EUR/USD

Previous Session Overview

EUR/USD moved lower on Friday, reaching near previous support levels. Currently trading at 1.1665.

Market Outlook

The euro experienced a volatile week against the dollar, starting on weak footing as risk-off sentiment benefited the Greenback, but quickly reversed course amid escalating turmoil emanating from the United States. The pair reached its weekly high of 1.1728 on Friday before settling with modest gains below the 1.1700 mark. US President Donald Trump escalated trade tensions with China on Friday, threatening 100% tariffs after Beijing expanded control of rare earth minerals, requiring government approval for exports of any product containing rare earths. China quickly responded by charging new port fees to US vessels, intensifying the tit-for-tat trade conflict between the world's two largest economies. Despite some receding concerns throughout the week, tensions remain elevated and continue to weigh on dollar sentiment. The US federal government shutdown, which began on October 1, has become the second largest in the country's history, with Democratic and Republican senators continuing to vote on opposing funding bills without resolution. Most US data releases remain suspended amid the shutdown, leaving markets to focus primarily on policymakers' comments for direction. European Central Bank President Christine Lagarde expressed confidence that interest rates are at appropriate levels while noting that risks to inflation and economic growth have become more balanced. However, other ECB members appear less comfortable with the current stance, with some seeing more downside than upside inflation risks. Germany's final HICP for September confirmed a 2.4% year-over-year increase, matching preliminary estimates and supporting the ECB's cautious approach. The upcoming week brings limited economic data due to the shutdown, though the US Bureau of Labor Statistics will publish September's Consumer Price Index on Friday, October 24, providing critical inflation insights that will help the Social Security Administration meet statutory deadlines for benefit payments.

Technical Outlook

- Stochastic is moving lower towards the oversold area.
- Price is consolidating around the 20-period moving average.
- This setup suggests indecision with potential for a directional break.

Key Levels to Watch

Resistance: 1.1710; 1.1758
Support: 1.1604; 1.1550

Conclusion

EUR/USD has lost bullish momentum after testing the 1.1728 high, now consolidating around the 20-period moving average at 1.1665. The Stochastic indicator moving toward oversold levels suggests selling pressure may be nearing exhaustion. The pair faces a critical juncture at current levels - a break above 1.1710 could reignite bullish momentum toward 1.1758, while failure to hold above 1.1604 support could trigger a decline toward 1.1550. The upcoming US CPI data on Friday will be crucial in determining direction, as it represents one of the few major data points available amid the government shutdown. Trade war developments between the US and China will continue to drive sentiment, with the escalating tensions hanging over the USD. The technical setup suggests watching for a directional break from current consolidation levels.

GOLD (XAU/USD)

Previous Session Overview

Gold moved lower on Friday, reaching below previous support levels. Currently trading at 4261.91.

Market Outlook

Gold's parabolic rally showed no signs of slowing through most of the week, lifting prices to a fresh record high above $4,370 on Friday before staging a sharp correction heading into the weekend. The precious metal gained more than 2% on Monday as markets reacted to potential re-escalation of US-China trade conflict. US President Trump's announcement of 100% tariffs on Chinese imports over rare earth mineral export controls triggered strong safe haven flows into gold, while China's Commerce Ministry responded that the US needs to correct its inappropriate practices as soon as possible. Trump accused China of purposefully not buying US soybeans and threatened to terminate some trade elements as retribution, further escalating tensions. Federal Reserve Chairman Jerome Powell adopted a neutral tone, acknowledging that downside risks to the labour market had risen while noting risks that slow tariff pass-through could start to look like persistent inflation. Markets remain focused on expectations for two more Fed rate cuts this year, with the CME FedWatch Tool showing 95% probability of cuts at both the October and December meetings. Gold rose 3% on Thursday, climbing above $4,300 as resurfacing fears over regional bank lending practices weighed heavily on Wall Street's main indexes. The sharp decline in US Treasury bond yields, with the 10-year breaking below 4% to touch its lowest level since early April, further boosted gold prices. Early Friday saw gold extend toward $4,400 before profit-taking ahead of the weekend triggered a sharp correction below $4,300. Looking ahead, US Treasury Secretary Scott Bessent's scheduled discussion with Chinese Vice Premier He Lifeng and the anticipated Trump-Xi meeting in South Korea later this month will be closely watched for any signs of trade de-escalation. The September CPI data release on Friday will be critical for assessing Fed rate cut expectations and their implications for non-yielding assets like gold.

Technical Outlook

- Stochastic is trying to cross higher near the oversold area.
- Price is consolidating around the 20-period moving average.
- This suggests a potential recovery attempt after the recent correction.

Key Levels to Watch

Resistance: 4312.46; 4379.09
Support: 4182.33; 4111.71

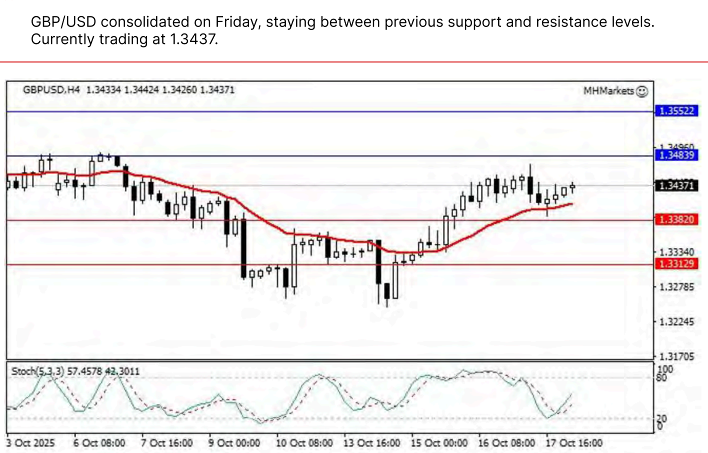
Conclusion

Gold is attempting to stabilize after Friday's sharp correction from record highs, with price consolidating around the 20-period moving average at 4261.91. The Stochastic indicator attempting to cross higher from near oversold levels suggests potential for a recovery if buyers can regain control. Immediate resistance at 4312.46 must be cleared to target the recent all-time high zone near 4379.09. Support at 4182.33 is critical, with a break below potentially targeting 4111.71. The precious metal remains the favourite safe-haven asset amid US-China trade jitters and concerns over regional bank lending practices. Friday's US inflation data will be crucial - a noticeable upside surprise could boost the USD and pressure gold, while a reading at or below expectations should support the current market pricing of Fed rate cuts and maintain gold's bullish momentum.

GBP/USD

Previous Session Overview

GBP/USD consolidated on Friday, staying between previous support and resistance levels. Currently trading at 1.3437.



Market Outlook

The Pound Sterling found fresh buyers near the 1.3250 area against the US Dollar, pushing GBP/USD higher toward the 1.3500 threshold in a strong weekly recovery. After an initial struggle at the start of the week, buyers returned with vigour as the USD lost momentum and incurred heavy losses against major currency rivals. Earlier in the week, Sterling faced headwinds from renewed US-China trade tensions and weak UK employment data. The Office for National Statistics showed the UK Unemployment Rate rose to a four-year high of 4.8% in the three months to August, while Average Earnings growth fell to 4.7%. Bank of England Governor Andrew Bailey noted the data backed his view of a softening labour market. However, the tide turned midweek as the Greenback weakened amid intensifying concerns over the prolonged US-China trade dispute and the ongoing government shutdown. US President Trump's additional 100% tariffs on Chinese imports and strict export controls on critical software starting November 1 escalated tensions, while China later accused the US of exaggerating rare earth export controls to stir panic. Fed officials, including Chairman Powell, continued to caution on the weakening US labour market, bolstering expectations for two rate cuts by year-end. Markets are pricing in 95% probability of cuts at both October and December Fed meetings. The growing expectations of Fed-BoE monetary policy divergence, with the BoE expected to maintain a more hawkish stance, has provided fundamental support for Sterling. The week ahead brings the crucial UK CPI inflation report on Wednesday, followed by US Existing Home Sales on Thursday and Friday's S&P Global PMIs alongside the highly anticipated US September CPI data. These releases will be critical in shaping expectations for both central banks' policy paths.

Technical Outlook

- Stochastic is trying to cross higher near the oversold area.
- Price is consolidating slightly above the 20-period moving average.
- This suggests building bullish momentum with potential for further upside.

Key Levels to Watch

Resistance: 1.3484; 1.3552
Support: 1.3382; 1.3313

Conclusion

GBP/USD has staged an impressive recovery from 11-week lows near 1.3250, now consolidating slightly above the 20-period moving average at 1.3437. The Stochastic indicator attempting to cross higher from near oversold territory suggests the tide is turning in favour of buyers. Immediate resistance at 1.3484 is the next target, with a break potentially opening the door toward 1.3552 and the 1.3500 psychological threshold. Support at 1.3382 should contain any pullbacks, with stronger support at 1.3313. The upcoming UK CPI report on Wednesday will be crucial for Sterling direction, while Friday's US inflation data will determine USD strength. The technical setup favours dip-buying opportunities if price remains above the 20-period moving average, with the Fed-BoE policy divergence narrative providing fundamental tailwinds for the pair.

SPX/USD (S&P 500)

Previous Session Overview

The S&P 500 moved higher on Friday, reaching above previous resistance levels. Currently trading at 6691.10.

Market Outlook

The S&P 500 staged a decent rebound on Friday, recovering some ground after a volatile week marked by concerns over regional bank lending practices and US-China trade tensions. Despite Friday's recovery, broader market sentiment remains fragile amid multiple sources of uncertainty. The week was dominated by resurfacing fears over lending practices of regional banks in the US, which weighed heavily on Wall Street's main indexes mid-week. These concerns, combined with the ongoing federal government shutdown and escalating US-China trade tensions, created a challenging environment for risk assets. US President Trump's threat of 100% tariffs on Chinese imports over rare earth mineral export controls rattled markets early in the week. While US Treasury Secretary Scott Bessent adopted a softer tone suggesting China is open to discussions, Beijing's Commerce Ministry insisted the US must correct its inappropriate practices, maintaining elevated uncertainty surrounding trade relations. The benchmark 10-year US Treasury yield breaking below 4% on Thursday to touch its lowest level since early April reflects growing economic concerns and expectations for additional Fed rate cuts. Markets are now fully pricing in two additional 25 basis-point cuts this year, with the CME FedWatch Tool showing approximately 95% probability for cuts at both October and December meetings. The upcoming week features a heavy earnings calendar with Magnificent 7 member Tesla reporting Wednesday, alongside major technology names including Netflix, Intel, and IBM. Big Three automakers Ford and GM will also report, while Friday brings results from Procter & Gamble and HCA Healthcare. These reports will provide crucial insights into corporate health amid tariff concerns. Friday's September CPI data will be the last major economic indicator before the Fed's October 28-29 meeting, potentially influencing whether policymakers proceed with expected rate cuts.

Technical Outlook

- Stochastic is moving higher towards the overbought area.
- Price is consolidating above the 20-period moving average.
- This indicates strong bullish momentum but approaching potential exhaustion.

Key Levels to Watch

Resistance: 6711.82; 6771.71
Support: 6618.57; 6558.67

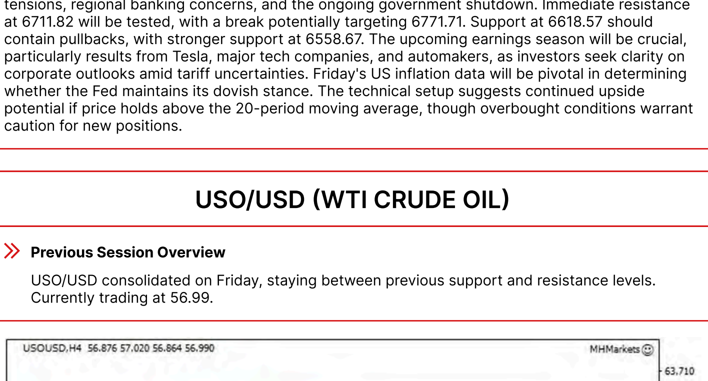
Conclusion

The S&P 500 has recovered above the 20-period moving average at 6691.10 with the Stochastic indicator moving toward overbought territory, suggesting near-term bullish momentum. However, the rally's sustainability remains questionable given multiple headwinds including US-China trade tensions, regional banking concerns, and the ongoing government shutdown. Immediate resistance at 6711.82 will be tested, with a break potentially targeting 6771.71. Support at 6618.57 should contain pullbacks, with stronger support at 6558.67. The upcoming earnings season will be crucial, particularly results from Tesla, major tech companies, and automakers, as investors seek clarity on corporate outlooks amid tariff uncertainties. Friday's US inflation data will be pivotal in determining whether the Fed maintains its dovish stance. The technical setup suggests continued upside potential if price holds above the 20-period moving average, though overbought conditions warrant caution for new positions.

USO/USD (WTI CRUDE OIL)

Previous Session Overview

USO/USD consolidated on Friday, staying between previous support and resistance levels. Currently trading at 56.99.



Market Outlook

WTI crude oil prices have stabilized after recent weakness, consolidating in a narrow range as markets digest competing factors affecting the energy complex. The commodity faces headwinds from demand concerns related to US-China trade tensions and the ongoing government shutdown, while finding some support from supply-side developments. The escalating trade conflict between the world's two largest economies continues to weigh on oil demand expectations. President Trump's threat of 100% tariffs on Chinese imports, combined with China's export controls on rare earth minerals and Beijing's retaliatory port fees on US vessels, has raised concerns about global economic growth and energy consumption. However, oil markets are finding some support from shifting dynamics in US production. According to recent industry analysis, US oil growth is moving from maturing shale fields to offshore projects in the Gulf of Mexico. Output from Gulf fields is projected to rise from 1.8 million barrels per day currently to 2.4 million barrels per day by 2027, driven by technological advancements and strong federal support under the Trump administration's pro-energy policies. Major oil companies are committing significant capital to offshore projects, with BP announcing a $5 billion investment in the Tiber-Guadalupe project and planning to boost Gulf output to 400,000 bpd by 2030. Talos Energy's Daenerys discovery, described as the most significant since Shell's 2017 Whale find, could produce 65,000 bpd at peak rates. The shift from shale to offshore reflects maturing onshore reservoirs and declining well productivity in parts of the shale patch. While shale wells can start producing quickly, they also deplete faster, requiring continuous drilling. Offshore projects have higher upfront costs but lower long-term breakeven, with some operators citing breakeven as low as $20-35 per barrel compared to shale's $48 average. The upcoming week will see markets focused on trade developments, the September CPI data, and any updates on the government shutdown that could affect energy-related data releases.

Technical Outlook

- Stochastic is moving higher towards the overbought area.
- Price is moving higher towards the 20-period moving average.
- This suggests building upward momentum with recovery potential.

Key Levels to Watch

Resistance: 58.17; 59.33
Support: 55.78; 54.60

Conclusion

WTI crude oil is attempting a recovery, with price moving higher toward the 20-period moving average at 56.99 as the Stochastic indicator advances toward overbought territory. This technical configuration suggests improving momentum for oil prices. A successful reclaim of the 20-period moving average would be a bullish signal, potentially targeting resistance at 58.17 and then 59.33. Support at 55.78 should contain any near-term weakness, with stronger support at 54.60. The fundamental outlook remains mixed - US-China trade tensions and economic concerns pose downside risks to demand, while the structural shift toward offshore production and federal support for domestic energy could provide a floor under prices. The ongoing government shutdown limits data availability, but Friday's inflation report and any trade developments will be key catalysts. The technical setup favours cautious optimism if support holds, though sustained upside requires either trade de-escalation or concrete evidence of tightening supply conditions.

Key events for today and tomorrow (GMT):

Date	Time	Currency	Events	Forecast	Previous
20 Oct			No Key Events for Today		
21 Oct	12:30	CAD	CPI m/m	-0.1%	-0.1%
	12:30	CAD	Median CPI y/y	3.0%	3.1%
	12:30	CAD	Trimmed CPI y/y	3.0%	3.0%

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