



ANALYSIS BY REGION

Euro-Area

- The European Central Bank cut its three key rates by 25 basis points at its meeting on the 6th of June, as widely expected – with only one policy official preferring to leave rates unchanged. This decision was made despite the central bank raising its inflation forecast for this year and the next year by more than estimated.

Date	Country	Economic Release/Event
18-June-24	Euro-Aggregate	CPI YoY
18-June-24	Euro-Aggregate	CPI MoM
18-June-24	Euro-Aggregate	CPI Core YoY
21-June-24	Euro-Aggregate	HCOB Eurozone Manufacturing PMI
21-June-24	Euro-Aggregate	HCOB Eurozone Composite PMI
21-June-24	Euro-Aggregate	HCOB Eurozone Services PMI
27-June-24	Euro-Aggregate	M3 Money Supply YoY

- The ECB is confident of the path ahead for the economy and that is why it cut interest rates, adopting a forward-looking strategy for inflation rather than relying solely on spot inflation prints. Recent data has proven to be in line with the bank’s expectations, with fewer and fewer surprises.
- A “data-dependent and meeting-by-meeting approach” was underscored by Christine Lagarde and added that rates will still be restrictive for some time, not compromising for any further rate cuts. This approach led many analysts to consider this move on the borrowing costs as a “removal of excess monetary restriction,” and less of a drag for the euro-area economy going forward – a “hawkish cut.”
- Price pressures remain high, and wage growth remains a concern in keeping services inflation elevated. In the June statement, the ECB acknowledged that “wage growth is elevated” whereas in April it stated that “wage growth is gradually moderating,” stressing the marginally hawkish shift on wages and inflationary pressures.

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- Lagarde did not specifically rule out the July cut as it is handy to have that option, but markets see it as off the table, given the ECB's updated hawkish forecasts and press conference.

United Kingdom

- As expected, the BoE kept interest rates unchanged at the May policy meeting, however Governor Andrew Bailey suggested that the central bank might be starting policy easing soon. Nevertheless, the outlook remains uncertain with markets suggesting that a cut would not be expected until at least the August meeting – and possibly not until November.
- Inflation dropped to the lowest level since the summer of 2021, with YoY CPI for April rising 2.3%, down from 3.2%. However, the print was above consensus and showed that services inflation remains sticky, indicating that prices are not cooling as fast as the MPC may wish, suggesting that interest rates will not be cut imminently. The UK jobs market continues to cool however wage inflation remains an ongoing concern for the committee and markets will closely watch the May labour market report.
- The UK also faces the uncertainty of a General Election at the start of next month and if polls are accurate, voters will welcome a change in government. Whilst politics are unlikely to influence the BoE interest rate decisions, the market reaction to a labour majority is expected to be muted with a small bias towards a stronger pound.

Date	Country	Economic Release/Event
11-June-24	UK	Jobless Claims Change
12-June-24	UK	Industrial Production MoM
19-June-24	UK	CPI YoY
19-June-24	UK	CPI MoM
19-June-24	UK	CPI Core YoY
20-June-24	UK	Bank of England Bank Rate
21-June-24	UK	S&P Global UK Manufacturing PMI
28-June-24	UK	GDP QoQ
28-June-24	UK	GDP YoY

United States

- The Federal Reserve is expected to meet this week at the FOMC meeting on the 12th of June, where the key focus will be on the dot plot, which the markets are now expecting to signal two rate cuts this year.
- Nonfarm payrolls came in as a bit of a surprise, as well as the average hourly earnings, suggesting the slowdown registered in April's data may have been temporary, rather than a long-term smoothening. This data should keep the Fed cautious and will make policy makers hesitant on rate cuts in the short-term.
- Headline NFP rose to 272,000 in May, versus a consensus of 180,000. The largest increase in jobs was concentrated in the jobs that had cooled in April, adding further proof that the April slowdown was temporary. Average Hourly Earnings accelerated to 0.4% in May, the fastest increase since the beginning of the year.
- Along with the Fed's dot plot, CPI inflation will also be in the spotlight. CPI inflation is estimated to have decreased in May from prior 0.3% to 0.1%, and core inflation is estimated to be kept in line with the previous print at 0.3%.
- The Fed will likely keep rates on hold with minimal changes to the statements and economic forecasts, but things will be interesting around the dot plot, where many analysts suggest a hawkish shift – corresponding to only two cuts this year.

Date	Country	Economic Release/Event
12-June-24	US	U. of Mich. Sentiment
12-June-24	US	PPI Final Demand MoM
12-June-24	US	CPI MoM
13-June-24	US	CPI YoY
13-June-24	US	Retail Sales Advance MoM
14-June-24	US	S&P Global US Manufacturing PMI
18-June-24	US	Durable Goods Orders
20-June-24	US	U. of Mich. Sentiment
21-June-24	US	Conf. Board Consumer Confidence
25-June-24	US	GDP Annualized QoQ
27-June-24	US	Durable Goods Orders
28-June-24	US	U. of Mich. Sentiment

CURRENCY PAIRS: What is next?

EUR/USD

- Last week NFP data showed that the US economy is still holding on well, taking the euro off the 1.09 level to currently trade mid 1.07-1.08 and under the king greenback.



Region G10		Currency Euro		As of 06/10/24							
				Q3 24	Q4 24	Q1 25	Q2 25	2025	2026	2027	2028
EURUSD	1.08	Median		1.08	1.09	1.10	1.10	1.12	1.13	1.10	1.13
Q1 24	Actual	Mean		1.08	1.08	1.09	1.09	1.11	1.11	1.11	1.12
		High		1.12	1.12	1.14	1.15	1.18	1.19	1.20	1.20
Q1 24	Forecast	Low		1.04	1.02	1.01	1.00	1.00	1.02	1.02	1.01
		Forward		1.09	1.09	1.10	1.10	1.11	1.12	1.14	1.16

Source: Bloomberg

- Traders have also factored a political risk premium to euro-zone assets after this weekend's parliamentary elections showing a clear move to the right, which should keep option prices elevated for the next month. Implied volatility increased from 5% on Friday to 6% today, suggesting the euro could slip to lower levels around 1.06.
- The trajectory for the pair continues to be driven mainly by the dollar side of the equation, even with current political events in the common area such as snap French legislative elections hurting the euro.
- Support: (S1- Key) 1.0650, (S2 – Key Support from 1Q23) 1.0520, (S3) 1.0450
- Resistance: (R1) 1.0920, (R2) 1.10

GBP/USD

- GBP/USD enjoyed a solid May and a good start to the month of June with the pair testing resistance at 1.28 several times in the past few weeks. The rally was more of a dollar move – with cable benefitting from the projection of interest rate cuts from the Fed being pushed closer to the end of the year.
- Cable followed EUR/USD lower after the solid US NFP release, dropping through support to trade in the low 1.27's, but remains within its recent trading range.
- The outlook for both UK and US interest rates will likely be the main driver for GBPUSD in the coming months, however, the upcoming UK general election may influence the pair in the short term.
- Support: 1.2700, Key Support at 1.2665 and 1.2600
- Resistance: 1.2800 and 1.2850

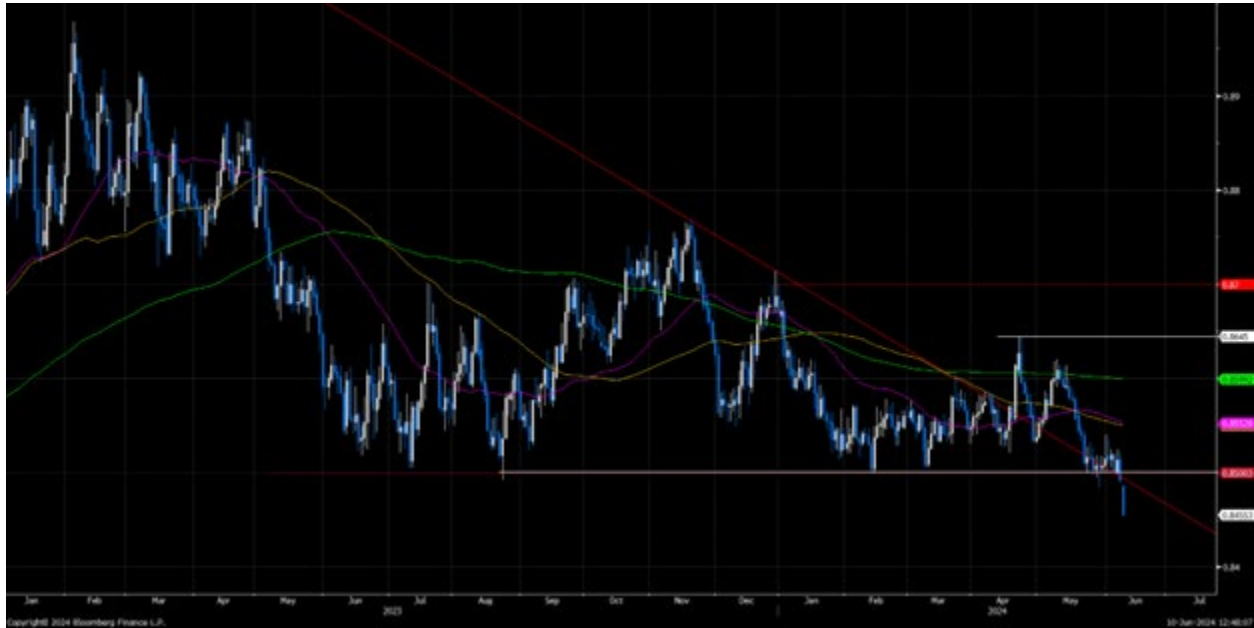


Region		G10		Currency		British Pound		As of 06/10/24			
GBPUSD				Q3 24	Q4 24	Q1 25	Q2 25	2025	2026	2027	2028
Spot	1.27	Median		1.26	1.27	1.27	1.29	1.30	1.31	1.30	
Q1 24	Actual	Mean		1.26	1.26	1.27	1.28	1.29	1.31	1.30	
		High		1.32	1.32	1.34	1.36	1.40	1.42	1.34	
Q1 24	Forecast	Low		1.21	1.19	1.18	1.21	1.19	1.25	1.27	
		Forward		1.27	1.27	1.27	1.27	1.27	1.28	1.28	1.28

Source: Bloomberg

EUR/GBP

- The euro is 0.5% lower trading near 0.8450 as the sterling gains territory near historical lows. We believe this abrupt move mainly came from the retracement on EUR/USD post ECB and NFPs but also as President Emmanuel Macron called for parliamentary elections as his party was well defeated in the European elections.
- The pair is on track for lower levels, especially after the solid break of the key 0.8500 resistance and as political noise builds up.
- Support: (S1- Key) 0.8450, (S2) 0.84
- Resistance: (R1) 0.8645, (R2- Key) 0.87



Region G10		Currency Euro / British Pound Cross		As of 06/10/24							
EURGBP				Q3 24	Q4 24	Q1 25	Q2 25	2025	2026	2027	2028
Spot	.85	Median		.86	.86	.86	.85	.86	.85	.85	
Q1 24	Actual	Mean		.86	.86	.86	.85	.86	.85	.83	
		High		.88	.89	.88	.89	.92	.89	.87	
Q1 24	Forecast	Low		.82	.82	.79	.77	.77	.76	.76	
		Forward		.85	.86	.86	.86	.87	.88	.89	.90

Source: Bloomberg

For an analysis of your exposures and currencies, schedule a call with a GPS

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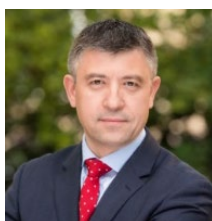
AUTHORS



Francisco Mioludo

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.

fmioludo@gpsfx.com



Simon Walker

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.

swalker@gpsfx.com

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GPS GLOBAL HEADQUARTERS

10813 South River Front Parkway
Suite 400
South Jordan, UT 84095
(801) 984-1080

GPS GLOBAL LOCATIONS

Brisbane

07 2104 1845

Melbourne

03 7020 1045

Perth

08 6365 4208

Sydney

02 8311 1331

Toronto

289 569 1875

Vancouver

604 4951717

Vilnius

370 5 214 3168

London

020 36579191

Manchester

0161 870 6020

Atlanta

470 485 0300

Charlotte

980 236 0069

Chicago

708 323 2816

Denver

303 479 4302

Los Angeles

818 706 2195