

Global FX Insights

by LMAX Exchange Research & Analytics

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

Were the Fed Minutes more dovish leaning? 🗣️ [Wake-up call](#)

The Fed Minutes have come and gone, and in the end, no major surprises in the central bank communication. On the surface, the Fed followed through with the message it conveyed at the July decision, when it cut rates for the first time since 2008. However, digging a little deeper, there was evidence of some added dovishness.

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](#) EZ, German manufacturing PMIs
- [GBPUSD](#) UK CBI distributive trades
- [USDJPY](#) Yen watching global sentiment
- [EURCHF](#) SNB policy falls on tougher times
- [AUDUSD](#) Aussie PMI readings digested
- [USDCAD](#) Canada wholesale sales ahead
- [NZDUSD](#) Kiwi watching global equities
- [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

- Boris Johnson's Brexit Dinner Date from Hell, T. Raphael, **Bloomberg** (August 21, 2019)
- [Brexit: Boris Johnson One Step Closer to No-Deal](#), S. Payne, **FT** (August 20, 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

There Fed Minutes came and went without much surprise, though the general takeaway was perhaps a little more dovish leaning, with the Fed adding in the word 'recalibration' to describe the July rate cut. This, in our view, oozed with more uncertainty given the Fed already had 'mid-cycle adjustment' in the language. But overall, not much movement in the Euro. Looking ahead, key standouts on Thursday's calendar come in the form of manufacturing PMIs out of Germany and the Eurozone, the ECB Minutes, US initial jobless claims, Eurozone consumer confidence, and US PMI reads.

EURUSD - Technical charts in detail

[Watch now](#)

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 1.2250** – 31 July high – Strong
- **R1 1.2210** – 6 August high – Medium
- **S1 1.2064** – 20 August low – Medium
- **S2 1.2015** – 12 August/**2019 low** – Strong

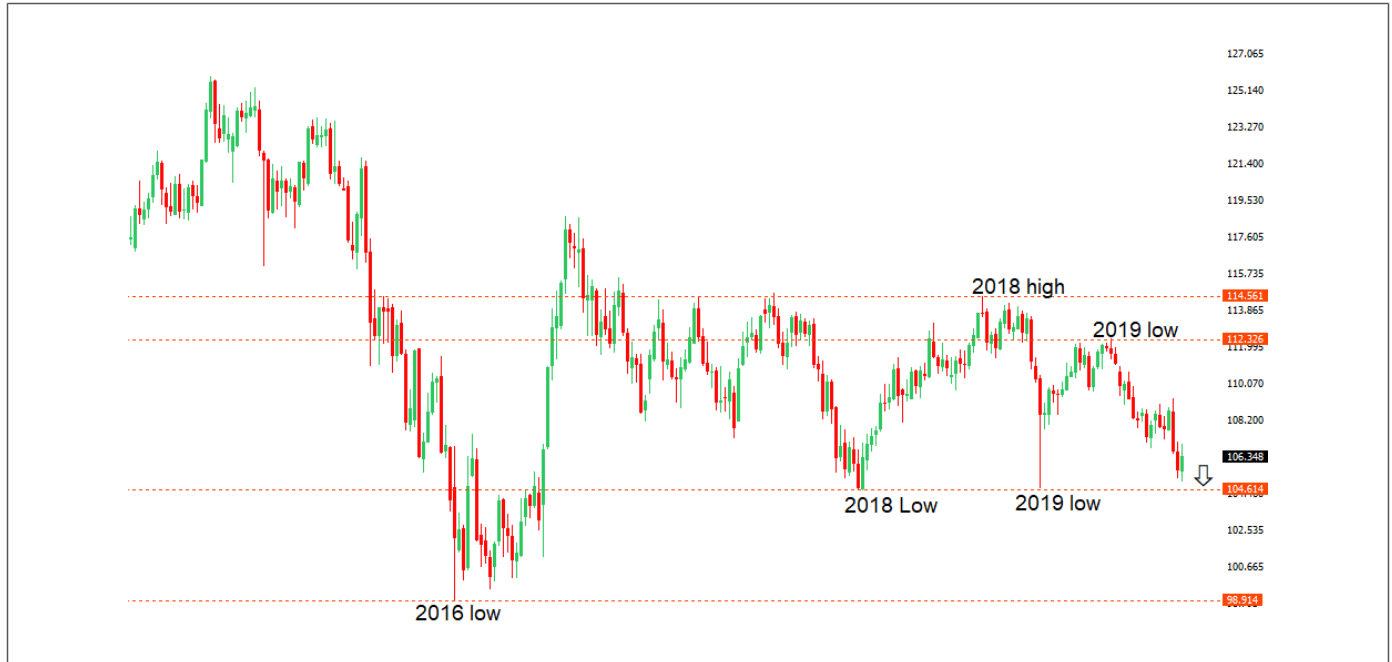
GBPUSD – fundamental overview

Though there were some encouraging words from the German Chancellor earlier in the week, they weren't enough to keep the Pound in rally mode, with the UK currency still very stressed about no-deal Brexit prospects. Comments out of France that no-deal was now a central scenario, and a general expectations that nothing productive will come of Boris Johnson's trip in Europe, have kept the Pound well capped into the latter half of the week. Looking ahead, Thursday's calendar features UK CBI distributive trades, US initial jobless claims and some US PMI reads.

[Watch now](#)

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

The major pair continues to be heavily influenced by investor sentiment and price action in US equities. There wasn't much reaction to the Fed Minutes on Wednesday, which were mostly consistent with the message delivered at the July rate cut. We do however believe, the addition of the 'recalibration' language, made for a slightly more dovish than expected communication. Looking ahead, Thursday's calendar is light, with only US initial jobless claims and some US PMI reads standing out.

[Watch now](#)

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.



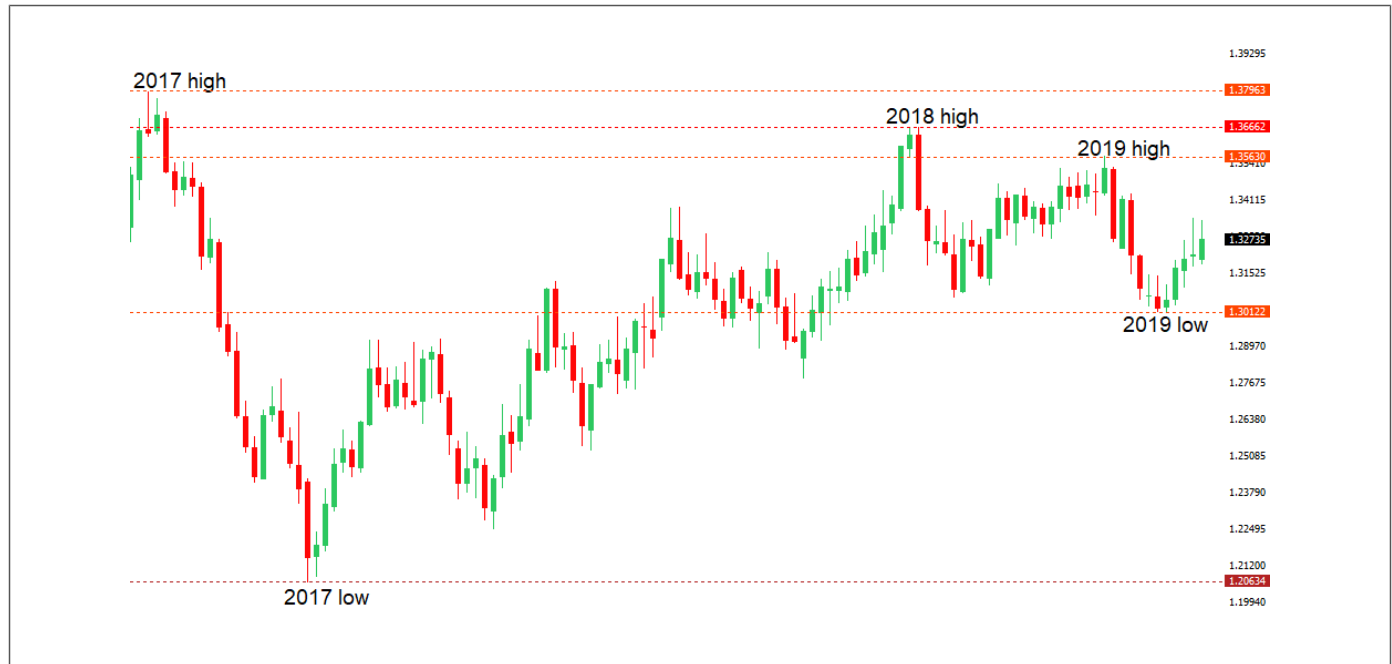
- **R2 0.6868** – 1 August high – Strong
- **R1 0.6822** – 8 August high – Medium
- **S1 0.6735** – 14 August low – Medium
- **S2 0.6677** – 7 August/2019 low – Strong

AUDUSD – fundamental overview

We come into the latter half of the week with Aussie not really doing much at all, deferring to some consolidation. Earlier this week, we didn't get any surprises from the RBA Minutes, and on Wednesday, the same proved to be true with the Fed Minutes. We do however believe, the addition of the 'recalibration' language, made for a slightly more dovish than expected communication. Looking ahead, Thursday's calendar is light, with only Aussie services PMIs, US initial jobless claims and some US PMI reads standing out.

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 1.3346** - 20 August high – Medium
- **S1 1.3178** - 5 August low – Medium
- **S2 1.3105** - 31 July low – Strong

USDCAD – fundamental overview

A solid performance for the Canadian Dollar on Wednesday, after Canada inflation reads came in well above forecast. However, the Loonie did end up giving back some of the gains, with many looking to components within the data that were decidedly more contained. Elsewhere, the Fed Minutes came out and went off without a hitch. Nevertheless, we believe the addition of the 'recalibration' language, made for a slightly more dovish than expected communication. Looking ahead, Thursday's calendar is light, with only Canada wholesale sales, US initial jobless claims and some US PMI reads standing out.

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 New Zealand Dollar hasn't been all that active this week, though the currency has been finding offers from various medium-term accounts, to leave it consolidating just off the yearly low. There wasn't much reaction to the Fed Minutes on Wednesday, which were mostly consistent with the message delivered at the July rate cut. We do however believe, the addition of the 'recalibration' language, made for a slightly more dovish than expected communication. Looking ahead, Thursday's calendar is light, with only US initial jobless claims and some US PMI reads standing out.

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

[Watch now](#)

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.



Any opinions, news, research, analyses, prices or other information ("information") contained on this document, constitutes marketing communication and it has not been prepared in accordance with legal requirements designed to promote the independence of investment research. Further, the information contained within this Blog does not contain (and should not be construed as containing) investment advice or an investment recommendation, or an offer of, or solicitation for, a transaction in any financial instrument. LMAX Exchange has not verified the accuracy or basis-in-fact of any claim or statement made by any third parties as comments for every Blog entry.

LMAX Exchange will not accept liability for any loss or damage, including without limitation to, any loss of profit, which may arise directly or indirectly from use of or reliance on such information. No representation or warranty is given as to the accuracy or completeness of the above information. While the produced information was obtained from sources deemed to be reliable, LMAX Exchange does not provide any guarantees about the reliability of such sources. Consequently any person acting on it does so entirely at his or her own risk. It is not a place to slander, use unacceptable language or to promote LMAX Exchange or any other FX, Spread Betting and CFD provider and any such postings, excessive or unjust comments and attacks will not be allowed and will be removed from the site immediately.

LMAX Exchange will clearly identify and mark any content it publishes or that is approved by LMAX Exchange.

FX and CFDs are leveraged products that can result in losses exceeding your deposit. They are not suitable for everyone so please ensure you fully understand the risks involved. The information on this website is not directed at residents of the United States of America, Australia (we will only deal with Australian clients who are "wholesale clients" as defined under the Corporations Act 2001), Canada (although we may deal with Canadian residents who meet the "Permitted Client" criteria), Singapore or any other jurisdiction where FX trading and/or CFD trading is restricted or prohibited by local laws or regulations.