

Friday, November 9, 2018

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# Global FX Insights

by LMAX Exchange Research & Analytics

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

## Where the Dust Settles on Friday is Important [🔊 Wake-up call](#)

Into Friday, most of the more actively markets are confined to within 1% of weekly opening levels. However, interestingly enough, it's one of these moves on the inside of the 1%, that is most interesting and should not be overlooked. Where this market closes today, could be what determines broader market direction in the weeks ahead.

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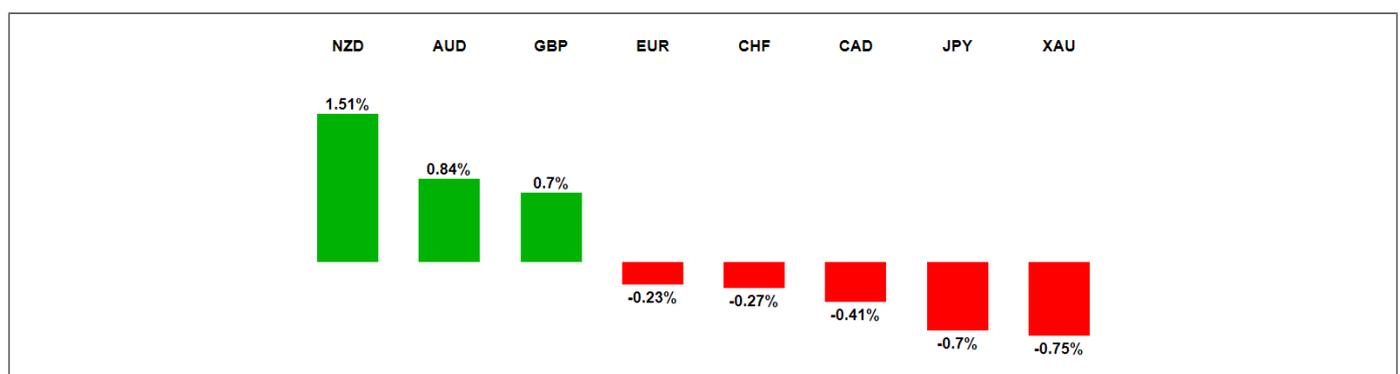
### Technical highlights [📺 Daily Video](#)

- [EURUSD](#) Rebound opens room to run
- [GBPUSD](#) Sights set on September high
- [USDJPY](#) Strong resistance ahead of 114.00
- [EURCHF](#) No directional insight at moment
- [AUDUSD](#) Working its way off +2.5 year low
- [USDCAD](#) Studies tracking in neutral territory
- [NZDUSD](#) Correction kicks into gear
- [US SPX 500](#) Looking for next lower top
- [GOLD](#) (spot) Slowly working to bullish break
- [BTCUSD](#) Closer to next volatility surge
- [ETHUSD](#) Stuck sideways for now

### Fundamental highlights

- [EURUSD](#) Euro growth downgraded
- [GBPUSD](#) UK data and Brexit updates
- [USDJPY](#) Yen waiting for FOMC decision
- [EURCHF](#) SNB staring at tough situation
- [AUDUSD](#) Aussie watching China for cues
- [USDCAD](#) Loonie lagging on slumping OIL
- [NZDUSD](#) Kiwi higher as risk appetite returns
- [US SPX 500](#) Fed model showing change
- [GOLD](#) (spot) Plenty of institutional demand
- [BTCUSD](#) Bitcoin optimism offsetting drawbacks
- [ETHUSD](#) Eth looking at longer-term prospects

## Performance v. US dollar since weekly open

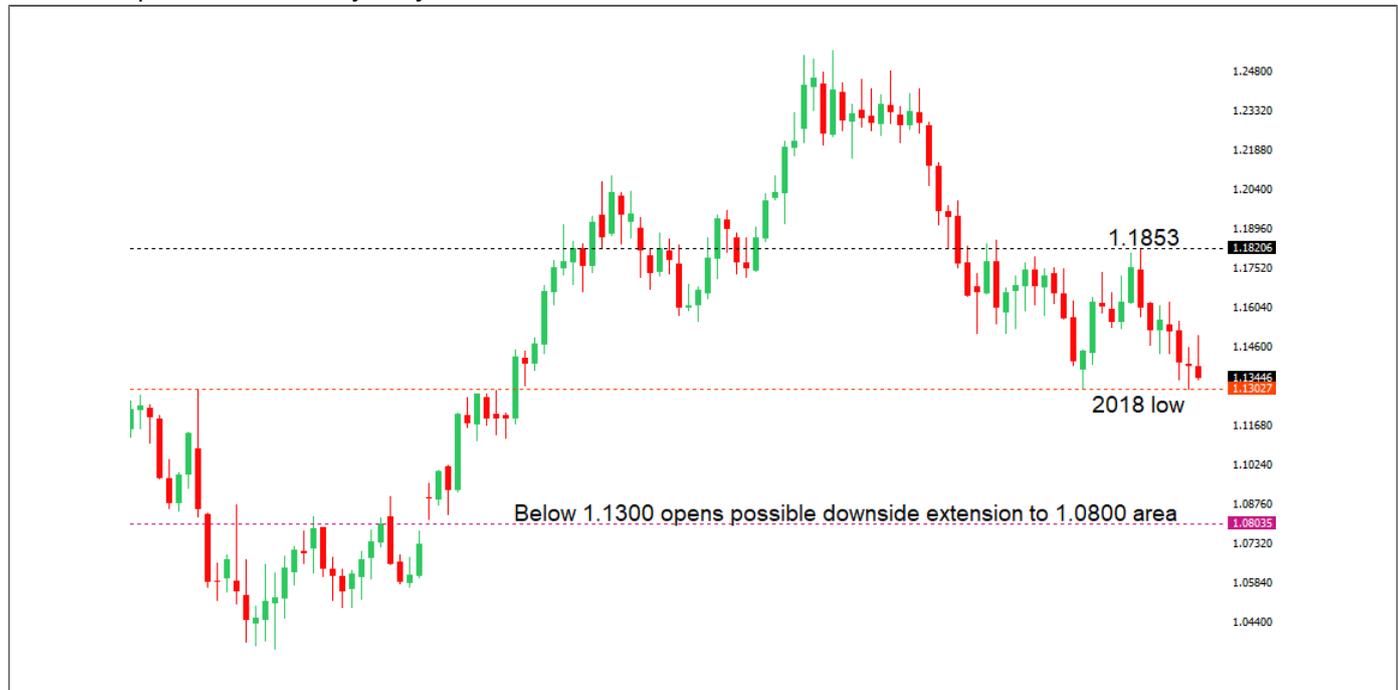


## Suggested reading

- [Powell Better Brush Up on His Fed History](#), J. Authers, **Bloomberg** (November 8, 2018)
- [10 Easy Ways to Waste Your Money](#), M. Schwab-Pomerantz, **Charles Schwab** (October 31, 2018)

## EURUSD - technical overview

The Euro has been trying to turn back up after setbacks stalled out into the 2018 low from August. This week's earlier break back above the previous weekly high had encouraged recovery prospects, though ultimately, until we see a push back through 1.1620, overall pressure remains on the downside, leaving the market exposed to a fresh yearly low.



- **R2 1.1448** - 8Nov high - Medium
- **R1 1.1400** - Figure - Medium
- **S1 1.1336** - 9Nov low - Medium
- **S2 1.1301** - 15Aug/2018 low - Strong

## EURUSD - fundamental overview

The Euro has given back all of its weekly gains into Friday, threatening another break of the 2018 low. The underlying weakness has come from a number of fronts, none unfamiliar, with dovish leaning Draghi comments, some downgraded EU growth forecasts, Italian budget drama and a post Fed Dollar rally all working there way into the mix. This sets up an interesting day from a price action perspective. Will we see a drop to fresh yearly lows that opens a bigger decline into the end of the year, or does the single currency hold up again and reverse back the other way, trying to build momentum for a much more significant rally? As far as today's docket goes, absence of first tier data out of the zone will leave the market focused on broader macro risk and some US data in the form of producer prices and Michigan confidence.

## EURUSD - Technical charts in detail

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## GBPUSD - technical overview

**On a medium to longer term basis**, the outlook is still looking constructive off the +30 year low from 2016, with a higher low sought ahead of the next major upside extension back towards and through the current 2018 high. Right now, the major pair will need to hold up into the latest round of setbacks, ideally above 1.3000 on a daily close basis, and push back through critical resistance in the form of the September high at 1.3300 if it wants to strengthen bullish prospects.



- **R2 1.3175** - 7Nov high - Strong
- **R1 1.3070** - 9Nov high - Medium
- **S1 1.3000** - Psychological - Medium
- **S2 1.2952** - 2Nov low - Medium

## GBPUSD - fundamental overview

**As the week comes to a close, the Pound has given back gains**, with the UK currency suffering from Dollar demand in the aftermath of both the US midterm election and Fed policy decision. Interestingly enough, there wasn't anything in either of these outcomes that was necessarily a screaming endorsement to buy the US Dollar. The midterm election result doesn't argue for Dollar strength in ways that we are convinced, while the Fed decision simply delivered what was expected. There has however been some of that back and forth on the Brexit front into the latter half of the week, with the tilt shifting back into the worry about a no deal. But this isn't a surprise either and we are still looking for a two steps forward, one step back progression towards a deal that appears to be getting closer. The UK market will get some other distractions on Friday, taking in some important data highlighted by industrial and manufacturing production, trade and GDP. Later in the day, we get US producer prices and Michigan confidence.

# 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. Look for yet another topside failure ahead of 114.00, in favour of the next major downside extension towards key support around 109.75. Ultimately, only a break back above 114.75 would negate the bearish outlook.



- **R2 114.56** - 5Oct high - Strong
- **R1 114.09** - 8Nov high - Medium
- **S1 113.48** - 8Nov low - Medium
- **S2 112.95** - 7Nov low - Strong

## USDJPY - fundamental overview

**The Yen has been trying to figure out what it all means in the aftermath** of the US midterm elections and Fed policy decision. The initial reaction has been one of Dollar up and risk on, but overall, we are still looking at the start to ramped up policy normalization at the Fed, at a time where there is plenty of downside risk including global trade risk, which should not bode as well for risk assets, and by extension, could invite another topside failure in the major pair. Looking ahead, the market will focus on the bigger picture macro themes, while also taking in US producer prices and Michigan confidence.

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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 1.1502** - 22Oct 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**, though the market has been unable to make any meaningful recoveries out from its lowest levels since February 2016. At this stage, the market will need to establish back above 0.7316 to take the immediate pressure off the downside. Until then, risk remains for fresh downside below the 0.7000 psychological barrier, which defends against a retest of the 2016 low down at 0.6830.



- **R2 0.7316** - 26Sep high - Strong
- **R1 0.7303** - 8Nov high - Medium
- **S1 0.7206** - 6Nov low - Medium
- **S2 0.7160** - 17Oct high - Medium

## AUDUSD - fundamental overview

**Aussie data has been better of late**, the RBA sounded a little more upbeat earlier this week and risk markets have performed better in the aftermath of this week's US midterm elections. All of this has been helping to rally Aussie further off recent +2.5 year lows against the Buck, with the currency getting another boost on Thursday from the much better than expected trade data out of China. Overall, a lot of what happens here will likely hinge on the outlook for global trade and risk sentiment. We also believe the equity market is already highly vulnerable in a world where monetary policy normalisation at the Fed has ramped up in 2018. As far as today goes, keep an eye on bigger picture risk and some US data that features producer prices and Michigan confidence.

# USDCAD - technical overview

The market has been consistently sold into rallies 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 1.3227** - 6Sep high - Medium
- **R1 1.3200** - Figure - Medium
- **S1 1.3049** - 2Nov low- Medium
- **S2 1.3016** - 25Oct low - Strong

# USDCAD - fundamental overview

The Canadian Dollar has been a clear laggard over the past week, trailing its commodity currency cousins and down against the US Dollar. A lot of this is a function of a sharp pullback in the price of OIL, with the commodity slide extending beyond 20% from the October peak, and some softer data reads out of Canada in recent days. Looking ahead, absence of first tier data out of Canada, will leave the focus on OIL, broader sentiment and some US data in the form of producer prices and Michigan confidence.

## NZDUSD - technical overview

The market has been in the process of recovering out from +2.5 year lows and is looking to extend the correction following the latest break back above consolidation resistance around 0.6725. This sets the stage for a push that could extend back towards the psychological barrier at 0.7000 before the market considers the legitimacy of the recovery and prospect for a more significant bullish structural shift or bearish resumption.



- **R2 0.6860** - 9Jul high - Strong
- **R1 0.6818** - 7Nov high - Medium
- **S1 0.6713** - 7Nov low - Medium
- **S2 0.6633** - 5Nov low - Strong

## NZDUSD - fundamental overview

The New Zealand Dollar has been an outperformer this week, with the currency getting a boost from a number of fronts including solid employment data, risk on price action in the aftermath of the US midterm elections, and better than expected China trade data. However, the outlook for risk markets is still very much in question, as the weight of Fed policy normalisation starts to resonate with investors, and global trade uncertainty hangs around in the background. As far as today goes, keep an eye on bigger picture risk and some US data that features producer prices and Michigan confidence.

## 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.



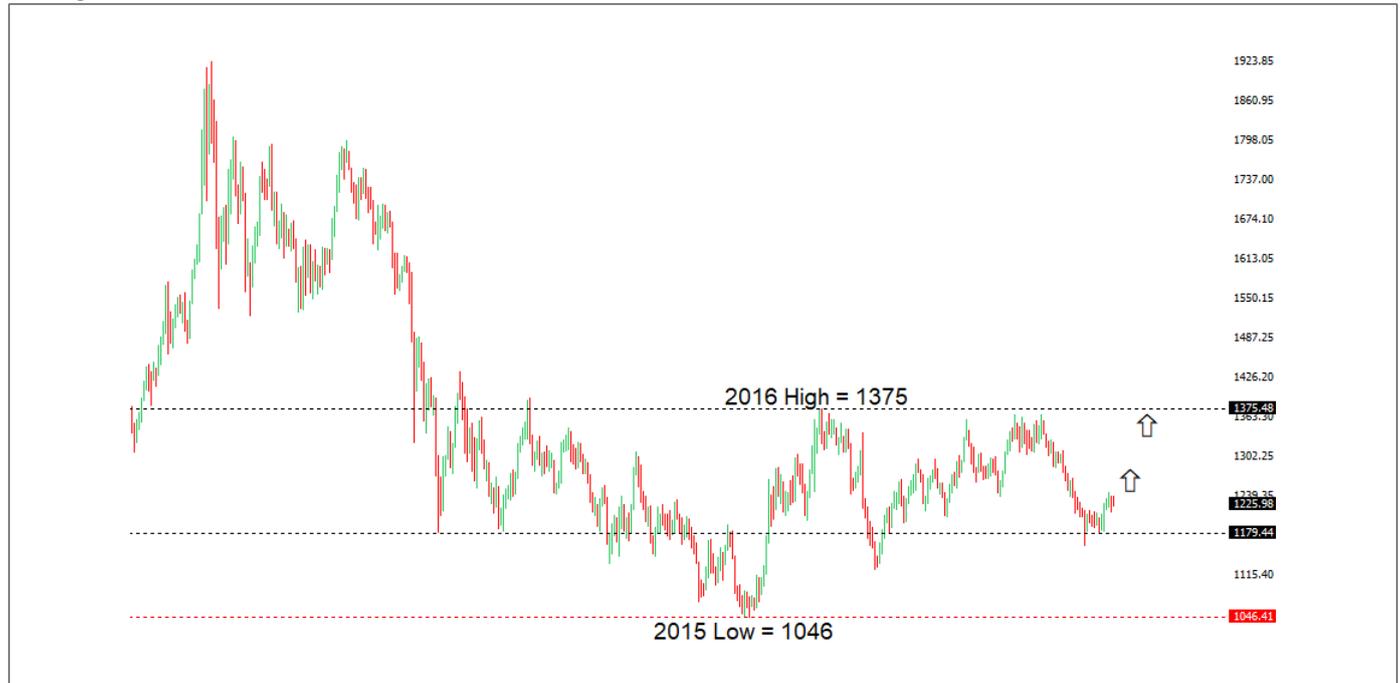
- **R2 2824** - 17Oct high - Strong
- **R1 2800** - Figure - Medium
- **S1 2603** - 29Oct low - Strong
- **S2 2594** - 3May low - Medium

## 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 even 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 the fourth quarter.

## GOLD (SPOT) - technical overview

The market has been showing signs of wanting to turn back up after establishing back above the daily Ichimoku chart. There are also signs that we could be seeing the formation of a more significant medium to longer-term structural shift that would be confirmed if this latest recovery can extend back through big resistance in the form of the 2016 high at 1375. Look for setbacks to be well supported ahead of 1200, with only a close back below 1150 to compromise the constructive outlook. A daily close above 1250 will strengthen the outlook.



- **R2 1266** - 9Jul high - Strong
- **R1 1244** - 26Oct 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 7,000** - Psychological - Strong
- **R1 6,648** - 21Oct high - Medium
- **S1 6,213**- 12Oct low -Medium
- **S2 6,000** - Psychological - Strong

## BTCUSD - fundamental overview

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 increasing adoption. Still, there has been concern in the shorter-term on account of regulatory challenges in the space and downside pressure in global equities.

## 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. Medium term studies are however stretched, which could warn of the start to a recovery. Still, it would take a break back above 255 right now to take the pressure off the downside and suggest that the market could be starting to turn bullish again.



- **R2 321** - 18Aug high - Strong
- **R1 255** - 22Sep high - Medium
- **S1 188** - 12Oct low - Medium
- **S2 165** - 12Sep/2018 low - Strong

## ETHUSD - fundamental overview

**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. At the same time, longer term prospects are looking quite bright and after a drop of well over 70% off the record high, the market is starting to find some stability.



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