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Daily FX Report

EUR / USD

Ahead of the New York open, ECB President Lagarde stated that the central bank would do everything necessary within its mandate to fight the crisis and is considering more swap lines to support the functioning of markets. Executive Board member Schnabel reiterated that the shape of economic recovery is uncertain.

EU Commission Head Von der Leyen offered an apology to Italy over a lack of support for Italy earlier in the crisis and there was a narrowing of Italian yield spreads.

US initial jobless claims declined to 5.25mn for the latest week from a revised 6.62mn the previous week, although slightly above consensus forecasts of 5.15mn. Continuing claims increased to 12.0mn from 7.45mn the previous week, but below market expectations. The jobless claims data overall suggested that the unemployment rate will increase to well above the 10% level, probably within the jobs report for April which will be released in early May.

The Philadelphia Fed manufacturing index declined sharply to -56.6 for April from -12.7 previously. The figure was well below market expectations of -30.0 and the weakest reading since 1980. The new orders component slumped even further to a record low of -70.9 while unfilled orders also declined. Both prices and employment also declined sharply over the month with the lowest reading for prices paid since 2009. Companies remained generally optimistic over the six-month outlook.

The dollar dipped marginally in an initial reaction to the data, but quickly regained ground and secured significant gains later in the session with the Euro weakening to the 1.0820 area as the dollar posted strong gains. The US currency lost ground on Friday as risk appetite improved and the Euro recovered to around 1.0860.

JPY

US equity futures edged higher ahead of the New York open which helped underpin risk appetite and the US dollar edged lower as defensive demand slightly. In contrast to Wednesday, there was a measured response to the latest US data releases as equity futures held steady.

The US small-business grant programme runout of funds, illustrating the huge amount of funding being used to support the economy. The dollar, however, was underpinned by wider gains and advanced to the 107.70 area. There was little change in late US trading as equities held steady.

Richmond Fed President Barkin stated that a re-opening of the economy cannot wait for a zero infection rate while restoration of consumer confidence would be the most difficult challenge to economic recovery. Ohio announced that it was planning to restart the economy on May 1st and other states announced plans for re-opening which underpinned sentiment. Dallas Fed President Harker stated that monetary policy would need to stay low until the dual mandate was achieved.

Chinese GDP declined 6.8% in the year to the first quarter compared with consensus forecasts of a 6.2% decline and the first negative outcome since 1982. Retail sales and investment data was also weaker than expected with a 15.8% annual decline in retail sales, but industrial production beat market expectations. Overall risk appetite

was boosted by optimism over a coronavirus drug treatment and US futures moved sharply higher with the dollar around 107.75.

GBP

Sterling was held in relatively tight ranges ahead of the European close with little in the way of fresh incentives while there was little overall net change in risk conditions. There was selling interest above 1.2500 against the dollar while the Euro consolidated just above 0.8700.

Bank of England Monetary Policy Committee member Tenreyro stated that current policy actions will counterbalance some weakness in inflation and that it was not possible to say if policy will need to loosen or tighten in future. Overall global risk trends remained significant for the UK currency.

Sterling lost ground into the European close, primarily under the influence of a stronger US dollar and retreated to lows below 1.2420 against the US currency.

The UK government confirmed that the existing lockdown measures will be extended for at least a further three weeks, although there was little overall reaction. Improved risk appetite helped underpin Sterling with a recovery towards 1.2500 against the dollar while the Euro traded just below 0.8700.

CHF

The Swiss franc maintained a firm tone in European trading on Thursday despite expectations that the National Bank was continuing its intervention to curb Swiss currency gains. The Euro dipped to fresh 4-year lows just below the 1.0510 level and the Swiss currency maintained a firm tone in US trading. The dollar pushed to highs around 0.9715 before a retreat to the 0.9700 area. Comments from the National Bank will be monitored closely in the short term given concerns over further franc advance against the Euro. The Swiss government announced that a 3-stage easing of restrictions would start from April 27th with the franc marginally lower.

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1000	109.35	1.2630
Resistance 2	1.0930	108.80	1.2570
Resistance 1	1.0870	108.20	1.2500
	1.0860	107.70	1.2475
Support 1	1.0800	107.65	1.2435
Support 2	1.0735	107.00	1.2370
Support 3	1.0675	106.35	1.2300

Risk warning

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