

THU 20 APRIL 2023 07:15

Daily FX Report

EUR / USD

The Euro-Zone current account surplus widened to EUR24.3bn for February from EUR17.0bn the previous month and well above expectations of EUR6.7bn. Although there was a substantial deficit in the second half of 2022, the Euro-Zone recorded a 12-month surplus of EUR114bn and equivalent to 0.9% of GDP.

ECB council member Lane stated that if baseline projections persists, it will be appropriate to increase interest rates further. There was still an important element of uncertainty whether there would be a 25 or 50 basis-point rate hike next month with markets pricing in around a 40% chance of a 50 basis-point hike.

The Euro still lost ground after the European open with the dollar securing net gains, especially with weaker equities underpinning the US currency.

The single currency dipped to lows below 1.0920, but it held above Tuesday's lows which helped underpin sentiment.

The Euro regained ground later in the day as the dollar was unable to hold gains, although tight ranges continued to prevail.

Overall, the Euro settled little changed around 1.0955 from highs at 1.0970. There was little change on Thursday with markets continuing to monitor central bank intentions surrounding interest rates. The Euro edged higher to the 1.0965 level ahead of the latest US data releases.

JPY

After the European open, there were media reports that the Bank of Japan was wary over adjusting the yield curve control policy at the April policy meeting. There were also reports that the bank is more comfortable with the yield curve and that there are elevated uncertainties surrounding the banking sector.

The Japanese currency lost ground after the comments and the dollar posted further gains with a move above the 135.00 level against the yen.

The dollar was unable to hold gains despite net losses for Treasuries and quickly retreated from 135.0.

The Fed's Beige Book reported that overall economic activity was little changed in recent weeks. Overall price levels continued to rise moderately but selling price pressures eased in manufacturing and services. The survey also reported that banks had tightened lending standards while loan demand had eased.

New York Fed President Williams stated that US inflation is too high and the Fed will act to lower price pressures. He added that inflation is moderating, but demand is still outstripping supply. According to Williams, it will take some time to gauge the impact of tighter banking conditions.

Markets remained very confident that rates will be increased again at the May policy meeting.

The latest US jobless claims data will be watched closely on Thursday for further evidence on underlying labour-market trends with the Philly Fed survey also due.

Japanese trade data recorded a record deficit for fiscal 2022/23, but yield trends dominated and the dollar settled around 134.60 from 134.80 highs.

GBP

Sterling posted further gains following the latest inflation data released on Wednesday. The higher than expected readings for headline and core inflation triggered a fresh increase in interest rate expectations. The chances of a rate hike to 4.50% at the May meeting are now seen at close to 100% while markets also now expect that rates will peak at 5.00% compared with around 4.85% ahead of the data.

After a jump to around 1.2465, Sterling surrendered gains as the US dollar regained ground and equities moved lower, but it did find support close to 1.2400 and there were renewed gains later in the session as the US currency lost ground and Bank of England expectations held firm.

Sterling settled around 1.2440 against the dollar with the Euro holding just above the 0.8800 level.

Sterling was marginally lower on Friday but traded around 1.2450 against the dollar with any Bank of England comments watched closely during the day.

CHF

National Bank member Maechler stated that the March rate hike will serve only to slow inflation towards the 2% mark and that inflation is still a worry despite slowing. She added that the bank remains ready to sell foreign currencies. Vice-Chairman Schlegel also commented that inflation was too high and clearly above the associated with price stability. The comments maintained expectations that the central bank could raise interest rates further.

The franc was unable to make headway with the Euro edging higher to the 0.9840 area, but the dollar was unable to hold the 0.9000 level and settled around 0.8955.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1135	136.30	1.2570
Resistance 2	1.1065	135.65	1.2500
Resistance 1	1.1000	135.00	1.2450
	1.0965	134.60	1.2445
Support 1	1.0935	134.40	1.2400
Support 2	1.0870	133.85	1.2335
Support 3	1.0800	133.30	1.2270

Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
JPY	20/4	5:30	Tertiary Industry Index MoM	Feb		0.9%
USD	20/4	13:30	Initial Jobless Claims	Apr 15		
USD	20/4	15:00	Existing Home Sales	Mar	4.50m	4.58m
USD	20/4	15:00	Leading Index	Mar	-0.4%	-0.3%
EUR	20/4	15:00	Consumer Confidence	Apr		-19.2

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).