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Daily FX Report

EUR / USD

German unemployment increased 9,000 in April after a 6,000 decline the previous month and compared with expectations of a further decline of close to 10,000.

Euro-zone M3 money supply growth slowed to 10.1% in the year to March from 12.2% previously with private loans growth of 3.3% from 3.0% previously.

The Euro-zone industrial sentiment index strengthened sharply to 10.7 for April from 2.1 previously and well above market expectations with services-sector sentiment strengthening to 2.1 from -9.6 previously. The data continued to demonstrate some resilience in the economy which provided net Euro support.

German consumer prices increased 0.7% for April with the year-on-year rate increasing to 2.0% from 1.7% and above market expectations of 1.9%.

According to the flash reading, US GDP increased at an annualised rate of 6.4% for the first quarter of 2021 from 4.3% previously, although slightly below consensus forecasts of 6.7%. Real consumer spending increased sharply by 10.7% while the PCE prices index increased to 3.5% from 1.5% previously.

Initial jobless claims declined to a 12-month low of 553,000 in the latest week from a revised 566,000 previously, but marginally above consensus forecasts while continuing claims increased marginally to 3.67mn from 3.65mn.

Underlying dollar sentiment remained generally weak following the Fed statement, but there was a further net recovery from overnight lows. The US currency was able to recover some ground against commodity currencies and the Euro drifted towards 1.2100 before stabilising.

US confidence remained fragile on Friday with markets also wary over month-end position adjustment later in the day with the Euro around 1.2115.

JPY

US bond yields moved higher into Thursday's New York open which helped underpin the US dollar and it strengthened to highs around 109.20. There was no significant support from the US data releases and there was a tentative retreat around the Wall Street open amid choppy trading.

There was volatile trading surrounding precious metals which also had an impact on currencies and the dollar settled just below the 109.00 level.

Japanese data was stronger than expected with a 2.2% increase for industrial production for March while unemployment dipped to 2.6% from 2.9% previously, although Tokyo consumer prices declined 0.2% in the year to April and the market impact was limited.

The Chinese PMI manufacturing index dipped to 51.1 for April from 51.9 previously while the non-manufacturing index declined to 54.9 from 56.3, although this was above consensus forecasts. The Caixin PMI manufacturing index strengthened to 51.9 from 50.6 previously, but equities moved lower.

Treasuries drifted in tight ranges on Friday with the dollar held below 109.00 ahead of next week's Golden Week holidays.

GBP

There were no significant domestic data releases on Thursday with fluctuations in global markets tending to dominate Sterling policy moves. Risk appetite was slightly less robust after the New York open which dampened support to some extent, although overall currency moves remained limited.

There were also reservations over UK political developments which hampered the UK currency. In particular, there were concerns over the Scottish elections next Thursday. Even if the impact is limited, there was caution over buying Sterling ahead of the poll.

The UK currency was unable to make a challenge on the 1.4000 level against the dollar and drifted below 1.3950 while the Euro settled just below 0.8700 level.

There will be significant position adjustment on Friday, especially with a UK market holiday on Monday. In this context, there is scope for choppy trading, especially surrounding the London fix. Overall trends in risk appetite will also continue to be monitored closely.

There was a sharp increase in the latest business confidence data, although Sterling was unable to respond as it was held below 1.3950 against the dollar.

CHF

The Swiss franc maintained a firm tone in early Europe on Thursday, but gradually lost ground later in the day as US bond yields moved higher. There were still reservations over near-term global coronavirus developments which provided some franc support, although the demand for reflation trades was an offsetting factor as commodity currencies held firm. Precious metals moved lower on the day which had little impact.

The Euro retreated to lows near 1.1010 before a recovery to near 1.1030 while the dollar was unable to hold a move back above the 0.9100 level.

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.2265	110.65	1.4135
Resistance 2	1.2200	110.00	1.4070
Resistance 1	1.2135	109.30	1.4000
	1.2115	108.85	1.3935
Support 1	1.2070	108.65	1.3930
Support 2	1.2000	108.00	1.3870
Support 3	1.1935	107.35	1.3820

Risk warning

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