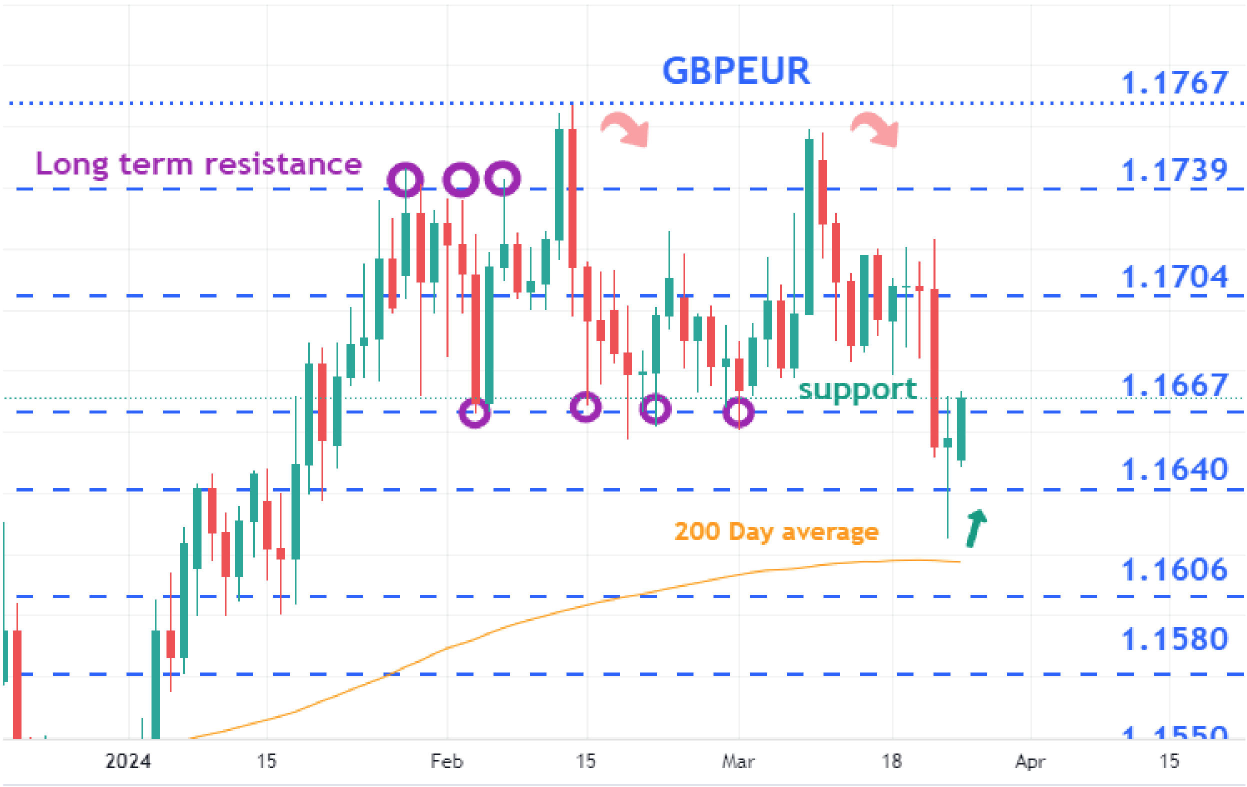
ARGENTEX

Weekly FX Majors Analysis

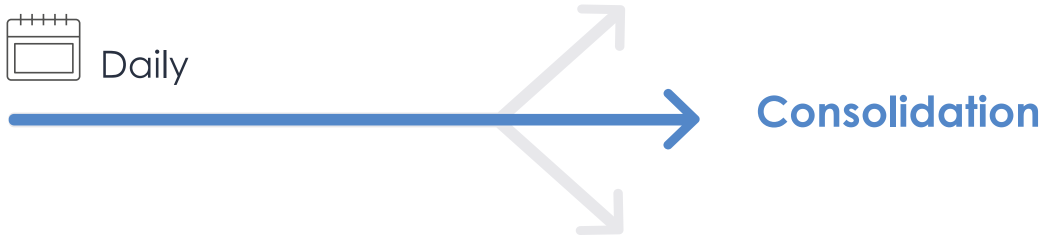
GBP/EUR

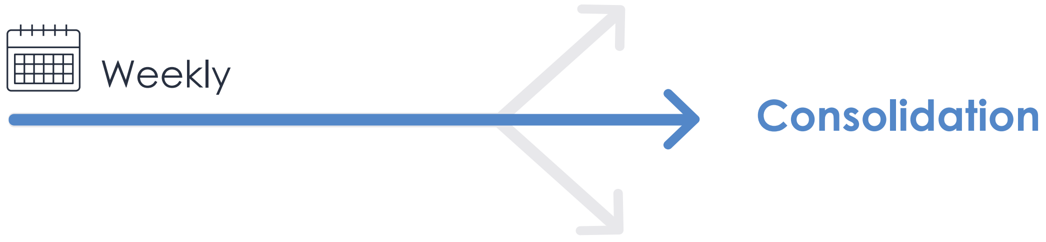
25 March 2024

GBP/EUR Daily Chart



Market Condition





Fundamental Analysis

Recent Developments

Sterling was dealt with bearish and decisive developments last week, as welcome (but dovish) inflation data of 3.4% ushered in a more cautious Governor Bailey at the Bank of England meeting, where there were no remaining votes for a rate hike by any members of the nine-strong MPC, and it was stated that the 'bank may not need to see a return to 2% inflation to cut rates.'

'Baileys comments squeezed sterling longs'

For a long time, it has been felt, given the 'stickiness' of UK inflation, that the BoE would be one of the last to cut rates. This has been a key factor in some of the resilient periods enjoyed by sterling, and the sterling bulls who have positioned as such. Bailey's comment pulled a rate cut forward to June and squeezed those who were positioned long. The **lack of follow-through to the downside** completely supports the assertion that this was a positioning squeeze! When all is said and done, the market now increasingly expects the BoE and ECB to both cut in June – a convergent dynamic (which reduces volatility) as opposed to a divergent one (which increases!). So, we should not expect much to occur in this holiday-shortened week, awaiting fresh data after the Easter break.

Spanish inflation inbound during quiet week

Hopes for expansionary PMI data last week were dashed, with French and German numbers falling well short of expectations. The Swiss National Bank cut rates the same day, and the euro arguably took a dive in sympathy, as markets refocused on the fate of monetary policy on the continent, particularly where inflation is edging ever closer to the 2% target. By the time of the June ECB meeting, the committee will receive GDP growth, compensation per employee (CPE) unit labour costs, and more corporate profits data which will give them enough information for a rate decision on June 6th (cut likely). This week we can expect rangebound euro price action, with just Wednesday's Spanish inflation data (exp 3.1%) a key highlight of the week.

Technical Analysis

Price action is still in long-term consolidation. There is major resistance at 1.1740 and 1.1770 to the upside, which is likely to remain for the foreseeable future, in our view. Last week's sterling slump did see the downside break below 1.1667 and 1.1640, but this was a positioning squeeze and was very short-lived! Price action has held above the 200-day average and is now back into the previous range above 1.1667. Expect a rangebound sideways week over the next four days.

Upside

1.1739	1.1767	1.1833
One of the biggest levels in FX right now. Remains robust resistance.	February high may offer resistance. Bullish if broken to the upside!	Technical upside level from 2021.

Downside

1.1667	1.1640	1.1580
Evidence of multiple support offered here in recent weeks.	The next significant chart level to the downside.	Price will test here again if the euro finds buyers once more.

Looking Ahead

A look ahead to the key scheduled data releases for the week

GBP		EUR
PM: Mann speaks	MONDAY	
	TUESDAY	
	WEDNESDAY	AM: Spanish CPI
AM: Final GDP	THURSDAY	
	FRIDAY	

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Get in touch with one of our currency experts to find out more:

Connect@argentex.com

London: +44 (0)20 3862 6009

Netherlands: +31 (0)20 808 5646

www.argentex.com

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