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## Daily FX Report

### EUR / USD

German consumer confidence edged lower to -1.2 for September from -0.4 the previous month and slightly weaker than expectations as coronavirus cases sapped support. The Euro held a firm tone in early Europe, but struggled to extend gains with a peak at 9-day highs around 1.1780 against the dollar.

The ECB minutes from August's meeting stated that the new forward guidance did not necessarily mean lower rates for longer which provided some Euro support.

St Louis Fed President Bullard stated that there was a lot of inflation in the US economy and more than the central bank had expected with the rate set to be at least 2.5% in 2022. He also downplayed the possibility that the delta variant could delay a tapering of bond purchases. In this context, he reiterated that purchases should start as soon as possible and that a quick finish to the process would allow increased flexibility.

Kansas City head George stated that the slowdown in bond purchases should start this year. She added that inflation had been coming in strong while there has been good progress on the economy. Given that the Jackson Hole symposium is organised by the Kansas City Fed, the comments from George tended to dampen expectations of any significant announcement from Fed Chair Powell in comments on Friday.

Dallas Fed President Kaplan reverted to a more hawkish stance with comments that he had not seen anything that would materially change his outlook and he was less concerned that the delta variant would have an adverse outlook on the economy.

The dollar gained initial support from Bullard's comments and extended gains after Kaplan's rhetoric with the Euro edging below 1.1750. The Euro was resilient and traded around 1.1765 on Friday with inevitable caution ahead of Powell's comments given the risk of choppy trading conditions.

### JPY

US second-quarter GDP was revised slightly higher to 6.6% from the original figure of 6.5%, but fractionally below consensus forecasts.

Initial jobless claims increased slightly to 353,000 in the latest week from 349,000 previously and slightly higher than market expectations while continuing claims declined slightly to 2.86mn from 2.87mn. There was further uncertainty over underlying labour-market supply trends and the impact on inflation.

Given that the overall data releases were close to expectations, the releases had little market impact. The dollar posted highs around 110.20 before stalling.

Risk appetite dipped late in the European session with the reported bomb explosion at Kabul airport having a significant impact in undermining sentiment and pushing equities lower. The dollar dipped below 110.00 against the yen, although overall selling was muted.

Asian equities were mixed on Friday while US futures edged higher and the dollar settled just below the 110.00 level with the Euro around 129.35.

## GBP

Sterling was confined to relatively narrow ranges on Thursday with a lack of fresh incentives and low trading volumes. Overall global risk conditions continued to have a significant impact with further caution ahead of Fed Powell's comments on monetary policy.

There were further reservations over the increase in UK coronavirus cases which posted the highest daily rate for over a month. There were also reservations over the medium-term upward pressure on government spending if booster jabs are required.

The UK currency was unable to hold above 1.3750 against the dollar and retreated to 1.3700 towards the European close while the Euro found support close to 0.8550 and strengthened to 0.8580 as the single currency posted net gains on the crosses.

Position adjustment is likely to have an impact on Friday ahead of the US holiday on Monday and there is also the potential for month-end adjustment in Sterling holdings. Sterling was held near 1.3700 against the dollar on Friday with the Euro just below 0.8590 with the potential for choppy trading later in the day.

## CHF

The Swiss franc lost ground on Thursday with fresh interest in higher-yield assets which curbed potential demand for the franc. The Euro pushed above the 1.0800 level before edging lower as risk appetite dipped again while the dollar stalled just below the 0.9200 level.

There was further speculation that the National Bank would look to nudge the Swiss currency weaker, but risk conditions also remained important and the franc recovered ground on Friday amid security concerns. The Euro retreated to 1.0780 with the dollar around 0.9165 as markets monitored global risk conditions.

## Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1935	111.10	1.3865
Resistance 2	1.1865	110.50	1.3800
Resistance 1	1.1800	110.00	1.3735
	1.1765	109.95	1.3700
Support 1	1.1750	109.35	1.3670
Support 2	1.1700	108.70	1.3600
Support 3	1.1635	108.00	1.3550

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### **Risk warning**

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