

A background image of a financial chart, likely a candlestick chart, showing price fluctuations over time. The chart is overlaid on a grid and has a blue and purple color scheme. The chart shows a significant peak followed by a sharp decline and then a recovery.


EUR/USD

Weekly FX Report

Fundamental Analysis

Recent developments

EUR/USD saw sustained declines last week having once again failed to break higher from our technical level of 1.1780. The move was almost entirely driven by dollar strength in response to hotter US inflation data which allowed market to increase odds of a Fed rate hike in the tail end of the year. EUR/USD downside was illustrative of a 'squeeze' on EUR/USD longs. For eurozone data, Thursday's Manufacturing and services PMI is the highlight this week, offering a forward looking read into order book, exports, hiring intentions etc. for European businesses.



'Persistent war induced inflation pressures keeps eurozone growth subdued'

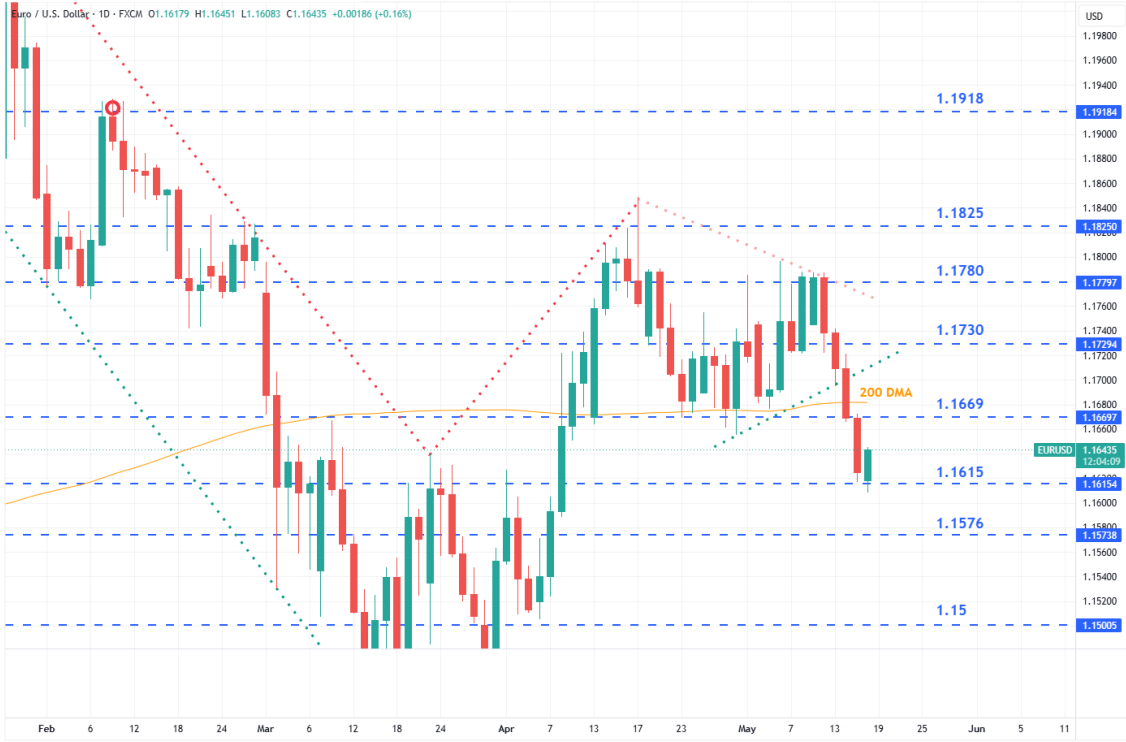
ECB Chief Economist Lane once again warned of a persistent inflation 'overshoot', driving a need for the ECB's policy response to be more persistent and forceful. Markets will continue to attach a high probability of a rate hike from the ECB at the June meeting, but lacklustre growth for the eurozone and Germany leaves the ECB in a difficult place when juggling entrenched upside inflation risks with growth concerns. We'd expect the dollar to remain the key driver of EUR/USD price action this week with scope for an early technical bounce after last week's big decline.

Dollar buoyed by hawkish shift to market expectations

Recent developments have provided fertile ground for some solid, if unspectacular, dollar strength. Core inflation data (+0.4% m/m versus expectations for +0.3%) and PPI (ex food & energy) hit its highest level since early 2023, alongside stronger retail sales data. Rates markets shifted to 15 basis points of hikes for 2026, up from just 1 bp a week ago. This more hawkish shift occurs as the new Fed chairman – Kevin Warsh – is set to start soon and chair his first meeting in mid-June. With hotter US inflation, and the ongoing US/Iran conflict keeping Oil prices well above \$100, it is unlikely Warsh will be able to be a dovish as markets had expected. This is all dollar supportive. US equity indices are showing signs of a healthy retracement, which should also act as a tailwind for the dollar. The Trump/Xi meeting last week perhaps fell short of positive market expectations, seen more as a stabilization summit as opposed to providing a breakthrough. This has driven a softer tone in equities.

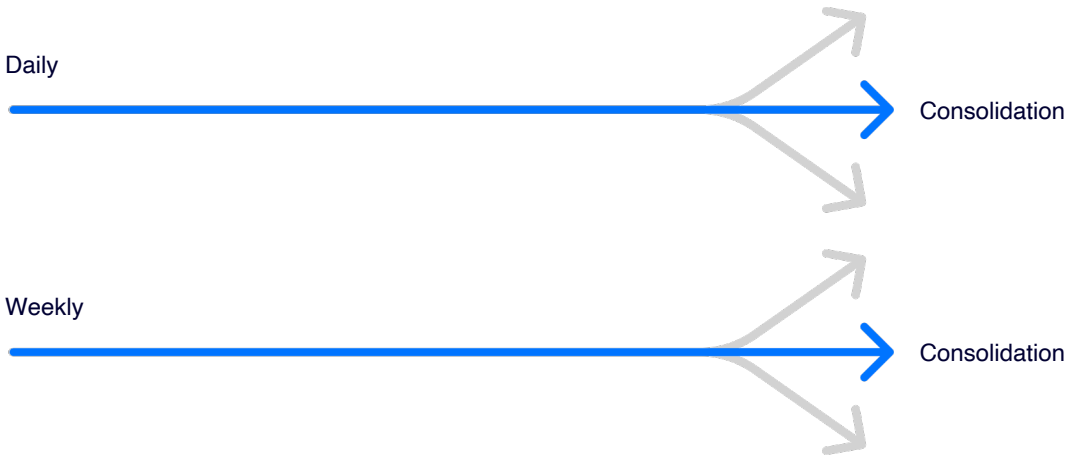
EUR/USD Daily Chart

IFX Payments created with TradingView.com, May 18, 2026 09:55 UTC+1



TradingView

Market Condition



Technical Analysis

We noted last week that the 1.1780 was acting as a significant upside barrier. The decline was technically precipitated by a failure to break up through this level, and the decline was indicative of some liquidation of EUR/USD longs as opposed to fresh, significant short selling. The 1.1615 level is holding to begin the week, but the probabilities lie with a bounce being faded by the market up at 1.1690 or 1.1730 if reached. Should the next few weeks see a more sustained dollar rally, the massive 1.15 could be a multi-week target for EUR/USD but is not expected to be tested this week.

Upside

1.1680

—
Bounces could find resistance here augmented by the 200 DMA.

1.1730

—
A more meaningful rally is likely to be faded by the market here.

1.1780

—
Major upside resistance level As seen before last weeks' decline.

Downside

1.1615

—
Light technical support seen here but easily broken to the downside.

1.1576

—
Far more meaningful technical support lies here.

1.15

—
Major long term technical level could be tested if USD rallies.

Looking Ahead

A look ahead to the key scheduled data releases for the week

EUR

18 Monday	19 Tue	20 Wed	21 Thu AM: Manufacturing & services PMI	22 Fri
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USD

18 Monday	19 Tue	20 Wed PM: FOMC meeting minutes	21 Thu PM: Manufacturing & services PMI	22 Fri
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