

# The Charts That Matter Next Week

GS Techs

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Sunday 11<sup>th</sup> August 2019

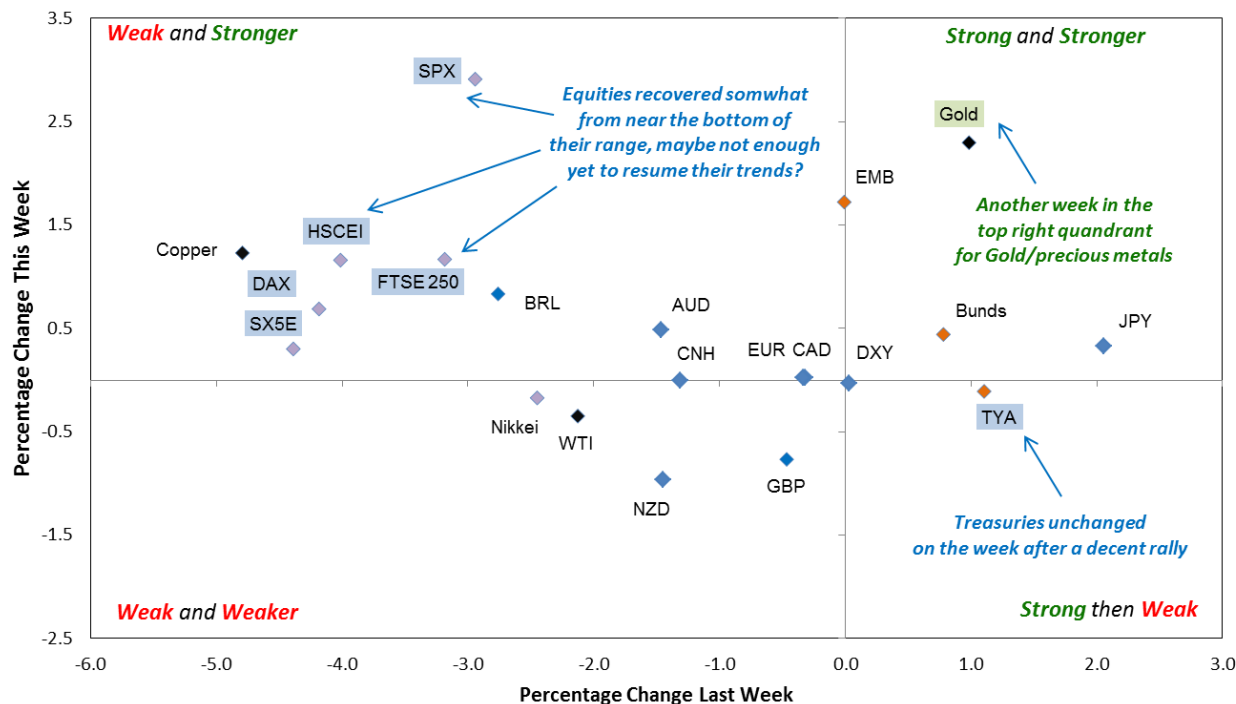
# Trending or Turning?

## Spotting Themes in the Market

This percentage change scatter chart helps to identify where trends in the market are extending or turning on a week by week basis

### Percent Change Last Week vs This Week

(in all currency cases vs USD as anchor currency)



- **Multi-Asset Class** – Now included is the following list of securities; SX5E, DAX, CADUSD, Nikkei, HSCEI, WTI, Gold, FTSE 250, EM Bonds, S&P 500, Japan 30-year yields, GBPUSD, NZDUSD, CNHUSD, USD TWI, JPYUSD, AUDUSD, Copper, US 10-year Breakeven, EURUSD, MXNUSD, BRLUSD, U.S. Treasury Notes (10-year), Bunds and Gilts (all in price terms).
- **Performance vs Anchor Currency** – The performance of all non-USD currencies (base) is displayed vs the USD
- **First Across and then Up or Down** – The %age change last week is displayed on the x-axis and the %age change so far this week is displayed on the y-axis
- **Four Quadrants** – Top right is “**Strong and Stronger**” where a currency has strengthened for both of the past two weeks, bottom right is “**Strong then Weak**” where a currency strengthened last week but weakened this week, bottom left is “**Weak and Weaker**” where a currency weakened for both of the past two weeks and top left is “**Weak then Strong**” where a currency weakened last week but strengthened this week

Data Source: Bloomberg Date: Sunday 11<sup>th</sup> August 2019

# FX Snapshot

A quick overview of the technical outlook...

**Trendscore** ranks currencies based on the net score provided by a selection of technical indicators. The inputs consist of trending, momentum and volatility-based strategies. The ranking ranges from +6 most positive to -6 most negative; **Conviction**: 1 star low conviction, 2 star medium, 3 star high

| G10 FX   |        |        |             |            |            |             |                | EM FX    |         |        |             |            |            |             |     |
|----------|--------|--------|-------------|------------|------------|-------------|----------------|----------|---------|--------|-------------|------------|------------|-------------|-----|
| CCY Pair | Spot   | Target | % to Target | Time Frame | Conviction | Trend score | WoW Trendscore | CCY Pair | Spot    | Target | % to Target | Time Frame | Conviction | Trend score | WoW |
| EURUSD   | 1.1206 | --     | -           | -          | -          | 0           | ↑              | USDMXN   | 19.42   | --     | -           |            |            | 2           | ↗   |
| USDJPY   | 105.61 | 104.38 | 1.2%        | 1w         | ★★★        | -6          | ↘              | USDBRL   | 3.944   | --     | -           | -          | -          | 4           | ↗   |
| GBPUSD   | 1.2055 | --     | -           | -          | -          | -6          | →              | USDCLP   | 711.49  | --     | -           | -          | -          | 6           | →   |
| USDCHF   | 0.97   | --     | -           | -          | -          | -4          | ↘              | USDCOP   | 3,396   | --     | -           | -          | -          | 2           | ↓   |
| AUDUSD   | 0.6788 | --     | -           | -          | -          | -6          | ↘              | USDINR   | 70.7925 | 72     | 1.7%        | 3w         | ★★         | 5           | ↑   |
| NZDUSD   | 0.6465 | --     | -           | -          | -          | -6          | ↓              | USDRUB   | 65.43   | 67     | 2.4%        | 3w         | ★★         | 4           | ↑   |
| USDCAD   | 1.3204 | --     | -           | -          | -          | 1           | ↘              | USDTRY   | 5.4928  | --     | -           | -          | -          | -5          | ↘   |
| AUDNZD   | 1.05   | --     | -           | -          | -          | -6          | ↑              | USDZAR   | 15.26   | --     | -           | -          | -          | 6           | ↑   |
| *EURGBP* | 0.930  | --     | -           | -          | -          | 6           | ↗              | USDCNH   | 7.10    | 7.2    | 1.5%        | 3w         | ★★         | 6           | ↗   |
| *GBPCHF* | 1.17   | --     | -           | -          | -          | -6          | →              | USDKRW   | 1,210   | --     | -           | -          | -          | 5           | ↑   |

Data Source: Bloomberg Date: Sunday 11<sup>th</sup> August 2019

# Asset Snapshot

A quick overview of the technical outlook...

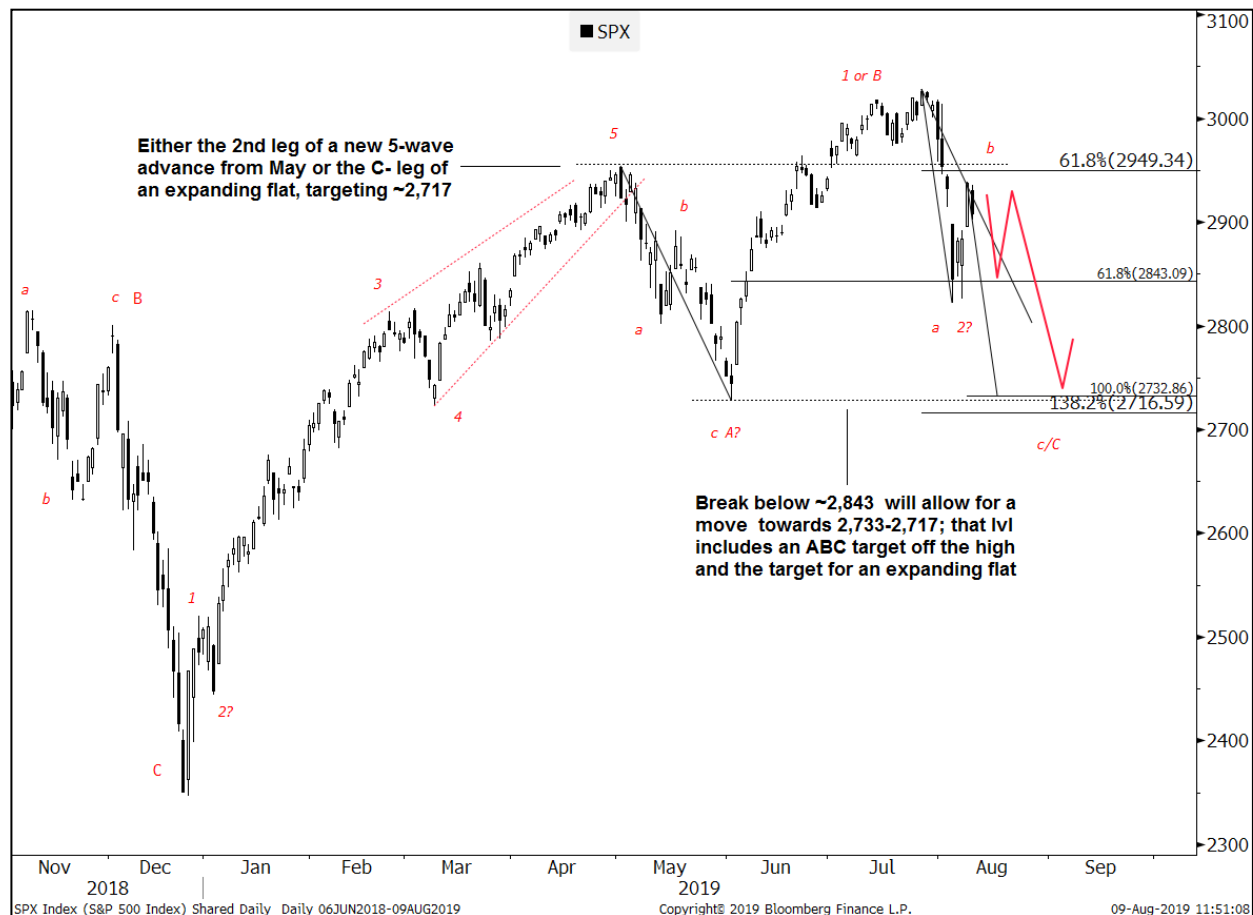
**Trendscore** ranks currencies based on the net score provided by a selection of technical indicators. The inputs consist of trending, momentum and volatility-based strategies. The ranking ranges from +6 most positive to -6 most negative; **Conviction**: 1 star low conviction, 2 star medium, 3 star high

| Equities and Rates |        |            |                      |            |            |             |                |
|--------------------|--------|------------|----------------------|------------|------------|-------------|----------------|
| Asset              | Last   | Target     | % (or bps) to Target | Time Frame | Conviction | Trend score | WoW Trendscore |
| S&P 500            | 2,926  | Target Met |                      | -          | -          | -4          | 👉              |
| *Nasdaq*           | 7,668  | Target Met |                      | -          | -          | -2          | 👉              |
| Eurstoxx           | 3,334  | Target Met |                      | -          | -          | -4          | 👉              |
| DAX                | 11,694 | Target Met |                      | -          | -          | -3          | 👉              |
| Nikkei             | 20,685 | 19,750     | 4.5%                 | 2w         | ★★         | -4          | 👇              |
| HSCEI              | 9,994  | --         | -                    | -          | -          | -2          | 👉              |
| US10Y              | 1.736  | Target Met |                      | -          | -          | -6          | 👉              |
| US5/30             | 68.76  | --         | -                    | -          | -          | -3          | 👉              |
| UK10Y              | 0.484  | --         | -                    | -          | -          | -6          | 👉              |
| DE10yy             | -0.576 | -0.71      | -0.233               | 2w         | ★★         | -6          | 👉              |

| Commodities |         |         |             |            |            |             |     |
|-------------|---------|---------|-------------|------------|------------|-------------|-----|
| Asset       | Last    | Target  | % to Target | Time Frame | Conviction | Trend score | WoW |
| Palladium   | 1,425.9 | 1,255   | 12.0%       | 1w         | ★★         | -4          | 👉   |
| Copper      | 5,755   | 5,300   | 7.9%        | 1w         | ★★         | -5          | 👉   |
| Aluminum    | 1,771   | --      | --          | -          | -          | -5          | 👉   |
| Nickel      | 15,550  | --      | --          | -          | -          | 4           | 👉   |
| Zinc        | 2,234   | --      | --          | -          | -          | -5          | 👉   |
| Gold        | 1,497   | 1,600   | 6.9%        | 1m         | ★★         | 6           | 👆   |
| Silver      | 16.96   | --      | --          | -          | -          | 6           | 👆   |
| WTI         | 54.49   | Stopped |             | -          | -          | -4          | 👉   |
| Iron Ore    | 621.50  | --      | --          | -          | -          | -4          | 👉   |
| Nat Gas     | 2.12    | --      | --          | -          | -          | -5          | 👉   |

Data Source: Bloomberg Date: Sunday 11<sup>th</sup> August 2019

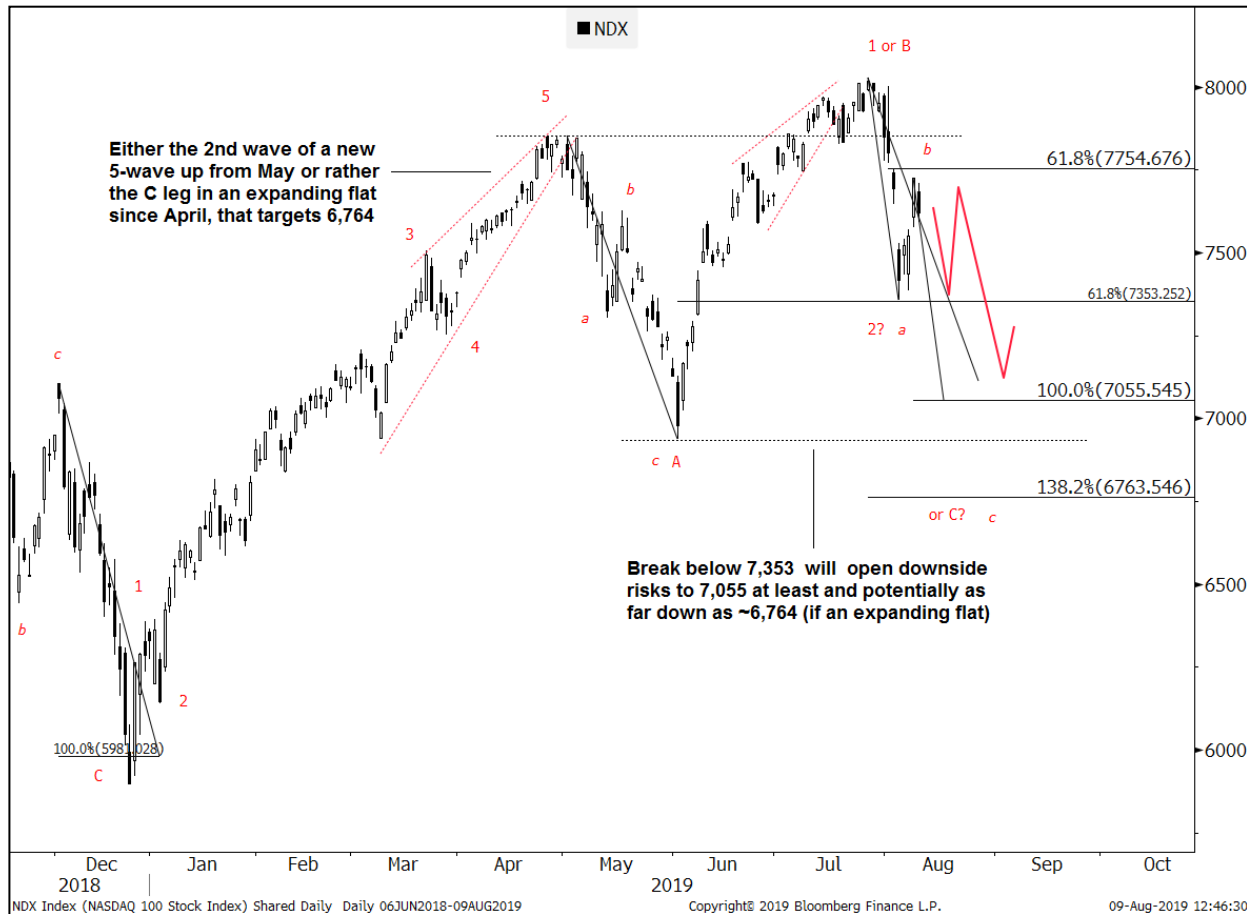
# The sell-off in equities looks incomplete...



## The index tested/held 61.8% retrace 2,843

- As has been discussed in previous updates, this pullback is either wave 2 in a bullish sequence that started at the May low, or the C leg of an expanding flat from April, one that targets ~2,717. The latter happens to be confluent with a minor equality target from the Jul. 26<sup>th</sup> high at 2,733.
- In terms of resistance the level to watch now is 2,949-2,954; that includes the prior cycle high from May as well as 61.8% retrace. The index remains largely heavy below there. Anything higher than 2,954 starts to question the possibility of having put in a base.
- Thinking bigger picture, that 2,733-2,717 area is really going to be critical.** Up to that point, the sell-off is considered corrective/counter-trend. The likelihood of this being something more serious increases materially below there.
- View:** Near-term resistance at 2,949-2,954. Focus shifting back to 2,843. Break lower opens risks to 2,733-2,717. Watch for a base once reached. Setup changes above 2,954.

Still looking for one more leg lower from here...



**Here as well, the index tested/eventually held  
61.8% retrace 7,353**

- This too could either qualify as wave 2 in a bullish sequence that started at the May low, or the C leg of an expanding flat from April, one that targets ~6,764. There's also an ABC target from the July high that projects down to 7,056.
- In terms of resistance the level to watch here is 7,755-7,852; the index remains largely heavy below there. Anything higher than 7,852 starts to question the possibility of having put in a base.
- **Thinking bigger picture, that 7,056-6,764 area is really going to be critical.** Up to that point, the sell-off is considered corrective/counter-trend. The likelihood of this being something more serious increases materially below there.
- **View:** Focus shifting back down to 7,353. Break lower opens downside risks to 7,056 at least and potentially as far as 6,764. Watch for a base once reached. Setup changes above 7,852.

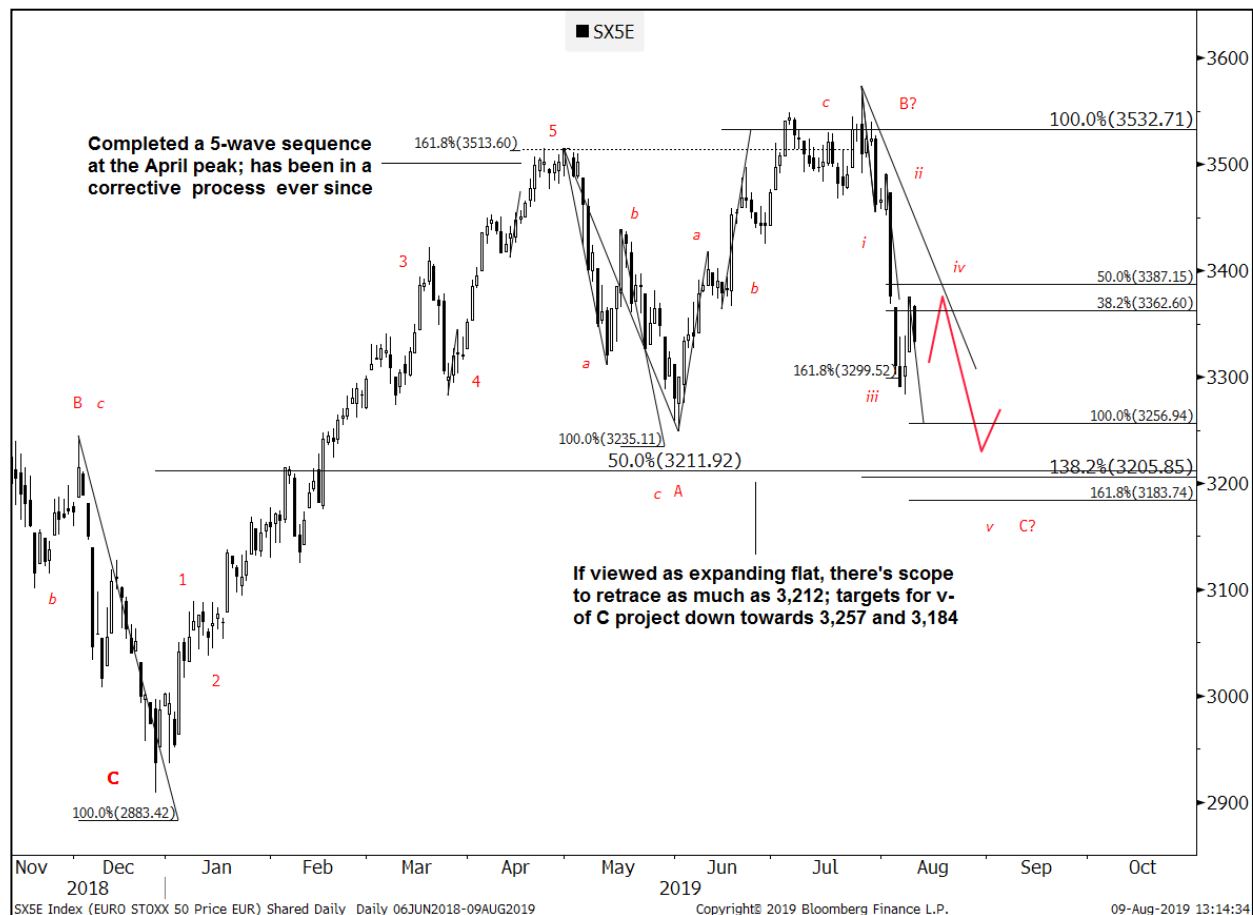
## There are however levels to watch for support...



### This has a different setup from the rest

- The recovery from May onwards never looked impulsive at all. It also never took out the prior high from April. From that perspective, it's far more likely that Russell is in the C leg of an ABC pattern that targets 1,442. As such, any near-term bounce should be treated as counter-trend. The next retrace levels to note come in at 1,536 and 1,551.
- **Thinking bigger picture, that 1,442 area is really going to be critical.** Up to that point, the sell-off is considered corrective/counter-trend. The likelihood of this being something more serious increases materially below there.
- **View:** Add to any bounce back towards 1,536-1,551. Eventually targeting 1,441.52. Watch for signs of a base once reached. Downside risks heighten materially below there.

## Eurostoxx remains corrective above 3,184...

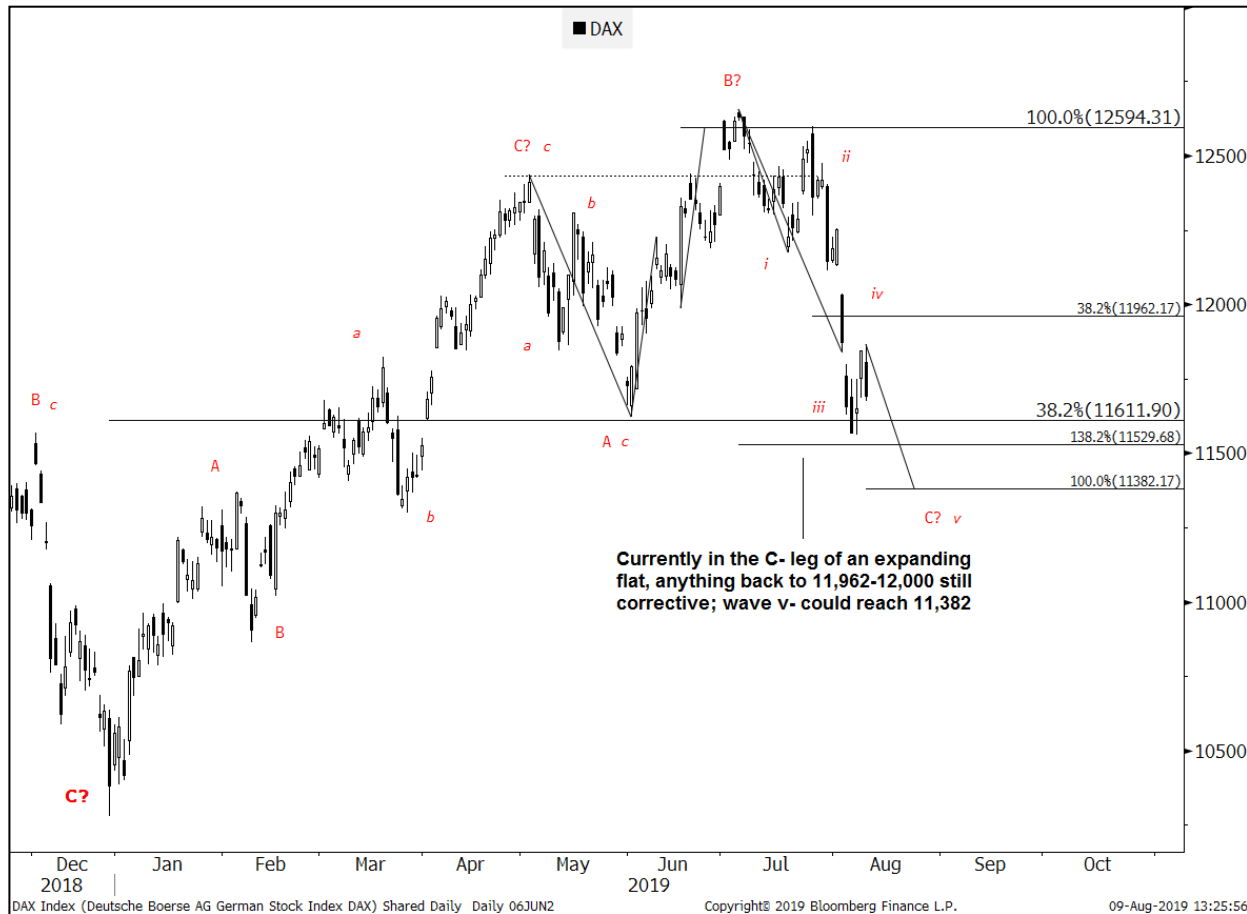


Similar to Russell, this looks far more likely to be the C leg of an expanding flat

- Mainly because the recovery from May looked corrective; the sell-off since July has been impulsive. It's now in the 4<sup>th</sup> wave of an incomplete v wave decline off the July high. Should hold resistance between 3,363-3,387; 38.2% and 50%. Would have to break higher than there to question this outlook.
- Eventually expecting to see one more leg lower towards 3,206; the target for an expanding flat. Wave v of C has projections between 3,257 and 3,174. That is ultimately a much more important place from which to watch for signs of a base/turn.
- **View:** Consider adding to any bounce back towards 3,363-3,387, no higher than 3,405. Target/take profit between 3,257 and 3,184. Watch for a base once reached.



# DAX remains corrective above 11,382...



## This looks like an incomplete iv of v waves

- Anything back to 11,963 should be viewed as corrective/counter-trend. A vth wave from current levels targets at least 11,382. That will inevitably be an important place from which to watch for signs of abase/reversal. Would have to break lower than there to really think that something more serious might actually be underway.
- View:** Consider adding to any bounce back towards 11,858, no higher than 12,000. Target/take profit between 11,500 and 11,382. Watch for a base once reached.

For Nikkei, the level to watch for a base is 10,750...



The index is in the C leg of an ABC pattern that started in April

- The next near-term support to get through is **20,290-20,253**; May low. It might consolidate here for a little while, holding below 20,765 and 20,967 retrace resistance. Eventually expecting to see one more leg lower towards 19,750; the target for an ABC count. That is ultimately a much more important place from which to watch for signs of a base/turn.
- **View:** Consider adding to any bounce back towards 20,765, no higher than 20,967. Target/take profit 19,750. Watch for a base once reached.

# Shanghai has a target in the area of 2,600...



The index is in the C leg of an ABC pattern that started in April

- The next near-term support to get through is 2,704; that's the target for a minor iii of v from early-July. It might consolidate here for a little while, holding below 2,822 and 2,850 retrace resistance; no higher than 2,887.
- **Eventually expecting to see one more leg lower towards 2,598;** the target for an ABC count. That is ultimately a much more important place from which to watch for signs of a base/turn.
- **View:** Consider adding to any bounce back towards 2,822, no higher than 2,887. Target/take profit 2,598. Watch for a base once reached.

# MSCI EM has good support down at 950...

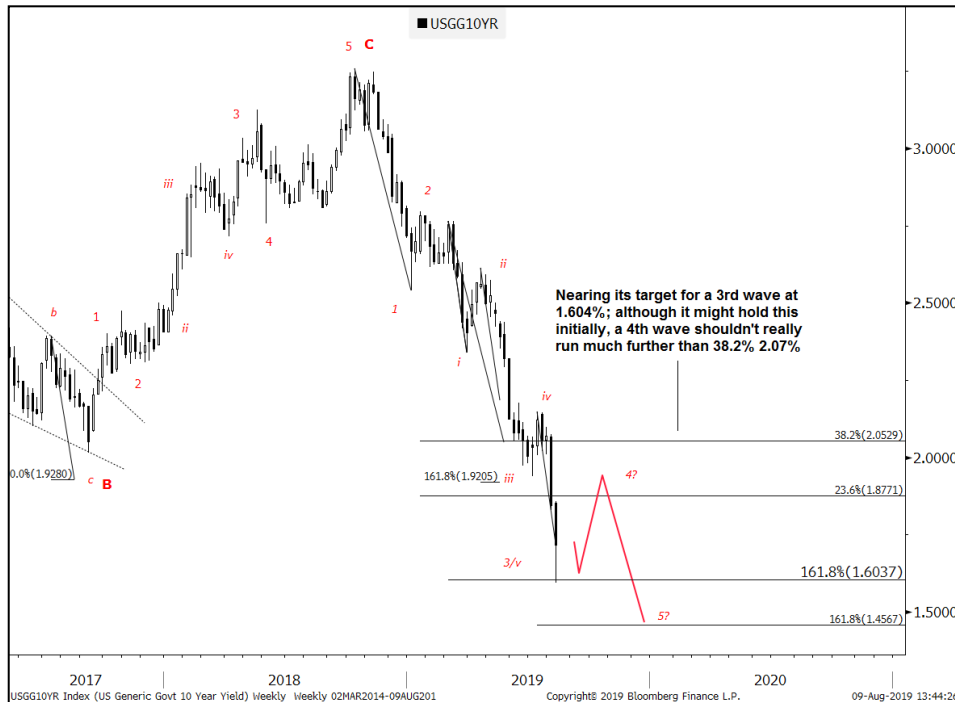


Again, the index is in the C leg of an ABC pattern that started in April

- As with the other indices previously mentioned, it might consolidate here for a little while, holding below 984 and 999 retrace resistance; not much higher than there.
- Eventually **expecting to see one more leg lower towards 950**; the target for an ABC count. That is ultimately a much more important place from which to watch for signs of a base/turn.
- View:** Consider adding to any bounce back towards 985-999, no higher than there. Target/take profit 950. Watch for a base once reached.

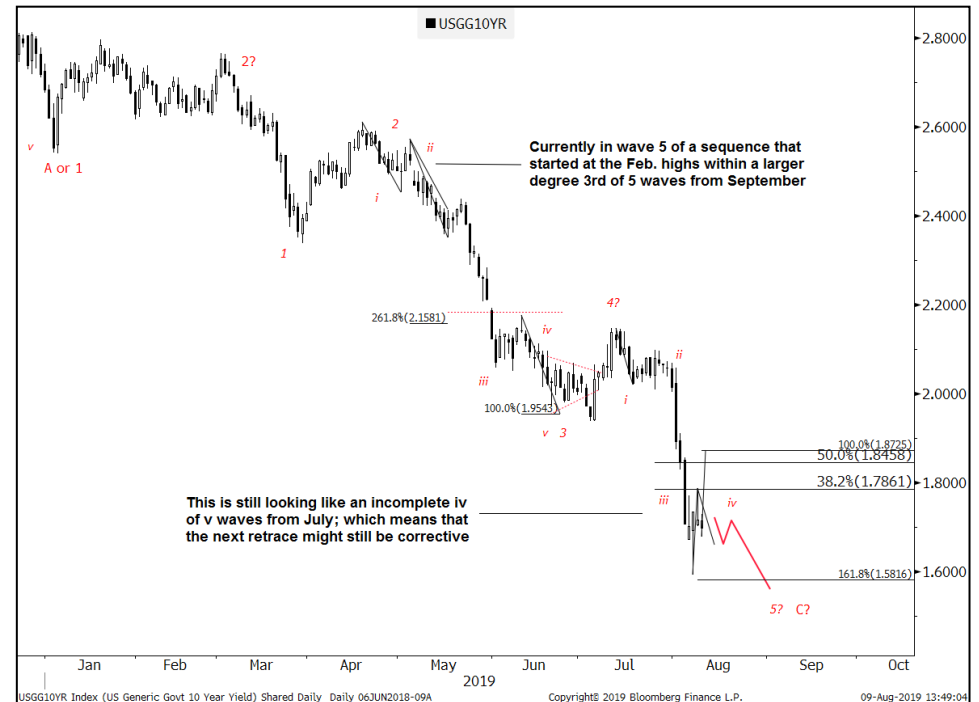
# U.S. 10-year yields reached its 1.604% target...

## The market is nearing its target for a 3<sup>rd</sup> wave



- The market has reached its target for a 3<sup>rd</sup> wave from Oct. '18 at 1.6037%. It's exceeded the minimum for v waves of 3 from March at 1.72%. An extended target continues down towards 1.457%. Either way, this is a mature 3<sup>rd</sup> wave. Once a low is put in (whether it's from 1.6037% or closer to 1.457%), it's important to keep in mind that this isn't a structural reversal. A typical 4<sup>th</sup> wave could pullback to 1.898%, perhaps as far as 2.07%.
- View:** Next support at 1.6037%; could extend as far as 1.457%. Watch both levels for signs of stability. A recovery from there should be viewed as corrective/counter-trend.

## Tactically speaking, the move since July still looks incomplete



- Tactically speaking, the move since July still looks like an incomplete iv of v waves. What that means is that it's not quite time to consider selling into strength yet. The next near-term pullback could still be short-lived/shallow. Would have to see yields higher than 1.873% to think that the market has in fact based. Anything up to that point is still within context of a downtrend.
- View:** Anything back to 1.786-1.85% is still within context of a downtrend. Need above 1.873% to think the market has based.

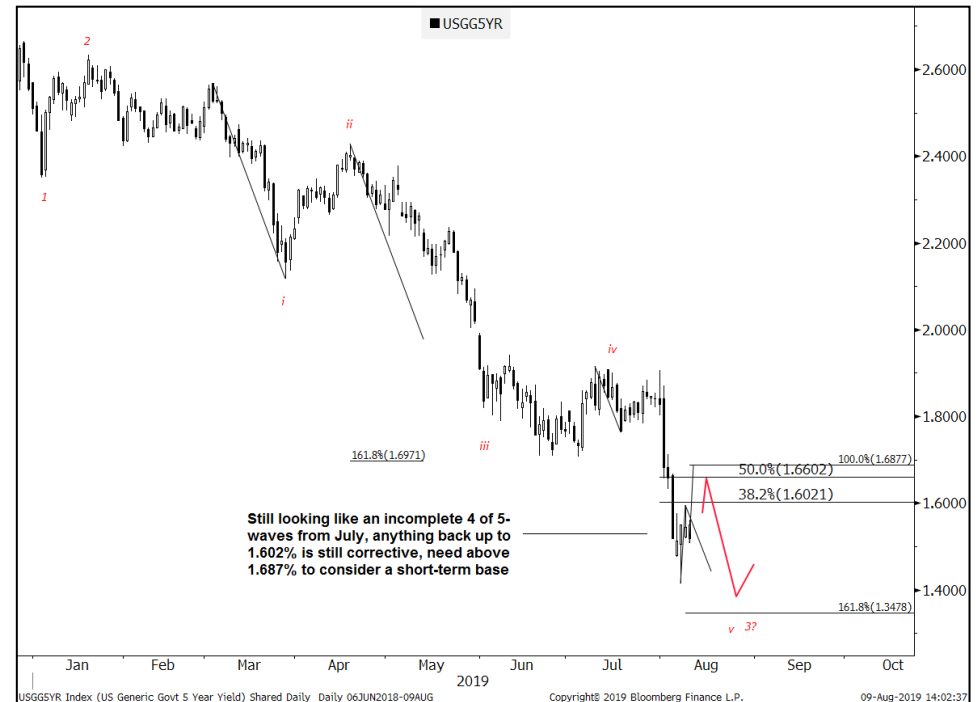
# U.S. 5-year tested/held above ~1.36%...

The target for a 3<sup>rd</sup> wave from October comes in at 1.359%



- Here as well, the target for a 3<sup>rd</sup> wave from October comes in at 1.359%; that's pretty much been satisfied. There's not much below there until the extended target for 5-waves from March at 1.185%.
- Once it has put in a meaningful low, it's important to keep in mind that this is still largely corrective. Wave 4 should pullback at least up to 1.70% but not much above 1.88%.

Need it above 1.61% to think that a turn might be in



- Anything back to 1.602% should still be considered within context of a downtrend. Would have to see yields higher than 1.6877% to think that the market has in fact based.
- View:** Next near-term support at 1.3589%. Gap below there to 1.185%. Anything back to 1.60% is still within context of a downtrend. Need above 1.687% to consider a short-term base.

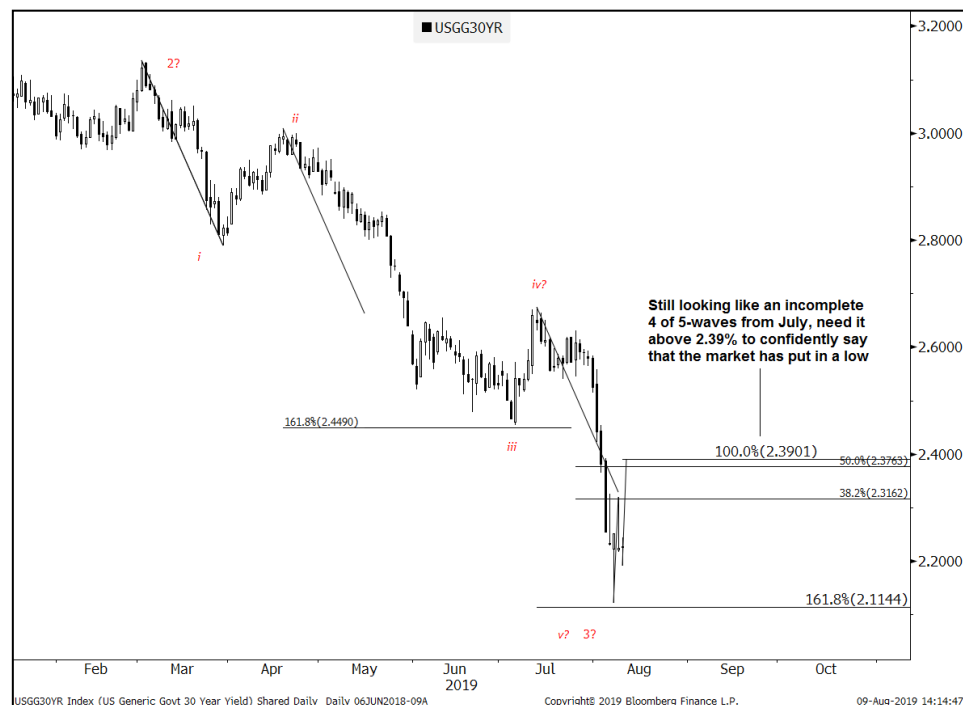
## 30-year rates tested/held above 2.1144%...

**The target for a 3<sup>rd</sup> wave from November has been exceeded**



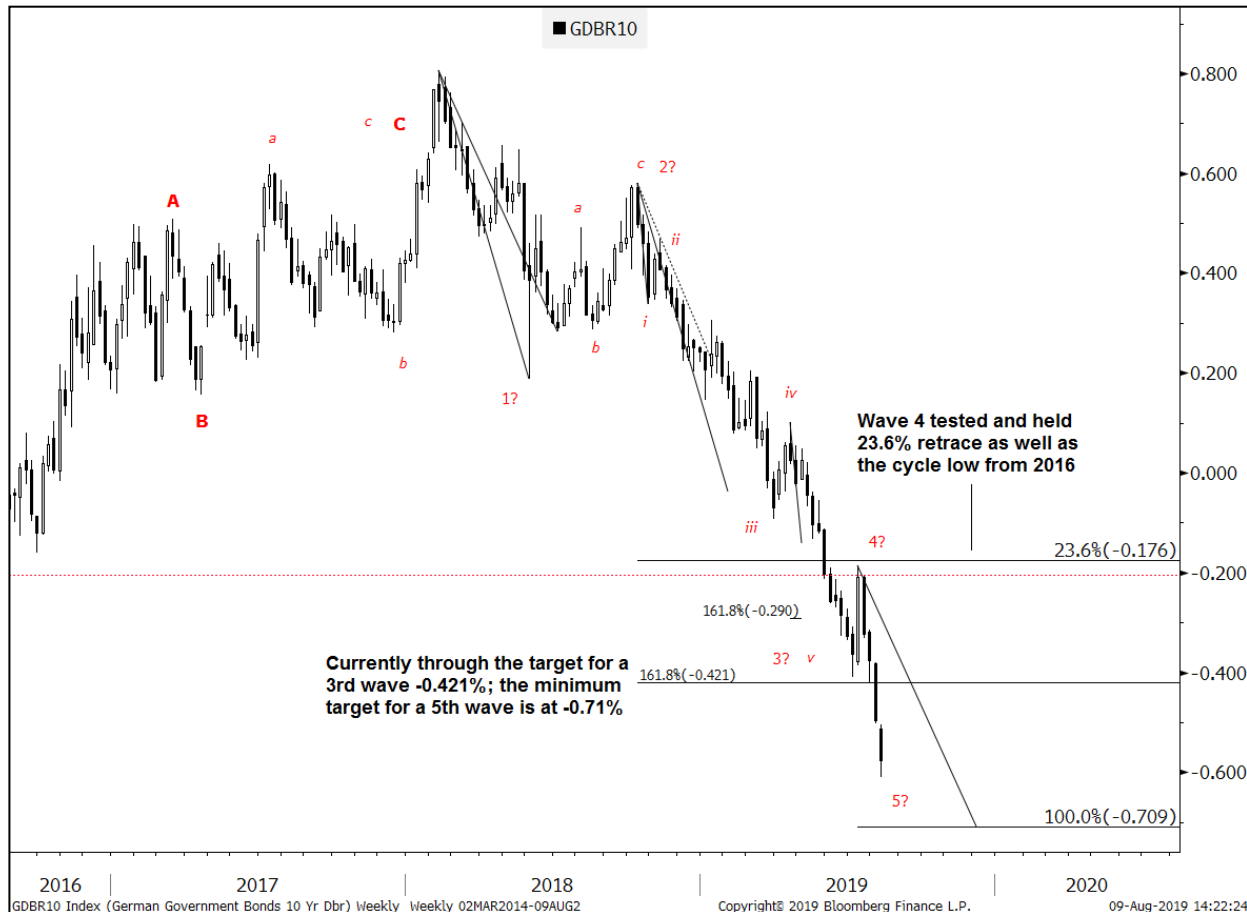
- The target for a 3<sup>rd</sup> wave from November has already been exceeded here at 2.20%. The extended target for 5-waves from March has also been satisfied at 2.12%.
- Once it has put in a meaningful low, it's important to keep in mind that this is still largely corrective. Wave 4 should pullback at least up to 2.36% but not much above 2.51%.

**Need it above 2.312% to think that a low is in place**



- Anything back to 2.316% should still be considered within context of a downtrend. Would have to see yields higher than 2.39% to think that the market has in fact based.
- View: Next near-term support at 2.1144%. Anything back to 2.316% is still within context of a downtrend. Need above 2.39% to consider a short-term base.

# Bund yields haven't yet satisfied -0.709%...



## This has been a pretty textbook chart thus far

- The market tested/held -0.421% support; the target for a 3<sup>rd</sup> wave of 5 off the late-'17 peak. It pulled back exactly 23.6% of the prior rally to -0.176%, also re-testing the prior cycle low from '16. It's since made new lows below -0.421% indicating broader trend resumption.
- If viewed as a 5<sup>th</sup> wave of 5, **the minimum target projects down to -0.709%**. This will be an important place from which to watch for signs of a turn/reversal. That's not to say that it has to hold at 0.0709%; it could always exceed the level. At this point however, just given how well this chart has performed so far, there seems a good chance that -0.709% is satisfied.
- **View:** Break below -0.421 signals trend continuation. Targeting at least -0.709%. Watch for signs of a base once met.



# BTPs held exactly where they were supposed to...



## Italian 10-year yields posted a key week reversal just above significant support

- The market tested/held an ABC equality target taken off the Oct. '18 peak. It posted a series of exhaustive looking candle patterns, then a key week reversal. It also closed above the bottom of an old range that persisted from Jan. '17 through May '18.
- **The next level to watch above is the trend across the highs since that peak at 2.407%.** In theory, this should be the beginning stages of another ABC count similar in many ways to the basing pattern of 2016.
- **View:** Has likely put in a base against 1.35%. Turning to a sell on dips bias. Next near-term resistance at 2.407%.

# BBDXY never made it through the top of its range...



## The index tested/held the trend across the highs since December/triangle resistance

- The market clearly rejected a break above the Dec. '18 downtrend 1,210.83. This level might qualify as the top of a triangle consolidation pattern. If that's the case, it's possible to suggest that this might have been the D leg of an incomplete ABCDE. With that in mind, this next leg lower could be the final retrace before a bullish breakout.
- A typical E wave in any triangle will often pullback at least 50-61.8% of the length of wave D; **which on this chart is down at 1,198-1,195. It could run down to the bottom of the triangle which is at 1,186.** As long as that level holds, the underlying bias remains positively skewed. **Confidence in this view will increase materially through the 1,211 resistance level.**
- **View:** Failing to break above 1,211 means the market is still range-bound. Focus shifting down to 1,198-1,195. Watch for a base/turn, no lower than 1,186.

# The level to watch in USDJPY is 104.38-103.70...



## There are multiple levels now converged between 104.87-103.70

- As a reminder, the market tested/held the bottom of its prior triangle last week, confirming that the break was actually a valid one. Focus has therefore shifted lower to **104.87-103.70**. That area includes two separate ABC targets, as well as the lows from Jan. '19/Mar/ '18. How price action develops there will likely be key.
- If the 104.87-103.70 level holds as support, it's possible to argue that the entire move since Nov. '17 is corrective/counter-trend. In which case the setup is pretty constructive/positive. **Breaking below 103.70 does however instigate a much more impulsive sell-off, with very little in the way of a full retrace towards ~100.**
- View: Focus shifting down towards 104.87-103.70. Watch for a base once reached. Downside risks heighten materially below there.

# Gold is still some ways from reaching 1,600...

The next near-term resistance is up at 1,528-1,539



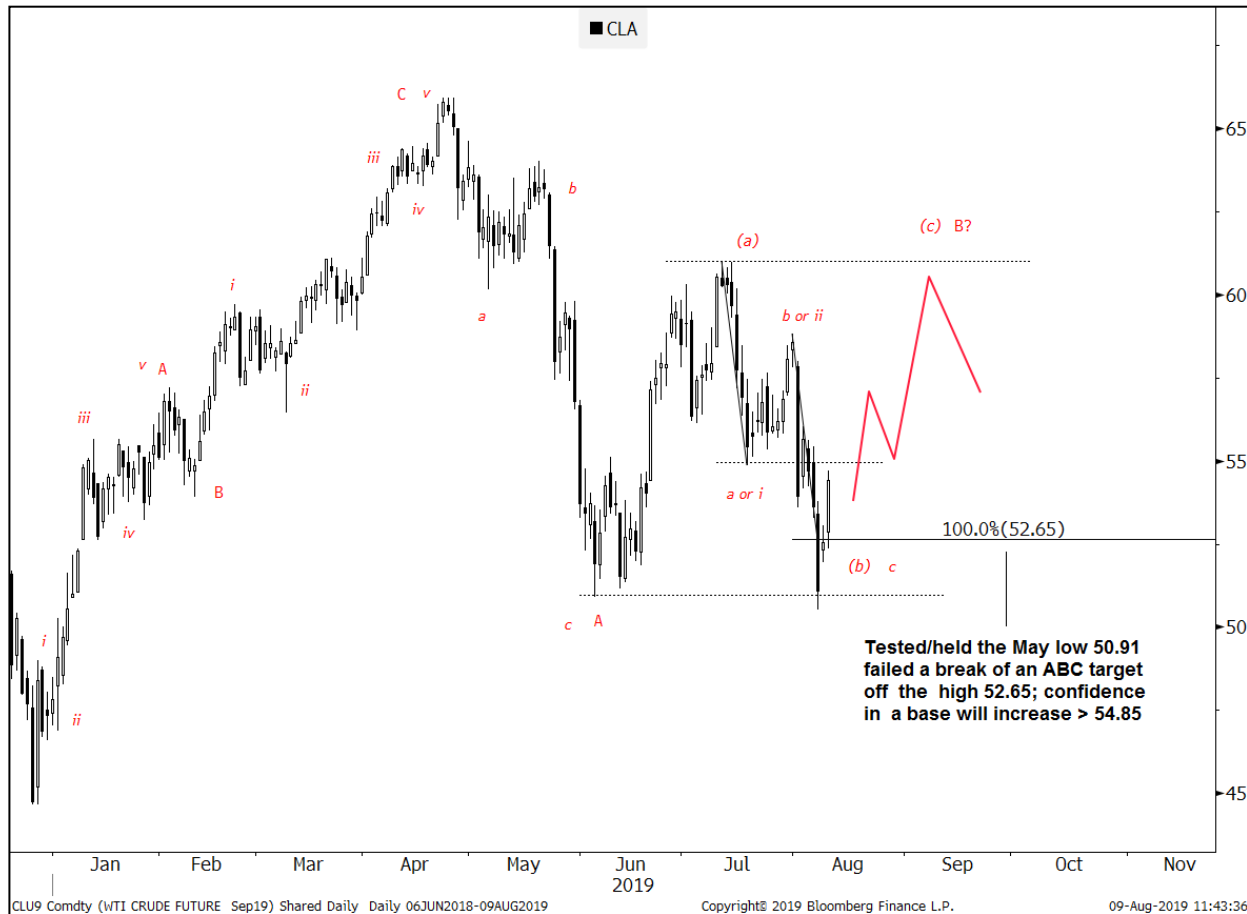
- The move since Jul. 17<sup>th</sup> looks like an incomplete iii of v waves up. What that means is that any near-term pullback should still be considered corrective and counter-trend.
- **Would use support at 1,484 and 1,468 as levels from which to consider bullish exposure. Shouldn't retrace/make contact with the top of wave i at 1,453.** In other words, the market needs to pullback further than 1,453 to think that a top might actually be in place.

The break above 1,453 was bullish in nature



- As has been discussed in previous updates, needed it to break higher than 1,453 in order to avoid this looking like a complete ABC rise from the Aug. '18 low. Having done so, this now opens up the possibility of a **longer-term projection target up at 1,568-1,595.**
- **View:** Consider adding to bullish exposure near 1,485 and 1,469 no lower than 1,452. Next tactical resistance is up at 1,527-1,539. Could eventually continue up towards 1,600.

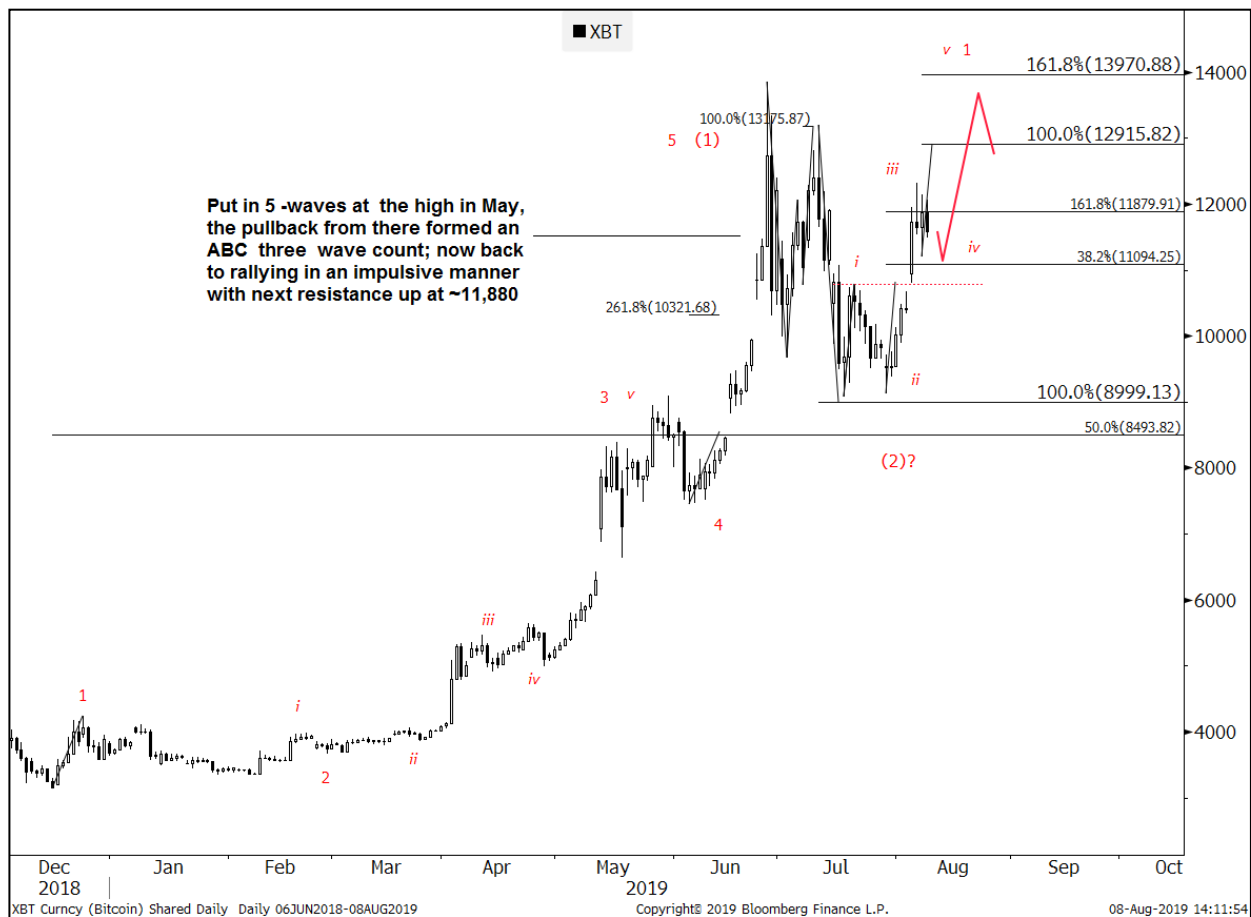
# WTI tested and held the bottom of its range...



## It failed to see follow-through on the break of 52.65 support

- The fact that it made a marginal new low indicates that it might just make a marginal new high above 61.01 (from Jul. 11<sup>th</sup>).
- Either way, the recovery should be corrective/counter-trend. **Ultimately looking for a resumption of the downtrend from April, one that should extend well below the low from May/August at 50.91-50.52.**
- View: Tactically higher, targeting a move back towards ~61. Watch for a top/turn once reached.

# Bitcoin has a short-term target at 13,971...



**It's tested/held the target for wave iii of v from July at 11,880**

- A pullback from there should find support near/around 11,094. As long as it avoids any contact with the top of wave i at 10,791, there's still room for at least one more leg higher towards 12,916 and 13,971. Reaching these levels could mean completing a v wave count from July. Bottom line, watch for signs of a short-term top/consolidation once satisfied.
- That being said, in the bigger scheme of things, this might still be the first leg of another 5-wave count similar to the trend that lasted from Dec. '18 through Jun. '19. Said another way, **any such retracement from 12,916-13,971 should be viewed as an opportunity to buy on weakness as long as it doesn't retrace further than the 9,084 low.**
- **View:** **Tactically higher targeting between 12,916 and 13,971. Might hold once reached, consolidate for a period of time before resuming higher. Short-term stop 10,791.**

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FX Rates Strategies

From the Trading Desk

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