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Daily FX Report

EUR / USD

ECB minutes from the June meeting stated that monetary policy measures and fiscal response had reduced downside risks. The minutes reiterated that the bank was ready to adjust all instruments as necessary and that the PEPP emergency bond-buying programme was proportionate to counter serious risks to price stability.

Council member Mersch stated that PEPP must remain a temporary crisis instrument and that the full amount might not be needed if market tensions eased sufficiently.

US initial jobless claims declined to 1.48mn in the latest week from 1.54mn previously, although this was above consensus forecasts of 1.30mn. Continuing claims declined to 19.52mn from 20.29mn which suggested there had been further limited success in returning to work or finding new jobs, but claims remain extremely high.

Durable goods orders rebounded 15.8% for May following the revised 18.1% decline for the previous month and well above consensus forecasts of 10.9%. Underlying orders increased 4.0% for the month after an 8.0% decline the previous month.

The final first-quarter GDP reading was unchanged at -5.0% with consumer spending declining 6.8% while the trade deficit widened on weak exports.

The dollar overall held a firm tone, especially against the Canadian dollar, with defensive US currency support also a significant factor as the Euro tested support below the 1.1200 level. The single currency edged higher to the 1.1220 area on Friday as the dollar retreated from its best levels. Overall confidence in the US fundamentals weakened further, but this was offset by potential defensive demand given unease over the global risk profile amid nervous market conditions.

JPY

Euro-zone equities were able to secure a limited recovery on Thursday which curbed potential yen demand, although US futures remained in negative territory. Overall, the dollar was able to consolidate above the 107.00 level with narrow ranges prevailing as has been the case for much of June.

There were further underlying concerns over US coronavirus developments during the day. The Governor of Texas temporarily halted the state re-opening measures as infections and hospitalisations continued to increase. The US overall reported a record increase in new infections of close to 40,000 for Thursday, reinforcing concerns over near-term trends even though president Trump reiterated that there would be no renewed economic closures. US equity markets rallied in late trading with sentiment boosted by a relaxation of the Volcker rules for the US financial sector and the dollar was able to hold just above the 107.00 level.

Comments from Bank of Japan Governor Kuroda indicated that the central bank is likely to cut its economic projections at the July meeting, increasing pressure for further policy easing. Equity markets were little changed overall with the dollar holding steady with potential position adjustment into the weekend.

GBP

The CBI retail sales index recovered to a reading of -37 for June from -50 previously and in line with consensus forecasts. Retailers were, however, pessimistic over the outlook with the July reading expected to be at -48. According to the survey, most retailers expect sales to be far below where they were this time last year despite intensive efforts to make sure they are safe and open. Stock levels also remain high, increase the need to reduce inventory.

Sterling did recover some ground ahead of the New York Open, but headway was limited and progress was limited by a further dip in yields with the 5-year yield at a fresh record low of -0.06% while the 10-year yield dipped to 1-month lows.

UK chief negotiator Frost confirmed that the next round of talks next week would be on a face-to-face basis and smaller with a more focussed stance. He stated that the UK did not anything to undermine the EU single market, but reiterated that national sovereignty was not up for discussion and rejected any EU reprisal measures.

Sterling attempted to rally into the New York Open, but momentum faded as the Euro was able to hold just above the key 0.9000 level. The UK currency was also unable to hold above 1.2450 against the US dollar. The UK currency stabilised on Friday with the Euro trading around 0.9030.

CHF

The Euro was unable to make headway on Thursday and dipped below the 1.0650 level as underlying risk appetite remained fragile. The dollar did push above 0.9500 but failed to hold the advance. The Swiss currency gained net support from concerns over the underlying global coronavirus trends with new worldwide infections close to a record high and the total increasing to 9.7 million. Markets will remain on alert for renewed National Bank intervention if the Euro retreats to the 1.0600 area. The single currency was little changed around 1.0640 on Friday with the dollar around 0.9480 as markets monitored global risk conditions.

	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
	1.1220	107.10	1.2425
Support 1	1.1200	106.70	1.2400
Support 2	1.1140	106.00	1.2330
Support 3	1.1075	105.50	1.2270

Risk warning

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