



J. Safra Sarasin

FX Atlas

June 3, 2025 | Page 1 of 23 | claudio.wewel@jsafrasarasin.com

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No return to the pre-April world

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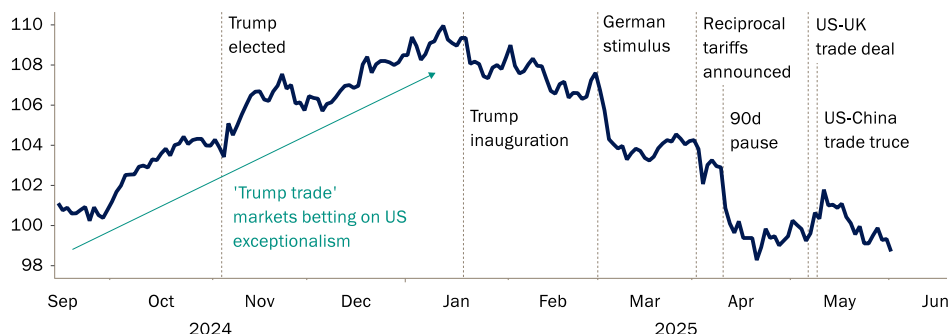
Concerns about the sustainability of US government debt have pushed the dollar lower again as of late, ending a short episode in which the dollar recovered on the back of the US-UK trade deal and the US-China trade truce. We show that the FX market remains far from normal. While FX volatility has experienced a short-lived drop, markets continue to price high volatility ahead and the dollar has not recouped with US bond yield levels. Essentially, the dollar has morphed into a 'risk-on currency', as evidenced by its newly found positive correlation with US equities. What's more, option-implied volatility skews underscore that markets are bracing for further dollar debasement.

The dollar has experienced large swings over the past six months

The US dollar has traded within a relatively wide range since President Trump won the 2024 US election (Exhibit 1). The currency started to rally in October as the market began to bet on Trump's victory. Investors were led by the expectation that the US would continue to outperform the rest of the world on the back of an extension of the Tax Cuts and Jobs Act (TCJA) and broader deregulation initiatives. It then peaked shortly before Trump's inauguration on 20 January, keeping much of its strength during his first few weeks in office. Yet the dollar embarked on a downward trend in early March. Investors began to question the US exceptionalism narrative as Germany unveiled a large fiscal package for military and infrastructure spending, while US fiscal stimulus turned negative. Following Trump's announcement of reciprocal tariffs on April 2, the DXY dollar index experienced another significant drop. In May, the US-UK trade deal and the US-China trade truce provided some short-lived relief to the dollar, yet US fiscal sustainability concerns have resurfaced in the light of President Trump's 'One Big Beautiful Bill Act', pushing the dollar lower again.

Exhibit 1: Trump's announcement of 'trade deals' only helped the dollar temporarily

DXY dollar index since Donald Trump's victory in 2024 US election



Source: Macrobond, Bank J. Safra Sarasin, 03.06.2025

Exhibit 2: FX volatility is elevated

VXY G7, FX option-implied vola index



Source: Bloomberg, Bank J. Safra Sarasin, 03.06.2025



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FX volatility spiked following the announcement of reciprocal tariffs and will be quick to resurge once the Trump administration turns more hawkish again

FX option-implied volatility underscores that in particular the announcement of reciprocal tariffs was a pivotal event that caused markets to lose a substantial amount of trust in Trump's policies (Exhibit 2). The sharp rise in uncertainty intensified as the administration's plans to weaken the US dollar received more attention. Market participants focused on Stephen Miran's Mar-a-Lago proposals that aim to make holding dollar reserve assets less attractive for foreigners. The ideas include charging a user fee on US Treasury holdings or swapping US Treasuries for lower-interest-bearing 'century bonds', potentially in exchange for US security guarantees. Following the US-UK trade deal and a substantial rollback of tariffs on Chinese goods, FX volatility experienced a short-lived drop. Yet it was quick to resurge as the sustainability of US government debt has come into focus again.

Exhibit 3: Dollar and US Treasury yields have decoupled

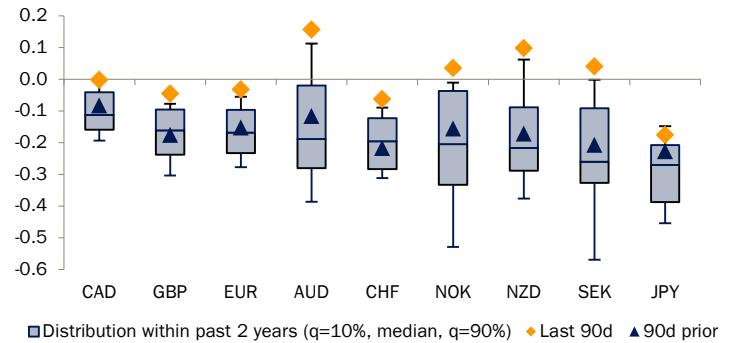
Trade-weighted US dollar vs 10y US Treasury yield



Source: Macrobond, Bank J. Safra Sarasin, 03.06.2025

Exhibit 4: G10 FX exhibits unusual sensitivities towards 2y UST yield

Sensitivity of USD pairs vs UST 2y yield



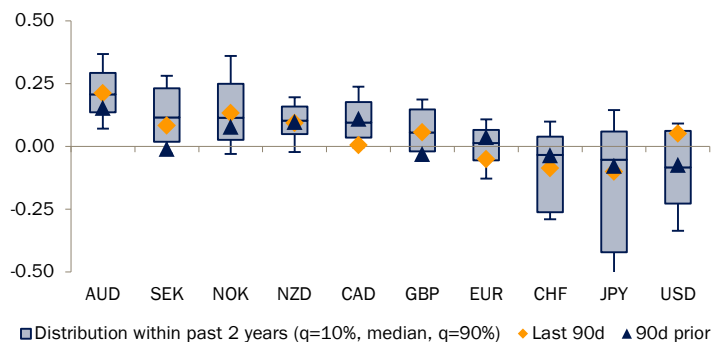
Source: Macrobond, Bank J. Safra Sarasin, 03.06.2025

The dollar remains decoupled from US bond yield levels and has essentially developed into a 'risk on' currency

Aside from volatility, the dollar's dynamics have changed considerably since 2 April. Most notably, the US dollar has not recoupled with yield levels, underscoring the fact that term premia have risen significantly on the back of the heightened political uncertainty in the US (Exhibit 3). President Trump's 'One Big Beautiful Bill' has all but fortified these concerns. High beta currencies such as AUD, NZD, NOK and SEK, which usually tend to depreciate significantly against the dollar when US bond yields rise, have been appreciating against the dollar regardless, hinting at broad-based liquidity outflows from the US (Exhibit 4). What's more, the inverse correlation between the dollar and the S&P 500 has turned positive (Exhibit 5), as evidenced by the concomitant recovery of the US dollar and US equities seen in recent days.

Exhibit 5: USD looks increasingly like a 'risk on' currency

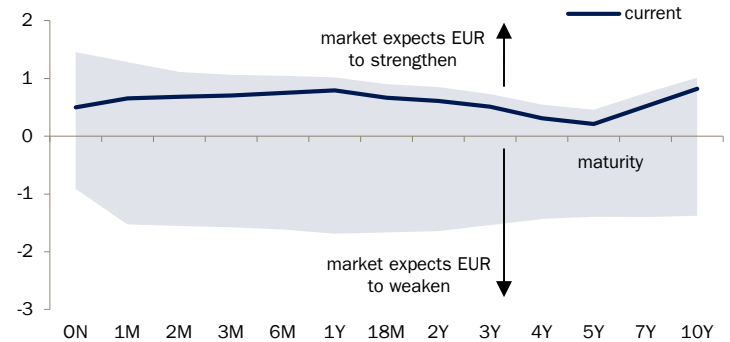
Sensitivity of NEER vs S&P 500



Source: Macrobond, Bank J. Safra Sarasin, 03.06.2025

Exhibit 6: EURUSD exhibits a positive volatility skew

EUR-USD 25-delta risk reversals by maturity



Source: Bloomberg, Bank J. Safra Sarasin, 03.06.2025



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Option-implied volatility skews continue to reflect that markets are braced for further dollar debasement

Even though Trump's recent political decisions have brought the effective US tariff rate down from 30% to below 15%, it is important to keep in mind that there is no enforcement mechanism and hence the deals will only last until President Trump wants to renegotiate them. The recent reescalation of the US-China trade war serves as the latest case in point. It also goes a long way in showing that Trump's political goals are unlikely to have changed. Yet this would be crucial to restoring the cracks that have become visible in the US dollar's safe haven status. Reputational damage is likely to persist, implying that investors should continue to diversify away from US assets. EUR-USD risk reversals remain in bullish territory across all maturities, underscoring that markets are bracing for further dollar debasement (Exhibit 6).



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Overview

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Overview

Our view & major differences to the Bloomberg consensus

- **Bullish on the Swiss franc:** We expect the currency to be well supported amid high political uncertainty. Upside pressure should rise further once the SNB delivers its last rate cut and the Swiss franc's rate disadvantage narrows.
- **Bullish on gold:** We expect gold to perform well in 2025 amid high political uncertainty and strong structural demand as central banks diversify reserves away from dollar assets. Given weak activity in China, we expect Chinese demand to remain high.

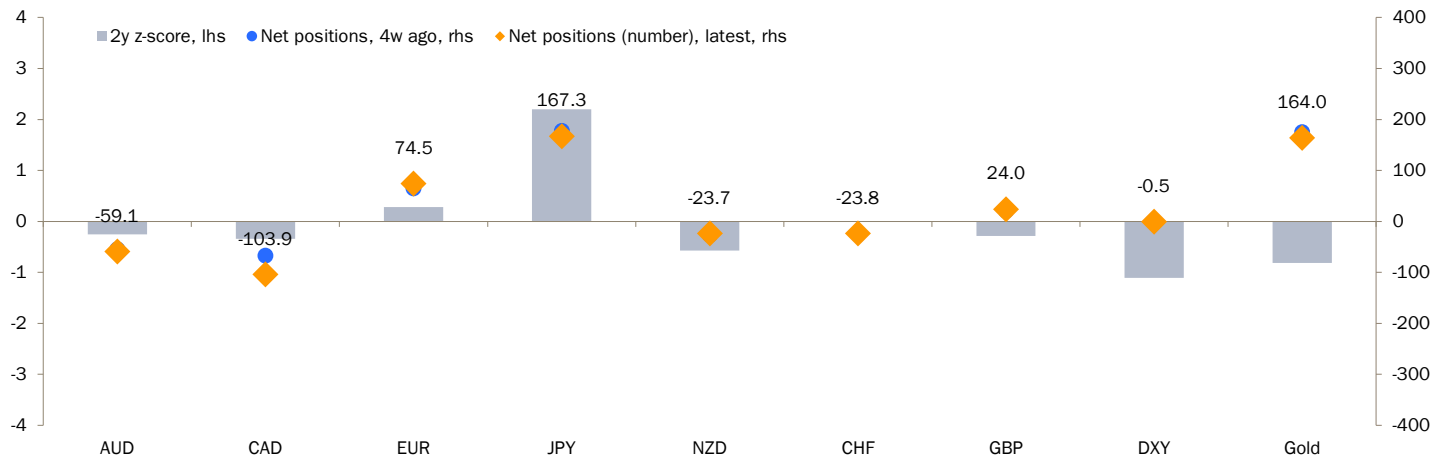
Forecasts

CHF	3-Jun	BJSS forecasts				Consensus	FX forwards
		3Q25	4Q25	2Q26	4Q26	4Q25	4Q25
USDCHF	0.82	0.78	0.77	0.75	0.73	0.82	0.80
EURCHF	0.94	0.93	0.92	0.92	0.91	0.94	0.93
GBPCHF	1.11	1.10	1.08	1.06	1.03	1.09	1.08
CHFJPY	174	176	176	177	177	171	175
USD	3-Jun	3Q25	4Q25	2Q26	4Q26	4Q25	4Q25
EURUSD	1.14	1.18	1.20	1.22	1.24	1.15	1.15
GBPUSD	1.35	1.40	1.41	1.41	1.40	1.34	1.35
USDJPY	143	138	135	133	130	140	140
USDCNY	7.19	7.10	7.00	6.90	6.80	7.20	7.09
EUR	3-Jun	3Q25	4Q25	2Q26	4Q26	4Q25	4Q25
EURGBP	0.84	0.84	0.85	0.87	0.88	0.86	0.85
EURJPY	163	163	162	162	161	161	162
Gold	3-Jun	3Q25	4Q25	2Q26	4Q26	4Q25	4Q25
XAUUSD	3,360	3,500	3,600	3,700	3,800	3,032	

Source: Bloomberg, Bank J. Safra Sarasin

Positioning

CFTC COT net speculative positions, 2y z-score



Source: Macrobond, Bank J. Safra Sarasin



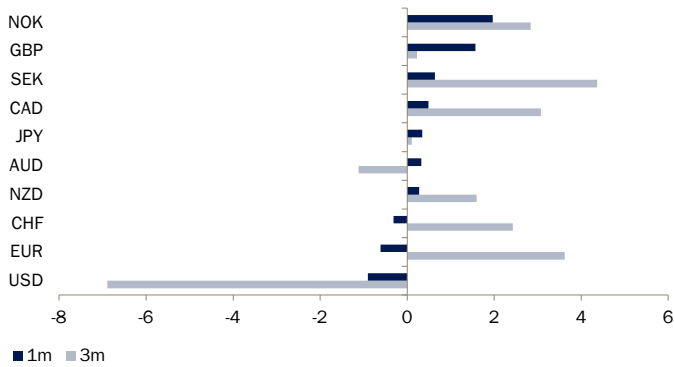
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Overview

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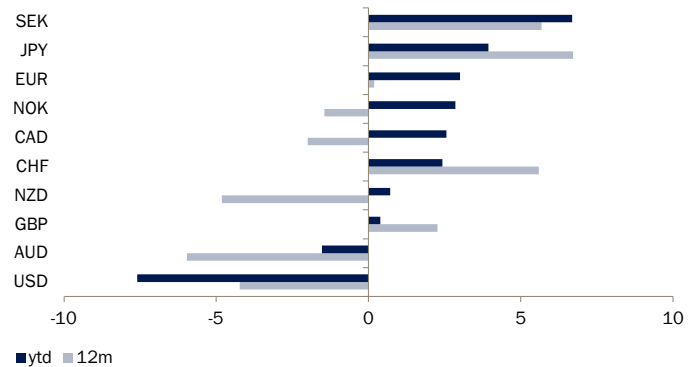
Performance

1m and 3m performance nominal trade weighted FX indices, %



Source: Macrobond, Bank J. Safra Sarasin

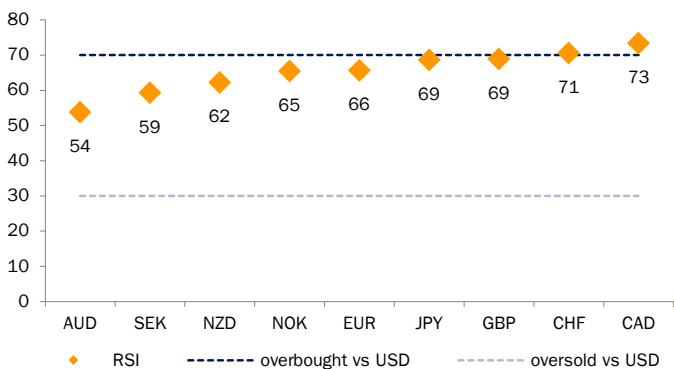
1y and ytd performance nominal trade weighted FX indices, %



Source: Macrobond, Bank J. Safra Sarasin

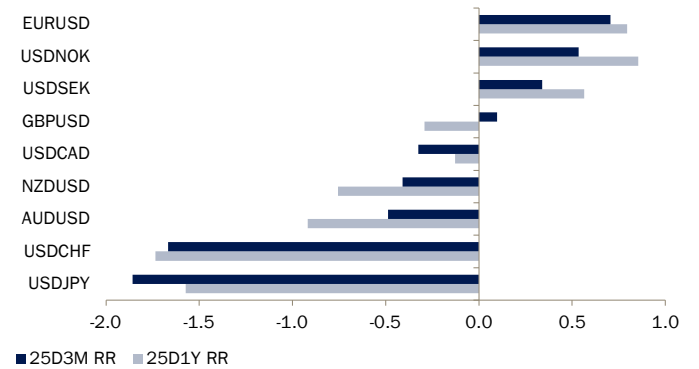
Sentiment

Relative Strength Index (RSI) vs USD*



Source: Bloomberg, Bank J. Safra Sarasin

3- and 12-month risk reversals (RR)**

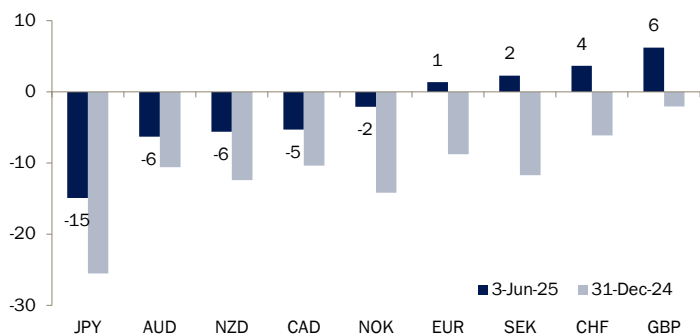


Source: Bloomberg, Bank J. Safra Sarasin

Valuation

Relative PPP-implied valuation vs USD, %

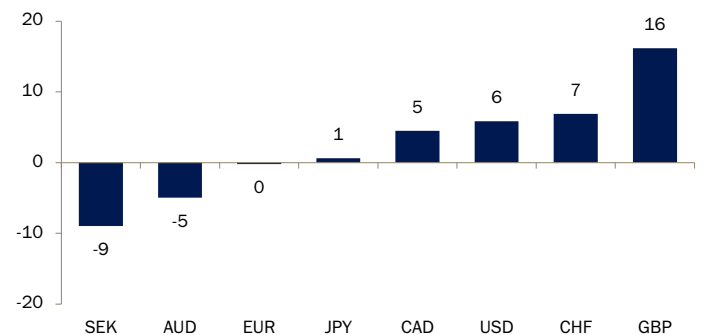
FX spot vs PPP-implied USD exchange rates



Source: Macrobond, Bank J. Safra Sarasin

IMF assessed fair value gap, based on current account sustainability

Deviation of real effective exchange rate from IMF long-term «fair value», %



Source: Macrobond, IMF, Bank J. Safra Sarasin



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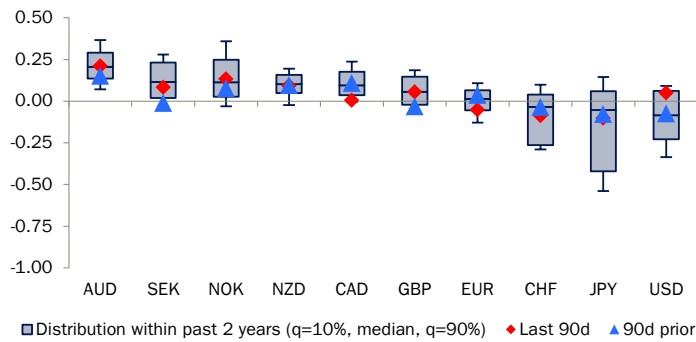
Overview

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Sensitivities

Equity (S&P 500)

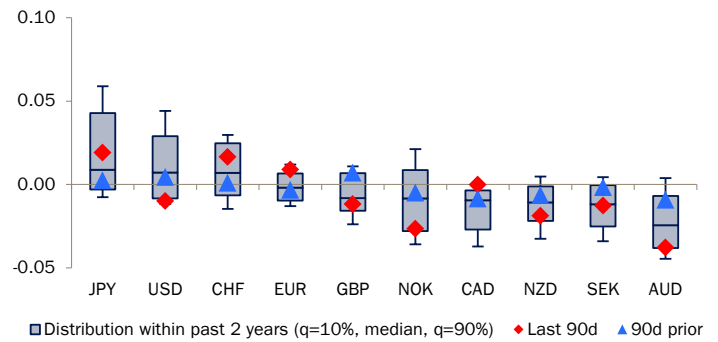
Sensitivity of NEER vs S&P 500



Source: Macrobond, Bank J. Safra Sarasin

Equity volatility (VIX)

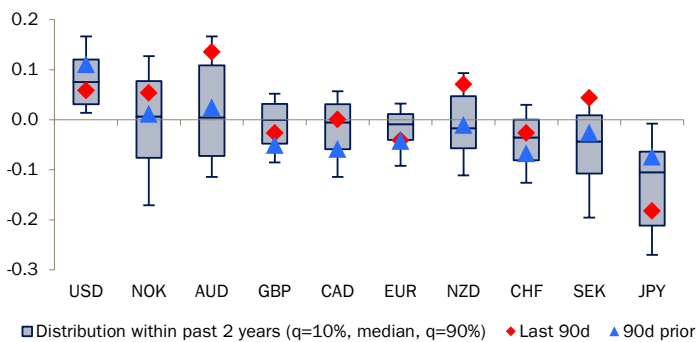
Sensitivity of NEER vs VIX index



Source: Macrobond, Bank J. Safra Sarasin

US Treasury 2y yield

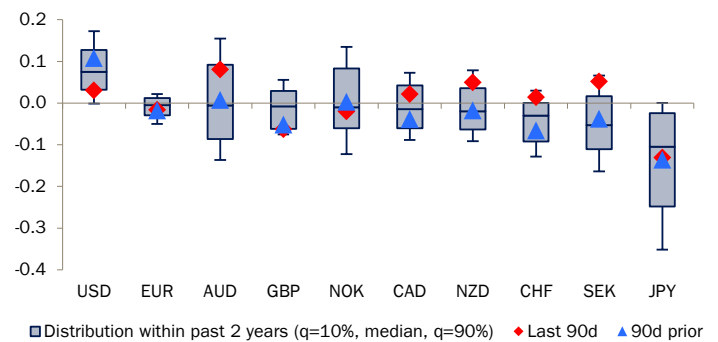
Sensitivity of NEER vs UST 2y yield



Source: Macrobond, Bank J. Safra Sarasin

US Treasury 10y yield

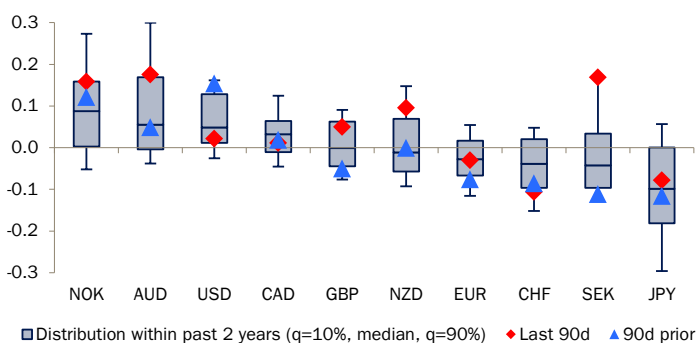
Sensitivity of NEER vs UST 10y yield



Source: Macrobond, Bank J. Safra Sarasin

Break-even inflation

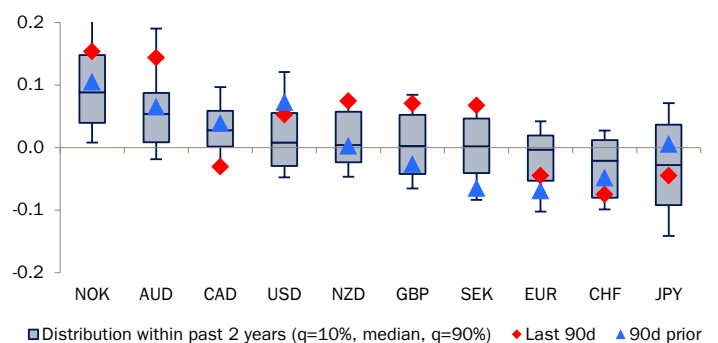
Sensitivity of NEER vs US 10y break-even inflation



Source: Bloomberg, Bank J. Safra Sarasin

Crude oil

Sensitivity of NEER vs Brent crude oil



Source: Macrobond, Bank J. Safra Sarasin

Betas are calculated on 2d log returns with a rolling window of 90d length. The boxplots indicate the minimum and maximum betas as well as the 10%, 50% and 90% quantiles reached over the past 2 years.



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Swiss franc | CHF

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Key view: Upside pressure on Swiss franc to remain, given that the SNB is approaching the end of its rate cutting cycle

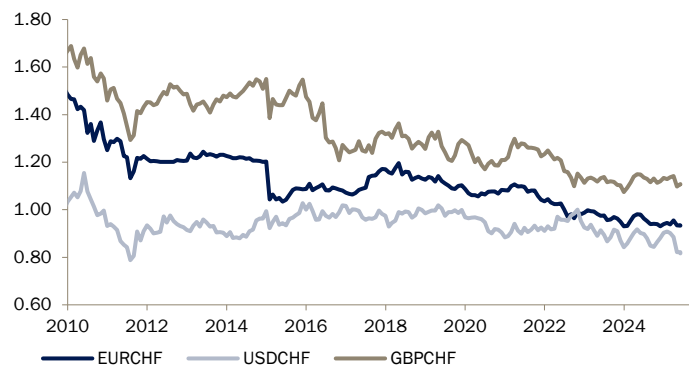
- **Short term:** The Swiss franc rose sharply in the days following the announcement of 'reciprocal tariffs', experiencing the strongest appreciation against the US dollar. To this date, the franc has not reversed its April upward move and we expect the currency to remain strong, given that the SNB is approaching the end of its rate cutting cycle. 3m and 12m EURCHF risk reversals are deep in negative territory and net speculative positioning remains short.
- **Medium term:** Upside pressure is set to remain high on the back of elevated US policy uncertainty. On balance, the Swiss franc should also benefit as most central banks maintain an easing bias. The SNB will follow the Swiss franc's broader dynamics closely. FX intervention will become more likely if the currency strengthens at a rapid pace. Yet rate cuts should remain the primary tool for monetary policy transmission. While the likelihood that the SNB lowers its policy rate into negative territory in H2 2025 has risen, our baseline remains that a 25bp cut in June should mark the end of the SNB's cutting cycle. An array of geopolitical tensions and concerns about the long-term sustainability of French and Italian government debt are additional upside risks.
- **Long term:** We expect Swiss franc appreciation to continue given its relative structural advantages, along with high current account surpluses and a strong net international investment position.

Forecast BJSS	3-Jun	3Q25	4Q25	2Q26	4Q26
EURCHF	0.94	0.93	0.92	0.92	0.91
USDCHF	0.82	0.78	0.77	0.75	0.73
GBPCHF	1.11	1.10	1.08	1.06	1.03
CHF NEER	100.0	101.6	102.6	103.6	104.6

Performance (%)	1w	1m	3m	6m	12m	ytd
EURCHF	0.1	-0.3	-0.5	0.5	-4.7	-0.6
USDCHF	-0.4	-0.8	-9.5	-8.0	-9.4	-9.6
GBPCHF	-0.4	0.8	-2.6	-1.2	-3.6	-2.3
CHF NEER	0.0	-0.3	2.4	1.4	5.6	2.4

FX development

Key crosses



Source: Macrobond, Bank J. Safra Sarasin

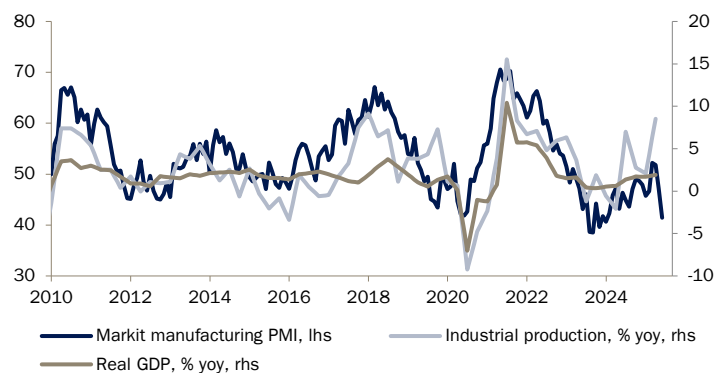
Nominal and real effective exchange rates



Source: Macrobond, Bank J. Safra Sarasin

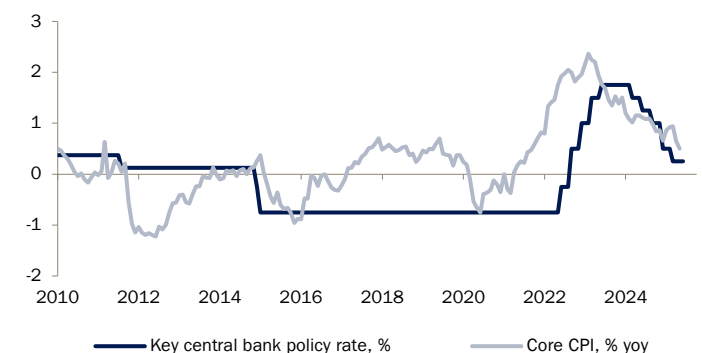
Cyclical position of Switzerland

GDP growth & outlook



Source: Macrobond, Bank J. Safra Sarasin

Inflation & monetary policy



Source: Macrobond, Bank J. Safra Sarasin



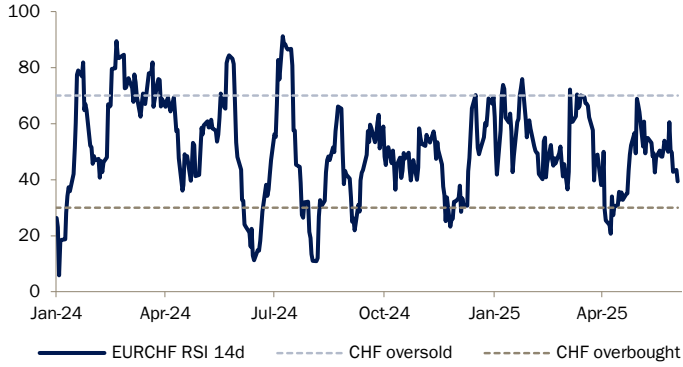
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Swiss franc | CHF

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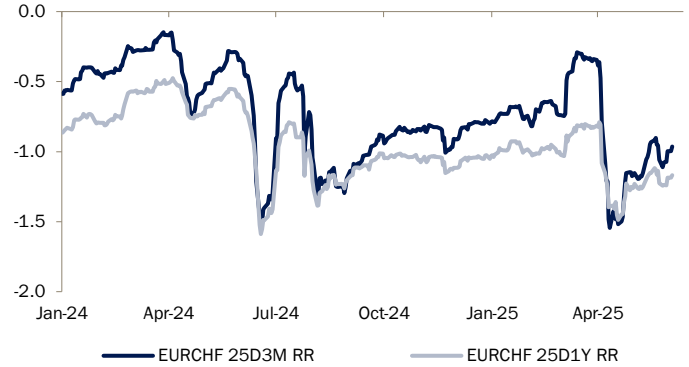
Short term factors & sentiment

Relative strength index*



Source: Bloomberg, Bank J. Safra Sarasin

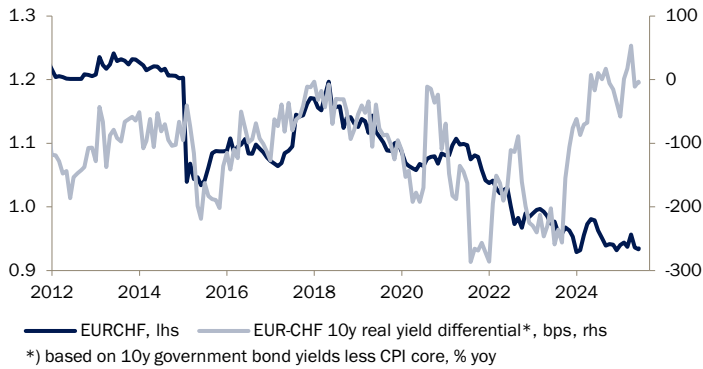
3- and 12-month risk reversals**



Source: Bloomberg, Bank J. Safra Sarasin

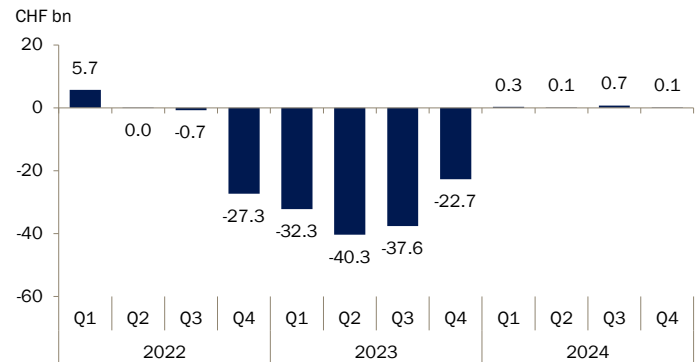
Medium term factors

Real yields



Source: Macrobond, Bank J. Safra Sarasin

SNB quarterly FX intervention



Source: Macrobond, Bank J. Safra Sarasin

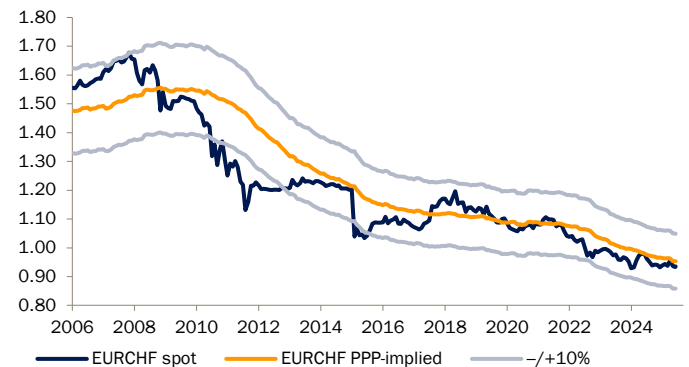
Long term factors

Imbalances: Switzerland

External imbalances	2021	2022	2023	2024
Current account balance, % GDP	7.0	8.7	5.2	5.1
Net international position, % GDP	107.3	93.2	99.5	125.7
Internal imbalances	2021	2022	2023	2024
Real house prices, % yoy	3.7	1.0	-1.5	0.2
Private sector debt, % GDP	279.6	271.3	263.5	n/a
Government debt, % GDP	41.0	37.2	38.7	37.6

Source: Macrobond, Bank J. Safra Sarasin

Valuation: Purchasing power parity



Source: Macrobond, Bank J. Safra Sarasin



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Euro | EUR

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Key view: Structural forces support the euro with fiscal spending providing a further boost in late 2025 and 2026

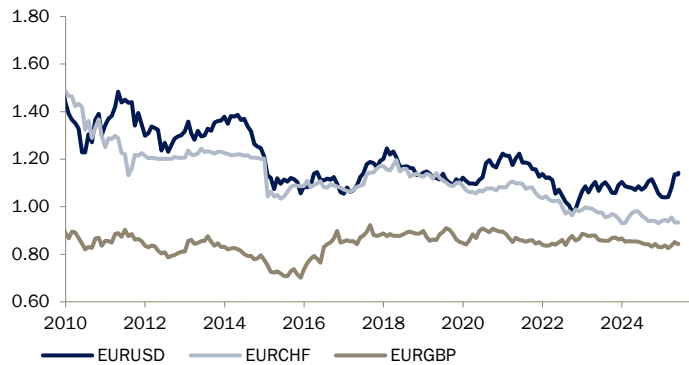
- **Short term:** The euro has benefitted from the 'sell America' trade following the announcement of 'reciprocal tariffs' on April 2 and we expect structural dollar selling to remain a euro-positive factor going forward. Economic sentiment indicators have improved in the euro area on the back of the German fiscal infrastructure and defence spending packages, narrowing the gap between US and euro area data. 3m and 12m EURUSD risk reversals remain bullish across maturities, while net speculative long positioning has grown further over the past weeks.
- **Medium term:** The historic debt-financed German infrastructure package worth €500bn, which is set to be spent over the next twelve years, along with a considerable increase in defence spending significantly improve the medium-term growth outlook for Germany and the euro area. We expect the positive effect on activity to become visible in late 2025 and 2026, which should allow the euro to embark on another leg higher. The euro should also benefit from a reversal of financial flows back from the US to the euro area, as US exceptionalism is fading and central banks are diversifying away from dollar reserves. A renewed widening of peripheral spreads in the euro area on the back of French debt sustainability concerns remains a downside risk.
- **Long term:** The euro should trend higher once the global cycle reaccelerates meaningfully.

Forecast BJSS	3-Jun	3Q25	4Q25	2Q26	4Q26
EURUSD	1.14	1.18	1.20	1.22	1.24
EURCHF	0.94	0.93	0.92	0.92	0.91
EURGBP	0.84	0.84	0.85	0.87	0.88
EUR NEER	100.0	101.1	102.1	103.2	104.3

Performance (%)	1w	1m	3m	6m	12m	ytd
EURUSD	0.4	0.6	9.9	9.3	5.3	9.9
EURCHF	0.1	-0.3	-0.5	0.5	-4.7	-0.6
EURGBP	0.5	-1.1	2.1	1.8	-1.1	1.7
EUR NEER	0.0	-0.6	3.6	3.4	0.2	3.0

FX development

Key crosses

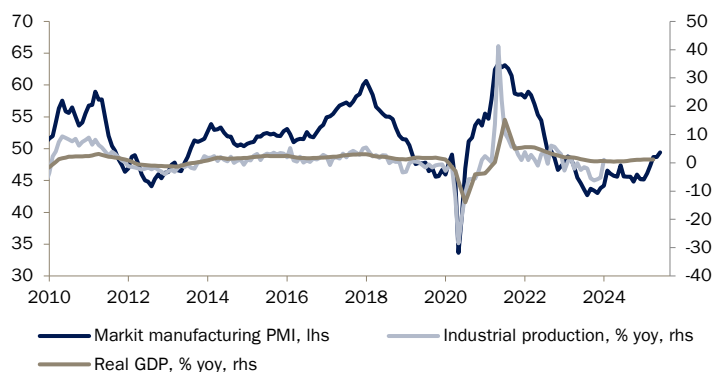


Nominal and real effective exchange rates

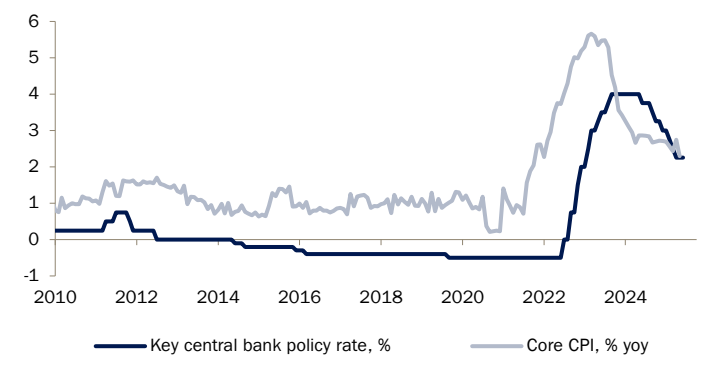


Cyclical position of the euro area

GDP growth & outlook



Inflation & monetary policy





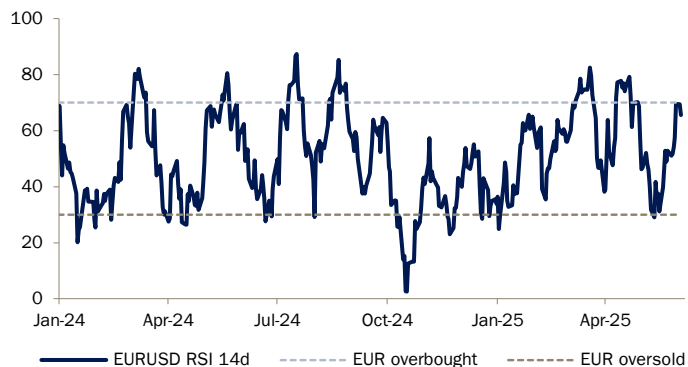
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Euro | EUR

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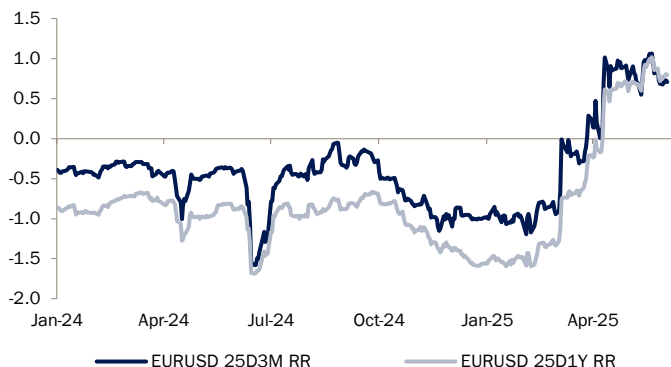
Short term factors & sentiment

Relative strength index*



Source: Bloomberg, Bank J. Safra Sarasin

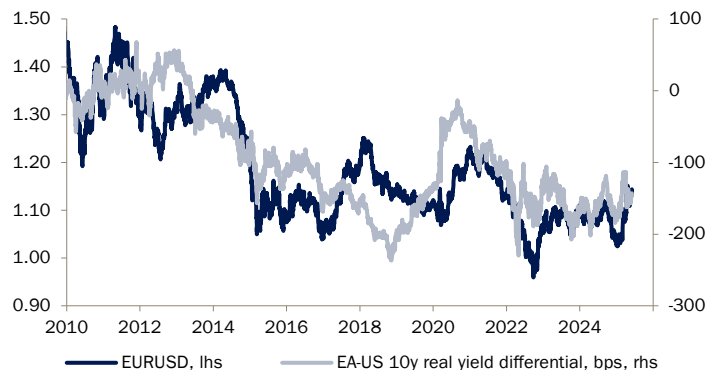
3- and 12-month risk reversals**



Source: Bloomberg, Bank J. Safra Sarasin

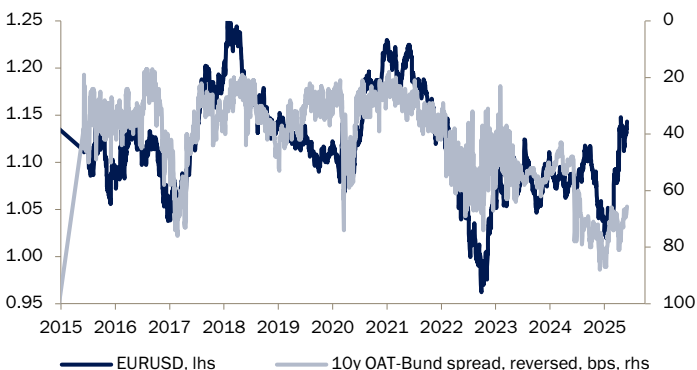
Medium term factors

Real yields



Source: Bloomberg, Bank J. Safra Sarasin

Euro area fragmentation risk



Source: Macrobond, Bank J. Safra Sarasin

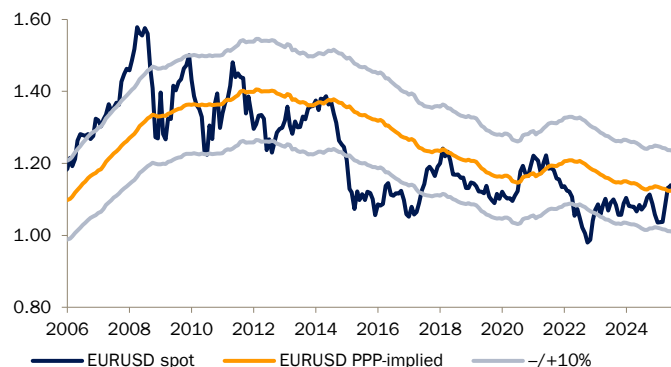
Long term factors

Imbalances: Euro area

External imbalances	2021	2022	2023	2024
Current account balance, % GDP	2.7	-0.1	1.7	2.8
Net international position, % GDP	-0.7	1.8	2.7	n/a
Internal imbalances	2021	2022	2023	2024
Real house prices, % yoy	4.6	-6.6	-3.8	1.9
Private sector debt, % GDP	175.7	168.5	159.9	n/a
Government debt, % GDP	93.9	89.5	87.4	87.7

Source: Macrobond, Bank J. Safra Sarasin

Valuation: Purchasing power parity



Source: Macrobond, Bank J. Safra Sarasin



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US dollar | USD

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Key view: US dollar faces headwinds on the back of incoherent US policies and fading US exceptionalism

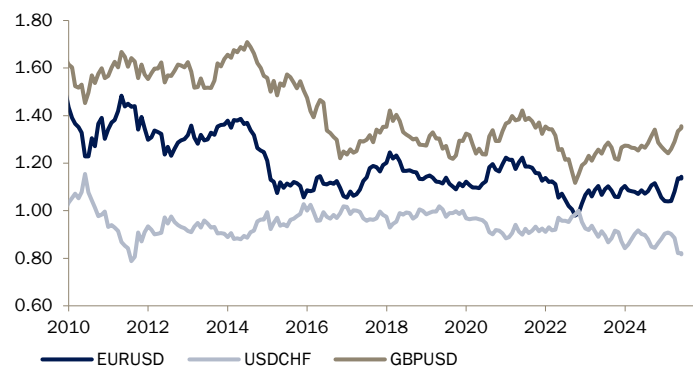
- **Short term:** The dollar has trended lower in recent weeks as markets re-evaluate the Trump administration's policies and the deterioration of the US fiscal outlook. While economic data have remained robust with a resilient US labour market, we are cautious on the dollar. In our view, President Trump's high reciprocal tariffs on virtually all US trading partners represent a major recession risk, in case they are reinstated after the 90-day pause ending on 9 July. Net speculative dollar positioning is only slightly bearish.
- **Medium term:** Trump's prospective policy agenda likely implies that the Fed's rate cut trajectory will be shallow, but increasing growth risks could force the Fed to deliver more cuts than markets currently price, which should add to the near-term dollar headwinds. With US exceptionalism fading, the US should experience capital outflows that are set to push the dollar lower. Against this backdrop, we are less inclined to see the dollar gaining on the back of a global recession this time around. The Trump administration's plans to render US dollar reserve assets less attractive for foreign holders constitutes another downside risk.
- **Long term:** The combination of high policy uncertainty and continued large external US financing needs constitute a structural headwind for the dollar, in the course of which the bigger bulk of G10 and commodity EM FX should continue to recover versus the highly-valued dollar.

Forecast BJSS	3-Jun	3Q25	4Q25	2Q26	4Q26
EURUSD	1.14	1.18	1.20	1.22	1.24
USDCHF	0.82	0.78	0.77	0.75	0.73
GBPUSD	1.35	1.40	1.41	1.41	1.40
USD NEER	100.0	97.7	96.5	95.2	94.0

Performance (%)	1w	1m	3m	6m	12m	ytd
EURUSD	0.4	0.6	9.9	9.3	5.3	9.9
USDCHF	-0.4	-0.8	-9.5	-8.0	-9.4	-9.6
GBPUSD	0.0	1.7	7.6	7.4	6.4	8.0
USD NEER	0.0	-0.9	-6.9	-5.5	-4.2	-7.6

FX development

Key crosses



Source: Macrobond, Bank J. Safra Sarasin

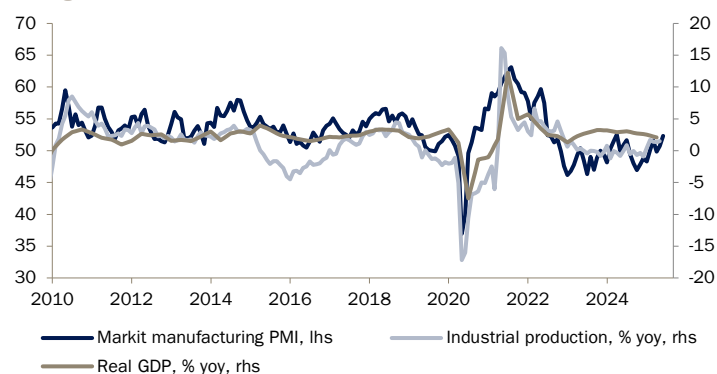
Nominal and real effective exchange rates



Source: Macrobond, Bank J. Safra Sarasin

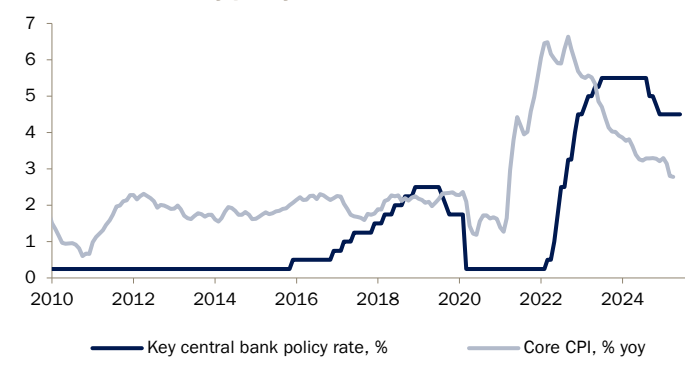
Cyclical position of the United States

GDP growth & outlook



Source: Macrobond, Bank J. Safra Sarasin

Inflation & monetary policy



Source: Macrobond, Bank J. Safra Sarasin



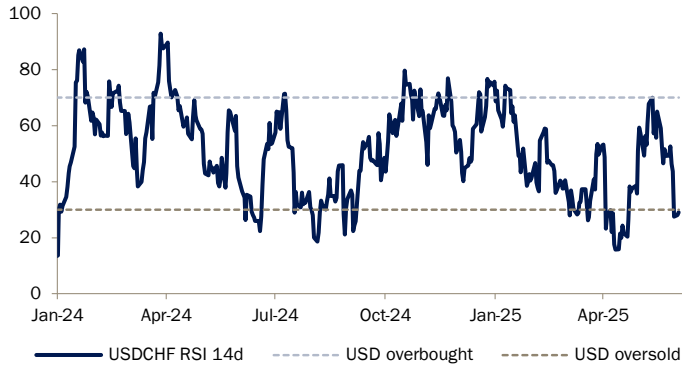
J. Safra Sarasin

US dollar | USD

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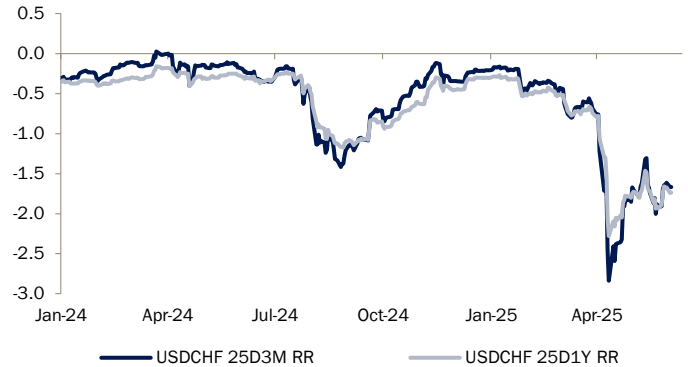
Short term factors & sentiment

Relative strength index*



Source: Bloomberg, Bank J. Safra Sarasin

3- and 12-month risk reversals**



Source: Bloomberg, Bank J. Safra Sarasin

Medium term factors

Real yields



Source: Bloomberg, Bank J. Safra Sarasin

Fed vs ECB balance sheet growth



Source: Macrobond, Bank J. Safra Sarasin

Long term factors

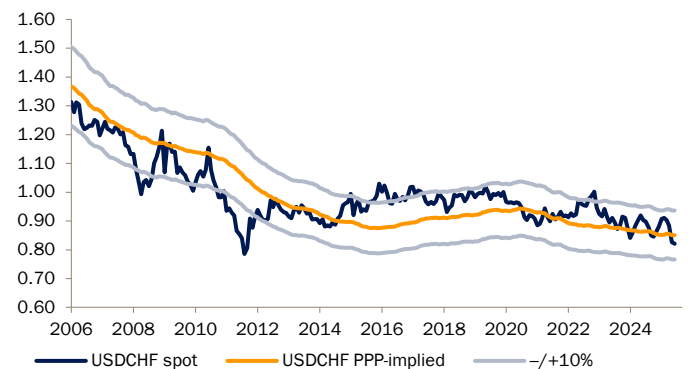
Imbalances: United States

External imbalances	2021	2022	2023	2024
Current account balance, % GDP	-3.7	-3.9	-3.3	-3.9
Net international position, % GDP	-79.5	-62.5	-71.6	-89.9

Internal imbalances	2021	2022	2023	2024
Real house prices, % yoy	10.8	-1.4	3.0	1.6
Private sector debt, % GDP	159.7	153.8	147.7	n/a
Government debt, % GDP	124.7	118.8	119.0	120.8

Source: Macrobond, Bank J. Safra Sarasin

Valuation: Purchasing power parity



Source: Macrobond, Bank J. Safra Sarasin



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Pound sterling | GBP

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Key view: Sticky inflation supports the British pound for now, but the outlook is clouded

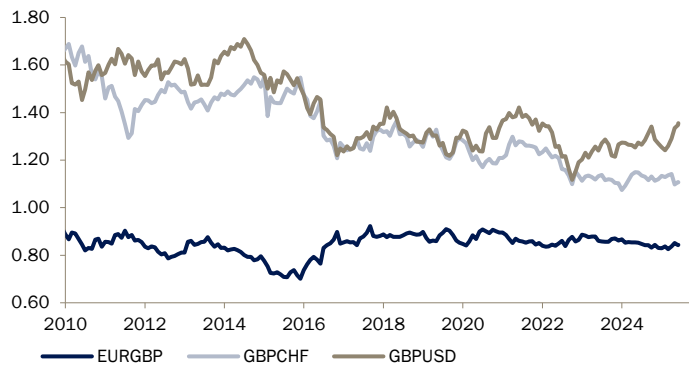
- **Short term:** The UK experienced a stronger-than-expected GDP growth in Q1 2025, yet manufacturing activity has been softer as of late. Activity in the services sector is holding up somewhat better. With the recent rise in longer-term interest rates, fiscal space is set to be very constrained, raising the prospect of spending cuts or tax increases, which should weigh on growth further out. GBPUSD risk reversals have become less bearish, while net speculative long positions have increased somewhat.
- **Medium term:** The sharp rise in April inflation limits the BoE's room for further policy rate cuts. Hence we expect the pound to soften only moderately against the euro, while it should rise against the dollar. Pound sterling continues to look expensive in real terms, suggesting that downside pressure should rise further out.
- **Long term:** The UK's external and internal imbalances are set to remain a challenge.

Forecast BJSS	3-Jun	3Q25	4Q25	2Q26	4Q26
EURGBP	0.84	0.84	0.85	0.87	0.88
GBPCHF	1.11	1.10	1.08	1.06	1.03
GBPUSD	1.35	1.40	1.41	1.41	1.40
GBP NEER	100.0	101.2	100.3	98.7	97.1

Performance (%)	1w	1m	3m	6m	12m	ytd
EURGBP	0.5	-1.1	2.1	1.8	-1.1	1.7
GBPCHF	-0.4	0.8	-2.6	-1.2	-3.6	-2.3
GBPUSD	0.0	1.7	7.6	7.4	6.4	8.0
GBP NEER	0.0	1.6	0.2	0.5	2.3	0.4

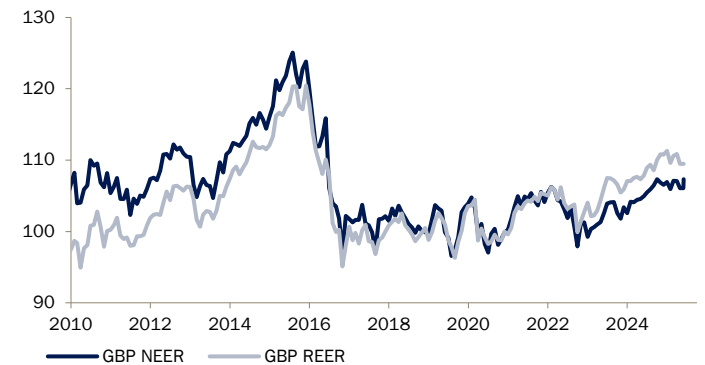
FX development

Key crosses



Source: Macrobond, Bank J. Safra Sarasin

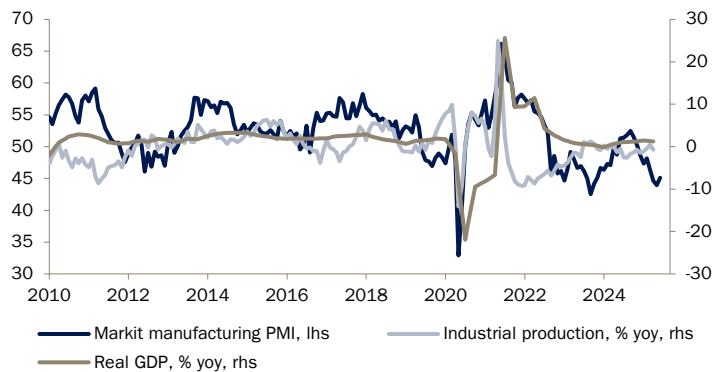
Nominal and real effective exchange rates



Source: Macrobond, Bank J. Safra Sarasin

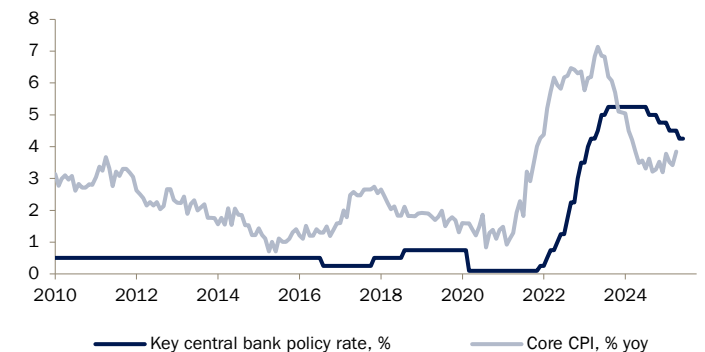
Cyclical position of the United Kingdom

GDP growth & outlook



Source: Macrobond, Bank J. Safra Sarasin

Inflation & monetary policy



Source: Macrobond, Bank J. Safra Sarasin



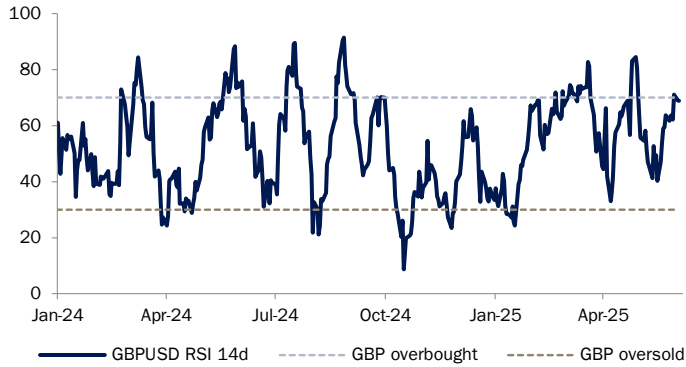
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Pound sterling | GBP

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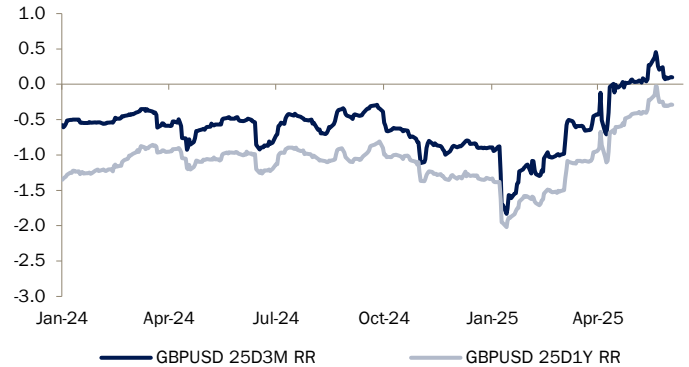
Short term factors & sentiment

Relative strength index*



Source: Bloomberg, Bank J. Safra Sarasin

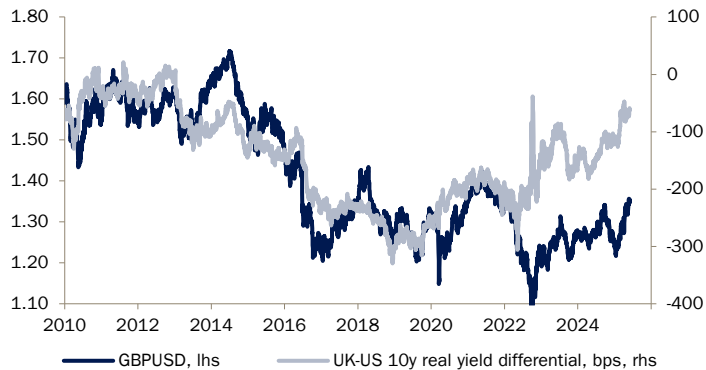
3- and 12-month risk reversals**



Source: Bloomberg, Bank J. Safra Sarasin

Medium term factors

Real yields



Source: Bloomberg, Bank J. Safra Sarasin

UK policy uncertainty



Source: Macrobond, Bank J. Safra Sarasin

Long term factors

Imbalances: United Kingdom

External imbalances	2021	2022	2023	2024
Current account balance, % GDP	-0.4	-2.1	-3.5	-3.4
Net international position, % GDP	-12.4	-11.8	-13.7	-9.8
Internal imbalances	2021	2022	2023	2024
Real house prices, % yoy	4.7	-7.0	-5.5	2.0
Private sector debt, % GDP	163.9	148.6	141.2	n/a
Government debt, % GDP	105.1	99.6	100.4	101.2

Source: Macrobond, Bank J. Safra Sarasin

Valuation: Purchasing power parity



Source: Macrobond, Bank J. Safra Sarasin



J. Safra Sarasin

Japanese yen | JPY

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Key view: High US policy uncertainty argues for more yen appreciation, currency should also benefit from repatriation of foreign assets

- **Short term:** The Japanese yen has appreciated meaningfully since the start of the year, with President Trump's announcement of reciprocal tariffs providing a further boost to the yen. US policy will likely continue to be a key driver of the yen in the near term. A US-Japan trade deal is unlikely to be agreed upon before the Japanese elections in the end of July. Japan's current administration won't be able to make easy concessions as tariff negotiations have become a major point of contention in domestic politics. Yet a stronger yen could be part of an eventual trade deal between Japan and the US, implying a near-term upside risk for the currency. 3m and 12m USDJPY risk reversals are deep in negative territory and net speculative long positioning has eased somewhat.
- **Medium term:** The BoJ will likely need to raise policy rates further until the end of this year as Japanese inflation proves to be sticky, given the strong wage gains negotiated in the Spring wage negotiations (shunto). Yet we expect the BoJ to wait with its next rate hike until Japan has negotiated a trade deal with the US. Moreover, attractive long-term JGB yields should prompt Japanese investors to repatriate foreign assets, which would be a further tailwind for the yen.
- **Long term:** We expect the yen to strengthen as it screens relatively cheap both in purchasing power parity terms and from a current account sustainability perspective. Yet the currency may struggle to recover to pre-pandemic levels, given various structural challenges.

Forecast BJSS	3-Jun	3Q25	4Q25	2Q26	4Q26
USDJPY	143	138	135	133	130
CHFJPY	174	176	176	177	177
EURJPY	163	163	162	162	161
JPY NEER	100.0	101.9	103.4	104.6	105.9

Performance (%)	1w	1m	3m	6m	12m	ytd
USDJPY	0.0	-0.9	-5.3	-4.7	-9.1	-9.1
CHFJPY	0.4	-0.1	4.6	3.6	0.3	0.5
EURJPY	0.4	-0.3	4.1	4.1	-4.3	-0.1
JPY NEER	0.0	0.3	0.1	0.7	6.7	3.9

FX development

Key crosses



Source: Macrobond, Bank J. Safra Sarasin

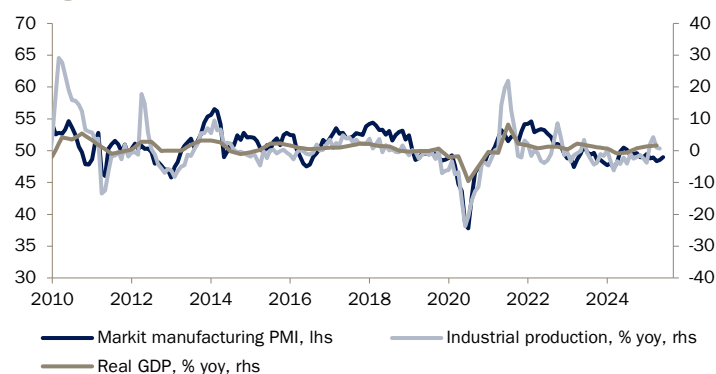
Nominal and real effective exchange rates



Source: Macrobond, Bank J. Safra Sarasin

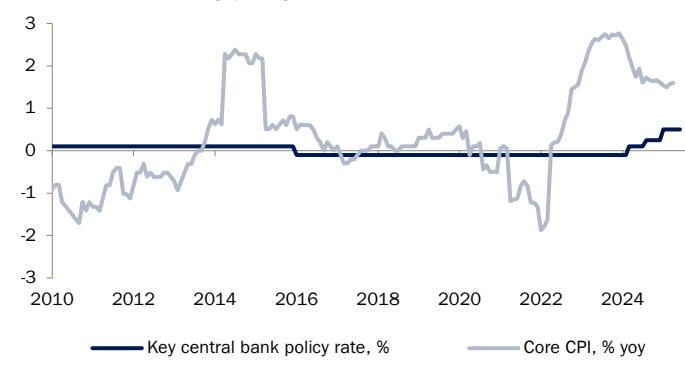
Cyclical position of Japan

GDP growth & outlook



Source: Macrobond, Bank J. Safra Sarasin

Inflation & monetary policy



Source: Macrobond, Bank J. Safra Sarasin



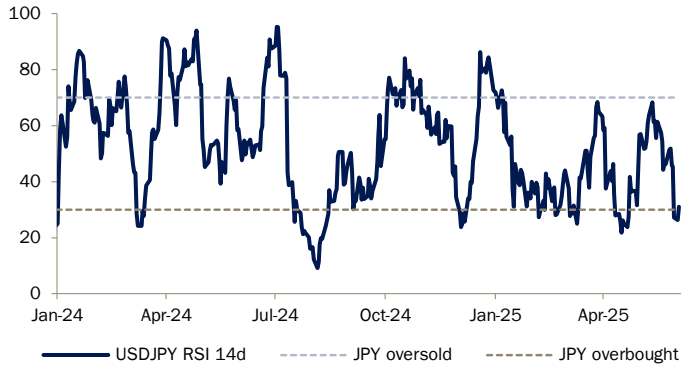
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Japanese yen | JPY

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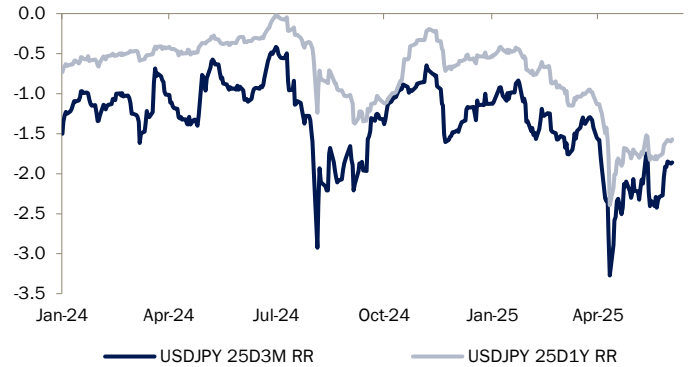
Short term factors & sentiment

Relative strength index*



Source: Bloomberg, Bank J. Safra Sarasin

3- and 12-month risk reversals**



Source: Bloomberg, Bank J. Safra Sarasin

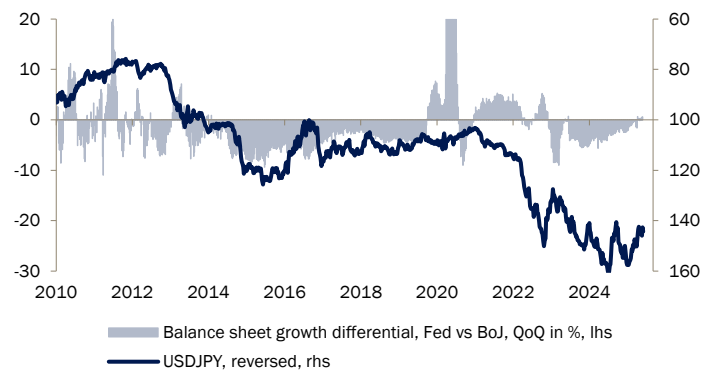
Medium term factors

Real yields



Source: Bloomberg, Bank J. Safra Sarasin

BoJ vs Fed balance sheet growth



Source: Macrobond, Bank J. Safra Sarasin

Long term factors

Imbalances: Japan

External imbalances	2021	2022	2023	2024
Current account balance, % GDP	3.9	2.1	3.8	4.8
Net international position, % GDP	75.8	74.4	79.4	88.1
Internal imbalances	2021	2022	2023	2024
Real house prices, % yoy	5.5	3.0	-0.8	-0.1
Private sector debt, % GDP	185.3	187.3	182.6	n/a
Government debt, % GDP	253.7	248.3	240.0	236.7

Source: Macrobond, Bank J. Safra Sarasin

Valuation: Purchasing power parity



Source: Macrobond, Bank J. Safra Sarasin



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Gold | XAU

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Key view: Gold to climb higher on the back of high US policy uncertainty and fiscal sustainability concerns

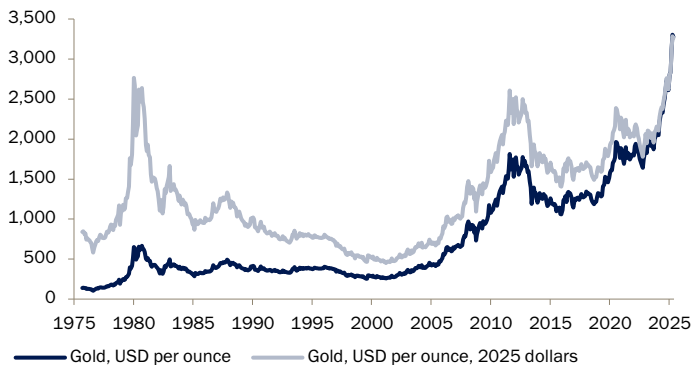
- **Short term:** Buying of gold ETFs has picked up meaningfully since the start of the year, with February through April experiencing the highest inflows into gold ETFs since March 2022 (following Russia's invasion of Ukraine). We highlight that global ETF holdings are not yet back at their 2022 highs and with Asian ETF holdings amounting to around 7% of global ETF holdings, the Asian share is still relatively small. As of late, mounting concerns about the fiscal sustainability of President Trumps 'One Big Beautiful Bill Act' have provided renewed gold support.
- **Medium term:** Elevated geopolitical risk, increasing US policy uncertainty and a softer dollar should support gold. Given that a quick turnaround of China's economic weakness appears unlikely, we expect local demand for jewellery, bars and coins to remain elevated. Continued strong institutional purchases should remain another key factor.
- **Long term:** More generally, geopolitical fragmentation is favourable for gold, while a weaker dollar should be a further tailwind. Given the weakness in China's housing market and a lack of domestic investment alternatives, we expect Chinese demand for gold to be structurally higher than in the past. EM central bank buying has increased since 2022 and we expect this structural trend to carry on.

Gold, USD per troy ounce	3-Jun	3Q25	4Q25	2Q26	4Q26
Forecast BJSS	3,360	3,500	3,600	3,700	3,800
Bloomberg Consensus	3,360	3,100	3,032	3,228	3,200

Performance (%)	1w	1m	3m	6m	12m	ytd
Gold, USD per troy ounce	0.8	3.7	18.9	27.6	43.5	29.2
Gold, CHF per troy ounce	0.5	2.9	7.7	17.4	30.0	16.9

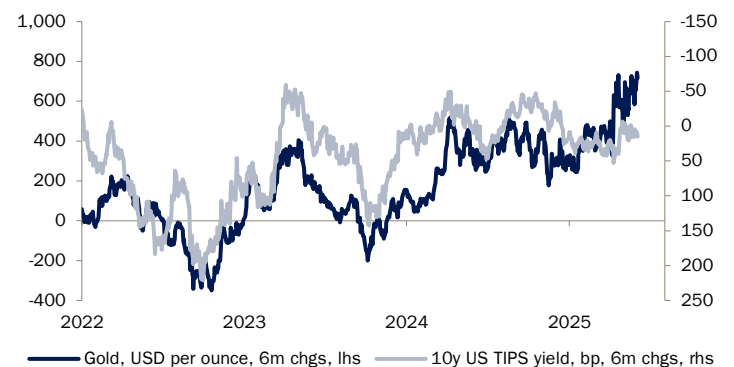
Price development

Nominal and real price



Source: Macrobond, Bank J. Safra Sarasin

Gold price vs US 10y TIPS yields



Source: Bloomberg, Bank J. Safra Sarasin

Short term factors & sentiment

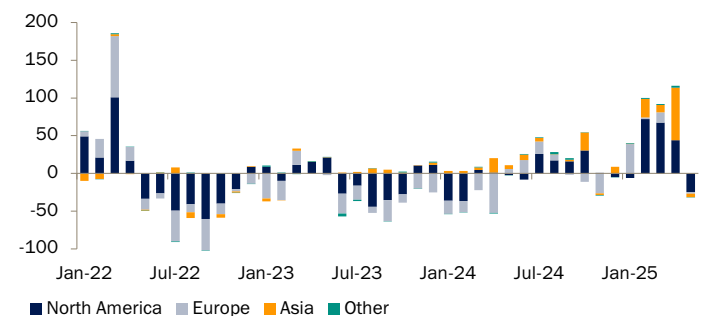
CFTC positioning



Source: Macrobond, Bank J. Safra Sarasin

ETF flows by region

Monthly flows into gold ETFs, tonnes
Note: May 2025 data is preliminary



Source: World Gold Council, Bank J. Safra Sarasin



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Gold | XAU

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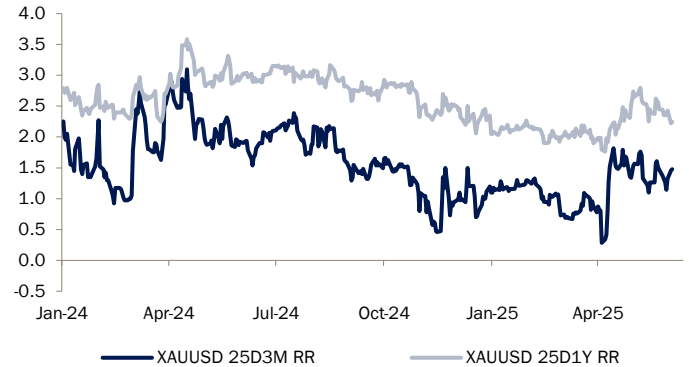
Short term factors & sentiment

Relative strength index*



Source: Bloomberg, Bank J. Safra Sarasin

3- and 12-month risk reversals**

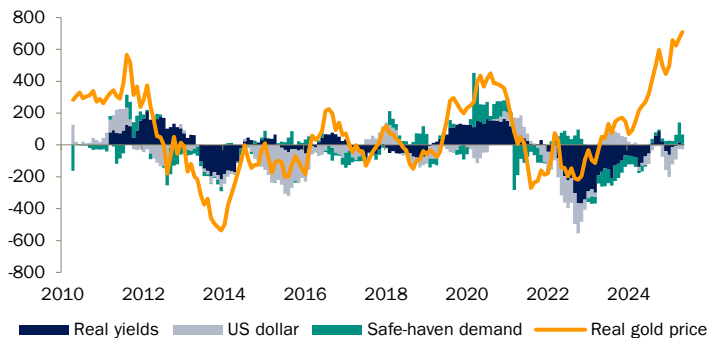


Source: Bloomberg, Bank J. Safra Sarasin

Medium term factors

Attribution analysis

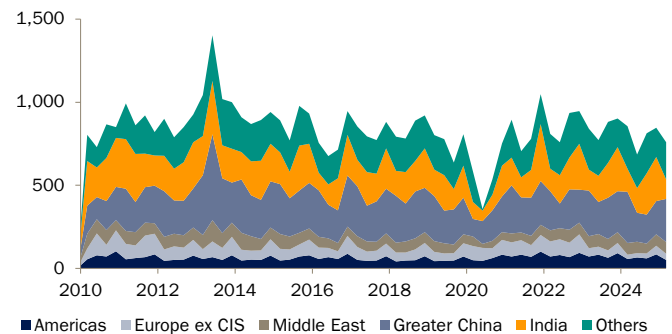
Real gold price in 2020 dollars, yoy – dollar contributions from drivers



Source: Bloomberg, Macrobond, Bank J. Safra Sarasin

Private consumer demand

Gold, world-wide private consumption (jewellery, bars, coins), metric tonnes

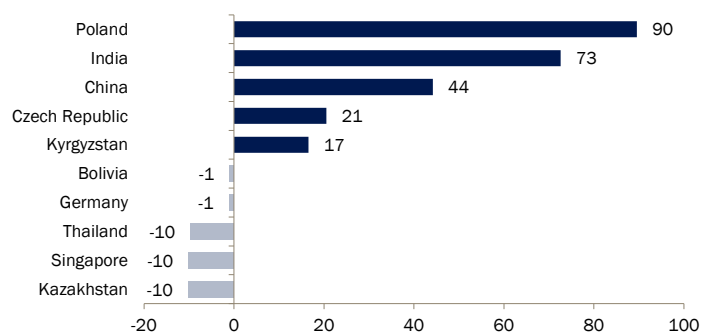


Source: World Gold Council, Bank J. Safra Sarasin

Long term factors

Top 5 central bank buyers / sellers in 2024

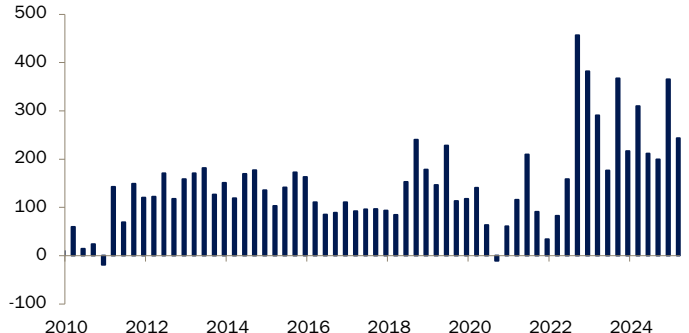
Largest changes in official gold reserves in 2024, tonnes



Source: World Gold Council, Bank J. Safra Sarasin

Worldwide central bank purchases since 2000

Worldwide central bank gold purchases per quarter, tonnes



Source: World Gold Council, Bank J. Safra Sarasin



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Glossary

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Abbreviation	Expression in full / Explanation
adv	advance
avg	average
bbl	barrel
bn	billion
BoC	Bank of Canada
BoE	Bank of England
BoJ	Bank of Japan
bp, bps	basis point(s)
CFTC COT	Commodity Futures Trading Commission, commitments of traders
COVID-19	Coronavirus Disease 2019
CPI	Consumer Price Index
d	day
diff	difference
DM	developed markets
ECB	European Central Bank
EA	Euro area
EM	Emerging markets
EMEA	Europe, Middle East & Africa
EMU	European Monetary Union
EPS	earnings per share
ETF	exchange traded fund
Fed	Federal Reserve System
FOMC	Federal Open Market Committee
GDP	gross domestic product
Ifo	German Institute for Economic Research
IMF	International Monetary Fund
ISM	Institute of Supply Management
JGB	Japanese government bond
k	thousand
lhs	left hand scale
lb, lbs	pound(s)
log	logarithm
m	month
ma	moving average; <i>average which is calculated on a rolling basis, e.g. the 3mma indicates the moving or rolling average over a period of 3 months</i>
mn	million
mom	month on month
MSCI	Morgan Stanley Capital Investment
NEER	nominal effective exchange rate; <i>calculated as the weighted average (nominal) rate at which one country's currency exchanges for a basket of multiple foreign currencies, NEER indicates the average amount of domestic currency needed to purchase foreign currency.</i>
OECD	Organisation for Economic Cooperation and Development
oz	ounce
PBoC	People's Bank of China
PCE	personal consumption expenditure; <i>US-wide indicator of the average increase in prices for all domestic personal consumption that the Fed employs for its monetary policy decisions</i>
PMI	purchasing managers' index
PE	price/earnings ratio
pp, pps	percentage point(s)
PPP	purchasing power parity
q	quarter



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Glossary

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Abbreviation	Expression in full / Explanation
QE	quantitative easing
qoq	quarter on quarter
QQE	quantitative and qualitative easing
RBA	Reserve Bank of Australia
RBNZ	Reserve Bank of New Zealand
REER	real effective exchange rate; <i>calculated as the weighted average (real) rate at which one country's currency exchanges for a basket of multiple foreign currencies, REER indicates the average amount of domestic currency needed to purchase foreign currency. Contrary to NEER, REER is adjusted to compensate for the inflation rate of the home country relative to the inflation rate of its trading partners.</i>
rhs	right hand scale
RR	risk reversal
RSI	relative strength index
SNB	Swiss National Bank
TCB	The Conference Board
TIPS	(US) Treasury inflation protected securities
tn, tns	tonne(s)
tr	trillion
UST	US Treasury, <i>US government bond</i>
VAT	value-added tax
w	week
WGC	World Gold Council
wow	week on week
XAU-USD	<i>Gold price in USD per troy ounce</i>
y	year
yoy	year on year
ytd	year-to-date
z-score	<i>A measure indicating the deviation of a data point from its historical mean in the number of standard deviations. E.g. the 2y z-score indicates the most recent data point's distance from its 2-year-average, measured by the number of standard deviations</i>

*

The **Relative Strength Index (RSI)** indicates whether a currency is overbought or oversold and is calculated according to the following formula: $RSI = \text{avg_up} / (\text{avg_up} + \text{avg_down})$, where avg_up denotes the average return on days with a positive day-return and avg_down denotes the average return on days with a negative day-return. RSIs below 30/above 70 indicate oversold/overbought situations.

**

The **price of a risk reversal (RR)** indicates whether the market is bullish or bearish on a currency pair and is calculated according to the following formula: $RR_{25} = \text{Vol_Call}_{25} - \text{Vol_Put}_{25}$. Vol_Call,25 denotes the implied volatility of a call option with a delta of 25% and Vol_Put,25 denotes the implied volatility of a put option with a delta of -25%. Positive values indicate that the market expects a higher future spot rate and vice versa.



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