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# Daily FX Report

## EUR / USD

The Euro-Zone Sentix investor confidence index dipped to -11.1 for March from -8.0 the previous month and contrary to expectations of a further limited net advance to -6.3. According to Sentix, after several months of improvement in investors' assessments of the economic situation and expectations, there was a new headwind for economic development at the beginning of March. The data triggered some reservations over the outlook.

ECB chief economist Lane stated that hiking interest rates beyond March fits with what inflation pressures are suggesting, but he did not make any attempt at quantifying the scale of potential rate increases. Council member Holzmann stated that he hopes peak interest rates will be reached in the next year, but he expects that it will take a very long time for inflation to come down. The rhetoric overall was relatively hawkish which continued to provide underlying support.

The Euro struggled for any progress in early Europe on Monday, but gained some traction around the US open. The single currency posted highs of 1.0695 before a limited correction to 1.0675 at the US close with a reluctance to sell the dollar aggressively.

Comments from Fed Chair Powell will be watched very closely on Tuesday with a particular focus on whether he adopts a more hawkish stance and warns more strongly that the Fed will have to be more aggressive in raising interest rates. Powell, at this stage, is likely to reiterate that the central bank is data dependent.

The Euro held steady in early Europe on Tuesday as it traded around 1.0680 with little net change ahead of Powell's comments.

## JPY

The yen fluctuated in relatively narrow ranges ahead of Monday's US open with the dollar hitting limited selling pressure above the 136.00 level against the Japanese currency. US factory orders declined 1.6% for January after a 1.7% decline the previous month and slightly stronger than expected.

Treasuries posted further gains in early US trading with the 10-year yield dipping to near 3.90%, but Treasuries were unable to hold the gains and the yield moved back to the 3.98% area. The yen was still relatively resilient and the dollar settled just below the 136.00 level.

The latest Chinese trade data for the first 2 month of 2023 recorded a 6.8% annual export decline in dollar terms which was slightly better than expected, while imports dipped more than expected with a 10.2% annual decline. The data failed to boost risk conditions.

Japanese cash labour earnings increased 0.8% in the year to January compared with expectations of 1.8%, dampening expectations of Bank of Japan tightening. Narrow ranges still prevailed again in Asia with the dollar holding just below 136.00 in early Europe and the Euro just above 145.00.

## GBP

The UK PMI construction index strengthened to a 9-month high of 54.6 for February from 48.4 the previous month and well above consensus forecasts of 49.1. Overall business confidence continued to recover from the 31-month lows recorded in December. There was a further easing of supply-side difficulties for the month while upward pressure on costs declined to the lowest level since November 2020. The data maintained a slightly more positive assessment of the economy.

Sterling still struggled to make any headway amid doubts that the Bank of England would be push ahead with further significant rate hikes amid peak inflation. The currency posted net losses on the day despite tentative gains on Wall Street.

Sterling hit resistance close to 1.2050 against the dollar and managed to hold just above 1.2000 while the Euro posted strong gains to the 0.8885 area. BRC data recorded a like-for-like increase in retail sales of 4.9% from 3.9% previously which still indicated a significant decline in real terms while Barclays data indicated a recovery in consumer confidence. Sterling was able to make gains in early Europe as it traded just above 1.2050 against the dollar and the Euro retreating to 0.8860.

## CHF

The Swiss consumer prices increased 0.7% for February compared with consensus forecasts of a 0.4% increase with the year-on-year inflation rate increasing to 3.4% from 3.3% and above expectations of 3.1%. The data maintained expectations that the National Bank will be concerned over inflation trends and decide to tighten monetary policy further. Total sight deposits declined slightly to CHF519.4bn in the latest week from CHF520.7bn the previous week.

The franc posted net gains after the inflation data with the Euro dipping to 0.9925, although there was solid buying on dips. The dollar also posted sharp losses to just below the 0.9300 level and was held close to this level on Tuesday as the Euro traded little changed around 0.9930.

## Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.0850	137.60	1.2200
Resistance 2	1.0780	137.00	1.2130
Resistance 1	1.0725	136.45	1.2070
	1.0680	135.85	1.2055
Support 1	1.0660	135.80	1.2000
Support 2	1.0600	135.20	1.1935
Support 3	1.0550	134.65	1.1870

## Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
CNY	07/3		Exports YTD YoY	Feb	-9.0%	16.1%
CNY	07/3		Imports YTD YoY	Feb	-5.5%	
CNY	07/3		Foreign Reserves	Feb	\$3157bn	\$3184bn
USD	07/3	15:00	Wholesale Inventories MoM	Jan	-0.4%	-0.4%
USD	07/3	20:00	Consumer Credit	Jan	\$25.350bn	\$11.565bn
JPY	07/3	23:50	BoP Current Account balance	Jan	-770.0bn	33.4bn

Source: Bloomberg

#### Risk warning

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