

THU 22 APRIL 2021 07:37

# Daily FX Report

## EUR / USD

The French government announced that it expects domestic travel restrictions will be lifted on May 3<sup>rd</sup>. There was an element of optimism that the Euro-zone performance would improve strongly during the second quarter of 2021 as vaccination rates increase. There were, however, still concerns over the near-term outlook, especially with infections still running at very high levels. The Euro tended to drift lower ahead of the New York open as risk conditions remained fragile. The dollar secured an element of defensive support and the Euro dipped to test the 1.2000 area.

Equity markets recovered ground following the Wall Street open which limited the potential for a further dollar recovery. Commodity currencies posted significant gains and the Euro recovered to the 1.2035 area at the European close as underlying dollar sentiment remained fragile.

Overall volatility remained subdued, especially ahead of policy decisions by the ECB and Federal Reserve over the next week. Markets expect a low-key ECB meeting on Thursday, but rhetoric from President Lagarde will be watched closely.

Following a more hawkish stance from the Bank of Canada, there was some speculation that the Federal Reserve could move more quickly to slow the rate of bond purchases, especially with expectations of very strong growth. US yields failed to respond with the dollar unable to make headway. Global coronavirus concerns continued to have some impact in stifling risk appetite with India recording over 300,000 new daily infections and the Euro settled around 1.2030 on Thursday.

## JPY

The dollar found support below 108.00 on Wednesday, but was unable to make significant headway during the day, especially with only a slight recovery in bond yields. The yen was also resilient even when equities moved higher in US trading and the dollar held just above 108.00 at the European close.

Wall Street equities maintained a firm tone later in the New York session, but the dollar was unable to make any headway.

There was a lack of commitment in Treasury markets ahead of next week's Federal Reserve policy decision, but buyers tended to remain in control.

Consensus forecasts for US GDP growth have been revised higher with expectations of a figure above 6.0% this year. US bond yields, however, edged lower in Asia on Thursday with the 10-year yield below 1.55% and the 5-year rate near 0.78%. The decline in yields was again a key factor undermining support for the US dollar with a fresh retreat below the 108.00 level in Asia on Thursday while the Euro traded just below the 130.0 level.

## GBP

The slightly lower than expected inflation curbed potential Sterling support in early Europe on Wednesday. Although the headline rate is set to move sharply higher in the short term, there were expectations that underlying inflation would remain under control and curb any pressure on the Bank of England to tighten policy.

Sterling drifted lower into the New York open amid less confident risk conditions and dipped below the 1.3900 level against the dollar.

Risk appetite strengthened after the Wall Street open which curbed potential selling pressure on the UK currency, especially with commodity currencies posting gains.

As equity markets moved higher, the UK currency was able to gain some support on optimism over global deflation trades.

There was also some encouraging evidence that vaccines were having an important impact in curbing serious illness, although there were also warnings that infections would increase over the summer. Markets will continue to monitor anecdotal evidence of economic recovery with key business confidence data due on Friday.

Sterling rallied to 1.3930 against the dollar while the Euro consolidated around 0.8635, little changed on the day.

There was little change on Thursday with Sterling holding around 1.3930 against the dollar and the Euro little changed around 0.8635.

## CHF

The Swiss franc was unable to gain significant support from the more fragile risk tone early on Wednesday. The Euro found support above 1.1000 and rallied to 1.1030 as risk appetite improved. The dollar was unable to break above the 0.9200 level and retreated later in the session.

The franc was hampered to some extent by optimism that the EU coronavirus vaccine programme would make improvements. Global monetary policies will be monitored closely following the more hawkish Bank of Canada stance with the National Bank expected to maintain a very loose policy. There was little net change on Thursday with the dollar settling around 0.9165 as global coronavirus concerns offered tentative franc support.

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.2200	110.00	1.4135
Resistance 2	1.2135	109.30	1.4065
Resistance 1	1.2070	108.65	1.4000
	1.2030	108.00	1.3935
Support 1	1.2000	108.00	1.3930
Support 2	1.1935	107.35	1.3865
Support 3	1.1870	106.70	1.3800

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### **Risk warning**

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