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Daily FX Report

EUR / USD

The German ZEW investor confidence index retreated to -14.7 for July from -8.5 previously and weaker than the expected reading of -10.5. The current conditions component also edges lower on the month, but slightly stronger than expected.

The Euro held firm after Tuesday's European open with 2-month highs just above 1.1025, but there was a net retreat to below 1.1000 ahead of the New York open.

Relatively narrow ranges prevailed with the Euro finding support just below 1.0980 and settling close to 1.1000.

The latest US consumer prices inflation data will be released on Wednesday. Consensus forecasts are for prices to increase 0.3% on the month, but with favourable base effects, the annual inflation rate is expected to decline to 3.1% from 4.0%. This would be the lowest reading since April 2021.

The underlying rate is forecast to decline to 5.0% from 5.3% previously.

The Federal Reserve will remain determined to maintain a hawkish stance if the data is stronger than expected while a weaker reading would increase market speculation over a policy pivot. The data will also have an important impact on risk appetite.

The dollar remained on the defensive in early Europe on Wednesday with the fresh 2-month lows while the Euro posted 2-month highs around 1.1035.

JPY

Chinese new loans increased CNY3050bn for June from CNY1360bn the previous month and significantly above CNY 2335bn for the month. The total social financing also increased to 4220bn from CNY1560bn the previous month. The stronger than expected helped underpin risk appetite amid hopes for a further policy stimulus.

The US NFIB small business confidence index strengthened to a 7-month high of 91.0 for June from 89.4 previously and above consensus forecasts of 89.9.

The dollar secured support above the 140.00 level against the yen and recovered to above 140.50.

The IBD consumer confidence index edged lower to 41.3 for July from 41.7 previously and well below expectations of 45.0.

Treasuries were held in relatively tight ranges with the dollar settling around 140.45 against the yen.

There was further speculation that China would boost fiscal policy which helped underpin risk appetite on Wednesday. The dollar was subjected to renewed selling pressure during the Asian session with the dollar sliding to 1-month lows below 139.50 before a marginal recovery.

GBP

Sterling posted further gains after the latest UK labour-market data with further speculation that the Bank of England would have to be more aggressive in raising interest rates. Futures markets put the chance of back-to-back 50 basis-point rate hikes at around 70%.

In its annual review of the UK economy, the IMF stated that the Bank of England may have to keep interest rates high for an extended period if inflation pressure persist.

Overall risk conditions were broadly steady with a limited recovery in the FTSE 100 index which helped underpin the UK currency.

Sterling advanced to highs around 1.2935 against the dollar, but lost some traction into the New York open with high yields already priced in.

There was still solid buying on dips with Sterling re-testing the 1.2935 area against the dollar while the Euro dipped to fresh 10-month lows just above the 0.8500 level.

As the dollar came under renewed pressure, Sterling posted fresh 14-month highs around 1.2970 in Asia on Wednesday as equity markets also managed to post gains amid hopes for Chinese stimulus measures. The Euro held just above the important 0.8500 level.

CHF

The Swiss franc posted sharp gains on Tuesday despite broadly stable risk conditions. There were further suspicions that the National Bank would be happy with further franc appreciation while US yields moved lower.

The Euro dipped to 9-month lows near 0.9680 while the dollar posted further losses to just below the 0.8800 level.

The franc resisted selling pressure on Wednesday and the dollar posted 2-year lows near 0.8770.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1200	141.00	1.3130
Resistance 2	1.1130	140.50	1.3065
Resistance 1	1.1070	140.00	1.3000
	1.1030	139.50	1.2960
Support 1	1.1000	139.40	1.2950
Support 2	1.0950	138.70	1.2900
Support 3	1.0900	138.00	1.2850

Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
JPY	12/7	0:50	PPI YoY	Jun	4.4%	5.1%
USD	12/7	11:00	MBA Mortgage Applications	Jul 7		-4.4%
USD	12/7	12:30	Consumer Price Index YoY	Jun	3.1%	4%

Source: Bloomberg

Risk warning

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