Sucden Financial

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DAILY FX REPORT

Fed Cut Offers Relief, But Hawkish Path Could Limit FX

EUR / USD

The EUR/USD rallied, jumping above the moving average resistance band of 1.1650 after the Fed's recent 25bps rate cut, which contrasts sharply with the ECB's hawkish stance, as evidenced by President Lagarde's optimistic growth forecasts and the central bank's commitment to price stability.

Technical analysis reveals strong buying pressure, with the pair climbing from 1.162 to 1.169, supported by favourable positioning above major moving averages despite reaching overbought conditions with an RSI of 66.

With both the ECB and now the Fed signalling a more hawkish outlook for 2026, the yield differential between the two economies is likely to normalise. As a result, the post-Fed EUR/USD rally may prove temporary. If the pair continues to climb, the 1.1750 level is likely to act as strong resistance.

USD / JPY

The USD/JPY currency pair stands at a critical inflection point, driven primarily by the diverging monetary policies between the Federal Reserve and the Bank of Japan. The Fed has continued its easing cycle with a 25-basis-point rate cut to 3.75%, but its forward guidance has turned more hawkish, with only one or two cuts expected in 2026. As markets absorb the Fed’s decision, attention shifts to the Bank of Japan, which is poised for a historic move: markets anticipate a rate hike at the December 19 meeting after years of ultra-loose monetary policy.

Technical analysis indicates a bearish short-term outlook, with the pair encountering support at the 20-day moving average of 155.90. However, it maintains a position above key trend support levels, including the 50-day SMA at 153.70, suggesting that this weakness might not be a sign of trend reversal.

The currency pair's future trajectory will likely be determined by the evolving dynamics between US and Japanese monetary policy through year-end and into early 2026, with particular attention on BOJ Governor Ueda's communications regarding future policy direction.

GBP / USD

GBP/USD jumped higher, breaking above the 1.3350 level, which represents a convergence of key moving averages. The currency pair's upward momentum is supported by technical indicators, with prices maintaining a position above key moving averages while the RSI suggests room for further gains without entering overbought conditions.

Sterling continues to benefit from supportive fundamentals, with the dollar’s post-Fed weakness driving the pair higher. Still, this upside may prove short-lived, as upcoming employment data and an anticipated BOE rate cut next week could weigh on GBP/USD’s momentum.

Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
USD	12/11	13:30	Initial Jobless Claims	Dec 6	220k	191k
USD	12/11	13:30	Trade Balance	Sep	-$63.1b	-$59.6b

Source: Bloomberg