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# Daily FX Report

## EUR / USD

Tight ranges prevailed ahead of Friday's New York open with inevitable caution ahead of the US employment data with the dollar maintaining a slightly firmer tone.

US non-farm payrolls increased 559,000 for May following a revised increase of 278,000 the previous month, but this was still below consensus forecasts of a 650,000 increase for the month. Private payrolls increased 492,000 for the month after a 219,000 increase the previous month. Manufacturing jobs increased 23,000 on the month, but there was a 20,000 decline in construction jobs for May while retail jobs also declined for May.

The unemployment rate declined to 5.8% from 6.1% and slightly below consensus forecasts of 5.9% with the labour-market survey recording a solid employment gain.

Average earnings increased 0.5% on the month with an annual increase of 2.0% from 0.4% previously which maintained some concerns over inflation developments.

The dollar dipped sharply following the data with an assumption that the data was not strong enough to trigger a shift in Federal Reserve stance. In this context, there were expectations that the yield structure would continue to undermine US currency support over the next few months with the Euro peaking just above 1.2180.

CFTC data recorded an increase in long Euro positions to 109,000 in the latest week from 104,000 previously which will maintain the potential for sharp position adjustment if there is a shift in Fed policy or another catalyst, but markets assumed there was no immediate catalyst for a change which undermined US support.

There is likely to be some caution ahead of this Thursday's ECB policy meeting with the US also releasing its latest trade data. The dollar overall was unable to secure a significant recovery on Monday with the Euro unable to regain the 1.2180 level and edging lower to just below 1.2160 after subdued German industrial orders data.

## JPY

US Treasuries rallied following the US employment data with a decline in the 10-year bond yield to below 1.60% which sapped dollar support. There was an immediate break below the 110.00 level which triggered further losses and the US currency retreated to near 109.50.

The US dollar was unable to recover ground as yields remained at lower levels later in the session which continued to undermine underlying US currency support.

There should be no further comments on monetary policy from Federal Reserve officials ahead of the June 16th policy meeting. In comments over the weekend, Treasury Secretary Yellen stated that higher interest rates would be a net plus for society and the Federal Reserve while monetary policy can handle inflation risks.

Overall yen sentiment remained weak with weak domestic wages growth limiting the scope for increased spending. Chinese export growth in the latest trade data was slightly lower than expected which dampened risk appetite to some extent, although overall moves were limited. The dollar overall was unable to make headway, although there was caution over further selling. The dollar traded around 109.40 in early Europe as the yen was resilient on the crosses with the Euro just above 133.0.

## GBP

The UK construction PMI index strengthened to 64.2 for May from 61.6 the previous month and the strongest reading since September 2014. New orders increased at the fastest pace on record while cost inflation also hit a record high while there was a further strong increase in supplier delivery times as supply-side issues continued. Sterling edged higher amid underlying optimism over the recovery outlook. The UK currency also jumped higher against the dollar after the US employment data, but there was further resistance on approach to 1.4200 and there was a retreat to 1.4160 at the US close while the Euro pared losses to trade around 0.8590.

CFTC data recorded a significant decline in long, non-commercial Sterling positions to 24,000 from 31,000 previously, reversing the gains seen previously. The data suggested that hedge funds were happy to trim long positions when the currency approached 3-year highs against the US currency.

Markets continued to monitor developments surrounding the Delta variant in the UK as the number of infections continued to increase, but hospitalisation rates held at low levels. Sterling edged lower on Monday as it traded below 1.4150 against the dollar with the Euro just above the 0.8600.

## CHF

The Swiss currency was able to secure net gains on Friday with global inflation and monetary policy developments remaining important. The weaker than expected US employment data reinforced expectations that global central banks would maintain a very loose monetary policy over the medium term which would limit potential selling on the Swiss currency. The Euro retreated to below 1.0950 while the dollar dipped below the 0.9000 level.

The franc resisted selling pressure on Monday with the dollar held just below the 0.9000 level as markets continued to monitor global inflation developments.

## Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.2300	111.30	1.4320
Resistance 2	1.2245	110.65	1.4250
Resistance 1	1.2180	110.00	1.4200
	1.2160	109.45	1.4135
Support 1	1.2130	109.30	1.4130
Support 2	1.2065	108.65	1.4070
Support 3	1.2000	108.00	1.4000

## Today's Events

Currency	Date	Time	Indicator	Period	Survey	Prior
GBP	07/06	08:30	Halifax House Prices	May		39.6%
EUR	07/06	09:30	Sentix Investor Confidence	June	25.4	21
CHF	07/06	08:00	Foreign Currency Reserves	May		914.1bn
USD	07/06	20:00	Consumer Credit	Apr	\$20.5b	\$25.841

Source: Bloomberg

### Risk warning

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