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Daily FX Report

EUR / USD

The Euro-Zone current account remained in deficit for September with a shortfall of EUR8.1bn after a EUR27.1bn deficit the previous month. In the 12 month to September, there was a deficit of EUR50bn and 0.4% of GDP compared with a surplus of EUR336bn and 2.8% of GDP the previous year.

ECB council member Rehn stated that the pace of rate hikes and the December call will depend on how the economy develops. Fellow member Simkus stated that 50 or 75 basis-point hikes were possible for the December policy decision as the internal debate continued.

Bundesbank head Nagel hinted that he would back a 50 basis-point rate hike at the December meeting, but he did not want to get drawn into a debate and also commented that rates were still very low and there was still a lot of work to do in raising rates given that inflation picture was likely to remain strong in 2023.

The Euro was able to make limited headway ahead of the New York open with gains in equities sapping potential dollar support.

The US Richmond Fed manufacturing index improved marginally to -9 for November from -10 the previous month and in line with consensus forecasts. Shipments declined on the month while there were further sharp declines in new and unfilled orders. Employment edged lower on the month while the rate of wage increases slowed. Although there was a slowdown in the pace of prices paid, prices received increased at a faster rate which will cause some inflation concerns.

Euro-Zone consumer confidence improved to -23.9 for November from -27.5 the previous month and above market expectations of -26. As US yields retreated, the dollar lost further ground with the Euro advancing to the 1.0300 area. The dollar failed to regain ground on Wednesday and the Euro edging higher to around 1.0340.

JPY

After Tuesday's European open, China announced a tightening of coronavirus restrictions with a negative test result needed within 48 hours of entering public places such as shopping malls. Despite further reservations over the Chinese situation, overall risk conditions were broadly resilient.

The November US Philadelphia Fed non-manufacturing index improved only marginally to -13.6 from -14.9 the previous month with new orders remaining in contraction territory. There was a decline in part-time employment as companies adjusted to conditions while inflation pressures eased. Businesses overall were slightly less cautious over the outlook, but conditions remained generally fragile, reinforcing doubts over consumer spending

trends.

Cleveland Fed President Mester stated that inflation expectations were well-anchored, but labour demand is still out-pacing the supply of workers.

Treasuries overall posted net gains on Tuesday with the 10-year yield retreating to just below 3.80% which hampered the dollar and the US currency dipped to lows near 141.00 before stabilising. Federal Reserve minutes from November's meeting will be scrutinised closely for further hints on policy

A Chinese central bank adviser stated that there is limited room for interest rate cuts while there were further concerns over coronavirus trends which dampened risk appetite to some extent. Ranges overall were relatively narrow in the Asian session with the dollar edging higher to the 141.30 area against the yen.

GBP

Domestic developments continued to have little impact on Tuesday with little sustained reaction to the latest UK borrowing data which showed a mixed picture. Overall risk appetite was firmer which provided a solid base for the currency and it was able to make net gains on the day. As the dollar retreated, the UK currency secured a net advance to 1.1900 against the dollar while the Euro retreated to 0.8630 before a recovery back to 0.8660.

Risk appetite held steady on Wednesday which helped underpin Sterling as it traded just below 1.1900 against the dollar.

The latest PMI business confidence data released on Wednesday will be important for sentiment surrounding the economy with any dip further into contraction territory increasing concerns over the threat of a deeper downturn. Consensus forecasts are for both sectors to remain below the 50 threshold. Comments from the Bank of England will be watched closely and the decision whether another Scottish independence referendum can be held without Westminster approval will also be significant.

CHF

The Swiss currency was resilient on Tuesday despite solid risk appetite and net gains in global equities. Lower US yields limited any potential franc selling with the dollar retreating to around 0.9520 while the Euro posted a net loss to the 0.9800 area.

The Euro held steady on Wednesday with the dollar edging lower to test the 0.9500 level as markets continued to monitor global risk decisions.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.0500	142.65	1.2070
Resistance 2	1.0435	142.00	1.2000
Resistance 1	1.0375	141.30	1.1930
	1.0340	141.25	1.1895
Support 1	1.0300	140.70	1.1865
Support 2	1.0230	140.00	1.1800
Support 3	1.0170	139.40	1.1735

Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
EUR	23/11	09:00	S&P Global Eurozone Manufacturing PMI	Nov	46	46.4
EUR	23/11	09:00	S&P Global Eurozone Services PMI	Nov	48	48.6
EUR	23/11	10:00	S&P Eurozone Composite PMI	Nov	47	47.3
USD	23/11	12:00	MBA Mortgage Applications	Nov	-26	-27.6
USD	23/11	13:30	Durable Goods Orders	Oct	0.4%	0.4%
USD	23/11	13:30	Initial Jobless Claims	Nov 19	225k	222k
USD	23/11	13:30	Continuing Claims	Nov 12	1520k	1507k
USD	23/11	14:45	S&P Global US Manufacturing PMI	Nov	50	50.4
USD	23/11	14:45	S&P Global US Services PMI	Nov	48	47.8
USD	23/11	14:45	S&P Global US Composite PMI	Nov	48	48.2
USD	23/11	14:45	U. Of Mich. Sentiment	Nov	55	54.7
USD	23/11	15:00	New Home Sales	Oct	570k	603k

Source: Bloomberg

Risk warning

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