

combined 09 oct 2026

MUFG · 2026-10-09 · English original

Page 1

1 09 October 2026 09 October 2026

Fundamentals aligned for a stronger USD

FX View: The USD continues to trade close to year-to-date highs although it has lost some upward momentum over the past week. Absent a significant upside surprise from the US CPI report for September in the week ahead, the Fed is likely to leave rates on hold this month. Fed Chair Kevin Warsh is scheduled to speak at the IMF Annual meetings in Thailand for the first time since the September FOMC meeting. Recently the stronger USD has been driven increasingly by negative developments overseas. Building concerns over the negative fallout for the euro area from a more prolonged energy price shock and higher borrowing costs particularly for France have reinforced the USD's upward momentum. The French government's latest budget plans have failed to restore investor confidence, and there is no clear near-term catalyst to trigger a turnaround in bearish sentiment. It leaves the EUR vulnerable to further weakness in the week ahead.

Trade Ideas: We are maintaining long USD/SEK and short EUR/JPY trade ideas.

JPY Flows –Portfolio securities: The MoF Transactions in International Securities data for the month of September was released yesterday and unsurprisingly, Japanese investors were sellers of foreign bonds. Lifers were sellers of foreign bonds by the largest amount since March. Perhaps the most persistent yen negative flow has been Investment Trust purchases of foreign equities.

EUR price action analysis during periods of weakness: Our analysis highlights that the CHF tends to outperform during periods of EUR weakness reflecting its role as a regional safe haven currency. In contrast, the HUF and NOK have tended to underperform during periods of EUR weakness.

MIXED G10 FX PERFORMANCE

Source: Bloomberg, close on 9th October 2026 (Weekly % Change vs. USD) 0.48% 0.38%

0.23%

-0.18%

-0.20%

-0.23%

-0.25%

-0.32%

-0.52%

-0.60% -0.40% -0.20% 0.00% 0.20% 0.40% 0.60% SEK

NOK

AUD

NZD

CAD

GBP

JPY

CHF

EUR

FX Weekly

DEREK HALPENNY Head of Research, Global Markets EMEA & International Securities

Global Markets Division for EMEA T: +44 (0)20 7577 1887 E:derek.halpenny@uk.mufg.jp

LEE HARDMAN Senior Currency Analyst

Global Markets Research Global Markets Division for EMEA T: +44 (0)20 7577 1968

E:lee.hardman@uk.mufg.jp

ABDUL -AHAD LOCKHART Currency Analyst

Global Markets Research Global Markets Division for EMEA T:+44 (0)20 7577 1183 E:abdul-ahad.lockhart@uk.mufg.jp

Research Portal: Global Markets Research - MUFG Research

Page 2

2 09 October 2026 FX: Lacking clear catalyst to turnaround bearish EUR sentiment

The USD has been consolidating at higher levels over the past week with the dollar index trading at close to year-to-date highs. It has been a similar story in global bond markets where the sell-off has lost some momentum over the past week. At the same time, the US equity markets hit fresh year-to-date highs driven by AI/tech related stocks. After hitting a low in late July, the Nasdaq equity index has since risen by around 13% despite the sharp adjustment higher in global bond yields. The tentative improvement in global investor risk sentiment has encouraged a relief rebound for the high beta G10 commodity currencies of the AUD and CAD over the past while the SEK has partially reversed sustained in September.

The pick-up in bond market volatility has not yet spilled over into the US equity where the VIX index measure of equity market volatility remains close to year-to-date lows. FX market volatility has picked up more particularly for emerging market currencies as the USD has strengthened. However, it is still at relatively low levels which helped to curtail the risk of a bigger unwind of FX carry trades. The biggest loser amongst emerging market currencies since the start of September has been the MXN (-6.5% vs. USD) while other high yielding emerging market currencies such as the BRL (+2.5%) have held up much better boosted by favourable domestic political developments. Flavio Bolsonaro's victory in the first round of the presidential election has triggered a significant positive reassessment of the outlook

for Brazilian assets and the real. A shift to more market friendly policies including plans for tighter fiscal policy carries even more weight given building market concerns over debt sustainability triggered by rising borrowing costs.

The French government bond market is currently the focal point for building fiscal concerns which has reinforced downward pressure for the EUR from the ongoing energy price shock and the Fed's recent decision to begin rising rates. As we highlighted in our latest FX Focus report ([click here](#)), the French government bond have suffered their biggest sell-off in recent months since the autumn of 2022 during the last energy price shock triggered by Russia invading Ukraine. It has widened the yield spread between French and German government bonds to the highest levels since the euro-zone sovereign debt crisis between 2011 and 2012. Borrowing costs for France have risen to the highest level since 2022 reinforcing market pressure on the government to adopt credible fiscal tightening measures to restore investor confidence.

However, the recent unveiling of the government's budget plans for next year failed to restore investor confidence. Market participants remain sceptical over whether the

LIMITED SPILLOVER FROM BOND MARKET VOLATILITY FX CARRY HAS PROVEN RESILIENT SO FAR

Source: Bloomberg, Macrobond & MUFG GMR Source: Bloomberg, Macrobond & MUFG GMR USD is trading close to year-to-date highs

Equity market volatility remains low compared to pick-up in bond market volatility preventing bigger unwind of FX carry

Heightened fiscal & political risks in France reinforcing EUR sell-off on top of energy price shock & Fed rate hikes

Budget plans fail to restore confidence in French government debt

Page 3

3 09 October 2026 minority government will be able to implement fiscal tightening as planned ahead of next year's presidential elections, and the plans are based on overly optimistic growth forecasts similar to this year. Higher borrowing costs and energy prices alongside heightened political uncertainty will put a dampener on growth in 2027. On the other hand, it has been reassuring that RN leader Le Pen who is the current front runner to be next president is calling for tighter fiscal policy and has outlined a shadow budget and long-term fiscal calling to burnish her deficit-cutting credentials which include holding a referendum to introduce a German-style debt brake. The true test of her ability and willingness to implement more aggressive fiscal tightening will only come after the presidential elections, and until then market participants are understandably likely to remain sceptical.

It leaves the EUR on fragile ground heading into year end without a clear catalyst to trigger a turnaround in sentiment. One potential external catalyst would be deal to end the conflict between the US and Iran, and help ease the risk of a more prolonged energy price shock. The price of natural gas in Europe has risen back up towards year-to-date highs over the past week after the run up over the summer highlighting that market participants have grown increasingly pessimistic over a breakthrough in peace talks. Rising borrowing costs complicates the ECB's job in setting monetary policy for the euro area. The unwanted tightening in financial conditions is a headwind for economic growth and will help ease upside inflation risks so could curtail the need for further ECB rate hikes. It has already encouraged

euro-zone rate market participants to pare back expectations for more aggressive ECB hikes including another hike as soon as this month. The ECB's biggest concern though if yield spreads continue to widen out sharply between euro area members will be the potential for disruption to the smooth transmission of monetary policy. According to Bloomberg, President Lagarde reassured euro area finance ministers at a behind closed door meeting this week that the ECB has the instruments to counter warranted, disorderly market dynamic such as the Transmission Protection Instrument (TPI). However, there was no indication that they are currently considering any form of imminent market intervention.

Rising government borrowing costs are also increasing pressure on the UK government to adopt a more cautious approach when laying out their fiscal plans in the upcoming Budget scheduled to be released on 28th October. It will be crucial for new Labour leader Andy Burham to lay out credible fiscal policy plans preserving the government's fiscal headroom in order to maintain market confidence. A less risky budget that delays bigger fiscal policy changes until a later date would help to dampen downside risks for the GBP. The GBP has risen to fresh-year to-date highs against the EUR over the past week as the market's focus has shifted towards risk in the euro area.

EUR SELL-OFF BROADENS OUT RISKS SKEWED TO DOWNSIDE FOR EUR

Source: Bloomberg, Macrobond & MUFG Source: Bloomberg, Macrobond & MUFG GMR Risks remain skewed to the downside for EUR without clear catalyst for a turnaround in increasingly bearish sentiment

Rising bond yields calls for safety first budget from UK government. GBP has benefitted recently from shift in focus for fiscal risks.

Page 4

4 09 October 2026

Weekly Calendar

Ccy Date BST Indicator/Event Period Consensus Previous Mkt Moving USD 12/10/2026 17:10 Fed's Hammack Speaks !!

AUD 13/10/2026 01:30 RBA Minutes of Sept. Policy Meeting !! EUR 13/10/2026 07:00 Germany CPI YoY Sep F -- 3.3% !! USD 13/10/2026 08:45 Fed's Waller Speaks !!! USD 13/10/2026 11:00 NFIB Small Business Optimism Sep 98.0 98.7 !! USD 13/10/2026 15:00 Existing Home Sales Sep 3.96m 3.98m !!

EUR 14/10/2026 04:45 ECB's Moulin Speaks !! SEK 14/10/2026 07:00 CPI YoY Sep F -- 1.1% !! USD 14/10/2026 10:40 Fed Governor Bowman Speaks !!! USD 14/10/2026 13:30 Core CPI MoM Sep 0.2% 0.3% !!! USD 14/10/2026 19:00 Fed Releases Beige Book !! CAD 14/10/2026 Tbc BoC'S Macklem Joins Fireside Chat !!!

AUD 15/10/2026 01:30 Employment Change Sep 20.0k 39.5k !!! JPY 15/10/2026 05:30 Industrial Production MoM Aug F -- -1.7% !! GBP 15/10/2026 07:00 Monthly GDP (MoM) Aug -- 0.4% !! CHF 15/10/2026 07:30 Producer & Import Prices MoM Sep -- 0.7% !! EUR 15/10/2026 07:45 France CPI YoY Sep F -- 3.00% !! EUR 15/10/2026 10:00 Industrial Production SA MoM Aug -- -0.1% !! USD 15/10/2026 13:30 Retail Sales Advance MoM Sep 0.3% 1.1% !!! USD 15/10/2026 13:30 Initial Jobless Claims -- -- !! USD 15/10/2026 13:30 PPI Final Demand MoM Sep 0.5% 0.4% !!

GBP 16/10/2026 03:00 BoE's Bailey in Fireside Chat !!! USD 16/10/2026 04:30 Fed's Warsh in Fireside Chat !!! SEK 16/10/2026 07:00 Unemployment Rate Sep -- 8.5% !! EUR 16/10/2026 10:00 Trade Balance SA Aug -- 5.0b !! EUR 16/10/2026 10:00 CPI YoY Sep F -- 3.8% !! USD 16/10/2026 13:30 Import Price Index MoM Sep -- 0.7% !!

Source: Bloomberg, Macrobond & MUFG GMR

Key Events:

- The main economic data release in the week ahead will be the latest US CPI report for September. The report is expected to show that headline inflation picked up to 3.6% in September. The rise in headline inflation since the start of the US-Iran conflict has been driven almost entirely by higher energy prices. Market participants and the Fed will be watching the core inflation reading closely for any tentative signs that inflation pressures are broadening. Core inflation picked up in August, driven by the services sector, increasing by 0.3% m/m, although it is expected to ease back to 0.2% m/m in September. Another upside surprise would likely be required to revive market expectations of a back-to-back Fed rate hike as soon as this month. The release of the latest US retail sales report for September is also expected to provide confirmation that consumer spending continued to grow strongly in Q3.
- Toward the end of the week, Fed Chair Warsh is scheduled to participate in a fireside chat at the IMF Annual Meetings in Thailand. He has not spoken publicly since the September FOMC meeting, so his comments will be watched closely for further guidance on the policy outlook ahead of the October meeting.
- Other central bank speakers around the IMF's Annual meetings in Thailand include BoE MPC members Bailey, Pill, Greene and Breeden. The comments will be watched closely to see if the BoE sends a clear signal that they are planning to hike rates from next month. The close proximity of the UK government's upcoming budget on 28th October may still discourage the BoE from sending a definitive signal over a November hike until uncertainty over the fiscal policy outlook has cleared. While higher government borrowing costs are contributing to tighter financial conditions, we still expect the BoE to raise rates next month.

Page 5

5 09 October 2026

Open Trade Ideas

SHORT EUR/JPY –OPENED @ 177.00 (TARGET @ 171.00 & STOP-LOSS @ 181.00)

We are maintaining a short EUR/JPY trade idea. The pair has regained downward momentum in recent weeks after breaking back below the 180.00 level. This move lower could be reinforced by recent developments in Europe. The re-emergence of fragmentation risks is contributing to an unwanted tightening of financial conditions. If widening yield spreads are not addressed, they could reduce the need for the ECB to raise rates as aggressively as the market currently expects in response to higher inflation. Short-term yields in the euro area have already begun to correct lower, weighing on the EUR. In contrast, the JPY should continue to derive support from a faster pace of BoJ rate hikes. While a back-to-back rate increase appears unlikely this month, we expect another hike before the end of the year, helping to narrow yield differentials with the euro area. The JPY could also benefit if financial market volatility increases further, triggering an unwinding of JPY-funded carry trades.

LONG USD/SEK –OPENED @ 9.8500 (TARGET @ 10.300 & STOP-LOSS @ 9.600)

We are maintaining our long USD/SEK trade recommendation. The USD has regained upward momentum since the Fed resumed raising interest rates in September. That momentum has continued over the past week even as Fed communication has pushed back against expectations of an October rate hike and US inflation was revised significantly lower over the summer. More recently, however, the USD has benefited from the re-emergence of fragmentation risks within the euro area. The sharp rise in French government bond yields has begun to spill over into other major European bond markets, pushing yields higher across the region. This tightening in financial conditions adds to the headwinds facing growth in the euro area, including Sweden. With the situation in Europe at risk of deteriorating further before improving, we have decided to maintain our long USD/SEK trade recommendation. Fragmentation risks adding to downside risks for EUR/JPY

Rising bonds yields are weighing more heavily on European currency performance against the USD

Page 6

6 09 October 2026

FX Portfolio

Trade idea	Notional	Entry Date	Entry Level	Current	S/L	Target	Spot	P&L	Carry	P&L	Portfolio Contribution
------------	----------	------------	-------------	---------	-----	--------	------	-----	-------	-----	------------------------

Closed Trades

Long EUR/USD	USD 5mn	10/05/2024	1.0770	1.0840	1.0570	1.1070	32,498	-3,484	29,014		
Long MXN/ZAR	USD 5mn	07/06/2024	1.0300	1.0050	1.0050	1.0850	-121,359	1,812	-119,547		
Short EUR/JPY	USD 5mn	14/06/2024	168.00	171.10	171.10	162.50	-92,262	-2,194	-94,456		
Long AUD/USD	USD 5mn	05/07/2024	0.6735	0.6585	0.6585	0.7035	-111,359	-1,544	-112,903		
Long GBP/SEK	USD 5mn	12/07/2024	13.660	13.920	13.360	14.160	95,168	2,149	97,317		
Short NZD/CHF	USD 5mn	02/08/2024	0.5170	0.5000	0.5270	0.5000	164,410	-215	164,195		
Short NZD/CAD	USD 5mn	09/08/2024	0.8270	0.8430	0.8430	0.8030	-96,735	-1,578	-98,313		
Short USD/JPY	USD 5mn	06/09/2024	143.30	142.80	146.30	138.30	17,446	-7,717	9,729		
Long AUD/USD	USD 5mn	27/09/2024	0.6890	0.6810	0.6740	0.7100	-58,055	589	-57,466		
Long USD/NOK	USD 5mn	11/10/2024	10.720	11.020	10.500	11.020	139,925	530	140,455		
Long EUR/USD	USD 5mn	08/11/2024	1.0760	1.0570	1.0700	1.0100	88,290	3,857	92,147		
Long USD/CAD	USD 5mn	06/12/2024	1.4090	1.4390	1.3850	1.4550	106,458	1,471	107,194		
Long GBP/USD	USD 5mn	10/01/2025	1.2250	1.2550	1.2550	1.1750	-122,449	-885	-123,334		
Short EUR/JPY	USD 5mn	07/02/2025	157.60	161.89	163.00	150.00	-171,320	-9,487	-180,807		
Long USD/SEK	USD 5mn	14/03/2025	10.120	9.9200	9.9200	10.420	-98,814	5,245	-93,569		
Long USD/CAD	USD 5mn	28/03/2025	1.4300	1.4050	1.4050	1.4750	-87,413	1425	-85,988		
Long EUR/NZD	USD 5mn	25/04/2025	1.9040	1.9035	1.8700	1.9600	-1,314	-3,305	-4,619		

Short USD/JPY USD 5mn 16/05/2025 145.95 144.00 149.40 138.30 66,804 9,179 57,625

Long USD/ZAR USD 5mn 13/06/2025 17.910 18.020 17.650 18.350 30,709 - 1,963 28,746

Short USD/NOK USD 5mn 27/06/2025 10.070 10.060 10.270 9.6000 4,965 104 5,070

Long EUR/GBP USD 5mn 04/07/2025 0.8625 0.8674 0.8475 0.8850 27,978 -4,894 22,084

Long USD/JPY USD 5mn 18/07/2025 148.30 147.70 145.70 153.30 -19,335 11,240 -8,095

Long NOK/CHF USD 5mn 08/08/2025 7.8727 7.9760 7.7520 8.1151 65,607 12,022 77,629

Short USD/JPY USD 5mn 15/08/2025 147.00 147.80 149.50 143.50 -27,211 -13,990 -41,201

Long NZD/SEK USD 5mn 12/09/2025 5.5557 5.4449 5.4168 5.6945 -99,717 1,511 -98,206

Short USD/JPY USD 5mn 07/11/2025 153.40 156.00 156.00 148.50 -84,746 -4,292 -89,038

Long EUR/GBP USD 5mn 19/09/2025 0.8710 0.8730 0.8550 0.8900 11,481 -15,091 -3,610

Short CAD/CHF USD 5mn 03/10/2025 0.5705 0.5765 0.5825 0.5525 -53,041 -16,310 -69,351

Long AUD/GBP USD 5mn 12/12/2025 0.4980 0.5200 0.4980 0.5280 220,884 -1,297 219,587

Long EUR/JPY USD 5mn 12/01/2026 184.50 181.50 181.50 190.00 -81,301 4,384 -76,917

Short EUR/USD USD 5mn 09/03/2026 1.1570 1.1750 1.1750 1.1300 -105,877 5,936 -99,942

Long AUD/SEK USD 5mn 11/05/2026 6.6850 6.6640 6.5700 6.8950 -15,609 7,665 -7,944

Short GBP/CHF USD 5mn 30/03/2026 1.0600 1.0670 1.0800 1.0200 -32,994 -21,659 -54,603

Long USD/NOK USD 5mn 19/06/2026 9.6900 9.8500 9.5000 10.100 82,559 -728 81,832

Long EUR/GBP USD 5mn 17/07/2026 0.8500 0.8575 0.8395 0.8700 44,118 -3,053 41,065

Short USD/BRL USD 5mn 10/07/2026 5.1150 5.1900 5.2600 4.9600 -73,314 61,095 -12,219

Long AUD/JPY USD 5mn 07/08/2026 111.20 114.50 109.20 114.50 148,381 6,286 154,667

Short EUR/JPY USD 5mn 04/09/2026 181.30 180.90 184.30 186.30 11,031 -1,818 9,214

Open Trades

Short USD/SEK USD 5mn 18/09/2026 9.8500 9.9950 9.6000 10.300 75,127 4,759 79,886

Short EUR/JPY USD 5mn 02/10/2026 177.00 177.30 181.00 171.00 -7,062 942 -6,120 Source: MUFG GMR; Changes in stops/targets in bold italics. (1) Current levels reflect intraday pricing. (2) The portfolio represents hypothetical, not actual, investments. Furthermore, we do not actively manage these hypothetical positions on a daily basis and changes tend to be made only through this publication on a weekly basis. To reflect the level of conviction of our trades we run trades in two different amounts: High conviction trades = USD 10mn & Basic conviction trades = USD 5mn

Page 7

7 09 October 2026

FX Positioning

The Commodity Futures Trading Commission (CFTC) publish weekly reports revealing positioning for the following currencies: AUD, BRL, CAD, CHF, EUR, GBP, JPY, MXN, NZD, RUB, USD (implied) and ZAR. We have applied z-scores to the positioning data to provide a signal of how stretched current positions are compared to averages over the last two years.

BREAKDOWN BY INVESTORS

JUMP IN SHORT EUR POSITIONS GBP LONGS SCALED BACK

Source: Bloomberg, CFTC, Macrobond & MUFG GMR (as of 29th September 2026)

Key Takeaways:

- The latest IMM positioning data for the week ending 29th September showed that leveraged funds reduced short USD positions for the second consecutive week. The positioning data highlights that the recent sharp strengthening of the USD has been reinforced by a squeeze of short positions although long MXN positions remained elevated. The biggest short USD positions were held against the AUD and MXN in the latest week, although they are largely offset now by long USD positions against the CAD, EUR and JPY.
 - The largest weekly changes in leveraged fund positioning were: (i) an increase in short CAD positions of 22,783 contracts; (ii) an increase in short EUR positions of 12,571 contracts; (iii) a decrease in long GBP positions of 8,633 contracts; and (iv) an increase in short JPY positions of 21,584 contracts. In the previous week, long MXN positions had reached their highest level since the end of 2022. It was the largest short EUR position since the middle of August.
 - Our positioning z-score analysis indicates that long GBP positions were the smallest relative to their respective two-year ranges.
- | | No. of contracts | Z-Score | No. of contracts | Z-Score | No. of contracts | Z-Score | | |
|-----|------------------|---------|------------------|---------|------------------|---------|----------|-------|
| AUD | -73,199 | -1.44 | AUD | 60,592 | 1.50 | AUD | -12,607 | 0.09 |
| BRL | 67,015 | 0.68 | BRL | 9,553 | 0.78 | BRL | 76,568 | 0.80 |
| CAD | -27,581 | 0.65 | CAD | -69,644 | -0.52 | CAD | -97,225 | 0.38 |
| CHF | -36,411 | 0.11 | CHF | -13,995 | -1.32 | CHF | -50,406 | 1.38 |
| EUR | 220,603 | -0.89 | EUR | -39,265 | -1.33 | EUR | 181,338 | -1.06 |
| GBP | -128,544 | -1.39 | GBP | 4,606 | -2.14 | GBP | -123,938 | -1.74 |
| JPY | 51,634 | 0.40 | JPY | -14,161 | 0.63 | JPY | 37,473 | 0.55 |
| MXN | 16,251 | -0.94 | MXN | 80,587 | 1.67 | MXN | 96,838 | 0.57 |
| NZD | -21,228 | 0.37 | NZD | -1,066 | 0.86 | NZD | -22,294 | 0.68 |
| USD | -89,260 | -0.39 | USD | -21,861 | -1.92 | USD | -111,121 | -0.88 |
| ZAR | 20,720 | 1.57 | ZAR | 4,654 | 0.37 | ZAR | 25,374 | 1.54 |
- Asset Manager/Institutional Leveraged Funds Asset Manager/ Institutional & Leveraged Funds

Page 8

8 09 October 2026

JPY Flows – Portfolio securities & by investor type

Key Takeaways :

- The MoF Transactions in International Securities data for the month of September was released yesterday and unsurprisingly, given global fixed income market conditions, Japanese investors were sellers of foreign bonds, totalling JPY 1,426bn, the fifth month of sales so far this year with total sales of

JPY 4,191bn, the first year-to-date period of sales since 2022. We know from other data that a considerable part of that selling is US debt specific. However, purchases of foreign equities has continued and JPY 749bn worth of buying in September took the year-to-date buying to JPY 2,276bn (Chart 1).

- Interestingly, the dire fixed income sentiment in September was not reflected in foreign investor flows into Japan with purchases of JPY 3,091bn worth of Japan bonds, the largest total since January (Chart 2). The buying came in a month in which the BoJ raised rates and could be an indication that the monetary policy setting in Japan is easing concerns over inflation risks. The market is now priced for the BoJ policy rate to hit 2.00% next year and the JGB yield curve has been flattening. Auctions this week (10yr & 30yr) both went well with signs of stronger demand. The fixed income turmoil abroad was more reflective in the equity flow –foreign investors sold JPY 6,294bn worth, the largest selling since March following the start of the conflict in the Middle East.

- Chart 3 shows Lifers were sellers of foreign bonds (JPY 289bn), by the largest amount since March. Perhaps the most persistent yen negative flow has been Investment Trust flows with JPY 1,360bn worth of foreign equity buying in September. On a 3mth sum basis foreign equity buying totalled JPY 3,949bn, the largest 3mth total on record. These purchases are largely unhedged and on an annualised basis is approaching JPY 16trn (over USD 100bn) underlining the impact of the expanded NISA limits announced in 2024. Despite the fixed income turmoil in September Chart 5 indicates that Japan Trusts (GPIF included) were once again sellers of foreign equities and buyers of bonds. Source: Macrobond, Bloomberg & MUFG Research

Page 9

9 09 October 2026

EUR price action analysis during periods of weakness

EUR weakness has become increasingly broad-based in recent weeks. Rather than focusing on individual EUR crosses, our framework combines the breadth and magnitude of EUR declines to identify periods when weakness is significant across the FX market. The latest reading falls into our 'Severe EUR Weakness' regime, with EUR declining broadly across the currencies in our basket. We use the framework to answer two questions. (1) Which currencies have historically outperformed or underperformed when EUR weakness becomes more severe? (2) Does that initial pattern persist once the shock has occurred?

METHODOLOGY

Our framework identifies periods when EUR weakness is both broad-based and unusually large. We use all G10 EUR crosses daily spot data covering the period 2000 to present and calculate two indicators each week.

1. EUR weakness breadth - we calculate the proportion of EUR crosses in which EUR declined during the week:

$$\text{EUR Weakness Breadth} = \frac{\text{Number of EUR crosses falling}}{\text{Number of available EUR crosses}}$$

2. EUR pressure - standardised EUR cross's weekly return relative to its own historical volatility and take the average across currencies:

$$\text{EUR Pressure} = \frac{\text{Average EUR cross return} - \text{Average EUR cross return z-score}}{\text{Standard deviation}}$$

Regime classification

We combine breadth and pressure into three regimes; (1) Normal: no broad and unusually large EUR decline. (2) EUR Weakness: at least 75% of EUR crosses decline and EUR pressure falls into the bottom 30% of its rolling one-year distribution. (3) Severe EUR Weakness: at least 75% of EUR crosses decline and pressure falls into the bottom 10%.

Source: Macrobond, Bloomberg & MUFG Research

Source: Macrobond, Bloomberg & MUFG Research Latest EUR price action falls in the bottom 10% of EUR-cross market pressure –2000 to present.

Chart highlight back-to-back severe EUR weakness in recent periods

Page 10

10 09 October 2026 THE POST-SHOCK PHASE: LEADERSHIP ROTATES

Our analysis highlights forward returns are notably smaller than the initial FX adjustment that occurs during the EUR-shock week itself. CHF emerges as the clearest post-shock beneficiary, the average relative performance increases from +0.7% over the following four weeks to +1.1% over 13 weeks.

Source: Macrobond, Bloomberg & MUFG Research

Key Takeaways:

- Our analysis highlights that the CHF tends to outperform during periods of EUR weakness. It is the main beneficiary amongst regional currencies from the loss of confidence in the EUR consistent with the CHF's role as regional safe haven currency.
- In contrast, the HUF and NOK have tended to underperform during periods of EUR weakness. So far this year both the HUF and NOK have outperformed. If the EUR continues to weaken driven by concerns over fiscal risk in the euro area and downside risks from a more prolonged energy price shock, our analysis indicates that this year's HUF and NOK gains could begin to reverse. CHF emerges as a strongest performer.

Page 11

11 09 October 2026 London:

MR DEREK HALPENNY Head of Research, Global Markets EMEA & International Securities T: +44 (0)20 7577 1887

MR LEE HARDMAN Senior Currency Analyst T: +44 (0)20 7577 1968

MR ABDUL-AHAD LOCKHART Currency Analyst T: +44 (0)20 7577 1183

MS MOMOKO MIYACHI Research Assistant T: +44 (0)20 7577 1886

Hong Kong:

MS LIN LI Head of Global Markets Research Asia T: +852 2862 7005

MR KHANG SEK LEE Associate T: +852 2862 7838

New York:

MR GEORGE GONCALVES Head of US Macro Strategy T: +1-212- 405-6687

Dubai:

MR EDWARD BELL Head of Research –MENA T: +971 (0)4 387 503 3

MS SOOJIN KIM Analyst T: +971 (0)4 387 5031 Tokyo

MR TEPPEI INO Tokyo Head of Global Markets Research T: +81 (0) 50-3842 -1288

MS SUMINO KAMEI Senior Analyst T: +81 (0) 50-3842-1289

MR AKIHIKO YOKOO Senior Analyst T: +81 (0) 50 -3842 -8809

MR TERUMASA KAWAKAMI Analyst T: +81 (0) 50 -3843 -6702

MS SAKURA KOIKE Analyst T: +81 (0) 50 -3842 -2259

MR TOSHIYUKI SUZUKI Global Market Economist T: +81 (0) 3 6214 4148

Singapore:

MR MICHAEL WAN Senior Currency Analyst T: +65 6918 5537

MR LLOYD CHAN Senior Currency Analyst T: +65 6918 553 6

Page 12

12 09 October 2026

Source: <https://www.mufgresearch.com/fx/fx-weekly-9-october-2026/>