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# Daily FX Report

## EUR / USD

The Spanish inflation rate declined sharply to 3.2% from 4.1% and well below expectations of 4.4%, maintaining the possibility of a wider Euro-Zone inflation retreat.

The Euro came under pressure after the European open and dipped to 9-week lows below 1.0700 against the dollar.

The Euro-Zone industrial sentiment index dipped to -5.2 for May from -2.8 previously while the services-sector index also retreated to 7.0 from 9.9 with both figures well below market expectations. The overall business and consumer survey index retreated to 96.5 from 99.0 and also below expectations.

Although the data was weaker than expected and maintained concerns over the outlook, the Euro quickly moved back above the 1.0700 level.

US consumer confidence retreated to 102.3 for May from 103.7 in April, although there was a significant upward revision to the April reading from 101.3 and the May figure was above expectations of 99.0. There was only a slight decline in the expectations index as it remained below the key level of 80 and in recession territory. Confidence in the labour market deteriorated, although confidence in incomes and wages held firm.

The dollar gained some ground after the data, but the Euro resisted selling pressure as US yields edged lower.

There will be further choppy trading on Wednesday due to month-end position adjustment. There will also be a vote on the debt-ceiling deal in the House of Representatives. The Euro settled just below 1.0700 on Wednesday as the dollar secured a tentative fresh advance in global markets.

## JPY

The dollar dipped lower against the yen just after Tuesday's European open with the announcement of an emergency meeting by Japanese authorities.

Japanese top currency diplomat Kanda stated that officials are watching forex moves closely and it was important for currencies to move stably reflecting economic fundamentals. He did, however, add that he was not focussing on any specific currency levels. These comments were milder than feared and triggered a fresh dollar surge with a second peak around 130.90. There was, however, a renewed reversal ahead of the New York open with the US currency dipping below the 140.00 level.

Manufacturing data remained weak with the Dallas Fed manufacturing index sliding to a 3-year low of -29.1 for May from -23.4 previously.

Despite a blip higher after the consumer confidence data, the dollar was unable to regain momentum.

Cleveland Fed President Mester maintained a hawkish stance and stated that there was no compelling reason to wait on rate hikes. Richmond head Barkin stated that the outlook for rates is mixed with evidence of slowing demand offset by the fact that businesses are still trying to increase prices.

Chinese PMI data was weaker than expected with the manufacturing index edging lower to 48.8 from 49.2 while the non-manufacturing index declined to 54.5 from 56.4. The data helped maintain a cautious stance towards risk with the yuan weaker, but the dollar was held just below the 140.00 level and dipped to near 139.50.

## GBP

Sterling held steady as UK markets re-opened on Tuesday and there were significant gains into the US open. After finding solid support below 1.2350 against the dollar, there was a solid advance to above 1.24. There was a significant element of position adjustment which will again be a feature on Wednesday.

There were no significant domestic developments with Sterling continuing to gain net support from expectations of further Bank of England rate hikes.

There was also an element of position adjustment with the UK currency hitting highs near 1.2450 before a correction.

The latest Lloyds Bank business confidence data retreated for May, the first decline for three months. Overall confidence in the global outlook also remained fragile which limited the scope for further Sterling buying. The UK currency traded just below 1.2400 against the dollar with the Euro remaining weak just above 0.8630.

## CHF

Swiss GDP increased 0.3% for the first quarter of 2023 compared with expectations of 0.1%, although the year-on-year rate met expectations at 0.6%. The KOF business confidence index dipped sharply to 90.2 for May from a revised 96.1 previously and well below consensus forecasts of 95.0.

Swiss sight deposits increased slightly to CHF516.7bn from CHF515.7bn the previous week which suggests that the National Bank may have decided that liquidity conditions have tightened enough. The Euro attempted a correction, but was held below the 0.9700 level while the dollar was held below 0.9050.

The franc lost some ground on Wednesday with the Euro just above the 0.9700 level and the dollar around 0.9085.

## Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.0865	141.30	1.2565
Resistance 2	1.0800	140.70	1.2500
Resistance 1	1.0740	140.00	1.2440
	1.0695	139.50	1.2390
Support 1	1.0680	139.30	1.2380
Support 2	1.0630	138.70	1.2320
Support 3	1.0570	138.20	1.2265

## Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
JPY	31/5	00:50	Industrial Production YoY	Apr		-0.6%
JPY	31/5	00:50	Retail Trade YoY	Apr	4.8%	7.2%
CNY	31/5	02:30	NBS Manufacturing PMI	May	49.5	49.2
JPY	31/5	06:00	Consumer Confidence Index	May	34.6	35.4
USD	31/5	12:00	MBA Mortgage Application	May 26		-4.6%
USD	31/5	15:00	JOLTS Job Openings	Apr	9.283m	9.59m
USD	31/5	19:00	Fed's Beige Book			

Source: Bloomberg

#### Risk warning

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