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Daily FX Report

EUR / USD

The Euro held a firm tone after Tuesday's open with the US dollar tending to drift lower as markets focussed on potential yield trends. Overall risk conditions were also solid with investors cheered by the absence of any negative developments in the US or European banking sectors.

US consumer confidence strengthened to 104.2 for March from a revised 103.4 the previous month and comfortably above consensus forecasts of 101.0. There was a decline in the present conditions component, but this was offset by a recovery in the expectations index. The expectations index, however, has been below 80 for 12 of the last 13 months which is often a signal of recession within the next 12 months.

The Richmond Fed manufacturing index recovered to -5 for March from -16 previously and above market expectations of -10. Shipments moved into positive territory for the month, but new and unfilled orders continued to decline. There was a net decline in employment for the month with wage pressure easing slightly. Upward pressure on costs eased, but with a slightly faster pace of selling-price increases.

The dollar was unable to gain significant support from the data and continued to drift lower amid more stable risk conditions and expectations of 2023 Fed rate cuts.

The Euro secured a net advance to just below 1.0850 before stabilising with further net support from expectations of a hawkish policy stance.

Markets will be wary over corporate month-end dollar buying during Wednesday and narrow ranges prevailed in early Europe with the Euro held around 1.0830.

JPY

The dollar was able to secure a recovery after the European open on Tuesday, but overall headway was limited and it was held below 131.00 against the yen.

The US goods trade deficit widened to \$91.6bn for February from \$91.0bn the previous month and slightly above consensus forecasts.

US Treasuries overall were little changed after the data releases and US yields were little changed with the 10-year yield above 3.50%.

The dollar was held in relatively tight ranges with the US currency settling around 131.00 at the European close.

Wall Street equities were unable to make headway as underlying caution prevailed with markets unwilling to make big commitments at this stage.

Markets remained wary over potential year-end capital repatriation ahead of the fiscal year-end which had some impact in curbing yen selling.

Bank of Japan officials maintained a dovish stance in testimony to parliament. Although there were no significant changes in US yields on Wednesday, the dollar posted strong gains during the Asian session and traded around 131.90 against the yen while the Euro advanced to 142.90 as the yen posted sharp losses.

GBP

In testimony to the Treasury Select Committee, Bank of England Governor Bailey stated that the bank was in a period of very heightened tension and alertness and that the bank remained vigilant. He also added that credit conditions had tightened, but that this was not a major issue at this time.

Bailey's overall tone offered some reassurance over the UK financial sector and Sterling held a firm overall tone with limited corrective retreats. The stable tone in global risk conditions also helped to underpin confidence in the Pound. The UK currency regained the 1.2300 level against the dollar and advanced to highs close to 1.2350 around the European close. The Euro was held in tight ranges with selling interest above the 0.8800 level and it settled around 0.8780.

Tight ranges prevailed on Wednesday with Sterling gaining further net support from stable risk conditions. Sterling settled around 1.2330 against the dollar with the Euro marginally higher around 0.8790. Markets will continue to monitor banking-sector and risk developments in the short term.

CHF

The franc was subjected to considerable selling pressure during Tuesday with defensive demand for the currency fading as risk appetite stabilised. The currency was also hampered by expectations that the National Bank would have to pursue a less aggressive monetary policy to help underpin the banking sector.

The Euro posted strong gains to 0.9970 with the dollar secured a net gain to 0.9200 despite vulnerability elsewhere.

There was little change on Wednesday with the Euro hitting resistance close to parity while the franc was hampered by a dip in the Japanese yen.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1000	133.30	1.2450
Resistance 2	1.0935	132.65	1.2400
Resistance 1	1.0870	132.00	1.2335
	1.0835	131.90	1.2320
Support 1	1.0800	131.35	1.2265
Support 2	1.0730	130.70	1.2200
Support 3	1.0665	130.00	1.2130

Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
USD	29/3	12:00	MBA Mortgage Applications	Mar 24		3.0%

Source: Bloomberg

Risk warning

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