

Global FX Insights

by LMAX Group Research & Analytics

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

Is it time for investors to pause and reflect? 🗣️ [Wake-up call](#)

The US Dollar has continued to extend its recovery, all while US equities continue to push record highs. There is a bit of a disconnect here that could be warning of trouble ahead for stocks, with US Dollar demand often reflective of flight to safety.

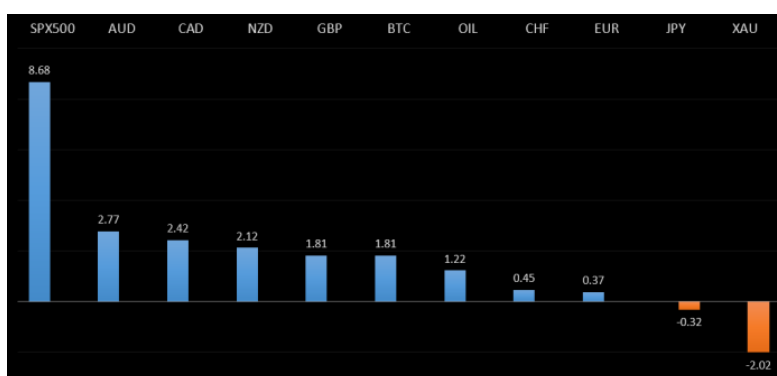
Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Sights set on 2018 high
- [GBPUSD](#) Door open for push to 1.3500
- [USDJPY](#) Holding up into triangle support
- [EURCHF](#) Well supported into latest dip
- [AUDUSD](#) Daily studies looking extended
- [USDCAD](#) Setbacks should be limited from here
- [NZDUSD](#) Room for correction after run higher
- [US SPX 500](#) Back to fresh record highs
- [GOLD](#) (spot) Unwinding from overbought
- [BTCUSD](#) Confined to consolidation
- [ETHUSD](#) Due for corrective decline

Fundamental highlights

- [EURUSD](#) Eurozone data takes wind out of sail
- [GBPUSD](#) EU Barnier critical of UK efforts
- [USDJPY](#) Dovish BOJ Kataoka on the wires
- [EURCHF](#) SNB policy faces tough challenges
- [AUDUSD](#) Melbourne lockdown could be extended
- [USDCAD](#) Canada trade data stands out on docket
- [NZDUSD](#) ANZ commodity price index declines
- [US SPX 500](#) Stocks vulnerable despite demand
- [GOLD](#) (spot) Pick up in hard asset demand
- [BTCUSD](#) Still not there as store of value play
- [ETHUSD](#) Ether exposed in risk off backdrop

30 Day Performance vs. US dollar (%)



Suggested reading

- [Central Bank Independence Should Have Its Limits](#), D. Moss, **Bloomberg** (September 3, 2020)
- [Don't Wait for the Market to Get Cheap](#), K. Rapoza, **Forbes** (September 2, 2020)

EURUSD - technical overview

A higher low is now sought out above the multi-year low from 2017, ahead of the next major upside extension. The recent push back above 1.1500 strengthens the outlook, opening the door for a push towards the 2018 high in the 1.2550 area. Setbacks should now be well supported ahead of 1.1400.



- **R2 1.2012** - 1 September/2020 high - Strong
- **R1 1.1966** - 18 August - Medium
- **S1 1.1754** - 21 August low - Medium
- **S2 1.1696** - 3 August low - Strong

EURUSD - fundamental overview

We're seeing a wave of profit taking on US Dollar shorts, while softer Eurozone data has also contributed to the Euro pullback, after Eurozone CPI was below forecast and German retail sales missed. Key standouts on Thursday's calendar come from German and Eurozone services PMIs, Eurozone retail sales, US trade, US initial jobless claims, and US ISM non-manufacturing.

EURUSD - Technical charts in detail

[Watch now](#)

GBPUSD – technical overview

The market has rebounded sharply, after collapsing to a +30 year low below 1.1500. This supports the longer-term constructive outlook, with a major bottom sought out ahead of the start to a big run to the upside towards the 2019 high at 1.3515. Look for the pair to hold up ahead of 1.2500 into setbacks.



- **R2 1.3500** – Psychological – Medium
- **R1 1.3483** – 1 September/2020 high – Strong
- **S1 1.3161** – 27 August low – Medium
- **S2 1.2982** – 4 August low – Strong

GBPUSD – fundamental overview

There were some not so upbeat comments from the Brexit front, after EU Barnier said the UK wasn't engaging constructively. Meanwhile, some dovish BOE comments also hit the wires, which further contributed to recent weakness in the Pound. It's also worth noting the Pound was looking extended against the Buck and a round of profit taking shouldn't come as a surprise either. Key standouts on Thursday's calendar come in the form of UK services PMIs, US trade, US initial jobless claims, and US ISM non-manufacturing.

[Watch now](#)

USDJPY – technical overview

We're seeing signs of a pickup in volatility in the major pair, with the market chopping around quite a bit. Still, there is no clear directional insight, with the price confined to a larger triangle formation. Overall, rallies have been well capped above 110.00 and dips well supported below 104.00.



- **R2 107.54** – 20 July high – Strong
- **R1 107.05** – 13 August high – Medium
- **S1 105.10** – 19 August low – Medium
- **S2 104.19** – 31 July low – Strong

BOJ Kataoka was on the wires saying the central bank needed to show a resolve to ease deflationary pressures, while adding the level of monetary policy accommodation may be decreasing as inflation expectations fall, and that aggressive bond purchases to lower interest rates is appropriate, given that it's hard to see inflation pushing up towards the 2% target under current policies. We have seen some Yen weakness in recent sessions, helped along by a US Dollar recovery and ongoing support for risk assets. Key standouts on Thursday's calendar come in the form of US trade, US initial jobless claims, and US ISM non-manufacturing.

[Watch now](#)

EURCHF – technical overview

The market remains very well capped into offers and the medium-term picture continues to favour the downside. A weekly close back above 1.1000 would be required to take the immediate pressure off the downside.



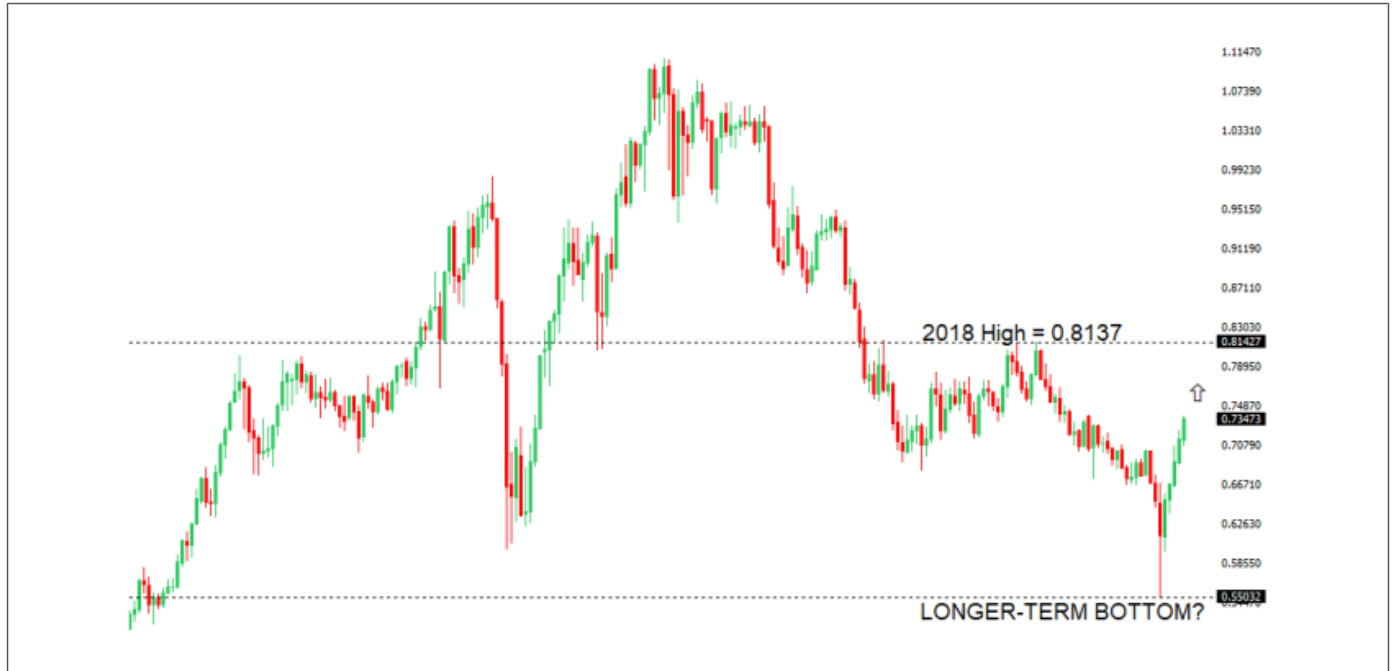
- **R2 1.0916** – 5 June/2020 high – Strong
- **R1 1.0878** – 1 September high – Medium
- **S1 1.0600** – Figure – Medium
- **S2 1.0577** – 25 May low – Strong

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 renewed risk liquidation in 2020, 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

Technical studies have turned up in 2020, after the market traded down to its lowest levels since 2003 earlier this year. There is evidence of a longer-term bottom following the latest push back through 0.7000, though at this stage, there is risk for a pullback to allow for shorter term studies to unwind. Next big resistance comes in at 0.7500. Setbacks should now be well supported ahead of 0.6800.



- **R2 0.7500** – Psychological – Strong
- **R1 0.7414** – 1 September/2020 high – Medium
- **S1 0.7217** – 27 August low – Medium
- **S2 0.7136** – 20 August low – Strong

AUDUSD – fundamental overview

More weakness for Aussie into Thursday, this on the back of the disturbing Aussie GDP print, profit taking on short US Dollar exposure and chatter the Melbourne lockdown could be extended. Key standouts on Thursday's calendar come in the form of US trade, US initial jobless claims, and US ISM non-manufacturing.

USDCAD – technical overview

Has been in the process of correcting since topping out earlier this year above 1.4600. At this stage, with the correction well extended, the market is likely to find solid support in the 1.2900 - 1.3000 area, ahead of a resumption of gains. Ultimately, only a weekly close below 1.3000 would suggest otherwise.



- **R2 1.3272** – 14 August high – Strong
- **R1 1.3245** – 20 August high – Medium
- **S1 1.2994** – 1 September low – Medium
- **S2 1.2957** – 7 January/2020 low – Strong

USDCAD – fundamental overview

A combination of solid Canada economic data, supported OIL prices and broad based selling of the US Dollar, have all resulted in the Canadian Dollar trading to 7 month highs against the Buck. At the same time, we've since seen this move stall out ahead of the Canadian Dollar's yearly high against the Buck from back in January, with broad based profit taking on short US Dollar exposure kicking in. Key standouts on Thursday's calendar come in the form of Canada trade, US trade, US initial jobless claims, and US ISM non-manufacturing.

NZDUSD – technical overview

There's a case to be made for a meaningful bottom, after the market collapsed below massive psychological support at 0.5500 earlier this year. The latest break back above the 0.6600 area further strengthens this outlook, with the market back in uptrend mode as per the weekly Ichimoku cloud. Any setbacks are expected to be well supported ahead of 0.6200.



- **R2 0.6791** – Monthly high, July 2019 – Strong
- **R1 0.6789** – 2 September/2020 high – Medium
- **S1 0.6600** – 27 August low – Medium
- **S2 0.6489** – 20 August low – Strong

NZDUSD – fundamental overview

The New Zealand ANZ commodity price index declined -0.9% m/m versus an upwardly revised 2.9% m/m previous. Meanwhile, the RBNZ met its target in today's bond purchase operations. Most of the pullback in the Kiwi rate into Thursday has been attributed to the broad recovery in the US Dollar. Key standouts on Thursday's calendar come in the form of US trade, US initial jobless claims, and US ISM non-manufacturing.

US SPX 500 – technical overview

The market has seen a massive run up since bottoming in March, finally managing to stretch to retest and break the record high from February. While the upside break has opened the door for a fresh upside extension through 3500, the move looks exhausted and risk is building for a major topside failure.



- **R2 3600** – Psychological – Strong
- **R1 3590** – 2 September/**Record high** – Medium
- **S1 3441** – 26 August low – Medium
- **S2 3391** – 20 August low – Strong

US SPX 500 – fundamental overview

Although we've seen a push to fresh record highs in response to unlimited QE from the Fed and massive US stimulus, with so little room for additional central bank accommodation, given an already depressed interest rate environment, the prospect for additional runs to the topside, on easy money policy incentives and government stimulus, should no longer be as enticing to investors. Meanwhile, tension on the global trade front, geopolitical risk, and ongoing worry associated with recovery post coronavirus, should weigh more heavily on investor sentiment in 2020.

GOLD (SPOT) - technical overview

The 2019 breakout above the 2016 high at 1375 was a significant development, opening the door for fresh record highs and an acceleration beyond the next major psychological barrier at 2000. Setbacks should now be well supported above 1700. Technical studies are however in the process of unwinding from overbought readings, with the market in search of a higher low ahead of a bullish continuation.



- **R2 2075** - 7 August/**Record high** - Strong
- **R1 2016** - 18 August high - Medium
- **S1 1863** - 12 August low - Medium
- **S2 1800** - Round number - 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, coronavirus fallout, 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

A higher low is 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 8,000 would delay the constructive outlook. The latest push back above 10,500 further encourages the bullish prospect. Shorter-term studies are however stretched and warn of a pullback ahead.



- **R2 13,000** – Round number – Medium
- **R1 12,490** – 17 August/2020 high – Strong
- **S1 10,546** – 2 August low – Medium
- **S2 10,000** – Psychological – Strong

BTCUSD - fundamental overview

Bitcoin has enjoyed a nice recovery since bottoming in March, with the runup in stocks and ongoing increased adoption and progress in the space contributing to the strong demand. News that US banks can custody Bitcoin and interest from well known traditional market participants is also helping to generate plenty of buzz. At the same time, given the extended nature of technical readings into important resistance, we see this as timing well for another period of weakness, especially with global equities once again looking vulnerable.

BTCUSD - Technical charts in detail

[Watch now](#)

ETHUSD – technical overview

The market is in the process of attempting to establish a meaningful base after stalling out in the latter half of 2019. Look for setbacks to be well supported above 200, in favour of a push back through 500. Technical readings are extended, warning of some form of a correction before the market establishes above 500.



- **R2 500** – Psychological – Strong
- **R1 488** – 1 September/**2020 high** – Medium
- **S1 325** – 2 August low – Medium
- **S2 306** – 28 July low – Strong

ETHUSD – fundamental overview

While there is plenty of Ether demand built up, with so much optimism around prospects for the blockchain, given all of the development going on in the decentralised finance space, macroeconomics will likely play a weighing influence into rallies, with Ether expected to underperform in a risk off backdrop, in light of Ethereum's higher sensitivity and correlation with risk themes.



Any opinions, news, research, analyses, prices or other information ("information") contained on this Blog, constitutes marketing communication and it has not been prepared in accordance with legal requirements designed to promote the independence of investment research. Further, the information contained within this Blog does not contain (and should not be construed as containing) investment advice or an investment recommendation, or an offer of, or solicitation for, a transaction in any financial instrument. LMAX Group has not verified the accuracy or basis-in-fact of any claim or statement made by any third parties as comments for every Blog entry.

LMAX Group will not accept liability for any loss or damage, including without limitation to, any loss of profit, which may arise directly or indirectly from use of or reliance on such information. No representation or warranty is given as to the accuracy or completeness of the above information. While the produced information was obtained from sources deemed to be reliable, LMAX Group does not provide any guarantees about the reliability of such sources. Consequently any person acting on it does so entirely at his or her own risk. It is not a place to slander, use unacceptable language or to promote LMAX Group or any other FX and CFD provider and any such postings, excessive or unjust comments and attacks will not be allowed and will be removed from the site immediately.