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# Daily FX Report

## EUR / USD

The Euro was able to avoid further losses ahead of Thursday's New York open and regained some ground amid a wider dollar correction. Euro-Zone confidence remained vulnerable, but the Euro edged above the 1.0900 level.

US initial jobless claims declined to 239,000 in the latest week from a revised 250,000 the previous week and close to consensus forecasts of 240,000, although continuing claims increased significantly to 1.72mn from 1.68mn.

The Philadelphia Fed manufacturing survey rebounded to 12.0 for August from -13.5 previously and well above market expectations of -10.0. There was also a rebound into positive territory for new orders and shipments for the month. The average workweek edged higher, but employment continued to decline.

Inflation pressures were mixed with a significant increase in prices paid, but an easing of the prices received component.

Companies were notably less confident in the outlook while inflation pressure are expected to intensify.

The data releases overall mixed, but there was little compelling evidence that would trigger an underlying dollar reversal, especially with yields continuing to move higher. In this environment, the US currency maintained a firm underlying tone.

As equities moved lower again later in the session, the Euro retreated further to fresh 6-week lows just below 1.0860.

The Euro edged higher to 1.0880 on Friday amid hopes for a cut in Chinese interest rates next week.

## JPY

In comments on Thursday, China's central bank stated that it will keep monetary policy precise and forceful to aid the recovery. It also commented that it would prevent overshooting of the exchange rate and fend-off systemic financial risks.

Overall confidence in the Chinese outlook remained notably brittle which continued to underpin the dollar.

Treasuries secured a marginal recovery ahead of Thursday's New York open, but overall sentiment remained negative and US yields quickly recovered ground.

After a retreat to near 145.60 against the yen, the dollar secured fresh buying support and re-tested the 146.00 level.

Weaker equities did, however, trigger yen gains on the crosses and the dollar dipped back below 146.00.

There are no significant data releases on Friday with markets monitoring overall risk conditions. Position adjustment into the weekend will also be a significant element.

Japanese core inflation rate excluding food and energy increased to 4.3% for July from 4.2% previously, but there was no evidence of any policy shift by the Bank of Japan. Concerns over the Chinese economy remained a key element with property developer Evergrande filing for bankruptcy protection in the US.

Markets are, however, expecting prime loan rate cuts on Monday and the dollar retreated to below 145.50 against the Japanese currency in Asia on Friday.

## **GBP**

Sterling overall was able to hold a firm tone on Thursday with yield trends still a key influence. The 2-year yields increased to 5-week highs just above 5.25% which provided underlying currency support, although the impact was offset by higher yields elsewhere.

Overall risk appetite also remained fragile which sapped support to some extent, especially with equities remaining on the back foot.

Sterling advanced to highs just below 1.2790 against the dollar before drifting lower again and trading below 1.2750 as the US currency gained fresh traction.

The Euro dipped to 6-week lows just above the 0.8520 level.

UK retail sales data was weaker than expected with a 1.2% decline for July compared with expectations of a 0.5% decline and sales declined 3.2% over the year.

Sterling nudged lower after the data and traded around 1.2730 against the dollar with the Euro just below 0.8550.

## **CHF**

The Swiss franc held a firm tone during Thursday with markets still fretting over underlying risk conditions. The Euro retreated to near 0.9550 before a limited recovery while the dollar was again unable to hold above the 0.8800 level.

The Swiss was only marginally lower on Friday with the dollar holding below the 0.8800 level as overall risk conditions continued to dominate.

# Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1050	147.00	1.2850
Resistance 2	1.1000	146.30	1.2800
Resistance 1	1.0935	145.60	1.2750
	1.0880	145.25	1.2730
Support 1	1.0870	145.00	1.2700
Support 2	1.0800	144.50	1.2635
Support 3	1.0740	144.00	1.2570

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## Risk warning

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