

FX Report

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Foreign Exchange
Tel: +44 (0) 203 207 5660
fx@sucden.com

www.sucdenfinancial.com

All prices are from the previous business day. Research provided by Investica Ltd.



EUR / USD

The headline US non-farm payrolls data was weaker than expected with an increase of 161,000 for October compared with expectations of around 175,000, but there was a significant upward revision for September to 191,000 from 156,000. The unemployment rate declined to 4.9% from 5.0%, in line with expectations, while there was a stronger than expected increase in average earnings of 0.4% for a 2.8% annual gain. The data overall will maintain expectations of a rate increase in December, especially in view of the increase in average earnings with December expectations around 75%.

The dollar strengthened briefly after the data, but gains were limited and there was fresh selling pressure on the US currency late in the US session. The Euro moved to highs around 1.1130 with the US currency undermined by political uncertainty.

Atlanta Fed President Lockhart stated that bar to not raising rates at the December meeting was high. Although comments that the economy could run a little hot will tend to dampen expectations of a substantial tightening in 2017.

The latest CFTC data recorded a further increase in short non-commercial Euro positions to the highest level for over 40 weeks which will maintain the potential for a squeeze on Euro shorts, especially if risk appetite weakens again.

The announcement from the FBI that it had found no evidence of wrong-doing in the latest Clinton e-mails pushed the Euro weaker in Asian trading on Monday, although there was support on approach to the 1.1050 area.

JPY

The dollar was confined to relatively narrow ranges on Friday despite some volatility surrounding the US employment report. There was no fresh support for the dollar on yield grounds as Treasury yields declined after the US data despite the stronger earnings data. There was also defensive yen demand in the context of substantial political uncertainty, especially given evidence of an underlying tightening in the race with USD/JPY fluctuating around 103.00.

US Presidential election uncertainty will remain a crucial factor in the short term and the US currency received an important boost following news that the FBI had cleared Clinton. There was an immediate sharp decline in defensive demand for the Japanese currency as equity futures rallied strongly. There was a small increase in Japanese average earnings for September which could underpin consumer spending, although there will still be concerns over underlying weakness. Risk conditions dominated on Monday with a dollar peak just above 104.50 as the Nikkei rallied by over 1.7% on the day.

GBP

Political factors continued to have an important impact with uncertainty surrounding the Brexit situation following Thursday's High Court ruling. There was increased speculation that parliament would flex its muscles and impose conditions for approving the triggering of Article 50. The UK currency held close to 0.8900 against the Euro and broke above the 1.2500 level against the dollar. There were further political tensions over the weekend with suggestions that the opposition Labour Party would not support the government unless there is continued single-market membership. These tensions could lessen speculation over a 'hard' Brexit, potentially supporting Sterling although there would also be fears of a constitutional crisis.

There was no significant decline in the amount of short Sterling positions according to the latest COT data, maintaining the potential for a position squeeze. High volatility will inevitably be a key feature during the forthcoming week given domestic and international risks with a stronger dollar on the Clinton news pushing the currency back below 1.2450 on Monday.

CHF

The Swiss currency secured fresh support on Friday as underlying risk conditions remained notably fragile. The Euro was unable to hold above the 1.0800 level as the dollar dipped back below 0.9700 as wider dollar losses were also an important feature.

There was further underlying concerns surrounding the US Presidential election with fears that there could be an upset victory for Republican candidate Trump which could trigger a major bout of global risk aversion. There was a significant shift in sentiment on Monday with a surge in risk appetite curbing franc support.

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.1200	106.00	1.2630
Resistance 2	1.1135	105.35	1.2550
Resistance 1	1.1070	104.75	1.2480
	1.1065	104.40	1.2430
Support 1	1.1000	104.00	1.2400
Support 2	1.0925	103.30	1.2330
Support 3	1.0860	102.50	1.2250