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Daily FX Report

EUR / USD

The German IFO business confidence index dipped to 88.5 for June from a revised 91.5 previously which was below consensus forecasts of 90.7 and the lowest reading of 2023. There was a smaller decline in the current conditions index together with a more substantial decline in the expectations index.

According to the IFO, there is weak demand in industry with order books falling. Company expectations remain weak while global rate hikes are dampening demand.

The maintained underlying reservations surrounding the German economy with the Euro tending to drift lower, although the reaction was muted given the weak PMI data released on Friday with markets already pessimistic over the outlook.

According to the German Bundesbank, the Germany economy has bottomed out with slight GDP growth expected for the second quarter.

The bank added that wages are rising strongly which will support disposable incomes. The bank also expects that inflation will slow further in the coming months, although overall price pressures are likely to remain very high. The upward pressure on wages will also maintain upward pressure on prices.

Risk appetite remained fragile after the European open, but there was a gradual recovery in equity markets later in the day which eased potential selling pressure on the Euro. The dollar lost some ground on Tuesday with the Euro edging higher to the 1.0925 area against the US currency.

Comments from the ECB monetary policy conference will be monitored closely during the day with risk conditions a key element.

JPY

The yen secured a further tentative recovery after Monday's European open. Equity markets were fragile which provided an element of support for the Japanese currency and US yields also tended to move lower on the day. Markets were also wary over verbal intervention by the Bank of Japan which curbed potential yen selling.

The dollar dipped to lows just below the 143.00 level before finding support.

US Treasuries lost ground after the New York open which underpinned the dollar and there was a net recovery to around 143.50.

The Dallas Fed manufacturing index secured a slight recovery to -23.2 for June from -29.1 previously. There was a net easing of pricing pressures for the month.

New York Fed President Williams stated that restoring price stability is on paramount importance, but there were no specific comments on monetary policy.

During the Asian session on Tuesday there was a further verbal intervention from Japanese Finance Ministry Suzuki which limited the scope for fresh yen selling.

There were also reports that Chinese state banks were selling the dollar which underpinned the yuan and the dollar settled just above 143.50 against the yen.

GBP

Sterling was unable to gain any significant traction after Monday's European open with markets still fretting over weaker risk conditions as the UK FTSE 100 index dipped to a 3-month low. There were also reservations over the UK outlook.

The latest UK CBI retail sales survey recorded a headline decline of -9 for June from -10 previously and weaker than consensus forecasts of -6. Companies expect that sales will be unchanged for July as underlying confidence remains fragile.

US 2-year yields edged lower in early trading, but edged higher to near 5.15% later in the day and close to 15-year highs.

Sterling continued to find support close to 1.2700 against the dollar, but struggled to make any significant headway later in the session.

BRC data recorded a slowdown in shop-price inflation to 8.4% from 9.0% previously which will provide an element of relief.

Risk conditions were slightly more confident on Tuesday and Sterling edged higher to 1.2735 against the dollar with the Euro just above 0.8580.

CHF

Total Swiss sight deposits declined to CHF508.bn in the latest week from CHF510.6bn previously. The data suggests that the National Bank is content with a limited net tightening of credit conditions which helped underpin the currency.

The franc posted fresh gains early in European trading on Monday with further underlying concerns surrounding the situation in Russia.

The Euro dipped to lows at 0.9725 before a recovery to 0.9760 later in the day. The dollar posted sharp losses to near 0.8910 before a recovery to 0.8945.

The franc edged lower on Tuesday as risk conditions attempted to stabilise with the dollar trading close to 0.8950.

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
	1.0925	143.60	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
USD	27/6	13:30	Durable Goods Orders	May	-1.2%	1.1%
USD	27/6	15:00	Consumer Confidence	Jun		
USD	27/6	15:00	New Home Sales MoM	May	0.669m	0.683m

Source: Bloomberg

Risk warning

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