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Daily FX Report

EUR / USD

The EUR/USD currency pair is currently under bearish pressure due to weak economic data from the Eurozone and the persistent strength of the US dollar. A significant decline in German factory orders and economic stagnation in the Eurozone have heightened concerns about the region's economic health.

Meanwhile, the US dollar has been bolstered by strong economic indicators relative to other economies, leading to a rally in US Treasury yields. The Federal Reserve's cautious approach to interest rate cuts, amid persistent inflation, further supports the dollar's strength.

Technical analysis indicates that the EUR/USD remains in a downward trajectory, with resistance levels around 1.0460-1.0500 proving difficult to overcome. Immediate support levels are identified at 1.02219 and 1.01682, suggesting potential further downside if bearish momentum continues. Overall, the combination of weak Eurozone data and robust US economic performance continues to weigh heavily on the EUR/USD pair.

USD / JPY

The USD/JPY currency pair is currently in a consolidation phase within a bullish structure, attempting to break above the resistance levels of 158.50 to 159.00. This movement is supported by expectations of rising U.S. Treasury yields. Despite some strength in the Japanese yen due to domestic wage growth, the U.S. dollar remains dominant, bolstering the pair. The Bank of Japan's cautious stance on interest rate hikes adds uncertainty to the yen's outlook.

Technical analysis shows support at 157.96 and resistance at 158.54 and 159.01, with potential for upward movement if these levels are breached. The RSI nearing overbought territory suggests a possible pause or reversal, but a bullish scenario could see the pair testing the all-time high of 162.0.

Overall, the USD/JPY outlook remains bullish, contingent on breaking key resistance levels and sustained U.S. economic strength.

GBP / USD

The GBP/USD currency pair is currently experiencing bearish momentum, driven by weak UK economic indicators and a strengthening US Dollar. The pair is trading below the pivot point of 1.23685, with immediate support at 1.22706, suggesting potential for further downside. The British Pound is under pressure due to a significant drop in the BRC Shop Price Index, indicating subdued consumer spending.

Technical analysis shows the GBP/USD has tested multi-month lows, with the 50 EMA acting as near-term resistance and the 200 EMA highlighting broader bearish sentiment. The RSI is currently at 35, indicating the pair is approaching oversold territory, suggesting potential for a rebound. However, the pair's failure to reclaim the 1.23685 level suggests sellers remain in control, and a break below 1.22706 could accelerate selling.

Overall, the GBP/USD outlook remains bearish unless there is a significant shift in economic data or market sentiment.

EUR / CHF

The EUR/CHF currency pair is currently influenced by contrasting economic conditions in Switzerland and the Eurozone. The robust Swiss economy, exemplified by Sika's record sales, suggests potential strength for the Swiss franc, although negative currency effects from these sales indicate external pressures. Meanwhile, the Eurozone faces economic stagnation, with declining business sentiment and persistent inflationary pressures, which may weaken the euro.

The European Central Bank's potential interest rate easing could further impact the euro's strength against the CHF. If the ECB lowers the deposit rate to around 2% by mid-2025, the euro may depreciate relative to the Swiss franc, especially if the Swiss National Bank maintains its current policy stance. Geopolitical tensions and trade uncertainties add additional risks to the Eurozone's economic outlook, potentially benefiting the CHF as a safe-haven currency.

Consequently, the EUR/CHF pair may experience volatility as market participants react to these developments.

Risk warning

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