

TUE 22 NOVEMBER 2022 07:35

Daily FX Report

EUR / USD

In comments on Monday, ECB chief economist Lane stated there would be a further interest rate hike at the December meeting, but that the platform for a 75 basis-point rate hike is no longer there. He added that the more you've already done on a cumulative basis changes the pros and cons of any given increment. The overall rhetoric was notably dovish and was important in undermining Euro demand during the day.

ECB council member Holzmann was more hawkish with comments that he would support a 75 basis-point hike if the situation remains the same, but markets expected that the core bank members would back a smaller hike at the December meeting which continued to hamper the single currency.

Expectations of a more dovish stance continued to undermine the Euro and the dollar also secured defensive support as global equity markets moved lower.

Commodity currencies posted significant losses which contributed to the solid dollar tone during the day as choppy trading continued.

The Chicago Federal Reserve nation activity index weakened to -0.05 for October from a revised 0.17 the previous month and was in line with consensus forecasts.

The Euro dipped to 10-day lows at 1.0225 amid weaker sentiment before securing a limited recovery to 1.0245 towards the European close.

The dollar retreated from intra-day highs on Tuesday and the Euro recovered to 1.0250 with a lack of underlying direction as markets waited for further data.

JPY

After Monday's European open, a Beijing official stated that the city faces the most complex and severe covid control situation. The commentary reinforced near-term concerns surrounding China's coronavirus situation and reinforced the negative tone surrounding risk appetite.

The yen still lost ground during the day despite weaker equities with significant losses on the major crosses as markets expected a dovish Bank of Japan policy.

US Treasuries lost ground ahead of the New York open with the 10-year yield advancing to 3.84%. Treasuries recouped some ground later in the day, but the dollar posted strong gains to a high just above 142.00 against the

yen.

Cleveland Fed President Mester stated that the bank is not anywhere near stopping rate hikes and policy is barely in restrictive territory, although it does make sense to slow the pace of hikes a bit. She added that there has been some positive news on inflation, but a sustained run of positive news is needed.

San Francisco head Daly stated that she was not ready to say what the central bank should do at the December meeting.

Comments from Fed speakers will continue to be monitored on Tuesday with markets also expecting a relatively hawkish set of minutes on Wednesday.

There were further reservations over Chinese coronavirus trends and the yen regained some ground on the crosses with the dollar trading just below 142.00.

GBP

There were no major domestic moves during Monday with Sterling moves dominated by global developments. The overall tone surrounding risk appetite remained weaker which continued to sap overall confidence in the UK currency. Domestic equities demonstrated some resilience which provided an element of currency support there were further expectations that the Bank of England would adopt a relatively dovish stance which sapped underlying currency support.

Sterling struggled to regain ground against the dollar and dipped further to test support below the 1.1800 level amid the less confident risk tone.

The Euro retreated to lows just below 0.8660 before a tentative recovery later in the session.

Sterling recovered to near 1.1850 in early Europe on Tuesday as the dollar retreated. The latest UK government borrowing data recorded a deficit of £13.5bn which was lower than consensus forecasts, but £4.4bn higher than the October 2021 figure which will maintain unease over medium-term trends.

Risk appetite was unable to make any significant impression and Sterling traded around 1.1835 against the dollar with the Euro around 0.8665.

CHF

Total Swiss deposits declined further to CHF562.1bn in the latest week from CHF572.1bn previously. After only a slight decline the previous week, the latest data recorded a resumption of the strong downturn seen since the middle of September with the National Bank keen to drain liquidity from the domestic market.

The Euro dipped to test the 0.9800 level before stabilising while the dollar strengthened to 0.9600 before a limited correction to 0.9580.

Markets will continue to monitor risk conditions closely with the dollar edging lower to 0.9570 in early Europe on Tuesday.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.0430	143.30	1.2000
Resistance 2	1.0375	142.65	1.1930
Resistance 1	1.0300	142.00	1.1865
	1.0250	141.95	1.1835
Support 1	1.0230	141.30	1.1800
Support 2	1.0170	140.70	1.1735
Support 3	1.0100	140.00	1.1675

Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
EUR	22/11	09:00	ECB Current Account	Sep	-	23.3bn
EUR	22/11	10:00	OECD Publish Economic Outlook			
EUR	22/11	15:00	Consumer Confidence	Nov	-26	-27.6
USD	22/11	15:00	Richmond Fed Manuf. Index	Nov	-8	-10

Source: Bloomberg

Risk warning

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