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Global FX Insights

by LMAX Group Research & Analytics

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

Making sense of the price action [🔊 Wake-up call](#)

Thursday was an interesting day in financial markets. When the dust settled, the stock market had extended gains in an impressive way, all while the US Dollar was rallying. This isn't the way things normally go, with higher stocks expected to translate to a lower US Dollar.

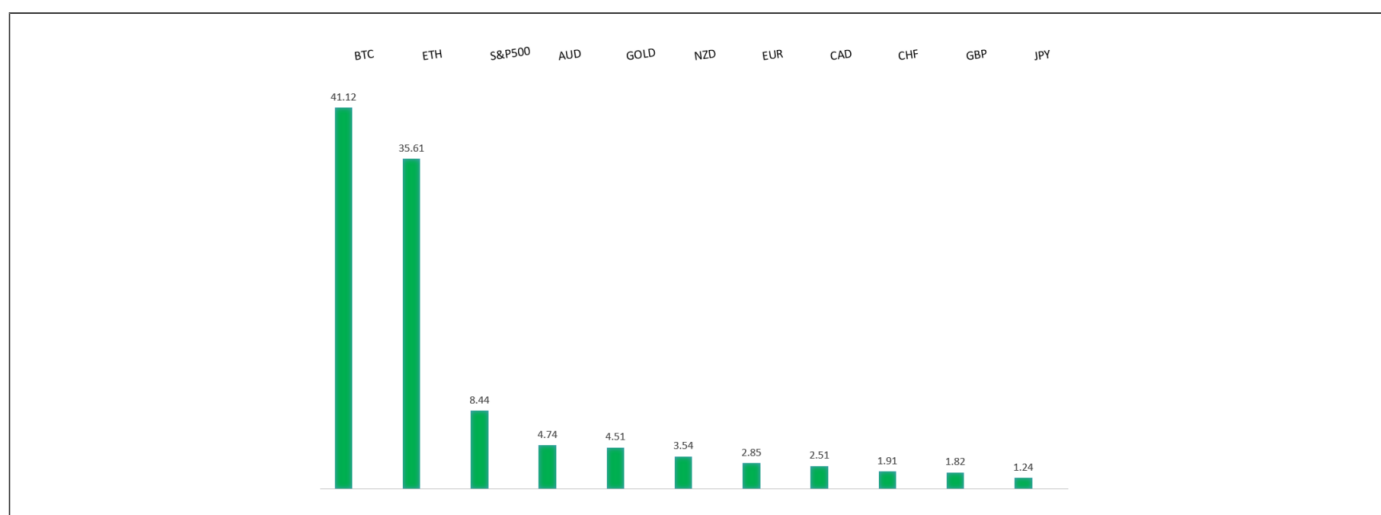
Technical highlights [📺 Daily Video](#)

- [EURUSD](#) Stalls out above 1.1000
- [GBPUSD](#) Into important internal resistance
- [USDJPY](#) Additional setbacks limited
- [AUDUSD](#) Structure shifts more bullish
- [USDCAD](#) Well supported on dips
- [NZDUSD](#) Additional upside limited
- [US SPX 500](#) Looking for downtrend resumption
- [GOLD](#) (spot) Pushing back towards record high

Fundamental highlights

- [EURUSD](#) ECB Lagarde lets down hawks
- [GBPUSD](#) Pound sells off as BOE shifts stance
- [USDJPY](#) Yield differential swings Yen post FOMC
- [AUDUSD](#) Aussie hit on declining metals prices
- [USDCAD](#) Big miss from Canada building permits
- [NZDUSD](#) Kiwi faces pressure from commodities slide
- [US SPX 500](#) Inflation headache not going away
- [GOLD](#) (spot) Dealers report plenty of demand

30 Day Performance vs. US dollar (%)



Suggested reading

- [Making Sense of Sensory Overload in the Markets](#), J. Authers, **Bloomberg** (February 3, 2023)
- [Capture, who's looking after the children?](#), N. Segal, **FT** (February 2, 2023)

EURUSD - technical overview

The Euro recovery has finally run back above meaningful previous support turned resistance at 1.0635. The December 2022 close above this level further encourages the recovery outlook and makes a stronger case for the formation of a longer-term bottom. Any setbacks should now be well supported ahead of 1.0500. Next major resistance at 1.1185.



- **R2 1.1185** - 31 March high - Strong
- **R1 1.1034** - 2 February/2023 high - Medium
- **S1 1.0852** - 1 February low - Medium
- **S2 1.0802** - 31 January low - Strong

EURUSD - fundamental overview

The ECB delivered a 50 basis point rate hike as was widely expected. However, Lagarde's comments that a future rate commitment was 'not irrevocable,' and that she saw risk for inflation and growth as 'more balanced,' were enough to open a wave of profit taking on Euro longs, with hawks being let down. Key standouts on Friday's calendar come from services PMI reads out of Germany, the Eurozone, and UK, Eurozone producer prices, the monthly employment report out of the US, and US ISM non-manufacturing.

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. The latest weekly close back above the September high at 1.1739 strengthens this prospect. Any setbacks should now be well supported ahead of 1.1500. Next key resistance comes in at 1.2668.



- **R2 1.2448**- 14 December high - Strong
- **R1 1.2400** - Figure - Medium
- **S1 1.2169** - 17 January low - Medium
- **S2 1.2082** - 12 January low - Strong

GBPUSD - fundamental overview

The BOE raised rates by 50 basis points as widely expected, though this did nothing to help the Pound. With the rate hike priced in, the only direction to go was south, especially after the central bank dropped its aggressive rate guidance. The BOE no longer says policymakers will respond 'forcefully' to inflation, while Governor Bailey suggested a corner had been turned. Key standouts on Friday's calendar come from services PMI reads out of Germany, the Eurozone, and UK, Eurozone producer prices, the monthly employment report out of the US, and US ISM non-manufacturing.

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USDJPY - technical overview

The major pair has been in the throes of a long overdue correction that was waiting to play out after a parabolic run to the topside to multi-year highs. At this stage, the correction could be getting close to having played out fully, with the market finally approaching critical previous resistance turned support in the 125.00 area.



- **R2 132.88** - 11 January high - Strong
- **R1 131.58** - 18 January high - Medium
- **S1 127.22** - 16 January low - Medium
- **S2 126.36** - 24 May low - Strong

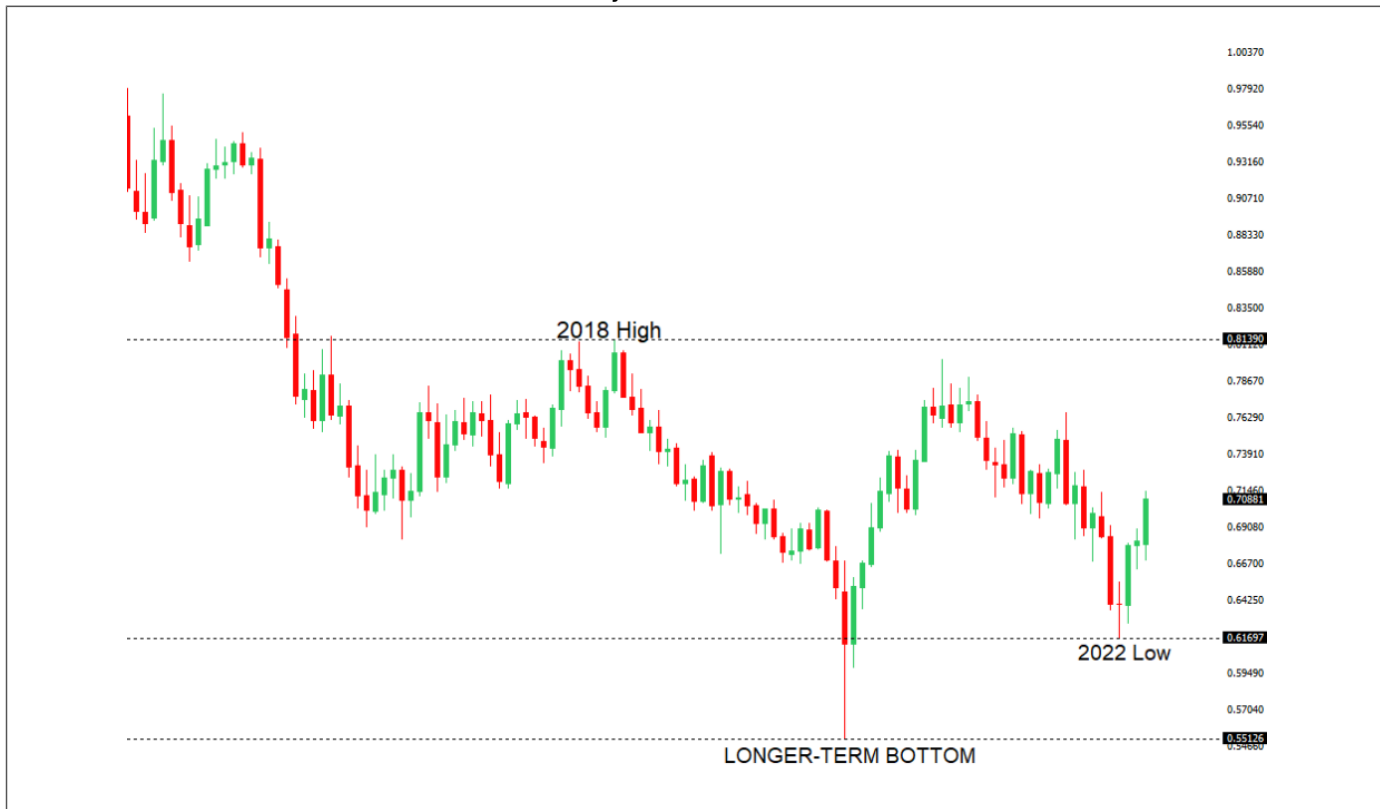
USDJPY - fundamental overview

Broad based US Dollar selling in the aftermath of the latest Fed decision has factored into the latest round of Yen gains, with the currency benefitting from the yield differential shift. Key standouts on Friday's calendar come from services PMI reads out of Germany, the Eurozone, and UK, Eurozone producer prices, the monthly employment report out of the US, and US ISM non-manufacturing.

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AUDUSD - technical overview

There are signs of the potential formation of a longer-term base following the recent surge back above 0.6500. The recent weekly close back above previous support now turned resistance at 0.6682 strengthens the outlook for a bullish structural shift. Next key resistance comes in at 0.7284.



- **R1 0.7200** - Figure - Strong
- **R2 0.7158** - 2 February high - Medium
- **S1 0.6860** - 10 January low - Medium
- **S2 0.6800** - Figure - Medium

AUDUSD - fundamental overview

The Australian Dollar has reversed course into the end of the week, with the currency taking most of its hits from declining metals prices. Key standouts on Friday’s calendar come from services PMI reads out of Germany, the Eurozone, and UK, Eurozone producer prices, the monthly employment report out of the US, and US ISM non-manufacturing.

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 1.3706** - 16 December high - Strong
- **R1 1.3519** - 19 January high - Medium
- **S1 1.3263** - 2 February low - Medium
- **S2 1.3226** - 15 November low - Strong

USDCAD - fundamental overview

The Canadian Dollar has sold off on the back of declining commodities prices and softer local data. On Thursday, Canada building permits were a big miss. Key standouts on Friday's calendar come from services PMI reads out of Germany, the Eurozone, and UK, Eurozone producer prices, the monthly employment report out of the US, and US ISM non-manufacturing.

NZDUSD - technical overview

Overall pressure remains on the downside with risk for the current recovery rally to stall out and form a lower top for the next major downside extension. A break back above 0.6577 would be required to take the immediate pressure off the downside.



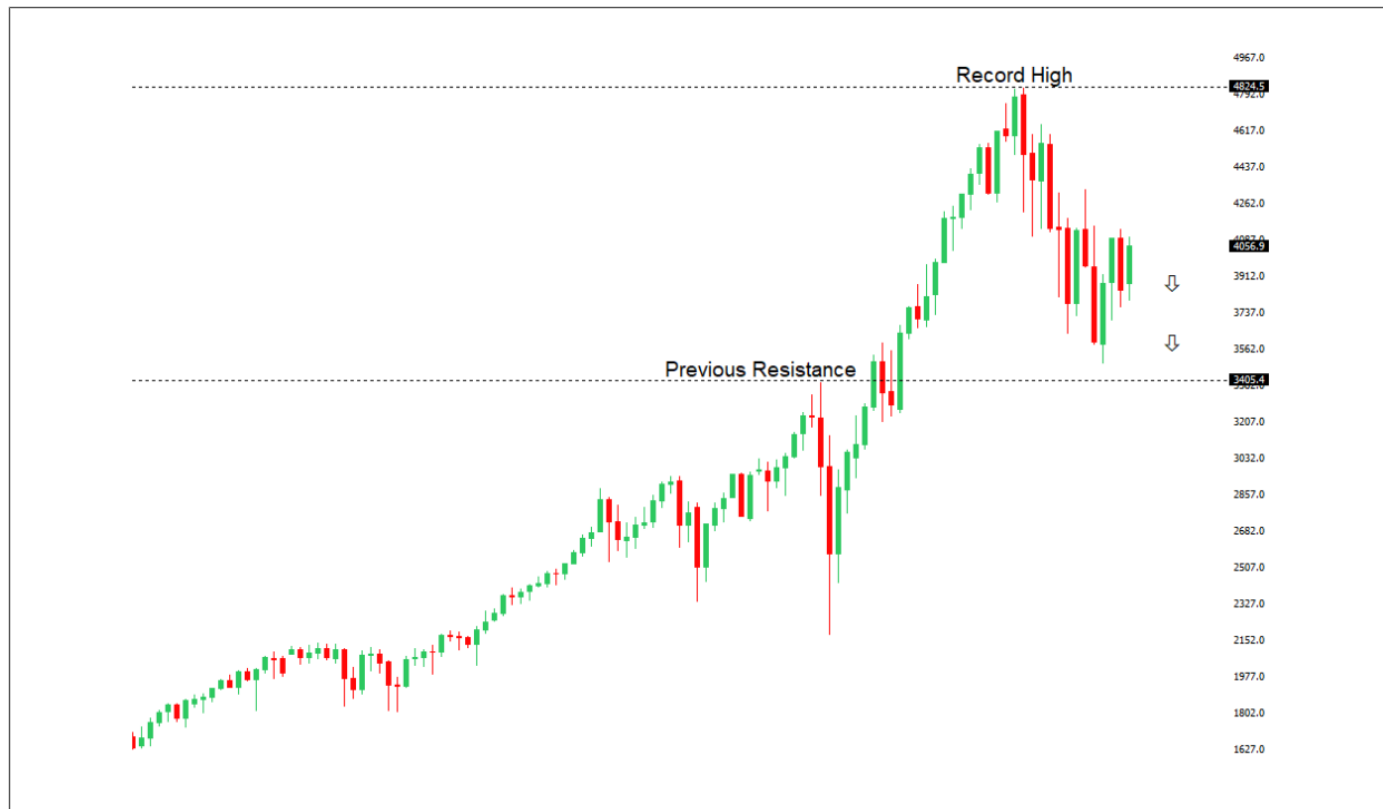
- **R2 0.6577** - 3 June high - Strong
- **R1 0.6539** - 2 February high - Medium
- **S1 0.6305**- 12 January low - Medium
- **S2 0.6191** - 6 January low - Strong

NZDUSD - fundamental overview

The New Zealand Dollar has struggled a bit after an impressive performance earlier in the week, with the currency finding offers on declining commodities prices and some softer local data. Key standouts on Friday’s calendar come from services PMI reads out of Germany, the Eurozone, and UK, Eurozone producer prices, the monthly employment report out of the US, and US ISM non-manufacturing.

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 3492.



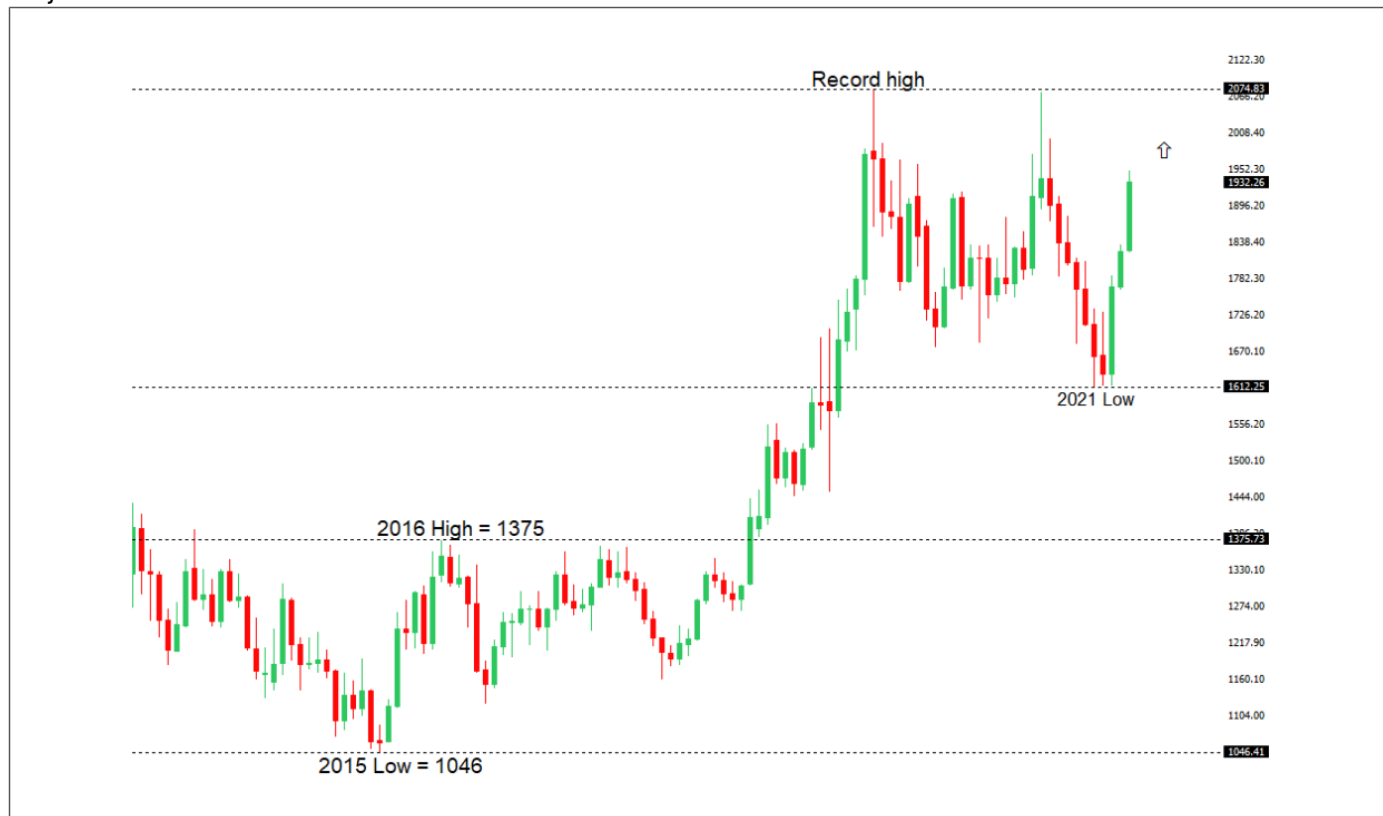
- **R2 4217** - 26 August high - Strong
- **R1 4198** - 2 February/**2023 high** - Medium
- **S1 3996** - 31 January low - Medium
- **S2 3885** - 19 January low - Strong

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 H1 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 2000.



- **R2 2000** - Mid-Figure - Strong
- **R1 1960** - 2 February/2023 high - Medium
- **S1 1774** - 15 December low - Medium
- **S2 1719** - 23 November 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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