

Tuesday, August 20, 2019

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Global FX Insights

by LMAX Exchange Research & Analytics

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

Summer doldrums 🔊 [Wake-up call](#)

We're coming out of a very quiet summer Monday in which markets weren't inclined to be moving all that much, falling victim to the doldrums of this time of year. Currencies continue to chop around, while stocks are also into a form of consolidation, despite evidence of increased downside pressure.

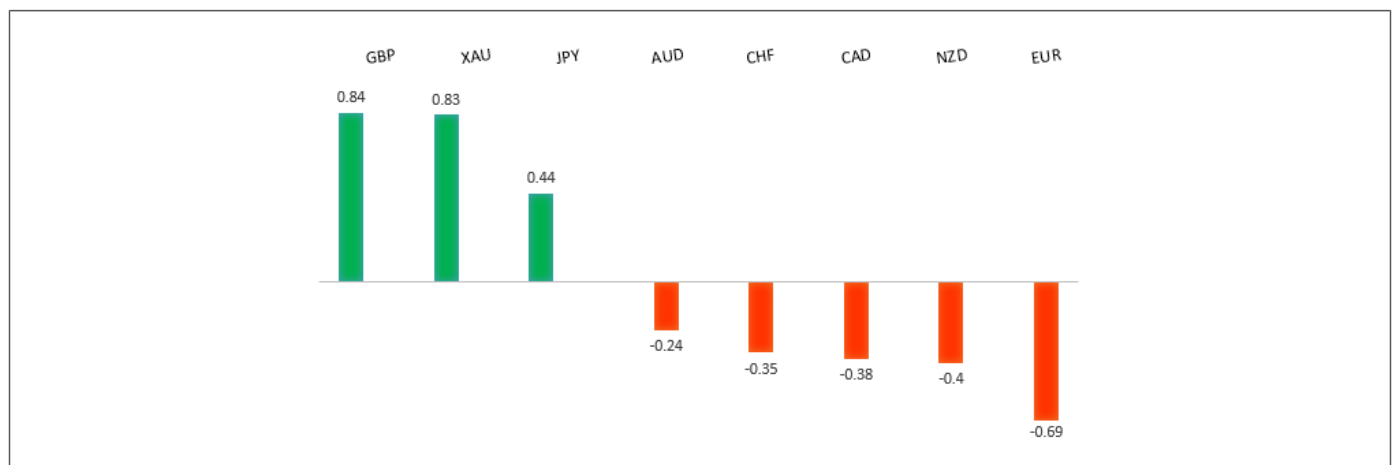
Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Looking for another bounce
- [GBPUSD](#) Above 1.2400 shifts focus
- [USDJPY](#) Lower top sought for fresh drop
- [EURCHF](#) Next major support at 1.0600
- [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
- [GOLD \(spot\)](#) Sights set on test of 1600
- [BTCUSD](#) Confined to major consolidation
- [ETHUSD](#) Into previous resistance zone

Fundamental highlights

- [EURUSD](#) Eurozone construction output
- [GBPUSD](#) Pound CBI trends data due
- [USDJPY](#) Yen watching global sentiment
- [EURCHF](#) SNB policy falls on tougher times
- [AUDUSD](#) RBA Minutes digested on Tuesday
- [USDCAD](#) Canada manufacturing sales on docket
- [NZDUSD](#) Latest GDT auction results into focus
- [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

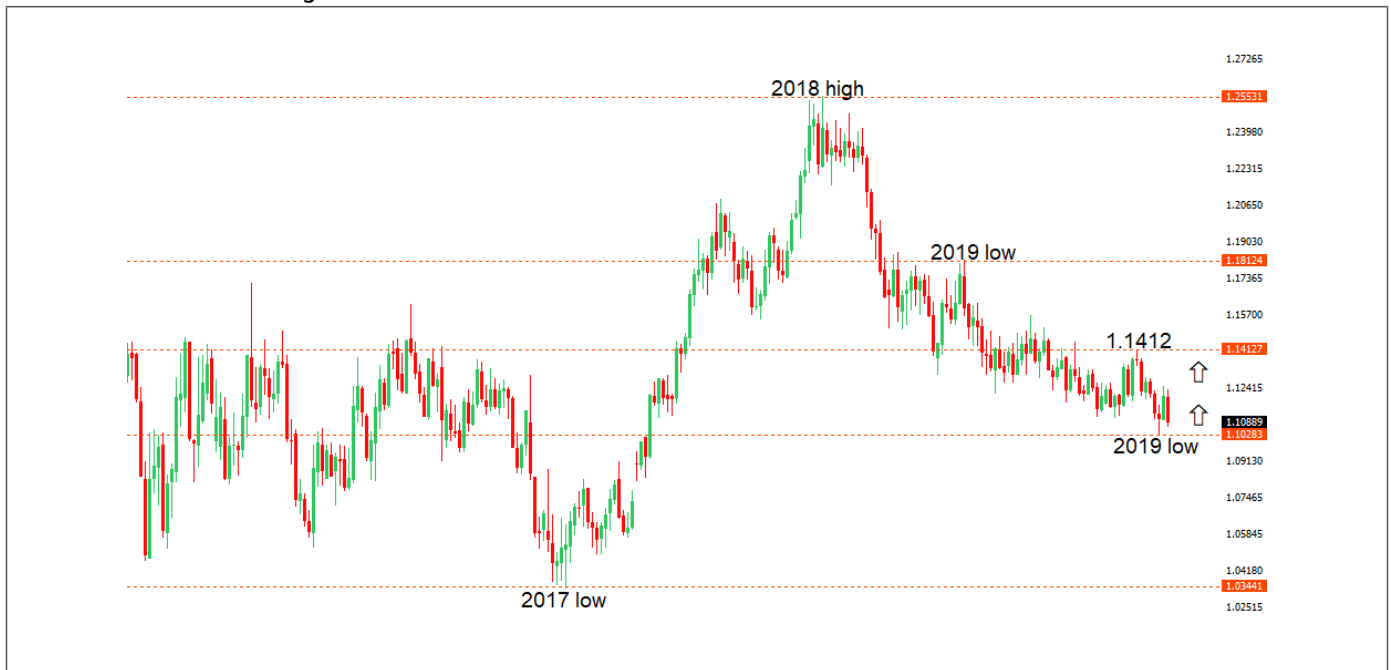


Suggested reading

- [Self-Inflicted Recession Is a Bad Soap Opera](#), S. Ovide, **Bloomberg** (August 19, 2019)
- [Fed's 'Buffer Tool' is a Laugh Line Wrapped in a Laugh Line](#), J. Tamny, **Forbes** (August 18, 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 1.1250** - 6 August high - Strong
- **R1 1.1191** - 14 August high - Medium
- **S1 1.1066** - 16 August low - Medium
- **S2 1.1027** - 1 August/2019 low - Strong

EURUSD - fundamental overview

Some discouraging trade data out of the Eurozone over the past several days has been a source of offers in the single currency. It's also been reported that Germany is ready to run a budget deficit if the country goes into a recession. Looking ahead, Tuesday's calendar features German producer prices and Eurozone construction output. There is no first tier data scheduled in the US.

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 1.2176** - 16 August high - Medium
- **S1 1.2100** - Figure - Medium
- **S2 1.2015** - 12 August/2019 low - Strong

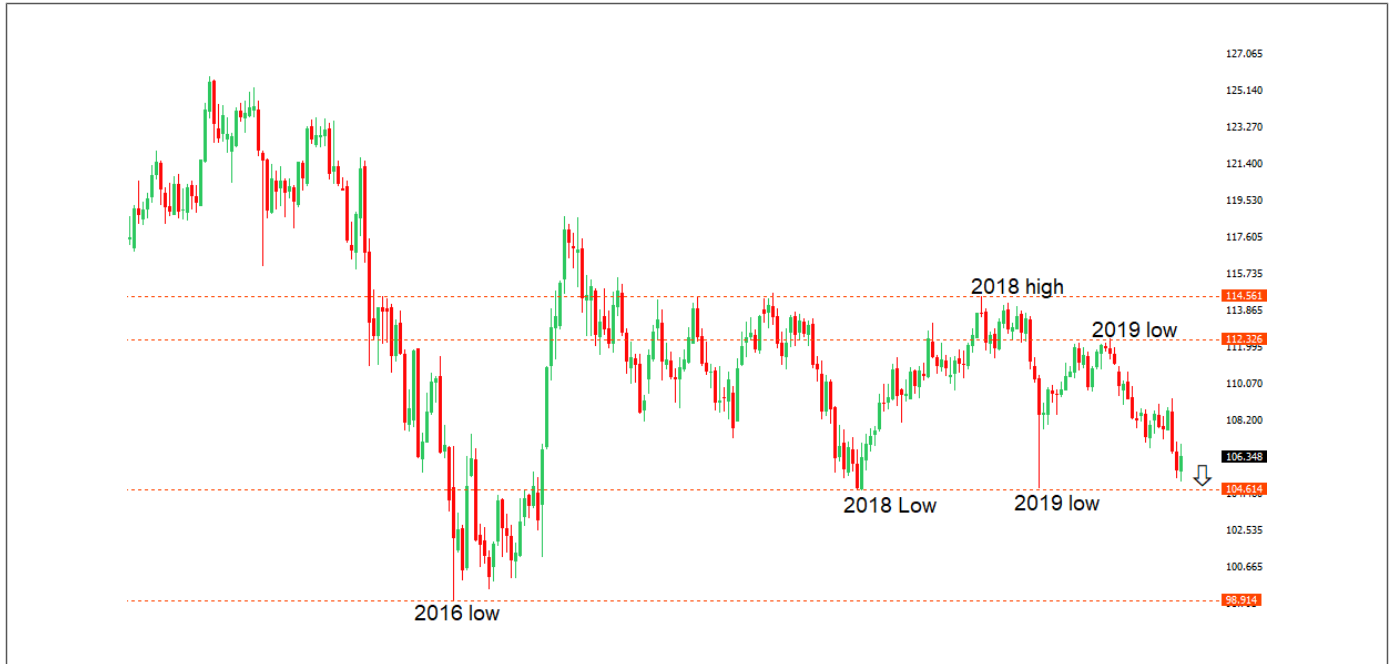
GBPUSD - fundamental overview

UK PM Johnson has said he still would like to leave the EU with a deal, but is also ready to leave on October 31st without a deal. Opposition leader Corbyn has promised he will do 'everything necessary' to prevent a no-deal scenario from playing out. PM Johnson was also reported to have been on a call with the Irish PM, in which he stressed the importance of needing the Irish backstop to be removed from the Brexit withdrawal agreement. But the Irish PM reiterated the EU position that the agreement could not be reopened. Looking ahead, Tuesday's calendar features UK industrial trends orders. There is no first tier data scheduled out of the US.

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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 107.09** - 6 August high - Strong
- **R1 106.78** - 15 August high - Medium
- **S1 105.65** - 14 August low - Medium
- **S2 105.05** - 12 August low - Strong

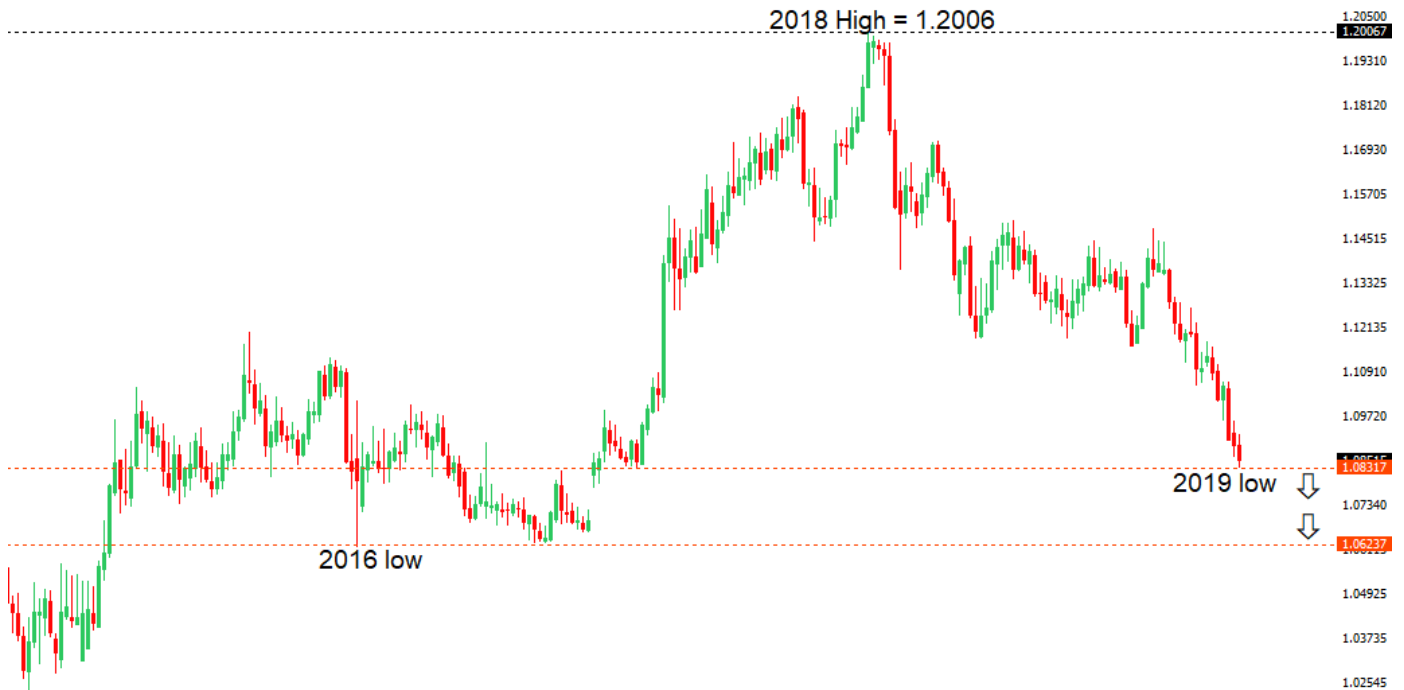
USDJPY - fundamental overview

Japan's July exports declined for an eighth consecutive month, though less than expected, while the July trade deficit was larger than forecast. The Yen is coming off a quiet end of the previous week, but continues to trade off of traditional market themes associated with global sentiment. Looking ahead, Tuesday's calendar is quiet and the focus will be on the bigger picture macro themes driving global sentiment.

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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 1.0835** - 15 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 0.6735** - 14 August low - Medium
- **S2 0.6677** - 7 August/**2019 low** - Strong

AUDUSD - fundamental overview

Aussie employment data came in solid in the latter half of the previous week and helped to prop up the commodity currency, while a mild recovery in US equities added additional support. Still, with so much tension around global trade and the outlook for China, the Australian Dollar isn't comfortable making any big runs to the topside. Looking ahead, the market will be digesting the latest release of the RBA Minutes. There is no first tier data scheduled on Tuesday in the US.

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

Trading activity in the Canadian Dollar has been rather subdued in recent sessions, on account of a consolidations in OIL and US equities. Canada existing home sales did however come in better than expected in the latter half of the previous week, which may have helped to prop the Loonie. Looking ahead, Canada manufacturing sales is the only notable standout on the Tuesday North American calendar.

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

The RBNZ put out a research note highlighting the fact that monetary policy today is still as effective as it was before the financial markets crisis of 2008. The central bank said their models showed a 25 bps cut would lead to an inflation jump and GDP growth the same today as it did back then. Looking ahead, with no data scheduled out of New Zealand early Tuesday, and with no first tier data due in the US, the focus will be on the latest GDT auction results due later in the day.

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 217** - 12 August high - Medium
- **S1 174** - 15 August low - 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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