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## Daily FX Report

### EUR / USD

The Euro made net gains into Friday's New York open, but was again unable to challenge the 1.1900 level against the dollar amid reservations surrounding the Euro-zone outlook. Another failure triggered a fresh correction weaker for the single currency with expectations of near-term economic vulnerability also important and the November Euro-zone consumer confidence index weakened to -17.6 from -15.5 previously.

Chicago Fed President Evans stated that the Treasury decision to stop some Fed measures from year-end was disappointing. As far as the economy is concerned, he suggested that the Fed was in a good place and could wait to see how things played out. The comments dampened speculation that the central bank could take further action at the December meeting, although there was still some speculation that there would be a move to increase bond purchases.

Overall, the Euro retreated to the 1.1850 area in lacklustre conditions with unease over near-term coronavirus vaccine developments limiting potential dollar selling.

CFTC data recorded no change in long Euro positions in the latest week, maintaining the potential for selling if confidence in the Euro-zone outlook deteriorates.

ECB chief economist Lane warned that current restrictions would lead to a drop in economic activity, but the impact would be less severe than in Spring.

The latest Euro-zone PMI business confidence data will be watched closely later on Monday with expectations that there will be further significant weakness in the services sector and a monthly manufacturing slowdown. The dollar overall drifted lower on Monday amid solid risk conditions with the Euro edging towards 1.1875.

### JPY

Markets continued to monitor developments surrounding a potential fiscal stimulus bill in Congress. There was renewed scepticism that there would be significant stimulus, although with the possibility that some measures would be tacked on to a required funding bill. With the Fed warning over potential negative implications from the withdrawal of fiscal support, underlying dollar confidence remained fragile.

There was also a net decline in US bond yields during Friday which further eroded support for the dollar. In this environment, the US currency was unable to make significant headway with the dollar settling around 103.85 as the Japanese currency continued to resist selling pressure.

There were further concerns over a near-term increase in US-China tensions as the Administration looked to impose further restrictions on Chinese companies buying a range of US goods and technology. US equity futures edged higher on Monday, although overall activity was limited due to a holiday in Tokyo.

Overall, the dollar remained on the defensive and traded around 103.75 in early Europe with the yen still broadly resilient.

## GBP

Just after Friday's European open, the 27 country ambassadors to the EU were briefed on the state of Brexit trade talks. According to the negotiating team, agreement is very close in most areas, although there were still differences on the key areas of level playing field, fisheries and governance.

EU Commission President von der Leyen was broadly optimistic in her comments, although reiterated that there was still a lot of work to do.

Sterling maintained a firm overall tone given speculation over a deal within the next few days, although overall moves were relatively limited. The UK currency again edged towards 1.3300 against the dollar while the Euro retreated to around 0.8920. CFTC data recorded a small decline in short Sterling positions in the latest week to 19,000 contracts from 22,000 previously, maintaining the potential for a covering of short positions if there is a short-term boost to confidence.

The UK and Canada agreed a trade deal, although this was effectively just a transitional roll-over of the existing deal with the EU and there were still expectations that a UK/EU deal would be secured. Sterling sentiment was underpinned by reports that the Pfizer coronavirus vaccine could be approved in the UK this week, although Astra-Zeneca trial results were mixed. Sterling overall pushed above 1.3300 against the dollar with the Euro retreating to near 0.8910 with trade rhetoric still crucial.

## CHF

The Swiss franc was little changed on Monday with investors again struggling to find reasons to push the currency lower. The Euro settled just above 1.0800 with the dollar edging higher to the 0.9120 area. Markets monitored risk conditions closely with the franc resilient despite medium-term vaccine hopes.

The Swiss currency was underpinned by underlying short-term unease over near-term coronavirus developments. Narrow ranges persisted on Monday with the Euro marginally above 1.0800 as the Swiss currency continued to resist significant selling pressure and the dollar was fractionally below 0.9100.

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.2000	105.00	1.3500
Resistance 2	1.1950	104.50	1.3435
Resistance 1	1.1900	104.00	1.3370
	1.1875	103.85	1.3315
Support 1	1.1835	103.30	1.3310
Support 2	1.1770	102.65	1.3260
Support 3	1.1700	102.00	1.3200

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### **Risk warning**

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