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Daily FX Report

EUR / USD

The Euro edged higher after Thursday's European, although tight ranges prevailed as markets waited for major developments.

Euro-Zone GDP data was revised to show a 0.1% decline for the first quarter of 2023 compared with the flash estimate of 0.1%, maintaining underlying reservations surrounding the Euro-Zone outlook with the economy registering a technical recession.

Markets still expect that the ECB will increase interest rates in June and July which provided Euro support.

US initial jobless claims increased to 261,000 in the latest week from a revised 233,000 previously. This was well above consensus forecasts of 235,000 and the highest reading since October 2021, although the increase in claims was concentrated in two states. Continuing claims declined to 1.76mn from 1.79mn the previous week.

The higher figure for initial claims triggered fresh concerns that the labour market was weakening, although the data overall has not provided a clear signal over the past few months. Firmer equities also provided net support for the Euro.

The dollar overall lost ground and the Euro secured a further net advance to highs above 1.0780.

On Friday, there will be significant position adjustment ahead of the weekend, especially with the Federal Reserve and ECB both announcing their latest policy decisions next week. The Euro held around 1.0780 on Friday with markets continuing to monitor any central bank guidance very closely.

JPY

The dollar was unable to regain the 140.00 level against the yen after Thursday's European open. Treasuries posted significant gains after the US jobless claims data with a sharp decline in the 10-year yield to near 3.70% from above 3.80%.

The US currency lost traction as yields moved lower again and the dollar dipped to lows near 138.80 against the Japanese currency.

There was little net change in Fed Funds futures with the chances of a June rate hike just above 30%

The Federal Reserve remains in a blackout period ahead of next week's policy decision. Given uncertainty over June's policy decision, markets will be on high alert for unofficial guidance from the central bank through the Wall Street Journal.

The Chinese producer prices data recorded a 4.6% decline in the year to May compared with expectations of a 4.3% retreat. The data will reinforce reservations over the Chinese economy, but will also tend to keep global manufacturing pressures down.

The dollar recovered some ground on Friday with markets still wary over the possibility of a June Fed rate hike and the US currency traded around 139.30.

GBP

There were no significant UK developments on Thursday with Sterling gaining an element of protection from expectations that the Bank of England would be aggressive in raising interest rates. The UK currency gained fresh support as US yields moved lower and there was also support from gains in US equities. Markets were still wary over the threat of higher global interest rates.

As the dollar lost ground, Sterling tested the 1.2500 level and a break above this level triggered further gains to highs just above 1.2550.

The Euro also registered net losses to just below the 0.8590 level with some interest in carry trades.

Sterling held close to 1.2550 against the dollar on Friday as tight ranges prevailed with the Euro unable to regain the 0.8600 level as equities held firm.

CHF

Swiss National Bank Chair Jordan stated that inflation is more persistent than the bank thought. He added that it was really important to bring Swiss inflation to the level of price stability. He added that it did not make sense for the central bank to let inflation increase and then have to increase rates more aggressively.

The Swiss franc reversed losses after Jordan's comments with the Euro dipping to test support below 0.9700 from highs around 0.9760. The dollar posted sharp losses and tested the 0.9000 level. The franc maintained a firm tone on Friday with the dollar unable to pull away from the 0.9000 area.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.0930	140.70	1.2700
Resistance 2	1.0865	140.00	1.2635
Resistance 1	1.0800	139.35	1.2565
	1.0775	139.30	1.2550
Support 1	1.0750	138.75	1.2500
Support 2	1.0700	138.00	1.2440
Support 3	1.0640	137.40	1.2380

Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
CNY	9/6	1:30	Consumer Price Index YoY	May	0.1%	0.1%
CNY	9/6	1:30	Producer Price Index YoY	May	-3.9%	-3.6%

Source: Bloomberg

Risk warning

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