

THU 13 JULY 2023 07:15

Daily FX Report

EUR / USD

The Euro edged lower into Wednesday's New York open with reservations over buying the single currency further ahead of the US inflation data, but it held above the 1.0000 level against the US dollar as US currency sentiment remained fragile.

ECB chief economist Lane stated that the full economic impact of tightening will play out over the next couple of years.

US consumer prices increased 0.2% in June, slightly below expectations of a 0.3% increase. The year-on-year inflation rate declined sharply to 3.0% from 4.0% amid a favourable base effect which was slightly below consensus forecasts of 3.1% and the lowest reading since April 2021.

Food prices increased 0.1% for the month with an annual increase of 5.7%. Energy prices posted a 0.6% increase on the month, but with a 16.7% decline over the year.

Core prices also increased 0.2% on the month with the year-on-year rate dipping to 4.8% from 5.3%, below expectations of 5.0% and the lowest reading since November 2021. After two months of strong price increases, there was a decline in used vehicle prices while the increase in shelter prices also moderated.

The dollar dipped sharply in an immediate response to the data with a Euro jump to the 1.1070 area.

Markets are still very confident that the Federal Reserve will increase interest rates at the July policy meeting, but the chances of a further increase in September declined to just below 15%.

The dollar lost further ground later in the session with the currency index sliding to 16-month lows while the Euro posted 16-month highs around 1.1120.

The US currency lost further ground in Asia on Thursday with the currency index posting a fresh 16-month low and touching the 100.00 level while the Euro posted a fresh 16-month high close to 1.1150 before settling just below 1.1140 at the European open.

JPY

The dollar consolidated around 139.50 ahead of the US inflation data. Treasuries rallied strongly after the US data with lower yields undermining the dollar as it dipped to lows below the 139.00 level against the yen.

Richmond Fed President Barkin stated that inflation is still too high and he is comfortable doing more with policy if incoming data does not confirm that inflation will return to target. There were, however, still more dovish expectations surrounding the medium-term outlook.

The Federal Reserve Beige Book reported that economic activity was subdued while inflation pressures overall eased within the economy, although companies were still looking to protect margins. US yields continued to

retreat later in the session with the dollar sliding to lows below 138.50.

The latest Chinese trade data was weaker than expected with exports and imports posting significant declines for June. Overall risk appetite held firm, however, especially with further speculation over additional Chinese stimulus.

The dollar posted 7-week lows just above the 138.00 level before a tentative rebound to near 138.50 with the Euro capped close to 155.00

GBP

Sterling overall was unable to make further headway during Wednesday with a hawkish Bank of England stance priced in and markets also fretting over the impact of higher interest rates on the economy. Global developments tended to dominate with the important US inflation release.

Sterling posted further gains against the dollar as the US currency dipped sharply after the inflation data. Gains in equities also had a positive influence, although there was resistance close to the important 1.3000 level against the US currency. The Euro recovered further to just above 0.8560.

UK GDP declined 0.1% for May compared with expectations of a 0.3% decline with no growth on a 3-month basis, although industrial production declined. Sterling traded just below the 1.3000 level after the data with net selling interest above this level while the Euro edged higher to 0.8570.

CHF

The Swiss franc held a firm tone on Wednesday with further net gains in global markets as US yields moved lower. The franc was also resilient during the day despite significant gains in equities. The Euro dipped to fresh 10-month lows at 0.9630 before a slight recovery while the dollar posted sharp losses with a break below the 2021 lows adding to selling pressure as it slumped to 8-year lows close to 0.8650 on Thursday.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1300	140.00	1.3130
Resistance 2	1.1230	139.40	1.3065
Resistance 1	1.1165	138.70	1.3000
	1.1140	138.65	1.2995
Support 1	1.1100	138.00	1.2950
Support 2	1.1050	137.50	1.2900
Support 3	1.1000	137.00	1.2850

Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
CNY	13/7	3:00	Exports YoY	Jun	-10.0%	-7.5%
CNY	13/7	3:00	Imports YoY	Jun	-4.4%	-4.5%
CNY	13/7	3:00	Trade Balance	Jun	\$74.00B	\$65.81B
GBP	13/7	7:00	Industrial Production YoY	May	-2.3%	-1.9%
USD	13/7	13:30	PPI Final Demand YoY	Jun	0.4%	1.1%
USD	13/7	13:30	Initial Jobless Claims	Jul 8		248k

Source: Bloomberg

Risk warning

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