MH Markets

TECHNICAL

ANALYSIS REPORT

THURSDAY, MAY 7, 2026

EUR/USD

Previous Session Overview

EURUSD pressured Thursday higher on Wednesday, staying between previous support and resistance levels. Currently trading at 1.1618.

Market Outlook

The euro gained 55 pips on Wednesday to trade at 1.1622, capitalizing on broad-based dollar weakness amid ongoing geopolitical uncertainty. Momentum remained moderate to the US-Iran conflict. President Trump's hopeful tone on Wednesday, stating he reached their final stages triggered a dramatic cross-asset repricing that saw safe-haven flows reverse and risk sentiment improve markedly through North American trading hours. Oil prices collapsed more than 5% following Trump's comments, with WTI plunging to 98.26 per barrel and Brent settling at 105.02. This energy price collapse directly undermined the dollar's safe-haven premium as markets priced a negotiated outcome between crude prices and dollar strength. Reuters reported that Iran's Fars and Tasnim News Agency linked to the Revolutionary Guard Corps denied that two China-bound supertankers successfully crossed the Strait of Hormuz while Iranian state media maintained that no ceasefire agreement had been struck over the past 24 hours. Pakistan mediated diplomatic efforts continue advancing, with reports indicating Pakistan Army Chief Asim Munir may travel to Iran on Thursday to announce the final version of an agreement. However, the FDAC Monitor released earlier in the session revealed a decisively hawkish Federal Reserve position, with the majority of officials supporting preparation for policy tightening if inflation expectations prove above 2% target. Traders expected fully price approximately 50% odds for a rate hike at the December FOMC meeting, maintaining elevated hawkish repricing despite dollar weakness.

Technical Outlook

- Stochastic is moving higher towards the overbought area.
- Price is consolidating around the 20-period moving average.
- This setup suggests potential for further upside if diplomatic momentum continues.

Key Levels to Watch

Resistance: 1.1663, 1.1712
Support: 1.1583, 1.1536

Conclusion

EURUSD is consolidating around the 20-period moving average at 1.1618 with the Stochastic indicator climbing toward overbought territory, reflecting the pair's recovery on Wednesday's broad dollar weakness rather than strength. The pair remains trapped between 20-day SMA near 1.1848, which maintains a mildly bearish near-term bias. Bulls need to push above the overcome to confirm bullish momentum. Immediate resistance at 1.1663 is critical, with a break above targeting 1.1712 and potentially challenging the descending trendline from the 1.1939 high that caps above current levels. On the downside, support at 1.1583 needs to hold to maintain constructive structure, with 1.1536 as the next support. The Stochastic's overbought reading suggests short-term pullbacks remain possible, may be building. Traders should watch for confirmation of diplomatic progress between Iran and Trump, which remains the key catalyst for further dollar weakness. Thursday's PMI releases will evaluate the growth-inflation mix emerging from both countries, with either Europe's manufacturing or the euro despite ECB hawkishness, while weaker US readings could extend dollar weakness and push EURUSD toward the upper 1.1700s. Pakistan-mediated diplomatic efforts continue advancing, with reports indicating Pakistan Army Chief Asim Munir may travel to Iran on Thursday to announce the final version of an agreement. Traders should remain cautious given this conflict's history of generating tradable headlines that fail to produce lasting resolutions.

GOLD (XAU/USD)

Previous Session Overview

Gold consolidated higher on Wednesday, reaching near previous resistance levels. Currently trading at 4533.77.

Market Outlook

Gold prices rallied approximately 1% during Wednesday's North American session to trade near 4530, staging an impressive recovery despite the FOMC Minutes release which most Federal Reserve officials favour laying groundwork for potential rate increases. This seemingly paradoxical price action reflected the market shifting from the combination of dollar weakness and declining Treasury yields that overwhelmed the typically bearish impact of hawkish Fed positioning. The US Dollar Index fell approximately 0.5% during the session, with the 10-year Treasury yield also retreating from recent highs, a combination that typically supports gold by reducing the opportunity cost of holding gold relative to interest-bearing alternatives. The catalyst for Wednesday's cross-asset repricing was President Trump's declaration that US-Iran negotiations have reached their final stages, triggering a dramatic unwinding of geopolitical risk premiums across energy markets. Oil prices collapsed more than 5% following Trump's comments, with WTI plunging to 98.26 per barrel and Brent settling at 105.02. This energy price collapse directly undermined the dollar's safe-haven premium as markets priced a negotiated outcome between crude prices and dollar strength. Reuters reported that Iran's Fars and Tasnim News Agency linked to the Revolutionary Guard Corps denied that two China-bound supertankers successfully crossed the Strait of Hormuz while Iranian state media maintained that no ceasefire agreement had been struck over the past 24 hours. Pakistan-mediated diplomatic efforts continue advancing, with reports indicating Pakistan Army Chief Asim Munir may travel to Iran on Thursday to announce the final version of an agreement. However, the FOMC Minutes released earlier in the session revealed a decisively hawkish Federal Reserve position, with the majority of officials supporting preparation for policy tightening if inflation expectations prove above 2% target. Traders expected fully price approximately 50% odds for a rate hike at the December FOMC meeting, maintaining elevated hawkish repricing despite dollar weakness.

Technical Outlook

- Stochastic is moving higher towards the overbought area.
- Price is consolidating around the 20-period moving average.
- This setup suggests potential for further upside if diplomatic momentum continues.

Key Levels to Watch

Resistance: 4648.80, 4739.82
Support: 4454.14, 4364.80

Conclusion

Gold is consolidating around the 20-period moving average at 4533.77 with the Stochastic indicator climbing toward overbought territory, reflecting Wednesday's recovery driven primarily by dollar weakness, declining yields, and safe-haven flows ahead of Thursday's hawkish Fed positioning. The precious metal remains in consolidation mode with key resistance clustered slightly above 4600, immediate resistance at 4648.80 must be overcome to confirm bullish momentum. Bulls need to push above the 50-day SMA near 4740 to target the 100-day SMA at 4340 acting as deeper floors if selling pressure resumes. The Stochastic approaching overbought warns that near-term upside momentum may be building, though sustainability depends on whether diplomatic progress proves genuine and Treasury yields remain contained. Thursday's PMI releases will evaluate the growth-inflation mix emerging from both countries, with either Europe's manufacturing or the euro despite ECB hawkishness, while weaker US readings could extend dollar weakness and push XAUUSD toward the upper 4700s. Thursday's PMI data will be important for growth expectations and central bank policy outlooks, while any developments in US-Iran negotiations will drive immediate volatility. The technical configuration suggests a bullish bias near-term as long as prices hold above the 20-period moving average and the Stochastic momentum continues building.

GBP/USD

Previous Session Overview

GBP/USD consolidated higher on Wednesday, reaching near previous resistance levels. Currently trading at 1.3427.

Market Outlook

The British pound climbed through Wednesday's session, pushing toward 1.3450 before settling near 1.3427 ahead of holding above the psychologically important level. Sterling's gains despite UK inflation data cooling across all major measures. This disconnection between softening domestic price pressures and currency strength reflected broad dollar weakness driven by US-Iran peace talk optimism. Supplementary and everything to do with broad dollar weakness driven by Middle East diplomatic optimism. UK April CPI data showed comprehensive disinflation, with headline inflation declining to 3.3% from 4.0% and core inflation dropping from 4.4% to 3.1%, the lowest reading since July 2025. Compared to 2.5% one month earlier, suggesting underlying price pressures are moderating despite the energy shock from the Iran conflict. President Trump's declaration that US-Iran negotiations have reached their final stages triggered the cross-asset repricing that lifted GBP/USD. The dollar simply fell around sterling rather than the pound generating its own strength, creating a technical setup where GBP/USD appears to have bottomed on relative currency weakness rather than dynamics. One genuine cross-current complicating the disinflationary narrative emerged from producer prices, which ran hot with both input and output cost measures topping forecasts. The remainder of the week presents significant challenges for sterling bulls, with Thursday's flash PMI releases expected to show the composite reading slipping further toward the contractionary 50 threshold. Friday's retail sales data where consensus anticipates an outright monthly contraction.

Technical Outlook

- Stochastic is moving higher towards the overbought area.
- Price is consolidating above the 20-period moving average.
- This setup suggests near-term bullish momentum but within a range-bound structure.

Key Levels to Watch

Resistance: 1.3491, 1.3564
Support: 1.3376, 1.3302

Conclusion

GBP/USD is consolidating above the 20-period moving average at 1.3427 with the Stochastic indicator climbing toward overbought territory, reflecting Wednesday's recovery driven primarily by dollar weakness rather than sterling strength. The pair remains boxed between 50-day SMA at 1.3564 and 20-day SMA near 1.3302 with bias near-term neutral. Bulls need to push above the overcome to confirm bullish momentum. Immediate resistance at 1.3491 must be overcome to target 1.3564 and the psychologically important 1.3500 handle, with the latter likely to cap rallies while domestic data remains soft. On the downside, support at 1.3376 is critical, with holding above 1.3340 maintaining the near-term constructive tone, while a daily close below would tilt the bias lower toward 1.3302 and potentially 1.3250. The Stochastic approaching overbought warns near-term momentum may be building, though sustainability remains questionable given the domestic fundamental backdrop. Thursday's PMI releases will be decisive, with a composite reading approaching or breaching the 50-contraction threshold pressuring sterling despite any residual dollar weakness, while resilient services sector activity could support the pair's attempt to clear 1.3500. The technical setup suggests a bullish bias near-term as long as prices hold above the 20-period moving average, but broader resistance clustering near the 50-day SMA remains a key ceiling. The overall configuration suggests range-bound trading between 1.3376 and 1.3491 is most probable near-term, with breakout direction determined by whether dollar weakness on diplomatic optimism proves sustainable or whether domestic UK growth concerns resurface.

SPX/USD (S&P 500)

Previous Session Overview

The S&P 500 moved higher on Wednesday, reaching previous resistance levels. Currently trading at 7432.45.

Market Outlook

The S&P 500 gained 1.08% on Wednesday to close at 7432.97, staging an impressive recovery from recent weakness as oil prices and Treasury yields retreated sharply on growing optimism that the Iran conflict may reach a negotiated resolution. The broad rally saw participation across sectors as investors rotated across multiple markets simultaneously. WTI crude futures plunged 5.66% to close at 98.26 per barrel while Brent pulled back 5.63% to settle at 105.02, the most significant single-day energy market retreat since hostilities began eleven weeks ago. Treasury yields provided crucial technical support for the equity advance, with the 10-year yield dropping more than 9 basis points while the 2-year yield fell 8 basis points, the combination of falling yields and falling oil prices typically a powerful mix for equity markets. The fundamental backdrop remains mixed with hawkish Federal Reserve positioning offset by energy price relief if diplomatic progress proves genuine. Thursday's preliminary PMI releases across major economies will evaluate the growth narrative.

USD/USD (WTI CRUDE OIL)

Previous Session Overview

USD/USD moved lower on Wednesday, reaching below previous support levels. Currently trading at 102.33.

Market Outlook

WTI crude oil suffered its most dramatic single-session collapse of the entire eleven-week conflict, plummeting 5.66% on Wednesday to close at 98.26 per barrel, snapping a four-day winning streak as traders reacted to signs of significant progress in US-Iran negotiations. Brent crude followed suit, declining 5.63% to settle at 105.02. The selloff came after President Trump declared that diplomatic efforts have reached their final stages, triggering a violent unwinding of the geopolitical risk premium that had sustained elevated prices throughout the conflict. The decisive rejection of Iran's counterproposal through Wednesday's session as multiple confirming signals emerged suggesting the Strait of Hormuz supply disruption may be easing substantially. Iran's IRGC Navy confirmed that transit through the strait remains open to commercial traffic and coordination from Iranian authorities, reporting that 26 vessels successfully transited over the past 24 hours. Reuters reported that Iran's Fars and Tasnim News Agencies linked to the Revolutionary Guard Corps denied that two China-bound supertankers had crossed the strait. Pakistan-mediated diplomatic efforts appear to be nearing culmination, with reports indicating Pakistan army leader Asim Munir may travel to Iran on Thursday to announce the final version of an agreement. However, traders remain appropriately cautious, with Trump delivering characteristically mixed messaging stating we will see what happens, while the Iranian negotiation team has not yet arrived in Islamabad. The technical structure remains constructive despite the sharp reversal, with EMA 50 remaining above EMA 200 and price holding above the 20-day SMA. The Stochastic approaching oversold warns the immediate downside momentum is intensifying but may soon exhaust itself, potentially setting conditions for consolidation or technical bounce from oversold readings. Thursday's PMI releases will determine the critical catalyst with reports that Pakistan's Asim Munir may travel to Iran