

Friday, September 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

Global market still digesting ECB decision [Wake-up call](#)

As we come into the end of the week, there isn't all that much to take away as far as the levels go. Currencies continue to chop around and are trading within 1% of where they were a week ago against the US Dollar. The Pound, Euro, Aussie and Kiwi are up moderately, while the Canadian Dollar, Swiss Franc and Yen are down.

Technical highlights [Daily Video](#)

- [EURUSD](#) Major higher low sought out
- [GBPUSD](#) Takes out key short-term resistance
- [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](#) Slowly rolling over from record high
- [GOLD](#) (spot) Room for run towards 2k
- [BTCUSD](#) Sideways before next upside extension
- [ETHUSD](#) Testing previous support zone

Fundamental highlights

- [EURUSD](#) Eurozone trade and wage growth
- [GBPUSD](#) Boris Johnson trying to work a deal
- [USDJPY](#) Yen extends weakness as equities rally
- [EURCHF](#) SNB policy falls on tougher times
- [AUDUSD](#) Aussie feeling good about trade outlook
- [USDCAD](#) OIL setbacks weigh on Canadian Dollar
- [NZDUSD](#) US retail sales out later today
- [US SPX 500](#) Trade tension eases but not for long
- [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

- [Draghi's Utmost Is Still Not Enough](#), J. Authers, **Bloomberg** (September 13, 2019)
- [A New Debt Record for Companies | Charts that Count](#), B. Fox, **FT** (September 12, 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 1.1116** - 27 August high - Strong
- **R1 1.1088** - 12 September high - Medium
- **S1 1.1000** - Psychological - Medium
- **S2 1.0925** - 3 September/2019 low - Strong

EURUSD - fundamental overview

The ECB left the benchmark interest rate unchanged, lowered the deposit facility rate 10bps and announced new asset purchases of EUR20 bln per month beginning on November 1. The ECB also lowered its growth and inflation forecasts. The Euro sunk all the way back down to the recent multi-month low after ECB President Mario Draghi talked of 'QE headroom for quite a long time,' and the need for a 'highly accommodative stance for a prolonged period.' However, the single currency jumped back after Draghi acknowledged that despite the 'persistence of prominent downside risks', underlying inflation 'remained generally muted', and the probability of a Euro-area recession had gone up but was still low. Also contributing to the Euro's stronger close was the report that 'core' ECB Governors resisted Draghi's eventual successful bid to restart QE. Friday's calendar includes German wholesale prices, Eurozone trade and wage growth, and US retail sales, Michigan sentiment and business inventories.

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 take the immediate pressure off the downside. This has set up a double bottom possibility, with a measured move extension target coming in at 1.2660. Ultimately, only back below 1.2000 would compromise the more constructive outlook for the major pair.



- **R2 1.2400** – Ichimoku Cloud top – Strong
- **R1 1.2385** – 9 September high – Medium
- **S1 1.2210** – 5 September low – Medium
- **S2 1.2106** – 3 September high – Strong

GBPUSD – fundamental overview

UK parliament is now into a five-week recess after pushing through the bill that would prevent a no deal Brexit and compel the Prime Minister to request a three-month extension. The PM's attempts to force a general election have failed and we now wait to see what comes next. Odds for a no-deal have been significantly reduced, which has helped the Pound of late, and Boris Johnson is off looking to get a deal done, with a strategy of working out a solution on Northern Ireland. Looking ahead, there is no first tier data on the UK docket. The focus will be on US data that includes retail sales, Michigan sentiment and business inventories.

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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. Below the 2018 low now opens the door for the next major downside extension towards the 2016 low at 99.00.



- **R2 109.32** – 1 August high – Strong
- **R1 108.42** – 29 July low – Medium
- **S1 107.18** – 10 September low – Medium
- **S2 106.32** – 5 September low – Strong

USDJPY – fundamental overview

The Yen has extended its recent run of declines, getting a boost from this week's news of the US deferring the proposed tariff hike on \$250 billion of Chinese goods to October 15th. There was no major reaction to softer than expected Japan producer prices and other second tier data reads. BoJ Governor Kuroda said he didn't talk about negative rates during a meeting with PM Abe. Overall, we continue to expect the Yen to track with bigger picture correlations including risk sentiment and US Dollar yield differentials. Looking ahead, the focus will be on US data that includes retail sales, Michigan sentiment and business inventories.

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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.



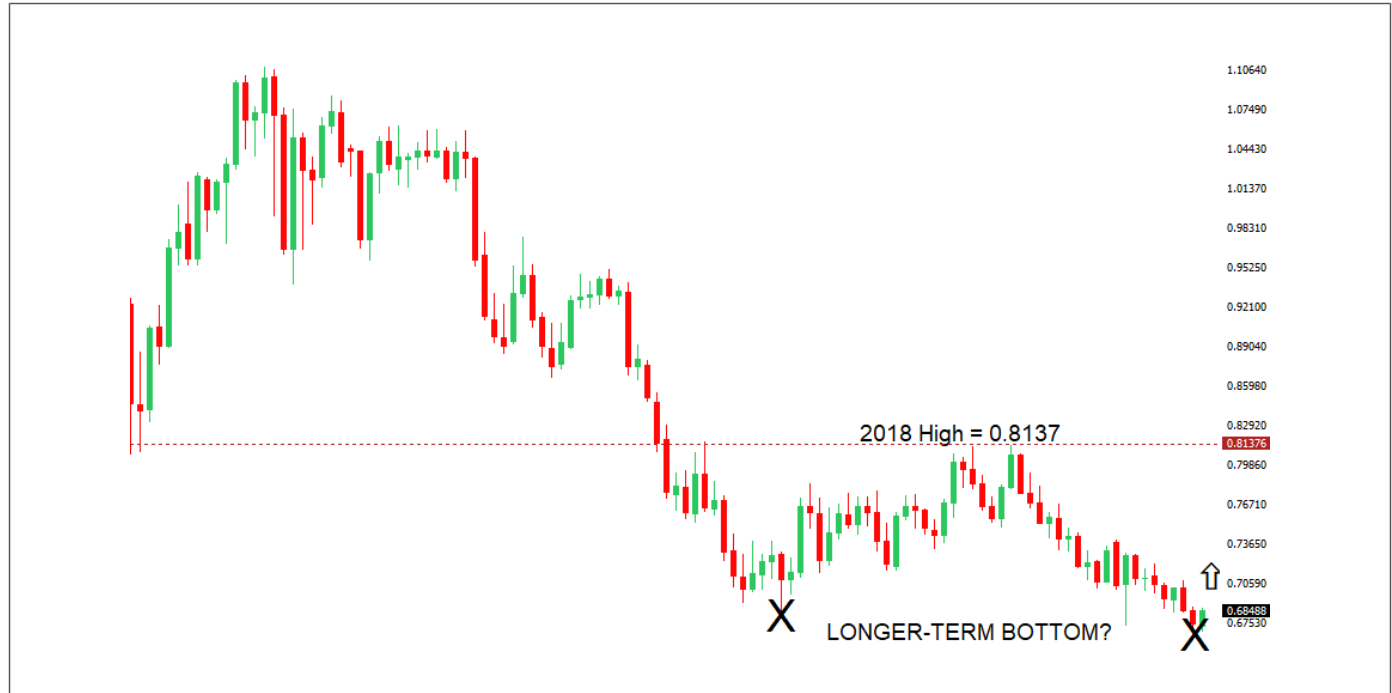
- **R2 1.1064** – 26 July high – Strong
- **R1 1.1000** – Psychological – Medium
- **S1 1.0811** – 4 September/2019 low – Medium
- **S2 1.0800** – Figure – Strong

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.



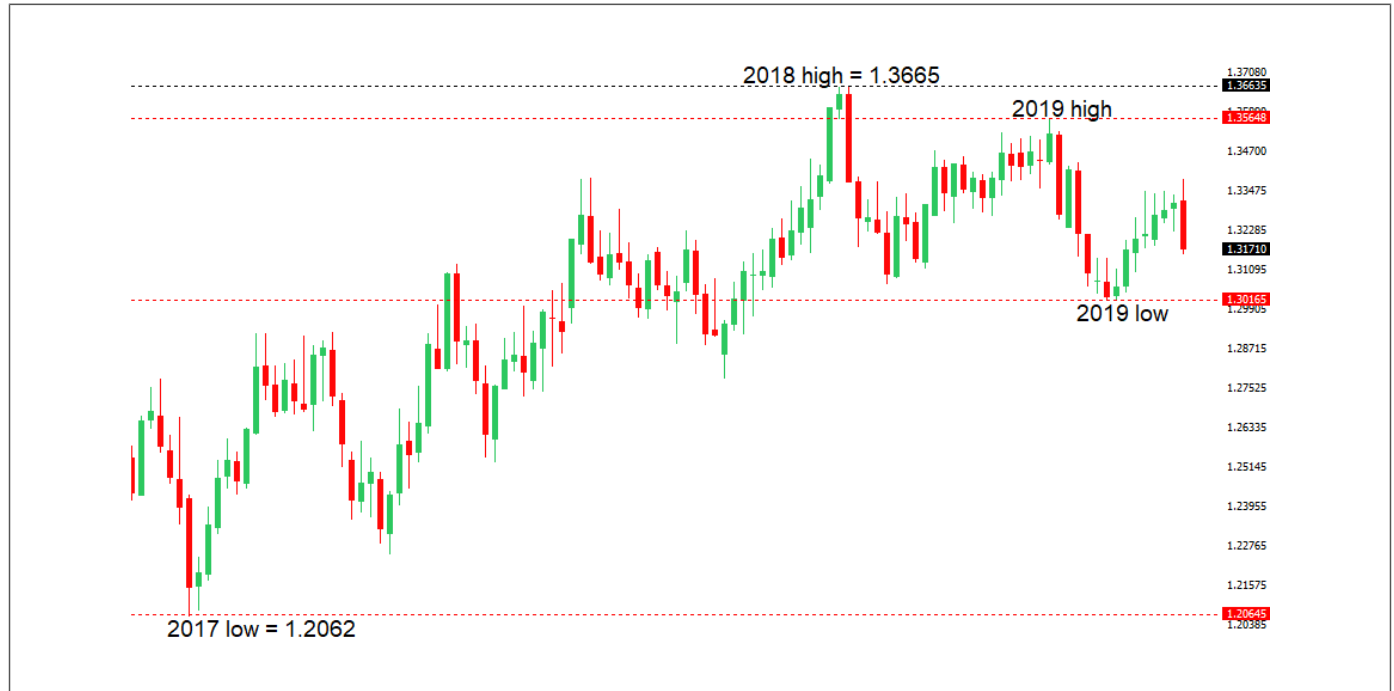
- **R2 0.6910** – 10 July low – Strong
- **R1 0.6900**– 31 July high – Medium
- **S1 0.6754** – 4 September low – Medium
- **S2 0.6677** – 7 August/2019 low – Strong

AUDUSD – fundamental overview

Aussie has been better bid of late, getting a boost from the better outlook on US-China trade, a recent China RRR cut, some better than expected Aussie data, and this latest recovery in the Euro post ECB decision. Earlier this week, the US announced it would be deferring the proposed tariff hike on \$250 billion of Chinese goods to October 15th. Looking ahead, the focus will be on US data that includes retail sales, Michigan sentiment and business inventories.

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.



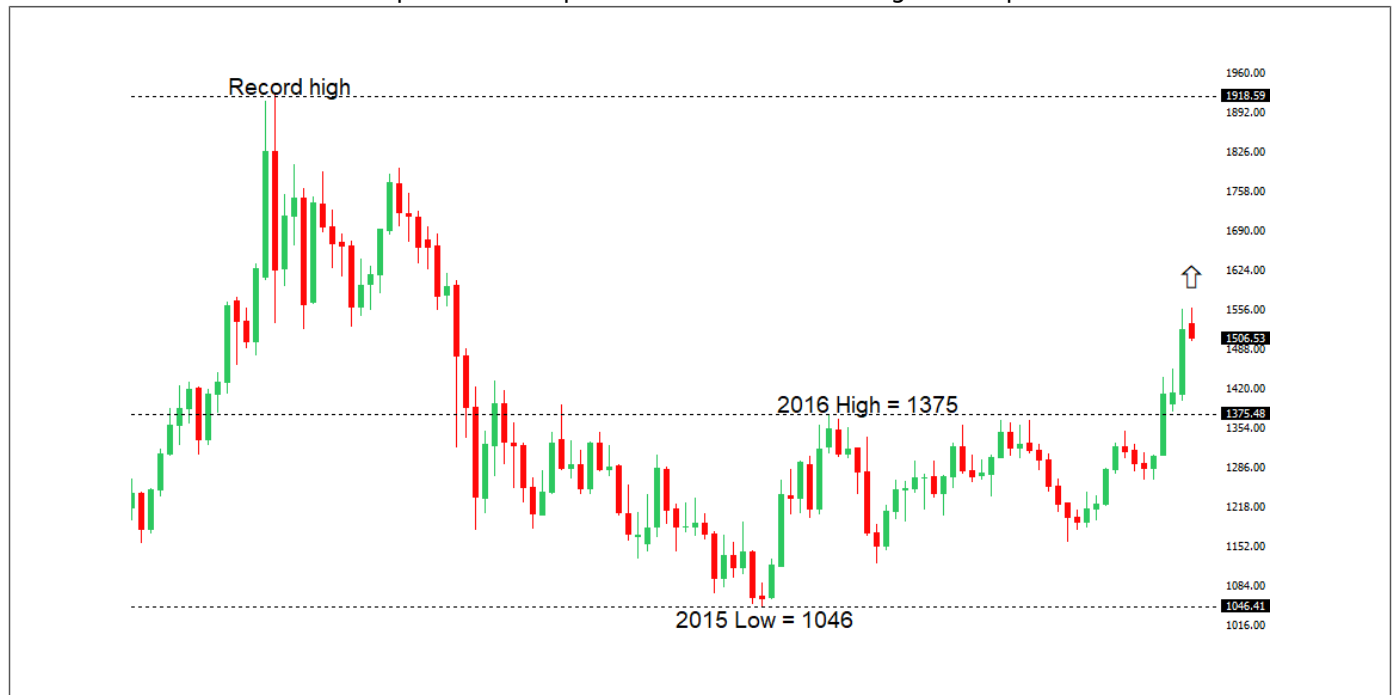
- **R2 1.3300** – Figure – Medium
- **R1 1.3247** – 5 September high – Medium
- **S1 1.3133** – 10 September low – Medium
- **S2 1.3105** – 31 July low – Strong

USDCAD – fundamental overview

The Canadian Dollar has been underperforming on account of the latest setbacks in the price of OIL. Thursday's unexpected drop in the Canada new housing price index also factored into some of the Canadian Dollar selling. Looking ahead, there is no first tier data on the Canada docket. The focus will be on US data that includes retail sales, Michigan sentiment and business inventories.

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.



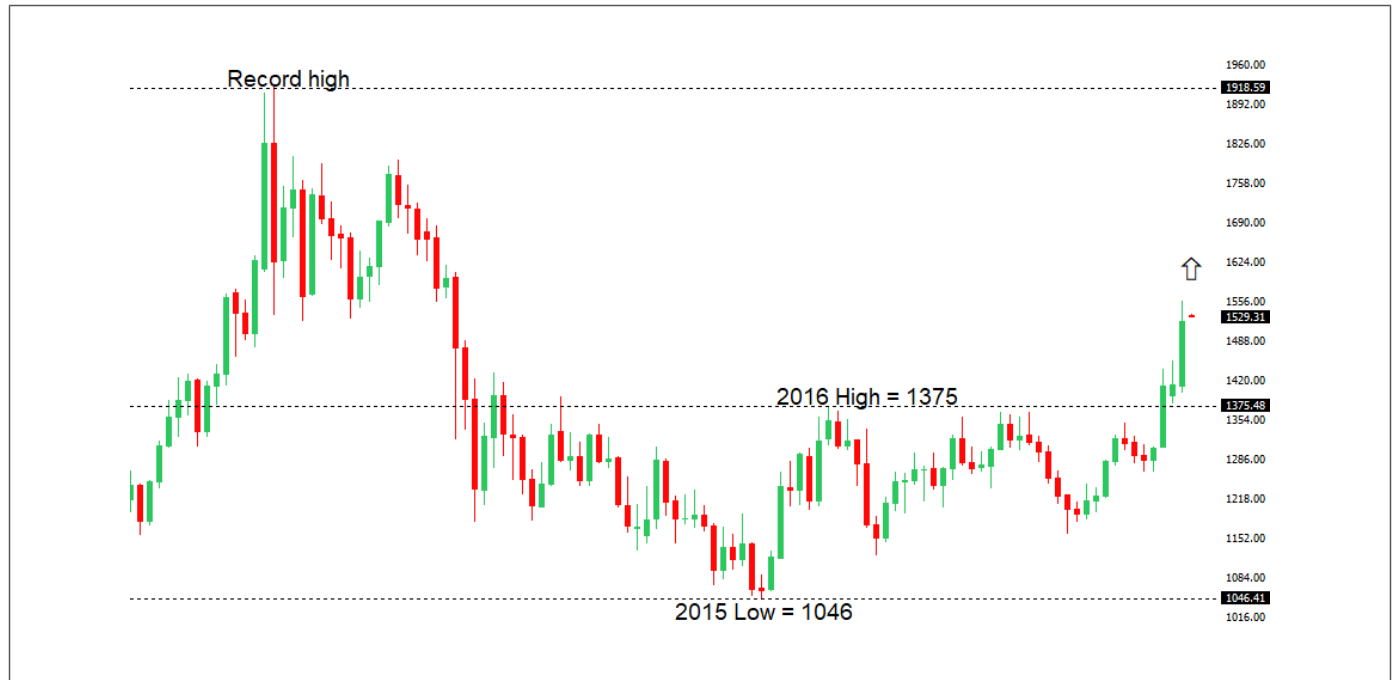
- **R2 3029** – 26 July/**Record high** – Strong
- **R1 3022** – 12 September high – Strong
- **S1 2889** – 2 September low – Medium
- **S2 2777** – 6 August low – Strong

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

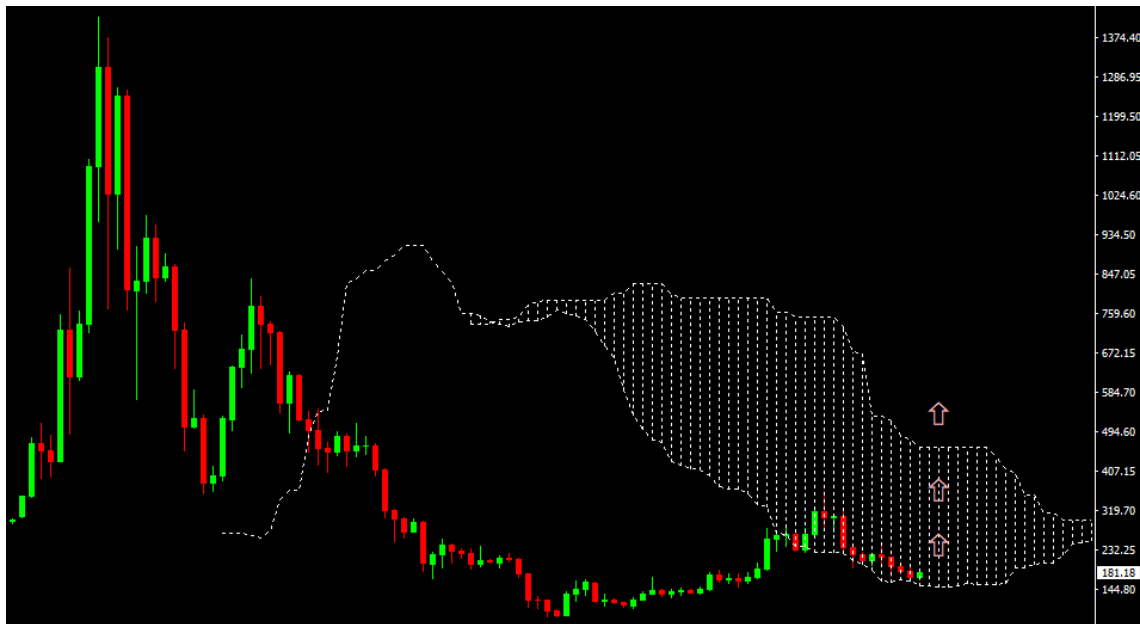
Bitcoin enjoyed a spectacular run in the second quarter of 2019, racing to fresh yearly highs, surging towards 14k, on the back of increased adoption and more openness from the traditional investor community. The news of tech giants now turning towards the world of crypto has invited a higher profile that should be a net positive in the long run. Future ECB President Lagarde has just 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 204** – 20 August 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, 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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