

Monday, December 2, 2019

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Global FX Insights

by LMAX Exchange Research & Analytics

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

Shrugging off the bad and rallying on the good 🔊 [Wake-up call](#)

Sentiment has been rather positive as things get going on Monday, this despite added uncertainty around prospects for a phase one trade deal between the US and China. Looking at the calendar for Monday, it's mostly about manufacturing data out of the Eurozone, Germany, UK, US and Canada.

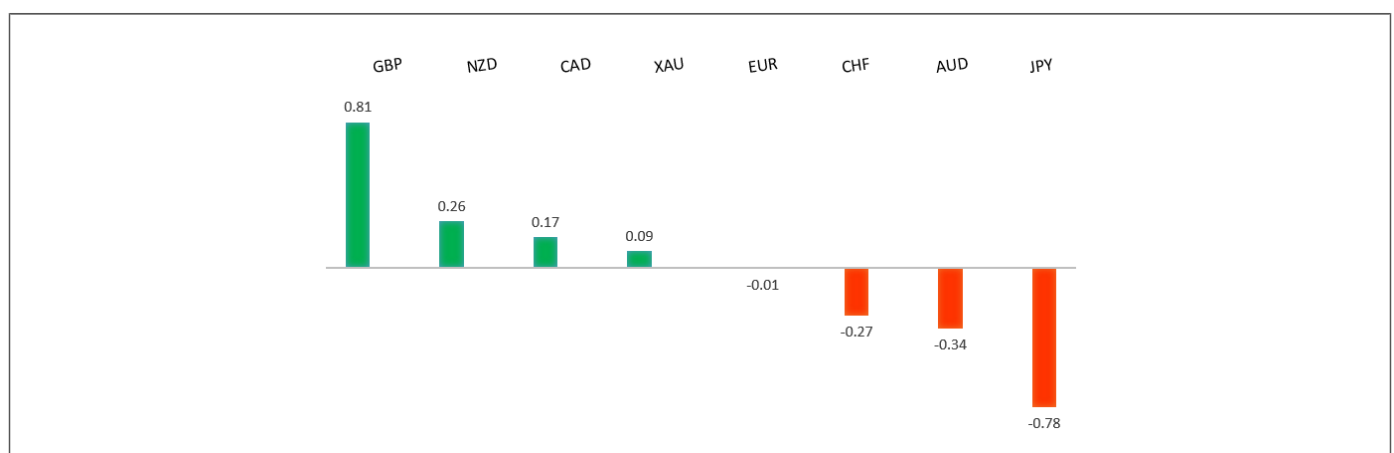
Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Next big move seen higher, not lower
- [GBPUSD](#) Look for setbacks to be well supported
- [USDJPY](#) Bearish while below 110 barrier
- [EURCHF](#) Rallies should be well capped for now
- [AUDUSD](#) Signs of longer-term bottoming
- [USDCAD](#) Uptrend firmly intact
- [NZDUSD](#) Additional downside should be limited
- [US SPX 500](#) Uptrend showing signs of exhaustion
- [GOLD](#) (spot) Plenty of support on dips
- [BTCUSD](#) Constructive while above 6,000
- [ETHUSD](#) Solid support zone around 100

Fundamental highlights

- [EURUSD](#) German, Eurozone manufacturing PMIs
- [GBPUSD](#) UK manufacturing PMIs on tap
- [USDJPY](#) Back to tracking with risk sentiment
- [EURCHF](#) SNB faces tougher battle with Franc
- [AUDUSD](#) Aussie watching US-China trade updates
- [USDCAD](#) Canada takes in manufacturing data
- [NZDUSD](#) Kiwi data takes backseat to macro themes
- [US SPX 500](#) Trade tension still expected to weigh
- [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

- [Germany's Crisis is a Very Good Thing](#), A. Kluth, **Bloomberg** (December 1, 2019)
- [Why Character Counts for Johnson and Corbyn](#), R. Shrimley, **FT** (November 29, 2019)

EURUSD - technical overview

The downtrend off the 2018 high is looking exhausted and the prospect for a meaningful higher low is more compelling. A higher low is now 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 1.1180** - 21 October high - Strong
- **R1 1.1097** - 21 November high - Medium
- **S1 1.0981** - 29 November low - Medium
- **S2 1.0941** - 8 October low - Strong

EURUSD - fundamental overview

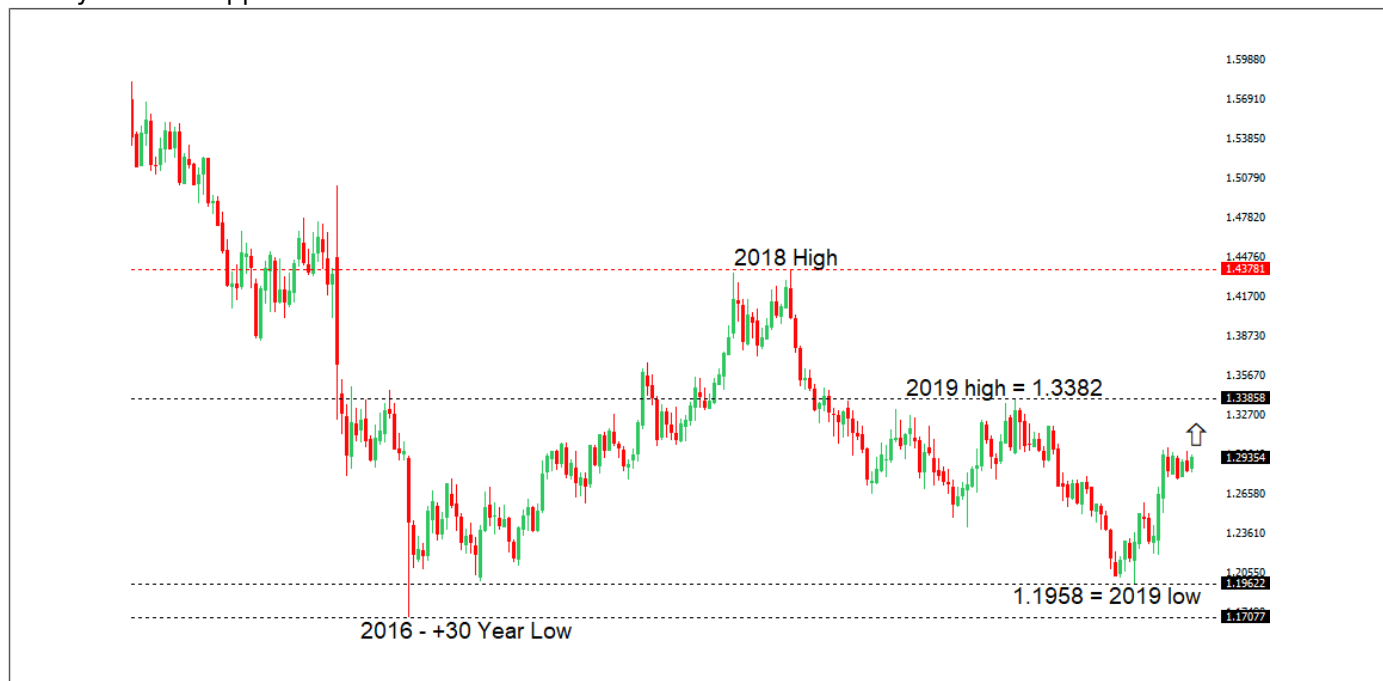
The Euro is attracting some attention around German political uncertainty, as the prospect of a minority government or a snap election amps up. This comes after leftwing candidates Norbert Walter-Borjans and Saskia Esken narrowly won the SPD leadership vote, in what has been touted as a vote of no confidence in Olaf Scholz. Looking ahead, we get Eurozone and German manufacturing PMIs, a speech from ECB President Lagarde, US ISM manufacturing, and US construction spending.

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 the bottom of the daily Ichimoku cloud would compromise the more constructive outlook for the major pair. Next key resistance comes in the form of the 2019 high from March around 1.3380. Setbacks should ideally be well supported ahead of 1.2400.



- **R2 1.3013** - 21 October high - Strong
- **R1 1.2985** - 18 November - Medium
- **S1 1.2824** - 22 November low - Medium
- **S2 1.2769** - 8 November low - Strong

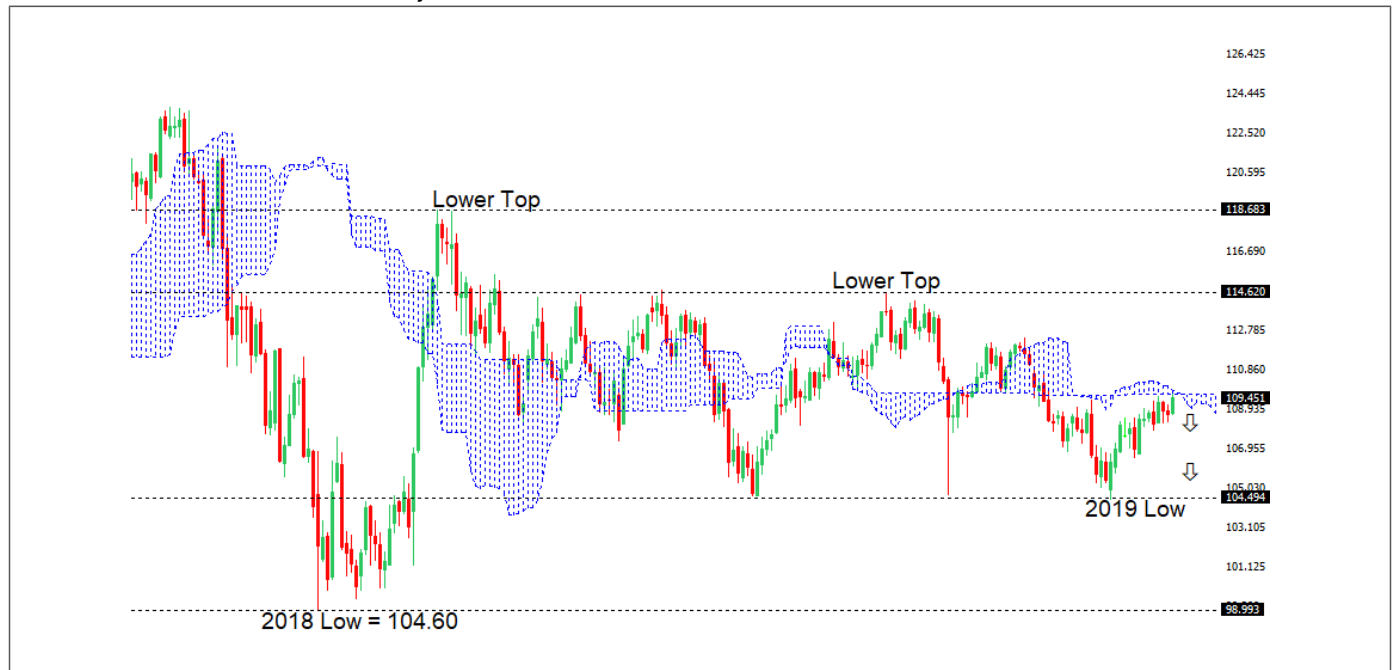
GBPUSD - fundamental overview

Not a whole lot of market moving updates around the Pound. Boris Johnson 'refused to attend' a Thursday evening TV debate on climate change with other party leaders and said he would walk away from a post-Brexit trade deal with the US if President Trump insisted on keeping the NHS on the table. Cabinet Office Minister Michael Gove said Conservatives 'would strengthen protections against foreign takeovers of British companies.' Looking ahead, we get UK manufacturing PMIs, US ISM manufacturing, and US construction spending.

[Watch now](#)

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 110.00** - Psychological - Strong
- **R1 109.67** - 29 November high - Strong
- **S1 109.00** - Figure - Medium
- **S2 108.24** - 14 November low - Strong

USDJPY - fundamental overview

The Yen has extended its recent run of declines on the back of the China PMI beats earlier in the day. Larger than expected Japan capex data and worry associated with the US-China phase one deal outlook have been shrugged off. Looking ahead, we get US ISM manufacturing, and US construction spending. [Watch now](#)

EURCHF - technical overview

The market remains very well capped into offers and the medium-term picture continues to favour the downside. A break back above 1.1060 would be required to take the immediate pressure off the downside. Below 1.0800 exposes the 1.0600 area.



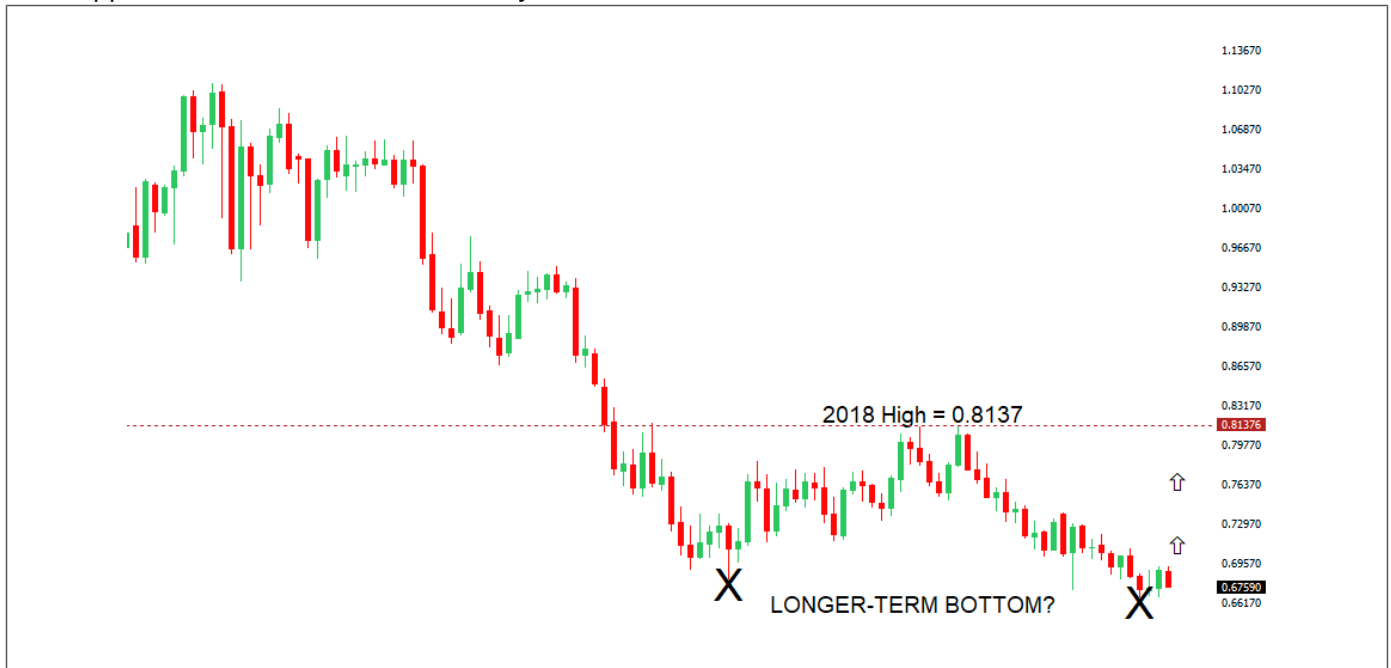
- **R2 1.1173** - 2 July high - Strong
- **R1 1.1060** - 17 October high - Medium
- **S1 1.0864** - 14 November low - Medium
- **S2 1.0811** - 4 September/2019 low - Strong

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 0.6930** - 31 October high - Strong
- **R1 0.6842** - 14 November high - Strong
- **S1 0.6750** - Mid-Figure - Medium
- **S2 0.6710** - 10 October low - Strong

AUDUSD - fundamental overview

The Australian Dollar has been more impressed with the upbeat China PMI data than its own less encouraging manufacturing reads, with Aussie finding demand in Monday trade. The demand also comes despite renewed concerns around the US-China phase one trade deal. Looking ahead, we get US ISM manufacturing, and US construction spending.

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 1.3348** - 3 October high - Strong
- **R1 1.3328** - 20 November high - Medium
- **S1 1.3254** - 22 November low - Medium
- **S2 1.3190** - 19 November low - Strong

USDCAD - fundamental overview

Not much action in the Canadian Dollar in recent sessions, with the currency caught between demand from the better than expected economic data, and offers in the price of OIL. Looking ahead, we get Canada manufacturing PMIs, US ISM manufacturing, and US construction spending.

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 strengthen the outlook and take the immediate pressure off the downside.



- **R2 0.6466** - 4 November high - Strong
- **R1 0.6439** - 29 November high - Medium
- **S1 0.6322** - 8 November low - Medium
- **S2 0.6241** - 16 October low - Strong

NZDUSD - fundamental overview

The New Zealand Dollar is performing well on Monday, getting a boost from Kiwi terms of trade data and solid China PMIs. All of this demand comes despite added worry around the timing and prospect for a phase one trade deal between the US and China. Looking ahead, we get US ISM manufacturing, and US construction spending.

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 3091, with a break below to strengthen the outlook. A monthly close above 3100 would be required to compromise the outlook.



- **R2 3200** - Psychological - Strong
- **R1 3156** - 28 November/**Record high** - Medium
- **S1 3091** - 20 November low - Medium
- **S2 3000** - Psychological - Strong

US SPX 500 - fundamental overview

Although we've seen the market extending to fresh record highs in 2019, with so little room for additional central bank accommodation, 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 2019 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 1445** - 12 November 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 in the aftermath of a major surge in the second quarter of 2019. However, any setbacks should be very well supported in the 6,000 area, with an 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 6,000 would compromise the constructive outlook.



- **R2 10,468**- 26 October high - Strong
- **R1 8,806** - 11 October high - Medium
- **S1 6,500** - Psychological - Strong
- **S2 5,755** - Internal support/June 2018 - 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 \$6,000.

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 100 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 100 would compromise the outlook.



- **R2 225** - 19 September high - Strong
- **R1 200** - Psychological - Medium
- **S1 133** - 25 November low - Medium
- **S2 102** - 6 February/2019 low - 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 into the end of the year. Risk off in the global economy is expected to result in ETH underperformance relative to Bitcoin.



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