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Daily FX Report

EUR / USD

According to flash PMI data, the French PMI data was stronger than expected with the services sector returning to expansion. German manufacturing data remained close to record highs and there was a marginal expansion for services, although it was slightly below consensus forecasts.

The Euro-zone flash PMI manufacturing index strengthened to a record high of 63.3 for April from 62.5 and above expectations of 62.0. The services-sector index also increased to an 8-month high of 50.3 from 49.6 and above consensus forecasts.

The data underpinned evidence of Euro-zone resilience despite lockdown restrictions and also reinforced expectations of recovery over the next few months.

There were reports that the ECB is expecting a tough decision on the bond-buying plan at the June meeting with diversity in views with economic optimism contrasting with others seeing the need for caution. Overall, the Euro posted an advance to above 1.2050 at the New York open.

The US PMI manufacturing index strengthened to a 2-month high of 60.6 for April from 59.1 previously and slightly above consensus forecasts. The services-sector index also posted a record high of 63.1 from 60.4 previously with strength in new orders and employment.

The data maintained confidence in the growth outlook, but the dollar was unable to respond and the Euro strengthened to test 1.2100 at the New York close.

CFTC data recorded a renewed increase in long non-commercial Euro contracts in the latest week, the first increase for five weeks.

The dollar was unable to regain territory on Monday amid expectations that the dovish Fed policy would be maintained at this week's policy meeting. The Euro traded at 2-month highs just above the 1.2100 level as US yields continued to limit US dollar support with the dollar trading at fresh 7-week lows.

JPY

US bond yields were little changed in early Europe on Friday and the dollar was unable to make headway with a sharp retreat to near 107.50 just after the New York open. Wall Street equities moved higher and there was a sharp recovery into the London fix with the dollar strengthening to above the 108.00 level. Wider US currency losses dragged it back below the 108.00 level later in the New York session.

CFTC data recorded little change in the latest week with a substantial short yen position. The Japanese government lost three by-elections over the weekend, increasing speculation that there could be a shock in national elections due by October 21st. The Bank of Japan will announce its latest policy decision on Tuesday with

no policy changes expected at this meeting. Markets will be monitoring comments on the outlook, especially given the on-going coronavirus emergency.

Overall risk appetite held steady on Monday, but the dollar was unable to make headway amid wider pressure and settled around 107.80 against the Japanese currency.

GBP

According to the flash data, the UK manufacturing PMI index strengthened to 60.7 for April from 58.9 previously. This was above consensus forecasts of 59.0 and the strongest reading since 1994, although the data was boosted by further supply-chain disruptions. The services sector strengthened to 60.1 from 56.3 previously and just above market expectations. Sterling failed to draw support from the data, especially as there had been some speculation that the services data would be even stronger.

The UK currency was also hampered by expectations that there would be a significant catch-up by the Euro-zone over the next few months.

The Euro again tested resistance above the 0.8700 level while Sterling was unable to break above the 1.3900 level against the dollar.

In comments over the weekend, Bank of England Deputy Governor Broadbent commented that he expects very rapid growth over the next two quarters, especially with the impact of reduced savings, although he also warned that inflation will be less predictable, especially with capacity issues.

Sterling traded close to 1.3900 on Monday amid the weaker dollar but did hit resistance above this level with the Euro strengthening to near 0.8710.

CHF

The Euro posted net gains against the franc on Friday with immediate demand for the Swiss franc curbed by strong Euro-zone business confidence data. Equity-market trends were mixed with losses in Europe offset by gains on Wall Street.

The Euro posted net gains to near 1.1050 while the dollar was held little changed around 0.9160 before fading late in the day. The franc resisted selling pressure on Monday as gold held a firm tone. The Euro remained close to 1.1050 on Monday with the dollar dipping to 0.9125 amid wider US losses.

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.2265	109.30	1.4070
Resistance 2	1.2200	108.65	1.4000
Resistance 1	1.2135	108.00	1.3930
	1.2110	107.75	1.3900
Support 1	1.2070	107.35	1.3875
Support 2	1.2000	106.70	1.3820
Support 3	1.1935	106.00	1.3760

Risk warning

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