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Global FX Insights

by LMAX Exchange Research & Analytics

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

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We enter the new week with financial markets trying to recover from the latest trade war escalation, after China imposed tariffs on the US and President Trump swiftly responded with a fresh tariff announcement in retaliation, while accompanying national emergency talk and an order for US companies to pull out of China.

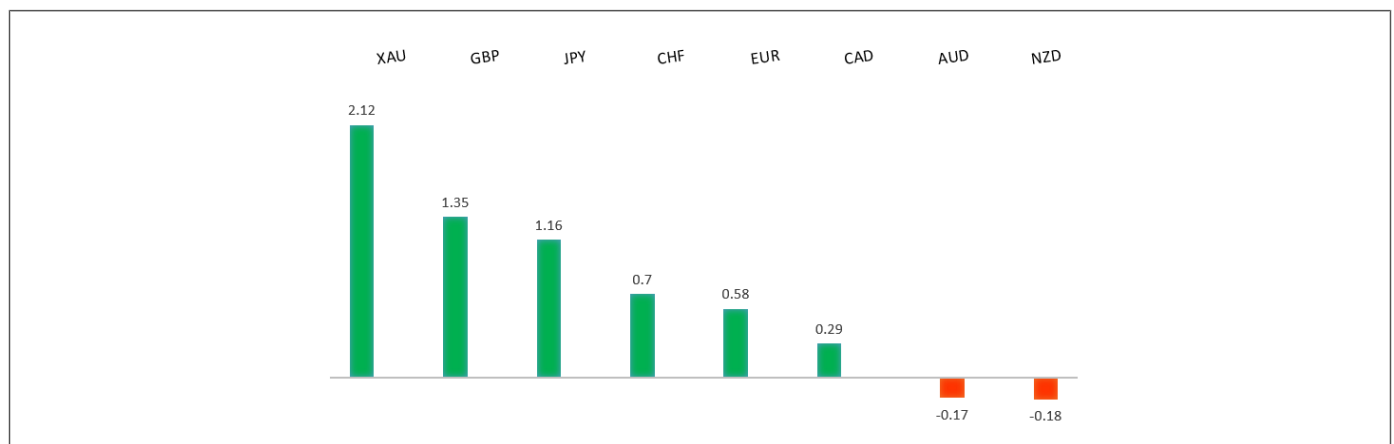
Technical highlights [Daily Video](#)

- [EURUSD](#) Looking for another bounce
- [GBPUSD](#) Above 1.2400 shifts focus
- [USDJPY](#) Lower top sought for fresh drop
- [EURCHF](#) Next major support at 1.0600
- [AUDUSD](#) Weighed down...but well supported
- [USDCAD](#) Longer-term price action is bullish
- [NZDUSD](#) Consolidates off yearly low
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- [BTCUSD](#) Confined to major consolidation
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Fundamental highlights

- [EURUSD](#) German IFO readings
- [GBPUSD](#) Irish border resolution talk
- [USDJPY](#) US durable goods stand out
- [EURCHF](#) SNB policy falls on tougher times
- [AUDUSD](#) Aussie boost from Trump comments
- [USDCAD](#) EU to halt imports on Canada fruit
- [NZDUSD](#) Kiwi recovers from trade war hit
- [US SPX 500](#) Investors less encouraged by outlook
- [GOLD](#) (spot) Pick up in hard asset demand
- [BTCUSD](#) Bitcoin faces headwinds despite adoption
- [ETHUSD](#) Ether exposed to traditional markets

5 Day Performance vs. US dollar



Suggested reading

- [Powell Admits No Playbook for Trade War](#), B. Chappatta, **Bloomberg** (August 23, 2019)
- [Fed Can't Rescue Us from Supply-Shock Recession](#), N. Roubini, **MarketWatch** (August 22, 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 1.1250** - 6 August high - Strong
- **R1 1.1191** - 14 August high - Medium
- **S1 1.1100** - Figure - Medium
- **S2 1.1052** - 23 August low - Strong

EURUSD - fundamental overview

Mixed trade overall for the Euro in the aftermath of the latest trade war escalation. We've seen Euro weakness against some of the other major currencies, while at the same time, risk off flow has allowed the single currency to outperform against risk correlated FX. We have seen trade tensions dialed down somewhat into the new week, as the market sources weekend comments from President Trump relating to second thoughts on the escalation. Looking ahead, key standouts on today's calendar come in the form of German IFO readings, US durable goods, the Chicago Fed National Activity Index, and Dallas Fed manufacturing. The market will also be thinking about tomorrow's coalition government deadline in Italy.

EURUSD - Technical charts in detail

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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 1.2382** – 17 July low – Strong
- **R1 1.2294** – 23 August high – Medium
- **S1 1.2194** – 23 August low – Medium
- **S2 1.2064** – 20 August low – Strong

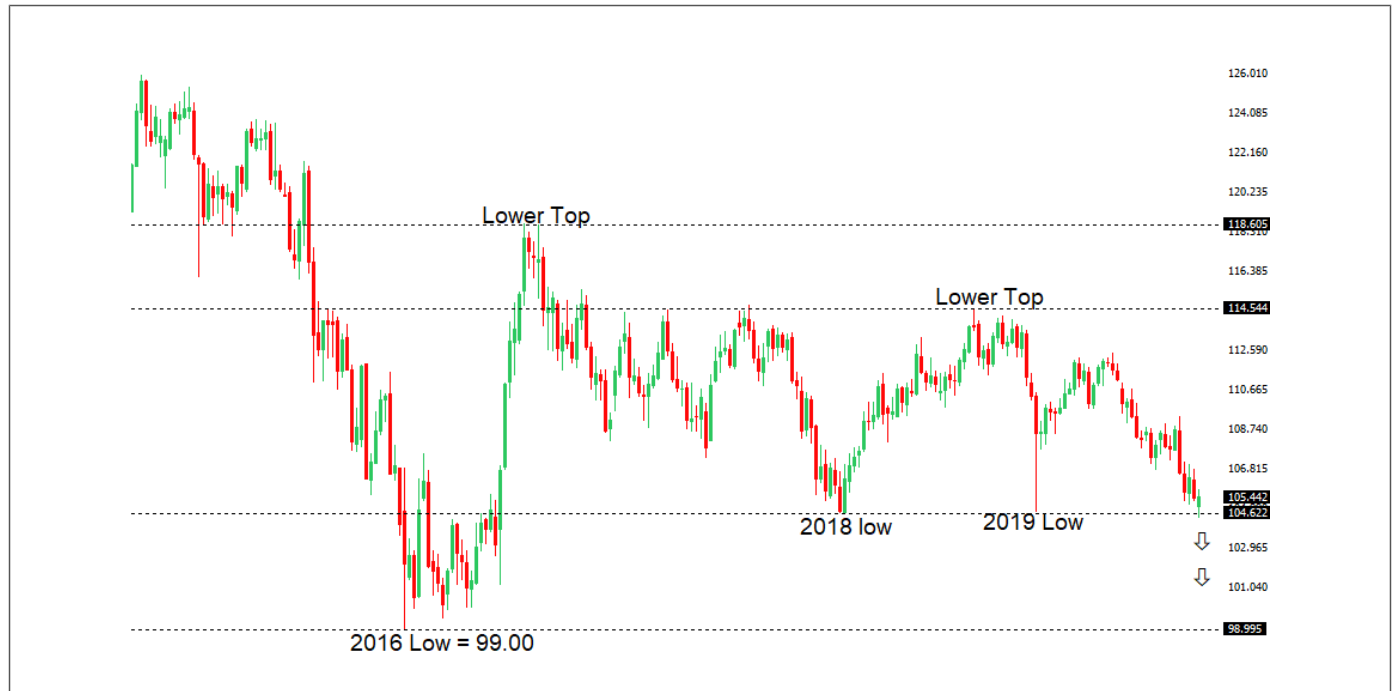
GBPUSD – fundamental overview

The Pound has managed to find a way to outperform in recent sessions, with trade war escalation and the concurrent round of risk liquidation benefiting the major currency. And though the Brexit outlook remains highly uncertain, headlines communicating messages of a possible Irish border solution, have also been helping the UK currency. Looking ahead, there is no first tier data scheduled in the UK. Key standouts on today's calendar come in the form of US durable goods, the Chicago Fed National Activity Index, and Dallas Fed manufacturing.

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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 107.09** - 6 August high - Strong
- **R1 106.00** - Figure - Medium
- **S1 105.00** - 14 August low - Medium
- **S2 104.45** - 23 August/**2019 low** - Strong

USDJPY - fundamental overview

The latest escalation of trade war tensions fueled another big push in the Yen, with USDJPY sinking below critical support in the form of the 2018 low earlier today as a result. However, we have since seen a recovery in the major pair, with many investors feeling a little bit better about President Trump's second thoughts comment and a stronger than expected Yuan fixing. Looking ahead, key standouts on today's calendar come in the form of US durable goods, the Chicago Fed National Activity Index, and Dallas Fed manufacturing.

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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 1.0959** – 7 August high – Medium
- **S1 1.0835** – 15 August/**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.



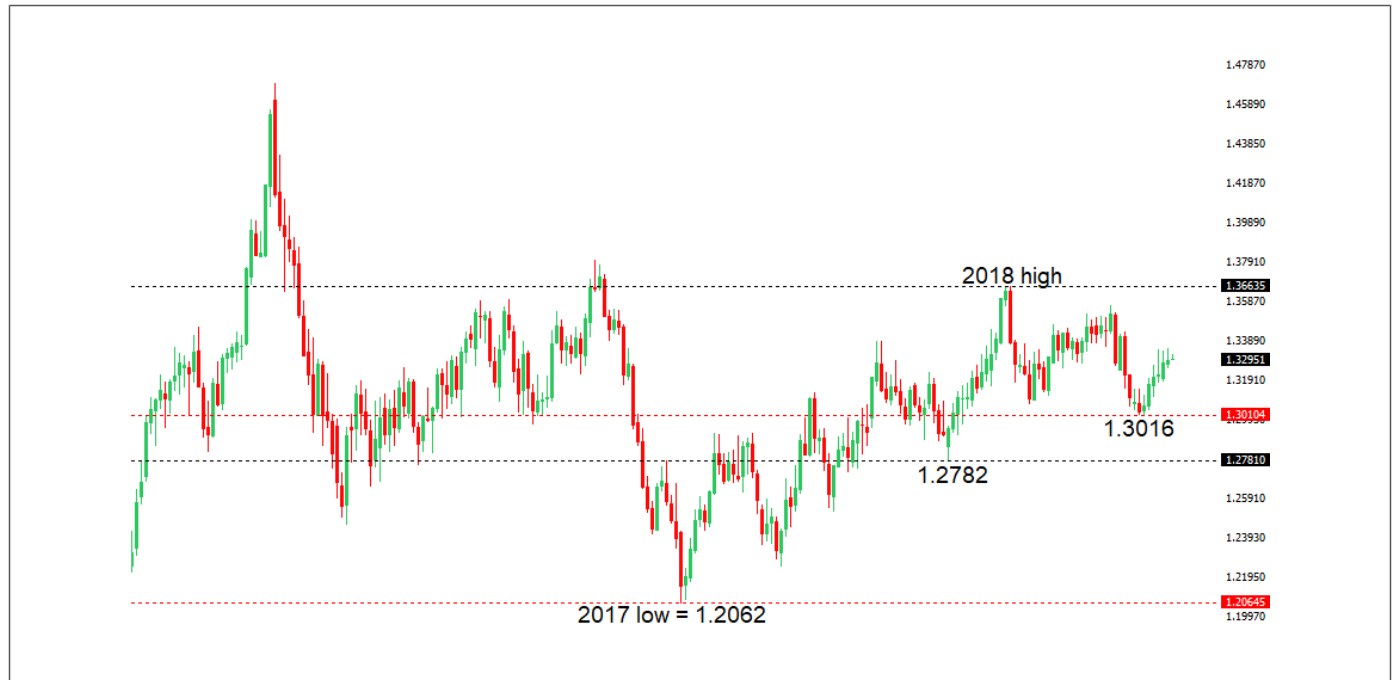
- **R2 0.6868** – 1 August high – Strong
- **R1 0.6822** – 8 August high – Medium
- **S1 0.6690** – 26 August low – Medium
- **S2 0.6677** – 7 August/2019 low – Strong

AUDUSD – fundamental overview

The latest escalation of trade war tensions has resulted in some fresh multi-session lows for the Australian Dollar. However, we have since seen a recovery in the major pair, with many investors feeling a little bit better about President Trump's second thoughts comment and a stronger than expected Yuan fixing. Looking ahead, key standouts on today's calendar come in the form of US durable goods, the Chicago Fed National Activity Index, and Dallas Fed manufacturing.

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 1.3346** - 20 August high – Medium
- **S1 1.3178** – 5 August low – Medium
- **S2 1.3105** – 31 July low – Strong

USDCAD – fundamental overview

Friday's better than expected Canada retail sales was overshadowed by the escalation in trade war tension between the US and China, and the news the EU would be halting imports on Canadian fruits at the beginning of September. Looking ahead, there is no first tier data scheduled in Canada. Key standouts on today's calendar come in the form of US durable goods, the Chicago Fed National Activity Index, and Dallas Fed manufacturing.

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 0.6499** – 9 August high – Strong
- **S1 0.6342** – 26 August/**2019 low** – Medium
- **S2 0.6300** – Figure – Strong

NZDUSD – fundamental overview

The latest escalation of trade war tensions has resulted in a fresh 2019 for the New Zealand Dollar. Today's larger than expected Kiwi deficit was also seen contributing to the downside move. However, we have since seen a recovery in the major pair, with many investors feeling a little bit better about President Trump's second thoughts comment and a stronger than expected Yuan fixing. Looking ahead, key standouts on today's calendar come in the form of US durable goods, the Chicago Fed National Activity Index, and Dallas Fed manufacturing.

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.



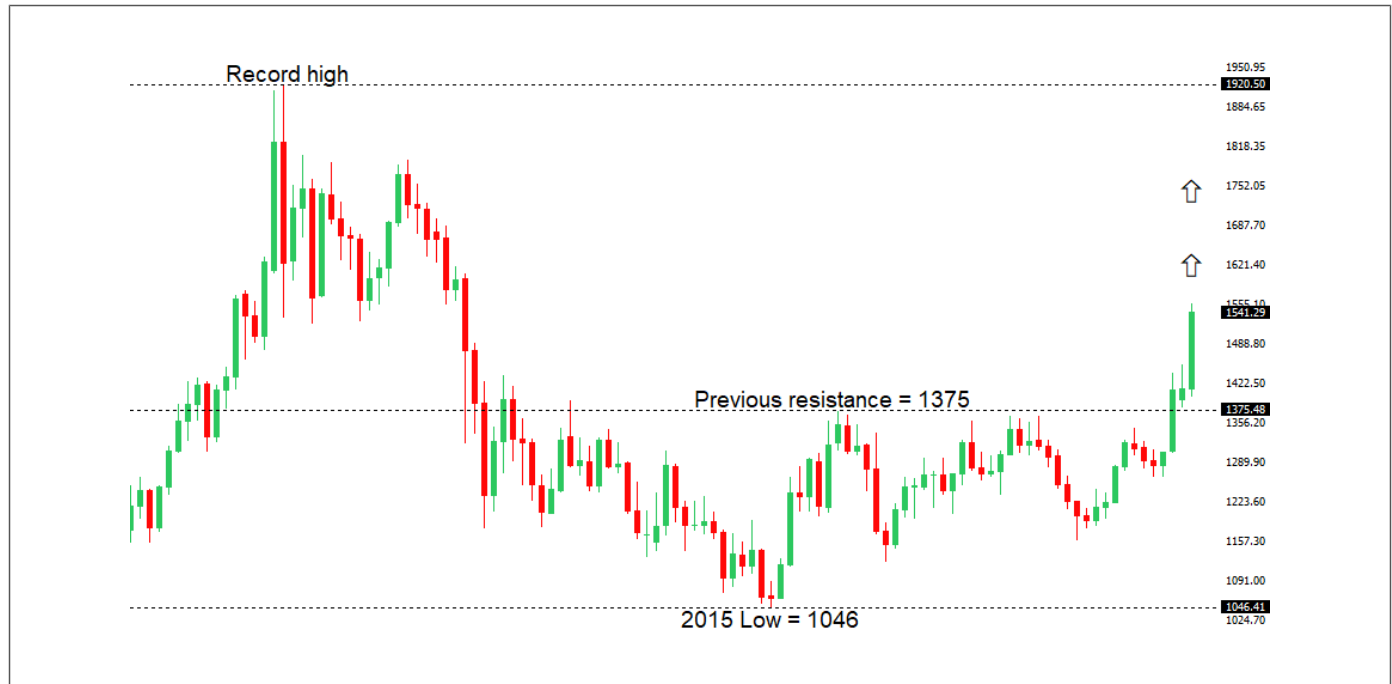
- **R2 3029** – 26 July/**Record high** – Strong
- **R1 2945** – 13 August high – Strong
- **S1 2777** – 6 August low – Medium
- **S2 2729** – 3 June low – Strong

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, 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 1555** - 26 August/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 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

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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 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 217** - 12 August high - Medium
- **S1 174** - 15 August low - Medium
- **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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