

# Latest Market Focus – FX Insights

## US-EU divergence weighs on EUR

#Investment #CIO Insights #FX Markets #EUR

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CIO Office and Investment Advisory

- **Euro weighed down by a more dovish ECB President.** Markets have scaled back expectations of further ECB rate hikes, dragging EUR/USD to its weakest level since 2026
- **Reduced need for ECB tightening.** Easing Middle East tensions and lower oil prices have reduced upside inflation risks, while persistent eurozone weakness limits the ECB's scope for further tightening.
- **Divergence in US–Europe monetary policy.** Rising hawkish Fed expectations have widened rate differentials and pressured the euro, but the outlook hinges on Middle East and oil developments and upcoming eurozone inflation and wage data.
- **The euro's short-term technical outlook is slightly bearish.** Key support is at USD 1.10 (around HKD 8.60), with critical resistance at USD 1.16 (around HKD 9.10). The euro may have some scope for a short-term rebound and corrective recovery, but it is still expected to lack the fundamentals for a sustained, trend-driven rise

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