

MON 24 APRIL 2023 07:15

# Daily FX Report

## EUR / USD

Both the French and German PMI releases recorded a steeper monthly manufacturing contraction on the month with a stronger rate of growth in services.

This pattern was repeated in the Euro-zone data as a whole as the manufacturing index dipped further to a 35-month low of 45.5 from 47.3 previously and below consensus forecasts of 48.0. The services sector index strengthened to a 12-month high of 56.6 from 55.0 and above market expectations of 54.5.

Although output prices increased at a strong rate for the month, it was the slowest rate of increase for 15 months.

Despite mixed data, the Euro posted a net advance into the New York open with a peak around 1.0990 as the dollar drifted lower.

The US manufacturing PMI index strengthened to a 6-month high of 50.4 for April from 49.2 and above consensus forecasts of 49.0. The services-sector index also strengthened to a 12-month high of 53.7 from 52.6 and above expectations of 51.5. New orders increased at the fastest rate for 11 months, but export orders continued to decline. There was a faster rate of increase in input costs for the month and output prices increased at the fastest rate for seven months.

The data eased concerns surrounding the US outlook and the increase in inflation expectations also reinforced expectations that the Federal Reserve would have to maintain an aggressive monetary stance to curb inflation. The dollar regained ground with the Euro dipping to lows below 1.0950. There was dollar selling on rallies with the Euro recovering to around 1.0990. Tight ranges prevailed on Monday with the Euro around 1.0980 amid tough 1.1000 resistance.

## JPY

There were expectations that the Bank of Japan would maintain a dovish stance at this week's policy decision. The dollar, however, remained under pressure after Friday's open and retreated to lows just above 133.50 against the Japanese currency.

Treasuries dipped after the US PMI data with higher yields underpinning the US currency. The dollar advanced to the 134.50 area before drifting back to near 134.00.

Fed Governor Cook stated that wages growth and hiring have slowed down. She added that the Fed is trying to figure out where the central bank needs to stop with rate hikes. The overall rhetoric was relatively dovish. The Fed will now be in a blackout period ahead of the May decision, but markets will be wary over any unofficial leaks.

There were reports over the weekend that the Bank of Japan would consider a long-term review of the impact of its easing policies.

At this stage, markets expect no change in monetary policy at this week's policy meeting, but there will be the risk

of choppy yen trading.

Comments from Bank of Japan Governor Ueda were generally dovish on Monday and the dollar secured limited net gains to the 134.30 area.

## GBP

The flash reading for the PMI business confidence data recorded a further manufacturing decline to a 3-month low of 46.6 for April from 47.9 previously and below expectations of 48.4. The services index strengthened to a 12-month high of 54.9 from 52.9 in March and above expectations of 52.9.

The composite outlook index also posted a 12-month high. Costs increased at the slowest rate since March 2021, but there was still a sharp increase in output prices with only a slight slowdown from record highs posted in April 2022. The overall reaction was limited with global trends tending to dominate.

Sterling dipped to lows below 1.2370 as the dollar recovered. The Euro also posted a significant net advance to 0.8850.

Sterling recovered to around 1.2440 as the dollar faded again with the Euro also edging back from daily highs.

Over the weekend, Bank of England Deputy Governor Ramsden stated that high inflation is a bigger risk than over-tightening and that he is focussed on staying the course on tightening. The comments maintained strong market expectations of a May rate hike.

CFTC data recorded a switch to a small, non-commercial long Sterling position for the first time since February 2022.

Credit Rating S&P removed the negative outlook on the UK credit rating with Sterling holding steady around 1.2430 against the dollar on Monday.

## CHF

The franc held a firm tone on Friday but was unable to generate further gains against major currencies. The Euro managed to find support below the 0.9800 level against the franc during Friday. The dollar managed to secure a limited recovery to 0.8935 before drifting lower again.

The dollar was unable to gain any traction on Monday and traded around 0.8920 amid generally more fragile risk conditions.

## Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1135	135.70	1.2570
Resistance 2	1.1065	135.00	1.2500
Resistance 1	1.1000	134.40	1.2450
	1.0980	134.30	1.2430
Support 1	1.0935	133.85	1.2400
Support 2	1.0870	133.30	1.2335
Support 3	1.0800	132.65	1.2270

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### Risk warning

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