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Global FX Insights

by LMAX Exchange Research & Analytics

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

How much can the market optimism be trusted? 📢 [Wake-up call](#)

It's been a week of optimism in markets. The outlook on the global trade front has been improved, with US-China updates sounding a lot more deal friendly, while over on the Brexit front, talk of a possible pathway towards a deal before the end of the month, has been a major relief.

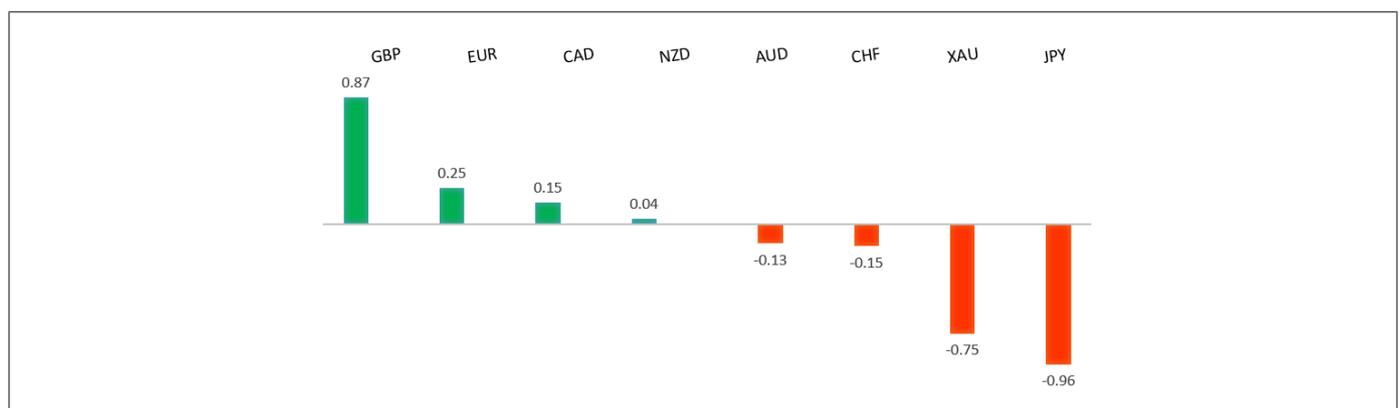
Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Pushes back above 1.1000 barrier
- [GBPUSD](#) Looking to establish major base
- [USDJPY](#) Should be well capped into rallies
- [EURCHF](#) Lower top sought out
- [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](#) Poised for big upside move
- [ETHUSD](#) Well supported into latest dip

Fundamental highlights

- [EURUSD](#) German inflation, ECB Draghi
- [GBPUSD](#) Deal optimism fuels Pound
- [USDJPY](#) Yen sensitive to **US-Sino trade**
- [EURCHF](#) SNB policy falls on tougher times
- [AUDUSD](#) Aussie focused on risk sentiment
- [USDCAD](#) Canada employment reads ahead
- [NZDUSD](#) Mixed docket of Kiwi data
- [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

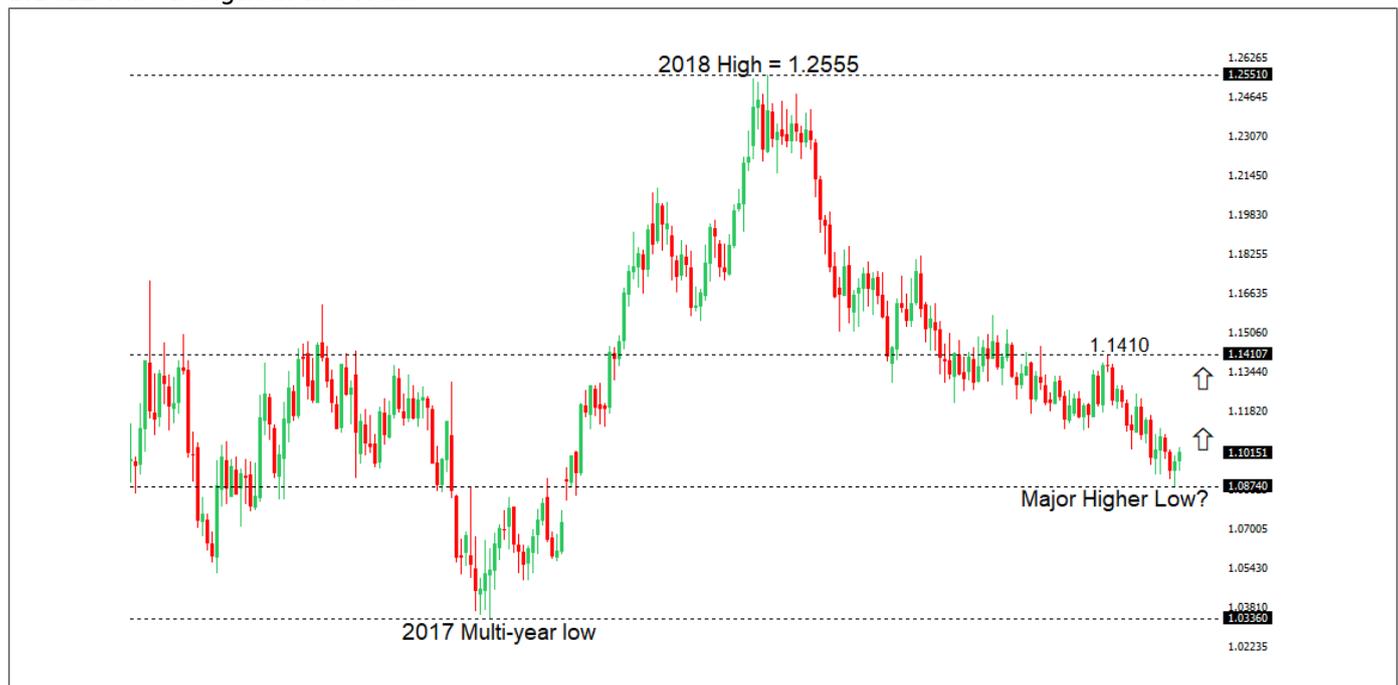


Suggested reading

- [Imagine Brexit Heaven. It Isn't Easy, I've Tried](#), J. Authers, **Bloomberg** (October 11, 2019)
- [Are Investors Right to Run Away from WeWork?](#), J. Evans, **Financial Times** (October 9, 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 1.1110** - 13 September high - Strong
- **R1 1.1034** - 10 October high - Medium
- **S1 1.0941** - 8 October low - Strong
- **S2 1.0900** - Figure - Medium

EURUSD - fundamental overview

It was revealed there may have been more disagreement than the market had thought with respect to ECB policy moves and Draghi's latest decision to restart QE. Though this was downplayed, it invited some support for the Euro, on less dovish expectations. The ECB Minutes came and went and mostly reflected this sentiment, that there were indeed contrarian views at the central bank. German exports fell more than forecast, while imports came in as expected. Meanwhile, August trade data was in line. Looking ahead, key standouts will come from German inflation data, an ECB Draghi appearance, US Michigan sentiment, and Fed speak from Rosengren and Kaplan.

EURUSD - Technical charts in detail

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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 at 1.2583.



- **R2 1.2583** - 20 September high - Strong
- **R1 1.2500** - Psychological - Medium
- **S1 1.2358** - 4 October high - Medium
- **S2 1.2195** - 8 October low - Strong

GBPUSD - fundamental overview

A sizable rally for the Pound on Thursday, after the market got wind of the news from the Irish PM that he could see a pathway towards a possible deal ahead of the deadline at the end of this month. It seems the breakthrough came via a proposal for a pared down free trade agreement. UK Secretary Barclay is now slated to meet with EU chief negotiator Barnier later today. Interestingly, the Pound managed to perform as it did, even in the face of a round of softer economic data. Looking ahead, key standouts will come from US Michigan sentiment, and Fed speak from Rosengren and Kaplan.

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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 108.48** - 18 September high - Strong
- **R1 108.14** - 11 October high - Medium
- **S1 107.04** - 10 October low - Medium
- **S2 106.48** - 3 October low - Strong

USDJPY - fundamental overview

US-China trade deal optimism has been behind most of the flow in the this major pair, with the Yen selling off and USDJPY rallying as a consequence. President Trump's latest comments that "China has been very nice" and "we're going to see if we can make a deal with China" have been behind the push higher in the major pair. Of course, we also should be reminded of the flip-flopping that's gone on here and the fact that risk markets are looking increasingly vulnerable at a time when central bank policy accommodation and government stimulus efforts have been exhausted. This would account for sizable USDJPY offers reported into this latest bounce. Looking ahead, key standouts will come from US Michigan sentiment, and Fed speak from Rosengren and Kaplan.

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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 1.1020 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.



- **R2 1.1020** - 18 September high - Strong
- **R1 1.1000** - Psychological - Strong
- **S1 1.0871** - 9 October 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 0.6895** - 12 September high - Strong
- **R1 0.6806** - 24 September high - Strong
- **S1 0.6710** - 10 October low - Medium
- **S2 0.6671** - 2 October/2019 low - Strong

AUDUSD - fundamental overview

Aussie price action has revolved around updates on the US-Sino trade talk front. The latest headlines have been Aussie supportive, with President Trump saying "China has been very nice" and "we're going to see if we can make a deal." Aussie data has largely been ignored this week, in light of the bigger picture macro theme of global trade. Looking ahead, key standouts will come from US Michigan sentiment, and Fed speak from Rosengren and Kaplan.

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 is trying to find some stability after taking a hit in the previous week from declining OIL prices and some weaker economic data. Profit taking on US Dollar longs, amidst increasing expectation the Fed will cut rates some more, a recovery in the price of OIL, and relief associated with US-China and US-Canada trade deal prospects, have also been helping to bolster the Loonie. Thursday's economic data may have contributed to some more Loonie gains, after the Canada new housing price index unexpectedly rose. Looking ahead, volatility is expected for this pair, with the Canada jobs report due, along with US Michigan sentiment and Fed speak from Rosengren and Kaplan.

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 0.6277** - 10 October low - Medium
- **S2 0.6204** - 1 October/2019 low - Strong

NZDUSD - fundamental overview

Kiwi price action has mostly revolved around updates on the US-Sino trade talk front. The latest headlines have been Kiwi supportive, with President Trump saying "China has been very nice" and "we're going to see if we can make a deal." We've also seen added support for the New Zealand Dollar on the news that ANZ has raised its Fonterra milk price forecast for 2019 and 2020. Friday's New Zealand data has come in mixed and hasn't factored into price action. Looking ahead, key standouts will come from US Michigan sentiment, and Fed speak from Rosengren and Kaplan.

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 2959** - 7 October 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

The market continues to correct and consolidate in the aftermath of a major surge in the second quarter of 2019. However, any setbacks should be very well supported around 7,000, with an eventual higher low sought out in favour of a bullish continuation back above the 2019 high and towards the record high from late 2017 further up. Ultimately, only a weekly close below 5,750 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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