Global FX Outlook

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SMART MONEY MOVES™

July 2026

The big picture

Half-time: back to basics?

The first half of 2026 was defined by shocks rather than trends. From geopolitical flashpoints and conflict in the Middle East to oil-price swings, political surprises and bouts of AI-induced market volatility, investors spent much of the period navigating events rather than fundamentals. As we reach half-time, investors are hoping the second half proves less eventful and more conducive to fundamentals-driven markets.

As US-Iran diplomacy advances, and tanker traffic through the Strait of Hormuz picks up, oil prices have fallen 20% towards pre-war levels. The result is a reversal of several dominant trades. Commodity-linked currencies have lost an important tailwind, gold and bitcoin have come under pressure, and interest-rate differentials have regained influence over FX markets. Meanwhile, although concerns over stretched AI valuations have produced pockets of volatility in equities, continued investment spending and solid US growth should support the broader US exceptionalism narrative.

As we enter the second half of the year, the US dollar looks increasingly well placed. Whether through a more hawkish Fed or simply stronger relative growth, US yields continue to stand apart from much of the G10.

This monthly guide provides analysis of the global trends and events driving FX volatility, to help SMEs and corporates uncover the potential opportunities or risks involved with cross-border trade. We hope that with better access to insights, more informed international trade and payment strategies may lead to better financial outcomes for our customers.

US

Slide 4 – click here

The USD is back in the driving seat, regaining its haven appeal and supported by relatively resilient US growth and a hawkish Fed.

EU

Slide 11 – click here

The correlation between short-term ECB rate expectations and oil prices remains elevated, unlike for the Fed.

UK

Slide 13 – click here

July's Labour leadership process is a critical test for market confidence in UK assets. Both the pound and gilts might be at risk.

CA

Slide 15 – click here

The upcoming CUSMA review pushed investors back into the bearish Canada trade. This could be a key flashpoint for the Loonie.

Global macro pulse

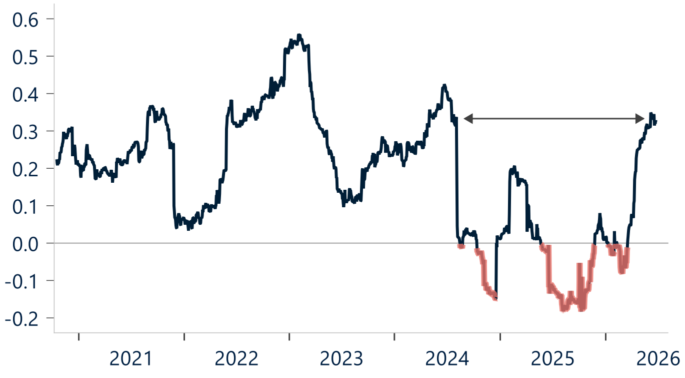
Key market themes to watch

Bruised in 2025, revitalized in 2026

The US dollar has regained appeal after a bleak 2025. Despite declining oil prices no longer providing the support seen earlier in the Middle East conflict, the greenback's safe-haven bid persists amid AI-related jitters. The currency has also been bolstered by solid US macro data, strengthening Fed hawkish expectations. Warsh's debut contributed, as concerns around his sensitivity to lower rates have faded. Re-established Fed credibility has compressed term premia, allowing real rates to support the dollar more cleanly.

USD safe-haven role reconstituted

6-month correlation of DXY and VIX daily moves



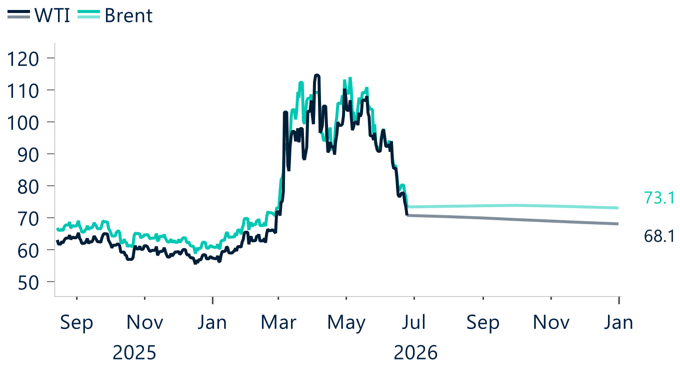
Source: Convera, Macrobond

Oil eyes pre-war levels

The US and Iran have signed a memorandum of understanding to end the war and reopen the Strait of Hormuz. Talks have moved to a second round focused on Iran's nuclear program and other issues, including the Lebanon–Israel conflict. Brent crude has erased most war-driven gains, while flows through Hormuz have picked up. Talks appear to be progressing well; absent a renewed closure of the strait or a resumption of violence, the conflict narrative is likely to fade in the months ahead.

Oil prices in free fall amid peace progress

Futures-implied trajectory for crude oil prices



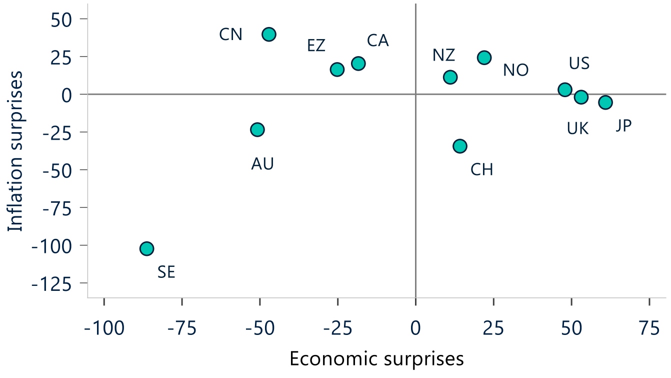
Source: Convera, Macrobond

Hawkish guard begins to crack

Central banks' balance of risks shifted firmly toward inflation following the Middle East conflict. With oil prices now materially lower, however, a more balanced outlook incorporating growth dynamics is likely in the near term. The recent unwind in hawkish expectations across G10 underscores this shift. Coupled with already tight financial conditions and softer backdrops in some economies (UK, Eurozone), the bar for renewed hawkishness is higher, leaving FX support more selective and rate-dependent.

Oil slump lays bare diverging backdrops

Citi economic vs inflation surprise indices: latest read

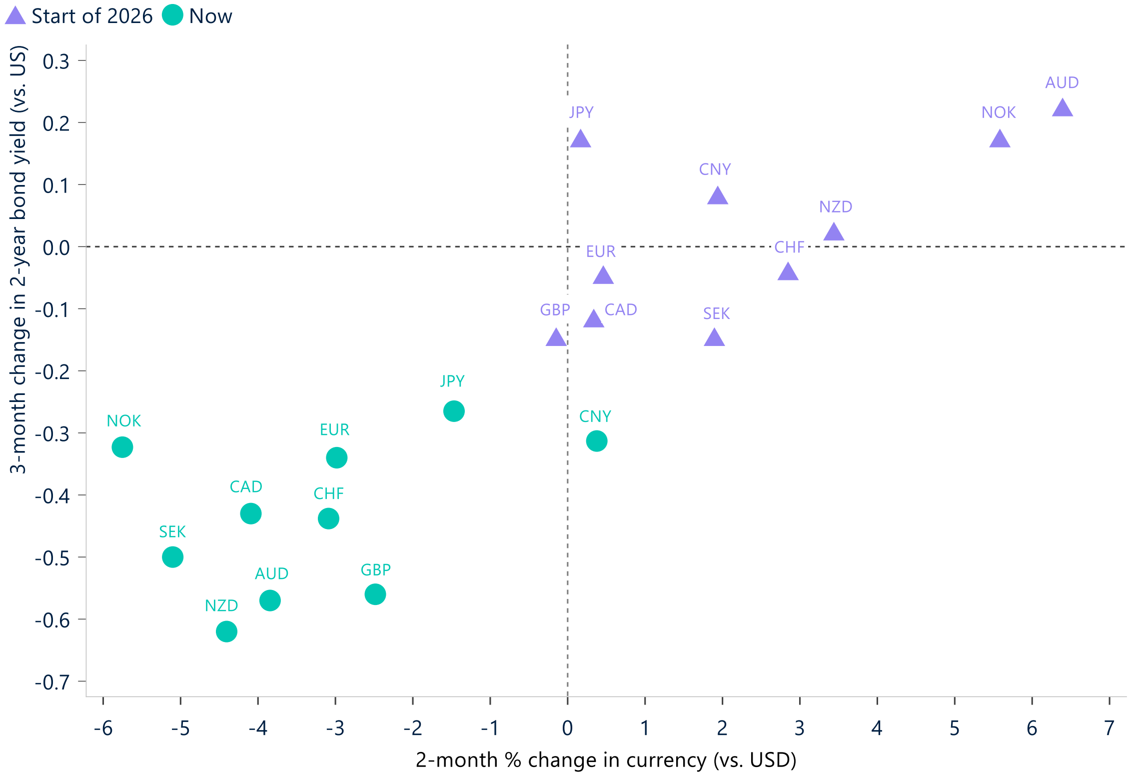


Source: Convera, Macrobond

Theme in focus: Rates back in driving seat

Higher for longer US rates, stronger for longer dollar

2-month performance of yield differentials and FX vs. US (start of the year vs. now)



Source: Convera, Macrobond

Interest-rate differentials are back driving FX markets. After a quarter in which oil prices, geopolitics and risk sentiment often overshadowed traditional macro relationships, currencies have increasingly returned to trading in line with relative yield moves.

Following the Middle East conflict, central banks leaned heavily towards inflation risks. However, those fears have eased as oil prices have fallen, helped by expectations of increased supply linked to a US-Iran agreement and a recovery in tanker traffic through the Strait of Hormuz. With the inflation threat less acute and growth momentum softening in parts of the G10, policymakers are increasingly balancing inflation concerns against weakening activity. The resulting unwind in hawkish pricing across several economies has left FX support more selective and increasingly dependent on relative yield dynamics

The dollar has been a key beneficiary as a result. This is because markets have moved to price a more hawkish Federal Reserve policy outlook following Kevin Warsh's first meeting as Chair, helping to widen yield spreads in the dollar's favor.

Importantly, even if investors are overestimating the scope for Fed tightening, the broader US exceptionalism narrative remains supportive. Relative growth resilience, a still-solid labor market and stronger returns on US assets suggest yield differentials could remain dollar-positive regardless. Hence, the rise in real US rates is the big story here and cyclical dollar strength, therefore, might stay with us through the summer.

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Key market events to watch

July 2026

Americas

1 - ADP Employment Change
1 - ISM Mfg PMI
2 - Jobs Report
6 - ISM Services PMI
14 - CPI
16 - Retail Sales
17 - Industrial Production
24 - S&P PMIs
29 - Policy Rate Decision
30 - GDP

2 - S&P PMIs
10 - Unemployment Rate
15 - Policy Rate Decision
20 - CPI

Europe

16 - Industrial Production
21 - Unemployment Rate
22 - CPI
24 - Retail Sales
24 - S&P PMIs
30 - Policy Rate Decision

1 - CPI
23 - Policy Rate Decision
24 - S&P PMIs
30 - GDP
31 - CPI

7 - Industrial Production
21 - ZEW Economic Sentiment
24 - S&P PMIs
27 - IFO Business Climate
30 - CPI
31 - Unemployment Rate

APAC

23 - Unemployment Rate
29 - CPI QoQ

8 - Policy Rate Decision
20 - CPI QoQ

1 - Tankan Sentiment Indicators
24 - CPI
24 - S&P PMIs
31 - Policy Rate Decision
31 - Unemployment Rate
31 - Industrial Production

1 - RatingDog Mfg PMI
9 - CPI
15 - GDP YoY
15 - Retail Sales
15 - Industrial Production
31 - NBS Mfg PMI

Source: Convera, Bloomberg – June 26, 2026. Dates BST.

Global FX pulse

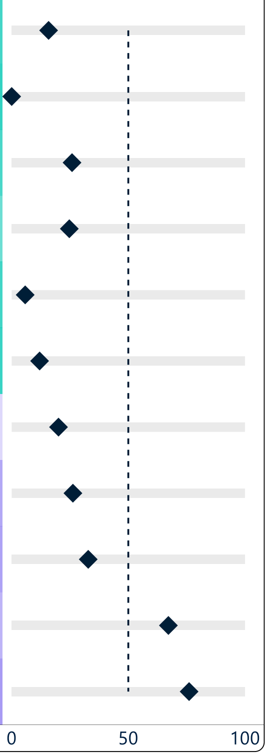
Key FX in focus

Performance review, paired with the currency pairs' volatility profile

Appreciation Depreciation

	Spot	MTD % change	1-year % change	Spot vs. 200D avg	3-month range	In-range level
USD/CAD	1.419	2.9%	3.4%	2.6%	5.0%	92%
USD/JPY	161.7	1.6%	11.4%	3.4%	4.4%	97%
USD/SGD	1.296	1.5%	1.4%	0.9%	2.7%	90%
EUR/PLN	4.284	1.2%	0.8%	1.0%	1.8%	81%
GBP/EUR	1.161	0.6%	-0.9%	1.0%	1.6%	92%
USD/HKD	7.841	0.0%	-0.1%	0.4%	0.2%	95%
EUR/CZK	24.27	0.0%	-1.9%	-0.1%	2.0%	36%
GBP/USD	1.321	-1.9%	-3.4%	-1.5%	3.9%	13%
EUR/USD	1.138	-2.5%	-2.4%	-2.5%	4.5%	9.5%
AUD/USD	0.6917	-3.7%	6.2%	0.9%	6.3%	19%
NZD/USD	0.5652	-5.5%	-6.4%	-3.0%	6.2%	5.8%

Volatility percentile*



* 1-month stdev, percentile-ranked over a 1-year window | Source: Convera, Macrobond - 25 June 2026

Winner

USD

The dollar dominated in June, supported by rising US yields and bouts of safe-haven demand. The buck's strongest performance was against the CAD.

Loser

NZD

With risk sentiment showing signs of fragility and commodity prices tumbling – the Antipodeans were some of the worst hit against the dollar.

Volatility check

NZD

The Kiwi was also one of the most volatile currencies, alongside the Aussie, as other major FX pairs exhibited surprisingly low volatility profiles.

US dollar

Neutral one-month bias

Review

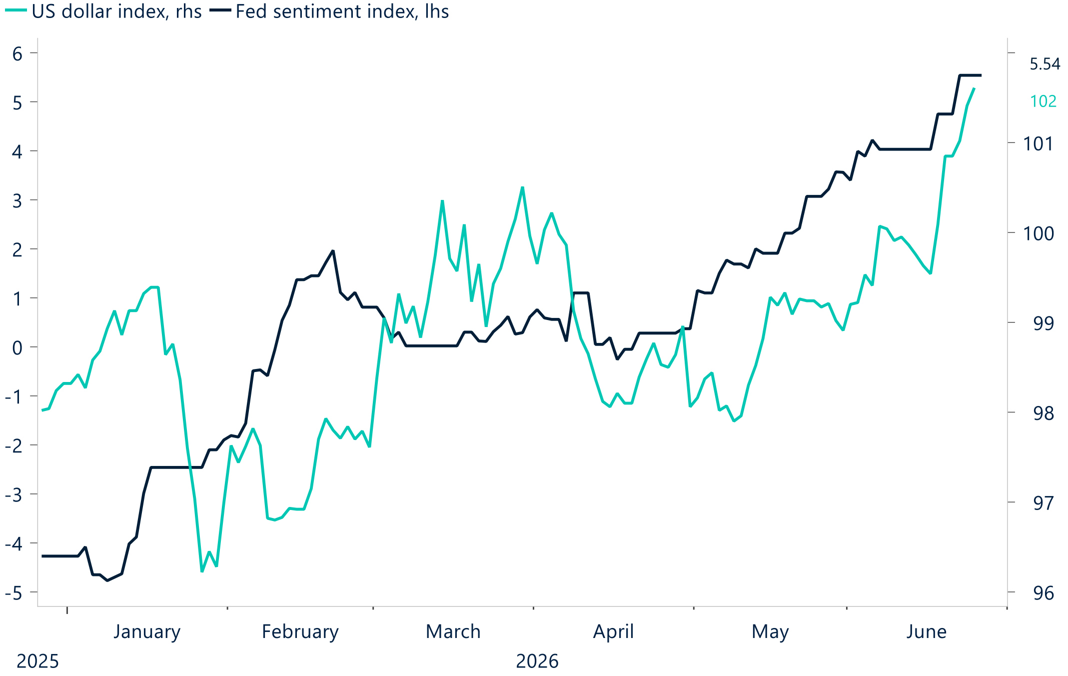
In June, the US dollar evolved from a headline-driven, oil-sensitive trade into a cleaner story about Fed repricing, rate differentials, and monetary policy uncertainty. Early in the month, renewed Middle East tension and higher crude kept the dollar supported, but conviction lagged as equities looked through the noise and DXY remained trapped below resistance. Stronger May payrolls, firmer ISM signals, and rising inflation expectations then raised the bar for rate cuts, even as ceasefire headlines occasionally softened the greenback at the margin. The real turning point came with Kevin Warsh's first Fed meeting. By holding rates steady while dropping the old easing bias, the Fed forced markets to confront a higher-for-longer path and re-open the possibility that another hike was no longer a tail risk. From there, the front end repriced sharply, the US curve flattened, and the dollar picked up a cleaner relative-rate bid. By month-end, the USD DXY Index had pushed through the top of its year-long range and reached a one-year high, signaling that rates had overtaken geopolitics and oil as the dominant driver.

Outlook

Looking ahead, the dollar's next move depends on whether June's breakout can attract follow-through or starts to stall under its own weight. The higher-for-longer story now looks more credible: Fed communication may become less predictable, front-end uncertainty premiums have widened, and the reaffirmation of Fed independence has helped narrow part of the earlier risk premium embedded in the dollar, giving the greenback another tailwind just as global risk appetite has started to fray. Still, the move is getting tactically crowded. Oil's support is fading as the US-Iran ceasefire holds and the terms-of-trade boost from higher crude begins to unwind, while bullish dollar positioning and sentiment already look stretched. There is also a case that the best of the US data surprise may be behind us, even if Europe is hardly offering a compelling alternative. At the same time, the worst of the energy shock in the inflation prints may be behind us. For now, the breakout is real, but with DXY pressing higher and momentum looking increasingly crowded, the next leg will need more than momentum alone.

Fed's repricing gives US dollar a boost

Bloomberg's Federal Reserve sentiment tracker and USD DXY Index



Source: Convera, Macrobond
Bloomberg Fed sentiment index: underpinned by an algorithm trained in Bbg news headlines covering ~6,200 speaking engagements by Fed officials since 2009

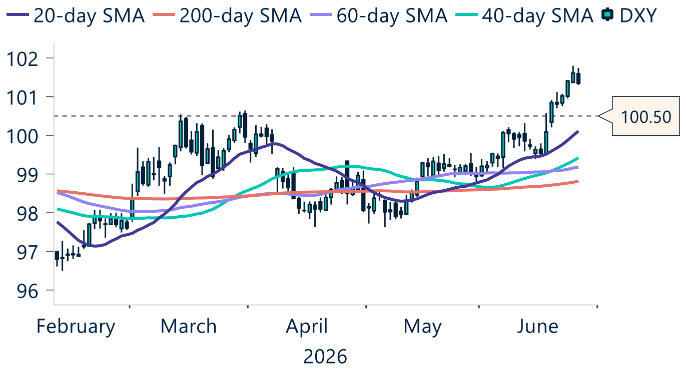
USD: Three signals that matter

1. Fundamentals

- The US dollar index finally breaks above its one-year range, hitting a 2026 high at 101.8.
- The US economy posted a revised 2.1% growth in Q1 GDP, supported by extraordinary AI capex momentum.
- With the US-Iran conflict moving to diplomatic channels, focus moves to the Fed and macro momentum. Q2 macro indicators point to steady growth, although with a higher bar for surprises.

One-year high on Fed's repricing

DXY daily chart and technicals



Source: Convera, Macrobond

2. Market dynamics

- After showing relatively muted response to higher yields during the conflict, Fed's repricing after Kevin Warsh first meeting has given the US dollar a boost.
- While oil prices drop, and long-term inflation expectations have stayed relatively stable, short-end yields repriced a more hawkish Fed.
- Rising real yields and risk-off episodes, have given the US dollar a steady support short-term.

Flattening yield curve supports US Dollar

US Dollar Index and US Treasuries 10s vs 2s yield spread

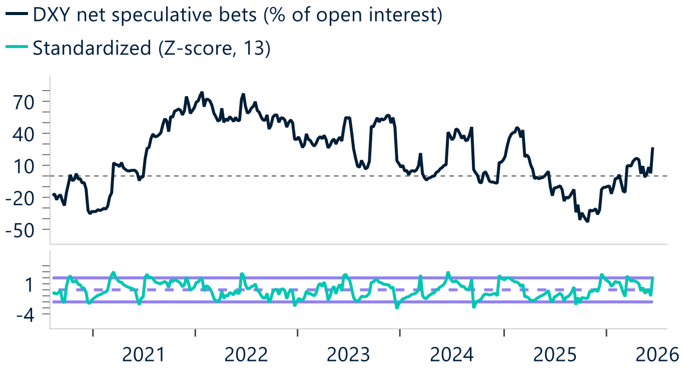
Source: Convera, Macrobond

3. Sentiment/positioning

- Traders turned slightly bullish on the USD during June.
- After the conflict started, the energy shock has essentially erased any hope for interest rate cuts this year, leaving a yield support as the conflict premium fades slowly.
- Policy premium has slowly faded as Fed's reasserted independence puts macro and monetary policy path back in focus.

Traders stay USD long

CFTC net non-commerical futures positions



Source: Convera, Macrobond

Euro

Mildly bullish one-month bias

Review

EUR/USD has broken south of the 1.14 line, a key support level previously tested twice since the pair entered a range-bound pattern (1.15 to 1.18) in summer 2025, with Fed hawkish tilt driving the break. Markets have shifted their interpretation toward the conflict narrative, anchoring the recent de-escalation around a lowering of central banks' hawkish guard rather than an improvement in risk sentiment, to which the euro had been more sensitive in the earlier stages of the conflict. Lower oil prices have, in fact, eroded the ECB's hawkish backdrop, while the Fed's stance remains somewhat stickier due to a more solid macro backdrop. That divergence came into clearer focus at the Fed policy meeting, triggering the bearish breakout. Beyond hawkishness, markets welcomed Kevin Warsh's press conference - once a thorn in the side given concerns around political malleability. A compression in Treasury term premia provided the dollar with further support.

Outlook

EUR/USD's downside appears technically stretched. We expect a floor around 1.13–1.1340 as Fed hawkish repricing stalls at roughly one additional hike by year-end. With ECB hawkish expectations having unwound significantly, while the Fed's have recently firmed, the steady decline in oil prices - now having erased much of the war-related gains - should help contain further divergence in the rate outlook, thereby limiting more bearish action in the pair. That said, with EUR front-end rates more sensitive to oil than in the US, there is a risk that oil's downside features more prominently in ECB messaging, weighing on the euro. This impact should remain marginal, however, as ECB officials are likely to wait for inflation prints in the coming months to validate any shift toward a less hawkish stance. We anticipate a move back to 1.14 in the weeks ahead as elevated Fed hawkish expectations - with five FOMC members projecting two hikes this year – recedes gradually.

EUR/USD future scenarios

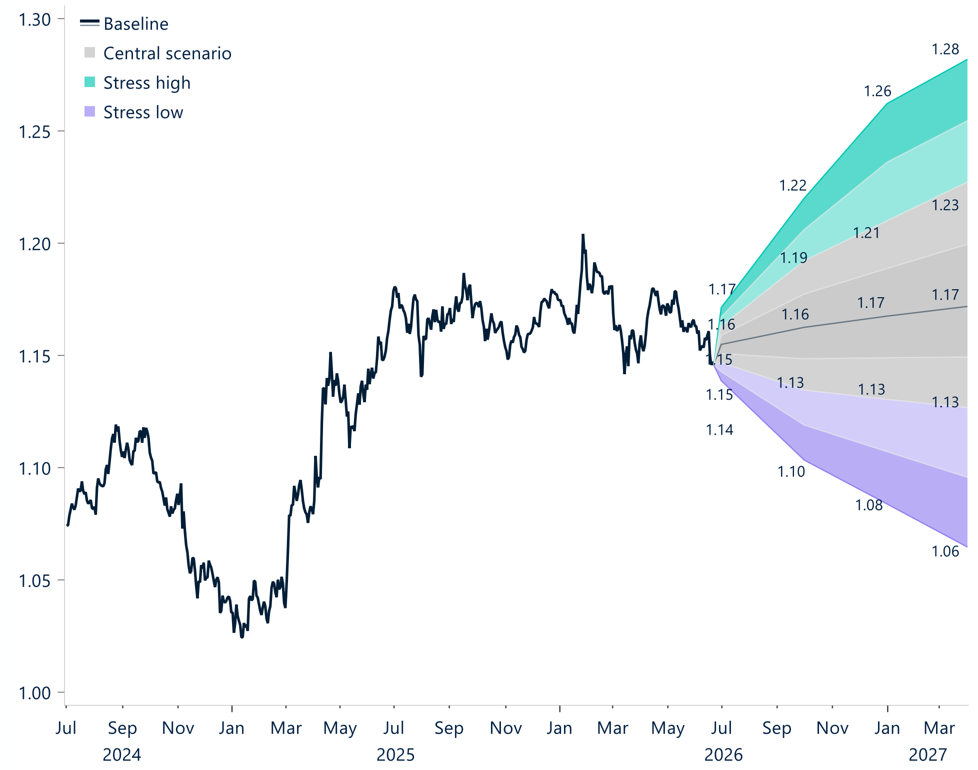


Chart sources: Oxford Economics, Bloomberg, Convera – June 26, 2026. For more information about the Convera-Oxford Economics economic modelling, framework and methodology used to derive the FX forecast scenarios please contact AskMarketInsights@convera.com

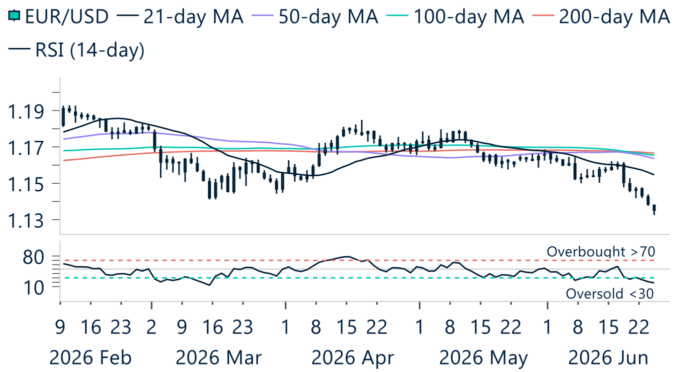
EUR: Three signals that matter

1. Price action

- EUR/USD had traded range-bound at 1.15 to 1.18 since summer 2025, with 1.14 tested only three times during periods of stress. The first two were largely sentiment-driven, while the third, fundamentally-backed, triggered a significant bearish breakout.
- The downside now appears technically stretched, with RSI in oversold territory. Consolidation near 1.13 to 1.1340 looks likely as markets digest Middle East developments amid a reshuffle in EUR and USD rate outlooks.

1.14 bearish breakout

EUR/USD daily developments & technicals



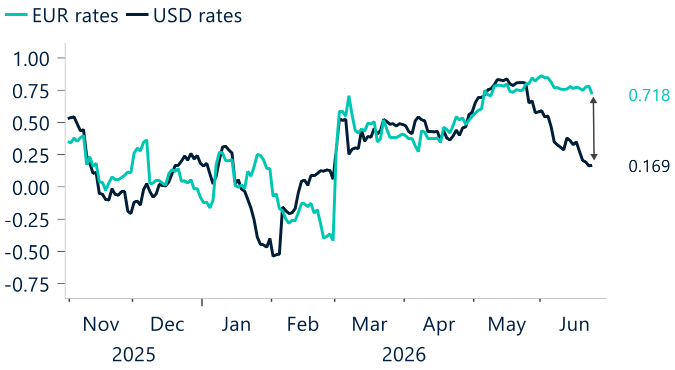
Source: Convera, Macrobond

2. Market dynamics

- Correlation between short-term ECB rate expectations and oil prices remains elevated, unlike for the Fed. The backdrop points to an ECB outlook that is more sensitive to moves in oil, as a softer macro backdrop does not justify tightening, leaving energy-driven inflation as the main catalyst.
- For the Fed, a solid macro backdrop has made its hawkish bias stickier, assuming oil downside continues amid US-Iran peace progress.

Fed hawkish bets stickier than ECB's

1M correlation: Brent vs. EUR and USD 2Y OIS changes



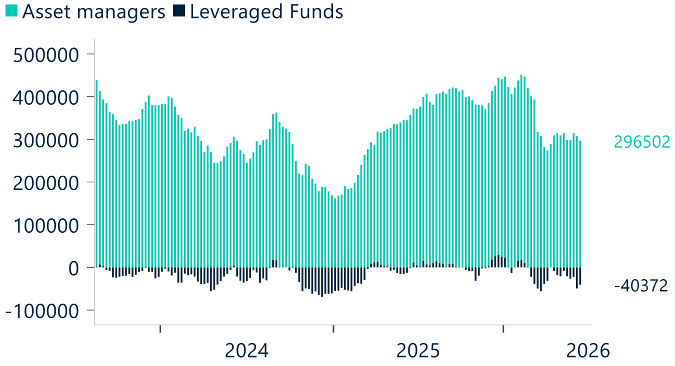
Source: Convera, Macrobond

3. Sentiment/positioning

- Institutional investors remain heavily long EUR/USD, with positioning still above long-term averages. Recent developments, including the USD's renewed safe-haven bid, a resilient US macro backdrop, and a hawkish tilt from Kevin Warsh, have undermined the dollar debasement trade seen through much of 2025.
- The unwind of crowded longs has amplified the downside in EUR/USD, with further weakness likely as the bearish dollar regime of 2025 is unlikely to return in the near term.

Positioning peaks, risks rise

EUR/USD positioning: structural vs speculative (net, CFTC)



Source: Convera, Macrobond

British pound

Mildly bearish one-month bias

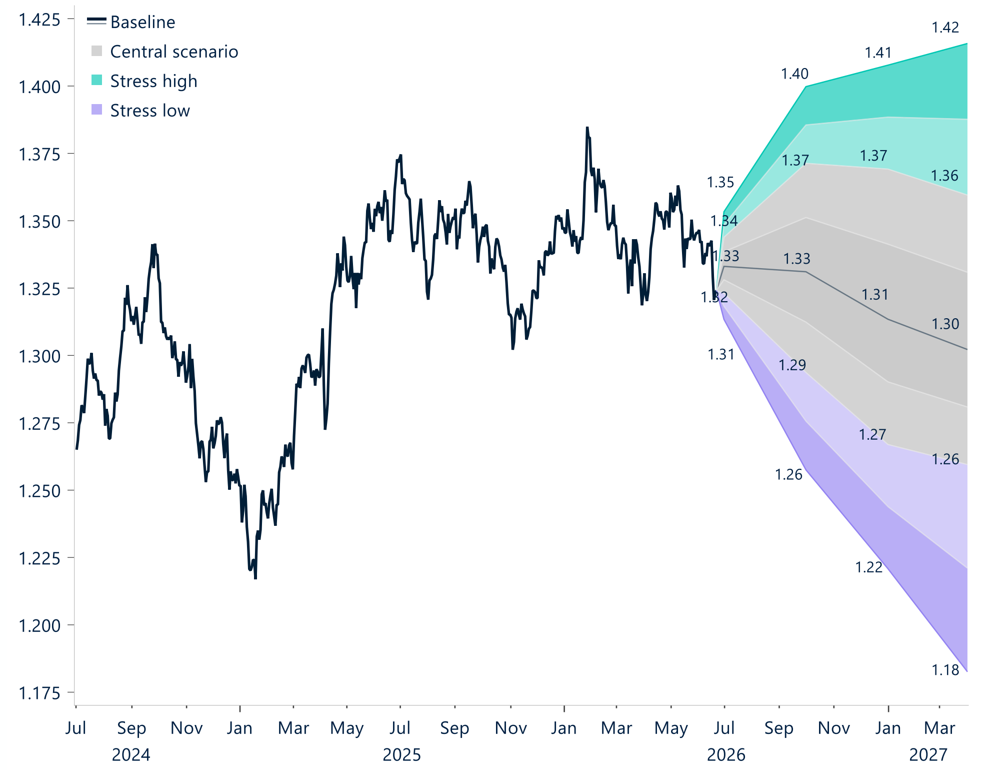
Review

Sterling's June performance was more resilient than GBP/USD alone suggested. While cable fell over 2% toward the 1.31–1.32 area as higher US yields and bouts of safe-haven demand boosted the dollar, the pound appreciated against most major currencies. Sterling posted notable gains against the commodity-FX helped by falling oil prices and easing energy risk premia as US–Iran tensions subsided, while GBP/EUR remained broadly stable around 1.15–1.16. Domestically, the BoE left rates unchanged, acknowledging softer inflation and weaker economic momentum. Markets interpreted the meeting as mildly dovish, pushing gilt yields lower and reducing rate hike bets. Meanwhile, fears of instability following Prime Minister Starmer's resignation also proved unfounded, with markets taking comfort in the prospect of an orderly transition to Andy Burnham and continued fiscal discipline.

Outlook

Sterling's near-term outlook is increasingly tied to relative rates and macro dynamics rather than energy prices. We turned more cautious on GBP/USD after observing a structural shift in the backdrop: while falling energy prices have improved the UK's terms of trade, they have also eased inflation pressures and encouraged a less hawkish Bank of England. As a result, the rates channel has become less supportive for GBP just as US growth and yield dynamics continue to favor the dollar. A sustained break below 1.32 could open the door to 1.30 sooner than expected. Domestic politics remains is also a key wildcard. While a Burnham-led government could support GBP through closer UK-EU relations, the principal tail risk lies in fiscal policy. Any perceived loosening of fiscal discipline could reintroduce a UK-specific risk premium. There is a risk of bonds and the pound weakening simultaneously, making July's Labor leadership process a critical test for market confidence.

GBP/USD future scenarios



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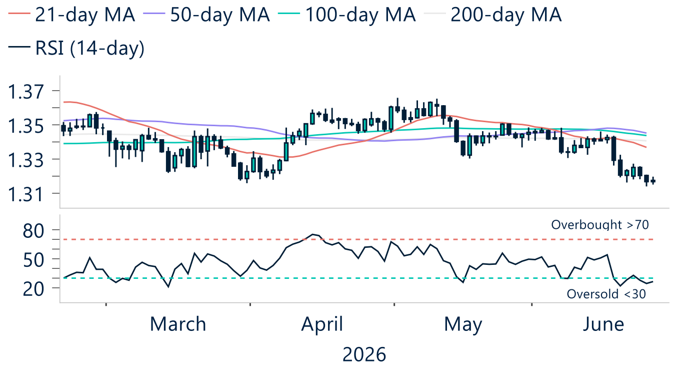
GBP: Three signals that matter

1. Price action

- GBP/USD has fallen for two consecutive months, and to a seven-month low, extending its break below all major daily moving averages. While momentum indicators have slipped into oversold territory, suggesting scope for near-term consolidation, the broader trend remains negative.
- If the pair fails to reclaim 1.32, rallies are likely to be corrective in nature, leaving the overall technical bias skewed to the downside, with 1.30 a key downside target over the summer.

Bearish bias to remain intact below 1.32

GBP/USD daily developments & technicals



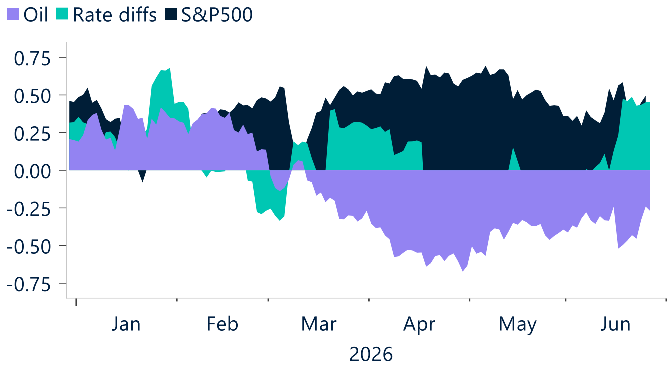
Source: Convera, Macrobond

2. Market dynamics

- In recent months, geopolitics, oil prices and broader risk sentiment dominated FX markets, pushing the rates channel into the background. Strong equity markets and improving risk appetite were GBP-supportive. That dynamic is shifting.
- While falling oil prices would typically benefit GBP, they have also reduced BoE pricing. As a result, relative yield differentials are regaining influence, leaving GBP increasingly sensitive to narrowing UK rate expectations versus peers.

Rates retake centre stage

1M correlations: GBP/USD changes vs oil, rate diffs, equities



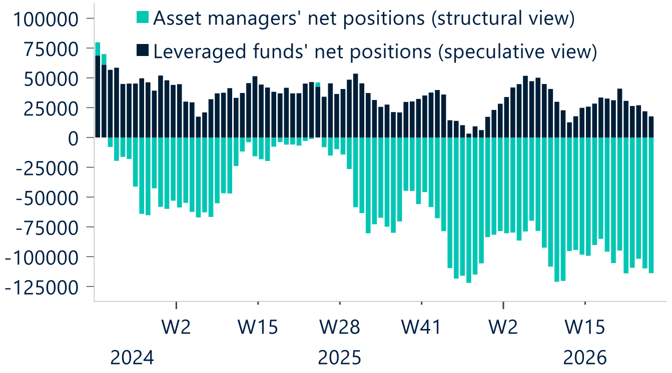
Source: Convera, Macrobond

3. Sentiment/positioning

- Options markets continue to exhibit a bearish GBP skew, particularly over longer horizons, reflecting persistent concerns around UK growth, politics and fiscal credibility.
- Positioning data tells a similar story. Speculative accounts have reduced bullish exposure, while longer-term investors have become more bearish, signaling that confidence in sterling's medium-term outlook is fading and that markets remain unconvinced by the UK story.

Structural GBP short positioning persists

Asset managers' vs. leveraged funds' net positions



Source: Convera, Macrobond

Canadian dollar

Mildly bearish one-month bias

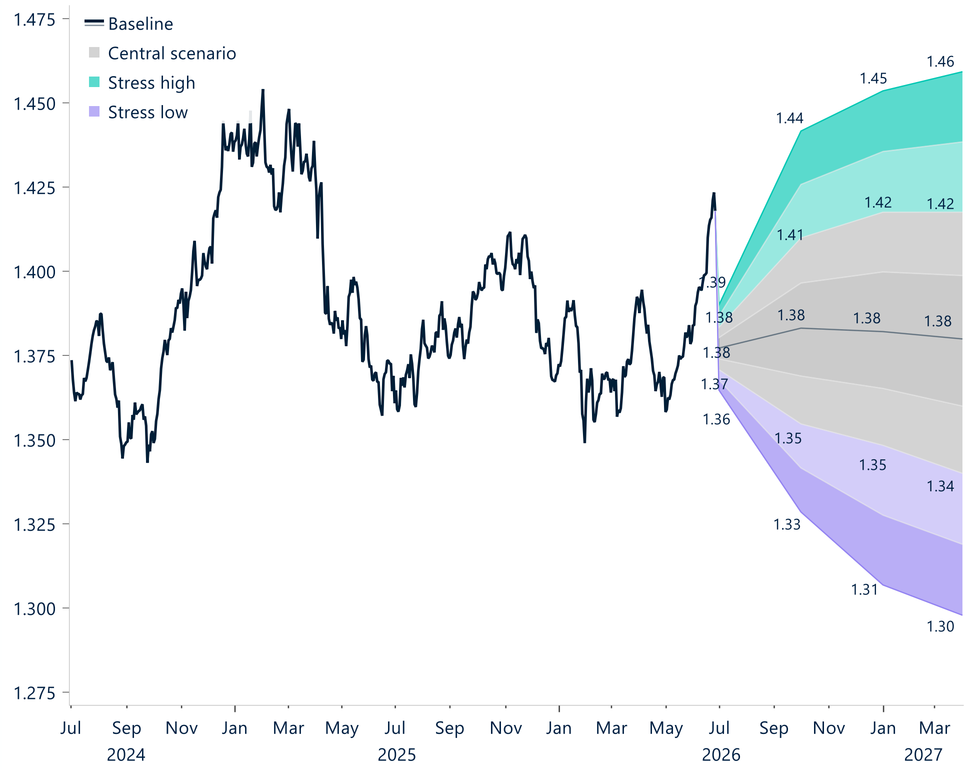
Review

June looked less like an "oil first, FX second" month for USD/CAD and more like a widening divergence story. Early in the month, renewed Middle East tension and firmer crude kept the pair supported, but conviction lagged as investors largely looked through the geopolitical noise and waited for clearer signals from central banks. Canada's May jobs rebound briefly pushed back against an outright "technical recession" narrative, yet that support faded as wider US-Canada rate differentials, softer Canadian growth, and the coming CUSMA review pushed investors back into the bearish Canada trade. The decisive shift came after the Fed's June meeting, when Fed's hawkish repricing, a flatter US curve, and a cleaner relative-rate bid put renewed pressure on the Loonie. At the same time, weaker terms of trade as oil prices rolled over, wider yield differentials and the CUSMA review added to the headwinds, helping push USD/CAD to 1.42, a one-year high, while speculative net shorts in CAD widened sharply.

Outlook

For July, CAD support still looks conditional, but the mix has shifted from pure oil sensitivity toward rates, confidence, and trade uncertainty. If the Iran peace process holds, shipping flows normalize, and lower crude continues easing headline inflation pressure, the Loonie could find some breathing room from a less oil-driven USD. But if the Fed's higher-for-longer pivot keeps front-end US yields elevated, USD/CAD should remain biased upward even without another energy shock. The Bank of Canada still looks set to stay cautious, while Canada enters the July 1 CUSMA review with softer momentum than the US and little room for fresh uncertainty. That review matters less as an immediate breakdown risk than as a confidence test: the bigger threat is prolonged uncertainty around rules, access, and investment planning. Base case is a still-choppy but firmer USD/CAD backdrop, with downside in the pair harder to extend unless both US yields and the trade-risk premium begin to fade together.

USD/CAD future scenarios



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CAD: Three signals that matter

1. Price action

- Following a 16-month low of 1.348 in January and prolonged consolidation in the 1.35–1.39 range during the first half of 2026, the USD/CAD pair has decisively broken past 1.40 to reach 1.424, its highest level since April 2025.
- Short-term US-CA yield differentials have risen to ~140 bps, the highest level since May 2025.
- While the price action looks overstretched, market dynamics and sentiment aren't supporting the USD/CAD.

Fast and decisive break above 1.40

USD/CAD daily chart and technicals

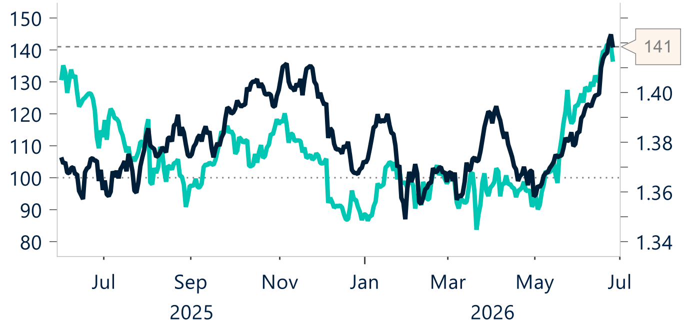
Source: Convera, Macrobond

2. Market dynamics

- Hawkish Fed repricing, a flatter US curve, wider US-Canada rate differentials and fears around the CUSMA review have become the main drivers of USD/CAD upside.
- The US-Iran peace framework and weaker crude have reduced the old oil tailwind for USD/CAD, as terms of trade deteriorate.
- Even as headline inflation sits above 3%, markets still expect the BoC to stay on hold for the rest of 2026

Short-term yield spread at highest since May '25

Government bond yield differential (US - CA), USD/CAD



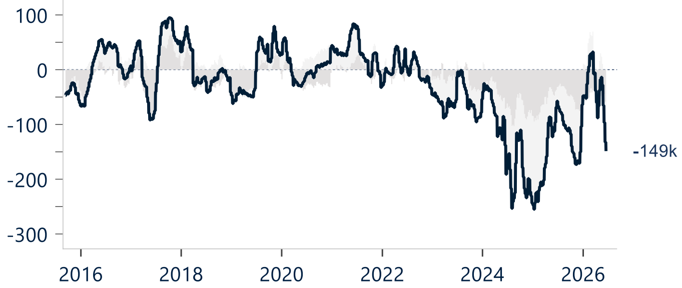
Source: Convera, Macrobond

3. Sentiment/positioning

- Market sentiment turns decisively bearish; a shift clearly reflected in futures positioning data.
- The CUSMA deal has been a major structural headwind over the past year. Markets anticipate high volatility if the US refuses to extend the agreement, as triggering annual joint reviews institutionalized uncertainty, which could keep weighing on small and medium-sized business sentiment.

Sentiment sours ahead of CUSMA review

CFTC futures positioning - Canadian dollar (No. of contracts, thousands)



Source: Convera, Macrobond

Australian dollar

Neutral one-month bias

Review

AUD/USD is fading into mid-year as the drivers behind its first-half outperformance — favorable rate differentials and energy terms of trade — run out of steam. Domestic momentum is cooling: housing and activity data have softened, and the RBA's relative hawkishness has slipped back toward the G10 pack as rate spreads to the US compressed 40–60bp across the curve since early May. Fair-value estimates have eased below 0.70 on several metrics. Positive carry and the shift in the Australian superannuation-fund hedge-ratio narrative still cushion the downside, but they aren't enough to retest recent peaks. A genuine turn in China sentiment — a clear drag in recent months — would be more supportive than any oil relief. The Aussie's standout outperformance from the first half has faded into a more generalized risk-sensitive outlook.

Outlook

The bias looks rangebound near term, with risks skewed lower into year-end. Technically, the pair has formed the early phase of a distribution pattern after reaching the 0.7208–0.7213 zone, and key medium-term support surrounds 0.68, which we expect to hold through early summer.

The next key resistance lies at 21-day EMA of 0.7018, followed by 100-day EMA of 0.7027 and 50-day EMA of 0.7064 as the next key resistance levels.

Base-metals price action is the swing factor — a top there would raise the odds of an AUD breakdown into Q4 and a deeper retracement. A re-acceleration through the 0.72-handle would shift attention to 0.7559.

AUD/USD future scenarios

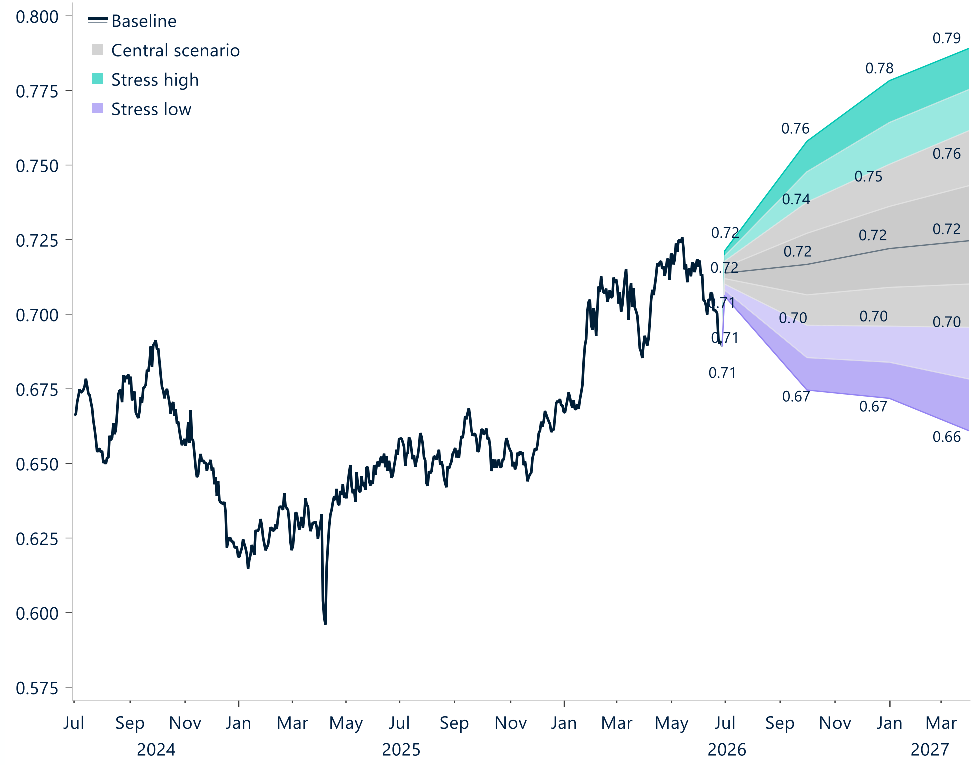


Chart sources: Oxford Economics, Bloomberg, Convera – June 26, 2026. For more information about the Convera-Oxford Economics economic modelling, framework and methodology used to derive the FX forecast scenarios please contact AskMarketInsights@convera.com

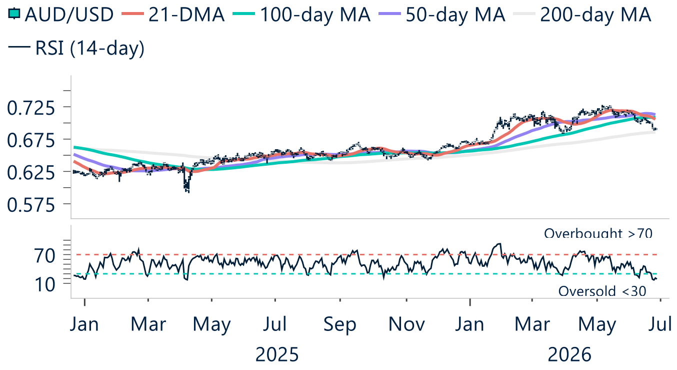
AUD: Three signals that matter

1. Price action

- Recent price action highlights a pivotal technical juncture, reflecting a broader tug-of-war in global risk sentiment and near-term market momentum.
- AUD/USD has traded below key psychological handle of 0.6900, with RSI at oversold levels, though not yet signaling a sustained reversal.
- The next key resistance lies at 21-day EMA of 0.7018, followed by 100-day EMA of 0.7027 and 50-day EMA of 0.7064 as key resistance levels.

AUD/USD next key support at 100Day MA

AUD/USD daily Moving Averages and RSI



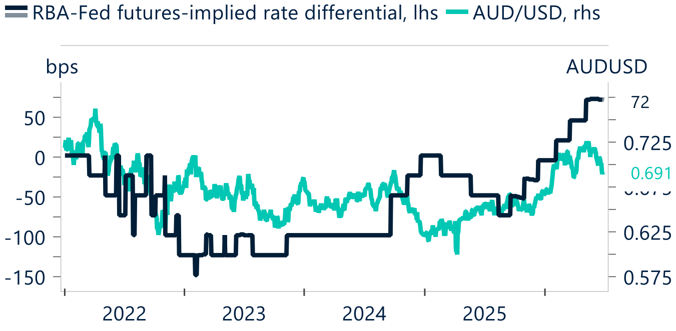
Source: Convera, Macrobond

2. Market dynamics

- Repricing in forward interest rate curves continues to shape monetary policy differentials, weighing sticky domestic inflation against Fed pivot expectations and driving baseline carry attractiveness.
- The continuous recalibration of this RBA-Fed spread serves as the primary engine driving cross-border institutional capital flows and establishing the fundamental fair value of the cross.

RBA - Fed rate differential is AUD-supportive

RBA vs Fed futures-implied rate paths, AUD/USD as of 25-Jun-26



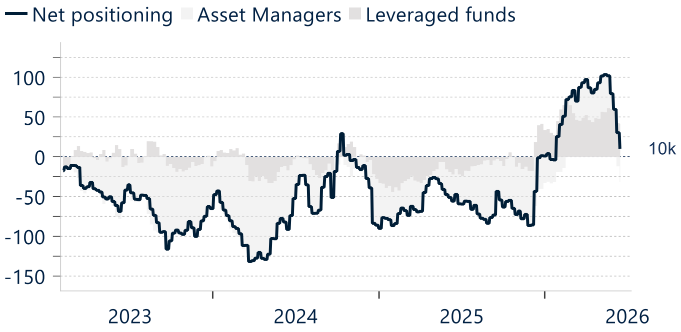
Source: Convera, Macrobond

3. Sentiment/positioning

- AUD positioning peaked at extreme long levels in 2026 and is now unwinding
- The sharp pullback reflects crowded longs being reduced, raising the risk of accelerated downside and elevated volatility as positions normalize.

AUD longs unwind from extreme highs

CFTC futures positioning - Australian Dollar (No. of contracts, thousands)



Source: Convera, Macrobond

Japanese yen

Mildly bearish one-month bias

Review

USD/JPY closes the first half pressed against the 160–162 area, with the shock value of MoF intervention steadily ebbing. Each successive dip in spot after official operations this year has been shallower than the last, and with authorities wary of being seen to deplete reserves, any further intervention is likely capped near JPY 12 trillion — roughly the late-April/May scale, whose market impact was limited even at the time.

The fundamental backdrop stays yen-negative: the global policy cycle, Japan's domestic policy mix, and improving risk sentiment alongside a pickup in carry trades all weigh on the currency. Domestic flow support is unlikely to revive — institutional investors have stayed conspicuously absent from JGBs despite the 1H yield spike, a weakness we see as largely structural. We are mildly bearish yen.

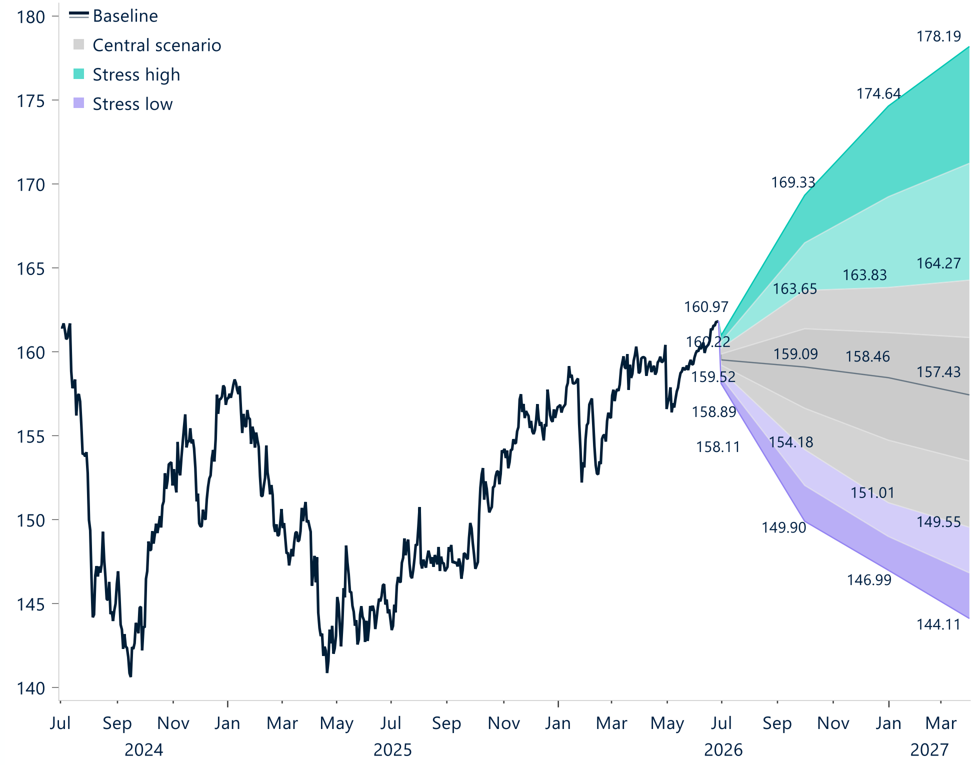
Outlook

We look for USD/JPY to push above the July 2024 cycle high in 2H. The catalysts are well-defined: broad dollar strength on rising Fed-hike expectations, and a re-emergence of Japan's fiscal risk premium around July's "Basic Policy" and any sizeable supplementary budget.

Technically the advance remains in gear but has lost short- and medium-term momentum near the 161.95 July 2024 peak; we still see scope toward the 163.23 Feb–May equal-swings objective. We see the 21-day EMA of 160.71, followed by 50-day EMA around 159.77 and the 100-day EMA of 158.61 as the first supports, with critical medium-term trend support at 155.97–156.50.

Japan's Government Pension Investment Fund's early-July annual report is a quiet wildcard worth watching.

USD/JPY future scenarios



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Chinese yuan

Bearish one-month bias

Review

USD/CNY is trading near one-month highs, although it still sits near a three-year low. CNY held its appreciation trend through the first half despite softer Chinese activity and an adverse rate-differential backdrop. The resilience came from sturdy export performance, foreign portfolio inflows, all from a starting point of material CNY valuation cheapness.

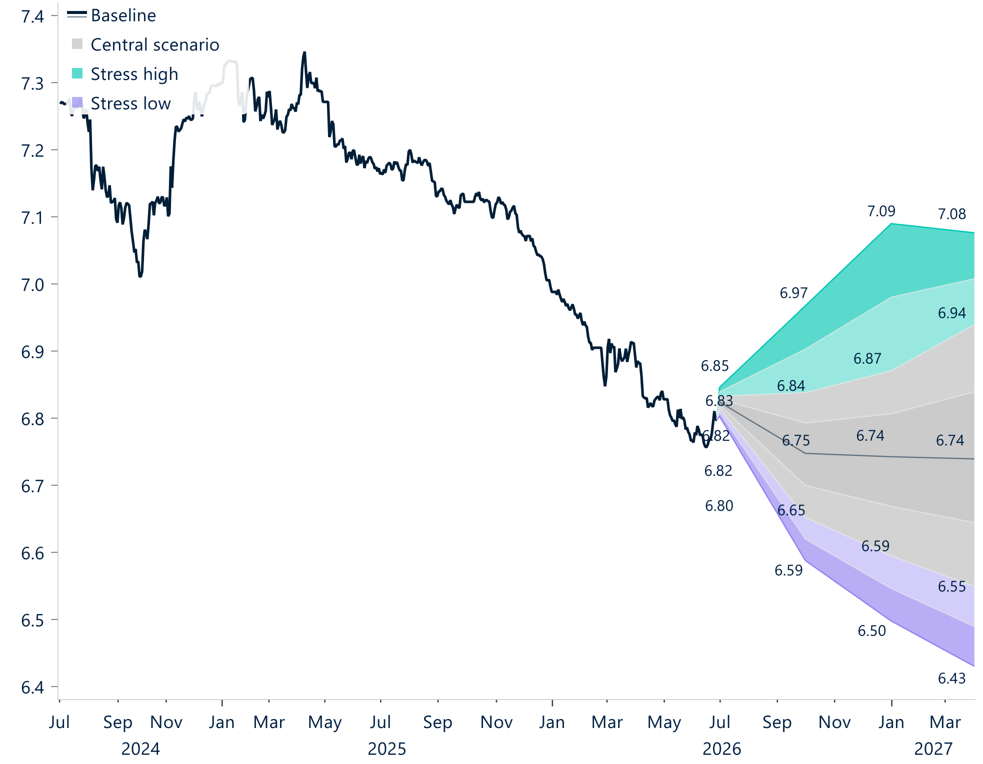
The composition of support is shifting at the margin: corporate export-proceeds conversion has slowed from the frenetic first-quarter pace, while foreign portfolio inflows have picked up — May saw net securities investment rise to its highest since September 2024, led by a notable lift in bond allocations. We note the USD/CNY downtrend is now mature after a roughly 3% year-to-date move, and the pair's decoupling from yield differentials sits near multi-year extremes.

Outlook

We stay constructive but look for the appreciation to slow at the margin. We expect spot to trough later in 2H and then drift back toward 6.80 into the first half of 2027. Broader Asian FX should stay relatively disconnected from CNY strength, as in the first half of 2027, given idiosyncratic balance-of-payments pressures across the region. The main risk is a hawkish Fed turn lifting US real yields. A high-level US–China summit in September is the key event.

Technically, 21-day EMA of 6.7840 is the first key support level for USD/CNY. Beyond that, key psychological level of 6.7800 is the next key support, while any topside pressure would face significant resistance 100-day EMA of 6.8527.

USD/CNY future scenarios



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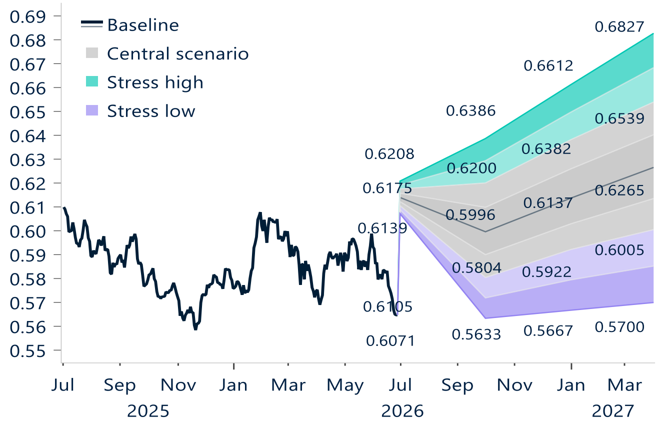
APAC (ex-majors)

New Zealand dollar NZD/USD

Upside RBNZ policy normalization supports yield differentials, especially if global energy prices moderate

Central New Zealand's low sensitivity to energy shocks and improving local data are offset by global uncertainty.

Downside Sustained global risk aversion or a nonlinear oil price shock

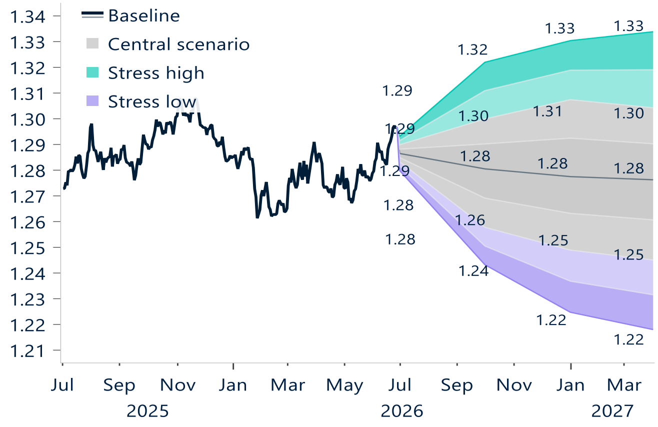


Singapore dollar USD/SGD

Upside Energy prices remain elevated and global risk aversion drives continued safe-haven demand for the USD

Central Singapore's strong external balance and potential policy tightening in response to inflation

Downside A rapid normalization of energy markets



South Korean won USD/KRW

Upside Energy import pressures persist, as Korea's large energy deficit and reliance on imported gas worsens the impact of elevated oil prices.

Central Upcoming WGBI-related inflows offset energy-related BOP pressures

Downside A sharp improvement in global risk sentiment

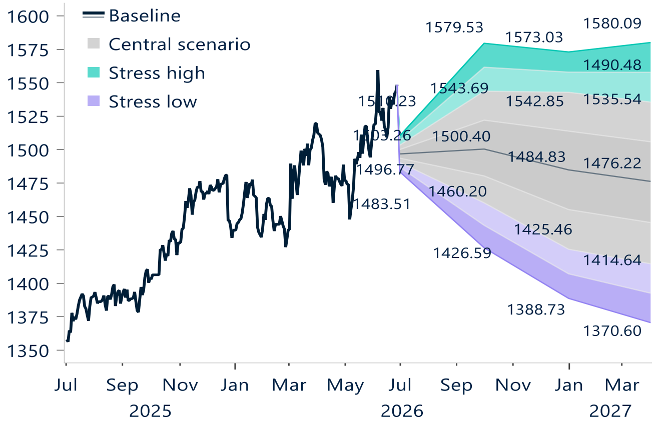


Chart sources: Oxford Economics, Bloomberg, Convera – June 26, 2026. For more information about the Convera-Oxford Economics economic modelling, framework and methodology used to derive the FX forecast scenarios please contact AskMarketInsights@convera.com

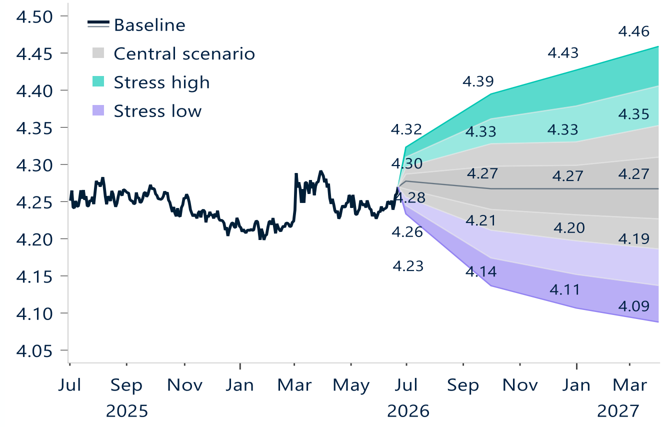
CEE

Polish zloty EUR/PLN

Upside: US-Iran talks fall through; Hormuz shuts again. Risk sentiment hits the CEE complex.

Central: The NBP's dovish tone consolidates amid declining oil prices, while a stronger dollar adds to the bearish undertone in PLN.

Downside: Inflation remains higher than expected, with the effects of previously elevated oil prices still evident and currency weakness against the USD driving imported inflation. The NBP remains on a hawkish footing.

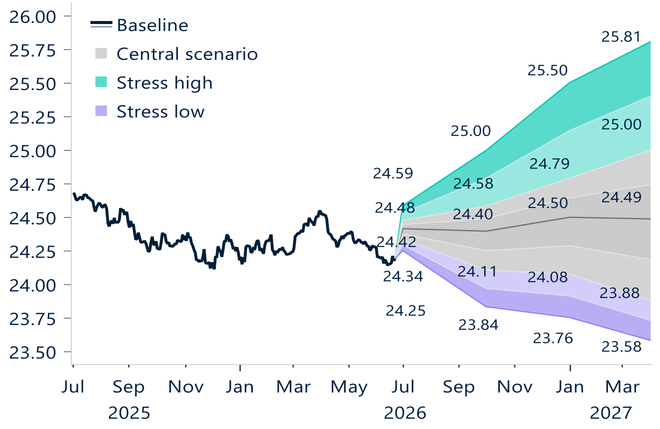


Czech koruna EUR/CZK

Upside: Middle East conflict re-escalation drags broader CEE high beta complex lower.

Central: CNB holds steady, but a strong dollar story keeps CZK pressured.

Downside: CZK's solid macro backdrop and higher-than-expected inflation keep more CNB's hikes on the table, while Fed hawkish expectations retreat amid declining oil prices.



Hungarian forint EUR/HUF

Upside: Risk-off sentiment returns following failed negotiations between the US and Iran, weighing on CEE currencies.

Central: NBH maintains a dovish bias amid a soft inflation outlook and lower oil prices. Additional cuts priced in, alongside a stronger dollar and AI-driven risk-off sentiment, add pressure.

Downside: No further cuts are priced beyond those already baked in, allowing post-election sentiment to support HUF more cleanly.

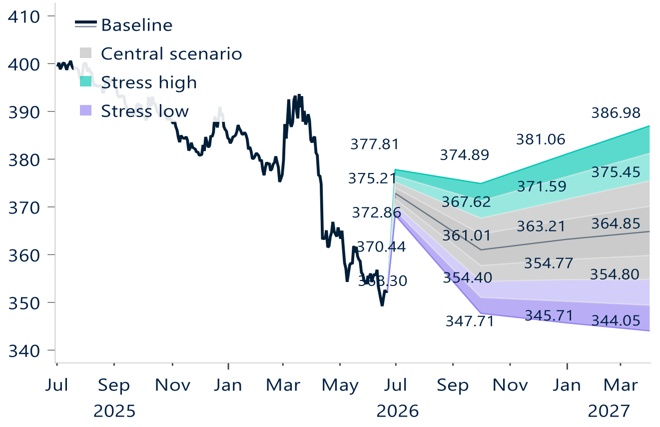


Chart sources: Oxford Economics, Bloomberg, Convera – May 28, 2026. For more information about the Convera-Oxford Economics economic modelling, framework and methodology used to derive the FX forecast scenarios please contact AskMarketInsights@convera.com

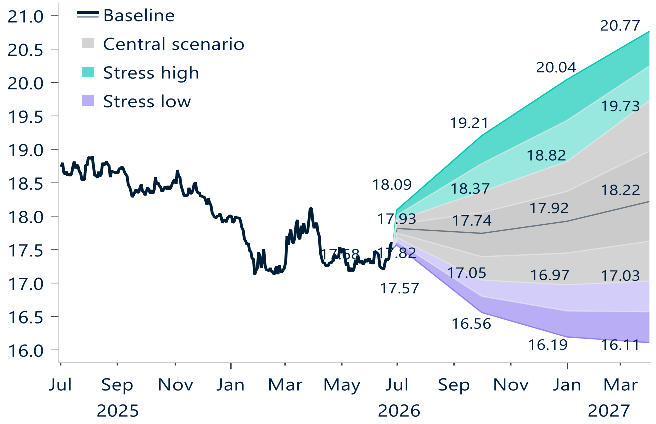
LatAm

Mexican peso USD/MXN

Upside A hawkish Fed pivot or nearshoring friction could spark a breakout back above the 17.9 mark.

Central Expect quiet consolidation near 17.40 as volatility eases and steady remittances balance out neutral US monetary policy.

Downside Sustained FDI flows and a broad dollar retreat may pull the pair toward the 17.10 support level.

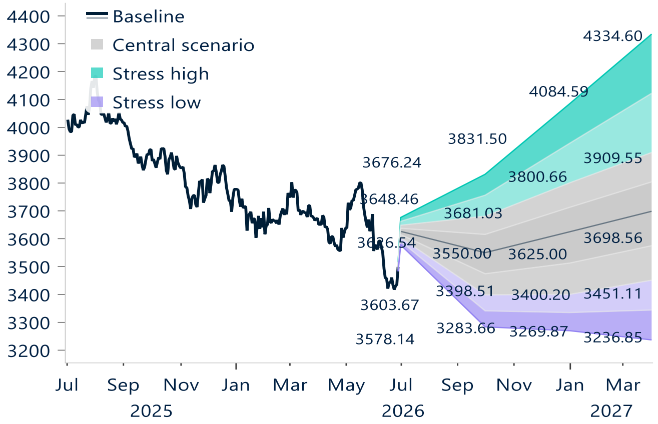


Colombian peso USD/COP

Upside A slump in crude oil prices or a risk-off sentiment could push the pair toward 3,800.

Central Stable energy exports and momentum after presidential elections should keep the peso range-bound and comfortable between 3,500 and 3,700.

Downside A pro market candidate elected could see the Peso consolidate around 3,500.



Brazilian real USD/BRL

Upside Resurgent political anxiety or a global risk-off mood could easily spike the pair toward 5.30.

Central The pair should anchor near 5.15 as markets weigh carry trade appeal against local political noise.

Downside High carry demand and a dovish Fed shift could drag the rate decisively below 5.0.

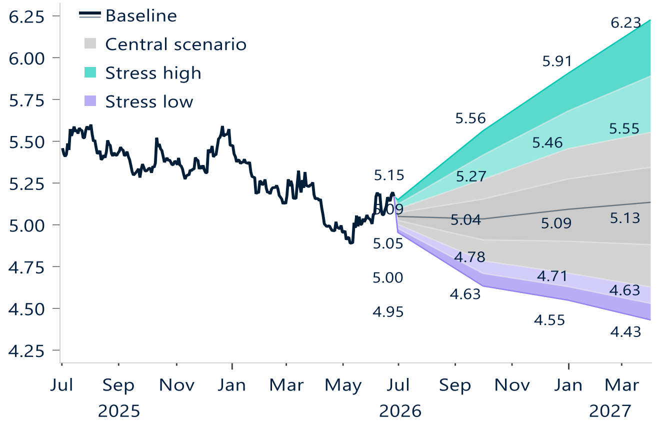


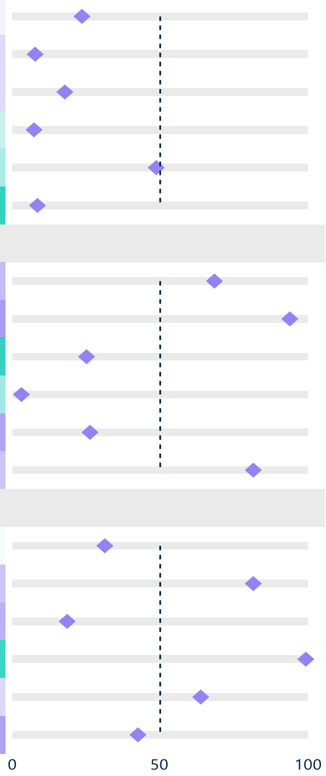
Chart sources: Oxford Economics, Bloomberg, Convera – June 26, 2026. For more information about the Convera-Oxford Economics economic modelling, framework and methodology used to derive the FX forecast scenarios please contact AskMarketInsights@convera.com

Regional FX breakdown

Performance review, paired with the currency pairs' volatility profile

Appreciation   Depreciation

	Spot	MTD % change	1-year % change	Spot vs. 200D avg	3-month range	In-range level	Volatility percentile*
EU							
EUR/AUD	1.644	1.3%	-8.1%	-3.4%	4.5%	45%	
EUR/JPY	184.1	-0.8%	8.7%	0.9%	3.2%	35%	
EUR/CZK	24.26	0.0%	-1.9%	-0.1%	2.0%	35%	
GBP/JPY	213.7	-0.3%	7.7%	1.9%	3.3%	59%	
GBP/AUD	1.909	1.8%	-9.0%	-2.5%	4.5%	63%	
GBP/CAD	1.874	0.9%	-0.1%	1.1%	2.7%	87%	
NAM							
AUD/USD	0.6925	-3.6%	6.3%	1.0%	6.3%	21%	
NZD/GBP	0.4281	-3.6%	-3.1%	-1.5%	4.1%	3.3%	
USD/CHF	0.8091	3.6%	0.5%	2.3%	4.8%	87%	
EUR/CAD	1.614	0.4%	0.9%	0.1%	2.3%	65%	
EUR/CNY	7.738	-1.8%	-7.5%	-4.6%	4.7%	8.1%	
USD/CNY	6.798	0.4%	-5.3%	-2.2%	2.4%	25%	
APAC							
AUD/JPY	111.9	-2.1%	18.3%	4.3%	5.5%	51%	
USD/CNY	6.798	0.4%	-5.3%	-2.2%	2.4%	25%	
EUR/SGD	1.474	-1.0%	-1.1%	-1.6%	2.2%	16%	
AUD/NZD	1.224	1.9%	13.4%	4.0%	3.0%	85%	
AUD/SGD	0.8967	-2.2%	7.7%	1.9%	4.8%	34%	
AUD/CNY	4.706	-3.2%	0.7%	-1.2%	5.7%	7.9%	



* 1-month stdev, percentile-ranked over a 1-year window | Source: Convera, Macrobond - Thursday, June 25, 2026

USD/CHF. The pair posted the strongest monthly advance on the board (+3.7% MTD), trades 2.4% above its 200-day average, and sits at 98% of its three-month range, the highest in the sample. While the y/y gain is modest (+0.3%), the combination of powerful short-term momentum and an extreme range position suggests a decisive shift in favor of USD strength versus the franc during June.

AUD correction a dominant June theme. AUD/USD (-3.8% MTD), AUD/CNY (-3.4%), AUD/JPY (-2.3%), and AUD/SGD (-2.2%) all registered sizeable declines in June. What is notable is that several of these pairs still retain strong longer-term trends. AUD/JPY remains up 18.3% y/y and 4.2% above its 200-day average, while AUD/NZD is up 13.1% y/y and 4.0% above its 200-day average.

JPY crosses remain structurally firm, but momentum has faded. EUR/JPY (+8.7% y/y) and GBP/JPY (+7.8% y/y) continue to reflect broad JPY underperformance over the past year. However, both fell during June (-0.9% and -0.6%, respectively) and sit only around the middle-to-lower part of their three-month ranges (31%-50%). Unlike earlier in the cycle, the JPY-cross complex no longer looks like the primary source of trend leadership.

China-related pairs remain among the most entrenched bearish USD trends. USD/CNY is down 5.4% y/y, trades 2.3% below its 200-day average, and sits at only 21% of its three-month range. EUR/CNY is even weaker, down 7.0% y/y, 4.7% below its 200-day average, and effectively pinned near the bottom of its range at just 1.9% in-range. These remain some of the cleanest examples of persistent downside trends on the board despite very limited movement during June itself.

FX forecast scenarios

	Scenarios	2026 Q3	2026 Q4	2027 Q1	2027 Q2	2027 Q3	2027 Q4	2028 Q1
USD/CAD	Stress high	1.442	1.453	1.456	1.468	1.482	1.497	1.536
	Upper central	1.409	1.417	1.418	1.421	1.42	1.424	1.421
	Baseline	**1.383**	**1.382**	**1.38**	**1.377**	**1.375**	**1.372**	**1.37**
	Lower central	1.355	1.348	1.341	1.334	1.319	1.314	1.302
	Stress low	1.33	1.308	1.298	1.283	1.283	1.266	1.253
USD/MXN	Stress high	19.19	20.04	20.76	21.5	21.95	22.62	23.18
	Upper central	18.34	18.8	19.73	20.1	20.57	20.41	20.27
	Baseline	**17.74**	**17.92**	**18.22**	**18.54**	**18.82**	**19.06**	**19.28**
	Lower central	17.07	17	17.04	17.08	17.48	17.67	17.93
	Stress low	16.58	16.2	16.13	16.16	15.99	16.2	16.39
USD/JPY	Stress high	169	174.6	178.2	179.8	179.6	180.6	181.6
	Upper central	163.7	163.9	164.2	166	169.2	170.4	170.2
	Baseline	**159.1**	**158.5**	**157.4**	**155.9**	**154.3**	**152.8**	**151.4**
	Lower central	154.2	151.1	149.5	146.5	142.7	139.9	137
	Stress low	150	147	144	140.1	137.1	133.5	130.6
USD/CNY	Stress high	6.967	7.086	7.075	7.175	7.262	7.286	7.385
	Upper central	6.839	6.87	6.938	7.013	6.987	7.043	7.095
	Baseline	**6.748**	**6.743**	**6.739**	**6.738**	**6.736**	**6.735**	**6.733**
	Lower central	6.653	6.595	6.55	6.501	6.482	6.452	6.42
	Stress low	6.589	6.502	6.432	6.334	6.278	6.273	6.264

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	Scenarios	2026 Q3	2026 Q4	2027 Q1	2027 Q2	2027 Q3	2027 Q4	2028 Q1
EUR/USD	Stress high	1.218	1.257	1.279	1.293	1.308	1.308	1.312
	Upper central	1.191	1.209	1.225	1.25	1.261	1.275	1.277
	Baseline	**1.163**	**1.168**	**1.172**	**1.176**	**1.18**	**1.181**	**1.182**
	Lower central	1.136	1.131	1.129	1.126	1.128	1.123	1.118
	Stress low	1.106	1.087	1.066	1.04	1.032	1.028	1.034
EUR/GBP	Stress high	0.906	0.9416	0.963	0.9692	0.9664	0.9742	1.001
	Upper central	0.8867	0.9126	0.9306	0.9391	0.9395	0.9373	0.9343
	Baseline	**0.8734**	**0.8889**	**0.8999**	**0.9048**	**0.9076**	**0.9088**	**0.909**
	Lower central	0.8586	0.8643	0.8692	0.8697	0.8708	0.8714	0.8738
	Stress low	0.8446	0.8446	0.8459	0.8372	0.8346	0.8367	0.8432
EUR/CHF	Stress high	0.9435	0.9625	0.9785	0.9924	0.9965	1.005	1.02
	Upper central	0.9294	0.9445	0.9536	0.956	0.9638	0.9729	0.9776
	Baseline	**0.9175**	**0.925**	**0.93**	**0.93**	**0.93**	**0.93**	**0.9293**
	Lower central	0.9088	0.9107	0.9128	0.9081	0.9012	0.8923	0.8836
	Stress low	0.8968	0.8919	0.8862	0.8668	0.8602	0.859	0.8569
EUR/CNY	Stress high	8.206	8.407	8.476	8.564	8.598	8.731	8.799
	Upper central	8.025	8.153	8.225	8.342	8.421	8.481	8.525
	Baseline	**7.844**	**7.872**	**7.897**	**7.924**	**7.948**	**7.956**	**7.956**
	Lower central	7.676	7.654	7.655	7.614	7.652	7.592	7.457
	Stress low	7.512	7.358	7.259	7.195	7.032	7.044	7.027

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	Scenarios	2026 Q3	2026 Q4	2027 Q1	2027 Q2	2027 Q3	2027 Q4	2028 Q1
EUR/CZK	Stress high	24.99	25.46	25.77	25.81	25.87	25.86	25.77
	Upper central	24.57	24.78	25	25.04	25	24.95	24.95
	Baseline	**24.4**	**24.5**	**24.49**	**24.4**	**24.31**	**24.2**	**24.08**
	Lower central	24.13	24.1	23.89	23.73	23.55	23.39	23.2
	Stress low	23.84	23.75	23.58	23.32	23.06	22.8	22.62
EUR/PLN	Stress high	4.394	4.425	4.451	4.476	4.479	4.473	4.484
	Upper central	4.325	4.329	4.351	4.366	4.374	4.384	4.384
	Baseline	**4.267**	**4.267**	**4.267**	**4.267**	**4.258**	**4.247**	**4.239**
	Lower central	4.212	4.196	4.186	4.173	4.158	4.131	4.123
	Stress low	4.139	4.119	4.092	4.042	4.015	4.005	3.956
USD/CZK	Stress high	22.4	22.73	23.05	23.2	23.53	23.26	23.46
	Upper central	21.67	21.83	21.89	21.93	21.86	21.96	21.84
	Baseline	**20.99**	**20.99**	**20.9**	**20.75**	**20.6**	**20.48**	**20.37**
	Lower central	20.37	20.14	20.02	19.55	19.12	19.01	18.82
	Stress low	19.72	19.12	18.54	18.52	18.15	17.97	17.82
USD/PLN	Stress high	3.942	3.991	4.092	4.197	4.242	4.196	4.188
	Upper central	3.788	3.792	3.827	3.878	3.873	3.909	3.923
	Baseline	**3.671**	**3.655**	**3.642**	**3.628**	**3.609**	**3.595**	**3.587**
	Lower central	3.546	3.492	3.453	3.388	3.329	3.301	3.261
	Stress low	3.443	3.343	3.263	3.216	3.205	3.139	3.111

Chart sources: Oxford Economics, Bloomberg, Convera – June 26, 2026. For more information about the Convera-Oxford Economics economic modelling, framework and methodology used to derive the FX forecast scenarios please contact AskMarketInsights@convera.com

	Scenarios	2026 Q3	2026 Q4	2027 Q1	2027 Q2	2027 Q3	2027 Q4	2028 Q1
GBP/USD	Stress high	1.399	1.405	1.415	1.425	1.433	1.425	1.431
	Upper central	1.369	1.369	1.359	1.371	1.377	1.391	1.385
	Baseline	**1.331**	**1.313**	**1.302**	**1.3**	**1.3**	**1.3**	**1.3**
	Lower central	1.296	1.267	1.261	1.246	1.228	1.232	1.235
	Stress low	1.26	1.222	1.184	1.169	1.171	1.147	1.13
GBP/EUR	Stress high	1.184	1.184	1.182	1.194	1.198	1.195	1.186
	Upper central	1.165	1.157	1.15	1.15	1.148	1.147	1.144
	Baseline	**1.145**	**1.125**	**1.111**	**1.105**	**1.102**	**1.1**	**1.1**
	Lower central	1.128	1.096	1.075	1.065	1.064	1.067	1.07
	Stress low	1.104	1.062	1.038	1.032	1.034	1.026	0.9995
GBP/JPY	Stress high	225.2	226.3	225.5	228.6	231.2	231.8	234.6
	Upper central	219.4	217.8	218.3	218.5	218.8	220.2	221.5
	Baseline	**211.8**	**208.1**	**205**	**202.7**	**200.6**	**198.7**	**196.8**
	Lower central	205.7	200.7	196.5	190.9	185.6	181.4	178
	Stress low	197.9	189.8	183.7	178.2	172.1	165.4	158.2
GBP/AUD	Stress high	1.963	1.961	1.949	1.962	1.985	2.015	2.029
	Upper central	1.907	1.888	1.883	1.889	1.902	1.91	1.91
	Baseline	**1.857**	**1.819**	**1.797**	**1.79**	**1.786**	**1.782**	**1.779**
	Lower central	1.807	1.76	1.72	1.71	1.698	1.689	1.674
	Stress low	1.755	1.686	1.637	1.603	1.592	1.549	1.525

Chart sources: Oxford Economics, Bloomberg, Convera – June 26, 2026. For more information about the Convera-Oxford Economics economic modelling, framework and methodology used to derive the FX forecast scenarios please contact AskMarketInsights@convera.com

	Scenarios	2026 Q3	2026 Q4	2027 Q1	2027 Q2	2027 Q3	2027 Q4	2028 Q1
GBP/CAD	Stress high	1.924	1.936	1.938	1.94	1.956	1.976	2.006
	Upper central	1.879	1.871	1.859	1.862	1.877	1.893	1.893
	Baseline	**1.841**	**1.815**	**1.797**	**1.79**	**1.787**	**1.784**	**1.781**
	Lower central	1.806	1.775	1.754	1.741	1.726	1.713	1.697
	Stress low	1.763	1.702	1.654	1.66	1.599	1.585	1.583
GBP/CHF	Stress high	1.097	1.107	1.111	1.114	1.115	1.111	1.11
	Upper central	1.074	1.079	1.077	1.076	1.075	1.077	1.08
	Baseline	**1.051**	**1.041**	**1.033**	**1.028**	**1.025**	**1.023**	**1.022**
	Lower central	1.032	1.009	0.9998	0.9928	0.979	0.9735	0.9714
	Stress low	1	0.977	0.9655	0.951	0.9377	0.9283	0.923
GBP/NOK	Stress high	12.97	13.09	13.15	13.24	13.35	13.43	13.35
	Upper central	12.65	12.53	12.46	12.51	12.54	12.45	12.43
	Baseline	**12.31**	**12.09**	**11.94**	**11.86**	**11.79**	**11.73**	**11.68**
	Lower central	11.99	11.65	11.49	11.29	11.22	11.12	11.03
	Stress low	11.69	11.31	10.96	10.73	10.53	10.28	10.25
GBP/CNY	Stress high	3.833	3.868	3.873	3.888	3.917	3.9	3.894
	Upper central	3.756	3.766	3.769	3.755	3.729	3.741	3.756
	Baseline	**3.671**	**3.655**	**3.642**	**3.628**	**3.609**	**3.595**	**3.587**
	Lower central	3.589	3.545	3.507	3.485	3.466	3.436	3.414
	Stress low	3.528	3.446	3.398	3.365	3.361	3.336	3.297

Chart sources: Oxford Economics, Bloomberg, Convera – June 26, 2026. For more information about the Convera-Oxford Economics economic modelling, framework and methodology used to derive the FX forecast scenarios please contact AskMarketInsights@convera.com

	Scenarios	2026 Q3	2026 Q4	2027 Q1	2027 Q2	2027 Q3	2027 Q4	2028 Q1
AUD/USD	Stress high	0.7582	0.7781	0.789	0.8024	0.8234	0.8349	0.8397
	Upper central	0.7376	0.7502	0.7613	0.7643	0.7717	0.7789	0.7935
	Baseline	**0.7167**	**0.722**	**0.7246**	**0.7262**	**0.7278**	**0.7293**	**0.7309**
	Lower central	0.6965	0.6964	0.6957	0.6881	0.6839	0.6784	0.6776
	Stress low	0.6748	0.6723	0.6605	0.6545	0.6529	0.643	0.6337
AUD/EUR	Stress high	0.6474	0.6636	0.6709	0.6767	0.6798	0.6861	0.6981
	Upper central	0.6315	0.6409	0.6454	0.6482	0.6517	0.651	0.6493
	Baseline	**0.6165**	**0.6184**	**0.6184**	**0.6175**	**0.6168**	**0.6173**	**0.6185**
	Lower central	0.6027	0.5986	0.5942	0.5883	0.5866	0.5867	0.5852
	Stress low	0.5869	0.5783	0.5691	0.5614	0.5594	0.5592	0.5573
AUD/NZD	Stress high	1.239	1.237	1.215	1.199	1.186	1.174	1.164
	Upper central	1.219	1.206	1.184	1.172	1.164	1.151	1.142
	Baseline	**1.195**	**1.177**	**1.157**	**1.138**	**1.123**	**1.11**	**1.101**
	Lower central	1.171	1.15	1.131	1.113	1.092	1.085	1.079
	Stress low	1.15	1.119	1.102	1.08	1.054	1.016	0.9858
AUD/CNY	Stress high	5.083	5.164	5.222	5.316	5.379	5.417	5.444
	Upper central	4.961	5.034	5.081	5.113	5.146	5.2	5.186
	Baseline	**4.836**	**4.868**	**4.884**	**4.893**	**4.902**	**4.912**	**4.921**
	Lower central	4.719	4.718	4.747	4.72	4.727	4.67	4.691
	Stress low	4.588	4.546	4.433	4.448	4.404	4.351	4.294

Chart sources: Oxford Economics, Bloomberg, Convera – June 26, 2026. For more information about the Convera-Oxford Economics economic modelling, framework and methodology used to derive the FX forecast scenarios please contact AskMarketInsights@convera.com

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