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## Daily FX Report

### EUR / USD

The German IFO index declined to 90.7 for November from 92.5 the previous month, although this was above consensus forecasts of 90.1. The current conditions component edged lower to 90.0 from 90.4 with a sharper retreat in expectations to 91.5 from 94.7 as fresh restrictions were introduced.

The Euro held a firm tone despite reservations over near-term conditions amid expectations of global reflation which would underpin exports.

US consumer confidence retreated to 96.1 for November from a revised 101.4 previously and below consensus forecasts of 98.0. There was little overall change in the assessment of current conditions and jobs market, but confidence in the outlook dipped sharply.

The Richmond Fed manufacturing index declined to 15 for November from 29 in October and below expectations of 20. New orders increased at a slower rate while employment continued to increase on the month. Manufacturing data has remained generally strong for the month.

The dollar overall lost ground on the day with sharp gains for commodity currencies as risk appetite secured a powerful boost during the day. The Euro was able to secure limited net gains, although there was no significant fresh challenge on the 1.1900 area.

Euro sentiment was underpinned by a confident tone from French President Macron who announced a relaxation of restrictions and stated that the second wave was over. Germany, however, registered a record increase in daily infections. The dollar remained on the defensive with the Euro again testing above 1.1900 in early Europe where resistance was again strong. Trading volumes will fade later on Wednesday ahead of the US Thanksgiving Holiday which could enhance choppy trading.

### JPY

Risk appetite strengthened sharply during Tuesday with expectations of a strong rebound in the global economy. There were expectations of strong co-ordination of fiscal and monetary policy next year if former Fed Chair Yellen is appointed as Treasury Secretary in the new Administration.

As equity markets posted strong gains, defensive yen demand faded and the dollar was able to make limited net gains as the Japanese currency lost ground on the crosses. The dollar pushed to a high at 104.75 before fading amid the weight of wider losses.

Asian equities overall were mixed as China again under-performed with net losses, although the yuan held firm. There was still an element of optimism that a Biden administration would take a more measured stance on China which would ease potential tensions and help underpin risk appetite.

The dollar was unable to make significant headway on Wednesday and traded around 104.50 with the Euro above 124.0.

## GBP

The CBI retail sales index edged lower to -25 for November from -23 previously, although above consensus forecasts of -35. There was some relief that the lockdown impact had been less severe than in March with sales expected to be little changed in December. Internet sales increased sharply for the month while orders fell at the slowest rate since December 2019. Overall confidence in the UK outlook remained fragile, although the England lockdown will end on December 2<sup>nd</sup>.

There was a lull in Brexit developments during the day which stifled activity to some extent. Cabinet Minister Gove stated that the EU needed to move on its red lines.

The UK currency was able to gain support from the strength in risk appetite, although it under-performed relative to commodity currencies. There was no fresh attack on 1.3400 against the dollar, although there was support just below 1.3300 while the Euro settled just below 0.8900.

The UK nations announced that there was agreement on easing coronavirus restrictions for 5 days around Christmas. Markets will be monitoring Chancellor Sunak's spending review on Wednesday and month-end position adjustment may also have an impact with Brexit rhetoric also a key element.

Sterling was unable to make any headway on Wednesday while US President-elect Biden reiterated that the Irish border needs to remain open.

## CHF

The Swiss franc finally lost some ground on Tuesday as the fresh surge in risk appetite triggered net losses. The extent of selling was, however, still relatively contained, especially given the scale of selling in gold over the past two days.

The Euro strengthened to highs at 1.0850 before fading to 1.0830 while the dollar was held just above 0.9120. The Swiss currency edged lower on Wednesday as funds tended to flow into higher-risk assets, although overall selling pressure was still limited with the Euro just below 1.0850 and the dollar little changed.

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.2000	105.70	1.3500
Resistance 2	1.1950	105.00	1.3435
Resistance 1	1.1900	104.50	1.3370
	1.1900	104.50	1.3355
Support 1	1.1835	104.00	1.3310
Support 2	1.1770	103.30	1.3260
Support 3	1.1700	102.65	1.3200

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### Risk warning

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