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Daily FX Report

EUR / USD

The latest Euro-Zone data recorded a further deterioration in sentiment in business and consumer sentiment. The overall business and consumer survey declined to 93.3 for August from 94.5 previously and below consensus forecasts of 93.7, maintaining concerns over the outlook.

The headline German CPI inflation rate declined to 6.1% for August from 6.2% previously, but slightly above consensus forecasts of 6.0%.

Markets expect around a 50% chance that the ECB will increase interest rates again at the September policy meeting with the Euro edging higher.

US ADP data recorded an increase in private-sector payrolls of 177,000 for August after a downwardly-revised increase of 312,000 the previous month and below consensus forecasts of close to 200,000. There were job gains across all size of companies while there was a sharp slowdown in the rate of employment growth in the leisure sector after a reported surge last month.

There was a further slowdown in the rate of wages growth with the annual increase at 5.9% from 6.2% the previous month and the lowest reading since October 2021.

Following the decline in job openings reported on Tuesday, the weaker than expected reading for ADP payrolls reinforced expectations that the labour market was cooling. There was also optimism that the Fed would not increase interest rates further.

The dollar posted fresh losses after the data with the Euro moving above the 1.0900 level and hitting highs at 1.0945 ahead of the European close before a limited correction. Tight ranges prevailed in Asia on Thursday with the Euro just below 1.0920 against the US currency.

JPY

US second-quarter GDP was revised down to 2.1% from the first estimate of 2.4%. There was also a downward revision for the GDP prices index to 2.0% from 2.2%.

Following the GDP and ADP jobs data, there was a further adjustment in Fed Funds rate expectations with the chances of a September rate hike below 10% while the chances of a November hike dipped to near 40%.

The 10-year yield edged lower to near 4.10% while the 2-year yield dipped to 2-week lows near 4.85% before a slight rebound.

Lower yields again sapped dollar support with the US currency slipping to near 145.50 before attempting to rally.

The latest US jobless claims data will be released on Thursday ahead of the payrolls data on Friday. China's PMI data was mixed as the manufacturing index beat expectations at 49.7 from 49.3 previously, but the non-

manufacturing index edged lower to 51.0 from 51.5.

The dollar consolidated just below 146.00 against the yen in early Europe on Thursday.

GBP

UK mortgage approvals declined to 49,400 in July from a revised 54,600 previously and below consensus forecasts of 51,000 while there was a small net increase in mortgage lending and a slowdown in consumer credit growth.

The data maintained expectations of a slowdown in the housing sector and annual consumer credit growth was the slowest since December 2022.

Sterling gained an element of support from firmer risk conditions. The UK currency initially held steady and posted gains after the US jobs data. Sterling strengthened to near 1.2750 after the data with the Euro retreating to just below 0.8590.

The latest Lloyds Bank business confidence index strengthened to an 18-month high which helped underpin confidence, although Sterling settled around 1.2710 against the dollar on Thursday with the currency unable to secure further buying support.

CHF

The Swiss ZEW economic expectations index declined to -38.6 for August from -32.6 previously. The KOF business confidence index also edged down to 91.1 from a revised 92.1 with both readings below market expectations.

The Swiss franc was slightly weaker on Wednesday amid reservations over the domestic outlook, although the overall performance was mixed. The Euro secured a net advance to near 0.9600 with the dollar retreating to 0.8765 before a slight recovery to around 0.8785.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1070	147.50	1.2850
Resistance 2	1.1000	147.00	1.2800
Resistance 1	1.0950	146.30	1.2730
	1.0915	145.95	1.2715
Support 1	1.0900	145.60	1.2670
Support 2	1.0830	145.00	1.2600
Support 3	1.0765	144.35	1.2550

Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
CNY	31/8	1:00	NBS Manufacturing PMI	Aug	49.5	49.3
JPY	31/8	5:00	Housing Starts YoY	Jul	-0.8%	-4.8%
GDP	31/8	6:00	Nationwide Housing Prices YoY	Aug		-3.8%
EUR	31/8	9:00	CPI YoY	Aug P	5.1%	5.3%
EUR	31/8	9:00	Unemployment Rate	Jul	6.4%	-6.4%
USD	31/8	12:30	Continuing Jobless Claims	Aug 18	1.709M	1.702M
USD	31/8	12:30	PCE YoY	Jul	3.3%	3%

Source: Bloomberg

Risk warning

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