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Daily FX Report

EUR / USD

The German data recorded an unexpected surge in factory orders of 6.4% for May after a revised 0.2% increase previously and compared with expectations of a 1.2% increase. The release provided an element of relief, but underlying concerns persisted and industrial production edged lower.

The Euro overall found support on an initial dip and posted a strong advance to the 1.0900 level against the dollar ahead of the US open.

The US ADP data reported a surge in private payrolls of 497,000 for June compared with expectations of around 225,000 and following a revised 267,000 increase the previous month. There was, however, a significant retreat in manufacturing jobs for the month. The ADP reported that annual wages growth slowed to 6.4% for the month from 6.6% previously. The headline figure jolted market expectations with sharp moves across asset classes.

There was a sharp dollar rebound following the ADP data with an initial Euro slide to around 1.0860.

The ISM non-manufacturing index recovered strongly to 53.9 for June from 50.3 previously and above consensus forecasts of 51.0. there was a strong rebound in business activity for the month with new orders increasing at a faster rate.

Employment was reported to have increased after a reported decline for May. There was, however, a slowdown in the prices index for the month with the lowest reading since May 2020. The dollar overall gained further traction following the later data with the Euro sliding to below 1.0850.

The dollar failed to hold intra-day highs and the Euro recovered ground to trade around 1.0890 on Friday ahead of the US employment report on Friday with consensus forecasts of an increase around 230,000, although the whisper number will inevitably be higher after the US data on Thursday.

JPY

US initial jobless claims increased to 248,000 in the latest week from a revised 236,000 previously and slightly above consensus forecasts of 245,000 while continuing claims declined to 1.72mn from 1.73mn previously. There was a slide in Treasuries following the ADP data with the 2-year yield increasing to 5.08% and the highest level since 2007. The 10-year yield also moved above the 4.00% level.

From lows below 143.60, the dollar rebounded to highs above 144.50, although the yen gained an element of protection from a renewed slide in equity prices.

Boston Fed President Logan stated that she would have been OK with a rate hike at the June policy meeting. She added that she was very concerned whether inflation will cool quickly enough and a housing-sector rebound might threaten progress on inflation.

US JOLTS job openings declined to an annual rate of 9.82mn for May from a revised 10.32mn the previous month.

The dollar overall held a firm tone despite some slightly softer data elements and tested resistance above 144.50. The dollar lost ground later in the day as concerns over the global economy underpinned the yen. The Chinese yuan remained vulnerable on Friday, although the dollar was held below 144.00 with a dip to near 143.50.

GBP

The UK construction PMI index dipped to 48.9 for June from 51.6 previously and below consensus forecasts of 51.0 which put the sector into overall contraction. There was the fast decline in residential construction for over three years. Overall input prices declined for the first time since 2010 and there was a marginal decline in sub-contractor prices for the first time in 31 months.

UK Treasuries came under further strong selling pressure during Thursday with yields continuing to move higher with the 2-year yield at 15-year highs. Higher yields helped cushion the Pound to some extent, although there was a negative impact from the slide in UK equities to an 8-month low which limited the potential positive impact. Sterling dipped below the 1.2700 level from 1.2780 highs as the dollar strengthened with the Euro settling around 0.8550.

The UK currency found support on dips and recovered to near 1.2750 on Friday with the Euro consolidating around 0.8550.

CHF

Swiss National Bank member Maechler stated that further interest rate increases cannot be ruled out. The overall impact was limited as global developments dominated. The franc was undermined by higher overseas bond yields, but there was support from vulnerable risk conditions. The Euro retreated to just below the 0.9750 level while the dollar tested the 0.9000 area. The US currency failed to break this level and retreated to near 0.8950 on Friday as the dollar retreated.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1000	145.00	1.2900
Resistance 2	1.0950	144.50	1.2835
Resistance 1	1.0900	144.00	1.2765
	1.0895	143.55	1.2750
Support 1	1.0850	143.30	1.2700
Support 2	1.0800	142.80	1.2635
Support 3	1.0740	142.20	1.2570

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