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Global FX Insights

by LMAX Group Research & Analytics

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

Here's what's bothering financial markets right now [Wake-up call](#)

What started as a quiet week has become a lot more active. Wednesday was a risk off day in every way, with the US Dollar in demand and stocks under pressure. As far as the downturn in sentiment goes, we believe it's coming from a combination of drivers.

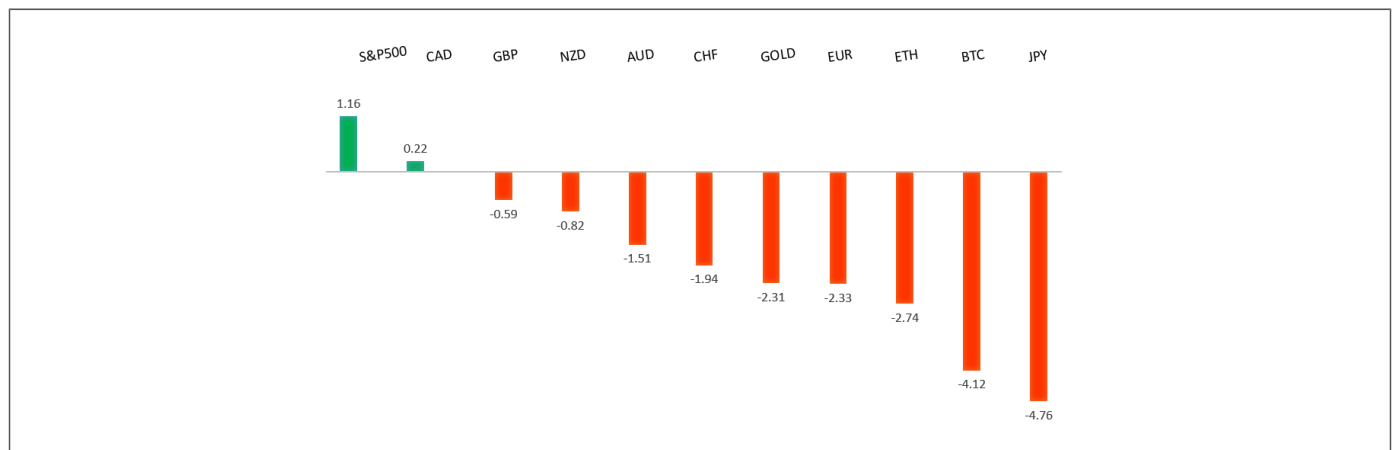
Technical highlights [Daily Video](#)

- [EURUSD](#) Looking for a higher low
- [GBPUSD](#) Dips into correction mode
- [USDJPY](#) Possible bottom forming
- [AUDUSD](#) Eying critical support zone
- [USDCAD](#) Strong base into 1.3000
- [NZDUSD](#) Downside pressure persists
- [US SPX 500](#) Additional upside limited
- [GOLD \(spot\)](#) Positioning for fresh record high

Fundamental highlights

- [EURUSD](#) German IFO reads come in soft
- [GBPUSD](#) Accelerating inflation worries Pound
- [USDJPY](#) It's all about the yield differentials
- [AUDUSD](#) Aussie hit on RMB weakness, metals selling
- [USDCAD](#) Alberta wildfires add to CAD weakness
- [NZDUSD](#) Kiwi selling continues post RBNZ surprise
- [US SPX 500](#) Inflation headache not going away
- [GOLD \(spot\)](#) Dealers report plenty of demand

30 Day Performance vs. US dollar (%)



Suggested reading

- [Not All's Quiet on the Fitch and CDS Front](#), J. Authers, **Bloomberg** (May 24, 2023)
- [When Water Security Runs Dry](#), K. Bryan, **Morningstar** (May 25, 2023)

EURUSD - technical overview

The Euro remains well supported on dips following a run to the topside through 1.1000 earlier this year. Any additional setbacks should be well supported ahead of 1.0500 in favor of the formation of the next major higher low and a bullish continuation. Ultimately, only a monthly close back below 1.0500 would give reason for concern. Next key resistance comes in the form of the March 2022 high at 1.1185.



- **R2 1.0905** - 16 May high - Strong
- **R1 1.0849** - 18 May high - Medium
- **S1 1.0733** - 25 May low - Medium
- **S2 1.0713** - 24 March low - Strong

EURUSD - fundamental overview

The Euro has extended declines on the back of a hit to German IFO reads and declines in European bank stocks. We also saw added selling on broad based US Dollar demand from a Fed Minutes that showed the Fed wasn't ready to call it quits with respect to the battle against inflation. Key standouts on Thursday's calendar come from German consumer confidence reads, German GDP, the ECB Annual Report, UK CBI trades, the Chicago Fed index, US GDP, US initial jobless claims, and US pending home sales.

EURUSD - Technical charts in detail

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GBPUSD - technical overview

Signs have emerged of the market wanting to put in a longer-term base after collapsing to a record low in September 2022. The November 2022 monthly close back above 1.2000 strengthens this prospect. Any setbacks should now be well supported ahead of 1.2000. Next key resistance comes in at 1.2680.



- **R2 1.2547** - 16 May high - Strong
- **R1 1.2493** - 18 May high - Medium
- **S1 1.2300** - Figure - Medium
- **S2 1.2275** - 3 April low - Strong

GBPUSD - fundamental overview

The Pound has been more worried about rising UK inflation and the lack of policy response, with the currency extending declines on Wednesday. And though the headline UK CPI number came in softer, we did see a healthy jump in core CPI. Meanwhile, the Fed Minutes showing the Fed not ready to end its battle with inflation also added to downside pressure. Key standouts on Thursday's calendar come from German consumer confidence reads, German GDP, the ECB Annual Report, UK CBI trades, the Chicago Fed index, US GDP, US initial jobless claims, and US pending home sales.

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USDJPY - technical overview

The major pair has seen a nice recovery following the massive correction out from multi-year highs. Setbacks have finally been well supported ahead of 125.00 in the 127s thus far. At this stage, it looks like the market could be wanting to resume the bigger picture uptrend and head back towards a retest of that multi-year high from October 2022 up at 151.95. Look for any weakness to continue to be well supported in favor of higher lows along the way.



- **R2 139.90** - 30 November high - Strong
- **R1 139.71** - 25 May/2023 high - Medium
- **S1 137.29** - 18 May low - Strong
- **S2 136.30** - 1 May low - Medium

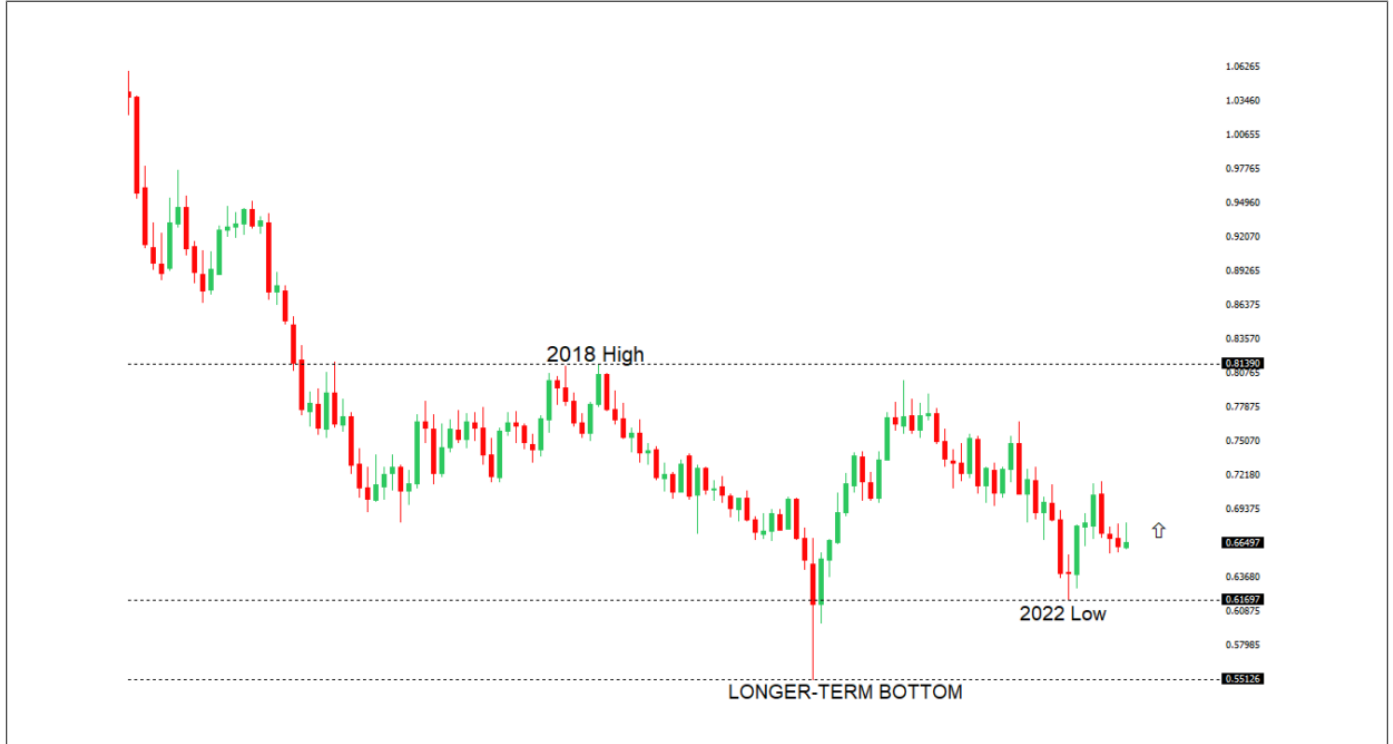
USDJPY - fundamental overview

The market hasn't cared much about a solid Japanese Tankan survey, instead spending more time focusing on a yield differential that continues to move in favor of the US Dollar. While the BOJ remains committed to accommodative policy, the Fed is showing it's not yet ready to give up on the battle against inflation. Key standouts on Thursday's calendar come from German consumer confidence reads, German GDP, the ECB Annual Report, UK CBI trades, the Chicago Fed index, US GDP, US initial jobless claims, and US pending home sales.

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AUDUSD - technical overview

There are signs of the potential formation of a longer-term base following the late 2022 surge back above 0.6500. Next key resistance comes in at 0.7284. Setbacks should be well supported into the 0.6500 area. Only a monthly close below 0.6500 would give reason for rethink.



- **R1 0.6675** - 19 May high - Strong
- **R2 0.6616**- 24 May high - Medium
- **S1 0.6523** - 25 May/**2023 low** - Medium
- **S2 0.6500** - Psychological - Strong

AUDUSD - fundamental overview

The Australian Dollar has been weighed down this week on weakness in the RMB and metals prices, along with a still hawkish leaning Fed sentiment following the latest Minutes. Key standouts on Thursday's calendar come from German consumer confidence reads, German GDP, the ECB Annual Report, UK CBI trades, the Chicago Fed index, US GDP, US initial jobless claims, and US pending home sales.

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.



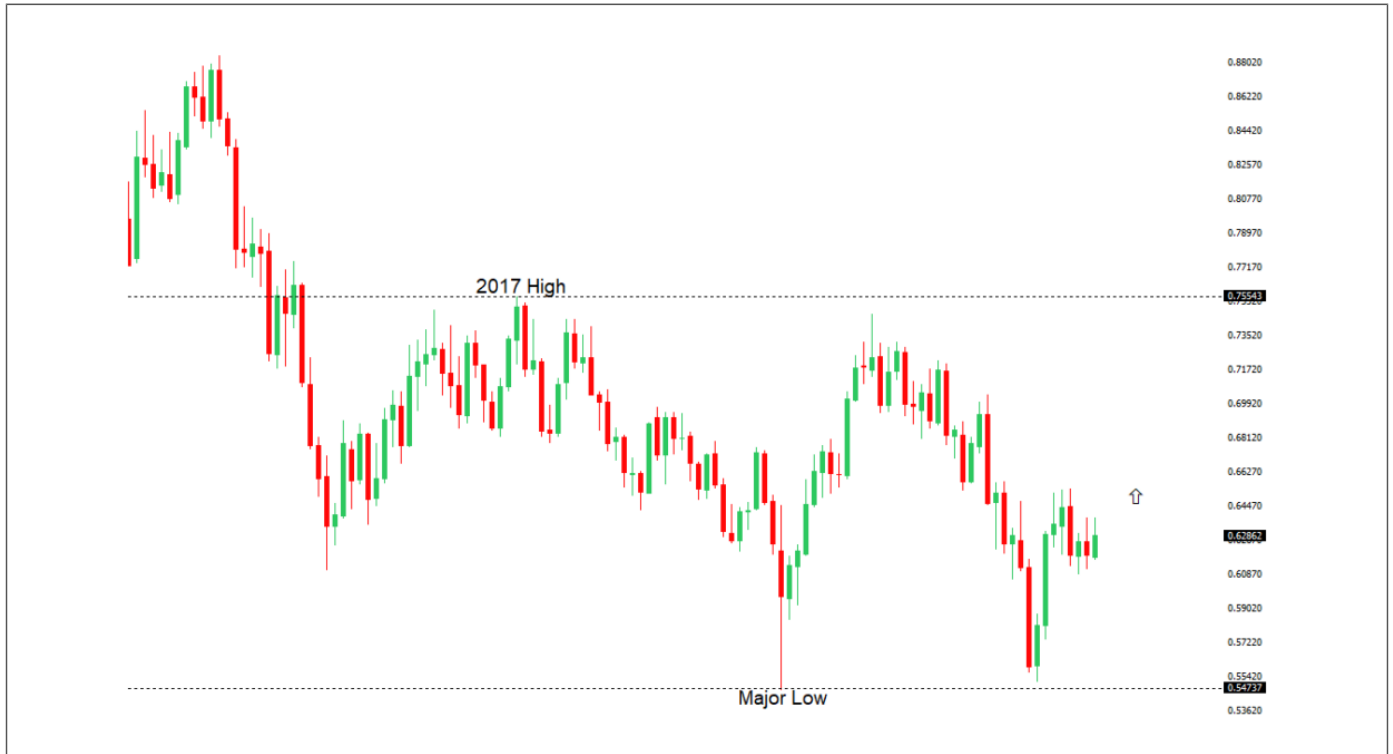
- **R2 1.3668** - 28 April high - Strong
- **R1 1.3613** - 25 May high - Medium
- **S1 1.3495** - 24 May low - Medium
- **S2 1.3404** - 16 May low - Strong

USDCAD - fundamental overview

The Canadian Dollar couldn't get any help from the higher price of oil on Wednesday, instead falling victim to lower stocks and broad based US Dollar demand in the aftermath of a Fed Minutes that still showed hawkish tendencies. Adding insult to injury have been the Alberta wildfires, which have shut about 20% of natural gas production. Key standouts on Thursday's calendar come from German consumer confidence reads, German GDP, the ECB Annual Report, UK CBI trades, the Chicago Fed index, US GDP, US initial jobless claims, and US pending home sales.

NZDUSD - technical overview

Overall pressure remains on the downside with the market once again stalling out on a run up into the 0.6500 area. Ultimately, a break back above 0.6577 would be required to take the immediate pressure off the downside. A monthly close below 0.6000 would intensify bearish price action.



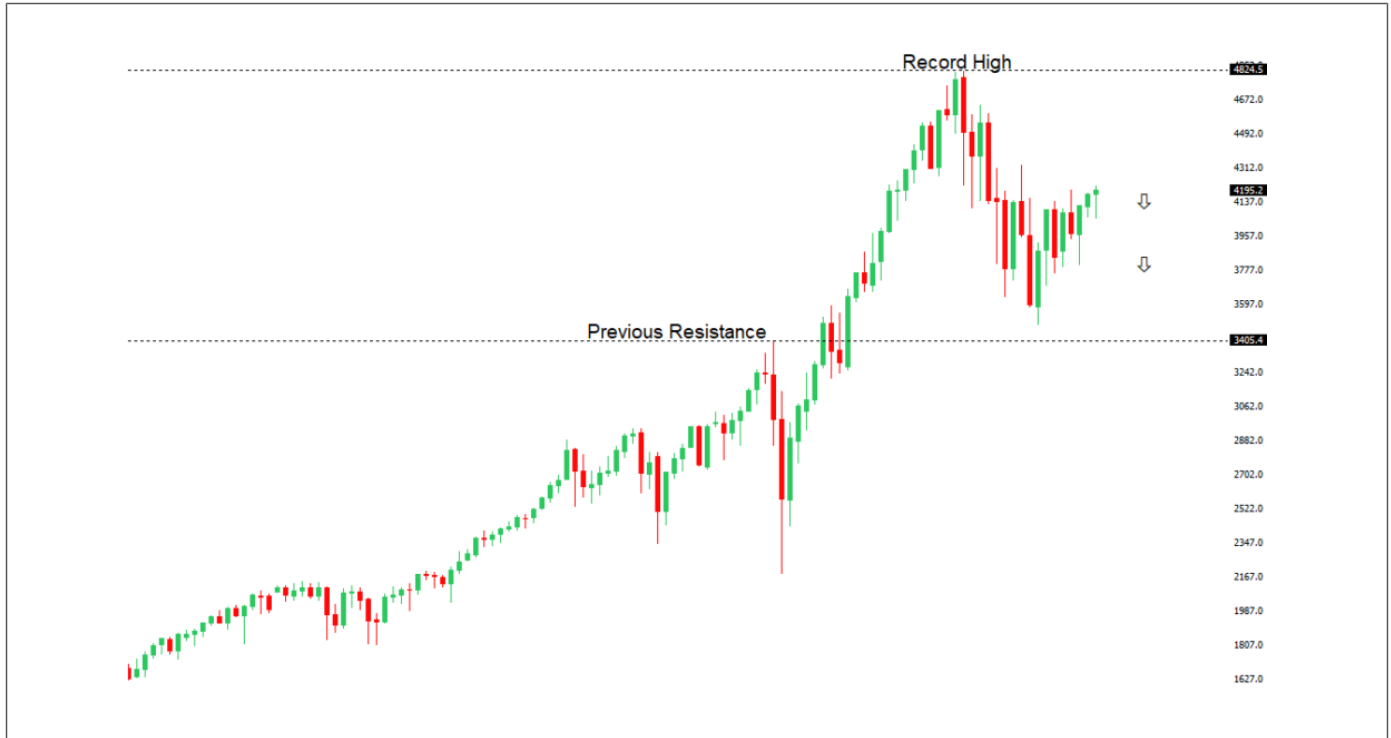
- **R2 0.6306** - 19 May high - Strong
- **R1 0.6257** - 24 May high - Medium
- **S1 0.6080** - 25 May/**2023 low** - Medium
- **S2 0.6061** - 14 November low - Strong

NZDUSD - fundamental overview

The New Zealand Dollar has come under intense pressure into the latter half of the week on the back of an RBNZ decision that communicated a surprise message of no further policy tightening being needed to tame inflation. And adding downside pressure was a Fed Minutes still showing the central bank not willing to give up on the battle against inflation. Key standouts on Thursday’s calendar come from German consumer confidence reads, German GDP, the ECB Annual Report, UK CBI trades, the Chicago Fed index, US GDP, US initial jobless claims, and US pending home sales.

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. A monthly close back above 4300 will be required at a minimum to take the immediate pressure off the downside. Next major support comes in at 4049.



- **R2 4217** - 26 August high - Strong
- **R1 4217** - 19 May/2023 high - Medium
- **S1 4100** - 12 May low - Medium
- **S2 4049** - 4 May 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. Overall, we expect inflation to continue to be a problem in 2023 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. The recent break back above 1808 strengthens the bullish outlook. Next major resistance comes in at 2100, above which opens the next extension towards 2,500.



- **R2 2100** - Round Number - Strong
- **R1 2076** - Record high/2020 - Strong
- **S1 1952** - 18 May low - Medium
- **S2 1934** - 22 March 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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