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Global FX Insights

by LMAX Exchange Research & Analytics

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

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We're coming out of a quiet holiday Monday that had Japan, the US and Canada in holiday mode. There hasn't been a whole lot of change in market levels since last Friday's close, though what little we have seen, has been more risk off.

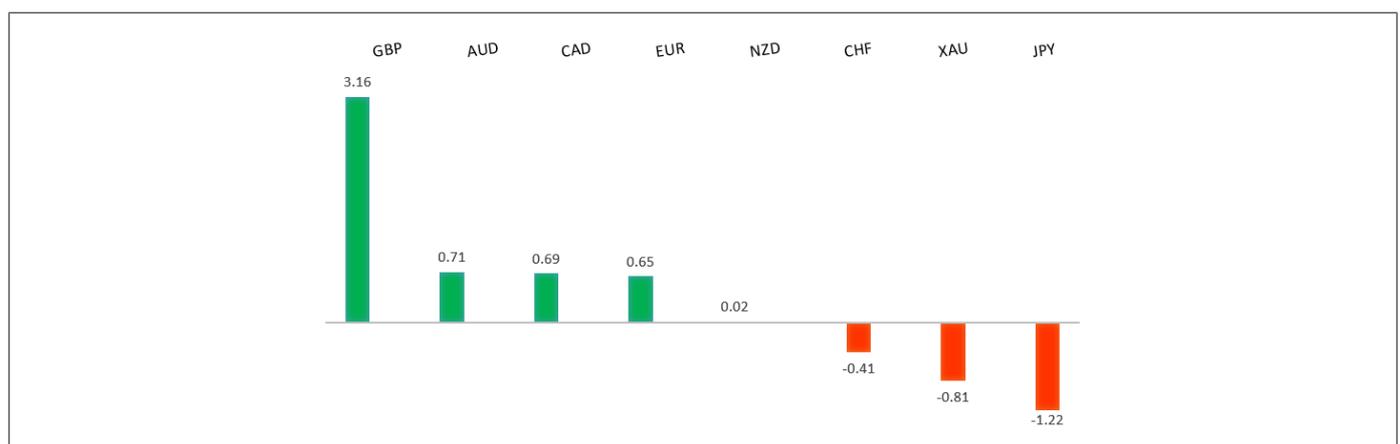
Technical highlights [Daily Video](#)

- [EURUSD](#) Turning up off major support
- [GBPUSD](#) Looking to establish major base
- [USDJPY](#) Should be well capped into rallies
- [EURCHF](#) Lower top sought out
- [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](#) Poised for big upside move
- [ETHUSD](#) Well supported into latest dip

Fundamental highlights

- [EURUSD](#) Eurozone, German ZEW reads
- [GBPUSD](#) UK employment data stands out
- [USDJPY](#) Plenty of sell interest into rallies
- [EURCHF](#) SNB policy falls on tougher times
- [AUDUSD](#) Aussie digests latest RBA Minutes
- [USDCAD](#) Loonie back to watching OIL moves
- [NZDUSD](#) Kiwi waiting for GDT auction results
- [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

- [Economics Nobel for Three Pragmatic Poverty-Fighters](#), N. Smith, **Bloomberg** (October 14, 2019)
- [Why Queen's Speech was Johnson's Manifesto](#), L. Hughes, **Financial Times** (October 14, 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 1.1164** - 26 August high - Strong
- **R1 1.1110** - 11 October high - Medium
- **S1 1.0941** - 8 October low - Strong
- **S2 1.0900** - Figure - Medium

EURUSD - fundamental overview

Flows have been more Euro supportive of late, with the single currency getting a lot of that prop from some broad based profit taking on US Dollar longs. The Euro has also been supported on ECB Guindos comments that the risk for a Euro area recession is very low, and on a better than expected Eurozone industrial production read. Looking ahead, Tuesday’s calendar features German and Eurozone ZEWs.

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 June high at 1.2785, with a break above exposing a measured move upside extension target at 1.3000. Setbacks should ideally be well supported ahead of 1.2300.



- **R2 1.2785** - 25 June high - Strong
- **R1 1.2708** - 11 October high - Medium
- **S1 1.2500** - Psychological - Medium
- **S2 1.2408** - 11 October low - Strong

GBPUSD - fundamental overview

The latest comments from EU Brexit negotiator Barnier have taken a little wind out of the Pound's sails, after the official said the UK's proposals for ending the stalemate over the Irish border lacked detail and risked leaving the single market vulnerable to fraud. It was also reported that EU leaders could hold another Brexit summit before the end of the month, given the fact that an agreement was unlikely to be reached before this week's scheduled meeting. Finland's PM said more time would be needed for Brexit negotiations, while Queen Elizabeth said the UK government's priority was to leave the EU on October 31st. Interesting, Pound supportive comments from BOE Ramsden, who said he saw less of a case for more accommodative policy. Looking ahead, Tuesday's calendar features UK employment data.

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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 107.04** - 10 October low - Medium
- **S2 106.48** - 3 October low - Strong

USDJPY - fundamental overview

Some risk off flow has come back into the market into Tuesday, which has been weighing on USDJPY. The news that China is looking for more talks before entering into a partial trade agreement, has been behind a lot of the downturn in sentiment and Yen demand. US Treasury Secretary Mnuchin has attempted to downplay the China story, saying both sides have made substantial progress and he expects a deal will get done. No immediate reaction to the US announcing sanctions on three Turkish officials, and higher tariffs from the US on Turkish steel. Looking ahead, the calendar is light, with only a speech from Fed Bullard standing out.

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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.



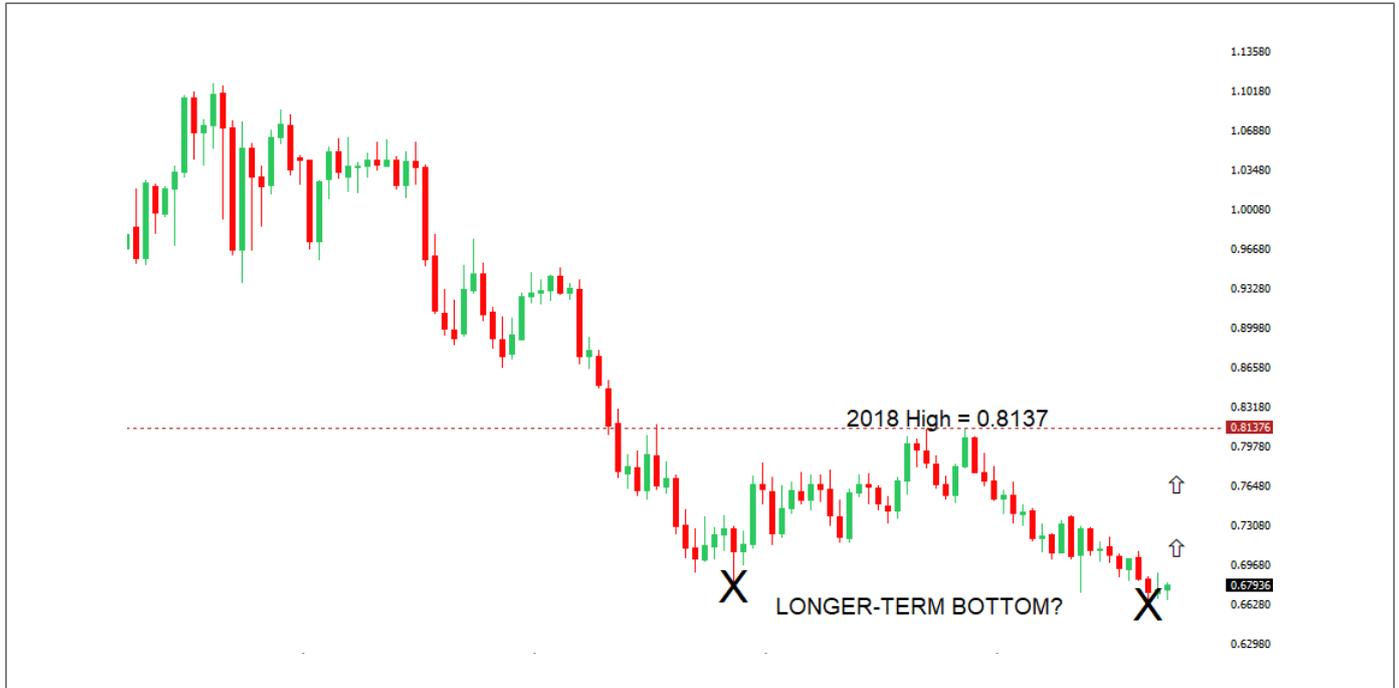
- **R2 1.1173** - 2 July high - Strong
- **R1 1.1040** - 11 October high - Medium
- **S1 1.0871** - 9 October low - Medium
- **S2 1.0811** - 4 September/2019 low - Strong

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.



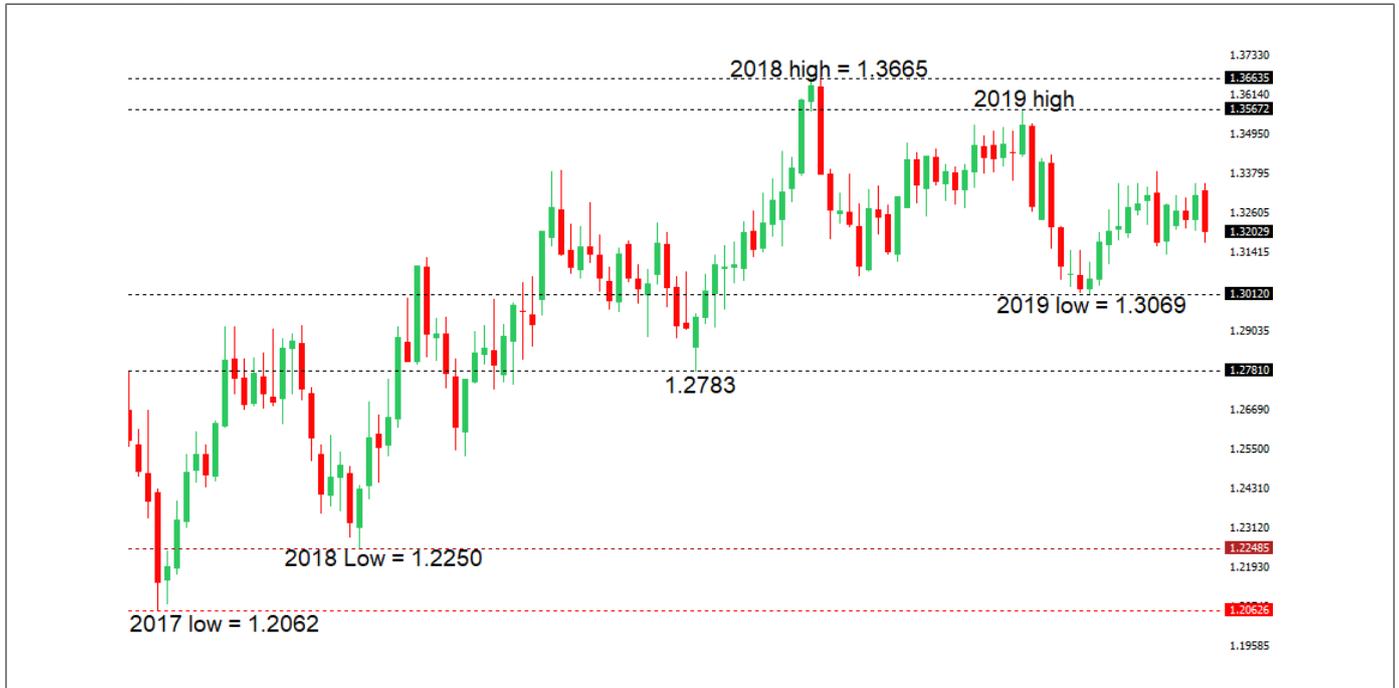
- **R2 0.6895** - 12 September high - Strong
- **R1 0.6832** - 19 September high - Medium
- **S1 0.6710** - 10 October low - Medium
- **S2 0.6671** - 2 October/2019 low - Strong

AUDUSD - fundamental overview

No major surprises from the latest RBA Minutes release. There was some mild selling that kicked in on the language that the RBA was ready to ease further if needed, though this was offset on the revelation in the Minutes that officials discussed the possible decline in the efficacy of interest rate cuts, the need to preserve firepower for future shocks, and the possibility that low interest rates would reignite a housing bubble. Meanwhile, China inflation reads came in mixed, failing to have any meaningful impact on Aussie. Looking ahead, the calendar is light, with only a speech from Fed Bullard standing out.

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 1.3301** - 11 October high - Medium
- **S1 1.3171** - 11 October low - Medium
- **S2 1.3133** - 10 September low - Strong

USDCAD - fundamental overview

The Canadian Dollar has enjoyed a recovery in recent sessions, with the Loonie initially getting a boost from positive news on the global trade front, before gaining momentum on last week's strong Canada jobs report. However, we've since seen that demand for the Loonie come to a halt, with the market getting back to being more worried about the prospect for a US-China trade deal, and with OIL prices reversing to the downside yet again. Looking ahead, the calendar is light, with only a speech from Fed Bullard standing out. There is no first tier data scheduled out of Canada or the US on Tuesday.

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 0.6400** - Figure - 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 of which have weighed on the currency, with the market not feeling too good about China wanting more talks before considering entering into a partial trade deal with the US. Looking ahead, Tuesday's calendar features a Fed Bullard speech and the New Zealand GDT auction.

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 3000 would be required to compromise the outlook.



- **R2 3029** - 26 July/Record high - Strong
- **R1 2994** - 11 October 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 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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