

September 2024

FX MARKET BRIEF

Key Global Market Insights

ANALYSIS BY REGION

Euro-Area

- It has been a quiet summer for the European Central Bank after keeping interest on hold throughout the period, following a 25 basis points reduction at the June meeting. Markets were largely expecting the pause, with officials continuing a “data dependent and meeting by meeting approach” as underscored by ECB President Christine Lagarde.
- Wage growth remains a key focus for the central bank and recent data on pay suggests that it is moving in the right direction to allow for a further interest rate cut at the September policy meeting. Inflation data remains mixed, with both headline and core readings decelerating, however price increases for services rose to 4.2% in August from 4.0% in July.
- Overall, however, inflation has somewhat surprised slightly to the downside and markets expect this to be reflected in the latest forecasts to be published by the ECB’s staff economists.
- Officials have previously suggested a further cut of 25 basis points at the policy meeting on September 12, with unanimous support across the Governing Council expected. Markets currently expect a further reduction of the same magnitude in December, however the current concerns over the stickiness of services inflation are likely to refrain policymakers from committing into 2025.

Date	Country	Economic Release/Event
12-Sept-24	Euro-Aggregate	ECB Policy Meeting
17-Sept-24	Euro-Aggregate	German ZEW Survey
18-Sept-24	Euro-Aggregate	CPI MoM
18-Sept-24	Euro-Aggregate	CPI Core YoY
23-Sept-24	Euro-Aggregate	HCOB Eurozone Manufacturing PMI
23-Sept-24	Euro-Aggregate	HCOB Eurozone Manufacturing PMI
23-Sept-24	Euro-Aggregate	HCOB Eurozone Manufacturing PMI
26-Sept-24	Euro-Aggregate	M3 Money Supply YoY

United Kingdom

- The Bank of England delivered a 25-basis point interest rate cut at its policy meeting on August 1, taking the benchmark rate from a 16-year high, producing the first cut since the start of the pandemic in March 2020.
- Ahead of the cut last month, inflation had been moving in the right direction and on track to match the central bank forecast, however basing effects associated with household energy bills and stubborn services inflation continue to cause concern to rate setters.
- At the recent Jackson Hole symposium, BoE Governor Andrew Bailey remained cautious, saying, “we are not yet back on target on a sustained basis.” He added “policy setting will need to remain restrictive for sufficiently long until the risks to inflation remaining sustainably around the 2% target in the medium term have dissipated further. The course will therefore be a steady one.”
- Markets remain undecided whether the central bank will deliver a further 25bp cut at the next policy meeting on September 19. Key wages and inflation data released ahead of the BoE meeting will be scrutinised to see if there is room for a further interest rate reduction. However, if a reduction is not produced in September, this opens the likelihood of a cut in November.

Date	Country	Economic Release/Event
10-Sept-24	UK	Jobless Claims Change
10-Sept-24	UK	Industrial Production MoM
18-Sept-24	UK	CPI YoY
18-Sept-24	UK	CPI MoM
18-Sept-24	UK	CPI Core YoY
19-Sept-24	UK	Bank of England Bank Rate
20-Sept-24	UK	Retail Sales
23-Sept-24	UK	S&P Global UK Manufacturing PMI
30-Sept-24	UK	GDP QoQ
30-Sept-24	UK	GDP YoY

United States

- Speaking at the Federal Reserve Bank of Kansas City annual economic policy symposium in Jackson Hole, Wyoming last month, Federal Reserve Chairman Jerome Powell suggested that the central bank is likely to reduce interest rates at the September meeting. He told the audience, “The time has come for policy to adjust,” adding that the direction of travel is clear, but the details of the timing and pace of rate cuts will depend on several factors, including incoming data, evolving outlook and balance of risks.
- There have been mounting concerns that the Fed has been behind the curve, prompting some investors and analysts to push for a larger rate cut from the central bank, with the odds of a 50-basis point reduction increasing over the summer. The FOMC continues to monitor data releases based upon their dual mandate of maximum employment and price stability, so key inflation and labor market data are scrutinised as investors look for clues on the size and timing of adjustments to monetary policy.
- August labor market releases suggest that jobs growth has cooled, underlined by a softer than expected Non-farm Payroll release. The sector added 142,000 jobs in the month, lower than expected, with a net 86,000 downward revisions over the last two months. Whilst weaker, the overall labor market data was likely too soft to suggest significant confidence in the jobs market, however it was considered not weak enough to suggest an immediate 50bp reduction in September.
- Markets are also focusing on the other side of the Fed’s dual mandate, with the August CPI inflation report expected to come in unchanged from the previous month and consistent with the central bank’s 2% target.

Date	Country	Economic Release/Event
11-Sept-24	US	CPI MoM
11-Sept-24	US	CPI YoY
13-Sept-24	US	U. of Mich. Sentiment
17-Sept-24	US	Retail Sales Advance MoM
18-Sept-24	US	FOMC Meeting
23-Sept-24	US	S&P Global US Manufacturing PMI
24-Sept-24	US	Conf. Board Consumer Confidence
26-Sept-24	US	GDP Annualized QoQ
26-Sept-24	US	Durable Goods Orders
27-Sept-24	US	PCE Personal Spending

CURRENCY PAIRS: What is next?

EUR/USD

- After trading within a well-defined range over the summer, EURUSD broke higher in the final week of August as US treasury yields dropped as the market factored in rate cuts from the Fed following Chairman Powell’s comments.
- The pair rallied through resistance to test recent highs, trading as high as 1.12 before retracing.
- Interest rate differentials continue to drive currency markets and the outlook for EURUSD continues to be influenced by the size and timing of interest rates from both the Federal Reserve and ECB.
- Support: 1.1050 ahead of 1.0990
- Resistance: 1.1200 Aug high and 1.1275



Region G10		Currency Euro		As of 09/09/24						
EURUSD		Q4 24	Q1 25	Q2 25	Q3 25	2025	2026	2027	2028	
Spot	1.11	Median	1.11	1.11	1.12	1.13	1.13	1.14	1.13	1.14
Q2 24	Actual	Mean	1.10	1.11	1.12	1.13	1.13	1.13	1.12	1.13
	1.07	High	1.15	1.17	1.18	1.19	1.19	1.20	1.15	1.16
Q2 24	Forecast	Low	1.06	1.04	1.05	1.07	1.06	1.06	1.06	1.06
	1.06	Forward	1.12	1.12	1.12	1.13	1.13	1.14	1.15	1.16

GBP/USD

- GBPUSD remains one of the best performing pairs in G10 throughout 2024. This was further boosted by a further rally above 1.30 after the Jackson Hole meeting last month. Cable is greatly influenced by the outlook for the US economy and as with EURUSD, the move higher in GBPUSD was short lived with the pair falling to consolidate a tad lower.
- The outlook for the pound remains further clouded by uncertainty around BoE rate cuts and the fiscal outlook of the new Labour government.
- Support: 1.3050, psychological at 1.30 ahead of 1.2850
- Resistance: 1.3200, 1.3260 and 1.3500

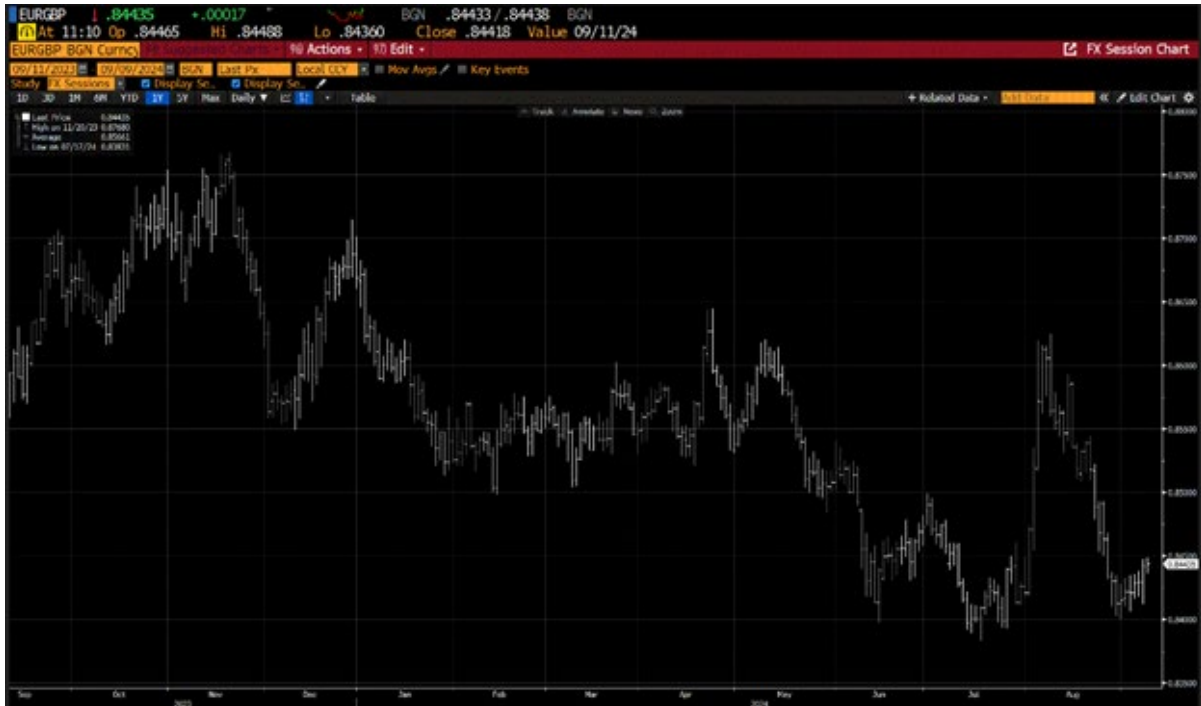


Region G10		Currency British Pound		As of 09/09/24					
GBPUSD		Q4 24	Q1 25	Q2 25	Q3 25	2025	2026	2027	2028
Spot	1.32	Median	1.30	1.31	1.31	1.34	1.33	1.33	1.34
Q2 24	Actual	Mean	1.30	1.30	1.31	1.34	1.33	1.32	1.33
Source: Bloomberg	1.26	High	1.37	1.39	1.40	1.41	1.42	1.44	1.35
Q2 24	Forecast	Low	1.24	1.22	1.23	1.27	1.25	1.25	1.28
	1.25	Forward	1.32	1.31	1.31	1.31	1.31	1.30	1.30

EUR/GBP

- EURGBP continues to trade within a 0.84 to 0.86 range, after breaking higher to test resistance last month before falling lower.
- Support: 0.8455 and 0.8400
- Resistance: 0.8500 and 0.8550





Region	G10	Currency	Euro / British Pound Cross	As of	09/09/24						
	EURGBP			Q4 24	Q1 25	Q2 25	Q3 25	2025	2026	2027	2028
	Spot	.84	Median	.85	.85	.85	.84	.85	.85	.85	.85
	Q2 24	Actual	Mean	.85	.85	.85	.85	.85	.85	.84	.84
		.85	High	.88	.89	.90	.89	.92	.93	.87	.87
	Q2 24	Forecast	Low	.82	.82	.81	.82	.80	.79	.79	.78
		.85	Forward	.85	.85	.85	.86	.86	.87	.89	.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.



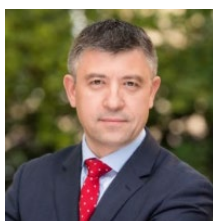
AUTHORS



Matthew Hunter

Matthew Hunter currently works as an FX Trader and IT Helpdesk Associate for GPS Capital Markets. His professional experience includes IT Risk and Financial Advisory at Deloitte, IT Customer Support at BYU, Project Management (Agile Coach) at BYU, and Research Assistant at BYU.

mhunter@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
Salt Lake City, 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