

Global FX Insights

by LMAX Exchange Research & Analytics

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

US-China updates driving markets [Wake-up call](#)

Overall, price action has been subdued, with global markets coming out of a very quiet Wednesday session of trade. What little updates we have seen have been risk positive, as headlines come through of China still being open to a partial trade deal with the US, and US sources confirming talks are ongoing.

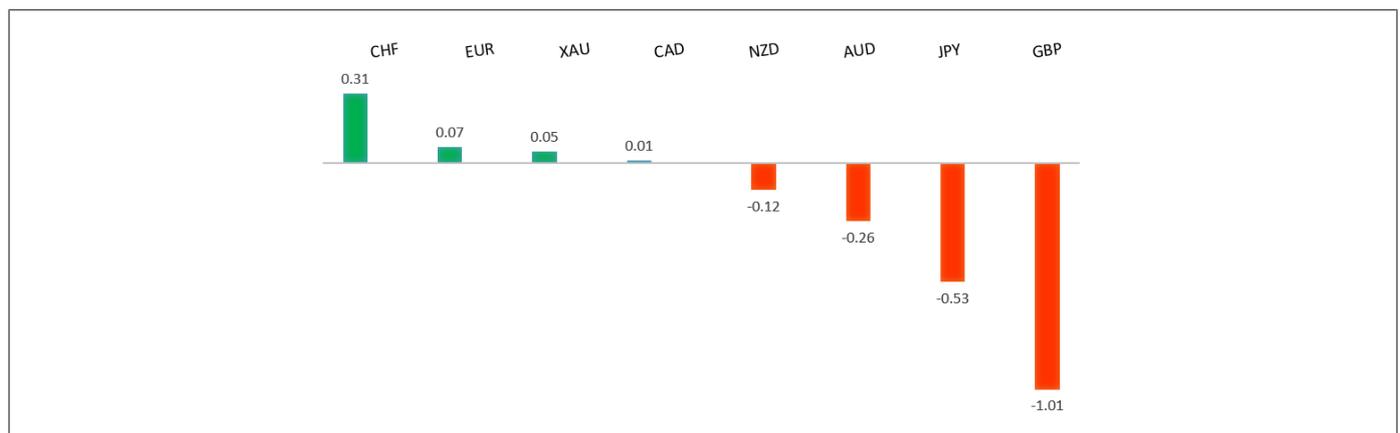
Technical highlights [Daily Video](#)

- [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
- [GOLD \(spot\)](#) Room for run towards 2k
- [BTCUSD](#) Setbacks viewed as corrective
- [ETHUSD](#) Additional downside limited

Fundamental highlights

- [EURUSD](#) ECB Minutes digested
- [GBPUSD](#) UK data and BOE Carney speak
- [USDJPY](#) Yen sensitive to **US-Sino trade**
- [EURCHF](#) SNB policy falls on tougher times
- [AUDUSD](#) Most of Aussie focus on risk sentiment
- [USDCAD](#) Waiting for next move in OIL price
- [NZDUSD](#) ANZ raises Fonterra forecast
- [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

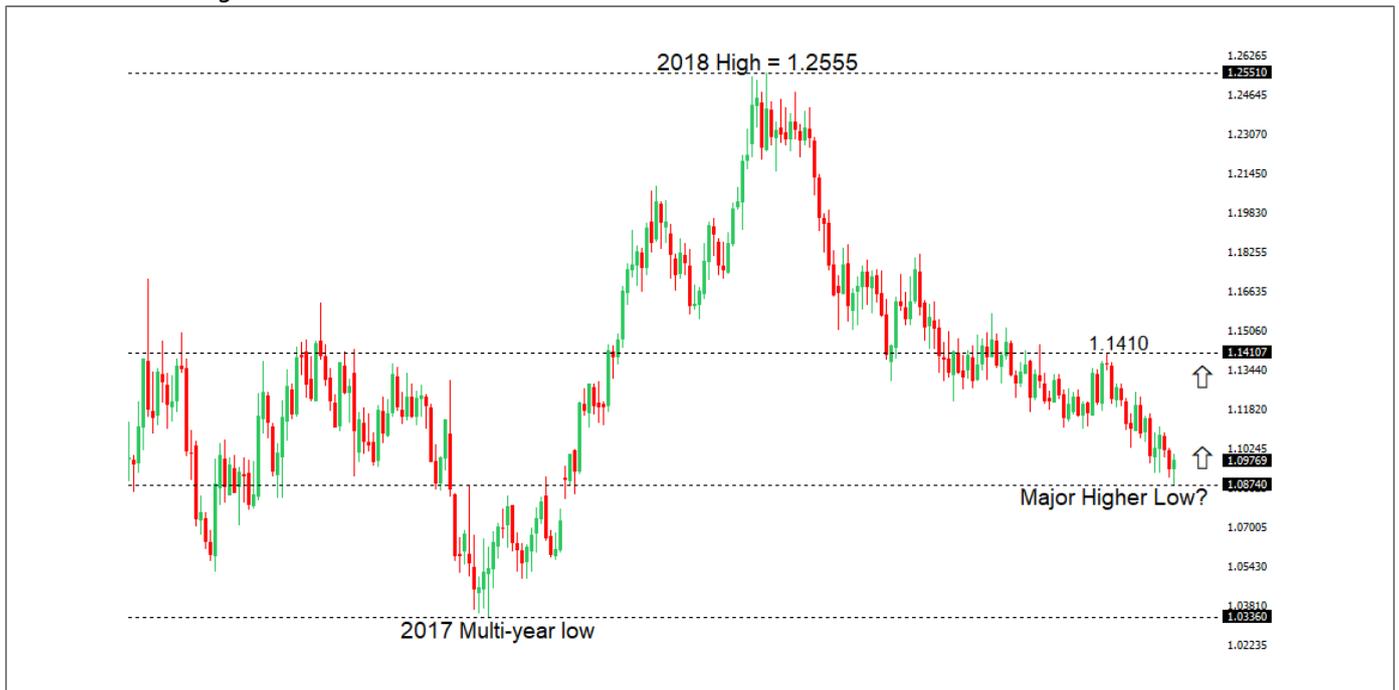


Suggested reading

- [This Stock Market Is Straight Out of 'The X-Files'](#), R. Burgess, **Bloomberg** (October 9, 2019)
- [How Falling Interest Rates Impact the US Economy](#), R. Armstrong, **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 1.1026** - 23 September high - Strong
- **R1 1.1001** - 7 October high - Medium
- **S1 1.0904** - 2 October low - Medium
- **S2 1.0880** - 1 October/2019 low - Strong

EURUSD - fundamental overview

ECB Guindos said inflation expectations were not de-anchoring, while US wholesale inventories rose less than expected and US JOLTS job openings disappointed. Overall, no major reactions in the major pair and the market will be looking ahead to see what the latter half of the week brings. Looking ahead, key standouts on the calendar come in the form of German trade, the ECB Minutes, US CPI and US initial jobless claims. We also get central bank speak from ECB Lane and Fed Kashkari.

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 up around 1.2580.



- **R2 1.2414** - 3 October high - Strong
- **R1 1.2303** - 8 October high - Medium
- **S1 1.2195** - 8 October low - Strong
- **S2 1.2100** - Figure - Medium

GBPUSD - fundamental overview

There was talk of the EU offering a time limit to the Irish backstop, though EU sources saw no breakthrough on the matter. Lead EU Brexit negotiator conceded a deal was still possible, despite the difficult conditions. The two side have been firm in there positions but remain committed to see if they can get a deal done. Looking ahead, key standouts on the calendar come in the form of UK trade, industrial and manufacturing production, GDP, US CPI and US initial jobless claims. We also get central bank speak from BOE Carney and Fed Kashkari.

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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 108.00** - Figure - Medium
- **R1 107.78** - 10 October high - Medium
- **S1 106.48** - 3 October low - Medium
- **S2 106.32** - 5 September low - Strong

USDJPY - fundamental overview

The Yen has been moving up and down along with the turbulence in global trade updates and continues to be highly sensitive to developments relating to US-Sino talks. The fact that China was on the wires saying it was still open to a partial trade deal, was enough to inspire some weakness in the Yen in Wednesday trade. No reaction to data out of Japan today, after producer prices came in as expected, machine orders were softer, and bank lending held relatively steady. Looking ahead, key standouts on the calendar come in the form of US CPI and initial jobless claims. We also get central bank speak from Fed Kashkari.

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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 1.1020** - 18 September high - Strong
- **R1 1.0980** - 3 October 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.



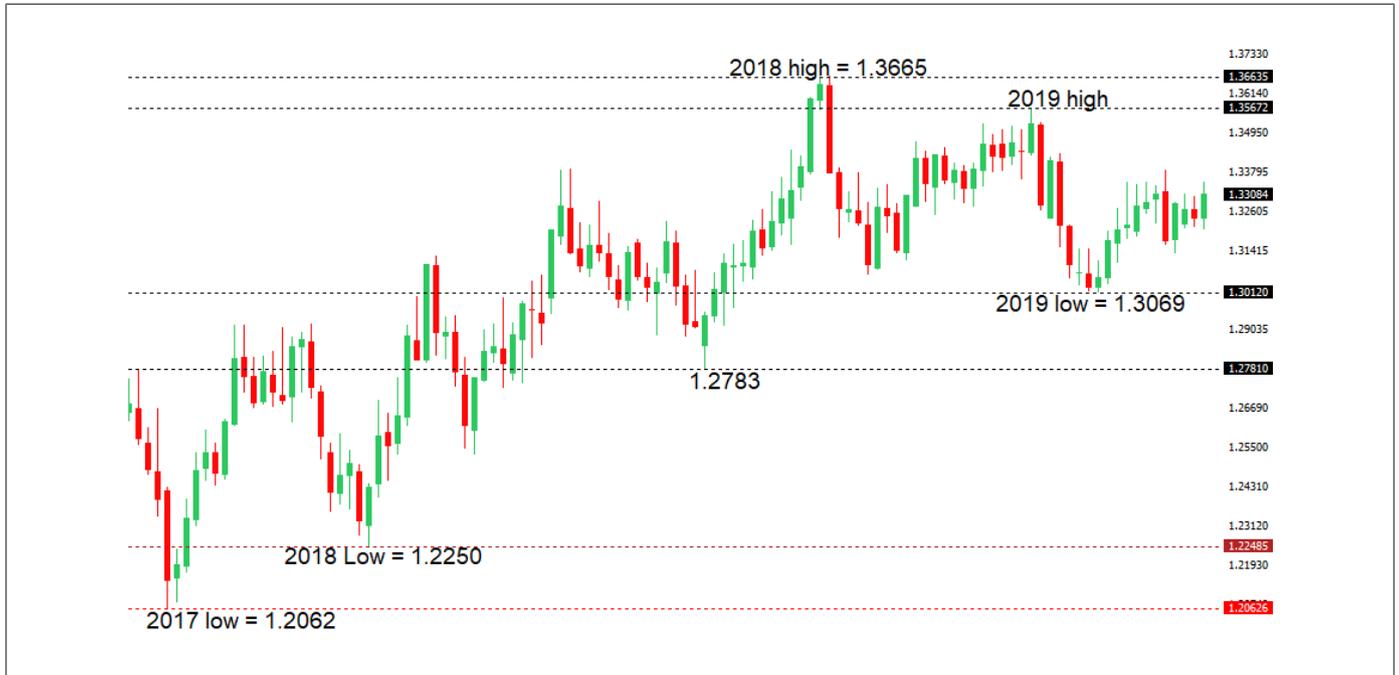
- **R2 0.6806** - 24 September high - Strong
- **R1 0.6774** - 4 October high - Medium
- **S1 0.6710** - 10 October low - Medium
- **S2 0.6671** - 2 October/2019 low - Strong

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 China still open to a partial deal and US sourcing saying trade talks are scheduled to proceed this week. Today's Aussie data has largely been ignored in light of the bigger picture macro theme driving Aussie. Aussie home loans moderated sharply, while investment lending surged. Looking ahead, key standouts on the calendar come in the form of US CPI and initial jobless claims. We also get central bank speak from Fed Kashkari.

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, and relief associated with US-Canada trade deal prospects, have also been helping to bolster the Loonie. Looking ahead, key standouts on the calendar come in the form of Canada housing data, US CPI and initial jobless claims. We also get central bank speak from Fed Kashkari.

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 China still open to a partial deal and US sourcing saying trade talk are scheduled to proceed this week. 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. Looking ahead, key standouts on the calendar come in the form of US CPI and initial jobless claims. We also get central bank speak from Fed Kashkari.

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.



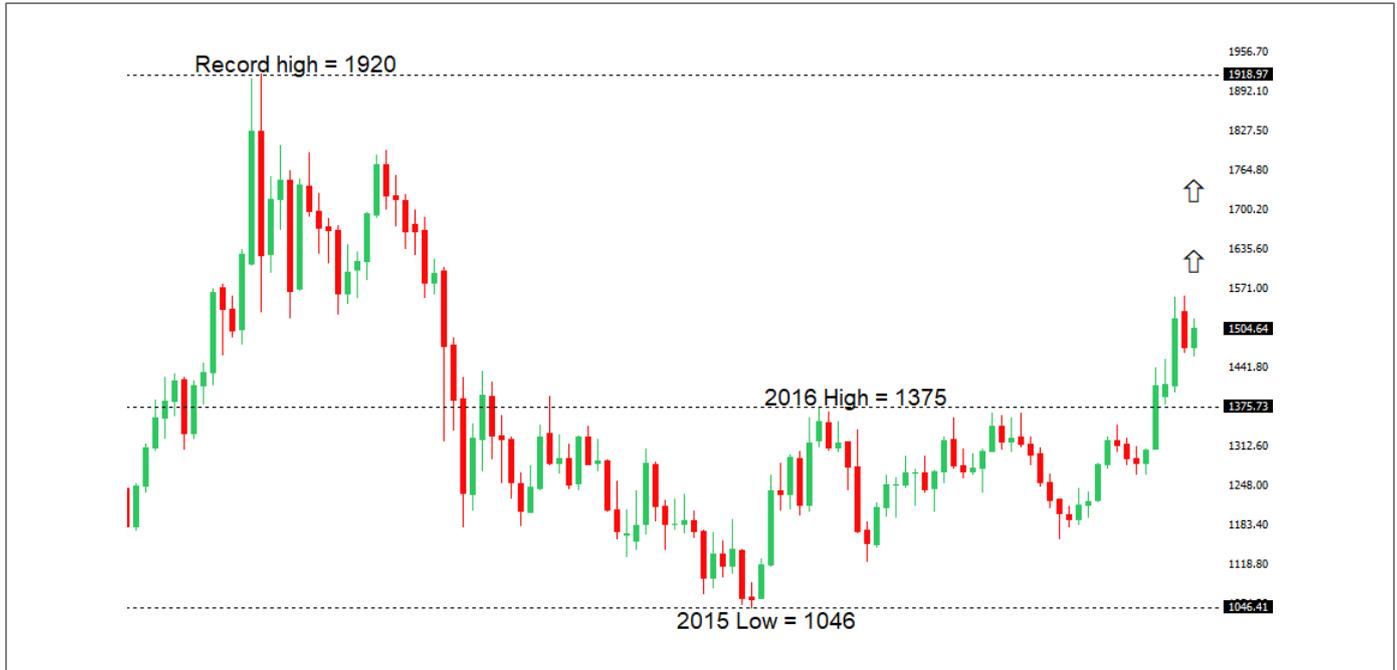
- **R2 3029** - 26 July/**Record high** - Strong
- **R1 2959** - 7 October low - Medium
- **S1 2854** - 3 October low - Medium
- **S2 2777** - 6 August low - Strong

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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