

Currencies Focus

Summary

1. **Central banks:** we no longer expect the ECB to cut rates in September. The next move should be a hike, in Q4 2026. In the US, we still expect two rate cuts this year and two in 2026, with a terminal rate of 3.5%. The market pricing is more in line with this view now.
2. **EUR/USD:** The USD became more sensitive to US macro data, with labor market weakness now evident. Policy uncertainties linked to tariffs and debt sustainability and Fed independence are weighing on US assets. French politics could weigh on the EUR temporarily. **We maintain our 3-month target at 1.15 and our 12-month target at 1.20 (the value of one EUR).**
3. **EUR/GBP:** With major tax hikes ruled out, policy flexibility is limited, and any loosening of fiscal rules could weigh on sterling. This seems to be largely priced. **We adjust our 3-month target at 0.87 and maintain our 12-month at 0.87 (the value of one EUR).**
4. **USD/CAD:** The pricing-out of BoC rate cuts alongside our Fed easing outlook should support the CAD. **Therefore, we change our 3-month target to 1.38 and our 12-month target to 1.35 (value of one USD).**
5. **USD/MXN:** The MXN could stay well-supported by broader USD weakness. In addition, Carry still dominates over trade risks. **Our USD/MXN 3-month target is 19.00 and we adjust our 12-month targets are 18.00 (value of one USD).**
6. **USD/CNY:** The PBoC has been gradually setting the USDCNY fixing lower. The currency may appreciate gradually in the context of Fed rate cuts. **We change our 3-month target to 7.15 and 12-month target to 7.10 (value of one USD).**
7. *Writing completed on 29th August.*

Contents

USD & GBP	2
CHF & JPY	3
SEK & NOK	4
CAD & CNY	5
AUD & NZD	6
MXN & BRL	7
Forecast tables	8
Disclaimer	9

OUR TARGETS OVER THE NEXT 3 AND 12 MONTHS

	Country	Spot 28/08/2025	Target 3 months	Target 12 months
Against euro	United States	EUR / USD 1.17	1.15	1.20
	United Kingdom	EUR / GBP 0.86	0.87	0.87
	Switzerland	EUR / CHF 0.94	0.94	0.94
	Japan	EUR / JPY 171.54	167	168
	Sweden	EUR / SEK 11.07	11.00	11.00
	Norway	EUR / NOK 11.76	11.60	11.30
Against dollar	Japan	USD / JPY 146.99	145	140
	Canada	USD / CAD 1.38	1.38	1.35
	Australia	AUD / USD 0.65	0.66	0.66
	New Zealand	NZD / USD 0.59	0.60	0.60
	Brazil	USD / BRL 5.41	5.60	5.80
	India	USD / INR 87.63	86.0	88.0
	China	USD / CNY 7.14	7.15	7.10

Source: Refinitiv - BNP Paribas WM



USD VIEW >> TARGET 12M VS EUR: 1.20

USD stabilized but more weakness expected

The EUR/USD has been trading around 1.16-1.17 since last month.

The US labor market is starting to show signs of weakness, while tariffs have proven to be less high than expected. Despite this, US equities remain near record highs. It is no longer clear that the USD retains its traditional safe-haven status, given issues around debt sustainability and Fed independence.

Tariffs now appear to be a permanent feature of US policy, both as a source of revenue and a negotiating tool. This is likely to weigh on US growth. The burden of tariffs will probably reduce either company profit margins or be passed on to consumers, adding to inflation pressures.

The Fed is now expected to start cutting rates from September onwards, which over time should reduce rate differentials and put pressure on the dollar. Finally, we suspect US policy uncertainty, whether by tariffs, or concerns around US debt sustainability, or political pressure on the Fed, to generate more volatility of the USD.

The eurozone may benefit from these USD outflows. EUR-denominated assets are increasingly seen as viable alternatives to USD assets, especially with fiscal expansion in the eurozone supporting growth and attracting investment into the region.

In conclusion, doubts about US exceptionalism and the growing risk of a deterioration in the US economic outlook could limit demand for US assets. The French political situation could weigh on the EUR but rather temporarily. **Therefore, we maintain our 3-month target at 1.15 and our 12-month target at 1.20 (the value of one EUR).**



GBP VIEW >> TARGET 12M VS EUR: 0.87

UK fiscal concerns weigh on GBP

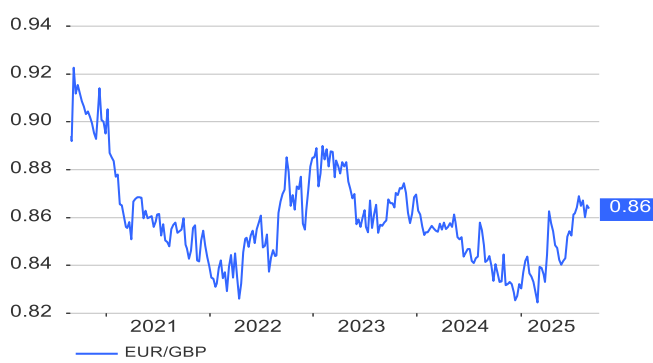
The GBP has depreciated with the EURGBP (value of one EUR) trading up to 0.86 on August 28th.

The UK economy grew by 0.3% q/q in Q2 according to preliminary data, coming in meaningfully above the BoE's expectations (0.1% q/q). Headline inflation accelerated to 3.8% y/y in July, up from 3.6% in June. The acceleration was broad-based across categories with services inflation leading the course and unfavorable energy base effects playing a role.

The Bank of England delivered a 25bps rate cut to 4% in August. The first decision in history to require a second vote, surprising the markets in a hawkish direction and suggesting there is growing uncertainty among MPC members about the pace of easing that lies ahead. We maintain our view that the BoE will continue to cut at a quarterly pace, with an end-2025 rate of 3.75% (terminal rate of 3.50% in 2026). We think that risks tilted toward a slower, or even shallower, pace of easing, relative to our base case.

All in all, we do not expect UK fiscal policy to deliver a growth boost in the near term. The UK's fiscal position remains tight, and the government will need to address financing needs in the November budget. With major tax hikes ruled out, policy flexibility is limited, and any loosening of fiscal rules would likely weigh on the sterling. This seems to be largely priced.

We adjust our 3-month target at 0.87 and maintain our 12-month at 0.87 (the value of one EUR).



CHF VIEW >> TARGET 12M VS EUR: 0.94

CHF to remain strong

The CHF has stabilized against the euro and was trading around 0.94 on August 28th (value of one EUR).

Switzerland GDP grew by 0.1% q/q in Q2, above consensus expectations. Headline CPI inflation ticked up to 0.2% y/y in July from 0.1% and core inflation increase to 0.8% y/y (up from 0.6%). It is once again domestic inflation that supported the headline print while imported inflation remained in deflationary territory at -1.4% y/y, largely driven by a strong CHF.

On June 19th, the SNB cut its interest rates by 25 basis points to 0%. On 7 August, Switzerland face a 39% 'reciprocal' tariff rate from the US. At this stage, we think the SNB will remain in wait-and-see mode as it waits for clarity on 1) trade policy and a potential deal with the US, 2) intervention from the Swiss government to support businesses, and 3) moves in the CHF. If there is no resolution on the trade front or further escalation through pharmaceuticals, we see increased risk that the SNB cuts into negative territory or uses FX intervention to help mitigate potential disinflationary effects.

We think the EUR could be supported by the improved growth prospects in the eurozone due to the recent fiscal shift. The SNB is unlikely to stand in the way of currency weakness. Sustained appetite for defensive currencies should limit any downside for the CHF.

Our 3- and 12-month EUR/CHF targets are 0.94 (value of one EUR).

JPY VIEW >> TARGET 12M VS USD: 140

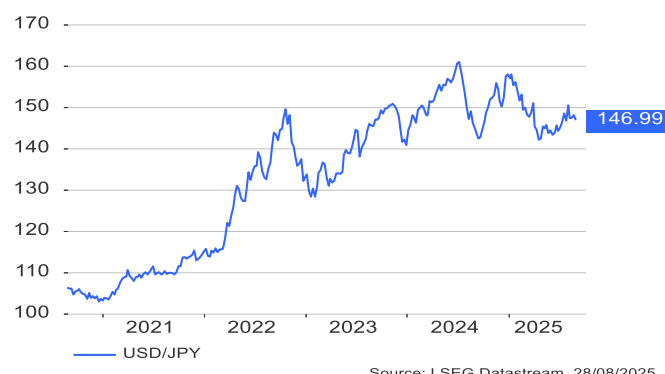
Gradual appreciation

The JPY started the year on a strong foot but has depreciated against the US Dollar in recent weeks. It was trading around 146 (value of one USD) on August 28th.

Japanese Core inflation stayed high at 3.1% y/y. The unemployment rate came in lower at 2.3%. In terms of business surveys, the manufacturing PMI remains however weak at 49 while the services PMI is in expansionary territory at 52. GDP growth reached 0.3% in Q2, compared with +0.1% (revised) in Q1.

In July, the Bank of Japan maintained its policy rate at 0.5%. Core inflation is likely to remain above 3% for an extended period. This suggests more BoJ policy normalisation. We see the Bank of Japan will resume rate hikes in October 2025 and expect two more hikes next year to bring the policy rate to 1.25% by end-2026.

The USD outflows are less a driver for the JPY. Rate differentials should weigh further on USDJPY as the Fed embarks on rate cuts. The JPY should thus appreciate gradually. **Our 3-month target is 145 and our 12-month target is 140 (the value of one USD). That suggest a gradual rebound of the JPY.**



SEK VIEW >>

TARGET 12M VS EUR: 11.00

Looking for a rebound

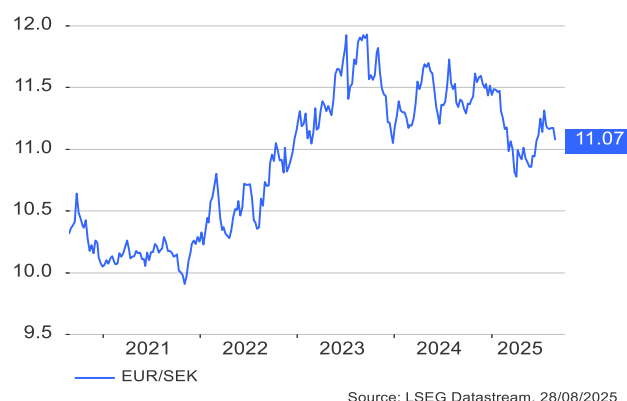
The SEK has appreciated against the Euro at around 11.07 (value of one EUR) on August 28th.

Swedish headline inflation increased by 0.2pp to 3.0% y/y in July and core inflation came in at 3.2% y/y. The manufacturing sector index stayed in expansionary territory at 54 while services PMI came in lower at 48 (down from 54). Retail sales grew by lower pace rate at 0.3% m/m and industrial production grew by 6.5% m/m.

The Riksbank held its policy rate unchanged at 2.0%. The statement reiterated that there remains some probability of another cut this year. Inflation is still well above the Riksbank's forecast and the recovery of domestic demand is still fragile. The market is pricing less than one cuts for this year.

The SEK has continued to perform well within the G10. This may reflect a shift by Swedish investors away from US assets, indicating a broader change in investor behavior. Sweden is also highly exposed to global trade, which is likely to have a negative impact on the country's economic outlook and currency. The more dovish stance of the Riksbank was probably the main driver of the SEK's weakness.

Our 3- and 12-month targets are 11.00 (value of one EUR). This suggest a moderate rebound.



NOK VIEW >>

TARGET 12M VS EUR: 11.30

Range bound

The Norwegian krone (NOK) has appreciated against the euro in recent weeks and was trading at around 11.76 (the value of one euro) on August 28th.

Core inflation stood still at 3.1% y/y in July in line with Norges Bank's forecast. However, headline CPI surprisingly jumped to 3.3% y/y, caused by fuel prices. The manufacturing PMI index increased into expansionary territory at 50.9 from 49. Additionally, mainland GDP rose 2.2% q/q in 2Q, beating expectations.

The Norges Bank held its policy rate at 4.25% in August. The June statement that rates will likely be cut in 2025 was reiterated. Officials noted that data since then has supported expectations of one or two cuts this year but gave no clear signal for a September move.

We maintain our bullish view on the NOK. We think additional fiscal stimulus and positive rate differentials will support the currency. Lower oil prices following the de-escalation of geopolitical tensions, represent a headwind.

We keep our 3-month EURNOK target at 11.60 and our 12-month target at 11.30 (value of one EUR), suggesting a moderate appreciation for the NOK over the coming months.



CAD VIEW >>

TARGET 12M VS USD: 1.35

Target change

The Canadian Dollar (CAD) rebounded and traded around 1.38 (value of one USD) on August 28th.

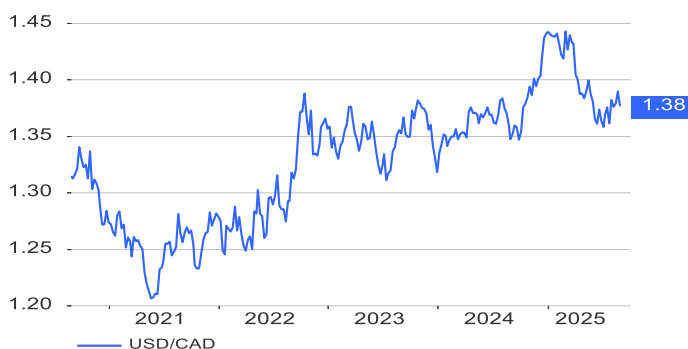
Headline inflation remained at 1.7%, while core inflation was unchanged at 2.6%. In the labour market, the unemployment rate increased to 7%. The manufacturing PMI remains weak at 46, with retail sales are also low. Furthermore, growth fell by 0.1% month-on-month.

The effect of trade tariffs is already being felt, data in Canada is starting to indicate. Employment figures have been weakening in sectors more sensitive to trade, such as manufacturing and wholesale/retail trade.

As expected, the BoC held rates at 2.75% in July. BoC policymakers are cautious about core inflation being above target as well as the resilience of the Canadian economy. They indicated that the next move (if any) would be a cut. Markets are pricing one rate cut by the end 2025. However, we think more confidence is needed that inflation expectations are not rising and that there is more downward pressure on inflation before making that decision.

Trade tensions have eased, but ongoing section 232 investigations and possible USMCA revisions mean uncertainty will persist. Additionally, the BoC is concerned about core inflation remaining sticky. Unlike the Fed, the BoC's mandate focuses solely on inflation, and we suspect that pricing-out of BoC rate cuts alongside our Fed easing outlook should support the CAD.

Given these factors, we change our 3-month target to 1.38 and our 12-month target to 1.35 (value of one USD). This suggests an appreciation of the CAD.



CNY VIEW >>

TARGET 12M VS USD: 7.10

Target change

The Chinese yuan (CNY) appreciated against the US dollar over the past days. As of August 28th, the USDCNY (value of one USD) was trading at around 7.14.

China's headline CPI inflation eased to 0.0% y/y in July from 0.1%. Core CPI inflation posted a strong reading at 0.4% m/m. Manufacturing PMI dipped to 49.3 in Jul from 49.7. China's industrial production growth moderated to 5.7% y/y in July, with retail sales growth at 3.7% y/y. Chinese exports growth picked up to 7.2% y/y in Jul from 5.9%.

The central bank (PBoC) maintained the 1Y & 5Y LPR unchanged at 3.0% and 3.5% respectively in August. We expect a 10bp cut in the policy rate by late September or early October. We think the 1Y LPR will closely follow changes in the 7-day reverse repo policy rate. However, given the sluggish property market, the 5-year LPR could see a larger cut of 20bp.

Trade negotiations on tariffs have been favorable. Meanwhile, the PBoC has been gradually setting the USDCNY fixing lower, consistent with the broader environment of USD weakness.

This approach suggests a preference to maintain relative currency stability against the USD, while allowing for a gradual and moderate RMB appreciation over time. With the market increasingly pricing in Fed rate cuts this year, expectations for RMB strength are building. However, we believe that the upside for the CNY is limited given several headwinds: Existing US tariffs, deflationary domestic macroeconomic conditions, and continued outbound investment flows from China.

Given these factors, we change our 3-month target to 7.15 and our 12-month target to 7.10 (value of one USD).



AUD VIEW >>**TARGET 12M VS USD: 0.66****No major upside**

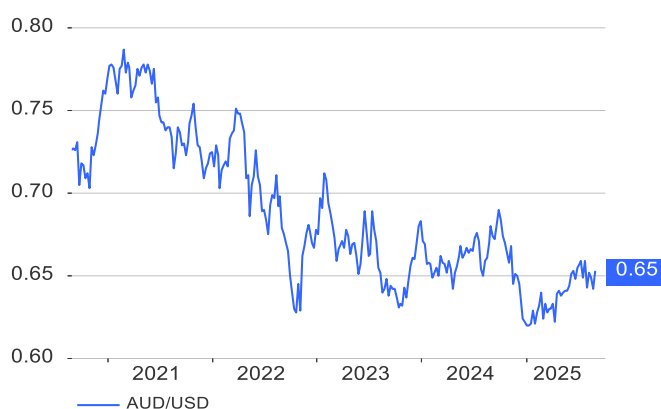
The Australian dollar (AUD) has stabilized against the USD and was trading around 0.65 on August 28th (value of one AUD).

The RBA cut the target cash rate by 25bp to 3.6% as widely expected in August. The guidance remains data dependent in order to stabilize inflation and employment. The market is now pricing rate cut in November.

Australia's inflation prints were hotter than expected, though it appears to be due to high electricity costs after government rebates for households were not being paid in July. The unemployment rate stays steady at 4.2% in July. The manufacturing and services PMIs stayed in expansionary territory at 52 and 55, respectively. Meanwhile, retail sales increased by 1.2% on the month.

Positive performance in global equities and easing US-China trade tensions was supportive for the AUD. We maintain our view that external factors, such as global risk appetite, US-China trade relations and Chinese growth will support the AUD. Uncertainty regarding the global economy limits the upside.

Therefore, we maintain our 3- and 12-month targets are 0.66 (the value of one AUD). This suggests a lateral evolution for the AUD.

**NZD VIEW >>****TARGET 12M VS USD: 0.60****Trading around our target**

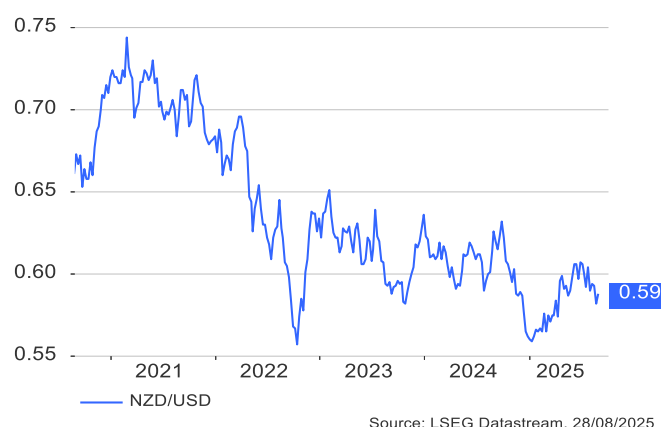
The New Zealand Dollar has stabilized against the USD. On August 28th, it traded at around 0.59 (value of one NZD).

The Reserve Bank of New Zealand (RBNZ) cut its policy rate by 25bps to 3.00% in August. The central bank stated further reductions as policymakers warned of domestic and global growth risk. We expect a bias towards further cuts, especially as the starting point for growth in New Zealand is relatively weak ahead of a period of great global uncertainty.

Annual inflation increased to 2.7 percent in July. The unemployment rate rose to 5.2%. In terms of economic surveys, the manufacturing PMI increased into the expansionary territory at 52 (prior 48).

As for the Australian currency, the NZD is sensitive to the outlook for China. In addition, the dovish stance of the central bank and weaker domestic fundamentals in New Zealand should weigh on the NZD relative to the dollar. The upside risk for the currency is that domestic data starts to improve after the recent RBNZ cuts, but the upside is limited.

Our NZD/USD 3- and 12-month targets are 0.60 (value of one NZD). This suggests a lateral evolution for the NZD.



MXN VIEW >>

TARGET 12M VS USD: 18.00

Close to target

The Mexican peso (MXN) appreciated against the US dollar since last month. As of August 28th, it was trading at around 18.63 (value of one USD).

The central bank (Banxico) lowered its policy rate by 25bp to 7.75% in August. The board's reaffirmed to continue the rate cut cycle, with most members explicitly referring to "additional cuts". We maintain our expectation of a 6.5% terminal rate in 2026, though the Fed's policy trajectory and Banxico's neutrality debate could lead to a pause within the cycle.

Headline inflation declined sharply to 3.51% down from 4.32% y/y, largely due to base effects. Core inflation remained sticky at 4.23% and this limits the overall pace of disinflation. The manufacturing PMI index remains in contractionary territory at 49. Industrial production remains weak. Near term, they are limited prospects for a meaningful rebound, particularly given growing concerns about potential tariff risks and their implications for trade and supply chains.

We think that the upside for the MXN is limited due to the potential for changes to the USMCA treaty, the dovish stance of the Banxico, the possible decline in remittances resulting from a slowing US economy and a stricter US immigration policy. Carry still dominates over trade risks.

Considering these factors, our USD/MXN 3-month target is 19.00 and we adjust our 12-month targets at 18.00 (value of one USD).



BRL VIEW >>

TARGET 12M VS USD: 5.80

Recent appreciation seems overdone

The Brazilian real (BRL) appreciated against the US dollar since last month. As of August 28th, USD/BRL was trading at around 5.41 against the US dollar (value of one USD).

July's inflation increased to 0.24% m/m (5.23% y/y), reflecting the rise in residential energy prices. Industrial production slowed by 0.1% m/m, with weak retail sales. Both the manufacturing and services PMIs are in contractionary territory, at 48 and 46, respectively.

The Central Bank of Brazil held its policy rate at 15% in July. The meeting statement maintained the hawkish tone. We assume this will last until April 2026, with continuous rate cuts until reaching 12.25% by end-2026 as inflation and inflation expectations cool gradually during an election year.

The ongoing broader USD weakness and low FX volatility continue to foster carry-seeking behavior in FX markets with the BRL standing out. We do not expect the recent increase in tariffs by the US to 50% to have a significant impact on the BRL, as the currency will remain dependent on the broad USD.

However, we recognize that local uncertainties coupled with global risk sentiment, are the main risks to watch for the BRL. Brazil faces fiscal stress and there are elections next year. The country must deal with elevated structural deficits, and budget rigidity.

Considering these factors, our 3-month target is 5.60 and our 12-month target is 5.80 (the value of one USD). That suggests a moderate depreciation.



	Country	Spot 28/08/2025	Trend	Target 3 months (vs. EUR)	Trend	Target 12 months (vs. EUR)
	United States	EUR / USD 1.17	Neutral	1.15	Negative	1.20
	United Kingdom	EUR / GBP 0.86	Neutral	0.87	Neutral	0.87
	Japan	EUR / JPY 171.54	Positive	167	Positive	168
	Switzerland	EUR / CHF 0.94	Neutral	0.94	Neutral	0.94
	Australia	EUR / AUD 1.79	Positive	1.74	Neutral	1.82
	New-Zealand	EUR / NZD 1.99	Positive	1.92	Neutral	2.00
	Canada	EUR / CAD 1.61	Neutral	1.59	Neutral	1.62
	Sweden	EUR / SEK 11.07	Neutral	11.00	Neutral	11.00
	Norway	EUR / NOK 11.76	Neutral	11.60	Positive	11.30
Asia	China	EUR / CNY 8.33	Neutral	8.22	Negative	8.52
	India	EUR / INR 102.27	Positive	98.90	Negative	105.60
Latam	Brazil	EUR / BRL 6.31	Negative	6.44	Negative	6.96
	Mexico	EUR / MXN 21.74	Neutral	21.85	Neutral	21.60

	Country	Spot 28/08/2025	Trend	Target 3 months (vs. USD)	Trend	Target 12 months (vs. USD)
	Eurozone	EUR / USD 1.17	Neutral	1.15	Positive	1.20
	United Kingdom	GBP / USD 1.35	Negative	1.32	Positive	1.38
	Japan	USD / JPY 146.99	Neutral	145.00	Positive	140.00
	Switzerland	USD / CHF 0.80	Neutral	0.82	Positive	0.78
	Australia	AUD / USD 0.65	Neutral	0.66	Neutral	0.66
	New-Zealand	NZD / USD 0.59	Positive	0.60	Positive	0.60
	Canada	USD / CAD 1.38	Neutral	1.38	Neutral	1.35
Asia	China	USD / CNY 7.14	Neutral	7.15	Neutral	7.10
	India	USD / INR 87.63	Neutral	86.00	Neutral	88.00
Latam	Brazil	USD / BRL 5.41	Negative	5.60	Negative	5.80
	Mexico	USD / MXN 18.63	Neutral	19.00	Positive	18.00
EMEA	South Africa	USD / ZAR 17.69	Neutral	18.00	Neutral	17.50
	USD Index	DXY 97.81	Neutral	98.98	Negative	95.13

Source: Refinitiv - BNP Paribas WM

THE INVESTMENT STRATEGY TEAM

FRANCE

Edmund SHING

Global Chief Investment Officer

Isabelle ENOS

Senior Investment Advisor

Charles GIROT

Senior Investment Advisor

ITALY

Luca IANDIMARINO

Chief Investment Advisor

BELGIUM

Philippe GIJSELS

Chief Investment Advisor

Alain GERARD

Senior Investment Advisor, Equities

Patrick CASSELMAN

Senior Investment Strategist, Commodities

GERMANY

Stephan KEMPER

Chief Investment Strategist

LUXEMBOURG

Guy ERTZ

Deputy Chief Investment Officer

Edouard DESBONNETS

Senior Investment Advisor, Fixed Income

ASIA

Prashant BHAYANI

Chief Investment Officer, Asia

Grace TAM

Chief Investment Strategist



CONNECT WITH US



wealthmanagement.bnpparibas

DISCLAIMER

This marketing document is communicated by the Wealth Management Métier of BNP Paribas, a French Société Anonyme, Head Office 16 boulevard des Italiens, 75009 Paris, France, registered under number 662 042 449 RCS Paris, registered in France as a bank with the French Autorité de Contrôle Prudentiel et de résolution (ACPR) and regulated by the French Autorité des Marchés Financiers (AMF). As marketing material, it has not been prepared in accordance with legal and regulatory requirements aimed at ensuring the independence of investment research and is not subject to any prohibition on dealing ahead of its dissemination. It has not been submitted to the AMF or any other market authority.

This document is confidential and intended solely for the use of BNP Paribas SA, BNP Paribas Wealth Management SA or their affiliates ("BNP Paribas") and the persons to whom this document has been delivered. It may not be distributed, published, reproduced or disclosed by any recipient to any other person, nor may it be quoted or referred to in any document, without the prior consent of BNP Paribas.

This document is provided solely for information and shall not constitute an offer or solicitation in any state or jurisdiction in which such an offer or solicitation is not authorized, or to any person to whom it is unlawful to make such offer, solicitation or sale. It is not, and under no circumstances is it to be construed as, a prospectus.

Although the information provided herein may have been obtained from published or unpublished sources considered to be reliable and while all reasonable care has been taken in the preparation of this document, BNP Paribas does not make any representation or warranty, express or implied, as to its accuracy or completeness and does not accept responsibility for any inaccuracy, error or omission. BNP Paribas gives no warranty, guarantee or representation as to the expected or projected success, profitability, return, performance, result, effect, consequence or benefit (either legal, regulatory, tax, financial, accounting or otherwise) of any product or transaction. Investors should not place undue reliance on any theoretical historical information regarding such theoretical historical performance. This document may contain or refer to past performance; past performance is no guarantee for future performance.

The information contained in this document has been drafted without prior knowledge of your personal circumstances, including your financial position, risk profile and investment objectives.

Prior to entering into a transaction each investor should fully understand the financial risks, including any market risk associated with the issuer, the merits and the suitability of investing in any product and consult with his or her own legal, tax, financial and accounting advisors before making his or her investment. Investors should be in a position to fully understand the features of the transaction and, in the absence of any provision to the contrary, be financially able to bear a loss of their investment and willing to accept such risk. Investors should always keep in mind that the value of investments and any income from them may go down as well as up and that past performance should not be seen as an indication of future performance. Any investment in a product described herein is subject to the prior reading and understanding of the legal documentation concerning the product, and in particular the one which describes in details the rights and obligations of investors as well as the risks inherent to an investment in the product. Save as otherwise expressly agreed in writing, BNP Paribas is not acting as financial adviser or fiduciary of the investor in any transaction. The information, opinions and projections expressed herein reflect the opinion of their author at the time of writing; they are not to be relied upon as authoritative or taken in substitution for the exercise of judgment by anyone, and are subject to change without notice. Neither BNP Paribas nor any BNP Paribas Group entity accepts any liability whatsoever for any consequences that may arise from the use of information, opinions or projections contained herein.

As distributor of the products described herein, BNP Paribas may receive distribution fees on which you can obtain more information upon specific request. BNP Paribas, their employees or administrators may hold positions in these products or have dealings with their issuers.

By accepting this document, you agree to be bound by the foregoing limitations.

© BNP Paribas (2025). All rights reserved.

Pictures from Getty Images.



BNP PARIBAS
WEALTH MANAGEMENT

**The bank
for a changing
world**