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Daily FX Report

EUR / USD

The Euro broke above 1.1000 level against the dollar after Thursday's European open and held a firm tone into the US data.

US consumer prices increased 0.2% for July, in line with consensus forecasts, although the year-on-year increase was held to 3.2% from 3.0% and marginally below expectations of 3.3%.

Food prices increased 0.2% for the month with the annual rate at 4.9%. Energy prices increased 0.1% on the month with a year-on-year decline of 12.5%.

Underlying prices also increased 0.2% on the month and met consensus forecasts while the year-on-year rate declined to 4.7% from 4.8% and marginally below market expectations. This was the lowest core reading since November 2021.

There was a decline in vehicle prices for the month while apparel prices were unchanged and shelter prices increased 0.4% on the month.

Following the data, the chances of a September rate hike dipped further to below 10% with the chances of a November move below 30%.

The dollar spiked lower in immediate response to the data with Euro highs at 1.1065, but there was a quick recovery as traders took profits on short US currency positions. A second Euro advance also faltered quickly with a dip back below the 1.1000 level after the European close.

The Euro was unable to regain significant traction on Friday and was held just below the 1.1000 level.

JPY

The dollar drifted lower ahead of Thursday's New York open with a move back below the 144.00 level against the yen. US initial jobless claims increased to a 1-month high of 248,000 in the latest week from 227,000 previously and well above consensus forecasts of 230,000 while continuing claims declined to 1.68mn from 1.69mn.

The dollar spiked lower after the US data releases with a slide to 143.25, but there was a quick recovery back above the 144.00 level.

There was a muted response in Treasuries with the 10-year yield holding above the 4.00% level while equities posted strong gains.

Treasuries also lost ground after a weak 30-year bond auction with yields moving higher.

Overall yield spreads continued to underpin the dollar with solid risk conditions also encouraging yen selling and the US dollar advanced strongly to highs at 144.70.

San Francisco Fed President Daly stated that the inflation release was a good data point, but the central bank will be watching the supercore rate very closely as that's a big component of spending and hasn't made much progress so far. She added that it has yet to be determined whether rates are increased again or held steady for a longer period. Fed Governor Collins was slightly more dovish with reported comments that the central bank is near or perhaps at a sufficiently restrictive level of rates.

The dollar traded around 144.65 against the yen on Friday from highs around 144.90 with markets wary over the risk of verbal intervention.

GBP

Sterling spiked higher after the US inflation data with a move above 1.2800 against the dollar, although there was a quick and sharp retracement to below 1.2750 as the dollar recovered ground. There were further reservations surrounding the UK economy, especially after the latest housing data which sapped potential support.

Sterling was also unable to take advantage of benign risk conditions during the day and stumbled into the European close.

Overall, Sterling dipped below the 1.2700 level and posted lows around 1.2670 against the dollar before stabilising into the New York close.

The Euro also posted a net gain to 0.8660 despite a mixed performance on the crosses.

UK GDP recorded a 0.5% monthly increase for June compared with expectations of a 0.2% increase with 0.2% growth for the second quarter.

The data provided net support for the Pound as it edged above 1.2700 against the dollar with the Euro just below 0.8650.

CHF

The Swiss franc was hampered by firmer risk conditions following the latest US inflation data, although there was choppy trading after the release.

The Euro was unable to sustain a slight advance and settled around 0.9625 while the dollar dipped to lows at 0.8690 before a recovery to 0.8760.

There was little net change on Friday with the dollar holding around 0.8760 ahead of pre-weekend position adjustment.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1100	146.30	1.2850
Resistance 2	1.1050	145.65	1.2780
Resistance 1	1.1000	145.00	1.2720
	1.0995	144.70	1.2710
Support 1	1.0935	144.50	1.2650
Support 2	1.0870	144.00	1.2575
Support 3	1.0800	143.30	1.2500

Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
GBP	11/8	7:00	Industrial Production YoY	Jun	-1.1%	-2.3%
GBP	11/8	7:00	Manufacturing Production YoY	Jun	0.3%	-1.2%
GBP	11/8	7:00	GDP YoY	2Q P	0.2%	0.2%
USD	11/8	13:30	PPI YoY	Jul	0.7%	0.1%
USD	11/8	15:00	U. of Mich. Sentiment	Aug P	71.3	71.6

Source: Bloomberg

Risk warning

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