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DAILY FX REPORT

# Dollar Strength Deepens as Risk Aversion Drive FX Markets

## EUR / USD



Source: Massive (polygon.io)

EUR/USD faces sustained downward pressure, and we see the collapse in US Iran diplomacy acting as a key catalyst for renewed dollar strength. The escalation in tensions and disruption to energy flows has reinforced a flight to safety, while Europe's structural vulnerability as a major energy importer leaves the euro particularly exposed as oil prices move higher.

We expect the macro backdrop to remain firmly tilted against the euro, with US inflation holding elevated and effectively removing near term Federal Reserve easing expectations. At the same time, we see the European Central Bank constrained by a stagflationary environment, where tightening policy to address energy driven inflation risks further undermining already fragile growth.

From a technical perspective, we see the pair holding just above a key support zone near 1.1660 to 1.1680, while resistance remains firmly anchored around 1.17. We expect that failure to reclaim this resistance area would reinforce the broader bearish structure and open the path toward 1.1500 to 1.1520. In the near term, we see geopolitical developments and upcoming US inflation related data as the primary drivers, with risks skewed to

further downside.

## USD / JPY

USD/JPY continues to trade near the critical 160 level, and we see the pair supported by a combination of safe haven dollar demand, elevated energy prices, and persistent yield differentials. The renewed geopolitical tensions have amplified Japan's vulnerability through higher import costs, reinforcing pressure on the yen despite rising domestic yields.

We expect intervention risk to remain elevated at current levels, with Japanese authorities increasingly sensitive to moves beyond 160. At the same time, we see uncertainty around the Bank of Japan's policy path, with markets only partially pricing further tightening despite rising inflation pressures.

Technically, we see a well established uptrend, with the pair supported above key moving averages and momentum remaining constructive. A break above 160.4 would likely open the path toward the cycle highs near 162, particularly if US yields continue to rise. However, we expect any signs of geopolitical de escalation or a hawkish shift from the Bank of Japan could trigger a corrective move back toward 158.

## GBP / USD



Source: Massive (polygon.io)

GBP/USD remains under notable pressure, and we see the pound increasingly weighed down by the combination of geopolitical risk, rising energy prices, and domestic economic fragility. The United Kingdom's reliance on imported energy leaves it particularly exposed to the current shock, amplifying inflation risks while constraining growth.

We expect the policy divergence between the Federal Reserve and the Bank of England to remain a key driver, with the Fed maintaining a relatively firm stance while the Bank of England faces limited scope to tighten in the face of weak domestic conditions. This dynamic continues to favour the dollar and cap any meaningful sterling recovery.

From a technical perspective, we see the pair testing a critical support zone around 1.34, with the recent gap lower highlighting the shift in sentiment. A failure to reclaim levels above 1.34 to 1.35 would reinforce the bearish outlook and expose downside toward 1.3172. Looking ahead, we expect US data and ongoing geopolitical developments to dominate, with risks remaining skewed toward further sterling weakness.

## Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
USD	13/4	15:00	Existing Home Sales	Mar	4.07M	4.09M

Source: Bloomberg

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### Risk warning

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