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Global FX Insights

by LMAX Exchange Research & Analytics

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

Where we're at into the weekly close [Wake-up call](#)

As we head towards the weekly close, we stare at a market that has been mostly choppy and directionless. The Euro is a standout underperformer this week, with the single currency getting more attention on account of its slide to the lowest levels against the Buck since May 2017.

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](#) Eurozone sentiment reads taken in
- [GBPUSD](#) BOE Saunders on the wires
- [USDJPY](#) Yen looks to US core PCE
- [EURCHF](#) SNB policy falls on tougher times
- [AUDUSD](#) Aussie hit on risk-off flow
- [USDCAD](#) Canada **budget balance** on tap
- [NZDUSD](#) Kiwi focused on macro themes
- [US SPX 500](#) Stocks exposed to exhausted policy
- [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

- [The Market's Garbage is Starting to Stink](#), R. Burgess, **Bloomberg** (September 26, 2019)
- [As Germany Sinks, Draghi Promotes MMT](#), E. Yardeni, **Dr. Ed's Blog** (September 25, 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 1.1110** - 13 September high - Strong
- **R1 1.1026** - 23 September high - Medium
- **S1 1.0905** - 27 September/2019 low - Medium
- **S2 1.0800** - Figure - Strong

EURUSD - fundamental overview

More weakness for the Euro, to the lowest levels since 2017, with the currency extending declines on broad Dollar demand, soft Eurozone data and dovish ECB speak. On Thursday, ECB Lane said there was scope for further rate cuts if needed, while German Chancellor Merkel said politicians must do all they can to make sure monetary policy makers are not overburdened. German consumer confidence reads were better than expected and may have helped to stem Euro declines. Looking ahead, key standouts on today's calendar come in the form of German import prices, an ECB Guindos speech, Eurozone sentiment and inflation expectation reads, a Bundesbank Weidmann speech, ECB Lane speak, US durable goods, personal spending, personal income, core PCE, Fed Quarles, Michigan sentiment and Fed Harker.

EURUSD - Technical charts in detail

[Watch now](#)

GBPUSD - technical overview

The market has seen an impressive bounce out from the lowest levels since 2016, with the price recovering back above critical resistance at 1.2310, to not only take the immediate pressure off the downside, but also transition the market into a technical uptrend on the daily chart, as per the daily Ichimoku cloud. Ultimately, only back below 1.2000 would compromise the more constructive outlook for the major pair. Next key resistance comes in the form of a double bottom objective at 1.2660.



- **R2 1.2504** - 24 September high - Strong
- **R1 1.2400** - Figure - Medium
- **S1 1.2303** - 26 September low - Medium
- **S2 1.2283** - 12 September low - Strong

GBPUSD - fundamental overview

An unnamed EU official wasn't kind when talking about Brexit progress, saying talks were moving in the wrong direction because of the UK's failure to present serious proposals. There have been reports of the EU and UK discussing a non-permanent backstop for Northern Ireland. Meanwhile, PM Johnson called the new law banning no-deal Brexit the 'Surrender Act.' Looking ahead, key standouts on today's calendar come in the form of UK nationwide housing prices, a BOE Saunders speech, US durable goods, personal spending, personal income, core PCE, Fed Quarles, Michigan sentiment and Fed 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 109.32** - 1 August high - Strong
- **R1 108.48** - 18 September high - Medium
- **S1 106.96** - 24 September low - Medium
- **S2 106.32** - 5 September low - Strong

USDJPY - fundamental overview

President Trump and PM Abe have signed off on a limited trade deal that covers farm duties and digital commerce, though this hasn't done much to have any meaningful impact on Yen direction. Elsewhere, BOJ Kuroda was out saying the central bank would carry out policy without preconceptions. Looking ahead, key standouts on today's calendar come in the form of US durable goods, personal spending, personal income, core PCE, Fed Quarles, Michigan sentiment and Fed Harker.

[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 0.6895** - 12 September high - Strong
- **R1 0.6832** - 19 September high - Medium
- **S1 0.6739** - 25 September low - Medium
- **S2 0.6677** - 7 August/2019 low - Strong

AUDUSD - fundamental overview

Aussie gains on upbeat comments from RBA Lowe earlier in the week were wiped away into the latter portion of the week. Initially, Aussie took a hit on uncertainty associated with the Trump impeachment news. The commodity currency took another blow later in the day after President Trump inspired a broad based US Dollar rally on his comment that a trade deal with China could come sooner than the market thought. The market is now starting to position into next week's RBA decision, in which it seems risk is growing for doves to be let down. Looking ahead, key standouts on today's calendar come in the form of US durable goods, personal spending, personal income, core PCE, Fed Quarles, Michigan sentiment and Fed 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 1.3383** - 3 September high - Strong
- **R1 1.3311** - 18 September high - Medium
- **S1 1.3202** - 13 September low - Medium
- **S2 1.3133** - 10 September low - Strong

USDCAD - fundamental overview

The Canadian Dollar has been quiet this week, with a lot of this having to do with a light calendar and consolidation in the price of OIL. On Thursday, Canada's CFIB September business barometer came in a little softer than previous, while July payrolls increased and weekly earnings ticked up. Looking ahead, key standouts on today's calendar come in the form of the Canada budget balance, US durable goods, personal spending, personal income, core PCE, Fed Quarles, Michigan sentiment and Fed 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 take the immediate pressure off the downside.



- **R2 0.6451** - 12 September high - Strong
- **R1 0.6349** - 25 September high - Medium
- **S1 0.6255** - 20 September/**2019 low** - Medium
- **S2 0.6200** - Figure - Strong

NZDUSD - fundamental overview

The New Zealand Dollar had been attempting a recovery after the RBNZ came out with a less dovish tone than the market was expecting earlier this week. This was followed up by comments from RBNZ Orr, who said he was pleased with the outcome of recent cuts and he didn't foresee the need for unconventional policy going forward. Market pricing for a November RBNZ cut have since dropped off to 70% from 78%. At the same time, the combination of worry around the Trump impeachment news and President Trump's comment that a trade deal with China could come sooner than the market thought, has been a combination that's managed to offset Kiwi demand, with the US Dollar broadly bid in the aftermath. Looking ahead, key standouts on today's calendar come in the form of US durable goods, personal spending, personal income, core PCE, Fed Quarles, Michigan sentiment and Fed 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 2729, 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 3023** - 19 September high - Strong
- **S1 2952** - 25 September low - Medium
- **S2 2889** - 2 September 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 1600** - Round number - Strong
- **R1 1558** - 4 September/2019 high - Strong
- **S1 1480** - 13 August 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 7,788** - 26 September low - Medium
- **S2 7,447** - 6 June low - Strong

BTCUSD - fundamental overview

Bitcoin enjoyed a spectacular run in the second quarter of 2019, racing to fresh yearly highs, surging towards 14k, on the back of increased adoption and more openness from the traditional investor community. The news of tech giants now turning towards the world of crypto has invited a higher profile that should be a net positive in the long run. Future ECB President Lagarde has recently come out in support of cryptocurrencies as well. At the same time, it also exposes the ethos to fresh critique from higher ups at the central bank and government levels. The market is also 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

There was a lot more buzz around adoption following the Q2 2019 Bitcoin surge, with many mainstream names coming out in support of blockchain integration. Demand for web 3.0 applications is on the rise, and Ethereum is the blockchain with the biggest front end application potential. At the same time, 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 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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