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DAILY FX REPORT

Sterling Bias Turns Bearish as Markets Brace for Autumn Budget

EUR / USD

EUR/USD bounced back to 1.1570, supported by the dollar's weakness on the back of disappointing private payroll data, which overshadowed official retail sales and PPI releases. With the Fed more focused on labour data than inflation to drive the monetary policy narrative, markets are watching labour metrics closely until mid-December's official numbers. As markets maintain their bias for a December Fed cut, we believe that any weakening macroeconomic data is likely to reaffirm these expectations, with stronger figures likely to be disregarded. As a result, there is a stronger downside risk for the dollar in the coming days.

However, sustained EUR/USD rallies also remain elusive, as more subdued economic performance weighs on the euro's fundamental value. We expect that any sharp gains could be quickly erased by profit-taking. This implies that we could see the pair gain momentum, converging with the moving averages at 1.1640, before retracing some of those gains.

Today's US initial jobless claims are likely to matter only if the figure comes in lower than expected, given the market's current hyperfocus on any data that could strengthen the case for a December Fed cut.

USD / JPY

USD/JPY weakened on the back of a weaker dollar, while holding the trend support level, currently at 156, intact, suggesting that the underlying bullish trend remains intact. The Japanese government's aggressive fiscal expansion, through a 21.3 trillion yen stimulus package, coupled with mounting concerns about sovereign debt, has contributed to sustained pressure on the yen.

Market sentiment has shifted notably toward expectations of a Federal Reserve rate cut in December, with probability estimates surging from 42% to 81%, though this hasn't substantially impacted the dollar's strength against the yen.

The technical outlook remains bullish above the immediate support level of 155.80, with potential for further upside movement toward resistance at 157.73. However, the risk of intervention remains elevated, particularly during periods of thin holiday liquidity, as Japanese authorities may seek to support their weakening currency, especially if the pair approaches the psychological 160 level.

GBP / USD

GBP/USD demonstrates resilience amid a complex economic backdrop, with recent gains supported by broader dollar weakness and improving market sentiment ahead of the [UK Autumn Budget](#) announcement. Our view is that this Budget will be shaped with the gilt market in mind. Reeves is likely to emphasise strict adherence to her fiscal rules, with the aim of signalling stability and predictability. We expect markets to respond positively, with a

relatively calm gilt market and a contained risk premium.

The immediate technical outlook appears cautious due to potential fiscal tightening measures in the upcoming budget and the complex interplay between slowing economic growth and inflation concerns. Coupled with a more dovish BOE, sterling has a stronger downward bias.

Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
USD	11/26	12:00	MBA Mortgage Applications	Nov 21		-5.2%
USD	11/26	13:30	Initial Jobless Claims	Nov 22		220k
USD	11/26	13:30	Durable Goods Orders	Sep P		2.9%

Source: Bloomberg

Risk warning

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