

TUE 10 AUGUST 2021 07:21

Daily FX Report

EUR / USD

The Euro-zone Sentix investor confidence index declined to 22.2 for August from 29.8 previously and below consensus forecasts of 29.0. There was a slight increase in the current conditions index to the highest level since October 2018, but there was a sharp decline in the expectations index and the lowest level since May 2020.

The Euro remained weak into the New York open and it dipped to fresh 4-month lows against the dollar, although there was further support below the 1.1750 level.

Tight ranges prevailed on Monday which is often the case on the first day following the monthly US jobs report even if there is substantial impact from the data itself.

Atlanta Fed President Bostic stated that substantial further progress could be achieved in the next month or two. He added that the Fed could taper between October and December, but was open to bring this forward. He also suspected that interest rates could increase late in 2022. Boston President Rosengren also called for an announcement in September that bond purchases will begin to slow this Autumn.

Underlying dollar confidence remained firm on expectations that the Federal Reserve would announce a tapering of bond purchases at the September policy meeting.

The US employment trends index strengthened to 109.80 from a revised 109.0 previously while the JOLTS data recorded an increase in job openings to a record high of 10.07mn for June from 9.48mn previously which maintained confidence in underlying labour-market strength.

The dollar maintained a firm tone after the European close with the Euro dipping to fresh 4-month lows near 1.1730 despite some resilience in commodity currencies.

The US currency maintained a strong tone on Tuesday with the unable to secure more than a very limited recovery while commodity currencies edged weaker.

JPY

After significant losses on Friday, US Treasuries recovered some ground in early US trading on Monday with the 10-year yield retreating to around 1.28% which limited the scope for further dollar support and it retreated to near 110.00 against the yen at the Wall Street open.

Markets continued to monitor developments on the infrastructure Bill with optimism that an overall deal would

underpin the US growth outlook and the US Senate is due to hold a vote on Tuesday. US yields continued to move higher later in the day with the dollar posting renewed gains to the 110.30 late in New York.

Richmond Fed President Barkin stated that demand did not seem to be dented by the delta variant. He added that the economy has made headway towards its objectives with significant headway towards the taper benchmark. Upward pressure on wages was also intense at lower levels of the pay scale.

The overall rhetoric was relatively hawkish which helped underpin the dollar despite reservations over the coronavirus trends.

Equities were little changed on Tuesday with the dollar around 110.35 and the Euro just above 129.50 as Japanese yen demand declined slightly.

GBP

Sterling held a firm tone in Europe on Monday with markets continuing to monitor global central bank developments and a potential tightening timeline. Overall, there were expectations that the Bank of England would be in the second wave of banks to reduce monetary stimulus. There were further expectations that the ECB would lag behind in tightening policy which continued to limit the scope for Euro support against the UK currency.

Overall risk appetite held relatively steady during the day despite concerns over coronavirus trends in China which provided an element of UK currency protection.

There was, however, resistance on approach to the 1.3900 level against the dollar while the Euro held just above the 0.8470 level against Sterling.

BRC data recorded a 4.7% annual increase in like-for-like sales while Barclaycard recorded an 11.6% increase in consumer spending compared with July 2019.

Sterling was little changed on Tuesday with markets waiting for fresh drivers for the UK and global currencies as it traded just below 1.3850 against the dollar.

CHF

Swiss sight deposits increased to CHF713.2bn in the latest week from CHF712.0bn the previous week. Although only a limited increase, the data suggested that the National Bank may have been intervening to weaken the Swiss currency, although there was no evidence of aggressive intervention at this stage.

Markets were still wary of the potential for the central bank to intervene more substantially which curbed franc support. The weakness in precious metals also continued to undermine potential franc support. The Euro strengthened to 2-week highs above 1.0800 against the franc and held close to this level on Tuesday with the

dollar peaking at 2-week highs around 0.9215 before consolidating around 0.9200 on Tuesday.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1870	111.60	1.4000
Resistance 2	1.1800	111.10	1.3930
Resistance 1	1.1750	110.50	1.3870
	1.1735	110.35	1.3845
Support 1	1.1700	110.00	1.3800
Support 2	1.1635	109.35	1.3735
Support 3	1.1570	108.75	1.3670

Risk warning

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