

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	US growth underperformance, Fed dovish bias, 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	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 and GBPUSD; Negative on USDJPY (JPY appreciation)

► Negative on the USD

- ▷ Interest-rate differentials, growth differentials and risk sentiment no longer driving the USD performance
- ▷ USD losing its safe-haven appeal, De-dollarization theme underway
- ▷ Sizeable USD strength looks challenging amidst trade and economic policy uncertainty
- ▷ USD overvalued in real terms

► Neutral on the EURUSD

- ▷ Loss of USD confidence to benefit EUR
- ▷ Increased fiscal stimulus has improved the region's growth outlook
- ▷ Stay neutral as the EUR looks a bit overvalued in real terms

► Neutral on the GBPUSD

- ▷ Broad USD weakness supporting GBP
- ▷ UK's trade deal activity to help the GBP
- ▷ GBP being a risk-on currency to 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 relatively high compared to the lower UST-JGB rate differentials
- ▷ JPY is extremely undervalued in real terms

FX consensus forecasts

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

(End of period)	Q4 24	Q1 25	Q2 25f	Q3 25f	Q4 25f	Q1 26f
EURUSD	1.04	1.08	1.13	1.14	1.15	1.16
GBPUSD	1.25	1.29	1.32	1.34	1.35	1.36
USDJPY	157.20	149.96	144.00	142.00	140.00	139.00
USDCHF	0.91	0.88	0.83	0.83	0.82	0.82

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

Performance

Performance heat map

CHF and JPY were the best performers against the USD in April

	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

Source: Bloomberg and ADCB Asset Management

Seasonality

Seasonality heat map

May tends to be the best month for the USD in the second quarter

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 marginally recovered but remains low versus widening US-G10 interest rate differentials

DXY vs Interest rate differentials



Source: Bloomberg and ADCB Asset Management

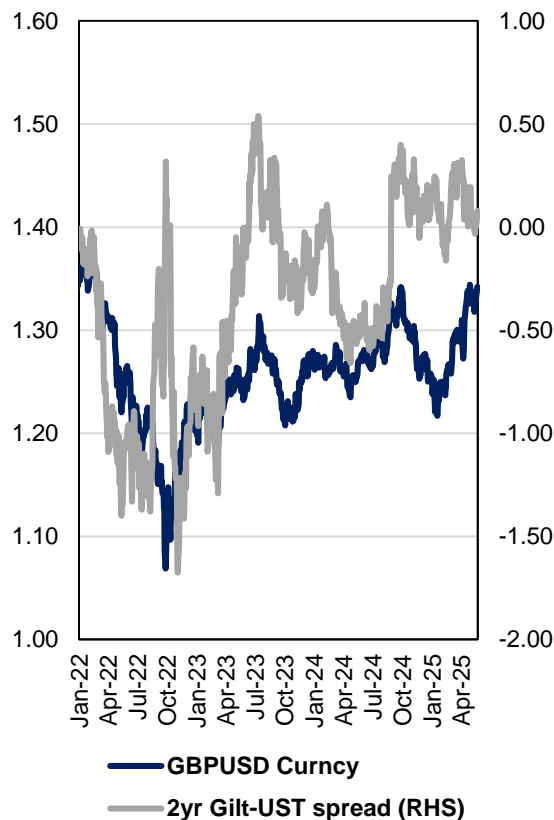
Currency pairs vs 2yr interest-rate differentials

EURUSD declined with tightening of spread between 2yr Bunds and 2yr USTs

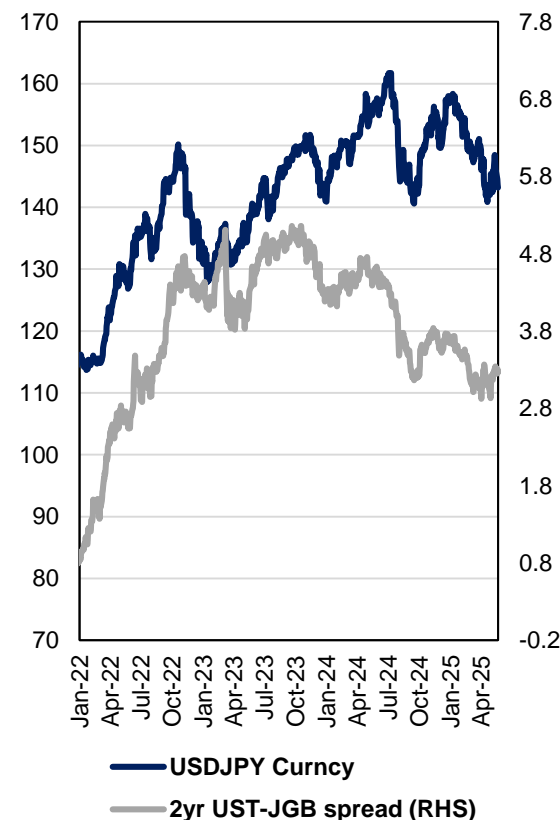
EURUSD Currency vs 2yr
Bund-UST spread



GBPUSD Currency vs 2yr
Gilt-UST spread



USDJPY Currency vs 2yr
UST-JGB spread

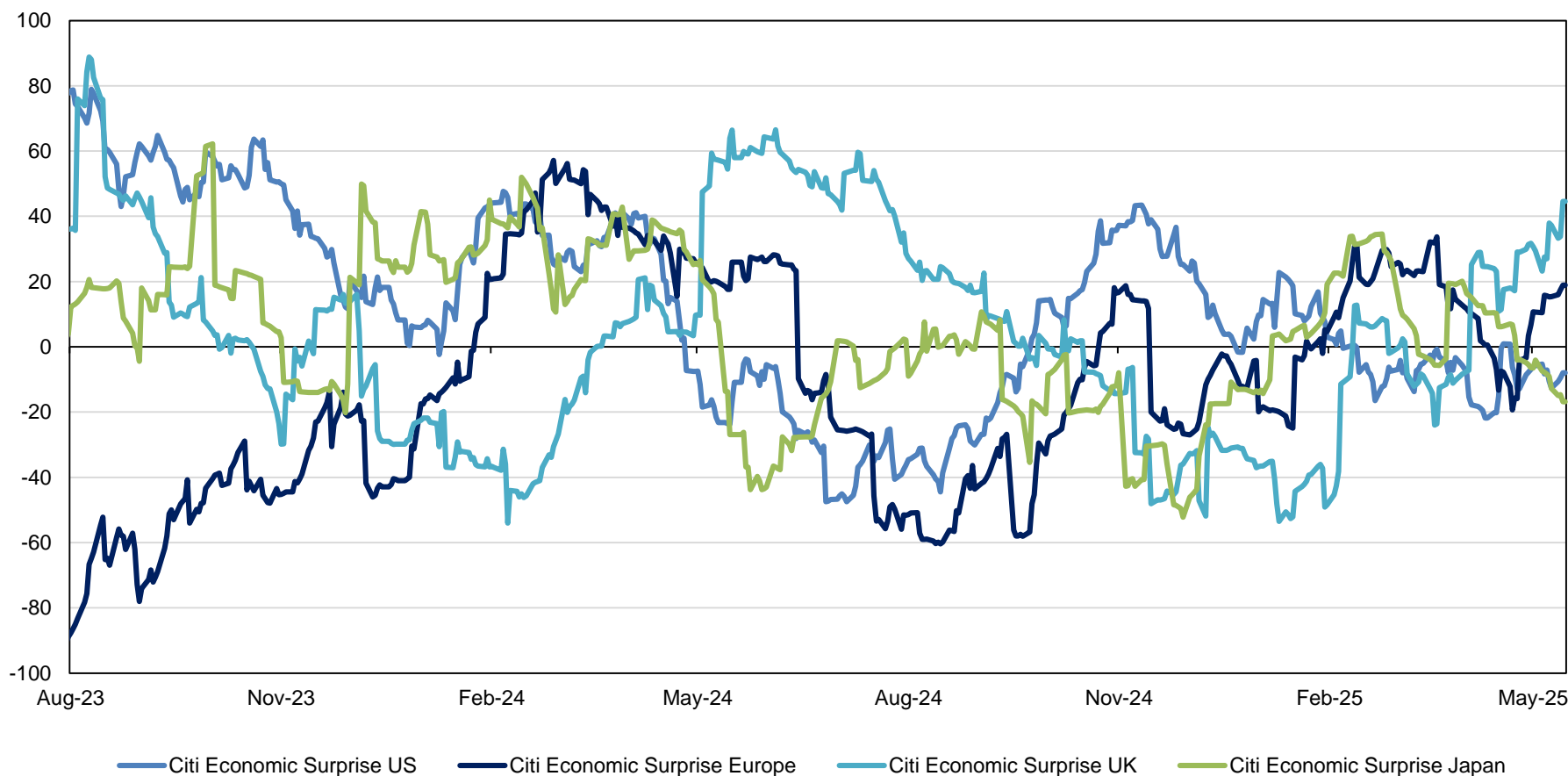


Source: Bloomberg and ADCB Asset Management

Economic surprises

Economic surprises turned negative in Japan, while remained positive in Europe/UK but negative in the US

Economic surprises



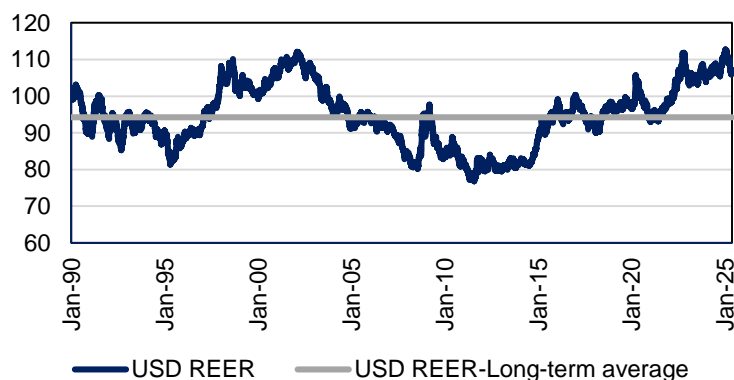
Source: Citi, Bloomberg and ADCB Asset Management

Valuations

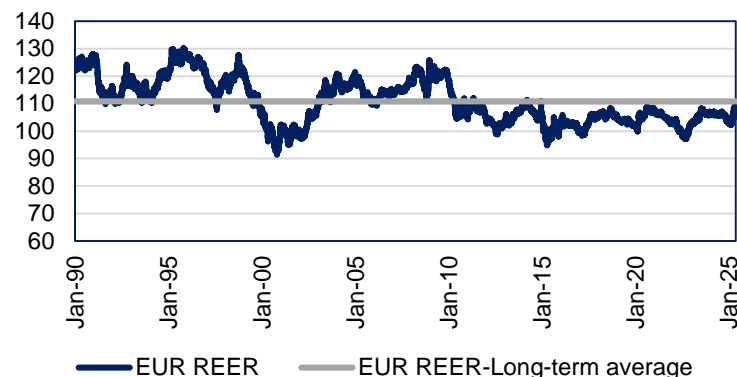
Real currency valuations

USD looks overvalued while JPY is extremely cheap in real terms

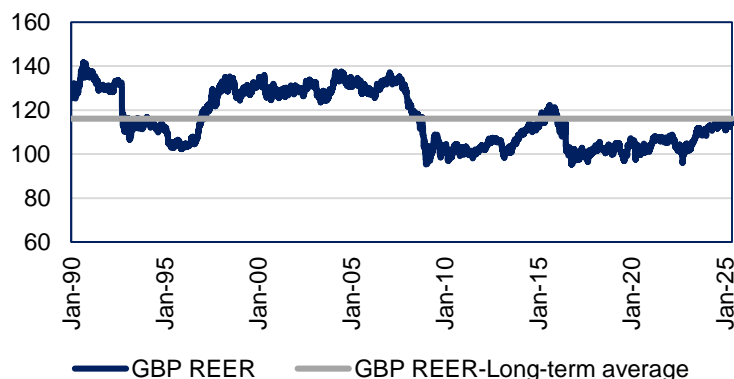
USD real effective exchange rate



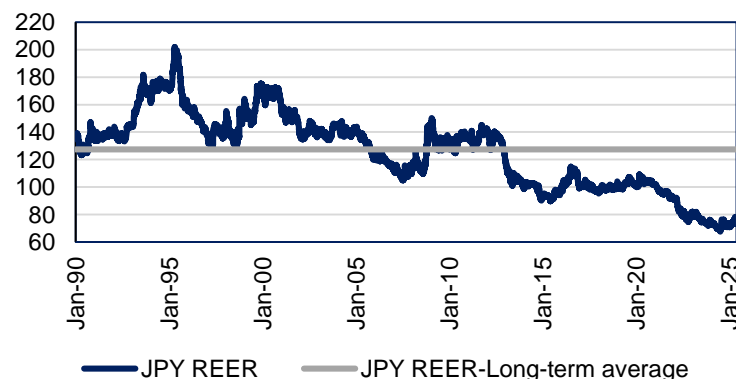
EUR real effective exchange rate



GBP real effective exchange rate



JPY real effective exchange rate

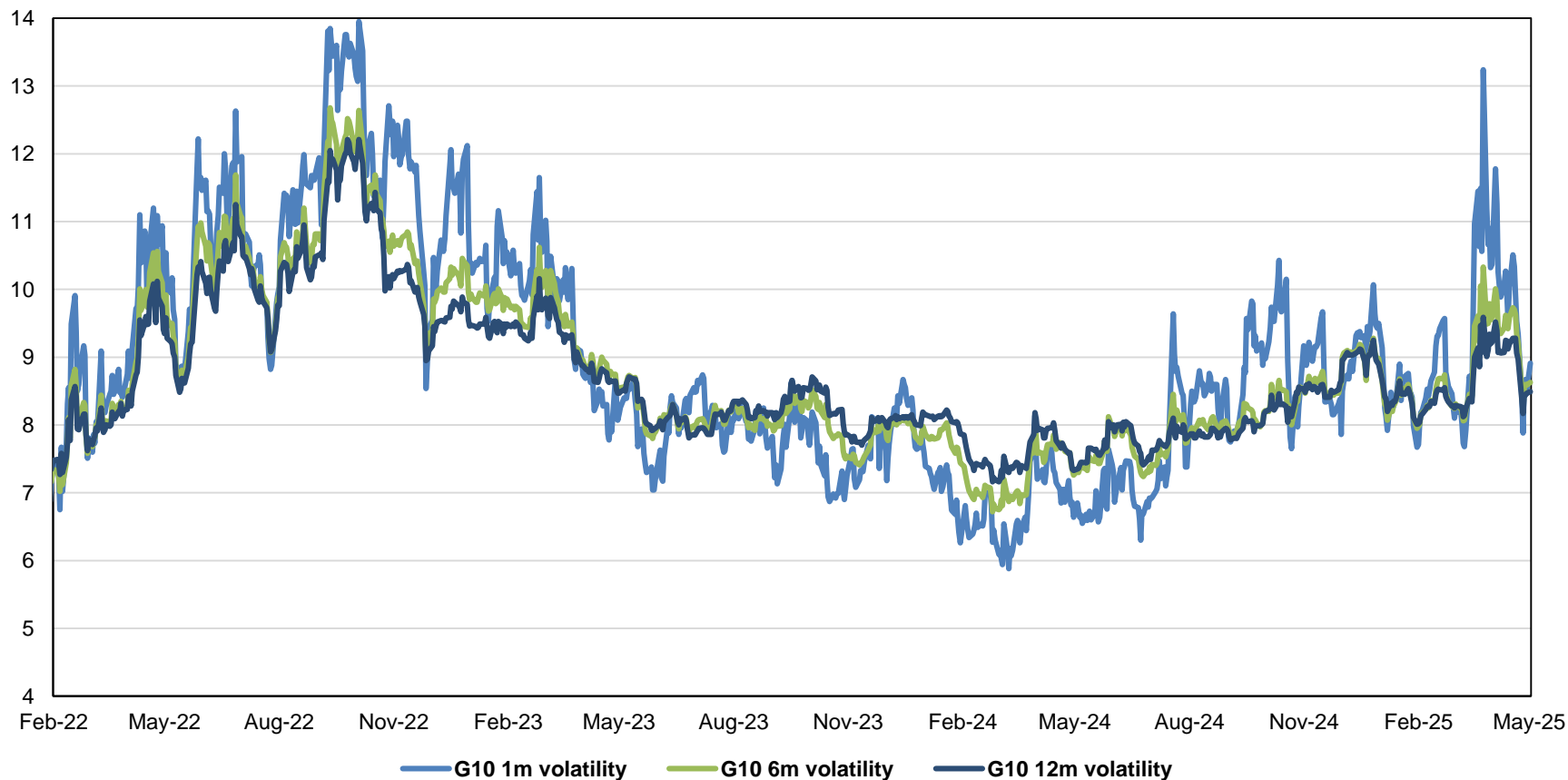


Source: Bloomberg and ADCB Asset Management

Volatility

Near-term volatility in G10 currencies has eased from three-year record high levels

G10 volatility

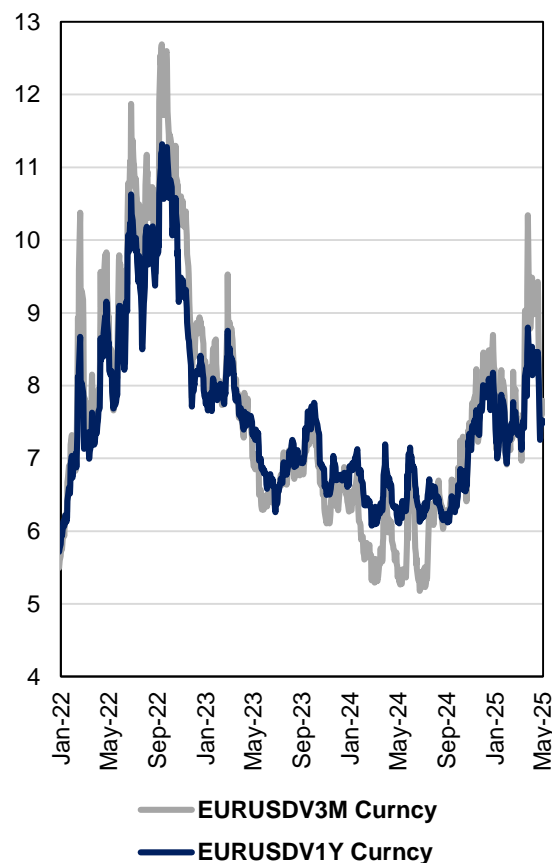


Source: Bloomberg and ADCB Asset Management

FX volatility

3-month volatility dropped in EURUSD, GBPUSD and USDJPY

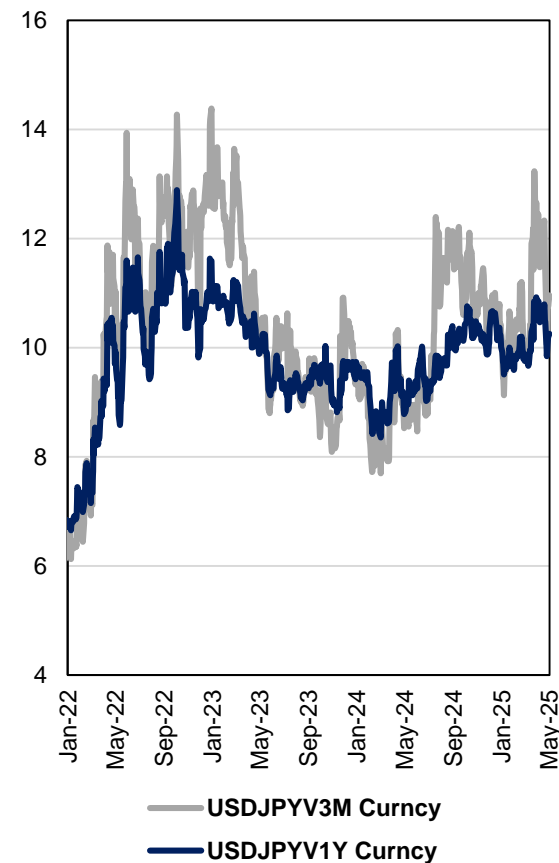
EURUSD



GBPUSD



USDJPY

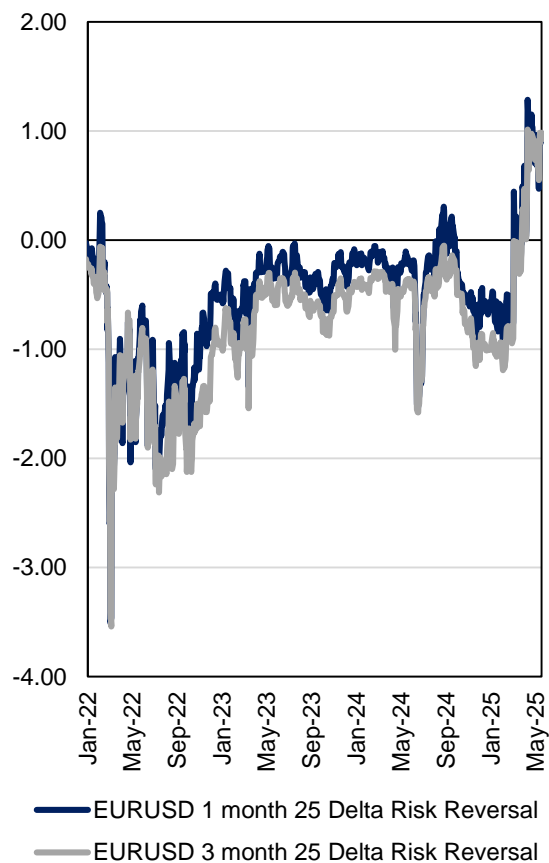


Source: Bloomberg and ADCB Asset Management

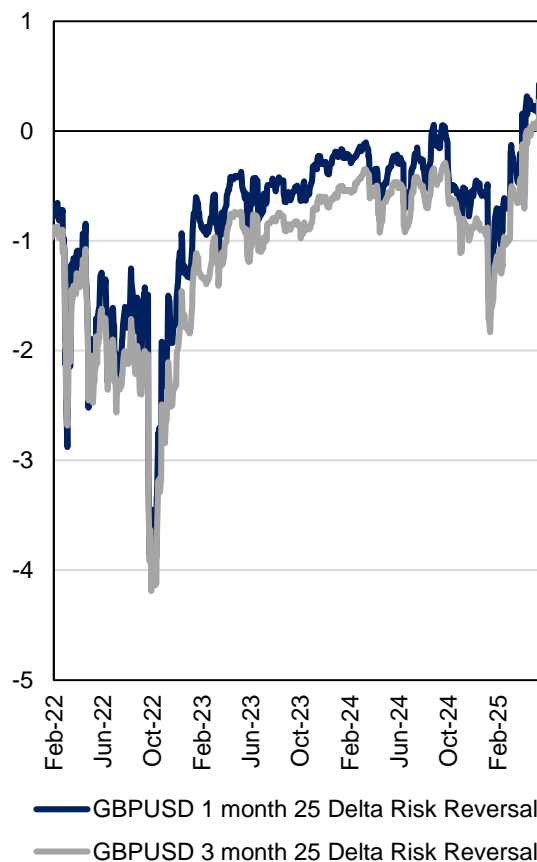
Risk Reversal

Option traders turned bullish on the GBPUSD

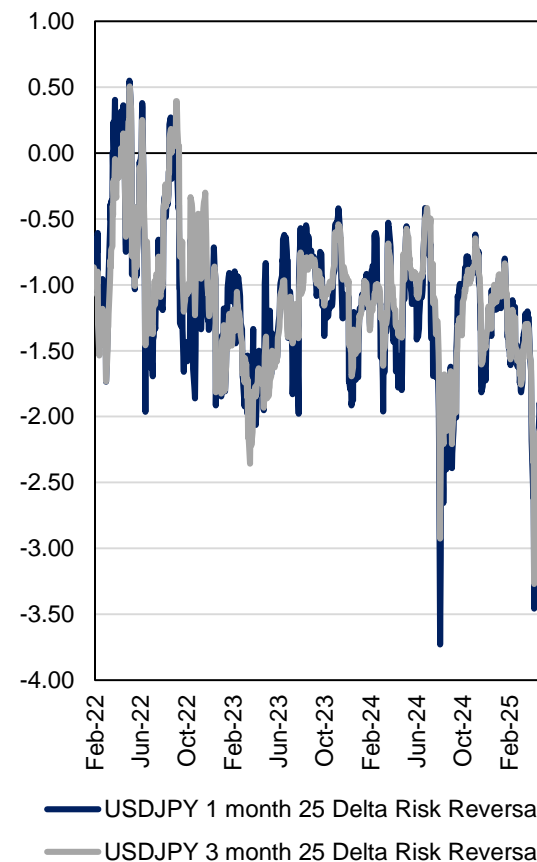
EURUSD



GBPUSD



USDJPY



Source: Bloomberg and ADCB Asset Management

Technical

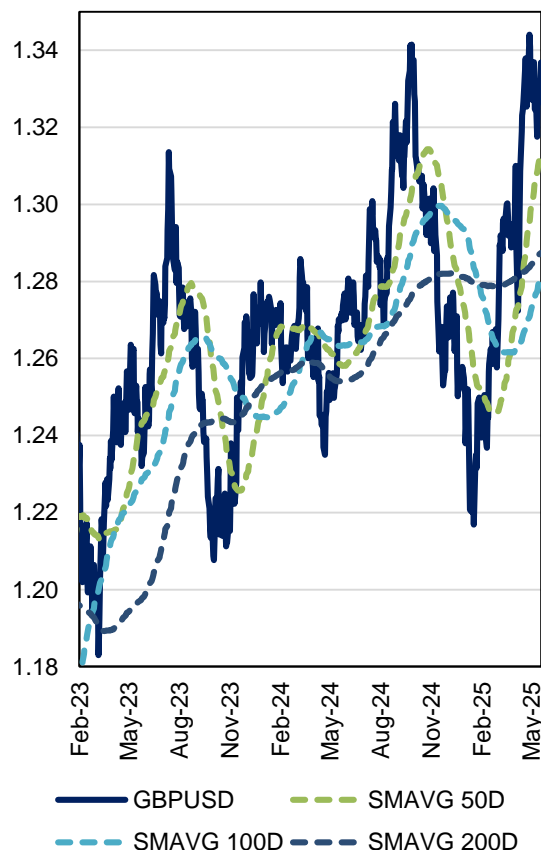
Moving average

EURUSD and GBPUSD shot past the moving averages levels while USDJPY trading below the moving average levels

EURUSD moving average



GBPUSD moving average



USDJPY moving average

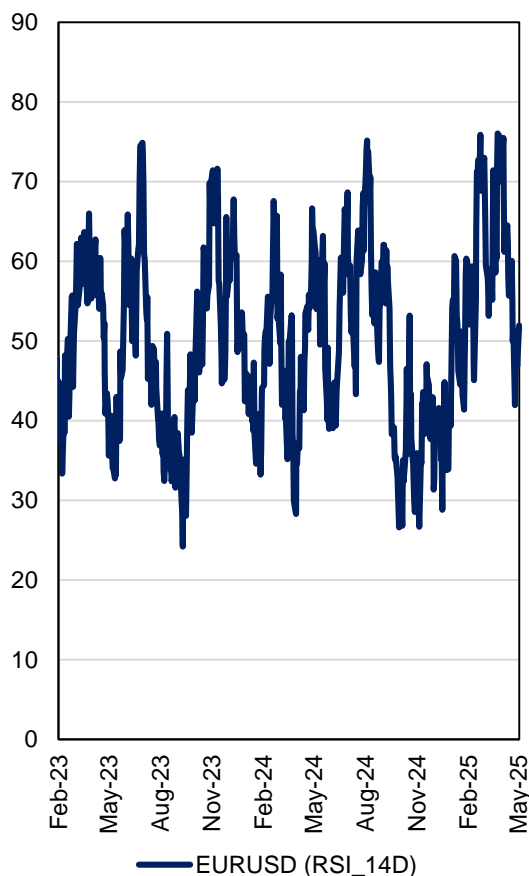


Source: Bloomberg and ADCB Asset Management

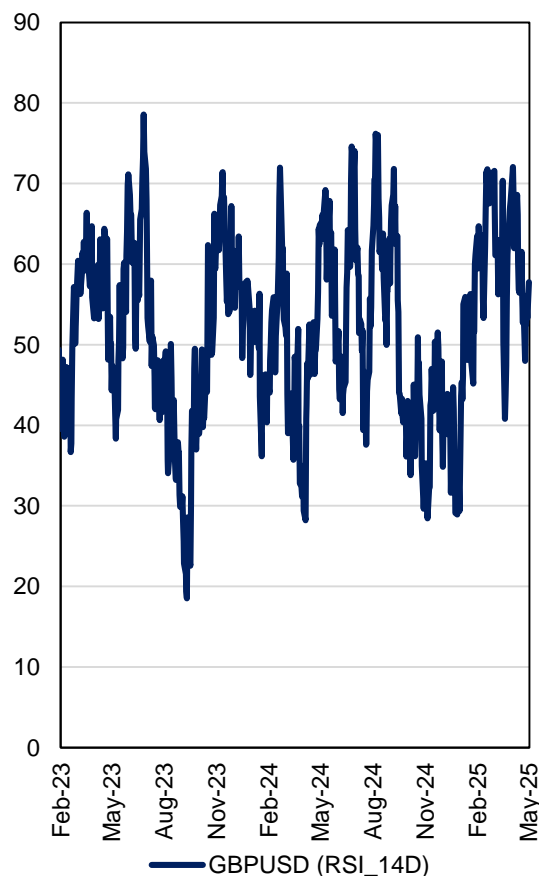
Relative strength index indicator

RSI indicator not flashing any overbought/oversold signals

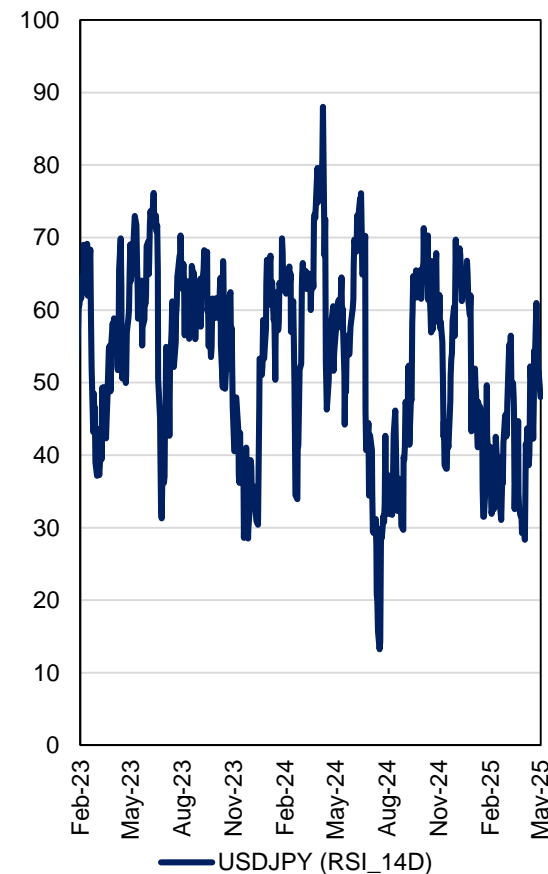
EURUSD (RSI_14D)



GBPUSD (RSI_14D)



USDJPY (RSI_14D)



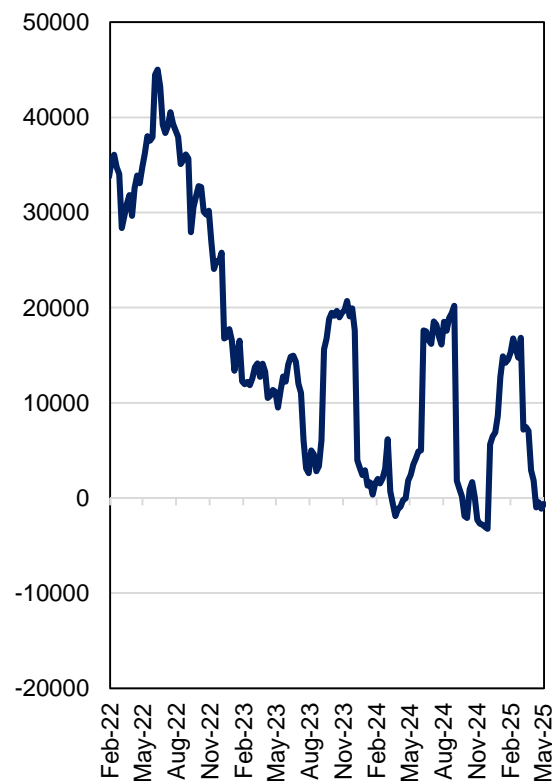
Source: Bloomberg and ADCB Asset Management

Positioning

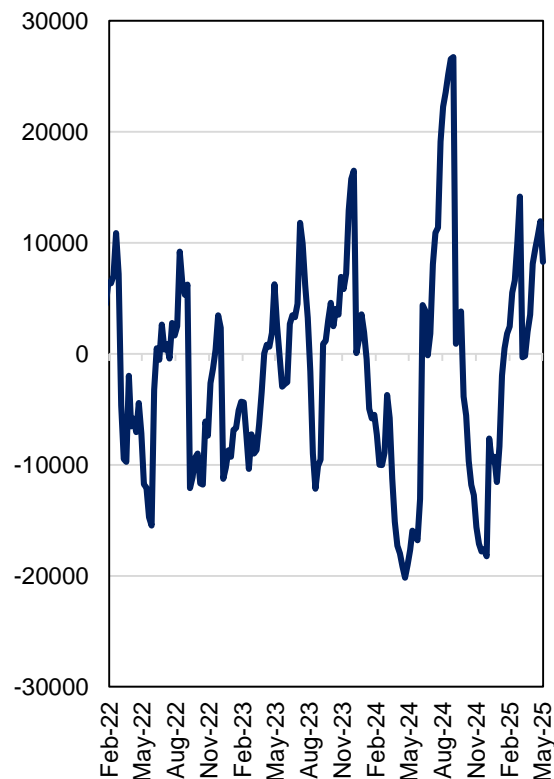
FX positioning- USD

Non-commercial investors and institutional investors turned net short on the USD

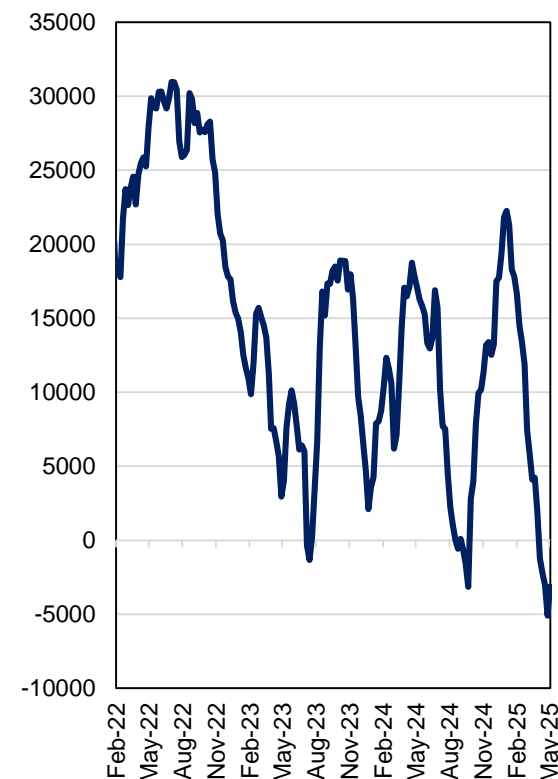
Non-commercial Net
futures position for USD
Index



Leveraged Funds Net
futures position for USD
Index



Asset Manager
Institutional Net futures
position for USD index

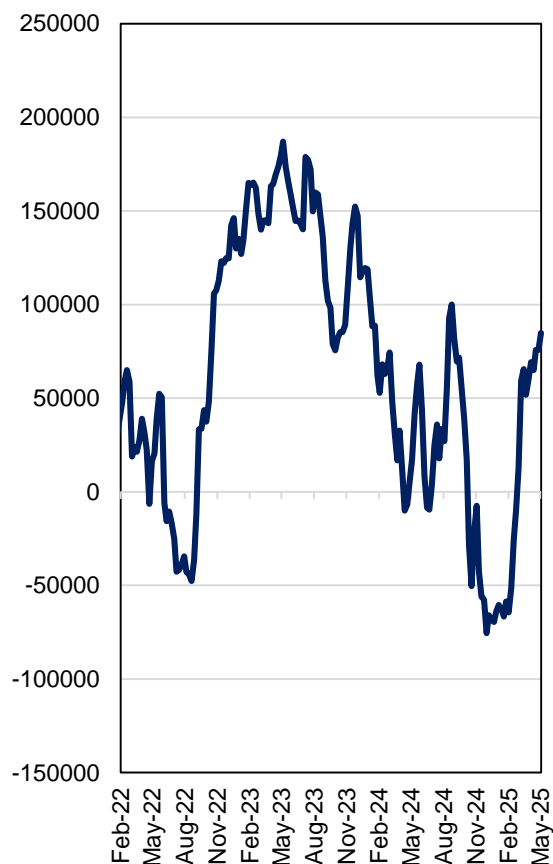


Source: Bloomberg and ADCB Asset Management

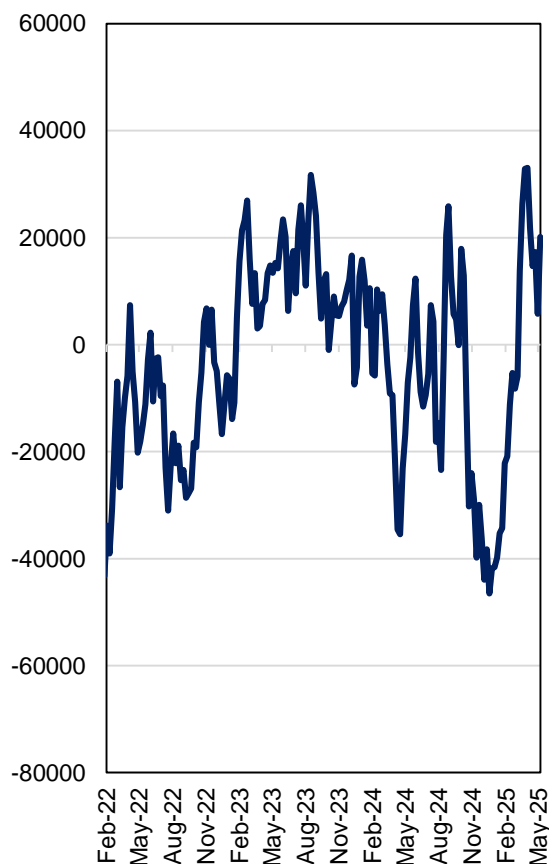
FX positioning- EUR

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

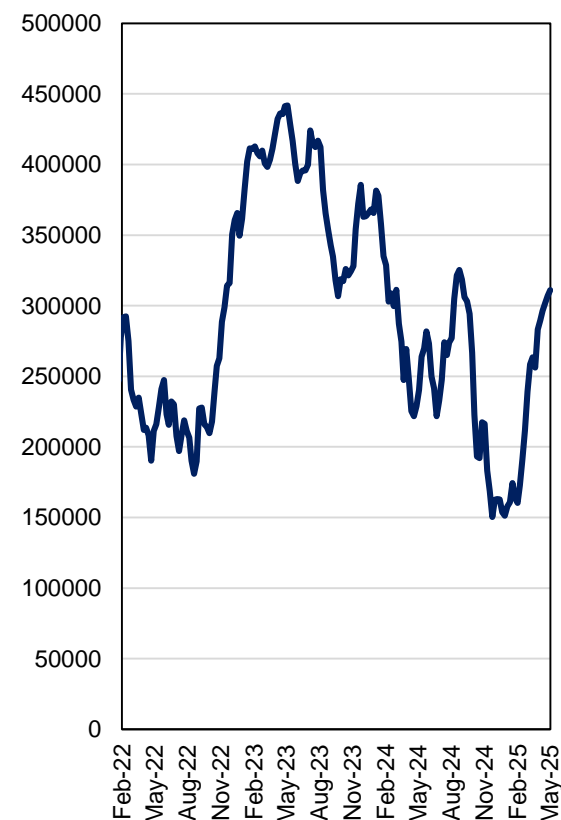
Non-commercial net
futures position in Euro FX



Leveraged funds net
futures position in Euro FX



Asst Manager Institutional
net futures position in Euro FX

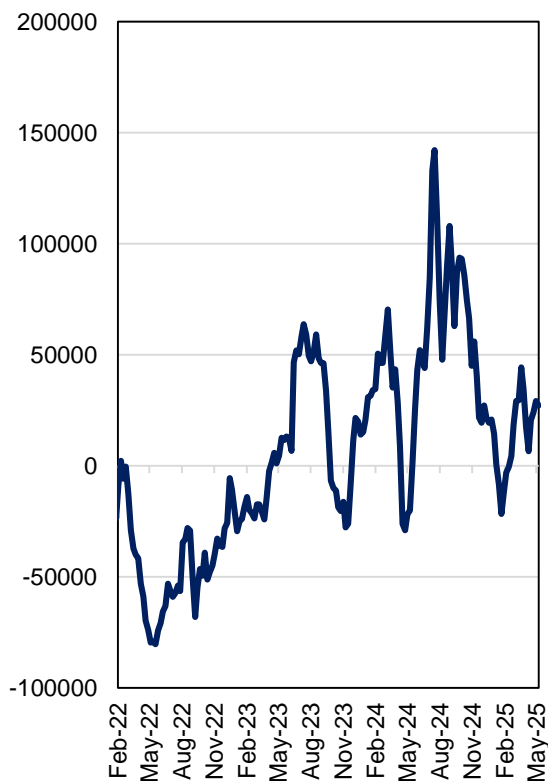


Source: Bloomberg and ADCB Asset Management

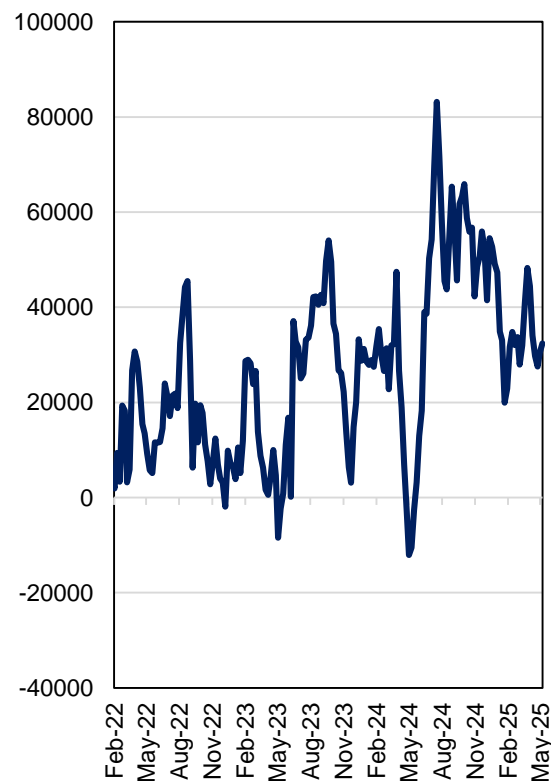
FX positioning- GBP

Institutional investors remain net short on the GBP

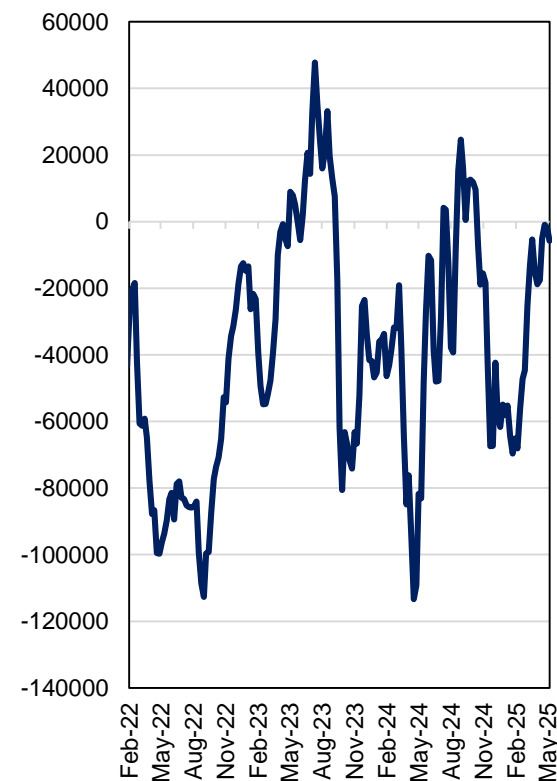
Non-commercial net
futures position in Pound
Sterling



Leveraged funds net
futures position in Pound
Sterling



Asst Manager Institutional
net futures position in
Pound Sterling

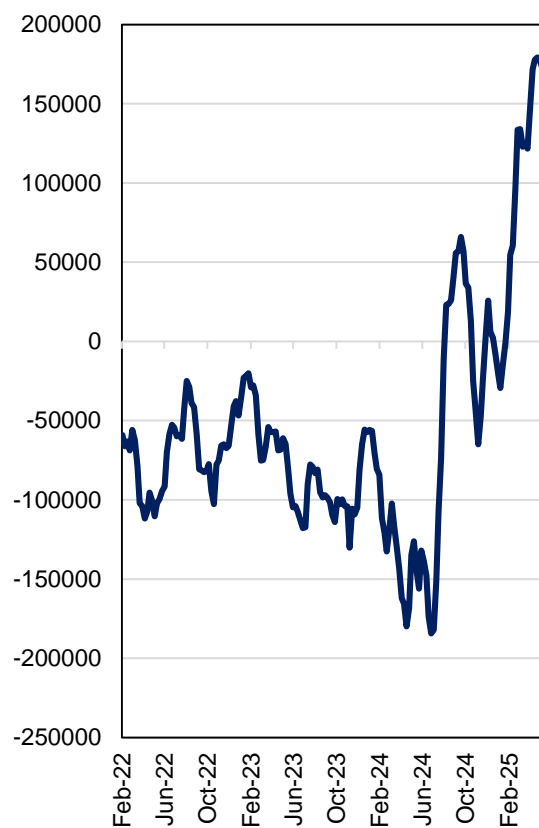


Source: Bloomberg and ADCB Asset Management

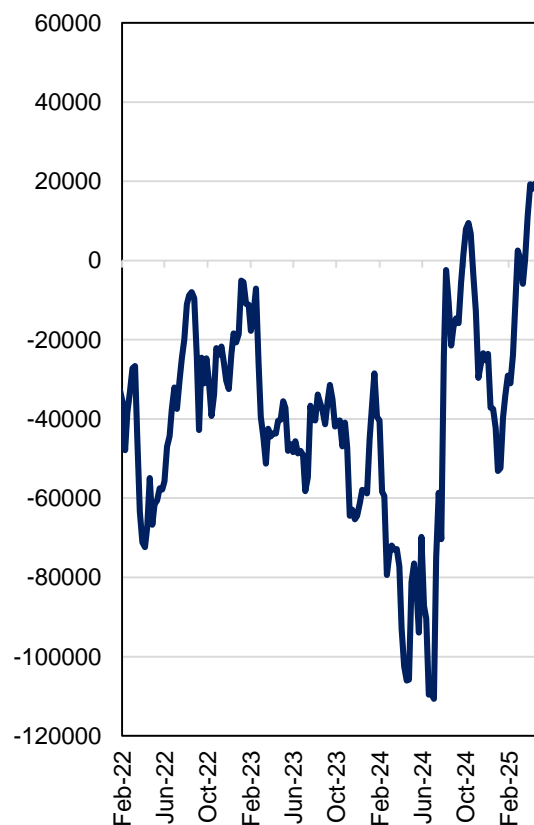
FX positioning- JPY

Non-commercial investors and institutional investors reduced their net long JPY position

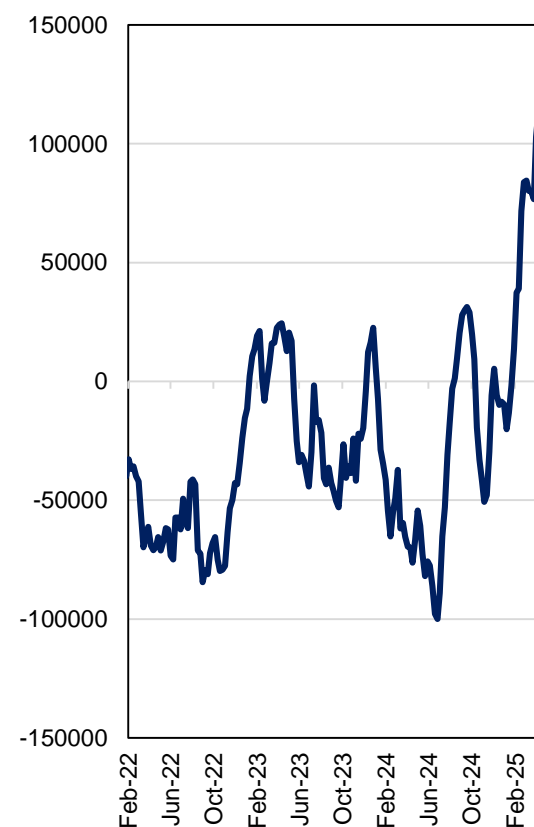
Non-commercial net futures position in JPY



Leveraged funds net futures position in JPY



Asst Manager Institutional net futures position in JPY



Source: Bloomberg and ADCB Asset Management

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