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Daily FX Report

EUR / USD

Euro-Zone retail sales increased 0.4% for September after a revised figure of no change for August with the year-on-year decline held to 0.6% from 1.4% previously.

ECB vice-president de Guindos stated that the bank will start bond selling through quantitative tightening sooner or later and for sure during 2023. The Euro edged lower in early Europe, although the overall ranges were narrow amid a lack of fresh incentives with dollar demand subdued.

The US NFIB small business confidence index edged lower to 91.3 for October from 92.1 the previous month. There were further concerns over inflation pressures with 33% of companies stating that inflation was the single most important issue, the highest proportion since the end of 1979.

The Euro was able to resist significant selling pressure on Tuesday and edged back to the 1.0000 area against the dollar at the New York open. Another wave of dollar selling pushed the single currency higher with a decisive break above parity also providing support as the Euro posted highs close to 1.0100 before a slight correction.

There will be caution ahead of Thursday's US consumer prices data given the importance for near-term Federal Reserve policy decisions. Markets have been more optimistic that the Fed can slow the pace of rate hikes and a slowdown in inflation would reinforce expectations, but strong data would dash these hopes.

Risk conditions were slightly less confident on Wednesday with no clear outcome in the US congressional elections and the Euro traded around 1.0070.

JPY

US Treasuries edged higher in early New York trading on Tuesday with the 10-year yield edging back below 4.20% which dampened dollar support.

The US IBD consumer confidence index dipped to 40.4 for November from 41.6 the previous month which was below market expectations and close to an 11-year low.

US yields dipped further following the data which contributed to another round of sharp selling pressure on the dollar.

Although equities were able to make headway, the yen was resilient on the main crosses with the dollar sliding to lows below 145.50 amid wider selling pressure.

Japan's Tankan manufacturing index dipped to 2 for October from 5 previously and the weakest reading since January 2021, but the non-manufacturing index improved to 20 from 15 and the strongest reading since October 2019 which provided some relief.

In the Congressional elections, the Republicans have made limited net gains in the House race and remain in a

strong position to gain control while markets have switched to expecting that the Democrats will maintain control of the Senate, although several races are very close with full results potentially delayed for weeks. Treasury futures were little changed with the 10-year yield just below the 4.15% level while equity futures were slightly lower in Asia. The overall market reaction was muted with the dollar around 145.75 from lows around 145.20. Chinese coronavirus developments are likely to have a more substantial market impact at this stage.

GBP

Bank of England chief economist Pill stated that the central bank is not going to move at a pre-defined pace at every meeting, but there is more to do and rates need to increase further to tighten monetary policy. He added that the bank should not be seen as inflation nutters and that at some point the wider economic outlook needed to be considered. According to Pill, the economy is entering a recession and that it is a difficult trade-off environment for monetary policy.

Sterling lost ground ahead of the New York open with further concerns over the UK policy mix and a notable lack of confidence in the domestic fundamentals.

Overall risk trends remained important with Sterling trends influenced strongly by the extent of optimism over the global economy and equity-market developments.

The UK currency posted lows around 1.1430 against the dollar before recovering ground strongly with a surge to a peak at 1.1600 as the dollar stumbled again. The Euro found support below the 0.8700 level and consolidated close to 0.8720.

Consolidation dominated on Wednesday with Sterling trading around 1.1540 against the dollar and the Euro around 0.8725.

CHF

Swiss National Bank Chair Jordan stated on Tuesday that the central bank needed to take determined action to check rising prices and control inflation. He added that mixed signal on inflation might tempt policymakers to postpone further action until uncertainty has eased, but uncertainty must not be seen as indecision.

The Swiss franc was unable to draw support from the rhetoric with the Euro edging higher to just above 0.9900 while the dollar dipped below the 0.9850 level before stabilising. The Euro advanced to 0.9930 on Wednesday with the dollar around 0.9870

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.0260	147.65	1.1700
Resistance 2	1.0200	147.00	1.1630
Resistance 1	1.0130	146.35	1.1570
	1.0070	145.75	1.1540
Support 1	1.0065	145.70	1.1500
Support 2	1.0000	145.00	1.1430
Support 3	0.9935	144.40	1.1365

Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
CNY	9-15/11		Money Supply M2 YoY	Oct	12.0%	12.1%
CNY	9/11	01:30	PPI YoY	Oct	-1.6%	0.9%
CNY	9/11	01:30	CPI YoY	Oct	2.4%	2.8%
USD	9/11	11:00	MBA Mortgage Applications	Nov 4		-0.5%
USD	9/11	15:00	Wholesale Inventories MoM	Sep	0.8%	0.8%
JPY	9/11	23:50	Money Stock M2 YoY	Oct	3.2%	3.3%

Risk warning

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