

EURUSD Daily Update Wednesday 26th July 2023

EURUSD Fundamentals:

EURUSD had a tough start to the week as Preliminary PMI readings for the Eurozone's two top economies, France and Germany, fell into contraction as sustained weakness in manufacturing activity spilled over into the services side, which until now had been driving growth. **EURUSD, which opened the week** with a brief high at 1.1146, fell to a low at 1.1020 on Tuesday as traders worried that a potential EU recession may force the ECB to hike interest rates less than was currently priced in.



Looking forward, the next two days will have a big impact on the direction for EURUSD, with the **Fed Interest Rate Decision and Press Conference later this evening at 1900/1930 BST** and then the **ECB Interest Rate Decision and Press Conference tomorrow afternoon at 1315/1345 BST**. **For tonight**, the Federal Reserve are expected to hike 25bps, so the focus will be on Chairman Powell's press conference to see what he says about how close the US central bank are to ending their aggressive rate hiking cycle. Any hints at a end being near could see the dollar sell off and EUR rise, and vice versa. **For tomorrow**, the ECB are also expected to hike interest rates 25bps but some members of the governing board have recently indicated their concerns about Eurozone growth so traders will be watching to see if President Lagarde echoes these concerns in the press conference. If she does then EUR could fall again and vice versa.

EURUSD Technicals:

Daily Technicals:

Corrective themes have developed into the FOMC announcement, a move that has tested downside support at 1.1033 (38% retrace May/Jul upside). This is a clear focus today, as while intact on a closing basis, risks remain for a move back higher towards 1.1119 (38% retrace July downside) and if that gives way potentially 1.1150 (mid-point) or even 1.1178 (the 62% level).

However, sustained falls below 1.1033 expose deeper correction risks to 1.0958 (mid-point) possibly (1.0883 (62% retrace).



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