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# Daily FX Report

## EUR / USD

In media comments ahead of the New York open, Atlanta Fed President Bostic stated that recent negative data has likely pushed back the start of tapering and that he does not foresee a decision on slowing asset purchases at this month's policy meeting. Nevertheless, he also noted that the potential of tapering bond purchases this year remained open. He also stated that he was looking for an interest rate increase in late 2022. The Fed blackout period will come into effect on Saturday.

The ECB made no changes to interest rates following the latest policy meeting with the main refi rate held at 0.0%, in line with expectations. The overall PEPP bond-buying programme was left unchanged and is due to run until March 2022. The amount of purchases will, however, be lowered from the rate seen in the past two quarters due to an improvement in financing conditions. Bank President Lagarde described this as a recalibration of stimulus for the next three months. She added that the PEPP debate will be handled comprehensively at the December policy meeting. The rate of purchases will slow from EUR80bn per month, but no precise amount was announced with markets expecting a rate of \$60-70bn.

There was little change in growth forecasts for the next two years while President Lagarde was broadly optimistic over the outlook with comments that slack in the economy is being eliminated faster than expected. Inflation forecasts were revised up slightly with a projected rate of 1.7% for 2022 from 1.5% previously, but Lagarde still expected that most of the inflation pressures would be transitory. Rhetoric will continue to be monitored closely in the short term.

The Euro edged higher following the ECB policy decision but struggled to gain any significant traction and the overall reaction was muted. Commodity currencies gained ground which curbed dollar support and the Euro settled around 1.1825. Narrow ranges prevailed on Friday with the Euro around 1.1830.

## JPY

The dollar was unable to make headway ahead of Thursday's New York open with the dollar dipping below the 110.00 level against the Japanese currency.

Markets continued to monitor Chinese developments closely with a rescheduling of Evergrande debt payments helped protect risk appetite to some extent.

Initial jobless claims declined to a 17-month low of 310,000 in the latest week from a revised 345,000 previously and below consensus forecasts of 335,000. Continuing claims declined slightly to 2.78mn from 2.81mn, although slightly above market expectations. The data overall maintained confidence in the labour-market outlook.

The dollar, however, was unable to gain significant support and settled around 109.80 at the European close.

Chinese policies remained a significant focus in Asia, especially with a lack of economic data. There were further reservations over the battle against disorderly capitalism. Asian equities posted gains on Friday, however, with President Xi and US President Biden pledged to have a serious dialogue, manage competition and avoid conflict between the two countries. The dollar edged higher to 109.85 while the Euro traded close to 130.00.

## GBP

Sterling was resilient in early Europe on Thursday and gradually gained support during the day. A break above the 1.3800 level against the dollar helped trigger further net buying. The UK currency gained an element of support from expectations of a tight labour market with the latest survey of employers recording the tightest labour market in history. There was also further evidence of skills shortages and upward pressure on wages.

Markets also considered that there may have been an over-reaction to higher taxes while global central banks remained committed to very supportive policies. Overall, Sterling advanced to highs just above 1.3850 against the dollar while the Euro retreated to lows around 0.8525.

UK GDP growth for July was held to 0.1% compared with expectations of 0.5%. Other data was mixed with weak construction output offset by a rebound in industrial activity. The immediate reaction was limited despite recovery reservations with Sterling just below 1.3850 against the dollar with the Euro edging higher to 0.8540.

## CHF

The Swiss franc resisted renewed selling pressure on Thursday with fresh demand for the Japanese yen also helping to underpin the Swiss currency. There was a measured reaction to the ECB policy statement with expectations of sustained monetary policy support. The Euro again hit resistance close to 1.0900 and retreated to 1.0850 while the dollar dipped to 0.9180 at the European close.

The franc held steady on Friday with the Euro trading just below 1.0850 while the dollar settled around 0.9170 as relatively narrow ranges prevailed.

## Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.2000	111.10	1.4000
Resistance 2	1.1930	110.50	1.3935
Resistance 1	1.1860	110.00	1.3865
	1.1830	109.90	1.3845
Support 1	1.1800	109.35	1.3800
Support 2	1.1750	108.70	1.3735
Support 3	1.1700	108.00	1.3670

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### Risk warning

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