

THU 10 MARCH 2022 07:27

# Daily FX Report

## EUR / USD

Risk appetite gradually improved ahead of Wednesday's New York open with a rally in equity markets and a net decline in energy prices. These two elements were a significant factor supporting the Euro and dollar defensive dollar demand also faded to some extent.

The Euro advanced to the 1.1000 area against the dollar and there was a fresh push to near 1.1050 after the US open following reported comments from Ukraine President Zelensky that the country is ready for a diplomatic solution. Although an aide also added that Ukraine will not trade a single inch of territory, there was increased optimism that peace talks could make headway. There were, however, also warnings that Russia could use non-conventional weapons.

As risk appetite recovered further and there was a slide in oil prices, the Euro continued to benefit from short covering with a peak just below the 1.1100 level.

The ECB will hold its latest policy meeting on Thursday with markets expecting that the central bank will look to maintain maximum flexibility in light of the Ukraine conflict. There are also expectations that the bank will draw back from any commitment to monetary tightening given the very high level of uncertainty

Markets will also be monitoring the EU Summit amid expectations of a new defence and energy stimulus package. If the EU members fail to agree a package, the Euro is likely to come under renewed pressure. The Euro consolidated just above 1.1050 in early Europe on Thursday with further choppy trading inevitable during the day.

## JPY

Risk appetite strengthened further in early US trading on Wednesday and US Treasuries lost ground with a dip in defensive demand. The 10-year yield increased to above 1.90% which underpinned the dollar and there was a dip in demand for the Japanese yen, although the dollar was unable to break above 116.00.

The US JOLTS data recorded a small decline in job openings to an annual rate of 11.26mn for January from an upwardly-revised 11.45mn the previous month, but this was above market expectations and close to record highs which still suggested a very tight labour market.

The dollar remained below the 116.00 level at the New York close while the Euro recovered strongly to above 128.0.

The latest US inflation data will be released on Thursday with the headline rate expected to increase to a 40-year

high of 7.9% from 7.5% in January with the core rate forecast to edge lower to 5.9% from 6.0%. Strong data would maintain pressure on the Federal Reserve to tighten monetary policy, but Fed officials will remain in the blackout period ahead of next week's policy meeting. The White House warned that the headline rate will be high and in-line data would trigger some relief.

Asian equity markets posted strong gains with a 3.8% recovery in Japan's Nikkei 225 index which curbed potential yen support and US bond yields edged higher which underpinned the US dollar. The US currency strengthened to around 116.10 against the yen before fading slightly with the Euro around 128.25.

## GBP

The latest YouGov survey recorded a significant dip in UK consumer confidence for February with particular concerns over household finances, although there was increased optimism over job security. There were further concerns over the UK outlook, especially with households taking a substantial hit from higher energy prices.

Sterling gained support from the strengthening in risk appetite, although it was still unable to make significant headway against major currencies and markets would have expected a bigger recovery given the overall extent of gains in equity markets and risk assets. This suggests overall UK confidence has faded.

The UK currency strengthened to around 1.3180 against the dollar during the day while the Euro posted a further strong advance to highs above 0.8400 before consolidating just below this level at the European close.

The RICS housing data remained strong with 79% of surveyors reporting an increase in prices compared with 74% previously and above consensus forecasts of 72%, but there were expectations that the housing sector would slow over the next few months. Sterling traded around 1.3180 on Thursday with the Euro round 0.8390.

## CHF

The Swiss franc posted notable losses on Wednesday as overall global risk appetite recovered. There was also still wariness over the threat of National Bank intervention to weaken the Swiss currency which curbed potential support even though the overall mood surrounding Ukraine remained cautious.

The Euro secured a strong recovery to highs near 1.0250 while the dollar resisted more than a slight decline to the 0.9270 area.

The franc maintained a softer tone on Thursday with the Euro holding just above 1.0250 with ECB rhetoric watched closely later in the day.

# Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1200	117.35	1.3335
Resistance 2	1.1135	116.80	1.3270
Resistance 1	1.1070	116.25	1.3200
	1.1060	116.00	1.3180
Support 1	1.1000	115.70	1.3135
Support 2	1.0940	115.00	1.3070
Support 3	1.0870	114.50	1.3000

---

## Risk warning

This is a marketing communication. The information in this report is provided solely for informational purposes and should not be regarded as a recommendation to buy, sell or otherwise deal in any particular investment. Please be aware that, where any views have been expressed in this report, the author of this report may have had many, varied views over the past 12 months, including contrary views.

A large number of views are being generated at all times and these may change quickly. Any valuations or underlying assumptions made are solely based upon the author's market knowledge and experience.

Please contact the author should you require a copy of any previous reports for comparative purposes. Furthermore, the information in this report has not been prepared in accordance with legal requirements designed to promote the independence of investment research. All information in this report is obtained from sources believed to be reliable and we make no representation as to its completeness or accuracy.

This report is not subject to any prohibition on dealing ahead of the dissemination of investment research. Accordingly, the information may have been acted upon by us for our own purposes and has not been procured for the exclusive benefit of customers. Sucden Financial believes that the information contained within this report is already in the public domain. Private customers should not invest in these products unless they are satisfied that the products are suitable for them and they have sought professional advice. Please read our full risk warnings and disclaimers ([www.sucdenfinancial.com/en/risk-warning-and-disclaimers](http://www.sucdenfinancial.com/en/risk-warning-and-disclaimers)).