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Chief Investment Office GWM
Investment Research

The week ahead: Slew of central bank decisions

Forex and Commodities

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- After a peak-to-trough decline of 11% in the past three months, the USD has managed to stabilize but has not staged any material rebound, as markets await fresh catalysts.
- In the week ahead, aside from monitoring progress on bilateral trade negotiations, markets will take guidance from various major central bank policy meetings, including the Fed, the BoE, Norges Bank, and Riksbank.
- Our opportunity of the week centers around AUDGBP. The AUD has lagged the GBP in recent months, and an AUD rebound could be unlocked if markets pare back on elevated short-AUD positioning.

Source: Getty Images

The DXY index managed to stabilize this week, after falling by 10% over the past three months. With speculative futures positioning in the US dollar having already flipped from elevated net-long to net-short, another step lower in the dollar would require fresh catalysts, such as disappointing nonfarm payroll data or a re-escalation of global trade tensions. On the latter, we think a de-escalation is more likely, which implies room for the dollar to regain some ground in the very short term.

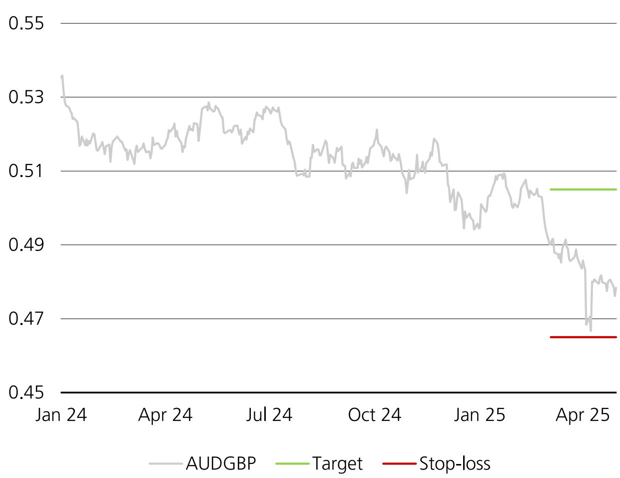
In the week ahead, the focus will be on a series of central bank meetings in the US, UK, Sweden, Norway, Poland, Czech Republic, and Malaysia. Among the G10 central banks, only the Bank of England (BoE) is expected to lower rates by 25bps, while the rest have not signaled an imminent cut. Nonetheless, all of these meetings will be closely watched for the central banks' policy biases, to gauge policymakers' assessment of "Liberation Day" tariff implications on their respective economies. The Federal Reserve meeting will be scrutinized for any sign it sees the risk as tilted toward (slower) growth or (higher but transitory) inflation, which could shift market pricing of rate-cut expectations (currently priced for June). Should a more-hawkish-than-expected Fed policy bias emerge from Chair Powell's press conference, we would see this as an opportunity to use any short-term USD rebounds to hedge or diversify exposure.

Directional FX opportunity of the week

Opportunity of the week: Long AUDGBP

We like to be long AUDGBP at 0.47 with a target of 0.505 and believe a stop-loss at 0.465 is prudent. The AUD has lagged its peers due to broader tariff-related shocks and the deterioration of US-China relations. However, we believe the AUD has been unduly sold off with our modelling of the direct tariff impacts on Australia modest, while indirect impacts should be offset by Beijing's commitments to policy support. Moreover, recent less aggressive comments by the Trump administration (on China) and some easing of retaliatory tariffs by Beijing offer some hope of a desire to strike a deal. Outside this, recent Australian CPI and labor data make it more difficult for the Reserve Bank of Australia (RBA) to match more aggressive money market expectations (of 125bps and a sub-3% terminal rate) over 12 months, at least without more extreme global turmoil. We expect three 25bps cuts with a terminal rate of 3.35% by year-end. Meanwhile, rate pricing for the Bank of England is much more consistent with our view of around one cut per quarter over the next year. Finally, non-commercial investor positioning shows a net-long in GBP, but they remain net-short the AUD at relatively elevated levels.

Opportunity of the week: Long AUDGBP
AUDGBP daily, target and stop-loss



Source: Bloomberg, UBS, as of 30 April 2025

Yield pickup opportunities of the week

USD: Selling the downside in EURUSD and upside in USDCHF
The USD has weakened strongly over the last three months, and especially after the recent US tariff announcements. While we expect a consolidation and potentially a small rebound on the back of trade deal announcements, we continue to see the USD as a "sell-on-rallies" currency. We therefore like to sell the upside in the USD. As we see the air getting thinner above 0.85, we like selling the upside in USDCHF at this level over a one-month horizon. Similarly, we like selling the downside in EURUSD below 1.11.

USD: Selling the upside in USDPLN
While the zloty weakened against the euro in the aftermath of "Liberation Day," it rallied alongside the euro against the US dollar. With the expected rate-cutting cycle in Poland now well priced (as outlined below in this report), we think investors will look to shed US dollars whenever it shows signs of strength. Accordingly, we like to sell USDPLN upside above 3.88 over the next month, before the second round of the Polish presidential election on 1 June.

XAU: Selling downside in gold
In April 2025, gold prices experienced significant fluctuations, reaching an all-time high of USD 3,500/oz in mid-April before declining to around USD 3,300/oz by month's end—a 5% pullback from the peak. The elevated volatility has been caused by several pro-risk backflips by the Trump administration ranging from the president's claim he doesn't want to fire Fed Chair Jerome Powell to a less aggressive posturing between him and China. With our price target of USD 3,500/oz through early 2026, we see gold well supported by "safe-haven" demand and structural buying. Indeed, the World Gold Council's first-quarter demand trends report signals ongoing strong investment and central bank buying, with overall demand reaching 1,206 metric tons or its strongest first-quarter since 2016. Jewelry demand, as expected, was pressured by elevated velocity and magnitude of the rally, while central bank purchases of 244 metric tons came in close to our 1Q target (we forecast full-year demand at 1,000 metric tons). Accordingly, we like to use the elevated volatility to sell price downside in XAUUSD at USD 3,150/oz or below.

CHF: Selling the downside in AUDCHF
The Swiss franc has profited from safe-haven flows in recent weeks, while the AUD has been punished by risk-off market sentiment and negative newsflow about China, pushing the AUDCHF to 0.50. We expect a recovery in the pair over the coming months with option volatility likely to moderate further. Hence, we like selling the downside at 0.50 over a one-month horizon for some yield pickup.

Comments on recent opportunities

Closing of existing long USDCNY position
We close our existing long USDCNY position with a flat total return. We initiated this position on 16 January at 7.332, with a 7.50 target and a 7.20 stop-loss level. In the past three months, the exchange rate has traded sideways in a range of 7.22-7.35, as the People's Bank of China kept the official fixing rate fairly stable despite the rapid escalation of the US-China trade war. With the USD now weakening broadly, we think the upside potential for USDCNY has significantly diminished, and we close our long USDCNY position.

Comments on select currencies and commodities

USD: Fed meeting and tariff developments in focus
Following this week's US labor market and core PCE inflation data, the attention shifts to next week's FOMC meeting. The Fed is not expected to cut rates, so the focus will be on its forward guidance. Recent comments from Fed officials have been mixed: Some emphasize that inflation will have a greater short-term impact than tariffs, while others argue that the inflation effect is temporary and the longer-term economic risks from tariffs should take priority. Currently, markets assign only a 50:50 chance of a June rate cut, so any new guidance could significantly shift Fed expectations and the USD. Beyond the FOMC, tariff headlines remain key market drivers. We anticipate some trade deals to be announced in the coming weeks, which could support the dollar in the short term. However, as our medium-term view remains USD-negative, we would use any rebound to reduce or hedge exposure. We see EURUSD moves below 1.12 or USDCHF moves above 0.85 as attractive opportunities to do so.

EUR: Limited data, focus shifts to external drivers
Last week brought a flurry of GDP and inflation data from the Eurozone. In contrast, the coming week will be relatively quiet, with only Eurozone PPI due on Tuesday, retail sales on Wednesday, and German trade data on Thursday. These releases are unlikely to trigger significant moves in the euro. Instead, the focus will turn to the FOMC meeting and any potential trade deal announcements, which are more likely to influence the EUR. Following the euro's strong trade-weighted rally since March, we expect a period of consolidation rather than further gains against the USD. We anticipate the euro will remain range-bound versus the CHF, GBP, and SEK, but see potential for losses against a rebounding NOK.

CHF: Inflation data and global developments in focus
The strong safe-haven flows triggered by the US tariff announcements in early April have subsided over the past week, resulting in a rebound in both EURCHF and USDCHF. Next week's Swiss inflation data are likely to make headlines as both the monthly and year-over-year figures are expected to dip below zero. This would likely reinforce market expectations that the Swiss National Bank (SNB) will need to cut rates to zero, or possibly into negative territory. Current market pricing already anticipates a cut to -0.25%. Looking ahead, we continue to view global developments as the primary drivers for the Swiss franc. Any trade deals with the US in the coming weeks should weigh on safe-haven demand, easing pressure on the franc. Conversely, if trade deals disappoint, upward pressure on the CHF and the SNB could quickly return. In such a scenario, we would expect the SNB to lean against any rapid appreciation of the currency. We regard USDCHF as capped around 0.85.

GBP: Bank of England non-event
The Bank of England has adopted a pattern of lowering rates by 25 basis points each quarter, and we expect this approach to continue. After pausing at the March meeting, we anticipate another 25bps cut at next week's meeting, in line with market expectations. Provided the Bank's communication remains unchanged, this move is unlikely to have a significant market impact. Looking ahead, we expect the pound to remain firm against the US dollar over the course of the year, though some short-term setbacks may occur following the recent rally. In cross-currency terms, we see the pound trading in a range against the euro and only modestly stronger versus the Swiss franc. From a total return perspective, being long GBPCHF remains attractive due to the carry of over 4%. We also favor selling the upside in EURGBP near 0.87.

CAD: Canada's Liberals win minority government
Former central bank governor Mark Carney has won the Canadian elections for Prime Minister, though with only 169 seats projected, his Liberal party is just short of the 172-seat majority threshold. However, we expect PM Carney to be able to get other parties on board to decide on his planned fiscal measures. As Carney is now backed by an electoral mandate, we think trade negotiations can accelerate further. His announced increased domestic fiscal spending, if enacted, would help dampen recession risks, while also offering the Bank of Canada some headroom on policy as it weighs both growth and inflation risks.

JPY: Holding above the key 140 level
A recent stabilization in the USD helped to push the USDJPY back up toward 143-144, from its recent low of 140. According to media reports, US-Japan negotiations didn't touch on strengthening the Japanese yen, which has been a point of market focus. In the near term, a further USDJPY rebound toward 145-146 cannot be ruled out, especially if improving risk sentiment weighs on safe-haven yen demand and leads to some liquidation of stretched net-long JPY positioning. With implied one-month USDJPY volatility still hovering at 12-13%, we favor selling USDJPY price upside for yield pickup, given our medium-term bearish USDJPY view.

CNY: Trade figure holds key as recovery stalls
China's manufacturing PMI retreated into contractionary territory to 49, as new trade orders plummeted. We expect

upcoming export data to give us more details on the tariffs' first impact on trade, though the magnitude remains uncertain due to potential front-loading of shipments and rerouting of trade flows to circumvent geopolitical tensions. Against this backdrop, we think the CNY's pre-holiday rebound against the USD will be short-lived, and we expect USDCNY to drift closer toward our June forecast of 7.30. Recent developments, including a conciliatory shift in tone from the Trump administration on trade talks and unconfirmed reports of China easing select US import tariffs, have injected cautious optimism. However, these gestures appear tactical rather than substantive. We maintain that a meaningful resumption of official negotiations is unlikely in the near term, and the persistence of elevated tariffs threatens to exacerbate economic headwinds for both nations.

PLN: Rate cuts are coming

The National Bank of Poland (NBP) kept its policy rate at 5.75% in April, as widely expected. However, compared to March, its communication took a U-turn: Instead of signaling rates on hold for a prolonged time, Governor Glapinski indicated the possibility of near-term rate cuts, pointing to previously downplayed downside surprises in inflation (April: 4.2% y/y). Since then, various monetary policy committee members have expressed support for a near-term lower policy rate, setting up the 6-7 May meeting for a larger cut, especially given the slowdown in wage growth and overall weaker economic data for March. Markets were quick to reflect the NBP's shifting stance, pricing in roughly an additional 70bps of cuts over the next three months. As a result, we think the likely upcoming easing cycle is well-reflected, and these expectations should now be priced into the zloty. At the same time, the European Central Bank is likely to cut its policy rate further—while the yield differential between the zloty and the euro is expected to moderate, the former should still have a notable carry advantage.

CZK: Hawkish comments into the next decision

The Czech National Bank (CNB) kept its policy rate on hold at 3.75% in late March, opting for another pause and slowing the pace of its rate-cutting cycle. US tariffs and potential retaliation by the EU, alongside still elevated service price growth, featured in the CNB's communication on pro-inflationary risks. In recent days, members of the monetary policy committee have also struck a hawkish tone going into next week's meeting, highlighting that the decision will be once again between a cut and a hold. Markets are pricing a longer continuation of cuts than the central bank's guidance. Amid the tariff uncertainties, downside risks to growth could feature more prominently in the coming quarters, which would speak in favor of more interest rate cuts, while trade diversion from Asia to Europe could also have a disinflationary impact. We think the koruna remains vulnerable against this backdrop, and think a long EURCZK position is a good expression to account for the challenging outlook for global trade.

BRL: Last hike?

The Brazilian central bank (BCB) has been quite an outlier in recent months, as inflationary risks led to policy rate hikes at a time when most other central banks are easing. Recently, the BCB has struck a more dovish tone and next week's expected 50bps hike to 14.75% might be the last of this cycle. The real is benefiting from the high interest rate carry, but remains vulnerable to trade frictions. Nuances are important, however: Brazil is benefiting from increased Chinese demand for agricultural products and a rotation of capital out of the US should also support the Brazilian real—provided the country can maintain fiscal credibility. Unfortunately, the current fiscal framework is challenged, and reforms look unlikely before the 2026 elections. In a deepening global risk-off scenario, the real could come under pressure again.

Base metals: Tariff uncertainty and demand risks in focus

Industrial metal prices came under pressure from late March to early April. However, they have since begun a cautious recovery, supported by the US administration's 90-day pause on most increased "reciprocal" tariffs. Since the announcement on 9 April, copper and nickel (both up over 10%) have outperformed lead, whereas aluminum and zinc have lagged. US tariffs and the risk of retaliatory measures have still brought demand risks to the forefront. Global manufacturing PMIs, which serve as a proxy for demand, remain mixed and have yet to show the impact of tariffs. Regionally, Europe and the US signal contraction, while China's manufacturing PMI declined to 49 in April from 50.5 in March. In addition, falling copper inventories on the SHFE (down 118,540 since end-March to 116,750 metric tons) point to ongoing physical tightness, although China's unwrought copper imports slipped just 0.8% y/y in March to 470 thousand tons. Meanwhile, alumina supply has normalized, and steady Chinese aluminum output has weighed on aluminum prices. Zinc has also come under pressure as concentrate availability has improved, with several mines in Inner Mongolia and Hunan resuming operations. As for nickel, cost support tends to kick in when prices slip below the USD 15,000/mt mark; nevertheless, until supply-side adjustments begin to rebalance the market, we expect prices to remain below USD 16,500/mt. Negotiations between the US administration and its trading partners leave room for lower US tariffs in 2H, in our view. For now, we like volatility-selling strategies in copper over the next three months until greater policy, and thus demand, clarity emerges.

Data Calendar

Monday, 5 May
8:30 Switzerland CPI m/m (Apr, prior: 0%)
8:30 Switzerland CPI y/y (Apr, prior: 0.3%)
9:00 Turkey CPI y/y (Apr, prior: 38.10%)
10:30 Eurozone sentix index (May, prior: -19.5)
16:00 US ISM non-manufacturing PMI (Apr, prior: 50.8)

Tuesday, 6 May
3:00 Philippines CPI y/y (Apr, prior: 1.8%)
3:30 Australia building approvals (Mar, prior: -0.3%)
7:45 Switzerland unemployment rate adjusted (Apr, prior: 2.8%)
9:50 France Markit composite PMI (Apr, prior: 47.3)
9:50 France Markit services PMI (Apr, prior: 46.8)
9:55 Germany Markit services PMI (Apr, prior: 48.8)
10:00 Eurozone Markit services final PMI (Apr, prior: 49.7)
10:00 Eurozone Markit composite final PMI (Apr, prior: 50.1)
10:30 UK Markit/CIPS services PMI (Apr, prior: 48.9)
11:00 Eurozone PPI m/m (Mar, prior: 0.2%)
11:00 Eurozone PPI y/y (Mar, prior: 3%)
14:30 US international trade m/m (Mar, prior: USD -122.7bn)
14:30 Canada trade balance (Mar, prior: CAD -1.52bn)
16:00 Canada Ivey PMI (Apr, prior: 55.6)
16:00 Canada Ivey PMI s.a. (Apr, prior: 51.3)

Wednesday, 7 May
Poland policy rate decision (current: 5.75%)
Thailand CPI y/y (Apr, prior: 0.84%)
0:45 New Zealand HLFS unemployment rate (1Q, prior: 5.1%)
0:45 New Zealand HLFS job growth q/q (1Q, prior: -0.1%)
0:45 New Zealand HLFS participation rate (1Q, prior: 71%)
8:00 Germany industrial orders m/m (Mar, prior: 0%)
10:00 Taiwan CPI y/y (Apr, prior: 2.29%)
10:30 UK Markit/CIPS construction PMI (Apr, prior: 46.4)
11:00 Eurozone retail sales m/m (Mar, prior: 0.3%)
11:00 Eurozone retail sales y/y (Mar, prior: 2.3%)
14:30 Czech Republic policy rate decision (current: 3.75%)
20:00 US Fed funds target rate (current: 4.375%)
20:00 US FOMC Press Conference
23:30 Brazil Selic rate decision (current: 14.25%)

Thursday, 8 May
1:01 UK RICS housing survey (Apr, prior: 2)
1:50 Japan BoJ Monetary Policy Meeting Minutes
4:00 Philippines GDP y/y (1Q, prior: 5.3%)
5:00 China exports y/y (Apr, prior: 12.4%)
5:00 China imports y/y (Apr, prior: -4.3%)
5:00 China trade balance (Apr, prior: USD 102.64bn)
8:00 Germany exports m/m s.a. (Mar, prior: 1.8%)
8:00 Germany imports m/m s.a. (Mar, prior: 0.7%)
8:00 Germany trade balance s.a. (Mar, prior: EUR 17.7bn)
8:00 Germany industrial output m/m (Mar, prior: -1.3%)
8:00 UK Halifax house prices m/m (Apr, prior: -0.5%)
8:00 Norway manufacturing output m/m (Mar, prior: 1.4%)
9:00 Malaysia BNM policy rate decision (current: 3.00%)
9:30 Sweden Riksbank rate (current: 2.25%)
10:00 Norway central bank rate decision (current: 4.5%)
13:00 UK BoE MPC vote hike (May, prior: 0)
13:00 UK BoE MPC vote unchanged (May, prior: 8)
13:00 UK BoE MPC vote cut (May, prior: 1)
13:00 UK BoE bank rate (May, prior: 4.5%)
13:30 UK BoE's Governor Bailey Speech
14:30 US labor costs preliminary (1Q, prior: 2.2%)
14:30 US productivity preliminary (1Q, prior: 1.5%)
16:00 US wholesale inventories m/m (Mar, prior: 0.5%)

Friday, 9 May
1:30 Japan all household spending y/y (Mar, prior: -0.5%)
1:30 Japan all household spending m/m (Mar, prior: 3.5%)
8:00 Norway consumer price index y/y (Apr, prior: 2.6%)
8:00 Norway core inflation y/y (Apr, prior: 3.4%)
8:00 Sweden industrial production m/m (Mar, prior: 0.4%)
8:00 Sweden industrial production y/y (Mar, prior: -0.7%)
10:40 UK BOE's Governor Bailey speech
14:00 Brazil IBGE Inflation y/y (Apr, prior: 5.48%)
14:30 Canada employment change (Apr, prior: -32.6k)
14:30 Canada unemployment rate (Apr, prior: 6.7%)

Saturday, 10 May
3:30 China PPI y/y (Apr, prior: -2.5%)
3:30 China CPI y/y (Apr, prior: -0.1%)
3:30 China CPI m/m (Apr, prior: -0.4%)

s.a. = seasonally adjusted, n.s.a. = not seasonally adjusted, and * is Bloomberg expectations
Time of day: Central European Time (CET)
Source: Bloomberg, Reuters, as of 30 Apr 2025

Appendix

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