

Investment Strategy

FX Indicator Chartpack

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ASSET MANAGEMENT LIMITED

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

Negative on USD; Neutral on EURUSD and GBPUSD; Negative on USDJPY (JPY appreciation)

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

Colour legend



Current



Previous

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

Negative on USD; Neutral on EURUSD; Neutral on GBPUSD; Negative on USDJPY

► Negative on the USD

- ▷ USD weakness to remain but pace to slow down given the sizeable YTD loss
- ▷ Concerns over Fed independence could put downward 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
- ▷ 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

► 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

FX consensus forecasts

Consensus expects stable EURUSD, lower USDJPY levels, higher GBPUSD and higher USDCHF 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	1.17	1.18	1.19
GBPUSD	1.25	1.29	1.37	1.36	1.36	1.37	1.38
USDJPY	157.20	149.96	144.03	143.00	140.00	139.00	138.00
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

EUR was the best performer against the USD in June

	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

Source: Bloomberg and ADCB Asset Management

Seasonality

Seasonality heat map

USD index tends to be weak in July

Seasonality heatmap (average 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%

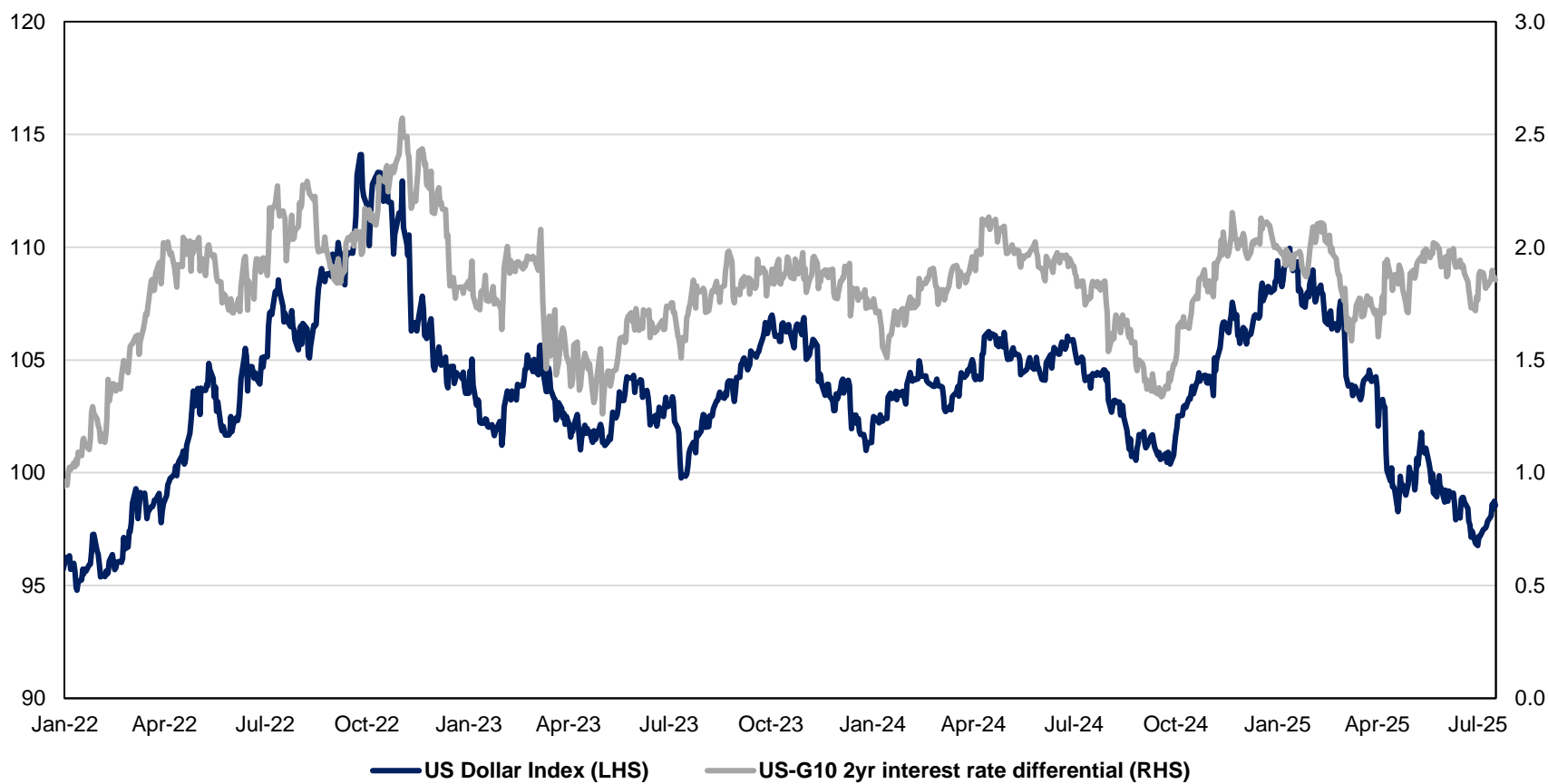
Source: Bloomberg and ADCB Asset Management

Macro

DXY index vs interest rate differentials

DXY index remains weak versus wider US-G10 interest rate differentials

DXY vs Interest rate differentials

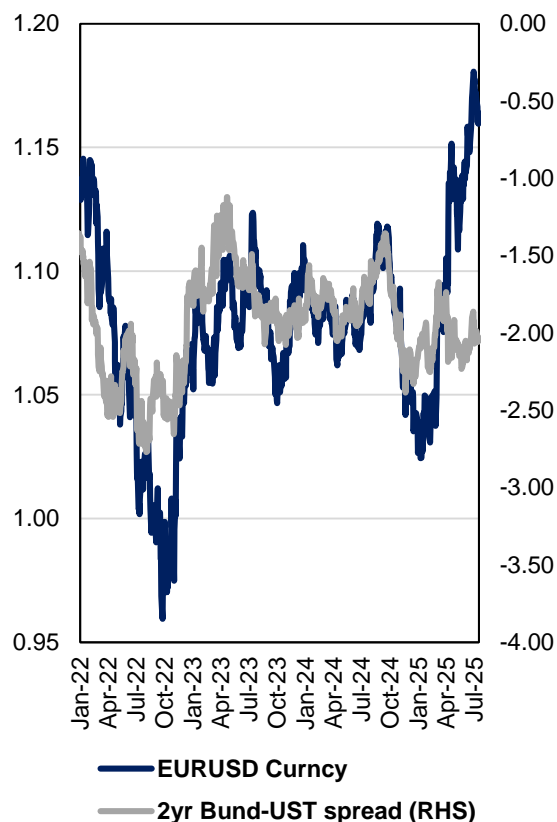


Source: Bloomberg and ADCB Asset Management

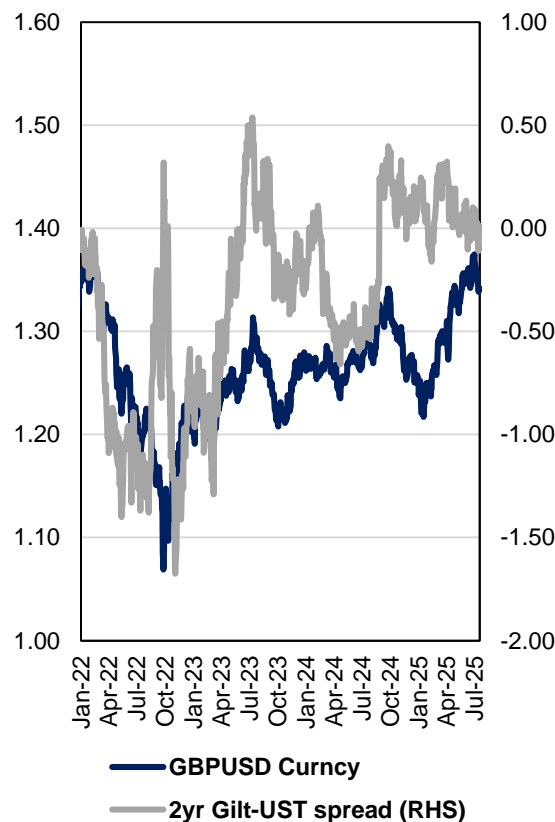
Currency pairs vs 2yr interest-rate differentials

EURUSD fell with the tightening of 2Y Bunds/Gilts- UST differentials

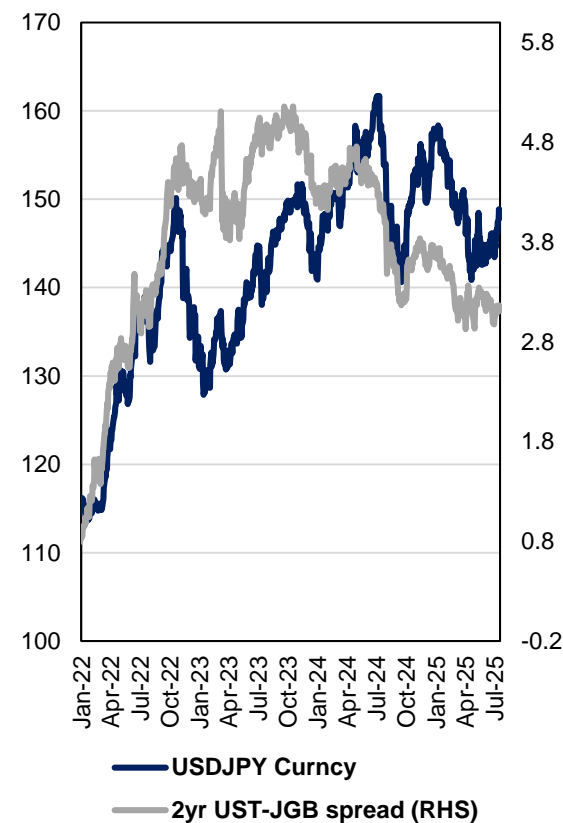
EURUSD vs 2yr Bund-
UST spread



GBPUSD vs 2yr Gilt-UST
spread



USDJPY vs 2yr UST-JGB
spread

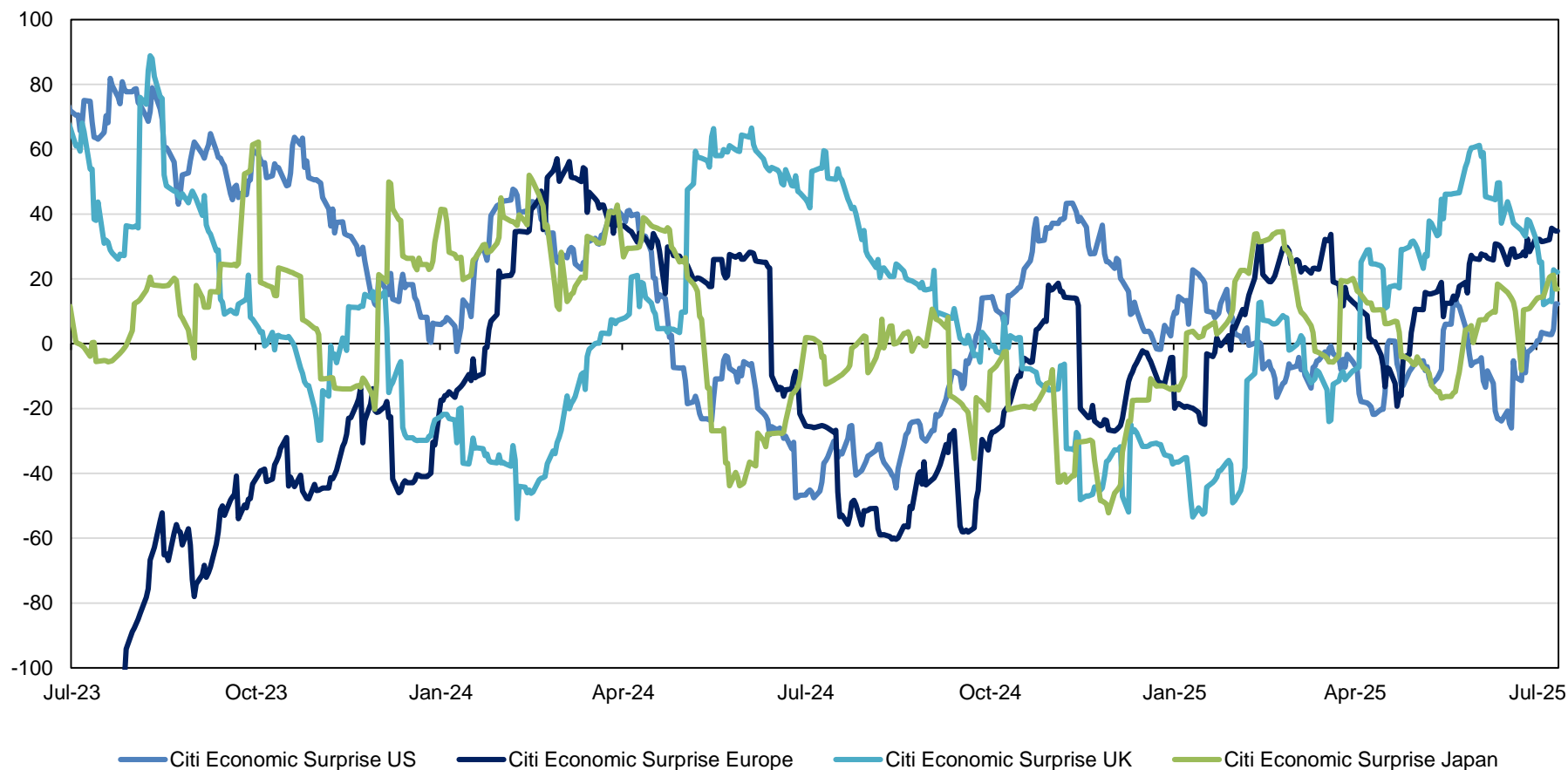


Source: Bloomberg and ADCB Asset Management

Economic surprises

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

Economic surprises



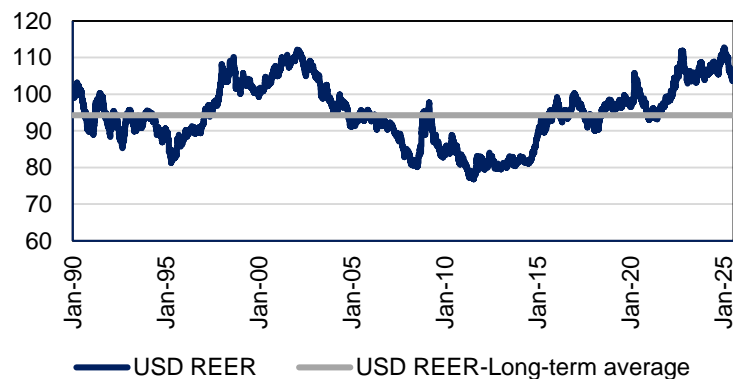
Source: Citi, Bloomberg and ADCB Asset Management

Valuations

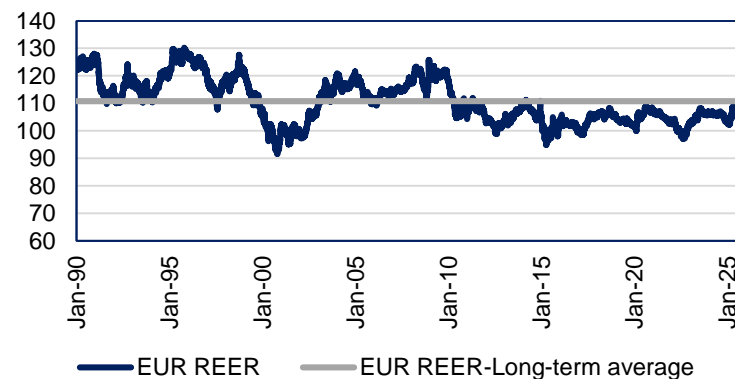
Real currency valuations

USD looks overvalued while JPY is extremely cheap in real terms

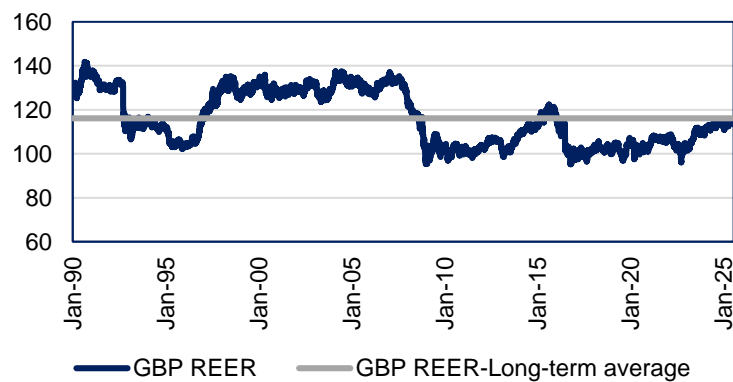
USD real effective exchange rate



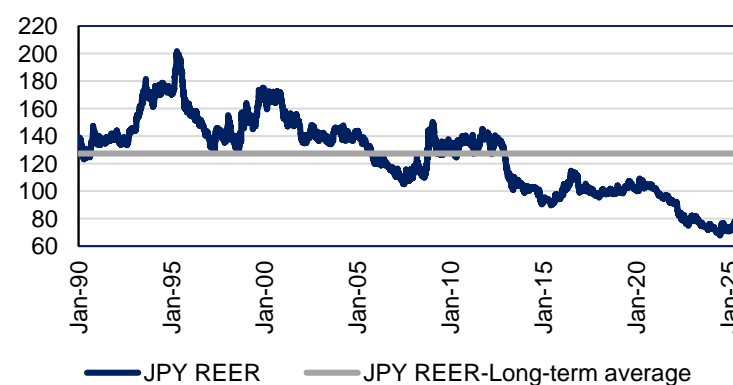
EUR real effective exchange rate



GBP real effective exchange rate



JPY real effective exchange rate

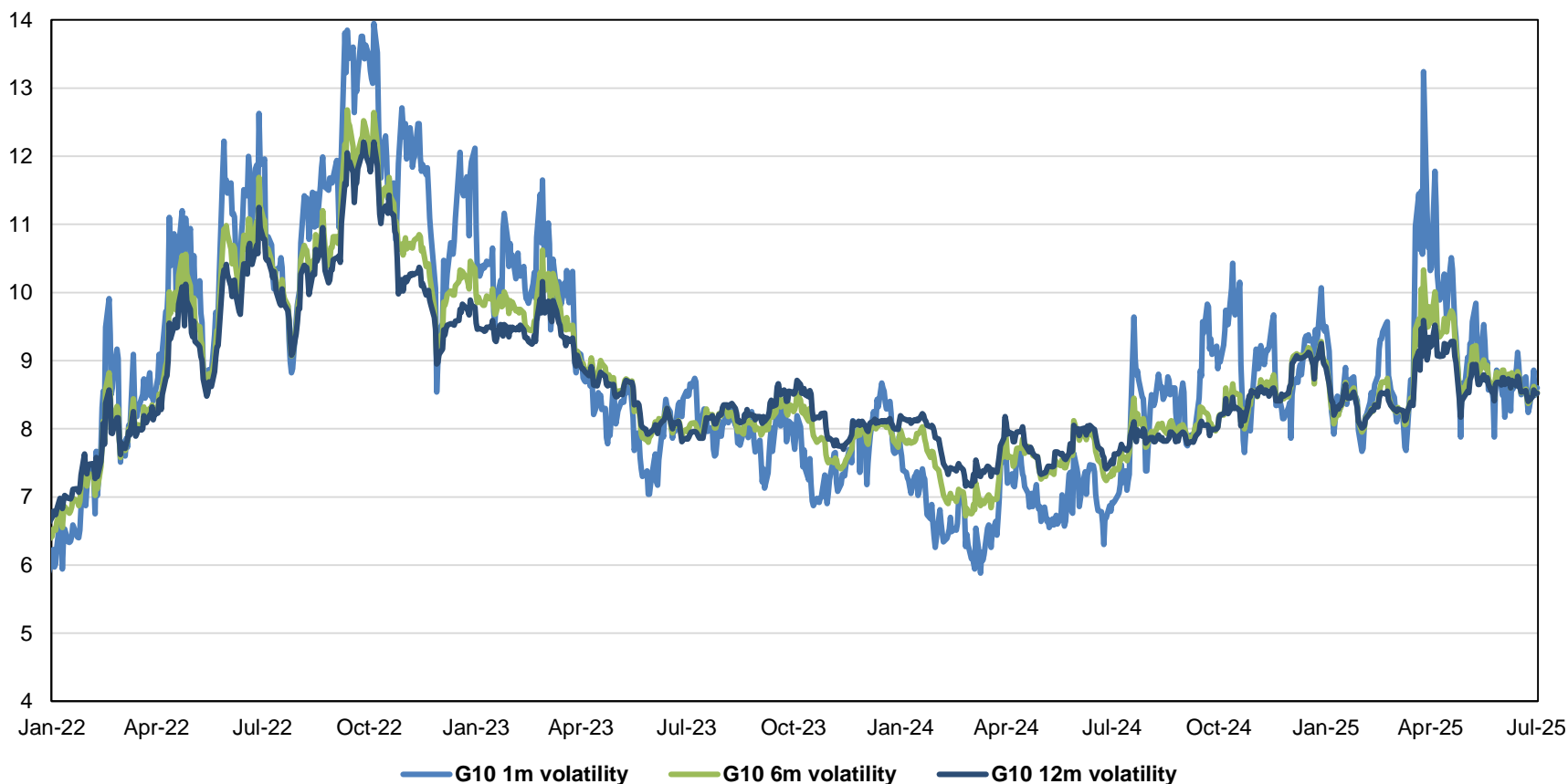


Source: Bloomberg and ADCB Asset Management

Volatility

Near-term volatility in G10 currencies has remained stable over the past month

G10 volatility

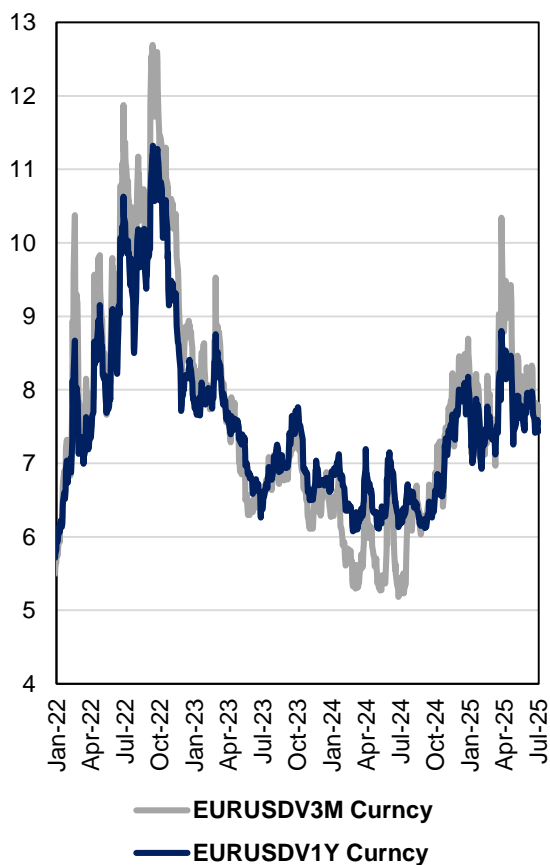


Source: Bloomberg and ADCB Asset Management

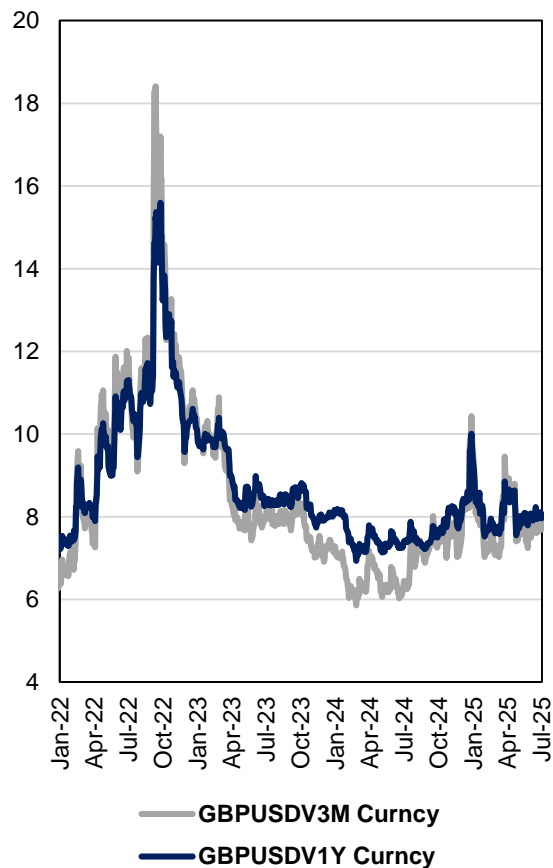
FX volatility

3-month volatility stable in EURUSD, GBPUSD and USDJPY over the past month

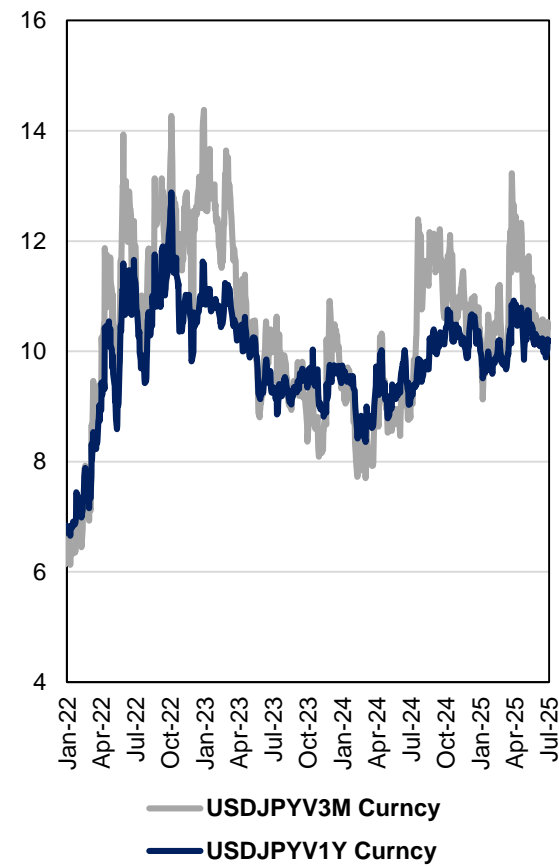
EURUSD



GBPUSD



USDJPY

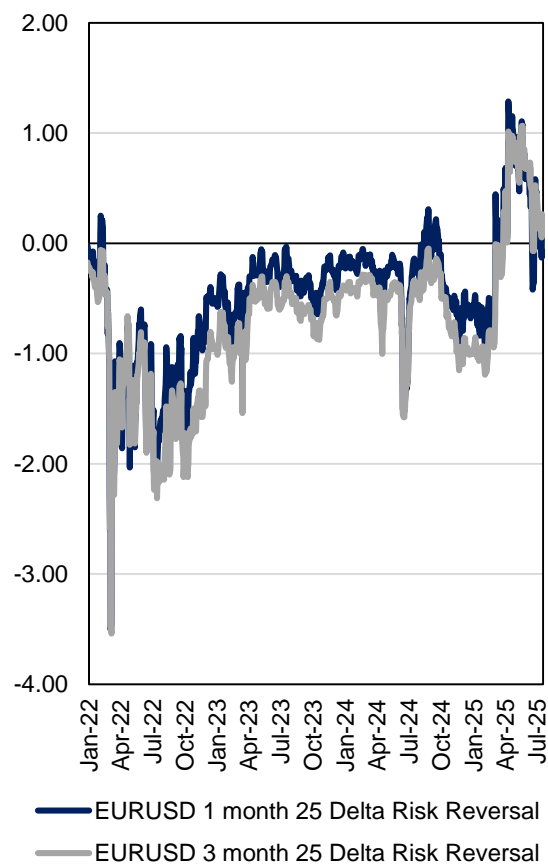


Source: Bloomberg and ADCB Asset Management

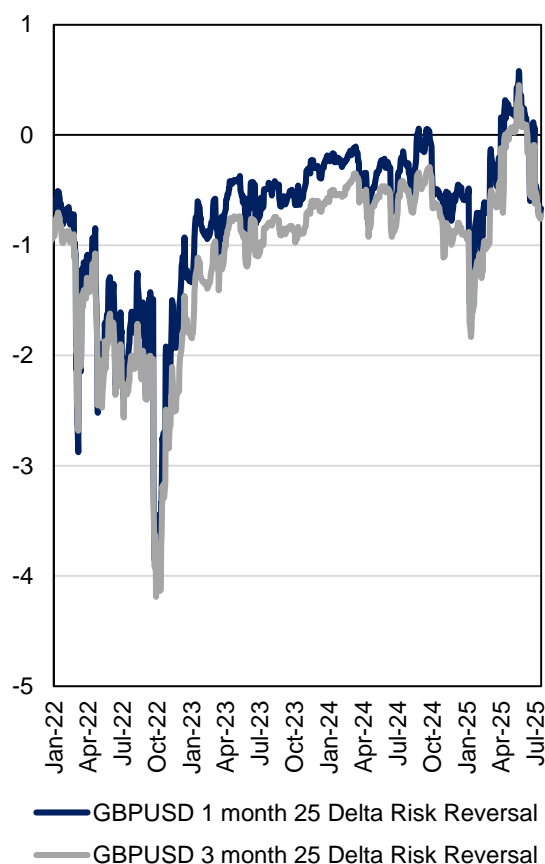
Risk Reversal

Option traders added their bearish bets on the GBPUSD

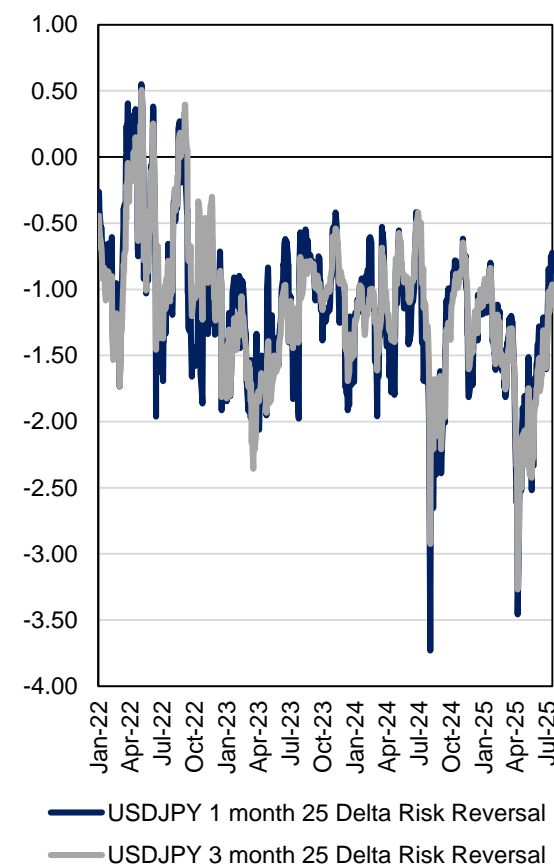
EURUSD



GBPUSD



USDJPY



Source: Bloomberg and ADCB Asset Management

Technical

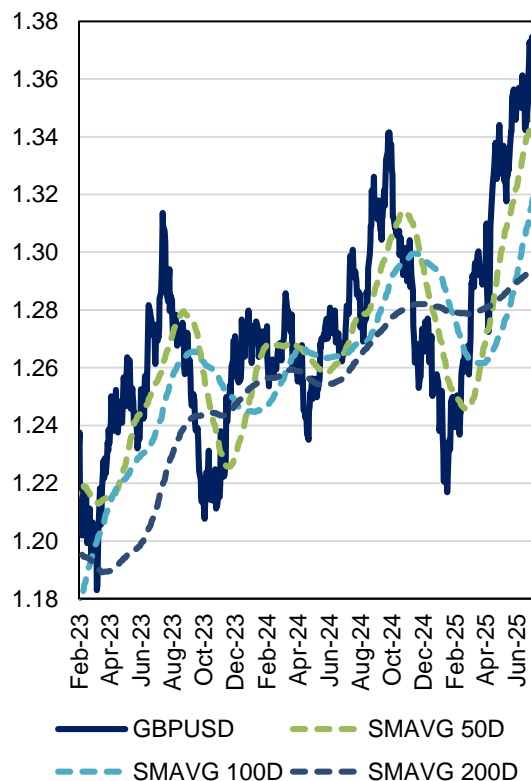
Moving average

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

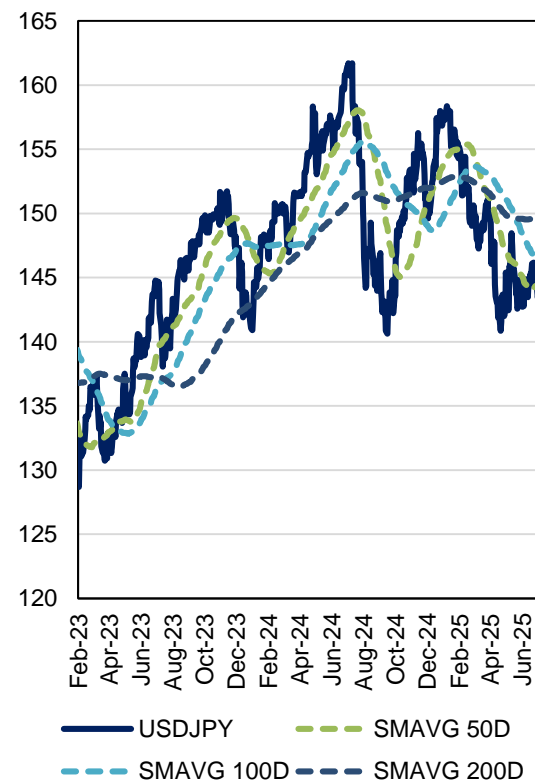
EURUSD moving average



GBPUSD moving average



USDJPY moving average

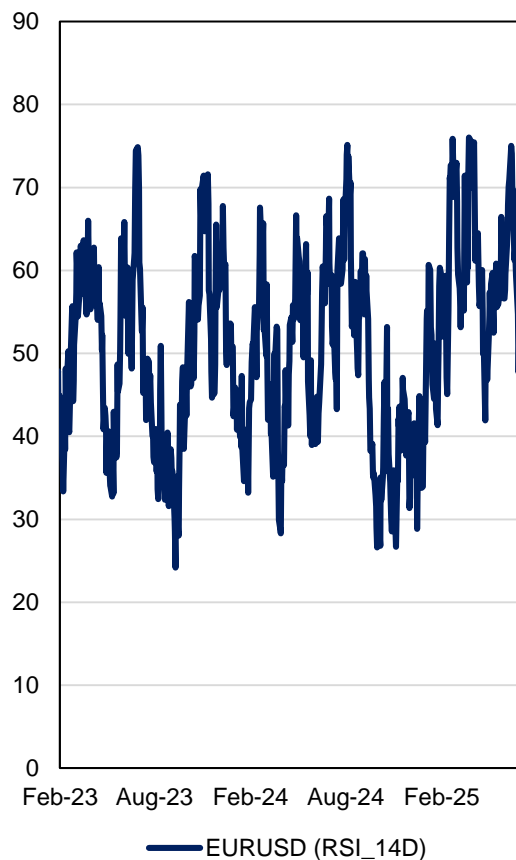


Source: Bloomberg and ADCB Asset Management

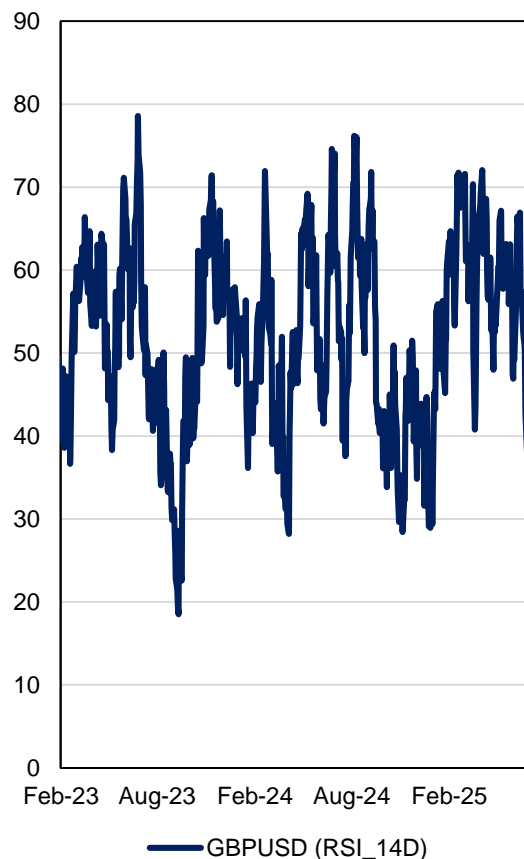
Relative strength index indicator

RSI indicator shows USDJPY close to overbought territory

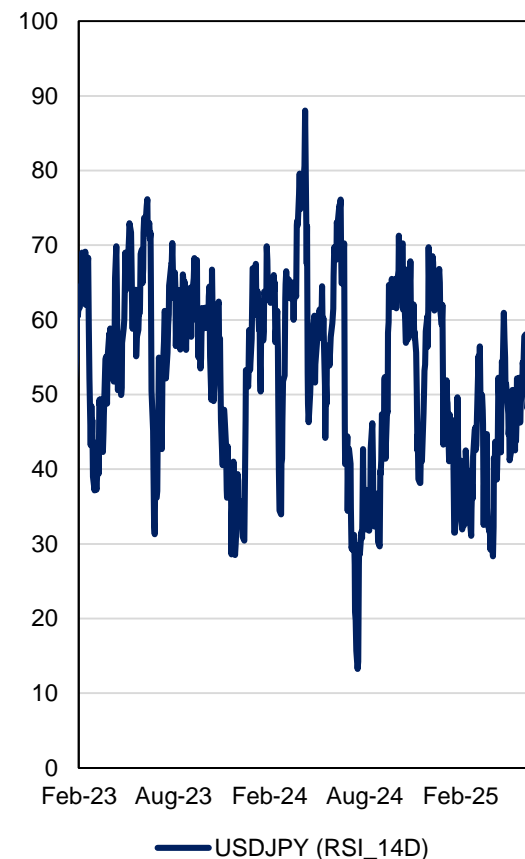
EURUSD (RSI_14D)



GBPUSD (RSI_14D)



USDJPY (RSI_14D)



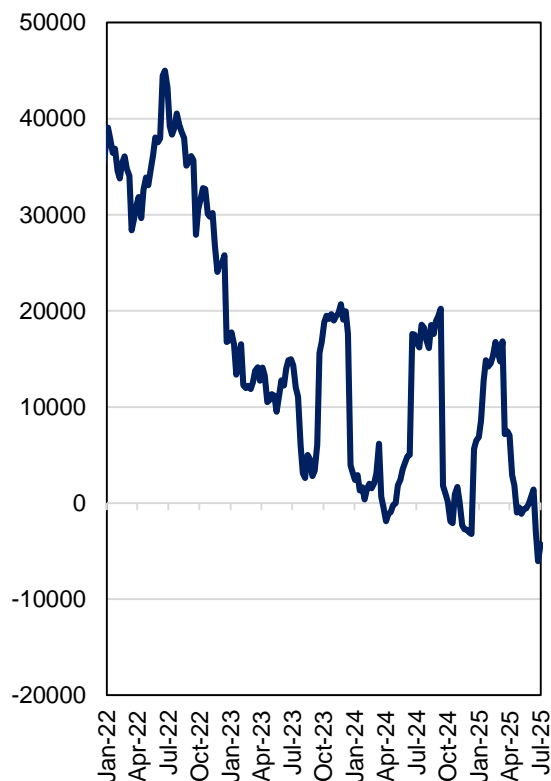
Source: Bloomberg and ADCB Asset Management

Positioning

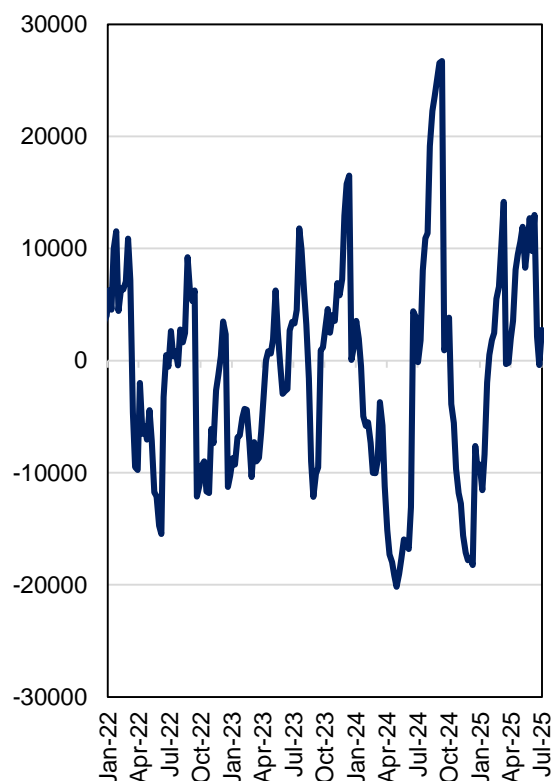
FX positioning- USD

Leveraged funds turned net long on the USD

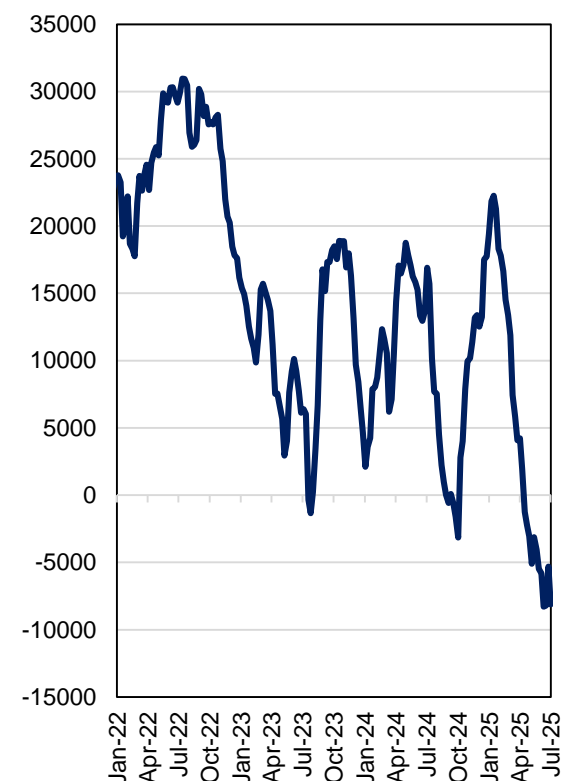
Non-commercial Net
futures position for USD
Index



Leveraged Funds Net
futures position for USD
Index



Asset Manager
Institutional Net futures
position for USD index

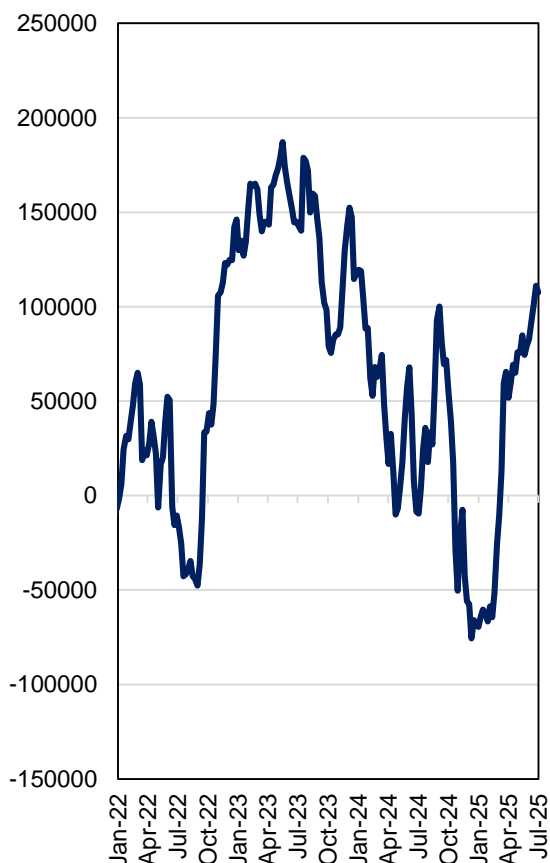


Source: Bloomberg and ADCB Asset Management

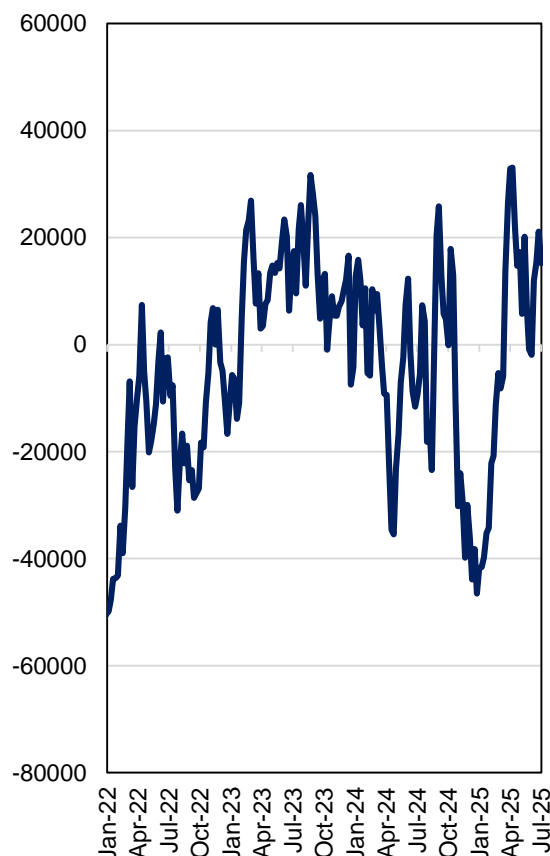
FX positioning- EUR

Institutional investors further added to their net long position on the EUR

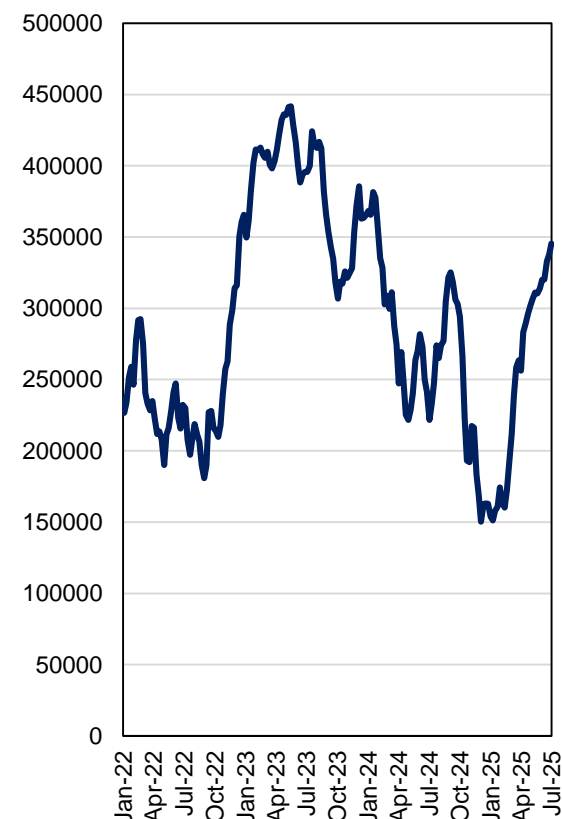
Non-commercial net
futures position in Euro FX



Leveraged funds net
futures position in Euro FX



Asset Manager
Institutional net futures
position in Euro FX

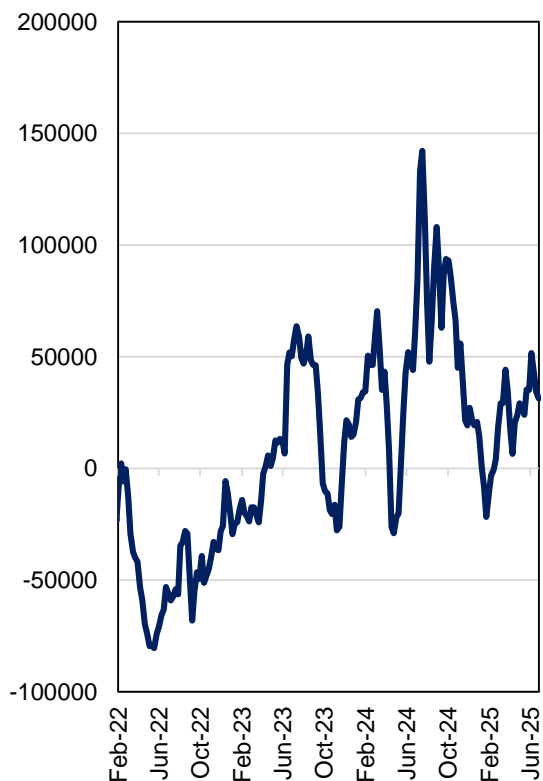


Source: Bloomberg and ADCB Asset Management

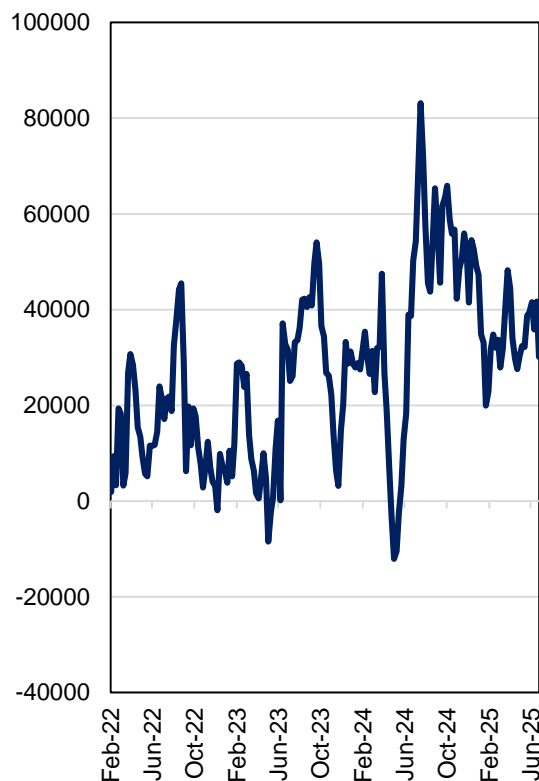
FX positioning- GBP

Institutional investors turned net short on the GBP

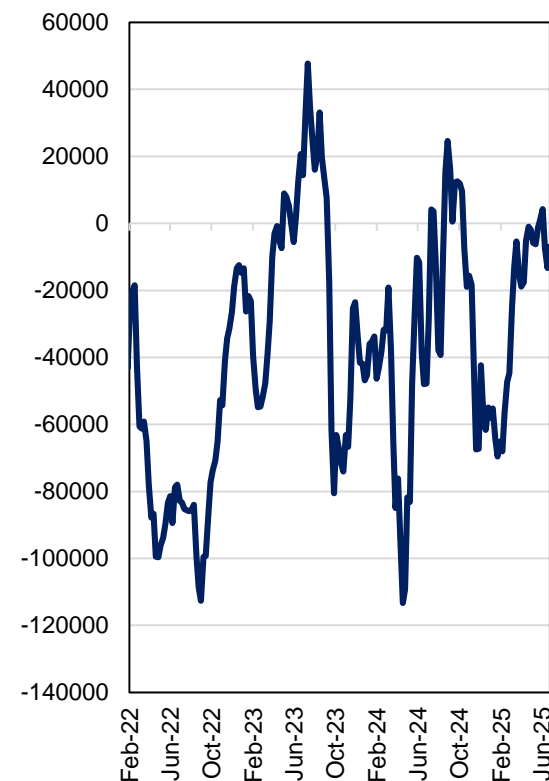
Non-commercial net
futures position in Pound
Sterling



Leveraged funds net
futures position in Pound
Sterling



Asset Manager
Institutional net futures
position in Pound Sterling

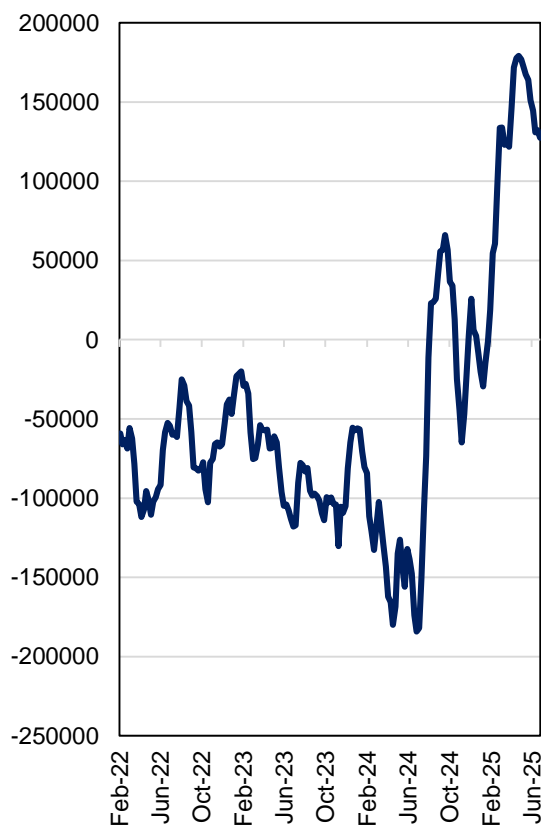


Source: Bloomberg and ADCB Asset Management

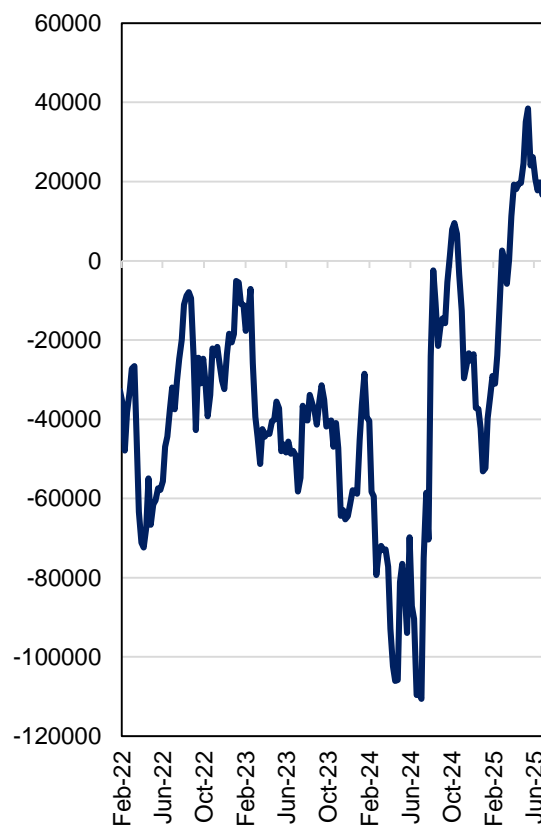
FX positioning- JPY

All three types of investors reduced their net long JPY position

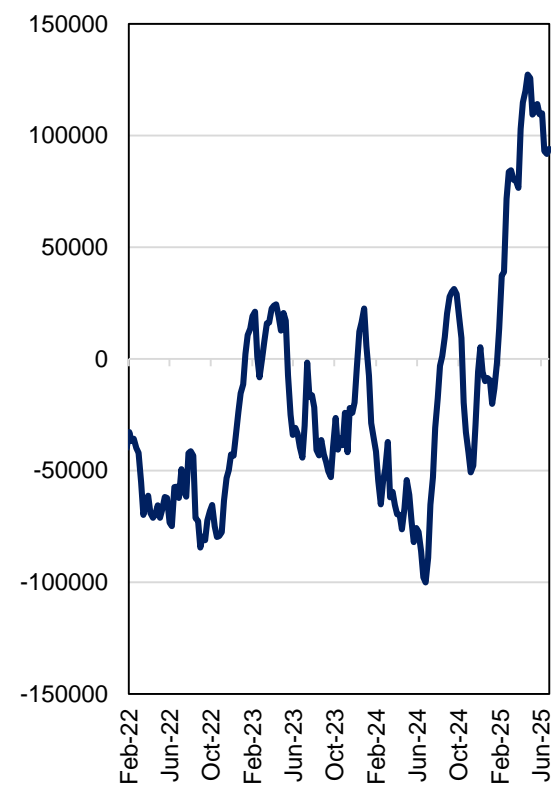
Non-commercial net
futures position in JPY



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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