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Daily FX Report

EUR / USD

The latest French and German PMI releases were all weaker than expected with a notable surprise that French services dipped into contraction territory for June.

The overall Euro-Zone PMI business confidence data for June recorded a decline in the manufacturing index to a 37-month low of 43.6 for June from 44.8 the previous month and compared with an unchanged reading for the month.

The services-sector index also retreated to a 5-month low of 52.4 for the month from 55.1 previously and well below expectations of 54.5.

Input costs rose at the slowest rate since December 2020 and average selling prices for goods and services rose at the weakest rate since March 2021.

The data will reinforce near-term unease surrounding the Euro-Zone outlook.

At this stage, the ECB has maintained a hawkish policy stance and is expecting to increase interest rates further at the July policy meeting. There will, however, be increased doubts over the central bank stance if the economy deteriorates further and inflation pressures appear to ease.

The Euro dipped sharply after the weaker than expected data and dipped to lows below 1.0850 against the dollar before a tentative recovery to near 1.0900 as the single currency proved resilient. Markets were monitoring developments in Russia with the Euro close to 1.0900 on Monday.

JPY

There was choppy dollar against the yen ahead of Friday's New York open with the yen unable to gain sustained support amid negative sentiment.

The US PMI manufacturing index dipped to a 6-month low of 46.3 for June from 48.4 previously and below expectation of 48.5.

The services-sector index edged lower to a 2-month low of 54.1 from 54.9 and in line with expectations. Within the data, overall selling prices increased at the slowest rate since October 2020. Manufacturing prices increased at the slowest rate for three years with services-sector increases at 5-month lows.

Although overall US yields edged lower on the day and equities lost further ground, the yen remained under pressure during the day and the dollar posted fresh 7-month highs near 143.90 at the European close.

San Francisco Fed President Daly stated that the risk over-tightening and under-tightening are about balanced while two more rate hikes is a reasonable projection.

Japan's vice finance minister for international affairs Kanda stated that recent yen move had been rapid and one-sided, reinforcing the potential for intervention through the Bank of Japan. In the June minutes, one central bank member called for an early shift in the yield curve control policy and inflation forecasts were increased, increasing speculation over a July policy change. The yen regained some ground, although the move was limited with the dollar trading around 143.35.

GBP

The latest UK PMI business confidence data recorded a decline in the manufacturing index to a 6-month low of 46.2 for June from 47.1 previously and below consensus forecasts of 46.8. The services-sector index also retreated to a 3-month low of 53.7 from 55.2 and below expectations of 54.8.

Total private sector input cost inflation was the weakest since February 2021, but the rate of increase in prices charged eased only slightly in June. Primarily, this reflected further strong price increases in the services sector with upward pressure on wages again the principal culprit.

The data maintained reservations surrounding the outlook and reinforced concerns that the Bank of England would have to be even more aggressive to bring service-sector inflation under control. Yields moved higher with the 2-year yield at fresh 15-year high near 5.15%, although Sterling failed to benefit.

Weaker risk appetite sapped support for the currency with lows at 1.285 against the dollar while the Euro dipped to lows near 0.8535 before a recovery to 0.8575.

CFTC data recorded a very sharp increase in long non-commercial Sterling positions to just over 46,500 contracts in the latest week from 6,700 previously. This was the largest long position for over five years, lessening the potential for further buying. Sterling traded around 1.2735 against the dollar on Monday with the Euro near 0.8565.

CHF

The Euro secured renewed support on Friday, primarily under the influence of further reservations surrounding the global economy. Weaker equities also provided net support for the Swiss currency. The Euro dipped to the 0.9780 area with the dollar unable to hold above the 0.9000 level and settling around 0.8985.

Risk conditions will be monitored closely with the franc holding firm on Monday with the dollar close to 0.8960.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1050	145.00	1.2880
Resistance 2	1.1000	144.50	1.2825
Resistance 1	1.0930	144.00	1.2765
	1.0910	143.35	1.2735
Support 1	1.0865	143.30	1.2700
Support 2	1.0800	142.65	1.2635
Support 3	1.0740	142.00	1.2570

Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
JPY	26/6	06:00	Leading economic Index	Apr	97.6	97.6
USD	26/6	15:30	Dallas Fed Mfg Business Index	Jun	-26.5	-29.1

Source: Bloomberg

Risk warning

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