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Daily FX Report

EUR / USD

The final Euro-Zone PMI manufacturing index was unchanged from the flash reading at 42.7 with the Spanish and Italian sectors both firmly in contraction territory.

There was a 4,000 decline in German unemployment for July compared with expectations of an increase close to 20,000 which provided an element of relief after negative business surveys.

The German data was unable to provide significant Euro support and the currency continued to lose ground as the US dollar made headway. In this environment, the Euro dipped to near 1.0950 around the US open.

The US ISM manufacturing index edged higher to 46.4 for July from 46.0 previously, but slightly below consensus forecasts of 46.8. New orders and production remained in contraction territory for the month, although the rate of decline eased slightly with a similar situation for unfilled orders.

Employment declined at a faster rate on the month while prices continued to decline, although there was a slightly slower rate of decline compared with June.

The dollar was resilient after the data, but the Euro managed to stabilise and edged back to the 1.0970 area at the European close.

The US ADP jobs data will be released on Wednesday with markets inevitably wary over the release after the much stronger than data for June was not replicated in the official employment data. The Euro edged higher to near 1.1000 on Wednesday as the US currency lost ground, but failed to hold above this level.

JPY

There were reports that China had asked some commercial banks to reduce or delay dollar buying, but there was little overall impact with the dollar holding a firm tone.

The yen was also subjected to renewed selling after Tuesday's European open, primarily under the influence of higher US yields. The dollar advanced to the 143.25 area despite slightly weaker risk appetite.

JOLTS data recorded a decline in job openings to 9.58mn for June from a revised 9.62mn the previous month which was revised down from the 9.82mn original estimate and slightly below consensus forecasts.

Treasuries were unable to make headway despite slightly weaker than expected data with the 10-year yield holding above 4.00%.

US yields held at higher levels into the European close with the dollar consolidating around 143.35 from 143.50 highs.

After the New York close, ratings agency Fitch announced that it was cutting the US credit rating to AA+ from

AAA due to fiscal deterioration and repeated brinkmanship on the debt ceiling. The dollar dipped lower after the announcement with a slide to around 142.70 against the yen, although the impact was limited by expectations that the Bank of Japan would maintain a very dovish monetary policy while the Euro retreated to below 157.00.

GBP

The final reading for the UK PMI manufacturing index was revised slightly higher to 45.3 for July compared with the flash reading of 45.0, but still the weakest reading for seven months and the sector overall has been in contraction since September 2022.

Sterling overall was unable to make any headway, especially with a slightly less confident tone surrounding risk appetite. UK yields edged lower and there was also further position adjustment ahead of Thursday's Bank of England policy meeting with some covering of long Sterling positions.

Sterling dipped to lows below 1.2750 against the dollar while the Euro tested resistance just above the 0.8600 level.

Sterling recovered on Wednesday as the US currency retreated, but failed to hold the 1.2800 level and settled around 1.2770 with the Euro holding around 0.8600.

CHF

The Swiss franc overall lost ground on Tuesday with higher US yields having a significant impact. The Euro advanced to 0.9610 from 0.9625 high while the dollar posted significant net gains to 0.8760. The franc will gain some net support if risk appetite declines and the US credit-rating downgrade could also have an impact.

The dollar edged lower to 0.8750 on Wednesday with the Euro holding firm.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1100	144.65	1.2900
Resistance 2	1.1050	144.00	1.2850
Resistance 1	1.1000	143.30	1.2780
	1.0985	142.75	1.2765
Support 1	1.0940	142.70	1.2720
Support 2	1.0870	142.00	1.2650
Support 3	1.0800	141.40	1.2580

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