

Tuesday, October 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

Everyone Waiting on US Equities 🔊 [Wake-up call](#)

We haven't seen all that much change in markets thus far this week. A lot of this has to do with the fact that most of the attention has been directed to the US equity market, where we're waiting to find out if the selloff is going to continue or if it will be yet another big buy to record high on the dip.

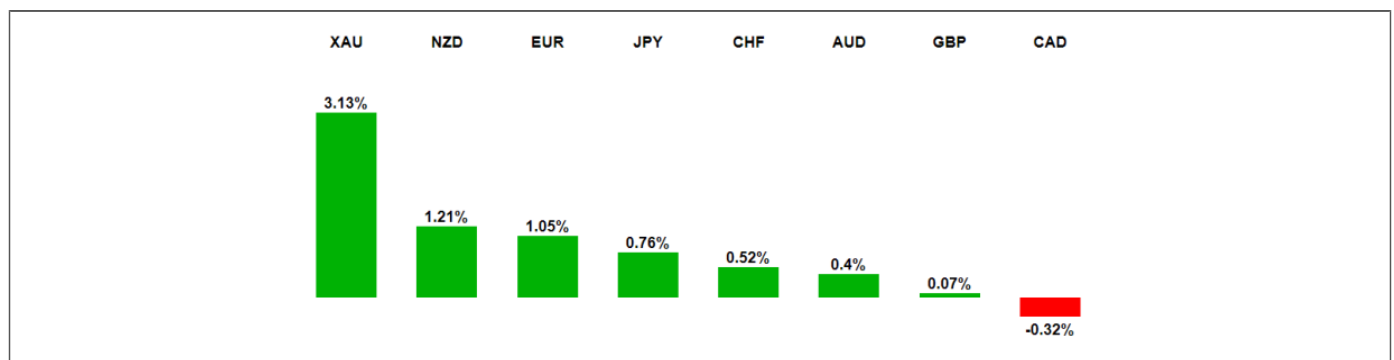
Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Bullish on close 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](#) Eurozone, German ZEW readings
- [GBPUSD](#) UK employment data on tap
- [USDJPY](#) Yen and risk sentiment correlations
- [EURCHF](#) SNB staring at tough situation
- [AUDUSD](#) No changes from RBA Minutes
- [USDCAD](#) Loonie takes added hit on OIL drop
- [NZDUSD](#) Hot CPI fuels Kiwi run, GDT ahead
- [US SPX 500](#) Fed model showing change
- [GOLD](#) (spot) Plenty of institutional demand
- [BTCUSD](#) Bitcoin watching stable currencies
- [ETHUSD](#) Tether shakeup fuels deceptive run

Performance v. US dollar since weekly open

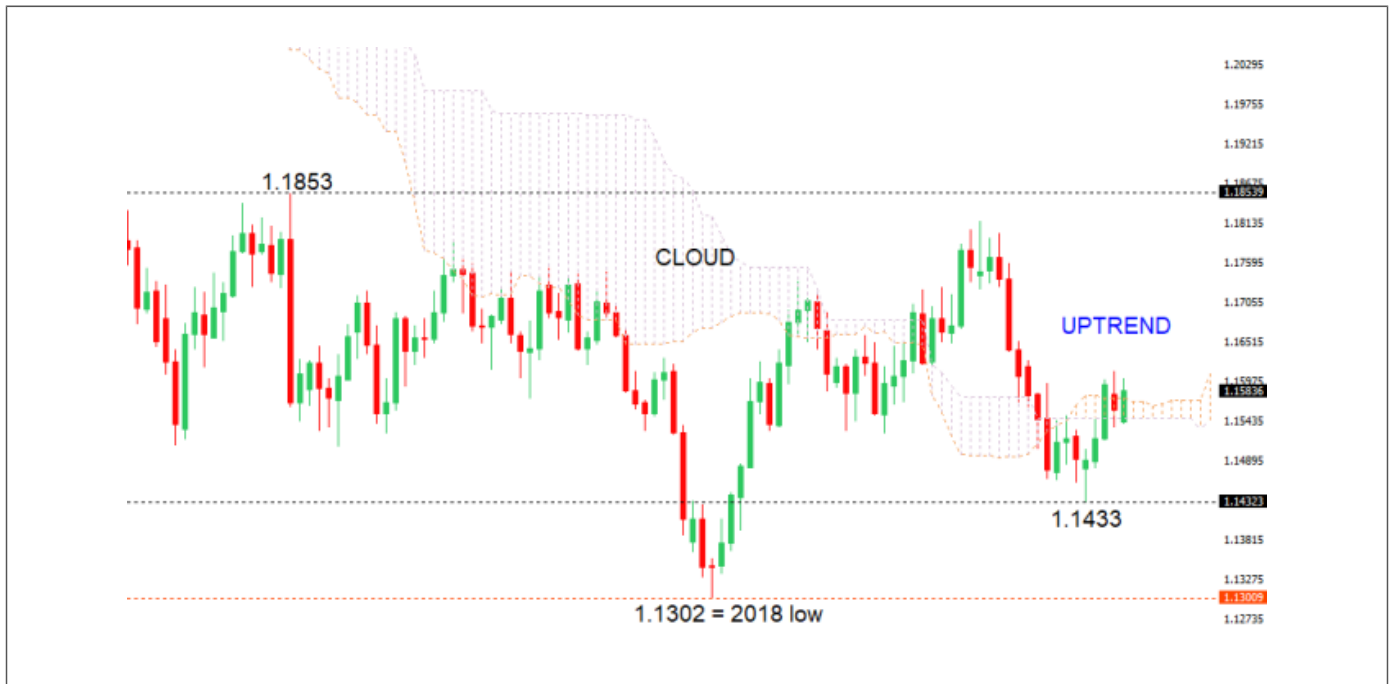


Suggested reading

- [FX Veteran Predicts Major Pain for US Dollar](#), L. Nguyen, **Bloomberg** (October 15, 2018)
- [The Psychology Of Navigating A Volatile Stock Market](#), B. Steenbarger, **Forbes** (October 14, 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 Euro has held up well in the face of ongoing structural risk in Italy and concern about Merkel's government in Germany. 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. This is the underlying driver at the moment. There is some data to take in today that could move things around. Standouts come in the form of Eurozone trade, German and Eurozone ZEW readings, US industrial production and US JOLTS job openings.

EURUSD - Technical charts in detail

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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

There have been some more hiccups on the Brexit front and it looks like the time frame for a deal has been pushed back to December. Yet overall, there has been a better sense that a deal will get done and even with this latest uncertainty, the Pound has done a good job holding up. Today, there will be added attention placed on economic data, with UK employment highlighting the docket. Later on, we get US readings that feature industrial production and JOLTS job openings.

GBPUSD - Technical charts in detail

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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

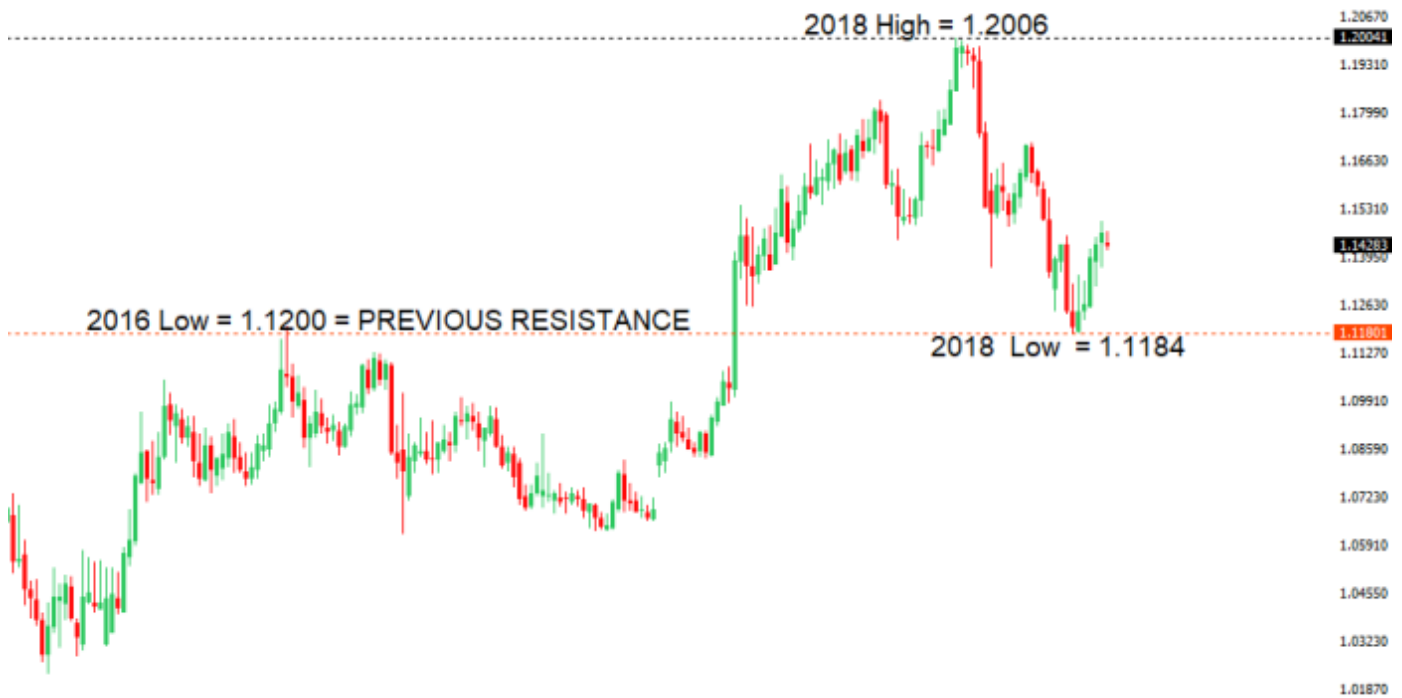
USDJPY - fundamental overview

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 include industrial production and JOLTS job openings.

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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 1.1494** - 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.



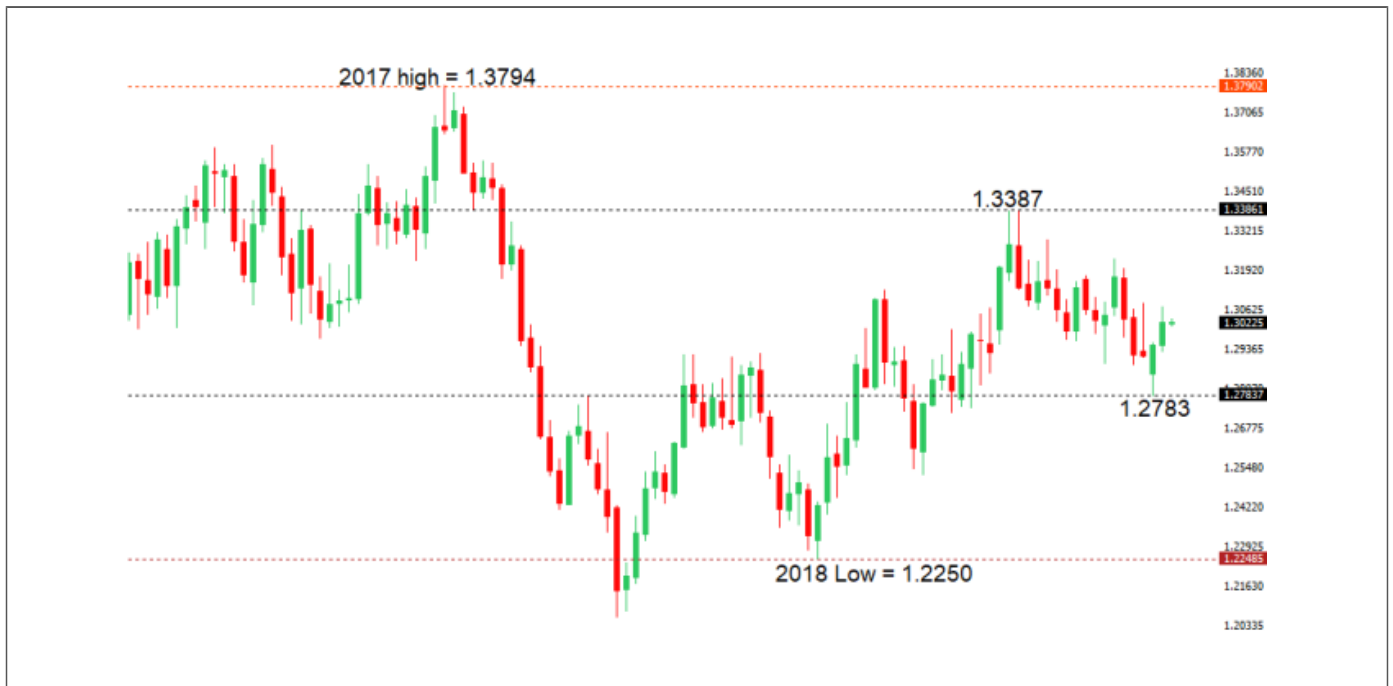
- **R2 0.7198** - 30Oct high - Strong
- **R1 0.7140**- 12Oct high - Medium
- **S1 0.7100** - Figure - Medium
- **S2 0.7042** - 8Oct/2018 low - Strong

AUDUSD - fundamental overview

The latest RBA Minutes have come out, but haven't done much to move the market, with the central bank offering nothing new as far as the policy outlook goes. Overall, 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. Fear of fallout in China from US trade policy could also be adding to offers. 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, which could give Aussie some support. Looking at today's docket, we get US industrial production and US JOLTS job openings.

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 economic data of late, instead deferring to broader price action, which has been about fallout from the collapse in US equities and setbacks in the price of OIL. Looking ahead, we get Canada international securities transactions, along with US data that features industrial production and JOLTS job openings. On Monday, developments out of Canada were offsetting. A Bank of Canada survey showed growing optimism about sales, while home sales fell by more than expected.

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 0.6700** - 16Sep high - Strong
- **R1 0.6596** - 16Oct high - Medium
- **S1 0.6500** - Psychological - Medium
- **S2 0.6425** - 8Oct/**2018 low** - Strong

NZDUSD - fundamental overview

The New Zealand Dollar is a standout outperformer into Tuesday after the release of a hotter than expected Kiwi CPI read. Overall, it's been a tough go for this commodity currency, trying to recover out from +2.5 year lows. Still, even with the latest positives, any meaningful upside could be an unrealistic expectation as global markets contend with a fallout in stocks. Looking ahead, key standouts come in the form of the latest GDT auction results, US industrial production and US JOLTS job openings.

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.



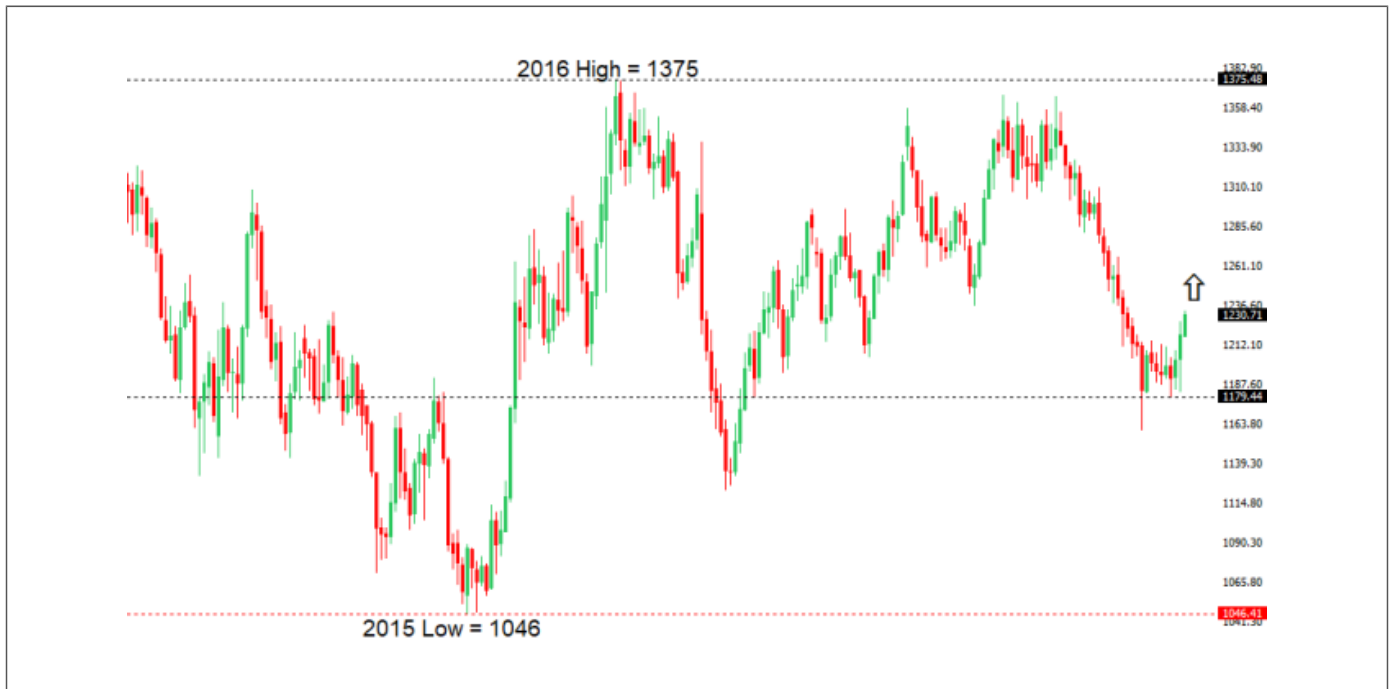
- **R2 2865** - 7Sep low - Strong
- **R1 2797** - 11Oct high - Medium
- **S1 2711** - 11Oct low - Medium
- **S2 2692** - 28Jun low - Strong

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 July lower top at around 8,500 for confirmation. Until then, a bearish continuation back towards the September 2017 low around 2,975 can not be ruled out.



- **R2 8,490** - 22Jul high - Strong
- **R1 7,695** - 14Oct high - Medium
- **S1 6,418** - 30Oct low -Medium
- **S2 6,213** - 12Oct low - Strong

BTCUSD - fundamental overview

Bitcoin has moved up since the weekly open, though the price action is deceptive, with a lot of the rally attributed to liquidation of Tether positions as the credibility of the stable coin is called into question. 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 moved up since the weekly open, though the price action is deceptive, with a lot of the rally attributed to liquidation of Tether positions as the credibility of the stable coin is called into question. 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.



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