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Daily FX Report

EUR / USD

The Euro-Zone PMI services-sector index was revised down to 56.2 for April from the flash reading of 56.6 despite an upward revision for Germany.

The ECB increased interest rates by 25 basis points at the latest council meeting which was in line with consensus forecasts. There was, however, a shift in guidance with no formal commitment in the statement that there would be further rate hikes. The bank is determined to bring inflation down and dependent on the data releases.

The Euro dipped sharply in immediate reaction to the statement with a dip to near 1.1000 against the dollar.

According to bank President Lagarde, the outlook for inflation still offers substantial upside risks and longer-term inflation expectations warrant monitoring. She also noted that wage pressures have strengthened further. As far as policy is concerned, she added that the interest rate increases were being transmitted strongly.

According to Lagarde everyone on the council agreed that interest rates needed to be increased and some members pushed for an increase of 50 basis points.

She added that it is very clear that the central bank is not pausing and that the bank is independent from the Fed.

Lagarde's rhetoric helped pull the Euro higher again, although there was also a headwind from a fresh decline in US equities.

The Euro again tested the 1.1000 area later in the session before a recovery to around 1.1040 on Friday. The dollar lost ground in global markets and there was some reassessment of the ECB rhetoric on Thursday. There will be further choppy trading surrounding the US jobs data on Friday.

JPY

The US initial jobless claims increased to 242,000 in the latest week from a revised 229,000 previously and slightly above consensus forecasts of 240,000, but continuing claims declined to 1.81mn from 1.84mn previously.

The latest Challenger survey recorded a decline in layoffs to 67,000 for April from 89,700 previously, but the year-to-date total is over 300% higher than the previous year and hiring plans dipped to the lowest level since 2016.

There was choppy trading in US Treasuries after the New York open with markets again watching the banking sector closely amid further losses in regional banks.

There was further strong selling in regional banks which undermined risk appetite and the yen secured

renewed support with the dollar dipping below the 134.00 level.

The latest US employment report will be released on Friday with consensus forecasts for an increase in non-farm payrolls of around 180,000 with the unemployment rate ticking higher to 3.6%. Average earnings are expected to increase 0.3% on the month.

The dollar was unable to make any headway on Friday despite a steadier risk tone and traded close to the 134.00 level against the yen.

GBP

The UK PMI services-sector index was revised higher to 55.9 from the flash reading of 54.9. Overall business optimism strengthened to the highest level since March 2022 while there was strong upward pressure on costs with a particular focus on stronger wages growth.

UK mortgage approvals increased to 52,000 for March from a revised 44,000 the previous month, although there was only a marginal increase in overall mortgage lending. There was a faster rate of increase in consumer credit growth for the month.

The data overall was slightly positive for the currency with markets maintaining a slightly more optimistic assessment over the outlook.

Sterling was resilient in the face of fresh concerns over the US banking sector with markets considering that the UK financial sector is strong. Despite fragile risk conditions, Sterling held its ground against the dollar while the Euro retreated to 0.8760 and close to 4-week lows.

Sterling posted fresh 11-month highs just above 1.2600 against the dollar on Friday with the Euro holding just above 0.8750.

CHF

The Swiss franc maintained a strong tone on Thursday with on-going concerns surrounding the banking sector continuing to underpin the Swiss currency. Further demand for gold was also a significant element in supporting the franc during the day. The Euro dipped to the 0.9750 area against the franc while the dollar secured a limited net recovery to 0.8870. The franc held steady on Friday ahead of the latest Swiss inflation data with the dollar around 0.8840.

Technical Levels

| | EUR/USD | USD/JPY | GBP/USD |
|--------------|---------|---------|---------|
| Resistance 3 | 1.1200 | 135.40 | 1.2765 |
| Resistance 2 | 1.1135 | 134.75 | 1.2700 |
| Resistance 1 | 1.1070 | 134.20 | 1.2635 |
| | 1.1035 | 134.00 | 1.2605 |
| Support 1 | 1.1000 | 133.60 | 1.2570 |
| Support 2 | 1.0935 | 133.00 | 1.2500 |
| Support 3 | 1.0870 | 132.40 | 1.2450 |

Economic Calendar

| Currency | Date | Time | Indicator | Period | Survey | Prior |
|----------|------|-------|----------------------------|--------|--------|-------|
| USD | 5/5 | 13:30 | Change in Nonfarm Payrolls | Apr | 180k | 236k |
| USD | 5/5 | 13:30 | ADP Employment Change | Apr | 3.6% | 3.5% |

Source: Bloomberg

Risk warning

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