

Monday, October 14, 2019

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Global FX Insights

by LMAX Exchange Research & Analytics

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

Will the good vibe train keep rolling this week? 🗣️ [Wake-up call](#)

Global equities were bought back up in the previous week, helped along by the more upbeat outlook on the global trade front. And this wasn't the only place markets were feeling better. Monday's calendar is exceptionally thin. US and Canada desks will be light on account of holidays in the respective countries.

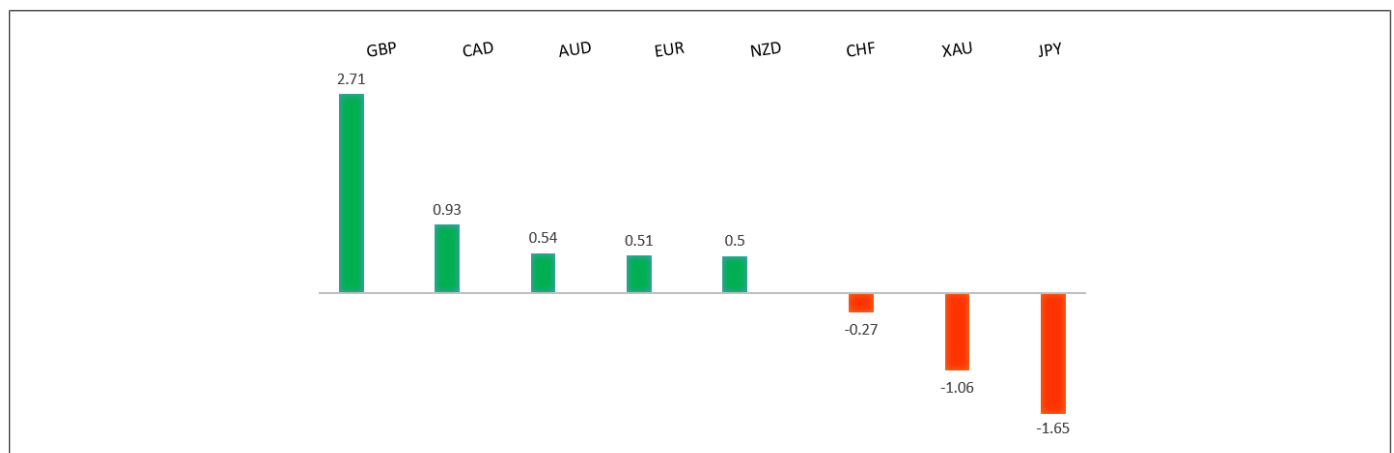
Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Pushes back above 1.1000 barrier
- [GBPUSD](#) Looking to establish major base
- [USDJPY](#) Should be well capped into rallies
- [EURCHF](#) Lower top sought out
- [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](#) Poised for big upside move
- [ETHUSD](#) Well supported into latest dip

Fundamental highlights

- [EURUSD](#) Eurozone industrial production
- [GBPUSD](#) Brexit outlook looking better
- [USDJPY](#) Dealers report offers further up
- [EURCHF](#) SNB policy falls on tougher times
- [AUDUSD](#) China trade data digested
- [USDCAD](#) Strong jobs report fuels Loonie
- [NZDUSD](#) Kiwi moving on bigger themes
- [US SPX 500](#) Buy on dips looking tired
- [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

- [Beware of Funny Financials](#), S. Das, **Bloomberg** (October 12, 2019)
- [Johnson's Brexit Mapped...Again](#), R. Shrimpsley, **Financial Times** (October 11, 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 1.1164** - 26 August high - Strong
- **R1 1.1110** - 11 October high - Medium
- **S1 1.0941** - 8 October low - Strong
- **S2 1.0900** - Figure - Medium

EURUSD - fundamental overview

Flows have been more Euro supportive of late, with the single currency getting a lot of that prop from some broad based profit taking on US Dollar longs. There hasn't been a whole lot going on otherwise that would reconcile the price action. The German economic ministry has come out calling for 2020 GDP at 1.1% versus 1.5% previous. ECB Villeroy has downplayed the drama around internal fighting at the central bank. ECB Guindos has been talking up the benefits of monetary policy accommodation. On the data side, German inflation reads came in as expected. Looking ahead, Monday's calendar is exceptionally thin. US desks will be light on account of the Columbus Day holiday, while in Europe, we only get Eurozone industrial production and another appearance from ECB Guindos.

EURUSD - Technical charts in detail

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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 1.2000 would compromise the more constructive outlook for the major pair. Next key resistance comes in the form of the June high at 1.2785. Setbacks should be well supported ahead of 1.2300.



- **R2 1.2785** - 25 June high - Strong
- **R1 1.2708** - 11 October high - Medium
- **S1 1.2500** - Psychological - Medium
- **S2 1.2408** - 11 October low - Strong

GBPUSD - fundamental overview

The Pound surged in the latter half of the previous week on optimism around a Brexit deal. Lead EU Brexit negotiator Barnier got the go ahead to discuss preliminary drafts of the revised proposal, while the EU said it would intensify talks with the UK in the days ahead. While we are still a ways off from being out of the woods here, the most important takeaway in all of this, is one that we have been highlighting for quite some time, which is the fact that whatever the case, no parties involved are interested in seeing a disorderly Brexit. We believe this should continue to pave a pathway in which the greater risk points to a higher Pound out from longer term cycle lows. Looking ahead, Monday's calendar is exceptionally thin. US desks will be light on account of the Columbus Day holiday, while in the UK, we only get a speech from BOE Cunliffe.

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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 109.32** - 1 August high - Strong
- **R1 109.00** - Figure - Medium
- **S1 107.04** - 10 October low - Medium
- **S2 106.48** - 3 October low - Strong

USDJPY - fundamental overview

US-China trade deal optimism has been behind most of the flow in the this major pair, with the Yen selling off and USDJPY rallying as a consequence. Of course, we also should be reminded of the flip-flopping that's gone on here and the fact that risk markets are looking increasingly vulnerable at a time when central bank policy accommodation and government stimulus efforts have been exhausted. This would account for sizable USDJPY offers reported up into the 109.00 area into this latest bounce. BOJ Kuroda has been on the wires talking policy, saying the central bank has various options and ample room for easing. Meanwhile Japanese trade officials have rejected South Korea's claim that Tokyo violated WTO rules by restricting Korean exports. Looking ahead, Monday's calendar is exceptionally thin. US desks will be light on account of the Columbus Day holiday and there is no first tier data on the docket.

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EURCHF - technical overview

The market is attempting to recover out from its lowest levels in two years, with the recent break back above 1.1000 taking the immediate pressure off the downside and opening the door for a larger correction back towards next key resistance at 1.1160. Overall however, the medium-term picture continues to favour the downside, and the market could have a hard time pushing much beyond that solid previous support turned resistance around 1.1160.



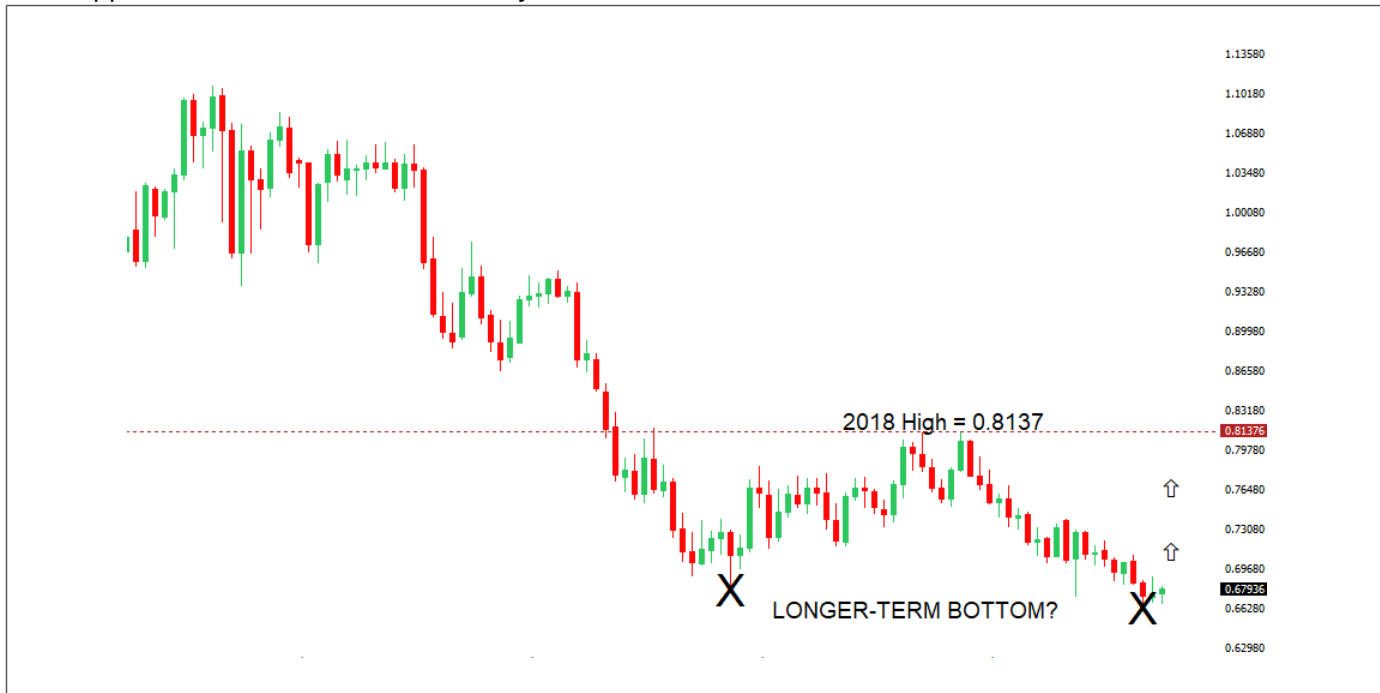
- **R2 1.1173** - 2 July high - Strong
- **R1 1.1040** - 11 October high - Medium
- **S1 1.0871** - 9 October low - Medium
- **S2 1.0811** - 4 September/2019 low - Strong

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.



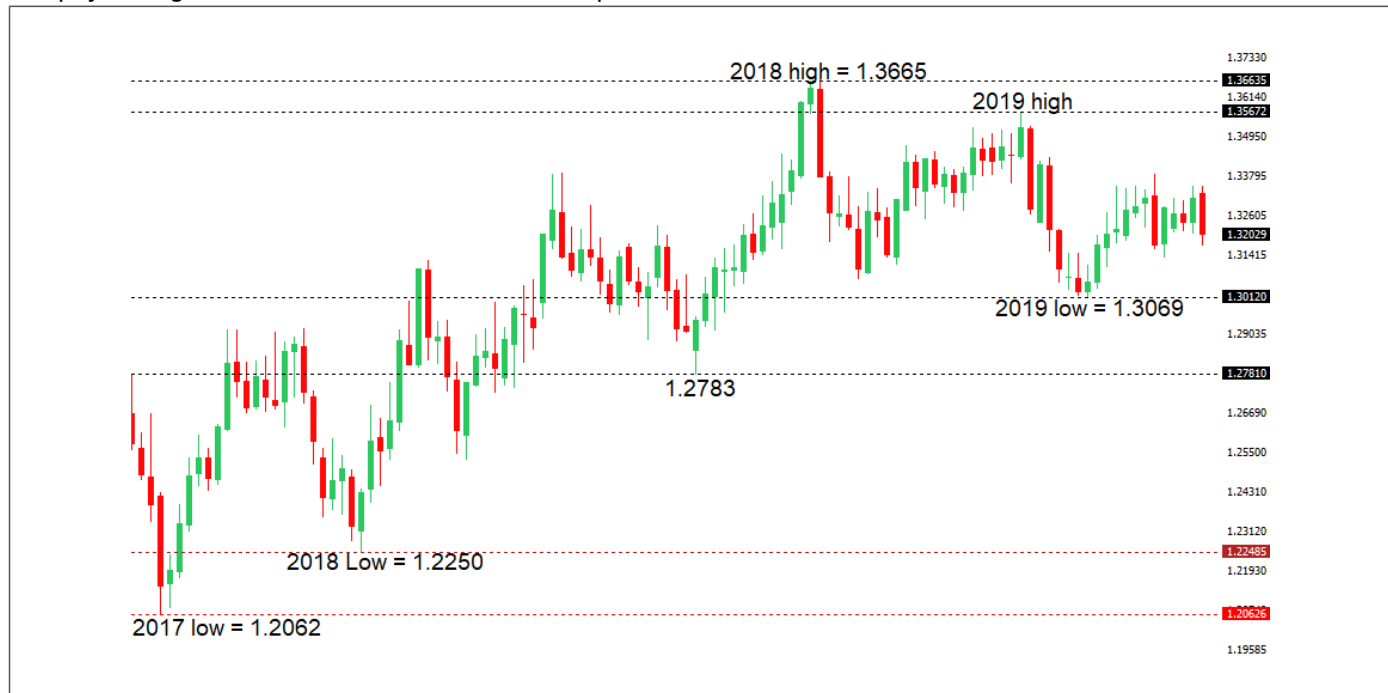
- **R2 0.6895** - 12 September high - Strong
- **R1 0.6832** - 19 September high - Medium
- **S1 0.6710** - 10 October low - Medium
- **S2 0.6671** - 2 October/**2019 low** - Strong

AUDUSD - fundamental overview

Aussie price action has revolved around updates on the US-Sino trade talk front. The latest headlines have been Aussie supportive and Aussie data has largely been ignored, in light of the bigger picture macro theme of global trade. Looking ahead, Monday's calendar is exceptionally thin. Traders are already digesting some China reads, including trade data. Later on, US desks will be light on account of the Columbus Day holiday and there is no first tier data on the docket.

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 1.3301** - 11 October high - Medium
- **S1 1.3171** - 11 October low - Medium
- **S2 1.3133** - 10 September low - Strong

USDCAD - fundamental overview

The Canadian Dollar has enjoyed a strong recovery in recent sessions, with the Loonie initially getting a boost from positive news on the global trade front, before gaining momentum this past Friday on the back of a strong Canada jobs report and rebound in the price of OIL. Looking ahead, Monday's calendar is exceptionally thin. US and Canada desks will be light on account of the Columbus Day and Thanksgiving Day holidays respectively. There is no first tier data on the docket.

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 strengthen the outlook and take the immediate pressure off the downside.



- **R2 0.6451** - 12 September high - Strong
- **R1 0.6400** - Figure - Medium
- **S1 0.6277** - 10 October low - Medium
- **S2 0.6204** - 1 October/2019 low - Strong

NZDUSD - fundamental overview

Kiwi price action has mostly revolved around updates on the US-Sino trade talk front. The latest headlines have been Kiwi supportive. We've also seen added support for the New Zealand Dollar on last week's news ANZ had raised its Fonterra milk price forecast for 2019 and 2020. Friday's New Zealand data has come in mixed and didn't factor into price action. Kiwi traders are now reflecting on the latest batch of data out of China. Looking ahead, Monday's calendar is exceptionally thin. US desks will be light on account of the Columbus Day holiday and there is no first tier data on the docket.

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 2854, with a break below to strengthen the outlook. A monthly close above 3000 would be required to compromise the outlook.



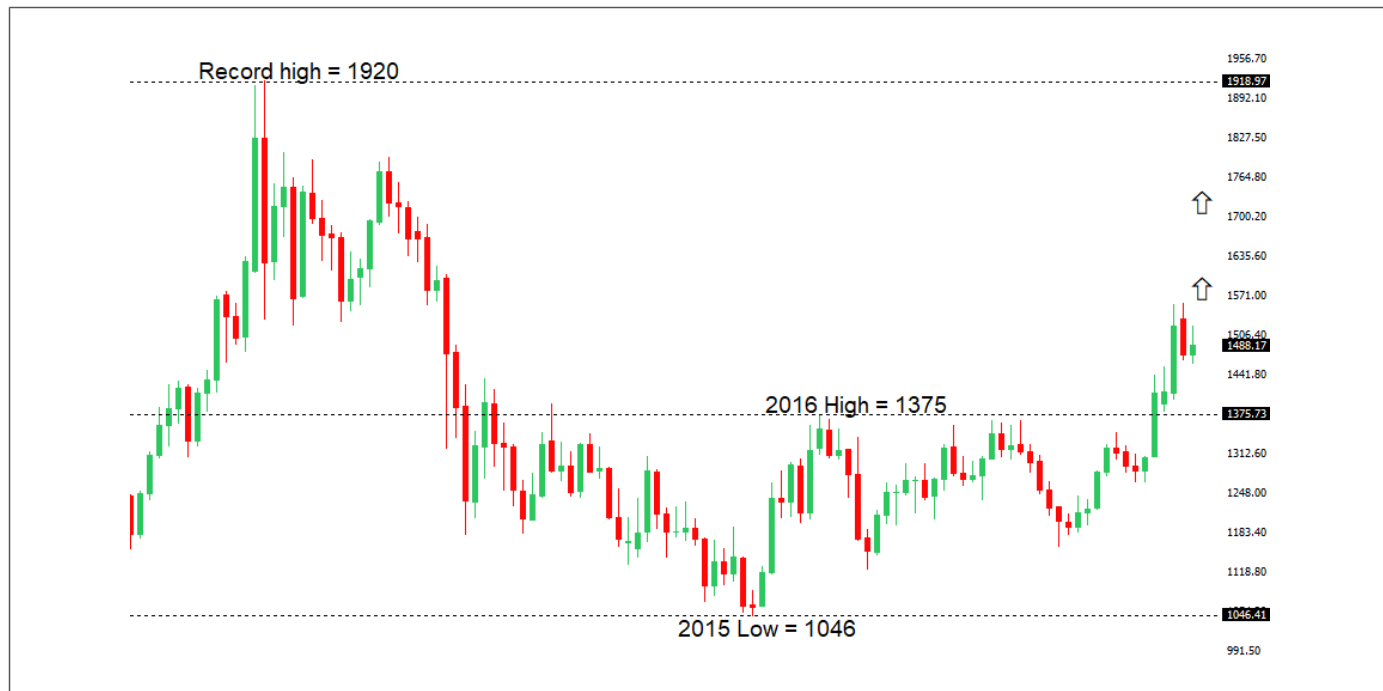
- **R2 3029** - 26 July/**Record high** - Strong
- **R1 2994** - 11 October high - Medium
- **S1 2854** - 3 October low - Medium
- **S2 2777** - 6 August low - Strong

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 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 1459** - 1 October 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 and consolidate in the aftermath of a major surge in the second quarter of 2019. However, any setbacks should be very well supported around 7,000, with an eventual 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 5,750 would compromise the constructive outlook.



- **R2 10,972**- 20 August high - Strong
- **R1 9,825** - 24 September high - Medium
- **S1 7,736** - 30 September low - Medium
- **S2 7,447** - 6 June low - 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 \$7,000.

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 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 225** - 19 September high - Strong
- **R1 200** - Psychological - Medium
- **S1 153** - 26 September low - Medium
- **S2 150** - Psychological - 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 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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