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Daily FX Report

EUR / USD

The Euro posted net gains in early Europe on Wednesday with a net easing of concerns surrounding the missile landing in Poland with no indications at this stage that there had been a deliberate attack by Russia. Any potential defensive dollar demand faded with the Euro strengthening to highs just below 1.0440.

US retail sales increased 0.3% for October after no change the previous month and above expectations of a 1.0% increase. Underlying sales increased 1.3% on the month after a 0.1% decline previously while the control group posted a 0.7% gain.

US import prices declined 0.2% for October compared with expectations of a 0.4% decline, but this was the fourth successive monthly decline.

The dollar posted net gains after the data and the Euro was unable to sustain gains with selling interest above 1.0400.

The single currency dipped again after the European close following reports that the ECB may favour a 50 basis-point rate hike at the December meeting rather than 75 basis points. The Euro dipped to lows below 1.0350 before a recovery to 1.0380 with dollar selling interest on rallies.

The Republicans have been confirmed as controlling the House of Representatives, but will have only a very small majority with fractious policy debate and potential deadlock. Narrow ranges prevailed on Thursday with the Euro hitting resistance close to 1.0400 and settling around 1.0380.

JPY

The dollar briefly posted gains to 140.0 against the yen in early New York, but failed to hold the gains as choppy trading conditions continued.

Kansas City Fed President George stated that it would make sense to slow the pace of rate hikes next year with 25 basis-point increments, but rates might have to increase to higher levels to slow the economy. This would also imply that she wants a substantial rate increase at the December policy meeting. George added that it might not be possible to bring inflation down without a recession in the economy.

US industrial production declined 0.1% for October compared with expectations of a 0.2% increase. The NAHB housing index dipped further to 33 for November from 38, below expectations of 36 and the lowest reading since April 2020 and the second-lowest reading for 10 years which reinforced unease over the housing sector.

San Francisco Fed President Daly stated that there is evidence that consumers are stepping back and the Fed wants to see a slower economy. As far as interest rates are concerned, she stated that a pause is off the table right now with the discussion on the pace of hikes. She added that a high of 4.75-5.25% is reasonable.

Fed Governor Waller stated that rates still had a long way to go, but added that he was more comfortable with slowing the rate of increases and the US 10-year yield retreated to below 3.70% and the dollar settled around 139.40 with further selling on approach to the 140.00 level.

There was fresh uncertainty over Chinese coronavirus policies with the dollar trading little changed around 139.50 in early Europe with the Euro below 145.00.

GBP

Bank of England Governor Bailey stated that it was still likely that interest rates will be increased further and that the labour market remains tight. Bailey added that there are signs that supply-chain shocks are starting to fade. MPC member Dhingra stated that there is now a risk of over-tightening and that there is a risk of the bank deepening the recession if it raises interest rates further. She added that the economy is seeing strong stagnation in the services sector and that there has been a much bigger slowdown in UK trade compared with the rest of the world and this is an effect of Brexit.

Sterling peaked around 1.1940 against the dollar and dipped after the comments, but was resilient and edged back above 1.1900 after the European close with the Euro retreating from 0.8775 highs to below 0.8720. The government will release the Autumn Statement on Thursday with expectations of fiscal tightening of at least £50bn, although the tightening is likely to be on an extended rather than acute basis with a long-term freezing of allowances. Markets will be watching the latest OBR economic forecasts closely. Sterling traded just above 1.1900 against the dollar in early Europe with the Euro around 0.8725 as overall risk conditions held steady.

CHF

The Swiss franc lost ground on Wednesday with an easing of immediate market concerns surrounding the Ukraine situation and overall risk conditions were steady. The Euro moved back above the 0.9800 level while there was choppy dollar trading with support below the 0.9400 level and a recovery to 0.9440 after the European close. Lower US yields limited potential franc selling. The dollar edged higher to just above 0.9450 on Thursday as narrow ranges prevailed.

Technical Level

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.0570	141.30	1.2065
Resistance 2	1.0500	140.70	1.2000
Resistance 1	1.0430	140.00	1.1930
	1.0380	139.55	1.1900
Support 1	1.0375	139.50	1.1865
Support 2	1.0300	138.80	1.1800
Support 3	1.0230	138.20	1.1735

Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
EUR	17/11	07:00	EU27 New Car Registrations	Oct	-	9.6%
EUR	17/11	10:00	Construction Output Y/Y	Sep	-	2.3%
EUR	17/11	10:00	Construction Output M/M	Sep	-	-0.6%
EUR	17/11	10:00	CPI Y/Y	Oct	10.7%	9.9%
EUR	17/11	10:00	CPI M/M	Oct	1.5%	1.5%
EUR	17/11	10:00	Core CPI Y/Y	Oct	5%	5%
USD	17/11	13:30	Housing Starts	Oct	1410k	1439k
USD	17/11	13:30	Building Permits	Oct	1514k	1493k
USD	17/11	13:30	Housing Starts M/M	Oct	-2%	-8.1%
USD	17/11	14:15	Building Permits M/M	Oct	-3.2%	1.4%
USD	17/11	14:15	Initial Jobless Claims	Nov 12	228k	225k
USD	17/11	21:00	Continuing Claims	Nov 5	1510k	1493k

Source: Bloomberg

Risk warning

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