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Daily FX Report

EUR / USD

Euro-Zone industrial production increased 0.9% for September with a year-on-year increase of 4.9% from 2.8% previously and significantly above consensus forecasts. After a hesitant stance, the Euro posted a fresh advance after the European open with a net gain to 1.0350 against the dollar. The Euro, however, was unable to break above Friday's highs and the single currency overall tended to correct lower after a strong advance since last week's US inflation data.

ECB council member Panetta stated that a tight monetary policy is needed to ensure that inflation does not become entrenched and must increase interest rates further, although he added that it must not act too fast to unnecessarily exacerbate a downturn.

The Euro edged higher to re-test 1.0350 after the European close as equities attempted to rally again and the dollar posted renewed losses.

Fed Governor Brainard stated that it will be appropriate soon to move to a slower pace of interest rate hikes. By moving at a more deliberate pace, the Fed can assess more data and better adjust the path of rates. She added that the most recent data suggests core PCE prices might be showing some reduction.

The comments overall had a dovish tinge with markets expecting that there might have been a stronger push back against the sharp shift in market expectations.

The latest CFTC data recorded a decline in long, non-commercial dollar positions to the lowest level for over a year, limiting scope for further position adjustment.

The dollar overall was held in relatively narrow ranges and the Euro traded just below 1.0350 on Tuesday with the dollar unable to gain significant traction.

JPY

The dollar overall posted net gains after the European open with the dollar seen as oversold after sharp losses last week with the yen also losing some ground on the crosses. Treasuries briefly advanced at Monday's New York open, but failed to sustain the advance and the 10-year yield settled around 3.89% after the Wall Street open. The latest New York survey recorded an increase in 1-year inflation expectations to 5.9% for October from 5.4% in September with 3-year expectations at 3.1% from 2.9% previously which will cause some concern within the Fed and the dollar posted highs around 140.70 against the yen.

US Treasuries gained some support and the dollar dipped back below 140.00 as the yen was broadly resilient on the crosses.

Japanese GDP contracted at an annual rate of 1.2% for the third quarter compared with consensus forecasts of 1.1% growth. Chinese data overall was weaker than expected with growth in industrial production held to 5.0% for October from 2.5% previously while retail sales declined 0.5% while the overall market impact was limited as risk appetite held firm. The yen lost ground after the data with the dollar trading around 140.15 in early Europe.

GBP

Sterling made a fresh move to above 1.18 against the dollar in early Europe on Monday, but failed to sustain the move and again met selling pressure on a fresh attempt above this level after the New York open. Sterling was vulnerable to a correction against the dollar after sharp gain over the second half of last week and overall confidence in UK fundamentals remained weak, especially with fiscal tightening plans to be released on Thursday.

With a tightening of fiscal policy, markets expect that the Bank of England will adopt a dovish policy stance, especially in global terms

Choppy trading conditions dominated with an element of support when equities rallied. Overall, Sterling consolidated below 1.1800 against the dollar while the Euro posted sharp gains to 0.8825 before a retreat to 0.8790. CFTC data recorded a small decline in Sterling shorts according to the latest data.

UK labour-market data recorded a small increase in the unemployment rate to 3.6% from 3.5%, but there was a further solid employment increase for October. Average earnings increased 6.0% in the year to September from 6.1% with the data overall providing limited net Sterling support as it traded close to 1.1800 against the dollar.

CHF

Total Swiss sight deposits declined slightly to CHF571.bn in the latest week from CHF572.1bn the previous week and brought to an end the strong run of weekly declines. The franc briefly strengthened in early Europe, but failed to sustain the advance and dipped weaker later in the session.

Swiss National bank Chair Jordan reiterated that it was likely that the central bank would need to act again as inflation remains elevated. He added that there's a high probability that the bank will have to tighten policy again at the December meeting.

The franc gained limited net support after the comments with the Euro retreating to 0.9720 before settling around 0.9740 with the dollar around 0.9440 on Tuesday.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.0470	142.00	1.1930
Resistance 2	1.0400	141.30	1.1865
Resistance 1	1.0350	140.70	1.1800
	1.0345	140.15	1.1795
Support 1	1.0275	140.00	1.1735
Support 2	1.0200	139.50	1.1680
Support 3	1.0130	138.80	1.1620

Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
EUR	15/11	10:00	ZEW Expectations	Nov	-	-59.7
EUR	15/11	10:00	Trade Balance	Sep	-42bn	-47.3bn
EUR	15/11	10:00	Employment Y/Y	Q3		2.7%
EUR	15/11	10:00	GDP Q/Q	Q3	0.2%	0.2%
EUR	15/11	10:00	GDP Y/Y	Q3	2.1%	2.1%
USD	15/11	13:30	Empire Manufacturing	Nov	-6	-9.1
USD	15/11	13:30	PPI Final Demand M/M	Oct	0.4%	0.4%
USD	15/11	13:30	PPI Final Demand Y/Y	Oct	8.3%	8.5%
USD	15/11	13:30	PPI Ex Food and Energy Y/Y	Oct	7.2%	7.2%

Source: Bloomberg

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