

WED 30 NOVEMBER 2022 07:56

Daily FX Report

EUR / USD

Euro-Zone industrial confidence retreated to -2.0 for November from -1.2 while there was a slight improvement in services-sector sentiment. The overall business and consumer confidence survey recovered slightly to 93.7 from 92.7 with overall sentiment still subdued in the business sector.

German consumer prices declined 0.5% for November compared with expectations of a 0.2% decline with the year-on-year inflation rate slowing more than expected to 10.0% from 10.4%. The lower inflation rate triggered some speculation that the ECB would be able to take a less aggressive stance at the December meeting. The latest Euro-Zone inflation data will be released on Wednesday with consensus forecasts that the headline rate will edge lower to 10.4% from 10.6%.

The Euro was able to hold steady ahead of the New York open, but was unable to challenge the 1.0400 level and gradually lost ground in US trading to trade below the 1.0350 level against the dollar. After a retreat to 1.0320, the Euro recovered to around 1.0350 on Wednesday with a lack of clear direction.

There will be month-end position adjustment on Wednesday which will maintain the risk of choppy trading with the latest ADP jobs data due.

After the European close, the main market focus is likely to be the comments on the economy and monetary policy from Fed Chair Powell.

JPY

China announced that there would be a speeding-up of the vaccine programme while comments that care needed to be taken surrounding lockdowns helped underpin risk appetite. US Treasuries lost ground just after the US open with the 10-year yield moving above the 3.70% level which provided underlying dollar support with highs around 138.80 against the yen as the yen lost some ground on the crosses.

The US Case-Shiller house-price index recorded an increase of 10.4% in the year to September from 13.1% previously.

US consumer confidence dipped to 100.2 for November from a revised 102.2 previously and marginally above market expectations with declines for both the current conditions and expectations components. According to the Conference Board, the level of the expectations index suggests that the likelihood of recession remains elevated, although there was a slight improvement in labour-market confidence which suggests that employment is holding firm.

The dollar edged lower after the data, but Treasuries were unable to make headway which limited any dollar losses to the 138.25 area against the yen.

China's PMI manufacturing index dipped to 48.0 for November from 49.2 previously and below consensus forecasts of 49.0 while the non-manufacturing index was also below expectations at 46.7 from 48.7, maintaining reservations over the outlook. The impact on risk appetite was tempered by hopes that China would pursue a more pragmatic coronavirus stance in order to limit economic damage. Overall, the dollar posted gains to 138.90 before a retreat to just below 138.50.

GBP

UK mortgage approvals declined to just below 59,000 for October from a revised 66,000 the previous month and slightly below consensus forecasts of 60,000. The increase in consumer credit was held below £1.0bn with the overall increase in consumer lending at £4.7bn from £6.5bn in September.

Bank of England Monetary Policy Committee member Mann stated that she wanted to keep an eye on medium-term inflation expectations to assess what the appropriate interest rate decision might be appropriate at the next policy meeting. The latest survey on inflation expectations is due on December 9th ahead of the December 15th policy decision. She also expressed concerns over the increased inflation pressures within the services sector.

Bank Governor Bailey stated that conditions in the gilt market had still not returned to normal. He also commented that the bank was not briefed on the mini-budget announced on September 23rd. Bailey added that the bank sees significant upside risks to the inflation outlook, maintaining expectations of a December rate hike.

Sterling was unable to hold above the 1.2000 level against the dollar and retreated to the 1.1950 area as the US currency gained wider support while the Euro was little changed around 0.8640. With risk conditions holding steady, Sterling traded around 1.1970 on Wednesday with the potential for choppy month-end trading.

CHF

The Swiss franc lost some ground on Tuesday with a slightly more optimistic assessment of the Chinese outlook following the latest tweaking of the covid rules and hopes for greater flexibility. The Euro strengthened to 0.9850 against the franc while the dollar was able to post net gains to 0.9535 at the European close.

The franc edged lower on Wednesday with the Euro advancing to the 0.9860 area as equities held firm.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.0500	140.00	1.2135
Resistance 2	1.0440	139.40	1.2075
Resistance 1	1.0375	138.80	1.2000
	1.0355	138.50	1.1970
Support 1	1.0300	138.25	1.1940
Support 2	1.0240	137.60	1.1875
Support 3	1.0170	137.00	1.1800

Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
EUR	30/11	10:00	CPI Estimate Y/Y	Nov	10.4%	10.6%
EUR	30/11	10:00	CPI M/M	Nov	0.2%	1.5%
EUR	30/11	10:00	CPI Core Y/Y	Nov	5%	5%
USD	30/11	12:00	MBA Mortgage Applications	Nov		-2.2%
USD	30/11	13:15	ADP Employment Change	Nov	200k	239k
USD	30/11	13:30	GDP Annualised Q/Q	Q3	2.8%	2.6%
USD	30/11	13:30	Personal Consumption	Q3	1.6%	1.4%
USD	30/11	13:30	Core PCE Q/Q	Q3	4.5%	4.5%
USD	30/11	13:30	Wholesale Inventories M/M	Oct	0.5%	0.6%
USD	30/11	15:00	Pending Home Sales M/M	Oct	-5.7%	-10.2%

Source: Bloomberg

Risk warning

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