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Daily FX Report

EUR / USD

The German IFO business confidence index edged higher to 96.8 for April from 96.6 the previous month, although this below consensus forecasts of a stronger improvement to 97.8. The current conditions index strengthened to 94.1 from 93.1 previously, although there was a small decline in the expectations component to 99.5 from 100.3. The IFO stated that the industrial sector was booming, but production bottlenecks are hampering the recovery.

There were reports that the German government will raise the 2021 GDP growth forecast to 3.5% from 3.0%.

After the better than expected PMI data released last week, there was some disappointment over the IFO data and the Euro lost momentum following the release with a retreat back below the 1.2100 level against the US dollar.

US durable goods orders increased 0.5% for March after a revised 0.9% decline the previous month, but well below consensus forecasts of a 2.5% increase. Underlying orders increased 1.6% on the month which met market expectations and there was little impact from the data.

There was an element of caution ahead of Wednesday's Federal Reserve policy statement even though markets expect that the statement will be little changed from the previous month. Expectations of sustained dovish rhetoric from Chair Powell continued to curb underlying dollar support.

Commodity currencies posted significant gains on the day and the Euro settled around 1.2090 as the dollar failed to gain any traction. The US dollar was able to resist further selling on Tuesday with the Euro close to 1.2075. There was also some wariness of choppy trading surrounding the month-end period.

JPY

US bond yields were unable to make headway ahead of the New York open. The dollar did, however, benefit from a wider recovery and strengthened to the 108.00 area against the Japanese currency from earlier lows around 107.65.

The Dallas Fed manufacturing index strengthened to 37.3 for April from 28.9 previously. Wages increased at a faster rate on the month and pricing pressures increased.

The data continued to fuel expectations that underlying inflation pressures were increasing in the economy.

The dollar held tentative net gains to the 108.10 area at the New York close as Wall Street indices posted fresh record highs.

The Bank of Japan made no policy changes following the latest meeting with interest rates held at -0.1% and the 10-year bond yield target around 0.0%. There was a slight upgrading of the growth outlook, but expectations that inflation is set to remain weak in the short term.

There were further concerns over the state of emergency with the country due to set up mass vaccination centres.

Strong Chinese industrial profits data helped underpin risk appetite during the Asian session with the dollar slightly firmer around 108.20 and the Euro around 130.70.

GBP

There was no evidence that political controversy surrounding the government and Prime Minister Johnson was having a significant market impact at this stage, although there some reservations ahead of the Scottish parliamentary election next week given expectations of a strong SNP performance.

On economic grounds, there was also an element of caution ahead of next week's Bank of England policy meeting and release of the latest Monetary Policy Report.

Sterling pushed above the 1.3900 level against the dollar early Europe on Monday but was unable to sustain the advance as the dollar attempted a wider recovery.

The Euro hit selling pressure above the 0.8700 level against the UK currency as narrow ranges prevailed.

Equity markets were able to make some headway after Wall Street's open which provided an element of Sterling support and the UK currency settled around 1.3900.

There was little change on Tuesday with Sterling just below the 1.3900 level against the dollar after the European open with the Euro just below 0.8700.

CHF

Swiss sight deposits increased to CHF701.7bn for the latest week from CHF701.5bn previously which indicated that the National Bank had not been intervening during the week. There were still expectations that the bank would intervene if the currency strengthened sharply.

The Swiss franc weakened in early Europe amid expectations of a recovery in the Euro area, although it did recovery from intra-day lows. The Euro advanced to 1.1070 before a retreat to just below 1.1050. The Swiss currency was little changed on Tuesday as tight ranges prevailed with the dollar just above 0.9150.

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.2265	110.00	1.4070
Resistance 2	1.2200	109.30	1.4000
Resistance 1	1.2135	108.65	1.3930
	1.2075	108.20	1.3895
Support 1	1.2070	108.00	1.3875
Support 2	1.2000	107.35	1.3820
Support 3	1.1935	106.70	1.3760

Risk warning

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