

Friday, November 1, 2019

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Global FX Insights

by LMAX Exchange Research & Analytics

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

Where things stand ahead of the weekend [🔊 Wake-up call](#)

We're into a new month as the week comes to a close and it's been a rather busy week as far as event risk goes. The market continues to digest the latest Fed communication and will now look ahead to today's monthly employment report, which is expected to command most of the attention.

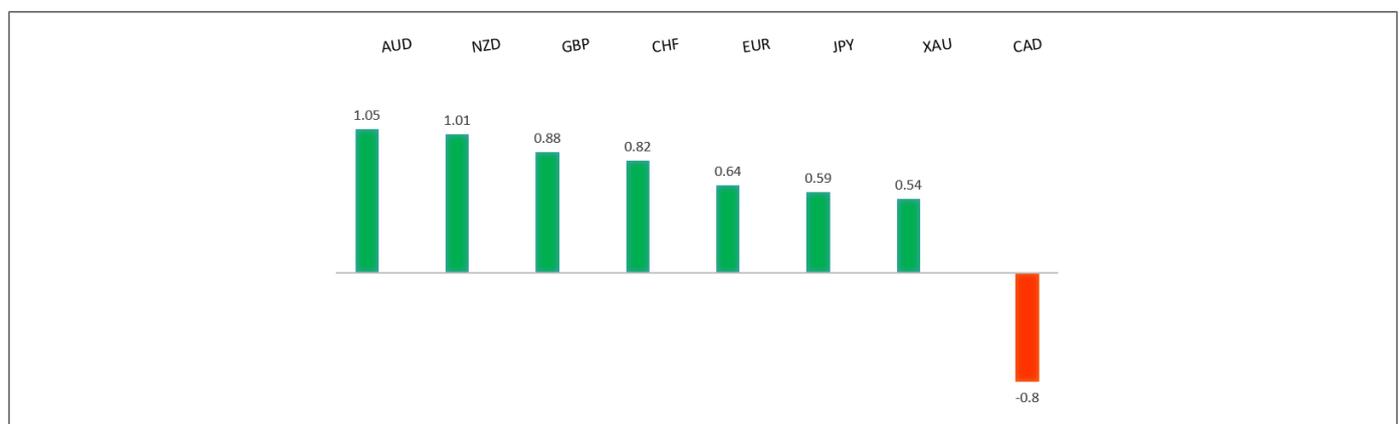
Technical highlights [📺 Daily Video](#)

- [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
- [USDCAD](#) Setbacks seen supported into dips
- [NZDUSD](#) Working its way out from major low
- [US SPX 500](#) Upside limited from current levels
- [GOLD \(spot\)](#) Room for run towards 2k
- [BTCUSD](#) Showing signs of turning back up
- [ETHUSD](#) Additional downside limited

Fundamental highlights

- [EURUSD](#) ECB Guindos worried about growth
- [GBPUSD](#) President Trump speaks up on Brexit
- [USDJPY](#) Yen demand picks up ahead of NFPs
- [EURCHF](#) SNB faces tougher battle with Franc
- [AUDUSD](#) Aussie boosted on China PMIs beat
- [USDCAD](#) Loonie underperforms on the week
- [NZDUSD](#) Kiwi consumer confidence impresses
- [US SPX 500](#) Stocks extend record run in October
- [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

- [Markets Caught in Disaster Loop](#), J. Authers, **Bloomberg** (November 1, 2019)
- [What Alternatives Do Investors Have?](#), R. Armstrong, **Financial Times** (October 31, 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

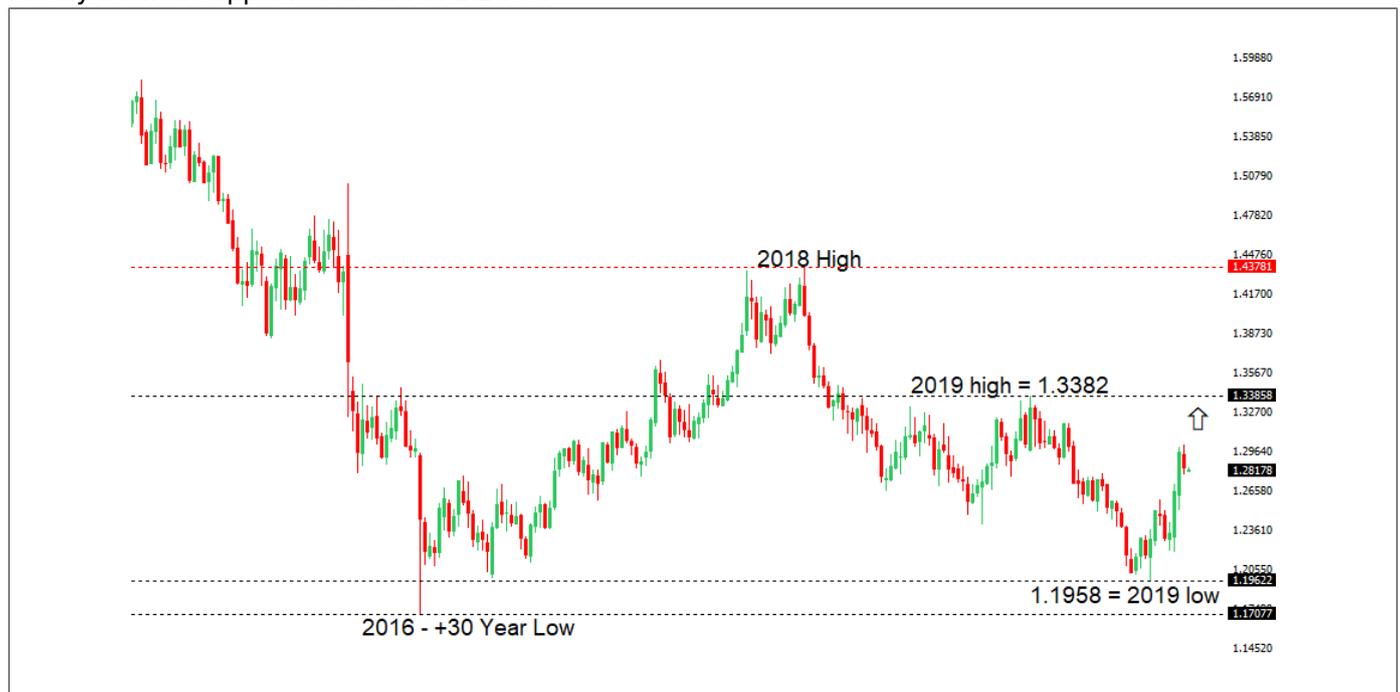
Post FOMC profit taking on long US Dollar exposure continued and the Euro benefitted as a result. ECB Guindos said the Euro-area slowdown was beginning to affect the labour market. Outgoing ECB board member Sabine Lautenschlaeger called on the central bank to 'become more active in fighting climate change.' Bank of Italy Governor Visco said the Italian economy 'likely stagnated through the summer'. Eurozone economic data was solid overall on Thursday. Looking ahead, the calendar is all about US risk, with the monthly jobs report standing out. Other notable releases include ISM manufacturing and construction spending. On the official circuit, there's a round of Fed speak from Williams, Clarida and Quarles.

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

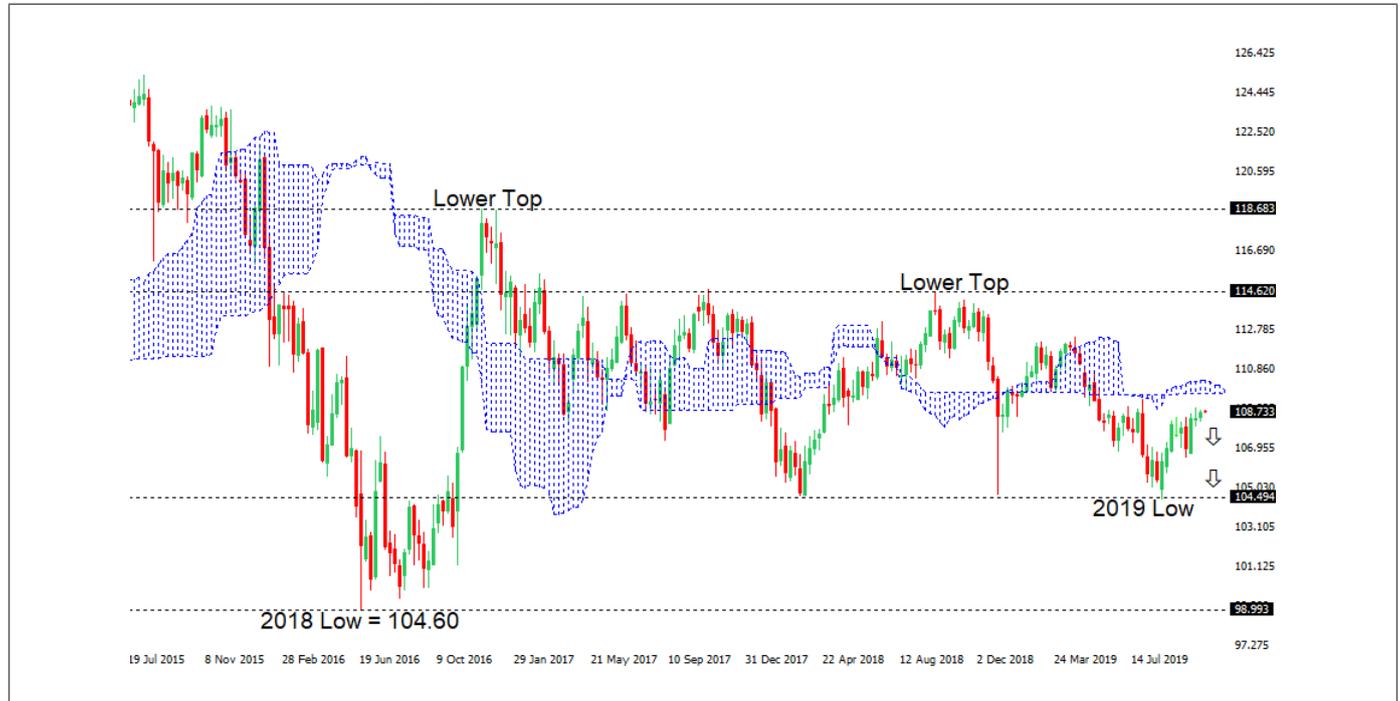
GBPUSD - fundamental overview

We're in wait and see mode until the December UK election result, but headlines around Brexit will continue to play a part in Sterling volatility. On Thursday, President Trump expressed his criticism of Boris Johnson's deal, saying it would make it difficult to strike a trade deal with the US. President Trump added the UK and US could do bigger numbers if Johnson made a cleaner break with the EU. Meanwhile, the UK government said it would announce BOE Governor Carney's replacement before he steps down. Looking ahead, we get some UK manufacturing PMI reads before the market then turns its attention to a healthy US calendar. The monthly jobs report is the highlight of the day. Other notable releases include ISM manufacturing and construction spending. On the official circuit, there's a round of Fed speak from Williams, Clarida and Quarles.

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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 107.85** - 11 October low - Medium
- **S2 107.00** - Figure - Medium

USDJPY - fundamental overview

We've seen a reversal of flow in the latter portion of the week, with the Yen coming back into demand, mostly on the back of broad based profit taking on long US Dollar exposure post Wednesday's FOMC. The Bank of Japan decision on Thursday failed to produce any fireworks and we suspect risk sentiment flow will once again emerge as a major driver of direction going forward. Looking ahead, the calendar is all about US risk, with the monthly jobs report standing out. Other notable releases include ISM manufacturing and construction spending. On the official circuit, there's a round of Fed speak from Williams, Clarida and Quarles.

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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.



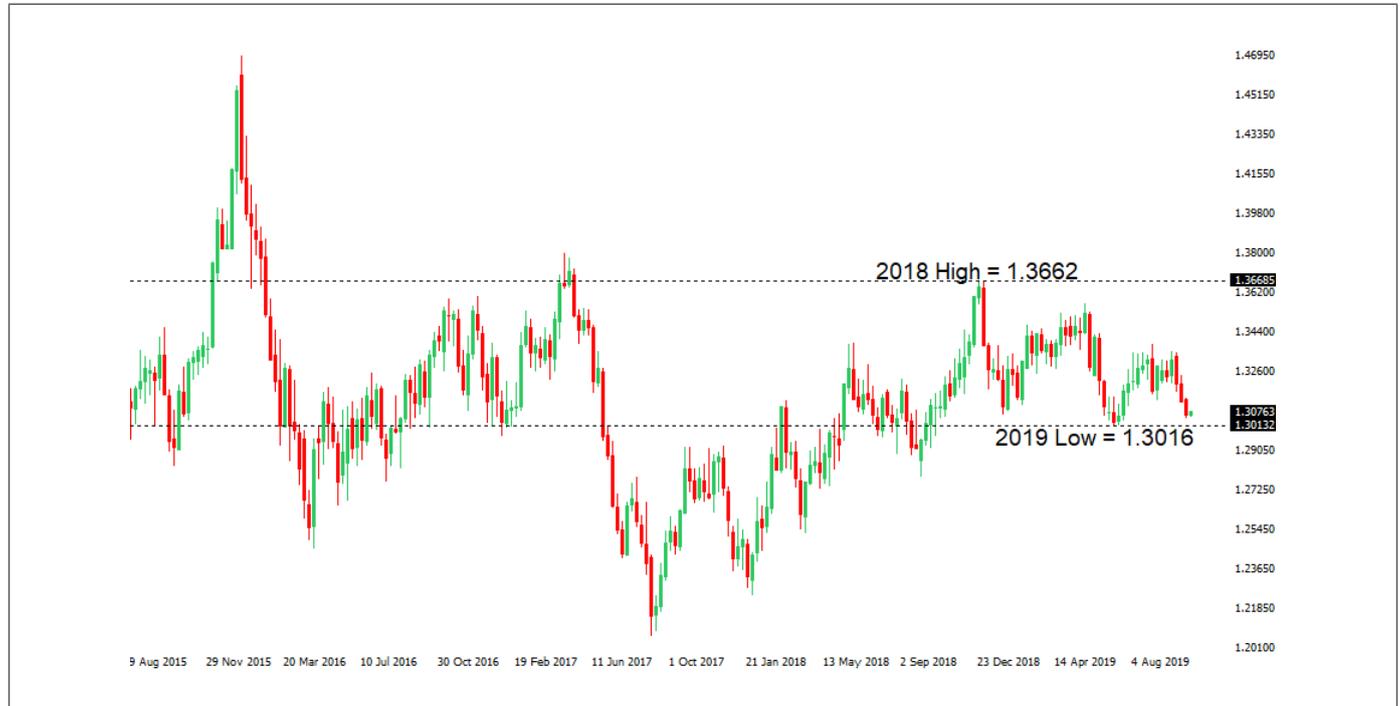
- **R2 0.7083** – 19 July high – Strong
- **R1 0.6930** – 31 October high – Strong
- **S1 0.6809** – 25 October low – Medium
- **S2 0.6710** – 10 October low – Strong

AUDUSD – fundamental overview

The Australian Dollar has been running on all cylinders this week, 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 and China data have come in on the better side of expectation, most recently reflected through Friday's China manufacturing PMI beat. Looking ahead, the calendar is all about US risk, with the monthly jobs report standing out. Other notable releases include ISM manufacturing and construction spending. On the official circuit, there's a round of Fed speak from Williams, Clarida and Quarles.

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

Not much activity in the Canadian Dollar on Thursday, following a volatile Wednesday session in the aftermath of the more dovish, downbeat leaning Bank of Canada decision. But on Thursday, data out of Canada was on the whole weaker than expected. This further contributed to Canadian Dollar underperformance, with the Loonie standing out as the only major currency to trade lower against the US Dollar over the past week. Looking ahead, we get some Canada manufacturing PMI reads, though the market will be mostly focused on a healthy US calendar. The monthly jobs report is the highlight of the day. Other notable releases include ISM manufacturing and construction spending. On the official circuit, there's a round of Fed speak from Williams, Clarida and Quarles.

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 0.6451** - 12 September high - Strong
- **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 the latter half of the week. 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, mostly recently in the form of Friday's consumer confidence print. Looking ahead, the calendar is all about US risk, with the monthly jobs report standing out. Other notable releases include ISM manufacturing and construction spending. On the official circuit, there's a round of Fed speak from Williams, Clarida and Quarles.

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.



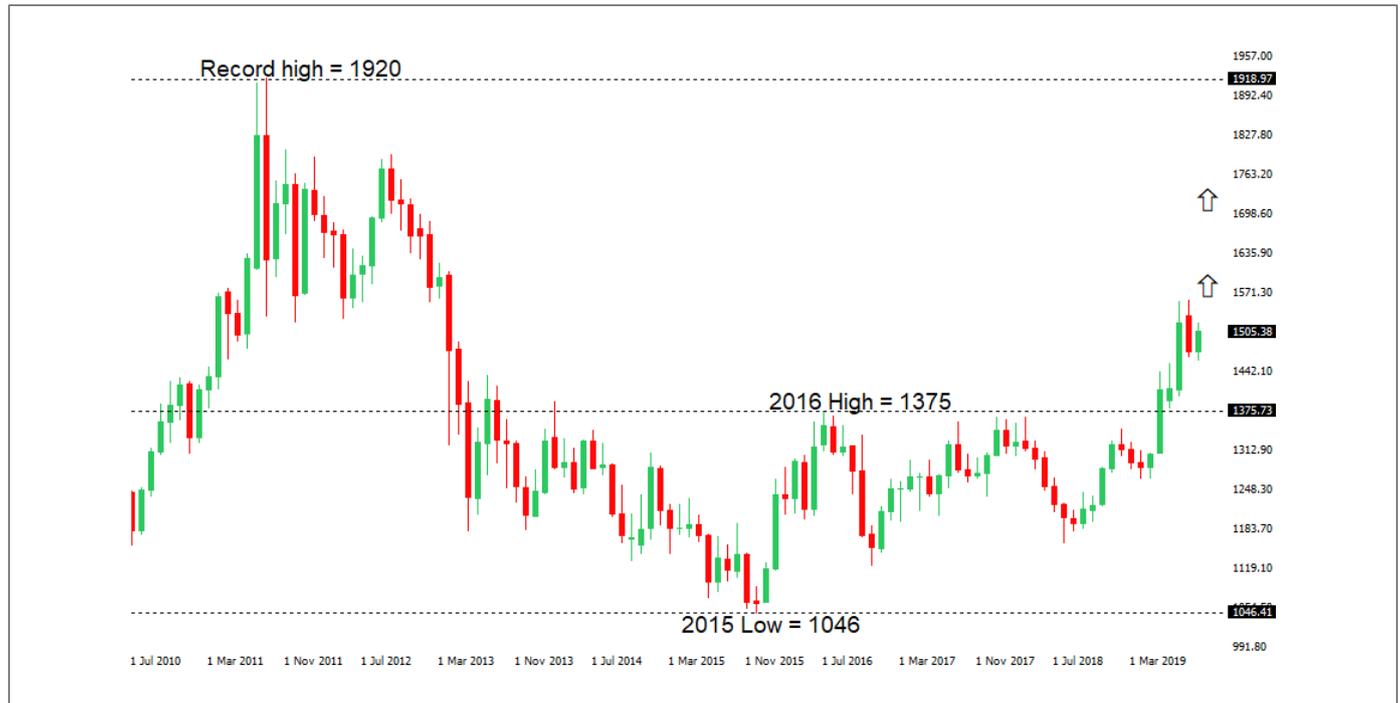
- **R2 3100** - Psychological - Strong
- **R1 3056** - 30 October/**Record high** - Medium
- **S1 2854** - 3 October low - Medium
- **S2 2777** - 6 August low - Strong

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.

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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