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Daily FX Report

EUR / USD

In comments on Thursday, ECB Council member Centano stated that the bank needed to be cautious at the next meeting. Although he stated that there are plenty of data releases still to come ahead of the September decision, he added that downside risks to the economy have materialised.

After notably weak PMI data for August, there will be further speculation that the ECB will decide against a further rate hike at the September policy meeting.

The Euro was unable to make any headway after the European open and gradually drifted lower.

Stronger than expected US labour-market data pushed the Euro to lows at 1.0815 against the dollar before a tentative recovery.

Philadelphia Fed President Harker stated that there are clear signs that low-income consumer spending is slowing and that credit card delinquencies are starting to pick up. He reiterated that the Fed has probably done enough on interest rates and will have to see where demand settles.

Fed Chair Powell will make a keynote speech to the Jackson Hole symposium on Friday. Rhetoric from Powell will be watched very closely, especially after the weaker than expected business confidence US data this week. Markets overall expect that Powell will maintain a relatively hawkish stance with further warnings over inflation pressure. Any deviation from recent rhetoric will have a significant market impact.

Comments from ECB bank President Lagarde will also be monitored closely later in the day. There were hawkish comments from Bundesbank head Nagel, but the Euro was unable to gain any support. Risk appetite deteriorated sharply later on Thursday with weaker equities providing fresh dollar support. The Euro came under renewed pressure with the Euro sliding to fresh 2-month lows just below 1.0780 before stabilising.

JPY

The dollar gradually made headway ahead of Thursday's New York open with weak underlying yen demand.

US initial jobless claims declined to 230,000 in the latest week from a revised 240,000 the previous week and below consensus forecasts of 240,000 while continuing claims edged lower to 1.70mn from 1.71mn.

Durable goods orders declined 5.2% for July after a revised 4.4% increase the previous month and slightly weaker than consensus forecasts of a 4.0% decline. The headline figures have been notably volatile due to shifts in transport orders and underlying orders increased 0.5% after a 0.2% increase the previous month.

The dollar advanced after the claims data, but failed to break above 146.00 and corrected slightly lower with little net change in Treasuries.

Wider dollar moves dominated on Friday with the US currency strengthening to just above 146.00 as vulnerable risk conditions provided some yen protection.

GBP

The UK CBI retail sales index dipped sharply to –44 for August from –25 the previous month which was much weaker than the expected reading of –14 and the lowest reading since March 2021. Retailers expect a slightly improved reading of –21 for next month.

Markets remained more sensitive to data following weak PMI data the previous day and the downbeat release triggered further reservations over the UK outlook.

In this environment, there was further speculation that Bank of England policy expectations were too high.

Sterling dipped to lows just below 1.2630 against the dollar before stabilising while the Euro posted a further significant net advance to 1-week highs just above 0.8570.

Risk appetite deteriorated further from late in the US session which undermined the Pound. There was a rebound in consumer confidence for August, but risk conditions dominated. With wider US currency strength, Sterling posted two-month lows around 1.2560 while the Euro edged higher to 0.8580.

CHF

The Swiss franc lost some ground on Thursday, although overall selling pressure was limited as market mulled the global economic outlook.

The Euro advanced to near 0.9570 before fading with the dollar posting a net advance to 0.8825 amid a firm US currency.

Vulnerable risk conditions protected the franc on Friday, although it was unable to make significant headway and the dollar advanced to 0.8865

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.0950	147.60	1.2730
Resistance 2	1.0900	147.00	1.2670
Resistance 1	1.0830	146.30	1.2600
	1.0785	146.15	1.2565
Support 1	1.0765	145.60	1.2550
Support 2	1.0700	145.00	1.2500
Support 3	1.0640	144.50	1.2430

Risk warning

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