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Daily FX Report

EUR / USD

Euro-zone M3 money supply growth slowed slightly to 12.5% in the year to February from 12.3% previously while private loans growth was unchanged at 3.0%. The Euro was unable to make any headway ahead of the New York open and drifted lower amid an underlying lack of confidence in the Euro-zone outlook.

After posting gains, the dollar overall was mixed after the Wall Street open as commodity currencies attempted to stabilise.

Chicago Fed President Evans stated that he suspected the Fed would not tighten until 2024. He also stated that inflation was likely to weaken in 2022, especially if supply-side issues fade. Richmond Fed President Barkin had a similar message with comments that inflation will spike in the short term, but will come back down next year. San Francisco head Daly stated that the job market is still in a trough.

Fed Chair Powell reiterated that the central bank is strongly committed to inflation that averages 2% over time. Powell's rhetoric was slightly stronger than previously as the board tries to convince markets that interest rates will not be increased. The Euro, however, remained under pressure and posted significant overall losses on the main crosses. In this environment, the single currency retreated steadily to fresh 4-month lows near 1.1760 with the dollar at fresh 4-month highs.

German Chancellor Merkel stated that the country is now in a new pandemic while French President Macron warned over new restrictions in the short term.

The dollar edged lower from the 4-month peak as risk appetite improved and the Euro edged higher to 1.1780, although underlying sentiment remained weak.

JPY

Initial jobless claims declined sharply to a 12-month low of 684,000 in the latest week from a revised 781,000 the previous week and well below consensus forecasts of 730,000. Continuing claims declined to 3.87mn from 4.13mn and also below consensus forecasts. There was, however, a renewed increase in pandemic assistance claims for the latest data. The labour-market data maintained expectations of a strong labour-market recovery, robust US growth condition and also underpinned dollar sentiment. The fourth-quarter US GDP growth was revised slightly higher to 4.3% from the previous estimate of 4.1%.

US bond yields were held in tight ranges on Thursday with little net change, although the 10-year yield did find support just below the 1.60% level.

The dollar overall made headway with highs around 109.20 against the Japanese currency despite a slight retreat in equities.

There were some concerns over the Chinese outlook as the Beige Book cited evidence of de-leveraging within the economy. Risk appetite held steady in Asia with gains for US futures and the dollar settled around 109.25 with the Euro around 128.70 as markets continued to monitor global risk trends.

GBP

The CBI retail sales index remained at -45 for March and weaker than expected of -36 as lockdown restrictions continued to undermine activity. There was greater optimism over the outlook for April with expectations that a gradual re-opening of the retail sector will get underway. Sterling remained vulnerable in early Europe but

gradually gained ground. There was an element of optimism over vaccine developments with hopes that the EU would avoid taking a confrontational stance.

Sterling found support below 1.3700 against the dollar and recovered ground the 1.3740 area while the Euro declined sharply to lows around 0.8570.

EU leaders, in theory, backed the potential to block vaccine exports and Commission President Von der Leyen stated that AstraZeneca must catch up on promised deliveries before exporting doses elsewhere. Nevertheless, leaders fell short of explicitly backing the Commission given the need to protect supply chains.

Overall, there was relief over the overall tone which helped underpin pound sentiment. UK retail sales increased 2.1% for February following an 8.2% slide the previous month. The recovery was in line with expectations with a 3.7% annual decline. Sterling traded near 1.3750 against the dollar with the Euro around 0.8565.

CHF

The Swiss National Bank held interest rates at -0.75% at the latest policy meeting, in line with expectations franc. The bank reiterated that an accommodative policy needed to be maintained and that the economy would remain vulnerable in the short term. The bank also reiterated that it was prepared to intervene as necessary to curb franc strength, although the rhetoric was slightly more dovish than the December meeting given that the Swiss currency had weakened.

The franc was little changed initially, but lost ground after the New York open. The Euro consolidated around 1.1060 while the dollar posted fresh 8-month highs at 0.9400. The Swiss currency edged lower on Friday with the dollar trading just above the 0.9400 level.

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1969	110.70	1.3880
Resistance 2	1.1900	110.00	1.3825
Resistance 1	1.1835	109.35	1.3760
	1.1780	109.25	1.3745
Support 1	1.1760	108.70	1.3700
Support 2	1.1700	108.00	1.3635
Support 3	1.1635	107.35	1.3570

Risk warning

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