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# **ANALYSIS BY REGION**

### Euro-Area

- The ECB delivered another 25bp reduction at the October 17 policy meeting, taking the benchmark rate to 3.25% from 3.5%. The move was fully priced in and was the first time that the ECB had cut in consecutive policy meetings since 2011.
- Governing Council members and ECB President Christine Lagarde continue with non-committal language on the future path of interest rates, pledging "data dependant" actions on a "meeting by meeting" basis.
- Inflation in the euro-area remains close to target and there continue to be concerns over the outlook for the euro area, so further interest rate cuts in 2025 remain likely, with a 25bp cut expected at the December policy meeting.
- The victory by Donald Trump in the US elections prompted the single currency to sell off as markets expect the euro area to be particularly impacted by tariffs, with expectations of a decrease in GDP by up to 0.9%.

Date	Country	Economic Release/Event
12-Nov-24	Euro-Aggregate	German ZEO Survey
13-Nov-24	Euro-Aggregate	CPI MoM
13-Nov-24	Euro-Aggregate	CPI Core YoY
14-Nov-24	Euro-Aggregate	GDP for Q3
22-Nov-24	Euro-Aggregate	HCOB Eurozone Manufacturing PMI
22-Nov-24	Euro-Aggregate	HCOB Eurozone Composite PMI
22-Nov-24	Euro-Aggregate	HCOB Eurozone Services PMI

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# United Kingdom

- After pausing in September, The Bank of England delivered a 25bp interest rate cut at the November 7 policy meeting, taking the benchmark rate to 4.75%. The cut was expected and was voted 8-1 by MPC policymakers and came just a few days after the first Labour Party Budget in 14 years.
- The Budget detailed tax increases, with UK companies baring the brunt of much of the fiscal tightening, prompting fears of increased unemployment. Increased government borrowing made further headlines, however the act of spending the proceeds to fund greater public sector investments is expected to stoke both growth and inflation in the years to come.
- With concerns that the budget will boost inflation, markets have repriced the pace of interest rates from the BoE with yields rising, partly on the back of the budget and partly following Donald Trump's victory.
- The MPC has acknowledged that the economic outlook and the path for interest rates were highly uncertain, suggesting that interest rates would be lowered "gradually." With one more policy meeting in 2024 (December 19) markets remain uncertain on whether the MPC will provide an early Christmas gift to UK households in the form of a final interest rate cut in 2024.

Date	Country	Economic Release/Event
12-Nov-24	UK	Jobless Claims Change
20-Nov-24	UK	CPI YoY
20-Nov-24	UK	CPI MoM
20-Nov-24	UK	CPI Core YoY
22-Nov-24	UK	Retail Sales
22-Nov-24	UK	S&P Global UK PMI

# **United States**

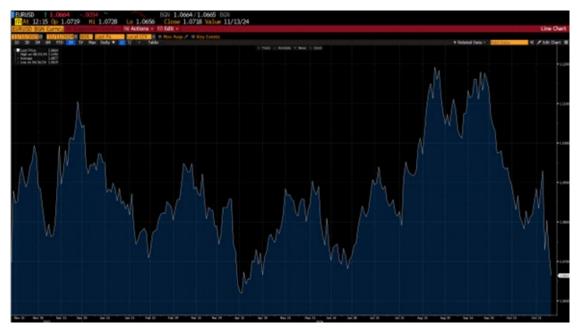
- Politics took centre stage in recent weeks, with Republican candidate Donald Trump winning the US election, securing a majority in the Senate and edging closer to overall control of US Congress.
- Just after Trump was declared President-elect, the Federal Reserve delivered a further 25bp interest rate cut, dropping the benchmark rate to a range of 4.50-4.75%. The move follows a 50bp reduction at the September meeting and was widely expected as the central bank continues with its gradual easing program. A further 25bp cut is expected at the final FOMC meeting on the year in December as officials continue to tweak policy to retain their dual mandate.
- Whilst the Trump-effect is unlikely to have much of an impact on Fed policy in the months to come, his impact on markets can already be felt two months ahead of being inaugurated as 47<sup>th</sup> President. Ahead of the election, the so called "Trump trade" helped to boost the US dollar as markets expected tariffs, which would negatively impact both China and the EU. Treasury yields have gained as inflationary fears increase with the dollar index gaining and EURUSD dropping to its lowest level in six months.

Date	Country	Economic Release/Event
13-Nov-24	US	CPI MoM
13-Nov-24	US	CPI YoY
15-Nov-24	US	Empire Manufacturing Survey
15-Nov-24	US	Retail Sales Advance MoM
22-Nov-24	US	S&P Global US PMI
26-Nov-24	US	FOMC Meeting Minutes
27-Nov-24	US	Core PCE

### CURRENCY PAIRS: What is next?

## EUR/USD

- The single currency has been in a steady decline after failing to significantly breach 1.12 over the summer. With the outlook for the euro area continuing to appear soft and further interest rate cuts from the ECB in the pipeline, further declines are expected.
- A test of the 2024 low of 1.0620 is likely, opening the way to the psychological 1.05 area.
- Support: 1.0660 ahead of 1.05
- Resistance: 1.0820 and 1.0920

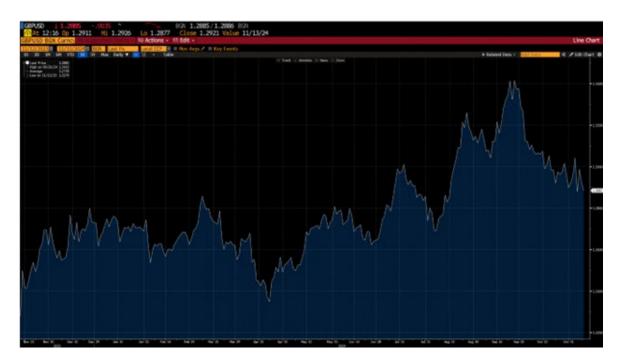


Region G1	0	•	Currency E	iro				As o	f 11/11	/24 🖻
EUF	RUSD		Q4 24	Q1 25	Q2 25	Q3 25	2025	2026	2027	2028
Spot	1.07	Median	1.09	1.10	1.11	1.11	1.11	1.12	1.13	
Q3 24	Actual	Mean	1.09	1.09	1.10	1.10	1.10	1.13	1.12	
	1.11	High	1.13	1.14	1.15	1.17	1.19	1.22	1.15	
Q3 24	Forecast	Low	1.05	1.02	1.00	1.00	1.00	1.05	1.06	
	1.09	Forward	1.08	1.08	1.09	1.09	1.10	1.12	1.14	1.16

Source: Bloomberg

# GBP/USD

- GBPUSD held up well during the summer after receiving a post UK election boost. The pair has however failed to hold on to gains above 1.30 and has slipped as the US dollar gained following Trump's election victory.
- The UK budget has led to further concerns over the outlook for the UK economy as tax increases and inflationary concerns weigh on the currency.
- Support: 1.2840 ahead of 1.2800
- Resistance: 1.3010 and 1.3200

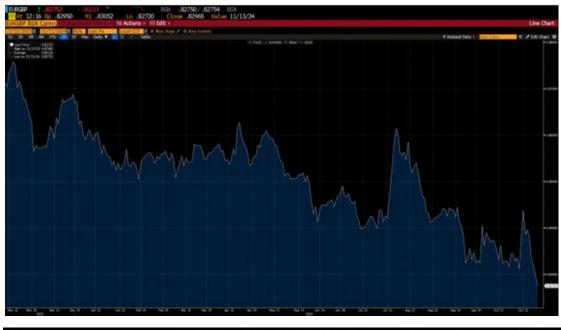


Region G1	.0		• Cur	rency B	ritish Po	ound		•	As o	of 11/11	L/24 🗄
Region GI	PUSD			Q4 24	Q1 25	Q2 25	Q3 25	2025	2026	2027	2028
Spot	1.29	Median		1.30	1.30	1.30	1.32	1.29	1.31		
Q3 24	Actual	Mean		1.30	1.30	1.30	1.31	1.31	1.32		
	1.34	High		1.33	1.35	1.37	1.38	1.38	1.40		
Q3 24	Forecast	Low		1.24	1.24	1.22	1.22	1.23	1.27		
	1.28	Forward		1.29	1.29	1.29	1.29	1.29	1.29	1.29	1.29

Source: Bloomberg

# EUR/GBP

- After range trading for much of the year, EURGBP broke lower to hover above key support at 0.83 a level which has held since the Brexit vote in 2016.
- With concerns over the impact of tariffs on the EU economy, the single currency has finally broken key support with the 2020 low of 0.8282 looming.
- Support: 0.8280 and 0.8200
- Resistance: 0.8380 and 0.8420



Region G			• Cu	rrency E	uro / Bri	itish Pou	und Cross	•	As o	of 11/1:	1/24 🖬
O EUF	RGBP			Q4 24	Q1 25	Q2 25	Q3 25	2025	2026	2027	2028
Spot		Median		.84	.84	.84	.84	.85	.85		
Q3 24	Actual	Mean		.84	.84	.84	.84	.84	.86		
	.83	High		.86	.87	.88	.89	.90	.91		
Q3 24	Forecast	Low		.82	.81	.80	.80	.80	.82		
	.85	Forward		.83	.84	.84	.85	.85	.87	.88	.90

Source: Bloomberg

# For an analysis of your exposures and currencies, schedule a call with a GPS FX advisor at www.GPSFX.com/book-a-call.



### AUTHOR



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Simon Walker is head of the GPS Capital Markets trade desk in our London office. He has worked for GPS for 7 years, with the past 5 years spent working on our UK trade desk responsible for covering market risk in European hours. He has over 25 years' of experience in foreign exchange, working in both sales and trading.

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