

WED 09 AUGUST 2023 08:10

# Daily FX Report

## EUR / USD

The Euro lost ground after Tuesday's European open with weaker risk conditions sapping support as the dollar continued to draw net support.

The US NFIB small-business confidence index strengthened to 91.9 for July from 91.0 previously and above expectations of 90.6. The reading is still below the long-term average, but the highest reading since December 2021. Companies expect the economy to improve, but are more pessimistic surrounding earnings which suggests that margins are being squeezed amid the increase in costs.

The June trade deficit narrowed to \$65.5bn from a revised \$68.3bn the previous month and compared with expectations of around \$65.0bn as exports edged higher and imports retreated on the month. The overall data impact was limited during the day.

The Euro continued to lose ground into the New York open with lows at 1.0930 against the US currency as the Italian windfall tax on banks undermined equities and Euro confidence. The slightly more dovish Fed rhetoric dragged the dollar from intra-day highs and the Euro recovered to above 1.0950.

The dollar was unable to make further headway in Asia on Wednesday with the Euro recovering to around 1.0975.

## JPY

The dollar was unable to make further headway after Tuesday's New York open with markets wary over global risk conditions.

The IBD consumer confidence index dipped to 40.3 for August from 43.0 the previous month which was weaker than expected and the lowest reading for 12 months.

Philadelphia Fed President Harker stated that the latest PCE data showed continued disinflation with the prices index just below 4% by the end of this year. He believes the central bank may be at the point where interest rates can be held steady unless there is alarming new data by mid-September.

This was a net shift towards more dovish rhetoric from Harker and comments from Fed speakers will remain under close scrutiny in the short term.

Harker added that the Fed will probably start to cut rates sometime in 2024. The dollar overall found support around 142.90 against the yen and posted gains back to near 143.50 despite the slightly more dovish Fed rhetoric and weaker equity markets.

The latest US 10-year bond auction will be held on Wednesday with demand watched closely given fears over the impact of very high issuance.

Chinese consumer prices declined 0.3% in the year to July from unchanged previously, but marginally above

consensus forecasts with a 4.4% decline in producer prices. Sentiment towards the Chinese economy remained weak, but state banks sold dollars to help underpin the yuan.

The Japanese 10-year yield dipped to August lows which curbed potential yen support and the dollar consolidated around 143.15 in early Europe on Wednesday.

## GBP

Sterling lost ground after Tuesday's European open, primarily under the influence of weaker risk conditions and a firmer dollar.

The UK currency slipped to below 1.2785 against the dollar with lows around 1.2685 as equities came under pressure.

There was buying on dips with net support from expectations that the Bank of England would continue raising rates beyond peak rates from the Fed and ECB.

Risk conditions managed to stabilise and the UK currency recovered to near 1.2750 against the dollar.

The Euro also edged below the 0.8600 level later in the day.

The latest UK GDP data will be released on Friday with expectations of a slight monthly increase. Overnight, the NIESR issued a downbeat assessment of the medium-term UK outlook with a warning over the risk of recession during the year ahead.

Sterling consolidated above 1.2750 against the dollar in early Europe on Wednesday with the Euro just below the 0.8600 level.

## CHF

The Swiss franc resisted further selling pressure on Tuesday with an element of support from fragile risk conditions. The Euro edged just below the 0.8600 level against the Swiss currency while the dollar hit highs just above 0.8780 before a retreat to 0.8755.

Global yields and risk conditions will remain key elements for the franc with the dollar edging lower to below 0.8750.

## 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
	1.0975	143.15	1.2765
Support 1	1.0935	142.70	1.2720
Support 2	1.0870	142.00	1.2650
Support 3	1.0800	141.40	1.2575

# Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
JPY	9/8	0:50	Money Stock M2 YoY	Jul		2.6%
JPY	9/8	0:50	Money Stock M3 YoY	Jul		2.1%
CNY	9/8	2:30	CPI YoY	Jul	-0.4%	0.0%
CNY	9/8	2:30	PPI YoY	Jul	-4.0%	-5.4%
JPY	9/8	7:00	Machine Tool Orders YoY	Jul		-21.1%
USD	9/8	12:00	MBA Mortgage Applications	Aug 4		-3.0%

Source: Bloomberg

## Risk warning

This is a marketing communication. The information in this report is provided solely for informational purposes and should not be regarded as a recommendation to buy, sell or otherwise deal in any particular investment. Please be aware that, where any views have been expressed in this report, the author of this report may have had many, varied views over the past 12 months, including contrary views.

A large number of views are being generated at all times and these may change quickly. Any valuations or underlying assumptions made are solely based upon the author's market knowledge and experience.

Please contact the author should you require a copy of any previous reports for comparative purposes. Furthermore, the information in this report has not been prepared in accordance with legal requirements designed to promote the independence of investment research. All information in this report is obtained from sources believed to be reliable and we make no representation as to its completeness or accuracy.

This report is not subject to any prohibition on dealing ahead of the dissemination of investment research. Accordingly, the information may have been acted upon by us for our own purposes and has not been procured for the exclusive benefit of customers. Sucden Financial believes that the information contained within this report is already in the public domain. Private customers should not invest in these products unless they are satisfied that the products are suitable for them and they have sought professional advice. Please read our full risk warnings and disclaimers ([www.sucdenfinancial.com/en/risk-warning-and-disclaimers](http://www.sucdenfinancial.com/en/risk-warning-and-disclaimers)).