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## Daily FX Report

### EUR / USD

The European Commission revised the 2021 GDP growth forecast higher to 4.8% from 4.3% previously with the 2022 estimate at 4.5% from 4.4% previously, although it did warn over uncertainty surrounding the Delta variant. It forecast inflation rates of 1.9% and 1.4% for 2021 and 2022 respectively.

The Euro attempted to stabilise during the European session, but was unable to make significant headway.

The latest US JOLTS data recorded an increase in job openings to 9.21mn from 9.19mn the previous month. There was a small decline in the IBD consumer confidence index to 54.3 from 56.4. The dollar secured fresh support towards the European close with a fresh slide in commodity currencies and the Euro dipped below 1.1800.

Federal Reserve minutes from the June policy meeting stated that the committee's standard of substantial further progress was generally seen as not having been met.

Some members considered that they expected requirements for starting to decrease the pace of bond purchases would be satisfied earlier than expected, but there was a lack of consensus whether to slow Treasury buying at the same time as mortgage-backed securities.

The committee highlighted the high degree of uncertainty over the outlook and there were important divisions over inflation. Although some members warned that there were still negative risks to inflation, a large majority considered that risks to their inflation forecasts were skewed to the upside. Some were also concerned that a prolonged period of higher inflation would increase inflation expectations. The dollar initially ticked lower following the minutes as there were no major new warnings over an early policy tightening, but it regained ground given expectations that the Fed would start to slow the rate of bond purchases this year.

The ECB is due to announce its new inflation target on Thursday with reports suggesting that the bank will endorse a 2% target and tolerate an overshoot of this level.

This would tend to undermine the Euro slightly and it traded around 1.1800 and close to 3-month lows as the dollar maintained a strong tone near 12-week highs.

### JPY

There were further reports that Japan would declare a state of emergency in the Tokyo region which would increase the risk of a ban on all spectators at the Olympics which start later in July. Underlying yen sentiment remained fragile, although yield trends limited any potential yen selling.

Chinese government officials were reported as stating that timely use of a cut in reserve ratio requirements will support the economy.

Treasuries continued to rally in early New York with the 10-year yield sliding to near 1.30% which tended to erode US dollar support and it hit a low at 110.40 before a limited recovery to 110.60. The yen was still able to resist significant selling pressure.

There was little change in yields on Thursday and equity futures edged lower while Asian markets moved lower amid reservations over coronavirus developments. The dollar initially held close to 110.50 but retreated to 110.25 as the yen remained strong while the Euro traded below 130.20.

## GBP

Halifax reported that UK house prices declined 0.8% in June with the year-on-year increase slowing to 8.8% from 9.5% previously as tax relief was scaled back.

There was a mixed reaction to the UK government plans to relax coronavirus restrictions in England over the next few weeks. Although there was optimism that there would be improved business conditions, there were reservations over the impact of rising infection rates, especially with an increased risk of disruption from the number of people forced to self-isolate. Global coronavirus developments will also be watched closely in the short term.

Global market conditions remained crucial for the overall Sterling direction during the day with a particular focus on the dollar. From highs around 1.3840, there was a sharp retreat to near 1.3750 amid renewed US dollar strength. The Euro also found support below 0.8550 with the UK currency undermined by weaker risk conditions.

RICS housing data remained strong, but global factors dominate and Sterling was held below 1.3800 against the dollar on Friday with the Euro just above 0.8550.

## CHF

Swiss National Bank member Zurbruegg stated that the inflation rise is likely to be temporary. He added that the franc remains highly valued and that an expansionary monetary policy is still needed. The franc maintained a solid underlying tone despite the bank rhetoric.

The franc continued to draw some support from more fragile risk conditions with the Euro held around 1.0920 at the European close. The ECB inflation review will be monitored closely on Thursday given potential long-term

implications for the Swiss franc with the dollar fractionally above 0.9250.

## Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.2000	111.65	1.3930
Resistance 2	1.1935	111.10	1.3870
Resistance 1	1.1870	110.50	1.3800
	1.1805	110.25	1.3785
Support 1	1.1800	110.00	1.3735
Support 2	1.1735	109.40	1.3670
Support 3	1.1670	108.75	1.3600

## Today's Events

Currency	Date	Time	Indicator	Period	Survey	Prior
GBP	07/08	09:30	Bank of England Liabilities/Credit			
USD	07/08	13:30	Initial Jobless Claims	July 3	350K	364K
USD	07/08	13:30	Continuing Jobless Claims	June 26	3350K	3469K

Source: Bloomberg

### Risk warning

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