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# Daily FX Report

## EUR / USD

German third-quarter GDP was revised slightly higher to 0.4% from the flash estimate of 0.3% with year-on-year growth of 1.2%. Consumer confidence recovered only marginally to -40.2 for November from -41.9 previously, but this was weaker than expectations of -39.5.

There was, however, a strong recovery in Italian business and consumer confidence for November which offered some hope.

There was further uncertainty over ECB policy following differing opinions during the week from two key officials. Chief Economist Lane stated that the arguments for a further 75 basis-point hike were not there, but key council member Schnabel adopted a more hawkish stance. Markets overall expect that the more dovish voices will prevail, but the Euro-Zone inflation data will be watched closely on Wednesday and another fresh record high would give further ammunition to the hawkish voices.

The Euro was unable to make any headway during the day and dipped to lows just above 1.0350 against the dollar before a recovery to 1.0400 at the European close.

Markets will also be waiting for the speech from Fed Chair Powell on Wednesday and the latest jobs data on Friday which will have a significant impact on Fed expectations. There will also be the potential for month-end position adjustment which could lead to choppy trading. In the meantime, the comments from other Fed members will be monitored closely in the short term to assess whether any shift in narrative is in prospect. The Euro lost ground on Monday amid weaker risk conditions with a retreat to lows just below 1.0350 against the dollar before a recovery to 1.0370 as weaker oil prices provided net Euro support.

## JPY

After Friday's European open the Chinese central bank announced a 25 basis-point reduction in the bank reserve ratio requirement in an attempt to underpin liquidity. The move helped underpin risk appetite, although the overall response was limited.

Treasuries lost ground steadily after the European open with the 10-year yield increasing to around 3.72%. Trading volumes were still low following Thursday's Thanksgiving Holiday, but the dollar was able to make headway with highs just above 139.50 against the yen before a limited correction.

There were some concerns over Chinese political protests during the weekend with evidence of a notable increase in action for coronavirus restrictions to be stopped. There were strong protests against lockdowns

and mass testing in Beijing and Shanghai with criticism of President Xi also a notable and very unusual feature.

Overall risk conditions were weaker which provided an element of support for the yen and dollar during the Asian session

Bank of Japan Governor Kuroda stated that he expected wage pressures to gradually increase which provided an element of yen support. There were also significant losses in equity markets which contributed to a less confident risk tone and the yen posted significant gains. There was renewed evidence of a covering of short yen positions and the dollar retreated to lows below 138.00 and close to 3-month lows with the Euro dipping to near 143.00.

## GBP

There were no significant domestic influences during Friday with generally lacklustre trading conditions, especially with subdued conditions in the US. Sterling was vulnerable to a limited correction after strong gains during the week, but overall currency sentiment held firm on hopes for more effective government action to support the economy. Risk conditions were also still broadly benign despite some reservations over Chinese coronavirus developments.

Sterling retreated to lows at 1.2060 against the dollar before buying support emerged with the Euro settling just above the 0.8600 level from 0.8580 lows.

The latest CFTC positioning data will be monitored on Monday to assess whether there is still notable scope for a covering of short Sterling positions. Risk conditions were weaker in Asia on Monday which hampered Sterling sentiment and there were also reservations over strike action in the UK which will disrupt activity. Sterling drifted to trade below 1.2050 against the dollar before a recovery while the Euro retreated to just below 0.8600 with some evidence of firm UK consumer spending.

## CHF

The Swiss franc lost ground on Friday with higher US yields curbing potential demand for the currency. Overall risk appetite also held steady which limited any potential franc demand. The Euro secured a net advance to the 0.9840 area while the dollar posted highs at 0.9500 before a retreat to 0.9460.

The Swiss currency gained some support from weaker risk conditions on Monday amid unease over Chinese developments. The Euro edged back below the 0.9800 level before stabilising while the dollar was held close to 0.9450 after failing to hold gains.

# Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.0500	139.40	1.2200
Resistance 2	1.0450	138.80	1.2135
Resistance 1	1.0375	138.20	1.2075
	1.0370	137.95	1.2070
Support 1	1.0300	137.60	1.2000
Support 2	1.0240	137.00	1.1940
Support 3	1.0175	136.35	1.1875

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## Risk warning

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