

# Global FX Monthly Outlook

Potential US macro weakness and ECB & BoE status quo likely to support gains

## EUR (1.091) ▲

- Initially pressured by uncertainty surrounding the French election and weakening below the 1.07/USD level, the EUR rebounded above the 1.09 mark despite the unexpected hung parliament outcome. The primary catalyst for this recovery was USD weakness, driven by cooler-than-anticipated US June CPI readings and Fed's dovish commentary. Mixed EU economic data has pushed market expectations of the ECB's next rate cut decision to September, further supporting the euro.
- With the ECB not expected to cut rates this Thursday, especially in light of rising wage growth and persistent services inflation, the euro may stabilise around the 1.09/USD level. This is particularly likely given the ongoing downside risks for the USD. Continued signs of economic weakness in the US, which may bolster the case for a September rate cut by the Fed, could further support the euro. However, the ongoing political limbo in the eurozone may limit these gains.

## GBP (1.298) ▲

- The pound traded weak within a narrow range of 1.265 to 1.270 in the last week of June, impacted by the spillover from EU political risk. However, the safe-haven demand for the USD was short-lived as soft US data dragged the USD index below the 105.0 level, enabling the sterling to strengthen close to the 1.300/USD threshold. The pound also found support from robust UK GDP reading for May and a hawkish narrative from the Bank of England, which highlighted upside risks in services inflation and cast doubt on an August rate cut.
- Despite expectations that UK inflation would trend lower than the BoE target at 1.9% YoY (May: 2.0%), uncertainty around wage growth, particularly regarding the minimum wage plan, may continue to exert upward pressure on prices. We believe that without a significantly lower inflation reading, the BoE may remain cautious and keep rates unchanged in August, which would support the pound above the 1.300 level. Combined with weaker US data, particularly on spending and inflation, this could bolster the case for a stronger GBP in the near term.

Table 1: Currencies Outlook

Long Term*							
	Q2-24	Q3-24F	Q4-24F	Q1-25F	Q2-25F	Q3-25F	Trend
EURUSD	1.071	1.087	1.104	1.120	1.137	1.155	▲
GBPUSD	1.265	1.284	1.303	1.323	1.342	1.363	▲
Short Term (Technical)							
	RSI (14)	EMA (21)	R1	R2	S1	S2	Trend
EURUSD	63.634	1.080	1.083	1.095	1.064	1.057	▼
GBPUSD	71.869	1.278	1.274	1.283	1.260	1.255	▼

Signal for Base Currency Trend = ▲ Bullish — Neutral ▼ Bearish

\*F=Forecasts for end of period

Source: Kenanga Research, Bloomberg

RSI (14): 14-day Relative Strength Index

Measures the speed and magnitude of a security's recent price changes to evaluate overvalued or undervalued conditions. A reading of 75 or above indicates an overbought situation while a reading of 25 or below indicates an oversold condition.

EMA (21): 21-day Exponential Moving Average

EMA gives more weight to the most recent periods, places more emphasis on what has been happening lately. Old data points retain a multiplier even if they are outside of the selected data series length.

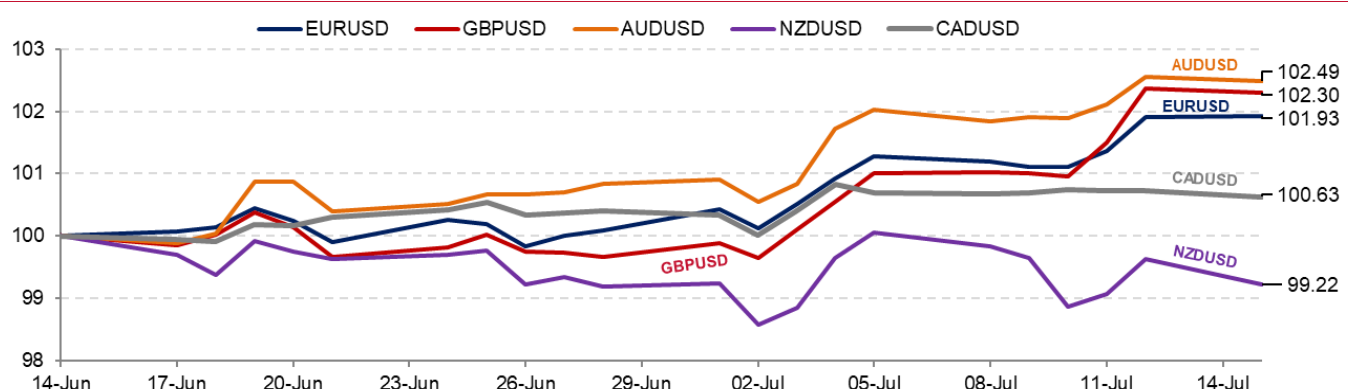
$$EMA = (P \times \alpha) + [Previous EMA \times (1 - \alpha)]$$

Table 2: Key Macroeconomic Indicators (Latest Data)

Countries	Inflation Rate (% YoY)	Unemployment Rate (%)	GDP (% QoQ)	Interest Rate (%)	10-year Government Bond Yield (%)
Euro area	2.5 (May: 2.6)	6.4 (Apr: 6.4)	0.3 (4Q23: -0.1)	4.25	3.09 (end-Jun: 3.20)
United Kingdom	2.0 (Apr: 2.3)	4.4 (Mar: 4.3)	0.7 (4Q23: -0.3)	5.25	4.10 (end-Jun: 4.17)

Source: Kenanga Research, Bloomberg

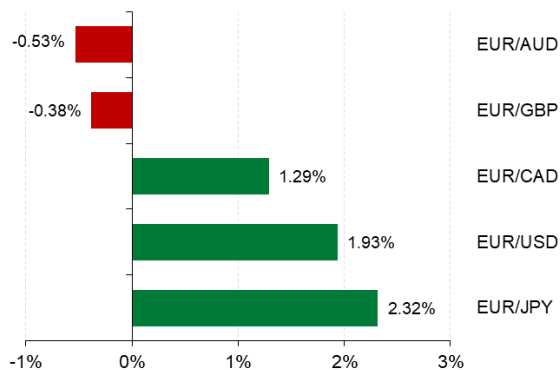
Graph 1: Monthly Global FX Indices Trend



Source: Kenanga Research, Bloomberg

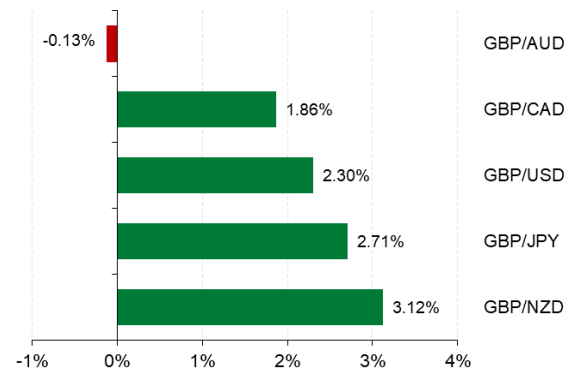
16 July 2024

Graph 2: Monthly Performance of Core Pairs (EUR)\*



Source: Kenanga Research, Bloomberg  
\*Start date: 14 June, End date: 15 July

Graph 3: Monthly Performance of Core Pairs (GBP)\*



Source: Kenanga Research, Bloomberg  
\*Start date: 14 June, End date: 15 July

Table 3: Key Major Data Release And Policy Announcement for the Month

Date	Country	Indicator	Previous	Consensus/Forecast
16/7/2024	US	Retail Sales (JUN)	0.1% MoM	-0.2% MoM
17/7/2024	UK	Inflation Rate (JUN)	2.0% YoY	1.9% YoY
17/7/2024	US	Building Permits Preliminary (JUN)	1.399m	1.400m
18/7/2024	UK	Unemployment Rate (MAY)	4.4%	4.4%
18/7/2024	EA	ECB Interest Rate Decision	4.25%	4.25% (status quo)
19/7/2024	UK	Retail Sales (JUN)	2.9% MoM	-0.6% MoM
25/7/2024	US	Durable Goods Orders (JUN)	0.1% MoM	0.5% MoM
26/7/2024	US	Core PCE Price Index (JUN)	0.1% MoM	0.2% MoM
30/7/2024	EA	GDP Growth Rate (Flash)	0.3% QoQ	N/A
31/7/2024	EA	Inflation Rate Flash (JUL)	2.5% YoY	N/A
1/8/2024	US	Fed Interest Rate Decision	5.50%	5.50% (status quo)
1/8/2024	UK	BoE Interest Rate Decision	5.25%	5.25% (status quo)
2/8/2024	US	Non Farm Payrolls (JUL)	206.0k	N/A
13/8/2024	US	PPI (JUL)	0.2% MoM	N/A
14/8/2024	US	Core Inflation Rate (JUL)	0.1% MoM	N/A
15/8/2024	US	GDP Growth Rate Preliminary (Q2)	0.7% QoQ	N/A

Source: Kenanga Research, Trading Economics, Bloomberg

#### For further information, please contact:

**Wan Suhaimie Wan Mohd Saidie**  
Head of Economic Research  
[wansuhaimi@kenanga.com.my](mailto:wansuhaimi@kenanga.com.my)

**Muhammad Saifuddin Sapuan**  
Economist  
[saifuddin.sapuan@kenanga.com.my](mailto:saifuddin.sapuan@kenanga.com.my)

**Afiq Asyraf Syazwan Abd. Rahim**  
Economist  
[afiqasyraf@kenanga.com.my](mailto:afiqasyraf@kenanga.com.my)

**Nurul Hanees Hairulkama**  
Economist  
[nurulhanees@kenanga.com.my](mailto:nurulhanees@kenanga.com.my)

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may affect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**  
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)