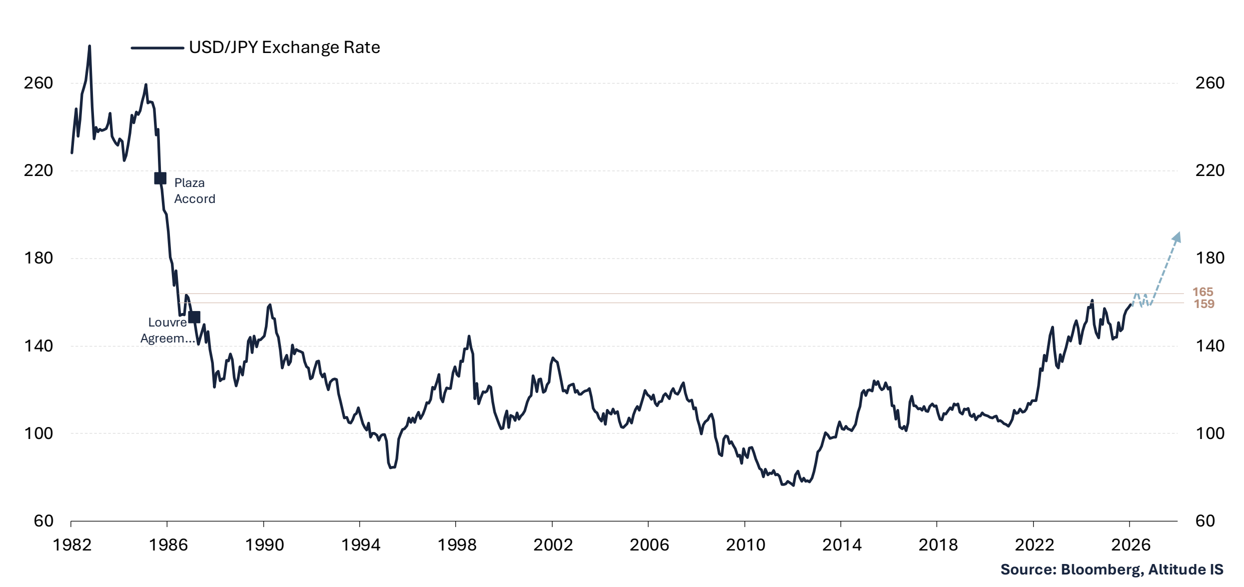
The flexiweekly that reaches new heights - published on 19 January 2026

"THE CURRENCY WALTZ HAS NOT YET BEGUN"

- The dollar has fallen slightly but remains expensive
- The euro and pound sterling are the default alternatives
- The Swiss franc and Chinese yuan are natural leaders
- As for the Japanese yen, it is literally being devalued

CHART OF THE WEEK: "Last resistance before a further fall in the yen"



FOREX MARKET ANALYSIS

Everything is calm on the foreign exchange market, everything is peaceful. The volatility of currency pairs has rarely been so low (see Fig. 2), a sign that nothing is moving excessively or violently. This calm is unlikely to last very long, as everything is in place for 2026 to be a turbulent year and, consequently, one rich in opportunities. In an attempt to shed some light on the situation and enable everyone to understand the issues at stake, particularly in terms of portfolio exposure, **we offer here a summary overview of the fundamentals of the main currencies traded on the markets and their potential evolution over 24 months:** the US dollar, the euro, the Japanese yen, pound sterling, Swiss franc and, now unavoidable, Chinese yuan (see Fig. 3). We will see that this hierarchy of global transactions is very different from that of appreciation potential.

Fig. 2 – Volatility of the global currency market

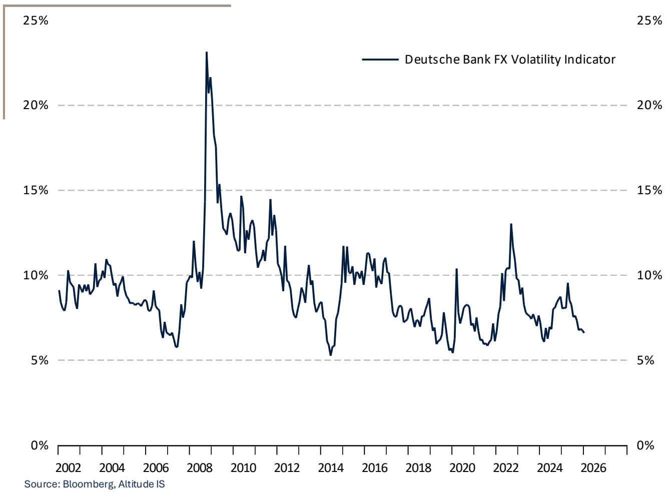
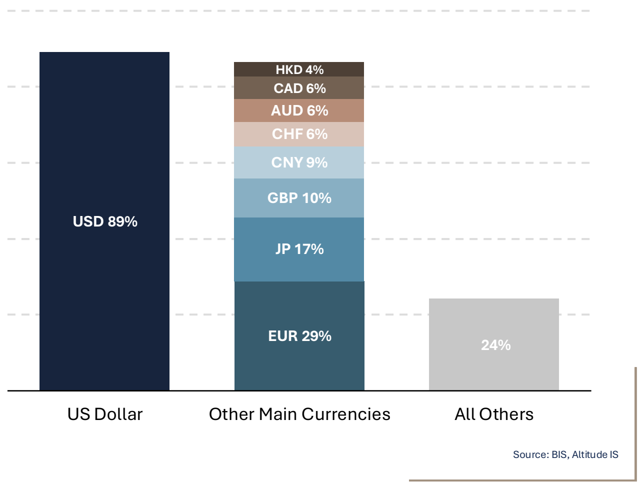


Fig. 3 – Market shares of the main currencies



All honour to whom honour is due. After reaching record highs in 2024, the almighty dollar fell by 9.4% in 2025. Despite this correction, it remains highly valued, 14% above its equilibrium stock against a basket of currencies of the United States' trading partners (see Fig. 4). For once, the Trump administration is right in its assessment that the strength of the greenback is hurting its trade balance. Without going into a lengthy explanation, investors are realising that higher inflation in the United States than elsewhere implies a depreciation of the dollar. This phenomenon was once offset by the interest rate differential offered by US bonds, but this is gradually fading. It is therefore logical for the dollar to weaken to move closer to its equilibrium value. Technically, investors are closely watching the DXY index, and if it breaks through its important support level of 97, things could accelerate (see Fig. 5). There is no indication that this will happen tomorrow, but it will most certainly occur in the coming quarters.

Fig. 4 – Real effective exchange rate of the dollar

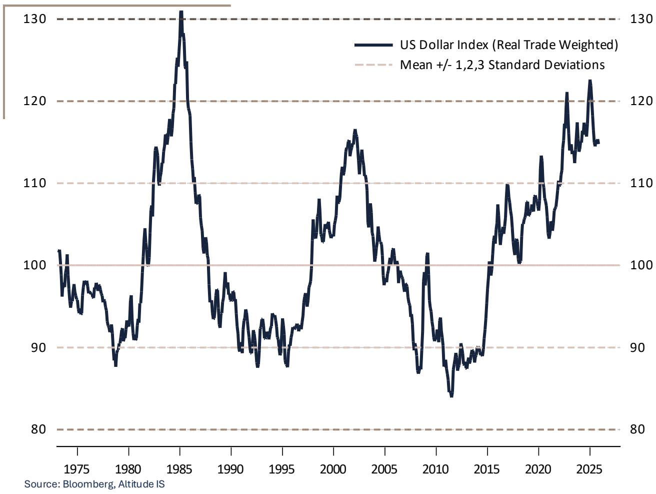
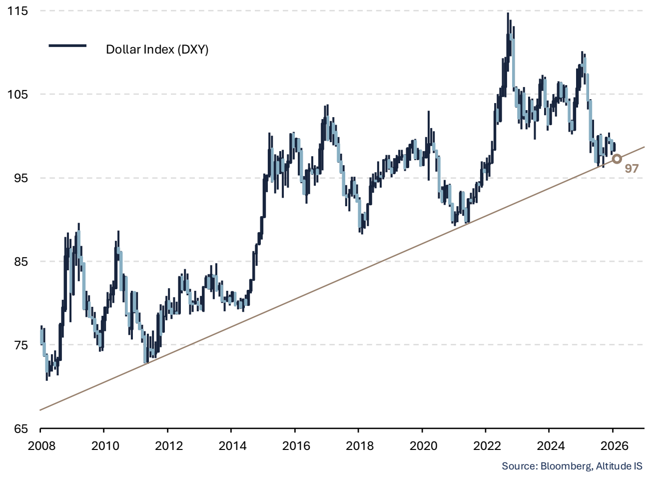


Fig. 5 – Dollar "Dixie" index



Our econometric models for the euro echo this forecast. They clearly indicate a new wave of appreciation for the single currency, although this is not imminent (see Fig. 6). Savvy investors will note, however, that these types of models are significantly more reliable over an 18-month horizon than over a 3-month horizon. The euro has just welcomed a new member, Bulgaria. Twenty-one countries have now adopted this currency, which still lacks a fiscal union and is therefore "non-optimal". According to Robert Mundell, as long as this remains the case, a country in crisis will be unable to adjust its interest rates, devalue its currency or benefit from automatic fiscal transfers. The euro therefore remains at risk, but it is supported by the most effective and credible institution in the zone, the European Central Bank. As long as no existential crisis arises, the euro is likely to appreciate if the dollar falls. Its status as the second most traded currency makes it a natural alternative to the greenback. **It should trade at 1.27 dollars within 18 months.**

Fig. 6 – Euro vs. dollar exchange rate

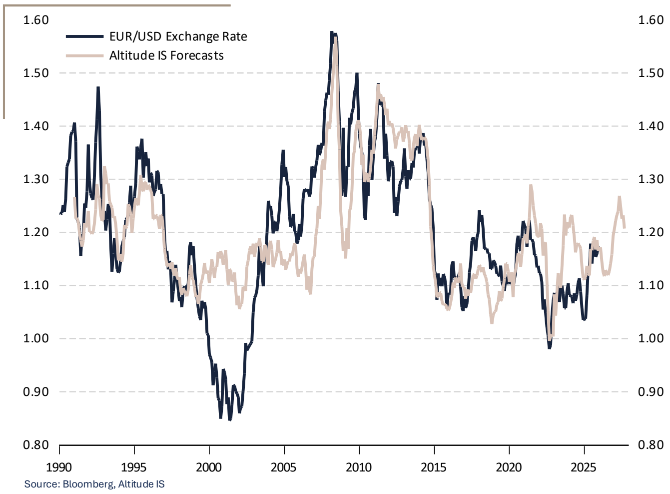
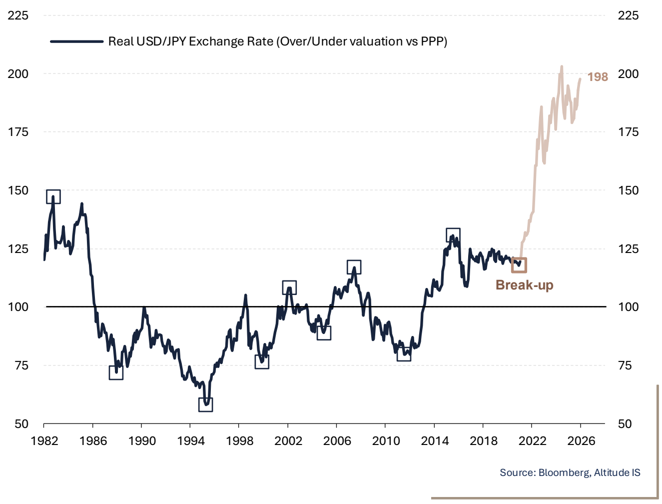


Fig. 7 – Real dollar vs yen exchange rate



The Japanese yen is unlikely to overshadow the dollar and the euro, as it is destined for massive devaluation. We have regularly pointed out that Japan is an ageing country with dwindling private savings and no longer has the means to finance its colossal public debt through conventional means. To avoid defaulting on its debt, it is monetising it. Proof of this, if any were needed, is that the BoJ already holds 46% of total sovereign bonds. To complicate matters further, the new Prime Minister is increasing the budget deficit with a massive stimulus plan and reigniting tensions with China, whose tourist flows are a major driver of growth for the archipelago. Let's be clear: the yen should no longer be considered a safe-haven currency. Its devaluation is **the only way to avoid a Japanese default.** Since 2021, the Japanese currency has fallen into the dark side and no longer responds to traditional macroeconomic fundamentals, particularly those of purchasing power parity (see Fig. 7). In a "normal" world, the yen should be trading at 80 yen to the dollar... a 100% increase from its current exchange rate of 159 yen. In reality, **the yen is expected to collapse, heading towards 200 yen by the end of 2027.** This movement could accelerate if the 40-year-old resistance level of 165 yen were to give way (see Chart of the Week).

The pound sterling continued to disappoint last year. After returning equilibrium against the euro in 2024, following eight years of undervaluation in the wake of Brexit, His Majesty's currency depreciated once again. This relapse can be explained by sluggish British growth, hampered by the high cost of trade barriers and higher inflation than elsewhere. As for the persistent budgetary slippage, it is increasing bond investors' mistrust of the United Kingdom's creditworthiness. Furthermore, the City's attractiveness continues to wane in favour of other financial centres, depriving the British currency of its historic capital flows. **Without any credible growth drivers,** the pound sterling seems to have been relegated to second place behind its great European rival (see Fig. 8). **The pound sterling is expected to trade at 0.89 euros by March 2027.**

Fig. 8 – Euro vs pound sterling exchange rate rates

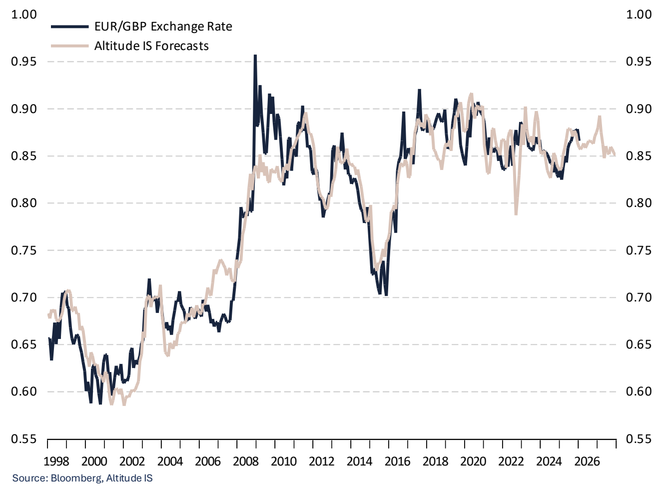
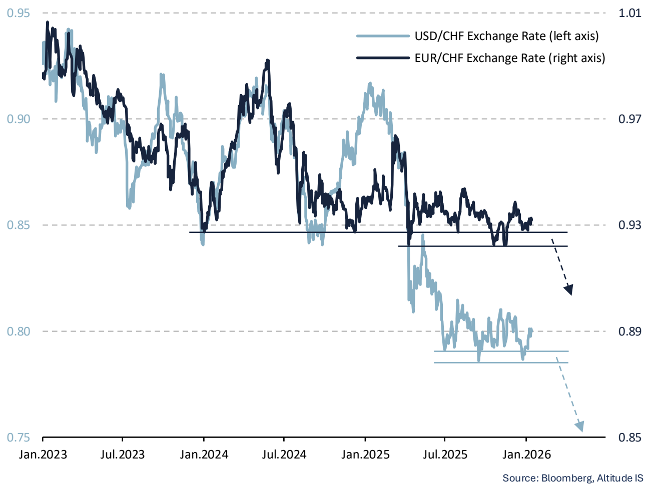


Fig. 9 – Swiss franc vs US dollar and euro exchange



In stark contrast, the Swiss franc is proving highly satisfactory for currency traders. Not only are its fundamentals rock solid, but as investor uncertainty grows, the Swiss currency is benefiting from its status as a safe haven. The last two decades have shown that the SNB's objective is not to prevent the franc from appreciating, but to slow down its appreciation in order to give companies time to adapt and remain competitive. Once again, after spending nearly two years selling billions of Swiss francs, the SNB may decide that it is time to slow down its interventions in the foreign exchange market and that it is no longer essential to prevent the franc from appreciating. **Within 18 months, the Swiss currency should eventually break through the recent informal floors (see Fig. 9) to settle at 0.89 against the euro and 0.70 against the dollar.**

Among the other currencies that are gaining momentum is the Chinese yuan. After having to concede a weakening of its currency to stimulate exports at the end of the pandemic, China has renewed its desire to establish the yuan as a credible, stable and strong alternative to the world's major trading currencies. Not only is it promoting international trade contracts in yuan, but it is also developing a system (CIPS) to bypass the US financial transaction system (SWIFT). This desire to reduce dependence on the dollar has been very well received in emerging countries. Finally, currency traders sometimes forget that since 2020, inflation has been virtually zero in China, while prices have risen by 2% to 9% per year in the United States. All other things being equal, the yuan should have risen by 14% against the dollar. In reality, it has fallen by 16% (see Fig. 10). **Based on this analysis, the Chinese currency could trade at 6.05 yuan to the dollar within two years.**

Finally, although not currencies per se, **gold and silver will continue to benefit from the slow but steady depreciation of the dollar.** Both precious metals serve as a store of wealth in the face of the erosion of the purchasing power of fiat currencies. In a context of global over-indebtedness, they act as insurance against the instability of the international system. Not only will they continue to be accumulated by central banks, but also by individuals who, since last year, have seen an obvious financial interest in them. The latter often tend to favour silver over gold, as the volatility of silver prices offers natural leverage for performance.

Fig. 10 – Chinese yuan vs US dollar exchange rate

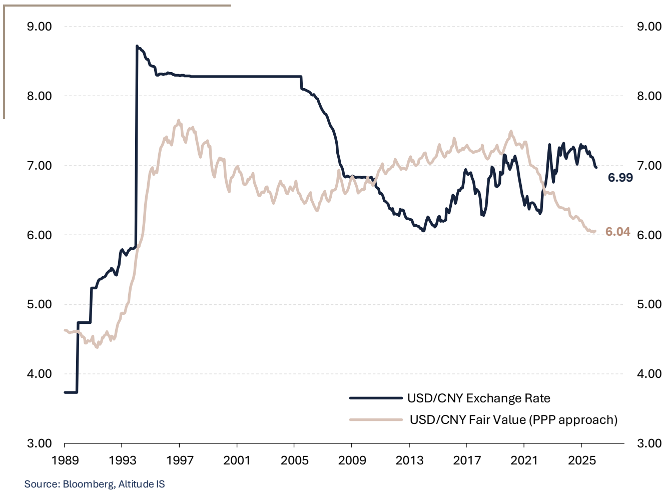


Fig. 11 – Ratio between silver and gold prices

In line with this phenomenon, the ratio between the two precious metals no longer appears as favourable to a "catch-up" by silver as in the past, but it is still far from its historic highs (see Fig. 11). **If gold were to trade at $5,000 per ounce, the price of silver could temporarily rise above $110.**

Fig. 12 – Summary of exchange rate forecasts

	1st January	Today	Return	2027 Target Price	Expected Return
EUR / USD	1.17	1.17	-0.5%	1.27	9.0%
GBP / USD	1.35	1.35	0.0%	1.41	4.9%
USD / CHF	0.79	0.80	1.1%	0.70	-12.5%
USD / JPY	157	159	1.2%	190	19.7%
USD / CNY	6.97	6.97	0.0%	6.05	-13.2%
EUR / CHF	0.93	0.93	0.5%	0.89	-4.7%
EUR / GBP	0.87	0.87	-0.5%	0.90	3.9%
GBP / CHF	1.07	1.08	1.1%	0.99	-8.3%

Source: Bloomberg, Altitude IS

Conclusion:

The commercial hierarchy of the major international currencies is unlikely to change significantly. However, for investors, returns will follow a radically different order (see Fig. 12): CNY, CHF, EUR, GBP, USD, JPY.

RETURN ON FINANCIAL ASSETS

Markets Performances (local currencies)	Last Price	Momentum Indicator (RSI)	1-Week (%)	1-Month (%)	2026 Year-to-Date (%)	2025 (%)	2024 (%)
Equities							
World (MSCI)	1 038.3	67.06	0.4%	3.6%	2.4%	22.9%	18.0%
USA (S&P 500)	6 940	56.63	-0.4%	2.1%	1.4%	17.9%	25.0%
USA (Dow Jones)	49 359	60.16	-0.3%	2.6%	2.7%	14.9%	15.0%
USA (Nasdaq)	23 515	52.59	-0.7%	1.8%	1.2%	21.2%	29.6%
Euro Area (DJ EuroStoxx)	635.0	77.09	0.5%	5.4%	3.8%	21.2%	10.2%
UK (FTSE 100)	10 235	75.27	1.1%	5.8%	3.1%	25.7%	9.6%
Switzerland (SMI)	13 414	69.41	-0.1%	2.7%	n.a.	18.0%	7.5%
Japan (Nikkei)	53 553	66.33	3.8%	9.3%	n.a.	28.6%	21.3%
Emerging (MSCI)	1 485	77.01	2.3%	9.9%	5.8%	34.3%	8.0%
Brasil (IBOVESPA)	164 800	62.04	0.9%	3.9%	2.3%	34.0%	-10.4%
Mexico (IPC)	67 141	64.49	1.7%	6.3%	4.5%	35.1%	-11.0%
India (SENSEX)	83 088	38.54	0.1%	-1.2%	-1.9%	10.5%	9.6%
China (CSI)	4 730	56.93	-0.5%	5.4%	n.a.	21.0%	18.2%
Com. Services (MSCI World)	164.7	49.37	-1.1%	1.7%	0.4%	33.0%	31.9%
Cons. Discretionary (MSCI World)	466.2	53.42	-1.4%	1.2%	1.9%	9.8%	20.7%
Cons. Staples (MSCI World)	298.6	65.73	2.4%	2.3%	3.0%	9.3%	4.7%
Energy (MSCI World)	276.5	65.11	2.9%	8.0%	4.6%	14.8%	2.9%
Financials (MSCI World)	228.1	58.01	-0.4%	2.4%	0.9%	29.5%	25.1%
Health Care (MSCI World)	400.0	53.03	-0.9%	2.3%	1.4%	15.3%	1.5%
Industrials (MSCI World)	501.0	80.20	2.6%	7.8%	7.3%	26.1%	12.8%
Info. Tech. (MSCI World)	980.0	54.90	0.2%	3.6%	1.4%	26.6%	31.9%
Materials (MSCI World)	424.3	75.21	2.5%	10.1%	7.3%	32.5%	-7.6%
Real Estate (MSCI World)	1 027	76.50	3.2%	4.6%	4.3%	3.6%	-0.4%
Utilities (MSCI World)	197.9	63.02	1.4%	2.8%	2.3%	24.7%	13.0%
Bonds (Bloomberg)							
World (Aggregate)	3.54%	45.49	-0.2%	-0.2%	-0.3%	8.2%	-1.7%
USA (Sovereign)	3.99%	46.43	-0.2%	0.0%	-0.2%	6.3%	0.6%
Euro Area (Sovereign)	2.91%	57.88	0.2%	0.6%	0.5%	0.6%	1.9%
Germany (Sovereign)	2.57%	55.37	0.2%	0.5%	0.4%	-1.6%	0.6%
UK (Sovereign)	4.40%	59.96	-0.2%	1.1%	0.6%	6.1%	-3.0%
Switzerland (Sovereign)	0.47%	56.12	0.3%	0.4%	0.4%	0.3%	5.4%
Japan (Sovereign)	1.91%	31.38	-0.5%	-1.2%	-0.5%	-4.6%	-2.1%
Emerging (Sovereign)	5.94%	58.01	0.2%	0.2%	0.0%	13.1%	7.0%
USA (IG Corp.)	4.86%	52.55	0.1%	0.4%	0.1%	7.8%	2.1%
Euro Area (IG Corp.)	3.20%	64.10	0.0%	0.7%	0.4%	3.0%	4.7%
Emerging (IG Corp.)	5.80%	78.26	0.2%	0.7%	0.5%	8.1%	7.0%
USA (HY Corp.)	6.57%	83.59	0.1%	0.9%	0.6%	8.6%	8.2%
Euro Area (HY Corp.)	5.39%	85.68	0.0%	0.7%	0.5%	5.2%	8.2%
Emerging (HY Corp.)	7.19%	72.15	0.2%	0.6%	0.3%	13.9%	14.9%
World (Convertibles)	565.2	72.68	1.5%	5.9%	4.9%	22.4%	9.4%
USA (Convertibles)	735.8	66.42	1.6%	5.4%	5.1%	16.9%	10.1%
Euro Area (Convertibles)	296.8	77.78	-0.1%	2.8%	2.1%	24.8%	14.7%
Switzerland (Convertibles)	285.4	65.67	0.5%	2.7%	0.9%	17.5%	-10.5%
Japan (Convertibles)	272.3	83.96	3.1%	6.8%	5.6%	13.8%	6.4%
Hedge Funds (Bloomberg)							
Hedge Funds Industry	1 806	90.51	n.a.	1.0%	n.a.	12.2%	11.1%
Macro	1 467	81.55	n.a.	1.1%	n.a.	9.3%	7.4%
Equity Long Only	2 460	81.26	n.a.	0.6%	n.a.	11.3%	12.0%
Equity Long/Short	1 966	90.62	n.a.	1.2%	n.a.	17.3%	14.0%
Event Driven	1 911	88.89	n.a.	0.8%	n.a.	10.7%	8.7%
Fundamental Equity Mkt Neutral	1 862	97.04	n.a.	1.0%	n.a.	12.8%	12.4%
Quantitative Equity Mkt Neutral	1 815	86.47	n.a.	0.9%	n.a.	9.1%	9.8%
Credit	1 720	98.82	n.a.	0.8%	n.a.	7.8%	8.5%
Credit Long/Short	1 725	100.00	n.a.	0.2%	n.a.	5.9%	10.0%
Commodity	1 957	81.53	n.a.	-1.1%	n.a.	9.4%	14.7%
Commodity Trading Advisors	1 431	69.16	n.a.	2.6%	n.a.	6.7%	7.9%
Volatility							
VIX	15.86	50.94	9.5%	-3.8%	6.1%	-13.8%	39.4%
VSTOXX	16.19	50.34	4.4%	5.3%	10.1%	-13.5%	25.3%
Commodities							
Commodities (CRB)	540.3	n.a.	-0.4%	0.2%	0.1%	0.6%	5.1%
Gold (Troy Ounce)	4 675	n.a.	1.7%	7.7%	8.2%	64.6%	27.2%
Silver (Troy Ounce)	93.44	n.a.	9.8%	39.1%	30.4%	148.0%	21.5%
Oil (WTI, Barrel)	59.44	n.a.	0.5%	7.5%	3.5%	-19.9%	0.1%
Oil (Brent, Barrel)	67.61	n.a.	3.5%	12.5%	8.3%	-15.7%	-4.6%
Currencies (vs USD)							
USD (Dollar Index)	99.13	56.36	0.3%	0.5%	0.8%	-9.4%	7.1%
EUR	1.1630	41.09	-0.3%	-0.7%	-1.0%	13.4%	-6.2%
JPY	157.89	42.95	0.2%	-0.1%	-0.7%	0.3%	-10.3%
GBP	1.3398	47.83	-0.5%	0.1%	-0.6%	7.7%	-1.7%
AUD	0.6697	55.28	-0.2%	1.3%	0.4%	7.8%	-9.2%
CAD	1.3892	41.62	-0.1%	-0.6%	-1.2%	4.8%	-7.9%
CHF	0.7989	47.55	-0.2%	-0.4%	-0.8%	14.5%	-7.3%
CNY	6.9630	80.14	0.1%	1.1%	0.4%	4.5%	-2.7%
MXN	17.627	76.97	1.7%	2.3%	2.2%	15.7%	-18.5%
EM (Emerging Index)	1 848.6	53.93	-0.1%	0.8%	-0.2%	7.2%	-0.7%
XBT	92 463	n.a.	-5.2%	5.3%	5.5%	-6.5%	120.5%

Source: Bloomberg, Altitude Investment Solutions

Total Return by asset class (Negative \ Positive Performance)

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