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Daily FX Report

EUR / USD

There was very choppy trading in early Europe on Monday with high volatility across all asset classes. Risk appetite dipped and the Euro dipped sharply as the dollar rallied and commodity currencies were subjected to a sharp correction. Overall, the Euro dipped to lows around 1.2130 against the US currency.

The Chicago Federal Reserve national activity index declined to 0.27 for November from a revised 1.01 previously. There was a slowdown in all four components and the personal consumption index dipped into negative territory for the month.

According to flash data, euro-zone consumer confidence recovered to -13.9 for December from -17.6 the previous month and above consensus forecasts of -16.8.

Data releases had little impact, however, as markets monitored political developments and global risk trends. Risk appetite stabilised later in the day and the dollar was unable to hold the gains. Commodity currencies secured fresh buying and the Euro moved back above 1.2200 with a peak near 1.2250. Underlying dollar sentiment remained weak, but markets remained wary over market positioning and the risk of short covering.
Liquidity will tend to fade over the next few sessions with a significant element of position squaring ahead of the Christmas period and this will increase the risk of further erratic currency moves. Choppy trading continued on Tuesday with the euro retreating to the 1.2215 area amid a fresh setback for commodity currencies.

JPY

The dollar maintained a strong tone ahead of Monday's New York open and strengthened to highs near 103.90 against the Japanese currency. The US currency gradually faded during the day with a retreat back below 103.50 at the European close as the dollar lost ground against major currencies.

Markets continued to monitor the US stimulus developments with congressional voting on the coronavirus support package. The House and Senate both voted in favour and the Bill will go to President Trump for his signature. Markets will also monitor the Georgia Senate elections for early January given the importance for medium-term fiscal policy. Although there was relief that the legislation had been approved, equity markets were unable to make headway, especially with markets also wary over near-term virus developments and the new strain which is liable to spread globally. US equity futures moved lower with the Chinese yuan trading slightly weaker and the dollar traded just below the 103.50 level against the Japanese currency with the Euro holding above 126.0.

GBP

Sterling remained under heavy selling pressure in early Europe on Monday with further fears over coronavirus developments and travel bans imposed on the UK. The slide in equity markets was also a key factor undermining support with markets concerned that there will be further damage to the UK economy. The UK currency declined sharply to 10-day lows below 1.3200 while the Euro strengthened to above 0.9200.
The CBI retail sales index recovered to -3 for December from -25 previously, although this was slightly below

consensus forecasts of zero for the month. Retailers were notably more pessimistic over the outlook for January and transport difficulties will be a further negative element.

The UK currency was able to gain some respite later in the day as risk appetite stabilised and there were hopes that UK-French transport would resume.

Sterling moved sharply higher after the European close following reports that Prime Minister Johnson had made a fresh offer on fish in an attempt to break the deadlock. Reports suggested that the UK would offer 66% of catches to the EU compared with the EU offer of 25%. There were also reports that the UK and France have agreed a plan to resume freight operations between the UK and France. Sterling pushed to highs above 1.3450 against the dollar before fading again amid a fresh US recovery with the Euro back above 0.9100. UK third-quarter GDP was revised to 16.0% from 15.5% previously, but the government borrowing requirement was larger than expected and the current account deficit widened. Sterling ticked higher after the data to trade around 1.3400 against the US dollar with trade developments crucial.

CHF

Swiss sight deposits increased marginally to CHF705.0bn for the latest week from CHF704.9bn previously. Although the run of weekly declines was halted, the data did not suggest that the National Bank had been intervening to limit franc gains. The bank is still likely to be sensitive to US dollar losses against the Swiss currency.

The Swiss currency was unable to gain sustained support even when risk appetite dipped sharply with the Euro eventually posting a limited net advance to 1.0830. The dollar was unable to hold above the 0.8900 level and settled around 0.8870 on Tuesday as the franc overall held steady.

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.2400	105.00	1.3570
Resistance 2	1.2330	104.50	1.3450
Resistance 1	1.2265	104.00	1.3450
	1.2220	103.40	1.3405
Support 1	1.2200	103.35	1.3400
Support 2	1.2135	102.70	1.3335
Support 3	1.2070	102.00	1.3270