

Wednesday, June 22, 2022

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Global FX Insights

by LMAX Group Research & Analytics

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

Wall of worry ahead of Fed Chair testimony [🔊 Wake-up call](#)

Risk appetite is back in reduction mode into Wednesday. Investors just can't shake off the worry around rising inflation and rising interest rates. We presume this is being exacerbated by a wave of hawkish Fed speak, the latest from Fed Barkin.

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](#) ECB speak stands out on calendar
- [GBPUSD](#) Brexit impact becoming a concern
- [USDJPY](#) No budge from Bank of Japan
- [AUDUSD](#) Aussie heads south on risk off flow
- [USDCAD](#) Oil declines weigh heavily on Loonie
- [NZDUSD](#) Kiwi tracking with global sentiment
- [US SPX 500](#) Stocks vulnerable in 2022
- [GOLD](#) (spot) Dealers report plenty of demand

30 Day Performance vs. US dollar (%)



Suggested reading

- [Now Even Central Bankers Are Blaming Themselves](#), D. Moss, **Bloomberg** (June 22, 2022)
- [Can We Avoid Climate Related Food Shocks?](#), C. Hodgson, **Financial Times** (June 22, 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 had been trying to recover on a hawkish shift in ECB communications and risk on flow, but has since come back under pressure into Wednesday as risk off flow works back into the equation. Key standouts on today's calendar come from UK inflation reads, ECB Guindos and Elderson speeches, a BOE Cunliffe speech, Canada inflation, Fed Chair Powell testimony, and Fed speak from Evans, Harker and Barkin.

EURUSD - Technical charts in detail

[Watch now](#)

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 come under pressure into Wednesday following reports from the Resolution Foundation that Brexit has reduced the competitiveness of the British economy, with alarming implications for productivity and wages. We've also seen downside pressure on the back of risk off flow and broad USD demand. Key standouts on today's calendar come from UK inflation reads, ECB Guindos and Elderson speeches, a BOE Cunliffe speech, Canada inflation, Fed Chair Powell testimony, and Fed speak from Evans, Harker and Barkin.

[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 well capped ahead of 140.00. A break back below 130.00 would take the immediate pressure off the topside.



- **R2 137.00** - Figure - Strong
- **R1 136.72** - 22 June/2022 high - Strong
- **S1 134.92** - 21 June low - Medium
- **S2 134.53** - 20 June low - Medium

USDJPY - fundamental overview

Overall, there has been no official change to the BOJ stance and 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. Key standouts on today's calendar come from UK inflation reads, ECB Guindos and Elderson speeches, a BOE Cunliffe speech, Canada inflation, Fed Chair Powell testimony, and Fed speak from Evans, Harker and Barkin.

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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

Most of the turnaround we're seeing in the Australian Dollar comes from risk off flow and renewed US Dollar demand. Key standouts on today's calendar come from UK inflation reads, ECB Guindos and Elderson speeches, a BOE Cunliffe speech, Canada inflation, Fed Chair Powell testimony, and Fed speak from Evans, Harker and Barkin.

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 1.2861** - 16 June low - Medium
- **S2 1.2681** - 10 June low - Medium

USDCAD - fundamental overview

The Canadian Dollar is back under pressure despite Tuesday's better than expected retail sales, this as oil reverses sharply to the downside and global risk sentiment turns down. Key standouts on today's calendar come from UK inflation reads, ECB Guindos and Elderson speeches, a BOE Cunliffe speech, Canada inflation, Fed Chair Powell testimony, and Fed speak from Evans, Harker and Barkin.

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.



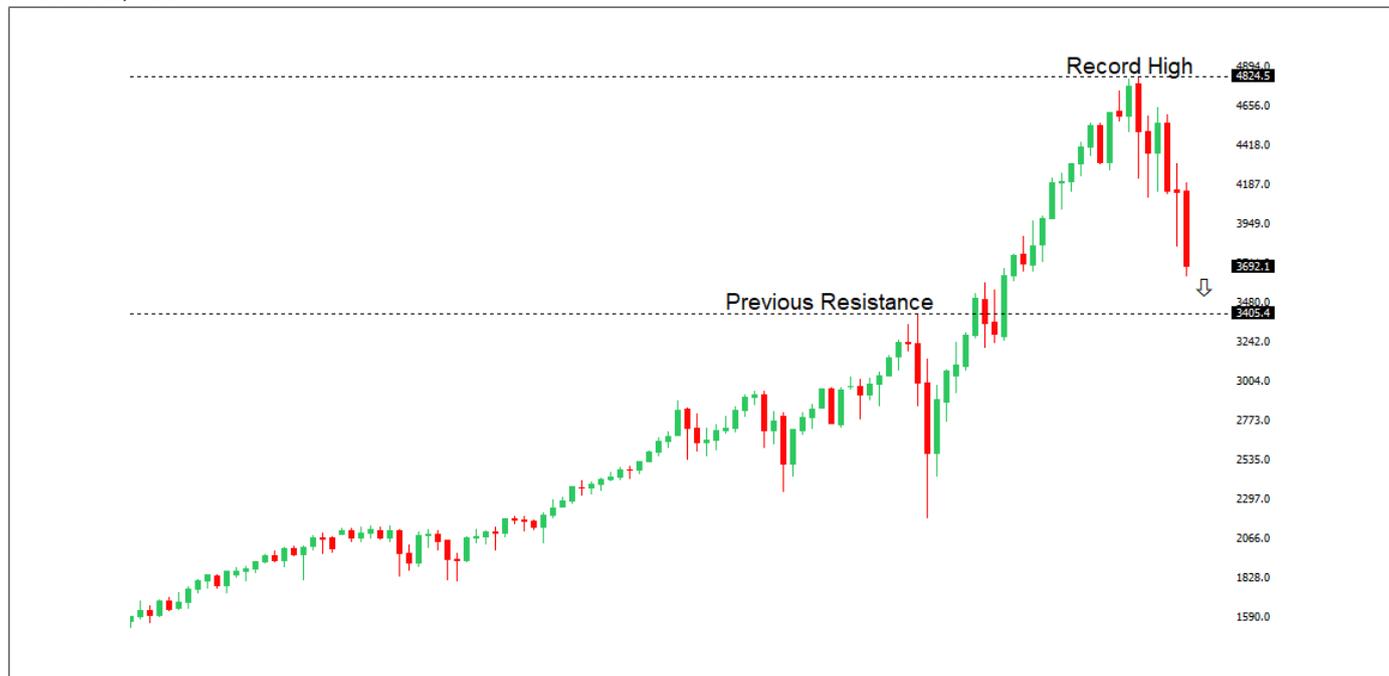
- **R2 0.6500** - 7 June high - Medium
- **R1 0.6462** - 9 June high - Medium
- **S1 0.6200**- Figure - Medium
- **S2 0.6197** - 14 June/2022 low - Strong

NZDUSD - fundamental overview

Most of the turnaround we're seeing in the New Zealand Dollar comes from risk off flow and renewed US Dollar demand. Key standouts on today's calendar come from UK inflation reads, ECB Guindos and Elderson speeches, a BOE Cunliffe speech, Canada inflation, Fed Chair Powell testimony, and Fed speak from Evans, Harker and Barkin.

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.



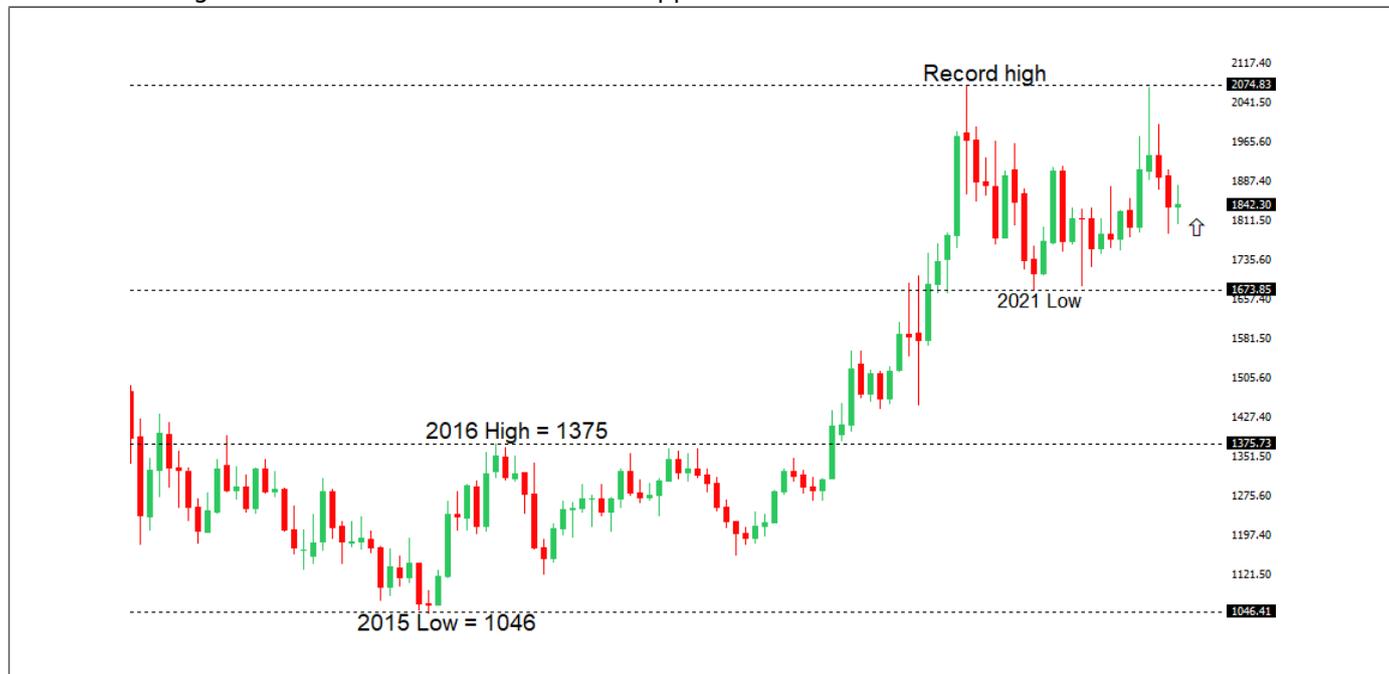
- **R2 4206** - 30 May high - Strong
- **R1 4031** - 10 June high - Medium
- **S1 3700** - Round number - Medium
- **S2 3637** - 17 June/2022 low - Medium

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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