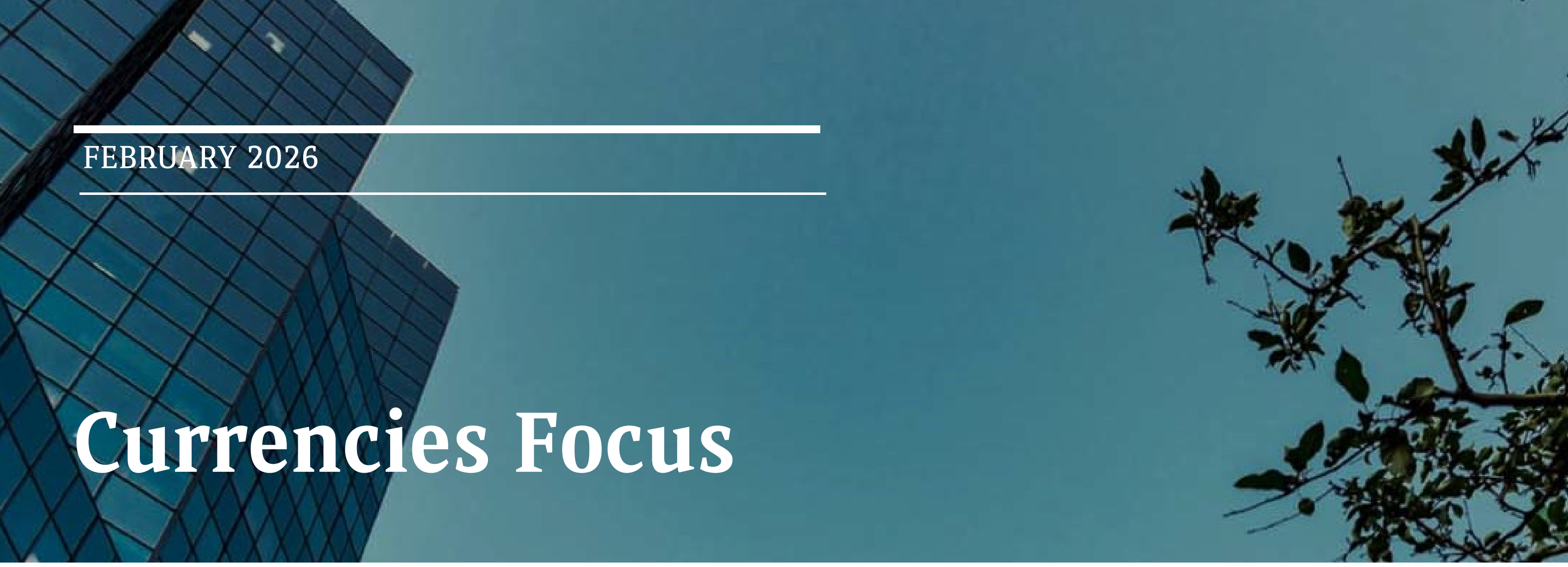

FEBRUARY 2026

Currencies Focus

Summary

1. **Central banks:** In the United States, **we expect two additional rate cuts in 2026, one in June and another in September, bringing the policy rate down to a terminal rate of 3.25 %.** In the euro area, we expect no change in the near-term from the ECB, and a possible hike in late 2027.
2. **EUR/USD:** We still hold a bearish EUR/USD view, largely driven by stronger eurozone growth fundamentals and the outlook for the interest rate differential. Policy uncertainty stemming from the Fed's leadership transition, geopolitical tensions, and a possible Supreme Court ruling on tariffs add downside pressure on the USD. **Therefore, our new 3-month target is 1.18, and we maintain our 12-month target of 1.24 (value of one EUR).**
3. **USD/JPY:** We believe the yen's outlook will be increasingly shaped by long-term factors such as debt and inflation dynamics rather than by yield differentials alone. We anticipate further rate hikes in Japan while the Fed is expected to cut rates twice. Nonetheless, concerns about medium-term inflation and rising government debt ratios are expected to cap the yen's upside. **Accordingly, we revise our 3-month USD/JPY target to 158 and our 12-month target to 155 (price of one USD).**
4. **AUD/USD:** The RBA's recent shift to a higher policy rate have given the AUD a positive carry advantage, supported by a resilient Australian economy, solid fiscal fundamentals, strong equity performance and robust commodity demand. The benefit of higher rates and upbeat risk sentiment could weaken or reverse in the second half of 2026, which may curb the AUD's outperformance. **Therefore, we change our 3-month AUD/USD target to 0.71 and maintain our 12-month target at 0.68 (value of one AUD).**
5. **Target change for EUR/CHF**

Writing completed on 16th February

Contents

OUR TARGETS OVER THE NEXT 3 AND 12 MONTHS

	Country	Spot 15/02/2026		Target 3 months	Target 12 months
Against euro	United States	EUR / USD	1.18	1.18	1.24
	United Kingdom	EUR / GBP	0.87	0.87	0.87
	Switzerland	EUR / CHF	0.91	0.92	0.92
	Japan	EUR / JPY	181	186	192
	Sweden	EUR / SEK	10.61	10.80	10.60
	Norway	EUR / NOK	11.29	11.60	11.30
Against dollar	Japan	USD / JPY	153	158	155
	Canada	USD / CAD	1.36	1.38	1.35
	Australia	AUD / USD	0.71	0.71	0.68
	New Zealand	NZD / USD	0.60	0.60	0.60
	Brazil	USD / BRL	5.24	5.40	5.70
	India	USD / INR	90.64	90.00	90.00
	China	USD / CNY	6.91	7.00	7.00

Source: Refinitiv - BNP Paribas WM

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BNP PARIBAS WEALTH MANAGEMENT

The bank for a changing world

USD VIEW >> TARGET 12M VS EUR: 1.24

More weakness after a transition period

The USD has not been showing a clear trend lately. Contradictory signals from the job market and inflation data have reduced visibility regarding future rate moves. This should keep the dollar largely confined to a range over the coming months. We do, however, anticipate two rate cuts scheduled for June and September, which would bring the terminal rate to 3.25 %, while the ECB will probably leave its policy rate unchanged. Combined with concerns about government debt and Fed independence, this should lead to further dollar weakness.

The January employment report was strong and exceeded expectations. Headline job growth was well above forecasts, the unemployment rate fell to 4.3 %, and average hourly earnings rose. This reduces the risks associated with the labour market, but it is still too early to conclude that we have turned the corner. Consumer-price (CPI) inflation was somewhat lower than expected. Weakness in used-vehicle prices was the main driver of the downside miss in core CPI, but this should reverse in the coming months given recent gains in wholesale prices. The Fed places more emphasis on core PCE (personal consumption expenditures), which is weighted differently from the CPI index. As mentioned earlier, we expect the Fed to remain cautious and focus on downside risks, which would justify the rate cuts noted above.

On the tail-risk side, a possible Supreme Court ruling that strikes down tariffs imposed under the International Emergency Economic Powers Act could strip a key revenue stream from the Treasury and add a risk premium to dollar-denominated assets.

All in all, we remain bearish on the dollar in the near term. Consequently, our new 3-month target is 1.18 and our 12-month target is 1.24 (value of one EUR).

Source: LSEG Datastream, 13/02/2026

GBP VIEW >> TARGET 12M VS EUR: 0.87

No major trend

The GBP has been trading around 0.87 in recent weeks (the value of one euro).

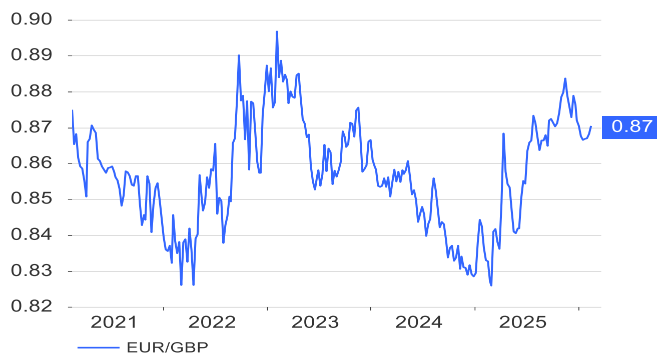
UK headline inflation picked up in December, rising to 3.4% compared to the same month last year (y/y) from 3.2% previously. The labour market data reinforced a narrative of stagflation, highlighting upside risks to wages and downside risks to employment. Business surveys showed a small moderation, with the manufacturing PMI at 51.8 and service PMI at 54 (a figurte above 50 suggest increasing activity).

As expected, the Bank of England left the policy Rate unchanged at 3.75% in February. However, a more dovish vote split, softer inflation projections and revised guidance signaled that rate cuts are imminent possibly sooner than markets anticipate. We continue to expect a cut in March, followed by a prolonged pause before resuming cuts in early 2027, reaching a terminal rate of 3% by mid 2027.

Political uncertainty remains high in the UK. Although investors welcomed the recent budget, there is a tail risk of a shift toward a less market friendly Labour leadership. Recent cabinet resignations and calls for Prime Minister Keir Starmer's resignation have revived stability concerns, but support from senior Labour figures temporarily eased market concerns. An eventual leadership change would increase uncertainty regarding fiscal outcomes. The 26 February election and the 13 May local elections are key events to watch.

Overall, we do not expect UK fiscal policy to provide a meaningful boost to growth in the near term. We continue to see scope for further BoE easing, narrowing the policy rate differential between the BoE and the ECB.

Therefore, we maintain our 3 - and 12-month EUR/GBP target at 0.87 (the value of one euro).



Source: LSEG Datastream, 13/02/2026

CHF VIEW >> TARGET 12M VS EUR: 0.92

CHF to remain strong

The CHF has appreciated against the euro, with the EUR/CHF (the value of one euro) trading close to 0.91 on February 16th.

Headline CPI inflation ticked up to 0.1% y/y in December from 0%. While progress is limited, this release will provide some mild relief to the SNB in its fight against deflation. Business surveys improved with the manufacturing PMI rising to 48 from 45, while the KOF business index decreased slightly to 102.

In December, the Swiss National Bank held rates at 0% for the second consecutive time, reinforcing our view that the SNB will not return to negative rates. Instead, we think the SNB will remain on hold and keep the option to intervene in FX markets by selling the CHF. Eventually, stronger growth, fading risks of disinflation and possible ECB rate hikes should allow the SNB to begin normalizing policy in Q3 2027. We forecast two rate hikes with an end-2027 rate of 0.50%.

Recently, the CHF has enjoyed its safe-haven status, but we believe this dynamic may shift as macroeconomic conditions improve globally. We expect the EURCHF to trade towards 0.92 through 2026, reflecting CHF's rich valuation and our bullish outlook on eurozone growth. However, we doubt the EURCHF's upside will be large, as Switzerland's current account surplus will limit the weakening potential.

We change our 3- and 12-month EUR/CHF targets to 0.92 (value of one EUR).

Source: LSEG Datastream, 16/02/2026

JPY VIEW >> TARGET 12M VS USD: 155

Cautious outlook

The JPY has strengthened against the USD, trading around 153 (value of one USD) on February 16th.

The Bank of Japan kept the policy rate at 0.75% in January, as expected. But the proposal of some board members to lift the rate to 1% surprised and has increased the chances that the pace of hikes might accelerate. We revise our outlook on the pace of the Bank of Japan's rate hikes. We now expect the Bank of Japan to hike in April and look for additional hikes roughly every four to five months thereafter, with a terminal rate of 2% to be reached in Q4 2027. We don't rule out the possibility of the next hike coming already in March.

We continue to observe the government's preference for low interest rates, yet an expansionary fiscal stance in an environment of full employment is likely to exert upward pressure on inflation.

We believe the yen's outlook will be increasingly shaped by long-term factors such as debt and inflation dynamics rather than by yield differentials alone. We anticipate further rate hikes in Japan while the Fed is likely to cut rates twice, which should narrow the yield differential and support the Yen. Nonetheless, concerns about a further rise in inflation volatility and higher government debt ratios are expected to cap the yen's upside.

Accordingly, we revise our 3-month USD/JPY target to 158 and our 12-month target to 155 (price of one USD).

Source: LSEG Datastream, 13/02/2026

SEK VIEW >>
TARGET 12M VS EUR: 10.6

Looking for a rebound

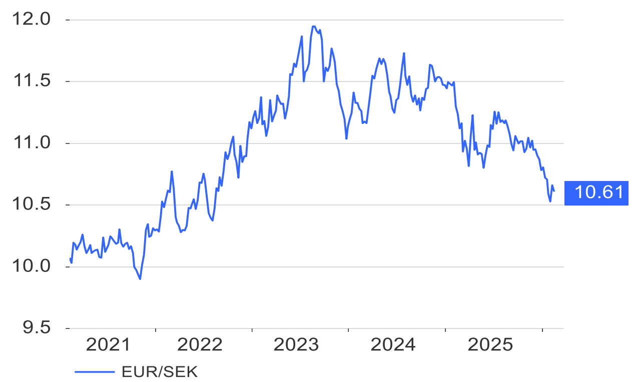
The SEK has appreciated against the euro, with EUR/SEK (the value of one euro) trading around 10.61 on February 16th.

The January inflation report showed core inflation edging down to 1.7% y/y. Business surveys suggest that activity has remained firm. The manufacturing and service PMI remain strong at 56 and 54 respectively. Retail sales grew by 1.5% y/y and industrial production increased by 4.2 % y/y in December.

The Riksbank kept its policy rate unchanged at 1.75% in January. While it noted an improved economic outlook, guidance was unchanged, and the central bank reiterated that rates will likely stay unchanged for “some time to come”. The market is expecting the Riksbank to stay on hold until mid-2027.

The Swedish krona proved resilient throughout the market turbulence of January, a performance likely reinforced by capital inflows. Short-term dynamics remain negative for the SEK (against the EUR) and we expect Swedish repatriation flows to weaken.

All in all, long-term fundamentals remain supportive for the Swedish currency. **Our 3-month EUR/SEK target is 10.80 and our 12-month target is 10.60 (value of one EUR).**



Source: LSEG Datastream, 13/02/2026

NOK VIEW >>
TARGET 12M VS EUR: 11.3

Range bound

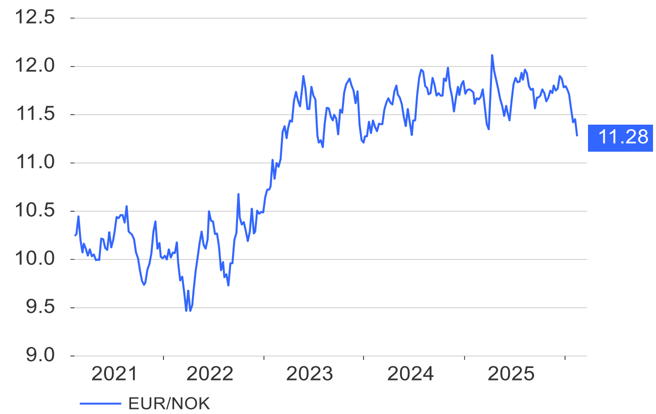
The Norwegian krone (NOK) has appreciated against the euro with EUR/NOK (the value of one euro) trading around 11.28 on February 16th.

The January inflation report delivered a large upside surprise, with core inflation rising to 3.37% y/y, well above both consensus and Norges Bank’s forecast. Business surveys suggest that activity has improved. Moreover, Norway’s GDP demonstrated solid growth in 2025, expanding 1.7 % q/q in Q4 2025.

Norges Bank kept its policy rate unchanged at 4.0% at its January meeting. While easing is possible, policymakers appear sensitive to any signs of weakness in the Norwegian krone and will only proceed with cuts if they are confident the currency will remain stable. Moreover, the recent rise in inflation has reduced the likelihood of a rate cut this year. The market currently does not expect any cuts in 2026. We share this view.

The strong start this year for oil prices has produced a rare outperformance of the Norwegian krone. At the same time, the recent upside in inflation has led the market to reprice expectations and prompting a sharp appreciation of the NOK. A “window” for a cut could open if inflation and growth data soften. However, a tail risk remains. Indeed, lower oil prices resulting from reduced geopolitical tensions would be a headwind for the currency, while renewed tensions in Iran could support the NOK.

We keep our 3-month EUR/NOK target at 11.6 and our 12-month target at 11.3 (value of one EUR).



Source: LSEG Datastream, 13/02/2026

CAD VIEW >>
TARGET 12M VS USD: 1.35

Uncertainty remain

The Canadian dollar (CAD) has traded around 1.36 per USD on February 16th.

Canada's January headline inflation increased 2.4 % y/y. At the same time, core inflation rate eased to 2.5% y/y (from 3.8% in December). The December labour report raised concerns because of trade uncertainty with the United States. It highlighted weak employment growth, slowed wage growth, and unemployment remaining high at 6.5 %.

The Bank of Canada left its policy rate unchanged at 2.25% at the January meeting. Officials see current policy at about the "right level" and believe monetary policy can play only a limited role in helping the economy through this structural shock. After a recent spell of better data, The BoC is expected to remain on hold through end-2026, with hikes seen as unlikely.

The available data is not is not giving a clear message for the Bank of Canada, which has therefore maintained a neutral stance. Speculation about further monetary tightening has diminished, and the labour market continues to be the primary indicator for assessing the likelihood of an additional rate cut. This situation is closely tied to the forthcoming negotiations of the US Mexico Canada trade Agreement, which are expected to be challenging. The resulting trade uncertainty is already influencing hiring intentions across Canada. While we remain cautious regarding the performance of the CAD versus most G10 currencies, the anticipated weakness of the U.S. dollar throughout 2026 provides a key driver for CAD appreciation, offering support to the CAD against the USD.

Given these factors, we maintain our 3-month USD/CAD target at 1.38 and our 12-month target at 1.35 (value of one USD).

Source: LSEG Datastream, 13/02/2026

CNY VIEW >>
TARGET 12M VS USD: 7.00

Target change

The Chinese yuan (CNY) stayed flat against the dollar and traded around 6.91 on February 16th.

China's inflation slowed markedly in January, with the headline CPI slipping to 0.2 % y/y from 0.8 % y/y. The decline was largely attributed to the seasonal impact of the Spring Festival. The slowdown was mirrored in activity indicators: the official manufacturing PMI fell to 49.3 while the services PMI eased to 49.5. Despite this weak data, industrial production rose 5.2 % y/y in December 2025, and retail sales grew modestly 0.9 % y/y the same month.

The People's Bank of China (PBoC) left the 1Y and 5Y Loan Prime Rate (LPR) at 3.0% and 3.5% respectively in January, both unchanged since May 2025. We continue to expect a 10bp cut on the 7day reverse rate, followed by a cut to 1Y & 5Y LPR. However, an immediate move appears unlikely given the comprehensive easing package that was already delivered. Consequently, we view the most plausible window for a policy rate cut is in late March when the growth headwinds are expected to become more pronounced.

The PBoC decided a slightly lower fixing at 6.94. We believe this modestly lower fixing is intended to encourage exporters to settle now, given the seasonal pattern, and to support the RMB index. We see little scope for substantial CNY appreciation given persistent deflationary conditions and continuous capital outflows.

Accordingly, our 3- and 12-month USD/CNY targets is 7 (value of one USD).

Source: LSEG Datastream, 13/02/2026

AUD VIEW >>
TARGET 12M VS USD: 0.68

Target Change

The Australian dollar (AUD) has appreciated sharply against the USD, trading around 0.71 on February 16th

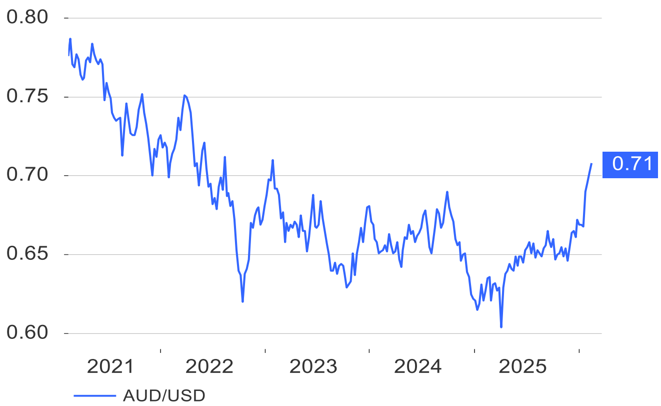
Australian headline CPI inflation came in higher at 3.8 % y/y in December, while the unemployment rate eased to 4.1 %. Both the manufacturing and services PMIs remained in expansionary territory, at 52 and 56, respectively.

The RBA raised its policy rate by 25 bps to 3.85% in February while adopting a more aggressive forward guidance. This was a unanimous decision and marked a sharp turnaround from the last rate cut in August 2025. Updated projections now assume one additional hike in 2026.

The RBA's recent policy shift is relatively aggressive, and a higher policy rate has revived AUD support, giving the currency a positive rate differential advantage. In addition, the Australian economy continues to demonstrate resilience, underpinned by solid fiscal fundamentals. Strong equity market performance and robust demand for commodities further reinforce the currency's position.

While inflation remains a concern, the baseline for monetary policy is probably less hawkish than market expectations imply. At this point, expectations of further tightening may be overstated. Moreover, the carry advantage could lose momentum or even reverse in the second half of 2026 if the probability of a further rate hike decreases. This would potentially temper the currency's sharp outperformance.

Therefore, we change our 3-month AUD/USD target to 0.71 and maintain our 12-month target at 0.68 (value of one AUD).



Source: LSEG Datastream, 13/02/2026

NZD VIEW >>
TARGET 12M VS USD: 0.60

Moderate upside

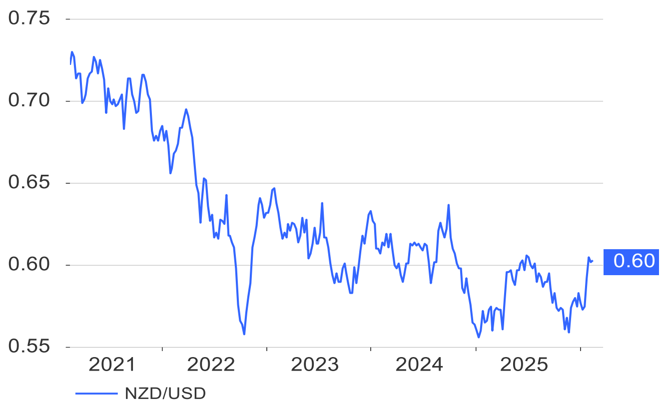
The New Zealand dollar (NZD) is trading around 0.60 on February 16th.

The Reserve Bank of New Zealand (RBNZ) delivered a 25bp rate cut in November but with a hawkish note, acknowledging a recent pickup in activity and dropping prior guidance of being open to future easing. The market expects the RBNZ to hike rates in October 2026.

New Zealand's CPI inflation rose 0.6% q/q in Q4 2025, with 3.1% y/y. The unemployment rate unexpectedly increased to 5.4%. Meanwhile, the manufacturing PMI stayed in expansionary territory at 56.0.

The NZD remains vulnerable to trade tensions. With policy apparently on hold for now, the NZD may be less driven by monetary policy and more by the extent to which policy drives economic growth. We expect the 2026 environment to broadly favour commodity currencies. New Zealand's terms of trade remain solid, and the dairy price forecasts are upbeat.

Our NZD/USD 3- and 12-month targets are 0.60 (value of one NZD).



Source: LSEG Datastream, 13/02/2026

MXN VIEW >>
TARGET 12M VS USD: 18.25

Target change

The Mexican peso (MXN) has appreciated against the US dollar over the past month, trading around 17.19 on February 16th.

The Bank of Mexico (Banxico) kept its rate unchanged at 7.0 in February. The decision was unanimous, and several changes were made to the statement. In this sense, we recognize that the probability of a rate cut in March increased, and this challenges our call for a pause during Q1. We maintain our expectation for a terminal rate of 6.5 % in 2026.

Inflation stayed at 3.7% y/y, below market expectations. Manufacturing PMI remained in contraction mode at 46, and industrial production stayed weak. With tariff risks still looming over trade and supply chains, a near term rebound appears unlikely.

We expect the peso to remain relatively resilient in the near term, supported by market demand for high yields and attractive fundamentals. In the medium term, however, we expect the currency to underperform its EM peers because of weaker remittance flows, a shrinking yield differential, relatively greater sensitivity to the U.S. economy, and lingering USMCA uncertainties.

Nevertheless, we anticipate that Banxico's easing will push the terminal policy rate below market expectations, reflecting a negative output gap and modest demand driven inflation. A steeper decline in the yield differential versus regional peers could further reduce the MXN's attractiveness.

Considering these factors, our 3-month USD/MXN target is 18.00 and our 12-month target is 18.25 (value of one USD). This suggests a moderate weakening of the MXN.

Source: LSEG Datastream, 13/02/2026

BRL VIEW >>
TARGET 12M VS USD: 5.7

Cautious outlook

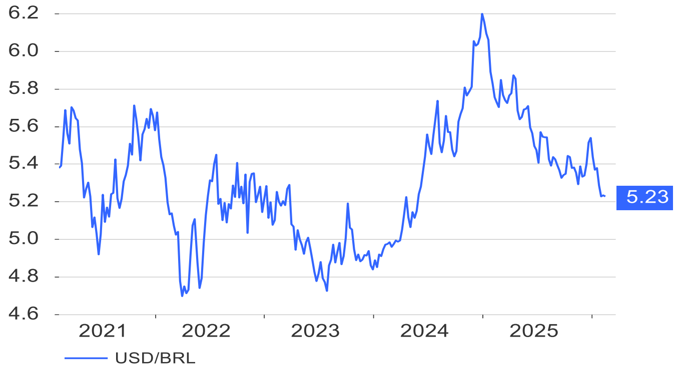
The Brazilian real (BRL) has appreciated against the US dollar over the past month, with USD/BRL trading around 5.23 on February 16th.

The annual inflation rate rose to 4.4% in January. Industrial production and retail sales rebounded, growing 1.5% y/y and 2.3% y/y respectively after months of weakness. In the latest business surveys, the services PMI stayed solid at 51, while the manufacturing PMI remained below the growth threshold at 47.

The Central Bank of Brazil (BCB) held its policy rate at 15% in January, as largely expected. The meeting statement repeated much of the previous text but changed its forward guidance to signal very clearly that it intends to start an easing cycle at its next meeting which has been our long-standing call. We continue to see the start of the cycle with a 25bp cut in March, taking the Selic rate to 12% by December, although we do acknowledge that it can be a close call relative to a 50bps cut.

The Brazilian real interest rate differential with the US is likely to persist for some time. Nonetheless, political uncertainty surrounding the 2026 elections, and the possibility of U.S. sanctions could continue to generate headwinds for the currency. Moreover, a slowdown in the U.S. economy may pose an additional tail risk, given the historical sensitivity of Latin American currencies to weaker U.S. growth.

Considering these factors, our USD/BRL targets is 5.4 for 3 months and 5.7 for 12 months (value of one USD), suggesting a moderate downside for the BRL.



Source: LSEG Datastream, 13/02/2026

	Country		Spot 15/02/2026	Trend	Target 3 months (vs. EUR)	Trend	Target 12 months (vs. EUR)
	United States	EUR / USD	1.18	Neutral	1.18	Negative	1.24
	United Kingdom	EUR / GBP	0.87	Neutral	0.87	Neutral	0.87
	Japan	EUR / JPY	181.45	Negative	186	Negative	192
	Switzerland	EUR / CHF	0.91	Neutral	0.92	Neutral	0.92
	Australia	EUR / AUD	1.68	Neutral	1.66	Negative	1.82
	New-Zealand	EUR / NZD	1.97	Neutral	1.97	Negative	2.07
	Canada	EUR / CAD	1.62	Neutral	1.63	Negative	1.67
	Sweden	EUR / SEK	10.61	Neutral	10.80	Neutral	10.60
	Norway	EUR / NOK	11.29	Negative	11.60	Neutral	11.30
Asia	China	EUR / CNY	8.19	Neutral	8.26	Negative	8.68
	India	EUR / INR	107.41	Neutral	106.20	Negative	111.60
Latam	Brazil	EUR / BRL	6.21	Negative	6.37	Negative	7.07
	Mexico	EUR / MXN	20.36	Negative	21.24	Negative	22.63

	Country		Spot 15/02/2026	Trend	Target 3 months (vs. USD)	Trend	Target 12 months (vs. USD)
	Eurozone	EUR / USD	1.18	Neutral	1.18	Positive	1.24
	United Kingdom	GBP / USD	1.36	Neutral	1.36	Positive	1.43
	Japan	USD / JPY	153.13	Negative	158.00	Neutral	155.00
	Switzerland	USD / CHF	0.77	Neutral	0.78	Positive	0.74
	Australia	AUD / USD	0.71	Neutral	0.71	Negative	0.68
	New-Zealand	NZD / USD	0.60	Neutral	0.60	Neutral	0.60
	Canada	USD / CAD	1.36	Neutral	1.38	Neutral	1.35
Asia	China	USD / CNY	6.91	Neutral	7.00	Neutral	7.00
	India	USD / INR	90.64	Neutral	90.00	Neutral	90.00
Latam	Brazil	USD / BRL	5.24	Negative	5.40	Negative	5.70
	Mexico	USD / MXN	17.19	Negative	18.00	Negative	18.25
EMEA	South Africa	USD / ZAR	15.99	Negative	16.50	Neutral	16.00
	USD Index	DXY	96.93	Neutral	98.02	Negative	93.82

Source: Refinitiv - BNP Paribas WM

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