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DAILY FX REPORT

USD Softness Lifts FX, but Long-Term Dollar Strength Remains

EUR / USD

EUR/USD jumped higher, following the Eurozone inflation print, which softened by less than expected, with February's headline CPI easing to 2.4% YoY from 2.5% in January, while core inflation ticked down to 2.6% from 2.7%. The data reinforced expectations that the European Central Bank may delay rate cuts, as services inflation, although lower at 3.7%, remains well above the ECB's 2% target. Moreover, an upward revision in manufacturing PMI to 47.6 further reinforced this narrative. The euro gained on the prospect of a more hawkish stance from the ECB, while the dollar weakened against major currencies.

While the gains during the day were robust, the 100 DMA resistance of 1.0512 once again capped technical appetite. This suggests that markets remain cautious about the bloc's economic performance amid continued trade and geopolitical uncertainty.

Despite the ECB's anticipated 65bps worth of cuts for 2025 and negative rate differentials with the US, the euro continues to find support from improving market sentiment. We expect EUR/USD to remain within the 50 and 100 DMAs in the meantime.

USD / JPY

USD/JPY broke above the robust 150.00 level yesterday; however, a lack of momentum during the day prompted the pair to settle on the lows at 150.11. This is despite a sharp correction in the dollar index during the day, suggesting technical appetite above the 150.00 mark.

While the BOJ's increasingly hawkish stance has supported the yen's long-term trajectory, the near-term is driven by technical indicators. Markets seem comfortable above the current support level, while all three moving averages are capping strong upside.

The weakening US economic landscape, evidenced by disappointing manufacturing data and declining Treasury yields, has prompted markets to price in multiple Federal Reserve rate cuts for 2025, further undermining dollar strength. While structural factors like Japanese foreign direct investment outflows may provide some cushion, the technical setup suggests immediate resistance at the 20-day SMA of 151.0, with a potential retest of the 150.00 level.

GBP / USD

GBP/USD rallied, superseding the robust resistance levels of 1.2689 and 1.2700, as combined effects of dollar weakness and stronger than expected manufacturing PMI performance in the UK bolstered the risk-on appetite.

The technical picture indicates that while immediate momentum favours the upside with a potential target at the 200-day moving average of 1.2786, the fundamental backdrop of UK economic underperformance relative to its peers could limit sustained gains.

A failure to maintain support at the 1.2700 level could trigger a bearish reversal, potentially pushing the pair back toward 1.2600.

Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
EUR	4/03	10:00	Unemployment Rate	Jan	6.3%	6.3%

Source: Bloomberg

Risk warning

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