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Global FX Insights

by LMAX Group Research & Analytics

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

The shifting narrative [🔊 Wake-up call](#)

The big story into the mid-week is the shifting narrative around Fed policy expectations. The market has clearly scaled back expectations around Fed rate hikes, with a round of softer economic data out of the US further contributing to this scaling back.

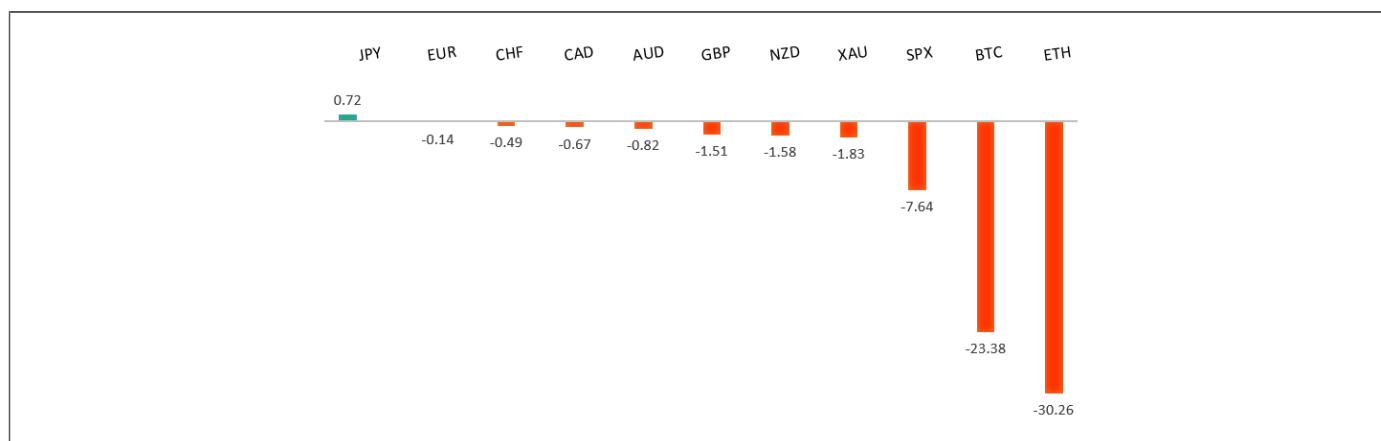
Technical highlights [📺 Daily Video](#)

- [EURUSD](#) Looking for lower top
- [GBPUSD](#) Well supported into dip
- [USDJPY](#) Bearish reversal in play
- [AUDUSD](#) Trying to make recovery
- [USDCAD](#) Higher low sought out
- [NZDUSD](#) Correction in play
- [US SPX 500](#) Rallies to be well capped
- [GOLD](#) (spot) Bullish consolidation

Fundamental highlights

- [EURUSD](#) ECB Holzmann talks 50bps
- [GBPUSD](#) Awful PMIs keep Pound offered
- [USDJPY](#) Upbeat data adds to Yen demand
- [AUDUSD](#) Soft China data, extended lockdown
- [USDCAD](#) BoC rate pricing gets more aggressive
- [NZDUSD](#) Back to back 50bp hike from RBNZ
- [US SPX 500](#) Stocks vulnerable in Q2
- [GOLD](#) (spot) Dealers report plenty of demand

30 Day Performance vs. US dollar (%)



Suggested reading

- [World's Richest Country Has No Concept of Wealth](#), M. Gongloff, **Bloomberg** (May 25, 2022)
- [What Are NFTs? A Guide for Investors](#), P. Likos, **US News** (May 20, 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 1.0800** - Figure - Medium
- **R1 1.0749** - 24 May high - Medium
- **S1 1.0600** - Figure - Medium
- **S2 1.0533** - 20 May low - Strong

EURUSD - fundamental overview

ECB President Lagarde pointed to a July rate hike, while outlining a path out of negative rates by Q3. ECB Holzmann said a 50bp rate hike in July would be appropriate. Meanwhile, economic data out of the zone has also been impressive this week. Key standouts on today's calendar come in the form of German consumer confidence, German GDP, an ECB Lagarde speech, US durable goods, and the Fed Minutes.

EURUSD - Technical charts in detail

[Watch now](#)

GBPUSD - technical overview

The recent drop below 1.2500 has accelerated declines, with the market firmly focused on next key support in the form of the 2019 low around 1.1960. However, if indeed we do see a test of this level over the coming days, additional setbacks should be very well supported with technical studies highly extended and a bullish reversal anticipated. Back above 1.2640 will be required to take the immediate pressure off the downside.



- **R2 1.2638** - 4 May high - Strong
- **R1 1.2602** - 23 May high - Medium
- **S1 1.2314** - 17 May low - Medium
- **S2 1.2156** - 13 May/2022 low - Strong

GBPUSD - fundamental overview

Though the Pound has benefitted from broad based US dollar selling, we continue to see underperformance against its peers this week. The price action can be attributed to downbeat comments from BOE Bailey, who appears to be more concerned about growth than inflation, and softer UK data, highlighted by Tuesday's awful PMI reads. Key standouts on today's calendar come in the form of German consumer confidence, German GDP, an ECB Lagarde speech, US durable goods, and the Fed Minutes. [Watch now](#)

USDJPY - technical overview

The market has rocketed higher to its highest levels since 2002 after breaking through the 2015 high. Technical studies are however in the process of unwinding from overbought readings, with scope for a sizable correction in the weeks ahead. Look for additional upside from here to be limited to the 130.00 area for now. A break back below 127.00 would confirm the likelihood of a deeper pullback.



- **R2 131.25** - 28 April/2022 high - Strong
- **R1 129.79** - 17 May high - Medium
- **S1 126.36** - 24 May low - Medium
- **S2 126.00** - Figure - Medium

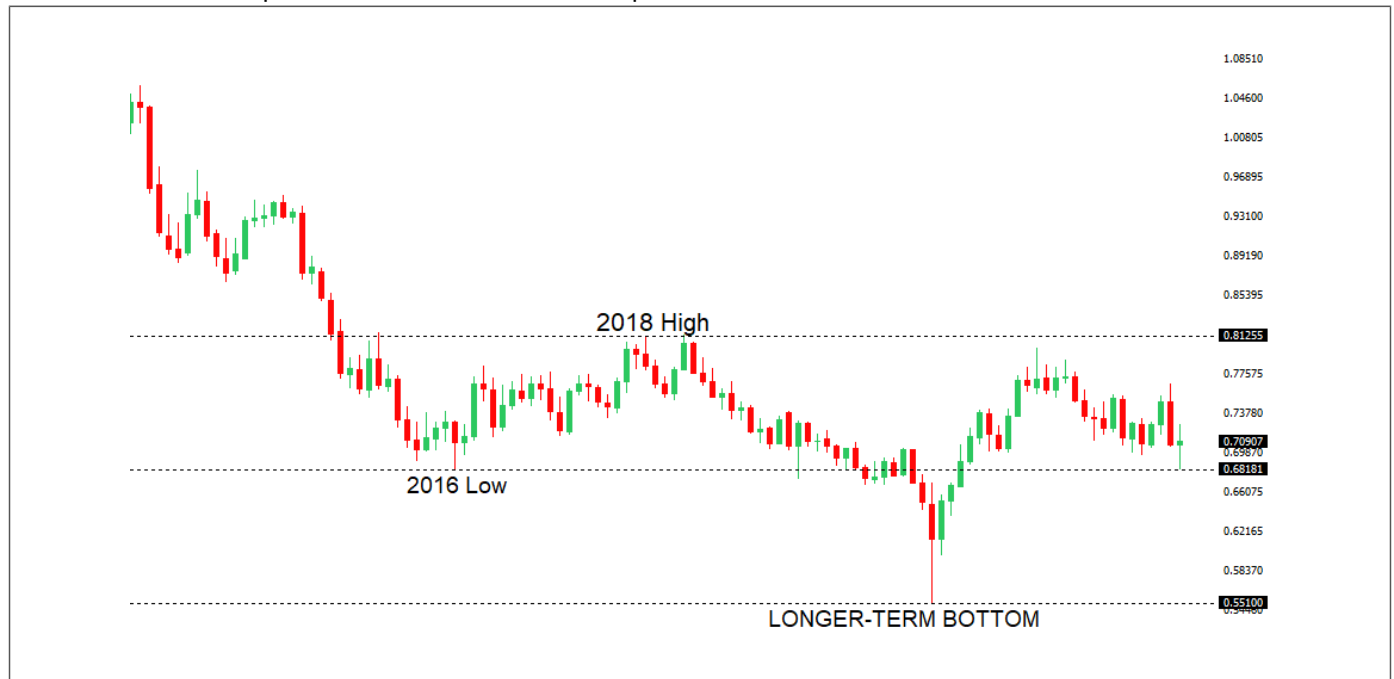
USDJPY - fundamental overview

We are finally seeing evidence of a Yen that has perhaps fallen a little too hard and fast on monetary policy divergence between the BOJ and Fed. Instead, recent price action suggests the Yen is still in demand on the back of traditional correlations with risk off flow. We've also seen some Yen demand on solid Japanese data in the form of May composite PMIs and Nationwide department store sales. Key standouts on today's calendar come in the form of German consumer confidence, German GDP, an ECB Lagarde speech, US durable goods, and the Fed Minutes.

[Watch now](#)

AUDUSD - technical overview

The market has dropped back to a critical internal support level in the form of the 2016 low. A breakdown below this level would open the door for a bearish continuation towards 0.6000. Back above 0.7265 would be required to take the immediate pressure off the downside.



- **R1 0.7266** - 5 May high - Strong
- **R2 0.7128** - 23 May high - Medium
- **S1 0.6829** - 12 May/2022 low - Medium
- **S2 0.6733** - Monthly low/January 2019 - Strong

AUDUSD - fundamental overview

The Australian Dollar has extended its recovery on the back of better bid equities and commodities. We've also seen Aussie demand after outgoing PM Morrison conceded defeat in Saturday's federal election and resigned, paving the way for Governor-General Hurley to appoint Labor leader Albanese as the new leader. At the same time, renewed offers have emerged into the rally on the back of an extended lockdown in China and softer China PMI reads. Key standouts on today's calendar come in the form of German consumer confidence, German GDP, an ECB Lagarde speech, US durable goods, and the Fed Minutes.

USDCAD - technical overview

The latest surge back above 1.3000 ends 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. Any setbacks should be very well supported down into the 1.2500 area.



- **R2 1.3077** - 12 May/2022 high - Strong
- **R1 1.2896** - 18 May high - Medium
- **S1 1.2762** - 24 May low - Medium
- **S2 1.2714** - 5 May low - Strong

USDCAD - fundamental overview

Bank of Canada rate hike pricing has become even more aggressive of late, with the market pricing the possibility of a 75 basis point hike at the upcoming meeting. This along with a recovery in stocks and commodities have been bolstering the Canadian Dollar. Key standouts on today’s calendar come in the form of German consumer confidence, German GDP, an ECB Lagarde speech, US durable goods, and the Fed Minutes.

NZDUSD - technical overview

The market has been trending lower since topping out in 2021, making a series of lower highs and lower lows. The focus is now squarely on a retest of the 2015 low which comes in just ahead of 0.6100. Back above 0.6570 would be required to take the immediate pressure off the downside.



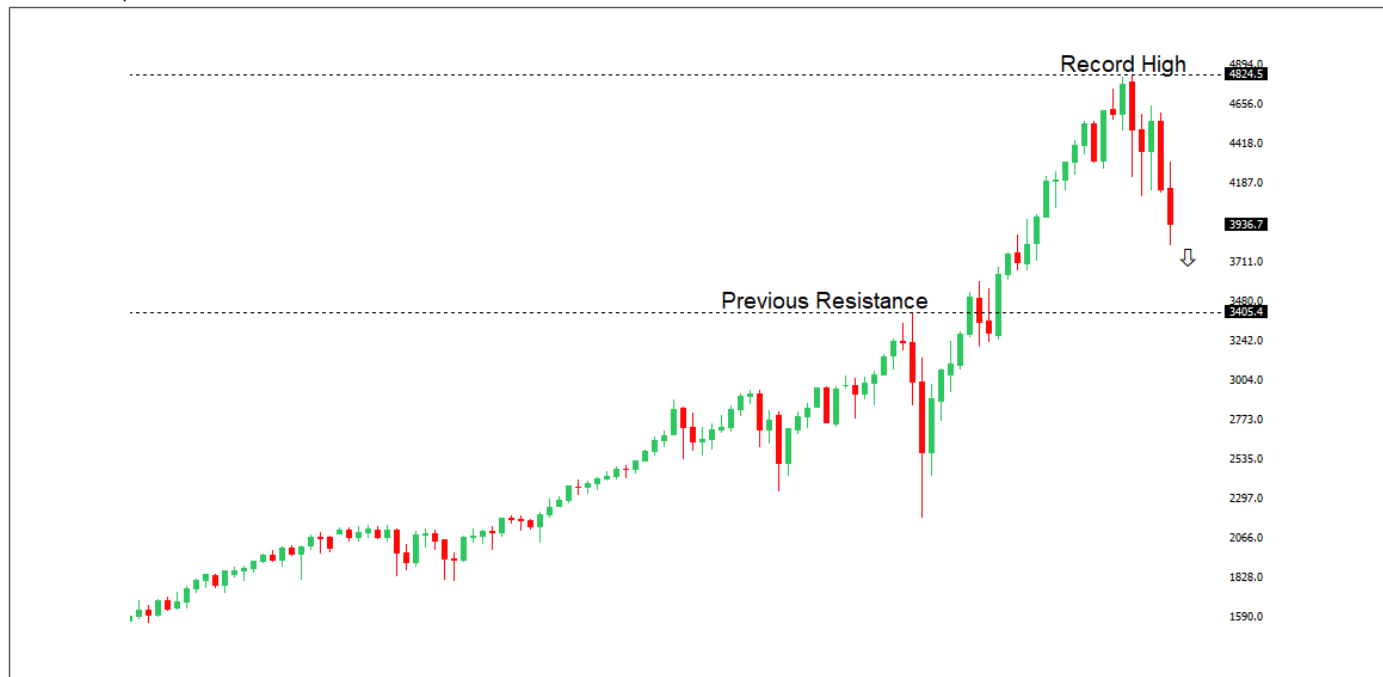
- **R2 0.6569** - 5 May high - Strong
- **R1 0.6514** - 25 May high - Medium
- **S1 0.6216** - 12 May/2022 low - Medium
- **S2 0.6109** - 2015 low - Strong

NZDUSD - fundamental overview

The New Zealand Dollar has extended its recovery on the back of a second straight 50bp rate hike from the RBNZ. The OCR now sits at 2% and this was the first time we've seen consecutive 50bp rate hikes from the RBNZ since the OCR was introduced. The RBNZ is now projected rates rising to at least 3.25% by year end. Key standouts on today's calendar come in the form of German consumer confidence, German GDP, an ECB Lagarde speech, US durable goods, and the Fed Minutes.

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 4,312 will be required at a minimum to take the immediate pressure off the downside. Next major support comes in around 3,400.



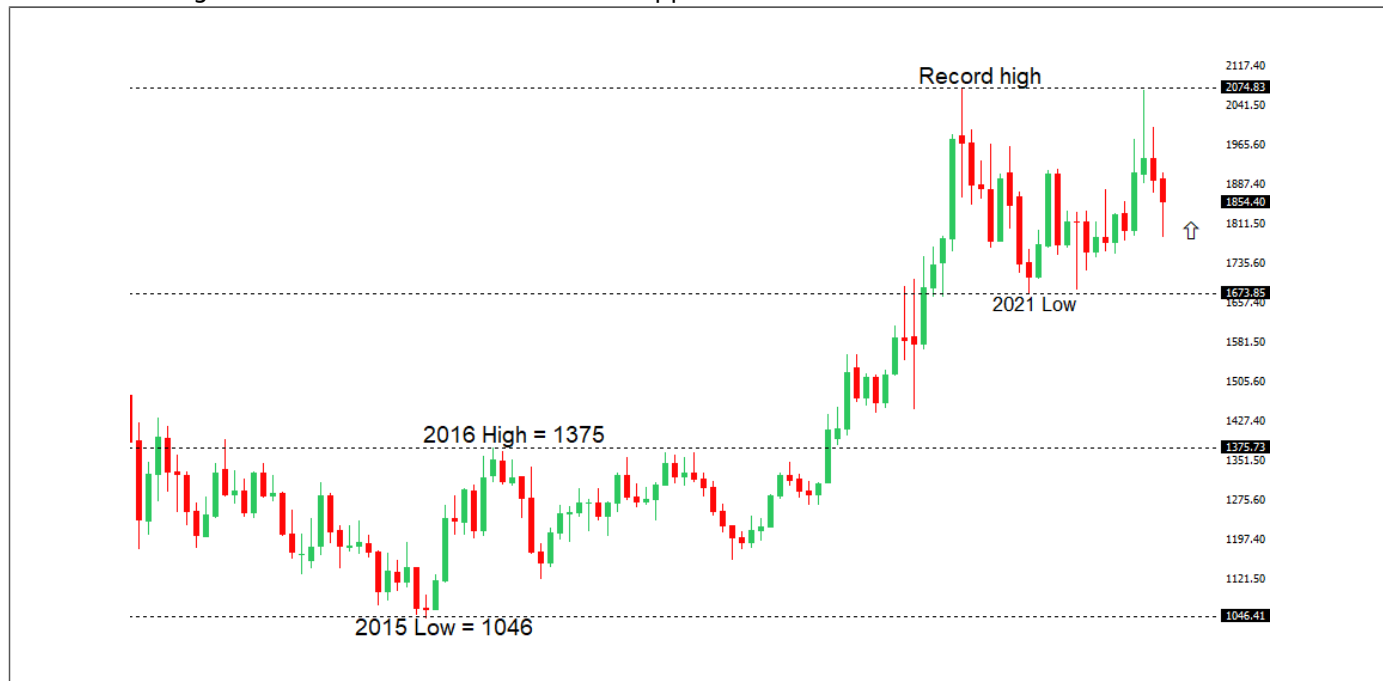
- **R2 4312** - 26 April high - Strong
- **R1 4099**- 18 May high - Medium
- **S1 3811** - 20 May/**2022 low** - Medium
- **S2 3800** - Round Number - Medium

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 coronavirus fallout, rising inflation, and geopolitical tension 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 1800** - Round number - Medium
- **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, coronavirus fallout, inflation risk, and geopolitical tension. 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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