What FX Signals Are Winning?

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- *Carry remains a standout systematic signal, delivering relatively consistent performance in the current market environment.*
- *JPY and CAD show the strongest bearish conviction vs. USD, supported by signals across valuation, carry and volatility strategies.*
- *We are recommending short EUR/GBP (3W), long USD/JPY (9W) and long USD/CAD (9W) trade ideas.*

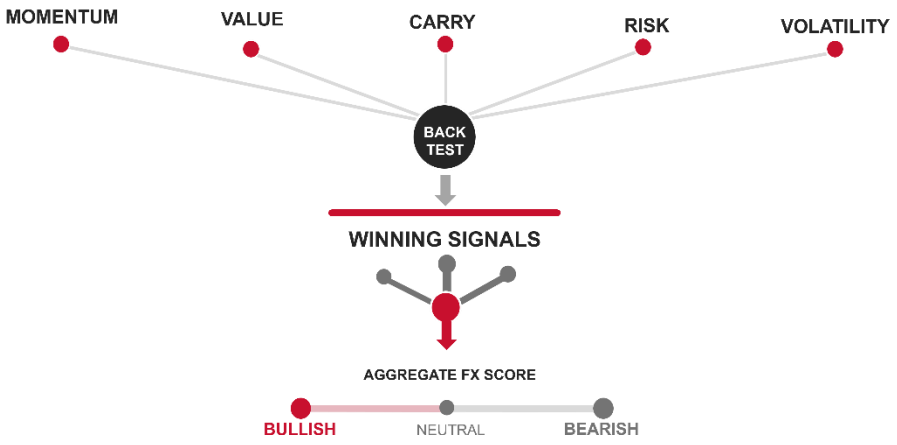
Overview

Systematic trading strategies are rules and regime-based, they lack the instinct and feel for markets that sits at the heart of discretionary trading, replaced instead with a rigid set of rules that decides when to buy, when to sell and when to sit on the sidelines. Yet precisely because those rules remove emotion from the process, systematic strategies have become a well sought after incursion into markets by all manner of market participants.

The challenge however is no systematic strategy works in every environment, markets move through different macroeconomic, policy and volatility regimes, and the relationships that drive FX changes with them. A momentum signal that captures a persistent trend in one environment can become considerably less useful when markets become range bound. Likewise, differences in rates, valuation, risk sensitivity or volatility can move in and out of focus as the main forces driving FX change.

In this edition, we investigate the rotation in systematic strategies. Rather than beginning with a view on which strategy should work, we start with the question: **Given the current environment, which FX strategies are winning now?**

FROM STRATEGY BANK TO SYSTEMATIC FX VIEW



Source: Bloomberg, Macrobond & MUFG GMR

Winning Score

We test 26 strategies across our five strategy families: Momentum, Value, Carry, Risk and Volatility. Each is evaluated using 3-, 6- and 9-week holding periods, producing 78 unique strategy configurations.

To identify if a strategy is working in the current environment each configuration is attributed a **winning score,** this scoring rewards strategies whose performance is robust across recent periods, it is calculated using the following:

$$WS_i = 0.40P_i + 0.20W_i^{current} + 0.20W_i^{longest} + 0.10R_i^{13w} + 0.10R_i^{26w}$$

where:

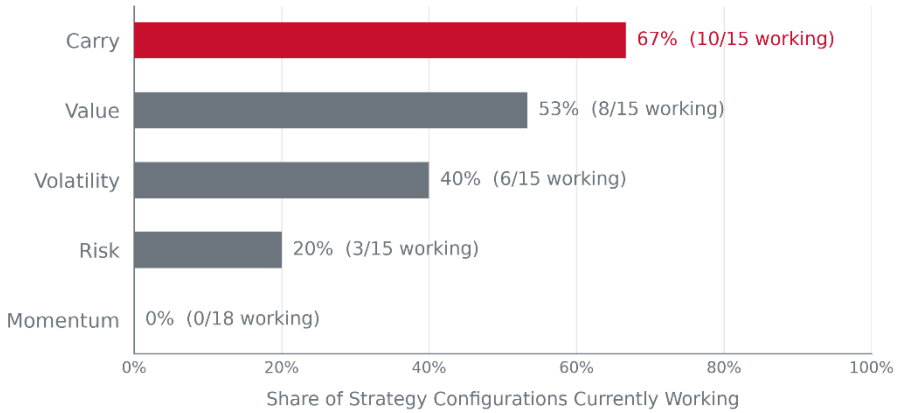
- $P_i$is the proportion of the latest 26 weeks with a return above **+0.10%**;
- $W_i^{current}$ is the current winning streak
- $W_i^{longest}$ is the longest winning streak
- R_i^{13w} is the strategy's 13-week Sharpe
- R_i^{26w} is the strategy's 26-week Sharpe

A configuration qualifies as "*winning*" when the score is greater than or equal to **0.5**. This prevents a strategy from qualifying solely because of a single strong return. Winning strategies must exhibit recent persistence, repeatability and risk-adjusted performance.

What Strategies are Winning?

At the family level we identify the share of strategy configurations that are winning. Should recent success be broadly spread across the configurations in each family we say the family is working.

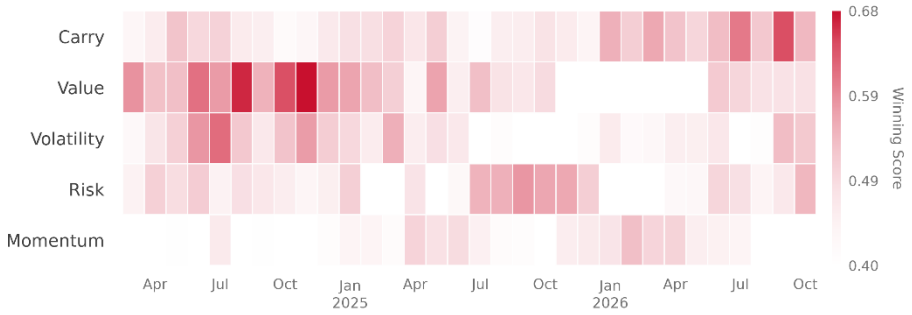
CARRY TAKES LEADERSHIP POSITION



Source: Bloomberg, Macrobond & MUFG GMR

Our carry-based strategies currently stand out as the most consistently successful group in recent periods. The strategies capture the level of 2Y yield differentials, changes in those differentials, their deviation from historical norms, inflation-adjusted rate differentials and potential mean reversion following unusually large rates moves. The results suggest that both the level and direction of relative rates have recently contained useful information for FX.

STRATEGY LEADERSHIP ROTATES WITH THE MARKET REGIME



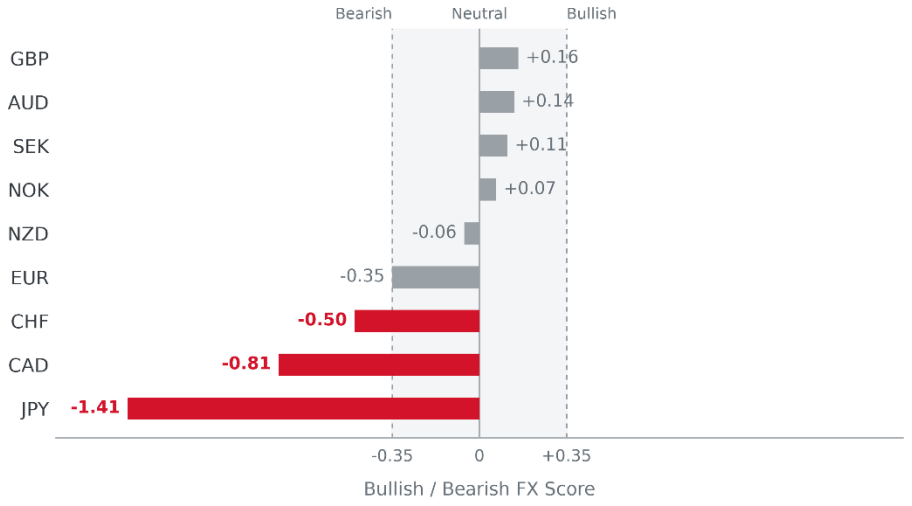
Source: Bloomberg, Macrobond & MUFG GMR

Carry has re-emerged as a leading strategy family this year, the chart above identifies the rotation of leadership amongst systematic strategies we flag rotation has been particularly evident around periods of macro disruption. The "Liberation Day" tariff shock in April-2025 coincided with higher FX volatility and a deterioration in Carry performance, before the initial market reaction faded and carry positions were rebuilt to pre-event levels. The US-Iran conflict in early 2026 marked another shift in the systematic backdrop, as the energy shock and changing policy expectations generated stronger directional moves across G10 FX, this created a more supportive environment for momentum. As the geopolitical premium subsequently faded and market trends became less persistent, momentum trends weakened again.

What do the winners say about G10 FX?

Having established which strategies are working, we now answer what those strategies imply for G10 FX. The first chart combines their directional preferences across all holding periods into a common bullish/bearish score for each G10 currency, with readings beyond +/-0.35 signalling stronger directional conviction. The table below looks beneath that headline signal, separating the views of winning 3-, 6- and 9-week strategies. This helps identify where directional conviction is persistent across horizons.

BULLISH/BEARISH AGGREGATE FX SCORE



Source: Bloomberg, Macrobond & MUFG GMR

BREAKDOWN OF BULLISH/BEARISH SCORE BY HOLDING PERIOD

CCY	3W	6W	9W	Overall
GBP	+0.33	+0.08	+0.09	**+0.16**
AUD	+0.20	+0.06	+0.18	**+0.14**
SEK	+0.66	-0.03	-0.18	**+0.11**
NOK	+0.23	-0.06	+0.07	**+0.07**
NZD	+0.56	-0.18	-0.44	**-0.06**
EUR	-0.01	-0.33	-0.66	**-0.35**
CHF	-0.22	-0.55	-0.68	**-0.50**
CAD	-0.60	-0.80	-0.99	**-0.81**
JPY	-1.38	-1.33	-1.54	**-1.41**

Strongly bearish ≤ -1.00 Neutral -0.35 to +0.35
Bearish -1.00 to -0.35 Bullish ≥ +0.35

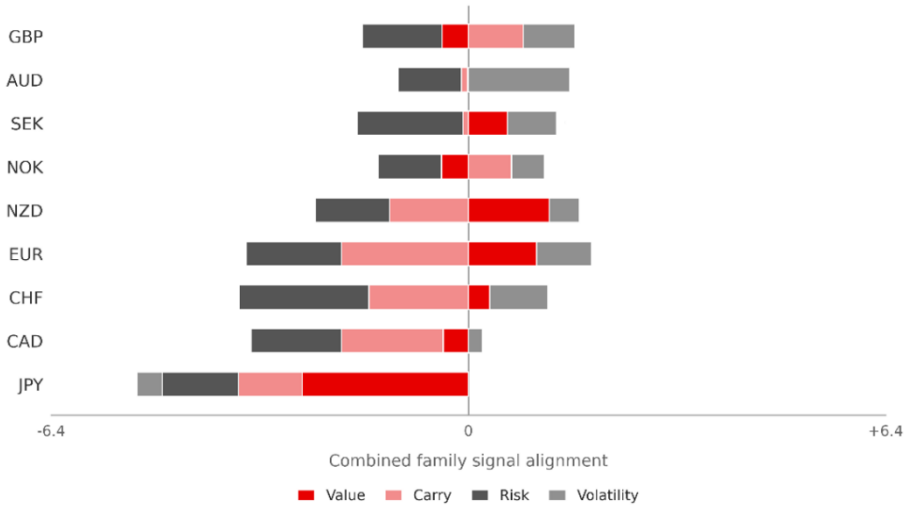
Source: Bloomberg, Macrobond & MUFG GMR

Our analysis finds that winning strategies retain a bearish skew for G10 currencies against the USD. Bearish conviction is strongest where the signal is persistent across horizons. JPY and CAD register negative readings at the 3-, 6- and 9-week holding periods, with JPY flagging “strongly bearish” across all time horizons. CHF and EUR show a more gradual deterioration as the time horizon extends, with their strongest bearish signals concentrated at nine weeks. NZD and SEK display a different profile, with shorter-term (3 weeks) bullish signals giving way to neutral signals over 6-9 weeks. At the top of the overall ranking, GBP and AUD remain relatively resilient and positive across all three horizons, but neither generates sufficient conviction for an outright bullish overall signal.

What is driving the G10 FX view?

Decomposing the overall signal by strategy family reveals the underlying sources of directional conviction. Signals supported across several families indicate broader systematic agreement, while those driven by only one or two may be more dependent on a particular market dynamic and therefore more vulnerable to a change in the macro environment. Broad family alignment can therefore provide greater confidence in the headline signal, while the individual family scores allow clients to focus on the systematic view that most closely aligns with their own market thesis.

BREADTH OF SUPPORT ACROSS SYSTEMATIC STRATEGIES



Source: Bloomberg, Macrobond & MUFG GMR

JPY stands out as the clearest bearish signal in the G10 universe. Its headline FX score is reinforced by unanimous agreement across the contributing strategy families. CAD also shows relatively broad bearish conviction, with only a modest positive contribution from Volatility. CHF also remains bearish at -0.50, although its underlying composition is less uniform: strong negative Carry and Risk signals are partly offset by positive Value and Volatility readings.

Elsewhere, family disagreement helps explain why several currencies remain neutral despite large individual strategy-family signals. GBP (for all holding periods) receives positive Carry and Volatility signals but negative Value and Risk signals, producing a neutral overall score, this is also the case for AUD.

Systematic Trade Recommendations

We translate the strategy-selection framework into three current G10 FX recommendations, drawing on some of the strongest-performing signals in the strategy bank. Each recommendation reflects a different systematic driver, providing exposure to carry, valuation and risk.

1. Real Rate Differential:

Short EUR/ GBP (3-week holding period)
Opened @ 0.8380, Target @ 0.8200 & S/L @ 0.8480

Strategy Description: The real rate differential strategy favours currencies offering relatively attractive inflation-adjusted yields and turns bearish on currencies where real-rate support is weaker.

The strategy currently ranks as one of the strongest-performing systematic signals in the G10 universe. Recent performance has been particularly strong, its 13-week Sharpe ratio is 2.40, its 26-week Sharpe is 1.62, and it has generated positive returns in 16 of the past 26 weeks. This combination indicates that the strategy has exhibited both strong recent risk-adjusted performance and persistence.

The current cross-currency signal points most strongly towards GBP relative to EUR. For this strategy, GBP over a 3-week horizon has a strongly bullish score, meaning the inflation adjusted rate backdrop is amongst the most supported in G10. While EUR sits on the opposite end, giving rise to the short EUR/GBP signal.

2. Value Momentum:
Long USD/ JPY (9-week holding period)
Opened @ 157.00, Target @ 162.00 & S/L @ 154.00

Strategy Description: Value Momentum focuses on the direction of change in currency valuation. It favours currencies where valuation dynamics are becoming more supportive and sells those where they are deteriorating.

The strategy has been supported by strong recent performance, with its 13-week Sharpe ratio standing at 2.70, while its 26-week Sharpe is more moderate at 0.40. The current signal provides a particularly strong bearish view on JPY. JPY ranks bottom amongst G10 crosses carrying an exceptionally bearish score, indicating that it has deteriorated relative to valuation estimates. Expressing that JPY weakness against USD produces a long USD/JPY recommendation over a nine-week holding horizon.

3. VIX Sensitivity:

Long USD/CAD (9-week holding period)
Opened @ 1.4020, Target @ 1.4300 & S/L @ 1.3870

Strategy Description: VIX Sensitivity measures how currencies respond to changes in equity-market volatility, identifying which currencies are most exposed as global risk sentiment shifts.

The strategy has been supported by strong medium-term performance, with its 26-week Sharpe ratio standing at 1.75, the shorter 13-week Sharpe is more moderate at 0.69. The current signal points towards CAD weakness, with CAD carrying a negative directional score of -1.39. This suggests that its current sensitivity to changes in equity-market volatility is providing a less supportive signal for CAD. Expressing that weakness against USD produces a long USD/CAD recommendation over a nine-week holding horizon.

Conclusion

The current systematic landscape presents a clear directional message - winning strategies retain a broadly bearish G10 bias vs. USD, and that bias is not evenly distributed. JPY is the standout expression of the view where bearish conviction is unanimous across our strategy families and persistent across all three holding horizons, reflecting a macro environment where the rate differential, valuation gap and risk are all reinforcing the same signal simultaneously. CAD attracts the next broadest bearish conviction, where weak growth, tariff headwinds and an inflation-constrained central bank have created conditions favourable for systematic strategies.

CHF sits in bearish territory but with less certainty, the carry drag is structural and the SNB's retreat from intervention support is meaningful, yet residual safe-haven demand and a resilient growth outlook provide genuine offsets that prevent the signal from reaching the same conviction as JPY or CAD.

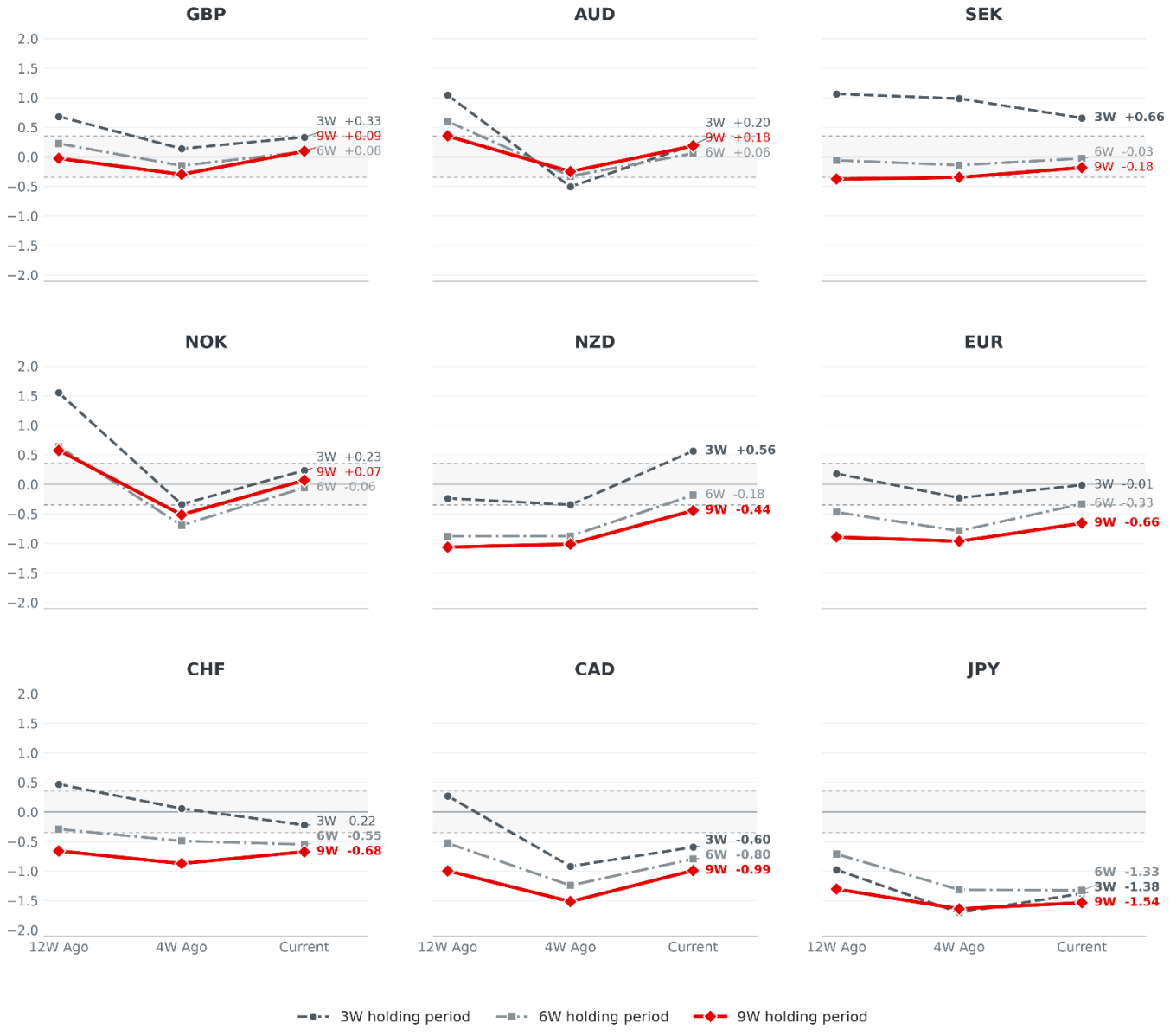
GBP and AUD remain neutral, not because the signals are weak, but because the signals are genuinely divided, hawkish central banks support carry, while fiscal risk, commodity sensitivity and stretched valuations push back. However, signals retain bullish momentum in shorter windows.

The systematic read today is clear: *short JPY and CAD signal the broadest and most durable conviction.*

Appendix

FIGURE 1. EVOLUTION OF FX SIGNALS ACROSS HOLDING PERIODS

This chart tracks changes in systematic FX scores over the past 12 weeks across the 3-week, 6-week and 9-week holding-period strategies. Each panel represents an individual currency, with the three lines showing the FX score 12 weeks ago, four weeks ago and currently. An upward trajectory indicates that systematic signals have become more bullish, while a downward trajectory indicates a shift towards a more bearish view. Comparing the holding periods highlights whether changes in the systematic FX view are broad-based across strategy horizons or concentrated in shorter- or longer-horizon signals.



Source: Bloomberg, Macrobond & MUFG GMR

Systematic FX signals have turned more constructive over the past four weeks, with most currencies reducing bearish convictions, readings across the 3W, 6W and 9W holding periods. NZD, NOK and AUD show the strongest recent (3W) improvement, while GBP has strengthened notably across all three holding periods. However, the 12-week comparison is less positive, suggesting the recent move represents a recovery from earlier weakness rather than a uniformly bullish medium-term trend. JPY remains the clearest bearish signal, while CAD has improved but remains negative across all three holding periods.

TABLE A1. SELECTED SYSTEMATIC FX STRATEGIES

The table summarises the 15 strategies currently selected by the Locked In framework as performing. Efficacy measures recent consistency across positive weekly returns, winning streaks and short-term risk-adjusted performance. The accompanying 13-week and 26-week statistics provide context on recent realised performance, while the holding period identifies the investment horizon associated with each strategy configuration.

Rank	Family	Signal	Hold	Efficacy	13W Return	26W Return	13W Sharpe	26W Sharpe
1	Carry	Real Rate Differential	3W	0.73	+2.4%	+3.5%	2.40	1.62
2	Carry	Real Rate Differential	6W	0.65	+1.7%	+1.4%	1.97	0.74
3	Value	Value Momentum	9W	0.64	+2.7%	+1.0%	2.70	0.40
4	Carry	Real Rate Differential	9W	0.64	+1.6%	+1.0%	2.00	0.60
5	Value	Value Momentum	3W	0.63	+3.8%	+2.4%	2.75	0.75
6	Value	Value Momentum	6W	0.61	+3.0%	+0.8%	2.81	0.30
7	Volatility	Volatility Regime	3W	0.61	+3.1%	+2.0%	2.45	0.73
8	Value	Value Reversal	3W	0.60	+1.8%	+2.7%	1.35	1.07
9	Carry	2Y Rate Differential	9W	0.60	+0.5%	+1.6%	0.55	0.80
10	Volatility	Low Realised Volatility	9W	0.59	+1.2%	+2.4%	1.14	0.78
11	Value	Value Reversal	6W	0.58	+1.4%	+3.0%	1.46	1.57
12	Risk	VIX Sensitivity	9W	0.58	+0.9%	+4.3%	0.69	1.75
13	Carry	2Y Rate Differential	6W	0.58	+0.6%	+0.5%	0.74	0.26
14	Risk	VIX Sensitivity	6W	0.58	+0.7%	+4.4%	0.58	1.75
15	Volatility	Volatility Mean Reversion	6W	0.57	+5.6%	+3.5%	2.87	0.85

FX Quant Toolkit

Cross-Sectional FX Short-term Valuation Monitor

This framework identifies FX trading rich or cheap relative to model-implied fair value. Using weekly data from January 2015 onwards, the model estimates short-term fair value through rolling 104-week regressions, with variables standardised over a 52-weeks. The analysis combines a small set of influential macro-financial variables that have historically explained FX performance. Core drivers include relative interest-rate differentials, global equity market performance (S&P 500), risk sentiment (VIX) and oil prices (Brent crude). Together, these factors capture differences in growth expectations, monetary policy, investor risk appetite and commodity dynamics that drive currency movements over time.

The latest observation is based on data as of **22nd October 2026**. The framework is intended as a valuation tool rather than a directional forecast, helping investors assess relative richness and cheapness across global FX markets.

G10 basket - fair-value mis-valuation, %

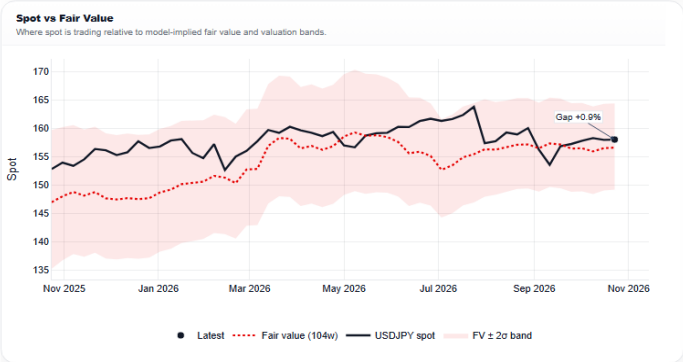
NOK vs USD	AUD vs USD	GBP vs USD	SEK vs USD	EUR vs USD	CHF vs USD	CAD vs USD	NZD vs USD	JPY vs USD
+7.12%	+4.28%	+2.56%	+2.26%	+2.22%	+1.13%	+0.14%	-0.84%	-0.89%
OVERVALUED	OVERVALUED	OVERVALUED	OVERVALUED	OVERVALUED	NEAR FV	NEAR FV	NEAR FV	NEAR FV

USD/JPY VS. FAIR VALUE

- *USD/JPY has converged towards fair value, with spot now only modestly above the model estimate following considerably wider valuation divergences earlier in 2026.*

FAIR VALUE GAP, %

- *The fair-value gap has narrowed sharply to around +0.9%, indicating USD/JPY is currently only slightly rich and broadly aligned with model-implied fair value.*





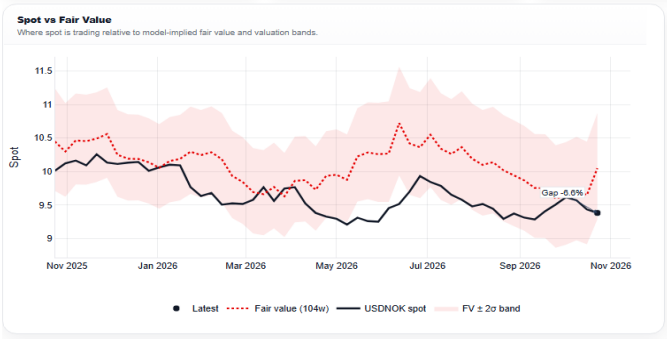
Source: Bloomberg, Macrobond & MUFG GMR

USD/NOK VS. FAIR VALUE

- *USD/NOK trades below fair value, with spot around 9.4 versus a fair-value estimate near 10.0, indicating a notable valuation discount.*

FAIR VALUE GAP, %

- *The fair-value gap has widened to around -6.6%, indicating USD/NOK is currently trading materially cheap relative to the level implied by the model.*





Source: Bloomberg, Macrobond & MUFG GMR

Macro-economic risk Monitor

This framework provides a visual assessment of macroeconomic risk by tracking how risk scores evolve across key economic themes. Using a standardised scoring methodology, underlying economic and market indicators are grouped into distinct risk blocks, assessing not only the level of risk but also the breadth and persistence across the economy.

A key advantage of the heatmap approach is its ability to distinguish between temporary disruptions and more persistent deterioration. Isolated pockets of stress may signal idiosyncratic issues, whereas simultaneous deterioration across multiple risk blocks can indicate a broader shift in the macro backdrop. The framework therefore serves as an early-warning tool, helping market participants identify emerging vulnerabilities and monitor risk transmission across broad macro themes.

US ECONOMIC RISK HEATMAP

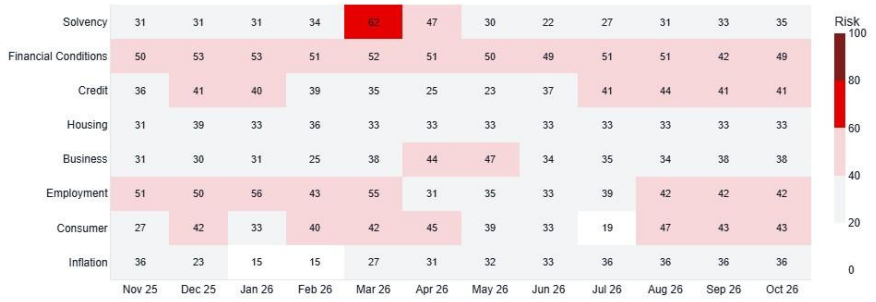
US risks are once again becoming increasingly concentrated around inflation and its downstream effects. Inflation has re-accelerated, while housing, consumer and financial-condition risks have risen alongside elevated rates and pressure on household purchasing power. Business and employment risks remain comparatively contained, suggesting a sequenced transmission of the inflation and rates shock rather than a broad-based downturn, for now.



Source: Bloomberg, Macrobond & MUFG GMR

JAPAN ECONOMIC RISK HEATMAP

Japan's macro risk profile is currently shaped by a single dominant force, monetary tightening, the transmitting gradually into financial conditions, consumer purchasing power, credit and housing stress. The key distinction from a broad-based downturn is that business activity shows limited signs of deterioration (machine tool orders rose 60.4% YoY in September, pointing to continued capex momentum that keeps the corporate sector insulated for now.



Source: Bloomberg, Macrobond & MUFG GMR

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