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# Daily FX Report

## EUR / USD

Tight ranges prevailed ahead of the New York open with the caution ahead of the US data while the Euro maintained a firm overall tone above 1.0900 against the dollar.

US consumer prices increased 0.1% for March, slightly below consensus forecasts of 0.2% and the year-on-year inflation rate declined sharply to 5.0% from 6.0%. This was below expectations of 5.2% and the lowest headline reading since June 2021.

Food prices were unchanged on the month with an annual increase of 8.5% while energy prices declined 3.5% to give a 6.4% annual decline.

Underlying prices increased 0.4% on the month with the year-on-year rate edging higher to 5.6% from 5.5% and in line with market expectations.

There was another monthly decline in used vehicles prices with an 11.2% decline over the year. There was a strong increase in transport services prices with a 13.9% annual increase with shelter prices increasing 8.2% over the year. There were further concerns over services-sector inflation outside the housing sector.

The dollar dipped in immediate reaction to the data with relief that the core data was not even higher while there were also hopes that the headline figure would curb inflation expectations. There was only a slight shift in Fed Funds rate pricing with the chances of a further May rate hike seen at 67%.

ECB council member Holzmann stated that the inflation outlook suggests another 50 basis-point rate hike in May.

The hawkish rhetoric also underpinned the Euro and it strengthened sharply to test the 1.1000 level for the first time in over two months.

There was selling interest around this level, but the Euro held just below 1.1000 in early Europe on Thursday with support from strong Chinese trade data.

## JPY

According to new Bank of Japan deputy Governor Ucheda, the central bank will continue to ease monetary policy in order to achieve the 2% inflation target. There was, however, a continuing element of uncertainty over policy, especially with household inflation expectations increasing

Although the US core inflation data was in line with expectations, Treasuries posted sharp gains after the inflation data with the 10-year yield dipping below 3.40%.

The dollar dipped in immediate reaction to the US data with lows around 132.75 against the yen.

US yields recovered later in the session and the dollar recovered ground.

Richmond Fed Barkin stated that he definitely sees signs of demand cooling. San Francisco Head Daly stated that the central bank has more work to do on raising interest rates. She added that there is a lot of uncertainty about how long it takes for rate hikes to impact the economy. She also commented that the Fed is at a point where it does not expect to increase rates at every meeting. Overall, the dollar recovered to the 133.40 area against the yen.

According to minutes from March's policy meeting, several Fed officials considered whether to pause rates at the meeting. Many officials also lowered their estimate of peak rates following strains in the banking sector. The dollar edged lower after the minutes, although the impact was muted.

With dovish Bank of Japan rhetoric continuing, the dollar held around 133.35 on Thursday as the yen remained vulnerable on the crosses.

## GBP

Sterling was unable to make further headway after Wednesday's European open with resistance levels tough to break down. Selling pressure was, however, limited by firm risk conditions and further gains in UK equities.

Sterling posted further gains after the US inflation data and moved towards the 1.2500 level while the Euro posted a net advance to 0.8800.

Bank of England Governor Bailey was optimistic over the financial-sector outlook but no made comments on the outlook for interest rates.

UK GDP was unchanged in February compared with expectations of a 0.1% increase while there was a marginal 0.1% increase on a 3-month view. The data will maintain concerns over the UK stagflation threat and limit underlying Sterling support with the currency blocked at 1.2500 against the dollar and trading around 1.2480.

## CHF

The Swiss franc maintained a firm tone on Wednesday despite solid global risk conditions. The Euro was unable to make headway despite hawkish ECB rhetoric and settled just below the 0.9850 level while the dollar posted further notable losses to lows just below 0.8950.

The franc edged lower on Thursday with the Euro around 0.9860 as markets continued to monitor global yields and risk trends.

## Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1135	135.00	1.2635
Resistance 2	1.1065	134.40	1.2570
Resistance 1	1.1000	133.85	1.2500
	1.0985	133.35	1.2485
Support 1	1.0935	133.30	1.2450
Support 2	1.0870	132.65	1.2400
Support 3	1.0800	132.00	1.2335

## Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
GBP	13/4	7:00	Industrial Production MoM	Mar	7.1%	8.2%
GBP	13/4	7:00	Manufacturing Production MoM	Feb	-6.3%	9.5%
USD	13/4	13:30	Initial Jobless Claims	Apr 8	235k	228k
CNY	13/4	13:30	Trade Balance	Mar	\$39.95b	\$16.82b

Source: Bloomberg

### Risk warning

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