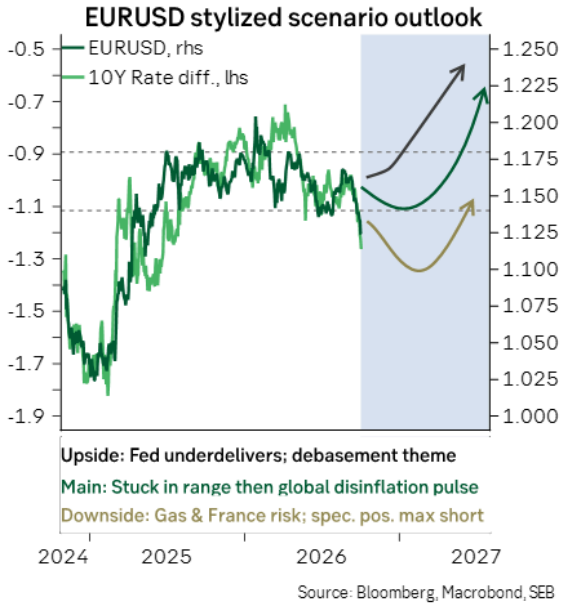
Macro Trading Strategy

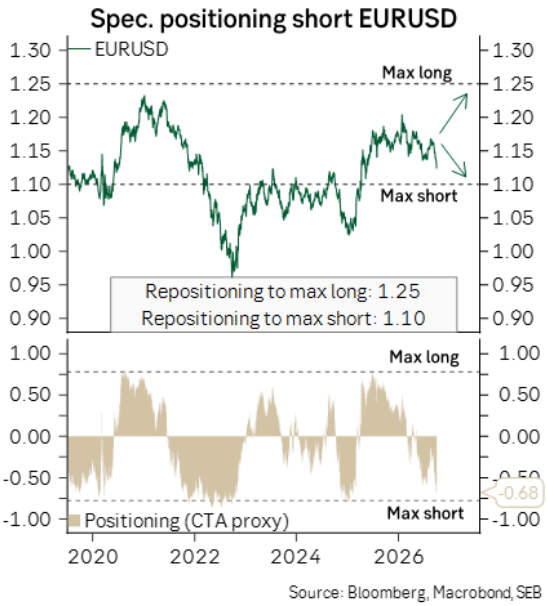
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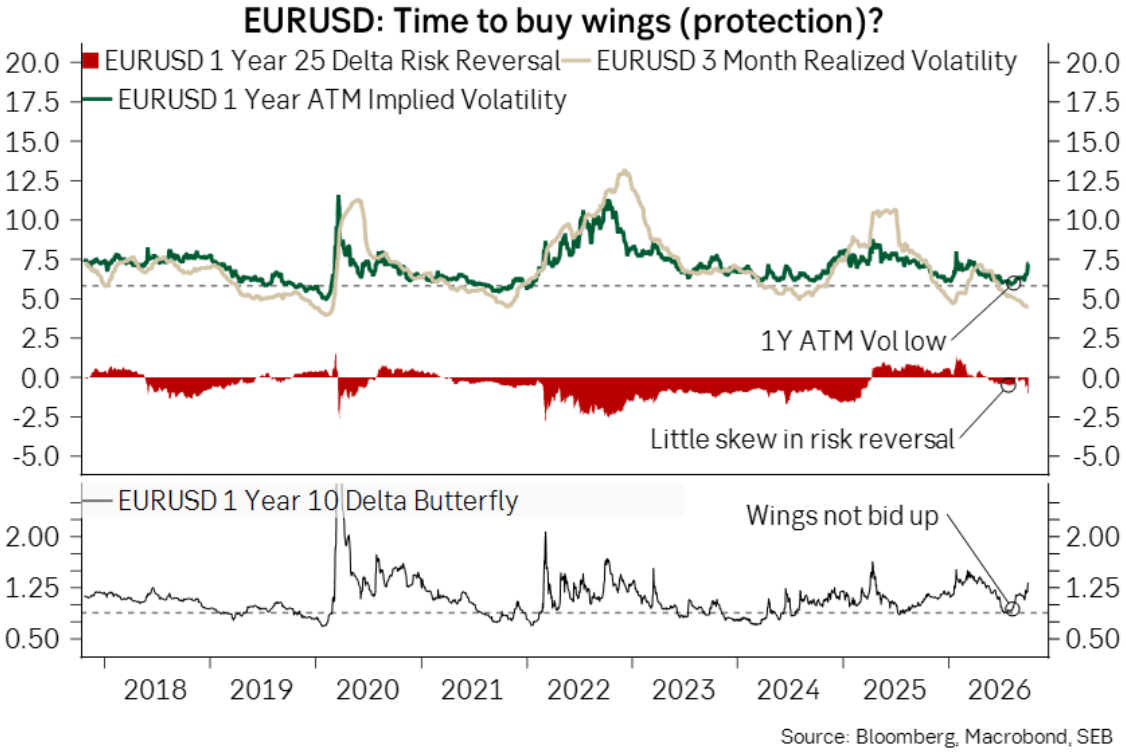
An update of current market views

FX: Euro view challenged (stuck in a range before weak USD in 2027); short EURCHF overlay starting to play out; short SEK view since April shifted to only play it against JPY (prudent to scale back long EURSEK and NOKSEK)

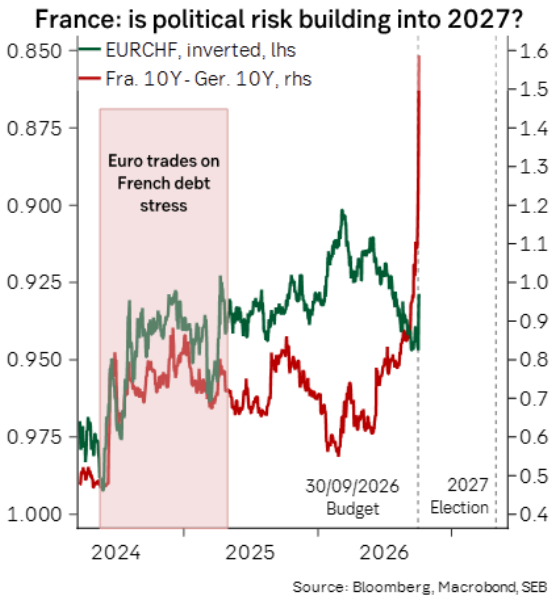
- **We had argued a few weeks back in the FX Pilot that Euro is stuck in a range but probably to test the downside before breaking out higher in 2027**. Risks (France and gas prices) are 'known knowns' and should have less broad contagion risk. Clearly **this story is challenged** as Euro is breaking levels – we crudely estimated that around 1.10 in EURUSD the CTA type positioning should be max short.
- Our view has been that playing a longer-term weak USD view in 2027 is best expressed via low delta EURUSD calls given the risks (updated charts below from September FX Pilot).

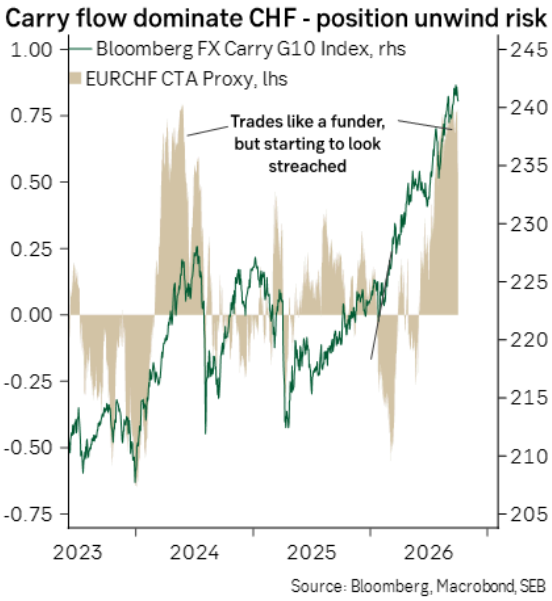




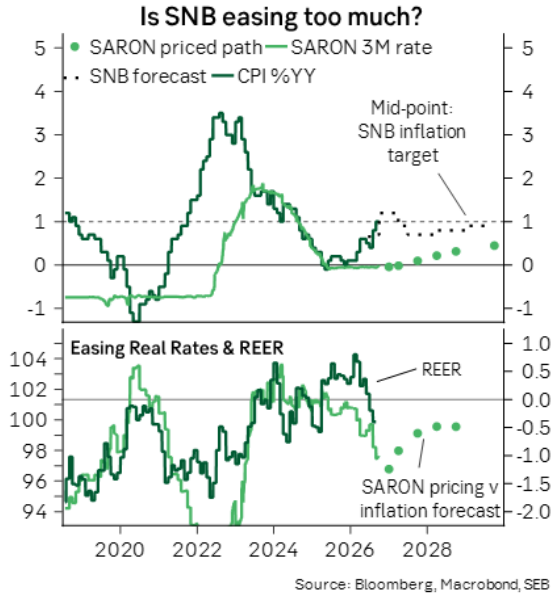


- **With that said we argued in September for running a short EURCHF overlay which is starting to play out.**
- French fiscal issues at risk of spilling over to Euro – should imply EURCHF lower as in 2024/25.
- Positive news on Hormuz/oil – helps low yielders, goes against the carry trade (carry strategies are inherently long commodity beta), while positioning is very short CHF.
- Escalation of the oil/negative bond vortex – risks spilling over to equities as in March and imply EURCHF lower.
- Meanwhile – SNB is de facto easing policy by allowing the real policy rate to drift into negative territory while the REER is depreciating – i.e. they could allow FX to do some of the tightening here.

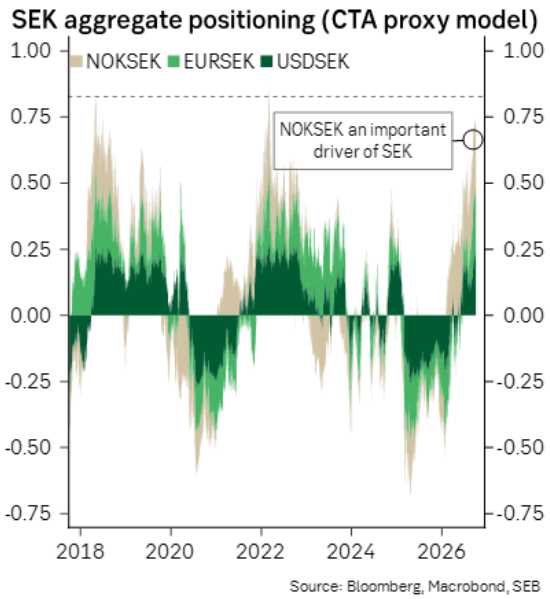


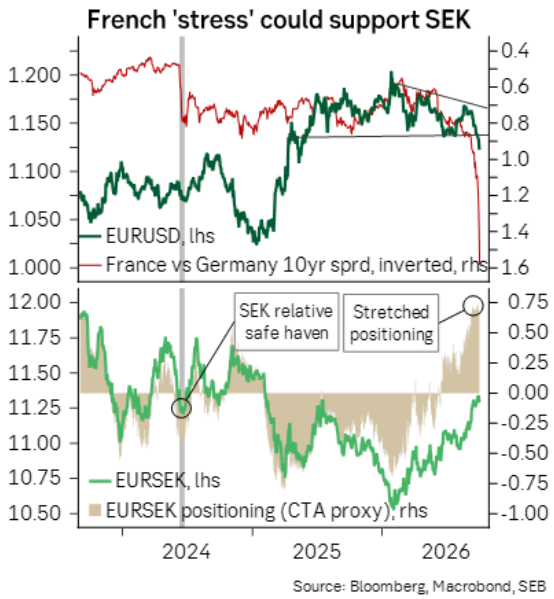


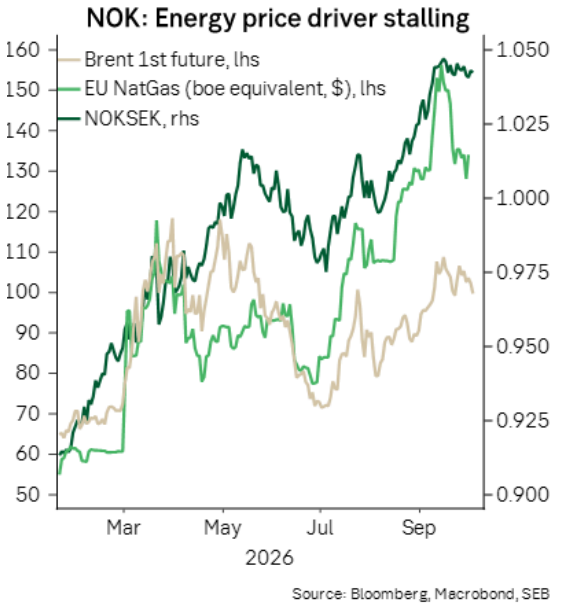


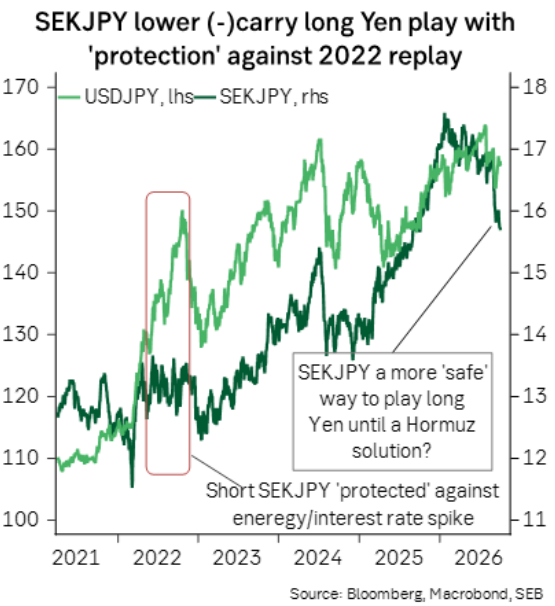


- **On Monday this week we dialled back negativity on SEK vs European crosses (EUR and NOK) – but keep short SEKJPY.**
- SEK is very short positioned (like CHF) with the risk that French issues spill over to Euro while the gas price support for NOK should start stalling during October near peak EU 'restocking'. I.e. it looked prudent to scale back SEK short views vs Euro and NOK as short covering could take hold.
- With that said, sticking with a view of short SEKJPY (& CADJPY) – as a carry efficient way to play long Yen while having some 'protection' for a 2022 redux. Should a clear energy price disinflation impulse emerge look to only express long Yen vs CAD and USD.



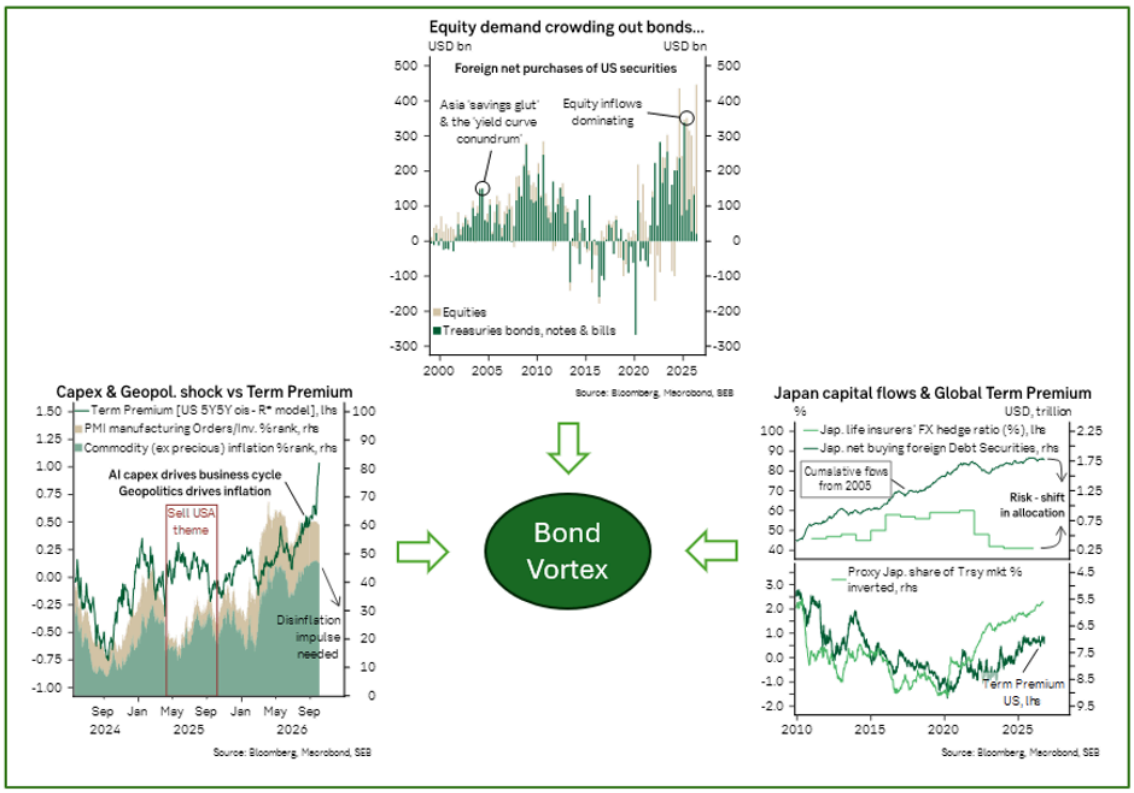


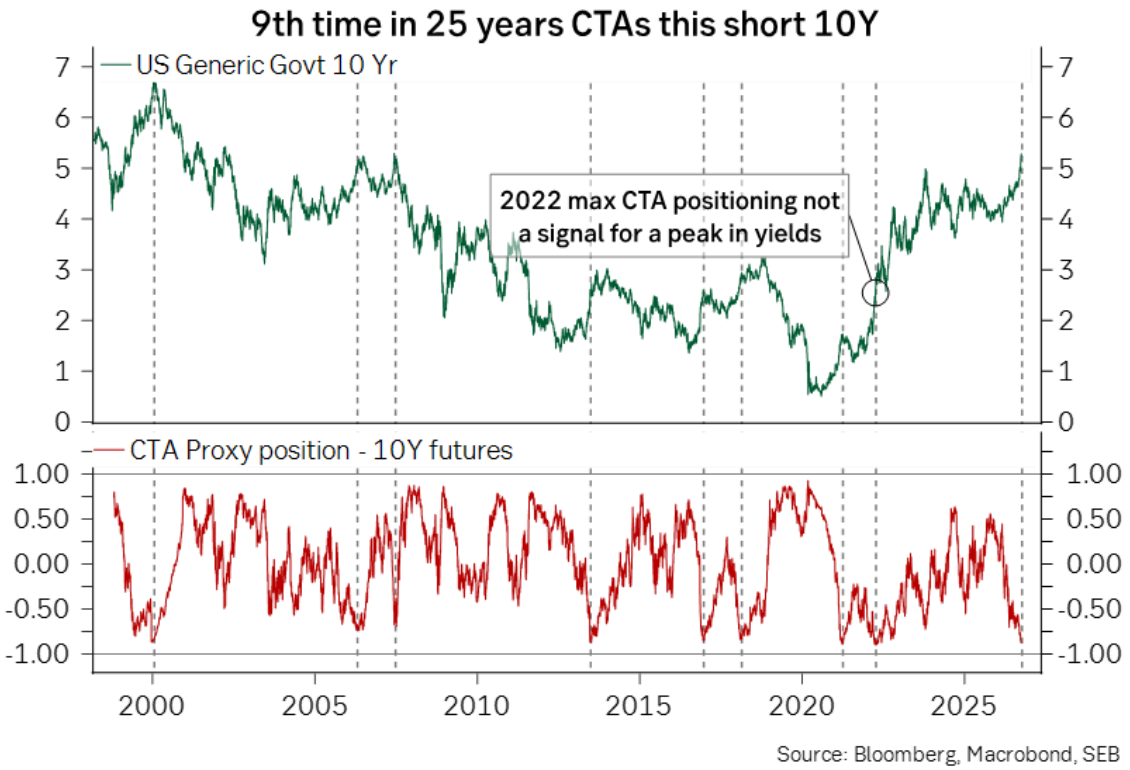




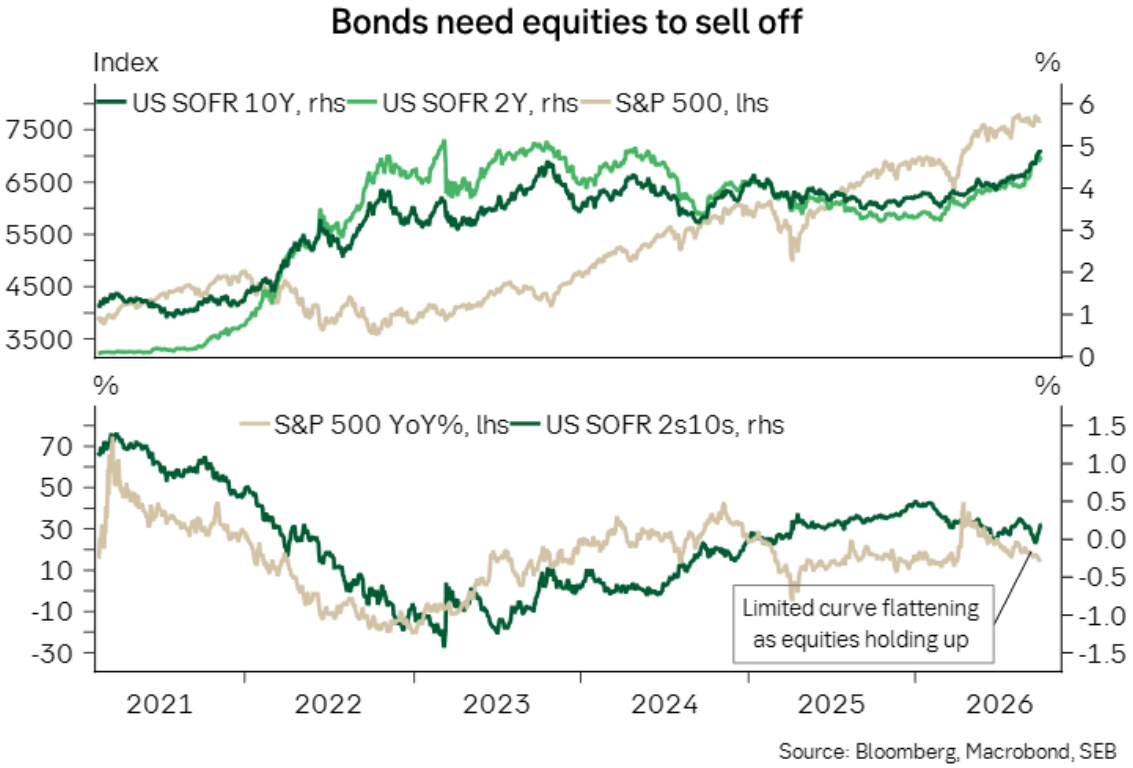
Interest Rates: Playing the Fixed Income bear market via 'Macro RV' implementations in NOK (AUD) and SEK:

- I have certainly been directionally wrong, thinking we were priced for sticky inflation about 40bps ago ...
- Three thematic drivers have coincided with algo positioning getting to an extreme short position in longer bond futures - the themes being:
  - AI crowding out bonds both via equities attracting capital (foreign net purchases of US securities has entirely pivoted to equities from US treasuries) and corporate debt issuance.
  - Decent growth backdrop (AI capex driven) and a geopolitical inflation impulse.
  - Japan capital outflows stalling and possibly reversing.


Equity demand crowding out bonds...
USD bn
USD bn
Foreign net purchases of US securities
Asia 'savings glut' & the 'yield curve conundrum'
Equity inflows dominating
Equities
Treasuries bonds, notes & bills
Source: Bloomberg, Macrobond, SEB
Capex & Geopol. shock vs Term Premium
Term Premium [US 5Y5Y ois - R* model], lhs
PMI manufacturing Orders/Inv. %rank, rhs
Commodity (ex precious) inflation %rank, rhs
AI capex drives business cycle
Geopolitics drives inflation
Sell USA theme
Disinflation impulse needed
Sep 2024
Jan
May
Sep 2025
Jan
May
Sep 2026
Source: Bloomberg, Macrobond, SEB
Bond Vortex
Japan capital flows & Global Term Premium
%
USD, trillion
Jap. life insurers' FX hedge ratio (%), lhs
Jap. net buying foreign Debt Securities, rhs
Cumulative flows from 2005
Risk - shift in allocation
Proxy Jap. share of Trsy mkt % inverted, rhs
Term Premium US, lhs
Source: Bloomberg, Macrobond, SEB

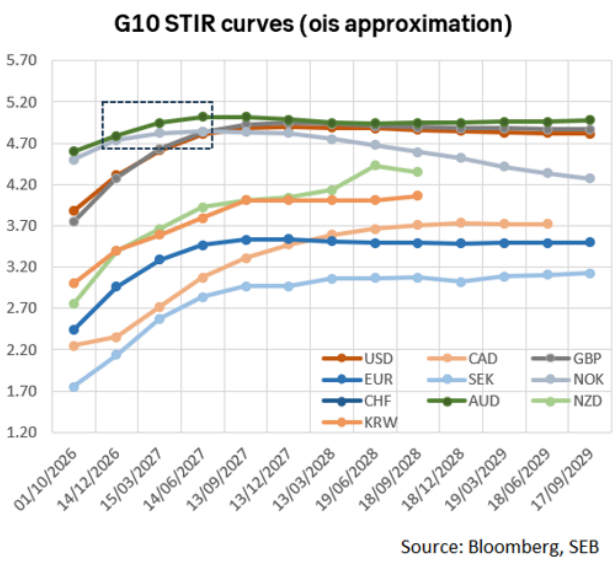

9th time in 25 years CTAs this short 10Y
US Generic Govt 10 Yr
2022 max CTA positioning not a signal for a peak in yields
CTA Proxy position - 10Y futures
Source: Bloomberg, Macrobond, SEB

- Currently these themes and positioning (discussed above) are coinciding for a 'peak bond crisis' – question is where the narrative can change ahead?
- The obvious one is that we get some progress on opening Hormuz – allowing for carbon molecules to flow freely but also importantly releasing shipping capacity/reducing transfer costs. This seems unlikely in the coming month ahead of US midterms.
- Otherwise, the bond market needs the 'automatic stabilizer' to kick-in, i.e. equity markets to correct/a dent in the AI theme (or global PMIs to roll over). Markets are certainly trading as if the bond sell-off won't stop until equities take a hit.

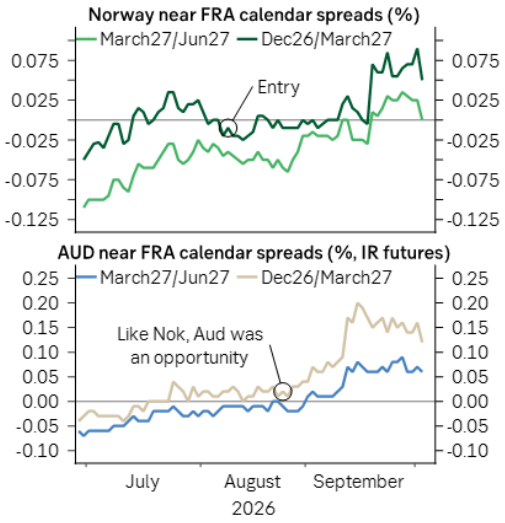


We have taken a very nitty gritty/defensive view of how to play the rates sell-off via positioning for front FRA-spread steepening in Norway (equivalent could have been done in Australia) – more in Norway 360 publications here**:**

- The high yielders (Norway and Australia) have had distinct curve shapes as they seem closer to a peak in the hiking cycle with very front FRA spreads having traded below/near zero (e.g. Dec26/March27).
- As long as these central banks can be seen as not cutting rates within 6 months these micro steepeners are essentially cheap optionality on hiking cycles having to be extended further. This has worked in Australia in particular but there should be more potential in Norway, looking for Dec26/March27 spread to get to 12bps (right chart below).
- In the coming weeks one will have to assess whether to extend micro steepening to March27/June27 if it trades below zero.



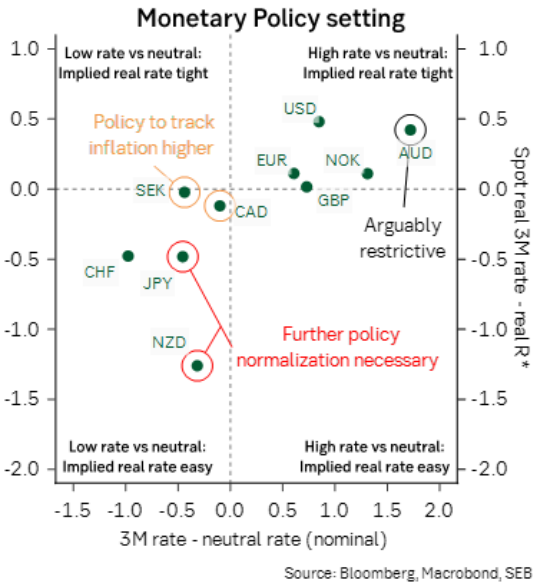
Source: Bloomberg, SEB



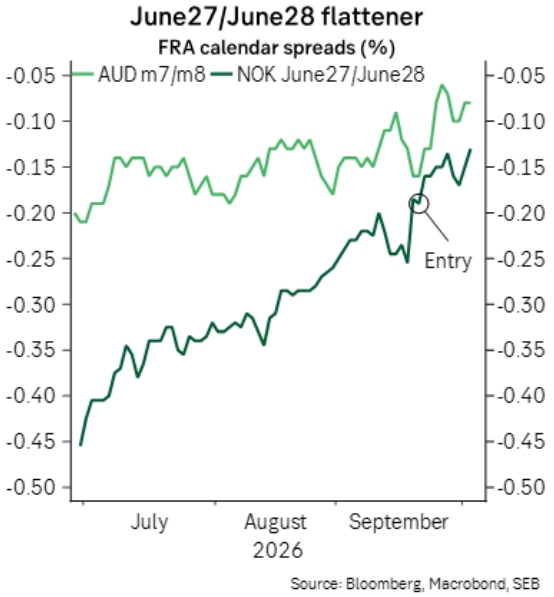
Source: Bloomberg, Macrobond, SEB

Norway and Australia are arguably running restrictive policy which should justify curve inversion into the belly.

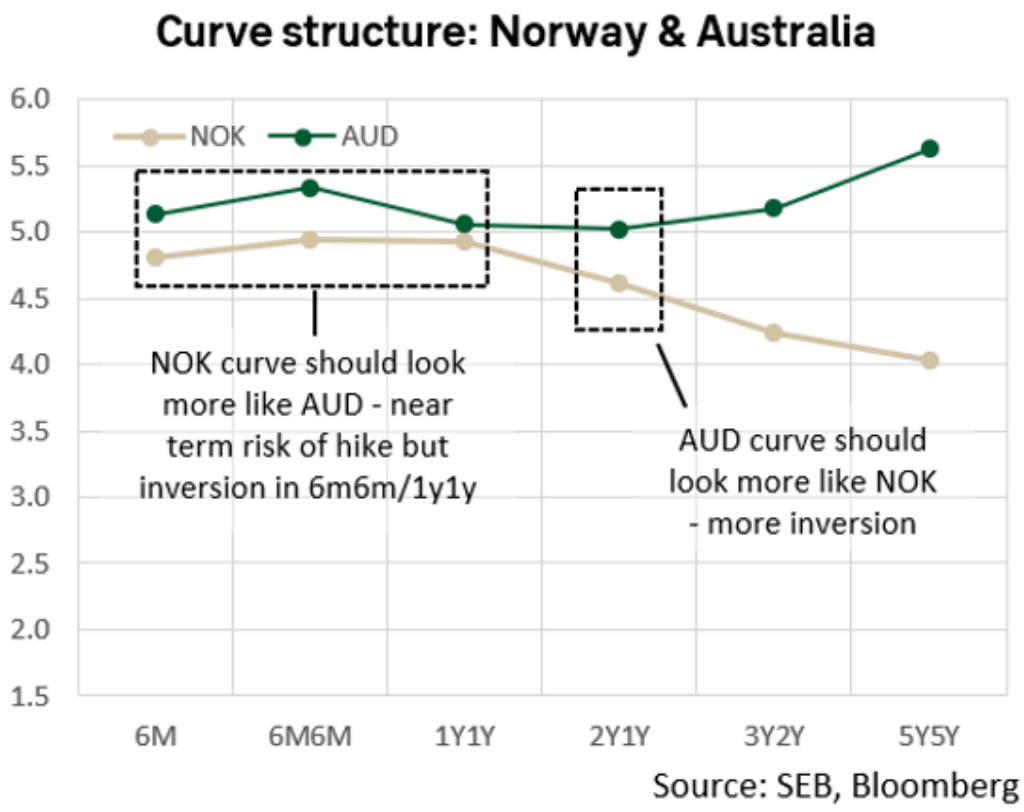
- In Norway we opted (too early) for a view of June27/June28 inversion – this still looks like an interesting expression in both Norway and Australia though.
- Combined with the very front steepener view (discussed above) one essentially ends up with an implicit fly expression, e.g. pay belly of Dec26/June27/June28.



Source: Bloomberg, Macrobond, SEB



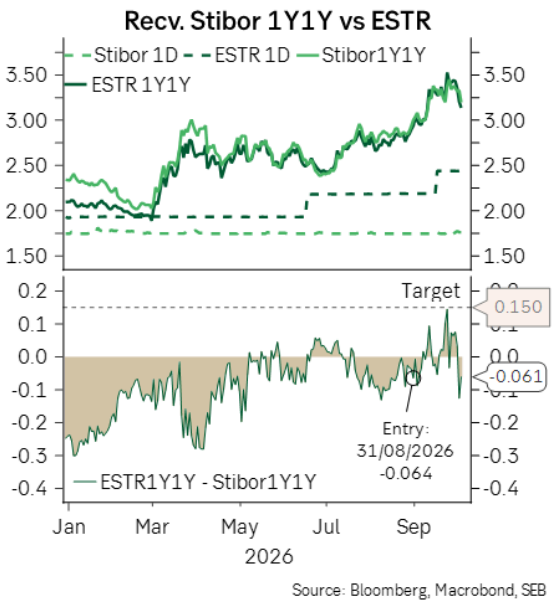
Source: Bloomberg, Macrobond, SEB



In Sweden we have opted to play long SGBs on ASW as a catch-up to the move higher in yields & a risk-off hedge while fading the pricing for Riksbank hikes on spread to Europe in 1Y1Y – more in Sweden 360 publications here**.**

- **The SGB ASW trades directionally with yields but lagged the initial move higher in rates –** i.e. there was a good case for a bid returning for bonds at attractive levels while also providing a 'risk-off' implementation. **This trade has now blown past our take profit target.**
- **Received 1Y1Y Stibor vs ESTR** has had a correction lower again with the dislocation in European rate markets, making it interesting to replay the substantial Riksbank/ECB convergence priced.





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