

Recovery of the Swiss franc

- Interest rate spreads continue to drive EUR/USD
- The focus has shifted from the US to eurozone
- The Swiss franc is a useful indicator of shifts in market risk sentiment
- Eurozone political and fiscal risks are supporting the franc



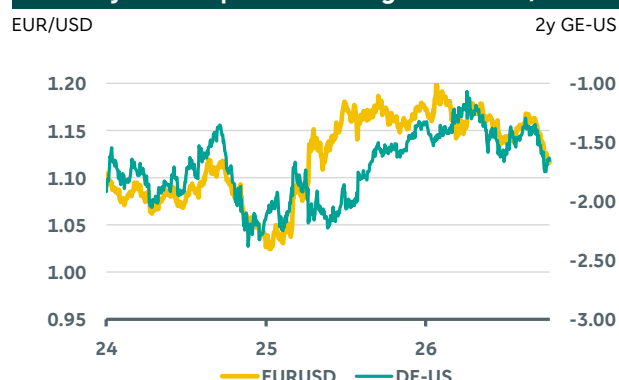
Georgette Boele
Senior FX & Oil Strategist
georgette.boele@nl.abnamro.com

Interest rate spreads continue to drive EUR/USD

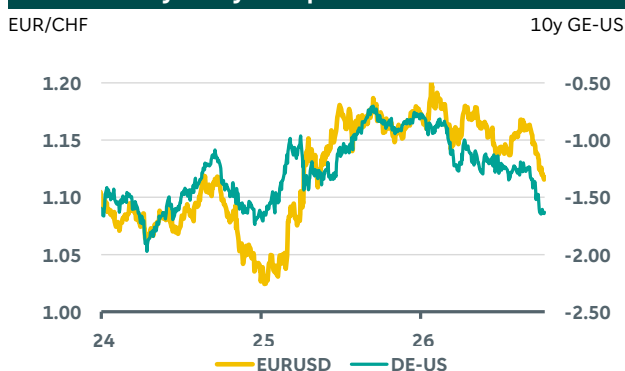
During the summer, financial markets focused mainly on developments in the US. Investors closely monitored domestic politics, the potential impact of the war on the midterm elections, the economy and the budget deficit. At that stage, higher US bond yields did not support the dollar because they mainly reflected the additional risk investors associated with holding US assets. However, since the Federal Reserve meeting on 16 September, higher yields have become an important source of support for the dollar.

In last week's FX Weekly, we explained that interest rate spreads were putting pressure on the euro. Several spreads are important, especially those between the US and Germany. Expectations for both short- and long-term interest rates currently favour the US dollar over the euro. For example, EUR/USD has fallen in line with the two-year GE-US interest rate spread. The currency pair shows a similar relationship with ten-year nominal and real yield spreads. Overall, these developments continue to weaken the euro. The charts below show that both the two-year yield differential and the ten-year real yield differential have moved in favour of the US dollar.

Lower 2y GE-US spread has weighed on EUR/USD...

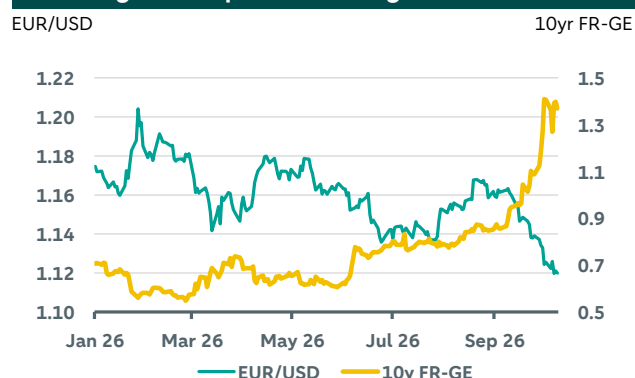


... like the 10y real yield spread



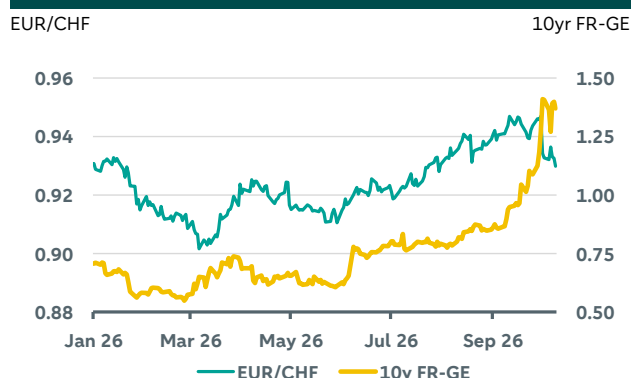
Meanwhile, investors have shifted their attention from US politics and public finances to the eurozone. Large budget deficits are not only a US problem: the UK and France also face serious challenges. Several eurozone countries will also hold elections in the coming year. As a result, the growing gap between their government bond yields and German yields has become another factor weighing on the euro, as the charts below show.

Widening FR-GE spread has weighed on euro vs USD



Source: Bloomberg, ABN AMRO Group Economics

...and vs Swiss franc



Source: Bloomberg, ABN AMRO Group Economics

Swiss franc behaviour is a good risk indicator

From June to October, the Swiss franc weakened against the euro. Low inflation made an interest rate increase by the Swiss National Bank unlikely. Meanwhile, the ECB had already raised its policy rate, and we expect two more increases in December and March. The Japanese yen has also become riskier as a funding currency for carry trades. As a result, investors increasingly prefer the Swiss franc and Swedish krona as alternatives.

However, when financial markets are concerned about political risks and public finances in the eurozone, the Swiss franc often strengthens against the euro because investors see it as a regional safe-haven currency. Switzerland also has a balanced budget. Recently, concerns about France's public finances and election uncertainty in France and Spain have supported the franc. Investors are becoming less willing to use the franc to fund carry trades, and some may already have closed short positions in the franc. They prefer not to be short a currency that also has safe-haven qualities. The franc's performance therefore gives a useful indication of what is currently driving financial markets.

Overall, we believe that financial markets are too optimistic about future Fed rate hikes and too pessimistic about developments in France. We therefore expect the euro to recover against both the US dollar and the Swiss franc. We maintain our year-end forecasts of 1.15 for EUR/USD and 0.95 for EUR/CHF.

Our FX forecasts

	13-Oct	Q4 2026	Q1 2027	Q2 2027	Q3 2027	Q4 2027
EUR/USD	1.1193	1.15	1.15	1.15	1.17	1.20
USD/JPY	158.14	154	154	150	146	142
EUR/JPY	177.01	177	177	173	171	170
GBP/USD	1.3249	1.36	1.36	1.36	1.36	1.38
EUR/GBP	0.8448	0.85	0.85	0.85	0.86	0.87
USD/CHF	0.8321	0.83	0.83	0.83	0.81	0.79
EUR/CHF	0.9313	0.95	0.96	0.96	0.95	0.95
AUD/USD	0.6978	0.71	0.70	0.70	0.72	0.74
EUR/AUD	1.6040	1.62	1.64	1.64	1.63	1.62
NZD/USD	0.5613	0.58	0.59	0.60	0.61	0.63
EUR/NZD	1.9942	1.98	1.95	1.92	1.92	1.90
USD/CAD	1.4241	1.39	1.39	1.38	1.37	1.36
EUR/CAD	1.5939	1.60	1.60	1.59	1.60	1.63
USD/SEK	9.9783	9.91	10.09	10.00	9.74	9.33
EUR/SEK	11.1686	11.40	11.60	11.50	11.40	11.20
EUR/NOK	10.6685	10.50	10.30	10.40	10.50	10.50
USD/NOK	9.5315	9.13	8.96	9.04	8.97	8.75
EUR/DKK	7.4753	7.45	7.45	7.45	7.45	7.45
USD/CNY	6.6926	6.70	6.70	6.70	6.65	6.60
EUR/CNY	7.4910	7.71	7.71	7.71	7.78	7.92
EUR/PLN	4.3744	4.30	4.25	4.25	4.25	4.25
USD/BRL	5.0205	5.00	5.00	5.25	5.50	5.50

Source: ABN AMRO Group Economics

DISCLAIMER

ABN AMRO Bank N.V., with registered office at Gustav Mahlerlaan 10, 1082 PP Amsterdam, Netherlands (AA), is responsible for the production and the dissemination of this document, which has been prepared by the individual working for AA or any of its affiliates (except ABN AMRO Securities (USA) LLC) and whose identity is mentioned in this document.

This document has been generated and produced by a Fixed Income Strategist ("Strategists"). Strategists prepare and produce trade commentary, trade ideas, and other analysis to support the Fixed Income Sales and Trading desks. The information in these reports has been obtained or derived from sources that are publicly available, such as Bloomberg and LSEG; AA makes no representations as to its accuracy or completeness. Although AA has a strict rule using only the most reliable sources, these sources might not meet that rule at all times. The analysis of our Strategists is subject to change and subsequent analysis may be inconsistent with information previously provided to you. Strategists are not part of any department conducting 'Investment Research' and do not have a direct reporting line to the Head of Fixed Income Trading or the Head of Fixed Income Sales. The view of the Strategists may differ (materially) from the views of the Fixed Income Sales and Trading desks or from the view of the departments conducting 'Investment Research' or other divisions.

This document has been prepared by AA and for the purposes of Regulation (EU) No. 596/2014 and has not been prepared in accordance with the legal and regulatory requirements designed to promote the independence of research. As such regulatory restrictions on AA dealing in any financial instruments mentioned in this marketing communication at any time before it is distributed to you, do not apply.

This document is for your private information only and does not constitute an analysis of all potentially material issues nor does it constitute an offer to buy, hold or sell any investment. Prior to entering into any transaction with AA, you should consider the relevance of the information contained herein to your decision given your own investment objectives, experience, financial and operational resources and any other relevant circumstances. Views expressed herein are not intended to be and should not be viewed as advice or as a recommendation. Any views or opinions expressed herein might conflict with investment research produced by AA. You should take independent advice on issues that are of concern to you.

Neither AA nor other persons shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way from the information contained in this communication.

This document is not intended for distribution to, or use by any person or entity in any jurisdiction where such distribution or use would be contrary to local law or regulation. In particular, this document must not be distributed to any person in the United States or to or for the account of any "US persons" as defined in Regulation S of the United States Securities Act of 1933, as amended.

CONFLICTS OF INTEREST/DISCLOSURES

AA and its affiliated companies may from time to time have long or short positions in, buy or sell (on a principal basis or otherwise), make markets in financial instruments of, and provide or have provided, investment banking, commercial banking or other services to any company or issuer named herein.

Any price(s) or value(s) are provided as of the date or time indicated and no representation is made that any trade can be executed at these prices or values. For a list of all Fixed Income recommendations that AA disseminated in the preceding 12 months, we refer to our latest Fixed Income Convictions publication on our website <https://insights.abnamro.nl/en>.

AA undertakes and seeks to undertake business with companies, financial institutions and public sector organisations covered in its reports. As a result, investors should be aware that AA may have a conflict of interest that could affect the objectivity of this report. AA and/or an affiliate regularly trades, generally deals as principal, and generally provides liquidity (as market maker or otherwise) in financial institutions thereof, that might be the subject of this report.

Furthermore Strategists routinely consult with AA's Sales and Trading desk personnel regarding market information including, but not limited to, pricing, spread levels and trading activity of a specific fixed income security or financial instrument, sector or other asset class.

AA is a primary dealer for the Dutch state and is a member of the Bund Issues Auction Group for the German state. Furthermore, AA is a member of the Market Group of the EFSF as well as ESM. To the extent that this report contains trade ideas based on macro views of economic market conditions or relative value, it may differ from the fundamental credit opinions and recommendations contained in credit sector or company research reports and from the views and opinions of other departments of AA and its affiliates. Any graph or other illustration that is displayed in this document and includes (a comparison of) financial instruments is intended for illustration purposes only and does not contain any investment recommendation, unless otherwise stated in this document.

Trading desks may trade, or have traded, as principal on the basis of the research analyst(s) views and reports. In addition, Strategists receive compensation based, in part, on the quality and accuracy of their analysis, client feedback, Trading desk and firm revenues and competitive factors. As a general matter, AA and/or its affiliates normally make a market and/or trade as principal in securities discussed in marketing communications.

Recommendations made are not part of any agreement with the issuer company (including financial institutions and public sector organisations). The author of this recommendation has not consulted any issuer or external party before disseminating the recommendations made in this publication.

AA has clear policies and restrictions with regard to personal account dealing, including restrictions for Research analysts from trading in any financial instruments they cover.

Within our publications we regularly use the term fair value. Fair value does not constitute a long term investment recommendation and only applies to the date of issuance of the financial instrument and the market conditions on that day. For this reason we do not keep a history list with fair values.

Publications from Group Economics are being published periodically, depending the market circumstances and are subject to change at the time of changing market conditions.

AA is authorised by De Nederlandsche Bank (DNB), the European Central Bank (ECB) and regulated by the Autoriteit Financiële Markten (AFM) for the conduct aspects of its business in the Netherlands and the Financial Conduct Authority for activities undertaken in the United Kingdom.

Copyright 2026 ABN AMRO. All rights reserved. This communication is for the use of intended recipients only and the contents may not be reproduced, redistributed, or copied in whole or in part for any purpose without express prior consent from AA. This marketing communication is not intended for distribution to retail clients under any circumstances.