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# Daily FX Report

## EUR / USD

French June business confidence strengthened to 77 from 71 previously, although this was slightly below consensus forecasts. The German June IFO business confidence index strengthened to 86.2 for June from 79.7 the previous month and above consensus forecasts of 85.0. There was a small improvement in the current conditions component and a stronger rebound in the expectations component to 91.4 from 80.5 previously. IFO chief economist Wohlrabe stated that the economy has passed the trough and is on an upward path now. Conditions remain very tough in the engineering sector, but export expectations have improved significantly and there is likely to be growth of around 7% from the third quarter. ECB chief economist Lane stated that evidence tilts towards asset purchases being the most efficient tool in current circumstances which suggests opposition to any further cut in interest rates.

After holding firm in early Europe, the Euro dipped lower ahead of the New York open as risk appetite deteriorated again. There were reports that the US was planning to impose tariffs on a further EUR3.1bn worth of goods which undermined sentiment and triggered a sharp decline in equity markets.

Markets continue to monitor progress towards an EU recovery fund with German Chancellor Merkel due to meet French President Macron next week.

US Chicago Fed President Evans stated that no-one at the Fed is thinking about negative interest rates which provided an element of dollar support and the US currency secured defensive demand as risk appetite deteriorated.

Equity markets moved lower and the dollar secured fresh support with the Euro dipping below the 1.1300 level. The US currency continued to gain ground in US trading with the commodity currencies retreating sharply and the Euro dipped to the 1.1250 area. The dollar maintained a firm tone on Thursday with the Euro slightly weaker.

## JPY

The dollar remained weak in early Europe on Wednesday but managed to resist further losses. Risk appetite dipped sharply ahead of the New York open with a downbeat assessment of the global economy from the IMF adding to concerns triggered by the threat of increased US tariffs on EU exports. Although the yen gained an element of defensive support from weaker equity markets, the dollar drew support from wider gains with an advance to near 107.00 towards the European close.

The latest data for Florida recorded an increased in new infections of 5.3% compared with the 7-day average of 3.6%. According to the CDC, the number of new cases increased sharply by over 34,000 for the day from below 27,000 on Tuesday and close to record highs recorded for April 24th.

Wider US gains dominated with the US dollar just above the 107.00 level. Risk appetite remained fragile on Thursday with the US currency holding just above 107.00.

# GBP

Markets remained uneasy over the risks posed by the UK government decision to ease leisure-sector lockdown measures from July 4th, especially as a group of medical experts warned over the threat of a second wave of infections. A weaker tone surrounding global risk appetite also had a notable impact undermining Sterling support.

There were negative comments from EU chief negotiator Barnier during the day who stated that the UK showed no willingness to engage in key areas despite EU efforts to make a number of openings. He also complained that the UK refused to commit to a level playing field, but requested the status of being very close to the EU single market in financial services. The two sides will also fail to finalise talks on financial services equivalence before the June 30th deadline. Sterling declined steadily to lows near 1.2410 against the stronger US dollar as equities remained under pressure while the Euro held around 0.9050.

A majority of market analysts expect the Bank of England to sanction additional quantitative easing by the end of 2020. There were reports that the EU was prepared to compromise on the level playing field issue which could be a positive factor, but the UK currency was unable to respond on Thursday as global risk appetite remained fragile. The UK currency was held around 1.2420 against the dollar as the Euro remained just above 0.9050.

# CHF

The Swiss ZEW economic expectations index strengthened to 48.7 from 31.3 previously and the highest reading since December 2017. The Euro was resilient against the Swiss currency despite losses against the US currency and held around 1.0680 while the dollar advanced to around 0.9485.

The franc gained an element of support as equity markets declined further with the Euro retreating to near 1.0660. Risk appetite remained fragile on Thursday, although there were hopes that the EU recovery fund would make headway which limited defensive franc support to some extent with the dollar holding below 0.9500.

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1400	108.40	1.2600
Resistance 2	1.1340	107.80	1.2530
Resistance 1	1.1270	107.25	1.2470
	1.1245	107.15	1.2415
Support 1	1.1200	106.70	1.2400
Support 2	1.1140	106.00	1.2330
Support 3	1.1075	105.50	1.2270

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### **Risk warning**

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