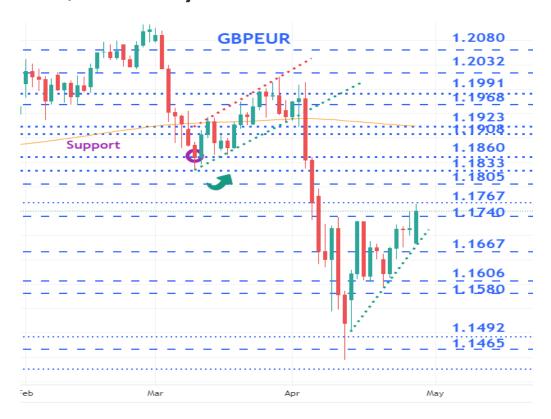


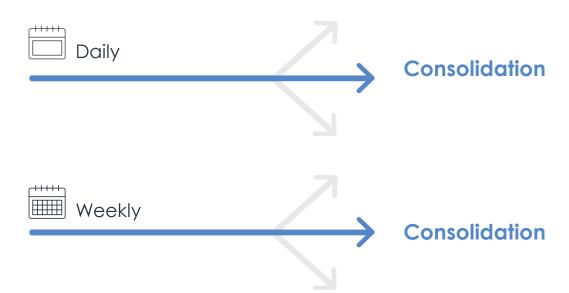
Weekly FX Majors Analysis

GBP/EUR

GBP/EUR Daily Chart



Market Condition



Fundamental Analysis

Recent developments

Much of the recent decline in GBP/EUR was driven by sharp 'risk-off' moves, to which sterling is more sensitive than the euro. Calmer equity markets have allowed sterling to bounce against the euro. At the same time, the euro has been unable to make further gains as the immediate scheduled data releases are a little more sparse. Eurozone inflation on Friday is of note at a time when the ECB is likely to refrain from cutting rates to accommodative levels.



'Calmer equity markets are helping sterling to bounce.' BoE member Greene last week highlighted that the UK may become a destination for cheaper goods from Asia (which may otherwise have been destined for the US market), potentially having a disinflationary impact. BoE Governor Bailey's comments at the IMF last week highlighted his concern over the fragmenting global economy and the growth risks they represent.

At the next BoE meeting on 8th May, markets expect a further 0.25% rate cut, and once again the central bank will keep policy signalling oriented toward a 'meeting by meeting' stance. Should wider equity markets continue to recover in the meantime, this may allow sterling to hold against the euro despite few expectations for large gains.

Eurozone inflation data on Friday

At the last ECB meeting on 17th April, the rate cut to 2.25% made sense given the disinflation/growth outlook. Last week, several ECB members offered opinions on how deep rate cuts should go, with any cuts below the 2% level seen as a return to accommodative policy. While the recent rush into European assets and the euro may have partially subsided short term, the supportive factors remain in place despite the conjecture over how low-rate policy may go.

As ECB members state that eurozone inflation is close to hitting target – a key driver of their rate policy stance – this Friday's eurozone inflation release may show a slight uptick, particularly in core inflation, which may put the brakes on any idea of a deeper euro retracement at this time.

Technical Analysis

As outlined in our latest commentary, the 1.1580 has provided major downside technical support. 1.1580 provided technical support. The current push through 1.1740 is constructive, but short-term gains may be limited to a test of the 1.1805/1.1833 levels.

To the downside, 1.1667 and 1.1606 should continue to offer medium-term technical support given the light data schedule this week.



Upside

1.1767

resistance level action.

1.1833

The next upside technical level if 1.1767.

1.1860

Major chart level throughout 2024



Downside

1.1667

This level from 2024 is the first technical support.

1.1606

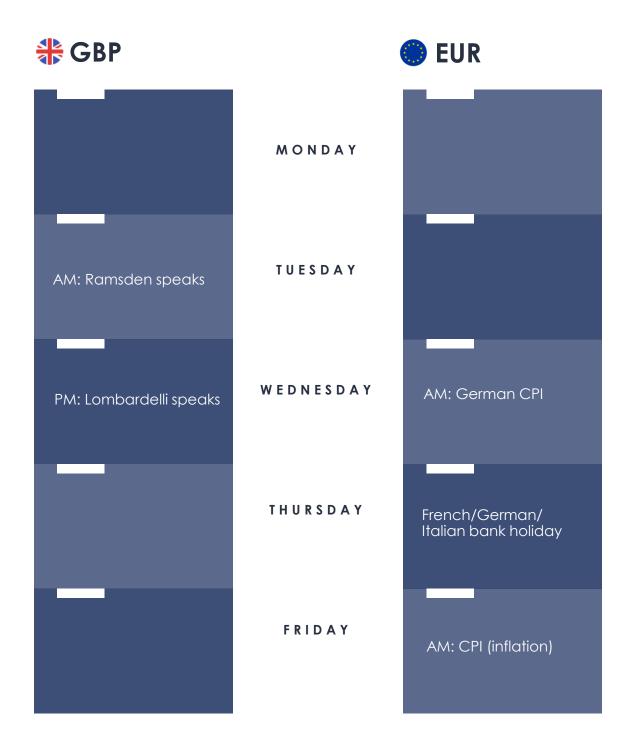
here many times in

1.1492

Major long- term support here likely to remain in place.

Looking Ahead

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



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