

G10 FX Talking: Threat of softer jobs data limits the \$ bounce

The dollar is trading towards the top of its trading range, buoyed by the lack of US data and some challenges faced by the euro and the yen. Yet US consumers remain fearful of their employment prospects, and we doubt the Fed will stray from its path toward two more rate cuts this year. Lower US hedging costs and seasonal trends suggest recent \$ strength won't last



Main ING G10 FX Forecasts

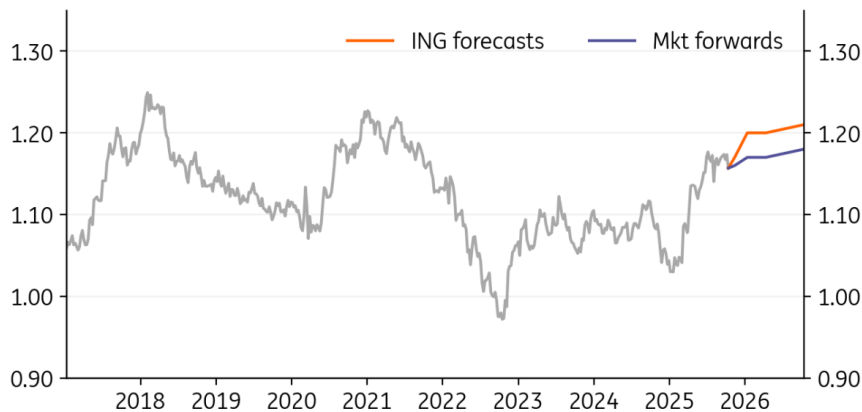
	EUR/USD	USD/JPY	GBP/USD
1M	1.17 ↑	150 ↓	1.34 ↑
3M	1.20 ↑	148 ↓	1.36 ↑
6M	1.20 ↑	147 ↓	1.36 ↑
12M	1.21 ↑	143 ↓	1.36 ↑

	EUR/GBP	EUR/CHF	USD/CAD
1M	0.87 ↑	0.93 ↑	1.39 ↑
3M	0.88 ↑	0.93 ↑	1.37 ↑
6M	0.88 ↑	0.94 ↑	1.37 ↑
12M	0.89 ↑	0.96 ↑	1.35 ↑

EUR/USD: No US news has been good news for the dollar

	Spot	One month bias	1M	3M	6M	12M
EUR/USD	1.16	Mildly Bullish ↗	1.17	1.20	1.20	1.21

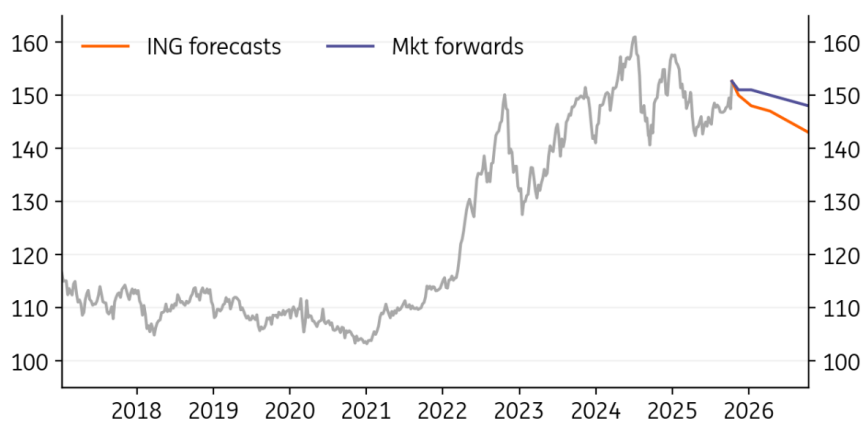
- The US government shutdown has shifted the narrative away from the soft labour market, allowing the AI-driven equity rally to dominate. The suspicion is that growth can once again prove more resilient than most expected. Yet the September FOMC meeting made it clear that the Federal Reserve has shifted into risk management mode on jobs and should cut twice more this year.
- After this recent short squeeze in the dollar, we're looking for a resumption of the dollar bear trend into Nov-Dec. Lower short-dated US rates will see bond investors raise FX hedge ratios.
- We think the European Central Bank is done cutting at 2.00%. We're not looking for the French political crisis to trigger a broader crisis in Europe.



USD/JPY: Yen becomes preferred funding vehicle

	Spot	One month bias	1M	3M	6M	12M
USD/JPY	151.94	Mildly Bearish ▼	150.00	148.00	147.00	143.00

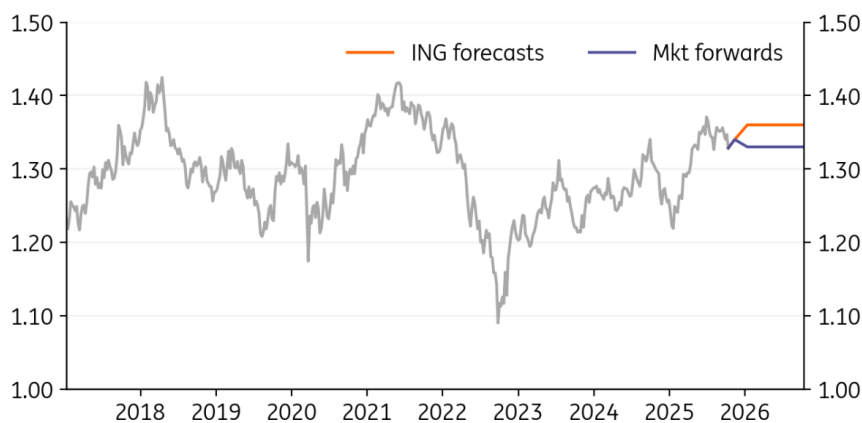
- Japanese politics has had a seismic impact on the yen this month. The victory of Sanae Takaichi in the LDP leadership election – and the comparison of her policies to ‘Abenomics’ – have triggered a steeper yield curve, an equity rally and a weaker yen. We’re not looking for the kind of 20% fall in the yen seen in 2013/14 – but investors may now switch to yen-funded carry.
- The thinking here is that the less independent Bank of Japan will hold off raising rates. That’s not a given since a weaker yen will only add to inflation fears and heighten the need for a hike.
- The wild card here is that the LDP has just lost the support of its coalition partner, Komeito. Snap elections could reverse yen losses if we need to consider a new government completely.



GBP/USD: Too many risks in sterling

	Spot	One month bias	1M	3M	6M	12M
GBP/USD	1.3400	Neutral	1.34	1.36	1.36	1.36

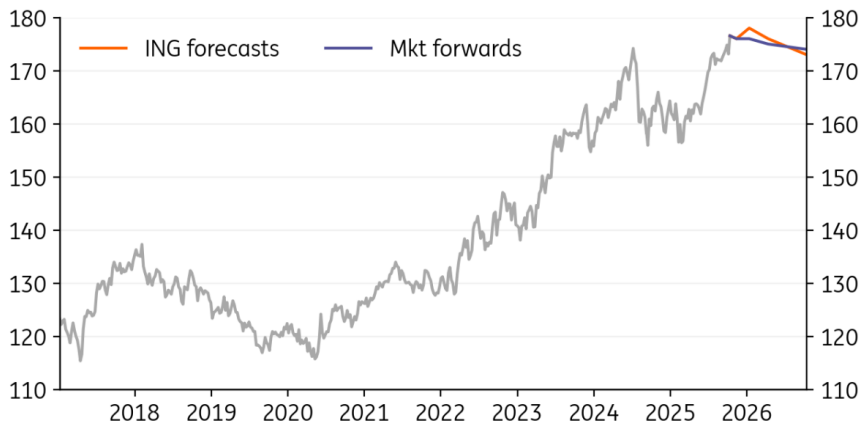
- The UK economy has not been performing as badly as the local press would have us believe, but monetary and fiscal risks do stalk sterling. On a pure macro level, we think the market is underpricing the Bank of England easing cycle – although the next cut is not likely until February. Sticky inflation data and the employment situation will remain key for the BoE.
- The fiscal risks are more prevalent into the budget in November. We’re not looking for a gilt crisis, but the Chancellor is going to have to make some tough decisions on tax rises or spending cuts.
- Tighter fiscal and looser monetary policy should ultimately be a bit bearish for sterling – though GBP/USD should trade between 1.32-1.37.



EUR/JPY: Japanese politics dominate

	Spot	One month bias	1M	3M	6M	12M
EUR/JPY	176.5400	Neutral	176.00	178.00	176.00	173.00

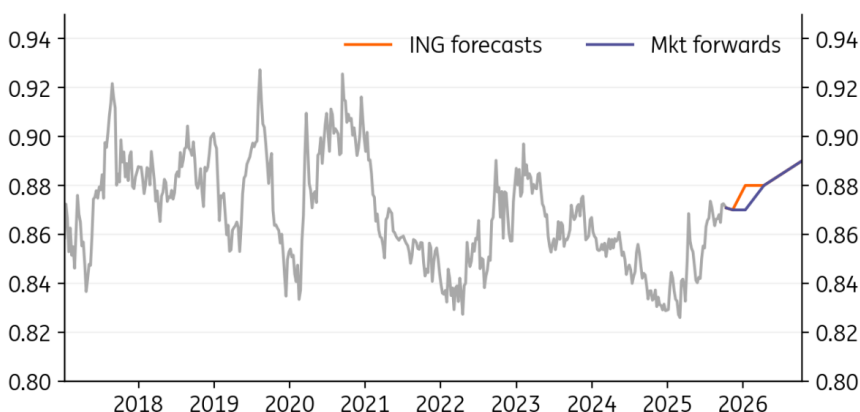
- The surge in EUR/JPY to record highs has been entirely down to Japanese politics. As above, the base case is probably that the yen stays weak now. But any signs of snap elections or the Bank of Japan forging ahead with rate hikes could reverse recent moves.
- For the eurozone, our team have been softening the [2026 growth profile](#) on the view that German fiscal expansion will not be quite as large as first thought. For France, the base case is that the country continues to muddle through without causing a broader crisis. The ECB has tools to protect debt markets if need be.
- EUR/JPY gains have been closely correlated with global equities. Any correction here is likely to send EUR/JPY sharply lower.



EUR/GBP: The not very attractive contest

	Spot	One month bias	1M	3M	6M	12M
EUR/GBP	0.8700	Neutral	0.87	0.88	0.88	0.89

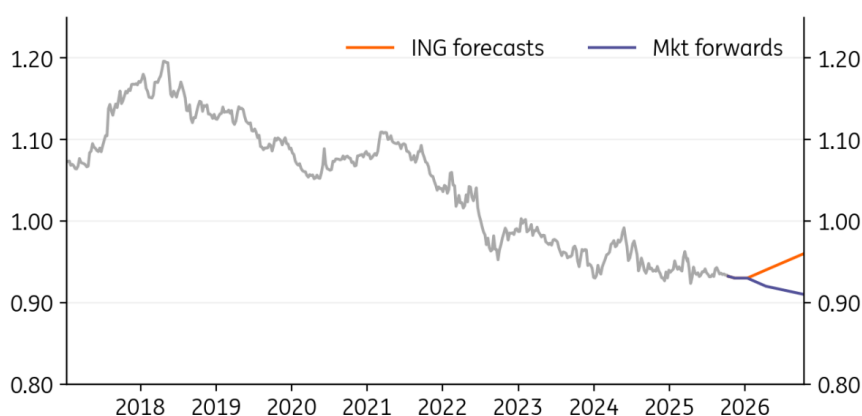
- Traders seem inclined to sell sterling – as evidenced by the skew to sterling put options in the three-month EUR/GBP risk reversal. Yet just as EUR/GBP looks to break higher, some softer eurozone news comes along in the form of politics or data. Neither currency looks particularly attractive now, but the fiscal and monetary risks for sterling are probably greater.
- The risks to a mild EUR/GBP appreciation probably stem from European politics. Early French elections could put some risk premium into the euro, and we could also be underestimating some risk premium coming out of GBP on a successful UK budget in late November. A baseline view is for EUR/GBP to 0.90 in 2026.



EUR/CHF: Switzerland has serious problems

	Spot	One month bias	1M	3M	6M	12M
EUR/CHF	0.9300	Neutral	0.93	0.93	0.94	0.96

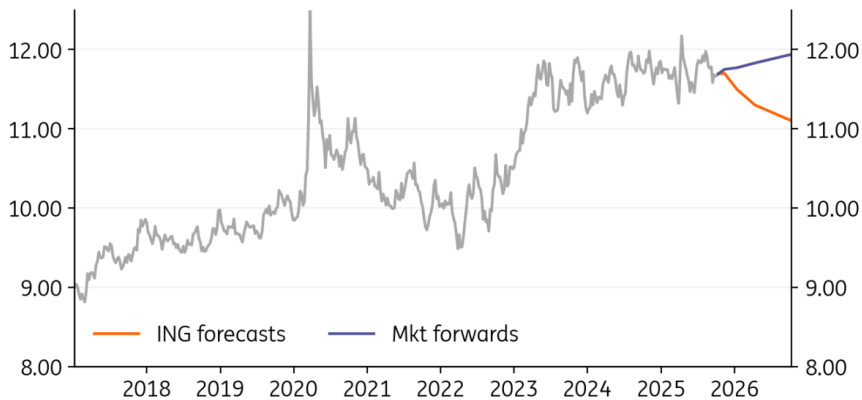
- As our economics team discusses [here](#), US tariffs pose a serious problem. We estimate that the average tariff rate on Swiss exports to the US is already now at 25% and could move to 47% if Washington pushes through with 100% tariffs on pharma. This could knock anywhere from 0.85-1.7% off Swiss growth.
- At the same time, the Swiss franc is very strong, and the Swiss National Bank has limited room for FX intervention or large rate cuts into negative territory. That said, FX intervention in the second quarter 2025 was CHF5bn, the highest since early 2022. But Washington is watching.
- It's hard to see EUR/CHF turning decisively higher until eurozone growth comes through – more a story for 2026 now.



EUR/NOK: NOK curve a little too hawkish

	Spot	One month bias	1M	3M	6M	12M
EUR/NOK	11.7600	Mildly Bearish ↘	11.70	11.50	11.30	11.10

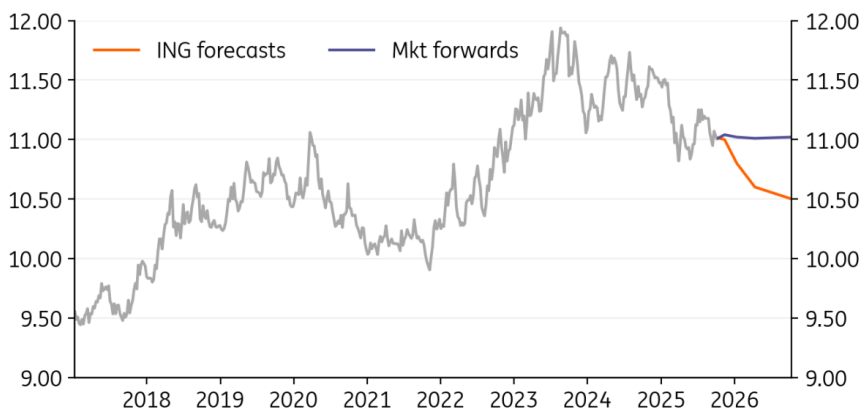
- EUR/NOK volatility has picked up since mid-September, with the pair modestly undershooting our one-month target of 11.70 from September's FX Talking.
- Norges Bank cut rates in September, in line with our expectations, but published hawkish rate projections embed no further cuts until mid-2026. Markets are broadly aligned with that, but we remain more dovish and expect the next cut in the first quarter of 2026.
- Attractive carry can help the krone, but with a NOK swap curve leaning a bit too hawkish and downside risks to oil prices, we don't see significant downside room for EUR/NOK into year-end.



EUR/SEK: Predictable rate gap path

	Spot	One month bias	1M	3M	6M	12M
EUR/SEK	11.0500	Mildly Bearish ↘	11.00	10.80	10.60	10.50

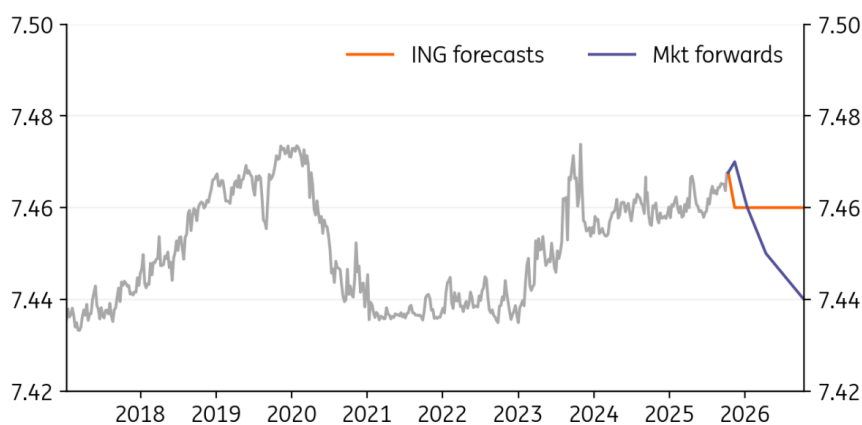
- The Riksbank surprised with a rate cut in September but is now signalling the easing cycle is over. The 25bp policy gap with the eurozone looks set to persist throughout 2026 but shouldn't prevent EUR/SEK from staying on a multi-quarter downward trend given medium-term fundamental undervaluation.
- November and December are the weakest months seasonally for EUR/SEK – but October was often a good month in recent years.
- We expect EUR/SEK to hover around 11.0 in coming weeks, although the balance of risks remains tilted to the downside. We have slightly revised our year-end target lower to 11.80.



EUR/DKK: Staying bid

	Spot	One month bias	1M	3M	6M	12M
EUR/DKK	7.4600	Neutral	7.46	7.46	7.46	7.46

- We had a slight suspicion the Danish central bank had intervened in the FX market to support the krone in September – but official data again showed no intervention.
- EUR/DKK has continued to trade on the strong side, testing the April and September highs, although realised volatility remains contained.
- The softening in Denmark’s current account surplus and some pockets of investment outflows can keep EUR/DKK somewhat elevated – but given the big firepower for FX intervention (reserve stock is about a quarter of annual GDP), we don’t see the need to revise our forecast for 7.460 parity over the coming quarters.



USD/CAD: December cut more likely than October

	Spot	One month bias	1M	3M	6M	12M
USD/CAD	1.4000	Mildly Bearish ↘	1.39	1.37	1.37	1.35

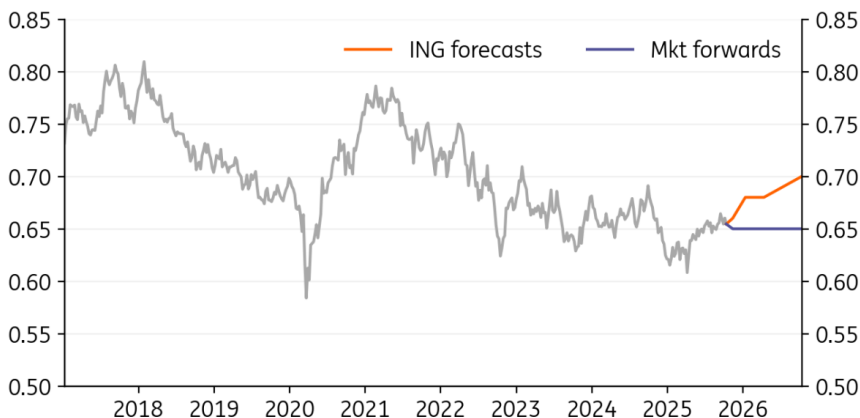
- We still think risks remain on the downside for CAD relative to the rest of G10 into year-end. The reprieve in October was more driven by the correlation with USD, rather than any optimism on the Canadian economy.
- A Carney-Trump meeting this month has yielded a more conciliatory tone, but no concrete advancements towards a tariff truce. A USMCA fallout remains a big risk ahead for CAD.
- Unemployment didn’t accelerate further in September, and that might be just enough for the Bank of Canada to skip October and cut in December. But it’s far from a guarantee, and there is also a non-negligible risk of further cuts in the first quarter of 2026.



AUD/USD: Aussie still looks good

	Spot	One month bias	1M	3M	6M	12M
AUD/USD	0.6500	Mildly Bullish ↗	0.66	0.68	0.68	0.70

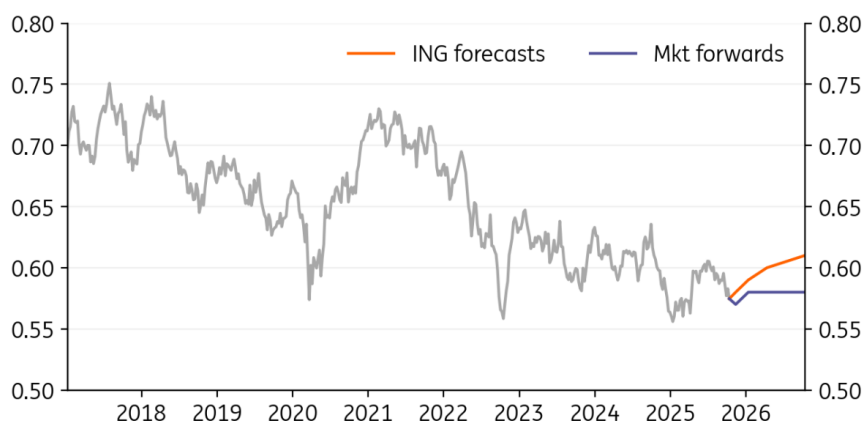
- The Aussie dollar has been more resilient than most of G10 since the start of the month. We think the case for a year-end rally remains intact, and we still target 0.68 for end-December.
- We believe the Reserve Bank of Australia will cut rates in December – 12bp priced in – but we doubt that would be enough to offset the benefits of lower USD rates given any cuts should still be accompanied by a rather hawkish tone on future moves.
- We don't expect the recent revamp in trade tensions between the US and China as likely to lead to a re-run of April's events, which would otherwise heavily weigh on the AUD outlook.



NZD/USD: Dovish RBNZ can limit upside

	Spot	One month bias	1M	3M	6M	12M
NZD/USD	0.5700	Mildly Bullish ↗	0.58	0.59	0.60	0.61

- The Reserve Bank of New Zealand's surprise 50bp rate cut in October can have a long tail effect on NZD, especially as the Bank signalled an openness to more easing and the upcoming jobs and unemployment data may come in on the dovish side.
- A 25bp cut in November looks carved in stone unless CPI comes in quite hot, which seems unlikely if we assume the RBNZ peeked at some reliable price measures before cutting 50bp. Another cut in first quarter 2026 is now a tangible risk, around 35% priced in.
- NZD/USD has room to recover into year-end thanks to some re-softening of the dollar, in our view. But the upside potential is less pronounced than for AUD.



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Author

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

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