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Daily FX Report

EUR / USD

There were significant data releases on Friday with bond yields and risk conditions tending to dominate markets.

Overall confidence remained fragile and equities lost further ground after the European open which sapped support, especially given on-going fears surrounding the Chinese outlook. Chinese central bank efforts to support the yuan did curb Yuan selling to some extent.

The Euro dipped to fresh 6-week lows just below the 1.0850 level against the dollar before securing a tentative recovery to 1.0870 at the European close.

CFTC data recorded a net increase in long, non-commercial positions to fractionally below 160,000 contracts in the latest week from just below 150,000 the previous week. The data will maintain the risk of renewed position liquidation if there are further fears surrounding the Euro-Zone outlook.

The Chinese developments will remain a key influence in the short term.

The latest PMI business confidence data will also be an important influence this week with a focus on the services sector.

Narrow ranges prevailed on Monday with the Euro just below 1.0880 against the dollar as overall global risk conditions remained fragile.

JPY

Chinese central bank moves to defend the yuan had some impact in curbing dollar support after Friday's European open.

There was choppy trading in Treasuries with some buying on dips and yields were little changed on the day.

Markets were wary over potential Bank of Japan intervention to send a message to traders and bank not to sell the yen aggressively. In this environment, the dollar was unable to regain momentum during the day.

Wall Street equities were weaker, but above intra-day lows at the European close and the dollar settled around 145.30.

The Kansas City Federal Reserve Jackson Hole Symposium will be held late in the week. The main focus will be on

Fed Chair Powell's speech on Friday with markets assessing his rhetoric very closely. Overall moves in bond yields will also be a key development during the week.

Over the weekend, the Chinese central bank again pushed for commercial bank executives to boost loans in order to support the economy. Overall confidence remained notably fragile with further concerns over the property sector.

The central bank cut the 1-year prime loan rate to 3.45% from 3.55% but there was no cut in the 5-year rate at 4.2%.

There was no verbal intervention by the Bank of Japan and the dollar consolidated just below 145.50.

GBP

Sterling lost some ground after the European open with sentiment hampered to some extent by the weaker than expected UK retail sales data. Risk appetite was also weak with a fresh slide in the FTSE 100 index which also sapped Sterling support.

The UK currency dipped to lows below 1.2700 against the dollar but was able to regain this level and trading around 1.2730 at the European close. The Euro also managed to secure a fragile recovery to just above 0.8540.

CFTC data recorded a fresh increase in long Sterling positions to 51,000 contracts in the latest week from 47,000 previously. The fresh buying interest will maintain the risk of a culling of long positions if sentiment towards the UK outlook deteriorates.

Rightmove reported a decline in house prices of 1.9% for August compared with a 1.3% decline in August 2022.

There was little Sterling impact as it settled around 1.2730 against the dollar with the Euro around 0.8540.

CHF

The Swiss franc lost ground on Friday as risk appetite attempted to stabilise. The Euro recovered to 0.9585 from 0.9530 lows while the dollar attempted to hold above 0.8800 and traded around 0.8815 at the European close.

The franc traded marginally lower on Monday with the Euro close to 0.9600 and the dollar around 0.8820 as risk conditions remained a key influence.

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
	1.0875	145.40	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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