

# Global FX Insights

by LMAX Exchange Research & Analytics

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

## Uncertainty into Month End, Quarter End 🔊 [Wake-up Call](#)

Although the Euro has managed to hold up rather well, the price action might be somewhat misleading given the wave of risk off flow associated with escalating tensions around the Deutsche Bank saga. Some of the key data out today includes German retail sales, UK GDP, Canada GDP and US PCE. We also get month end quarter end flow.

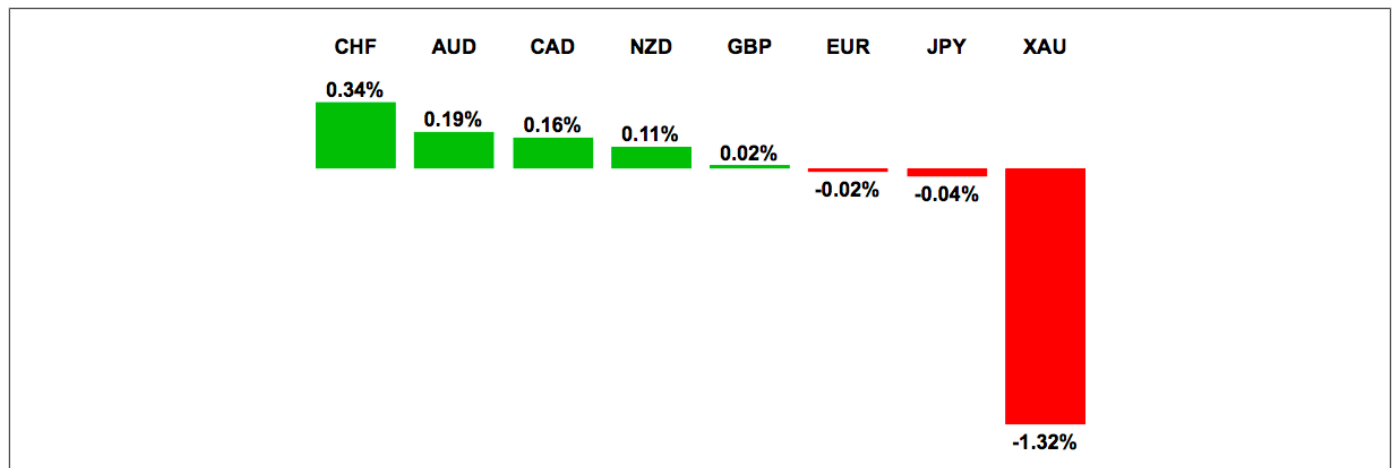
### Technical highlights ▶ [Daily Video](#)

- **EURUSD** Positioned to break lower
- **GBPUSD** Bearish consolidation
- **USDJPY** Focused on downside
- **EURCHF** Stuck in range trade
- **AUDUSD** Capped ahead of 0.7700
- **USDCAD** Setbacks are corrective
- **NZDUSD** Ready for big drop
- **US SPX 500** Signs of major top
- **GOLD** (spot) Dips well supported
- **Feature** – USDZAR Pushing higher

### Fundamental highlights

- **EURUSD** Euro up despite Deutsche Bank fears
- **GBPUSD** UK GDP reading stands out on Friday
- **USDJPY** BOJ confirms will lower JGB purchases
- **EURCHF** Downturn in risk an SNB headache
- **AUDUSD** China PMI readings help buoy Aussie
- **USDCAD** OPEC impact fades as details surface
- **NZDUSD** New Zealand building permits improve
- **US SPX 500** Systemic risk creeps into quarter end
- **GOLD** (spot) Global uncertainty a friend to metal
- **Feature** – USDZAR Outlook less certain post M&A

### Five day performance v. US dollar



### Suggested reading

- [Why Worry About Deutsche Bank?](#), S. Verma, Bloomberg (September 28, 2016)
- [What Else Can Central Banks Do?](#), A. Posen, Peterson Institute (September 14, 2016)

# EURUSD – technical overview

The broader downtrend remains firmly intact, with the recent topside failure above 1.1300 setting the stage for the next major downside extension towards 1.0900. Look for a fresh lower top in place at 1.1367, while ultimately, only a break back above this level delays the bearish outlook. Any rallies while below 1.1367 are classified as corrective.



- R2 1.1327 – 8Sep high – Strong
- R1 1.1280 – 26Sep high – Medium
- S1 1.1182 – 28Sep low – Medium
- S2 1.1123 – 21Sep low – Strong

# EURUSD – fundamental overview

The Euro has held up rather well in recent trade considering the ongoing risk associated with Deutsche Bank. At this point, it all seems to be contained, though with headlines coming through of hedge funds withdrawing excess cash from Deutsche’s prime brokerage service and reports that counterparties are demanding tri-party credit agreements, there is a fear of a systemic risk which ultimately could open intense downside pressure on the single currency. For now, Thursday’s hotter German CPI and a bout of risk off flow have been supportive of the Euro as market participants liquidate other risk currencies in favour of the Euro. Looking ahead, we get German retail sales, Eurozone CPI, the US PCE reading and Michigan confidence. We also get month end, quarter end flow which could invite additional volatility.

## GBPUSD – technical overview

The market remains confined to an intense downtrend and is in the process of consolidating just off the recent +30-year low from July. Any rallies are classified as corrective ahead of what should be the next major break below 1.2800 and towards 1.2500. Only back above 1.3533 will take the immediate pressure off the downside and force a shift in the structure.



- R2 1.3138 – 14Sep low – Strong
- R1 1.3121 – 22Sep high – Medium
- S1 1.2915 – 23Sep low – Medium
- S2 1.2796 – 6Jul/2016 low – Strong

## GBPUSD – fundamental overview

The Pound has been doing its best to try and rally up this week but has been unable to sustain any bids, with the Brexit overhang and favourable US Dollar yield differentials proving too much to ignore. Early Thursday, we did see a little pop on the back of the OPEC production cut news. But all of the positive flow from this event has faded away and it's back to focusing on broader macro themes. Even the recent UK consumer credit and mortgage approvals data have failed to factor into price action. Looking ahead, we get some important UK GDP data, followed up by the US PCE reading and Michigan confidence. We also get month end, quarter end flow which could invite additional volatility.

## USDJPY – technical overview

Overall, the pressure remains on the downside with a lower top sought out at 104.32 in favour of the next major downside extension below the recent yearly and multi-month low at 98.99. At this point, only a break back above 104.32 would delay this outlook and give reason for pause. Below 99.00 exposes the next major support level in the 95.00 area.



- R2 102.78 – 21Sep high – Strong
- R1 101.84 – 29Sep low – Medium
- S1 100.65 – 29Sep low – Medium
- S2 100.08 – 27Sep low – Strong

## USDJPY – fundamental overview

The Yen took a sharp hit early Friday on confirmation from the BOJ that it will lower JGB purchases in 5-10 year maturities to Yen 410 billion, while keeping purchases for 10-25 year maturities at Yen 200 billion and maturities greater than 25 years at Yen 120 billion. But there continues to be very solid demand for the Yen on dips, with USDJPY getting sold aggressively into rallies on what appears to be flight to safety flow. There have been signs of uneasiness in markets with US equities starting to roll a bit and investors worried about systemic risk associated with Deutsche Bank. Looking ahead, the US PCE reading and Michigan confidence are the key standouts. We also get month end, quarter end flow which could invite additional volatility.

## EURCHF – technical overview

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Not much doing here over the past several days, with the market confined to a range trade, roughly between 1.0800 and 1.1000. At this point, a daily close above 1.1000 or back below 1.0800 will be required for clearer directional insight. Until then, look for dips to be supported and rallies well capped.



- R2 1.1014 – 24Jun high – Strong
- R1 1.0915 – 23Sep high – Medium
- S1 1.0828 – 17Aug low – Medium
- S2 1.0778 – 16Jun low – Strong

## EURCHF – fundamental overview

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Overall, **SNB smoothing activity** to prop the EURCHF rate has been helping to elevate the cross, but at the same time, any upside moves haven't been sustainable with the cross rate continuing to get sold aggressively into rallies towards 1.1000. Ultimately, this is a market going nowhere right now and it seems stops need to get taken out below 1.0750 or above 1.1000 for clearer insight. US stocks have been supporting EURCHF but are now looking extended which could invite additional Franc demand if the market continues to roll over from record highs in the sessions ahead.

# AUDUSD – technical overview

The market has struggled on rallies above 0.7700 and this suggests the rate could be looking to carve a lower top below the 2016 high at 0.7835 in favour of the next major downside extension. Look for a break back below 0.7421 to strengthen this outlook and accelerate declines towards 0.7000 in the days ahead. Ultimately, only back above 0.7758 will negate the bearish outlook and invite a retest of the 2016 highs.



- R2 0.7758 – 11Aug high – Strong
- R1 0.7711 – 29Sep high – Medium
- S1 0.7603 – 26Sep low – Medium
- S2 0.7531 – 20Sep low – Strong

# AUDUSD – fundamental overview

Mixed Friday data out of Australia with private sector credit disappointing, while new home sales were up. The Aussie data wash hasn't really factored into price action, with the market seemingly more focused on broader macro themes, which include systemic risk associated with Deutsche Bank. The only Aussie supportive development which could be helping just a bit on Friday has been the as expected China manufacturing PMI print. Looking ahead, US PCE and Michigan confidence are the main standouts on the economic calendar for the remainder of the day. We also get month end, quarter end flow which could invite additional volatility.

## USDCAD – technical overview

This market looks to be in the process of carving out a longer-term base off the 1.2461, 2016 low. Look for any additional weakness to be supported ahead of 1.2655 in favour of the next major upside extension through 1.3300 and towards a measured move objective into the 1.3500-1.4000 area. Ultimately, only back below 1.2655 would delay the constructive outlook.



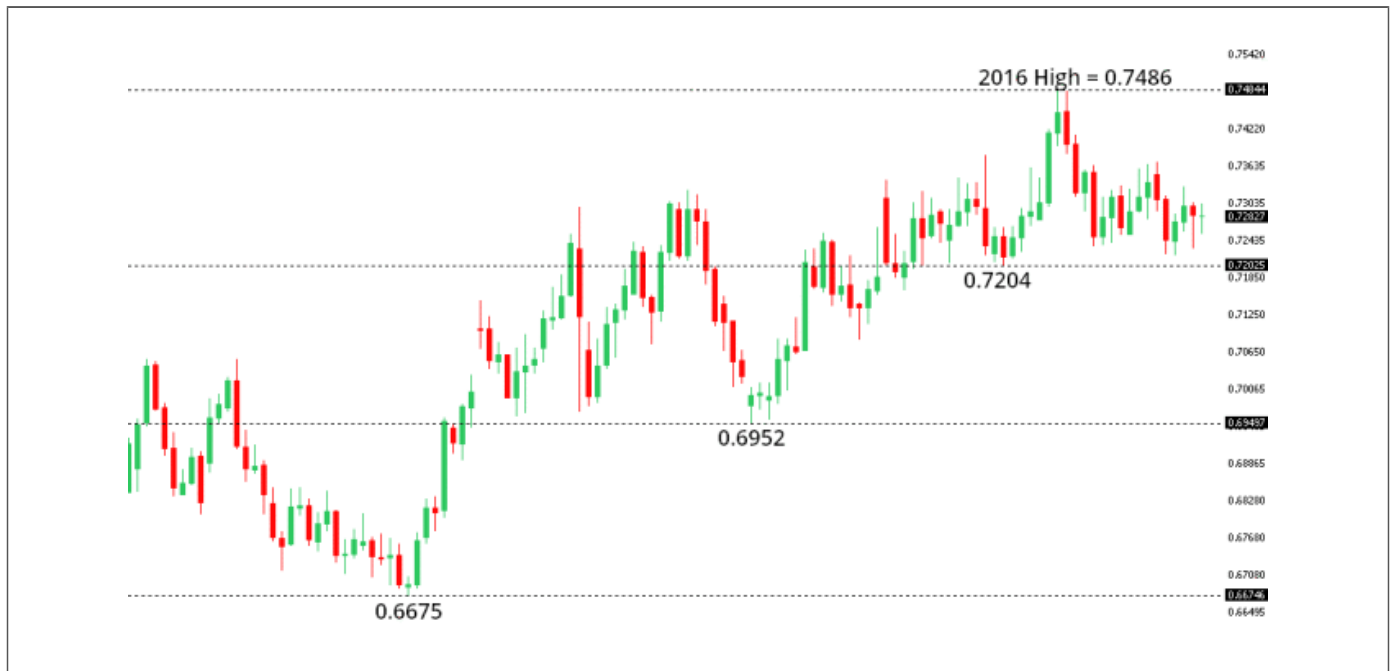
- R2 1.3281 – 27Sep high – Strong
- R1 1.3164 – 27Sep low – Medium
- S1 1.3048 – 29Sep low – Medium
- S2 1.3000 – 22Sep low – Strong

## USDCAD – fundamental overview

All of the positive Canadian Dollar flow from the OPEC deal has come and gone as details come to the surface. In the end, it is a tiny production cut, and on top of this, there is still chatter whether it will even hold up on chatter members will not adhere to agreements. This has put the Loonie back under pressure as it focuses on broader macro themes of risk liquidation and yield differentials with the US Dollar. The Deutsche Bank saga has been gaining traction and any additional risk off flow from this event will likely invite additional Canadian Dollar selling. Looking ahead, there will be plenty to take in with Canada GDP due, followed by US PCE readings and Michigan confidence. We also get month end, quarter end flow which could invite additional volatility.

## NZDUSD – technical overview

Finally signs of a potential top after the market stalled out at 2016 highs ahead of major psychological barriers at 0.7500. Daily studies had already traded up into overbought territory warning of the reversal and this latest bearish reversal strengthens the toppish outlook. Look for a break and close back below 0.7200 to confirm the structural shift and accelerate declines.



- R2 0.7369 – 22Sep high – Strong
- R1 0.7330 – 27Sep high – Medium
- S1 0.7221 – 26Sep low – Medium
- S2 0.7204 – 30Aug low – Strong

## NZDUSD – fundamental overview

An improvement in New Zealand building permits data hasn't done much to support the Kiwi rate, though perhaps the currency has found some bids early Friday after China PMIs came in as expected. Overall however, there has been notable downside pressure over the course of the past several days, since the RBNZ came out with a more dovish assessment and left the door wide open for further easing. Looking ahead, US PCE and Michigan confidence are the main standouts on the economic calendar for the remainder of the day. We also get month end, quarter end flow which could invite additional volatility.



## US SPX 500 – technical overview

Signs of a potential top after the market recently broke below critical support at 2147. This now opens the door for a meaningful period of weakness exposing a more pronounced decline towards the June base at 1990. Look for any rallies to now be well capped ahead of 2180, with only a daily close back above this level to compromise the newly adopted bearish outlook. Below 2108 accelerates.



- R2 2194.00 – 15Aug/Record high – Strong
- R1 2180.00 – 222Sep high – Medium
- S1 2108.00 – 12Sep low – Medium
- S2 2073.00 – 6Jul low– Strong

## US SPX 500 – fundamental overview

It all feels like it's starting to come to a head for the US equity market. In recent weeks, we have been hearing a lot about the limitations of monetary policy. The September low at 2108 will be the critical level to watch. If the market holds above this level, then it can be argued that accommodative policy gestures (or less hawkish gestures) are still helping to artificially support the market. If however the market turns lower in the sessions ahead and breaks down below 2108, we could see a major intensification of declines as it becomes quite clear that monetary policy has in fact reached its limits, leaving investors to stand on their own two feet. This is an unpleasant prospect in the face of a still recovering US economy and global economy dealing with systemic risk associated with Deutsche Bank.

## GOLD (SPOT) – technical overview

The structure remains highly constructive with dips continuing to be very well supported. A recent round of setbacks were propped ahead of the 100-Day SMA and it looks like a fresh higher low could be in place around 1300 in favour of the next major upside extension beyond the current 2016 peak at 1375 and towards 1450-1500 further up.



- R2 1352.70 – 6Sep high – Strong
- R1 1343.75 – 22Sep high – Medium
- S1 1306.30 – 16Sep low – Medium
- S2 1302.50 – 1Sep low – Strong

## GOLD (SPOT) – fundamental overview

Overall, GOLD has been very well supported in 2016, with the yellow metal finding solid demand from medium and longer-term players on the back of fears over the limitations of exhausted monetary policy and extended global equities. The emergence of systemic risk associated with Deutsche Bank is now only adding to the metal’s bid tone. All of this will almost certainly continue to keep the commodity in demand, with many market participants fleeing to the hard asset as the grand dichotomy of record high equities and record low yields comes to an unnerving climax.

## Feature – technical overview

USDZAR has come under a good deal of pressure in recent months, trading down to a fresh 2016 low around 13.2000. However, it now appears as though the market could be ready to turn back up in favour of a resumption of the broader uptrend. In the interim, look for any setbacks to be well supported ahead of 13.2000, with fresh upside seen towards 15.0000 in the sessions ahead. Only back below 13.2000 gives reason for pause.



- R2 14.7540 – 1Sep high – Strong
- R1 14.0260 – 20Sep high – Strong
- S1 13.3800 – 22Sep low – Medium
- S2 13.2000 – 10Aug/2016 low – Strong

## Feature – fundamental overview

Now that Rand positive M&A flow from the AB InBev deal for SABMiller is out of the way, it's back to looking at the bigger picture for the emerging market currency, which is not pretty. On the local front, the possibility of a South Africa ratings downgrade in the pipeline is a major concern, while on a broader scale, the emergence of risk liquidation flow in the face of systemic risk associated with Deutsche Bank and the prospect of higher interest rates in the US, are also negatives, expected to weigh more heavily on the Rand into Q4 2016. As far as economic data is concerned, softer private sector credit is only adding insult to injury. Looking ahead, we get some important US PCE data along with Michigan confidence to close out the week. The market will continue to monitor Deutsche Bank headlines and will also contend with month end, quarter end flow.



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