

Investments - Flash

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VOLATILITY RETURNS TO CURRENCY MARKETS

We now believe that an unexpected rebound in the dollar is highly likely

After two quarters of stability, we believe volatility is likely to return to the foreign exchange markets in Q4. Several potential catalysts could rouse the markets and end the recent lull, notably new divergences in monetary policy. While the market has priced in rate cuts, the pace and extent of these cuts could vary significantly. This could significantly affect investors' perception of the opportunities and risks of holding dollars if the Fed's monetary policy ultimately proves to be much less flexible and accommodative than the markets currently anticipate. The current enthusiasm for two further rate cuts by the end of the year could be dampened by inflation developments that run counter to expectations. The US central bank has already warned that it cut rates in September to take account of developments in the labor market, but it also mentioned that it remained concerned about the persistent risks of inflation rising, in a context where it considers that the impact of higher tariffs on prices has not yet

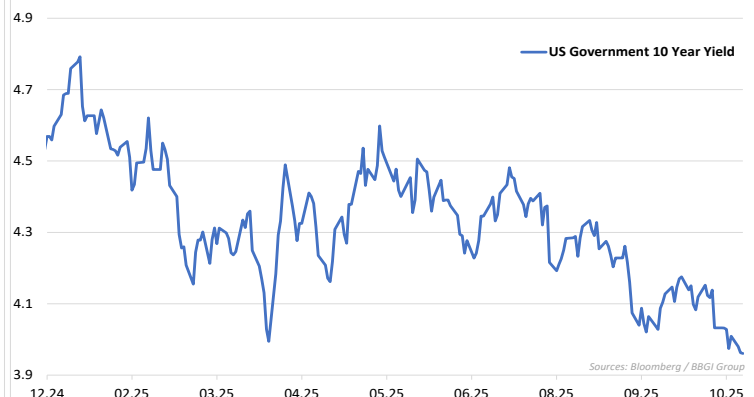
really been felt. A simple status quo from the Fed could support a change in perception for the dollar. Beyond economic factors, the approach of the end of the year will undoubtedly also have an impact on portfolio repositioning, leading to significant capital flows at a time when market liquidity tends to decline. The combination of monetary policy uncertainties, high political and trade risks, and specific year-end market dynamics creates an environment conducive to a significant return of volatility in the currency market. While the consensus seems logically rather negative for the dollar, we believe that an unexpected rebound in the dollar is nevertheless increasingly likely.



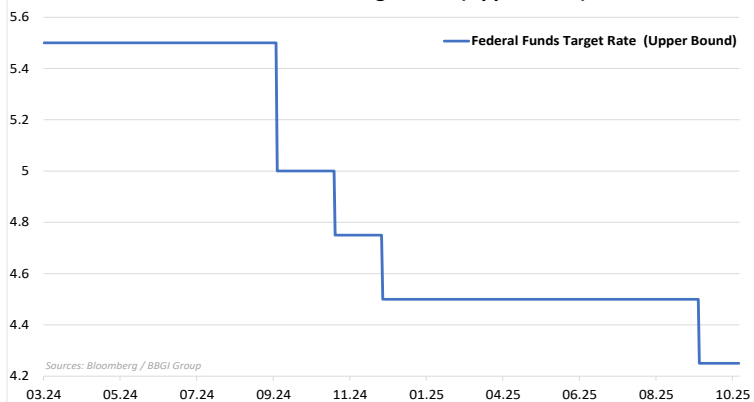
Evolution of the Dollar index (2021-2025)



US Government 10 Year Yield



Federal Funds Target Rate (Upper Bond)



US CPI Yearly change



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