

MON 27 MARCH 2023 07:15

Daily FX Report

EUR / USD

The French manufacturing PMI data was slightly weaker than expected, but there was a stronger rebound for the services sector. There was a similar pattern for the German data with further deterioration in the manufacturing sector, but stronger rebound in the services sector.

The Euro-Zone manufacturing index retreated to 4-month low of 47.1 for March from 48.5 previously and below expectations of 49.0. In contrast, the services sector strengthened to a 10-month high of 55.6 from 52.7 previously and well above expectations of 52.5.

Manufacturing input prices declined for the first time since July 2020, but there was still substantial upward pressure on output prices.

The data impact was overshadowed by fresh fears surrounding the financial sector as European banks were subjected to renewed selling. In particular, there was sharp selling pressure on Deutsche Bank which undermined confidence.

As risk appetite deteriorated, the Euro was subjected to considerable selling pressure. With the dollar gaining an element of support on defensive grounds, the Euro dipped to lows at 1.0715 before a recovery to just above 1.0750 as US equities rallied.

Over the weekend, ECB council member Schnabel stated that headline inflation had begun to decline, but that core inflation has been sticky which maintained expectations of a relatively hawkish policy stance. The Euro opened slightly higher but was unable to gain significant traction as underlying caution surrounding the financial sector prevailed and it traded around 1.0765 against the dollar in early Europe on Monday.

JPY

The dollar came under pressure on Friday as US banking-sector fears increased once again and the yen also gained an element of defensive support.

Lower US yields also undermined the dollar with the 10-year yield sliding to around 3.30% and it dipped to lows around 129.65 against the yen.

The US manufacturing PMI index strengthened to a 5-month high of 49.3 for March from 47.3 the previous month and above consensus forecasts of 47.0. The services-sector data was also stronger with an increase to an 11-month high of 53.8 from 50.6 and above expectations of 50.5. The dollar gained an element of support from higher yields and equities also recovered to post net gains at the close. The dollar recovered to trade around 130.65 at the New York close.

Over the weekend, Minneapolis Fed President Kashkari stated that a credit crunch in the banking sector could push the economy closer to recession. He added that the Fed was watching the situation very closely, but also stated that it was too early for any forecast surrounding the next policy meeting.

Narrow ranges prevailed in Asia on Monday with the dollar challenging the 131.00 area and held net gains into the European open.

GBP

The UK PMI manufacturing index for March dipped to a 2-month low of 48.0 from 49.3 previously and below consensus forecasts of 50.0. The services-sector index recorded a slight decline also to a 2-month low of 52.8 from 53.5 and marginally below expectations of 53.0.

Overall business confidence strengthened to a 12-month high. There was a sharp decline in in supply-side difficulties for the month with the delivery times declining by the largest amount since 2009. Input prices increased at the lowest rate for two years, and although there was still strong upward pressure on output prices, it was the lowest rate of increase since August 2021.

The overall data impact was limited as markets focussed on fresh concerns surrounding the banking sector. As fear dominated, Sterling dipped to lows just below 1.2200 against the dollar. There was a tentative recovery to 1.2230 late in the session as financial stocks attempted to rally with the Euro around 0.8800.

Sterling traded just below 1.2250 on Monday as caution prevailed. Comments on the outlook from Bank of England Governor Bailey will be monitored closely on Monday, although he is unlikely to provide any clear guidance at this stage with equity markets also remaining a key component. For Sterling.

CHF

The Swiss franc secured fresh support from weaker risk appetite on Friday, especially with fresh reservations surrounding global banking stocks. The Euro dipped to below the 0.9900 level while the dollar settled just below the 0.9200 level.

Overall risk conditions will remain important with markets also monitoring legal developments surrounding the Credit Suisse takeover very closely.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.0935	132.60	1.2400
Resistance 2	1.0870	132.60	1.2335
Resistance 1	1.0800	131.35	1.2265
	1.0765	131.00	1.2230
Support 1	1.0730	130.70	1.2200
Support 2	1.0665	130.70	1.2130
Support 3	1.0600	129.40	1.2070

Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
EUR	27/3	9:00	Money Supply YoY	Feb	3.2%	3.5%

Source: Bloomberg

Risk warning

This is a marketing communication. The information in this report is provided solely for informational purposes and should not be regarded as a recommendation to buy, sell or otherwise deal in any particular investment. Please be aware that, where any views have been expressed in this report, the author of this report may have had many, varied views over the past 12 months, including contrary views.

A large number of views are being generated at all times and these may change quickly. Any valuations or underlying assumptions made are solely based upon the author's market knowledge and experience.

Please contact the author should you require a copy of any previous reports for comparative purposes. Furthermore, the information in this report has not been prepared in accordance with legal requirements designed to promote the independence of investment research. All information in this report is obtained from sources believed to be reliable and we make no representation as to its completeness or accuracy.

This report is not subject to any prohibition on dealing ahead of the dissemination of investment research. Accordingly, the information may have been acted upon by us for our own purposes and has not been procured for the exclusive benefit of customers. Sucden Financial believes that the information contained within this report is already in the public domain. Private customers should not invest in these products unless they are satisfied that the products are suitable for them and they have sought professional advice. Please read our full risk warnings and disclaimers (www.sucdenfinancial.com/en/risk-warning-and-disclaimers).