

Friday, October 4, 2019

📧 Get Global FX Insights via email - [click here](#)



Global FX Insights

by LMAX Exchange Research & Analytics

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

What will the Fed Chair say today? 🗣️ [Wake-up call](#)

We come into Friday with investors looking to regain appetite for risk, following a week of intense selling in US stocks. The major market drivers this week have been the deterioration in US economic data and ongoing efforts from the US administration to pursue its protectionist, soft Dollar trade policy.

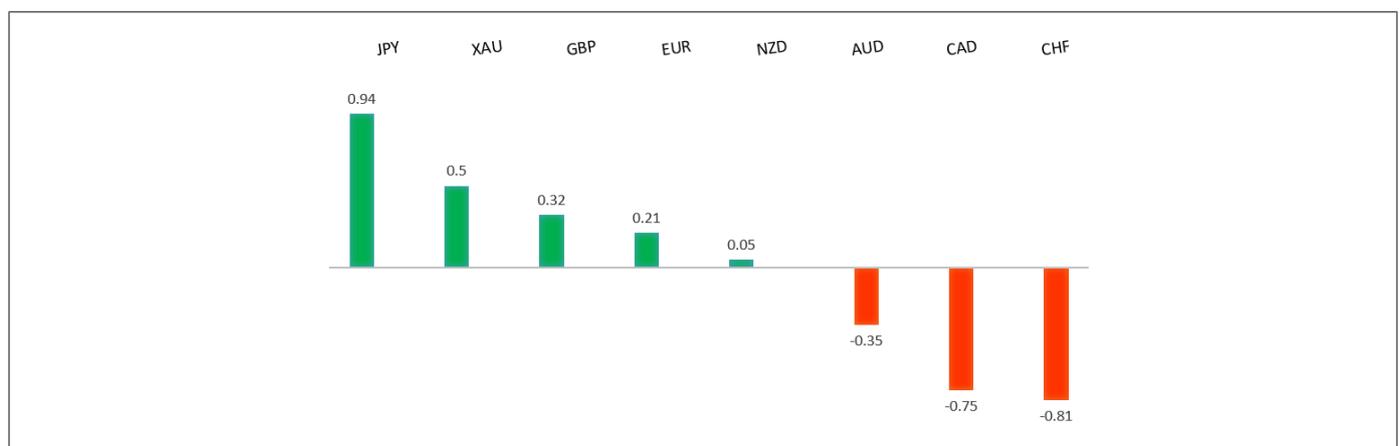
Technical highlights 📺 [Daily Video](#)

- [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](#) German construction PMIs
- [GBPUSD](#) Waiting for more Brexit updates
- [USDJPY](#) Wave of risk off invites Yen demand
- [EURCHF](#) SNB policy falls on tougher times
- [AUDUSD](#) Aussie retail sales taken in
- [USDCAD](#) Canada trade data and Ivey PMIs
- [NZDUSD](#) Kiwi looks to Fed Powell speech
- [US SPX 500](#) Investors brace for jobs report
- [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

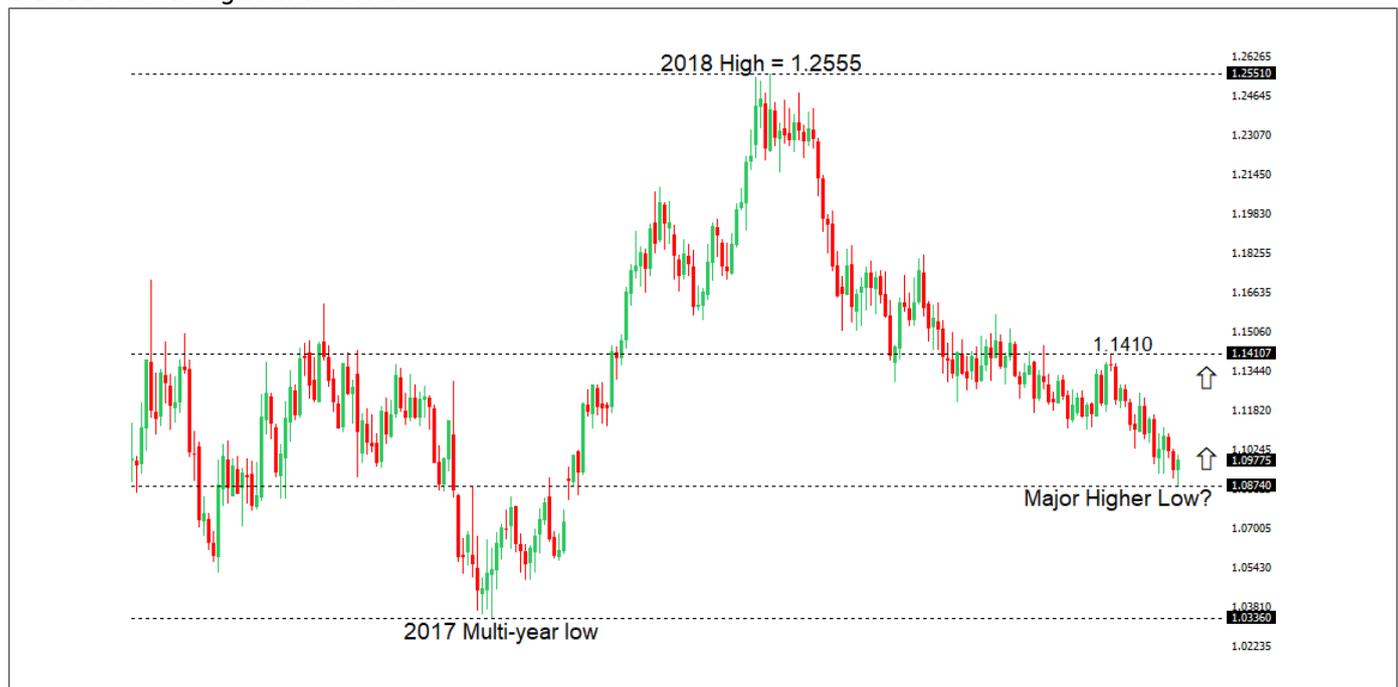


Suggested reading

- [Typhoons, Trade War, Taxes...Yet Japan's Still a Haven](#), R. Chan, **Bloomberg** (October 4, 2019)
- [Why Johnson's Plan to Break the Deadlock Won't Fly](#), L. Barber, **Financial Times** (October 3, 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 1.1000** - 3 October high - Medium
- **S1 1.0904** - 2 October low - Medium
- **S2 1.0880** - 1 October/2019 low - Strong

EURUSD - fundamental overview

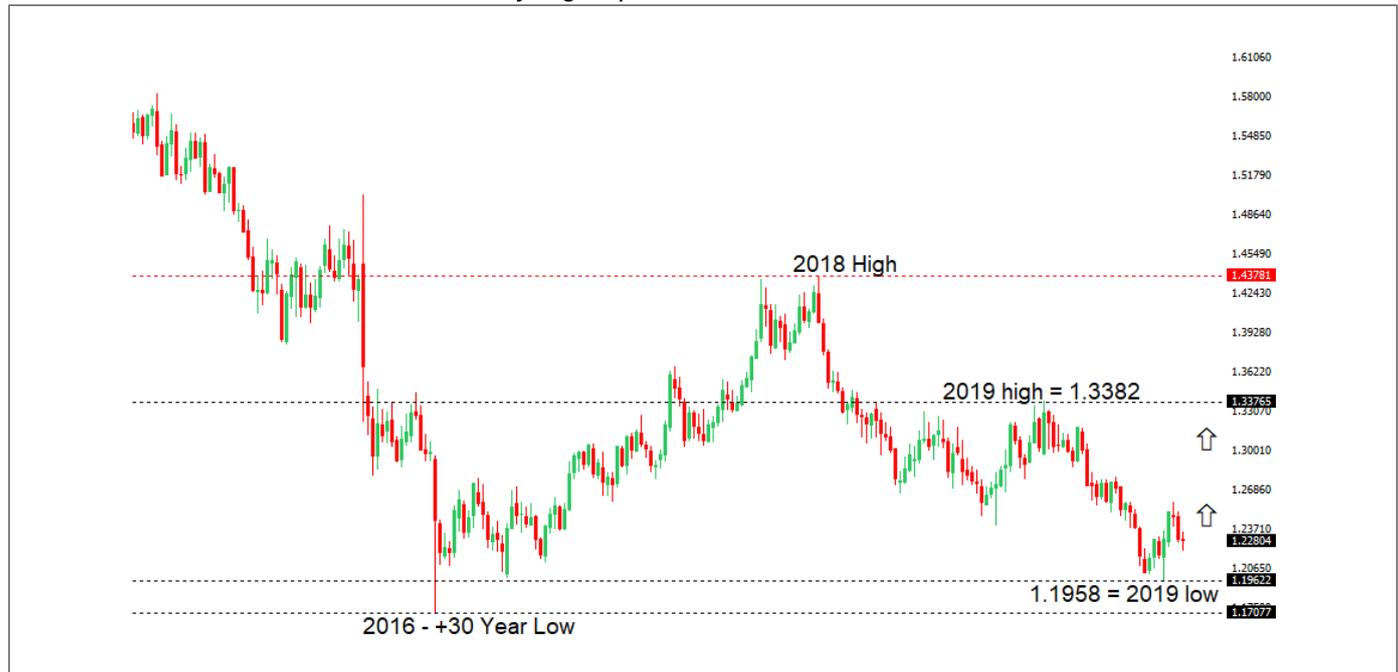
Data out of the Eurozone has been discouraging this week, while ECB speak has been quite dovish. And yet, the Euro has managed to put in an impressive recovery, with the single currency finding demand amidst a wave of broad based US Dollar weakness. It seems, the slowdown in US data has been more than offsetting, while ongoing US administration efforts to push forward with its soft Dollar trade policy initiative are also factoring into the price action. Looking ahead, the US jobs report and a speech from the Fed Chair will be the main focus on the calendar. Other standouts include German construction PMIs, an ECB Guindos speech, US trade, and Fed speak from Bostic, Brainard, Quarles and Clarida.

EURUSD - Technical charts in detail

[Watch now](#)

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 1.2500** - Psychological - Strong
- **R1 1.2414** - 3 October high - Medium
- **S1 1.2266** - 3 October low - Medium
- **S2 1.2205** - 1 October low - Strong

GBPUSD - fundamental overview

The EU parliament was not feeling good about Boris Johnson's latest proposal for a Brexit solution, calling it a repackaging of old proposals. Reports have since emerged that Boris Johnson has a Plan B in place if the EU officially rejects his deal that includes a clear time limit on the Irish backstop. It was also learned the EU would be prepared to grant yet another extension, this time beyond the current October 31st deadline, even if the UK PM fails to request one. The Pound has been better bid this week, perhaps on this news and on the back of broad based profit taking on long US Dollar exposure. Softer UK PMI data hasn't played much of a part in price action. Looking ahead, the US jobs report and a speech from the Fed Chair will be the main focus on the calendar. Other standouts include Brexit updates, US trade and Fed speak from Bostic, Brainard, Quarles and Clarida.

[Watch now](#)

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 107.30** - 3 October high - Medium
- **S1 106.48** - 3 October low - Medium
- **S2 106.32** - 5 September low - Strong

USDJPY - fundamental overview

BOJ deputy governor Wakatabe offset some of the dovish rhetoric from BOJ Funo in the previous day, with the central banker playing down a desire to pursue persistently accommodative monetary policy. Wakatabe said they would like to get out of negative policy as soon as they could and they didn't want to maintain lower for longer forever. This may have contributed to renewed Yen demand into Friday, with the Yen already bid up on the back of this week's wave of risk liquidation. Looking ahead, the US jobs report and a speech from the Fed Chair will be the main focus on the calendar. Other standouts include US trade and Fed speak from Bostic, Brainard, Quarles and Clarida.

[Watch now](#)

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.



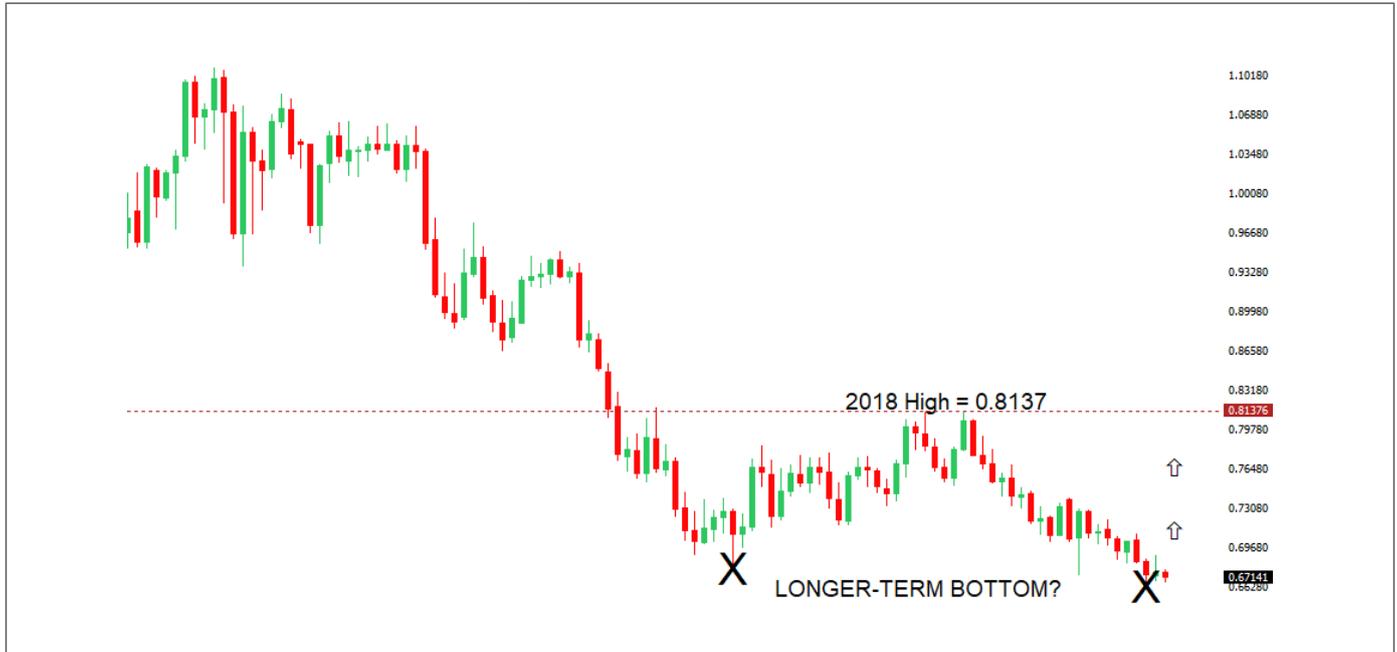
- **R2 1.1064** - 26 July high - Strong
- **R1 1.1020** - 18 September high - Medium
- **S1 1.0832** - 25 September low - Medium
- **S2 1.0811** - 4 September/2019 low - Strong

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 0.6776** - 1 October high - Medium
- **S1 0.6700** - Figure - Medium
- **S2 0.6671** - 2 October/2019 low - Strong

AUDUSD - fundamental overview

Overall, Aussie has been weighed down on worry associated with the outlook for the global economy, with risk liquidation knocking the correlated commodity currency. We have seen some attempts to recover from this week's ten and a half year low, on the back of some broad based profit taking on US Dollar longs. Upbeat Aussie services PMIs on Thursday have been followed up by relatively in line Aussie retail sales on Friday, which could also be contributing to some of the demand into the recovery. Looking ahead, the US jobs report and a speech from the Fed Chair will be the main focus on the calendar. Other standouts include US trade and Fed speak from Bostic, Brainard, Quarles and Clarida.

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 has been under pressure this week on the back of broad based risk liquidation and a drop in the price of OIL. Looking ahead, we can expect volatility in this pair, with the calendar quite active on both sides of the border. In Canada, we get trade data and Ivey PMIs, while over in the US, the market will take in the monthly employment report and a speech from the Fed Chair. Other standouts include US trade and Fed speak from Bostic, Brainard, Quarles and Clarida.

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 0.6332** - 24 September high - Medium
- **S1 0.6255** - 3 October low - Medium
- **S2 0.6204** - 1 October/2019 low - Strong

NZDUSD - fundamental overview

Overall, Kiwi has been weighed down on worry associated with the outlook for the global economy, with risk liquidation knocking the correlated commodity currency. We have however seen some attempts at recovery, on the back of broad based profit taking on US Dollar longs, brought on by a wave of softer economic data out of the US. Looking ahead, the US jobs report and a speech from the Fed Chair will be the main focus on the calendar. Other standouts include US trade and Fed speak from Bostic, Brainard, Quarles and Clarida.

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 2949** - 2 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 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

Overall, look for additional upside to be limited for now, as the market continues to correct and consolidate, in the aftermath of a major surge in the second quarter of 2019. Any setbacks should be very well supported ahead of 7,000, with an eventual higher low sought out in favour of a bullish continuation back above the 2019 high at 13,748. Only a weekly close below 7,000 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

[Watch now](#)

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.



Any opinions, news, research, analyses, prices or other information ("information") contained on this document, constitutes marketing communication and it has not been prepared in accordance with legal requirements designed to promote the independence of investment research. Further, the information contained within this Blog does not contain (and should not be construed as containing) investment advice or an investment recommendation, or an offer of, or solicitation for, a transaction in any financial instrument. LMAX Exchange has not verified the accuracy or basis-in-fact of any claim or statement made by any third parties as comments for every Blog entry.

LMAX Exchange will not accept liability for any loss or damage, including without limitation to, any loss of profit, which may arise directly or indirectly from use of or reliance on such information. No representation or warranty is given as to the accuracy or completeness of the above information. While the produced information was obtained from sources deemed to be reliable, LMAX Exchange does not provide any guarantees about the reliability of such sources. Consequently any person acting on it does so entirely at his or her own risk. It is not a place to slander, use unacceptable language or to promote LMAX Exchange or any other FX, Spread Betting and CFD provider and any such postings, excessive or unjust comments and attacks will not be allowed and will be removed from the site immediately.

LMAX Exchange will clearly identify and mark any content it publishes or that is approved by LMAX Exchange.

FX and CFDs are leveraged products that can result in losses exceeding your deposit. They are not suitable for everyone so please ensure you fully understand the risks involved. The information on this website is not directed at residents of the United States of America, Australia (we will only deal with Australian clients who are "wholesale clients" as defined under the Corporations Act 2001), Canada (although we may deal with Canadian residents who meet the "Permitted Client" criteria), Singapore or any other jurisdiction where FX trading and/or CFD trading is restricted or prohibited by local laws or regulations.