FX Pilot

08 September 2026

The Carry Trade's Final Stretch

Backdrop

- **2026 - Status quo in Middle East:** Iran has no incentive for a deal ahead of US midterms keeping energy prices (and yields) elevated in winter months. Continues to favor FX carry strategies.
- **European risks:** Winter and rising gas prices but required gas stocks lower than previous years and Asia capacity to substitute for coal. French election can become a 'climb a wall of worry' for the Euro if the least market-friendly candidate is not elected (Mélenchon).
- **Positioning getting stretched:** Implicit long USD position growing via low FX hedge ratios, while carry strategies are increasingly positioned for continued central bank divergence.
- **Rates pricing:** Rates well priced for sustained sticky inflation – downside skew on energy disinflation.
- **Interventionism:** US 'activism' in Yen and bond market fuels USD debasement narrative.
- **2027 – Trend potential/Asia sweet spot:** A deal with Iran after the US midterms could trigger substantial disinflation and lower yields. Favors Asian FX as Japanese capital outflows reverse and China maintains an appreciation policy. This environment favors low-yielding cyclical currencies and weighs on carry.

Implications for FX markets

- **EURUSD** range bound, test low during winter but break out higher in spring. Low delta calls interesting.
- **JPY** narrative shift in works with substantial potential; short CADJPY now, short USDJPY in 2027.
- **SEK** underperformer & carry funder, suboptimal regime through winter; big reversal potential in 2027.
- **NOK** supported by winter gas prices; substantial reversal risk in 2027; NOKSEK downside structures.
- **CHF** carry funder but risks emerging – positioning; gold beta: EURCHF downside structure as overlay.
- **GBP** inconclusive – carry supports but hikes overpriced; fiscal premium can return, politics dependent.
- **CAD** a carry funder short and lower yielding USD proxy – short CADJPY & CADCNY.
- **AUD** supported in 2026 (as NOK); narrative shift in 2027 (RBA cuts); short AUDNZD in 2027.
- **NZD** stalling after long NZDSEK played out; event risk on general election; short AUDNZD in 2027.
- **CNY** grinding appreciation vs USD (expressed vs CAD); negotiations with US dictates continued trend.

Karl Steiner
Head of Analysis
karl.steiner@seb.se
+46-70-3323104
@karlsteiner_

Namik Immelbäck
Chief Strategist
namik.immelback@seb.se
@NImmelback

Filip Carlsson
Quantitative Strategist
filip.carlsson@seb.se
+46704622042

Gustav Helgesson
Macro Strategist
gustav.helgesson@seb.se
0707393142
@GustavHelgesson

Dana Malas
Data Scientist & Jr. Strategist
dana.malas@seb.se
+46704622105