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Daily FX Report

EUR / USD

The German IFO business confidence index strengthened to 93.6 for April from a revised 93.2 the previous month, but slightly below consensus forecasts. The current conditions component edged lower to 95.0 from 95.4 which was more than offset by a recovery in the expectations index to 92.2 from 91.0 the previous month.

The IFO remained cautious over the outlook with the economy still lacking momentum despite an increase in export expectations.

There was no major impetus from the data, although the Euro managed to push higher and test resistance above the 1.1000 level against the dollar.

In its latest monthly report, the Bundesbank stated that there had been a rebound in industrial production and that the economy is likely to have expanded in the first quarter of 2023 compared with previous expectations that there would be a small monthly contraction. It added that there had been a further boost to activity due to a surge in industrial orders. The bank added that unemployment is likely to fall slightly over the next few months, but consumption will still be hampered by high inflation.

The bank expects that services-sector inflation will decline slowly.

The Euro was able to maintain a firm tone later in the day with traders attempting to keep the pair above the 1.1000 level.

As the dollar drifted lower the Euro hit highs around 1.1035 ahead of the European close. The Euro continued to edge higher later in the day with ECB council member Schnabel stating that a 50 basis-point rate hike at the May meeting was not off the table. Consensus forecasts are for the ECB to decide on a 25-basis-point rate hike with expectations that the Fed will start to ease policy earlier than the ECB.

The Euro posted highs at 1.1065 and close to the 12-month peak before a marginal correction to 1.1050 as the dollar overall continued to drift lower to 1-week lows.

JPY

The yen was resilient in early Europe on Monday, but gradually lost traction amid expectations that the Bank of Japan would maintain a very accommodative policy stance at the latest meeting and the dollar advanced to highs just above 134.70 against the Japanese currency.

There were no major US data releases on Monday with the Chicago Fed national activity index remaining at -0.19 for March. The Dallas Fed manufacturing index deteriorated further to a 9-month low of -23.4 for April from -15.7 the previous month, although the underlying components were more positive with a slight net increase in inflation pressures for the month.

Treasuries were able to make limited headway after the New York open and lower bond yields sapped support for

the US currency as it dipped back below 134.50.

Markets will remain on alert for any unofficial policy leaks ahead of next week's policy decision.

Bank of Japan Governor Ueda stated that it is appropriate to maintain an easy monetary policy, but there was still some speculation that there could be a tinkering of the yield curve control programme at this week's policy meeting. The dollar found support close to 134.00 but struggled to hold gains ahead of the European open.

GBP

There were no significant domestic developments during Monday while risk appetite was relatively steady as the FTSE 100 index fluctuated around unchanged on the day. Markets continued to expect that the Bank of England would increase interest rates at the May policy meeting which underpinned the currency.

Sterling edged higher against the fragile dollar with a move above the 1.2450 level while the Euro moved back above the 0.8800 level.

Markets will continue to monitor any comments from Bank of England officials with Deputy Governor Broadbent due to speak on Tuesday.

Sterling briefly traded above 1.2500 in Asia on Tuesday as the dollar lost further ground with the Euro just above 0.8850.

CHF

Total Swiss sight deposits declined to CHF538.4bn in the latest week from CHF544.1bn the previous week, maintaining the run of choppy figures. The decline in deposits may indicate that the National Bank was looking to underpin the franc by tightening money-market liquidity.

The franc maintained a firm tone during the day as the Euro dipped to test support below the 0.9800 level while the dollar posted significant losses to trade below the 0.8900 level. The dollar remained under pressure on Tuesday and very close to 17-month lows posted in April.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1200	135.70	1.2635
Resistance 2	1.1135	135.00	1.2570
Resistance 1	1.1070	134.40	1.2500
	1.1055	134.15	1.2485
Support 1	1.1000	133.85	1.2450
Support 2	1.0935	133.30	1.2400
Support 3	1.0870	132.65	1.2335

Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
USD	25/4	15:00	New Home Sales	Mar	635k	640k
USD	25/4	15:00	Conf. Board Consumer Confidence	Apr	104.1	104.2

Source: Bloomberg

Risk warning

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