

Global FX Insights

by LMAX Exchange Research & Analytics

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

US Dollar lower, stocks higher on Powell comments 🔊 [Wake-up call](#)

We had said economic data ahead of Thursday's Fed decision wasn't going to mean all that much, and this proved to be the case, with all of the positive US Dollar momentum from a solid round of US GDP data fizzling out after the Fed Chair said the central wasn't thinking of raising rates.

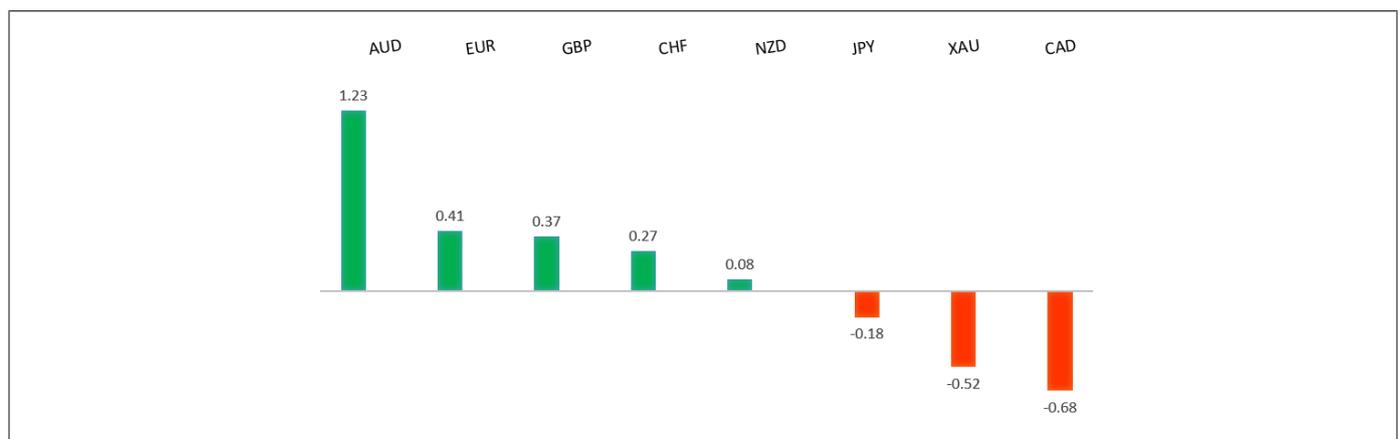
Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Room for recovery to extend
- [GBPUSD](#) Looking for next higher low
- [USDJPY](#) Rallies should be well capped
- [EURCHF](#) Lower top sought out
- [AUDUSD](#) Bounces from longer-term support
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Fundamental highlights

- [EURUSD](#) Incoming Lagarde makes waves
- [GBPUSD](#) Johnson gets election date
- [USDJPY](#) BOJ holds as widely expected
- [EURCHF](#) SNB faces tougher battle with Franc
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- [BTCUSD](#) More institutional demand expected
- [ETHUSD](#) Ether exposed to traditional markets

5 Day Performance vs. US dollar



Suggested reading

- [Powell Will Need a Horror Show to Cut Again](#), J. Authers, **Bloomberg** (October 31, 2019)
- [How Boris Johnson's Election Gamble Maps Out](#), R. Shrimley, **Financial Times** (October 30, 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 1.1250** - 6 August high - Strong
- **R1 1.1180** - 21 October high - Medium
- **S1 1.1065** - 17 October low - Medium
- **S2 1.0991** - 15 October low - Strong

EURUSD - fundamental overview

All it took was the Fed Chair to say the central bank wasn't thinking of raising rates right now, and the market was happy to be selling the Buck and buying Euros. This after the Dollar had rallied on solid US GDP data and what otherwise came off as a hawkish rate cut from the Fed. Incoming ECB President Lagarde said 'economic growth is precarious and fragile,' and Germany and the Netherlands should use their budget surpluses. Meanwhile, the German finance ministry said tax revenues would remain relatively robust, even in the face of a slowing economy. On the data front, Eurozone economic confidence came in below forecast, German unemployment was as expected, while CPI exceeded forecasts. Looking ahead, we get German retail sales, an ECB Guindos speech, Eurozone growth, Eurozone inflation, US personal income, personal spending and core PCE, initial jobless claims and Chicago PMIs.

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 1.3000** - Psychological - Medium
- **S1 1.2749** - 17 October low - Medium
- **S2 1.2657** - 16 October low - Strong

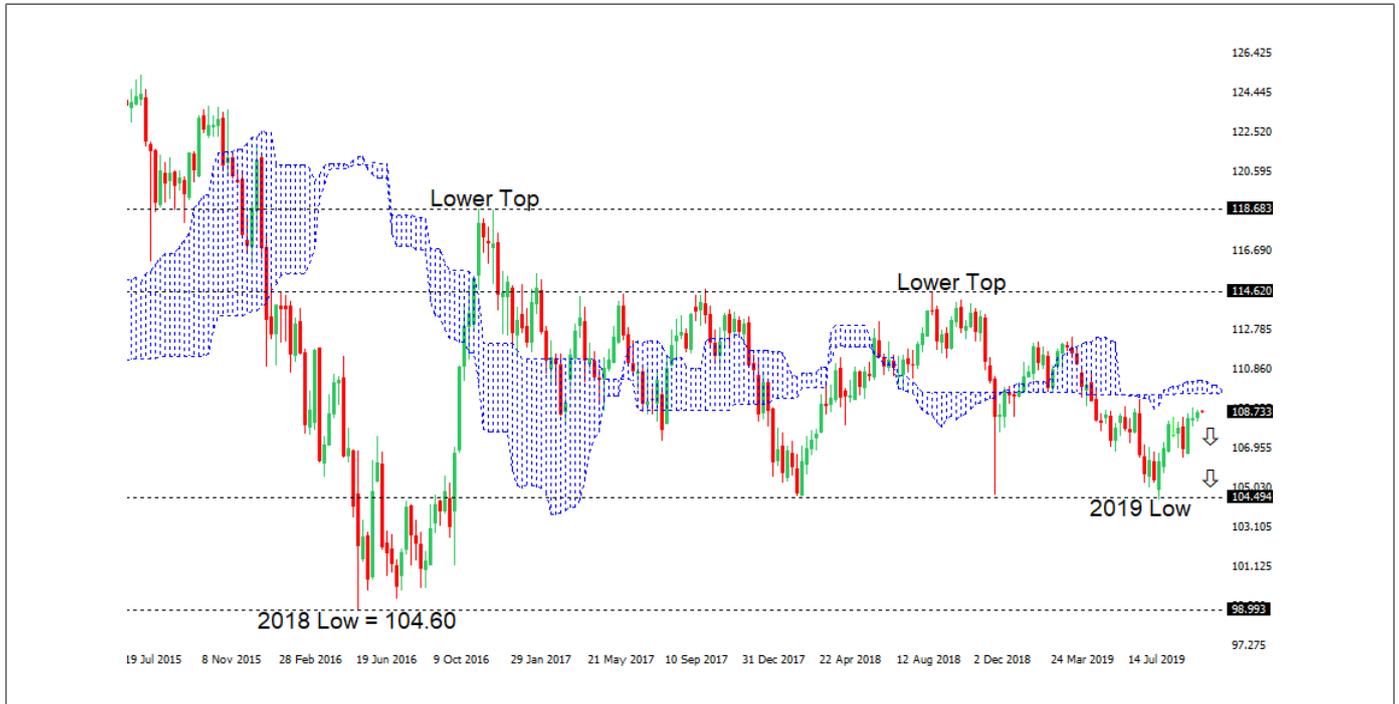
GBPUSD - fundamental overview

Most of Wednesday price action revolved around the Fed decision, with the Buck ultimately selling off, despite what appeared to be a hawkish rate cut, after the Fed Chair said there was no thought of raising rates. Over on the Brexit side, Boris Johnson won backing to trigger an election on December 12th, which means we won't really have any clarity on the Brexit outlook until the election result. Looking ahead, we get US personal income, personal spending and core PCE, initial jobless claims and Chicago PMIs. There is no first tier data scheduled out of the UK on Thursday.

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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 109.32** - 1 August high - Strong
- **R1 109.00** - Figure - Medium
- **S1 108.25** - 23 October low - Strong
- **S2 107.85** - 11 October low - Medium

USDJPY - fundamental overview

The Fed and BOJ decisions have come and gone and it hasn't meant a whole lot for the Yen just yet. Both central banks delivered on the whole as expected, though the Fed decision had a bit more of a hawkish tone, despite the rate cut and comments from the Fed Chair that there were no plans to be hiking rates at the moment. The market will continue to digest fallout from the decisions, while keeping an eye on global trade updates and risk appetite. Looking ahead, we get US personal income, personal spending and core PCE, initial jobless claims and Chicago PMIs.

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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.



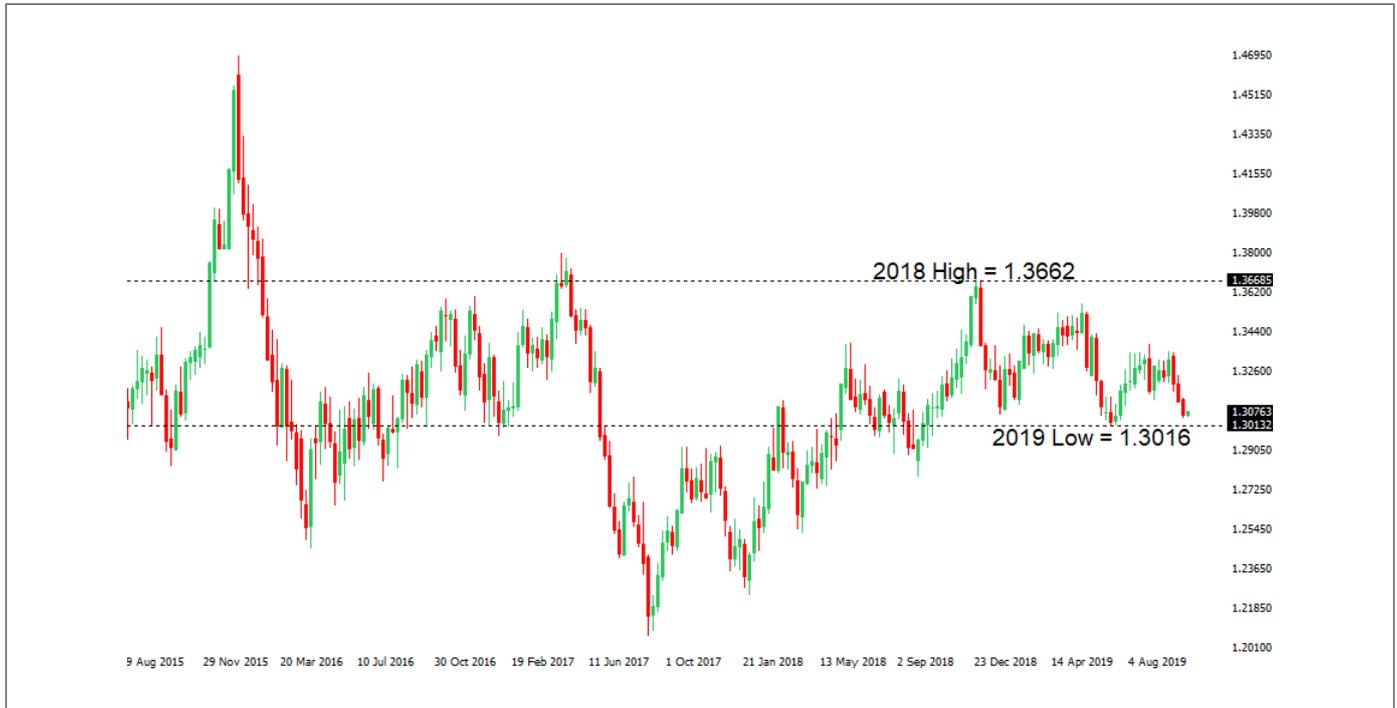
- **R2 0.7083** - 19 July high - Strong
- **R1 0.6956** - 26 July high - Medium
- **S1 0.6809** - 25 October low - Medium
- **S2 0.6710** - 10 October low - Strong

AUDUSD - fundamental overview

The Australian Dollar has been running on all cylinders on Thursday, with the currency benefitting from a number of fronts. Initially, we saw broad based profit taking on US Dollar longs post Fed decision, after the Fed cut rates and Fed Chair Powell said there was no thought of raising rates anytime soon. We also saw Aussie strength on positive momentum carry over from Kiwi buying as rate cut expectations for the RBNZ were priced out. And finally, Aussie data came in on the better side of expectation, as reflected through building approvals and export prices. Looking ahead, we get US personal income, personal spending and core PCE, initial jobless claims and Chicago PMIs.

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 Bank of Canada came out with a more dovish leaning policy decision than expected, which opened a wave of profit taking on long Canadian Dollar exposure. The central bank held rates as widely expected, but spent more time highlighting downside risks than was anticipated. Looking ahead, we get Canada GDP, Canada producer prices, US personal income, personal spending and core PCE, initial jobless claims and Chicago PMIs.

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 0.6451** - 12 September high - Strong
- **R1 0.6436** - 22 October high - Medium
- **S1 0.6343** - 18 October low - Medium
- **S2 0.6241** - 16 October low - Strong

NZDUSD - fundamental overview

The New Zealand Dollar has received quite a boost into Thursday. Kiwi has been running higher on broad based USD selling post Fed decision, and on the back of news Westpac has scrapped its call for a November RBNZ rate cut. We've also seen Kiwi data come in better than expected, as reflected through business confidence and building permits. Looking ahead, we get US personal income, personal spending and core PCE, initial jobless claims and Chicago PMIs.

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 3056** - 30 October/**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. We also don't think optimism around Powell's comment about not looking to hike any time soon, will be sustainable.

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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