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Daily FX Report

EUR / USD

The Euro-zone Sentix investor confidence index strengthened to a 40-month high of 28.1 for June from 21.0 the previous month and above consensus forecasts of 26.0. The data maintained expectations that the Euro-zone economy would continue to recover strongly over the next few months.

The dollar was unable to secure further traction ahead of the New York open with the Euro edging higher after finding support just below the 1.2150 level.

Overall market activity was relatively subdued as is often the case on the Monday following the monthly US jobs data.

There were underlying expectations that the Fed would maintain a very accommodative monetary policy in the short term which would also tend to undermine dollar support, especially with yield support very weak in real terms amid higher US inflation. There was, however, also an element of caution ahead of important events on Thursday with the latest US consumer prices data and ECB policy meeting. The US employment trends index strengthened to 107.4 for May from a revised 104.3.

There was some speculation that the ECB would maintain a dovish stance to help sustain very supportive financial conditions. Nevertheless, the Euro continued to make headway with a move to near 1.2200 just ahead of the European close. The dollar was able to secure a limited recovery on Tuesday with the Euro around 1.2180 as commodity currencies lost some ground. German industrial production data recorded a 1.0% decline for April compared with expectations of a small increase.

JPY

US Treasury Secretary Yellen stated that the US economy is transitioning to a pre-pandemic state. The US dollar was unable to make headway ahead of the New York open and lost further ground after the Wall Street open amid wider selling interest with lows around 109.20 against the Japanese currency.

There were no comments on monetary policy from Federal Reserve speakers with the blackout period in operation ahead of next week's policy meeting and overall market ranges were lower. There was no significant impact at this stage from further debate surrounding the US infrastructure debate.

There was an element of caution ahead of the next round of inflation data releases with the Chinese data due on Wednesday. Japanese wages data was stronger than expected and there was a slight upward revision to first-quarter GDP data, but overall yen sentiment remained weak, especially with coronavirus concerns.

The dollar secured a slight recovery to 109.40 in Asia as the US currency secured a limited correction with the Euro around 133.30.

GBP

Halifax reported that house prices increased 1.3% for May after a revised 1.5% gain the previous month with the year-on-year rate at 9.5% from 8.2%. Prices reached a fresh record high with the annual increase the strongest for just over five years.

The on-going strength of housing data maintained speculation that the Bank of England would have to shift to a less accommodative policy within the next few months which helped underpin Sterling, especially with expectations that the Federal Reserve and ECB would maintain very loose policies.

The UK currency was still hampered by reservations over the Delta coronavirus variant, although the impact was lessened by the on-going vaccination programme which should lessen the risk of serious illness, especially with new cases tending to be concentrated in young people.

Overall, Sterling posted net gains with the Euro testing support below the 0.8600 level while there was a net advance against the dollar, although with further resistance close to 1.4200. Media reports indicated that the planned June 21st lifting of coronavirus restrictions would be delayed for 2 weeks. BRC data reported an 18.5% increase in like for like retail sales in the year to May with a 10.0% increase from 2019 while Barclaycard reported a 7.6% increase in spending compared with 2019. Sterling edged lower in early Europe as caution prevailed, although overall ranges were narrow ahead of key events.

CHF

Swiss consumer prices increased 0.3% for May, in line with consensus forecasts and the annual rate increased to 0.6% from 0.3% which also met market expectations.

Swiss sight deposits increased slightly to CHF710.8bn in the latest week from CHF710.5bn the previous week which suggested that the National Bank had not been intervening significantly to weaken the Swiss currency in the latest period.

The franc held a firm tone with the Euro retreating to near 1.0930 while the dollar dipped to lows around 0.8970. The Swiss currency held a firm tone on Tuesday as markets remained wary over longer-term inflation trends which maintained demand for the franc from a longer-term perspective.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.2300	111.30	1.4320
Resistance 2	1.2250	110.65	1.4250
Resistance 1	1.2200	110.00	1.4200
	1.2180	109.40	1.4155
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
EUR	08/06	10:00	Gross Fix Cap Y/Y	1Q	1%	1.6%
EUR	08/06	10:00	Household Cons Q/Q	1Q	-2.3%	-3%
EUR	08/06	10:00	Employment	1Q		-0.3%
EUR	08/06	10:00	Employment	1Q		-2.1%
EUR	08/06	10:00	GDP Y/Y	1Q	-0.6%	-0.6%
EUR	08/06	10:00	ZEW Survey Expectations	Jun		84
USD	08/06	11:00	NFIB Business Optimism	May	101	99.8
USD	08/06	13:30	Trade Balance	Apr	-\$68.7b	\$74.4b
USD	08/06	15:00	JOLTS Job Openings	Apr	8200k	8123K

Source: Bloomberg

Risk warning

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