

Friday, November 8, 2019

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Global FX Insights

by LMAX Exchange Research & Analytics

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

Trade deal optimism sours yet again 🗣️ [Wake-up call](#)

The market can never be too sure about trade deal updates, and after we had seen positive headlines for most of the week, things took a turn for the worse on Thursday. Looking ahead, we'll get some German trade data, a Fed Brainard speech, US Michigan confidence and the Canada jobs report.

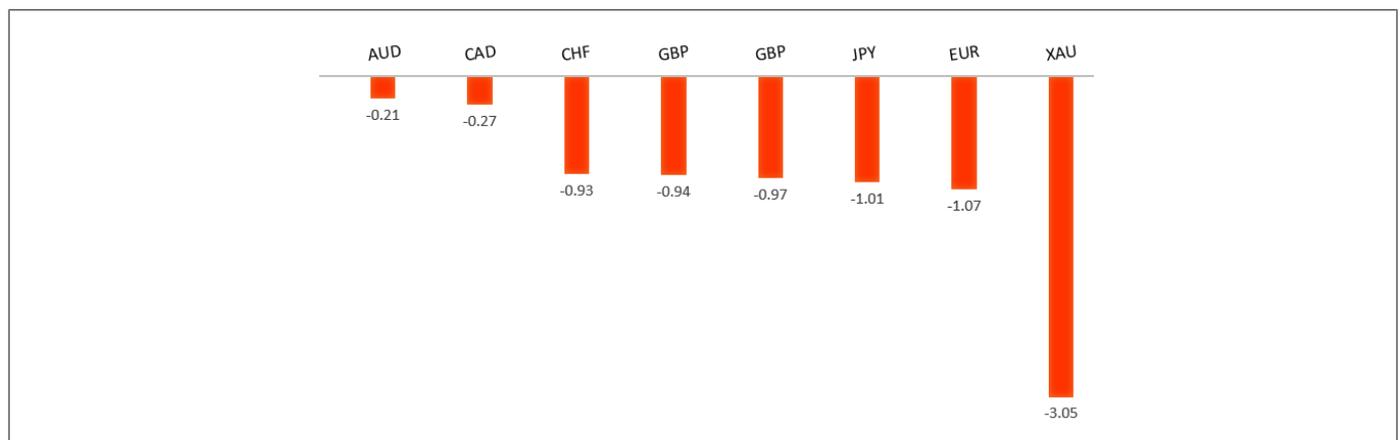
Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Setbacks viewed as corrective
- [GBPUSD](#) Well supported on dips
- [USDJPY](#) Rallies should be well capped
- [EURCHF](#) Lower top sought out
- [AUDUSD](#) Bounces from longer-term support
- [USDCAD](#) Setbacks seen supported into dips
- [NZDUSD](#) Working its way out from major low
- [US SPX 500](#) Upside limited from current levels
- [GOLD](#) (spot) Room for run towards 2k
- [BTCUSD](#) Showing signs of turning back up
- [ETHUSD](#) Additional downside limited

Fundamental highlights

- [EURUSD](#) German trade data stands out
- [GBPUSD](#) BOE communication leans dovish
- [USDJPY](#) Highly sensitive to risk sentiment
- [EURCHF](#) SNB faces tougher battle with Franc
- [AUDUSD](#) Aussie digests latest RBA SOMP
- [USDCAD](#) Loonie braces for jobs report impact
- [NZDUSD](#) US-China hiccups weigh on Kiwi
- [US SPX 500](#) Stocks exposed to US trade 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

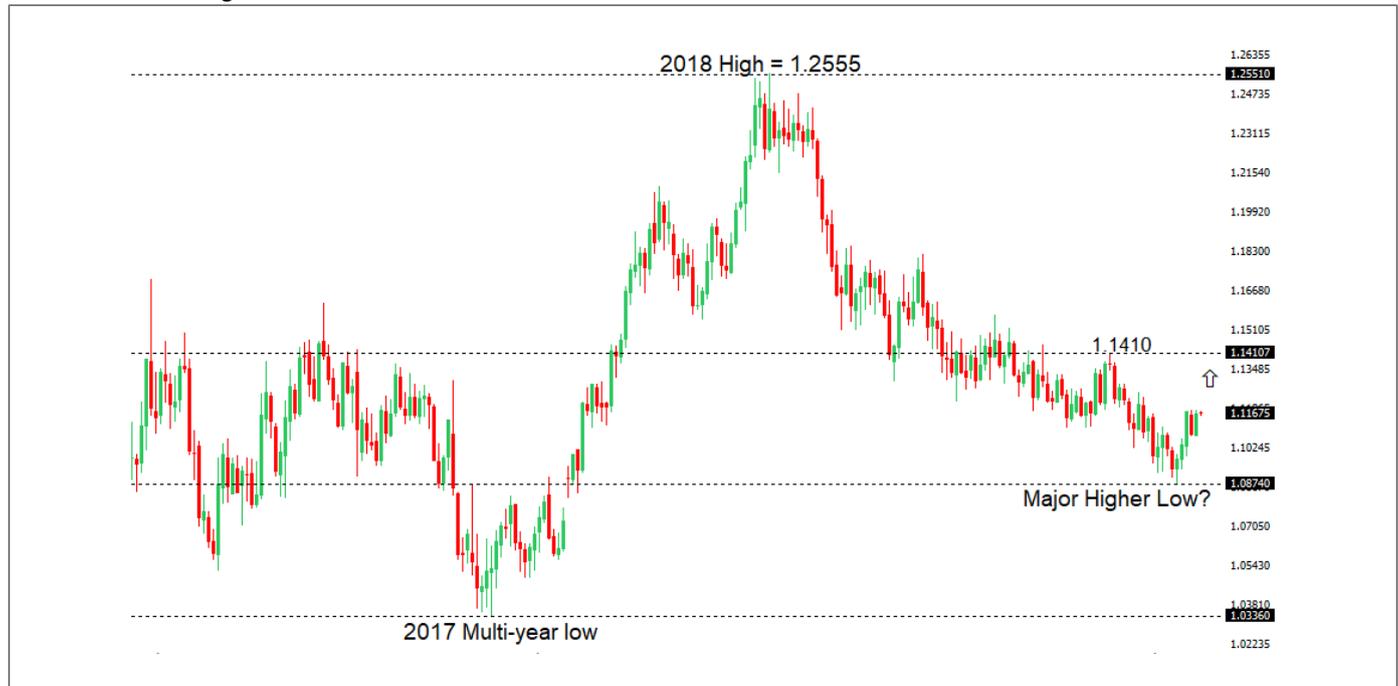


Suggested reading

- [Trade Optimism Forces Market to Face Its Demons](#), R. Burgess, **Bloomberg** (November 7, 2019)
- [UK General Election: Drawing the Battle Lines](#), R. Shrimley, **FT** (November 7, 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 1.1141** - 5 November high - Medium
- **S1 1.1022** - 16 October low - Medium
- **S2 1.0991** - 15 October low - Strong

EURUSD - fundamental overview

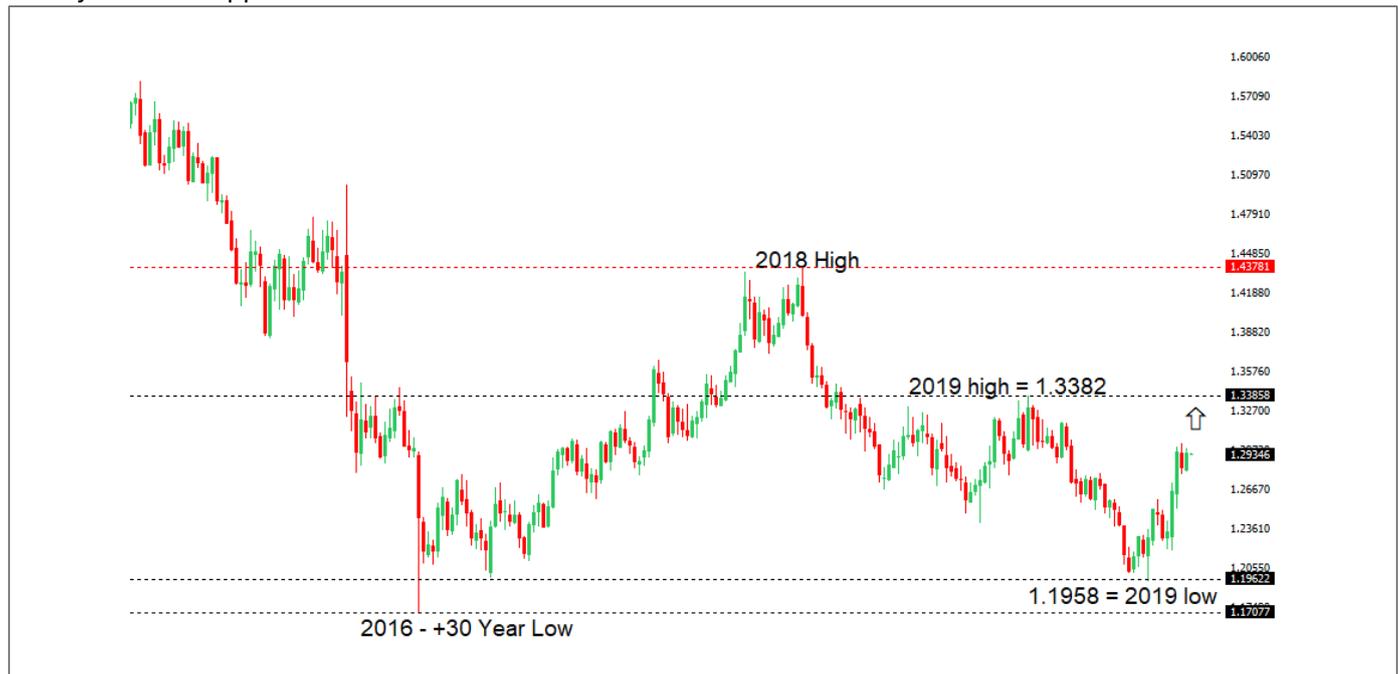
The Euro has been under mild pressure all week, and came under additional pressure on Thursday. The European Commission lowered growth and inflation forecasts, while German industrial production disappointed. ECB Holzmann was on the wires suggesting the central bank should disclose voting results by name. Looking at the Friday docket, key standouts come in the form of German trade, a Fed Brainard speech, and Michigan confidence.

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 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 1.2976** - 31 October high - Medium
- **S1 1.2789** - 24 October low - Strong
- **S2 1.2700** - Figure - Medium

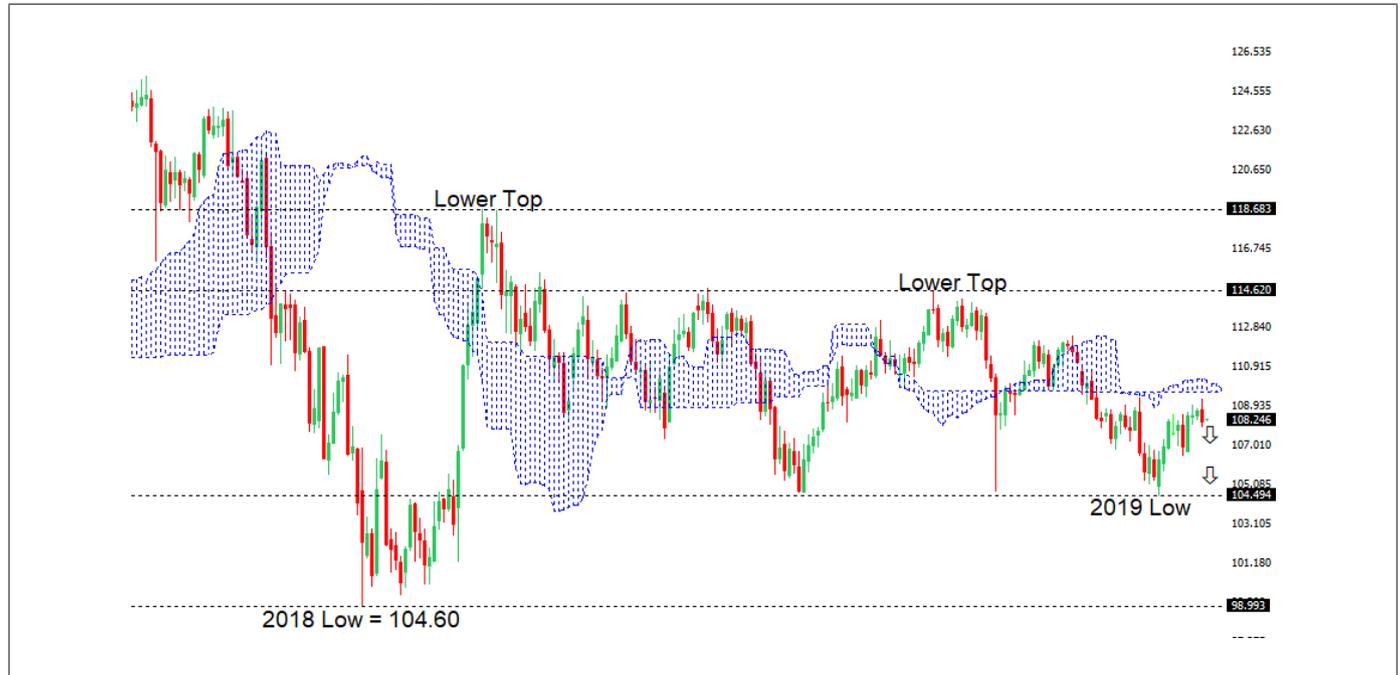
GBPUSD - fundamental overview

The Pound took another shot on Thursday after the Bank of England communicated a more dovish and downbeat message than expected. While the central bank did leave rates on hold, it upgraded concerns about Brexit, UK growth and global risk. Carney's comment that UK growth had slowed below its potential only added more downside pressure. BOE's Saunders and Haskel both dissented, appealing for a 25 basis point rate cut. Looking at the Friday docket, key standouts come in the form of a Fed Brainard speech, and Michigan confidence. There is no first tier data out of the UK.

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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 110.00** - Psychological - Strong
- **R1 109.49** - 7 November high - Strong
- **S1 108.65** - 7 November low - Medium
- **S2 107.89** - 1 November low - Strong

USDJPY - fundamental overview

The Yen hasn't really cared much about the solid Japan data out on Friday, instead more focused on China reads and trade deal updates. China trade data came in better than expected, which inspired some Yen offers, though there weren't enough offers to offset renewed Yen demand on the back of less positive headlines from the US-China trade deal front. Looking at the Friday docket, key standouts come in the form of a Fed Brainard speech, and Michigan confidence.

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EURCHF - technical overview

The market is attempting to recover out from its lowest levels in two years, with the recent break back above 1.1000 taking the immediate pressure off the downside and opening the door for a larger correction back towards next key resistance at 1.1160. Overall however, the medium-term picture continues to favour the downside, and the market could have a hard time pushing much beyond that solid previous support turned resistance around 1.1160.



- **R2 1.1173** - 2 July high - Strong
- **R1 1.1060** - 17 October high - Medium
- **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 0.7083** - 19 July high - Strong
- **R1 0.6930** - 31 October high - Strong
- **S1 0.6809** - 25 October low - Medium
- **S2 0.6710** - 10 October low - Strong

AUDUSD - fundamental overview

No reaction to Friday's RBA SOMP, which came out as expected. We did see some Aussie supportive data out of China, with China trade exceeding expectation, though this wasn't enough to prevent Aussie from trading lower on the conflicting headlines relating to progress on the US-China trade deal front. Looking at the Friday docket, key standouts come in the form of a Fed Brainard speech, and Michigan confidence.

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 1.3240** - 15 October high - Strong
- **R1 1.3209** - 30 October high - Medium
- **S1 1.3042** - 29 October low - Medium
- **S2 1.3016** - 19 July/2019 low - Strong

USDCAD - fundamental overview

The Canadian Dollar is lower on the week against the Buck, but is no longer sitting at the bottom of the pile, instead moving closer to the top of the list. This is largely in part to relative weakness in its commodity currency cousins, more stressed about less encouraging headlines from the US-China trade front. We've also seen the price of OIL holding up well following a recent dip, something that has added to the Loonie's stabilization. Looking at the Friday docket, key standouts come in the form of the Canada jobs report, a Fed Brainard speech, and Michigan confidence. We also get Canada housing starts and building permits.

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 0.6500** - Psychological - Strong
- **R1 0.6465** - 4 November high - Medium
- **S1 0.6341** - 7 November low - Medium
- **S2 0.6241** - 16 October low - Strong

NZDUSD - fundamental overview

The New Zealand Dollar has been suffering this week on the back of a worrying Kiwi jobs report and concerns about hiccups in the US-China partial trade deal. Looking at the Friday docket, key standouts come in the form of a Fed Brainard speech, and Michigan confidence.

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 2854, with a break below to strengthen the outlook. A monthly close above 3100 would be required to compromise the outlook.



- **R2 3100** - Psychological - Strong
- **R1 3097** - 7 November/**Record high** - 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 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 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 consolidate in the aftermath of a major surge in the second quarter of 2019. However, any setbacks should be very well supported ahead of 7,000, 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 7,000 would compromise the constructive outlook.



- **R2 10,920** - 6 September high - Strong
- **R1 10,468** - 26 October high - Medium
- **S1 8,806** - 11 October high - Medium
- **S2 7,326** - 23 October 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 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 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 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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