TD Securities

FX Weekly Dispatch

Global Rates, FX & Commodities Strategy

1 June 2026

▶ GLOBAL ▶ FX ▶ MARKET ALPHA HOME

Things move outside of the USD

- We find investors continue to hold bearish USD bias but with little positioning. We like owning front-end USD vols to position for more directional spot moves after June FOMC.
- AUDNZD saw its largest one-day selloff in almost a decade after last week's RBNZ meeting. We expect short-term consolidation and expressed the view in 1m AUDNZD fly.
- Too much FX risk premium was priced-in for the Colombia election. Market's expectation of a replay from the 2022 election for USDCOP is unlikely to pan out. We have been bearish COP but turn more neutral now as local economic data and monetary policy are also becoming more supportive for COP.

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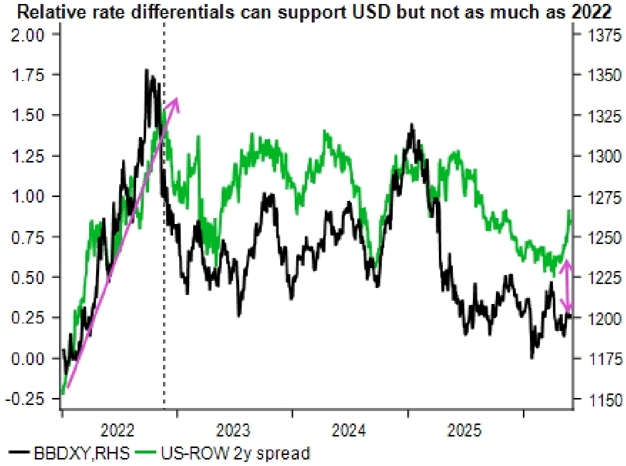
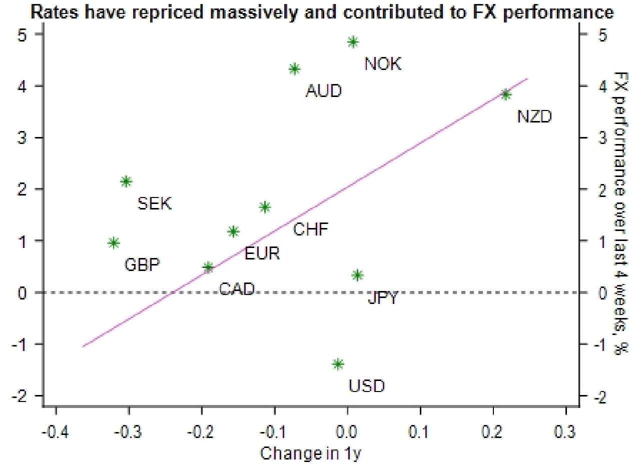
Charts of the Week

Relative rate differentials can support USD but not as much as 2022



Source: Bloomberg, Macrobond, TD Securities

Rates have repriced massively and contributed to FX performance



Source: Bloomberg, Macrobond, TD Securities

The Weekly Cheatsheet

Top Trade Ideas

New Trades

Position	Entry Level	Target Level	Stop Loss
Short NOK/SEK	1.00	0.96	1.02
Long 1m 1.18/1.2050/1.23 AUD/NZD fly	rec 0.97% AUD prem		

Closed Trades

Position	Exit Level	PnL*
Long 3m USDJPY ratio put spread for 0.157%	0.315%	100%
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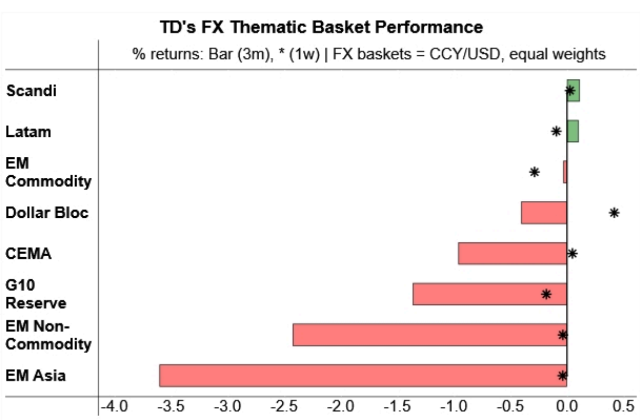
*PnL adjusted for carry based on 3m depo rate | all trades converted back into a USD-based portfolio

Our key market views and trading themes

Currency Biases Matrix (1m horizon)

Max Bearish		**Neutral**		**Max Bullish**
	NOK	AUD	EUR	
	CAD	SGD	GBP	
	USD	KRW	SEK	
		INR	ZAR	
		THB	MXN	
		TWD	BRL	
		PHP	CLP	
		NZD	PLN	
		CHF	HUF	
		JPY	IDR	
		COP	CNH	

Source: TD Securities



Baskets: G10 Reserve (EUR, JPY, GBP, CHF), Scandi (NOK, SEK), Dollar Bloc (CAD, AUD, NZD), Latam (MXN, BRL, CLP, COP, PEN), EM Asia (CNY, KRW, MYR, INR, IDR, PHP, SGD, THB), CEMA (TRY, ZAR, RUB, CZK, HUF, PLN, RON) | EM Commodity (BRL, MXN, CLP, COP, PEN, RUB, IDR, MYR), EM Non-Commodity (PLN, HUF, RON, CZK, TRY, CNY, INR, PHP, SGD, KRW, THB)

Source: Macrobond, TD Securities

- Development for the US/Iran negotiation continues to suggest capped USD upside despite improvements in US economic data. We continue to forecast moderate USD downside over the medium-term as global geopolitical risk premium unwinds and the Fed staying on hold for rest of the year.
- We remain short NOK/SEK. The pair trades back below parity again, and we expect more room for NOK to fall as geopolitical and global inflation risk premiums continue to fade. In EM, we see ZAR and EM Asia broadly benefitting from this macro development.
- Hawkish RBNZ meeting likely buckled the year-to-date AUDNZD uptrend. After a sharp selloff, we expect short-term consolidation ahead and express the view via 1m fly.
- The Colombia election will likely be a focus for LatAm FX in the coming weeks. We expect more contained COP price actions than in 2022 and would fade any near-term rallies beyond 4100 in USDCOP.

The World in a Nutshell

Neutral short-term USD view weighs on FX vol. We remain more neutral on the USD in the near-term as two opposing forces work simultaneously. On one hand, upside pressure persists, driven by relative data and rate divergence between the U.S. and the rest of the world. We wait to see if NFP release this week can buck the trend of resilient US data releases as our macro team forecasts a weaker headline number and unemployment rate inching higher. On the other hand, downside risks remain, as any positive geopolitical developments—particularly around a reopening of the Strait—would likely support broader risk sentiment and reinforce USD weakness. Lack of directional breakouts in the USD has suppressed front-end FX vols. The 1m EURUSD implied vol now trades at 5.0, below both the 1m and 2w realized vols. We see good risk/reward owning front-end USD implied vol at this level to position for an increase in realized vol after the June FOMC.

We hold a bearish USD bias for the remainder of the year. There are three important reasons as to why a bearish USD bias still makes sense. First, a sustained USD surge looks unlikely, as rate differentials are not expected to return to 2022 extremes when the Fed materially out-hawked global peers. This time the Fed is not starting from the effective lower bound but from above neutral territory. Second, while US growth remains resilient, the economy is not as overheated and well short of the levels of exceptionalism it saw back then. Third, softer safe-haven dynamics and continued diversification and hedging of US asset exposure point to a less dominant USD backdrop.

Is USD bearishness a consensus view? Interestingly, FX investors appear to hold a bearish USD bias, but few have active positions on to express it. Many investors have noted that they are running light risk since the conflict began. So, while bearish USD may sound consensus, it is not crowded in actual positioning. Our in house positioning indicator also shows USD positioning stuck around neutral levels awaiting fresh catalysts.

AUDNZD fly into RBNZ hiking cycle. Last week's RBNZ meeting was a hawkish surprise. 2y AU-NZ rate differential has flatlined (chart below) and the start of the RBNZ rate hiking cycle vs the RBA hiking cycle about to come to an end will likely buckle the year-to-date AUDNZD spot uptrend, in our view.

That being said, we expect some short-term spot consolidation after this week's selloff. We enter a long 1m 1.18/1.2050/1.23 AUDNZD fly structure to express this view. AUDNZD saw its largest one-day depreciation since July 2016. Across 13 observations of one-day selloffs (20y lookback) that exceeded the move on May 27, AUDNZD would retrace higher over the next week 69% of the time. The backtest improves over a one-month look-ahead horizon with AUDNZD higher 85% of the time for a median gain of +1.4%.

With rest of the RBNZ hiking cycle priced-in (chart below) and little NZ data release in the next month, we believe it's unlikely for AUDNZD to fall on further bullish NZD catalysts in the near-term. Risk to the trade is unexpected increase in AUDNZD vol moving spot price beyond the breakeven levels for the fly structure.

Colombia election - replay of 2022? The Colombia presidential election will be a key focus for LatAm FX investors over the coming weeks. Market may view the outcome for the Colombia election as a prelude to the Brazil election later this year. The FX vol market was effectively pricing a replay of the 2022 USDCOP price actions heading into the first round election this past weekend, but we believe too much risk premium may be priced-in.

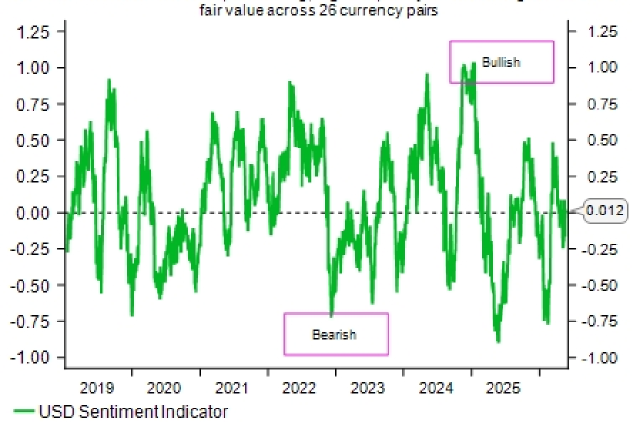
In the 2022 election, USDCOP spot price rose +24% from the end of the first round election in May to a post-runoff peak on July 15 (chart below). The 1m realized vol also rose to 26.0 on the back of the spot move. Ahead of the 2026 election, 1m USDCOP implied vol has already reached 24.0, and the 1m risk reversal reached +4.0, highest level in more than a decade (chart below). The market is pricing a scenario of sharp COP weakness in the coming weeks.

We believe the political backdrop in 2026 does not warrant current level of excessive risk premium. In 2022, polling data from AS/COA showed Petro had a +12% lead over the next candidate ahead of the election. In 2026, the same aggregated poll shows the left-wing Cepeda only has a +4.5% over the next candidate. Unlike in 2022, LatAm and South America countries have also broadly tilted to favor more conservative candidates in recent years, as shown by elections in Chile, Honduras, Bolivia, and Ecuador.

The macro backdrop in 2026 also calls for more contained COP price actions. On top of domestic political uncertainty in 2022, hawkish Fed and global equity risk-off also added pressure for a high-beta EM currency like COP. In 2026, we see more moderate USD downside with a Fed staying in hold. We have been bearish COP vs regional peers like CLP since April, but now hold a more neutral view on COP. After the spot consolidation in May, COP is no longer overvalued. Domestic macro backdrop has also improved with local data surprising to the upside and court allowing the central bank to conduct policy rate decisions without government influence. Given current market pricing, we would look to fade any potential post-first round USDCOP rallies and prefer selling 1m risk premium above 4100. Risk to the view would be widening lead for Cepeda in polls ahead of the run-off on June 21.

Aggregate USD positioning sitting at neutral levels now

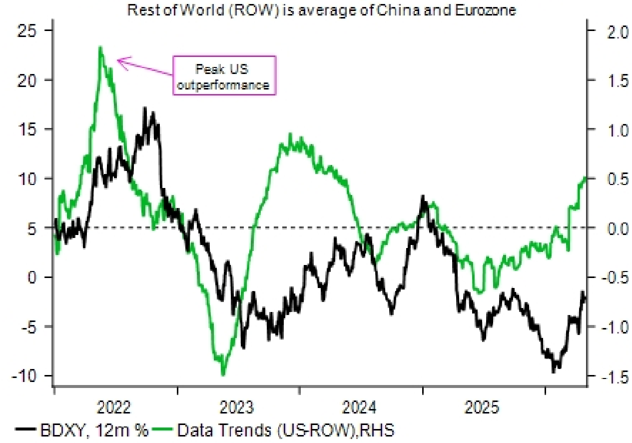
Sentiment indicator includes positioning, high frequency fair value and global macro PCA fair value across 26 currency pairs



Source: Bloomberg, Macrobond, TD Securities

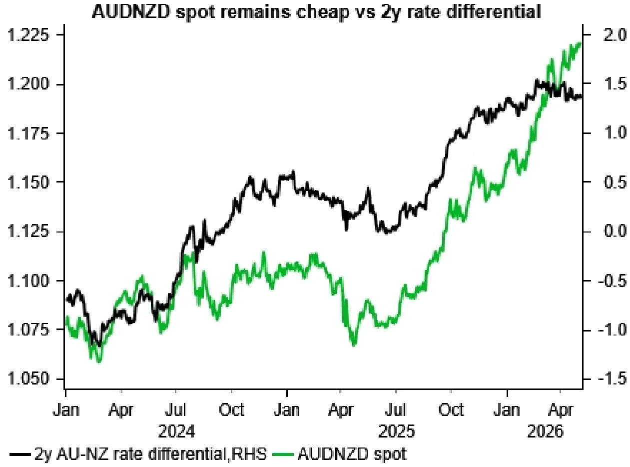
Sustainable USD strength needs peak US exceptionalism

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



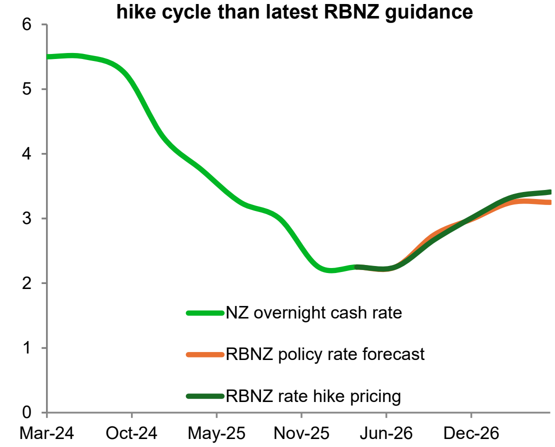
Source: Bloomberg, TD Securities

AUDNZD spot remains cheap vs 2y rate differential



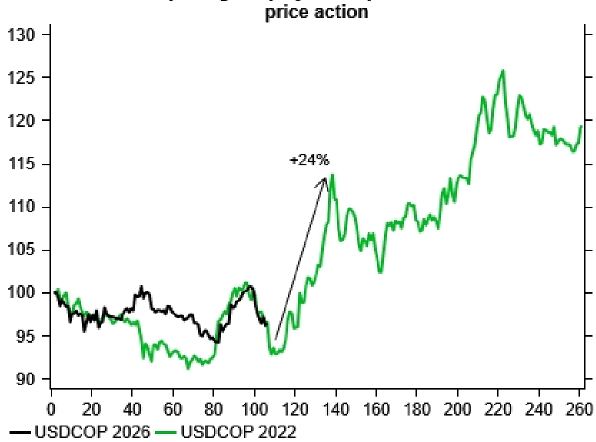
Source: Bloomberg, Macrobond, TD Securities

Market prices slightly more aggresive RBNZ rate hike cycle than latest RBNZ guidance



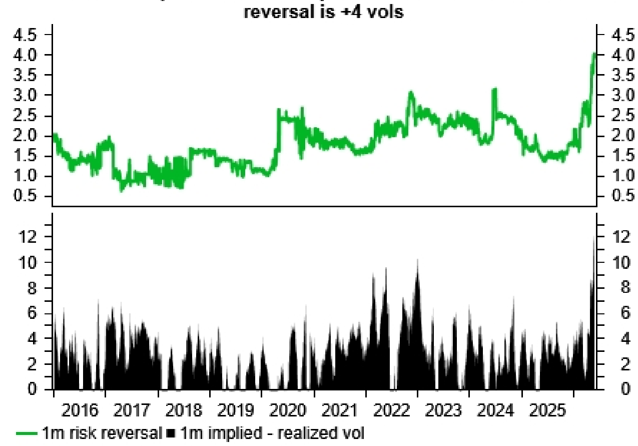
Source: Bloomberg, RBNZ, TD Securities

FX vol market is pricing a replay of the post-2022 election USDCOP price action



Source: Bloomberg, Macrobond, TD Securities

1m USDCOP implied has a 12 vol premium over 1m realized; 1m risk reversal is +4 vols

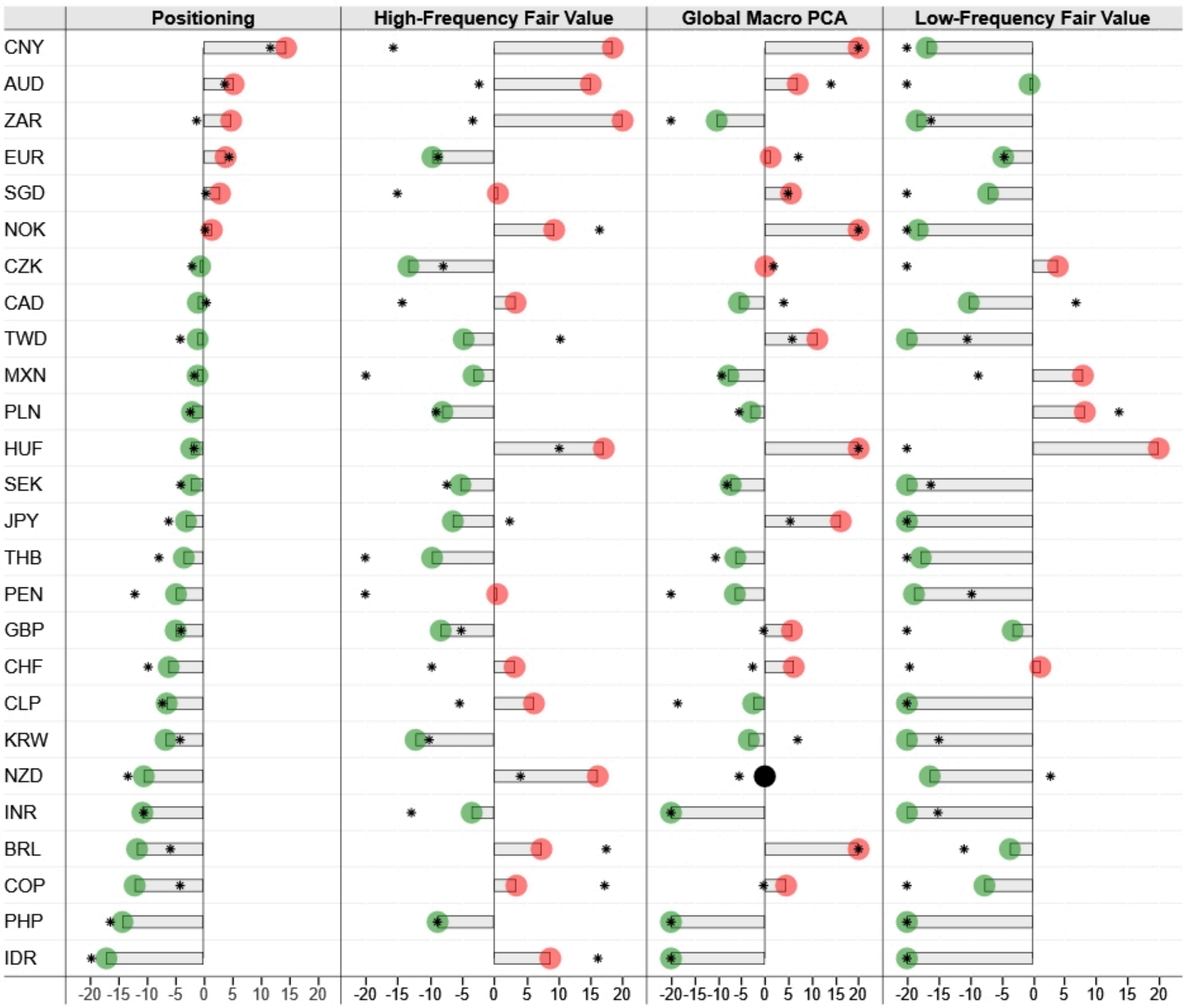


Source: Bloomberg, Macrobond, TD Securities

Quant Macro Dashboard

Global FX Heatmap

The analytic dashboard summarizes the signals derived from our market tools, ranging from short- to longer-term (left to right) based on half-life. **The bar reflects the current level while the marker (*) shows the level one-month ago** (red implies rich; green is cheap). **Positioning** represents whether each currency is long (+) or short (-). **High-Frequency Fair Value** reflects the gap on our short-term fair value estimates: (-) is undervalued and (+) is overvalued. **Global Macro PCA (GMPCA)** underscores the fair value gap (%) derived from our Global Macro Pricing Engine: (-) trades at a discount and (+) trades at a premium. Finally, Low-Frequency Fair Value reflects the gap on our long-term fair value estimates: (-) is undervalued and (+) is overvalued. All pairs expressed in CCY/USD terms; all signals are scaled on a -20/+20 range.

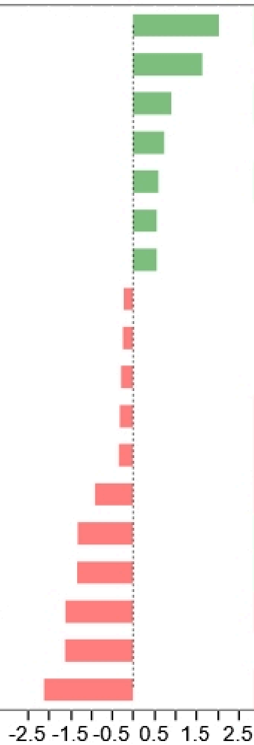


Macro Ranking Scorecard Index (MRSI) - FX Overlay

Macro Ranking Scorecard Index (MRSI) Factor Performance

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

	6m	1y	2y	5y	20y
High-Frequency Fair Value	1.00	1.06	0.24	0.08	0.12
G10 Growth	0.64	0.93	-1.02	-0.65	0.58
Positioning	1.35	0.97	0.73	0.60	-0.23
EM Carry	0.41	1.41	0.11	-0.26	0.26
Risk	2.13	1.24	0.01	0.13	-0.09
Carry	0.26	0.75	-0.22	0.01	0.03
G10 Carry	0.17	0.47	-0.33	0.03	-0.01
Growth	-0.05	0.27	-1.34	-0.95	0.51
MRSI	0.09	0.81	-0.02	0.32	0.81
Low-Frequency Fair Value	0.35	-0.12	0.36	0.12	0.13
Equity	-0.13	0.29	1.31	0.96	0.49
Terms of Trade	-0.51	-0.33	-1.09	-0.70	0.28
Current Account	-0.95	-0.71	-0.72	-0.75	-0.08
G10 Inflation	0.75	-0.23	0.40	-0.09	0.00
G10 Rates	1.47	0.86	0.44	0.05	-0.02
Global Macro PCA Fair Value	-0.24	-0.29	-0.14	-0.26	-0.34
Rates	0.15	-0.10	0.17	-0.15	-0.06
Momentum	-0.70	-0.61	-0.06	-0.27	0.16

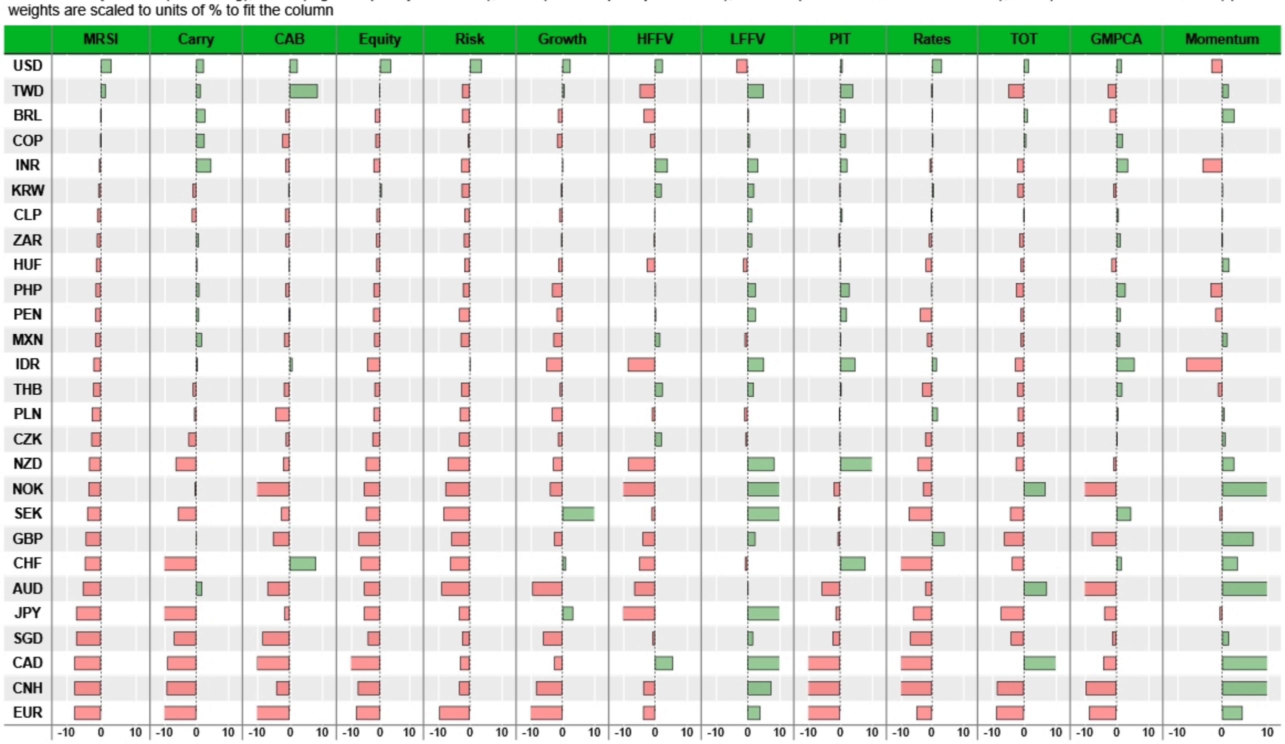


Source: Macrobond, TD Securities
Note: Sample starts in 2000

- As the US/Iran negotiation continued in May, our global macro model now flags a balanced USD valuation, and our high-frequency fair value model points to a broadly neutral USD profile in the near term.
- The outperformance of G10 growth and EM carry strategies under our quantitative framework over the past three months suggests markets are trading the macro momentum in G10 while holding on to EM carry trades.
- Notably, our terms-of-trade strategy has underperformed — reinforcing the view that markets are reacting differently to this oil shock episode than they did in early 2022.

MRSI's FX Portfolio Overlay Trading Weights and Drivers

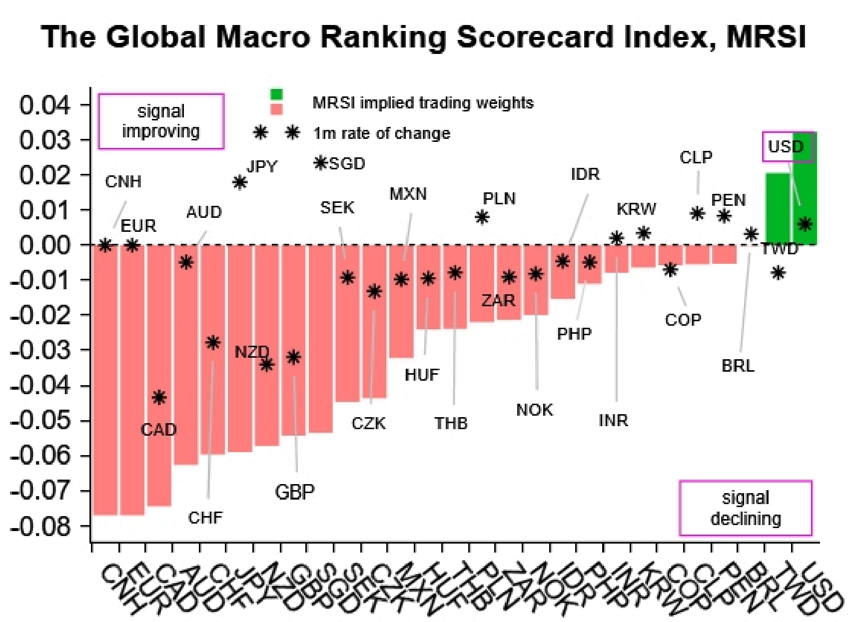
Header acronyms: PIT (Positioning), HFFV (High-Frequency Fair Value), LFFV (Low-Frequency Fair Value), GMPCA (Global Macro PCA Fair Value), CAB (Current Account Balance) | weights are scaled to units of % to fit the column



Source: TD Securities

Positioning, High Frequency, and Global Macro PCA Fair Value

Below we plot the summary dashboard and the relevant levels and ranges in the accompanying table. The **Global FX Dashboard reflects the average of our three mean-reverting positioning and "tactical" fair value models (HFFV, GMPCA)**. In other words, they have maintained half-lives below 3m, thus making them useful for shorter-term idea generation. All the models are rescaled on a final -20/+20 range, so we can blend all trading signals. The plot shows the combined current signal (asterisk: red for overbought, green for oversold) relative to the mean (diamond) and max/min over the past year. The grey box displays the 2-standard deviation range of the signal.



Source: TD Securities

- USD signal remains bullish in our proprietary model supported by risk sentiment, US equity market outperformance, and recent US data resilience.
- Our model continues to favor a bearish bias on EUR and JPY, both under pressure from current account balance and terms of trade.
- Our model also has a bearish view of CAD from lackluster growth, relative rates and positioning with terms of trade boost unable to offset that.

High-Frequency Fair Value and PIT: Ranges and Levels

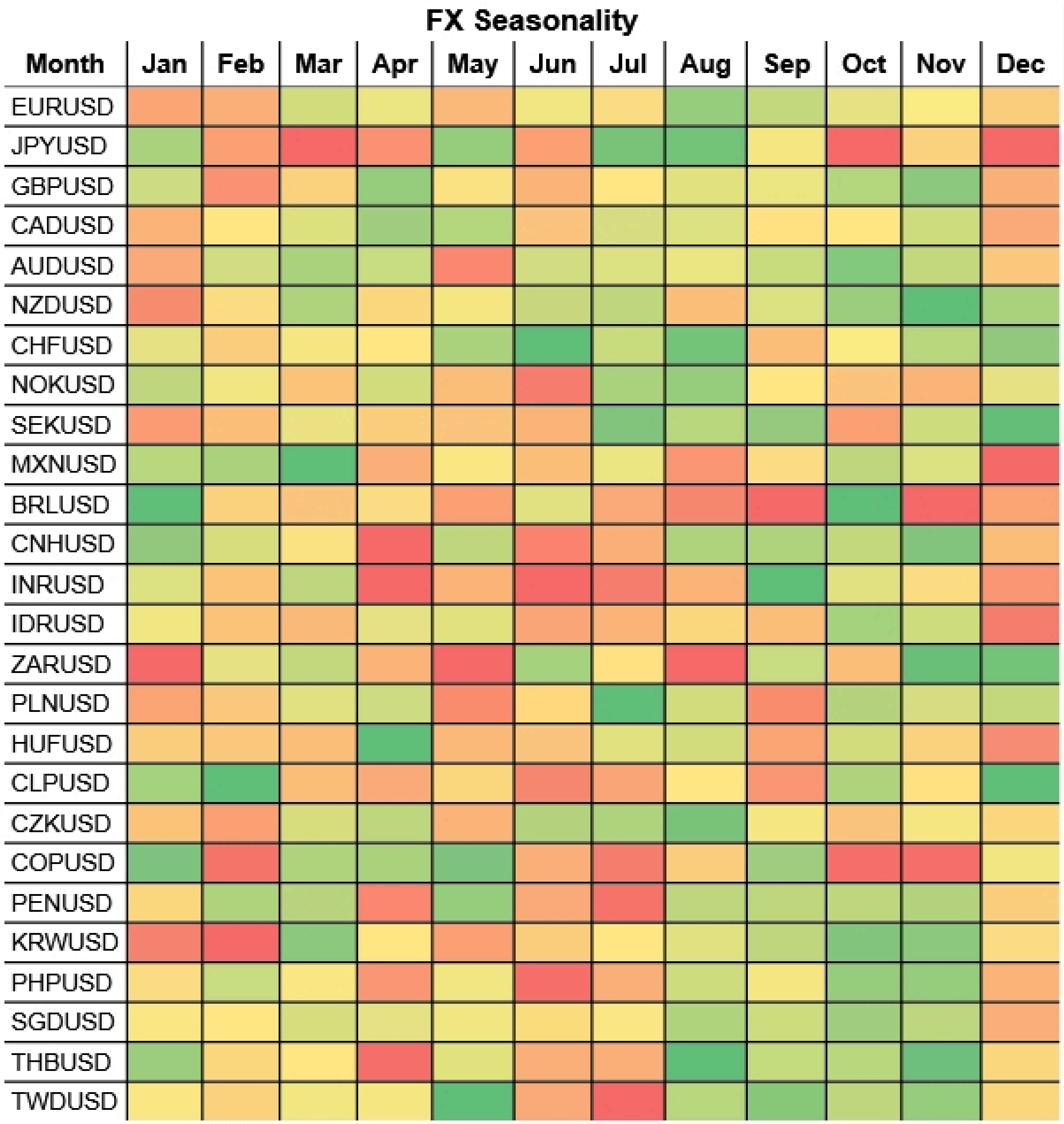
CCY/USD	Spot	HFFV Residual (vol scaled z-score)	PIT Level (6m range) -20 -15 -10 -5 0 5 10 15 20
AUD	0.72	1.10	
BRL	5.04	0.60	
CAD	1.38	0.20	
CHF	0.78	0.11	
CLP	890.42	0.59	
CNY	6.77	1.26	
COP	3689.77	0.40	
CZK	20.82	-0.91	
EUR	1.17	-0.70	
GBP	1.35	-0.55	
HUF	303.14	1.21	
IDR	17881.00	0.83	
INR	95.00	0.01	
JPY	159.24	-0.48	

CCY/USD	Spot	HFFV Residual (vol scaled z-score)	PIT Level (6m range) -20 -15 -10 -5 0 5 10 15 20
KRW	1504.47	-0.70	
MXN	17.35	-0.15	
NOK	9.25	0.71	
NZD	0.60	1.16	
PEN	3.41	0.14	
PHP	61.60	-0.52	
PLN	3.63	-0.56	
SEK	9.22	-0.42	
SGD	1.28	-0.04	
THB	32.53	-0.72	
TWD	31.36	-0.31	
ZAR	16.23	2.00	

Source: TD Securities, Bloomberg

FX Seasonality

The Heatmap displays the currency pairs' seasonal trends based on the listed convention, starting in 2009. That means green boxes imply strength for the left-hand side currency - EURUSD, for instance, rallies in January and July and falls in November and March. At the same time, the broad USD normally rallies in March and November, while January and April are normally its worst months. Our backtest results show a t-cost adjusted Sharpe of 0.59 (0.79 unadjusted) based on a monthly rebalance signal buying a best/worst G10 basket (top versus bottom three).



Source: TD Securities

FX MPU Trading Performance

FX Performance Summary	
Average Return on Open Trades	**0.06%**
Hit Ratio of Closed Trades	**100%**
Average Day Count	**29**

**p/l includes carry based on 3m depo rates and each trade is converted back to USD to mark to market portfolio |

Source: TD Securities

Region **Open Spot Trades**

Category	TradeSide	Trade	Entry Date	Entry	Target	Stop	Current	DayCount	Return
G10	SHORT	NOKSEK	5/4/2026	1.0003	0.96	1.02	1.00	28	0.13%

Region **Closed Spot Trades**

Category	TradeSide	Trade	Close Date	Entry	Target	Stop	Close	DayCount	Return

Region **Open Option Trades**

Category	TradeSide	Trade	Entry Date	Entry	Target	Stop	Current	DayCount	Return
G10	Long	1m AUDNZD Fly	5/28/2026	Rec 0.97%AUD (spot ref 1.2072)			Rec 0.97%AUD	4	0.00%

Region **Closed Option Trades**

Category	TradeSide	Trade	Close Date	Entry	Target	Stop	Close	DayCount	Return
G10	LONG	3m USDJPY Put Spread	4/30/2026	0.157% USD (spot ref 158.69)			0.315% USD (spot ref 155.95)	29	100%

Global FX Forecast Summary Table

		Spot	2026				2027				2028
		6/1/2026	Q1 (A)	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4
	BBDXY	1,200	1,215	1,192	1,181	1,165	1,160	1,154	1,149	1,143	1,158
G10	EURUSD	1.16	1.16	1.17	1.18	1.20	1.21	1.21	1.22	1.22	1.18
	GBPUSD	1.35	1.32	1.34	1.36	1.38	1.39	1.39	1.40	1.40	1.37
	AUDUSD	0.72	0.69	0.72	0.72	0.73	0.74	0.74	0.75	0.75	0.74
	NZDUSD	0.60	0.57	0.59	0.60	0.60	0.61	0.61	0.62	0.62	0.63
	USDCAD	1.38	1.39	1.37	1.35	1.34	1.34	1.33	1.33	1.32	1.30
	USDJPY	159	159	157	156	154	153	151	150	148	144
	USDCHF	0.78	0.80	0.77	0.77	0.76	0.76	0.77	0.77	0.77	0.79
	USDNOK	9.25	9.69	9.23	9.32	9.25	9.17	9.09	9.01	8.93	9.11
	USDSEK	9.27	9.47	9.27	9.03	8.75	8.67	8.60	8.52	8.44	8.48
LatAm	USDMXN	17.33	17.94	17.25	17.20	17.15	17.20	17.25	17.30	17.35	17.60
	USDBRL	5.04	5.18	4.90	5.10	5.00	4.99	4.98	4.96	4.95	4.90
	USDCOP	3,690	3,674	3,700	3,680	3,670	3,668	3,665	3,663	3,660	3,650
	USDCLP	890	926	880	875	860	855	849	844	838	835
Asia	USDCNY	6.77	6.89	6.80	6.75	6.70	6.65	6.60	6.55	6.50	6.45
	USDINR	95.00	94.83	95.00	93.00	93.00	92.25	91.50	90.75	90.00	88.00
	USDKRW	1,509	1,519	1,460	1,430	1,410	1,400	1,390	1,380	1,370	1,340
	USDIDR	17,805	17,041	17,400	17,200	17,000	16,900	16,800	16,700	16,600	16,400
	USDSGD	1.28	1.29	1.27	1.26	1.25	1.25	1.25	1.25	1.25	1.24
EMEA	USDPLN	3.64	3.71	3.56	3.53	3.49	3.50	3.51	3.52	3.53	3.59
	USDHUF	304	332	310	300	295	294	293	291	290	285
	USDZAR	16.26	16.94	16.25	16.00	15.80	15.75	15.70	15.65	15.60	15.60
EUR Crosses	EURGBP	0.86	0.87	0.87	0.87	0.87	0.87	0.87	0.87	0.87	0.86
	EURJPY	186	183	184	184	185	184	183	182	181	170
	EURCHF	0.91	0.92	0.90	0.91	0.91	0.92	0.93	0.93	0.94	0.93
	EURNOK	10.77	11.20	10.80	11.00	11.10	11.05	11.00	10.95	10.90	10.75
	EURSEK	10.79	10.94	10.85	10.65	10.50	10.45	10.40	10.35	10.30	10.00
	EURPLN	4.23	4.29	4.16	4.16	4.18	4.21	4.24	4.27	4.31	4.23
	EURHUF	354	384	363	354	354	354	354	354	354	336
	EURCAD	1.61	1.61	1.60	1.59	1.61	1.61	1.61	1.61	1.61	1.53

Source: TD Securities

TD Securities

Recent Publications

Global Rates, FX & Commodities Strategy

Global Macro

Region	Publication	Date
	Week Ahead: Canada Macro Market Movers	25 May
	Week Ahead: US Macro Market Movers	26 May
Commentary	Canadian GDP: The Wheels Fall Off?	29 May
	CAD CPI (Apr): Higher Oil Prices Shall Not Pass(through)	20 May
	China's Economic Engine Stalls in April	18 May
US	Will the Fed Pause Reserve Management Purchases?	29 May
	Global SSA: Resilient Demand Against a Backdrop of Easing Supply	29 May
	US Housing Outlook: All Dressed Up and Nowhere to Go	19 May
	New Fed Call: Maintaining Altitude	18 May
Europe	Global SSA: Resilient Demand Against a Backdrop of Easing Supply	29 May
	UK GDP Growth is Artificially High	27 May
Asia-Pacific	Global SSA: Resilient Demand Against a Backdrop of Easing Supply	29 May
	RBNZ Call Change: First Hike in July	28 May
	RBNZ Call Change: Steady 25bps Hikes From Sep	19 May
Rates		
US	Will the Fed Pause Reserve Management Purchases?	29 May
	Weekly Fund Flows (29 May 2026) - Chinese Equity Outflows Exceed -$100bn	29 May
	Global SSA: Resilient Demand Against a Backdrop of Easing Supply	29 May
	Global Swap Spreads: Back to Widening	28 May
Canada	A Perfect Storm in Canada	29 May
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Trades	Stopped on Short 5yr ACGB	25 May
FX		
Analysis	Hurdles for USD bulls	26 May
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	Recalling 1978	20 May
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EM		
Commodities		

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