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DAILY FX REPORT

Major FX Pairs Weigh Policy Shifts Against Geopolitical Crosscurrents

EUR / USD

The EUR/USD pair faces headwinds as divergent monetary policy paths between the Federal Reserve and European Central Bank continue to shape market dynamics. Recent developments suggest a dovish pivot from the Fed, with markets pricing in a 92% probability of a September rate cut following the nomination of Stephen Miran as Fed governor.

The ECB has cut rates from 4% to 2% over the past year and is expected to lower them further by December, narrowing the euro's yield advantage and weighing on the currency. Technical analysis indicates the pair remains in a broader uptrend, having gained approximately 11% over six months from 1.05 levels, though recent price action suggests consolidation near current levels.

The pair has demonstrated volatility around the 1.164 support level, with volume spikes during European trading sessions, while maintaining position above the critical 50-day moving average at 1.16. Looking ahead, geopolitical developments, including potential Trump-Putin peace talks on Ukraine, combined with mixed economic data from the Eurozone, suggest continued volatility with the possibility of testing either the recent high of 1.181 or the psychological support at 1.15.

USD / JPY

USD/JPY is trading in a market shaped by diverging US–Japan monetary policies, soft Japanese economic data, and shifting Fed leadership expectations. Technical analysis shows the pair trading below key moving averages, with significant resistance at 148.65 and support at 145.81, while maintaining a position that could support either bullish or bearish scenarios depending on price action.

The Bank of Japan's cautious monetary stance, coupled with disappointing Japanese economic data including downward growth revisions to 0.7% and weak household spending, continues to pressure the yen. Recent US trade policies and tariff uncertainties have created additional headwinds for Japan, though some relief has been provided through adjustments to overlapping duties.

The potential appointment of Fed Governor Waller as Fed Chair has provided support for the dollar, while the interplay between Fed succession speculation, trade tensions, and diverging economic trajectories between the two nations remains crucial for the currency pair's outlook.

GBP / USD

The GBP/USD pair continues to demonstrate resilience despite mixed economic signals, with the currency maintaining levels above the critical 200-day moving average at 1.30. The Bank of England's recent rate decision, featuring a tight 5-4 vote split and hawkish undertones, has provided underlying support for sterling despite the

25bps cut to 4.00%.

Technical analysis reveals a consolidation phase between 1.33 and 1.35, with the latter serving as significant resistance coinciding with both the 50-day moving average and 30-day VWAP. The pair's neutral-to-slightly-bullish momentum is confirmed by an RSI reading of 54, while elevated inflation at 3.6% continues to influence the BoE's cautious approach to future rate adjustments.

The currency pair's near-term trajectory appears to be caught between domestic policy tightness and external pressures, particularly US trade policy and Federal Reserve easing expectations, with potential upside targeting 1.38 if resistance at 1.35 is breached.

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