

TUE 06 DECEMBER 2022 07:34

# Daily FX Report

## EUR / USD

The final reading for the Euro-Zone PMI services-sector was revised marginally lower to 48.5 from the flash reading of 48.6 despite stronger than expected readings for the Italian and Spanish data with the latter moving into expansion territory. The index overall was confirmed at a 21-month low while business confidence recovered slightly from 28-month lows. Inflation pressures eased slightly which will provide some comfort for the ECB.

The Euro-Zone Sentix economic confidence index posted a significant recovery to -21.0 for December from -30.9 the previous month and significantly above consensus forecasts of -27.6. According to Sentix, investor confidence has been boosted by hopes for mild winter weather conditions and high gas storage levels. There were also hopes that inflation has passed its peak which provided important relief. The ECB meeting will be held next week.

ECB council member Makhoul stated that the most likely outcome was a 50 basis-point rate hike at the December policy meeting, although he added that he wouldn't rule out a 75 basis-point hike. The Euro advanced further to highs just below the 1.0600 level against the dollar before fading amid a slightly less confident risk tone.

The dollar regained ground after the US data releases and the Euro was also sapped by weaker risk appetite. As equities moved lower, the Euro retreated to 1.0500 at the European close and lost further ground into the US close. Volatility eased in Asia on Tuesday with the Euro trading below the 1.0500 level and around 1.0485.

## JPY

After the European open, China announced that there would be a further easing of testing requirements to enter public places in Shanghai from December 6<sup>th</sup>. Treasuries were little changed after the European open, but the yen came under further pressure amid expectations of an improvement in the Chinese economy.

The US ISM non-manufacturing index strengthened to 56.5 for November from 54.4 the previous month and significantly above consensus forecasts of 53.3.

There was a stronger pace of business growth for the month with a steady rate of growth in new orders and employment returned to growth, although job gains were very limited. Export orders were notably weak for the month while there was only a slight easing of inflation pressures.

Treasuries continued to edge lower following the data with the 10-year yield edging higher amid expectations that the Fed would need to maintain a hawkish stance.

The data overall is liable to increase speculation that growth will remain firm in the services sector and that inflation pressures will remain stubborn. The dollar posted strong gains to highs around 136.50 at the European close and extended the gains to near 137.00 with the yen unable to gain support from the slide in equities.

China announced a slight easing of coronavirus restrictions on Tuesday and there were expectations of further easing this week which helped underpin risk conditions. The dollar hit highs close to 137.25 with a firm tone at the European open as the yen remained on the defensive with the Euro near 144.00.

## GBP

The UK PMI services-sector index was confirmed at 48.8 for November and the lowest reading since January 2021. Business confidence increased marginally for the month while the increase in output prices slowed to a 10-month low.

Overall confidence in the UK economy remained fragile, especially with expectations of a prolonged downturn next year as higher energy prices bite.

Risk conditions remained a key influence during the day with choppy overall Sterling trading. Although there was a strong rebound from an initial retreat to below 1.2300 against the dollar, selling pressure returned as equities posted sharp losses with a slide to around 1.2170.

The Euro also recovered to around 0.8615 from highs around 0.8635 as markets continued to monitor the relative economic outlooks.

BRC data recorded an annual like-for-like increase in retail sales of 4.1% in the year to November, but this implied a further decline in real sales.

Chinese re-opening hopes provided an element of protection, but Sterling was held below 1.2200 around 1.2180 and the Euro traded marginally above the 0.8600 level.

## CHF

Total Swiss sight deposits declined to CHF549.8bn in the latest week from CHF555.4bn the previous week, maintaining the sustained run of weekly declines as the National Bank continues to withdraw liquidity from money markets.

The franc was unable to gain support from the data or weaker risk conditions with the Euro managing to secure a small net advance to just below 0.9900 while the dollar posted net gains to 0.9435. The franc overall held steady on Tuesday with the dollar around 0.9440.

## Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.0630	138.60	1.2335
Resistance 2	1.0570	138.00	1.2265
Resistance 1	1.0500	137.40	1.2200
	1.0485	137.25	1.2185
Support 1	1.0440	136.65	1.2135
Support 2	1.0370	136.00	1.2070
Support 3	1.0320	135.40	1.2000

## Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
GBP	06/12	09:30	S&P Global/CIPS UK Construction	Nov	52	53.2
USD	06/12	13:30	Trade Balance	Oct	-\$80bn	-\$73bn

Source: Bloomberg

### Risk warning

This is a marketing communication. The information in this report is provided solely for informational purposes and should not be regarded as a recommendation to buy, sell or otherwise deal in any particular investment. Please be aware that, where any views have been expressed in this report, the author of this report may have had many, varied views over the past 12 months, including contrary views.

A large number of views are being generated at all times and these may change quickly. Any valuations or underlying assumptions made are solely based upon the author's market knowledge and experience.

Please contact the author should you require a copy of any previous reports for comparative purposes. Furthermore, the information in this report has not been prepared in accordance with legal requirements designed to promote the independence of investment research. All information in this report is obtained from sources believed to be reliable and we make no representation as to its completeness or accuracy.

This report is not subject to any prohibition on dealing ahead of the dissemination of investment research. Accordingly, the information may have been acted upon by us for our own purposes and has not been procured for the exclusive benefit of customers. Sucden Financial believes that the information contained within this report is already in the public domain. Private customers should not invest in these products unless they are satisfied that the products are suitable for them and they have sought professional advice. Please read our full risk warnings and disclaimers ([www.sucdenfinancial.com/en/risk-warning-and-disclaimers](http://www.sucdenfinancial.com/en/risk-warning-and-disclaimers)).