

Global FX Insights

by LMAX Group Research & Analytics

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

Currencies back to moving on their own fundamentals [Wake-up call](#)

There's been very little in the way of any major updates this week. Technically speaking, we're just chopping around when it comes to currencies, while over in the world of stocks, we continue to see good selling into rallies.

Technical highlights [Daily Video](#)

- [EURUSD](#) Attempt at recovery
- [GBPUSD](#) Extends run higher
- [USDJPY](#) Correction kicks in
- [AUDUSD](#) Well supported
- [USDCAD](#) Looking for higher low
- [NZDUSD](#) Rallies to be capped
- [US SPX 500](#) Finally rolling over
- [GOLD](#) (spot) Supported on dips

Fundamental highlights

- [EURUSD](#) German 10-year yield turns positive
- [GBPUSD](#) UK CPI runs hot, boosts Pound
- [USDJPY](#) Yen demand on safe haven bids
- [AUDUSD](#) Strong jobs report, banks see hikes
- [USDCAD](#) Canada inflation exceeds expectation
- [NZDUSD](#) New omicron cases hit Kiwi
- [US SPX 500](#) Stocks vulnerable at record highs
- [GOLD](#) (spot) Dealers report plenty of demand

30 Day Performance vs. US dollar (%)



Suggested reading

- [Finding Value May Be Bigger in the Small-Caps](#), J. Authers, **Bloomberg** (January 20, 2022)
- [Sports NFTs: collectors, players and leagues cash in on the action](#), S. Germano, **FT** (January 20, 2022)

EURUSD - technical overview

Setbacks have extended to retest the critical 61.8% fib retrace off the 2020 low to 2021 high move. Technical studies are now turning up from extended territory on the weekly chart, warning of the need for an additional corrective bounce ahead. Look for the market to hold up on a weekly close basis above the 61.8% fib retrace around 1.1275. Weekly close back above 1.1500 strengthens outlook. Weekly close below 1.1275 negates.



- **R2 1.1500** - Psychological - Strong
- **R1 1.1483** - 15 January high - Medium
- **S1 1.1315** - 18 January low - Medium
- **S2 1.1272** - 4 January low - Strong

EURUSD - fundamental overview

The Euro has run into added resistance on account of rising tension over the Ukraine. Overall, we've already seen downside pressure on the more favourable US Dollar yield differentials. At the same time, we did see some demand on Wednesday after the benchmark German 10-year yield printed positive for first time since 2019, and after ECB Villeroy was out talking about tightening. Key standouts on today's calendar come in the form of German producer prices, Eurozone inflation, and US reads highlighted by initial jobless claims, the Philly Fed, and existing home sales.

EURUSD - Technical charts in detail

[Watch now](#)

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 limited to the 1.3000 area ahead of the next major upside extension towards a retest and break of critical resistance in the form of the 2018 high. Back above 1.3835 takes pressure off the downside.



- **R2 1.3800** - Round Number - Strong
- **R1 1.3749** - 13 January high - Medium
- **S1 1.3573** - 18 January low - Medium
- **S2 1.3491** - 6 January low - Strong

GBPUSD - fundamental overview

The Pound has been outperforming this week, getting help from the BOE-ECB policy divergence and this latest hot UK CPI print which produced a new high of 5.4%. The core rate was also elevated, at its highest level since 1992. Meanwhile, PM Johnson has announced an end to Plan B virus curbs on January 27th. Key standouts on today's calendar come in the form of German producer prices, Eurozone inflation, and US reads highlighted by initial jobless claims, the Philly Fed, and existing home sales.

[Watch now](#)

USDJPY - technical overview

The longer-term trend is bearish despite the recent run higher. Look for additional upside to be limited, with scope for a topside failure and bearish resumption back down towards the 100.00 area. It would take a clear break back above 116.00 to negate the outlook.



- **R2 115.48** - 12 January high - Strong
- **R1 115.06** - 18 January high - Medium
- **S1 113.14** - 17 December low - Medium
- **S2 112.53** - 30 November low - Strong

USDJPY - fundamental overview

The Yen has been well offered into 2022 on flow from US Dollar demand from diverging Fed/BOJ policy. But the recent round of intense risk off flow in US equities and a BOJ upgrade to the economic outlook have opened renewed demand for the Yen. Key standouts on today's calendar come in the form of German producer prices, Eurozone inflation, and US reads highlighted by initial jobless claims, the Philly Fed, and existing home sales.

[Watch now](#)

AUDUSD - technical overview

The Australian Dollar has been in the process of a healthy correction following the impressive run towards a retest of the 2018 high in 2021. At this stage, the correction is starting to look stretched and setbacks should be well supported above 0.7000 on a weekly close basis. A weekly close below 0.7000 will force a bearish shift.



- **R2 0.7315** - 13 January high - Strong
- **R1 0.7300** - Figure - Medium
- **S1 0.7130** - 7 January low - Medium
- **S2 0.7083** - 20 December low - Strong

AUDUSD - fundamental overview

The Australian Dollar is getting a boost on Thursday after Aussie jobs came in better than expected and two Aussie banks upgraded their rate hike calls to August. Key standouts on today's calendar come in the form of German producer prices, Eurozone inflation, and US reads highlighted by initial jobless claims, the Philly Fed, and existing home sales.

USDCAD - technical overview

Finally 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 1.2814** - 6 January high - Strong
- **R1 1.2698** - 10 January high - Medium
- **S1 1.2450** - 19 January low - Strong
- **S2 1.2400** - Figure - Medium

USDCAD - fundamental overview

Oil has made an impressive run higher and the market has decided to go ahead and price 5 BoC rate hikes in 2022. Meanwhile, Canada CPI data has just come un hotter than expected on Wednesday, which has fueled more demand for the Canadian Dollar. Key standouts on today's calendar come in the form of German producer prices, Eurozone inflation, and US reads highlighted by initial jobless claims, the Philly Fed, and existing home sales.

NZDUSD - technical overview

The market has entered a period of intense correction after running up to a yearly and multi-month high. Back below 0.6700 would suggest a more significant bearish structural shift.



- **R2 0.6894** - 25 November high - Strong
- **R1 0.6891** - 13 January high - Medium
- **S1 0.6701** - 15 December/**2021 low** - Strong
- **S2 0.6650** - Mid-Figure - Medium

NZDUSD - fundamental overview

The New Zealand Dollar has been dragged lower on Thursday after a number of Omicron cases were detected in Auckland, and a possible Omicron case in Palmerston North. PM Ardern said the country can't stop Omicron but can try to slow it down. Ardern added that the government will tighten Covid restrictions by moving to "red" (from "orange") under its traffic light settings when there's community transmission of Omicron, which will result in event gathering limits, social distancing in hospitality venues and greater use of face masks. Key standouts on today's calendar come in the form of German producer prices, Eurozone inflation, and US reads highlighted by initial jobless claims, the Philly Fed, and existing home sales.

US SPX 500 - technical overview

Longer-term technical studies are looking quite exhausted and the market is showing signs of wanting to roll over after racing to another record high. At the same time, the latest breakout into the 4800 area introduces the possibility for the next major upside extension towards 5000. At this stage, it will take a break back below 4500 to take the immediate pressure off the topside.



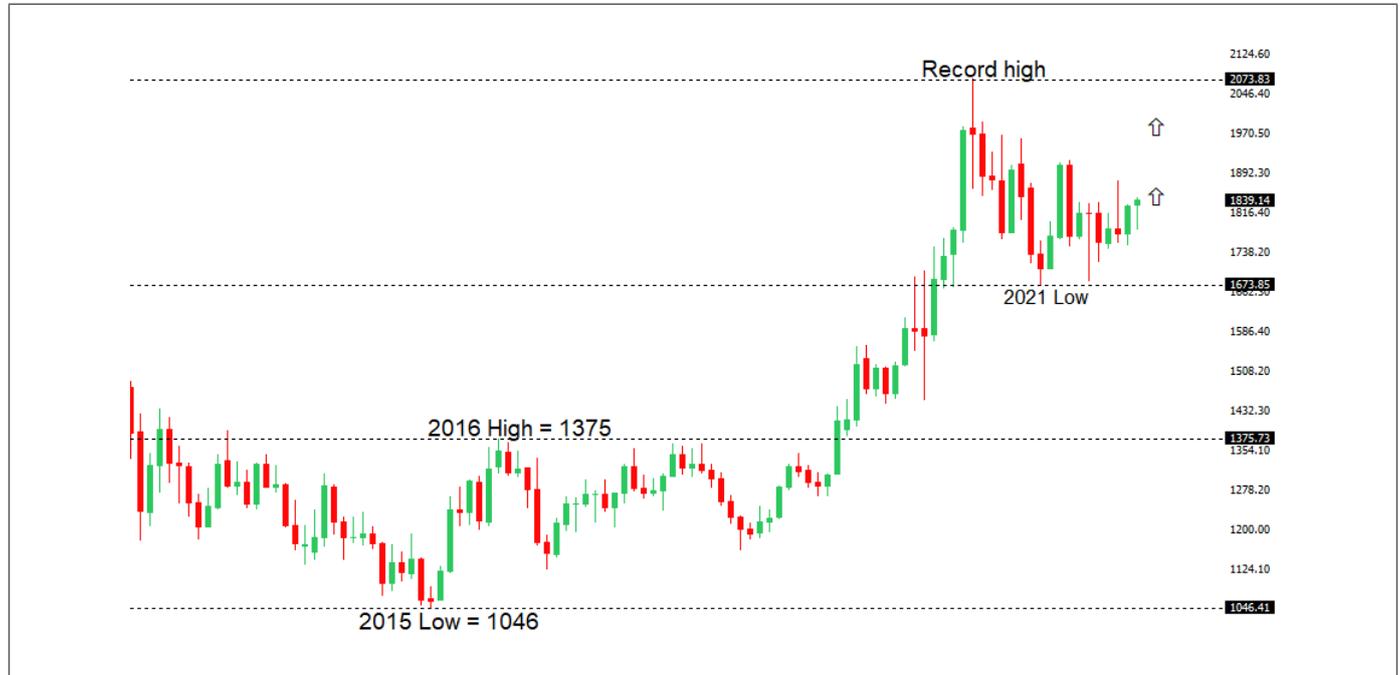
- **R2 4821** - 4 January/**Record high** - Strong
- **R1 4750** - 12 January high - Medium
- **S1 4500** - Psychological - Medium
- **S2 4496** - 3 December low - Strong

US SPX 500 - fundamental overview

We're trading just off fresh record highs, and yet, 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 and risk of rising inflation should weigh more heavily on investor sentiment in Q1 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 and an acceleration beyond the next major psychological barrier at 2000. Setbacks should now be well supported above 1600.



- **R2 1917** - 1 June high - Strong
- **R1 1878** - 16 November high - Medium
- **S1 1753** - 15 December low - Medium
- **S2 1722** - 29 September 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 exhausted monetary policy, extended global equities, and coronavirus fallout. 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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