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# Daily FX Report

## Another Round of Tariffs

### EUR / USD - Euro Under Pressure Amid Tariff Concerns

EUR/USD continued to weaken, settling near the 1.0300 level on the back of a resilient dollar. This risk-off sentiment reflects ongoing concerns about potential US tariffs and their impact on the already sluggish European economy.

Traders are particularly focused on Donald Trump's decision to impose 25% tariffs on US imports of aluminium and steel, which is strengthening the dollar and weighing on the euro. The European Commission responded to these announcements swiftly, signalling its intention to introduce countermeasures to protect European industries. This move echoes the trade disputes of Trump's first term when similar tariffs imposed in 2018 led to EU retaliation and subsequent negotiations that resulted in a quota system. The new tariffs have sparked concerns over rising input costs for US manufacturers and potential disruptions to global trade. The divergence between the economic outlooks for the US and the European Union is weighing on the pair in the longer term.

From the technical perspective, the next robust support level stands at the 1.0200-1.0215 range. Despite a pullback back above 1.0300 later in the day, EUR/USD remains susceptible to further volatility and potential downside risks in the near term.

### USD / JPY - A New Support Level?

USD/JPY bounced back yesterday as markets rejected prices below the 151.16 support level. A combination of the US dollar's resilience and the long-term pressures from the divergence between the BOJ and the Fed has resulted in a slight trend reversal.

Moving averages act as robust resistance levels, with the 200 DMA at 152.77, which could serve as a crucial pivot point for future price action. Looking ahead, traders will be closely monitoring key technical levels, with a break above ¥153 potentially signalling a bullish move towards 155. Alternatively, a bearish outcome could see the pair retreating towards the support level at 151.16 if it fails to maintain its position above the 200-day MA.

We expect technical indicators to be key in driving the pair's momentum today as markets await the US CPI figures on Wednesday.

### GBP / USD - Pound Faces Pressure as Economic Outlook Dims

GBP/USD continued to break lower, breaching the 1.2400 support level. Tariff announcements on aluminium and steel imports supported dollar strength, while the lack of significant economic reports from the UK has left the pound vulnerable to external pressures.

If the pair successfully breaches the 1.2355 support, it could potentially decline further towards the next support range at 1.2250-1.2265, with a more bearish outlook possible if it breaks below 1.2217. Conversely, a bullish scenario could unfold if the pair breaks above the 50 DMA resistance at 1.2485. Markets are closely monitoring these key technical levels, as a definitive break could signal a shift in the short-term trend.

Market attention is now focused on a speech by Bank of England policymaker Catherine Mann and the release of UK January activity data and GDP figures. Markets remain pessimistic about UK growth prospects, especially following the downgrades in GDP forecasts by the BOE officials. This should keep GBP/USD performance muted in the meantime.

## Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
JPY	11/02	23:50	Money Stock M2 YoY	Jan		1.3%
JPY	11/02	23:50	Money Stock M3 YoY	Jan		0.8%

Source: Bloomberg

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### Risk warning

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