

Tuesday, August 13, 2019

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# Global FX Insights

by LMAX Exchange Research & Analytics

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

## An ugly start to the week 🔊 [Wake-up call](#)

A resumption of risk off flow as the new week gets going, with stocks taking a hit in a world where trade war tension doesn't seem to be wanting to die down. This hasn't been a help to risk correlated currencies, though we have seen demand for the major currencies, as they absorb the carry unwind.

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

- [EURUSD](#) Major higher low sought out
- [GBPUSD](#) Into critical psychological zone
- [USDJPY](#) Gravitating towards 2018, 2019 lows
- [EURCHF](#) Below 1.1000 exposes 1.0600 area
- [AUDUSD](#) Yearly low...but well supported zone
- [USDCAD](#) Longer-term price action is bullish
- [NZDUSD](#) Setbacks extend to 2019 low
- [US SPX 500](#) Signs of major top
- [GOLD](#) (spot) Next key resistance at 1600
- [BTCUSD](#) Into a consolidation phase
- [ETHUSD](#) Strong support around 200

### Fundamental highlights

- [EURUSD](#) Euro looks ahead to ZEW readings
- [GBPUSD](#) UK PM agrees to meet with Irish PM
- [USDJPY](#) Yen absorbs next wave of risk off flow
- [EURCHF](#) SNB policy falling on tougher times
- [AUDUSD](#) Aussie slumps on renewed risk liquidation
- [USDCAD](#) Loonie struggles with softer jobs data
- [NZDUSD](#) Ardern welcomes low rate environment
- [US SPX 500](#) Investors still want artificial support
- [GOLD](#) (spot) Pick up in hard asset demand
- [BTCUSD](#) Attractive alternative as stocks falter
- [ETHUSD](#) Ether exposed to traditional markets

## 5 Day Performance vs. US dollar

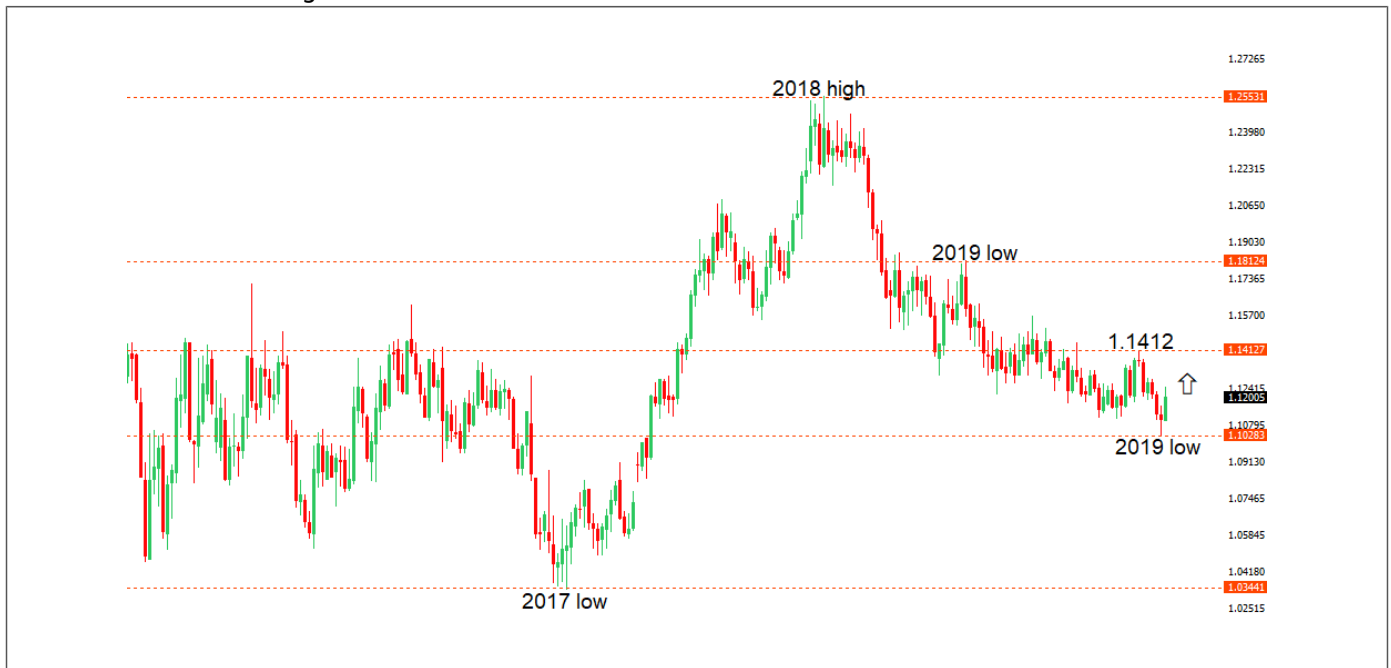


## Suggested reading

- [Sending an SOS to the Fed](#), S. Moore, **The Washington Times** (August 9, 2019)
- [Boris Johnson's Brexit: Five Key Questions](#), S. Payne, **Financial Times** (August 9, 2019)

# EURUSD - technical overview

The major pair has extended its run of declines off the 2008 high, trading down to a fresh multi-month. 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 the psychological barrier at 1.1000 would compromise this outlook. Back above 1.1412 will strengthen the view.



- **R2 1.1286** - 11 July high - Strong
- **R1 1.1250** - 6 August high - Medium
- **S1 1.1162** - 11 August low - Medium
- **S2 1.1100** - Figure - Strong

# EURUSD - fundamental overview

There was some relief with uncertainty relating to Italian political drama. This in conjunction with more worry about US trade policy and calls for more rate cuts, were behind a lot of the Euro rally in Monday trade. Looking ahead, activity picks up on Tuesday’s calendar. Key standouts come in the form of German inflation reads, German and Eurozone ZEWs, and US inflation data.

# EURUSD - Technical charts in detail

[Watch now](#)

# GBPUSD - technical overview

The recent breakdown below 1.2400 has opened the door for a fresh downside extension towards the major cycle low from 2016 in the 1.1800s. Longer-term studies continue to suggest the market should be looking to start turning back up, though at this stage, the pressure remains on the downside and it will take a break back above 1.2400 to take the immediate pressure off the downside and revive the outlook supporting a longer-term base.



- **R2 1.2210** - 6 August high - Strong
- **R1 1.2100** - Figure - Medium
- **S1 1.2015** - 12 August/**2019 low** - Medium
- **S2 1.2000** - Psychological - Strong

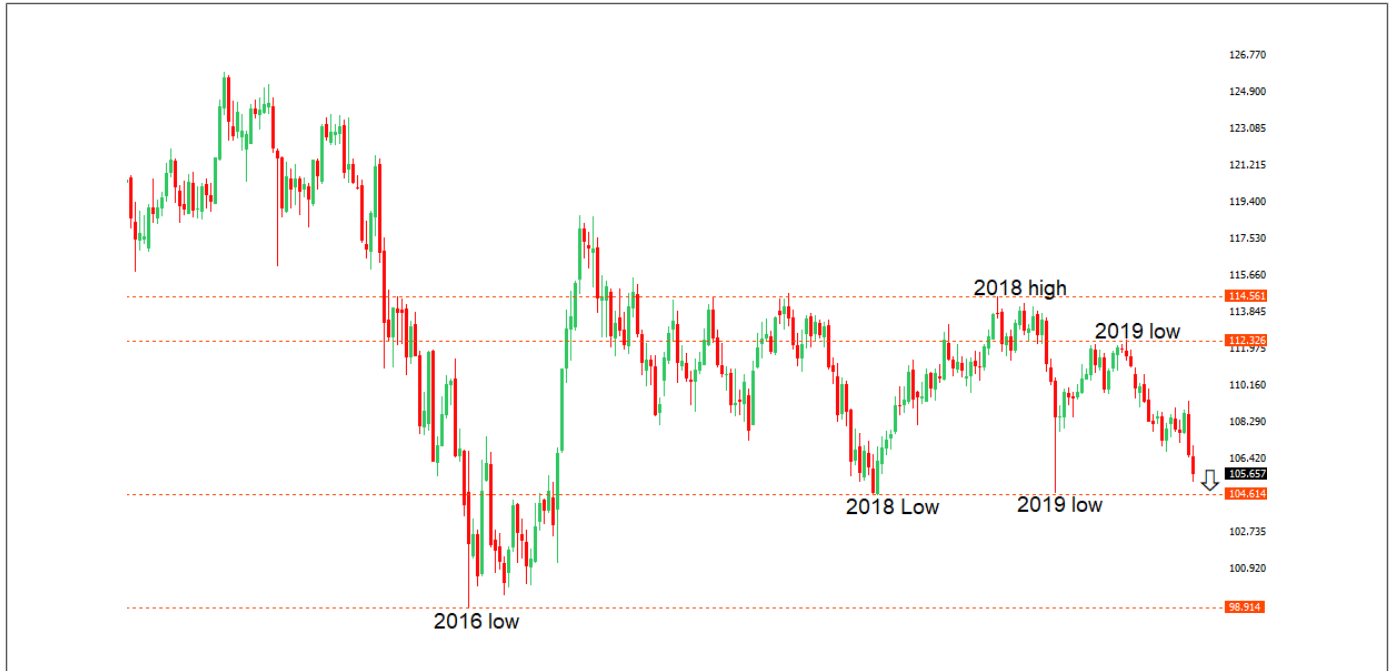
# GBPUSD - fundamental overview

The Pound is doing its best to find some support around the critical psychological barrier at 1.2000 after taking a big hit on Brexit uncertainty under Boris Johnson. Last week's softer UK GDP read hasn't helped matters, though the Pound did manage to put in a positive performance on Monday. It seems calls for more Fed rate cuts and news of the UK PM agreeing to meet with the Irish PM, contributed to some of that recovery. There was also talk of a phone conversation between Johnson and President Trump. Looking ahead, activity picks up on Tuesday's calendar. Key standouts come in the form of UK employment and US inflation data.

[Watch now](#)

## USDJPY - technical overview

The longer-term downtrend remains firmly intact, with the major pair slowly gravitating back towards a retest of major support in the form of the 2018 and 2019 lows respectively, down in the 104s. Rallies should continue to be well capped below 110.00. Below the 2018 low at 104.63 opens the door for the next major downside extension towards the 2016 low at 99.00.



- **R2 107.57** - 2 August high - Strong
- **R1 107.09** - 6 August high - Medium
- **S1 105.05** - 12 August low - Medium
- **S2 104.63** - 2018 low (2019 low) - Strong

## USDJPY - fundamental overview

The major pair continues to fund good selling pressure at every turn, with the latest downside pressure coming renewed deterioration in risk sentiment and calls for more Fed rate cuts. On Tuesday, we get Japan producer prices and machine tool orders, along with some US inflation data later in the day. [Watch now](#)

# EURCHF - technical overview

The market is trading at 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 latest breakdown below 1.1000 opens the door for the next major downside extension towards 1.0600.



- **R2 1.1064** - 26 July high - Strong
- **R1 1.1000** - Psychological - Strong
- **S1 1.0864** - 5 August/2019 low - Medium
- **S2 1.0834** - 2017 23 June 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.



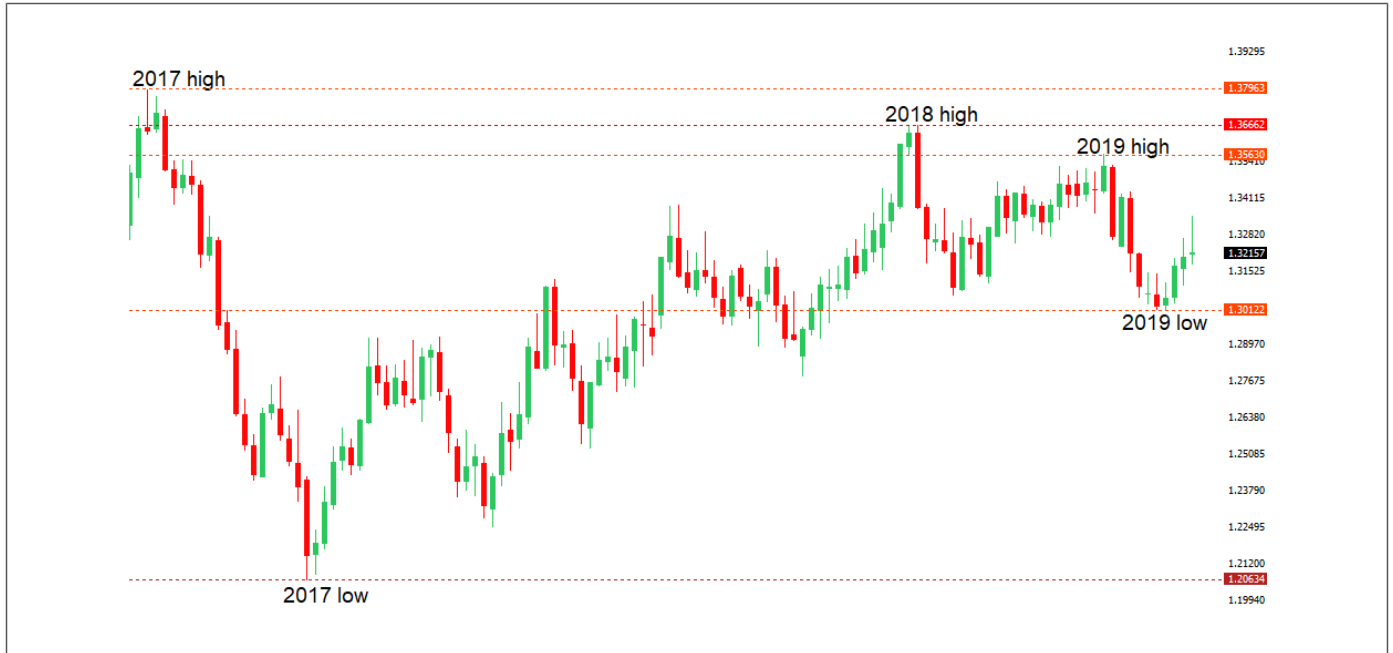
- **R2 0.6868** - 1 August high - Strong
- **R1 0.6822** - 8 August high - Medium
- **S1 0.6700** - Figure - Strong
- **S2 0.6677** - 7 August/2019 low - Strong

## AUDUSD - fundamental overview

The Australian Dollar has given back recent recovery gains, with downside pressure coming from Monday's deterioration in risk sentiment and worry about the global trade outlook. This follows the start to the Aussie slide that had initially been triggered by the RBA's downward revision to 2019 growth, and another communication from RBA Lowe that the central bank would be willing to ease again if needed. Tuesday is another light calendar day for Aussie, with only some US inflation data due later in the day.

# USDCAD - technical overview

Despite the recent breakdown to a yearly low, 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 1.3433** - 18 June high - Strong
- **R1 1.3345** - 7 August high - Medium
- **S1 1.3178** - 5 August low - Medium
- **S2 1.3105** - 31 July low - Strong

# USDCAD - fundamental overview

The Canadian Dollar has suffered in the aftermath of last week's weaker than expected Canada employment report that produced the worst reading since August 2018. At the same time, a rise in hourly earnings and bounce in the price of OIL, have proven to be strong offsetting forces. Tuesday is another light calendar day for the Loonie, with only some US inflation data due.

# NZDUSD - technical overview

**Despite recent weakness, there's a case to be made** for a meaningful low, with the market trading back down to medium-term cyclical low territory in the 0.6300-0.6400 area. As such, look for setbacks to be well supported in the days ahead, in anticipation of renewed upside. Only a weekly close below 0.6300 would give reason for rethink. Back above 0.6600 will take the immediate pressure off the downside.



- **R2 0.6589** - 6 August high - Strong
- **R1 0.6500** - Psychological - Medium
- **S1 0.6400** - Figure - Medium
- **S2 0.6378** - 7 August/2019 low - Strong

# NZDUSD - fundamental overview

**Concerns about the New Zealand growth outlook** and talk about more rate cuts from RBNZ Governor Orr and Deputy Governor Bascand, have been behind some of the recent downside pressure in the Kiwi rate. Meanwhile, the New Zealand Treasury department has identified a lower bound for the official cash rate. Finally, NZ PM Ardern encouraged the low interest rate environment, saying it was good for mortgage holders. Tuesday is another light calendar day for Kiwi, with only some US inflation data due later in the day.



## 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 2941** - 8 August high - Strong
- **S1 2777** - 6 August low - Medium
- **S2 2729** - 3 June 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, expected renewed tension on the global trade front, should continue to be a drag on investor sentiment. 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 1520** - 12 August/2019 high - Strong
- **S1 1400** - Psychological - Strong
- **S2 1382** - 1 July 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

**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 10,000** - Psychological - Strong
- **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. 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 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 170 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 170 would compromise the longer term constructive outlook.



- **R2 290** - 11 July high - Strong
- **R1 250** - Psychological - Medium
- **S1 191** - 16 July low - Strong
- **S2 170** - 24 February High - 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, 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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