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# Daily FX Report

## EUR / USD

German retail sales declined 2.5% for September with a 0.9% year-on-year decline from a 0.9% gain the previous month. The Euro was able to resist further selling pressure after the European open and moved towards 1.1600 with Friday's sell-off seen as overdone amid month-end positioning.

The US PMI manufacturing index was revised down to 58.4 from the flash reading of 59.2 with further evidence of supply issues.

The US ISM manufacturing index edged lower to 60.8 for October from 61.3 the previous month. There was a significant slowdown in the new orders index while production growth was little changed and there was a small increase in employment. Supply problems intensified during the month with many sectors citing major difficulties surrounding logistics challenges with notable concerns surrounding supply in goods from China. Prices increased at a faster rate as overall inflation concerns persisted. The Cleveland Fed inflation index also posted a further increase for October as underlying inflation concerns persisted.

There was inevitably an element of caution ahead of Wednesday's Federal Reserve policy decision with strong expectations that the central bank would announce a tapering of bond purchases at this Wednesday's policy meeting. There were also expectations that the central bank would reiterate that conditions for an increase in interest rates had not been met. The dollar was unable to gain any support into the European close with the Euro edging above 1.1600. The Euro held a firm tone on Tuesday and traded just above the 1.1600 level with a net recovery on the crosses having a significant impact amid choppy trading in commodity currencies.

## JPY

US Treasuries initially edged lower on Monday with the 10-year bond yield touching the 1.60% level, but there was a dip after the New York open and the dollar was unable to make a challenge on the 114.50 and retreated to the 114.25 area.

Treasury Secretary Yellen state that she would speak to Senate and House leaders in order to raise the debt limit before the next deadline. She also commented that she did not think the economy is overheating and that inflationary pressures will ease. There was still a high degree of uncertainty over US fiscal policy, although the overall market impact was limited with Congressional Democrats still optimistic that a deal would be reached.

Japanese Finance Minister Suzuki stated that the yen is weakening and stability in currencies is important, although there was no comment on specific levels. The yen posted gains after the comments and a covering of short positions was also a key element, especially against the Australian dollar.

Overall, the dollar dipped to near 113.60 before stabilising with the Euro below the 132.0 level as the yen regained ground on the crosses.

## GBP

The UK PMI manufacturing index was revised marginally higher to 57.8 for October from the flash reading of 57.7 as supply difficulties continued to have an important impact. There was no significant reaction as the data did not provide significant new evidence for the Bank of England.

There was further speculation that the central bank would increase interest rates at this Thursday's policy meeting, but Sterling was unable to make any headway, especially with expectations that the bank rhetoric would also not support current market expectations and money-market yields.

Markets were continuing to monitor rhetoric surrounding the UK fishing row with France, although the overall market impact was limited at this stage. France announced that it had delayed imposing sanctions with further talks later in the week which provided an element of relief.

Sterling did find support below 1.3650 against the dollar and erased losses later in the session while the Euro advanced to around 0.8475. The UK currency was unable to make any headway on Tuesday and traded close to 1.3650 against the dollar while the Euro posted a further net advance to 0.8500.

## CHF

The Swiss PMI manufacturing index retreated to 65.4 for October from 68.1 previously, but in line with consensus forecasts with a solid underlying expansion.

Swiss sight deposits increased to CHF717.1bn in the latest week from CHF715.3bn the previous week and the largest increase for over two months. The increase suggests increased National Bank action to curb franc strength, but the Swiss currency maintained a strong underlying tone.

The Euro dipped to fresh 15-month lows just below 1.0550 before stabilising while the dollar dipped to lows near 0.9100. The franc held firm on Tuesday and continued to resist selling despite central bank intervention efforts with the dollar continuing to trade just below the 0.9100 level.

## Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1800	115.00	1.3830
Resistance 2	1.1730	114.50	1.3765
Resistance 1	1.1670	114.00	1.3700
	1.1605	113.65	1.3650
Support 1	1.1600	113.40	1.3635
Support 2	1.1550	112.80	1.3570
Support 3	1.1500	112.25	1.3500

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