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FX Forecast Update

Temporary USD weakness

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FX market overview

Recent developments: persisting Middle East tensions and easing Fed rate hike expectations

- Since our last update on 16 July, the past month has been defined by two competing forces: a sharp, short-lived energy shock driven by renewed US-Iran hostilities as negotiations seemingly stalled, and a subsequent softening in US data that has pared back Fed rate hike expectations. Brent crude traced a dramatic path over the period – surging to USD 100/bbl on persistent Middle East tensions before retracing to around USD 90/bbl. Equity markets delivered strong gains, underpinned by resilient corporate earnings and sustained AI-related investment optimism. In rates, the US yield curve bear steepened materially, driven by the energy shock and fiscal concerns at the long end, pushing 10Y and 30Y US Treasury yields to decade highs, while the front end moved in the opposite direction. Fed rate hike expectations have shifted materially over the month: markets now price less than one full 25bp hike by year-end, with December remaining the most likely meeting for the next potential move – in line with our call – while a 25bp ECB hike in September is almost fully priced.

FX implications: weaker USD, stronger NOK and stable SEK

- The net result has been a broadly weaker USD, with high-beta commodity-linked currencies – NOK and AUD in particular – outperforming, and JPY staging a sharp intervention-driven recovery that has since partially retraced. EUR/USD has drifted higher, while the Scandies have diverged: NOK has strengthened, tracking US real rates and oil, while SEK has traded relatively stable. Both GBP and CHF have weakened against the EUR, with the latter standing out as the worst-performing G10 currency over the past month, weighed down by widening rate differentials.

Outlook: bearish on EUR/USD and medium-term bullish on EUR/Scandies

- We maintain our downward-sloping EUR/USD forecast profile unchanged as we expect relative macro momentum, monetary policy and elevated energy prices to maintain EUR/USD on a declining trend, targeting 1.12 in 12M. For EUR/SEK, relative monetary policy could turn into a significant tailwind in the near-term. As for the medium-term outlook, capital flows remain a SEK negative point towards a somewhat higher EUR/SEK over the coming 12M. For EUR/NOK, we still have a long-term negative view on the NOK but have a more neutral-to-positive view in the near-term.

Key risk to our forecasts: geopolitics and US monetary policy outlook

- Near-term risks are closely tied to the war in Iran, while medium- to long-term risks continue to be tied to the US growth outlook and the US monetary policy outlook. A much firmer focus by the Warsh-led Fed on bringing down nominal pressures in the US economy, could result in a considerably stronger USD and weaker Scandies than what we pencil in. Additionally, should the US economy prove less resilient than what we forecast, fears of a US recession could weigh heavily on the USD, with CHF, JPY and EUR likely proving the biggest beneficiaries in such a scenario. For EUR, a more prolonged ECB hiking cycle, potentially driven by fiscal easing or a more resilient euro area economy, could also cap USD strength. Finally, we will closely monitor uncertainty related to AI and broader signs of a turning global cycle.

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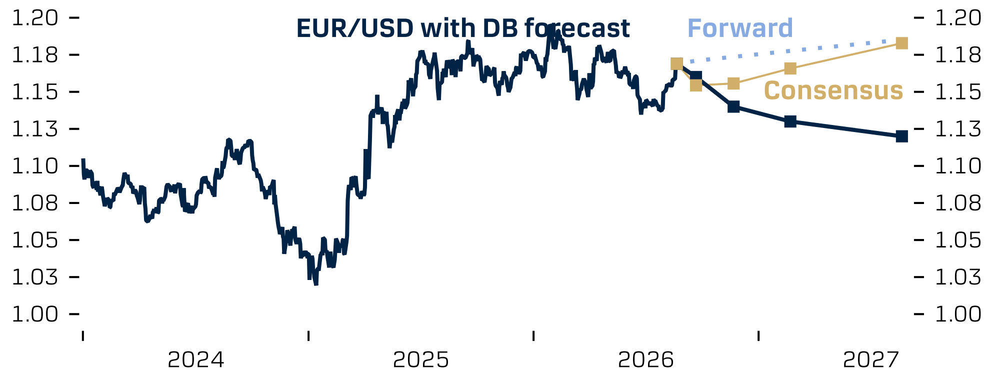
EUR/USD – recent uptick will prove temporary

- **Cyclical outlook.** EUR/USD has rebounded higher in August after a string of cooler-than-expected US inflation and labour market data eased expectations of the Fed's rate hikes. Relative to expectations, euro area macro releases have generally been stronger than anticipated, but this also reflects consensus cutting EA GDP forecasts sharply during the first half of the year. We estimate that the underlying pace of real GDP growth in the US hovers around 2.5% in annualized terms, while our forecast for euro area's 2026 growth is only 0.7%. Rising prices of refined oil products and natural gas weigh on the euro area's terms-of-trade and pose a further downside risk for the growth towards winter. We continue to see relative macro momentum as a negative driver for EUR/USD.
- **Monetary policy.** Both ECB and the Fed maintained monetary policy unchanged in the July meetings. The most interesting aspect of the meetings was the Fed Chair Kevin Warsh's decision to vote for an unchanged decision, despite vocally pushing for more aggressive stance on inflation earlier in June. Markets are currently pricing in 2-3 more rate hikes for the ECB, while we expect only one more hike in September. For the Fed, markets are pricing in 1-2 rate hikes, while we call for two (in December and March). The relative nominal interest rate spread has declined to its lowest level since 2024, but we expect this trend to revert higher over the coming year, which would weigh on the spot rate going forward.
- **External balances.** US current account deficit started widening again in late 2025. The euro area is still affected by a negative terms-of-trade shock stemming from higher energy prices.
- **Valuation.** We estimate that the PPP fair value for EUR/USD is around 1.25 over 3-5Y horizon.
- **Positioning.** Non-commercial broad USD positioning has been long over the summer, but options pricing suggests positioning has turned more neutral in August.

Forecast: 1.16 (1M), 1.14 (3M), 1.13 (6M), 1.12 (12M)



	1M	3M	6M	12M
Danske Bank	1.16	1.14	1.13	1.12
Consensus	1.15	1.16	1.17	1.18
Forward	1.17	1.17	1.18	1.19

Note: Past performance is not a reliable indicator of current or future results
Source: Macrobond, Danske Bank

- **Risks.** Lower-than-expected US inflation, higher US unemployment rate or renewed concerns of the Fed's independence could lift EUR/USD above our forecast. A sudden end to the war in Iran could also support EUR.
- **Conclusion.** We maintain our downward-sloping forecast largely unchanged. Recent soft US data releases and the renewed political uncertainty after US Treasury's unexpected buyback announcement have challenged our view in the short-term, but we expect relative macro momentum, monetary policy and elevated energy prices to maintain EUR/USD on a declining trend.

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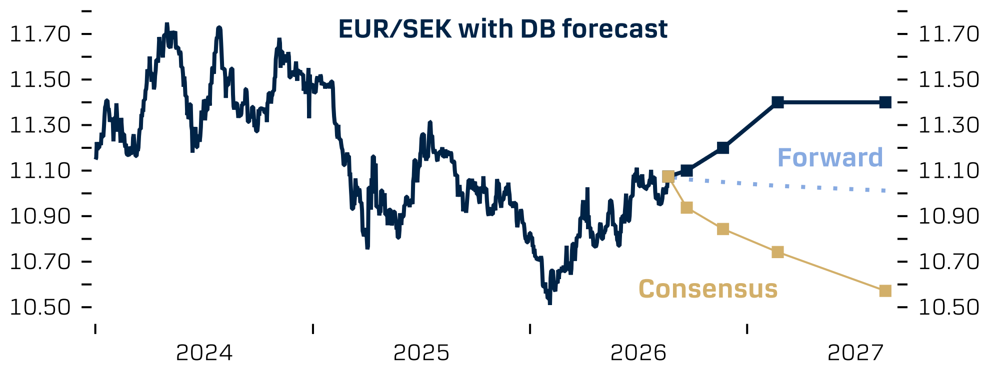
EUR/SEK – dovish Riksbank skews risks to the upside

- **Cyclical outlook.** Swedish growth has continued to pick up pace over summer, with the GDP indicator printing +1.4% (q/q) in Q2, well above consensus expectations. And softer indicators, such as the monthly NIER survey, indicates that Q3 has been off to a strong start as well. Eurozone growth also exceeded expectations in Q2, which have prompted some upward revisions of consensus growth projections. Nevertheless, the Swedish economy remains on track to clearly outperform the Eurozone in 2026, which could lend the SEK some support, at least on the margin.
- **Monetary policy.** The Riksbank (RB) failed to live up to market expectations at the August meeting, prompting a dovish reaction in rates and FX. Forward guidance was kept roughly intact from the June meeting and one key sentence in the press release stated that the Riksbank would adjust its monetary policy in a tighter direction if the recent inflation uptick would prove to be the start of a "*larger and lasting*" inflation upturn. This signals a clear wait-and-see approach and unless the August inflation surprises sharply to the upside, the likelihood of a hike already at the September meeting (our call) has decreased substantially. With the ECB set to hike in September, the policy rate spread could reach 75bp, a significant near-term headwind for the SEK.
- **Flows.** The Swedish savings-investment balance generated net-buying of foreign equities in 2025 and there are no indications of major structural changes being imminent amongst the AP funds. Although Swedish households net-bought Swedish equities through Q1 at the expense of US and global dittos, the trend has since reversed and we have seen renewed USD buying for the past four months, mainly through global equity funds. As such, we continue to view capital flows as a structural headwind for the SEK.
- **Valuation.** Both our short-term and long-term valuation models see EUR/SEK as fundamentally justified at levels at or above 11.00.
- **Risks.** Near-term risks are two-sided and mostly centred around the USD, geopolitics and the Riksbank. Long-term risks are primarily related to any potential reversal of the Swedish capital flows story.

Forecast: 11.10 (1M), 11.20 (3M), 11.40 (6M), 11.40 (12M)



	1M	3M	6M	12M
Danske Bank	11.10	11.20	11.40	11.40
Consensus	10.94	10.84	10.74	10.57
Forward	11.06	11.05	11.03	11.01

Note: Past performance is not a reliable indicator of current or future results
Source: Macrobond, Danske Bank

- **Conclusion.** EUR/SEK has spent the summer trading in a tight range centred around 11.00. Although Swedish macro has mostly surprised to the upside lately, it has not yet translated into any meaningful support for the Krona. This is likely because the Riksbank has retained their, relative to market pricing, soft policy guidance, acting as a counterweight for the SEK. With our call for a Riksbank hike at the September meeting (and December) being challenged by the latest communication, the ECB-RB policy rate spread could reach 75bp by the end of September. As such, relative monetary policy could turn into a significant SEK headwind in the near-term, prompting an upwards revision of our forecast profile. As for the medium-term outlook, we continue to see scope for a stronger Dollar of the coming year, which together with capital flows remaining as a SEK negative point towards a somewhat higher EUR/SEK over the coming 12m.

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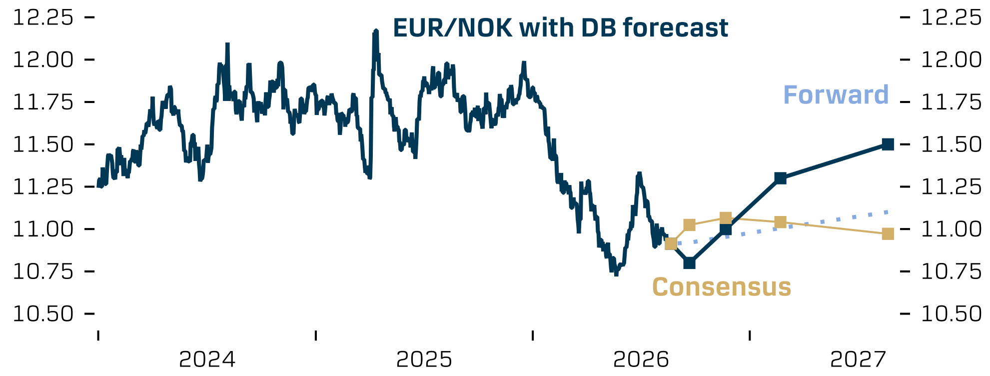
EUR/NOK – in the hands of the global environment in the near-term

- **Cyclical outlook.** The mainland economy continues to operate slightly below trend, with (gross) unemployment edging higher but remaining relatively low at 2.1% in July. The growth drivers that supported the economy in recent years have either turned or are turning, and while real disposable income should remain supportive in H2, we expect mainland activity to continue to muddle through. Inflationary pressures have eased over the summer, with July's core inflation at 2.7% y/y, significantly below Norges Bank's June MPR forecast of 3.3%. The details were mixed: the rebound in ICT prices in July was less pronounced than expected, while food prices fell slightly more than anticipated. On the other hand, transport prices rose significantly more than expected, lifting services inflation excluding rent from 2.9% to 3.5% y/y.
- **Monetary policy.** Norges Bank remained on hold as expected at the August meeting but retained a tightening bias. We continue to expect the final hike to be delivered in September, taking the policy rate to 4.50%. We expect Norges Bank to initiate a cutting cycle in March 2027, with four cuts in 2027 and a final cut in 2028, bringing the sight deposit rate to 3.25% by March 2028. This is considerably more easing than currently priced in markets. Hence, we expect relative rates to be a negative factor for the NOK in the coming years.
- **External balances.** Norway runs a neutral current account balance when adjusting for both petroleum-related exports and oil-fund-financed fiscal spending. Meanwhile, on a net international investment position basis, Norway still runs a sizable deficit when adjusting for the oil fund.
- **Valuation.** We expect fair value estimates for EUR/NOK to trend higher in the years to come, following the relatively higher unit labour costs in Norway and the tightening of real rate gaps.
- **Positioning.** We believe speculative NOK positioning is neutral.

Forecast: 10.80 (1M), 11.00 (3M), 11.30 (6M), 11.50 (12M)



	1M	3M	6M	12M
Danske Bank	10.80	11.00	11.30	11.50
Consensus	11.02	11.07	11.04	10.97
Forward	10.92	10.95	11.01	11.10

Note: Past performance is not a reliable indicator of current or future results
Source: Macrobond, Danske Bank

- **Risks.** Near-term risks are inherently connected to global energy prices, developments in the Persian Gulf and not least US monetary policy.
- **Conclusion.** The NOK has been the best-performing currency in the G10 space over the past month, supported by a relatively constructive risk backdrop – partly reflecting easing Fed rate hike expectations – and, not least, higher oil prices. We view the global environment as the dominant near-term driver for the NOK, with Fed rate expectations, risk sentiment, and oil price developments the key variables to watch. Overall, while we retain a long-term negative view on the NOK – driven by elevated unit labour costs in Norway and real-rate convergence with peers – we hold a more constructive near-term stance, as energy prices are likely to stay elevated and a potential Norges Bank hike in September.

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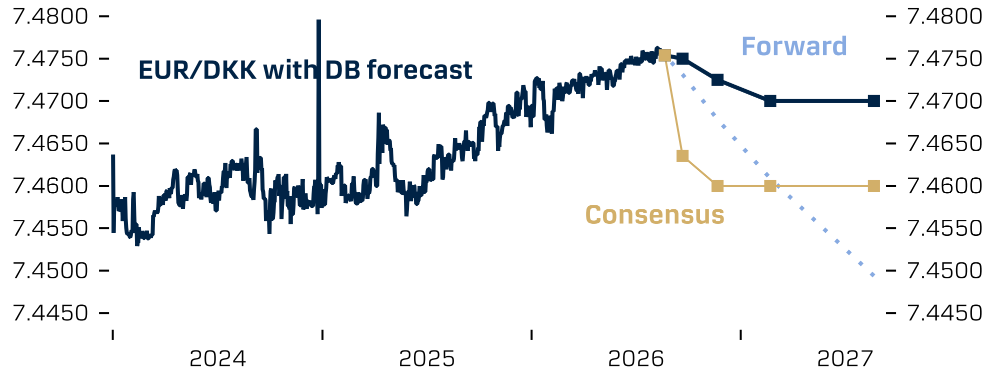
EUR/DKK – upwards pressure prevails

- **Cyclical outlook.** The cyclical environment looks about neutral-to-negative for EUR/DKK. Higher bond yields are negative, while rising equity markets are positive and likely dominate the former factors. The energy shock is broadly neutral for the Danish economy, which is in a better position to manage higher energy prices than the euro area economy. A stronger USD would benefit the competitiveness of Danish exporters with large exports to the US.
- **Monetary policy.** Danmarks Nationalbank (DN) intervened for the first time in over three years when EUR/DKK hit a historic high of 7.4758 in June. DN only intervened for DKK0.7bn, which is a very small amount. DN did not continue FX intervention in July, but EUR/DKK remains elevated close to the level from June; hence, DN might need to resume intervention in the coming months. We think it will take substantial FX intervention to trigger a hike, likely in the area of DKK50bn. Since we look for EUR/DKK to drop, we do not expect that to happen. We expect DN to cap EUR/DKK around the 7.4758 level using FX intervention. We expect the ECB to hike 25bp in September to 2.50%, and for DN to follow and hike to 2.10%, thereby maintaining the policy rate spread at -40bp.
- **External balances.** Denmark continues to run a very large current account surplus of around 10-15% of GDP, with pharmaceutical exports making a big contribution to the trade surplus. The significant surplus materialises in a large investment need abroad.
- **Valuation.** The strong Danish external balances keep a 'DKK appreciation risk premium' vis-à-vis the EUR in the FX forward curve.
- **Positioning.** Recent hedging data from the Danish central bank showed that the USD hedge ratio in the domestic life and pension sector fell to 63% in June, the lowest since February last year before the tariff war started. The EUR hedge ratio rose slightly in June and remains relatively higher than the USD hedge ratio from a historical perspective.

Forecast: 7.4750 (1M), 7.4725 (3M), 7.4700 (6M), 7.4700 (12M)



	1M	3M	6M	12M
Danske Bank	7.4750	7.4725	7.4700	7.4700
Consensus	7.4635	7.4600	7.4600	7.4600
Forward	7.4731	7.4678	7.4609	7.4494

Note: Past performance is not a reliable indicator of current or future results
Source: Macrobond, Danske Bank

- **Risks.** EUR/DKK remains exposed to large movements in equity and fixed income markets via the FX hedge rebalancing effect. US equity outperformance will tend to keep EUR/DKK low, while higher long-term bond yields will support a higher EUR/DKK. DN may opt to allow EUR/DKK to rise above the 7.4758 level where it intervened in June.
- **Conclusion.** We look for EUR/DKK to fall back to the 7.4725 level on 3M and further down to 7.4700 on a 6-12M horizon, driven by higher equity markets and hedge ratios. We expect DN to cap the around 7.4758 in the near-term. On 12M horizon, DN may opt to raise its intervention target further.

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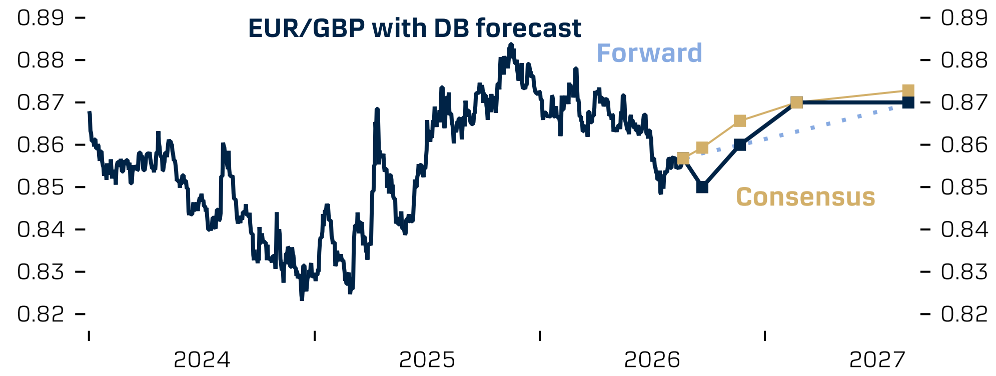
EUR/GBP – modestly higher

- **Cyclical outlook.** The UK labour market remains on a cooling trend with continuous job loss but a steady unemployment rate. On the back of this, private wage growth continues to edge lower, while public wage growth is supporting consumers. The economy has weathered the energy shock rather well supported largely by business capex but also solid private spending. Energy prices have driven headline inflation higher after the Ofgem's price caps have been adjusted higher, but the BoE's fear of energy prices spreading to core inflation in general and food inflation in particular still has not materialised.
- **Monetary policy.** At its latest meeting in July, the Bank of England (BoE) kept the Bank Rate unchanged at 3.75% with three board members voting for a hike. Risks remain skewed towards hikes through the remainder of the year, but recent data has taken the top off investors' hawkish BoE pricing. Our base scenario is an unchanged Bank Rate until the fear of spillover effects on inflation has subsided and the BoE can resume its cutting cycle again by summer 2027.
- **External balances.** The UK runs a large current-account deficit, which makes GBP vulnerable when capital inflows fade; this keeps GBP at risk vs EUR in the wake of souring global risk appetite.
- **Valuation.** Our Brexit-corrected MEVA estimate for EUR/GBP is around 0.83.
- **Positioning.** Non-commercial positioning is long EUR/GBP.
- **Risks.** Near-term risks are inherently connected to global energy prices and the developments in Iran as well as the global investment environment. The key risk to EUR/GBP trading substantially higher than our forecast is a sharp sell-off in global risk, which could be triggered by further escalation in the Middle East. Other risks are related to developments in the relative growth outlook between the euro area and the UK. If growth fares better than expected in the UK, this could send EUR/GBP substantially lower.

Forecast: 0.85 (1M), 0.86 (3M), 0.87 (6M), 0.87 (12M)



	1M	3M	6M	12M
Danske Bank	0.85	0.86	0.87	0.87
Consensus	0.86	0.87	0.87	0.87
Forward	0.86	0.86	0.86	0.87

Note: Past performance is not a reliable indicator of current or future results
Source: Macrobond, Danske Bank

- **Conclusion.** EUR/GBP has rebounded slightly higher to 0.8550 after trading close to 0.8450 over the summer. GBP FX has benefitted from a range of factors. Political instability has once again faded and with a more pragmatic pick for UK chancellor, fiscal sustainability worries have taken a backseat. The UK economy has also performed better than expected although the past weeks data releases have been to the weaker side. We highlight that the UK economy remains fragile and that we see scope for the significant repricing of the BoE to revert to a larger extent than for the ECB, opening for a move higher in EUR/GBP. We continue to forecast EUR/GBP to move higher from current levels but now see the outlook more balanced.

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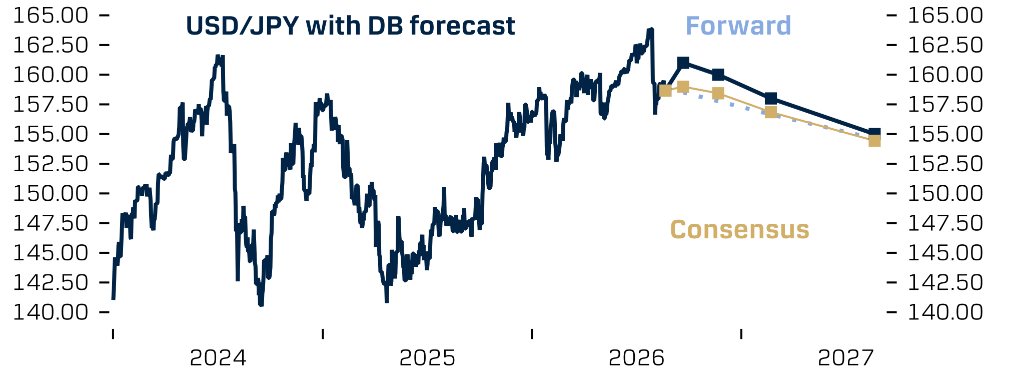
USD/JPY – persistent upward pressure in the near-term

- **Cyclical outlook.** Overall, the Japanese economy remains on a decent footing as the weak JPY gives exporters a big competitive advantage. Japan's Q2 2026 GDP growth came in well below expectations, as the economy expanded at an annualised pace of +1.1% q/q. Japanese data has generally been a mixed bag over the summer. On one hand, manufacturing PMIs point towards an improving business cycle, which strengthens the case for the BoJ's rate hikes. And relative to expectations, Japan has delivered some of the most positive macro surprises of the entire G10 sphere. On the other hand, still elevated energy prices maintain Japanese terms-of-trade near the weakest level since 2023.
- **Monetary policy.** The Bank of Japan (BoJ) kept its policy rate at 1.00% in July. Higher wage growth and steady inflation create the basis for more rate hikes in the coming year. We expect another 25bp hike on the 3M horizon and one on the 12M horizon, which pushes the key policy rate to 1.50%. We expect the policy to peak then, as Japan still needs a negative real interest rate to keep inflation stable. BoJ announced it will taper its JGB purchases gradually until Q1 next year, which will further shrink its footprint on the bond market.
- **External balances.** Japan's current account surplus declined in May after two months of very high surplus. The surplus is mainly driven by a wider primary income surplus and exports outpacing imports on the back of the weak JPY. Although terms of trade have weakened since the onset of the Iran war, they remain well above the post-pandemic lows. Higher energy prices weigh on the energy-import-dependent economy.
- **Positioning.** Speculators are short positioned in USD/JPY.
- **Risks.** Markets are increasingly pricing in Fed rate hikes. If upcoming US data continues to support the shift and the USD/JPY rate differential narrows less than expected, the BoJ could be tested on its commitment to support the JPY after intervening with about USD 63bn in April/May.

Forecast: 161 (1M), 160 (3M), 158 (6M), 155 (12M)



	1M	3M	6M	12M
Danske Bank	161	160	158	155
Consensus	159	158	157	154
Forward	159	158	157	155

Note: Past performance is not a reliable indicator of current or future results
Source: Macrobond, Danske Bank

- **Conclusion.** While the joint US-Japan intervention, where the US sold EUR to buy the JPY, supporting the JPY and putting downward pressure on USD/JPY, was remarkable in its size and coordination, it generated limited follow-through beyond the initial move, reinforcing that sustained JPY strength is unlikely without a meaningful repricing lower in US yields. History shows that intervention alone rarely changes the underlying trend. Unless supported by weaker US data, lower US yields, a more hawkish BoJ, lower oil prices or meaningful Japanese asset repatriation, investors are likely to fade JPY strength. Accordingly, while we remain structurally bearish on USD/JPY over the medium term, we see scope for tactical upside over the next 1-3M, supported by resilient US data, a relatively hawkish Fed and oil prices that are likely to remain elevated.

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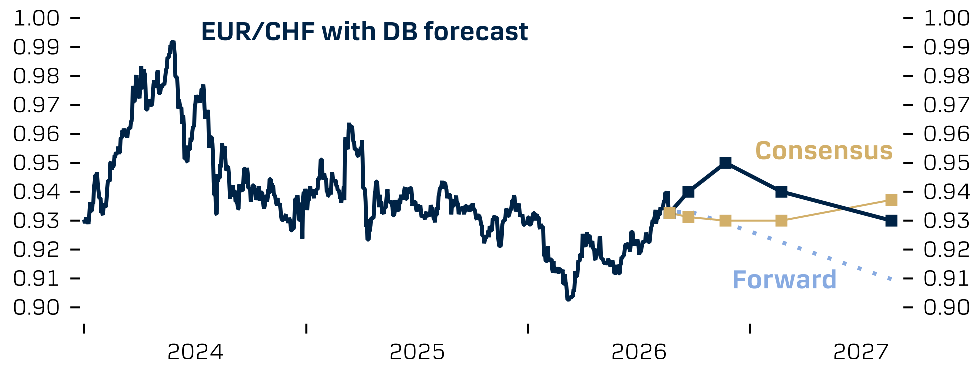
EUR/CHF

Forecast: 0.94 (1M), 0.95 (3M), 0.94 (6M), 0.93 (12M)



Note: Past performance is not a reliable indicator of current or future results
Source: Macrobond, Danske Bank

- Over the summer, EUR/CHF has moved gradually higher from 0.9150 to now trading just below the 0.94 mark. We attribute the recent move to especially widening rate differentials to peers and a resilient European economy with a string of positive growth surprises. The former was also exacerbated by a Bloomberg sources story flagging that the SNB would leave the policy rate unchanged at 0% until end of 2027, a view we share. The ongoing rise in JPY rates and recent jitters in JPY FX, has also made the Swiss Franc increasingly attractive as an alternative funding currency with widening rate differential to peers.
- We therefore adjust our forecast profile higher over the coming 1-3 months, expecting EUR/CHF to rise towards 0.95 as we expect the above-mentioned dynamics to push the cross higher. Over the longer-term we remain bearish on EUR/CHF and think the outlook for Fed tightening and an environment with tighter global monetary policy conditions favours a stronger CHF. We target the cross at 0.93 in 6-12 months.

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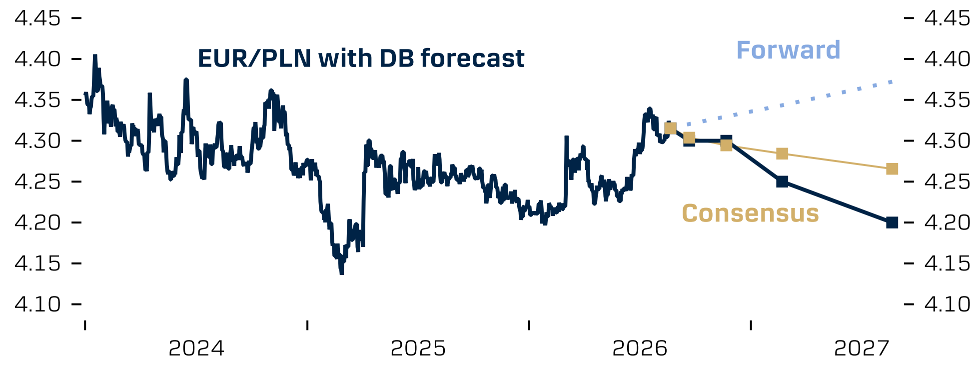
EUR/PLN

Forecast: 4.30 (1M), 4.30 (3M), 4.25 (6M), 4.20 (12M)



Note: Past performance is not a reliable indicator of current or future results
Source: Macrobond, Danske Bank

- Polish inflation has continued to slowly creep higher over summer, with core inflation printing above 3% in July. Meanwhile, the NBP remains divided when it comes to policy guidance, with recent comments ranging from a cut after the summer break (Governor Glapinski) to a hike in Q1 2027 (MPC member Zarzecki) as probable outcomes. Given these clear divisions within the Board, the policy outlook looks quite uncertain in H2 2026. With common ground likely hard to find in the near term, we expect the NBP to leave the key rate unchanged (3.75%) at the September meeting, at least.
- The Zloty has underperformed CEE peers over the past months, and EUR/PLN continues to range between 4.30-4.35, just shy of two-year highs. Viewed through the lens of our short-term model, based on relative rates and a proxy for risk sentiment, EUR/PLN is currently clearly overbought as our model puts spot below 4.25. On the back of this, and our constructive view on the Polish economy, we keep our downward sloping profile intact, seeing 4.20 in 12m.

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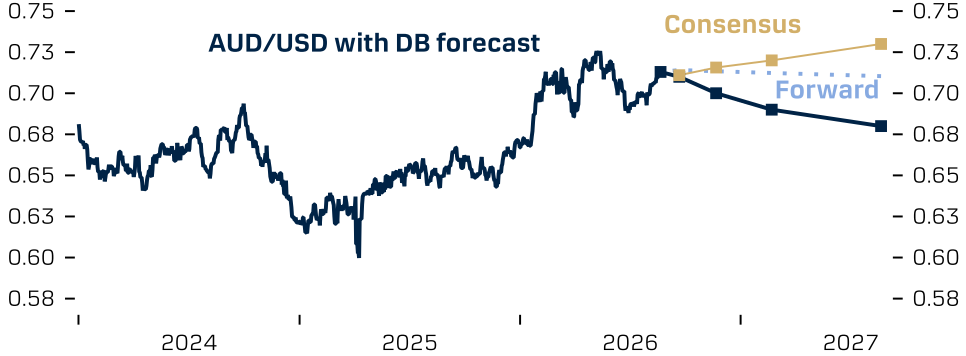
AUD/USD

Forecast: 0.71 (1M), 0.70 (3M), 0.69 (6M), 0.68 (12M)



Note: Past performance is not a reliable indicator of current or future results
Source: Macrobond, Danske Bank

- AUD has been one of the strongest performing G10 currencies during August. Improving global manufacturing cycle, consequently rising industrial metal prices and supportive carry have all lifted AUD vis-à-vis both USD and EUR.
- The Reserve Bank of Australia (RBA) maintained its monetary policy unchanged in August, as widely expected. Core inflation forecasts were revised lower and unemployment rate forecasts higher. Even though Governor Bullock strongly underscored that the door for further policy tightening remains open, we think the likelihood of it has declined after three consecutive rate hikes during H1. Markets price in roughly 75% probability for one more hike.
- Despite the solid performance over summer, downside risks are emerging towards the fall. Weak growth in the key export market China and more hawkish signals for the Fed will likely push AUD/USD modestly lower over the forecast horizon, and we maintain our 12M forecast unchanged at 0.68.

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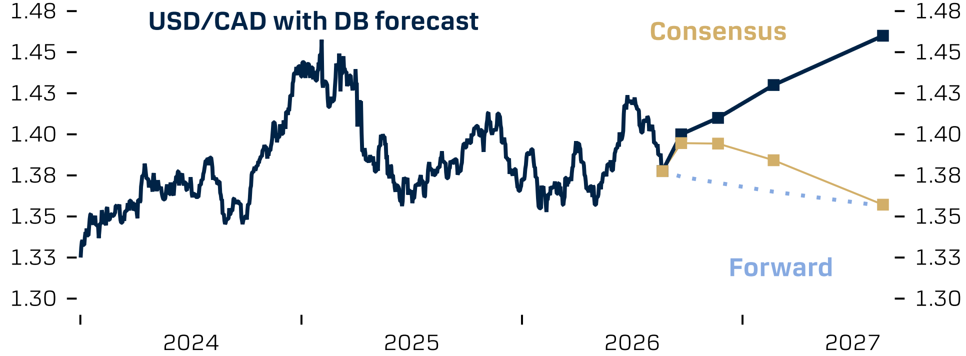
USD/CAD

Forecast: 1.40 (1M), 1.41 (3M), 1.43 (6M), 1.46 (12M)



Note: Past performance is not a reliable indicator of current or future results
Source: Macrobond, Danske Bank

- USD/CAD rose to fresh highs near 1.42 in late June, largely driven by broad USD strength and wider US-Canada yield spreads. The move has since retraced below 1.40 as higher crude prices and softer Fed easing expectations have weighed on the pair. The US decision not to extend the Canada-US-Mexico Agreement avoided a full withdrawal but keeps trade uncertainty in place through annual reviews. USD/CAD has settled below the 1.40 mark during August.
- The Bank of Canada (BoC) held its policy rate at 2.25% in July, judging the current stance appropriate amid two-sided risks. We expect the BoC to stay on hold through 2026 while the Fed hikes in December, leaving front-end rate differentials in favour of the USD. Markets price 15bp of BoC hike by year end.
- We keep an upward-sloping USD/CAD profile, supported by still-wide rate differentials and our structurally constructive USD view. Volatile energy prices and uncertainty about the direction of Federal Reserve monetary policy will spill over to USD/CAD in the short-term.

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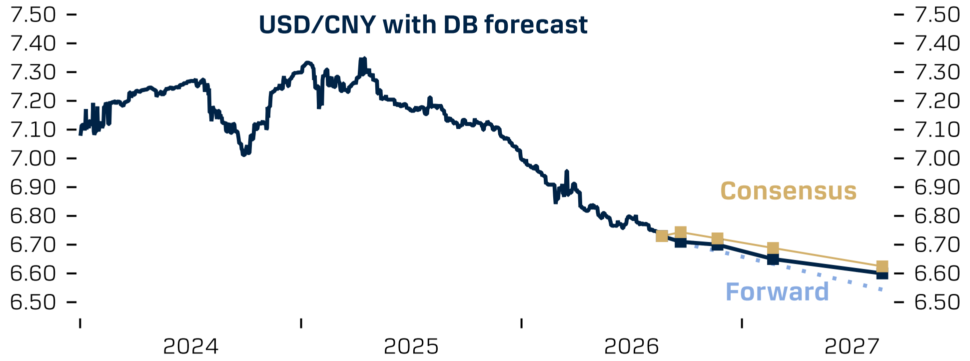
USD/CNY – More of the same

- **CNY the past month.** USD/CNY resumed the falling trend in August and hit a new cycle low around 6.72. It happened amid a broader decline in the USD.
- **Growth outlook.** China's GDP growth slowed to 4.3% growth in Q2 following 5% in Q1. July data confirmed the two-speed economy with still lacklustre growth in private consumption and investments outside tech, while exports and tech investments continue to power ahead. Especially exports of EVs, EV batteries, microchips and robotics see high growth. The housing crisis keeps lingering but with a few rays of light, such as a stabilisation of home sales and a falling rate of decline in new home prices. The Politburo in July signalled a moderate lift to stimulus in the second half to keep growth in the 4½-5% growth target for 2026. We now see some downside risk to our 4.8% growth estimate for 2026. In 2027 we forecast 4.7% growth and a moderate improvement in housing and consumption.
- **Monetary policy.** PBOC has not cut rates since May last year and has surprised us by not easing policy further this year. Still, with recent weak data and continued signals of more monetary easing coming, we look for a moderate decline in policy rates of 0.2 percentage points in the second half of the year.
- **FX policy.** China has a managed currency regime with PBOC guiding the currency against USD through the daily fixing and intervention but allowing markets to set the day-to-day levels. For some time PBOC has guided the cross lower with a gradual decline in the fixing since May 2025. There are no signs that this directional guidance is about to change.
- **Flows.** China's current account surplus is close to 4% of GDP, driven by a high and rising goods trade surplus of close to 7% of GDP. Net FDI is negative as inbound FDI has weakened while outbound FDI has increased with Chinese companies increasingly going global.

  Valuation. With a trade surplus close to 7% of GDP and a depreciation of the real exchange rate over the past 2-3 years, the CNY looks undervalued.

Forecast: 6.71 (1M), 6.70 (3M), 6.65 (6M), 6.60 (12M)



	1M	3M	6M	12M
Danske Bank	6.71	6.70	6.65	6.60
Consensus	6.74	6.72	6.69	6.62
Forward	6.71	6.68	6.63	6.54

Note: Past performance is not a reliable indicator of current or future results
Source: Macrobond, Danske Bank

- **Conclusion.** We see little reason to change our forecast of a continued declining trend in USD/CNY. We keep a target of 6.60 in 12M. While higher US rates relative to Chinese point to a stronger USD, this is dominated by China's desire to strengthen the yuan on the back of a high trade surplus, a wish to internationalise the currency and a goal to rebalance the economy. For EUR/CNY it implies a continued expected decline to 7.39 in 12M from the current level around 6.85 as we continue to see EUR/USD going lower to 1.12 in 12M.
- **Risks.** We see risks as broadly balanced, with the main uncertainty to the forecast related to how fast the cross declines rather than the direction of the cross.

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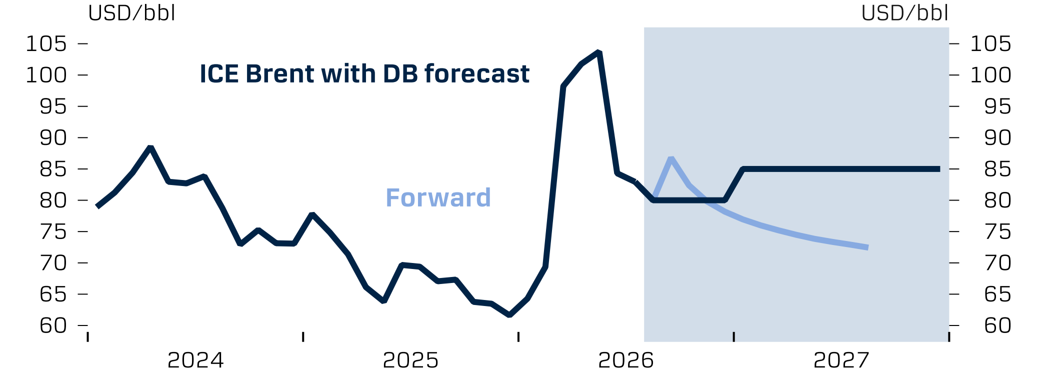
Oil – supply conditions are improving

- **Macro.** Uncertainty about the path forward for oil shipments through the Strait of Hormuz continues to be a disruptive force in the oil market. That said supply conditions have improved in recent months. Gulf producers have started to recover production, Venezuela and Nigeria are producing more oil and the rise in the US oil rig count may hint at future output increases in the US. Argentina and Brazil lead the way in Latin America, which has also managed to ramp up production.
- In addition, the US continues to tap its strategic reserves which has dropped to around 300mb – well below the low point from 2023 and the lowest since the early 1980s.
- Demand is still relatively strong. Major economies are growing despite the shock from energy markets and tighter monetary policy. The USD has dropped back due to uncertainty about how fast the US could tighten monetary policy. The slightly weaker USD supports demand from non-USD based consumers.
- The US mid-term election is drawing closer, which will likely increase attention of voters on high gasoline prices – a factor that may influence developments in the Middle East and domestically concerning the use of strategic reserves.
- **Risks.** The outcome space for oil prices naturally remains wide. The two biggest sources of risk are developments around the Strait of Hormuz and US monetary policy. Supply disruptions and a dovish Fed could push oil prices towards USD100/bbl, while a lasting deal and a hawkish Fed could send prices down to USD70/bbl.
- **Conclusion.** We keep our forecasts for Brent crude unchanged at USD80/bbl the rest of the year and USD85/bbl next year reflecting a still tense geopolitical situation, a stronger USD and tighter monetary policy.

Forecast: Forecast: 80 (Q3'26), 80 (Q4'26) 85 (2027)



Note: Past performance is not a reliable indicator of current or future results
Source: Macrobond, Danske Bank

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Danske Bank FX forecasts vs EUR

G10				Last Update:	21/08/2026
	Spot	+1m	+3m	+6m	+12m
Exchange rates vs EUR					
EUR/USD	1.17	1.16	1.14	1.13	1.12
EUR/JPY	186	187	182	179	174
EUR/GBP	0.86	0.85	0.86	0.87	0.87
EUR/CHF	0.94	0.94	0.95	0.94	0.93
EUR/SEK	11.06	11.10	11.20	11.40	11.40
EUR/NOK	10.90	10.80	11.00	11.30	11.50
EUR/DKK	7.4757	7.4750	7.4725	7.4700	7.4700
EUR/AUD	1.64	1.63	1.63	1.64	1.65
EUR/NZD	1.96	1.97	1.93	1.95	1.93
EUR/CAD	1.61	1.62	1.61	1.62	1.64
EM					
	Spot	**+1m**	**+3m**	**+6m**	**+12m**
EUR/PLN	4.31	4.30	4.30	4.25	4.20
EUR/HUF	364	360	350	340	340
EUR/CZK	24.1	24.2	24.1	24.0	24.0
EUR/TRY	56.3	56.8	59.3	64.4	73.9
EUR/ZAR	18.8	18.9	18.8	18.9	19.0
EUR/CNY	7.86	7.78	7.64	7.51	7.39
EUR/INR	112.0	111.9	110.8	110.1	109.8

Source: Danske Bank

Danske Bank FX forecasts vs DKK

G10				Last Update:	21/08/2026
	Spot	+1m	+3m	+6m	+12m
Exchange rates vs DKK					
USD/DKK	638.95	644.40	655.48	661.06	666.96
JPY/DKK	4.02	4.00	4.10	4.18	4.30
GBP/DKK	872.30	879.41	868.90	858.62	858.62
CHF/DKK	799.25	795.21	786.58	794.68	803.23
SEK/DKK	67.57	67.34	66.72	65.53	65.53
NOK/DKK	68.60	69.21	67.93	66.11	64.96
EUR/DKK	747.57	747.50	747.25	747.00	747.00
AUD/DKK	456.74	457.52	458.84	456.13	453.54
NZD/DKK	381.55	380.19	386.73	383.42	386.84
CAD/DKK	464.42	460.28	464.88	462.28	456.82
EM					
	Spot	+1m	+3m	+6m	+12m
PLN/DKK	173.28	173.84	173.78	175.76	177.86
HUF/DKK	2.06	2.08	2.14	2.20	2.20
CZK/DKK	30.99	30.89	31.01	31.13	31.13
TRY/DKK	13.28	13.15	12.61	11.60	10.11
ZAR/DKK	39.79	39.53	39.73	39.58	39.23
CNY/DKK	95.06	96.04	97.83	99.41	101.06
INR/DKK	6.67	6.68	6.74	6.79	6.81

Source: Danske Bank

Note: The convention used is 1/100

Danske Bank FX forecasts vs SEK

G10				Last Update:	21/08/2026
	Spot	+1m	+3m	+6m	+12m
Exchange rates vs SEK					
USD/SEK	9.46	9.57	9.82	10.09	10.18
JPY/SEK	5.95	5.94	6.14	6.39	6.57
GBP/SEK	12.91	13.06	13.02	13.10	13.10
CHF/SEK	11.83	11.81	11.79	12.13	12.26
EUR/SEK	11.06	11.10	11.20	11.40	11.40
NOK/SEK	1.02	1.03	1.02	1.01	0.99
DKK/SEK	1.48	1.48	1.50	1.53	1.53
AUD/SEK	6.76	6.79	6.88	6.96	6.92
NZD/SEK	5.65	5.65	5.80	5.85	5.90
CAD/SEK	6.87	6.83	6.97	7.05	6.97
EM					
	Spot	+1m	+3m	+6m	+12m
PLN/SEK	2.56	2.58	2.60	2.68	2.71
HUF/SEK	3.04	3.08	3.20	3.35	3.35
CZK/SEK	0.46	0.46	0.46	0.48	0.48
TRY/SEK	0.20	0.20	0.19	0.18	0.15
ZAR/SEK	0.59	0.59	0.60	0.60	0.60
CNY/SEK	1.407	1.426	1.466	1.517	1.542
INR/SEK	0.099	0.099	0.101	0.104	0.104

Source: Danske Bank

Danske Bank FX forecasts vs NOK

G10				Last Update:	21/08/2026
	Spot	+1m	+3m	+6m	+12m
Exchange rates vs NOK					
USD/NOK	9.31	9.31	9.65	10.00	10.27
JPY/NOK	5.86	5.78	6.03	6.33	6.62
GBP/NOK	12.72	12.71	12.79	12.99	13.22
CHF/NOK	11.65	11.49	11.58	12.02	12.37
SEK/NOK	0.99	0.97	0.98	0.99	1.01
EUR/NOK	10.90	10.80	11.00	11.30	11.50
DKK/NOK	1.46	1.44	1.47	1.51	1.54
AUD/NOK	6.66	6.61	6.75	6.90	6.98
NZD/NOK	5.56	5.49	5.69	5.80	5.96
CAD/NOK	6.77	6.65	6.84	6.99	7.03
EM					
	Spot	+1m	+3m	+6m	+12m
PLN/NOK	2.53	2.51	2.56	2.66	2.74
HUF/NOK	3.00	3.00	3.14	3.32	3.38
CZK/NOK	0.45	0.45	0.46	0.47	0.48
TRY/NOK	0.19	0.19	0.19	0.18	0.16
ZAR/NOK	0.58	0.57	0.58	0.60	0.60
CNY/NOK	1.39	1.39	1.44	1.50	1.56
INR/NOK	0.10	0.10	0.10	0.10	0.10

Source: Danske Bank

Danske Bank FX forecasts vs USD

G10				Last Update:	21/08/2026
	Spot	+1m	+3m	+6m	+12m
Exchange rates vs USD					
EUR/USD	1.17	1.16	1.14	1.13	1.12
USD/JPY	159	161	160	158	155
GBP/USD	1.37	1.36	1.33	1.30	1.29
USD/CHF	0.80	0.81	0.83	0.83	0.83
USD/SEK	9.46	9.57	9.82	10.09	10.18
USD/NOK	9.31	9.31	9.65	10.00	10.27
USD/DKK	6.39	6.44	6.55	6.61	6.67
AUD/USD	0.71	0.71	0.70	0.69	0.68
NZD/USD	0.60	0.59	0.59	0.58	0.58
USD/CAD	1.38	1.40	1.41	1.43	1.46
EM					
	Spot	+1m	+3m	+6m	+12m
USD/PLN	3.69	3.71	3.77	3.76	3.75
USD/HUF	311	316	307	301	304
USD/CZK	20.61	20.86	21.14	21.24	21.43
USD/TRY	48.07	49.00	52.00	57.00	66.00
USD/ZAR	16.06	16.30	16.50	16.70	17.00
USD/CNY	6.72	6.71	6.70	6.65	6.60
USD/INR	95.75	96.50	97.20	97.40	98.00

Source: Danske Bank

Danske Bank FX forecasts vs GBP

G10				Last Update:	21/08/2026
	Spot	+1m	+3m	+6m	+12m
Exchange rates vs GBP					
GBP/USD	1.37	1.36	1.33	1.30	1.29
GBP/JPY	217	220	212	205	200
EUR/GBP	0.86	0.85	0.86	0.87	0.87
GBP/CHF	1.09	1.11	1.10	1.08	1.07
GBP/SEK	12.91	13.06	13.02	13.10	13.10
GBP/NOK	12.72	12.71	12.79	12.99	13.22
GBP/DKK	8.72	8.79	8.69	8.59	8.59
GBP/AUD	1.91	1.92	1.89	1.88	1.89
GBP/NZD	2.29	2.31	2.25	2.24	2.22
GBP/CAD	1.88	1.91	1.87	1.86	1.88
EM					
	Spot	**+1m**	**+3m**	**+6m**	**+12m**
GBP/PLN	5.03	5.06	5.00	4.89	4.83
GBP/HUF	424	424	407	391	391
GBP/CZK	28.14	28.47	28.02	27.59	27.59
GBP/TRY	65.65	66.87	68.93	74.03	84.97
GBP/ZAR	21.92	22.24	21.87	21.69	21.89
GBP/CNY	9.18	9.16	8.88	8.64	8.50
GBP/INR	130.71	131.69	128.85	126.51	126.16

Source: Danske Bank

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