

WED 12 MAY 2021 07:42

Daily FX Report

EUR / USD

The German ZEW economic sentiment index strengthened to 84.4 for April from 70.7 the previous month and above consensus forecasts of 72.0 while there was also a net improvement in the current conditions index to -40.1 from -48.8 previously. The Euro-zone ZEW index strengthened to 84.0 from 66.3 previously. The data maintained expectations of an underlying Euro-zone recovery which underpinned Euro sentiment, although dollar developments dominated.

The US NFIB small business confidence index strengthened to 99.8 from 98.2 previously, although this was slightly below market expectations.

The dollar was unable to make any headway into the New York open as negative real rates continued to sap support.

According to JOLTS data, there was an increase in job openings to a record high of 8.12mn for March from a revised 7.53mn the previous month. Underlying confidence in the outlook remained less confident following last week's employment report with markets also focussing on supply shortages.

The US currency was unable to gain support after the Wall Street open with the US currency unable to gain support when equity markets lost ground. The dollar dipped to fresh 2- month lows before a slight correction with the Euro peaking around 1.2180.

The latest consumer prices inflation data will be released on Wednesday with consensus forecasts for the headline annual inflation to increase sharply to 3.6% from 2.6% previously due in part to the impact of falling prices last year. This would be the strongest annual rate since late 2011 and inflation fears will increase further if the data is above expectations. The dollar regained some ground on Wednesday amid a more defensive risk tone with the Euro weakening to the 1.2125 area.

JPY

The dollar was unable to make any headway ahead of the New York open amid an underlying lack of confidence. The yen secured an element of support when equities moved sharply lower. The US currency dipped to lows below the 108.50 level against the Japanese currency, but did find some respite as US yields moved higher.

Cleveland Fed President Mester stated that she expected inflation to finish this year above 2.0%, but then fall next year as supply shortages ease. Atlanta head Bostic stated that it was appropriate for monetary policy to remain accommodative. San Francisco central bank President Daly stated that bottlenecks were causing both price increases and labour shortages.

Fed Governor Brainard stated that there is much less scarring in the economy than was expected originally and that asset prices are elevated. She insisted that the Fed had the tools to deal with inflation if it proved not to be

transitory. Overall, the dollar settled just above the 108.50 level.

Markets fretted over an increase in Middle East tensions which tended to undermine confidence in equity markets. There were further concerns over the international travel sector which also hampered sentiment. The US currency overall was able to regain ground in Asia with the dollar advancing to around 108.85.

GBP

Overall confidence in the UK outlook remained strong as re-opening measures continue to fuel expectations of stronger activity with further re-opening measures taking effect next week. Sterling was notably resilient during the day even when global equity markets moved sharply lower. The UK currency usually tends to weaken when there is a slide in risk conditions and the ability to resist losses suggested that there was solid underlying buying support.

There was also further evidence that hedge funds were buying the UK currency which underpinned sentiment. Overall, Sterling strengthened to fresh 10-week highs above 1.4150 against the dollar before correcting on a US recovery while the Euro was little changed around 0.8585.

UK first-quarter GDP contracted 1.5% and close to market expectations with stronger than expected growth for March. There was a stronger industrial production recovery and a narrower trade deficit which helped underpin confidence. Sterling was around 1.4125 against the dollar with the Euro around 0.8585.

CHF

The Swiss currency was unable to secure further support on Tuesday even with a slide in global risk conditions. Precious metals were unable to make further headway during the day which limited the potential for further franc buying support. European recovery hopes also limited potential Swiss buying.

The franc gradually lost ground and the Euro gradually gained traction to highs just above 1.0980. The US currency was able to resist further selling and consolidated around 0.9030. The Euro was unable to regain territory on Wednesday despite vulnerability in equities with the dollar securing a limited net gain to just above 0.9050.

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.2265	110.65	1.4265
Resistance 2	1.2200	110.00	1.4200
Resistance 1	1.2135	109.35	1.4130
	1.2125	108.85	1.4125
Support 1	1.2070	108.65	1.4070
Support 2	1.2000	108.00	1.4000
Support 3	1.1935	107.40	1.3939

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