

Investment Strategy

FX Indicator Chartpack

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Index (with links to navigate)

- ▶ [Slide 3: FX Outlooks](#)
- ▶ [Slide 6: FX consensus forecasts](#)
- ▶ [Slide 7: Performance](#)
- ▶ [Slide 9: Macro](#)
- ▶ [Slide 13: Valuations](#)
- ▶ [Slide 15: Volatility](#)
- ▶ [Slide 19: Technicals](#)
- ▶ [Slide 27: Positioning](#)

Positive on our outlook for CNY and EUR.

CNY/RMB (Positive) | Long CNY vs. EM Asia FX

- One of the most resilient Asian FX; policy fixings clearly prioritize stability.
- Supported by domestic drivers: industrial upgrading, tech self-reliance, and firmer internal demand.
Persistent corporate USD selling and rising RMB trade invoicing provide structural support.
In a de-escalation scenario, CNY is well-positioned for modest appreciation.
Medium-term outlook remains constructive given diversification flows and insulation from energy shocks.

EUR (Positive; reduced conviction; our positive view might take longer to play out)

- EUR fundamentals improving as the region emerges from the conflict-driven shock.
- Still sensitive to energy prices, but policy stance turning more assertive with higher rate expectations.
- Fiscal expansion (Germany + defense budgets) adds domestic demand resilience absent in prior cycles.
- Positioning light, valuations reasonable; EUR already back to pre-war levels.
- In a de-escalation scenario, benefits from reduced terms-of-trade drag and a narrowing US-EU growth gap.

Keep neutral view on CHF and JPY; downgrade USD to a neutral view.

USD (Neutral; downgraded from positive)

- USD sits between opposing forces: sticky US inflation supports it, improving global risk appetite caps it.
- No longer trading on a “war premium,” but not in a clean cyclical downturn either.

JPY (Neutral)

- JPY caught between structural weakness (energy imports, portfolio outflows) and active policy support. Elevated global yields argue for a weaker yen, but repeated intervention limits downside. BoJ turning gradually more hawkish, adding two-way risk. Creates a narrow trading corridor: no sustained strength without lower US yields, no sharp depreciation due to intervention risk.
- Net result: neutral, with USDJPY anchored in broad ranges rather than trending.

CHF (Neutral)

- CHF remains fundamentally resilient, supported by strong external balances and safe-haven status.
- NB actively leans against excessive appreciation, capping unilateral CHF strength.
- Inflation has drifted higher but remains contained, reducing pressure for further tightening.
- Improving global risk sentiment softens safe-haven demand, keeping CHF sideways.
- Overall: stability over direction – supported by fundamentals but capped by policy.

Stay negative on INR and GBP.

GBP (Negative)

- GBP remains one of the more vulnerable G10 currencies due to the UK's structural energy deficit. Sticky domestic inflation forces a difficult BoE policy trade-off without supporting the currency. Political uncertainty adds risk premium; GBP often reacts in a stagflationary way. Even with de-escalation, weak growth and fragile consumers limit upside. Tactical support may come from rate spreads, but medium-term bias is lower versus cleaner macro stories.

INR (Negative) | Long USD/INR

- INR faces a difficult macro mix: elevated oil prices continue to pressure the trade balance.
- Capital inflows remain inconsistent due to regulatory tightening, and offshore liquidity issues.
- High sensitivity to energy shocks amplified by India's structural current-account position.
- Rising domestic inflation risks add further pressure; lacks the tailwinds supporting other Asian FX.
- Bias remains for underperformance, especially versus high-carry or commodity-linked peers.

FX consensus forecasts

FX consensus points to gradual EUR and GBP appreciation, with a modest decline in USDJPY.

(End of period)	Q4 25	Q1 26	Q2 26f	Q3 26f	Q4 26f	Q1 27f
EURUSD	1.17	1.16	1.18	1.19	1.19	1.20
GBPUSD	1.35	1.32	1.34	1.35	1.35	1.36
USDJPY	156.71	158.72	157.00	155.00	153.50	152.00
USDCHF	0.79	0.80	0.79	0.78	0.78	0.78

Note: Numbers in blue are Bloomberg consensus forecasts | Source: Bloomberg, and ADCB Asset Management

Performance

Performance heat map

USD strength has faded, with performance turning mixed across pairs

	EURUSD	GBPUSD	USDJPY	USDCHF
Jan-24	-2.00	-0.34	4.17	2.38
Feb-24	-0.12	-0.50	2.08	2.68
Mar-24	-0.14	-0.02	0.91	1.91
Apr-24	-1.15	-1.04	4.26	2.00
May-24	1.71	2.00	-0.31	-1.86
Jun-24	-1.24	-0.76	2.27	-0.39
Jul-24	1.05	1.67	-6.78	-2.31
Aug-24	2.05	2.11	-2.54	-3.23
Sep-24	0.79	1.89	-1.74	-0.47
Oct-24	-2.25	-3.56	5.85	2.19
Nov-24	-2.82	-1.27	-1.49	1.96
Dec-24	-2.11	-1.72	4.96	3.00
Jan-25	0.08	-0.97	-1.28	0.39
Feb-25	0.13	1.47	-2.94	-0.86
Mar-25	4.25	2.71	-0.44	-2.08
Apr-25	4.73	3.18	-4.59	-6.62
May-25	0.17	0.98	0.66	-0.41
Jun-25	3.88	2.03	0.01	-3.56
Jul-25	-3.16	-3.82	4.67	2.42
Aug-25	2.37	2.25	-2.45	-1.45
Sep-25	0.41	-0.43	0.58	-0.51
Oct-25	-1.68	-2.19	4.12	1.03
Nov-25	0.53	0.63	1.42	-0.07
Dec-25	1.28	1.81	0.34	-1.42
Jan-26	0.89	1.57	-1.23	-2.47
Feb-26	-0.33	-1.49	0.82	-0.48
Mar-26	-2.19	-1.89	1.71	3.93
Apr-26	1.54	2.85	-1.34	-2.26

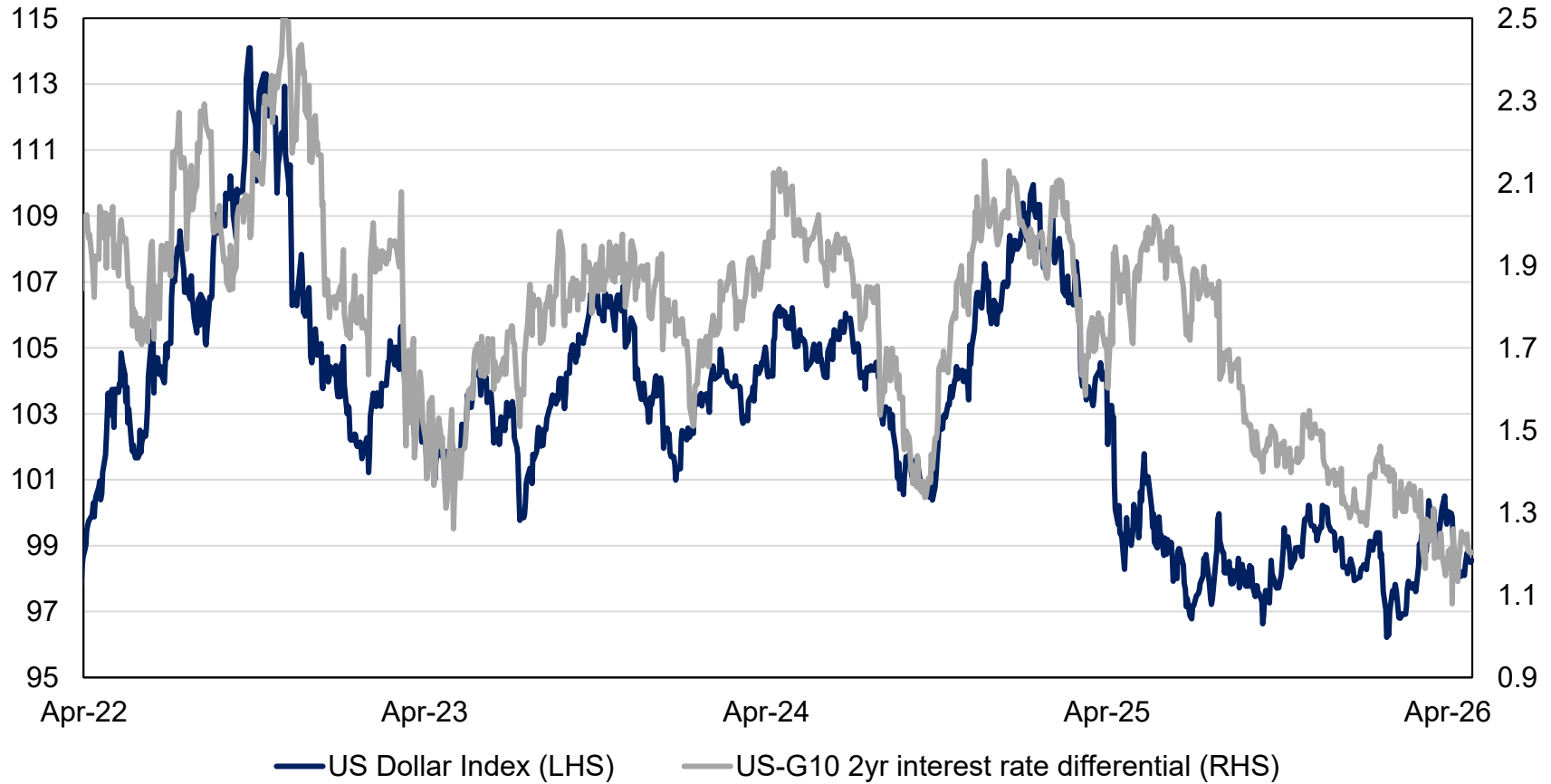
Source: Bloomberg and ADCB Asset Management

Macro

DXY index vs interest rate differentials

USD rate differentials have narrowed, while the USD has stabilized.

DXY vs Interest rate differentials



Source: Bloomberg and ADCB Asset Management

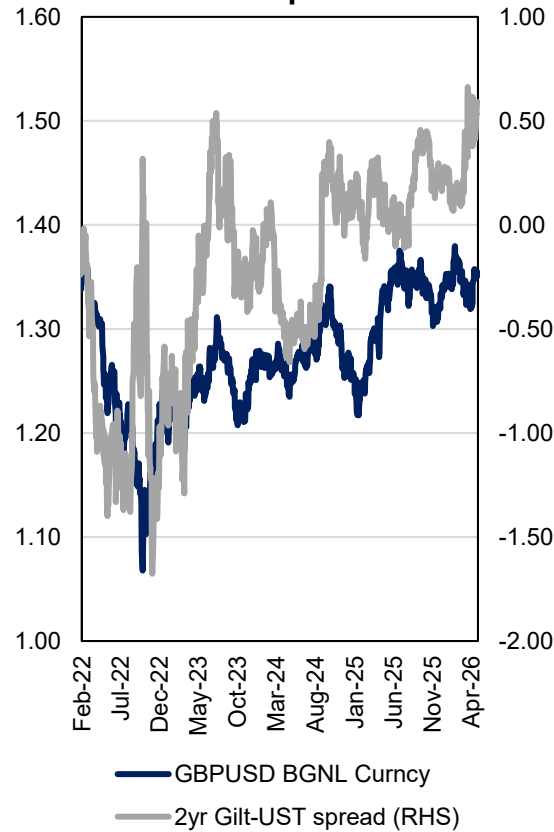
Currency pairs vs 2yr interest-rate differentials

FX pairs remain largely decoupled from 2-year interest-rate differentials.

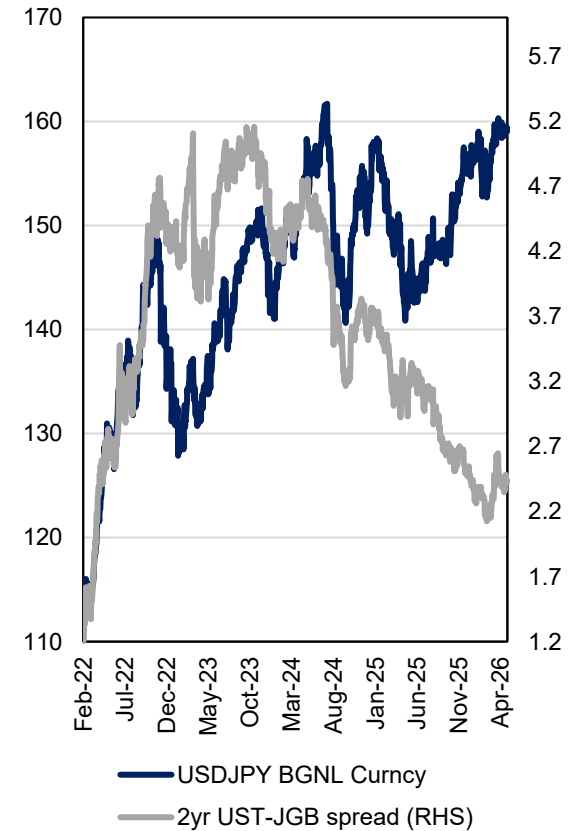
EURUSD Curncy vs 2yr Bund-UST spread



GBPUSD Curncy vs 2yr Gilt-UST spread



USDJPY Curncy vs 2yr UST-JGB spread

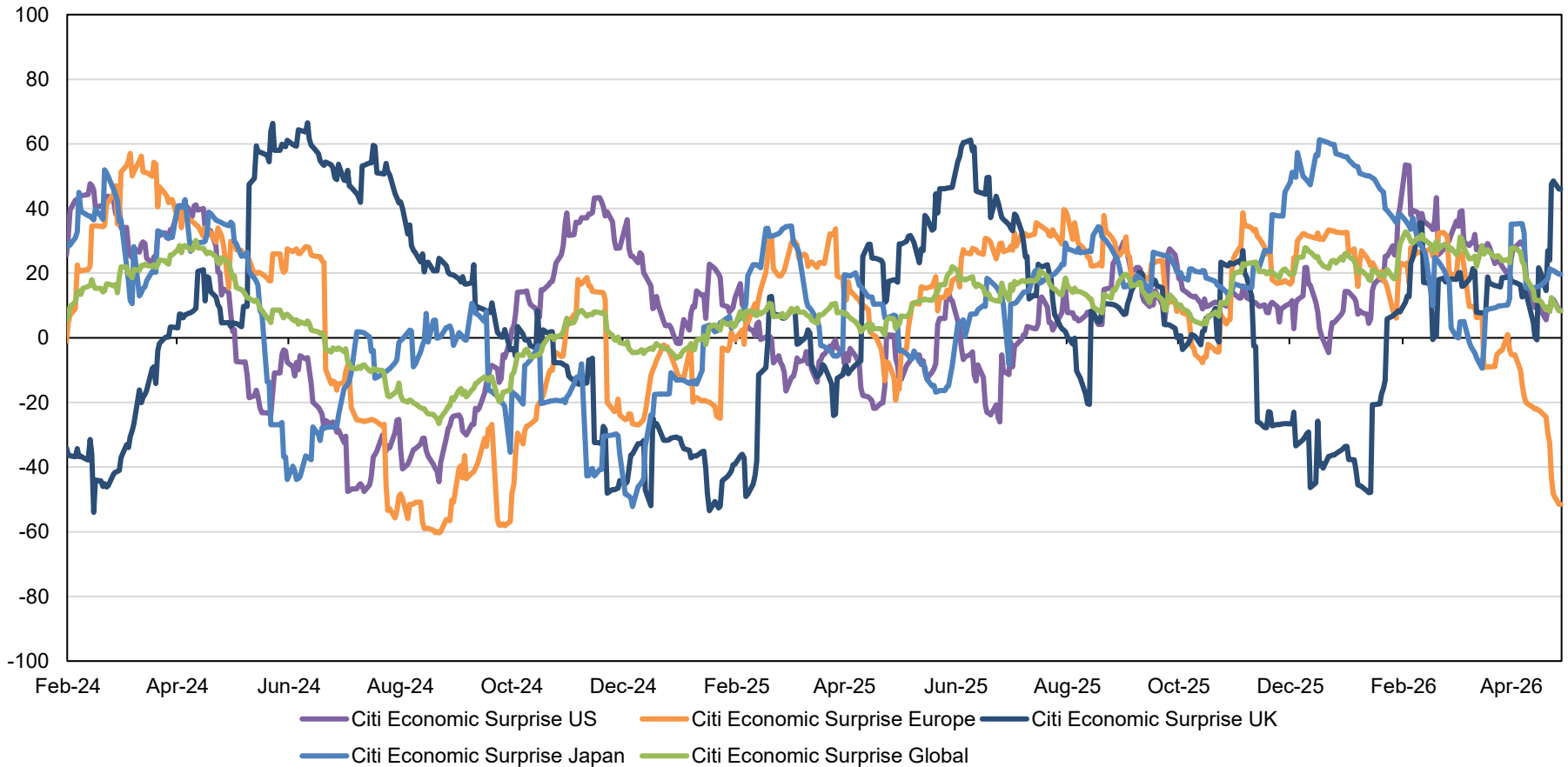


Source: Bloomberg and ADCB Asset Management

Economic surprises

Global economic surprises remain positive but show renewed moderation and regional divergence.

Economic surprises



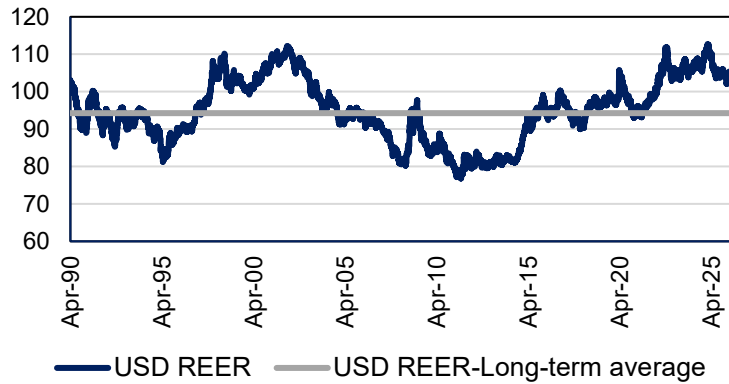
Source: Citi, Bloomberg and ADCB Asset Management

Valuations

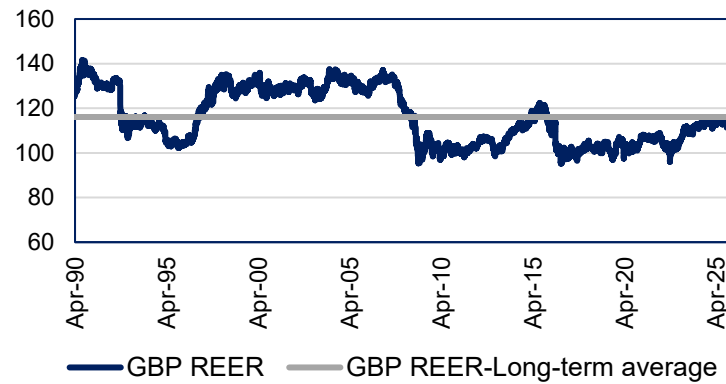
Real currency valuations

USD valuation premium is stabilizing, while JPY remains deeply undervalued.

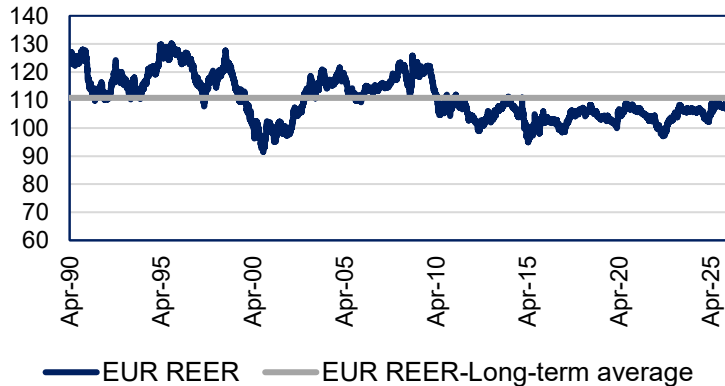
USD real effective exchange rate



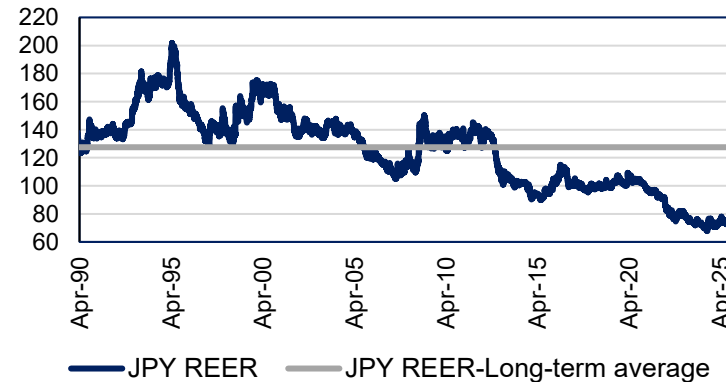
GBP real effective exchange rate



EUR real effective exchange rate



JPY real effective exchange rate

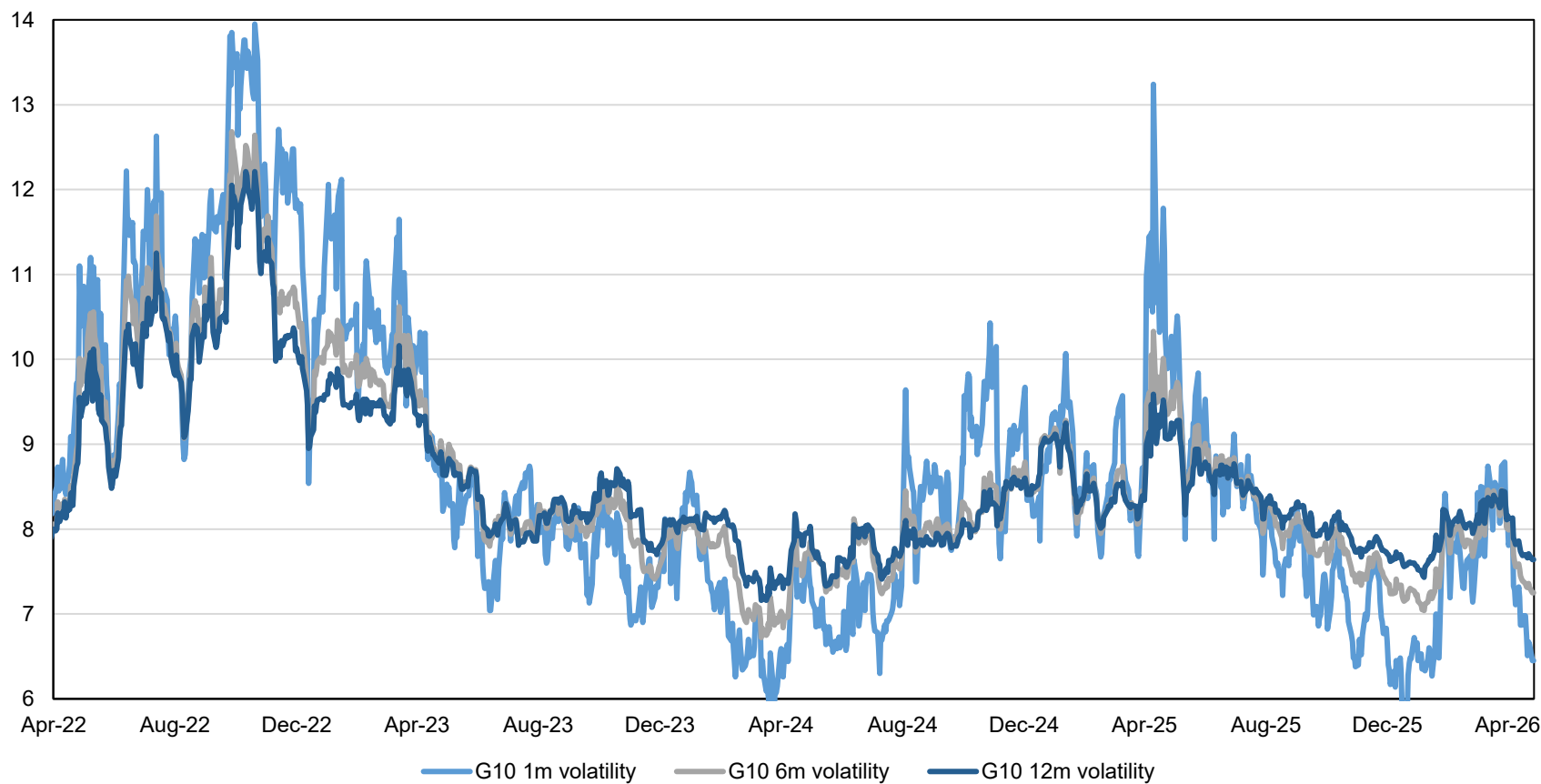


Source: Bloomberg and ADCB Asset Management

Volatility

G10 FX volatility remains contained, easing after a temporary rebound at the start of 2026.

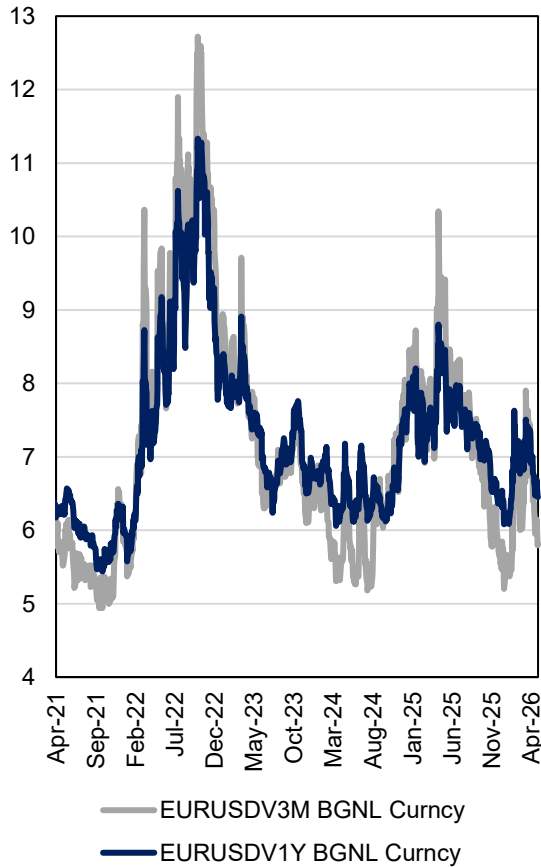
G10 volatility



Source: Bloomberg and ADCB Asset Management

3-month volatility remains contained, easing after a temporary rebound.

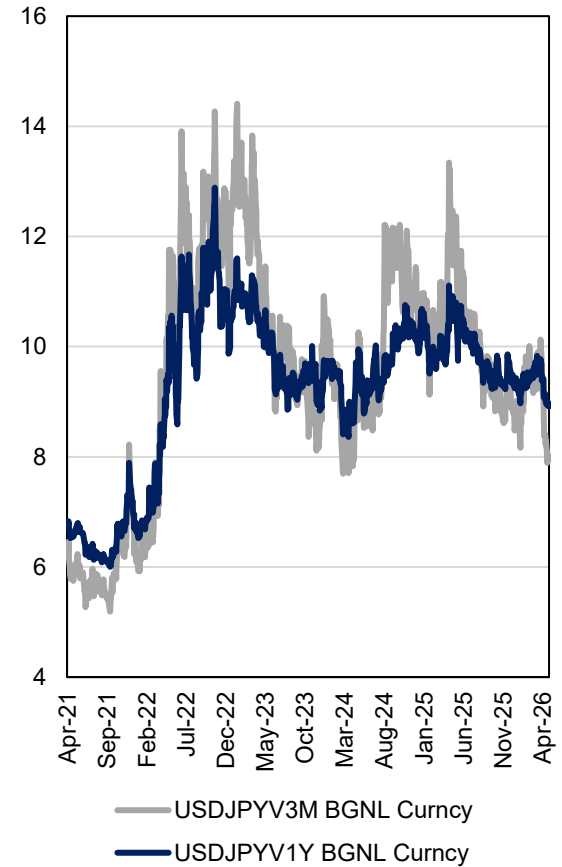
EURUSD



GBPUSD



USDJPY

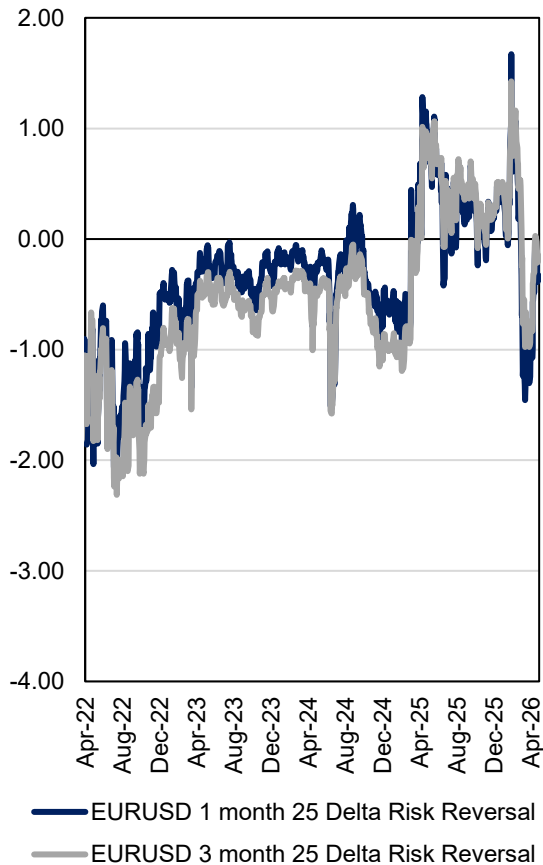


Source: Bloomberg and ADCB Asset Management

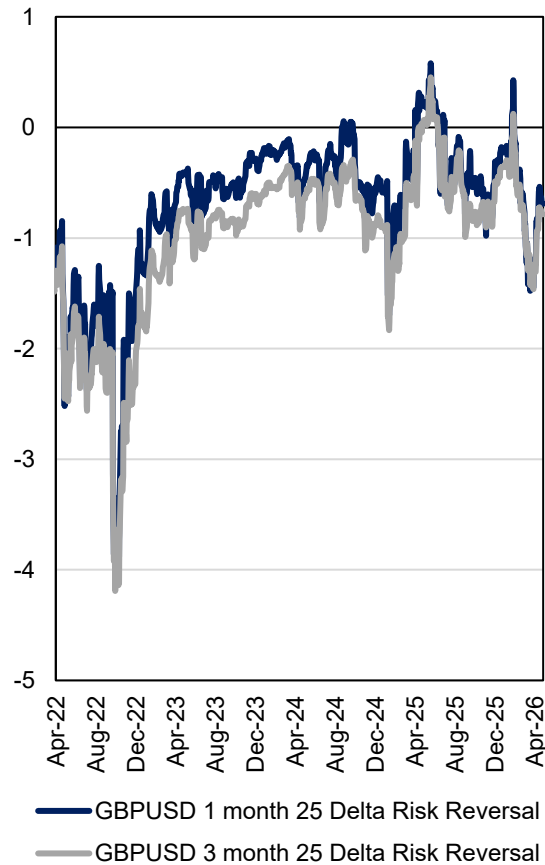
Risk Reversal

FX risk reversals show a mild downside bias for EUR and GBP, with positioning stabilizing across pairs.

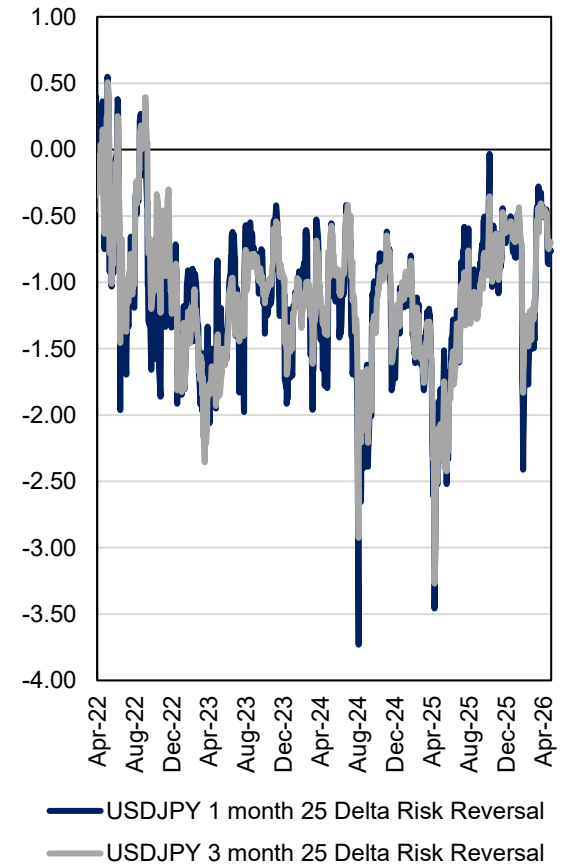
EURUSD



GBPUSD



USDJPY



Source: Bloomberg and ADCB Asset Management

Technicals

USD Index



Source: LSEG Workspace and ADCB Asset Management

EUR/USD



Source: LSEG Workspace and ADCB Asset Management

GBP/USD



Source: LSEG Workspace and ADCB Asset Management

USD/CHF



Source: LSEG Workspace and ADCB Asset Management

USD/JPY



Source: LSEG Workspace and ADCB Asset Management

USD/CNY



Source: LSEG Workspace and ADCB Asset Management

USD/INR



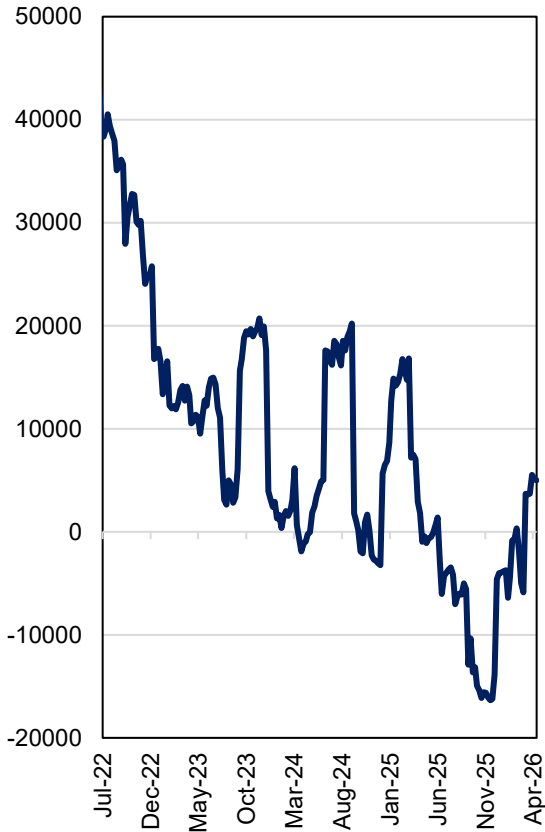
Source: LSEG Workspace and ADCB Asset Management

Positioning

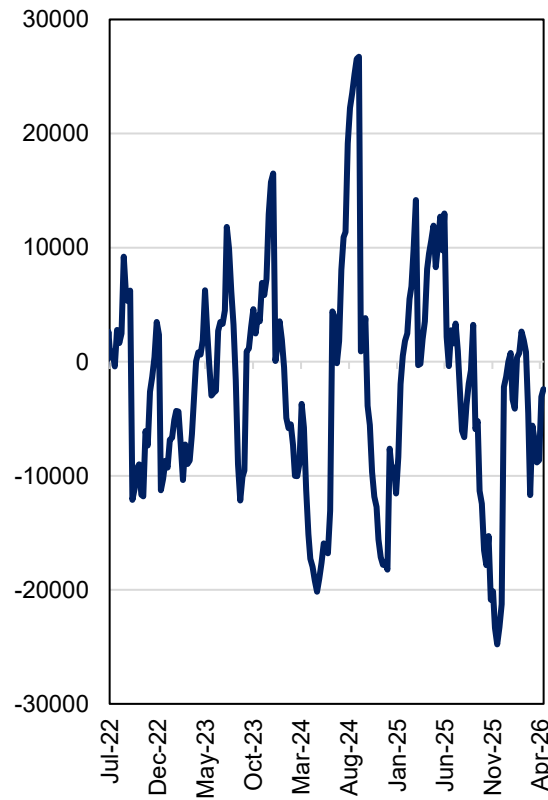
FX positioning- USD

USD speculative positioning has turned more constructive but remains mixed.

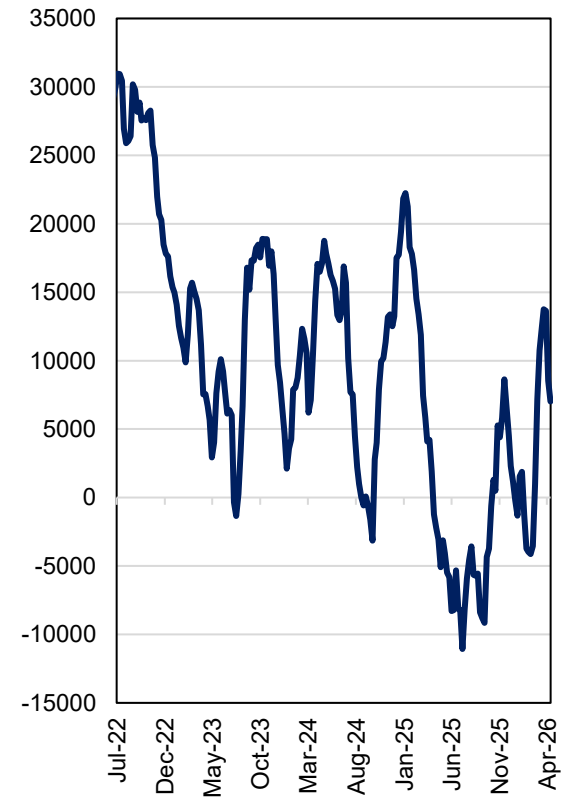
Non-commercial Net futures position for USD Index



Leveraged Funds Net futures position for USD Index



Asset Manager Institutional Net futures position for USD index

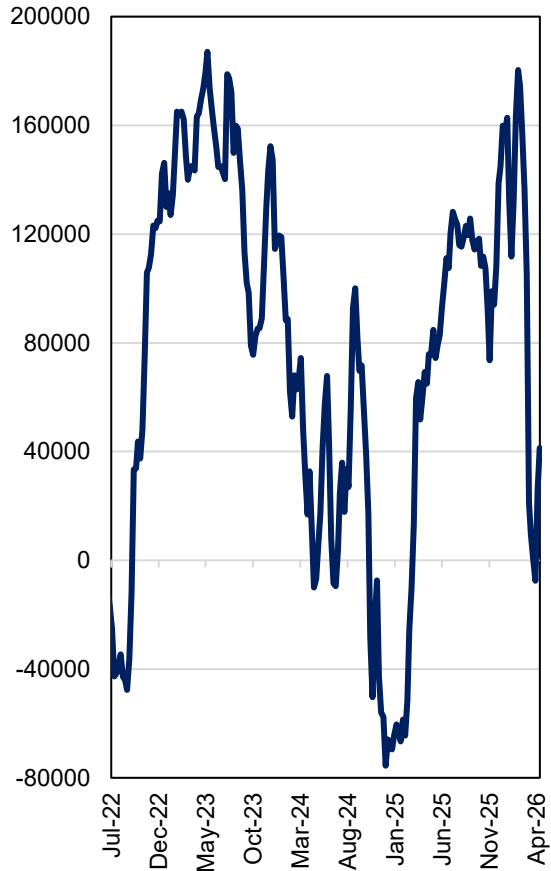


Source: Bloomberg and ADCB Asset Management

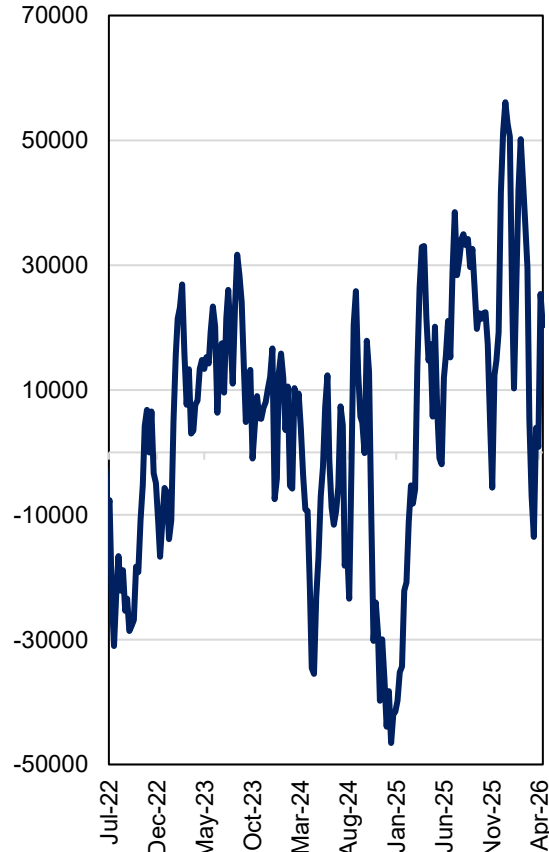
FX positioning- EUR

EUR positioning has moderated from elevated levels.

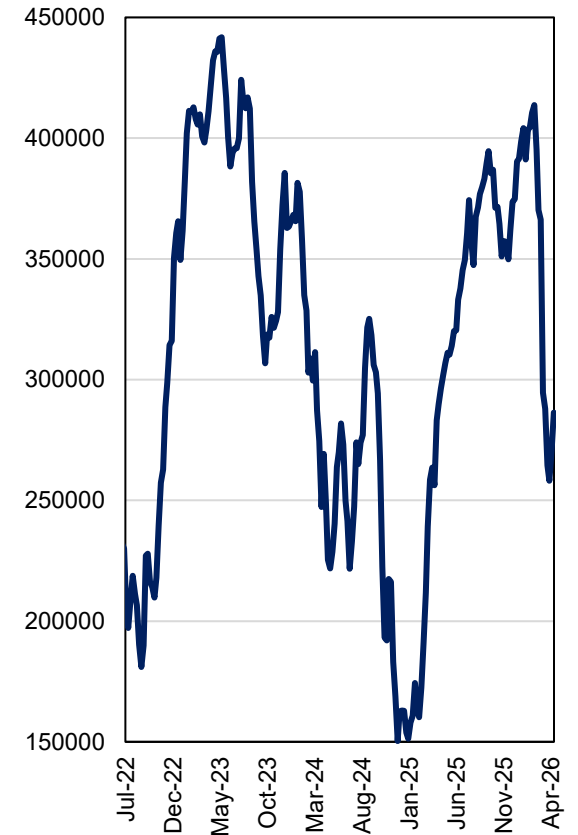
Non-commercial net futures position in Euro FX



Leveraged funds net futures position in Euro FX



Asset Manager Institutional net futures position in Euro FX

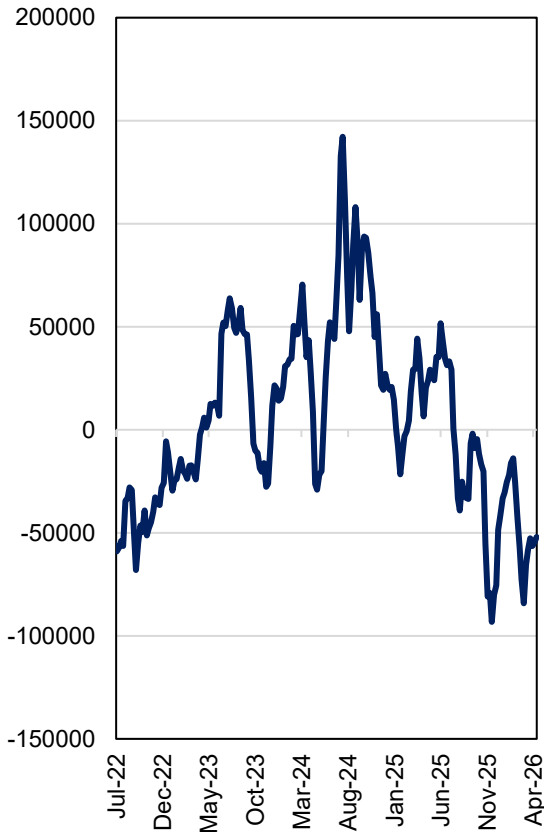


Source: Bloomberg and ADCB Asset Management

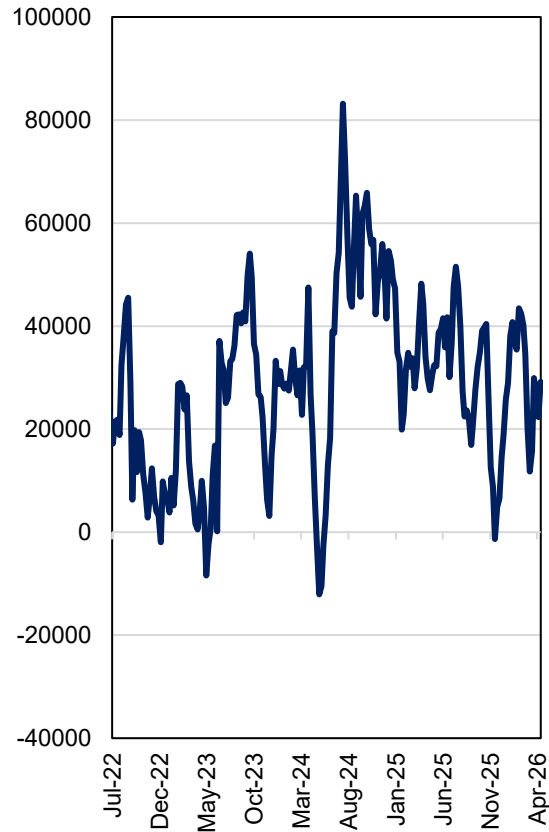
FX positioning- GBP

GBP positioning remained mixed, with institutional investors remain structurally short.

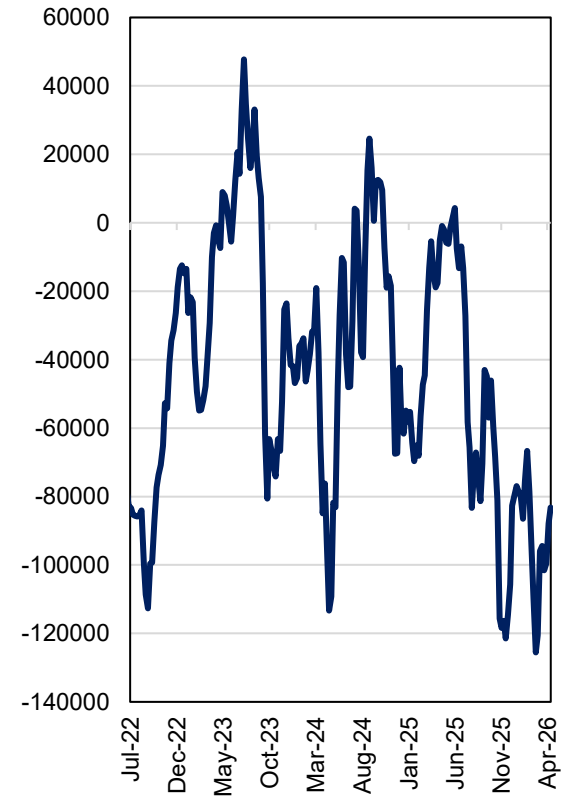
Non-commercial net futures position in Pound Sterling



Leveraged funds net futures position in Pound Sterling



Asset Manager Institutional net futures position in Pound Sterling

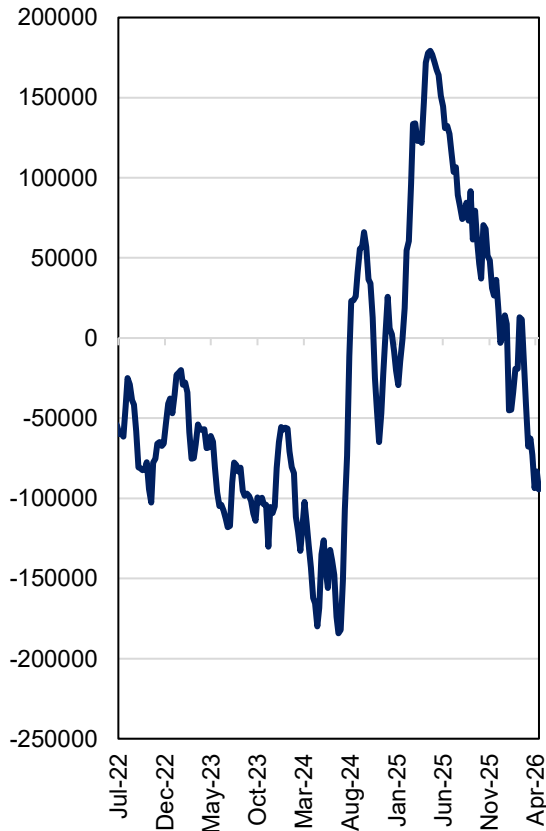


Source: Bloomberg and ADCB Asset Management

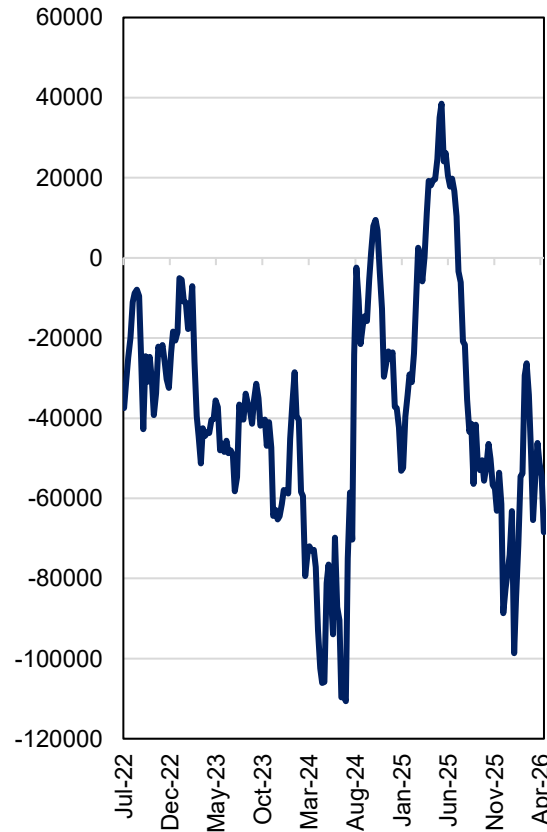
FX positioning- JPY

JPY shorts positioning has increased, led by leveraged funds.

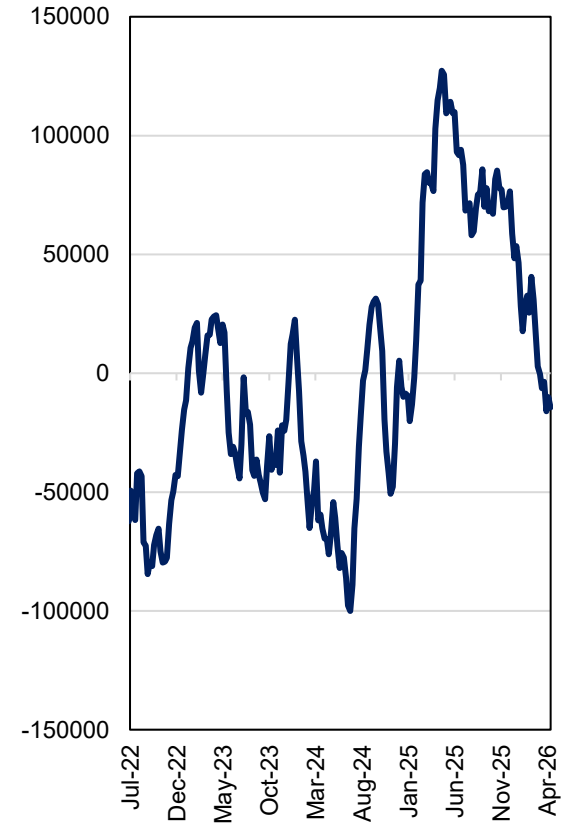
Non-commercial net futures position in JPY



Leveraged funds net futures position in JPY



Asset Manager Institutional net futures position in JPY



Source: Bloomberg and ADCB Asset Management

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