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Daily FX Report

EUR / USD

The final Euro-Zone services PMI index was revised down to 55.0 from the flash reading of 55.6, but there was still a solid expansion on the month.

ECB council member Vasle stated that core inflation is still clearly on an upwards trend while fellow member Vujcic stated that further rate hikes may be needed.

The Euro was, however, unable to make further headway after Wednesday's European open with a slightly less confident risk tone curbing potential support.

ADP data recorded an increase in private US payrolls of 145,000 for March and below expectations of around 200,000, although the February increase was revised higher to 261,000 from the original reading of 245,000. There were notable declines in payrolls in manufacturing with sharp reductions in financial activities and business services. Regionally, there were sharp losses in the South. There was a slowdown in wages growth with the annual increase for job stayers slowing to 6.9% from 7.2%.

There was a significant downward revision to the US PMI services-sector index to 52.6 from the flash reading of 53.8.

The US ISM non-manufacturing index declined sharply to 51.2 for March from 55.1 the previous month and below expectations of 54.4. There was a slowdown in the rate of business activity growth and a much sharper slowdown in new orders growth while order backlogs declined. There was only a small employment increase for the month while supply-side stresses continued to ease.

There was a slowdown in prices growth with the lowest reading since July 2020 which suggested an underlying easing of inflation pressures.

The Euro posted gains in an immediate reaction to the data, but there was a quick retreat as the dollar proved resilient and bounced from fresh 2-month lows.

The Euro drifted lower to near 1.0900 before stabilising and traded close to 1.0900 on Thursday amid reservations surrounding the global economy.

The latest US jobs report will be released on Friday and will be important for underlying confidence in both the economy and dollar.

JPY

The dollar attempted to make headway after Wednesday's European open, but recoveries were held around 131.75 as dollar sentiment remained fragile.

The overall February trade deficit widened to a 4-month high of \$70.50 from \$68.70 the previous month with

exports and imports both declining on the month.

Treasuries posted further gains after the ISM data with the 2-year yield declining to 3.70% and the 10-year yield dipping to below 3.30%.

The dollar lost further ground after the US data with a dip below the 131.00 level against the yen.

Although Treasuries held a firm tone, the dollar was able to consolidate just above the 131.00 level.

China's Caixin PMI services index posted a strong gain to 57.8 for March from 55.0 previously and well above expectations of 54.8 with strong business confidence.

The new Bank of Japan Governor will take office at the end of this week with the central bank's yield curve control policy watched closely given the potential impact on the yen if the bank adjusts or abandons the policy and lets yields increase. The dollar was held in tight ranges on Thursday and traded around 131.30.

GBP

There was a marginal revision to the March PMI services-sector index to 52.9 from the flash reading of 52.8. Domestic influences were limited during the day with markets waiting for further evidence on the UK economy to assess whether the Bank of England will decide to push ahead with a further interest rate increase at the May policy meeting. At this stage, markeln the meantime, global trends will tend to dominate the UK currency moves.

Sterling was again unable to hold above 1.2500 against the dollar during the day and drifted lower as the dollar attempted to recover. The UK currency, however, traded above 1.2450 at the European close and held a firm overall tone as the Euro drifted lower to 0.8755.

There was little net change on Thursday with Sterling trading close to 1.2450 as markets continued to monitor global risk trends.

CHF

The Swiss franc maintained a firm tone on Wednesday with net support from lower US bond yields and a less confident risk tone. The Euro retreated to just below the 0.9900 level while the dollar recovered some ground to the 0.9060 area. The franc maintained a firm tone on Thursday with markets wary over the threat of global recession and the dollar edged higher to the 0.9070 area.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1065	132.65	1.2635
Resistance 2	1.1000	132.00	1.2570
Resistance 1	1.0935	131.40	1.2500
	1.0890	131.15	1.2445
Support 1	1.0870	130.75	1.2450
Support 2	1.0800	130.00	1.2400
Support 3	1.0740	129.40	1.2335

Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
USD	6/4	13:30	Initial Jobless Claims	Apr 1	200k	198k
USD	6/4	13:30	Change in Nonfarm Payrolls	Mar	240k	311k

Source: Bloomberg

Risk warning

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