

TECHNICAL

ANALYSIS REPORT

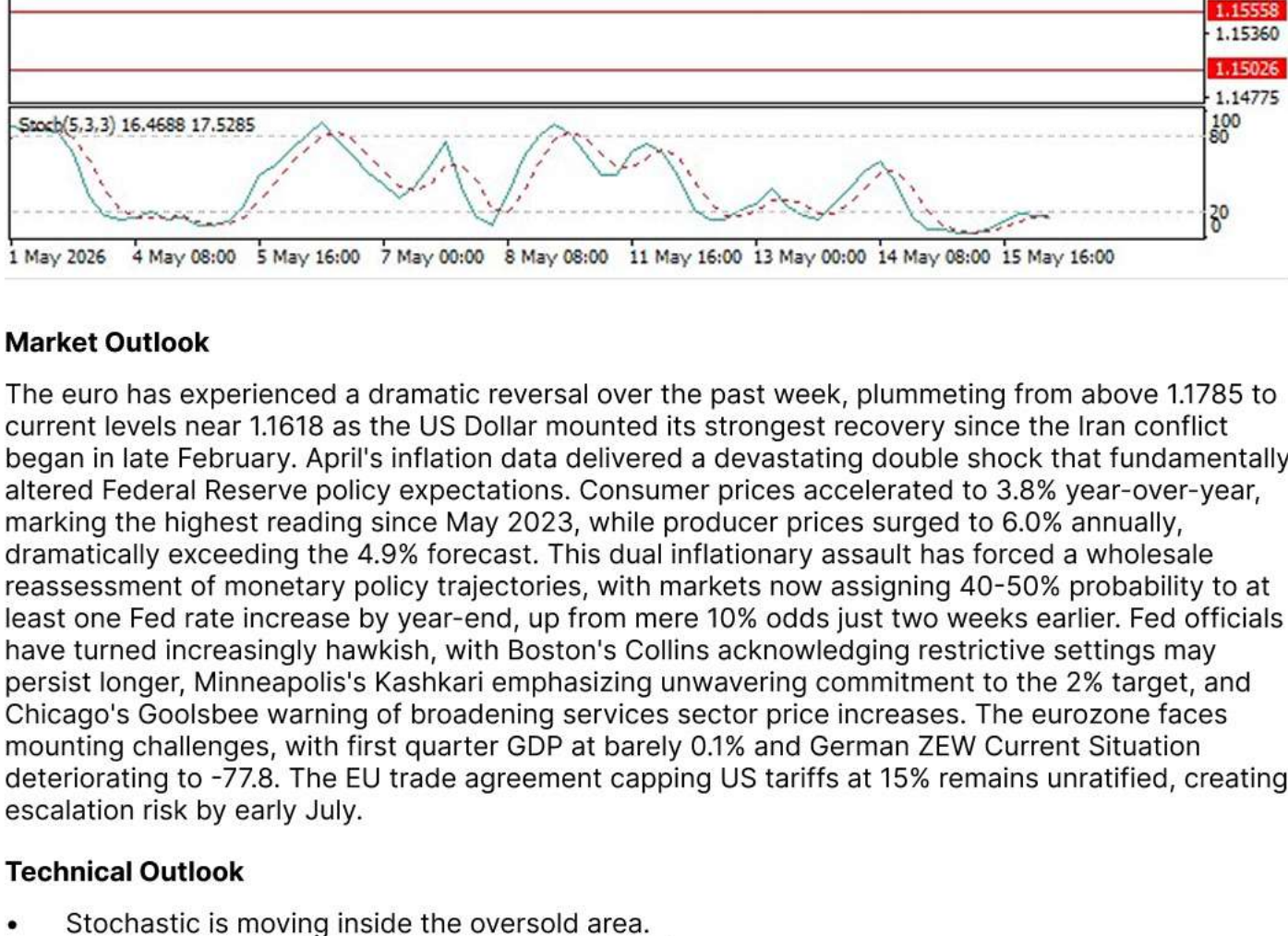
MONDAY, MAY 18 2026



EUR/USD

Previous Session Overview

EUR/USD moved lower on Friday, reaching near previous support levels. Currently trading at 1.1618.



Market Outlook

The euro has experienced a dramatic reversal over the past week, plummeting from above 1.1785 to current levels near 1.1618 as the US Dollar mounted its strongest recovery since the Iran conflict began in late February. April's inflation data delivered a devastating double shock that fundamentally altered Federal Reserve policy expectations. Consumer prices accelerated to 3.8% year-over-year, marking the highest reading since May 2023, while producer prices surged to 6.0% annually, dramatically exceeding the 4.9% forecast. This dual inflationary assault has forced a wholesale reassessment of monetary policy trajectories, with markets now assigning 40-50% probability to at least one Fed rate increase by year-end, up from mere 10% odds just two weeks earlier. Fed officials have turned increasingly hawkish, with Boston's Collins acknowledging restrictive settings may persist longer, Minneapolis's Kashkari emphasizing unwavering commitment to the 2% target, and Chicago's Goolsbee warning of broadening services sector price increases. The eurozone faces mounting challenges, with first quarter GDP at barely 0.1% and German ZEW Current Situation deteriorating to -77.8. The EU trade agreement capping US tariffs at 15% remains unratified, creating escalation risk by early July.

Technical Outlook

- Stochastic is moving inside the oversold area.
- Price is consolidating below the 20-period moving average.
- This setup indicates bearish momentum with potential exhaustion approaching.

Key Levels to Watch

Resistance: 1.1677; 1.1728
Support: 1.1556; 1.1503

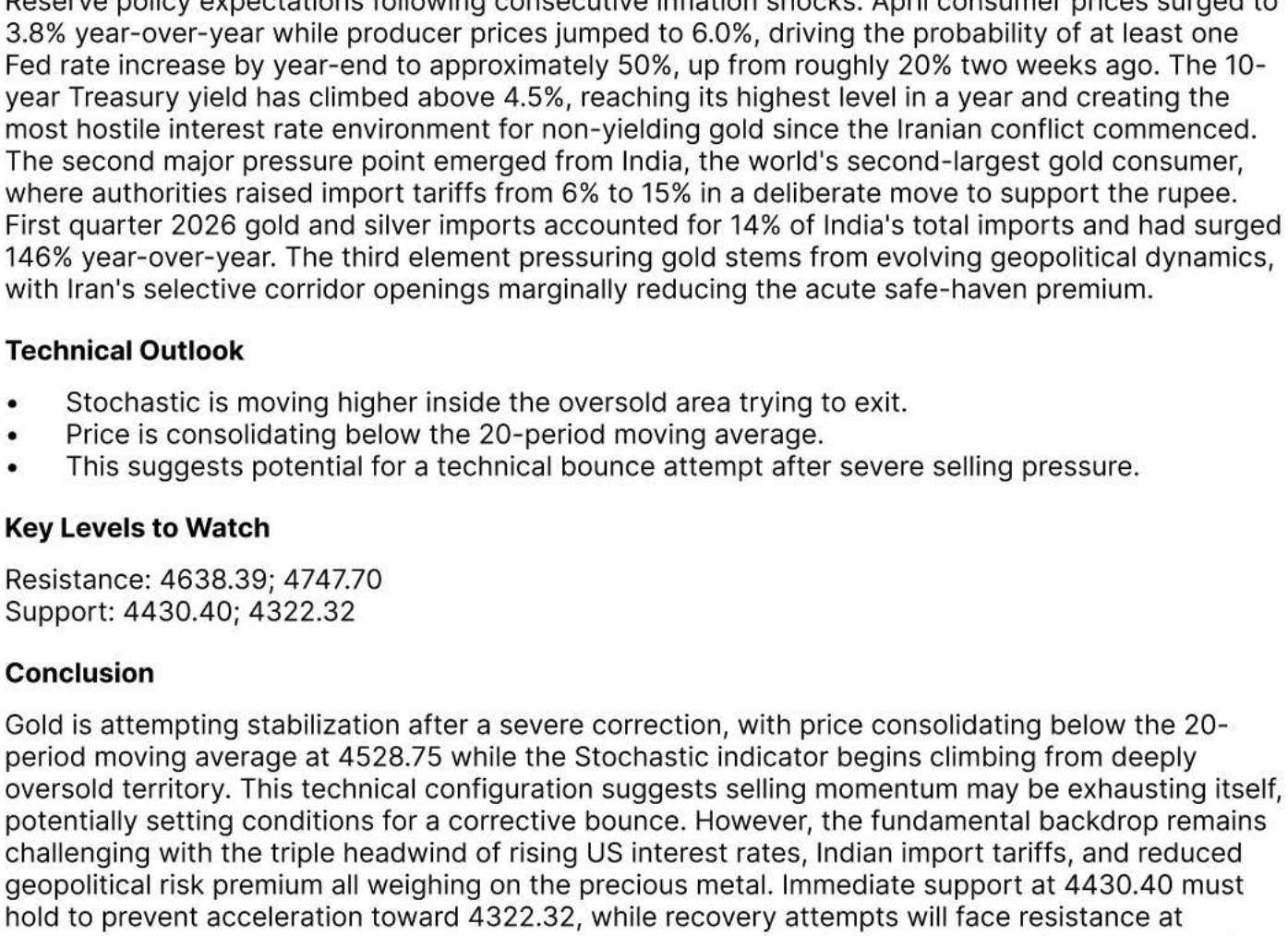
Conclusion

EUR/USD remains under pressure as the pair consolidates below the 20-period moving average at 1.1618 following its dramatic weekly decline. The Stochastic indicator's position deep in oversold territory signals that near-term selling momentum may be approaching exhaustion, though in strong downtrends such readings can persist before generating meaningful recoveries. Immediate support at 1.1556 is now critical, with a decisive break below exposing 1.1503 and confirming the bearish structure remains intact. Recovery attempts will face initial resistance at 1.1677, with 1.1728 representing a more substantial barrier. Wednesday's FOMC Minutes will be decisive, with hawkish revelations likely extending the decline toward lower support zones, while unexpectedly dovish commentary could trigger a sharp technical bounce from deeply oversold conditions. The structural outlook remains bearish as long as prices trade beneath the 20-period moving average and the Dollar continues to benefit from elevated Fed rate hike expectations driving the pair to fresh multi-week lows.

GOLD (XAU/USD)

Previous Session Overview

Gold moved lower on Friday, reaching below previous support levels. Currently trading at 4528.75.



Market Outlook

Gold endured a punishing correction over the past week, retreating from 4770 peak to current levels near 4540 as a convergence of bearish forces has overwhelmed the precious metal's traditional safe-haven appeal. The most significant headwind is the dramatic repricing of Federal Reserve policy expectations following consecutive inflation shocks. April consumer prices surged to 3.8% year-over-year while producer prices jumped to 6.0%, driving the probability of at least one Fed rate increase by year-end to approximately 50%, up from roughly 20% two weeks ago. The 10-year Treasury yield has climbed above 4.5%, reaching its highest level in a year and creating the most hostile interest rate environment for non-yielding gold since the Iranian conflict commenced. The second major pressure point emerged from India, the world's second-largest gold consumer, where authorities raised import tariffs from 6% to 15% in a deliberate move to support the rupee. First quarter 2026 gold and silver imports accounted for 14% of India's total imports and had surged 146% year-over-year. The third element pressuring gold stems from evolving geopolitical dynamics, with Iran's selective corridor openings marginally reducing the acute safe-haven premium.

Technical Outlook

- Stochastic is moving higher inside the oversold area trying to exit.
- Price is consolidating below the 20-period moving average.
- This suggests potential for a technical bounce attempt after severe selling pressure.

Key Levels to Watch

Resistance: 4638.39; 4747.70
Support: 4430.40; 4322.32

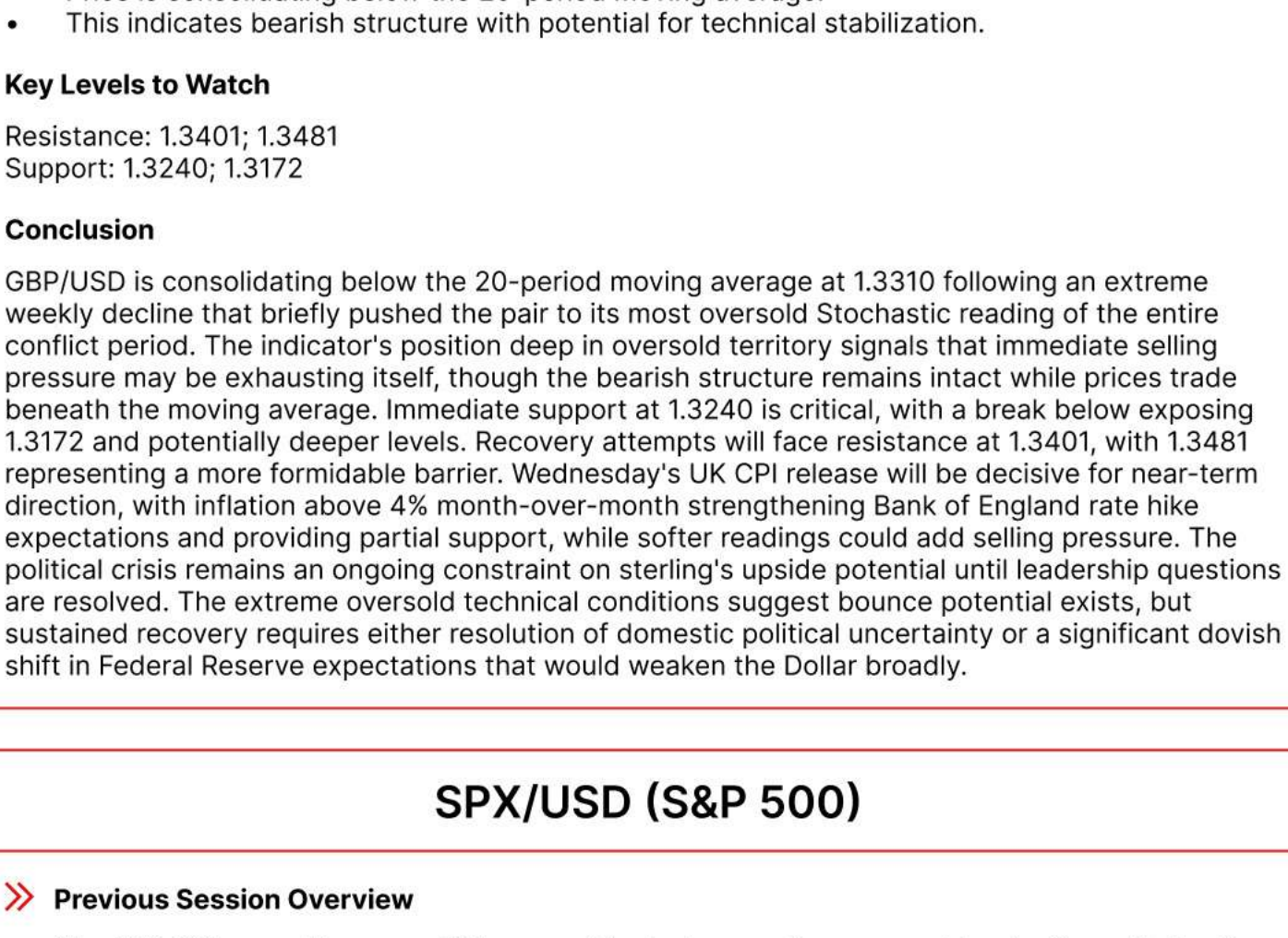
Conclusion

Gold is attempting stabilization after a severe correction, with price consolidating below the 20-period moving average at 4528.75 while the Stochastic indicator begins climbing from deeply oversold territory. This technical configuration suggests selling momentum may be exhausting itself, potentially setting conditions for a corrective bounce. However, the fundamental backdrop remains challenging with the triple headwind of rising US interest rates, Indian import tariffs, and reduced geopolitical risk premium all weighing on the precious metal. Immediate support at 4430.40 must hold to prevent acceleration toward 4322.32, while recovery attempts will face resistance at 4638.39 and more substantial barriers at 4747.70. The Stochastics' attempt to exit oversold territory indicates short-term bounce potential, but sustained recovery requires either a dovish shift in Fed expectations or renewed geopolitical deterioration. Wednesday's FOMC Minutes will be critical, with hawkish commentary likely driving prices toward lower support levels, while unexpectedly accommodative language could trigger a stronger technical rebound from oversold conditions.

GBP/USD

Previous Session Overview

GBP/USD moved lower on Friday, reaching near previous support levels. Currently trading at 1.3310.



Market Outlook

The British pound has experienced one of the most dramatic reversals of any major currency, plummeting approximately 2% from 1.3631 to below 1.3322 during the worst week in months before recovering partially to current levels near 1.3310. The external catalyst came from the United States, where consecutive inflation surprises triggered a wholesale repricing of Federal Reserve policy expectations, with markets now assigning 40-50% probability to at least one rate increase by year-end. However, sterling's decline was amplified by acute domestic political turmoil, with more than 70 Labour MPs publicly urging Prime Minister Starmer to resign following heavy local election losses, with Manchester Mayor Andy Burnham emerging as a potential leadership challenger. The political uncertainty drove UK 10-year Gilt yields to 5.14%, levels unseen since the sub-prime financial crisis, while 30-year yields briefly touched 5.81%, the highest reading since 1998. The Bank of England faces an increasingly complex mandate, with policymakers projecting UK inflation will breach 5% this year on Iran-driven energy pass-through effects. Notably, sterling failed to rally despite first-quarter GDP data showing expansion at 0.6%, substantially better than the prior 0.2% reading, as hot US inflation data and domestic political concerns completely overwhelmed positive growth developments.

Technical Outlook

- Stochastic is moving inside the oversold area.
- Price is consolidating below the 20-period moving average.
- This indicates bearish structure with potential for technical stabilization.

Key Levels to Watch

Resistance: 1.3401; 1.3481
Support: 1.3240; 1.3172

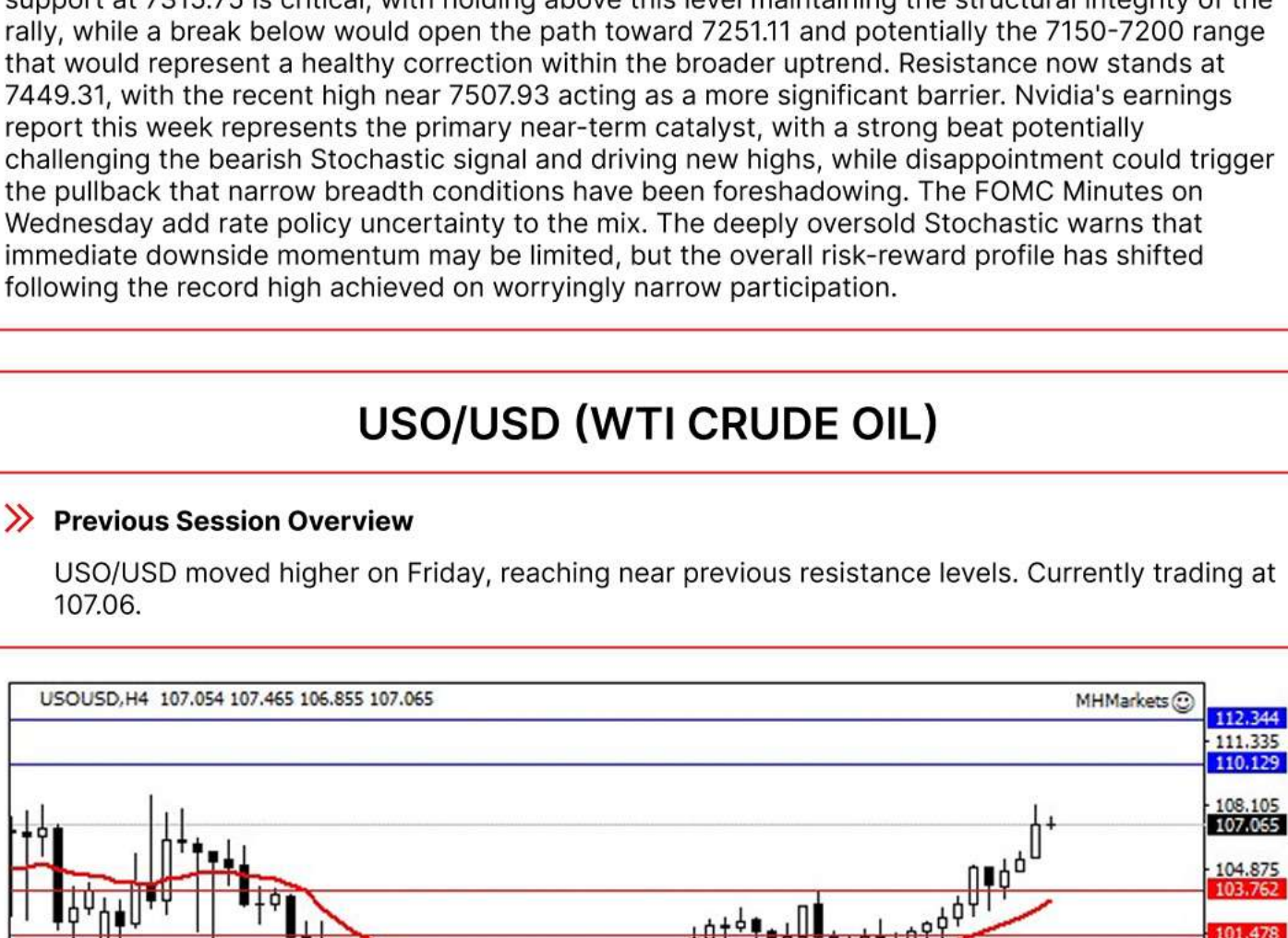
Conclusion

GBP/USD is consolidating below the 20-period moving average at 1.3310 following an extreme weekly decline that briefly pushed the pair to its most oversold Stochastic reading of the entire conflict period. The indicator's position deep in oversold territory signals that immediate selling pressure may be exhausting itself, though the bearish structure remains intact while prices trade beneath the moving average. Immediate support at 1.3240 is critical, with a break below exposing 1.3172 and potentially deeper levels. Recovery attempts will face resistance at 1.3401, with 1.3481 representing a more formidable barrier. Wednesday's UK CPI release will be decisive for near-term direction, with inflation above 4% month-over-month strengthening Bank of England rate hike expectations and providing partial support, while softer readings could add selling pressure. The political crisis remains an ongoing constraint on sterling's upside potential until leadership questions are resolved. The extreme oversold technical conditions suggest bounce potential exists, but sustained recovery requires either resolution of domestic political uncertainty or a significant dovish shift in Federal Reserve expectations that would weaken the Dollar broadly.

SPX/USD (S&P 500)

Previous Session Overview

The S&P 500 moved lower on Friday, reaching below previous support levels. Currently trading at 7368.79.



Market Outlook

The S&P 500 finds itself in a precarious position following a historic milestone week that saw the index reach a new all-time high of 7501 on Thursday, the fifth new century mark in a single month and an 18.7% advance from the March 30 war lows. The Dow Jones simultaneously crossed 50000 for the first time in history. The immediate catalyst for Thursday's record came from Cisco's exceptional earnings performance, with shares surging more than 13% after crushing expectations and reaffirming its AI infrastructure strategy. However, the internal market structure revealed alarming divergences, with only 42 stocks making new 52-week highs while 114 stocks hit new 52-week lows. This textbook definition of narrow breadth in an overbought market has historically appeared only at or near important market peaks, including the terminal phase of the 1990s technology bubble. The VIX reading of 17.26 on Thursday struck analysts as dangerously complacent given the geopolitical backdrop and recent inflation shock. By Friday morning, the VIX had jumped 9% to 18.83, breaking above trendline resistance. This week brings Nvidia's earnings report, arguably the single most important corporate announcement of 2026.

Technical Outlook

- Stochastic is moving inside the oversold area.
- Price is consolidating below the 20-period moving average.
- This represents the first significant warning signal since the March 2026 rally began.

Key Levels to Watch

Resistance: 7449.31; 7507.93
Support: 7315.75; 7251.11

Conclusion

The S&P 500 is consolidating below the 20-period moving average at 7368.79 following its retreat from the 7501 all-time high, with the Stochastic indicator positioned in oversold territory, the first such configuration since the rally commenced from March 30 lows. This technical setup, combined with the alarming breadth divergences observed at the recent peak, suggests the market is transitioning from pure momentum-driven advance to a more selective, risk-aware phase. Immediate support at 7315.75 is critical, with holding above this level maintaining the structural integrity of the rally, while a break below would open the path toward 7251.11 and potentially the 7150-7200 range that would represent a healthy correction within the broader uptrend. Resistance now stands at 7449.31, with the recent high near 7507.93 acting as a more significant barrier. Nvidia's earnings report this week represents the primary near-term catalyst, with a strong beat potentially challenging the bearish Stochastic signal and driving new highs, while disappointment could trigger the pullback that narrow breadth conditions have been foreshadowing. The FOMC Minutes on Wednesday add rate policy uncertainty to the mix. The deeply oversold Stochastic reading suggests near-term consolidation is possible before the next directional move, though the fundamental backdrop of 100 million barrels of weekly supply loss per Aramco's assessment keeps the bias tilted toward higher prices. Secondary downside risk comes from potential US sanctions on companies paying Tehran's toll fees, which could paradoxically reduce short-term demand for passage while increasing medium-term supply disruption fears. The EIA inventory report will provide this week's supply reality check, while any announcements regarding US military escort operations or diplomatic breakthroughs will drive immediate price action as markets navigate the new normal of managed Strait access.

USO/USD (WTI CRUDE OIL)

Previous Session Overview

USO/USD moved higher on Friday, reaching near previous resistance levels. Currently trading at 107.06.



Market Outlook

WTI crude oil has surged decisively above the psychologically critical 100 per barrel threshold, climbing from approximately 92-95 last week to current levels near 106, representing a dramatic re-escalation in energy markets. This sharp move was triggered by President Trump's outright rejection of Iran's peace proposal, which he characterized as garbage, while describing the ceasefire as unbelievably weak and on massive life support. The most alarming supply warning of the entire conflict period came from Saudi Aramco CEO Amin Nasser, who stated that global markets are losing roughly 100 million barrels of supply each week, adding that any return to normal market conditions could potentially slip into 2027 if current disruptions persist. The geopolitical landscape has evolved into what analysts are now terming the Tehran Toll Booth regime, a fundamentally new structural framework for Strait of Hormuz navigation. Iran has implemented selective corridor openings permitting approximately 30 Chinese vessels, plus certain LPG and crude carriers destined for India and Japan, to transit through IRGC-controlled shipping lanes. However, this arrangement requires payment of 1-2 million per vessel in yuan or cryptocurrency for safe passage under armed escort. This is not a genuine reopening of free maritime navigation but rather a managed chokepoint where Iran exerts control over who passes, when they pass, and at what financial and political cost.

Technical Outlook

- Stochastic is moving inside the oversold area.
- Price is moving higher above the 20-period moving average.
- This indicates strong bullish momentum on re-escalation concerns.

Key Levels to Watch

Resistance: 110.13; 112.34
Support: 103.76; 101.48

Conclusion

WTI crude oil is trading strongly above the 20-period moving average at 107.06 with the Stochastic indicator positioned in overbought territory, reflecting the sharp re-escalation in geopolitical tensions and supply concerns. The breach above 100 and sustained trading near 106 confirms the re-escalation regime remains dominant, while immediate resistance stands at 110.13, with further upside potential toward 112.34 if military tensions intensify or the Tehran Toll Booth framework collapses. On the downside, support at 103.76 and 101.48 would come into play only with significant de-escalation developments or diplomatic breakthroughs. The overbought Stochastic reading suggests near-term consolidation is possible before the next directional move, though the fundamental backdrop of 100 million barrels of weekly supply loss per Aramco's assessment keeps the bias tilted toward higher prices. Secondary downside risk comes from potential US sanctions on companies paying Tehran's toll fees, which could paradoxically reduce short-term demand for passage while increasing medium-term supply disruption fears. The EIA inventory report will provide this week's supply reality check, while any announcements regarding US military escort operations or diplomatic breakthroughs will drive immediate price action as markets navigate the new normal of managed Strait access.

Key events for today and tomorrow (GMT):

Date	Time	Currency	Events	Forecast	Previous
18 May			No Key Events for Today		
19 May	06:00	GBP	Claimant Count Change	25.9K	26.8K
	12:30	CAD	CPI m/m	0.6%	0.9%

www.mhmarkets.com

support@mhmarkets.com

Risk Warning: The materials provided here have not been prepared in accordance with legal requirements designed to promote the independence of investment research and as such is considered to be a marketing communication. Whilst it is not subject to any prohibition or binding period of the dissemination of investment research, we do not seek to take any advantage before providing it to our clients.

Key Metrics: This report does not represent the material provided here is accurate, current or complete, and therefore should not be relied upon as advice. The information, whether from a third party or not, is not to be considered as a recommendation or an offer to buy or sell or the solicitation of an offer to buy or sell any security, financial product or instrument, or to participate in any particular trading strategy. It does not take into account readers' financial situation or investment objectives. We advise any readers of this content to seek their own advice. Without the approval of MH Markets, reproduction or distribution of this information is not permitted.

Trading Forex and CFDs carries a high level of risk to your capital and you should only trade with money you can afford to lose. Trading Forex and CFDs may not be suitable for all investors, so please ensure that you fully understand the risks involved and seek independent advice if necessary. You don't own or have rights in the underlying assets. Past performance is no indication of future performance and tax laws are subject to change. The information on this website is general in nature and doesn't take into account your or your client's personal objectives, financial circumstances, or needs. Please read your documents and ensure you fully understand the risk before you make any trading decisions. We encourage you to seek independent advice. The information, products and services offered on this website are not intended for distribution to any individual in any country or jurisdiction where such distribution or use would be contrary to local law or applicable regulations. This includes but not limited to USA, Canada, Iran, Iraq, DPRK, Belarus, Australia, Malaysia, Singapore, Russia and Taiwan.