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Daily FX Report

EUR / USD

ECB council member Visco stated that monetary policy should be guided by data as it becomes available which tended to put him in the more dovish camp within the bank. The Euro managed to avoid further losses amid expectations of a hawkish overall stance, but struggled to generate any recovery ahead of the US open.

The US ADP data recorded an increase in private-sector payrolls of 242,000 for February and above consensus forecasts of 200,000, but there was only a small upward revision to the January increase to 119,000 from the flash reading of 106,000. There was a firm increase in manufacturing employment for the month, but jobs in business services and construction declined while there was a notable decline in jobs in small companies.

The annual increase in wages slowed slightly to a 12-month low of 7.2% from 7.3% the previous month, but remained high in relative terms.

The prepared text of Powell's testimony was the same as on Tuesday which is the normal practice. Powell did, however, comment that no decision has been made on a potential 50 basis-point rate hike for the March policy meeting. He insisted that the March decision is data dependent and will be guided by incoming data. In this context, he notes that jobs and CPI data will be important. Powell also noted the importance of housing-sector inflation and that major forecasters expect a slowdown.

The comments that no decision had been made triggered a limited dollar retreat, although the US currency maintained a firm overall tone.

Powell, however, still indicated that rates were likely to be higher than expected previously with the Euro settling around 1.0550 against the US dollar.

Narrow ranges prevailed on Thursday with the Euro fractionally above the 1.0550 level amid caution ahead of Friday's jobs data.

JPY

The yen was able to rest further selling after Wednesday's European open and the yen gradually regained ground. Longer-term Treasuries regained some ground with the 10-year yield retreating to around 3.92% which hampered the potential for further dollar support.

The JOLTS data recorded 10.82mn job openings at the end of January from a revised 11.23mn the previous month, but above consensus forecasts of 10.50mn. The latest jobless claims data will be monitored closely on Thursday ahead of the important jobs report on Friday.

The dollar dipped to lows near 136.50 before regaining some traction. US yields edged higher again, the dollar regained the 137.00 level.

The Bank of Japan will announce its latest policy decision on Friday and this will be the last meeting for Bank

Governor Kuroda which could lead to a surprise element in the decision. Wage developments will also be watched closely given the importance for medium-term central bank policy expectations.

US equities briefly dipped sharply after the US close on reports that President Biden will propose a sharp rise in corporate tax rates.

The dollar was unable to hold above the 137.00 level and settled around 136.85 as higher US yields curbed the potential for further yen gains.

GBP

Sterling attempted to stabilise during Wednesday, but struggled to secure more than limited support with further reservations over the domestic and international outlook.

Bank of England Monetary Policy Committee member Dhingra stated that many tightening effects are still to take hold and overtightening poses a more material risk at this point. In this context, she stated that a prudent policy would be to hold policy steady. The stance was not surprising given that she has voted against rate increases at the last two monetary policy meetings. There were, however, further expectations that the BoE would adopt a less aggressive policy than the ECB or Federal Reserve.

Sterling found support just above 1.1800 against the dollar with a tepid recovery to around 1.1850 while the Euro settled around 0.8915.

The British Chambers of Commerce expects that the UK economy will avoid a technical recession with limited growth in the second half of the year, but the overall outlook is still expected to be weak. The Rightmove housing index edged lower to -48 for February from -46 previously, maintaining housing concerns.

Sterling did manage to trade just above 1.1850 on Thursday with the Euro edging lower to 0.8900 amid tentative overall trading conditions.

CHF

The Swiss franc edged higher on Wednesday with some net support from expectations that the National Bank would increase interest rates to 1.50% at this month's policy meeting. Markets will remain on alert for any unofficial briefings from bank ahead of the March 23rd policy meeting. The Euro edged lower to 0.9925 with the dollar edging back below the 0.9400 level. There was little net change on Thursday with the dollar settling close to 0.9400.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.0735	138.20	1.2000
Resistance 2	1.0660	137.65	1.1935
Resistance 1	1.0600	137.00	1.1870
	1.0555	136.70	1.1850
Support 1	1.0550	136.45	1.1800
Support 2	1.0500	135.80	1.1740
Support 3	1.0440	135.20	1.1680

Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
GBP	09/3	00:01	RICS House Price Balance	Feb	-49.0%	-47.0%
CNY	09/3	01:30	CPI YoY	Feb	1.9%	2.1%
CNY	09/3	01:30	PPI YoY	Feb	-1.3%	-0.8%
USD	09/3	12:30	Challenger Job Cuts YoY	Feb		440.0%
USD	09/3	13:30	Initial Jobless Claims	Mar 4	195k	190k
JPY	09/3	23:30	Household Spending YoY	Jan	-0.1%	-1.3%
JPY	09/3	23:50	PPI YoY	Feb	8.5%	9.5%

Source: Bloomberg

Risk warning

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