

Friday, September 14, 2018

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Global FX Insights

by LMAX Exchange Research & Analytics

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

Euro Price Action Warning of Bigger Move 🔊 [Wake-up call](#)

Into Friday, we're looking at a currency market that is reconsidering its long US Dollar exposure. Fundamentally, the biggest driver of this downturn in Dollar sentiment, has come from this week's inflation data out of the US, with producer prices and consumer prices falling short of expectation.

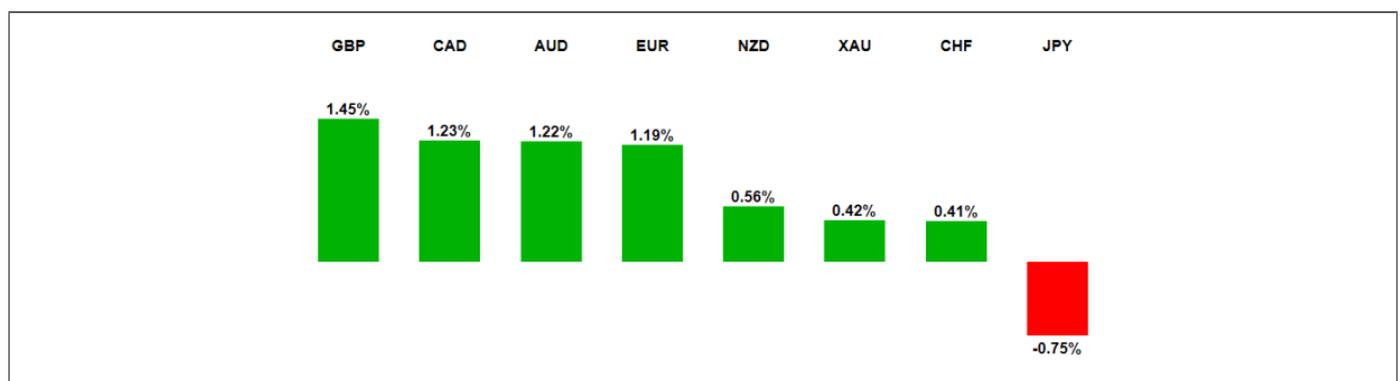
Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Pokes back above Ichimoku cloud
- [GBPUSD](#) Signs of longer term basing
- [USDJPY](#) Rallies should continue to be capped
- [EURCHF](#) Well supported into major zone
- [AUDUSD](#) Correction underway off yearly low
- [USDCAD](#) Lots of chop but no clear direction
- [NZDUSD](#) Working off of a 2.5 year low
- [US SPX 500](#) Considering topping pattern
- [GOLD \(spot\)](#) Signs of major basing pattern
- [BTCUSD](#) Risk for acceleration to downside
- [ETHUSD](#) Closes in on critical 160 support

Fundamental highlights

- [EURUSD](#) Draghi upbeat and more hawkish
- [GBPUSD](#) BOE upgrades Q3 growth, Carney ahead
- [USDJPY](#) Yen gets boost from risk-on reaction
- [EURCHF](#) SNB headache getting larger
- [AUDUSD](#) Aussie helped by eased tension on trade
- [USDCAD](#) Canada still waiting on the NAFTA deal
- [NZDUSD](#) Kiwi manufacturing PMIs beat forecast
- [US SPX 500](#) Fed model will be important to watch
- [GOLD \(spot\)](#) Plenty of institutional demand
- [BTCUSD](#) Trying to hold up on brighter prospects
- [ETHUSD](#) Sentiment downturn a worry for ETH

Performance v. US dollar since weekly open

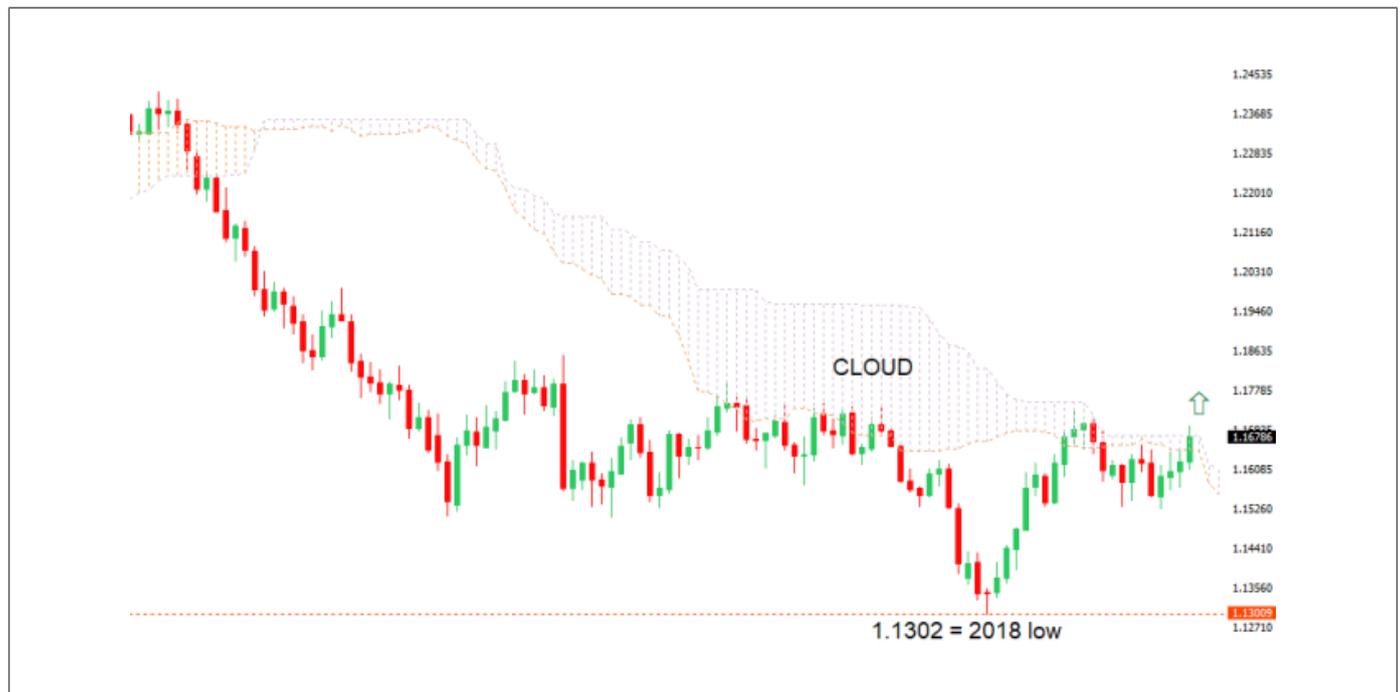


Suggested reading

- [Nine Lessons from the Global Financial Crisis](#), M. El-Erian, **Bloomberg** (September 13, 2018)
- [How the Financial Markets Crisis of 2008 Happened](#), R. Armstrong, **Financial Times** (September 13, 2018)

EURUSD - technical overview

A market correction out from the 2018 low in August could be on the verge of becoming an uptrend, with the price poking back above the Ichimoku cloud for the first time since it broke down in April. This would be a significant development and could get the major pair thinking back to earlier this year when it was making +3 year highs in the 1.2550 area. At this point, only back below 1.1500 would negate the outlook.



- **R2 1.1734** - 28Aug high - Strong
- **R1 1.1702** - 13Sep high - Medium
- **S1 1.1571** - 12Sep low - Medium
- **S2 1.1527** - 10Sep low - Strong

EURUSD - fundamental overview

The ECB decision went off pretty much as expected, though it's worth noting, Draghi definitely sounded more upbeat than the market had been anticipating. This helped to rally an already big up Euro on the back of less worry about Italian structural risk and softer inflation data out of the US. A technical break above 1.1680 also got some attention with the move potentially warning of a shift in the trend. As far as today's economic calendar is concerned, we get Eurozone trade and US readings highlighted by retail sales, industrial production, business inventories and Michigan sentiment. We also get another round of Fed speak.

EURUSD - Technical charts in detail

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GBPUSD - technical overview

The market has been trying to work off the 2018 low from August, with a recent poke above 1.3000 encouraging the possibility for a more meaningful recovery ahead. At the same time, setbacks will need to hold up around the 1.2800 area and push back through 1.3214 to strengthen this outlook. Inability to do so will expose a retest of the yearly low.



- **R2 1.3214** - 26Jul high - Strong
- **R1 1.3125** - 13Sep high - Medium
- **S1 1.3027** - 13Sep low - Strong
- **S2 1.2964** - 11Sep low - Medium

GBPUSD - fundamental overview

There has been a lot more optimism and a lot less fear and panic relating to the Brexit outlook in recent days and the Pound has been able to take advantage of this. We've also seen some better economic data out of the UK, as most recently reflected in this week's employment data, and the Bank of England has upgraded its Q3 growth outlook. The other side of this coin has also helped the Pound, with the US Dollar under pressure this week, mostly on the back of softer inflation readings Wednesday and Thursday. Yesterday's BOE decision produced a unanimous result and aside from the Q3 growth adjustment, the event risk went off without a hitch. As far as today's economic calendar is concerned, we get a BOE Carney appearance, and US readings highlighted by retail sales, industrial production, business inventories and Michigan sentiment. We also get another round of Fed speak.

GBPUSD - Technical charts in detail

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USDJPY - technical overview

Rallies continue to be very well capped, with the medium-term outlook still favouring lower tops and lower lows. Look for a daily close back below 109.78 to strengthen the bearish outlook, opening the door for the start to a move back down towards 108.00 which guards against the 104.60 area 2018 low. Only back above 113.20 would compromise the bearish structure.



- **R2 112.16** - 1Aug high - Strong
- **R1 112.08** - 14Sep high - Medium
- **S1 111.15** - 11Sep low - Medium
- **S2 110.39** - 7Sep low - Strong

USDJPY - fundamental overview

Tensions relating to global trade have eased, and this in conjunction with a softer US inflation readings have opened renewed appetite for risk assets, which has helped to inspire a fresh round of USD bids, despite broad based Dollar declines on yield differential implications. Overall however, offers continue to cap USDJPY upside and there's still plenty of risk for an intensified liquidation in stocks at a time when monetary policy accommodation has been exhausted. Moreover, the US administration remains committed to pushing forward with its protectionist agenda promoting a softer Dollar policy, which should also play a part in pressuring USDJPY to the downside. Looking ahead, we get a batch of US readings highlighted by retail sales, industrial production, business inventories and Michigan sentiment. We also get another round of Fed speak. Earlier today, China retail sales and industrial production came in a little better than forecast.

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EURCHF - technical overview

A recent breakdown to a fresh 2018 low has intensified downside pressure, exposing the possibility for a more significant bearish structural shift. Look for a daily close below 1.1200 to strengthen this outlook. Back above 1.1455 would be required to take the pressure off the downside.



- **R2 1.1455**- 28Aug high - Strong
- **R1 1.1344** - 11Sep high - Medium
- **S1 1.1184** - 7Sep/2018 low - Strong
- **S2 1.1100**- Figure - 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 between now and year end, 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 entered a period of correction after sinking to fresh multi-month lows. There is room for the correction to extend to the topside, though ultimately, the downtrend remains firmly intact, with only a break back above the 0.7500 handle forcing a reconsideration.



- **R2 0.7236** - 4Sep high - Strong
- **R1 0.7230**- 13Sep high - Medium
- **S1 0.7086** - 11Sep/2018 low - Medium
- **S2 0.7000** - Psychological - Strong

AUDUSD - fundamental overview

The Australian Dollar is trying to work its way out from multi-month lows set earlier this week, with some broad based selling in the US Dollar helping to spur on an overdue correction. This week's softer round of US inflation data has been a primary driver behind the recovery, while dovish comments from Fed Bullard that rates may already be high enough to restrict economic growth have also factored. Meanwhile, tension relating to global trade has eased, and all of this has temporarily offset downside pressure in 2018. Looking ahead, we get a batch of US readings highlighted by retail sales, industrial production, business inventories and Michigan sentiment. We also get another round of Fed speak. Earlier today, China retail sales and industrial production came in a little better than forecast.

USDCAD - technical overview

The uptrend has entered a corrective phase since topping out in June, which could still invite a deeper corrective decline before the next upside extension gets underway. Still, look for any weakness to be well supported ahead of 1.2500 with only a break back below this psychological barrier to negate the constructive outlook.



- **R2 1.3175** - 11Sep high - Strong
- **R1 1.3079** - 12Sep high - Medium
- **S1 1.2965** - 31Aug low - Medium
- **S2 1.2888** - 28Aug low - Strong

USDCAD - fundamental overview

The Canadian Dollar has been looking forward to a NAFTA deal getting done sooner than later and this week's easing of tension relating to global trade has helped to encourage this prospect. For the most part however, the Canadian Dollar has benefited from a renewed wave of broad based US Dollar selling on the back of this week's round of softer inflation data out of the US. Looking ahead, we get a batch of US readings highlighted by retail sales, industrial production, business inventories and Michigan sentiment. We also get another round of Fed speak.

NZDUSD - technical overview

The market has entered a period of correction after sinking to a 2.5 year low. There is room for the correction to extend to the topside, though ultimately, the downtrend remains firmly intact, with only a break back above 0.6750 to force a reconsideration.



- **R2 0.6728** - 28Aug high - Strong
- **R1 0.6617** - 6Sep high - Medium
- **S1 0.6502** - 11Sep/2018 low - Medium
- **S2 0.6500** - Psychological - Strong

NZDUSD - fundamental overview

A firmer New Zealand manufacturing PMI showing has helped to add to Kiwi's latest recovery, though the news that Fonterra will be will raising supply volumes at the GDT auctions over the next three months has offset. Overall, the New Zealand Dollar is trying its best to work its way out from another fresh 2.5 year low this week, on the back of reduced stress associated with global trade tension, a softer round of US inflation data and dovish comments from Fed Bullard who said rates may already be high enough to restrict economic growth. Looking ahead, we get a batch of US readings highlighted by retail sales, industrial production, business inventories and Michigan sentiment. We also get another round of Fed speak. Earlier today, China retail sales and industrial production came in a little better than forecast.

US SPX 500 - technical overview

A market that has been extended on the monthly chart is at risk for a major correction, with the possibility for a massive double top formation. Any rallies should now continue to be very well capped around the record high from January, in favour of renewed weakness back below the 2530 area yearly low (double top neckline) and towards a retest of strong longer-term resistance turned support in the form of the 2015 high at 2140. Only a weekly close above 3000 would negate the outlook.



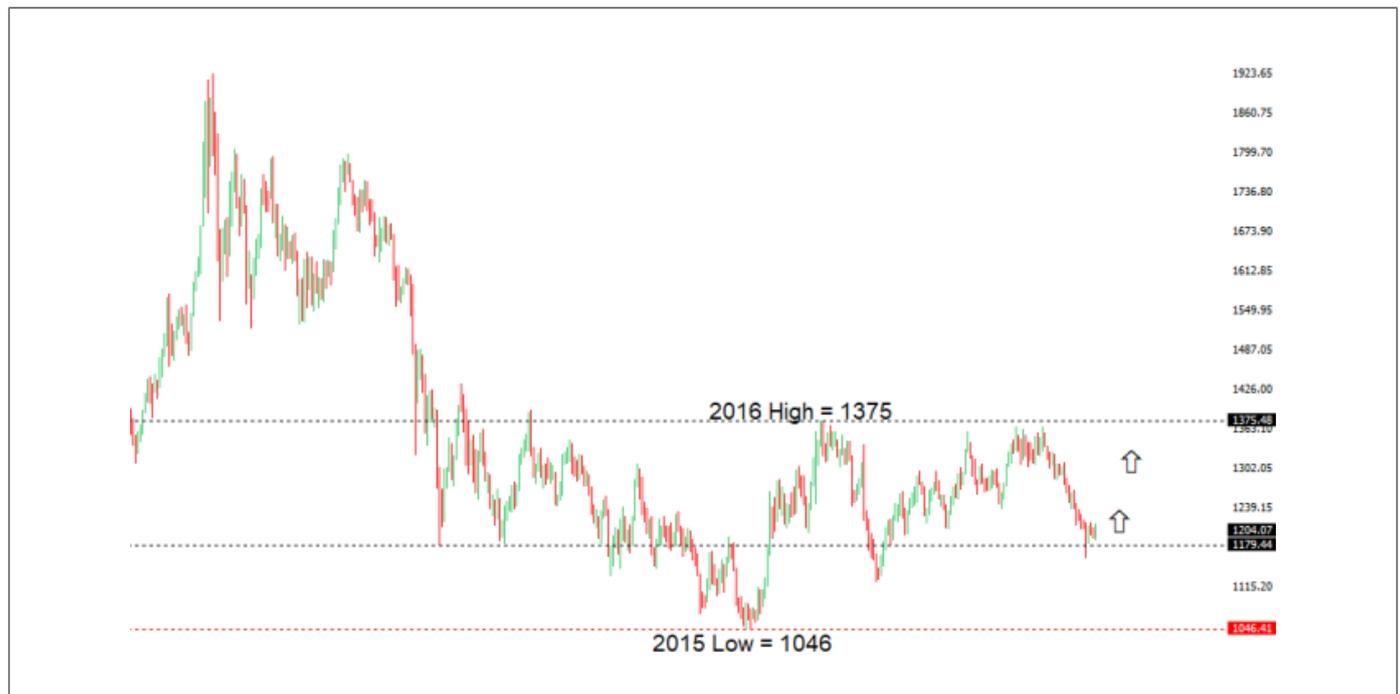
- **R2 2950** - Psychological - Strong
- **R1 2918** - 29Aug/**Record** - Medium
- **S1 2865** - 7Sep low - Medium
- **S2 2846** - 22Aug low - Strong

US SPX 500 - fundamental overview

Stocks have been bid right back to record highs in recent weeks, though investor immunity to downside risk is not as strong these days. The combination of Fed policy normalisation, US protectionism, ongoing White House drama and geopolitical tension are all warning of capitulation ahead, despite this latest run. The Fed has also finally acknowledged inflation no longer running below target in 2018, something that could very well result in less attractive equity market valuations given the implication on rates. We recommend keeping a much closer eye on the equities to ten year yield comparative going forward, as this could be something that inspires a more aggressive decline in this second half of 2018.

GOLD (SPOT) - technical overview

Despite a recent run of declines, the overall outlook remains constructive, with the market in the process of carving out a longer term base off the 2015 low. Look for any additional weakness to be well supported above 1150 on a daily close basis, in favour of the next major upside extension back towards critical resistance in the form of the 2016 high at 1375. Key resistance comes in at 1236, with a push back above to strengthen the outlook.



- **R2 1266** - 9Jul high - Strong
- **R1 1236** - 26Jul high - Strong
- **S1 1183** - 24Aug low - Medium
- **S2 1160** - 16Aug/2018 low - 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 **downtrend remains firmly intact**, with the next lower top now sought out around \$7,000 ahead of a retest and break below the current yearly low. Only a push back above \$8,500 would ultimately negate and force a bullish structural shift, while below the yearly low could open a more intensified decline towards the September 2017 low around \$2,975.



- **R2 7,405** - 4Sep high - Strong
- **R1 6,985** - 6Sep high - Medium
- **S1 6,110** - 8Sep low -Medium
- **S2 5,860** - 14Aug low - Strong

BTCUSD - fundamental overview

Overall, bitcoin is doing its best to try and hold up above \$6,000 in 2018 after undergoing a massive decline off the record high from December 2017. At the moment, the market has found some stability around the \$6,000 barrier, with buyers stepping in on the view that the regulatory challenges will eventually work themselves out, leaving a very bullish picture for a technology with tremendous potential.

BTCUSD - Technical charts in detail

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ETHUSD - technical overview

The market remains under pressure in 2018, extending its run of intense declines to fresh 2018 lows. The next level of major support comes in around \$160, which goes back to the low from July 2017. Daily studies are however oversold, which could warn of a bigger corrective bounce before the next downside extension and bearish continuation. It would take a break back above \$321 to officially take the pressure off the downside.



- **R2 321** - 18Aug high - Strong
- **R1 247** - 6Sep high - Medium
- **S1 167** - 12Sep/2018 low - Medium
- **S2 158** - July 2017 low - Strong

ETHUSD - fundamental overview

We've been seeing quite a bit of weakness in the price of Ether in 2018 and there is still legitimate risk for deeper setbacks, given technical hurdles within the Ethereum protocol, ongoing regulatory challenges and a global macro backdrop exposing risk correlated projects on the Ethereum blockchain. Meanwhile, monetary policy normalisations around the globe and an anticipated reduction in global risk appetite are placing a tremendous strain on ERC20 projects that have yet to even produce proper use cases and proof of concept.



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