

MON 05 JUNE 2023 07:15

# Daily FX Report

## EUR / USD

Consolidation dominated ahead of Friday's US jobs data. The US non-farm payrolls increased 339,000 for May compared with expectations of close to 200,000 while the April increases was revised higher to 294,000 from 253,000. Manufacturing payrolls declined 2,000 on the month and there was a small decline in the information sector while government jobs increased over 55,000 for the month.

According to the household survey, the unemployment rate increased to 3.7% from 3.4% and above expectations of 3.5%. The survey reported an unchanged participation rate with a decline of over 300,000 in the number of employed.

Average hourly earnings increased 0.3% on the month with the annual increase slowing slightly to 4.3% from 4.4% after a slight downward revision for April. The household survey and wages data provided an element of relief over the potential labour market and inflation pressures.

The dollar, however, posted gains after the data as markets responded to the much stronger than expected increase in payrolls. The Euro rallied briefly before losing ground to trade around 1.0715 at the European close.

CFTC data recorded only a small decline in the number of long Euro, non-commercial contracts to below 166,000 in the latest week, maintaining the scope for a culling of long positions. The dollar maintained a firm tone on Monday with the Euro testing the 1.0700 area.

The latest ISM non-manufacturing data will be released on Monday which will also have a significant impact on overall economic expectations.

## JPY

Treasuries lost ground after the US jobs data with the 10-year yield increasing to near 3.70%. There was a fresh shift in Fed Funds futures with the chances of a June rate hike increasing to near 35%. Equities posted gains despite the increase in bonds which limited scope for yen support. In this environment, the dollar posted gains to around 139.90 at the European close.

There were some further warnings from ratings Agency Fitch that the US rating remained on negative watch and the decision will be resolved during the third quarter.

Treasuries remained on the defensive later in the day with the dollar testing the 140.0 level against the Japanese currency.

The Fed should now be in a blackout period ahead of the June 14<sup>th</sup> policy decision, but markets will remain on alert for any unofficial briefing through the Wall Street journal. The situation will be complicated by the fact that the latest consumer prices inflation data will be released on June 13th which could have an important impact on the Fed decision at the next meeting.

The Chinese Caixin PMI services-sector index strengthened to 57.1 for May from 55.2 previously which underpinned hopes for the Chinese economy and underpinned risk appetite. The dollar continued to test resistance above 140.00 at around 140.20, even though markets were wary over the threat of further verbal intervention.

## GBP

There were no significant domestic developments on Friday. Markets were monitoring the UK housing sector with some concerns over potential weakness and there was also a paring of long Sterling positions into the weekend.

Sterling dipped lower after the US jobs data and registered further losses to 1.2460 at the European close while the Euro recovered to just above 0.8600.

CFTC data recorded a further net increase in long, non-commercial positions to just above 13,000 contracts in the latest week from below 12,000 the previous week and the largest long position since November 2021.

Sterling was unable to make headway on Monday and traded around 1.2425 against the dollar with the Euro just above the 0.8600 level.

## CHF

The Swiss franc was resilient on Friday despite stronger equity markets. Markets were continuing to monitor global economic developments and central bank policy decisions. There are further expectations that the National Bank will raise interest rates at the June policy meeting. The Euro edged lower to 0.9735 while the dollar secured only a limited net advance to 0.9085. The latest Swiss inflation data will be released on Monday with the dollar trading around 0.9100.

## Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.0800	142.00	1.2565
Resistance 2	1.0750	141.30	1.2500
Resistance 1	1.0700	140.70	1.2440
	1.0695	140.20	1.2425
Support 1	1.0640	140.00	1.2380
Support 2	1.0580	139.30	1.2320
Support 3	1.0520	138.70	1.2250

## Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
CNY	5/6	1:45	Caixin Services PMI	May	57.1	56.4
EUR	5/6	8:00	HCOB Composite PMI	May	53.3	53.3
GBP	5/6	8:30	S&P Global Composite PMI	May	53.9	53.9
USD	5/6	13:45	S&P Global Composite PMI	May	54.5	54.5
USD	5/6	13:45	Factory Orders MoM	Apr	0.5%	0.9%
USD	5/6	14:00	ISM Services PMI	May	51.5	51.9
JPY	5/6	23:30	Household Spending YoY	Apr	-2.3%	-1.9%

Source: Bloomberg

#### Risk warning

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