TD Securities

Global FX Monthly – Views You Can Use

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Global Rates, FX & Commodities Strategy

Beyond the Barrel

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Themes: Positioning pendulum, lost exceptionalism, hedge America trade

Risk-reward favors further USD downside as the era of its effortless strength is over. While geopolitical risk triggered a positioning correction, the safe-haven response was lackluster. There is limited scope for a 2022-style USD surge as the US economy is resilient but no longer exceptional. Resilience alone is necessary—but not sufficient—for a sustained USD rally. In a backdrop of recovering global growth, eventually lower US rates and fiscal buffers, the setup favors risky assets and is USD-negative. “Hedge America” trade could intensify as the US becomes a growing source of uncertainty.

How to trade it?

We see limited USD upside on new flare-ups for the current Middle East conflict and continue to have a bearish USD bias. We are long 3m USDJPY ratio put spread on expectations for oil importers in Asia to have more room to catch up upon Strait of Hormuz reopening. Buy dips in EUR and AUD. Weak domestic economic conditions still weigh on CAD in Q2. To hedge USD upside tail risk, we like 3m zero-cost USDCAD collar. For crosses, AUDNZD has new support at 1.20 with room for uptrend to run its course. In EM, improved global backdrop for equity and gold favors chasing USDZAR lower for a break below 16.00. On the crosses, we are bullish CLP/COP on copper vs oil outlook and China exposure.

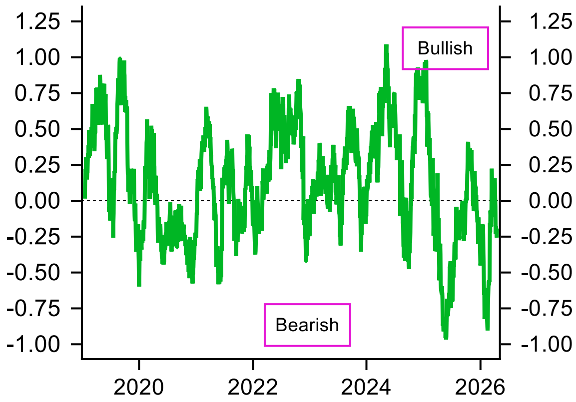
FX quant macro drivers and views

Our quant macro framework (MRSI) points to a near-term improvement in the USD’s tactical trading weight, driven by technical and market dynamics like risk-off, cleaner positioning, and data momentum. Beyond this short-term adjustment, however, we expect a structural depreciation of the USD, forecasting a further 4% decline in 2026. Our systematic portfolios highlight the advantage of capturing FX returns through risk, inflation, and rates momentum in Q2. In H2, we expect FX to go back to taking cues from relative equity momentum, growth and long-term valuations. The divergence between laggards in Asia FX and high carry will likely narrow in H2 amidst global steepening pressures.

Table of contents

Big Three Market Themes: Positioning pendulum, lost exceptionalism, hedge America trade

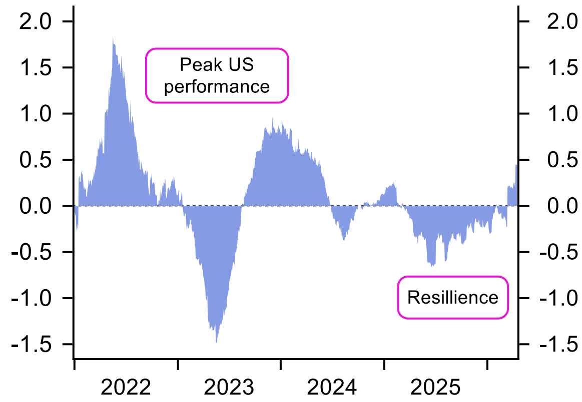
Positioning pendulum: rinse & repeat



Source: Bloomberg, Macrobond, TD Securities

- We have seen a positioning correction play out in the FX market (a risk we had flagged) in response to the conflict. Investors in aggregate have moved from being short the USD to modestly long at best. The USD's safe-haven bid has under-delivered as we have seen resistance from investors to become outright long the dollar.
- Positioning looks cleaner and more neutral now, awaiting the next catalyst. Q2 is when historically US data has started to pivot lower, increasing market expectations of Fed easing. We watch out for that as being the next bearish driver for the dollar.

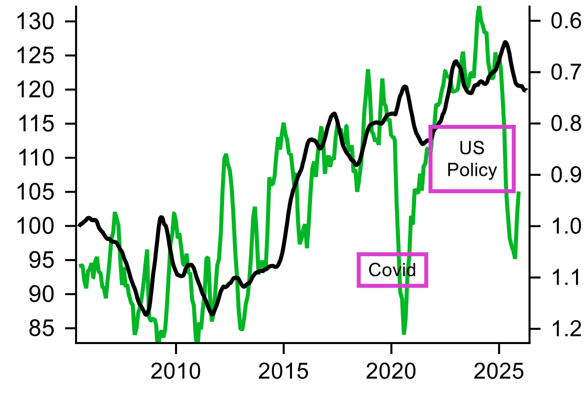
Resilience is not exceptionalism



Source: Bloomberg, TD Securities

- We see less scope for a 2022-style USD surge due to several key differences. US growth is no longer above potential, labor market is not as tight, and Fed bias is not for rate hikes — altogether, this is unlikely to unleash chase for carry. Midterm election also bring more volatility, and lower gains.
- Moreover, a resilient US economy is a necessary but not a sufficient condition for a sustained USD rally. Historically, solid growth and generally lower global rates put us in the middle of the dollar smile. In this environment, USD gains from any US economic resilience are offset by risk-on sentiment.

Safe-haven: to be or not to be



Source: Macrobond, TD Securities

- The USD's performance in the recent bout of tensions in the Middle East was lackluster. This is further proof that the USD's safe-haven status has been weakened. Notably, the USD selloff—around headlines tied to Greenland and MoF-related rate checks—was larger than the USD strength observed in response to an actual conflict.
- The USD's era of effortless strength is over, and hedging is the name of the new game. The US has been brought to a more level playing field with its peers, especially as the US is now the emanating source of global uncertainty. More risk events loom over the US than elsewhere in 2026.

What's the trade – Trade blotter of ideas linked to tools, themes, and views

Themes, ideas, and drivers

FX Thematic Focus: Risk, Rates, and Inflation
Global FX – Risk, Equity, G10 – Inflation, Rates

Does US growth matter for the USD?
Tracking market growth regimes and FX

Resilience does not equal Exceptionalism
Midterm election years bring more vol, low gains

Yield curve regime and USD: the good, bad, ugly
Bull steepening is most USD bearish

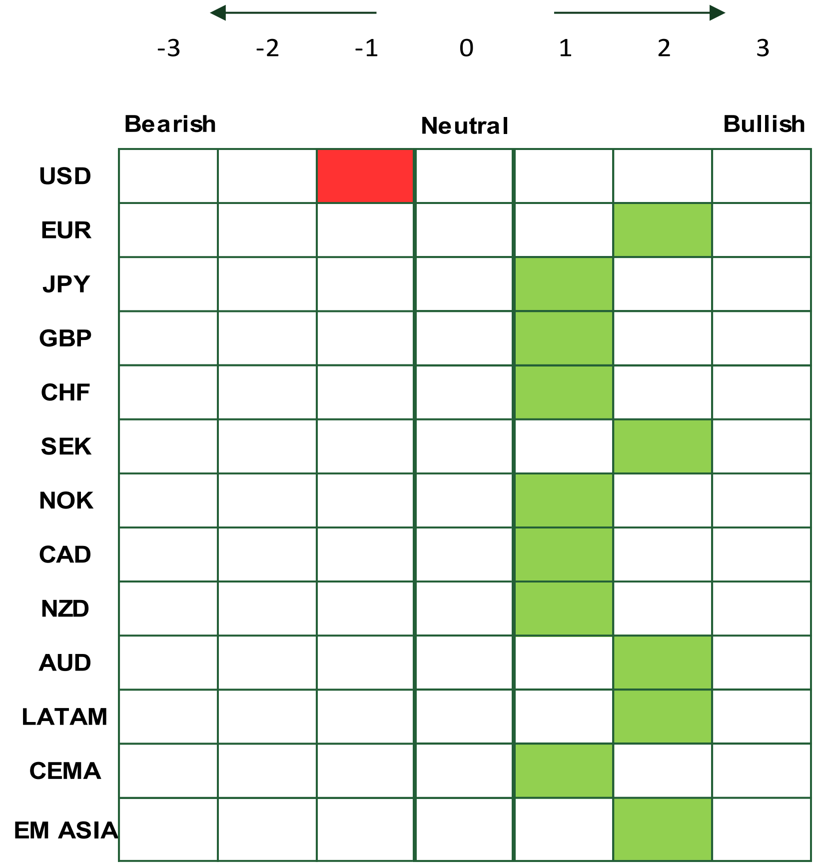
The fiscal tap is broken
Fiscal deficits are no longer an EM-only problem

Highway to the new regime – which factors matter?
Inflation, rates, terms of trade in Q2; Equity, growth and value in H2

G10 still has some juice to squeeze
Upside in EUR, AUD, JPY

Selectively selecting EM currencies
CLP over COP, resilient ZAR and CNY

FX views over the next 3 months



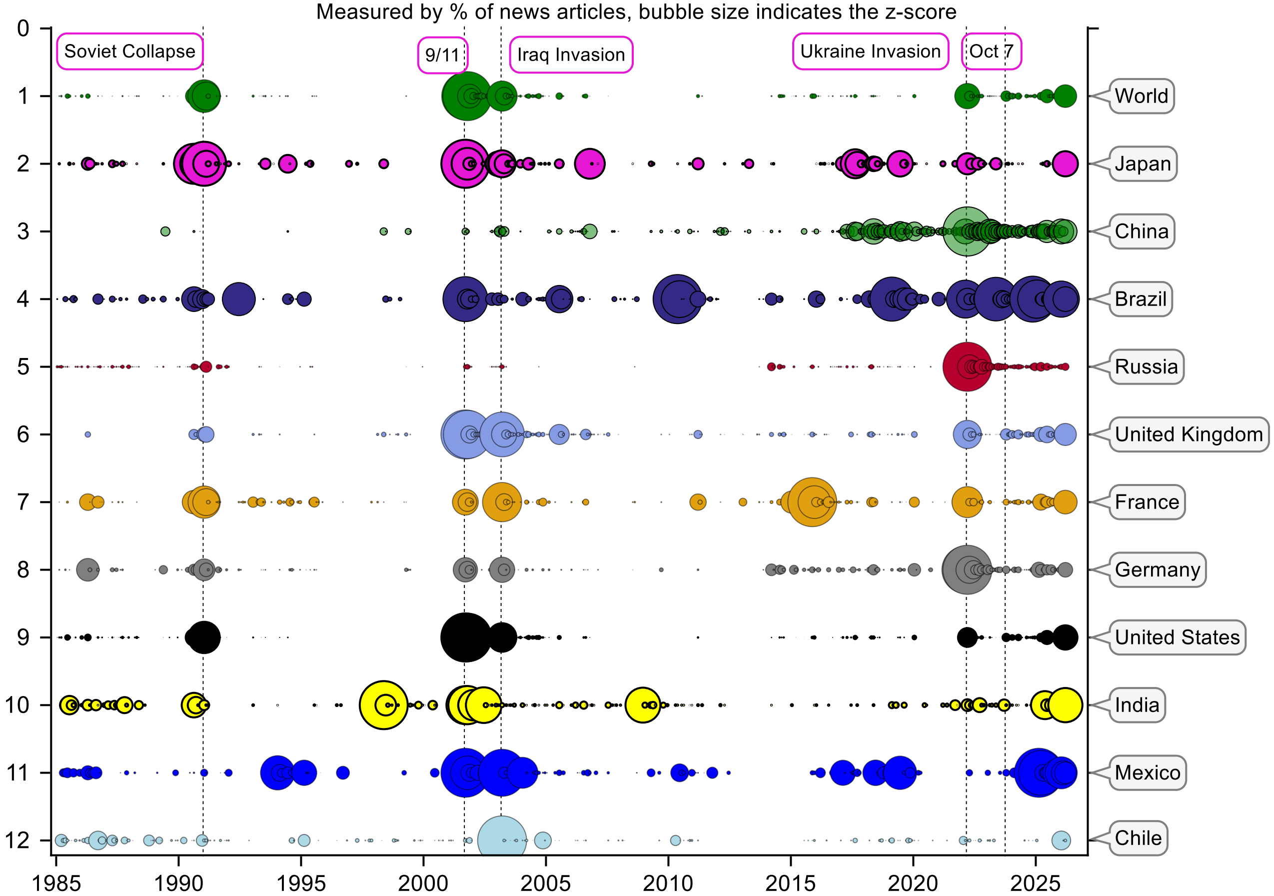
Source: TD Securities

Global Macro Narrative and Drivers

Geopolitics continue to drive markets – Don't let your guard down

Geopolitical risk index - Geomacro continues to dominate markets

Measured by % of news articles, bubble size indicates the z-score



Source: Bloomberg, Macrobond, TD Securities

- The intersection of geopolitics and global macro remains the dominant market driver. If a deal is reached between the US and Iran, we see USD selloff continuing from a reduced safe-haven appeal and a potential intensification of the "Hedge America" trade following the US's actions.

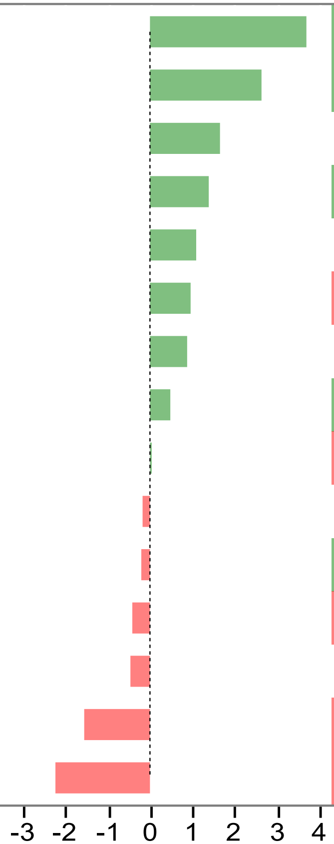
- USMCA negotiations are yet to begin. Russia-Ukraine talks ebb and flow. Now we need to wait for a proper replacement of the IEEPA tariffs as well.

- This is also a midterm election year where the current US administration's approval rating is low and its disposition for quick wins is high – dynamics that also reduce the likelihood of prolonged conflict. Midterm election years also bring more volatility, and lower gains.

Which themes are driving performance – The comeback of risk, inflation and rates

Macro Ranking Scorecard Index (MRSI) Factor Performance

Heat map displays top/bottom 5 performers (Sharpe ratios) for each column



	6m	1y	2y	5y	20y
Risk	3.29	1.54	0.22	0.53	-0.09
High-Frequency Fair Value	1.78	0.67	0.25	0.02	0.09
G10 Growth	0.32	0.73	-0.92	-0.77	0.57
Positioning	0.72	0.69	0.48	0.24	-0.17
Carry	0.03	0.46	-0.23	0.26	0.03
Growth	-0.22	0.08	-1.21	-1.05	0.50
G10 Inflation	-0.06	-0.55	0.22	0.14	-0.01
Rates	1.43	-0.20	0.33	-0.08	-0.04
MRSI	-0.15	0.59	-0.14	0.47	0.78
Equity	0.26	0.61	1.45	1.38	0.49
Low-Frequency Fair Value	0.78	0.28	0.30	-0.15	0.13
Current Account	-1.46	-0.56	-0.92	-0.56	-0.06
Global Macro PCA Fair Value	0.03	-0.58	-0.27	0.01	-0.34
Terms of Trade	-0.71	-0.31	-1.06	-0.43	0.29
Momentum	-0.87	-0.20	-0.06	-0.41	0.15

Source: Macrobond, TD Securities

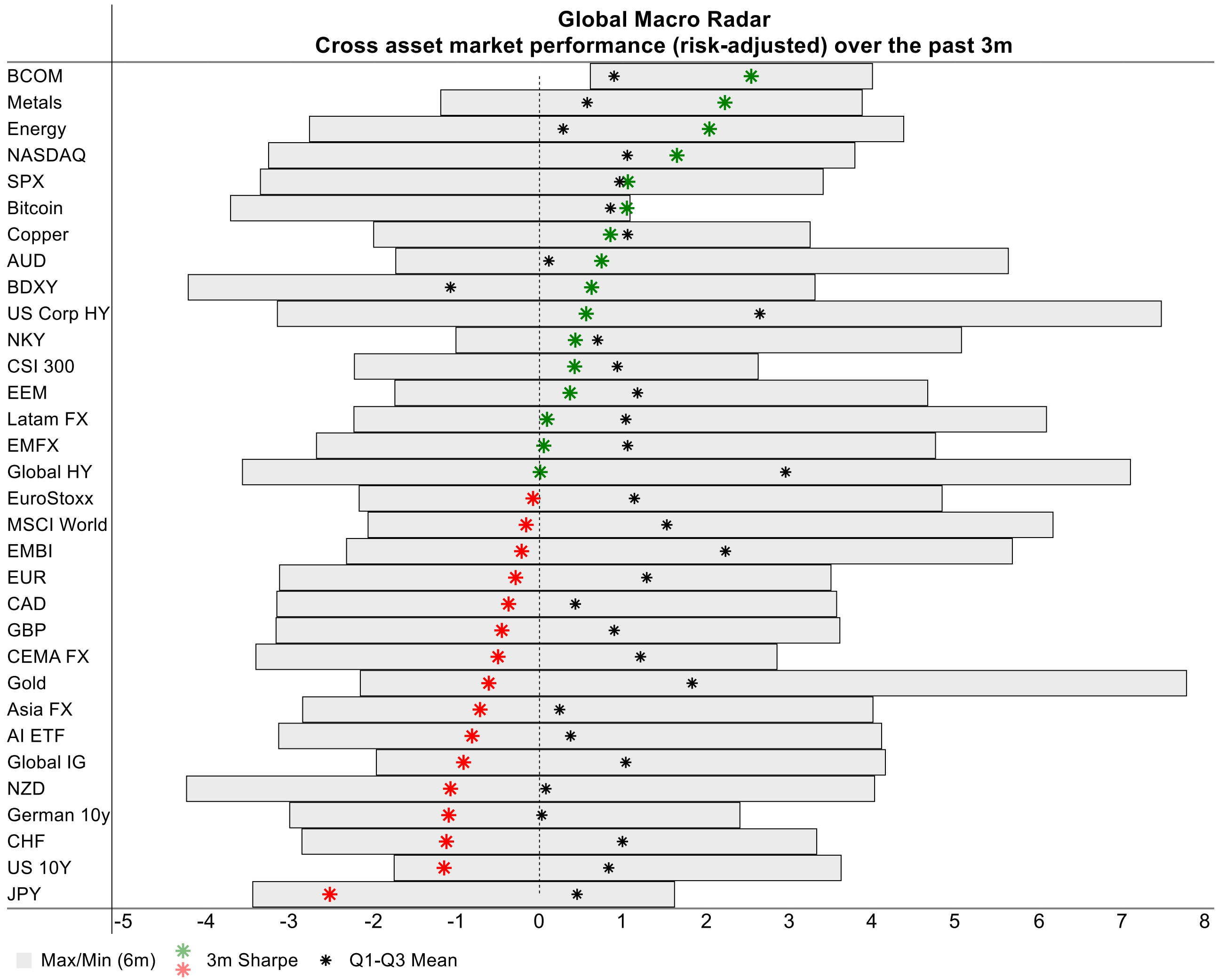
PIT (Positioning), HFFV (High-Frequency Fair Value), LFFV (Low-Frequency Fair Value), GMPCA (Global Macro PCA Fair Value), CAB (Current Account Balance)

- Our global FX portfolios reveal a strong comeback for risk, inflation and rates in Q2 owing to the conflict. We expect inflation to outperform growth in Q2 with inflation holding the key to central bank cycles imminently. We expect rates momentum to be primarily a G10 play for a handful of currencies.

- In H2, once risk premia subsides from key asset prices, we expect broader FX to go back to taking cues from relative equity momentum, growth and long-term value.

- In EM, we think 2026 will be a year of value rather than passive EM carry. Partner carry with equity outperformance, and cheap positioning where possible. The divergence between laggards in Asia FX and high carry will likely narrow in H2 amidst global steepening pressures.

Cross-asset performance – Climbing a wall of worry with steady gains

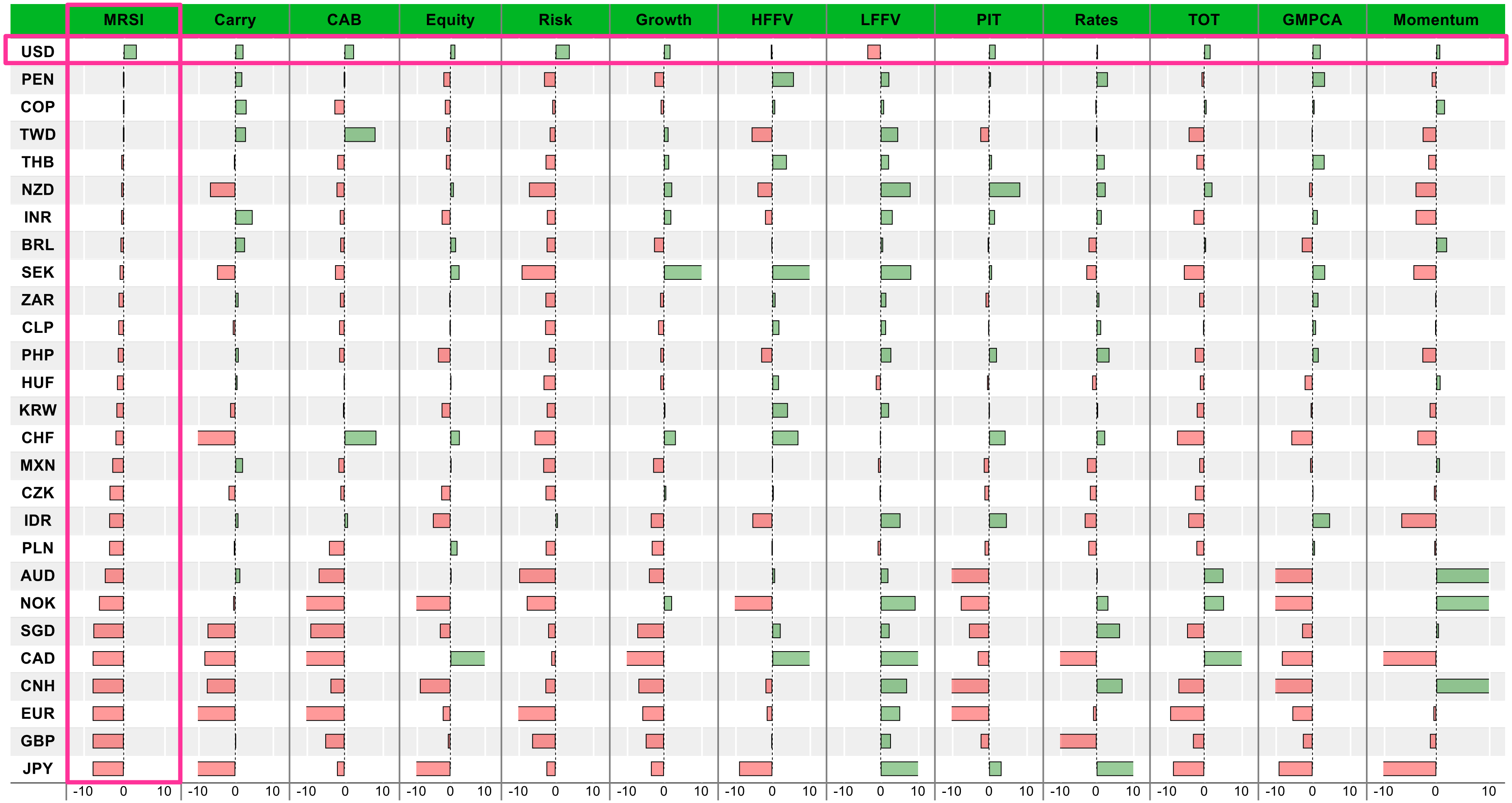


Source: Macrobond, TD Securities

- Risk assets have broadly recovered with ongoing US-Iran negotiations. The assets which are still incorporating risk premia are oil, rates, and EM Asia FX. A deal between US and Iran will likely see a relief rally permeate to them as well.
- Terms of trade implications from the moves in global commodities and relative rates repricing have translated into LatAm outperformance over Asia. JPY has been the laggard. We hold 3m USDJPY put spreads as speculative short positioning might invite stricter BoJ action and a move lower in USDJPY.
- As long as the global growth backdrop continues to hold up, risk sentiment can remain buoyant and USD is more likely to see bouts of selloff rather than rallies.

How to trade it – MRSI trading weights and convictions across the thematic portfolios

Header acronyms: PIT (Positioning), HFFV (High-Frequency Fair Value), LFFV (Low-Frequency Fair Value), GMPCA (Global Macro PCA Fair Value), CAB (Current Account Balance) | weights are scaled to units of % to fit the column

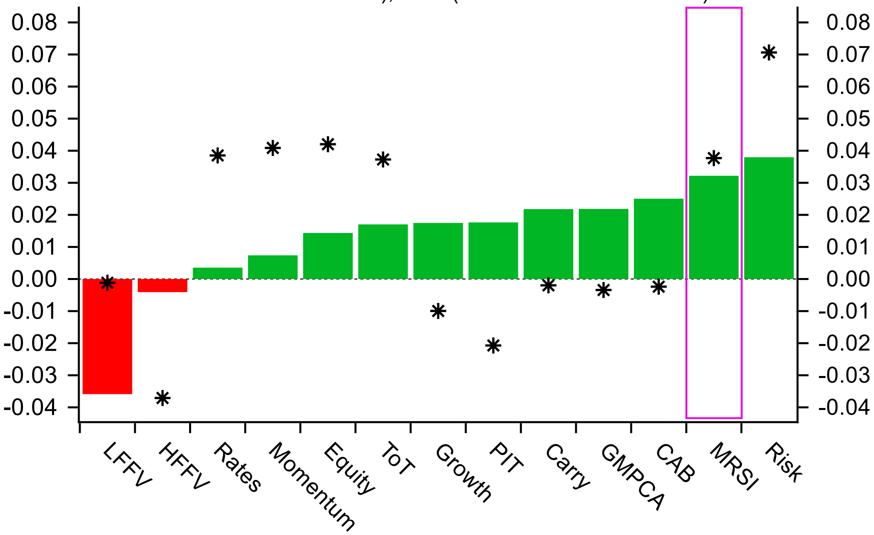


Source: TD Securities

What's the USD MRSI view? – Our framework flags tactical USD strength

USD's trading weight in our MRSI FX overlay portfolio

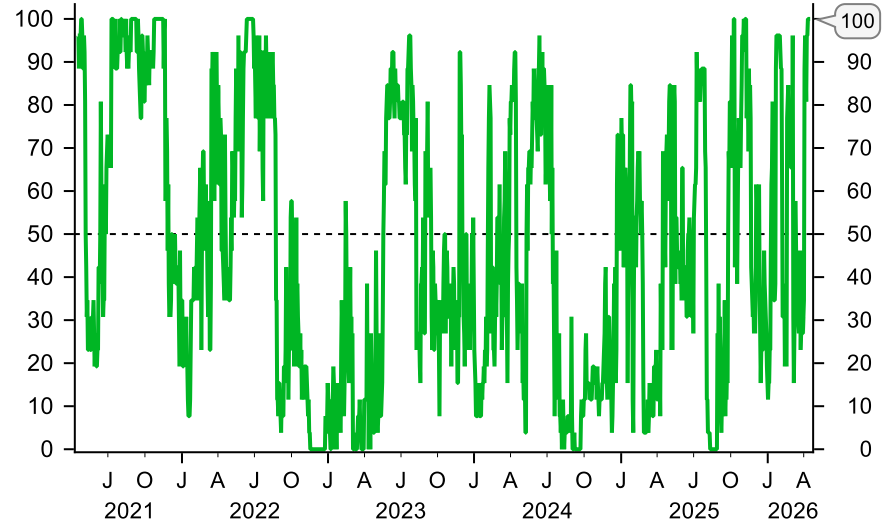
HFFV (High-Frequency Fair Value), LFFV (Low-Frequency Fair Value), GMPCA (Global Macro PCA Fair Value), CAB (Current Account Balance)



Source: Bloomberg, Macrobond, TD Securities

MRSI Diffusion Index leans back into the USD long

MRSI Diffusion Index shows the USD trading positioning relative to the % of full sample (26 currencies)



Source: Macrobond, TD Securities

- We have seen a recent improvement in the USD's trading weight on our aggregate framework driven by tactical factors - risk off with USD behaving like a safe haven again, cheap positioning, relative terms of trade resilience, relative equity and growth momentum.
- MRSI is long the USD relative to 100% of the sample. We do see the possibility of a tactical bid in the USD but don't expect it to be long-lived for various reasons that we explore in the next slides.

Will the real safe-haven please stand up? Shape shifting correlations

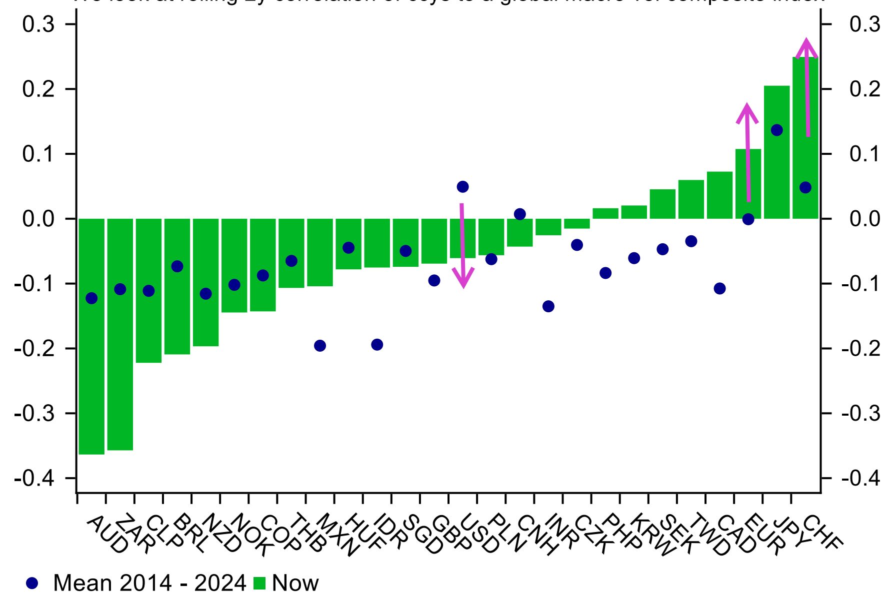
USD: A tale of broken correlations

6m rolling correlation (1d rate of change) of USD to SPX and US 2y

Source: Bloomberg, Macrobond, TD Securities

USD safe haven status dwindles vs EUR and CHF

We look at rolling 2y correlation of ccys to a global macro vol composite index



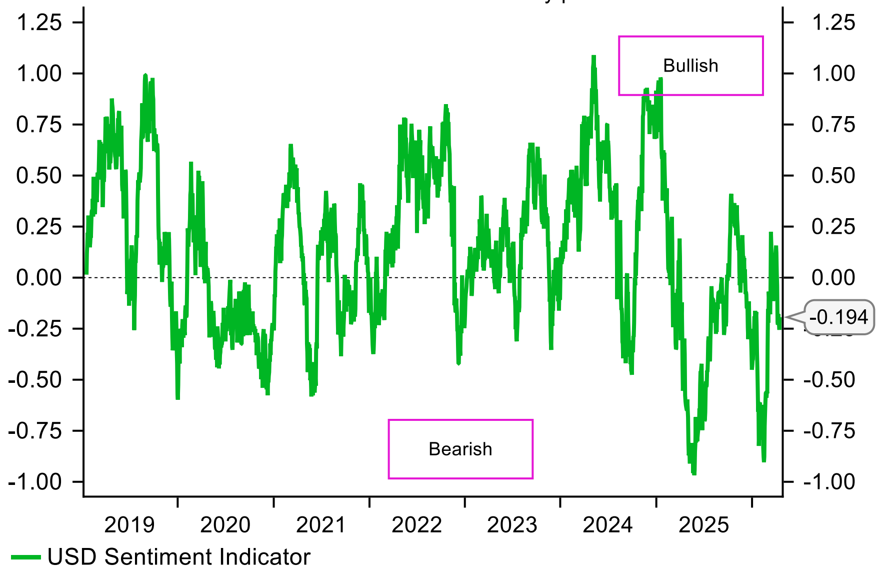
Source: Bloomberg, Macrobond, TD Securities

- The USD is no longer the effortless haven. Its correlation to equities and rates is much weaker than it used to be. What we witnessed after the conflict was a positioning correction in an erstwhile crowded short USD trade. USD has struggled to maintain a bid.
- In fact, the EUR and CHF have been behaving a lot more like global safe havens with their correlation to global macro vol indices rising meaningfully over the last year whereas the USD's safe-haven status has dwindled.

Safe-haven bid or positioning correction? – USD bounce falls short of outright rally

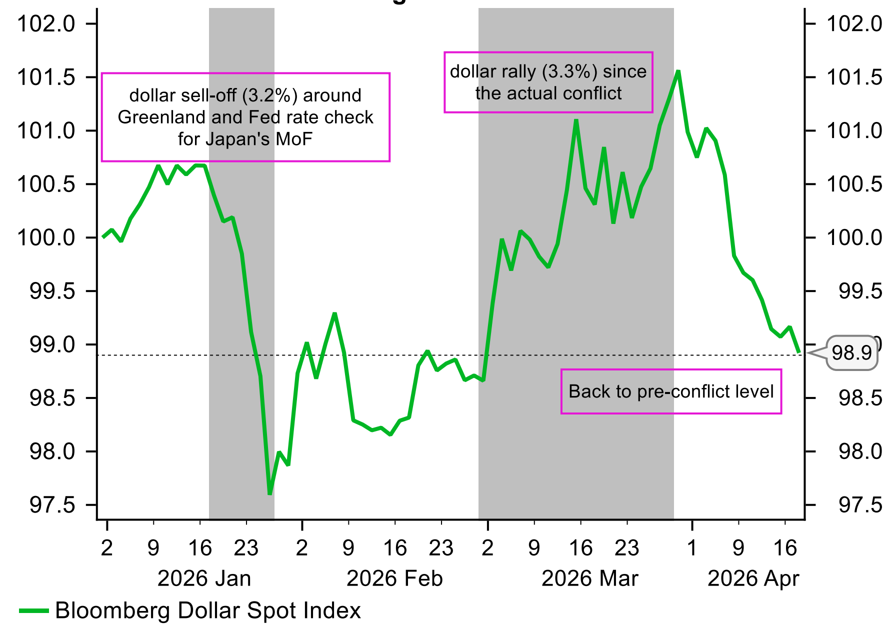
Aggregate USD positioning sitting at neutral levels now

Sentiment indicator includes positioning, high frequency fair value and global macro PCA fair value across 26 currency pairs



Source: Bloomberg, Macrobond, TD Securities

USD is no longer an effortless haven



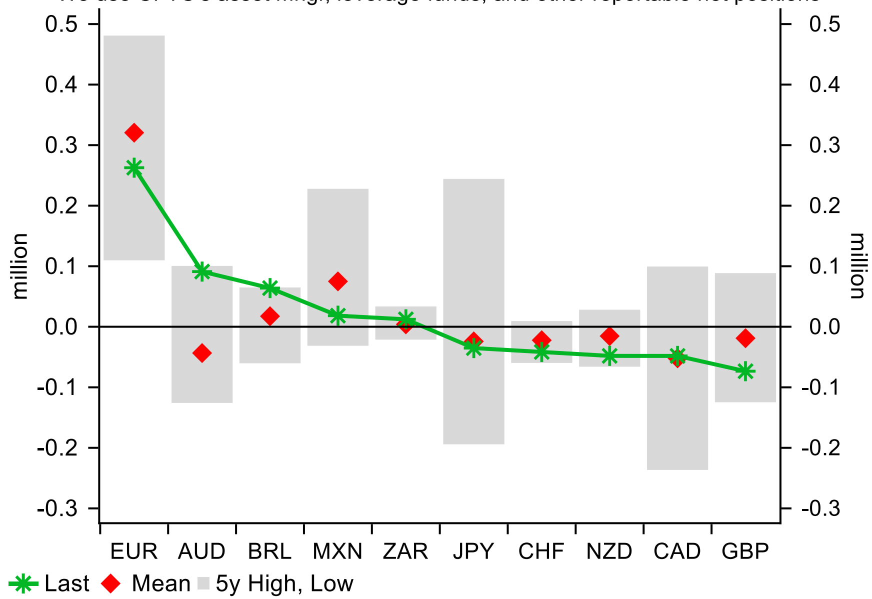
Source: Bloomberg, TD Securities

- A positioning correction has played out in the FX market but has recently plateaued. Investors have moved from being short the USD to neutral, but we see some resistance to move beyond that.
- Notably, the USD selloff earlier this year—around headlines tied to Greenland and Japan's MoF-related rate checks—was larger than the USD strength observed so far in response to the current conflict.

Positioning Washout – USD shorts are no longer crowded

Is USD bearish really consensus?

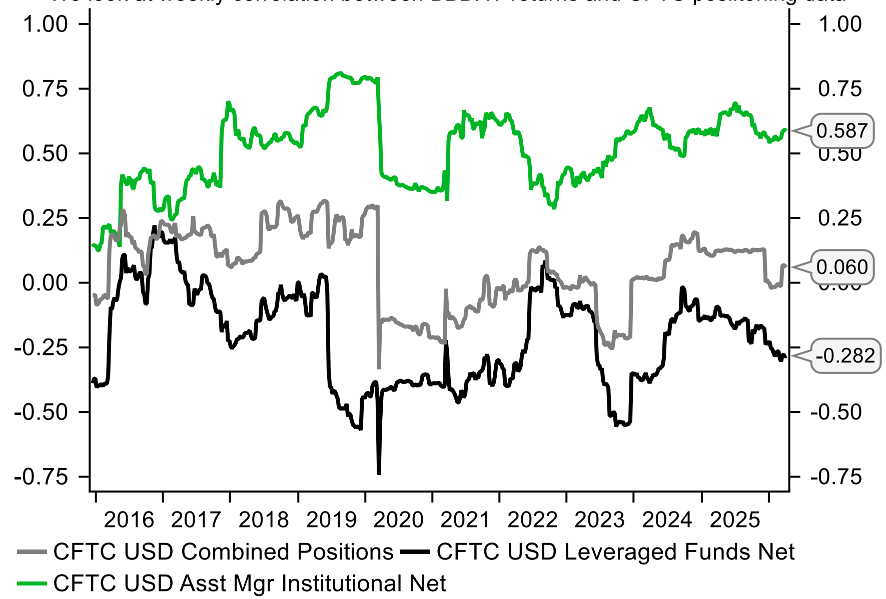
We use CFTC's asset mngr, leverage funds, and other reportable net positions



Source: Bloomberg, TD Securities

USD moves correlate with asset manager positioning

We look at weekly correlation between BBDXY returns and CFTC posiitoning data



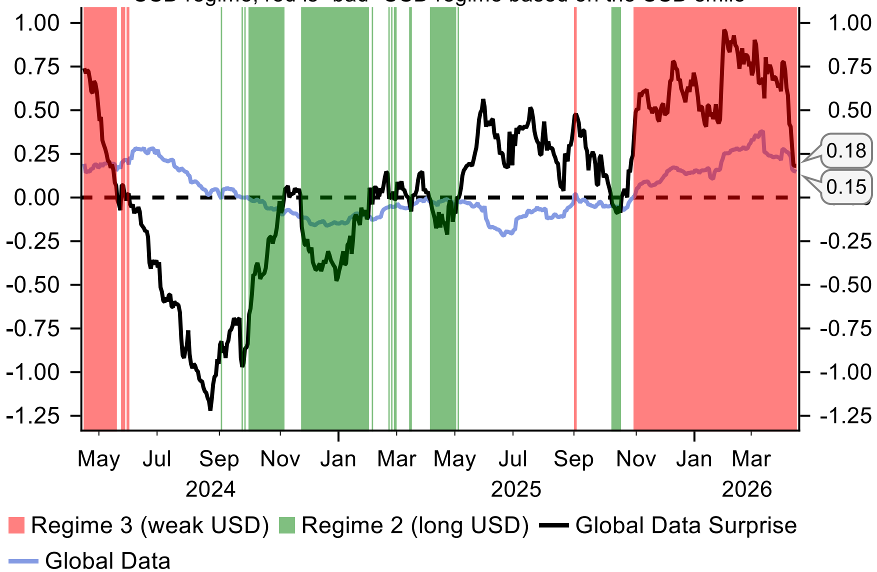
Source: Bloomberg, TD Securities

- USD bearishness is no longer consensus after the recent bout of positioning correction. With the exception of AUD and BRL, positioning in most currencies does not look stretched anymore, offering better levels to buy the dips in those.
- Given the different investment horizons of the various players in FX, a bearish USD view can be expressed against various currency blocks and structures, despite positioning appearing "crowded" at times.

Global growth dynamics – Global growth regime is key for the next USD cycle

Risk On? Growth is holding up better than expected.

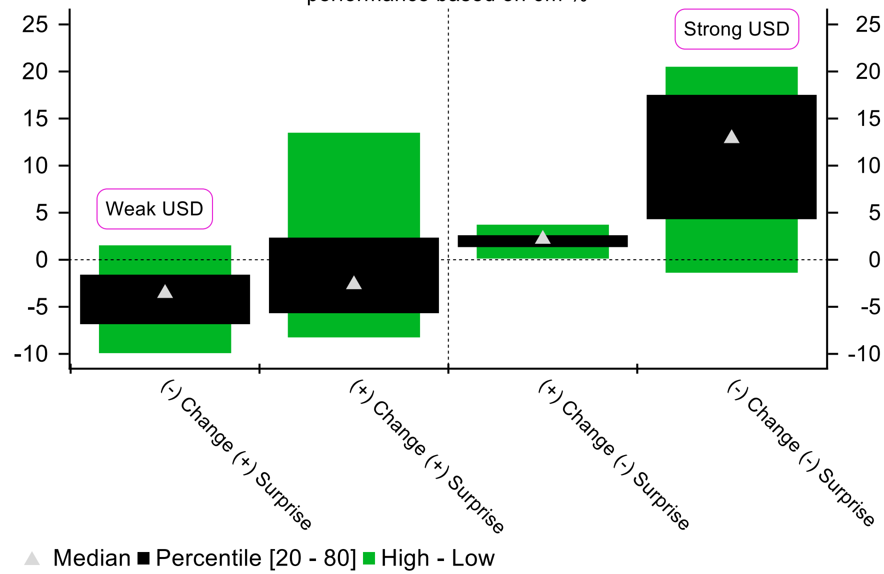
Global data and surprise indicators adjusted with a z-score | green underscores "good" USD regime; red is "bad" USD regime based on the USD smile



Source: Macrobond, TD Securities

USD performance through data regimes

We track regimes using global data trends (changes) and surprise indicators | BDXY performance based on 6m %



Source: Bloomberg, Macrobond, TD Securities

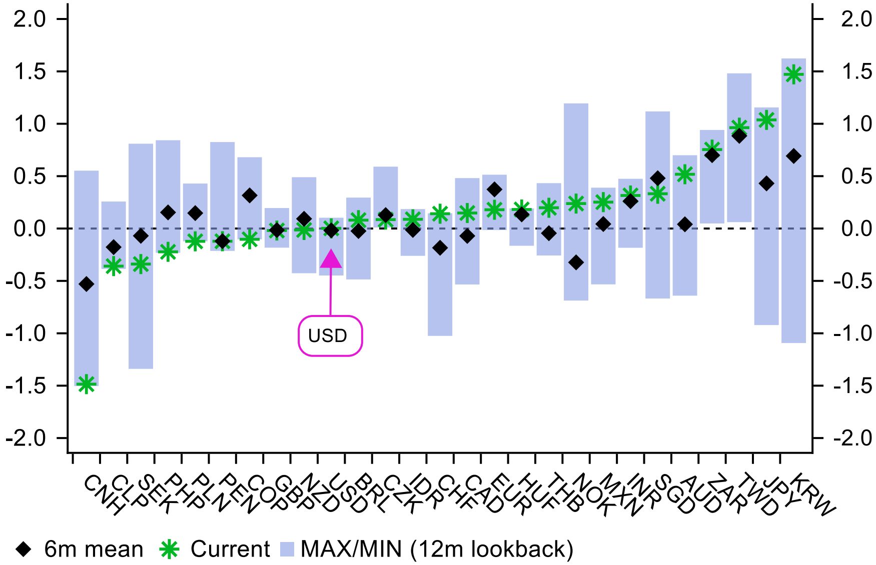
- The first chart maps out the global growth regime, using global data trends and surprises. When both are negative (economic risk off), it feeds into a strong USD backdrop. Global data surprises are moderating yet still positive, and trends have been gradually improving. Second chart shows weak USD performance in that zone.

- If the global backdrop (outside the US) can survive the conflict relatively unscathed, we will likely remain in a weaker USD regime.

Resilience does not equal Exceptionalism – Any US growth pickup will likely fall short of peak

Global growth data strength

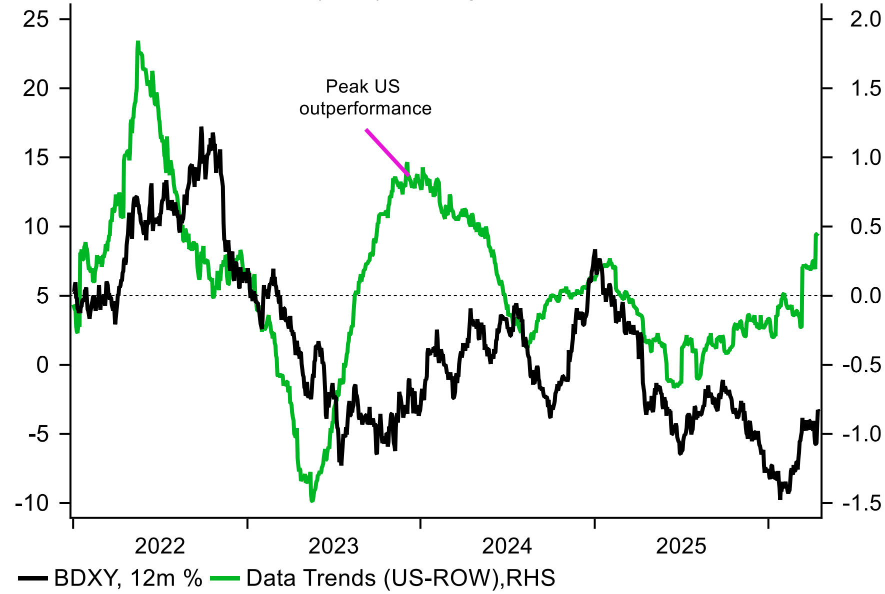
Data indicator tracks economic data relative to trend | Current > 6mma implies momentum (and vice versa)



Source: Macrobond, TD Securities

Sustainable USD strength needs peak US exceptionalism again

Rest of World (ROW) is average of China and Eurozone



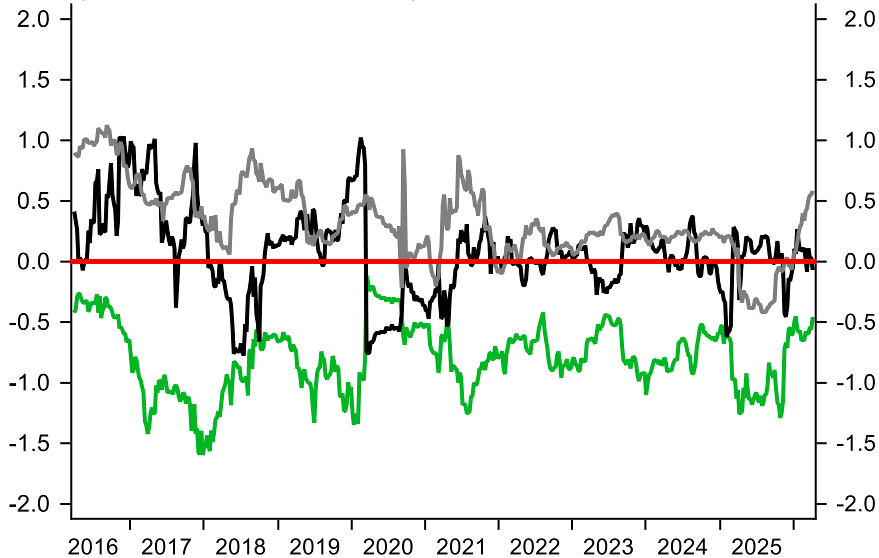
Source: Bloomberg, TD Securities

- The US economy can prove to be resilient, but unless it goes back to levels of peak exceptionalism where the gap with the rest of the world becomes very wide, we are unlikely to see any sustained USD rallies.
- We see less scope for a 2022-style USD surge because of several key differences. US growth is no longer above potential, the labor market is not as tight, and the Fed bias is no longer to hike—which is unlikely to unleash a chase for carry.

Resilience does not equal Exceptionalism – Any US growth pickup will likely fall short of peak

Broad USD performance hinges on RoW equities more than US

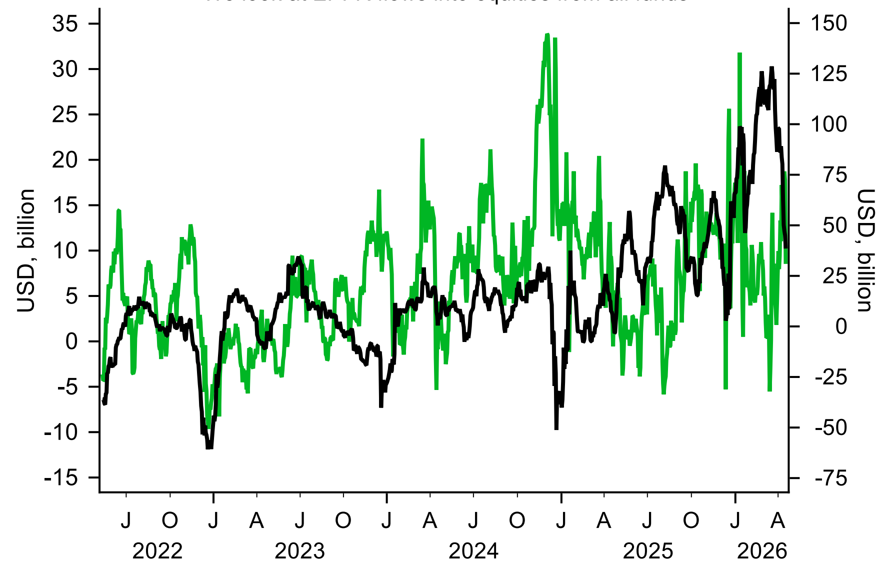
We regress broad USD on US equiites, global-ex US equities, rate differentials, VIX, oil



Source: Bloomberg, Macrobond, TD Securities

Can the US continue to see equity inflows beyond the conflict?

We look at EPFR flows into equities from all funds



Source: EPFR, Macrobond, TD Securities

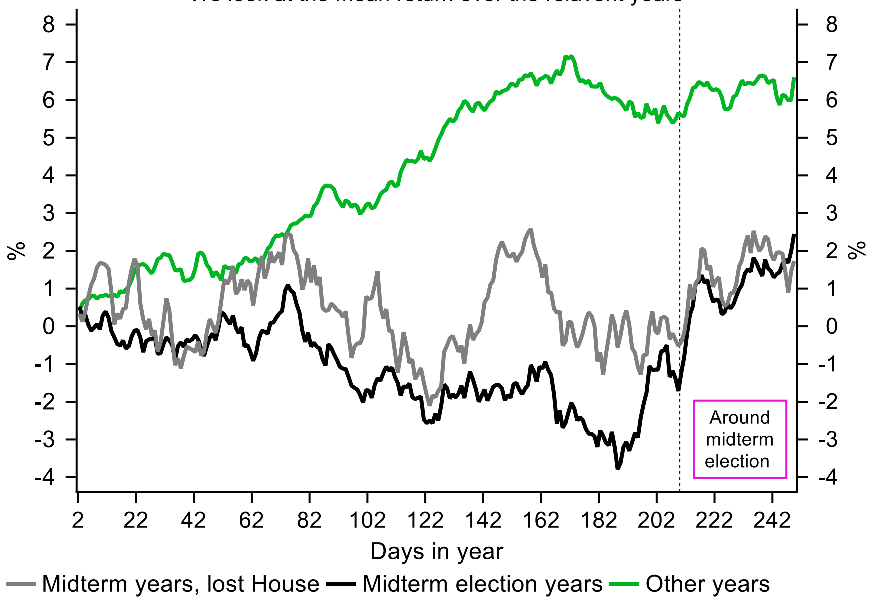
- Our analysis shows that in a resilient growth environment without clear US exceptionalism, any boost to the USD from US equites is dwarfed by the boost to RoW equities from a positive risk sentiment channel. That would fit with our core bearish bias for the dollar in 2026.

- The second chart looks at timelier EPFR data on equity flows into and out of US compared to the ROW. It shows a correction in flows into the RoW vs US due to the conflict. A deal will likely reverse this and allow inflows into global equities to continue its trend higher.

Midterm election years bring modest gains – Higher vol and lower gains

S&P 500 averaged YTD returns since 1931

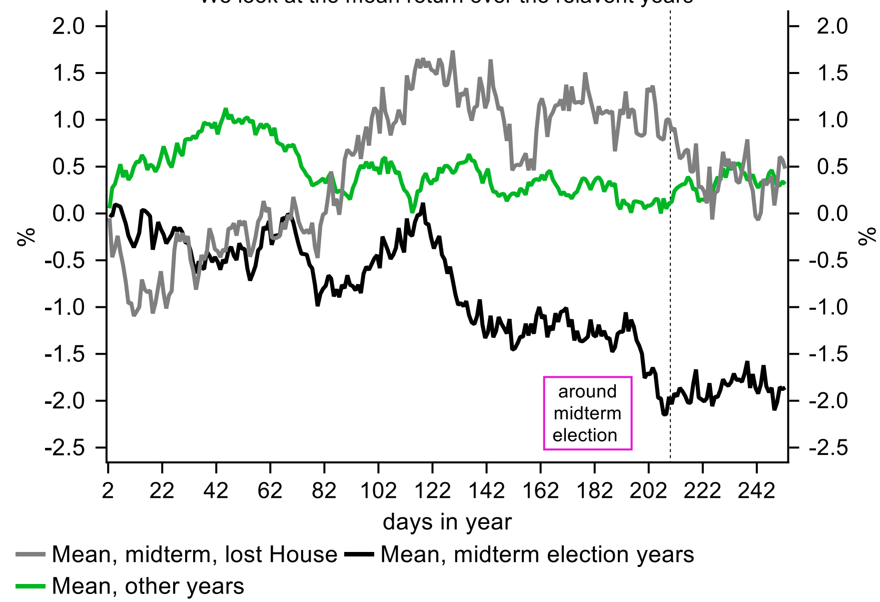
We look at the mean return over the relavent years



Source: Bloomberg, TD Securities

USD NEER averaged YTD returns since 1983

We look at the mean return over the relavent years

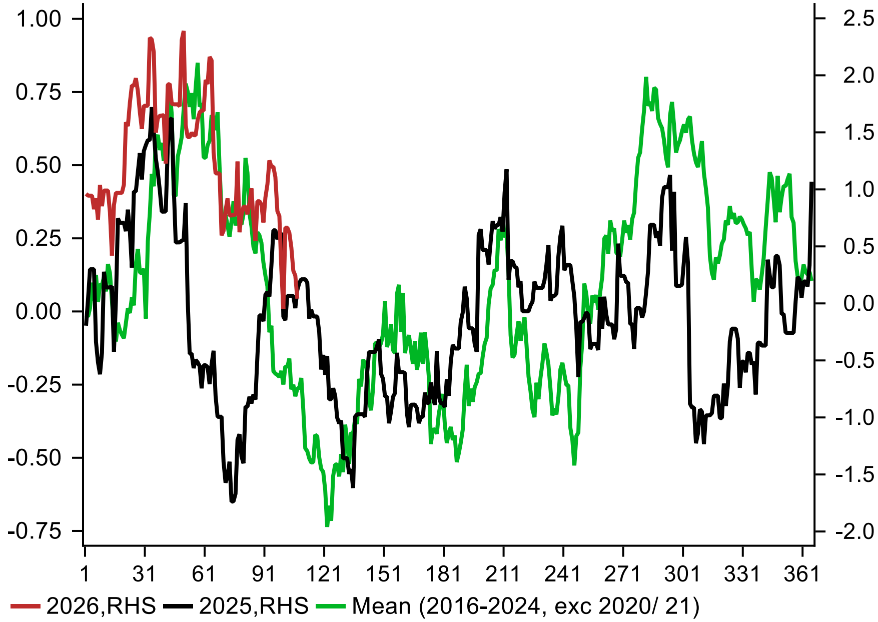


Source: Bloomberg, TD Securities

- Midterm election years historically have delivered more lackluster equity gains in the US with greater volatility. The USD also tends to see a short spike in volatility around midterm elections and generally weaker returns heading into them.
- The economy tends to rank high among the key issues motivating midterm voters at the ballot box. A jobless expansion, in which GDP increases but job gains are modest at best, is also a challenging macroeconomic backdrop for the incumbent president's party.

You need US data pivot in Q2 for a low yielder boost – EM Asia most economically exposed

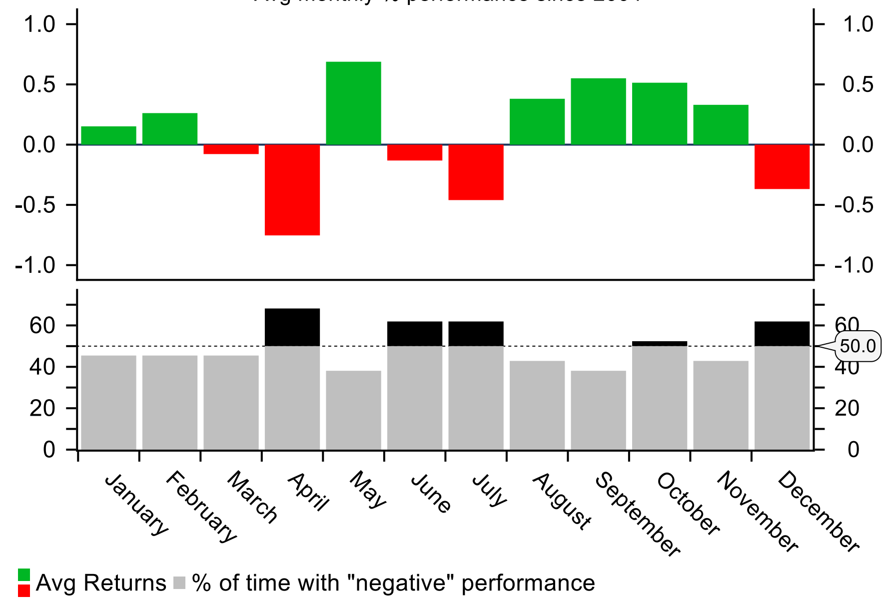
US economic data surprises tend to be weak in Q2



Source: Bloomberg, Macrobond, TD Securities

The USD tends to be weak in Q2

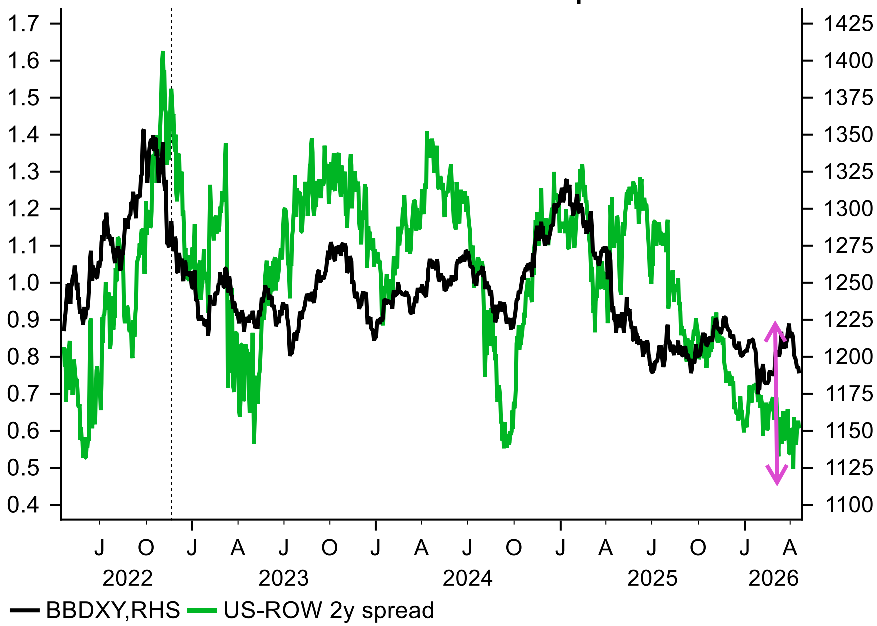
Avg monthly % performance since 2004



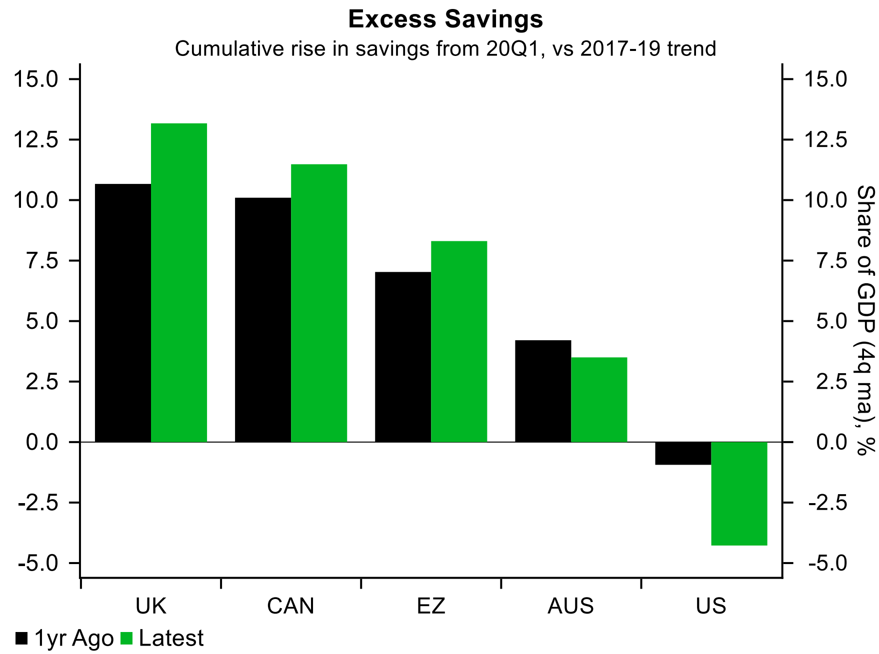
Source: Bloomberg, TD Securities

- So far in April, a declining u-rate back to 4.3% and continuing claims falling to a new low have not helped USD bears, but that is typical of US data seasonality strength in Q1. Q2 is where historically US data has started to pivot lower, increasing market expectations of Fed easing. Clarity on the hearing date and guidance of the next Fed Chair should inject some new volatility for the USD and pricing of cuts.
- When focus eventually moves back to market fundamentals and a potential path to Fed easing emerges, G10 low yielders and EM Asia would have more room to eventually catch up against the USD should crude tankers find a new normalcy for safe passage across the Strait of Hormuz.

You need US data pivot in Q2 for a low yielder boost – EM Asia most economically exposed



Source: Bloomberg, Macrobond, TD Securities



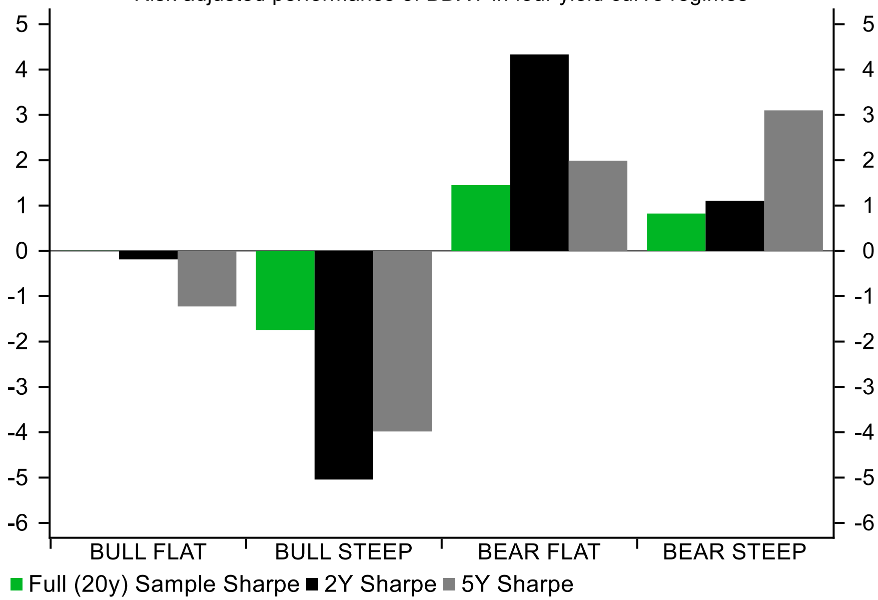
Source: Bloomberg, Macrobond, TD Securities

- We still expect that by Q3 2026 the FOMC will consider resuming its policy drive toward neutral as inflation moderates post-energy price surge. We look for two cuts in 2026 (September and December) and another cut in 2027.
- We see less scope for a 2022 style USD surge. The US economy is now in a starkly different place: monetary/fiscal policy are not overly lax; the labor market is no longer extremely tight; there's no pent-up consumer demand fueled by excess savings, and global supply chains are not under as high a degree of stress. We think this allows the Fed to be more attentive to downside risks to the economy vs its starting position in March 2022.

What's the worst yield curve regime for the USD? – Bull steepening followed by bull flattening

What's the best/worst yield curve regime for the USD?

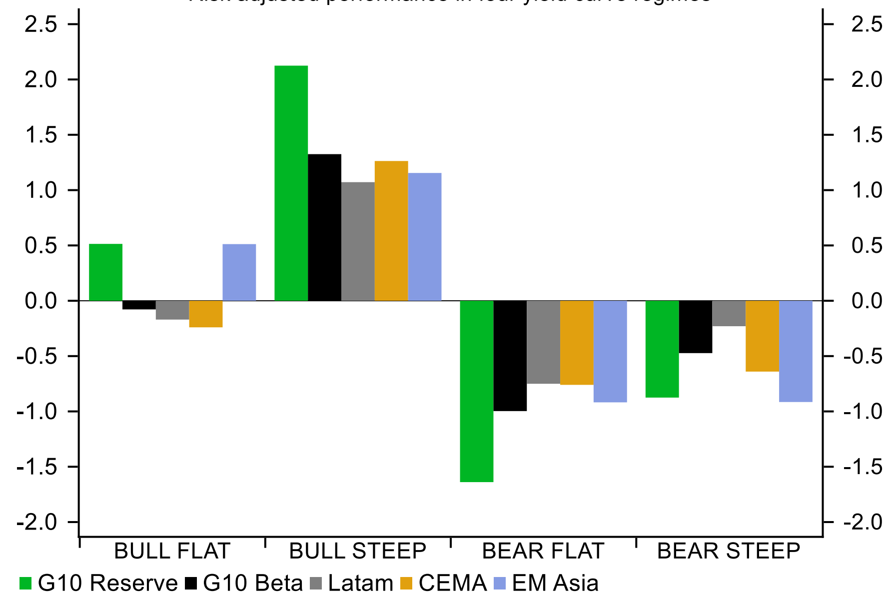
Risk adjusted performance of BDXY in four yield curve regimes



Source: Bloomberg, Macrobond, TD Securities

What's the best/worst yield curve regime for FX thematic baskets?

Risk adjusted performance in four yield curve regimes



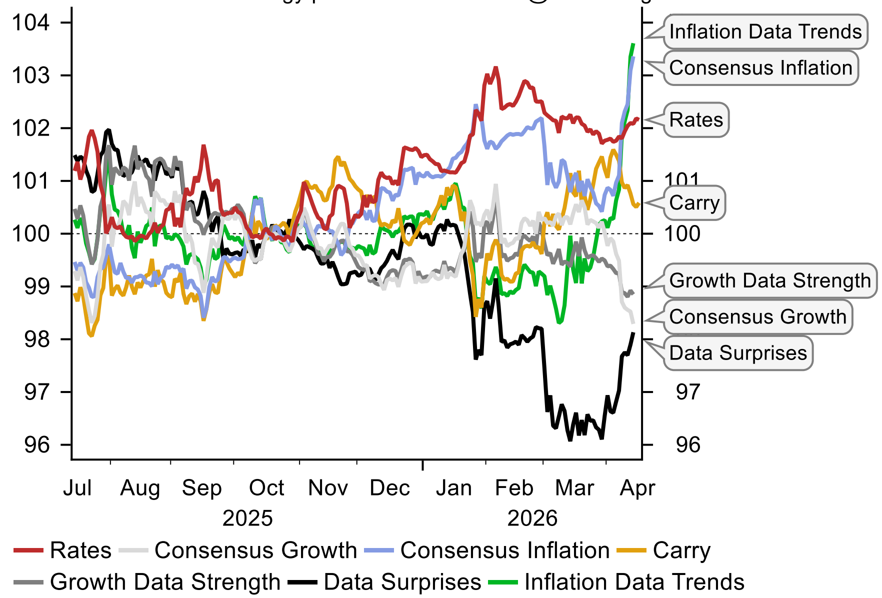
Source: Bloomberg, Macrobond, TD Securities

- We backtested the performance of the USD in different yield curve regimes, and found that a bull steepening regime is the most bearish for the USD.
- We also analyzed the performance of different FX baskets in each of these regimes. In a bull regime, the rate-sensitive currencies in G10 and EM Asia would outperform.

Inflation drivers point higher – Inflation and rates back on the radar in Q2

Alternative factors: Inflation and rates make a comeback

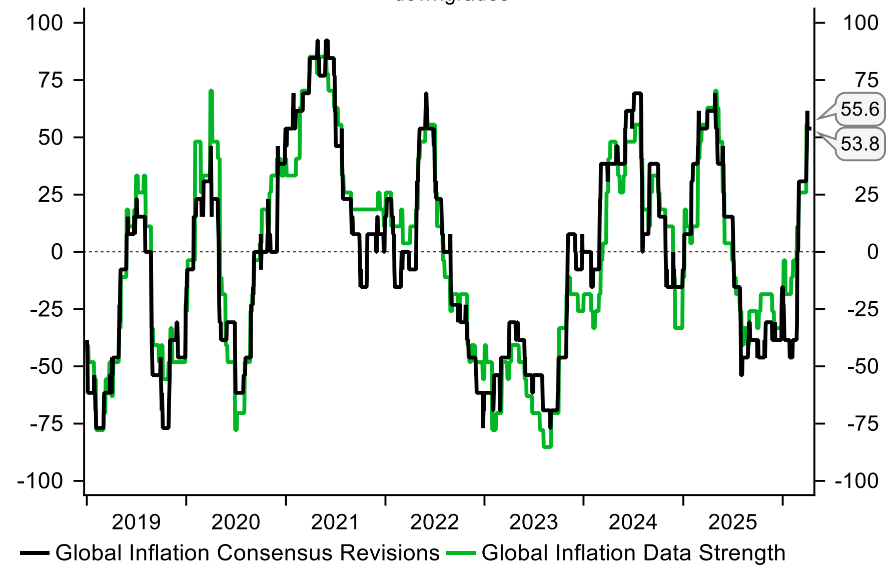
Strategy performance rebased @100 3m ago



Source: Bloomberg, Macrobond, TD Securities

Global inflation data strength pickup reignited some interest

Inflation diffusion indicators track the 3m rate of change of consensus inflation revisions (12m ahead) and inflation data strength across 28 countries | % of countries with upgrades/ downgrades

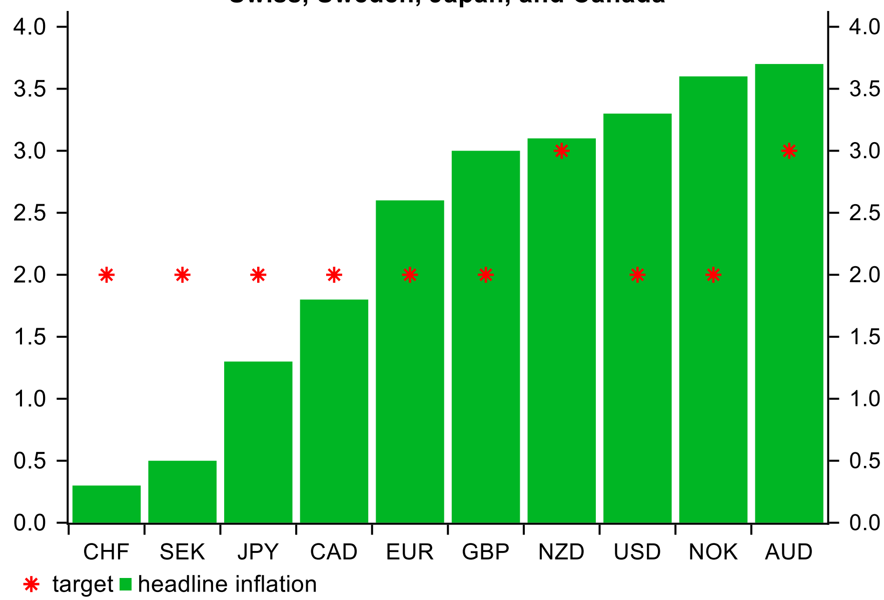


Source: Bloomberg, Macrobond, TD Securities

- Central bank pricing globally has moved to reflect near-term inflation concerns rather than any growth shocks or potential demand destruction from an extended conflict. Our inflation strategy has capitalized on cross-country dispersion in market expectations.
- Inflation pickup has been noticeable recently due to the energy price shock and led to a hawkish repricing for central bank paths. We expect inflation to remain more important than growth in driving rates and FX in Q2.

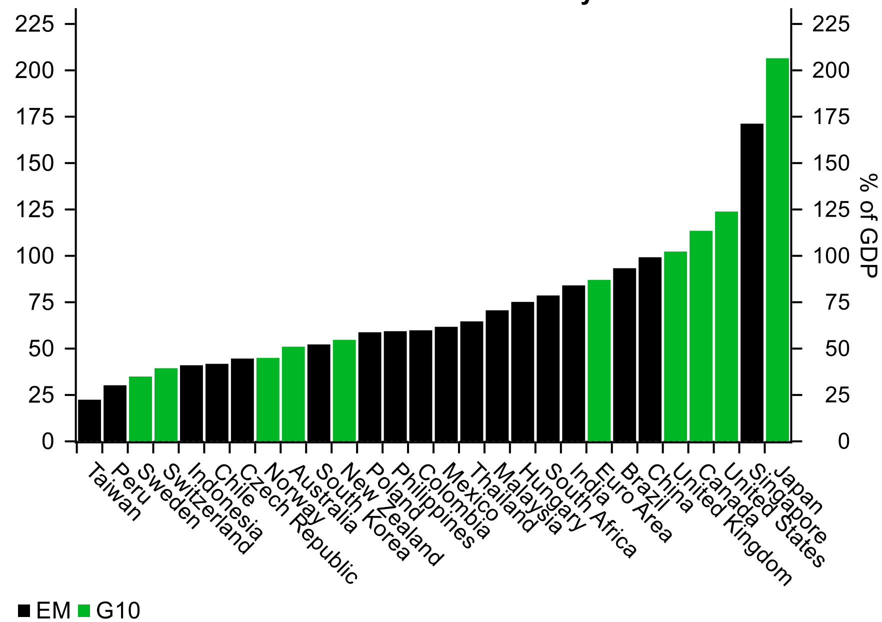
The fiscal tap is broken – Fiscal deficits are no longer an EM-only problem

Inflation above target in most G10 with the exception of Swiss, Sweden, Japan, and Canada



Source: Bloomberg, TD Securities

Government debt as far as the eye can see



Source: Bloomberg, Macrobond, TD Securities

- Inflation above target would weigh on prospects for rate cuts to counteract an economic slowdown from the oil shock. At the same time, lack of fiscal breathing room leaves indebted governments with little ammunition to fight the energy shock.
- The most vulnerable nations are those with the highest government debt and deficits, and with a central bank missing its inflation target. In the developed world, they include most prominently the US and the UK.

The fiscal tap is broken – Fiscal deficits are no longer an EM-only problem

	Budget Deficit (%GDP)	Gross Debt (%GDP)	Current Account (%GDP)	Core CPI (-Inflation Target)	Headline CPI (-Inflation Target)
US	-7.502	125.8	-3.55	1.0	0.8
New Zealand	-3.918	56.7	-3.70	-0.5	0.1
UK	-3.905	103.6	-2.42	1.2	1.0
Eurozone	-3.317	87.8	1.73	0.4	-0.1
Canada	-2.672	110.7	-0.94	0.3	-0.2
Australia	-2.434	50.6	-2.60	0.4	0.2
Sweden	-2.418	36.7	6.09	-0.6	-1.5
Japan	-2.045	204.4	4.86	-0.4	-0.7
Switzerland	0.218	38.5	7.11	-1.6	-1.9
Norway	10.165	42.9	14.07	1.0	0.7

Source: Bloomberg, TD Securities

- While a global unraveling and coordinated bond selloff is not very likely, we are mindful of heightened sensitivity of G10 FX to fiscal concerns and headlines which could dominate short-term price action here and there along the way, akin to EM FX.
- We expect JPY, GBP, LatAm and even the USD to witness periods of underperformance around fiscal and electoral headlines, even if short-lived in an environment of buoyant growth and broad USD weakness. Tactical RV can call for longs in CHF, NOK, SEK on healthy fiscal/debt dynamics and surpluses in external positions.

Highway to the New Regime – Which factors matter for currencies

Macro Ranking Scorecard Correlation Analysis
(15m sample of daily returns)

	G10	LatAm	EM Asia	CEMA	BBDXY
Carry	0.07	0.59	-0.02	0.15	-0.04
Equity	0.3	0.29	0.18	0.32	-0.27
Growth	-0.77	-0.54	-0.52	-0.78	0.8
Tactical Value	-0.37	-0.06	-0.23	-0.27	0.35
Value	0.97	0.64	0.79	0.88	-0.94
Positioning	0.21	0.16	0.15	0.22	-0.19
Rates	0.22	0.18	0.09	0.22	-0.21
Risk	0.02	0.09	0.01	-0.03	0.01
Terms of Trade	-0.04	0.07	0.01	0.01	0.05
G10 Inflation	0.2	0.12	0.08	0.12	-0.18

Source: TD Securities

- We expect Q2 to be dominated by a focus on inflation and relative rates sprinkled with some attention to terms of trade. In H2, we expect focus to pivot towards relative equity performance and value as a path opens for the Fed to ease interest rates, allowing the low yielders to play catch-up.
- For the USD, risk-off by itself in no longer powerful enough for sustained strength. In fact, rallies have tended to coincide with periods of US growth outperformance versus the rest of the world, which have not been as frequent.

Highway to the New Regime – Factor ranking for G10

G10 sensitivity to global commodities

	Agriculture	Energy	Industrial Metal	Precious Metal
CAD	0.169	0.081	0.321	0.307
GBP	0.089	-0.064	0.315	0.298
EUR	0.082	-0.102	0.274	0.283
CHF	0.060	-0.147	0.207	0.262
NOK	0.178	0.208	0.396	0.341
SEK	0.105	-0.053	0.330	0.323
JPY	0.039	-0.146	0.174	0.192
AUD	0.158	0.042	0.459	0.371
NZD	0.125	-0.037	0.386	0.316

Source: Bloomberg, TD Securities

G10 sensitivity to equity market performance

	MSCI World ex-US	MSCI US
CAD	0.336	0.342
AUD	0.485	0.403
NZD	0.434	0.312
EUR	0.350	0.139
CHF	0.156	-0.090
NOK	0.487	0.252
SEK	0.440	0.185
GBP	0.452	0.297
JPY	0.213	-0.134

Source: Bloomberg, TD Securities

- Currencies such as NOK , AUD and CAD with a positive link to higher energy prices should see support as oil prices could stay volatile and only see partial retracement. Risk premia in commodities is likely to evaporate only gradually, and needs to account for the destruction to infrastructure.
- FX for oil importers in Asia should have more room to catch up after a durable reopening for the Strait of Hormuz, but it will likely take longer for low-yielding currencies in Asia to recoup losses against the USD from the Iran shock. We look for that in H2.

Factor ranking for EMFX – From terms of trade in Q2 to equity valuations in H2

EMs sensitivity to global commodities

	Agriculture	Energy	Industrial Metal	Precious Metal
BRL	0.237	0.070	0.303	0.215
MXN	0.080	0.005	0.236	0.200
CLP	0.098	-0.107	0.397	0.307
COP	0.124	0.064	0.270	0.209
PEN	0.046	-0.144	0.257	0.229
CHN	0.089	-0.053	0.312	0.177
INR	0.016	-0.064	0.073	0.074
IDR	0.083	-0.060	0.165	0.109
PHP	0.011	-0.151	0.125	0.120
THB	0.098	-0.110	0.316	0.472
SGD	0.115	-0.126	0.363	0.333
KRW	0.127	-0.146	0.288	0.199
TWD	0.062	-0.056	0.167	0.125
PLN	0.091	-0.110	0.288	0.290
HUF	0.053	-0.152	0.237	0.244
CZK	0.077	-0.104	0.268	0.284
ZAR	0.113	-0.050	0.433	0.384

Source: Bloomberg, TD Securities

EM sensitivity to equity market performance

	MSCI World ex-US	MSCI US
BRL	0.438	0.389
MXN	0.418	0.382
PEN	0.455	0.277
COP	0.442	0.230
CLP	0.480	0.244
CZK	0.558	0.302
HUF	0.527	0.289
PLN	0.546	0.314
CNH	0.484	0.249
INR	0.379	0.222
IDR	0.536	0.414
PHP	0.348	0.309
THB	0.559	0.330
SGD	0.631	0.391
KRW	0.522	0.381
TWD	0.504	0.334
ZAR	0.560	0.430

Source: Bloomberg, TD Securities

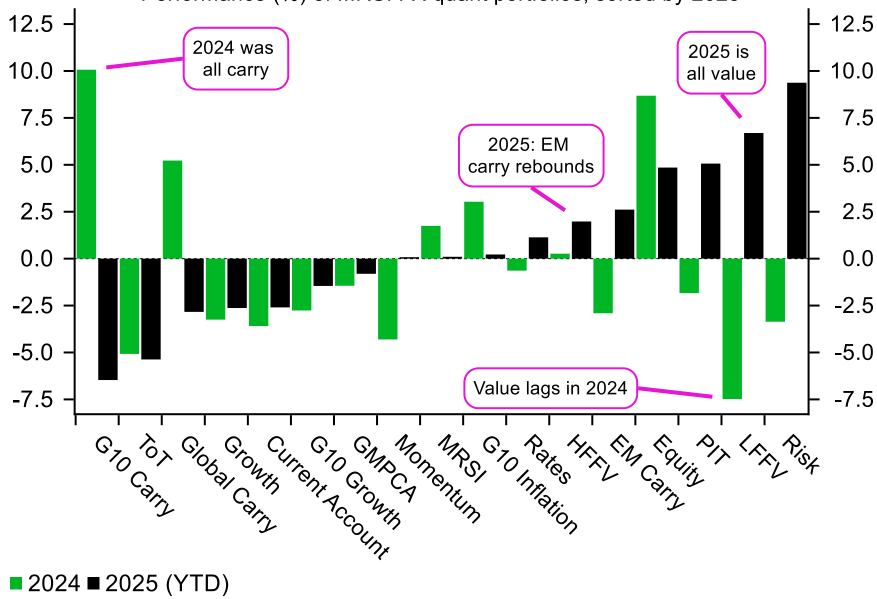
- In Q2, you will likely see oil price retracement to a new higher level. Countries exposed to improving sentiment on global ex-US macro backdrop which are exporters of energy and critical minerals can see continued resilience in this quarter. Those include mainly BRL, ZAR and CLP.

- However, in H2, terms of trade as a factor will likely lag the likes of risk, equity momentum and valuations in explaining EMFX returns, which is why we think that Asia FX should not be neglected.

Value rotation has more room to run – Value and carry don't go hand-in-hand

2025 was a unique year of both carry and value at separate times

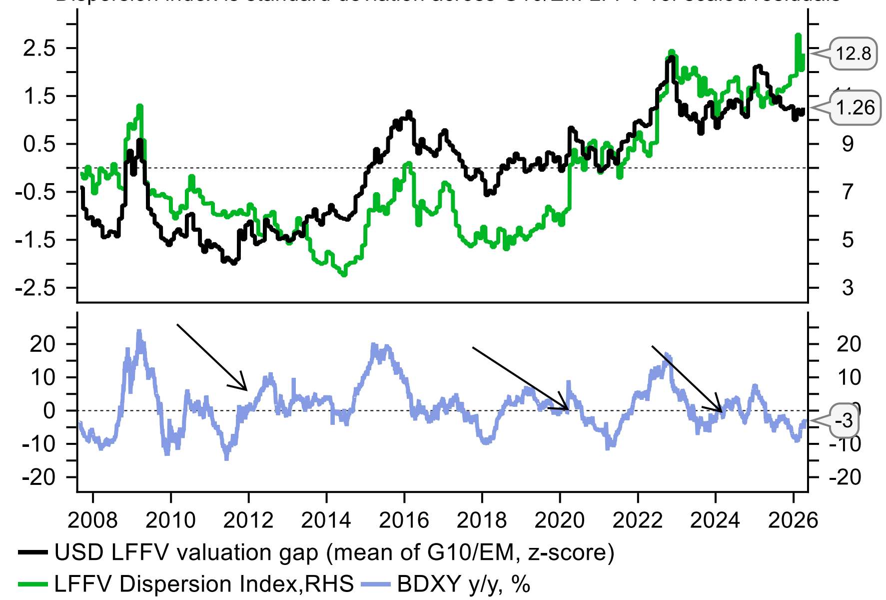
Performance (%) of MRSI FX quant portfolios, sorted by 2025



Source: Bloomberg, Macrobond, TD Securities

USD peaks tend to align with extreme LFFV signals

Dispersion index is standard deviation across G10/EM LFFV vol-scaled residuals



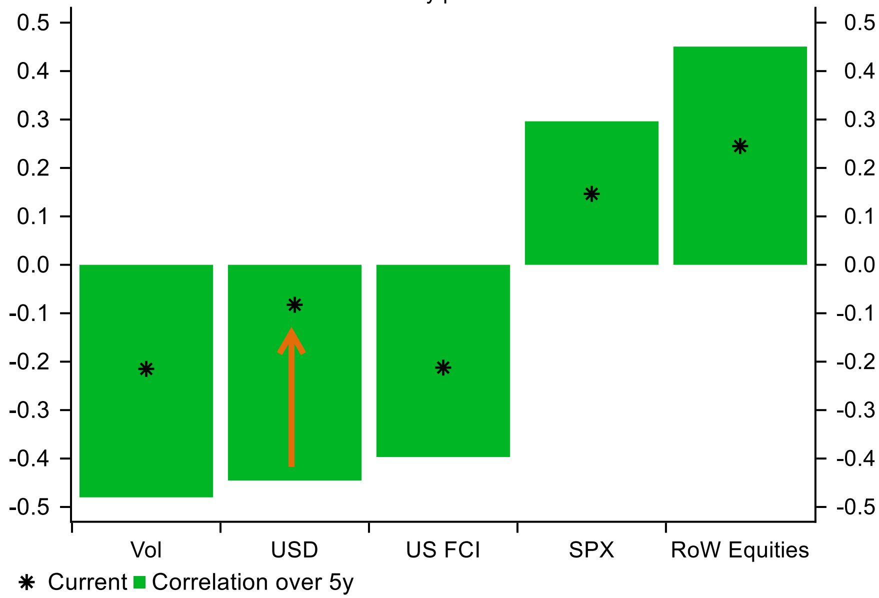
Source: Bloomberg, Macrobond, TD Securities

- We have seen a tug of war between carry and value in 2025 with both working over different pockets of time. In Q2, partner carry with equity outperformance, and cheap positioning where possible.
- The bigger they are, the harder they fall - USD peaks tend to align with extreme LFFV mis-valuation signals. The USD's decline has moderated how expensive it appears. The correction still has room to run but with the caveat that the next leg lower in the USD will likely be vs low-yielders in G10 and EM Asia in H2.

Value rotation has more room to run – Value and carry don't go hand-in-hand

EM carry can work even with USD strength if growth holds up

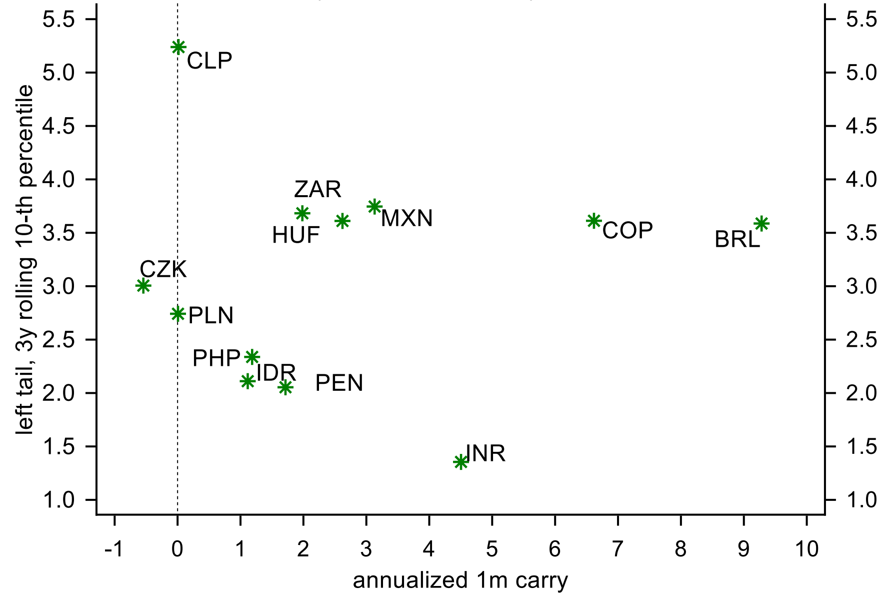
We look at the correlation of EM carry performance to different macro factors



Source: Bloomberg, Macrobond, TD Securities

EM Carry: Mind the left-tail risk

Carry vs. left tail of monthly returns



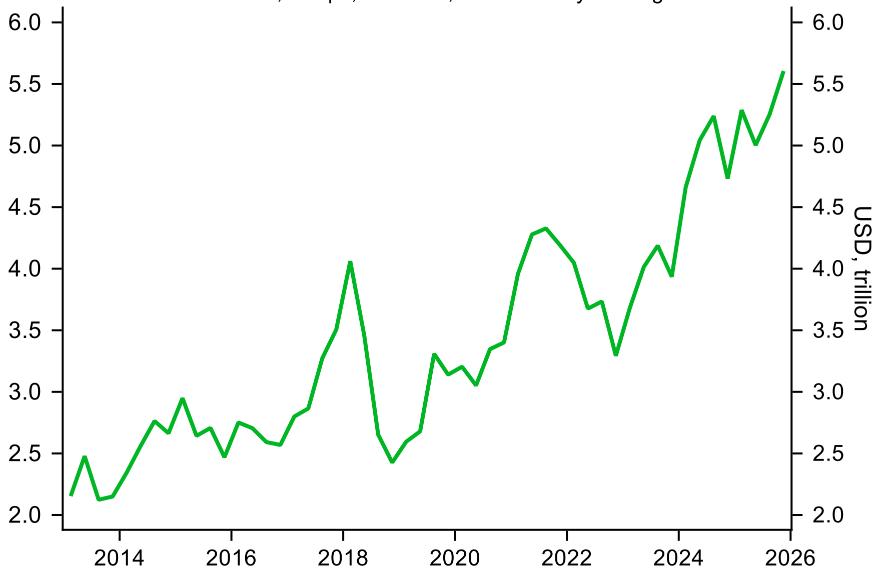
Source: Bloomberg, TD Securities

- A USD rebound in case of a pickup in US data is not necessarily bad for EM carry if the global growth outlook is holding up and in a risk-on environment.
- However, EM carry in 2026 is rife with risks as compressed yields provide little insulation against any vol shocks, especially with the LatAm calendar full of electoral risks.

Value rotation has more room to run – Value and carry don't go hand-in-hand

There is still carry unwind left to play out in FX

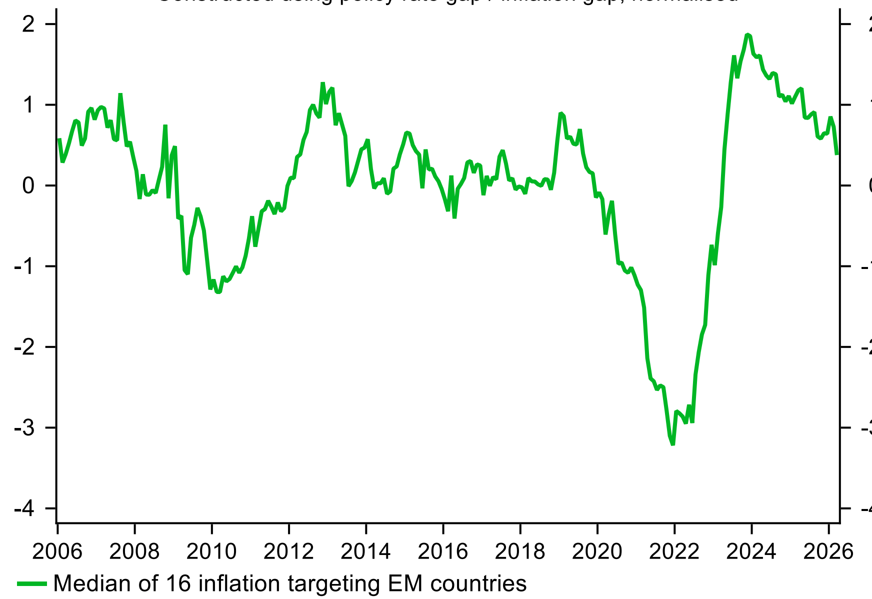
Qualifying Hedge Fund Gross Notional Exposure to FX - Includes foreign currency futures, swaps, forwards, and currency holdings



Source: OFR - Office of Financial Research, Macrobond, TD Securities

EM central bank hawkishness index

Constructed using policy rate gap / inflation gap, normalised

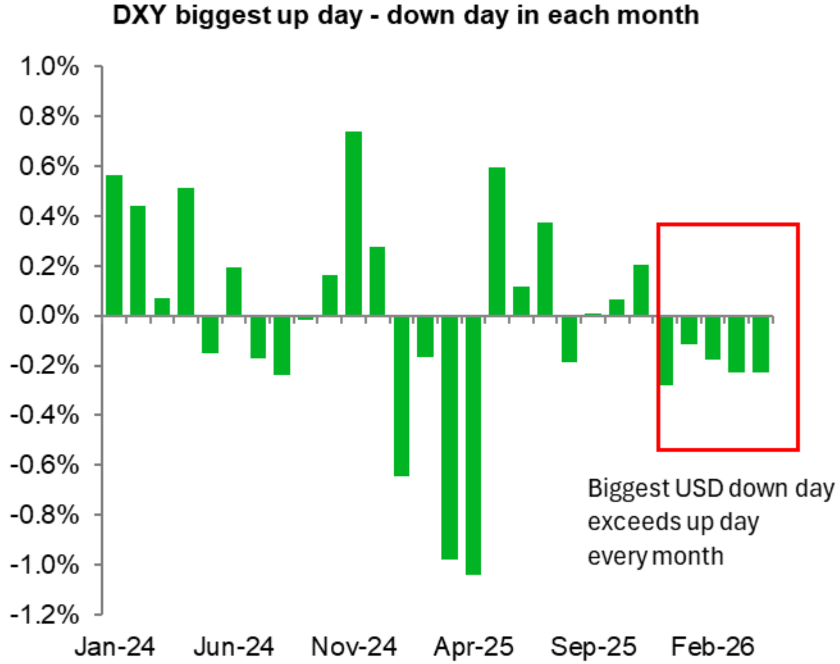


Source: Bloomberg, TD Securities

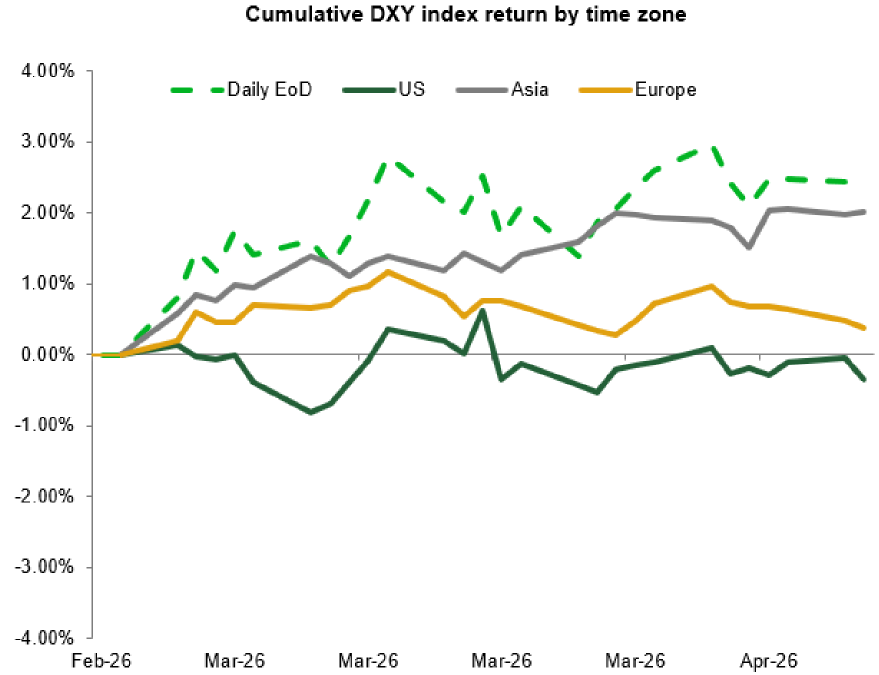
- The EM carry trade regained popularity in 2025 but fell shy of its erstwhile appeal as relative EM central bank hawkishness and divergence continue to decline.
- The LatAm EM high yielders will start to face local risks towards the middle of the year with higher volatility reducing the carry appeal. Passive carry is unlikely to see sustained gains this year except in selectively timed periods.

Trade Ideas and Idiosyncratic Themes

Theme 1 (Asymmetric USD skew) – USD upside continues to be capped



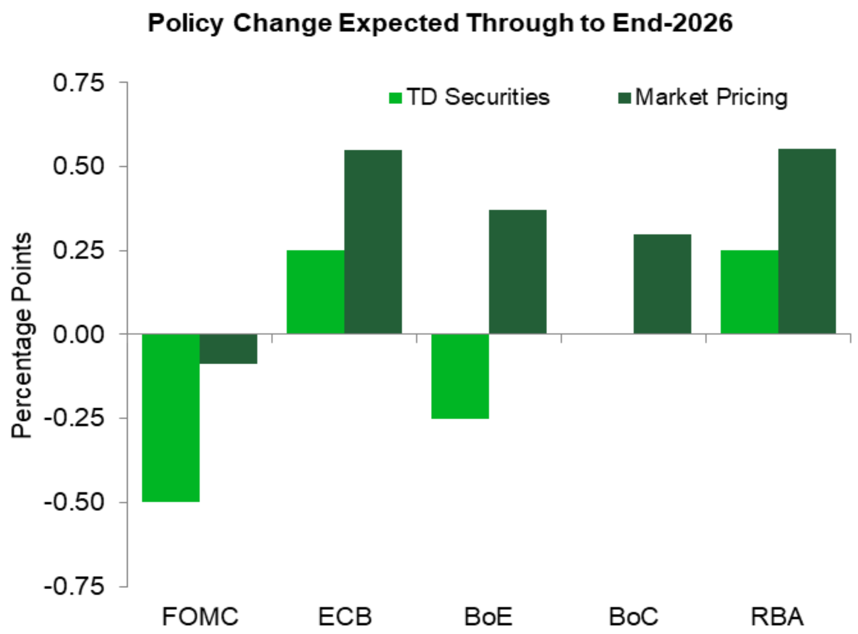
Source: Bloomberg, TD Securities



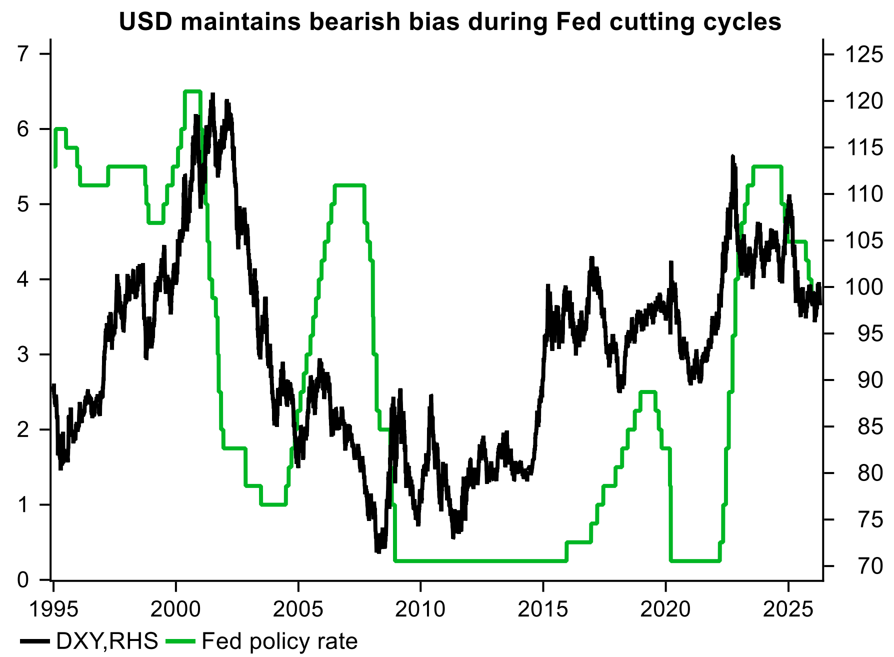
Source: Bloomberg, TD Securities

- Magnitude of USD down days has persistently exceeded USD up days in each month. USD spot price rises in a grind fashion but could fall sharply on bearish catalysts, creating asymmetric skew.
- Cumulative DXY index return since Feb 27 by time zone shows USD rally in March was driven by price action outside of US trading hours (7am-3pm ET). US-based investors were neutral on the USD throughout the Iran shock.

Theme 1 (Asymmetric USD skew) – USD upside continues to be capped



Source: Bloomberg, TD Securities

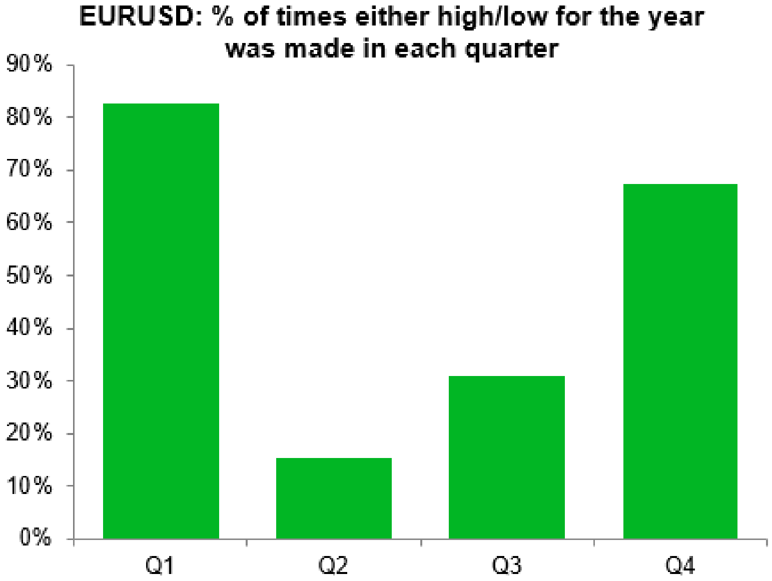


Source: Bloomberg, Macrobond, TD Securities

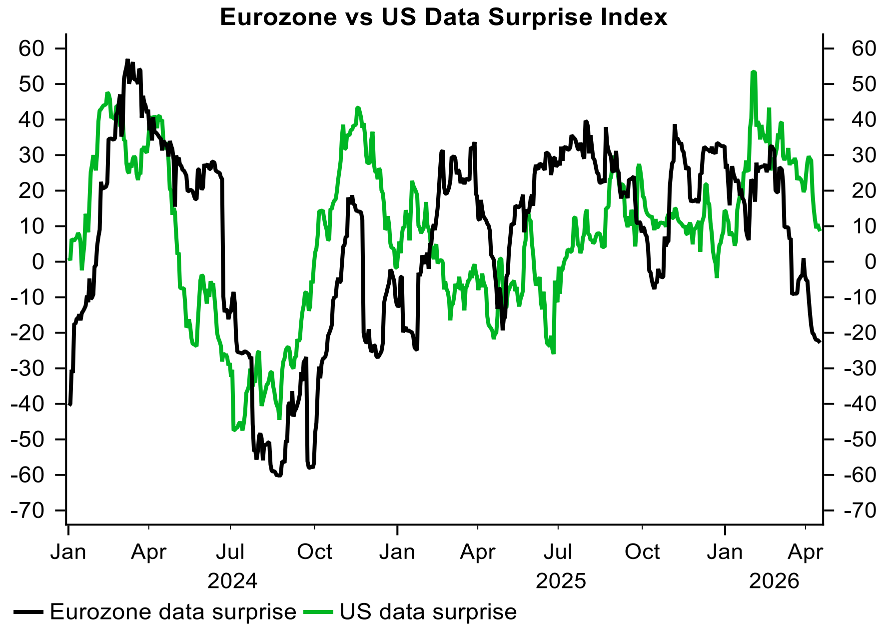
- Central banks' rate paths remain unfavorable for the USD. While risk premium for the Iran shock has largely receded, the rates market still prices the start of a new global rate hiking cycle within a year from now but continues to see the Fed cutting rates in 2026. We also expect the Fed rate cuts to resume in September 2026.

- The USD positively correlates with Fed policy rate at +40% in the long run. It is difficult for the USD to see a prolonged rally when the Fed continues to cut and while rest of the world hikes rates. Our forecast sees the DXY index falling below 95.00 in 2026.

Theme 2 (Buy the dips in EUR) – Fade any near-term EUR weakness



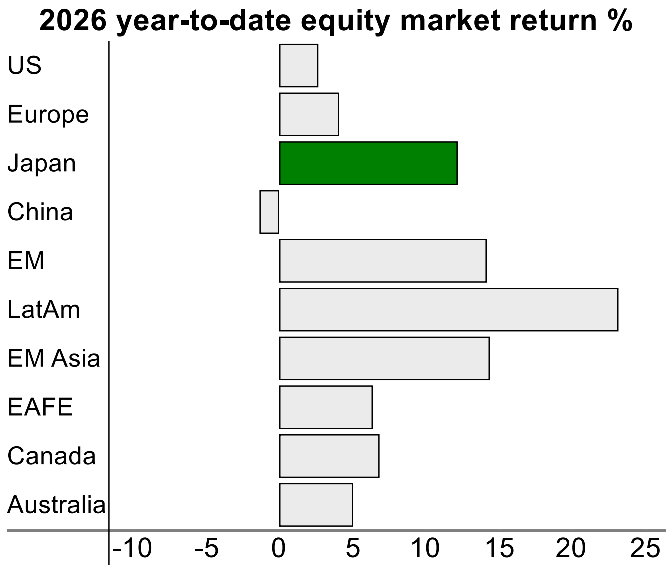
Source: Bloomberg, TD Securities



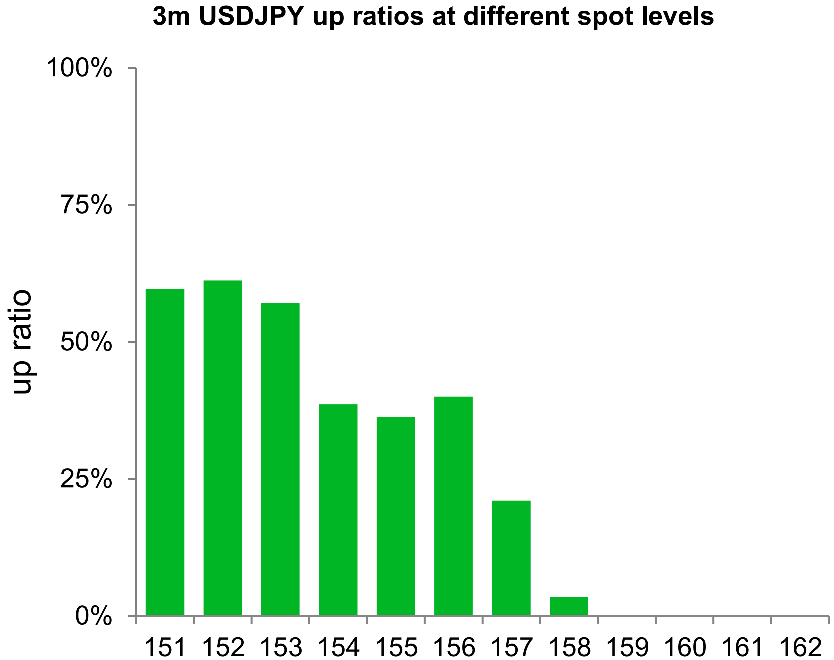
Source: Bloomberg, Macrobond, TD Securities

- EURUSD is a trendy currency pair. The high or low for the year was made in Q1 80% of the time (82% since 1975 and 81% since 1999). The YTD high has been 1.2041 on Jan 27 and YTD low has been 1.1417 on Mar 13 in 2026. We retain a bullish EUR bias for this year.
- Iran shock inflicted more short-term pain for Eurozone than US. Dips in the EUR offer good opportunities to buy. A deal between US-Iran may allow oil prices and ECB hike pricing to come down, temporarily weighing on the EUR and offering better levels to buy around the 1.16-1.17 mark for an eventual reversal of economic and risk sentiment for the EU.

Theme 3 (Intervening JPY) – Picking the right level to own JPY



Source: Macrobond, TD Securities

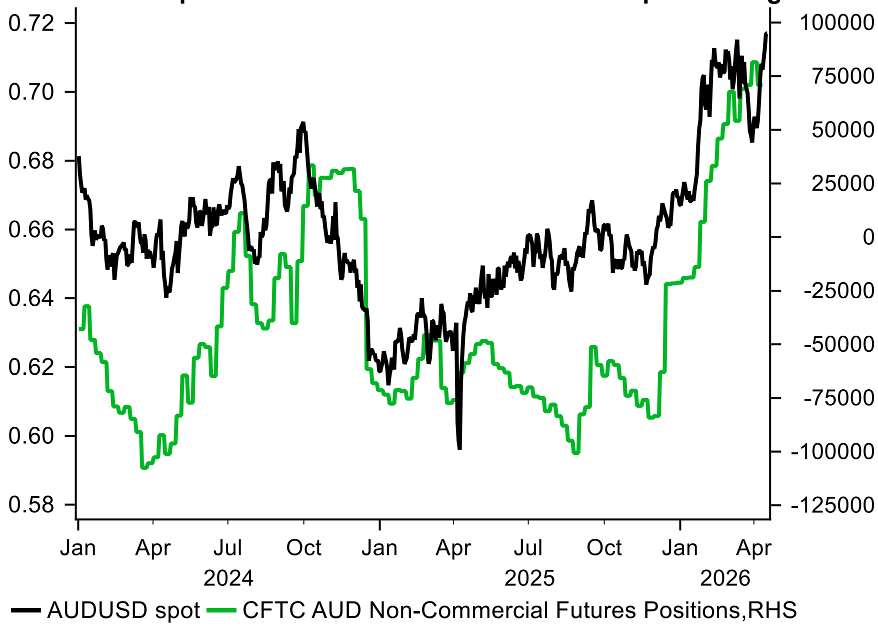


Source: Bloomberg, TD Securities

- Japan's reflation remains in place – Japanese equity is still globally best-performing outside of LatAm, even after the Iran oil shock.
- We are long 3m USDJPY ratio put spread (155/152 strikes) to position for a grind lower in this pair. Intervention threat caps spot upside tail risk for USDJPY. Historical 3m return distribution also shows there is more USDJPY downside than upside when spot reached above 158.

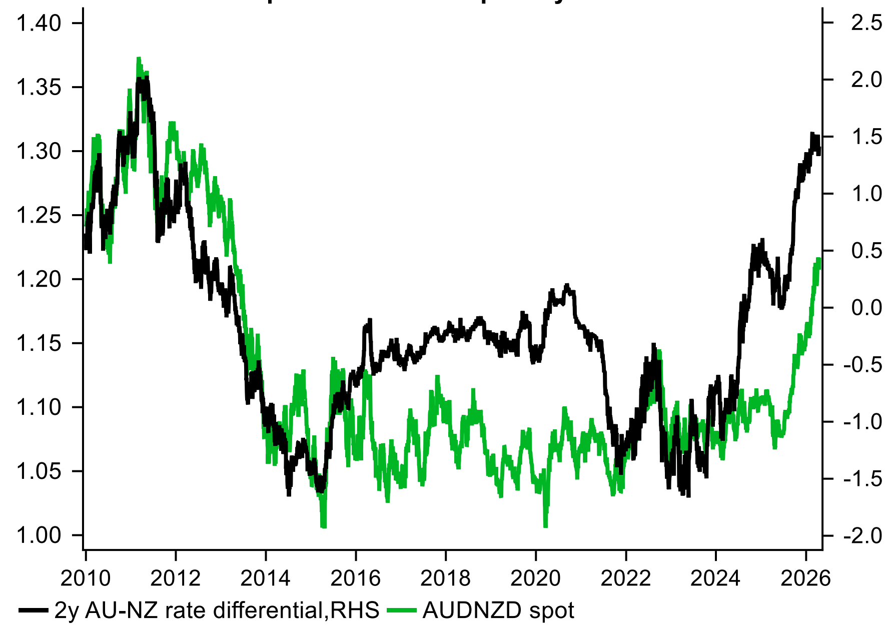
Theme 4 (G10 darling of 2026) – Market buys AUD dips

AUD spot vs CFTC non-commercial futures positioning



Source: Bloomberg, Macrobond, TD Securities

AUDNZD spot remains cheap vs 2y rate differential

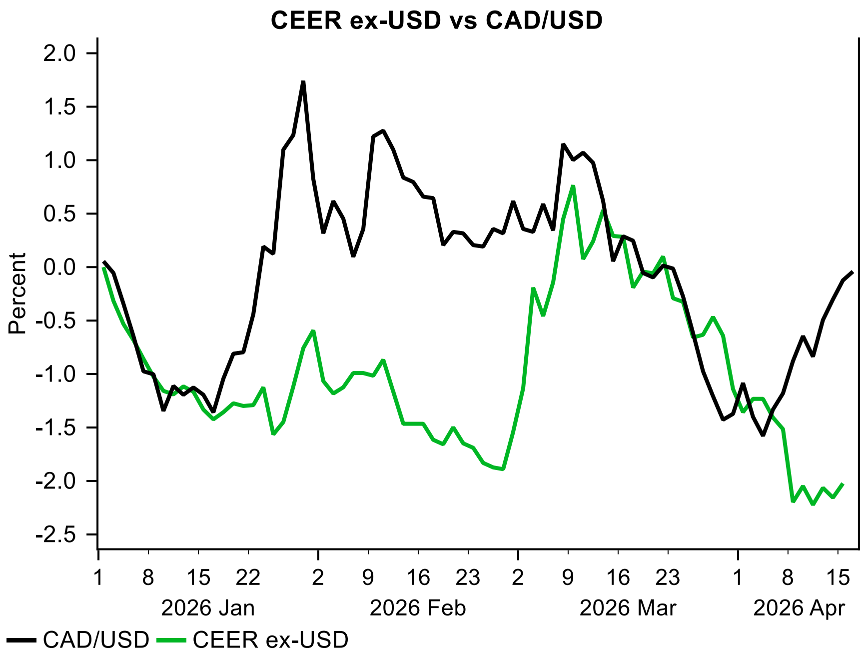


Source: Bloomberg, Macrobond, TD Securities

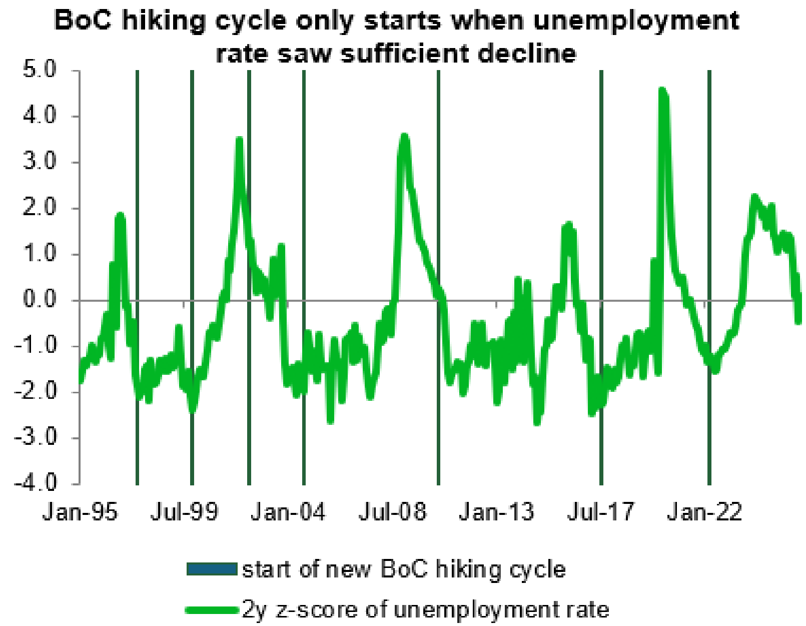
- CFTC futures positioning data suggests investors used the AUD spot dip in March to further increase long positioning. Bullish AUD sentiment for 2026 remains firm. We see room for AUDUSD to rally to 0.73 this year.

- We also stay bullish AUD/NZD and see 1.20 as the new support level. While the most recent RBNZ meeting surprised hawkishly, diverging AU-NZ labor market conditions would suggest the RBNZ is unlikely to out-hike RBA in 2026. NZD has more room to catch up against the USD instead.

Theme 5 (CAD is the long game) – More upside in H2 than H1



Source: Bloomberg, Macrobond, TD Securities

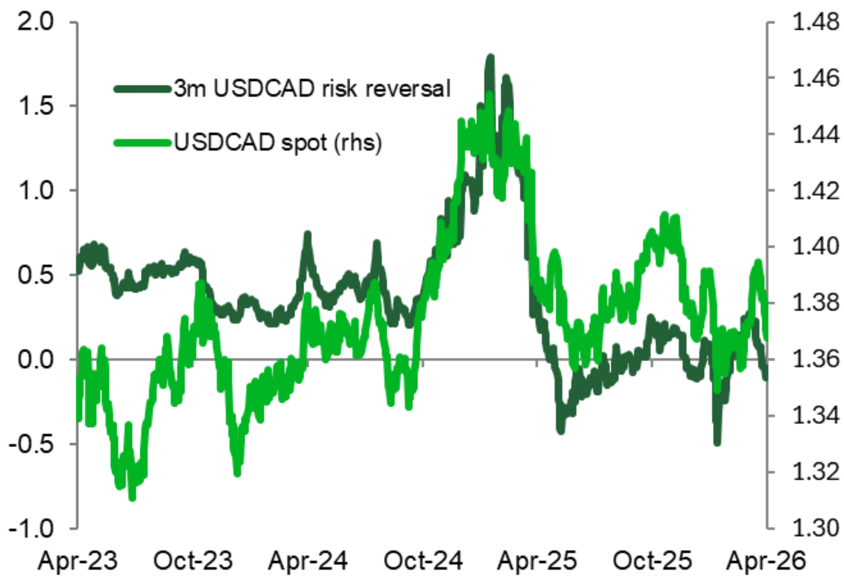


Source: Bloomberg, TD Securities

- CAD underperformed against both the USD and global currencies year-to-date. We believe a weak domestic economy and still-elevated trade uncertainty should continue to weigh on CAD in the second quarter.
- In contrast to current market pricing of BoC rate hikes in 2026, the BoC has always hiked rates only when there was sufficient downward momentum in the unemployment rate. Canada still has the highest unemployment rate among G10 peers. We see the first BoC rate hike more like to take place in 2027.

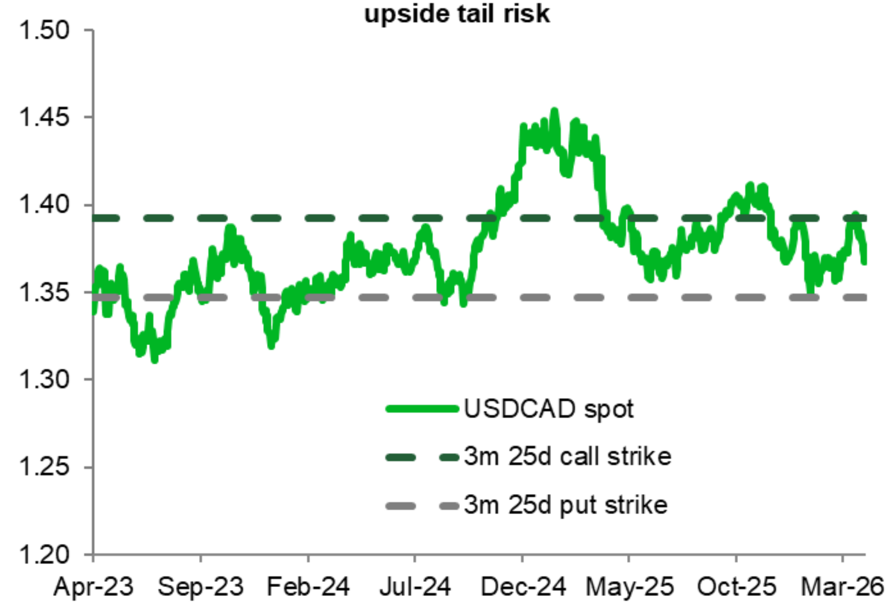
Theme 5 (CAD is the long game) – 3m USDCAD collars attractive as hedges

USDCAD risk reversal is cheap for USD calls



Source: Bloomberg, TD Securities

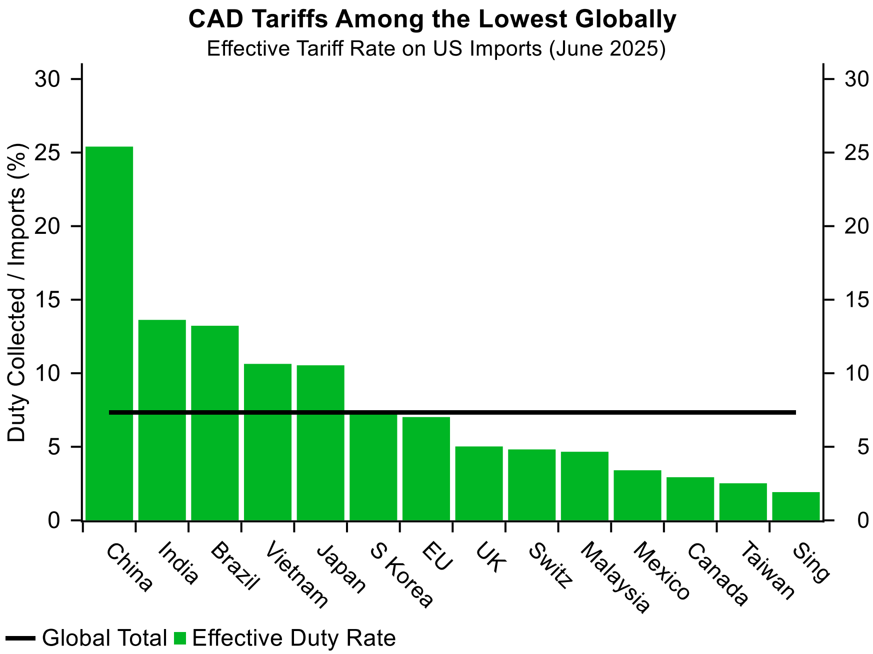
3m zero-cost risk reversal in USDCAD hedges spot upside tail risk



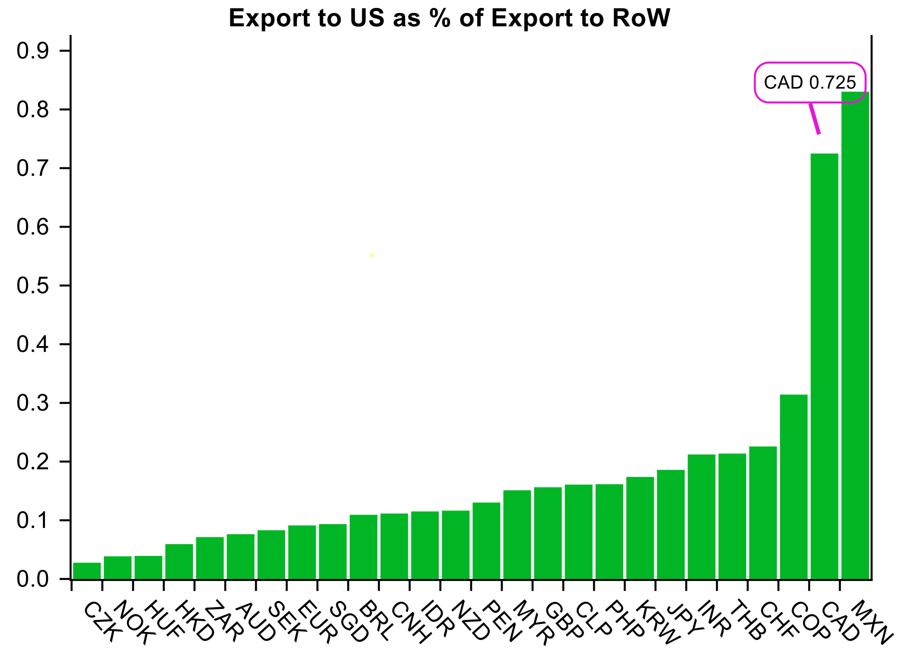
Source: Bloomberg, TD Securities

- 3m USDCAD risk reversal has flipped back to below zero, making USDCAD calls relatively cheaper than puts again. A zero-cost 3m collar would have call strike at 1.39 and put strike below 1.35. We do not expect USD/CAD spot to fall to 1.34 until Q4 2026.
- Owning zero-cost 3m USDCAD collar (buy 3m out-of-money call funded by short out-of-money put) is a cheap and low-risk way to hedge near-term USD spot upside or USMCA negotiation event risks. Over the past two years USDCAD spot traded below 1.35 2% of the time and traded above 1.39 35% of the time.

Theme 5 (Deferred upside for CAD) – Low USDCAD ceiling but "potentially" deeper floor



Source: Bloomberg, Macrobond, TD Securities

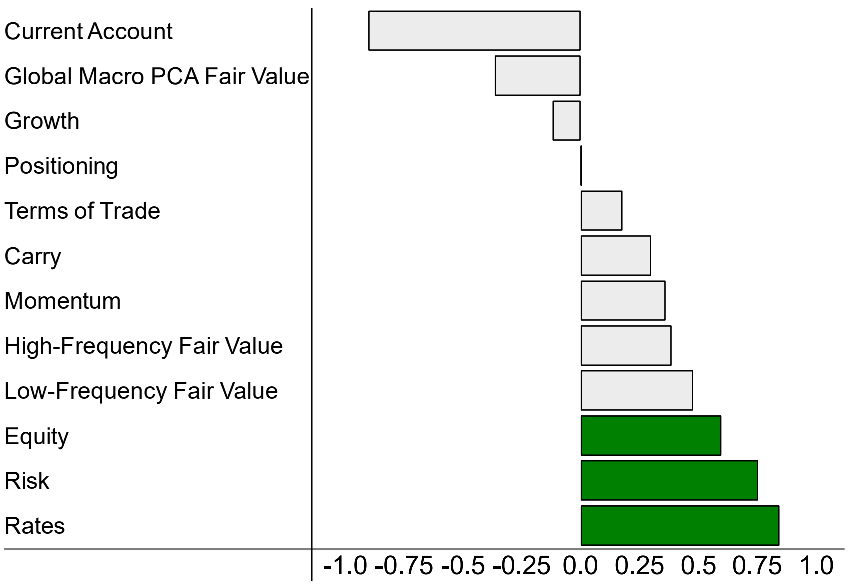


Source: Bloomberg, Macrobond, TD Securities

- USMCA negotiations will be a source of volatility; our base case is for no significant changes in the current trading relationship. We are assuming an impact of ~1.25% on GDP from the uncertainty over two years (mostly front-loaded) and which will be offset partly by fiscal easing (~0.8%) in 2026.
- USMCA poses an asymmetric risk for USDCAD in our view – a deal in place is likely to lift CAD sentiment and positioning a lot more than lack of a deal. We expect USMCA compliant goods to remain exempt from tariffs irrespective of a deal.

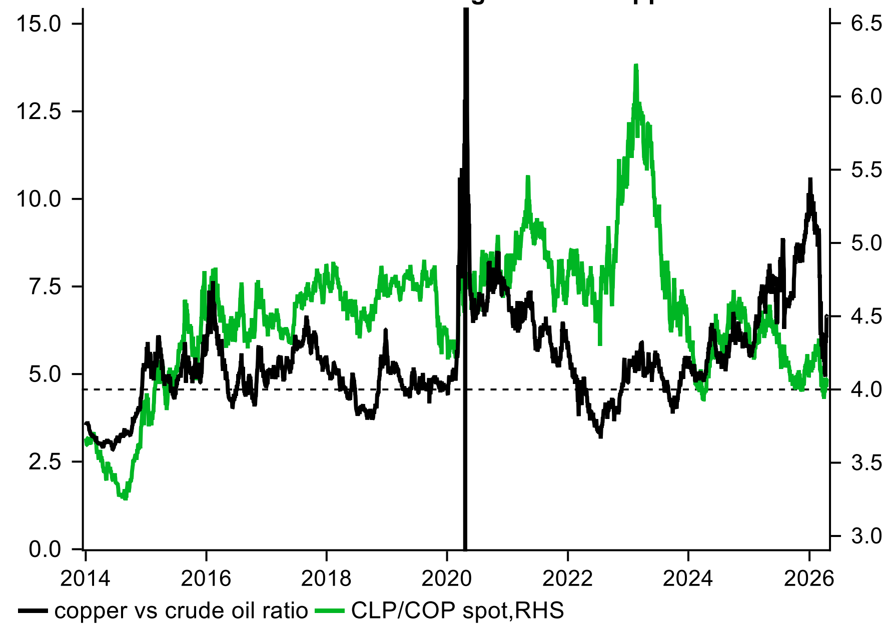
Theme 6 (LatAm FX outperformance) – Turning bullish CLP/COP

6m LatAm FX correlation to FX Factors



Source: Macrobond, TD Securities

CLP/COP now trades at long-term 4.0 support level

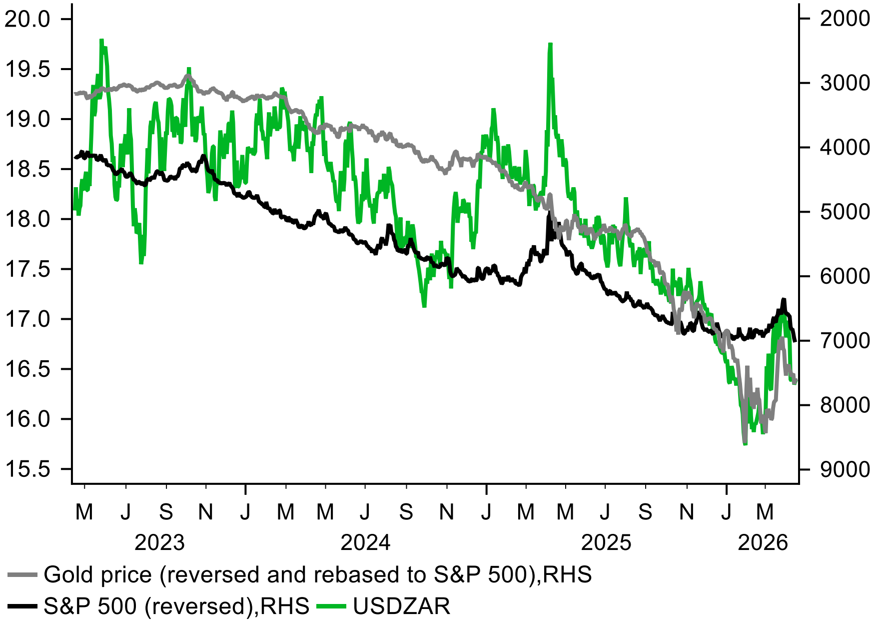


Source: Bloomberg, Macrobond, TD Securities

- LatAm FX has outperformed rest of the world so far in 2026. MRSI framework shows rising domestic equity markets, global risk factor, and favorable rate levels drove LatAm currencies higher. We expect these factors would continue to support LatAm in the coming months.
- Within LatAm, we like higher CLP/COP, where spot is trading close to long-term support level of 4.0. Bottomed out copper/oil ratio, greater divergence within Central Bank of Colombia, and an unwind of the global oil shock should lead to more CLP upside vs COP.

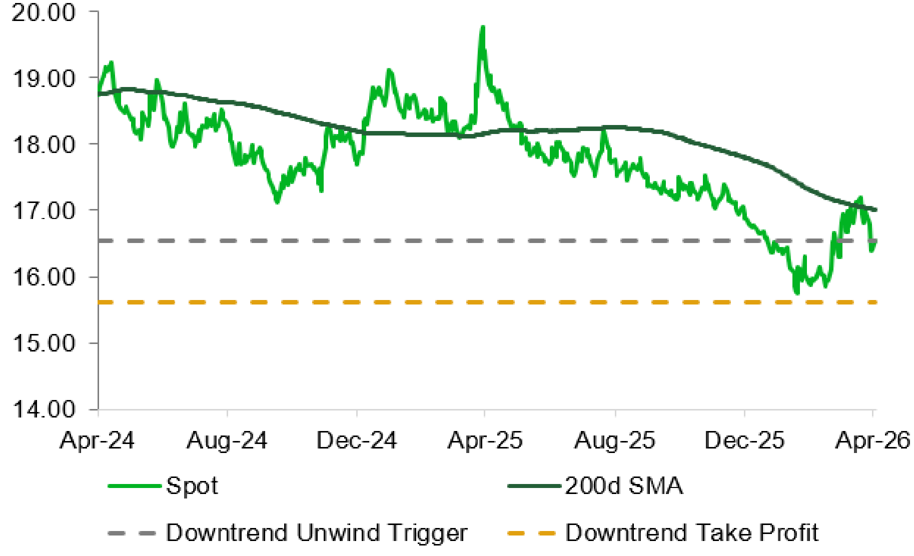
Theme 7 (ZAR resilience) – Sell USD/ZAR rips

Recent USDZAR rip coincided with dips in equity and gold prices



Source: Bloomberg, Macrobond, TD Securities

Recent USD/ZAR washout met resistance at 200d SMA

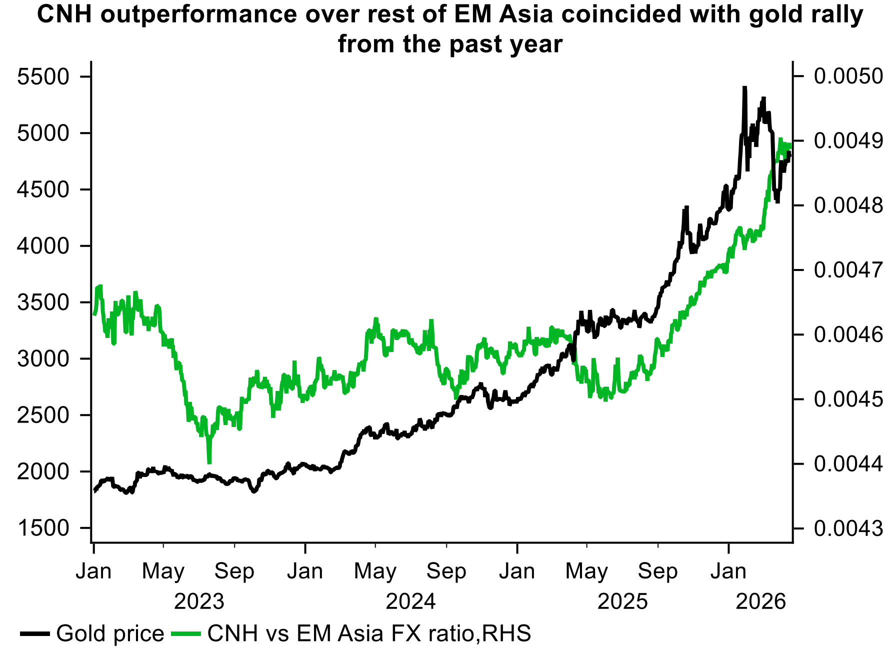


Source: Bloomberg, TD Securities

- Long ZAR positioning recently had a washout as gold and equity prices both dipped lower on the back of the Iran shock. Nonetheless, the USD/ZAR rally quickly met resistance at 200d SMA.
- The positioning washout provides "sell-the-rip" opportunity in USD/ZAR. USD/ZAR recently entered a downtrend again and we estimate trend-followers could chase the pair lower toward 15.60. We continue to forecast USD/ZAR falling below 16.00 this year on the back of optimistic outlooks for equity and gold markets.

Theme 8 (Hold Your Horses) – USD/CNY to continue its gradual descent towards 6.70

Source: Bloomberg, TD Securities



Source: Bloomberg, Macrobond, TD Securities

- We continue to expect a gradual descent in USD/CNY toward 6.70 this year. Portfolio inflows toward Chinese equity markets and exporters repatriating foreign earnings should keep CNY supported in 2026.
- CNY resilience amidst the Iran oil shock also demonstrated CNY's rising role as a regional safe-haven currency in Asia. Despite China's crude oil import reliance on the Middle East, CNH did not depreciate against the USD in March, setting itself apart from rest of the EM Asia peers.

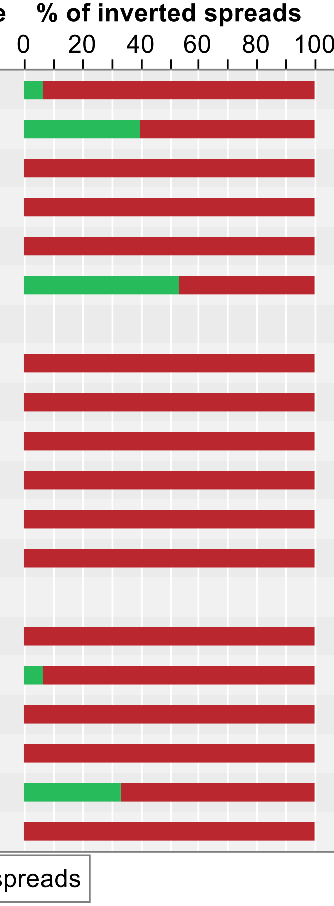
The Hedger's Edge

Global Central Bank Tracker – Markets wait on the Fed and we all wait on the data

Global Central Bank Tracker

Based on spreads between 1y, 2y, 3y, 5y, 7y, 10y

	Key rate	Last move	Months since last hike	Months since last cut	% inverted spreads
Australia	4.10	0.25	1	8	6.67
Brazil	14.75	-0.25	10	1	40
Canada	2.25	-0.25	33	6	0
Chile	4.50	-0.25	42	4	0
China	3.00	-0.10	146	11	0
Colombia	11.25	1.00	1	12	53.3
Euro Area	2.15	-0.25	31	10	
Hungary	6.25	-0.25	43	2	0
India	5.25	-0.25	38	4	0
Indonesia	4.75	-0.25	24	7	0
Japan	0.75	0.25	4	123	0
Mexico	6.75	-0.25	37	1	0
Poland	3.75	-0.25	43	1	0
South Africa	6.75	-0.25	35	5	
Sweden	1.75	-0.25	31	7	0
Switzerland	0.00	-0.25	34	10	6.67
United Kingdom	3.75	-0.25	32	4	0
United States	3.75	-0.25	33	4	0
Thailand	1.00	-0.25	31	2	33.3
Singapore	1.58	0.03	0	0	0



Source: Macrobond, TD Securities

- FX is finally showing signs of rekindling its relationship with FI. Growth and rates seem to be moving in tandem in driving G10 FX returns.

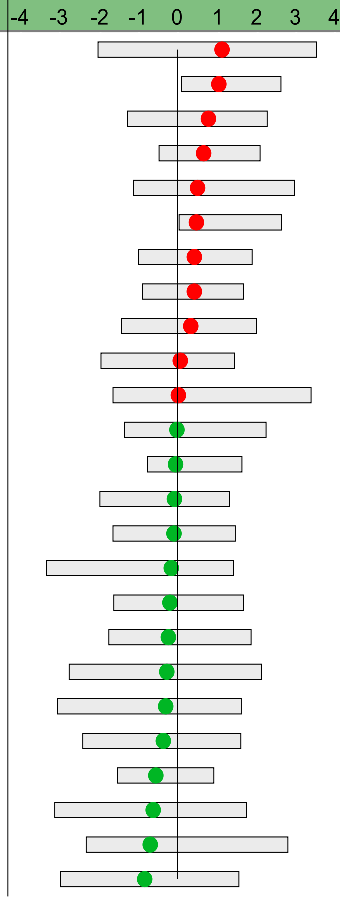
- The focus on central bank easing cycles now remains mainly on the Fed. The Fed is likely to cut interest rates at a quarterly pace in 2026 starting in September. US growth is normalizing while the RoW continues to hold up, allowing interest rate differentials with the US to start converging. A US administration's greater say in the Fed Board can also lead to further steepening of the US yield curve.

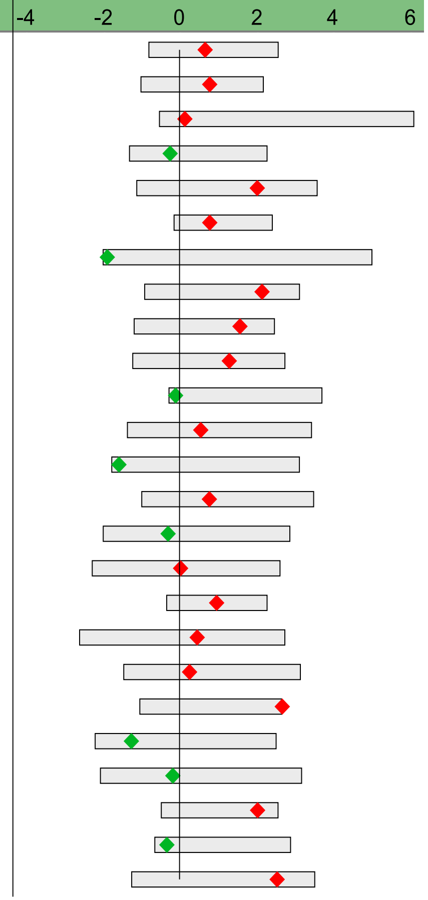
- The BoJ can potentially hike in 2026, but not too aggressively under the new Takaichi government. Chatter around RBA hikes is also picking up (we expect another one in May), which should keep the AUD supported.

Global FX Valuations and Forecast Drivers (1)

Global FX Valuations and Return Forecasts

FX	Spot	HFFV	HFFV Range (12m z-score, vol-scaled residuals)	BEER	FEER	LFFV	LFFV Range (z-score, vol-scaled residuals)
USDPEN	3.43	3.38		2.89	2.96	3.09	
USDTHB	31.81	31.54		25.92	31.21	28.87	
USDSGD	1.27	1.27		1.17	1.25	1.21	
USDCHF	0.78	0.78		0.74	0.78	0.80	
USDKRW	1479	1401		1123	1347	1171	
USDHUF	305.13	300.72		524.16	283.72	356.47	
USDMXN	17.18	17.27		20.44	17.45	18.82	
USDSEK	9.10	9.08		3.71	9.11	6.88	
USDTWD	31.59	31.99		27.15	27.17	27.67	
USDCNY	6.81	6.83		5.99	6.25	6.13	
USDCOP	3608	3579		3208	3283	3465	
USDNOK	9.37	9.50		6.73	9.38	8.37	
USDPLN	3.57	3.60		3.43	3.60	3.90	
USDCLP	876.46	874.17		718.28	845.39	784.03	
USDCZK	20.52	20.65		16.94	20.46	21.57	
AUDUSD	0.72	0.72		0.79	0.67	0.71	
USDCAD	1.37	1.37		1.21	1.35	1.28	
GBPUSD	1.36	1.35		1.42	1.37	1.36	
USDZAR	16.22	16.31		12.47	16.13	14.90	
USDIDR	17136	17463		10984	15904	13691	
NZDUSD	0.59	0.59		0.71	0.62	0.65	
EURUSD	1.18	1.18		1.44	1.17	1.22	
USDJPY	158.12	160.22		100.54	141.60	112.31	
USDBRL	4.96	5.00		4.54	5.28	4.93	
USDINR	92.93	93.67		74.69	87.32	82.69	





Source: Macrobond, TD Securities

- The next two pages showcase our FX valuation models. Our LFFV composite aggregates the fair value signals from BEER, FEER, PPP, and the IMF's EBA model. For some PPP models, the half-life ranges from 6m (FEER) to a few years.
- Columns 5-7 provide the levels implied by our in-house tools (BEER, FEER) and the LFFV composite. The final column plots the distribution of the gap, underscoring the magnitude of the mispricing.
- The next page demonstrates the implied levels based on PPP and various rate differential spreads to the USD, including the 2y, 5y, and 10y. We also include the deviation and r-squared to highlight the models that work best.
- On short-term valuations, HFFV, the USD is looking expensive vs Asia FX and some G10 peers. Our long-term model LFFV shows that while USD overvaluation has moderated, there is still room to correct.

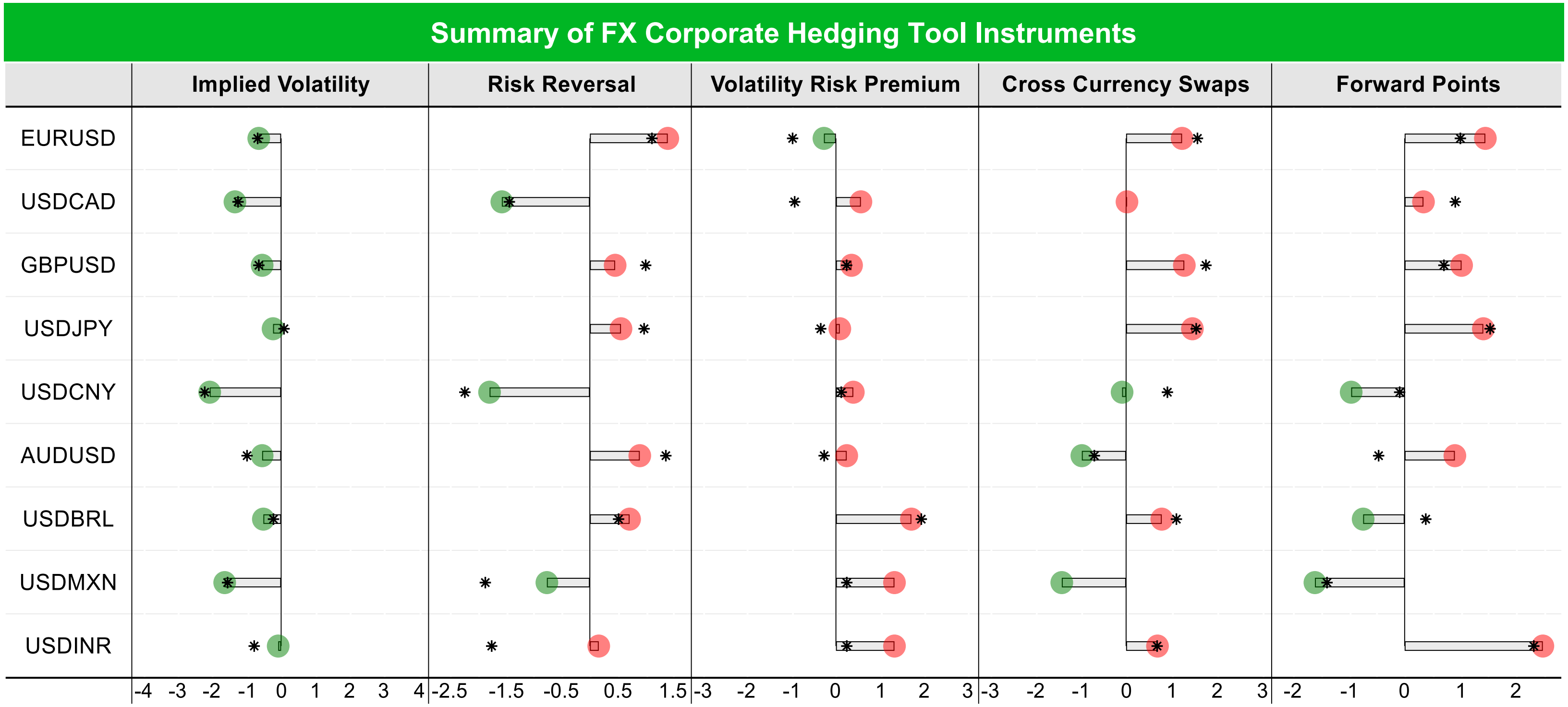
Global FX Valuations and Forecast Drivers (2)

Purchasing power parity (PPP) uses differences of ln(CPI), 5y lookback | rate differentials to US, 2y lookback | green is undervalued; red is overvalued

FX	Spot	PPP	% gap	rsq	2y rate	% gap	rsq	5y rate	% gap	rsq	10y rate	% gap	rsq
USDCNY	6.82	7.35	-7.1	68%	7.14	-4.5	38%	7.17	-4.9	25%	7.17	-4.8	7%
USDINR	93.18	82.85	12.5	30%	87.19	6.9	4%	86.62	7.6	1%	86.60	7.6	0%
USDKRW	1479.13	1452.18	1.9	82%	1432.73	3.2	8%	1426.08	3.7	4%	1418.28	4.3	1%
USDTWD	31.57	32.48	-2.8	65%	31.53	0.1	17%	31.55	0.1	7%	31.56	0.0	9%
USDIDR	17155.40	16014.52	7.1	56%	16354.75	4.9	19%	16367.10	4.8	23%	16444.99	4.3	26%
EURUSD	1.18	1.12	5.5	18%	1.16	1.6	30%	1.17	0.9	52%	1.17	0.4	64%
USDTHB	32.03	33.49	-4.4	3%	33.28	-3.7	1%	32.95	-2.8	28%	33.14	-3.4	38%
GBPUSD	1.36	1.28	6.4	8%	1.34	1.3	26%	1.35	0.1	53%	1.35	0.3	48%
AUDUSD	0.72	0.68	6.6	3%	0.69	3.9	42%	0.69	3.5	52%	0.69	4.4	47%
USDPHP	60.00	55.94	7.3	4%	57.58	4.2	8%	57.89	3.7	0%	57.99	3.5	1%
NZDUSD	0.59	0.62	-3.9	18%	0.59	-0.7	45%	0.60	-1.9	27%	0.60	-1.1	23%
USDSGD	1.27	1.31	-2.8	22%	1.28	-0.5	56%	1.28	-0.7	50%	1.28	-0.9	49%
USDCAD	1.37	1.41	-3.0	69%	1.38	-0.6	56%	1.37	0.0	66%	1.37	0.0	62%
USDJPY	159.24	152.38	4.5	73%	151.23	5.3	1%	151.68	5.0	0%	152.84	4.2	1%
USDCHF	0.78	0.82	-4.9	51%	0.84	-6.3	13%	0.84	-6.8	5%	0.84	-6.8	0%
USDMXN	17.28	18.12	-4.6	14%	18.51	-6.6	7%	18.60	-7.1	8%	18.12	-4.6	24%
USDBRL	5.01	5.51	-9.0	15%	5.55	-9.6	19%	5.55	-9.8	22%	5.55	-9.7	16%
USDCOP	3618.76	4088.28	-11.5	0%	3655.36	-1.0	54%	3772.43	-3.4	44%	3908.30	-6.7	20%
USDCLP	886.74	935.51	-5.2	57%	934.31	-5.2	4%	924.42	-4.1	9%	930.30	-4.7	3%
USDPLN	3.60	3.98	-9.6	4%	3.77	-4.6	23%	3.82	-5.6	24%	3.79	-5.1	25%
USDHUF	309.91	359.18	-13.7	20%	349.19	-11.3	22%	368.34	-15.9	48%	388.58	-20.2	27%
USDZAR	16.43	18.11	-9.3	32%	17.65	-6.9	5%	17.25	-4.8	51%	16.99	-3.3	64%
USDNOK	9.39	10.09	-7.0	4%	9.77	-4.0	54%	9.72	-3.5	71%	9.86	-4.8	67%
USDSEK	9.19	9.35	-1.8	53%	9.32	-1.4	71%	9.35	-1.7	68%	9.40	-2.2	63%

Source: Macrobond, TD Securities

Corporate FX Hedging Dashboard – Gauging vol, swaps and forwards



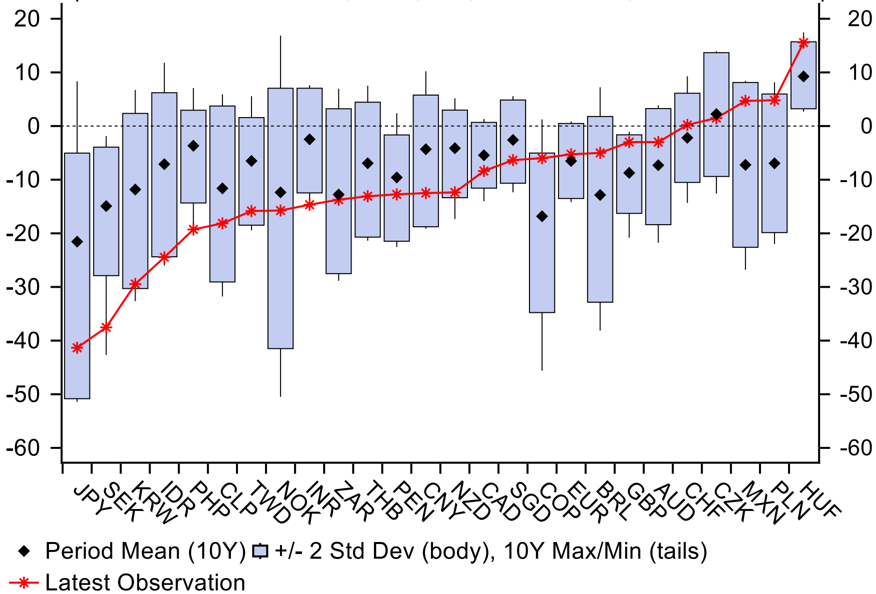
Source: TD Securities, Bloomberg

Note: The Corporate Hedging Dashboard offers a top-down guide to the drivers of FX hedging decisions. It combines factors that dovetail closely with FX movements in the short and medium term, ranging from volatility, cross-currency swaps, and forward points. For this analysis, we use 1y tenors for implied vol, risk reversals, VRP, and forward points. In addition, all indicators are normalized with a 5y z-score to gauge the price of these instruments relative to history (**green implies cheap**, **red implies rich**). For instance, all pairs are expressed in standard market conventions, EURUSD and USDCAD. The asterisk (*) displays the level 3m ago to gauge recent changes.

Low-Frequency Fair Value – A four-factor framework to gauge longer-term FX moves

Putting longer term FX valuations in context

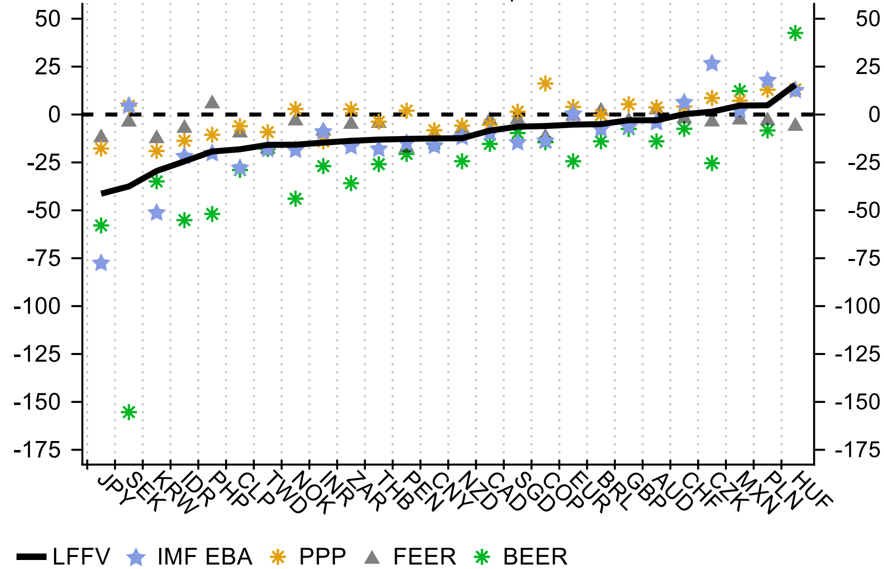
Composite value includes BEER, FEER, PPP, and IMF's EBA, % deviation from spot



Source: Macrobond, TD Securities

Mind the Low-Frequency Fair Value Gap

Drivers of LFFV gap based on FEER, BEER, PPP and the IMF's EBA frameworks, % deviation from spot



Source: Macrobond, TD Securities

- The USD remains overvalued from a long-term perspective, and we see that playing out through 2026. Tactically, risks from inflation and geomacro uncertainty warrant a USD bounce. Cheapest currencies are JPY, KRW, CLP, IDR, CNY, ZAR, and NZD. The JPY is a whopping 40% undervalued!
- On the next page, we apply these valuations and compare the projected path of spot relative to the forward curve. That provides a rich/cheap analysis for hedging decisions. Asian currencies show the strongest performance vs forwards; CHF should weaken.

Corporate Hedging Decision Matrix – Comparing projected valuations versus forwards

Gauging the FX outlook relative to forward pricing based on fair value (z-score)

	1w	1m	2m	3m	4m	5m	6m	9m	1y	15m	18m	2y	3y
AUD	0.16	0.08	0.04	0.02	0.00	-0.01	-0.02	-0.06	-0.08	-0.11	-0.12	-0.14	-0.04
BRL	-0.02	-0.17	-0.29	-0.39	-0.45	-0.52	-0.58	-0.73	-0.84	-0.99	-1.11	-1.37	-1.78
CAD	0.25	0.21	0.22	0.24	0.24	0.25	0.24	0.22	0.18	0.09	0.01	-0.13	-0.16
CHF	0.37	0.32	0.34	0.37	0.40	0.44	0.47	0.58	0.70	0.82	0.96	1.23	1.84
CLP	0.68	0.38	0.25	0.17	0.12	0.06	0.00	-0.23	-0.46	-0.78	-1.08	-1.39	-0.96
CNH	0.45	0.52	0.65	0.71	0.75	0.78	0.79	0.77	0.69	0.45	0.16	-0.05	0.00
COP	0.11	-0.07	-0.22	-0.36	-0.53	-0.64	-0.77	-1.18	-1.57	-1.90	-2.26	-2.62	-1.90
EUR	0.07	0.09	0.12	0.15	0.16	0.17	0.18	0.20	0.21	0.21	0.20	0.26	0.65
GBP	0.07	0.04	0.03	0.04	0.03	0.02	-0.01	-0.03	-0.07	-0.09	-0.11	-0.10	0.15
HUF	0.56	0.29	0.17	0.09	0.01	-0.05	-0.10	-0.24	-0.36	-0.51	-0.66	-0.85	-1.13
IDR	0.14	0.06	0.05	0.05	-0.02	-0.20	-0.39	-1.28	-2.37	-3.61	-5.14	-6.80	-6.69
INR	0.86	0.28	-0.02	-0.20	-0.31	-0.44	-0.55	-0.87	-1.19	-1.59	-1.99	-2.77	-4.08
JPY	0.32	0.27	0.29	0.31	0.27	0.16	0.03	-0.52	-1.30	-2.18	-3.12	-3.99	-2.70
KRW	0.63	0.36	0.18	0.03	-0.13	-0.27	-0.42	-0.93	-1.48	-2.07	-2.72	-3.39	-2.90
MXN	-0.11	-0.13	-0.16	-0.18	-0.22	-0.22	-0.24	-0.28	-0.29	-0.31	-0.33	-0.36	-0.52
NOK	0.04	0.03	0.02	0.03	0.01	-0.01	-0.04	-0.13	-0.27	-0.39	-0.53	-0.69	-0.46
NZD	0.06	0.07	0.08	0.11	0.11	0.11	0.09	0.05	-0.03	-0.12	-0.21	-0.37	-0.46
PLN	0.23	0.12	0.09	0.08	0.09	0.07	0.07	0.08	0.13	0.17	0.22	0.35	0.68
SEK	0.35	0.24	0.19	0.17	0.16	0.13	0.10	-0.06	-0.25	-0.51	-0.80	-1.10	-0.53
SGD	0.34	0.33	0.38	0.41	0.45	0.47	0.50	0.55	0.59	0.59	0.59	0.67	1.21
ZAR	0.48	0.22	0.10	0.04	0.00	-0.07	-0.12	-0.28	-0.41	-0.55	-0.71	-0.91	-0.92

Source: TD Securities

Note: The FX Hedging Valuation Heatmap looks at FX hedging opportunities from a longer-term perspective. This tool complements the FX hedging dashboard on the prior page, aiming to capture the gap between our fair value models relative to forward pricing at various tenors. The result is a hedging recommendation matrix. For this analysis, we use a stochastic forecasting process to project the outlook for spot based on current LFFV levels. The heatmap then illustrates the largest gaps in market pricing, where "red" boxes imply an overvalued pair while "green" indicates an undervalued pair.

Global FX Forecasts

Global FX Forecasts

		Spot	2026				2027				2028	2029
		4/20/2026	Q1 (A)	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	Q4
	BBDXY	1,194	1,215	1,183	1,172	1,158	1,157	1,157	1,157	1,156	1,161	1,163
G10	EURUSD	1.18	1.16	1.19	1.20	1.22	1.21	1.21	1.20	1.20	1.18	1.17
	GBPUSD	1.35	1.32	1.36	1.38	1.39	1.39	1.39	1.38	1.38	1.37	1.36
	AUDUSD	0.72	0.69	0.72	0.72	0.73	0.73	0.74	0.74	0.74	0.74	0.74
	NZDUSD	0.59	0.57	0.60	0.61	0.61	0.62	0.62	0.63	0.63	0.64	0.64
	USDCAD	1.37	1.39	1.37	1.35	1.34	1.34	1.33	1.33	1.32	1.30	1.30
	USDJPY	159	159	157	155	152	151	150	149	148	144	142
	USDCHF	0.78	0.80	0.77	0.77	0.76	0.77	0.77	0.78	0.78	0.80	0.80
	USDNOK	9.33	9.69	9.24	9.21	9.14	9.13	9.11	9.10	9.08	9.11	9.10
	USDSEK	9.15	9.47	8.99	8.75	8.56	8.53	8.49	8.46	8.42	8.48	8.55
LatAm	USDMXN	17.34	17.94	17.25	17.25	17.20	17.24	17.28	17.31	17.35	17.70	17.80
	USDBRL	4.98	5.18	4.95	5.00	5.12	5.10	5.07	5.05	5.02	4.97	4.92
	USDCOP	3,589	3,674	3,690	3,680	3,670	3,668	3,665	3,663	3,660	3,650	3,650
	USDCLP	877	926	865	855	850	847	844	841	838	835	830
Asia	USDCNY	6.82	6.89	6.80	6.75	6.70	6.65	6.60	6.55	6.50	6.45	6.40
	USDINR	93.12	94.83	93.00	92.00	91.50	91.13	90.75	90.38	90.00	88.00	87.00
	USDKRW	1,472	1,519	1,440	1,420	1,400	1,393	1,385	1,378	1,370	1,340	1,330
	USDIDR	17,168	16,995	16,800	16,900	16,800	16,700	16,600	16,500	16,400	16,200	16,000
	USDSGD	1.27	1.29	1.27	1.26	1.25	1.25	1.25	1.25	1.25	1.24	1.24
EMEA	USDPLN	3.60	3.71	3.56	3.53	3.49	3.50	3.51	3.52	3.53	3.59	3.62
	USDHUF	308	332	310	300	295	294	293	291	290	285	285
	USDZAR	16.35	16.94	16.15	16.00	15.80	15.75	15.70	15.65	15.60	15.60	15.60
EUR Crosses	EURGBP	0.87	0.87	0.88	0.87	0.87	0.87	0.87	0.87	0.87	0.86	0.86
	EURJPY	187	183	187	186	185	183	181	179	178	170	166
	EURCHF	0.92	0.92	0.92	0.92	0.92	0.93	0.93	0.93	0.94	0.94	0.94
	EURNOK	10.97	11.20	11.00	11.05	11.10	11.05	11.00	10.95	10.90	10.75	10.65
	EURSEK	10.76	10.94	10.70	10.50	10.40	10.33	10.25	10.18	10.10	10.00	10.00
	EURPLN	4.23	4.29	4.23	4.23	4.23	4.23	4.23	4.23	4.23	4.23	4.23
	EURHUF	362	384	369	360	358	356	353	351	348	336	333
	EURCAD	1.61	1.61	1.63	1.62	1.63	1.62	1.61	1.59	1.58	1.53	1.52

Source: TD Securities

TD Securities

Recent Publications

Global Rates, FX & Commodities Strategy

Region	Publication	Date
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	Week Ahead: US Macro Market Movers	13 Apr
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	HQLA Tracker: Where Do We Stand After The Relief Rally?	16 Apr
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	Weekly Fund Flows (10 Apr 2026) - Equities (ex-China) & Govt Funds Lead Inflows	10 Apr
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