

Global FX Insights

by LMAX Exchange Research & Analytics

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

Investors find comfort in global trade update 🗣️ [Wake-up call](#)

There were two stories on Tuesday that helped to more than offset negative sentiment around all of the geopolitical stress associated with Hong Kong protests, Italian political uncertainty and Brexit headaches, both of which coming from the trade front.

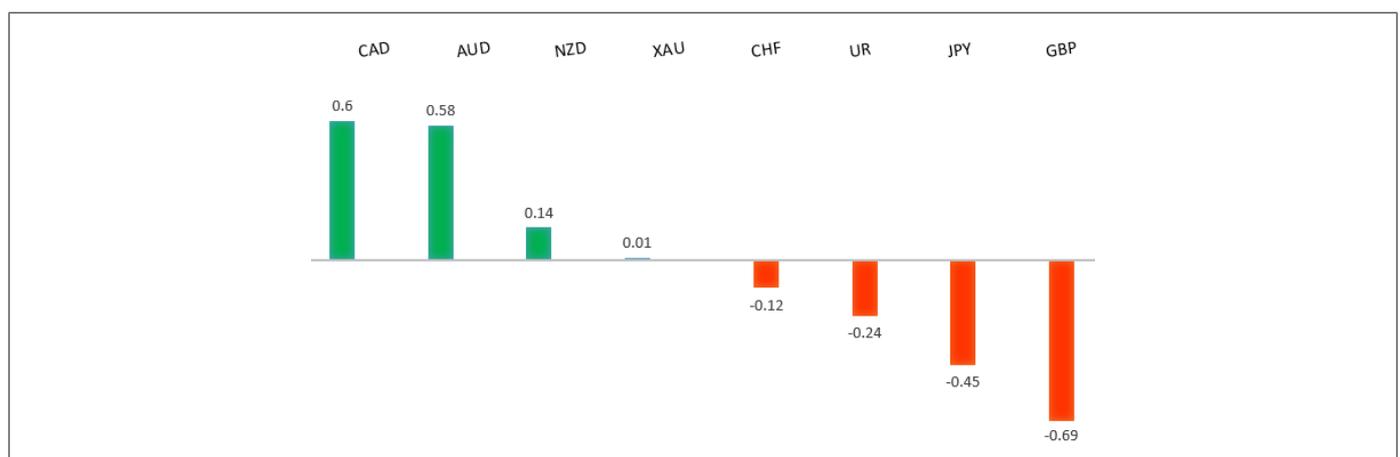
Technical highlights 🎥 [Daily Video](#)

- [EURUSD](#) Major higher low sought out
- [GBPUSD](#) Into critical psychological zone
- [USDJPY](#) Gravitating towards 2018, 2019 lows
- [EURCHF](#) Below 1.1000 exposes 1.0600 area
- [AUDUSD](#) Yearly low...but well supported zone
- [USDCAD](#) Longer-term price action is bullish
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- [US SPX 500](#) Signs of major top
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- [BTCUSD](#) Into a consolidation phase
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Fundamental highlights

- [EURUSD](#) Busy Eurozone docket with German GDP
- [GBPUSD](#) UK inflation readings come into focus
- [USDJPY](#) Yen up and down in choppy markets
- [EURCHF](#) SNB policy falling on tougher times
- [AUDUSD](#) Aussie digests consumer confidence
- [USDCAD](#) Loonie back to watching OIL moves
- [NZDUSD](#) Kiwi looks to latest China data series
- [US SPX 500](#) Investors still want artificial support
- [GOLD](#) (spot) Pick up in hard asset demand
- [BTCUSD](#) Attractive alternative in risk off space
- [ETHUSD](#) Ether exposed to traditional markets

5 Day Performance vs. US dollar



Suggested reading

- [Democrats Mock Slowing Economy](#), R. Rahn, **The Washington Times** (August 12, 2019)
- [Optimism In The Face Of The "Bad News Industry"](#), S. Forbes, **Forbes** (August 12, 2019)

EURUSD - technical overview

The major pair has extended its run of declines off the 2008 high, trading down to a fresh multi-month. But with the downtrend looking exhausted, the prospect for a meaningful higher low is more compelling, with a higher low sought out above the multi-year low from 2017, ahead of the next major upside extension. Only a weekly close back below the psychological barrier at 1.1000 would compromise this outlook. Back above 1.1412 will strengthen the view.



- **R2 1.1286** - 11 July high - Strong
- **R1 1.1250** - 6 August high - Medium
- **S1 1.1162** - 11 August low - Medium
- **S2 1.1100** - Figure - Strong

EURUSD - fundamental overview

The Euro continues to chop around but suffered setbacks in Tuesday trade on the combination of distressing ZEW reads out of the Eurozone and Germany and some hotter than expected inflation data out of the US. The Italian political uncertainty is also still a risk the Euro is contending with. Looking ahead, Wednesday’s calendar features German GDP, Eurozone GDP, industrial production and employment, and US import and export prices.

EURUSD - Technical charts in detail

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GBPUSD - technical overview

The recent breakdown below 1.2400 has opened the door for a fresh downside extension towards the major cycle low from 2016 in the 1.1800s. Longer-term studies continue to suggest the market should be looking to start turning back up, though at this stage, the pressure remains on the downside and it will take a break back above 1.2400 to take the immediate pressure off the downside and revive the outlook supporting a longer-term base.



- **R2 1.2210** - 6 August high - Strong
- **R1 1.2100** - Figure - Medium
- **S1 1.2015** - 12 August/**2019 low** - Medium
- **S2 1.2000** - Psychological - Strong

GBPUSD - fundamental overview

The Pound couldn't do much with offsetting employment data, though it was encouraging to see the uptick in earnings, which continues to point north. Of course, Brexit continues to be a thorn at the UK currency's side and on Tuesday, Irish foreign minister Simon Coveney was on the wires saying the UK government needed to change its approach if it wanted to avoid a no-deal Brexit. On the US Dollar side, the Buck got a prop from hotter than expected inflation data. Looking ahead, Wednesday's calendar features UK inflation reads and US import and export prices.

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USDJPY - technical overview

The longer-term downtrend remains firmly intact, with the major pair slowly gravitating back towards a retest of major support in the form of the 2018 and 2019 lows respectively, down in the 104s. Rallies should continue to be well capped below 110.00. Below the 2018 low at 104.63 opens the door for the next major downside extension towards the 2016 low at 99.00.



- **R2 107.57** - 2 August high - Strong
- **R1 107.09** - 6 August high - Medium
- **S1 105.05** - 12 August low - Medium
- **S2 104.63** - 2018 low (2019 low) - Strong

USDJPY - fundamental overview

The major pair was well bid on Tuesday, with the rally coming from hotter than expected US inflation data and news out of Washington that the US would be delaying the latest announced tariffs on China to December. Looking ahead, Wednesday's calendar features China industrial production and retail sales, and US import and export prices.

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EURCHF - technical overview

The market is trading at its lowest levels in two years, and at this point, it would take a daily close back above 1.1173 to take the immediate pressure off the downside. The latest breakdown below 1.1000 opens the door for the next major downside extension towards 1.0600.



- **R2 1.1064** - 26 July high - Strong
- **R1 1.1000** - Psychological - Strong
- **S1 1.0842** - 13 August/**2019 low** - Medium
- **S2 1.0800** - Figure - 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 0.6868** - 1 August high - Strong
- **R1 0.6822** - 8 August high - Medium
- **S1 0.6700** - Figure - Strong
- **S2 0.6677** - 7 August/2019 low - Strong

AUDUSD - fundamental overview

On Tuesday, the Australian Dollar received a jolt higher, helped along by the news that the US would be delaying its latest round of announced tariffs on China to December. There were also reports of trade talks between the US and China getting back to it in two weeks. Looking ahead, Wednesday's calendar features Aussie consumer confidence and wage prices, China industrial production and retail sales, and US import and export prices.

USDCAD - technical overview

Despite the recent breakdown to a yearly low, 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 1.3433** - 18 June high - Strong
- **R1 1.3345** - 7 August high - Medium
- **S1 1.3178** - 5 August low - Medium
- **S2 1.3105** - 31 July low - Strong

USDCAD - fundamental overview

Last week's uptick in Canada earnings helped to offset negative reaction to headline employment data, with the Loonie recovering as a result. The Canadian Dollar has since extended its run, getting some more help from the impressive bounce in the the price of OIL. Looking ahead, Wednesday's calendar is rather light and absence of first tier data out of Canada will leave the Loonie tracking developments on the global front, the price of OIL and some US import, export prices.

NZDUSD - technical overview

Despite recent weakness, there's a case to be made for a meaningful low, with the market trading back down to medium-term cyclical low territory in the 0.6300-0.6400 area. As such, look for setbacks to be well supported in the days ahead, in anticipation of renewed upside. Only a weekly close below 0.6300 would give reason for rethink. Back above 0.6600 will take the immediate pressure off the downside.



- **R2 0.6589** - 6 August high - Strong
- **R1 0.6500** - Psychological - Medium
- **S1 0.6400** - Figure - Medium
- **S2 0.6378** - 7 August/2019 low - Strong

NZDUSD - fundamental overview

An upgraded dovish outlook for RBNZ policy has been behind a lot of the recent weakness in the New Zealand Dollar, though the commodity currency did manage to find some support on Tuesday. This came from news the US would be delaying its latest round of announced tariffs on China to December, and on reports the US and China would be sitting back down to trade talks in two weeks. Looking ahead, Wednesday's calendar features China industrial production and retail sales, and US import and export 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 2729, with a break below to strengthen the outlook. A monthly close above 3000 would be required to compromise the outlook calling for a top.



- **R2 3029** - 26 July/**Record high** - Strong
- **R1 2945** - 13 August high - Strong
- **S1 2777** - 6 August low - Medium
- **S2 2729** - 3 June low - Strong

US SPX 500 - fundamental overview

Although we've seen the market extending to fresh record highs in 2019, on the back of the Fed policy reversal, with so little room for additional easing, 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, expected renewed tension on the global trade front, should continue to be a drag on investor sentiment. 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 recent 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 1600** - Round number - Strong
- **R1 1535** - 13 August/2019 high - Strong
- **S1 1453** - Previous resistance - Strong
- **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

Overall, look for additional upside to be limited for now, as the market continues to correct and consolidate, in the aftermath of a major surge in the second quarter of 2019. Any setbacks should be very well supported ahead of 7,000, with an eventual higher low sought out in favour of a bullish continuation back above the 2019 high at 13,748. Only a weekly close below 7,000 would compromise the constructive outlook.



- **R2 13,748**- 26 June/**2019 high** - Strong
- **R1 12,310** - 6 August high - Medium
- **S1 10,000** - Psychological - Strong
- **S2 9,075** - 17 July low - Strong

BTCUSD - fundamental overview

Bitcoin enjoyed a spectacular run in the second quarter of 2019, racing to fresh yearly highs, surging towards 14k, on the back of increased adoption and more openness from the traditional investor community. The news of tech giants now turning towards the world of crypto has invited a higher profile that should be a net positive in the long run. At the same time, it also exposes the ethos to fresh critique from higher ups at the central bank and government levels. The market is also going through a period of technical adjustment after the fierce run up, though we anticipate continued demand from institutional players starved for yield in a world where global equities are increasingly vulnerable.

BTCUSD - Technical charts in detail

[Watch now](#)

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 170 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 170 would compromise the longer term constructive outlook.



- **R2 290** - 11 July high - Strong
- **R1 250** - Psychological - Medium
- **S1 191** - 16 July low - Strong
- **S2 170** - 24 February High - Strong

ETHUSD - fundamental overview

There was a lot more buzz around adoption following the Q2 2019 Bitcoin surge, with many mainstream names coming out in support of blockchain integration. Demand for web 3.0 applications is on the rise, and Ethereum is the blockchain with the biggest front end application potential. At the same time, profit taking in the aftermath of the rapid Q2 appreciation has triggered a healthy period of correction, 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 keep the more risk correlated crypto asset weighed down in the second half of the year. Risk off in the global economy is expected to result in Eth underperformance relative to Bitcoin.



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