

Global FX Insights

by LMAX Exchange Research & Analytics

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

Trade Wars and Fed Positioning 🔊 [Wake-up call](#)

The FX market has gotten off to a relatively quiet start this week, with the Dollar mostly trading flat after chopping around in Monday trade. Investor sentiment is looking a little shaky following this latest round of US tariffs on China. The market will also be thinking about Wednesday's Fed decision.

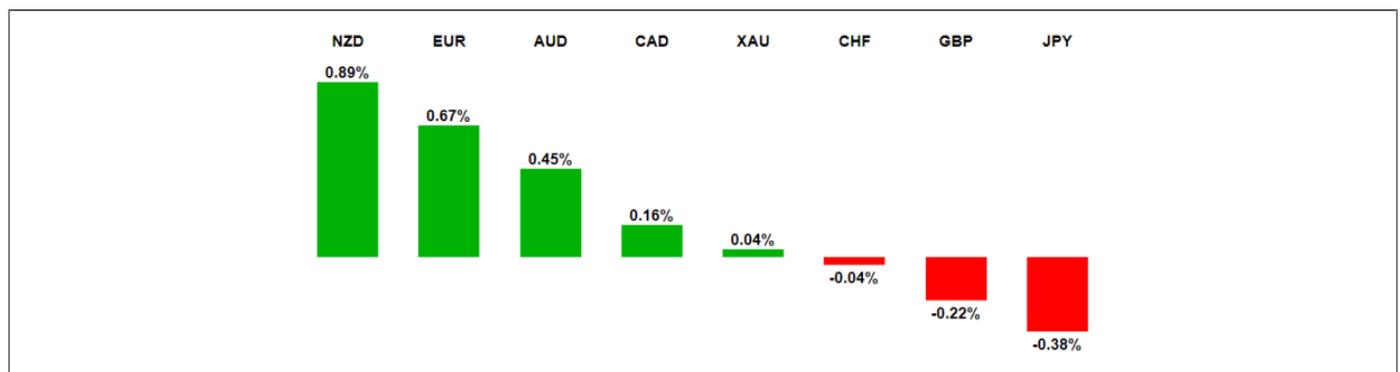
Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Sights set on critical June high
- [GBPUSD](#) Trying to hold up well into dips
- [USDJPY](#) Room for another topside failure
- [EURCHF](#) Well supported into major zone
- [AUDUSD](#) Correction underway off yearly low
- [USDCAD](#) Lots of chop but no clear direction
- [NZDUSD](#) Working off of a 2.5 year low
- [US SPX 500](#) Record run looking exhausted
- [GOLD \(spot\)](#) Signs of major basing pattern
- [BTCUSD](#) Still risk for deeper setbacks
- [ETHUSD](#) Hovers just off major support

Fundamental highlights

- [EURUSD](#) Euro gets hawkish ECB speak
- [GBPUSD](#) Ongoing Brexit uncertainty
- [USDJPY](#) Trade tensions could weigh
- [EURCHF](#) SNB staring at tough situation
- [AUDUSD](#) Aussie monitoring risk sentiment
- [USDCAD](#) Loonie gets help from OIL demand
- [NZDUSD](#) Kiwi focused on bigger picture macro
- [US SPX 500](#) Fed model will be important to watch
- [GOLD \(spot\)](#) Plenty of institutional demand
- [BTCUSD](#) Hope fading for bitcoin ETF in 2018
- [ETHUSD](#) Sentiment downturn a worry for ETH

Performance v. US dollar since weekly open

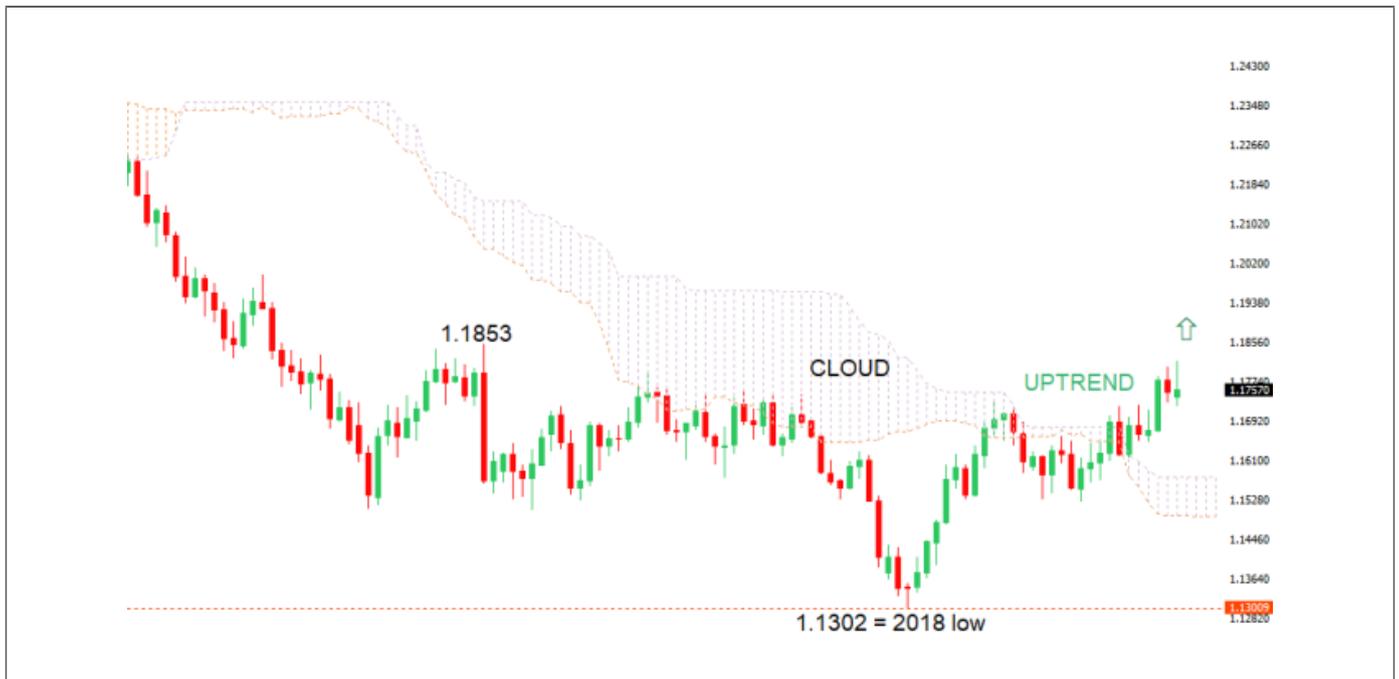


Suggested reading

- [Robots Can't Stop Us from Repeating 2008 Mistakes](#), M. Gilbert, **Bloomberg** (September 21, 2018)
- [Fed Up with the Fed Model](#), J. Authers, **Financial Times** (September 21, 2018)

EURUSD - technical overview

There has been a notable shift in the structure in recent days, with the market pushing back above the top of the daily Ichimoku cloud. This puts the major pair back in an uptrend for the first time since April. The latest close above the August high at 1.1734 strengthens the outlook and exposes next critical resistance at 1.1853 further up. Setbacks are now expected to be well supported ahead of 1.1500.



- **R2 1.1853** - 14Jun high - Strong
- **R1 1.1816** - 24Sep high - Medium
- **S1 1.1700** - Figure - Medium
- **S2 1.1651** - 19Sep low - Strong

EURUSD - fundamental overview

The Euro has pushed up to the highest levels since June, with the single currency getting another lift on Monday from the combination of hawkish ECB speak and economic data that was highlighted by German IFO readings, all above forecast. Looking ahead, the only notable standouts on the Tuesday calendar come in the form of some more ECB speak, US Case Shiller house prices and the Richmond Fed manufacturing index.

EURUSD - Technical charts in detail

[Watch now](#)

GBPUSD - technical overview

The correction off the 2018 low has transformed into an uptrend following the recent break back above the daily Ichimoku cloud. It's the first time the market has traded above the cloud since it was trading around 1.4000 back in April, and encourages the possibility for a more meaningful recovery ahead. Any setbacks should now hold up ahead of the 1.2800 area.



- **R2 1.3299** - 20 Sep high - Strong
- **R1 1.3200** - Figure - Medium
- **S1 1.3056** - 21Sep low - Medium
- **S2 1.3000** - Psychological - Strong

GBPUSD - fundamental overview

Friday's intense round of setbacks on renewed fears associated with a Brexit deal, managed to find some support on Monday. It seemed as though there were a number of headlines that were behind the support. These included reports Theresa May would be sticking with the Chequers Brexit plan, comments from German Chancellor Merkel that EU leaders should avoid taking an excessively hard line with the UK, and talk of French President Macron that he was looking to increase pressure in the Brexit negotiations in order to reach an agreement in time for the October summit. Looking ahead, Tuesday's calendar is light with only US Case Shiller house prices and the Richmond Fed manufacturing index standing out.

GBPUSD - Technical charts in detail

[Watch now](#)

USDJPY - technical overview

Rallies continue to be very well capped, with the medium-term outlook still favouring lower tops and lower lows. Look for a daily close back below 109.78 to strengthen the bearish outlook, opening the door for the start to a move back down towards 108.00 which guards against the 104.60 area 2018 low. Only back above 113.20 would compromise the bearish structure.



- **R2 113.18** - 19Jul high - Strong
- **R1 112.88** - 21Sep high - Medium
- **S1 112.05** - 20Sep low - Medium
- **S2 111.67** - 18Sep low - Strong

USDJPY - fundamental overview

Overall, the FX market hasn't really cared all that much about developments out of Japan, with yet another surge in US equities to fresh record highs, helping to fuel the major pair. Still, with US equities continuing to look highly exposed at elevated levels in a world where central bank and government stimulus is no longer there in the way it had been for a decade, there continues to be high risk for a capitulation that results in a sharp reversal lower in USDJPY. The broad based declines in the US Dollar have also intensified, which should be another force that keeps USDJPY from wanting to drive much higher. Looking at the calendar, we haven't seen much fallout from the BOJ Minutes. Later today, we get US Case Shiller house prices and the Richmond Fed manufacturing index.

[Watch now](#)

EURCHF - technical overview

A recent breakdown to a fresh 2018 low has intensified downside pressure, exposing the possibility for a more significant bearish structural shift. Look for a daily close below 1.1200 to strengthen this outlook. Back above 1.1455 would be required to take the pressure off the downside.



- **R2 1.1455**- 28Aug high - Strong
- **R1 1.1344** - 11Sep high - Medium
- **S1 1.1184** - 7Sep/2018 low - Strong
- **S2 1.1100**- Figure - Strong

EURCHF - fundamental overview

Overall, 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 between now and year end, 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 entered a period of correction after sinking to fresh multi-month lows. There is room for the correction to extend to the topside, though ultimately, the downtrend remains firmly intact, with only a break back above the 0.7500 handle forcing a reconsideration.



- **R2 0.7315** - 30Aug high - Strong
- **R1 0.7305** - 21Sep high - Medium
- **S1 0.7206** - 19Sep low - Medium
- **S2 0.7142** - 17Sep low - Strong

AUDUSD - fundamental overview

The Australian Dollar is trying to work its way out from multi-month lows, with some broad based selling in the US Dollar helping to spur on an overdue correction. Still, risk off reactions to elevated stress associated with global trade wars, is something that has the ability to weigh on Aussie, as seen in the aftermath of the latest back and forth between the US and China. Looking ahead, the calendar is light, with only US Case Shiller house prices and the Richmond Fed manufacturing index standing out.

USDCAD - technical overview

The uptrend has entered a corrective phase since topping out in June, which could still invite a deeper corrective decline before the next upside extension gets underway. Still, look for any weakness to be well supported ahead of 1.2500 with only a break back below this psychological barrier to negate the bigger picture constructive outlook.



- **R2 1.3079** - 12Sep high - Strong
- **R1 1.3016** - 19Sep high - Medium
- **S1 1.2885** - 20Sep low - Medium
- **S2 1.2819** - 31May low - Strong

USDCAD - fundamental overview

The Canadian Dollar has been looking forward to a NAFTA deal getting done sooner than later, though talks continue to drag on and the latest trade war tension between the US and China has done nothing to help the process. Still, the Loonie remains bid at the moment, with the currency absorbing fallout from renewed broad based US Dollar weakness and solid demand for OIL. Looking ahead, Tuesday's calendar is thin. There is no first tier data on the Canada docket, and only Case Shiller and the Richmond Fed manufacturing index stand out in the US.

NZDUSD - technical overview

The market has entered a period of correction after sinking to a 2.5 year low. There is room for the correction to extend some more to the topside, though ultimately, the downtrend remains firmly intact, with only a clear break back above 0.6800 to force a reconsideration.



- **R2 0.6728** - 28Aug high - Strong
- **R1 0.6700** - 21Sep high - Medium
- **S1 0.6602** - 20Sep low - Medium
- **S2 0.6539** - 17Sep low - Strong

NZDUSD - fundamental overview

Overall, Kiwi has been recovering on the back of renewed broad based US Dollar selling on last week's softer US inflation data and ramped up US protectionism, while a fresh record run in US equities has also factored into price action in the risk correlated commodity currency. There was some tension relating to global trade that knocked Kiwi back on Monday, and any signs of a pick up in risk liquidation, could weigh more heavily in the days ahead. Looking ahead, the calendar is light, with only US Case Shiller house prices and the Richmond Fed manufacturing index standing out.

US SPX 500 - technical overview

A market that has been extended on the monthly chart is at risk for a major correction, with the possibility for a massive topping formation. Any rallies should now continue to be very well capped ahead of 3000, in favour of renewed weakness back below the 2530 area yearly low (double top neckline) and towards a retest of strong longer-term resistance turned support in the form of the 2015 high at 2140. Only a weekly close above 3000 would negate the outlook.



- **R2 2950** - Psychological - Strong
- **R1 2943** - 21Sep/**Record** - Medium
- **S1 2901** - 19Sep low - Medium
- **S2 2865** - 7Sep low - Strong

US SPX 500 - fundamental overview

Stocks have been bid right back to record highs in recent weeks, though investor immunity to downside risk is not as strong these days. The combination of Fed policy normalisation, US protectionism, ongoing White House drama and geopolitical tension are all warning of capitulation ahead, despite this latest run. The Fed has also finally acknowledged inflation no longer running below target in 2018, something that could very well result in less attractive equity market valuations given the implication on rates. We recommend keeping a much closer eye on the equities to ten year yield comparative going forward, as this could be something that inspires a more aggressive decline in this second half of 2018.

GOLD (SPOT) - technical overview

Despite a recent run of declines, the overall outlook remains constructive, with the market in the process of carving out a longer term base off the 2015 low. Look for any additional weakness to be well supported above 1150 on a daily close basis, in favour of the next major upside extension back towards critical resistance in the form of the 2016 high at 1375. Key resistance comes in at 1236, with a push back above to strengthen the outlook.



- **R2 1266** - 9Jul high - Strong
- **R1 1236** - 26Jul high - Strong
- **S1 1188** - 11Sep low - Medium
- **S2 1160** - 16Aug/2018 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

The **downtrend remains firmly intact**, with the next lower top now sought out around \$7,000 ahead of a retest and break below the current yearly low. Only a push back above \$8,500 would ultimately negate and force a bullish structural shift, while below the yearly low could open a more intensified decline towards the September 2017 low around \$2,975.



- **R2 7,405** - 4Sep high - Strong
- **R1 6,985** - 6Sep high - Medium
- **S1 6,110**- 8Sep low -Medium
- **S2 5,860** - 14Aug low - Strong

BTCUSD - fundamental overview

Overall, bitcoin is doing its best to try and hold up above \$6,000 in 2018 after undergoing a massive decline off the record high from December 2017. At the moment, the market has found some stability around the \$6,000 barrier, with buyers stepping in on the view that the regulatory challenges will eventually work themselves out, leaving a very bullish picture for a technology with tremendous potential. Still there has been concern in the shorter-term. This latest downbeat report from the New York Office of the Attorney General is an example after the report soured hopes for a bitcoin ETF in 2018.

BTCUSD - Technical charts in detail

[Watch now](#)

ETHUSD - technical overview

The market remains under pressure in 2018, extending its run of intense declines to fresh 2018 lows. The next level of major support comes in around \$160, which goes back to the low from July 2017. Daily studies are however oversold, which could warn of a bigger corrective bounce before the next downside extension and bearish continuation. It would take a break back above \$321 to officially take the pressure off the downside.



- **R2 321** - 18Aug high - Strong
- **R1 255** - 22Sep high - Medium
- **S1 167** - 12Sep/2018 low - Medium
- **S2 158** - July 2017 low - Strong

ETHUSD - fundamental overview

We've been seeing quite a bit of weakness in the price of Ether in 2018 and there is still legitimate risk for deeper setbacks, given technical hurdles within the Ethereum protocol, ongoing regulatory challenges and a global macro backdrop exposing risk correlated projects on the Ethereum blockchain. Meanwhile, monetary policy normalisations around the globe and an anticipated reduction in global risk appetite are placing a tremendous strain on ERC20 projects that have yet to even produce proper use cases and proof of concept.



Any opinions, news, research, analyses, prices or other information ("information") contained on this document, constitutes marketing communication and it has not been prepared in accordance with legal requirements designed to promote the independence of investment research. Further, the information contained within this Blog does not contain (and should not be construed as containing) investment advice or an investment recommendation, or an offer of, or solicitation for, a transaction in any financial instrument. LMAX Exchange has not verified the accuracy or basis-in-fact of any claim or statement made by any third parties as comments for every Blog entry.

LMAX Exchange will not accept liability for any loss or damage, including without limitation to, any loss of profit, which may arise directly or indirectly from use of or reliance on such information. No representation or warranty is given as to the accuracy or completeness of the above information. While the produced information was obtained from sources deemed to be reliable, LMAX Exchange does not provide any guarantees about the reliability of such sources. Consequently any person acting on it does so entirely at his or her own risk. It is not a place to slander, use unacceptable language or to promote LMAX Exchange or any other FX, Spread Betting and CFD provider and any such postings, excessive or unjust comments and attacks will not be allowed and will be removed from the site immediately.

LMAX Exchange will clearly identify and mark any content it publishes or that is approved by LMAX Exchange.

FX and CFDs are leveraged products that can result in losses exceeding your deposit. They are not suitable for everyone so please ensure you fully understand the risks involved. The information on this website is not directed at residents of the United States of America, Australia (we will only deal with Australian clients who are "wholesale clients" as defined under the Corporations Act 2001), Canada (although we may deal with Canadian residents who meet the "Permitted Client" criteria), Singapore or any other jurisdiction where FX trading and/or CFD trading is restricted or prohibited by local laws or regulations.

LMAX Limited operates a multilateral trading facility. LMAX Limited is authorised and regulated by the Financial Conduct Authority (firm registration number 509778) and is a company registered in England and Wales (number 6505809). Our registered address is Yellow Building, 1A Nicholas Road, London, W11 4AN.

