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Daily FX Report

EUR / USD

After a further limited advance after Tuesday's European open, the Euro was unable to make further headway. Although equity markets moved higher, there was a lack of momentum amid underlying concerns surrounding the Euro-Zone and global growth outlook.

US existing home sales declined to an annual rate of 4.07mn from 4.16mn previously and below expectations of 4.15mn.

The dollar resisted further selling and gradually regained ground with the Euro dipping to lows below 1.0850 to fresh 6-week lows near 1.0830 against the US currency.

Richmond Fed President Barkin stated that it was possible that the US economy could re-accelerate before inflation cools, although he also commented that he would not pre-judge the outcome of the September policy meeting.

The latest PMI business confidence data will be released later on Wednesday with the flash August data for the Euro-Zone and US.

Consensus forecasts are for a further slight deterioration from the July data. The prices data and headline data will be important for central bank policy expectations while the relative performance between the Euro-Zone and US will also be a significant element.

Narrow ranges prevailed on Wednesday with the Euro around 1.0855 against the US currency amid expectations of weak PMI data.

JPY

The dollar lost ground after Tuesday's European open with a retreat to lows just below 145.50 against the yen.

The Richmond Fed manufacturing index improved slightly to -7 for August from -9 previously and was in line with market expectations. Shipments, together with new and existing orders all remained in contraction territory for the month. There was also a small decline in employment, although the rate of wage increases accelerated slightly. There was a significant net easing of pricing pressures for the month with the prices received and prices paid components both at the lowest level for over two years. Service-sector companies were slightly more optimistic on the month.

The Philadelphia Fed non-manufacturing survey dipped to -13.1 from 1.4 the previous month with a steeper

decline in new orders for the month. There was, however, a stronger rate of increase in prices for the month.

There was choppy trading in US Treasuries after the US data with the 10-year yield initially moving higher. The dollar hit highs near 146.40 before a retreat back below 146.00 as Treasuries attempted to rally.

Japan's PMI manufacturing index was little changed at 49.7 for August from 49.6 with the services-sector index at 54.3 from 53.8.

The dollar was unable to challenge the 146.00 level and settled around 145.65 at the European open.

GBP

The CBI industrial orders index dipped to -15 for August from -9 previously and below consensus forecasts of -13. According to the latest survey, output declined at the fastest rate since September 2020, although volumes are expected to stabilise over the next few months. Expectations for selling-price inflation declined to the weakest level since February 2021.

Sterling held a firm tone after the European open and tested the 1.2800 level against the dollar without being able to break higher.

Risk appetite was initially firmer, but equities gradually lost traction which limited scope for further Sterling buying.

Sterling gradually lost ground with lows near 1.2720 against the dollar while the Euro dipped to lows below 0.8520 before stabilising around the European close.

Risk appetite held steady on Wednesday with Sterling close to 1.2750 against the dollar and the Euro just below 0.8520.

CHF

The Swiss franc overall held a firm tone on Tuesday with an on-going lack of conviction in equity markets continuing to protect the Swiss currency.

The Euro retreated to below the 0.9550 level while the dollar secured a tentative net gain to 0.8800.

The Swiss currency was resilient on Wednesday with the dollar fractionally below the 0.8800 level as markets continued to monitor risk conditions.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1000	147.65	1.2900
Resistance 2	1.0950	147.00	1.2850
Resistance 1	1.0900	146.30	1.2800
	1.0855	145.65	1.2745
Support 1	1.0830	145.60	1.2730
Support 2	1.0765	145.00	1.2670
Support 3	1.0700	144.50	1.2600

Risk warning

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