

# Global FX Monthly Outlook

Global currencies under pressure amid a resurgence in COVID-19 infections

### EUR (1.174) ▼

- EUR plunged by nearly 3.0% to its lowest level in nearly five months in March due to the fresh lockdowns across Europe with France calling for a 3<sup>rd</sup> national lockdown and the continent's slow rollout of COVID-19 vaccines. In addition, ECB's decision to accelerate the pace of its bond-buying program coupled with rising US Treasury yields, has pushed the EUR lower.
- Fears that the EU's economic recovery will be lagging behind the rest of other economies due to its new lockdown measures and slow vaccination program is expected to cap the upside for the EUR this month. Also, the widening differentials between US and Europe bond yields may put further pressure on the bloc's currency.

### GBP (1.376) ▼

- GBP weakened against the USD last month, due to a persistent rise in US Treasury Yields and disappointing UK unemployment and inflation data. The sterling retreated despite an upbeat tone by the Bank of England and a steady decline of local COVID-19 infections.
- GBP may continue to trade lower against the USD this month. The UK's successful ongoing vaccination drive may be at risk amid concerns that the EU will reduce doses sent to Britain, as it struggles with its own vaccination campaign. Any significant slowdown in the UK's vaccine distribution would weigh heavily on Cable.

### AUD (0.762) ▼

- AUD softened on heightened US economic recovery prospect, masking the support from a stronger-than-expected employment data and the RBA's decision to bring forward some of its bonds purchases.
- AUD is expected to ease further as risk sentiment could be dampened by the US-CN trade jitters and worries over a third wave of COVID-19 infections in Europe. Nonetheless, elevated commodity prices may limit the downfall.

### NZD (0.700) ▼

- NZD depreciated in March to a level last seen in November 2020 after the government introduced measures to cool its housing market. In addition, rising US treasury yields and the third wave of COVID-19 infections in Europe also weighed on the kiwi.
- NZD is expected to remain under pressure in April mainly due to rising new infections in Europe and some parts of the world, which may threaten the path of global economic recovery.

Table 1: Currencies Outlook

	Long Term*					
	Q1-21	Q2-21F	Q3-21F	Q4-21F	Q1-22F	OUTLOOK
EURUSD	1.174	1.223	1.225	1.227	1.228	▲
GBPUSD	1.376	1.419	1.421	1.423	1.424	▲
AUDUSD	0.762	0.801	0.803	0.804	0.806	▲
NZDUSD	0.700	0.735	0.729	0.725	0.721	▲
CADUSD	0.794	0.806	0.808	0.809	0.809	▲

	Short Term (Technical)					OUTLOOK
	EMA (21)	R1	R2	S1	S2	
EURUSD	1.188	1.197	1.220	1.162	1.150	▲
GBPUSD	1.383	1.393	1.410	1.365	1.354	▲
AUDUSD	0.769	0.775	0.789	0.755	0.748	▲
NZDUSD	0.710	0.719	0.739	0.689	0.679	▲
CADUSD	0.795	0.804	0.814	0.786	0.778	▲

Signal for Base Currency Trend = ▲ Bullish    — Neutral    ▼ Bearish  
 \*F=Forecasts for end of period  
 Source: Kenanga Research, Bloomberg

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.

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

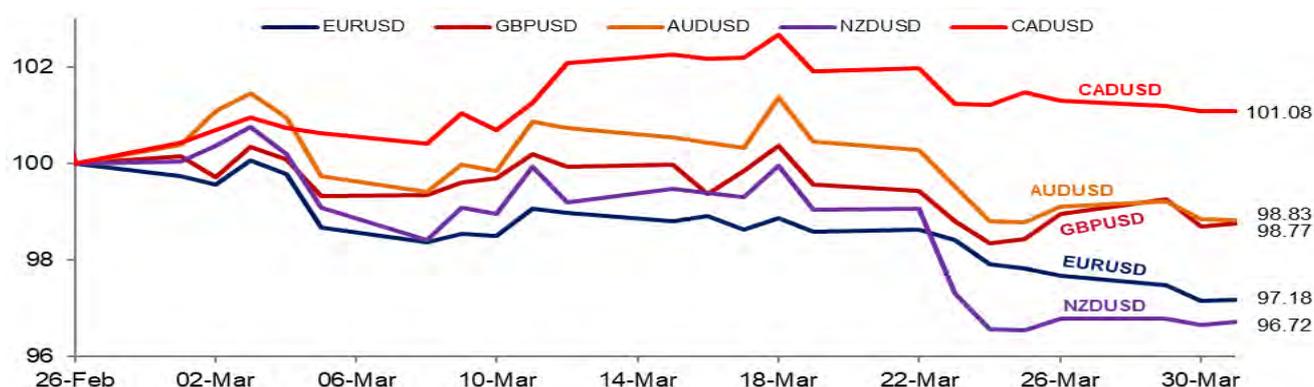
Table 2: Upcoming Major Data Release

Date	Currency	Indicator
01/04/2021	AUD	Balance of Trade (FEB)
02/04/2021	USD	Non Farm Payrolls (MAR)
06/04/2021	AUD	Interest Rate Decision
07/04/2021	USD	Balance of Trade (FEB)
12/04/2021	GBP	Balance of Trade (FEB)
12/04/2021	EUR	Retail Sales (FEB)
13/04/2021	USD	Inflation (MAR)
14/04/2021	AUD	Consumer Confidence (APR)
14/04/2021	NZD	Interest Rate Decision
15/04/2021	AUD	Unemployment Rate (MAR)
15/04/2021	USD	Retail Sales (MAR)
16/04/2021	EUR	Balance of Trade (FEB)
16/04/2021	EUR	Inflation (MAR)
20/04/2021	GBP	Claimant Count (MAR)
21/04/2021	GBP	Inflation (MAR)
22/04/2021	EUR	Interest Rate Decision
23/04/2021	GBP	Consumer Confidence (APR)
23/04/2021	GBP	Retail Sales (MAR)
26/04/2021	USD	Durable Goods Orders (MAR)
28/04/2021	AUD	Inflation (Q1)
29/04/2021	USD	Interest Rate Decision
30/04/2021	USD	Personal Income (MAR)
30/04/2021	EUR	Unemployment Rate (MAR)
30/04/2021	AUD	PPI (Q1)

Source: Kenanga Research, Trading Economics

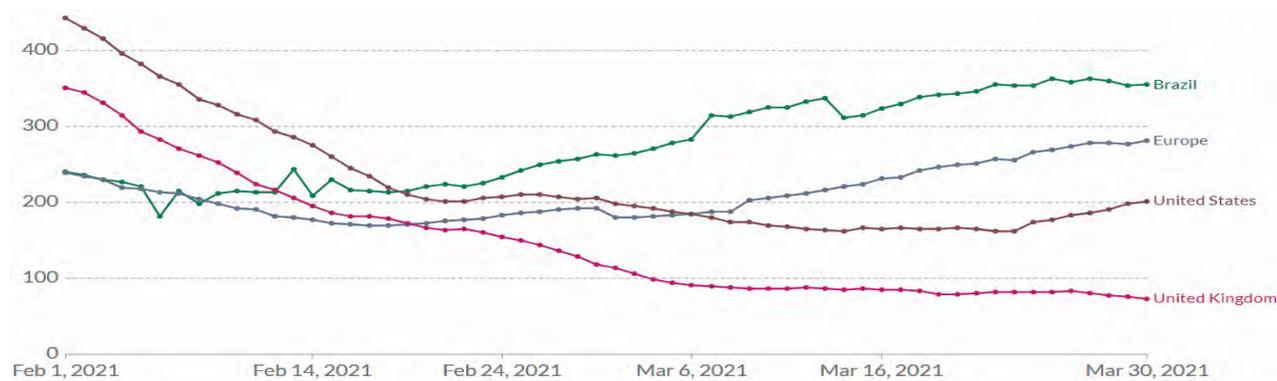
01 April 2021

Graph 1: Monthly Global FX Indices Trend



Source: Kenanga Research, Bloomberg

Graph 2: Daily New COVID-19 Cases per Million People\*



Source: Our World In Data (Johns Hopkins University), Kenanga Research, \*Rolling 7-day average

### New wave of COVID-19 infections in Europe may lead to return of risk-off sentiment

- The number of COVID-19 infections across Europe has been on the rise since early March, with daily new cases doubling from 101.69k on 1-March to 204.85k by 30-March. This has led to several European countries re-introducing or extending lockdown measures, as Germany extended its current restrictions until 18-April and several regions of France went into a new month-long lockdown. It is not surprising if France goes into a 3<sup>rd</sup> nationwide lockdown.
- This rise in cases comes amid concerns of new variants of COVID-19, some of which are more infectious, spreading throughout the continent even as Europe struggles with a slow vaccine rollout. Coupled with worsening COVID-19 situations elsewhere in the world, such as in Brazil, a return to risk-off sentiment is on the cards.
- Indeed, the USD has already begun to experience safe-haven demand with the US Dollar Index (DXY) increasing 1.57% between 22-March and 30-March, even as the Euro fell to its lowest level in nearly five months. As such, it is likely that USD and other safe-haven assets, such as gold, will strengthen this month at the expense of other global currencies.

#### For further information, please contact:

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

**Atiqa Noor Azlan**  
Economist  
[atiqa.noorazlan@kenanga.com.my](mailto:atiqa.noorazlan@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)

**Zalman Basree**  
Research Assistant

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**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)