

# Investment Strategy

# FX Indicator Chartpack

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# Tactical view (3M-6M) on currencies (1/3)

**We stay positive on EUR, CHF, and CNY – in that order of conviction.**

## EUR (Positive)

### Long EUR/USD

We maintain a positive outlook on EUR/USD, driven by anticipated stronger fiscal support for regional growth. Although initial enthusiasm about Germany's shift toward more active fiscal policy has faded recently, we expect this change to influence market views by 2026. Fiscal and monetary policies in the Eurozone are now more balanced, which brings a more stable outlook for interest rates. Additionally, recent improvements in economic activity –highlighted by November's flash PMIs showing the strongest Eurozone growth in two and a half years – are likely to further support the euro.

## CNY (Positive)

### Short USD/CNH

US-China talks have shown positive momentum across several issues. As per the recent data, FX reserves rose while gold reserves increased. Exporters' USD sales drove the net FX settlement ratio to a three-year high in September, though this may ease if the USD strengthens. The PBoC remains focused on stabilizing CNY/USD, with the CNY basket gaining strength. While the economic surprises have been negative, we see the PBoC's focus on stabilizing CNY/USD putting a floor under the CNY.

## CHF (Positive)

### Short USD/CHF

The CHF has strengthened again this year, marking appreciation in 27 of the past 36 years. We expect this trend to persist. While a risk-on environment could pressure the CHF, sustained depreciation remains unlikely. Policymakers have resisted returning to negative rates, refocusing attention on the SNB's balance sheet as a policy tool. However, FX purchases alone may not stop CHF gains. A significant trade deficit could impact CHF strength negatively, and therefore markets should pay attention to US-Swiss trade negotiations.

Source: ADCB Asset Management

# Tactical view (3M-6M) on currencies (2/3)

**We are neutral on USD with a positive bias. We turn cautious on JPY.**

## USD (Neutral)

The year-to-date decline in the US dollar appears measured, considering divergent performances among currency pairs against the greenback. This USD weakness highlights the importance of diversification rather than a shift away from the dollar. Moreover, the growing use of stablecoins has, in fact, contributed to renewed dollarization. Recent data surprises have been positive in the US. Although softness in labor markets may lead the Federal Reserve to consider rate cuts in December, we do not view lower rates as a significant obstacle to continued USD strength/stability. While further upside in the DXY index remains possible, our neutral stance on the USD reflects the expectation that certain currencies – such as the EUR, CNY, and CHF – may continue to outperform the dollar.

## JPY (Negative; downgraded from Neutral)

## Long CHF/JPY

After the October BoJ meeting, USD/JPY struggled to break above 155 yen but quickly climbed to the 157s last week as fiscal concerns grew and no strong opposition to yen depreciation emerged at the meeting between BoJ Governor, Finance minister and Fiscal policy minister. With the next BoJ meeting far off, continued yen weakness may prompt FX intervention before any rate hike, similar to July 2024. If USD/JPY nears last year's high and policymakers remain inactive, further yen selling could follow. Yen positions are balanced, so there is room for more shorts and additional depreciation. Even with possible interventions or a rate hike, sustained support for the yen appears unlikely.

# Tactical view (3M-6M) on currencies (3/3)

Stay negative GBP. While we are negative on INR, we place it on an upgrade watch.

## GBP (Negative)

### Short GBP/EUR

The cable's short-term prospects depend on the results of the UK budget. Although possible reactions from GBP immediately following the budget lean toward a bearish trend, the specifics will hinge on how much fiscal tightening occurs and what tax changes are introduced. If there is no meaningful change in policy, GBP might rise against both USD and EUR. Both aggressive tax hikes and fiscal tightening could hurt GBP, but tax increases tend to have a larger effect, in our view. Increased government borrowing may trigger a sell-off in UK assets, though this could present an opportunity to buy GBP after the initial downward movement.

## INR (Negative; on upgrade watch)

### Long USD/INR

Although we remain cautious on the INR for the very near-term, several factors could begin to drive USD/INR lower in the near to medium term. Potential announcement of the US-India trade deal might significantly strengthen the INR. The INR NEER and REER have already depreciated enough to reflect US tariffs and may rebound when a deal is announced. Q3 saw USD9bn in equity outflows, and India's exports to the US fell 12% y/y in September. The RBI is likely to support INR recovery, given its recent FX reserve drawdown. Additionally, INR typically benefits from positive seasonality in Q1'26, with a smaller trade deficit and higher external commercial borrowing inflows.

# FX consensus forecasts

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

(End of period)	Q4 24	Q1 25	Q2 25	Q3 25	Q4 25f	Q1 26f	Q2 26f
EURUSD	1.04	1.08	1.18	1.17	1.17	1.19	1.20
GBPUSD	1.25	1.29	1.37	1.34	1.34	1.35	1.36
USDJPY	157.20	149.96	144.03	147.90	149.00	147.00	145.00
USDCHF	0.91	0.88	0.79	0.80	0.80	0.79	0.79

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

# Performance

# Performance heat map

USD appreciated against all major currencies during October.

	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

Source: Bloomberg and ADCB Asset Management

# Seasonality

# Seasonality heat map

Seasonality shows USD strengthening in November followed by December weakness.

Seasonality heat map (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%

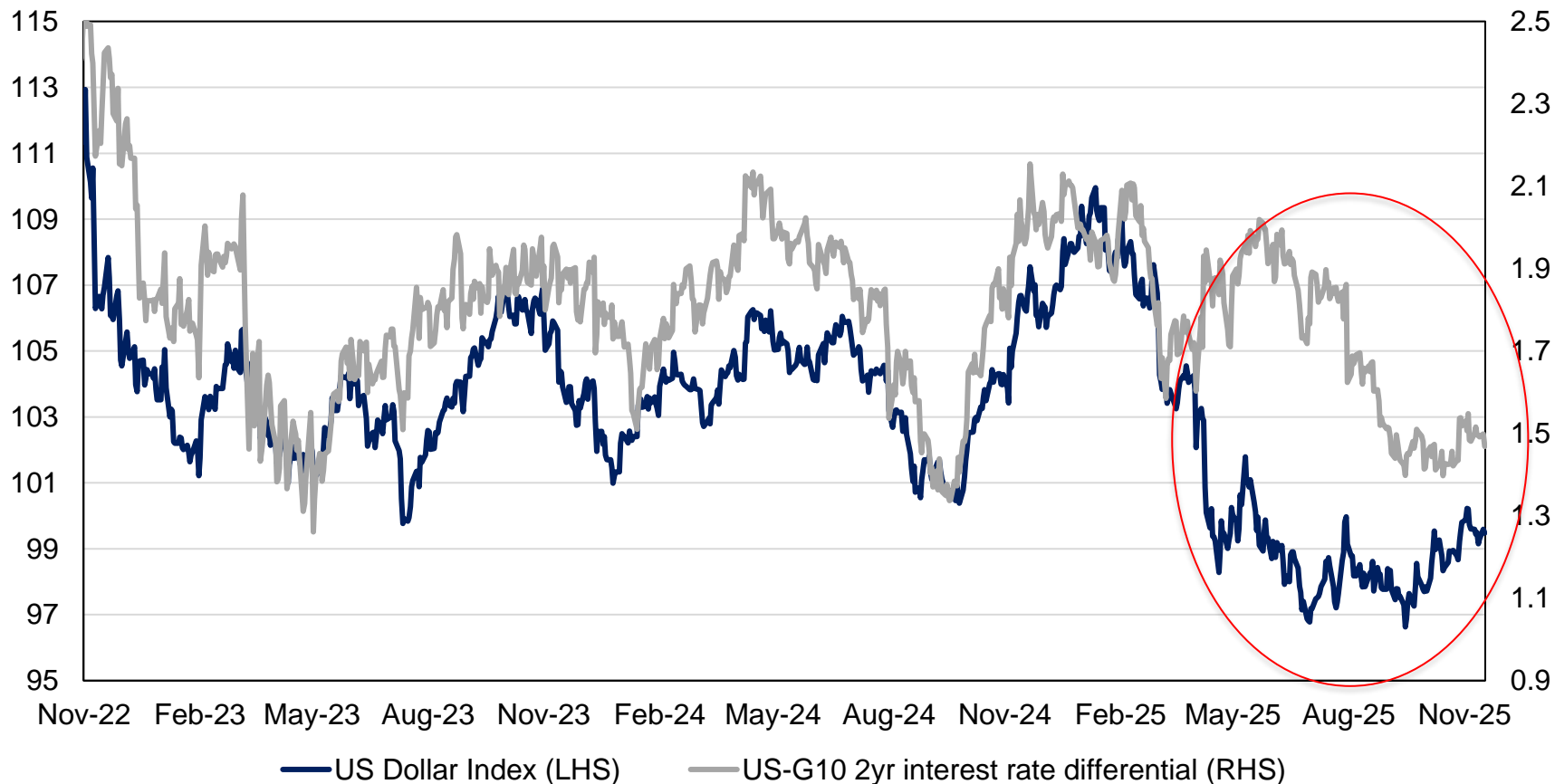
Source: Bloomberg and ADCB Asset Management

# Macro

# DXY index vs interest rate differentials

Despite its recent strengthening, the USD continues to underperform the rate differentials.

### DXY vs Interest rate differentials



Source: Bloomberg and ADCB Asset Management

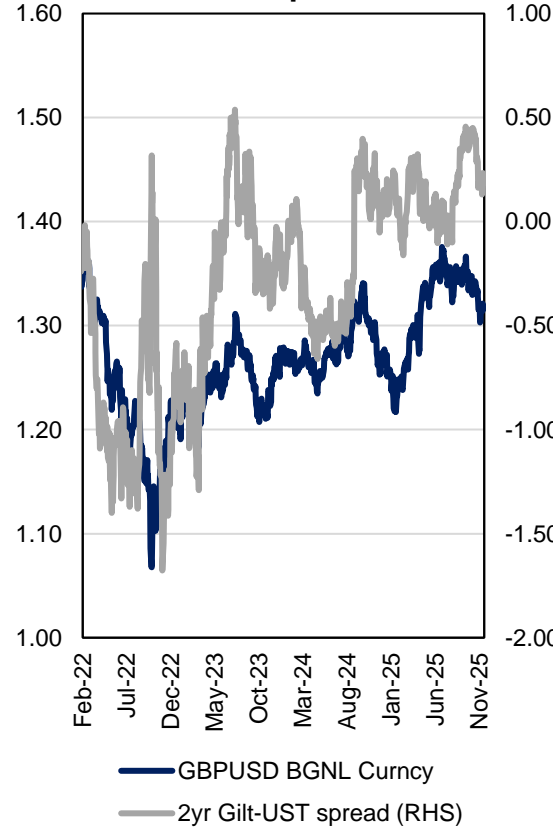
# Currency pairs vs 2yr interest-rate differentials

FX pairs increasingly driven by factors beyond rate differentials.

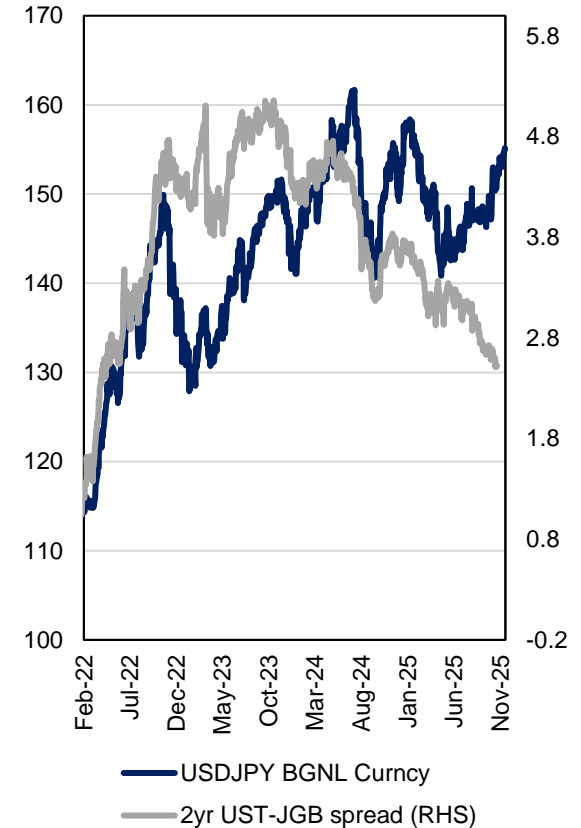
**EURUSD Curncy vs 2yr Bund-UST spread**



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



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

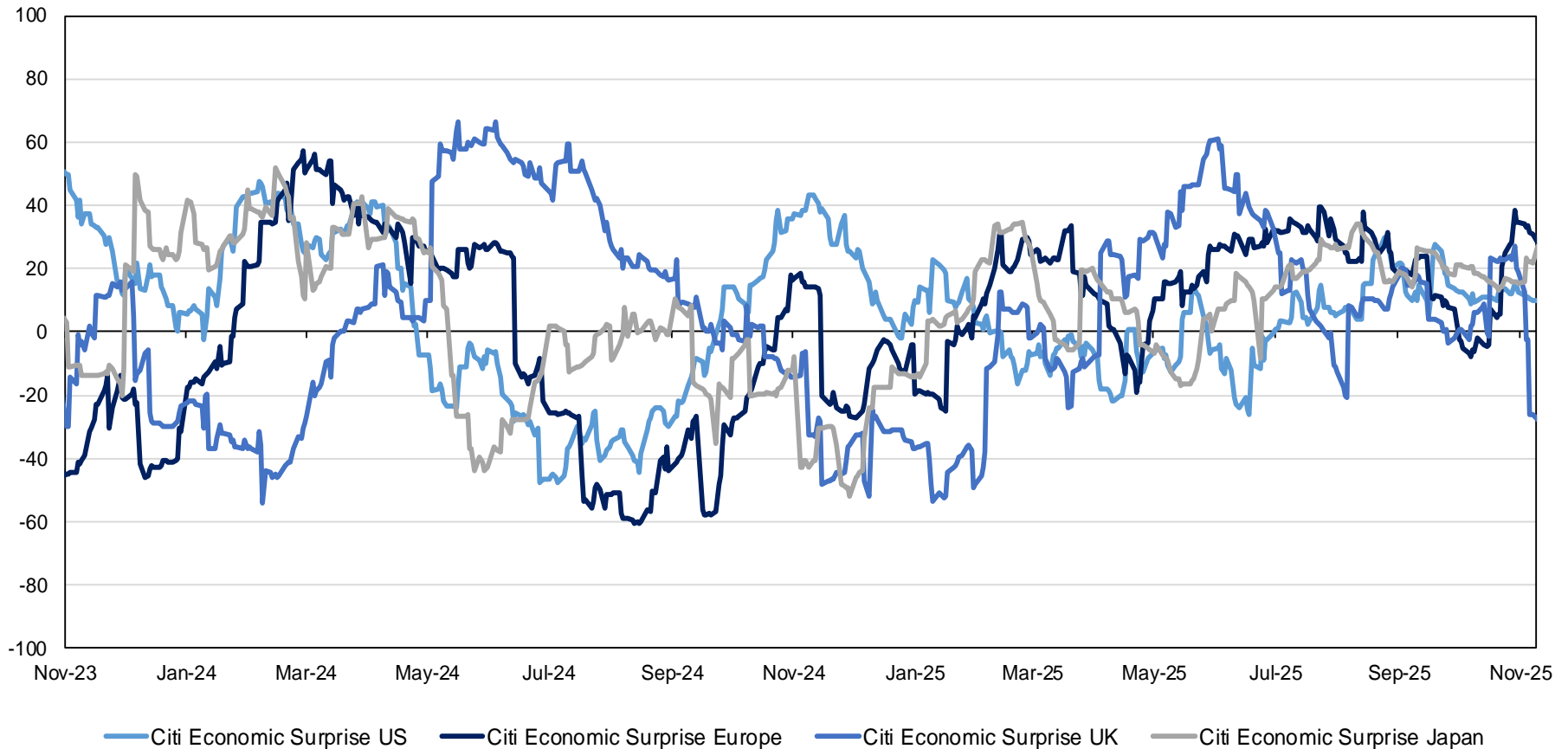


Source: Bloomberg and ADCB Asset Management

# Economic surprises

UK economic surprises fell sharply in recent weeks.

### Economic surprises



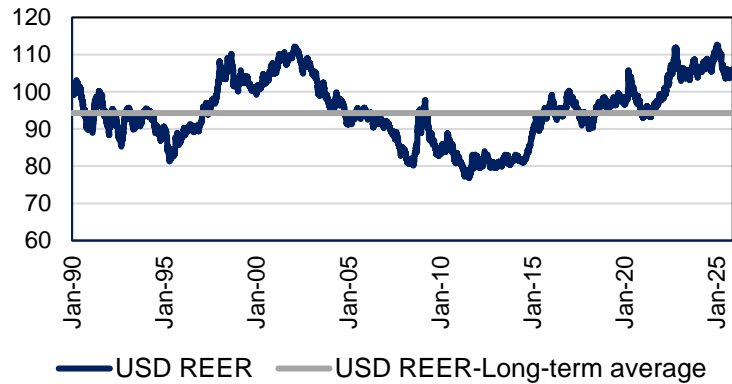
Source: Citi, Bloomberg and ADCB Asset Management

# Valuations

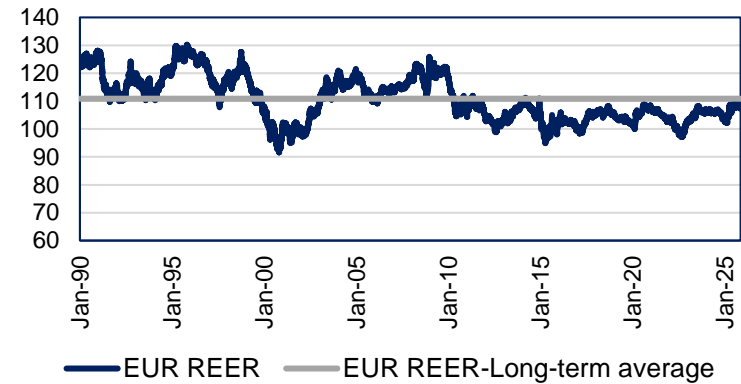
# Real currency valuations

Dollar's valuation premium narrowed while Yen remained deeply undervalued.

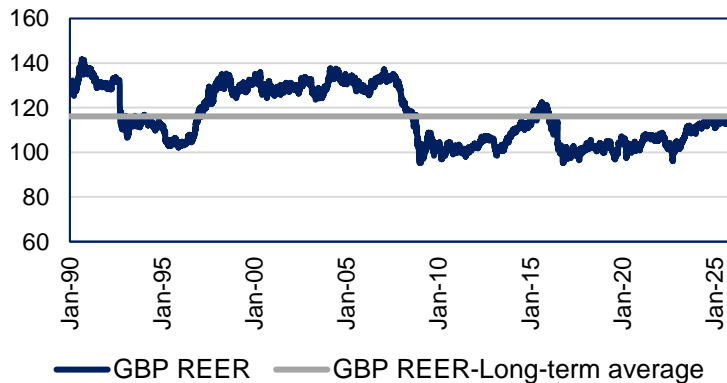
USD real effective exchange rate



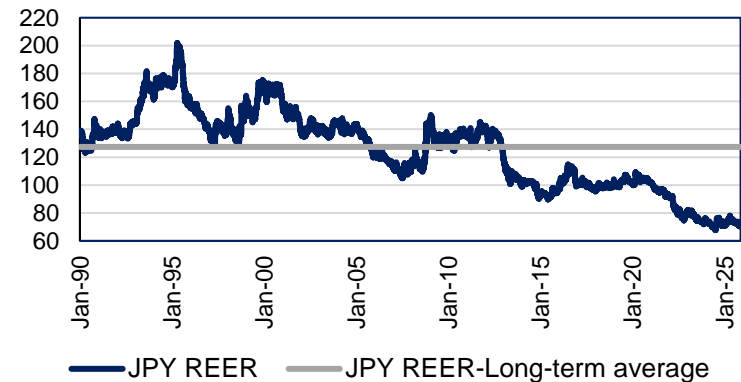
EUR real effective exchange rate



GBP real effective exchange rate



JPY real effective exchange rate

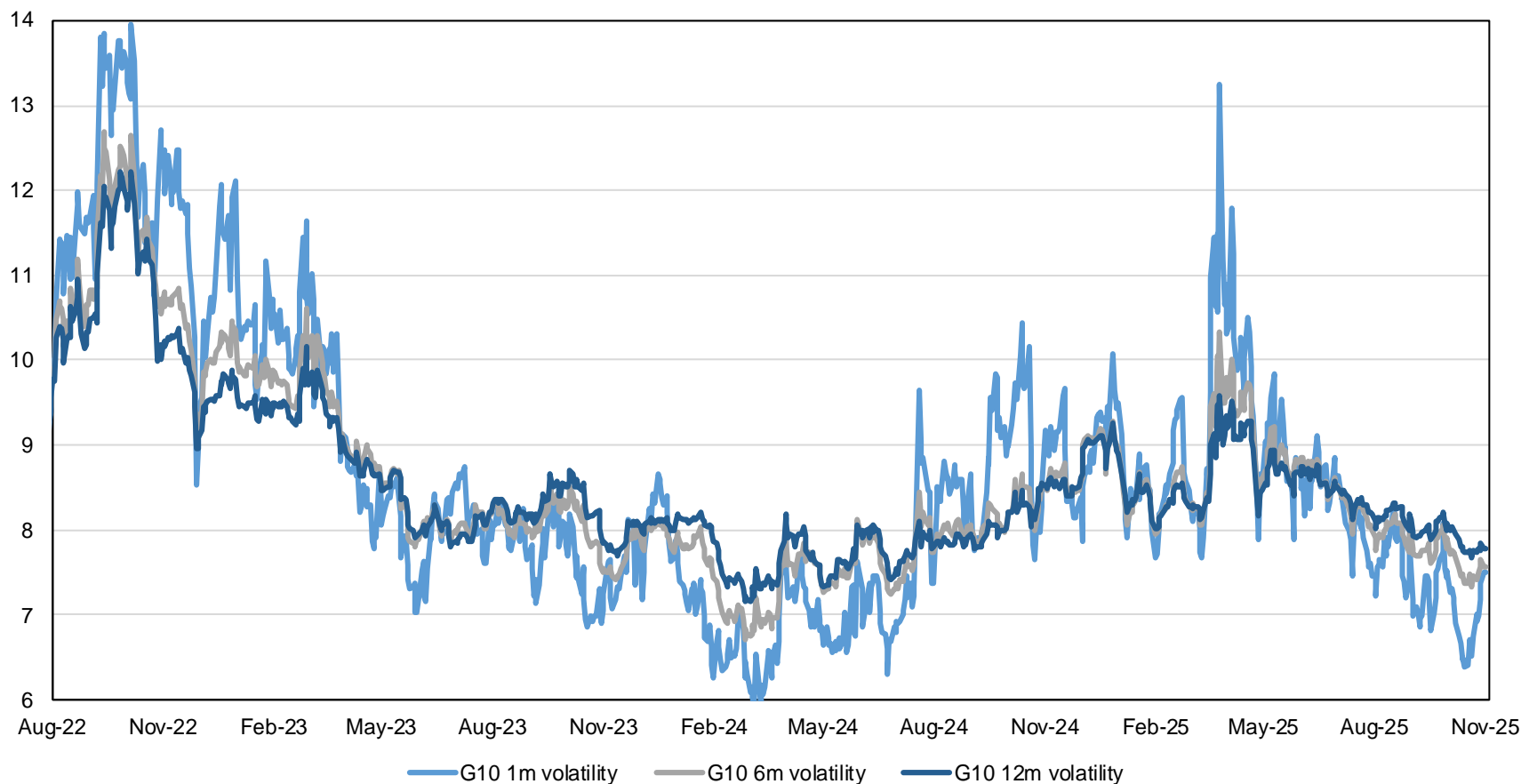


Source: Bloomberg and ADCB Asset Management

# Volatility

G10 FX volatility has eased consistently since April, but picked up in recent weeks.

### G10 volatility

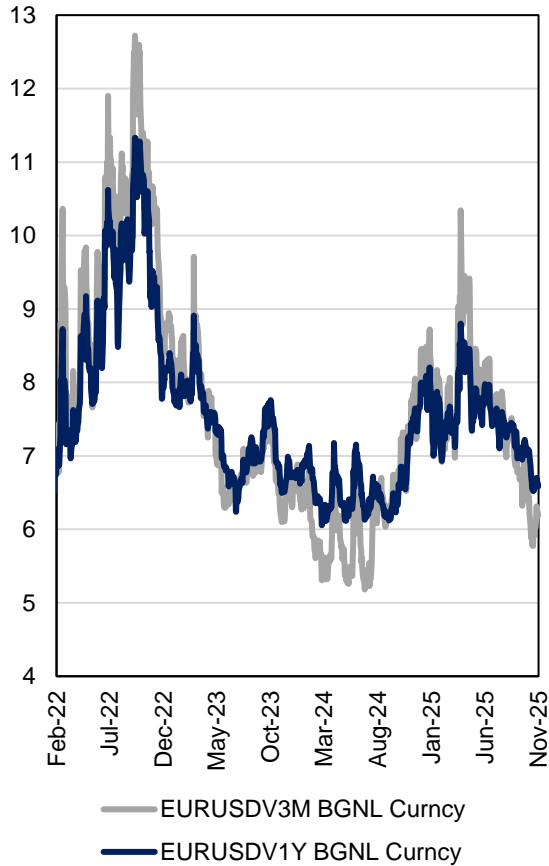


Source: Bloomberg and ADCB Asset Management

# FX volatility

3-month volatility continued to ease across major FX pairs.

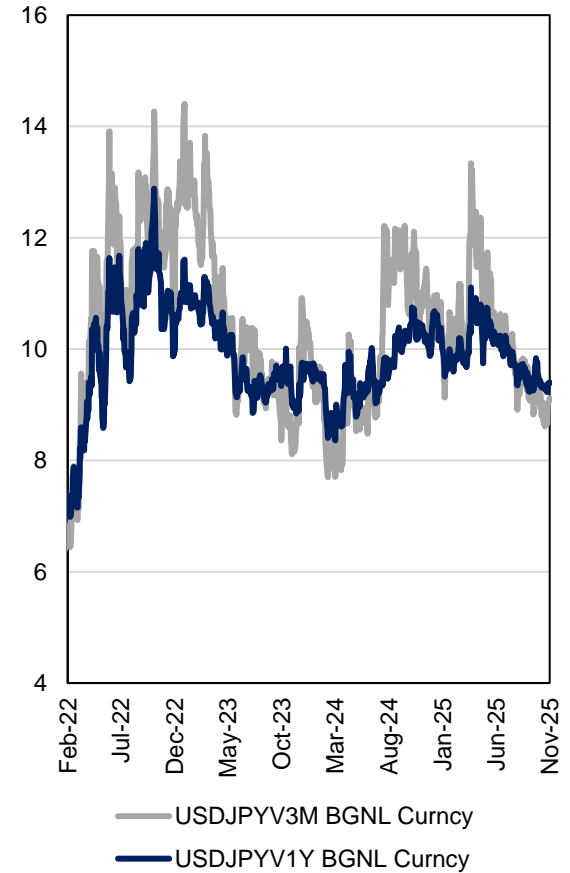
### EURUSD



### GBPUSD



### USDJPY

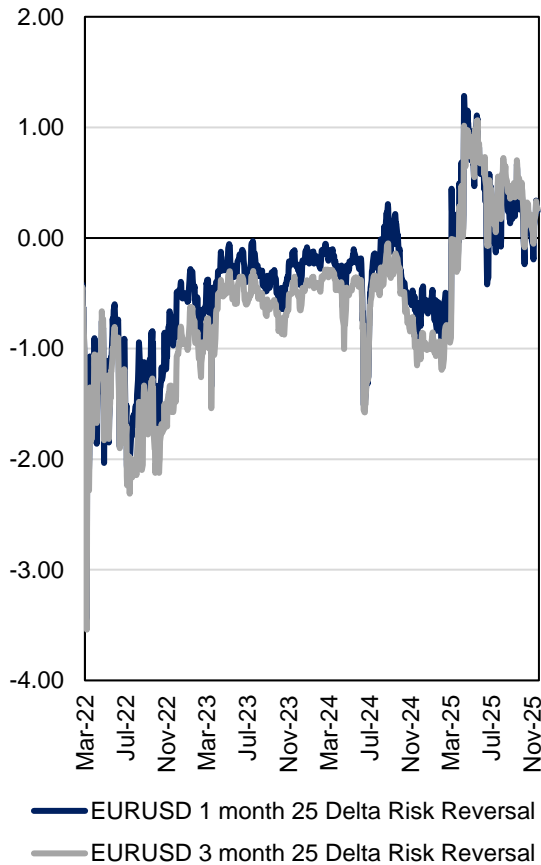


Source: Bloomberg and ADCB Asset Management

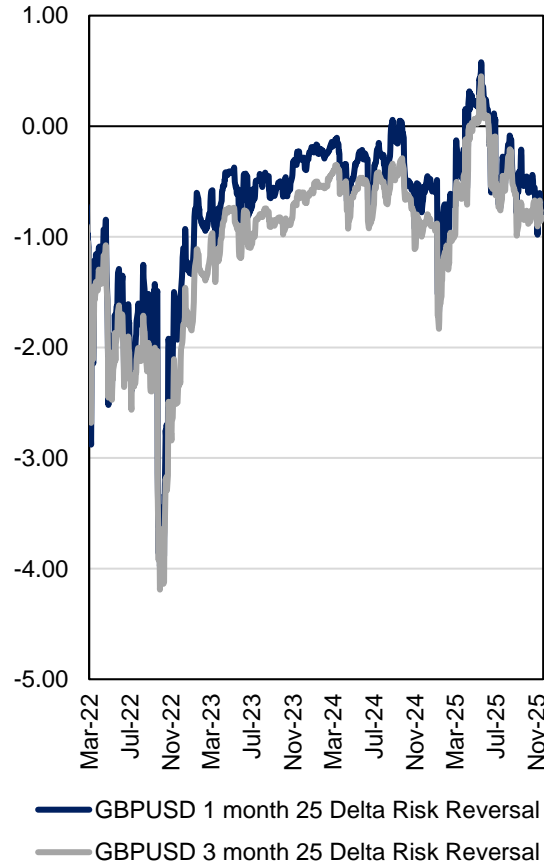
# Risk Reversal

Option markets signals largely unchanged since October.

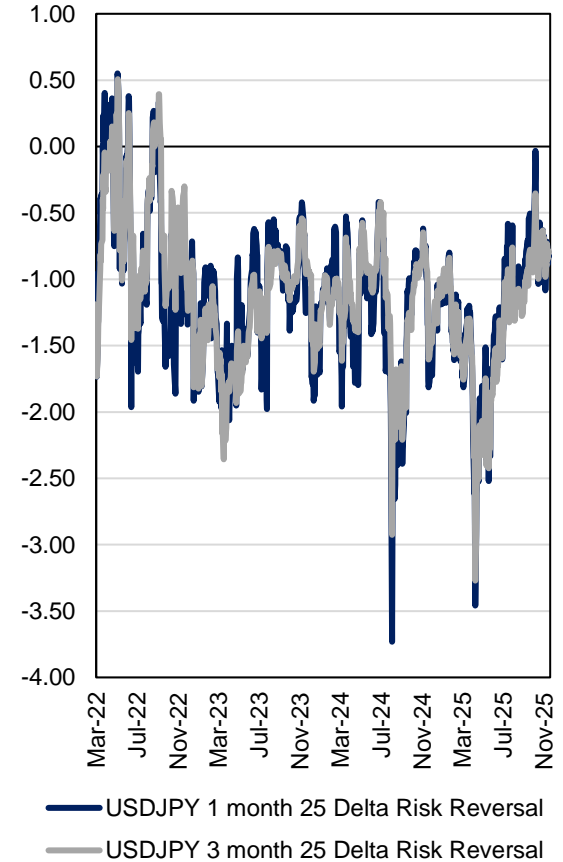
### EURUSD



### GBPUSD



### USDJPY



Source: Bloomberg and ADCB Asset Management

# Technical

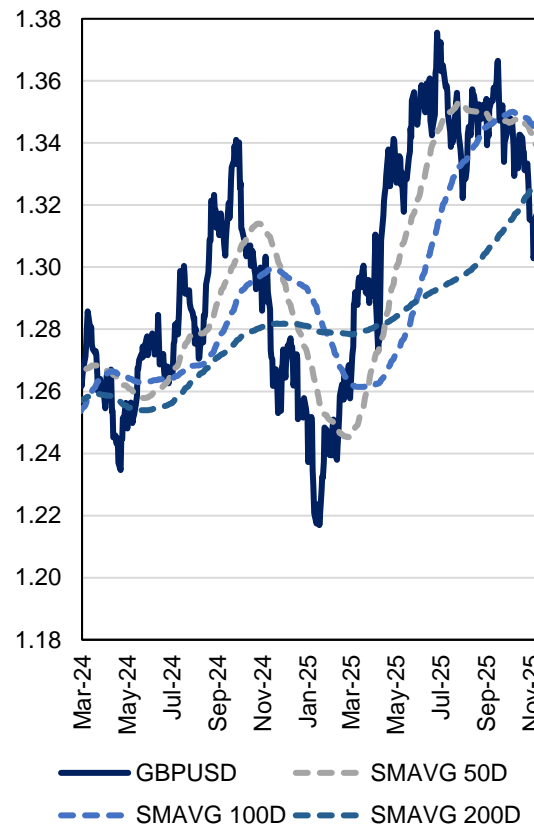
# Moving average

EURUSD remained supported, GBPUSD weakened, USDJPY showed bullish momentum.

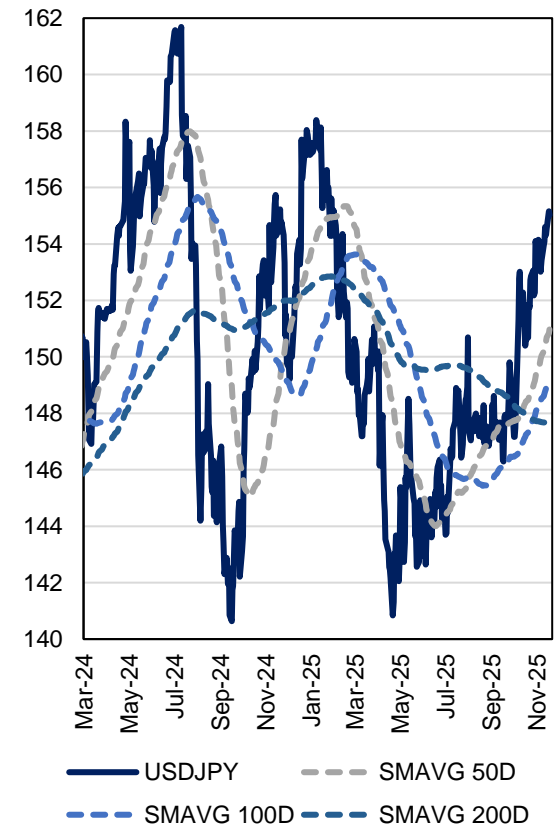
### EURUSD moving average



### GBPUSD moving average



### USDJPY moving average

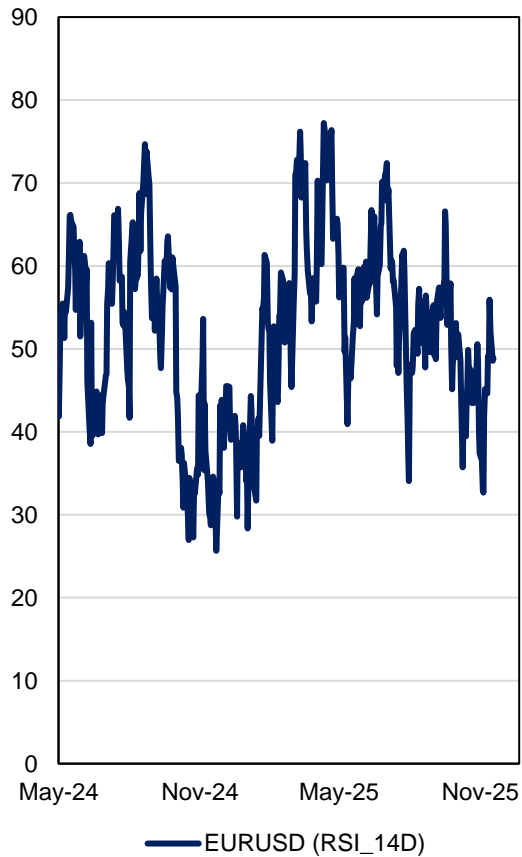


Source: Bloomberg and ADCB Asset Management

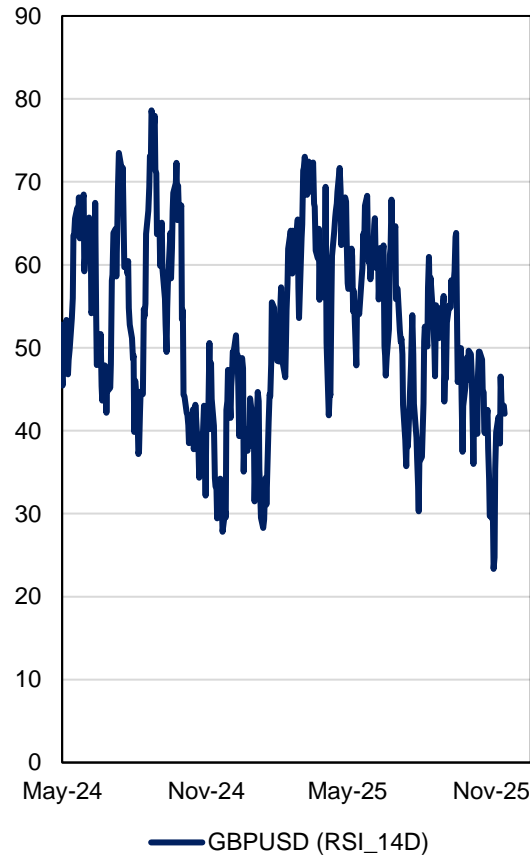
# Relative strength index indicator

RSI indicator remained neutral broadly across major FX pairs. USDJPY moving closer to an overbought territory.

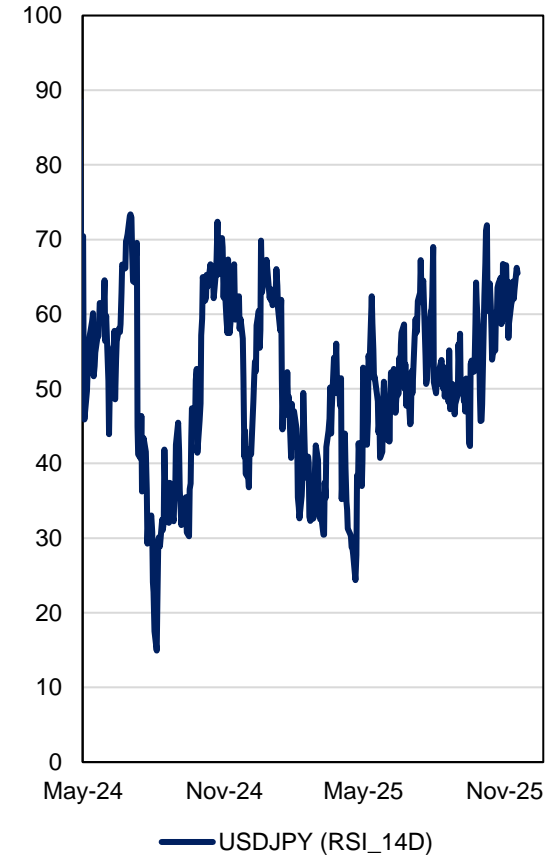
### EURUSD (RSI\_14D)



### GBPUSD (RSI\_14D)



### USDJPY (RSI\_14D)



Source: Bloomberg and ADCB Asset Management

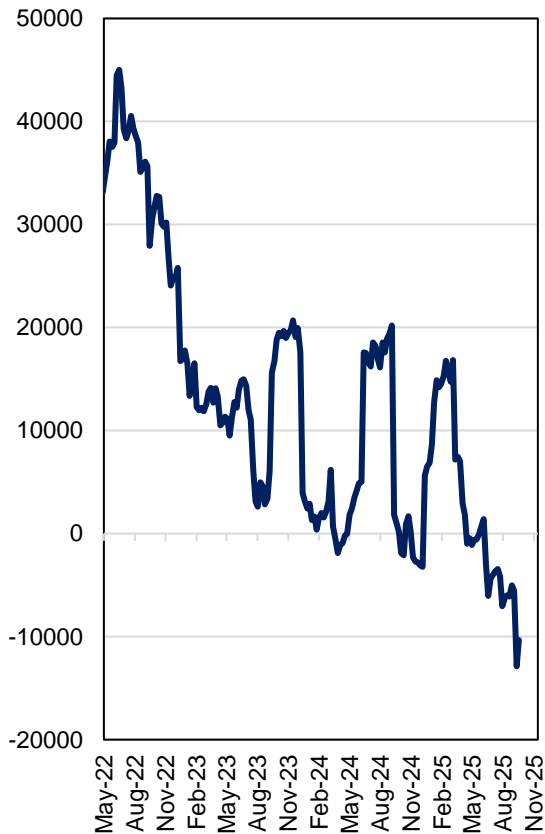
# Positioning

*Data sourced from the US Commodity Futures Trading Commission (CFTC) reflects figures as of September 23, 2025 - the most recent release prior to the disruption in reporting caused by the US Government shutdown.*

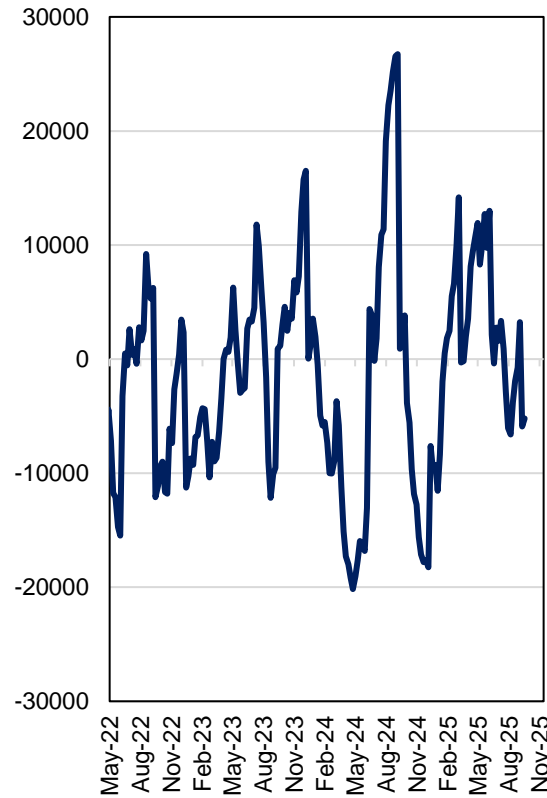
# FX positioning- USD

USD short positions remained stable.

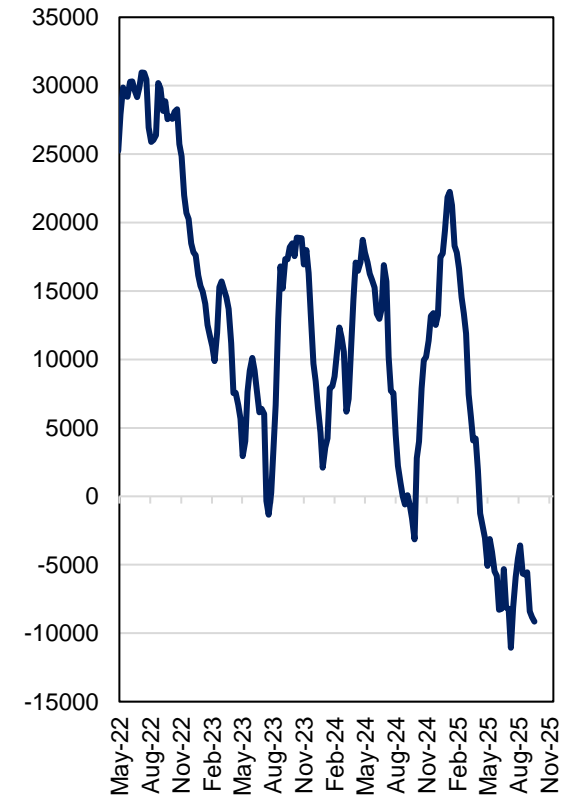
**Non-commercial Net futures position for USD Index**



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



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

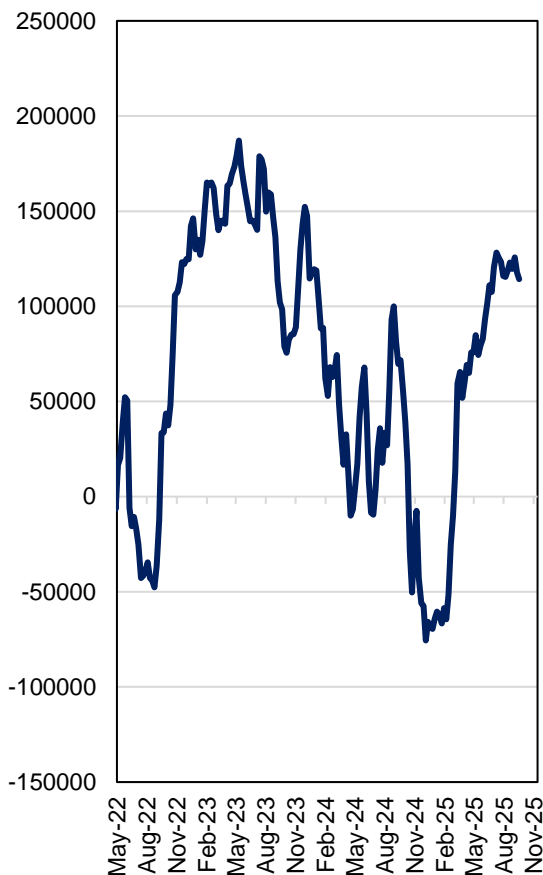


Source: Bloomberg and ADCB Asset Management

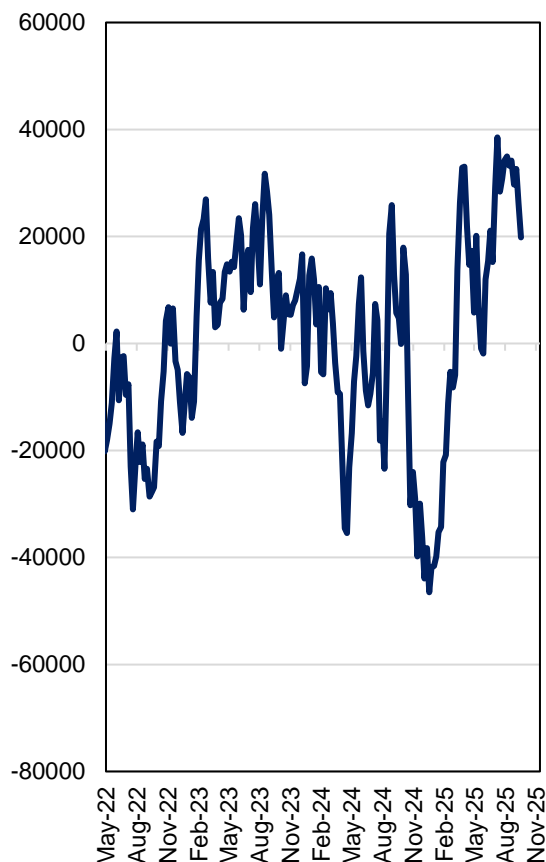
# FX positioning- EUR

Leveraged funds net positions in EUR fell in recent weeks while asset manager positions have risen.

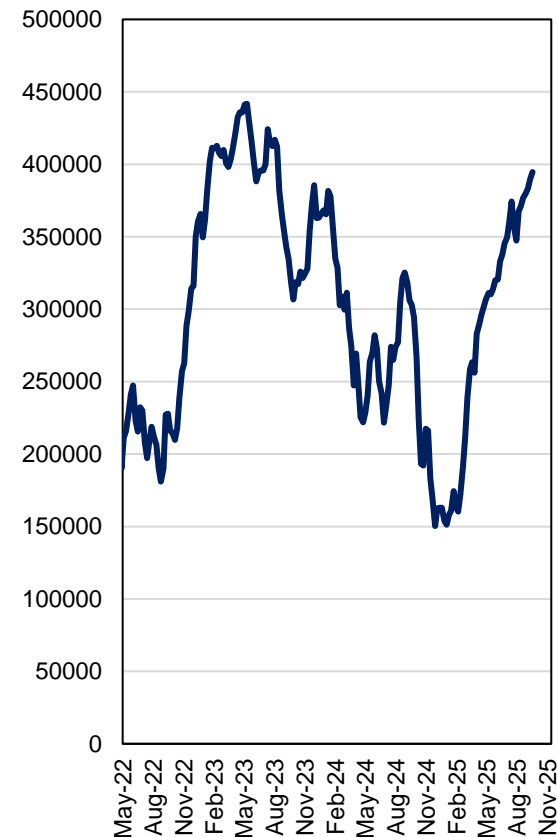
**Non-commercial net futures position in Euro FX**



**Leveraged funds net futures position in Euro FX**



**Asset Management Institutional net futures position in Euro FX**

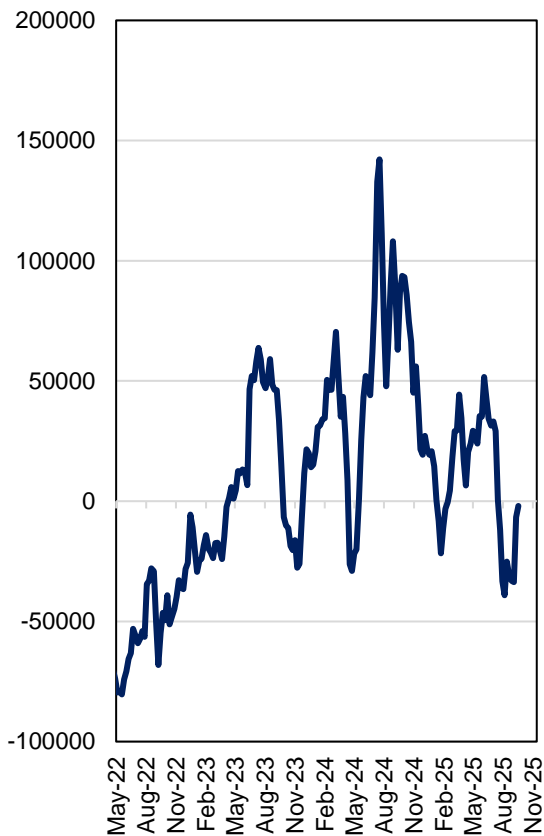


Source: Bloomberg and ADCB Asset Management

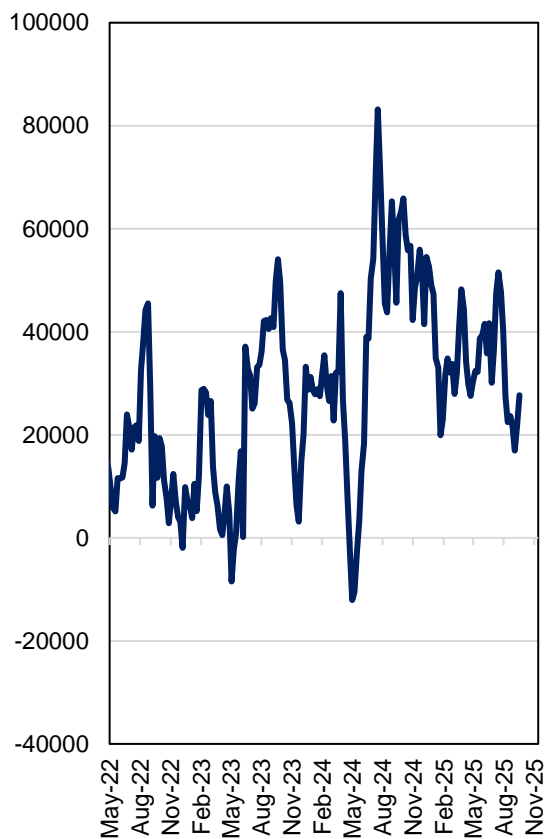
# FX positioning- GBP

Institutional investors added to GBP positions.

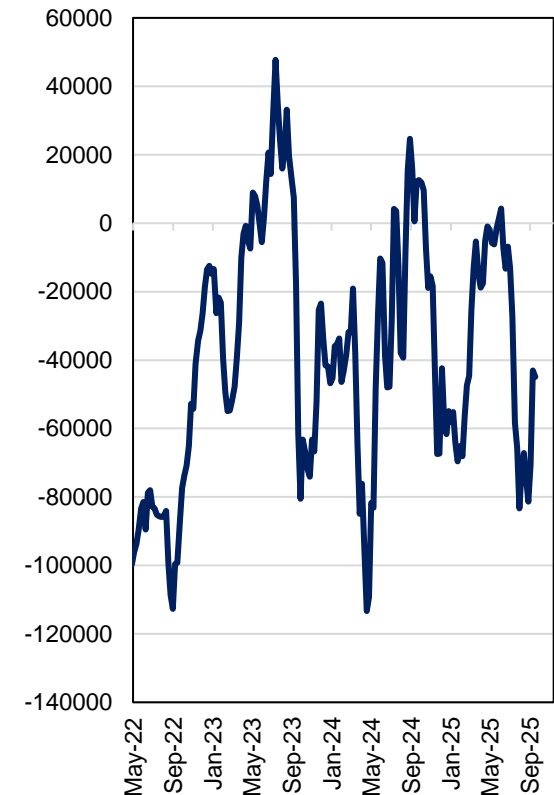
**Non-commercial net futures position in Pound Sterling**



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



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

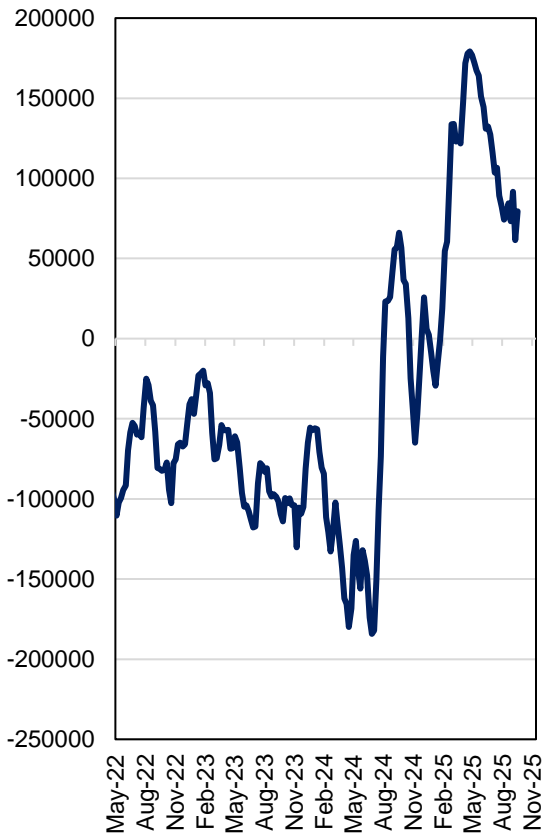


Source: Bloomberg and ADCB Asset Management

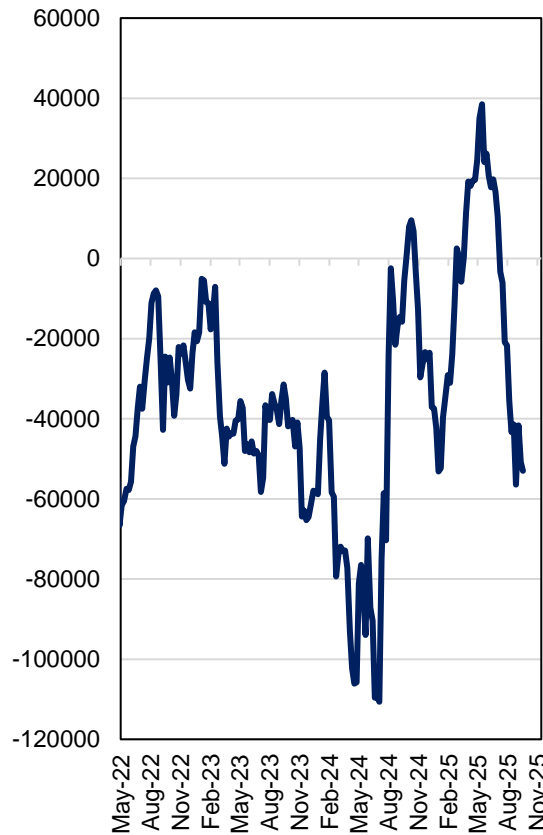
# FX positioning- JPY

**Leveraged funds increase short positions in JPY.**

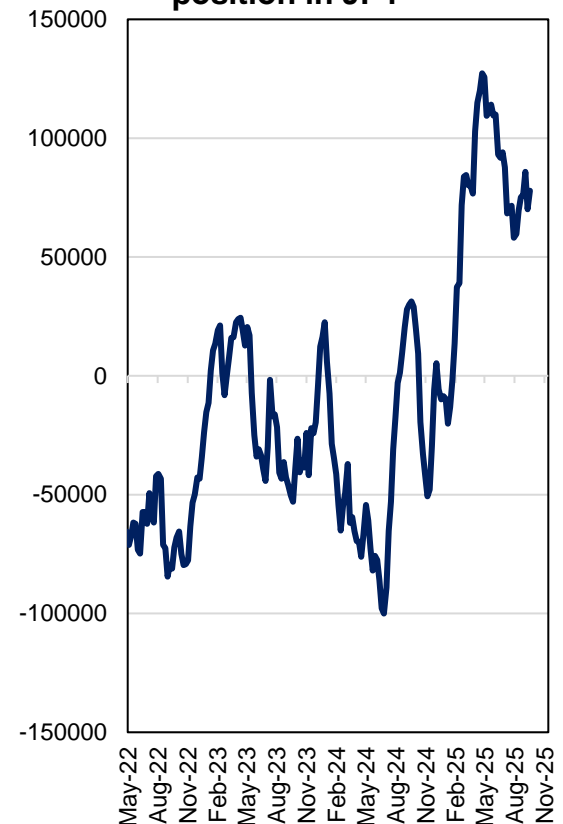
**Non-commercial net futures position in JPY**



**Leveraged funds net futures position in JPY**



**Asset Management Institutional net futures position in JPY**



Source: Bloomberg and ADCB Asset Management

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