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# Daily FX Report

## EUR / USD

The latest Euro-Zone PMI business confidence data recorded a further decline in the manufacturing sector to a 38-month low of 42.7 for July from 43.4 the previous month and below expectations of 43.5. The German figure was particularly weak with further deterioration which dragged the overall index lower.

There was also a slowdown in the services-sector to a 6-month low of 51.1 from 52.0 the previous month.

There was a further decline in input-price inflation with the lowest reading since November 2020. Average prices charged for goods and services meanwhile rose at the slowest rate for 29 months, although the rate of increase was still well above the long-term average.

The Euro declined sharply after the data with further unease over the outlook, especially as the German data was again notably disappointing. There was also speculation over a less hawkish ECB stance. The Euro dipped to lows below 1.1070 against the dollar before managing to stabilise.

The US data was mixed, but the Euro was unable to regain ground, especially with expectations that the Federal Reserve would maintain a hawkish policy stance at this week's policy meeting and refuse to rule out further interest rate hikes.

There was little change on Tuesday, although there was dollar selling from Chinese state banks which curbed US currency support and the Euro traded around 1.1070.

## JPY

The yen regained ground on the crosses after Monday's European open with an advance against all major currencies with a reluctance to extend short yen positions.

The Chinese Politburo stated that the country would step-up macroeconomic adjustments with a focus on expending domestic demand.

The comments helped underpin risk appetite, although the yen was resilient.

According to flash data, the US PMI manufacturing index recovered to a 3-month high of 49.0 for July from 46.3 previously and above consensus forecasts of 46.3. The services-sector index, however, retreated to a 5-month low of 52.4 from 54.4 and below market expectations of 54.0.

The rate of increase in services-sector prices slowed to the weakest reading since October 2020, but there was a faster rate of increase in services-sector prices. The increases were led by the services sector with companies looking to offset increased expenses while manufacturing prices were little changed.

The dollar dipped to lows at 140.75 level before a recovery to 141.20.

The US currency settled just below 141.50 in Asia on Tuesday with further caution ahead of central bank policy decisions.

## GBP

The UK PMI manufacturing index dipped to a 38-month low of 45.0 for July from 46.5 previously and below consensus forecasts of 46.1.

The services-sector index also retreated to a 6-month low of 51.5 from 53.7 and below expectations of 53.0.

There was further strong upward pressure on wage costs, especially in the services sector. The manufacturing sector, however, reported price cuts in freight rates and metals prices. The overall increase in output prices across both sectors did register the slowest rate of increase since February 2021, but there were still strong increases in an historical context. Sterling tended to lose ground after the data with the weaker than expected data triggering fresh reservations over the outlook.

The UK currency dipped again after the New York open with a test of 2-week lows at the 1.2800 level against the dollar.

The Euro also recovered from intra-day lows, but still posted a net decline to the 0.8640.

Sterling held steady in early Europe on Tuesday with the UK currency settling around 1.2835 against the US currency and the Euro just below 0.8630.

## CHF

Total Swiss sight deposits declined further to CHF489.3bn in the latest week from CHF494.7bn the previous week with the further decline reinforcing expectations that the National Bank is content to let financial conditions tighten slightly further.

The Euro declined sharply to 10-month lows below 0.9600 amid wider losses while the dollar struggled to make any headway and settled around 0.8665.

The franc was unable to hold highs with the Euro back to 0.8625 and the dollar challenging 0.8700 on Tuesday as risk appetite held firm.

## Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1235	143.25	1.2950
Resistance 2	1.1165	142.60	1.2900
Resistance 1	1.1100	142.00	1.2850
	1.1075	141.45	1.2835
Support 1	1.1050	141.30	1.2780
Support 2	1.1000	140.65	1.2720
Support 3	1.0940	140.00	1.2650

# Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
USD	25/7	15:00	Conf. Board Consumer Confidence	Jul	112.0	109.7

Source: Bloomberg

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## Risk warning

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