

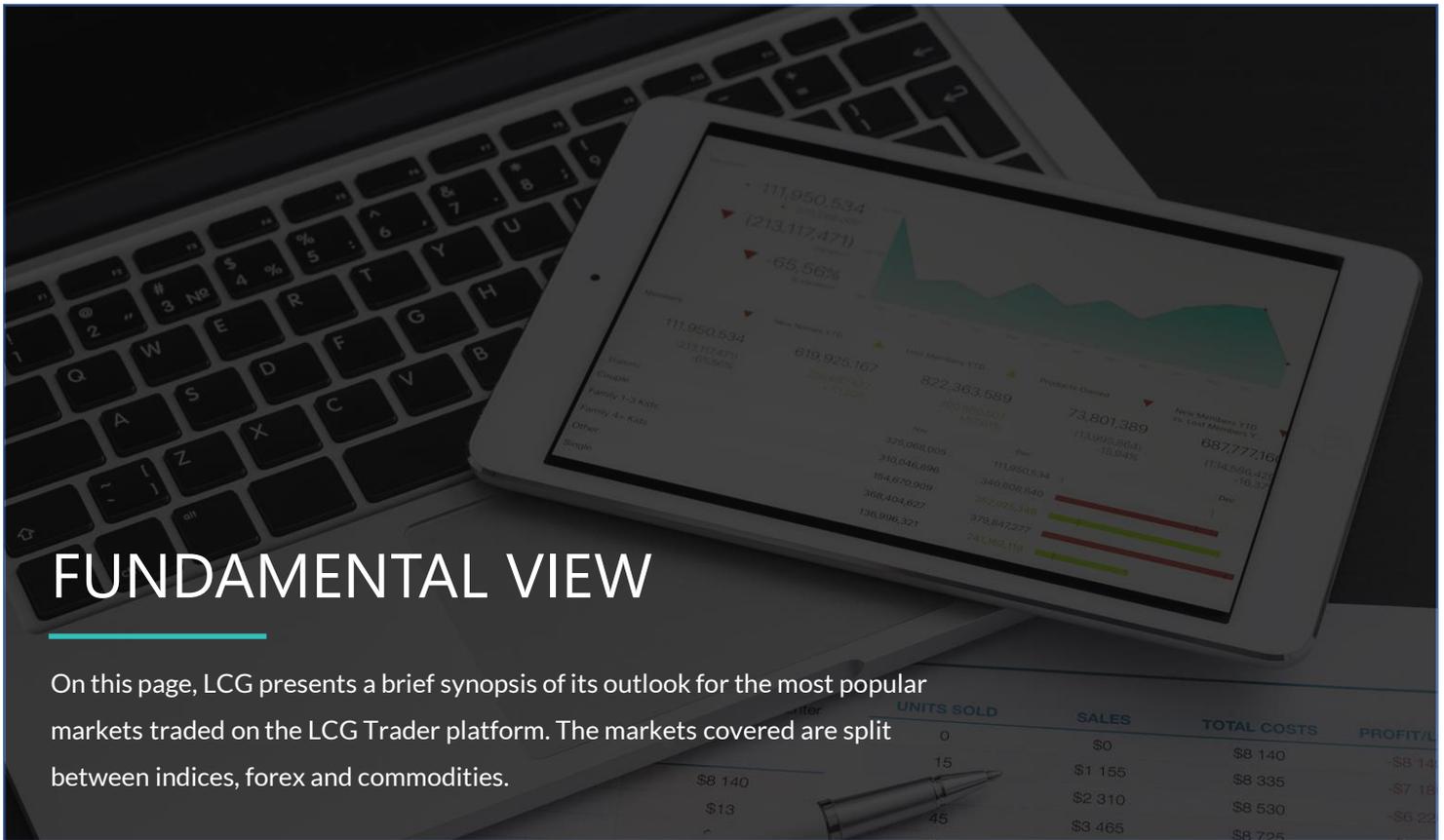


LONDON CAPITAL GROUP

The Quarterly REPORT

Global Macro Overview | Q1/2019

 #lcgquarterlyreport



FUNDAMENTAL VIEW

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

The ECB has ended QE but we don't see how it can begin to raise interest rates in 2019 when global growth looks to be slowing. Widespread unemployment makes the Euro-region ill-equipped for a downturn. Political upset, which has spilled over into France via the yellow vest protests is an ongoing negative.

GBPUSD

The outcome for Sterling is very binary thanks to the parliamentary vote on Theresa May's Brexit deal. The deal passing could trigger a massive short-covering rally, while failure could mean big declines amid the political uncertainty.

USDJPY

The collapse in bond yields (typically highly correlated to dollar-yen) and a flight to safety has renewed demand for the yen. We expect continued flows into Japan during the 1st quarter of 2019.

FTSE 100

The index broke its correlation with Sterling in Q4 as both assets fell amid risk-off market sentiment. Global investors are shying away from Britain during and China is slowing, which means slower global growth (banks) and lower commodity prices (miners).

German DAX

The combination of slowing demand for new cars after 'Dieselgate' and a sluggish European economy means the DAX remains unattractive despite better equity valuations after the Q4 correction. Still, we expect a relative out performance versus other European benchmarks.

Dow Jones

Shares of Apple and other top-weighted and over-valued US company shares should continue to drag the index lower overall, with scope for the occasional bear market rally when shorts get covered and investors try to buy the dip.

GOLD

Gold has seen a technical rebound off the lows thanks in part to haven flows during the equity sell-off. However without any sign of inflation, the gains are at risk should equities recover and/or the dollar rally begins to gather pace again.

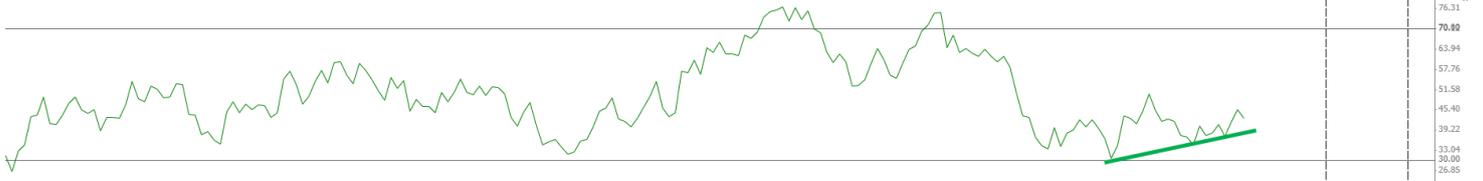
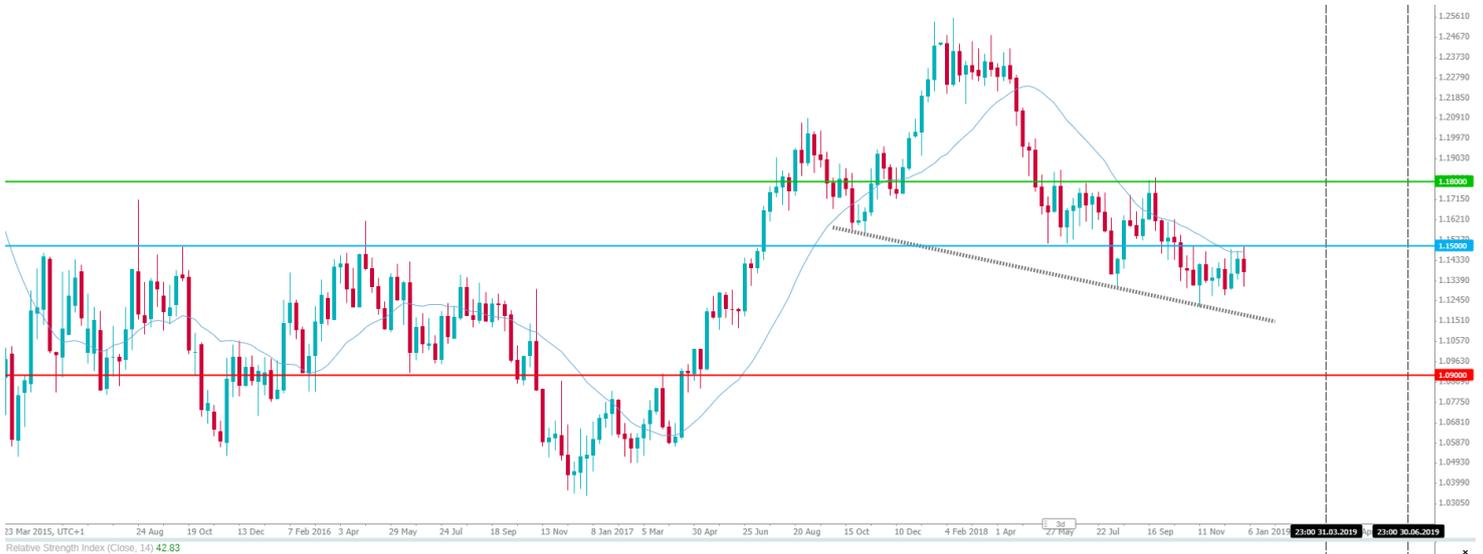
Crude oil (Brent)

Oil is caught in a perfect storm of forecasts for slower global demand and over-supply. OPEC looks politically compromised after its small output cut in December. The market should start to find a bottom once US shale production slows in reaction to falling prices.

TECHNICAL VIEWS

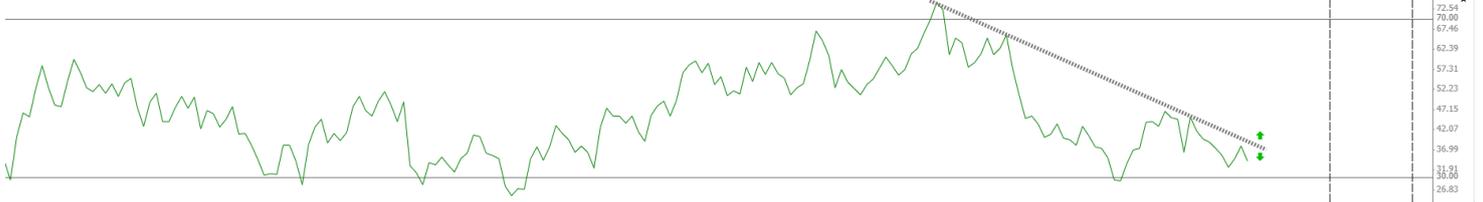
EURUSD

We continue to favour a deeper correction of the 2017 rally to target 1.09 (red) while price is below 1.15 (blue). A move back above 1.15 suggests the market would re-test 1.18 resistance (green)



GBPUSD

The drop below the key 1.27 pivot level (blue) is bearish for Sterling and suggests another drop towards multi-year support approx. 1.21 (red). A break back above 1.27 and the down-sloping RSI trendline could spur a bounce back to 1.30.



TECHNICAL VIEWS

USDJPY

The failure to break 114.5 resistance (grey) has triggered a sharp sell-off to 107 (blue). The rising trendline could support prices in the current sideways range, meaning a move back to 111. However, we favour further weakness towards 101.



Dow Jones

More downside in US equities looks likely while the price is below 23500 (blue) – potentially targeting 20500 (red). Still after a 20% pullback from the highs, a ‘bear market rally’ could take price back to 24,500 (green).



TECHNICAL VIEWS

FTSE 1000

The break below the year 2000 peak of 6850 (blue) is potentially very negative for the FTSE 100. We expect the price to move down further to 6100 (red) but an oversold RSI could trigger a move back above 6850 toward 7200 (green).



DAX

The break below its long term rising trendline that began in 2011 is bearish for the DAX. The objective for the Head and Shoulders pattern is 9800 (red) with potential for a dead cat bounce toward 11200 (green).



TECHNICAL VIEWS

Gold

Gold continues to trade sideways on a longer term basis. The 1300 level (blue) and the 61.8% retracement of the 2018 decline pose a short term risk of a pullback toward 1245 (red) before another attempt at 1365 resistance (green).



Oil (Brent crude)

The \$50 level (blue) and the 61.8% retracement of its rally since 2016 could mean a bounce back to \$61 (green) in Brent crude. However, we are expecting more weakness, and price may not bottom until reaching \$45 per barrel.



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