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# Global FX Insights

by LMAX Exchange Research & Analytics

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

## More Brexit Bumps, US Retail Sales Ahead [Wake-up call](#)

The Pound is a clear underperformer in the early hours of the week, with the currency taking the hit from weekend setbacks on the Brexit front. As far as today's economic calendar goes, key standouts come in the form of US readings that include retail sales, empire manufacturing and business inventories.

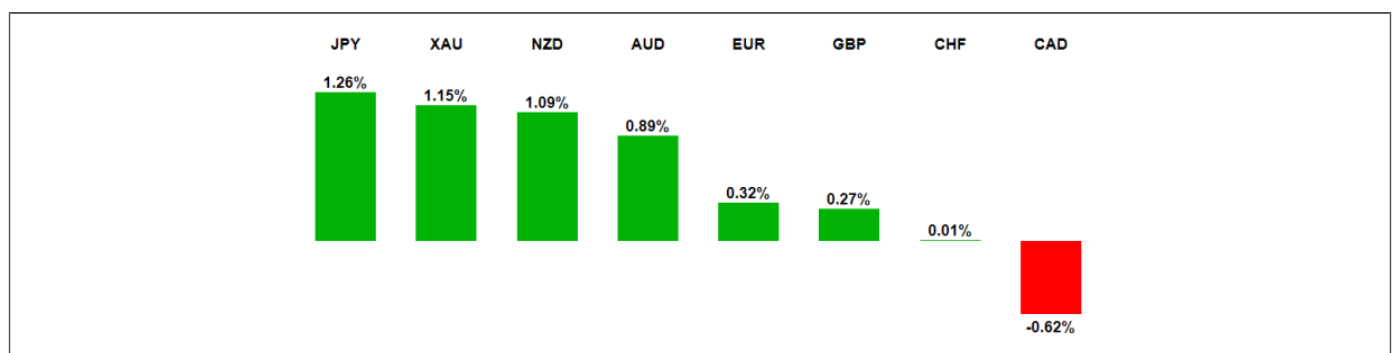
### Technical highlights [Daily Video](#)

- [EURUSD](#) Bullish on close back above 1.1600
- [GBPUSD](#) Big resistance level at 1.3300
- [USDJPY](#) Deeper setbacks on the cards
- [EURCHF](#) Well supported into major zone
- [AUDUSD](#) Trying to bounce off recent low
- [USDCAD](#) Chop but no clear direction
- [NZDUSD](#) Enters overdue corrective phase
- [US SPX 500](#) Signs of market topping out
- [GOLD](#) (spot) Reaching for bullish break
- [BTCUSD](#) Range contracts to triangle apex
- [ETHUSD](#) Stuck in consolidation off lows

### Fundamental highlights

- [EURUSD](#) Euro shakes off Italian worry
- [GBPUSD](#) Brexit bumps work back into market
- [USDJPY](#) Yen and risk sentiment correlations
- [EURCHF](#) SNB staring at tough situation
- [AUDUSD](#) Caught between diverging flow
- [USDCAD](#) Loonie takes added hit on OIL drop
- [NZDUSD](#) Kiwi exposed to US equities drop
- [US SPX 500](#) Fed model showing change
- [GOLD](#) (spot) Plenty of institutional demand
- [BTCUSD](#) Bitcoin run deceptive, Tether untethers
- [ETHUSD](#) Crypto into forced release of hedges

## Performance v. US dollar since weekly open

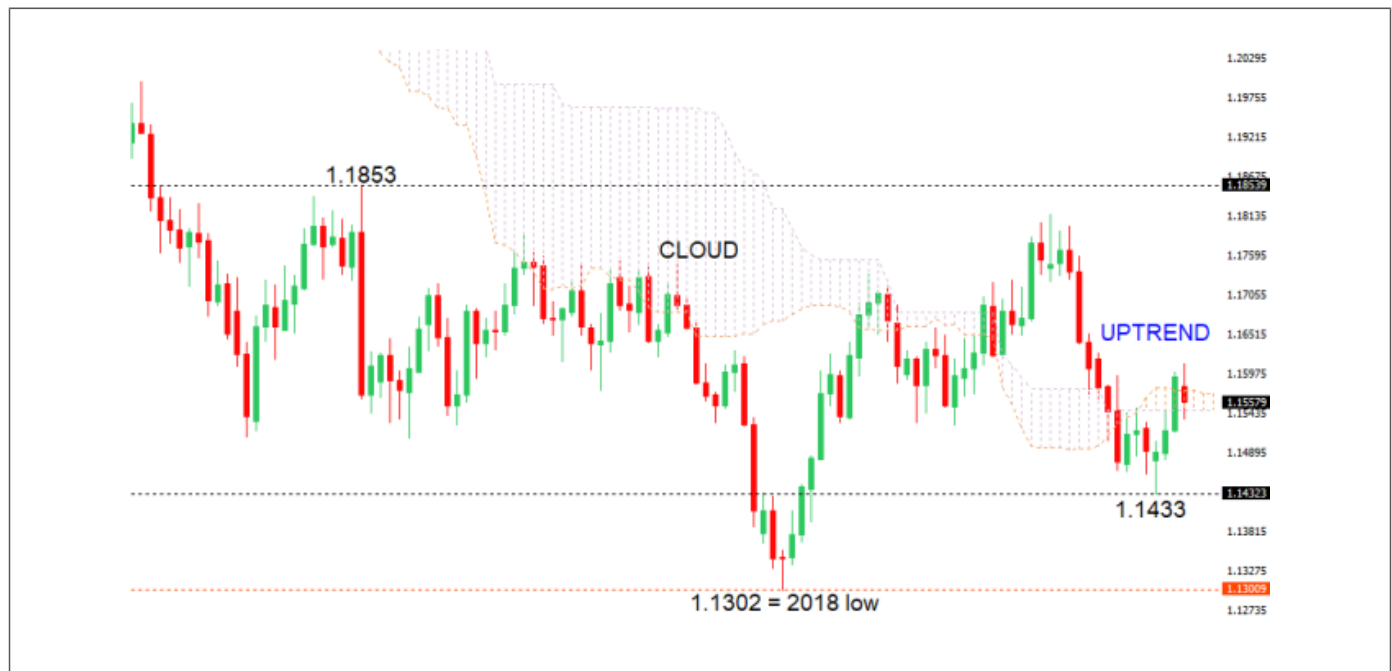


## Suggested reading

- [U.S. Pain Can Be Emerging Markets' Gain](#), S. Ren, **Bloomberg** (October 12, 2018)
- [Italians Are All Talking About the Bond Spread](#), M. Johnson, **Financial Times** (October 12, 2018)

## EURUSD - technical overview

The Euro has struggled since breaking back above the Ichimoku cloud in September, with the latest round of setbacks compromising a bullish shift in the outlook. But if the market can establish a sustained break back above 1.1600, it will strengthen the prospect of a more meaningful higher low in August ahead of the next major upside extension back above the +3 year high from earlier this year up around 1.2550. Setbacks should not hold up ahead of 1.1433.



- **R2 1.1652** - 28Sep high - Strong
- **R1 1.1611** - 12Oct high - Strong
- **S1 1.1481** - 10Oct low - Medium
- **S2 1.1433** - 9Oct low - Strong

## EURUSD - fundamental overview

The worry about structural risk associated with Italy has not gone away, though the market continues to do a good job shrugging of this risk. Most of the focus right now is on the latest meltdown in US equities. The market is looking to rotate into safe haven assets and with the US Dollar not looking as attractive in a world where the US administration is pushing for a trade policy promoting a weaker Dollar, the Euro becomes a primary beneficiary of the flow. As far as today's calendar goes, US readings are the main standouts, with retail sales, empire manufacturing and business inventories due.

## EURUSD - Technical charts in detail

[Watch now](#)

## GBPUSD - technical overview

The correction off the 2018 low transformed into an uptrend following the September break above the daily Ichimoku cloud. It was the first time the market had traded above the cloud since trading around 1.4000 back in April. This encourages the possibility for a more meaningful recovery ahead, with a break back above 1.3300 to strengthen the outlook. Any setbacks should now hold up ahead of the 1.2800.



- **R2 1.3299** - 20Sep high - Strong
- **R1 1.3259** - 12Oct high - Medium
- **S1 1.3029** - 8Oct low - Medium
- **S2 1.3003** - 5Oct low - Strong

## GBPUSD - fundamental overview

The Pound had suffered early Monday setbacks from weekend news on the Brexit front. This has involved a cancelled Monday meeting with the EU and threats of resignation from various UK cabinet ministers disheartened by Theresa May's deal concessions. Still, overall, it's been feeling like we're getting closer to a deal and these bumps into the lead up shouldn't be all that surprising. Meanwhile, fallout in stocks has been inviting additional demand, with the US Dollar less attractive in a world where the US administration is pushing a trade policy that is inviting of a weaker US Dollar. As far as today's calendar goes, US readings are the main standouts, with retail sales, empire manufacturing and business inventories due.

## GBPUSD - Technical charts in detail

# USDJPY - technical overview

**Rallies continue to be very well capped** on a medium-term basis, with the outlook still favouring lower tops and lower lows. The latest breakdown back below 113.00 strengthens the outlook, with the door open for a drop towards the next major support around 109.75. Ultimately, only a close back above a previous lower top from the Fall of 2017 at 114.74 would compromise the bearish structure.



- **R2 113.95** - 8Oct high - Very Strong
- **R1 113.40** - 9Oct high - Medium
- **S1 111.84** - 11Oct low - Medium
- **S2 111.67** - 18Sep low - Strong

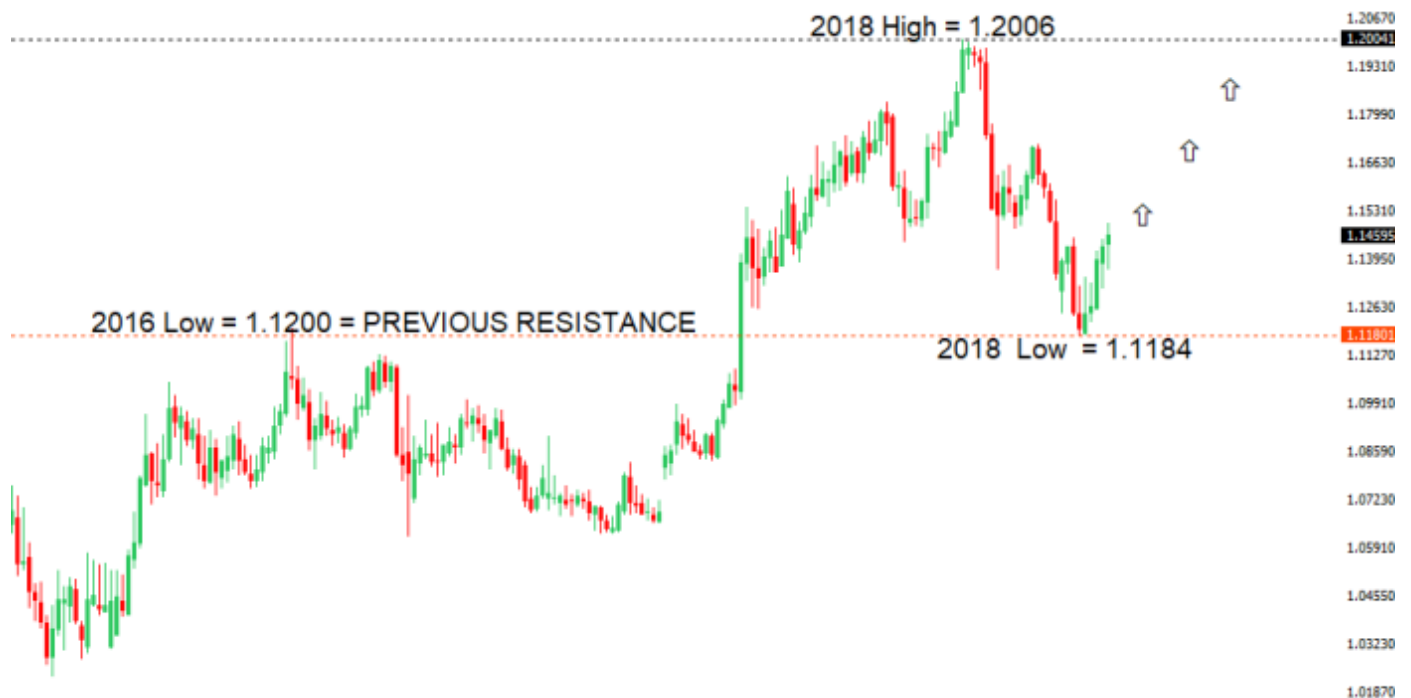
# USDJPY - fundamental overview

**Overall, the major pair looks increasingly vulnerable** given the state of US equities threatening a major capitulation. We're now living in a world where central bank and government stimulus is no longer there in the way it had been for a decade post 2008 crisis, which increases the probability for Yen demand, as negative shocks to the global economy surface, particularly in light of tension surrounding fallout from US protectionism. As far as today's calendar goes, US readings are the main standouts, with retail sales, empire manufacturing and business inventories due.

[Watch now](#)

## EURCHF - technical overview

**Signs of recovery after the market had sunk** to a 2018 low in August. If the market can establish back above 1.1560 it will encourage the bullish prospect and set the stage for a rally back towards the yearly high, all the way up just over 1.2000. However, inability to establish above 1.1560, could invite another move to the downside.



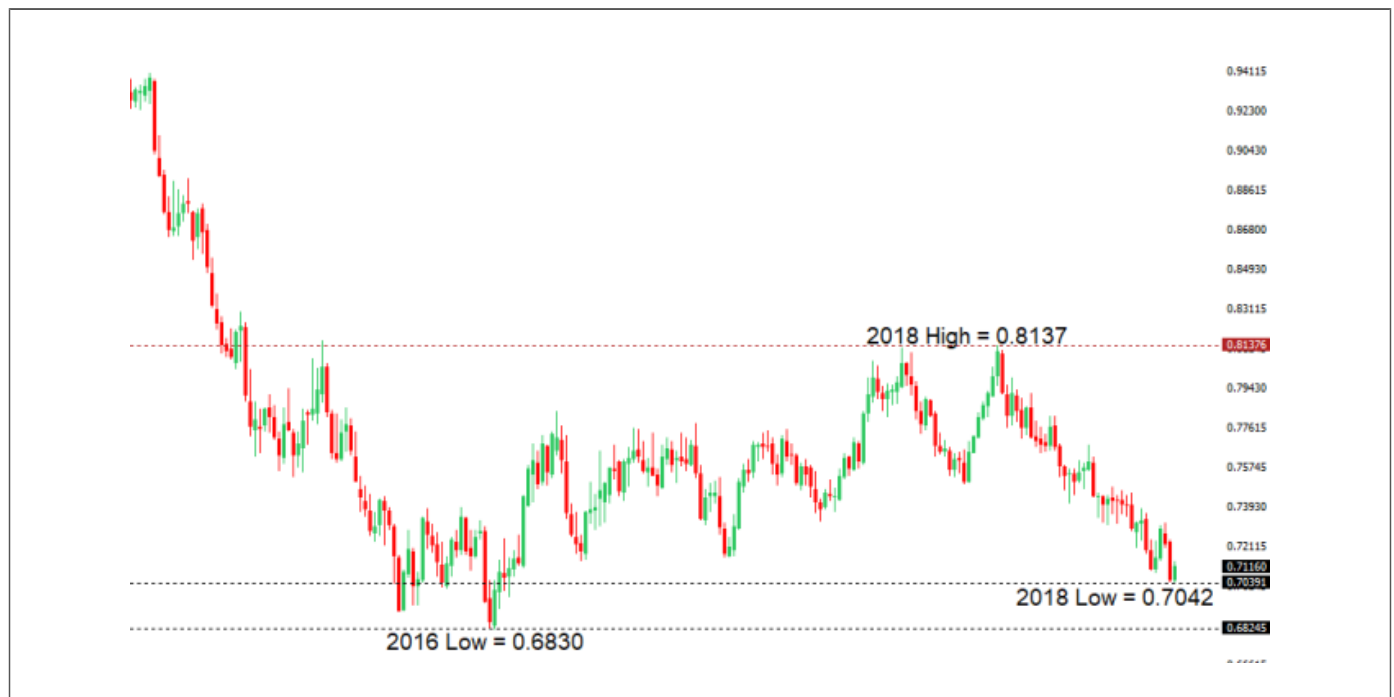
- **R2 1.1560**- 8Aug high - Strong
- **R1 1.1494** - 12Oct high - Medium
- **S1 1.1313** - 27Sep low- Medium
- **S2 1.1224**- 18Sep low - Strong

## 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 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

**Technical studies are stretched on a medium term basis**, and the market has been attempting to recover out from its lowest levels since February 2016. Still, it would take a break back above the September high at 0.7316 to alleviate immediate downside pressure and encourage the possibility for any possible shift in the trend.



- **R2 0.7198** - 30Oct high - Strong
- **R1 0.7140**- 12Oct high - Medium
- **S1 0.7100** - Figure - Medium
- **S2 0.7042** - 8Oct/2018 low - Strong

## AUDUSD - fundamental overview

**The Australian Dollar is struggling to figure out its next move**, as it gets pulled in both directions. On the one side, this latest collapse in US equities is adding to strain on the global economy, which is capping the correlated currency. On the other side, US trade policy is inviting a weaker Dollar across the board and the administration continues to push forward with this agenda. Aussie data has also been supportive over the past week or so. As far as today's calendar goes, US readings are the main standouts, with retail sales, empire manufacturing and business inventories due.

## USDCAD - technical overview

The market has been under pressure since topping out in June, which could still invite a deeper 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 bigger picture constructive outlook.



- **R2 1.3083** - 27Sep high - Medium
- **R1 1.3072** - 11Oct high - Medium
- **S1 1.2927**- 10Oct low - Medium
- **S2 1.2858** - 4Oct low - Strong

## USDCAD - fundamental overview

The Canadian Dollar hasn't been doing much trading on its own fundamentals of late, instead deferring to broader price action, which has been about fallout from the collapse in US equities. OIL's latest fall from grace has been an added drag on the Loonie over the past few sessions. Looking ahead, we get some data out of Canada that includes existing home sales, Canada business outlook future sales and the Bank of Canada's senior loan officer and business outlook surveys. We also get US readings that include retail sales, empire manufacturing and business inventories.

## NZDUSD - technical overview

**Kiwi setbacks have extended to another 2018 low**, with the market also back to its lowest levels since January 2016. This leaves the door open for declines down towards massive support just ahead of 0.6100, in the form of the 2015 low. At the same time, technical studies are looking stretched on a medium term basis, which could warn of a meaningful low ahead of such a retest. Still, at this point, it would take a break back above the September high at 0.6700 to take the immediate pressure off the downside.



- **R2 0.6594** - 30Oct high - Strong
- **R1 0.6534** - 12Oct high - Medium
- **S1 0.6425** - 8Oct/**2018 low** - Medium
- **S2 0.6400** - Figure - Strong

## NZDUSD - fundamental overview

**A beaten down New Zealand Dollar**, sitting at 2.5 year lows, is doing its best to try and recover, though this has been a difficult assignment for a risk correlated currency contending with a fallout in the equities markets. Nevertheless Kiwi is getting help from US trade policy promoting a softer US Dollar, while on the local front, last week's news was more upbeat, which included a 2018 budget surplus. As far as today's calendar goes, US readings are the main standouts, with retail sales, empire manufacturing and business inventories due.



## 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 topping formation. Any rallies should now continue to be very well capped ahead of 3000, in favour of renewed weakness back below the 2530 area yearly low (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.



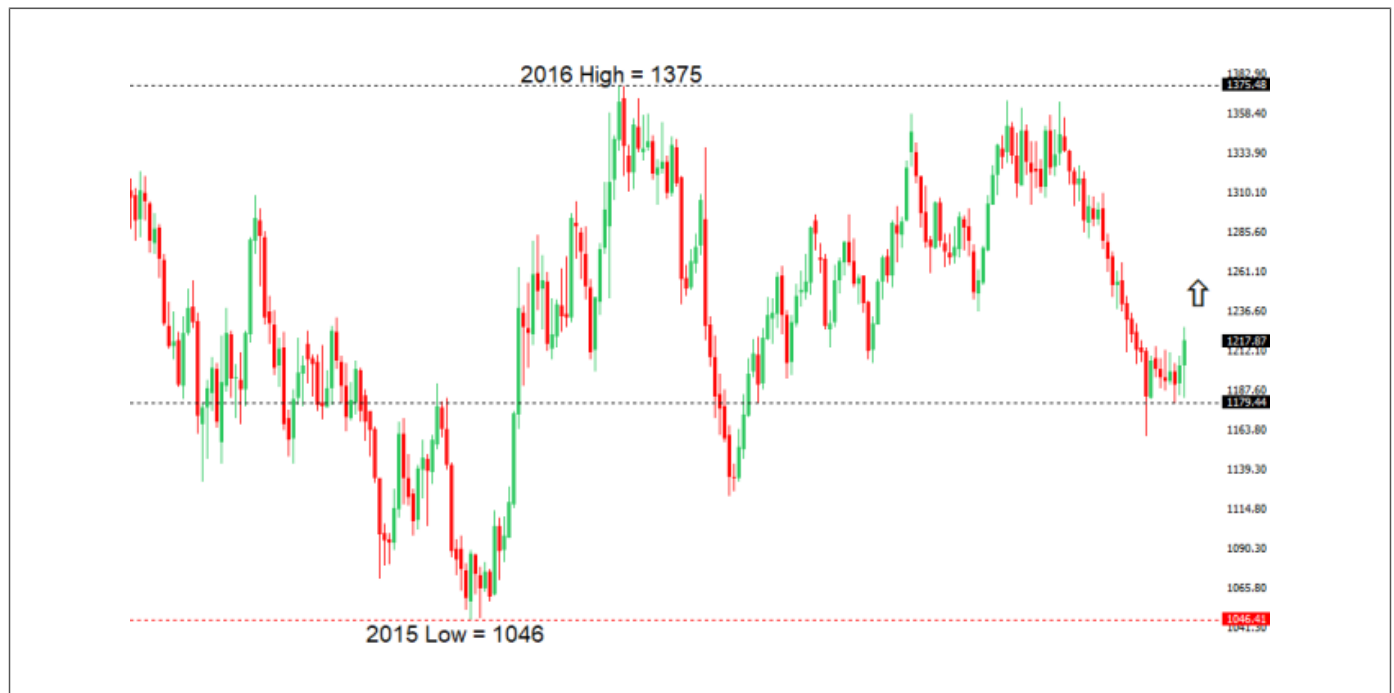
- **R2 2865** - 7Sep low - Strong
- **R1 2797** - 11Oct high - Medium
- **S1 2711** - 11Oct low - Medium
- **S2 2692** - 28Jun low - Strong

## US SPX 500 - fundamental overview

**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 to record highs. 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 1236** - 26Jul high - Strong
- **R1 1227** - 11Oct high - Medium
- **S1 1200** - Psychological - 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

Considering the intensity of declines already seen this year, if the market does break to the topside, it could be a bullish signal that gets the trend moving up again. But we would need to see a break above the August lower top for confirmation. Until then, a bearish continuation back towards the September 2017 low around 2,975 can not be ruled out.



- **R2 7,405** - 4Sep high - Strong
- **R1 7,190** - 15Oct high - Medium
- **S1 6,093** - 19Sep low -Medium
- **S2 5,862** - 14Aug low - Strong

## BTCUSD - fundamental overview

**Bitcoin has found an early bid on Monday**, though the price action is deceptive, with the demand coming from an exodus of hedges into the most liquid stable coin. Tether is a US Dollar backed stable currency and has been the default hedge without needing to go to fiat. But Tether has long been surrounded by controversy and on Monday, it seems like things are catching up, as the stable coin goes unstable. Tether is the 7th largest cryptocurrency. All of this suggests the rally could quickly be sold on a rotation to alternative stable coins or as Tether finds a way to reestablish credibility. 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 and increased adoption. Still, there has been concern in the shorter-term on account of regulatory challenges in the space.

# **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 255** - 22Sep high - Medium
- **S1 188** - 12Oct low - Medium
- **S2 167** - 12Sep/2018 low - Strong

## ETHUSD - fundamental overview

**Ether has found an early bid on Monday**, though the price action is deceptive, with the demand coming from an exodus of hedges into the most liquid stable coin. Tether is a US Dollar backed stable currency and has been the default hedge without needing to go to fiat. But Tether has long been surrounded by controversy and on Monday, it seems like things are catching up, as the stable coin goes unstable. Tether is the 7th largest cryptocurrency. All of this suggests the rally could quickly be sold on a rotation to alternative stable coins or as Tether finds a way to reestablish credibility. We've seen quite a bit of weakness in the price of Ether in 2018 and there's still legitimate risk for deeper setbacks, given technical hurdles within the protocol, ongoing regulatory challenges and a global macro backdrop exposing risk correlated projects on the Ethereum blockchain. 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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