中信银行(国际)
CHINA CITIC BANK INTERNATIONAL

Subject: Opportunities in the FX Market under weak US Dollar

Video highlights:

- The Trade Weighted Real Broad Dollar Index reflects the real value of the U.S. dollar relative to 26 other currencies. Currently, the dollar's real value is at a historically high level. Over the past 50 years, the dollar has experienced various waves of appreciation and depreciation, with the current wave of appreciation being noticeably longer than previous ones. Given the potential risks in the U.S. economy, such as recession, ballooning deficits, rising debt, and the Trump administration's inclination towards a weaker dollar policy, there is pressure for further depreciation of the dollar.

- Since May, the major currencies performing relatively well include the GBP and AUD. The UK economy has been relatively resilient, and the latest GDP data confirms this. The preliminary GDP for Q1 increased by 1.3% year-on-year, exceeding market expectations, with quarterly growth accelerating to 0.7%. On the other hand, the UK and the EU are holding their first bilateral summit since Brexit, and have reached agreements in several areas, including fisheries and trade. These agreements are expected to benefit the UK. The resistance for GBP/USD is around 1.3450; if it breaks through, it might test 1.3650 level. The support level can be referenced at 1.3140.

- For the AUD, the Reserve Bank of Australia (RBA) just announced its interest rate decision on 20 May, lowering rates by 25 basis points to 3.85% as expected. The RBA stated that inflation is currently within target ranges, and due to global economic downturn pressures, the risk of rising inflation seems to have weakened, allowing for further rate cuts. The AUD/USD fell after the announcement, with the market now expecting 100 basis points of potential rate cuts from the RBA over the next 12 months. Overall, the AUD may not perform as well as the GBP, but in the context of a relatively weak dollar, it is still expected to receive some support, with short-term support for AUD/USD at the 50-day moving average level.

- Interest rate futures indicate that the Reserve Bank of New Zealand (RBNZ) will cut rates by 25 basis points on 28 May. However, there is upward pressure on local inflation, and the recently released manufacturing PMI for April also showed an increase. Strong data may reduce the RBNZ's room for rate cuts, potentially making the NZD stronger than the AUD in the short term. The AUD/NZD has fallen after encountering resistance at 1.0922, recently breaking below the 50-day moving average, with a chance to test the 1.0780 level.

Full version is only available in Chinese language.

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