

Global FX Monthly Outlook

To stay rangebound on expectation of stable Fed rate outlook, hawkish shift possible

EUR (1.089) ▲

- Despite slow growth, particularly in Germany, the EUR rose above 1.09/USD threshold on March 7. This was after the European Central Bank (ECB) kept its policy rate unchanged without hinting at future rate cuts, while Fed Chair Powell reiterated that rate reductions were still under considerations for this year. However, persistent high inflation data in the US dragged the bloc's currency below the 1.09 level again on March 15.
- The DXY might gain support from an anticipated neutral stance by the Fed in its upcoming FOMC meeting this week. Meanwhile, the EUR is expected to remain range-bound against the USD, as it is unlikely the ECB will offer clear policy direction in its April meeting. Spring wage negotiation data will be crucial for the ECB when considering its first rate cut. Yet, the Eurozone's relatively weak macroeconomic readings may restrain the bloc's currency gains.

GBP (1.274) —

- Strong UK GDP figures and with the Fed's dovish stance, despite solid US data on inflation, jobs, and growth, have pushed the GBPUSD to nearly an eight-month peak of 1.286 on March 8. However, a slowing UK wage growth, coupled with a rising unemployment rate, has heightened expectations for a Bank of England (BoE) rate cut in June. This anticipation has contributed to the GBP weakening to the 1.270 level.
- With the BoE indicating a cautious approach to rate cuts, preferring to maintain current levels this week, positive UK macro data could mitigate further GBP declines. The notion that the BoE might delay rate cuts until after the Fed acts could also support GBP's current level. However, should the Fed adjust its projections towards a more hawkish stance, the GBP might weaken, potentially falling below the 1.25 mark.

Table 1: Currencies Outlook

	Long Term*						Trend
	Q4-23	Q1-24F	Q2-24F	Q3-24F	Q4-24F	Q1-25F	
EURUSD	1.104	1.088	1.115	1.132	1.149	1.166	▼
GBPUSD	1.273	1.272	1.304	1.324	1.344	1.364	▼

	Short Term (Technical)						Trend
	RSI (14)	EMA (21)	R1	R2	S1	S2	
EURUSD	53.852	1.088	1.090	1.095	1.074	1.065	—
GBPUSD	52.719	1.273	1.271	1.277	1.257	1.248	—

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.

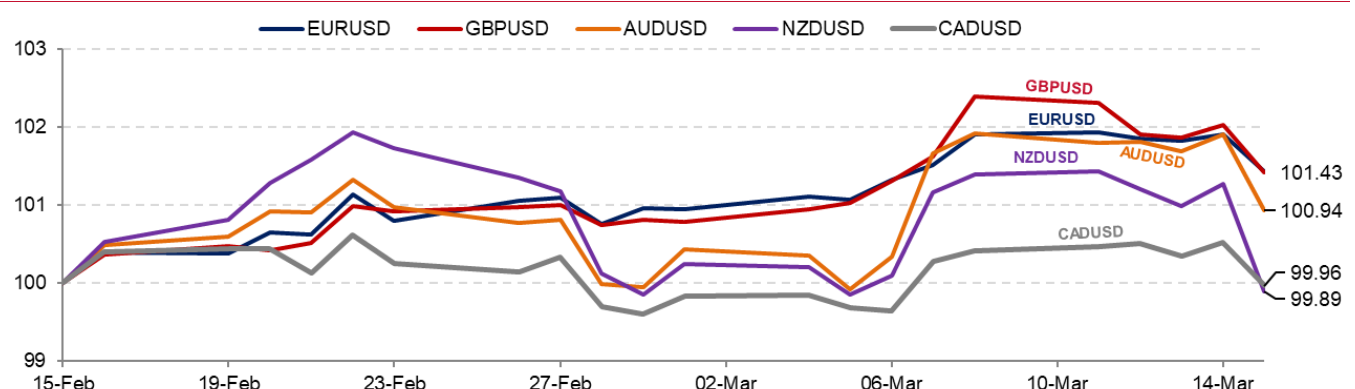
$$EMA = (P \times \alpha) + [Previous EMA \times (1 - \alpha)]$$

Table 2: Key Macroeconomic Indicators (Latest Data)

Countries	Inflation Rate (% YoY)	Unemployment Rate (%)	GDP (% QoQ)	Interest Rate (%)	10-year Government Bond Yield (%)
Euro area	2.8 (Jan: 2.8)	6.4 (Dec: 6.5)	0.0 (3Q23: -0.1)	4.50	3.01 (end-Feb: 3.06)
United Kingdom	4.0 (Dec: 4.0)	3.9 (Dec: 3.8)	-0.3 (3Q23: -0.1)	5.25	4.09 (end-Feb: 4.12)

Source: Kenanga Research, Bloomberg

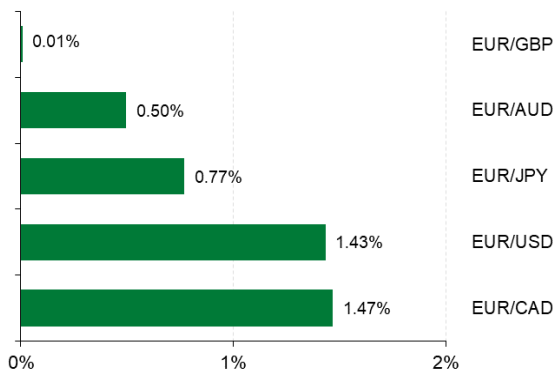
Graph 1: Monthly Global FX Indices Trend



Source: Kenanga Research, Bloomberg

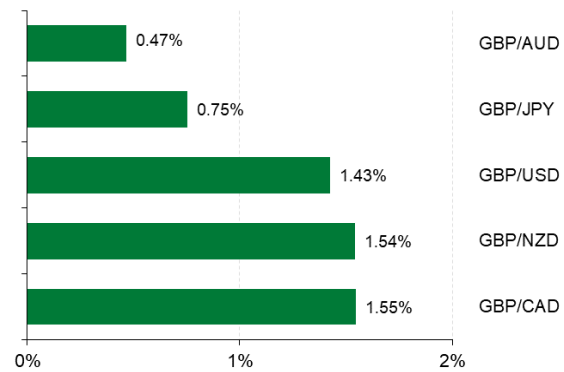
19 March 2024

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



Source: Kenanga Research, Bloomberg
*Start date: 15 February, End date: 15 March

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



Source: Kenanga Research, Bloomberg
*Start date: 15 February, End date: 15 March

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

Date	Country	Indicator	Previous	Consensus/Forecast
19/3/2024	US	Building Permits Preliminary (FEB)	1.489m	1.500m
20/3/2024	UK	Inflation Rate (FEB)	4.0% YoY	3.5% YoY
21/3/2024	US	Fed Interest Rate Decision	5.50%	5.50% (status quo)
21/3/2024	UK	BoE Interest Rate Decision	5.25%	5.25% (status quo)
21/3/2024	US	S&P Global Manufacturing PMI Flash (MAR)	52.2	51.8
22/3/2024	UK	Retail Sales (FEB)	3.4% MoM	-0.4% MoM
28/3/2024	US	Core PCE Price Index (FEB)	0.4% MoM	0.3% MoM
2/4/2024	US	JOLTs Job Openings (FEB)	8.863m	N/A
3/4/2024	EA	Inflation Rate Flash (MAR)	2.6% YoY	N/A
5/4/2024	US	Non Farm Payrolls (MAR)	275.0k	N/A
10/4/2024	US	Core Inflation Rate (MAR)	0.4% MoM	N/A
11/4/2024	US	FOMC Minutes	N/A	N/A
11/4/2024	EA	ECB Interest Rate Decision	4.50%	4.50% (status quo)
11/4/2024	US	PPI (MAR)	0.6% MoM	N/A
12/4/2024	UK	GDP (FEB)	0.2% MoM	N/A
12/4/2024	US	Retail Sales (MAR)	0.6% MoM	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

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@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 E-mail: research@kenanga.com.my