

Friday, January 27, 2023

📧 Get Global FX Insights via email - [click here](#)



Global FX Insights

by LMAX Group Research & Analytics

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

Will the Fed bend to the will of the market? 🗣️ [Wake-up call](#)

There was plenty of reason for the market to worry about the prospect for a Fed pivot in the aftermath of Thursday's round of economic data out of the US.

Technical highlights 📺 [Daily Video](#)

- [EURUSD](#) Case for longer term bottom
- [GBPUSD](#) Setbacks should be supported
- [USDJPY](#) Closing in on previous resistance
- [AUDUSD](#) Structure shifts more bullish
- [USDCAD](#) Well supported on dips
- [NZDUSD](#) Additional upside limited
- [US SPX 500](#) Looking for downtrend resumption
- [GOLD](#) (spot) Pushing back towards record high

Fundamental highlights

- [EURUSD](#) Tension around Ukraine ramps up
- [GBPUSD](#) Pound hit on softer data releases
- [USDJPY](#) IMF calls on BOJ to be more flexible
- [AUDUSD](#) February RBA rate hike odds ramp up
- [USDCAD](#) Loonie gets life from higher oil price
- [NZDUSD](#) Still balanced post-inflation results
- [US SPX 500](#) Inflation headache not going away
- [GOLD](#) (spot) Dealers report plenty of demand

30 Day Performance vs. US dollar (%)



Suggested reading

- [What Adani Short Seller Hindenburg Can Learn From Elliott](#), S. Ren, **Bloomberg** (January 26, 2023)
- [Actually, Japan Has Changed a Lot](#), N. Smith, **Noahpinion** (January 24, 2023)

EURUSD - technical overview

The Euro recovery has finally run back above meaningful previous support turned resistance at 1.0635. The December close above this level further encourages the recovery outlook and makes a stronger case for the formation of a longer-term bottom. Any setbacks should now be well supported ahead of 1.0300. Next major resistance at 1.1000.



- **R2 1.0937** - 21 April high - Strong
- **R1 1.0930** - 27 January high - Medium
- **S1 1.0766** - 18 January low - Strong
- **S2 1.0634** - 9 January low - Medium

EURUSD - fundamental overview

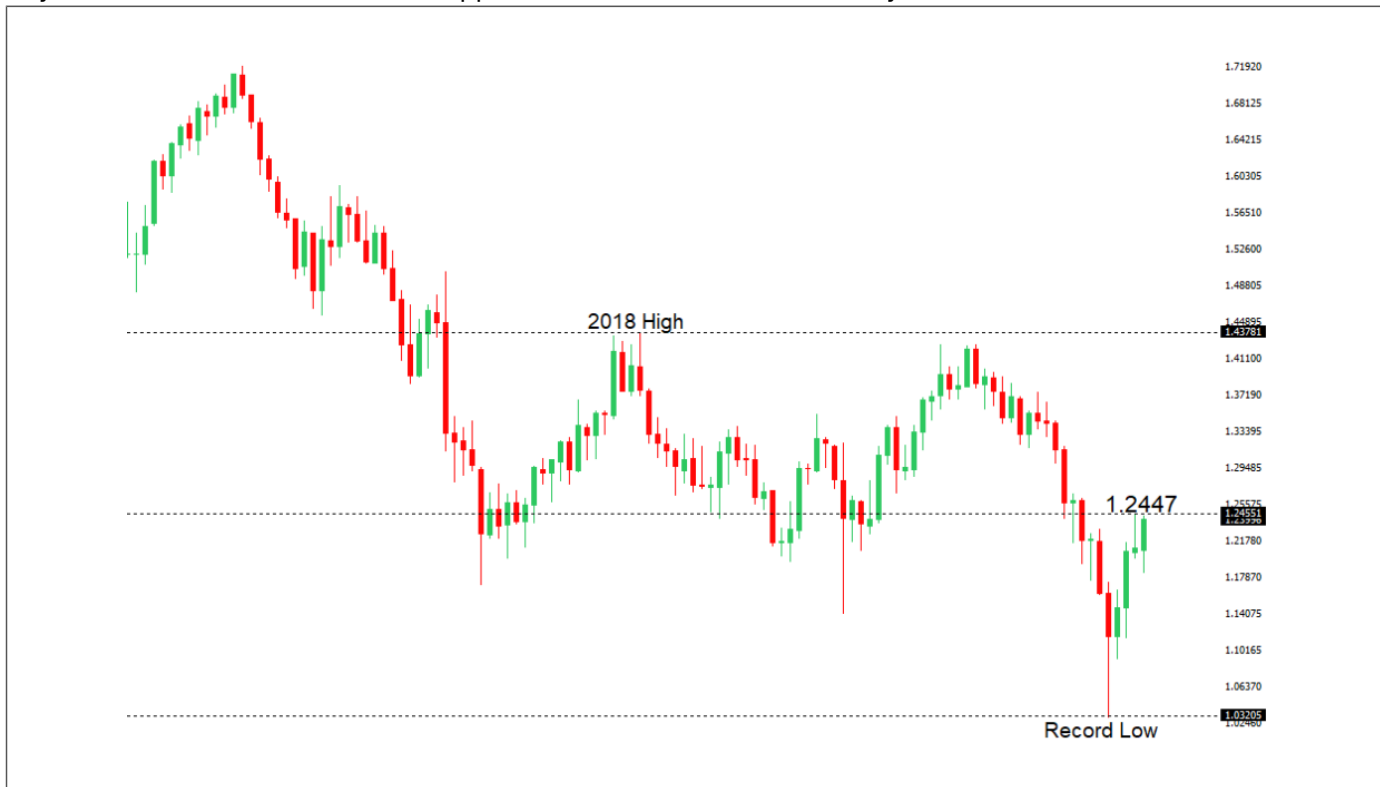
The Euro has come under some pressure as investors worry about the rumblings around the latest tension in Ukraine. The EU has said it sees legal grounds to seize Russian central bank assets. Key standouts on Friday’s calendar come from an ECB Lagarde speech, US core PCE, pending home sales, and Michigan sentiment.

EURUSD - Technical charts in detail

[Watch now](#)

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. The latest weekly close back above the September high at 1.1739 strengthens this prospect. Any setbacks should now be well supported ahead of 1.1500. Next key resistance comes in at 1.2668.



- **R2 1.2448**- 14 December high - Strong
- **R1 1.2400** - Figure - Medium
- **S1 1.2169** - 17 January low - Medium
- **S2 1.2082** - 12 January low - Strong

GBPUSD - fundamental overview

The Pound came under pressure on the back of an awful round of UK CBI data. Meanwhile, British business confidence fell to the lowest levels since 2009. Key standouts on Friday’s calendar come from an ECB Lagarde speech, US core PCE, pending home sales, and Michigan sentiment.

[Watch now](#)

USDJPY - technical overview

The major pair has been in the throes of a long overdue correction that was waiting to play out after a parabolic run to the topside to multi-year highs. At this stage, the correction could be getting close to having played out fully, with the market finally approaching critical previous resistance turned support in the 125.00 area.



- **R2 132.88** - 11 January high - Strong
- **R1 131.58** - 18 January high - Medium
- **S1 127.22** - 16 January low - Medium
- **S2 126.36** - 24 May low - Strong

USDJPY - fundamental overview

Yield differentials have moved out of the Yen's favor in the aftermath of a strong round of economic data out of the US. Meanwhile, the IMF has urged the BOJ to be more flexible on long-term JGB yields. Key standouts on Friday's calendar come from an ECB Lagarde speech, US core PCE, pending home sales, and Michigan sentiment.

[Watch now](#)

AUDUSD - technical overview

There are signs of the potential formation of a longer-term base following the recent 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.



- **R1 0.7200** - Figure - Strong
- **R2 0.7143** - 26 January high - Medium
- **S1 0.6860** - 10 January low - Medium
- **S2 0.6800** - Figure - Medium

AUDUSD - fundamental overview

The Australian Dollar has been running strong this week on the big inflation beat, with market participants scrambling to reprice RBA rate hike expectations. Odds for a February hike have moved closer towards certainty. Meanwhile, there has also been good cheer around the China reopening. Key standouts on Friday's calendar come from an ECB Lagarde speech, US core PCE, pending home sales, and Michigan sentiment.

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 1.3706** - 16 December high - Strong
- **R1 1.3519** - 19 January high - Medium
- **S1 1.3300** - 13 January low - Medium
- **S2 1.3226** - 15 November low - Strong

USDCAD - fundamental overview

The Canadian Dollar has regained setbacks from the Bank of Canada decision in which the central bank indicated they could be holding on rates going forward. The recovery comes from improved Canada data results and a run higher in the price of oil. Key standouts on Friday's calendar come from an ECB Lagarde speech, US core PCE, pending home sales, and Michigan sentiment.

NZDUSD - technical overview

Overall pressure remains on the downside with risk for the current recovery rally to stall out and form a lower top for the next major downside extension. A break back above 0.6577 would be required to take the immediate pressure off the downside.



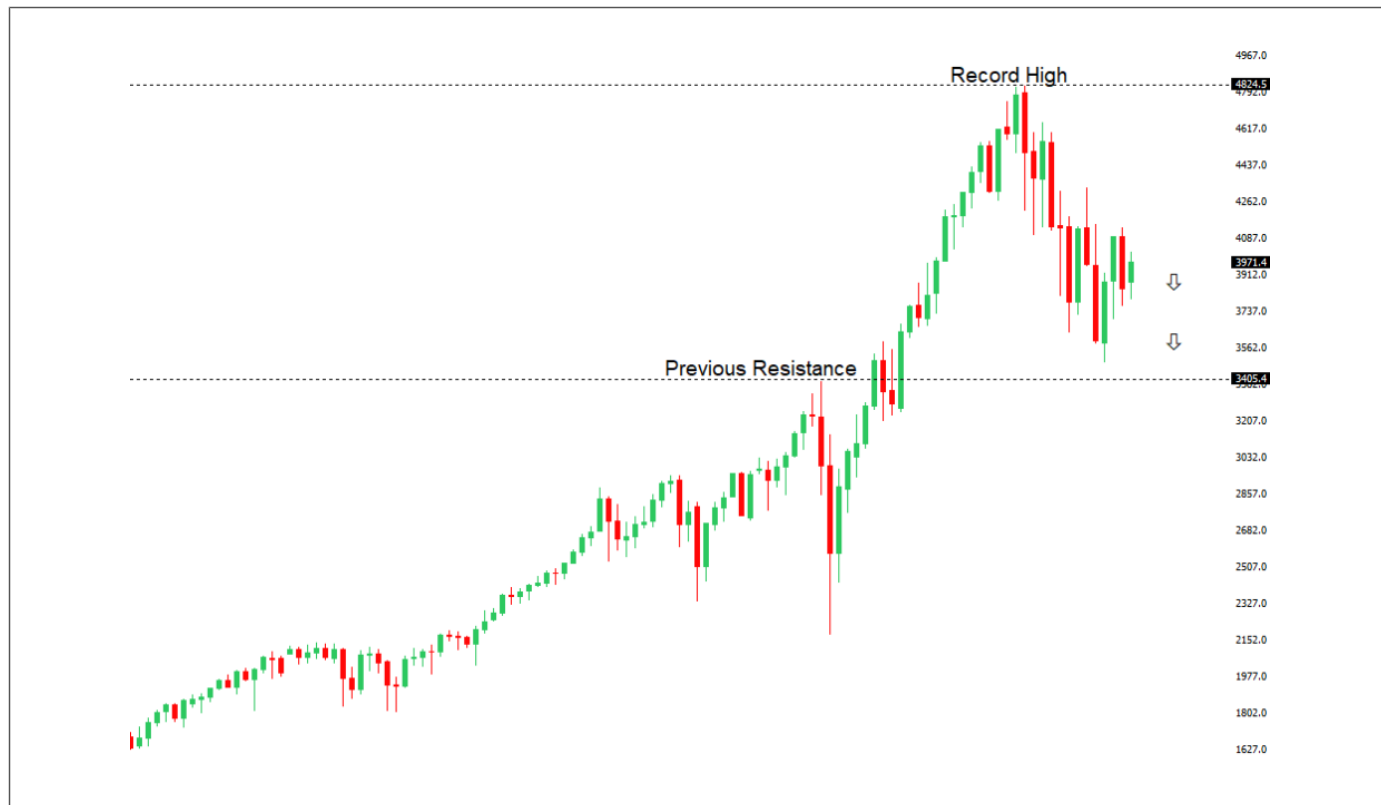
- **R2 0.6577** - 3 June high - Strong
- **R1 0.6531** - 18 January high - Medium
- **S1 0.6305**- 12 January low - Medium
- **S2 0.6191** - 6 January low - Strong

NZDUSD - fundamental overview

Earlier this week, New Zealand inflation reads came in above forecast overall which has propped Kiwi somewhat. At the same time, the actual print of 7.2% YoY (near 3 decade high) is lower than the 7.5% YoY projected by the RBNZ in its November Monetary Policy Statement, which suggests a less aggressive rate hike next month. Key standouts on Friday’s calendar come from an ECB Lagarde speech, US core PCE, pending home sales, and Michigan sentiment.

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 3492.



- **R2 4137** - 13 December high - Strong
- **R1 4064** - 26 January high - Medium
- **S1 3885** - 19 January low - Medium
- **S2 3800** - Figure - 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 H1 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 2000.



- **R2 2000** - Mid-Figure - Strong
- **R1 1950** - 26 January high - Medium
- **S1 1774** - 15 December low - Medium
- **S2 1719** - 23 November 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.



Any opinions, news, research, analyses, prices or other information ("information") contained on this Blog, constitutes marketing communication and it has not been prepared in accordance with legal requirements designed to promote the independence of investment research. Further, the information contained within this Blog does not contain (and should not be construed as containing) investment advice or an investment recommendation, or an offer of, or solicitation for, a transaction in any financial instrument. LMAX Group has not verified the accuracy or basis-in-fact of any claim or statement made by any third parties as comments for every Blog entry.

LMAX Group will not accept liability for any loss or damage, including without limitation to, any loss of profit, which may arise directly or indirectly from use of or reliance on such information. No representation or warranty is given as to the accuracy or completeness of the above information. While the produced information was obtained from sources deemed to be reliable, LMAX Group does not provide any guarantees about the reliability of such sources. Consequently any person acting on it does so entirely at his or her own risk. It is not a place to slander, use unacceptable language or to promote LMAX Group or any other FX and CFD provider and any such postings, excessive or unjust comments and attacks will not be allowed and will be removed from the site immediately.