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Daily FX Report

EUR / USD

The final reading for the Euro-Zone manufacturing index was revised down to 47.1 from the flash reading of 47.3 even though the Italian and Spanish data was slightly above consensus forecasts. There was little impact from the data with markets monitoring energy-price trends closely.

The Euro held a firm tone and posted further gains after the US open with a move to test resistance above 1.0500 as the dollar was subjected to renewed selling

The US PMI manufacturing index was revised marginally higher to 47.7 from the flash reading of 47.6.

The ISM manufacturing index edged lower into contraction territory at 49.0 for November from 50.2 the previous month which was weaker than forecasts of 49.8 and the weakest reading since May 2020. There was a sharper retreat in new orders and a small increase in production. There was also a reported dip in employment for the month while prices fell at a faster rate with the prices index also registering the lowest reading since May 2020.

The data maintained expectations of subdued demand and weaker inflation pressures in the manufacturing sector and the dollar remained on the defensive. The Euro posted 5-month highs at 1.0540 before a slight correction with the dollar index also posting 5-month lows as US sentiment remained weak.

The latest US employment data will be released on Friday with expectations of an increase in payrolls of around 200,000 and unemployment rate of 3.7%.

JPY

Risk appetite held firm in Europe on Thursday with China announcing a relaxation of quarantine rules and less frequent mass testing as it continued to pursue a more pragmatic set of policies. The Chinese central bank commented that the current round of dollar appreciation has reached a peak and there is very limited room for subsequent surges. Markets maintained a more optimistic stance towards Chinese coronavirus policies

US initial jobless claims declined to 225,000 in the latest week from a revised 241,000 previously and below consensus forecasts of 235,000, but continuing claims increased to 1.61mn from 1.55mn. The latest Challenger data recorded a sharp increase in layoffs to near 77,000 for November from below 34,000 previously and an increase of over 400% from November 2022 while there has been a 6% increase for the first 11 months of the year with sharp losses in the tech sector which raised some concerns over the labour-market trends.

The core PCE prices index increased 0.2% for October and slightly below expectations of 0.3% with the year-on-year rate declining to 5.0% from 5.2% which was in line with expectations. The data provided an element of relief over underlying inflation trends.

US yields initially traded marginally lower with the dollar sliding to lows near 135.50 before a tentative recovery.

Fed Governor Bowman stated that policy will remain restrictive for some time to get inflation down, but added that it's appropriate to slow the pace of rate increases. The comments overall were similar to Powell's rhetoric on Wednesday, maintaining expectations of a slightly less hawkish stance.

US yields continued to move lower in Asia with the 10-year yield below 3.55% and the dollar posted further sharp losses to fresh 3-month lows below 135.00.

GBP

The UK PMI manufacturing index was revised slightly to 46.5 from the flash reading of 46.2. The latest Bank of England survey recorded some moderation in inflation pressures, but employment and investment expectations were revised down.

Domestic influences had little overall impact with Sterling markets focussing on global developments. Overall risk appetite held steady amid hopes for a less aggressive Fed policy which underpinned the dollar and the UK currency surged to 5-month highs above 1.2300 against the dollar while the Euro retreated to 3-month lows around 0.8580. There was pressure for a correction after strong gains with Sterling retreating to around 1.2240 against the dollar with the Euro edging above 0.8600.

CHF

Swiss consumer prices were unchanged for November and marginally below consensus forecasts while the year-on-year rate was unchanged at 3.0% and in line with market expectations. The data provided marginal relief surrounding trends, but markets still expect a further rate increase at this month's policy meeting.

The Swiss PMI manufacturing index retreated to 53.9 for November from 54.9 and in line with consensus forecasts.

The Euro edged higher to 0.9850 from highs around 0.9880 while the dollar retreated further to lows around 0.9360 with only a marginal recovery on Friday.

Technical Level

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.0700	136.00	1.2400
Resistance 2	1.0630	135.50	1.2335
Resistance 1	1.0565	135.00	1.2265
	1.0530	134.75	1.2235
Support 1	1.0500	134.35	1.2200
Support 2	1.0440	133.75	1.2135
Support 3	1.0375	133.00	1.2070

Risk warning

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