

Monday, October 7, 2019

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# Global FX Insights

by LMAX Exchange Research & Analytics

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

## Back to buying the dip [🔊 Wake-up call](#)

Investors felt good about last Friday's US jobs report data, expecting it would increase the probability the Fed would be more inclined to be cutting rates going forward. Stocks rebounded as a result, on that same free money, lower for longer mentality that has been supporting stocks for a decade.

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

- [EURUSD](#) Additional downside limited
- [GBPUSD](#) Looking to establish major base
- [USDJPY](#) Should be well capped into rallies
- [EURCHF](#) Plenty of room for deeper drop
- [AUDUSD](#) Bounces from longer-term support
- [USDCAD](#) Setbacks seen supported into dips
- [NZDUSD](#) Signs of recovery after big sell-off
- [US SPX 500](#) Upside limited from current levels
- [GOLD \(spot\)](#) Room for run towards 2k
- [BTCUSD](#) Setbacks viewed as corrective
- [ETHUSD](#) Additional downside limited

### Fundamental highlights

- [EURUSD](#) ECB Holzmann critical of policy
- [GBPUSD](#) Boris Johnson firm on October 31st
- [USDJPY](#) US-Sino trade tension returns
- [EURCHF](#) SNB policy falls on tougher times
- [AUDUSD](#) Aussie construction reads softer
- [USDCAD](#) Loonie feels pains of lower OIL
- [NZDUSD](#) Kiwi struggles with risk outlook
- [US SPX 500](#) Buy on dips looking tired
- [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

- [The Fed Will Give the Market What It Wants. Again](#), M. Gongloff, **Bloomberg** (October 4, 2019)
- [The Turmoil at the New York Fed](#), R. Teitelbaum, **Institutional Investor** (October 2, 2019)

# EURUSD - technical overview

The major pair has extended its run of declines off the 2008 high, trading down to a fresh multi-month low. 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 1.0800 would compromise this outlook. Back above 1.1412 will strengthen the view.



- **R2 1.1026** - 23 September high - Strong
- **R1 1.1000** - 3 October high - Medium
- **S1 1.0904** - 2 October low - Medium
- **S2 1.0880** - 1 October/2019 low - Strong

# EURUSD - fundamental overview

There was enough in Friday's US jobs data to keep the Euro supported, with the numbers encouraging the Fed to be thinking more about rate cuts. Meanwhile, renewed trade tensions are giving the Euro an added prop, on the risk off, soft Dollar policy implications. ECB Holzmann shouldn't be hurting the Euro either, after expressing his critique of the ECB's zero interest rate policy stance and voicing opposition to the resumption of bond purchases. Looking ahead, key standouts on the Monday calendar come in the form of German factory orders, Eurozone sentix investor confidence, and another Fed Chair Powell appearance.

# EURUSD - Technical charts in detail

[Watch now](#)

# GBPUSD - technical overview

The market has seen a recovery out from the lowest levels since 2016, with the price recovering back above the daily Ichimoku cloud to take the immediate pressure off the downside. Ultimately, only back below 1.2000 would compromise the more constructive outlook for the major pair. Next key resistance comes in the form of the recent recovery high up around 1.2580.



- **R2 1.2500** - Psychological - Strong
- **R1 1.2414** - 3 October high - Medium
- **S1 1.2266** - 3 October low - Medium
- **S2 1.2205** - 1 October low - Strong

# GBPUSD - fundamental overview

The Pound hasn't been feeling great about the weekend news that Boris Johnson remains committed to taking the UK out of the EU on the 31st of October, with or without a deal. The PM is also prepared to launch legal action with the Supreme Court, in an effort to avoid requesting a Brexit extension. Still, any setbacks in the Pound have been limited, with the market remaining optimistic that all of this is nothing more than political posturing ahead of an eventual agreement between the two sides. Meanwhile, the US Dollar has come under some pressure of late, on the back of US data pointing to additional Fed accommodation, along with ongoing soft Dollar policy efforts out from the US administration. Looking ahead, we get UK Halifax house price data and another appearance from the Fed Chair later in the day.

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# USDJPY - technical overview

The longer-term downtrend remains firmly intact, with the major pair recently taking out major support in the form of the 2018 and 2019 lows respectively. Rallies should continue to be well capped below 110.00 in favour of the next major downside extension towards the 2016 low at 99.00.



- **R2 108.00** - Figure - Medium
- **R1 107.30** - 3 October high - Medium
- **S1 106.48** - 3 October low - Medium
- **S2 106.32** - 5 September low - Strong

# USDJPY - fundamental overview

The BOJ left purchases unchanged at today's regular bond purchase operations and there hasn't been much activity in the major pair to start the week. We did however see some mild downside pressure on the pair, with risk off coming back in a bit on renewed US-Sino trade tensions. Looking ahead, Monday's calendar is thin, with only a Fed Chair Powell speech standing out.

[Watch now](#)

# EURCHF - technical overview

The market is attempting to recover out from 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 recent breakdown below 1.1000 opens the door for the next major downside extension towards 1.0600. Look for rallies to be well capped ahead of 1.1100.



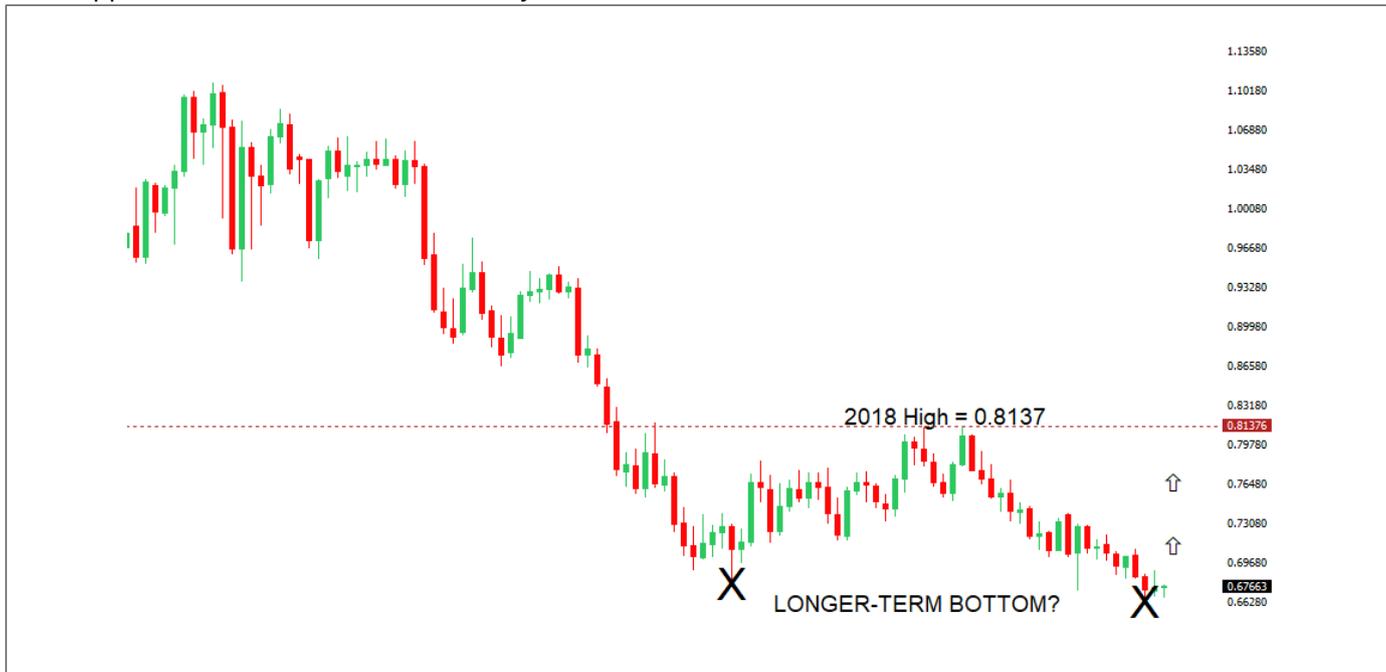
- **R2 1.1020** - 18 September high - Strong
- **R1 1.0980** - 3 October high - Medium
- **S1 1.0832** - 25 September low - Medium
- **S2 1.0811** - 4 September/2019 low - Strong

# 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.



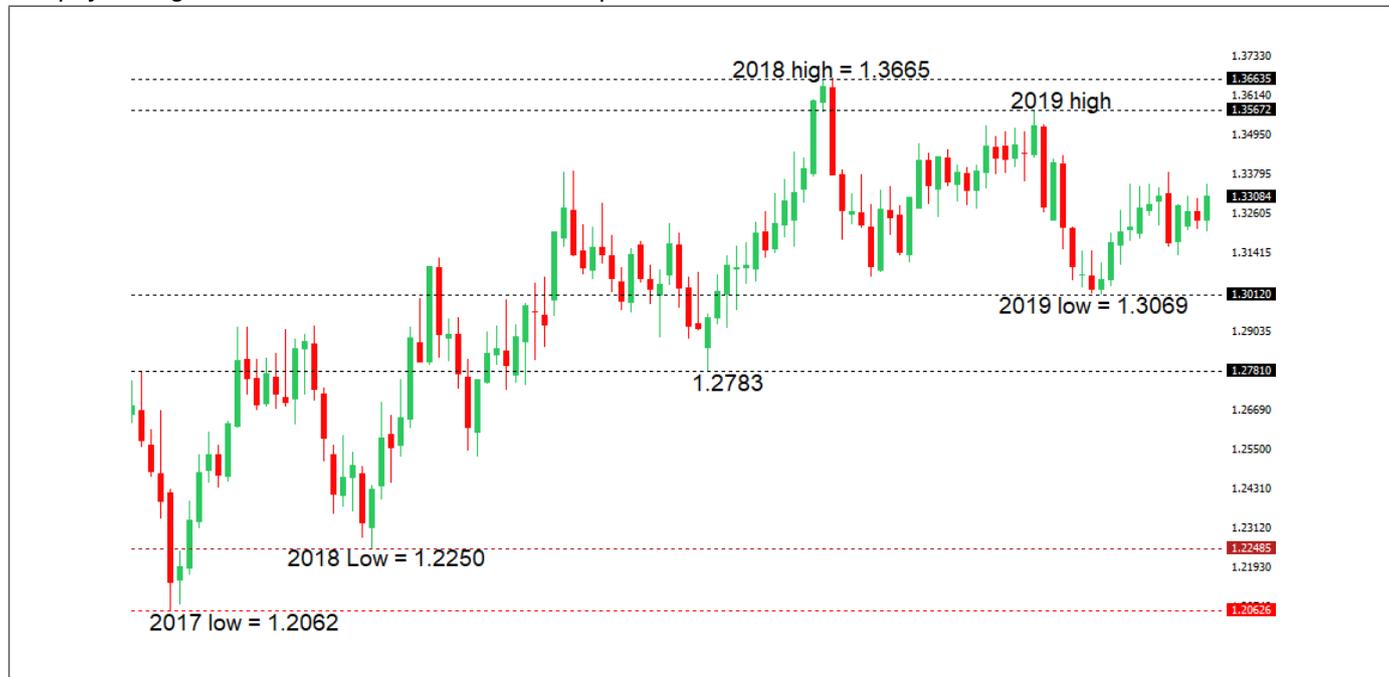
- **R2 0.6806** - 24 September high - Strong
- **R1 0.6776** - 1 October high - Medium
- **S1 0.6700** - Figure - Medium
- **S2 0.6671** - 2 October/2019 low - Strong

# AUDUSD - fundamental overview

Overall, Aussie has been weighed down on worry associated with the outlook for the global economy amidst trade tensions, with risk liquidation knocking the correlated commodity currency. We have seen some attempts to recover from last week's ten and a half year low, on the back of some broad based profit taking on US Dollar longs. Softer Aussie construction data has however weighed on the commodity currency in Monday trade. Looking ahead, Monday's calendar is thin for the remainder of the day, with only a Fed Chair Powell speech standing out.

# 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 1.3383** - 3 September high - Strong
- **R1 1.3348** - 3 October high - Medium
- **S1 1.3206** - 2 October low - Medium
- **S2 1.3133** - 10 September low - Strong

# USDCAD - fundamental overview

The Canadian Dollar comes into the new week after taking a hit in the previous week, on the back of broad based risk liquidation and a drop in the price of OIL. Friday's Canada data was mixed, with the trade deficit less than forecast, but Ivey PMIs coming in a good deal lower than the previous print. Looking ahead, Monday's calendar is thin, with only a Fed Chair Powell speech standing out. There is no first tier data or event risk on the Canada docket.

# 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 0.6451 will take the immediate pressure off the downside.



- **R2 0.6349** - 25 September high - Strong
- **R1 0.6338** - 4 October high - Medium
- **S1 0.6255** - 3 October low - Medium
- **S2 0.6204** - 1 October/2019 low - Strong

# NZDUSD - fundamental overview

Overall, Kiwi has been weighed down on worry associated with the outlook for the global economy amidst ongoing trade tensions, with risk liquidation knocking the correlated commodity currency. We have however seen some attempts at recovery, on the back of broad based profit taking on US Dollar longs, brought on by a wave of softer economic data out of the US. Looking ahead, Monday's calendar is thin, with only a Fed Chair Powell speech standing out.

## 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 2777, 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 2957** - 10 September low - Medium
- **S1 2854** - 3 October low - Medium
- **S2 2777** - 6 August 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, 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 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 1558** - 4 September/2019 high - Strong
- **R1 1536** - 24 September high - Medium
- **S1 1459** - 1 October 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

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 10,972- 20 August high - Strong
- R1 9,825 - 24 September high - Medium
- S1 7,736 - 30 September low - Medium
- S2 7,447 - 6 June low - 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 \$7,000.

## 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 150 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 150 would compromise the outlook.



- **R2 225** - 19 September high - Strong
- **R1 200** - Psychological - Medium
- **S1 153** - 26 September low - Medium
- **S2 150** - Psychological - 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 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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