

TUE 24 JANUARY 2023 07:30

Daily FX Report

EUR / USD

The Euro was unable to make further headway after Monday's European open and drifted lower with a correction from nine-month highs seen in Asia.

In its latest monthly report, the German Bundesbank stated that the economy likely stagnated in the fourth quarter of 2022, but this was a better performance than expected previously. The German central bank also stated that recent indicators have been better than expected while stresses in the energy market are easing and supply-chain bottlenecks are slowly dissipating which maintained an element of confidence in the outlook.

ECB council member Kazimir stated that the central bank should deliver two more interest rate increases of 50 basis points despite an easing in inflation pressures. Kazimir also stated that it was essential to focus on underlying inflation. Fellow Council member Visco stated that Italy can deal with the impact of a gradual tightening.

Euro-Zone consumer confidence improved to -20.9 for January from -22.0 previously, but this was slightly worse than expected as consumers remained in a cautious mood. Overall confidence in the Euro-Zone outlook was still underpinned by lower gas prices.

The Euro found support just below 1.0850 against the dollar and edged higher again into the European close, although it lost some traction on the major crosses.

The latest Euro-Zone and US business confidence data will be watched closely on Tuesday to assess the overall economic outlook and the relative outlook for the Euro-Zone compared to the US. Consensus forecasts are for the Euro-Zone services sector to edge into expansion with further contraction for all other components.

The dollar drifted lower in Asian trading on Tuesday amid a lack of support in the US currency with the Euro trading around 1.0885.

JPY

The dollar was able to make limited headway into Monday's New York open, although gains remained limited with selling interest above the 130.00 level against the yen.

US Treasuries lost ground after the New York open and the dollar posted strong gains to highs at 130.90 before a partial correction as Treasuries found fresh support.

Equities posted strong gains which limited potential defensive yen support to some extent.

Japan's manufacturing PMI index held steady at 48.9 for January as new orders declined for the seventh successive month while the services-sector index strengthened to a 3-month high of 52.4 from 51.1. The Bank of Japan core inflation reading increased to 3.1% from 2.9% previously and above expectations of 2.9%.

The stronger than expected inflation data triggered fresh speculation that the Bank of Japan would shift monetary policy over the next few months.

Chinese markets remained closed for a holiday on Tuesday which dampened activity to some extent and the dollar dipped to near 130.00 before stabilising.

GBP

Sterling was unable to make further headway after Monday's European open and dipped to lows around 1.2325 against the dollar and the US currency attempted to regain ground. There were also further reservations over near-term UK economic trends.

There were renewed gains for equities after the Wall Street open which helped trigger another round of Sterling buying. The UK currency recovered to around 1.2375 at the European close while the Euro retreated from 0.8815 highs to trade around 0.8780.

The latest UK PMI data will be watched closely on Tuesday with expectations that the manufacturing and services-sectors will remain in contraction.

Any move back into expansion would trigger a net improvement in sentiment while a sharper decline would trigger fresh reservations over the near-term outlook.

Risk appetite held firm on Tuesday which helped underpin confidence as Wall Street indices posted 6-week highs. In this context, the global PMI data releases will also be important for UK currency moves. Sterling traded just below the 1.2400 level against the dollar with the Euro around 0.8780.

The latest UK data recorded the highest December government borrowing requirement on record which will cause concern, but the Pound held just below 1.2400.

CHF

Total Swiss sight deposits declined to CHF531.6bn in the latest week from CHF526.2bn previously and the lowest figure since January 2017. After a small increase for the previous week, the latest data suggests that the National Bank is still looking to reduce liquidity in the financial system.

The franc was unable to make any headway despite reduced liquidity and fresh gains in equities also sapped potential support for the Swiss currency.

The Euro advanced to the 1.0030 area with the dollar recovered to 0.9230 around the European close. The dollar settled around 0.9220 in early Europe on Tuesday.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1000	132.00	1.2565
Resistance 2	1.0950	131.30	1.2500
Resistance 1	1.0900	130.70	1.2440
	1.0885	130.10	1.2390
Support 1	1.0840	130.00	1.2370
Support 2	1.0785	129.35	1.2300
Support 3	1.0720	128.70	1.2235

Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
GBP	24/01	09:30	S&P Global/CIPS UK Manufacturing PMI	Jan	45.5	45.3
GBP	24/01	09:30	S&P Global/CIPS UK Services PMI	Jan	49.5	49.9
GBP	24/01	09:30	S&P Global/CIPS UK Composite PMI	Jan	48.8	49
GBP	24/01	11:00	CBI Trend Total Orders	Jan	-8	-6
EUR	24/01	09:00	S&P Global Eurozone Manufacturing PMI	Jan	48.5	47.8
EUR	24/01	09:00	S&P Global Eurozone Manufacturing PMI	Jan	49.8	49.3
EUR	24/01	09:00	S&P Global Eurozone Services PMI	Jan	50.1	49.8
USD	24/01	14:45	S&P Global US Manufacturing PMI	Jan	46	46.2
USD	24/01	14:45	S&P Global US Manufacturing PMI	Jan	45	44.7
USD	24/01	14:45	S&P Global US Services PMI	Jan	46.4	45
USD	24/01	15:00	Richmond Fed Manufacturing Index	Jan	-5	1

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).