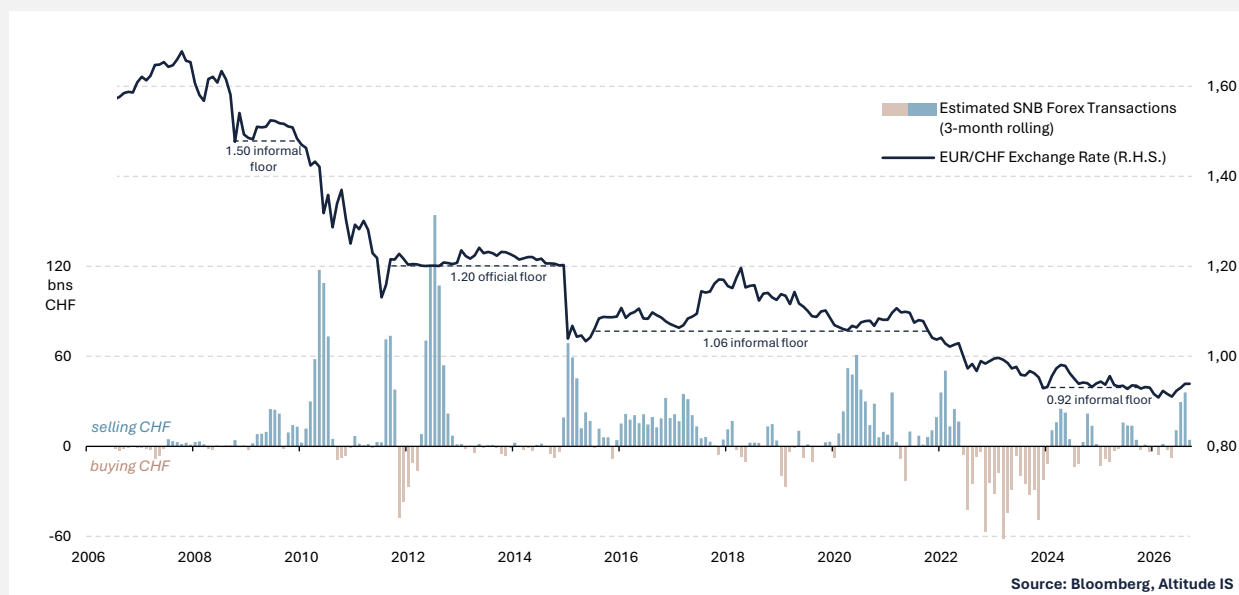


The flexiweekly that reaches new heights - published on 28 September 2026

"THE SNB'S MONETARY JUDO"

- The carry trade has shifted the balance and caused currency volatility to fall
- The Norwegian krone and the Chinese yuan are on the podium, but the Swiss franc is missing
- The Swiss franc is biding its time to regain the upper hand
- The SNB will have to give its prior approval, that famous "hajime" so well known to judokas

CHART OF THE WEEK: "The SNB has been very active this summer"



FOREX MARKETS ANALYSIS

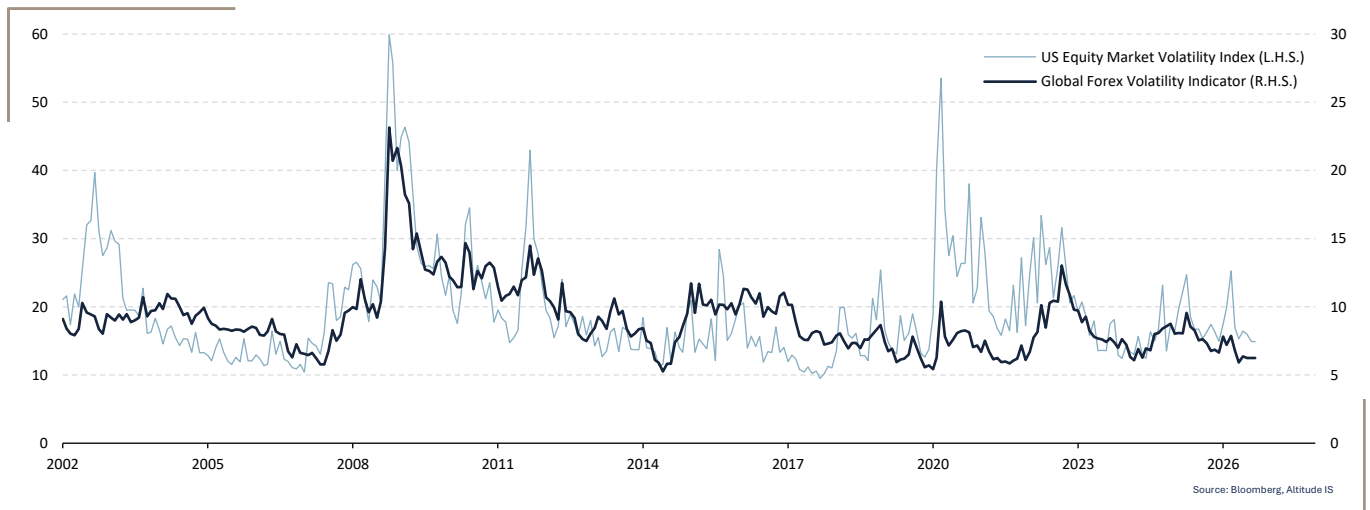
Whilst volatility is low on the stock market, it has all but disappeared from the foreign exchange market.

The implied volatility index for the major currencies stands at 6.2, compared with an average of 7.9 over the last five years and a peak of 13.8 in autumn 2022 (see Fig. 2). In practical terms, currency traders expect the basket of major currencies to fluctuate, on an annual basis, by around 6.2 per cent around its current level, with a two-in-three chance of remaining within this range. Two factors help to explain the prevailing calm. Firstly, central banks have thoroughly prepared investors for their recent decisions. Secondly, interventions by financial authorities in the United States, Japan and Switzerland have



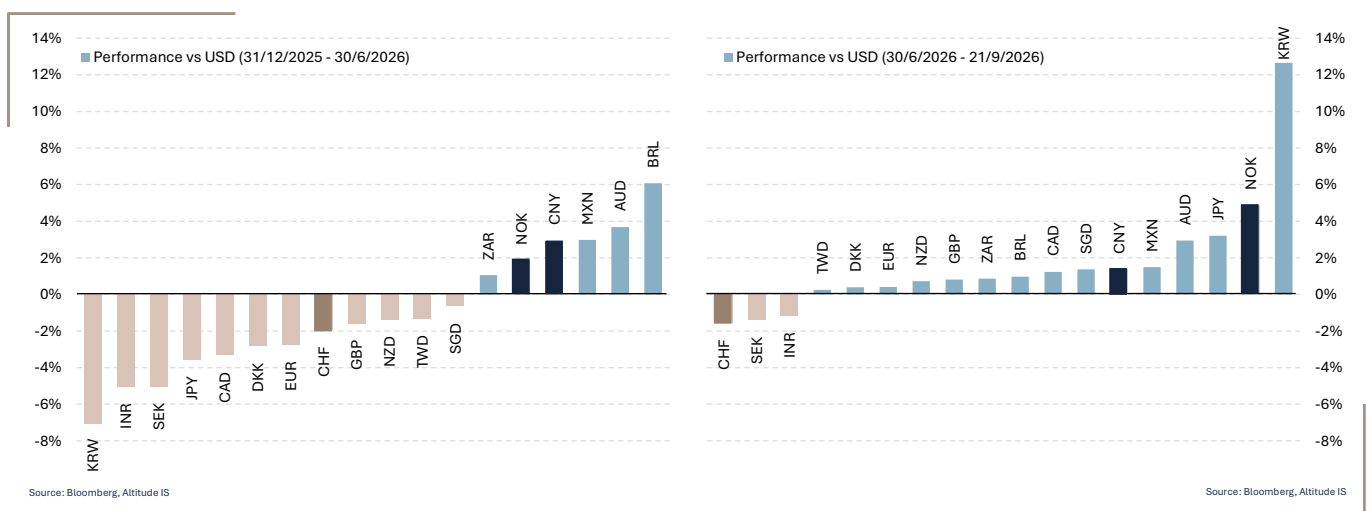
counteracted the usual volatility. **Thus, on the tatami where currencies battle it out, there have been no powerful attacks capable of pushing one currency below another, but rather subtle imbalances.**

Fig. 2 – Implied volatility index for major currencies



The performance table for the year can be analysed in two parts. In the first half of the year (see Fig. 3), the Brazilian real gained +6.1 per cent against the US dollar, whilst the Australian dollar edged up by +3.7 per cent. Next came the Mexican peso and the yuan, followed by the Norwegian krone and the South African rand. At the other end of the table, the South Korean won fell by 7.1 per cent, whilst the yen lost 3.6 per cent. Since 30 June, the picture has been slightly different (see Fig. 4). The won has turned round and is now the best performer of all, up 12.7 per cent, whilst the Norwegian krone has consolidated its gains with a rise of 4.9 per cent and the yen has regained some ground with a rise of 3.2 per cent, thanks to interventions over the summer. Only three currencies have continued their underperformance from the first half of the year, falling against the dollar. These are the Swedish krona, the Indian rupee and the Swiss franc. **For Swiss investors, who are accustomed to seeing their currency tend to appreciate, the situation is unusual.**

Figs. 3 & 4 – Performance of the main currencies against the dollar, first and second halves of 2026





The best-performing currencies of the year are those of countries that combine high yields (see Fig. 5) **with exportable commodities.** As a reminder, a carry trade involves borrowing in a low-interest-rate currency to invest in a higher-yielding currency, thereby profiting from the yield differential. When currency volatility is low, the carry trade becomes the sole driving force behind currency movements. As for the Australian dollar, which is rising sharply, it closely tracks the price of uranium (see Fig. 6).

Fig. 5 – Currency performance & key interest rates

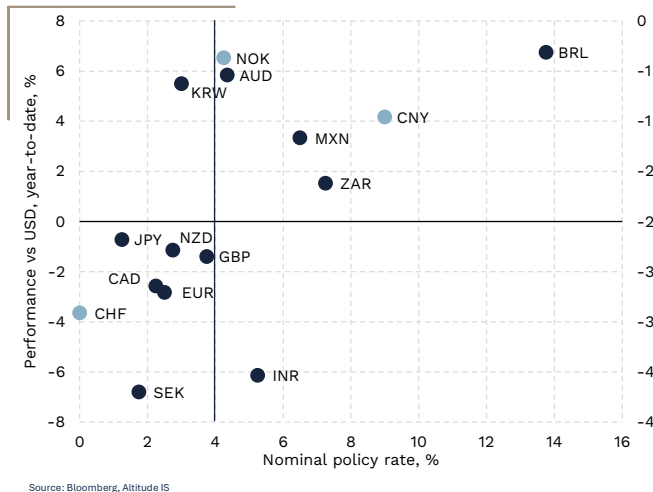
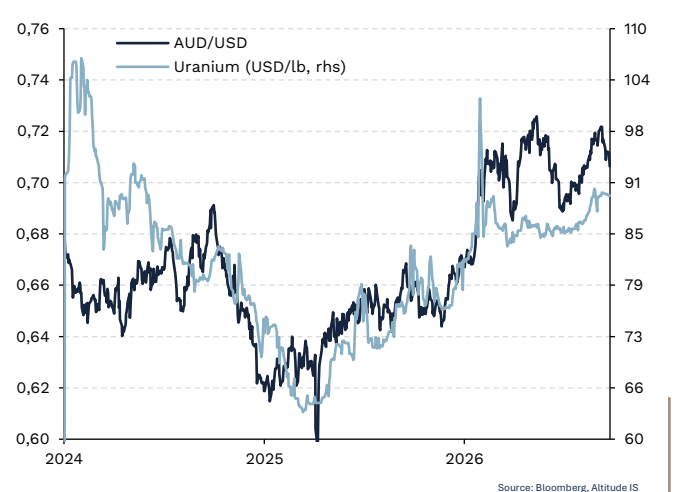
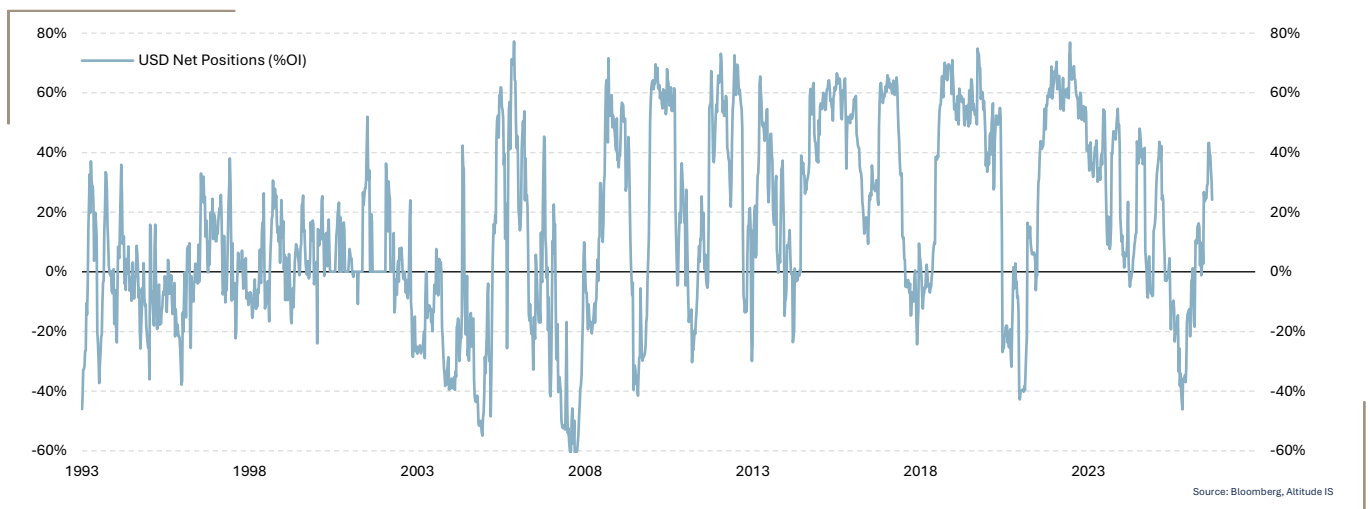


Fig. 6 – Australian dollar & uranium prices



The dollar's recent stability is deceptive. The greenback is gaining ground against low-yield currencies, but is losing ground against high-yield currencies and commodity-linked currencies, meaning that the two movements cancel each other out in the index. **The fundamentals of the US currency are not robust.** The federal deficit, for example, is expected to reach \$2,100 billion this year. With interest rates ranging between 3.5 per cent and 5.5 per cent, interest payments will account for more than 14 per cent of the Trump administration's expenditure. Currency traders are gradually coming round to their senses. Having been lured by the Fed's rate rises, their long positions in the US dollar are now dwindling (see Fig. 7). As we wrote in April, the greenback's rebound to around 1.13 is a mere blip in a downtrend. The euro is expected to reach around 1.27 dollars within fifteen months.

Fig. 7 – Speculative positions on the dollar





At the start of the year, our analyses identified three currencies set to appreciate sustainably: the Norwegian krone, the Chinese yuan and the Swiss franc. Two of the three have begun to deliver positive performance. In Norway, oil companies sell their substantial output in dollars, but pay their taxes in kroner. The government retains a portion for its budget and pays the surplus into the sovereign wealth fund, which is not permitted to hold Norwegian assets. For many years, this selling pressure kept the Norwegian krone away from its fundamentals. This mechanism has recently reversed. Defence, healthcare and infrastructure have put such a strain on the budget that oil taxes are no longer sufficient, meaning the government must now buy back kroner rather than sell them. The market is beginning to factor this in. **The krone has travelled only a third of the way towards its equilibrium stock** of 7 kroner to the dollar and 9 to the euro (see Fig. 8).

Fig. 8 – Exchange rate of the Norwegian krone

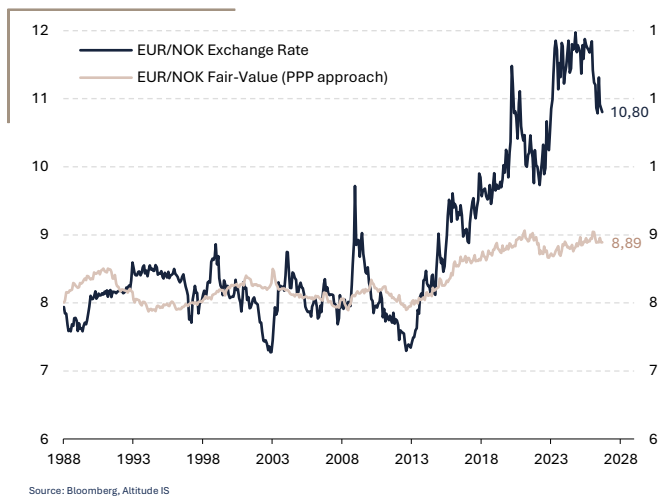
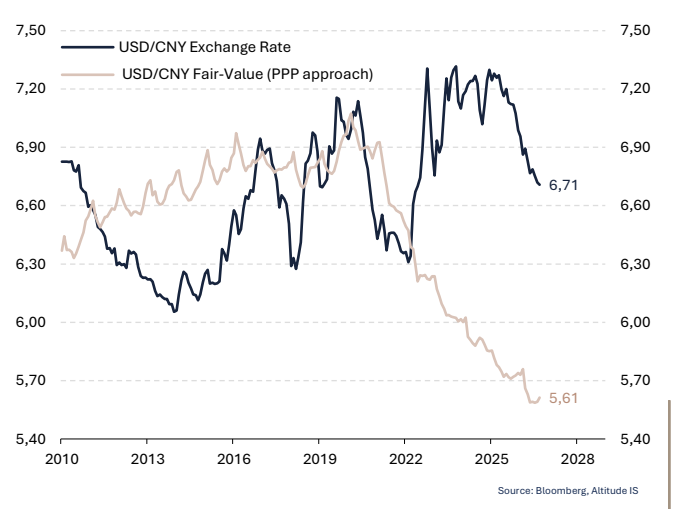


Fig. 9 – Exchange rate of the Chinese yuan



In China, between 2022 and 2025, inflation was virtually zero. This contrasts sharply with the United States, where prices rose by between 2 per cent and 9 per cent a year. All other things being equal, the yuan should have appreciated by 14 per cent against the dollar over those five years. Instead, it depreciated by 16 per cent. Beijing had chosen to let its currency depreciate to support its exports as the economy emerged from the pandemic. This gap between the observed exchange rate and that determined by purchasing power parity is why the Chinese currency tops our ranking of expected performance, with a target of 5.60 yuan to the dollar within a few years (see Fig. 9).

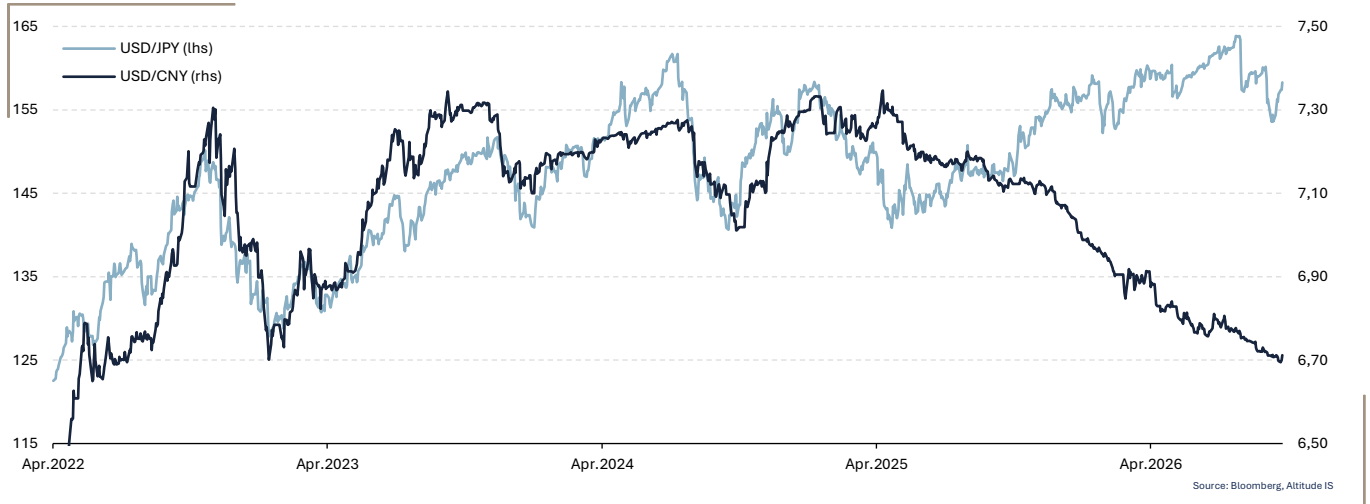
The catch-up has begun. The yuan has appreciated by +4.5% since the start of the year. As evidence that equilibrium is still a long way off, China's trade surplus reached \$806 billion over the first eight months of the year, on track to break the record of \$1,200 billion set in 2025. **Ultimately, the yuan is appreciating because Beijing is allowing it to do so, and this is precisely what makes the trend sustainable.** The contrast between the two main Asian currencies is striking (see Fig. 10). Their trajectories have clearly diverged.

At the other end of the spectrum, the biggest currency losers of 2026 have one thing in common: they are the currencies that investors borrow. The Swedish krona is the worst-performing G10 currency this year. The Riksbank is keeping its rate at 1.75 per cent, one of the lowest among developed countries. With inflation having fallen to 0.7 per cent, the first rate rise is no longer expected until November. That was all it took for investment funds to finance part of their international investments in Swedish kronor. Next comes the Indian rupee, which has fallen from 90 to 96 to the dollar. Given that India imports 85



per cent of its oil, half of which passes through the Strait of Hormuz, foreign investors have preferred to withdraw some of their capital. The central bank sold dollars to cushion the fall, but this failed to halt the trend.

Fig. 10 – Exchange rates of the yen and the yuan against the dollar



The third currency to lose ground, the Swiss franc, was not expected to feature in this list. It is worth noting that its fundamentals are rock-solid. Switzerland boasts a current account surplus, public debt below 40 per cent of GDP and structurally lower inflation than its neighbours. This combination tends to drive the franc higher against the euro and the dollar. Our estimates suggest that the franc could trade at around 0.89 to the euro and 0.70 to the dollar within eighteen months.

Fig. 11 – Speculative positions in CHF & JPY

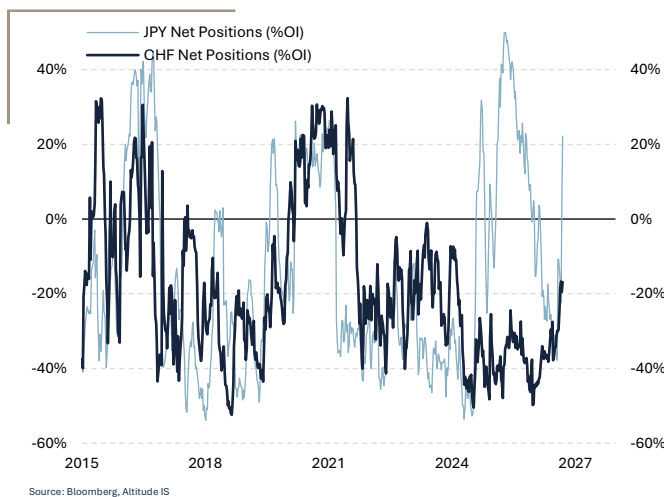
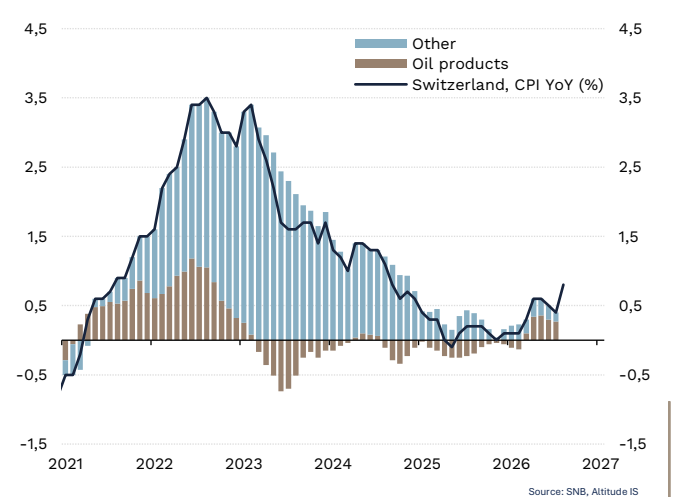


Fig. 12 – Contributions to inflation in Switzerland



When the war in Iran broke out, the Swiss franc peaked at 0.90 against the euro, its highest level in ten years. It then fell, posting a loss of 5 per cent on 11 September. The main reason for this was a shift in roles. Since the Bank of Japan significantly raised its key interest rate, and given that Tokyo and Washington jointly defended the yen this summer, borrowing in yen has become costly and risky. Traders have therefore turned to the only major currency still at zero interest rates, with a deep swap market

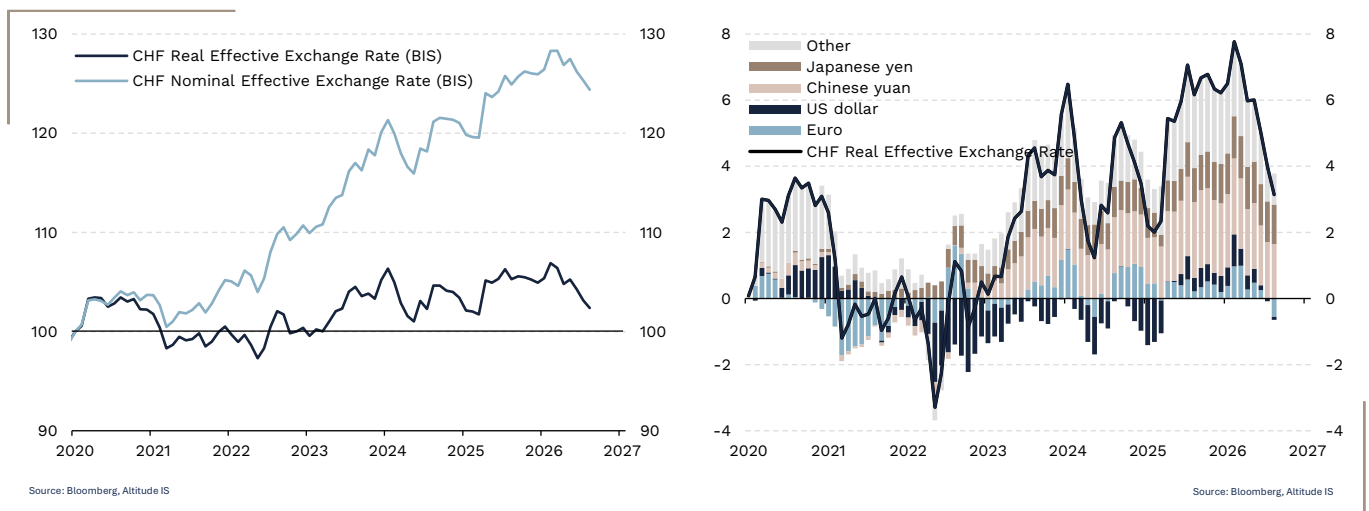


and the lowest volatility among the G10 currencies: the Swiss franc. The figures confirm this, as traders remain net sellers of francs but are now net buyers of yen (see Fig. 11). **The Swiss franc appears to have taken on the role that the yen held for twenty years: that of the currency borrowed to finance the rest of the world. There is, however, one significant difference between the franc and the yen: the former tends to appreciate, whilst the latter depreciates. Taking on debt in francs rather than in yen is therefore very risky in the long term.**

As is often the case in such situations, the SNB intervened masterfully. It did not simply endure this trend but, on the contrary, actively supported it. According to our estimates, based on changes in banks' sight deposits with the central bank, the SNB's sales of francs amounted to around 28 billion in June and 11 billion in July – nearly ten times the 3.9 billion in foreign currency purchases recorded in the first quarter (see Chart of the Week). These figures are yet to be confirmed by the official statistics due at the end of September, but the order of magnitude leaves little room for doubt.

Three favourable conditions were in place this summer. Firstly, the franc was overvalued. The Swiss currency had retreated from its highs, and Martin Schlegel had warned Parliament in early June that the SNB was increasingly prepared to intervene. Secondly, the franc had begun to weaken of its own accord in mid-June, particularly when the ECB decided to raise its key interest rate to 2.25 per cent, the Islamabad peace memorandum was signed, and the Fed hinted at its forthcoming shift towards a tighter monetary policy. Thirdly, inflationary pressures linked to energy prices were beginning to ease (see Fig. 12). By the end of June, the consumer price index had remained unchanged, meaning that a strong franc was no longer serving a useful purpose. On the contrary, the risk of deflation might have returned to the forefront of the debate. **The SNB therefore did not fight the market but harnessed its momentum, like a judoka who throws an opponent who has already lost their balance.**

Figs. 13 & 14 – Effective exchange rate of the Swiss franc & factors contributing to its movement



Over the coming months, it will be necessary to continue monitoring the trend in the franc's real effective exchange rate (see Fig. 13). The SNB regularly emphasises that it is this indicator that matters for the Swiss economy. Since 2020, the central bank has been striving to stabilise the value of the franc, weighted by foreign trade and adjusted for inflation differentials. Since 2023, the franc's overvaluation has stemmed mainly from the yuan and the yen (see Fig. 14), two currencies against which the SNB does not intervene directly, which explains its hesitation to act. It finally resolved to do so during the summer, even if this meant pushing the franc towards undervaluation against the dollar and the euro, as in 2024.



So far, everything is going splendidly for the SNB. Proof, if any were needed, is that it chose to keep its rate at zero last Thursday. Should the need arise – and whilst the consensus expects no rise before 2027 – it could raise interest rates on 10 December or 18 March. It would not hesitate to spring a surprise if rising oil prices were to feed through to other prices via second-round effects. **A rise in SNB rates would instantly close the window for carry trades in francs. Investors who have borrowed francs would certainly seek to buy them back within a few trading sessions.**

Conclusion:

The calm prevailing on the foreign exchange market this year is merely an illusion. As long as investors remain confident, currencies obediently follow yields, but the dollar is less stable than it appears. The Norwegian krone and the Chinese yuan are both heading for a new wave of appreciation. The strength of the Swiss franc has been held in check by carry trades and the SNB's proactive measures, but it is just waiting to make itself felt, particularly against the dollar and the euro.



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)	1 148.2	53.33	1.0%	0.0%	14.7%	22.9%	18.0%
USA (S&P 500)	7 743	56.69	1.2%	1.0%	14.1%	17.9%	25.0%
USA (Dow Jones)	51 829	43.56	0.3%	-3.1%	9.1%	14.9%	15.0%
USA (Nasdaq)	27 069	61.14	2.1%	3.6%	17.0%	21.2%	29.6%
Euro Area (DJ EuroStoxx)	664.8	46.50	0.9%	-2.1%	11.5%	21.2%	10.2%
UK (FTSE 100)	10 724	47.07	0.3%	-1.7%	10.4%	25.7%	9.6%
Switzerland (SMI)	14 043	43.89	1.2%	-3.9%	8.4%	18.0%	7.5%
Japan (Nikkei)	65 878	56.20	2.1%	0.8%	33.0%	28.7%	21.3%
Emerging (MSCI)	1 732	54.68	1.3%	1.9%	25.5%	34.3%	8.0%
Brazil (IBOVESPA)	183 477	53.79	-0.9%	5.1%	13.9%	34.0%	-10.4%
Mexico (IPC)	64 992	52.74	2.6%	-1.8%	3.0%	35.1%	-11.0%
India (SENSEX)	72 948	34.63	-0.5%	-4.8%	-12.2%	10.5%	9.6%
China (CSI)	4 341	37.36	-0.4%	-2.5%	-2.3%	21.0%	18.2%
Com. Services (MSCI World)	166.5	55.86	1.6%	2.9%	2.2%	33.0%	31.9%
Cons. Discretionary (MSCI World)	420.4	37.45	-0.5%	-5.7%	-7.3%	9.8%	20.7%
Cons. Staples (MSCI World)	296.3	39.58	0.1%	-3.7%	4.4%	9.3%	4.7%
Energy (MSCI World)	349.1	45.18	-2.2%	0.4%	35.3%	14.8%	2.9%
Financials (MSCI World)	240.8	38.67	-1.0%	-3.4%	8.9%	29.5%	25.1%
Health Care (MSCI World)	416.7	52.57	1.1%	-3.4%	7.1%	15.3%	1.5%
Industrials (MSCI World)	511.5	42.79	0.6%	-3.8%	10.8%	26.2%	12.8%
Info. Tech. (MSCI World)	1 311.1	66.21	3.3%	7.3%	36.3%	26.6%	31.9%
Materials (MSCI World)	431.5	37.41	-0.9%	-7.3%	11.4%	32.5%	-7.6%
Real Estate (MSCI World)	983	27.35	-1.1%	-7.3%	-0.2%	3.6%	-0.4%
Utilities (MSCI World)	188.6	26.16	-2.4%	-6.0%	-0.1%	24.7%	13.0%
Bonds (Bloomberg)							
World (Aggregate)	4.40%	30.65	-0.8%	-2.6%	-2.3%	8.2%	-1.7%
USA (Sovereign)	5.05%	31.93	-0.7%	-2.3%	-2.3%	6.3%	0.6%
Euro Area (Sovereign)	3.93%	30.82	-0.5%	-2.6%	-3.1%	0.6%	1.9%
Germany (Sovereign)	3.49%	32.28	-0.4%	-2.1%	-2.5%	-1.6%	0.6%
UK (Sovereign)	5.34%	40.75	-0.4%	-1.9%	-2.2%	6.1%	-3.0%
Switzerland (Sovereign)	0.90%	28.57	-0.8%	-2.4%	-2.2%	0.3%	5.4%
Japan (Sovereign)	2.75%	32.48	-0.7%	-1.1%	-4.1%	-4.6%	-2.1%
Emerging (Sovereign)	6.90%	27.18	-1.5%	-2.6%	-1.1%	13.1%	7.0%
USA (IG Corp.)	5.93%	30.30	-1.4%	-2.1%	-2.4%	7.8%	2.1%
Euro Area (IG Corp.)	4.32%	29.67	-0.7%	-1.7%	-1.4%	3.0%	4.7%
Emerging (IG Corp.)	6.82%	24.55	-0.8%	-1.5%	0.2%	8.1%	7.0%
USA (HY Corp.)	8.10%	24.59	-1.1%	-1.9%	0.8%	8.6%	8.2%
Euro Area (HY Corp.)	6.65%	23.25	-0.5%	-1.5%	0.5%	5.2%	8.2%
Emerging (HY Corp.)	8.07%	25.32	-1.3%	-2.2%	2.1%	13.9%	14.9%
World (Convertibles)	614.6	46.81	0.3%	-1.5%	14.1%	22.4%	9.4%
USA (Convertibles)	813.8	48.43	0.5%	-1.2%	16.3%	16.9%	10.1%
Euro Area (Convertibles)	303.4	44.92	0.5%	-1.3%	4.4%	24.8%	14.7%
Switzerland (Convertibles)	289.6	40.69	-0.1%	-1.6%	2.4%	17.5%	-10.5%
Japan (Convertibles)	321.4	55.30	1.7%	-0.2%	24.6%	13.8%	6.4%
Hedge Funds (Bloomberg)							
Hedge Funds Industry	1 930	77.88	n.a.	2.3%	11.6%	6.7%	11.1%
Macro	1 573	72.34	n.a.	2.8%	14.2%	7.1%	7.4%
Equity Long Only	2 632	68.20	n.a.	2.6%	10.0%	6.4%	12.0%
Equity Long/Short	2 120	74.40	n.a.	2.5%	14.1%	7.6%	14.0%
Event Driven	2 101	85.48	n.a.	2.0%	14.5%	9.5%	8.7%
Fundamental Equity Mkt Neutral	2 011	88.91	n.a.	0.3%	12.6%	7.4%	12.4%
Quantitative Equity Mkt Neutral	1 941	84.40	n.a.	2.0%	10.7%	7.3%	9.8%
Credit	1 782	91.88	n.a.	0.7%	6.2%	3.7%	8.5%
Credit Long/Short	1 818	94.73	n.a.	0.7%	7.0%	4.9%	10.0%
Commodity	2 203	82.32	n.a.	4.6%	14.7%	10.1%	14.7%
Commodity Trading Advisors	1 556	65.58	n.a.	3.7%	19.0%	9.6%	7.9%
Volatility							
VIX	14.87	46.34	0.4%	-3.8%	-0.5%	-13.8%	39.4%
VSTOXX	17.25	49.13	-5.9%	7.2%	17.3%	-13.5%	25.3%
Commodities							
Commodities (CRB)	565.3	n.a.	1.0%	2.4%	4.7%	0.6%	5.1%
Gold (Troy Ounce)	4 160	n.a.	-4.2%	-6.6%	-3.7%	64.6%	27.2%
Silver (Troy Ounce)	61.11	n.a.	-7.5%	-7.9%	-14.7%	148.0%	21.5%
Oil (WTI, Barrel)	99.12	n.a.	-1.2%	18.4%	72.6%	-19.9%	0.1%
Oil (Brent, Barrel)	123.03	n.a.	-1.9%	37.9%	97.0%	-15.7%	-4.6%
Currencies (vs USD)							
USD (Dollar Index)	101.16	68.00	0.7%	1.5%	2.9%	-9.4%	7.1%
EUR	1.1374	27.09	-0.8%	-1.8%	-3.2%	13.4%	-6.2%
JPY	157.59	48.37	-0.1%	1.6%	-0.6%	0.3%	-10.3%
GBP	1.3240	28.53	-1.0%	-2.2%	-1.7%	7.7%	-1.7%
AUD	0.7012	33.29	-1.5%	-2.1%	5.1%	7.8%	-9.2%
CAD	1.4159	26.81	-0.9%	-1.8%	-3.1%	4.8%	-7.9%
CHF	0.8304	29.23	-1.1%	-2.6%	-4.6%	14.5%	-7.3%
CNY	6.7138	51.59	-0.3%	0.2%	4.1%	4.5%	-2.7%
MXN	17.778	21.94	-3.1%	-4.2%	1.3%	15.7%	-18.5%
EM (Emerging Index)	1 924.9	52.52	0.2%	0.3%	3.9%	7.2%	-0.7%
XBT	83 118	n.a.	-1.3%	7.4%	-5.2%	-6.5%	120.5%

Source: Bloomberg, Altitude Investment Solutions

Total Return by asset class (Negative \ Positive Performance)



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