

Friday, July 29, 2022

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# Global FX Insights

by LMAX Group Research & Analytics

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

## Another welcome wave of bad news 🔊 [Wake-up call](#)

Investors are certainly getting what they want over the past couple of sessions. The Fed steered clear of a 100-basis point rate hike while communicating some messages that were perceived to be less hawkish leaning, and this was then followed up with a discouraging negative GDP print, putting the US economy into technical recession.

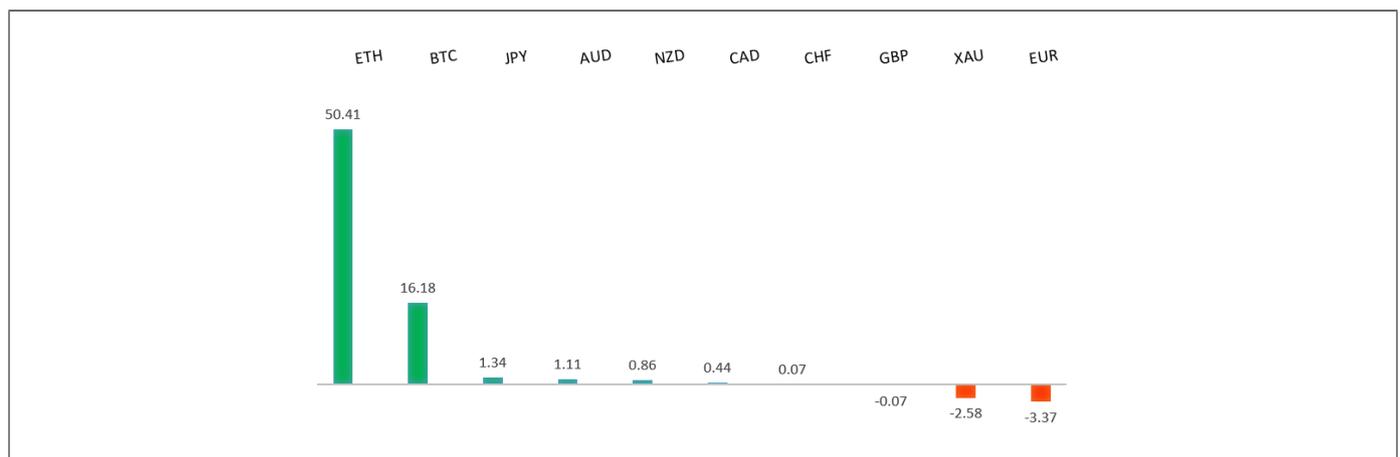
### Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Well supported below parity
- [GBPUSD](#) Setbacks limited from here
- [USDJPY](#) At risk for major pullback
- [AUDUSD](#) Into longer-term support
- [USDCAD](#) Signs of meaningful base
- [NZDUSD](#) Minor recovery rally in play
- [US SPX 500](#) Rallies should be well capped
- [GOLD](#) (spot) Balance of risk points higher

### Fundamental highlights

- [EURUSD](#) Euro supported on USD outflows
- [GBPUSD](#) Pound rallies to 4-week high
- [USDJPY](#) Yen jumps on Fed repricing
- [AUDUSD](#) Aussie recovers from soft retail sales
- [USDCAD](#) All eyes on Friday's Canada GDP print
- [NZDUSD](#) Local data another prop for Kiwi
- [US SPX 500](#) Stocks vulnerable in 2022
- [GOLD](#) (spot) Dealers report plenty of demand

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



## Suggested reading

- [Are Commodity Markets on the Turn?](#), D. Fickling, **Bloomberg** (July 28, 2022)
- [Can Green Carbon Help Heavy Industry?](#), S. Pfeifer, **Financial Times** (July 27, 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 sets up a test of 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 1.0400**- Figure - Medium
- **R1 1.0279** - 21 July high - Medium
- **S1 0.9952** - 14 July/2022 low- Strong
- **S2 0.9900** - Figure - Medium

## EURUSD - fundamental overview

The Euro wasn't able to do much on Thursday, but was at least supported on broad based US Dollar selling post a softer US GDP read that resulted in scaled back Fed rate hike expectations. But economic data out of the Eurozone has been softer of late and there is plenty of worry about the outlook for the Eurozone economy that is keeping the single currency well offered into rallies. Key standouts on Friday's calendar come from German employment, German GDP, BOE consumer credit, Eurozone GDP, Eurozone inflation, Canada GDP, US personal income and spending, US core PCE, Chicago PMIs, and Michigan sentiment.

## EURUSD - Technical charts in detail

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## GBPUSD - technical overview

The market continues to be exceptionally well supported on dips below 1.2000. Unless we see a monthly close below 1.2000, we expect this to continue to be the case. Look for a break back above 1.2200 to take the immediate pressure off the downside.



- **R2 1.2214**- 29 June high - Medium
- **R1 1.2192** - 28 July high - Medium
- **S1 1.1890** - 21 July low- Medium
- **S2 1.1760** - 14 July/2022 low - Strong

## GBPUSD - fundamental overview

There wasn't much to speak of on the UK side of things on Thursday. Instead, the day was all about a repricing of Fed rate expectations after US GDP disappointed. The resulting price action saw broad based US Dollar outflows, which proved to be a great benefit to the Pound. Key standouts on Friday's calendar come from German employment, German GDP, BOE consumer credit, Eurozone GDP, Eurozone inflation, Canada GDP, US personal income and spending, US core PCE, Chicago PMIs, and Michigan sentiment.

[Watch now](#)

## USDJPY - technical overview

**Technical studies are in the process of unwinding**, with scope for additional correction in the days and weeks ahead. Look for additional upside from here to be well capped. A break daily close back below 134.00 will take the immediate pressure off the topside.



- **R2 136.58** - 28 July high - Strong
- **R1 135.00** - Psychological - Medium
- **S1 134.00** - Figure - Medium
- **S2 133.50** - 15 June low - Strong

## USDJPY - fundamental overview

**We've seen some demand for the Yen** in recent sessions. Most of this price action comes from position adjusting from shorter-term accounts following a massive decline in the Yen. There has also been a round of position adjusting in favor of the Yen as the market reprices Fed rate hike expectations in the aftermath of this week's FOMC decision and softer US GDP. Key standouts on Friday's calendar come from German employment, German GDP, BOE consumer credit, Eurozone GDP, Eurozone inflation, Canada GDP, US personal income and spending, US core PCE, Chicago PMIs, and Michigan sentiment.

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## AUDUSD - technical overview

**Overall pressure remains on the downside** and conditions remain quite choppy. A break back above 0.7070 would be required at a minimum to take the immediate pressure off the downside. Until then, scope exists for deeper setbacks towards 0.6500.



- **R1 0.7070** - 16 June high - Strong
- **R2 0.7014** - 28 July high - Medium
- **S1 0.6859** - 21 July low - Medium
- **S2 0.6762** - 6 July low - Strong

## AUDUSD - fundamental overview

**The Australian Dollar took an early hit on Thursday** from a softer than expected Aussie retail sales print, but managed to recover in the North American session on broad based US Dollar outflows after US GDP came in soft, forcing a repricing of Fed expectations. Key standouts on Friday's calendar come from German employment, German GDP, BOE consumer credit, Eurozone GDP, Eurozone inflation, Canada GDP, US personal income and spending, US core PCE, Chicago PMIs, and Michigan sentiment.

## 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 1.3000** - Psychological - Medium
- **S1 1.2800** - Figure - Strong
- **S2 1.2681** - 10 June low - Medium

## USDCAD - fundamental overview

**Massive US Dollar outflows post Fed decision** and softer US GDP have resulted in demand for the Canadian Dollar. Stocks higher have also contributed to the Loonie upside. Key standouts on Friday's calendar come from German employment, German GDP, BOE consumer credit, Eurozone GDP, Eurozone inflation, Canada GDP, US personal income and spending, US core PCE, Chicago PMIs, and Michigan sentiment.

## NZDUSD - technical overview

**Overall pressure remains on the downside** and conditions remain quite choppy. A break back above 0.6400 would be required to force a shift in the structure and suggest we are seeing a more significant bullish reversal. Until then, scope exists for fresh yearly lows and a retest of the major psychological barrier at 0.6000.



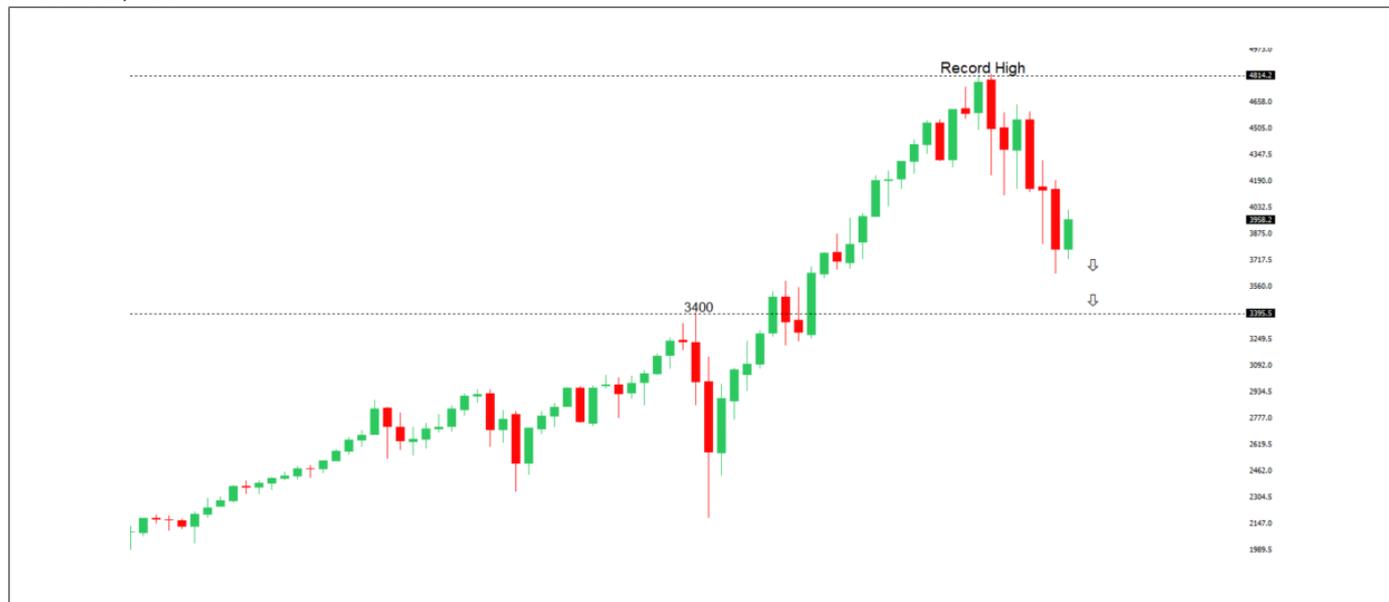
- **R2 0.6327** - 27 June high - Medium
- **R1 0.6305** - 22 July high - Medium
- **S1 0.6141**- 19 July low - Medium
- **S2 0.6061** - 14 July/**2022 low** - Strong

## NZDUSD - fundamental overview

**The New Zealand Dollar has been better bid** of late, getting help from US Dollar outflows and a US equities recovery post FOMC decision and softer US GDP. We've also seen demand from better than expected New Zealand data in the form of business confidence and the activity outlook. Key standouts on Friday's calendar come from German employment, German GDP, BOE consumer credit, Eurozone GDP, Eurozone inflation, Canada GDP, US personal income and spending, US core PCE, Chicago PMIs, and Michigan sentiment.

## 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 4,206 will be required at a minimum to take the immediate pressure off the downside. Next major support comes in around 3,400.



- **R2 4206** - 30 May high - Strong
- **R1 4111** - 28 July high - Medium
- **S1 3913** - 26 July low - Medium
- **S2 3722** - 14 July low - 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. And so, naturally, stocks have been under intense pressure 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 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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