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Daily FX Report

EUR / USD

US producer prices increased 0.3% for July, slightly above consensus forecasts of 0.2% with the year-on-year increase at 0.8% from 0.2% previously. Underlying prices increased 0.3% with the annual increase holding at 2.4%.

The University of Michigan consumer confidence index edged lower to 71.2 for August from 71.6 previously, but slightly above consensus forecasts of 71.0. There was a net uptick in the current conditions component, but this was offset by a dip in the expectations element.

The 1-year inflation expectations index edged lower to 3.3% from 3.4% with the 5-year index at 2.9% from 3.0%.

The Euro was unable to hold a tentative move above the 1.1000 level against the dollar and drifted lower amid fragile risk conditions and higher US yields.

The single currency was unable to gain any fresh support and dipped below the 1.0950 level against the US currency into the US close.

CFTC data recorded a decline in long Euro positions to a 4-week low just below 150,000 contracts in the latest week from 172,000 the previous week.

The overall positioning will maintain the potential for a further paring of long positions.

There were further reservations surrounding the Chinese economy on Monday which undermined the Euro as it edged lower to the 1.0930 area before stabilising.

JPY

The increase in Chinese new loans slowed very sharply to CNY346bn for July from CNY3050bn the previous month and well below consensus forecasts of CNY800bn. The total increase in social financing also slumped to CNY528bn from CNY4220bn previously. The data maintained important reservations surrounding the Chinese outlook and a lack of confidence in the global economy.

Although the producer prices data was only marginally stronger than expected, there was fresh selling in Treasuries and upward pressure on yields with the 10-year yield nearing the 4.15% level.

The dollar held a firm overall tone and challenged the 145.00 level against the yen into the European close. There

was only a brief move above that level and it settled just below amid unease over the risk of verbal intervention.

The latest batch of Chinese data will be released on Tuesday with releases for industrial production and retail sales. In Asia on Monday, there were further concerns surrounding the Chinese outlook with a key property company suspending onshore bond trading.

The dollar attempted to break above 145.00 and hit 9-month highs just above 145.20 in Asia on Monday before dipping back below the 145.00 level.

GBP

Sterling continued to gain limited support from the stronger than expected June GDP data, although the overall impact was limited given expectations that the economy will remain fragile given the tightening in monetary policy and impact of higher interest rates.

Overall risk conditions were also fragile which sapped overall support for the currency. Sterling peaked close to 1.2740 against the dollar before a retreat to below 1.2700 after the New York open. The Euro was unable to hold gains and retreated to near 0.8630.

CFTC data recorded a small decline in long, non-commercial Sterling positions to 47,000 contracts in the latest week from just below 50,000 previously.

The latest UK labour-market data will be released at Tuesday's European open. The main focus is likely to be on the wages data given the importance for Bank of England expectations with pressure for further rate hikes if the data is stronger than expected. Weaker data would provide significant relief

Sterling retreated to 1.2670 before stabilising on Monday amid a firm US dollar and fragile risk conditions with the Euro holding around 0.8625.

CHF

The Swiss franc secured net gains on Friday with reservations surrounding the global economic outlook underpinning the currency. The Euro retreated to near 0.9600 as the recent choppy trading pattern continued with the dollar little changed around 0.8765.

Risk conditions remained a key element on Monday with the dollar edging higher to 0.8770.

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
	1.0935	144.85	1.2675
Support 1	1.0930	144.50	1.2650
Support 2	1.0870	144.00	1.2575
Support 3	1.0800	143.30	1.2500

Risk warning

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