

Tuesday, December 3, 2019

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# Global FX Insights

by LMAX Exchange Research & Analytics

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

## A story of trade wars and central bank proconomics 🔊 [Wake-up call](#)

We come into Tuesday with the market doing an about face on risk sentiment. In our Monday call, we highlighted our suspicion with the market's ability to hold up despite an early wave of negative headlines around the global trade outlook.

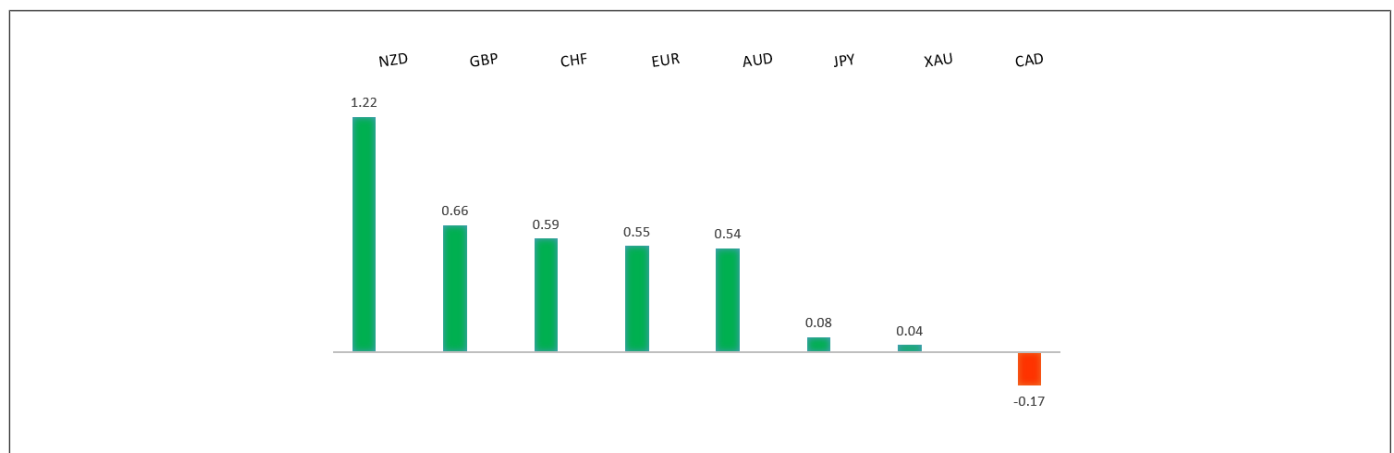
### Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Next big move seen higher, not lower
- [GBPUSD](#) Look for setbacks to be well supported
- [USDJPY](#) Bearish while below 110 barrier
- [EURCHF](#) Rallies should be well capped for now
- [AUDUSD](#) Signs of longer-term bottoming
- [USDCAD](#) Uptrend firmly intact
- [NZDUSD](#) Additional downside should be limited
- [US SPX 500](#) Uptrend showing signs of exhaustion
- [GOLD \(spot\)](#) Plenty of support on dips
- [BTCUSD](#) Constructive while above 6,000
- [ETHUSD](#) Solid support zone around 100

### Fundamental highlights

- [EURUSD](#) Eurozone producer prices
- [GBPUSD](#) UK construction PMIs
- [USDJPY](#) Escalating tension invites Yen demand
- [EURCHF](#) SNB faces tougher battle with Franc
- [AUDUSD](#) Aussie bid post RBA decision
- [USDCAD](#) BoC positioning ahead of Wednesday
- [NZDUSD](#) Latest GDT auction results ahead
- [US SPX 500](#) Trade tension still expected to weigh
- [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

- [0 Billion Can Fix a Lot of Policy Errors](#), D. Moss, **Bloomberg** (December 2, 2019)
- [What Jay Powell Really Means by 'Generally Good'](#), **Financial Times** (November 29, 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 1.1180** - 21 October high - Strong
- **R1 1.1097** - 21 November high - Medium
- **S1 1.0981** - 29 November low - Medium
- **S2 1.0941** - 8 October low - Strong

# EURUSD - fundamental overview

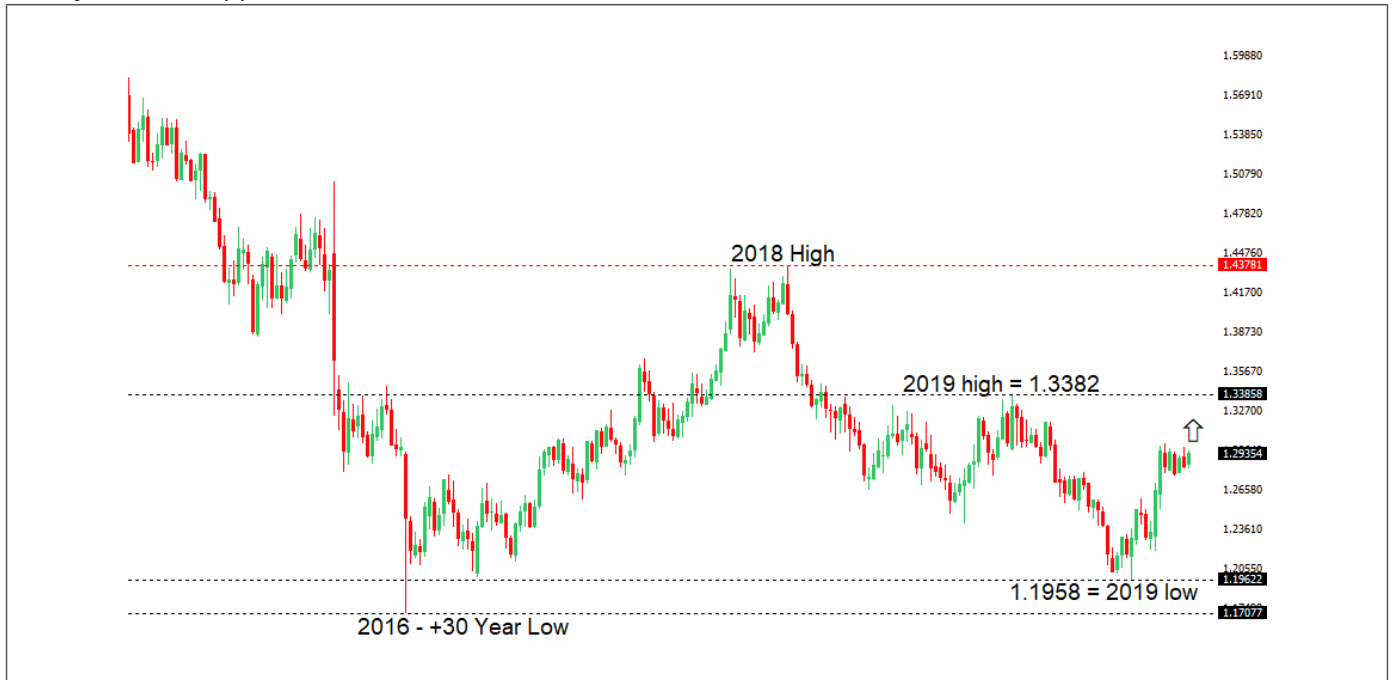
The Euro comes into Tuesday better bid, after a solid Monday session in which official speak and data were supportive of the single currency. On the official speak front, ECB President Christine Lagarde said the central bank 'will be resolute in restoring Euro-zone price stability' under her presidency, will 'continually monitor' policy 'side-effects' and is 'determined to use available tools if needed.' ECB's Guindos said the central bank 'could revisit the definition of price stability', and helicopter money 'should absolutely not be considered.' On the data side, manufacturing reads out of the Eurozone and Germany were well received. Looking ahead, we get Eurozone producer prices and an ECB Coeure speech. There is no first tier data scheduled in the US session.

# 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 1.2985** - 18 November - Medium
- **S1 1.2824** - 22 November low - Medium
- **S2 1.2769** - 8 November low - Strong

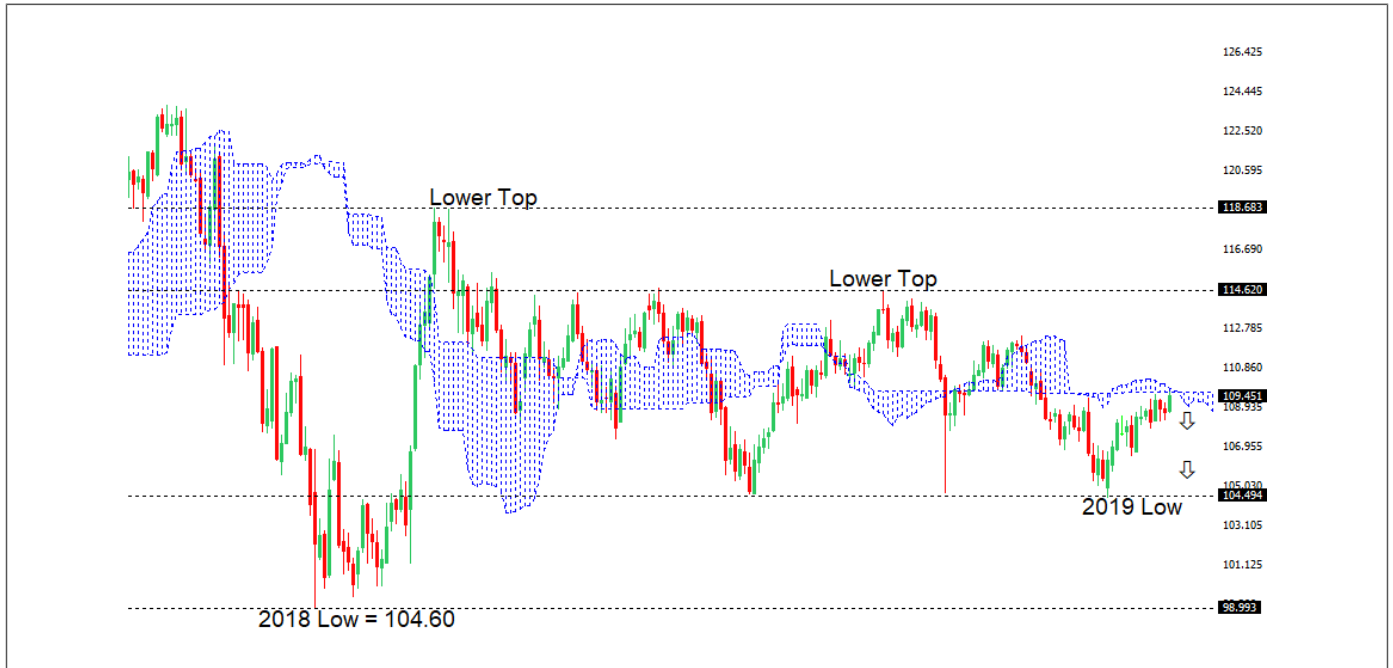
# GBPUSD - fundamental overview

Things have been relatively quiet for the Pound in these days leading up to the election. Some notable headlines include a warning from European Commission Executive VP Valdis Dombrovskis that the EU is 'ready to cut off the city of London's post-Brexit market access if it diverges from EU standards.' Also in the news was the warning from the UK Standards Body about British banks and 'potentially illegal conflicts of interest in the way government bond auctions are run.' Looking ahead, we get we get UK construction PMIs. There is no first tier data scheduled in the US session.

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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 110.00** - Psychological - Strong
- **R1 109.73** - 2 December high - Medium
- **S1 108.93** - 2 December low - Medium
- **S2 108.24** - 14 November low - Strong

# USDJPY - fundamental overview

The Yen has regained a bid tone (USDJPY sold) in the aftermath of an intensely risk off day on the back of the latest trade war escalation. Chinese state media have reported Beijing will soon publish a list of US names subject to sanctions and visa restrictions, in response to the Xinjiang bill tabled by GOP Senator Rubio (due to be voted by the US House later today). On the domestic front, today's JGB auction came in very weak, though this hasn't really factored into price action. Looking ahead, there is no first tier data scheduled in the US session and the focus will be on bigger picture themes.

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# EURCHF - technical overview

The market remains very well capped into offers and the medium-term picture continues to favour the downside. A break back above 1.1060 would be required to take the immediate pressure off the downside. Below 1.0800 exposes the 1.0600 area.



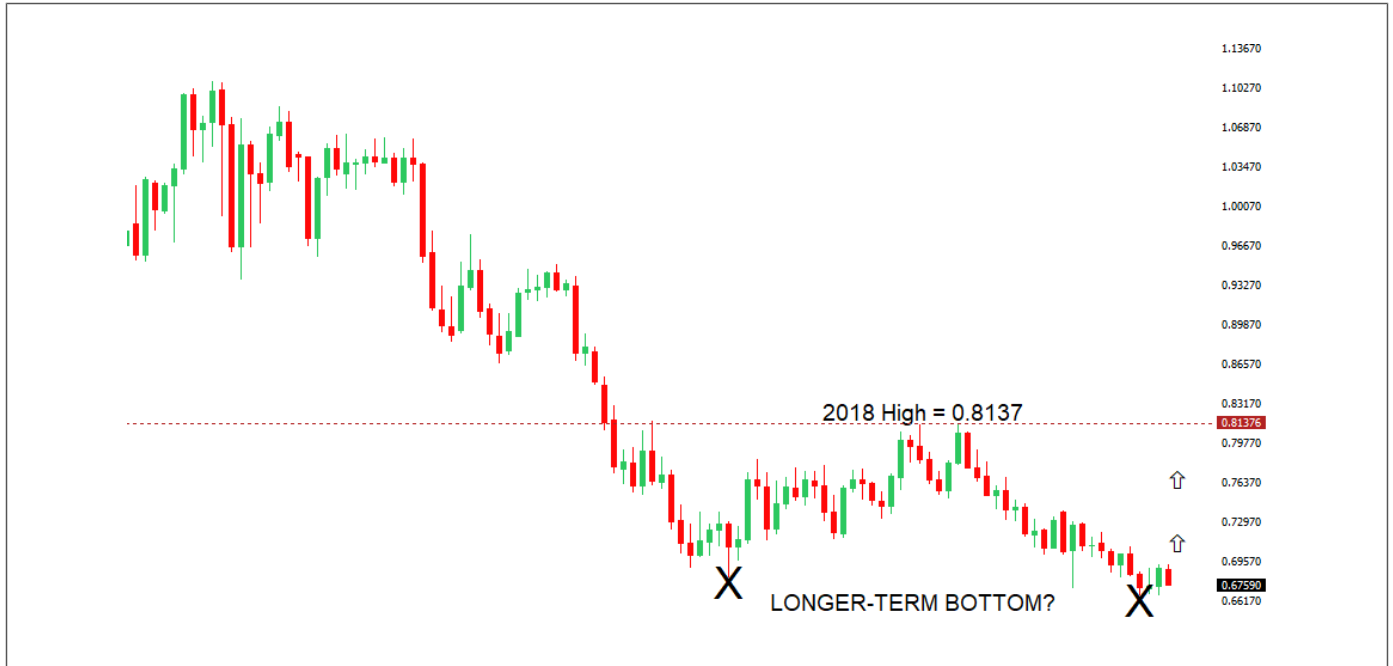
- **R2 1.1173** - 2 July high - Strong
- **R1 1.1060** - 17 October high - Medium
- **S1 1.0864** - 14 November low - Medium
- **S2 1.0811** - 4 September/2019 low - Strong

# 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.



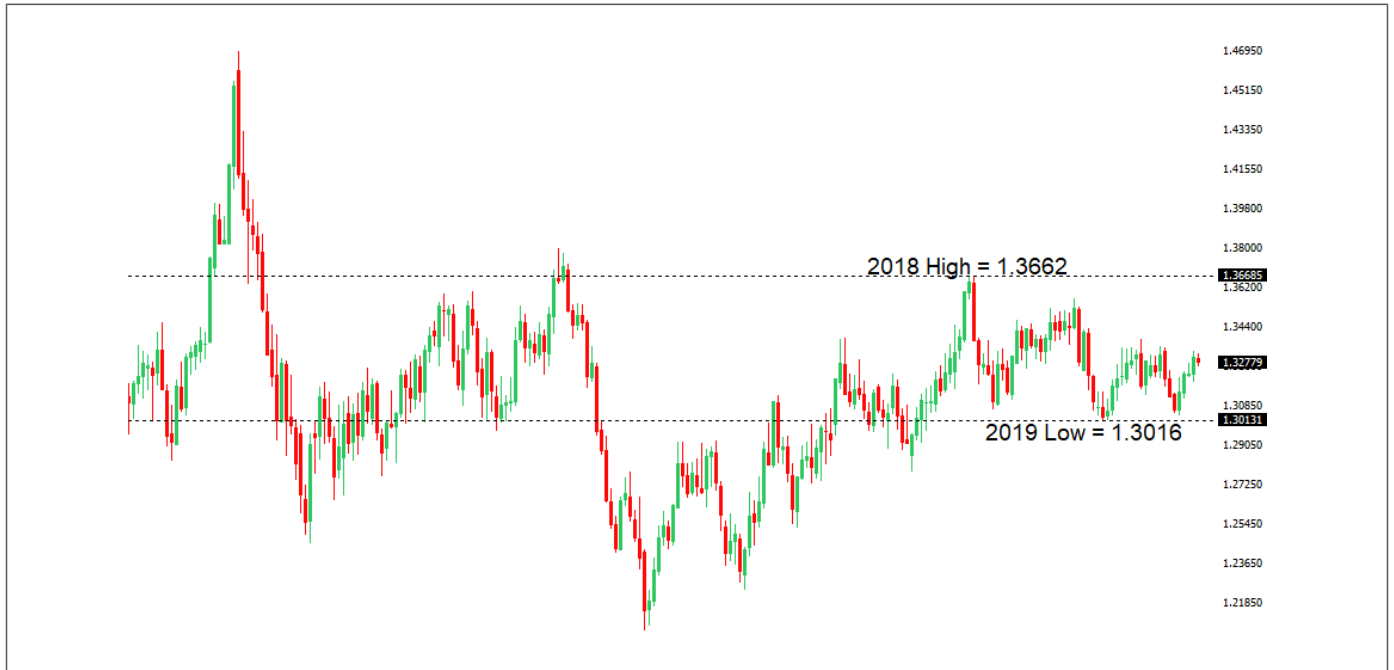
- **R2 0.6930** - 31 October high - Strong
- **R1 0.6883** - 22 October high - Medium
- **S1 0.6800** - Figure - Medium
- **S2 0.6754** - 29 November low - Strong

# AUDUSD - fundamental overview

The Australian Dollar has extended its recent run, getting a big boost from the latest RBA decision, in which the central bank left rates on hold and adjusted the policy outlook ever so slightly away from the accommodation side. Comments that risks have lessened, while stressing the fact that it takes time for monetary policy to work into the system, are being sourced as the reasoning behind the less dovish communication that's supporting Aussie. This has also offset renewed concerns from the global trade front. Looking ahead, there is no first tier data scheduled in the US session and the focus will be on bigger picture themes.

## 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 1.3328** - 20 November high - Medium
- **S1 1.3254** - 22 November low - Medium
- **S2 1.3190** - 19 November low - Strong

## USDCAD - fundamental overview

Not much action in the Canadian Dollar in recent sessions, with the currency caught between demand from better than expected economic data, and offers in the price of OIL. On Monday, Canada manufacturing PMIs came in above forecast. Looking ahead, there is no first tier data scheduled in the North American session and the focus will be on bigger picture themes and positioning ahead of Wednesday's Bank of Canada decision.

# 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 0.6500 strengthens the outlook and takes the immediate pressure off the downside.



- **R2 0.6600** - Figure - Medium
- **R1 0.6589** - 6 August high - Strong
- **S1 0.6466** - 4 November high - Medium
- **S2 0.6424** - 2 December low - Strong

# NZDUSD - fundamental overview

The New Zealand Dollar is performing well this week, getting a boost from Kiwi terms of trade data, plans to spend more on infrastructure, and carryover from the post RBA Aussie rally. All of this demand comes despite added worry around the timing and prospect for a phase one trade deal between the US and China amidst the latest escalation of tension. Looking ahead, there is no first tier data scheduled in the US and the focus will be on GDT auction results and bigger picture themes.



## 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 3091, with a break below to strengthen the outlook. A monthly close above 3200 would be required to compromise the outlook.



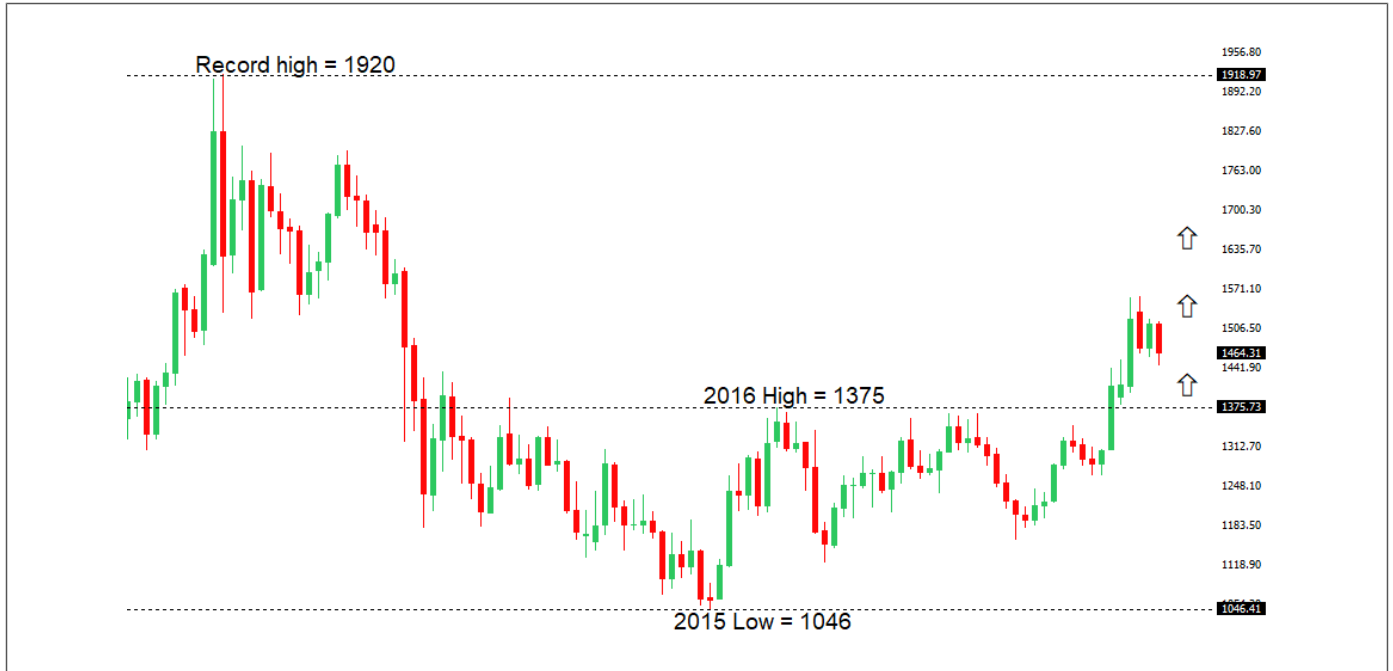
- **R2 3200** - Psychological - Strong
- **R1 3159** - 2 December/**Record high** - Medium
- **S1 3091** - 20 November low - Medium
- **S2 3000** - Psychological - Strong

## US SPX 500 - fundamental overview

Although we've seen the market extending to fresh record highs in 2019, with so little room for additional central bank accommodation, 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 1445** - 12 November 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 in the aftermath of a major surge in the second quarter of 2019. However, any setbacks should be very well supported in the 6,000 area, with an 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 6,000 would compromise the constructive outlook.



- **R2 10,468**- 26 October high - Strong
- **R1 8,806** - 11 October high - Medium
- **S1 6,500** - Psychological - Strong
- **S2 5,755** - Internal support/June 2018 - 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 \$6,000.

# 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 133** - 25 November low - Medium
- **S2 102** - 6 February/2019 low - 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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