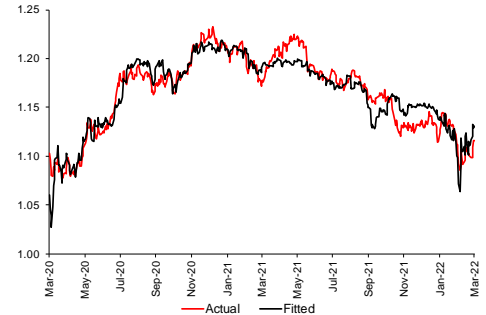


Daily Market Outlook – Key Currency Updates

19 May 2022

EUR-USD

Range. EUR-USD retraced lower overnight amid the broad dollar strength. ECB's Muller said he was in favour of a 25bps hike in July and opined that the central bank needs to "move policy rates relatively quickly out of negative territory". We do see room for EUR OIS pricing to go higher, but upside for EUR-USD is likely capped for now given growth concerns and the subdued risk sentiment. Risk is for EUR-USD to retest 1.0400/1.0350, while resistance is at 1.0554.



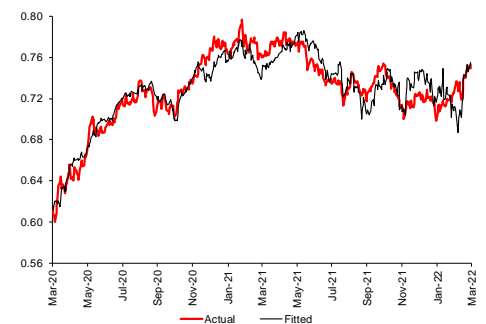
USD-JPY

Downside limited. USD-JPY retraced lower overnight as US yields fell while the Yen itself has garnered some safe-haven flows. The downward momentum however seems to be losing some steam in Asia trading, as after all the Fed-BoJ divergence remains in play. Japan Q1 GDP and March core machine orders came in better than expected but these outcomes do not alter the BoJ outlook.



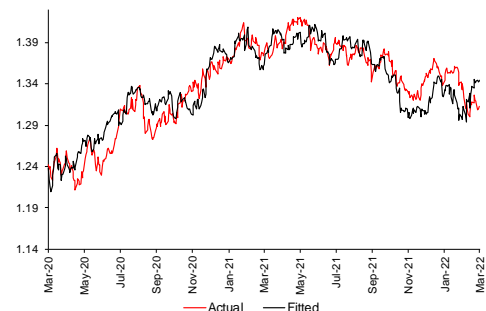
AUD-USD

Stalled. The upward momentum in AUD-USD during early Asia trading seems to be fading, with the pair failing to test 0.7050. Market pricing of additional 230bps hikes by year-end looks overly hawkish, while a set of labour market data came in a tad softer than expected. There are a few levels to clear on the top side at 0.7050/0.7107, while the next support sits at 0.6829



GBP-USD

Headlines driven. Sterling failed to break 1.2500 decisively before facing renewed downward pressure amid the broad dollar strength. Despite the high prints of UK CPI, PPI, and RPI inflation, and despite GBP OIS pricing having gone higher, concerns about a stagflation scenario present a downside risk for GBP/USD at this juncture. Brexit-related headlines are not helpful either. The 21DMA at 1.2475 is the immediate resistance, followed by 1.2650, while the previous low of 1.2156 is the support.

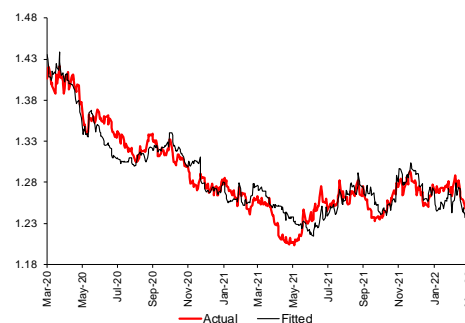


Daily Market Outlook – Key Currency Updates

19 May 2022

USD-CAD

Consolidate. The higher-than-expected headline and core inflation data failed to send some support for the CAD as its impact on the BoC rate expectations is limited. Expect near term directionality to be driven by crude oil and equity performance as proxy for overall macro sentiment. 1.2800 shall remain as a key support for USD-CAD for now.



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