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Global FX Insights

by LMAX Group Research & Analytics

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

Policy divergence becoming a bigger deal [🔊 Wake-up call](#)

Policy divergence is becoming a bigger deal in global markets. Central banks that can't or won't keep up with the pace of Fed tightenings are seeing the fallout in their respective currencies as a consequence.

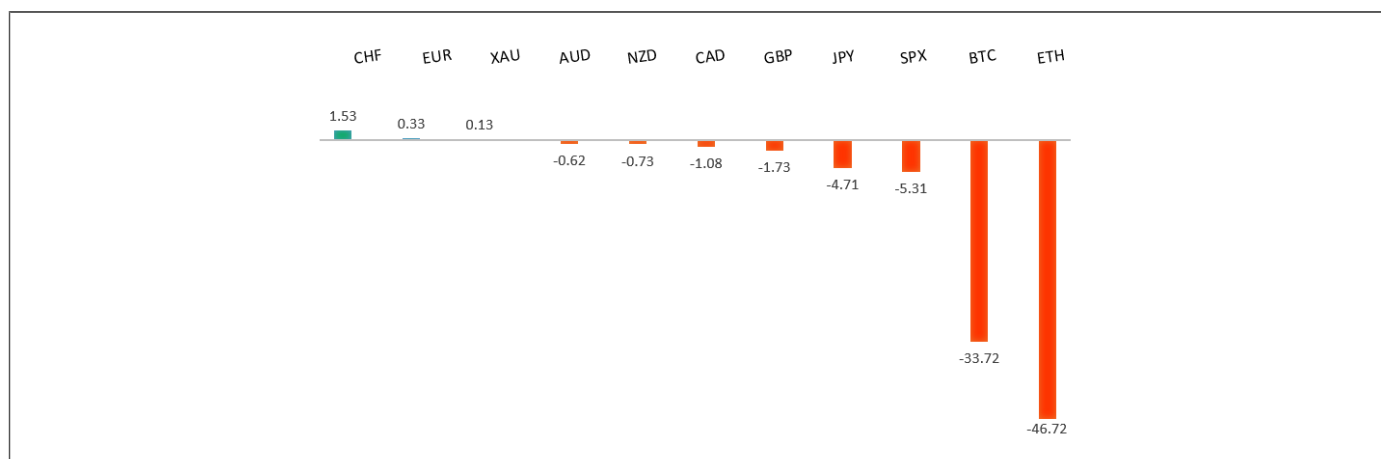
Technical highlights [📺 Daily Video](#)

- [EURUSD](#) Hovers above yearly low
- [GBPUSD](#) Well supported into 1.2000
- [USDJPY](#) Highest levels since 1998
- [AUDUSD](#) Well capped into rallies
- [USDCAD](#) Signs of meaningful base
- [NZDUSD](#) Sights set on 2015 low
- [US SPX 500](#) Next major support 3400
- [GOLD](#) (spot) Bullish consolidation

Fundamental highlights

- [EURUSD](#) Euro selling on energy shortage
- [GBPUSD](#) BOE Pill comments hurt the Pound
- [USDJPY](#) No change from BOJ policy decision
- [AUDUSD](#) Aussie feeling sentiment deterioration
- [USDCAD](#) Oil weakness adds to strain on Loonie
- [NZDUSD](#) Kiwi gets some boost from USD outflows
- [US SPX 500](#) Stocks vulnerable in 2022
- [GOLD](#) (spot) Dealers report plenty of demand

30 Day Performance vs. US dollar (%)



Suggested reading

- [Crypto Hedge Funds Make Rookie Mistakes](#), M. Gongloff, **Bloomberg** (June 16, 2022)
- [The Crypto Party Is Over](#), P. Vigna, **The Wall Street Journal** (June 18, 2022)

EURUSD - technical overview

The market has come under intense pressure in recent weeks, with setbacks accelerating to retest the multi-year low from 2017. A clear break below 1.0300 now sets up the next downside extension towards parity. At the same time, technical studies have been in the process of unwinding from oversold. But back above 1.1000 would be required at a minimum to take the immediate pressure off the downside.



- **R2 1.0643**- 10 June high - Strong
- **R1 1.0602** - 16 June high - Medium
- **S1 1.0359** - 15 June low- Medium
- **S2 1.0350** - 13 May/2022 low - Strong

EURUSD - fundamental overview

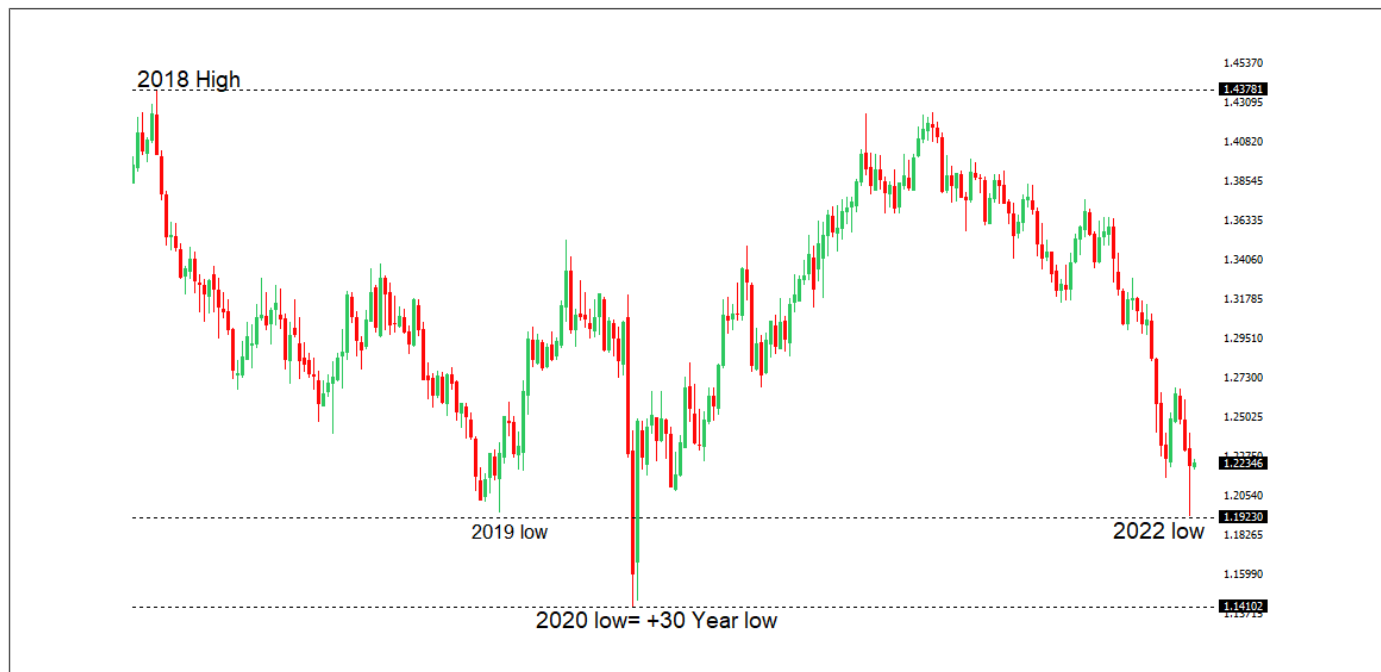
The Euro faced some downside pressure on Friday as fallout from the winter energy shortage came into the spotlight. Meanwhile, the latest Eurozone CPI revision of 8.1% calls into question the seriousness of ECB policy. Key standouts on today's calendar come from German producer prices, a BOE Haskel speech, Eurozone construction output, and a MOE Mann speech.

EURUSD - Technical charts in detail

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GBPUSD - technical overview

The market continues to be exceptionally well supported on dips down into the 1.2000 area, with the latest setback once again holding up around the barrier. Overall, the daily trend remains bearish, though there are signs of the market wanting to put in a meaningful bottom ahead of the next major upside extension. Look for a clear break back above 1.2700 to strengthen this outlook. A monthly close below 1.2000 would force a rethink of the outlook.



- **R2 1.2518** - 10 June high - Medium
- **R1 1.2407** - 16 June high - Medium
- **S1 1.2100** - Round number - Medium
- **S2 1.1934** - 14 June/2022 low - Strong

GBPUSD - fundamental overview

The Pound has done a nice job recovering out from recent lows, though there was some selling on Friday after we got some coy rate guidance from BOE officials. BOE Pill said the market would decide what the central bank's communication would 'act forcefully' on inflation if necessary. The lack of commitment in the BOE Pill statement proved to be a letdown. Key standouts on today's calendar come from German producer prices, a BOE Haskel speech, Eurozone construction output, and a MOE Mann speech.

[Watch now](#)

USDJPY - technical overview

The market has rocketed higher to its highest levels since 1998 after breaking through the 2002 high. Technical studies are however looking stretched, with scope for a sizable consolidation and correction in the weeks ahead. Look for additional upside from here to be limited to the 135.00 area. A break back below 130.00 would take the immediate pressure off the topside.



- **R2 136.00** - Figure - Strong
- **R1 135.59** - 15 June/2022 high - Strong
- **S1 131.49** - 16 June low - Medium
- **S2 129.51** - 2 June low - Strong

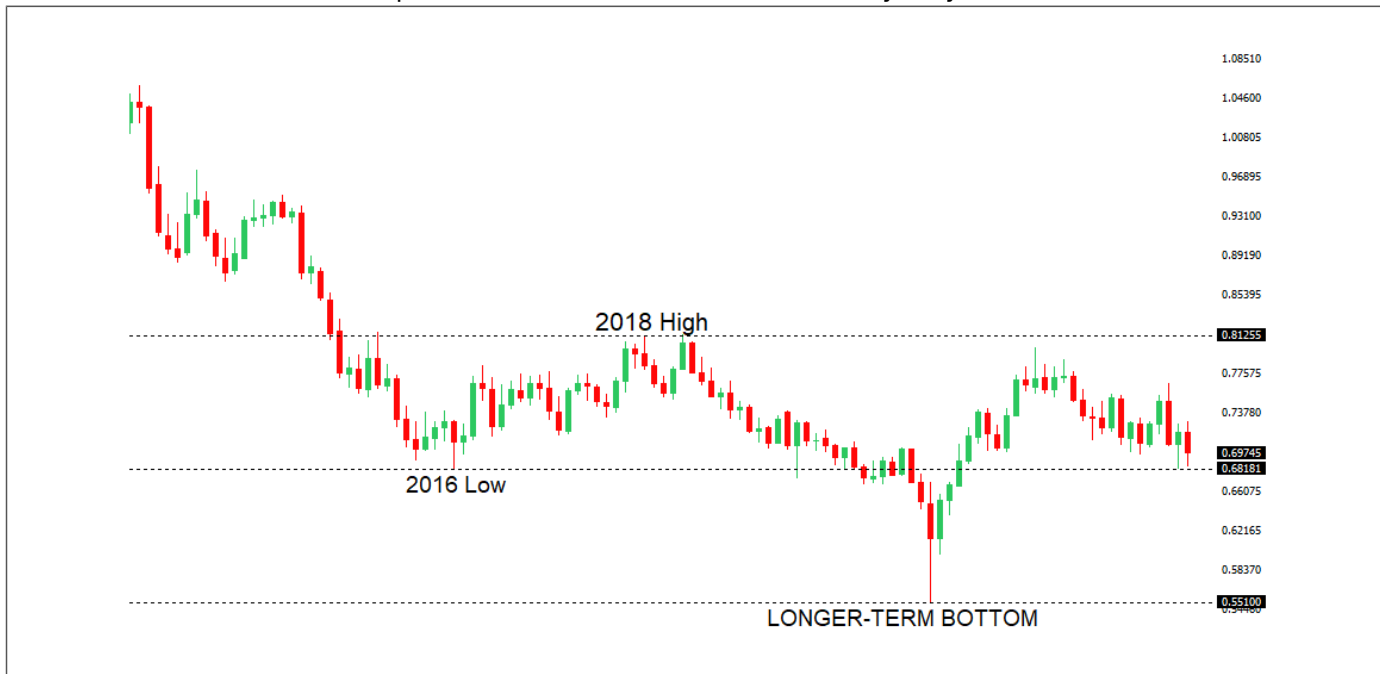
USDJPY - fundamental overview

No changes to BOJ policy with the central bank remaining on hold this past Friday. Policy divergence continues to play a strong hand here, with market participants focusing on yield differentials that weigh heavily in the US Dollar's favor. The BOJ is clearly still committed to easy policy despite what's going on with other major central banks and the impact on the Yen, now at its lowest levels against the Buck since 1998. Key standouts on today's calendar come from German producer prices, a BOE Haskel speech, Eurozone construction output, and a MOE Mann speech.

[Watch now](#)

AUDUSD - technical overview

Overall pressure remains on the downside and conditions remain quite choppy. A break back above 0.7900 would be required to force a shift in the structure and suggest we are seeing a more significant bullish reversal. Until then, scope exists for a retest and break of the yearly low.



- **R1 0.7198** - 9 June high - Medium
- **R2 0.7138** - 10 June high - Medium
- **S1 0.6851** - 14 June low - Medium
- **S2 0.6829** - 12 May/2022 low - Medium

AUDUSD - fundamental overview

The Australian Dollar was trying its best to feel better into the end of last week, this after a wave of US Dollar selling post Fed decision, and a better round of Aussie data highlighted by employment numbers. Still, ongoing downside pressure in global risk sentiment is proving too tough of an obstacle at the moment. Key standouts on today’s calendar come from German producer prices, a BOE Haskel speech, Eurozone construction output, and a MOE Mann speech.

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 1.3079** - 17 June/2022 high - Strong
- **R1 1.3000** - Psychological - Medium
- **S1 1.2681** - 10 June low - Medium
- **S2 1.2518** - 8 June low - Strong

USDCAD - fundamental overview

A second monthly decline in Canadian home prices has revealed cracks in a massively overleveraged real estate sector. The Canadian Dollar has been under pressure of late on the back of this along with lower oil and the bigger picture risk off flow. Key standouts on today's calendar come from German producer prices, a BOE Haskel speech, Eurozone construction output, and a MOE Mann speech.

NZDUSD - technical overview

Overall pressure remains on the downside and conditions remain quite choppy. A break back above 0.6600 would be required to force a shift in the structure and suggest we are seeing a more significant bullish reversal. Until then, scope exists for fresh yearly lows and a retest of the 2015 low down towards 0.6100.



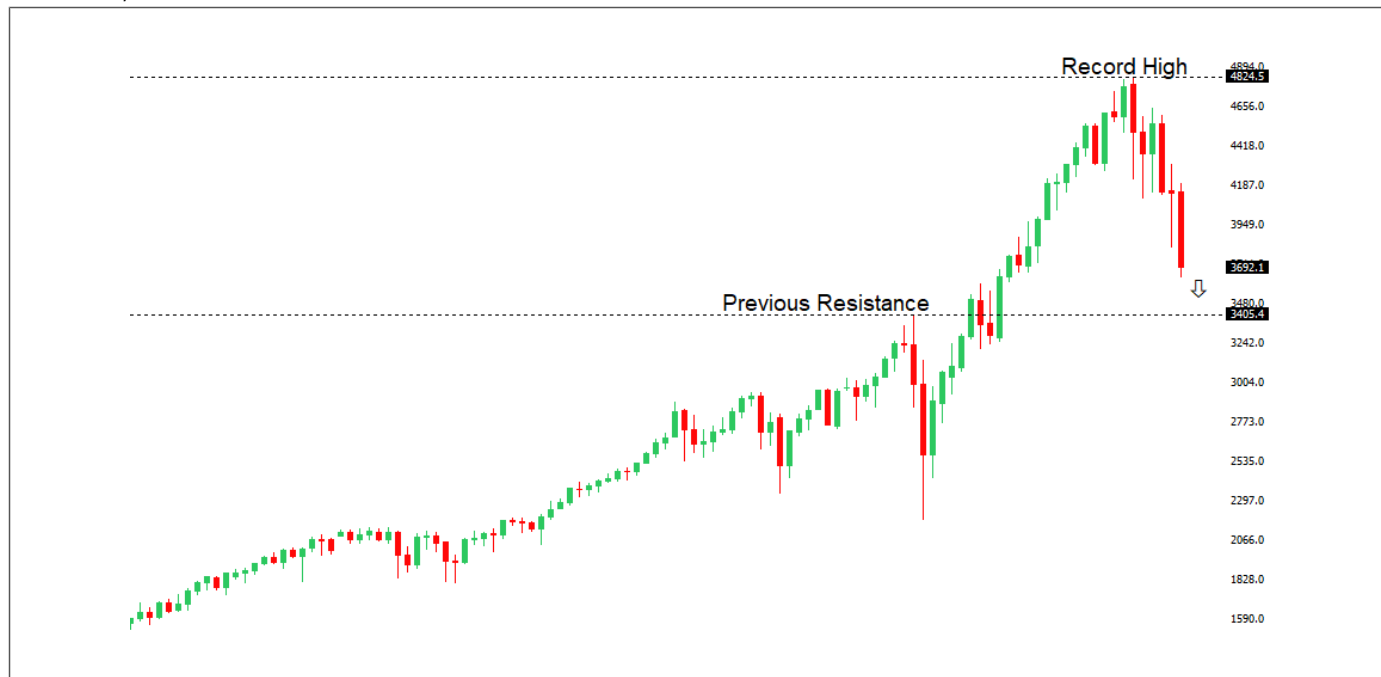
- **R2 0.6500** - 7 June high - Medium
- **R1 0.6462** - 9 June high - Medium
- **S1 0.6200**- Figure - Medium
- **S2 0.6197** - 14 June/2022 low - Strong

NZDUSD - fundamental overview

The New Zealand Dollar has been under pressure of late but has managed to recover out from last week's fresh yearly low against the Buck after a wave of US Dollar selling kicked in post Fed decision. Looking ahead, it's going to be overall risk sentiment that ultimately drives the direction here. Key standouts on today's calendar come from German producer prices, a BOE Haskel speech, Eurozone construction output, and a MOE Mann 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 4,206 will be required at a minimum to take the immediate pressure off the downside. Next major support comes in around 3,400.



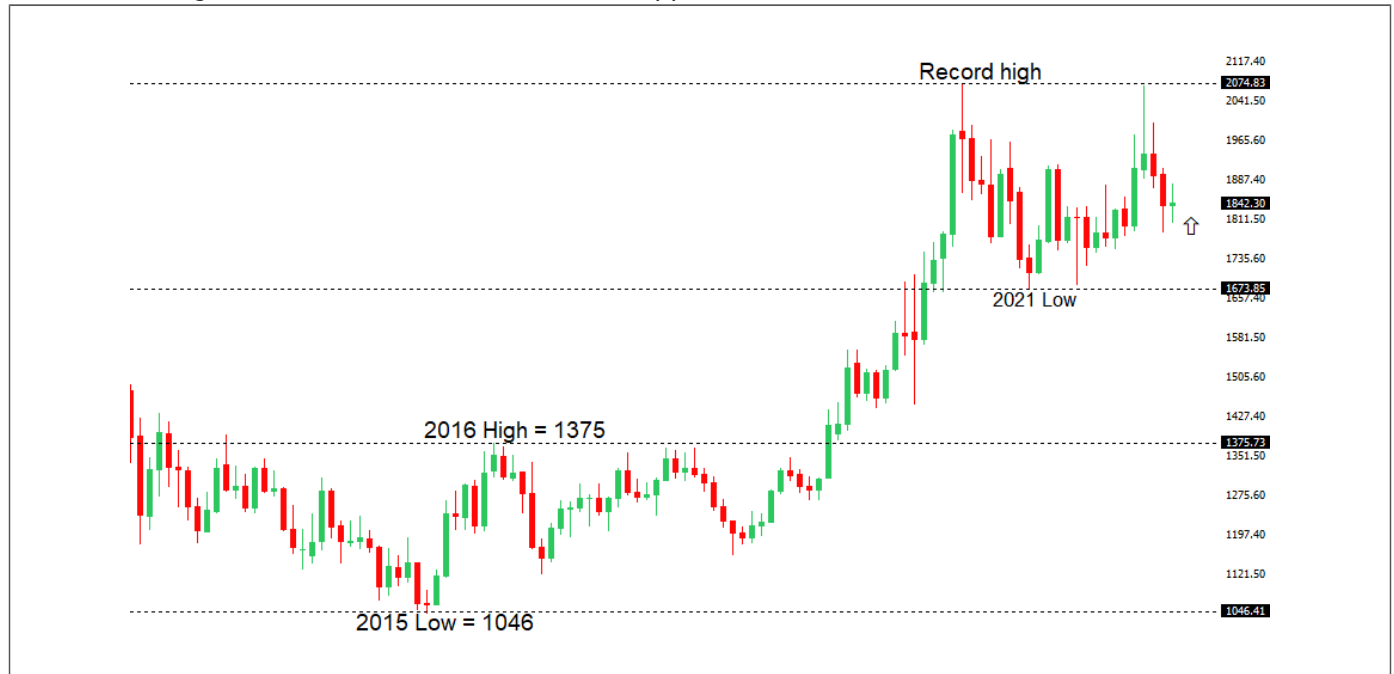
- **R2 4206** - 30 May high - Strong
- **R1 4031** - 10 June high - Medium
- **S1 3700** - Round number - Medium
- **S2 3637** - 17 June/2022 low - Medium

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 rising inflation and slower growth should continue to weigh more heavily on investor sentiment in 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 1700.



- **R2 1999** - 18 April high - Strong
- **R1 1920** - 29 April high - Medium
- **S1 1805** - 14 June low - Strong
- **S2 1787** - 16 May low - Medium

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, and inflation risk. 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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