

Global FX Insights

by LMAX Group Research & Analytics

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

Central bank capitulation? 🗣️ [Wake-up call](#)

Broadly speaking, Wednesday was a turnaround day for financial markets. We saw a round of profit taking on US Dollar longs and renewed demand for US equities. A lot of the attention however was focused on developments out of the UK, where the BOE joined the ranks of the BOJ and ECB in printing money to defend the local bond market.

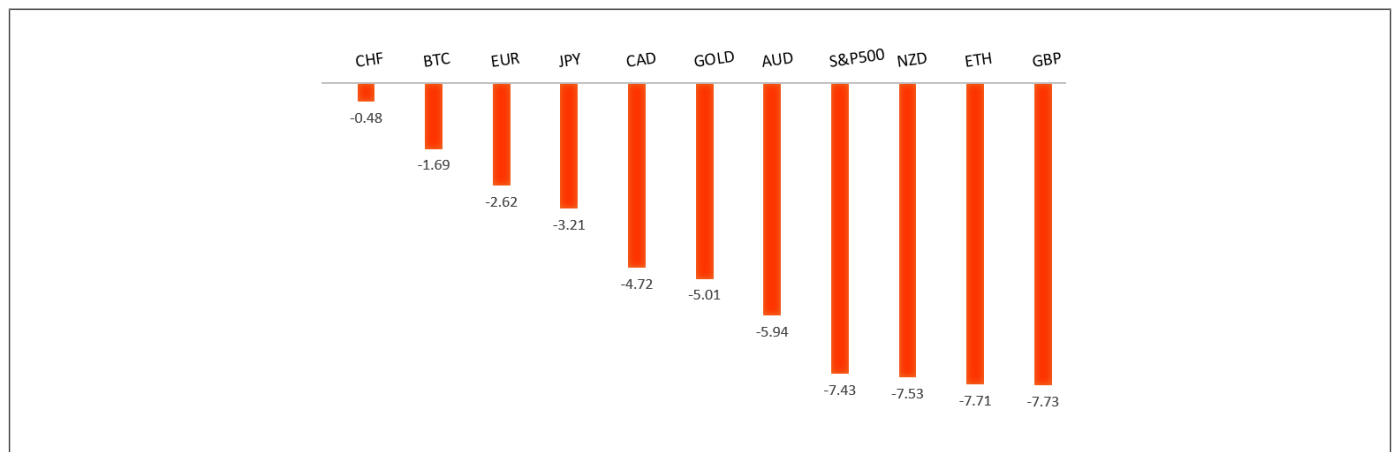
Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Downtrend intensifies
- [GBPUSD](#) Sinks to record low
- [USDJPY](#) Upside should be limited
- [AUDUSD](#) Pressure remains on downside
- [USDCAD](#) Pushes to multi-month high
- [NZDUSD](#) Sights set on 2020 low
- [US SPX 500](#) Deeper setbacks ahead
- [GOLD](#) (spot) Higher low sought out

Fundamental highlights

- [EURUSD](#) ECB Kazaks talk tough on rates
- [GBPUSD](#) Pound rallies despite BOE QE move
- [USDJPY](#) Yen still weak post intervention
- [AUDUSD](#) Aussie recovers on USD selloff
- [USDCAD](#) Canadian Dollar tries to fight back
- [NZDUSD](#) Weak RMB calls Kiwi recovery into question
- [US SPX 500](#) Inflation headache not going away
- [GOLD](#) (spot) Dealers report plenty of demand

30 Day Performance vs. US dollar (%)



Suggested reading

- [The British Pound Is Caught in a Doom Loop](#), M. Gongloff, **Bloomberg** (September 28, 2022)
- [Brazil: A Nation Divided](#), B. Marino, **Financial Times** (September 29, 2022)

EURUSD - technical overview

The market has come under intense pressure in recent months, with setbacks accelerating below parity. The next major support level comes in the form of the psychological barrier at 0.9000. At the same time, technical studies are tracking in severe oversold territory, suggesting additional setbacks should be limited in favour of some form of a correction. Back above 0.9710 would be required to take the immediate pressure off the downside.



- **R2 0.9865** - 6 September low - Medium
- **R1 0.9752** - 28 September high - Strong
- **S1 0.9538** - 28 September/**2022 low** - Medium
- **S2 0.9500** - Round Number - Medium

EURUSD - fundamental overview

German confidence reads plunging to a new low had no impact on the Euro on Wednesday, with the single currency more focused on broad based profit taking on US Dollar longs and some tough talk from the ECB. ECB Kazaks was on the wires saying the next rate hike must be a big one. Key standouts on today's calendar come from some ECB speak, BOE speak, Eurozone economic sentiment and confidence reads, German inflation, Canada GDP, US initial jobless claims, US GDP, and Fed speak.

EURUSD - Technical charts in detail

[Watch now](#)

GBPUSD - technical overview

The downtrend has been intense, with the market collapsing to a fresh record low after taking out the previous record low from 1985 earlier this week. The next major barrier below comes in at parity, though technical studies are severely extended, begging for some form of meaningful correction back to the topside. Back above 1.0930 will be required to take the immediate pressure off the downside.



- **R2 1.1000** - Psychological - Medium
- **R1 1.0930** - 26 September high - Strong
- **S1 1.0540** - 28 September low - Medium
- **S2 1.0500** - Psychological - Strong

GBPUSD - fundamental overview

Though the Bank of England stepped in with some QE on Wednesday, it managed to actually have a positive impact on the beaten down GBP. It seems the message of stability to the market was more important than the fact that this was a Sterling negative policy move. Perhaps also mitigating the bearish GBP implication was the very small size and scope of the QE. Meanwhile, the Pound also got a boost from broad based profit taking on US Dollar long positions. Key standouts on today's calendar come from some ECB speak, BOE speak, Eurozone economic sentiment and confidence reads, German inflation, Canada GDP, US initial jobless claims, US GDP, and Fed speak.

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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 145.00 area. Next key support comes in at 140.35.



- **R2 146.00** - Figure - Medium
- **R1 145.90** - 22 September/2022 high - Strong
- **S1 141.76** - 23 September low - Medium
- **S2 140.35** - 22 September low - Strong

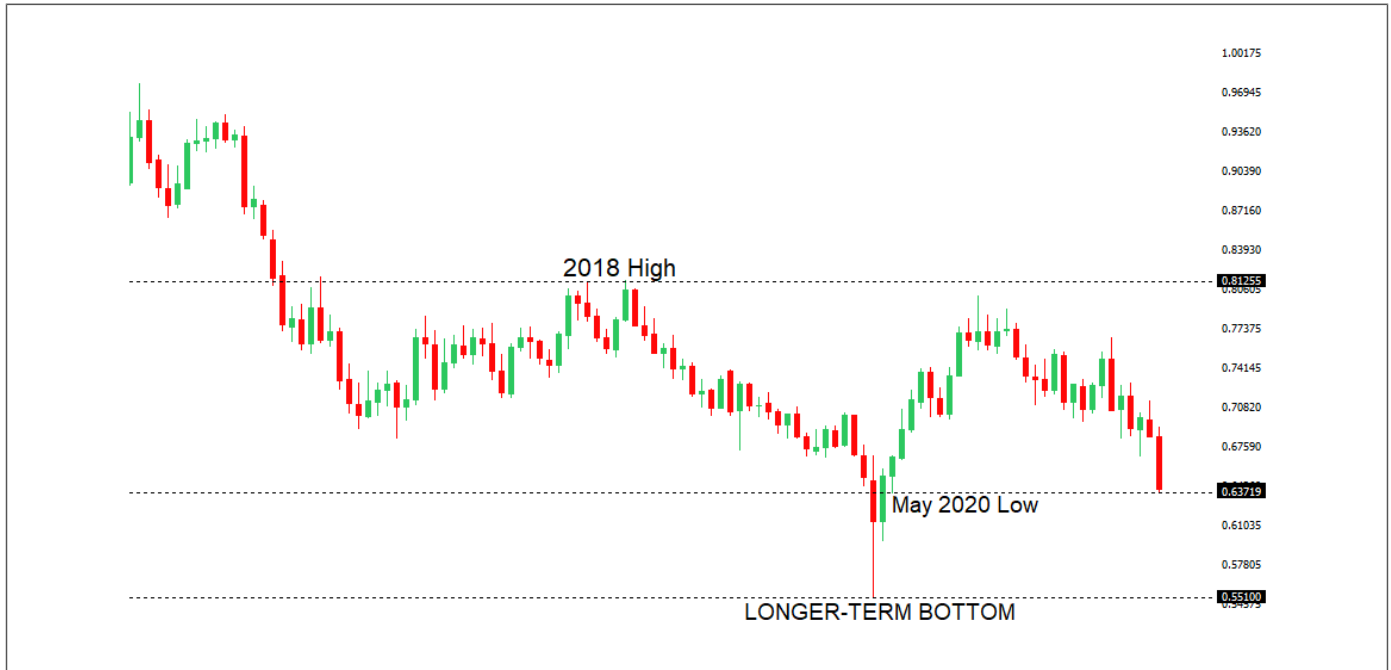
USDJPY - fundamental overview

The Yen sits just off multi-year low levels and back around pre-intervention levels, despite the BOJ's aggressive attempts to force a reversal of flow earlier this month. Key standouts on today's calendar come from some ECB speak, BOE speak, Eurozone economic sentiment and confidence reads, German inflation, Canada GDP, US initial jobless claims, US GDP, and Fed speak.

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AUDUSD - technical overview

Overall pressure remains on the downside with the market confined to a well defined downtrend. A break back above 0.6682 would be required to take the pressure off the downside. Until then, scope exists for deeper setbacks towards 0.6000.



- **R1 0.6682** - 14 July low - Strong
- **R2 0.6538** - 26 September high - Medium
- **S1 0.6363** - 28 September/2022 low - Medium
- **S2 0.6300** - Figure - Strong

AUDUSD - fundamental overview

The Australian Dollar finally managed to find some daylight on Wednesday, this mostly on the back of the broad based profit taking on US Dollar longs and recovery in US equities. However, the Australian Dollar perhaps also had some time to reflect kindly on what had been a better than expected retail sales print earlier on Wednesday. Key standouts on today's calendar come from some ECB speak, BOE speak, Eurozone economic sentiment and confidence reads, German inflation, Canada GDP, US initial jobless claims, US GDP, and Fed speak.

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 1.4000 area. Setbacks should be very well supported down into the 1.3000 area.



- **R2 1.3900** - Figure - Medium
- **R1 1.3833** - 28 September/2022 high - Medium
- **S1 1.3559** - 26 September low - Medium
- **S2 1.3409** - 22 September low - Medium

USDCAD - fundamental overview

The Canadian Dollar was able to rally back and close higher against the Buck on Wednesday after initially extending multi-month declines. The recovery was attributed to broad based profit taking on US Dollar longs, an equity market rally, and higher price of oil. Key standouts on today's calendar come from some ECB speak, BOE speak, Eurozone economic sentiment and confidence reads, German inflation, Canada GDP, US initial jobless claims, US GDP, and Fed speak.

NZDUSD - technical overview

Overall pressure remains on the downside with the focus on a retest of the critical low from 2020 at 0.5469. A break back above 0.5755 would be required to take the immediate pressure off the downside.



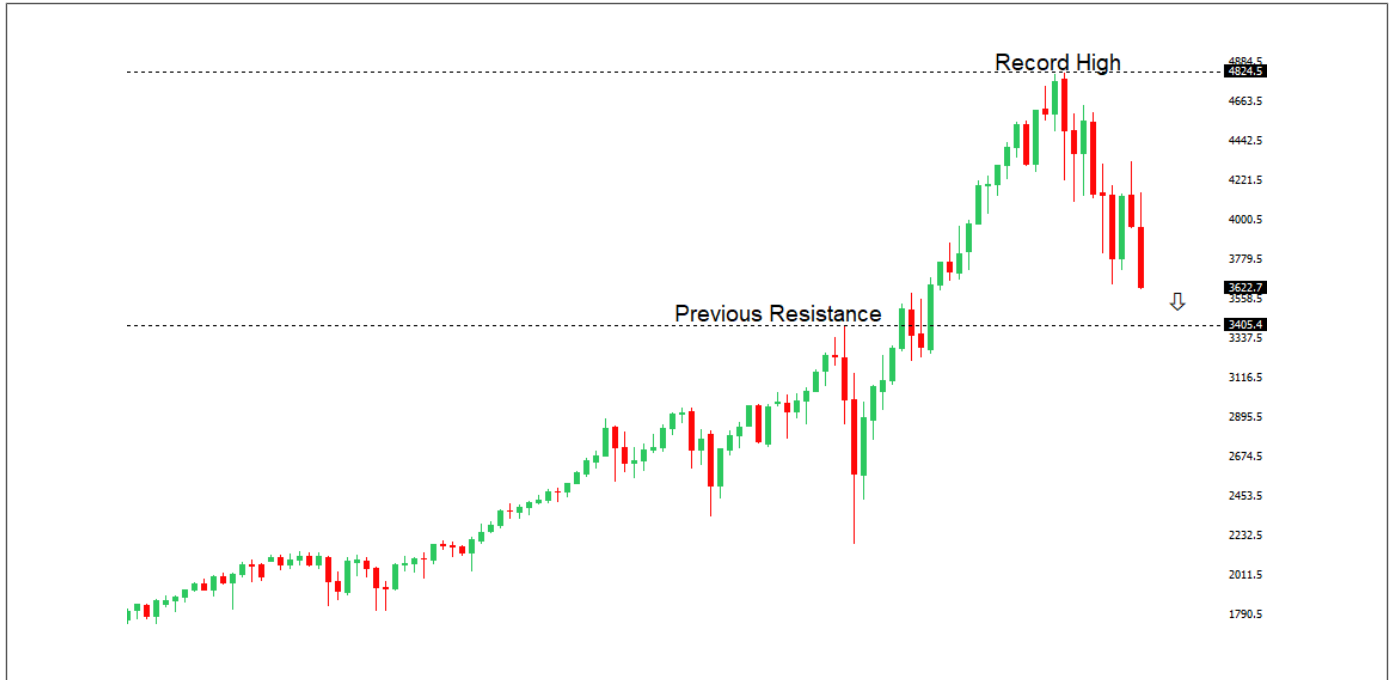
- **R2 0.5857** - 23 September high - Medium
- **R1 0.5755** - 26 September high - Strong
- **S1 0.5565**- 28 September/**2022 low** - Medium
- **S2 0.5500** - Round Number - Strong

NZDUSD - fundamental overview

The New Zealand Dollar has managed to put in a minor recovery out from a fresh multi-month low, with the currency getting a boost from broad based profit taking on US Dollar longs, a rebound in US equities, and rallying commodities. Still, there is concern about the strength of the recovery, especially with the RMB continuing to struggle. Key standouts on today’s calendar come from some ECB speak, BOE speak, Eurozone economic sentiment and confidence reads, German inflation, Canada GDP, US initial jobless claims, US GDP, and Fed speak.

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 3922 will be required at a minimum to take the immediate pressure off the downside. Next major support comes in around 3200.



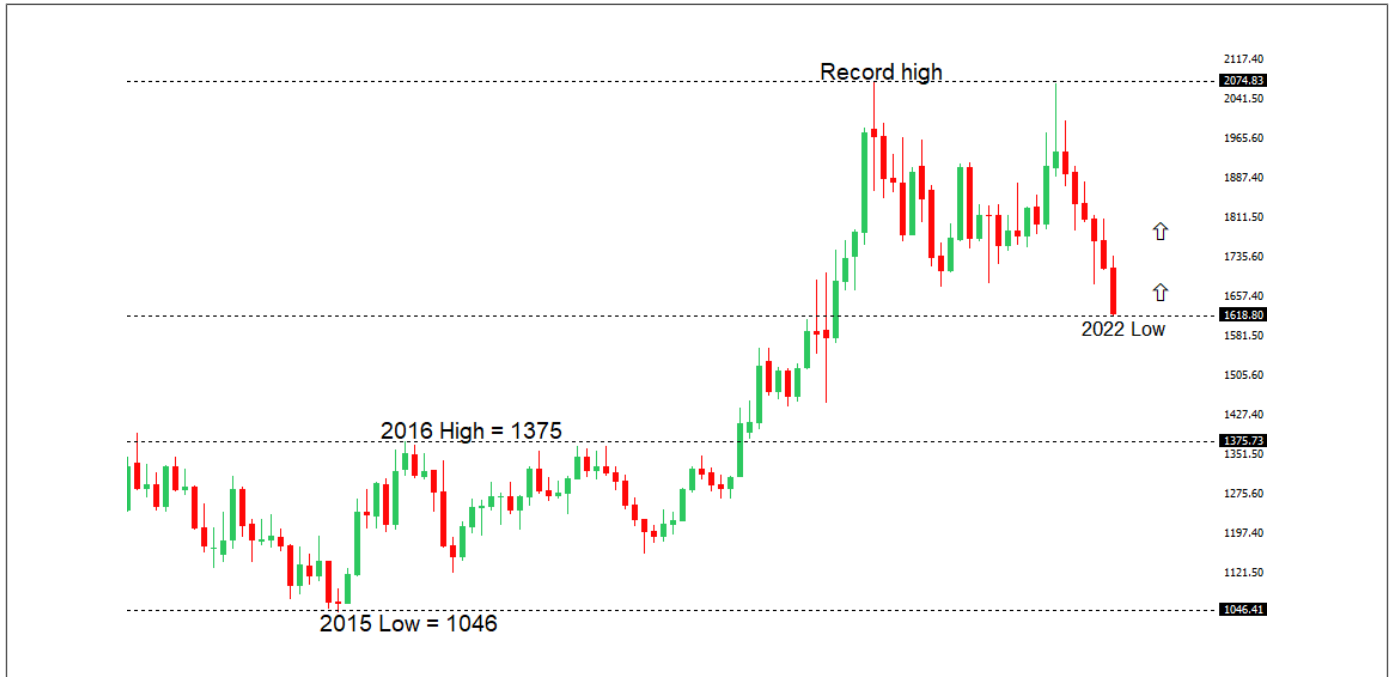
- **R2 3922** - 20 September high - Strong
- **R1 3770** - 23 September high - Medium
- **S1 3600** - 28 September/2022 low - Medium
- **S2 3500** - Round Number - Medium

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. Overall, we expect inflation to continue to be a problem in 2022 that results in 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 1600 on a monthly close basis ahead of the next major upside extension.



- **R2 1766** - 25 August high - Strong
- **R1 1736** - 12 September high - Medium
- **S1 1621** - 26 September/**2022 low** - Medium
- **S2 1600** - 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 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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