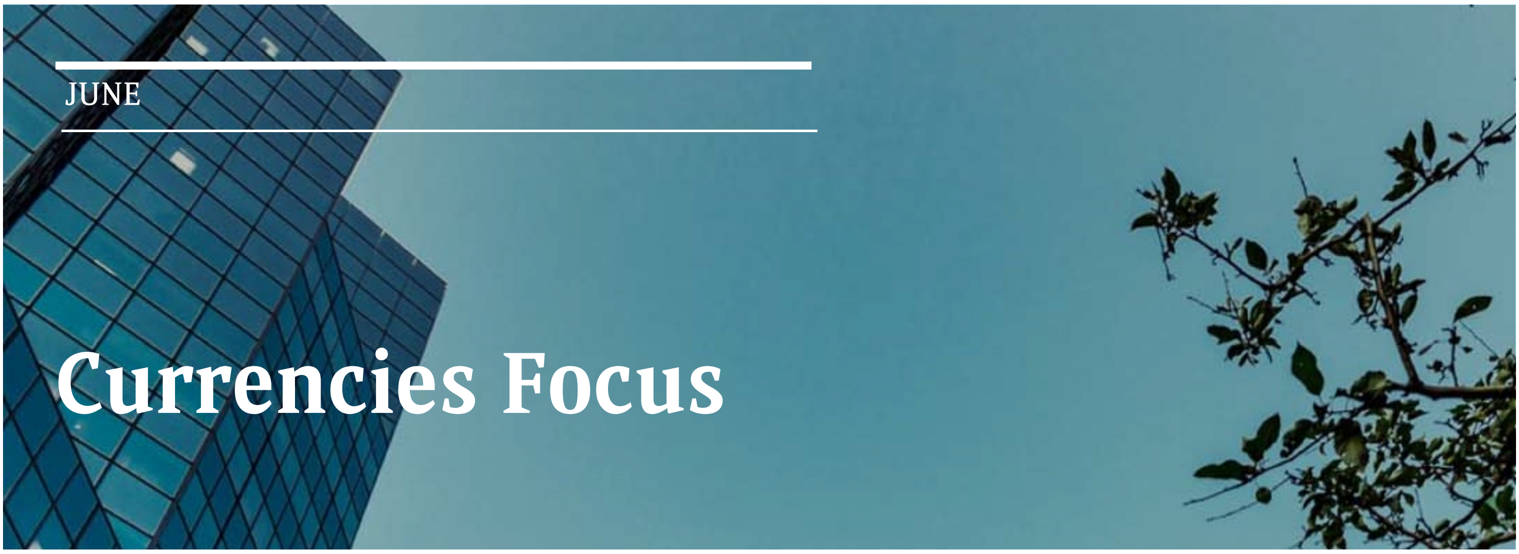


JUNE

Currencies Focus

Summary

1. The US Dollar Index (DXY) has fallen by around 9% since the beginning of the year. We expect the Fed to cut rates in September and December, followed by two more cuts in 2026, leading to a terminal rate of 3.5%. As for the ECB, we still expect one rate cut this year, which would take the terminal rate to 1.75%.
2. We believe that capital is already being reallocated away from US assets, a trend that would not be reversed by tariff de-escalation. Moreover, the potential taxation of 20% of foreign investors' holdings of US and ongoing fiscal pressure reinforce our bearish view of the USD. The interest rate differential is not supportive of the USD. **Therefore, we have changed our 3-month target to 1.15 and our 12-month target to 1.20 (the value of one EUR).**
3. PBoC has continued to maintain the USDCNY fixing around the 7.20 level despite the reduction in US trade tariffs. US and Chinese officials have announced that they have reached an agreement on a framework to reinstate the trade truce and remove China's export restrictions on rare earths. Further details are pending. Nevertheless, any further escalation or de-escalation in the negotiations must be monitored. **For the time being, we are changing our 3- and 12-month targets to 7.20 as the PBoC prefers a relatively stable currency against the USD while allowing some flexibility.**
4. The SEK has continued to perform well within the G10. Sweden is highly exposed to global trade, which is likely to affect negatively the country's economic outlook and currency. Nevertheless, the reduced likelihood of further interest rate cuts and the interest rate differential should continue to support the SEK. **Therefore, our 3-month EUR/SEK target is 11 and we changed our 12-month target to 10.70 (value of one EUR).**
5. *Writing completed on 12th June.*

Guy Ertz, PhD

Chief Investment Advisor - Deputy Global CIO
BNP Paribas Wealth Management

Contents

OUR TARGETS OVER THE NEXT 3 AND 12 MONTHS

	Country	Spot 11/06/2025		Target 3 months	Target 12 months
Against euro	United States	EUR / USD	1.15	1.15	1.20
	United Kingdom	EUR / GBP	0.85	0.85	0.87
	Switzerland	EUR / CHF	0.94	0.94	0.94
	Japan	EUR / JPY	166.28	167	168
	Sweden	EUR / SEK	10.97	11.00	10.70
	Norway	EUR / NOK	11.57	11.60	11.30
Against dollar	Japan	USD / JPY	144.81	145	140
	Canada	USD / CAD	1.37	1.40	1.40
	Australia	AUD / USD	0.65	0.66	0.64
	New Zealand	NZD / USD	0.60	0.60	0.60
	Brazil	USD / BRL	5.54	5.80	6.00
	India	USD / INR	85.52	88.0	88.0
	China	USD / CNY	7.19	7.20	7.20

Source: Refinitiv - BNP Paribas WM

USD VIEW >>
TARGET 12M VS EUR: 1.20

To depreciate on capital reallocation

The EUR/USD has been trading around 1.13-1.14 since last month.

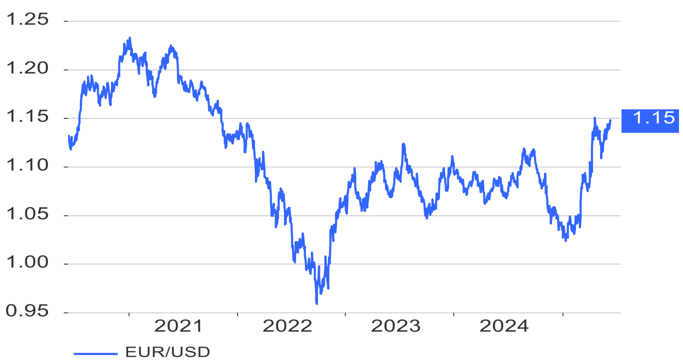
We take the recent US–China tariff ceasefire as a sign of more moderation to come in global trade policy. Some damage has already been done, however, and we see tariffs and associated uncertainty continuing to dampen confidence and investment as well as weighing on global growth and fueling a structural rotation out of the USD.

We believe that capital is already being reallocated away from US assets, a trend that would not be reversed by tariff de-escalation.

Two recent developments support a more bearish view of the USD. First, Section 899 of Trump's tax and spending bill refers to the potential taxation of 20% of foreign investors' holdings of US stocks and bonds from countries that supposedly impose unfair tax policies on the US. Second, ongoing fiscal pressure could affect the appetite of the US Treasury, as the deficit will widen due to developments regarding the TCJA extension and other tax bill changes, as well as further spending.

Regarding central banks, we continue to expect the Fed to cut rates in September and December, followed by two further cuts in H12026, leading to a terminal rate of 3.5%. As for the ECB, we only expect one more rate cut this year, which would take the terminal rate to 1.75%.

We continue to believe that the unwinding of US exceptionalism and the growing risk of a deterioration in the US economic outlook are limiting demand for US assets. The interest rate differential is not supportive of the USD. **Taking these factors into account, we have changed our 3-month target to 1.15 and our 12-month target to 1.20 (the value of one EUR).**



Source: LSEG Datastream, 11/06/2025

GBP VIEW >>
TARGET 12M VS EUR: 0.87

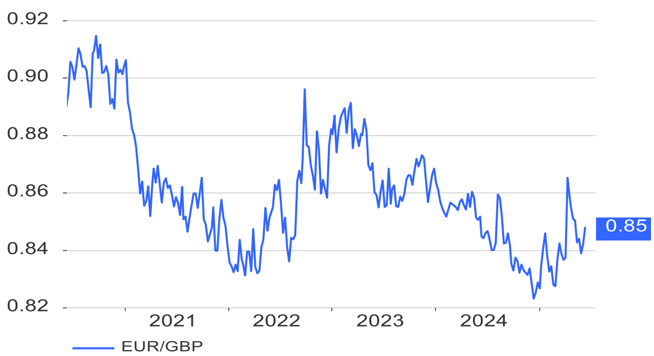
Moderate downside

The GBP has depreciated somewhat with the EURGBP (value of one EUR) trading up to 0.87 mid-April and stabilizing around 0.85 on June 11th.

Announcements of trade deals and initial signs of a recovery in consumer spending have left us becoming cautiously optimistic about the UK's near-term outlook. However, a sustained recovery in UK consumer spending, driven by a reduction in savings, could pose an upside risk to growth and stoke domestic inflationary pressures. However, we do not currently see enough evidence of this to deter the Bank of England from its 'gradual and careful' easing cycle. We expect the BoE to cut the policy rate by 25 basis points in August. We maintain our forecast of a terminal rate of 3.50% in Q1 2026.

We continue to believe that the GBP could benefit from USD weakness, although perhaps not to the same extent as the EUR, which has more positive drivers. We do not foresee the GBP benefiting as much from reallocation out of USD, since global investors already hold significant amounts of UK assets, particularly gilts, to fund the UK's ongoing fiscal deficit. Therefore, we do not think that the rotation of holdings by global investors will provide a significant boost to the GBP.

Also note that higher bond yields constrain UK growth, which in turn can lead to further fiscal pressures. We maintain our view that fiscal fragilities could weigh on the performance of the GBP. **Taking these factors into account, we maintain our EUR/GBP 3-month target at 0.85 and our 12-month target at 0.87 (value of one EUR).**



Source: LSEG Datastream, 11/06/2025

CHF VIEW >>
TARGET 12M VS EUR: 0.94

CHF to remain strong

The CHF has stabilized against the euro and is trading around 0.94 on June 11th (value of one EUR). The currency is benefiting from his defensive properties.

Switzerland's GDP grew by 0.8% in the first quarter, surpassing expectations. The business survey (PMI) remains weak at 42 and the KOF business index remained unchanged at 98. Swiss headline inflation fell below zero in May, declining to -0.1% year on year. This is the first negative figure since March 2021. Core inflation fell by 0.2 percentage points to 0.5% year on year.

The SNB could tolerate negative inflation figures. If a downside surprise were to materialise, we would not expect the SNB to react excessively. This is particularly true given the increased uncertainty surrounding future trade policy. Overall, we maintain our view that the SNB will reduce its policy rate by 25 basis points on 19 June, bringing the terminal rate to 0.0%. If further downside risks would materialize, including the US applying its 50% tariff threat to the EU, this could prompt the SNB to consider introducing negative interest rates once more. Currently, the policy rate is 0.25%.

The currency remains expensive, and the interest rate differential is not supportive for the CHF. Improved European growth prospects are rather supportive for the EUR. Swiss holdings of USD assets are large, so repatriation flows could be a significant tailwind. We see room for FX intervention only if the SNB approaches its effective lower bound (0%) and if currency developments are driven by non-domestic factors. **We keep our EUR/CHF 3- and 12-month targets unchanged at 0.94 (value of one EUR).**

Source: LSEG Datastream, 12/06/2025

JPY VIEW >>
TARGET 12M VS USD: 140

Moderate upside

The JPY started the year on a strong foot but has depreciated against the US Dollar in recent weeks. It traded around 144 (value of one USD) on June 11th.

Core inflation continues to rise, reaching 3.6% year-on-year (y/y), driven by rising food prices. Inflation expectations and underlying inflation in Japan have accelerated beyond the BoJ expectations. The unemployment rate increased slightly to 2.5%. Regarding business surveys, the manufacturing PMI remains weak at 49, while the services PMI is in expansionary territory at 51.

As expected, the BoJ kept its policy rate at 0.5% in May. We now anticipate that the Bank of Japan will resume rate hikes in October this year, given that the downside risks to growth and inflation have eased. We envisage an approximate pace of half-yearly rate hikes starting in Q4 2025, with a further two hikes anticipated in 2026. The central bank wants to take a wait-and-see approach amid elevated uncertainty, but it remains prepared to adjust to any changes in prevailing circumstances 'without preconception'.

We expect the yen to benefit from the expected repatriation and reallocation of funds out of US assets. Japanese investors were among the main funders of the US budget deficit over the past decade. Furthermore, data from the Ministry of Finance suggests that Japanese investors are beginning to unwind their holdings of foreign assets. If this trend continues, it could suggest further JPY appreciation. In the short term, however, we expect the JPY to remain weak due to high inflation and delays in the interest rate hike cycle.

Therefore, our 3-month target is 145 and our 12-month target is 140 (the value of one USD) at this stage. This suggest a gradual appreciation of the Yen.

Source: LSEG Datastream, 11/06/2025

SEK VIEW >>
TARGET 12M VS EUR: 10.70

More upside

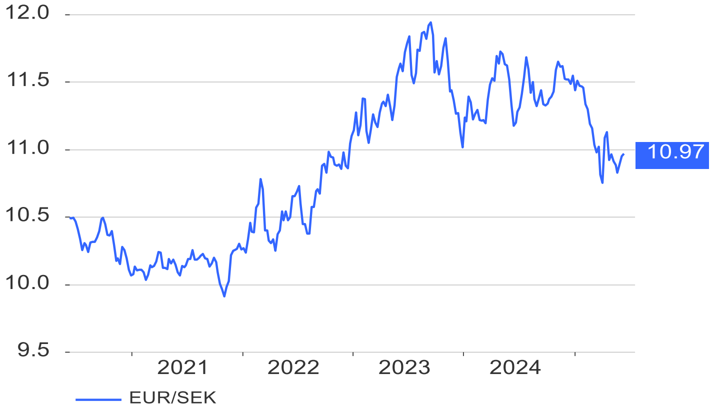
The SEK has appreciated against the Euro in recent weeks and was trading at around 10.97 (value of one EUR) on June 11th.

In May, the Riksbank maintained its policy rate at 2.25%. The central bank reiterated that global uncertainty was having a negative impact on growth. However, the Riksbank expects inflation to be lower in the future. Furthermore, the central bank indicated that it may ease monetary policy further in future.

Flash headline inflation remained at 2.3%, while flash core inflation decreased from 3.1% to 2.5%. In terms of economic activity, the manufacturing PMI remains in expansionary territory at 53, while the services PMI has improved to 50.

The SEK has continued to perform well within the G10. This may reflect a shift by Swedish investors away from US assets, which we believe indicates a broader change in investor behaviour. However, the SEK may benefit less than other currencies, given that it has already performed well this year. Sweden is also highly exposed to global trade, which is likely to negatively affect the country's economic outlook and currency. Nevertheless, the reduced likelihood of further interest rate cuts and the interest rate differential should continue to support the SEK.

Therefore, our 3-month EUR/SEK target is 11 and we changed our 12-month target to 10.70 (value of one EUR).



Source: LSEG Datastream, 11/06/2025

NOK VIEW >>
TARGET 12M VS EUR: 11.30

Range bound

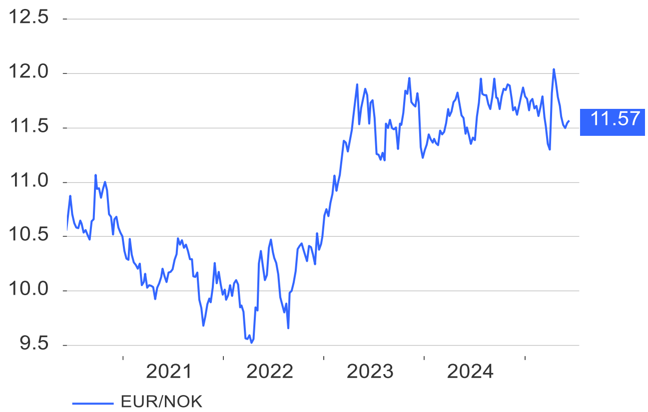
The Norwegian krone (NOK) has appreciated against the euro in recent weeks and was trading at around 11.57 (the value of one euro) on June 11th.

Norway's core inflation declined more than expected in May at 2.8%. The unemployment rate stays unchanged at 2%. In addition, the manufacturing PMI index improved into expansionary territory to 51 from 46.

The Norges Bank kept its policy rate unchanged at 4.5% in May. Guidance suggests that the rate-cutting cycle should start towards the end of the year, but it will likely remain cautious as inflation is still elevated. The market is pricing a rate cut in September.

We maintain our positive view on the NOK. We believe that additional fiscal stimulus and positive interest rate differentials should provide support. Nevertheless, lower oil prices amid weaker global growth expectations limit the upside for the NOK.

We keep our 3-month EURNOK target at 11.60 and our 12-month target at 11.30 (value of one EUR), suggesting a moderate appreciation for the NOK over the coming months.



Source: LSEG Datastream, 11/06/2025

CAD VIEW >>
TARGET 12M VS USD: 1.40

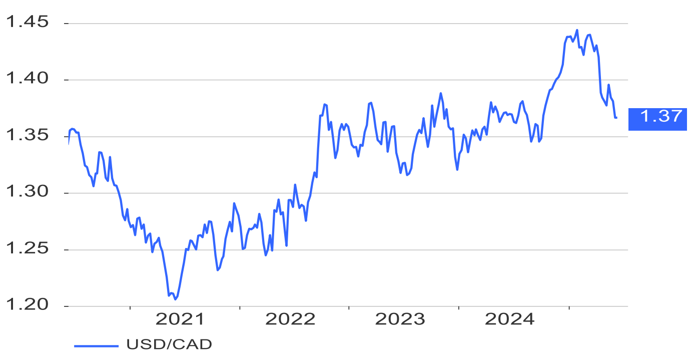
Trading around our new target

The Canadian Dollar (CAD) rebounded and traded around 1.37 (value of one USD) on June 11th.

Headline inflation came in lower at 1.7% from 2.3%, but higher than the central bank estimated. On the labor market, the unemployment rate increased to 7%. The manufacturing PMI continues to be weak at 46 with retails sales remaining low. Moreover, the GDP rose by 0.5% q/q. This figure suggests stability, but GDP growth was largely due to pre-tariff inventory and machinery investment, which won't likely continue.

At its June meeting, the Bank of Canada (BoC) left interest rates unchanged at 2.75%. The BoC remains cautious. Policymakers mentioned the possibility of a rate cut if the economy weakens and inflation remains below the 2% target. The uncertainty around tariffs warranted a careful approach. Risks seem skewed toward more cuts going forward, and with markets pricing less than two cuts for this year.

While the global focus is on US trade deals, little progress appears to have been made in discussions between the US and Canada. While tariff cuts are possible if a border deal is reached, this is offset by the risk of additional tariffs on other strategic goods. Nevertheless, the Canadian dollar (CAD) will be sensitive to domestic data, as Canada is still facing significant growth challenges, with most indicators pointing towards a negative outlook. **Given these factors, our 3- and 12-month forecasts are 1.40 (value of one USD). That suggests a stabilization.**



Source: LSEG Datastream, 11/06/2025

CNY VIEW >>
TARGET 12M VS USD: 7.20

Target change to 7.20

The Chinese yuan (CNY) appreciated against the US dollar over the past days. As of June 11th, the USDCNY (value of one USD) was trading at 7.19.

Deflation continues in China. The CPI index fell further in May, reaching -0.1% year-on-year. The decline in producer prices accelerated from -2.7% to -3.7%. The official manufacturing PMI improved slightly in May, rising from 49 in April to 49.5, but remained in contraction territory. Growth in retail sales slowed.

In May, the PBoC implemented a comprehensive package of monetary policy easing, including a 50 bps reduction in the RRR to 7.5%, and a 10 bps point reduction in the policy rate to 1.4%. We expect the PBoC to continue easing monetary policy until the end of 2025 to counter downward economic pressure. While we still anticipate a 20 bp cut in the 7-day reverse repo rate for the remainder of this year, we now expect only a 25 bp reduction in the RRR in the second half of the year.

PBoC has continued to maintain the USDCNY fixing around the 7.20 level despite the reduction in US trade tariffs. US and Chinese officials have announced that they have reached an agreement on a framework to reinstate the trade truce and remove China's export restrictions on rare earths. Further details are pending. Nevertheless, any further escalation or de-escalation in the negotiations must be monitored. **For the time being, we are changing our 3- and 12-month targets to 7.20 as the PBoC prefers a relatively stable currency against the USD while allowing some flexibility.**

Source: LSEG Datastream, 11/06/2025

ZAR VIEW >>
TARGET 12M VS USD: 17.5

Moderate upside

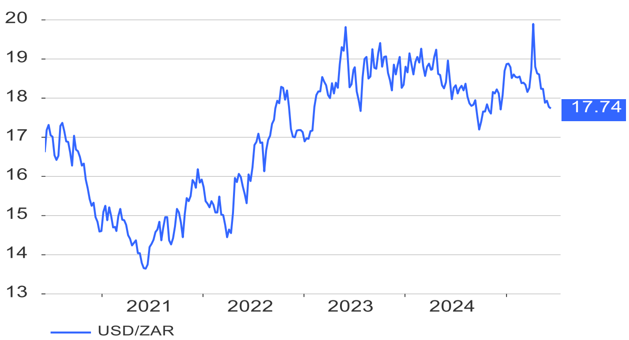
The South African Rand (ZAR) appreciated against the US Dollar last month. As of June 11th, it was trading at around 17.74 (value of one USD).

In May, the South African Reserve Bank (SARB) cut interest rates by 25 basis points to 7.25%, while also lowering its inflation and economic growth forecasts for this year and next. The central bank remain cautious due to increased inflation risks amid ongoing uncertainty. We are maintaining our terminal rate forecast of 7.00% by H1 2026, although there is a risk that this will ultimately be lower or reached earlier depending on global developments and data.

Headline inflation came in at 2.8%, while core inflation was at 3%. Inflation is close to the SARB's lower bound , an inflation target of 3%. In the labor market, unemployment remained weak at 32.9% in Q1. In terms of the economy, the manufacturing PMI remained stable at 50.8. Meanwhile, retail sales slowed from 4.1% to 1.5% year on year.

Weaker growth and an uncertain external risk environment are likely to persist in the coming weeks, which will limit the upside of the ZAR. At the same time, a weaker USD and low valuations should prevent significant depreciation. The passing of the so-called Budget 3.0 and renewed dialogue with the US, a key trading partner, are positive developments in terms of risk.

We remain positive about South Africa's domestic situation. For the ZAR to outperform other cyclical currencies, a pick-up in growth is key, as this will stimulate investment in South Africa, both domestically and internationally, and trigger the necessary currency flows. **Our 3-month target is 18 and our 12-month target is 17.5 (value of one USD).**



Source: LSEG Datastream, 11/06/2025

INR VIEW >>
TARGET 12M VS USD: 88

Look for some downside

The Indian rupee appreciated as India secured a bilateral trade deal with the UK, boosting market confidence. On June 11th, it traded at around 85.47 (value of one USD).

The RBI cut the key interest rate by 50 bps to 5.5%, a surprise move. The central bank also changed its monetary policy to neutral, indicating limited scope for further easing. The MPC saw a need to continue stimulating private consumption and investment. No further rate cuts are expected.

Inflation was moderate in April, at 3.2% y/y, driven by falling food prices. Core inflation continued to rise, suggesting demand-side pressures are picking up. The manufacturing and services PMIs remained strong at 57 and 58 respectively. GDP grew by 7.4% year on year in Q1 (Q4 of FY24/25), up from 6.4%, supported by a strong increase in gross capital formation. Private consumption maintained its expansion.

India's economy is more domestically oriented and less dependent on exports than its peers. It is further ahead than its peers in trade negotiations with the US. A deal would have a positive impact on the local currency. Volatility and capital reallocation and FX hedging flows are weighing on the USD. Portfolio inflows could return to high yielders like the INR. However, the INR remains vulnerable if inflows stay weak especially given the recent appreciation.

Our 3- and 12-month USD/INR targets are 88 (value of one USD).

Source: LSEG Datastream, 11/06/2025

MXN VIEW >>
TARGET 12M VS USD: 20

Limited downside

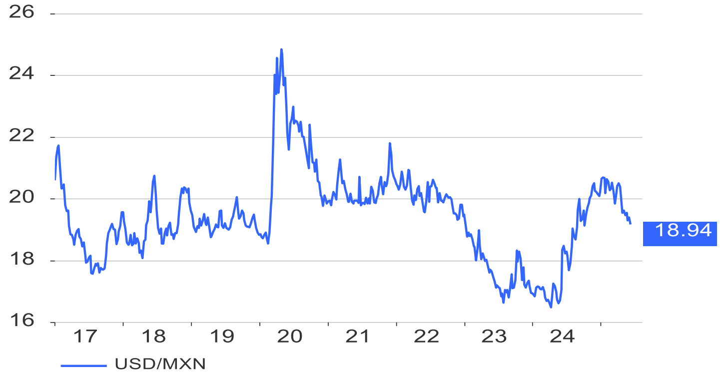
The Mexican peso (MXN) appreciated against the US dollar since last month. As of June 11th, it was trading at around 18.94 (value of one USD).

In line with expectations, the central bank (Banxico) cut its policy rate by 50 basis points to 8.50% at its May meeting, maintaining a dovish tone and signaling the continuation of 50 basis point cuts at upcoming meetings. Despite revising its short-term inflation forecast upwards, the path for inflation to converge to 3.0% in 2026 remains unchanged. We continue to expect a 50 bp rate cut in June.

Inflation came in higher than expected, with the headline figure rising by 0.28% in May, a month which is usually associated with deflation. Consequently, annual inflation accelerated to 4.4%. The manufacturing PMI index remains in contractionary territory at 46. Industrial production remains weak at 0.1% month-on-month. In the near term, we see limited prospects for a meaningful rebound, particularly given growing concerns about potential tariff risks and their implications for trade and supply chains.

We think that the upside for the MXN is limited to due to the potential for changes to the USMCA treaty, the dovish stance of the Banxico, the possible decline in remittances resulting from a slowing US economy and a stricter US immigration policy. The main source of uncertainty is the expected revision of the USMCA treaty, which is likely to persist in the coming months. Key discussion areas are likely to include agricultural trade, rules of origin, Chinese foreign direct investment (FDI) in Mexico, and labour laws.

Considering these factors, our 3-and 12-month targets are at 20 (value of one USD). That suggests a moderate downside for the Mexican currency.



Source: LSEG Datastream, 11/06/2025

BRL VIEW >>
TARGET 12M VS USD: 6

The rebound could be limited in time

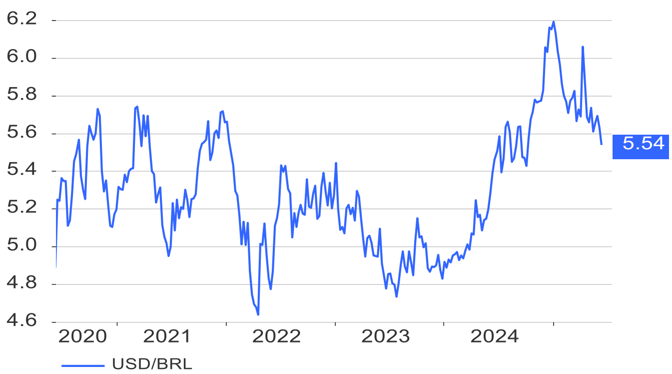
The Brazilian real (BRL) appreciated against the US dollar since last month. As of June 11th, USD/BRL is was trading at around 5.64 against the US dollar (value of one USD).

Full-month inflation in May was 0.34% (5.40% year-on-year), reflecting the increase in residential energy prices following the additional tariff effect in May. Industrial production slowed down significantly, falling from 3.1% year-on-year to -0.3%, and retail sales decreased by 1%. Both the manufacturing and service PMI are in contractionary territory, at 49. Meanwhile, Brazil's economy grew by 1.4% in Q1.

The central bank (BCB) raised its policy rate by 50bp to 14.75% in April with a unanimous vote, broadly in line with market expectations. The BCB also moved the balance of risks for inflation to neutral (from upside risks), signaling that the tightening cycle is coming to an end. We expect the BCB to deliver a final 25bp hike to 15% in June and then stay put until May 2026. We forecast delivery of 200bp of cuts (to 13%) in H2 2026.

The BRL could become more sensitive to local political or fiscal developments. In particular, a sharper-than-expected drop in tax revenues could worsen the already poor fiscal backdrop and increase market anxiety. It is also important to note the tail risk from a weaker US economy. As Latin American currencies have historically been sensitive to slower US growth, the tail risk of a negative BRL reaction increases as time passes.

Considering these factors, we maintain our 3-month target at 5.80 but change our 12-month target to 6.00 (value of one USD). That suggest a depreciation of the BRL going forward.



Source: LSEG Datastream, 11/06/2025

	Country		Spot 11/06/2025	Trend	Target 3 months (vs. EUR)	Trend	Target 12 months (vs. EUR)
	United States	EUR / USD	1.15	Neutral	1.15	Negative	1.20
	United Kingdom	EUR / GBP	0.85	Neutral	0.85	Negative	0.87
	Japan	EUR / JPY	166.28	Neutral	167	Neutral	168
	Switzerland	EUR / CHF	0.94	Neutral	0.94	Neutral	0.94
	Australia	EUR / AUD	1.76	Neutral	1.74	Negative	1.88
	New-Zealand	EUR / NZD	1.90	Neutral	1.92	Negative	2.00
	Canada	EUR / CAD	1.57	Negative	1.61	Negative	1.68
	Sweden	EUR / SEK	10.97	Neutral	11.00	Positive	10.70
	Norway	EUR / NOK	11.57	Neutral	11.60	Positive	11.30
Asia	China	EUR / CNY	8.25	Neutral	8.28	Negative	8.64
	India	EUR / INR	98.19	Negative	101.20	Negative	105.60
Latam	Brazil	EUR / BRL	6.37	Negative	6.67	Negative	7.20
	Mexico	EUR / MXN	21.75	Negative	23.00	Negative	24.00

	Country		Spot 11/06/2025	Trend	Target 3 months (vs. USD)	Trend	Target 12 months (vs. USD)
	Eurozone	EUR / USD	1.15	Neutral	1.15	Positive	1.20
	United Kingdom	GBP / USD	1.35	Neutral	1.35	Neutral	1.38
	Japan	USD / JPY	144.81	Neutral	145.00	Positive	140.00
	Switzerland	USD / CHF	0.82	Neutral	0.82	Positive	0.78
	Australia	AUD / USD	0.65	Neutral	0.66	Neutral	0.64
	New-Zealand	NZD / USD	0.60	Neutral	0.60	Neutral	0.60
	Canada	USD / CAD	1.37	Negative	1.40	Negative	1.40
Asia	China	USD / CNY	7.19	Neutral	7.20	Neutral	7.20
	India	USD / INR	85.52	Negative	88.00	Negative	88.00
Latam	Brazil	USD / BRL	5.54	Negative	5.80	Negative	6.00
	Mexico	USD / MXN	18.94	Negative	20.00	Negative	20.00
EMEA	South Africa	USD / ZAR	17.74	Neutral	18.00	Neutral	17.50
	USD Index	DXY	98.63	Neutral	98.83	Negative	95.33

Source: Refinitiv - BNP Paribas WM

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