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# Daily FX Report

## EUR / USD

EU Commission head Von der Leyen called for a gradual approach in lifting containment measures and markets monitored announcements from national governments.

Headline US retail sales declined a record 8.7% for March after a 0.4% decline in February and weaker than markets expectations of a 8.0% decline as clothing and leisure spending slumped and more than offset strong increases in food purchases. Underlying sales declined 4.5% on the month as auto sales slid over 25%. Given the timing of US lockdown measures, the April sales decline is liable to be much sharper.

The New York manufacturing index collapsed to a record low of -78.2 for April from -21.5 previously and was well below the previous all-time low as new orders declined sharply while inflation pressures fell sharply. Employment also declined, although companies did expect a slight recovery on a 6-month view.

Industrial production declined 5.4% for March with a 6.4% dip in manufacturing output. The NAHB housing index declined to 30 from 72 previously.

The dollar gained fresh support in an immediate reaction to the data releases as fears over the US and global outlook triggered a fresh spike in dollar demand. The Euro declined sharply to lows just below 1.0860 as commodity currencies also came under strong pressure.

German Chancellor Merkel confirmed that social distancing measures will stay in force until May 3<sup>rd</sup>, but small shops will be allowed to open from next week. The Euro recovered some ground on relaxation hopes and the dollar also lost support later in the session with the single currency recovering to the 1.0930 area. The US currency, however, gained further support in Asia on Thursday as global risk appetite remained fragile and the Euro retreated to the 1.0880 area.

## JPY

US equity futures continued to move lower ahead of the New York open as risk appetite deteriorated. The Japanese yen maintained a firm tone on the crosses with the Euro dipping below the 117.00 level, but the dollar was able to hold above the 107.00 level. The US currency briefly moved to highs around 107.85 after the US data before losing ground once again in volatile conditions.

San Francisco Fed President Daly stated that the recovery out of the coronavirus crisis was unlikely to be a swift one with a gradual return to positive growth next year. The Fed's Beige Book reported that activity contracted sharply and abruptly across all regions. All districts also reported highly uncertain conditions and most expected conditions to worsen in the next few months, reinforcing concerns over the near-term outlook.

The dollar was unable to regain momentum and settled around 107.35 late in US trading. The Japanese manufacturing Tankan index declined to -30 for April from -20 and the lowest reading since October 2009 with the non-manufacturing index at a 10-year low. The Japanese currency was unable to gain fresh support on Thursday with the dollar advancing towards 108.00 amid wider US currency gains with volatility set to remain

elevated over the next 24 hours.

## GBP

Overall confidence in the UK outlook remained very fragile on Wednesday, especially as yesterday's economic forecast from the OBR of a potential 35% year-on-year decline for the second quarter continued to reverberate around markets. The weaker tone in risk appetite also had an important impact in undermining Sterling sentiment, and there was also pressure for a correction after significant gains over the past few trading sessions.

The Euro regained some ground with a peak near 0.8750 before fading while Sterling dipped to lows below 1.2450 against the dollar as volatility spiked again.

Sterling regained some ground late in the European session with a move back above 1.2550 against the dollar while the Euro retreated to the 0.8700 area. BRC data recorded a 3.5% annual decline in retail sales for March, but there was a 27% drop in the first two weeks of lockdown measures. Weaker risk appetite dominated on Thursday with the UK currency back below the 1.2500 level as choppy trading conditions continued and risk appetite remained fragile.

## CHF

The Swiss franc continued to gain support on Wednesday as global risk appetite deteriorated once again and equity markets came under pressure. The Euro declined to the 1.0530 area as on-going National bank intervention again failed to lift the currency pair. The Euro was unable to make any headway later in the session while the dollar recovered to highs at 0.9700 before a fresh retreat to below 0.9650 in choppy trading. Underlying concerns over the global outlook continued to provide net support to the Swiss currency. This trend continued on Thursday with the Euro at 4-year lows just above 1.0520 with the dollar around 0.9670.

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1070	109.35	1.2630
Resistance 2	1.1000	108.80	1.2570
Resistance 1	1.0930	108.20	1.2500
	1.0885	107.90	1.2475
Support 1	1.0870	107.65	1.2435
Support 2	1.0800	107.00	1.2370
Support 3	1.0735	106.35	1.2300

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### **Risk warning**

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