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## Daily FX Report

### EUR / USD

Spain recorded an increase in jobless claims of over 300,000 for March, maintaining fears over the economic outlook and latest data recorded a further increase in coronavirus cases of over 6,000 to 110,000 with the death toll passing 10,000. There were also further sharp increases in Italy and Germany.

The KfW development bank forecast that the German economy would contract 10-15% for the second quarter of 2020.

US jobless claims surged again to 6.65mn in the latest week from a revised 3.31mn the previous week. This was very substantially above consensus forecasts and a record high for the second week as claims in California alone posted over 800,000 claims. The jobless data increased fears that the unemployment rate could surge to above 10% within the next 2 months. The latest Challenger data recorded a sharp increase in layoffs for March to over 220,000 and the dollar made net gains.

The US monthly jobs report will be released on Friday with expectations that payrolls will have registered a decline of around 100,000 for the month. The overall impact is liable to be limited, however, as the survey date was March 14<sup>th</sup>, before most lockdowns were implemented.

The February trade deficit declined to \$39.9bn from \$45.5bn previously, the lowest reading for over 3 years as imports from China slumped while the ISM New York business conditions index dipped to 12.9 from 51.9. The dollar overall made net gains during the session with the Euro declining to lows below 1.0850 and was held just below this level on Friday with the US currency holding a firm tone amid an underlying lack of confidence in the global outlook.

### JPY

Risk appetite dipped again following the fresh surge in US jobless claims as equity markets moved into negative territory and fears over a deep recession increased. The dollar dipped to near 107.00 before finding support as yen demand remained limited.

There was some relief towards the European close following reports that Saudi Arabia and Russia could agree to cut oil output substantially. As equity futures moved sharply higher, the dollar advanced to the 108.00 area as overall volatility increased sharply and the Japanese yen lost traction.

US equities held a firm tone and the dollar settled just below 108.00 although underlying sentiment remained subdued.

China's Caixin PMI services index recovered strongly to 43.0 from 26.5 and well above consensus forecasts of 29.0, although this still indicated contraction and employment declined further with business sentiment remaining weak. The central bank expressed caution over adjusting interest rates and regional equities lost ground, although the dollar held just below 108.00 with further choppy trading likely on Friday amid pre-weekend position adjustment.

## GBP

Nationwide reported an increase in house prices of 3.0% in the year to March from 2.3% previously, but the housing market will effectively be closed in the short term. The latest construction PMI data has been re-scheduled for April 6<sup>th</sup>, but the services data is set for release on Friday with the potential for final data to record an even sharper downturn than in the flash data given a shutdown in much of the non-manufacturing sector.

Sterling was again resilient during the day even when global risk appetite deteriorated. Higher oil prices were also a positive factor and the UK currency held close to 1.2400 against the dollar while the Euro decline to 3-week lows below 0.8800.

There were still major concerns over the coronavirus outbreak with a further 569 deaths reported on Thursday and there was further controversy over testing numbers, but, according to a spokesman for Prime Minister Johnson, no new lockdown measures will be assessed before Easter.

The UK currency was resilient and settled around 1.2400 against the dollar while the Euro retreated to fresh 3-week lows below 0.8750. The government announced an expansion of the business support scheme to medium-sized businesses and eased criteria for small-business support, but Sterling was held below 1.2400.

## CHF

Swiss consumer prices increased by 0.1% for March with a year-on-year rate of -0.5% from -0.1% previously. The data was in line with consensus forecasts but will maintain National Bank and market fears that deflationary pressures will take hold. There was a further sharp increase in Swiss coronavirus cases to over 18,000 and it remains one of the highest global outbreaks in terms of cases per head of population. The Euro was unable to make headway, especially in view of weakness elsewhere and retreated to near 1.0550 while the dollar advanced to highs around 0.9750. The franc made limited gains on Friday despite the National Bank intervention threat.

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1000	109.50	1.2570
Resistance 2	1.0935	109.00	1.2500
Resistance 1	1.0870	108.30	1.2435
	1.0840	107.85	1.2375
Support 1	1.0800	107.65	1.2370
Support 2	1.0740	107.00	1.2300
Support 3	1.0680	106.35	1.2235

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### **Risk warning**

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