

FX Pilot

Tuesday, September 8, 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 & CADCNV.
- **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.

Namik Immelbäck
Chief Strategist
(+46) 70 076 10 91
namik.immelback@seb.se

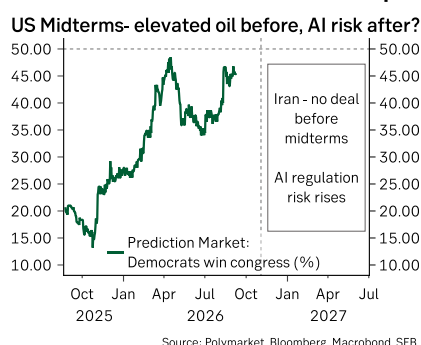
Filip Carlsson
Quantitative Strategist
(+46) 70 462 20 42
filip.carlsson@seb.se

Gustav Helgesson
Macro Strategist
(+46) 70 739 31 42
gustav.helgesson@seb.se

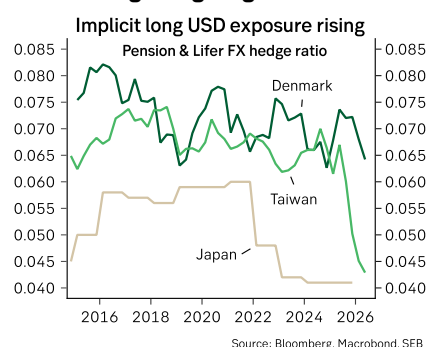
Dana Malas
Data Scientist & Jr Strategist
(+46) 70 462 21 05
dana.malas@seb.se

Karl Steiner
Head of Analysis
(+46) 70 332 31 04
karl.steiner@seb.se

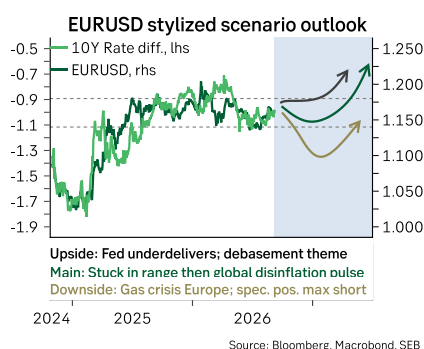
2026: US midterms lead to status quo



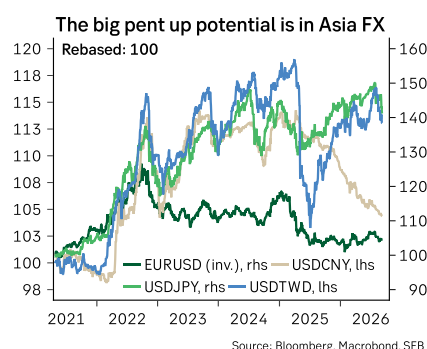
World getting longer in Dollars



2027: Post-conflict skew toward a weaker USD



2027: Asia FX Potential



Contents

1	Overview	26	G10 FX Driver overview: Explanatory guide
2	Content	27	EURUSD
3	Forecasts	28	USDJPY
4-5	The big picture	29	GBPUSD
6	Crosscurrents table	30	USDCHF
7	G10 FX Views	31	USDCAD
8-13	Macro & market backdrop	32	AUDUSD
14	Factors drivers & technical indicators	33	NZDUSD
15-16	EUR/USD	34	USDSEK
17	JPY	35	USDNOK
18	GBP	36	EURSEK
19	SEK	37	EURNOK
20	NOK	38	EURGBP
21	CHF	39	EURCHF
22	CNY	40	NOKSEK
23	AUD	41	AUDNZD
24	NZD	42	USDCNY
25	CAD	43	Disclaimer

Forecasts

MAJORS

FX	08/09/2026	1M	Q4 26	Q1 27	Q2 27	Q3 27	Q4 27
EUR/USD	1.162	1.16	1.15	1.17	1.19	1.21	1.23
USD/JPY	153.99	155.0	155.0	150.0	147.0	145.0	137.0
GBP/USD	1.353	1.35	1.34	1.36	1.37	1.39	1.40
USD/CHF	0.811	0.82	0.82	0.81	0.80	0.79	0.78
USD/CAD	1.380	1.39	1.39	1.38	1.37	1.36	1.35
AUD/USD	0.721	0.73	0.73	0.74	0.75	0.76	0.77
NZD/USD	0.585	0.58	0.59	0.60	0.61	0.62	0.63
USD/SEK	9.605	9.68	9.74	9.40	9.08	8.84	8.66
USD/NOK	9.258	9.26	9.22	9.23	9.20	9.01	8.82
USD/CNY	6.709	6.71	6.70	6.60	6.55	6.50	6.50
EUR/SEK	11.157	11.18	11.20	11.00	10.80	10.70	10.65
EUR/NOK	10.753	10.70	10.60	10.80	10.95	10.90	10.85
EUR/GBP	0.858	0.86	0.86	0.86	0.87	0.87	0.88
EUR/CHF	0.942	0.94	0.94	0.95	0.95	0.95	0.96

NOK

NOK	08/09/2026	1M	Q4 26	Q1 27	Q2 27	Q3 27	Q4 27
EUR/NOK	10.754	10.70	10.60	10.80	10.95	10.90	10.85
USD/NOK	9.260	9.26	9.22	9.23	9.20	9.01	8.82
JPY/NOK	6.012	5.98	5.95	6.15	6.26	6.21	6.44
GBP/NOK	12.528	12.47	12.35	12.56	12.59	12.53	12.33
CHF/NOK	11.414	11.36	11.25	11.43	11.53	11.47	11.30
CAD/NOK	6.708	6.66	6.61	6.69	6.72	6.62	6.53
AUD/NOK	6.674	6.76	6.73	6.83	6.90	6.85	6.79
NZD/NOK	5.410	5.41	5.39	5.54	5.61	5.59	5.56
SEK/NOK	0.964	0.96	0.95	0.98	1.01	1.02	1.02
CNY/NOK	1.379	1.38	1.38	1.40	1.40	1.39	1.36

SEK

SEK	08/09/2026	1M	Q4 26	Q1 27	Q2 27	Q3 27	Q4 27
EUR/SEK	11.157	11.18	11.20	11.00	10.80	10.70	10.65
USD/SEK	9.607	9.68	9.74	9.40	9.08	8.84	8.66
JPY/SEK	6.237	6.24	6.28	6.27	6.17	6.10	6.32
GBP/SEK	12.999	13.03	13.05	12.79	12.41	12.30	12.10
CHF/SEK	11.840	11.87	11.89	11.64	11.37	11.26	11.09
CAD/SEK	6.960	6.96	6.99	6.81	6.62	6.50	6.41
AUD/SEK	6.925	7.07	7.11	6.96	6.81	6.72	6.67
NZD/SEK	5.613	5.66	5.70	5.64	5.54	5.48	5.45
NOK/SEK	1.037	1.04	1.06	1.02	0.99	0.98	0.98
CNY/SEK	1.431	1.44	1.45	1.42	1.39	1.36	1.33

DKK

DKK	08/09/2026	1M	Q4 26	Q1 27	Q2 27	Q3 27	Q4 27
USD/DKK	6.435	6.48	6.50	6.39	6.29	6.17	6.07
JPY/DKK	4.179	4.18	4.20	4.26	4.28	4.25	4.43
GBP/DKK	8.708	8.71	8.71	8.70	8.60	8.57	8.48
CHF/DKK	7.933	7.94	7.94	7.92	7.87	7.85	7.77
CAD/DKK	4.662	4.66	4.67	4.63	4.59	4.53	4.49
AUD/DKK	4.640	4.73	4.75	4.73	4.71	4.69	4.67
NZD/DKK	3.761	3.79	3.81	3.84	3.83	3.82	3.82
SEK/DKK	0.670	0.67	0.67	0.68	0.69	0.70	0.70
NOK/DKK	0.695	0.70	0.71	0.69	0.68	0.68	0.69
CNY/DKK	0.959	0.97	0.97	0.97	0.96	0.95	0.93

Central banks

Updated: 07/09/2026 SEB policy rate forecasts										
	RB	NB	FED	ECB	BOE	BOJ	BOC	SNB	RBA	RBNZ
										
Current	1.75%	4.25%	3.50-3.75%	2.25%/2.40%	3.75%	1.00%	2.25%	0.00%	4.35%	2.50%
Jan	29 Jan	22 Jan	28 Jan			23 Jan	28 Jan			
Feb				5 Feb	5 Feb*				3 Feb	18 Feb
Mar	19 Mar*	26 Mar*	18 Mar*	19 Mar*	19 Mar	19 'Mar	18 Mar	19 Mar	17 Mar	
Apr			29 Apr	30 Apr	30 Apr*	28 Apr	29 Apr			8 Apr
May	7 May	7 May							5 May	27 May
Jun	17 Jun*	18 Jun*	17 Jun*	11 Jun*	18 Jun	16-jun	10 Jun	18 Jun	16 Jun	
Jul			29 Jul	23 Jul	30 Jul*	31 Jul	15 Jul			8 Jul
Aug	20 Aug	13 Aug							11 Aug	
Sep	24 Sep*	24 Sep*	16 Sep*	10 Sep*	17 Sep	18 Sep	2 Sep	24 Sep	29 Sep	2 Sep
Oct			28 Oct	29 Oct		30 Oct	28 Oct			28 Oct
Nov	4 Nov	5 Nov			5 Nov*				3 Nov	
Dec	16 Dec*	17 Dec*	9 Dec*	17 Dec*	17 Dec	18 Dec	9 Dec	10 Dec	8 Dec	9 Dec
End-26	1.75%	4.50%	3.50-3.75%	2.50%/2.65%	3.75%	1.25%	2.25%	0.00%	4.60%	3.00%
Jan	Jan	21 Jan	27 Jan			Jan	Jan			
Feb				4 'Feb	4 'Feb*				9 Feb	10 Feb
Mar	Mar*	18 Mar*	17 Mar*	18 'Mar*	18 Mar	Mar	Mar	18 Mar	23 'Mar	
Apr			28 Apr	29 'Apr	29 Apr*		Apr			7 Apr
May	May	5 Maj							4 May	26 'May
Jun	Jun*	17 Jun*	9 Jun*	10 Jun*	17 Jun	Jun	Jun	24 Jun	22 Jun	
Jul			28 Jul	22 'Jul	29 Jul*		Jul			7 Jul
Aug	Aug	19 Aug							10 Aug	
Sep	Sep*	23 Sep*	15 Sep*	9 'Sep*	16 'Sep	Sep	Sep	23 Sep	28 Sep	1 Sep
Oct			27 Oct	28 'Oct		Oct	Oct			27 'Oct
Nov	Nov	4 Nov			4 'Nov*				2 Nov	
Dec	Dec*	16 Dec*	8 Dec*	16 'Dec*	16 'Dec	Dec	Dec	16 Dec	14 'Dec	8 Dec
End-27	2.25%	4.00%	3.25-3.50%	2.50%/2.65%	3.00%	1.50%	2.25%	0.00%	4.10%	3.00%
Inflation target	2.0%	2.0%	~2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2-3%	1-3%
>50bps hike	50bps hike	25bps hike	<25bps hike	<25bps cut	25bps cut	50bps cut	>50bps cut	* = Strategic policy meetings		



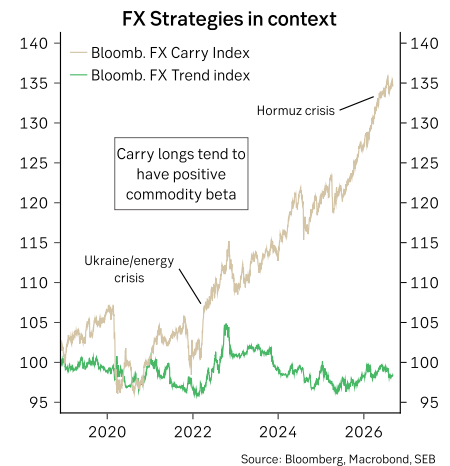
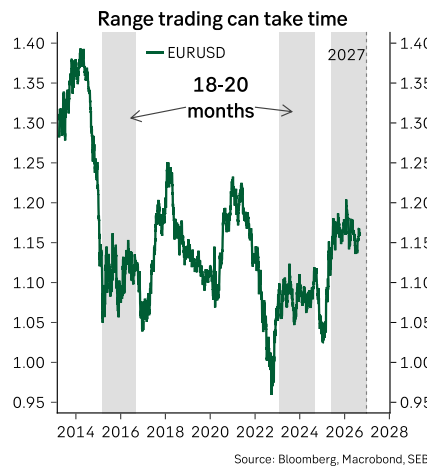
G10 FX: The big picture

EURUSD is likely to remain range-bound for the coming months, with Iran having little incentive to reach a deal before the US midterms. Carry remains the preferred strategy, supported by elevated energy prices, but crowded positioning makes it vulnerable to an eventual energy price decline and correction lower in global yields. Higher yielders also tend to have a high commodity beta.

Beyond carry, we favor JPY against CAD, SEK and CHF, as well as CNY against CAD (lower carry dollar proxy). Asia FX offers the greatest pent-up appreciation potential. The broader USD direction is skewed towards weakness, but a sustained depreciation trend requires lower energy prices and a reopening of Hormuz, which looks like a theme for 2027. The pro-carry environment is entering its final innings, with 1–2 quarters to run. Into spring, we expect lower-yielding cyclical currencies to outperform and a broader weak-USD trend to emerge, led by JPY and Asia FX, but is also an environment that favors SEK while AUD and NOK will see a narrative shift.

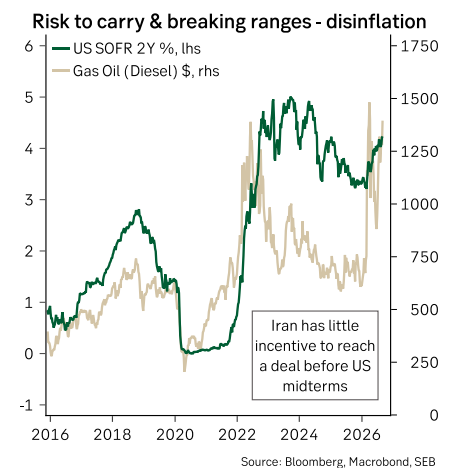
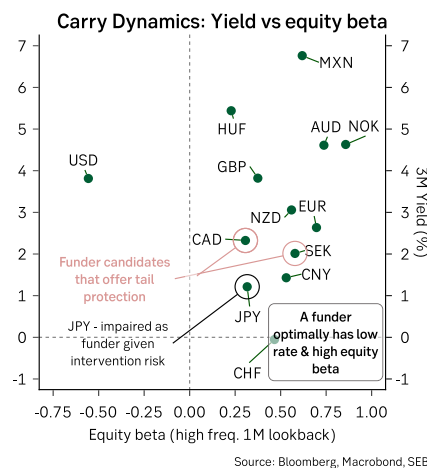
EURUSD remains stuck in a range and this dynamic can continue to play out for a few more months with Iran having little incentive to reach a deal before US midterm elections.

Carry remains the go to strategy in the status quo. The pro-carry strategy also has an implicit long commodity beta – which worked out nicely both during 2022 (Ukraine invasion) and the current Iran conflict. Carry strategies are quite well owned at this point though which should make it vulnerable to an energy price decline.



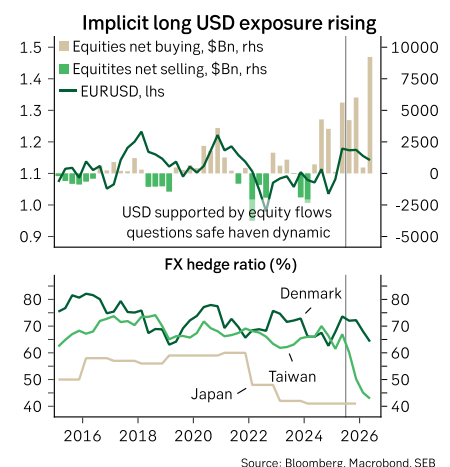
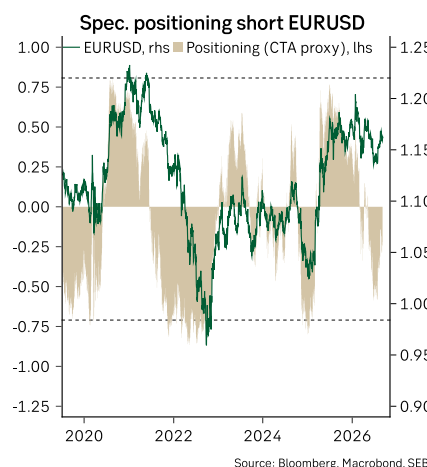
Beyond carry we find the more interesting FX views in relative trading among lower yielders. The April FX Pilot view to go long NZDSEK has played out. We continue to favor JPY (vs CAD, SEK, CHF) but also CNY vs CAD on a funder rotation theme. Asia FX also has the greatest pent-up potential in an environment where US rates already look priced for a sticky inflation scenario.

Once bigger trends in FX emerge, we see the direction as skewed towards Dollar weakness. The catalyst will have to be a global disinflation impulse from energy prices though and dependent on a Hormuz deal.



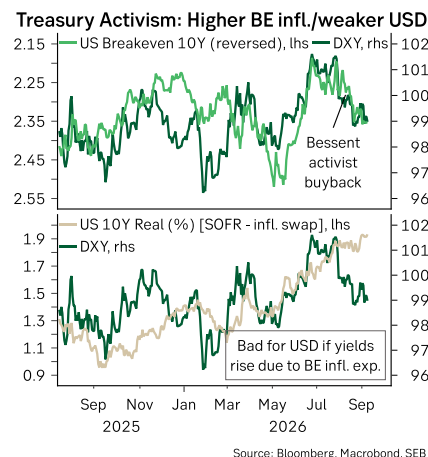
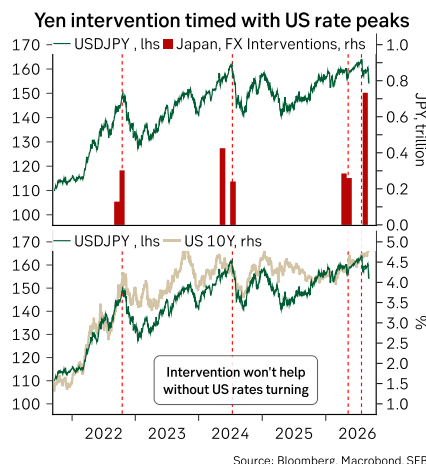
Dollar positioning is still long. While spec positioning is not quite as extended, the implicit positioning via unhedged Dollar asset exposures has only grown in recent months with FX hedge ratios coming down.

The Dollar's safe have dynamic in a bigger equity correction can come to be tested. Increasingly USD is supported by equity inflows while foreign investors have reduced FX hedge ratios. This means that derisking could be accompanied with selling Dollars or shifting from US equities to Treasuries which would be associated with increasing the FX hedge.



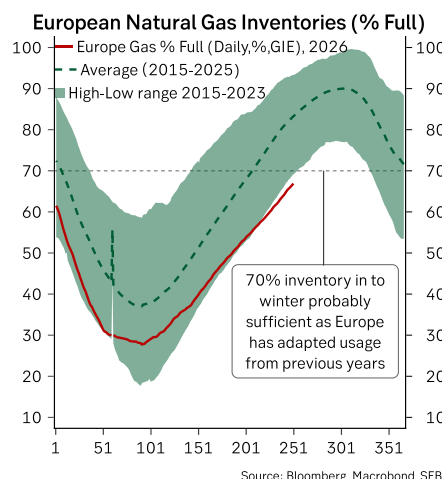
Interventionism also points to a weaker USD. Scott Bessent has shown that he is willing to take an activist approach, intervening in USDJPY and increasing treasury buybacks. The Yen intervention was never an outright sale of USD but switch from Euro reserves, however, it still sends a message that the US is not happy with the Dollar strength vs Asia.

A more activist approach to treasury buybacks changes the dynamic in long end bonds. Such intervention has tended to be received by markets as 'financial repression' which raises break even inflation expectations and leads to a Dollar 'debasement' narrative.

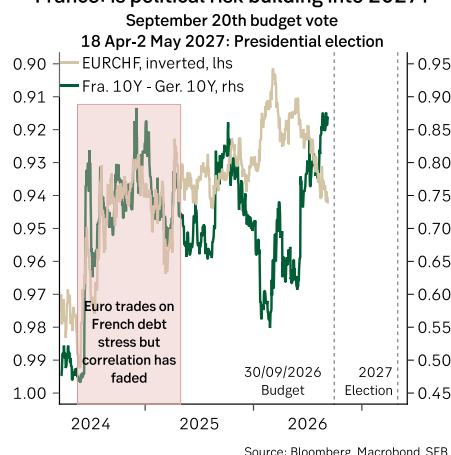


The picture painted here provides a negative USD view but there are counter arguments, e.g. the gas situation in Europe. Gas inventories are running low into winter. However, one shouldn't be too alarmist. Required winter gas inventories are lower due to adaptation and there is scope for Asia to substitute for coal, making more supply available for Europe.

French politics and debt sustainability is coming back to the fore. However, a Le Pen win could be taken as a relatively market-friendly outcome, if it implies avoiding a candidate that argues for debt cancellation with ECB (Mélenchon). I.e. the election may prove to be a wall of worry that the Euro can climb.

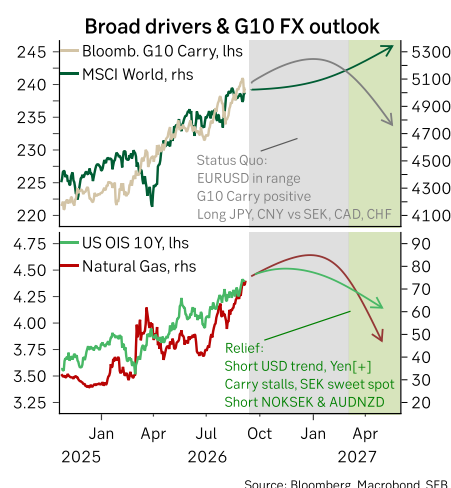
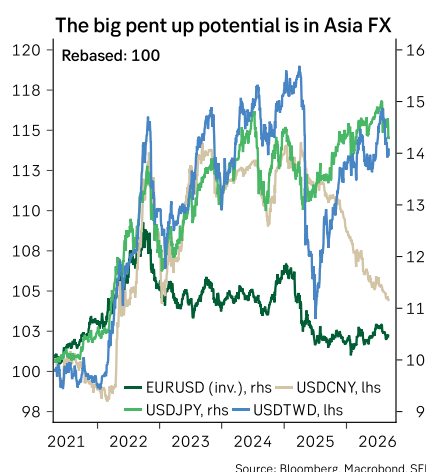


France: is political risk building into 2027?



Bigger picture, the pent-up potential vs Dollar is found in Asia. The shifting narrative on the Yen marks a potential beginning of a bigger appreciation trend emerging. However, follow-through will be conditional on a global disinflation impulse (Hormuz reopening), US interest rates trending lower and a hawkish BoJ.

The pro-carry environment is entering final innings, with 1-2 quarters to run. No Iran deal before midterms, and winter months are likely to keep energy prices elevated. **For spring, however, we are looking for lower yielding cyclical currencies to outperform and a weak USD trend to emerge.**



FX drivers: the cross-currents

Event	FX Pilot view	FX implications
Hormuz deal	Iran has limited incentive for a deal before midterms; window for a deal opens afterwards. Actual oil flows remain key.	1. Status quo into midterms → long carry. 2. Post-election → short USD / long cyclical low-yielders.
US midterms (3 November)	Republican loss of Congress could obstruct Trump's policy agenda. Democratic sweep could increase AI regulation - risk to AI theme?	1. Status quo into midterms → long carry. 2. Post-election → short USD / long cyclical low-yielders.
European gas storage ahead of winter	Storage at historically low levels ahead of winter, but no crisis expected. Adaptation and Asian coal substitution should alleviate the situation, but electricity prices will be high this winter.	NOK positive into midterms; EURUSD stuck in range.
El Niño	Food price risks look overblown. Global grain stocks are ample, and China should help equilibrate the market. Watch extreme weather / food prices.	Limited/unclear market impact.
Russia–Ukraine	Risk of escalation in winter - Putin playing for time hoping for a 'Trojan horse' in European politics in 2027 restricting funding for Ukraine	Limited market impact.
French fiscal	6 Oct: 2027 budget. Key test of fiscal consolidation vs renewed deficit fears.	Climb a wall of worry for EUR. Limited impact - more focus on French elections in April
European elections	Rightward shift likely in France, Germany & Italy. French election in April 2027 will set the tone.	Populist momentum → EUR downside. Mélenchon has the most negative impact from market perspective.
Japan: intervention & capital flows	USDJPY ceiling ~160. Increasing risk that Japanese capital exports reverse into JGBs, reducing demand for US/European bonds and equities.	Long JPYSEK, JPYCHF before Hormuz deal. Long JPYCAD (high USD beta) after deal.
China 2.0 & US – China negotiations	Trump – Xi meeting 24 Sep. China is doubling down on export model, undercutting global production and increasing trade friction, but further CNY appreciation could ease pressure.	Short CADCNY
US tariff revival	Risk of a full-blown trade war with Canada. China to appease US with continued CNY appreciation. New Section 301 tariffs and SCOTUS rulings add to increasingly unpredictable trade regime.	Short CADCNY
The new Fed under Warsh	Reaction function / FOMC split. How hawkish is Warsh? Can the Fed hike while shrinking its balance sheet? Fed task forces will provide more clarity.	Limited room for further hawkish repricing. Dovish surprises could have a larger USD impact.
Activist US Treasury	Treasury measures / Fed pressure. Bilateral FX intervention and continued activism in the long end reinforce the USD debasement narrative.	Short USD
AI bubble burst	AI remains a key growth engine, but valuations leave the market vulnerable. Coming IPOs will provide transparency into financials in the AI sector - trigger?	Long JPY on repatriation. USD is not a safe haven vs EUR → long EURUSD.

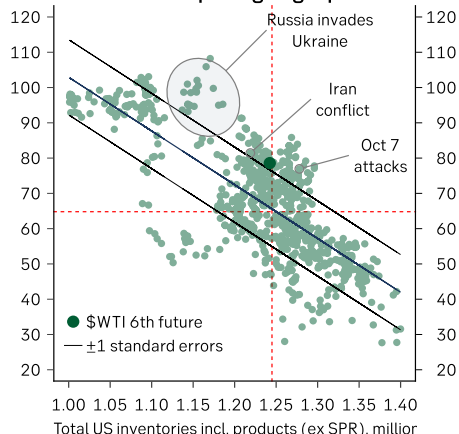
G10 FX Views

Currency	View	Summary
USD	Range vs Euro in 2026, broad depreciation in 2027	Range bound vs Euro in 2026/winter with no Iran deal ahead of midterms and upside pressure on energy prices during colder months. Window for Iran agreement opens into 2027 with ensuing energy disinflation impulse and yields heading lower. Negative trend in USD emerges from current long USD positioning while increased 'interventionism' by Scott Bessent weighs on the Dollar.
EUR	Range vs USD in 2026, EURUSD break higher in 2027.	Likely to stay range bound for coming months, with persistent status quo over Hormuz. Possibility of a test of the lower end of range if natural gas prices remain high over Winter. French budget/election is a risk, but bias is that Euro can climb this wall of worry by avoiding the most negative market outcome (Mélenchon elected). Broad USD negative theme in 2027. EURUSD low delta calls interesting.
JPY	Near term short CADJPY & SEKJPY; short USDJPY in 2027	Intervention could mark a turning point, but sustained JPY strength requires a credible USDJPY ceiling, peak US rates and a more hawkish BoJ. Narrower rate spreads would weaken the carry trade and help reverse capital outflows. Potential to be the big catch-up story in FX in 2027, contingent on an energy disinflation impulse.
GBP	Neutral/ambiguous	GBP has outperformed as the fiscal risk premium has fallen, but positioning has shifted from short to long GBP. High rates provide a carry shield on the one hand – on the other hand markets overprice risk of hikes, while fundamentals and the October budget leave downside risks. Burnham needs to maintain market credibility.
CHF	Short (carry funder); EURCHF lower option overlay	CHF tick the boxes as a carry funder – but carry strategies are in the last inning and exposed to an Iran deal reached after US midterms. Risks are emerging to short Swiss though – low expectations for SNB hikes and gold beta support triggered by US market interventionism. Overlay with EURCHF downside structures.
CAD	Short (carry funder); Short CADJPY	CAD remains our preferred short-USD expression: weak growth, low yield, USD beta; negative tail risk beta. With e.g. JPY no longer a clear funder, CAD stands out as an attractive alternative. Short CADJPY provides a lower-carry way to express the short USDJPY view until a broader USD downcycle emerges
AUD	Long vs SEK & CAD in 2026; short AUDNZD in 2027	Carry theme can persist for a few more months with no quick Iran deal and elevated energy prices through winter. Play vs preferred funders that have negative tail risk beta (SEK and CAD). 2027 more tricky for RBA – energy disinflation; narrative shift to cuts by RBA leading to AUDNZD correction lower.
NZD	Neutral near term; Long vs AUD in 2027	Long NZDSEK view since April has played out – looking for NZD to stall now as market overprices RBNZ hikes and a general election risk on November 7 th (Labour party wants dual mandate for RBNZ). Looking for AUDNZD lower in 2027.
SEK	Short (carry funder); Long in 2027	The Krona is stuck in a negative market regime and screens as a good carry funder. This will remain the case until global yields start trending lower (Hormuz opening, disinflation impulse needed). In 2027 a Krona sweet spot can return for broad outperformance.
NOK	Long vs CAD and SEK in 2026; short NOKSEK in 2027	NOK supported in coming months as a 'carry long' and on high winter energy prices. Increasingly a 'one variable' currency though, driven by natural gas. Look for substantial NOK reversal in H1 2027 – gas prices correcting on seasonals/Hormuz deal and narrative shift to Norges Bank cuts.
CNY	Long vs USD & CAD	Still substantial appreciation potential while maintaining export competitiveness. Significant potential for retained earnings in Dollars to be repatriated. Politics dominate though – China needs to show US administration that it is allowing for continued appreciation into and after upcoming Trump/Xi meeting (24 th September).

Macro & market backdrop

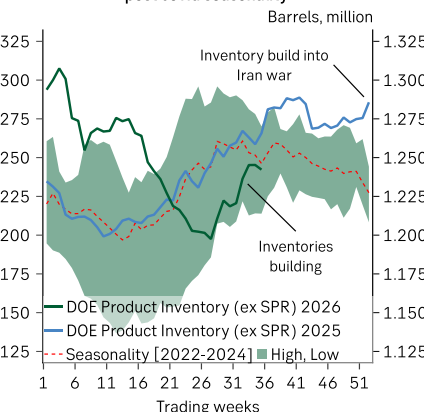
Commodities: Crude oil is back to pricing a risk premium (about \$10-15) given where the 6th future trades relative to inventories in the US (left chart). Judging by the build in inventories during the summer (middle chart) it certainly seems that more oil has been flowing through the strait of Hormuz than can be observed in official ship traffic data. This is corroborated by spot physical oil (dated Brent) no longer trading with a substantial premium to the first future (indicative of no acute physical shortage), and similarly a negative premium for Oman delivery vs Brent (right chart). However, as of September these spreads have started to widen again – not alarming yet but bears watching. **Overall, if one works with the assumption that Iran has no incentive to reach a deal ahead of US midterm elections (3rd November) it is likely that energy prices will stay elevated for the coming months.**

Oil vs inventories: pricing of geopolitical risk



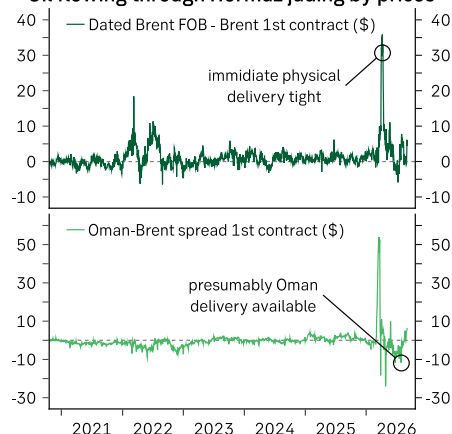
Source: Bloomberg, Macrobond, SEB

Crude & product inventories building in US post covid seasonality



Source: Bloomberg, Macrobond, SEB

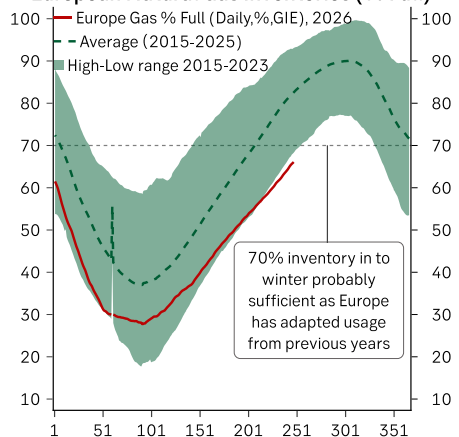
Oil flowing through Hormuz judging by prices



Source: Bloomberg, Macrobond, SEB

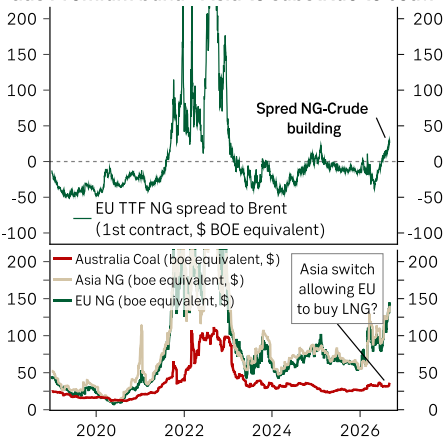
European natural gas is now the more important commodity price to watch. On a seasonal basis European gas inventories are running low into the winter months, but this may be slightly misleading as the critical level needed through winter is lower than previous years due to efficiency savings/usage adjustments (left chart). However, Europe still needs to build inventory and a natural gas premium over Brent oil is starting to build, illustrating a rush for physical delivery. An equilibrating factor yet to emerge and reason to not be too alarmist is that there should be ample scope for Asia to substitute from gas to coal – freeing up LNG deliveries for Europe. Such a substitution does not seem to have occurred yet in Asia judging by the relatively contained prices for Australian coal (middle chart). With that said, it would certainly help if Europe would see a mild winter, more rain fall (to fill Hydro dams and rivers that cool nuclear plants) and more wind (right chart).

European Natural Gas Inventories (% Full)



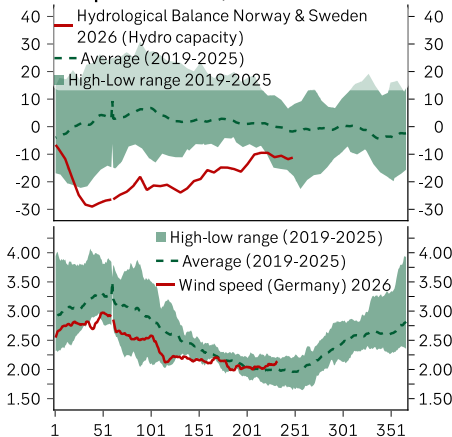
Source: Bloomberg, Macrobond, SEB

Gas Premium build - Asia to substitute to coal?



Source: Bloomberg, Macrobond, SEB

Europe needs rain, wind & mild winter

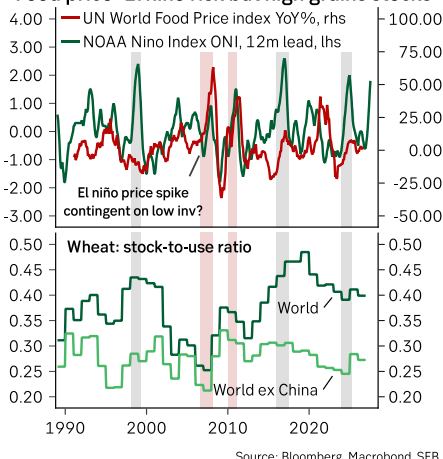


Source: Copernicus, Bloomberg, Macrobond, SEB

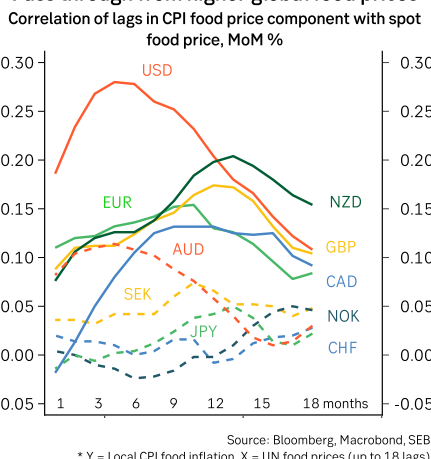
The super El Niño is grabbing headlines, but it is not obvious that it should be a major concern for food prices and subsequently inflation.

There is not a clear pattern between El Niño and food price inflation, rather the level of global grain inventories is a more important determinant, and inventories are relatively high (left chart). However, the grain inventories are mainly located in China, meaning that it is important that China acts as a price stabilizing force just as it has for oil in 2026. Should a bigger food price spike emerge, UK and the Euro Area look most exposed to high pass-through to CPI inflation – the lag is relatively long though and may not show up until late 2027.

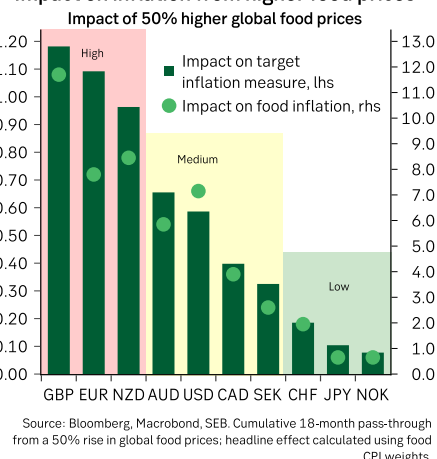
Food price: El Niño risk but high grains stocks



Pass through from higher global food prices



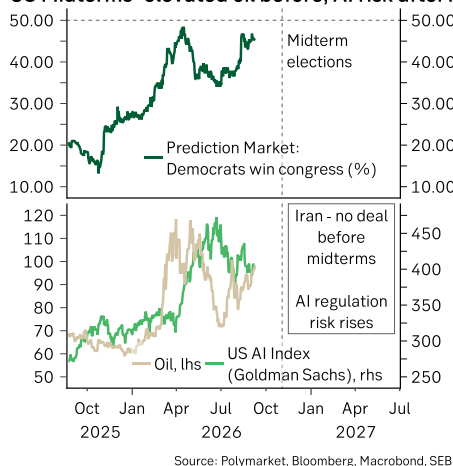
Impact on inflation from higher food prices



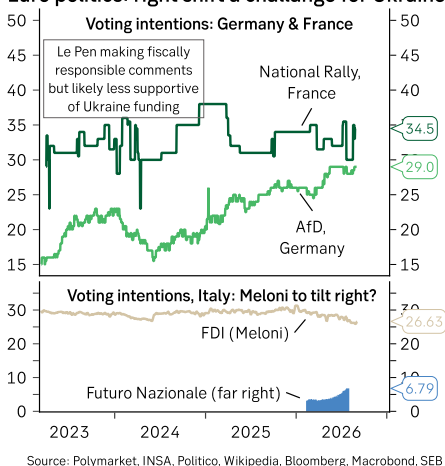
Geopolitics: Our base assumption in this report is that Iran has no incentive to reach a deal with the US ahead of midterm elections in early November, however, a window for diplomatic progress could open in the winter (Q1) when Iran may feel they have increased leverage with seasonally elevated energy prices while feeling the pressure from sanctions. Prediction markets indicate that Democrats have a real chance on winning both chambers (left chart) which would increase the risk of stricter regulation on AI being passed. Together with possible IPOs by Anthropic and OpenAI, which will allow for greater transparency on their financials, this could take some steam out of the AI trade.

European politics: In Europe we have state elections in Germany through September (in Saxony-Anhalt AfD won 44% of the vote), presidential elections in France (spring 2027) and a general election in Italy (no later than December 2027) – and a shift to the right is on the cards. This may prove particularly concerning for Ukraine as it complicates the path for additional funding, something Putin would be hoping for and a reason to engage in negotiations later rather than sooner. Regarding France, Le Pen has in early presidential debates made a point of sounding like a fiscally responsible candidate (e.g. floating a constitutional 'Golden rule' for the budget and big savings), but she remains light on details. Nevertheless, the French political landscape may be such that budget consolidation/reforms only have a chance to be enacted by one of the more populist flanks and supported by centrist, rather than coming from the centre and subsequently blocked by populists. As such it could be the case that a Le Pen win would be taken as a relative relief from a fiscal standpoint, compared to the left's Mélenchon, who instead has proposed to cancel the outstanding debt held by the ECB. Both would represent a significant challenge to the current EU framework, but Mélenchon's stance is considerably more confrontational, while Le Pen has increasingly shifted towards a less radical, sovereignty-focused vision of the EU. With that said, French debt sustainability concerns flaring up again remains a risk for how the Euro trades.

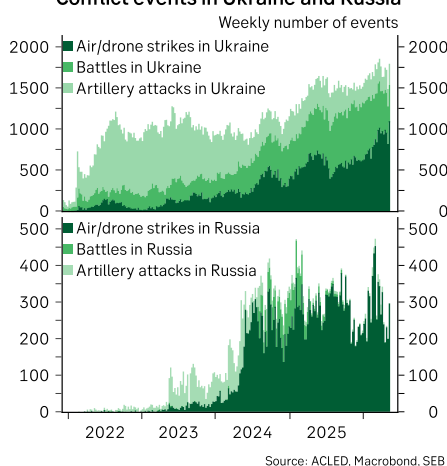
US Midterms- elevated oil before, AI risk after?



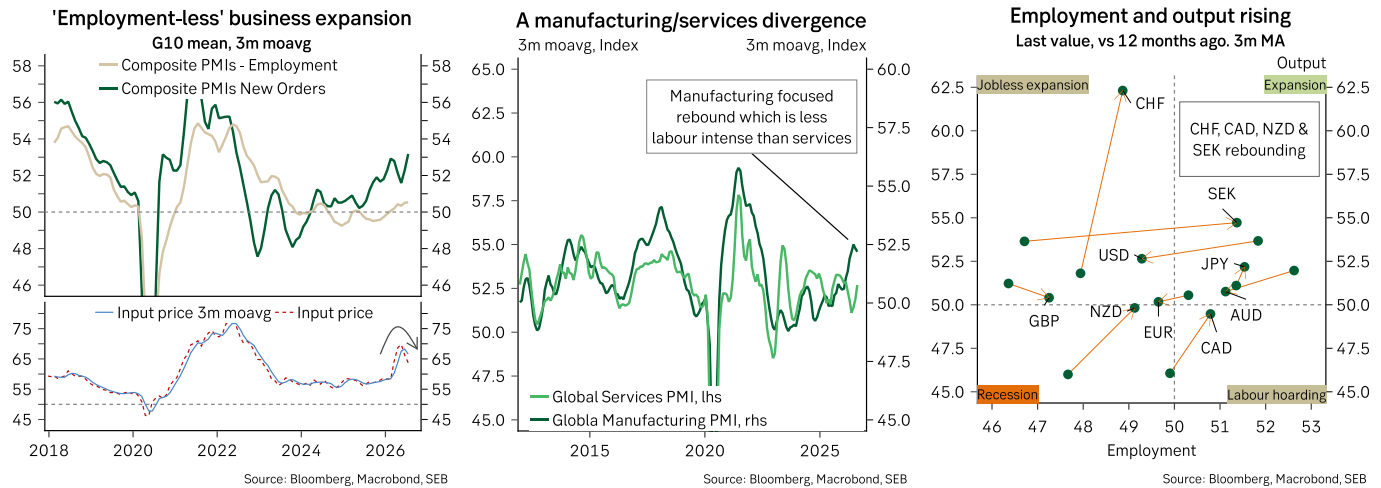
Euro politics: right shift a challenge for Ukraine



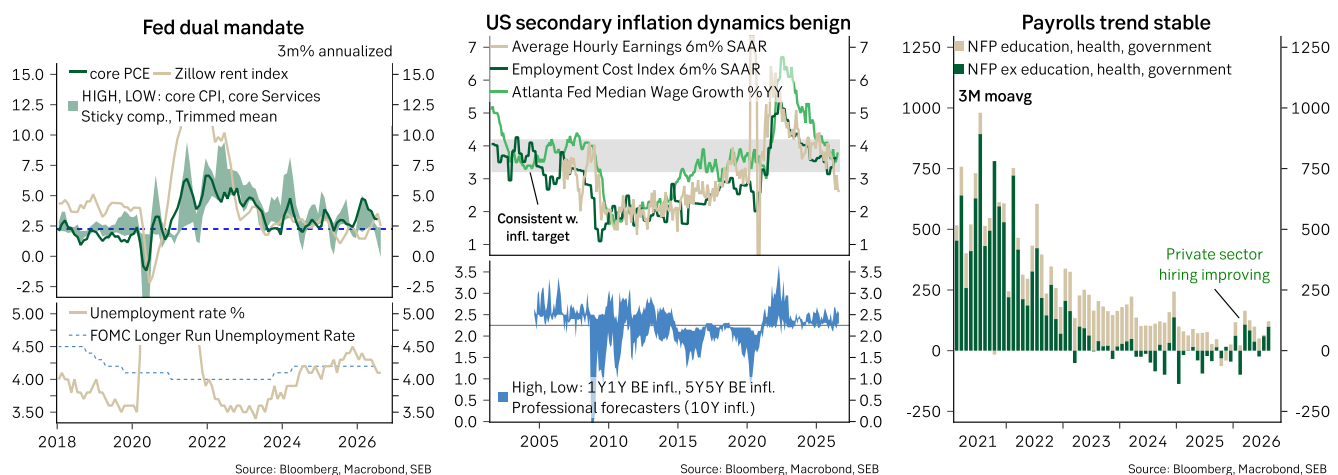
Conflict events in Ukraine and Russia



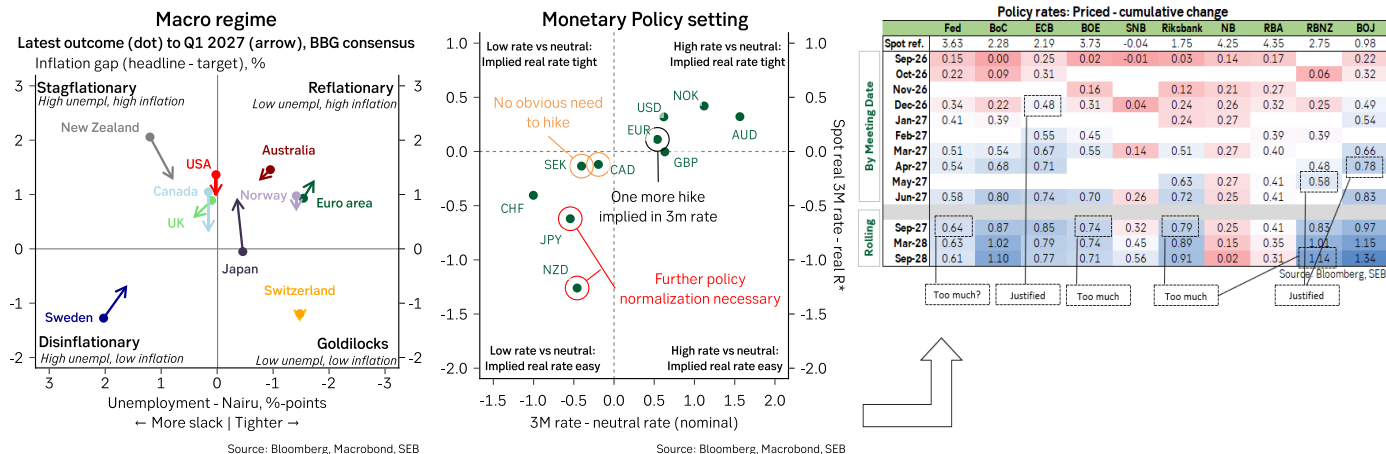
Macro conditions: The global business cycle is showing clearer signs of improvement, led by manufacturing and a global investment cycle in defense, AI, infrastructure and energy. Even Germany is picking up after four years of contraction. The improvement has yet to translate into a meaningful acceleration in hiring, however, as the more labor-intensive services sector continues to lag manufacturing. The recovery is also uneven across economies, with smaller countries showing the strongest signs of improvement. The key question for the sustainability of this recovery is whether the upturn can broaden from investment/manufacturing into private consumption and ultimately the services sector. Several European economies are showing signs of improvement after years of stagnation and elevated savings rates, and a decline in household saving could provide a meaningful additional boost to growth. Green shoots are emerging across several smaller economies (right chart), while the US might be slowing after several years of strong domestic demand. Consequently, the growth gap between the US and Europe has potential to narrow over the next year.



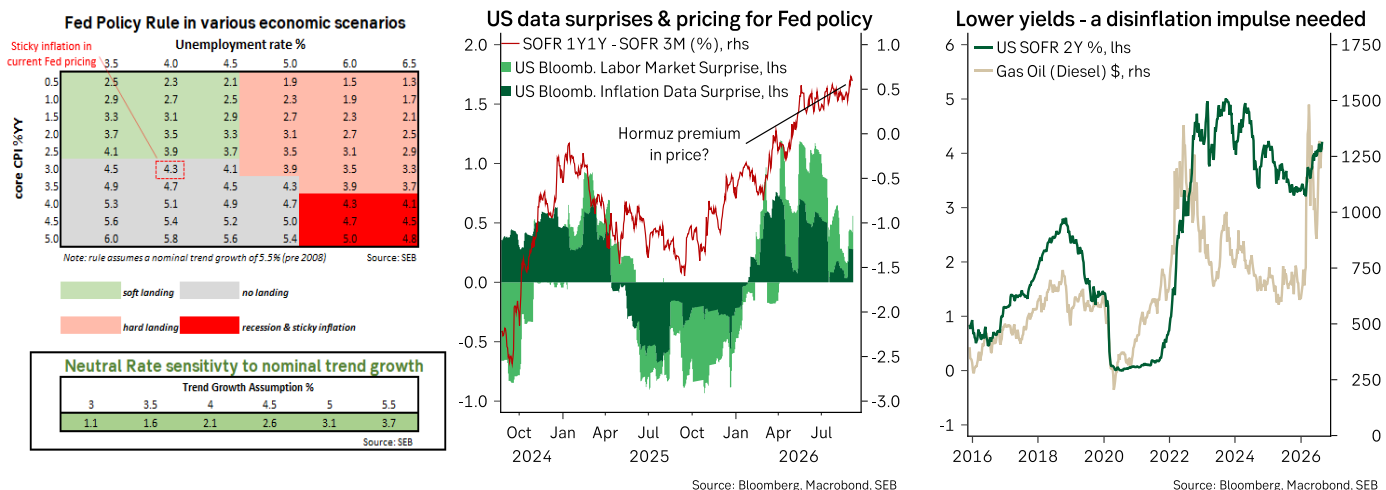
The US economy has remained resilient, supported by continued strong domestic demand and AI investment. Inflation momentum is nevertheless moderating, with core measures moving closer to target and underlying price pressures remaining contained. Wage growth and inflation expectations have also eased, while the unemployment rate remains close to the FOMC's longer-run estimate. The labour market is showing some tentative signs of improvement, with private-sector hiring picking up. The combination of robust growth, a stable labour market and moderating inflation should allow the Fed to remain patient, although a still-resilient economy could warrant one or two further hikes. With market pricing indicating 2-3 hikes, US rate expectations look fairly priced.



Rates, front-end: As argued back in April we remain in a backdrop of central bank divergence in G10 with macro and policy rate conditions at different starting points. Sweden and Canada have a relatively weak case for substantially raising policy rates with a more benign inflation backdrop and the real implied policy rate near zero. On the other side of the spectrum, both Japan and New Zealand are in a position to have to deliver more tightening, while ECB has a case for bringing policy into slightly tight territory with the argument for hikes not as obvious for the Fed. In contrast, both Norges Bank and RBA are likely near a peak in the cycle with the narrative into 2027 likely shifting towards when and by how much they can ease.



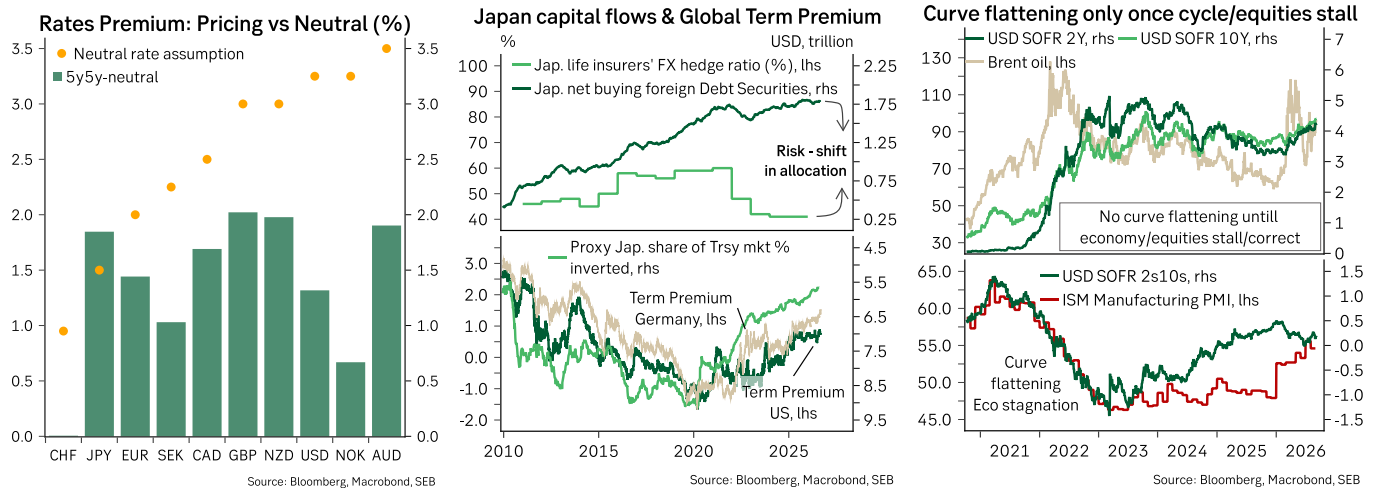
On US specifically there is a decent argument that a sticky inflation scenario is now largely in the price. A best fit policy rule for the Fed (estimated on past policy behaviour) would argue that the current pricing with a peak near 4.3% is consistent with an unemployment rate near 4% and core CPI inflation running at 3%. It is also interesting that pricing for Fed hikes hasn't been responsive to upside surprises in inflation and the labour market data easing through the summer – arguably this reflects a 'Hormuz premium'. Ultimately rates remain beholden to energy prices and as such one shouldn't expect a sharp turnaround for lower yields until a deal with Iran is reached – which looks unlikely ahead of US midterms.



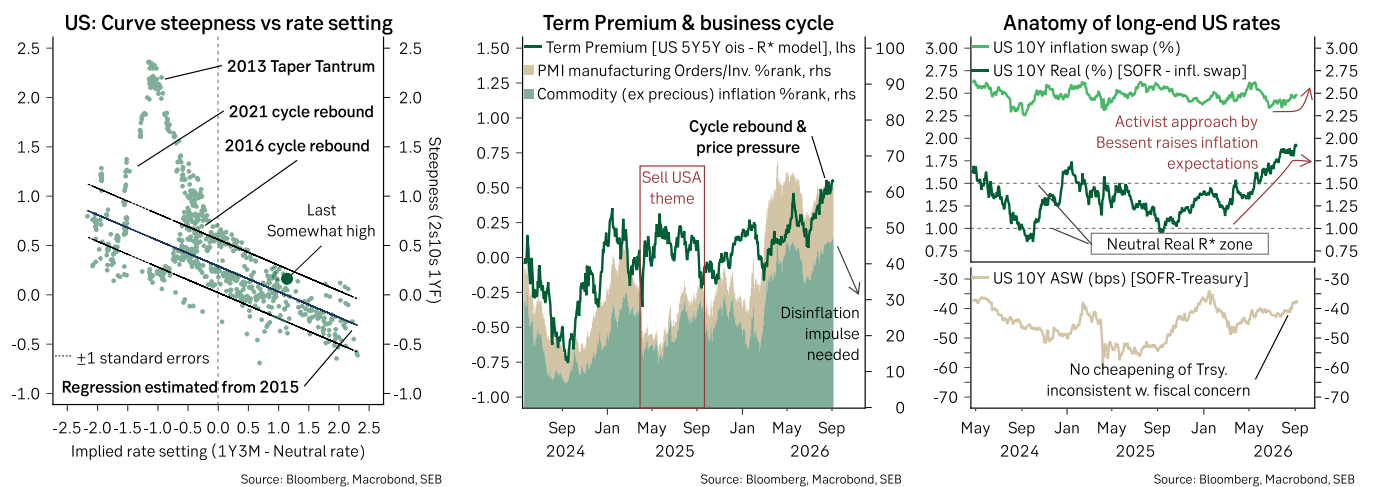
There continues to be upside pressure on long-end rates globally with structural forces in play arguing for higher term-premium. Government issuance remains strong, and is amplified by the AI related debt binge, while structural price insensitive buyers (central banks via QE or FX reserve accumulation) are long gone.

An important risk in the coming months is if Japanese savings increasingly shift homeward (middle chart) given the domestic yield offered - this would translate to higher term-premia globally and wider European government bond spreads. Potential triggers for a broader reallocation from the private pension and lifer industry could be a 'symbolic' allocation shift by the Government Pension Investment Fund (GPIF) leading the way, and/or a more hawkish BoJ. We would argue that the combination of a more Hawkish BoJ together with a surprise faster end to the ongoing QT program could entice locals to buy duration in JGBs (i.e. knowing that BoJ is on your side in the long-end). A shift in global capital flows could also turn market correlations upside down – e.g. higher Treasury yields but strengthening Yen.

Since June when front rates started climbing again in tandem with energy prices we have not seen much flattening of yield curves. This may at first seem odd but is consistent with a stronger business cycle backdrop. For a bigger bear flattening move we would need to see higher front rates (inflation pressure) while the business cycle momentum turns (lower PMIs or equities) as illustrated in the right chart below. We would argue that the bear steepening in the US over the summer is not related to debt sustainability concerns specifically as frequently touted – more on that further below.



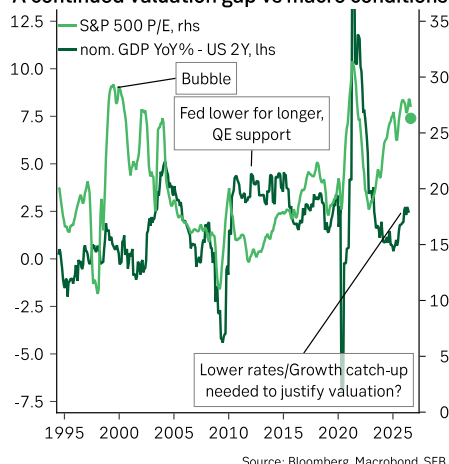
Looking closer at the US curve it is clear that there are other dynamics than debt sustainability concerns at play. As a starting point, the curve does look somewhat steep when controlling the curve shape for the implied policy setting (2s10s vs front rate spread to the neutral policy rate, left chart), but not excessively so. The recent term premium build aligns well with the rebound in the business cycle and the ongoing commodity inflation impulse (middle chart). I.e. beyond the structural demand/supply argument discussed above, there is a cyclical element to rising term premia (e.g. asset allocation shifts to equities from a duration 'portfolio hedge' in good/inflationary times, middle chart). Dissecting a US 10-year treasury (right chart) into 10-year real and inflation breakeven swaps as well as an asset swap (10-year SOFR spread to 10-year treasury) it is clear that it is not debt sustainability/credit worthiness driving the rise in term premium, in which case surely treasuries would be cheapening on asset swap. Instead, the term premium has been building in real rates, however, this dynamic is also at risk of shifting. A more activist Treasury secretary (Scott Bessent surprise on larger buybacks and threat of using the treasury general account to buy back debt), briefly led to break even inflation turning higher and stalling the rise in real rates. I.e. activism/intervention by the Treasury is interpreted as 'financial repression' by markets and also implies a changing Dollar dynamic where higher yields if driven by rising break even inflation expectations 'debases' the Dollar (more on the in Dollar Euro sections).



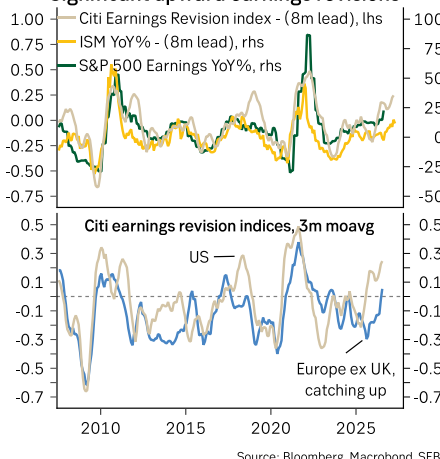
Equities: Valuation still looks elevated, but earnings momentum upgrades and less alarming internal market dynamics are arguably supportive. For US equities the valuation (S&P500 PE-ratio) gap to the macro backdrop (nominal GDP growth vs two-year rates) remains at as wide levels as in the late 90s as illustrated in the left chart below. However, the business cycle has turned more constructive and earnings upgrades by analysts have been strong (middle chart). Europe is now also catching up on the earnings outlook. Looking at a 'complacency indicator' (right chart) which combines various measures of positioning, sentiment and implied option volatility it is no longer flashing red – meaning that the market set-up is less conducive for a sharp/disorderly correction lower (doesn't mean a correction won't come, just that it is less likely to be a violent one).

With that said concentration remains a risk. Stock market performance continues to be dominated by a few names in the AI space, as is US growth with up to 50% of GDP growth in Q1/Q2 attributed to AI investment. A risk going forward is that a Democratic sweep at midterms will lead to AI regulation and IPOs by Anthropic and OpenAI could also offer insight into financial accounts that may not be taken entirely positive and match the hype (SpaceX case in point).

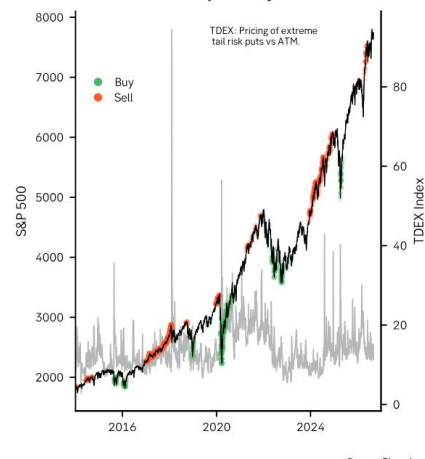
A continued valuation gap vs macro conditions



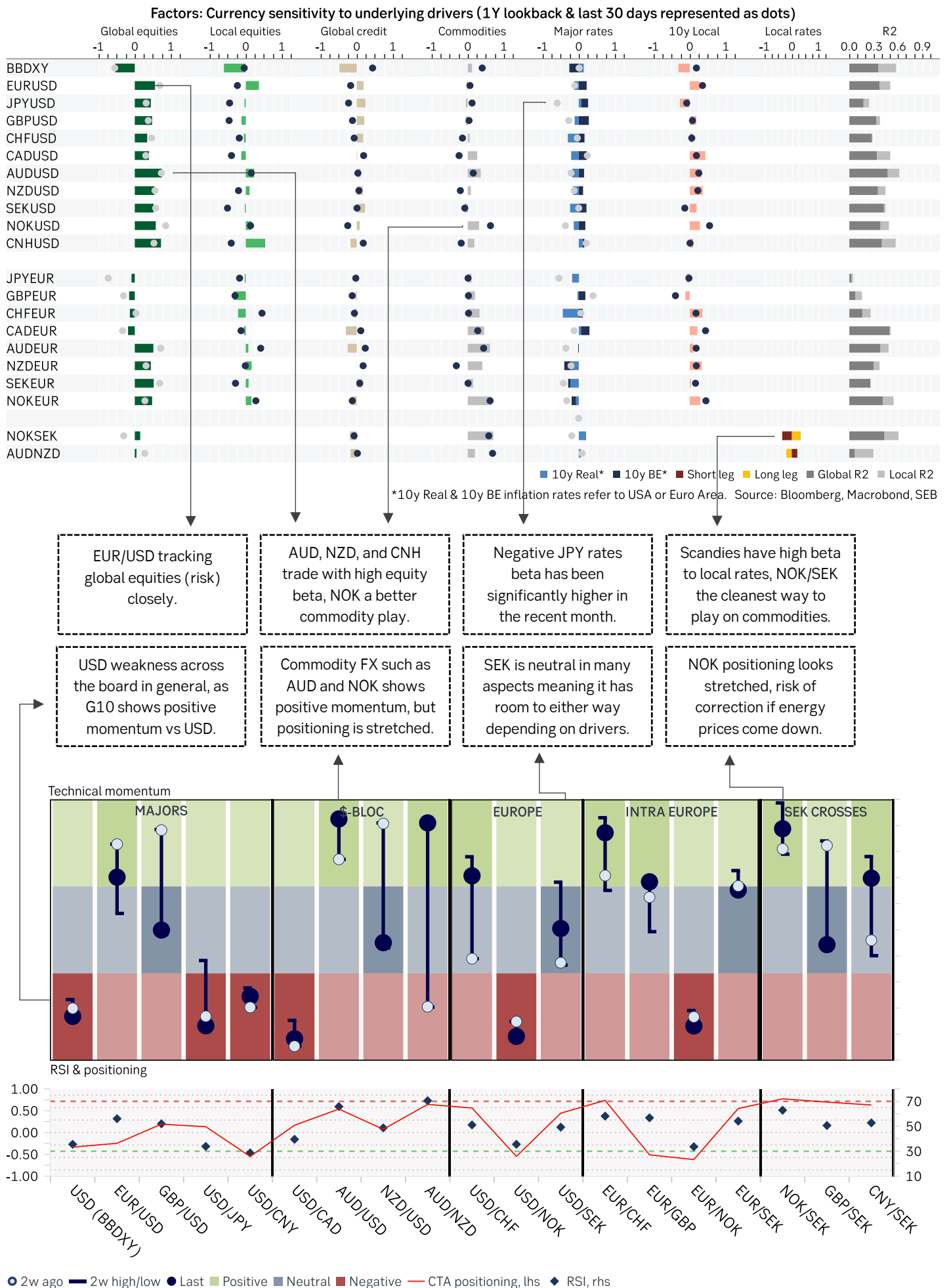
Significant upward earnings revisions



S&P500 complacency indicator



Factor drivers & technical indicators



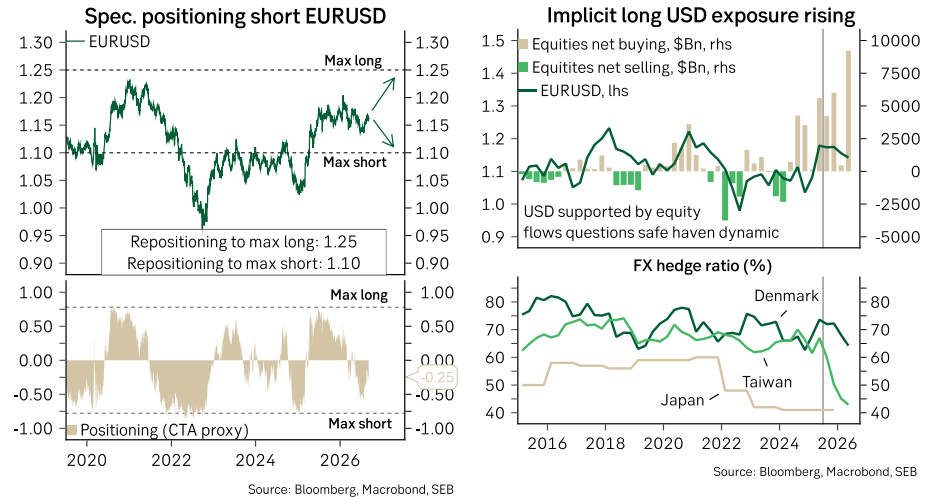


EUR/USD: Range bound but weaker Dollar trend in 2027

EURUSD is likely to stay range bound for the coming months as Iran has no interest in reaching a deal ahead of US midterm elections and the status quo over the Strait of Hormuz persists. Rates have continued to rise during the summer and a sticky inflation scenario for the Fed now looks reflected in pricing. A question is if the Fed will be able to meet expectations – it is not obvious to us. Meanwhile Scott Bessent has begun a more activist approach via Yen intervention and increasing treasury buybacks, both having a negative Dollar impact. This is happening with a backdrop where the global positioning in the Dollar has only increased (via lower FX hedge ratios). Thus, the outlook would seem to be skewed towards Dollar weakness, triggered by an eventual global disinflation impulse (Hormuz reopening) – this is looking like a story for 2027 though. With that said there are risks to the Euro as well – winter gas prices and French politics. Our base case has some Euro weakness in winter but not breaking the range, while French debt sustainability is a constant concern but not obvious that a Le Pen win in France will be a trigger. In this environment we favor long-dated low delta calls in EURUSD.

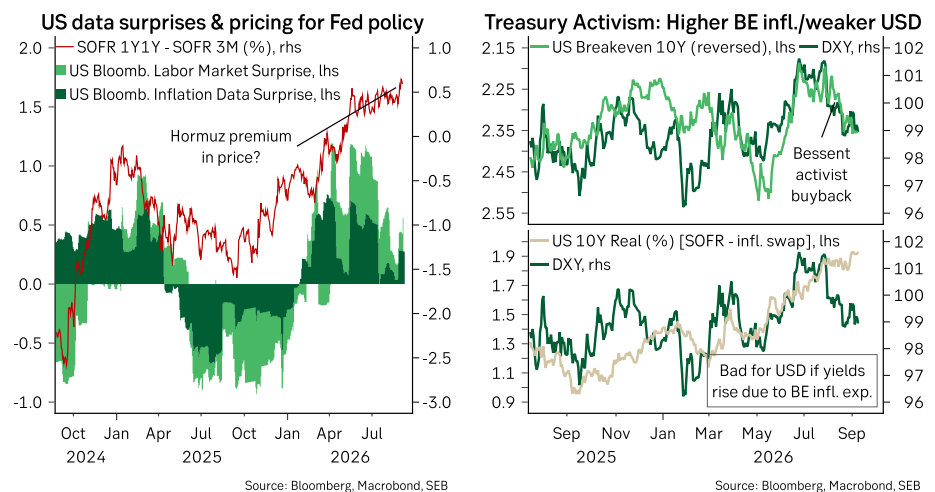
Dollar positioning is still long. While spec positioning is not quite as extended, the implicit positioning via unhedged Dollar asset exposures has only grown in recent months with FX hedge ratios coming down.

The Dollar's safe haven dynamic in a bigger equity correction can come to be tested. Increasingly USD is supported by equity inflows while foreign investors have reduced FX hedge ratios. This means that derisking/repatriation is accompanied with selling Dollars. Alternatively, a shift from US equities to US Treasuries (which normally carry a higher hedge ratio) would be associated with selling USD as well.



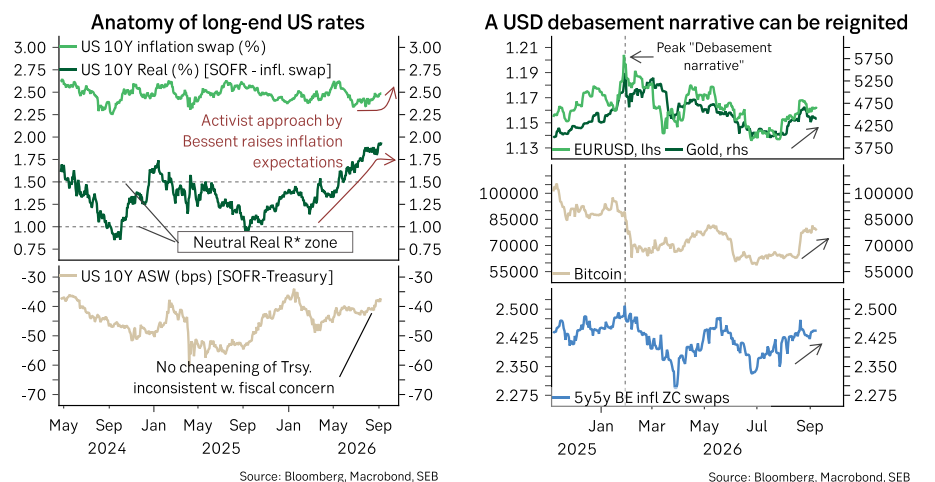
US rates pricing and dynamics imply a skew to a weaker Dollar. As argued in the backdrop section (page 11), a sticky inflation scenario looks largely reflected in the pricing for hikes. Market pricing hasn't been particularly responsive to data surprises easing during the summer, suggesting a 'Hormuz premium' that has scope to unwind on a deal being reached. I.e. a **disinflation impulse is key for unleashing a bigger negative Dollar move.**

A more activist approach to treasury buybacks changes the dynamic in long end bonds. Such intervention tends to be received by markets as 'financial repression' which raises break even inflation expectations and fuels a Dollar 'debasement' narrative.

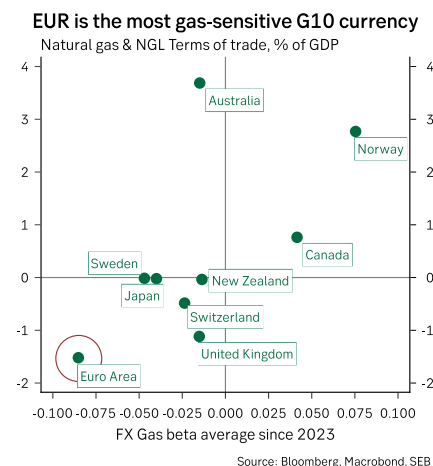
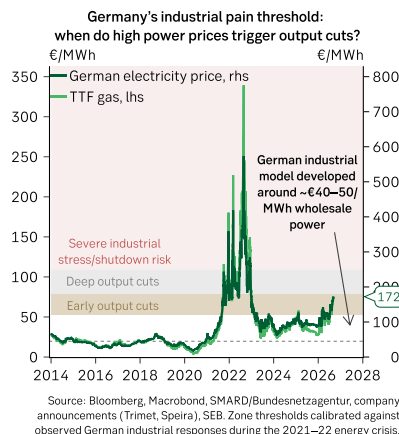


Fiscal sustainability concerns as a driver of rates and USD look overblown. The argument that US debt sustainability issues are driving higher yields (and USD weaker) doesn't add up. If it were the case, it should be observed in the SOFR/treasury asset swap. I.e. one shouldn't draw premature conclusions about an ensuing 'sell America' theme.

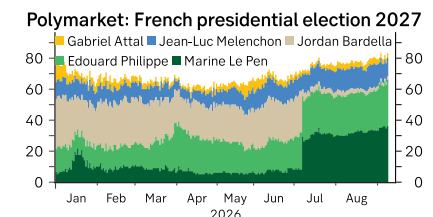
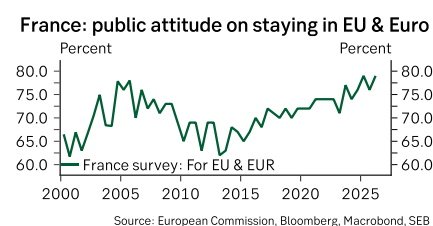
However, it is time to start tracking a broader Dollar debasement narrative. This was a theme in early 2026 and looking at variables such as gold, Bitcoin and implied inflation, they are all rising and would arguably be indicative of a switch to real assets away from the Dollar.



The picture painted here provides a negative USD view but there are counter arguments, e.g. the gas situation in Europe. Gas inventories are running low into winter. However, one shouldn't be too alarmist. Required winter gas inventories are lower due to adaptation and there is scope for Asia to substitute for coal, making more supply available for Europe (see page 8). However, within G10, Euro remains the most sensitive to a gas shock. This means that without a Hormuz reopening that EURUSD will be stuck in the current range and probably test the downside if Fed pulls the trigger on hiking.

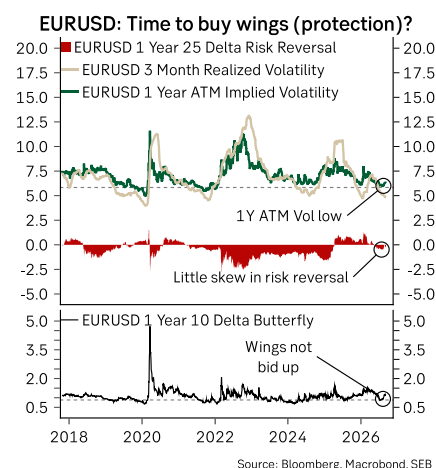
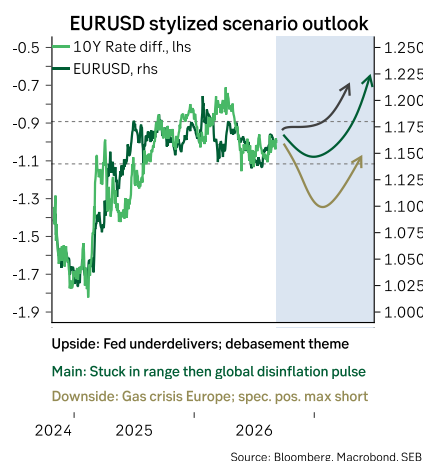


French politics and debt sustainability is also coming back to the fore. OAT-Bund spread widening already reflects rising fiscal and political uncertainty ahead of the 2027 budget/election cycle. However, a Le Pen win could be taken as a relatively market-friendly outcome, if it implies avoiding a candidate that argues for debt cancellation with ECB (Mélenchon). I.e. the election may prove to be a wall of worry that the Euro can climb. While Le Pen takes a more nationalist approach to EU cooperation, questioning the EU or euro's very existence is unlikely to be a winning formula, given the dramatic shift towards more positive public attitudes towards the Union in recent years.



The outlook implies EURUSD stuck in a range through winter with a skew towards weaker Dollar in 2027. Given the uncertainties and risks with energy prices over winter and French elections it may be a wise time to choose implementation of views via options.

Longer dated optionality in EURUSD looks interesting. The implied volatility is not particularly high, skew (call vs puts) is flat, and the wings (lower delta options) are not particularly bid up. I.e. regardless of view it can be implemented via options and our bias would be towards longer-dated low delta calls.





JPY: A decisive turning point?

Three stars need to align for a sustained JPY recovery: a credible USDJPY intervention ceiling, peak US rates and a more hawkish BoJ that narrows the rate differential and eventually helps reverse Japanese capital outflows. The timing of the latest Yen intervention looked appropriate as US rates seemed close to peak, but the more hawkish Fed since then could prove a major obstacle to sustainable JPY strength. If US and Japan successfully defend the ceiling while US rates peak and the BoJ continues tightening (possibly quicker than currently priced by the market), the JPY's appeal as a carry funding currency should weaken and the conditions for a reversal in capital flows improve. Read a more detailed version of this article [here](#).

USDJPY has drifted away from its rate differentials in the last year – a key argument for US/Japanese intervention. But intervention alone is unlikely to deliver a sustained yen recovery if US yields continue to rise. The **key is therefore to establish a credible ceiling** in USDJPY before fundamentals can take hold. Previous interventions suggest that the impact can be limited unless US yields peak.

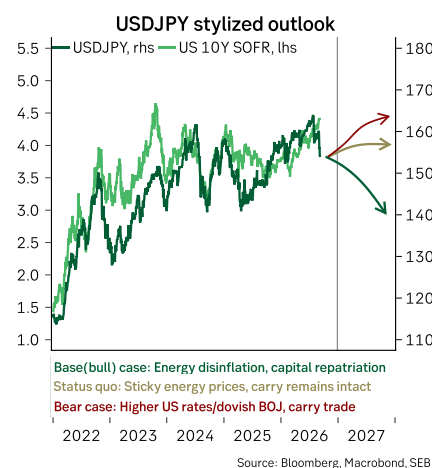
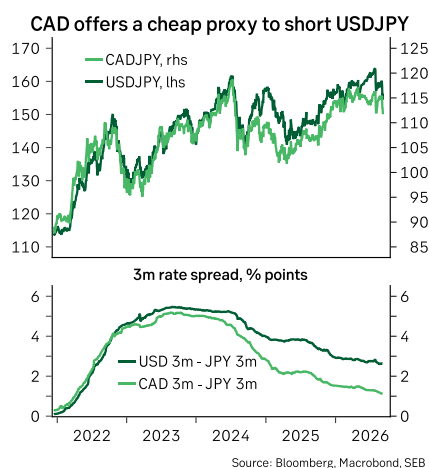
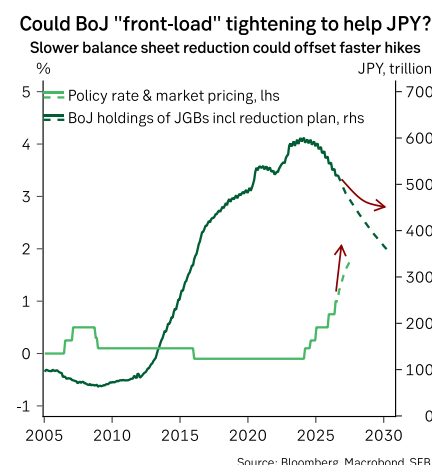
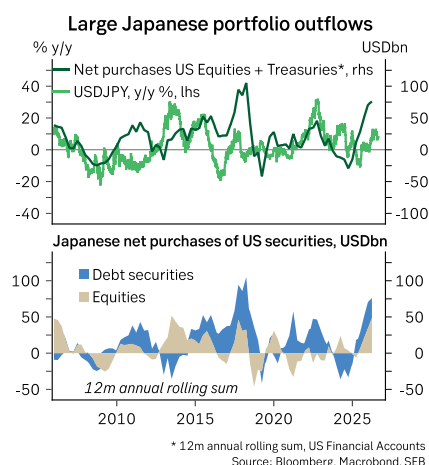
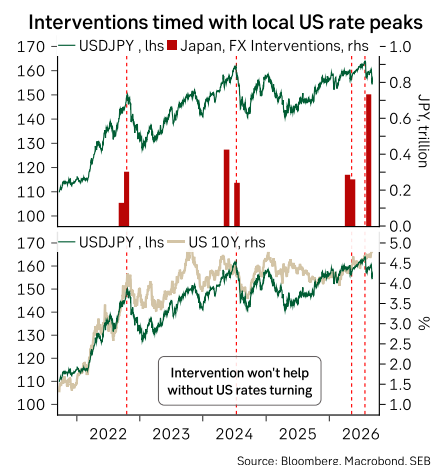
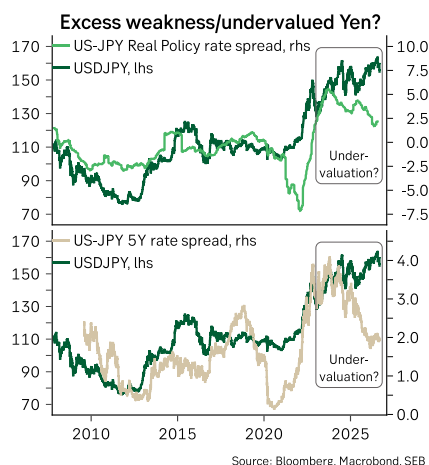
For now, **intervention appears to be gaining traction**, with USDJPY starting to decouple from the 10y yield but a more sustained yen recovery will ultimately require a narrowing in the US-Japan rate differential.

Japanese portfolio outflows remain an important source of structural pressure on JPY. For that to reverse, the rate spread needs to narrow, requiring a more hawkish BoJ. The market expects roughly half a hike per meeting over the next four decisions, which is probably not enough, especially in a more hawkish Fed scenario.

One way for the BoJ to front-load tightening without tightening financial conditions too much could be to slow the pace of its balance-sheet reduction while hiking more aggressively. An important trigger for a sustained reversal of capital flows would be a reallocation by the Government Pension Investment Fund to a larger share of domestic securities.

As long as the JPY intervention ceiling proves credible, short USDJPY would make sense were it not for the steep negative carry.

CADJPY offers a cheaper expression of this view, as CAD has high USD beta but lower rates, meaning the negative carry is less than half that of USDJPY. However, some of this advantage is already priced in, with JPY broadly sideways against CAD even as USD has strengthened this year.



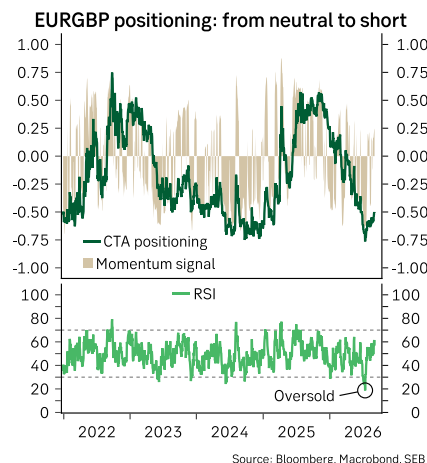
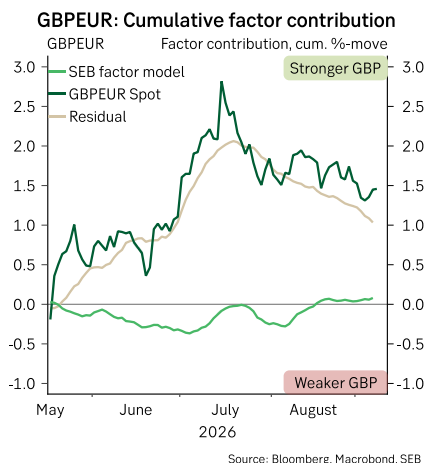


GBP: Lower risk premium, higher bar for further gains

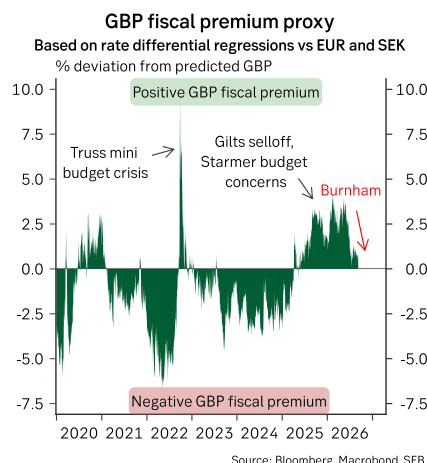
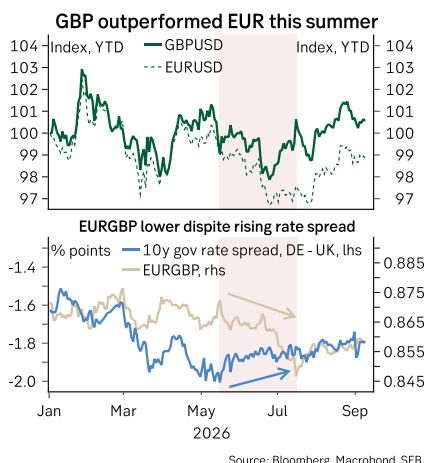
Sterling has outperformed in recent months, driven less by the rate differential and more by a sharp reduction in the UK fiscal premium. This has pushed EURGBP lower even as rate spreads have moved in the opposite direction. With positioning now long GBP, the scope for further gains looks more limited. The key change has been the fiscal story. While the UK risk premium has retreated, concerns over the fiscal outlook have simultaneously risen in France. This makes the next leg increasingly dependent on the fiscal narrative. Burnham has gained market credibility on hopes of more political stability, but his approach to the fiscal rules in the October 28 budget will be an important signpost. An unwinding of the almost three BoE hikes priced by the market would put downside pressure on GBP. However, the BoE is expected to remain on hold until next summer, keeping UK rates among the highest in G10 and hence providing Sterling with a continued “carry shield”. In the absence of clear drivers, the direction for GBP remains ambiguous for the time being.

EURGBP has moved well beyond what fundamentals explain. Since May, our factor model points to a broadly unchanged EURGBP, with the residual accounting for virtually the entire move lower. The recent GBP outperformance has therefore been driven by non-observable factors.

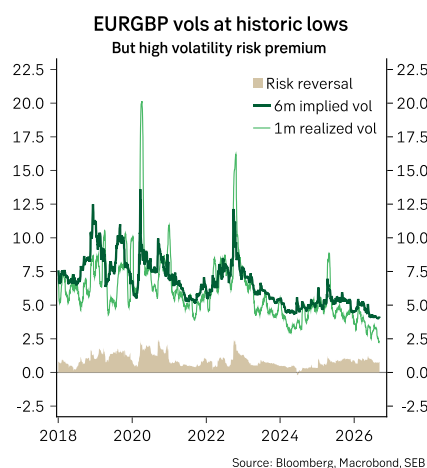
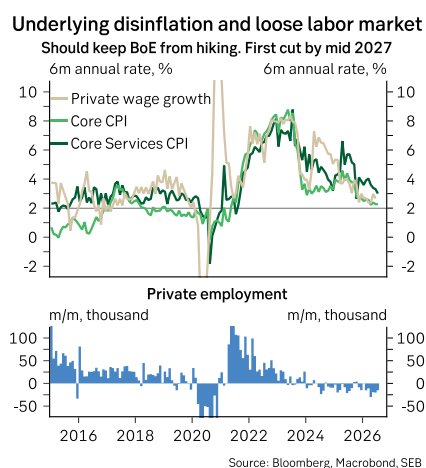
Positioning has also shifted sharply in GBP's favor. EURGBP positioning has moved from neutral to short, while cable positioning has seen a similar but smaller move. The recent GBP move has hence been driven largely by technical factors, which seems to mainly stem from changes in the fiscal premium.



The fall in EURGBP coincided with an easing in the UK fiscal premium. Improving confidence in the UK's fiscal and political position has supported GBP, strengthening against the euro despite a narrowing rate spread over the summer. Our fiscal premium proxy and factor model residual indicate that the relative shift in fiscal risk can explain a 2 – 3% decline in EURGBP. **Andy Burnham must utilize this initial market credibility** and stick to his fiscal rules at the October 28 budget. If not, this move could easily be reversed.



The UK macro backdrop is improving, albeit from a weak starting point. Domestic demand is recovering, while underlying disinflation and a loose labor market should keep the BoE on hold until next summer. UK rates are to remain among the highest in G10, providing Sterling with a “carry shield” and limiting downside. **With no clear fundamental drivers at present, the directional GBP outlook remains ambiguous.** FX vols are near historic lows, offering an attractive entry point for those expecting realized volatility to pick up. However, the implied – realized gap means the market demands a meaningful volatility risk premium, **requiring a higher degree of conviction** to go long vol.



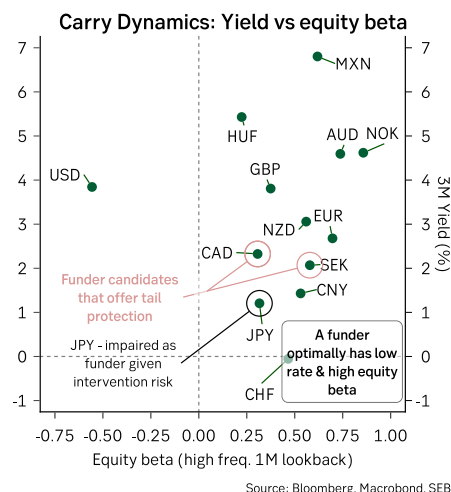
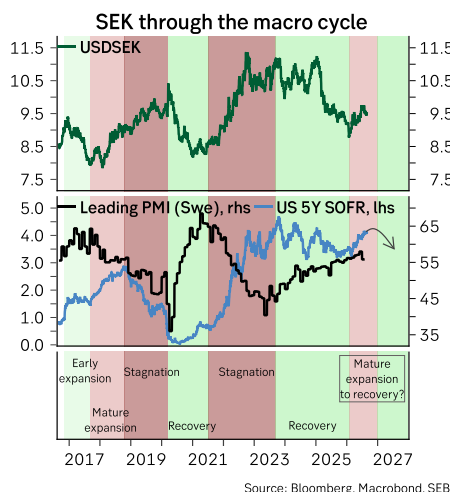


SEK: Underperformer in coming months – back to sweet spot in 2027

The view from April is maintained for the Krona in coming months – SEK will continue to underperform and attract short positioning as carry strategies are substituting away from JPY which has become an impaired funding currency. In the April FX Pilot it was noted that such a funder rotation could be played via long NZDSEK, this specific expression has now largely played out. As energy prices remain elevated so will global yields and it is unlikely that a Hormuz resolution can be attained before US midterms. As such it continues to be a suboptimal Krona environment, with winter gas prices in Europe heading higher and dragging NOKSEK with it, together with a Riksbank that doesn't have a trigger to hike. Fortunes may turn dramatically in 2027 though if one imagines a full reopening of Hormuz global yields correcting lower and converging to Swedish ones as well as business and risk sentiment picking up – this is the Krona sweet spot.

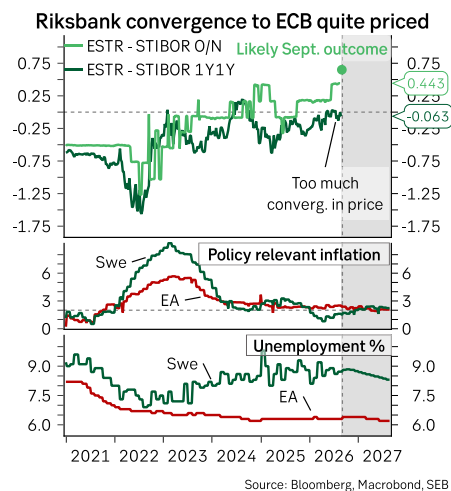
As highlighted in the April FX Pilot the macro regime remains challenging for SEK. The Krona sweet spot is one where global rates trend lower and the macro cycle backdrop is positive. Such an environment will not emerge near term with Iran having little incentive to reach an agreement before US midterm elections.

Until a Hormuz agreement is reached, funder carry properties will weigh on the Krona. Both NZD (hikes) and JPY (intervention) have become impaired funders, and as we have argued since April, a short bias will migrate towards SEK and CAD.



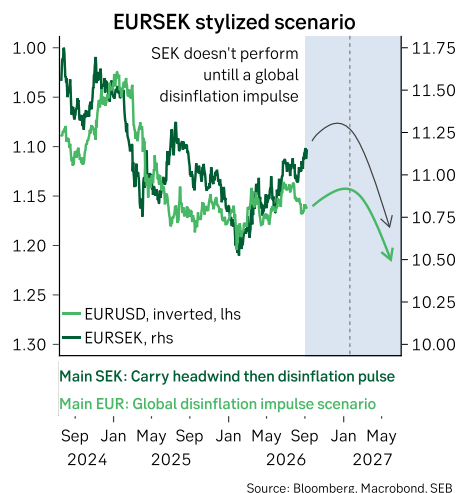
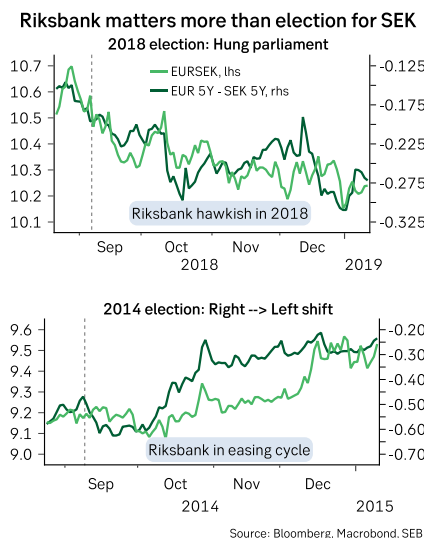
Riksbank lagging hiking central banks is not helping. Rate differentials point to higher EURSEK and SEK has stopped behaving as high-beta Euro.

Market pricing implies that Riksbank will substantially reduce the gap to ECB, this is starting to look too optimistic. With a still muted inflation backdrop and weak labor market. It is not clear that an earlier than expected hike from Riksbank would make much difference as it will be difficult to signal that it is a start of a bigger cycle rather than an adjustment. **A stronger labor market recovery will be key for unleashing a more hawkish response.**



Swedish elections (13th September) are unlikely to matter for SEK. Even an inconclusive outcome that requires months of negotiations would not have an impact judging by such an episode in 2018-19. A left shift that excludes the Center party and the Christian Democrats could lead to a short-term negative FX perception.

The outlook for SEK remains challenging in the coming months but we are looking for a return to 'sweet spot' conditions in 2027. This hinges on Hormuz deal being reached after US midterms that allows global yields to decline, rotation away from FX carry strategies and performance of low yielding cyclical currencies.



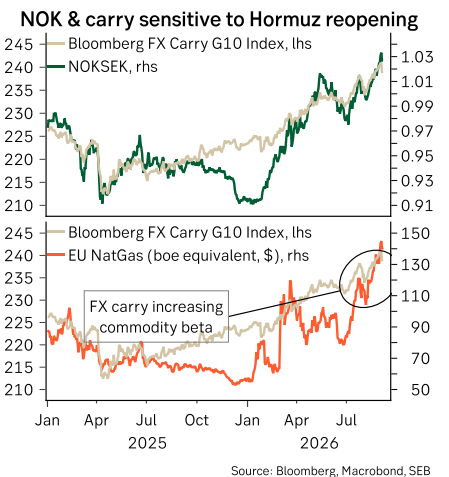
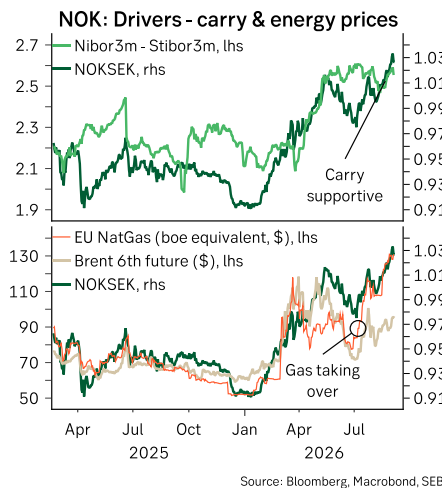


NOK: Gas and winter support, time to be a meteorologist

The Krone continues to go from strength to strength and is supported by both high yields (carry) and rising energy prices. Since July NOK is increasingly trading on the break higher in gas prices rather than oil though. With winter coming and no quick reopening of the Hormuz, expect gas prices and the NOK to remain supported. As such the Krone will be much more susceptible to trading on European weather (a cold, dry winter with no wind the best conditions for NOK). With that said we see fortunes turning in 2027 – seasonally natural gas is priced to drop ~30% in the spring, we could see a Hormuz deal after midterms, and inflation should start easing and open a debate about how much and soon Norges Bank could be cutting rates. In addition, vs Euro the rate differentials are already pointing in the direction of NOK weakening while positioning in NOK is quite long. I.e. on an energy disinflation narrative NOK is very vulnerable to a correction and the cross where this will be most noticeable is in NOKSEK.

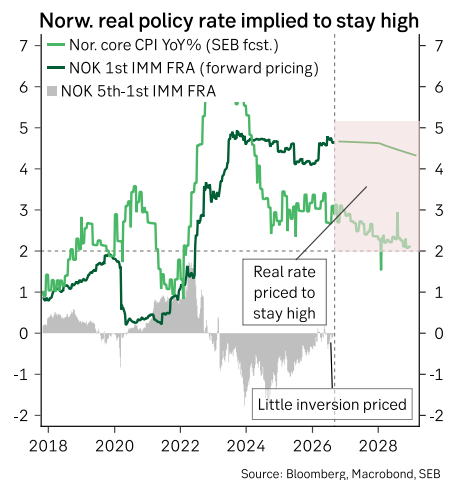
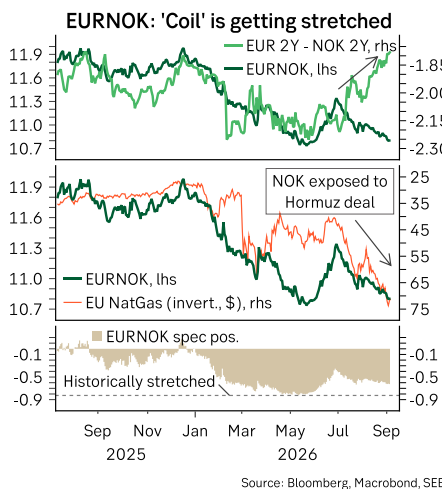
Carry and energy prices continue to support NOK. This is particularly evident when looking at NOKSEK. Increasingly the Krone is driven by rising gas prices though, rather than oil. As such it is becoming more of a 'one variable' currency. I.e. one needs to increasingly be a geopolitical analyst and meteorologist to trade NOK into winter.

The capital flow into FX carry strategies has certainly supported NOK. Looking at carry indices, they now look closely related to NOKSEK and European Gas prices. I.e. a risk to FX carry and NOK is a Hormuz reopening. **Should one wish to reduce the commodity beta in a G10 carry basket NOK is the obvious candidate to cut.**



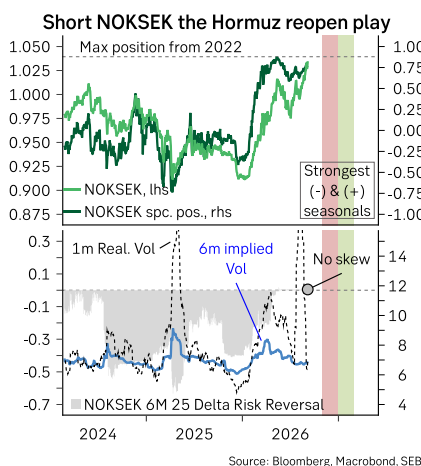
Versus Euro the Krone is starting to look like a stretched coil. Rate differentials and gas prices are heading in opposing directions while NOK positioning is quite long. This argues for a substantial correction risk should the energy price story change direction.

If a more muted inflation outlook (SEB forecast) plays out into 2027 it could paint a quite bearish story for NOK. There is scope to price more rate cuts in such a scenario and if it coincides with a relief in gas prices in spring it would act as a double whammy for NOK.



NOKSEK is the geopolitical FX-cross and the option market is offering a way to fade the crisis. The skew in calls vs puts (usually negative) is now flat with positioning in NOKSEK very long. I.e. buying downside for a positioning reversal via e.g. puts spreads is not bid up.

The outlook for NOK looks supportive in the coming months but a Hormuz deal into 2027 after midterms and a sharp drop in energy prices, ultimately implies a big reversal in NOKSEK. However, even without a deal, gas prices are priced to seasonally fall by 30% in the spring.





CHF: Is a rising price of gold threatening the carry funder status?

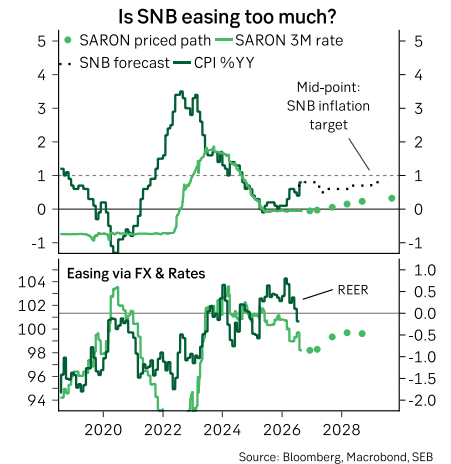
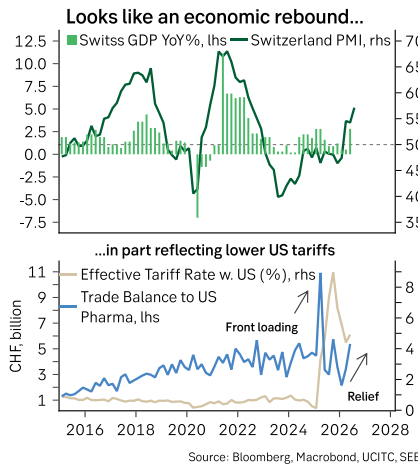
The Swiss Franc remains the best short from a carry perspective, however, some risks are emerging. The economy is showing signs of a more rigorous rebound (although likely in part due to lower US tariffs) and inflation has picked up. Yet the SNB is de facto easing by sitting still on the policy rate which leads to a lower real rate. Meanwhile the real effective exchange rate has also started to depreciate – the question being if markets are underpricing hikes. Meanwhile there has been a shift in the gold price, which is an important factor driver of CHF, in part due to actual and threatened intervention in bond markets by Scott Bessent. I.e. there is a tendency of a Dollar debasement trade emerging. The CHF has not yet responded to rising gold prices but a ‘flight to hard currency’ is increasingly a risk. Meanwhile the short positioning via carry strategies is quite extended. As such the global carry theme can probably continue for a few more months but risks are growing – here we look at low delta EURCHF puts to hedge against a carry unwind and gold rally.

What to make of the strong rebound in business sentiment?

Swiss PMI is going through a strong acceleration after a subdued period. It certainly points to a pick-up in growth but may be a somewhat exaggerated response due to a reduction in the effective tariff rate applied by the US.

Is SNB getting more easing than desired?

By sitting still with the policy rate, SNB is de facto easing as spot inflation has picked up (more negative real rate), while the exchange rate is starting to depreciate from a real effective basket perspective. In a sense this is a departure from a policy that SNB has followed since 2023, to keep the implied real policy rate near zero. A risk is thus that hikes are somewhat underpriced.

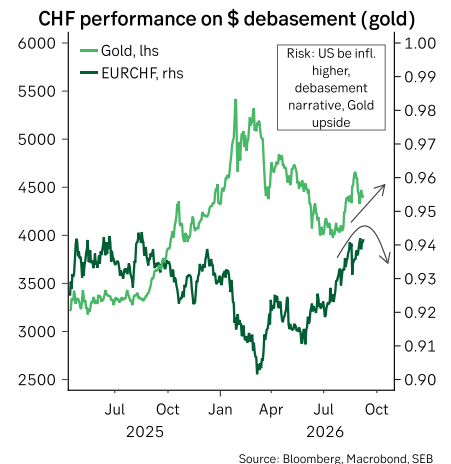
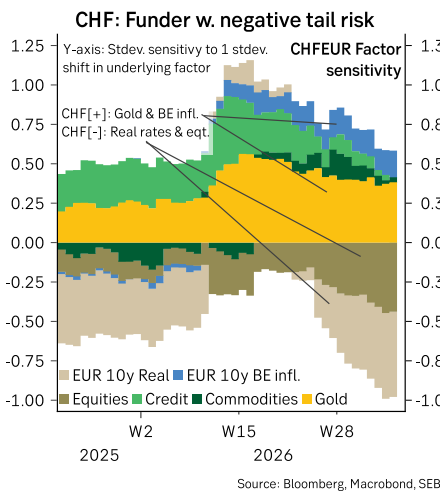


CHF is certainly a funding currency but be aware of the beta to gold.

Looking at the drivers of CHF vs Euro it is clear that it has a negative beta to global real rates, while higher gold prices and global break-even inflation support CHF.

A rally in gold is a risk to being short CHF.

As discussed in previous sections, increased interventionism in the US (Scott Bessent) has tended to push up US break-even inflation as well as gold prices. If we continue to see a more activist US Treasury then this theme could accelerate, leading to a ‘flight to hard currency’. This would allow CHF to perform also vs the Euro.

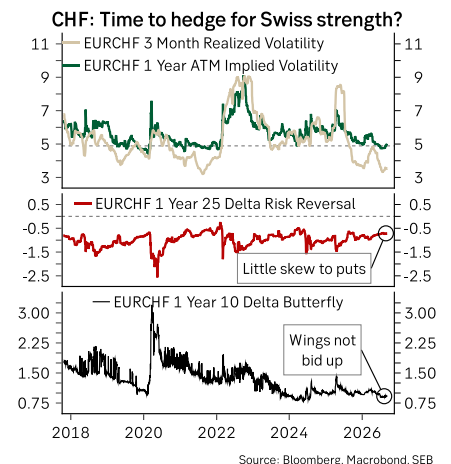
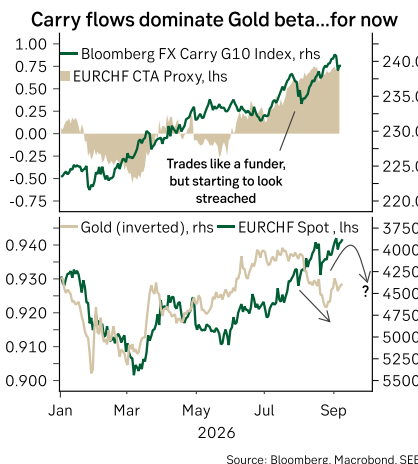


As discussed in the ‘The Big Picture’ section, carry strategies are likely to continue to work, but are entering the final innings.

While not alarming yet, risks are building for short CHF – is SNB providing too much easing, gold is pointing in a different direction and positioning is very short.

At this point it may make sense to look at options for hedging the risk of a carry unwind/US debasement story emerging.

Realized volatility is very low but implied vol, skew and low delta options (butterfly, right chart) favors low delta puts as a hedge in EURCHF.





CNY: Politically driven, but room to strengthen fundamentally

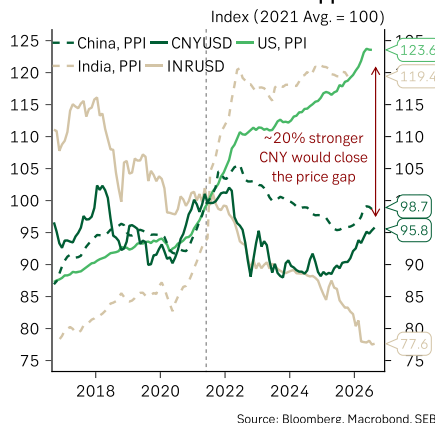
CNY has more room to appreciate, as domestic inflation has stayed low and despite the recent nominal strength in the CNY, China hasn't gotten more expensive relative to competitors in real terms, making the real competitiveness gap still unfilled (taking producer prices into account). Politics, exporters' profit repatriation and equity flows, not rates, are now the dominant drivers of the yuan.

Domestically, the picture is unclear but there are signs of rebound in some sectors. With the Trump-Xi meeting on September 24th and US midterm elections ahead, we expect Beijing to keep CNY supported through both events. From that point, there is room for fundamental drivers to take over to a larger extent but the political bias remains to keep the yuan competitive in real terms given China's dependence on exports.

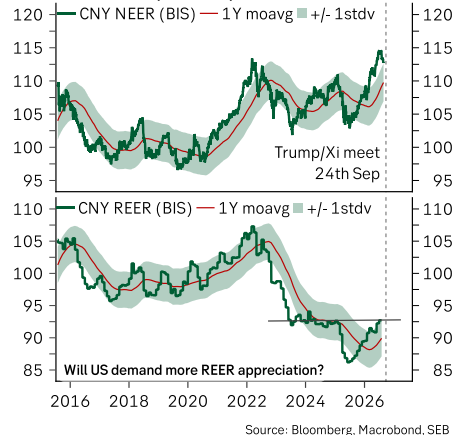
More room for CNY appreciation as it remains highly competitive in real terms.

Domestic inflation has stayed low, and although the CNY has strengthened significantly recently, China hasn't gotten more expensive relative to its competitors in real terms. Since the "three red lines" policy was introduced in 2020, producer prices have barely moved even as the rest of the world saw an inflation shock. CNY's nominal appreciation has not closed that gap – leaving roughly a 20% real competitiveness gap still to fill before Chinese exports lose their edge. On a REER basis, CNY could be at the point of a positive REER breakout.

CNY weakness & low inflation since the Three Red Lines create room for CNY appreciation



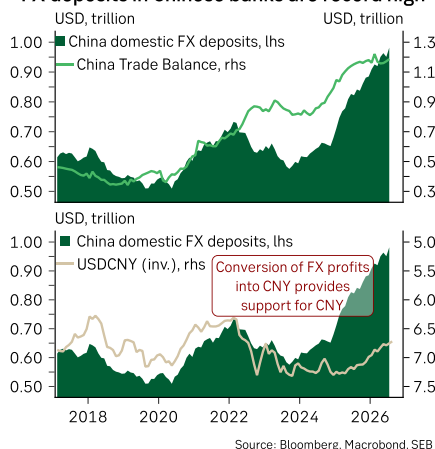
CNY Basket deviation vs trend



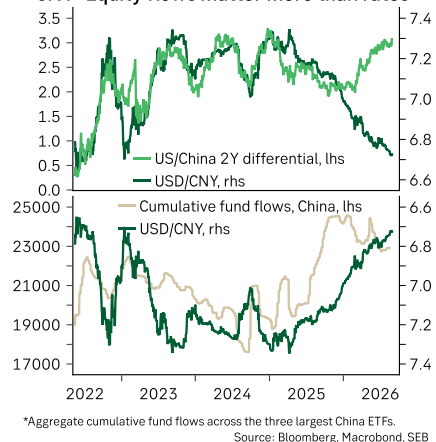
Flows are playing a big role in the CNY.

CNY has decoupled from rates while equity inflows increasingly look to have been supportive, judging by larger allocations to China equity ETFs. Exporters are also converting some of their enormous, retained earnings that sit in Dollars on FX deposit with local banks. These conversions influence the pace of CNY appreciation/depreciation. Regulators try to influence this dynamic via guidance on the interest paid on FX deposits and despite raising it the Yuan has continued its steady appreciation. I.e. **there is more pent-up potential in flow terms.**

FX deposits in Chinese banks are record high



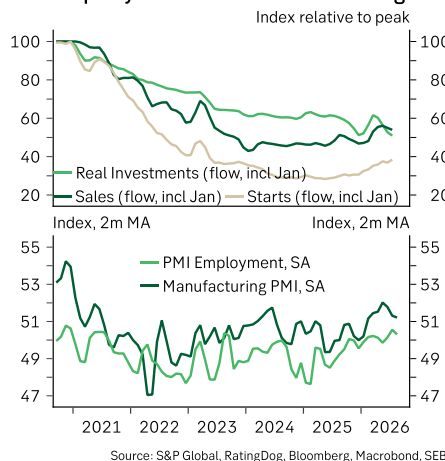
CNY: Equity flows matter more than rates



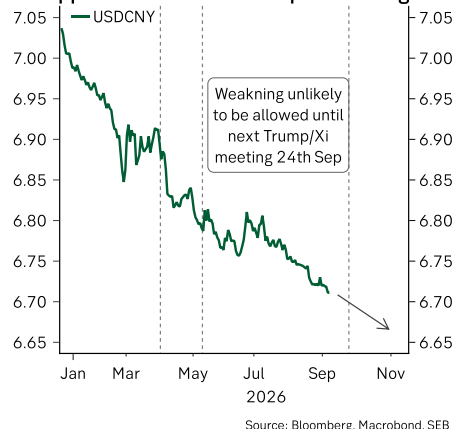
The domestic rebound picture is unclear

but there are some indicators, such as property sales, investments, and PMIs that suggest that the economy may be close to bottoming out. Arguably a rebounding economy and higher domestic rates could at some point be a driver for a stronger Yuan. **For now, though politics dominate the trend for CNY.** With the Trump-Xi meeting approaching (24th September), Beijing is unlikely to let CNY weaken into the event. **We therefore see CNY strength into the meeting as well as the US midterms in order to appease the US administration.** Given the dependence on exports the intention will still be to keep the yuan competitive in real terms.

Property Indicators & PMIs stabilizing



Beijing shifting policy towards currency appreciation around Trump-Xi meetings





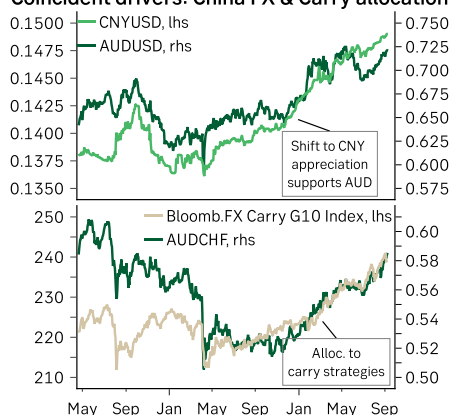
AUD: Supported by carry this year, but challenged next year

The Aussie continues to enjoy support as a carry strategy long and the continued appreciation of Yuan vs USD – two drivers that can continue to be supportive in the coming months. With that said, 2027 may become more difficult for AUD. The economy is coming back to equilibrium from a strong position, easing wage pressures and cooling starting to show up in the housing sector. As such the narrative is likely to shift by mid next year to how many hikes the RBA can take back, which stands in contrast to how rates are priced. Taken together with an assumption that a deal with Iran can be achieved after US midterm elections there is an energy disinflation impulse coming which will weigh on carry strategies and the Aussie. This should lead to a shift with AUDNZD converging lower, but AUD can probably still outperform NOK thanks to a strong Asia-USD rebound than Europe-USD.

Yuan strength and pro-carry allocation can remain an AUD support in coming months. CNY has tended to act as an 'FX anchor' and Beijing's policy shift towards appreciation (room to continue) has also helped AUD. Similarly expect carry strategies to remain in favour with no quick Hormuz deal in sight.

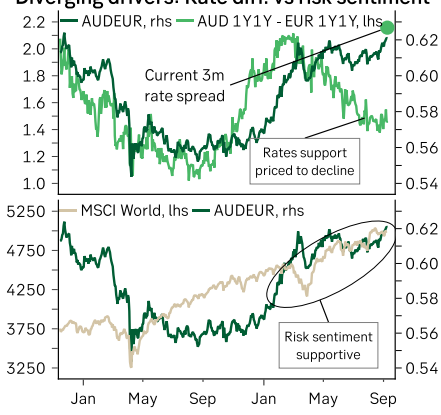
However, carry will be somewhat eroded in 2027, and AUD continues to be sensitive to equities. I.e. the rate narrative may be in the final innings. The strong beta to equities, however, may make AUD a better carry long than NOK (gas beta) in a Hormuz deal scenario where energy prices drop but risk sentiment improves.

Coincident drivers: China FX & Carry allocation



Source: Bloomberg, Macrobond, SEB

Diverging drivers: Rate diff. vs risk sentiment

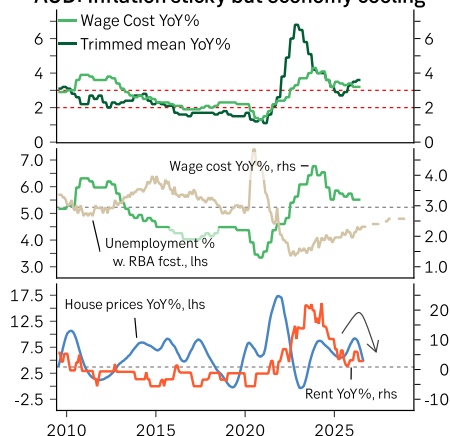


Source: Bloomberg, Macrobond, SEB

The interest rate narrative can shift in 2027. Inflation remains too high but the economy is cooling. Wage pressures continue to ease as the unemployment rate trends higher and rate sensitive sectors such as housing are cooling down.

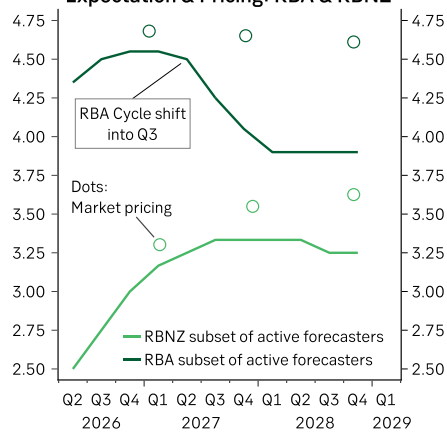
Near-term the chance is that RBA delivers more tightening, but the narrative can shift to cuts in 2027. This stands out when comparing economists' forecasts for the policy rate to market pricing. By mid-2027 we are likely to debate how much RBA is easing, conditional on a scenario where global energy inflation is coming off.

AUD: Inflation sticky but economy cooling



Source: Bloomberg, Macrobond, Cotality Australia, SEB

Expectation & Pricing: RBA & RBNZ



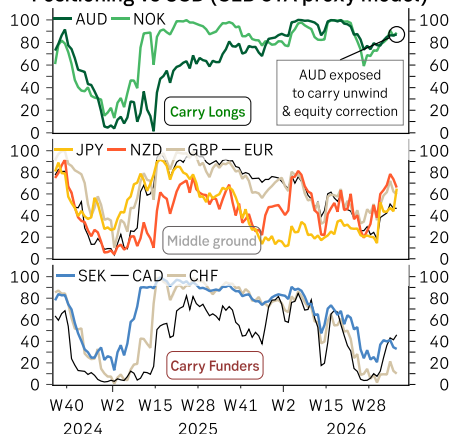
Source: Bloomberg, Macrobond, SEB

AUD is a consensus long, for good reason, and positioning is the main risk. In that sense it is an 'uncomfortable long'.

The outlook is one where AUD remains supported in coming months but an underperformer in 2027. It's a timing game between how long carry can stay in vogue (Hormuz) and when the macro cycle will start to weaken in Australia.

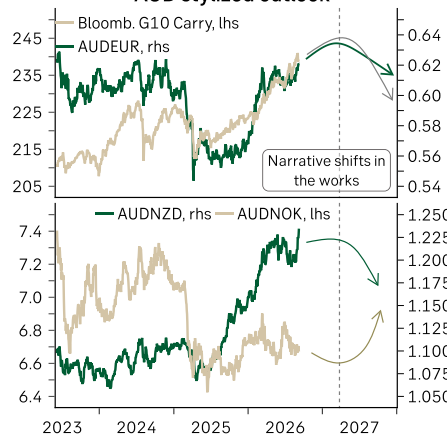
In a carry context it is worth considering if AUD is a better long than NOK in 2027 in a Hormuz opening scenario. NOK has a higher natural gas beta, risk sentiment can support AUD and strength in CNY and JPY can be a support to broader Asia FX.

Positioning vs USD (SEB CTA proxy model)



Source: Bloomberg, Macrobond, SEB

AUD stylized outlook



Source: Bloomberg, Macrobond, SEB



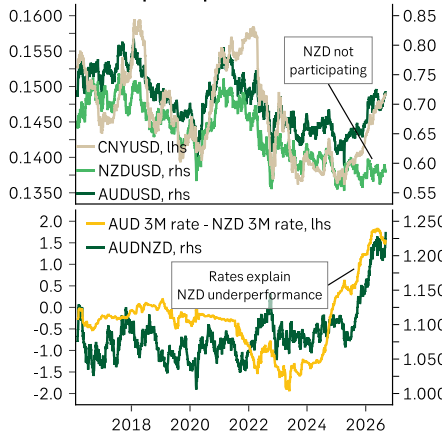
NZD: From RBNZ support to stuck in coming months

RBNZ finally started to deliver hikes which supported the rotation we argued for in April from using NZD as a funder to SEK. This has largely played out now and at this point markets are arguably overpricing the RBNZ hiking cycle given that the economy is still only in early stages of improving. In addition, a general election is coming up on the 7th of November with the Labour party running on a proposal to reintroduce a dual mandate for the RBNZ – this would likely be taken as a dovish by markets and a negative for the Kiwi. Therefore, we are looking for the Kiwi to stall here with a negative event risk. Overall, we will have to wait to 2027 for a bigger AUDNZD correction lower but that is likely to be driven more by Australian and geopolitical factors than local ones.

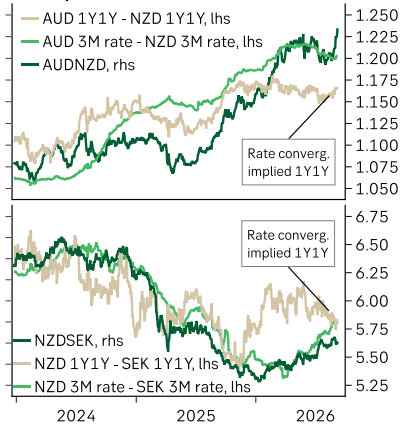
Kiwi is the cyclical underperformer (except vs SEK). Unlike AUD, NZD has failed to strengthen with the Yuan since 2025, diverging from its historical relationship. The underperformance is largely explained by the dovish RBNZ's dovish stance, which has weighed on NZD despite its cyclical exposure.

In April we were looking for NZD to catch a break, especially vs SEK – this seems mostly done for now. The need for RBNZ to hike out of the most accommodative policy setting in G10 was clear, and we were looking for a 'funder' rotation theme from NZD towards SEK on the back of that. This played out but the performance vs AUD has been disappointing.

NZD failed to participate in Asia-USD rebound



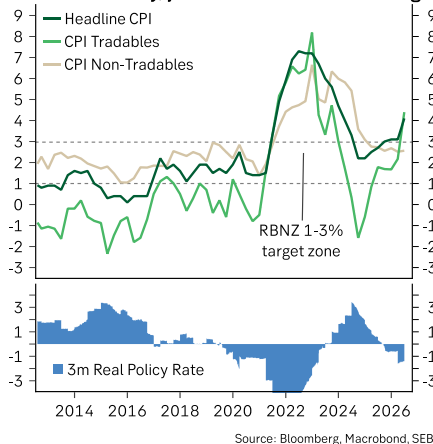
NZD performed vs SEK but not AUD



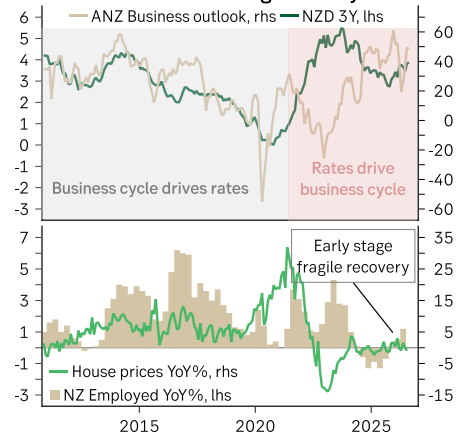
Getting back to a neutral policy rate is needed but the economy is still at a fragile point. With high and sticky inflation, an easy stance could no longer be justified as the economy is bottoming out. However, hiking further is a balancing act as the economy is just getting back on firm ground.

The economy still looks to be at a quite sensitive point to interest rates. From a bigger perspective one can argue that business sentiment drove policy until 2022, but that since then the rate cycle has been in the driver's seat. With house price inflation still hovering around zero and the labor market only just recovering RBNZ is justified in treading somewhat carefully.

Inflation sticky, justifies neutral rate setting



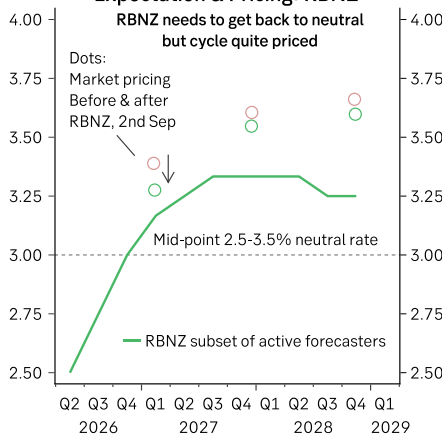
Hikes risk stalling recovery



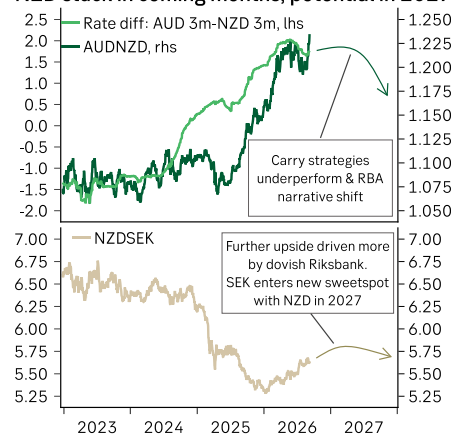
Given the economic backdrop the market has gotten ahead of itself in pricing rate hikes. Market expectations after the last RBNZ meeting, that gave a less hawkish message, haven't corrected that much. This is a risk ahead of the general election on 7th November where Labour is running on reintroducing a dual mandate for RBNZ which is likely to be taken as dovish and weigh on the Kiwi.

The outlook points to the Kiwi being stuck into November 7th with a downside event risk. We are now not looking for a bigger NZD convergence to AUD until a Hormuz deal and shift in RBA stance in 2027. Some upside vs SEK is possible but dependent on a dovish Riksbank.

Expectation & Pricing: RBNZ



NZD stuck in coming months, potential in 2027





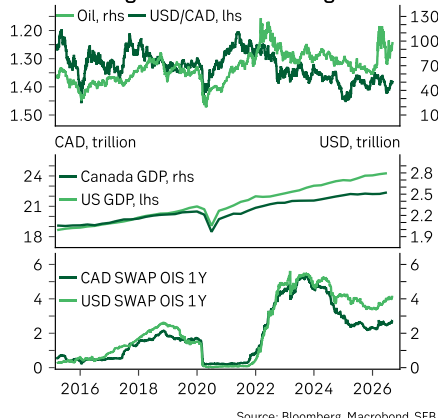
CAD: Going nowhere fast – stays an attractive carry funder

CAD remains our preferred short-USD expression: weak growth and relatively low yields make it an attractive funding currency. In contrast to USD it also has a negative tail risk, i.e. CAD underperforms USD through risk events (except 'sell America'). The cyclical recovery is not materializing as rate sensitive sectors like the housing market show little response to lower rates, while market pricing for BoC hikes already looks fair. This leaves little room on the upside for interest rates. Carry remains the main driver, and with JPY no longer a clear funder, CAD stands out as an attractive alternative. Trade related headlines, including USMCA and US tariffs, have shown limited sustained impact when negative. However, positive news such as de-escalation in trade tensions has historically supported CAD, but we don't see this as a threat to the underlying story as trade tensions will remain high for the coming months.

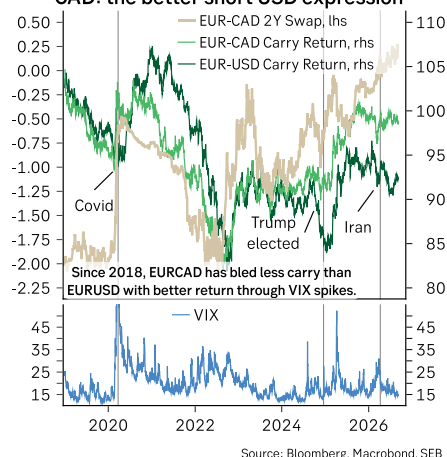
CAD remains our preferred short-USD

expression. Despite higher oil prices, CAD has failed to benefit as growth has remained weak and yields are lower than most other G10 currencies, a combination which keeps CAD cheap to fund in. Additionally, its tail risk beta supports this view as CAD tends to underperform during risk events, which can be seen in the right graph which illustrates that long Euro vs CAD does better than vs USD through bouts of market volatility.

CAD has failed to benefit from higher oil due to weak growth and rate divergence



CAD: the better short USD expression



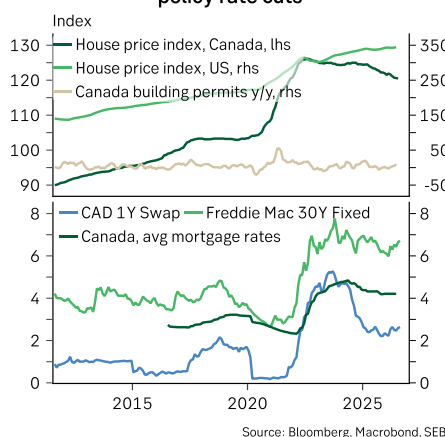
Cyclical recovery is slow to materialize.

Rate-sensitive sectors (e.g. housing) in Canada have failed to respond despite lower rates. House prices are not rising and building permits have not picked up. Effective mortgage rates remain elevated despite BoC cuts, i.e. there is a lack of transmission which argues against a near-term stronger cyclical upturn.

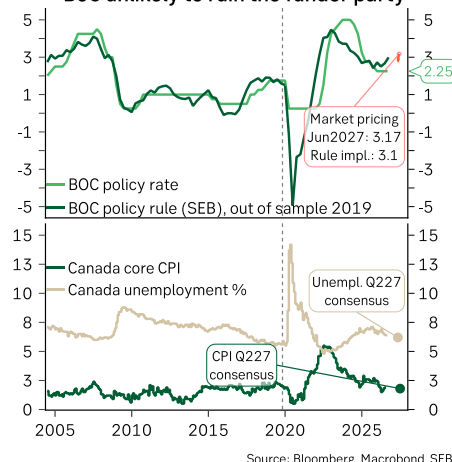
BoC pricing already reflects roughly two

hikes until Q227, but the lack of a convincing recovery signal does not motivate further upside. Our policy rule model sees BoC as currently fairly priced.

Housing sector in Canada not reacting despite policy rate cuts



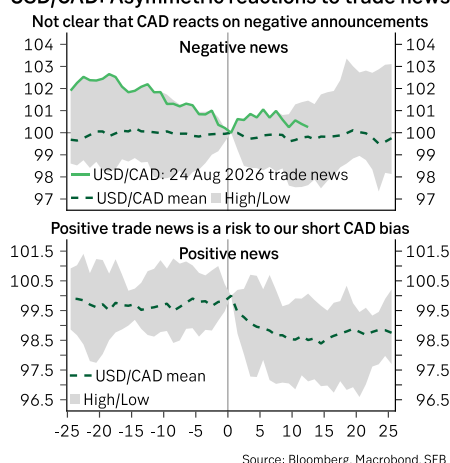
BoC unlikely to ruin the funder party



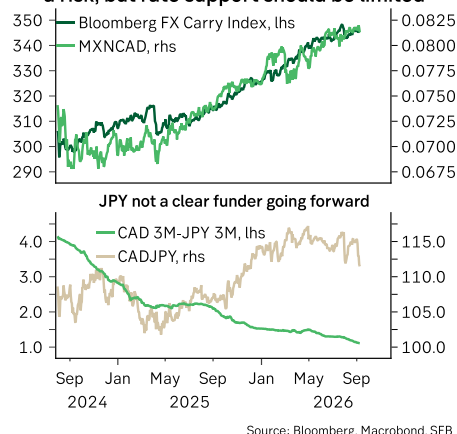
Trade-related headlines (such as USMCA and tariffs from US) continue to look immaterial for CAD when the news is negative. CAD has shown limited sustained reaction to negative trade headlines. However, there is asymmetry on the upside: past positive news, such as de-escalating trade tensions, has tended to support CAD, which is a key risk to our view.

We stick to our view that CAD remains a good funder. The main risk is more positive-than-expected trade news but progress on this part could be months away, and simultaneously not a major risk to the rates story. Carry therefore remains the main driver of CAD; with JPY no longer a clear funder, CAD stands out as an alternative.

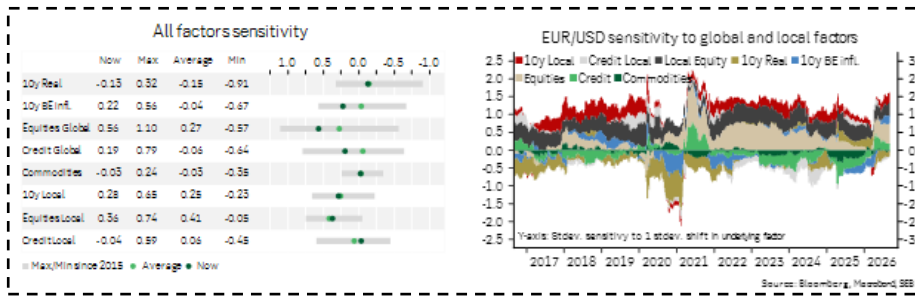
USD/CAD: Asymmetric reactions to trade news



CAD remains a good funder; USMCA upside is a risk, but rate support should be limited

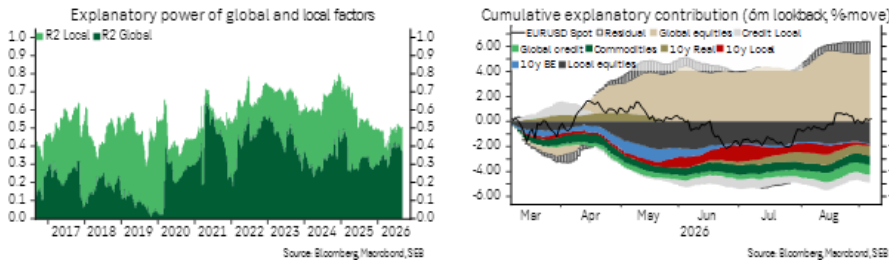


Driver overview: Explanatory guide



All factors sensitivity / sensitivity to global and local factors

Both charts show how much the currency moves when a factor moves. Everything is scaled in standard deviations, so factors can be compared directly: 0.5 means a half-SD currency move per 1-SD factor shift. Local factors are stripped of their global content first, so nothing is counted twice. The chart tracks how the sensitivities evolve; the table sets today's reading against its max, min and average since 2015. A reading near the historical extreme means the pair is unusually geared to that factor right now - though a small sensitivity stays economically small however extreme it looks against its own history.

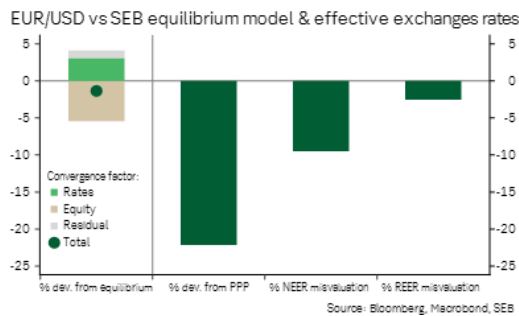


Explanatory power of global and local factors

The dark area is how much of the move global factors account for; the light area is what domestic factors add on top. A high total means the pair is trading on macro. A sustained fall means flows or positioning are in charge, and factor-based conclusions deserve less weight.

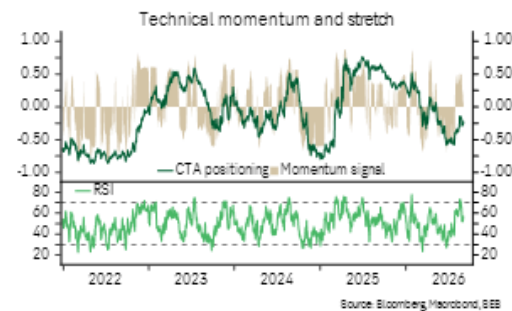
Cumulative explanatory contribution

How much of the six-month move each factor accounts for, with the residual as the unexplained part. It describes what moved alongside the currency rather than what caused it. A large and growing residual is the signal that something outside the model is driving price.



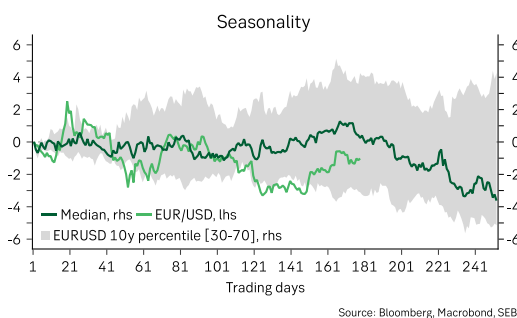
Valuation: EUR/USD vs SEB equilibrium model & effective exchange rates

The left bar shows the gap between spot and the SEB equilibrium estimate, split into the three things that would close it: a rates correction (policy rates drifting back to neutral), an equity correction (P/E ratios normalising toward historical averages) and the model residual - the part of the move since 2014 that macro factors never explained, treated as accumulated misvaluation. The dot is the total. The three bars to the right are independent cross-checks: deviation from PPP, and misvaluation on nominal and real effective exchange rates.



Technical momentum and stretch

The upper panel shows two signals. CTA positioning is SEB's Cross Asset Trend model, which reads trend from the delta of a synthetic straddle portfolio and scales the signal between -1 and +1 - a proxy for how trend-followers are positioned. The momentum signal is a weighted composite of individual technical indicators, back-tested and tuned to flag skewed price direction on a two-to-three week horizon. The most useful reading is a break out of neutral into positive or negative territory, not the level itself. The lower panel shows RSI as a mean-reversion check: readings above 70 or below 30 mark stretch, where trend signals are more likely to reverse than extend.



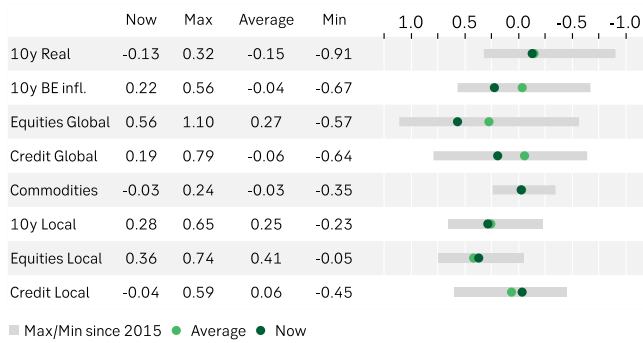
Seasonality

The dark line is the median path of EUR/USD through the calendar year, cumulated from the first trading day and measured across the last ten years. The grey band is the 30th-70th percentile of those years, showing how reliable the pattern is: a narrow band means most years followed the same shape, a wide one means the median is an average of very different outcomes. The light line is the current year to date, so the gap against the median shows whether the pair is running ahead of or behind its normal seasonal path. Ten observations per point is a small sample, so this works as a supporting argument on timing rather than as a standalone signal.

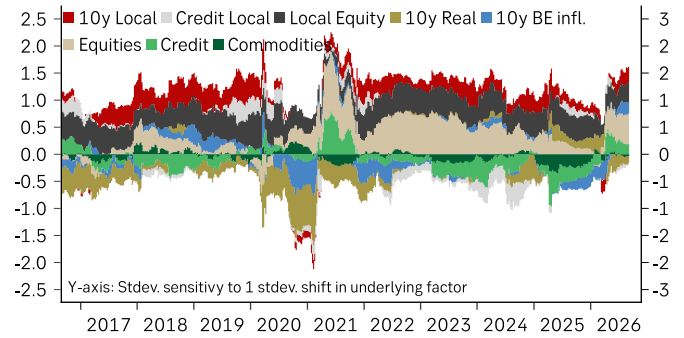
EUR/USD: Driver overview

Factor sensitivity analysis

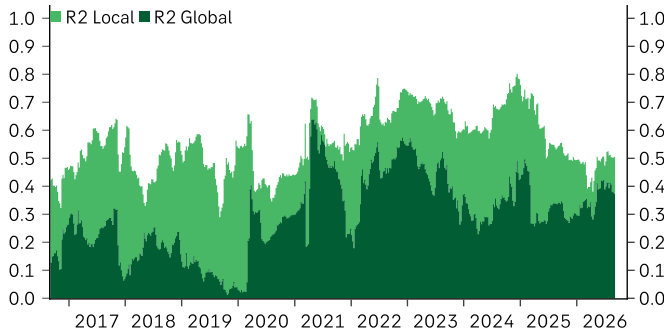
All factors sensitivity



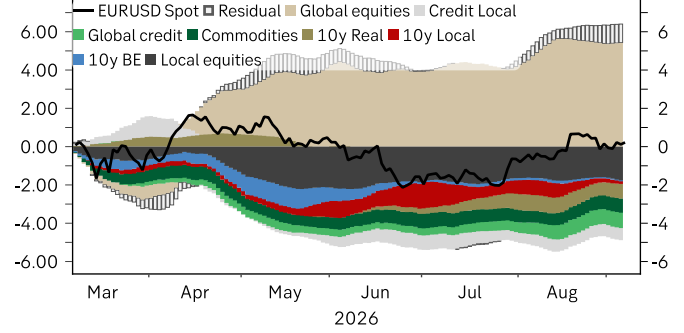
EUR/USD sensitivity to global and local factors



Explanatory power of global and local factors

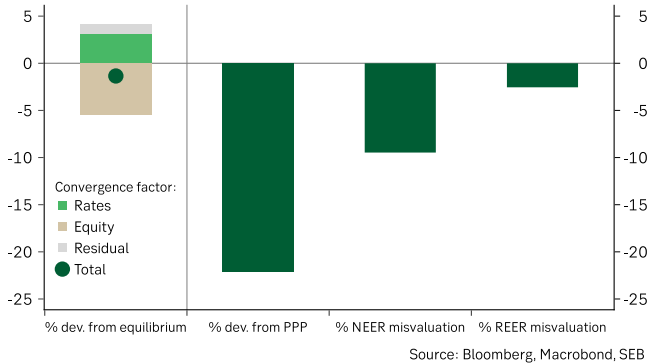


Cumulative explanatory contribution (6m lookback, %-move)

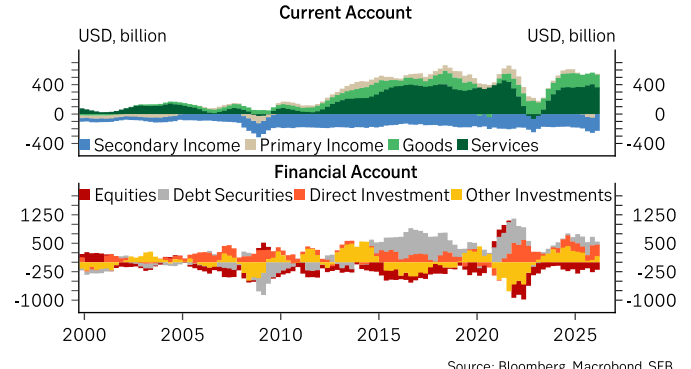


Valuation

EUR/USD vs SEB equilibrium model & effective exchanges rates

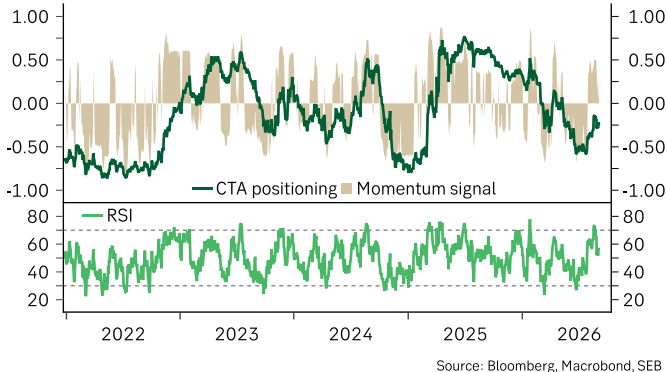


Euro Area, Balance of Payments

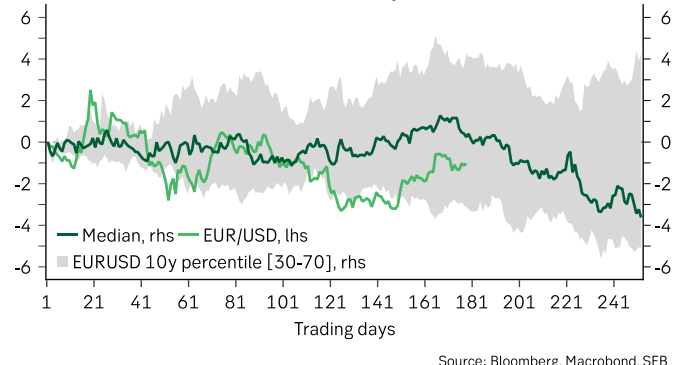


Technical indicators

Technical momentum and stretch



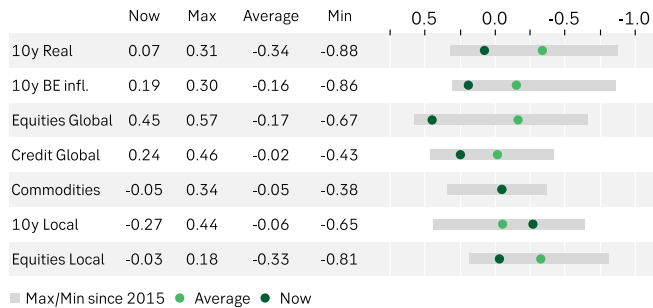
Seasonality



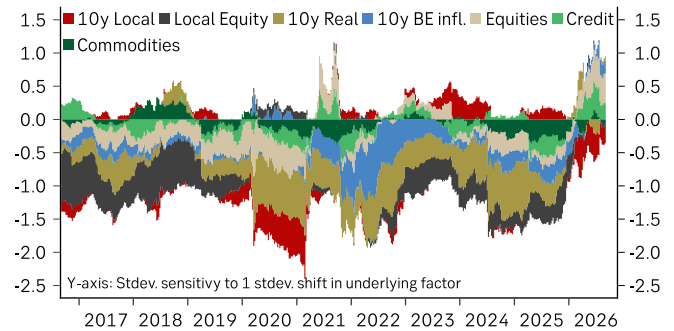
USD/JPY: Driver overview

Factor sensitivity analysis

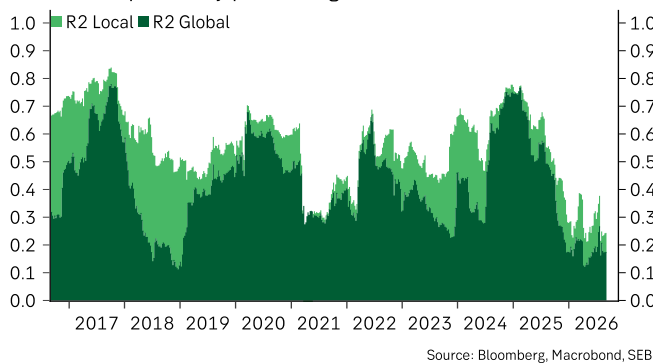
All factors sensitivity



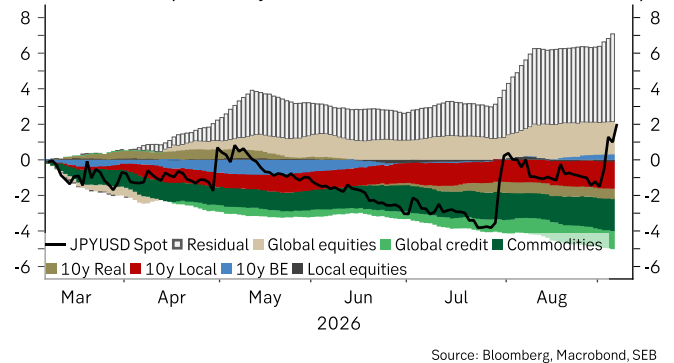
JPY/USD sensitivity to global and local factors



Explanatory power of global and local factors

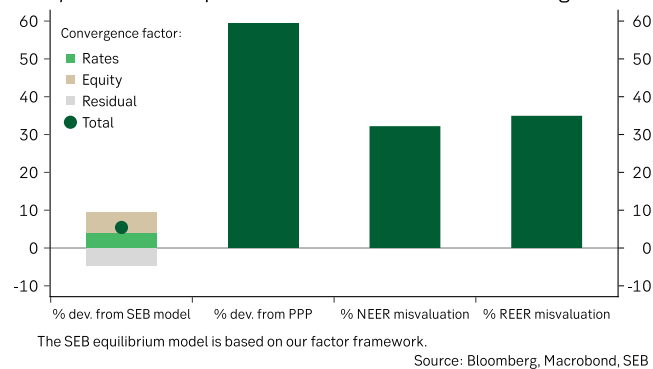


Cumulative explanatory contribution (6m lookback, %-move)

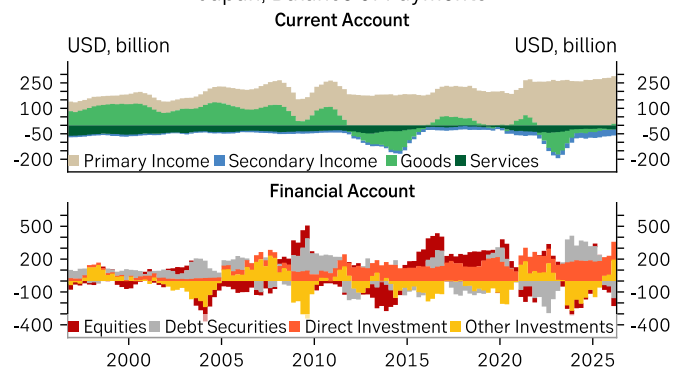


Valuation

USD/JPY vs SEB equilibrium model & effective exchanges rates

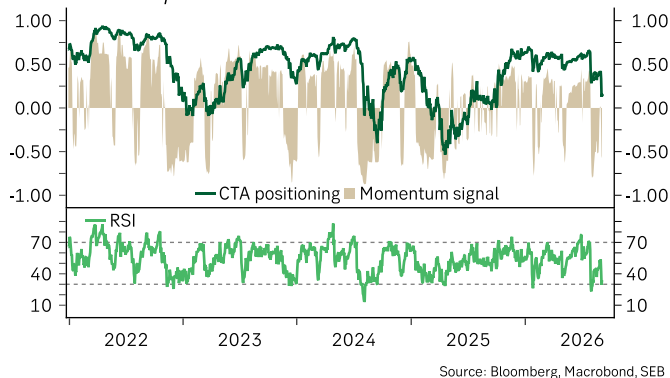


Japan, Balance of Payments

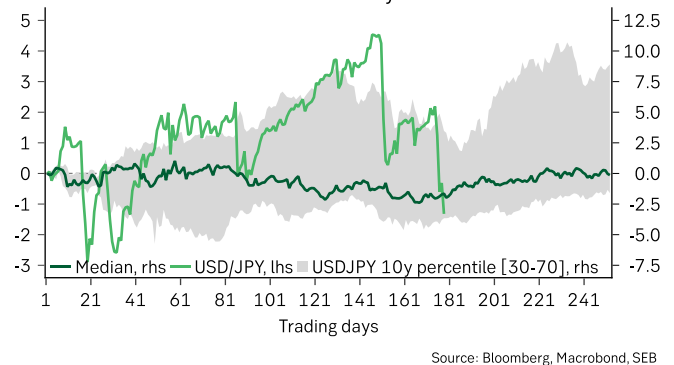


Technical indicators

USD/JPY: Technical momentum and stretch



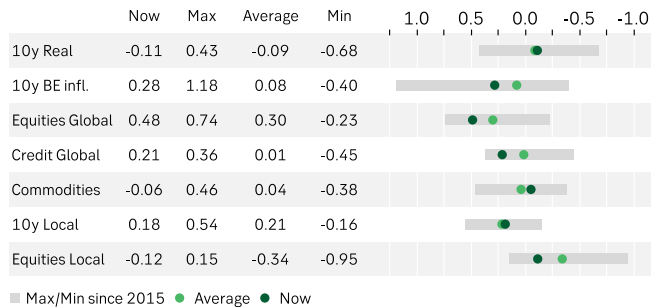
Seasonality



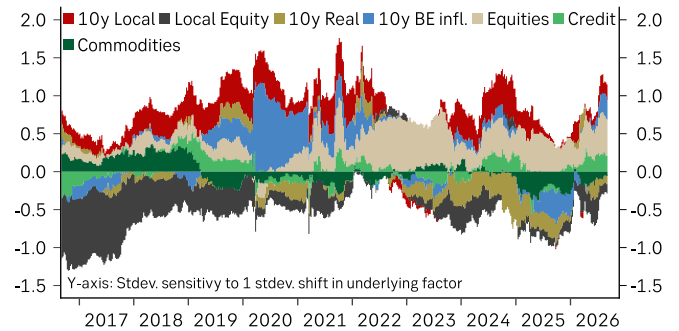
USD/GBP: Driver overview

Factor sensitivity analysis

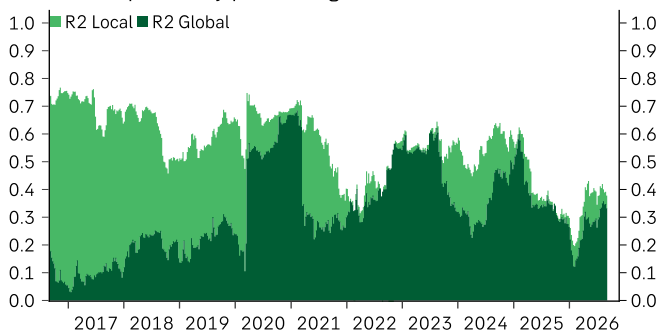
All factors sensitivity



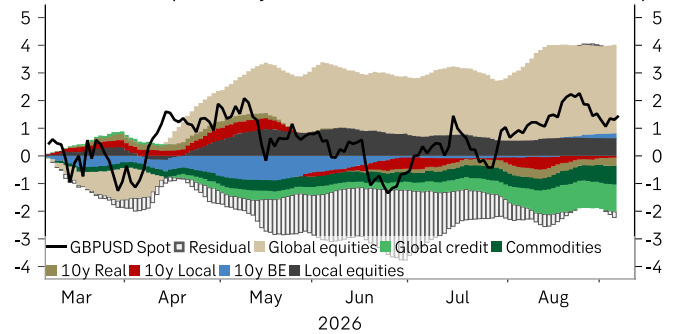
GBP/USD sensitivity to global and local factors



Explanatory power of global and local factors

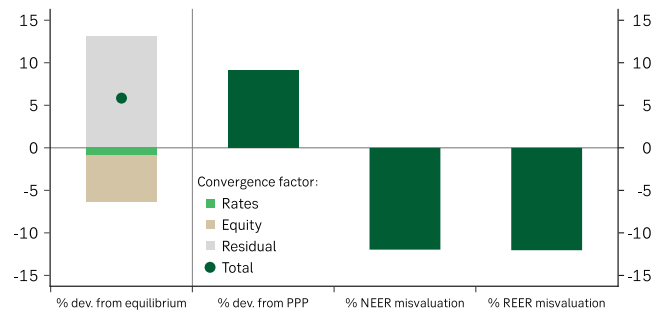


Cumulative explanatory contribution (6m lookback, %-move)

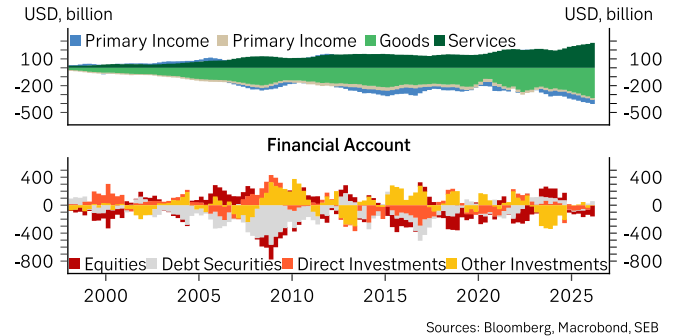


Valuation

USD/GBP vs SEB equilibrium model & effective exchanges rates

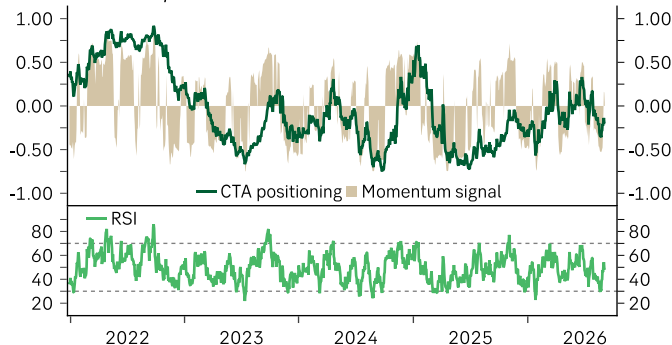


United Kingdom, Balance of Payments

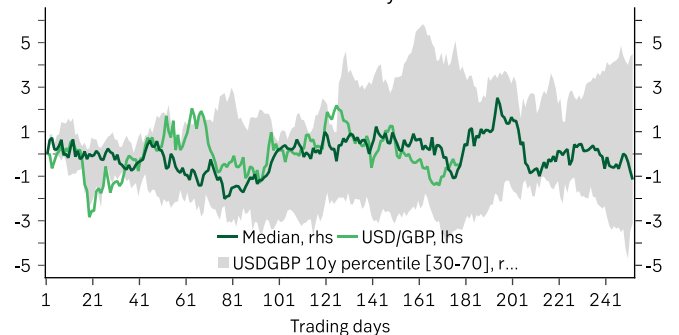


Technical indicators

USD/GBP: Technical momentum and stretch



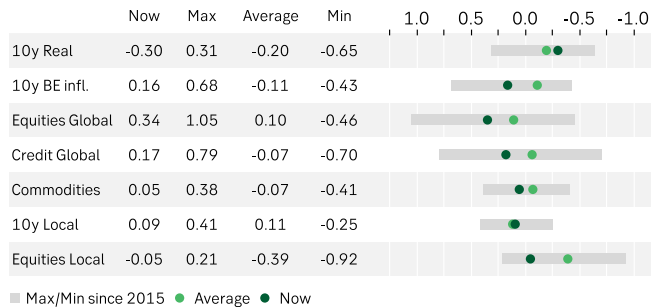
Seasonality



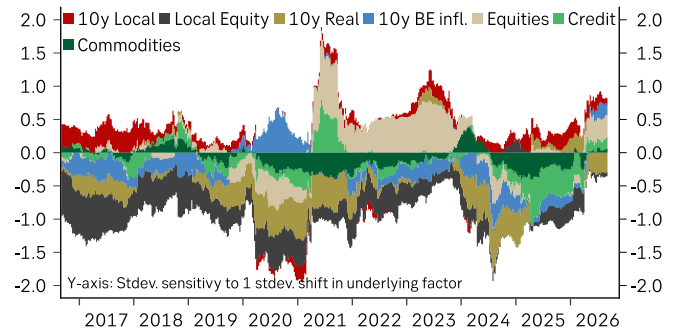
USD/CHF: Driver overview

Factor sensitivity analysis

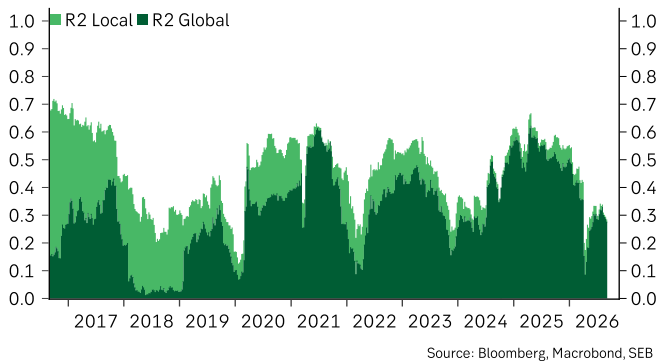
All factors sensitivity



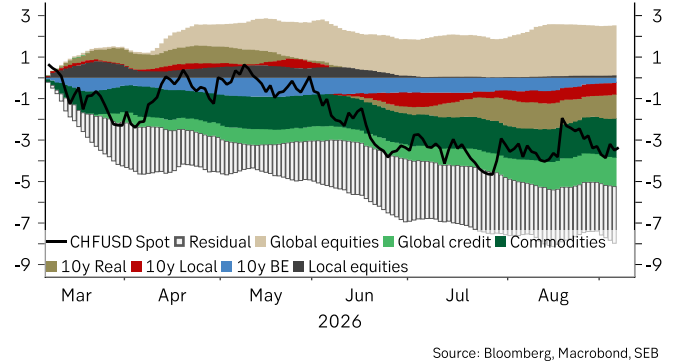
CHF/USD sensitivity to global and local factors



Explanatory power of global and local factors

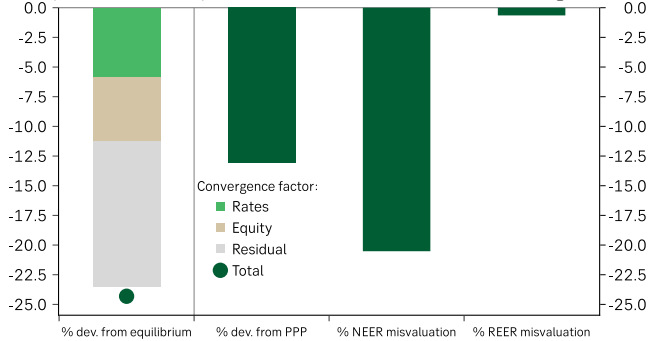


Cumulative explanatory contribution (6m lookback, %-move)

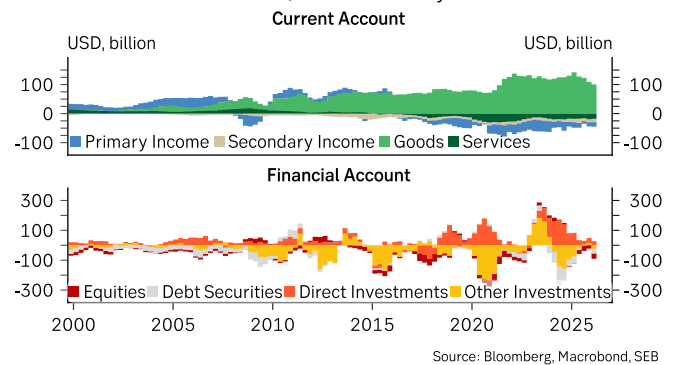


Valuation

USD/CHF vs SEB equilibrium model & effective exchanges rates

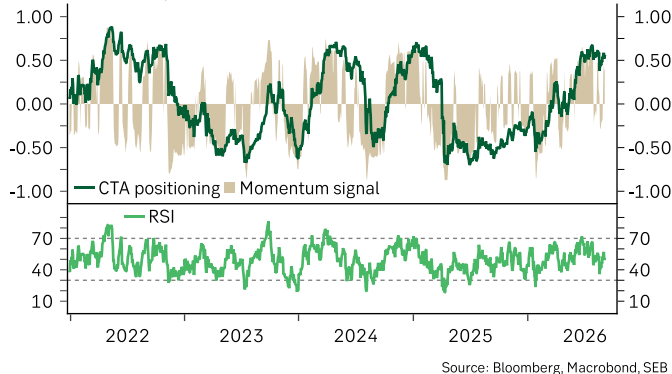


Switzerland, Balance of Payments

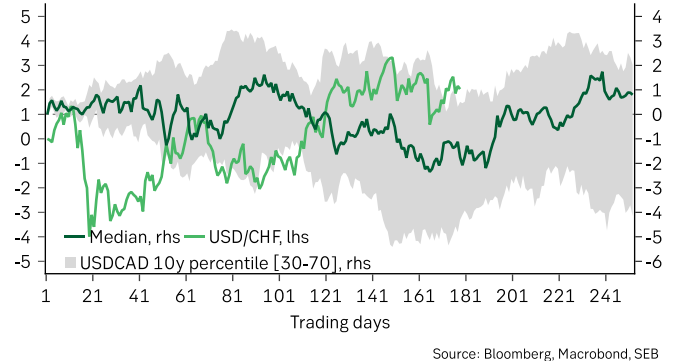


Technical indicators

USD/CHF: Technical momentum and stretch



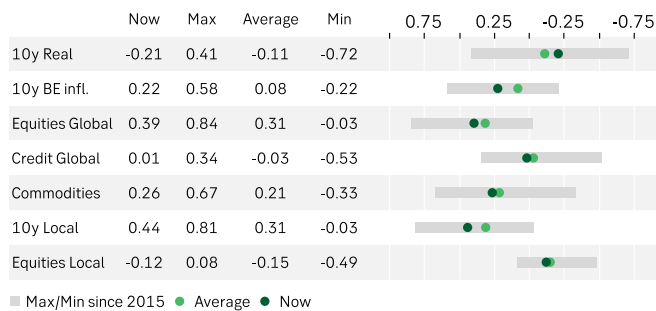
Seasonality



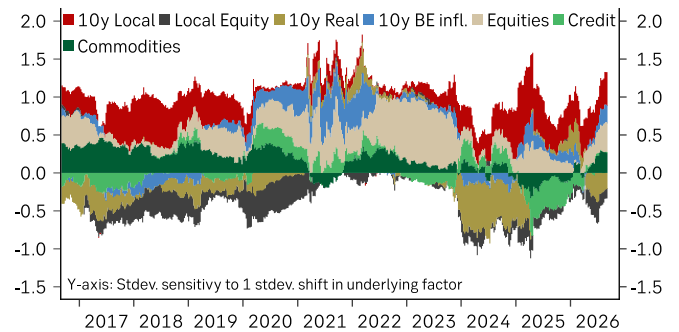
USD/CAD: Driver overview

Factor sensitivity analysis

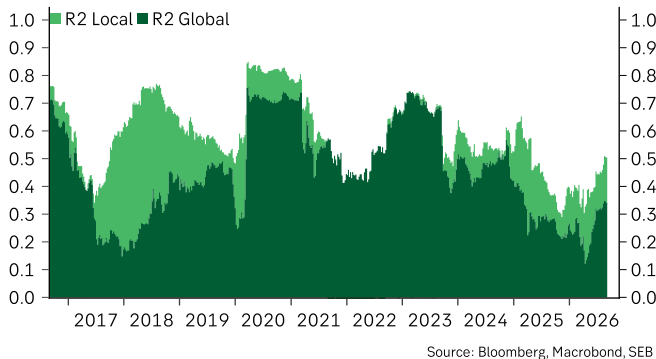
All factors sensitivity



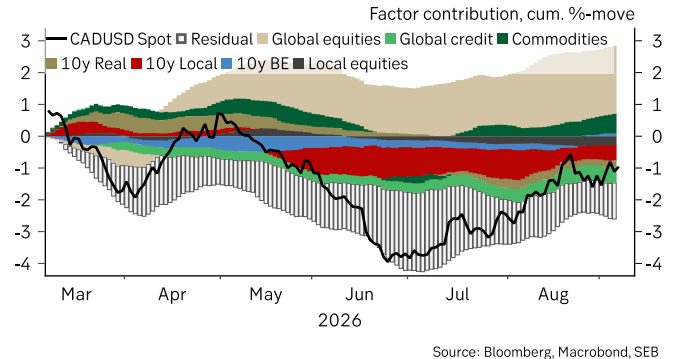
CAD/USD sensitivity to global and local factors



Explanatory power of global and local factors

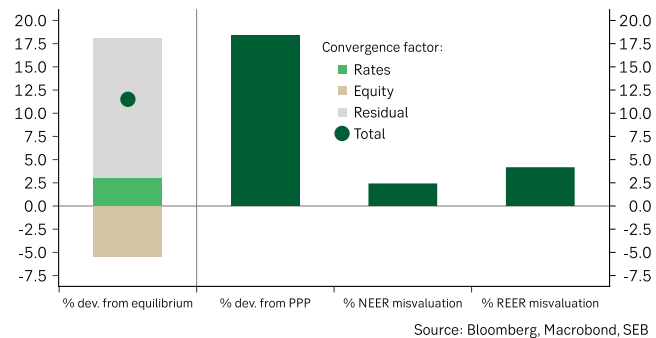


Cumulative explanatory contribution (6m lookback, %-move)

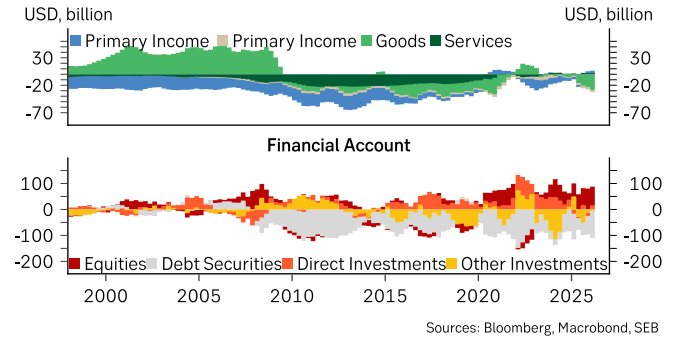


Valuation

USD/CAD vs SEB equilibrium model & effective exchanges rates

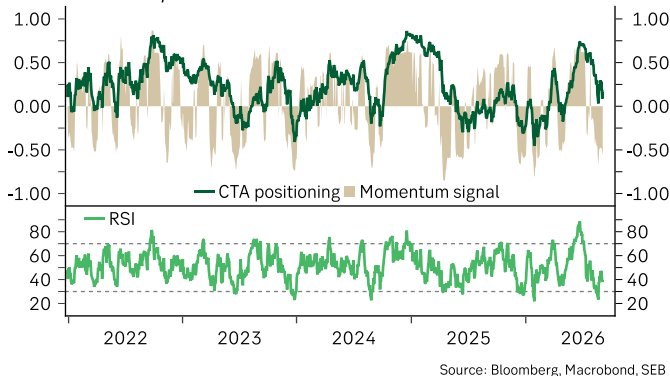


Canada, Balance of Payments

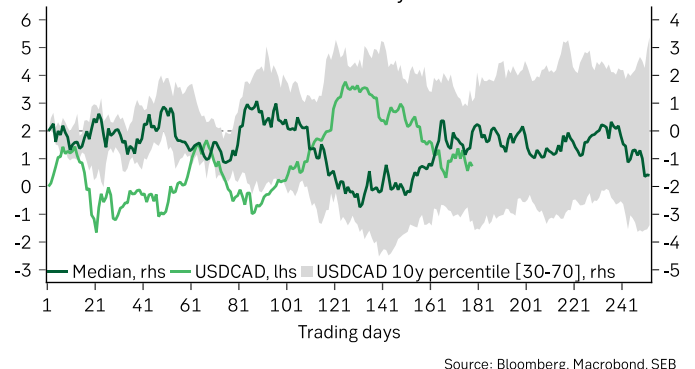


Technical indicators

USD/CAD: Technical momentum and stretch



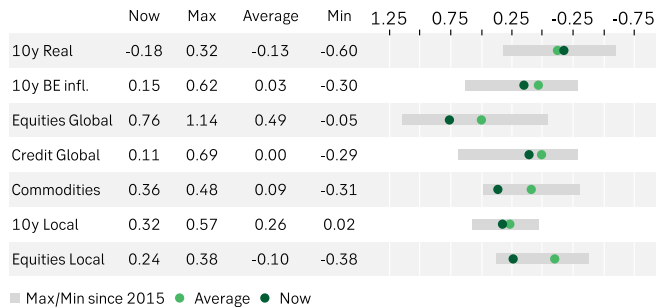
Seasonality



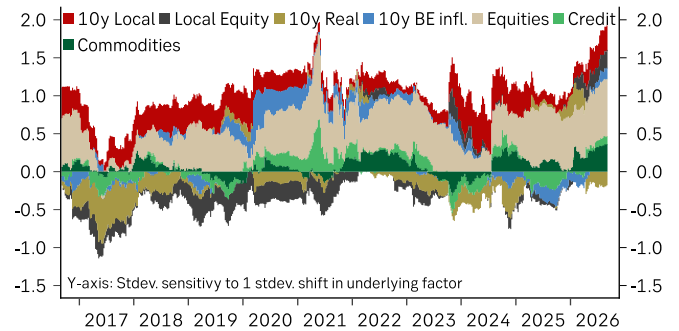
AUD/USD: Driver overview

Factor sensitivity analysis

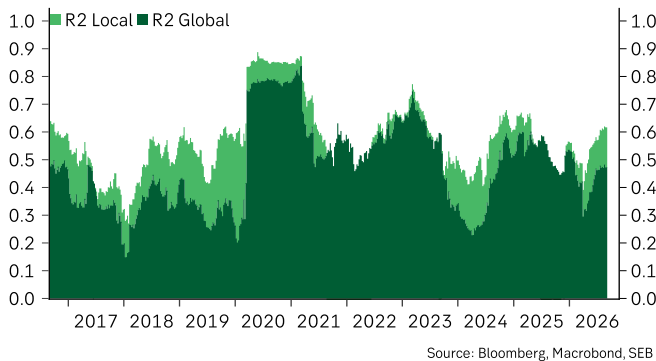
All factors sensitivity



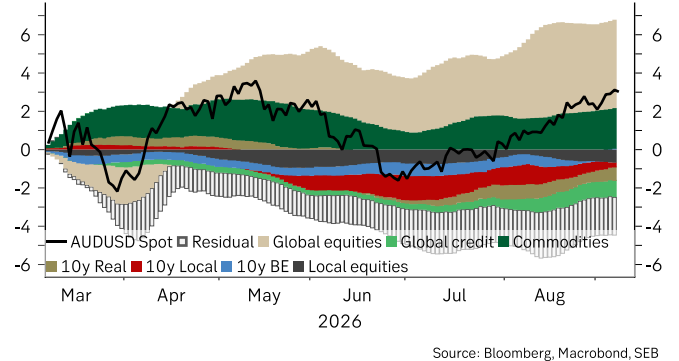
AUD/USD sensitivity to global and local factors



Explanatory power of global and local factors

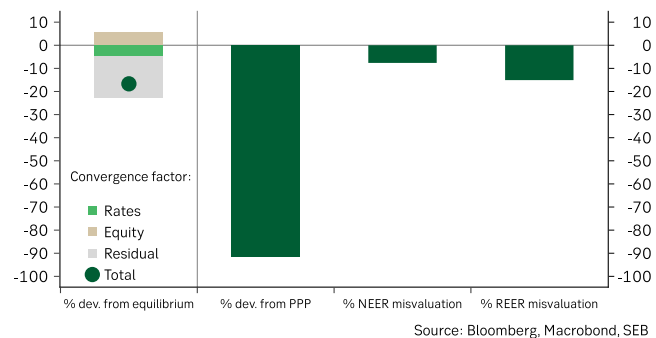


Cumulative explanatory contribution (6m lookback, %-move)

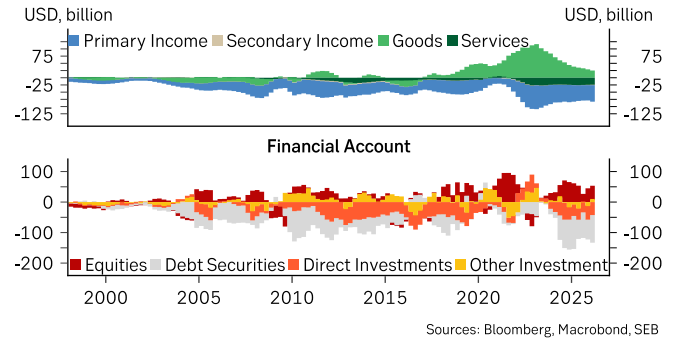


Valuation

AUD/USD vs SEB equilibrium model & effective exchanges rates

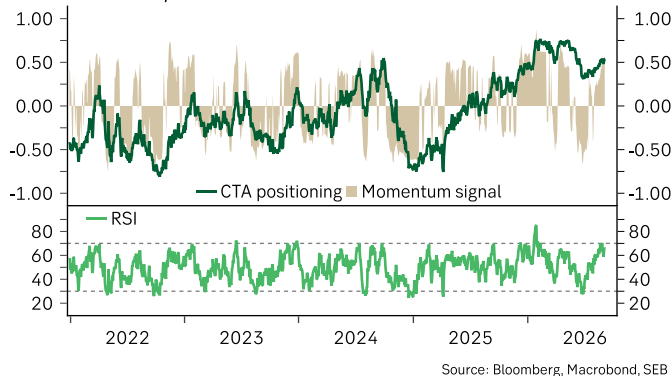


Australia, Balance of Payments

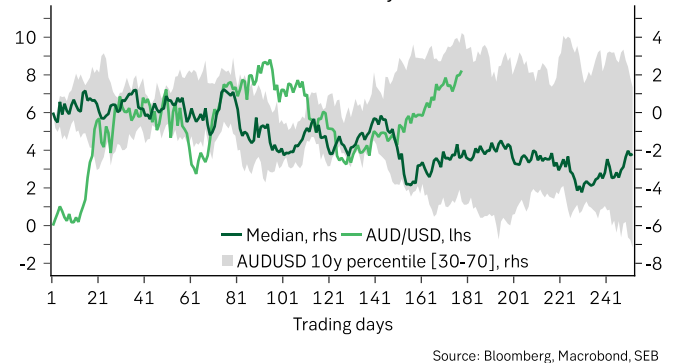


Technical indicators

AUD/USD: Technical momentum and stretch



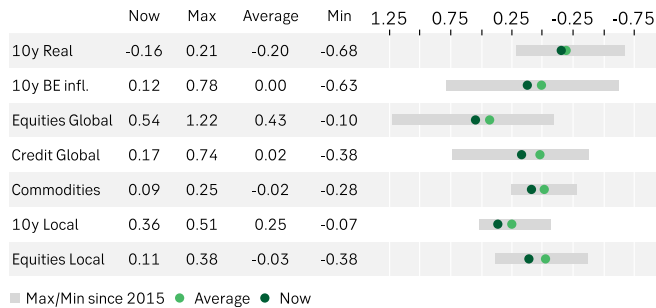
Seasonality



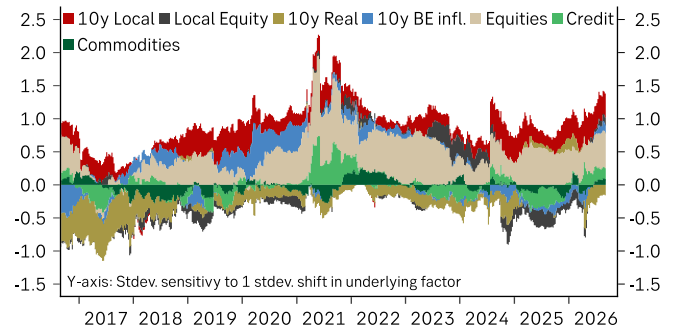
NZD/USD: Driver overview

Factor sensitivity analysis

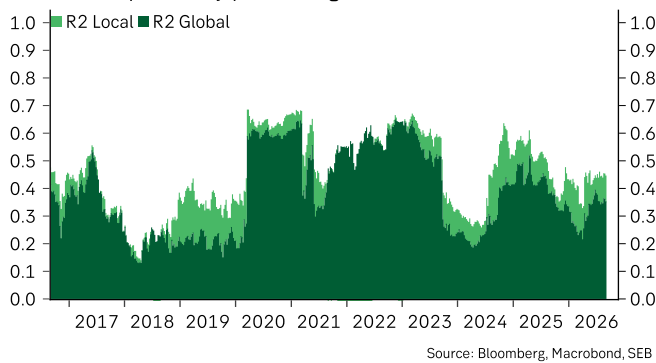
All factors sensitivity



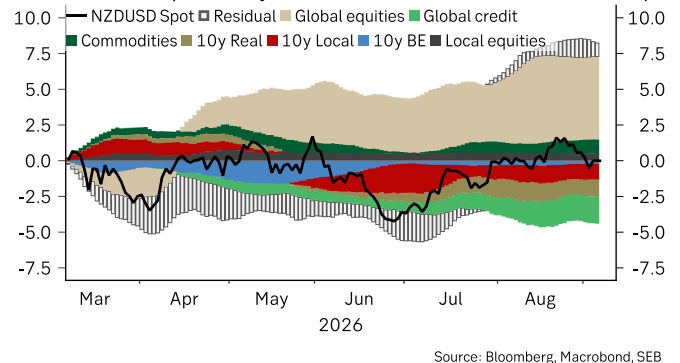
NZD/USD sensitivity to global and local factors



Explanatory power of global and local factors

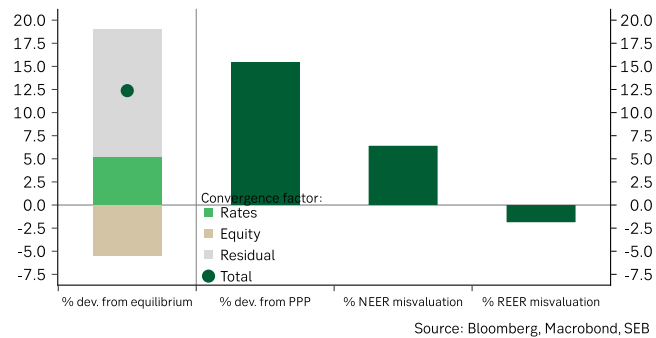


Cumulative explanatory contribution (6m lookback, %-move)

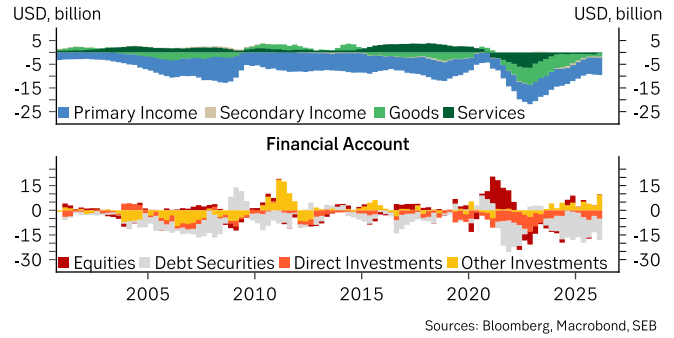


Valuation

NZD/USD vs SEB equilibrium model & effective exchanges rates

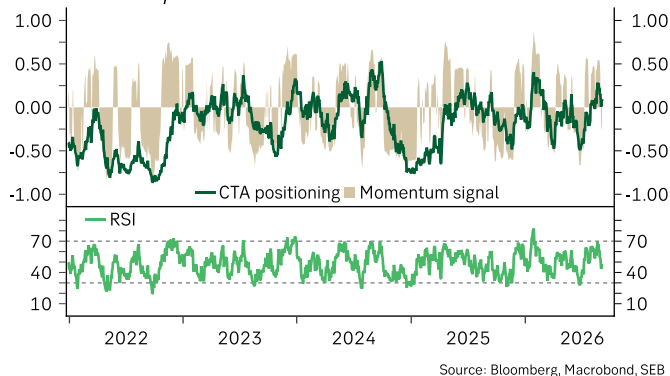


New Zealand, Balance of Payments

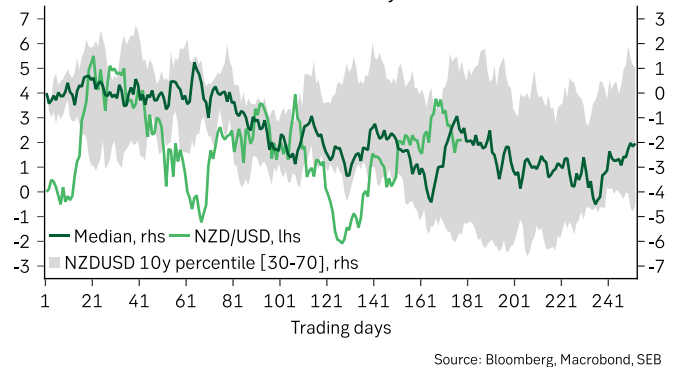


Technical indicators

NZD/USD: Technical momentum and stretch



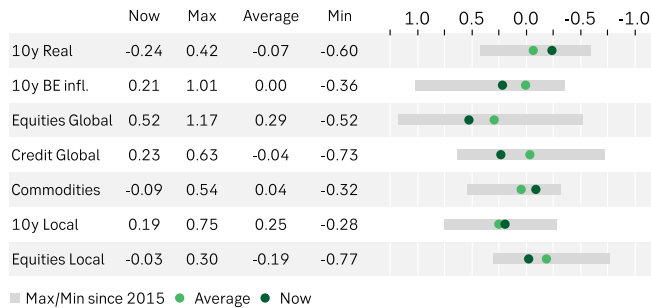
Seasonality



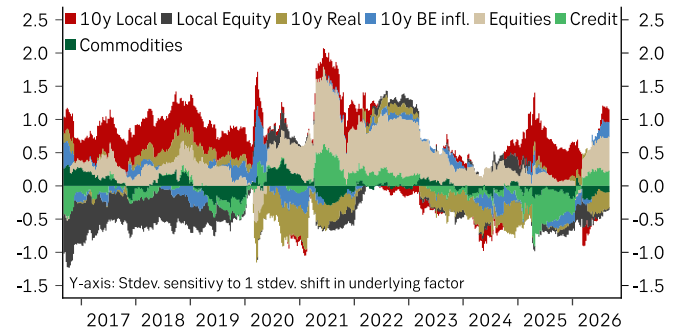
USD/SEK: Driver overview

Factor sensitivity analysis

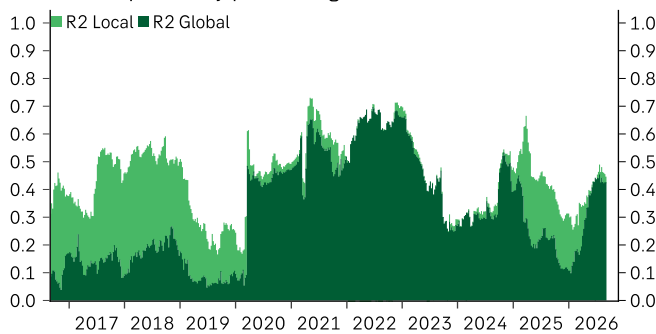
All factors sensitivity



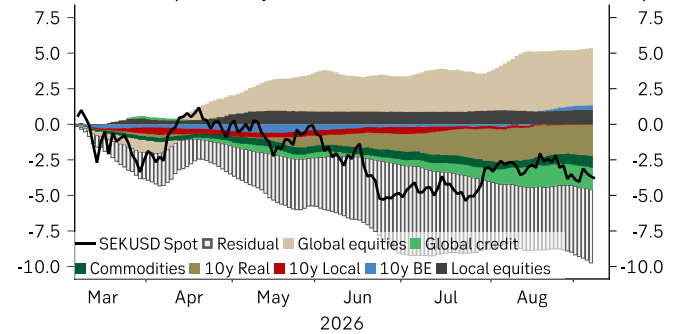
SEK/USD sensitivity to global and local factors



Explanatory power of global and local factors

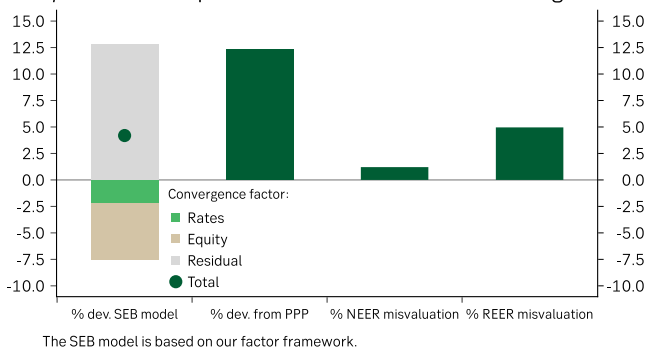


Cumulative explanatory contribution (6m lookback, %-move)

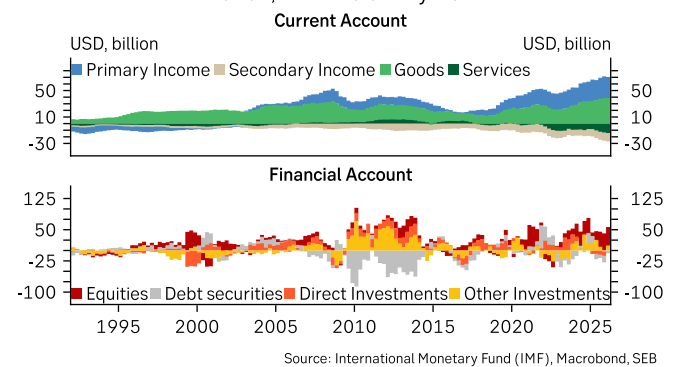


Valuation

USD/SEK vs SEB equilibrium model & effective exchange rates

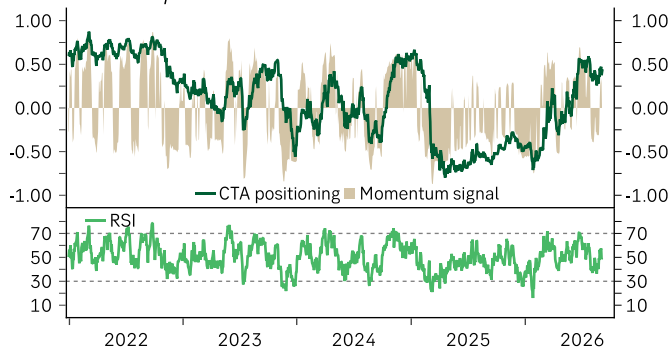


Sweden, Balance of Payments

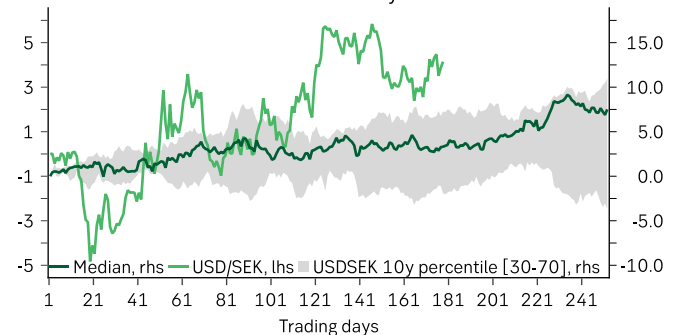


Technical indicators

USD/SEK: Technical momentum and stretch



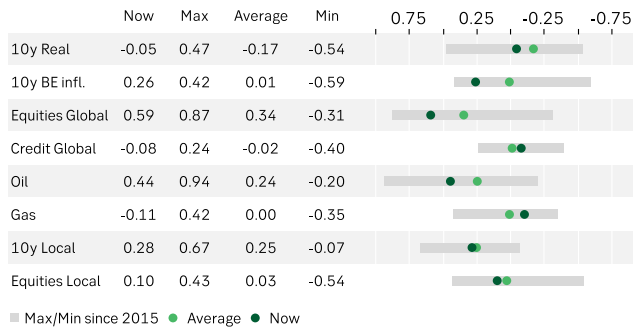
Seasonality



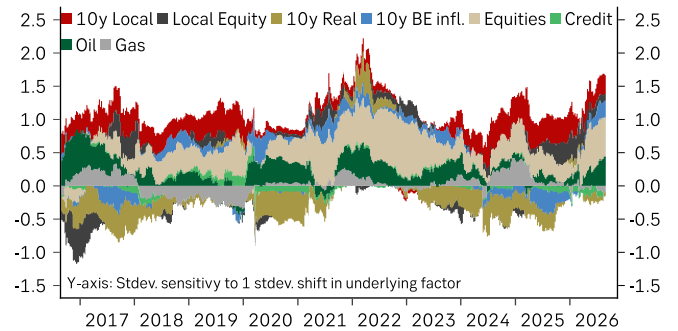
USD/NOK: Driver overview

Factor sensitivity analysis

All factors sensitivity

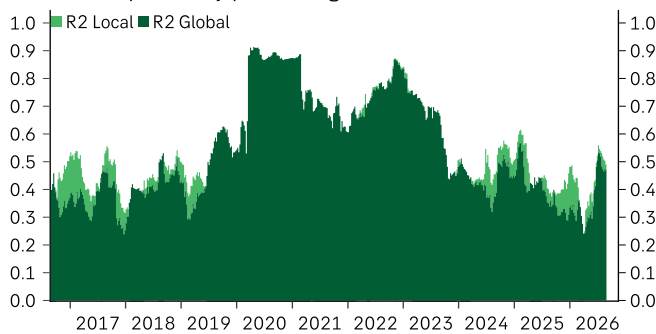


NOK/USD sensitivity to global and local factors



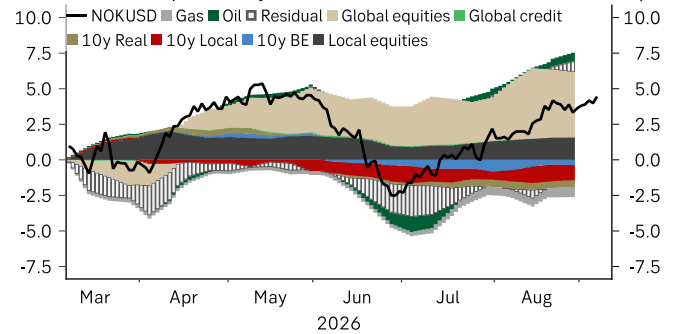
Source: Bloomberg, Macrobond, SEB

Explanatory power of global and local factors



Source: Bloomberg, Macrobond, SEB

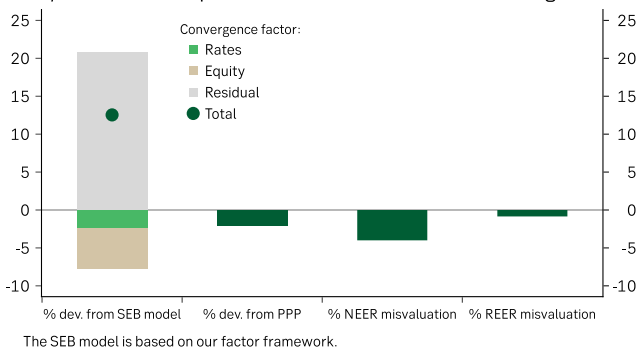
Cumulative explanatory contribution (6m lookback, %-move)



Source: Bloomberg, Macrobond, SEB

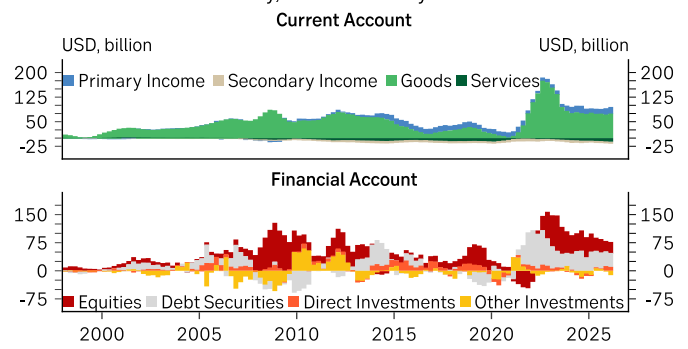
Valuation

USD/NOK vs SEB equilibrium model & effective exchanges rates



Source: Bloomberg, Macrobond, SEB

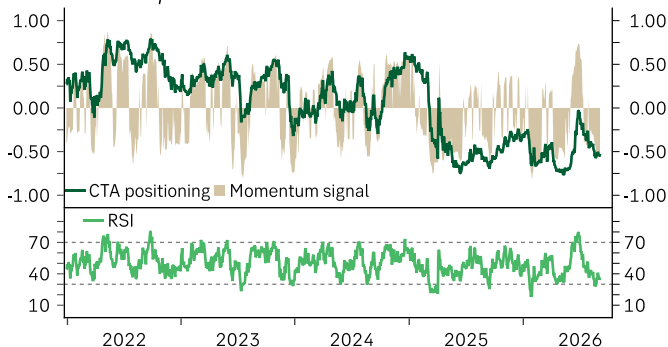
Norway, Balance of Payments



Source: Bloomberg, Macrobond, SEB

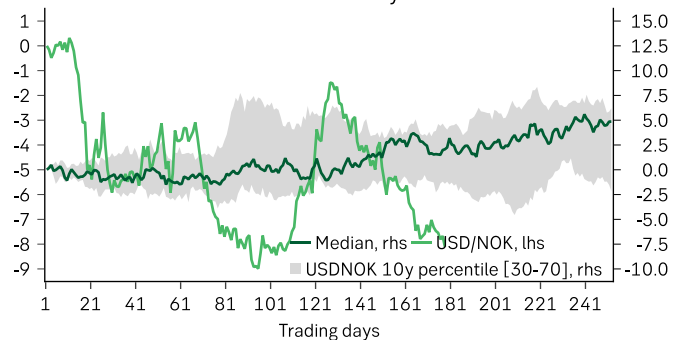
Technical indicators

USD/NOK: Technical momentum and stretch



Source: Bloomberg, Macrobond, SEB

Seasonality

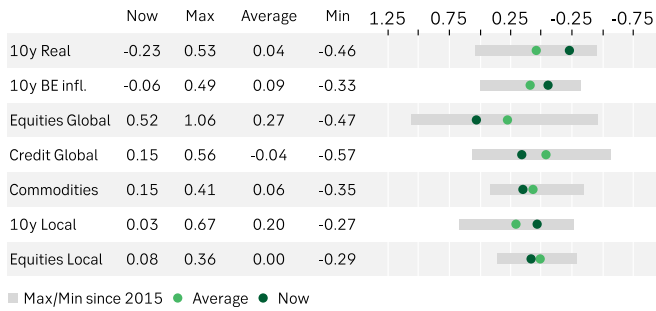


Source: Bloomberg, Macrobond, SEB

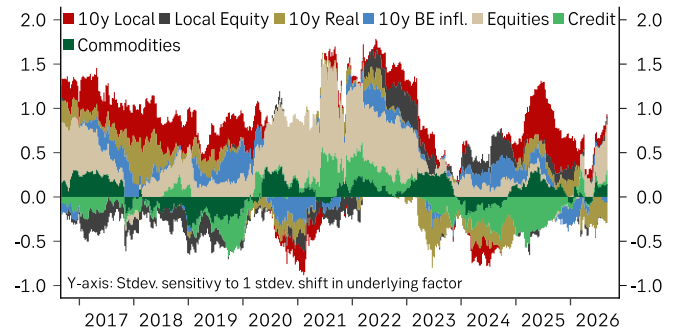
EUR/SEK: Driver overview

Factor sensitivity analysis

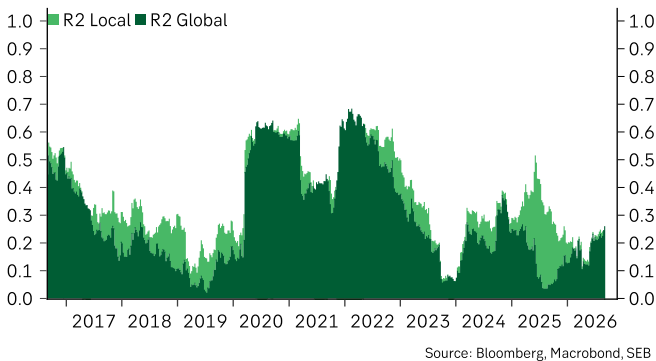
All factors sensitivity



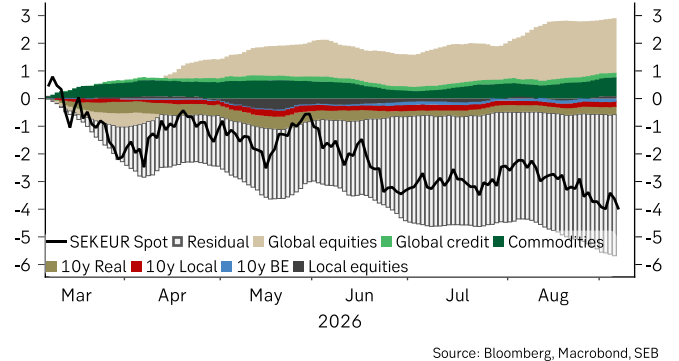
SEK/EUR sensitivity to global and local factors



Explanatory power of global and local factors

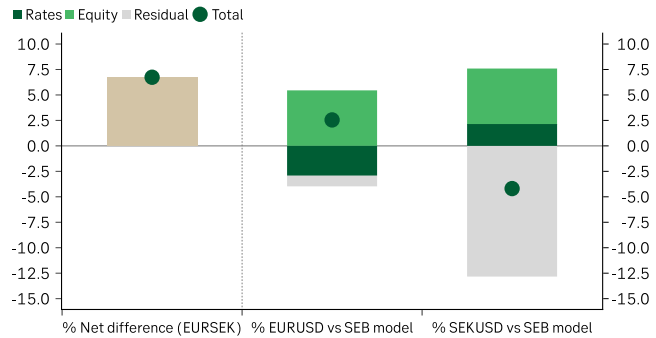


Cumulative explanatory contribution (6m lookback, %-move)

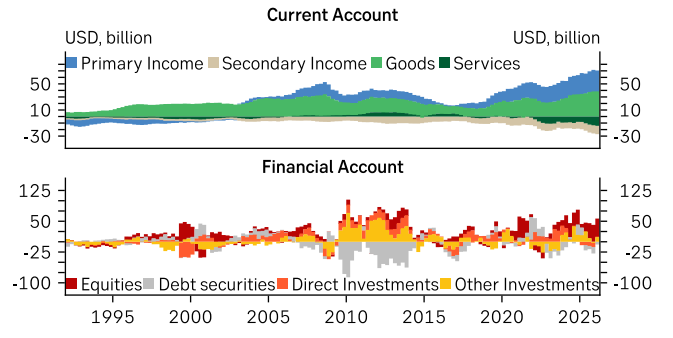


Valuation

EUR/SEK vs SEB equilibrium model & effective exchanges rates

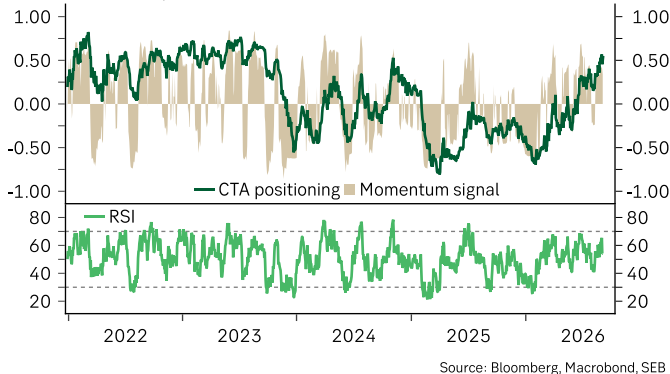


Sweden, Balance of Payments

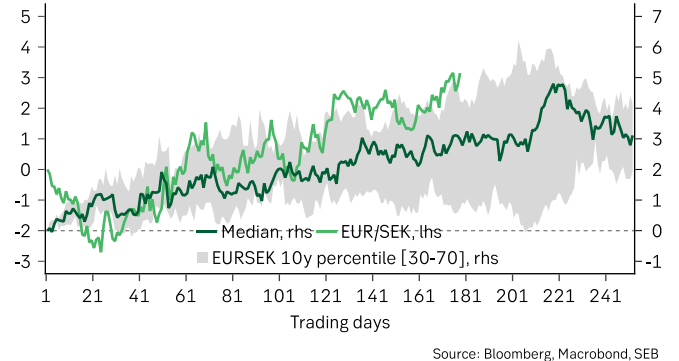


Technical indicators

EUR/SEK: Technical momentum and stretch



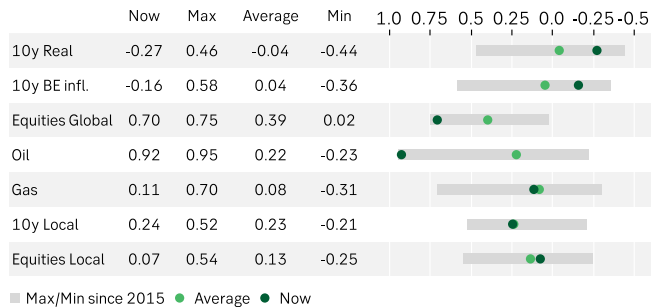
Seasonality



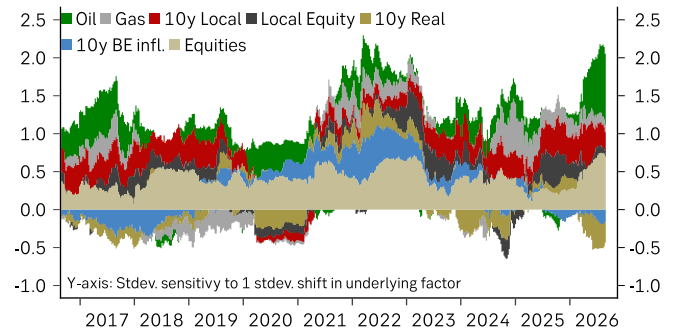
EUR/NOK: Driver overview

Factor sensitivity analysis

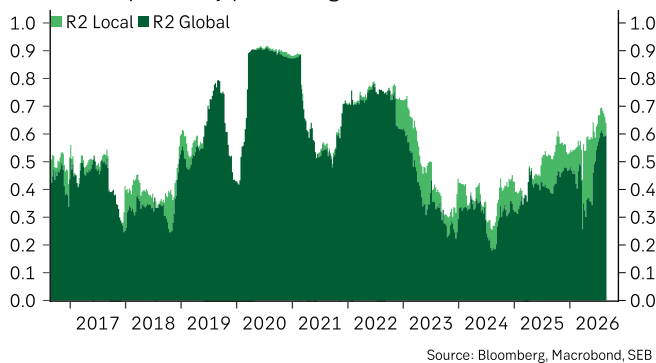
All factors sensitivity



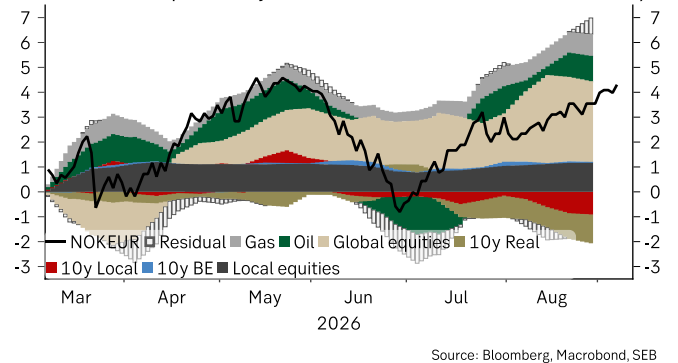
NOK/EUR sensitivity to global and local factors



Explanatory power of global and local factors

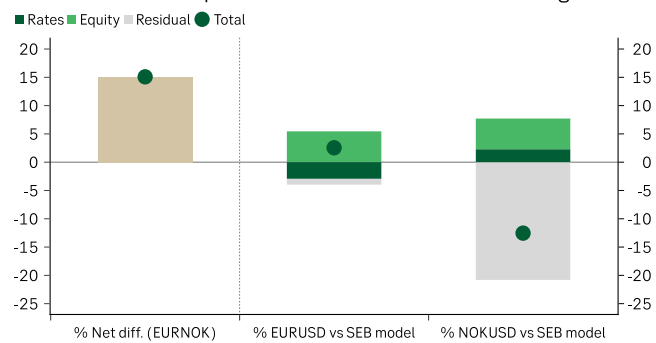


Cumulative explanatory contribution (6m lookback, %-move)



Valuation

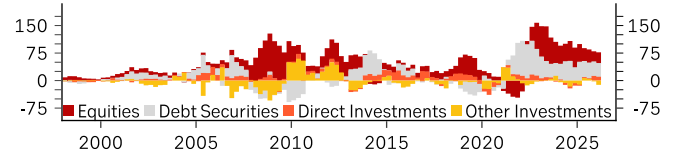
EURNOK vs SEB equilibrium model & effective exchanges rates



Norway, Balance of Payments
Current Account

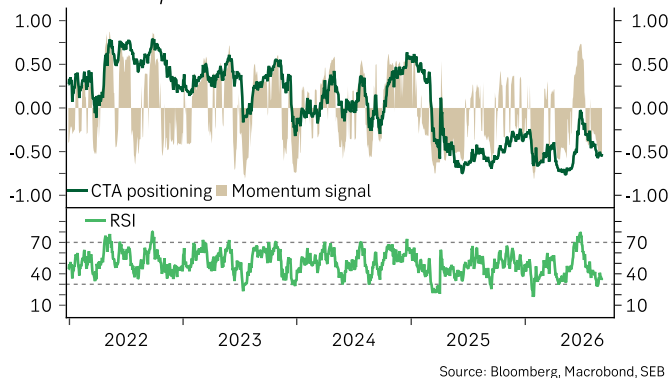


Financial Account

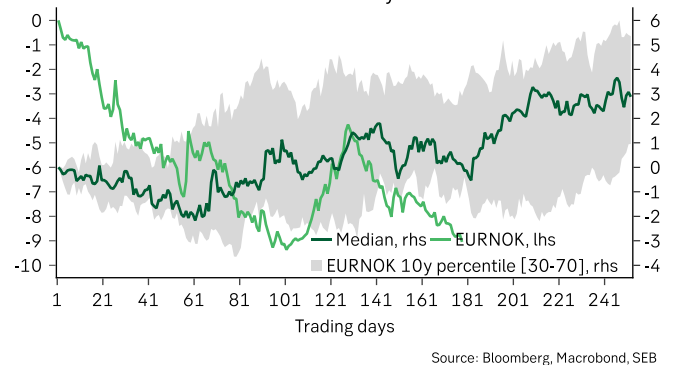


Technical indicators

EUR/NOK: Technical momentum and stretch



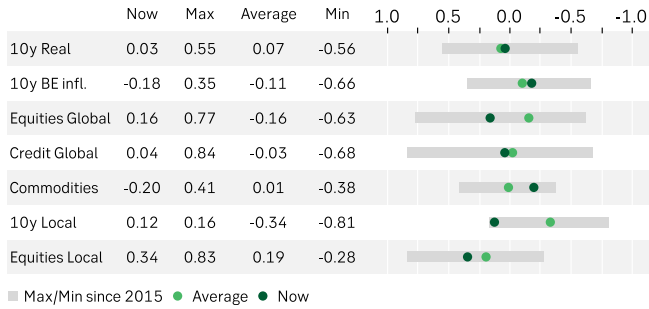
Seasonality



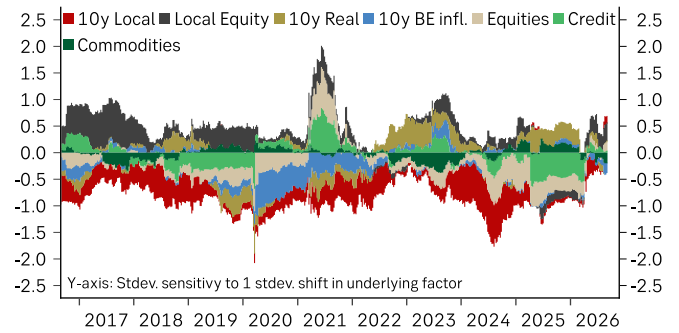
EUR/GBP: Driver overview

Factor sensitivity analysis

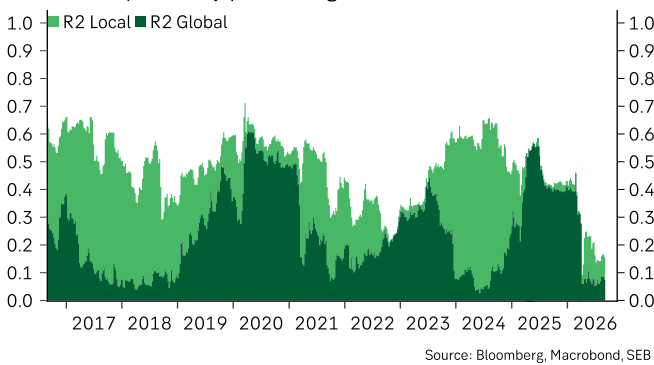
All factors sensitivity



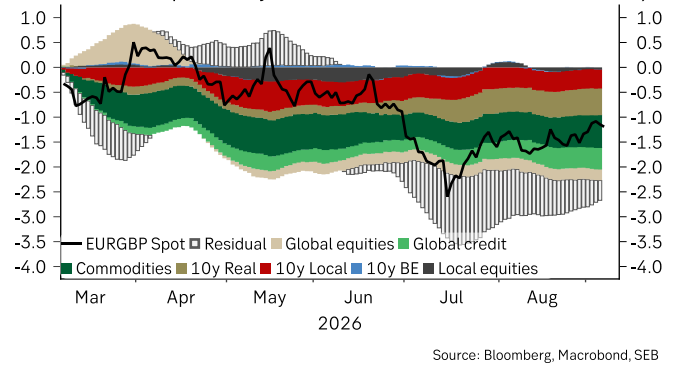
EUR/GBP sensitivity to global and local factors



Explanatory power of global and local factors

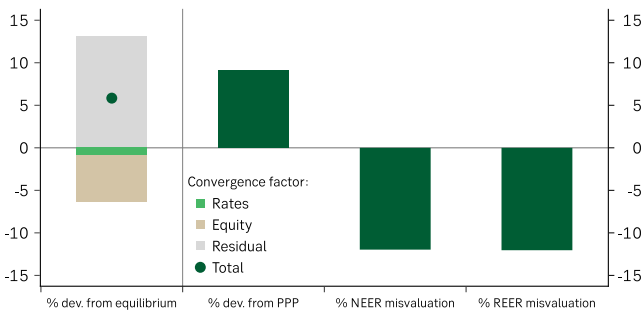


Cumulative explanatory contribution (6m lookback, %-move)

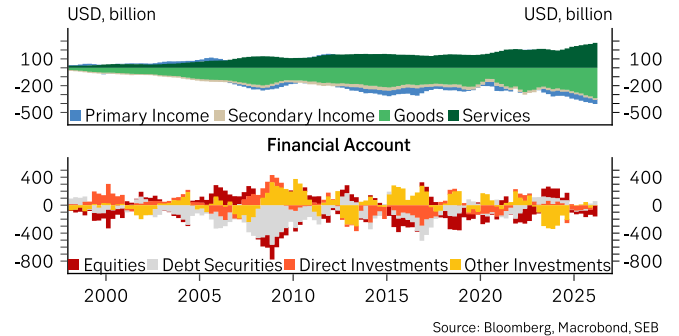


Valuation

USD/GBP vs SEB equilibrium model & effective exchanges rates

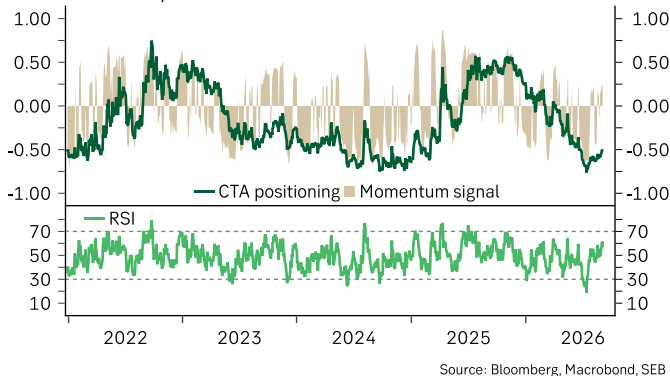


United Kingdom, Balance of Payments

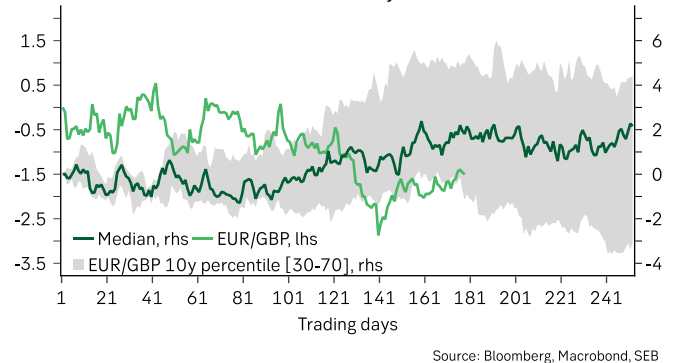


Technical indicators

EUR/GBP: Technical momentum and stretch



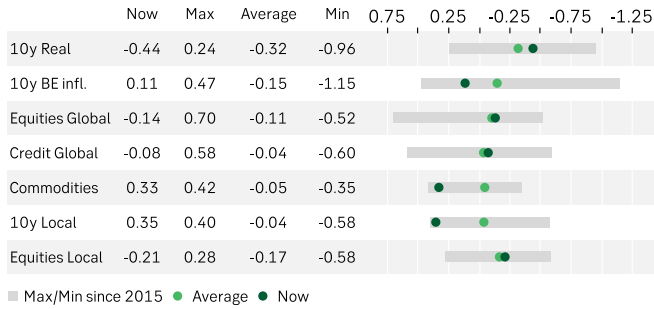
Seasonality



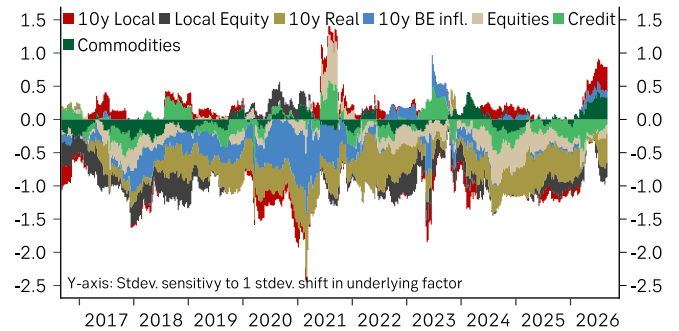
EUR/CHF: Driver overview

Factor sensitivity analysis

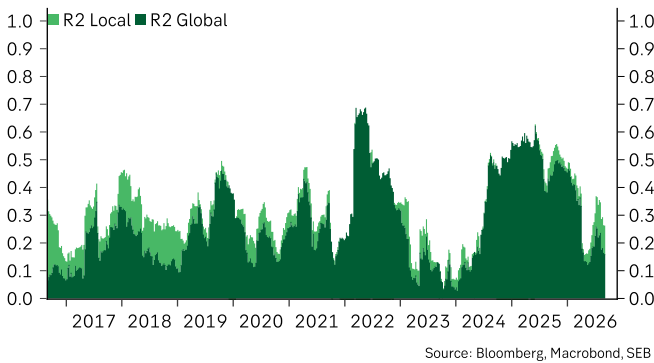
All factors sensitivity



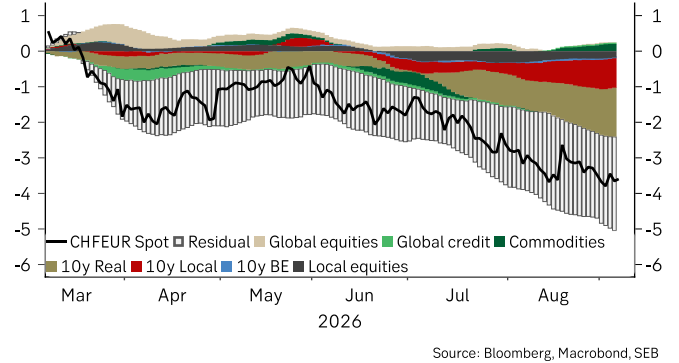
CHF/EUR sensitivity to global and local factors



Explanatory power of global and local factors

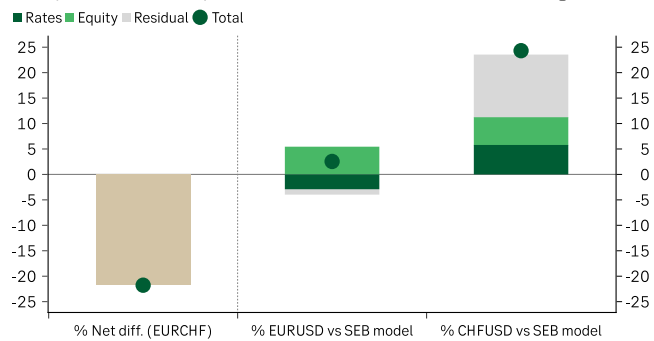


Cumulative explanatory contribution (6m lookback, %-move)

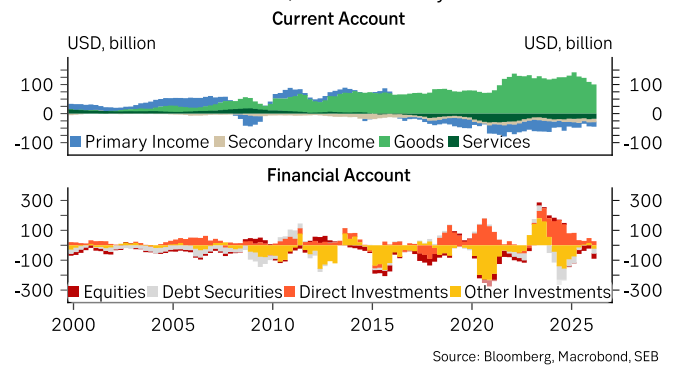


Valuation

EUR/CHF vs SEB equilibrium model & effective exchanges rates

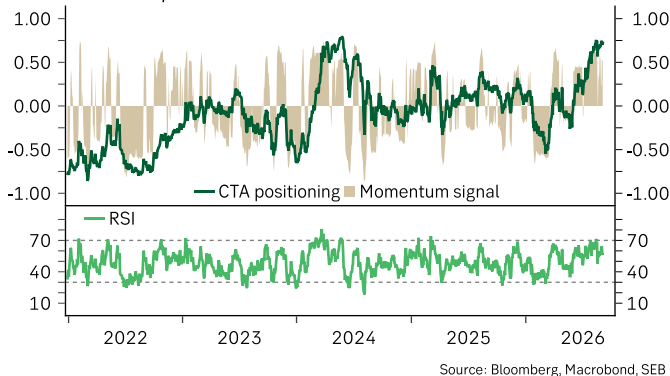


Switzerland, Balance of Payments

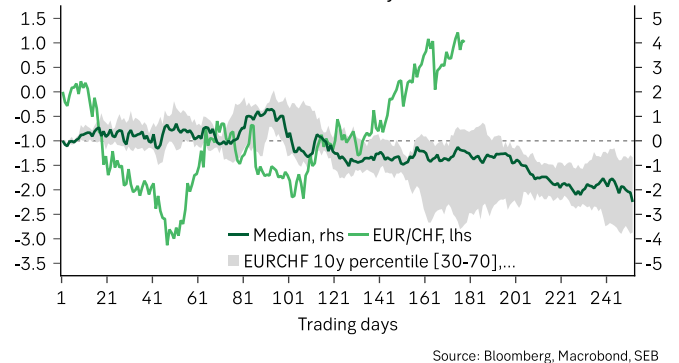


Technical indicators

EUR/CHF: Technical momentum and stretch



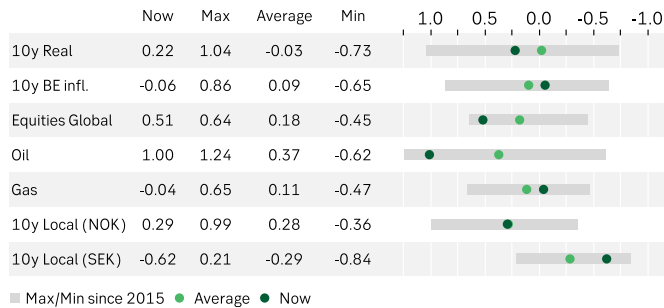
Seasonality



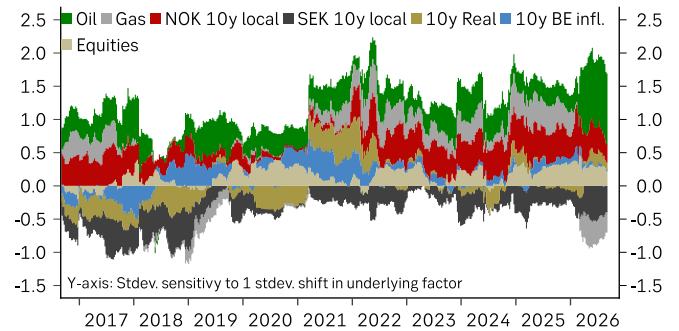
NOK/SEK: Driver overview

Factor sensitivity analysis

All factors sensitivity

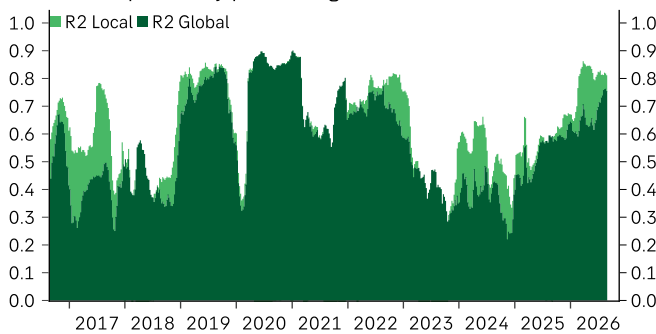


NOK/SEK sensitivity to global and local factors



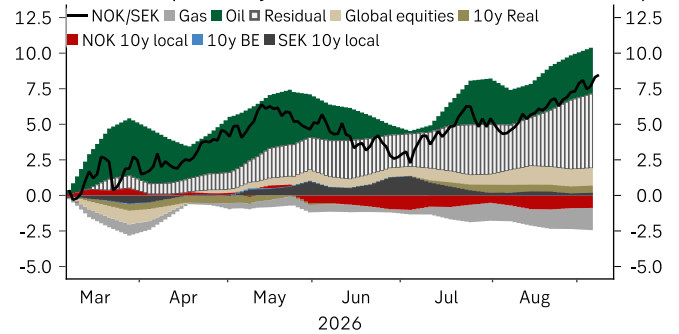
Source: Bloomberg, Macrobond, SEB

Explanatory power of global and local factors



Source: Bloomberg, Macrobond, SEB

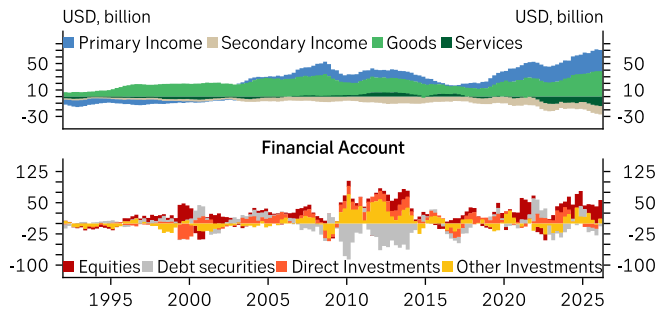
Cumulative explanatory contribution (6m lookback, %-move)



Source: Bloomberg, Macrobond, SEB

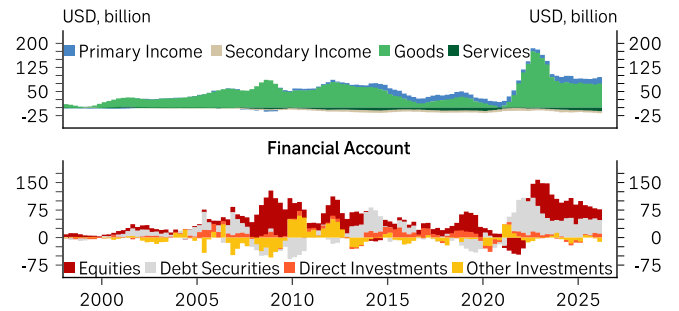
Balance of Payments

Sweden, Balance of Payments
Current Account



Source: International Monetary Fund (IMF), Macrobond, SEB

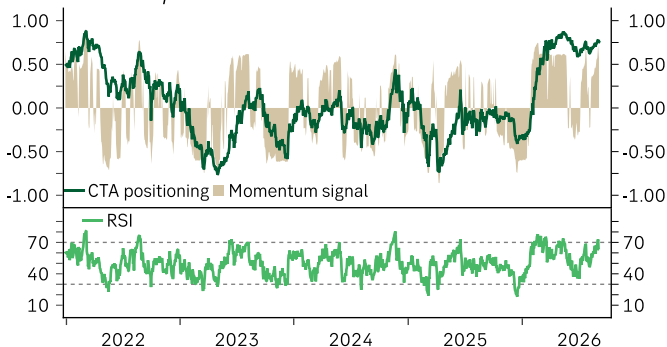
Norway, Balance of Payments
Current Account



Source: Bloomberg, Macrobond, SEB

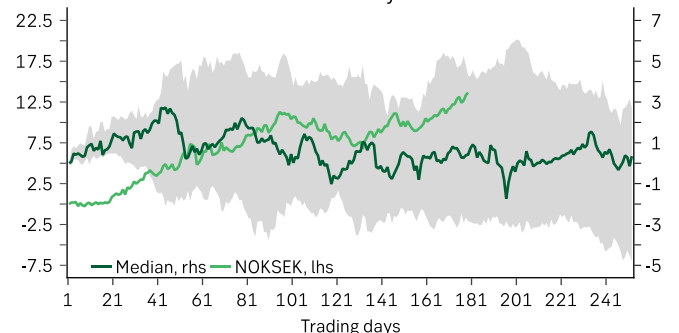
Technical indicators

NOK/SEK: Technical momentum and stretch



Source: Bloomberg, Macrobond, SEB

Seasonality

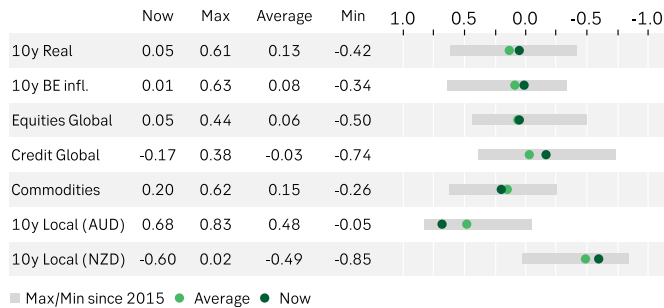


Source: Bloomberg, Macrobond, SEB

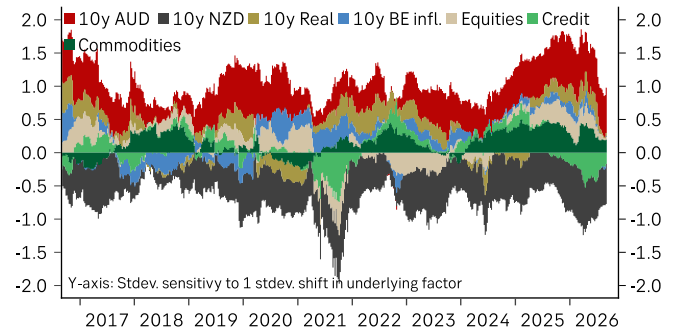
AUD/NZD: Driver overview

Factor sensitivity analysis

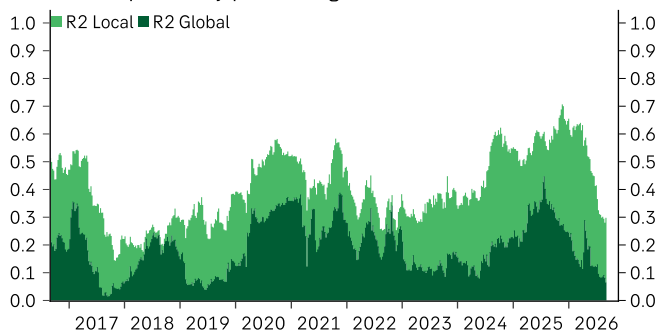
All factors sensitivity



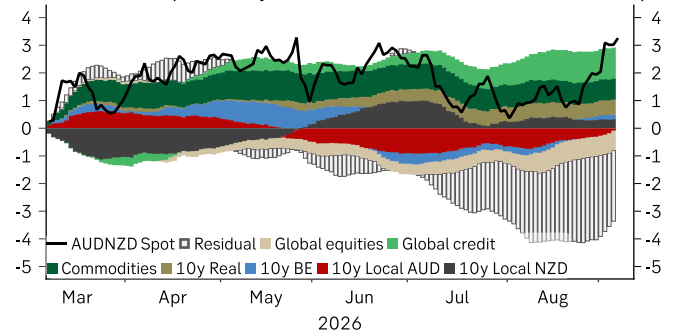
AUD/NZD sensitivity to global and local factors



Explanatory power of global and local factors

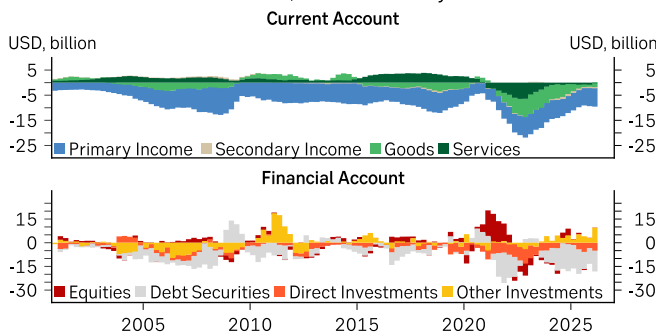


Cumulative explanatory contribution (6m lookback, %-move)

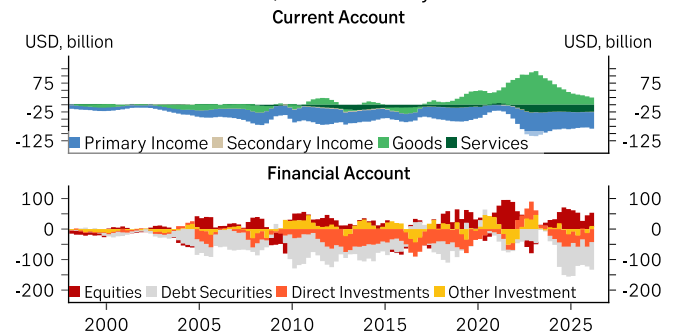


Balance of Payments

New Zealand, Balance of Payments

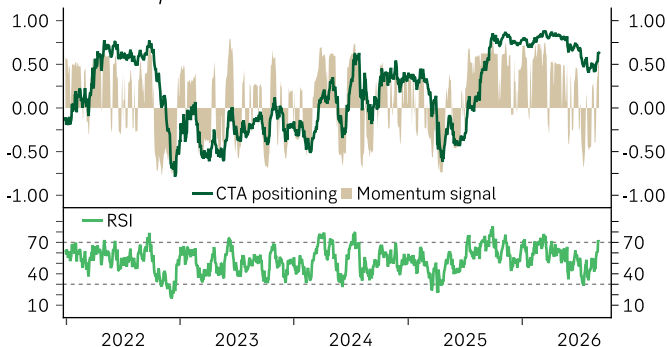


Australia, Balance of Payments

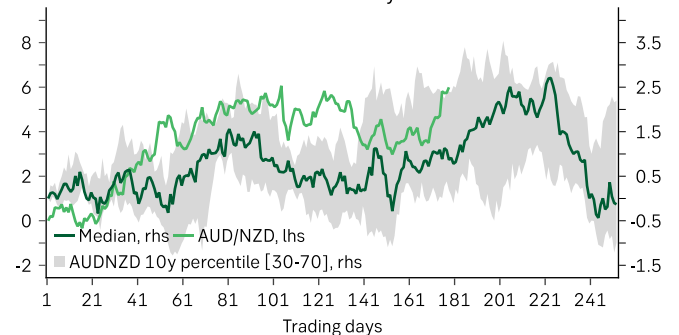


Technical indicators

AUD/NZD: Technical momentum and stretch

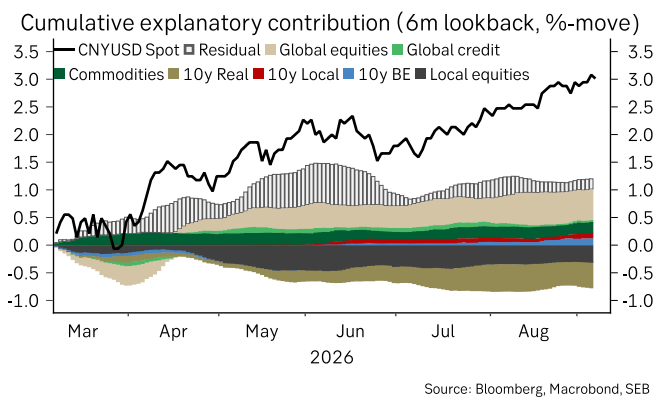
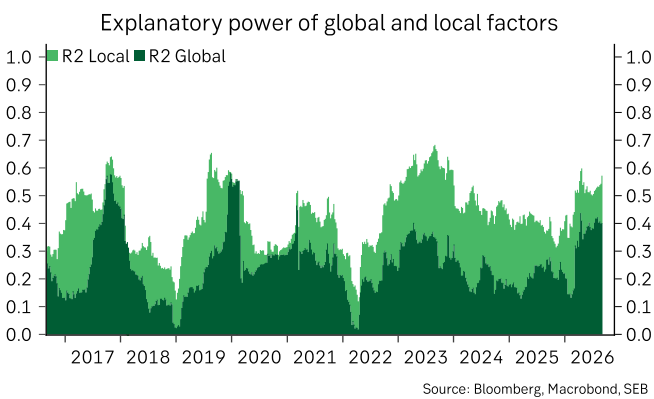
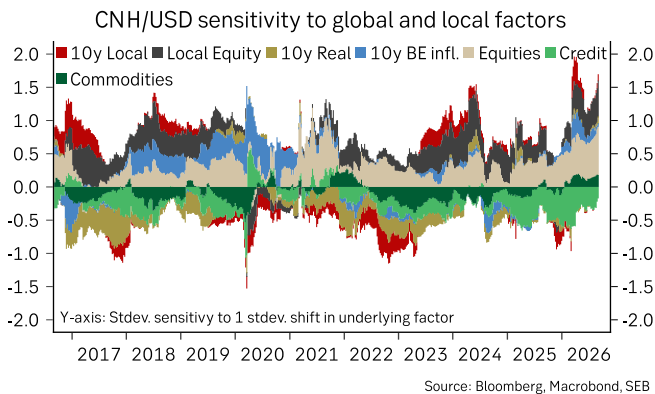
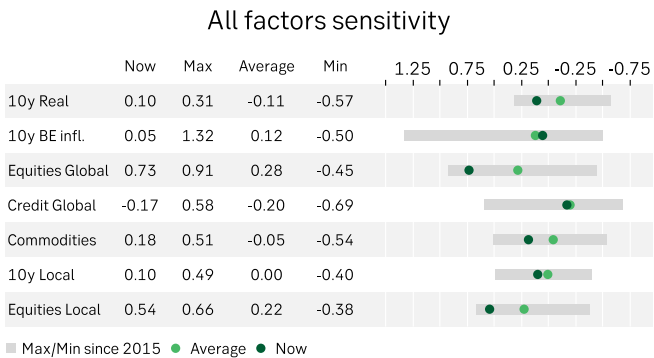


Seasonality

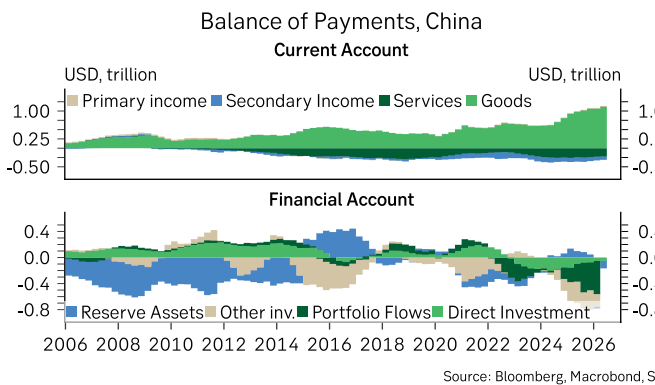
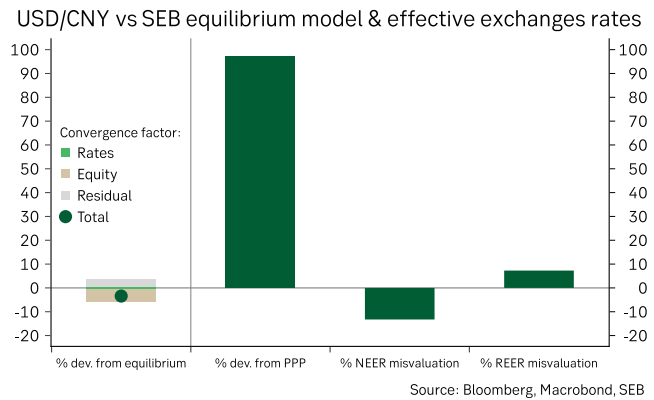


USD/CNY: Driver overview

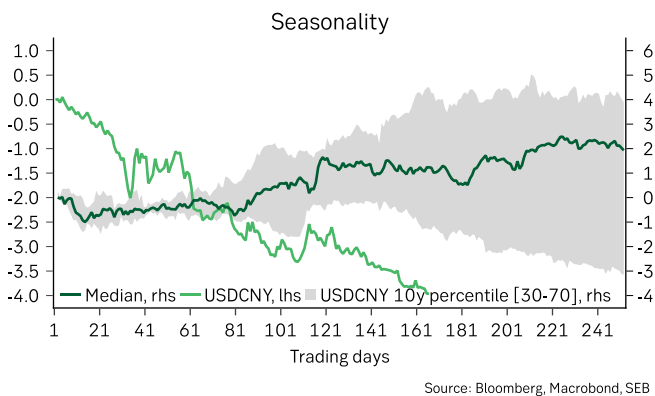
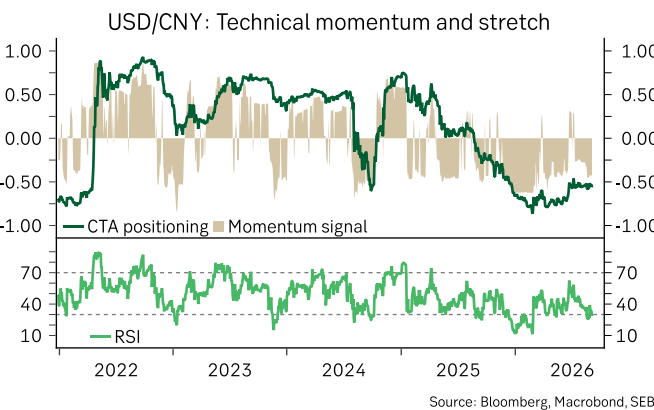
Factor sensitivity analysis



Valuation



Technical indicators



Disclaimer

This statement affects your rights

This report is a marketing communication produced by Skandinaviska Enskilda Banken AB "SEB". It does not constitute investment research or a solicitation offer. It is confidential to the recipient and any dissemination, distribution, copying, or other use of this document is strictly prohibited.

Good faith & limitations

Opinions, projections and estimates contained in this marketing communication represent the author's present opinion and are subject to change without notice. Although information contained in this report has been compiled in good faith from sources believed to be reliable, no representation or warranty, expressed or implied, is made with respect to its correctness, completeness or accuracy of the contents, and the information is not to be relied upon as authoritative. To the extent permitted by law, SEB accepts no liability whatsoever for any direct or consequential loss arising from use of this document or its contents.

Disclosures for institutional investors

The analysis and valuations, projections and forecasts contained in this report are based on a number of assumptions and estimates and are subject to contingencies and uncertainties; different assumptions could result in materially different results. The inclusion of any such valuations, projections and forecasts in this report should not be regarded as a representation or warranty by or on behalf of SEB or any person or entity within SEB that such valuations, projections and forecasts or their underlying assumptions and estimates will be met or realized. Past performance is not a reliable indicator of future performance. Anyone considering taking actions based upon the content of this document is urged to base investment decisions upon such further investigations as they deem necessary. This document does not constitute an offer or an invitation to make an offer, or solicitation of, any offer to subscribe for any securities or other financial instruments.

Conflicts of Interest

This report is marketing communication. It does not constitute independent objective investment research and therefore is not protected by the arrangements which SEB has put in place designed to prevent conflicts of interest from affecting the independence of its investment research. Furthermore, it is also not subject to any prohibition on dealing ahead of the dissemination of investment research, SEB or its affiliates, officers, directors, employees or shareholders of such members (a) may be represented on the board of directors or similar supervisory entity of the companies mentioned herein (b) may, to the extent permitted by law, have a position in the securities of (or options, warrants or rights with respect to, or interest in the securities of the companies mentioned herein or may make a market or act as principal in any transactions in such securities (c) may, acting as principal or as agent, deal in investments in or with companies mentioned herein, and (d) may from time to time provide investment banking, underwriting or other services to, or solicit investment banking, underwriting or other business from the companies mentioned herein.

Recipients

In the UK, this report is directed at and is for distribution only to (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (The "Order") or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons". This report must not be acted on or relied upon by persons in the UK who are not relevant persons. In the US, this report is distributed solely to persons who qualify as "major U.S. institutional investors" as defined in Rule 15a-6 under the Securities Exchange Act. U.S. persons wishing to effect transactions in any security discussed herein should do so by contacting SEB Securities Inc. (SEBSI). The distribution of this document may be restricted in certain jurisdictions by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.

The SEB Group: members, memberships and regulators

Skandinaviska Enskilda Banken AB (publ) is incorporated in Sweden, as a Limited Liability Company. It is regulated by Finansinspektionen, and by the local financial regulators in each of the jurisdictions in which it has branches or subsidiaries, including in the UK, by the Prudential Regulation Authority and Financial Conduct Authority (details about the extent of our regulation is available on request); Denmark by Finanstilsynet; Finland by Finanssivalvonta; Norway by Finanstilsynet and Germany by Bundesanstalt für Finanzdienstleistungsaufsicht. In the US, SEBSI is a U.S. broker-dealer, registered with the Financial Industry Regulatory Authority (FINRA). SEBSI is a direct subsidiary of SEB.

Methodology

SEB Research & Strategy determines the global economic backdrop and outlook for fixed income, FX and commodity markets using; 1) own analysis and aggregation tools, including proprietary models and indicators and amended by publicly available data providers (free and feebased) such as Macro-bond, Bloomberg and others; 2) input from other research units within SEB; 3) Various research reports (free and feebased). The various sources being integrated must fulfil the principles of consistency, plausibility and must be backed by fact. Final consideration as to any valuations, projections and forecasts contained in this report are based on a number of assumptions and estimates and are subject to contingencies and uncertainties, and their inclusion in this report should not be regarded as a representation or warranty by or on behalf of the Group or any person or entity within the Group that they or their underlying assumptions and estimates will be met or realized. Different assumptions could result in materially different results. Past performance is not a reliable indicator of future performance. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related investment mentioned in this report. In addition, investors in securities, such as ADRs, whose values are influenced by the currency of the underlying security, effectively assume currency risk.