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Global FX Insights

by LMAX Group Research & Analytics

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

Mountain out of a molehill [🔊 Wake-up call](#)

We think the market has done a good job of making a bigger deal out of the US debt ceiling drama than there needs to be. After all, it's been the same story every time this comes up, and each time, there is a resolution in the final hours.

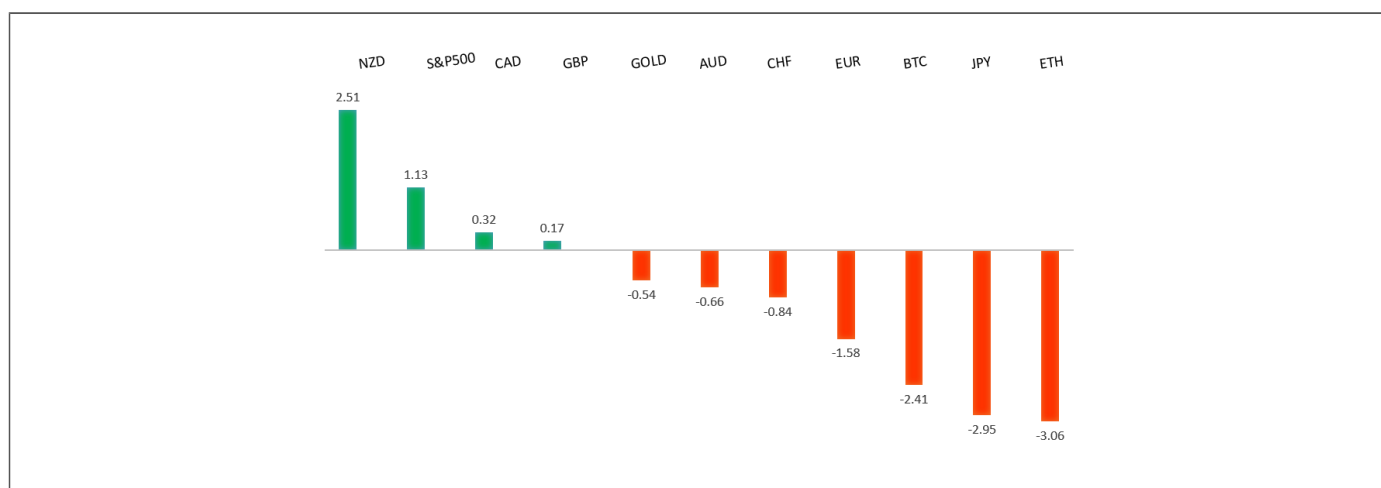
Technical highlights [📺 Daily Video](#)

- [EURUSD](#) Looking for a higher low
- [GBPUSD](#) Dips into correction mode
- [USDJPY](#) Possible bottom forming
- [AUDUSD](#) Well supported on dips
- [USDCAD](#) Strong base into 1.3000
- [NZDUSD](#) Stuck in sideways trade
- [US SPX 500](#) Additional upside limited
- [GOLD](#) (spot) Positioning for fresh record high

Fundamental highlights

- [EURUSD](#) Hawkish ECB speak props Euro
- [GBPUSD](#) UK consumer confidence rises as expected
- [USDJPY](#) Yen recovery not expected to last
- [AUDUSD](#) Exporter demand, leveraged funds trim shorts
- [USDCAD](#) Loonie gets a little lift from retail sales
- [NZDUSD](#) FinMin Robertson doesn't see downgrade
- [US SPX 500](#) Inflation headache not going away
- [GOLD](#) (spot) Dealers report plenty of demand

30 Day Performance vs. US dollar (%)



Suggested reading

- [Buffett's Play Means This Time, Japan Is Different \(Really\)](#), G. Reidy, **Bloomberg** (May 22, 2023)
- [Hillary Clinton on China, Putin and the threat to US Democracy](#), **Financial Times** (May 21, 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 1.0760** - 19 May low - Medium
- **S2 1.0713** - 24 March low - Strong

EURUSD - fundamental overview

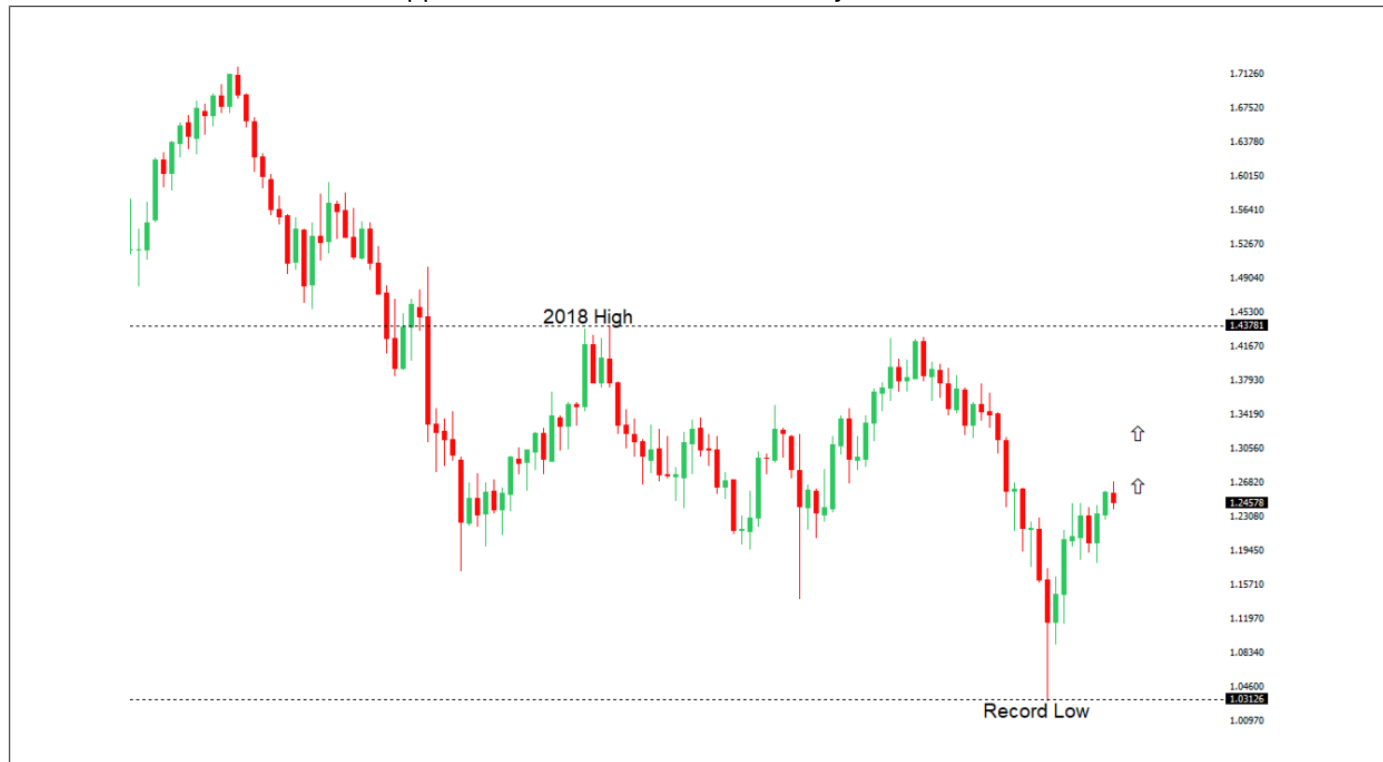
ECB Schnabel said there is still more ground to cover on rates which must then stay high for a some time. ECB Chief Lagarde said the ECB is heading towards more delicate decisions going forward and will be courageous in taking the decisions which are needed to bring inflation back down to 2%. German producer prices data came in mixed. Key standouts on Monday’s calendar come from Eurozone construction output, Eurozone consumer confidence, and Fed speak from the likes of Bullard, Barkin, and Bostic.

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 1.2391** - 18 May low- Medium
- **S2 1.2344** - 10 April low - Strong

GBPUSD - fundamental overview

Gfk May consumer confidence rose to -27 as expected, versus -30 last, the highest since February 2022, just before energy/food bills spiked on the Ukraine invasion. Key standouts on Monday’s calendar come from Eurozone construction output, Eurozone consumer confidence, and Fed speak from the likes of Bullard, Barkin, and Bostic.

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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 138.75** - 18 May/2023 high - Medium
- **S1 136.30** - 17 May low - Medium
- **S2 135.64** - 15 May low - Strong

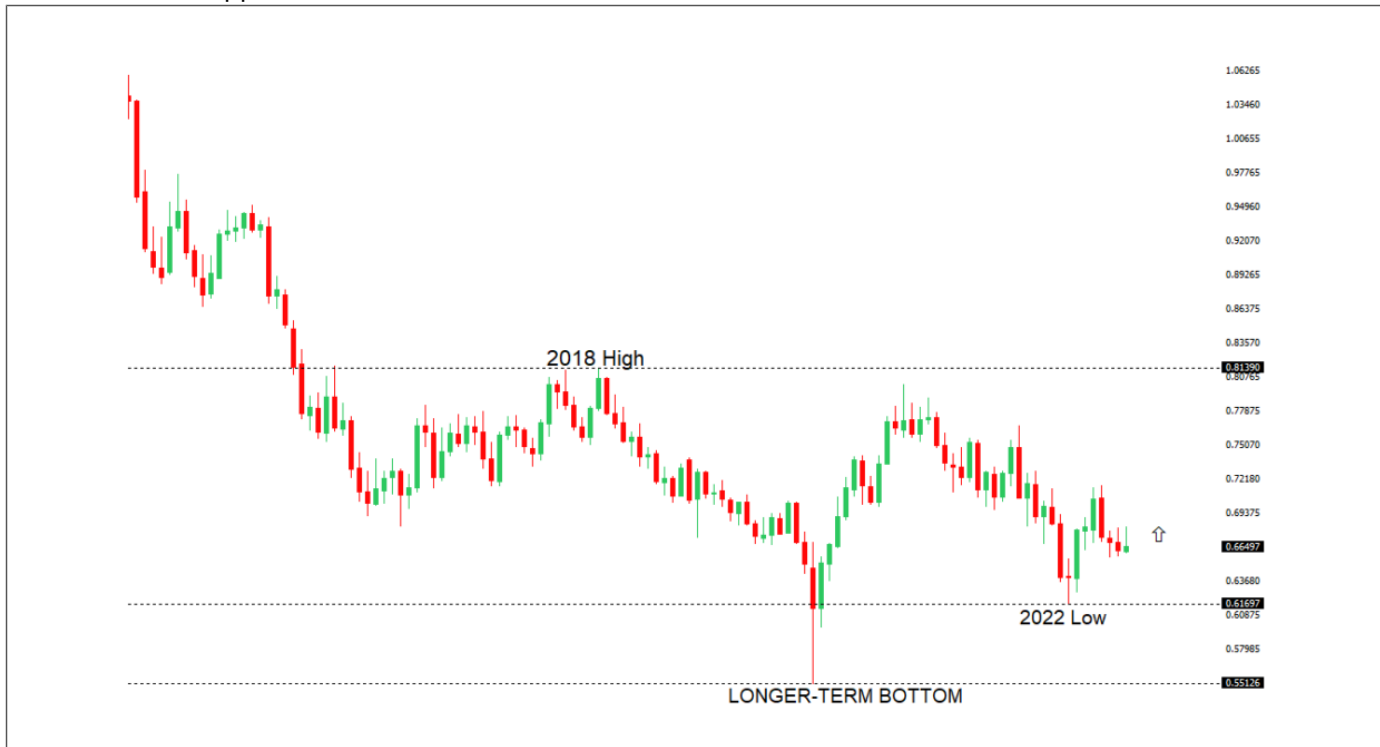
USDJPY - fundamental overview

A solid run of Japan economic data and this latest above forecast Japan inflation rate have done nothing to stop the Yen from sinking to fresh yearly lows against the US Dollar. Ultimately, the BOJ remains committed to holding the line on NIRP and YCC policy, while yields are back on the rise in the US. Any Yen upside we do see is not expected to last. Key standouts on Monday's calendar come from Eurozone construction output, Eurozone consumer confidence, and Fed speak from the likes of Bullard, Barkin, and Bostic.

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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. 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. Setbacks should be well supported ahead of 0.6500.



- **R1 0.6806** - 14 April high - Strong
- **R2 0.6804**- 8 May high - Medium
- **S1 0.6590** - 15 March low - Medium
- **S2 0.6564** - 10 March low - Strong

AUDUSD - fundamental overview

The Australian Dollar notched gains as high beta FX outperformed G10 peers. We also saw residual exporter demand as well as leverage funds trimming shorts ahead of the weekend. Key standouts on Monday’s calendar come from Eurozone construction output, Eurozone consumer confidence, and Fed speak from the likes of Bullard, Barkin, and Bostic.

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 1.3600** - Figure - Medium
- **R1 1.3568** - 15 May high - Medium
- **S1 1.3404** - 16 May low - Medium
- **S2 1.3301** - 14 April low - Strong

USDCAD - fundamental overview

Canada retail sales fell by 1.4% in March as expected, but the ex-autos print came in at -0.3% vs the -0.8% forecast. StatsCan estimate retail sales will rise by 0.2% in April. Key standouts on Monday’s calendar come from Eurozone construction output, Eurozone consumer confidence, and Fed speak from the likes of Bullard, Barkin, and Bostic.

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.



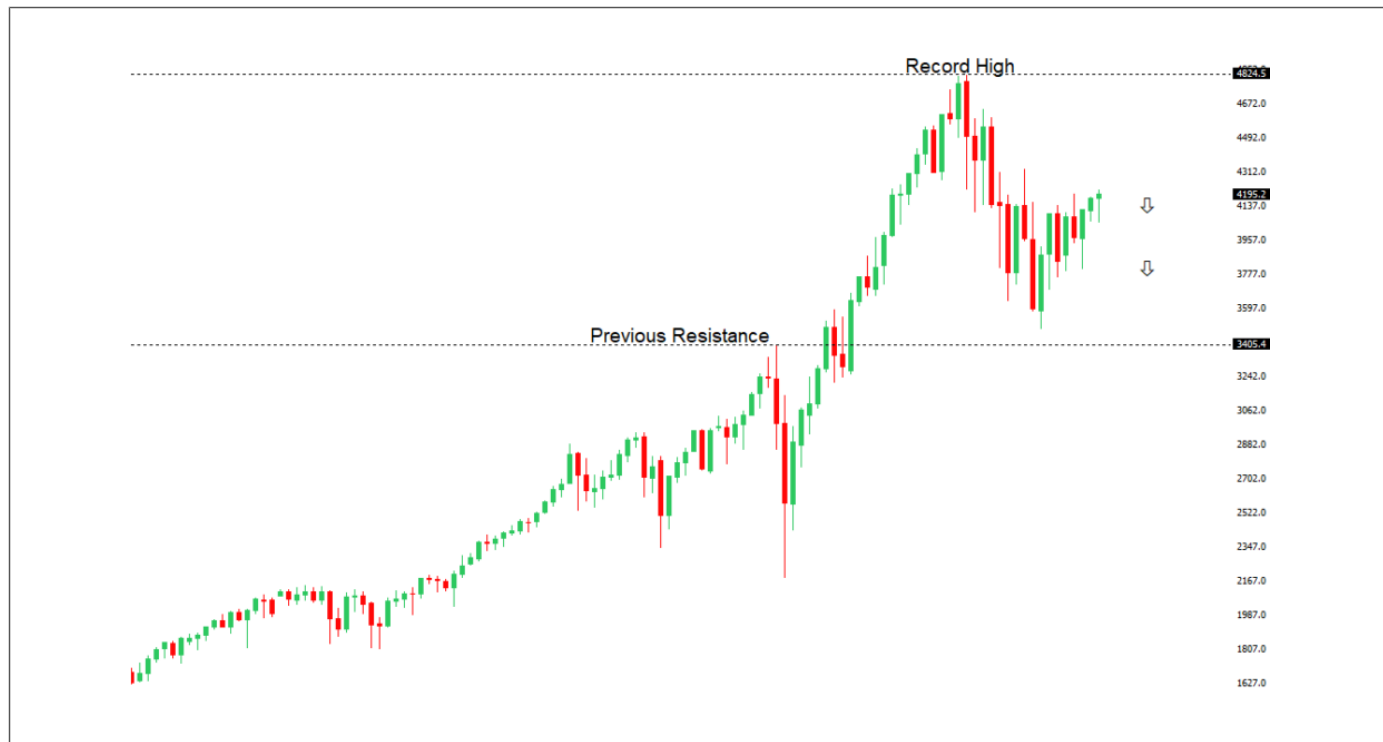
- **R2 0.6391** - 14 February high - Strong
- **R1 0.6306** - 19 May high - Medium
- **S1 0.6111**- 26 April low - Medium
- **S2 0.6084** - 8 March low - Strong

NZDUSD - fundamental overview

The New Zealand Dollar has been getting help from higher US equities and solid local developments. This resulted in the currency standing out as the best performer in the G10 over the past week and month. Most recently, the NZ trade deficit swung to a surplus, and NZ FinMin Robertson said he doesn't think New Zealand's credit rating will be downgraded. Key standouts on Monday's calendar come from Eurozone construction output, Eurozone consumer confidence, and Fed speak from the likes of Bullard, Barkin, and Bostic.

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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