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# Daily FX Report

## EUR / USD

The Euro was unable to make any headway after Tuesday's European with the single currency sapped by weaker equities as risk appetite came under pressure. There was also underlying pressure for a correction after failing to post fresh 12-month highs against the US dollar.

US consumer confidence retreated to a 9-month low of 101.3 for April from a revised 104.0 the previous month and below expectations of an unchanged reading for the month. There was a stronger reading for the current situation at 151.1 from 148.9, but this was more than offset by a sharp decline in the expectations component to 68.1 from 74.0. Consumers were less confident over the longer-term labour-market outlook and the overall expectations component remained consistent with recession conditions. There were some further reservations surrounding the economy after the US data, although the focus turned towards the banking sector.

There were fresh concerns surrounding the US banking sector with a particular focus on First Republic. Its share prices posted sharp losses to record lows amid a large decline in deposits and there were fresh concerns surrounding the risk of contagion within the financial sector.

Risk appetite deteriorated further and the Euro lost ground despite lower US yields. The single currency dipped back below the 1.1000 level with lows around 1.0970 at the European close and the dollar held strong into the New York close. Risk appetite attempted to stabilise on Wednesday with the Euro holding around 1.0985.

## JPY

The yen briefly dipped after Tuesday's European open, but the dollar was unable to move above 134.50 and the yen quickly recovered ground.

The Richmond Fed manufacturing index retreated further to -10 for April from -5 the previous month and slightly below market expectations. Shipments, together with new and unfilled orders, all posted further contraction on the month. There was no change in employment for the month and upward pressure on wages increased slightly. There was, however, a stronger rate of increase in price pressures for the month.

New home sales increased to an annual rate of 633,000 for March from a revised 623,000 the previous month.

The Philadelphia Fed non-manufacturing index dipped further to -22.8 for April from -12.8 previously. Employment and inflation indicators were mixed, although there was stronger upward pressure on wages. The data overall increased stagflation concerns.

Treasuries posted further gains after the data and there was also an element of defensive support as risk appetite deteriorated.

There was an element of caution ahead of Friday's Bank of Japan policy decision with some speculation over limited policy adjustments.

The dollar lost ground overall and dipped below 133.50 against the yen. US yield stabilised on Wednesday with the dollar trading just above the 133.50 level.

## GBP

There was no significant reaction to the latest UK government borrowing data with markets considering that the government was pledged to maintain a broadly credible fiscal policy. The CBI industrial orders index was unchanged at -20 in the latest month and in line with consensus forecasts.

Bank of England Deputy Governor Broadbent stated that the bank would have raised interest rates quicker if it had seen inflation shocks coming. There were no comments on the outlook for monetary policy and interest rates. Bank chief economist Pill stated that the UK needed to accept that there would be a decline in living standards rather than attempting to maintain standards by pushing for higher wages and prices which would risk an inflationary spiral.

Sterling was unable to make any headway during the day, primarily due to the slide in risk appetite during the day. The UK currency dipped to lows below 1.2300 against the firmer dollar while the Euro strengthened to highs around 0.8875 before a retreat to 0.8840.

Sterling edged higher to the 1.2425 area on Wednesday as risk appetite attempted to stabilise with little net change for the Euro.

## CHF

The Swiss franc held a broadly firm tone on Tuesday with net support from a renewed dip in risk appetite. Renewed concerns surrounding the US banking sector underpinned the franc, although there were also some reservations surrounding the Credit Suisse situation. The Euro came under wider pressure and dipped to just below 0.9780 while the dollar posted a tentative net recovery to 0.8915. The US currency traded just above the 0.8900 level on Wednesday.

## Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1135	135.00	1.2570
Resistance 2	1.1070	134.40	1.2500
Resistance 1	1.1000	133.85	1.2450
	1.0985	133.65	1.2425
Support 1	1.0935	133.30	1.2400
Support 2	1.0870	132.65	1.2335
Support 3	1.0800	132.00	1.2270

## Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
USD	26/4	12:00	MBA Mortgage Applications	Apr 21		
USD	26/4	13:30	Durable Goods Orders	Mar	0.9%	-1.0%

Source: Bloomberg

#### Risk warning

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