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# Daily FX Report

## EUR / USD

The German PMI manufacturing index remained in contraction territory for August, although there was a slight recovery to 39.1 from 38.8 the previous month.

There was a notable shock for the services-sector index with a slide to 47.3 from 52.3 previously. This was well below consensus forecasts of 51.5 and the lowest reading for 9 months. French data was mixed, although both manufacturing and services sectors were in contraction territory.

The Euro-Zone manufacturing index recovered slightly to 43.7 from 42.7 and above expectations of 42.6, while the services-sector index dipped sharply to a 30-month low of 48.3 for the month from 50.9 and below consensus forecasts of 50.5.

There was renewed upward pressure on input prices for the month as energy costs increased. Manufacturing output prices remained subdued while services-sector charges increased at the slowest rate since October 2021, although there was further strong upward pressure on wages.

The data reinforced concerns surrounding the Euro-Zone outlook and the Euro posted further sharp losses after the release with lows close to 1.0800 against the dollar.

There was, however, a reversal after the US data with the Euro recovering to just above 1.0950 as the dollar posted sharp losses.

Risk appetite held firm on Thursday which helped underpin the Euro and it traded close to 1.0870 as the dollar was unable to regain territory.

## JPY

The dollar was unable to make headway ahead of Wednesday's New York open with the yen gaining some support on the crosses

The US PMI manufacturing index dipped to a 2-month low of 47.0 for August from 49.0 previously and significantly below consensus forecasts of 49.3. The services-sector index also retreated to a 6-month low of 51.0 from 52.3 and below market expectations of 52.3.

New orders declined for the first time in six months.

There was increased upward pressure on costs with higher energy prices and wages, but there was a slowdown in

the rate of growth in output charges.

Treasuries posted gains after the data with the 10-year yield declining to 1-week lows around 4.22%.

Lower yields were significant in undermining the dollar with a retreat to around 144.55 before a tentative recovery.

Firmer risk conditions curbed yen support and the dollar traded around 145.10 in early Europe on Thursday.

## **GBP**

The UK PMI manufacturing index declined to a 39-month low of 42.5 for August from 45.3 previously and below consensus forecasts of 45.1.

The services-sector index also dipped to a 7-month low of 48.7 from 51.5. The overall composite output index slipped to 31-month low of 47.9 from 50.8.

There was still an element of resilience surrounding business confidence, but new orders continued to decline. There was an easing of average cost burdens on the month with the weakest reading since February 2021 while the rate of increase in prices charged declined to a 30-month low.

The data increased reservations surrounding the UK outlook with increased speculation over recession. UK yields declined and there was also a scaling back of Bank of England interest rate expectations.

Sterling dipped sharply to lows at 1.2615 against the dollar before a tentative recovery while the Euro recovered to 0.8555 after a brief dip below the 0.8500 level.

Sterling recovered to 1.2700 after the US data and extended gains to 1.2720 as equities moved higher while the Euro pared gains.

There was little net change on Thursday with Sterling around 1.2725 against the dollar and Euro around 0.8545.

## **CHF**

The Swiss franc held a firm tone on Wednesday with the weak global business confidence data underpinning the Swiss currency. Lower yields across major currencies also provided net currency support. The Euro was held below the 0.9550 level while the dollar was unable to hold above the 0.8800 level.

The franc held firm on Thursday with the dollar edging lower to 0.8770.

## **Technical Levels**

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1000	147.00	1.2850
Resistance 2	1.0950	146.30	1.2800
Resistance 1	1.0900	145.60	1.2730
	1.0870	145.10	1.2725
Support 1	1.0830	145.00	1.2670
Support 2	1.0765	144.50	1.2600
Support 3	1.0700	144.00	1.2550

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### Risk warning

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