Dr Thomas Gitzel · Chief Economist

Our View on Currencies

April and May 2026 issue

VPBANK

Two currencies appreciate despite the war against Iran

The war in the Middle East is also having an impact on the foreign exchange markets. In times of crisis, the US dollar remains the leading safe-haven currency and is appreciating across the board.

Against the ten most traded currencies – the G10 currencies – the greenback has gained ground on a month-on-month basis, in some cases quite a bit. This is even true against the Swiss franc, which is itself regarded as a safe haven.

Among the G10 currencies, there is only one that has shortly performed even better: the Australian dollar (AUD), driven in part by the central bank of Australia. It is considering interest rate hikes, which has surprised many market participants. As recently as the autumn months of 2025, continued monetary easing was on the cards.

Australia does import oil and processed products such as petrol and diesel. At the same time, the country exports large quantities of liquefied natural gas (LNG) and is the world's second-largest exporter after the US. As LNG prices are rising faster than oil prices, which is improving Australia's energy trade balance.

The country is also one of the world's leading coal exporters. The price of coal has also increased sharply since the start of the war. There are therefore straightforward reasons for the appreciation of the AUD.

The current situation is unlikely to change much as long as the conflict in the Middle East drags on. Last year, many investors in the futures markets bet on a weak dollar. If the greenback remains firm, market participants will have to reverse these bets. This could further boost dollar gains.

Thomas Gitzel, **Chief Economist**

Currency Outlook at a Glance

Currency pairs

- **EUR/USD – Page 4**
  Expected range 1.10 to 1.20
- **EUR/CHF – Page 6**
  Expected range 0.90 to 0.95
- **USD/CHF – Page 8**
  Expected range 0.74 to 0.84
- **GBP/USD – Page 10**
  Expected range 1.28 to 1.36
- **EUR/SEK – Page 12**
  Expected range 10.00 to 10.80

Our View on **EUR/USD**

1.10 – 1.20
Expected range
over 3 to 6 months



- The dollar is in demand as a safe haven amid geopolitical uncertainty
- Speculative USD futures sales could trigger an appreciation of the greenback
- The US economy is performing relatively well given the tariffs already imposed



- The dollar is overvalued
- Current account deficit remains a drag on the greenback
- Further interest rate cuts by the European Central Bank (ECB) could put pressure on the euro

Dollar consolidates its status as a safe haven

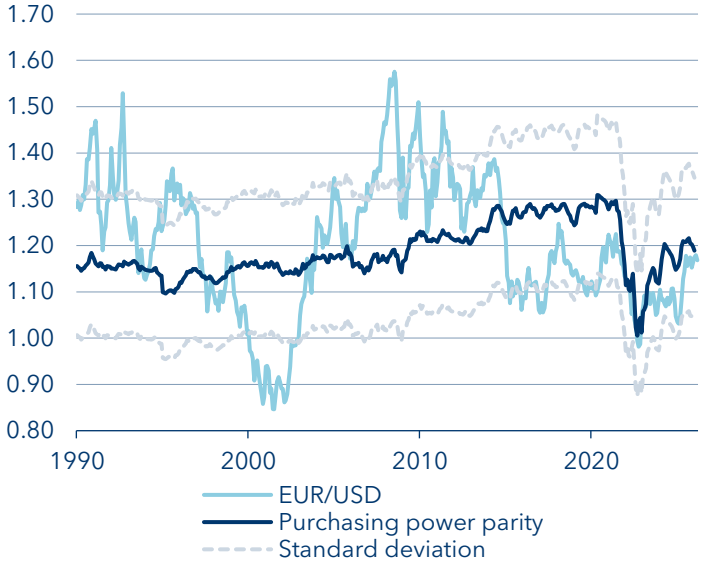
The appreciation following the US and Israeli military strikes on Iran demonstrates how the USD is confirming its status as a safe-haven currency. The greenback rose across the board. In times of crisis, the fundamental valuation of a currency matters less. What is decisive is high liquidity. And in this regard, there is no alternative to the US currency, as the dollar's market is enormous. Fundamental factors such as the high trade deficit of the US or the dollar's overvaluation take a back seat. Furthermore, any economic consequences of the conflict for the United States will be far less severe than in Europe. The United States is now largely self-sufficient in energy.

Speculative dollar sales on the futures markets also act as a counter-indicator for a stronger US currency. As long as the uncertainties persist, the dollar reacts to any negative news from the Middle East with gains.

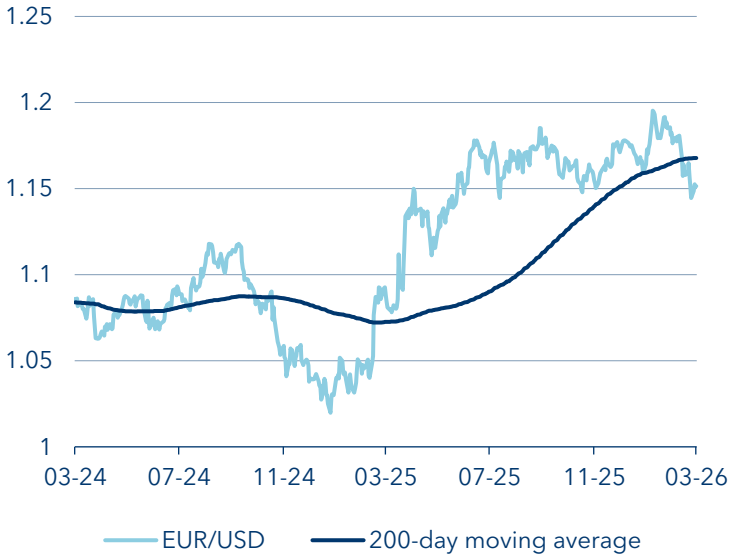
Our View on **EUR/USD**

1.10 – 1.20
Expected range
over 3 to 6 months

Purchasing power parity (producer prices; monthly data)



Technical outlook



Our View on **EUR/CHF**

0.90 – 0.95
Expected range
over 3 to 6 months



- The franc is benefiting as a safe haven in the current climate of geopolitical tensions
- The European Central Bank (ECB) must proceed cautiously due to price pressures in the services sector



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

The franc flexes its muscles

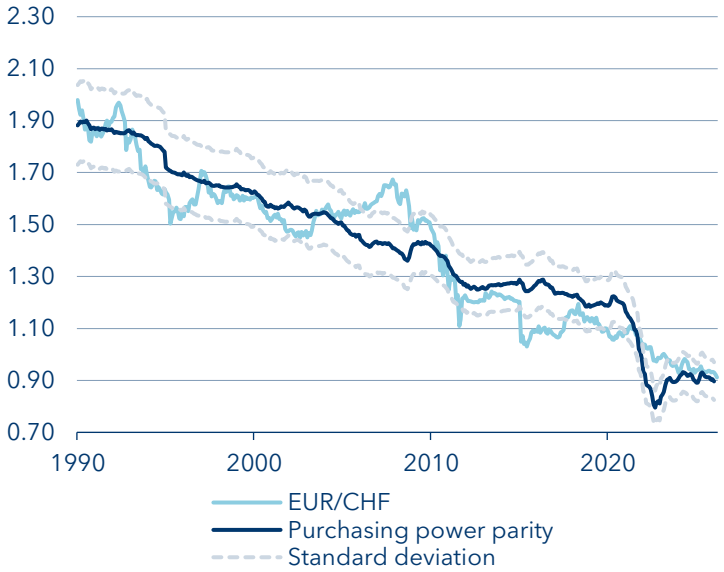
The conflict in Iran briefly pushed the franc below the 0.90 mark. The Swiss National Bank (SNB) responded with verbal interventions. But there was no actual intervention. The Swiss monetary policymakers will not be able to prevent further appreciation of the currency in the medium to long term. Geopolitical conflicts appear to be on the rise, which supports the franc in its role as a safe haven. Furthermore, the low inflation relative to other currency areas, when viewed from a purchasing power parity perspective, also points to further gains for the franc.

Although the SNB can intervene in the foreign exchange market in the short term, this only mitigates an appreciation or, at most, halts it for a short time. It does not achieve a lasting effect. Furthermore, we do not expect an interest rate cut. The inflation rate is above 0%, and short-term money market rates are already in negative territory.

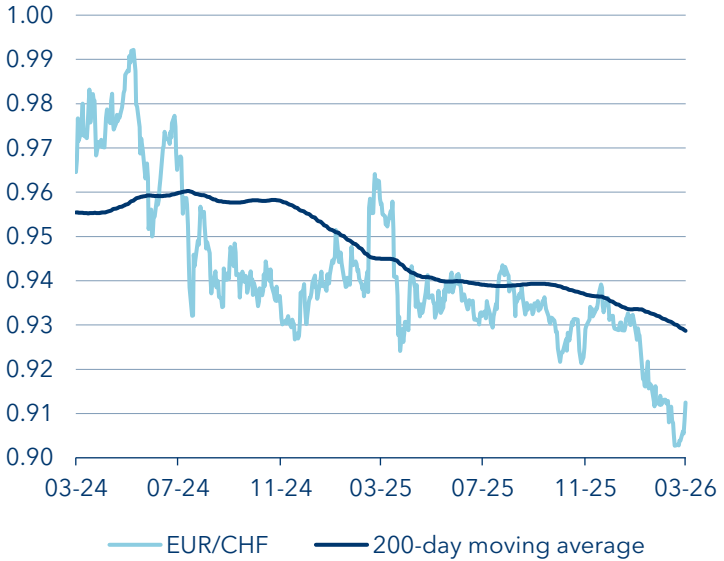
Our View on **EUR/CHF**

0.90 – 0.95
Expected range
over 3 to 6 months

Purchasing power parity (producer prices; monthly data)



Technical picture



Our View on **USD/CHF**

0.74 – 0.84
Expected range
over 3 to 6 months



- The dollar has the edge in times of high uncertainty
- The franc is fairly valued at levels of 0.80 and slightly below
- High volumes of USD forward sales act as a counter-indicator to the USD's short-term strength



- Politicisation of the Fed is a major risk for the dollar
- The SNB could respond with interventions if the franc continues to strengthen
- High US trade deficit points to broad USD weakness

Dollar benefits from uncertainty

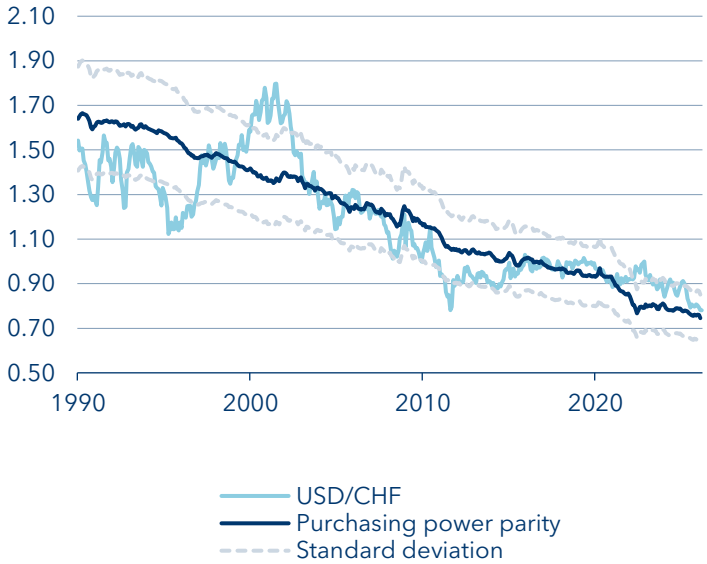
The USD/CHF currency pair effectively pits two safe havens against each other in times of crisis. In the wake of the Iran conflict, the dollar had a slight edge. Dollar trading boasts higher liquidity, and this is a key argument in favour of the greenback in times of high uncertainty. From a technical perspective, the picture has eased again following the recent dollar appreciation: the dollar was trading well below the 200-day moving average against the franc, meaning a correction was virtually inevitable.

The US currency has recently been sold off across the board on the futures markets. Should further USD gains materialise, many of these positions would be unwound rapidly. This could accelerate the appreciation even further. Overall, we continue to expect a sideways movement in the USD/CHF currency pair. However, the range is likely to be wider.

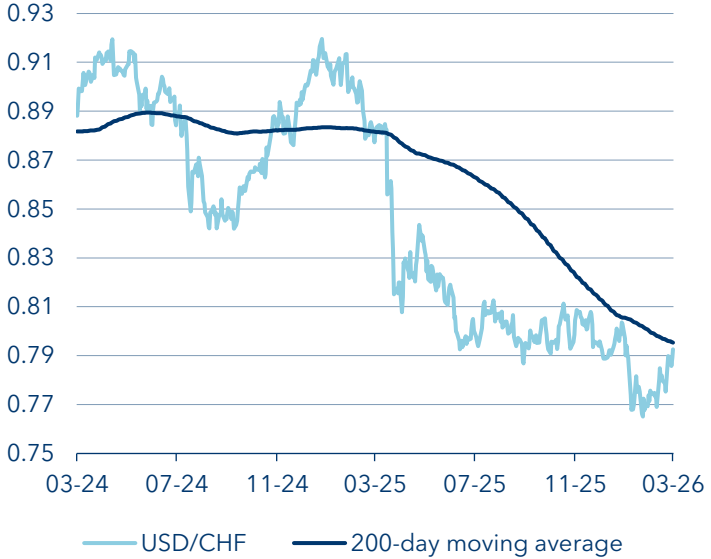
Our View on **USD/CHF**

0.74 – 0.84
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Technical picture



Our View on **GBP/USD**

1.28 – 1.36
Expected range
over 3 to 6 months



- Inflation concerns in the UK are easing
- British government seeks closer ties with the EU again
- The White House's use of the Fed as a political tool poses risks to the dollar



- Brexit has reduced potential growth – this 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

Back on familiar ground

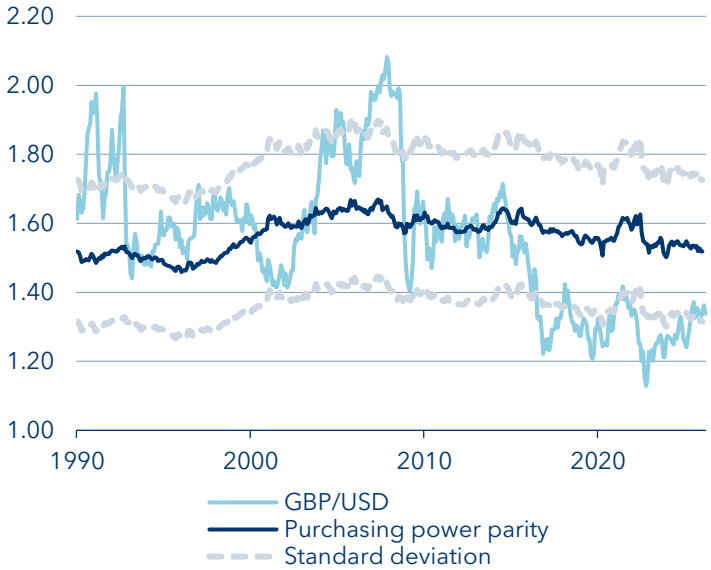
The broad strength of the dollar has, in turn, weakened the pound. As a result, the GBP/USD currency pair remains within its sideways range of between 1.20 and 1.40, which has persisted for around ten years. This long-standing trading range is remarkable, but it shows that a clear signal is needed for a breakout. We consider a further significant decline in the pound to be unlikely. The British currency is already significantly undervalued on a purchasing power parity basis. Its fair value lies in the region of 1.50.

The question remains as to whether the pound can appreciate. This would require broad-based dollar weakness. Given the geopolitical conflicts and the dollar's role as a safe haven, this does not appear likely in the short term. The currency pair is therefore likely to trend sideways in the coming weeks.

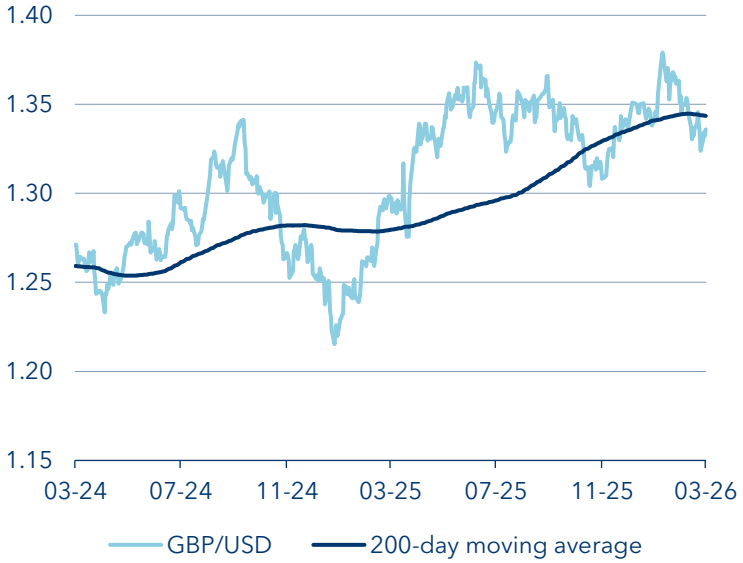
Our View on **GBP/USD**

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Technical picture



Our View on **EUR/SEK**

10.00 – 10.80
Expected range
over 3 to 6 months



- Current account surplus and sound public finances support the krona
- Sweden shines with strong fundamentals
- The SEK has recently shown broad strength and has even appreciated against the Swiss franc



- Growing uncertainties could weigh on the SEK
- The interest rate advantage lies with the eurozone

The krona is holding its own

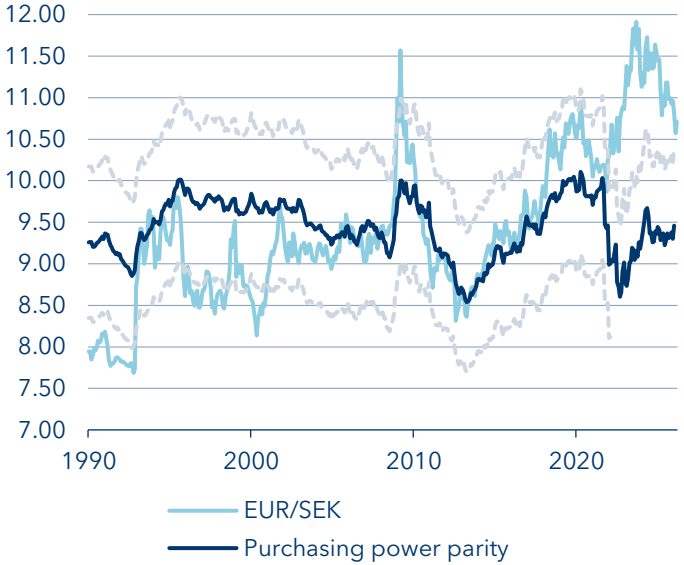
The Swedish krona impressed in the autumn with significant gains that continued until the end of January. For the first time in more than three years, the Scandinavian currency broke out of its usual trading range against the euro. Although the krona lost value again in the wake of the Iran conflict, the setbacks remained manageable.

This is surprising, as the krona usually weakens significantly during periods of high geopolitical uncertainty. As this did not happen this time, there is much to suggest underlying strength. Growth prospects for Sweden are good this year, and inflation is back within the Swedish central bank's target range. Furthermore, the krona is significantly undervalued. We therefore stand by our assessment and expect further moderate appreciation.

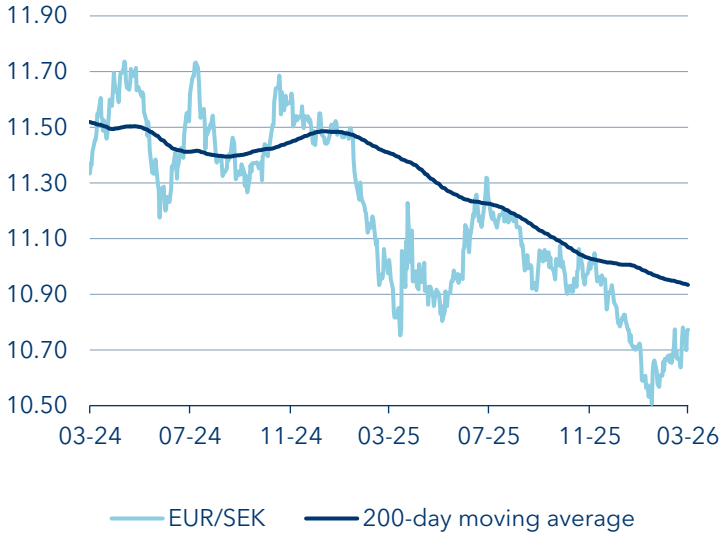
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Technical picture



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Author:

Dr. Thomas Gitzel, Chief Economist

On Purchasing Power Parity: The Purchasing Power Parity (PPP) describes that a product costs the same in two countries as long as it can be traded without restrictions and the transaction costs are negligible. The relative PPP used here is based on producer price indices and assumes that the prices of the products change by the same amount, taking into account the exchange rate, but that the price levels may differ.

Source: Bloomberg

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