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# Daily FX Report

## EUR / USD

The Euro-zone Sentix investor confidence index strengthened to 5.0 for March from -0.2 the previous month and above consensus forecasts of 1.9 with little impact.

The US employment trends index strengthened to 101.0 for February from a revised 99.7 the previous month. There were reports that the Federal Reserve was now looking at a new set of labour market indicators including wages growth for low-wage workers and the rate of labour force participation for those without college degrees.

Overall confidence in the US growth outlook remained strong following Friday's stronger than expected employment report. This optimism over the economy continued to provide support for the US dollar while commodity currencies remained on the defensive.

The ECB did not change the rate of bond purchases in the latest week despite some concerns over an increase in yields. The Euro blipped higher following the data but quickly lost ground again. The Euro was again undermined by expectations that the Euro-zone economy would under-perform relative to the US.

The dollar posted fresh 3-month highs amid widespread gains and the Euro also dipped to 3-month lows below 1.1850.

Euro confidence was also undermined by news that the curfew in the Netherlands would be extended until the end of March. The Euro traded just above 1.1850 on Tuesday as underlying dollar confidence remained strong and higher yields continued to limit the scope for selling while commodity currencies lost ground again.

## JPY

The dollar maintained a firm tone ahead of Monday's European open with further support from an increase in bond yields. Treasury Secretary Yellen stated that the latest fiscal stimulus package will not address all long-standing economic problems and the next focus would be on the build back better programme. She added that the economy could get back to the pre-pandemic level of jobs next year and that there were tools to deal with any increase in inflation. Yellen still expressed concerns over the risk of long-term scarring in the economy, especially for women.

US Commerce Secretary Raimondo stated that a strong dollar is good for America and rejected calls for a weakening of the US currency.

Technology stocks lost ground into the New York open, but there was support for Wall Street equities as a whole amid expectations of a strong US recovery. The yen lost ground on the crosses and the dollar posted highs above 108.90 at the European close.

Chinese equities declined sharply at the Asian open and gains triggered by reports of official buying faded into the close. The Chinese yuan recovered from initial sharp losses. Japanese household spending declined 6.1% in the year to January after a 0.6% decline previously, but there was a smaller decline in average earnings. The yen

overall continued to weaken amid higher global bond yields with the dollar at 9-month highs around 109.20 and the Euro near 129.50.

## GBP

Bank of England Governor Bailey stated that contingency planning for negative interest rates did not imply any intentions for moving in that direction. He added that the UK economy faced two-sided risks to the recovery and that risks were tilted to the downside for now, but the risks are gradually diminishing.

As far as inflation is concerned, Bailey noted that the rate would increase in the short term and it will be challenging in determining whether any increase in prices is likely to be persistent. The rhetoric had a little overall impact with markets assuming that negative rates were off the table.

Schools in England re-opened on Monday, reinforcing expectations that there would be an economic recovery ahead of the Euro-zone. Continuing success in the vaccine programme continued to provide net support for the UK currency. Sterling was unable to make any headway against a firm US dollar and dipped to re-test the 1.3800 level while the Euro retreated to lows around 0.8570. The latest data from Barclaycard recorded a 13.8% decline in annual consumer spending for February, while consumer confidence posted a 12-month high amid re-opening hopes. Sterling traded above 1.3800 against the dollar on Tuesday with the Euro around 0.8570.

## CHF

Swiss sight deposits declined to CHF703.1bn in the latest week from CHF704.1bn previously, continuing to indicate that the National Bank had not been intervening in currency markets. The Swiss franc overall remained on the defensive during Monday and higher bond yields and optimism over a global economic recovery.

The Euro was unable to move above 1.1100 but held unchanged despite wider losses with the dollar posting 7-month highs above 0.9350. The US currency held above 0.9350 on Tuesday as the increase in global bond yields continued to undermine the Swiss currency in global markets.

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.2000	110.70	1.4000
Resistance 2	1.1945	110.00	1.3930
Resistance 1	1.1870	109.35	1.3870
	1.1860	109.15	1.3835
Support 1	1.1800	108.70	1.3800
Support 2	1.1735	108.00	1.3735
Support 3	1.1680	107.35	1.3670

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### **Risk warning**

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