

TUE 19 AUGUST 2025 07:00

DAILY FX REPORT

# FX Holds Firm as UK CPI Looms

## EUR / USD

EUR/USD edged slightly lower yesterday, while holding the 50 SMA support intact as the pair is navigating through a complex market environment, with the Federal Reserve's Jackson Hole symposium emerging as a critical focal point amid an 85% probability of a September rate cut. Recent inflation data showing persistent price pressures has created uncertainty around the Fed's monetary policy direction, while the ECB maintains a more hawkish stance with only a 5% chance of a September rate cut priced in.

The pair's technical structure shows a structural support at 50 SMA of 1.1637. The dollar has found support from rising Treasury yields reaching 4.35%, though the euro demonstrates resilience, partly supported by optimism surrounding potential progress in Ukraine peace talks.

The divergence in monetary policy expectations between the Fed and ECB remains a fundamental driver, with the pair's immediate direction likely to be determined by Powell's upcoming Jackson Hole speech and the outcome of diplomatic discussions in Washington.

## USD / JPY

USD/JPY held its nerve yesterday, supported by the widening yield differential as US Treasury yields climbed to 4.35%. Recent Japanese GDP growth exceeded expectations, but this has had a limited impact on the yen as the Bank of Japan maintains its accommodative stance, creating a significant policy divergence with the Federal Reserve.

Technical analysis reveals the pair is trading above key moving averages of 146.54 and 145.49, suggesting underlying strength in the near term, though resistance at 149.27 remains a crucial level to watch. The currency pair faces multiple drivers, including the upcoming Jackson Hole symposium which could provide critical insights into both Fed and BOJ policy directions, while concerns about US tariff policies add another layer of complexity to the yen's outlook.

Market participants should closely monitor the 149.08 resistance level, as a breakthrough could trigger a move toward the recent high of 150.90. In the meantime, the pair looks fairly stable between the key moving averages.

## GBP / USD

GBP/USD weakened yesterday but found support from the 50-day moving average at 1.35. The fundamentals are influenced by divergent monetary policy expectations between the Bank of England and the Federal Reserve. While the BoE recently cut rates to 4.00% in a close decision, markets are pricing in only 50 basis points of further cuts through 2026, compared to 125 basis points expected from the Fed, suggesting potential sterling strength over the long run.

Technical analysis reveals the pair trading above key moving averages, with the 50-day MA at 1.35 and the 100-day MA at 1.34 acting as immediate support levels. The pound's outlook remains challenged by domestic

economic concerns, as evidenced by slowing UK real wage growth to 1.5% in Q2, while upcoming UK CPI data and services inflation figures will be crucial in determining the BoE's future policy decisions.

## Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
USD	19/8	13:30	Housing Starts	Jul	1295k	1321k
USD	19/8	13:30	Building Permits	Jul P	1390k	1393k

Source: Bloomberg

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