

Tuesday, January 31, 2023

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# Global FX Insights

by LMAX Group Research & Analytics

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

## A case of repositioning 🔊 [Wake-up call](#)

We're seeing clear risk off flow and US Dollar demand as the week gets going. The most likely explanation is market positioning ahead of tomorrow's Fed policy decision.

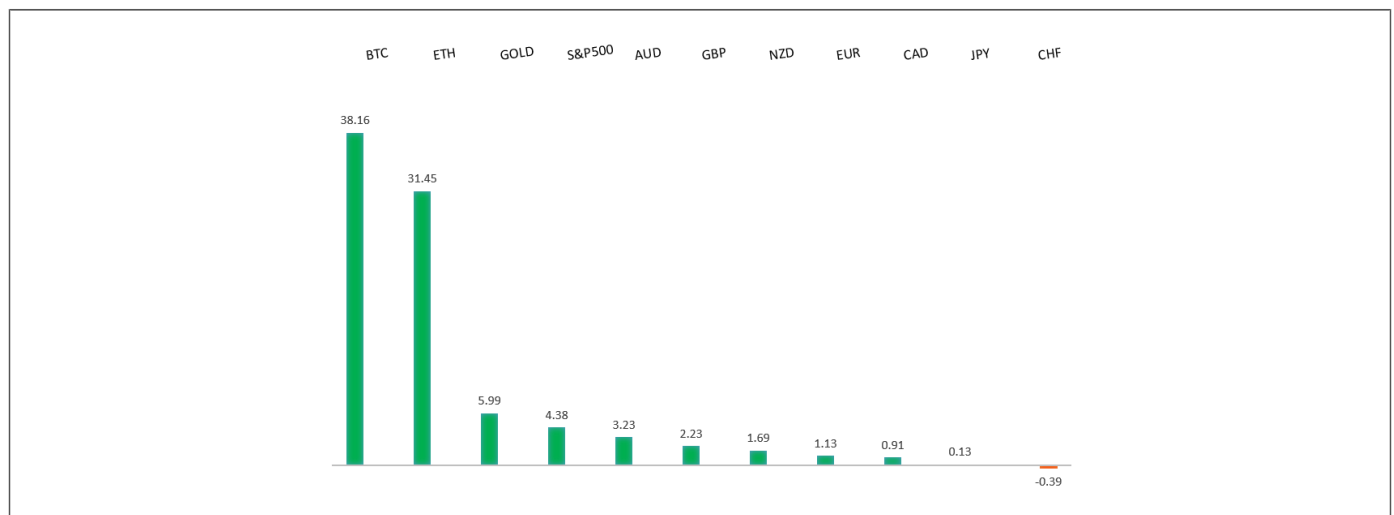
### Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Closing in on psychological barrier
- [GBPUSD](#) Into important internal resistance
- [USDJPY](#) Additional setbacks limited
- [AUDUSD](#) Structure shifts more bullish
- [USDCAD](#) Well supported on dips
- [NZDUSD](#) Additional upside limited
- [US SPX 500](#) Looking for downtrend resumption
- [GOLD](#) (spot) Pushing back towards record high

### Fundamental highlights

- [EURUSD](#) German GDP miss factors into flow
- [GBPUSD](#) Pound sells off on BOE pricing
- [USDJPY](#) Japan retail sales comes in solid
- [AUDUSD](#) Aussie retail sales disappoints
- [USDCAD](#) StatCan downward revision of jobs
- [NZDUSD](#) Kiwi holds up better than most
- [US SPX 500](#) Inflation headache not going away
- [GOLD](#) (spot) Dealers report plenty of demand

## 30 Day Performance vs. US dollar (%)



## Suggested reading

- [‘E’ Is for Europe at the Epicenter of Everything](#), J. Authers, **Bloomberg** (January 31, 2023)
- [How the buyout of Morrisons turned into a costly blunder](#), R. Smith, **FT** (January 26, 2023)

# EURUSD - technical overview

The Euro recovery has finally run back above meaningful previous support turned resistance at 1.0635. The December close above this level further encourages the recovery outlook and makes a stronger case for the formation of a longer-term bottom. Any setbacks should now be well supported ahead of 1.0300. Next major resistance at 1.1000.



- **R2 1.0937** - 21 April high - Strong
- **R1 1.0930** - 27 January high - Medium
- **S1 1.0766** - 18 January low - Strong
- **S2 1.0634** - 9 January low - Medium

# EURUSD - fundamental overview

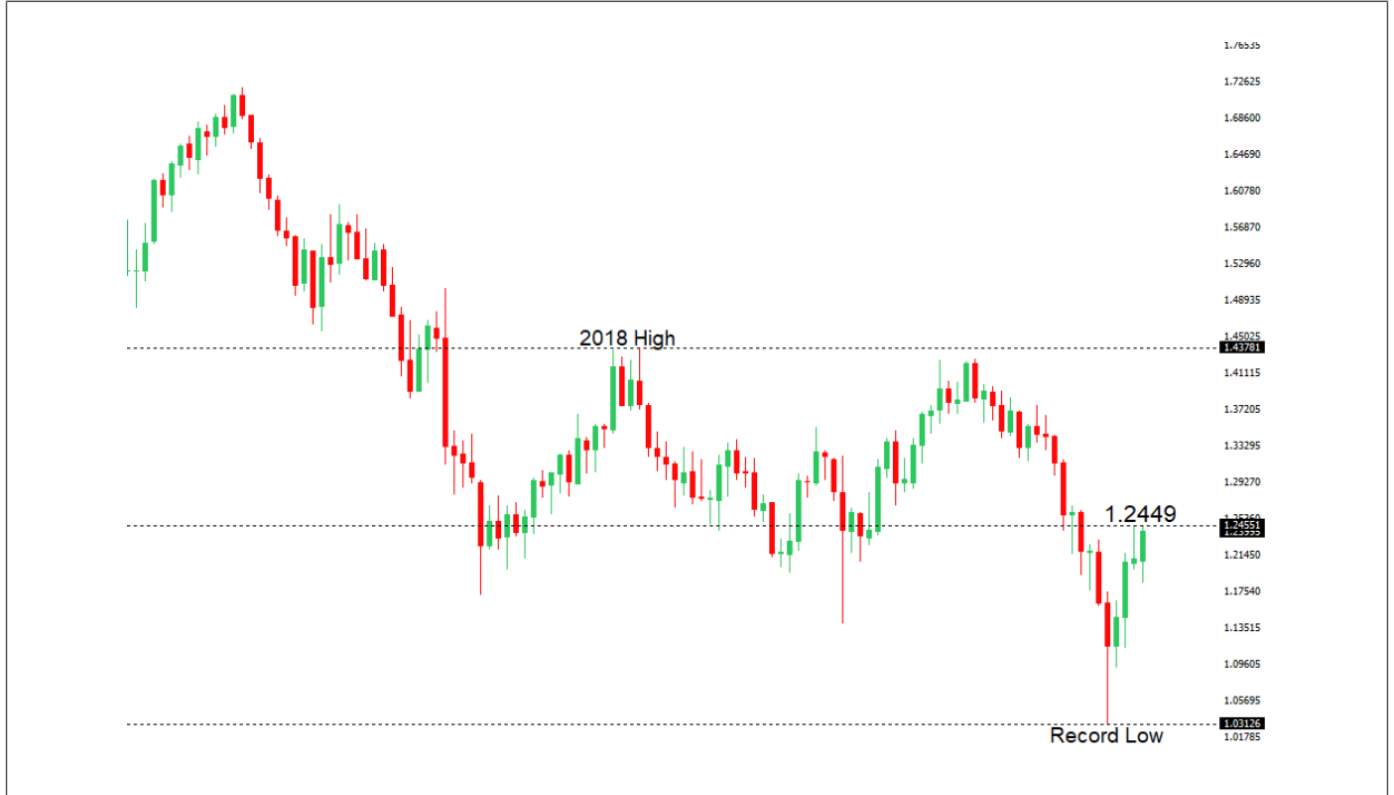
Soft German GDP data and some broad based risk off flow factored into Monday's downside price action. Key standouts on Tuesday's calendar come from German retail sales, German unemployment, UK consumer credit and mortgage approvals, Eurozone GDP, Canada GDP, US Case Shiller, Chicago PMIs, and Dallas Fed services.

# EURUSD - Technical charts in detail

[Watch now](#)

# GBPUSD - technical overview

Signs have emerged of the market wanting to put in a longer-term base after collapsing to a record low in September. The latest weekly close back above the September high at 1.1739 strengthens this prospect. Any setbacks should now be well supported ahead of 1.1500. Next key resistance comes in at 1.2668.



- **R2 1.2448** - 14 December high - Strong
- **R1 1.2400** - Figure - Medium
- **S1 1.2169** - 17 January low - Medium
- **S2 1.2082** - 12 January low - Strong

# GBPUSD - fundamental overview

**The Pound has been in retreat mode** as the market braces for a split vote from the Bank of England on Thursday. The consensus is that following the bullish run in the Pound in January, this leaves the balance of risk tilted to the downside with greater downside from a dovish BOE than upside from a hawkish BOE. Key standouts on Tuesday’s calendar come from German retail sales, German unemployment, UK consumer credit and mortgage approvals, Eurozone GDP, Canada GDP, US Case Shiller, Chicago PMIs, and Dallas Fed services.

[Watch now](#)

# USDJPY - technical overview

The major pair has been in the throes of a long overdue correction that was waiting to play out after a parabolic run to the topside to multi-year highs. At this stage, the correction could be getting close to having played out fully, with the market finally approaching critical previous resistance turned support in the 125.00 area.



- **R2 132.88** - 11 January high - Strong
- **R1 131.58** - 18 January high - Medium
- **S1 127.22** - 16 January low - Medium
- **S2 126.36** - 24 May low - Strong

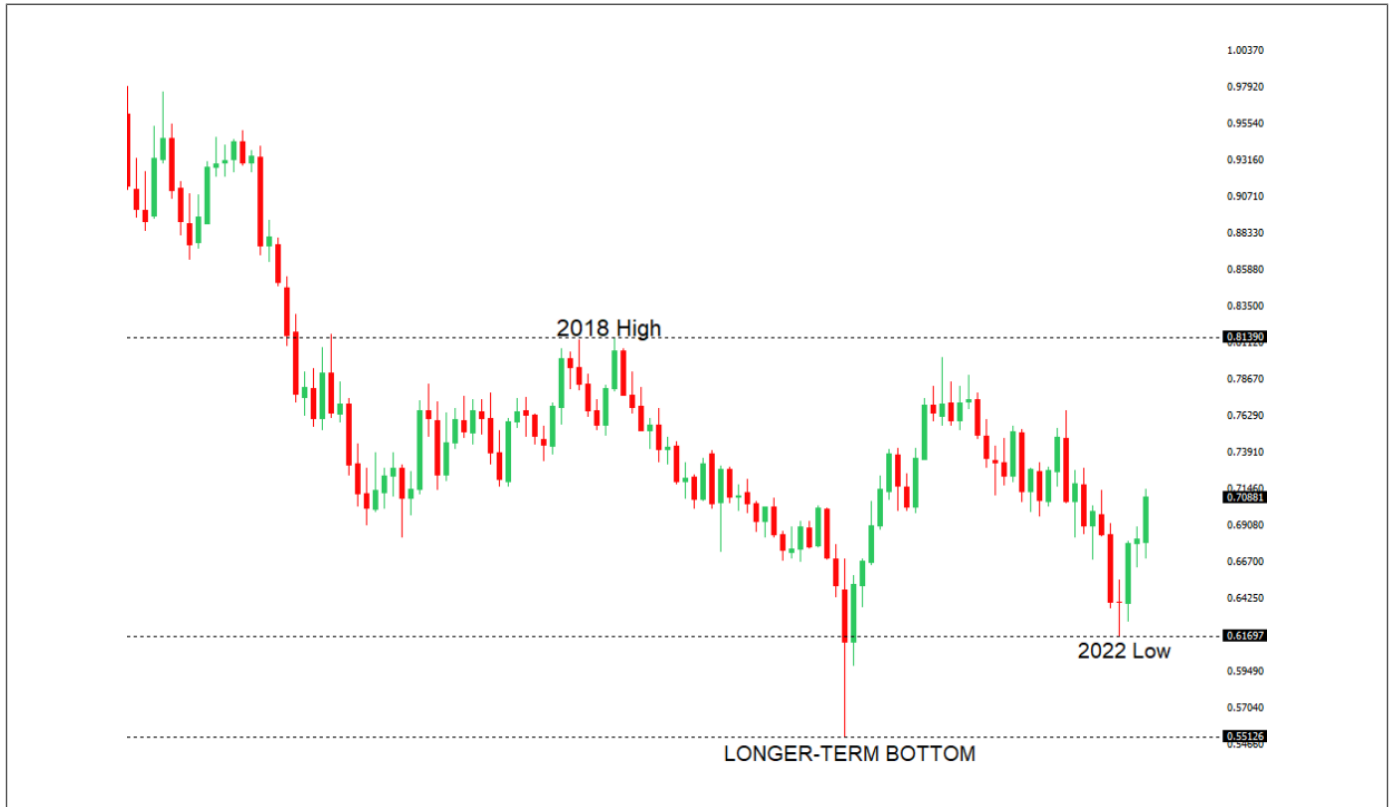
# USDJPY - fundamental overview

**Most of the latest mild selling in the Yen** came from yield differentials moving back in the US Dollar's favor. On the data side, Japan unemployment came in as expected, while retail sales came in above forecast. Industrial production reads were mixed. Key standouts on Tuesday's calendar come from German retail sales, German unemployment, UK consumer credit and mortgage approvals, Eurozone GDP, Canada GDP, US Case Shiller, Chicago PMIs, and Dallas Fed services.

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# AUDUSD - technical overview

There are signs of the potential formation of a longer-term base following the recent surge back above 0.6500. The recent weekly close back above previous support now turned resistance at 0.6682 strengthens the outlook for a bullish structural shift. Next key resistance comes in at 0.7284.



- **R1 0.7200** - Figure - Strong
- **R2 0.7143** - 26 January high - Medium
- **S1 0.6860** - 10 January low - Medium
- **S2 0.6800** - Figure - Medium

# AUDUSD - fundamental overview

The Australian Dollar was already under pressure on Monday from risk off flow, but as seen additional setbacks on Tuesday thus far from the much weaker than expected Aussie retail sales print. Key standouts on Tuesday's calendar come from German retail sales, German unemployment, UK consumer credit and mortgage approvals, Eurozone GDP, Canada GDP, US Case Shiller, Chicago PMIs, and Dallas Fed services.

# USDCAD - technical overview

A recent surge back above 1.3000 signals an end to a period of bearish consolidation and suggests the market is in the process of carving out a more significant longer-term base. Next key resistance now comes in up into the 1.4000 area. Setbacks should be very well supported down into the 1.3000 area.



- **R2 1.3706** - 16 December high - Strong
- **R1 1.3519** - 19 January high - Medium
- **S1 1.3300** - 30 January low - Medium
- **S2 1.3226** - 15 November low - Strong

# USDCAD - fundamental overview

StatCan came out with a downward revision to the recent blowout Canada jobs report, US equities sold off, and oil prices were under pressure. All of this factored into the latest round of weakness in the Canadian Dollar. Key standouts on Tuesday's calendar come from German retail sales, German unemployment, UK consumer credit and mortgage approvals, Eurozone GDP, Canada GDP, US Case Shiller, Chicago PMIs, and Dallas Fed services.

# NZDUSD - technical overview

**Overall pressure remains on the downside** with risk for the current recovery rally to stall out and form a lower top for the next major downside extension. A break back above 0.6577 would be required to take the immediate pressure off the downside.



- **R2 0.6577** - 3 June high - Strong
- **R1 0.6531** - 18 January high - Medium
- **S1 0.6305**- 12 January low - Medium
- **S2 0.6191** - 6 January low - Strong

# NZDUSD - fundamental overview

**The New Zealand Dollar outperformed its peers** on optimistic Kiwi survey data, but has been unable to avoid downside pressure from a wave of global risk liquidation. Key standouts on Tuesday’s calendar come from German retail sales, German unemployment, UK consumer credit and mortgage approvals, Eurozone GDP, Canada GDP, US Case Shiller, Chicago PMIs, and Dallas Fed services.

# US SPX 500 - technical overview

**Longer-term technical studies are in the process of unwinding** from extended readings off record highs. Look for rallies to be well capped in favor of lower tops and lower lows. A monthly close back above 4300 will be required at a minimum to take the immediate pressure off the downside. Next major support comes in at 3492.



- **R2 4137** - 13 December high - Strong
- **R1 4097** - 27 January high - Medium
- **S1 3885** - 19 January low - Medium
- **S2 3800** - Figure - Strong

# US SPX 500 - fundamental overview

**We've finally reached a point in the cycle** where the Fed recognizes unanchored inflation expectations pose a greater downside risk than over-tightening. This is significant, as it means less investor friendly monetary policy that risks potential recession in the months ahead. Overall, we expect inflation to continue to be a problem in H1 2023 that results in downside pressure into rallies.



# GOLD (SPOT) - technical overview

The 2019 breakout above the 2016 high at 1375 was a significant development, opening the door for fresh record highs. Setbacks should now be well supported above 1600 on a monthly close basis ahead of the next major upside extension. The recent break back above 1808 strengthens the bullish outlook. Next major resistance comes in at 2000.



- **R2 2000** - Mid-Figure - Strong
- **R1 1950** - 26 January high - Medium
- **S1 1774** - 15 December low - Medium
- **S2 1719** - 23 November 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 inflation risk and a less upbeat global growth outlook. 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.



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