

April 2024

FX MARKET BRIEF

Key Global Market Insights

ANALYSIS BY REGION

Euro-Area

- Markets continue to believe that the ECB will deliver its first interest cut at the 6th of June policy meeting. Officials have pushed back against the idea that they plan to keep reductions in line with the Federal Reserve, continuing to suggest that economic data will dictate the timing and size of cuts.

Date	Country	Economic Release/Event
11-April-24	Euro-Aggregate	ECB Main Refinancing Rate
11-April-24	Euro-Aggregate	ECB Marginal Lending Facility
11-April-24	Euro-Aggregate	ECB Deposit Facility Rate
17-April-24	Euro-Aggregate	CPI YoY
17-April-24	Euro-Aggregate	CPI MoM
17-April-24	Euro-Aggregate	CPI Core YoY
23-April-24	Euro-Aggregate	HCOB Eurozone Manufacturing PMI
23-April-24	Euro-Aggregate	HCOB Eurozone Services PMI
23-April-24	Euro-Aggregate	HCOB Eurozone Composite PMI
26-April-24	Euro-Aggregate	M3 Money Supply YoY

- Inflation remains on the correct path; however, the central bank remains wary of the strength of the euro area's labour market, with wage growth a potential roadblock to early rate cuts. Recent positive data out of Germany, particularly in the manufacturing sector, indicates that the worst may be over for the bloc's largest economy notably dampening recession concerns.
- Markets will pay close attention to the 11th of April policy meeting, in particular President Christine Lagarde's press conference with investors seeking further clues on the timing of both the first and second cuts from the ECB.

United Kingdom

- As widely expected, the BoE kept interest rates on hold at the March MPC meeting, electing to pause the benchmark rate at 5.25% for the fifth consecutive meeting. However, two of the committee's most hawkish members dropped their call for a rate hike, with none of the nine members voting for a hike for the first time since September 2021. The timing of the first rate cut from the BoE remains a hot topic, with some now suggesting that the UK may even be able to signal a reduction before the Federal Reserve.
- Inflation in the UK took a further step in the right direction, with February's CPI rising 3.4%, significantly below the previous months 4% print and an improvement on expectations of 3.5%. Lower energy bills are expected to push inflation closer to the BoE target of 2%, giving comfort to officials on the MPC to signal a rate cut in the coming months. The Swiss National Bank became the first major central bank to drop its benchmark rate leading to a repricing by markets, which currently pricing a 63% chance of a rate cut from the BoE in June.
- Markets and the BoE, however, remain nervous of inflation, and both will be anxiously watching the latest CPI report due out on 17 April, seeking confirmation that inflation continues to fall. The 9th of May BoE policy meeting appears too soon to deliver a reduction with MPC members more likely to want to review further data before delivering a cut.

Date	Country	Economic Release/Event
12-April-24	UK	GDP QoQ
12-April-24	UK	GDP YoY
12-April-24	UK	Industrial Production MoM
12-April-24	UK	Manufacturing Production MoM
16-April-24	UK	Jobless Claims Change
16-April-24	UK	ILO Unemployment Rate 3Mths
16-April-24	UK	Claimant Count Rate
17-April-24	UK	CPI YoY
17-April-24	UK	CPI MoM
17-April-24	UK	CPI Core YoY
19-April-24	UK	Retail Sales Inc Auto Fuel MoM
19-April-24	UK	Retail Sales Inc Auto Fuel YoY
23-April-24	UK	S&P Global UK Manufacturing PMI

United States

- The Federal Reserve has six remaining policy meetings in 2024, and markets are currently pricing three cuts of 25 basis points throughout the year. There has been a significant shift in the dot plot and outlook for US rates since the turn of the year when the market was suggesting up to 7 cuts of this size.

- Non-farm Payrolls for March came in above expectations at 303k and were the largest monthly change since last May, suggesting the labour market remains solid. The March inflation report will likely be closely scrutinised as it comes after two 'hot' prints in 2024. In chairman Powell's view, the disinflation journey remains bumpy and is limiting the number of cuts that the FOMC will be able to deliver.
- The recent fall in core personal consumption expenditure, the Fed's preferred gauge of underlying inflation suggests that a soft landing for the economy remains in focus. The Fed remains data dependent, although markets will also be searching the minutes of the Fed's last policy meeting for the rationale behind the recent shift in the dot plot.

Date	Country	Economic Release/Event
05-April-24	US	Change in Nonfarm Payrolls
10-April-24	US	CPI MoM
10-April-24	US	CPI YoY
10-April-24	US	MBA Mortgage Applications
10-April-24	US	FOMC Meetings Minutes
11-April-24	US	Initial Jobless Claims
12-April-24	US	U. of Mich. Sentiment
15-April-24	US	Retail Sales
16-April-24	US	Industrial Production
18-April-24	US	Initial Jobless Claims
23-April-24	US	Manufacturing, Services PMI
25-April-24	US	GDP
25-April-24	US	GDP
26-April-24	US	PCE Deflator



CURRENCY PAIRS: What is next?

EUR/USD

- Another month with EUR/USD in a tight well defined trading range. The single currency continues to be influenced by central bank policy, with the pair consolidating as traders seek direction ahead of the first cut from both the Fed and ECB. Markets appear content to allow the single currency to weaken against the greenback should the ECB cut more than the Fed.
- First support: 1.0720, key support at 1.0650
- First Resistance: 1.0920, key resistance at 1.0920



Region G10			Currency Euro				As of 04/04/24			
EURUSD			Q2 24	Q3 24	Q4 24	Q1 25	2025	2026	2027	2028
Spot	1.08	Median	1.09	1.10	1.10	1.11	1.14	1.14	1.14	1.13
Q1 24	Actual	Mean	1.09	1.09	1.10	1.11	1.14	1.14	1.14	1.14
		High	1.13	1.16	1.17	1.18	1.24	1.20	1.17	1.17
Q1 24	Forecast	Low	1.04	1.01	1.03	1.04	1.01	1.05	1.10	1.12
		Forward	1.09	1.09	1.10	1.10	1.12	1.13	1.15	1.17

Source: Bloomberg



EUR/GBP

- EURGBP continues to trade broadly within a 0.85 to 0.86 range. The pivotal level remains at 0.8550 with the pair trading water as option volatility remains at historically low levels. With the BoE currently expected to be some time behind the ECB with its first interest rate cut, the pound remains support suggesting another test of the bottom of the range.
- First support: 0.8550, key support at 0.8500
- First Resistance: 0.8600, key resistance at 0.8700



Region G10		Currency Euro / British Pound Cross					As of 04/04/24			
EUR	GBP	Q2 24	Q3 24	Q4 24	Q1 25	2025	2026	2027	2028	
Spot	.86	Median	.86	.86	.86	.87	.86	.86	.87	
Q1 24	Actual	Mean	.86	.86	.86	.87	.87	.86	.86	
		High	.89	.89	.89	.90	.95	.90	.90	
Q1 24	Forecast	Low	.82	.82	.82	.82	.82	.81	.80	
		Forward	.86	.86	.87	.87	.88	.89	.90	
									.91	

Source: Bloomberg



GBP/USD

- The month of March has been reasonably volatile for GBPUSD, with cable reacting to the ever-changing outlook for interest rates in both the US and UK. The pound made gains against the greenback towards the end of March, trading briefly through 1.28 as US treasury yields moved higher.
- The rally in cable was promptly reversed within days of reaching 1.28 as markets started to believe that the BoE may deliver more rate cuts in 2024 than the Fed.
- First Support: 1.2635; Key Support: 1.2500
- First Resistance: 1.2700; Key Resistance: 1.2800



Region	G10	Currency	British Pound	As of 04/04/24							
🇬🇧	GBPUSD	🇺🇸		Q2 24	Q3 24	Q4 24	Q1 25	2025	2026	2027	2028
Spot	1.26	Median		1.27	1.27	1.28	1.28	1.32	1.29	1.35	
Q1 24	Actual	Mean		1.27	1.27	1.28	1.28	1.32	1.32	1.34	
	1.26	High		1.33	1.36	1.37	1.38	1.42	1.40	1.39	
Q1 24	Forecast	Low		1.20	1.15	1.15	1.20	1.21	1.26	1.29	
	1.26	Forward		1.26	1.26	1.26	1.27	1.27	1.27	1.28	1.28

Source: Bloomberg



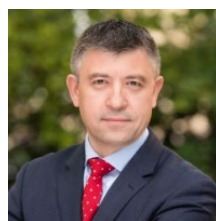
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Francisco Mioludo is a trader for GPS Capital Markets at the London office. Before joining GPS, Francisco worked in Market Risk at a commodity trading firm in London, where he gained valuable skills for his current role. Francisco looks after our EU and UK sales team with everything from analysis to structuring and pricing.

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