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# Daily FX Report

## EUR / USD

German unemployment increased 2,000 for February after a 15,000 decline previously, but compared with expectations of a 9,000 increase. The Euro made headway in early Europe on Wednesday with further support from optimism that a rebound in the Chinese economy would help support Euro-Zone economy.

German consumer prices increased 0.8% for February with the year-on-year increase unchanged at 8.7% and above consensus forecasts of 8.5%.

The latest Euro-Zone data will be released on Thursday with expectations of a decline to 8.3% from 8.6%, but the whisper number is higher.

Bundesbank President Nagel stated that significant increases in interest rates are necessary beyond the March increase. Markets are pricing around a 65% chance that the ECB will hike by 50 basis points in March with the remainder expecting a 75 basis-point hike.

Hawkish rhetoric provided further Euro support during the day with the single currency posting highs just above 1.0690 against the dollar.

The US currency regained some ground after the New York open and the Euro edged lower, although there was still a strong tone on the major crosses.

Higher yields and weaker equities underpinned the dollar with the Euro held around 1.0640 in early Europe on Thursday amid the defensive risk tone.

## JPY

The yen posted strong gains into the US open with the dollar dipping to lows around 135.25 against the Japanese currency.

The US ISM manufacturing index increased marginally to 47.7 for February from 47.4 the previous month, but slightly below consensus forecasts of 48.0 and remained in contraction territory for the fourth successive month. New Orders and production also remained in contraction for the month and there was a small decline in employment for the month. The prices index moved back into positive territory with a reading of 51.3 from 44.5 previously and stronger than expected.

Although the US data was mixed, the prices component caused some concern with Treasuries losing ground and

the dollar rebounded strongly to around 136.20.

Minneapolis Fed President Kashkari reiterated inflation concerns and, although he stated that he was open-minded about a 25 or 50 basis-point rate hike in March, he stated that he was leaning towards raising the policy path from December's level.

Atlanta head Bostic stated that he expects rates will have to increase to 5.00-5.25% and stay there well into 2024. Higher yields continued to underpin the dollar.

Bank of Japan member Takata stated that the central bank must maintain the current massive monetary easing while former Governor Shirakawa called for a re-examination of monetary and frameworks. Higher US yields dominated as the 10-year yield moved above 4.00% for the first time in over three months and the dollar strengthened to 136.60 against the yen. The Euro also strengthened to above 145.00 against the Japanese currency.

## GBP

The UK manufacturing PMI index was revised marginally higher to 49.3 from the flash reading of 49.2. Mortgage approvals amounted to 39,600 for January compared with expectations of 38,000 while the December figure was revised sharply higher to 40,500 from the previous reading of 35,600.

Net lending increased to £4.1bn from £3.7bn with a surge in consumer credit growth which could indicate distressed borrowing or stronger consumer confidence.

Bank of England Governor Bailey stated that he would advise caution in suggesting that the central bank was done with rate hikes or that further rate hikes were inevitable. He added that some further rate hikes could be appropriate, but nothing is decided and he reiterated that the bank is data dependent in decision making.

There was a slight easing of interest rate expectations following Bailey's comments which helped undermine Sterling.

The positive impact of the EU-UK faded during the day and the UK currency posted steady losses with significant set selling.

Sterling dipped to lows around 1.1965 before regaining the 1.2000 level while the Euro posted strong gains to highs around 0.8900 before a limited correction.

Higher US yields and weaker equities sapped Sterling support as it traded just below 1.2000 on Thursday with the Euro little changed around 0.8880.

## CHF

The Swiss PMI manufacturing index edged lower to 48.9 for February from 49.3 previously and below expectations of 50.4. The Swiss franc was vulnerable during the day with higher yields curbing support. The Euro posted a strong advance to just above parity while the dollar settled just below the 0.9400 level. Higher yields sapped franc support on Thursday with the Euro around 1.0030 and the dollar around 0.9430 with any National Bank rhetoric watched closely.

## Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.0780	138.00	1.2130
Resistance 2	1.0725	137.50	1.2070
Resistance 1	1.0660	137.00	1.2000
	1.0640	136.60	1.1985
Support 1	1.0600	136.45	1.1935
Support 2	1.0550	135.80	1.1870
Support 3	1.0500	135.20	1.1800

## Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
EUR	02/03	10:00	CPI M/M	Feb	0.5%	-0.2%
EUR	02/03	10:00	CPI Core Y/Y	Feb	5.3%	5.3%
EUR	02/03	10:00	Unemployment Rate	Jan	6.6%	6.6%
USD	02/03	13:30	Unit Labour Costs	Q4	1.6%	1.1%
USD	02/03	13:30	Initial Jobless Claims	Feb 24	195k	192k
USD	02/03	13:30	Continuing Claims	Feb 18	1669k	1654k

Source: Bloomberg

### Risk warning

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