

Investment Strategy

FX Indicator Chartpack

October 2025

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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 remain constructive, supported by expectations of stronger fiscal backing for regional growth and the Fed's asymmetric easing bias. The near-term risk lies in continued downside surprises in activity data. However, October flash PMI data pointed to activity rising at the fastest rate since May 2023. While inflation has risen, it is not far from the ECB's target.

CNY (Positive)

Short USD/CNH

The bullish case faces near-term headwinds from renewed US-China trade tensions, with near-term risks of escalation still in play. For now, the PBoC's firm daily fixings are likely to cap upside in USD/CNH, underscoring policymakers' commitment to FX stability amid elevated external uncertainty.

CHF (Positive)

Short USD/CHF

The franc remains supported by Switzerland's solid fiscal position and its role as a defensive FX, amid global demand for alternative reserve assets and yield compression. The SNB has shown little resistance to currency strength, maintaining a hawkish stance with only limited intervention. CHF could again shine as a safe haven should the Russia-Ukraine conflict escalate. That said, renewed upside surprises in global and regional growth would pose risks to the bullish CHF narrative, creating potential upside pressure on EUR/CHF.

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

We are neutral on USD with a positive bias, and neutral on JPY with a negative bias.

USD (Neutral)

USD sits at the cross-roads of structural need for diversification, cyclical factors of growth rising with potential for inflation to rise as well, and more technical indicators with the US government shutdown-related delay in data keeping near-term visibility low. Seasonality now turns a bit more supportive of USD strength. However, capping a massive USD strength are concerns surrounding attacks on Fed independence and US Government shutdown risks.

JPY (Neutral)

Long CHF/JPY

While the narrowing policy rate gap should help JPY against USD, near-term risks from fiscal sustainability, and potential delays in BoJ tightening keep us cautious for now. The election of Takaichi-san as Prime Minister is likely to add further short-term pressure on the JPY. That said, attractive long-term valuations and the currency's safe-haven appeal stop us from turning outright negative.

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

We turn cautious on British pound sterling and are negative on Indian rupee.

GBP (Negative)

Short GBP/EUR

GBP still carries too little risk premium to reflect the potential for policy disappointment around the November UK budget. Upcoming data releases could reinforce the corporate and consumer uncertainty flagged in the latest PMI. The growth–fiscal feedback loop remains a headwind for the currency, though the recent gilt curve flattening complicates the bearish case.

INR (Negative)

Long USD/INR

Rupee sentiment has deteriorated on the back of steep tariffs and heavy energy import costs. While India's overall trade dependence remains relatively low and the current account still appears manageable, financing flows through FDI and FPI have dried up. Under its new Governor, the RBI has also shown less willingness to defend specific levels than it did last year. Looking ahead, current account seasonality is set to worsen in the second half of the calendar year as festive-season imports weigh further on the core trade balance.

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 25f	Q4 25f	Q1 26f	Q2 26f
EURUSD	1.04	1.08	1.18	1.17	1.18	1.20	1.20
GBPUSD	1.25	1.29	1.37	1.34	1.36	1.37	1.37
USDJPY	157.20	149.96	144.03	147.90	145.00	143.00	141.00
USDCHF	0.91	0.88	0.79	0.80	0.80	0.80	0.80

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

Performance

Performance heat map

September saw a mixed USD – gaining against JPY and GBP, and losing some ground against EUR and CHF.

	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

Source: Bloomberg and ADCB Asset Management

Seasonality

Seasonality heat map

USD tends to strengthen during November.

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%

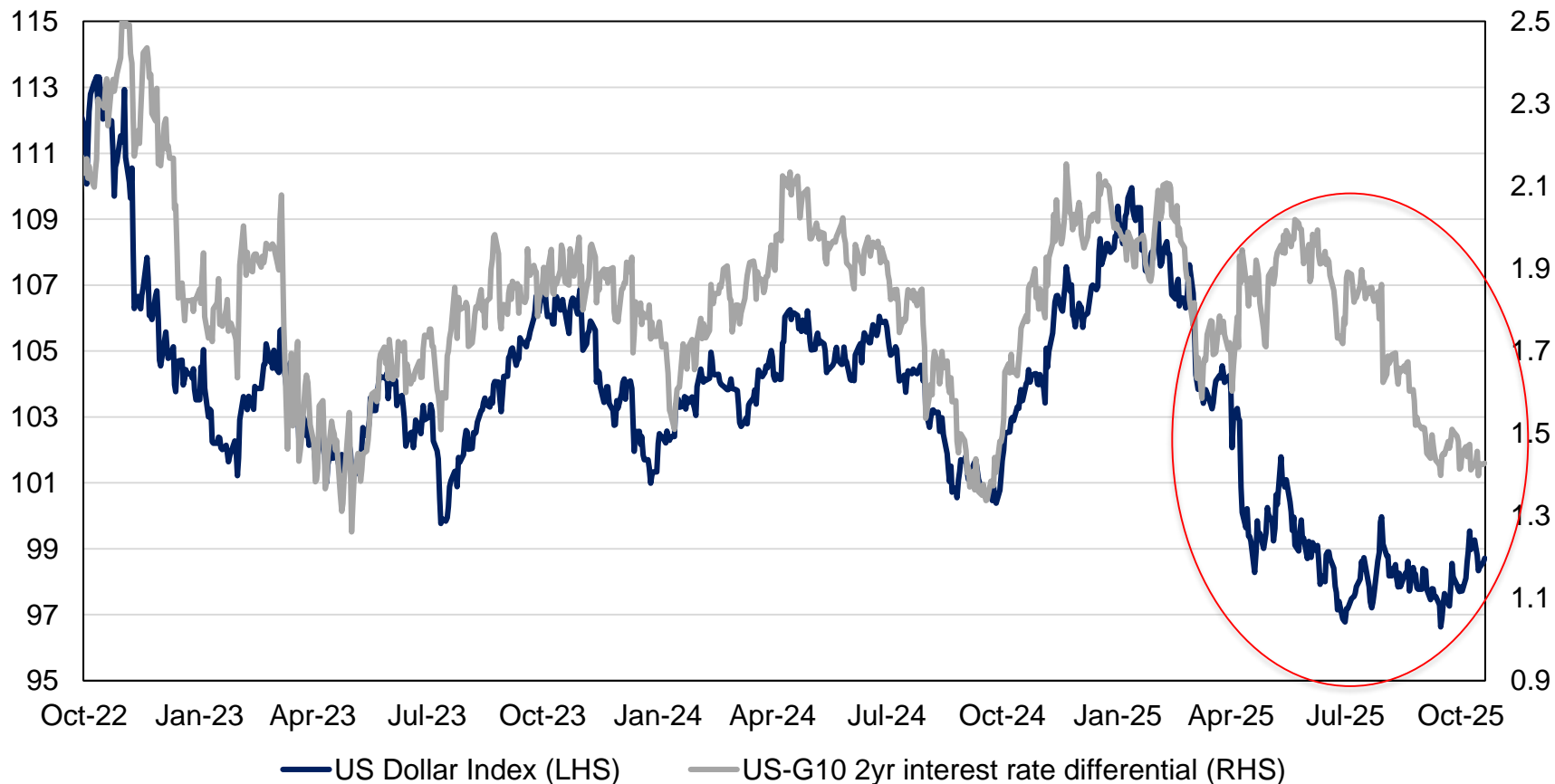
Source: Bloomberg and ADCB Asset Management

Macro

DXY index vs interest rate differentials

Despite its recent stability and strength, the greenback continues to underperform the rate differentials.

DXY vs Interest rate differentials

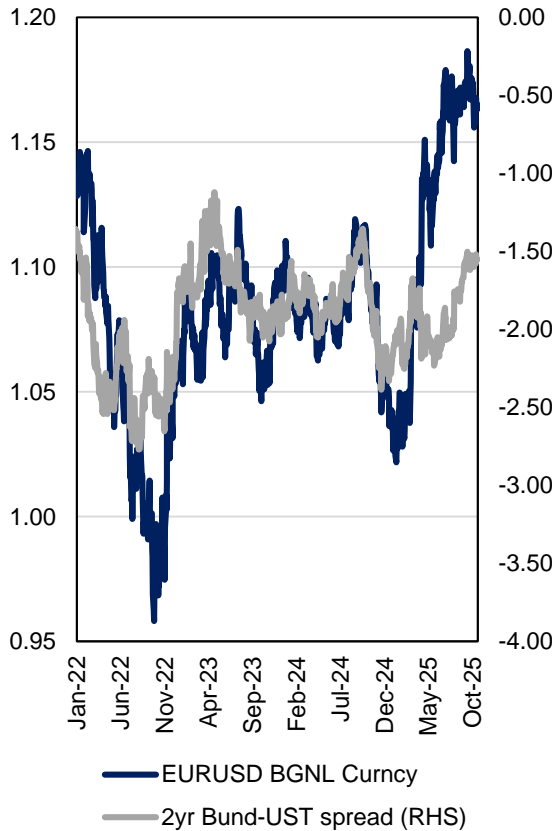


Source: Bloomberg and ADCB Asset Management

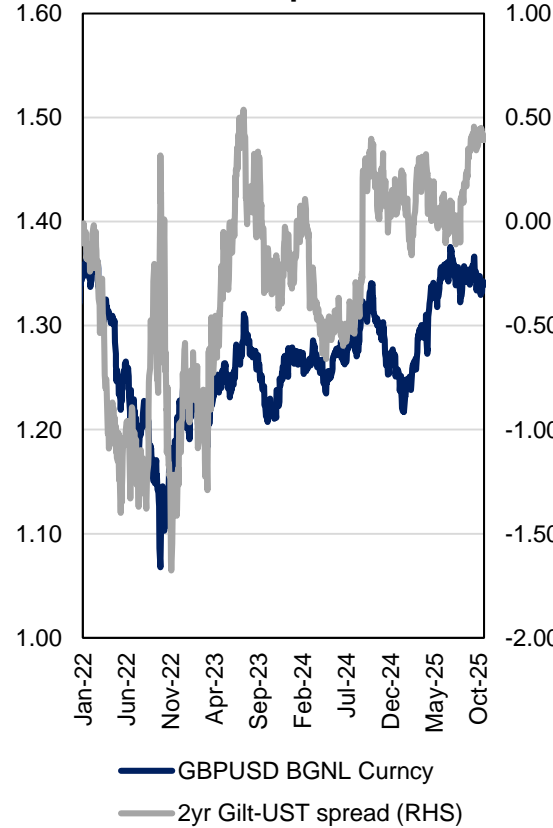
Currency pairs vs 2yr interest-rate differentials

FX pairs influenced more by factors other than interest rate differentials.

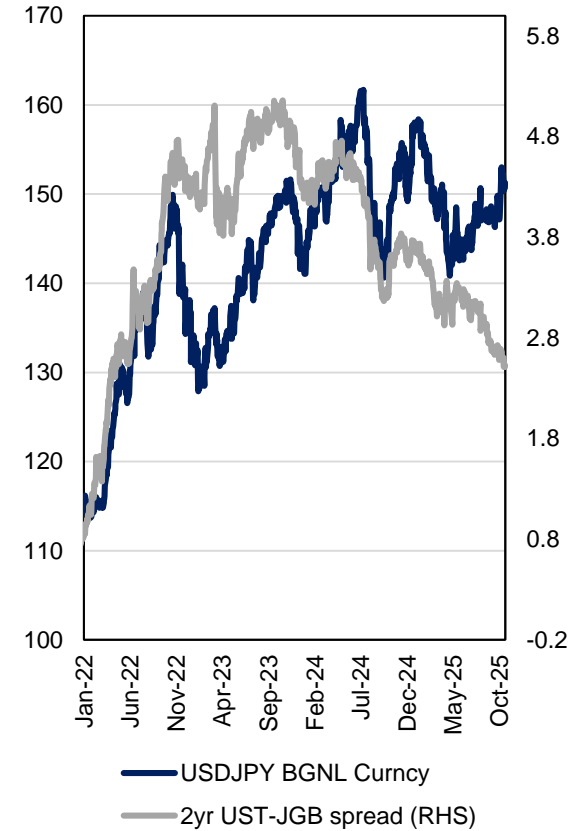
EURUSD Curncy vs 2yr Bund-UST spread



GBPUSD Curncy vs 2yr Gilt-UST spread



USDJPY Curncy vs 2yr UST-JGB spread

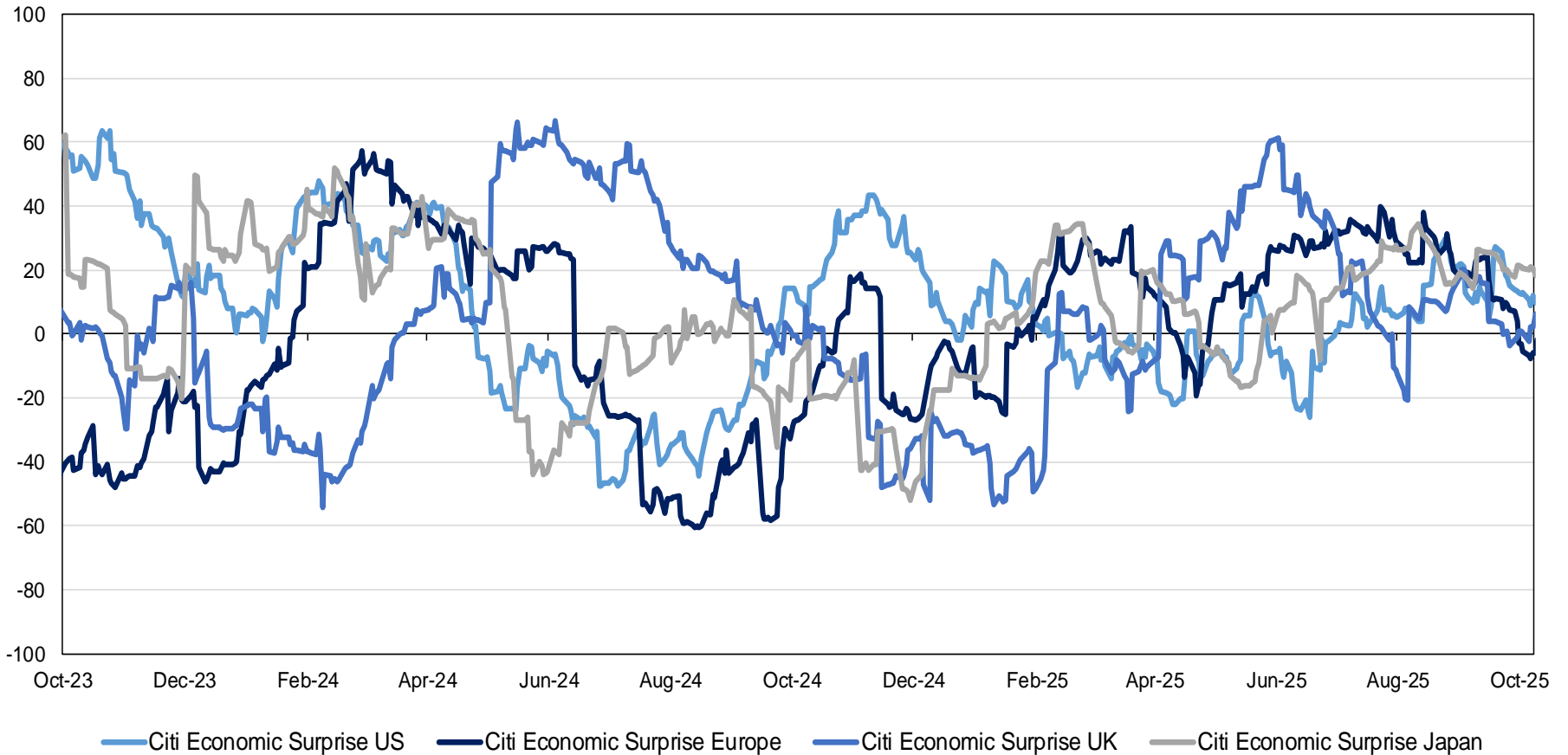


Source: Bloomberg and ADCB Asset Management

Economic surprises

US economic surprises are positive and outperforming.

Economic surprises



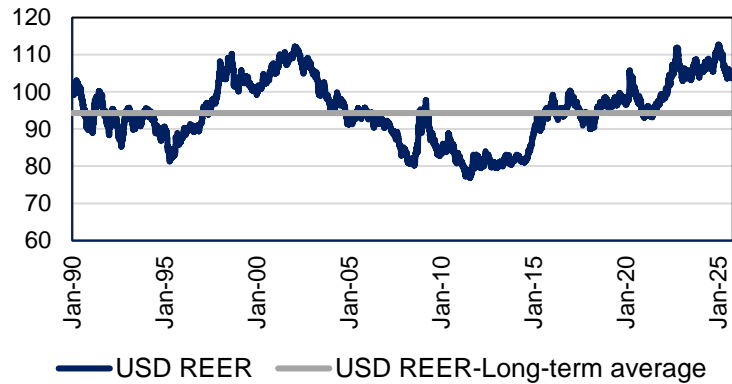
Source: Citi, Bloomberg and ADCB Asset Management

Valuations

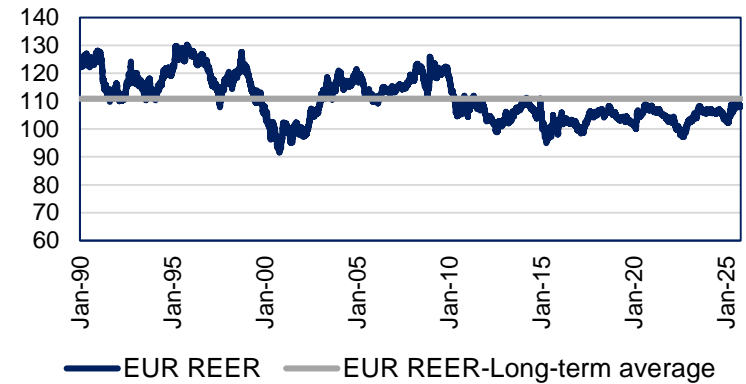
Real currency valuations

Dollar's valuation premium narrowed while Yen remained undervalued.

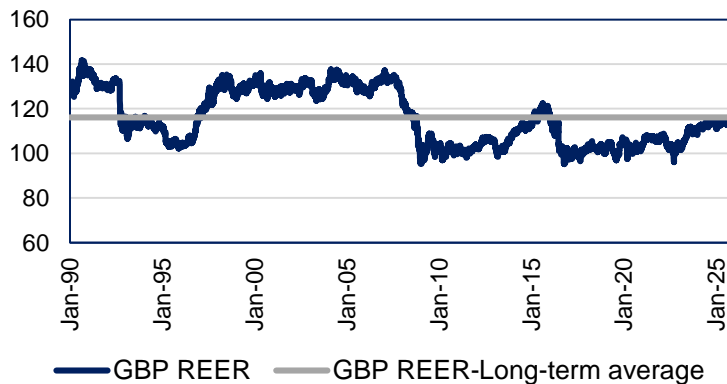
USD real effective exchange rate



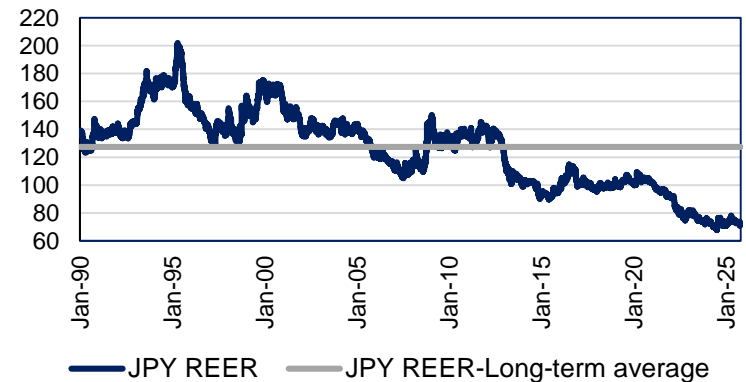
EUR real effective exchange rate



GBP real effective exchange rate



JPY real effective exchange rate

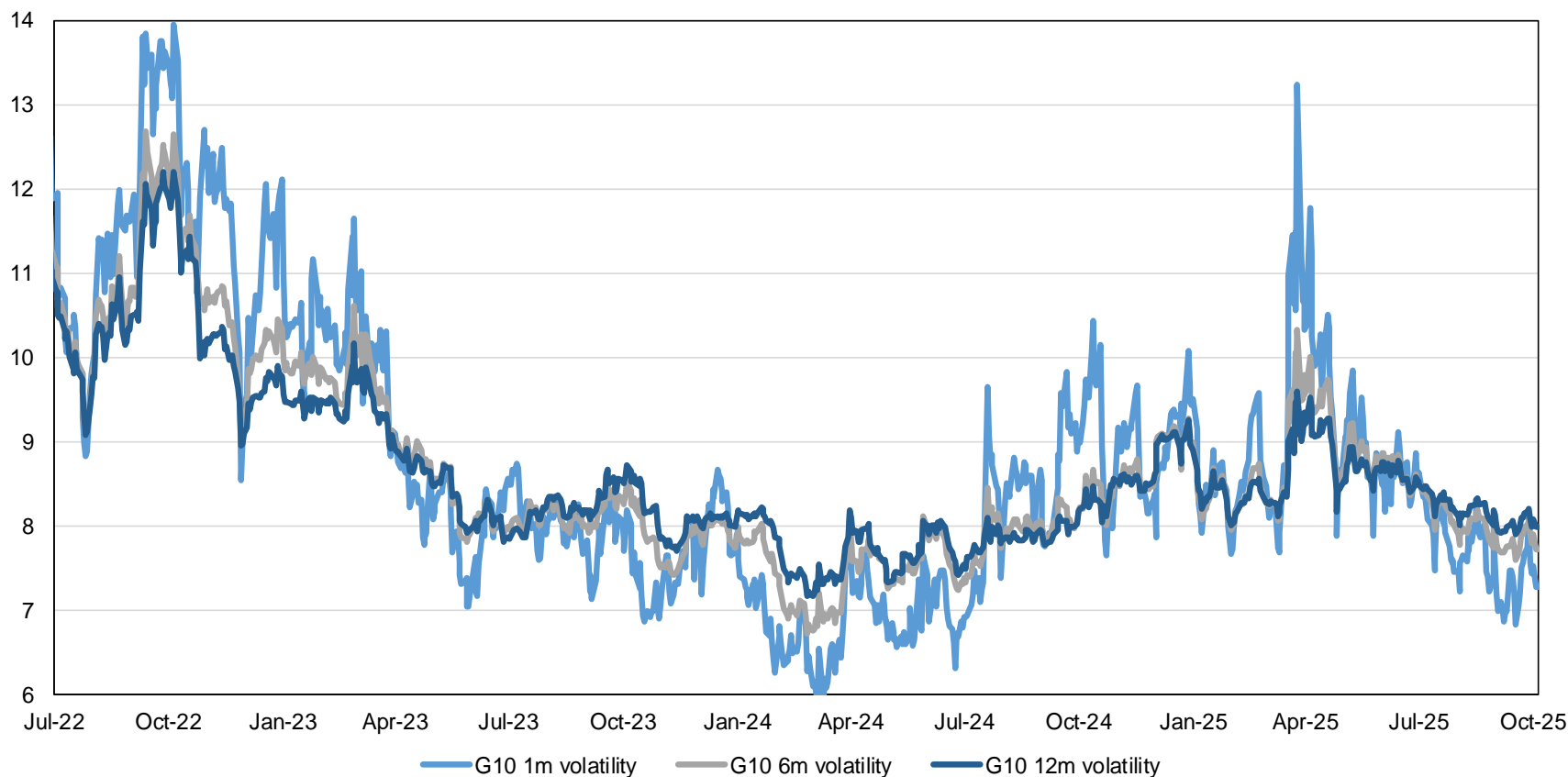


Source: Bloomberg and ADCB Asset Management

Volatility

G10 FX volatility has moderated consistently since April.

G10 volatility

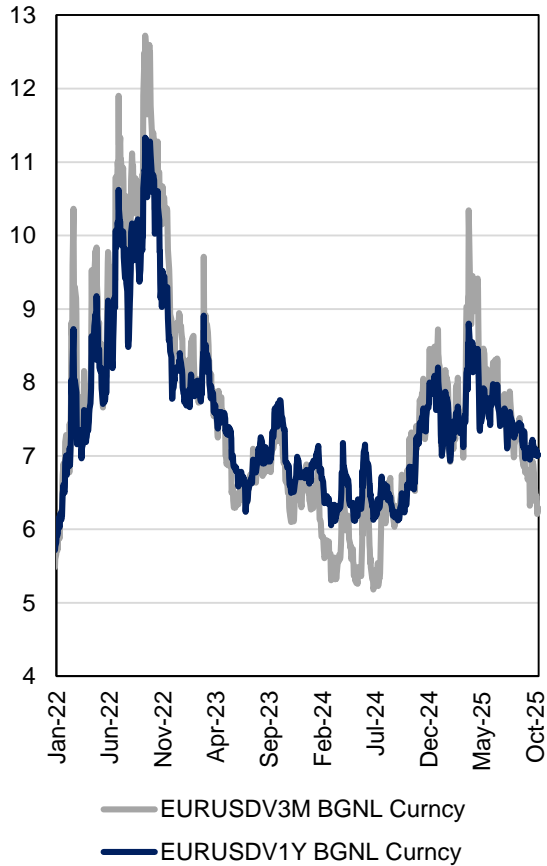


Source: Bloomberg and ADCB Asset Management

FX volatility

3-month volatility declined further in EURUSD.

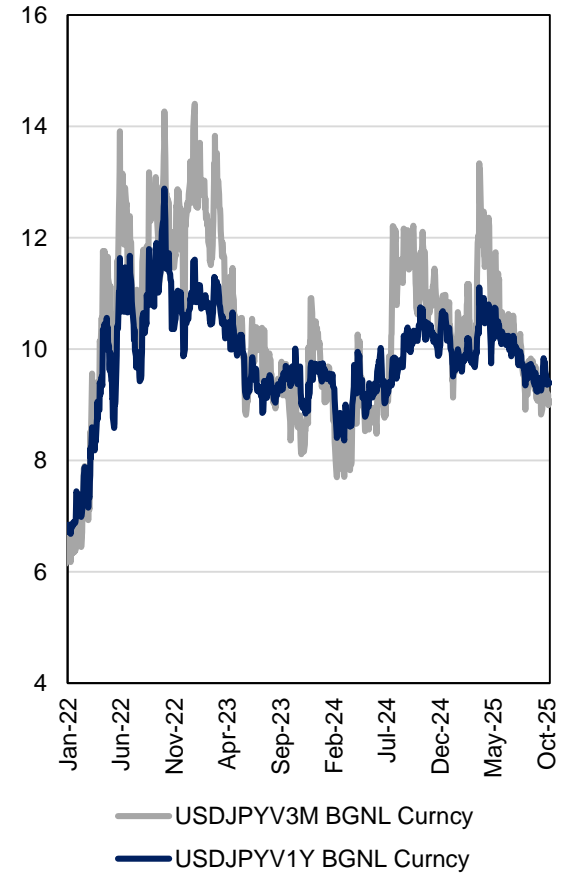
EURUSD



GBPUSD



USDJPY

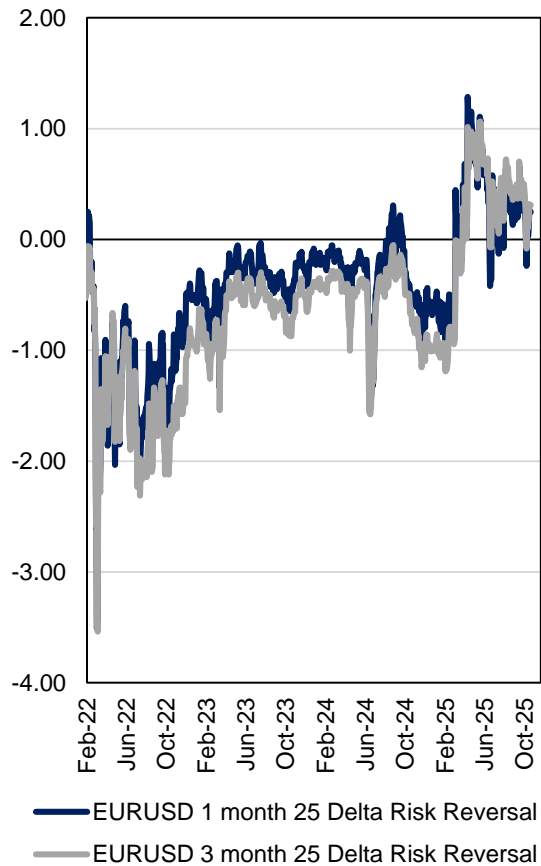


Source: Bloomberg and ADCB Asset Management

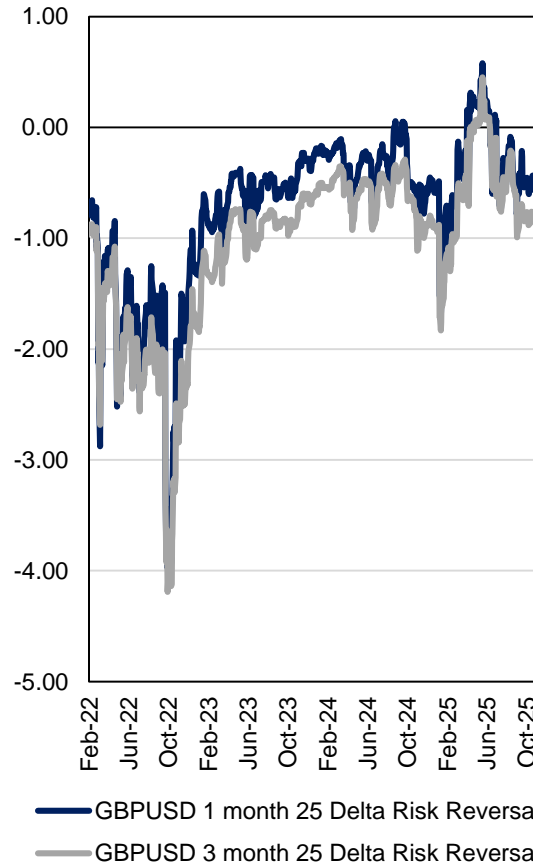
Risk Reversal

Option markets show diminished downside bias for EURUSD.

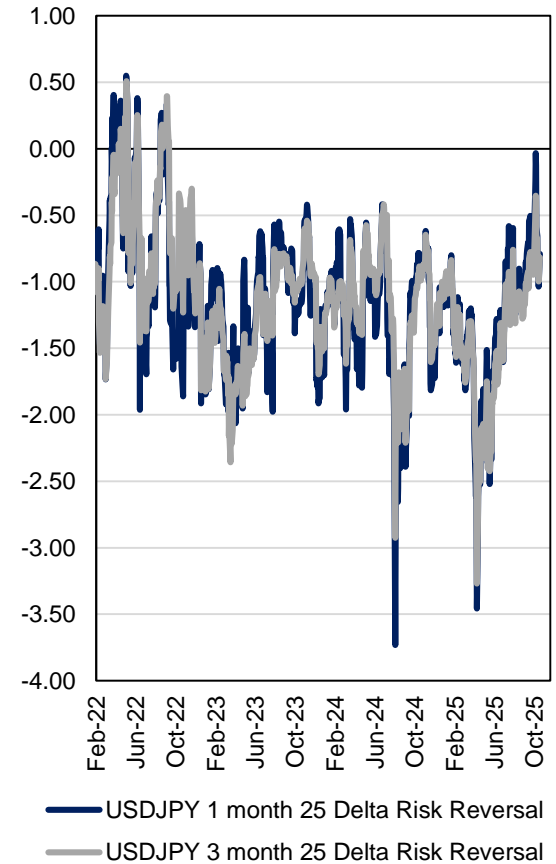
EURUSD



GBPUSD



USDJPY



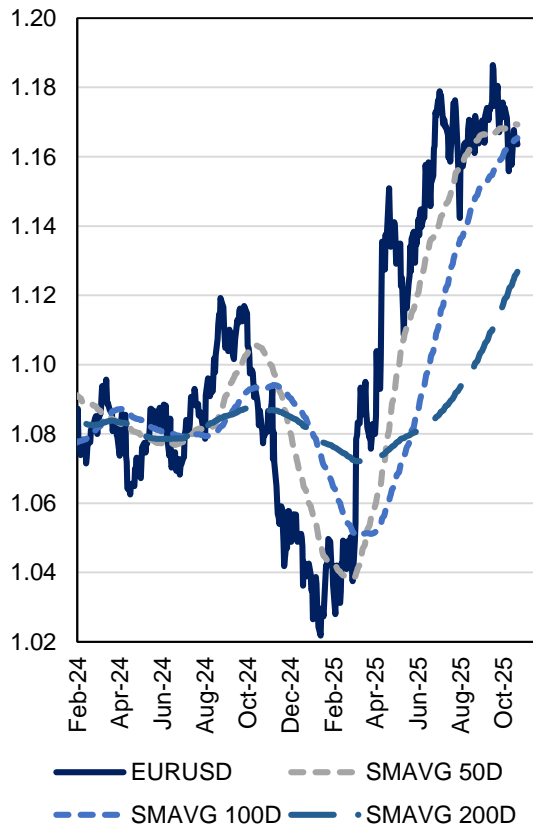
Source: Bloomberg and ADCB Asset Management

Technical

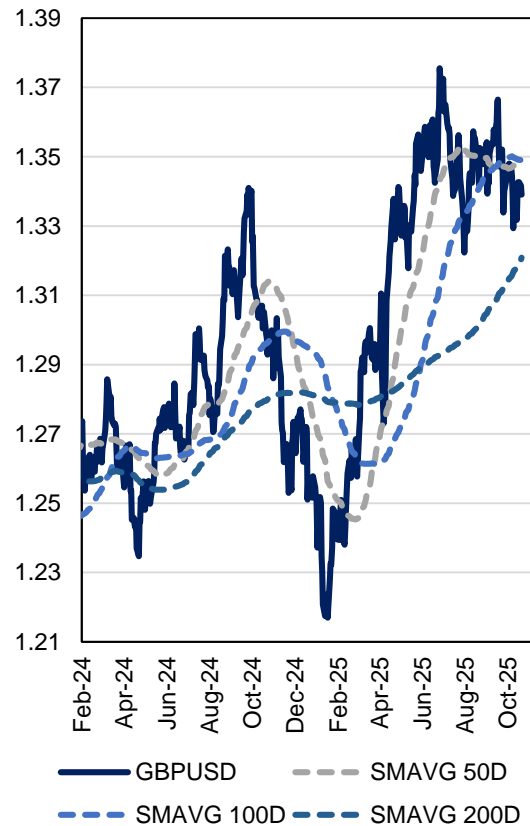
Moving average

EURUSD holds above key moving averages, GBPUSD slipped while USDJPY had a breakout.

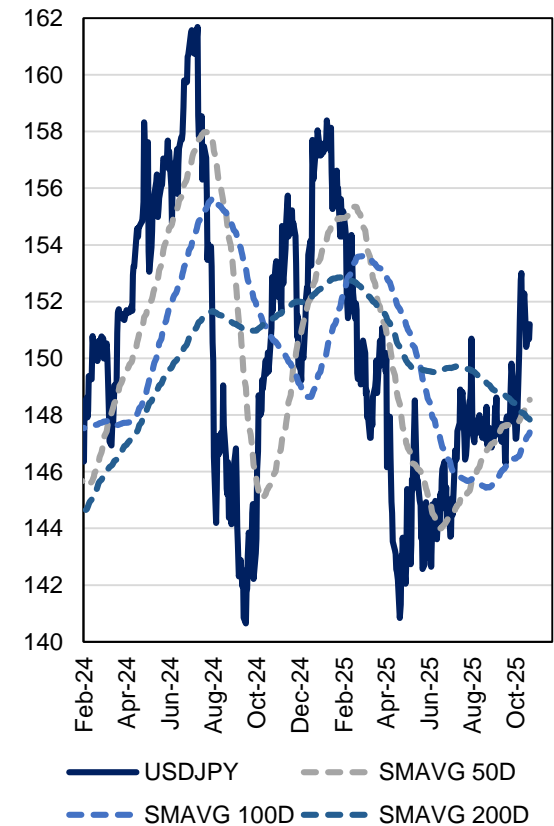
EURUSD moving average



GBPUSD moving average



USDJPY moving average

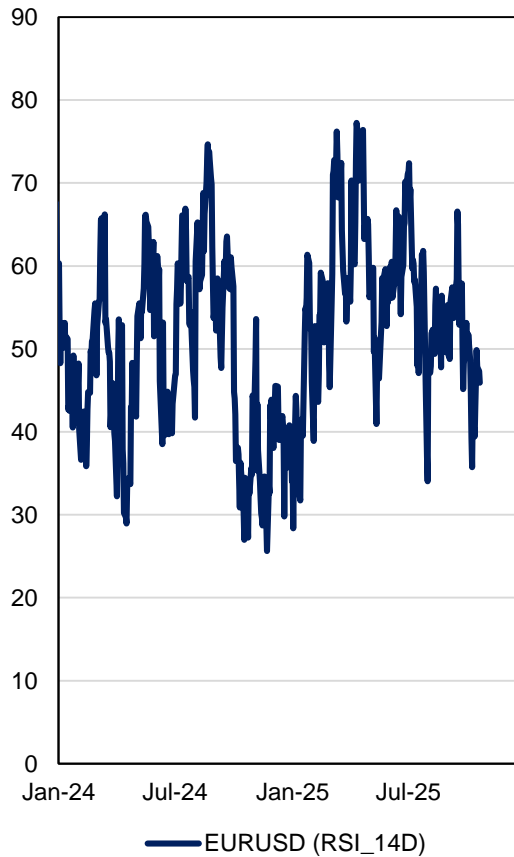


Source: Bloomberg and ADCB Asset Management

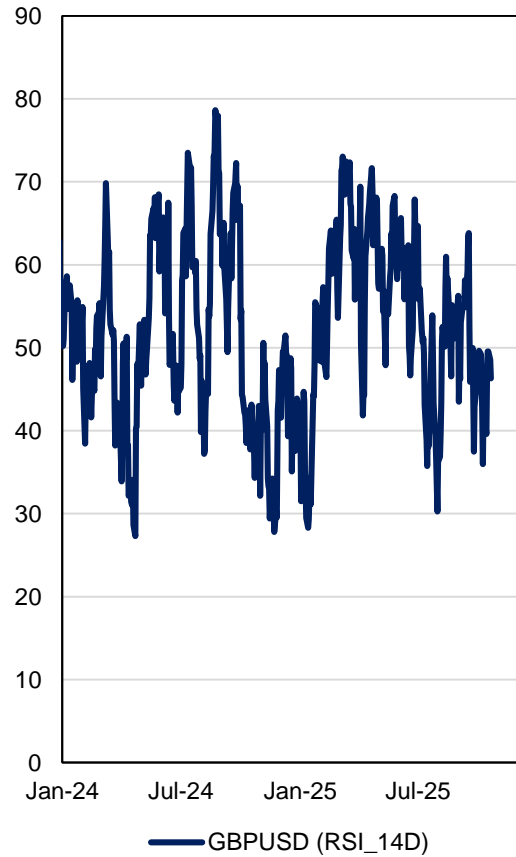
Relative strength index indicator

RSI indicator signals neutral momentum across major FX pairs.

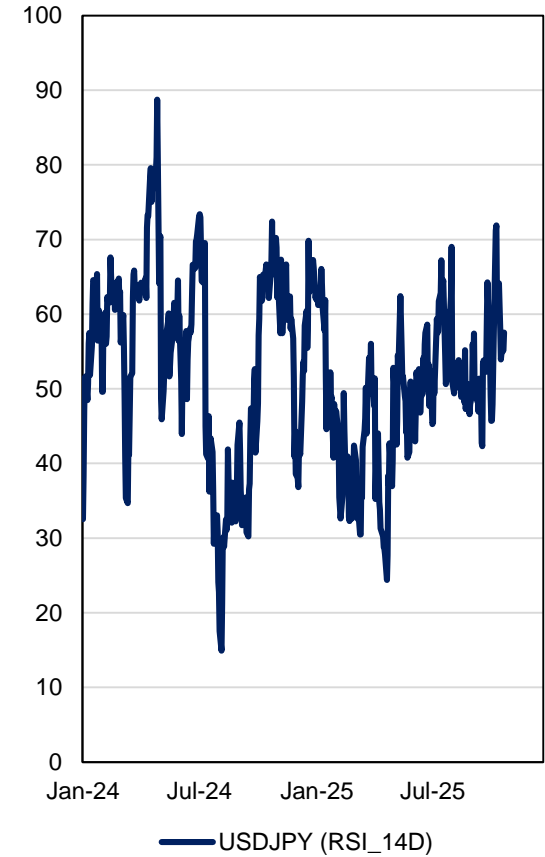
EURUSD (RSI_14D)



GBPUSD (RSI_14D)



USDJPY (RSI_14D)



Source: Bloomberg and ADCB Asset Management

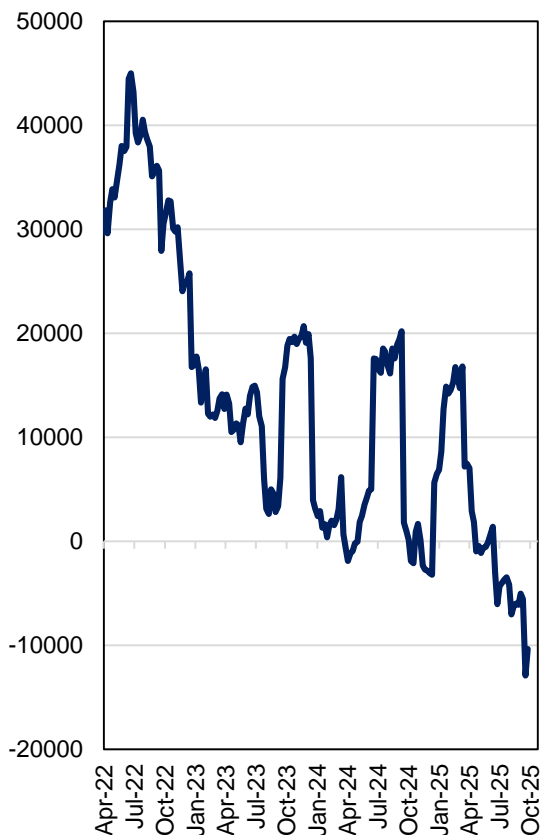
Positioning

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.

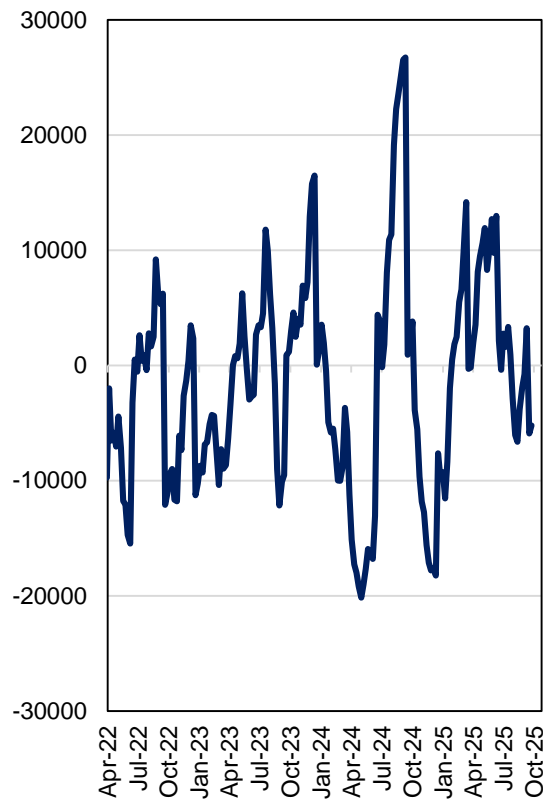
FX positioning- USD

USD short positions remained stable.

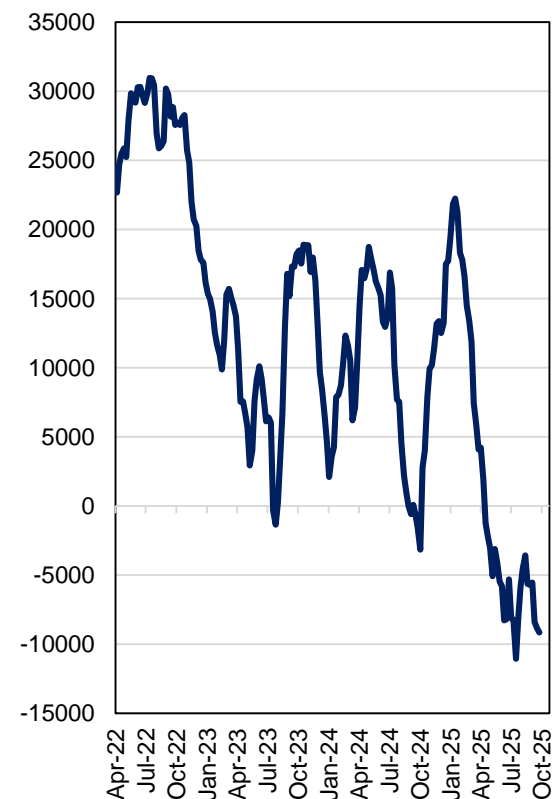
Non-commercial Net futures position for USD Index



Leveraged Funds Net futures position for USD Index



Asset Manager Institutional Net futures position for USD index

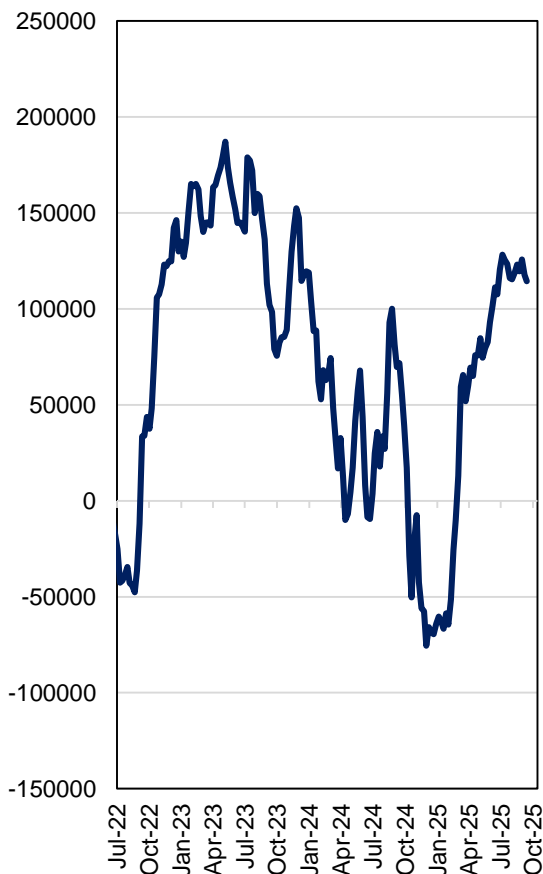


Source: Bloomberg and ADCB Asset Management

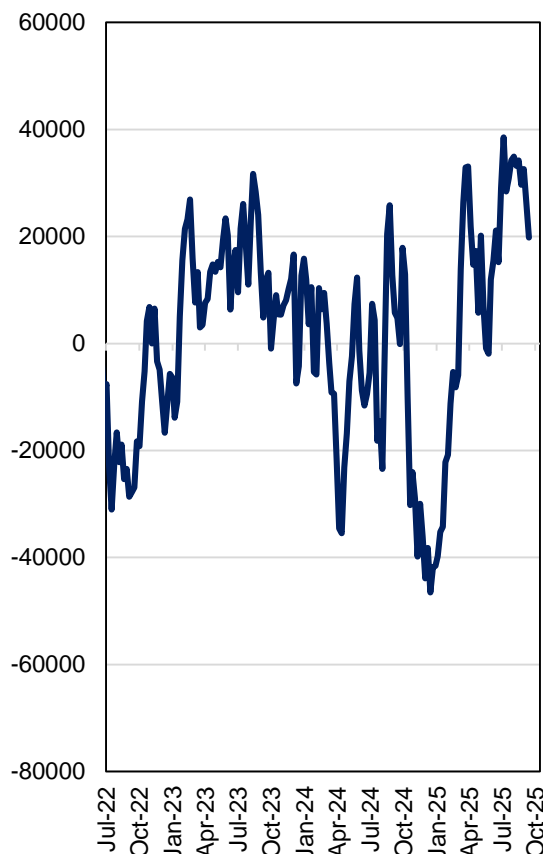
FX positioning- EUR

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

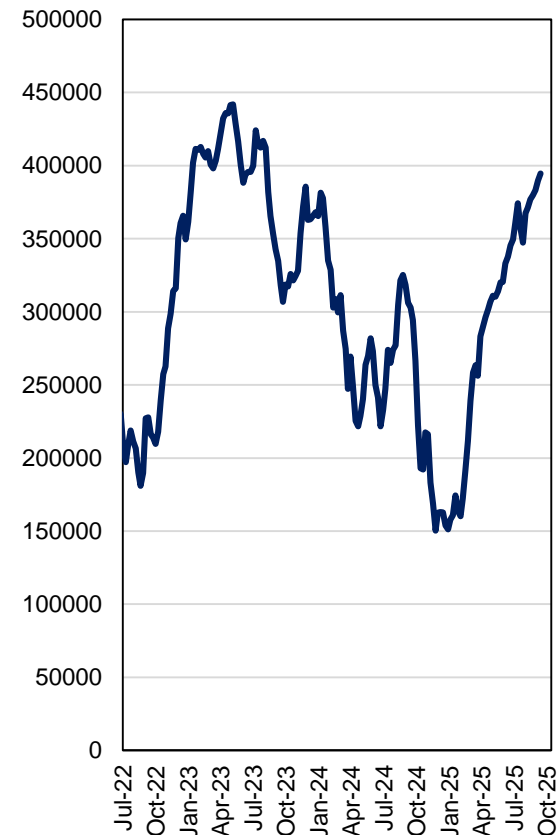
Non-commercial net futures position in Euro FX



Leveraged funds net futures position in Euro FX



Asset Manager Institutional net futures position in Euro FX

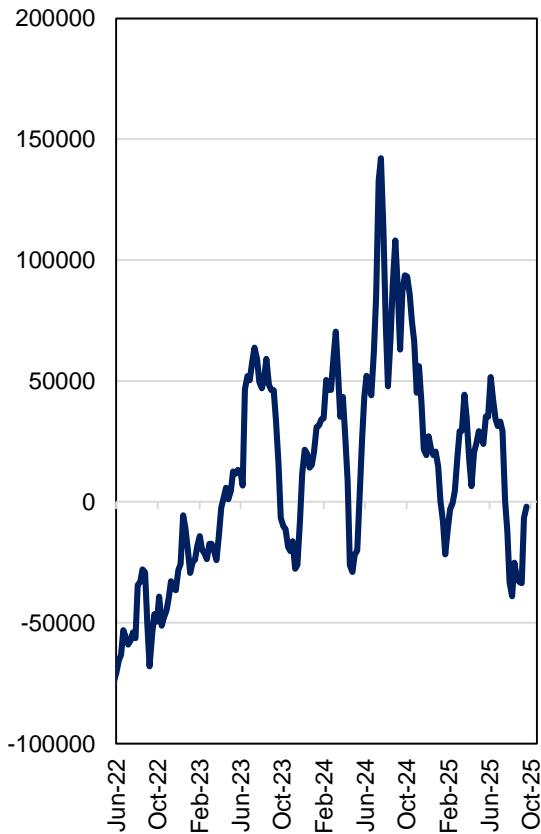


Source: Bloomberg and ADCB Asset Management

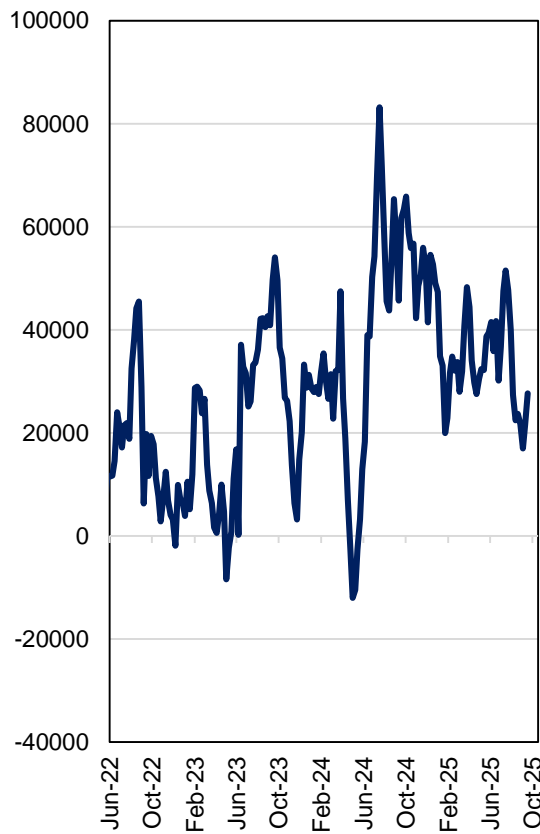
FX positioning- GBP

Institutional investors added to GBP positions.

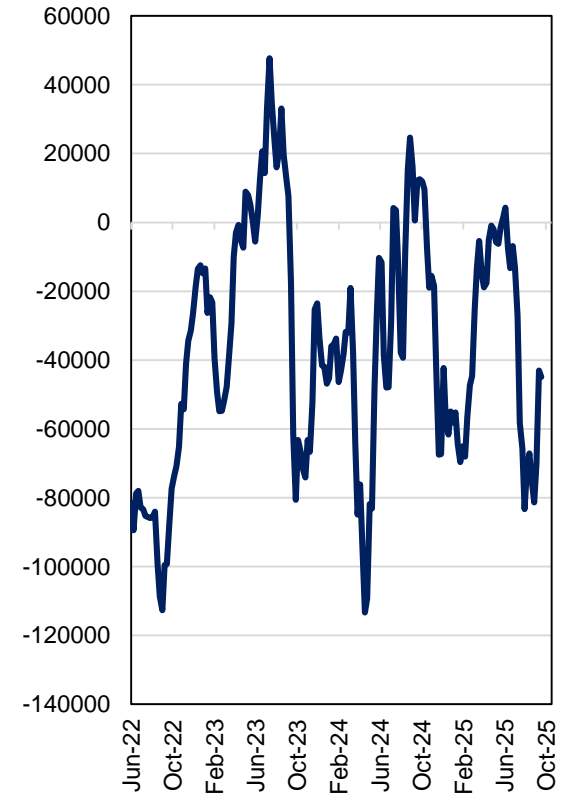
Non-commercial net futures position in Pound Sterling



Leveraged funds net futures position in Pound Sterling



Asset Manager Institutional net futures position in Pound Sterling

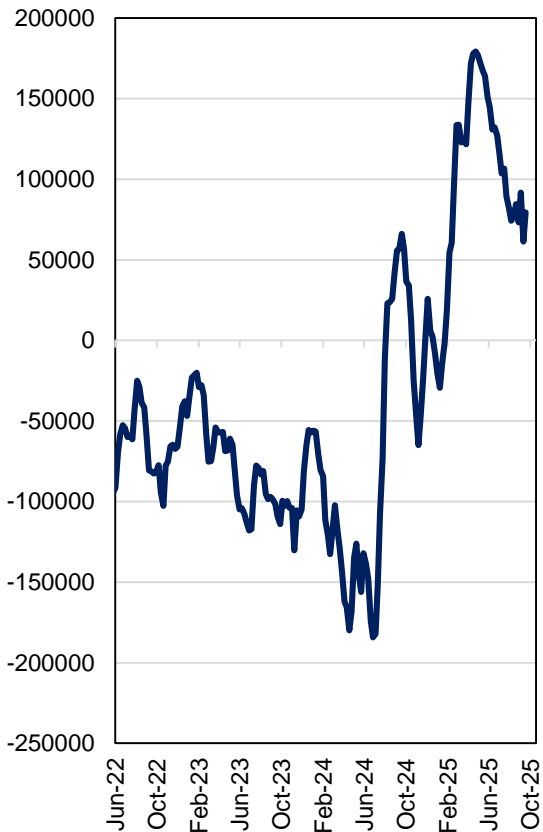


Source: Bloomberg and ADCB Asset Management

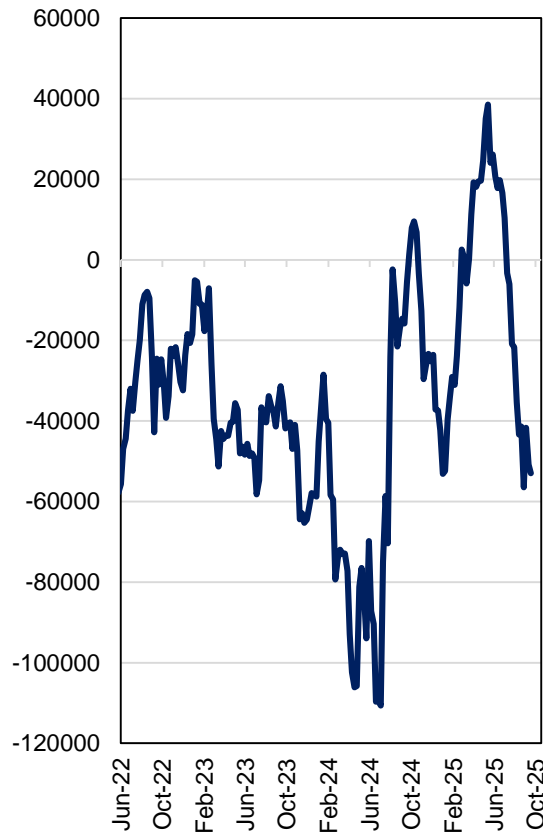
FX positioning- JPY

Leveraged funds increase short positions in JPY.

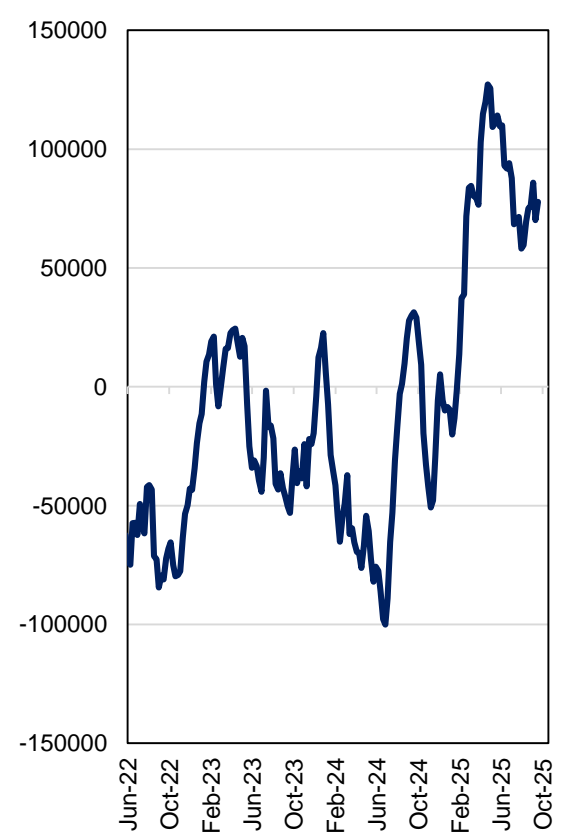
Non-commercial net futures position in JPY



Leveraged funds net futures position in JPY



Asset Manager Institutional net futures position in JPY



Source: Bloomberg and ADCB Asset Management

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