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# Global FX Insights

by LMAX Exchange Research & Analytics

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

## China news gives risk market early prop [Wake-up call](#)

Risk markets are getting a mild prop as the week kicks off, with the bids coming from news out of China. Key standouts on today's calendar include Eurozone and German manufacturing PMIs, US manufacturing PMIs data and central bank speak from ECB Draghi and Lane, and Fed's Williams, Bullard and Daly.

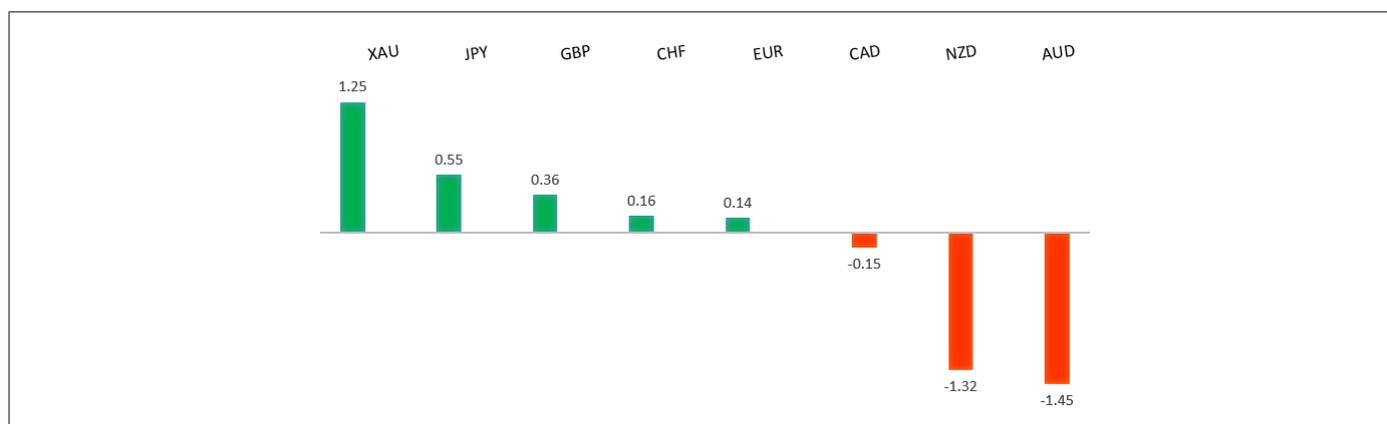
### Technical highlights [Daily Video](#)

- [EURUSD](#) Major higher low sought out
- [GBPUSD](#) Focus shifts back to topside
- [USDJPY](#) Should be well capped into rallies
- [EURCHF](#) Plenty of room for deeper drop
- [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](#) Sideways before next upside extension
- [ETHUSD](#) Rallies out from previous support zone

### Fundamental highlights

- [EURUSD](#) Eurozone and German PMIs
- [GBPUSD](#) Waiting on Deal-or-No-Deal
- [USDJPY](#) Yen tracking risk sentiment
- [EURCHF](#) SNB policy falls on tougher times
- [AUDUSD](#) Mixed PMIs out of Australia
- [USDCAD](#) Canada **wholesale sales** ahead
- [NZDUSD](#) Kiwi looks ahead to Fed speak
- [US SPX 500](#) Stocks exposed to exhausted policy
- [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

- [China's Wealth Fund Driving into Crowded Pool](#), N. Gopalan, **Bloomberg** (September 23, 2019)
- [What The Company of the Future Will Look Like](#), A. Hill, **Financial Times** (September 23, 2019)

## EURUSD - technical overview

The major pair has extended its run of declines off the 2008 high, trading down to a fresh multi-month low. 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 1.0800 would compromise this outlook. Back above 1.1412 will strengthen the view.



- **R2 1.1164** - 26 August high - Strong
- **R1 1.1110** - 13 September high - Medium
- **S1 1.0990** - 17 September low - Medium
- **S2 1.0925** - 3 September/2019 low - Strong

## EURUSD - fundamental overview

The Euro continues to find good two-way flow, both well offered into rallies and supported into dips. ECB Knot has been out defending his position to go public about his dissent to the ECB's decision to restart QE. Knot says the governing council knew about his plan to release a statement and there had been wide consensus it was better to be transparent about the matter than leave it to speculation in the press. Looking ahead, we get German and Eurozone manufacturing and services PMIs, the Bundesbank monthly report, US manufacturing PMI data, the Chicago Fed national activity index and central bank speak from ECB Draghi and Lane, and Fed Williams, Bullard and Daly.

## EURUSD - Technical charts in detail

[Watch now](#)

## GBPUSD - technical overview

The market has seen an impressive bounce out from the lowest levels since 2016, with the price recovering back above critical resistance at 1.2310, to not only take the immediate pressure off the downside, but also transition the market into a technical uptrend on the daily chart, as per the daily Ichimoku cloud. Ultimately, only back below 1.2000 would compromise the more constructive outlook for the major pair. Next key resistance comes in the form of a double bottom objective at 1.2660.



- **R2 1.2660** - Double Bottom Objective - Strong
- **R1 1.2583** - 20 July high - Medium
- **S1 1.2438** - 19 September low - Medium
- **S2 1.2392** - 17 September high - Strong

## GBPUSD - fundamental overview

The Pound continues to hold up well, as it tried to price out uncertainty risk associated with Brexit. The latest reports have President Trump and PM Johnson agreeing to strike a free trade agreement by July 2020, with chatter of a public commitment to this timeline as soon as today. Meanwhile, the EU reminded the press that it would not be responsible for a no-deal outcome and it would be up to Britain to decide. Looking ahead, absence of first tier data on the UK calendar will leave things focused on all things Brexit, before the market turns its attention to US manufacturing PMI data, the Chicago Fed national activity index and central bank speak from Fed Williams, Fed Bullard and Fed Daly.

[Watch now](#)

# 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 108.48** - 18 September high - Medium
- **S1 107.18** - 10 September low - Medium
- **S2 106.32** - 5 September low - Strong

# USDJPY - fundamental overview

The Yen softened up a bit earlier in the day after a China report played down the significance of the cancellation of the planned visit to US farmland by the Chinese trade delegation. Meanwhile, China's MofCom was out saying last week's trade talks were constructive. Looking ahead, the market will be focused on bigger picture themes associated with risk sentiment, while also taking in US manufacturing PMI data , the Chicago Fed national activity index and central bank speak from Fed Williams, Fed Bullard and Fed Daly. [Watch now](#)

# EURCHF - technical overview

The market is attempting to recover out from 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 recent breakdown below 1.1000 opens the door for the next major downside extension towards 1.0600. Look for rallies to be well capped ahead of 1.1100.



- **R2 1.1064** - 26 July high - Strong
- **R1 1.1020** - 18 September high - Medium
- **S1 1.0911** - 17 September 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.



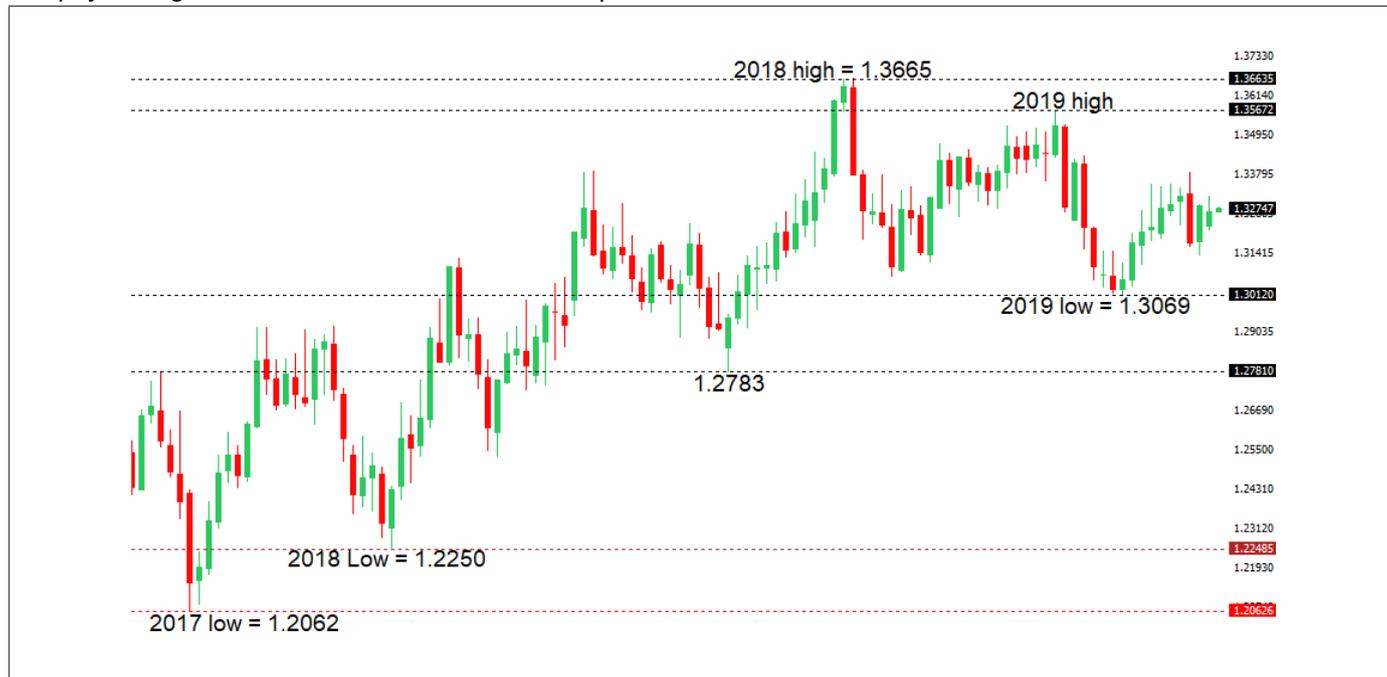
- **R2 0.6895** - 12 September high - Strong
- **R1 0.6832** - 19 September high - Medium
- **S1 0.6754** - 4 September low - Medium
- **S2 0.6677** - 7 August/2019 low - Strong

## AUDUSD - fundamental overview

**Aussie got a bit of a boost earlier in the day from a China report** playing down the significance of the cancellation of the planned visit to US farmland by the Chinese trade delegation, and on the news of China's MofCom saying last week's trade talks were constructive. Aussie PMI data was mixed and didn't factor into price action. Looking ahead, the market will be focused on bigger picture themes associated with risk sentiment, while also taking in US manufacturing PMI data, the Chicago Fed national activity index and central bank speak from Fed Williams, Fed Bullard and Fed Daly.

## 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 1.3383** - 3 September high - Strong
- **R1 1.3311** - 18 September high - Medium
- **S1 1.3202** - 13 September low - Medium
- **S2 1.3133** - 10 September low - Strong

## USDCAD - fundamental overview

The Canadian Dollar took a hit on Friday after Canada retail sales came in below forecast. The price of OIL has stabilised following volatility post the drone strikes on Saudi facilities, with the correlated Loonie taking a breather from reacting on that front. Looking ahead, we get Canada wholesale sales, US manufacturing PMI data, the Chicago Fed national activity index and central bank speak from ECB Lane, Fed Williams, Fed Bullard and Fed Daly.

## 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 take the immediate pressure off the downside.



- **R2 0.6451** - 12 September high - Strong
- **R1 0.6363** - 18 September high - Medium
- **S1 0.6255** - 20 September/**2019 low** - Medium
- **S2 0.6200** - Figure - Strong

## NZDUSD - fundamental overview

**Kiwi got a bit of a boost earlier in the day** from a China report playing down the significance of the cancellation of the planned visit to US farmland by the Chinese trade delegation, and on the news of China's MofCom saying last week's trade talks were constructive. This has helped the beaten down commodity currency to rally out from Friday's multi-month low against the Buck. Looking ahead, the market will be focused on bigger picture themes associated with risk sentiment, while also taking in US manufacturing PMI data, the Chicago Fed national activity index and central bank speak from Fed Williams, Fed Bullard and Fed Daly.

## 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 3023** - 19 September high - Strong
- **S1 2957** - 10 September low - Medium
- **S2 2889** - 2 September 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 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 1558** - 4 September/2019 high - Strong
- **S1 1480** - 13 August 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

**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 9,348** - 29 August low - Medium
- **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. Future ECB President Lagarde has recently come out in support of cryptocurrencies as well. 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 Q2 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 150 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 150 would compromise the outlook.



- **R2 240** - 6 August high - Strong
- **R1 225** - 19 September high - Medium
- **S1 164** - 29 August low - Medium
- **S2 150** - Psychological - 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 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 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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