

# Global FX Insights

by LMAX Exchange Research & Analytics

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

## Three CB decisions, US Veep Speech, Brexit Updates 🔊 [Wake-up call](#)

Today, we get three central bank decisions, with the Riksbank and Norges Bank delivering monetary policy verdicts along with the headline ECB decision. Over in the UK, the market will continue to monitor Brexit updates, and on the trade front, there's nervous tension ahead of US Veep Pence's speech on China.

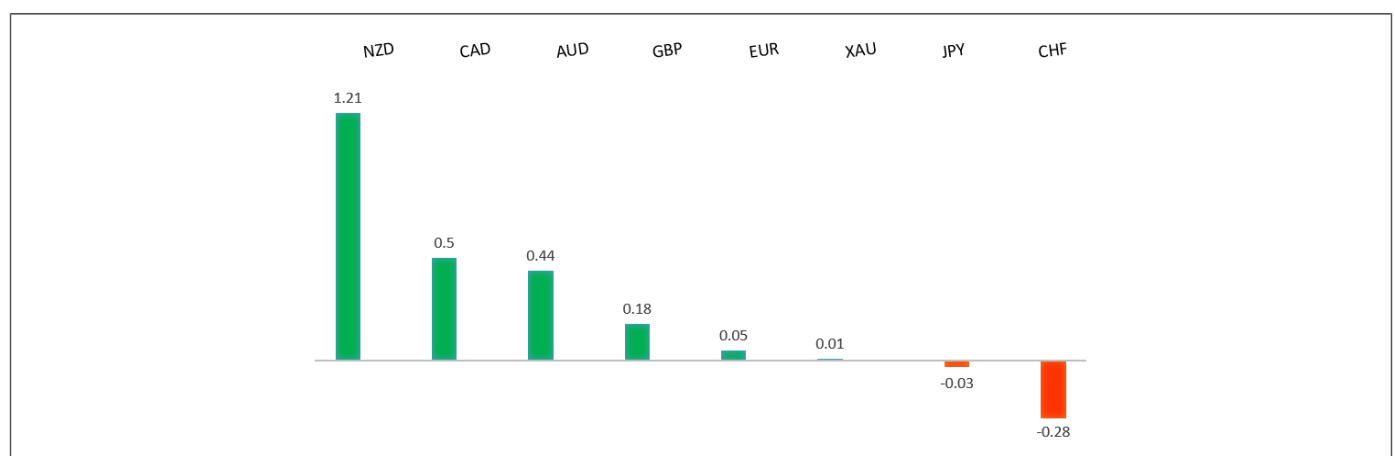
### Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Bullish case gaining momentum
- [GBPUSD](#) Dip buying is strategy of choice
- [USDJPY](#) Bearish while below 110.00
- [EURCHF](#) Lower top sought out
- [AUDUSD](#) Bounces from longer-term support
- [USDCAD](#) Setbacks seen supported into dips
- [NZDUSD](#) Signs of recovery after big sell-off
- [US SPX 500](#) Upside limited from current levels
- [GOLD](#) (spot) Room for run towards 2k
- [BTCUSD](#) Getting closer to next higher low
- [ETHUSD](#) Additional downside limited

### Fundamental highlights

- [EURUSD](#) ECB decision takes centre stage
- [GBPUSD](#) Waiting for the EU extension
- [USDJPY](#) Pence speech on China ahead
- [EURCHF](#) SNB policy falls on tougher times
- [AUDUSD](#) Softer PMIs a worry for Aussie longs
- [USDCAD](#) Moving ahead with pipeline construction
- [NZDUSD](#) Kiwi outlook influenced by macro themes
- [US SPX 500](#) Buy on dips looking tired
- [GOLD](#) (spot) Pick up in hard asset demand
- [BTCUSD](#) More institutional demand expected
- [ETHUSD](#) Ether exposed to traditional markets

## 5 Day Performance vs. US dollar



## Suggested reading

- [The Big Issue Confronting the Stock Market](#), J. Authers, **Bloomberg** (October 24, 2019)
- [Why China is Preparing to Ditch Carrie Lam](#), J. Kynge, **Financial Times** (October 23, 2019)

## EURUSD - technical overview

**The downtrend off the 2018 high is looking exhausted** and the prospect for a meaningful higher low is more compelling. A higher low is now sought out above the multi-year low from 2017, ahead of the next major upside extension. Only a weekly close back below 1.0800 would compromise this outlook. Back above 1.1412 will strengthen the view.



- **R2 1.1250** - 6 August high - Strong
- **R1 1.1180** - 21 October high - Medium
- **S1 1.1065** - 17 October low - Medium
- **S2 1.0991** - 15 October low - Strong

## EURUSD - fundamental overview

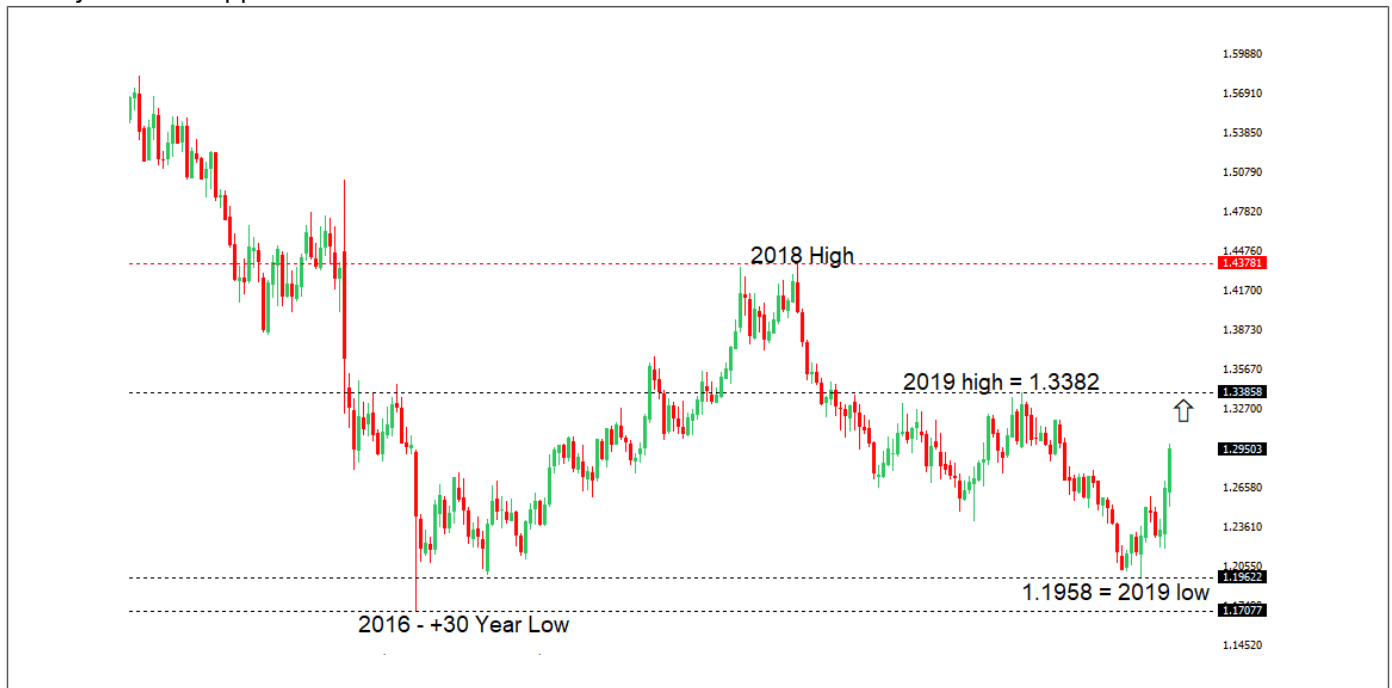
**The Euro has been trading sideways following an impressive** run up, with the single currency settling in ahead of today's ECB decision. This will be the last decision for Mario Draghi, before Christine Lagarde takes over. As far as today goes, the market will be looking past PMI data out of Germany and the Eurozone, with the central focus on the ECB decision. We also get data out of the US which includes initial jobless claims, durable goods orders and new home sales.

## EURUSD - Technical charts in detail

[Watch now](#)

## GBPUSD – technical overview

The market has seen a recovery out from the lowest levels since 2016, with the price recovering back above the daily Ichimoku cloud to take the immediate pressure off the downside. Ultimately, only back below the bottom of the daily Ichimoku cloud would compromise the more constructive outlook for the major pair. Next key resistance comes in the form of the 2019 high from March around 1.3380. Setbacks should ideally be well supported ahead of 1.2400.



- **R2 1.3013** – 21 October high – Strong
- **R1 1.3000** – Psychological – Medium
- **S1 1.2749** – 17 October low – Medium
- **S2 1.2657** – 16 October low – Strong

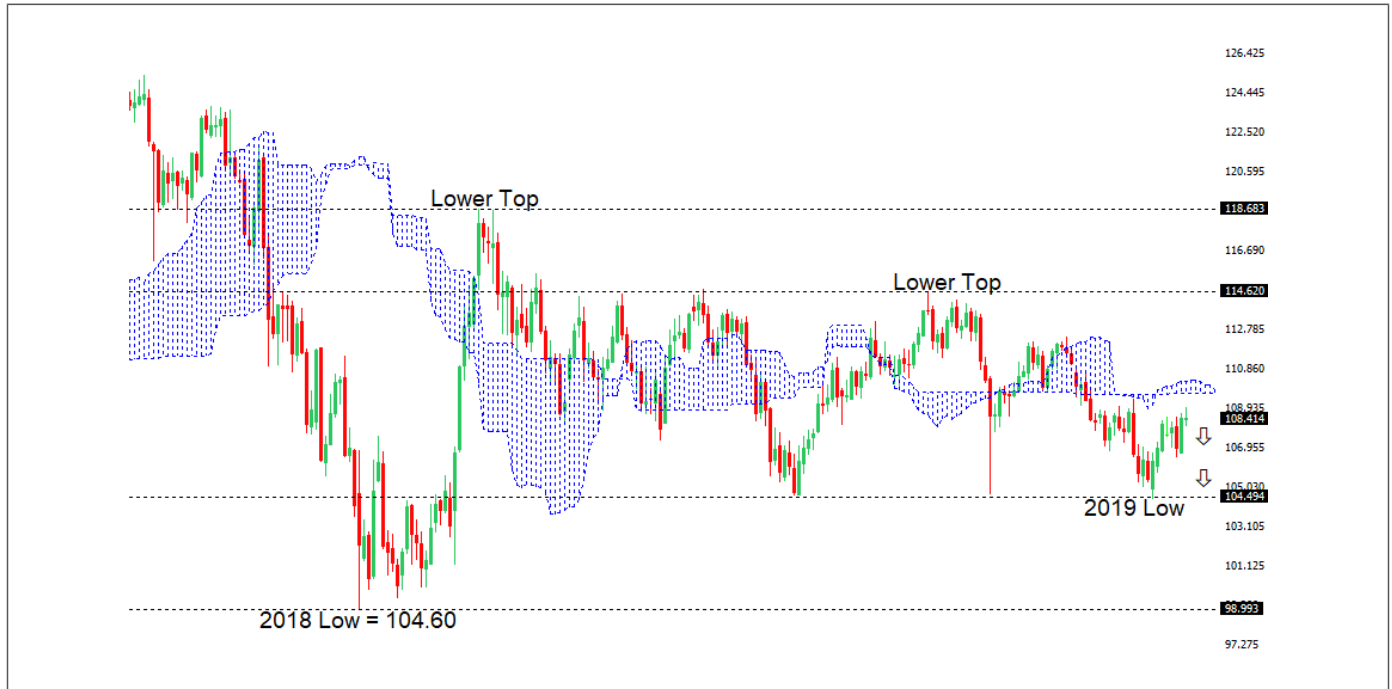
## GBPUSD – fundamental overview

There are reports **PM Johnson could make another run** at triggering an election today, once the EU grants an extension. At the moment, the market is waiting to find out just how long that extension will be. France's Macron has been opposed to a longer extension going out to the end of January, and would prefer to see something much shorter if necessary at all, in order to add pressure on the UK to get a deal done. Looking ahead, we'll get more updates from the Brexit front, some UK mortgage approvals data, fallout from the ECB decision, and US reads that include initial jobless claims, durable goods and new home sales.

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## USDJPY - technical overview

The longer-term downtrend remains firmly intact, with the major pair recently taking out major support in the form of the 2018 and 2019 lows respectively. Rallies should continue to be well capped below 110.00 in favour of the next major downside extension towards the 2016 low at 99.00.



- **R2 109.32** - 1 August high - Strong
- **R1 108.95** - 17 October high - Medium
- **S1 107.85** - 11 October low - Medium
- **S2 106.48** - 3 October low - Strong

## USDJPY - fundamental overview

**Most of the flow in the major pair continues to be driven off** risk themes. The Yen is trading with a firmer tone into Thursday, on the back of discouraging Australia and Japan PMI readings that are reigniting concerns about global growth. The Yen is also feeling anxious ahead of US Vice President Pence's speech on China. Looking ahead, we'll also get fallout from the ECB decision, and US reads that include initial jobless claims, durable goods and new home sales.

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## EURCHF – technical overview

The market is attempting to recover out from its lowest levels in two years, with the recent break back above 1.1000 taking the immediate pressure off the downside and opening the door for a larger correction back towards next key resistance at 1.1160. Overall however, the medium-term picture continues to favour the downside, and the market could have a hard time pushing much beyond that solid previous support turned resistance around 1.1160.



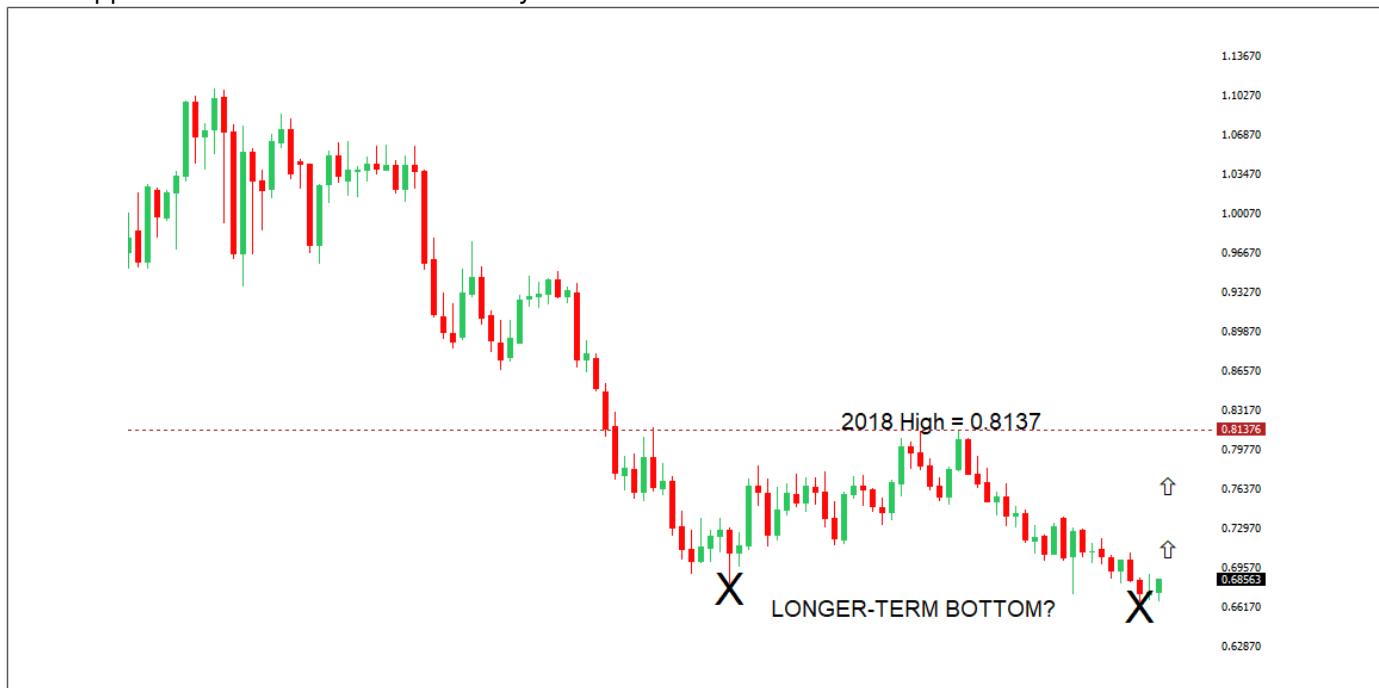
- **R2 1.1173** – 2 July high – Strong
- **R1 1.1060** – 17 October high – Medium
- **S1 1.0871** – 9 October low – Medium
- **S2 1.0811** – 4 September/2019 low – Strong

## 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, 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.



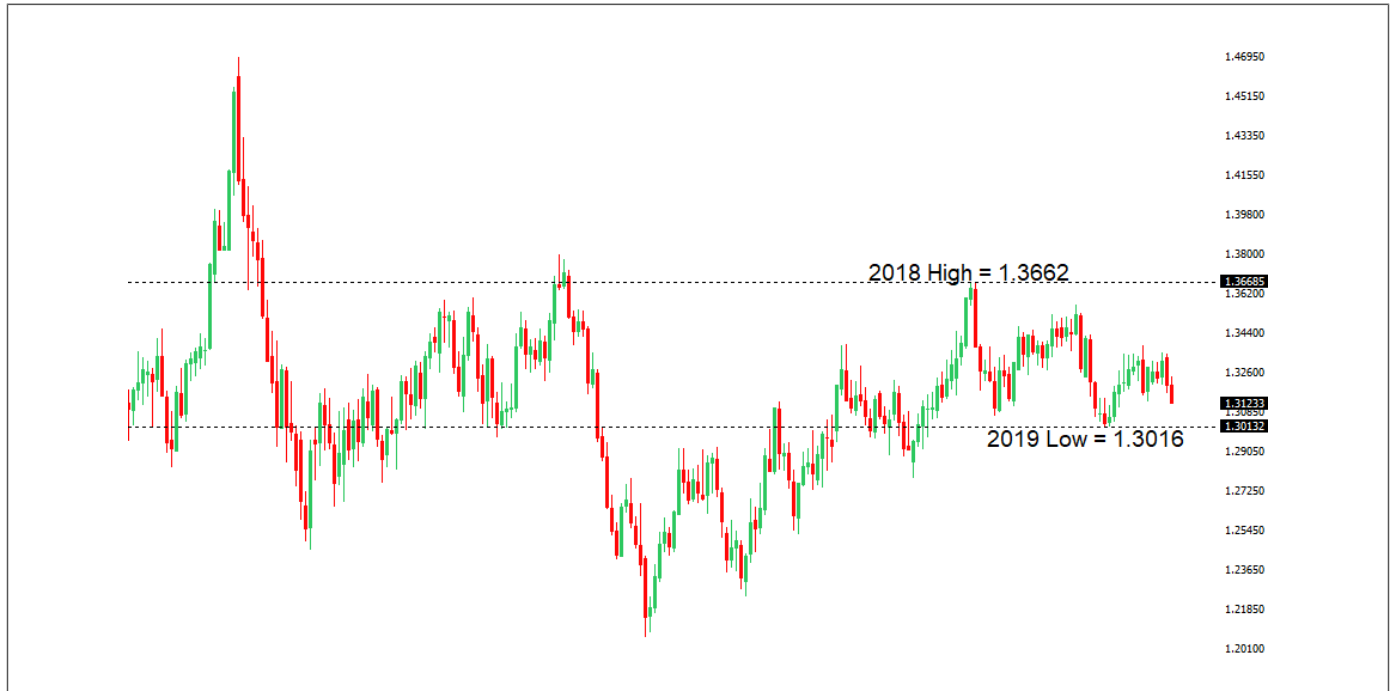
- **R2 0.7083** – 19 July high – Strong
- **R1 0.6895** – 12 September high – Strong
- **S1 0.6800** – Figure – Medium
- **S2 0.6710** – 10 October low – Strong

## AUDUSD – fundamental overview

A weaker round of Aussie PMI data has brought back concern that Aussie rate cuts haven't been all that effective, which has been weighing on the Australian Dollar into Thursday. We're also seeing some nervous selling ahead of US Vice President Mike Pence's speech on China. Looking ahead, we'll also get fallout from the ECB decision, and US reads that include initial jobless claims, durable goods and new home sales.

## USDCAD – technical overview

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 1.3348** - 3 October high - Strong
- **R1 1.3240** - 15 October high - Medium
- **S1 1.3068** - 23 October low - Medium
- **S2 1.3016** - 19 July/2019 low - Strong

## USDCAD – fundamental overview

Canada PM Justin Trudeau has announced the government will continue to move ahead with construction of the Trans Mountain Pipeline expansion project, with profits going to fund climate change and green energy projects. This in conjunction with a healthy rally in the price of OIL, contributed to another run in the Loonie, with the Canadian Dollar closing in on a retest of its yearly high against the Buck. Looking ahead, we'll get a speech from US Vice President Pence on China, fallout from the ECB decision, and US reads that include initial jobless claims, durable goods and new home sales. There is no first tier data on the Canada docket.

## NZDUSD – technical overview

**Despite recent weakness, there's a case to be made** for a meaningful bottom, with the market rallying out from longer-term cycle low area around 0.6200. As such, look for setbacks to be well supported in the days ahead, in anticipation of a continued recovery. Only a weekly close below 0.6200 would give reason for rethink. Back above 0.6451 will strengthen the outlook and take the immediate pressure off the downside.



- **R2 0.6451** – 12 September high – Strong
- **R1 0.6436** – 22 October high – Medium
- **S1 0.6343** – 18 October low – Medium
- **S2 0.6241** – 16 October low – Strong

## NZDUSD – fundamental overview

**The New Zealand Dollar is finding some offers into Thursday** on the back of renewed concern about the global economy, after a round of PMI data out of Australia and Japan came in on the softer side. Meanwhile, we're also seeing some nervous selling ahead of US Vice President Pence's speech on China. Looking ahead, we'll also get fallout from the ECB decision, and US reads that include initial jobless claims, durable goods and new home sales.



## 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 2854, with a break below to strengthen the outlook. A monthly close above 3000 would be required to compromise the outlook.



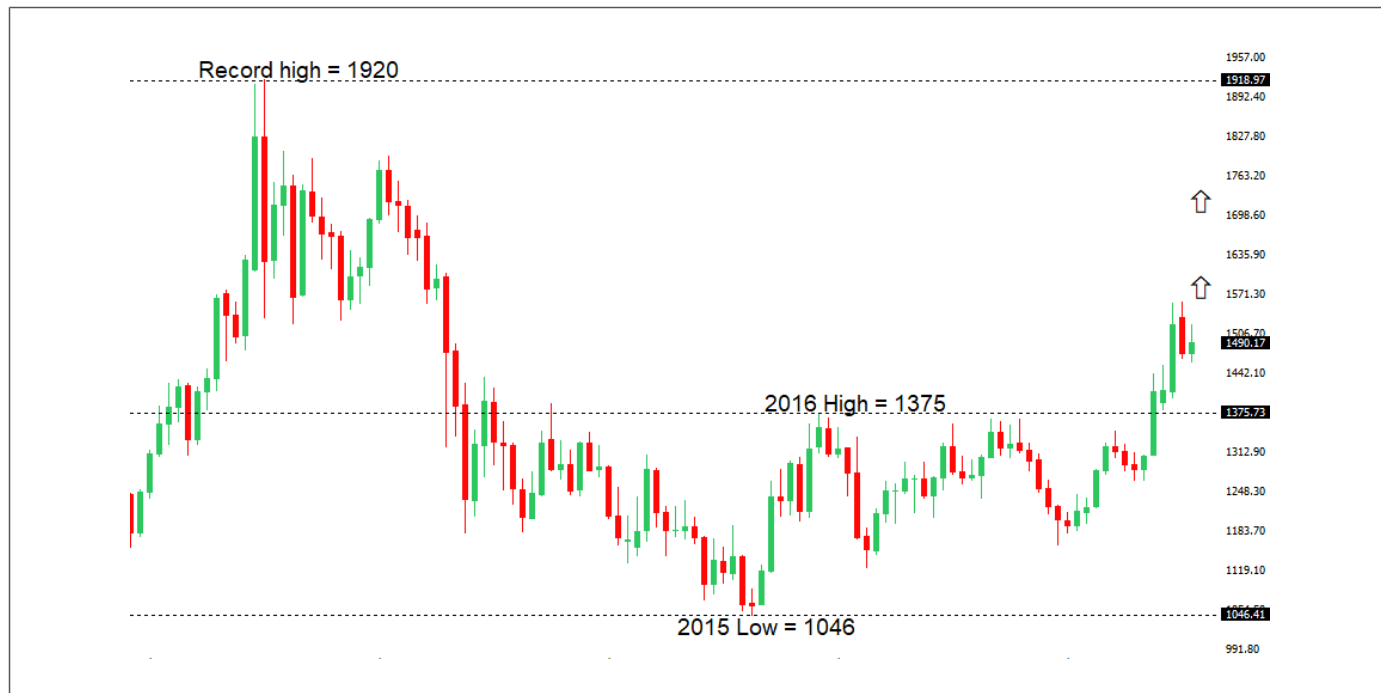
- **R2 3100** – Psychological – Strong
- **R1 3029** – 26 July/**Record high** – Medium
- **S1 2854** – 3 October low – Medium
- **S2 2777** – 6 August low – Strong

## 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, tension on the global trade front should continue to be a drag on investor sentiment despite any signs that would suggest otherwise. 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 2019 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 1558** - 4 September/2019 high - Strong
- **R1 1536** - 24 September high - Medium
- **S1 1459** - 1 October low - Medium
- **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

The market continues to correct and consolidate in the aftermath of a major surge in the second quarter of 2019. However, any setbacks should be very well supported ahead of 6,000, with an eventual higher low sought out in favour of a bullish continuation back above the 2019 high and towards the record high from late 2017 further up. Ultimately, only a weekly close below 5,750 would compromise the constructive outlook.



- **R2 10,000**– Psychological – Strong
- **R1 8,806** – 11 October high – Medium
- **S1 7,000** – 30 Psychological – Medium
- **S2 5,750** – Internal support zone – Strong

## BTCUSD - fundamental overview

Bitcoin is going through a period of technical adjustment after the fierce Q2 run up, though we anticipate continued demand from institutional players starved for yield in a world where global equities are increasingly vulnerable. Plenty of demand is reported on dips down towards \$7,000.

## 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 100 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 100 would compromise the outlook.



- **R2 225** - 19 September high - Strong
- **R1 200** - Psychological - Medium
- **S1 153** - 26 September low - Medium
- **S2 150** - Psychological - Strong

## ETHUSD - fundamental overview

**Profit taking in the aftermath of the rapid Q2 appreciation** has triggered a healthy period of correction and consolidation, 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 continue to keep the more risk correlated crypto asset weighed down into the end of the year. Risk off in the global economy is expected to result in ETH underperformance relative to Bitcoin.



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