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Daily FX Report

EUR / USD

German consumer confidence recovered to -12.9 for February from -15.5 the previous month and stronger than consensus forecasts. Euro-zone industrial confidence recovered to -3.3 for February from -6.1 previously while the services-sector sentiment improved slightly to -17.1 from -17.7 as coronavirus restrictions continued to have an adverse impact. Euro-zone money supply growth strengthened to 12.5% in the year to January from 12.3% previously.

The German 10-year bond yield increased to -0.25%, the highest level for 11 months, which unsettled equity markets, but provided near-term Euro support.

The dollar came under renewed pressure ahead of the New York open with the Euro pushing higher and gaining fresh traction after a break above the 1.2200 level.

US initial jobless claims declined sharply to 730,000 in the latest week from a revised 841,000 the previous week and well below consensus forecasts of 835,000. Continuing claims also declined to 4.42mn from 4.53mn previously, although there was a renewed increase in pandemic emergency benefits for the latest week.

Durable goods orders increased 3.4% for January from 1.2% previously and above market expectations of a 1.1% gain with underlying orders increasing 1.4%.

Despite lower claims, the dollar secured only a limited reprieve and the Euro held comfortably above the 1.2200 level with 7-week highs near 1.2250.

Commodity currencies retreat sharply later in the session as US equity markets posted substantial losses. In this environment, the Euro also lost ground to break back below the 1.2200 level. Italy also recorded the highest number of coronavirus cases since early January which caused some unease. Risk appetite remained notably more vulnerable on Friday which supported the dollar and the Euro was below 1.2150 with month-end positioning likely to be a significant factor later in the day.

JPY

US bond yields moved steadily higher during Thursday with the 10-year yield moving to fresh 12-month highs above 1.45%. Higher US and German bond yields had a significant impact on undermining yen demand. The dollar moved above the 106.00 level and held a firm tone despite losses elsewhere with highs just above 106.40.

Kansas City Fed President George stated that Fed policy is set to remain highly accommodative for some time and the Fed is positioned to be patient. She reiterated that the real level of unemployment was much higher than the official data.

Wall Street equities moved sharply lower after the European close which eased selling pressure on the Japanese yen and the dollar was held just above 106.00.

Japanese industrial production increased by 4.2% for January, although there was still a 5.3% annual decline. The Bank of Japan still considered that risks to the economy and inflation are skewed to the downside. Governor Kuroda reiterated that there was no intention of shifting the 10-year yield target from around 0%.

President Biden's \$15 minimum wage measure was ruled out in the Senate which also dampened confidence in equity markets. The yen still gained only limited defensive support with the dollar around 106.20 in early Europe with the Euro just above 129.0 as risk conditions and yields dominated.

GBP

Sterling held firm in early Europe on Thursday, but underlying pressure for a correction gradually increased during the day and losses accelerated after the US open.

There were market concerns over underlying UK fundamentals which curbed the potential for further buying even though underlying vaccine optimism continued.

Global risk conditions dominated later in the day with Wall Street equities moving sharply lower. Overall risk appetite also deteriorated which triggered a sharp Sterling correction as the UK currency remained sensitive to underlying global risk conditions. There were also some concerns over underlying UK fundamentals.

The UK currency slid to test the 1.4000 level against the dollar from 1.4180 highs as the Euro continued the corrective recovery to near 0.8700. Overall risk conditions remained more fragile on Friday which further limited Sterling support. The UK currency dipped to below 1.3950 against the dollar with the Euro just above 0.8700.

Markets remained wary over month-end position adjustment which could trigger Sterling volatility later in the day and the pound lost further support in early Europe.

CHF

The Swiss franc remained under pressure ahead of Thursday's New York open with the Euro strengthening sharply to highs near 1.1100. The Swiss currency was again undermined by higher bond yields and a lack of demand for defensive assets as gold continued to lose ground in global markets.

The franc gained some respite as equity markets weakened and then strengthened further as Wall Street losses intensified. Risk appetite remained vulnerable on Friday with the Euro retreating to near 1.1000 while the dollar was held close to 0.9050.

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.2335	107.35	1.4135
Resistance 2	1.2270	106.80	1.4065
Resistance 1	1.2200	106.25	1.4000
	1.2140	106.15	1.3935
Support 1	1.2130	105.60	1.3930
Support 2	1.2060	105.00	1.3870
Support 3	1.2000	104.40	1.3800

Risk warning

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