This document should not be used by a non legitimate recipient.

Click below to experience our new interactive data website:

RED MOUNT Analytics
BY CRÉDIT AGRICOLE CIB

CRÉDIT AGRICOLE
CORPORATE & INVESTMENT BANK

CRÉDIT AGRICOLE
CORPORATE & INVESTMENT BANK

Bloomberg FX forecast ranking
No.1 and 3 for G10 FX forecast accuracy in Q1 and Q2 2025

EUR/USD	USD/SEK	USD/NOK	USD/JPY
No.1	No.2	No.2	No.6
Q2 2026	Q2 2026	Q2 2026	Q2 2026



FX market outlook: "A flatter USD smile not flattering the USD"

30 September 2026 (09:40 CET)

Dr Valentin Marinov
Head of G10 FX Research & Strategy
+44 20 7214 5289
valentin.marinov@ca-cib.com

David Forrester
Senior FX Strategist
+65 6439 9826
david.forrester@ca-cib.com

Alexandre Dolci
FX Strategist
+44 20 7214 5064
alexandre.dolci@ca-cib.com

Click below to experience our new interactive data website:

RED MOUNT Analytics
BY CRÉDIT AGRICOLE CIB

FX Research advanced tools

With Red Mount Analytics, we are setting a new standard for market intelligence.

Get our data

G10 FX | Inflation | Macro | Rates Marke

- 1 -Gamma Calendar and Market Monitors
  - FX Action at a Glance
  - FX Gamma Calendar
  - FX Market Liquidity
  - FX Vol Monitor
- 2 - Forecasts
  - Advanced FX Forecasts
- 3 - Relative Value
  - FX Carry Trades
  - FX Over and Undervaluations
  - Historical Short-Term Fair Values
- 4 - Flows and Positionning
  - FX Positioning
- 5 - Fundamentals
  - De-Dollarisation
  - FX Fundamental Drivers
  - Risk Index

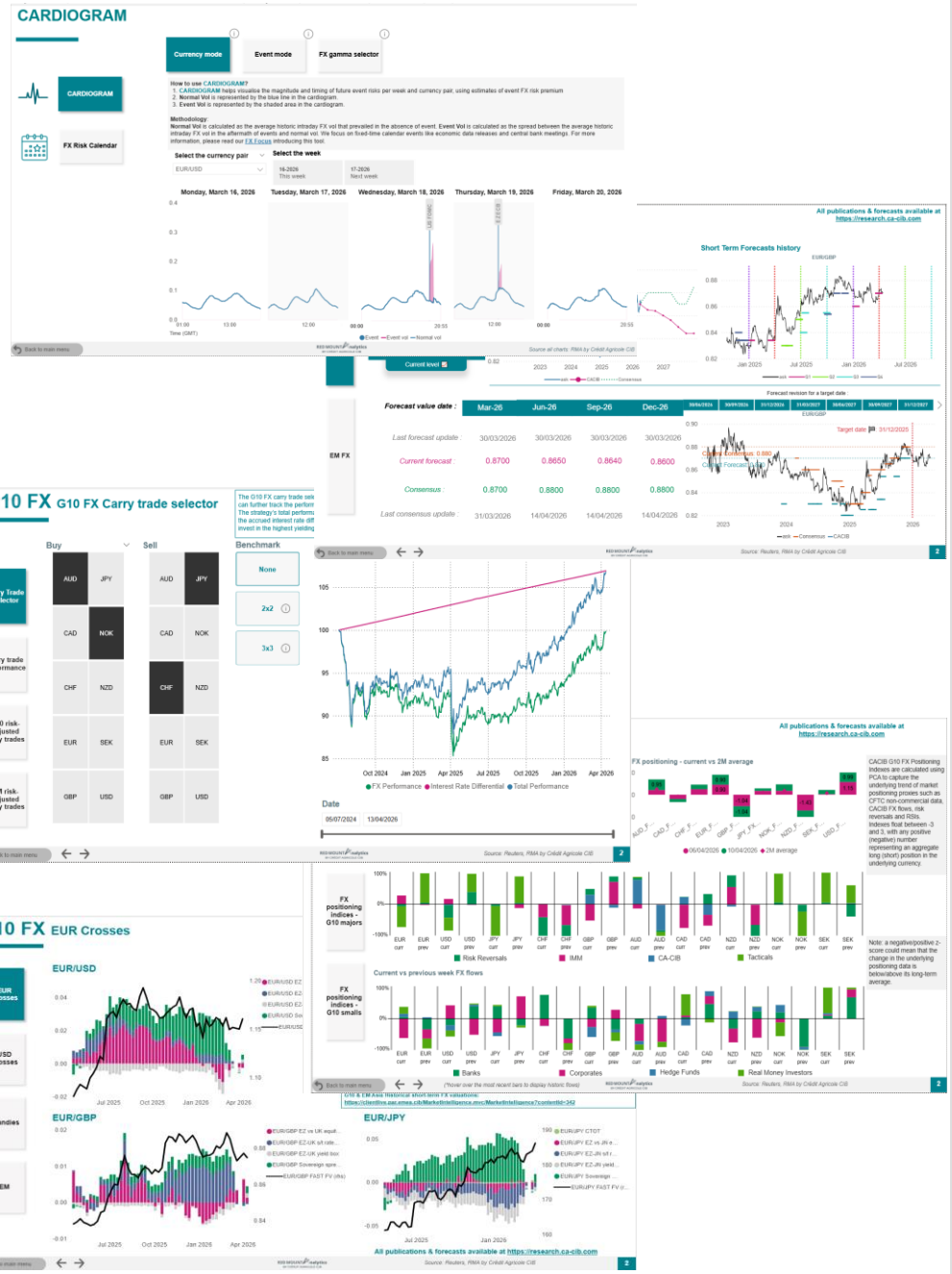
FX gamma calendar & Market monitors:
What are the key FX events ahead and how to position ahead of the next NFP or Fed/ECB meeting?
What is the FX CARDIOGRAM?
What are the key trends and the main movers in FX spot, forward and option markets?

Advanced FX forecasts:
Where are the FX market heading? How do our forecasts compare to consensus?
How accurate have our FX forecasts been?

Relative Value:
What is the EUR fair value vs the USD, JPY and GBP? Are commodity currencies cheap or expensive?
What are the best FX carry trades?
How to build a tailored FX carry trade and track its performance over time?

FX Flows and positioning:
What are the biggest longs and shorts in the FX markets?
How are FX corporates positioned?
What are hedge funds and real money buying and selling?

FX fundamentals:
What are the key FX drivers at present – relative rate spreads or market risk sentiment?
Are the FX markets in risk-on or risk-off mood?
What's the latest on de-dollarisation?



This document should not be used by a non legitimate recipient.

This document should not be used by a non legitimate recipient.

Contents

1. The big picture and FX/Gold outlook
2. USD: still the king
3. EUR: collateral damage of geopolitical risks
4. JPY: some help from its friends
5. GBP: scary carry
6. CHF: funding its way amid uncertainties
7. AUD: clinging to its advantages
8. CAD: fighting back
9. NZD: bumpy road to recovery
10. SEK: growth and its limits
11. NOK: still something left in the tank
12. XAU: the ultimate safe haven put to the test

This document should not be used by a non legitimate recipient.

1

Big picture and FX market outlook

CRÉDIT AGRICOLE
CORPORATE & INVESTMENT BANK

Bloomberg FX forecast ranking

No.1 for G10 FX forecast accuracy in Q1 2025
No.3 for G10 FX forecast accuracy in Q2 2025

- No.1 (out of 56) EUR/USD - Q2 2026
- No.2 (out of 31) USD/SEK - Q2 2026
- No.8 (out of 41) USD/CAD - Q2 2026
- No.2 (out of 27) USD/NOK - Q1 2026
- No.2 (out of 27) USD/NOK - Q2 2026
- No.6 (out of 50) USD/JPY - Q2 2026
- No.2 (out of 58) EUR/USD - Q1 2026
- No.6 (out of 53) GBP/USD - Q3 2025

FX outlook: the USD remains bid, but many positives are priced in

- **USD – still exceptional but many positives already priced in**
  - **King USD is riding the AI-investment boom** that (1) attracts (unhedged) capital inflows into the US; (2) supports the US growth outlook; and (3) keeps US inflation sticky and fuels market Fed rate hike expectations. These flows could also **erode the USD's safe-haven appeal, however**.
  - **The USD is looking overbought and overvalued**. A **less hawkish Fed** and '**Bessent's bond put**' could further hurt its rate appeal.
  - The **USD is the reserve currency of choice,** but US fiscal outlook and USD-weaponisation fears could exacerbate **de-dollarisation outflows**.

- **EUR:** should continue to trade **as collateral damage of global geopolitical risks**. We are moderately bearish on EUR/USD from current levels as we expect **ECB vigilance to limit the downside risks**. Elevated energy prices, trade tariffs and domestic-demand-driven growth policies in the Eurozone could hurt the Eurozone's net exports and reduce corporate demand for the EUR. **EUR/USD to recover only in 2027**.

- **JPY:** even with intervention, **USD/JPY will struggle to head lower with BoJ only matching Fed rate hikes. But increased buying of JGBs by Japan's GPIF** will generate to drive USD/JPY lower. **We think the latter will occur. Due to the SNB's loose policy, the CHF could remain a favoured funder, although from here carry differential gains could trump potential CHF spot losses.**

- **The oversold GBP** could **remain vulnerable** if growing political and stagflation risks fuel concerns about the UK economic and fiscal outlook. **XAU:** despite its recent underperformance, gold remains the **pre-eminent safe-haven asset and currency debasement hedge**.

- Elevated energy prices (vs pre-Iran war) and CB outlook could **support the NOK** and the **AUD, which is clinging to its rate advantage as the RBA is forced by sticky inflation to continue raising rates**. **Renewed US-Canada trade tensions** could leave **the CAD** on the back foot in the near term. The **SEK** could benefit from **Sweden's growth outperformance** vs the Eurozone. Gradual withdrawal of stimulus by the RBNZ is a near-term weight on the **NZD**, but the **central bank is underestimating upside inflation risks and will be forced to re-accelerate rate hikes.**

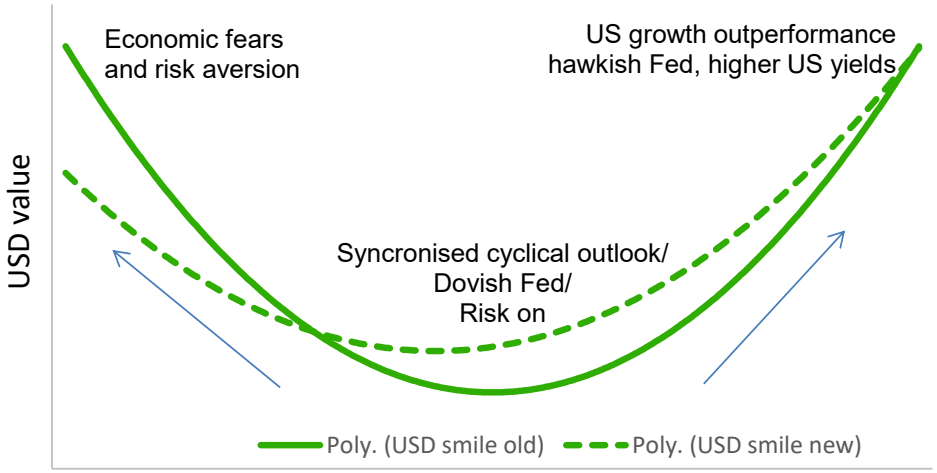
- **Key risks:**
  - **Persistent tightening of global financial conditions on the back of hawkish Fed expectations and risk aversion could boost the USD.**
  - **Fears about fiscal dominance over the Fed and de-dollarisation could weigh on the USD across the board.**

This document should not be used by a non legitimate recipient.

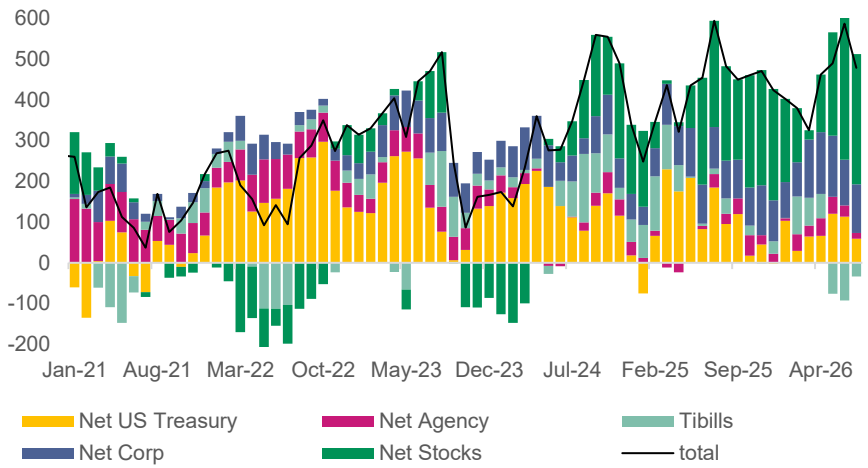
Key FX themes – a ‘flatter’ USD-smile not flattering the USD

- **The USD smile is alive and well, albeit flatter than before**
  - **US economy generating superior rates of return** supports the USD.
  - **Geopolitical risks** burnish the USD’s safe-haven appeal.
  - **A noncommittal Fed and a ‘Treasury twist’** could lower the USD’s rate appeal.
  - **US CA deficit funded through stocks** makes the USD a less attractive safe-haven.
- **US exceptionalism vs US policy unorthodoxy**
  - AI-related portfolio inflows suggest there are no credible alternatives to US assets.
  - The fallout from Donald Trump’s policies to put US exceptionalism to the test?
  - De-dollarisation vs GENIUS act; the USD still dominates cross-border payments.
- **The EUR – the collateral damage of geopolitics**
  - The Eurozone economy remains vulnerable to geopolitical and trade risks.
  - Europe is lagging in AI and other critical technologies as well as rare earth minerals.
  - Limited progress on global EUR initiatives – eg, safe assets and/or fiscal integration.
- **FX carry trades still on**
  - FX carry trades were the dominant FX driver before the war in Iran.
  - Relative rate outlook to remain an important FX driver.
  - High-yielders like the AUD and NOK to outperform the JPY, CHF and EUR.
- **The quest for safe havens**
  - Gold still attractive risk aversion, de-dollarisation and currency debasement hedge.
  - CHF the best fiat safe-haven currency so long as negative rates remain a no go.
  - JPY supported by intervention, but repatriation flows still needed.

Towards a flatter ‘USD smile - diminished safe-haven appeal of the USD



Foreign investors buying US stocks but not USTs



This document should not be used by a non legitimate recipient.

Source: Crédit Agricole CIB, US Department of the Treasury

FX Forecasts

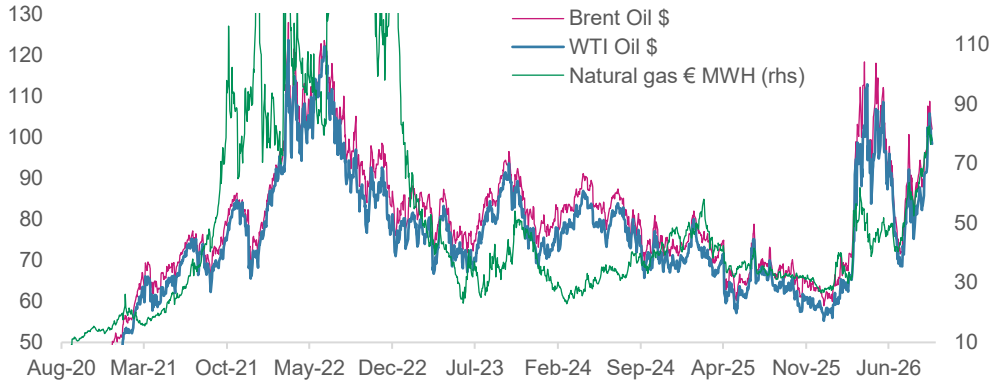
		Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
USD Exchange rate						
Industrialised countries						
Euro	EUR/USD	1.13	1.13	1.14	1.16	1.17
Japan	USD/JPY	156	155	154	152	150
United Kingdom	GBP/USD	1.31	1.32	1.34	1.37	1.39
Switzerland	USD/CHF	0.84	0.84	0.83	0.81	0.80
Canada	USD/CAD	1.38	1.36	1.34	1.33	1.32
Australia	AUD/USD	0.69	0.70	0.72	0.74	0.74
New Zealand	NZD/USD	0.58	0.60	0.61	0.62	0.63
Sweden	USD/SEK	9.40	9.30	9.30	9.05	8.90
Norway	USD/NOK	9.45	9.30	9.10	8.90	8.70
Euro Cross rates						
Industrialised countries						
Australia	EUR/AUD	1.64	1.61	1.58	1.57	1.58
Canada	EUR/CAD	1.56	1.54	1.53	1.54	1.54
Japan	EUR/JPY	176	175	176	176	176
New Zealand	EUR/NZD	1.95	1.88	1.87	1.87	1.86
Norway	EUR/NOK	10.70	10.50	10.40	10.30	10.20
Sweden	EUR/SEK	10.60	10.50	10.60	10.50	10.40
Switzerland	EUR/CHF	0.95	0.95	0.95	0.94	0.94
United Kingdom	EUR/GBP	0.86	0.86	0.85	0.84	0.84
Precious metals						
Gold	USD/oz	5,000	5,200	5,300	5,400	5,500

This document should not be used by a non legitimate recipient.

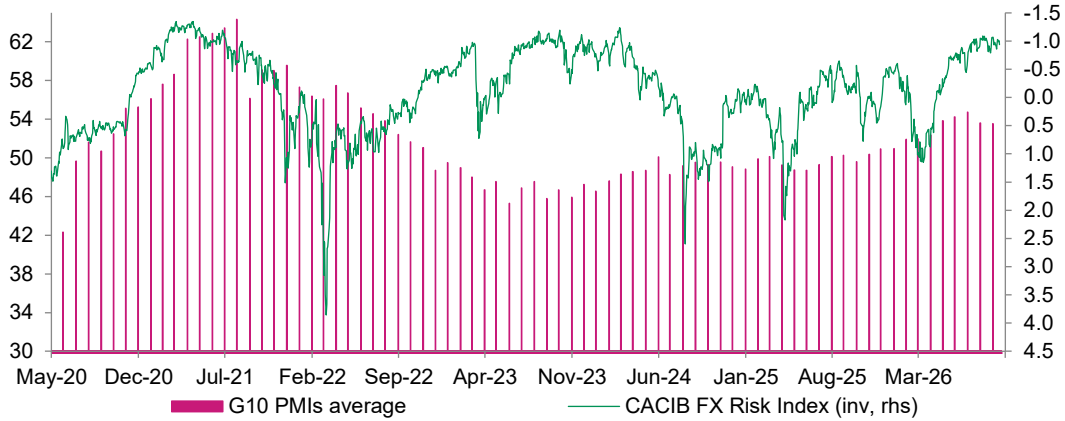
A crude impact or just another TACO?

This document should not be used by a non legitimate recipient.

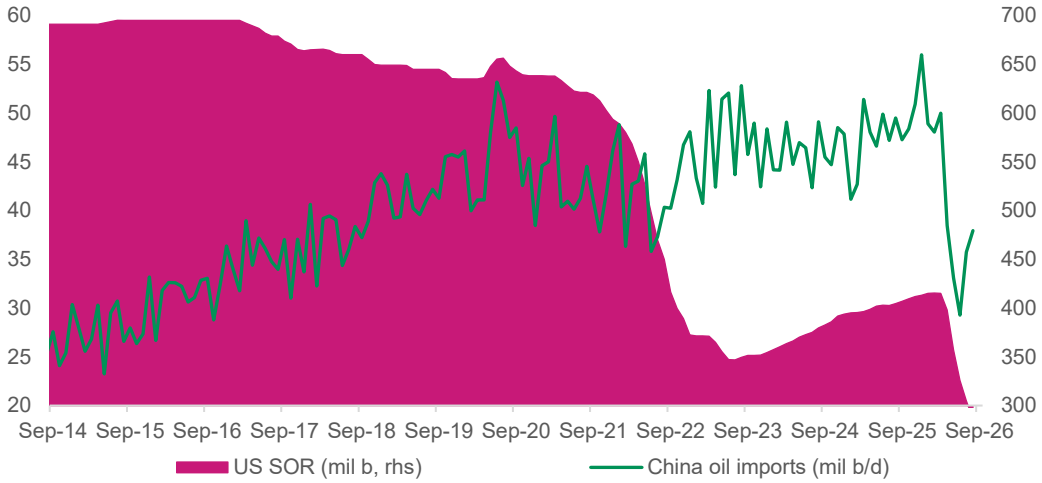
The war in Iran has kept energy prices supported…



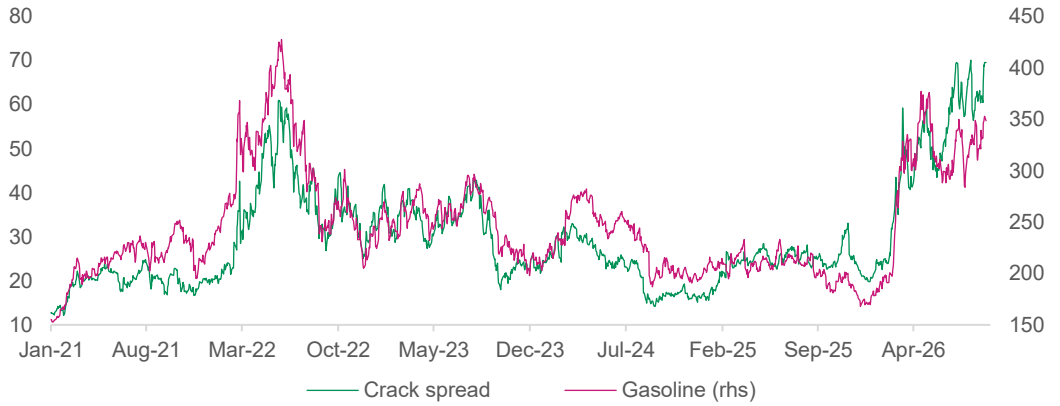
…but didn't weigh significantly on risk sentiment



Demand vs supply: Chinese oil imports vs the US strategic oil reserves



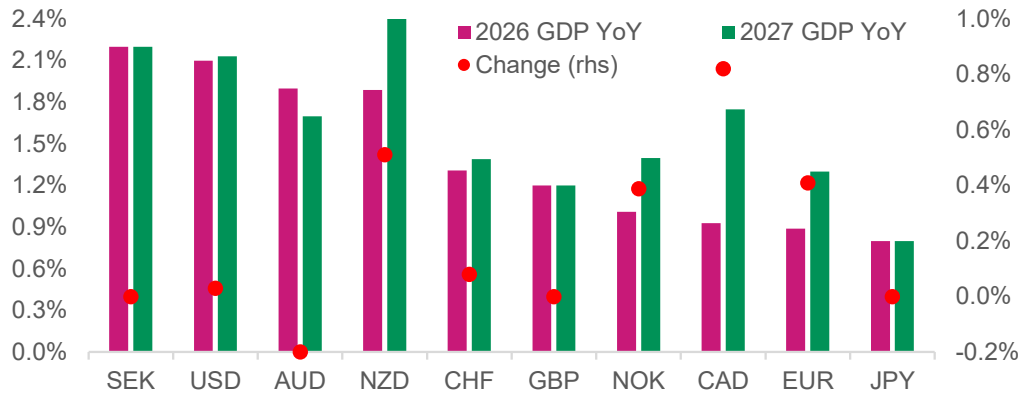
Crack spread and gasoline prices remain elevated



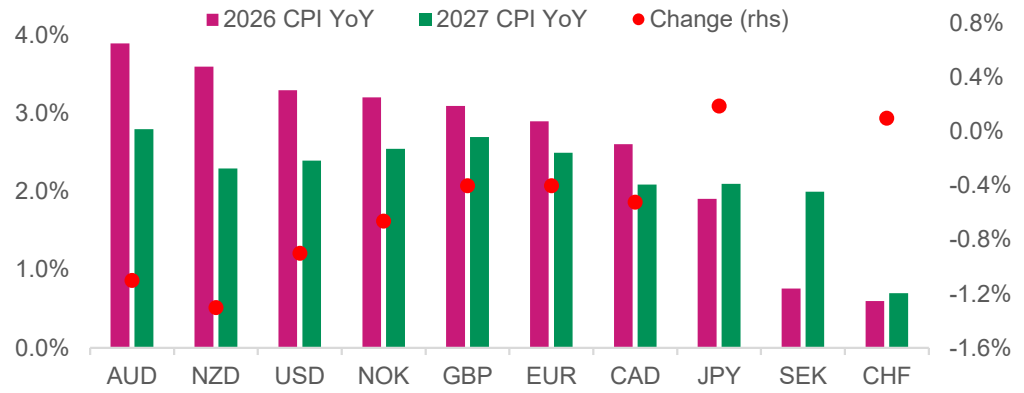
Source all charts: Bloomberg, Crédit Agricole CIB

Divergent growth outlook for energy exporters vs importers; inflation to fade in 2027

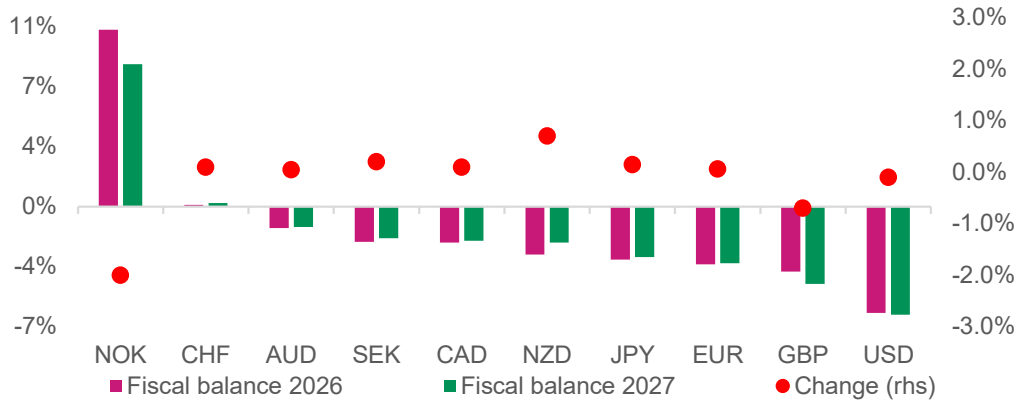
Growth outlook expected to remain diverse…



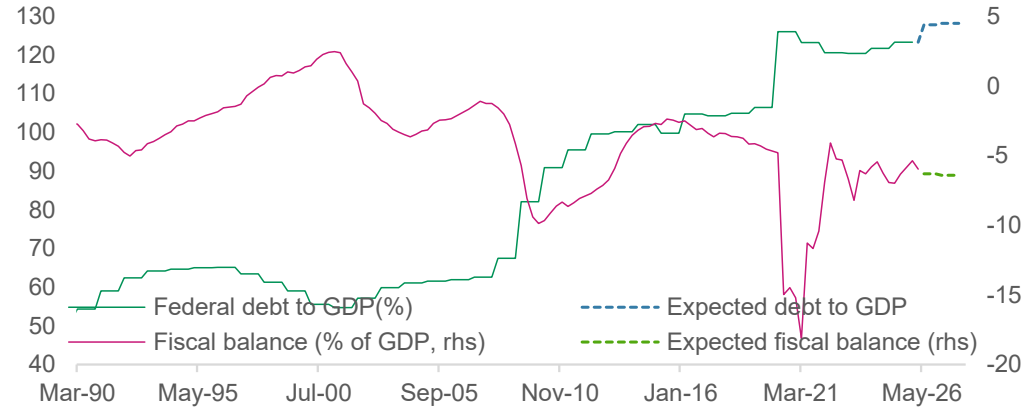
…while inflation should be a 2026 phenomenon only



Fiscal imbalances should linger



US fiscal imbalance has grown worse over the years

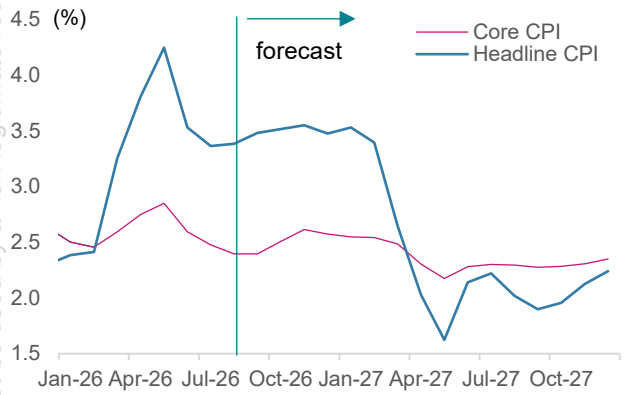


Source all charts: Bloomberg, Crédit Agricole CIB

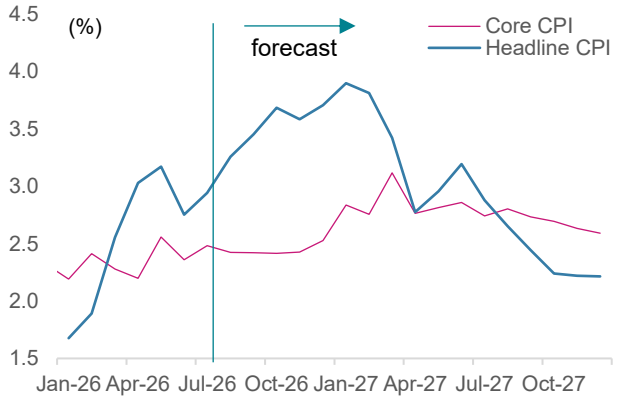
This document should not be used by a non legitimate recipient.

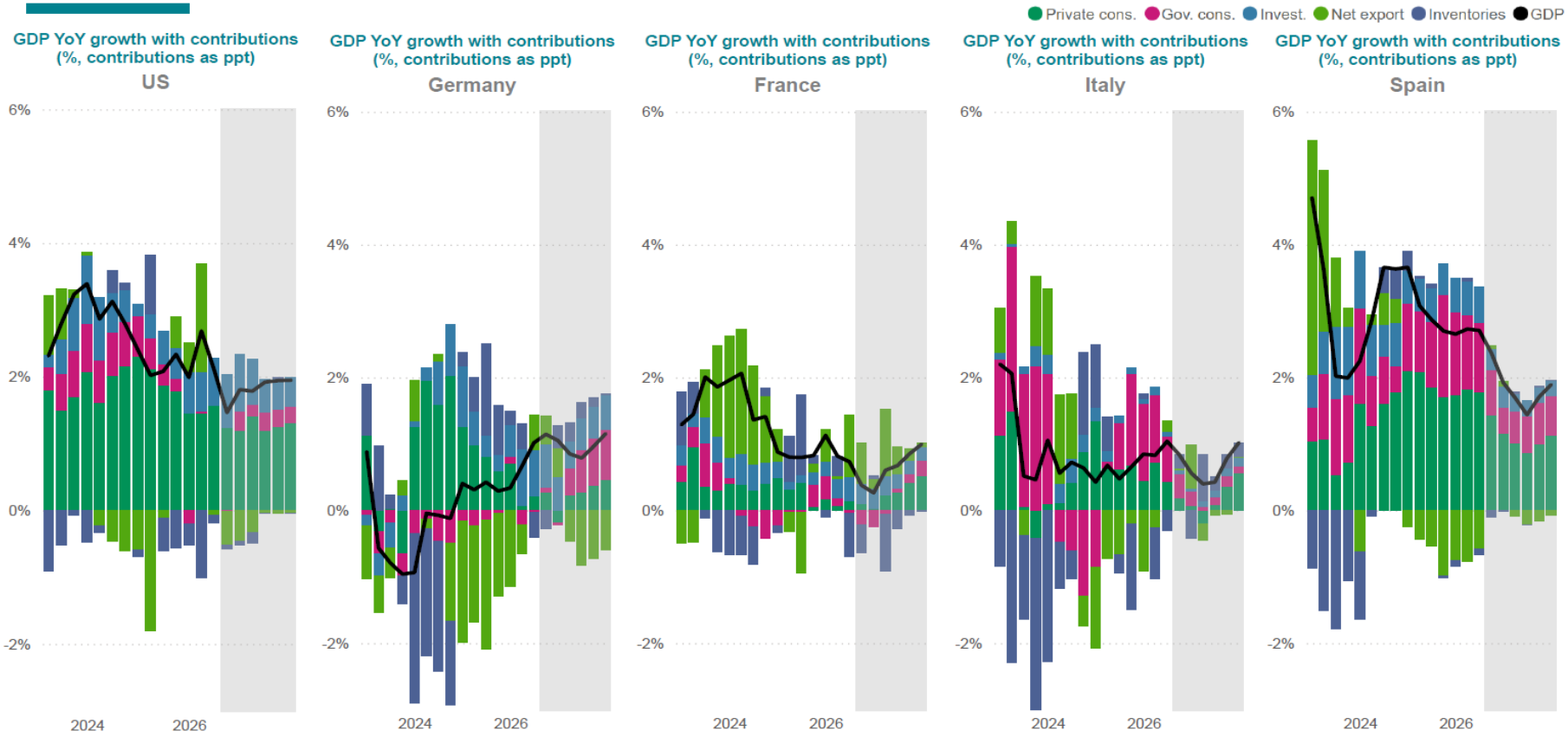
Macro outlook for the US and the Eurozone

US inflation outlook – sticky at first, before easing into 2027



Eurozone inflation outlook – acceleration before a slowdown in 2027



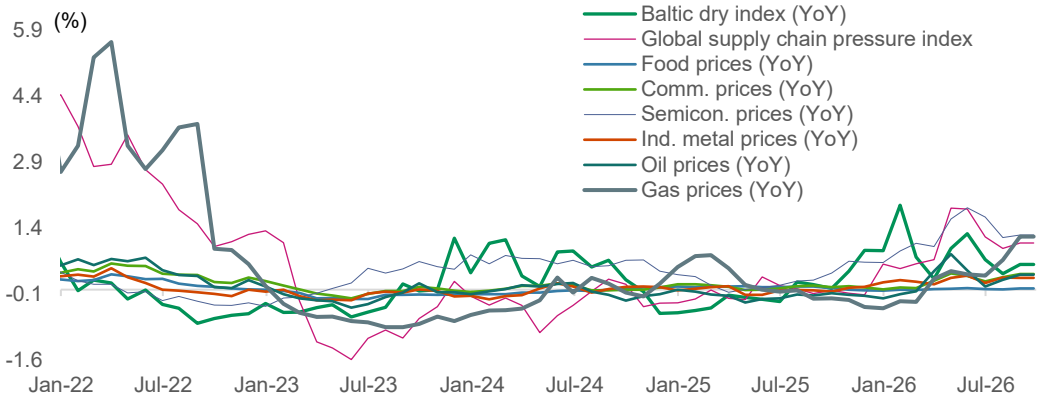


This document should not be used by a non legitimate recipient.

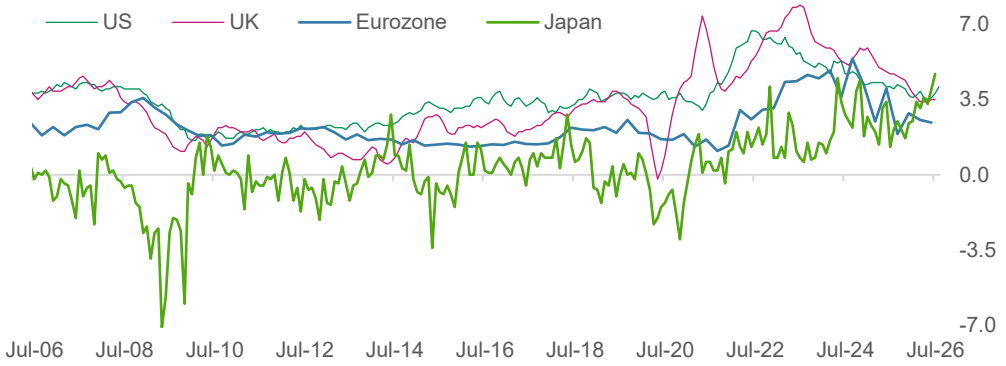
Source all charts: Bloomberg, Crédit Agricole CIB

US inflation in 2026, but what about 2027?

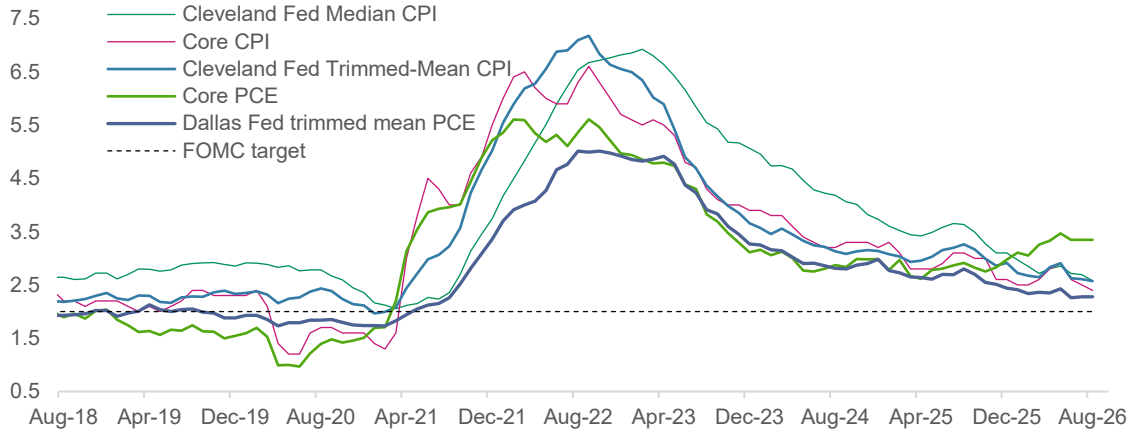
Cost-push inflation returning



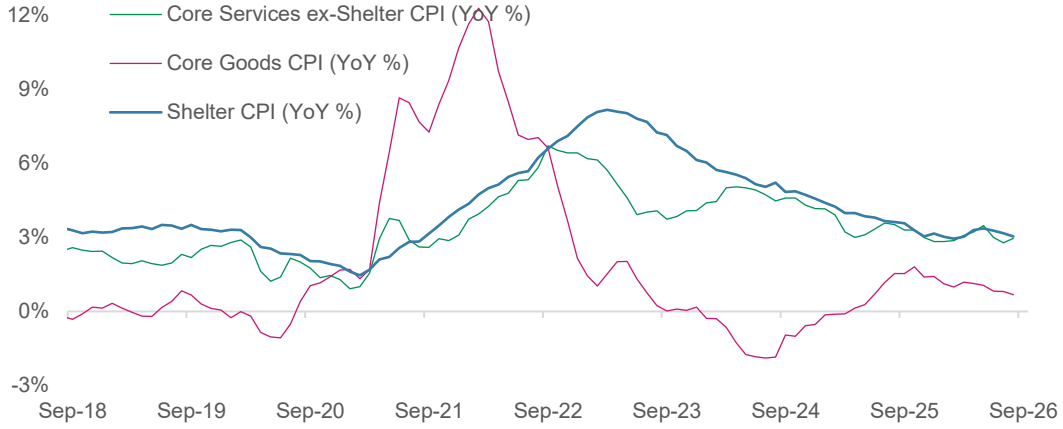
Wage growth is cooling down very gradually (YoY, %)



The many inflation gauges the Fed could use (YoY, %)



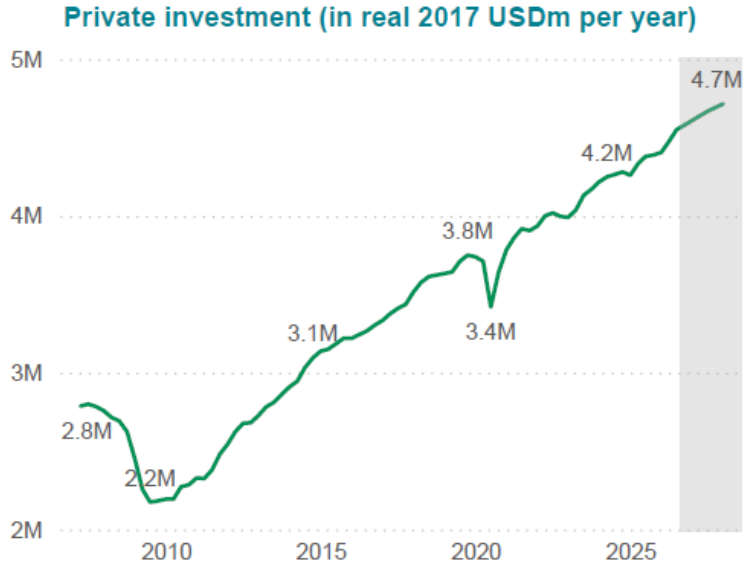
Core CPI drivers: services stickier, goods prices tame

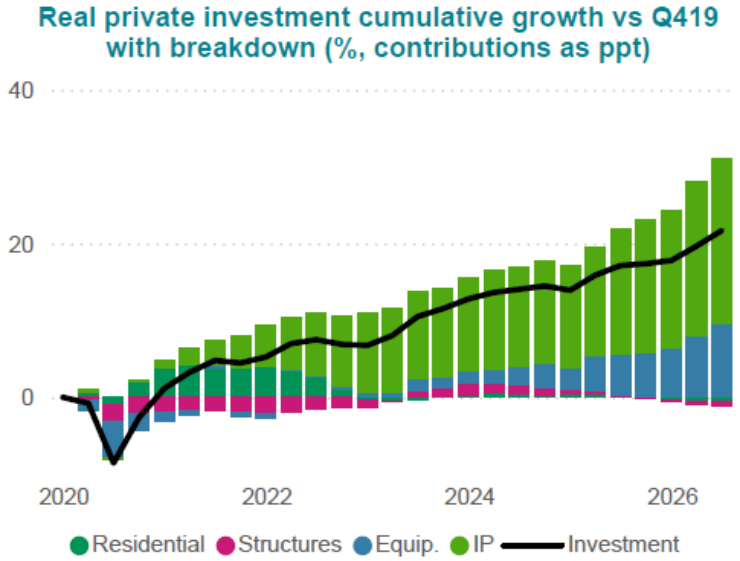


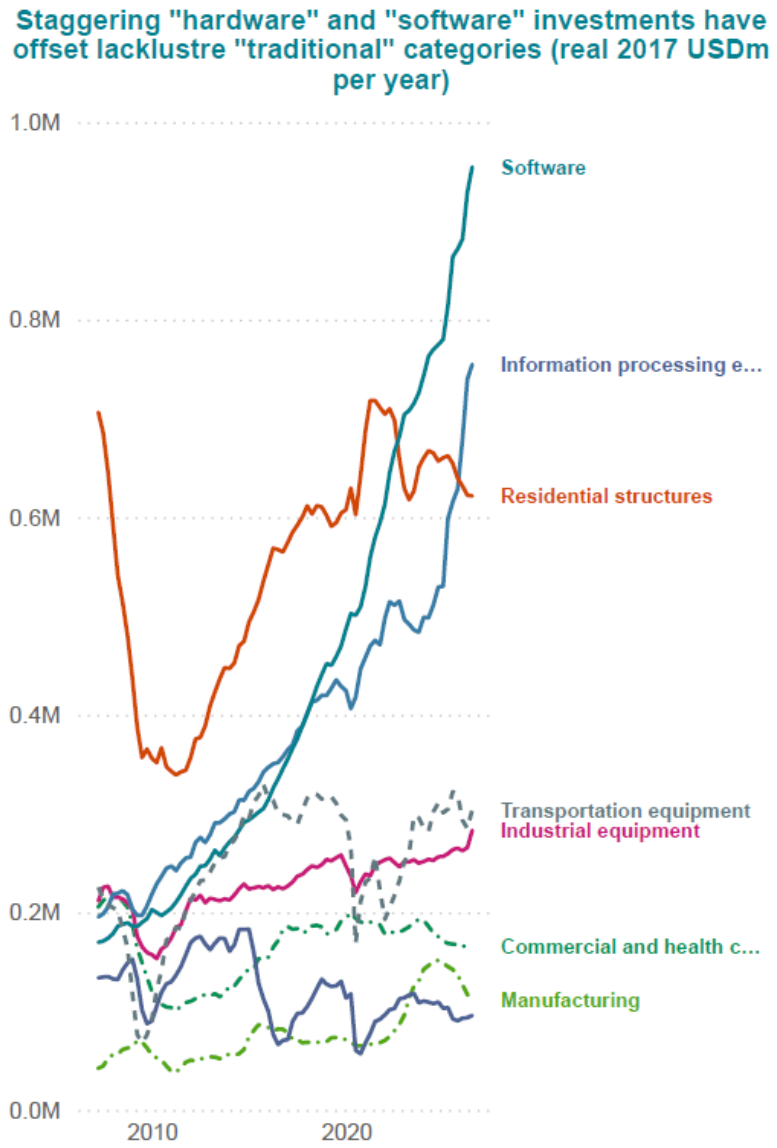
This document should not be used by a non legitimate recipient.

Source all charts: Crédit Agricole CIB, Bloomberg consensus expectations, Atlanta Fed, BoE, Eurostat

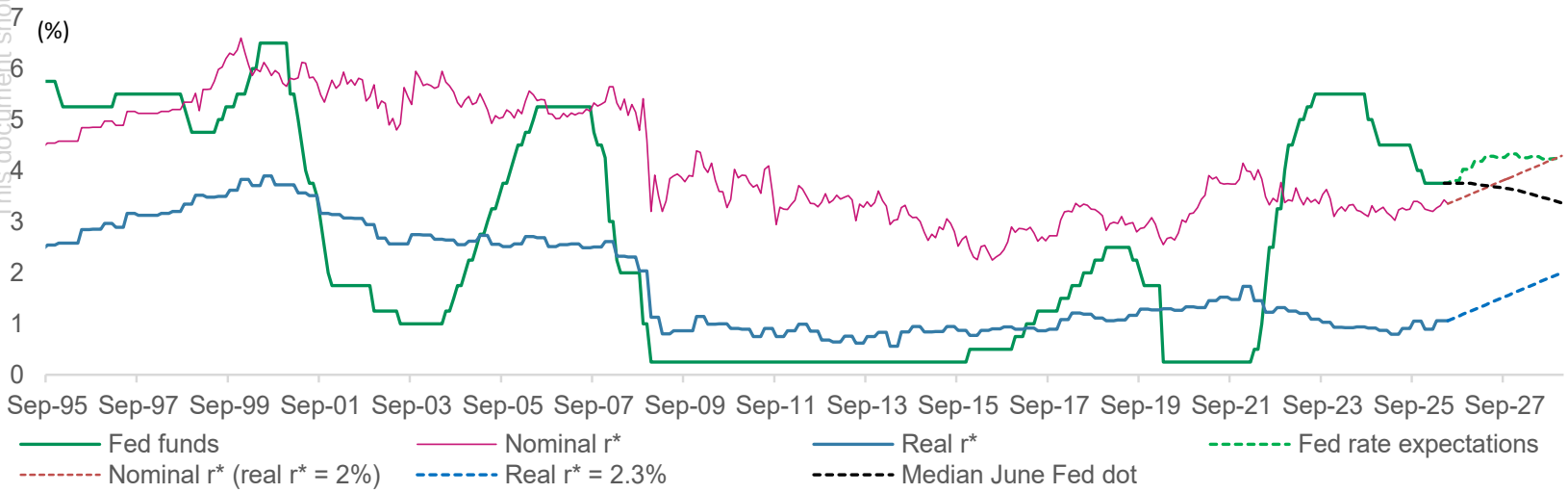
AI, US investment cycle, r* and the Fed outlook







Fed funds rate vs WLH real r* and nominal r* (real r* plus long-term inflation expectations

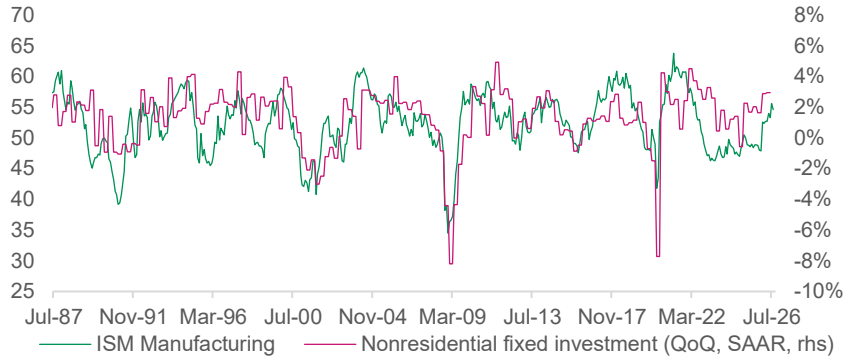


This document should not be used by a non legitimate recipient.

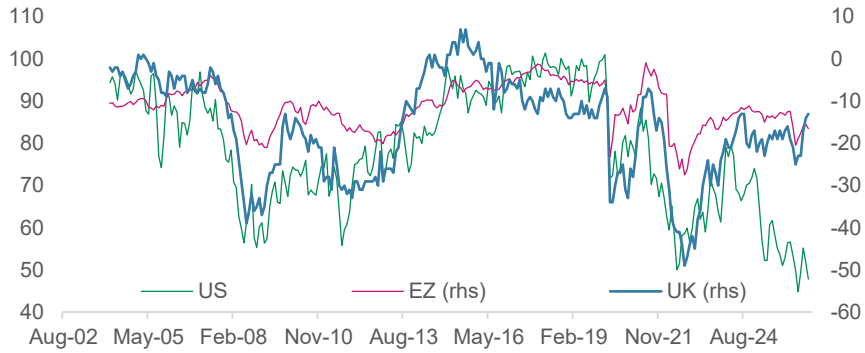
US economy: AI investment boom and a K-shaped recovery

This document should not be used by a non legitimate recipient.

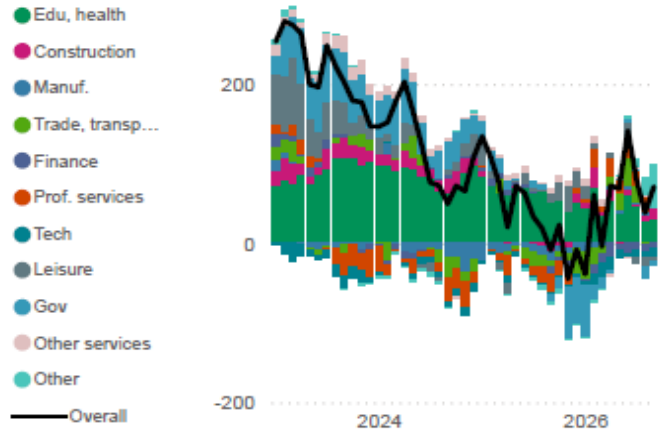
ISM and US investment – can we look beyond AI?



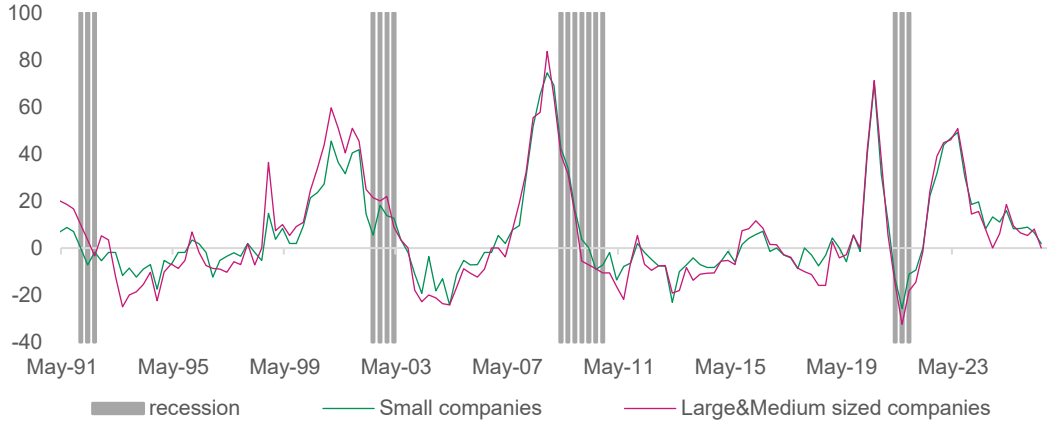
Consumer confidence in the US vs Europe



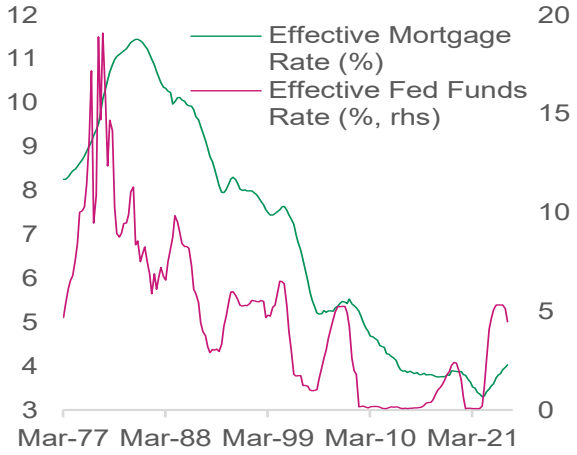
US jobs by sector (3M change)

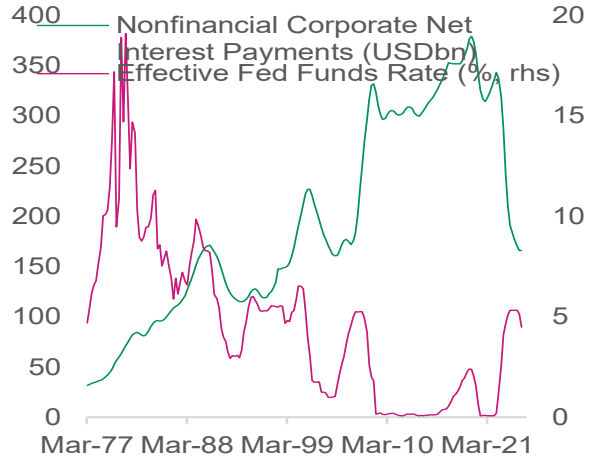


Bank lending standards remain relatively easy



Many households and corporates locked in low rates in recent years





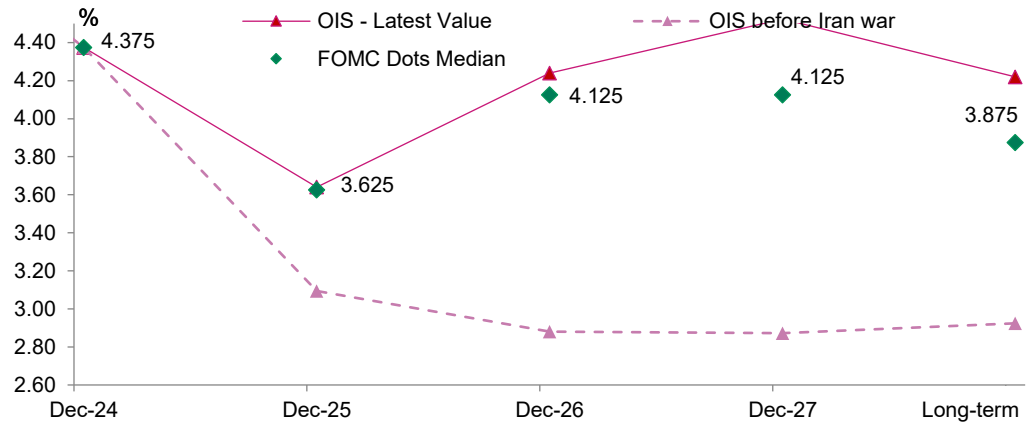
Sources for all charts: Credit Agricole CIB, Bloomberg

Central bank outlook – hawks; no doves

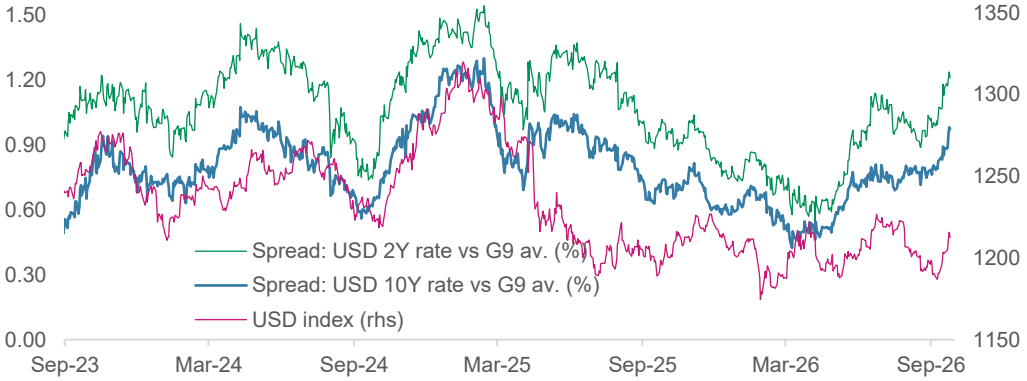
Policy tightening (end-of-year values)

	Expected G10 central bank policy rates			
	Effective rate	2026	2027	2028
EUR	2.44%	2.79%	3.41%	3.35%
USD	3.88%	4.24%	4.78%	4.65%
GBP	3.73%	4.12%	4.80%	4.72%
NOK	4.25%	4.93%	4.98%	4.63%
SEK	1.76%	2.22%	3.11%	3.15%
CAD	2.30%	2.62%	3.57%	3.67%
CHF	-0.04%	0.08%	0.79%	0.94%
AUD	4.35%	4.76%	4.99%	4.93%
NZD	2.75%	3.13%	4.19%	4.35%
JPY	1.23%	1.49%	2.22%	2.52%
US rates less G9 average				
	1.63%	1.66%	1.51%	1.32%

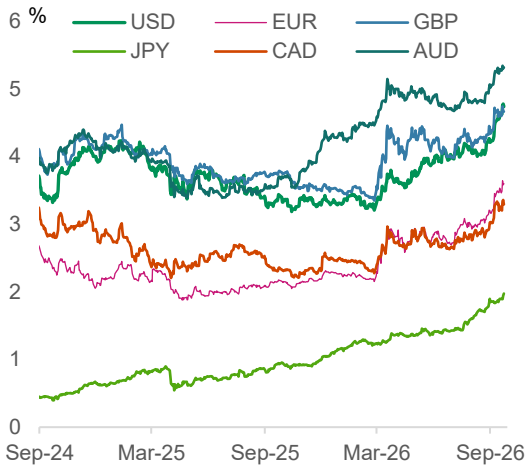
Fed dot plot and market rate expectations

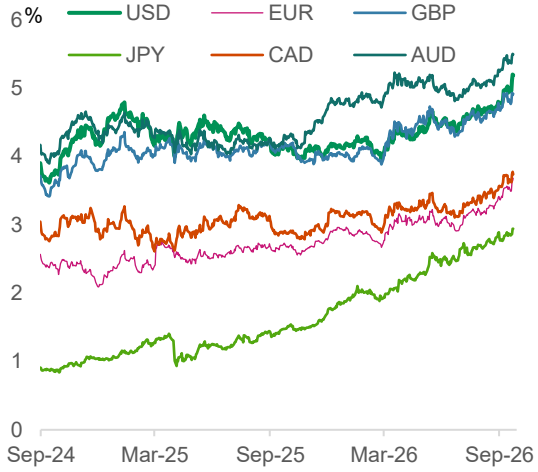


USD vs spread: US 2Y rate vs G9 average and UST 10Y yield vs G9 average



G10 2Y rates and 10Y yields

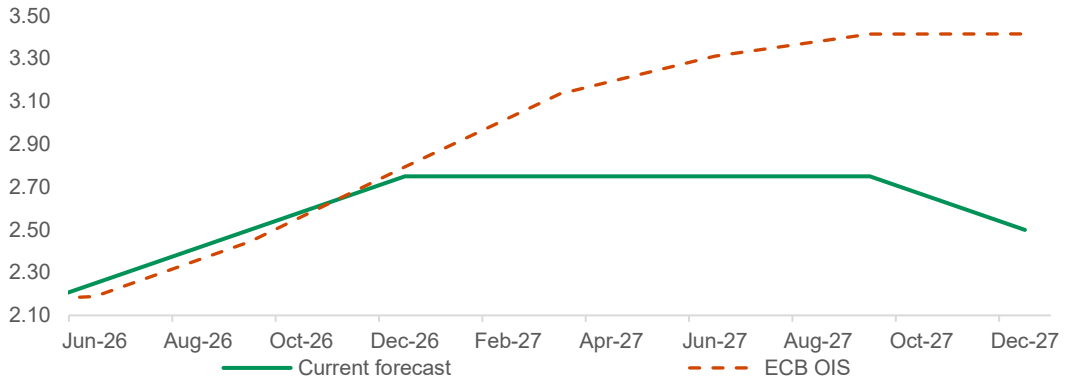




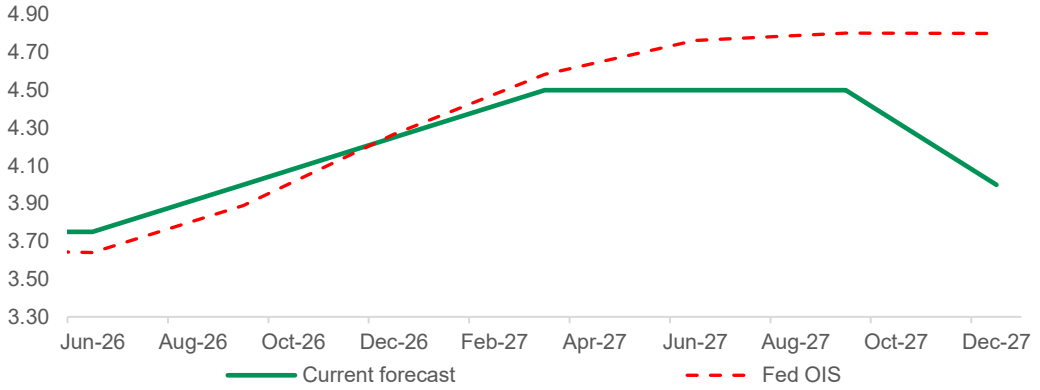
This document should not be used by a non legitimate recipient.

EUR/USD and ECB-Fed rate outlook

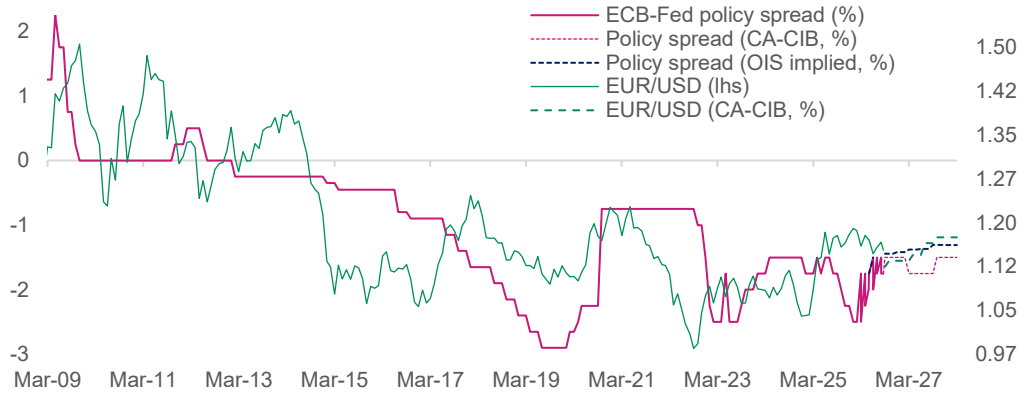
CACIB ECB rate outlook vs market outlook



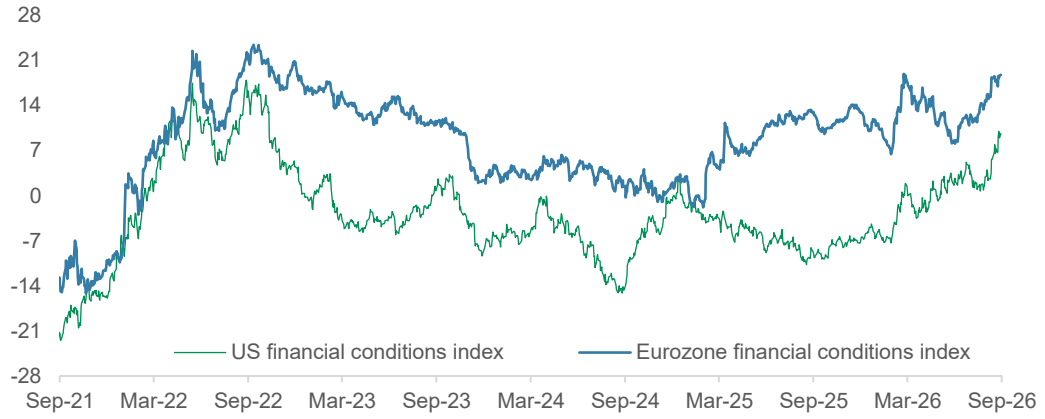
CACIB Fed outlook vs market outlook



EUR/USD vs ECB-Fed policy rate spread and projection



Financial conditions in the Eurozone vs the US



This document should not be used by a non legitimate recipient.

Source all charts: Crédit Agricole CIB, Bloomberg

FX score card

Short-term	USD	EUR	JPY	GBP	AUD	NZD	CAD	SEK	NOK	CHF
1Y risk-adjusted carry vs. USD	0.00	-0.24	-0.33	-0.02	0.08	-0.09	-0.32	-0.20	0.07	-0.59
Yield momentum (3M average)	0.06%	0.07%	0.05%	0.06%	0.05%	0.07%	0.06%	0.06%	0.02%	0.04%
Box spread vs. UST 2s10s	0.00	0.03	0.89	0.19	0.13	0.63	0.43	0.36	-0.58	0.31
Positioning (2M average)	0.96	0.33	0.51	-0.69	0.18	-1.14	-0.44	-0.16	0.73	0.45
Stock market performance (MoM)	0.9%	-2.6%	-0.6%	-1.4%	-5.0%	-1.3%	-2.8%	-1.0%	-0.6%	-3.3%
Economic surprise indicator	46.5	82.9	38.9	52.6	17.3	4.9	12.2	17.7	-21.8	131.3
Impact from risk sentiment	0.0	-0.3	0.0	-0.4	-0.6	-0.6	-0.3	-0.4	-0.5	-0.2
Impact from rate differential	0.0	0.3	-0.4	-0.8	-0.3	0.3	-0.3	-0.1	-1.7	-0.4
	USD	EUR	JPY	GBP	AUD	NZD	CAD	SEK	NOK	CHF
Rank	**1**	**3**	**5**	**6**	**8**	**1**	**7**	**4**	**10**	**8**
Commodity terms of trade	**USD**	**EUR**	**JPY**	**GBP**	**AUD**	**NZD**	**CAD**	**SEK**	**NOK**	**CHF**
Base metals trade balance (% of GDP)	-0.1%	-0.2%	0.0%	0.1%	0.4%	0.2%	0.7%	0.8%	0.7%	0.4%
Energy trade balance (% of GDP)	0.3%	-3.9%	-5.8%	-2.3%	9.7%	-2.6%	6.3%	-0.8%	34.1%	-1.5%
Impact from commodity terms of trade	0.0	-1.5	-0.2	-0.5	1.7	0.3	0.2	-1.3	2.6	-0.1
Energy, cereals & products share in CPI	8.2%	14.2%	9.9%	8.4%	8.2%	9.3%	8.0%	5.5%	7.7%	11.4%
Commodity ToT (3M change)	4.7%	-17.6%	-14.4%	-13.1%	11.2%	-2.5%	-9.4%	-9.0%	20.2%	-1.3%
	USD	EUR	JPY	GBP	AUD	NZD	CAD	SEK	NOK	CHF
Rank	**6**	**10**	**9**	**8**	**2**	**5**	**4**	**7**	**1**	**3**
Longer-term	**USD**	**EUR**	**JPY**	**GBP**	**AUD**	**NZD**	**CAD**	**SEK**	**NOK**	**CHF**
2026 real GDP YoY*	2.2%	0.9%	0.8%	1.2%	1.7%	1.9%	1.0%	2.3%	1.0%	1.3%
Real 2Y rate**	1.5%	0.5%	0.1%	1.8%	1.2%	0.3%	0.6%	2.0%	1.7%	0.1%
Real 10Y yield**	1.8%	1.2%	1.2%	2.3%	1.5%	1.5%	1.2%	2.5%	1.5%	0.1%
Broad Basic Balance (% GDP)	1.0%	1.9%	5.8%	-4.6%	-1.1%	3.2%	3.5%	-3.4%	-2.1%	-3.5%
2026 Current Account (% GDP)*	-3.2%	1.5%	4.8%	-3.0%	-3.1%	-3.7%	0.0%	5.4%	14.4%	6.8%
2026 Fiscal balance (% of GDP)*	-6.3%	-3.5%	-2.3%	-3.8%	-1.1%	-3.2%	-2.0%	-2.5%	10.2%	0.2%
Valuation G10 VALFeX	0.0%	2.9%	-25.5%	6.3%	-6.5%	-0.4%	-6.1%	-15.4%	-12.5%	13.8%
	USD	EUR	JPY	GBP	AUD	NZD	CAD	SEK	NOK	CHF
Rank	**5**	**10**	**4**	**8**	**3**	**7**	**5**	**1**	**2**	**9**
	USD	EUR	JPY	GBP	AUD	NZD	CAD	SEK	NOK	CHF
Overall rank	**4**	**10**	**7**	**9**	**1**	**2**	**5**	**3**	**6**	**8**

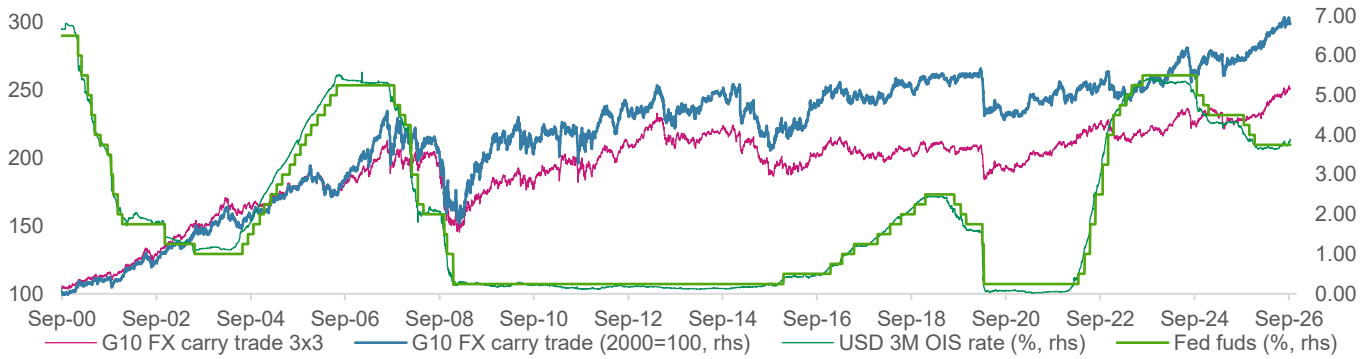
**Bloomberg consensus forecasts; **Using 2026 Bloomberg consensus forecast for inflation; ***GDP per hours work*

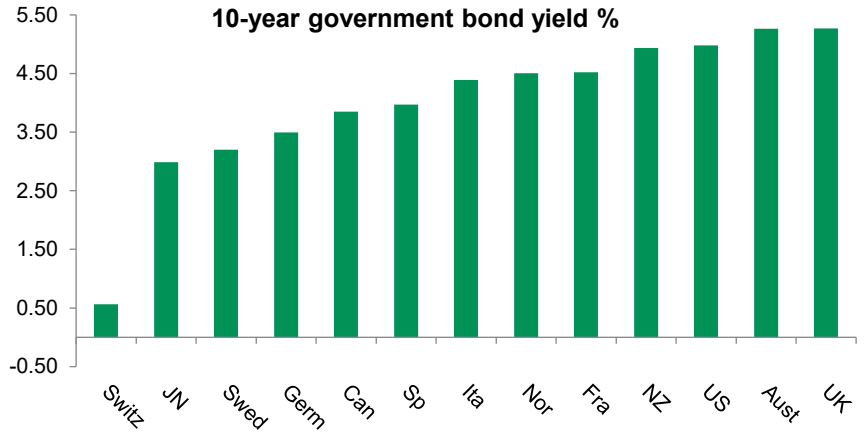
Source all charts: Crédit Agricole CIB, Bloomberg, OECD

This document should not be used by a non legitimate recipient.

FX carry trade performance at all-time highs

FX carry trade performance and the Fed policy cycle





FX carry pairs ranked by risk-adjusted 3M carry

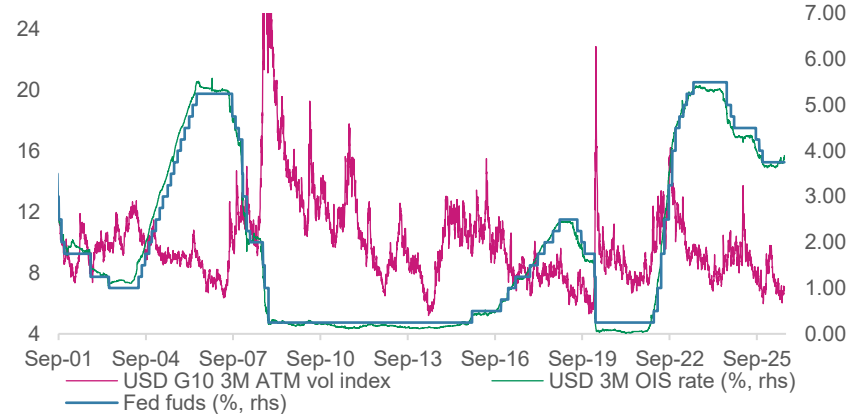
Long GBP/CHF	Long AUD/CHF	Long USD/CHF	Short CHF/NOK	Long EUR/CHF	Short EUR/GBP	Long GBP/JPY	Long AUD/NZD	Long NOK/JPY	Long CAD/CHF	Long USD/JPY	Long AUD/JPY
0.64	0.52	0.50	0.46	0.44	0.42	0.38	0.36	0.36	0.35	0.35	0.34

Short EUR/AUD	Long AUD/SEK	Long NOK/SEK	Long NZD/CHF	Long USD/CAD	Long GBP/SEK	Short EUR/NOK	Long AUD/CAD	Short EUR/USD	Short CHF/SEK	Long CAD/JPY	Long USD/SEK
0.32	0.31	0.30	0.30	0.29	0.28	0.28	0.27	0.26	0.23	0.18	0.18

Short USD/TRY	Short EUR/TRY	Long TRY/JPY	Short EUR/BRL	Long BRL/JPY	Long USD/CNH	Short USD/BRL	Short CHF/MXN	Long USD/SGD	Short CHF/HUF	Short EUR/MXN	Short CHF/ZAR
2.26	2.16	1.86	0.91	0.81	0.76	0.72	0.64	0.61	0.58	0.55	0.54

Long MXN/JPY	Short EUR/RUB	Short USD/RUB	Long ZAR/JPY	Short EUR/HUF	Short EUR/ZAR	Short EUR/IDR	Short USD/MXN	Short CHF/SGD	Long EUR/SGD	Short USD/ZAR	Short USD/IDR
0.49	0.47	0.44	0.43	0.42	0.41	0.38	0.30	0.26	0.23	0.21	0.19

Average USD ATM vol and Fed cycle



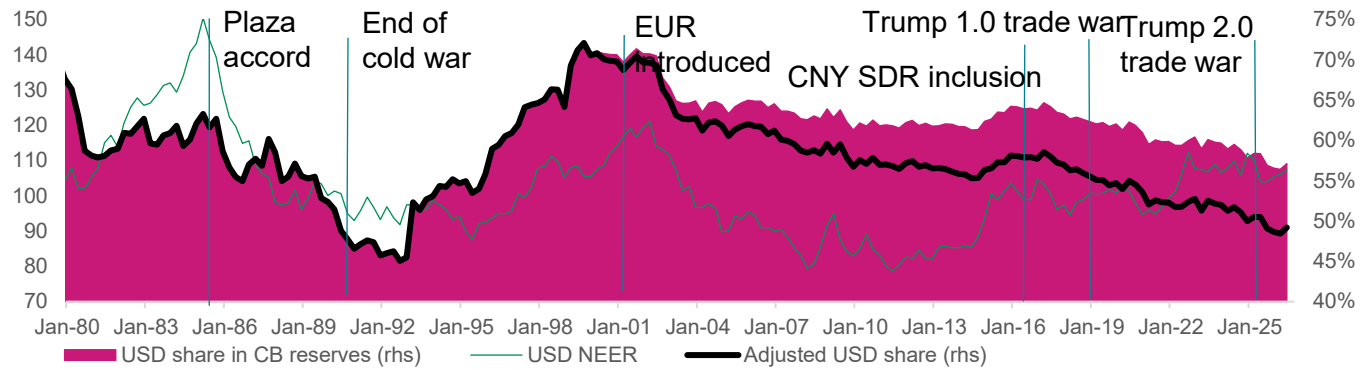
This document should not be used by a non legitimate recipient.

De-dollarisation is still a relevant FX market driver

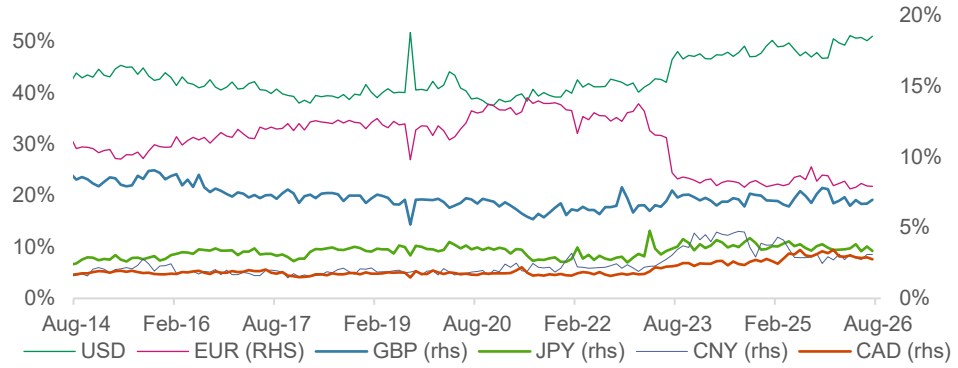
Are central banks dumping the USD in favour of other currencies? It depends which currencies we are talking about…

This document should not be used by a non legitimate recipient.

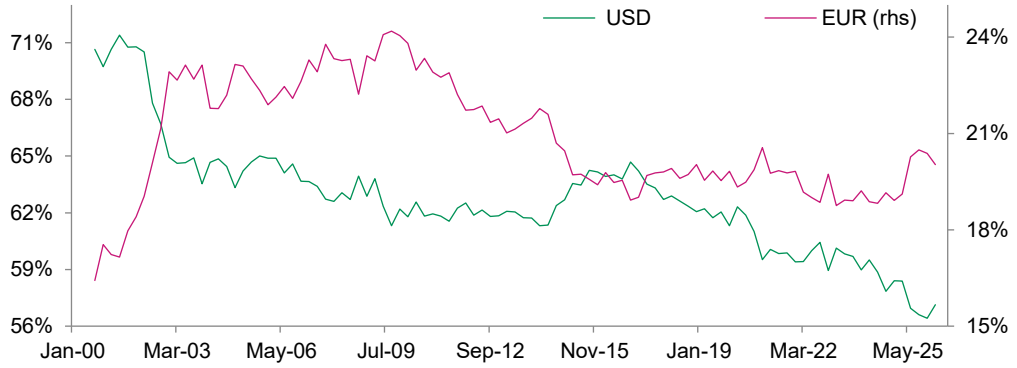
USD share in FX reserves – reported share vs FX valuation-adjusted USD share



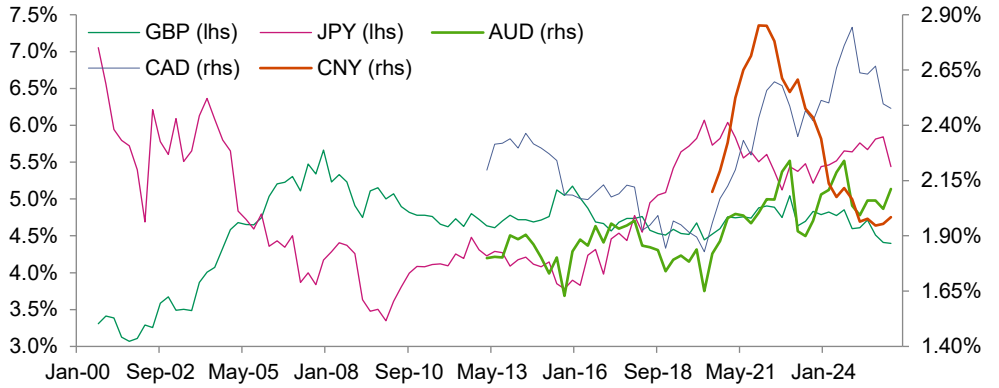
Currency share in SWIFT payments



USD and EUR share in central bank FX reserves



Other major currencies' shares in FX reserves



Source all charts: Bloomberg, Crédit Agricole CIB, IMF COFER data, BIS

This document should not be used by a non legitimate recipient.

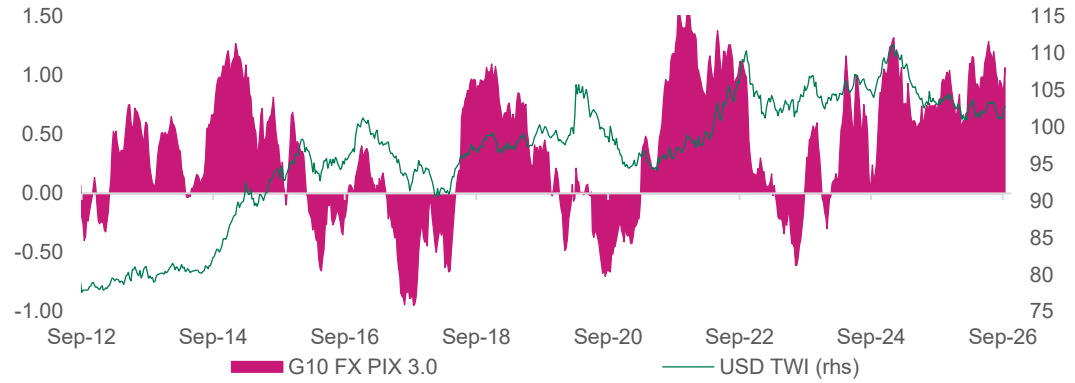
2

USD: still the king

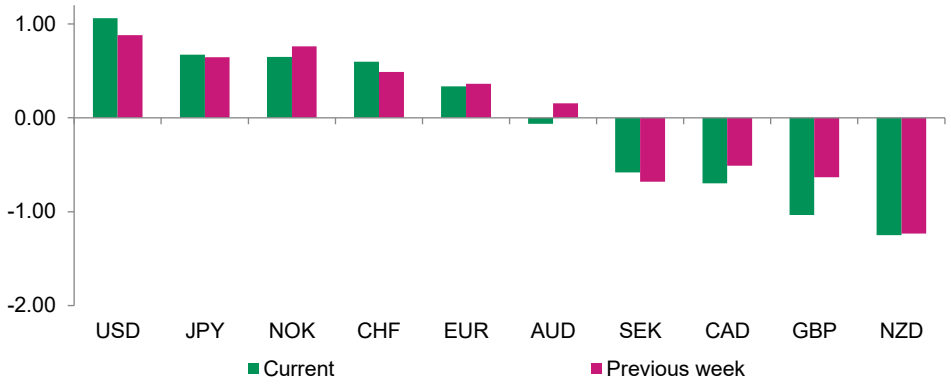
USD: FX positioning and valuation; Trump 2.0 vs 1.0

The USD is still looking overbought and overvalued against several G10 currencies

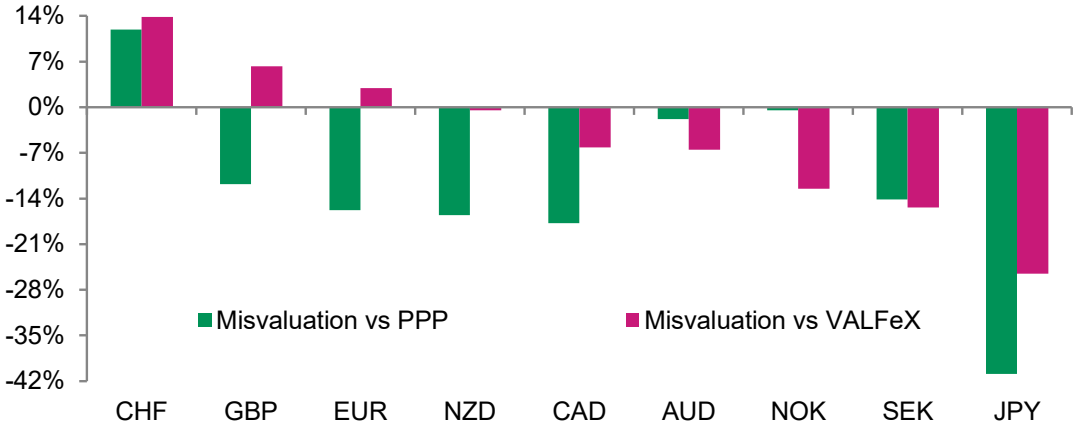
FX market positioning in the USD



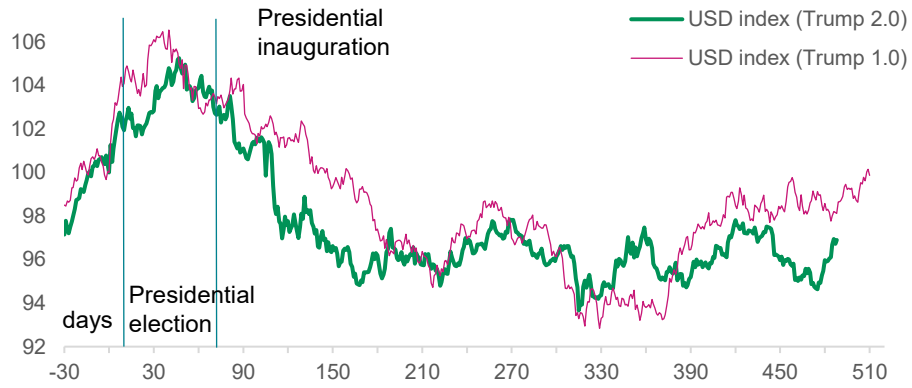
FX market positioning across G10



The USD is looking overvalued against some G10 FX based on our long-term fair value model G10 VALFeX and PPP



USD index during Trump 1.0 and 2.0



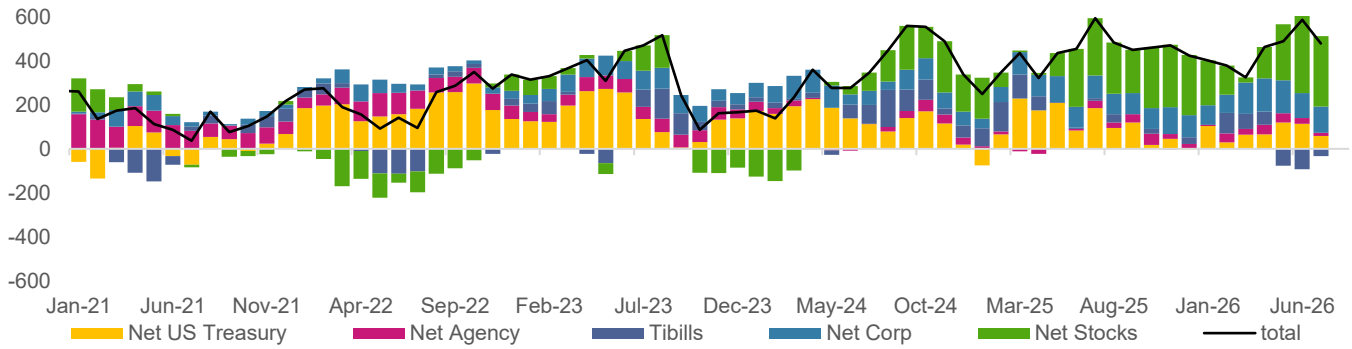
This document should not be used by a non legitimate recipient.

Source all charts: Crédit Agricole, Bloomberg

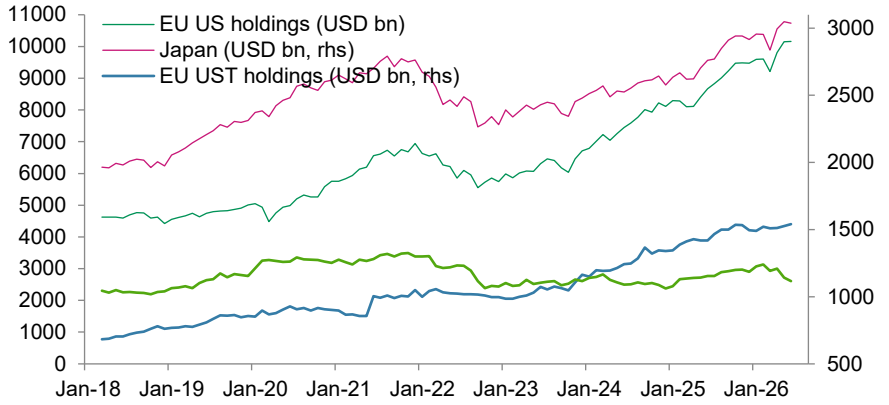
Net foreign inflows into the US focusing on risk-correlated assets

This document should not be used by a non legitimate recipient.

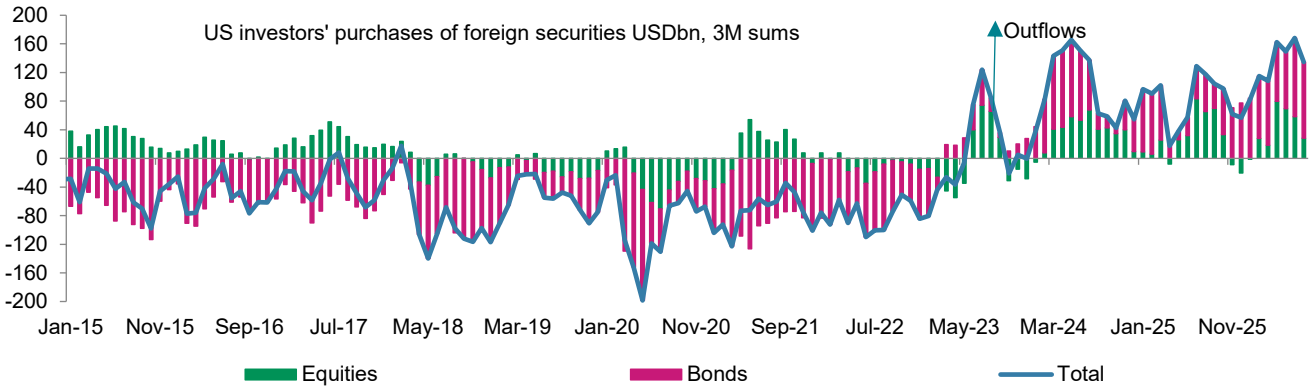
Foreign buying of US assets (USDbn)



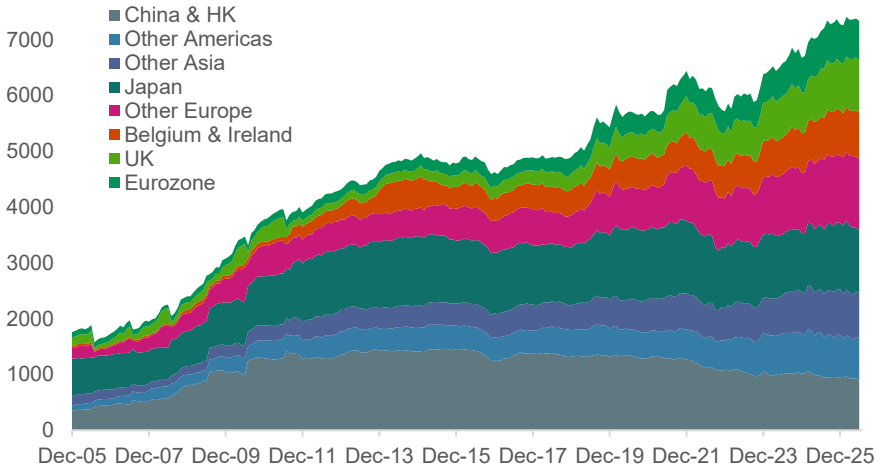
Eurozone and Japanese holdings of US long-term assets



US domestic investors buying of foreign assets (USDbn)



International owners of USTs



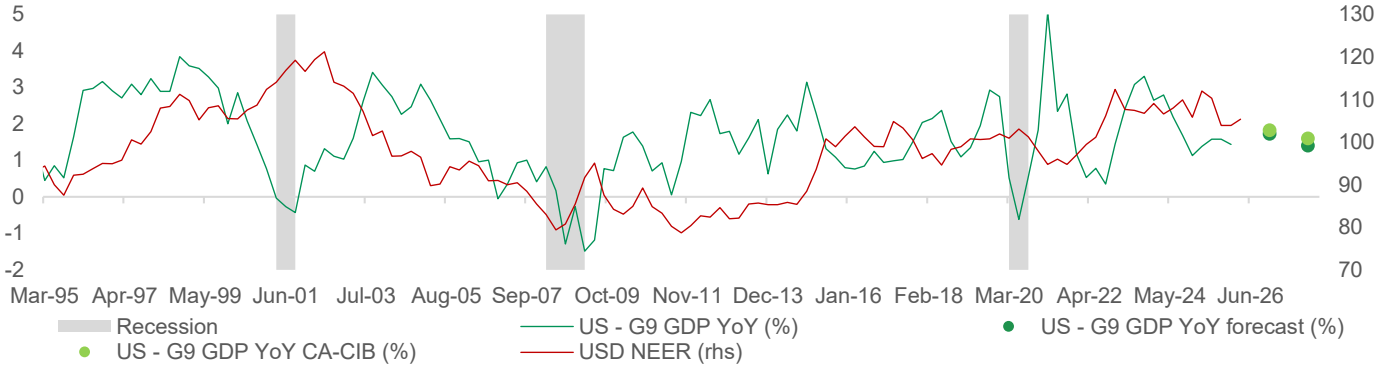
Source all charts: Crédit Agricole CIB, TIC, Bloomberg

USD: party like it's 1999? (1)

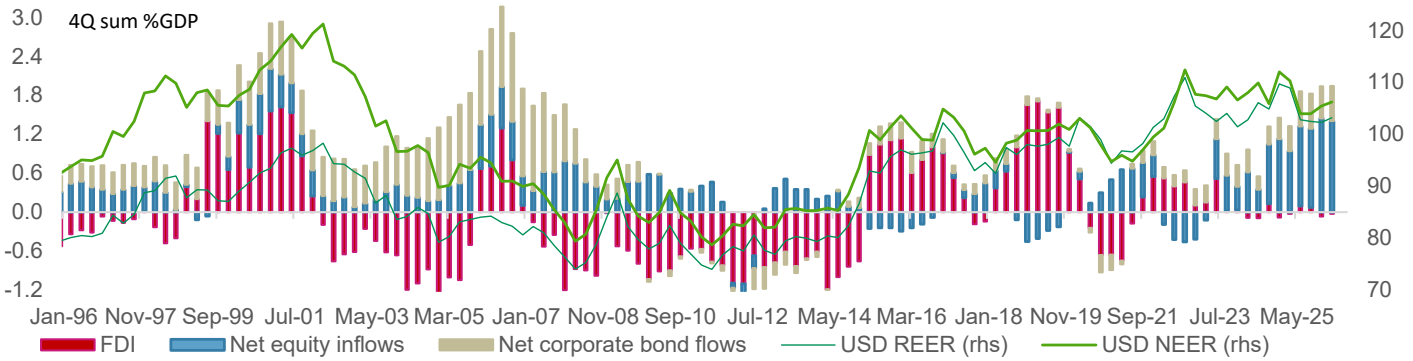
AI-fuelled US growth optimism has attracted record equity and some credit portfolio inflows. A return of FDI inflows could come in 2026 too

This document should not be used by a non legitimate recipient.

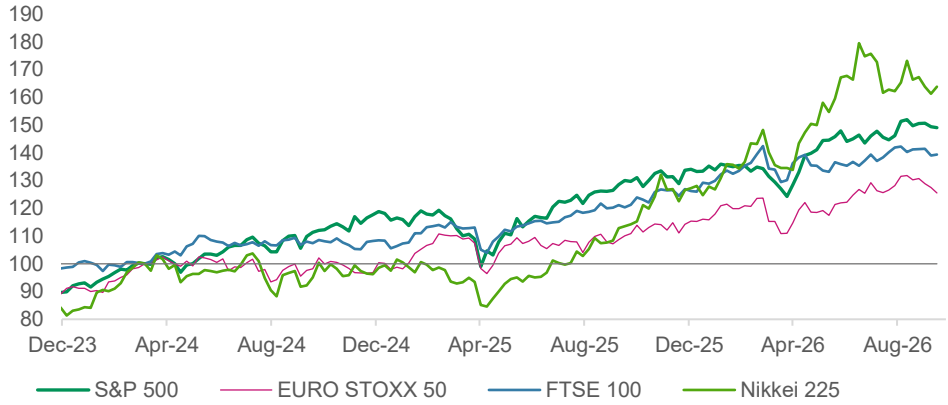
The US growth premium vs the USD NEER



Net equity and credit portfolio flows as well as FDI vs USD NEER



Stock market performance (Mar-24 = 100)



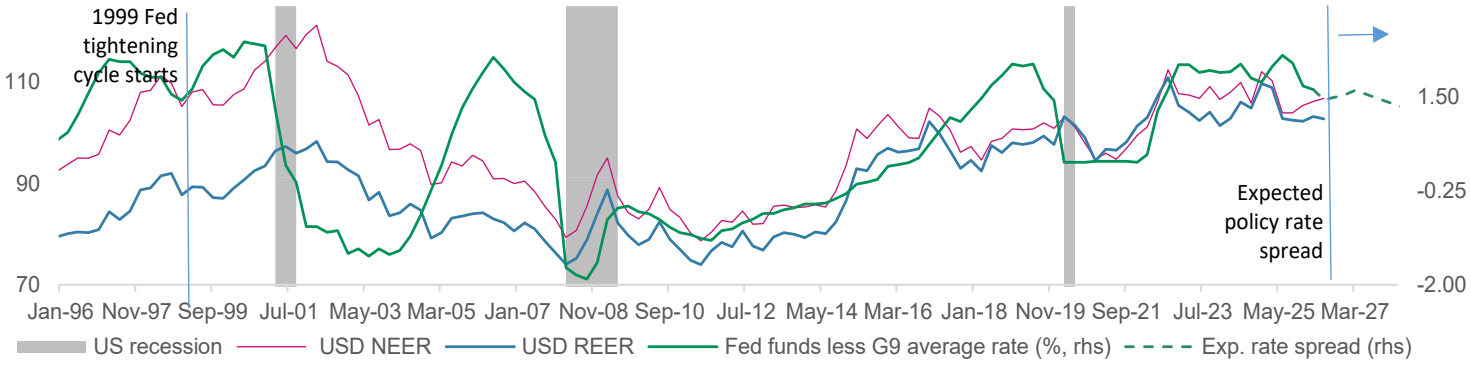
Source all charts: Crédit Agricole CIB, Bloomberg

USD: party like it's 1999? (2)

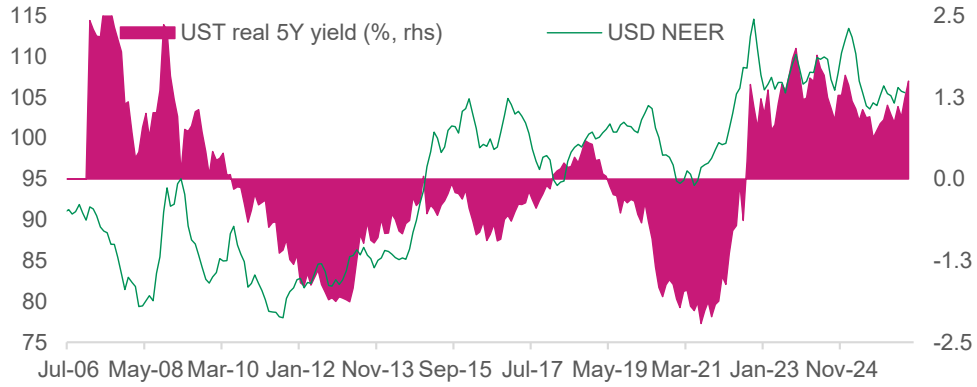
Markets are expecting the Fed to hike, but we are unlikely to get a tightening cycle like that in 1999-2000

This document should not be used by a non legitimate recipient.

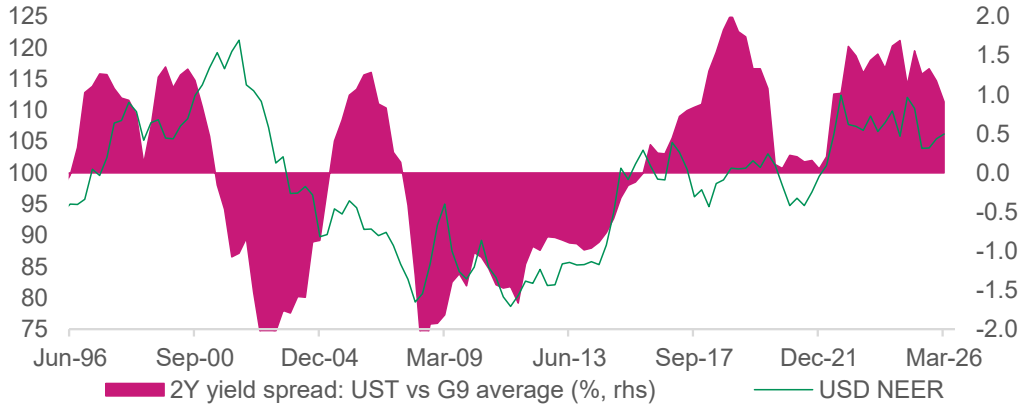
USD NEER and REER vs spread US policy rate vs G10 average



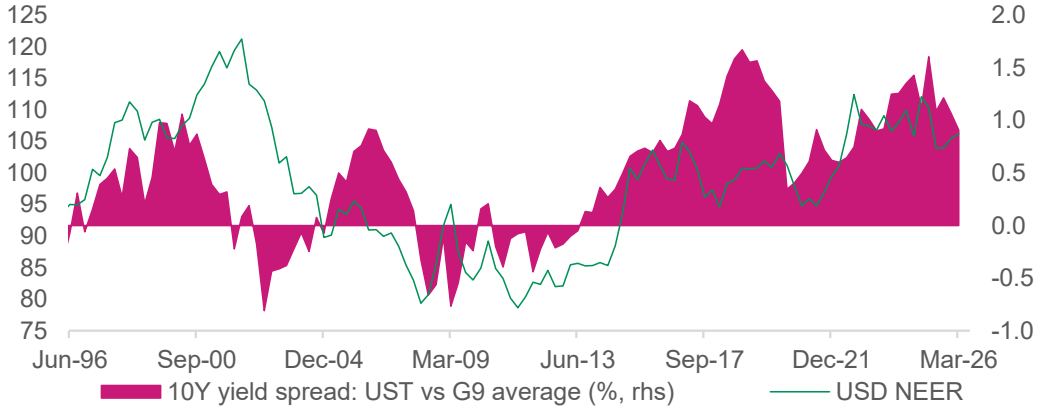
USD NEER vs 5Y US real rate



USD NEER vs spread between 2Y USD rate and G9 average rate



USD NEER vs spread between 10Y USD rate and G9 average rate

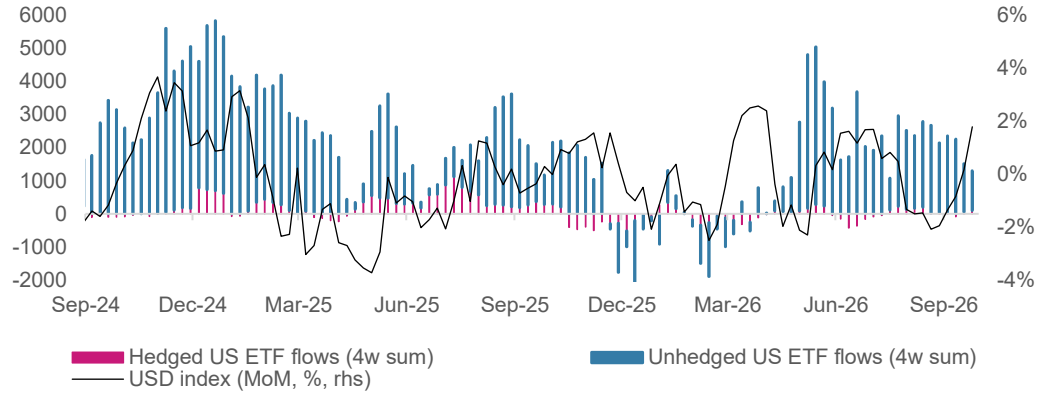


Source all charts: Crédit Agricole CIB, Bloomberg

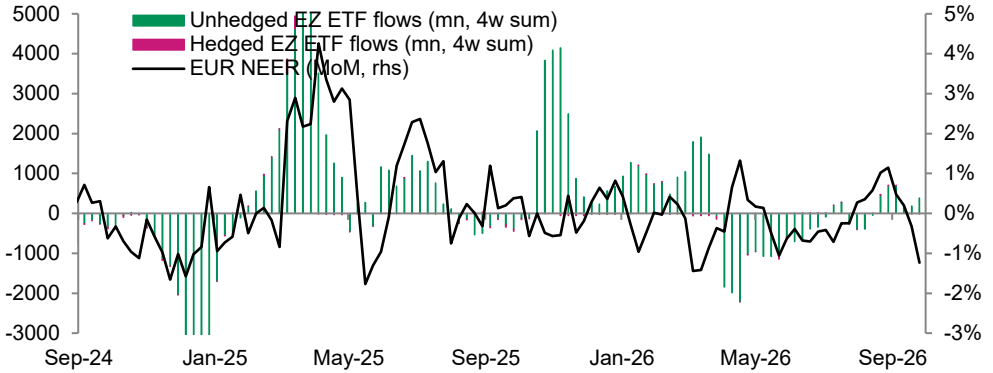
Portfolio, central bank and trade FX flows

This document should not be used by a non legitimate recipient.

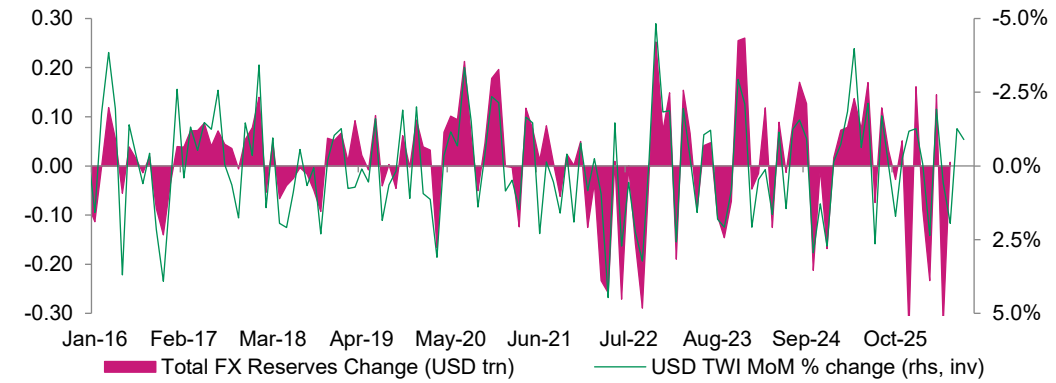
USD change vs (hedged and unhedged) ETF flows



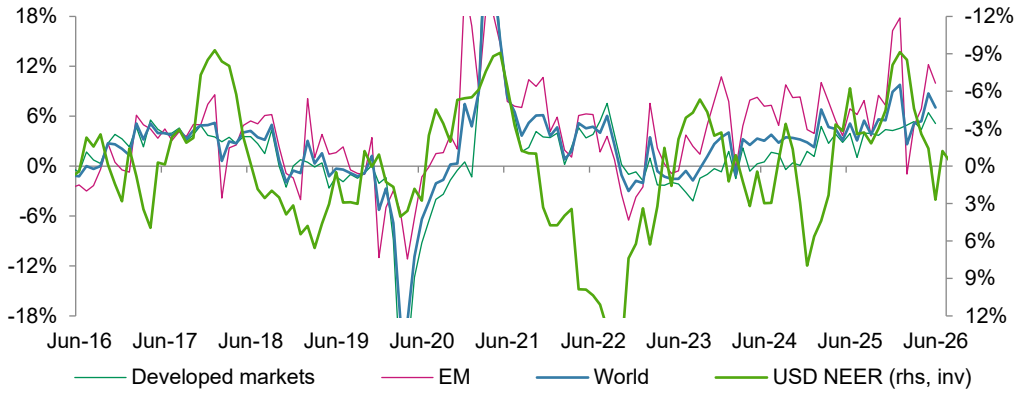
EUR performance vs net flows into Eurozone stock-market ETFs



Changes in central bank FX reserves vs USD returns



Global trade volumes vs USD NEER (YoY change)

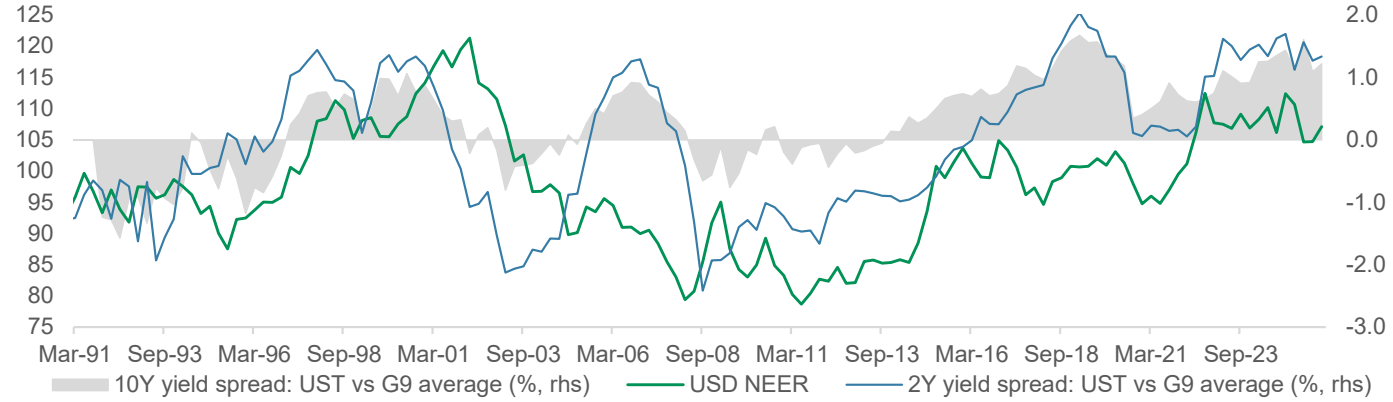


Source all charts: Crédit Agricole CIB,, Bloomberg

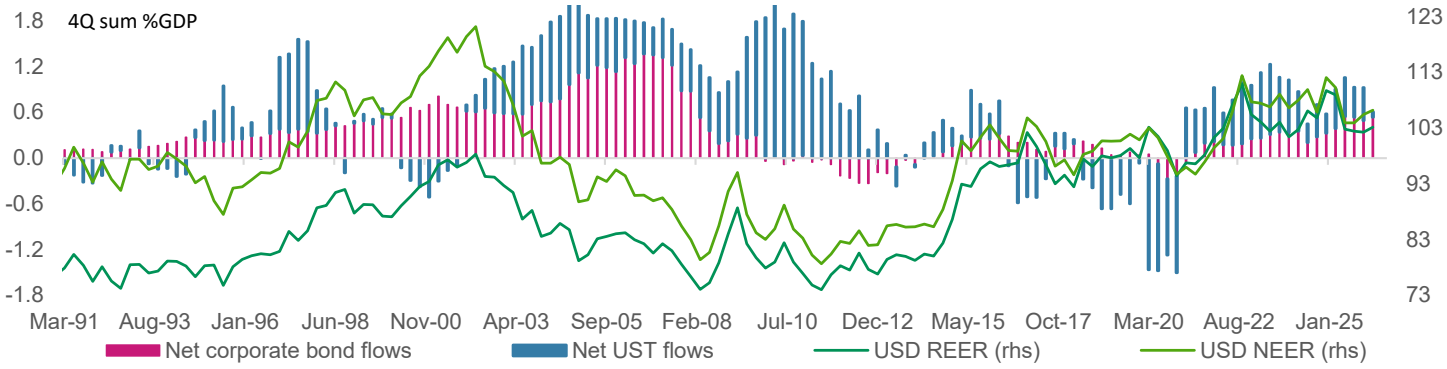
USD: fixed income inflows continue

Relatively flat UST yield curve to continue to make hedged purchases of US fixed income securities too expensive for now

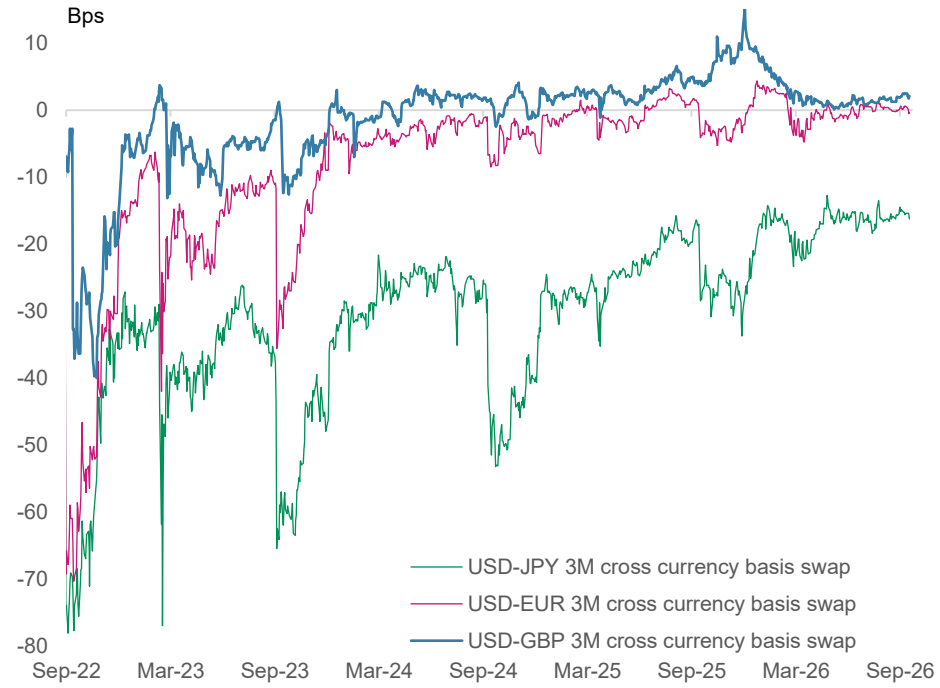
USD NEER vs its yield and rate appeal vs G10. 2Y rate trading above 10Y yield → hedging too expensive for foreign investors



USD NEER vs net portfolio flows into US fixed income markets – unhedged inflows since 2021 gave the USD a boost



Cross-currency basis swaps have signalled falling demand for USD in the forward market – a sign of FX hedging?



Source all charts: Crédit Agricole CIB, Bloomberg

This document should not be used by a non legitimate recipient.

This document should not be used by a non legitimate recipient.

3

EUR: collateral damage of geopolitical risks

CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK

Bloomberg EUR FX forecast ranking

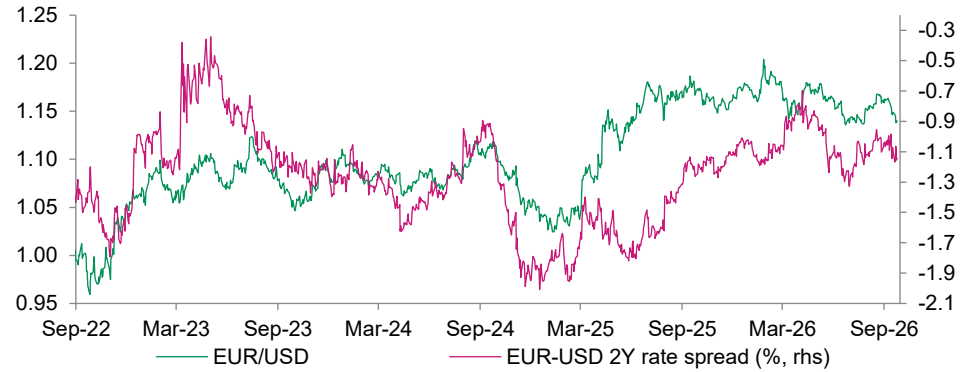
2026, 2025 and 2024

	Q2 2026	Q1 2026	Q1 2025	Q4 2024	Q2 2024
EUR/USD	No.1	No.2	No.1	No.1	No.1
EUR/GBP	No.3	No.1	No.1	No.1	No.1
EUR/CHF	No.6	No.1	No.1	No.1	No.2
G10 FX Forecasts	No.3	No.1	No.4		No.7

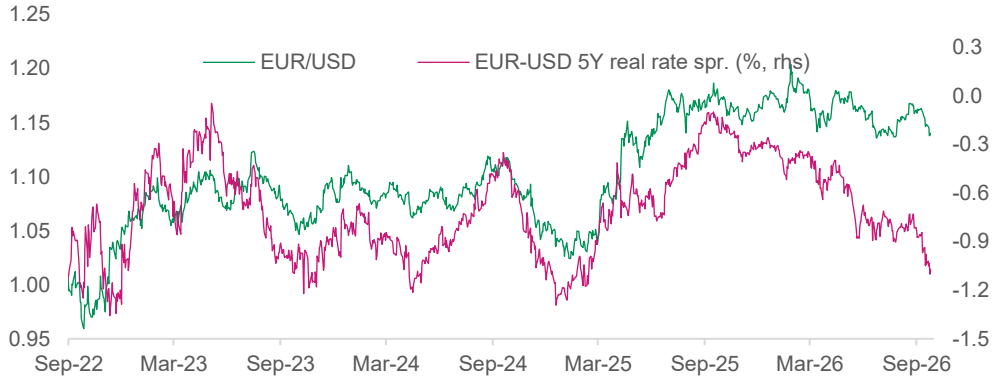
EUR/USD: positives and negatives

EUR/USD has recoupled with the EUR-USD relative rate spreads – both nominal and real

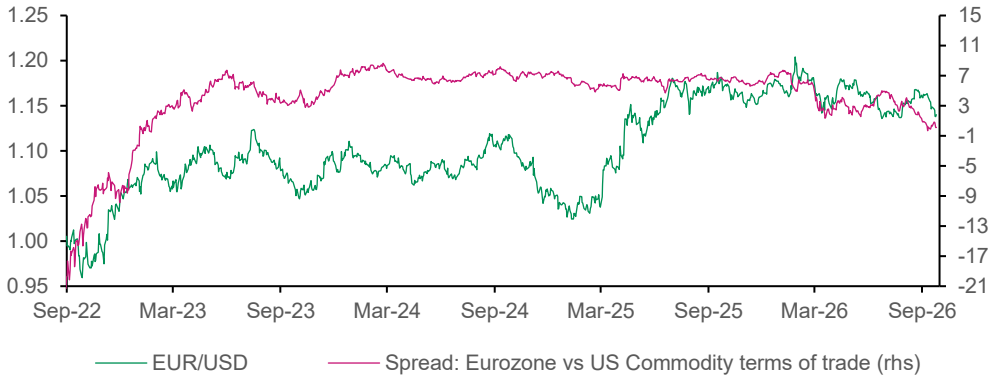
EUR/USD vs EUR-USD rate spread



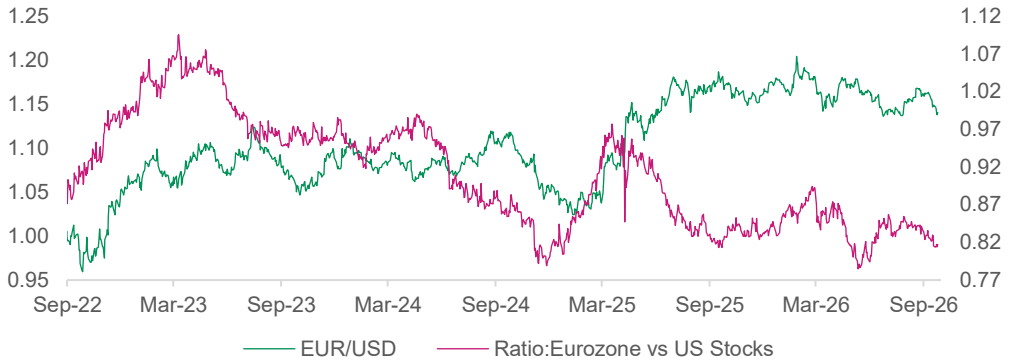
EUR/USD vs EUR-USD real rate spread



EUR/USD vs spread: Eurozone vs US commodity ToT



EUR/USD vs ratio between Eurozone and US stocks



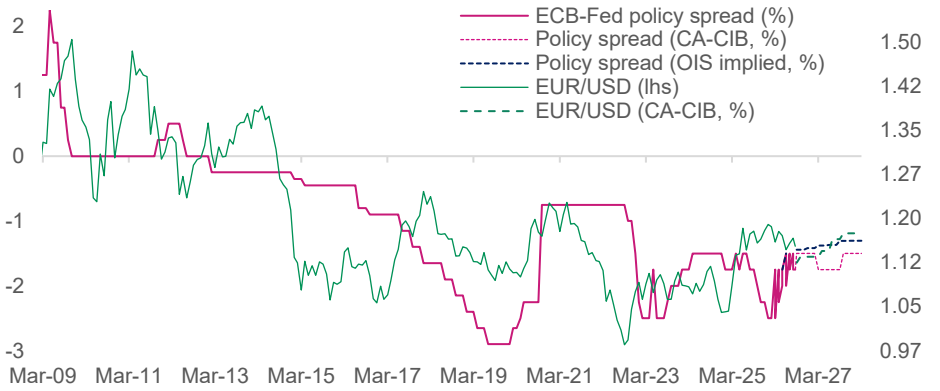
This document should not be used by a non legitimate recipient.

Source all charts: Crédit Agricole, Bloomberg

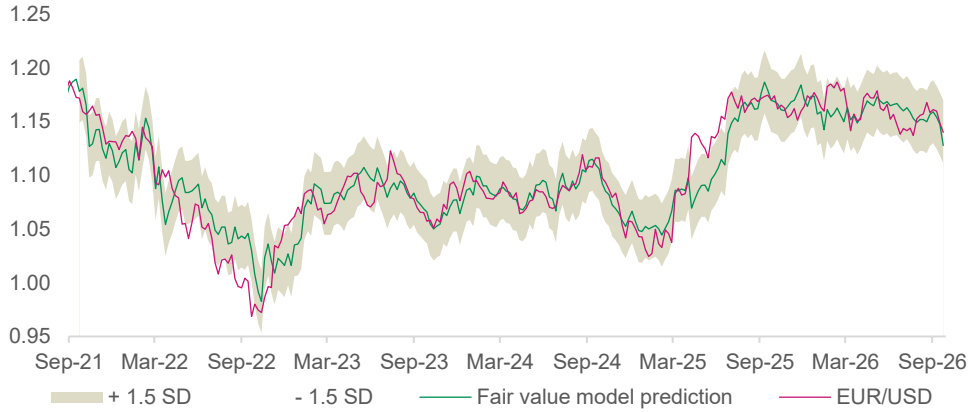
EUR/USD: looking oversold but not a buy just yet

EUR/USD is looking somewhat oversold but should not recover before the EUR-Fed rate spread turns less negative

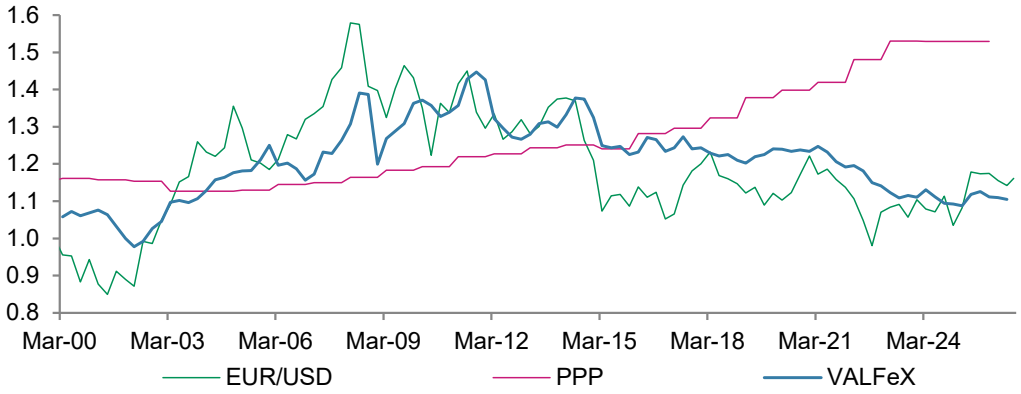
EUR/USD vs ECB-Fed policy rate spread and projection



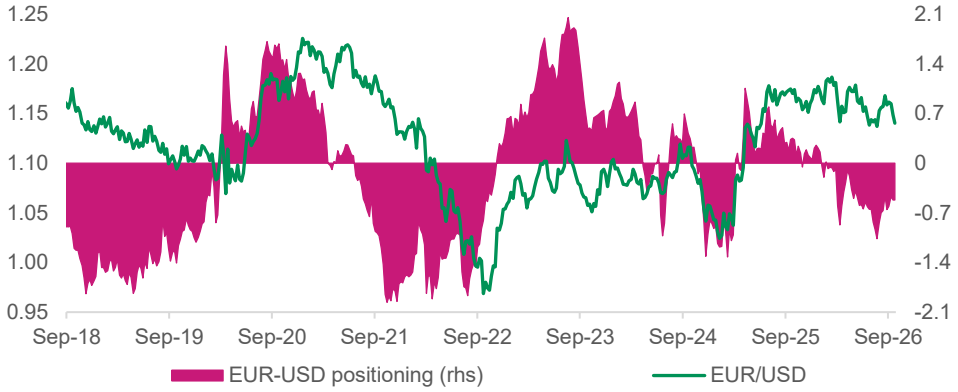
EUR/USD vs EUR/USD fair value model



EUR/USD vs long-term fair value gauges (G10 VALFeX and PPP)



EUR/USD vs relative EUR-USD positioning



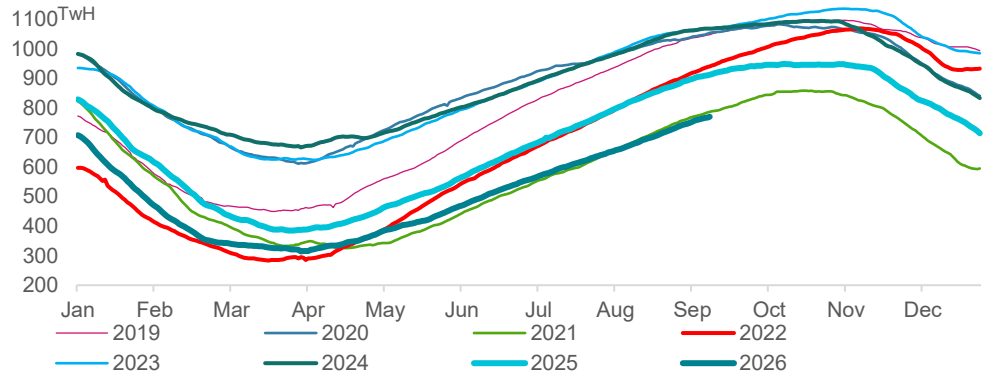
This document should not be used by a non legitimate recipient.

Source all charts: Crédit Agricole, Bloomberg, ECB

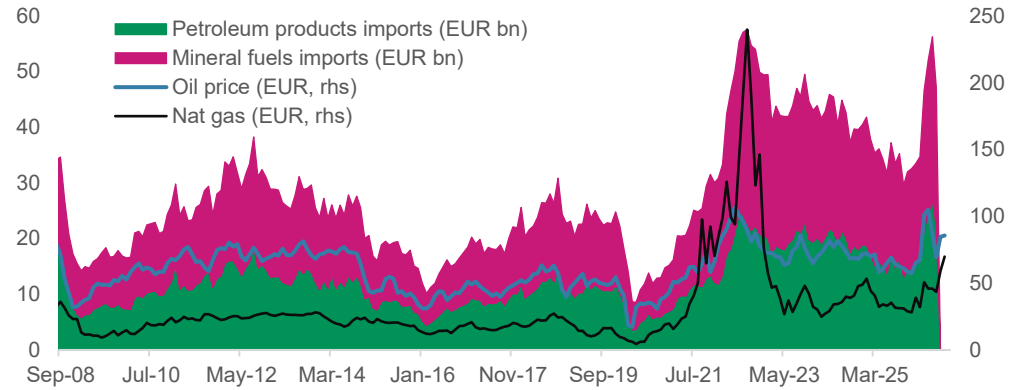
EUR: not a 2022 redux

The war in Iran is proving to be less damaging for the EUR than the war in Ukraine was in 2022

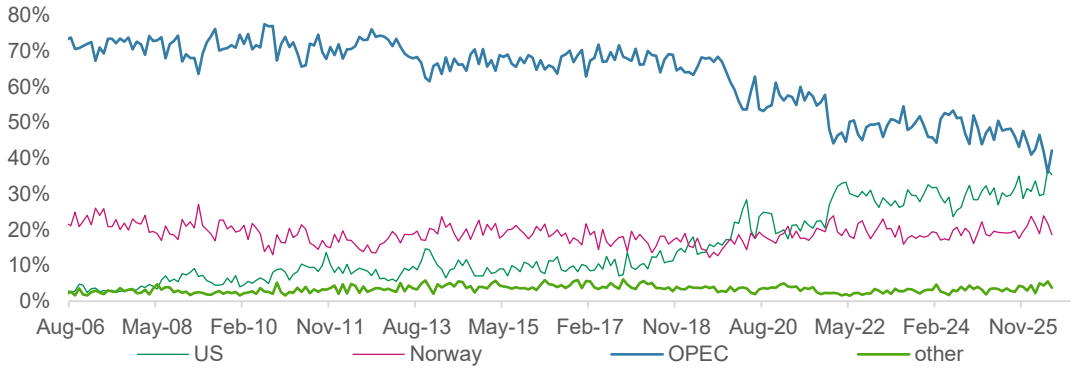
European gas storage levels per month



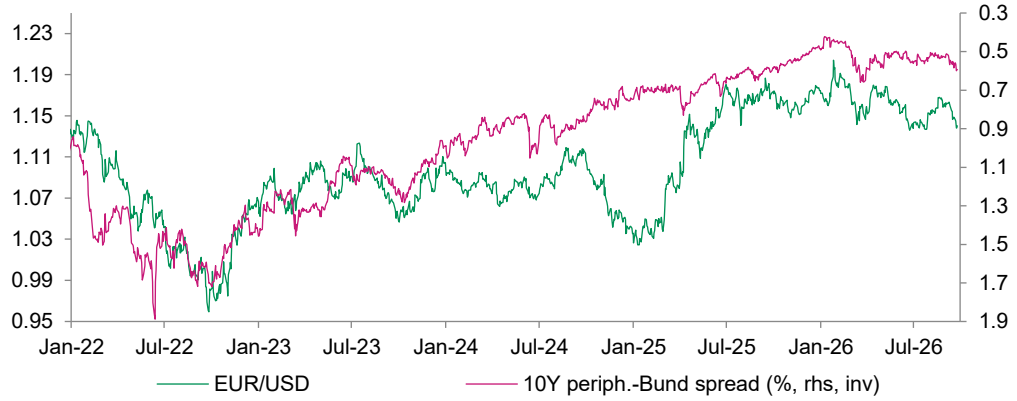
Eurozone energy and petroleum product imports from OPEC, USMCA and Norway vs energy commodities



Share in EU mineral fuel imports (ex-Russia)



Peripheral spreads to Bund yield vs EUR/USD



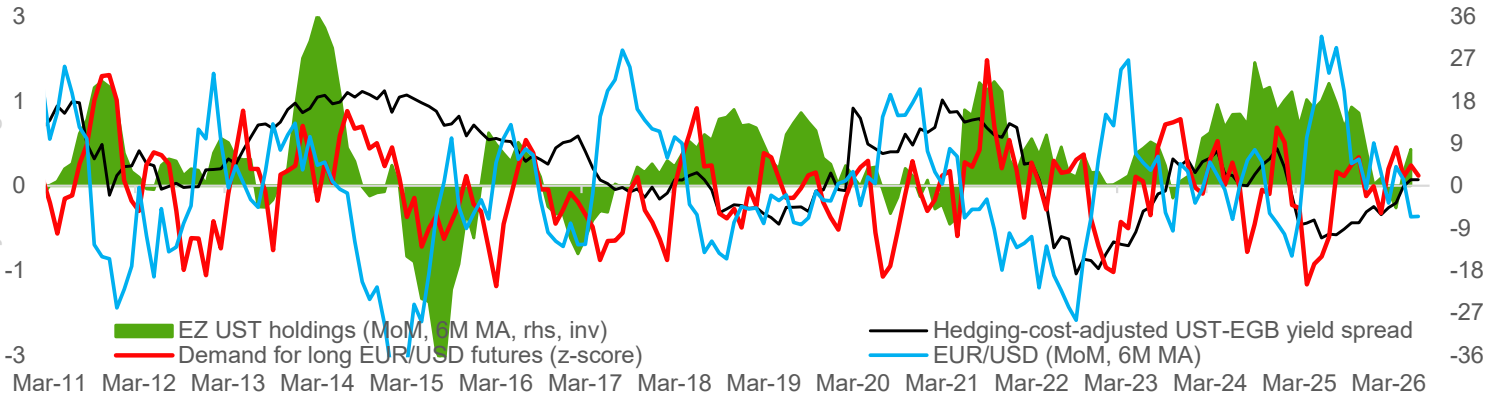
This document should not be used by a non legitimate recipient.

FX hedging – the case of EUR/USD

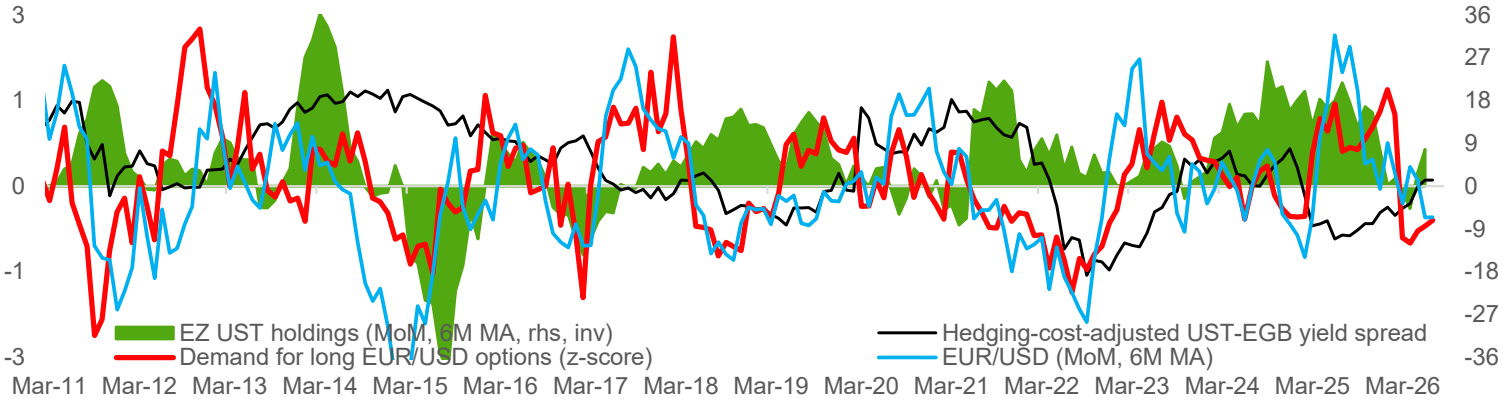
Future demand for EUR/USD hedges will depend on the FX valuation, net-portfolio and trade flows as well as the cost of hedging

This document should not be used by a non legitimate recipient.

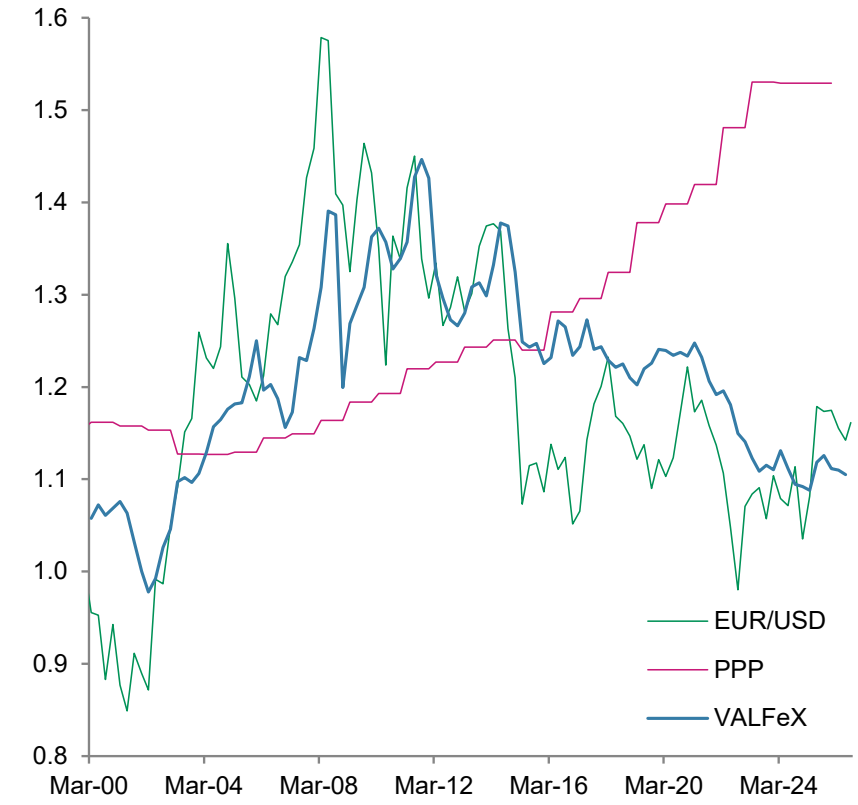
Demand for EUR/USD futures as a function of EUR/USD, net portfolio flows and hedging costs



Demand for EUR/USD options as a function of EUR/USD, net portfolio flows and hedging costs.



EUR/USD vs long-term fair value gauges



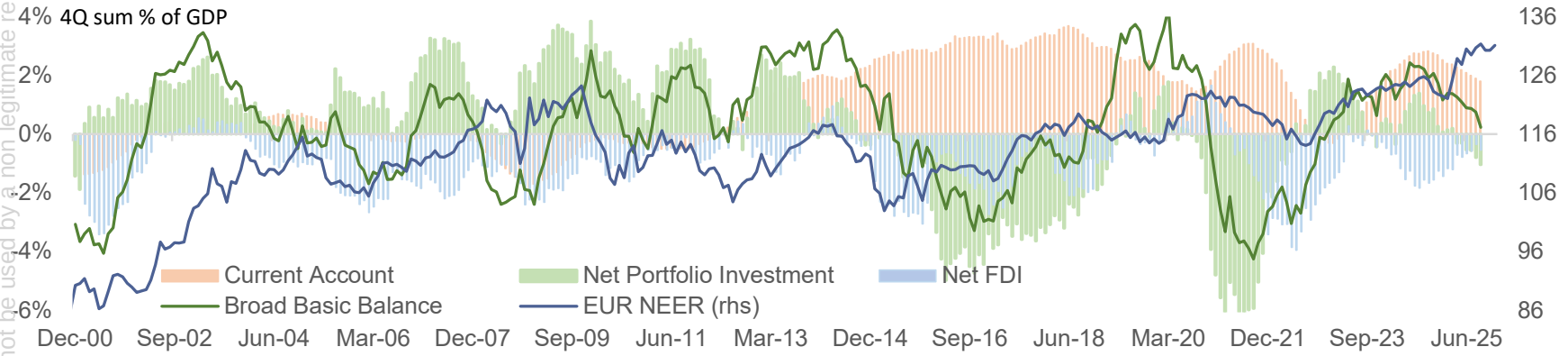
Source all charts: Crédit Agricole CIB, CFTC, Bloomberg

How the new Eurozone growth model could hurt the EUR

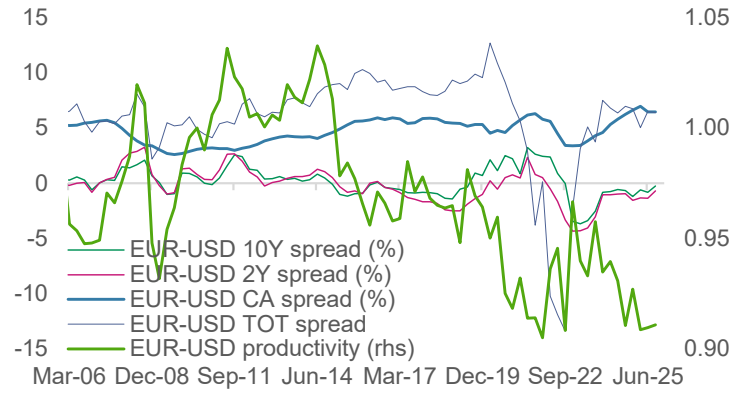
Corporate EUR-demand on the crosses vs recycling of Eurozone excess savings by domestic investors

This document should not be used by a non legitimate recipient.

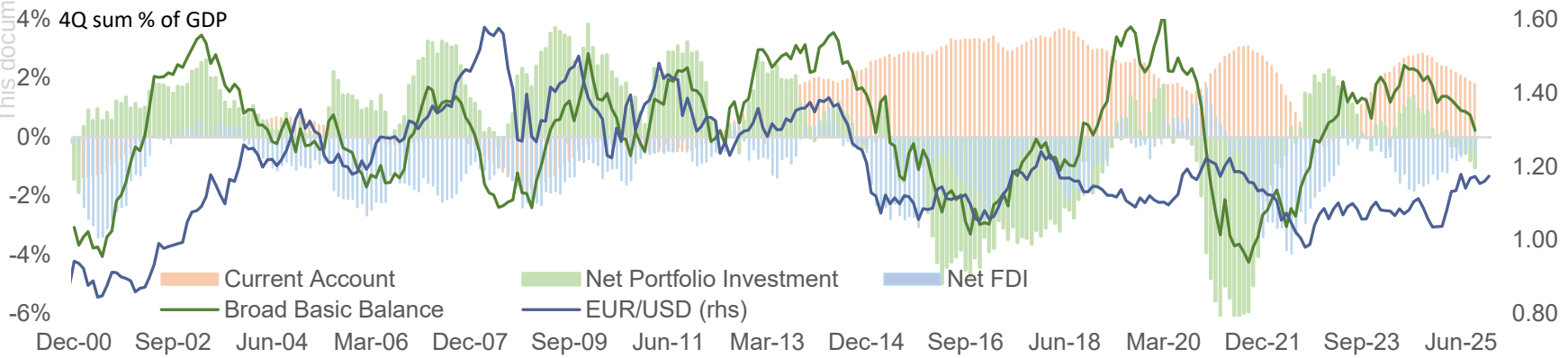
EUR NEER: the emergence of the Eurozone as an export champion fuelled demand for EUR-crosses



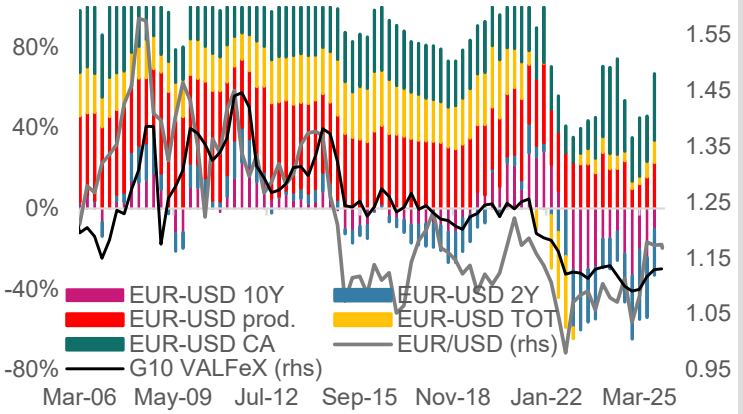
EUR/USD long-term fair value drivers



EUR/USD: the negative impact from the recycling of Eurozone excess savings into the US is the dominant driver



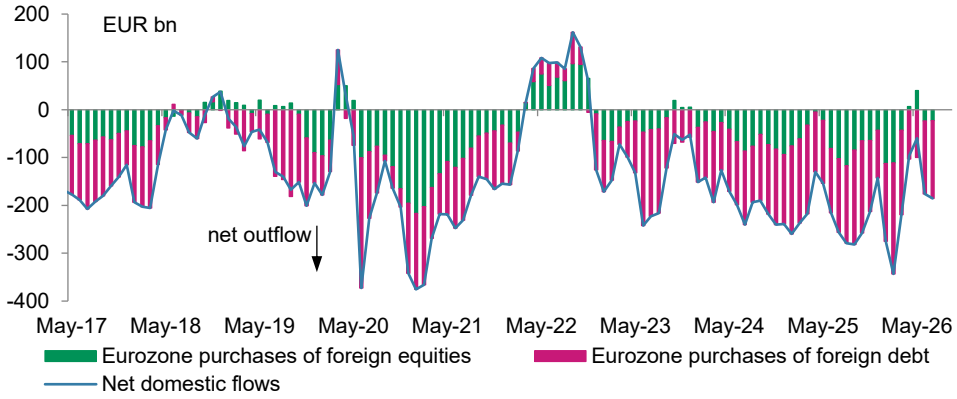
EUR/USD long-term fair value contributors



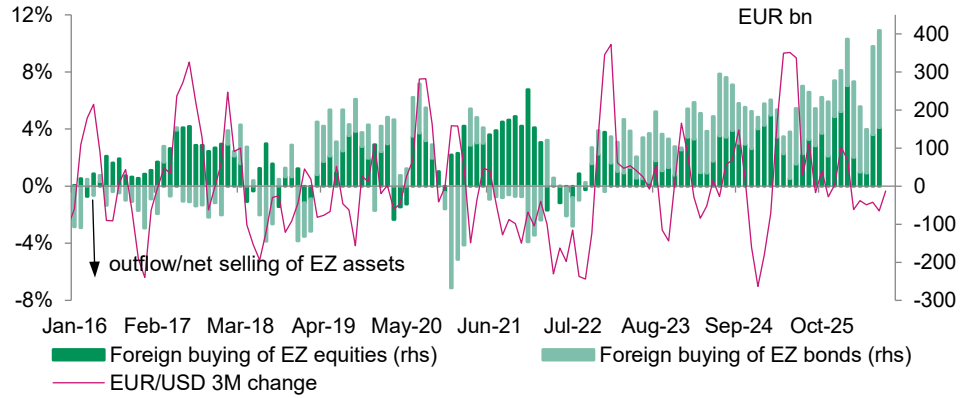
EUR and the BoP: foreign inflows vs domestic outflows

Eurozone net portfolio flows have not supported the EUR

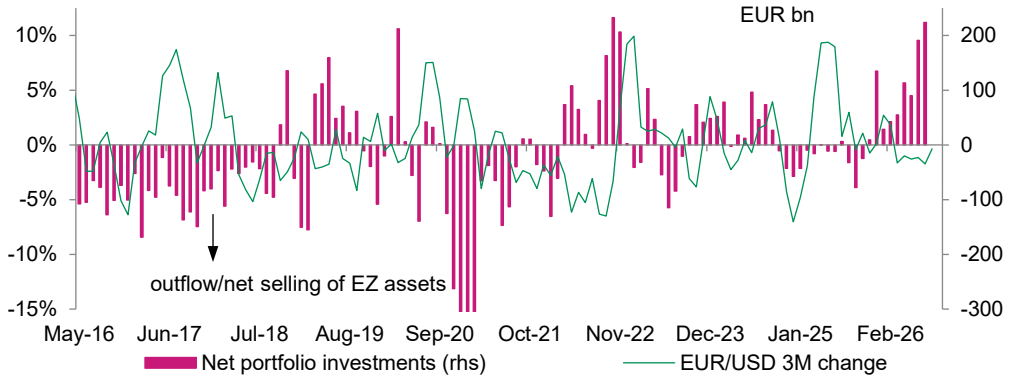
Domestic portfolio flows – persistent outflows



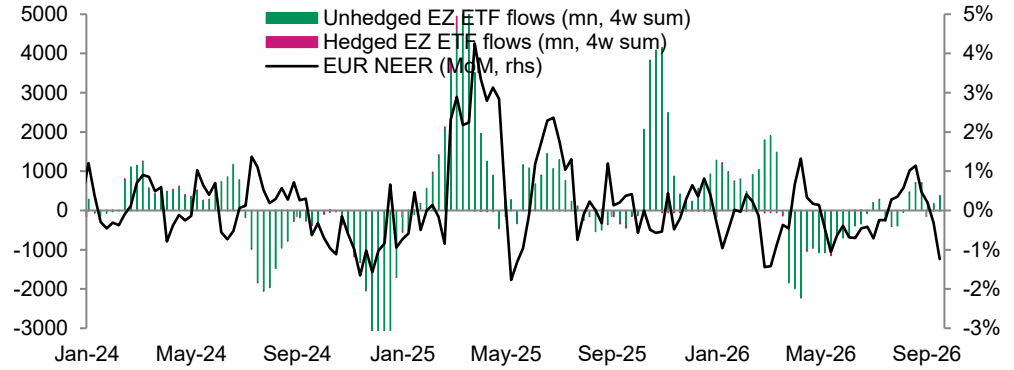
Foreign portfolio flows – renewed inflows



Net portfolio flows and the EUR



EUR performance vs net flows into Eurozone stock-market ETFs



This document should not be used by a non legitimate recipient.

Source all charts: Bloomberg, Crédit Agricole CIB, ECB

How do EUR investors benefit from European fiscal stimulus?

Total weight of iBoxx EUR IG Corporate sectors = 57.4%

EU defence plan
EUR500bn German defence + potential EUR650bn EU countries defence + EUR150bn EU loan

Potential impacts:
- **Boost to European defence industry**
- **Increased military support for Ukraine**
- **Greater European strategic autonomy**

→ **+ Metal & Mining = 0.5%**
+ Defence = 0.4%

German infrastructure plan
EUR500bn

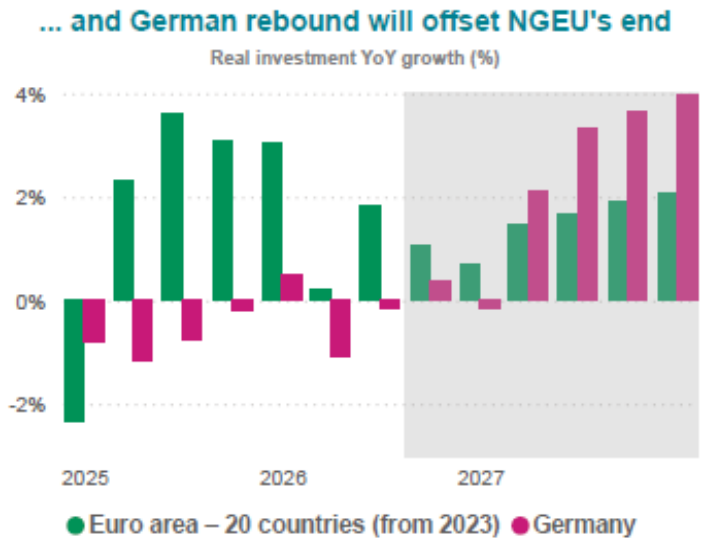
Key sectors targeted:
Transportation
Energy
Education
Digitalisation

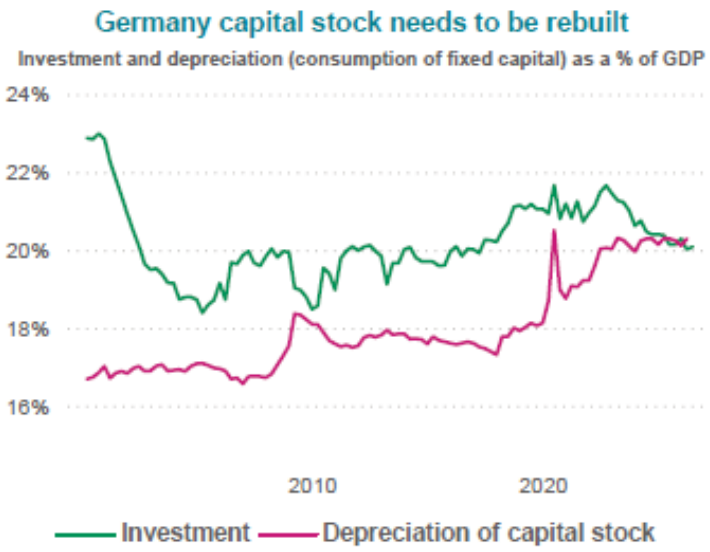
→ **+ Banks = 30%**
+ Consumer discretionary = 5%
+ Chemicals = 2%

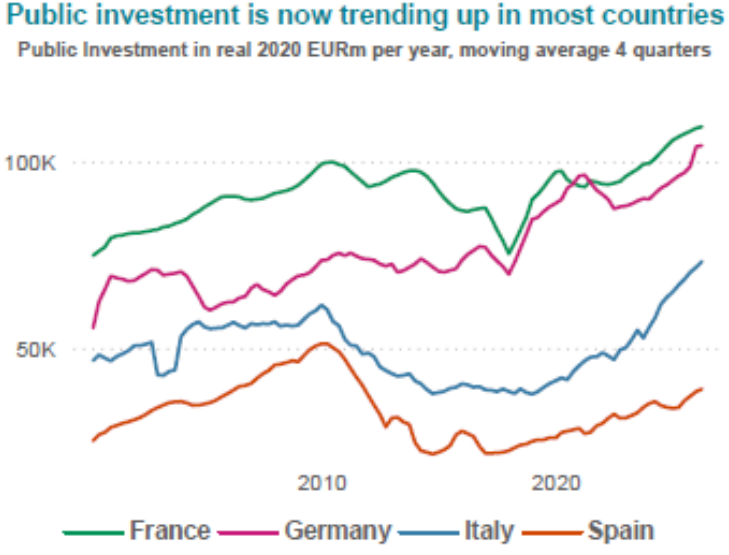
- Utilities = 11%
- Real Estate = 5%

→ **+ Capital goods = 2.0%**
+ Construction = 1.0%
+ Building material = 0.5%









Source: CMIT by Crédit Agricole CIB

This document should not be used by a non legitimate recipient.

This document should not be used by a non legitimate recipient.

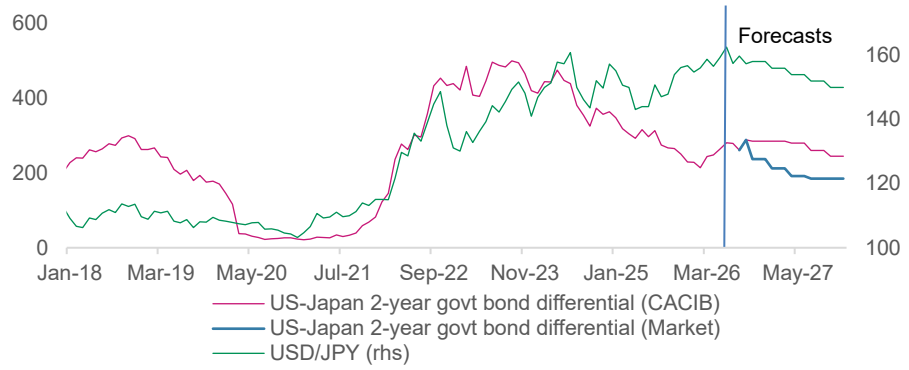
4

JPY: some help from its friends

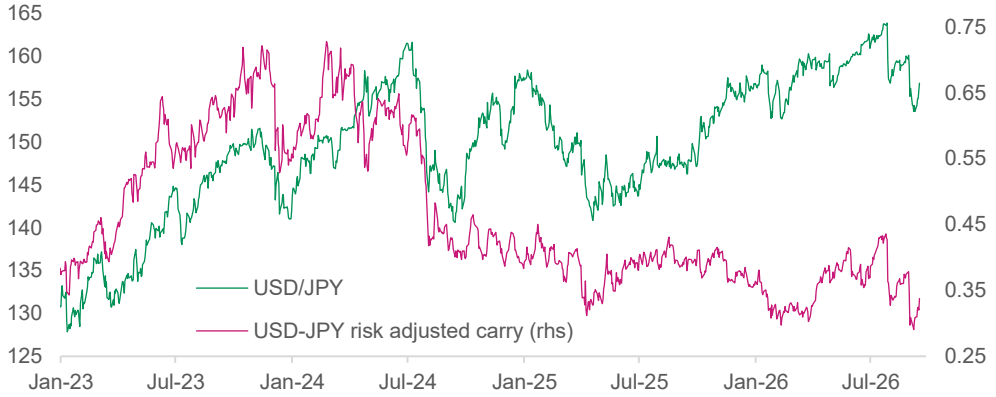
JPY: Fundamentals pointing to a weak JPY (1)

The BoJ's glacial pace of rate hikes is keeping the JPY down. The central bank looks like only matching Fed rate hikes in the near term

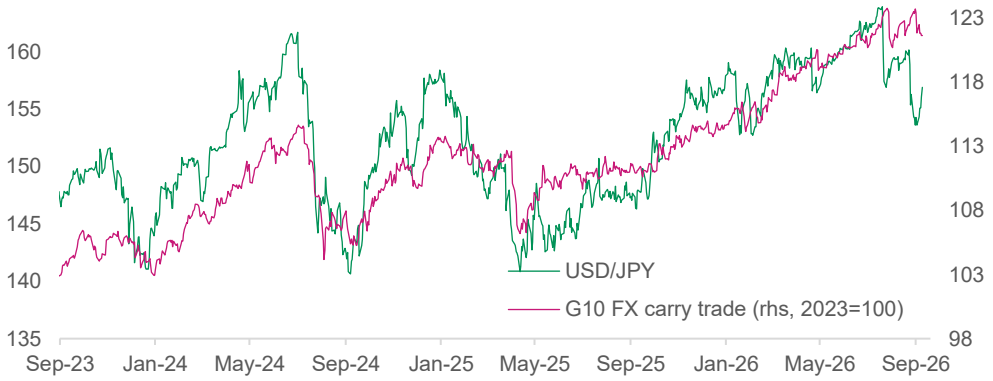
USD/JPY is once again being ruled by the US-Japan short-term rates spread



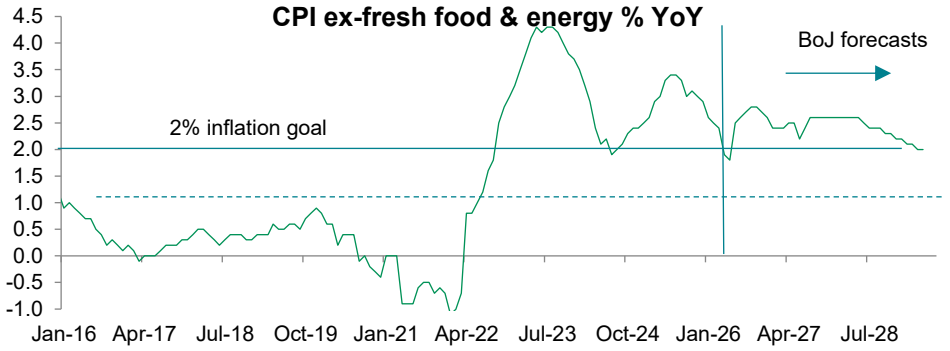
USD/JPY vs risk-adjusted USD-JPY carry: intervention has hurt long USD/JPY carry returns



USD/JPY vs G10 FX carry trade performance



The BoJ expects only a modest rebound in inflation



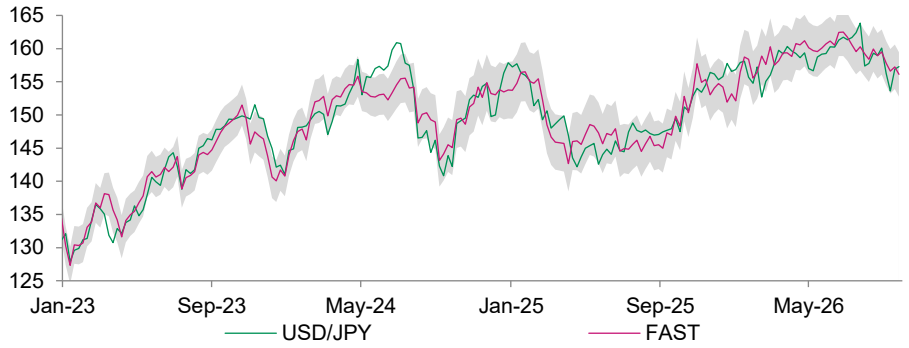
Source all charts and tables: Crédit Agricole CIB, Bloomberg

This document should not be used by a non legitimate recipient.

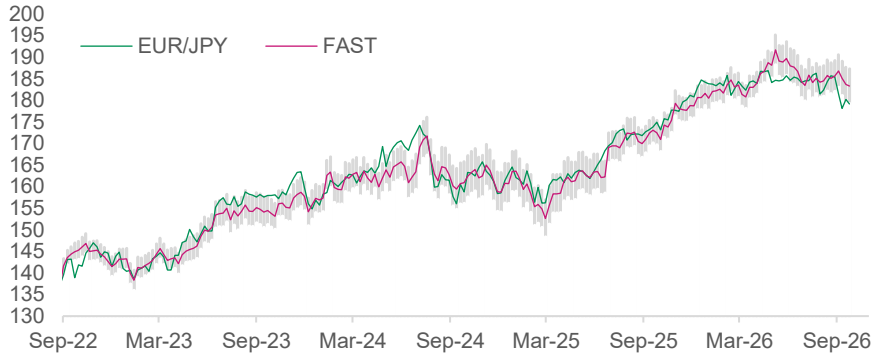
JPY: fundamentals pointing to a weak JPY (2)

The JPY is not excessively weak

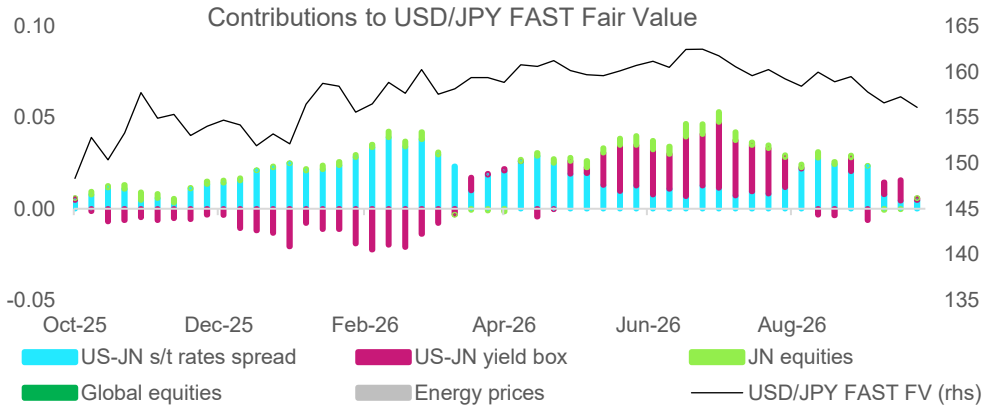
USD/JPY vs short-term fair value



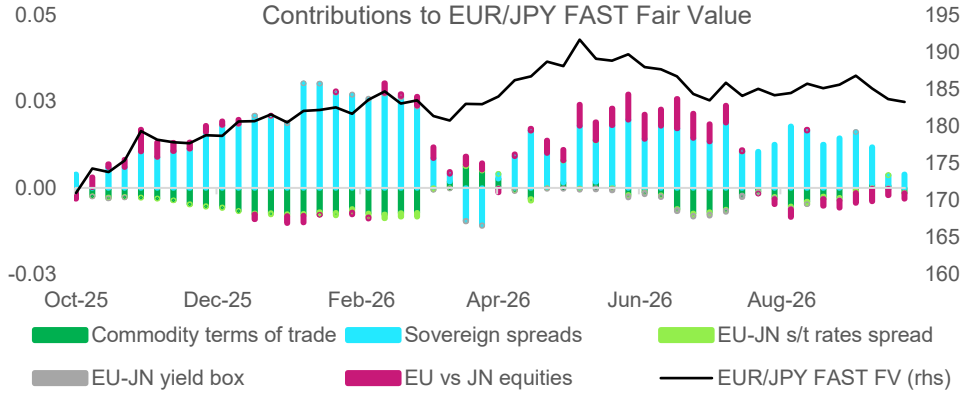
EUR/JPY vs short-term fair value



US-Japan rates spreads and strong Japan equities are helping USD/JPY



Sovereign spreads and commodity prices are driving EUR/JPY

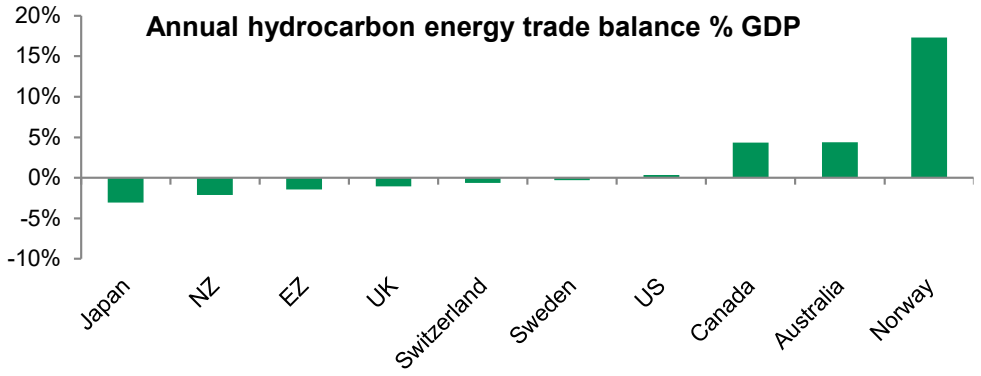


This document should not be used by a non legitimate recipient.

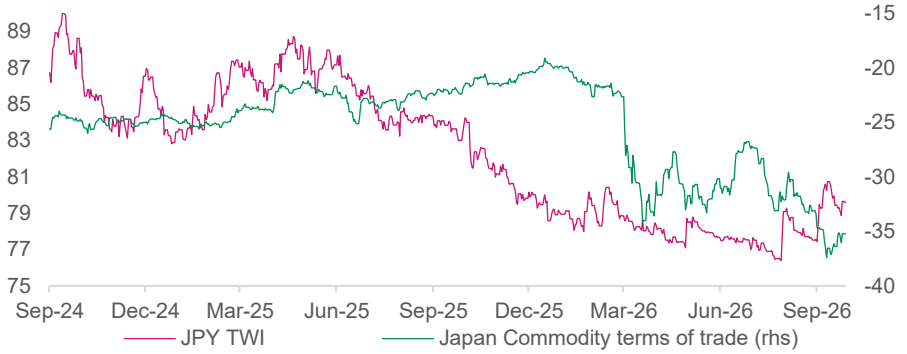
JPY: fundamentals pointing to a weak JPY (3)

Elevated oil prices remain a weight on the JPY. Investors are also growing concerned about Japan's fiscal sustainability

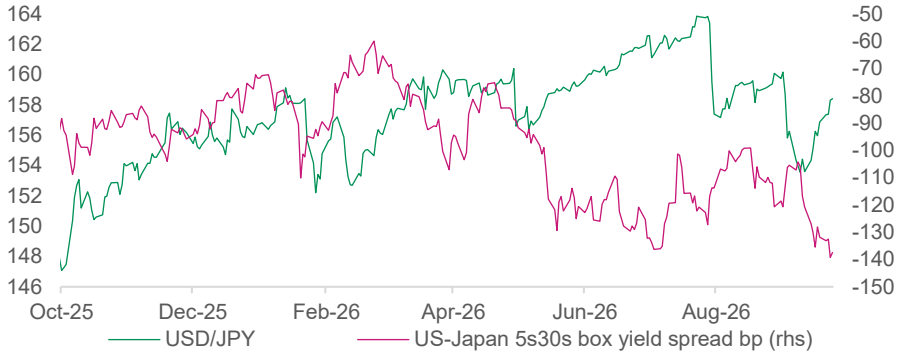
Japan has the highest exposure in the G10 to higher energy prices



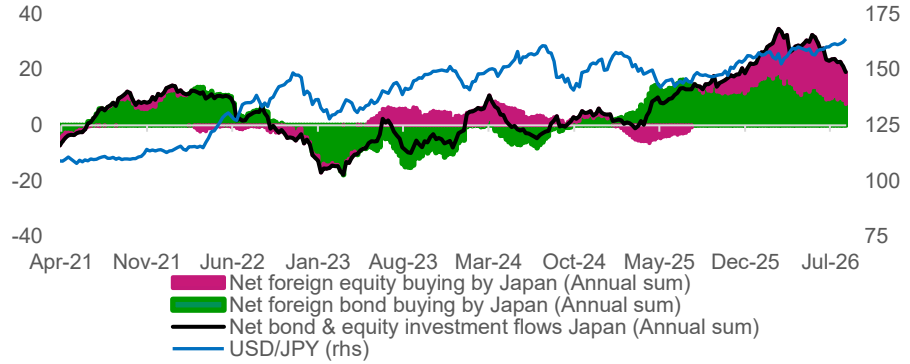
Improving terms of trade with lower oil prices failing to help the JPY



The US-Japan box yield spread has become negatively correlated with USD/JPY investors worry about fiscal sustainability



USD/JPY and Japanese net purchases of foreign assets

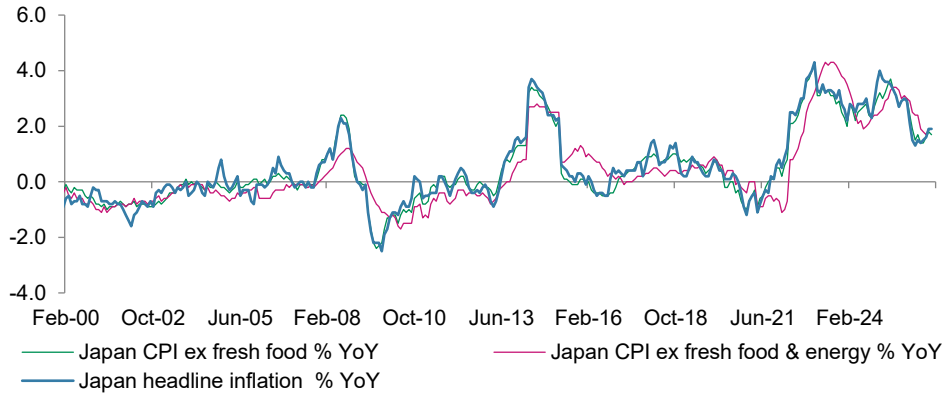


This document should not be used by a non legitimate recipient.

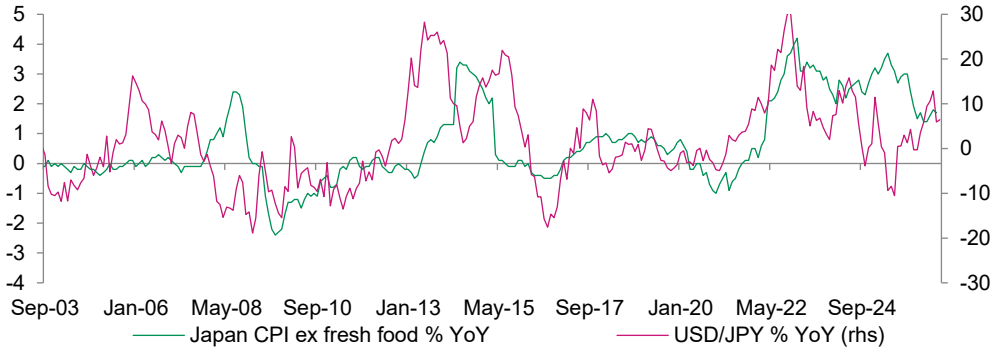
JPY: but there is only so much tolerance for a weak JPY

The weak JPY threatens higher inflation and voter backlash as well as drawing the ire of the US

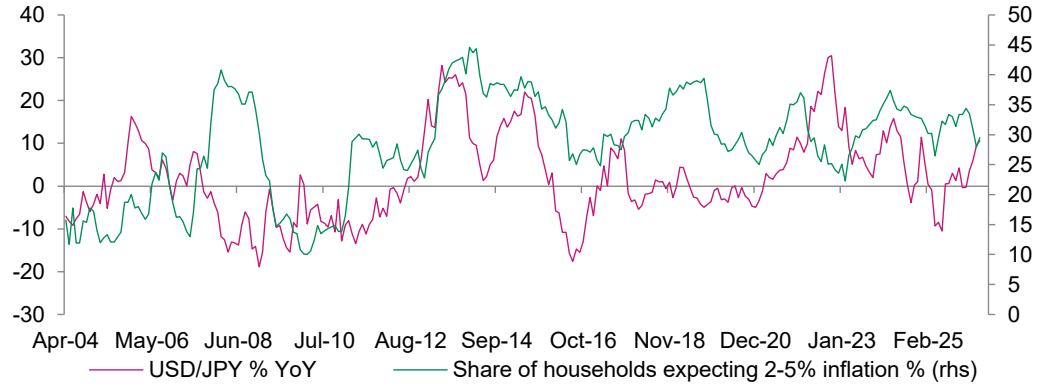
Inflation is currently bottoming out and readying to go back above target



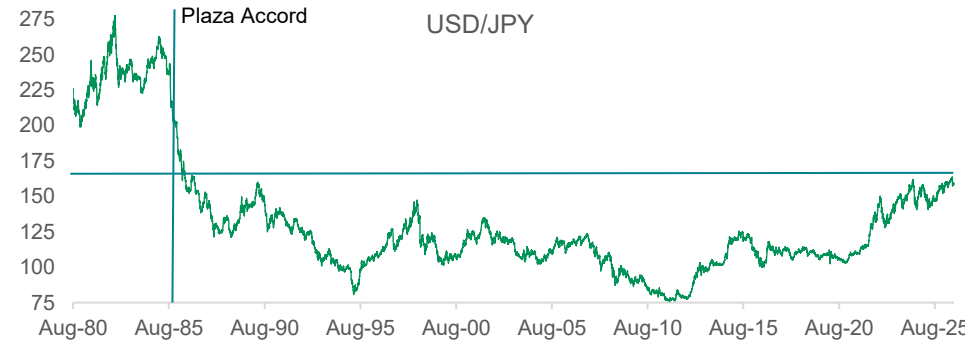
The weak JPY has also been a source of inflation…



…and households' inflation angst



USD/JPY at risk of reversing Plaza Accord declines above 164



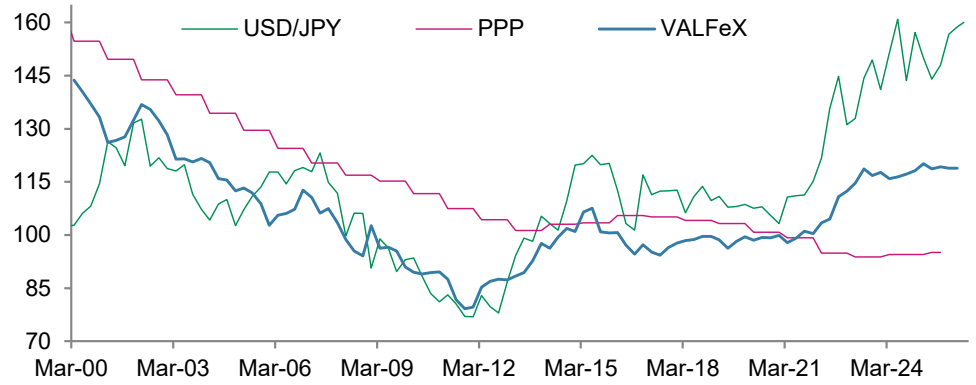
This document should not be used by a non legitimate recipient.

JPY: a carefully calibrated weak JPY

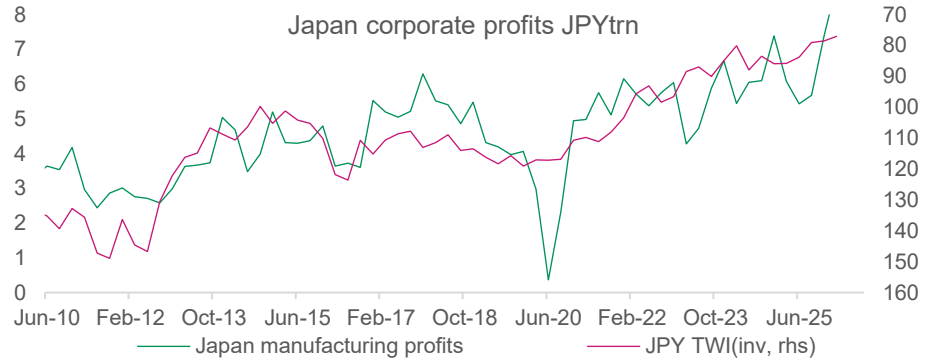
Japan benefits from a weak JPY and so must manage the political and economic realities around the currency

This document should not be used by a non legitimate recipient.

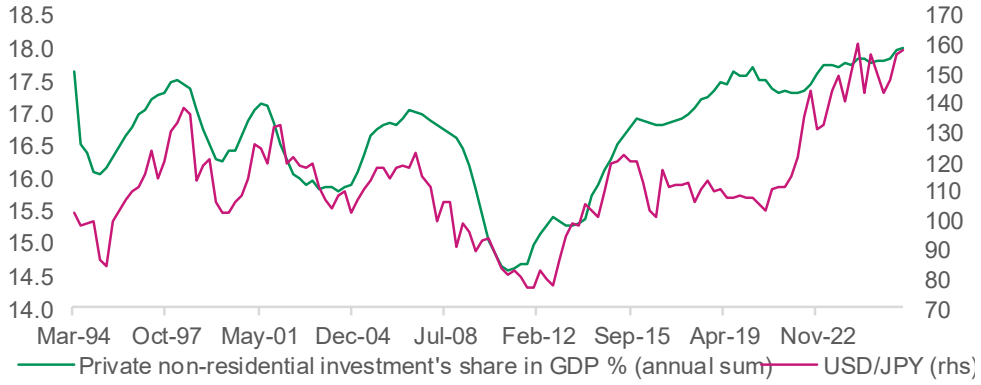
The JPY remains structurally undervalued



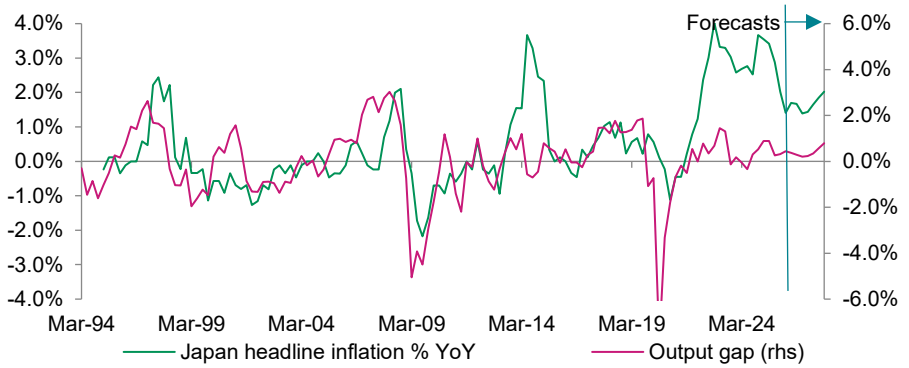
The weaker JPY has helped push Japan corporate profits higher



A weaker JPY encourages private sector investment..



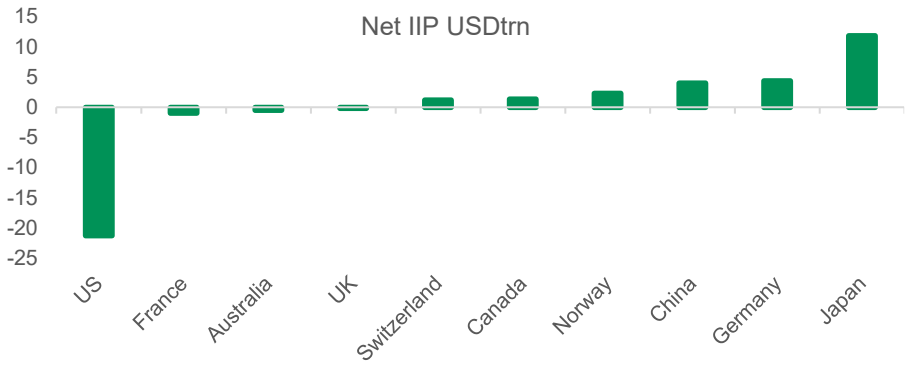
Japan's output gap is expected to turn less negative, as a result



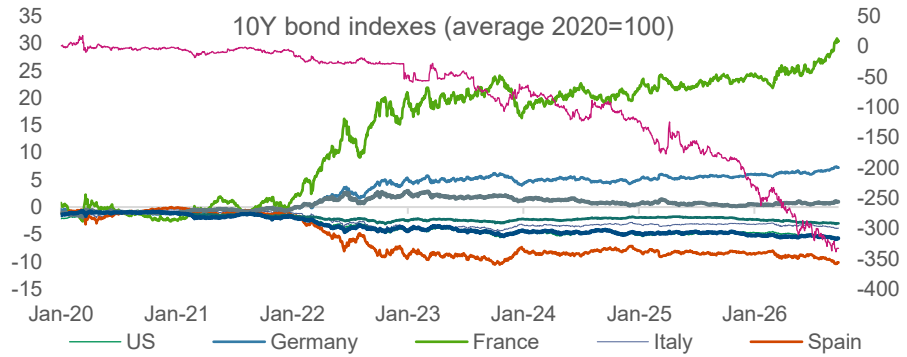
JPY: time to draw down some offshore savings?

Japan has significant offshore savings to drawdown upon to help finance private-public investment spending

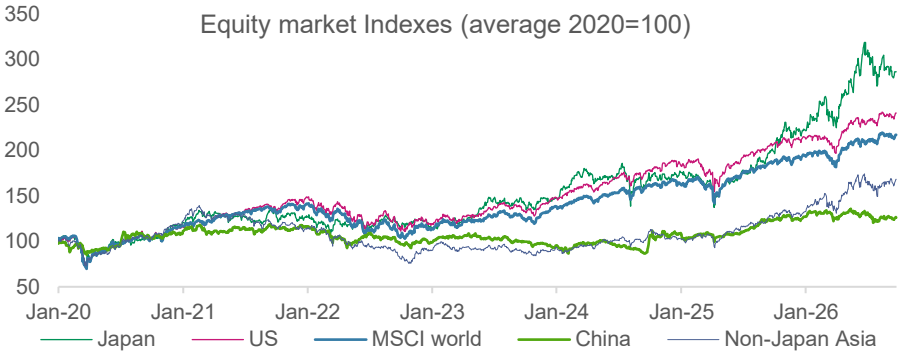
Japan has significant offshore assets relative to the rest of the G10 & even China



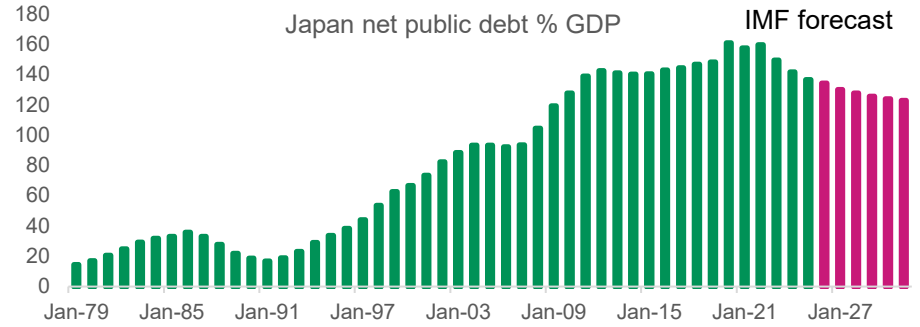
The underperformance of JGBs is encouraging more GPIF allocation towards them



The outperformance of Japanese equities is not encouraging GPIF to buy more



Japan's net foreign debt is declining



This document should not be used by a non legitimate recipient.

Source all charts and tables: Crédit Agricole CIB,GPIF BoJ, Bloomberg, CEIC

JPY: how much firepower does the GPIF have?

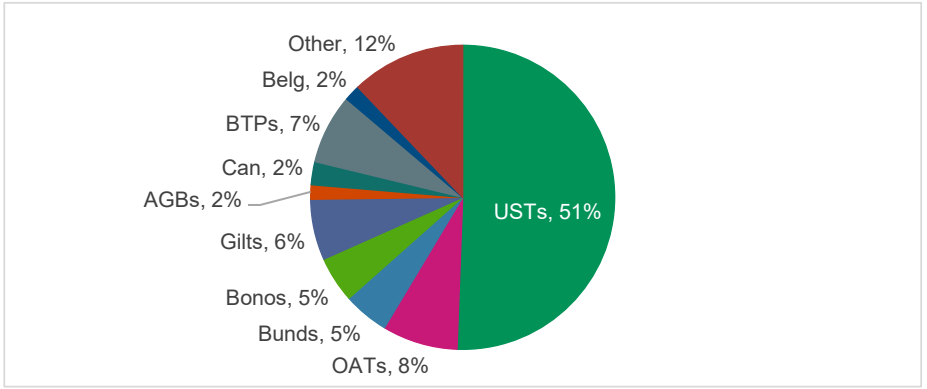
- In 2014, the GPIF decided to reduce its domestic bond holdings during Abenomics out of concern of a bubble developing. The GPIF is likely more comfortable increasing its allocation towards domestic bonds following the recent sell off in JGBs. We are less convinced the GPIF would be comfortable significantly boosting its holdings of domestic equities given that Japan's equity market has outperformed even the US's market since the pandemic.
- US Treasury Secretary Bessent may be resistant to the GPIF selling large amounts of USTs given his efforts to cap UST yields. The rising political risks in could make the GPIF spread the reductions in foreign bond holdings across EGBs and USTs as well as other foreign bond holdings. The UK's public finances also remain under strain. While the majority of the GPIFs holdings are in USTs, it also holds substantial OATs, Bunds, BTPs, Bonos and Gilts, which make up about one-third of the pension fund's foreign bond holdings.

This document should not be used by a non legitimate recipient.

Japan GPIF asset allocations through time

% shares in GPIF AUM	2013	2014	2020	Actual March 2026
Domestic bonds	60	35	25	26.91
Foreign bonds	11	15	25	24.48
Domestic equities	12	25	25	23.81
Foreign equities	12	25	25	24.8
Other	5	0	0	0

GPIF holdings of foreign bonds



Potential GPIF flows vs Japan's current account surplus

		GPIF AUM		Sister funds' AUM
		JPYtrn	317.8	10.4
		USDtrn	2.1	0.1
		Domestic bonds share %	25.6	
		Domestic equities share %	24.5	
Potential share of domestic bonds %	31%	35%	40%	50%
Total share of domestic assets %	55%	59%	64%	74%
Potential reallocation flows	USDbn	USDbn	USDbn	USDbn
GPIF	110.9	192.9	295.5	500.5
Sister funds	3.6	6.3	9.7	16.4
Total bonds	**114.6**	**199.2**	**305.1**	**516.9**
Ratio to annual current account surplus	1.8	3.1	4.7	8.0
Potential share of domestic equities %	31%	31%	31%	31%
Total share of domestic assets %	62%	66%	71%	81%
Potential reallocation flows	USDbn	USDbn	USDbn	USDbn
GPIF	133.7	133.7	133.7	133.7
Sister funds	4.4	4.4	4.4	4.4
Total equities	**138.1**	**138.1**	**138.1**	**138.1**
Total bonds + equities	252.6	337.3	443.2	654.9
Ratio to annual current account surplus	3.9	5.2	6.8	10.1

JPY: What GPIF repatriation could mean for USD/JPY

We gauge the impact of potential GPIF repatriation flows on USD/JPY by estimating their impacts on UST and JGB 10Y yields as well as the Nikkei and use these estimates in our FAST FX model for USD/JPY to simulate their impacts. There are several observations from these simulations:

1. Without a change in the GPIF's allocations to favour JGBs, USD/JPY will struggle to head significantly lower while oil prices remain elevated and the BoJ only matches the Fed's rate hikes. Indeed, using our economists' forecasts for the Fed and the BoJ, our short-term fair value estimate for USD/JPY is close to 160; above that level would trigger further intervention.

2. Even a modest change in the GPIF's bond allocations can significantly lower the short-term fair value of USD/JPY and by 5-16 big figures. The global bond sell-off has made the exchange rate increasingly sensitive to the US-Japan box yield spread. So, anything that lowers JGB long-end yields relative to UST long-end yields is very positive for the JPY.

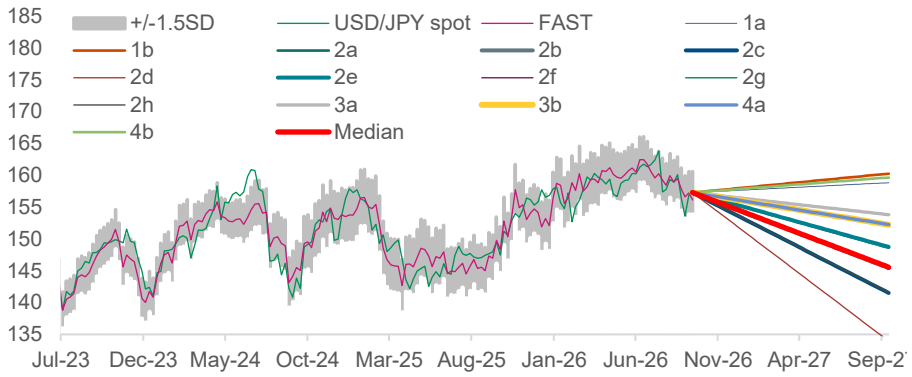
3. Counterintuitively, if the GPIF were to also increase its allocation towards domestic equities, it would weigh on the JPY given the upward pressure on the Nikkei and the inverse relationship between the bourse and the JPY. The higher sensitivity of USD/JPY to the US-Japan box yield spread vs Japan equities, however, means the reallocations back towards both domestic bonds and equities would still give the JPY a big boost. A rise in the GPIF's allocations towards domestic equities to 31% gives USD/JPY only about a 13-pip boost.

We cannot possibly know how the GPIF will change its asset allocations. The pension fund will be reporting its Q2 performance in early November and could announce any reallocations then. Looking across our potential reallocations, USD/JPY's short-term fair value ranges from about 140-150 with a median of 148. If we were forced to choose the most likely scenarios, which we need to do to forecast, we would focus on allocations toward20312858 domestic bonds between 31-35% in combination with no change to a modest rise in the allocation to domestic equities of 31%. We doubt the GPIF would want to allocate much more than 60% of its AUM to domestic assets. So, we expect USD/JPY to track lower to 150 by end-2026 given this would lead to a fall in USD/JPY's short-term fair value to between 148-150.

USD/JPY scenario analysis

Scenario	Theme	View	USD/JPY FFV
		Current fair value	**156.11**
1a	**Fed vs the BoJ**	CACIB	158.84
2a	**GPIF bonds**	31	150.22
2b		35	148.19
2c		40	145.62
2d		50	140.60
2e	**GPIF bonds + 30% equities**	31	150.35
2f		35	148.32
2g		40	145.74
2h		50	140.73
Median			148.19

Without help from the GPIF, USD/JPY would struggle to head lower



This document should not be used by a non legitimate recipient.

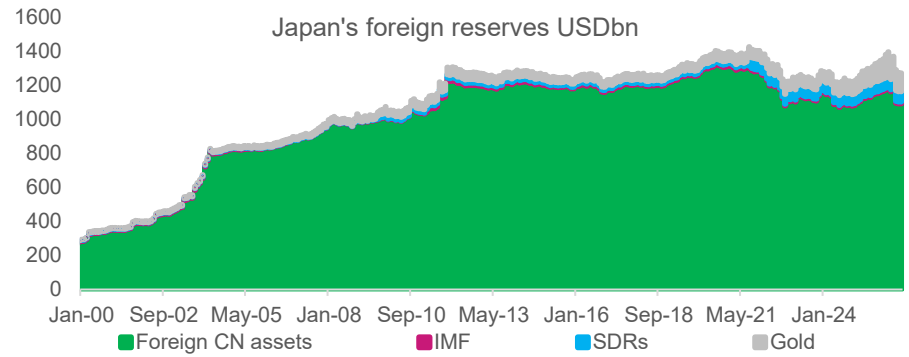
JPY: what about intervention firepower?

- On the surface, the US and Japan hold more reserves than in either previous episode. But once you account for what is actually *available* for intervention and today's much higher spot JPY turnover, the picture changes:
- Without leveraging Japan's UST holdings: c.USD346bn available – less than **three-quarters** of daily spot JPY turnover. That is well below 1998 and 2011 levels.
- With Japan using the FIMA facility to leverage its USTs: that figure jumps to **USD1.275trn**, pushing the ratio to 2.7x daily turnover – more than 1998, though still slightly below 2011.
- For context, the MoF/BoJ already spent c.USD74bn in April/May and another c.USD34bn on 31 July. The war chest is being drawn down.

Central banks' reserves have grown in most cases, but have not kept pace with rising FX turnover

Reserves USDbn	Jun-98	Mar-11	Jul-26
Japan	192	1035	1089
US	71	139	217
ECB		207	220
UK	27	49	71
Canada	20	45	64
US+Japan	**263**	**1174**	**1306**
Total		**1475**	**1661**
Ratio to daily global turnover in spot JPY			
Japan	1.32	3.31	2.28
US	0.48	0.45	0.46
ECB		0.66	0.46
UK	0.18	0.16	0.15
Canada	0.13	0.14	0.13
US+Japan	**1.80**	**3.76**	**2.74**
Total		**4.72**	**3.48**

Japan's foreign reserves are falling



Not all of Japan and the US's reserves are available for intervention

Reserves available for intervention USDbn	Jul-26
Japan (without USTs)	160
Japan (leveraging USTs)	1089
US	186
US+Japan (without USTs)	**346**
US+Japan (leveraging USTs)	1275
Ratio to daily global turnover in spot JPY	
Japan (without USTs)	0.34
Japan (leveraging USTs)	2.28
US	0.39
US+Japan (without USTs)	0.73
US+Japan (leveraging USTs)	2.67

This document should not be used by a non legitimate recipient.

Source all charts: Crédit Agricole CIB, Bloomberg, Japan MoF

This document should not be used by a non legitimate recipient.

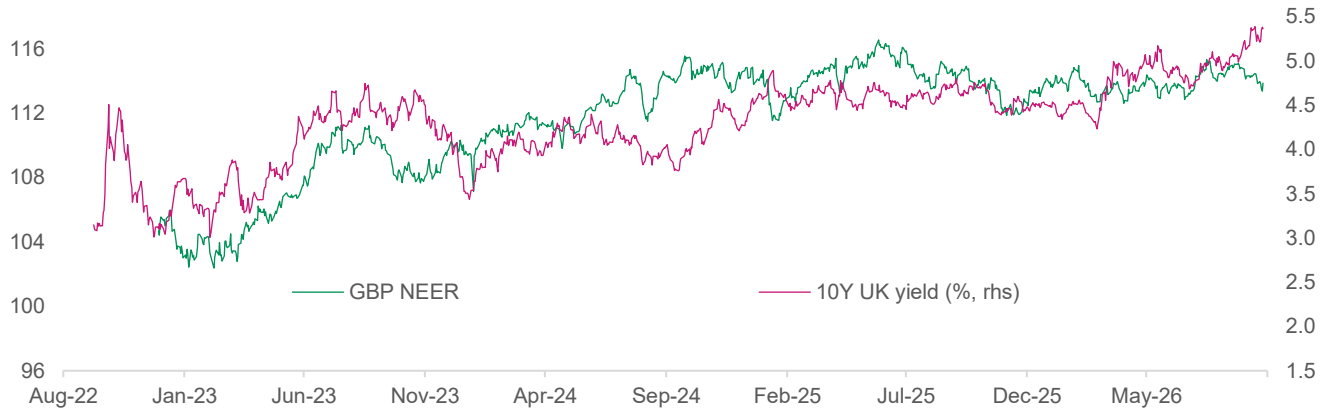
5

GBP: scary carry

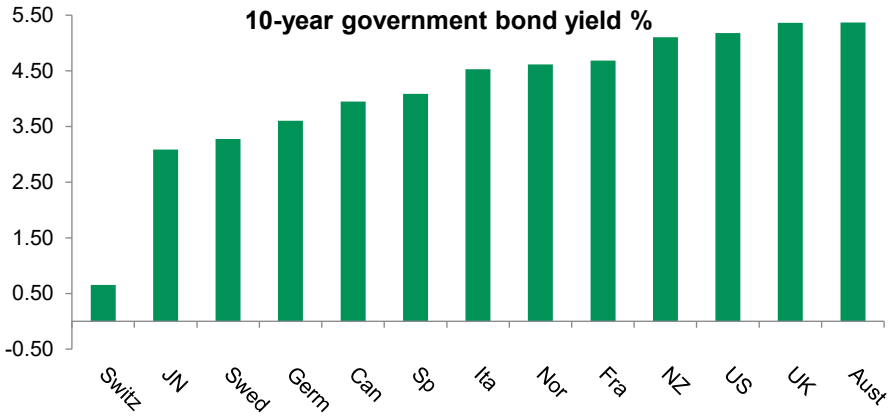
GBP: carry trumps everything, for now

As investors assess the impact of PM Andy Burnham, attractive carry and positive correlation with commodities are helping the GBP

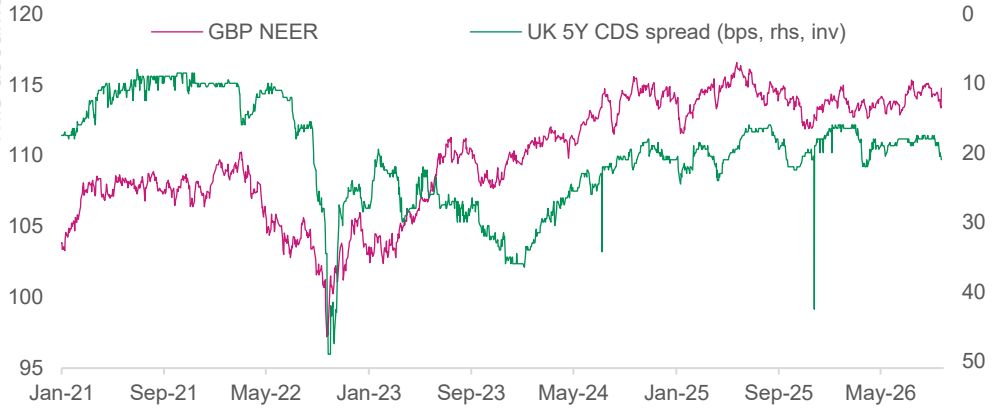
The correlation between the GBP and gilt yields no longer negative…



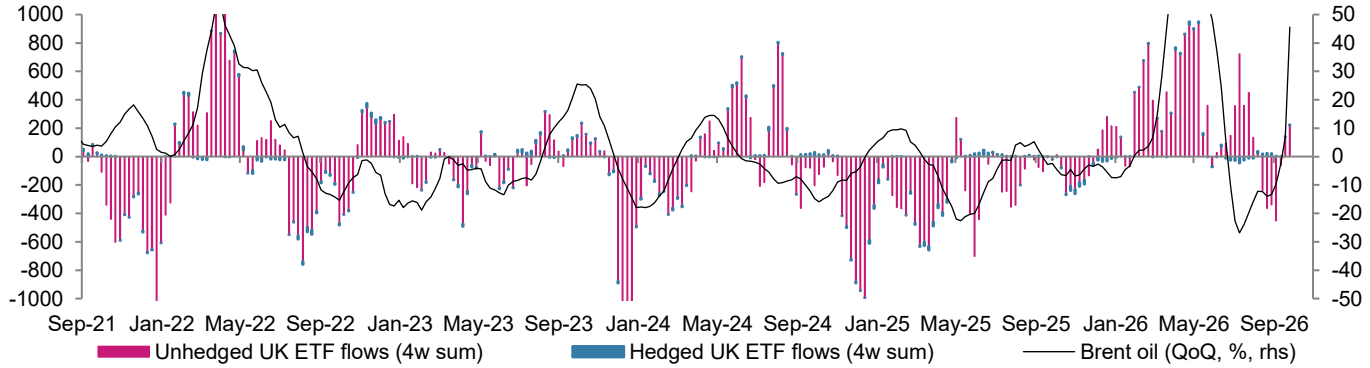
…as investors are attracted to the GBP yield advantage



GBP TWI vs 5Y UK CDS sovereign spread – nothing to see there, yet



Demand for stocks as a function of global commodity prices



This document should not be used by a non legitimate recipient.

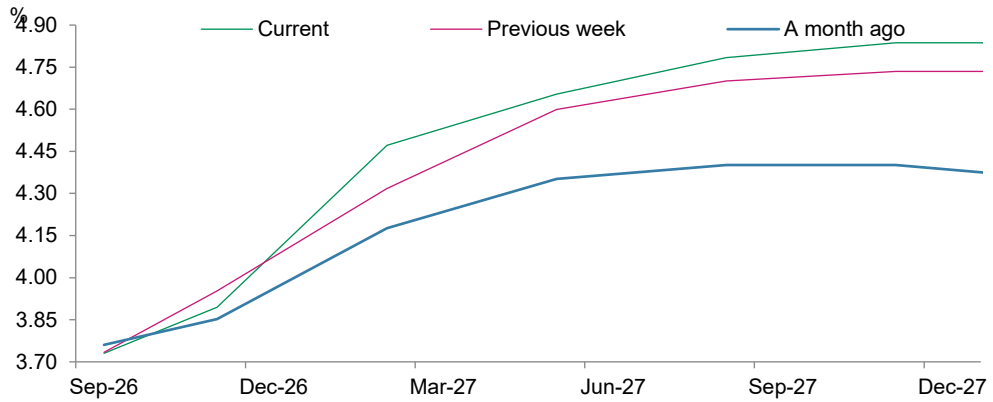
Source all charts: Crédit Agricole CIB, Bloomberg

GBP: the UK economy, inflation and all that

Markets have turned less hawkish on the BoE of late, but stagflation risks could still be net negative for the GBP

This document should not be used by a non legitimate recipient.

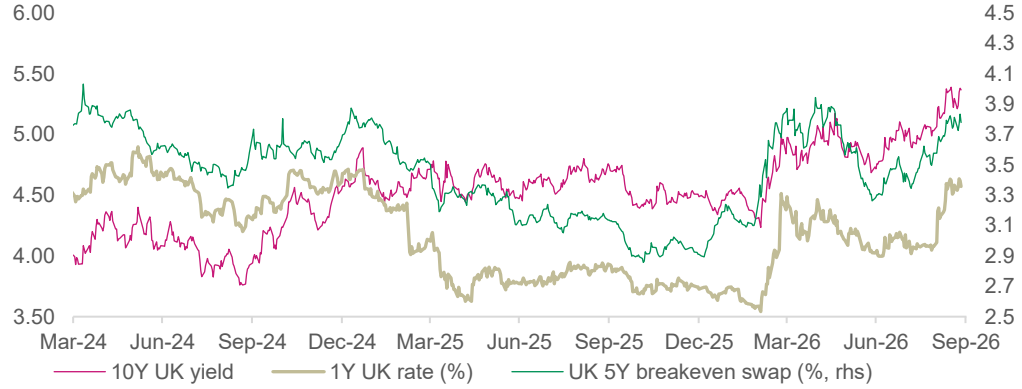
Investors have aggressively reassessed their BoE rate outlook



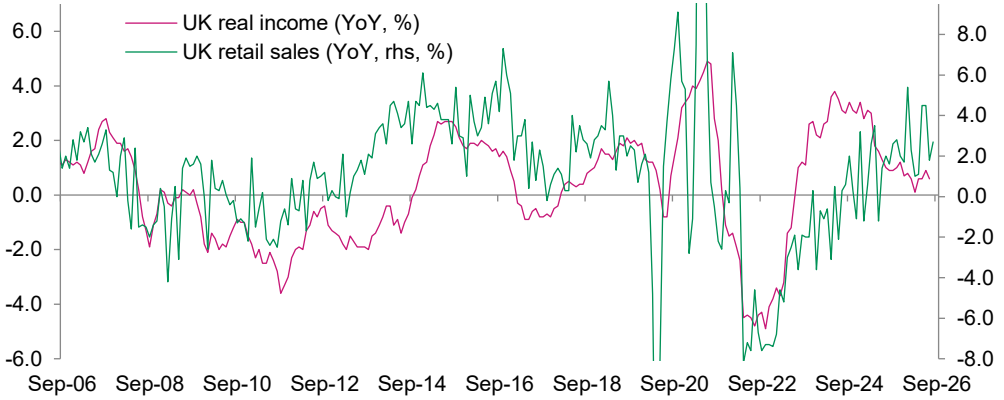
GBP TWI vs spread between 2Y UK rate and G9 average rate



UK inflation expectations vs UK rates and gilt yields



UK real income growth vs domestic demand



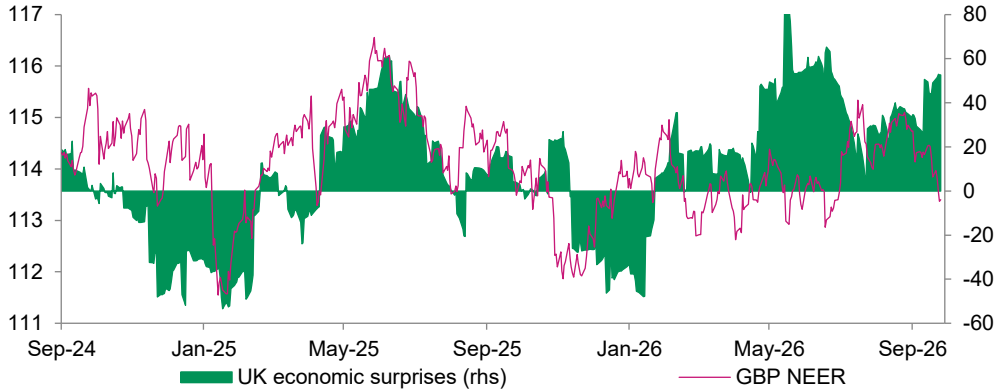
Source all charts: Crédit Agricole CIB, Bloomberg

GBP: economic data, real rate and sovereign credit risks spreads

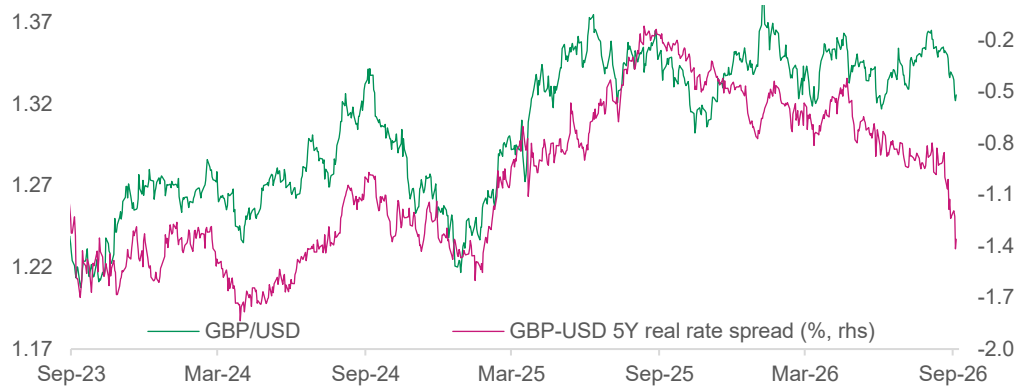
The GBP no longer looks cheap vs the EUR based on relative real rate differential and relative sovereign credit risk spread

This document should not be used by a non legitimate recipient.

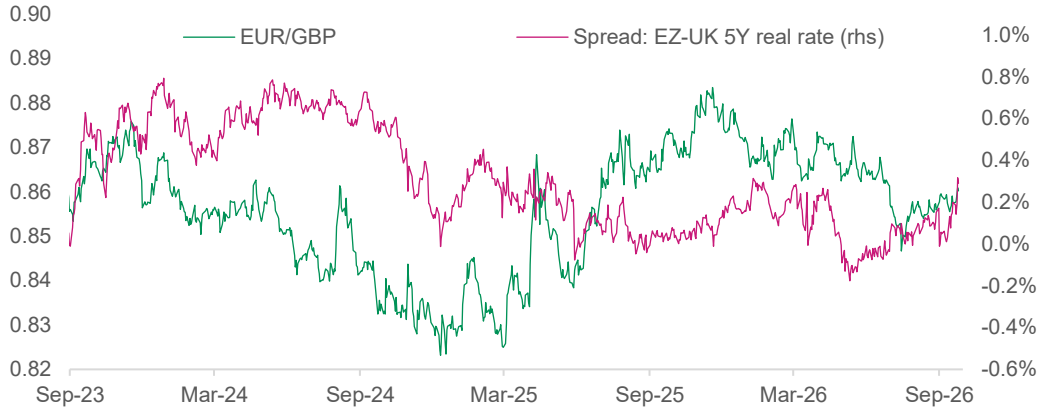
GBP NEER vs UK economic surprise indicator



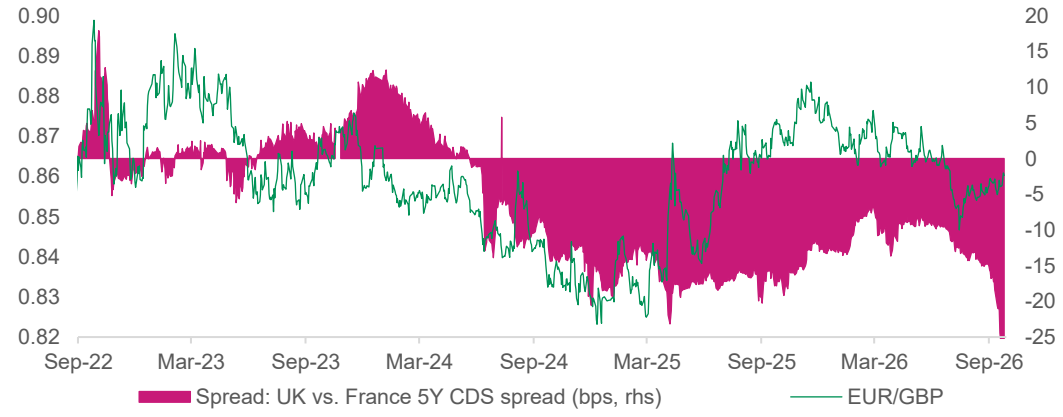
GBP/USD vs 5Y GBP-USD real rate spread



EUR/GBP vs 5Y EUR-GBP real rate spread



EUR/GBP vs difference between UK and French 5Y sovereign CDS spreads

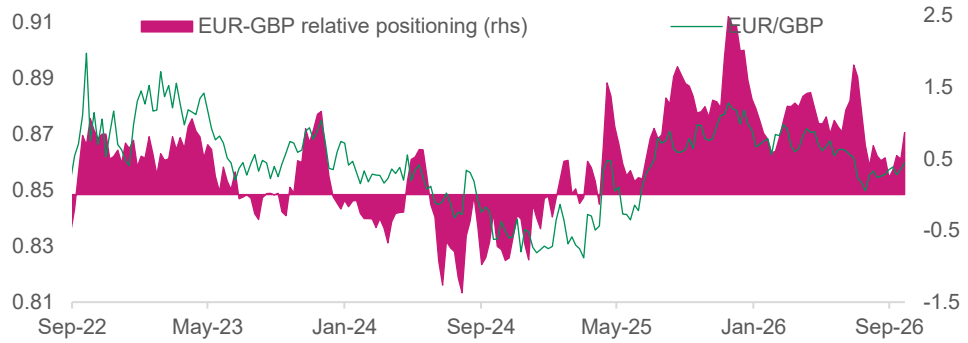


Source all charts: Crédit Agricole CIB, Bloomberg

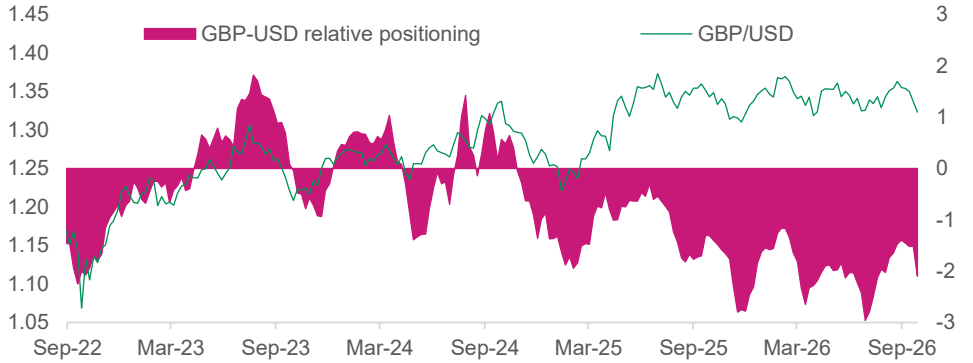
GBP: still underweight – FX positioning and capital flows

Markets are still very short the GBP especially vs the EUR

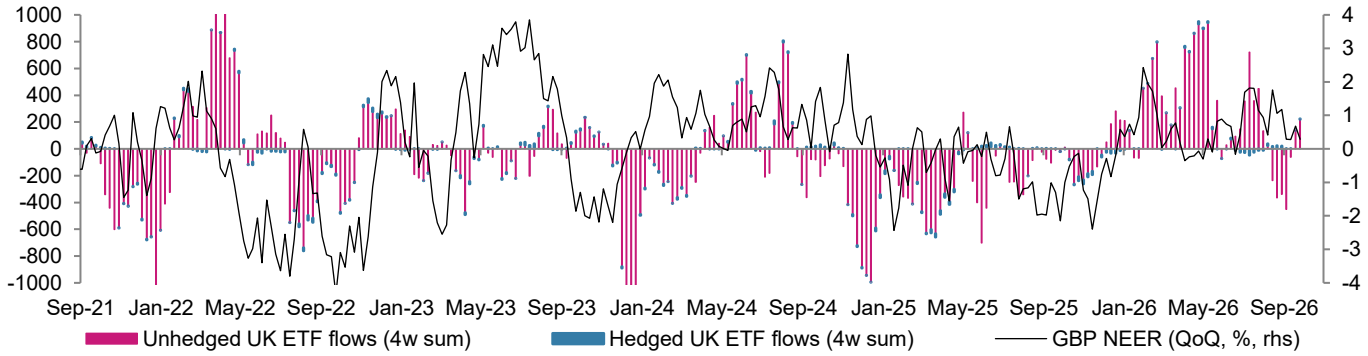
EUR/GBP vs FX market positioning



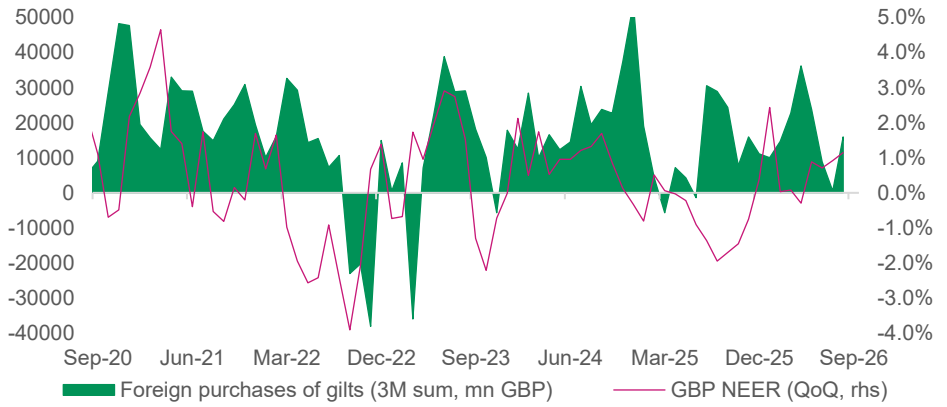
GBP/USD vs FX market positioning



GBP NEER vs flows into UK stock-market ETFs – foreign investors have returned



GBP NEER vs foreign purchases of gilts – mind the 2022 gap



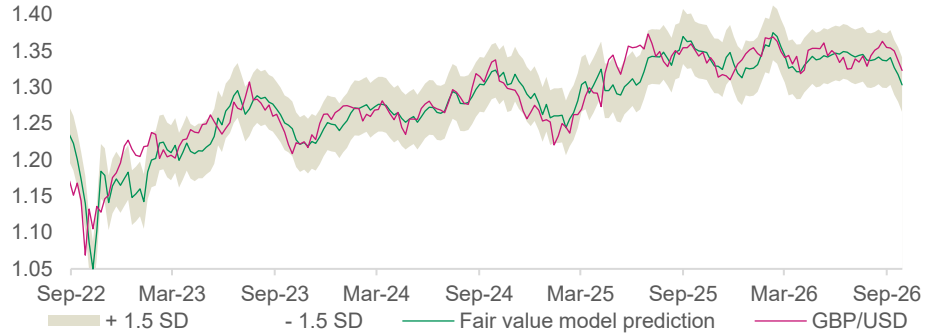
Source all charts: Crédit Agricole CIB, Bloomberg

This document should not be used by a non legitimate recipient.

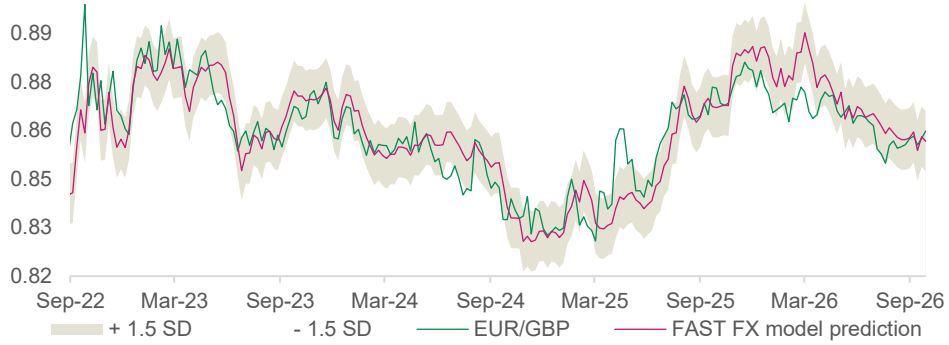
GBP: FX valuation

The GBP looks overvalued according to long-term fair value models

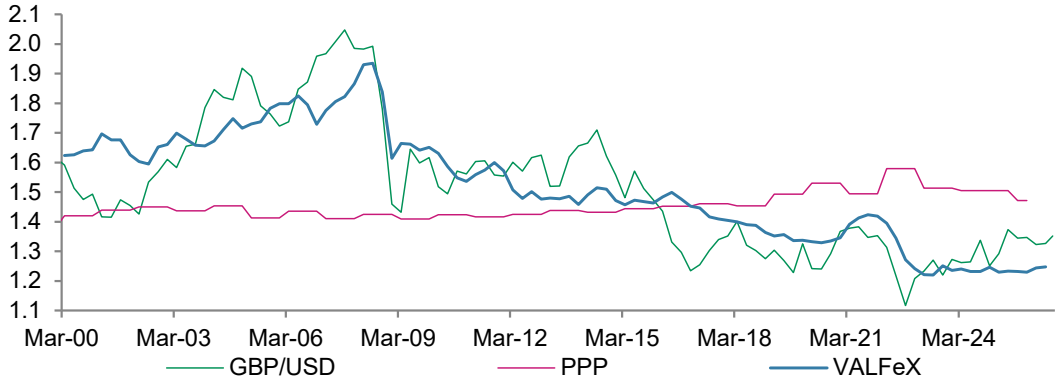
GBP/USD vs short-term GBP/USD fair value model



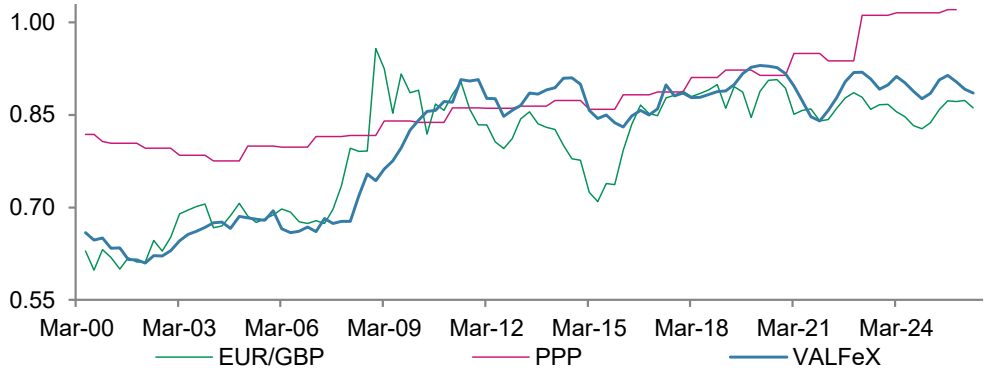
EUR/GBP vs EUR/GBP fair value model



GBP/USD vs VALFeX and PPP



EUR/GBP vs VALFeX and PPP



Source all charts: Crédit Agricole CIB, Bloomberg

This document should not be used by a non legitimate recipient.

This document should not be used by a non legitimate recipient.

6

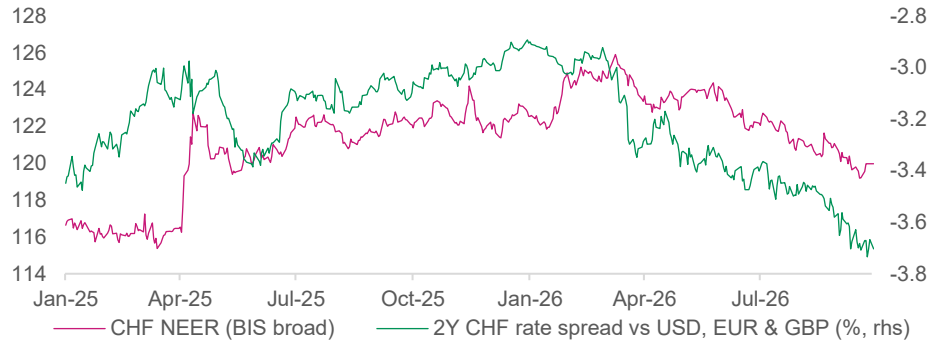
CHF: funding its way amid uncertainties

CHF: wider rate gap has outweighed rising risks

Dovish SNB and resilient market sentiment have seen the CHF underperform since the start of the war in the Middle East

This document should not be used by a non legitimate recipient.

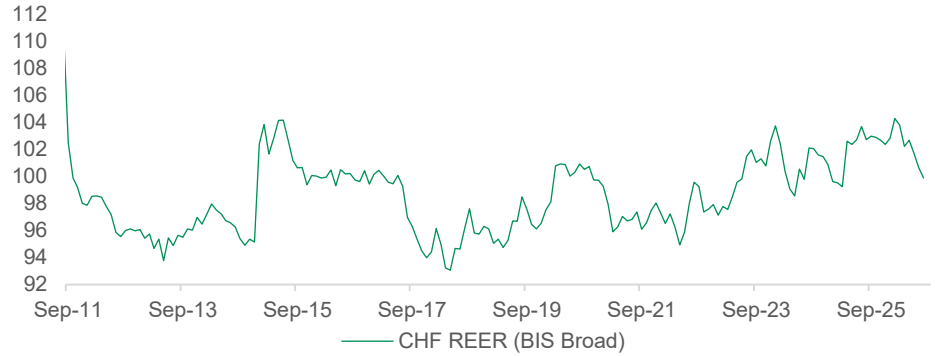
CHF rate disadvantage has worsened with the SNB staying at bay



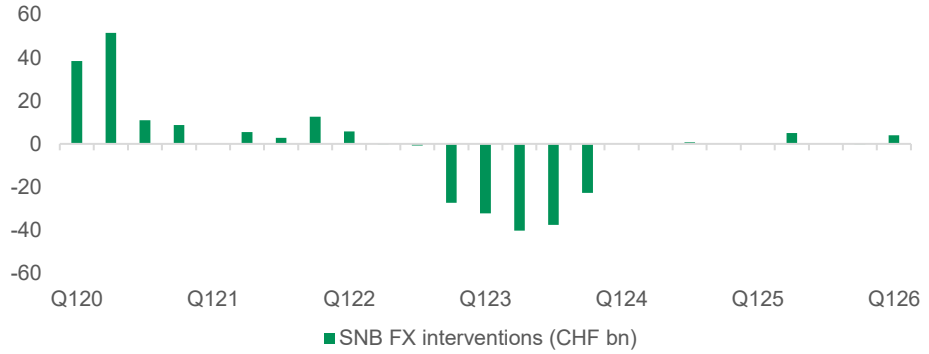
Rebound in other safe havens has hardly benefitted the CHF



CHF has been able to cool to one-year lows on a real basis…



…with limited direct involvement from the SNB



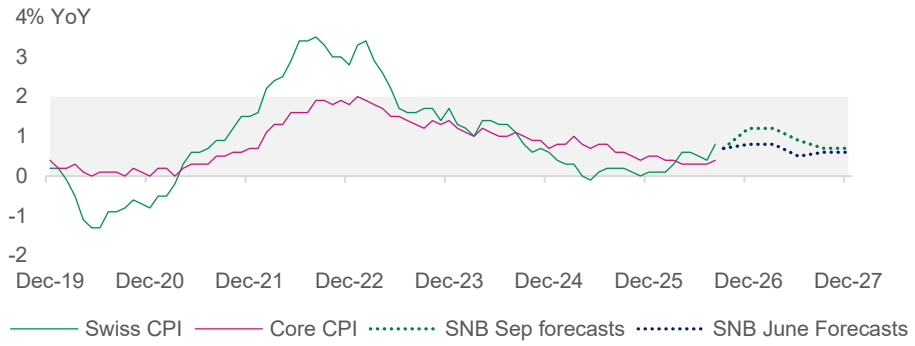
Source all charts: Crédit Agricole CIB, Bloomberg

CHF: funding its way amid uncertainties

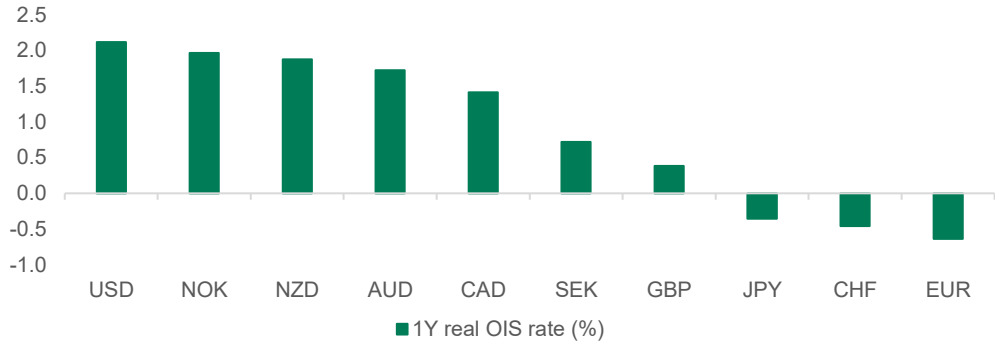
Switzerland/SNB's idiosyncrasies boost the CHF's funding appeal, as carry differential may trump spot losses from here

This document should not be used by a non legitimate recipient.

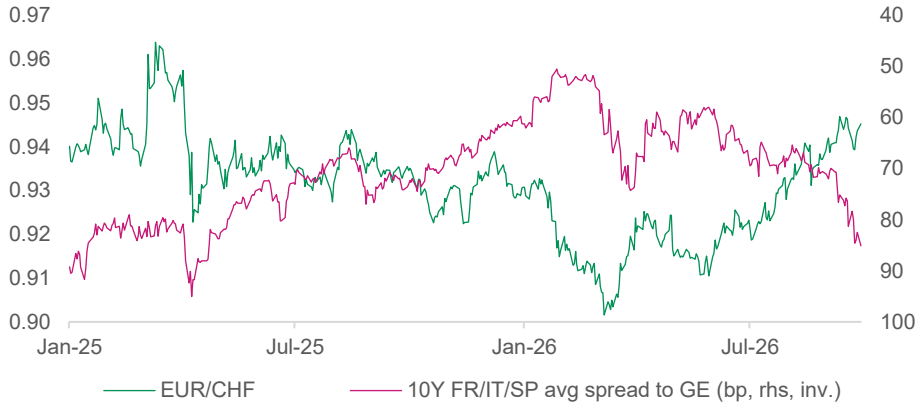
Swiss CPI sits comfortably within target, as core keeps falling



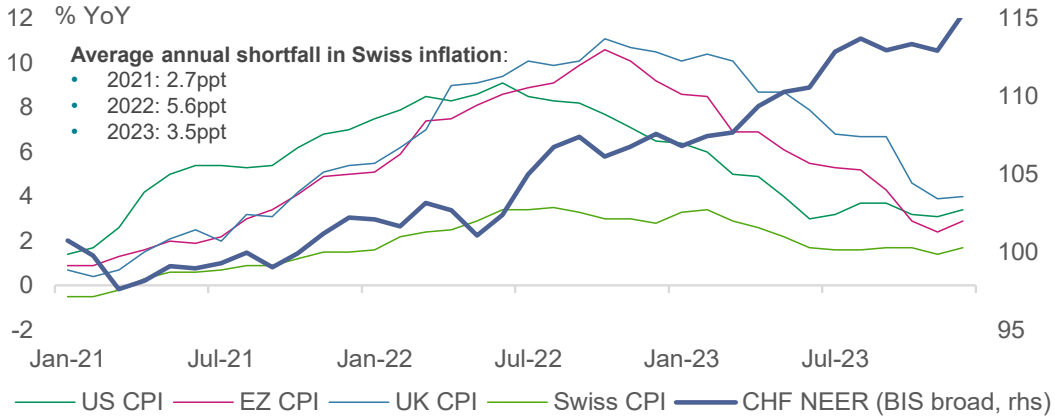
CHF real rates among the most accommodative



Rising risks elsewhere could put a floor under the CHF



Switzerland's more muted inflation shock to limit nominal losses in the CHF



Source all charts: Crédit Agricole CIB, Bloomberg, SNB

This document should not be used by a non legitimate recipient.

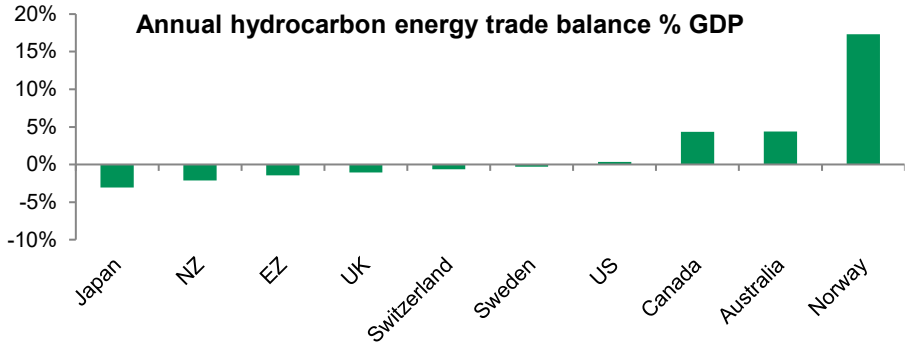
7

AUD: clinging to its advantages

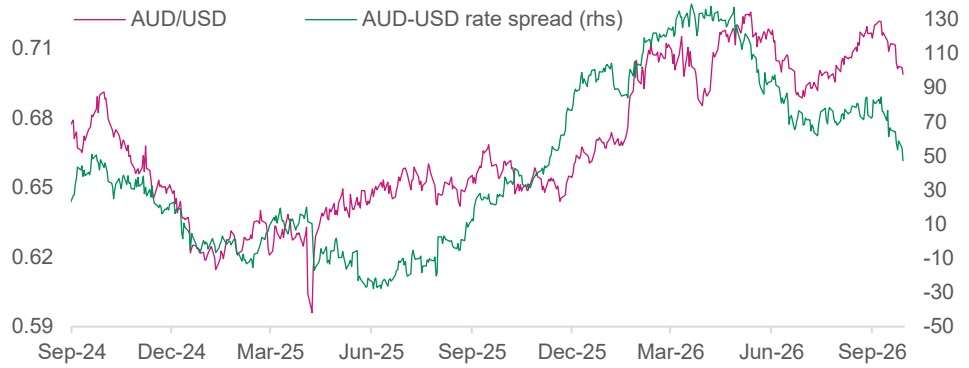
AUD: clinging to its advantages

The AUD is losing its advantage as commodity prices weaken and the RBA approaches the end of its tightening cycle

Australia has a positive exposure to higher global energy prices…



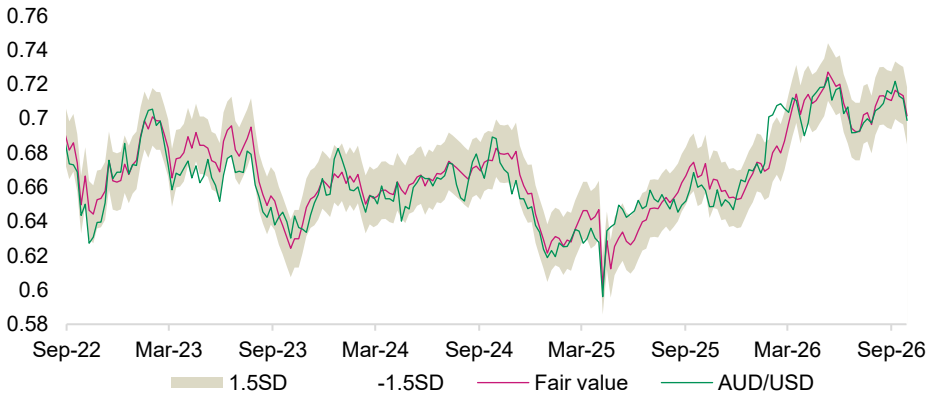
Australian-US short-term rates spread is potentially bottoming out with AUD/USD running ahead of it



Australia's commodity terms of trade turning back higher



AUD/USD's short-term fair value has stabilised



Source all charts: Crédit Agricole CIB, Bloomberg

This document should not be used by a non legitimate recipient.

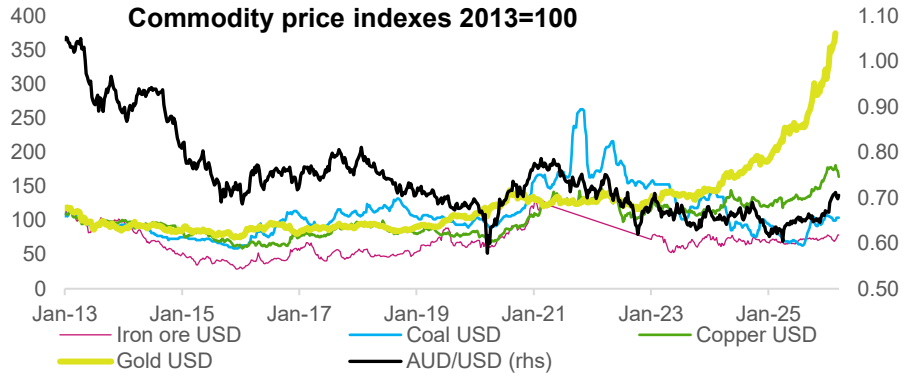
AUD: China still a drag, but things are getting better

Attitudes towards investing in China are improving, but growth remains weak in its commodity hungry sectors limiting the upside for the AUD from this change in attitude

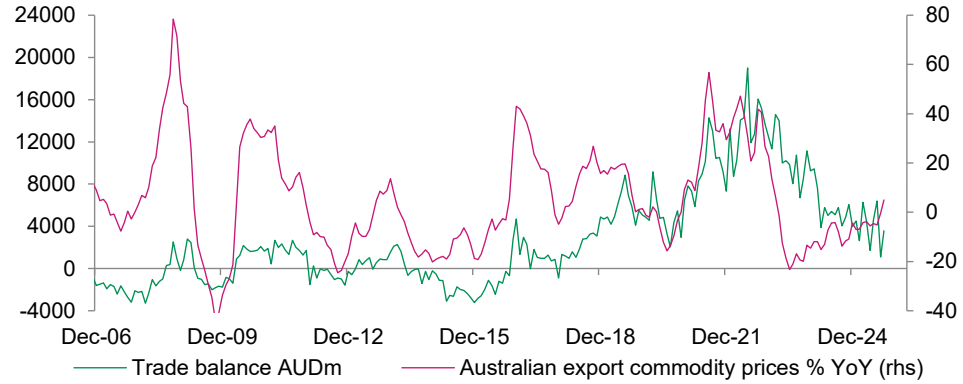
Investor attitudes towards China and the CNH gradually improving and helping the AUD



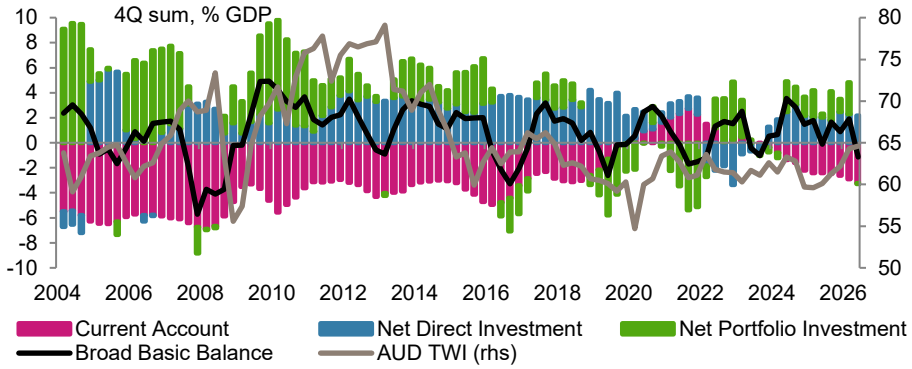
Gold and copper are helping the AUD



Australia's trade balance looking worse for wear



Australia's current account and foreign investment have weakened



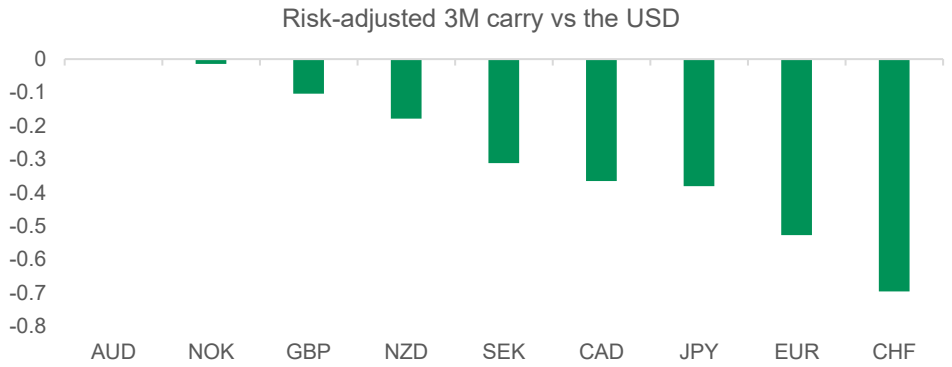
Source all charts: Crédit Agricole CIB, Bloomberg, ABS

This document should not be used by a non legitimate recipient.

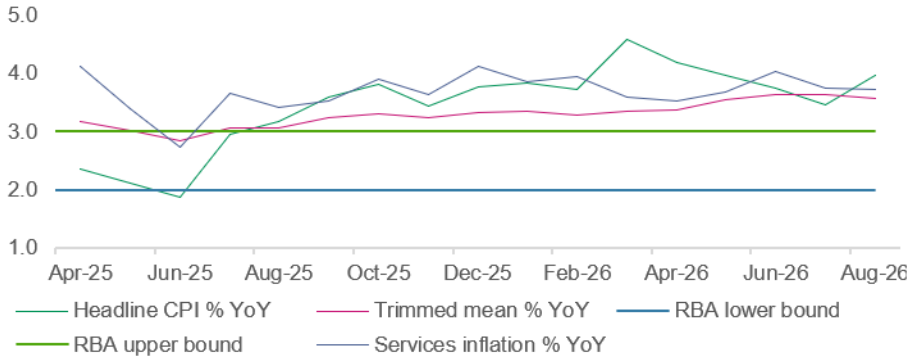
AUD: a waning rate advantage (1)

The RBA has shifted to a restrictive stance and is nearing the end of its tightening cycle as other central banks begin theirs

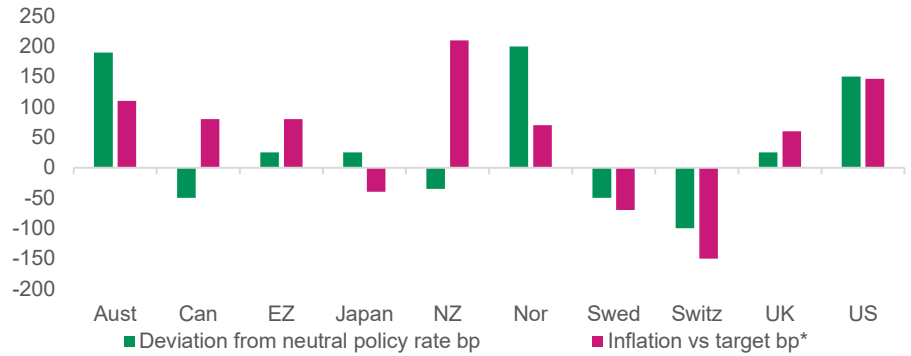
The AUD is still number one in the G10 for carry for now



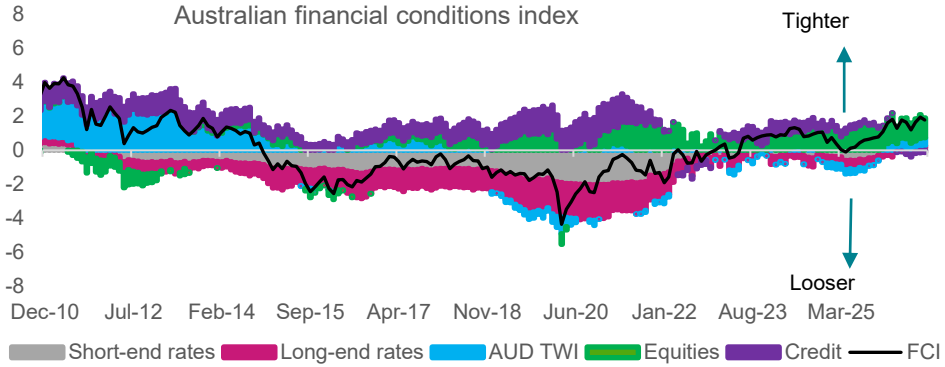
Inflation still a problem for the RBA



The RBA has raised rates above neutral…



Australian financial conditions are tight



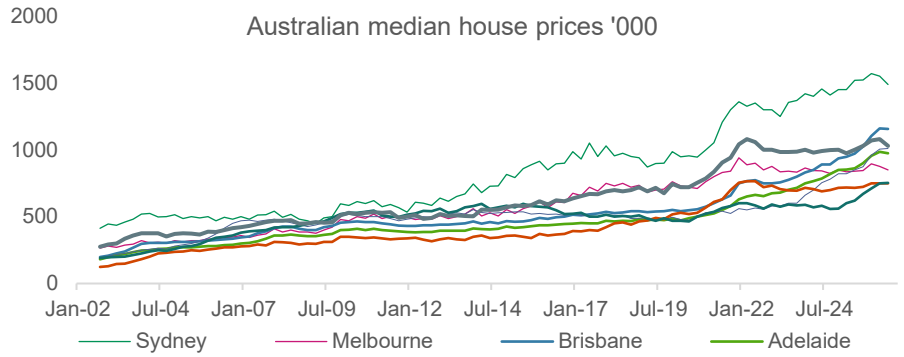
Source all charts: Crédit Agricole CIB, Bloomberg

This document should not be used by a non legitimate recipient.

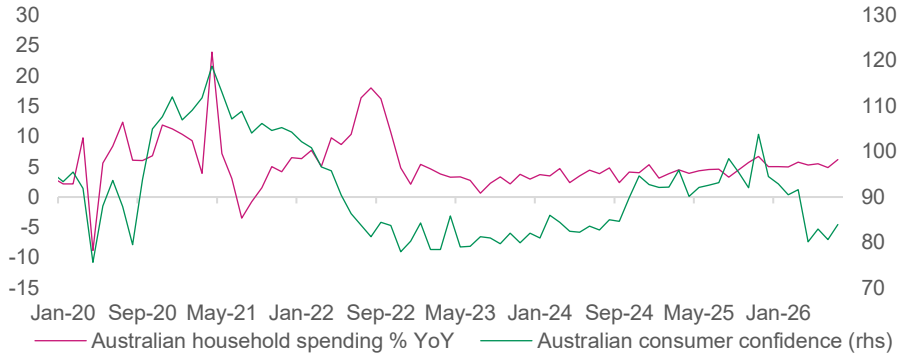
AUD: a waning rate advantage (2)

Restrictive monetary policy and tax reforms are beginning to weigh on the economy

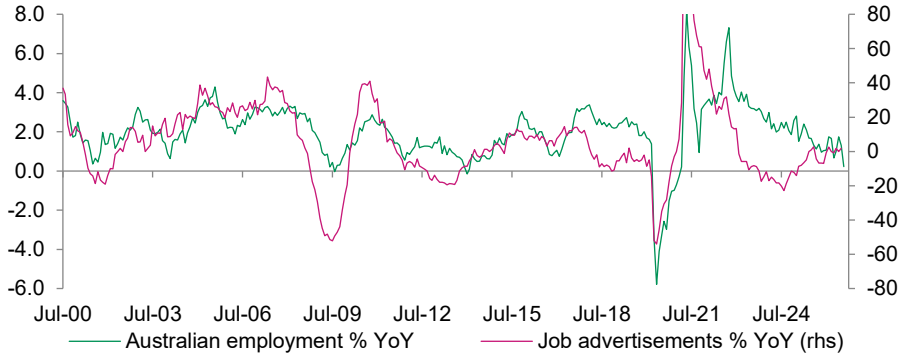
Australian house prices feeling the pinch from higher rates and tax changes



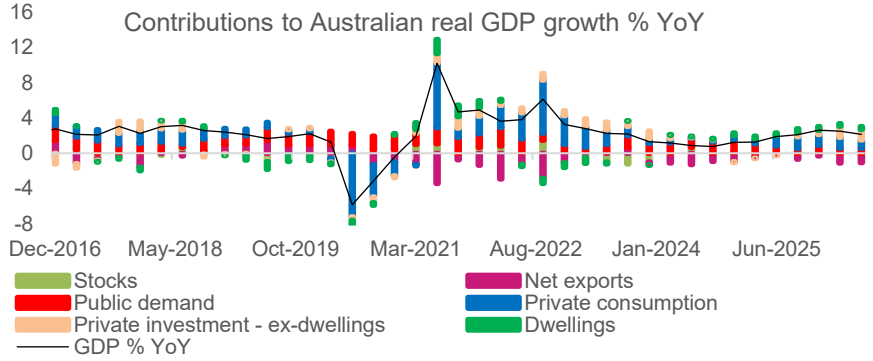
Falling consumer confidence yet to hit consumption



Employment growth has softened



Australia's growth is slowing but likely not fast enough for the RBA



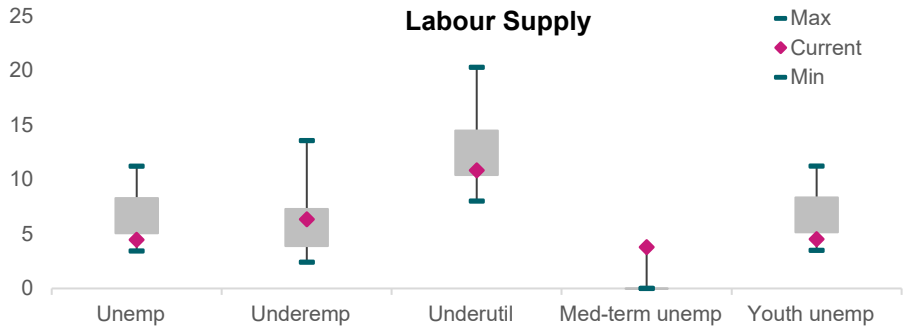
Source all charts: Crédit Agricole CIB, Bloomberg

This document should not be used by a non legitimate recipient.

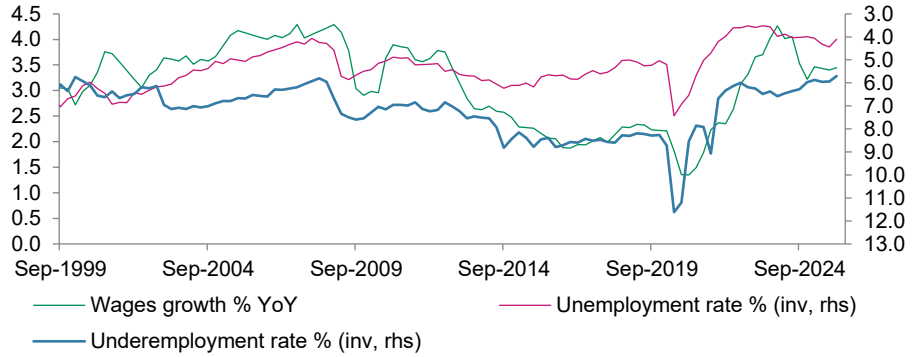
AUD: inflation to stay sticky

With inflation remaining sticky and the labour market tight, the RBA will likely be forced to raise rates further

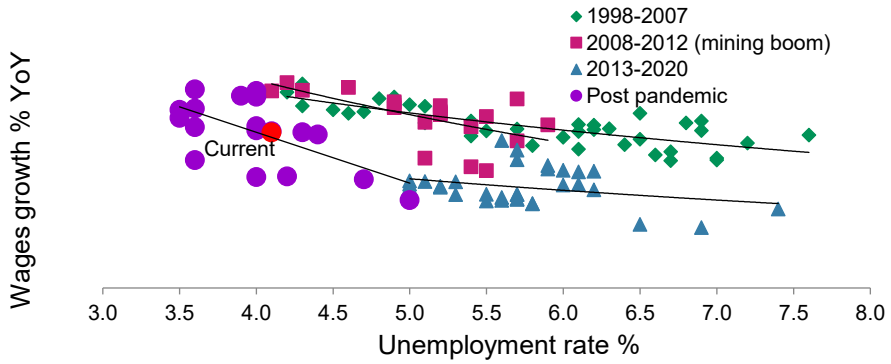
Labour market slack remains low*



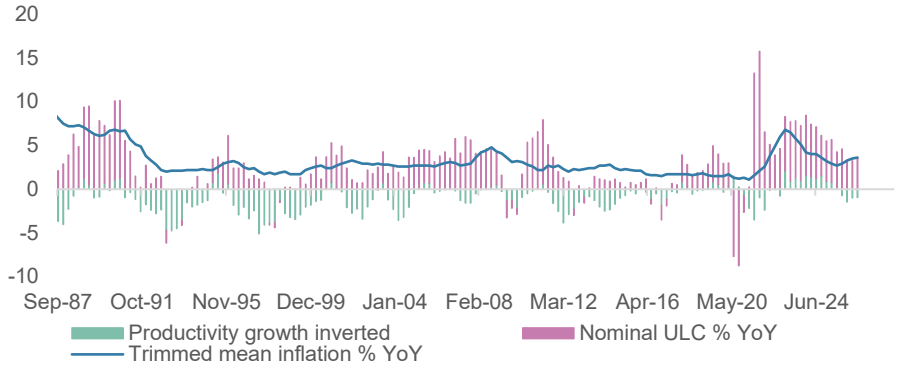
Wages growth may have peaked, but remains elevated



Australia's Philips Curve is still at work



Rising ULCs and weak productivity are sources of core inflation



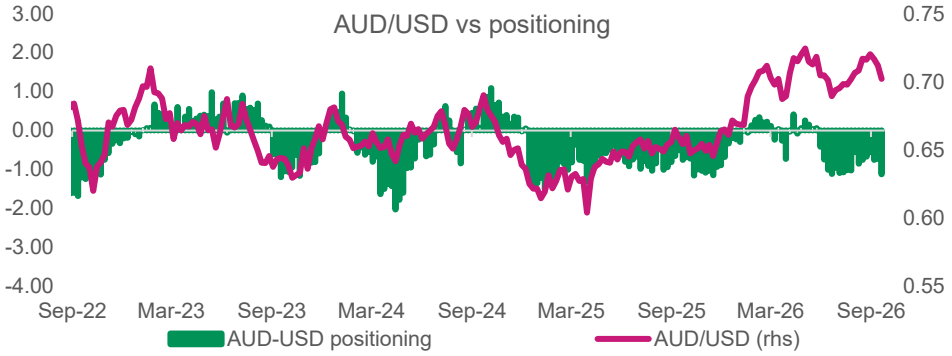
** Note: Bars represent 20th and 8th percentiles. Source all charts: Crédit Agricole CIB, ABS, Bloomberg*

This document should not be used by a non legitimate recipient.

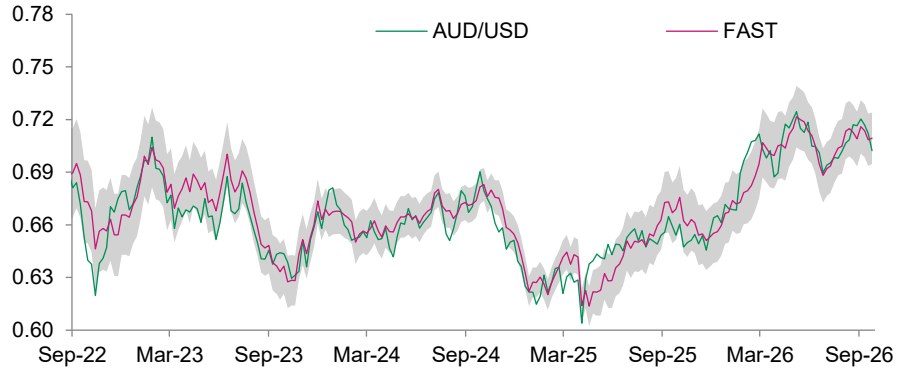
AUD: FX positioning and FX valuation

AUD has been looking overvalued but not overbought against the USD, but overbought against the NZD

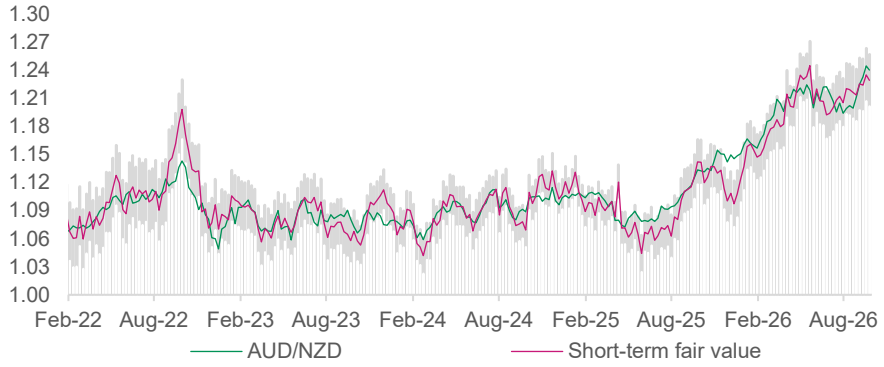
AUD NEER vs FX market positioning



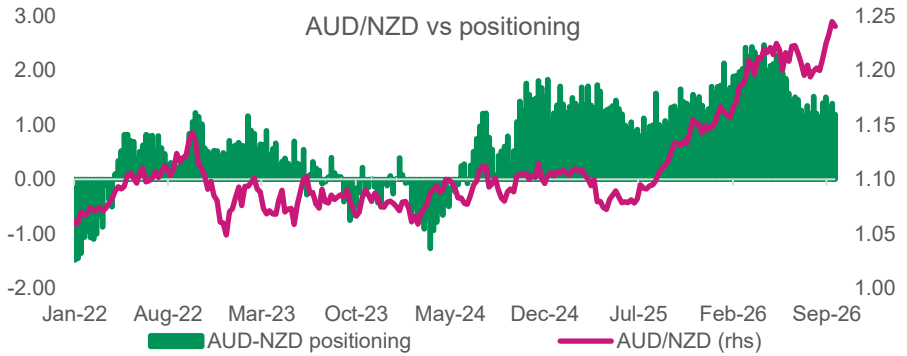
AUD/USD vs FAST FX fair value



AUD/NZD vs FAST FX fair value



Positioning remains extreme in AUD/NZD



Source all charts: Crédit Agricole CIB, Bloomberg, ABS

This document should not be used by a non legitimate recipient.

This document should not be used by a non legitimate recipient.

8

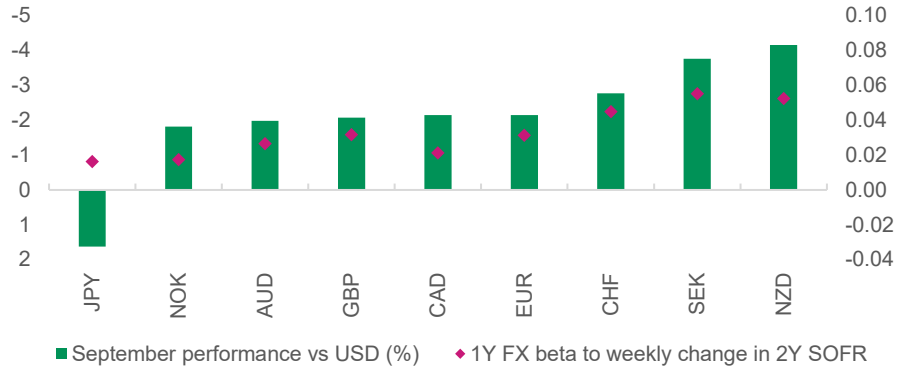
CAD: no easy fighting back

CAD: no easy fighting back

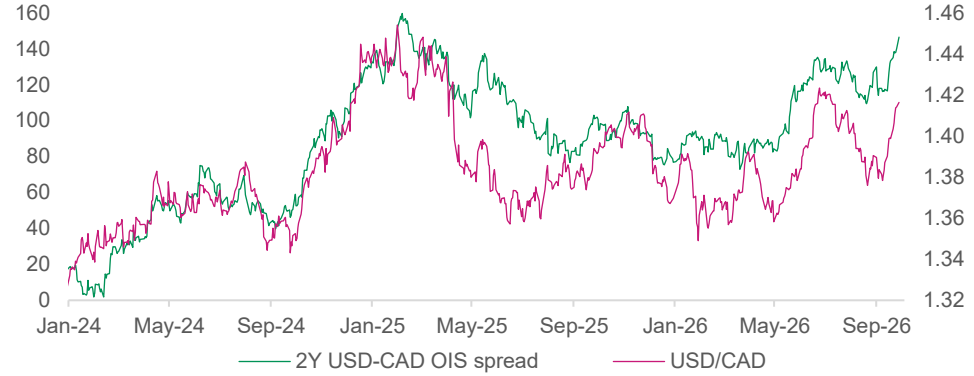
Re-ignited US-Canada trade war and more hawkish Fed has pushed USD/CAD back towards the early summer highs

This document should not be used by a non legitimate recipient.

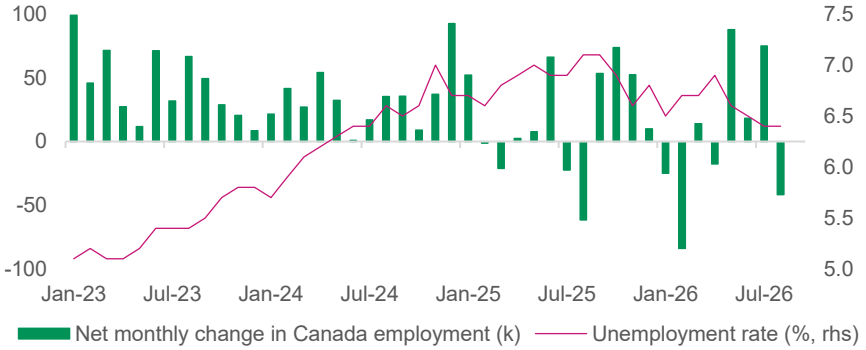
The CAD has not really benefited from its lower beta to rising USD rates



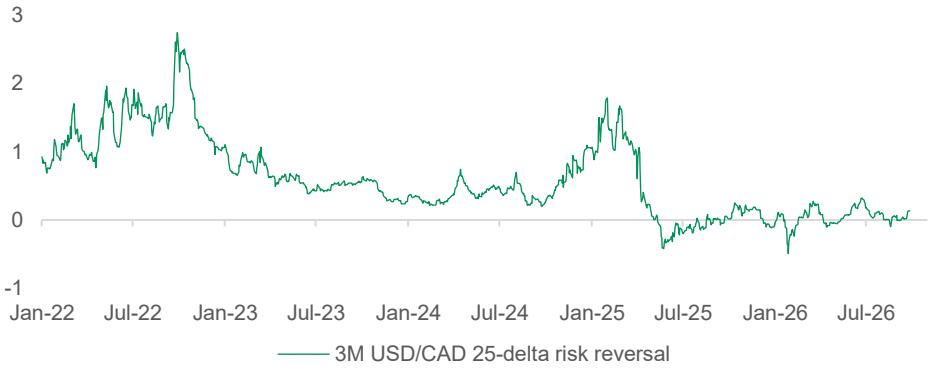
USD-CAD differentials have widened towards last year's highs



Canadian macro data hit by re-ignited US-Canada trade war



Still sanguine FX options in light of more acute risks



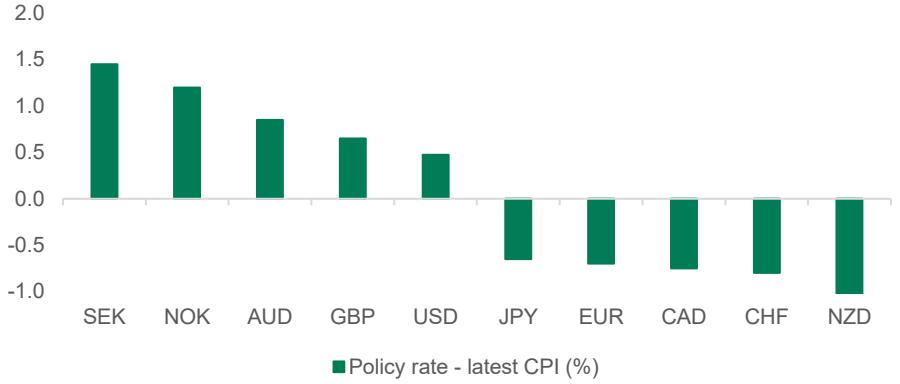
Source all charts: Crédit Agricole CIB, Bloomberg, BoC

CAD: close ties under review

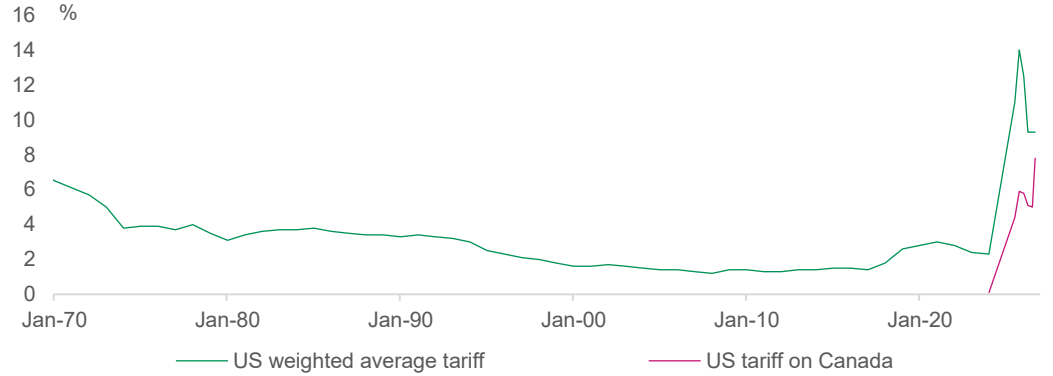
The CAD will try to hold its ground, as US-Canada trade spat increases downside risks

This document should not be used by a non legitimate recipient.

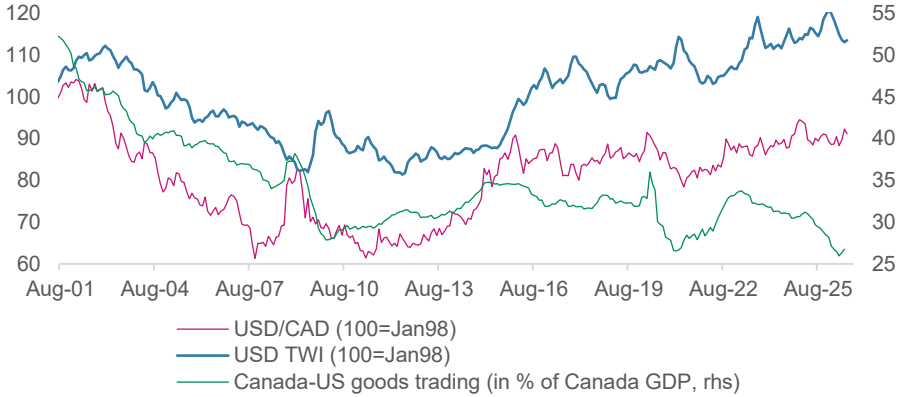
The BoC could quickly match the Fed if needed



Canada's status of favoured US trading partner could be in jeopardy



Stuck between a strong USD and prospects of reduced US-Canada trade



Purchases of US securities have hardly abated, with FX hedging in question



Source all charts: Crédit Agricole CIB, Bloomberg, BoC

This document should not be used by a non legitimate recipient.

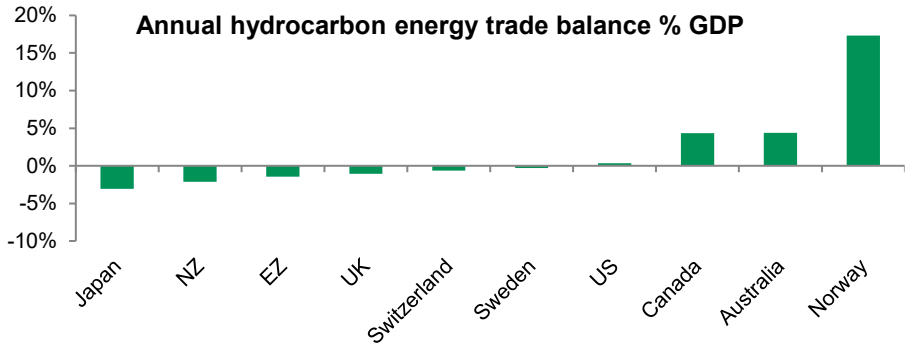
9

NZD: bumpy road to recovery

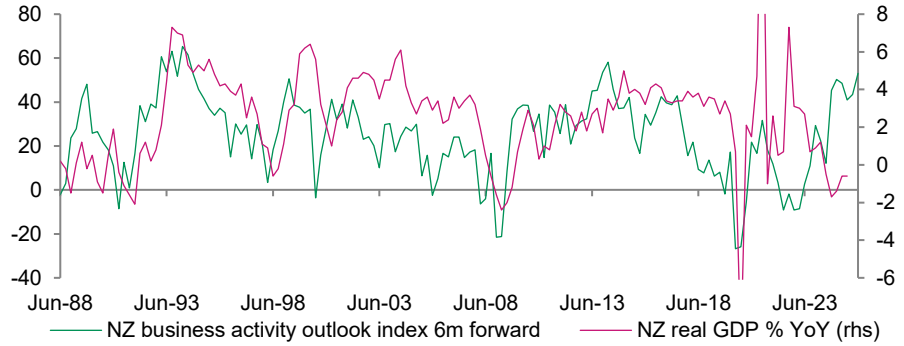
NZD: bumpy road to recovery

NZ's economy withstanding the energy shock and continuing its recovery

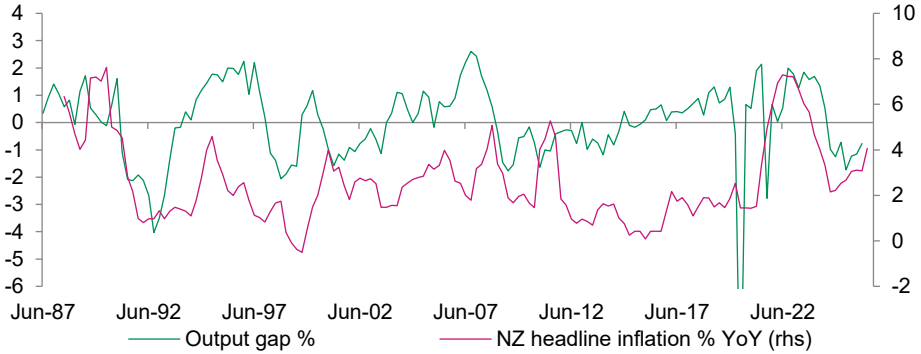
NZ has a negative exposure to higher global energy prices…



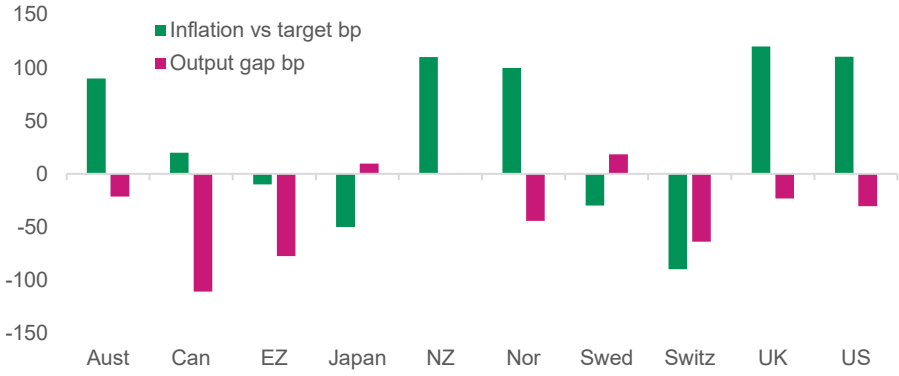
…but growth had good momentum heading into the crisis and is bouncing back



NZ's output gap has closed, making it more difficult to control inflation



NZ's excess capacity has been eroded relative to other G10 economies



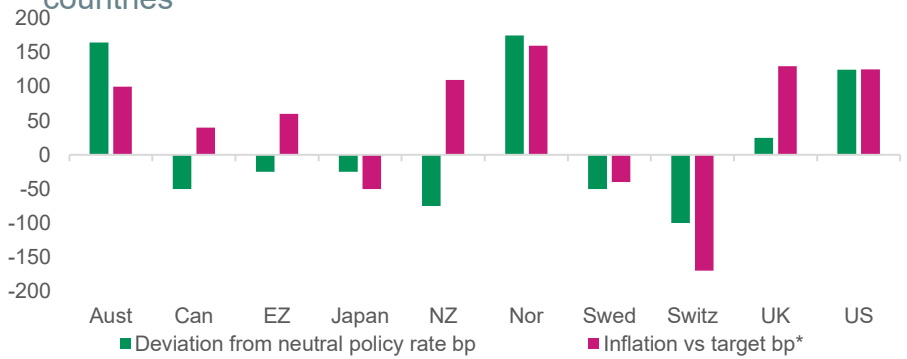
Source all charts: Crédit Agricole CIB, Bloomberg

This document should not be used by a non legitimate recipient.

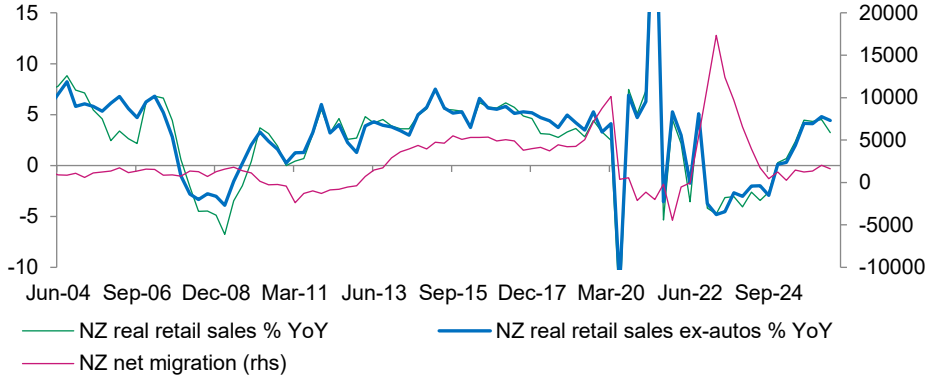
NZ: monetary policy too loose

NZ's economy looks to be bouncing back quickly from recession

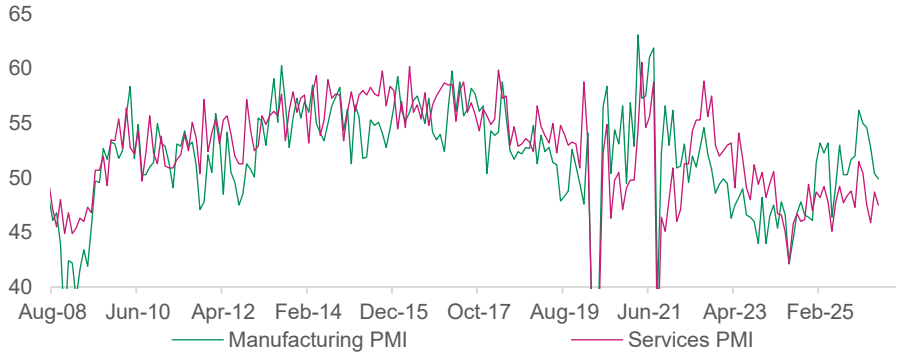
NZ's monetary policy is loose relative to its inflation challenge as well as other countries



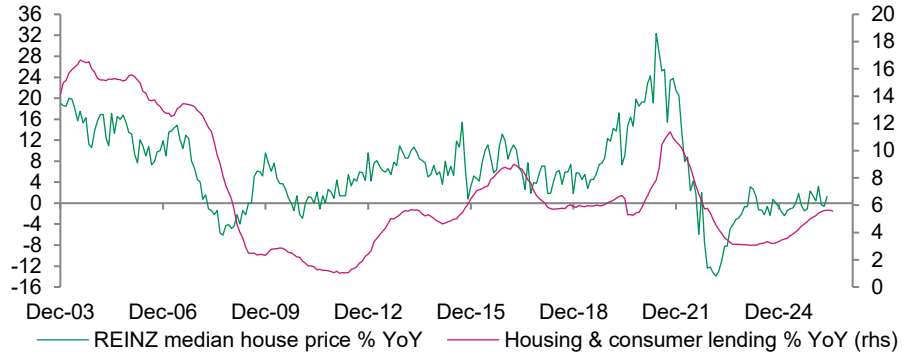
Even with flat migration, NZ retail sales remain firm



PMI data, especially manufacturing, is looking stronger…



…despite rate hikes



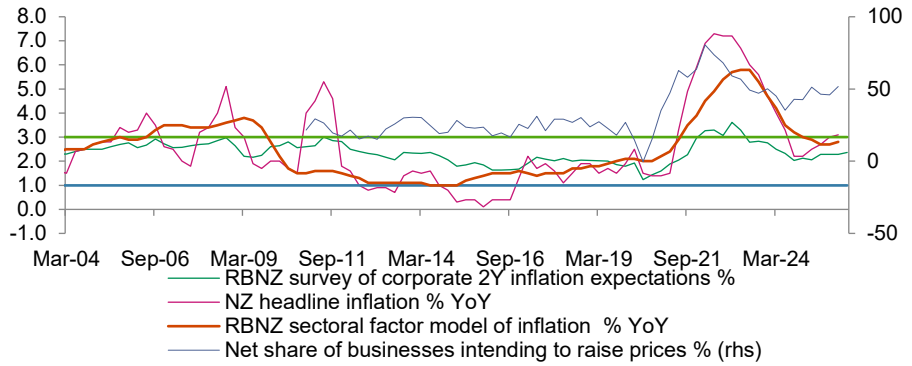
** Note: Centre of the RBA and RBNZ's target bands, Source all charts: Crédit Agricole CIB, Bloomberg*

This document should not be used by a non legitimate recipient.

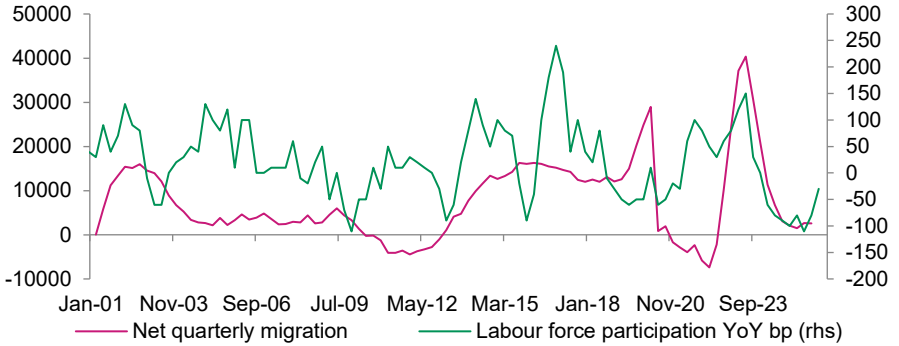
NZD: inflation and immigration bottoming out

Inflation, inflation expectations and immigration have bottomed out

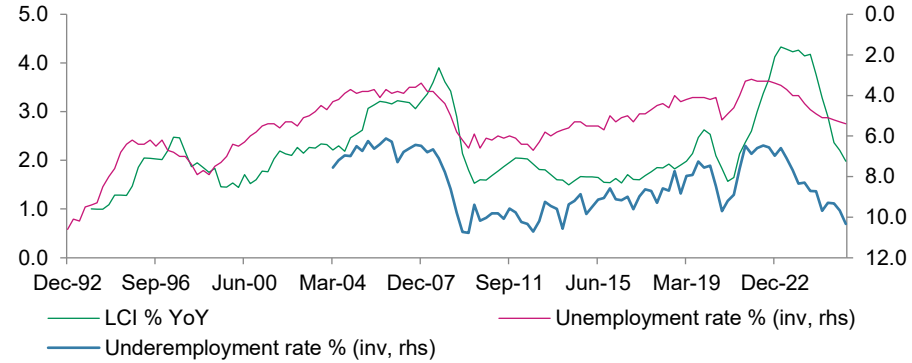
Inflation & inflation expectations no longer giving the RBNZ room to keep policy loose



Migration has stabilised at average levels leading to weak labour supply growth



NZ unemployment still elevated but wages growth bottoming out



NZ's Philips curve has steepened post the pandemic, so the recovery adds to wages growth more quickly



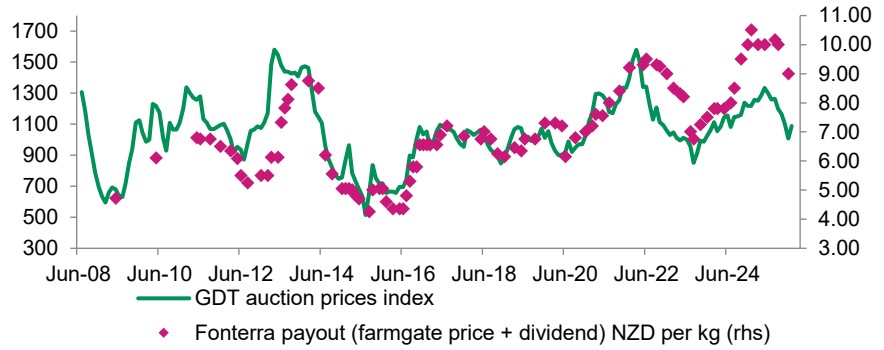
Source all charts: Crédit Agricole CIB, Bloomberg, RBNZ, CEIC

This document should not be used by a non legitimate recipient.

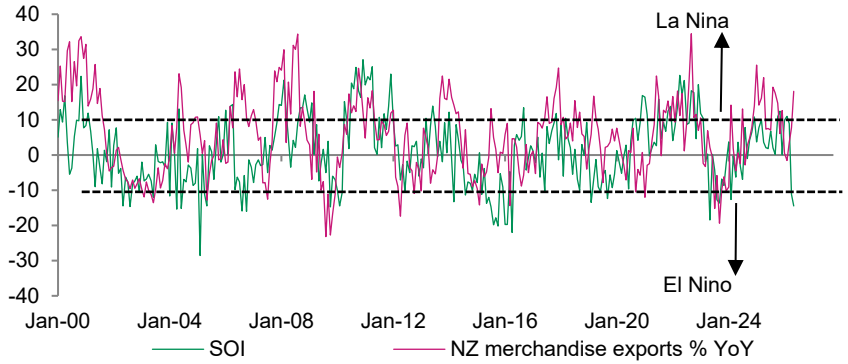
NZD: some concerns about the weather

NZ dairy farmers are earning good incomes, but El Nino threatens production. The NZD has some of this negative in its price

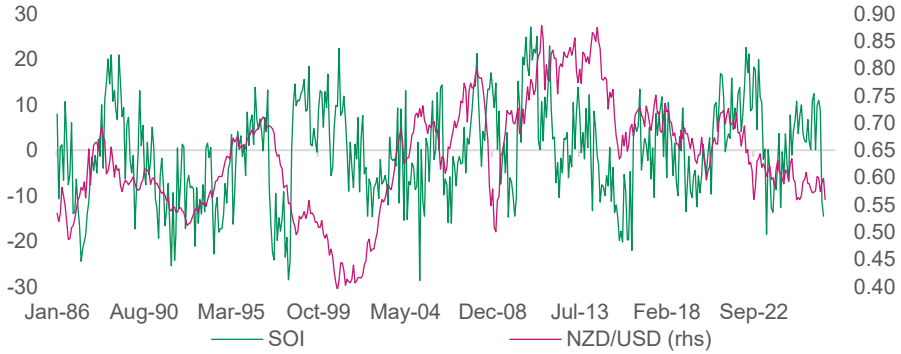
NZ dairy farmers are still earning significantly above-average incomes…



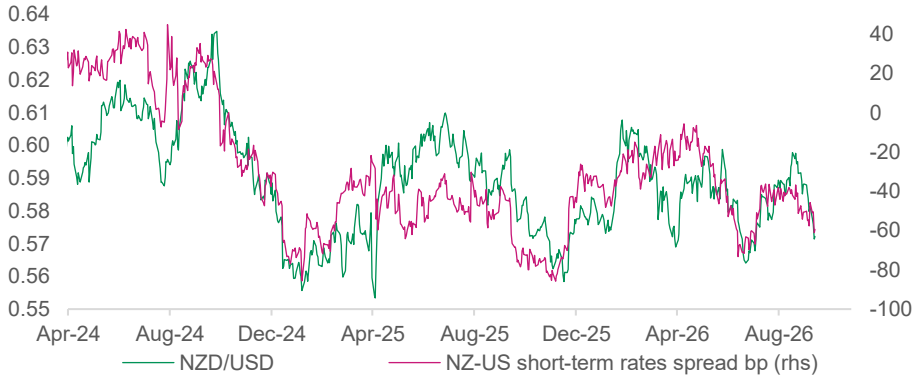
…but El Nino is a concern for agricultural production and exports going forward



NZD/USD trades ahead of the weather



NZD/USD helped by the stabilisation of the NZ-US short-term rates spread



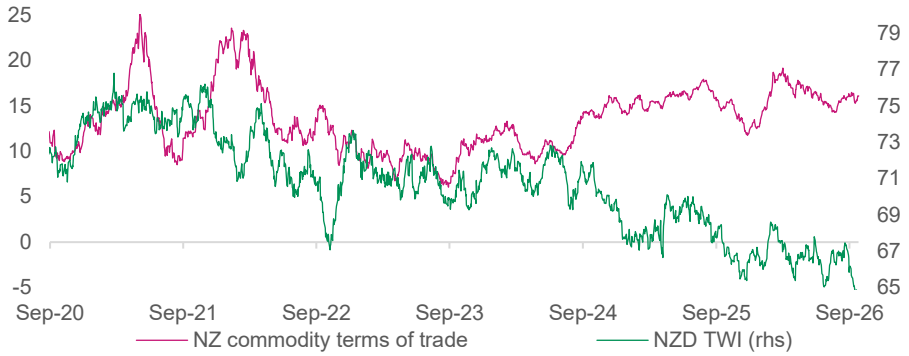
Source all charts: Crédit Agricole CIB, Bloomberg

This document should not be used by a non legitimate recipient.

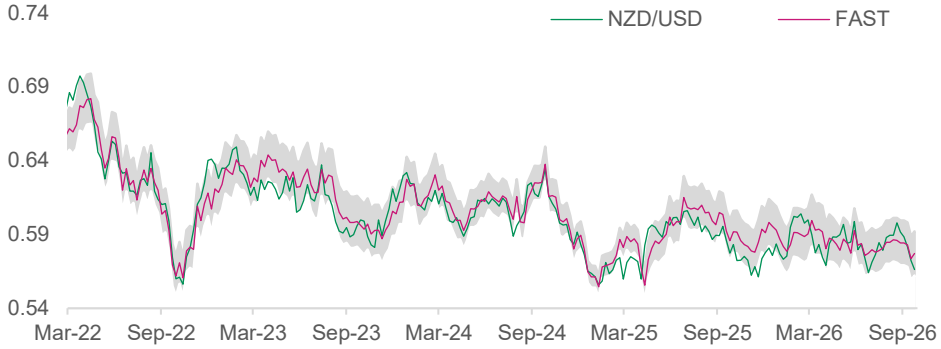
NZD: sentiment improving but the market is still short

NZD is looking modestly overvalued, but the market remains very short the currency

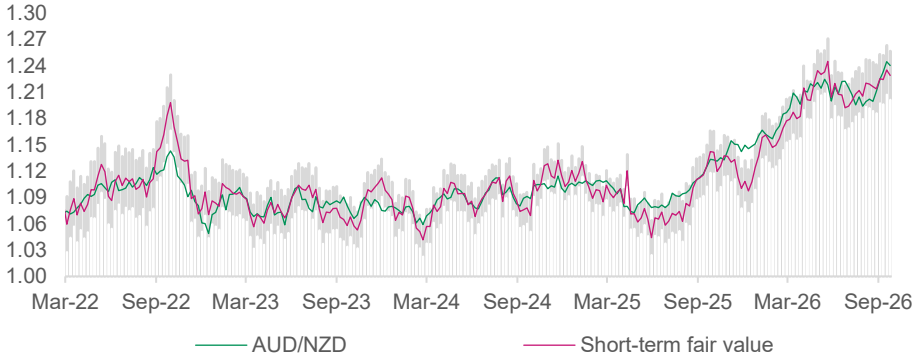
Despite strong food prices, NZ's terms of trade have been weighed down by higher energy prices



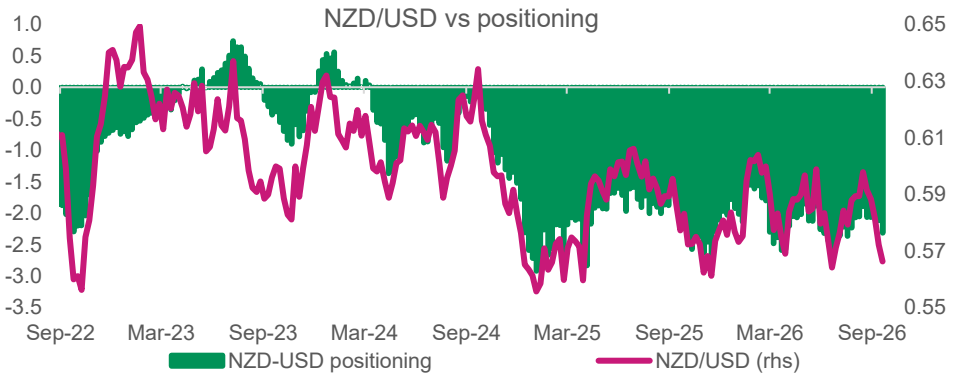
NZD/USD vs FAST FX fair value: fair value falling



AUD/NZD vs FAST FX fair value



Investors are still very short the NZD



Source all charts: Crédit Agricole CIB, Bloomberg

This document should not be used by a non legitimate recipient.

This document should not be used by a non legitimate recipient.

10

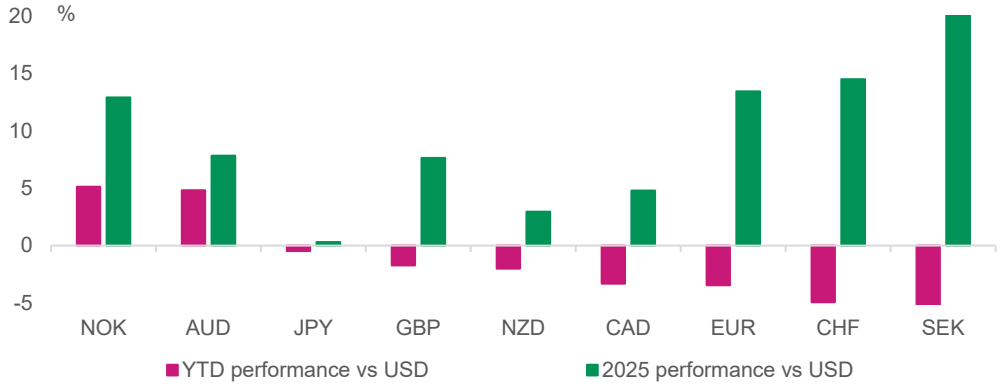
SEK: growth and its limits

SEK: you win some, you lose some

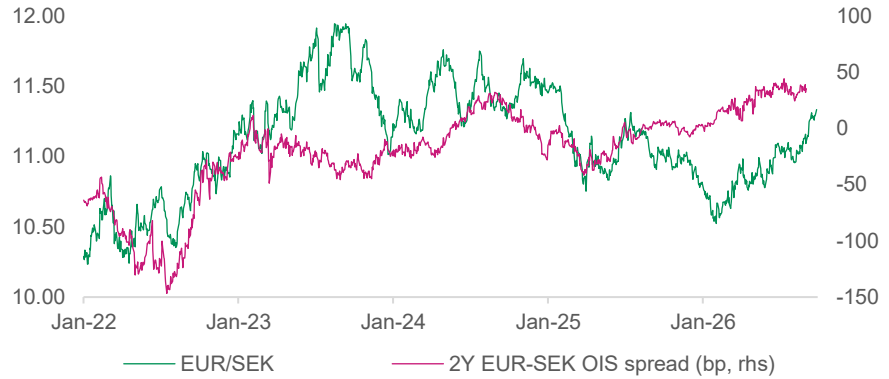
Unlike the Swedish economy, the SEK and the Riksbank have lagged behind this year

This document should not be used by a non legitimate recipient.

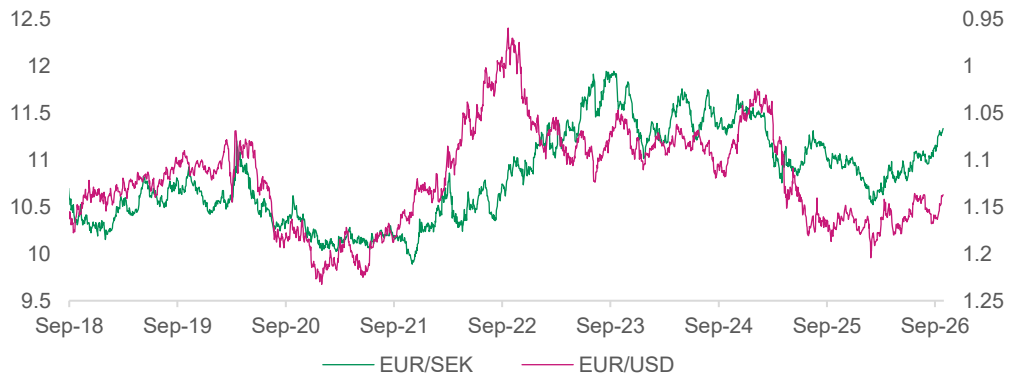
From the top to the bottom of the G10 FX space so far this year



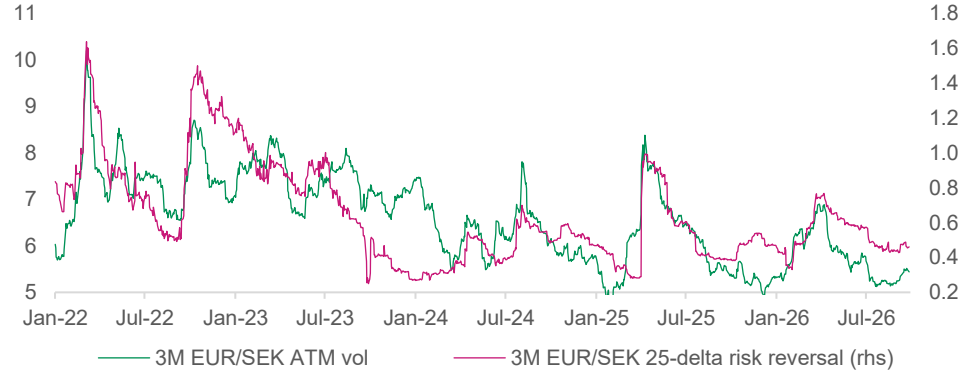
Riksbank's wait-and-see has contrasted with the ECB's tightening



Riksbank's lag may create some asymmetry as high-beta EUR proxy



Inconclusive Swedish elections, hardly a concern for the SEK



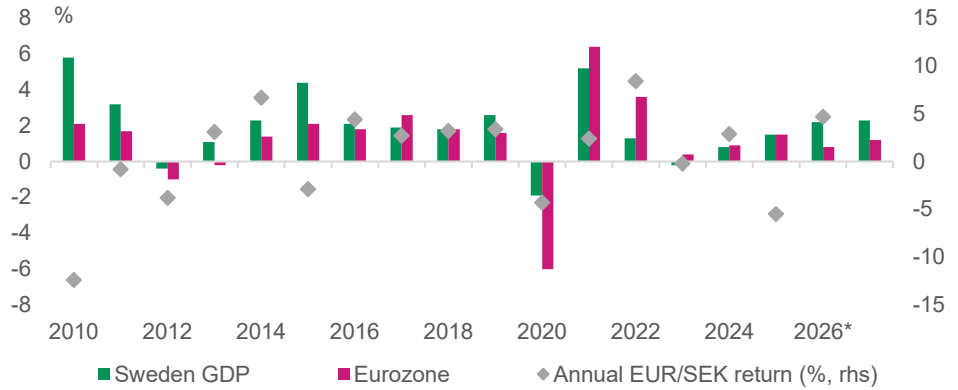
Source all charts: Crédit Agricole CIB, Bloomberg

SEK: more than able to turn things around

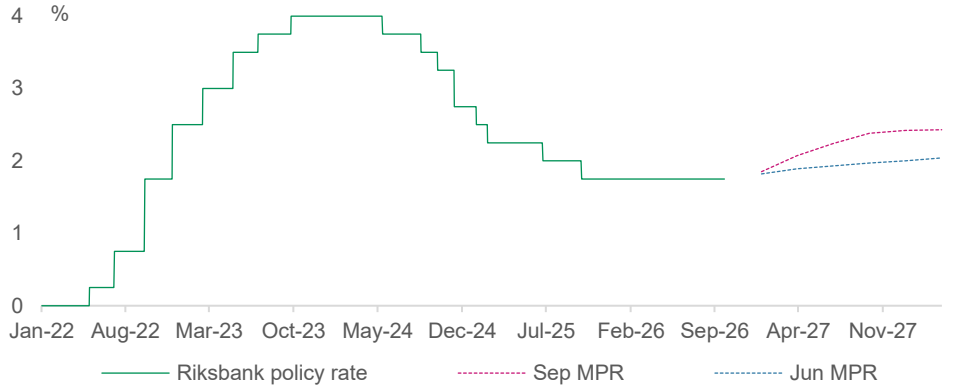
Sweden's growth outperformance, as well as sounder public finances, should help the SEK fare better

This document should not be used by a non legitimate recipient.

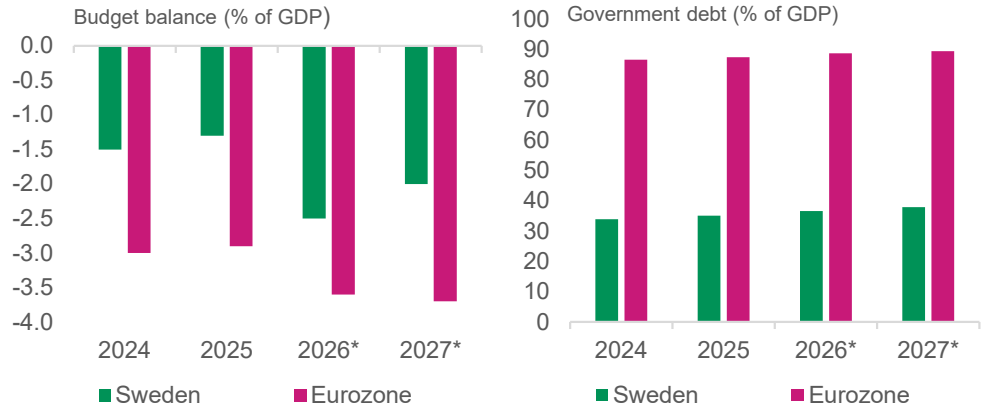
A larger relative growth outperformance still on the cards for this year



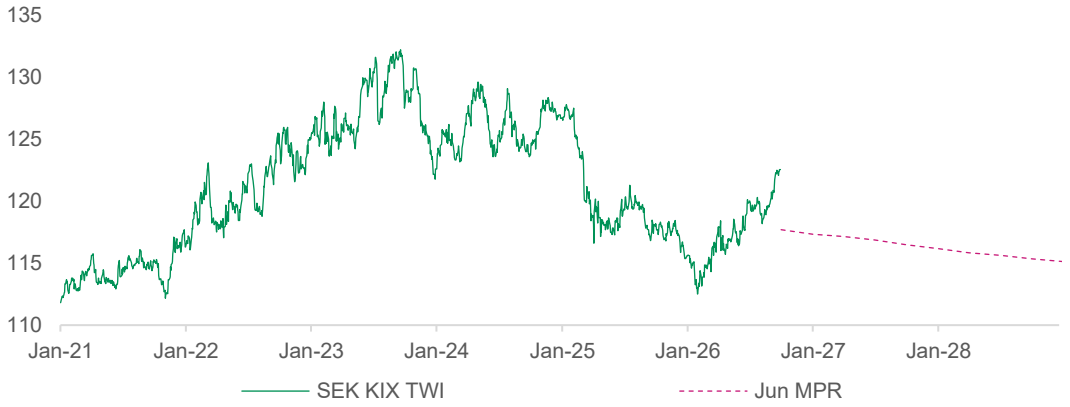
Riksbank's frontloaded hike prospects hint at peak divergence with the ECB



Sweden still enjoys sounder public finances than most peers



Potential unwind of FX reserves hedging programme to limit long-term SEK upside



Source all charts: Crédit Agricole CIB, Bloomberg, Riksbank, ECB

This document should not be used by a non legitimate recipient.

11

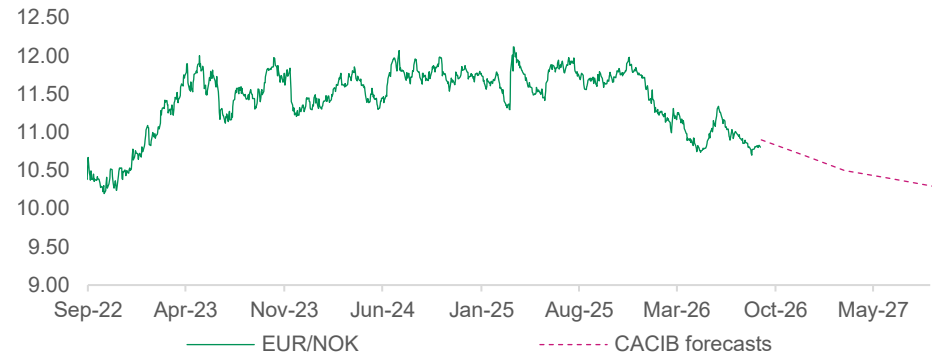
NOK: still something left in the tank

NOK: re-energised

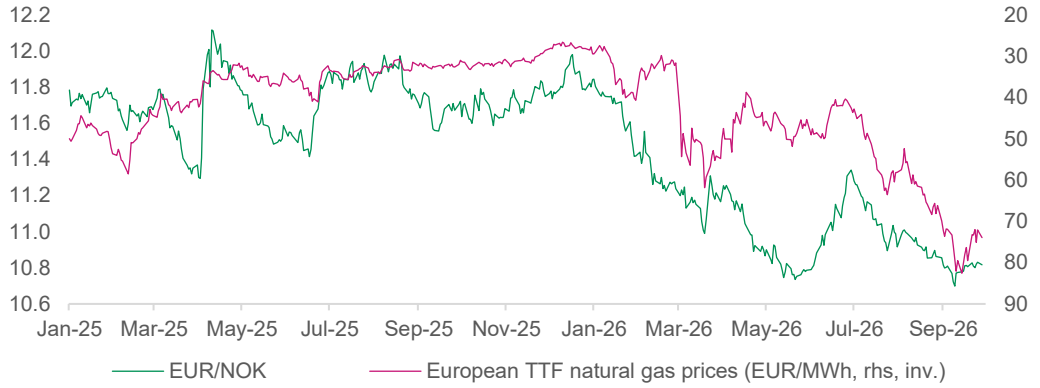
The NOK has resumed its march higher as energy markets have had to deal with renewed tensions in the Middle East

This document should not be used by a non legitimate recipient.

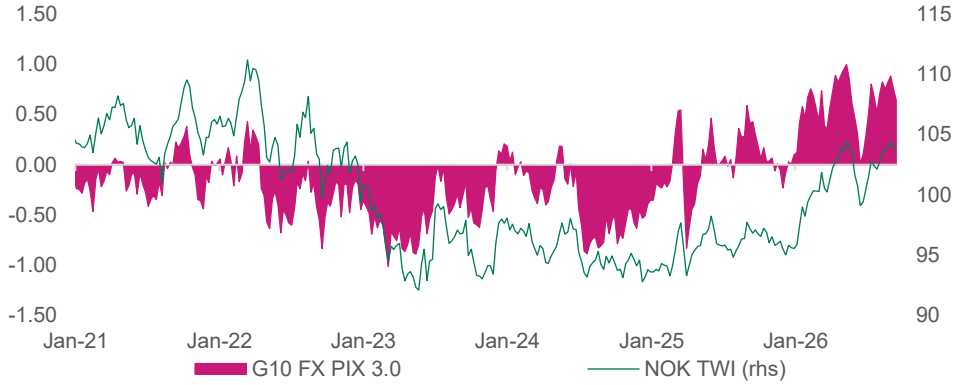
EUR/NOK has resumed drifting lower, in line with our central case



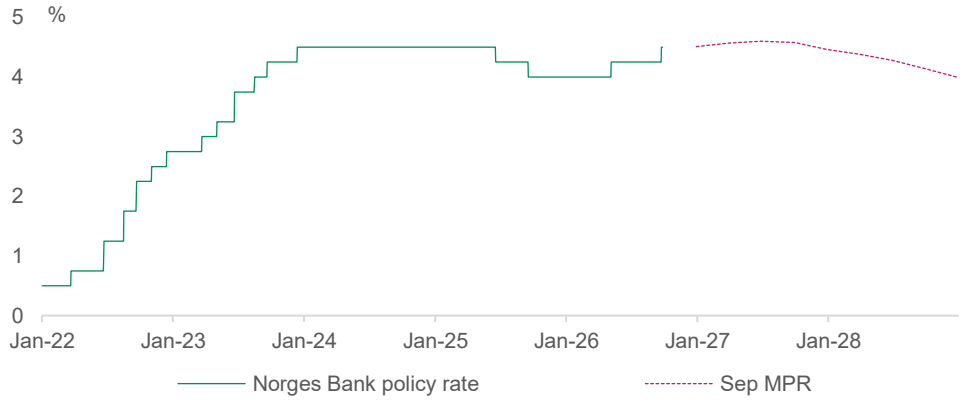
Energy shock has spread to natural gas prices



The NOK has remained a popular long in FX carry trades



The Norges Bank has already taken its policy rate back to prior peak



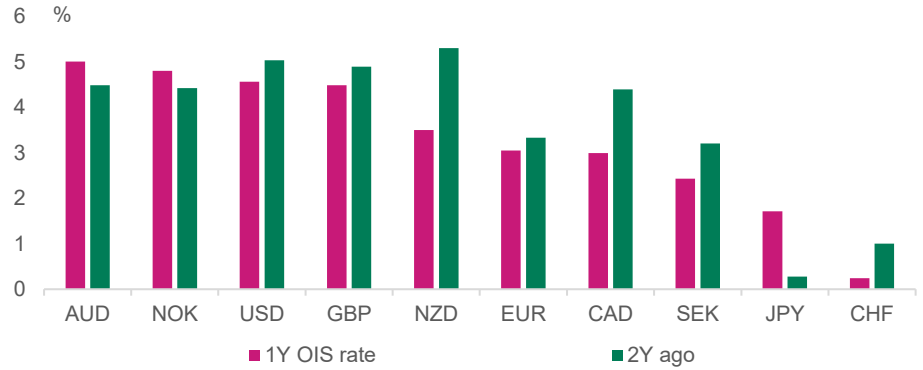
Source all charts: Crédit Agricole CIB, Bloomberg, Norges Bank

NOK: still something in the tank for the long run

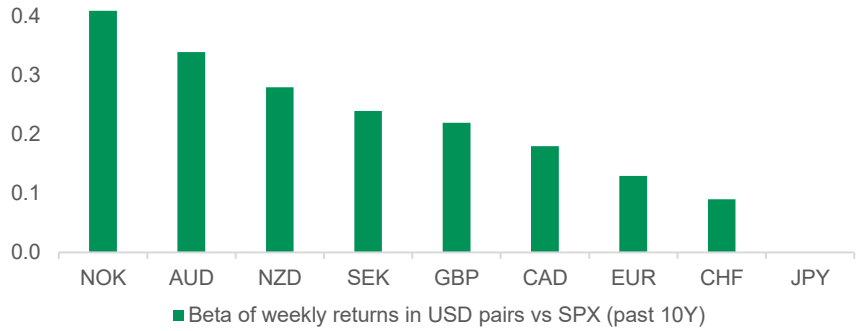
NOK ongoing recovery to be fuelled by Norway's appealing fundamentals, assuming resilient global risk appetite

This document should not be used by a non legitimate recipient.

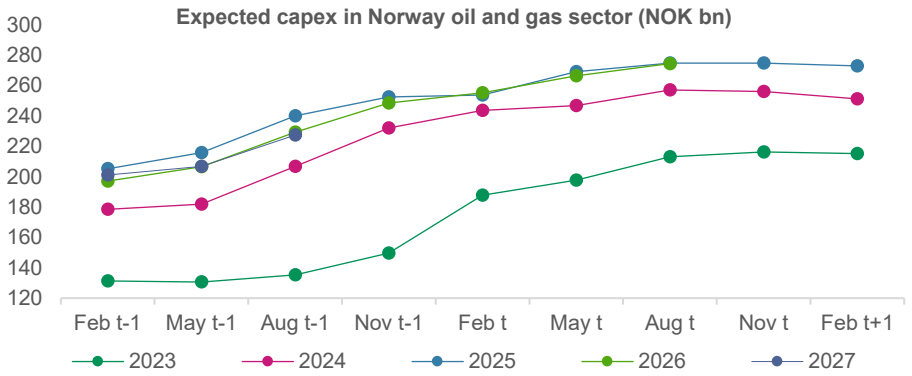
Unlike previous years, the NOK enjoys superior carry appeal



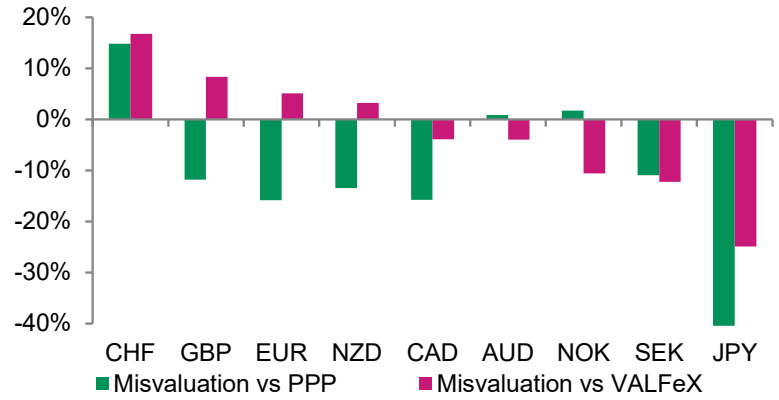
Resilient global risk appetite still needed for the NOK to continue to fare well



Norway enjoys robust oil & gas capex flows regardless



The NOK remained one of the most undervalued G10 FX



Source all charts: Crédit Agricole CIB, Bloomberg, Statistics Norway

This document should not be used by a non legitimate recipient.

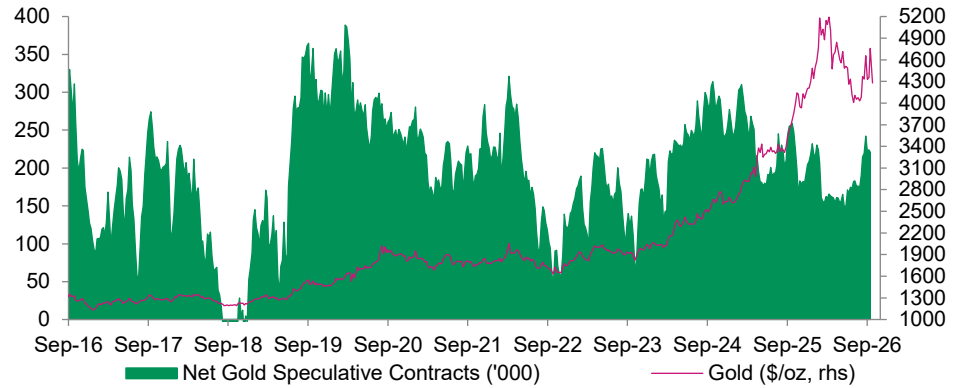
12

XAU: the ultimate safe haven put to the test

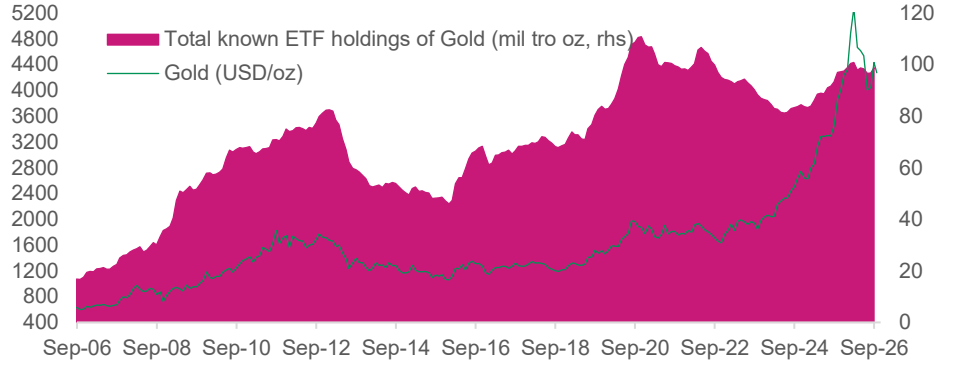
Gold – demand analysis

Private investors (speculators and otherwise) not rushing to buy gold while central bank gold reserves have increased

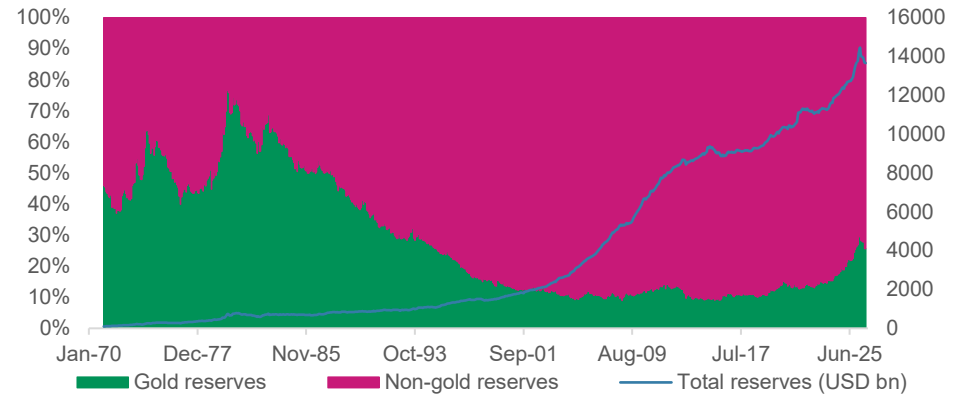
Gold vs market speculative positioning – lack of excessive longs



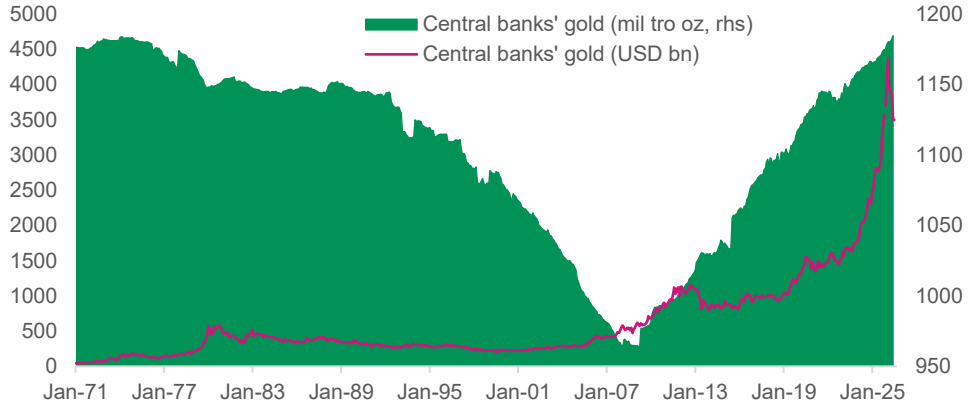
Gold vs ETF holdings of gold – the demand is there but not as excessive



Central bank gold reserves (market value) vs share in total reserves



Central bank gold reserves (market value) vs physical holdings of gold

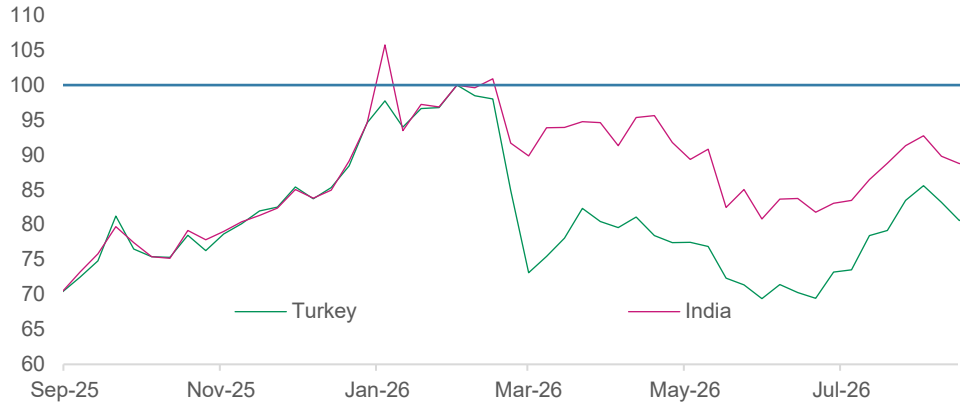


This document should not be used by a non legitimate recipient.

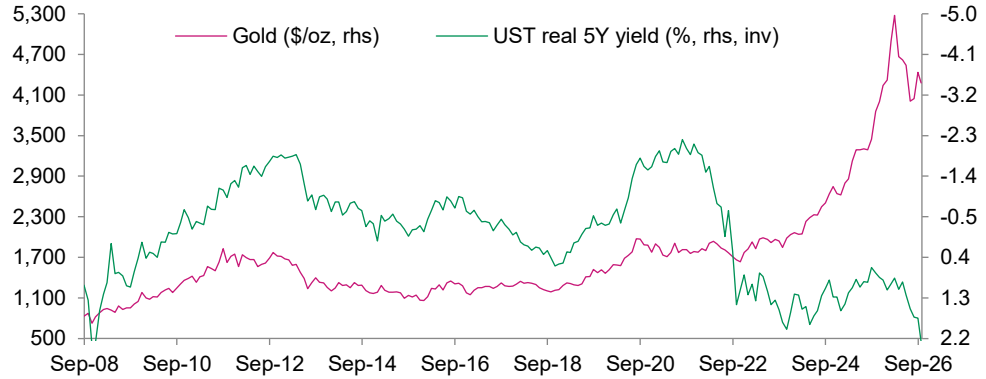
Source all charts: Crédit Agricole CIB, Bloomberg, IMF, Metal Focus data Ltd

XAU and the war in Iran

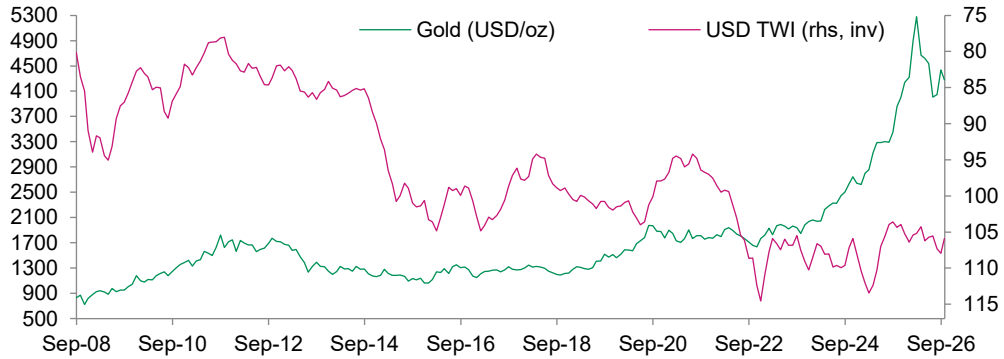
Demand for USD in the wake of the Iran war forced central banks to sell gold reserves (27 Feb 2026 = 100)



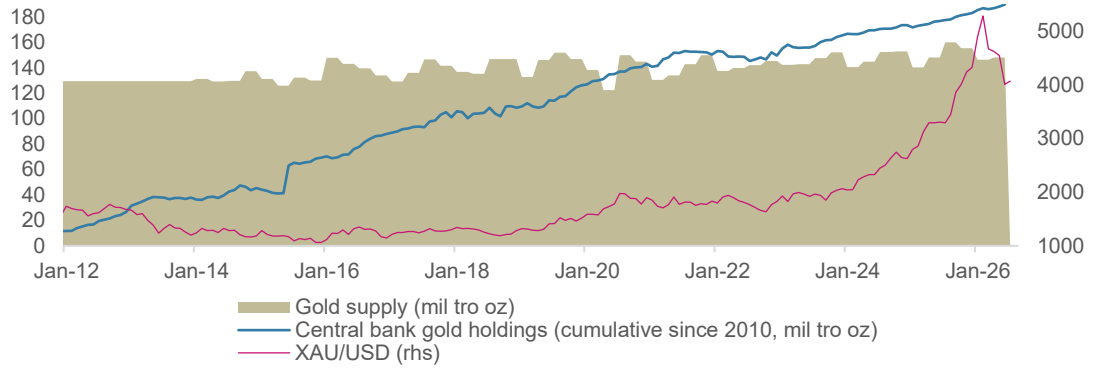
XAU vs US real rates, spot the difference



XAU vs USD NEER



Growing central bank gold demand and inelastic gold supply resulted in exponential XAU price moves in recent years



This document should not be used by a non legitimate recipient.

Source all charts: Crédit Agricole CIB, Bloomberg

This document should not be used by a non legitimate recipient.

CRÉDIT AGRICOLE
CORPORATE & INVESTMENT BANK

Disclaimer

Disclosures and certification

The views expressed in this report accurately reflect the personal views of the undersigned analyst(s). In addition, the undersigned analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report.

Valentin Marinov, David Forrester, Alexandre Dolci

Global Markets Research contact details

Jean-François Paren Head of Global Markets Research +33 1 41 89 33 95

	Asia (Hong Kong, Singapore & Tokyo)		Europe (London & Paris)		Americas (New York)
Macro Strategy	Takuji Aida Chief Economist Japan +81 3 4580 5360	Ken Matsumoto Macro Strategist Japan +81 3 4580 5337	**Louis Harreau** **Head of Developed Markets Macro & Strategy** **+33 1 41 89 98 95**	Valentin Giust Global Macro Strategist +33 1 41 89 30 01	Nicholas Van Ness ** Chief US Economist +1 212 261 7601
Interest Rates			**Jean-François Perrin** **Head of Rates and Inflation Research & Strategy** **+33 1 41 89 73 49** Matthias Loise Inflation Strategist +33 1 41 89 20 06	Guillaume Martin Interest Rates Strategist +33 1 41 89 37 66 Riccardo Lamia Interest Rates Strategist +33 1 41 89 63 83 Monna Dimitrova Interest Rates Strategist +33 1 41 89 05 61	Alex Li ** Head of US Rates Strategy +1 212 261 3950
Emerging Markets	Xiaojia Zhi Chief China Economist Head of Research, Asia ex-Japan +852 2826 5725 Eddie Cheung CFA Senior Emerging Market Strategist +852 2826 1553	Jeffrey Zhang Emerging Market Strategist +852 2826 5749 Yeon Jin Kim Emerging Market Analyst +852 2826 5756	**Sébastien Barbé** **Head of Emerging Market Research & Strategy** **+33 1 41 89 15 97**		Olga Yangol ** Head of Emerging Market Research & Strategy, Americas +1 212 261 3953
Foreign Exchange	David Forrester Senior FX Strategist +65 6439 9826		**Valentin Marinov** **Head of G10 FX Research & Strategy** **+44 20 7214 5289**	Alexandre Dolci FX Strategist +44 20 7214 5064	
Quant Research			Alexandre Borel Data Scientist +33 1 57 87 34 27		

*** employee(s) of Crédit Agricole Securities (USA), Inc.*

Important: Please note that in the United States, this fixed income research report is considered to be fixed income commentary and not fixed income research. Notwithstanding this, the Crédit Agricole CIB Research Disclaimer that can be found at the end of this report applies to this report in the United States as if references to research report were to fixed income commentary. Products and services are provided in the United States through Crédit Agricole Securities (USA), Inc.

Foreign exchange disclosure statement to clients of CACIB

Additional recommendation obligations – available from analyst(s) upon request:

- A list of all the recommendation changes on any financial instrument or issuer disseminated within the last 12 months.
- Where Crédit Agricole CIB is a market-maker or liquidity provider in the financial instruments of the issuer.

Valuation and methodology

Based on their expertise, each analyst defines the information that is relevant to produce their recommendations. This information may change over time. All recommendations focus on FX and fixed income instruments, either spot, cash or derivate markets. Crédit Agricole CIB is currently disclosing investment recommendations either at the issuer level, at the financial instrument level or at the country level. Credit Agricole CIB investment recommendations are based on a risk and reward analysis:

- Risk analysis may be conducted at the financial instruments level. Among the information normally used to define the risks, are (1) publications produced by other research teams within Crédit Agricole CIB (Economics, FX, Credit Research, Interest rate), (2) country analysis, (3) regulatory filings; (4) regular discussions with relevant stakeholders such as experts or regulatory bodies or (5) any other publicly available sources.
- Reward analysis is usually based on valuation models. Valuation may be based on proprietary models or external models provided by sources considered as reliable (eg, Bloomberg). Among other factors, valuation models may be based on relative value models, quantitative models, cross-asset models.
- Investment recommendations may also be based on other technical aspects, including positioning flows and observing the market and underlying movements in particular instruments or issuers. This analysis will take into account key criteria such as market liquidity of the financial instrument at the time of production of the recommendation.

Any change in recommendation is disclosed via specific documents indicating both the new and the previous recommendation and the rationale backing the change.

Credit Agricole CIB expressly disclaims any responsibility for: (i) the accuracy of the models or estimates used in deriving the recommendations; (ii) any errors or omissions in computing or disseminating the valuations: and (iii) any uses to which the recommendations are put. Any valuation provided may be different from the valuation of the same product that Credit Agricole CIB may use for its own purposes, including those prepared in its own financial records.

This document should not be used by a non legitimate recipient.

Disclaimer

© 2026, CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK All rights reserved.

This research report or summary has been prepared by Crédit Agricole Corporate and Investment Bank or one of its affiliates (collectively "Crédit Agricole CIB") from information believed to be reliable. Such information has not been independently verified and no guarantee, representation or warranty, express or implied, is made as to its accuracy, completeness or correctness.

This report is provided for information purposes only. Nothing in this report should be considered to constitute investment, legal, accounting or taxation advice and you are advised to contact independent advisors in order to evaluate this report. It is not intended, and should not be considered, as an offer, invitation, solicitation or personal recommendation to buy, subscribe for or sell any of the financial instruments described herein, nor is it intended to form the basis for any credit, advice, personal recommendation or other evaluation with respect to such financial instruments and is intended for use only by those professional investors to whom it is made available by Crédit Agricole CIB. Crédit Agricole CIB does not act in a fiduciary capacity to you in respect of this report.

Crédit Agricole CIB may at any time stop producing or updating this report. Not all strategies are appropriate at all times. Past performance is not necessarily a guide to future performance. The price, value of and income from any of the financial instruments mentioned in this report can fall as well as rise and you may make losses if you invest in them. Independent advice should be sought. In any case, investors are invited to make their own independent decision as to whether a financial instrument or whether investment in the financial instruments described herein is proper, suitable or appropriate based on their own judgement and upon the advice of any relevant advisors they have consulted. Crédit Agricole CIB has not taken any steps to ensure that any financial instruments referred to in this report are suitable for any investor. Crédit Agricole CIB will not treat recipients of this report as its customers by virtue of their receiving this report.

Crédit Agricole CIB, its directors, officers and employees may have financial interests or may effect transactions (whether long or short) in the financial instruments described herein for their own accounts or for the account of others, may have positions relating to other financial instruments of the issuer thereof, or any of its affiliates, or may perform or seek to perform securities, investment banking or other services for such issuer or its affiliates, within the regulatory framework set by Article 37 of Delegated Regulation (EU) 2017/565. Crédit Agricole CIB may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Without prejudice to the requirements arising from Article 4 of Delegated Regulation (EU) 2016/958, Crédit Agricole CIB is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report. Crédit Agricole CIB has established a "Policy for Managing Conflicts of Interest" which is available upon request. A summary of this policy is published on the Crédit Agricole CIB website conflict of interest | Crédit Agricole CIB. This policy also applies to the investment research activity.

None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party without the prior express written permission of Crédit Agricole CIB. To the extent permitted by applicable securities laws and regulations, Crédit Agricole CIB accepts no liability whatsoever for any direct or consequential loss arising from the use of this document or its contents.

France: Crédit Agricole Corporate and Investment Bank is authorized and regulated by the Autorité de Contrôle Prudentiel et de Résolution ("ACPR") and supervised by the European Central Bank ("ECB"), the ACPR and the Autorité des Marchés Financiers ("AMF"). Crédit Agricole Corporate and Investment Bank is incorporated in France with limited liability. Registered office: 12, Place des Etats-Unis, CS 70052, 92 547 Montrouge Cedex (France). Companies Register: SIREN 304 187 701 with Registre du Commerce et des Sociétés de Nanterre. United Kingdom: Crédit Agricole CIB is authorised and regulated by the Autorité de Contrôle Prudentiel et de Résolution (the "ACPR") and supervised by the European Central Bank (the "ECB"), the ACPR and the Autorité des Marchés Financiers (the "AMF") in France. Crédit Agricole CIB London Branch is authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available from Crédit Agricole CIB London on request. Crédit Agricole Corporate and Investment Bank is a public limited company ("société anonyme") under French law, incorporated in France under SIREN number 304187701 at the Nanterre Trade and Companies Registry, with limited liability and its head office address at 12, Place des États-Unis, CS 70052, 92547 Montrouge Cedex, France. It is registered in England and Wales as an overseas company at Companies House under company number FC008194, with a UK establishment at Broadwalk House, 5 Appold Street, London, EC2A 2DA, United Kingdom (UK establishment number BR001975). United States of America: This research report is prepared by Crédit Agricole Corporate and Investment Bank and is distributed in the United States solely to persons who qualify as "Major U.S. Institutional Investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934 and who deal with Crédit Agricole Corporate and Investment Bank. This report does not carry all of the independence and disclosure standards of a retail debt research report or a research report prepared by a U.S. broker-dealer. Recipients of this research in the United States wishing to effect a transaction in any security mentioned herein should do so by contacting Crédit Agricole Securities (USA), Inc. (a broker-dealer registered with the Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority ("FINRA"). The delivery of this research report to any person in the United States shall not be deemed a recommendation of Crédit Agricole Securities (USA) Inc. to effect any transactions in the securities discussed herein or an endorsement of any opinion expressed herein. This report shall not be re-distributed in the United States without the consent of Crédit Agricole Securities (USA) Inc. Italy: Crédit Agricole Corporate and Investment Bank is authorised and regulated by the Autorité de Contrôle Prudentiel et de Résolution (the "ACPR") and supervised by the European Central Bank (the "ECB"), the ACPR and the Autorité des Marchés Financiers (the "AMF") in France. Crédit Agricole Corporate and Investment Bank Milan Branch is subject to supervision by the Bank of Italy and by the Commissione nazionale per le società e la borsa ("CONSOB"). This report is not intended, and should not be considered, as an offer, invitation, solicitation or recommendation to buy or sell any of the financial instruments described herein. This report is not intended, and should not be considered, as advice on investments in securities under the Consolidated Financial Law (Legislative Decree No. 50 of 24 February 1998) and can only be distributed to, and circulated among, professional investors (controparti qualificate), as defined by the relevant Italian securities legislation. Spain: This report may only be distributed to professional investors (as defined in Article 194 of Law 6/2023, of 17 March, of the Securities Markets and the Investment Services, and Article 112 of Royal Decree 813/2023, of 8 November, on the legal regime for investment services firms and other entities providing investment services) and cannot be distributed to other investors that do not fall within the category of professional investors. Hong Kong: Distributed by Crédit Agricole Corporate and Investment Bank, Hong Kong branch, an authorized financial institution registered with the Securities and Futures Commission for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities with Central Entity Number AAK816. This research report has not been reviewed or authorised by any regulatory authority in Hong Kong and is available only for professional investors within the meaning of the Securities and Futures Ordinance (Cap.571) and its subsidiary legislations. Japan: Distributed by Crédit Agricole Securities Asia B.V. which is registered for financial instruments business in Japan pursuant to the Financial Instruments and Exchange Act (Act No. 25 of 1948), and is not intended, and should not be considered, as an offer, invitation, solicitation or recommendation to buy or sell any of the financial instruments described herein. This report is not intended, and should not be considered, as advice on investments in securities which is subject to the Financial Instruments and Exchange Act (Act No. 25 of 1948). Singapore: Crédit Agricole Corporate and Investment Bank, Singapore branch ("CACIB SG") may distribute information/research produced by its head office Crédit Agricole Corporate and Investment Bank incorporated in France, pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Credit Agricole Corporate and Investment Bank only distributes to accredited, expert, or institutional investors (in each case, as defined in the Securities and Futures Act 2001).

Switzerland: This report is provided only to institutional clients and/or professional clients within the meaning of the Swiss Financial Services Act and in strict compliance with applicable Swiss law. This document is not a prospectus within the meaning of Swiss Financial Services Act. The products mentioned in this document may not be suitable for all types of investors. Germany: This report may only be distributed to institutional investors. Australia: Distributed to wholesale investors only. This research, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act.

THE DISTRIBUTION OF THIS DOCUMENT IN OTHER JURISDICTIONS MAY BE RESTRICTED BY LAW, AND PERSONS INTO WHOSE POSSESSION THIS DOCUMENT COMES SHOULD INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTIONS. BY ACCEPTING THIS REPORT, YOU AGREE TO BE BOUND BY THE FOREGOING.

09/12/25

This document should not be used by a non legitimate recipient.