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UPDATE

October 30, 2026 09:47 PM GMT

G10 FX Strategy | Global

Our Latest Views

fundamental catalysts and technical levels to watch.

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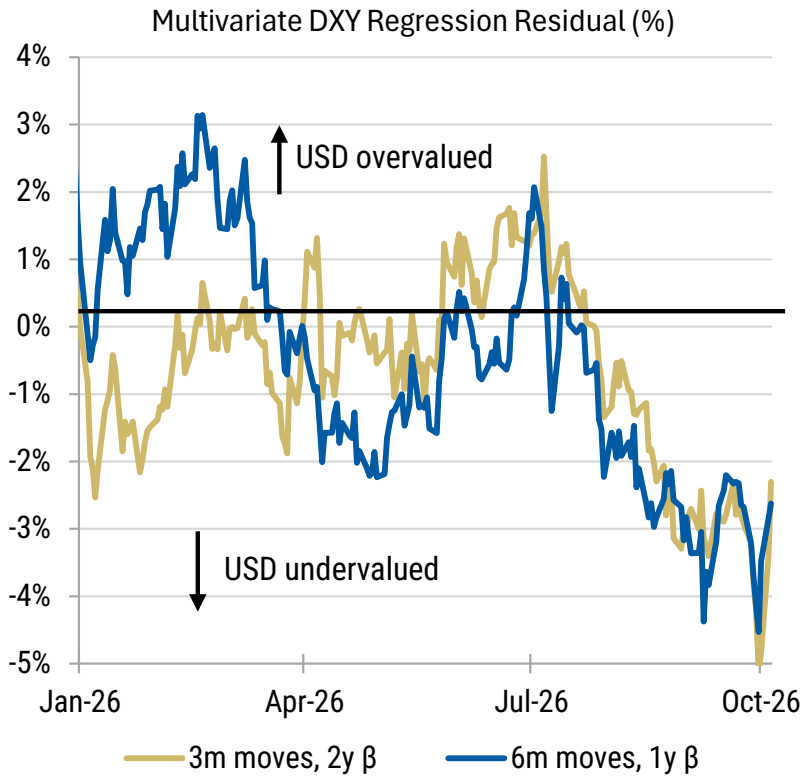
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Key Takeaways

- The USD moved broadly sideways this week, peaking midweek. We see the USD as modestly underpriced and believe the path ahead remains USD supportive.
- We are bullish AUD and CHF, with upside risks to CAD and NOK.
- We are bearish JPY and GBP, and see downside risks to EUR.

Exhibit 1: G10 FX Chart of the Week



As we recently commented, we think that the **USD remains modestly cheap relative to macro fundamentals** given historical relationships to relative yields, energy prices, and European sovereign spreads.

We continue to recommend long USD positions vs JPY and GBP.

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USD View: Neutral | Skew: Bullish
An upside surprise to October CPI could generate the next wave of USD buying, though this week's Treasury refunding announcement may be an underpriced FX vol risk.

EUR View: Neutral | Skew: Bearish
EUR should remain a broad underperformer, both versus risk sensitive currencies and safe havens like CHF, though EUR/USD remains vulnerable to a short squeeze given positioning.

JPY View: Bearish | Skew: Bearish
We maintain our bearish stance on JPY. USD/JPY remained resilient even amid the global risk-off move, and the fundamental upside pressure on the pair remains intact following the central bank week.

GBP View: Bearish | Skew: Bearish
Sterling's October rally and muted reaction to the Autumn Budget suggest much of the good news is already in the price. We continue to favour GBP/USD shorts, with scope for a dovish repricing of BoE expectations to erode GBP's carry support, whilst the US cyclical outlook remains relatively favourable.

CHF View: Bullish | Skew: Bullish
We maintain short EUR/CHF targeting 0.90. European fiscal uncertainty and attractive CHF valuation support further appreciation.

CAD View: Neutral | Skew: Bullish
We maintain a bullish CAD skew and recommend paying April BoC as markets price further tightening. Near-term CAD risks include US-Canada trade headlines and this week's employment report.

AUD View: Bullish | Skew: Bullish
We remain bullish AUD and recommend short EUR/AUD targeting 1.53. A hawkish RBA, attractive carry, and relatively short positioning support further appreciation despite slowing growth.

NZD View: Neutral | Skew: Neutral
We continue to favor AUD/NZD upside. Still-soft domestic demand leave the 106bp of RBNZ tightening priced through 2027 looking optimistic.

SEK View: Neutral | Skew: Neutral
Improving domestic fundamentals support our expectation for further Riksbank tightening, with a 25bp hike expected next week. We see scope for SEK appreciation should domestic fundamentals regain influence, though external conditions remain a near-term constraint.

NOK View: Neutral | Skew: Bullish
Resilient domestic demand should keep the Norges Bank on hold next week, supporting NOK's attractive carry. We continue to favour NOK/SEK as a hedge against energy-price upside, though increasingly concentrated positioning presents a near-term risk to correlations.

Exhibit 2:

Spot trades	Spot	Target		Stop	
Maintain					
Short EUR/AUD	1.5883	1.5300	3.7%	1.6900	-6.4%
Long USD/JPY	157.54	163.00	3.5%	150.00	-4.8%
Short GBP/USD	1.3395	1.2850	4.1%	1.3350	0.3%
Short EUR/CHF	0.9203	0.9000	2.2%	0.9600	-4.3%
Long NOK/SEK	1.0675	1.1225	5.2%	1.0300	-3.5%

G10 | Summary of Our G10 Currency Views

USD **Our view: Neutral** **Risk skew: Bullish**

Watch: ISM Manufacturing, JOLTS, Factory Orders, ADP, Treasury Refunding, US Midterms, ISM Services, NFP

We continue to see upside risks for the DXY, though we think crowded positioning and sentiment in short EUR/USD reduces the risk/reward for buying at current levels. This week's FOMC meeting, in our view, concretized the likelihood of a 25bp hike in December, though should we get another firmer CPI print on 10th November, we see risks that markets could begin to price in risks that the FOMC is increasingly behind the curve. Such an outcome could see front-end rates rise further, bolstering the USD. We think this week's Treasury refunding announcement is an underpriced risk for the FX market; a larger-than-expected reduction in long-end issuance and/or a larger-than-expected increase in buybacks could see a sudden increase in USD-negative risk premium. We don't think this will last long, and we would look to fade it, but it creates risks of a "short squeeze" for EUR/USD shorts.

EUR **Our view: Neutral** **Risk skew: Bearish**

Watch: CPI, PPI, PMI Revisions

We continue to see downside risks to EUR/USD and think 1.10 is a reasonable target. That said, we would prefer to sell on rallies closer to 1.1350/1.14 rather than at current levels. This week's ECB meeting largely confirmed that a rate hike in December is likely, consistent with our economists' base case, though we continue to see scope for pricing for 2027 to compress lower, which should weigh on EUR. We also continue to see broader EUR weakness on crosses as investors add more EUR-negative political risk premium into the currency from wider sovereign spreads. While EUR/USD positioning has turned a lot less short, we sense it is still a fairly consensus position with positioning still clearly short, which creates risk of a "short squeeze" rally in EUR/USD – this risk is partly why we are waiting to sell on a rally, rather than selling at current levels.

JPY **Our view: Bearish** **Risk skew: Bearish**

Watch: September BoJ MPM Minutes, weekly MoF data

We maintain a bearish stance on JPY. While the impact of global risk sentiment warrants continued attention, oil prices remain elevated and our USD/JPY fair value estimate, incorporating US terminal-rate pricing, stands at around 169. This suggests that fundamental upside pressure on USD/JPY remains significant. Indeed, USD/JPY proved resilient even amid the risk-off move in the later this week. Japan's data calendar will be relatively light next week. While overseas events could generate volatility, with Tuesday a public holiday in Japan and the US midterm elections taking place on the same day, we continue to see fundamental upside pressure on USD/JPY, particularly given expectations for a solid US employment report.

GBP **Our view: Bearish** **Risk skew: Bearish**

Watch: Bank of England Rate Decision

Whilst this week's October DMP survey showed some upside in expected prices, slower expected wage growth and softer employment growth expectations help reaffirm our belief that second-round effects should be contained. Sterling's October rally has been supported by a strong run of positive UK data surprises. However, at this juncture, we think there is already a lot of good news in the price, with the relatively muted reaction to the Autumn Budget (which proved to be a low-volatility event) indicative of limited additional upside. Looking ahead, our economists expect the BoE to deliver a 25bp hike next week with a 6:3 vote, followed by a further hike in February and an extended hold. Markets are pricing a considerably higher policy rate path than in our base case. Indeed, realised disinflation and the recognition that risks of second-round effects are limited should prompt a dovish repricing and erode GBP's elevated carry. This should ultimately weigh on GBP, whose high-yielding status has been one of the main supports for its performance this year. We therefore maintain GBP/USD shorts, given the more favourable balance of risks around the US cyclical outlook relative to the UK, as well as the trade's broadly neutral carry.

CHF **Our view: Bullish** **Risk skew: Bullish**

Watch: CPI, Employment Report

We maintain a bullish CHF skew and continue to recommend short EUR/CHF positions targeting 0.90. European fiscal and political uncertainty remains an important source of support for CHF, with Tuesday's vote on the revenue portion of France's 2027 budget a key near-term catalyst. We continue to see EUR/CHF as an attractive hedge against further widening in OAT spreads. A potential rejection of the revenue portion would cause the Assembly to reject the budget at first reading and send the original government proposal to the Senate, potentially keeping French fiscal uncertainty elevated. On the Swiss side, this week's CPI release is expected to show inflation rising to 1.2% y/y from 1.0%. Although inflation remains within the SNB's price stability range, a sustained pickup could reduce the SNB's actual and perceived willingness to resist CHF appreciation. Beyond these near-term catalysts, EUR/CHF remains around 3% above our estimate of PPP-implied fair value, suggesting further downside as spot converges towards fundamentals. We continue to favour CHF appreciation against EUR, while recognizing the risk of SNB intervention below 0.90.

CAD **Our view: Neutral** **Risk skew: Bullish**

Watch: Employment Report

We maintain a bullish CAD skew following this week's BoC meeting. While the Bank raised rates by 25bp as expected, Governor Macklem's press conference and the updated forecasts suggest scope for markets to price a more aggressive tightening path. We see markets pricing a third hike by April. While higher Canadian front-end rates should support CAD, we are hesitant to recommend USD/CAD shorts given uncertainty around Fed pricing and the US reaction to persistent inflation. We therefore prefer expressing our BoC view directly through rates. We see some risk of CAD weakness on Monday if positive US-Canada trade headlines fail to materialize ahead of Tuesday's US midterm elections, particularly given recent optimism around a potential deal. Friday's Canadian employment report will also be important for assessing whether the BoC's relatively optimistic growth outlook remains justified, and thus whether markets can sustain expectations for further tightening.

AUD **Our view: Bullish** **Risk skew: Bullish**

Watch: RBA Rates Decision

We remain bullish AUD and continue to recommend short EUR/AUD positions targeting 1.53, with the cross having traded as low as 1.58 this week. Stronger-than-expected 3Q CPI, particularly the upside surprise in core inflation, and RBA communication have reinforced expectations for another 25bp hike at next week's meeting. Our economists now expect the RBA to raise rates to 4.85%, despite mounting evidence of slower growth and labour market weakness. We will be watching the vote split and revisions to the RBA's economic forecasts, particularly the extent to which policymakers downgrade their 2027 growth outlook and raise their unemployment projections. However, we think the near-term implications for AUD are likely to be driven more by the RBA's willingness to tolerate additional economic weakness in pursuit of lower inflation. Even if the Bank signals a gradual approach to further tightening, Australian rates should remain among the highest in G10, supporting AUD carry demand. With AUD positioning still relatively short and European political and fiscal uncertainty weighing on EUR, we continue to favour further EUR/AUD downside.

NZD **Our view: Neutral** **Risk skew: Neutral**

Watch: Employment Report, General Election

We continue to expect NZD/USD to remain broadly stable and favor further AUD/NZD upside. This week's surprise RBNZ hold was particularly notable given that Governor Breman voted with the 4-3 majority to keep rates unchanged, citing weaker-than-expected inflation, subdued household demand, and downside risks to the global economy. While Breman emphasized that further tightening remains likely, we question whether the roughly 106bp of hikes priced through end-2027 will ultimately be delivered. With other central banks, including the Fed and RBA, also tightening policy, we think New Zealand's relatively weak domestic demand and elevated sensitivity to global financial conditions could limit the scope for sustained upward repricing. Next week's general election also presents some downside risk to RBNZ pricing. The potential restoration of a RBNZ employment mandate could encourage a lower path of RBNZ policy priced given soft domestic demand and elevated unemployment. However, any potential change would require legislation, limiting the immediate implications for RBNZ pricing.

SEK **Our view: Neutral** **Risk skew: Neutral**

Watch: October PMI and Flash CPI, Prime Ministerial Vote, Riksbank Policy Rate Decision

The data trends in Sweden remain positive. The headline Economic Tendency Survey continues to grind higher in October with a sharp move upwards in manufacturing confidence – an indication of the Riksbank's accommodative policy at work. Whilst there was some less positive news on the consumer and retail sales side, we continue to place weight on the overall trend from the surveys – which remains upward. Q3's GDP and September's upside surprise in PPI give confidence in the Riksbank being on track to begin normalising its policy rate. We expect the Riksbank to hike 25bp to 2.0% next week, with a second move to 2.25% in February now our economist's base case. Stronger activity and rising inflationary pressures support further normalisation; this week's data remains consistent with this expectation. Though SEK has lagged the repricing in Swedish front-end rates, we continue to see scope for appreciation should domestic fundamentals regain influence, but external volatility and energy prices remain near-term constraints. EUR/SEK has recently seen a strong move lower thanks to the EUR-centric moves in recent weeks; we highlight the 200-day moving average at 10.96 as a key technical support level.

NOK **Our view: Neutral** **Risk skew: Bullish**

Watch: September Industrial Production, Q3 Wages, Norges Bank Policy Rate Decision

A busy week of data supported the notion of resilient domestic demand in Norway. Whilst September's retail sales notably worsened MoM, further improvement in credit growth YoY with October's registered unemployment rate holding firm at 2% should give the Norges Bank little urgency to normalise policy rates anytime soon. Indeed, we expect Norges Bank to hold at 4.5% next week following September's hike, reiterating that rates will remain elevated for some time. Resilient domestic demand and sticky inflation should preserve its hawkish bias, supporting NOK's attractive carry. However, energy prices remain the dominant driver of FX returns. We continue to favour NOK/SEK as a positive carrying hedge against further energy-price upside, even in a risk-off environment. Positioning in NOK has likely become somewhat concentrated, which raises the risk that energy correlations may be distorted, though this week we saw EUR/NOK and NOK/SEK continue to broadly track the movements in energy prices.

Valuation Methodology and Risks

Below you will find a list of our current trade ideas, entry levels, entry dates, rationales, and risks.

Currency and Foreign Exchange

TRADE	ENTRY LEVEL	ENTRY DATE	RATIONALE	RISKS
Short GBP/USD	1.3223	06/10/2026	Markets price in fiscal premium ahead of Autumn budget. Markets give a higher weight to the tail risk of a risk negative environment given movements in yields and energy prices.	Markets remain at ease regarding UK political risks, whilst the budget delivers a credible outcome. Risk assets continue to grind higher and financial conditions loosen.
Short EUR/AUD	1.6634	8/14/2026	Markets may shift the implied ECB policy path lower and stretch for carry with long AUD positions.	Inflation continues accelerating in the euro area, necessitating a higher ECB policy rate than our economists expect.
Long USD/JPY	153.40	9/11/2026	We think expectations for GPIF repatriation looks too speculative, while rising oil prices and markets' pricing of a high US terminal rate continue to support the pair.	A key risk to this trade is that JPY carry positions continue to be unwound, driven by the further speculation about repatriation from GPIF and Japanese investors more broadly.
Short EUR/CHF	0.9295	7-Oct-26	Increased risk aversion and risk premium in Eurozone assets should support EUR/CHF selling.	Comments from the SNB suggesting discomfort with CHF strength could push EUR/CHF higher.
Long NOK/SEK	1.068	27/10/2026	NOK has displayed a tight correlation in energy prices in 2026. Should energy prices push higher, NOK/SEK should follow suit – irrespective of the implications for risk assets.	Sharp normalisation in energy prices, Norges Bank net NOK selling flows via GPFG flows distort energy correlations.

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