

Tuesday, May 3, 2022

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# Global FX Insights

by LMAX Group Research & Analytics

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

## Investors are desperate for a relief rally [🔊 Wake-up call](#)

We come into Tuesday with the market trying to find some support after an intense round of risk off flow leading to a fresh yearly low in the S&P 500. Worry around COVID fallout, the Russia-Ukraine war, slower global growth prospects and rising inflation are all behind what we've been seeing of late.

### Technical highlights [📺 Daily Video](#)

- [EURUSD](#) Sights set on 2017 low
- [GBPUSD](#) Risk builds for recovery
- [USDJPY](#) Next big level at 2002 high
- [AUDUSD](#) Struggles into rallies
- [USDCAD](#) Signs of major bottom
- [NZDUSD](#) Sinks to fresh yearly low
- [US SPX 500](#) Room for additional drop
- [GOLD](#) (spot) Dips to be well supported

### Fundamental highlights

- [EURUSD](#) Fear of Russian oil embargo
- [GBPUSD](#) Quiet start after holiday Monday
- [USDJPY](#) Golden Week holiday tempers activity
- [AUDUSD](#) Absorbing the latest RBA decision
- [USDCAD](#) Weak Canada manufacturing data
- [NZDUSD](#) RBNZ rate hike expectations cool off
- [US SPX 500](#) Stocks vulnerable in Q2
- [GOLD](#) (spot) Dealers report plenty of demand

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



## Suggested reading

- [The Ideal Portfolio to Survive a Bear Market](#), G. Shilling, **Bloomberg** (May 3, 2022)
- [Can New Innovations Reduce Beer's Water Usage?](#), A. Durgahee, **Financial Times** (May 2, 2022)

## EURUSD - technical overview

A recent breakdown below **1.1100** to fresh multi-month lows now sets up the next major downside extension towards the multi-year low from 2017 in the 1.0300 area. At this stage, it will take a push back above 1.1500 to force a shift in the outlook.



- **R2 1.0739** - 26 April high - Medium
- **R1 1.0655** - 27 April high high - Medium
- **S1 1.0500** - Psychological - Medium
- **S2 1.0471** - 28 April/2022 low - Strong

## EURUSD - fundamental overview

The Euro continues to find strong offers into rallies. Weak German retail sales and increased talk of a Russian oil embargo have been behind the latest selling pressure. Key standouts on Tuesday's calendar come from German unemployment, Eurozone unemployment, Eurozone producer prices, an ECB Lagarde speech, US JOLTS job openings, US factory orders, and a BoC Rogers speech.

## 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 1.2500 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 1.3148 takes immediate pressure off the downside.



- **R2 1.2839** - 25 April high - Medium
- **R1 1.2773** - 26 April high - Medium
- **S1 1.2500** - Psychological - Medium
- **S2 1.2412** - 28 April/2022 low - Strong

## GBPUSD - fundamental overview

The Pound got off to a quiet start to the week on account of razor thin trade on Monday, with UK markets and many Asia markets out on holiday. Key standouts on Tuesday’s calendar come from German unemployment, Eurozone unemployment, Eurozone producer prices, an ECB Lagarde speech, US JOLTS job openings, US factory orders, and a BoC Rogers speech.

[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 quite extended, 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.



- **R2 131.25** - 28 April/2022 high - Strong
- **R1 131.00** - Figure - Medium
- **S1 128.60** - 27 April high - Medium
- **S2 126.95** - 27 April low - Strong

# USDJPY - fundamental overview

The arrival of the **Golden Week holiday** has tempered activity, with the Yen less under pressure than it has been. Still, overall, the Yen remains weighed down on a major monetary policy divergence between the Fed and BOJ. Key standouts on Tuesday's calendar come from German unemployment, Eurozone unemployment, Eurozone producer prices, an ECB Lagarde speech, US JOLTS job openings, US factory orders, and a BoC Rogers speech.

[Watch now](#)

# AUDUSD - technical overview

At this stage, the market has found a **bottom** and is trying to work back to the topside. Still, the overall pressure remains on the downside and ultimately, it will take a weekly close back above 0.7600 to officially shift the focus back on the topside.



- **R1 0.7252** - 25 April high - Medium
- **R2 0.7378** - 22 April high - Medium
- **S1 0.7030** - 2 May low - Medium
- **S2 0.7000** - Psychological - Strong

# AUDUSD - fundamental overview

**Aussie got a boost out from recent lows** after a robust Australia manufacturing print, with the currency now focused on absorbing this latest RBA decision. Key standouts on Tuesday’s calendar come from the RBA policy decision, German unemployment, Eurozone unemployment, Eurozone producer prices, an ECB Lagarde speech, US JOLTS job openings, US factory orders, and a BoC Rogers speech.

# USDCAD - technical overview

**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 1.2915** - 2 May/2022 high - Strong
- **R1 1.2900** - Figure - Medium
- **S1 1.2719** - 29 April low - Medium
- **S2 1.2685** - 26 April low - Strong

# USDCAD - fundamental overview

**This latest slide in Canada manufacturing PMIs** hasn't done anything to help the Canadian Dollar, which has already been under pressure to fresh 2022 lows against the Buck on account of the broader risk off flow. Key standouts on Tuesday's calendar come from German unemployment, Eurozone unemployment, Eurozone producer prices, an ECB Lagarde speech, US JOLTS job openings, US factory orders, and a BoC Rogers speech.

## NZDUSD - technical overview

The market has been trending lower since topping out in 2021, making a series of lower highs and lower lows. Look for the latest recovery rally to set up the next lower top for a bearish continuation below 0.6500 and towards 0.6000. Back above 0.7200 would be required to negate and force a shift in the structure.



- **R2 0.6737** - 22 April high - Medium
- **R1 0.6639** - 25 April high - Medium
- **S1 0.6412** - 2 May/2022 low - Strong
- **S2 0.6400** - Round Number - Medium

## NZDUSD - fundamental overview

The New Zealand Dollar is struggling mightily with risk off flow, softer local data, and resulting rate hike expectations which have cooled off. Key standouts on Tuesday's calendar come from German unemployment, Eurozone unemployment, Eurozone producer prices, an ECB Lagarde speech, US JOLTS job openings, US factory orders, and a BoC Rogers speech.

# 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. Below 4000 opens next downside extension.



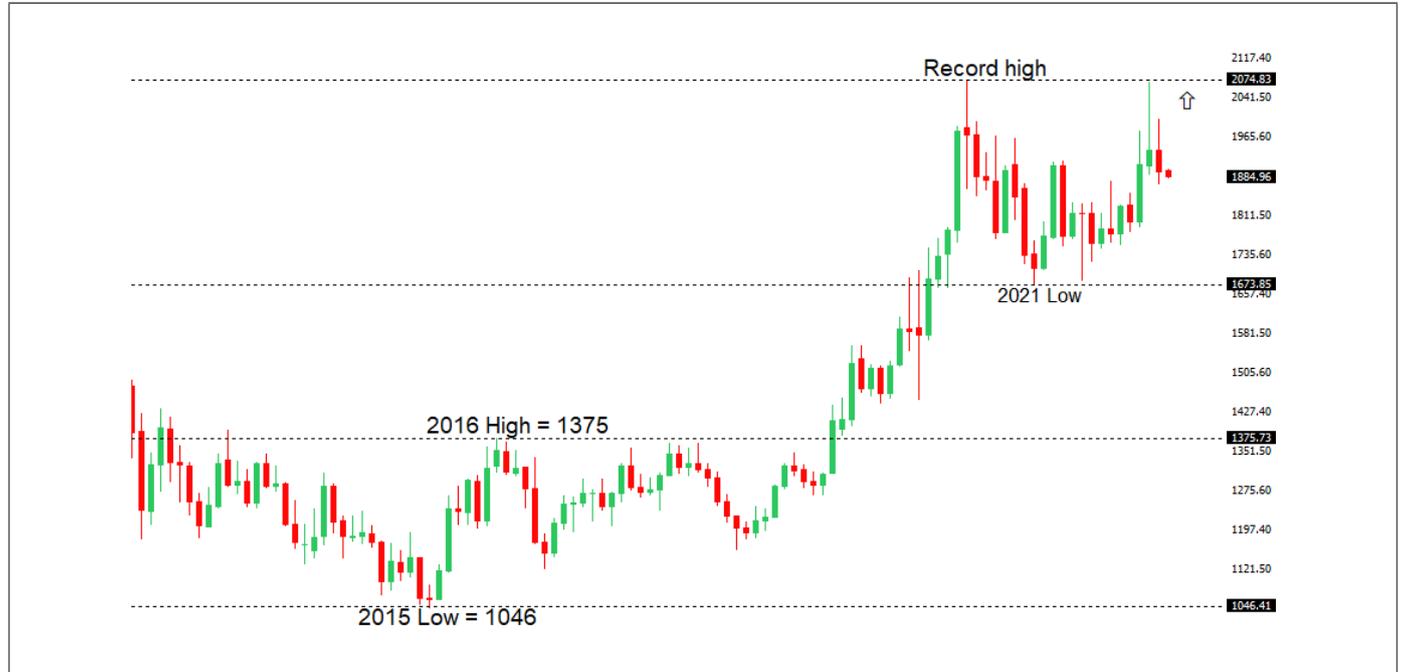
- **R2 4401** - 22 April high - Medium
- **R1 4312**- 26 April high - Strong
- **S1 4062** - 2 May/2022 low - Medium
- **S2 4000** - Psychological - Strong

# 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 weigh more heavily on investor sentiment in Q2 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 1800.



- **R2 1999** - 18 April high - Strong
- **R1 1959** - 20 April high - Medium
- **S1 1855** - 2 May low - Medium
- **S2 1800** - 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 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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