

Thursday, January 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

## Fed Minutes hit hard [Wake-up call](#)

There's no denying the fact that the latest Fed Minutes has just freaked out markets, with sentiment turning down in a big way in the aftermath of the central bank communication.

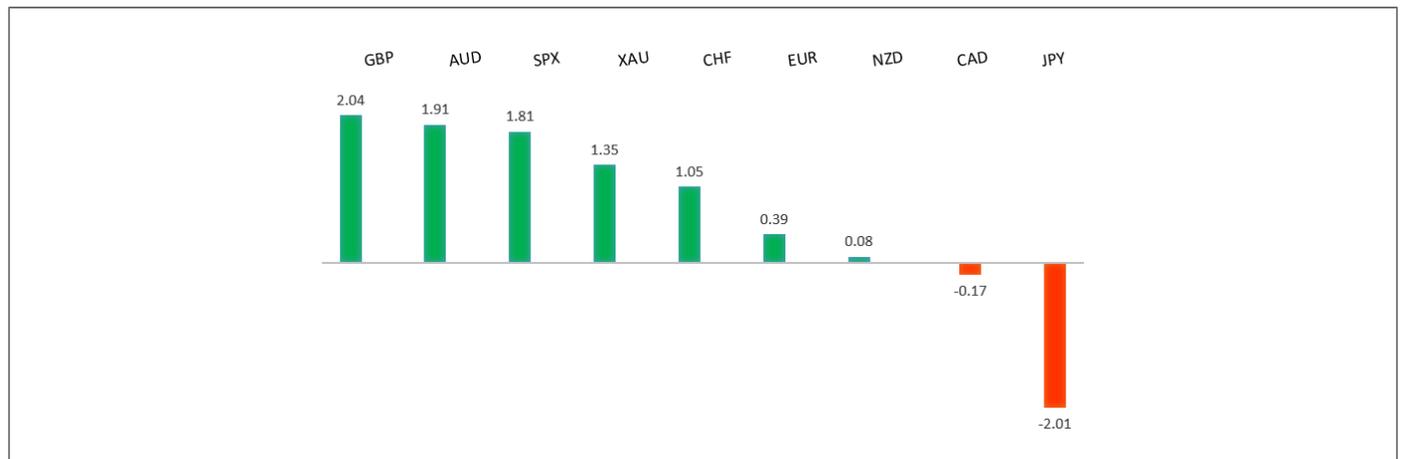
## Technical highlights [Daily Video](#)

- [EURUSD](#) Holding up by 61.8% fib
- [GBPUSD](#) Additional setbacks limited
- [USDJPY](#) Well capped above 116.00
- [AUDUSD](#) Down into critical support
- [USDCAD](#) Bullish structural shift
- [NZDUSD](#) Retests multi-month low
- [US SPX 500](#) Finally rolling over
- [GOLD](#) (spot) Supported on dips

## Fundamental highlights

- [EURUSD](#) ECB Kazaks talks tough on inflation
- [GBPUSD](#) BOE rate hike odds cool off
- [USDJPY](#) Yen recovers as risk appetite recedes
- [AUDUSD](#) Victoria reintroduces density limits
- [USDCAD](#) Canada trade data stands out Thursday
- [NZDUSD](#) Sentiment deterioration hits Kiwi
- [US SPX 500](#) Stocks vulnerable at record highs
- [GOLD](#) (spot) Dealers report plenty of demand

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



## Suggested reading

- [The Fed Minutes That Shook the World](#), J. Authers, **Bloomberg** (January 6, 2022)
- [Microbusiness Flourished Amid Pandemic](#), J. Hartman, **Brookings** (January 4, 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 tracking in extended territory on the weekly chart, warning of the need for a corrective bounce ahead. Look for the market to hold up on a weekly close basis above the 61.8% fib retrace around 1.1275. Back above 1.1465 strengthens outlook. Weekly close below 1.1275 negates.



- **R2 1.1465** - 15 November high- Strong
- **R1 1.1387** - 31 December high - Medium
- **S1 1.1222** - 15 December low - Medium
- **S2 1.1186** - 24 November/2021 low - Strong

## EURUSD - fundamental overview

**Euro selling from Wednesday's hawkish FOMC Minutes** was offset by earlier tough talk by and ECB official on inflation. ECB's Kazaks was on the wires saying the central bank was ready to cut stimulus and raise rates if necessary. Still, overall, the Euro remains well offered into rallies on the Fed-ECB policy divergence. Key standouts on today's calendar include German factory orders, German construction PMIs, UK services and composite PMIs, Eurozone producer prices, German inflation, Canada trade, and US reads highlighted by initial jobless claims, ISM non-manufacturing, and factory orders.

## 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 earlier this year. 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 1.3608 takes pressure off the downside.



- **R2 1.3608** - 9 November high - Strong
- **R1 1.3599** - 5 January high - Medium
- **S1 1.3409** - 29 December low - Medium
- **S2 1.3339** - 23 December low - Medium

## GBPUSD - fundamental overview

The Pound has pulled back from recent highs against the Buck as UK rate hike odds cool down a bit, and as the Fed continues to outline a hawkish path. Key standouts on today's calendar include German factory orders, German construction PMIs, UK services and composite PMIs, Eurozone producer prices, German inflation, Canada trade, and US reads highlighted by initial jobless claims, ISM non-manufacturing, and factory orders.

[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 117.00** - Figure - Strong
- **R1 116.36** - 4 January/**multi-month high** - Medium
- **S1 114.95** - 3 January low - Medium
- **S2 114.00** - Figure - Strong

## USDJPY - fundamental overview

The Yen has been well offered into 2022 on flow from US Dollar demand on diverging Fed/BOJ policy. But the latest round of intense risk off flow in US equities could not be ignored, with the Yen finding demand on the traditional correlation. Meanwhile, Tokyo is considering reinstating emergency virus measures. Key standouts on today's calendar include German factory orders, German construction PMIs, UK services and composite PMIs, Eurozone producer prices, German inflation, Canada trade, and US reads highlighted by initial jobless claims, ISM non-manufacturing, and factory orders.

[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 0.7300** - Figure - Strong
- **R1 0.7278** - 31 December high - Medium
- **S1 0.7083** - 20 December low - Medium
- **S2 0.6993** - 3 December/2021 low - Strong

## AUDUSD - fundamental overview

Overall, the Australian Dollar is under pressure, mostly on the back of diverging Fed/RBA policy and this latest dump in US equities. Meanwhile, rising COVID infections and hospitalizations have forced Victoria to reintroduce density limits at hospitality and entertainment venues. Victoria's Health Minister Foley however said there were no plans to re-impose lockdown. Key standouts on today's calendar include German factory orders, German construction PMIs, UK services and composite PMIs, Eurozone producer prices, German inflation, Canada trade, and US reads highlighted by initial jobless claims, ISM non-manufacturing, and factory orders.

## 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.



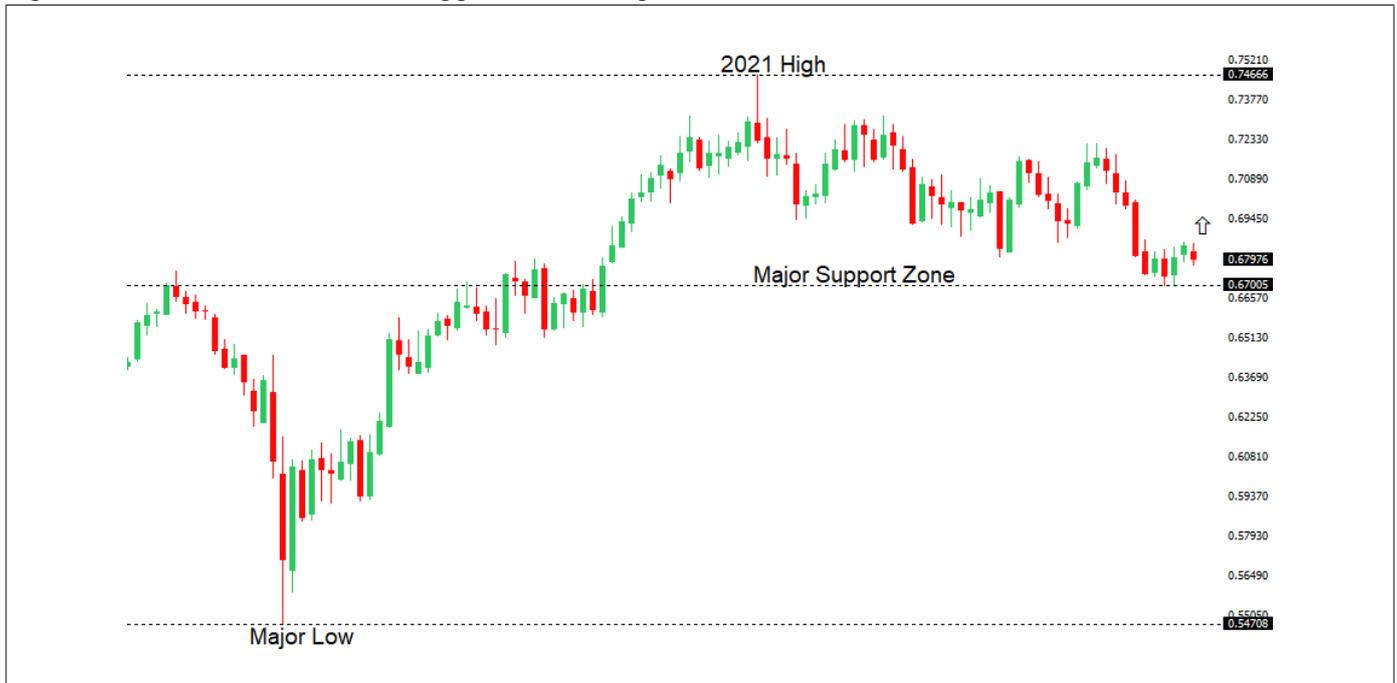
- **R2 1.3000** - Psychological - Strong
- **R1 1.2964** - 20 December/**2021 high** - Medium
- **S1 1.2700** - Figure - Medium
- **S2 1.2607** - 8 December low - Strong

## USDCAD - fundamental overview

**Overall, the Canadian Dollar is under pressure** into 2022, falling victim to diverging central bank policy, a worsening virus outlook in Canada and broad based risk off flow. Key standouts on today's calendar include German factory orders, German construction PMIs, UK services and composite PMIs, Eurozone producer prices, German inflation, Canada trade, and US reads highlighted by initial jobless claims, ISM non-manufacturing, and factory orders.

# 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 0.6868** - 1 December high - Medium
- **S1 0.6701** - 15 December/**2021 low** - Strong
- **S2 0.6650** - Mid-Figure - Medium

# NZDUSD - fundamental overview

Overall, economic data out of New Zealand has been softer of late, RBNZ rate hike expectations have been scaled back, the phased border reopening has been delayed due to omicron, and risk off flow has soured sentiment. All of this has been behind this latest wave of Kiwi underperformance into 2022. Key standouts on today's calendar include German factory orders, German construction PMIs, UK services and composite PMIs, Eurozone producer prices, German inflation, Canada trade, and US reads highlighted by initial jobless claims, ISM non-manufacturing, and factory orders.

## 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.



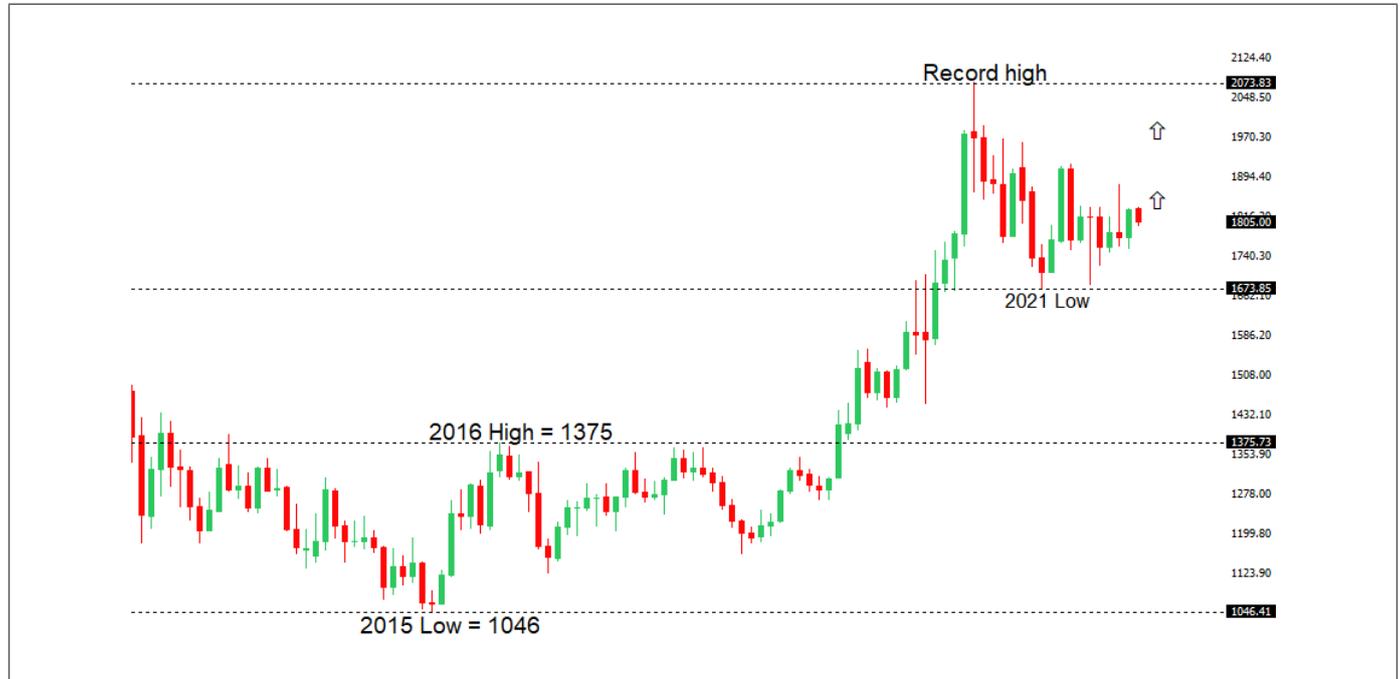
- **R2 4850** - Psychological - Strong
- **R1 4821** - 4 January/**Record high** - Medium
- **S1 4533** - 20 December low - Medium
- **S2 4496** - 3 December low - Strong

## 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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