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# Daily FX Report

## EUR / USD

The German ZEW economic sentiment index dipped to -10.7 for May from 4.1 previously and below expectations of -5.3. There was also a small decline in the current conditions component to -34.8 from -32.5, although this was slightly stronger than consensus forecasts. Euro-Zone GDP was confirmed at 0.1% for the first quarter of 2023 with a 1.3% annual increase. The Euro held firm into the US open, but only briefly moved above the 1.0900 level against the dollar before drifting lower again.

The data overall maintained reservations over the Euro-Zone outlook after a run of generally disappointing data releases.

Headline US retail sales increased 0.4% for April after a revised 0.7% decline the previous month and below expectations of 0.8%. Underlying sales also increased 0.4%, but met market expectations while the control group recorded a 0.7% monthly increase.

After briefly retreating on the headline sales data, the dollar regained support during the New York session with the Euro declining to lows just below 1.0860.

There were no substantive developments surrounding the debt ceiling and the Euro was held around 1.0860 in early Europe on Wednesday and tending to drift lower. Overall confidence in the Euro-Zone outlook remains less confident which will tend to curb Euro support.

## JPY

The dollar held firm into Tuesday's New York open, although it was held below 136.00 against the yen.

US industrial production increased 0.5% for April compared with consensus forecasts of a marginal decline while manufacturing output increased 1.0% on the month. The NAHB housing index recovered further to 50 for May from 45 previously and above expectations of 45.

Cleveland Fed President Mester stated that she doesn't think the central bank is at a spot to hold rates yet. She added that rates are not restrictive enough and that she is not at a point where it is equally probable that the next move in rates is for an increase or decrease.

Richmond head Barkin stated that he likes the optionality in the may policy statement and that most people he talks to see a downturn in the next few months.

Dallas head Logan stated that the Fed may need to move more slowly when conditions are uncertain. Atlanta Fed President Bostic admitted that there will be enormous pressure on the central bank if unemployment starts to rise and inflation remains sticky.

Treasuries lost ground after the housing data and Fed rhetoric with the 10-year yield increasing to above 3.50%. As yield moved higher, the dollar gathered strength and strengthened to highs near 136.70 before a retreat to

136.35. House majority leader McCarthy stated that some progress had been in made in debt-ceiling talks.

Japan's GDP data was stronger than expected with 0.4% for the first quarter of 2023 and there was also some speculation that the Bank of Japan would adjust policy at the June meeting. The yen, however, was unable to gain support and the dollar posted further gains to around 136.80 in early Europe on Wednesday.

## GBP

Sterling initially remained on the defensive after the latest UK jobs data with markets focussing on the decline in employment and increased labour supply. Sterling dipped to lows just below 1.2470 against the dollar before stabilising.

There was some reassessment of the data with strength in wage increases maintaining expectations that the Bank of England would increase interest rates again. Sterling recovered ground and pushed to highs near 1.2550 against the dollar before a fresh retreat below 1.2500 as the dollar advanced.

The Euro settled close to the middle of a 0.8680-0.8720 range seen during the day with markets monitoring also global risk conditions.

Comments from Bank of England Bailey will be monitored on Wednesday and Sterling was unable to make any headway with a retreat to near 1.2450 against the dollar in early Europe as European currencies remained generally out of favour in global markets.

## CHF

The Swiss franc was little changed against the Euro on Tuesday and settled around 0.9740 with expectations that the ECB and Swiss National Bank would raise interest rates again at the next policy meeting. The dollar found support at 0.8920 and strengthened to around 0.8960.

There was no impact on the franc from a dip in gold and the dollar was held around 0.8970 in early Europe on Wednesday.

## Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1000	138.60	1.2635
Resistance 2	1.0935	138.00	1.2570
Resistance 1	1.0860	137.30	1.2500
	1.0855	136.80	1.2460
Support 1	1.0800	136.65	1.2440
Support 2	1.0740	136.00	1.2380
Support 3	1.0675	135.30	1.2325

## Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
JPY	17/5	0:50	GDP Annualised SA QoQ	1Q	0.2%	0.0%
JPY	17/5	5:30	Industrial Production YoY	Mar		-0.7%
EUR	17/5	10:00	CPI YoY	Apr	7.0%	6.9%
USD	17/5	12:00	MBA Mortgage Application	May 12		6.3%
USD	17/5	13:30	Housing Starts	Apr	1396k	1420k

Source: Bloomberg

#### Risk warning

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