

Friday, May 6, 2022

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Global FX Insights

by LMAX Group Research & Analytics

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

A rally that wasn't gonna last 🗣️ [Wake-up call](#)

We issued a word of caution the other day, as risk appetite came back and the market was able to rally in the aftermath of the Fed decision.

Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Sights set on 2017 low
- [GBPUSD](#) Risk builds for recovery
- [USDJPY](#) Next big level at 2002 high
- [AUDUSD](#) Struggles into rallies
- [USDCAD](#) Signs of major bottom
- [NZDUSD](#) Extends decline to yearly low
- [US SPX 500](#) Room for additional drop
- [GOLD](#) (spot) Dips to be well supported

Fundamental highlights

- [EURUSD](#) Soft data and dovish ECB speak
- [GBPUSD](#) Downbeat BOE communication hit Pound
- [USDJPY](#) Monetary policy divergence dominates flow
- [AUDUSD](#) China PMI freefall hurting Aussie
- [USDCAD](#) Canada jobs report and Ivey PMIs
- [NZDUSD](#) Kiwi can't get away from risk off trade
- [US SPX 500](#) Stocks vulnerable in Q2
- [GOLD](#) (spot) Dealers report plenty of demand

30 Day Performance vs. US dollar (%)



Suggested reading

- [A Brontosaurus Moment Is Finally Waking Up Markets](#), J. Authers, **Bloomberg** (May 6, 2022)
- [How Seafood Restaurants Are Fighting Inflation](#), D. Garrahan, **Financial Times** (May 5, 2022)

EURUSD - technical overview

A recent breakdown below 1.1100 to fresh multi-month lows now sets up the next major downside extension towards the multi-year low from 2017 in the 1.0300 area. At this stage, it will take a push back above 1.1500 to force a shift in the outlook.



- **R2 1.0739** - 26 April high - Medium
- **R1 1.0655** - 27 April high high - Medium
- **S1 1.0500** - Psychological - Medium
- **S2 1.0471** - 28 April/2022 low - Strong

EURUSD - fundamental overview

The Euro was back under pressure on Thursday on a soft round of German and Eurozone data and dovish ECB comments. German factory orders sunk, while ECB Lane and ECB Panetta were very cautious. Meanwhile, risk off flow helped to inspire renewed demand for the Buck. Key standouts on today’s calendar come from German industrial production, monthly employment reports out of Canada and the US, and Canada Ivey PMIs.

EURUSD - Technical charts in detail

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GBPUSD - technical overview

The market is in a correction phase in the aftermath of the run to fresh multi-month highs in 2021. At this stage, additional setbacks should be very well supported ahead of 1.2000 in favor of the next major upside extension towards a retest and break of critical resistance in the form of the 2018 high. Back above 1.2638 takes immediate pressure off the downside.



- **R2 1.2638** - 4 May high - Strong
- **R1 1.2500** - Psychological - Medium
- **S1 1.2325** - 5 May/2022 low - Medium
- **S2 1.2300** - Figure - Strong

GBPUSD - fundamental overview

The **BOE went ahead as expected on rates**, with a 25 basis point increase. At the same time, the accompanying communication was quite downbeat, with the Pound taking a massive hit as a result. BOE Bailey warned of income shock from inflation, and worsening terms of trade, all pointing towards a slower pace of policy adjustment. Key standouts on today's calendar come from German industrial production, monthly employment reports out of Canada and the US, and Canada Ivey PMIs.

[Watch now](#)

USDJPY - technical overview

The market has rocketed higher to its highest levels since 2002 after breaking through the 2015 high. Technical studies are however quite extended, 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.



- **R2 131.25** - 28 April/2022 high - Strong
- **R1 131.00** - Figure - Medium
- **S1 128.34** - 28 April low - Medium
- **S2 126.95** - 27 April low - Strong

USDJPY - fundamental overview

The Yen remains well offered into dips, with the currency feeling most of the pressure from the ever widening yield differentials in the US Dollar's favor. Even risk off flow and downside pressure in stocks hasn't been enough to offset the Yen weakness. Key standouts on today's calendar come from German industrial production, monthly employment reports out of Canada and the US, and Canada Ivey PMIs.

[Watch now](#)

AUDUSD - technical overview

At this stage, the market has found a **bottom** and is trying to hold up into dips. Still, the overall pressure remains on the downside and ultimately, it will take a weekly close back above 0.7600 to officially shift the focus back on the topside.



- **R1 0.7300** - Figure - Strong
- **R2 0.7266** - 5 May high - Medium
- **S1 0.7200** - Figure - Medium
- **S2 0.7180** - 29 April high - Medium

AUDUSD - fundamental overview

Aussie building approvals were down, mining stocks were crushed, and China PMIs are in a freefall. Meanwhile, risk off trade has come back and all of this has weighed heavily on the Australian Dollar into Friday. Key standouts on today’s calendar come from German industrial production, monthly employment reports out of Canada and the US, and Canada Ivey PMIs.

USDCAD - technical overview

Signs of a major bottom in the works after a severe decline from the 2020 high. A recent weekly close back above 1.2500 encourages the constructive outlook and opens the door for a push back towards next critical resistance in the 1.3000 area. Any setbacks should be well supported into the 1.2200s.



- **R2 1.2915** - 2 May/2022 high - Strong
- **R1 1.2900** - Figure - Medium
- **S1 1.2700** - Figure - Medium
- **S2 1.2685** - 26 April low - Strong

USDCAD - fundamental overview

The Canadian Dollar has reversed course into Friday and is back under pressure, with the currency feeling the pains of a resumption of broad based risk off flow. Key standouts on today’s calendar come from German industrial production, monthly employment reports out of Canada and the US, and Canada Ivey PMIs.

NZDUSD - technical overview

The market has been trending lower since topping out in 2021, making a series of lower highs and lower lows. Look for the latest recovery rally to set up the next lower top for a bearish continuation below 0.6500 and towards 0.6000. Back above 0.7200 would be required to negate and force a shift in the structure.



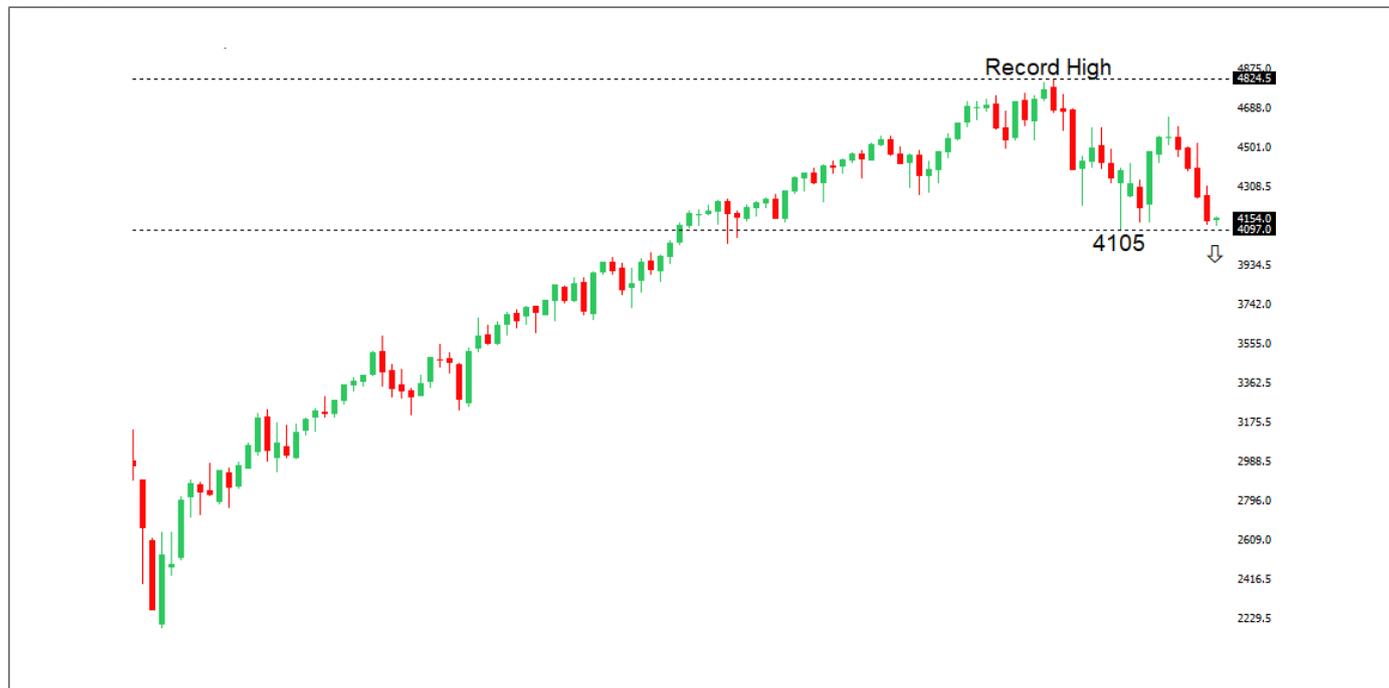
- **R2 0.6639** - 25 April high - Medium
- **R1 0.6569** - 5 May high - Medium
- **S1 0.6400** - Figure - Medium
- **S2 0.6393** - 5 May/2022 low - Medium

NZDUSD - fundamental overview

The New Zealand Dollar has been under constant pressure over the past several weeks, with the currency sinking to yearly lows on the back of a persistent wave of global risk liquidation. Key standouts on today's calendar come from German industrial production, monthly employment reports out of Canada and the US, and Canada Ivey PMIs.

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. Below 4000 opens next downside extension.



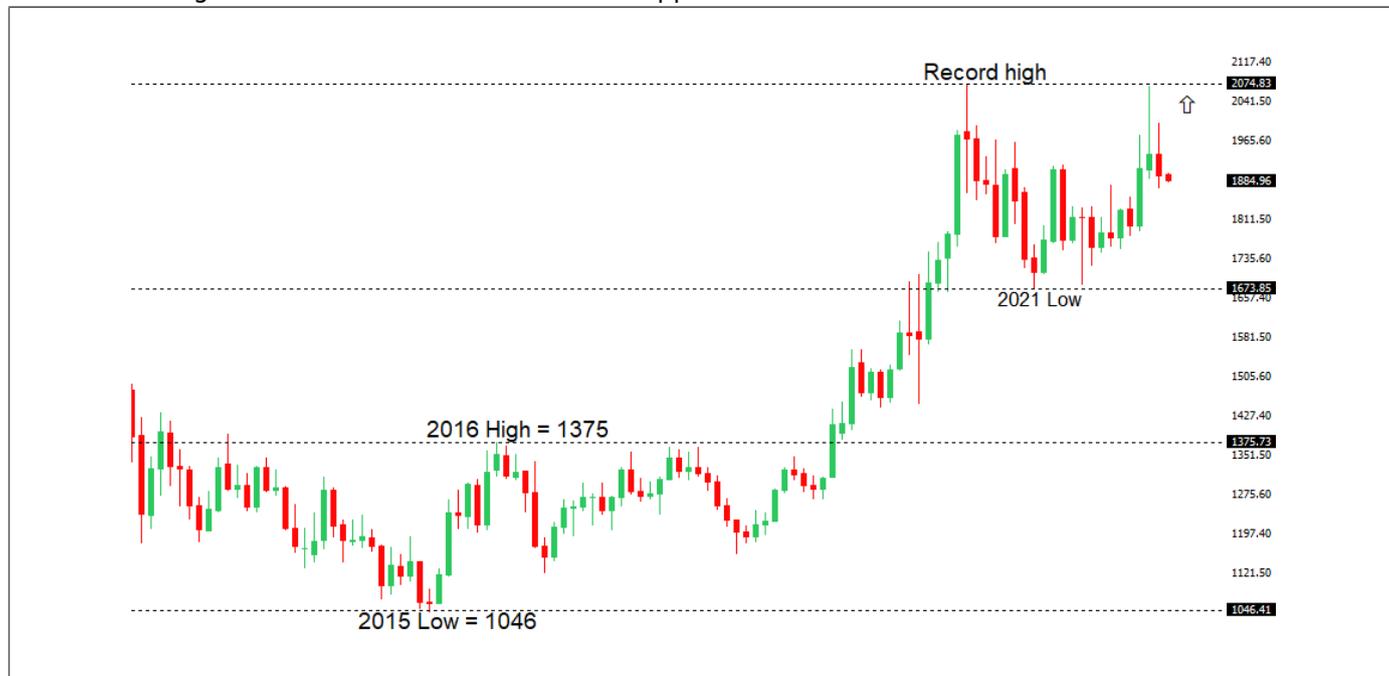
- **R2 4401** - 22 April high - Medium
- **R1 4312**- 26 April high - Strong
- **S1 4062** - 2 May/2022 low - Medium
- **S2 4000** - Psychological - Strong

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 weigh more heavily on investor sentiment in Q2 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 1800.



- **R2 1999** - 18 April high - Strong
- **R1 1959** - 20 April high - Medium
- **S1 1850** - 3 May low - Medium
- **S2 1800** - Round number - 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 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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