

Global FX Insights

by LMAX Exchange Research & Analytics

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

Search for yield getting tougher Wake-up call

It seems every time the market thinks the US administration is softening up on its trade stance, it is let down at the next turn. On Wednesday, all the optimism around the outlook for a trade deal between the US and China was deflated, with headlines reflecting a more downbeat bias about this prospect.

Technical highlights [Daily Video](#)

- [EURUSD](#) Major higher low sought out
- [GBPUSD](#) Into critical psychological zone
- [USDJPY](#) Gravitating towards 2018, 2019 lows
- [EURCHF](#) Below 1.1000 exposes 1.0600 area
- [AUDUSD](#) Weighed down...but well supported
- [USDCAD](#) Longer-term price action is bullish
- [NZDUSD](#) Consolidates off yearly low
- [US SPX 500](#) Signs of major top
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Fundamental highlights

- [EURUSD](#) Euro looks to healthy US docket
- [GBPUSD](#) Brexit setbacks offset by UK inflation
- [USDJPY](#) Japan industrial production digested
- [EURCHF](#) SNB policy falling on tougher times
- [AUDUSD](#) Aussie employment release taken in
- [USDCAD](#) Loonie takes added hit from Oil drop
- [NZDUSD](#) Kiwi weighed down on risk liquidation
- [US SPX 500](#) Investors less encouraged by outlook
- [GOLD \(spot\)](#) Pick up in hard asset demand
- [BTCUSD](#) Bitcoin faces headwinds despite adoption
- [ETHUSD](#) Ether exposed to traditional markets

5 Day Performance vs. US dollar



Suggested reading

- [The Bond Market is Saying Scary Stuff](#), M. Gongloff, **Bloomberg** (August 14, 2019)
- [Brexit: Remainers Failing to Get Act Together](#), L. Barber, **FT** (August 13, 2019)

EURUSD - technical overview

The major pair has extended its run of declines off the 2008 high, trading down to a fresh multi-month. 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 the psychological barrier at 1.1000 would compromise this outlook. Back above 1.1412 will strengthen the view.



- **R2 1.1286** - 11 July high - Strong
- **R1 1.1250** - 6 August high - Medium
- **S1 1.1131** - 14 August low - Medium
- **S2 1.1100** - Figure - Strong

EURUSD - fundamental overview

The Euro took a decent hit on Wednesday after taking in a round of softer data. This included a contraction in second quarter German GDP. Looking ahead, absence of first tier data out of the Eurozone will leave the focus on bigger picture themes and a batch of US data that includes retail sales, initial jobless claims, industrial production, NAHB housing and business inventories.

EURUSD - Technical charts in detail

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GBPUSD - technical overview

The recent breakdown below **1.2400** has opened the door for a fresh downside extension towards the major cycle low from 2016 in the 1.1800s. Longer-term studies continue to suggest the market should be looking to start turning back up, though at this stage, the pressure remains on the downside and it will take a break back above 1.2400 to take the immediate pressure off the downside and revive the outlook supporting a longer-term base.



- **R2 1.2210** – 6 August high – Strong
- **R1 1.2100** – Figure – Medium
- **S1 1.2015** – 12 August/2019 low – Medium
- **S2 1.2000** – Psychological – Strong

GBPUSD - fundamental overview

Stress around the fate of Brexit persists, though on Wednesday, the Pound managed to hold up well, despite the event risk, with a round of above forecast UK inflation data attributed to the better than expected performance. Nevertheless, tension continues to run high in the UK and the market is in need of some clarity with respect to next steps for Brexit. Looking ahead, key standouts on Thursday's calendar come in the form of UK retail sales, and US reads that include retail sales, initial jobless claims, industrial production, NAHB housing and business inventories.

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USDJPY - technical overview

The longer-term downtrend remains firmly intact, with the major pair slowly gravitating back towards a retest of major support in the form of the 2018 and 2019 lows respectively, down in the 104s. Rallies should continue to be well capped below 110.00. Below the 2018 low at 104.63 opens the door for the next major downside extension towards the 2016 low at 99.00.



- **R2 107.57** - 2 August high - Strong
- **R1 107.09** - 6 August high - Medium
- **S1 105.05** - 12 August low - Medium
- **S2 104.63** - 2018 low (2019 low) - **Strong**

USDJPY - fundamental overview

No surprise seeing the Yen in demand on Wednesday, with risk coming off as optimism around a trade deal between the US and China fell by the wayside. Looking ahead, Thursday's calendar features Japan industrial production and US reads in the form of retail sales, initial jobless claims, industrial production, NAHB housing and business inventories.

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EURCHF - technical overview

The market is trading at 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 latest breakdown below 1.1000 opens the door for the next major downside extension towards 1.0600.



- **R2 1.1064** – 26 July high – Strong
- **R1 1.1000** – Psychological – Strong
- **S1 1.0838** – 14 August/2019 low – Medium
- **S2 1.0800** – 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, 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 0.6868** - 1 August high - Strong
- **R1 0.6822** - 8 August high - Medium
- **S1 0.6700** - Figure - Strong
- **S2 0.6677** - 7 August/2019 low - Strong

AUDUSD - fundamental overview

The Australian Dollar took another hit on Wednesday, with the currency weighed down on a round of softer China data and deflated optimism around the prospect for a US trade deal with China. Looking ahead, we get Aussie employment data and US reads in the form of retail sales, initial jobless claims, industrial production, NAHB housing and business inventories.

USDCAD - technical overview

Despite the recent breakdown to a yearly low, 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 1.3433** - 18 June high - Strong
- **R1 1.3345** - 7 August high - Medium
- **S1 1.3178** - 5 August low - Medium
- **S2 1.3105** - 31 July low - Strong

USDCAD - fundamental overview

Downside pressure in the price of OIL and broad based risk liquidation were behind the selling in the Canadian Dollar on Wednesday. It was also learned that PM Trudeau broke the nation's conflict of interest law, after pressuring his former attorney general to help SNC-Lavelin Group settle corruption charges out of court. Looking at the Thursday calendar, key standouts come from Canada ADP employment and new motor vehicle sales. In the US, we get retail sales, initial jobless claims, industrial production, NAHB housing and business inventories.

NZDUSD - technical overview

Despite recent weakness, there's a case to be made for a meaningful low, with the market trading back down to medium-term cyclical low territory in the 0.6300-0.6400 area. As such, look for setbacks to be well supported in the days ahead, in anticipation of renewed upside. Only a weekly close below 0.6300 would give reason for rethink. Back above 0.6600 will take the immediate pressure off the downside.



- **R2 0.6589** – 6 August high – Strong
- **R1 0.6500** – Psychological – Medium
- **S1 0.6400** – Figure – Medium
- **S2 0.6378** – 7 August/**2019 low** – Strong

NZDUSD - fundamental overview

More downside pressure on the New Zealand Dollar this week after China data came in below forecast on Wednesday, and prospects for a US trade deal with China fell by the wayside. Looking ahead, there is no first tier data scheduled on the Kiwi docket. Key standouts on the Thursday calendar come out of the US, with retail sales, initial jobless claims, industrial production, NAHB housing and business inventories all due.

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 2945** - 13 August high - Strong
- **S1 2777** - 6 August low - Medium
- **S2 2729** - 3 June 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, expected renewed tension on the global trade front, should continue to be a drag on investor sentiment. 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 1535** - 13 August/2019 high - Strong
- **S1 1453** - Previous resistance - Strong
- **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 13,748 - 26 June/2019 high** - Strong
- **R1 12,310** - 6 August high - Medium
- **S1 10,000** - Psychological - Strong
- **S2 9,075** - 17 July 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. 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 run up, though we anticipate continued demand from institutional players starved for yield in a world where global equities are increasingly vulnerable.

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 170 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 170 would compromise the longer term constructive outlook.



- **R2 290** - 11 July high - Strong
- **R1 250** - Psychological - Medium
- **S1 180** - Round number - Medium
- **S2 170** - 24 February High - 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, 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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