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# Daily FX Report

## EUR / USD

The Euro held a firm tone after Thursday's European open and attempted to move above the 1.0650 level against the dollar. The Euro, however, was unable to extend the advance and gradually lost ground as caution prevailed in global markets.

Weaker equities had a significant impact in curbing scope for further Euro gains as fragile risk appetite also supported the dollar. Higher energy prices also had some impact in undermining the Euro with markets still fretting over 2023 demand for gas within the Euro-zone.

US initial jobless claims increased marginally to 216,000 in the latest week from a revised 214,000 previously and were again below consensus forecasts of 222,000. Continuing claims declined marginally to 1.67mn from 1.68mn and were marginally below market expectations.

Third-quarter GDP was revised up to 3.2% from the previous estimate of 2.9% with a further limited upgrade of consumer spending.

Equity markets continued to lose ground and the Euro dipped to test support below 1.0600 at the Wall Street open as the dollar gained net support.

The Euro managed to find support below 1.0600 with some seasonal Euro demand in evidence while defensive dollar demand also faded to some extent as trading volumes declined and equity markets attempted to stabilise. The Euro recovered to 1.0615 and trading volumes will be very low during the holiday period.

## JPY

The Japanese 10-year yield hit the 0.50% level during Thursday, but the Bank of Japan intervention to buy bonds helped curb selling pressure and the yield retreated back to near 0.40%. The retreat in yields limited potential support for the Japanese currency.

There were reports that China would cut quarantine requirements for overseas travellers from January which maintained an element of optimism that China would continue its efforts to re-open the economy and underpin activity.

The yen lost some ground, but the dollar hit resistance at 132.50 against the Japanese currency.

The latest US PCE prices data is scheduled for release on Friday with consensus forecasts that the core rate will

decline to 4.7% from 5.0%. A decline would reinforce market expectations that the Federal Reserve will be able to adopt a less aggressive monetary policy stance.

The dollar advanced to highs around 132.70, before a fresh retreat as yields failed to respond with the 10-year yield around 3.65%.

Conditions were relatively calm in Asia on Friday with the dollar pushing back to the 132.70 area as immediate yen demand faded, but resistance here held.

## GBP

Sterling held steady after Thursday's European open, but was unable to make significant headway with selling on approach to 1.2150 against the dollar. Overall confidence in the UK outlook remained weak with a further focus on budget and current account deficits.

Following Wednesday's government borrowing data, there were further concerns over the cost of government support programmes and upward pressure on the deficit.

The wave of strike action was also a factor in curbing support

Although there was a lower current account deficit for the third quarter of 2022, the data was distorted by precious metals and there was little sign of underlying improvement with the deficit above 5.0% of GDP. In this context, markets fretted over further friction over EU trade.

The wide deficits will maintain the UK requirement for capital inflows and the potential need for a very weak currency to attract inflows.

The data also illustrated the UK correlation with risk conditions and a decline in equities was a significant factor undermining support for the currency during Thursday.

Sterling dipped to test 1.2000 against the dollar at the Wall Street open and the Euro also posted fresh 2-month highs with a peak at 0.8830.

Sterling did find support close to 1.2000 and traded around 1.2040 on Friday with the Euro correcting to the 0.8815 area.

## CHF

The latest data indicated that the National Bank purchased foreign currencies during the third quarter in an attempt to smooth franc appreciation.

The franc was unable to make headway on Thursday despite less confident global risk conditions. The Euro posted net gains to just above 0.9850 with the dollar advancing to the 0.9300 area. The franc edged lower again on Friday with the Euro advancing to 0.9885 while the dollar traded around 0.9320.

## Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.0780	133.80	1.2170
Resistance 2	1.0725	133.20	1.2100
Resistance 1	1.0650	132.70	1.2050
	1.0615	132.55	1.2040
Support 1	1.0600	132.00	1.2000
Support 2	1.0550	131.35	1.1940
Support 3	1.0500	130.60	1.1875

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### Risk warning

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