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Daily FX Report

EUR / USD

Risk conditions managed to stabilise ahead of Friday's New York open with the Euro holding steady at just below the 1.0600 area against the dollar.

US non-farm payrolls increased 311,000 for February compared with consensus forecasts of around 200,000 and there was only a small downward revision for January to 504,000 from the original reading of 517,000. There was a small decline in manufacturing jobs and a loss in transport and warehousing employment. According to the household survey, the unemployment rate increased to 3.6% from 3.4% and above expectations of 3.4% with the increase in employment held to 144,000 amid a slight increase in the participation rate. Average hourly earnings increased 0.2% compared with expectations of 0.3%, with the annual increase at 4.6% from 4.4% previously.

Concerns over financial-sector stresses had a larger market impact with a fresh shift in market pricing. Futures markets indicated that the odds had moved back in favour of a 25 basis point rate hike at this month's policy meeting. The dollar dipped lower with the Euro posting highs at 1.0700 before a retreat to the 1.0650 area.

The Silicon Valley Bank (SVB) drama remained a key element with California regulators shutting the bank down on Friday. The FDIC confirmed that insured deposits will be safe, but there was uncertainty over uninsured deposits which were estimated at over $150bn and potentially near $300bn.

After Monday's Asian open, the US government announced that SVB customers will have access to all funds from Monday with the same situation for New York's Signature Bank. The move triggered a relief rally in equities and there was a further shift in Fed pricing with markets completely pricing out the possibility of a 50 basis-point rate hike this month. The dollar dipped lower in response to the shift in Fed pricing, lower yields and rebound in risk appetite with the Euro around 1.0720 against the dollar. The Fed will hold a closed meeting on Monday with the potential for further choppy trading as markets remain wary over financial-sector developments.

JPY

Bank of Japan Governor Kuroda insisted that the central bank can ease monetary policy further if necessary, although the overall impact was limited given that a new Governor will take office next month. Chinese new loans increased CNY1,810bn for February from CNY4,900bn previously, but slightly above consensus forecasts.

There was still volatile yen trading given sharp moves in equity markets and the dollar rallied to 137.00 ahead of the US data. Treasuries edged higher after the data and dollar selling then accelerated with a slide to lows near 134.00 against the yen as US yields continued to decline and Wall Street equities declined sharply.

The US move to guarantee all SVB deposits dominated markets on Monday with the 2-year yield sliding to below 4.50% from 5.00% last week. A weak quarterly reading for Japanese business confidence maintained expectations of a dovish Bank of Japan stance. The dollar dipped to lows just above 133.50 against the yen before a recovery to 134.50 as defensive yen support faded. Volatility is likely to remain elevated given uncertainty over developments in the US financial system.

GBP

Sterling continued to gain some ground after Friday's European open with further backing from the stronger than expected UK GDP data. There was also further optimism that Chancellor Hunt would be able to relax fiscal policy in the March 15th budget and potentially provide a further cushion against the cost of energy prices.

The UK currency was again resilient despite vulnerable risk conditions and a sharp decline in UK equities.

After testing the 1.2000 level, there was initial consolidation below this level with markets also monitoring UK fiscal developments.

There were, however, further gains after the US jobs data with a surge to 1.2100. Overall risk appetite remained fragile and Sterling dipped back to near 1.2030 while the Euro retreated to settle around 0.8840. The rebound in risk appetite underpinned Sterling on Monday with markets also monitoring developments surrounding the UK arm of SVB. At the European open, the UK government announced that SVB UK will be sold to HSBC which provided important relief as contagion fears subsided. As equities bounced and the dollar dipped, Sterling rebounded to 1.2100 against the US currency from 1.2140 highs with the Euro around 0.8840.

CHF

The Swiss franc continued to make gains during Friday with further support from reservations surrounding the global financial sector and unease surrounding the US banking sector. The Euro dipped to lows just below the 0.9800 level while the dollar posted heavy losses to below 0.9200.

Swiss National Bank Chair Jordan stated that the bank is doing all it can to curb inflation. Risk conditions dominated with a recovery in confidence curbing potential defensive franc demand on Monday. The Euro rallied to 0.9835 while the dollar traded around 0.9170.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.0860	135.80	1.2265
Resistance 2	1.0800	135.20	1.2200
Resistance 1	1.0735	134.65	1.2130
	1.0720	134.50	1.2100
Support 1	1.0660	134.00	1.2070
Support 2	1.0600	133.30	1.2000
Support 3	1.0550	132.60	1.1935

Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
CNY	13/3		FDI YTD YoY CNY	Feb		14.5%
EUR	13/3	07:30	Bloomberg EU Economic Survey			
CHF	13/3	09:00	Total Sight Deposits CHF	Mar 10		519.4bn
AUS	13/3	22:00	CBA Household spending YY	Feb		5.2%
AUS	13/3	23:30	Westpac Consumer Confidence MoM	Feb		-6.9%

Source: Bloomberg