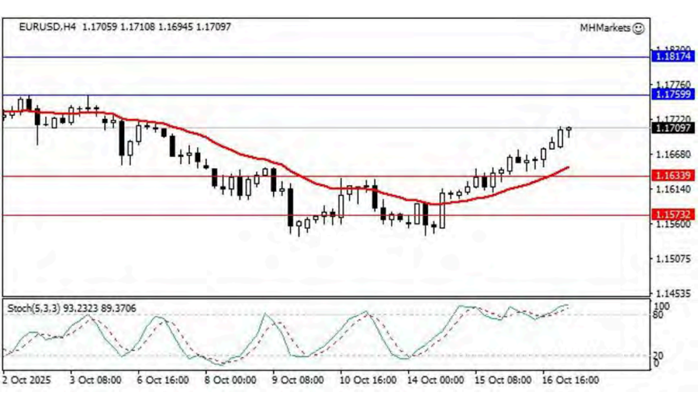
EUR/USD

Previous Session Overview

EUR/USD moved higher on Thursday, reaching previous resistance levels. Currently trading at 1.1710.



Market Outlook

The euro rose to seven-day highs on Thursday and remains on track to retest the 1.1700 barrier, driven by persistent and intensifying weakness in the Greenback. The pair's advance reflects the US Dollar's continued struggles as investors assess prospects for Federal Reserve rate cuts and the mounting economic impact of a protracted US government shutdown now entering its third week. The US Dollar Index extended its decline on Thursday, retreating to the 98.30 zone at multi-day lows amid a deeper pullback in US Treasury yields across the curve. The 10-year Treasury yield fell and broke below the psychologically important 4% level, reflecting growing concerns about economic growth and expectations for more aggressive Fed easing. This yield compression has removed a key support pillar for the Dollar, allowing EUR/USD to capitalize on the weakness. Steady concerns over the consequences of the US federal government shutdown continue to weigh on Dollar sentiment, with the indefinite suspension of crucial economic data releases from federal agencies leaving the Federal Reserve operating blind ahead of its October 28-29 policy meeting, increasing speculation that the central bank may need to adopt a more cautious, dovish stance given the information vacuum. Thursday's session saw heightened volatility across markets as credit concerns emerged from the regional banking sector. Zions plunged 13% after taking a sizable charge due to bad loans to a couple of borrowers, while Western Alliance dropped 11% after alleging a borrower had committed fraud. The banking stress pushed the Cboe Volatility Index to its highest level since May, paradoxically supporting EUR/USD as Dollar weakness outweighed risk-off dynamics. Concerns about loose lending practices, especially in the opaque private credit market following bankruptcies of two auto industry-related companies, have created additional headwinds for the Dollar as investors question the stability of US financial institutions. Ongoing US-China trade tensions add another layer of uncertainty supporting EUR/USD's advance, with President Trump's pattern of escalating and de-escalating tariff threats continuing to unsettle markets. Today's calendar features the final Inflation Rate figures for the euro bloc, which will be the salient event on the domestic front, with any deviation from preliminary estimates potentially triggering volatility. ECB's Donnery is also scheduled to speak. On the US side, Net long-term TIC Flows data is due, along with speeches by Fed officials Kashkari and Musalem.

Technical Outlook

- Stochastic is moving inside the overbought area.
- Price is moving higher above the 20-period moving average.
- This setup indicates extremely strong bullish momentum despite overbought conditions.

Key Levels to Watch

Resistance: 1.1760; 1.1817
Support: 1.1634; 1.1573

Conclusion

EUR/USD has surged to seven-day highs at 1.1710 and is trading well above the 20-period moving average, with the Stochastic deep in overbought territory indicating powerful bullish momentum. The pair appears poised to retest the 1.1700 barrier and potentially challenge the 1.1760 resistance level. The technical picture is overwhelmingly bullish, with the Dollar's breakdown below key support levels creating momentum for further EUR/USD gains. Immediate resistance at 1.1760 is now the next target, with potential for extension toward 1.1817 if the Dollar's weakness persists. Support at 1.1634 should contain any profit-taking, with stronger support at 1.1573 below. The convergence of multiple Dollar-negative factors including Fed rate cut expectations, government shutdown concerns, Treasury yields breaking below 4%, regional banking stress, and trade policy uncertainty has created an ideal environment for EUR/USD's advance. Today's focus will be on the final Eurozone inflation figures and Fedspeak from Kashkari and Musalem.

GOLD (XAU/USD)

Previous Session Overview

Gold moved higher on Thursday, reaching above previous resistance levels and achieving a new all-time high at $4,379. Currently trading at 4356.78.

Market Outlook

Gold's rally remained intact on Thursday, with the precious metal approaching the $4,300 mark per troy ounce for the first time in its history before surging even higher to reach an all-time peak of $4,379. The extraordinary ascent continues unabated, driven by a powerful confluence of geopolitical concerns, rising Federal Reserve rate cut expectations, and persistent uncertainty surrounding the US government shutdown. Thursday's advance to fresh record highs came against a backdrop of heightened market volatility and credit concerns emerging from the regional banking sector. The Cboe Volatility Index spiked to its highest level since May as Zions plunged 13% on bad loan charges and Western Alliance dropped 11% on fraud allegations. This banking stress has intensified safe haven flows into Gold, with investors seeking protection against potential financial instability. The US Dollar Index's extended decline to the 98.30 zone at multi-day lows has removed a traditional headwind for Gold, while the 10-year Treasury yield's break below the psychologically important 4% level has dramatically reduced the opportunity cost of holding non-yielding assets. The deeper pullback in yields across the entire curve reflects growing recession concerns and expectations for aggressive Fed easing, creating an optimal environment for Gold's rally. The ongoing US government shutdown, now in its third week with no resolution in sight, continues to fuel uncertainty. The indefinite suspension of crucial economic data releases has left the Federal Reserve operating in an information vacuum ahead of its October 28-29 policy meeting, increasing speculation that the central bank may need to maintain or even accelerate its accommodative policy stance. JPMorgan CEO Jamie Dimon's warning earlier this week regarding credit concerns following the collapse of First Brands and Tricolor Holdings has resonated with market participants, driving additional safe-haven demand for Gold as investors worry about undiscovered problems in the opaque private credit market. Ongoing US-China trade tensions continue to provide underlying support for Gold, with President Trump's pattern of unpredictable tariff threats creating a climate of persistent uncertainty. Geopolitical tensions provided additional support on Thursday, helping limit any potential profit-taking despite the extreme overbought technical conditions.

Technical Outlook

- Stochastic is moving inside the overbought area.
- Price is moving higher above the 20-period moving average.
- This setup indicates extraordinary bullish momentum with no signs of exhaustion.

Key Levels to Watch

Resistance: 4451.25; 4536.83
Support: 4293.46; 4202.53

Conclusion

Gold continues its historic rally at 4356.78 with price firmly above the 20-period moving average and trading near the all-time high of $4,379. The Stochastic indicator deep in overbought territory has been completely ignored by the market, as the precious metal continues to attract buying interest despite extreme technical conditions. The psychological $4,400 level is now within striking distance, with immediate resistance at $4,451.25 and potential for extension toward $4,536.83 if the current momentum persists. Support has risen dramatically, with $4,293.46 now providing the first cushion and stronger support at $4,202.53 representing the previous consolidation base. The precious metal's ability to set fresh records on Thursday despite heightened market volatility demonstrates the strength of the underlying safe-haven bid. The break of Treasury yields below 4% represents a significant fundamental shift that strongly supports Gold, as does the Dollar's decline to multi-day lows. Today's Fedspeak from Kashkari and Musalem will be closely watched, with any dovish commentary reinforcing aggressive easing expectations potentially pushing Gold decisively through $4,400 and toward $4,450.

GBP/USD

Previous Session Overview

GBP/USD moved higher on Thursday, reaching previous resistance levels. Currently trading at 1.3449.

Market Outlook

Sterling added to Wednesday's gains beyond the 1.3400 figure on Thursday, challenging its interim 55-day Simple Moving Average near 1.3460. Cable's continued advance reflects both Sterling strength and persistent US Dollar weakness as multiple headwinds converge to pressure the Greenback. GBP/USD's rally has been primarily driven by the Dollar's extended decline, with the US Dollar Index revisiting the 98.30 zone at multi-day lows amid a deeper pullback in US Treasury yields across the curve. The 10-year Treasury yield's break below the psychologically important 4% level on Thursday represents a significant development that has removed a key support for the Dollar, allowing Cable to capitalize fully on the weakness. Thursday's UK GDP figures and comprehensive economic data releases provided mixed signals but overall supported the Bank of England's hawkish stance. The data showed economic resilience that reinforces recent commentary from BoE officials suggesting monetary policy must remain restrictive for longer. This contrasts sharply with growing expectations for Federal Reserve rate cuts, creating a policy divergence narrative that strongly favours Sterling. The US market experienced heightened volatility on Thursday as credit concerns emerged from the regional banking sector. Zions' 13% plunge on bad loan charges and Western Alliance's 11% drop on fraud allegations sent shockwaves through financial markets, pushing the Cboe Volatility Index to its highest level since May. While risk-off dynamics typically support the Dollar, the magnitude of domestic US concerns has paradoxically weakened the Greenback as investors question the stability of American financial institutions. Ongoing US government shutdown concerns continue to weigh on the Dollar, now in its third week with the indefinite suspension of crucial economic data releases creating an information vacuum that complicates the Fed's decision-making ahead of the October 28-29 meeting. President Trump's unpredictable trade policy that adds another layer of Dollar-negative uncertainty continues to unsettle markets and undermine confidence in US policy consistency. Today's UK calendar is quiet, with speeches by BoE officials Pill and Breeden being the main events.

Technical Outlook

- Stochastic is trying to exit the overbought area.
- Price is consolidating above the 20-period moving average.
- This suggests potential for near-term consolidation or modest pullback after strong gains.

Key Levels to Watch

Resistance: 1.3506; 1.3579
Support: 1.3382; 1.3313

Conclusion

GBP/USD is consolidating above the 20-period moving average at 1.3449, having successfully challenged the interim 55-day SMA near 1.3460. The Stochastic indicator attempting to exit the overbought area suggests potential for near-term consolidation or a modest pullback after the pair's impressive rally. However, the overall technical and fundamental picture remains constructive for Cable. Immediate resistance at 1.3506 is the next target if the advance continues, with potential for extension toward 1.3579 if momentum persists. Support at 1.3382 should contain any profit-taking, with stronger support at 1.3313 below representing the previous consolidation zone. The pair's ability to hold above 1.3400 will be crucial in determining whether this represents a pause before further gains or the beginning of a deeper correction. Today's speeches by BoE officials Pill and Breeden could provide direction, particularly if they continue to emphasize the need for restrictive monetary policy. The multiple drivers of Dollar weakness continue to create a favourable environment for GBP/USD.

SPX/USD (S&P 500)

Previous Session Overview

The S&P 500 moved lower on Thursday, reaching previous support levels. Currently trading at 6614.14.

Market Outlook

Stocks closed lower on Thursday, giving up earlier gains and erasing the positive momentum from the strong start to earnings season. The S&P 500 finished 0.6% lower at 6,629.07, giving up a 0.6% gain at the highs of the session, in a reversal driven by credit concerns from regional banks and persistent worries about trade tensions and the ongoing US government shutdown. The session's dramatic reversal was triggered by alarming developments in the regional banking sector, with Zions plunging 13% after taking a sizable charge because of bad loans to a couple of borrowers, while Western Alliance dropped 11% after alleging a borrower had committed fraud. These credit concerns quickly spread through the financial sector and broader market. The banking sector has grown increasingly anxious following the collapse of two auto industry-related firms, which has intensified concerns about lax lending standards, particularly within the opaque private credit market. JPMorgan CEO Jamie Dimon's comment from earlier this week regarding the collapse of First Brands and Tricolor Holdings resonated powerfully with investors on Thursday, with Jefferies, which has some exposure to First Brands, shedding 10% on the day, bringing its losses for the month to 25%, highlighting the contagion effect of credit concerns. The Nasdaq Composite fell 0.5% to settle at 22,562.54, while the Dow Jones Industrial Average lost 301.07 points, or 0.7%, to close at 45,952.24. Earlier in the day, the Dow had gained 170 points, demonstrating the sharp intraday reversal that characterized the session. The equity selloff was accompanied by a surge in the Cboe Volatility Index to its highest level since May, even as bond yields and the US Dollar declined. The 10-year Treasury yield broke below 4%, and the US Dollar Index lost 0.5%, reaching the 98.30 zone. This unusual configuration of stocks falling alongside the Dollar reflects concerns specific to the US economy and financial system rather than global risk-off dynamics. Trade tensions between China and the US continue to add to Wall Street volatility, with President Trump's pattern of unpredictable policy shifts keeping markets on edge. The US government shutdown, continuing for a third week, adds another layer of uncertainty with the indefinite shutdown of crucial economic data releases from federal agencies leaving investors and the Federal Reserve operating blind.

Technical Outlook

- Stochastic is moving lower towards the oversold area.
- Price is moving lower below the 20-period moving average.
- This setup indicates bearish momentum with potential for further weakness.

Key Levels to Watch

Resistance: 6645.10; 6701.20
Support: 6575.99; 6522.28

Conclusion

The S&P 500 has broken below the 20-period moving average to 6614.14, with the Stochastic indicator moving toward oversold territory suggesting continued near-term weakness. Thursday's reversal from session highs represents a significant technical development that could signal a shift in market sentiment from the earnings-driven optimism earlier in the week. Immediate support at 6,575.99 is now the critical level to watch, with a break below potentially accelerating declines toward 6,522.28. Resistance at 6,645.10 will need to be reclaimed to restore the near-term bullish outlook, with more significant resistance at 6,701.20 above. The credit concerns emerging from regional banks have introduced a new narrative that could override the positive earnings momentum from major financial institutions. The elevated VIX reading at multi-month highs indicates that hedging costs have spiked, and investors are preparing for continued volatility. Today's calendar is quiet regarding economic data, with Net long-term TIC Flows and speeches from Fed officials Kashkari and Musalem on tap.

USO/USD (WTI CRUDE OIL)

Previous Session Overview

USO/USD moved lower on Thursday, reaching previous support levels. Currently trading at 56.80.

Market Outlook

WTI crude oil remained under intense pressure on Thursday, slipping back toward the $57.40 area per barrel and briefly testing its lowest level in five months. The persistent weakness in crude reflects a toxic combination of supply concerns, demand fears, and shifting geopolitical dynamics that continue to weigh heavily on the energy complex. Thursday's decline came as traders weighed reports that India may suspend imports of Russian oil, adding a new dimension to the complex global oil trade picture. While geopolitical tensions helped limit deeper losses and prevented a complete collapse below $57, the overall sentiment remains decidedly bearish for crude prices. A larger-than-expected build in US crude inventories from the Energy Information Administration added significantly to the sour mood, with the EIA report showing that supply continues to accumulate at a pace that outstrips demand, reinforcing concerns about oversupply in the market. The fundamental backdrop for oil remains challenging from multiple angles, with the International Energy Agency's projections for a supply surplus in 2026, combined with OPEC+ production increases already scheduled, creating persistent downward pressure on prices. These supply-side concerns are compounded by growing fears about demand destruction from escalating US-China trade tensions. Trade policy uncertainty continues to weigh heavily on oil markets, with President Trump's unpredictable pattern of tariff threats and trade policy shifts creating an environment where global economic growth expectations are constantly being revised lower. Thursday's broader market turmoil, with stocks giving up gains amid regional banking credit concerns and the VIX spiking to its highest level since May, has added to risk aversion in commodity markets. The correlation between risk appetite and oil prices means that concerns about US financial stability and economic health translate directly into lower crude prices. The ongoing US government shutdown, now in its third week, continues to complicate the picture by limiting the availability of comprehensive economic data. The Middle East ceasefire continues to remove any geopolitical risk premium from oil prices, with traders remaining sceptical and wanting to see the peace hold. Oil's proximity to the psychologically important $57 level makes this a critical juncture for the commodity.

Technical Outlook

- Stochastic is moving inside the oversold area.
- Price is moving lower below the 20-period moving average.
- This setup indicates strong bearish momentum with deeply oversold conditions.

Key Levels to Watch

Resistance: 58.17; 59.33
Support: 55.78; 54.60

Conclusion

WTI crude oil is trading at five-month lows around 56.80, well below the 20-period moving average, with the Stochastic indicator deep in oversold territory. The commodity has broken decisively below the $58 level that had provided support earlier in the week, signalling intensifying bearish momentum. Immediate support at $55.78 is now critical, with a break below potentially accelerating declines toward $54.60 and retesting the April-May lows. Resistance at $58.17, the previous support turned resistance, will cap any recovery attempts, with more significant resistance at $59.33 above. The fundamental backdrop remains overwhelmingly bearish, with the EIA's larger-than-expected inventory build confirming supply-demand imbalances, IEA surplus projections for 2026, OPEC+ production increases, escalating US-China trade tensions threatening global demand, and removal of Middle East geopolitical risk premium all working against oil bulls. The Stochastic indicator deep in oversold territory suggests potential for a technical bounce, but oversold conditions can persist in strong downtrends. Today's calendar features speeches from Fed officials Kashkari and Musalem, whose commentary on economic conditions could influence oil prices through the growth expectations channel.

Key events for today (GMT):

Date	Time	Currency	Events	Forecast	Previous
17 Oct			No Key Events for Today		

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