

Friday, November 15, 2019

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# Global FX Insights

by LMAX Exchange Research & Analytics

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

## Another turnaround on the trade front [🔊 Wake-up call](#)

A turnaround in sentiment into Friday, after US trade advisor Kudlow hit the wires with comments that the US and China were down to the short strokes of a phase one trade deal. But it's hard to put much weight behind any of these updates, which continue to jump back and forth between the encouraging and the disparaging.

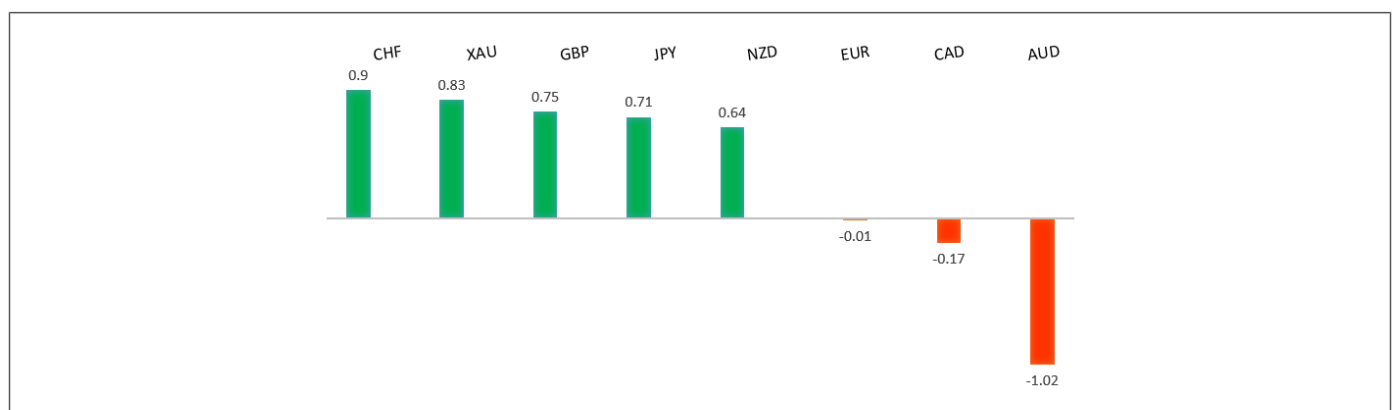
### Technical highlights [📺 Daily Video](#)

- [EURUSD](#) Setbacks viewed as corrective
- [GBPUSD](#) Supported on dips
- [USDJPY](#) Rallies should be well capped
- [EURCHF](#) Lower top sought out
- [AUDUSD](#) Bounces from longer-term support
- [USDCAD](#) Structure continues to point higher
- [NZDUSD](#) Working its way out from major low
- [US SPX 500](#) Upside limited from current levels
- [GOLD](#) (spot) Next higher low sought out
- [BTCUSD](#) Showing signs of turning back up
- [ETHUSD](#) Additional downside limited

### Fundamental highlights

- [EURUSD](#) Official speak all over the map
- [GBPUSD](#) UK election updates in focus
- [USDJPY](#) Yen pulls back on Kudlow comments
- [EURCHF](#) SNB faces tougher battle with Franc
- [AUDUSD](#) Aussie hit on soft jobs data
- [USDCAD](#) Pelosi update helps Loonie
- [NZDUSD](#) Kiwi profit taking post RBNZ
- [US SPX 500](#) Trade policy to weigh on sentiment
- [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 Only Word You Need to Understand Emerging Markets](#), J. Authers, **Bloomberg** (November 15, 2019)
- [How Brexit's Leave and Remain Alliances are Shaping the Election](#), M. Green, **FT** (November 14, 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 1.1180** - 21 October high - Strong
- **R1 1.1093** - 6 November high - Medium
- **S1 1.0989** - 14 November low - Medium
- **S2 1.0941** - 8 October low - Strong

## EURUSD - fundamental overview

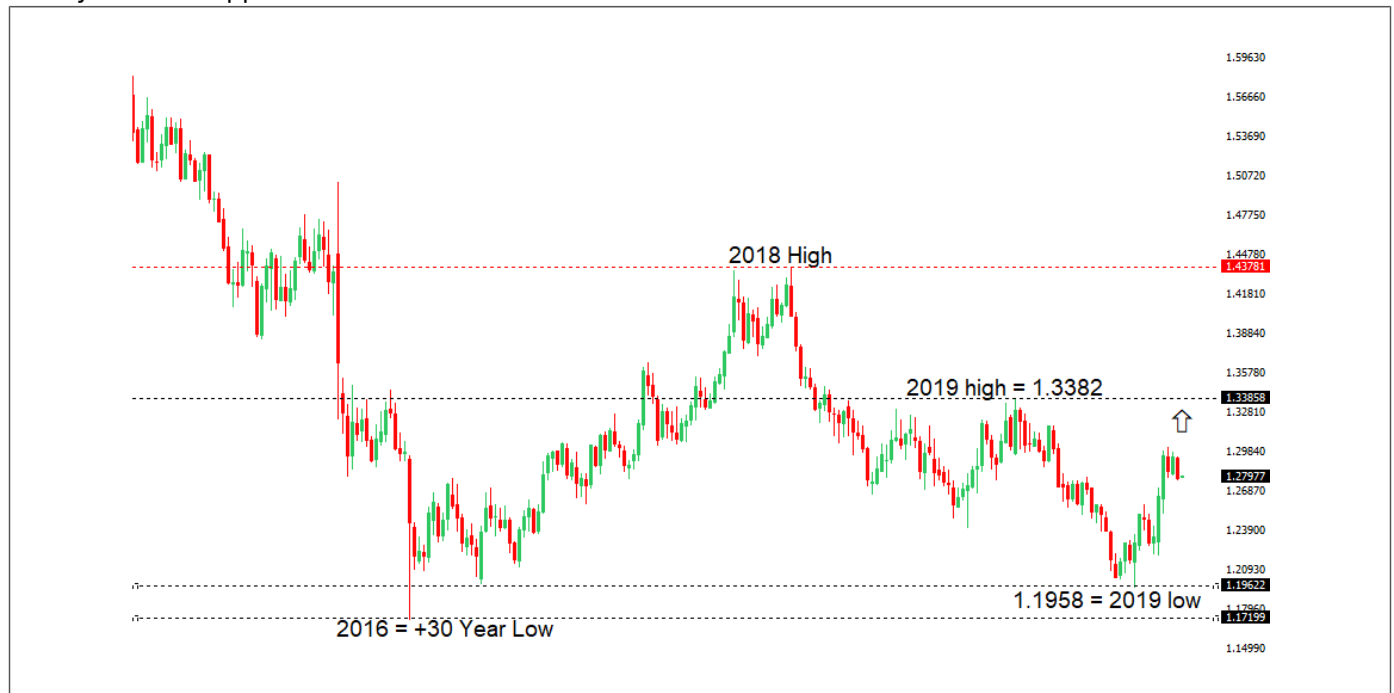
There was no shortage of official speak out of the Eurozone on Thursday, which was all over the map. ECB Villeroy said it was 'reasonable to assume rates are near bottom.' ECB Guindos said central banks 'still have policy ammunition' and the ECB won't raise rates 'until inflation is converging on its target.' ECB's Lane said research suggests the 'net impact' of expanding monetary policy has been 'positive' on the trade balance, and ECB Knot said the central bank 'can act more forcefully with conventional instruments.' German Finance Minister Olaf Scholz said Germany is 'growing more slowly but is not in a crisis,' and there is 'no need for German stimulus.' Looking ahead, we get an ECB Mersch speech, Eurozone trade and inflation, and US releases in the form of retail sales, Empire manufacturing, industrial production and business inventories.

## 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 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 1.2900** - Figure - Medium
- **S1 1.2769** - 8 November low - Strong
- **S2 1.2700** - Figure - Medium

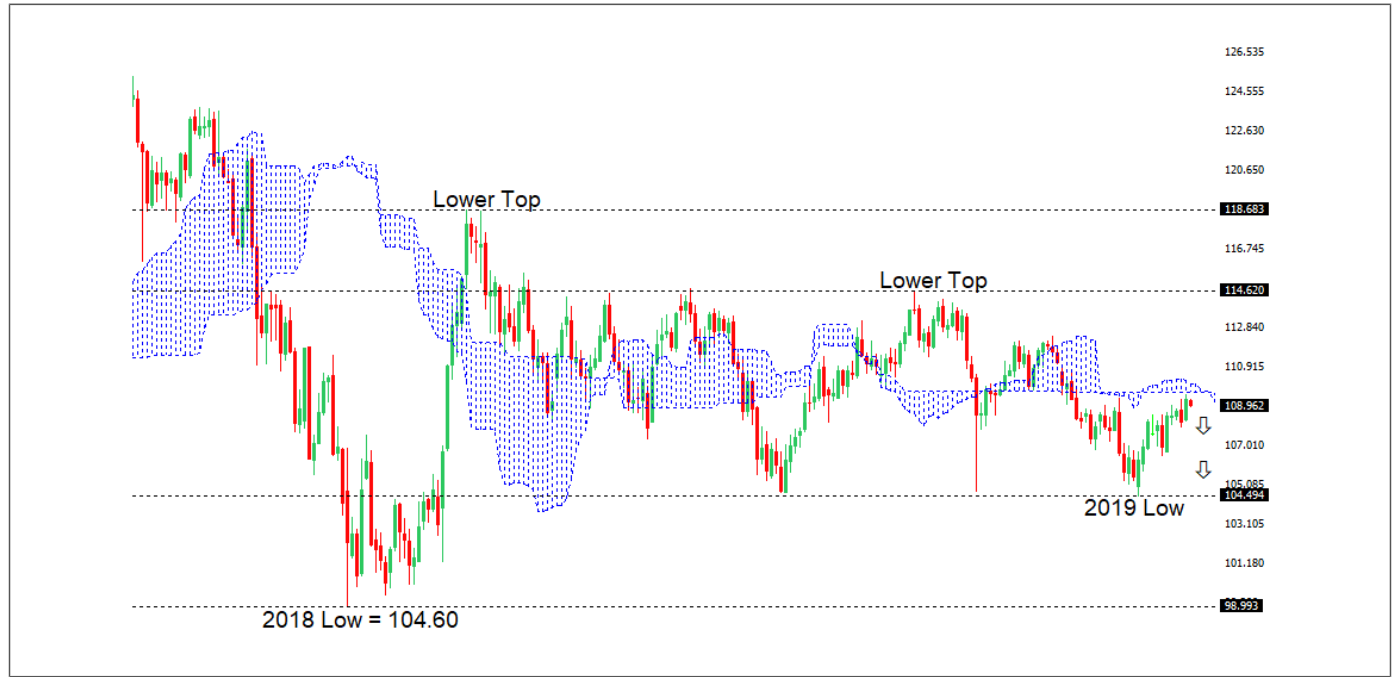
## GBPUSD - fundamental overview

The Pound has done a good job holding up this week, in the face of broad US Dollar demand and a softer round of UK data. The UK currency has been more focused on the Brexit outlook and outcome of the December election, which looks increasingly favourable for the ruling Conservatives. There have however been some hiccups along the way. Nigel Farage recently said his Brexit party would contest all of Labour's seats despite calls to 'stand his candidates down' in order to 'clear the path' for UK PM Boris Johnson to win a majority in the December general election. Still, things are looking up for the Pound, as the path forward shows real potential for all of this Brexit risk to be put to bed. Looking ahead, absence of first tier data in the UK on Friday will leave the focus on Brexit related updates and US releases in the form of retail sales, Empire manufacturing, industrial production and business inventories.

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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 110.00** - Psychological - Strong
- **R1 109.49** - 7 November high - Strong
- **S1 108.24** - 14 November low - Medium
- **S2 107.89** - 1 November low - Strong

## USDJPY - fundamental overview

The Yen has given back some of its recent gains after US trade advisor Kudlow was out offering more upbeat comments. Kudlow said the US and China were down to the short strokes of a phase one trade deal. Over in Japan, the BOJ left bond purchases unchanged in its latest bond purchase operation. Looking ahead, key standouts on the Friday calendar include US retail sales, empire manufacturing, industrial production and business inventories.

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# EURCHF - technical overview

The market remains very well capped into offers and the medium-term picture continues to favour the downside. A break back above 1.1060 would be required to take the immediate pressure off the downside. Below 1.0800 exposes the 1.0600 area.



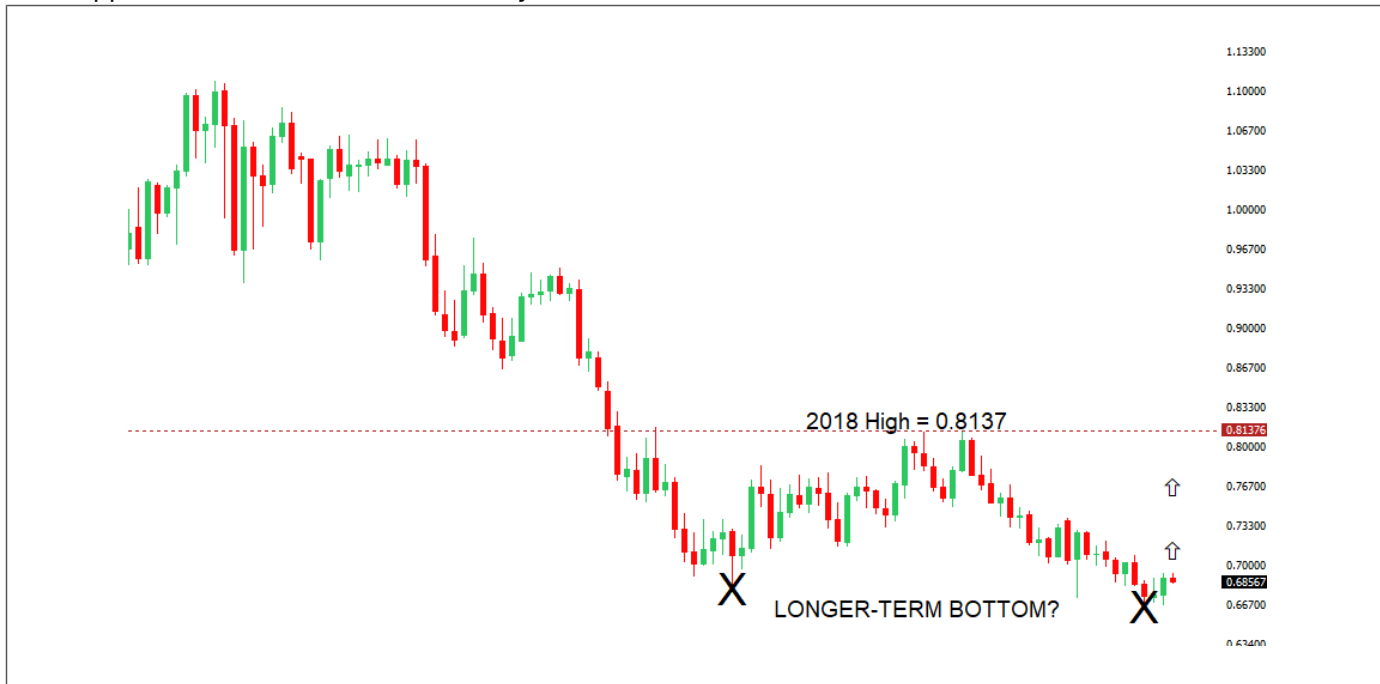
- **R2 1.1173** - 2 July high - Strong
- **R1 1.1060** - 17 October high - Medium
- **S1 1.0864** - 14 November low - Medium
- **S2 1.0811** - 4 September/2019 low - Strong

# 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.



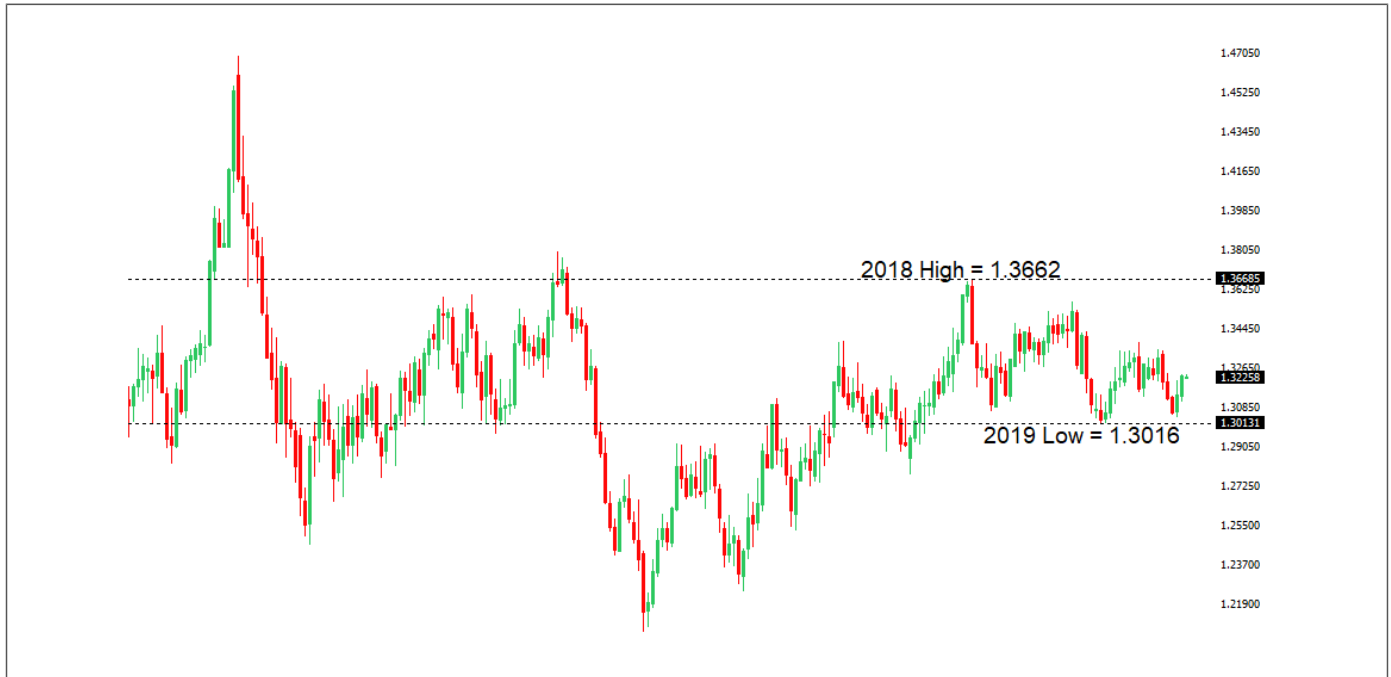
- **R2 0.6930** - 31 October high - Strong
- **R1 0.6866** - 11 November high - Strong
- **S1 0.6770** - 14 November low - Medium
- **S2 0.6710** - 10 October low - Strong

# AUDUSD - fundamental overview

The Australian Dollar had taken a big hit on Thursday following a discouraging Aussie jobs report, but has managed to recover into Friday, getting a boost from the upbeat comments from US trade advisor Kudlow. Kudlow said the US and China were down to the short strokes of a phase one trade deal. Looking ahead, key standouts on the Friday calendar include US retail sales, empire manufacturing, industrial production and business inventories.

## 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 1.3348** - 3 October high - Medium
- **R1 1.3271** - 14 November high - Medium
- **S1 1.3200** - Figure - Medium
- **S2 1.3160** - 7 November low - Strong

## USDCAD - fundamental overview

The Canadian Dollar was able to recover out from recent lows, after a supportive day of developments for the Loonie on Thursday. US House Speaker Pelosi said progress was being made with the USMCA trade agreement. On the data front, Canada new home prices rose more than expected. Looking ahead, key standouts on the Friday calendar include a Bank of Canada Lane speech, Canada foreign securities purchases, and US reads in the form of retail sales, empire manufacturing, industrial production and business inventories.

## 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 0.6466** - 4 November high - Strong
- **R1 0.6419** - 14 November high - Medium
- **S1 0.6322** - 8 November low - Medium
- **S2 0.6241** - 16 October low - Strong

## NZDUSD - fundamental overview

**The New Zealand Dollar had been boosted** earlier in the week after the RBNZ left rates on hold and delivered a less dovish than expected communication. We've since seen more upbeat, Kiwi supportive comments from RBNZ Orr and Assistant Governor Hawkesby, along with a sharp rebound in New Zealand manufacturing PMI reads. The New Zealand Dollar is also benefiting from risk positive headlines on the trade front, after US trade advisor Kudlow said the US and China were down to the short strokes of a phase one trade deal. Looking ahead, key standouts on the Friday calendar include US retail sales, empire manufacturing, industrial production and business inventories.



## 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.



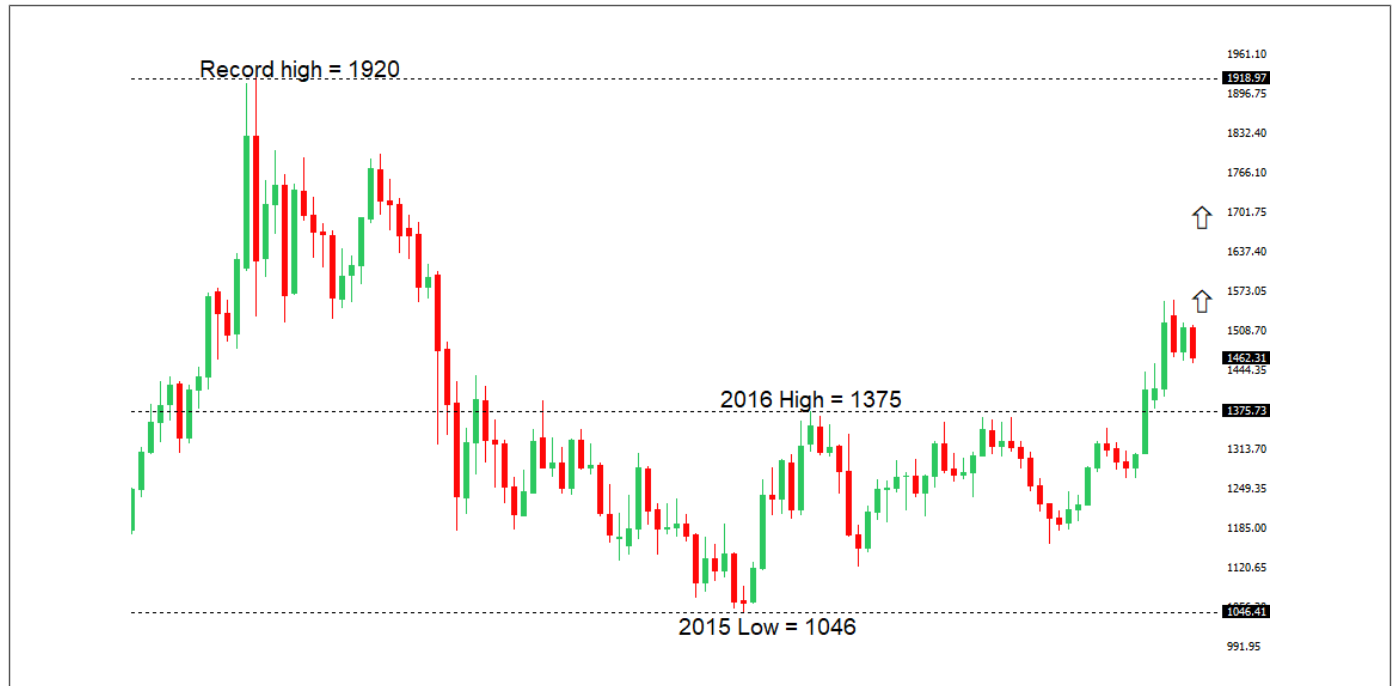
- **R2 3150** - Psychological - Strong
- **R1 3111** - 15 November/**Record high** - Medium
- **S1 2854** - 3 October low - Medium
- **S2 2777** - 6 August low - Strong

## US SPX 500 - fundamental overview

Although we've seen the market extending to fresh record highs in 2019, with so little room for additional central bank accommodation, 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 1445** - 12 November 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 10,468** - 26 October high - Strong
- **R1 9,612** - 4 November high - Medium
- **S1 8,000** - Psychological - 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 177** - 1 November low - Medium
- **S2 153** - 23 October low - 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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