

# Currencies

# USD vs Developed Markets Currencies

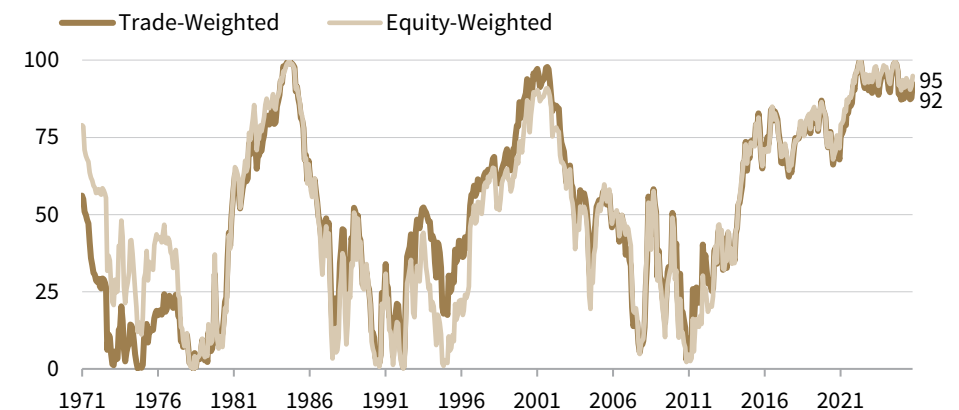
## Facts & Figures First Quarter 2026

The US dollar rose 1.7% in 1Q 2026 bringing its trailing one-year performance to -4.1%. Israeli-US attacks on Iran have seen some recent support for the dollar. Bigger picture, US policy uncertainty, narrowing rate differentials, and foreign hedging of US assets have driven the dollar's decline over the past year. Further USD weakness is possible as these themes persist, aided by a still-elevated valuation.

- The US dollar remains richly valued, with its real effective exchange rate at the 95th and 92nd percentiles for the equity- and trade-weighted series, respectively. This elevated valuation suggests scope for further depreciation over a multi-year horizon as several cyclical and secular trends reverse.
- Since mid-2021, widening interest-rate differentials, driven by earlier US inflation and a more hawkish Fed, were the main driver of dollar strength. Most of that move had played out by October 2022, leaving the dollar largely rangebound. By early 2025, it was back near the top of that range as markets expected proposed US tariff, tax, and immigration policies to support US growth and inflation. Subsequently, however, the dollar fell back toward the bottom of that range as policy uncertainty and tariffs weighed on the US outlook.
- This decline was reinforced by narrowing US rate differentials versus peers, with room for further compression. The Fed will likely end up easing policy when compared to peers, with the BOJ tightening further, while fiscal easing may support euro area growth. Non-US investors have also become more cautious on dollar assets and increased currency hedging, though dollar demand during the attacks on Iran has provided what we expect to be temporary support.
- Key risks to this view include a reacceleration of the US economy whether due to stimulus or other reasons, a continuation of the conflict in Iran impacting peers to a greater extent than the United States, or a persistence in the theme of tech/AI outperformance attracting foreign inflows despite elevated valuations.

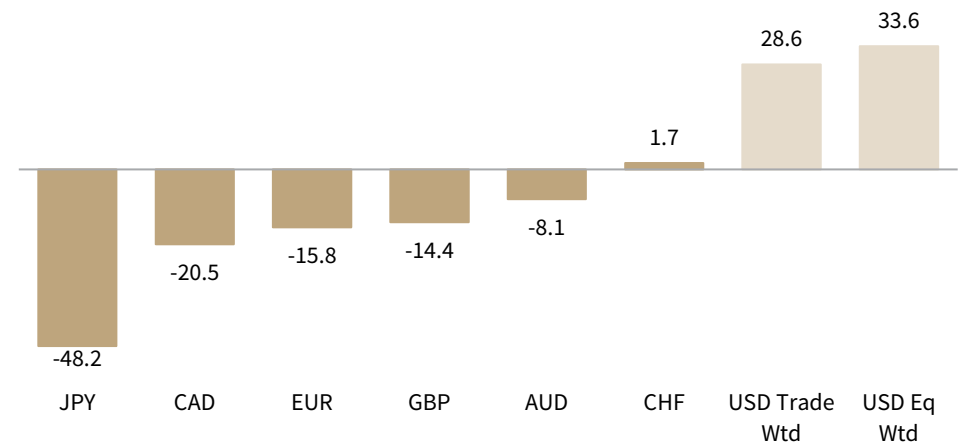
### USD basket real exchange rate percentile

Jun 30, 1971 – Mar 31, 2026



### Real exchange rate vs the USD: % from median

As of Mar 31, 2026



Sources: MSCI Inc., National Sources, OECD, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: Australian inflation data are quarterly and as of December 31, 2025. Canada, UK, and Japan inflation data are as of February 28, 2026. All other inflation data are as of March 31, 2026.

# GBP vs Developed Markets Currencies

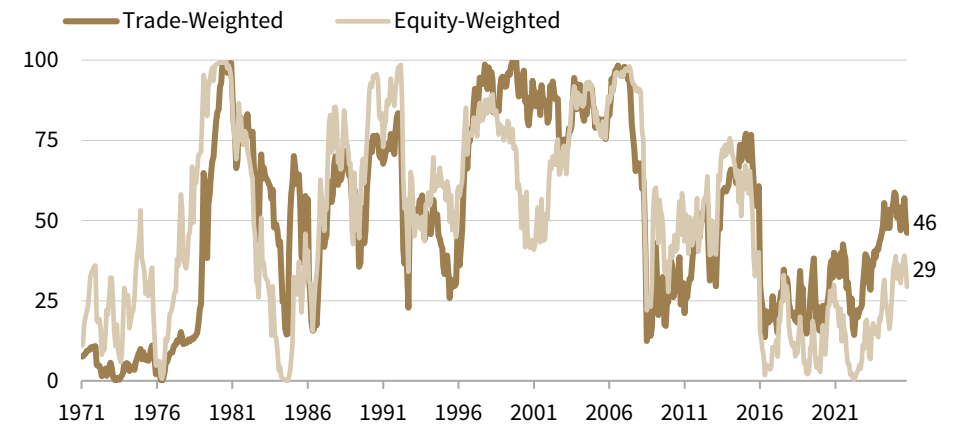
## Facts & Figures First Quarter 2026

**Sterling was down 0.7% in trade-weighted terms in 1Q 2026 bringing its trailing one-year performance to -2.0%. The trailing one-year performance is primarily a function of a rising euro, while a decline in the dollar provided some offset. Domestically, there had been signs of a firming in activity, however the impact of the Iran War represent a headwind.**

- Sterling remains near fair value in trade-weighted terms but is still cheap relative to the dollar. The USD dominates the equity-weighted index with a weight of 76%, while the euro has a weight of 55% in the trade-weighted index. An expectation of further weakness in the dollar should support sterling going forward, particularly on an equity-weighted basis
- Economic growth in the UK has decelerated. While the UK had the fastest economic growth in the G7 during 1Q 2025, at 0.7%, 3Q and 4Q each recorded a meager 0.1% expansion. Consensus 2026 GDP growth for the UK stood at 1.0% at quarter end, 0.2 ppts below that expected at the start of the year and below the 1.8% expected for broader DM this year. Still, the composite PMI has stood at 53.7 prior to the Iran War, while monthly GDP was estimated to have risen 0.5% in February, all likely helped by the lifting of uncertainty after the budget.
- The BOE kept rates at 3.75% during the quarter, with sticky inflation restraining them from easing further to support growth. However, inflation seems likely to ease further provided the Iran War remains contained, making additional rate cuts likely, especially if activity remains weak. This should bring down currently high levels of household saving, underpinning domestic conditions.
- The UK's structural current account deficit and the prevalence of cyclical sectors in its asset markets give sterling a risk-on/risk-off profile. Sentiment toward UK risk assets remains depressed, which could prove supportive if fundamentals improve. Recent fiscal concerns, while likely over-amplified, do maintain some potential to disrupt markets in light of global debt-load concerns.

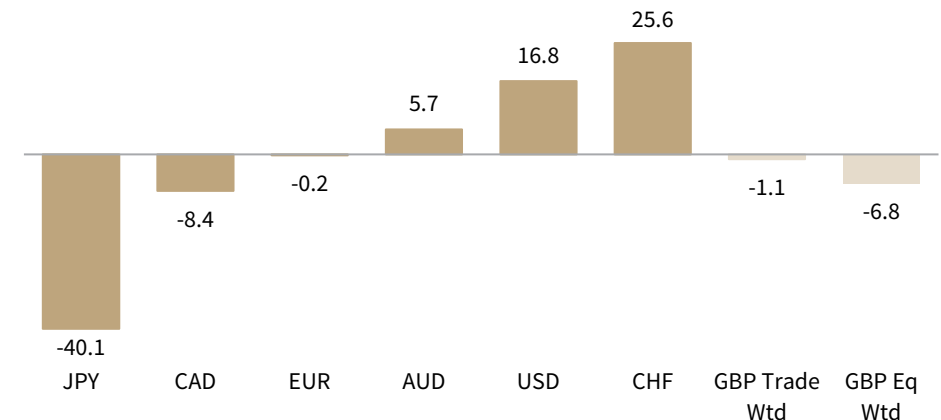
### GBP basket real exchange rate percentile

Jun 30, 1971 – Mar 31, 2026



### Real exchange rate vs the GBP: % from median

As of Mar 31, 2026



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# EUR vs Developed Markets Currencies

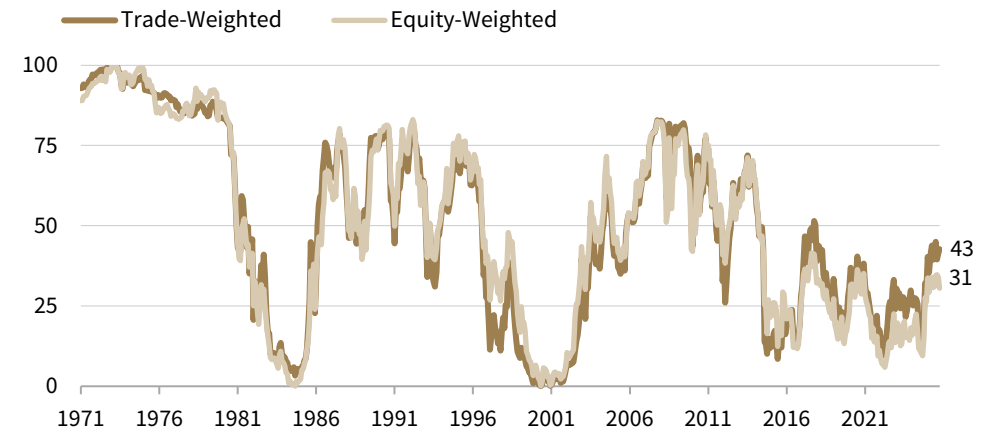
## Facts & Figures First Quarter 2026

The euro fell 0.9% in trade-weighted terms in 1Q 2026 bringing its trailing one-year performance to 4.4%. The euro's rise has been supported both by dollar weakness and broad strength for domestic reasons. ECB rate cuts, announced German stimulus, and strong peripheral growth were key drivers of regional optimism, while US policy uncertainty and Fed rate cuts have weighed on the dollar. Rising energy prices because of the attacks on Iran have resulted in some recent softness.

- On a valuation basis, the euro's REER stands at the 31st percentile on an equity-weighted basis and the 43rd percentile on a trade-weighted basis, 8.8% and 1.8% below median, respectively. While the rise of the trade-weighted index to near its median reflects improved expectations of domestic circumstances, the direction of the dollar remains a key driver for the equity-weighted index (80%) and explains the additional undervaluation on that measure.
- Despite improving growth expectations, the economic backdrop is mixed. Eurozone GDP growth has been positive for several quarters, supported by strong periphery performance. The cumulative 200 bps of cuts delivered by the ECB and planned German fiscal stimulus are both supportive of future growth. These factors have contributed to a rise in real rates, which supported the euro's climb. Nonetheless, there are only tentative signs that Germany's growth impulse has bottomed as it battles competitiveness issues, while France faces political gridlock. The Iran War also represents a supply shock.
- To further materially drive domestically generated euro appreciation, greater fiscal and regulatory convergence between the periphery and the core is likely needed, to boost potential growth. Completing the capital markets union and expanding jointly issued bonds would also contribute to the financial resilience of the region. While expecting further appreciation against the dollar, risks include growth acceleration in the US, a moribund German economy, an escalation of French political instability, and an extended war in Iran.

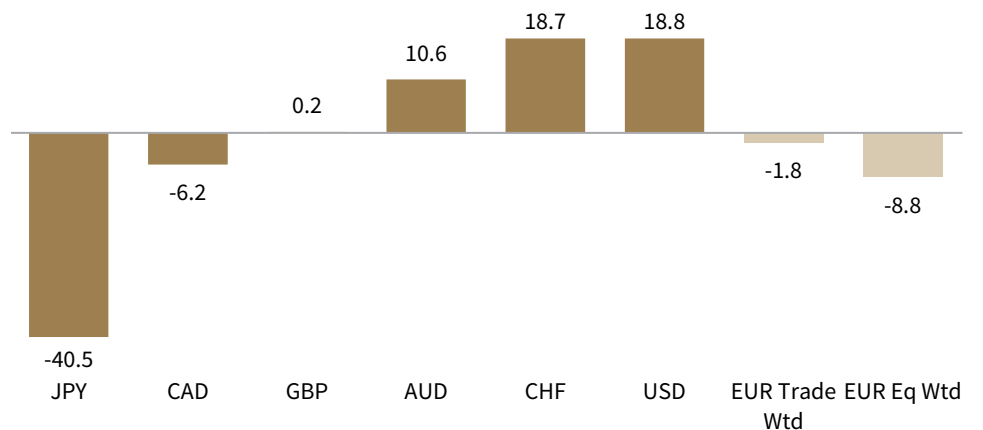
### EUR basket real exchange rate percentile

Jun 30, 1971 – Mar 31, 2026



### Real exchange rate vs the EUR: % from median

As of Mar 31, 2026



Sources: MSCI Inc., National Sources, OECD, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

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# Digital Assets

## Facts & Figures First Quarter 2026

**Bitcoin fell 22.0% in 1Q as negative sentiment rippled across digital assets. For the trailing TTM period, bitcoin dropped 17.4%. The S&P Cryptocurrency Broad Digital Market Index also fell, losing 23.6% in 1Q and 17.9% for the year.**

- The macro backdrop in 1Q was challenging, as the Iran War contributed to economic uncertainty and higher volatility across risk assets. However, bitcoin's decline during the quarter was driven primarily by factors that predated the conflict, including tighter-for-longer Fed expectations, stalled crypto policy momentum, and heavy ETF outflows. By contrast, after the outbreak of the war, bitcoin held up relatively well versus other risk assets in March. Still, at quarter-end bitcoin remained 46% below its all-time high price of \$126,000 reached in October.
- Measures of crypto market sentiment, such as the CMC Fear and Greed Index, have shifted back to neutral after having reached extreme fear territory in early February. Such measures could be used as contrarian indicators, given the large sentiment-driven aspects of crypto assets generally.
- Given bitcoin's unique characteristics and limited history, there are few reliable valuation metrics. One metric is price-to-transactions per coin (P/TC), which can capture bitcoin's utility as a medium of exchange. Bitcoin's current P/TC ratio is highly elevated relative to history, which signals speculative pricing compared to transaction volume.
- Digital assets remain far more volatile than stocks. Over the past three years, bitcoin's price swings were nearly 5x larger than those of equities, and smaller cryptoassets are likely even more volatile. While volatility has eased somewhat as acceptance and liquidity have grown, it is still a key feature of the asset class.
- Implementation options have expanded, with both passive and active vehicles now available, including custodians, cryptoasset trusts, and VC and hedge funds, providing a range of access points to the broader universe.

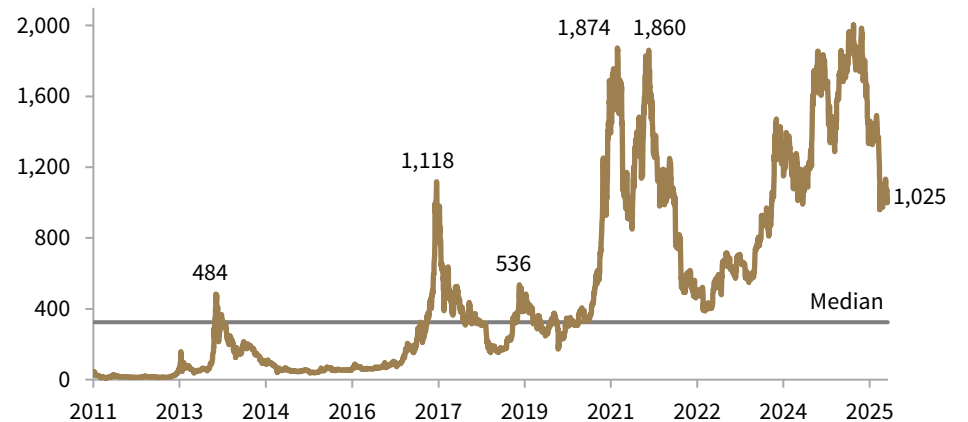
### Bitcoin price

Dec 31, 2015 – Mar 31, 2026 • US Dollars



### Ratio of bitcoin price to transactions per coin

Aug 31, 2011 – Mar 31, 2026



Sources: Blockchair.com and Thomson Reuters Datastream.

Notes: Bottom chart represents the USD price of bitcoin divided by the number of transactions per coin outstanding. All data are daily.