

FRI 18 SEPTEMBER 2020 07:30

## Daily FX Report

### EUR / USD

The dollar was unable to hold gains into the US open amid underlying negative sentiment. Following the Federal Reserve policy statement, there were strong expectations that interest rates would remain at extremely low levels for an extended period which continued to undermine sentiment.

Markets continued to monitor Euro-zone coronavirus developments amid unease over underlying trends, especially in France and Spain.

US initial jobless claims declined to 860,000 in the latest week from a revised 893,000 last week, although this was above consensus forecasts of 85,000. Continuing claims declined to 12.63mn from 13.54mn previously. There was, however, a small increase in total claims when the pandemic assistance numbers were included.

The Philadelphia Fed manufacturing index edged lower to 15.0 for September from 17.2 previously and was in line with market expectations. There were stronger increase for new orders and shipments on the month and unfilled orders secured a marginal advance. Prices increased at a faster pace and there was a stronger increase in employment. Confidence in the 6-month outlook also improved on the month. Housing starts edged lower to an annual rate of 1.42mn from 1.49mn.

The data had little overall impact with the Euro continuing to grind higher to the 1.1830 area at the European close. The US currency continued to drift lower on Friday as the long-term lack of any potential increase in short-term rates continued to undermine sentiment. Position adjustment will be a factor into the weekend with dollar unable to make headway in early Europe and the Euro just above 1.1850 as the underlying lack of yield support continuing to curb underlying US currency support.

### JPY

The dollar was unable to make any headway in Europe on Thursday and retreated to fresh 6-week lows near 104.50. US equities posted significant losses and there was no significant increase in longer-term bond yields which sapped underlying US currency support.

There was a slight recovery later in the day with markets wary of potential Japanese verbal intervention, although the US currency was held well below the 105.00 level.

Markets continued to monitor US fiscal developments, but there was no significant headway on securing a compromise bill and Wall Street equities closed lower.

Asian markets overall were able to make limited headway, although underlying caution prevailed. The dollar edged higher, although it was held below the 105.00 level amid expectations that capital outflows from Japan would remain limited with the Euro just above 124.0 against the Japanese currency.

### GBP

The Bank of England held interest rates at 0.1% following the latest policy meeting with the ceiling of bond purchases under the QE programme also maintained at £745bn. Both decisions were in line with consensus forecasts and there were 9-0 votes for no action. The bank stated that recent developments in the economy had been slightly stronger than expected, but there was a high degree of uncertainty over the outlook and it was unclear whether the performance could be sustained.

The bank noted economic risks if there was no Brexit trade deal and it also stated that the bank had started

discussions on potential operations surrounding negative interest rates. The bank reiterated it was prepared to ease policy further if required. Overall, there were strong expectations of further stimulus in November and increased speculation over negative rates. Sterling declined sharply with lows near 1.2865 against the dollar while the Euro strengthened to highs at 0.9170.

There was slightly more reassuring comments from EU officials over Brexit talks with Chief Negotiator Barnier and Commission President Von der Leyen stating that a deal was still possible, although Barnier also commented that the next few days could be crucial.

Sterling regained some ground with a fresh move towards 1.3000 against the dollar with the Euro around 0.9140. Overall sentiment remained fragile, especially with scientific groups recommending a second, short coronavirus national lockdown. UK retail sales increased 0.8% for August, marginally above consensus forecasts with a 2.8% annual increase. Further Sterling volatility is likely on Friday with the currency trading above 1.2950 against the dollar as the US currency lost ground.

## CHF

The Swiss currency edged lower on Thursday with the Euro edging higher to the 1.0750 area. Global equity markets remained fragile with net losses, but the franc was hampered by a retreat in precious metals. The dollar was unable to hold gains and edged back below the 0.9100 level.

Markets continued to monitor Brexit developments with any increase in fears over a no-deal outcome likely to support the Swiss currency. The franc edged lower on Friday with further expectations of National Bank action to limit currency gains, but the US dollar was held below the 0.9100 level.

	EUR/USD	USD/JPY	GBP/USD
<b>Resistance 3</b>	1.2000	106.00	1.3130
<b>Resistance 2</b>	1.1950	105.50	1.3070
<b>Resistance 1</b>	1.1900	105.00	1.3000
	1.1855	104.80	1.2965
<b>Support 1</b>	1.1835	104.35	1.2935
<b>Support 2</b>	1.1775	103.70	1.2870
<b>Support 3</b>	1.1700	103.00	1.2800

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### **Risk warning**

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