JUNE 2026

Currencies Focus

Summary

1. Delicate balance amid geopolitical risks: The FX market remains in a delicate balance, shaped by geopolitical developments and shifting economic expectations. The situation in the Middle East is largely unchanged, and the dollar continues to react to fluctuations in oil prices and broader market volatility. Market sentiment swings between escalation and de-escalation risks, leaving most FX pairs stuck in tight ranges. Energy-exporting currencies such as the AUD and NOK are likely to keep outperforming among the G10, given that energy prices are expected to decline only gradually. Meanwhile, high-yielding currencies such as Brazil's real benefit from low volatility, which supports carry-trade strategies, while Asian currencies are under pressure as oil shocks erode trade surpluses. Overall, the market stays cautious, weighed down by geopolitical uncertainty, an unclear US interest-rate outlook, and persistent Middle-East-driven volatility.
2. Central banks: The Fed should stay on hold in 2026. A rate hike could be possible later this year if the unemployment rate falls and the Strait of Hormuz remains closed. Our outlook suggests that the ECB will maintain a data-dependent approach following the rate hike in June. For now, we anticipate the ECB will remain on hold for the remainder of the year. Meanwhile, the BoE is expected to proceed with a policy rate increase in July.
3. EUR/USD: We note that the USD has resisted well due to its safe-haven status. Other drivers have been the market's AI-driven optimism and the fact that markets now price in a rate hike. We still expect a gradual shift of capital away from the USD toward other currencies and the euro should gain as we see more de-escalation. US tail risks linked to larger fiscal deficits and debt due to higher defence spending, and a pre-election stimulus appear underpriced by the market. Accordingly, our 3-month EUR/USD target is 1.14 and our 12-month target is 1.20 (value of one euro).
4. *Writing completed on 11th June 2026*

Contents

OUR TARGETS OVER
THE NEXT 3 AND 12 MONTHS

	Country		Spot 10/06/2026	Target 3 months	Target 12 months
Against euro	United States	EUR / USD	1.16	1.14	1.20
	United Kingdom	EUR / GBP	0.86	0.87	0.87
	Switzerland	EUR / CHF	0.92	0.92	0.92
	Japan	EUR / JPY	185	180	186
	Sweden	EUR / SEK	10.96	10.80	10.60
	Norway	EUR / NOK	10.94	10.80	10.75
Against dollar	Japan	USD / JPY	160	158	155
	Canada	USD / CAD	1.39	1.38	1.35
	Australia	AUD / USD	0.70	0.73	0.71
	New Zealand	NZD / USD	0.58	0.60	0.60
	Brazil	USD / BRL	5.19	5.30	5
	India	USD / INR	95.27	95	95
	China	USD / CNY	6.78	6.80	6.80

Source: Refinitiv - BNP Paribas WM

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USD VIEW >> TARGET 12M VS EUR: 1.20

Moderate downside for the USD

In mid-2026, the U.S. economy reflects a mix of resilience and emerging challenges. The labor market remains strong, with a stable unemployment rate, but persistent inflationary pressures continue to pose risks. Long-term consumer inflation expectations have climbed to 3.9%, raising concerns about potential de-anchoring if left unaddressed. Market indicators of long-term inflation expectations fell back.

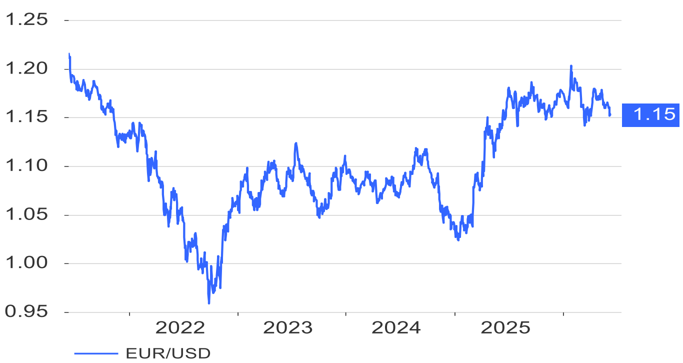
The prolonged closure of the Strait of Hormuz has further complicated the global economic outlook, particularly for central banks. The European Central Bank (ECB), operating under a stricter inflation-targeting framework, raised its policy rate in June 2026 to counter inflationary pressures. For now, we anticipate the ECB will pause further rate adjustments for the remainder of the year.

Meanwhile, the Federal Reserve (Fed) faces growing pressure to address inflation risks, as financial markets anticipate possible rate hikes. The Fed's approach will likely depend on two key factors: the trajectory of unemployment and the stability of inflation expectations. For now, the outlook suggests the Fed will maintain its current policy stance throughout 2026.

Turning to currency dynamics, the USD has shown remarkable resilience, largely due to its status as a safe-haven asset. Additional support has come from market optimism driven by AI optimism and a hawkish repricing of Fed policy, which has shifted rate differentials in favor of the dollar.

Despite this strength, a gradual shift of capital away from the USD toward other currencies is anticipated, particularly as geopolitical tensions ease. The euro is expected to benefit from this trend. It is also worth noting that U.S. tail risks, including larger fiscal deficits and rising debt levels due to higher defence spending, and a pre-election stimulus appear underpriced by the market.

Accordingly, our 3-month EUR/USD target is 1.14 and our 12-month target is 1.20 (value of one euro).



Source: LSEG Datastream, 10/06/2026

GBP VIEW >> TARGET 12M VS EUR: 0.87

No major trend

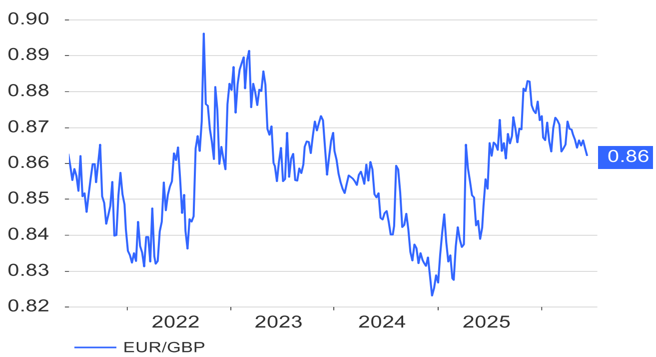
The surge in energy prices has significantly reshaped the UK's economic landscape, complicating the delicate balance between growth and inflation. This resilience in the GBP is largely driven by a hawkish repricing of the UK yield curve, which has provided underlying support for the currency.

Recent labor market data has begun to reflect the initial impact of the energy price shock, with signs of cooling evident in declining job vacancies and a slight uptick in unemployment. UK headline inflation eased to 2.8% year-on-year (y/y) in April, down from 3.3% y/y in March. The disinflationary pressures observed in April are attributed to transient factors, which are expected to reverse in the coming months, leaving inflation risks far from resolved.

The Bank of England (BoE) held its benchmark interest rate at 3.75% in April. While recent disinflationary trends have shifted market expectations about the energy shock's impact, the medium-term outlook remains uncertain. A June rate hike is unlikely, as the BoE prefers to wait for clearer signals on the conflict's evolution and potential second-round effects. Instead, we now expect a 25bp hike in July, as the central bank will have better insights by then into whether April's data reflected a true trend or an anomaly.

UK political uncertainty is set to persist for the coming months, and any change in leadership will take time, meaning that clear fiscal policy guidance is unlikely before the autumn. Whether the outcome is a resignation, a leadership challenge or merely a shift in agenda, we think a fiscally responsible shift to the left is more likely than an end to fiscal prudence.

We maintain our 3-and 12-month EUR/GBP targets at 0.87 (the value of one euro).



Source: LSEG Datastream, 10/06/2026

CHF VIEW >> TARGET 12M VS EUR: 0.92

CHF remains a safe heaven currency

The CHF has remained flat against the euro, with the EUR/CHF (the value of one euro) trading close to 0.92 on June 10th.

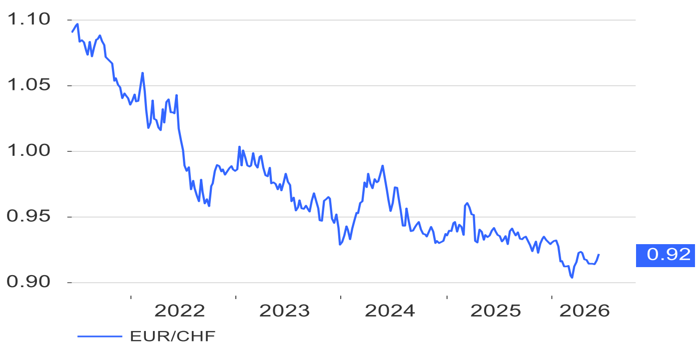
Swiss inflation remained unchanged at 0.6% y/y in May, with Core inflation also remained steady at 0.6% y/y. The Manufacturing PMI rose to 57.3 in May from 54.5, driven mainly by longer supplier delivery times that signal ongoing supply-chain disruptions. At the same time, the KOF business index came in slightly higher at 98.

At its March meeting, the Swiss National Bank held rates at 0%, reinforcing our view that the SNB will keep rates at zero for the rest of the year. With the SNB's policy rate at the zero lower bound and inflation expected to remain within its target range, we don't expect policy to change in 2026. We continue to see increased scope for FX intervention (possibly only verbal) to tackle any rapid and excessive CHF appreciation.

We think the currency is well positioned to benefit from safe-haven inflows as global growth slows in response to the current energy price shock. The relative resilience of the Swiss economy reflects a diverse energy mix, lower energy intensity of output, and household electricity prices that are set annually to limit volatility. Meanwhile, we continue to see the CHF supported by a positive current account surplus.

The SNB continues to stress a willingness to intervene in FX markets. While scope for FX intervention by the SNB remains intact, the data does not indicate sizeable or sustained intervention recently.

Accordingly, our 3-and 12-month targets for EUR/CHF remain at 0.92 (per one EUR).



Source: LSEG Datastream, 11/06/2026

JPY VIEW >> TARGET 12M VS USD: 155

Look for a gradual recovery

The JPY has depreciated against the USD, trading around 160 (value of one USD) on June 10th.

In its April meeting, the Bank of Japan (BoJ) maintained its policy rate at 0.75%. Despite persistent naphtha shortages, industrial production data for April, combined with PMI readings, revealed no significant disruption to macroeconomic activity. This resilience can be attributed to the government's strategic release of oil reserves and its efforts to diversify raw-material supply chains. On the inflation front, April's PPI surged by 2.3% month-on-month (m/m), underscoring the rapid pass-through of elevated oil costs.

The yen's depreciation persisted following the April meeting, prompting a large-scale foreign exchange (FX) intervention by Japanese authorities. However, the currency quickly reverted to its pre-intervention levels, highlighting the persistent downward pressure it faces in the absence of a more sustained policy shift.

We expect the BoJ to raise its policy rate to 1% at the June meeting, supported by reduced downside risks to growth due to supply-side progress, fiscal measures, and strong external demand. However, the BoJ is unlikely to signal a faster tightening cycle, meaning markets may not view this hike as hawkish. Without a clear indication of further rate increases or a hawkish balance-sheet approach, the yen could remain under pressure.

Our baseline forecast assumes a gradual pace of rate hikes, every four to five months, with a terminal rate of 2% by late 2027. Delays driven by political factors could intensify inflationary pressures, potentially requiring a higher terminal rate.

Accordingly, our 3-month USD/JPY target is 158 and our 12-month target is 155 (value of one USD). This suggest a small upside for the Yen.

Source: LSEG Datastream, 10/06/2026

SEK VIEW >> TARGET 12M VS EUR: 10.60

Small upside

The Swedish Krona has depreciated against the euro, with EUR/SEK (the value of one euro) trading around 10.96 on June 10th.

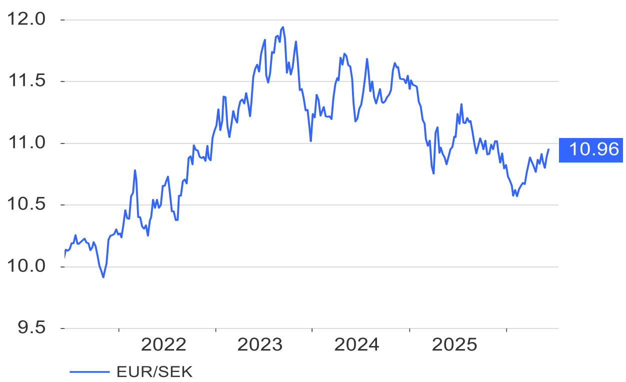
Swedish core inflation rose unexpectedly in May to 0.5% y/y, primarily due to higher services inflation, while food inflation continued its decline and core goods inflation stayed weak. Business activity remained robust, with the manufacturing PMI at 57.

The Riksbank kept its policy rate unchanged at 1.75% in May. Although markets anticipate around 40 bp of hikes by year-end, the likelihood of tightening appears limited Indeed, inflation remains below target and the Riksbank's is cautious about the economic impact of rate increases. Any potential hikes would likely require either broader price pressures or a significant currency depreciation.

In the near term, the SEK faces pressures as a funding currency in a high-yield global environment. Its low-yield status, combined with persistent disinflation relative to peers and strong US equity performance reducing retail repatriation incentives, has weighed on sentiment.

Over the medium term, the outlook for the SEK is cautiously optimistic. Regional growth, supported by spillover effects from Germany's fiscal spending, solid fiscal fundamentals, and an expected gradual shift of capital away from the US dollar, should support the Swedish Krona.

Overall, long-term fundamentals remain supportive for the Swedish currency. Our 3-month EUR/SEK target is 10.80, and the 12-month target is 10.60, indicating potential appreciation for the SEK.



Source: LSEG Datastream, 10/06/2026

NOK VIEW >> TARGET 12M VS EUR: 10.75

Look for a gradual appreciation

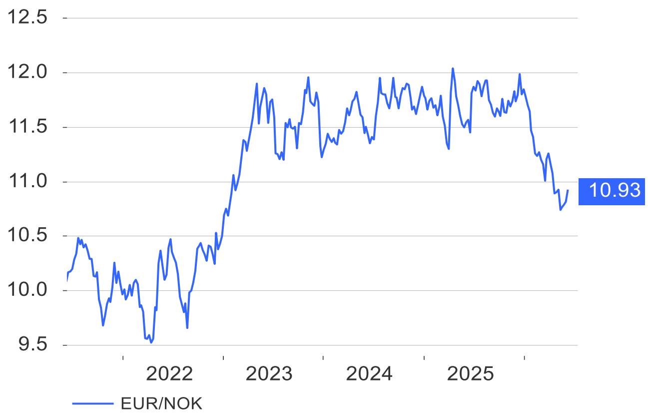
The Norwegian krone (NOK) has depreciated against the euro with EUR/NOK (the value of one euro) trading around 11 on June 10th.

Core inflation came in at 3.4% y/y in May, while headline inflation eased to 3.2% y/y due to fuel subsidies. The unemployment rate fell to 1.9% in May, and retail sales rose 0.3%, beating expectations. Surveys indicate strong 2Q momentum, with the composite PMI at 54.9, showing minimal impact from the Iran shock.

In May 2026, Norges Bank took a hawkish approach to tackle ongoing inflation and rising wages. This move included an unexpected 25 bp rate hike to 4.25%. Looking ahead, the central bank has signaled plans for additional tightening, with projections indicating the policy rate could climb to a range of 4.25% to 4.50% by the end of the year. We anticipate a second-rate increase in September, although an earlier adjustment cannot be excluded.

Our bullish stance on the NOK remains intact. The currency benefits from its high-yield status, resilient domestic growth, and strong terms of trade, particularly as oil prices stay elevated. With sticky inflation, the Norges Bank is likely to maintain or even raise interest rates, reinforcing NOK's appeal. While risks from energy price swings and global market volatility persist, improved risk sentiment could help sustain its strength.

Therefore, our 3-month EUR/NOK target is 10.80 and our 12-month target is 10.75 (value of one EUR). This suggest a gradual appreciation over the coming months



Source: LSEG Datastream, 10/06/2026

CAD VIEW >>
TARGET 12M VS USD: 1.35

Uncertainty remains high

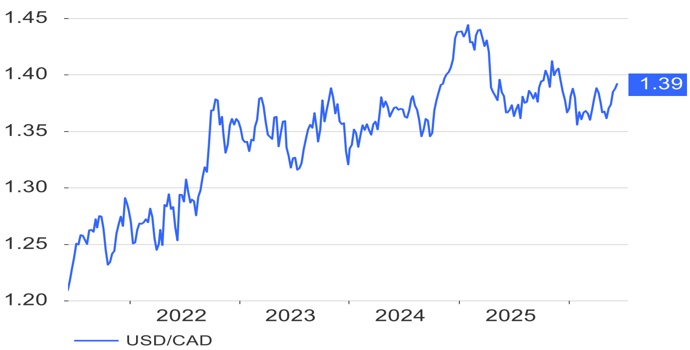
The Canadian dollar (CAD) has traded around 1.39 against the USD on June 10th.

Canada's economic growth has faced renewed challenges, with GDP contracting for a second consecutive quarter after an unexpected -0.1% quarter-on-quarter (q/q) decline in Q1. This slowdown reflects weaker than anticipated domestic demand and persistent trade related uncertainties with the US. Meanwhile, Canada's labour market finally saw some signs of progress in May, with employment up 88K, after decline of 18K. On the inflation front, pressures have ease, with core inflation moderating to 2.1% y/y.

The Bank of Canada (BoC) held its policy rate at 2.25% in May. Although May's employment data reflected a strong rebound, the BoC is likely to interpret this as an isolated improvement rather than a lasting trend. The USMCA negotiations remain pivotal: prolonged uncertainty could weaken domestic demand, potentially prompting a shift toward policy easing, while a resolution or clearer direction might strengthen growth, stabilize core inflation, and support future rate hikes.

We maintain a constructive but cautious outlook on the CAD. The currency benefits from elevated energy prices, which support its terms of trade. However, CAD is unlikely to outperform other G10 energy exporters due to a lack of additional fundamental drivers. Lingering uncertainty surrounding the USMCA review, due by July 1st, poses a downside risk, as political negotiations may dampen domestic sentiment and weigh on the currency in the near term.

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). This suggest a small upside for the CAD.



Source: LSEG Datastream, 10/06/2026

CNY VIEW >>
TARGET 12M VS USD: 6.80

Limited Upside

The Chinese yuan (CNY) has appreciated against the dollar and traded around 6.78 on June 10th.

China's headline inflation fell 0.1% m/m in May while the year over year reading remained unchanged at 1.2%. Moreover, the Headline PPI accelerated to 3.9% y/y in May, driven by broad cost-push pressures. China's manufacturing PMI dipped to 50.0 in May from 50.3 prior. However, the data show that both the production side and the demand side remain resilient despite the Middle East conflict.

The People's Bank of China (PBoC) left the 1Y and 5Y Loan Prime Rate (LPR) at 3.0% and 3.5% respectively in April. We maintain our view that despite the moderately loose stance remaining unchanged, the PBoC is unlikely to cut the RRR or interest rates this year. The Q1 2026 monetary policy report omitted any reference to such reductions and bank's net-interest margins remain low at 1.4%. We do, however, see a risk of a rate cut in H2 2026 if growth drops below 4.5% due to greater repercussions from the energy shock.

The CNY has demonstrated notable strength in 2026, with the USD/CNY spot rate briefly falling below 6.77, a level not observed since early 2023. This appreciation has been reinforced by an accelerated adjustment in CNY fixings since May, signaling a structurally reduced resistance from the PBoC to further yuan strength. However, the extent of this appreciation may remain constrained by negative US–China rate differentials and prevailing macroeconomic conditions.

For the moment, we maintain our 3- and 12-month USD/CNY targets at 6.80 (value of one USD), though this remains subject to any lower currency fixing by the PboC.

Source: LSEG Datastream, 10/06/2026

AUD VIEW >>
TARGET 12M VS USD: 0.71

Limited upside

The Australian dollar (AUD) has depreciated against the USD, trading around 0.70 on June 10th.

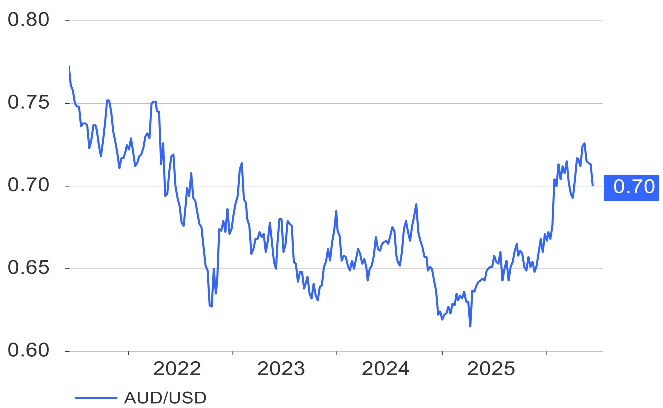
Australia's economic growth has slowed, with GDP expanding just 0.3% q/q in Q1 2026. Both consumption and housing activity have lost momentum, while inflation eased more than anticipated in April to 4.2% y/y. The labor market has also softened, as job vacancies decline and unemployment ticked up to 4.5%.

The Reserve Bank of Australia (RBA) increased its policy rate to 4.35% in May. The central bank now characterizes its monetary policy as "well positioned to respond to evolving conditions", adopting a more balanced, data-dependent approach. The RBA also assessed that the current policy rate is slightly restrictive. This signaled a pause in aggressive tightening while leaving room for adjustments based on incoming economic data.

The AUD continues to draw support from a favorable interest rate differential, steady equity market performance, and sustained demand for commodities. Yet, the outlook for monetary policy has grown increasingly cautious. The RBA has adopted a front-loaded hawkish stance in response to the oil supply shock. Nonetheless, the recent economic data has further tempered market expectations, with only 19bp priced by end 2026.

This shift in policy expectations could weigh on the currency, potentially limiting its upside despite Australia's underlying economic resilience.

Therefore, our 3-month AUD/USD target is 0.73 and our 12-month target is 0.71 (value of one AUD). This suggests a small upside in short term.



Source: LSEG Datastream, 10/06/2026

NZD VIEW >>
TARGET 12M VS USD: 0.60

Close to target

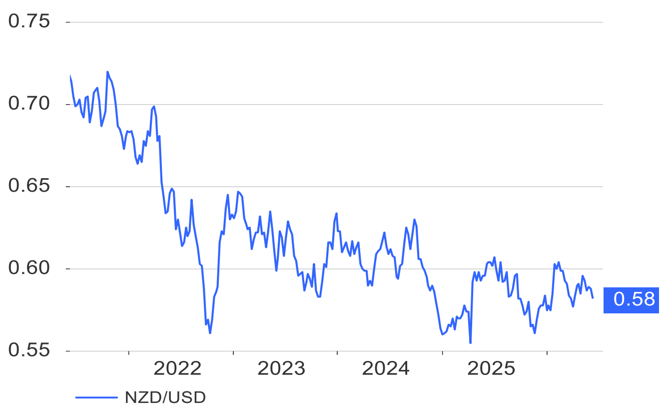
The New Zealand dollar (NZD) is trading around 0.60 on June 10th.

The Reserve Bank of New Zealand (RBNZ) maintained the Official Cash Rate (OCR) at 2.25% in May, though the decision reflected a hawkish stance. Internal committee members favored holding rates, while external members advocated a hike, with the governor casting the tie-breaking vote to keep rates unchanged. Despite this pause, the RBNZ signaled that the OCR "will most likely need to increase sooner and by more than previously anticipated". Market expectations align with this outlook, pricing in 70 bp of hikes by the end of 2026 and a cumulative 125 bp in 2027. The first-rate increase is widely anticipated to occur as early as July.

New Zealand runs an energy-trade-balance deficit and is likely to be more vulnerable to any further sustained energy price jumps. To the extent that this materializes, we believe a widening of New Zealand's current-account deficit (in contrast to Australia) could maintain pressure on the NZD.

Our view has been cautiously optimistic, as it appears that the worst is probably behind us with regard to the economic slowdown, but New Zealand's large current-account deficit leaves the NZD vulnerable. The RBNZ's gradual policy tightening, alongside improving business surveys and activity data, is expected to support the NZD.

Our NZD/USD 3- and 12-month targets are 0.60 (value of one NZD). This suggests no major upside.



Source: LSEG Datastream, 10/06/2026

MXN VIEW >>
TARGET 12M VS USD: 17.00

Small appreciation potential

The Mexican peso (MXN) has depreciated against the US dollar over the past month, trading around 17.40 on June 10th.

The Bank of Mexico (Banxico) delivered a final 25 bp cut in its two-year easing cycle at its May meeting, as we anticipated. This brought its policy rate to 6.5 %. In accordance with our view and the board's communication, we expect Banxico to remain on hold at least until year-end. The bank raised its inflation forecasts for Q2 and Q3 2026 but maintained its convergence target for Q2 2027.

Mexico's headline inflation dropped to 3.94% y/y in May. The improvement was driven by volatile items, while core food items and services remained resilient. The manufacturing PMI survey remained in contraction territory at 47, and industrial production stayed weak. 1Q26 GDP contracted 2.4% q/q. The contraction was due to the weak services, industry and agriculture.

We expect the MXN to stay vulnerable to fluctuations in global risk sentiment. The peso remain supported by market demand for high yields and attractive fundamentals. However, several risk factors could put pressure on the currency in the coming months, such as weaker remittance flows, greater sensitivity to the U.S. economy, and lingering USMCA uncertainties.

Considering these factors, our 3-month USD/MXN target is 17.50 and our 12-month target is 17.00 (value of one USD). This suggest a small appreciation over the coming months.

Source: LSEG Datastream, 10/06/2026

BRL VIEW >>
TARGET 12M VS USD: 5.00

No major upside foreseen

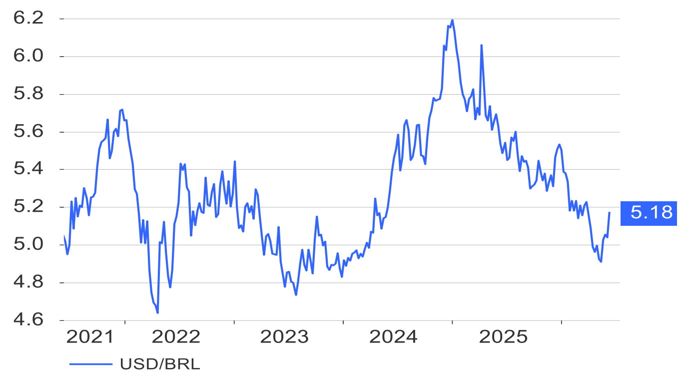
The Brazilian real (BRL) has depreciated against the US dollar over the past month, with USD/BRL trading around 5.18 on June 10th.

The Central Bank of Brazil (BCB) decided to cut its policy rate by 25 bps at its April meeting. That was in line with our expectations and brought rates to 14.50 %. We expect the BCB to deliver a 25bp rate cut at the 16 June meeting to bring the Selic rate to 14.25%, and then hold rates steady until December 2026, with a final cut of 25bps. We see the Selic rate at 14.00 at year end.

We expect the BRL to remain an out-performer in EM over the next months, as it will continue to benefit from the positive terms-of-trade effect from high oil prices and its attractive carry. On the monetary policy front, the BCB has adopted a more cautious tone as the upside risks to inflation point to a potential pause in its easing cycle. This policy stance preserves the BRL's carry advantage.

Looking into the election cycle in H2, the risk-reward profile for the BRL has become less favourable, and politics could become a key obstacle for the currency as the election day approaches (4 October 2026). The biggest issues for markets are risks to fiscal sustainability and worsening debt dynamics, given higher government spending and higher policy rates.

Considering these factors, our 3-month USD/BRL target is 5.30 and our 12-month target is 5.00 (value of one USD), suggesting a moderate upside for the BRL.



Source: LSEG Datastream, 10/06/2026

	Country		Spot 10/06/2026	Trend	Target 3 months (vs. EUR)	Trend	Target 12 months (vs. EUR)
	United States	EUR / USD	1.16	Neutral	1.14	Negative	1.20
	United Kingdom	EUR / GBP	0.86	Neutral	0.87	Neutral	0.87
	Japan	EUR / JPY	185.41	Positive	180	Neutral	186
	Switzerland	EUR / CHF	0.92	Neutral	0.92	Neutral	0.92
	Australia	EUR / AUD	1.65	Positive	1.56	Negative	1.69
	New-Zealand	EUR / NZD	1.98	Positive	1.90	Neutral	2
	Canada	EUR / CAD	1.61	Positive	1.57	Neutral	1.62
	Sweden	EUR / SEK	10.96	Neutral	10.80	Positive	10.60
	Norway	EUR / NOK	10.94	Neutral	10.80	Neutral	10.75
Asia	China	EUR / CNY	7.83	Neutral	7.75	Negative	8.16
	India	EUR / INR	110.06	Neutral	108.30	Negative	114
Latam	Brazil	EUR / BRL	5.99	Neutral	6.04	Neutral	6
	Mexico	EUR / MXN	20.08	Neutral	19.95	Neutral	20.40

	Country		Spot 10/06/2026	Trend	Target 3 months (vs. USD)	Trend	Target 12 months (vs. USD)
	Eurozone	EUR / USD	1.16	Neutral	1.14	Positive	1.20
	United Kingdom	GBP / USD	1.34	Negative	1.31	Positive	1.38
	Japan	USD / JPY	160.50	Neutral	158	Positive	155
	Switzerland	USD / CHF	0.80	Neutral	0.81	Positive	0.77
	Australia	AUD / USD	0.70	Positive	0.73	Neutral	0.71
	New-Zealand	NZD / USD	0.58	Positive	0.60	Positive	0.60
	Canada	USD / CAD	1.39	Neutral	1.38	Positive	1.35
Asia	China	USD / CNY	6.78	Neutral	6.80	Neutral	6.80
	India	USD / INR	95.27	Neutral	95	Neutral	95
Latam	Brazil	USD / BRL	5.19	Negative	5.30	Positive	5
	Mexico	USD / MXN	17.38	Neutral	17.50	Positive	17
EMEA	South Africa	USD / ZAR	16.53	Neutral	16.50	Positive	16
	USD Index	DXY	99.95	Neutral	100.66	Negative	96.23

Source: Refinitiv - BNP Paribas WM

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