CURRENCY OUTLOOK
November 2026

IN BRIEF

What Happened

- U.S. Dollar momentum hit the brakes in October with a downturn of just 0.1% according to the Bloomberg Dollar Spot Index
- The Euro stayed down after a brutal end to September with the after-effects of disturbances and violence in France, Germany and other capitals plaguing it
- Most G-10 currencies recovered while LATAM and other emerging-market tender fell to new lows
- Mexican Peso (MXN) and Brazilian Real (BRL) were the worst performers against the Buck with politics and trade policy having a major impact on devaluation
- Lack of consensus amongst Fed members and efforts towards resolving conflict reignited USD weakening

Monex USA's View

- Shifting narratives over negotiations to bring peace to either the Middle East or Ukraine/Russia front will keep USD buoyant
- LATAM FX flows may ease a bit following a busy election cycle and rapid moves, multi-month records
- MXN volatility to remain as the U.S. and Mexico continue talks about changes to the current USMCA framework and tariff obligations
- Changes to the global outlook for growth may lead to USD tumbling if there is optimism for start of 2027
- Surprises may come in the form of diplomatic developments as well as central bank messaging

IN FOCUS

BDXY: "Steady Eddie" for the Buck after a big jump second half of September



(Bloomberg chart shows USD's climb of 2.0% from start of September to the end of October)

October saw less turbulence for the BDXY after the Fed's unanimous decision to hike in September

- Officials seem to have gotten it right in voting for an interest-rate increment as inflationary indicators revealed a stubborn reality for everyone
- Consumer Price Index in September moved slightly higher than estimated while producers suffered the fastest pace of monthly inflation (PPI) since Q1 2022
- Q3 Gross Domestic Product (GDP) registered at 3.4% vs. 3.2% forecast, exuding more than just resilience and outdoing its peers
- There is mounting criticism that growth is only being driven by a few tech firms and enthusiasm seems to be fading about the sustainability of heavy spending

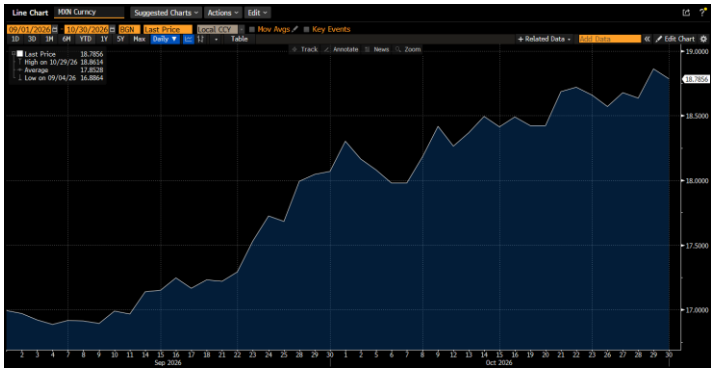
THE VIEW — Flows for FX idiosyncratic as everyone adjusts to inflation

While high prices are forcing tightening, some countries worry about growth

Not everyone is in agreement on how to tackle inflation in a time of uncertainty. 2026 has been marked by global upheaval over changing dynamics in trade and the fears over new technology further displacing human labor. War and no clarity over when it will end has made energy access a crucial issue for regional economic stability, with the European Union facing its biggest challenge to its development in years.

Domestically, there is also a lack of agreement on how to alleviate the nervousness in the financial environment. While the September Fed meeting gave a strong sign of unison as all monetary policy committee members voted for an increment to borrowing costs, October witnessed dissent and introduced the potential for no further rate hikes for what remains of the year.

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(Bloomberg chart shows MXN weakening of 10.5% since it hit a 2-year best against the Buck in September)

Per the data, the economic situation in the United States is one that should be envied by other industrialized regions of the world where growth has been hard to find. On the other side of the pond, both the Euro-zone and the United Kingdom are barely advancing with 0.4% and 0.1% per quarterly GDP respectively. Over in Japan, the lack of consistent energy imports has slowed down earlier projections for expansion with the second quarter improving only by 0.4% This hints at a bit of American exceptionalism as the geographic distance from the direct impact of physical damages has allowed for less disruption.

Nevertheless, the negative consequences of the escalation with Iran and the spread of aggression to other key ports for distributing fossil fuels cannot be ignored. Crude oil prices keep hitting some of the highest levels since 2022 with Brent experiencing its largest one-month jump since July and continuing a streak of four months of gains. Saudi Arabia has seen attacks all over its crucial infrastructure by Houthi forces that even struck Aramco's headquarters. Subsequently, American consumers as well as suppliers are running into budget issues with transportation and even grocery costs becoming a headache.

In the last Fed meeting, two voting members, the embattled Fed governor Lisa Cook and Cleveland Fed President Beth Hammack indicated their desire to see a 25-basis point increase as they argued that price growth needs to be halted. The change from a consensus all around to disagreement from one month to the next helped in halting the U.S. Dollar's momentum after reaching its strongest overall value in a year. It looks as if Kevin Warsh's crew is ready to rein in inflation, but not in an aggressive manner and with discord amongst its members, who may not communicate as often as in the past.

An unexpected surprise arose during the last press conference with Chairman Warsh announcing that the Fed will have less rate-setting meetings starting in 2027. While Fed officials will gather a total of eight times next year, Warsh plans for only six of those meetings to be for interest-rate considerations. The others are set to be for strategy and discussion but may lead to more mystery as Warsh hopes to delegate questions about the Fed's mentality without telegraphing its thinking. He has been adamant about allowing free markets to determine interest rates with less dependency on Fed comments and the dot-plot.

With the Fed's independence and autonomy questioned throughout the past two years, we shall see if Warsh stays committed to keeping institutional authority over monetary policy while proposing and executing some changes. Otherwise, it may bode poorly for the U.S. Dollar's fortunes. In contrast with the Fed's contractionary mentality, other national central banks look more concerned with addressing trouble facing economic progress while also coping with administrative calls for more alignment with political agendas.

In LATAM, Mexico's Banxico and the Brazilian Central Bank have been reducing borrowing costs, citing worries over a global slowdown and the struggles in commerce with consumption and production feeling the pain. While Claudia Sheinbaum's leadership maintains Mexico steady, turmoil over USMCA trade pact discussions have made businesses uneasy about long-term investment in Mexico regardless of a push for "near-shoring." Over in Brazil, re-election of Lula as President is casting doubt over necessary reforms and deregulation. Meanwhile, the country represents opposition to the U.S. desire for a hemisphere with the "Shield of the Americas," a cohort of allies preventing Chinese influence and prosperity. Strength in USD could fade if the global outlook improves starting with the neighbors.

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