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# Daily FX Report

## EUR / USD

The French PMI business confidence data was stronger than expected for November and German data also beat expectations with the composite output index strengthening to 52.8 for November from 52.0 previously and above consensus forecasts of 51.0. The Euro-zone PMI manufacturing index edged higher to 58.6 for November from 58.3 and above expectations of 57.3. The services sector also confounded expectations with a net gain to a 3-month high of 56.6 from 54.6 in October. There were further strong gains in employment and order backlogs increased, although overall business confidence dipped to a 10-month low. There was a record increase in input costs for the second month running while selling prices increased at the fastest rate for close to 20 years.

ECB Council member Knot stated that current supply-side shocks may not be temporary and that the central bank is likely to stop emergency bond purchases in March 2022. The Eurozone data provided an element of relief, but the Euro was still hampered by unease surrounding coronavirus developments.

The US PMI data was mixed as the manufacturing index strengthened to a 2-month high of 59.1 from 58.4, but the services-sector component dipped to a 2-month low of 57.0 from 58.7. There was a further increase in order backlogs while companies continued to face severe supply-side difficulties with further deterioration in vendor performance and persistent labour shortages. Manufacturing costs increased at the strongest rate since the survey began with selling prices increasing at the second-fastest rate on record. The increase in service-sector prices was also the highest on record as companies looked to pass on cost increases.

The data will maintain concerns surrounding inflation pressures in the economy with further pressure for the Federal Reserve to tighten policy at a faster rate.

The Euro found some support at 16-month lows around 1.1225 with a tentative rally. Overall Euro confidence remained fragile and just below 1.1250 on Wednesday.

## JPY

The US Richmond Fed manufacturing index edged lower to 11 for November from 12 the previous month with a slower increase in new orders. The labour-market components remained strong while there was a net easing of upward pressure on costs and prices.

US Treasuries continued to lose ground during Tuesday with the 10-year yield increasing to above 1.65%. Higher bond yields continued to underpin the dollar and the yen remained generally on the defensive, although the US currency did hit persistent selling interest above the important 115.00 level.

Japan's PMI manufacturing index edged higher for November while the services index posted the strongest advance since September 2019.

Japanese equities declined after being closed for a holiday on Tuesday, although other Asian markets were little changed as risk appetite held steady. US yields retreated during the Asian session which limited further dollar support and the dollar traded just below 115.00 in Europe with the Euro around 129.25.

## GBP

The UK PMI manufacturing index edged higher to a 3-month high of 58.2 for November from 57.8 previously and above consensus forecasts of 57.3. The services-sector index declined marginally to 58.6 from 59.1, in line with expectations. Sterling failed to gain from the data with fresh 2021 lows below 1.3350 against the dollar

Bank of England MPC member Haskel stated that a gradual increase in interest rates would represent a return to normal. He noted that labour-market developments would be very important and that the bank needs to be vigilant about rising labour costs. In particular, he noted the risk that wages increases increase at a faster rate than productivity which would put upward pressure on inflation. Nevertheless, he still expressed reservations over an early move to hike rates.

Bank Governor Bailey also commented that the labour market is very tight and he also warned that the bank may not give significant forward guidance in the future.

The relatively hawkish rhetoric helped support the UK currency with a recovery to around 1.3370 against the dollar while the Euro settled around 0.8410. The currency held steady on Wednesday with the Euro edging lower to 0.8400 while Sterling was held just below 1.3400 against the US currency.

## CHF

The Swiss franc was unable to make further headway on Tuesday. The stronger than expected Euro-zone PMI data helped underpin confidence in the Euro while higher global yields limited potential backing for the franc. There were also still reservations over chasing the Swiss currency stronger.

The Euro recovered to the key 1.0500 area while the dollar secured a net advance to 0.9345 before fading. The Euro was held just below the 1.0500 level on Wednesday with the dollar around 0.9335 as risk appetite held steady with markets continuing to monitor potential National Bank action.

## Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1375	116.35	1.3500
Resistance 2	1.1325	115.70	1.3450
Resistance 1	1.1265	115.00	1.3400
	1.1245	114.90	1.3385
Support 1	1.1200	114.40	1.3335
Support 2	1.1135	114.00	1.3270
Support 3	1.1070	113.35	1.3200

## Today's Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
GBP	11/24	11:00	CBI Trends Total Orders	Nov	8	9
GBP	11/24	11:00	CBI Trends Selling Prices	Nov	57	59
USD	11/24	12:00	MBA Mortgage Applications	Nov 19		-2.8%
USD	11/24	13:30	Initial Jobless Claims	Nov 20	260K	268K
USD	11/24	13:30	Continuing Claims	Nov 13	2033K	2080K
USD	11/24	13:30	Wholesale Inventories M/M	Oct	1%	1.4%
USD	11/24	13:30	GDP Annualized Q/Q	Q3	2.2%	2%
USD	11/24	13:30	Personal Consumption	Q3	1.6%	1.6%
USD	11/24	13:30	Core PCE Q/Q	Q3	4.5%	4.5%
USD	11/24	13:30	Durable Good Orders	Oct	0.2%	-0.3%
USD	11/24	14:45	Langer Consumer Comfort	Nov		50.7
USD	11/24	15:00	Personal Income	Oct	0.2%	-1%
USD	11/24	15:00	Personal Spending	Oct	1%	0.6%
USD	11/24	15:00	U. of Mich. Sentiment	Nov	67	66.8

Source: Bloomberg

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### **Risk warning**

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