

# Global FX Monthly Outlook

Poised to extend gains on vaccine-driven recovery optimism

## EUR (1.202) ▲

- EUR reversed March's losses and gained 2.43% against the greenback as the USD index fell by more than 2.0% (end-Apr: 91.3; end-Mar: 93.2) on the back of Fed's dovish message and declining US Treasury yields. In addition, strong Eurozone flash PMI reading and an accelerating pace of COVID-19 vaccination in the Europe has helped to support EUR's upward momentum.
- EUR may extend its gains in May on further easing of COVID-19 restrictions and a faster COVID-19 vaccine rollout in the Europe, coupled with a potential USD bearish continuation. Also, any positive progress on the EU recovery funding plan may help to further lift the bloc's currency.

## GBP (1.382) ▲

- GBP appreciated last month, amid USD weakness and supported by the UK's improving COVID-19 situation. Over half of Britain's population have received at least one vaccine shot, which has led to the further relaxation of lockdown restrictions.
- GBP may continue to strengthen against the USD in May, as Britain's vaccination campaign is expected to accelerate further. Nonetheless, Cable's performance will likely depend on the Bank of England's upcoming monetary policy meeting, as it may potentially begin reducing the pace of its bond purchases.

## AUD (0.772) ▲

- AUD traded higher on an 11-year high consumer sentiment and upbeat jobs data, amid a weaker greenback. Lending further support was the surge in iron prices, boosted by robust demand from China.
- AUD is expected to remain buoyed by strong commodity prices and continued dovish rhetoric by the Fed. Nevertheless, pressure remains arising from a strained relation with CN, made worse by the cancellation of the Belt and Road deals.

## NZD (0.716) ▲

- NZD strengthened in April, driven by higher commodity prices and pickup in trade activity on the back of global economic recovery despite rising COVID-19 cases globally. The performance also associated with weaker USD as Treasury yields dropped on dovish US Fed.
- NZD is expected to further appreciate against the USD this month on the back of global vaccination progress and dovish US Fed. Nonetheless, the upside would be limited due to the fears of surging COVID-19 cases and its new strain in some parts of the world.

Table 1: Currencies Outlook

	Long Term*					OUTLOOK
	Q1-21	Q2-21F	Q3-21F	Q4-21F	Q1-22F	
EURUSD	1.174	1.213	1.217	1.219	1.222	▲
GBPUSD	1.376	1.396	1.399	1.403	1.405	▲
AUDUSD	0.762	0.782	0.786	0.790	0.793	▲
NZDUSD	0.700	0.723	0.720	0.718	0.716	▲
CADUSD	0.794	0.813	0.815	0.815	0.815	▲

	Short Term (Technical)					OUTLOOK
	EMA (21)	R1	R2	S1	S2	
EURUSD	1.200	1.218	1.235	1.180	1.157	▼
GBPUSD	1.386	1.396	1.410	1.370	1.357	▲
AUDUSD	0.772	0.782	0.792	0.759	0.746	—
NZDUSD	0.716	0.729	0.742	0.701	0.685	—
CADUSD	0.802	0.821	0.827	0.800	0.786	▼

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.

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

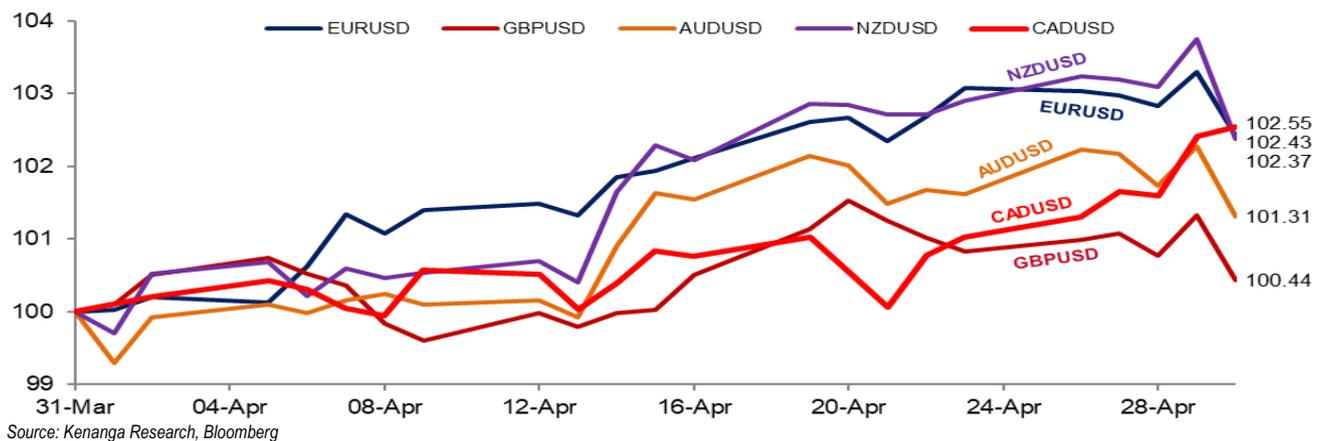
Table 2: Upcoming Major Data Release

Date	Currency	Indicator
04/05/2021	AUD	Balance of Trade (MAR)
04/05/2021	AUD	Interest Rate Decision
04/05/2021	USD	Balance of Trade (MAR)
05/05/2021	NZD	Unemployment (Q1)
06/05/2021	EUR	Retail Sales (MAR)
06/05/2021	GBP	Interest Rate Decision
07/05/2021	USD	Non-Farm Payrolls (APR)
10/05/2021	AUD	Business Confidence (APR)
12/05/2021	AUD	Consumer Confidence (MAY)
12/05/2021	GDP	Balance of Trade (MAR)
12/05/2021	USD	Inflation (APR)
14/05/2021	USD	Retail Sales (APR)
18/05/2021	GBP	Claimant Count (APR)
18/05/2021	EUR	Balance of Trade (MAR)
19/05/2021	GBP	Inflation (APR)
19/05/2021	EUR	Inflation (APR)
20/05/2021	AUD	Unemployment (APR)
21/05/2021	GBP	Retail Sales (APR)
21/05/2021	GBP	Consumer Confidence (MAY)
26/05/2021	AUD	Balance of Trade (APR)
26/05/2021	AUD	Interest Rate Decision
27/05/2021	USD	Durable Goods Orders (APR)
28/05/2021	USD	Personal Income (APR)
28/05/2021	EUR	Consumer Confidence (MAY)

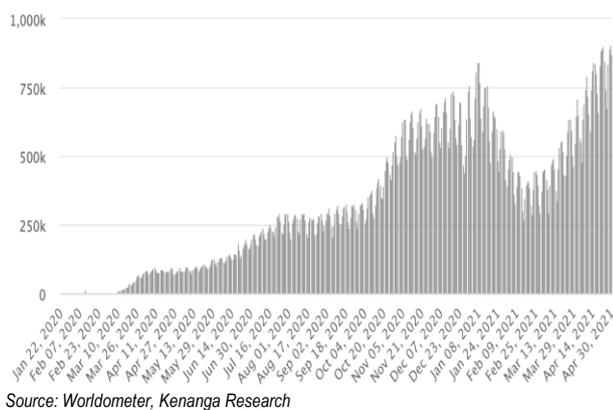
Source: Kenanga Research, Trading Economics

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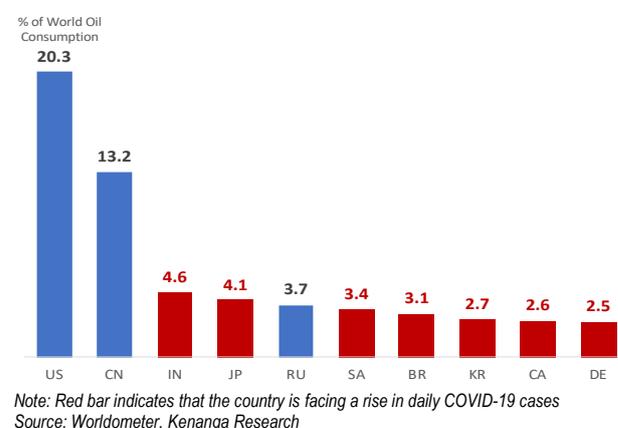
Graph 1: Monthly Global FX Indices Trend



Graph 2: Daily New COVID-19 Cases Worldwide



Graph 2: Top-10 Oil Consumers Globally



### Daily COVID-19 cases on the rise, casting worries over global oil demand

- Daily global COVID-19 cases have been on the rise since end-Feb, rebounding from around 361.0k cases (7-day moving average) to 826.0k cases on 30<sup>th</sup> April. This has been underpinned among others by nations that register within the world's ten-largest oil consumers. Specifically, seven out of these ten countries, accounting for about 23.0% of global oil consumption, have observed a resurgence in daily COVID-19 cases, resulting in tighter lockdown measures.
- Though oil demand from these nations may be curbed, persistent economic recovery in the US and CN are expected keep oil prices elevated, as observed in the stable average Brent crude oil price in April (USD65.3/barrel; Mar: USD65.7).
- Further supporting this trajectory is the weaker dollar trend amid Biden's tax hikes proposal and OPEC+ optimism, conveyed via its decision to retain the planned easing of production curbs beginning May. Against this backdrop, we expect commodity-linked currencies to remain buoyed in the immediate term.

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