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Daily FX Report

EUR / USD

Narrow ranges prevailed ahead of Wednesday's New York open as markets continued to monitor risk conditions. The Euro found support on approach to 1.1750 against the dollar, but was unable to secure more than a limited recovery as gains quickly attracted selling interest.

There were no major data releases during the day which dampened activity to some extent as risk sentiment remained the dominant influence.

Risk conditions gradually strengthened during the day with a further recovery in global equity markets. In this context, there was a gradual weakening of defensive dollar support. After a fragile tone early in the session, there was a strong rebound in commodity currencies which also helped drag the US currency weaker. In this environment, the Euro was able to challenge the 1.1800 level at the European close as equities strengthened.

There was little further change later in the US session with the Euro consolidating just below 1.1800 after failing to break above this level.

The ECB will announce its latest policy decision on Thursday with a press conference from President Lagarde. There are no expectations of any change in interest rates. The commentary will, however, be watched very closely, especially with the central bank announcing its revised inflation target earlier this month. Market expectations are for generally dovish rhetoric with forward guidance and any announcements on the bond-buying programme important for Euro sentiment.

Tight ranges prevailed on Thursday ahead of the ECB announcement with the Euro just below 1.1800 as immediate defensive dollar demand remained lower.

JPY

US Treasuries continued to lose ground after Wednesday's New York open with a further recovery in yields as the 10-year yield moved towards 1.30% which underpinned the dollar. Equities also continued to recover which curbed potential yen demand during the day. The dollar was able to move back above the 110.00 level and posted highs near 110.40 before fading. The Euro also strengthened to the 130.0 level against the Japanese currency.

The Federal Reserve remained in a blackout period ahead of next week's policy meeting which dampened activity to some extent.

There was a setback in the US infrastructure Bill with the Senate voting against stating a formal debate, although there were still expectations that there would be progress within the next few days. Markets also continued to debate long-term inflation trends.

Overall risk appetite held firm on Thursday with Asian equity markets making headway. In this environment, there was a decline in defensive yen demand with the dollar consolidating above the 110.00 level. The Euro traded close

to 130.00, but there was selling interest above this level.

GBP

Sterling found support below 1.3600 against the dollar in early Europe, but was unable to secure more than a very limited recovery as underlying sentiment remained notably cautious. There were further reservations surrounding the increase in Delta variant cases in the UK and the potential impact of self-isolation in curbing business activity which could undermine the wider recovery. The UK currency was initially again unable to gain more than limited support from firmer risk conditions and a further net recovery in UK equities, especially with reduced expectations of a more hawkish Bank of England policy.

There were fresh concerns surrounding UK-EU trade tensions as the UK government called for changes to be made to the Northern Ireland protocol and relax schedule customs checks on goods which are due to some into effect from September. The EU indicated that it would reject the UK proposals.

There was some relief that the UK government decided not to invoke article 16 at this stage. Risk appetite also continued to recover which helped underpin the UK currency. There was a recovery to near 1.3700 against the dollar while the Euro retreated to below 0.8620. The UK currency held steady on Thursday as risk appetite remained on a sounder footing with Sterling trading above 1.3700 against the dollar and the Euro close to 0.8600.

CHF

The Swiss franc edged lower in early Europe on Wednesday as equities secured further gains. The currency was, however, broadly resilient during the day and there was notable out-performance compared with the Japanese yen.

The Euro edged lower to 1.0830 while the dollar dipped back below the 0.9200 level. The franc maintained a firm tone on Thursday with the low level of real interest rates in other major currencies continuing to limit potential selling pressure on the Swiss currency and the dollar traded around 0.9175.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1935	111.60	1.3870
Resistance 2	1.1870	111.10	1.3800
Resistance 1	1.1800	110.50	1.3730
	1.1795	110.15	1.3720
Support 1	1.1735	110.00	1.3670
Support 2	1.1670	109.40	1.3600
Support 3	1.1600	108.75	1.3550

Risk warning

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