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DAILY FX REPORT

US Tariffs Key Focus for Markets This Week

EUR / USD

EUR/USD edged higher on Friday, closing the day above the 1.0800 mark. The euro has found support from recent dollar weakness, particularly as the greenback struggles to maintain its safe-haven appeal when US policy generates market uncertainty. Technical analysis indicates the pair is maintaining levels above the 200-day moving average at 1.0728, which is crucial for the pair's near-term trajectory.

Both European and US markets are grappling with uncertainty associated with Trump's anticipated tariff announcements this week, with economists raising US recession probability amid expectations of broad-based reciprocal tariffs. Market participants are currently pricing in substantial monetary policy adjustments, with expectations of 63 basis points in ECB rate cuts and 80 basis points in Fed rate cuts this year.

The European Union's preparation of trade concessions suggests diplomatic efforts to minimize tariff impacts, though German Chancellor Scholz's warnings of potential retaliatory measures add another layer of complexity to the currency pair's outlook. The pair's immediate trajectory will likely be determined by Trump's April 2nd tariff announcements and the upcoming US jobs report, with key technical levels to watch at 1.095 resistance and 1.076 support.

USD / JPY

USD/JPY has shown notable weakness, dropping below key technical level of 150.00, with the 20-day SMA at 149.07 serving as immediate support. Global trade tensions, particularly surrounding Trump's anticipated tariff announcements, have triggered increased safe-haven flows into the Japanese yen, contributing to its strengthening against the dollar. The Bank of Japan's hawkish stance and strong inflation readings have provided additional support for the yen, with markets now pricing in 30bps worth of rate hikes for 2025.

Recent technical analysis suggests the currency pair could face further downside pressure, with the 146.8 level emerging as a crucial support target if bearish momentum persists. While a bullish reversal remains possible if the pair reclaims the 149.0 level, the combination of trade tensions, safe-haven demand, and evolving monetary policy expectations suggests continued yen strength in the near term.

GBP / USD

GBP/USD held its nerve on Friday, holding above the 1.2900 threshold. Technical analysis reveals the currency pair has maintained relative stability, trading between 1.292 and 1.296, while positioned above key moving averages, including the 200-day MA at 1.2806 and the 50-day MA at 1.2680. The markets are currently pricing in approximately 50 basis points of Bank of England rate cuts this year, reflecting growing concerns about economic slowdown outweighing inflation risks.

Recent UK business confidence data presents a mixed picture, with manufacturing sentiment declining sharply while overall confidence remains steady at February's six-month high, suggesting that despite some resilience in

retail and services sectors, the combination of global trade tensions and domestic uncertainty could maintain downward pressure on sterling.

The pair's immediate direction will likely be influenced by the upcoming March US payrolls report and Fed Chair Powell's speech, with technical support at 1.286 serving as a crucial level to watch.

Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
JPY	31/3	0:50	Industrial Production YoY	Feb P	2.1%	2.2%
CNY	31/3	2:30	Manufacturing PMI	Mar	50.4	50.2
GBP	31/3	9:30	Mortgage Approvals	Feb		66.2k
EUR	31/3	13:30	Germany CPI EU Harmonised YoY	Mar P		2.6%
USD	31/3	15:30	MNI Chicago PMI	Mar	-5.0	-8.3

Source: Bloomberg

Risk warning

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