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Global FX Insights

by LMAX Group Research & Analytics

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

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US markets continue to embrace the probability of recession and this reality is a reality that has factored into a good chunk of the risk off flow we've been seeing out there.

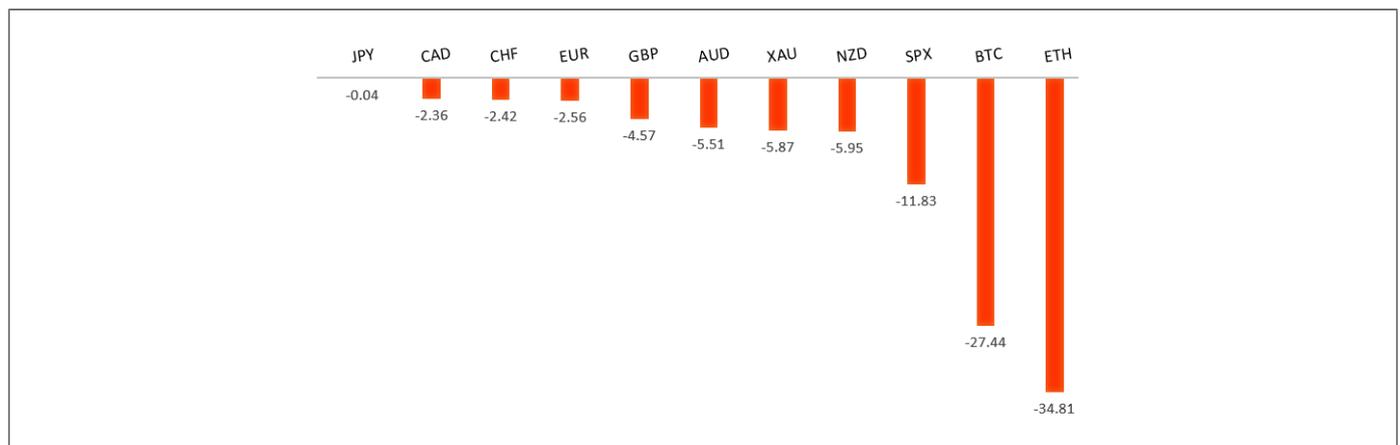
Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Room for drop to parity
- [GBPUSD](#) Gravitating to 2019 low
- [USDJPY](#) Bearish reversal in play
- [AUDUSD](#) Aussie tests internal support
- [USDCAD](#) Bullish breakout
- [NZDUSD](#) Sights set on 2015 low
- [US SPX 500](#) Rallies to be well capped
- [GOLD \(spot\)](#) Bullish consolidation

Fundamental highlights

- [EURUSD](#) Inflation worry outweighs growth concerns
- [GBPUSD](#) CBI orders jump boosts Pound
- [USDJPY](#) Yen recovering on traditional **correlation**
- [AUDUSD](#) Not enough jobs added in Australia
- [USDCAD](#) Commodities rebound helps Loonie
- [NZDUSD](#) NZ government to extend cash handouts
- [US SPX 500](#) Stocks vulnerable in Q2
- [GOLD \(spot\)](#) Dealers report plenty of demand

30 Day Performance vs. US dollar (%)



Suggested reading

- [Stock Selloff May Be Entering a New Phase](#), M. El-Erian, **Bloomberg** (May 19, 2022)
- [Net Zero Won't Change the Way We Live](#), M. Sandbu, **Financial Times** (May 10, 2022)

EURUSD - technical overview

The market has come under intense pressure in recent weeks, with setbacks accelerating to retest the multi-year low from 2017. A clear break below 1.0300 now sets up the next downside extension towards parity. At the same time, technical studies are looking rather oversold and warn of a bounce over the coming sessions. Back above 1.0650 would be required at a minimum to take the immediate pressure off the downside.



- **R2 1.0642** - 5 May high - Strong
- **R1 1.0608** - 19 May high - Medium
- **S1 1.0460** - 19 May low - Medium
- **S2 1.0350** - 13 May/2022 low - Strong

EURUSD - fundamental overview

The Euro recovery has extended with more hawkish comments coming out of the ECB. It seems the message is that uncertainty around growth is being outweighed by a necessity to counter rising inflation expectations. Key standouts on today’s calendar come from German producer prices, UK retail sales, a BOE Pill speech, Eurozone consumer confidence, Canada ADP employment, and the G7 finance ministers and central bank governors meeting.

EURUSD - Technical charts in detail

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GBPUSD - technical overview

The recent drop below 1.2500 has accelerated declines, with the market firmly focused on next key support in the form of the 2019 low around 1.1960. However, if indeed we do see a test of this level over the coming days, additional setbacks should be very well supported with technical studies highly extended and a bullish reversal anticipated. Back above 1.2640 will be required to take the immediate pressure off the downside.



- **R2 1.2638** - 4 May high - Strong
- **R1 1.2525** - 19 May high - Medium
- **S1 1.2314** - 17 May low - Medium
- **S2 1.2156** - 13 May/2022 low - Strong

GBPUSD - fundamental overview

The Pound got a nice pop on Thursday after UK May CBI orders jumped by a good deal more than expected, coming in at 26 versus 12 forecast and 14 previous. Key standouts on today's calendar come from German producer prices, UK retail sales, a BOE Pill speech, Eurozone consumer confidence, Canada ADP employment, and the G7 finance ministers and central bank governors meeting.

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USDJPY - technical overview

The market has rocketed higher to its highest levels since 2002 after breaking through the 2015 high. Technical studies are however in the process of unwinding from overbought readings, with scope for a sizable correction in the weeks ahead. Look for additional upside from here to be limited to the 130.00 area for now. A break back below 127.00 would confirm the likelihood of a deeper pullback.



- **R2 131.25** - 28 April/2022 high - Strong
- **R1 129.79** - 17 May high - Medium
- **S1 127.03** - 19 May low - Medium
- **S2 126.95** - 27 April low - Strong

USDJPY - fundamental overview

We are finally seeing evidence of a Yen that has perhaps fallen a little too hard and fast on monetary policy divergence between the BOJ and Fed. Instead, recent price action suggests the Yen is still in demand on the back of traditional correlations with risk off flow. Key standouts on today's calendar come from German producer prices, UK retail sales, a BOE Pill speech, Eurozone consumer confidence, Canada ADP employment, and the G7 finance ministers and central bank governors meeting.

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AUDUSD - technical overview

The market has dropped back to a critical internal support level in the form of the 2016 low. A breakdown below this level would open the door for a bearish continuation towards 0.6000. Back above 0.7265 would be required to take the immediate pressure off the downside.



- **R1 0.7266** - 5 May high - Strong
- **R2 0.7073** - 19 May high - Medium
- **S1 0.6829** - 12 May/2022 low - Medium
- **S2 0.6733** - Monthly low/January 2019 - Strong

AUDUSD - fundamental overview

A mixed Aussie jobs report ended up holding the Australian Dollar back on Thursday. Though the currency strengthened against the Dollar, it lagged against many of its peers. The local market was unimpressed with just 4k jobs added versus the 30k expected. Key standouts on today's calendar come from German producer prices, UK retail sales, a BOE Pill speech, Eurozone consumer confidence, Canada ADP employment, and the G7 finance ministers and central bank governors meeting.

USDCAD - technical overview

The latest surge back above 1.3000 ends 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 1.3500 area. Any setbacks should be very well supported down into the 1.2500 area.



- **R2 1.3077** - 12 May/2022 high - Strong
- **R1 1.2896** - 18 May high - Medium
- **S1 1.2783** - 19 May low - Medium
- **S2 1.2714** - 5 May low - Strong

USDCAD - fundamental overview

Things have been mostly quiet in Canada, with the Loonie left to trade off bigger picture themes this week. We've seen a recovery in the Canadian Dollar into the latter half of the week on recovering stocks and well bid commodities prices. Key standouts on today's calendar come from German producer prices, UK retail sales, a BOE Pill speech, Eurozone consumer confidence, Canada ADP employment, and the G7 finance ministers and central bank governors meeting.

NZDUSD - technical overview

The market has been trending lower since topping out in 2021, making a series of lower highs and lower lows. The focus is now squarely on a retest of the 2015 low which comes in just ahead of 0.6100. Back above 0.6570 would be required to take the immediate pressure off the downside.



- **R2 0.6569** - 5 May high - Strong
- **R1 0.6418** - 19 May high - Medium
- **S1 0.6216** - 12 May/2022 low - Medium
- **S2 0.6109** - 2015 low - Strong

NZDUSD - fundamental overview

The New Zealand Dollar has recovered nicely on account of broad based risk on flow. Meanwhile, the New Zealand government will be extending cash handouts. At the same time, the New Zealand budget is warning of a pronounced economic slowdown in 2024. Key standouts on today's calendar come from German producer prices, UK retail sales, a BOE Pill speech, Eurozone consumer confidence, Canada ADP employment, and the G7 finance ministers and central bank governors meeting.

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. Back above 4,312 will be required at a minimum to take the immediate pressure off the downside. Next major support comes in around 3,400.



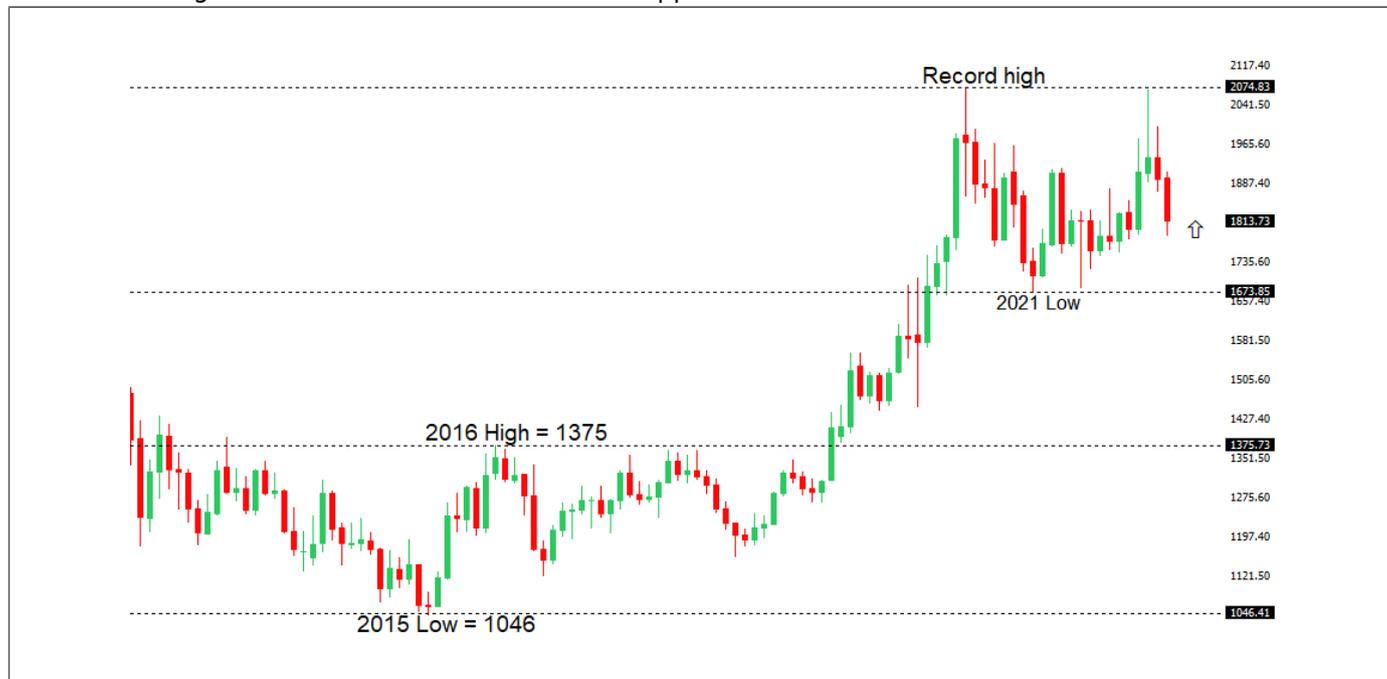
- **R2 4312** - 26 April high - Strong
- **R1 4099** - 18 May high - Medium
- **S1 3860** - 19 May/2022 low - Medium
- **S2 3800** - Round Number - Medium

US SPX 500 - fundamental overview

With so little room for additional central bank accommodation, given an already depressed interest rate environment, the prospect for sustainable runs to the topside on easy money policy incentives and government stimulus, should no longer be as enticing to investors. Meanwhile, ongoing worry associated with coronavirus fallout, rising inflation, and geopolitical tension should continue to weigh more heavily on investor sentiment in 2022.

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 1700.



- **R2 1999** - 18 April high - Strong
- **R1 1920** - 29 April high - Medium
- **S1 1800** - Round number - Medium
- **S2 1787** - 16 May low - Medium

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, coronavirus fallout, inflation risk, and geopolitical tension. 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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