| WEEKLY |

FX Pulse

Weekly FX summary – 17 March 2025

	16-Mar-25	Weekly pct change	Week high	Week low	3M High	3M Low	1Y High	1y Low
EUR Curncy	1.0879	0.42	1.0919	1.0833	1.0919	1.0244	1.1192	1.0244
EURCHF Curncy	0.96302	1.01	0.9638	0.95335	0.9638	0.93118	0.9922	0.92743
USDCHF Curncy	0.8851	0.59	0.8851	0.8799	0.917	0.8799	0.9194	0.8406
EURAUD Curncy	1.72056	0.14	1.73371	1.71808	1.73371	1.64083	1.7337	1.60255
AUDUSD Curncy	0.6324	0.30	0.6324	0.6278	0.64	0.6147	0.6913	0.6147
EURGBP Curncy	0.84119	0.35	0.84332	0.83789	0.8452	0.82342	0.8627	0.82318
GBPUSD Curncy	1.2935	0.12	1.2963	1.2879	1.2963	1.2169	1.3415	1.2169
USDSEK Curncy	10.1391	0.43	10.1974	10.0096	11.2478	10.0096	11.2478	10.0096
USDNOK Curncy	10.6537	-1.90	10.8595	10.6392	11.4758	10.6392	11.4758	10.4041
USDJPY Curncy	148.64	0.41	148.64	147.27	158.35	147.27	161.69	140.62
USDCAD Curncy	1.4366	-0.04	1.444	1.4366	1.4541	1.4175	1.4541	1.3431

	16-Mar-25	Weekly pct change	Week high	Week low	3M High	3M Low	1Y High	1y Low
ZAR Curncy	18.1969	-0.25	18.342	18.1969	19.1084	17.8568	19.2276	17.1151
BRL Curncy	5.7425	-0.81	5.8552	5.7425	6.2935	5.6848	6.2935	4.9684
MXN Curncy	19.9318	-1.59	20.3588	19.9318	20.8441	19.9318	20.8441	16.3195
CNH Curncy	7.2379	-0.10	7.2634	7.2268	7.3633	7.2268	7.3633	6.973
CNY Curncy	7.2374	-0.09	7.26	7.2301	7.3326	7.2301	7.3326	7.0109
RUB BGN Curncy	85.5	-5.00	90	85.4673	114.6616	85.4673	114.6616	83.5
INR Curncy	87.0075	-0.12	87.335	86.8812	87.5825	84.8712	87.5825	82.9125
TRY Curncy	36.5739	0.30	36.611	36.4635	36.611	34.9549	36.611	31.9164
RON Curncy	4.5744	-0.39	4.5933	4.5584	4.8578	4.5584	4.8578	4.4465
EURCZK Curncy	25.02	0.28	25.038	24.949	25.283	24.93	25.426	24.553
EURPLN Curncy	4.1779	0.11	4.2009	4.1735	4.2846	4.1386	4.3823	4.1386
EURHUF Curncy	399.14	0.28	400.94	398.02	416.14	398.02	416.14	383.98

Week ahead

- Fed, BoJ, BoE, Sweden, Chile forecast to keep rates stay on hold, SNB and South Africa forecast to cut 25bp, Brazil to hike 100bp. German lower and upper house vote on spending. Clock ticks down to 2 April reciprocal/sectoral tariffs.
- FX 12-month forecast update: EUR/USD raised to 1.15, EUR/JPY 158.7, EUR/CHF 1.00, EUR/SEK 10.70, GBP/USD 1.34.
- Investors press pause on dollar selling vs Yen, CHF, SEK as 2y UST yield backs up above 4% on rebound in stocks, HY credit. Resistance at 4.11%/4.17% into Fed. Michigan inflation expectations rocket to 3.9% in March, up 0.9pp since US election. Atlanta Fed tracking negative GDP growth in 1Q (-2.06%), HY credit spreads widen to 335bp.
- Fed forecast to keep rates on hold for second meeting at 4.25%-4.50%, revisions to macro forecasts and dot-plot not ruled out. Tariffs, immigration, fiscal policy cloud growth and inflation outlook. Money markets discount -63bp this year vs two cuts in December dot-plot. PCE inflation estimate was raised in December to 2.5% for 2025.
- BoJ tipped to keep policy rates on hold at 0.50%, Yen long positions pared back to 30.0%. SG economics pencil in next 25bp increase in July or September. Labour unions request wage increase of 6.09%, above 5.85% of last year but rise in base pay of 3.9% would be in line with BoJ expectations.
- EUR/USD stalls at 1.0900, trend up. Specs turn net long 1.8% of OI, real money longs at 5-month high. European weekly equity fund inflows up $5bn, highest since May 2017 (EPFR). Global equities outflow $2.8bn incl China and US.
- German ZEW tomorrow is first (institutional) survey since old parliament coalition(CDU/CSU, SPD, Greens) agreed on defense and infra spending, debt brake reform. Lower House to vote on plans on Tuesday, Upper House on Friday.
- France AA- rating affirmed by Fitch, outlook stays negative. Greece raised to IG (Baa3 from Ba1) by Moody's. Romania outlook cut to negative from stable by Moody's. Fitch affirmed Poland at A-, outlook stable.
- SNB final 25bp cut? Scandis trade places: NOK leads SEK after upside surprise for inflation in Norway. Norges Bank rate cut off the table next week? Riksbank may firm up language in statement on higher CPI, firmly on hold.
- BoE forecast to keep bank rate on hold at 4.50%, SG economics forecast two-way MPC split in favour of further easing (Mann -25bp and Dhingra -50bp). Sterling long positions raised to 11.8%, 4-month high. GBP/USD nears 1.30.
- Bank of Canada dopped rates to 2.75%, mid-point of neutral range, to "proceed carefully" with future policy changes. Money markets discount two additional cuts to 2.25%, lower end of neutral range. Tariffs are downside risk for CAD.
- China January-February activity data beats forecasts: retail sales 4.0% yoy, industrial production 5.9%, FAI 4.1%. Data points to 5%+ GDP growth in 1Q. Property investment -9.8% yoy. Beijing announces measures to boost consumption.
- Weekly Technicals: 2y UST, 10y UST, 10y Bund, Canada 10y, TLT (US long bond ETF), EUR/USD, USD/JPY, EUR/CHF, AUD/USD, USD/BRL, USD/ZAR, Silver.


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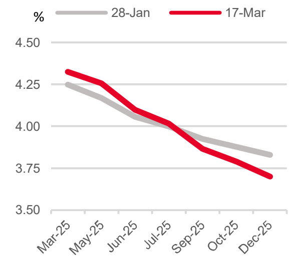
USD

OIS pricing just over two cuts in 2025

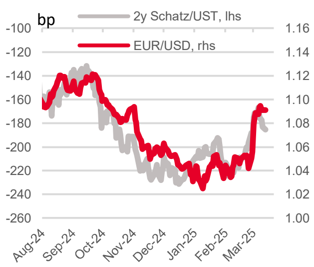


Source: SG Cross Asset Research/Corporate

- The dollar clawed back losses last week against the low yielders incl the Yen, Swiss Franc and Swedish krona after 2y UST yields returned above 4%. This followed the rebound in US equities and tightening in HY credit spreads to 321bp. Treasury Secretary Bessent told NBC yesterday that he's not worried by the slump in stocks. He called corrections "healthy" and "normal" and believes that good tax policy, deregulation, and energy security will lead to strong markets in the long term. The dollar stayed under pressure against most other European currencies incl the Euro, NOK and GBP and the test this week after the Fed is whether the shift in tactics to selling dollar rallies vs Europe remains valid.. The RUB, MXN and BRL excelled in EM. Asian lagged led by the MYR and TWD. Downside for European currencies is predominantly linked to trade tariffs, the war in Ukraine and higher energy prices. An extended rebound in US stocks (S&P 200dma 5740, HY credit down to 321bp from 335bp) could put the brakes on flows in European and international (Chinese) equities. Hedge funds trimmed long dollar positions last week for an eighth successive week to 5.1% of OI.
- The Fed is the main the event this week and the updated forecasts for growth and inflation may offer clues over the possible timing of renewed interest rate cuts. The Fed funds target range should stay on hold for a second successive meeting at 4.25%-4.50%. SG economics believe the Fed is prepared to announce a slowdown in the run-off of its Treasury holdings. The outlook has been blurred since January by the announcements of US tariffs and controversial immigration policy which over time could reduce the growth potential in the economy and add upside risk to inflation. Fed pricing for 2025 was pared back last week from three cuts to just over two, broadly conform with the dot-plot of December. Pushback by Powell on Wednesday or an upward revision of the dots could lift 2y yields closer to next resistance around 4.11% and support the dollar. Long end yields could rally if PCE inflation is revised up again from 2.5% last December. Powell two weeks ago repeated that the Fed does not need to hurry and can wait for greater clarity. The economy is fine and the Fed can wait until the fog lifts on tariffs and fiscal policy.
- Treasuries uncharacteristically ignored friendly CPI for February and yields rose instead tracking the bounce stocks and tighter credit spreads following the wobble in early March. The jump in Michigan 5y-10y inflation expectations to 3.9% in March (3.0% before the election) contributed to selling in bonds and illustrates the scepticism among investors over future rate cuts despite weaker growth. The Atlanta Fed index is tracking 1Q growth of -2.4%.
- CPI printed at +0.2% m/m for headline and core, the annual rates slowed to 2.8% and 3.1%. Core services ex-rent slowed to 0.22% m/m from 0.76% (3.78% y/y vs 4.02%). PPI headline was flat, and core decreased by 0.1%, the first drop since last July. Weekly jobless claim were little changed at 220k.
- Retail sales 'control' surprised to the upside in February with a gain of 1.0% m/m but this followed the decrease of 1.0% in January. Headline sales underwhelmed with a gain of 0.2% and ex-autos rose 0.3%. The 12m average annual growth rate in retail sales ex-autos is 2.99%. The annual pace ticked down in February to 3.12%, a 4-month low. Nothing to unnerve the Fed.
- **Technicals:** The Dollar Index has extended its decline after giving up the 200-DMA (105). It has tentatively defended last November low of 103.30. A brief pause has materialized but signals of a meaningful bounce are not yet visible. Next objectives are located at projections of 103/102.60 and 101.90.

EUR

EUR/USD trades at premium



Source: SG Cross Asset Research/Corporate

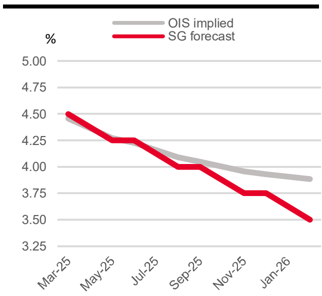
Buying stalled around 1.09 and EUR/USD requires 2y bond spreads to tighten by 10-15bp to justify present valuations. Positioning among speculative accounts is far from stretched however though technicals are near overbought territory (RSI 71). An ascent towards next resistance at 1.0950/60 is not ruled out if the ZEW survey surprises to th upside and the defence spending and infrastructure package in Germany are approved by the two thirds majority in the Lower and

Upper House. The three main politcial parties CDU/CSU, SPD and Greensreached an agreemnt last Friday. The German ZEW institutional investor survey has rarely boosted the euro on a positive surprise and we must assume that a stronger outcome tomorrow is largely priced in. This puts the Fed in the spotlight on Wednesday before attention turns to the Euro PMIs and German IFO business survey next week. A positive surprise could be the green light for EUR/USD to break into a stride and target new 2025 highs. A stalling of negotiations between the US, Russia and Ukraine and failure to reach a cease fire could trigger profit taking.

- In terms of positioning, hedge funds turned small net long Euro 1.8% of OI, close to neutral (series range -54.3% to 51.8%). This leaves ample scope to accumulate long euro if macro data turns more upbeat in the coming weeks and the ECB pulls the curtain on rates cuts in April. In contrast, asset managers lifted euro long positions to the highest level since early October.
- The April ECB meeting is priced at 50/50. 5y5y inflation has settled in the new and higher range around 2.2%, something that will not be lost on policy hawk like Holzmann who abstained at the last meeting (-25bp). He favours a pause in April and believes higher EU spending could force the ECB to raise rates. ESTR is pricing -46bp or just short of two additional cuts this year to 2%. This compares with -61bp for the Fed and -55bp for the BoE.
- White smoke emerged in Berlin on Friday over the political agreement to loosen the fiscal reins over the next decade and the spending programme should command a comfortable two-thirds majority when the bills are voted on this week. Several lawmakers filed injunctions against the €500bn spending package for defence, infrastructure and climate neutrality (earmarked €100bn to pacify the Greens) with a vote planned tomorrow. The draft mentions that a planned relaxation of “debt brake,” will apply not only to defence spending, but also to federal spending on civil protection, the intelligence services, cybersecurity and aid for countries that have been attacked in violation of international law. The proposed legislation received a fillip from the Constitutional Court on Friday when it rejected the motion by the opposition AfD and Left party (blocking minority in the new parliament) that would block the old parliament from making decisions this week including those related to the debt brake.
- The ZEW survey (18 March), PMIs (24 March), IFO survey (25 March), CPI (31 March) are the next macro signposts. The Lower House will start discussing debt brake reform on 13 March and will vote on 18 March.
- **Technicals:** EUR/USD has experienced a sharp up move after breakout from a multi-month base recently. It has faced interim resistance around 1.0950 last week. A brief pullback is taking shape but the 200-DMA at 1.0750/1.0720 could provide support. Only if this is breached would there be risk of a larger decline. Defence of 1.0750/1.0720 can lead to persistence in up move. Next objectives could be located at last September low of 1.0985/1.1000 and 1.1140.

GBP

BoE on hold this week, gradual cuts ahead



Source: SG Cross Asset Research/Corporate, , CFTC

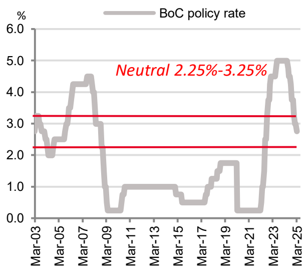
- Sterling spent most of last week consolidating recent gains near 1.29 but buying on dips nudges cable closer to 1.30 today despite flat 2y and 10y bond differentials. Spreads are wider in favour of the US by 9bp in 2y this month and by 4bp in the 10y but this hasn’t stopped GBP/USD in its bullish tracks. Hedge funds raised sterling net long positions to 11.7% of OI, the highest since the 19 November. Like EUR/USD, GBP/USD is technically overbought (RSI 71) and face potential profit taking on a hawkish Fed pause.
- The surprise decrease in UK GDP by 0.1% m/m in January was a setback but is not expected to tempt the BoE to lower rates for a second successive meeting. The contraction followed the expansion of 0.4% in December and puts the 3m/3m average at 0.2%. Services rose 0.1%, manufacturing declined 1.1% and construction fell 0.2%. The BoE forecasts 0.1% qoq GDP growth in 1Q, below trend.
- SG economics believe MPC members Mann (-25bp?) and Dhinghra (-50bp?) could back new rate cuts on Thursday. In February (bank rate -25bp to 4.50%), the MPC said policy will need to continue to remain restrictive for sufficiently long until the risks to inflation returning sustainably

to the 2% target in the medium term have dissipated further. A gradual and careful approach to the further withdrawal of monetary policy restraint is appropriate. We pencil in the next cut in May.

- For the wage data, SG economics pencil in stagnant earnings growth ex bonuses at 5.9% 3m/yoy.
- In politics, the temperature is rising ahead of the Spring statement next week. The government is planning to cut welfare benefits by up to £6bn (FT) to help meet fiscal rules. The OBR will published updated growth and borrowing forecasts next week, the DMO will then revise its Gilt issuance estimates. The OBR last October estimated fiscal headroom or budget surplus at £9.9bn in 2029/30.
- **Technicals:** GBP/USD broke out from a base last month resulting in an extended bounce. It looks poised to head gradually towards November high of 1.3045 and 1.3150/1.3175. Recent pivot low of 1.2550 is near term support.

CAD

BoC cut the policy rate to 2.75%, mid-point of neutral range

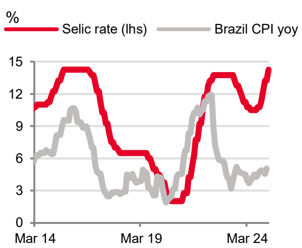


Source: SG Cross Asset Research/Corporate, , CFTC

- The CAD remains hostage to negative tariff headlines from the US before 2 April but this week's outlook will be guided by domestic CPI data and the rate decision in the US. The Bank of Canada lowered interest rates last week by 25bp to 2.75% and in doing so returned rates to the mid-point of the neutral range. The bank insisted it will proceed carefully on future changes which was read as hawkish. For CPI on Wednesday, the consensus is for a rise in headline to 2.2% yoy in February from 1.9% in January and a rise in core to 2.8% from 2.7%. Hedge funds continue to rein in short CAD positions despite the exchange of trade hostilities with the US. At 41.9% of OI, the short base has shrunk by around 9pp since the start of the year. This compares with a more significant reduction in AUD shorts from -40% to -18.6%.
- The reduction to 2.75% means that the policy rate has come down by 225bp since last summer, but it remains above the 20-year average of 1.75%. The spread vs Fed funds widened to -175bp (upper end target range). The BoC warned that heightened trade tensions and tariffs imposed by the US will likely slow the pace of economic activity and increase inflationary pressures. It pointed out in the statement that recent surveys suggest a sharp drop in consumer confidence and a slowdown in business spending as companies postpone or cancel investments. The negative impact of slowing domestic demand has been partially offset by a surge in exports in advance of tariffs being imposed. Trade tensions could disrupt the recovery in the jobs market and wage growth has shown signs of moderation.
- The bank also warns that monetary policy cannot offset the impacts of a trade war but it will ensure that higher prices do not lead to ongoing inflation. To this end, it will carefully assess the timing and strength of both the downward pressures on inflation from a weaker economy and the upward pressures on inflation from higher costs. It will also be closely monitoring inflation expectations.
- **Technicals:** USD/CAD has recently carved out a lower high at 1.4550 than the one achieved in February near 1.4800. Inability to overcome 1.4550 could result in a short-term pullback. 1.4240 and recent pivot low of 1.4150 are next supports.

BRL

BCB to raise Selic rate to 14.25% this week, signal further tightening



Source: SG Cross Asset Research/Corporate

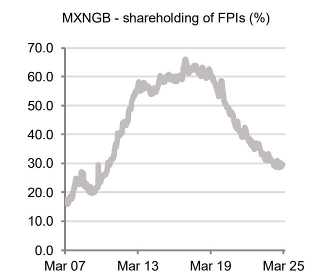
- The BRL rallied in sympathy with the MXN last week, ignoring the negative rtings of Preisdent Lula. Key psychological support is situated at 5.70/USD (200dma). Our house call is for a 5.62-5.86 range based on a disciplined COPOM, renewed commitment by the FinMin to fiscal responsibility, President Lula's challenging political position, high carry to vol and wide interest rate differentials with UST yields that should support the BRL.
- The acceleration in inflation to a 17-month high of 5.06% in February could not have come at a worse moment for the Lula administration as the president's disapproval is greater than approval for the first time in his current term. In the Ipsos-Ipec poll (7-11 March) 41% of the

population consider Lula as terrible/bad, only 27% see it as good or excellent, while 30% consider it regular. The negative evaluation rose by 7pp vs Dec-24.

- Lula announced measures to alleviate costs, including exempting certain agriculture products from import taxes and allowing workers to access severance payments.
- Treasury Secretary Rogerio Ceron said that the government will maintain its target of generating a primary surplus of 0.25% of GDP, excluding interest payments, when it sends its 2026 budget guidelines proposal to Congress next month.
- We expect the BCB to raise the Selic rate by another 100bp to 14.25% this Wednesday and signal further tightening in 2Q25. The BCB may confirm slower pace of easing ahead.
- Tetail sale accelerated to 3.1% yoy in January from 2.0% yoy in December.
- The 10y yield fell 2bp last week to 14.80%.
- **Technicals:** USD/BRL rebound petered out at the steeper trend line drawn since December at 5.92 (now at 5.83). It is now challenging the 200-DMA. Signals of a large bounce are not yet visible. Hurdle from the trend line at 5.83 must be overcome to denote a meaningful rebound. Next short-term supports are located at February low of 5.67 and projections at 5.60/5.57.

MXN

MXNGB holdings of FPIs still declining but at gradual pace

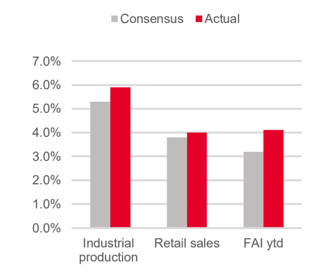


Source: SG Cross Asset Research/Corporate

- The MXN outperformed in LatAm last week and returned below 20/USD for the first time since 8 November. The more conciliatory tone during trade/tariff negotiations between the Sheinbaum and Trump administrations is bolstering the appeal of the peso and translated into an increase in CFTC long positions to 18.1% of OI
- We remain bullish on the MXN and expect it to gradually strengthen towards 19.50 by end 2025.
- Banxico's Omar Mejia last week said that the central bank is factoring tariffs in recalibration of monetary policy. He added that the swings in the peso have been "orderly".
- The 25% tariff on other Mexican imports covered by USMCA is on hold until 2 April. Economy Minister Marcelo Ebrard said that the government is looking to act with "cold blood and firmness" to find the best position for the country as 2nd April tariff deadline looms.
- Our LatAm strategy team favours receiving MXN TIIE 2y with entry at around 8.15%, targeting 7.40% as we see increased probability of back to 50bp rate cuts by the Banxico in March and May.
- FinMin nominee Edgar Amador is "reasonably confident" that Mexico will meet its 2025 budget metrics thanks to the economy continuing its growth path and rising tax collection.
- The money market is pricing in cumulative 175bp rate cuts in next 12 months, targeting key rate of 7.75% by 1Q 2026.
- Industrial production surprisingly fell 0.4% m/m in January (vs consensus +0.1% m/m).
- The 10y MXNGB yield tracked lower UST yields and slumped 29bp last week to 9.48%.
- **Technicals:** USD/MXN has breached the lower limit of its multi-month range denoting risk of persistence in decline. Next layer of support is located at 19.75/19.68 representing the 200-DMA. Daily MACD is within deep negative territory highlighting a stretched down move. It will be interesting to see if the pair can attempt a bounce and reclaim recent pivot high at 20.40. Inability to defend the MA at 19.68 can result in a deeper pullback towards next projections at 19.57 and 19.35.

CNH - CNY

Activity data beat forecasts for January-February period



Source: SG Cross Asset Research/Corporate

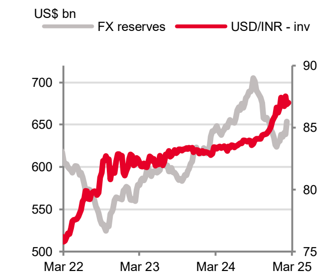
- The CNH outperformed in Asia last week, briefly rallying below 200dma (7.2219/USD) for the first time since mid-November. Our EM colleagues retain their bearish yuan bias but switched to long EUR/CNH from USD/CNH to express this view.
- The activity data for January-February surpassed forecasts incl retail sales (4.0% yoy) supported by government stimulus. FAI ytd jumped 4.1% yoy on infrastructure investments and industrial production ytd rose 5.9% yoy after shaking off the tariff impact.
- Activity in the property sector remains moribund despite efforts by the government to revive demand. New home prices decline by 0.14% m/m and the downturn in property investment ytd

accelerated to -9.8% yoy. Our estimation for 1Q GDP growth is 5%+. The PBoC may not be inclined to expand policy easing (SG eco view – Some green shoots, but challenges remain).

- Beijing announced new measures to boost consumption with specific plans to support employment in select industries and SMEs as well as reasonably increase minimum wages, offering incentives to raise the birth rate and support financial income through accelerating longer-term funds to stock market.
- The authorities imposed retaliatory tariffs of 10-15% on US farm goods and 100% on Canadian rapeseed oil as well as a smaller levy on pork and some seafoods.
- The weekly close above 4,000 on Friday for the CSI 300 index demonstrates the ascendancy of optimism and is backed by the weekly (EPFR) and monthly (IIF) portfolio flow data. Monthly inflows totalled $11.2bn in February according to IIF. The weekly fund flow stats from EPFR confirmed passive foreign fund inflows into A-share market of $430m during the week of 5 March.
- Bond funds faced accelerated redemption pressures since 24 February, according to Bloomberg. Domestic investors reallocate funds from bonds to equities, with the revival in Tech driving momentum.
- Chinese bonds sold off this morning on strong domestic economic data and the 10y CGB yield is up about 12bp MTD at 1.90%. However, our EM colleagues retain their bullish CGB call and advocate for long 10y CGB at current levels, targeting 1.60%, on the view that growth is not sufficiently robust support a higher yield environment.
- **Technicals:** USD/CNH has reached the interim support of 7.22 representing the 200-DMA. A brief bounce can't be ruled out but recent pivot high of 7.27 could provide resistance. Failure to defend 7.22 can lead to extension in decline towards projections of 7.19 and 7.17/7.16.

INR

FX reserves of India no longer shrinking, will the INR capitalise?

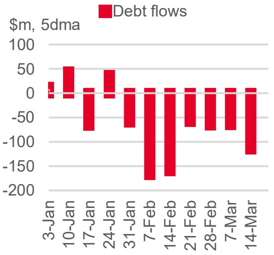


Source: SG Cross Asset Research/Corporate

- The INR was the second-best performing currency last week following the yuan. USD/INR returned below 87.00 and is testing key 50dma level of 86.74. Recent INR strength could be traced to short covering.
- The trade deficit narrowed to -$14.05bn in February from -$22.99bn in January as exports fell 10.9% yoy and imports plummeted 16.3% yoy.
- The Modi government is racing against time ahead of the 2 April deadline for reciprocal tariffs from the US. India imposes some of the world's highest tariffs on imported goods to protect domestic industries, and the US is its largest export market, buying over $87bn of Indian goods (2024 figure), making it a key target for tariffs by the Trump administration.
- FPIs have sold net $15.8bn from Indian equities already this year, approaching the record of $17bn outflows set in full year of 2022.
- Inflation slowed more than expected to 3.61% yoy in February from 4.31% paving way for at least 25bp rate cut at the next RBI meeting on 9th April. Inflation slowing below the RBI's 4.0% threshold (target 2-4%) justifies the market pricing of three more rate cuts in the next six months.
- Industrial production climbed more than expected 5.0% yoy in January from an upward revised number of 3.5% in January.
- The RBI has injected over INR5tn into the financial system since mid-January through bond purchases, forex swaps and early-April maturity repos. It plans to buy bonds wroth INR500bn ($5.75bn) tomorrow.
- FX reserves expanded by $15.3bn to $654bn in the week ended 7th March, likely driven by large purchases of FX and valuation gains on non-USD assets.
- The 10y IGB yield rose 1bp to 6.70% last week and is likely to stay around that level this week as spotlight will still be the upcoming Fed meeting/guidance and the tariff headlines.
- **Technicals:** USD/INR uptrend has stalled after facing strong resistance near 88.00 in February. It is challenging the 50-DMA. The low achieved last month near 86.30/86.10 is short-term support zone. If this is breached, there would be risk of a larger decline.

ZAR

FPI sold most SAGBs since mid-February last week

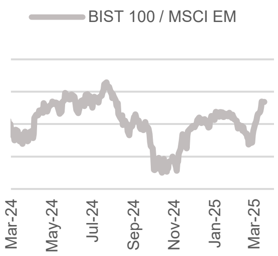


Source: SG Cross Asset Research/Corporate

- USD/ZAR climbed above 18.40 amid political tensions following the budget announcement but retraced to its 200dma at 18.1254 after the announcement of a €4.7 billion EU investment package for South Africa. However, risk reversals have increased in favour of USD calls/ZAR puts (3m RR up to 1.60), and HF trimmed long ZAR positions last week (5.24% of open interest).
- FinMin Godongwana's budget includes a 1pp VAT increase over the next two years, which faces opposition from the second-largest coalition party (DA). Godongwana's ANC, the PA, and the IFP are the main parties in favor of the budget, totalling around 196 votes. To pass the budget, the ANC needs to secure at least five additional votes. The vote is expected to occur by May.
- Our house view is for the SARB to cut rates by 25bp to 7.25%, against the consensus of no change. Our EM colleagues believe that the benign inflation developments and outlook, together with the stronger ZAR in recent weeks (despite geopolitical and tariff risks), will prompt the MPC to vote 4-2 in favour of a cut. CPI is due on Wednesday, the consensus is for an increase to 3.4% yoy.
- Tensions with the US increased after Secretary of State Marco Rubio declared South Africa's ambassador to the US "no longer welcome" due to remarks he made about President Trump.
- The 10y SAGB yield rose by 7bp to 10.59%. Foreign portfolio investors sold a net $115mn last week, the most since mid-February when President Trump froze US aid to South Africa and announced he would impose 25% tariffs on steel and aluminum.
- **Technicals:** USD/ZAR is challenging the 200-DMA and is close to a multi-month ascending trend line at 18.12/18.00. The decline has stalled however daily MACD is still anchored within negative territory denoting a lack of steady upward momentum. A brief bounce can't be ruled out but recent pivot high at 18.72 must be overcome to confirm an extended up-move. Inability to defend 18.00 could denote risk of a deeper pullback towards next projections at 17.85 and December low of 17.60/17.50.

TRY

Turkish stocks outperform EM



Source: SG Cross Asset Research/Corporate

- USD/TRY topped 36.80 despite hawkish comments from CBRT Governor Karahan, who reaffirmed the bank's commitment to a year-end inflation goal of 24% and emphasized the importance of real lira appreciation. He also acknowledged that the 4Q GDP data showed demand was stronger than the bank had anticipated.
- Turkish stocks are outperforming the EM benchmark by the most in seven months, as another rate cut, better-than-expected inflation data in February, and considerably less direct exposure to potential tariffs than the rest of EM have helped them outpace peers during a time of high volatility in global equities.
- Turkish firms' FX loans reached approximately $170.4bn in January, raising concerns about repayment challenges if lira depreciation accelerates sharply.
- Industrial production declined by 2.3% mom in January, following a rise of 5.0% in December.
- The current account deficit narrowed to $3.80bn in January from $4.65bn in December.
- President Erdogan urged the US to lift the 2020 sanctions on its defense industry and reinstate Turkey in the F-35 program during a call with President Trump. He also requested the finalization of a sale of F-16 fighter jets. Erdogan's appeal reflects Turkey's strategy to strengthen ties with the West while balancing relations with Russia and supporting Trump's mediation in the Russia-Ukraine conflict.
- The 10y TRYGB yield jumped by 47bp to 26.23%. FPIs were net sellers of TRY159mn in TRYGBs in the week of March 7.
- **Technicals:** USD/TRY is probing the upper limit of a multi-month channel near 36.75. A short-term pause can't be ruled out but the 50-DMA near 36 could provide support. Next projections are located at 37.15 and 37.70.

PLN

NBP forecast update (last November in brackets)

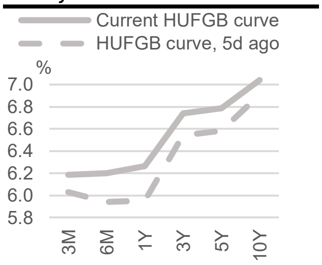
	2025	2026	2027
CPI, yoy	4.9% (-0.7)	3.4% (+0.7)	2.50%
GDP	3.7% (+0.3)	2.9% (+0.1)	2.30%

Source: SG Cross Asset Research/Corporate

- EUR/PLN rose to 4.2033 (50dma) before retracing, as the new NBP forecast does not anticipate inflation returning to the target (2.5% ±1 percentage point) before 2027.
- The NBP left its rate unchanged at 5.75% and maintained a hawkish stance. Governor Glapiński stated that while the bank can support economic growth once the CPI target is met, rate stabilization is essential to control inflation. He highlighted risks to inflation, including geopolitical uncertainties, fiscal policy, and energy prices, while projecting higher GDP growth for the entire forecast horizon.
- Inflation was unchanged at 4.9% in February after a significant revision to the January figure from an initial 5.3% following the new CPI weights. Core CPI slowed by 0.1pp to 3.6% yoy in February. Finance Minister Domański stated he expects inflation to be at 4% by year-end.
- The NBP revised down its CPI forecast to 4.9% yoy (from 5.6% previously) for 2025 and up to 3.4% (from 2.7%) for 2026. The forecast for 2027 was set at 2.5%. The GDP forecast was revised up to 3.7% (from 3.4%) for 2025 and to 2.9% (from 2.8%) for 2026. The forecast for 2027 was set at 2.30%. However, the forecast was made before the statistical office (GUS) updated the CPI component weights. MPC member Kotecki complained that due to the CPI revisions, the NBP's new forecast was already out of date. He added that rate cuts will be possible from June onwards. We maintain our call for a September cut.
- The trade deficit narrowed to €1.51bn in January from €2.24bnin December. The current account deficit narrowed from €803mn in December to €168mn in January.
- Fitch affirmed Poland's rating at A-, with a stable outlook.
- The 10y POLGB yield declined by 7bp to 5.89%.
- **Technicals:** EUR/PLN has embarked on a short-term rebound after carving out a trough near 4.13 last month. It is attempting a breakout above a multi-month descending channel and is at the 50-DMA (4.20). Once this is overcome, the bounce could extend towards the lower limit of previous rectangle formation at 4.24/4.25.

HUF

HUGB yields rose across the curve

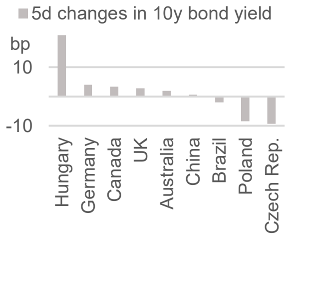


Source: SG Cross Asset Research/Corporate

- EUR/HUF tumbled below 400 as traders scaled back MNB rate-cut expectations following an upside surprise in inflation.
- Money markets ruled out almost 50bp of MNB cuts over the next 12 months after Governor Varga's hawkish comments regarding inflation. Inflation unexpectedly accelerated by 0.1pp to 5.6% in February. Varga supported a "disciplined and patient monetary policy" focused on ensuring price stability, with no room to cut the key rate. The government will limit the profit margin for grocers to no more than 10% on 30 basic food items until the end of May, although this could be extended.
- HUFGBs lost ground after PM Orban extended tax exemptions ahead of next year's elections, despite the recent increase in the government deficit target for 2025 to 3.7% of GDP and for 2026 to 3.5%. The 10y HUFGB yield rose by 21bp to 7.10%, the highest level in almost a year. Investors fear a repetition of the spending seen during the 2022 elections ahead of next year's elections. Record election spending in 2022 fuelled inflation to the highest level in the EU and pushed the forint to the brink of a currency crisis. Last week, opposition leader Peter Magyar drew larger crowds to his political rally compared to his rival PM Orban. Magyar and Orban's party are neck and neck in the polls.
- PM Orban stated that while Hungary was ready to shoulder financing, it opposes using joint EU debt to do so.
- The budget deficit widened to HUF 1,723 billion in February from HUF 68 billion in January.
- **Technicals:** EUR/HUF is at the potential support of 396 representing the confluence of two trend lines - one connecting the lows of 2023 and 2024 and the other one drawn by joining the peaks of March 2023 and March 2024. Defence of this can lead to a brief up move. The 50-DMA at 404 and 407 are short-term resistances.

CZK

CZKGB outperformed global fixed income last week

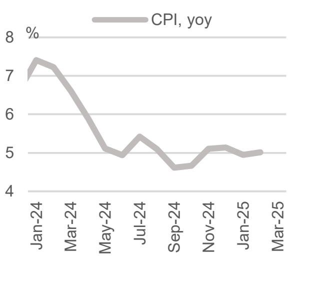


Source: SG Cross Asset Research/Corporate

- EUR/CZK rebounded above 25 after failing to break below its recent low of 24.91.
- The central bank reiterated that inflation risks necessitate a cautious policy, as persistent price growth in services remains a concern and a reason for a cautious approach toward interest rate cuts. Our colleagues at KB expect a cut at the March 26 meeting, though the votes and views are likely to be split among MPC members. Deputy Governor Zamrazilová anticipates two additional rate cuts this year, while her colleague Seidler warned that monetary policy may remain slightly restrictive for longer than expected.
- Inflation was confirmed at 2.7% in February. Core inflation remained elevated, stagnating at 2.5%, in line with the CNB forecast.
- Industrial output declined by 0.6%, which was above forecast, in January, following a deeper decline of 2.7% in December.
- PPI declined by 0.1% yoy in February, following a growth of 0.5% in January.
- The current account surplus widened from CZK 14bn in December to CZK 34bn in January.
- The trade surplus widened to CZK 20bnin January from CZK 8.6bn in December.
- CZKGB posted one of the best performances in bonds last week, with the 10-year yield declining by 9bp to 4.25%.
- **Technicals:** EUR/CZK has experienced a steady decline after facing resistance at the trend line drawn since August 2024 near 25.32 (now at 25.25). Next supports are located at projections of 24.78 and 24.63.

RON

Inflation drifting sideways around 5% in February



Source: SG Cross Asset Research/Corporate

- EUR/RON declined to 4.9760.
- Romania's outlook was cut to negative from stable by Moody's, as its fiscal strength is at risk of significant weakening without additional fiscal consolidation measures. The rating was maintained at Baa3. Moody's warned that a downgrade could occur if the government fails to implement meaningful fiscal reforms, improve revenue collection, and manage spending effectively, especially amid rising geopolitical risks from the war in Ukraine.
- The leader of the far-right first opposition party, SAUR, George Simion, has been cleared to run in May's presidential elections, while Georgescu has been banned from running.
- Inflation accelerated from 4.95% in January to 5.02% in February, exceeding forecasts.
- Industrial output increased by 2.1% yoy in January, following a decline of 3.4% in December.
- The trade deficit narrowed to €2.74bn in January from €3.34bn in December.
- The 10y RONGB yield declined by 10bp to 7.43%.
- **Technicals:** EUR/RON has evolved within a range with limits at 4.96 and 4.98. A break beyond one of these bands is crucial for confirming a directional move.

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