CURRENCY OUTLOOK
September 2026

IN BRIEF

What Happened

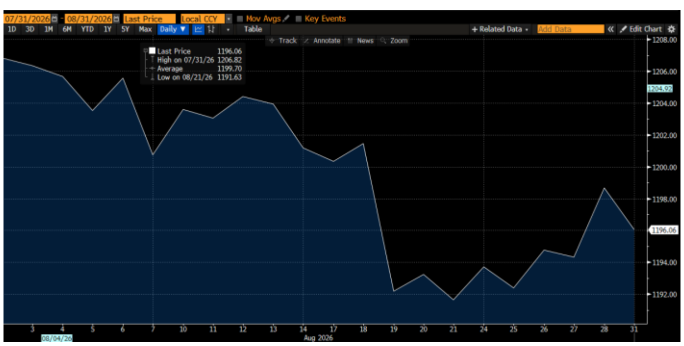
- U.S. Dollar downfall continued into August with the Bloomberg Dollar Spot Index registering a 0.8% decline overall
- The U.S. Treasury Secretary Scott Bessent admitted to coordinating FX intervention with the Bank of Japan to aid the Japanese Yen (JPY) on August 3rd
- Yet JPY depreciated by 1.6% for the month, making it the worst performer among G-10 currencies
- On Aug. 19th, as U.S. long-dated treasury bonds yields reached the highest in decades, Bessent stepped in again to provide liquidity-support buyback operations
- Euro gains were limited, up 0.9%, as inflation, per Consumer Price Index, hit the highest level in 3 years

Monex USA's View

- Monetary policy divergence seems to be affecting perception of USD while other central banks look towards hiking interest rates to combat inflation
- After experiencing its best monthly performance since Aug. 2024, the Canadian Dollar (CAD) could keep gains as it manages friction with U.S. over trade
- Mexican Peso (MXN) climbed 1.2%, its strongest month since Sept. 2025 as central bank, Banxico, left interest rates untouched at 6.5%; volatility for LATAM
- Korean Won (KRW) had its strongest month in 26 years; Emerging-Market tender appealing investors
- Greenback stability coping with various challenges along with armed conflict stealing the headlines

IN FOCUS

BDXY: The losses for the Buck continued from the end of July with August confirming a loss of faith



(Bloomberg chart shows USD tumbling particularly in the middle of the month as Bessent surprised markets)

U.S. Dollar woes remain as doubts regarding the Fed and the Treasury intensify

- U.S. Treasury Secretary Scott Bessent had a very busy month in which he felt the need to give an ally in Japan some relief to help JPY recover
- Additionally, U.S. national debt surpassing the $40.0-trillion mark pushed yields on domestic bonds to their highest since 2007 inspired a buy-back
- Fed Chairman Kevin Warsh differentiated himself with a message of letting markets ride freely
- FX and yield interference is blurring the lines between the Treasury and the Fed, fomenting uncertainty and confusion without solving much

THE VIEW — Souring on the Buck, markets look for alternatives to invest

September will bring with it central bank actions that could sink USD further

Troubled U.S. Dollar being impacted by a mix of concerns over the future of policies and a relentless drive in risk-appetite. As mentioned above and previously for the August outlook, markets are starting to wonder just how much interest there is in direct intervention to keep the financial environment under control. Things appear a little counterintuitive at the moment with announcements that had almost no effect.

In attempting to prop up the Yen, the U.S. chose to join in cooperation with the BOJ and Finance Ministry but only gave a very short reprieve to the currency's value, which only returned to weakening throughout last month. Following a fruitless try to pull down the highest yield for 30-year U.S. notes in 19 years and record highs for the S&P 500 Index, traders are scratching their heads.

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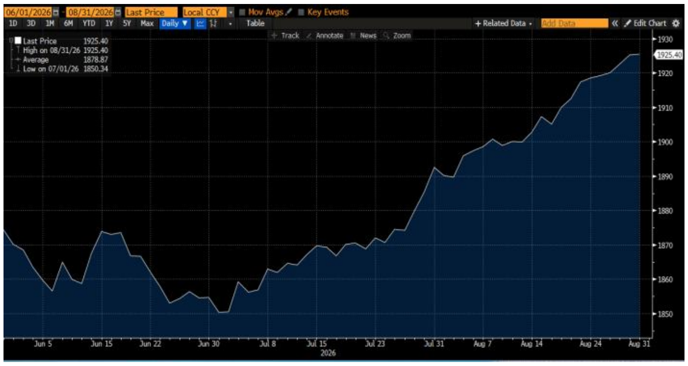

(Bloomberg chart shows MSCI EM Currency Index climbing by 2.7% since June 1st, reaching new record highs)

The markets look to be functioning while ignoring a bit of peril. When it comes to equities, the resilience in the belief behind artificial intelligence and high-end technology keeps testing the limits of investor enthusiasm. Sometimes, we hear about worries that there is only a handful of companies benefitting from the grandiose amount of funds being borrowed and re-invested into A.I. and its potential for disrupting the labor markets.

Nevertheless, S&P 500 Index second-quarter earnings were on track to increase 47.0% year-over-year, making it the highest growth rate since Q2 2021. Furthermore, the labor market is holding steady with U.S. Weekly Jobless Claims down to their lowest levels since January 2024, indicating that companies are holding on to their workers, not conducting layoffs although there has been a cooling in consumption.

Consumers are indeed the ones voicing their feelings of unease with their current surroundings. According to the Conference Board's Consumer Confidence Index, there was a drop in optimism marking the weakest reading since January. This was due to pessimism about short-term business, income stagnation, and negative expectations about the jobs available. Cementing the negativity, the University of Michigan's Consumer Sentiment Index fell by 6.0% from its prior survey reading, thus nipping months of recovery as respondents revealed fears over long-term inflationary pressures and anxiety regarding ongoing Middle-East tensions.

Meanwhile, the Bloomberg Dollar Spot Index has not really changed that much from where it was when 2026 began. BDXY losses only amount to a 0.7% slip, but when taking into account Emerging-Market currencies, the story is quite different. July witnessed the best monthly resurgence (up 2.04%) for the MSCI EM currency Index since November 2023. There was a 32-month run of no monthly gain above 2.0%. July-Aug. was the best 2-month stretch in three years.

A staple of security has though, in the form of the Minister Satsuki Katayama joined forces with U.S. Secretary Scott Bessent to deliver tens of billions of dollars as July closed.

At first, there was no clarity as to why the Yen's value skyrocketed, but it became clear that the operations coordinated in recent days carried a lot more weight than before, as the U.S. provided aid along with South Korea. Although the advance for the Yen is welcome news, some analysts are pointing out that there may not be much