

Investment Strategy

# FX Indicator Chartpack

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ASSET MANAGEMENT LIMITED

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# Tactical view (3M-6M): Our view on currencies

**We remain negative on USD, neutral on EURUSD and GBPUSD, and see stronger JPY against the USD.**

Currencies	-	N	+	Bullish case (+)	Bearish case (-)
<b>USD (DXY)</b>				Reflation, less aggressive Fed easing, US growth outperformance, Geopolitical tensions	US growth underperformance, Fed dovish bias, trade uncertainty. global risk-on
<b>EURUSD</b>				ECB hawkish versus the Fed, Europe outperformance, China recovery	ECB dovishness, Europe growth underperformance, China slowdown
<b>USDJPY</b>				Less aggressive Fed easing and BOJ policy normalization	Fed dovish bias, BoJ's aggressive tightening bias
<b>GBPUSD</b>				Delayed BoE rate cuts, Global risk-on	UK growth concerns, Dovish BoE, Global risk-off
<b>EM currencies</b>				Broad USD weakness, idiosyncratic factors	Broad USD strength, idiosyncratic factors

Colour legend Current Previous

Source: ADCB Asset Management, “-” = Negative, “N” = Neutral, “+” = Positive

**We continue to see USD weakness as the base-case.**

## ▶ **Negative on the USD**

- ▷ USD weakness to remain but pace to slow down given the sizeable YTD loss
- ▷ Increased prospects of Fed rate cuts and concerns over Fed independence could put pressure on the USD
- ▷ De-dollarization remains a gradual but persistent theme
- ▷ While the USD has corrected, it remains overvalued in real terms

## ▶ **Neutral on the EURUSD**

- ▷ Improved regional growth prospects and increased fiscal stimulus support the euro
- ▷ Reduced US-EU trade tensions should also prove supportive for the euro
- ▷ The ECB's easing cycle seems to be nearing completion
- ▷ The EUR appears somewhat overvalued on a real-effective basis, justifying a neutral stance

## ▶ **Neutral on the GBPUSD**

- ▷ Broad USD weakness supporting GBP
- ▷ GBP being a risk-on currency could come under pressure during global market sell-off
- ▷ GBP looking a bit expensive in real terms
- ▷ GBP to come under pressure versus EUR given the prospects of uncertain economic outlook in case of the UK. However, hawkish expectations on BoE could limit the downside.

## ▶ **Negative on USDJPY (lower USDJPY levels, JPY appreciation)**

- ▷ JPY to benefit from safe-haven flows
- ▷ USDJPY dynamics not accounting for narrower UST-JGB yield spreads
- ▷ JPY undervalued in real terms
- ▷ Market expectations of a BoJ rate hike have been brought forward recently

# FX consensus forecasts

Consensus expects higher EURUSD, GBPUSD and USDCHF levels but lower USDJPY levels by end-2025.

(End of period)	Q4 24	Q1 25	Q2 25	Q3 25f	Q4 25f	Q1 26f	Q2 26f
EURUSD	1.04	1.08	1.18	1.17	1.18	1.19	1.20
GBPUSD	1.25	1.29	1.37	1.35	1.36	1.37	1.38
USDJPY	157.20	149.96	144.03	145.00	143.00	141.00	139.50
USDCHF	0.91	0.88	0.79	0.81	0.81	0.81	0.81

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

# Performance

# Performance heat map

After bouncing strongly in July, the USD lost some value in August.

	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

Source: Bloomberg and ADCB Asset Management

# Seasonality

# Seasonality heat map

## USD tends to weaken during September

Seasonality heatmap (avg. for period 1990-2024)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Dollar Index spot	0.81%	0.43%	0.23%	-0.33%	0.29%	-0.08%	-0.37%	0.20%	-0.23%	0.24%	0.47%	-0.87%
EUR-USD	-1.00%	-0.45%	-0.10%	0.33%	-0.25%	0.10%	0.44%	-0.15%	0.43%	-0.31%	-0.37%	1.28%
GBP-USD	-0.21%	-0.77%	-0.25%	0.79%	-0.34%	0.17%	0.57%	-0.65%	-0.07%	0.04%	-0.21%	0.47%
USD-JPY	0.09%	0.31%	0.71%	0.13%	-0.19%	-0.03%	-0.30%	-0.40%	0.10%	-0.33%	0.73%	-0.02%

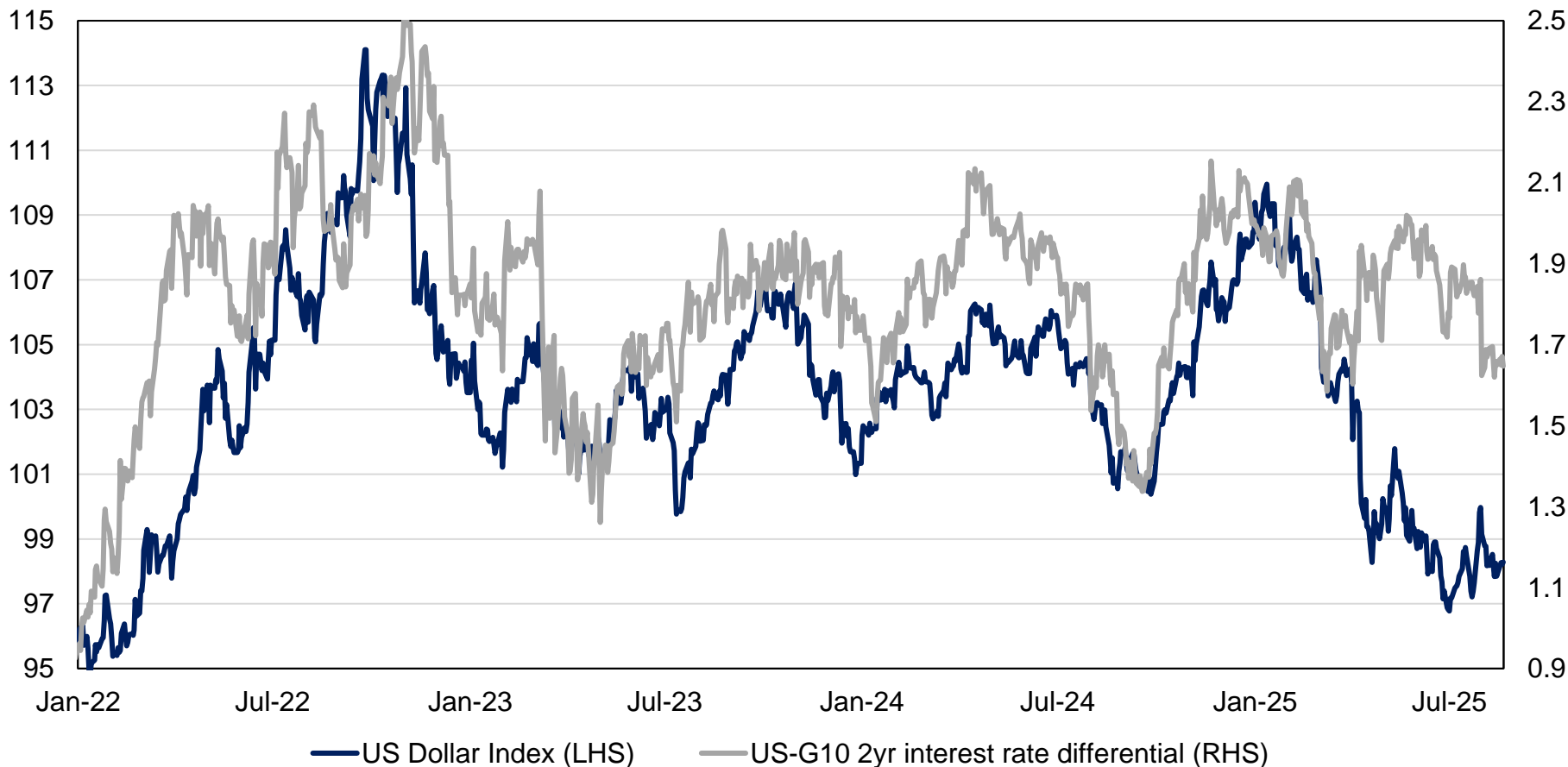
Source: Bloomberg and ADCB Asset Management

# Macro

# DXY index vs interest rate differentials

DXY index recently responded to the tightening US-G10 interest rate differentials

### DXY vs Interest rate differentials

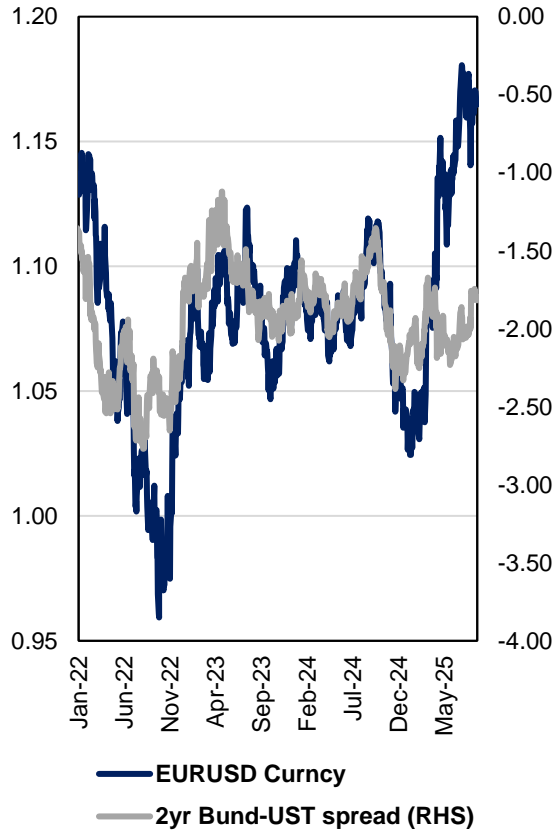


Source: Bloomberg and ADCB Asset Management

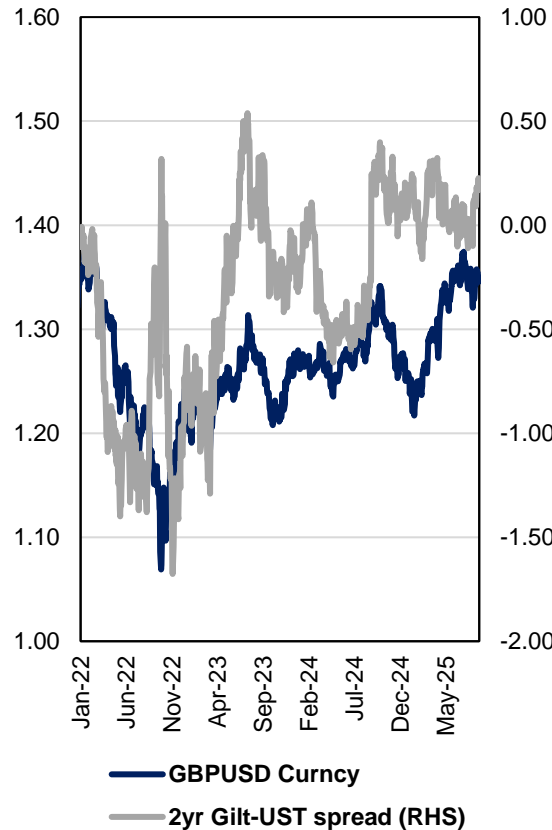
# Currency pairs vs 2yr interest-rate differentials

EURUSD fell despite widening of 2Y Bunds/Gilts- UST differentials

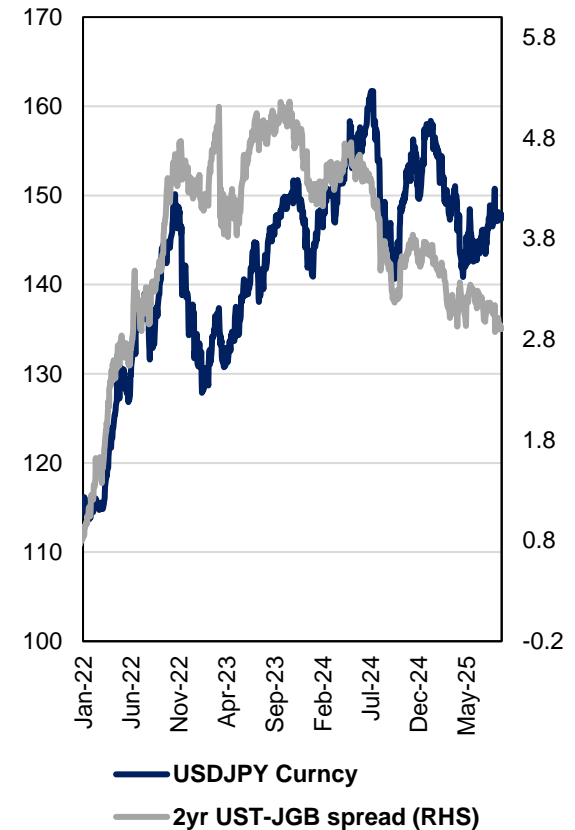
**EURUSD vs 2yr Bund-UST spread**



**GBPUSD vs 2yr Gilt-UST spread**



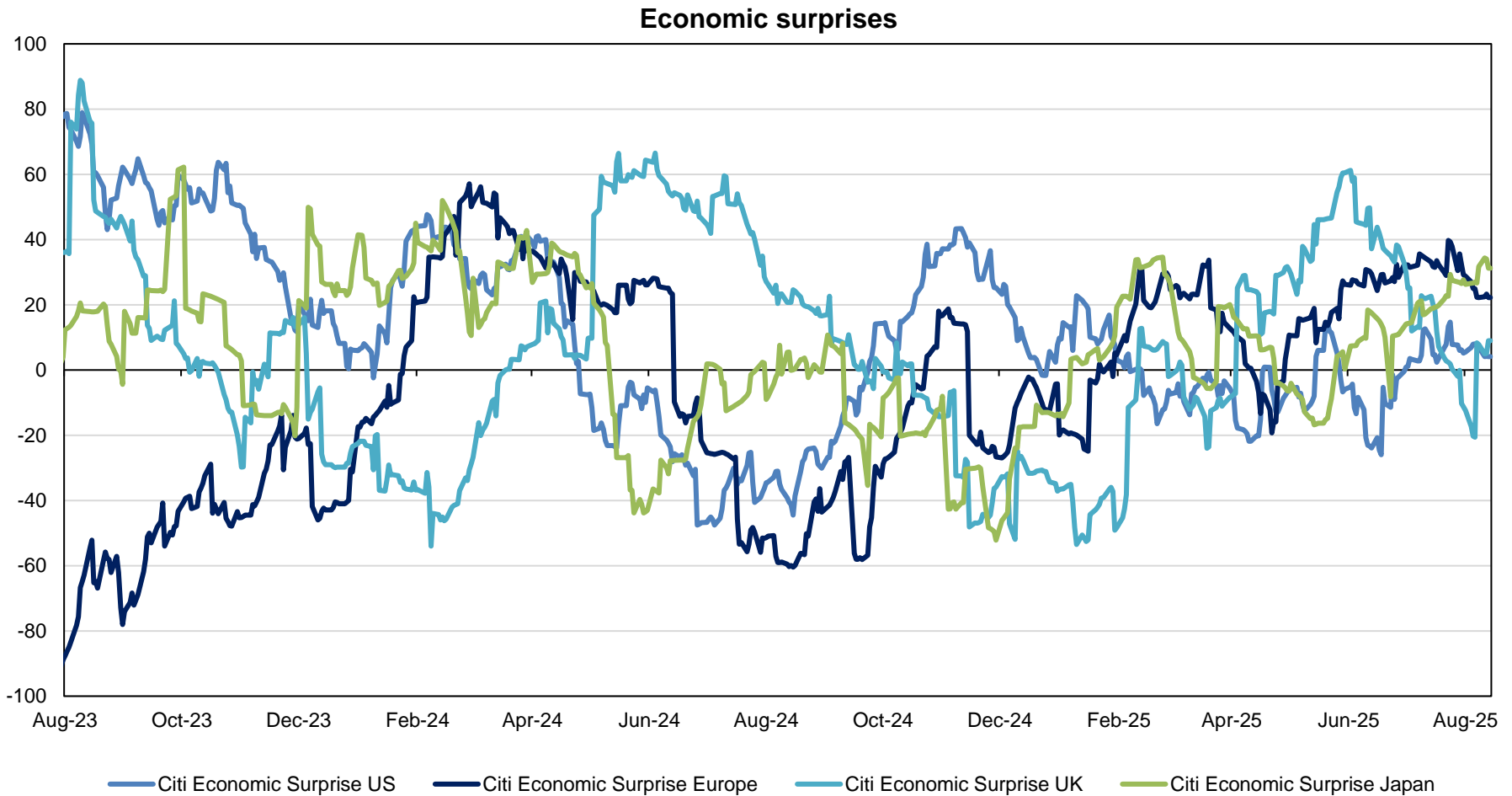
**USDJPY vs 2yr UST-JGB spread**



Source: Bloomberg and ADCB Asset Management

# Economic surprises

Economic surprises turned positive in the US, but still underperforming peers



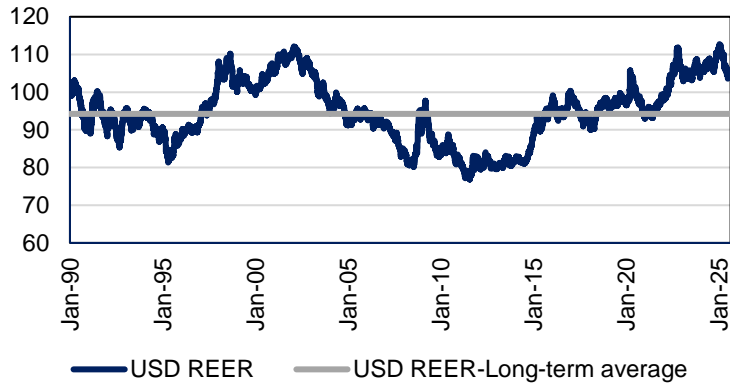
Source: Citi, Bloomberg and ADCB Asset Management

# Valuations

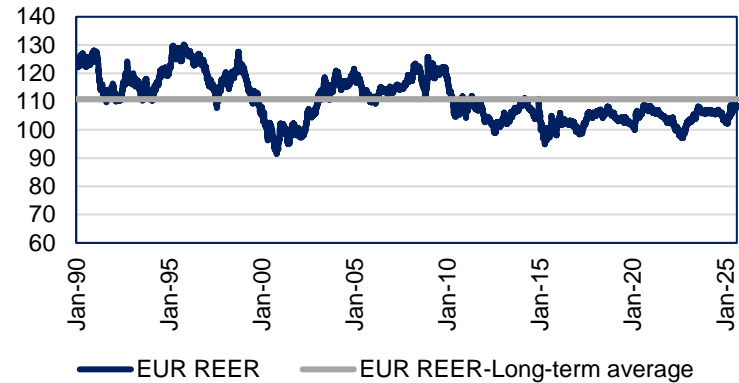
# Real currency valuations

Dollar's valuation premium has narrowed recently but JPY continues to look cheap on REER basis.

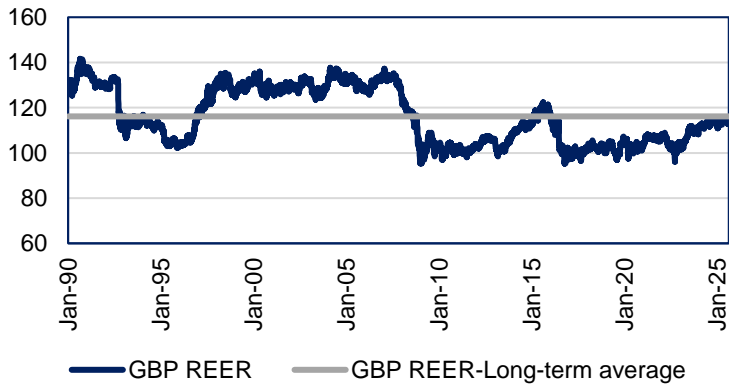
USD real effective exchange rate



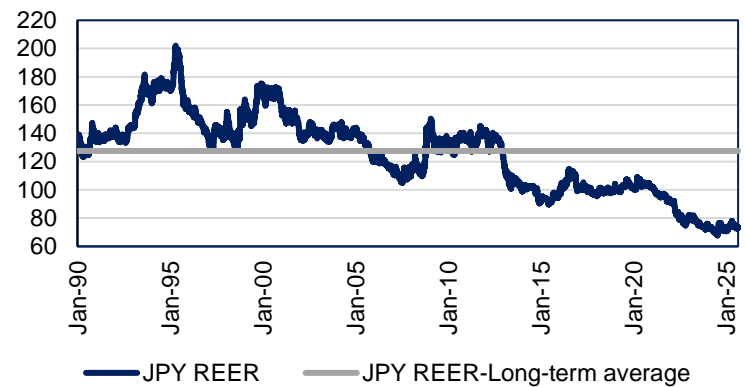
EUR real effective exchange rate



GBP real effective exchange rate



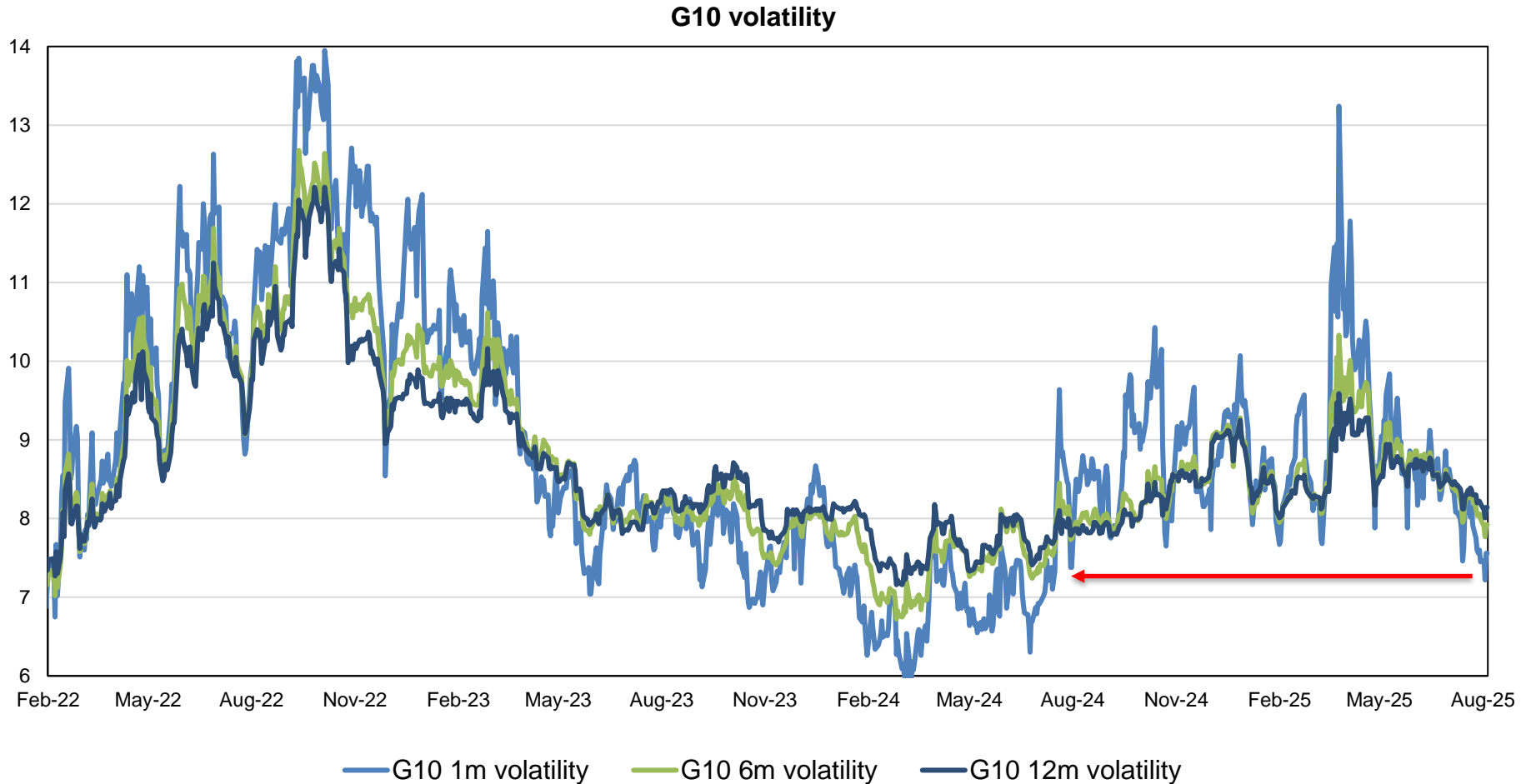
JPY real effective exchange rate



Source: Bloomberg and ADCB Asset Management

# Volatility

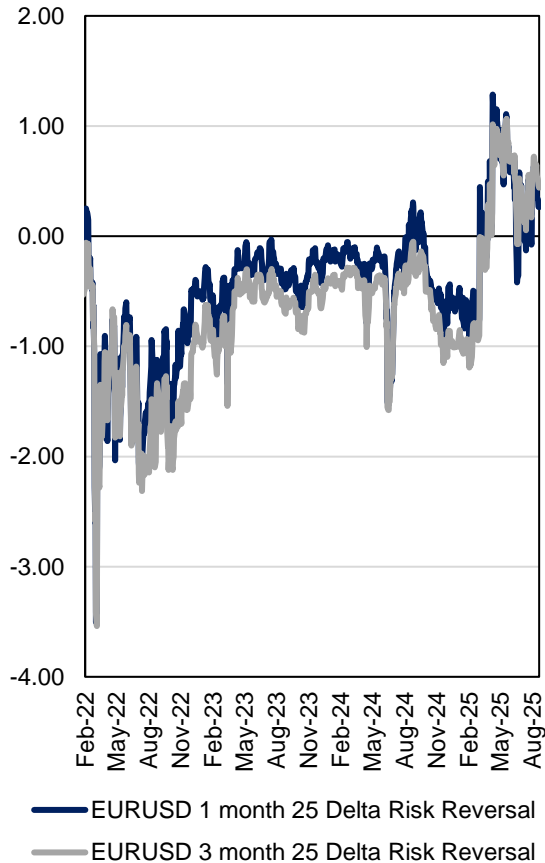
Near-term volatility in G10 currencies dropped to lowest level in one year



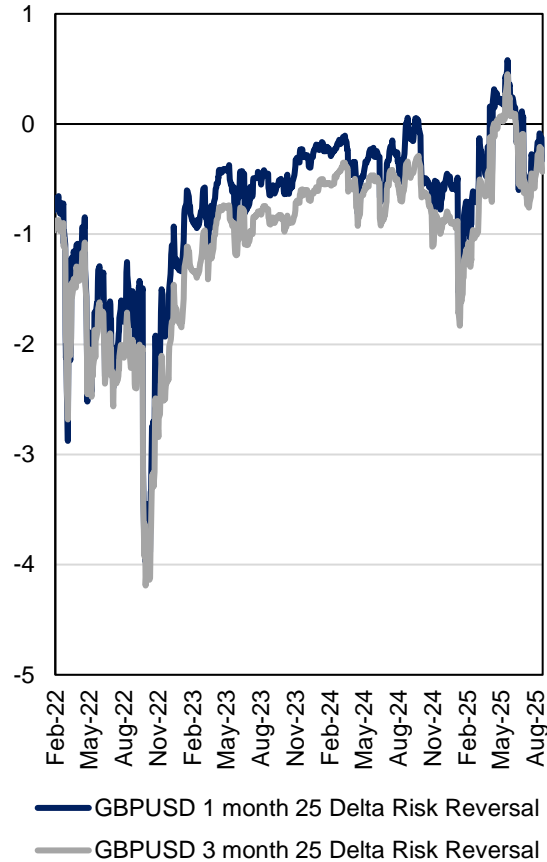
Source: Bloomberg and ADCB Asset Management

3-month volatility dropped in case of EURUSD, GBPUSD and USDJPY over the past month

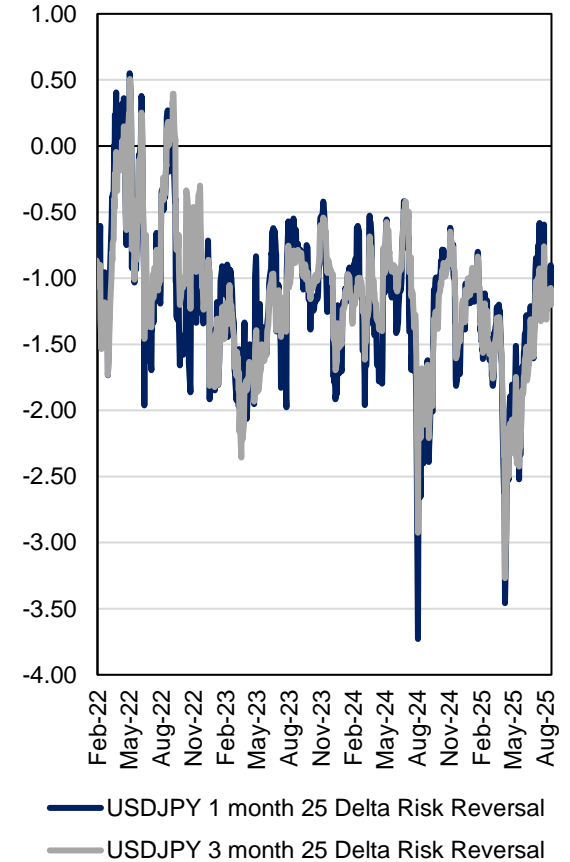
### EURUSD



### GBPUSD



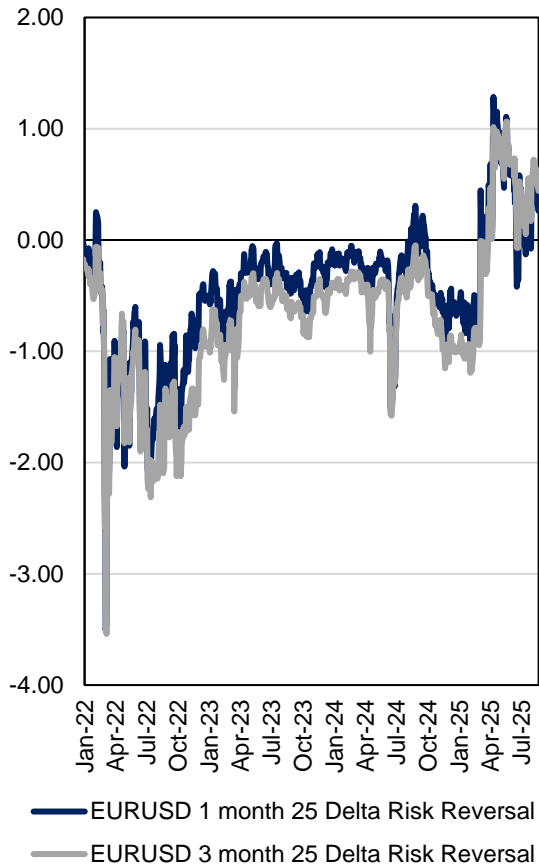
### USDJPY



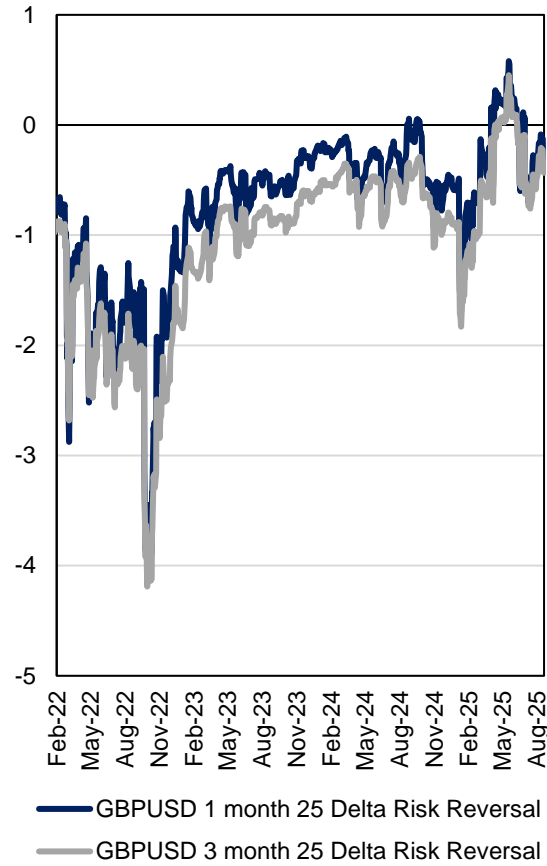
Source: Bloomberg and ADCB Asset Management

## Option traders pared their bearish bets on the GBPUSD

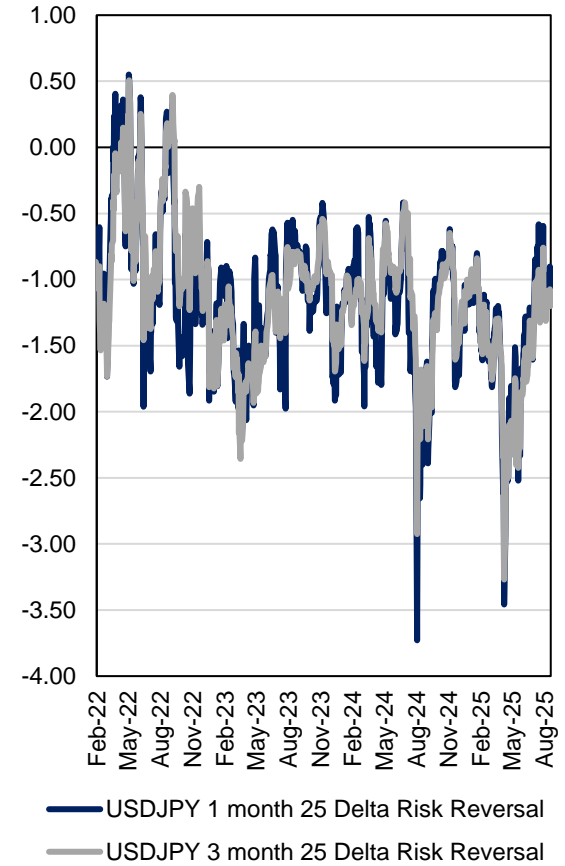
### EURUSD



### GBPUSD



### USDJPY



Source: Bloomberg and ADCB Asset Management

# Technical

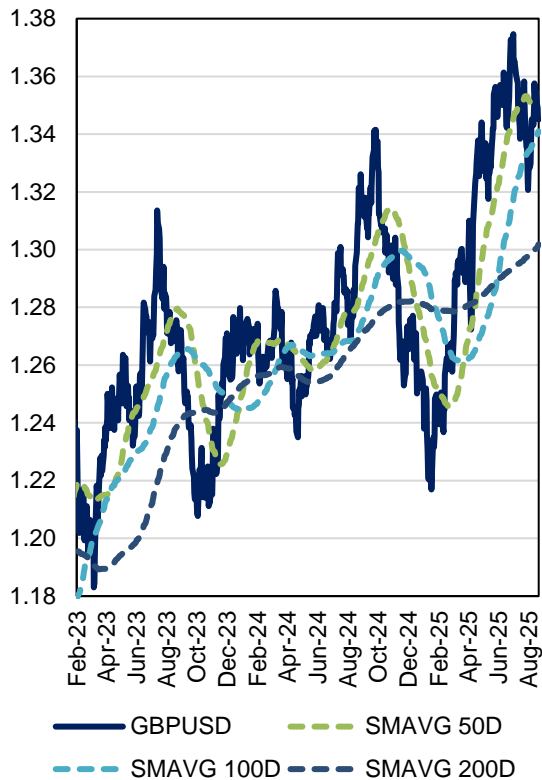
# Moving average

EURUSD remains above the moving averages levels while USDJPY trading within the moving average levels

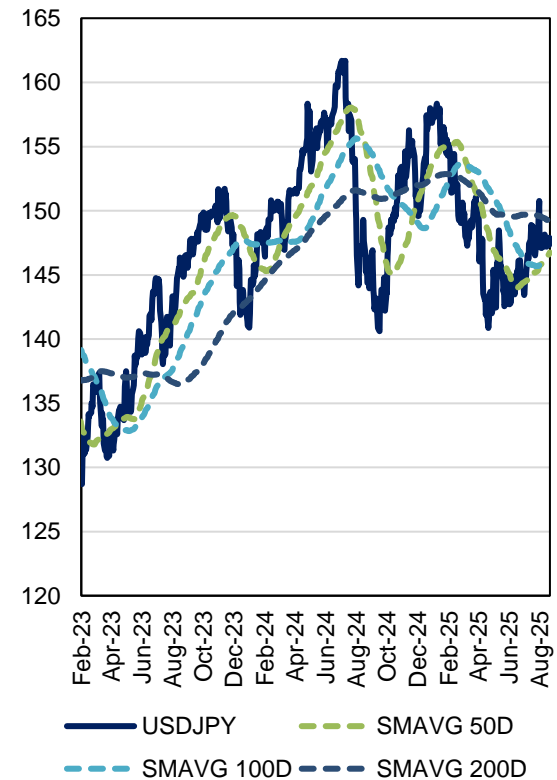
### EURUSD moving average



### GBPUSD moving average



### USDJPY moving average

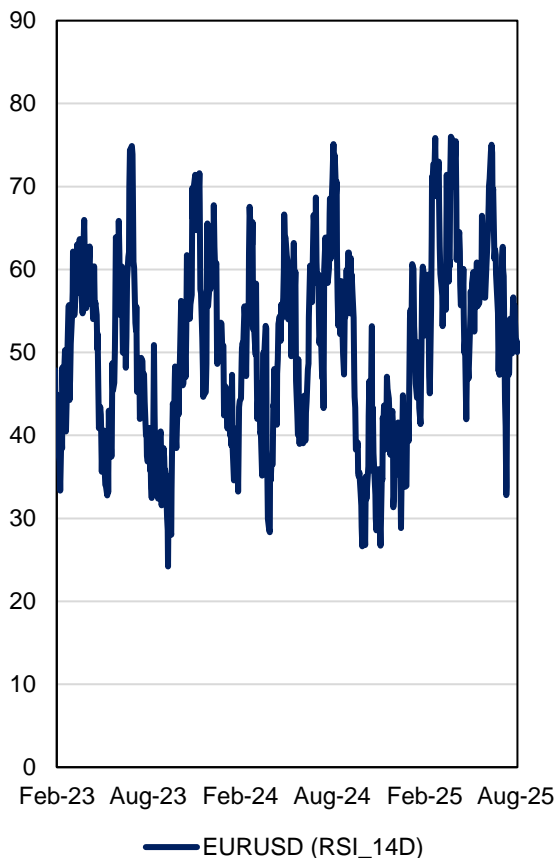


Source: Bloomberg and ADCB Asset Management

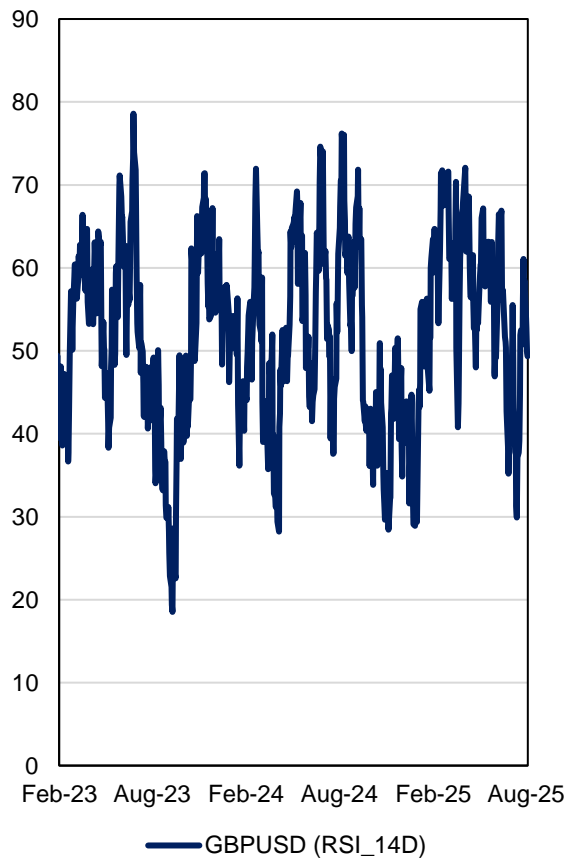
# Relative strength index indicator

RSI indicator not showing any overbought/oversold signals

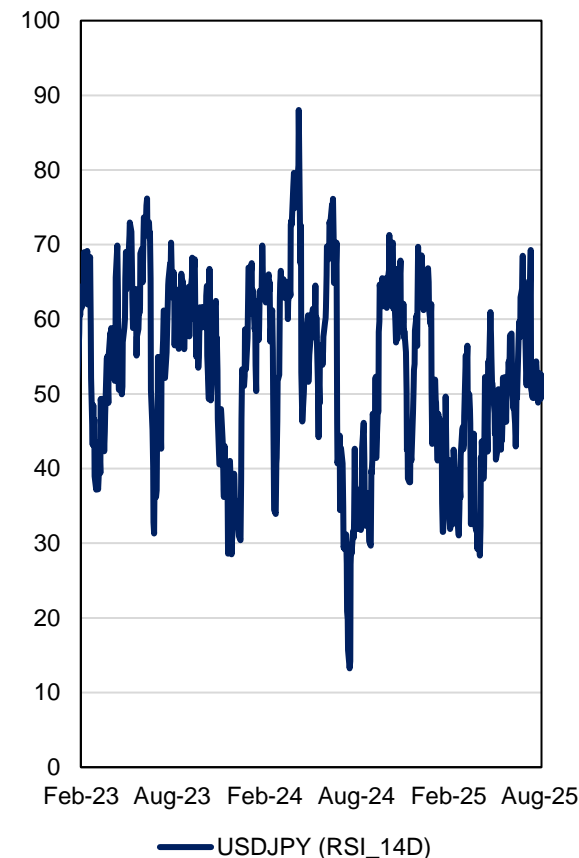
### EURUSD (RSI\_14D)



### GBPUSD (RSI\_14D)



### USDJPY (RSI\_14D)



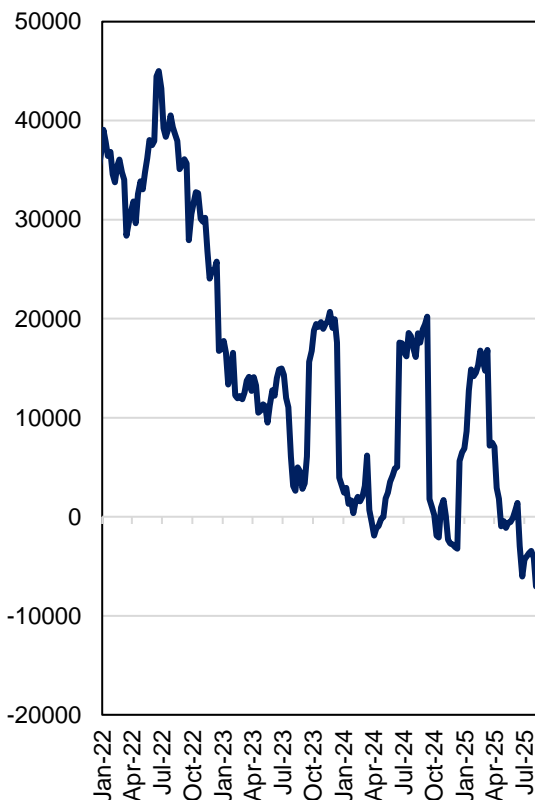
Source: Bloomberg and ADCB Asset Management

# Positioning

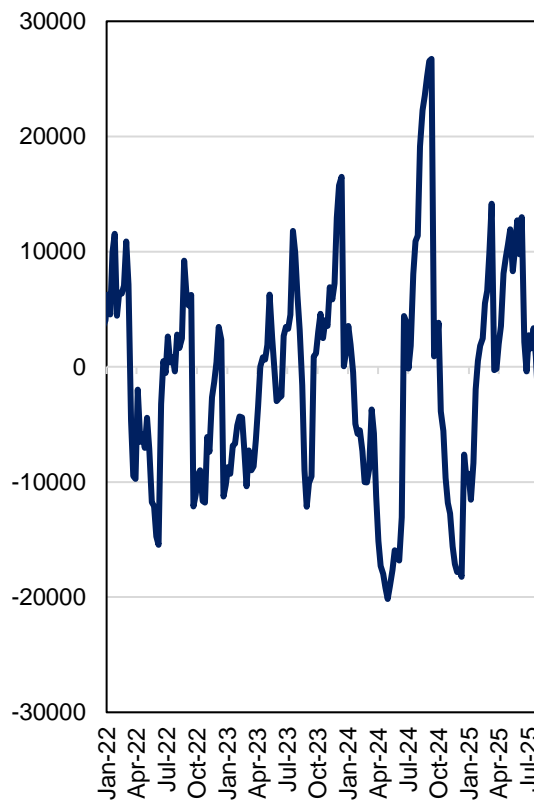
# FX positioning- USD

## Leveraged funds turned net short on the USD

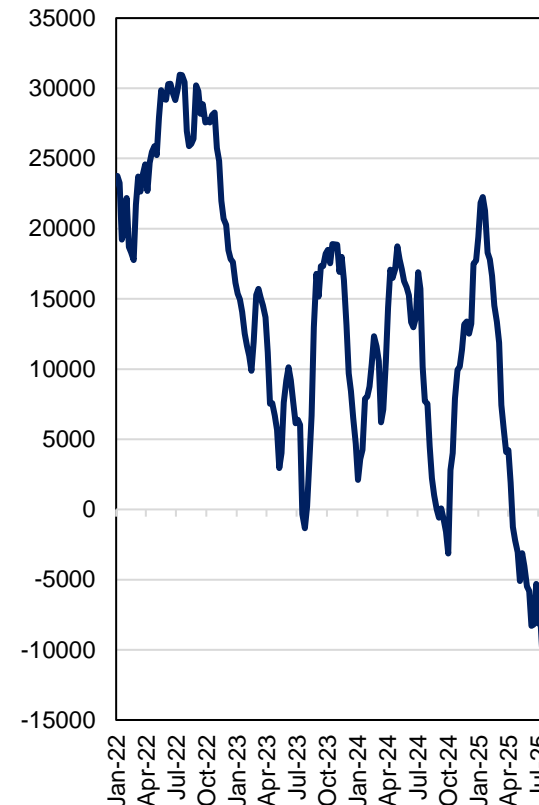
**Non-commercial Net futures position for USD Index**



**Leveraged Funds Net futures position for USD Index**



**Asset Manager Institutional Net futures position for USD index**

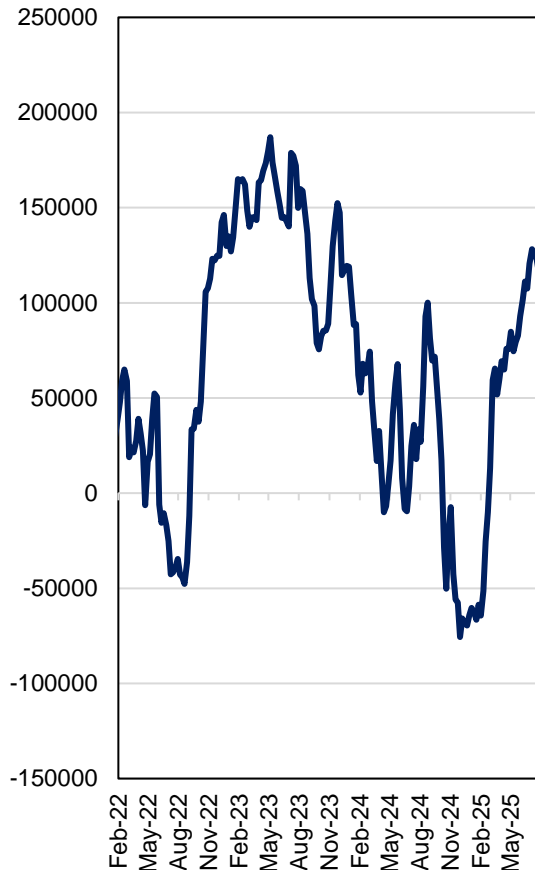


Source: Bloomberg and ADCB Asset Management

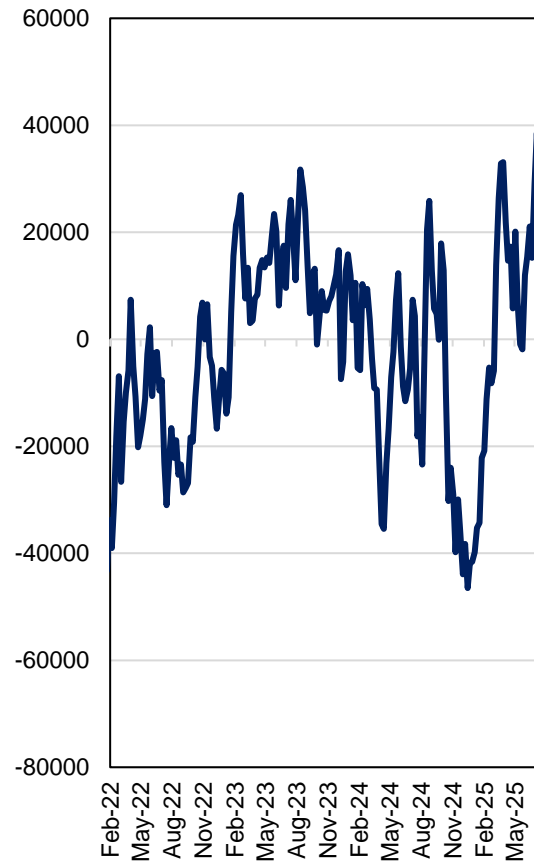
# FX positioning- EUR

All three types of investors pared their net long position on the EUR

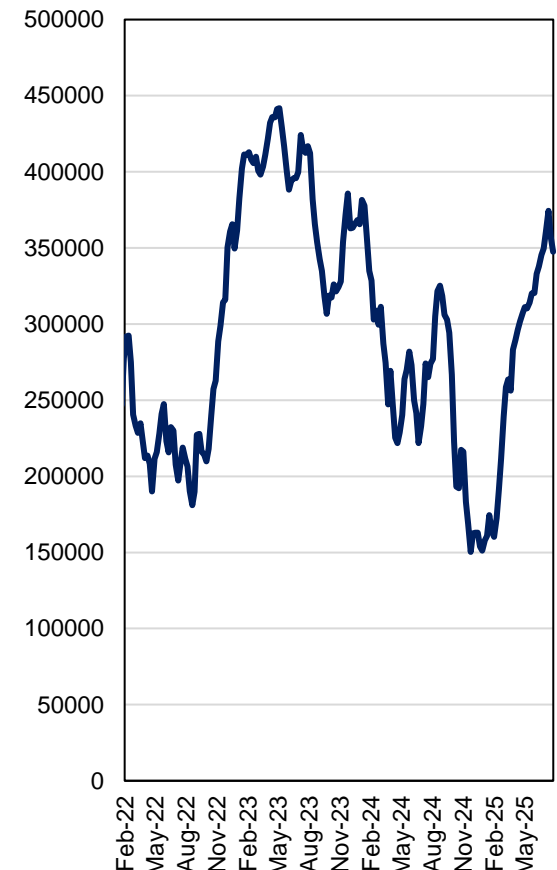
**Non-commercial net futures position in Euro**



**Leveraged funds net futures position in Euro**



**Asset Manager Institutional net futures position in Euro**

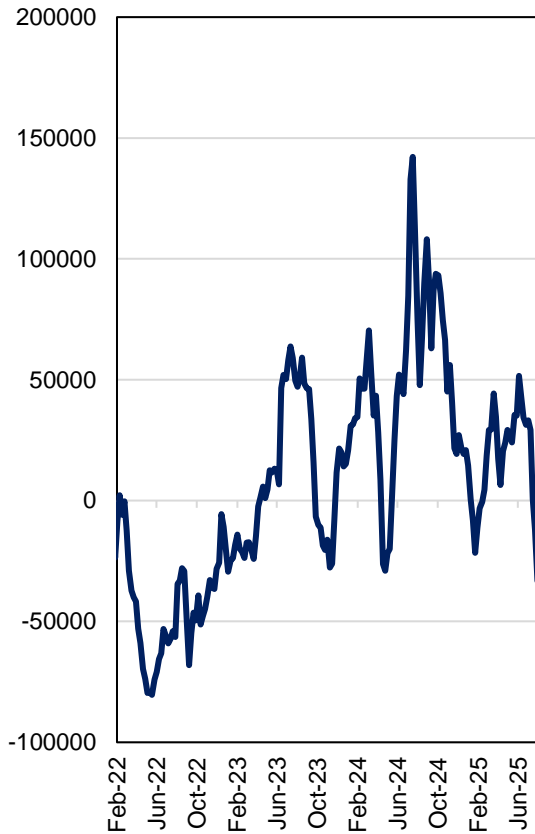


Source: Bloomberg and ADCB Asset Management

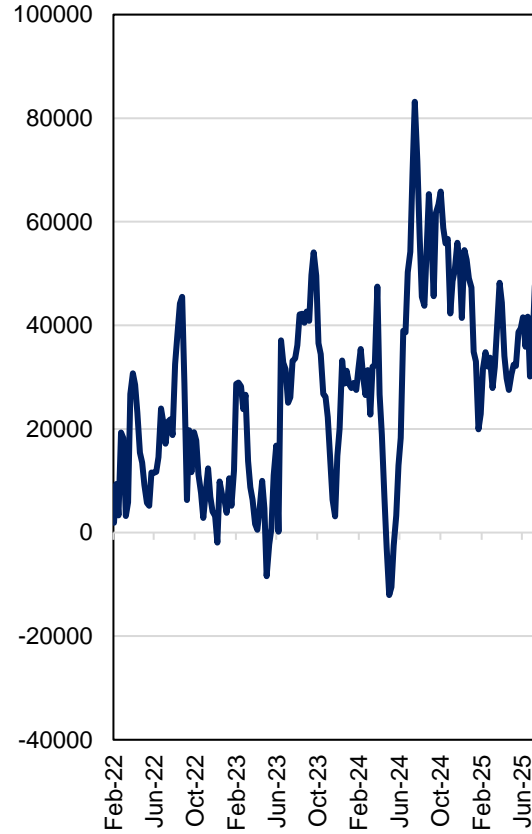
# FX positioning- GBP

Institutional investors added to their net short position on the GBP

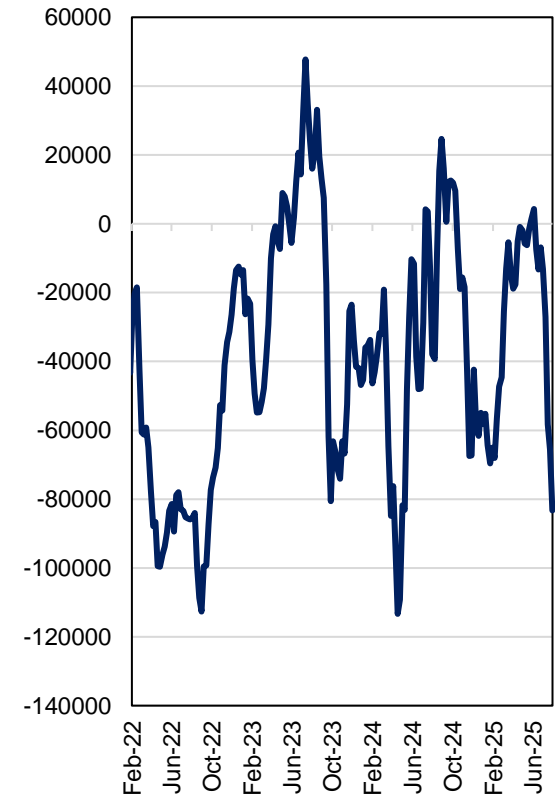
**Non-commercial net futures position in Pound Sterling**



**Leveraged funds net futures position in Pound Sterling**



**Asset Manager Institutional net futures position in Pound Sterling**

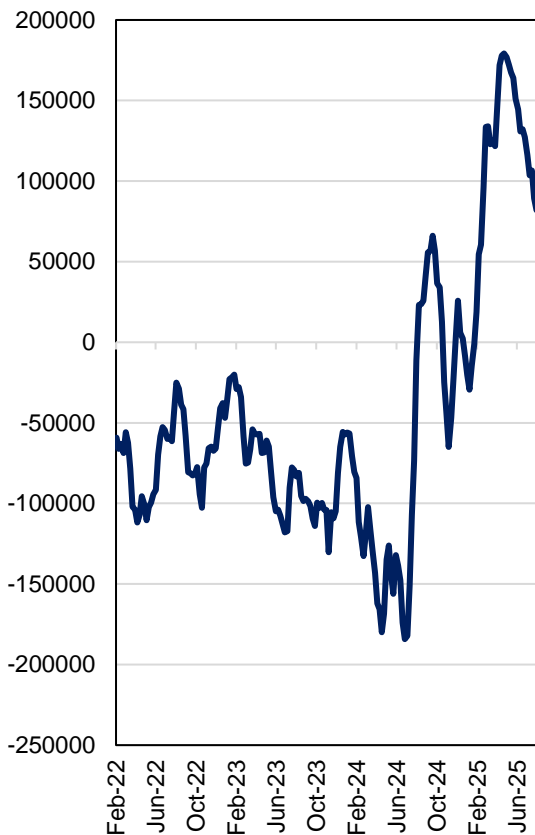


Source: Bloomberg and ADCB Asset Management

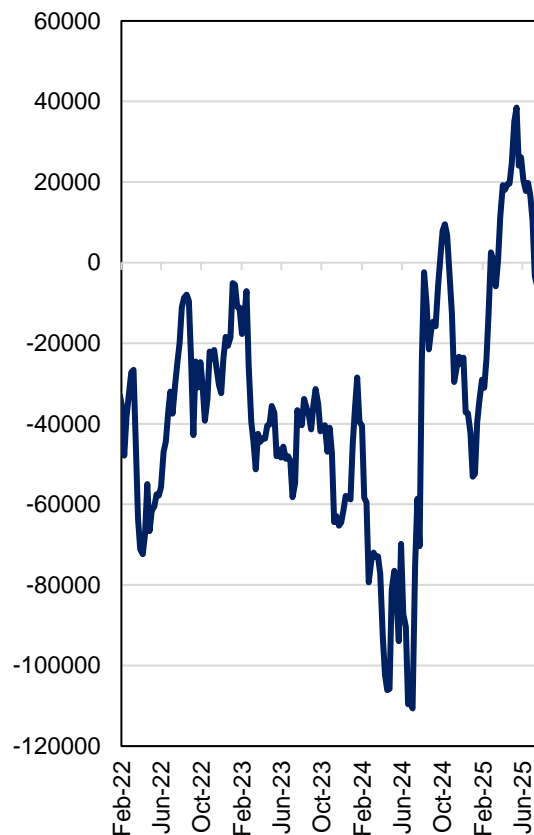
# FX positioning- JPY

## Leveraged funds turned net short on JPY position

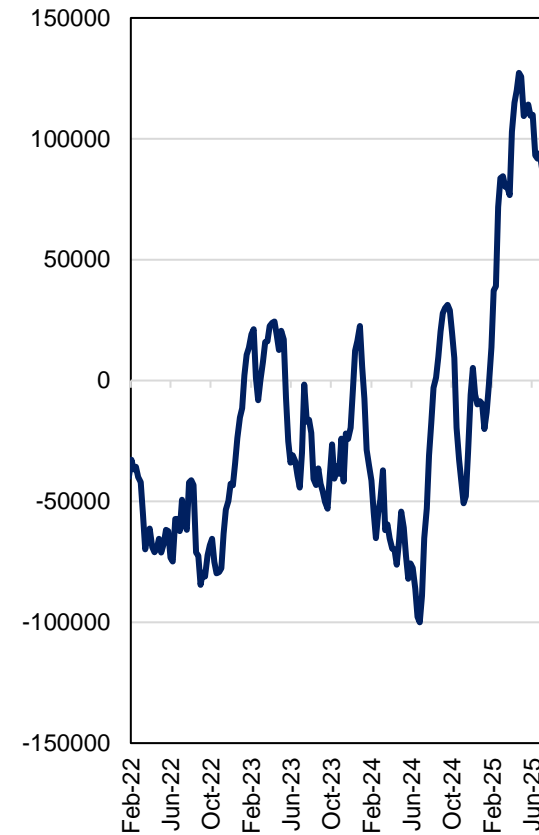
### Non-commercial net futures position in JPY



### 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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