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Daily FX Report

EUR / USD

US non-farm payrolls increased 253,000 for April compared with expectations of a round 180,000, although there was a downward revision for March to 165,000 from the original 236,000. There were small increases in manufacturing and construction jobs with a net decline for wholesale trade and temporary help categories.

According to the household survey, the unemployment rate edged lower to 3.4% from 3.5% and below market expectations of 3.6%. The participation rate was unchanged at 62.6% and there was a smaller employment increase of 139,000 with an increase of over 200,000 in those not in the labour force

Average hourly earnings increased 0.5% compared with expectations of 0.3% with a year-on-year increase of 4.4% from 4.3% and above expectations of 4.2%.

The dollar posted initial gains on the headline data, especially with stronger than expected wages data, and the Euro dipped sharply to lows just below 1.0970.

The dollar was unable to hold the gains with sentiment dampened by the downward revision to March's payrolls increase. There were also still expectations that the Federal Reserve would move to cut interest rates later this year. In this environment, the Euro moved back above the 1.1000 level to around 1.1030.

The Euro-Zone Sentix investor confidence index dipped again to -13.1 for May from -8.7 previously and below expectations of -8.0. the expectations index also dipped to the lowest level since December 2022. ECB chief economist Lane stated that there is still a lot of momentum and inflation.

The Euro was unable to gain support and drifted towards the 1.0000 area against the dollar and traded just below the 1.1000 level in early Europe on Tuesday.

JPY

The US dollar posted strong gains after Friday's jobs data with a spike to highs just above the 135.00 level. The dollar failed to hold its best levels, especially with Treasuries gaining some ground. The US currency drifted lower late in the session as Treasuries regained some ground.

The US employment index recovered to 116.18 for April from a downwardly-revised 115.51 for March, but well below expectations.

US yields moved higher during the day which helped underpin the dollar as it moved back above the 135.00 level.

The latest New York survey recorded a decline in 1-year inflation expectations to 4.4% from 4.7%, although longer-term expectations were marginally higher.

The Federal Reserve Senior Loan survey recorded a tightening of credit standards and weaker demand for

business loans. there was also a significant widening of spreads which will make loans more expensive. Overall, there was some relief that there had not been a more substantial tightening of credit conditions.

Markets were continuing to monitor US debt-ceiling developments with Treasury Secretary Yellen again warning that cash would run out on June 1st.

Bank of Japan Governor Ueda stated that the yield curve control would end once the bank can see inflation sustainably meeting the 2% target.

The dollar overall strengthened to highs just above 135.30 before dipping back to just below 135.00 in early Europe on Tuesday.

GBP

The UK PMI construction sector index edged higher to 51.1 for April from 50.7 the previous week and slightly above consensus forecasts of 50.9. there was a sharp easing of supply constraints in the sector and prices increased at the slowest rate since November 2020. Sterling maintained a firm overall tone on Friday and, after a dip to 1.2560 against the dollar after the US employment data, the UK currency recovered strongly back above the 1.2600 level.

Sterling posted fresh 11-month highs around 1.2670 in early Europe on Monday but failed to hold the gains and drifted lower with UK markets closed for a holiday.

The Euro also dipped to 2023 lows just below 0.8715 before a slight recovery.

BRC data recorded like-for-like retail sales growth of 5.2% for April from 4.9% previously which continued to imply declining volumes. Sterling held above 1.2600 against the dollar on Tuesday with the Euro around 0.8715 and close to 2023 lows amid expectations of another Bank of England rate hike this week.

CHF

Swiss consumer prices were unchanged for April compared with consensus forecasts of a 0.2% increase with the year-on-year increase slowing to 2.6% from 2.9% and also below expectations of 2.8%. The Swiss franc dipped sharply after the data with expectations that lower inflation would provide relief for the National Bank.

The Euro strengthened to near 0.9850 against the franc, but the Swiss currency recovered ground on Monday with a Euro retreat to below 0.9800. From highs around 0.8970, the dollar also dipped sharply to just below 0.8900 before stabilising just below this level on Tuesday.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1135	136.60	1.2765
Resistance 2	1.1070	136.00	1.2700
Resistance 1	1.1000	135.30	1.2635
	1.0995	134.85	1.2620
Support 1	1.0935	134.75	1.2570
Support 2	1.0870	134.20	1.2500
Support 3	1.0800	133.60	1.2450

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