

FRI 24 MARCH 2023 07:15

Daily FX Report

EUR / USD

The Euro held a firm tone after Thursday's European open, but there was pressure for a correction and it was also unable to hold above 1.0900 against the dollar.

US initial jobless claims were little changed at 191,000 in the latest week and slightly below consensus forecasts of 197,000 while continuing claims edged higher to 1.69mn from 1.68mn previously. The data did not suggest significant changes in labour-market conditions.

Overall dollar sentiment remained weaker following Wednesday's Federal Reserve policy meeting with further expectations that peak rates would be lower than expected previously. Powell's caution over credit condition was also an important factor maintaining unease over the US outlook.

Euro-Zone consumer confidence was little changed at -19.2 for March from a revised -19.3 the previous month which maintained reservations over potential spending trends, although financial-sector trends tended to dominate during the day.

Overall, the Euro consolidated just below the 1.0900 level into the European close and then lost ground later in the session and retreated to around 1.0830 as equities lost traction amid further concerns surrounding the banking sector. The latest PMI US and Euro-Zone business confidence data on Friday will be important for market expectations surrounding major economies. There will be further concerns surrounding the banking sector and the Euro was held around 1.0830 in early Europe.

JPY

US new home sales increased slightly to an annual rate of 640,000 for February from 633,000 previously, but below consensus forecasts of 650,000.

The Kansas City manufacturing index improved to 3 for March from -9 previously with the composite index unchanged at zero.

US yields edged higher towards the US open and the dollar advanced to highs above 131.50 against the yen. It was, however, unable to sustain the gains and dipped to 130.80 around the European close as Treasuries secured further support and yields moved lower.

Japan's PMI manufacturing index edged higher to 48.6 from 47.7 previously. Japan's headline inflation rate declined sharply to 3.1% for February from 4.2% the previous month, but a key core reading increased to 3.5% from 3.2% and the highest reading for close to 40 years. The core inflation data maintained speculation that the Bank of Japan would move to tighten monetary policy during the second quarter which supported the Japanese currency.

With financial concerns also a significant element, there was fresh defensive yen demand and the dollar dipped to lows near 130.00 before a recovery to 130.40.

GBP

The Bank of England increased interest rates by 25 basis points to 4.25% which was in line with consensus forecasts following higher than expected inflation data reported on Wednesday. There was a 7-2 vote for the decision with Tenreyro and Dhingra again calling for rates to be left on hold. The bank upgraded its outlook for second-quarter GDP with the bank no longer forecasting a contraction and limited growth likely. The bank still warned over underlying inflation pressures with the labour market still tight. There was only limited forward guidance with the bank stating that it would raise rates further if needed.

In a speech following the rate decision, bank Governor Bailey stated that he expects inflation to fall quite rapidly before the summer and noted that the bank had already raised interest rates a lot. He added, however, that the bank does not know whether 4.25% will be the peak for rates. The overall market reaction was contained with Sterling holding a firm tone. It traded above 1.2300 at the European close and close to 6-week highs while the Euro settled around 0.8840 from 0.8865 highs.

The GfK consumer confidence index recovered slightly to -36 for March from -38 previously, but slightly below expectations of -35. Sterling traded just below 1.2300 against the dollar in early Europe on Friday as a US recovery against European currencies limited support with the Euro trading around 0.8820.

CHF

The Swiss National Bank increased interest rates by 50 basis points to 1.50% at the latest policy meeting which was in line with consensus forecasts. The bank pointed to renewed inflation pressures and stated that further rate hikes may be needed. The bank reiterated that it was ready to intervene in currency markets if necessary and has been buying franc over the last few quarters. Chair Jordan stated that the Credit Suisse rescue was essential and called for the deal to be approved quickly.

The franc initially weakened following the decision before regaining ground. The Euro advanced to touch parity before dipping back to 0.9950 while the dollar dipped to 0.9120 before stabilising. The franc secured a limited net advance on Friday with the Euro around 0.9930 and the dollar around 0.9170.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1000	132.00	1.2450
Resistance 2	1.0935	131.35	1.2400
Resistance 1	1.0870	130.70	1.2335
	1.0830	130.40	1.2285
Support 1	1.0800	130.00	1.2265
Support 2	1.0730	129.40	1.2200
Support 3	1.0670	128.75	1.2130

Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
JPY	24/3	00:30	Jibun Bank Japan PMI Mfg	Mar		47.7
EUR	24/3	9:00	S&P Global Eurozone Manufacturing PMI	Mar	49.0	48.5
USD	24/3	12:30	Durable Goods Orders	Feb	1.5%	-4.5%
USD	24/3	13:45	S&P Global US manufacturing PMI	Mar	47.0	47.3

Source: Bloomberg

Risk warning

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