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Daily FX Report

EUR / USD

Euro-zone industrial confidence index strengthened marginally to 14.2 for October from 14.1 previously while there was a stronger gain in the services sector to 18.2 from 15.2 previously with a net increase in business and consumer confidence. German unemployment declined 39,000 for October compared with an expected decline of 20,000. The German CPI inflation rate increased to 4.5% for October from 4.1% previously and slightly above consensus forecasts of 4.4%.

The ECB held interest rates at 0.0% and there were no significant statement changes. Bank President Lagarde stated that momentum in the Euro-zone has moderated, but the euro-zone is continuing to recover strongly with a balanced risk outlook. She expects that inflation will rise further in the short term before declining in 2022.

Lagarde also noted that the analysis does not support market-based lift-off expectations, although she expects that the PEPP bond-buying scheme will be completed in March. She added that the central bank had tested their analysis deeply and is confident that their analysis is correct.

The Euro strengthened sharply after the press conference with Lagarde's pushback seen as relatively mild with a less aggressive than expected effort to reverse the increase in money-market rates. There was also evidence that there had been a compromise to accommodative hawkish voices on the council. The dollar was unable to generate any traction and the Euro strengthened to highs around 1.1690 with the largest one-day advance since May as the gains triggered a round of short-covering.

The Euro was slightly lower on Friday as it traded around 1.1670 against the dollar with the US currency overall just above 1-month lows.

JPY

Bank of Japan Governor Kuroda stated that the central bank will ease monetary policy further without hesitation if needed. He added that the recent yen weakness isn't a bad thing and this was an unusual move from the bank to comment on exchange rates.

US 2-year yields continued to move higher ahead of the New York open as the yield curve continued to flatten. US GDP increased at an annualized rate of 2.0% for the third quarter of 2021 from 6.7% previously and below market expectations of 2.7%. There was a sharp slowdown in consumer spending growth with a slide in spending on goods. There was strength in investment spending while net exports made a significant negative contribution. The GDP data was significant in curbing dollar support.

Initial jobless claims declined to 281,000 in the latest week from a revised 291,000 previously and below consensus forecasts of 290,000. Continuing claims also declined to 2.24mn from 2.48mn previously. Overall, the dollar dipped to lows around 113.25 before a limited recovery to 113.45 as longer-term US yields edged higher.

Japanese industrial production declined 5.4% for September, the sharpest decline since May. Japan will hold a general election over the weekend with the LDP-led coalition expected to remain in power. The latest Chinese PMI business confidence data will also be monitored closely over the weekend.

Asian equity markets were mixed and the dollar secured a limited recovery to 113.60 against the yen with the Euro around 132.60 from highs near 133.0

GBP

Sterling was hampered to some extent by Brexit concerns on Thursday as the fishing dispute between the UK and Franc intensified, although the domestic and global moves in yields were more important in driving international exchange rates as overall volatility started to increase.

Higher UK inflation forecasts maintained expectations that the Bank of England would increase interest rates with the key policy meeting next week, but there were concerns that any rate hike would damage the UK economy and undermine international confidence.

There were also expectations that global central banks would adopt a more hawkish policy stance which in relative terms would lessen the potential for UK currency support. Sterling was unable to hold above the 1.3800 level against the dollar while the Euro strengthened to 2-week highs around 0.8475.

Position adjustment could have a significant impact on Friday with the UK currency holding just below 1.3800 on Friday with the Euro at 0.8460.

CHF

The Swiss franc edged lower on Thursday, although the currency was broadly resilient during the day as global yield curves flattened. The Euro edged higher to the 1.0670 area but was held near 15-month lows and the dollar retreated sharply to 0.9115. There was no significant franc selling despite expectations that global central banks would move towards tighter monetary policies. Markets will monitor National Bank actions closely, but with doubts, whether there will be aggressive intervention to weaken the currency. The Euro was unable to make headway on Friday with the fragile dollar held around 0.9120.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1800	115.00	1.3950
Resistance 2	1.1730	114.50	1.3900
Resistance 1	1.1670	114.00	1.3830
	1.1665	113.60	1.3790
Support 1	1.1600	113.30	1.3765
Support 2	1.1550	112.70	1.3700
Support 3	1.1500	112.20	1.3635

Today's Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
GBP	10/29	09:30	Consumer Credit	Sep	0.5b	0.4b
GBP	10/29	09:30	Mortgage Approvals	Sep	71k	74.5k
EUR	10/29	10:00	CPI M/M	Oct	0.5%	0.5%
EUR	10/29	10:00	GDP Q/Q	Q3	2.1%	2.2%
EUR	10/29	10:00	CPI Estimate Y/Y	Oct	3.7%	3.4%
EUR	10/29	10:00	GDP Y/Y	Q3	3.5%	14.3%
USD	10/29	13:30	Personal Income	Sep	-0.3%	0.2%
USD	10/29	13:30	Personal Spending	Sep	0.6%	0.8%
USD	10/29	13:30	PCE Core Deflator M/M	Sep	0.2%	0.3%
USD	10/29	14:45	MNI Chicago PMI	Oct	63.5	64.7
USD	10/29	15:00	U. of Mich Sentiment	Q3	4.5%	6.1%

Source: Bloomberg

Risk warning

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