

Global FX Insights

by LMAX Exchange Research & Analytics

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

Waiting for the next trade deal update [Wake-up call](#)

It's been an ongoing back and forth and the latest swing is to the downside, with the market feeling less optimistic about the US-China trade deal into Wednesday. Stocks have pulled back as a result, while at the same time, we've seen a wave of broad based demand for the US Dollar.

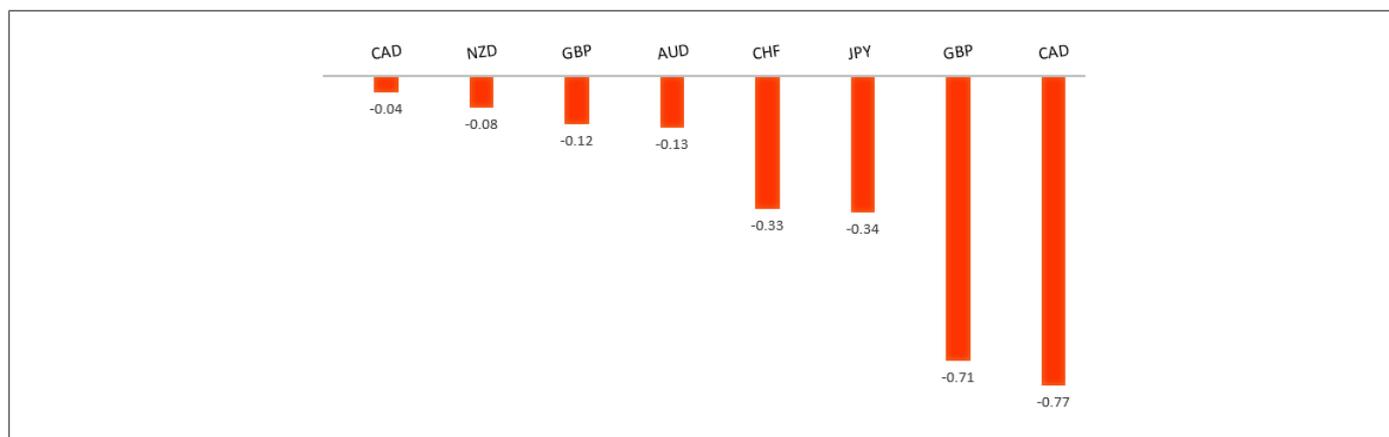
Technical highlights [Daily Video](#)

- [EURUSD](#) Setbacks viewed as corrective
- [GBPUSD](#) Well supported on dips
- [USDJPY](#) Rallies should be well capped
- [EURCHF](#) Lower top sought out
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Fundamental highlights

- [EURUSD](#) ECB Muller says no change expected
- [GBPUSD](#) Dominic Raab talks Iran risk
- [USDJPY](#) No reaction to BOJ Minutes
- [EURCHF](#) SNB faces tougher battle with Franc
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- [ETHUSD](#) Ether exposed to traditional markets

5 Day Performance vs. US dollar

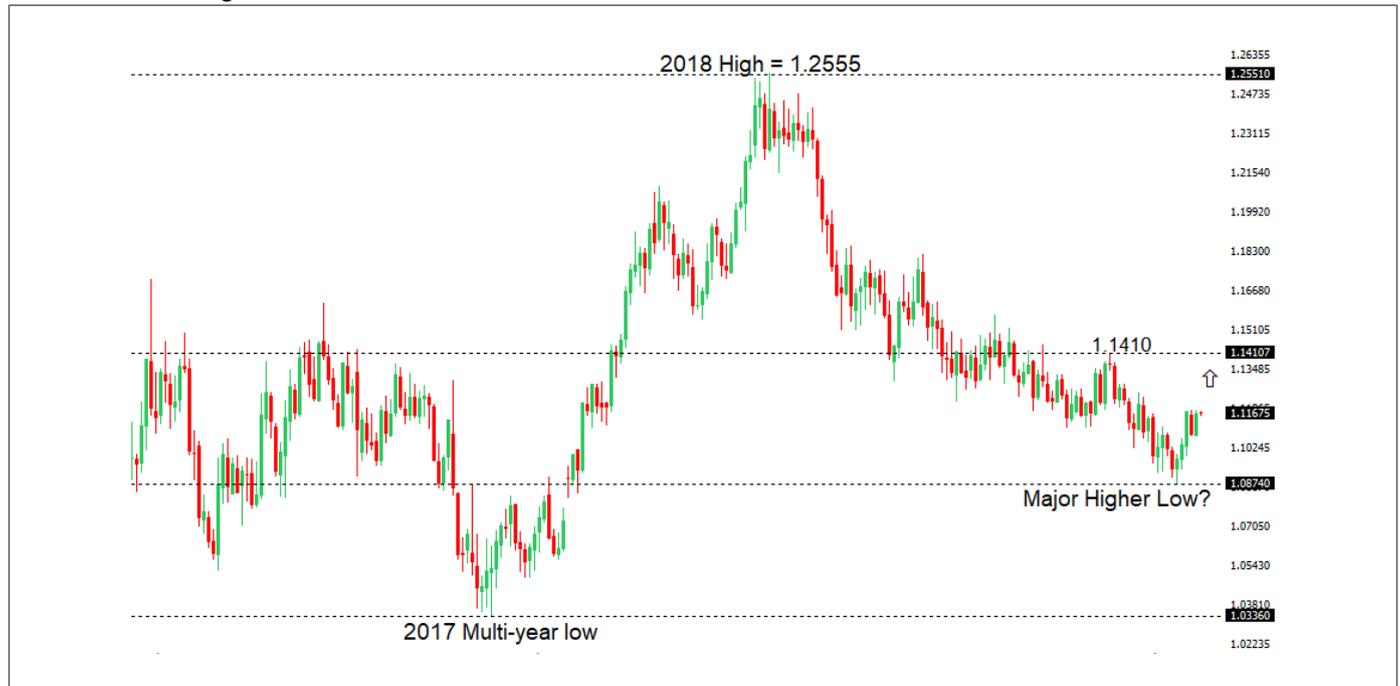


Suggested reading

- [One Tether Trader Didn't Cause the Bitcoin Bubble](#), E. Ou, **Bloomberg** (November 5, 2019)
- [What Economics Can Teach About Dieting](#), M. Gulker, **AIER** (November 4, 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 fell some more on Tuesday, though there wasn't much going on to attribute the decline to. US ISM non-manufacturing did come in stronger than expected, which may have contributed to Euro declines, but at the same time, the US trade deficit was a little larger than forecast. On the Euro side, we heard from a lot of officials. The ECB's Muller said 'no change in the ECB's policies is expected over the near-term', and 'the domestic economy is still strong in the Euro-area'. The ECB's de Cos said 'we are entering into a deceleration path for the Euro-area which is very obvious', and we 'mustn't rely on Germany for a fiscal boost'. The BoF's Villeroy said that 'in a gloomy international environment, France is resisting well' and forecasted French GDP growth of 1.3% in both 2019 and 2020. Eurozone producer prices came in around consensus. Looking ahead, key standouts on the calendar come in the form of German factory orders, German services PMIs, Eurozone services PMIs, Eurozone retail sales, and central bank speeches from ECB's Guindos and Mersch, and the Fed's Evans, Williams and Harker.

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

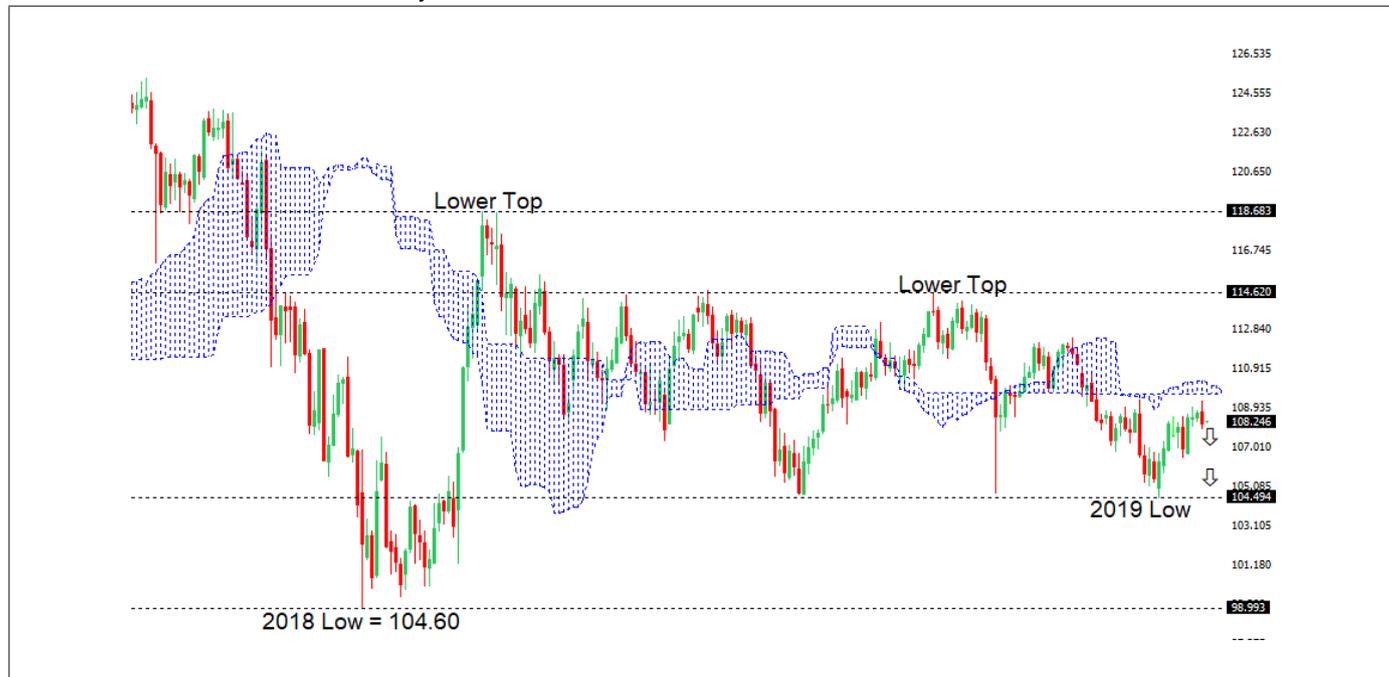
GBPUSD - fundamental overview

UK services PMIs came in above forecast on Tuesday, which helped to keep the Pound propped up despite broad US Dollar demand on the back of a US ISM non-manufacturing beat. Elsewhere, UK Foreign Secretary Dominic Raab said Iran's 'intention to further reduce compliance' with the Joint Comprehensive Plan of Action nuclear deal is a 'risk to UK National Security'. Looking ahead, there is no first tier data on the UK and US calendars. Instead the focus will be on bigger picture updates and central bank speak from Fed Evans, Williams and Harker.

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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 109.32** - 1 August high - Strong
- **S1 108.54** - 5 November low - Medium
- **S2 107.89** - 1 November low - Strong

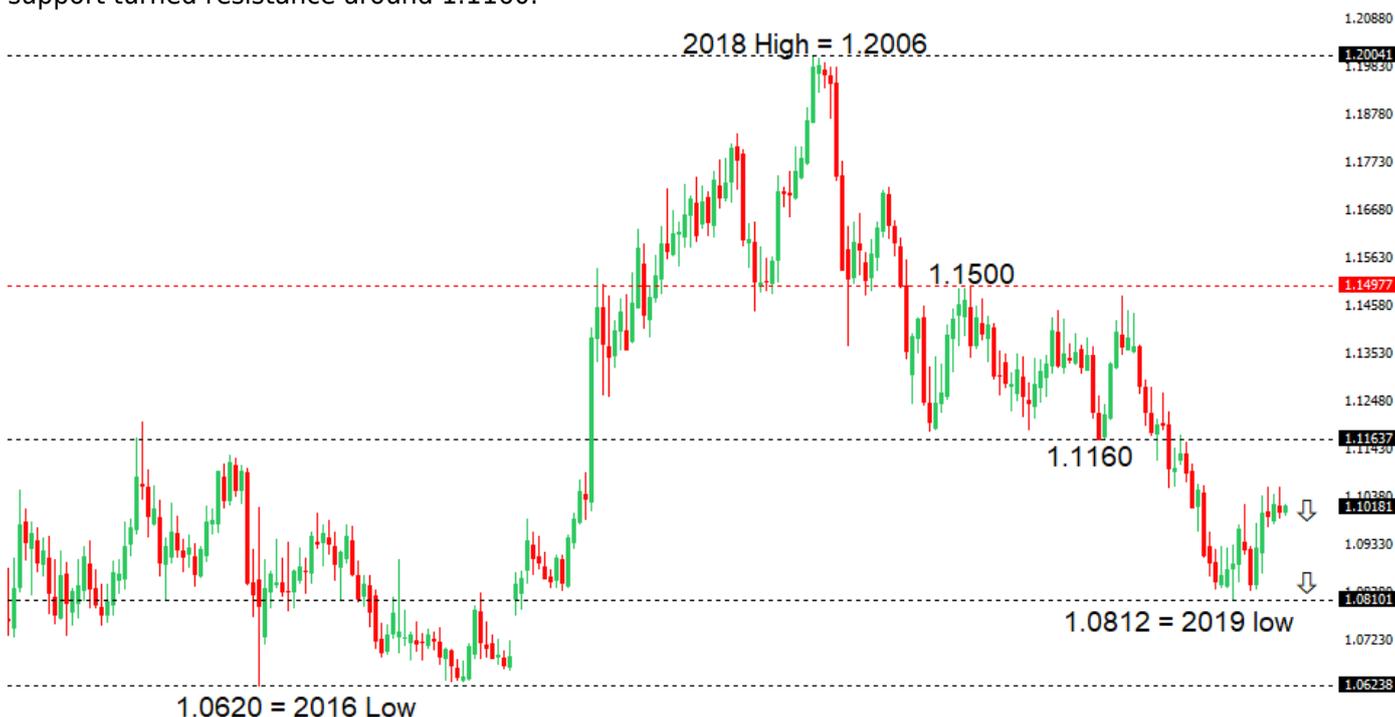
USDJPY - fundamental overview

The Yen had been lower this week on partial trade deal optimism between the US and China, though worry has begun to set back in, which has inspired some profit taking on long USDJPY exposure. There was no reaction to the BOJ Minutes. Looking ahead, there is no first tier data on the US calendar. Instead the focus will be on bigger picture updates and central bank speak from Fed Evans, Williams and Harker.

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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.



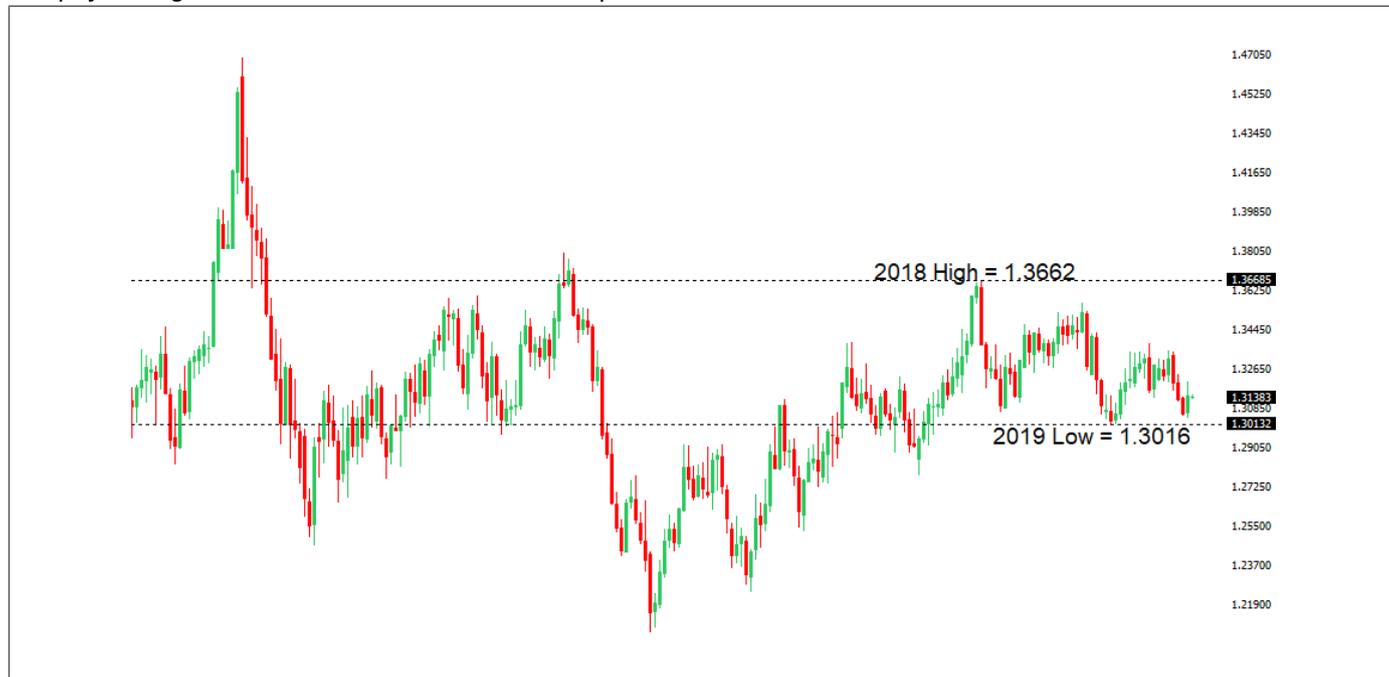
- **R2 0.7083** - 19 July high - Strong
- **R1 0.6930** - 31 October high - Strong
- **S1 0.6809** - 25 October low - Medium
- **S2 0.6710** - 10 October low - Strong

AUDUSD - fundamental overview

The RBA decision has come and gone without any major surprises. On Tuesday, the central bank left policy on hold as was widely expected, though if there was something to talk about at all, it was the fact that the RBA sounded a little less dovish than many had been expecting. This helped to prop Aussie after the currency underwent a minor round of setbacks in Monday trade. We have seen some Aussie selling on broad based US Dollar demand post Tuesday's better than expected US ISM non-manufacturing read. Looking ahead, there is no first tier data on the US calendar. Instead the focus will be on bigger picture updates and central bank speak from Fed Evans, Williams and Harker.

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 has been underperforming of late, weighed down by a more dovish Bank of Canada decision and softer economic data. On Tuesday Canada trade data produced a larger than expected deficit. Setbacks have however stabilized with a rebound in the price of OIL playing a part. Looking ahead, there is no first tier data on the Canada and US calendars. Instead the focus will be on bigger picture updates and central bank speak from Fed Evans, Williams and Harker.

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 0.6343** - 18 October low - Medium
- **S2 0.6241** - 16 October low - Strong

NZDUSD - fundamental overview

A softer than expected New Zealand jobs report has taken the wind out of the sails of Kiwi bulls on Wednesday. The market had begun to scale back expectations for an RBNZ rate cut, and this latest report has invited those bets back to the table. Faded optimism around the US-China trade deal and a better than expected US ISM non-manufacturing print have also factored into this latest Kiwi weakness. Looking ahead, there is no first tier data on the US calendar. Instead the focus will be on bigger picture updates and central bank speak from Fed Evans, Williams and Harker.

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 3087** - 5 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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