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Daily FX Report

EUR / USD

French President Macron stated that the current lockdown period was likely to be extended and Italy confirmed that school closures were likely to extend beyond April 3rd. There were reports that the German government wanted to break the ban on issuing new bonds which would expand fiscal policy. The impact of the increased ECB bond buying was offset to some extent by divisions with the governing committee, but Italian bond market stresses eased with a sharp decline in yields.

Overall, the dollar maintained a very strong tone and the Euro declined to 35-month lows below 1.0750 ahead of the New York open.

US jobless claims increased to 281,000 in the latest week from 211,000 previously which was well above consensus forecasts and the highest reading since September 2017. The Philadelphia Fed manufacturing survey declined to -12.7 for March from 36.7 previously, sharpest downturn on record and the lowest figure since July 2012. New orders declined sharply while delivery times slowed and employment increased slightly. Companies remained optimistic over the outlook despite a slight moderation in the 6-month outlook index, but expectations of a downturn intensified.

Dollar buying eased to some extent in early New York as commodity currencies rallied, but there was a further surge towards the European close. Although central banks increased liquidity injections, there was still a strong dollar demand to raise cash. On a trade-weighted basis, it strengthened to fresh 3-year highs while the Euro declined to 3-year lows near 1.0650. The US currency corrected on Friday with the Euro near 1.0750 with markets braced for further high volatility ahead of the weekend with further position adjustment and liquidity issues inevitable during the session.

JPY

Treasuries regained some ground during Thursday with US yields correcting from very sharp gains the previous day and the dollar initially hit resistance on approach to the 110.00 area against the Japanese currency. A firmer tone in equities and wider US currency gains triggered fresh and powerful US currency gains in New York with fresh 3-week highs around 111.35 as yen demand remained subdued.

There was further speculation that the Treasury would order currency intervention to weaken the US dollar, but no comments from G7 on market volatility.

Boston Fed Rosengren stated that the US economy will suffer a significant shock with higher unemployment, but expects markets to stabilise in the next week or two. Treasury Secretary Mnuchin stated that he aimed to get the next coronavirus relief bill signed on Monday. Equity markets secured limited net gains on Friday, but US concerns increased after the California Governor announced that all residents should stay at home and avoid essential travel. Very choppy trading continued with the dollar dipped to just below 110.00 before settling close to this level with the dollar overall potential recording the strongest weekly gain since 2008.

GBP

Sterling remained under pressure in early Europe on Thursday before attempting to stabilise after severe declines this week. In an unscheduled policy decision, the Bank of England (BoE) cut interest rates again to a record low of 0.10% from 0.25%. The BoE also announced an expansion of its quantitative easing bond purchase programme. Total purchases of government and corporate bonds will be increased by a further £200bn to £645bn.

The majority of these purchases will be for government bonds and completed as soon as operationally possible. The bank will also enlarge the current support scheme and provide support to corporate cash-flows. In its statement, the BoE commented that the Covid-19 coronavirus shock will result in a shock that is sharp and large while the UK and global financial conditions had tightened. Governor Bailey stated that the bank had options to take further action if necessary, but remained opposed to negative rates. He also stated that a big increase in budget deficits was coming.

Sterling recovered some ground following the policy decision as global equity markets also attempted to rally, but it faded again late in the European session and declined to fresh 35-year lows near 1.1450 with the Euro near 0.9300 before a rally on Friday with the UK currency near 1.1700 in very choppy trading.

CHF

The Swiss National Bank held interest rates at -0.75% following the latest policy meeting. Chair Jordan stated that there was scope to lower interest rates, but it was not a favourable option at this time. Language on the currency was changed with the franc described as even more highly valued. He commented that intervention had been increased and that the bank was not a currency manipulator as it did not look to gain a competitive advantage. The franc weakened against the Euro after the decision before advancing once again. The dollar spiked to 3-month highs near 0.9900 as the US currency secured further strong support before a limited correction.

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.0920	111.35	1.1850
Resistance 2	1.0850	110.70	1.1770
Resistance 1	1.0780	110.00	1.1700
	1.0750	109.90	1.1695
Support 1	1.0700	109.35	1.1630
Support 2	1.0635	108.70	1.1570
Support 3	1.0550	108.00	1.1500