

Friday, November 16, 2018

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# Global FX Insights

by LMAX Exchange Research & Analytics

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

## May Stands Ground after Tough Day 🔊 [Wake-up call](#)

Friday will be an interesting day for the Pound, a currency that suffered its biggest one day drop in 17 months. The resignation of Dominic Raab has significantly upgraded the uncertainty around the fate of Brexit and Theresa May is going to need to fight hard to regain deal momentum.

[audio mp3="https://lemeaex2.files.wordpress.com/2018/11/16novlmaxaudio.mp3"][/audio]

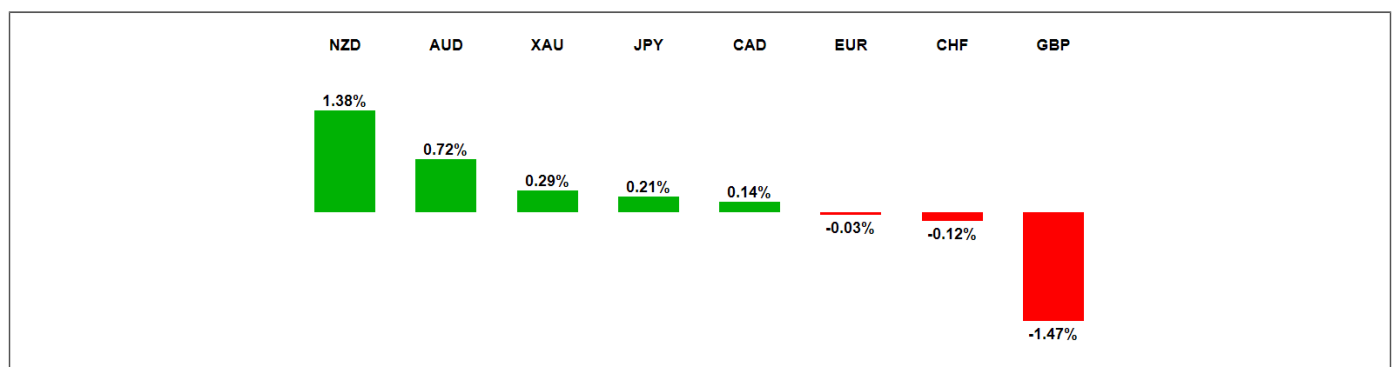
### Technical highlights ▶ [Daily Video](#)

- [EURUSD](#) Above or below 1.1300
- [GBPUSD](#) Back to critical support
- [USDJPY](#) Starting to turn back down
- [EURCHF](#) No directional insight at moment
- [AUDUSD](#) Working its way off +2.5 year low
- [USDCAD](#) Studies tracking in neutral territory
- [NZDUSD](#) Into correction out from key low
- [US SPX 500](#) Looking for next lower top
- [GOLD](#) (spot) Slowly working to bullish break
- [BTCUSD](#) Takes out 2018 low
- [ETHUSD](#) Trying to hold off yearly low

### Fundamental highlights

- [EURUSD](#) Eurozone trade data on tap
- [GBPUSD](#) Brexit fireworks expected
- [USDJPY](#) Powell out with less hawkish tone
- [EURCHF](#) SNB staring at tough situation
- [AUDUSD](#) Aussie employment beats forecast
- [USDCAD](#) OIL declines a big worry for Loonie
- [NZDUSD](#) Kiwi shrugs off negative drivers
- [US SPX 500](#) Fed model showing change
- [GOLD](#) (spot) Plenty of institutional demand
- [BTCUSD](#) Bitcoin worries about global macro
- [ETHUSD](#) Eth looking at longer-term prospects

## 5-Day Performance v. US dollar



## Suggested reading

- [The Problem Isn't Theresa May. It's Brexit](#), N. Raphael, **Bloomberg** (November 15, 2018)
- [Why Hard Brexiteers Want to Ditch](#), J. Blitz, **Financial Times** (November 15, 2018)

## EURUSD - technical overview

The Euro sits at a critical inflection point right now, trying to figure out whether it wants to hold up into dips for the start to a resumption of that bullish breakout from back in 2017 that led to a +3 year high earlier this year, or if it wants to keep extending this run of declines. A lot of this will hinge on how the market trades around 1.1300 in the sessions ahead. Any sustained break below 1.1300 could open another downside extension that targets the 1.0800 area. But if the market can hold up above 1.1300 on a daily close basis, we could see the start to a much bigger bullish move.



- **R2 1.1369** - 9Nov high - Medium
- **R1 1.1352** - 15Nov high - Medium
- **S1 1.1216**- 12Nov/2018 low - Medium
- **S2 1.1200** - Figure - Strong

## EURUSD - fundamental overview

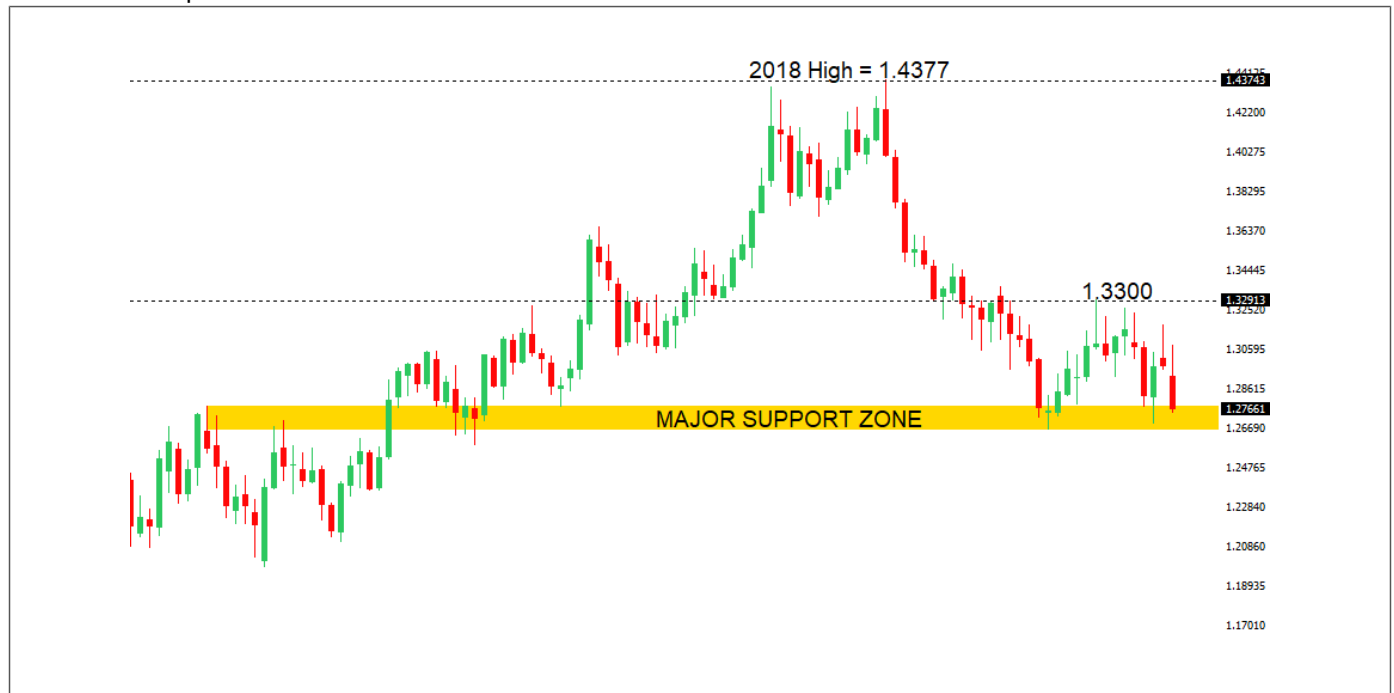
The Euro has been trying to reassert after clearing stops below 1.1300 and trading down to a fresh 2018 low. A lot of the price action has been more about profit taking on long Dollar exposure than anything else. Fed Powell's less hawkish comments this week have factored into this, while the market is also concerned the US administration will find a way to continue to press ahead with its soft Dollar policy via protectionist measures. As far as the calendar goes, we get a Draghi appearance, Eurozone CPI and US industrial production. The market will also be focused on Brexit developments and global sentiment.

## EURUSD - Technical charts in detail

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## GBPUSD - technical overview

**On a medium to longer term basis**, the outlook is still looking constructive off the +30 year low from 2016, with a higher low sought ahead of the next major upside extension back towards and through the current 2018 high. Shorter-term however, the market is threatening a possible break to another fresh 2018 low. If the market breaks down below the yearly low, it will open possibility for a measured move extension into the 1.2000s. Right now, a break back above the weekly high at 1.3073 would be required to alleviate the downside pressure.



- **R2 1.3073** - 14Nov high - Medium
- **R1 1.2828** - 12Nov low - Strong
- **S1 1.2700** - Figure - Medium
- **S2 1.2662** - 15Aug low - Strong

## GBPUSD - fundamental overview

**A massive hit to the Pound on Thursday**, with everything falling apart on the Brexit front after Theresa May's chief negotiator stepped down. Dominic Raab handed in his resignation, unwilling to a part of the process, making his discomfort with being a part of the deal clear in his letter. More resignations and talk of a no confidence vote didn't do anything to help matters and things were so ugly, the market didn't even care to worry about a softer than expected UK retail sales print. The path forward is looking rather bleak at this point and Theresa May will need to pull some magic out of the hat to turn the ship around. There won't be much else to focus on in Friday trade. There is no first tier data on the docket in the UK, and in the US, industrial production is the only standout.

## 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. Look for yet another topside failure ahead of 114.00, in favour of the next major downside extension towards key support around 109.75. Ultimately, only a break back above 114.75 would negate the bearish outlook.



- **R2 114.56** - 5Oct high - Strong
- **R1 114.22** - 12Nov high - Medium
- **S1 113.10** - 15Nov low - Medium
- **S2 112.95** - 7Nov low - Strong

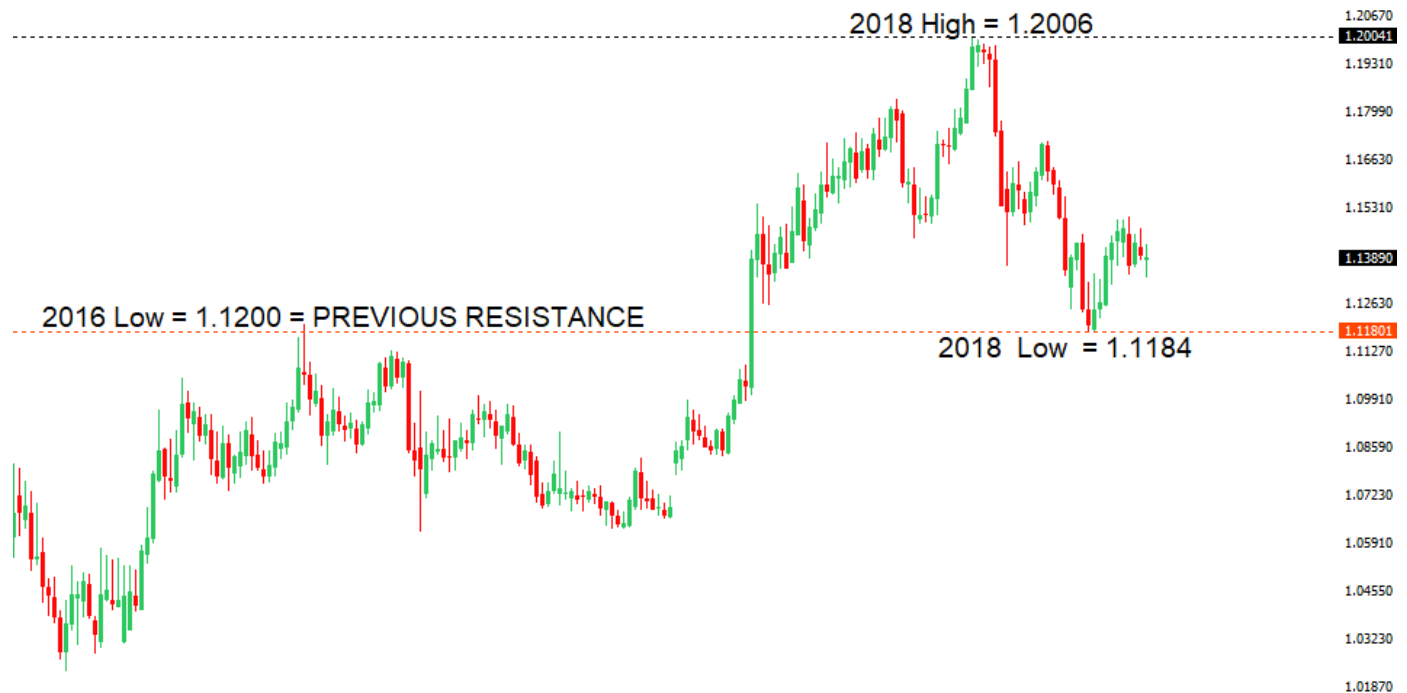
## USDJPY - fundamental overview

**The Fed Chair was on the wires this week** offering less hawkish words, while highlighting concerns about lag effect on markets from policy normalization. Both of these disclosures weighed on the major pair, with the Yen catching bids on yield differential flow and risk liquidation flow. As far as Friday goes, the only notable upcoming release is US industrial production, though there will be plenty to take in with all of the macro risk out there.

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## EURCHF - technical overview

The market has been in the process of recovering out from a 2018 low coinciding with critical support in the 1.1200 area. However, at this stage, there is no clear directional bias, with the price action deferring to a neutral state. Back above 1.1560 would get some bullish momentum going for a push to 1.2000, while back below 1.1200 would be quite bearish.



- **R2 1.1560**- 8Aug high - Strong
- **R1 1.1502** - 22Oct 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**, though the market has been unable to make any meaningful recoveries out from its lowest levels since February 2016. At this stage, the market will need to establish back above 0.7316 to take the immediate pressure off the downside. Until then, risk remains for fresh downside below the 0.7000 psychological barrier, which defends against a retest of the 2016 low down at 0.6830.



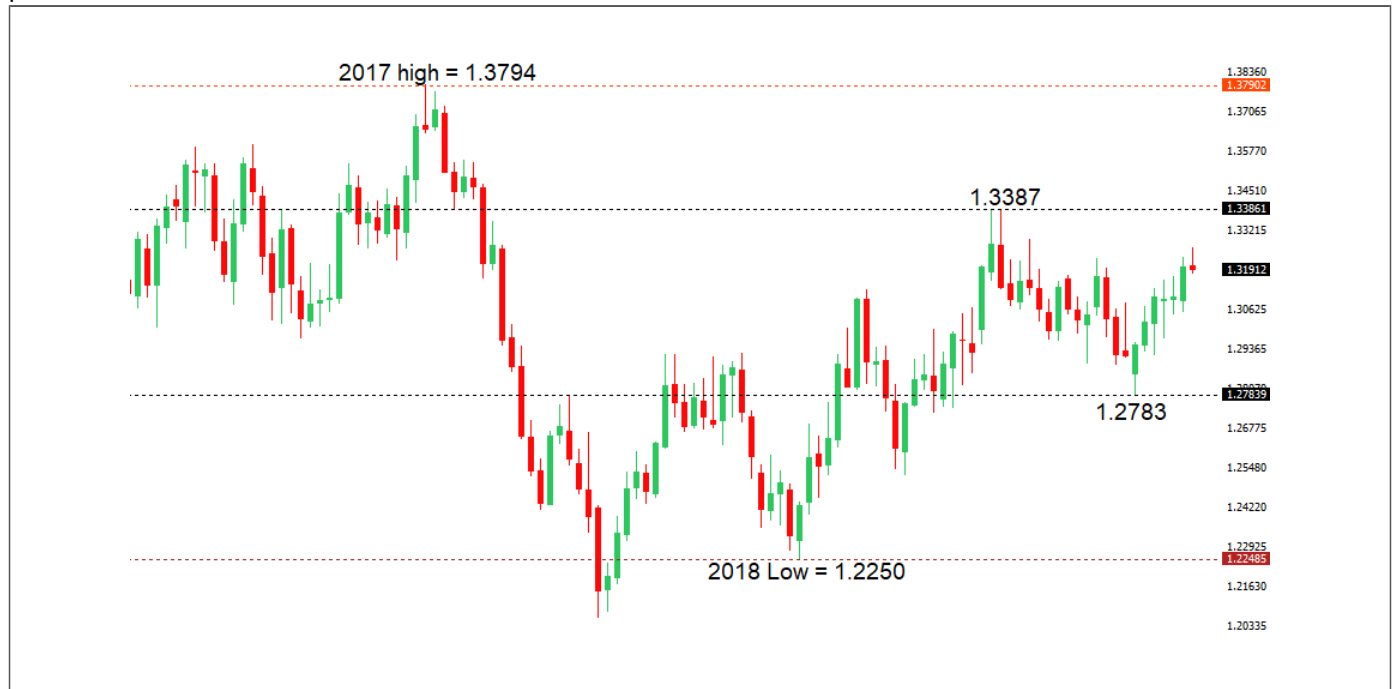
- **R2 0.7316** - 26Sep high - Strong
- **R1 0.7303** - 8Nov high - Medium
- **S1 0.7200** - Figure - Medium
- **S2 0.7165** - 13Nov low - Strong

## AUDUSD - fundamental overview

**Aussie has received a nice boost this week**, helped along by an impressive Aussie employment report and some broad based Dollar selling on the back of less hawkish Fed Powell comments. Overall however, a lot of what happens here will likely hinge on the outlook for global trade and risk sentiment. Looking ahead, US industrial production is the only notable standout on the Friday calendar, though Aussie will be more busy watching risk sentiment and broad Dollar flows.

## USDCAD - technical overview

The market has been consistently sold into rallies 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.



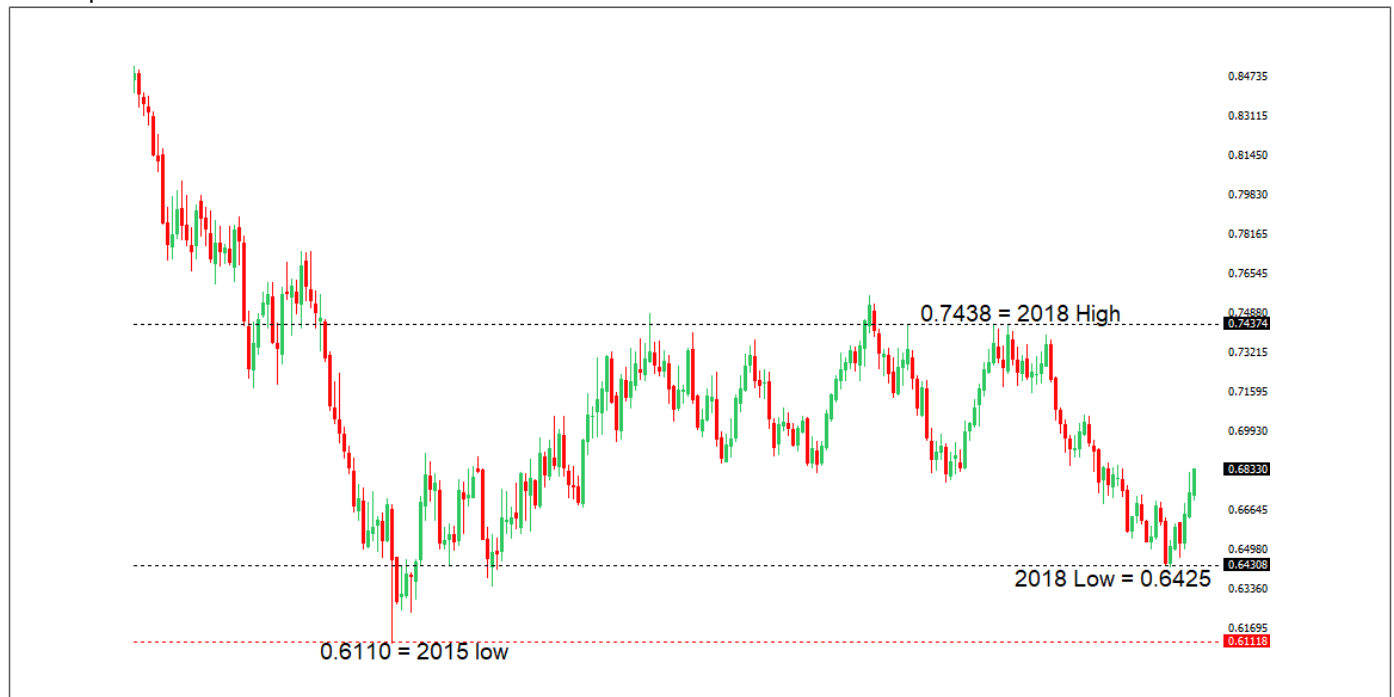
- **R2 1.3291** - 20Jul high - Strong
- **R1 1.3264** - 13Nov high - Medium
- **S1 1.3088** - 8Nov low- Medium
- **S2 1.3049** - 2Nov low - Strong

## USDCAD - fundamental overview

The collapse in the price of OIL off the 2018 high has been turning heads, with the commodity down over 25% since topping out in early October. A market that was very worried about supply back in October, has been reconsidering this view, as data suggests otherwise. Into Friday, there has been some relief for the Loonie on the back of a mild OIL bounce, less hawkish comments out from the Fed Chair, and news that talks between Canada and China on a free-trade agreement were moving forward in a productive manner. As far as the calendar goes, we get Canada manufacturing sales and US industrial production.

## NZDUSD - technical overview

The market has been in the process of recovering out from +2.5 year lows and is looking to extend the correction following the latest break back above consolidation resistance around 0.6725. This sets the stage for a push that could extend back towards the psychological barrier at 0.7000 before the market considers the legitimacy of the recovery and prospect for a more significant bullish structural shift or bearish resumption.



- **R2 0.6900** - Figure - Medium
- **R1 0.6860** - 9Jul high - Medium
- **S1 0.6713** - 7Nov low - Medium
- **S2 0.6633** - 5Nov low - Strong

## NZDUSD - fundamental overview

Despite some recent demand and outperformance against its commodity currency cousins, the outlook for risk markets is still very much in question, as the weight of Fed policy normalisation starts to resonate with investors, and global trade uncertainty still hangs around in the background. Kiwi has managed to shrug off some softer data earlier in the week and renewed downside pressure in stocks, but this outperformance shouldn't continue if risk sentiment deteriorates further. While the early Thursday comments from Fed Powell were less hawkish and opened Dollar selling, the fact that the Fed Chair mentioned worry about lag effect from higher rates, could have a bigger fallout effect on stocks, which would offset Kiwi demand from the less hawkish comments. Looking ahead, US industrial production is the only notable standout on the Friday calendar, though Aussie will be more busy watching risk sentiment and broad Dollar flows.



## 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.



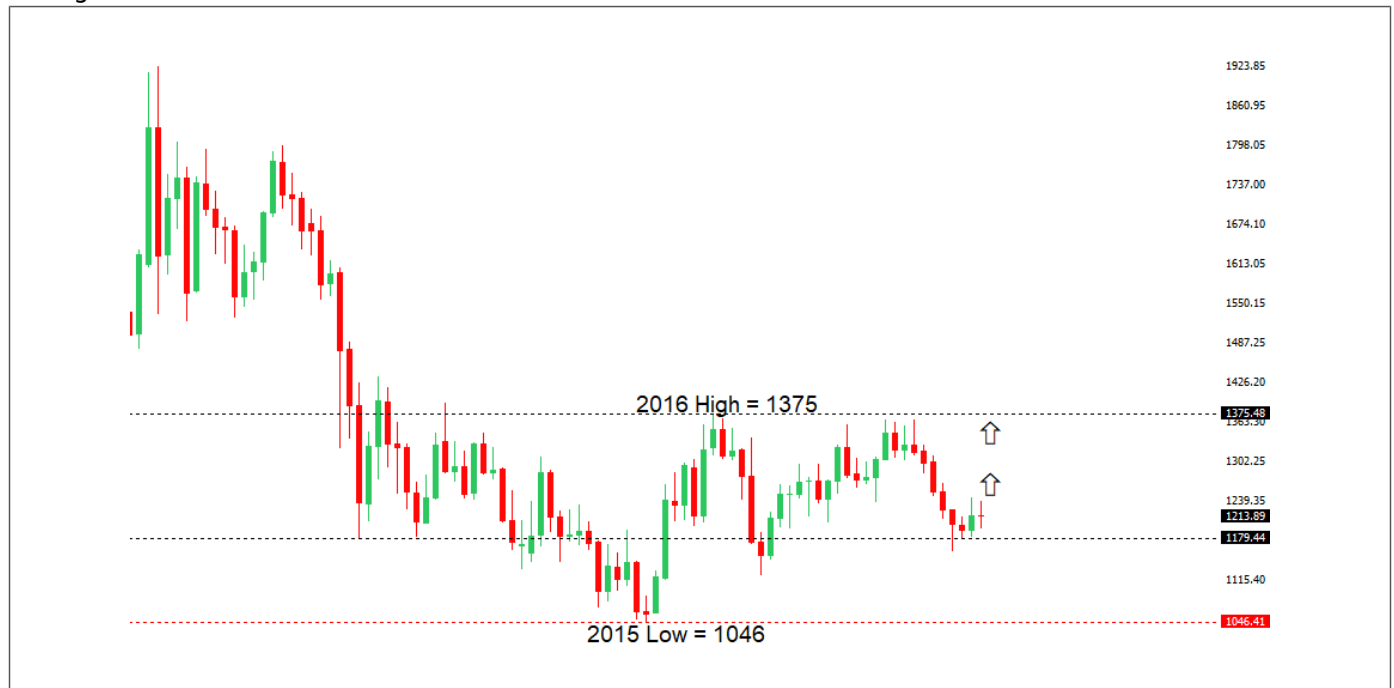
- **R2 2824** - 17Oct high - Strong
- **R1 2800** - Figure - Medium
- **S1 2603** - 29Oct low - Strong
- **S2 2594** - 3May low - Medium

## 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 even 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 the fourth quarter.

## GOLD (SPOT) - technical overview

The market has been showing signs of wanting to turn back up after establishing back above the daily Ichimoku chart. There are also signs that we could be seeing the formation of a more significant medium to longer-term structural shift that would be confirmed if this latest recovery can extend back through big resistance in the form of the 2016 high at 1375. Look for setbacks to be well supported ahead of 1200, with only a close back below 1150 to compromise the constructive outlook. A daily close above 1250 will strengthen the outlook.



- **R2 1266** - 9Jul high - Strong
- **R1 1244** - 26Oct high - Medium
- **S1 1196** - 13Nov 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

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**An extended period of range contraction** has come to an end, with the market breaking down below the apex of a massive triangle formation in 2018. The decline has resulted in fresh yearly lows and warns of a deeper setbacks that could accelerate to the September 2017 low at 2,975. At this stage, it would take a break back above the October peak around 7,700 to take the pressure off the downside.



- **R2 7,000** - Psychological - Strong
- **R1 6,648** - 21Oct high - Medium
- **S1 5,426**- 15Nov/2018 low -Medium
- **S2 5,000** - Psychological - Strong

## BTCUSD - fundamental overview

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**Overall, Bitcoin is doing its best to try and hold up** after extending to after extending to a fresh yearly low. But the market is facing headwinds from broader risk liquidation themes and has sunk to fresh 2018 lows. This could open a bigger drop towards \$3,000 before the market looks for stability. The Bitcoin Cash hard fork hasn't helping matters in any way, only casting more doubt on where the crypto market should look for that leader, at a time when things are quite shaky.

## 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. Medium term studies are however stretched, which could warn of the start to a recovery. Still, it would take a break back above 255 right now to take the pressure off the downside and suggest that the market could be starting to turn bullish again. A clean break below 167 could open a more intensified bearish continuation towards 100.



- **R2 321** - 18Aug high - Strong
- **R1 255** - 22Sep high - Medium
- **S1 175** - 15Novlow - Medium
- **S2 165** - 12Sep/2018 low - Strong

## ETHUSD - fundamental overview

**Overall, 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. At the same time, longer term prospects are looking quite bright and after a drop of well over 70% off the record high, the market is starting to find some stability.



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