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Daily FX Report

EUR / USD

Euro-zone industrial production increased 0.8% for April, above consensus forecasts of 0.4%, with an annual increase of 39.3% given that there was a slump in output last year during the first lockdown. Overall confidence in an economic rebound continued with a gradual easing of coronavirus restrictions.

ECB council member Holzmann stated that the bank is in a dangerous zone as inflation concerns rise, but also that it was too early to talk about ending bond buying. Markets continued to expect that the central bank would continue to back very supportive financial conditions which limited Euro support.

After holding a firm tone in early Europe, the dollar was unable to make further headway with Euro support below the 1.2100 level and the US currency edged lower into the New York open as commitment remained limited.

There was a significant element of caution ahead of Wednesday's Federal Reserve policy decision, but also expectations that the central bank would be extremely slow in removing policy stimulus which limited the potential for sustained US currency support.

Overall, the Euro settled around 1.2120 at the European close as relatively narrow ranges prevailed. Activity remained limited with further caution ahead of Wednesday's Fed policy decision and overall volatility remained at very subdued levels with expectations that central banks overall would maintain very accommodative policies. The dollar was unable to make headway on Tuesday ahead of the latest retail sales data due later in the day. The Euro traded around 1.2125 in early Europe.

JPY

US Treasuries lost ground just after the New York open with the 10-year yield strengthening to near the 1.50% level. Higher yields were significant in underpinning the US currency and there were also significant yen losses as overall confidence in the Japanese currency remained very fragile. Although the dollar drifted weaker elsewhere, there were gains to near 110.00 ahead of the European close as yen sentiment remained subdued.

US currency sentiment held firm later in the session with the dollar battling resistance just above 110.00 as risk appetite held steady.

The Bank of Japan will announce its latest policy decision on Friday. There were reports that the central bank would extend the coronavirus relief programme beyond September, but monetary policy is expected to remain on hold and overall yen sentiment remained fragile. Chinese equity markets lost ground following Monday's holiday while there were no major developments in currency markets as narrow ranges prevailed with the yuan

slightly lower following Monday's holiday.

US yields edged lower again in Asia on Tuesday, but the dollar held just above the 110.00 level with the Euro close to 133.50.

GBP

Sterling continued to drift lower in early Europe on Monday with some further disappointment that the planned English easing of coronavirus restrictions on June 21st would be delayed for four weeks. There were, however, still expectations that the UK economic recovery would continue. The UK currency did, however, find support below the 1.4100 level and edged back above this level as the US currency faded. The Euro found support close to 0.8570 and recovered to near 0.8590.

Bank of England Governor Bailey stated that managing the bond-buying programme would be a major challenge, but there were no direct references to monetary policy and bank officials should be in a blackout period ahead of next week's policy decision.

Prime Minister Johnson confirmed that the easing of coronavirus restrictions which had been due on June 21st would be delayed until July 19th. There was little reaction in currency markets given that the announcement had been flagged strongly in advance.

The UK government announced that an outline free trade deal had been signed with Australia. The UK unemployment rate edged lower to 4.7% from 4.8% while there was a stronger than expected increase in payrolls for the month. Sterling edged higher to around 1.4125 against the dollar with the Euro around 0.8585.

CHF

Swiss sight deposits increased only slightly to CHF711bn in the latest week from CHF710.8bn the previous week which suggests that the National Bank had not been intervening to curb franc appreciation. There was, however, further speculation that the bank would intervene in the market if the franc secured further gains.

The Euro found support just above 1.0870 against the franc and advanced to 1.0900 while the dollar was held at the 0.9000 level.

Markets continued to monitor global inflation developments closely with the Euro trading just above the 1.0900 level in early Europe on Tuesday.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.2250	112.00	1.4250
Resistance 2	1.2200	111.30	1.4200
Resistance 1	1.2130	110.65	1.4130
	1.2125	110.10	1.4125
Support 1	1.2070	110.00	1.4070
Support 2	1.2000	109.30	1.4000
Support 3	1.1935	108.65	1.3930

Today's Events

Currency	Date	Time	Indicator	Period	Survey	Prior
EUR	15/06	10:00	Trade Balance	Apr	-	13bn
USD	15/06	13:30	Empire Manufacturing	June	22.7	24.3
USD	15/06	13:30	PPI Final Demand Y/Y	Apr	6.2%	6.2%
USD	15/06	13:30	PPI Ex Food and Energy Y/Y	May	4.8%	4.1%
USD	15/06	14:15	Capacity Utilisation	May	75.1%	74.9%
USD	15/06	14:15	Industrial Production M/M	May	0.7%	0.7%
USD	15/06	21:00	Total Net TIC Flows	Apr	\$146.4bn	

Source: Bloomberg

Risk warning

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