

MON 19 JULY 2021 07:55

Daily FX Report

EUR / USD

The Euro-zone CPI inflation rate was confirmed at 1.9% with the core rate also unchanged from the flash reading at 0.9%. The Euro was unable to make any headway ahead of Friday's New York open and continued to test the 1.1800 support area against the dollar amid expectations of a dovish ECB policy stance.

US retail sales increased 0.6% for June and were stronger than consensus forecasts of a 0.4% decline, although the May data was revised down to a decline of 1.7%. Underlying sales increased 1.3% for the month after a 0.9% decline the previous month while the control group posted a 1.1% increase on the month. There was a strong monthly increase in department store sales while auto sales declined on the month with furniture sales also declined sharply on the month.

There was a subdued initial reaction to the data with the dollar holding a firm underlying tone and the US currency gained further net support later in the session.

CFTC data recorded a decline in long Euro positions to just below 60,000 in the latest week from 77,000 previously and the lowest reading since March 2020, lessening the potential for further Euro selling. There will be further uncertainty ahead of Thursday's ECB policy meeting and forward guidance from the bank. The Euro held fractionally above 1.1800 in early Europe on Monday but was unable to make any headway as US dollar sentiment held firm.

JPY

There was a muted response in US Treasuries from the US retail sales data with the 10-year yield held around 1.32% while equity futures edged higher. The dollar was able to post net gains to 110.25 after the Wall Street open as the yen lost wider support. The yen gained renewed support late in US trading as equities moved lower and the US dollar dipped to near 110.00 at the US close.

There should be no comments on monetary policy from Federal Reserve officials during the week with the blackout period coming into effect at the weekend ahead of the policy statement next week. This may dampen market volatility, although with the further risk of choppy trading amid lower than normal trading volumes.

CFTC data recorded a decline in short yen positions, but there is still scope for further position adjustment which could generate further yen gains. The Japanese currency maintained a firm tone on Monday, especially with risk appetite still fragile.

US equity futures lost ground on Monday and regional equity markets lost ground amid the more fragile risk

conditions, although Chinese bourses were resilient.

In this environment, the yen maintained a firm tone and the dollar traded just below 110.00 with the Euro around 129.75.

GBP

Sterling attempted to move higher after the European open on Friday, although it again failed to hold the gains with the advance against the dollar held around 1.3860. The Euro was also resilient around the 0.8550 area as the UK failed to secure wider support.

There were no further comments on inflation and interest rates during the day from Bank of England officials. The UK currency continued to lose ground later in the day with a weaker tone in global equities contributing to the soft underlying tone and there was a dip below the 1.3800 level against the dollar. Comments from MPC member Haskel will be watched closely on Monday given the focus on Bank of England policy and hawkish comments from two members last week.

CFTC data recorded a sharp decline in long Sterling positions to 8,000 in the latest week from near 22,000 previously and the lowest level January this year.

Markets were uneasy over the continuing surge in new infections and potential negative impact on the economy from workers forced to self-isolate.

The housing sector data remained firm with Rightmove recording an increase in house prices of 0.7% for July with an annual increase of 5.7% from 7.5% previously.

Sterling was unable to make headway on Monday with fragile global risk conditions and delta variant concerns continuing to sap underlying support on domestic and global grounds. The UK currency traded close to 1.3750 against the dollar with the Euro strengthening to just above 0.8580.

CHF

The Swiss franc edged lower during Friday, although overall moves were limited as markets continued to focus on global developments and wider risk conditions.

The Euro edged above the 1.0850 level while the dollar hit selling interest close to the 0.9200 level.

A weaker tone in global equities helped limit potential selling pressure on the Swiss currency, especially later in the US session. The franc maintained a firm tone on Monday with the dollar continuing to trade just below the 0.9200 level as markets continued to monitor risk conditions.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.2000	111.10	1.3930
Resistance 2	1.1935	110.50	1.3870
Resistance 1	1.1870	110.00	1.3800
	1.1805	109.95	1.3750
Support 1	1.1800	109.40	1.3735
Support 2	1.1735	108.75	1.3670
Support 3	1.1670	108.00	1.3600

Today's Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
EUR	07/19	13:30	Construction Output m/m	May		-2.2%
EUR	07/19	13:30	Construction Output y/y	July		43.3%
USD	07/19	13:30	NAHB Housing Market Index	July	82	81

Source: Bloomberg

Risk warning

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