Forex Analysis

November 2026

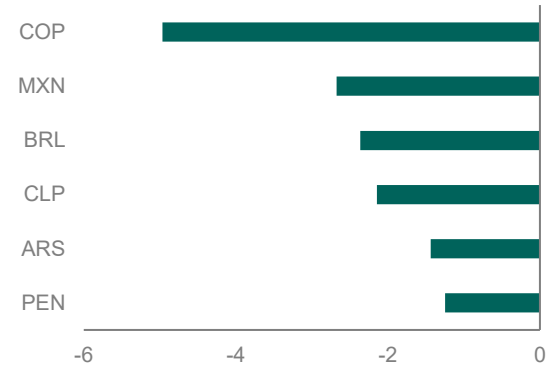
UNION BANCAIRE PRIVÉE

The Week Ahead FX

- Equity market risk aversion has made little impact on the FX market – with safe haven currencies showing only modest moves.
- The forthcoming publication of US PCE data for October is the main event risk for the USD over the week.
- AUD/USD underperformed following the release of worse-than-expected labour market data.

Chart 1: LatAm FX fell over the week

Move Vs. USD, 16 – 20 November, %



Sources: Bloomberg L.P., ICE, as at November 2026,

Chart 2: DXY continued to rise

DXY Index



Sources: Bloomberg L.P., ICE, as at November 2026

Limited signs of risk aversion in FX markets

Last week, equity markets illustrated material declines. The VIX index rose to levels of 28% - and once again FX volatilities illustrated a generally subdued profile. Aggregate G10 volatilities rose to levels of only 6.3% - showing a rise of only 0.1% in volatility terms over the week.

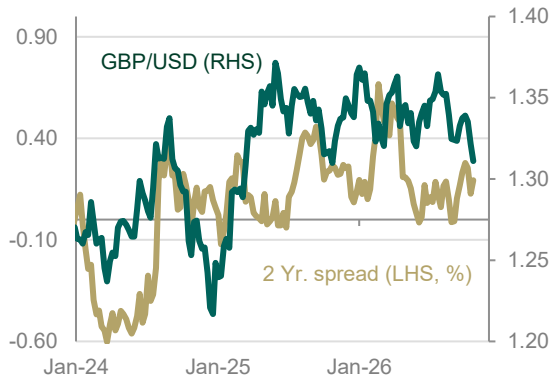
The lack of FX volatility is explained by the symmetric inflation shock, which has limited the scope for monetary policy divergence between the major central banks. Terms of trade changes from lower energy prices have weighed on the likes of NOK and BRL – however, the USD has not weakened given rising risk aversion and standard USD – equity correlations.

The notable exception to this is the underperformance of LatAm currencies over the last week, which illustrate large declines against the greenback. These losses likely reflect positioning shifts and a reduction in carry trade investments – given the consensual and overweight positioning coming into the recent equity market correction.

If equity markets continue to underperform, this could trigger threshold effects, resulting in capital repatriation towards traditional current account surplus currencies. This gives downside potential for USD/JPY and to a lesser extent for USD/CHF. The EUR is unlikely to benefit in the near term from such a move. The larger risk for the FX market would be change in rhetoric from any of the major central banks. Such a move would create scope for policy divergence, giving room for investors to take more directional positions. Given the wider inflation backdrop, there is little chance of such a development in the near term, meaning that the paradigm of low FX volatility should be sustained, barring material data surprises.

Chart 3: GBP trades in line with swaps

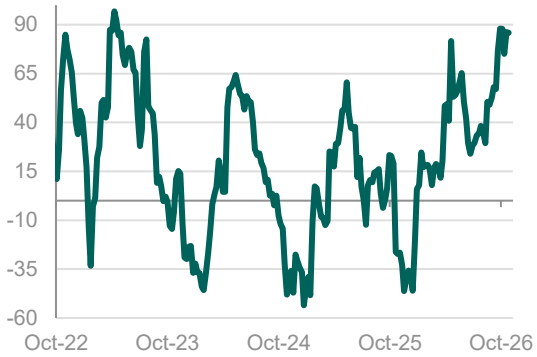
GBP/USD spot, 2 Yr. swap spread, %



Sources: Bloomberg L.P., as at November 2026

Chart 4: UK activity data have outperformed

UK Economic surprise index



Sources: Bloomberg L.P., Citi, as at November 2026

USD – PCE data in focus

Last week, the US Dollar Index (DXY) rose to levels of just below 104 – its highest level since April 2025. The up move reflected the release of the FOMC's Minutes from its September meeting, when it raised its Fed funds rate by 25 bps, taking it to 3.75% - 4.00%. The Minutes showed that the majority of FOMC members anticipated a further tightening in monetary policy, and this hawkish shift pushed the DXY to higher levels. Increasing equity market risk aversion also played a role in pushing the USD to higher levels, as typical correlations kicked in.

The main event risk over the coming week will be the publication of PCE inflation data – the Fed's preferred inflation measure. Headline PCE is anticipated to print at 3.8% y/y, with the core measure anticipated to come in at 3.2% y/y. The print is unlikely to have a material impact on the USD, given already rich front-end pricing. The month-on-month PCE print would have to come in at 0.4% m/m to elicit a stronger response from the USD.

The bigger picture continues to be USD supportive, given high levels of front-end carry and rising levels of risk aversion – best illustrated by global equity market declines. The main risk for the USD in the near term would be large scale equity related outflows – which could reverse several months of heavy portfolio inflows towards US markets. We view this as a risk, and not a base case scenario.

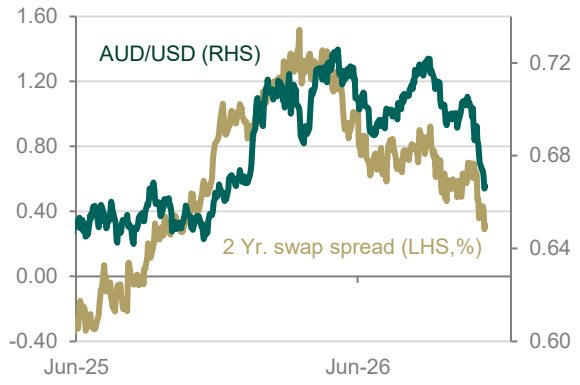
GBP – Inflation data did not surprise

Last week, GBP/USD traded down to levels around 1.31, while EUR/GBP rose to 0.83, reflecting modest idiosyncratic GBP weakness. UK CPI data for October printed broadly in line with expectations at 3.6% y/y headline and 2.8% y/y core. Weaker signals came from producer price inflation (PPI), which printed at 0.4% m/m (consensus 0.6%). This suggests that high energy prices have still not passed through to underlying UK inflation dynamics, which stands in contrast to recent trends seen in US inflation data. GBP swaps declined, which modestly narrowed spreads against GBP, but they remain at high levels, reflecting an expectation for 20 bp of tightening at the December Bank of England (BoE) meeting.

The main data event for GBP over the coming week will be the release of UK flash PMI data for November, which should support GBP if recent UK activity data momentum continues. We note that UK GDP data have surprised to the upside of expectations this year – supporting a more hawkish BoE stance on rates given recent inflation developments. This growth outperformance is visible in the UK economic surprise index. Overall, GBP exchange rates are likely to stay well supported in the near term.

Chart 5: AUD has further downside risk

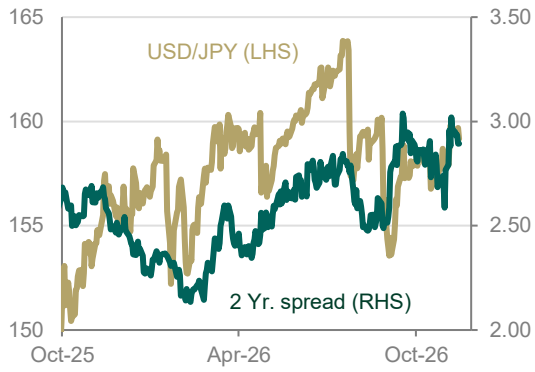
AUD/USD spot, 2 Yr. swap spread, %



Sources: Bloomberg L.P., as at November 2026

Chart 6: USD/JPY trades in line with swaps

USD/JPY spot, 2 Yr. swap spread, %



Sources: Bloomberg L.P., as at November 2026

AUD – Forecast change

Last week, AUD/USD traded sharply lower to levels around 0.6670, reflecting idiosyncratic AUD weakness. Australian employment data revealed that the labour market had weakened by far more than expected in October. The unemployment rate rose to 4.9% (consensus 4.7%), while the economy shed 43.5k jobs – led by losses in part-time employment. The data show a slowing trend in the Australian domestic economy, which has been recognised by the Reserve Bank of Australia (RBA) as being in line with the 125 bp of RBA tightening delivered over 2026. AUD swap rates consequently fell sharply, pricing in expectations for 41 bp of RBA easing to be delivered over the coming year, which weakened AUD on spread narrowing.

The main event risk for AUD over the coming week will be the publication of Australian CPI data for October, which is expected at 4.8% y/y headline and 3.6% y/y trimmed mean. A material surprise in the trimmed mean measure will be required for AUD swap rates to reach higher levels, so the data give limited AUD upside risk. The RBA is likely to have a difficult time maintaining a hawkish hold at forthcoming meetings – which remains the likely policy intention if energy prices stay at high levels. Cautious communications from Governor Bullock could be taken as overdone when viewed against developing slack in domestic data. AUD should therefore remain under pressure over the medium-term on policy divergence between the RBA and more hawkish G10 central banks.

The decline in RBA rate expectations and the slowdown in the domestic economy is likely to reduce upside risks for AUD/USD in the near term. We have reduced our AUD/USD forecast to reflect this development – see below.

	Dec-26	Mar-27	Jun-27	Sep-27
AUD/USD	0.66	0.66	0.68	0.68

Sources: UBP, as at November 2026

JPY – Continued resilience

Last week, USD/JPY traded in a narrow range between 158.50 and 160, reflecting a continued USD bid and further impressive JPY resilience below the 160 level. JPY strength is visible in EUR/JPY, which fell around 1% over the week. Japanese October CPI printed at 2.3% y/y headline and 2.2% y/y core, revealing that inflation has continued to accelerate and supporting the case for a 25 bp Bank of Japan (BoJ) hike in December, which remains priced in with a 66% probability. The broader equity complex sell-off later in the week drove further modest JPY strength, in line with its long-standing, negative correlation

with equity markets.

The main data events for JPY over the coming week will be the release of November Tokyo CPI and flash Japanese purchasing managers' index (PMI) data. The PMIs are expected to continue to show a modest expansion in economic activity, while core Tokyo inflation is likely to have accelerated to 3.0% y/y in October. Prints in line with expectations should support the argument for a 25 bp hike in December, which seems to be in line with recent BoJ communications. JPY swap rates should, as a result, remain firm or strengthen in the near term, while other key G10 swaps could come under pressure from equity market-led growth concerns. As a result, USD/JPY could trade towards the lower end of recent ranges.

ILS – Bank of Israel set to hold at 3.25%

The Bank of Israel (BoI) is expected to hold its key rate at 3.25% over the coming week, with a chance of a surprise cut to 3.0%. The ongoing deadlock in Knesset leadership talks and the resulting uncertainty around military spending increases in the 2027 budget should lead the BoI to act cautiously in the near term. This makes a hold the likely outcome going into 2027 – however, recent inflation trends continue to support arguments for further easing. The latest Israeli CPI data printed below expectations at 1.1% y/y (headline) and 1.0% y/y (core), showing that the energy shock continues to have negligible effects on Israeli price dynamics, and that strong disinflation remains ongoing. SHIR swaps currently price in an extended hold over the coming year, which is at odds with both domestic inflation trends and the BoI's recent forward guidance – which has maintained that Israeli financial conditions are restrictive. The upshot of this is that the scope for a dovish surprise from the BoI is much higher than is currently priced, and that the recent USD/ILS rally to 3.30 is far from overdone.

Our FX Forecasts

	EUR/USD	GBP/USD	EUR/GBP	USD/JPY	USD/CHF	EUR/CHF	USD/CNY	AUD/USD	NZD/USD	USD/CAD	EUR/SEK	EUR/NOK
Dec-26	1.10	1.33	0.83	160	0.85	0.94	6.70	0.66	0.56	1.43	11.40	10.60
Mar-27	1.10	1.33	0.84	158	0.84	0.93	6.65	0.66	0.56	1.44	11.20	10.40
Jun-27	1.12	1.32	0.85	156	0.82	0.92	6.65	0.68	0.58	1.42	11.00	10.20
Sep-27	1.14	1.33	0.86	156	0.80	0.92	6.65	0.68	0.60	1.40	10.80	10.00

Sources: UBP SA, as at November 2026

	USD/TRY	USD/ZAR	USD/RUB	USD/ILS	USD/MXN	USD/BRL	USD/INR	USD/KRW	USD/TWD	USD/HKD	USD/SGD
Dec-26	50.00	16.80	85	3.10	18.00	5.35	95.50	1350	32.50	7.85	1.28
Mar-27	52.00	17.00	85	3.15	17.75	5.50	96.00	1350	33.00	7.85	1.26
Jun-27	54.00	17.20	85	3.15	17.50	5.50	96.50	1325	33.00	7.85	1.26
Sep-27	56.00	17.40	85	3.20	17.50	5.60	96.50	1325	33.00	7.85	1.26

Sources: UBP SA, as at November 2026

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