

# Global FX Insights

by LMAX Group Research & Analytics

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

## More justification for higher rates in the US 🔊 [Wake-up call](#)

Thursday's round of solid US economic data only makes things more challenging for financial markets as it further justifies the need for rates to be moving higher. Remember, earlier this week, US CPI came in hotter than forecast, which had fueled this latest fallout in risk assets.

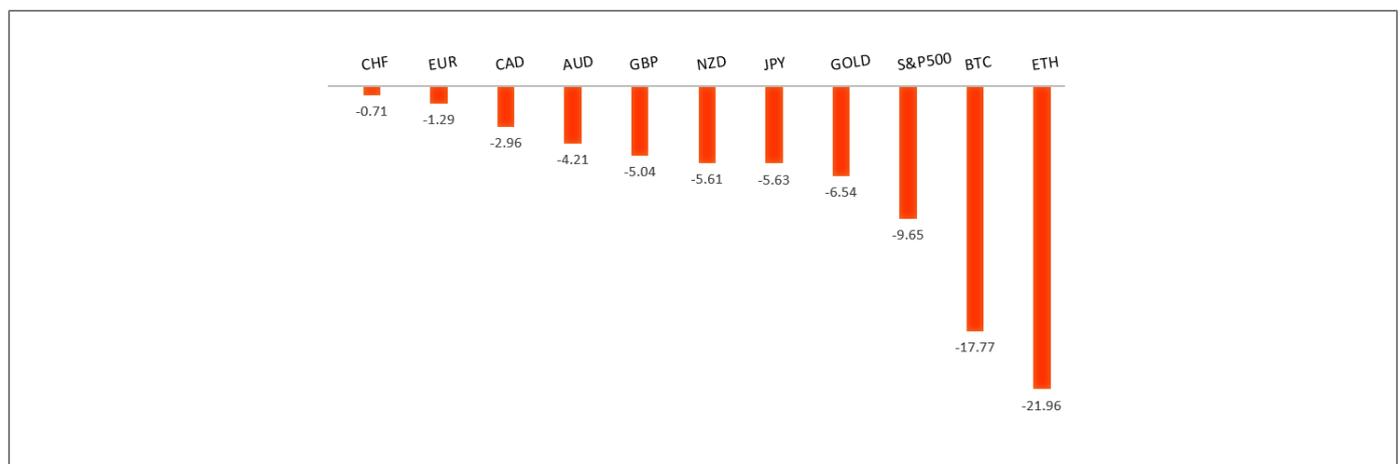
### Technical highlights ▶ [Daily Video](#)

- [EURUSD](#) Battles with parity
- [GBPUSD](#) Trying to find a bottom
- [USDJPY](#) Due for major pullback
- [AUDUSD](#) Pressure remains on downside
- [USDCAD](#) Pushes to multi-month high
- [NZDUSD](#) Extends to fresh yearly low
- [US SPX 500](#) Well capped into rally
- [GOLD](#) (spot) Ready for next bullish run

### Fundamental highlights

- [EURUSD](#) Eurozone inflation data highlights docket
- [GBPUSD](#) UK retail sales deals another blow to Pound
- [USDJPY](#) Japan trade deficit widens sharply
- [AUDUSD](#) RBA Lowe offers no help to Australian Dollar
- [USDCAD](#) Commodities slide, existing home sales dump
- [NZDUSD](#) Kiwi not getting help from local data
- [US SPX 500](#) Inflation headache not going away
- [GOLD](#) (spot) Dealers report plenty of demand

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



## Suggested reading

- [Will Central Banks Kill or Nurture the Polar Bear?](#), J. Authers, **Bloomberg** (September 15, 2022)
- [Will the Fed Strangle Latin America Again?](#), E. Talvi, **Project Syndicate** (September 15, 2022)

## EURUSD - technical overview

The market has come under intense pressure in recent months, with setbacks accelerating below the critical multi-year low from 2017 at 1.0340. This has set up a dip below monumental support in the form of parity. At the same time, technical studies are tracking in oversold territory, suggesting additional setbacks should be limited. Back above 1.0500 would be required to take the immediate pressure off the downside.



- **R2 1.0204** - 17 August high - Strong
- **R1 1.0198** - 12 September high - Medium
- **S1 0.9955** - 14 September low - Medium
- **S2 0.9931** - 8 September low - Medium

## EURUSD - fundamental overview

**ECB officials continue to talk hawkish**, which has definitely helped to slow the bleed. Meanwhile, the Euro trade balance has deteriorated sharply. At this stage, given how far the Euro has fallen, it does seem as though there will be more of an effort to fight back to prevent further significant depreciation. Still, with the Fed moving as it has been, it might not be enough, and the Euro could face added pressure on the policy divergence. Key standouts on Friday's calendar include Eurozone inflation, Canada housing starts, and US Michigan sentiment.

## EURUSD - Technical charts in detail

[Watch now](#)

# GBPUSD - technical overview

The market continues to be exceptionally well supported on dips below 1.2000. At the same time, there is now risk for a retest of the multi-year low from 2020 down in the 1.1400 area before we see the formation of a base and the next big push back through 1.2000. Back above 1.1761 takes the immediate pressure off the downside.



- **R2 1.1901**- 26 August low - Strong
- **R1 1.1739** - 13 September high - Strong
- **S1 1.1444** - 5 September low - Medium
- **S2 1.1405** - 2022 low - Very Strong

# GBPUSD - fundamental overview

As much as the Pound has been trying to feel better of late, even looking for some comfort in this week's softer UK inflation reads, the fact remains that monetary policy divergence between the Fed and BOE remains a major theme and continues to show yield differentials leaning in the Buck's favor. Of course, today's much softer than expected UK retail sales is doing nothing to help the Pound's cause. Key standouts on Friday's calendar include Eurozone inflation, Canada housing starts, and US Michigan sentiment. [Watch now](#)

# USDJPY - technical overview

Technical studies are looking quite stretched on the longer-term chart, warning of consolidation and correction in the days and weeks ahead. Look for additional upside from here to be well capped into the 145.00 area. Next key support comes in at 140.25.



- **R2 146.00** - Figure - Medium
- **R1 145.00** - 7 September/2022 high - Strong
- **S1 141.50** - 9 September low - Medium
- **S2 140.25** - 6 September low - Strong

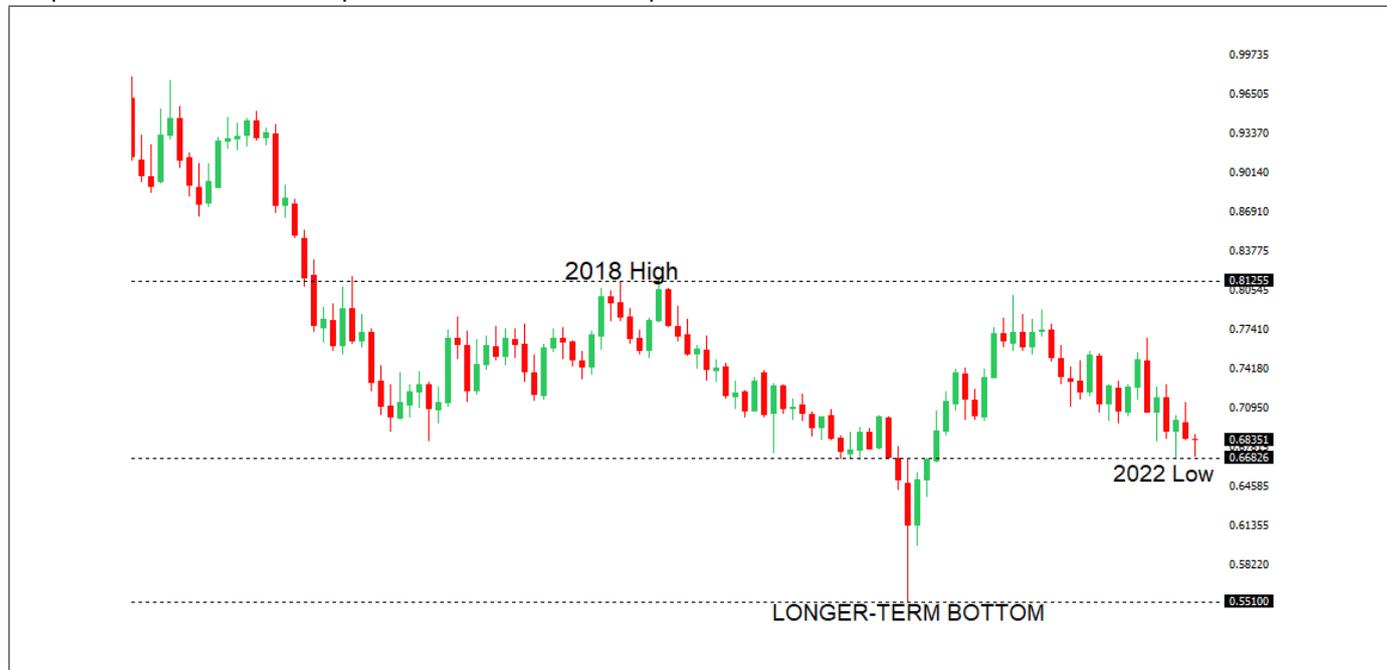
# USDJPY - fundamental overview

The massive monetary policy divergence between the Fed and BOJ continues to drive the direction in this market, though this week's reports of the BOJ checking rates was enough to stop the Yen from additional declines. Still, the Japanese trade deficit has widened out sharply and many officials believe Japan lacks the ability to employ effective measures to stop the Yen decline. Key standouts on Friday's calendar include Eurozone inflation, Canada housing starts, and US Michigan sentiment.

[Watch now](#)

## AUDUSD - technical overview

**Overall pressure remains on the downside** despite the recent recovery and conditions remain quite choppy. A break back above 0.7137 would be required to take the pressure off the downside. Until then, scope exists for a lower top below 0.7284 and deeper setbacks towards 0.6500.



- **R1 0.7137** - 11 August high - Strong
- **R2 0.7010** - 26 August high - Medium
- **S1 0.6685** - 16 September low - Medium
- **S2 0.6682** - 14 July/2022 low - Strong

## AUDUSD - fundamental overview

**Risk off flow and downside pressure on commodities** has been hurting the Australian Dollar, while this latest less hawkish talk out from RBA Lowe isn't doing much to help Aussie either. Lowe said the case for outsized interest-rate increases has 'diminished' now that the cash rate is approaching 'more normal settings,' reiterating the possibility of smaller moves ahead. The only thing maybe helping Aussie a bit on this Friday is some decent data out of China. Key standouts on Friday's calendar include Eurozone inflation, Canada housing starts, and US Michigan sentiment.

# 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 1.3500 area. Setbacks should be very well supported down into the 1.2500 area.



- **R2 1.3300** - Figure - Medium
- **R1 1.3252** - 16 September/2022 high - Medium
- **S1 1.2964** - 12 September low - Medium
- **S2 1.2895** - 25 August low - Strong

# USDCAD - fundamental overview

Commodities prices continued to get slammed, and Canada existing home sales came in quite soft. Meanwhile, we have yield differentials continuing to lean in the US Dollar's favor and a risk off mood that is all factoring into this drop in the Canadian Dollar to fresh yearly and multi-month lows. Key standouts on Friday's calendar include Eurozone inflation, Canada housing starts, and US Michigan sentiment.

# NZDUSD - technical overview

**Overall pressure remains on the downside** despite the recent recovery and conditions remain quite choppy. A break back above 0.6251 would be required to take the pressure off the downside. Until then, scope exists for deeper setbacks towards 0.5500.



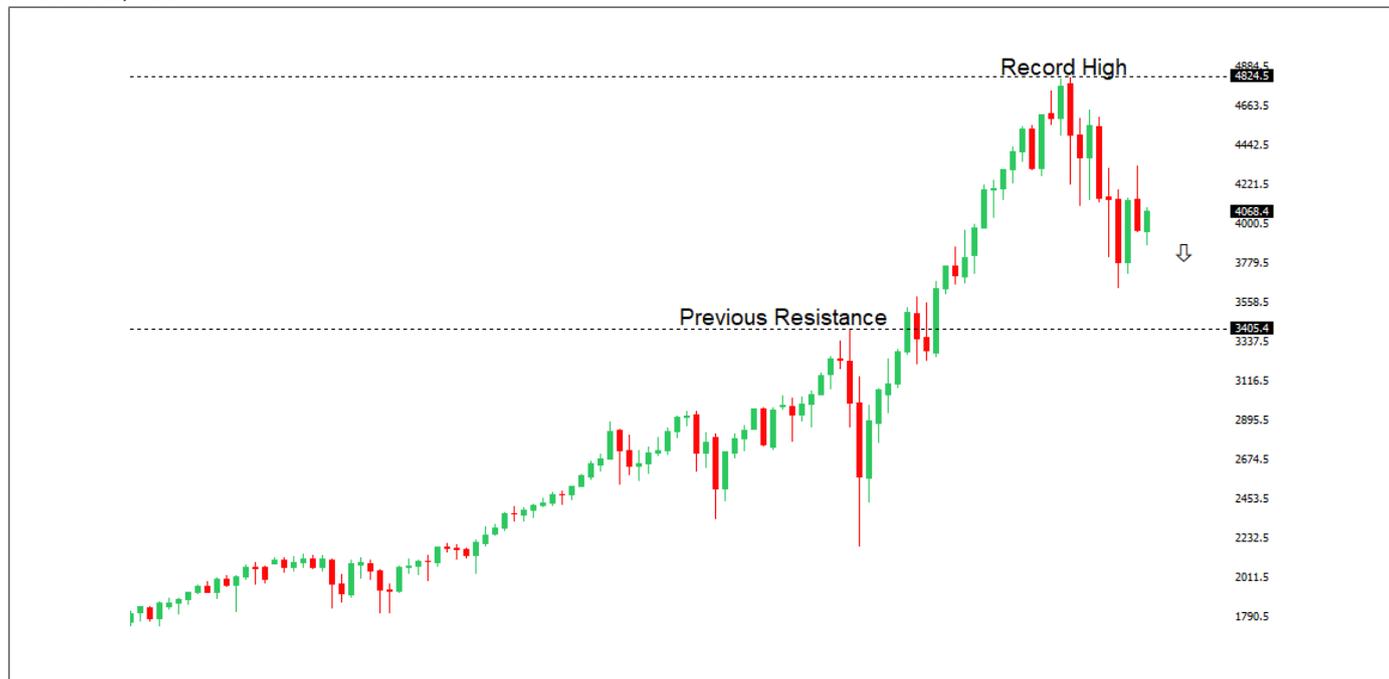
- **R2 0.6251** - 25 August high - Medium
- **R1 0.6162** - 13 September high - Strong
- **S1 0.5955**- 16 September/**2022 low** - Medium
- **S2 0.5900** - Figure - Strong

# NZDUSD - fundamental overview

**The risk correlated New Zealand Dollar has extended** its run of multi-month lows this week, this on the back of the latest downturn in global sentiment in the aftermath of a hotter than expected US CPI print. Solid economic data out of New Zealand this week in the form of GDP and this latest manufacturing PMI read hasn't done much to help the currency's cause. Key standouts on Friday's calendar include Eurozone inflation, Canada housing starts, and US Michigan sentiment.

# 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 4,328 will be required at a minimum to take the immediate pressure off the downside. Next major support comes in around 3,400.



- **R2 4217** - 26 August high - Strong
- **R1 4150** - 13 September high - Medium
- **S1 3819** - 18 July low - Medium
- **S2 3800** - Round Number - Medium

# 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. We have seen an attempt at recovery in recent weeks, with softer CPI reads helping. But overall, we expect inflation to continue to be a problem that results in renewed 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 1700 on a monthly close basis.



- **R2 1766** - 25 August high - Strong
- **R1 1736** - 12 September high - Medium
- **S1 1650** - 15 September/2022 low - Medium
- **S2 1600** - 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 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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