

### EURUSD Long term

Our longer-term view is more neutral with scope for the top trendline of a bearish channel coming in near 1.28.

## GBPUSD

Daily candlestick chart



Source: LCG 29/3/2018

## GBPUSD

Weekly candlestick chart



Source: LCG 29/3/2018

### GBPUSD Medium term

We will remain bullish while price holds above 1.365, near a rising trendline connecting the lows since February 2017.

### GBPUSD Long term

Price continues to recover after a long period of weakness. A break of resistance from the 200-week moving average could carry price toward 1.48 while a drop through 1.365 could see a drop back to 1.30.

# Technical Views

**USDJPY**  
Daily candlestick chart



Source: LCG 29/3/2018

**USDJPY**  
Weekly candlestick chart



Source: LCG 29/3/2018

## USDJPY Medium term

The bearish alignment of moving averages and the break below the bottom of the medium term trading range at 108 tilts risks toward more weakness.

## USDJPY Long term

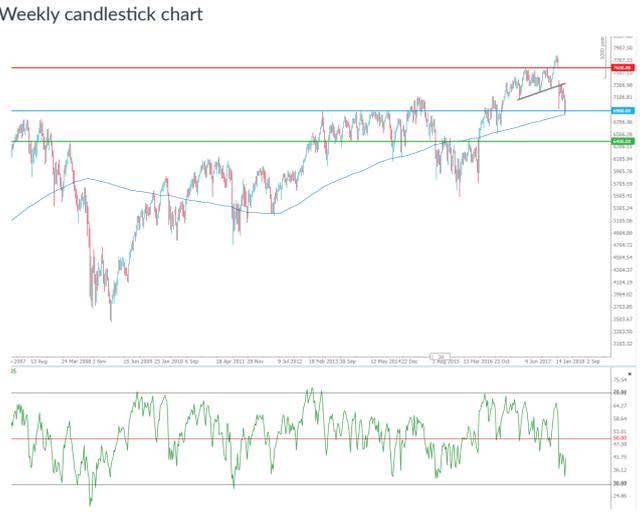
While price remains below 108, the psychological 100 levels remains key support for further declines. A break back above 108 could target previous highs near 114.5.

**FTSE 100**  
Daily candlestick chart



Source: LCG 29/3/2018

**FTSE 100**  
Weekly candlestick chart



Source: LCG 29/3/2018

## FTSE 100 Medium term

A 'death cross' in the 50 and 200-day moving averages keeps us near-term bearish on the FTSE 100. However, a pickup in volatility could see up-swings as high as 7300-7600.

## FTSE 100 Long term

The long-lasting pivot level of 6900 and the 200-week moving average are strong support. A break of 6900 opens up a drop toward 6400.

# Technical Views

**German DAX**  
Daily candlestick chart



Source: LCG 29/3/2018

## German DAX Medium term

We got the pullback to 12k mentioned in our Q1 report. 11,900 now remains key support with a potential triple bottom. For now, the trend remains down while below 50 DMA and 50 level on the RSI.

**German Dax**  
Weekly candlestick chart



Source: LCG 29/3/2018

## German DAX Long term

The longer term uptrend remains intact while price is above the 50 week moving average and the 35 level on the RSI. If the index is to correct further within its uptrend, 10,800 could be support.

**Dow Jones**  
Daily candlestick chart



Source: LCG 29/3/2018

## Dow Jones Medium term

The Dow Jones is in correction territory, below its 50 DMA but above its 200 DMA. We expect prices to remain within a volatile 23000-26000 range medium term.

**Dow Jones**  
Weekly candlestick chart



Source: LCG 29/3/2018

## Dow Jones Long term

We have seen a beginning of the reversion to mean mentioned in our Q1 report, but price still remains well above its 200-week SMA. A 'crash scenario' could see price test the last major resistance as support near 18,400.

# Technical Views

**GOLD**  
Daily candlestick chart



Source: LCG 29/3/2018

## Gold Medium term

Gold remains in a year-old choppy uptrend with prices supported by a rising trendline. Another pullback to the trendline could see price supported near 1260 per oz.

**GOLD**  
Weekly candlestick chart



Source: LCG 29/3/2018

## Gold Long term

Gold looks to have broken and successfully tested its long-term down-trendline. A break of strong resistance of \$1375-1400 could see the resumption of a long term uptrend with an initial target of \$1530 per oz.

**Crude Oil**  
Daily candlestick chart



Source: LCG 29/3/2018

## Crude oil Medium term

A bullish breakout of a corrective triangle pattern, while moving averages point higher, could see crude oil move above \$70 per barrel in Q2.

**Crude Oil**  
Weekly candlestick chart



Source: LCG 29/3/2018

## Crude oil Long term

\$70 represents the neckline of a potential long-term inverse head and shoulders pattern in crude oil. If it were to break, price could quickly recover the \$88 price handle. On the other hand, failure to move beyond \$70 could mean a fall back to \$58 per barrel.

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