

MON 08 NOVEMBER 2021 08:45

# Daily FX Report

## EUR / USD

Narrow ranges inevitably prevailed ahead of Friday's New York with the main focus on the US jobs data. The Euro was hampered by weaker than expected German industrial production data with a 1.1% decline for October and the increase in coronavirus cases in the country also maintained an element of unease.

US non-farm payrolls increased 531,000 for October, above expectations of around 450,000 while the September increase was revised higher to 312,000 from the original release of 194,000. Private payrolls increased by 604,000 with a solid increase of 60,000 manufacturing jobs. There was an increase of over 35,000 in retail jobs with a strong increase of 164,000 jobs in the leisure and hospitality sector. Government jobs declined for the fourth successive month with a decline of over 70,000.

The unemployment rate declined to 4.6% from 4.8% and slightly below consensus forecasts of 4.7% while the household survey recorded an employment increase of over 350,000 with an unchanged participation rate. Average earnings increased 4.9% over the year from 4.6% previously and in line with market expectations which maintained expectations of a stronger rate of wages inflation which could increase underlying inflation pressures.

The strong overall report boosted the dollar immediately after the data and the Euro dipped to the lowest level since July 2020. The Euro did, however, find support above the 1.1500 level and the US currency gradually lost ground later in the session. Overall, the Euro was able to rally to the 1.1570 area at the close.

The dollar traded below 12-month highs on Monday, but selling pressure was contained and the Euro traded around 1.1565.

## JPY

US Treasuries failed to make a significant response to the stronger than expected US jobs data and there were strong gains later in the session with the 10-year yield sliding to 6-week lows near 1.45%. The decline in US yields was a key element undermining the US dollar and the yen overall was resilient. In this environment, there was a dollar retreat to lows near 113.30 towards the European close despite the strong payrolls data.

CFTC data recorded a further marginal increase in short yen positions to over 107,000 contracts and the largest short position since December 2018 which will maintain the potential for a sharp squeeze, especially if US yields decline further. Overall risk conditions will also be watched closely in the short term.

Chinese trade data registered a record trade surplus and a stronger than expected annual increase in exports of 27.1%.

The dollar was able to hold above the 113.50 level but unable to make significant headway as US yields remained lower with the Euro around 131.30.

## GBP

After a brief recovery, Sterling came under renewed selling pressure during the European session on Friday. The UK currency dipped to 5-week lows around 1.3425 against the dollar as underlying UK confidence remained fragile with a further unwinding of positions following Thursday's decision not to raise interest rates.

Bank of England chief economist Pill stated that there was some need for an increase in interest rates given the expected increase in inflation to 5%. He added that early evidence suggested that the end of the furlough scheme had not resulted in a significant increase in redundancies and that there were signs that the tight labour market was starting to put upward pressure on wages. He reiterated that there was recognition of the need for action across the committee. Fellow MPC member Ramsden stated that he had voted for a rate hike because the labour market is tightening. In contrast, there were still more reserved comments from Tenreyro who stated that caution was needed and that the bank will have to rely on the data.

The comments from Pill provided an element of Sterling support and there was a rebound to near 1.3500 against the dollar while the Euro retreated to around 0.8570.

There were still concerns over the underlying Brexit tensions with reports that the UK would suspend parts of the Northern Ireland protocol.

Sterling traded below 1.3500 against the dollar on Monday as underlying confidence remained fragile with the Euro just above 0.8570.

## CHF

The Swiss franc dipped lower after Friday's New York open with the Euro peaking around 1.0580 while the dollar posted a high around 0.9175.

The franc overall was still resilient, especially with a decline in yields across other major currencies. The Euro retreated to near 1.0550 with the dollar sliding to 0.9120.

There will be further speculation over National Bank intervention to curb potential franc gains. In this context, the latest data on sight deposits will be watched closely on Monday. The Euro held around 1.0560 on Monday with the dollar just above 0.9130.

# Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1730	115.00	1.3635
Resistance 2	1.1670	114.50	1.3570
Resistance 1	1.1600	114.00	1.3500
	1.1565	113.55	1.3485
Support 1	1.1550	113.40	1.3450
Support 2	1.1500	112.80	1.3400
Support 3	1.1435	112.25	1.3335

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## Risk warning

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