

WED 30 MARCH 2022 07:38

Daily FX Report

EUR / USD

German consumer confidence dipped further to -15.5 for March from -8.5 previously and below consensus forecasts of -14.5. The Euro was held below 1.1000 against the dollar in early Europe on Tuesday, but held above 1.0960 in tentative conditions.

After inching higher, the Euro posted significant gains after comments from Russian officials that the peace talks with Ukraine had been constructive. Ukraine officials also adopted a more positive stance with comments that enough ground had been made to hold a meeting between President Zelensky and Russian President Putin.

The Euro then jumped higher following Russian comments that it will scale back military activity around Kyiv and Chernihiv.

The Euro peaked around 1.1135 against the dollar with a renewed decline in oil prices also underpinning the Euro while defensive dollar demand faded.

There was a shift in ECB expectations with markets pricing in 67 basis points of tightening by the end of this year.

ECB council member Holzmann stated that raising the deposit rate to zero this year is critical as failure to act would increase the risk that sharper rate increases would be required next year. He added that the central bank may still be under-estimating inflation. Comments from chief economist Lane were more dovish as he expects inflation will decline this year and be much lower next year. Given inflation concerns, the German CPI inflation data will be watched closely on Wednesday.

The Euro edged lower later in the day following comments from Russia; top negotiator that de-escalation did not mean a cease-fire. There were also still concerns over energy supplies, especially with Russia setting a deadline for March 31st for payment of gas supplies to be paid for in roubles. The Euro retreated to 1.1075, but rallied again to just above 1.1100 on Wednesday as the dollar dipped with markets wary over the potential for month-end US selling.

JPY

US consumer confidence strengthened to 107.2 for March from a revised 105.7 previously and marginally above consensus forecasts of 107.0. There was a significant improvement in the current conditions index with increased optimism over the labour market, but a net decline in the expectations component for the month.

The JOLTS job-openings data registered little changed at 11.27mn for February from 11.28mn previously and

remaining close to record highs.

Philadelphia Fed President Harker stated that interest rate hikes need to be deliberate and methodical to a neutral rate of 2.5%. He noted that supply-chain pressures are starting to ease, but that there is the risk of sharp upward prices in the services sector. He added that he would not take 50 basis-point hikes off the table, but was not committed to them either. Following the comments there was a further flattening of the yield curve. There were less hawkish comments from Atlanta head Bostic who warned that the war in Ukraine is a risk to demand and the economy could be harmed if the Fed moved too quickly.

The dollar overall posted sharp losses to near 122.00 before a recovery to 122.80. The Bank of Japan continued its bond-buying operations, but there were sharp yen gains in Asia with the dollar sliding to lows below 121.50 before a correction. There was further speculation of year-end yen buying which boosted the currency.

GBP

UK mortgage approvals declined to 71,000 in February from 73,800 the previous month and below consensus forecasts of around 74,000. Although there was a slowdown in the rate of growth in mortgage lending, there was a much stronger increase in consumer credit growth for the month with a stronger overall increase in consumer borrowing. The data overall failed to provide Sterling support as confidence in the economic outlook remained fragile.

Sterling recovered strongly against the dollar with a peak just above 1.3150 as Ukraine peace hopes trigger sharp dollar losses. Selling on rallies was again a key feature as markets continued to doubt the willingness of the Bank of England to raise interest rates substantially further.

Sterling dipped back below 1.3100 at the European close while the Euro posted sharp gains to 0.8475. BRC data recorded a 2.1% increase in shop prices in the year to March from 1.8% previously and the largest increase for over 10 years with the Pound just above 1.3100 on Wednesday ahead of comments from BoE's Broadbent.

CHF

Swiss National Bank member Zurbruegg stated that monetary policy was not the way to curb real-estate risks. The franc lost ground on hopes for progress in Russian-Ukraine peace talks with a notable improvement in risk appetite and strong Euro gains. The Euro surged to high around 1.0385 before a retreat to 1.0320 while the dollar dipped to test the 0.9300 level. The franc resisted selling on Wednesday as the yen posted net gains with the dollar dipping to around 0.9275.

Technical Level

| | EUR/USD | USD/JPY | GBP/USD |
|--------------|---------|---------|---------|
| Resistance 3 | 1.1270 | 124.00 | 1.3300 |
| Resistance 2 | 1.1200 | 123.30 | 1.3230 |
| Resistance 1 | 1.1135 | 122.65 | 1.3170 |
| | 1.1110 | 122.05 | 1.3110 |
| Support 1 | 1.1070 | 122.00 | 1.3100 |
| Support 2 | 1.1000 | 121.30 | 1.3050 |
| Support 3 | 1.0940 | 120.70 | 1.3000 |

Today's Calendar

| Currency | Date | Time | Indicator | Period | Survey | Prior |
|----------|-------|-------|---------------------------|--------|--------|-------|
| GBP | 30/03 | 00:01 | BRC Shop Price Index Y/Y | Feb | 5.4b | 5.9b |
| EUR | 30/03 | 10:00 | Economic Confidence | Mar | 108 | 114 |
| EUR | 30/03 | 10:00 | Industrial Confidence | Mar | 8.9 | 14 |
| EUR | 30/03 | 10:00 | Services Confidence | Mar | 10 | 13 |
| EUR | 30/03 | 10:00 | Consumer Confidence | Mar | - | 18.7 |
| USD | 30/03 | 12:00 | MBA Mortgage Applications | Mar | - | 8.1% |
| USD | 30/03 | 13:15 | ADP Employment Change | Mar | 450k | 475k |
| USD | 30/03 | 13:30 | GDP Annualised Q/Q | Q4 | 7% | 7% |
| USD | 30/03 | 13:30 | Personal Consumption | Q4 | 3.1% | 3.1% |
| USD | 30/03 | 13:30 | GDP Price Index | Q4 | 7.1% | 7.1% |
| USD | 30/03 | 13:30 | Core PCE Q/Q | Q4 | 5% | 5% |

Source: Bloomberg

Risk warning

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