

Global FX Insights

by LMAX Group Research & Analytics

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

A market that no longer has the Fed's ear 🗣️ [Wake-up call](#)

In previous years, there was a certain order of things. The Fed would say it would be starting to move towards less accommodative policy, the market would scream out that it didn't want that, and the Fed would backtrack and abide by the will of the market. But this time round, it's been different.

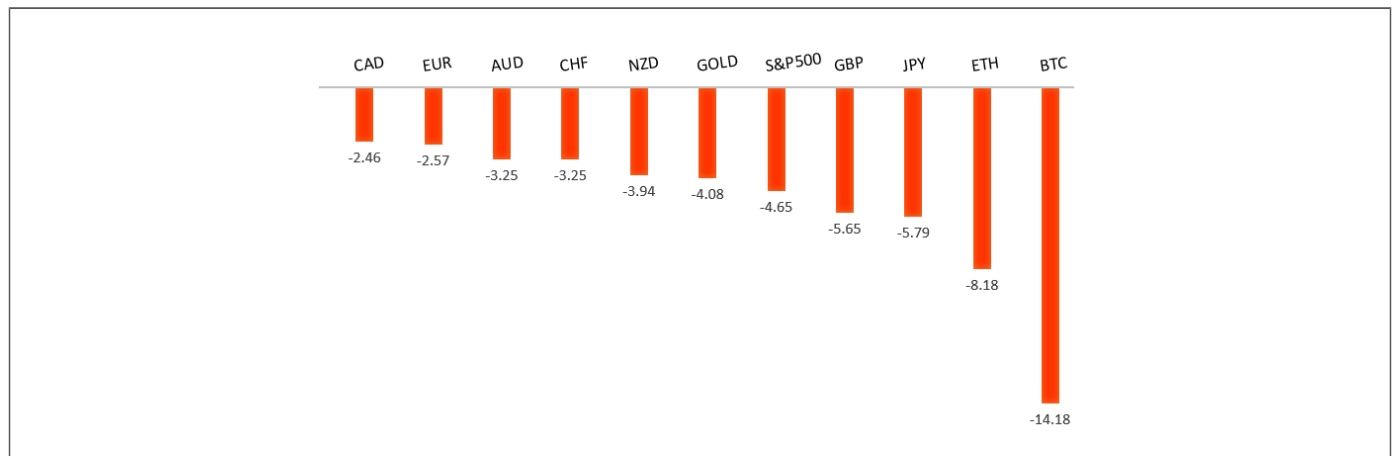
Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Uncomfortable below parity
- [GBPUSD](#) Gravitating to 2020 low
- [USDJPY](#) Rallies should be capped for now
- [AUDUSD](#) Pressure remains on downside
- [USDCAD](#) Signs of meaningful base
- [NZDUSD](#) Gravitating back to yearly low
- [US SPX 500](#) Lower top sought out
- [GOLD](#) (spot) Ready for next bullish run

Fundamental highlights

- [EURUSD](#) Market pricing ECB 75bp hike
- [GBPUSD](#) UK economic outlook looking bleak
- [USDJPY](#) Japan crushed on policy divergence trade
- [AUDUSD](#) Aussie can't ignore risk-off flow
- [USDCAD](#) Canadian Dollar suffers from soft GDP
- [NZDUSD](#) Kiwi struggles with risk-off flow
- [US SPX 500](#) Inflation headache not going away
- [GOLD](#) (spot) Dealers report plenty of demand

30 Day Performance vs. US dollar (%)



Suggested reading

- [The Fed Is About to Go Full Throttle on QT. Fear Not.](#), K. Muir, **Bloomberg** (August 31, 2022)
- [Nuclear Is Back In Vogue - What About Its Waste?](#), A. Gross, **Financial Times** (August 31, 2022)

EURUSD - technical overview

The market has come under intense pressure in recent months, with setbacks accelerating below the critical multi-year low from 2017 at 1.0340. This has set up a dip below monumental support in the form of parity. At the same time, technical studies are tracking in oversold territory, suggesting additional setbacks should be limited. Back above 1.0500 would be required to take the immediate pressure off the downside.



- **R2 1.0146** - 17 August high - Medium
- **R1 1.0091** - 26 August high - Medium
- **S1 0.9900** - 23 August/**2022 low** - Strong
- **S2 0.9800** - Figure - Strong

EURUSD - fundamental overview

Enthusiasm around the EU gas price cap plan has faded, mostly as market participants comes to terms with the reality that you can print money but you can't print gas. Still, with the ECB talking a lot more hawkish and with German and Eurozone inflation rocketing higher, the Euro has been better supported in recent sessions. The market is now pricing 75bps of ECB rate hikes in September. Key standouts on Thursday's calendar include German retail sales, German, Eurozone, and UK manufacturing PMI reads, Eurozone unemployment, US initial jobless claims, US construction spending, US ISM manufacturing, and a Fed Bostic speech late in the day.

EURUSD - Technical charts in detail

[Watch now](#)

GBPUSD - technical overview

The market continues to be exceptionally well supported on dips below 1.2000. At the same time, there is now risk for a retest of the multi-year low from 2020 down in the 1.1400 area before we see the formation of a base and the next big push back through 1.2000. Back above 1.1761 takes the immediate pressure off the downside.



- **R2 1.1901**- 26 August low - Strong
- **R1 1.1761** - 30 August high - Strong
- **S1 1.1568** - 1 September/2022 low - Medium
- **S2 1.1500** - Psychological - Strong

GBPUSD - fundamental overview

The Pound has been hit hard, breaking down to fresh yearly lows and fast approaching the multi-year low from 2020 as it contends with downgraded economic forecasts for the UK economy, and a government looking to offset higher consumer energy costs with borrowed money. Meanwhile, shop prices and food prices continue to jump at staggering rates. Key standouts on Thursday's calendar include German retail sales, German, Eurozone, and UK manufacturing PMI reads, Eurozone unemployment, US initial jobless claims, US construction spending, US ISM manufacturing, and a Fed Bostic speech late in the day.

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USDJPY - technical overview

Technical studies are looking quite stretched on the longer-term chart, warning of consolidation and correction in the days and weeks ahead. Look for additional upside from here to be well capped into the 140.00 area. Next key support comes in at 135.81.



- **R2 140.00** - Psychological - Strong
- **R1 139.69** - 1 September/2022 high - Medium
- **S1 135.81** - 23 August low - Strong
- **S2 134.65** - 18 August low - Medium

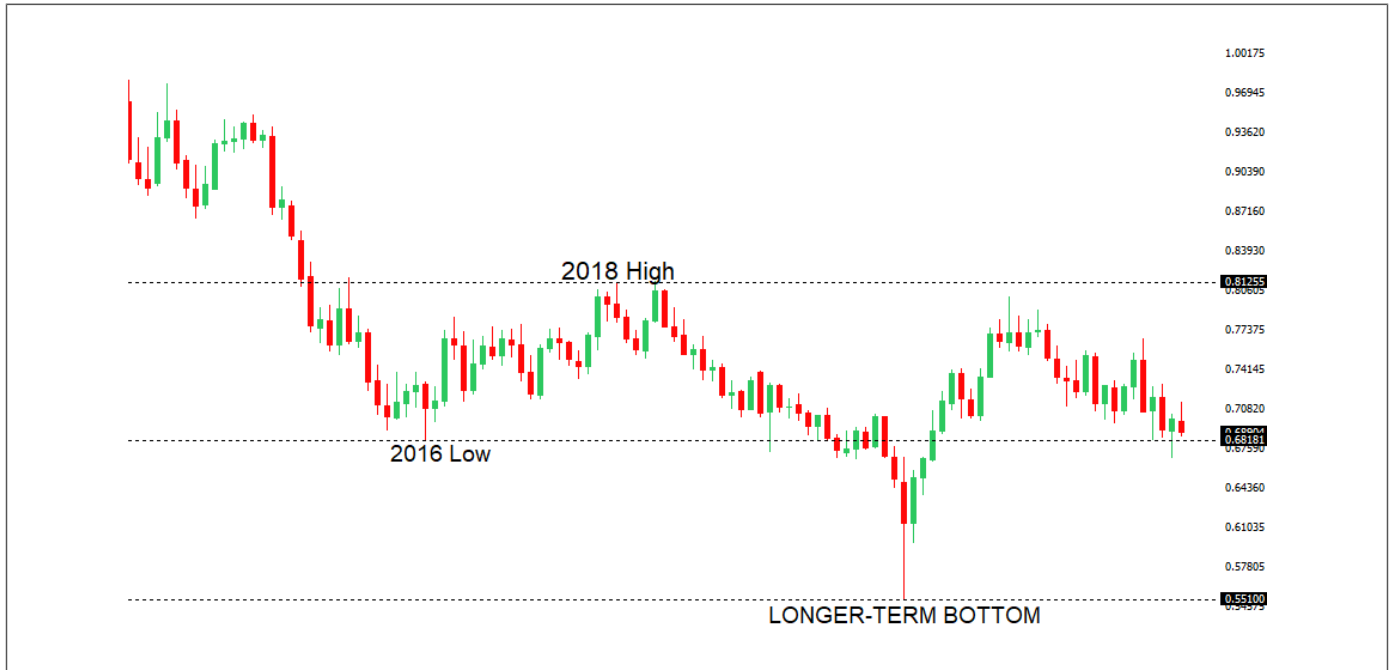
USDJPY - fundamental overview

Yield differentials between the Yen and US Dollar have resulted in a massive downturn in the Yen in 2022, with the currency at its lowest levels since 1998. Monetary policy divergence will continue to drive flow here, especially with the BOJ still not willing to rule out additional easing. We've just heard from BOJ Nakagawa who was out saying 2% inflation alone not good enough to force a shift in policy. Key standouts on Thursday's calendar include German retail sales, German, Eurozone, and UK manufacturing PMI reads, Eurozone unemployment, US initial jobless claims, US construction spending, US ISM manufacturing, and a Fed Bostic speech late in the day.

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AUDUSD - technical overview

Overall pressure remains on the downside despite the recent recovery and conditions remain quite choppy. A break back above 0.7137 would be required to take the pressure off the downside. Until then, scope exists for a lower top below 0.7284 and deeper setbacks towards 0.6500.



- **R1 0.7137** - 11 August high - Strong
- **R2 0.7010** - 26 August high - Medium
- **S1 0.6762** - 5 July low - Medium
- **S2 0.6682** - 14 July/2022 low - Strong

AUDUSD - fundamental overview

The Australian Dollar had done a good job holding up earlier in the week, but has finally come under pressure, unable to ignore the forces of broad based US Dollar demand and liquidation in US equities. Key standouts on Thursday's calendar include German retail sales, German, Eurozone, and UK manufacturing PMI reads, Eurozone unemployment, US initial jobless claims, US construction spending, US ISM manufacturing, and a Fed Bostic speech late in the day.

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 1.3500 area. Setbacks should be very well supported down into the 1.2500 area.



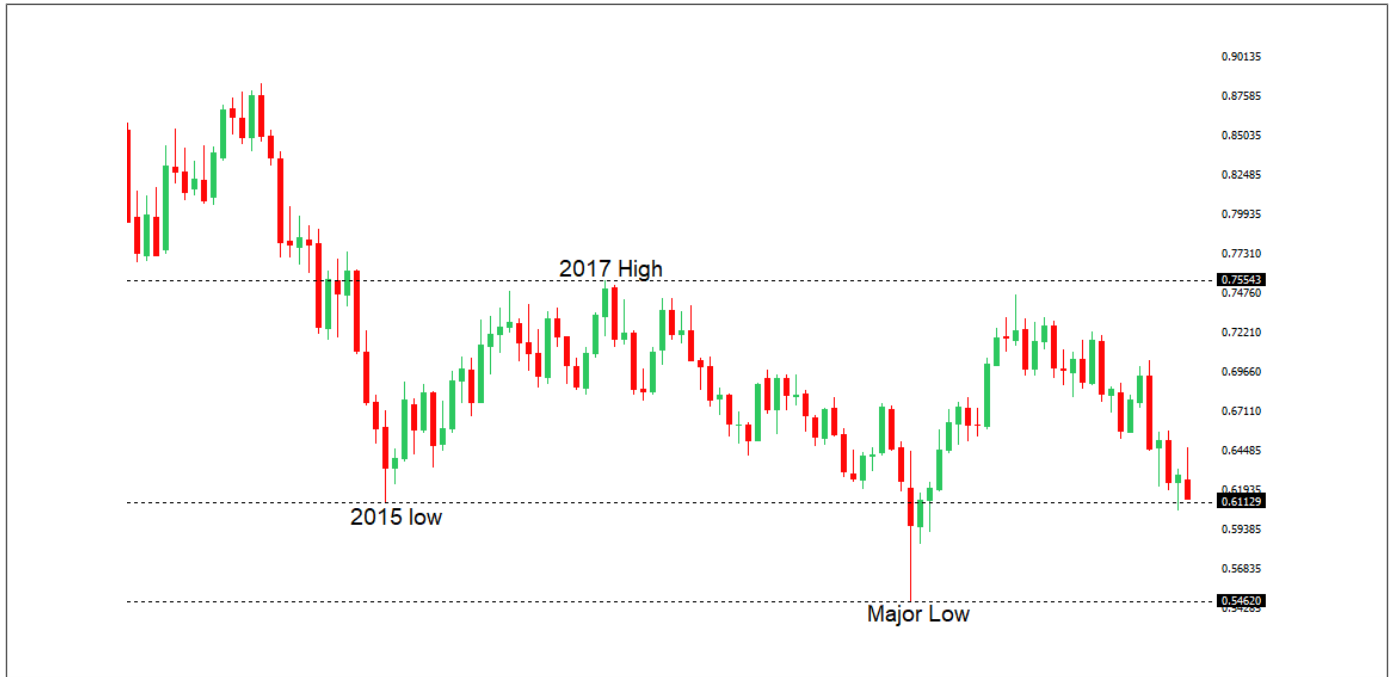
- **R2 1.3224** - 14 July/2022 high - Strong
- **R1 1.3200** - Figure - Medium
- **S1 1.2972** - 30 August low - Medium
- **S2 1.2895** - 25 August low - Strong

USDCAD - fundamental overview

It hasn't been a good 24 hours for the Canadian Dollar. The currency has been getting hit on all fronts. Canada GDP came in softer than expected, oil has come back under quite a bit of pressure, the US Dollar is rallying across the board, and global equities are sliding. Key standouts on Thursday's calendar include German retail sales, German, Eurozone, and UK manufacturing PMI reads, Eurozone unemployment, US initial jobless claims, US construction spending, US ISM manufacturing, and a Fed Bostic speech late in the day.

NZDUSD - technical overview

Overall pressure remains on the downside despite the recent recovery and conditions remain quite choppy. A break back above 0.6251 would be required to take the pressure off the downside. Until then, scope exists for a lower top below 0.6577 and deeper setbacks below 0.6000.



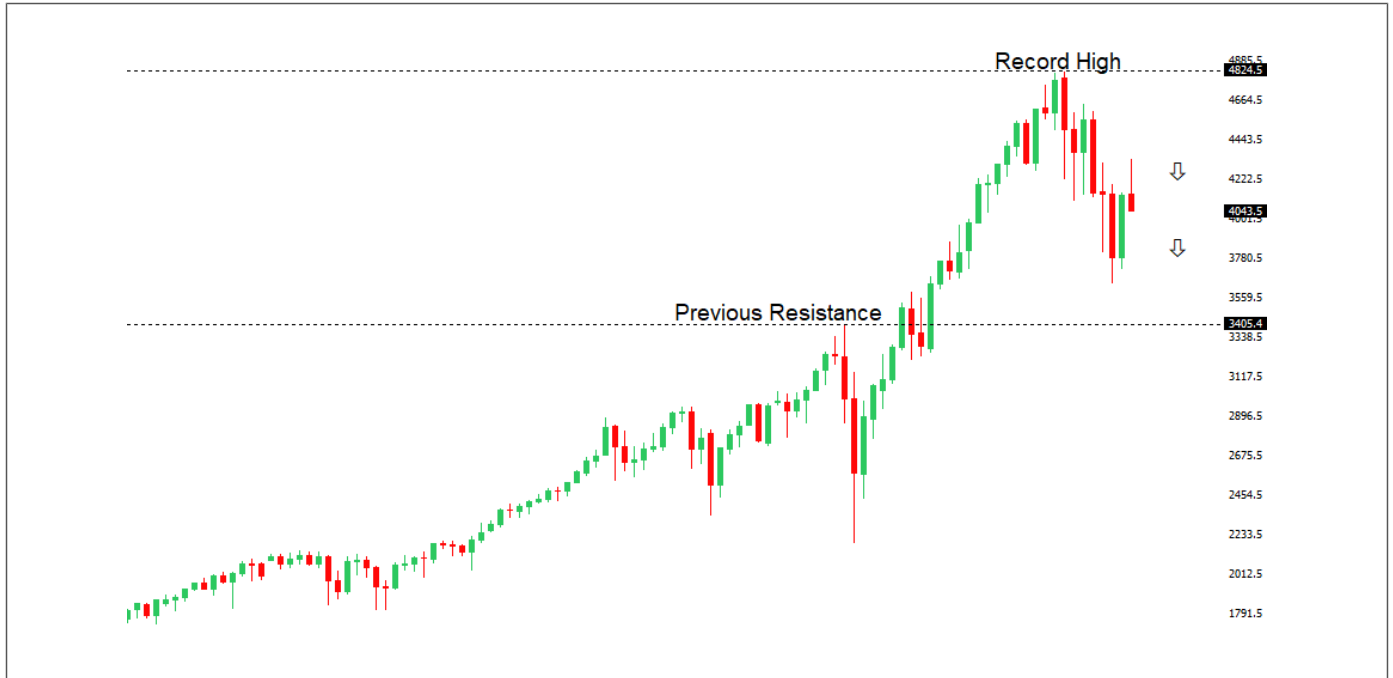
- **R2 0.6353** - 1 August high - Medium
- **R1 0.6251** - 25 August high - Strong
- **S1 0.6079**- 1 September low - Medium
- **S2 0.6061** - 14 July/2022 low - Strong

NZDUSD - fundamental overview

The New Zealand Dollar continues to struggle with risk off flow in global markets and should continue to play off the bigger picture themes as far as the outlook for the currency goes. Key standouts on Thursday's calendar include German retail sales, German, Eurozone, and UK manufacturing PMI reads, Eurozone unemployment, US initial jobless claims, US construction spending, US ISM manufacturing, and a Fed Bostic speech late in the day.

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 4,328 will be required at a minimum to take the immediate pressure off the downside. Next major support comes in around 3,400.



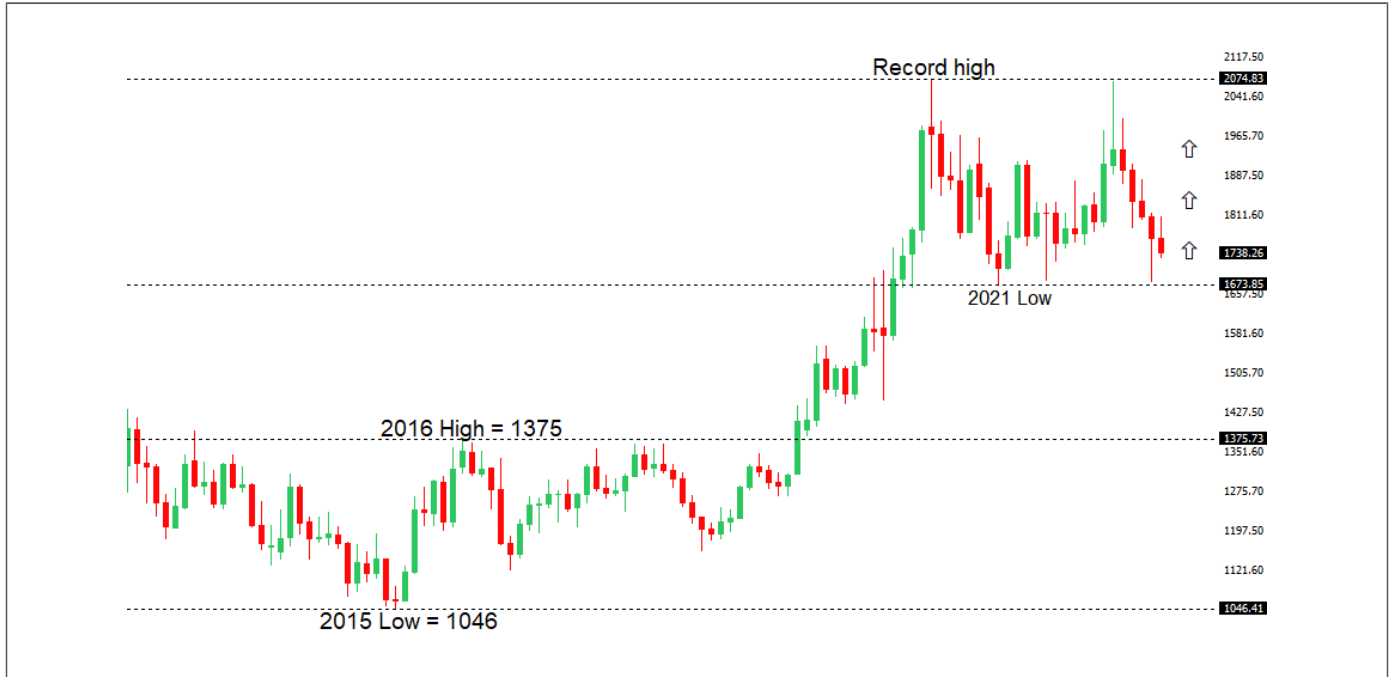
- **R2 4328** - 16 August high - Strong
- **R1 4217** - 26 August high - Medium
- **S1 3913** - 26 July low - Medium
- **S2 3900** - Round Number - Medium

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. We have seen an attempt at recovery in recent weeks, with softer CPI reads helping. But overall, we expect inflation to continue to be a problem that results in renewed 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 1700 on a monthly close basis.



- **R2 1880** - 13 June high - Strong
- **R1 1815** - 4 July high - Medium
- **S1 1700** - Round Number - Strong
- **S2 1681** - 21 July/2022 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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