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Global FX Insights

by LMAX Exchange Research & Analytics

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

Downside risk commanding the spotlight 🗣️ [Wake-up call](#)

A lot of worry in global markets this week, with investors heading for the exit doors on the back of softer US economic data and ongoing efforts on behalf of the US administration to ramp up protectionist trade policy. On Wednesday, the US announced it would be imposing a fresh round of tariffs on EU goods.

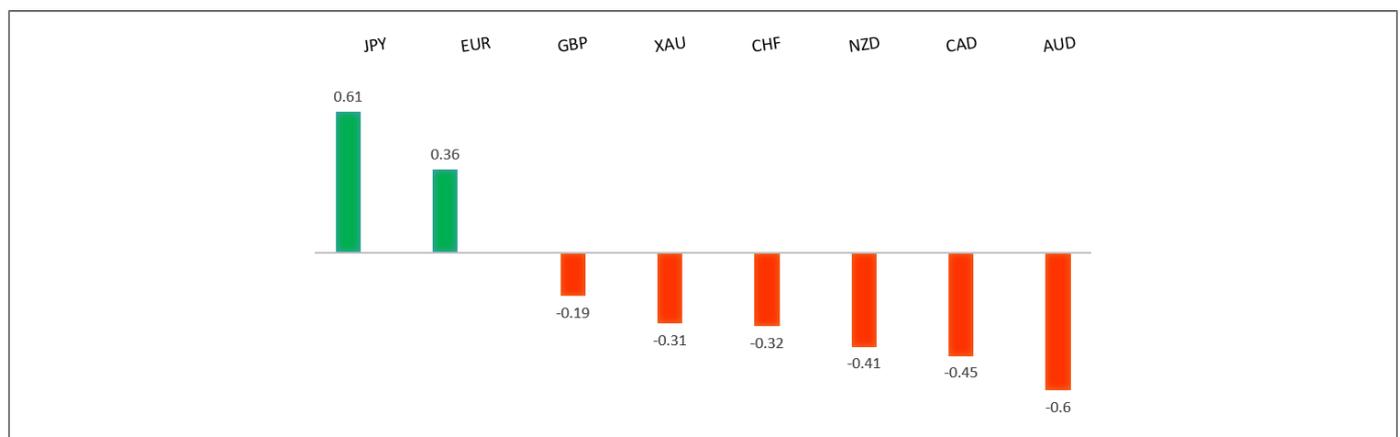
Technical highlights 📺 [Daily Video](#)

- [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
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- [BTCUSD](#) Setbacks viewed as corrective
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Fundamental highlights

- [EURUSD](#) PMIs, retail sales, producer prices
- [GBPUSD](#) Waiting for more Brexit updates
- [USDJPY](#) Wave of risk off invites Yen demand
- [EURCHF](#) SNB policy falls on tougher times
- [AUDUSD](#) Aussie trade surplus narrows
- [USDCAD](#) Canada looks to US docket
- [NZDUSD](#) Kiwi watching US ISM non-manufacturing
- [US SPX 500](#) Investors worry about exhausted policy
- [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

- [Stock Markets Have Long Tails and Tiny Brains](#), J. Authers, **Bloomberg** (October 3, 2019)
- [Boris Johnson's Brexit Map](#), R. Shrimley, **Financial Times** (September 27, 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 1.0968** - 26 September high - Medium
- **S1 1.0880** - 1 October/2019 low - Medium
- **S2 1.0800** - Figure - Strong

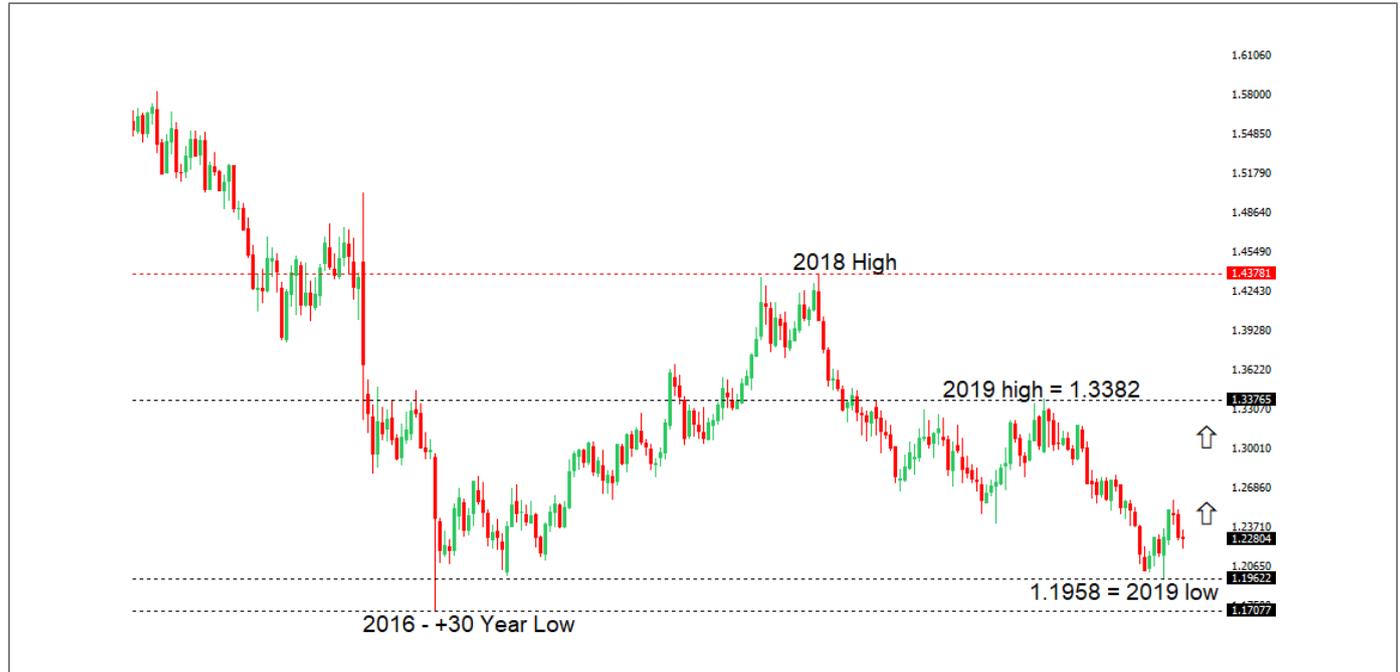
EURUSD - fundamental overview

The Euro managed to initiate a recovery run on Wednesday, with the single currency benefitting from ongoing US pressure on the trade front. The US has announced it will impose fresh tariffs on EU goods, something that will take away the Euro's competitive advantage as a weaker export currency. Meanwhile, softer US data was also inspiring broad profit taking on USD longs against the major currencies. The German research institute lowered its forecast for German growth, though it seems the market was prepared for this. Olaf Scholz may have helped the Euro's cause as well on Wednesday, after saying he didn't foresee an economic crisis in Germany. Looking ahead, key standouts on today's calendar come in the form of an ECB Guindos speech, Fed Evans appearance, German and Eurozone services PMIs, Eurozone retail sales, Eurozone producer prices, a Fed Quarles speech, US initial jobless claims, US ISM non-manufacturing, US factory orders and a Fed Mester speech.

EURUSD - Technical charts in detail

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 1.2381** - 26 September high - Strong
- **R1 1.2347** - 30 September high - Medium
- **S1 1.2205** - 1 October low - Medium
- **S2 1.2080** - 1 August low - Strong

GBPUSD - fundamental overview

Boris Johnson presented what he described as a constructive and reasonable new Brexit agreement that removed the Irish backstop. However, there was still resistance on the EU side despite Johnson warning that failure to compromise would result in the UK walking away without a deal. We believe the EU will be motivated to work with the UK despite the pushback, as the EU will not be wanting to deal with the negative consequences of a no-deal, which potentially include the UK holding off from paying any exit bill. PM Johnson has said he plans to suspend parliament from the evening of October 8th through the 14th of October. Looking ahead, key standouts on today's calendar come in the form of UK services PMIs, a Fed Evans appearance, US initial jobless claims, US ISM non-manufacturing, US factory orders and a Fed Mester speech.

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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 109.32** - 1 August high - Strong
- **R1 108.48** - 18 September high - Medium
- **S1 106.96** - 24 September low - Medium
- **S2 106.32** - 5 September low - Strong

USDJPY - fundamental overview

BOJ Funo has been trying to offset the latest wave of risk off demand for the Yen, offering up a batch of dovish comments. The Yen had rallies sharply in sync with the pullback in stocks, as investors run to traditional safe haven assets. The news of the US ramping up trade tariffs against the EU, had only added to Yen demand into Thursday. BOJ Funo comments included a message of persistent easing to the point of negative interest rates and further asset purchases. Looking ahead, key standouts on today's calendar come in the form of a Fed Evans appearance, US initial jobless claims, US ISM non-manufacturing, US factory orders and a Fed Mester speech.

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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 1.1064** - 26 July high - Strong
- **R1 1.1020** - 18 September 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

A narrower than expected Aussie trade surplus had offset the better than expected Aussie services PMI read. Overall, Aussie has been weighed down on worry associated with the outlook for the global economy, with risk liquidation knocking the correlated commodity currency. We have seen some attempts to recover from ten and a half year lows, on the back of some broad based profit taking on US Dollar longs. Looking ahead, key standouts on today's calendar come in the form of a Fed Evans appearance, US initial jobless claims, US ISM non-manufacturing, US factory orders and a Fed Mester speech.

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 1.3336** - 3 October high - Medium
- **S1 1.3206** - 2 October low - Medium
- **S2 1.3133** - 10 September low - Strong

USDCAD - fundamental overview

The Canadian Dollar was sold in Wednesday trade on the back of broad based risk liquidation and a drop in the price of OIL. Looking ahead, key standouts on today's calendar come in the form of a Fed Evans appearance, US initial jobless claims, US ISM non-manufacturing, US factory orders and a Fed Mester speech. There is no first tier data 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 0.6300** - Figure - Medium
- **S1 0.6204** - 1 October/2019 low - Medium
- **S2 0.6200** - Figure - Strong

NZDUSD - fundamental overview

No material reaction to the earlier release of New Zealand's September commodity price index, which ticked down from the previous print. Overall, Kiwi has been weighed down on worry associated with the outlook for the global economy, with risk liquidation knocking the correlated commodity currency. We have seen some attempts to recover from ten and a half year lows, on the back of some broad based profit taking on US Dollar longs. Looking ahead, key standouts on today's calendar come in the form of a Fed Evans appearance, US initial jobless claims, US ISM non-manufacturing, US factory orders and a Fed Mester speech.

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 3023** - 19 September high - Strong
- **S1 2873** - 2 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

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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 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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