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Daily FX Report

EUR / USD

The Euro was unable to make further headway in early Europe on Wednesday and gradually lost ground into the US open. The dollar recovered some ground with some position adjustment after the US congressional elections with the Democrats performing better than expected which triggered some covering of dollar shorts.

In this environment, the Euro retreated to lows around 1.0015 against the dollar just after the US open.

The Euro spiked higher to above 1.0080 following reports that the Russian Defence Ministry had ordered Russian troops to withdraw from the city of Kherson, but it quickly surrendered gains once again amid concerns that there would be stalemate in Ukraine during the winter period.

Overall, the dollar was able to maintain a firmer underlying tone and the Euro settled around 1.0035 at the European close.

Chicago Fed President Evans stated that much higher rates will bring the employment mandate into jeopardy and saw benefits in making adjustments to the pace of rate hikes soon. Minneapolis head Kashkari stated that he did not know what the decision would be in December. He added that he wanted to see how the economy evolves to reduce the risk of overshooting, but he also commented that it was entirely premature to talk of a policy pivot. According to Kashkari the Fed is a long way from the two mandates being in tension. The Euro was little changed on Thursday and unable to regain momentum.

The latest US consumer prices data will be released on Thursday. Consensus forecasts are that the prices will increase 0.6% for the month with the year-on-year rate slowing to 8.0% from 8.2%. Underlying prices are expected to increase 0.5% with the annual rate marginally lower at 6.5% from 6.6%.

Stronger than expected would increase concerns over a more aggressive Fed stance and potentially support the dollar, but choppy trading is inevitable.

JPY

US Treasuries were mixed ahead of the New York open before edging lower as the 10-year yield moved just above the 4.15% level. Following the US congressional elections, Republicans remain on track to gain control of the House of Representatives, but the Party overall failed to meet expectations and the Democrats are now favourite to retain control of the Senate. Given that a runoff will take place in Georgia, a full result will not be confirmed until December.

Markets were positioned for a stronger Republican performance and a weaker dollar. In this context, the dollar posted renewed gains and briefly strengthened to highs near 146.50. Treasuries posted further gains later in the US session with the 10-year yield drifting lower and the dollar retreated to near 146.00.

Bank of Japan Governor Kuroda maintained a very dovish stance on monetary policy, although he also noted that he did not want to be re-appointed for another term which maintained some expectations of a pivot next

year. US yields continued to edge lower, although the dollar managed to hold just above 146.00 and around 146.25.

GBP

There were no major domestic developments during Wednesday with underlying confidence in the UK economy remaining very fragile. There is no doubt that there will be a significant tightening of fiscal policy in the November 17th Autumn Statement with expectations that policy will be tightened by at least £50bn.

Fiscal tightening will undermine the overall spending outlook and there are further expectations that the Bank of England will sanction only further limited interest rate hikes with a peak in rates well below market expectations. The latest RICS data also reported a dip in house prices.

Overall risk appetite was also less confident during Wednesday which limited potential currency support. Overall, Sterling posted sharp losses with a retreat to below 1.1400 against the dollar in early New York while the Euro posted strong gains.

There was choppy trading towards the European close with Sterling dipping to lows near 1.1350 while the Euro posted a strong overall advance to highs above 0.8800.

Sterling managed to stabilise on Thursday, but hit selling interest above 1.14 against the dollar with the Euro just above the 0.8800 level.

CHF

The Swiss franc secured a strong recovery on Wednesday as risk appetite turned less supportive. The Euro dipped back below 0.9900 with lows at 0.9860 while the dollar was unable to make headway despite wider gains with markets wary over franc selling, especially with the National Bank warning over inflation trends.

The Kherson news failed to undermine the Swiss franc and the dollar was held around 0.9840. The franc held firm on Thursday with stresses in cryptocurrencies tending to provided net support for the Swiss currency and the dollar edged lower to 0.9830.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.0200	147.65	1.1570
Resistance 2	1.0130	147.00	1.1500
Resistance 1	1.0065	146.35	1.1433
	1.0025	146.25	1.1385
Support 1	1.0000	145.70	1.1370
Support 2	0.9935	145.00	1.1300
Support 3	0.9870	144.40	1.1240

Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
USD	10/11	13:30	CPI YoY	Oct	8.0%	8.2%
USD	10/11	13:30	CPI ex Food and Energy YoY	Oct	6.6%	6.6%
USD	10/11	13:30	Initial Jobless Claims	Nov 5		217k
USD	10/11	19:00	Monthly Budget Statement	Oct		-\$429.7bn
JPY	10/11	06:00	Machine Tool Orders YoY	Oct		6.49
JPY	10/11	23:50	PPI YoY	Oct	8.8%	9.7%

Source: Bloomberg

Risk warning

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