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# Daily FX Report

## EUR / USD

During the European session there were reports of difficulties in trading in the Italian bond market due to a lack of liquidity. There were also reports that the ECB could be given increased scope for asset purchases, but market tensions remained very high.

US housing starts declined to an annualised rate of 1.60mn from 1.62mn the previous month, although this was above consensus forecasts while building permits declined to 1.46mn from 1.55mn. Data releases had no impact, but jobless claims data on Thursday will be monitored closely.

Although global central banks have continued to inject liquidity into money markets, overall demands have continued to support the US dollar as funds looked to raise cash. The dollar remains by far the most liquid global currency which continued to drive strong demand.

Volatility surged again late in Europe with the US dollar continuing to gain very strong support with a push to 3-year highs and the Euro declined sharply. Commodity-related currencies also remained under very heavy pressure with the Australian dollar at fresh 17-year lows. As pressure intensified, the Euro dipped to lows at 1.0800 before a recovery to 1.0900. After an emergency meeting, the ECB announced additional asset purchases of EUR750bn until the end of 2020. The Euro rallied to near 1.0980 in an immediate reaction before retreating to near 1.0900 as the US dollar maintained an extremely strong tone. Commodity currencies slid to fresh record lows before a tentative correction with volatility inevitably remaining extremely high in the short term.

## JPY

Global equity markets remained under pressure ahead of the New York open, but wider dollar demand continued to dominate. US Treasury Secretary Mnuchin stated that parts of the economy are being closed down to destroy the coronavirus. The US will provide whatever economic aid is needed to support the economy and an injection is being planned into the exchange stabilisation fund. President Trump signed a second relief package, while negotiations within Congress to provide a wider stimulus package continued amid a lack of consensus.

Democrat Presidential candidate Sanders stated that he would assess his campaign with expectations that he would withdraw.

Given the surge in volatility, there will be speculation that G7 will intervene in currency markets to provide an element of stability. US bond yields continued to move higher which helped underpin the US currency. The dollar pushed to highs just above 108.50 before a limited correction as underlying US demand continued. Global equity markets moved lower in Asia, but the dollar continued to gain underlying strength with highs around 109.50 before a correction to below 109.00.

## GBP

Sterling remained under heavy pressure on Wednesday amid fears over the domestic and global growth outlook. Wider dollar strength was also a key element undermining the UK currency. New Bank of England Governor Bailey stated that the bank was watching Sterling developments closely and that the moves would be taken account of

at next week's policy meeting. He reiterated that negative interest rates in the UK would likely hurt lending. Bailey also stated that large companies had found it more difficult to operate over the last week and he also implored companies not to lay-off workers before consulting with the government and central bank.

Ahead of the New York open, there were reports that restrictions would be imposed on traffic in and out of London with tight restrictions on the opening of retail outlets.

Overall confidence in the UK outlook remained extremely fragile amid fears over a deep recession while a sharp global downturn was also a key element undermining the UK currency, especially with oil prices continuing to slide. The UK currency collapsed further late in Europe with 25-year lows below 1.1500 against the dollar while the Euro strengthened to a high above 0.9350. Selling continued on Thursday with the Euro strengthening to 11-year highs near 0.9500 while Sterling traded below 1.1600 against the dollar with further very sharp moves again likely during the day.

## CHF

The Euro lost ground against the franc on Wednesday, although losses were relatively contained given the very sharp wider losses for the single currency. The pair consolidated around 1.0530 while the dollar pushed sharply higher with a move to 3-week highs in the 0.9750 area.

Traditional defensive currencies struggled to gain significant support despite losses in global equities with gold also posting sharp losses as liquidation pressures continued. The Euro edged above 1.0550 late in the European session with little change on Thursday with the dollar around 0.9650 ahead of the National Bank policy announcement. Consensus forecasts are for no change in rates, but other measures may be introduced.

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1200	110.70	1.1850
Resistance 2	1.1130	110.00	1.1770
Resistance 1	1.1070	109.35	1.1630
	1.0935	108.75	1.1560
Support 1	1.0935	108.70	1.1500
Support 2	1.0870	108.00	1.1425
Support 3	1.0800	107.35	1.1350

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