

Global FX Insights

by LMAX Group Research & Analytics

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

Can't get away from recession worry [Wake-up call](#)

Global recession fears are back to dictating flow in markets this week. Softer economic data out of China and record rising inflation around the globe are some of the things that have played into this renewed wave of risk off, with stocks back under pressure and the US Dollar broadly bid.

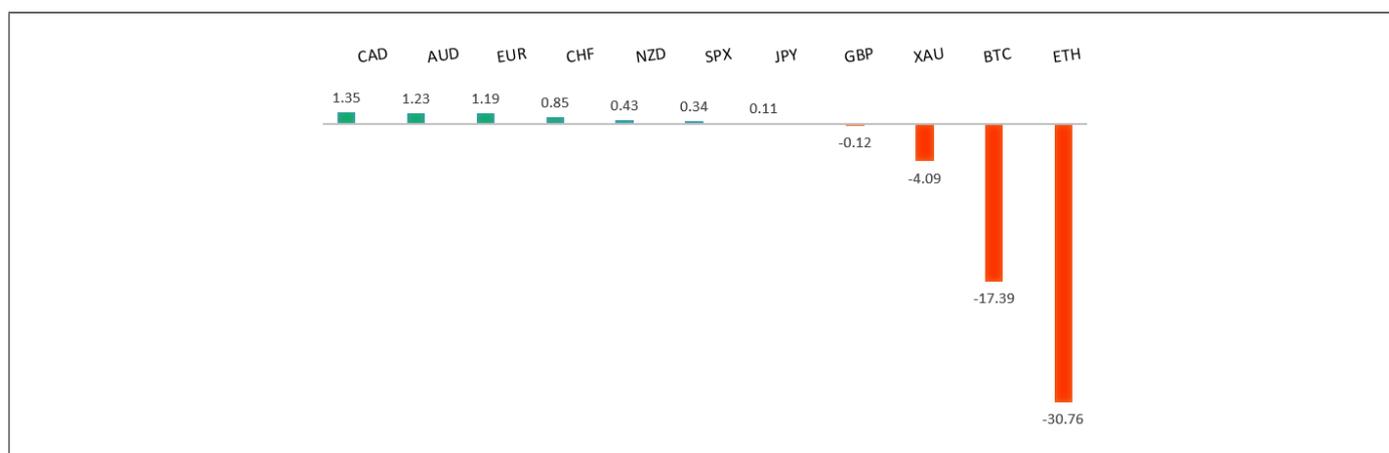
Technical highlights [Daily Video](#)

- [EURUSD](#) Looking for lower top
- [GBPUSD](#) Well supported into dip
- [USDJPY](#) Bearish reversal in play
- [AUDUSD](#) Trying to make recovery
- [USDCAD](#) Higher low sought out
- [NZDUSD](#) Correction in play
- [US SPX 500](#) Rallies to be well capped
- [GOLD](#) (spot) Bullish consolidation

Fundamental highlights

- [EURUSD](#) Recession odds ramp up in Eurozone
- [GBPUSD](#) Surging consumer credit in the UK
- [USDJPY](#) Policy divergence theme back in picture
- [AUDUSD](#) Aussie GDP not enough to offset flow
- [USDCAD](#) BoC decision stands out on the docket
- [NZDUSD](#) No relief from hawkish Hawkesby
- [US SPX 500](#) Stocks vulnerable in Q2
- [GOLD](#) (spot) Dealers report plenty of demand

30 Day Performance vs. US dollar (%)



Suggested reading

- [Buying the Bond Dip? Pay Attention to Tactics](#), J. Authers, **Bloomberg** (June 1, 2022)
- [Can high-tech urban farming reduce Singapore's reliance on imports?](#), O. Telling, **FT** (June 1, 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 have been in the process of unwinding from oversold. But back above 1.1000 would be required at a minimum to take the immediate pressure off the downside.



- **R2 1.0800**- Figure - Medium
- **R1 1.0787** - 27 May high - Medium
- **S1 1.0600** - Figure - Medium
- **S2 1.0533** - 20 May low - Strong

EURUSD - fundamental overview

Odds for a recession have ramped up and caused the Euro to roll back over into Wednesday. The combination of a downbeat growth outlook and rising inflation is a major headache for the ECB and could weigh further if the central bank opts to lean more to the accommodative side of policy. Key standouts on today's calendar come from German retail sales, Eurozone, German, and UK PMI reads, an ECB Lagarde speech, the Bank of Canada policy decision, US ISM manufacturing, JOLTs job openings, construction spending, scattered Fed speak, and the Fed Beige Book.

EURUSD - Technical charts in detail

[Watch now](#)

GBPUSD - technical overview

The market continues to be exceptionally well supported on dips down into the 1.2000 area, with the latest setback once again holding up ahead of the barrier. Overall, the daily trend remains bearish, though there are signs of the market wanting to put in a meaningful bottom ahead of the next major upside extension. Look for a clear break back above 1.3000 to strengthen this outlook.



- **R2 1.2700** - Figure - Medium
- **R1 1.2667** - 27 May high - Medium
- **S1 1.2472** - 24 May low - Medium
- **S2 1.2330** - 18 May low - Medium

GBPUSD - fundamental overview

The Pound has come back under pressure into Wednesday with the surge in consumer credit adding worry around recession fears. Key standouts on today’s calendar come from German retail sales, Eurozone, German, and UK PMI reads, an ECB Lagarde speech, the Bank of Canada policy decision, US ISM manufacturing, JOLTs job openings, construction spending, scattered Fed speak, and the Fed Beige Book. [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 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 126.36** - 24 May low - Medium
- **S2 126.00** - Figure - Medium

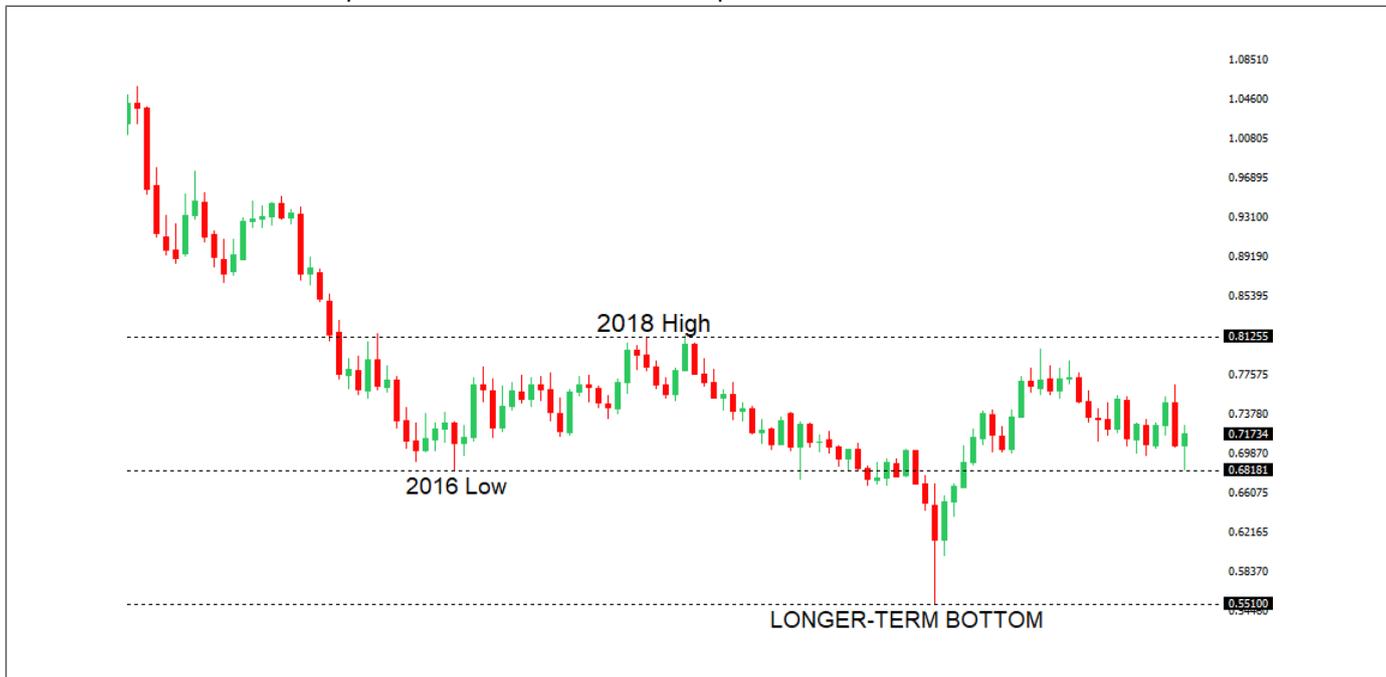
USDJPY - fundamental overview

Policy divergence is playing back into the picture over the last couple of sessions, with market participants once again focusing on yield differentials that continue to weigh heavily in the US Dollar's favor. Key standouts on today's calendar come from German retail sales, Eurozone, German, and UK PMI reads, an ECB Lagarde speech, the Bank of Canada policy decision, US ISM manufacturing, JOLTs job openings, construction spending, scattered Fed speak, and the Fed Beige Book.

[Watch now](#)

AUDUSD - technical overview

The market has recently 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 0.7204** - 31 May high - Medium
- **S1 0.6829** - 12 May/**2022 low** - Medium
- **S2 0.6733** - **Monthly low**/January 2019 - Strong

AUDUSD - fundamental overview

The Australian Dollar is rolling back over into the mid-week, this on the back of renewed downside pressure in stocks, weaker data out of China, and an Aussie building approvals miss. Aussie GDP did manage to come out decent earlier today, but hasn't been enough to offset the renewed downside pressure. Key standouts on today's calendar come from German retail sales, Eurozone, German, and UK PMI reads, an ECB Lagarde speech, the Bank of Canada policy decision, US ISM manufacturing, JOLTs job openings, construction spending, scattered Fed speak, and the Fed Beige Book.

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. Any setbacks should be very well supported down into the 1.2500 area.



- **R2 1.2886** - 25 May high - Strong
- **R1 1.2784** - 27 May high - Medium
- **S1 1.2629** - 31 May low - Medium
- **S2 1.2600** - Figure - Strong

USDCAD - fundamental overview

The Canadian Dollar is showing some signs of renewed weakness, with a mixed Canada GDP report and downturn in the price of OIL weighing on the currency into Wednesday. All eyes now turn to today's Bank of Canada policy decision, which will definitely inspire fresh volatility in the pair. Key standouts on today's calendar come from German retail sales, Eurozone, German, and UK PMI reads, an ECB Lagarde speech, the mentioned Bank of Canada policy decision, US ISM manufacturing, JOLTs job openings, construction spending, scattered Fed speak, and the Fed Beige Book.

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.



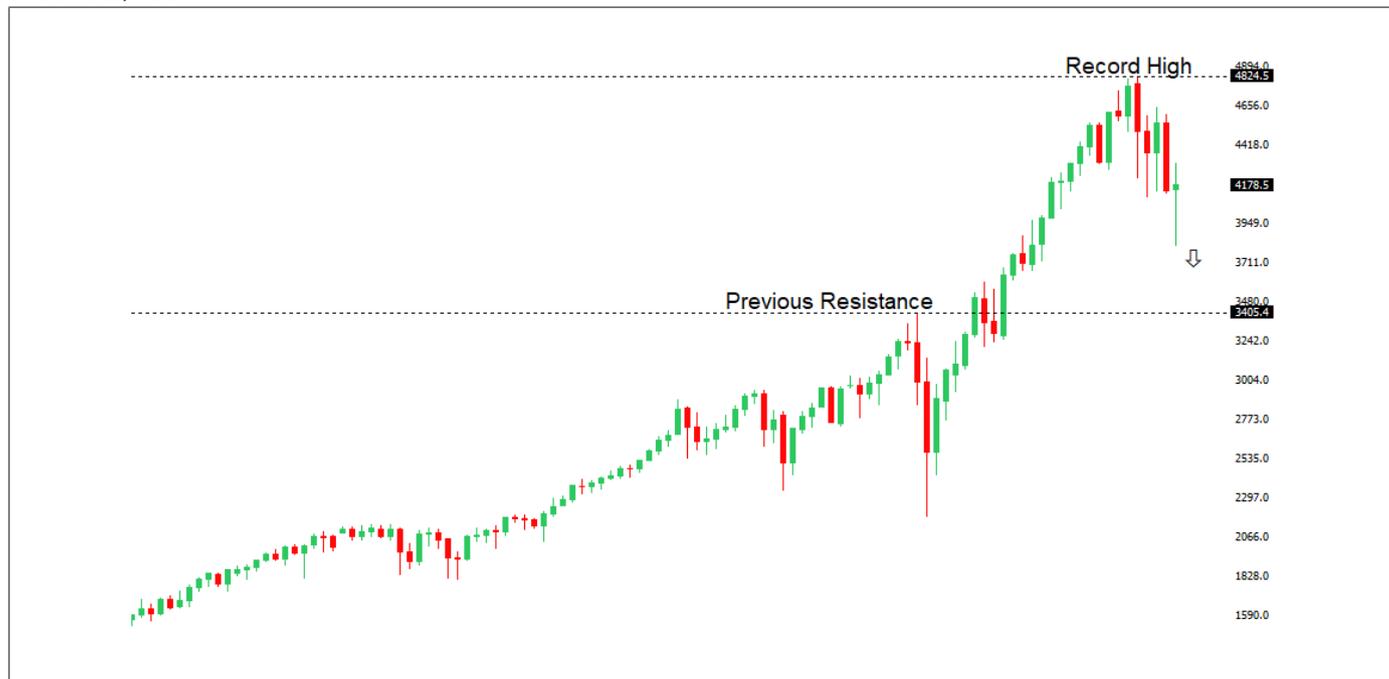
- **R2 0.6569** - 5 May high - Strong
- **R1 0.6565** - 31 May high - Medium
- **S1 0.6417** - 25 May low - Medium
- **S2 0.6216** - 12 May/2022 low - Strong

NZDUSD - fundamental overview

Stocks have turned back down, while New Zealand data has been unimpressive, most recently in the form of slumping business confidence and slowing house prices. This opened renewed downside pressure on Kiwi despite hawkish comments from RBNZ deputy governor Hawkesby. Key standouts on today's calendar come from German retail sales, Eurozone, German, and UK PMI reads, an ECB Lagarde speech, the Bank of Canada policy decision, US ISM manufacturing, JOLTs job openings, construction spending, scattered Fed speak, and the Fed Beige Book.

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.



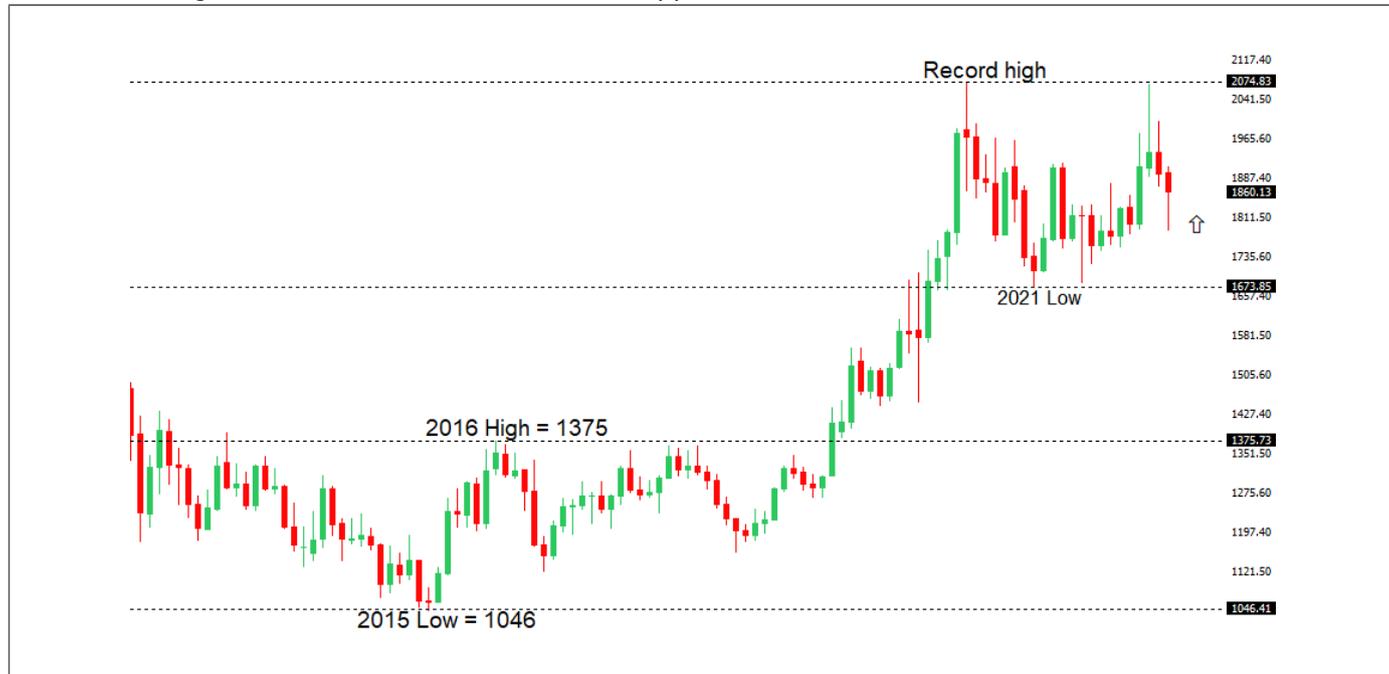
- **R2 4312** - 26 April high - Strong
- **R1 4206** - 30 May high - Medium
- **S1 4044** - 27 May low - Medium
- **S2 3811** - 20 May/2022 low - Strong

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 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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