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## Daily FX Report

### EUR / USD

German unemployment declined 30,000 for September after a 53,000 decline the previous month and a fractionally smaller than expected decline for the month. The Euro remained under pressure in early Europe on Thursday as the dollar maintained a very strong tone. The single currency dipped to fresh 14-month lows just below 1.1570 against the US currency even with commodity currencies attempting to stabilise.

German consumer prices were unchanged for September with the year-on-year increase strengthening to 4.1% from 3.9%, but slightly below consensus forecasts of 4.2%. The data maintained concerns surrounding inflation developments, although there were further market expectations that the ECB would maintain a very accommodative stance which limited any potential Euro support.

US initial jobless claims increased to 362,000 in the latest week from 351,000 the previous week and above consensus forecasts of 335,000 which triggered some doubts over labour-market trends. Continuing claims declined to 2.80mn from 2.82mn and in line with market expectations. The final second-quarter GDP reading was revised marginally to 6.7% from 6.6%, while the PCE prices index was unrevised at 6.5%. The Chicago PMI manufacturing index retreated to 64.7 for September from 66.8 previously, but this was above consensus forecasts while pricing pressures eased slightly, but remained at elevated levels.

Atlanta Fed President Bostic stated that the Fed has met substantial further progress on both inflation and jobs. He also noted that supply difficulties are likely to extend further, raising questions about price expectations. Chair Powell stated that he expected some inflation relief on inflation during the first half of 2022.

The dollar dipped sharply into the London fix with the Euro rallying to above 1.1610, but US currency buying resumed quickly and the Euro retreated to intra-day lows. Narrow ranges prevailed on Friday with the dollar just below 12-month highs and the Euro close to 1.1580 amid expectations that higher yields would support the dollar.

### JPY

US Treasuries edged lower into Thursday's New York open, although the 10-year bond yield was held below 1.55% while US equity futures posted tentative net gains and the dollar consolidated below the 112.00 level after hitting tough resistance above this level.

Volatility increased in New York with the dollar hit by selling into the London fix while the yen gained significant support from a sharp retreat in US equity indices. In this environment, the dollar dipped to lows near 111.40 while the Euro dipped sharply to lows below 129.0.

President Biden signed a stop-gap funding bill to avoid a shutdown, but the House delayed a planned vote in infrastructure spending with markets continuing to monitor developments surrounding the debt limit. The House will make another attempt to hold a vote on Friday.

Japan's Tankan manufacturing index increased to 18 in the latest quarter from 14 previously while the non-manufacturing index increased marginally to 2 from 1 previously while the unemployment rate was unchanged at 2.8%. Markets continued to monitor global risk conditions closely. Chinese markets were closed for a holiday on Friday, but regional equity markets declined and the yen maintained a stronger tone with the dollar retreating to 111.15 and the Euro around 128.80.

## GBP

Sterling remained weak in early Europe on Thursday, although the revised second-quarter GDP data did provide an element of support with a suspicion that the currency now offered value after sharp losses. Sterling regained some territory ahead of the New York open with a recovery from over-sold conditions and a reluctance to abandon the potential for a Bank of England rate hike. There was further buying against the dollar into the London fix and Sterling pushed to highs near 1.3520, but then reversed again. The Euro dipped to lows around 0.8580 before regaining some ground as choppy trading conditions persisted.

There were still important concerns surrounding the impact of high energy prices on the economy. Risk appetite was also fragile on Friday as equity markets came under renewed pressure and Sterling edged lower to near 1.3450 against the dollar with the Euro around 0.8600.

## CHF

The Swiss KOF business confidence index declined to a 6-month low of 110.6 for September from 113.5 the previous month, although slightly above consensus forecasts. Markets continued to monitor trends in risk appetite and global bond yields closely.

The franc was resilient ahead of the US open and then gained fresh support amid a slide in equity markets. The Euro retreated to lows near 1.0800 while the dollar retreated to 0.9335 from highs near 0.9370. The franc posted net gains on Friday with the Euro below 1.0800 and the dollar around 0.9315.

## Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1730	112.80	1.3600
Resistance 2	1.1665	112.20	1.3550
Resistance 1	1.1600	111.65	1.3500
	1.1580	111.20	1.3455
Support 1	1.1550	111.10	1.3435
Support 2	1.1500	110.50	1.3370
Support 3	1.1440	110.00	1.3300

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### Risk warning

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