Article | 7 September 2026 FX

G10 FX Talking: Dollar downtrend delayed

What we re expecting to be a 25bp Fed rate hike on 16 September should provide some temporary support for the dollar – particularly against the low-yielding currencies. We are now dropping our year-end 2026 EUR/USD forecast to 1.16 from 1.18, and delaying expectations for a clear rally until next spring, when US inflation is much closer to 2%

Higher US policy rates can keep the dollar supported for a little longer

Main ING G10 FX Forecasts

	EUR/USD	USD/JPY	GBP/USD
1M	1.15 ↓	159 ↑	1.34 ↓
3M	1.16 ↓	159 ↑	1.33 ↓
6M	1.18 ↑	158 ↑	1.34 ↓
12M	1.19 ↑	157 ↑	1.32 ↓

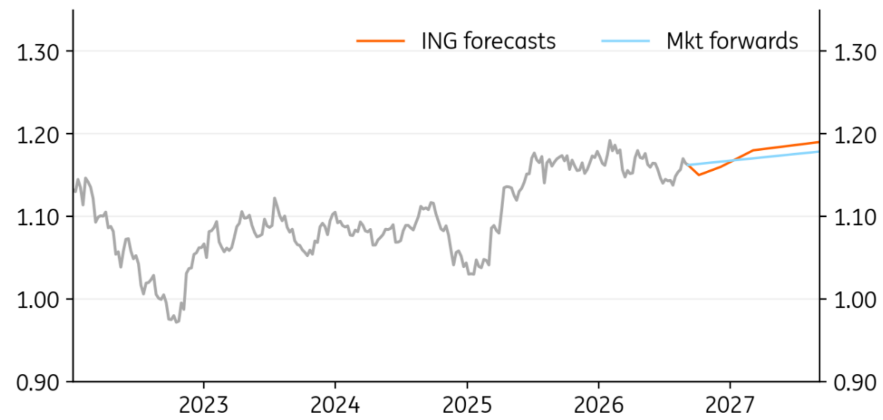
	EUR/GBP	EUR/CHF	USD/CAD

1M	0.86	→	0.94	→	1.39	↑
3M	0.87	↑	0.94	→	1.38	→
6M	0.88	↑	0.94	↑	1.37	→
12M	0.90	↑	0.95	↑	1.36	→

EUR/USD: September Fed hike delays dollar drop

	Spot	One month bias	1M	3M	6M	12M
EUR/USD	1.1623	Bearish ↘	1.15	1.16	1.18	1.19

- It is a close call, but after Kevin Warsh's hawkish speech at Jackson Hole, we now see a 25bp Fed hike to 4.00% on 16 September. The baseline view then assumes unchanged Fed policy until the fourth quarter of 2027. Importantly, we do not see a significant drop in short-dated US rates until the second quarter of next year, when US headline inflation should be back to 2%.
- A flatter US yield curve, assuming no disasters at the long end of the Treasury curve, can keep the dollar better supported against the low yielders into early 2027. Hence the lower EUR/$ profile.
- Expect an ECB hike to 2.50% on 10 September, but it may prove a dovish hike in light of the pressure building on French bonds ahead of budget season and elections next March.

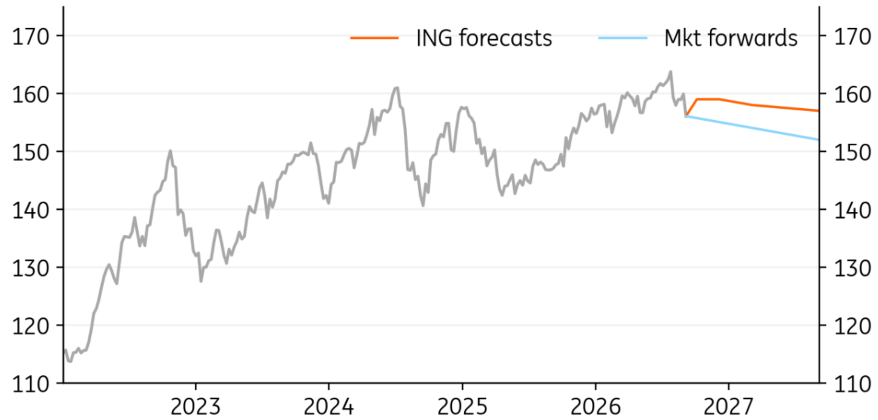


Source: Refinitiv, ING Forecasts

USD/JPY: Highly volatile

	Spot	One month bias	1M	3M	6M	12M
USD/JPY	155.50	Bullish	159.00	159.00	158.00	157.00

- Joint US-Japan intervention a month ago has been backed up by frenzied speculation of a Japanese policy response at home. The market now prices a Bank of Japan rate hike to 1.25% on 18 September, with strong expectations of another hike in December. One-month JPY OIS rates are now priced at 2.00% next summer, up by 50bp over the last month.
- A faster pace of BoJ tightening and speculation that Japan's $2tr GPIF could increase portfolio weights to domestic assets have dragged USD/JPY to 155. Lots of yen-positive news is priced in.
- A Fed hike can see USD/JPY trading a wide 155-160 range, rather than breaking lower just yet. But downside risks prevail if we are underestimating a Washington-Tokyo policy accord.

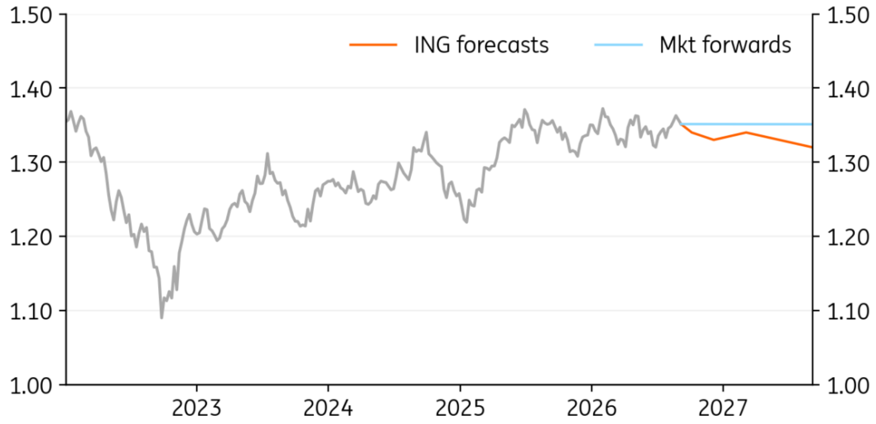


Source: Refinitiv, ING Forecasts

GBP/USD: Fiscal story returns

	Spot	One month bias	1M	3M	6M	12M
GBP/USD	1.3532	Bearish ↘	1.34	1.33	1.34	1.32

- Sterling has been reasonably supported, helped by its high 3.80% deposit rate and low volatility. There was a hint of sterling weakness when the global bond sell-off dragged 10-year gilt yields over 5.20%, but it proved fleeting. The focus could shift over the next couple of months to the fiscal side, with new Chancellor John Healey delivering his first budget on 28 October.
- Presumably, fiscal credibility will be paramount, but investors will be interested in any possible GBP-negative tax rises emerging.
- Money markets still price a 70bp Bank of England tightening cycle, which we see as unlikely. Those expectations may not completely disappear until early next year, however.

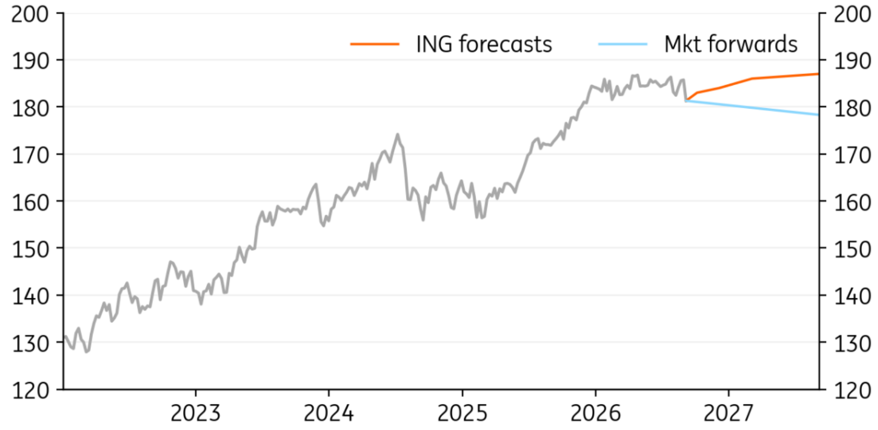


Source: Refinitiv, ING Forecasts

EUR/JPY: Intervention watch ongoing

	Spot	One month bias	1M	3M	6M	12M
EUR/JPY	180.7200	Bullish	183.00	184.00	186.00	187.00

- Following the US Treasury's decision to intervene in EUR/JPY in late July, this pair comes off sharply whenever there is talk of 'rate checks' or imminent intervention. As per the USD/JPY view, it looks like the yen has a lot of the good news priced in already, and it would take a 50bp BoJ rate hike on 18 September to drive this cross a lot lower. A 180-185 range remains our preference here.
- Another factor speaking against a summer 2024-like sell-off (EUR/JPY fell 11% at the time) is that the speculative market is far less short yen now than it was back then.
- Risks are probably skewed to the downside if we are underestimating Japanese initiatives or French politics flare up.

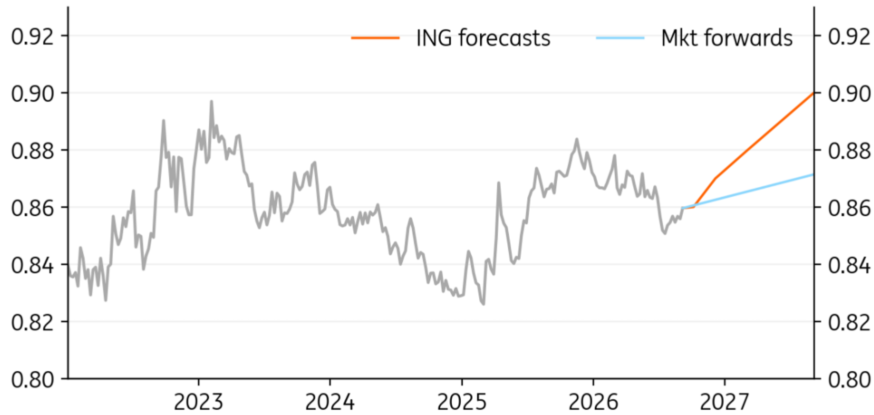


Source: Refinitiv, ING Forecasts

EUR/GBP: Finding the right level

	Spot	One month bias	1M	3M	6M	12M
EUR/GBP	0.8589	Neutral	0.86	0.87	0.88	0.90

- Three-month EUR/GBP realised volatility has fallen to the lowest levels on record at under 3% per annum. FX option prices have never been lower. Clearly the market thinks EUR/GBP has found some equilibrium level in the 0.85-0.86 area.
- We had been looking for some sterling weakness to be coming through by now, but low volatility conditions and sterling's high risk-adjusted yields look to be keeping it bid.
- UK activity data typically slows down into year-end and, at the margin, will cement the majority position of the doves at the BoE. We still like EUR/GBP heading higher but are lowering the profile as high energy keeps tightening expectations embedded.

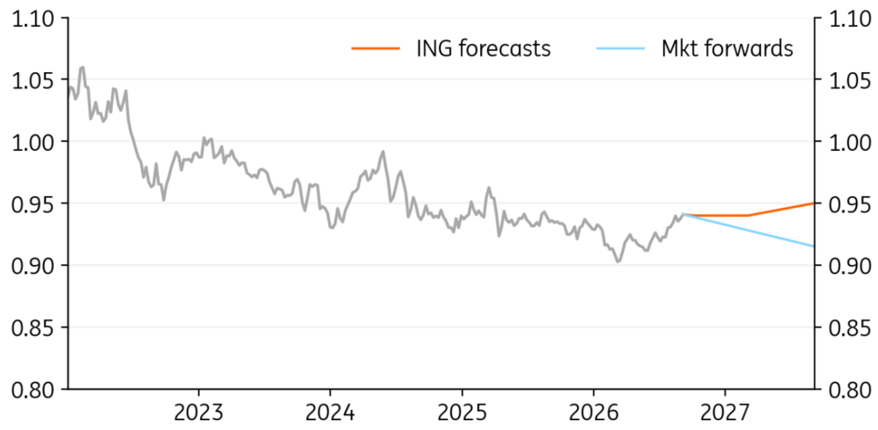


Source: Refinitiv, ING Forecasts

EUR/CHF: Rate differentials versus the debasement trade

	Spot	One month bias	1M	3M	6M	12M
EUR/CHF	0.9415	Neutral	0.94	0.94	0.94	0.95

- Two opposing forces are driving EUR/CHF at present. The first is higher energy prices, which are pushing short-term interest rates higher around the world. But the Swiss National Bank is seen as one of the last to hike given that low inflation and wider differentials have largely supported EUR/CHF. Against that is the debasement trade. The first action of investors on hearing of US Treasury intervention in the bond market was to sell USD/CHF.
- The SNB meets on 24 September. Growth has been surprising on the upside, but low inflation suggests the central bank will be in no hurry to tighten.
- Expect EUR/CHF to continue trading off energy and US policy.

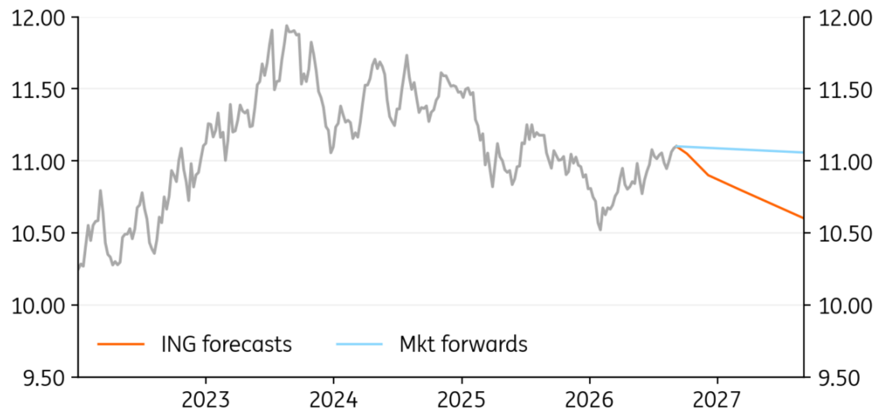


Source: Refinitiv, ING Forecasts

EUR/SEK: ECB and Riksbank pricing both too hawkish

	Spot	One month bias	1M	3M	6M	12M
EUR/SEK	11.1500	Mildly Bearish ↘	11.05	10.90	10.80	10.60

- Rising oil prices have brought renewed upside volatility to EUR/SEK, with developments in the Middle East set to remain the key near-term driver.
- We have become less convinced that the Riksbank will remain on hold through year-end. February remains our baseline for the next hike, but the risk of an earlier insurance move in November or December has increased. The outlook will depend largely on energy prices, core CPIF developments, and policy decisions by the ECB and Fed.
- Markets are pricing around 30bp of tightening by year-end and almost 90bp by end-2027. While we view that pricing as overly hawkish, the same is true of the EUR curve, limiting the case for material revisions higher in the EUR/SEK forecast. Given our optimistic baseline for the US-Iran conflict, we continue to expect a downward-sloping profile.

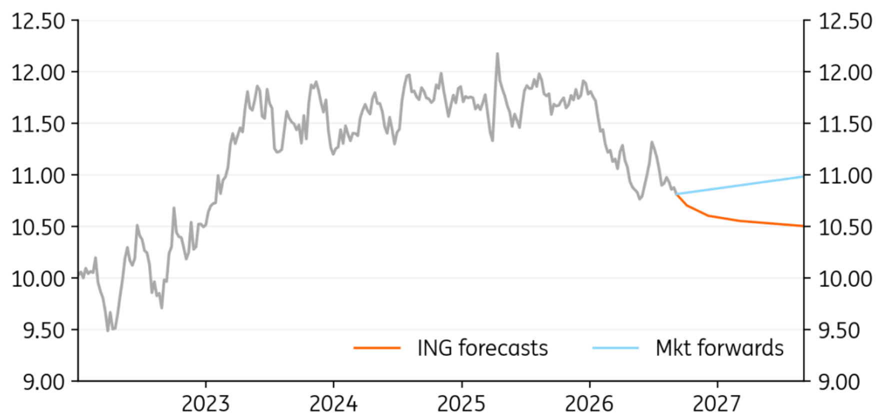


Source: Refinitiv, ING Forecasts

EUR/NOK: NOK remains in a solid spot

	Spot	One month bias	1M	3M	6M	12M
EUR/NOK	10.7900	Mildly Bearish ↘	10.70	10.60	10.55	10.50

- We expect the Norwegian krone to remain broadly appealing. Oil and gas prices may be slower on the way down in a new Gulf de-escalation, and likely to land above pre-war levels.
- Incidentally, we see the NOK curve as one of the few in G10 that doesn't overestimate tightening: 25bp by December and rates mostly flat at 4.50% afterwards. Our current preference is for a hike in November, but September would become an option too as underlying inflation may bounce back above 3.0% already in the August print. We don't think Norges Bank will want to close the door to further tightening, leaving some additional upside room for NOK's front-end rates.
- We see downside risks in the short-term extending to around 10.70 in EUR/NOK. From 4Q onwards, we have a shallower profile as we expect energy prices to abate.

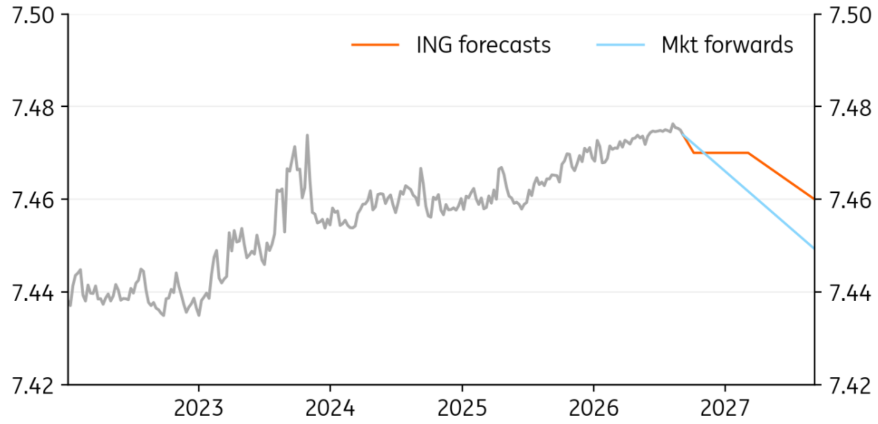


Source: Refinitiv, ING Forecasts

EUR/DKK: Scaling up FX intervention

	Spot	One month bias	1M	3M	6M	12M
EUR/DKK	7.4745	Neutral	7.47	7.47	7.47	7.46

- The Danish central bank returned to FX intervention in August, purchasing DKK5.6bn (around USD870m) to support the krone. That was a more sizeable intervention compared to the minuscule DKK0.7bn June purchases, but remains small compared to the 2022 FX buying that averaged more than DKK13bn per month.
- The small sizes can signal two things: 1) the central bank is fine with a slight appreciation in EUR/DKK (incidentally, the pair did inch lower in August) or 2) they are preparing to hike rates more than the ECB at one of the upcoming meetings.
- We think the latter remains a concrete risk, with September being a potential target meeting. We have revised our EUR/DKK marginally higher but still expect an eventual return to the 7.460 central peg by mid next year.

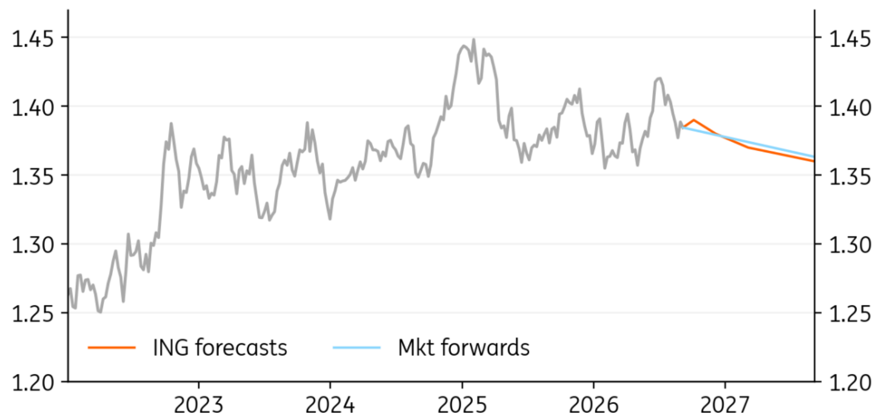


Source: Refinitiv, ING Forecasts

USD/CAD: Underpricing tariff impact

	Spot	One month bias	1M	3M	6M	12M
USD/CAD	1.3829	Mildly Bullish	1.39	1.38	1.37	1.36

- We think there is room for some build-up in the trade-related risk premium in CAD, as ongoing tensions can have a material ripple effect on Canadian activity and jobs. That should be most evident in CAD underperforming similar commodity peers.
- The Bank of Canada has turned more hawkish but admitted that rising inflation risks are linked to energy prices rather than tariffs. A Gulf de-escalation could quickly ease those concerns, as core inflation has remained anchored at or just below 2.0%. We still aren't convinced of a hike this year, which is now fully priced in.
- Our short-term bullish USD view, paired with an underpriced tariff premium, can lift USD/CAD back to 1.39-1.40 in the next few weeks. But we assume negotiations will eventually lead to a deal, and a USD decline in 1H27 can take the pair back to 1.37.

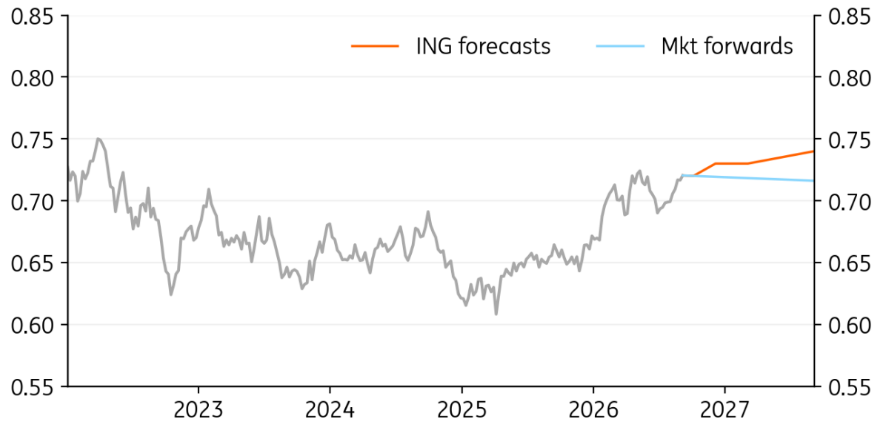


Source: Refinitiv, ING Forecasts

AUD/USD: RBA can hike once more

	Spot	One month bias	1M	3M	6M	12M
AUD/USD	0.7222	Neutral	0.72	0.73	0.73	0.74

- A hot CPI print in July, followed by strong 2Q GDP figures, has reinvigorated hawkish expectations on the RBA. We now see a 25bp September hike to 4.60% as a very tangible possibility. Governor Michele Bullock has signalled no hesitation to tighten further if inflation proves sticky again, and a Fed hike in September can also help tilt the balance to the hawkish side.
- Market pricing is 16bp for September and 37bp by March. With Middle East uncertainty staying elevated, we expect the RBA to keep a hawkish tone, even if we don't forecast any further hikes beyond 4.60%, as our baseline remains a gradual oil decline.
- We expect AUD to weather a short-term USD rebound better than most other G10 currencies thanks to the strong domestic story. We are sticking to our 0.73 year-end AUD/USD forecast.

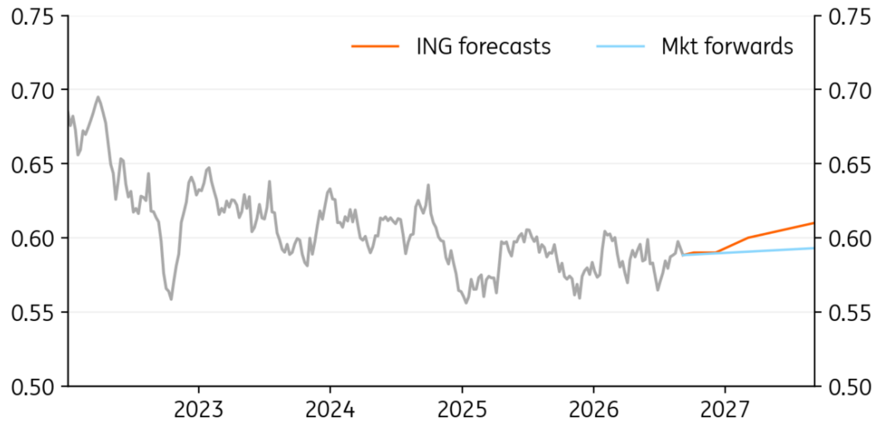


Source: Refinitiv, ING Forecasts

NZD/USD: Dovish RBNZ makes NZD a laggard

	Spot	One month bias	1M	3M	6M	12M
NZD/USD	0.5880	Neutral	0.59	0.59	0.60	0.61

- The RBNZ delivered a dovish surprise in September, even as it raised rates to 2.75%. Latest guidance suggests further tightening remains possible, but updated projections pushed back against expectations for a terminal rate above 3.0%.
- We currently expect one more hike in December (fully priced in), but think markets still overestimate the tightening cycle, with over 60bp discounted by next summer. For the moment, we agree with RBNZ projections that inflation will stay below 4.0% in 3Q and 4Q, and return below 3.0% from 2Q27. The Bank's growth concerns mean that the oil rally needs to prove quite persistent to match markets' hawkish bets.
- At this stage, AUD still looks more attractive than NZD, which is less supported by domestic fundamentals and is more dependent on an eventual USD decline to return towards 0.60.



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