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# Daily FX Report

## EUR / USD

Euro-Zone GDP was confirmed at 0.3% for the second quarter of 2023 with the year-on-year growth rate also unrevised at 0.6%. June Euro-Zone industrial production increased 0.5% with an annual decline of 1.2%.

The data was unable to make any headway after the European open and gradually drifted towards 1.0900 against the dollar as tight ranges prevailed.

There was little reaction to the US data with the Euro edging below 1.0900 into the European close as the dollar found renewed support.

Federal Reserve minutes from the July meeting stated that most participants saw continued upside inflation risks and that more evidence was needed to be confident that inflation pressures were easing. The members added that these risks could require further interest rate hikes.

Two members did favour holding rates steady at the July meeting. A number of members also stated that there were risks of accidentally tightening policy too much and also considered that the economic risks were becoming more balanced.

There was also evidence that the labour market was becoming more balanced even though conditions were still very tight.

The immediate reaction was muted and, although the Euro recovered slightly from intra-day lows, gains faded very quickly amid underlying negative sentiment.

The dollar overall maintained a firm tone, especially with Chinese concerns undermining the Euro. The single currency dipped further to 6-week lows just above 1.0860 in Asia on Thursday as overall risk appetite remained fragile. Overall risk conditions will remain a key element in the short term.

## JPY

The dollar found support around 145.30 against the yen after Wednesday's European open and gradually moved higher with a peak around 145.80 as US Treasuries lost ground and US yields moved higher. Yen selling continued to be seen on rallies.

US housing starts increased to an annual rate of 1.45mn for July from 1.40mn the previous month and in line with consensus forecasts. Building permits were unchanged at 1.44mn and slightly below market expectations of 1.46mn.

Treasuries were unable to hold gains and higher yields pushed the dollar to around 145.90 at the European close.

The dollar spiked to 146.25 in an immediate response to the Fed minutes before fading.

The latest US jobless claims data will be released on Thursday and the Philly Fed manufacturing survey is also scheduled for release.

Markets will continue to monitor comments from Federal Reserve speakers.

The Chinese state bank continued to intervene to sell dollars in Asian trading on Thursday, but the dollar maintained a robust tone amid a lack of confidence in the Chinese outlook. The dollar strengthened to 9-month highs just above 146.50 with no sign of intervention by the Bank of Japan.

## **GBP**

Sterling held a firm tone after the UK inflation data. The marginally higher than expected figure for core inflation and an increase in services-sector inflation to a record high maintained expectations that the Bank of England would have to maintain a notably hawkish stance in order to bring inflation under control.

In this context overall yield spreads continued to underpin the UK currency in global markets.

Sterling peaked above 1.2760 before drifting lower amid a firm dollar while the Euro retreated to test the 0.8550 area at the European close.

The UK currency traded just below 1.2750 after the Fed minutes with the Euro unable to regain territory.

The consumer confidence and retail sales data will be released on Friday.

## **CHF**

The Swiss franc weakened at times on Wednesday, but regained ground later in the session with markets still very wary over underlying risk conditions. The Euro was unable to hold above 0.9600 and retreated to 0.9570 at the European close. The dollar was unable to hold above 0.8800 and retreated to around 0.8790.

Reservations over the global economy continued to provide an element of franc support with the dollar trading marginally above 0.8800 on Thursday.

## Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1050	148.30	1.2850
Resistance 2	1.1000	147.65	1.2800
Resistance 1	1.0935	147.00	1.2750
	1.0875	146.40	1.2725
Support 1	1.0870	146.30	1.2700
Support 2	1.0800	145.60	1.2635
Support 3	1.0740	145.00	1.2570

## Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
JPY	17/8	0:50	Trade Balance	Jul	Y47.9b	Y43.1b
JPY	17/8	0:50	Core Machine Orders YoY	Jun	-5.8%	-8.7%
JPY	17/8	5:30	Tertiary Industry Index MoM	Jun	-0.2%	1.2%
USD	17/8	13:30	Initial Jobless Claims	Aug 12	240k	248k
USD	17/8	13:30	Continuing Claims	Aug 5	1700k	1684k
USD	17/8	15:00	Leading Index	Jul	-0.4%	-0.7%

Source: Bloomberg

### Risk warning

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