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Global FX Insights

by LMAX Group Research & Analytics

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

Stocks race higher despite hawkish Fed speak 🗣️ [Wake-up call](#)

Another day, another round of hawkish Fed speak, this time starring Bullard, Daly, and Kashkari. This hawkish round of Fed speak was also accompanied by healthy US economic data.

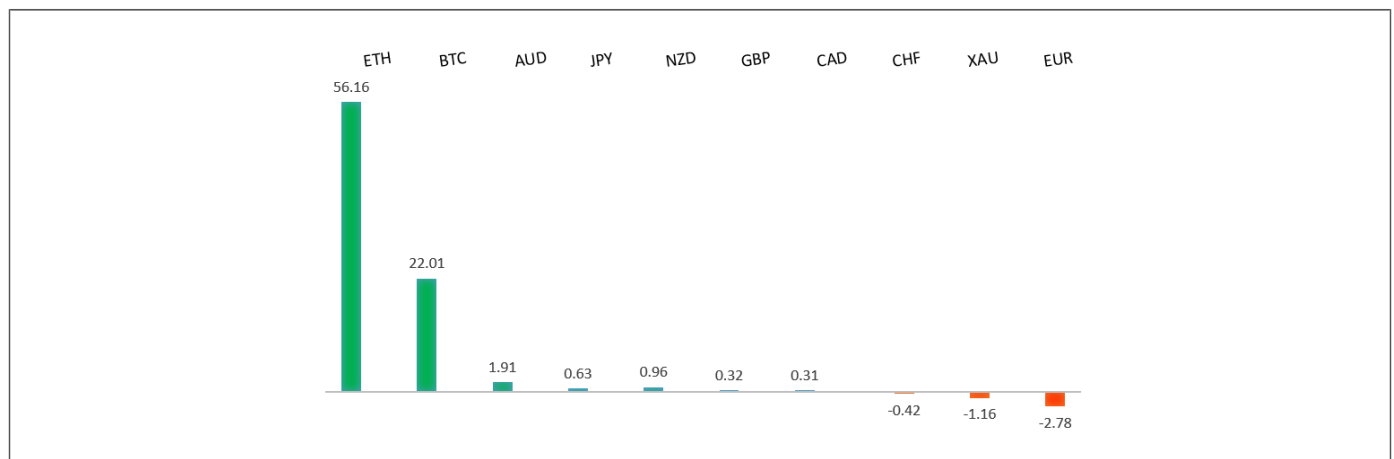
Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Starting to look up again
- [GBPUSD](#) Sign of structural shift
- [USDJPY](#) Overdue correction underway
- [AUDUSD](#) Bounces from major support
- [USDCAD](#) Signs of meaningful base
- [NZDUSD](#) Recovery rally in play
- [US SPX 500](#) Rallies should be well capped
- [GOLD](#) (spot) Balance of risk points higher

Fundamental highlights

- [EURUSD](#) Encouraging data out of the zone
- [GBPUSD](#) Focus shifts to BOE decision
- [USDJPY](#) Another round of hawkish Fed speak
- [AUDUSD](#) Aussie gets boost from retail sales, PMIs
- [USDCAD](#) Canadian Dollar higher despite lower oil
- [NZDUSD](#) Kiwi recovers with risk sentiment
- [US SPX 500](#) Stocks vulnerable in 2022
- [GOLD](#) (spot) Dealers report plenty of demand

30 Day Performance vs. US dollar (%)



Suggested reading

- [Corporate Bond Market Didn't Get the Recession Memo](#), J. Authers, **Bloomberg** (August 3, 2022)
- [Nuclear is Bouncing Back](#), M. McCormick, **FT** (August 1, 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 sets up a test of 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 1.0400**- Figure - Medium
- **R1 1.0240** - 2 August high - Medium
- **S1 1.0097** - 27 July low - Medium
- **S2 0.9952** - 14 July/2022 low - Strong

EURUSD - fundamental overview

Economic data out of the Eurozone was encouraging on Wednesday. German exports rose by an impressive amount, while Eurozone services and composite reads were also solid. But none of this had much influence on the Euro, will the single currency trading flat on the day. Key standouts on Thursday’s calendar come from German factory orders, Eurozone, German, and UK construction PMIs, the BOE policy decision, Canada trade, US trade, and US initial jobless claims.

EURUSD - Technical charts in detail

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GBPUSD - technical overview

The market continues to be exceptionally well supported on dips below 1.2000. Unless we see a monthly close below 1.2000, we expect this to continue to be the case. Look for this latest break back above 1.2200 to strengthen the case for the establishment of a meaningful base.



- **R2 1.2407** - 16 June high - Strong
- **R1 1.2294** - 1 August high - Medium
- **S1 1.2063** - 29 July low - Medium
- **S2 1.1890** - 21 July low - Medium

GBPUSD - fundamental overview

UK PMI reads came in a little softer on Wednesday, while NIESR was out warning that millions of UK households would lose their savings due to the cost-of-living crisis, unless the government increased support for households immediately. The Pound was a little softer on the day, but held up into dips on positioning into today's BOE event risk. Key standouts on Thursday's calendar come from German factory orders, Eurozone, German, and UK construction PMIs, the BOE policy decision, Canada trade, US trade, and US initial jobless claims.

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USDJPY - technical overview

Technical studies are in the process of unwinding, with scope for additional correction in the days and weeks ahead. Look for additional upside from here to be well capped. Next key support comes in at 130.00.



- **R2 134.68** - 29 July high - Strong
- **R1 134.00** - Figure - Medium
- **S1 131.60** - 1 August low - Medium
- **S2 130.39** - 2 August low - Strong

USDJPY - fundamental overview

We've seen attempts at renewed selling in the Yen, after the currency had seen a multi-session recovery. Dollar demand from the combination of higher stocks and hawkish Fed speak, seemed to be behind the latest run of declines in the Yen. Key standouts on Thursday's calendar come from German factory orders, Eurozone, German, and UK construction PMIs, the BOE policy decision, Canada trade, US trade, and US initial jobless claims.

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AUDUSD – technical overview

Overall pressure remains on the downside and conditions remain quite choppy. A break back above 0.7070 would be required at a minimum to take the immediate pressure off the downside. Until then, scope exists for deeper setbacks towards 0.6500.



- **R1 0.7070** – 16 June high – Strong
- **R2 0.7047** – 1 August high – Medium
- **S1 0.6859** – 21 July low – Medium
- **S2 0.6762** – 6 July low – Strong

AUDUSD – fundamental overview

The Australian Dollar recovered in Wednesday trade, getting a boost from solid Aussie PMI reads, better than expected Aussie retail sales, and another run higher in US equities. Key standouts on Thursday's calendar come from German factory orders, Eurozone, German, and UK construction PMIs, the BOE policy decision, Canada trade, US trade, and US initial jobless claims.

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.



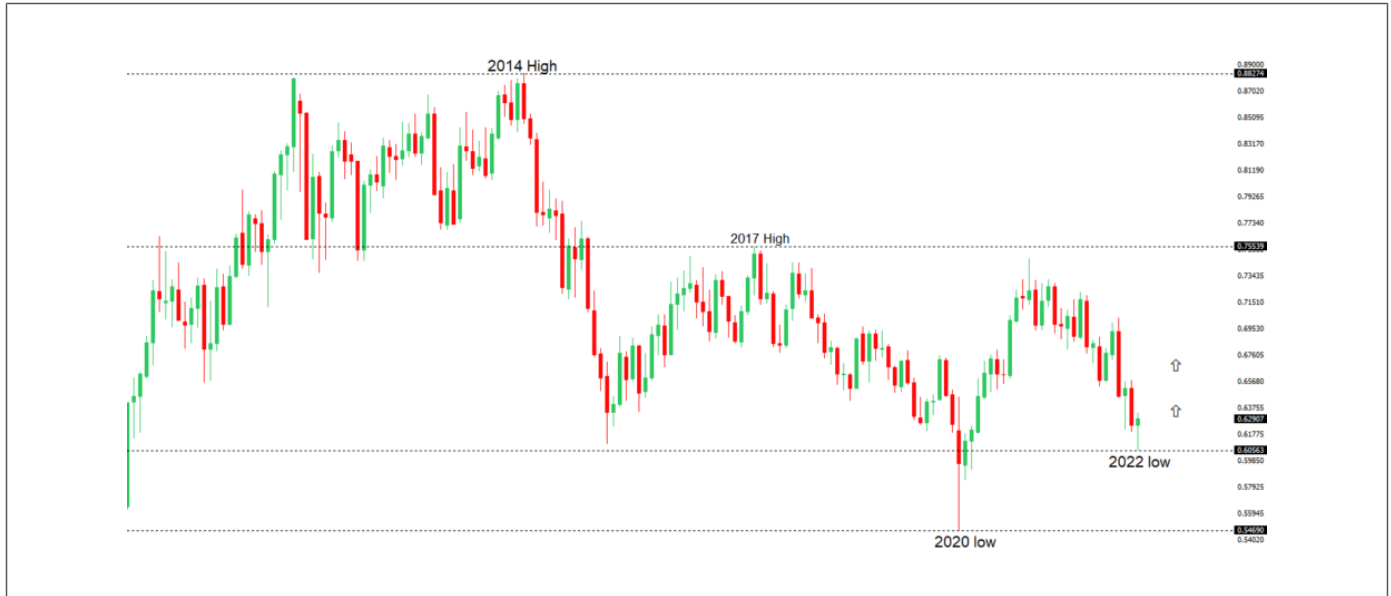
- **R2 1.3224** - 14 July/2022 high - Strong
- **R1 1.3000** - Psychological - Medium
- **S1 1.2768** - 1 August low - Medium
- **S2 1.2681** - 10 June low - Medium

USDCAD - fundamental overview

The Canadian Dollar traded higher on Wednesday, this despite downside price action in oil. It seems broad pressure on the US Dollar and another push higher in US equities more than offset. Key standouts on Thursday's calendar come from German factory orders, Eurozone, German, and UK construction PMIs, the BOE policy decision, Canada trade, US trade, and US initial jobless claims.

NZDUSD - technical overview

Overall pressure remains on the downside and conditions remain quite choppy. A break back above 0.6400 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 major psychological barrier at 0.6000.



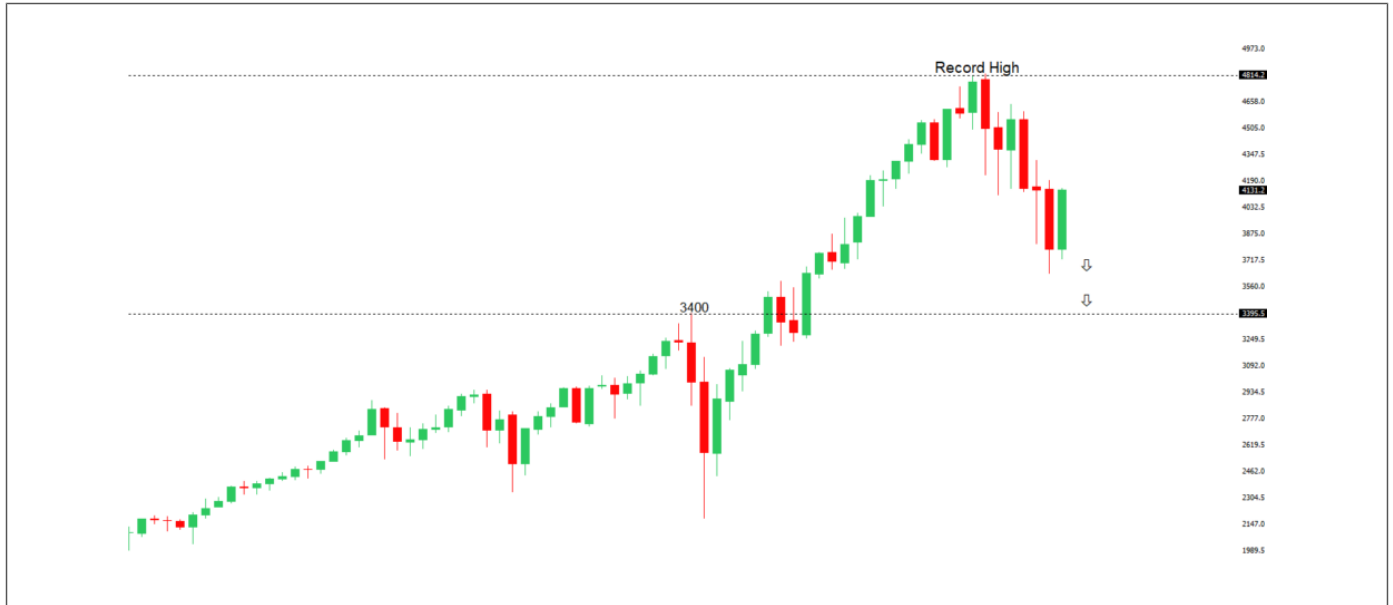
- **R2 0.6396** - 16 June high - Medium
- **R1 0.6353** - 1 August high - Medium
- **S1 0.6185** - 21 July low - Medium
- **S2 0.6061** - 14 July/2022 low - Strong

NZDUSD - fundamental overview

The New Zealand Dollar was initially weighed down in early Wednesday trade on the news of the rise in the New Zealand jobless rate, but managed to recover through the day on broad US Dollar selling and additional demand for US equities. Key standouts on Thursday's calendar come from German factory orders, Eurozone, German, and UK construction PMIs, the BOE policy decision, Canada trade, US trade, and US initial jobless claims.

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 4170** - 3 August high - Medium
- **S1 3913** - 26 July low - Medium
- **S2 3722** - 14 July 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. And so, naturally, stocks have been under intense pressure 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 on a monthly close basis.



- **R2 1880** - 13 June high - Strong
- **R1 1815** - 4 July high - Medium
- **S1 1700** - Round Number - Strong
- **S2 1681** - 21 July/2022 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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