Dr Thomas Gitzel · Chief Economist

Our View on Currencies

February and March 2026 issue

Dollar: Back in the spotlight

The dollar has come under pressure during and after the Greenland conflict accompanied by fresh tariff threats against several EU countries. In addition, suspected market interventions by the central banks of Japan and the US have caused concern. The aim of such interventions would be to support the yen.

Closing in on the dollar, there is a basic fact: the US records the world's largest current account deficit, at around 1.3 trillion US dollars. This deficit could not be financed without the dollar's status as the world's reserve currency. The dollar is also linked to a promise of integrity in US politics. Capital flows to the US are heavily based on trust.

However, erratic US policy is now upsetting even close allies. Although the dollar's status as the world's leading reserve currency remains intact, the greenback's losses in a tense geopolitical episode are showing the first signs of dwindling confidence. For the US, which is heavily dependent on foreign capital, this is not without risks.

If this loss of confidence continues, the dollar will be under ongoing selling pressure in the medium to long term. In the short term, however, the opposite may occur. Many investors have already sold the dollar on a forward basis. Without these forward sales, the selling pressure on the dollar would probably be even greater.

However, if the dollar were to strengthen unexpectedly, many investors would have to close their forward contracts. This would then cause the dollar to appreciate rapidly and sharply. Despite all the scepticism toward the dollar, these dynamics should be kept in mind.

Thomas Gitzel, **Chief Economist**

Currency assessment at a glance

Currency pairs

Our View on **EUR/USD**

1.14 – 1.24
Expected range
over 3 to 6 months

- Tariff disputes are weighing on the dollar as they lead to a loss of confidence
- Current account deficit remains a burden for the greenback
- Further interest rate cuts by the ECB could put pressure on the euro

- Speculative USD forward sales could trigger an appreciation of the greenback
- The US economy is performing relatively well in view of the tariffs already imposed

Dollar continues to weaken

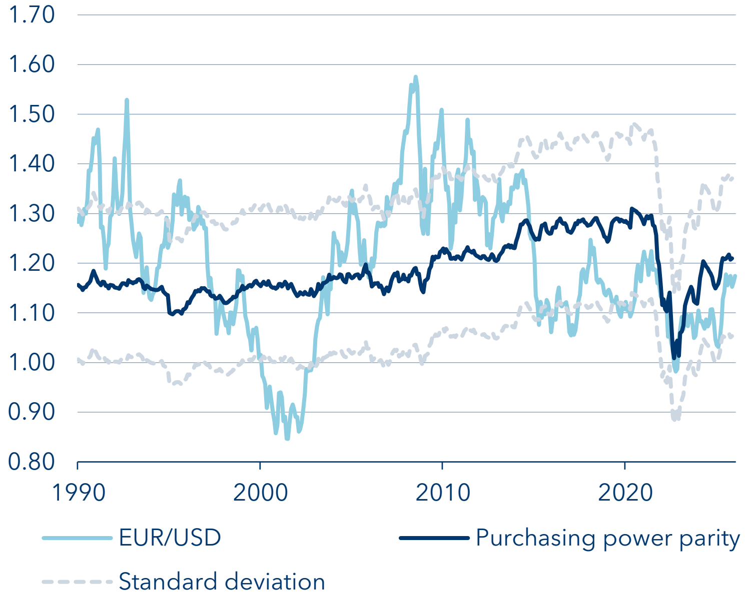
The dollar is on a trend to weaken. Geopolitical tensions and fears of intervention in the foreign exchange market are weighing on the greenback. At the same time, high levels of speculative dollar forward sales are dampening selling pressure on the spot market. On the other hand, the US economy is performing surprisingly well in view of the tariffs that have already been introduced. This resilience is fundamentally supporting the greenback.

The appointment of a new Fed chair will be a decisive factor for the US currency in the coming months. This raises the question of whether political influence will increase to such an extent that the Fed will pay less attention to inflation. However, the high volume of forward sales has the potential to strengthen the dollar in the short term. If the US currency rises unexpectedly, many investors would have to close their positions. This would further accelerate the appreciation.

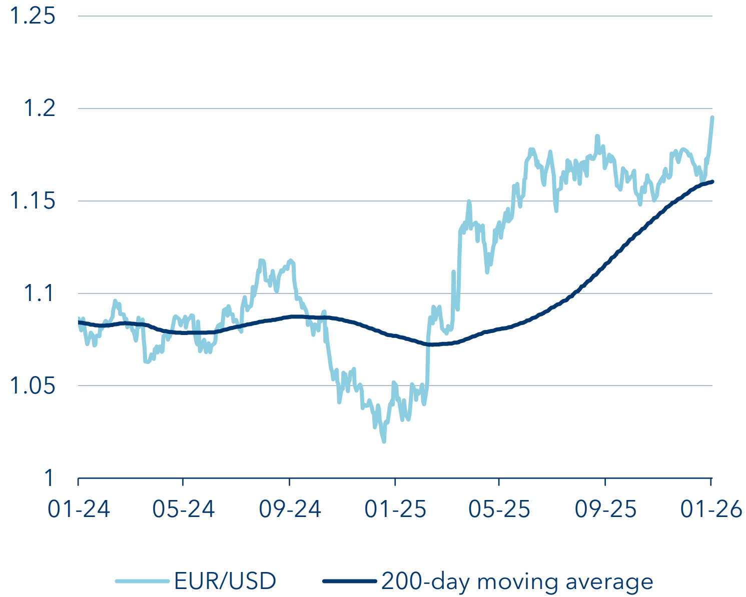
Our view on **EUR/USD**

1.14 – 1.24
Expected range
over 3 to 6 months

Purchasing power parity (producer prices; monthly data)



Technical picture



Our View on **EUR/CHF**

0.90 – 0.95
Expected range
over 3 to 6 months

- Swiss franc benefits in the current environment of geopolitical tensions
- The European Central Bank (ECB) must act cautiously due to price pressure in the service sector
- Franc remains a safe haven, euro shows strength, suggesting sideways movement

- Structurally weak growth weighs on the euro
- Sudden flight to safety would significantly weaken the euro against the Swiss franc

The Swiss franc holds its ground

The conflict over Greenland and the US president's tariff threats have benefited the Swiss currency. The franc is holding up against both the euro and the dollar. Once again, the Swiss franc is one of the strongest currencies in the world.

Even though the situation around Greenland has now eased, geopolitical uncertainties remain. The Swiss franc will therefore stay in demand and, in our view, trade in a range between 0.90 and 0.95 against the euro. In the short term, we expect quotes closer to 0.90 than 0.95.

Looking ahead to the next three to six months, however, the Swiss franc could trend slightly weaker. During this period, a rate at the upper end of our forecast range is possible – especially if the economic recovery in the eurozone is confirmed.

Our view on **EUR/CHF**

0.90 – 0.95
Expected range
over 3 to 6 months

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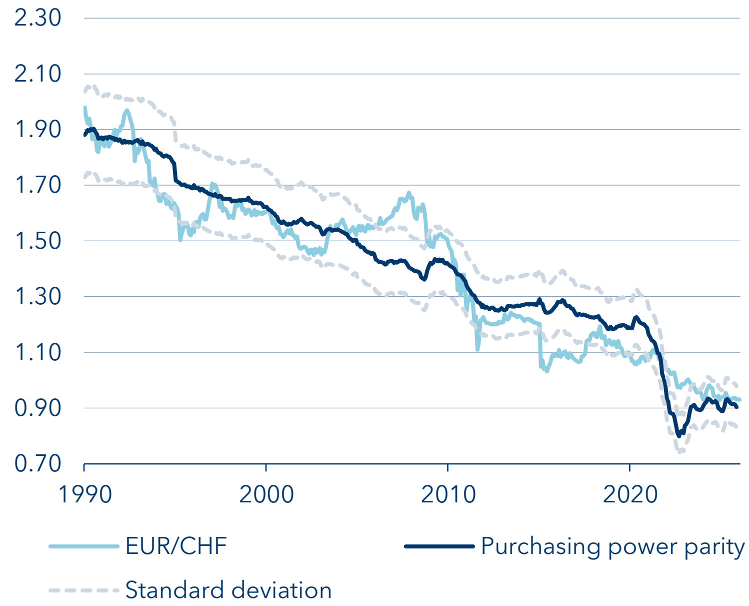

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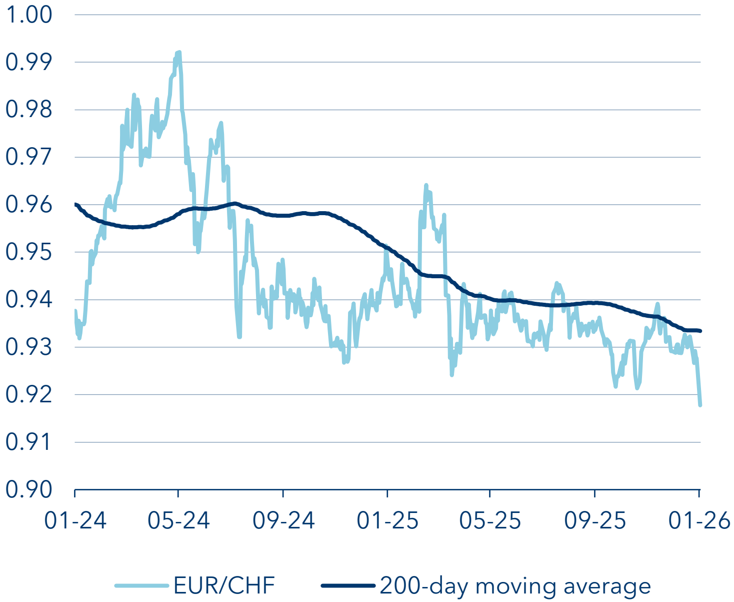

Our View on **USD/CHF**

0.72 - 0.83
Expected range
over 3 to 6 months

- Geopolitical conflicts weigh on the dollar
- Politicisation of the Fed poses a major risk to the dollar
- Market technicals signal consolidation

- Dollar has the edge in times of high uncertainty
- The Swiss franc is fairly valued at levels of 0.80 and slightly below

Dwindling confidence in the reliability of the US

The confrontational approach of the US government is raising questions in the financial markets as to whether the dollar's status as the world's most important reserve currency is being weakened. The recent weakness of the greenback against the Swiss franc suggests that the answer is yes. The dollar is suffering from a loss of confidence. Given a current account deficit of USD 1.3 trillion, this loss is particularly critical. The US is dependent on steady capital inflows. The stronger the doubts about the reliability of the US become, the more clearly the Swiss franc is likely to benefit. Exchange rates of 0.75 for the Swiss currency against the dollar are possible in the next three to six months.
However, the high level of speculative forward sales of the dollar calls for caution. A significant strengthening of the dollar also remains possible. The range of possible exchange rates is therefore wide for the coming months.

Our view on **USD/CHF**

0.72 - 0.83
Expected range
over 3 to 6 months

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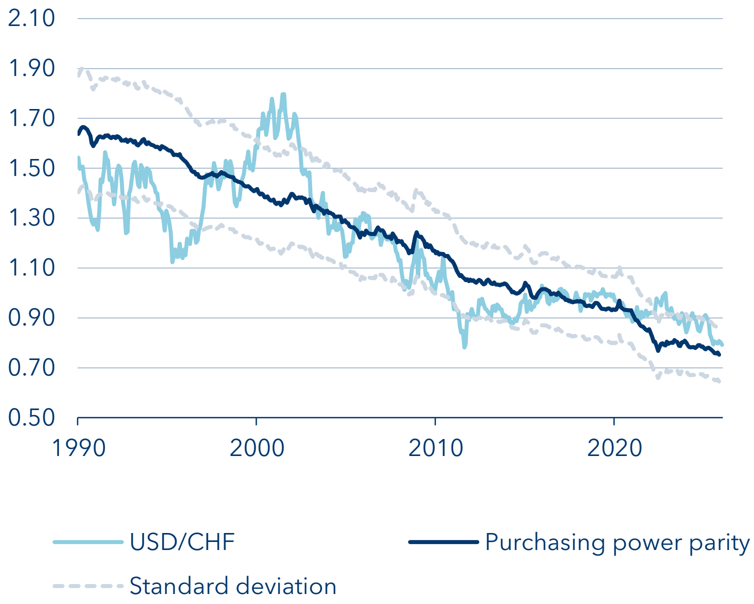

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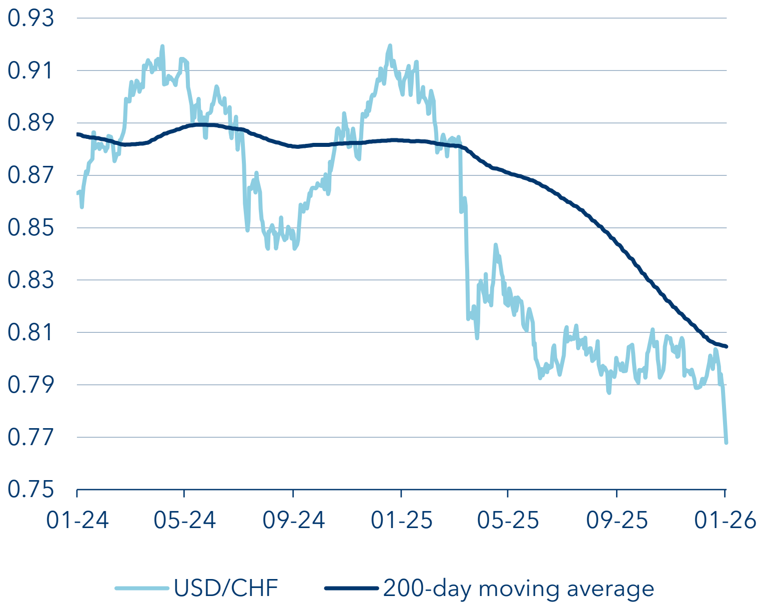

Our View on **GBP/USD**

1.32 - 1.42
Expected range
over 3 to 6 months

- Fading inflation concerns in the UK
- British government seeks closer ties with the EU again
- Weaker US economic data weighs on the dollar

- Brexit has reduced potential growth which argues against a strong appreciation of the pound
- High inflation keeps the pound under pressure
- Contradictory signals from the Bank of England weigh on the pound

Concerns about a second Liz Truss moment evaporated

The 2026 budget has allayed fears of a second Liz Truss moment. In 2022, then Prime Minister Liz Truss presented a draft budget that led to a significant devaluation of the pound. The new draft budget brought relief to the financial markets, which was reflected in moderate strength for the pound.
At the same time, inflation concerns eased. This may give the Bank of England more leeway to support the economy. The UK is moving closer to the EU as seen during the Greenland conflict, which is having a positive effect on the pound.
However, from a technical perspective, the GBP/USD currency pair is facing significant resistance: levels above 1.40 would probably require a significant weakening of the dollar. However, as speculative investors have already sold the dollar on a large scale on the futures markets, the air is becoming thinner for the pound.

Our view on **GBP/USD**

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Expected range
over 3 to 6 months

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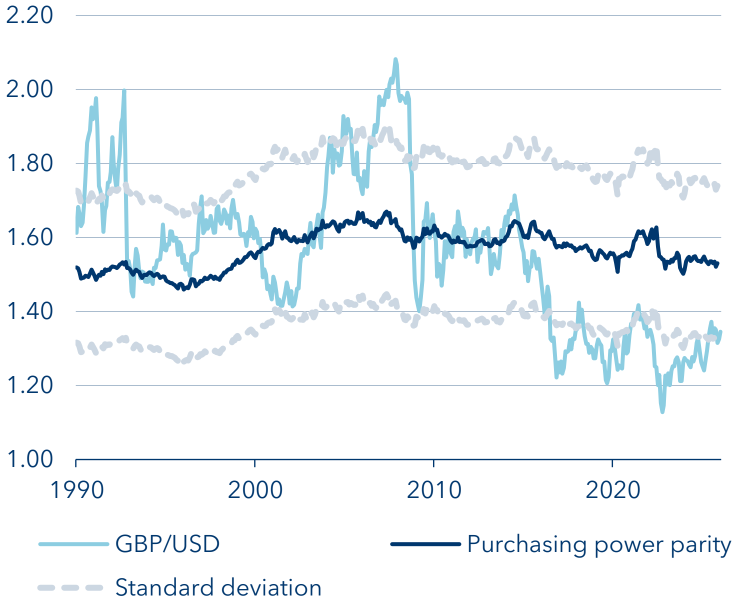

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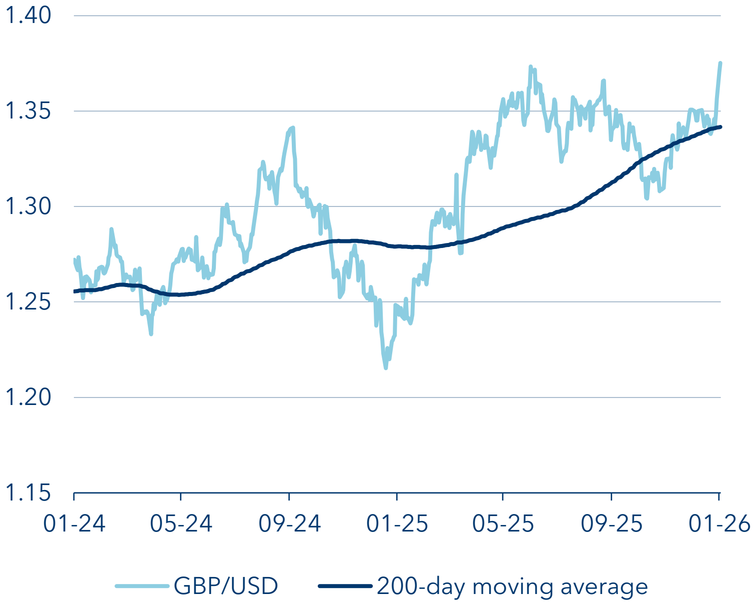

Our View on **EUR/SEK**

10.00 – 10.80
Expected range
over 3 to 6 months

- High current account surplus and solid public finances favour the krona
- Sweden shines with good fundamentals
- The SEK has recently shown broad strength and has even appreciated against the Swiss franc

- The environment for high-beta currencies such as the SEK remains unfavourable at present
- The Swedish central bank is signalling the end of the interest rate cut cycle

Sweden shines

The Swedish krona move has been impressive recently. For the first time in more than three years, the Scandinavian currency broke out of its usual trading range against the euro. Good economic data and moderate inflation triggered the appreciation. It is noteworthy that the krona even made ground against the Swiss franc. This broad strength indicates that further gains are possible in the coming weeks.

Basically, the krona is significantly undervalued against the euro in terms of purchasing power parity. The currency's recent strength therefore signals that the upward trend may continue.

We are therefore adjusting our forecast range and expect further appreciation towards 10 against the euro over the next three to six months.

Our view on **EUR/SEK**

10.00 – 10.80
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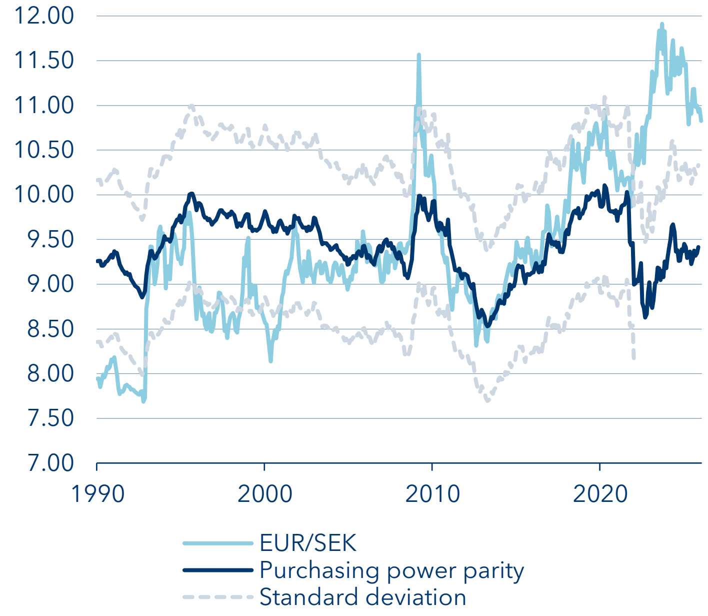

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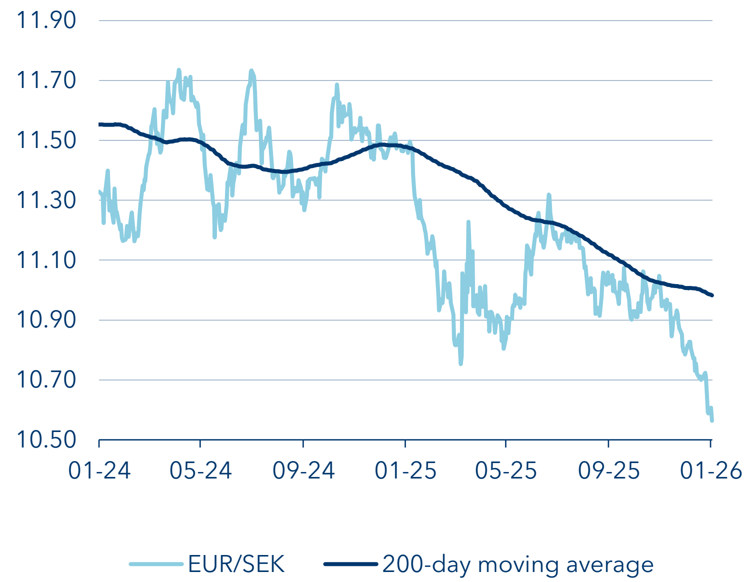

Authors and disclaimer

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On purchasing power parity**:** Purchasing power parity (PPP) describes the situation where a product costs the same in two countries, provided that it can be traded without restrictions and transaction costs are negligible. The relative PPP used here, which is based on producer price indices, assumes that product prices change at the same rate when the exchange rate is taken into account, but that price levels may differ.

Source: Bloomberg