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Daily FX Report

EUR / USD

The German ZEW investor sentiment index edged higher to 54.3 for February from 51.7 previously, although slightly below consensus forecasts while there was also a limited improvement in the current conditions component. The Euro posted net gains on reports that Russia was removing some troops from the Ukraine border.

Euro-zone GDP increased 0.3% for the fourth quarter of 2021 with an annual increase of 4.6% with both figures in line with market expectations.

US producer prices increased 1.0% for January after a 0.4% increase the previous month and double market expectations. The year-on-year increase eased slightly to 9.7% from 9.8%. Core prices also beat expectations with a 0.8% annual increase and a year-on-year increase of 8.3%.

The New York Empire manufacturing index recovered to 3.8 for February from -0.4 in January, but well below consensus forecasts of 11.8. The new orders component also moved back into positive territory for the month with a small increase in production. There was a stronger increase in employment for the month while inflation pressures remained strong with a sharper increase in the prices received index for the month. Companies were less optimistic over the outlook with inflation pressures expected to ease slightly. The dollar nudged higher after the data, although the overall impact was limited.

Comments from Russian President Putin were generally constructive following talks with German President Scholz. The overall rhetoric focussed on the Donbass situation and he stated that there had been a partial withdrawal of troops. Western governments remained cautious, but the Euro posted net gains, especially with a commitment to maintain gas supplies. The Euro edged above 1.1350 against the US currency in choppy trading.

ECB council member Schnabel stated that there was an argument for ending asset purchases and that underlying inflation would have been at 2% last year if housing costs had been included. The Euro held firm in early Europe on Wednesday and traded around 1.1365 amid expectations of a more hawkish ECB stance and reduced Ukraine fears. Markets continued to monitor Ukraine developments closely with a limited net decline in defensive dollar demand.

JPY

US Treasuries dipped lower soon after the European open on Tuesday and there was a further element of selling pressure after the New York open with the 10-year yield strengthening to 2.05% and the highest level since July 2019. Risk appetite strengthened following reports that Russia was withdrawing some troops from the Ukraine

border. Wall Street indices posted net gains which limited the potential for defensive yen demand and the dollar posted net gains to around 115.80.

Consolidation was the theme into the European close with the dollar unable to make further headway.

Japan's Tankan manufacturing index declined to an 11-month low of 6 for February from 17 the previous month with the non-manufacturing index also moving lower.

Chinese CPI inflation rate declined to 0.9% from 1.5% previously and slightly below market expectations with the PPI rate retreating to 9.1% from 10.3%.

Asian equity markets posted gains amid stronger risk conditions which curbed yen demand and the dollar settled around 115.65 with the Euro around 131.35.

GBP

Sterling edged higher after the UK labour-market data and also posted gains as risk appetite improved. The UK currency, however, was unable to make more than slight headway and drifted lower into the New York open with further Bank of England tightening already priced in.

Sterling found support below 1.3500 against the dollar and was unchanged into the European close, but the overall performance was unconvincing given a net improvement in risk conditions. The Euro also posted solid gains to 0.8400 before correcting slightly to 0.8385.

The headline UK inflation rate increased to a 29-year high of 5.5% for January from 5.4% previously and slightly above consensus forecasts of 5.4%. The core rate also increased to 4.4% from 4.2%. Immediate market reaction was muted with Sterling just above 1.3550 against a weaker dollar with little change against the Euro.

CHF

Global risk conditions dominated on Tuesday with the Swiss currency losing traction as overall market sentiment improved and equity markets posted gains. The franc was also undermined by higher global bond yields and expectations of central bank tightening.

The Euro strengthened to highs around 1.0530 before a slight correction while the dollar secured a net advance to around 0.9265. The Swiss currency resisted further losses on Wednesday with the dollar held close to 0.9250 despite a net reduction in defensive demand for the franc in global markets.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1535	116.80	1.3730
Resistance 2	1.1470	116.25	1.3660
Resistance 1	1.1400	115.70	1.3600
	1.1365	115.65	1.3555
Support 1	1.1330	115.00	1.3530
Support 2	1.1270	114.50	1.3470
Support 3	1.1200	114.00	1.3400

Today's Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
GBP	16/02	07:00	CPI Y/Y	Jan	5.4%	5.4%
GBP	16/02	07:00	CPI Core Y/Y	Jan	4.3%	4.2%
GBP	16/02	09:30	House Price Index Y/Y	Dec	9.4%	10%
EUR	16/02	10:00	Industrial Production M/M	Dec	0.3%	2.3%
EUR	16/02	10:00	Industrial Production Y/Y	Dec	-0.5%	-1.5%
USD	16/02	12:00	MBA Mortgage Applications	Feb 11	-	-8.1%
USD	16/02	13:30	Retail Sales Advance M/M	Jan	2%	-1.9%
USD	16/02	13:30	Import Price Index M/M	Jan	1.2%	-0.2%
USD	16/02	14:15	Industrial Production M/M	Jan	0.5%	-0.1%
USD	16/02	14:15	Capacity Utilisation	Jan	76.8%	76.5%
USD	16/02	19:00	FOMC Meeting Minutes	Jan 26	-	-

Source: Bloomberg

Risk warning

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