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Daily FX Report

EUR / USD

German retail sales increased 0.4% on the month, but there was still an annual decline of 3.6%. German unemployment increased 28,000 for June after a 9,000 increase the previous month. There were still significant reservations surrounding the German outlook.

The headline Euro-Zone inflation rate declined to 5.5% for June from 6.1% previously and marginally below consensus forecasts of 5.6%. The core inflation rate edged higher to 5.4% from 5.3%, but slightly below expectations of 5.5%. The inflation data overall was slightly weaker than expected and the Euro lost ground during the European session with the Euro dipping to lows below 1.0850 against the US dollar.

The headline US PCE prices index increased 0.3% with the year-on-year increase declining to 3.8% from 4.3% previously. The core annual rate declined to 4.6% from 4.7% and marginally below expectations of 4.7%.

The inflation data provided an element of relief surrounding inflation trends which could allow a less restrictive Federal Reserve, although markets were still very confident that the Fed would hike by a further 25 basis points to 5.50% at the July policy meeting.

The dollar dipped sharply after the data with the Euro trading back above the 1.0900 level with a peak at 1.0930 before settling around 1.0910.

There will be important US data releases this week, starting with the ISM manufacturing data on Monday and culminating in the jobs data on Friday. Trading conditions will be relatively subdued on Monday with a half-day holiday ahead of Tuesday's Independence Day holiday.

Tight ranges prevailed in early Europe with the Euro unable to make headway and trading around 1.0900 against the dollar.

JPY

US Treasuries posted solid gains after the US PCE prices data with the 10-year dipping to below 3.85%. The dollar lost ground as yields moved lower with the US currency retreating to lows at 144.20 before a tentative recovery.

The Dallas Fed trimmed mean prices index also declined to an annualised rate of 3.2% from 4.3% previously and the lowest reading since April 2022.

The Chicago PMI data was weaker than expected with only a slight recovery to 41.5 for June from 40.4 previously and below expectations of 43.6.

Equities made headway during the day with a significant element of quarter-end window dressing and the S&P 500 index posted a fresh 2023 high during the day.

Overall, the dollar was unable to sustain the recovery and settled around 144.30.

Markets remained wary over potential intervention through the Bank of Japan which curbed potential selling pressure on the Japanese currency.

China's Caixin manufacturing PMI index edged lower to 50.5 for June from 50.9, but above consensus forecasts of 50.0.

The dollar consolidated close to the 144.50 level with the Euro close to 157.70.

GBP

UK GDP growth was confirmed at 0.1% for the first quarter of 2023 with year-on-year growth held at 0.2%. The business investment data was stronger than expected with 3.3% growth. The overall impact was limited with the principal focus on position adjustment and global developments.

Sterling dipped to test the 1.2600 level against the dollar amid US gains, but there was a sharp reversal after the US inflation data. The US currency lost ground and risk appetite also improved which helped underpin the UK currency amid gains in equities.

Sterling recovered to above the 1.2700 level against the dollar while the Euro retreated to near 0.8585.

There was little net change on Monday, but Sterling retreated back below 1.2700 against the dollar with the Euro below 0.8600.

CHF

The Swiss franc held steady during Friday with markets monitoring global developments. The Euro retreated to just below 0.9770 while the dollar was unable to hold above 0.9000 and dipped sharply to the 0.8950 area.

The franc held steady on Monday with the Euro unable to make any headway while the dollar traded close to 0.8950 ahead of the latest Swiss inflation data.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1050	146.25	1.2835
Resistance 2	1.1000	145.60	1.2765
Resistance 1	1.0925	145.00	1.2700
	1.0900	144.55	1.2685
Support 1	1.0860	144.50	1.2635
Support 2	1.0800	144.00	1.2570
Support 3	1.0740	143.30	1.2500

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