

Policy inflection points reshape FX markets

FX Markets Update

April 2026



بيت التمويل الكويتي

KFH

USD pullback to a softer baseline outlook amid shifting risks

Key Drivers

- U.S. Treasury yields rose earlier in April on energy driven inflation fears but failed to extend gains, easing late month as markets judged policy sufficiently restrictive.
- Improving global risk sentiment, helped by calmer Middle East headlines and a strong equity rally, reduced safe-haven demand and encouraged diversification away from the dollar.
- After sharp first quarter gains, extended long positioning was unwound as investors redeployed capital abroad, leaving USD down 1.86% for April on month end period.

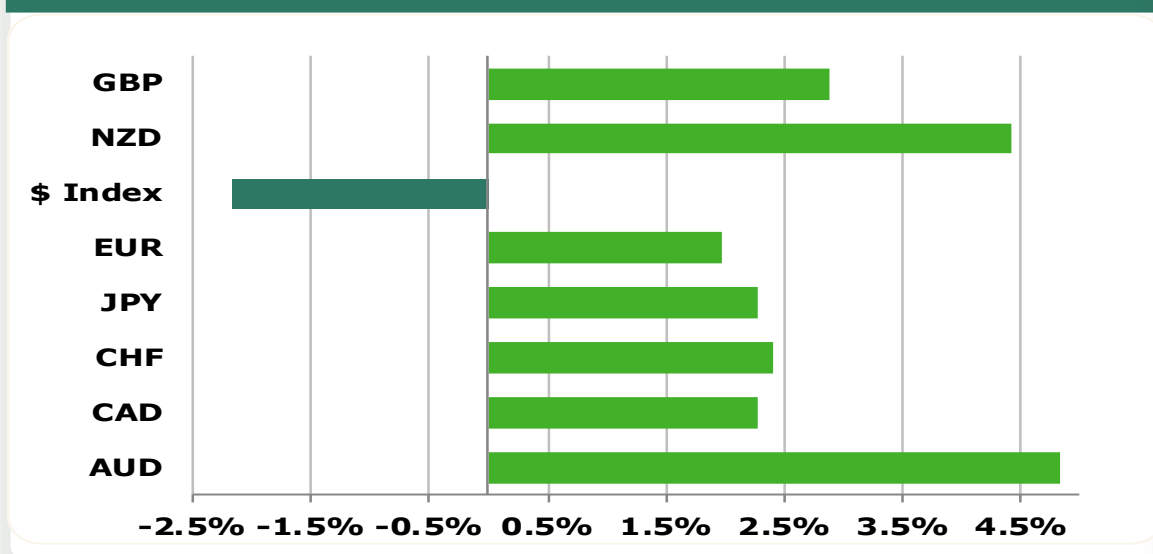
Market Expectations

- Markets expect the dollar to remain on a depreciating path as investors increasingly anticipate Federal Reserve rate cuts later in 2026, limiting upside in US yields & eroding relative carry support.
- Risk appetite is expected to stay constructive, with global equities firm & volatility contained, reducing demand for defensive dollar exposure.
- Consensus positioning metrics suggest investors will continue trimming long dollar holdings as capital gradually reallocates toward non-US growth opportunities.

Risks To Outlook

- A resurgence of inflation driven by renewed energy supply disruptions could push Treasury yields higher and revive expectations of a prolonged restrictive Fed stance, supporting the dollar.
- Escalation in geopolitical tensions or global market stress could quickly restore safe-haven demand for dollar liquidity, reversing capital flows & strengthening the dollar.
- Sharper slowdowns abroad or policy easing outside the United States could widen growth differentials favoring the dollar.

Monthly currency performance (vs. the USD)



Data source: Bloomberg

Major macro indicators	2023	2024	2025	2026 (f)	2027 (f)
Real GDP (%yoy)	2.9	2.8	2.1	2.2	2.0
CPI (%YoY)	4.1	3.0	2.7	3.3	2.4
Unemployment rate (%)	3.6	4.0	4.3	4.4	4.3
C/A Bal. (% GDP)	-3.3	-4.0	-3.6	-3.2	-3.3
Fiscal Bal (% GDP)	-6.3	-6.9	-5.4	-6.3	-6.4
Policy rate (end of period)	5.50	4.50	3.75	3.46	3.26

Sterling momentum builds as UK strength meets policy crosscurrents

Key Drivers

- Sterling appreciated as stronger UK wage growth & sticky services inflation reduced expectations of aggressive Bank of England rate cuts during April.
- Robust UK activity data, including retail sales and PMI surprises, reinforced perceptions of domestic resilience relative to other European economies in late month trading.
- Political stability and limited fiscal headlines contrasted with overseas uncertainty, supporting steady portfolio inflows into sterling assets through month end from global investors broadly.

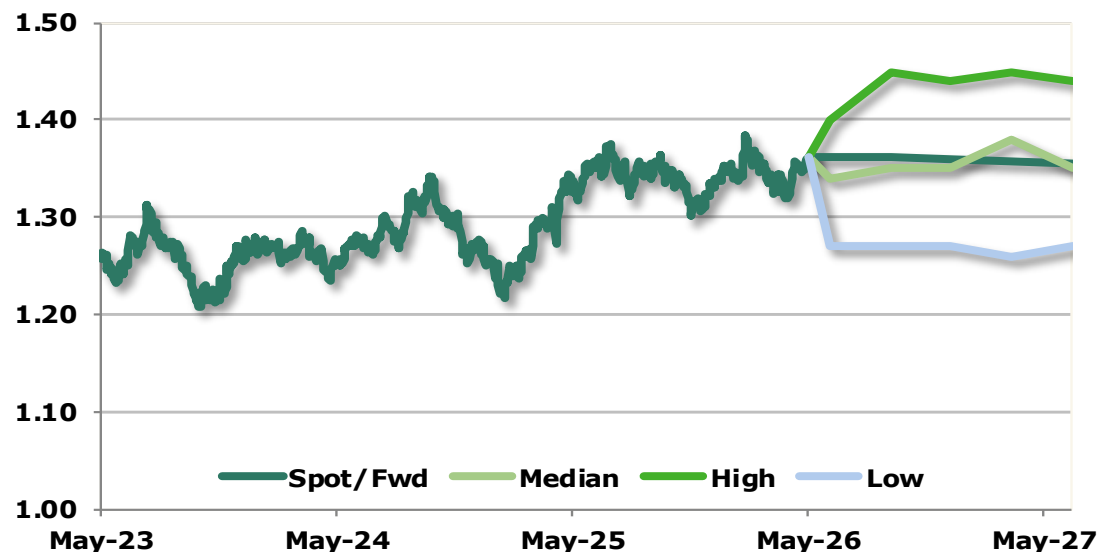
Market Expectations

- Sterling is expected to remain supported as investors anticipate the BoE will ease policy only gradually, keeping UK rates relatively attractive versus the United States.
- UK data surprises are expected to stay skewed to the upside, reinforcing confidence in domestic growth resilience and supporting continued appreciation in GBPUSD.
- Stable political backdrop and contained fiscal risks are seen anchoring foreign inflows and limiting downside risks for sterling ahead period.

Risks To Outlook

- Sterling could weaken if UK inflation cools faster than expected, encouraging the BoE to deliver earlier or deeper rate cuts.
- Signs of slowing UK growth or weaker labour data could undermine confidence in domestic resilience and trigger renewed selling pressure.
- Heightened political uncertainty or global shocks could prompt risk aversion, pushing investors toward the dollar and pressuring GBPUSD lower amid volatile capital flows and caution around UK assets.

GBPUSD - Recent trend & forecasts



Data source: Bloomberg

	Spot	Q226	Q326	Q426	Q427	Q428
Median	1.3591	1.3400	1.3500	1.3500	1.3800	1.3500
High	1.3591	1.4000	1.4500	1.4400	1.4500	1.4400
Low	1.3591	1.2700	1.2700	1.2700	1.2600	1.2700
Forward	1.3591	1.3619	1.3611	1.3593	1.3573	1.3552

Major macro indicators	2023	2024	2025	2026 (f)	2027 (f)
Real GDP (%yoy)	0.3	1.1	1.4	0.8	1.2
CPI (%YoY)	7.4	2.5	3.4	3.1	2.3
Unemployment rate	4.1	4.3	4.8	5.4	5.3
C/A Bal. (% GDP)	-3.6	-3.0	-2.4	-2.9	-2.6
Fiscal Bal (% GDP)	-5.2	-5.2	-4.5	-3.8	-3.3
Policy rate (end of period)	5.25	4.75	3.75	3.75	3.25

Euro momentum firm as policy patience supports outlook

Key Drivers

- Euro was supported after the European Central Bank kept rates unchanged, signaling patience on easing & reinforcing expectations that policy will remain restrictive..
- Resilient euro area data, especially services inflation and employment, reduced recession fears and underpinned confidence in the region's growth outlook.
- Improved investor sentiment toward European assets drove steady portfolio inflows, helping the euro appreciate across major peers during April trading amid lower political noise and stable governance conditions.

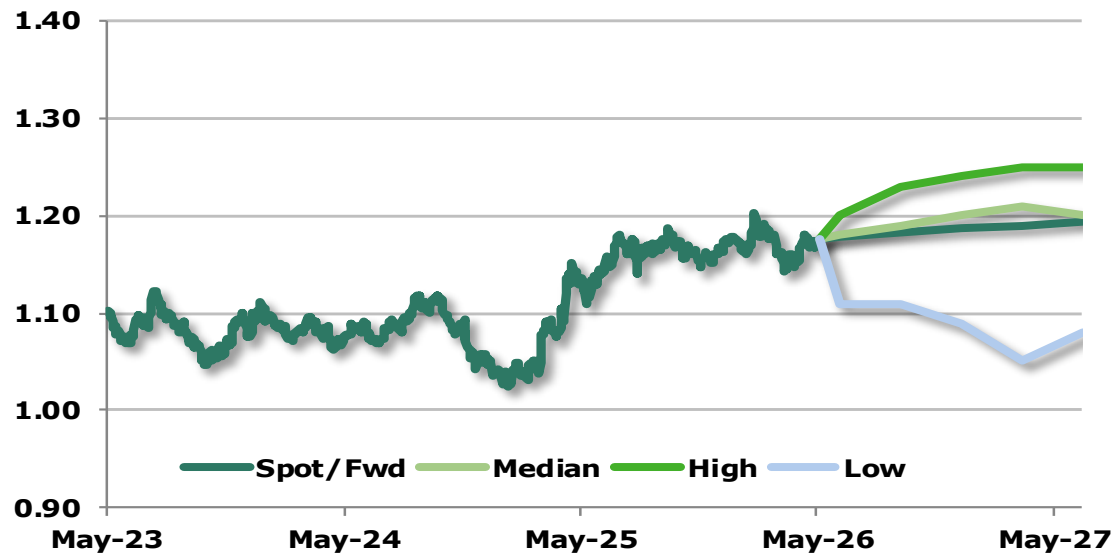
Market Expectations

- Markets expect the euro to remain supported as investors anticipate the ECB will ease policy cautiously, keeping rate differentials broadly stable.
- Ongoing evidence of resilient euro area activity and sticky services inflation is expected to reinforce confidence in the currency.
- Improving sentiment toward European assets and reduced political tail risks are seen encouraging portfolio inflows, supporting further euro appreciation near term against major peers amid steady global growth expectations.

Risks To Outlook

- The euro may weaken if euro area inflation cools faster than expected, allowing the ECB to accelerate rate cuts and widen policy differentials.
- Renewed energy price shocks or slowing Chinese demand could hurt European growth prospects, undermining confidence in domestic assets and the single currency.
- Political fragmentation around upcoming fiscal & budget decisions could raise risk premia, prompting investors to pull capital & driving sustained euro weakness across major currency pairs during periods of elevated volatility.

EUR/USD - Recent trend & forecasts



Data source: Bloomberg

	Spot	Q226	Q326	Q426	Q427	Q428
Median	1.1735	1.1800	1.1900	1.2000	1.2100	1.2000
High	1.1735	1.2000	1.2300	1.2400	1.2500	1.2500
Low	1.1735	1.1100	1.1100	1.0900	1.0500	1.0800
Forward	1.1735	1.1788	1.1833	1.1869	1.1905	1.1940

Major macro indicators	2023	2024	2025	2026 (f)	2027 (f)
Real GDP (%yoy)	0.4	0.9	1.4	0.9	1.3
CPI (%YoY)	5.5	2.4	2.1	2.8	2.1
Unemployment rate	6.5	6.3	6.3	6.3	6.2
C/A Bal. (% GDP)	1.7	2.7	2.6	1.5	1.5
Fiscal Bal (% GDP)	-3.5	-3.0	-2.9	-3.3	-3.4
Policy rate (end of period)	4.0	3.0	2.0	2.3	2.2

JPY finds its footing as intervention risk shapes outlook

Key Drivers

- Yen strengthened in late April as heightened intervention warnings from authorities curbed speculative selling & encouraged short covering after firm stability in April.
- Declining global bond yields and reduced dollar momentum narrowed rate differentials, allowing the yen to recover toward 156 per dollar by month end.
- Improved risk sentiment stability in Asia encouraged repatriation flows and tempered capital outflows, supporting a broad yen rebound across G10 currencies broadly.

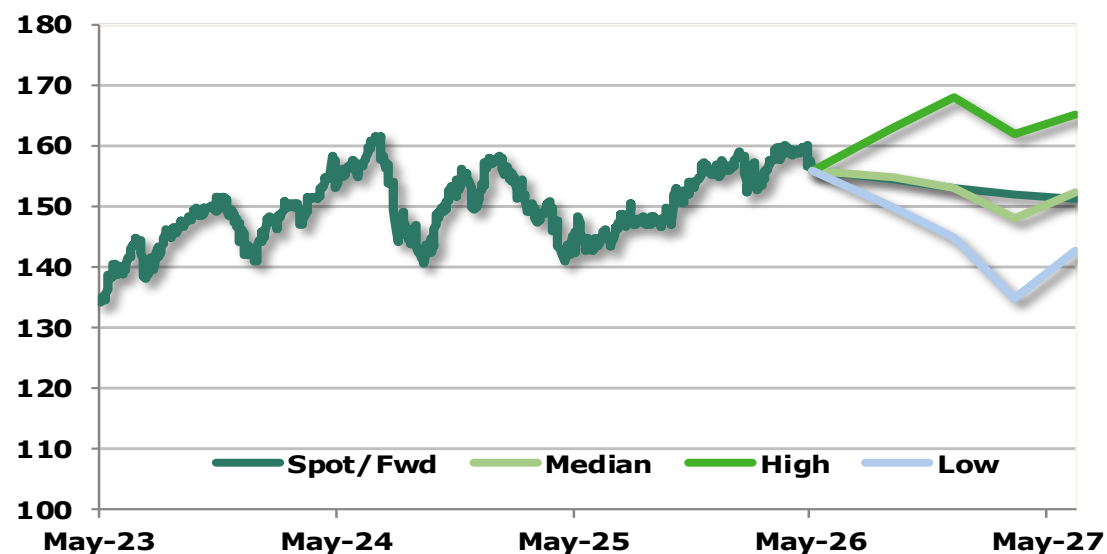
Market Expectations

- Markets expect the yen to stay supported as persistent intervention risk and official vigilance discourage renewed speculative selling.
- Anticipated narrowing in global yield differentials & peaking US rates are seen gradually improving yen carry dynamics.
- Forward looking investors expect episodic strength rather than sustained rallies, with yen gains capped unless domestic policy normalization accelerates and global risk sentiment deteriorates materially.

Risks To Outlook

- The yen could weaken again if Japanese authorities refrain from intervention while speculative pressure rebuilds at elevated exchange rate levels.
- Persistence of ultra loose Bank of Japan policy would keep yields suppressed, encouraging renewed carry trades and capital outflows.
- A rebound in global growth or rising overseas yields could reignite yield differentials, undermining recent yen gains and driving depreciation particularly during calmer risk environments and revived demand for foreign assets.

USD/JPY - Recent trend & forecasts



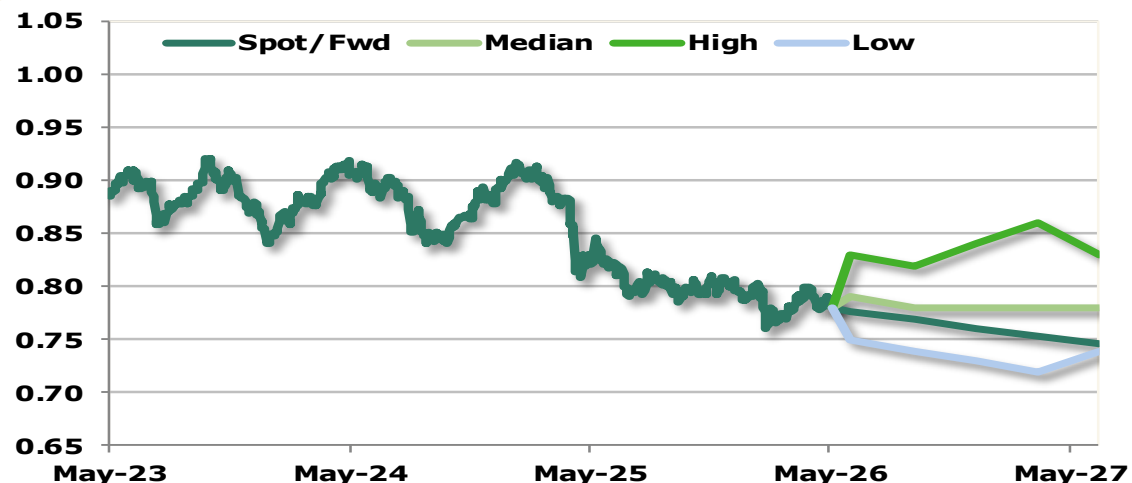
Data source: Bloomberg

	Spot	Q226	Q326	Q426	Q427	Q428
Median	156.41	157.00	155.00	153.00	148.00	152.29
High	156.41	164.00	163.00	168.00	162.00	165.16
Low	156.41	153.00	150.00	145.00	135.00	142.87
Forward	156.41	155.52	154.34	153.25	152.16	151.15

Major macro indicators	2023	2024	2025	2026 (f)	2027 (f)
Real GDP (%yoy)	0.7	-0.2	1.2	0.7	0.9
CPI (%YoY)	3.3	2.7	3.2	2.0	2.0
Unemployment rate	2.6	2.5	2.5	2.5	2.5
C/A Bal. (% GDP)	3.6	4.6	4.9	4.5	4.3
Fiscal Bal (% GDP)	-2.3	-2.3	-1.4	-2.9	-3.0
Policy rate (end of period)	-0.10	0.25	0.75	1.13	1.38

CHF firmer on defensive inflows; CAD supported by resilient growth & oil

USD/CHF - Recent trend & forecasts

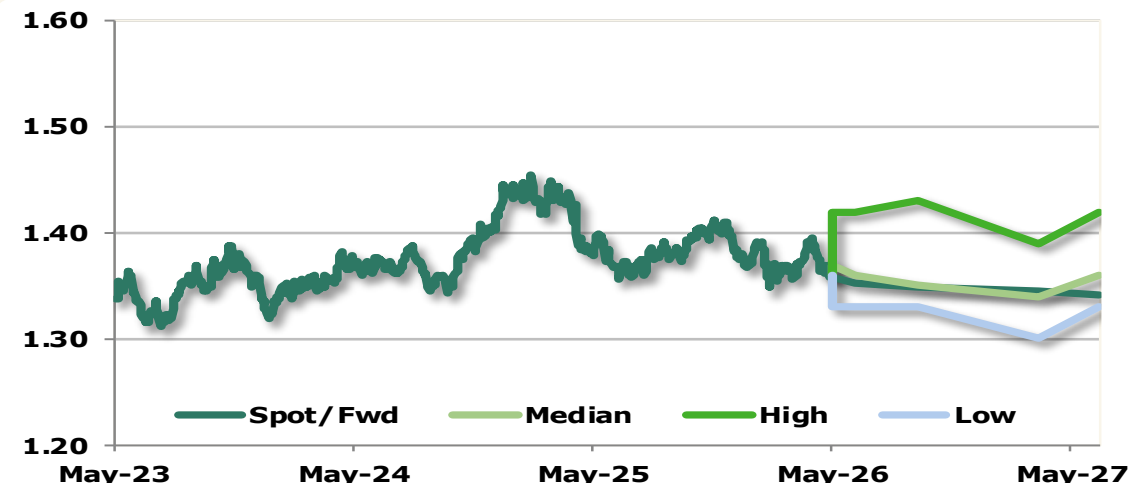


- The CHF appreciated in April as investors favored stability amid uncertainty, while subdued domestic inflation & cautious central bank signals reinforced confidence, attracting defensive flows into CHF assets despite negative yields & limited policy support.
- CHF is expected to remain firm, supported by lingering safe-haven demand and Switzerland's strong external position, though gains are seen limited by low yields and expectations the central bank will resist excessive appreciation ahead during coming quarters period.

	Spot	Q226	Q326	Q426	Q427	Q428
Median	0.7805	0.7900	0.7800	0.7800	0.7800	0.7800
High	0.7805	0.8300	0.8200	0.8400	0.8600	0.8300
Low	0.7805	0.7500	0.7400	0.7300	0.7200	0.7400
Forward	0.7805	0.7764	0.7686	0.7614	0.7541	0.7470

Data source: Bloomberg

USD/CAD - Recent trend & forecasts

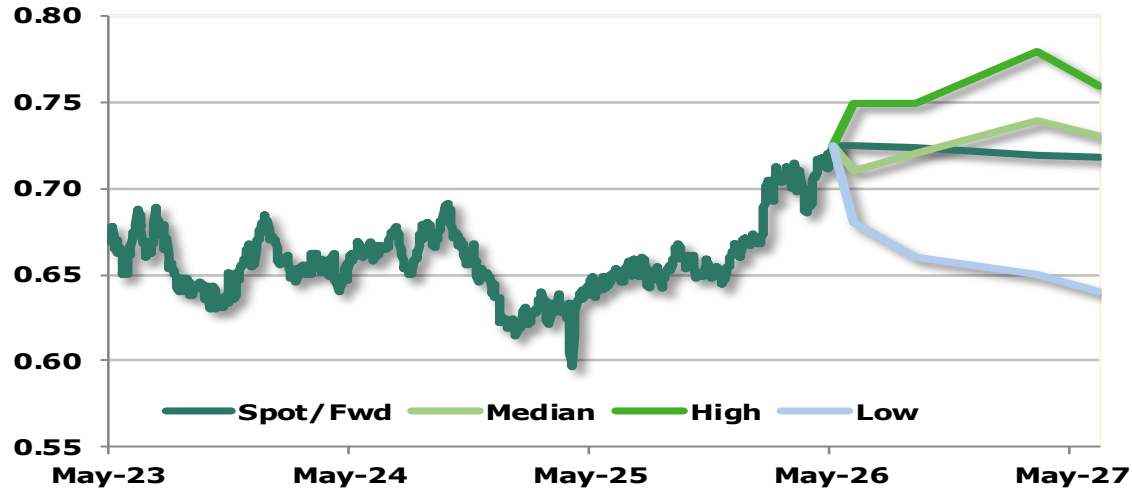


- CAD appreciated as resilient domestic growth, firm employment trends, and steady energy exports underpinned sentiment, while cautious Bank of Canada messaging reduced near term easing forecast and supported inflows into Canadian assets overall from global investors.
- Markets anticipate the Loonie holding steady to firmer, supported by stable oil prices and resilient growth, while expectations for gradual BoC easing temper volatility and limit downside risks into coming months amid uncertain global growth outlooks ahead risks.

	Spot	Q226	Q326	Q426	Q427	Q428
Median	1.3584	1.3700	1.3600	1.3500	1.3400	1.3600
High	1.3584	1.4200	1.4200	1.4300	1.3900	1.4200
Low	1.3584	1.3300	1.3300	1.3300	1.3000	1.3300
Forward	1.3584	1.3582	1.3531	1.3490	1.3453	1.3421

AUD firmer on commodities; NZD supported by domestic resilience

AUD/USD - Recent trend & forecasts

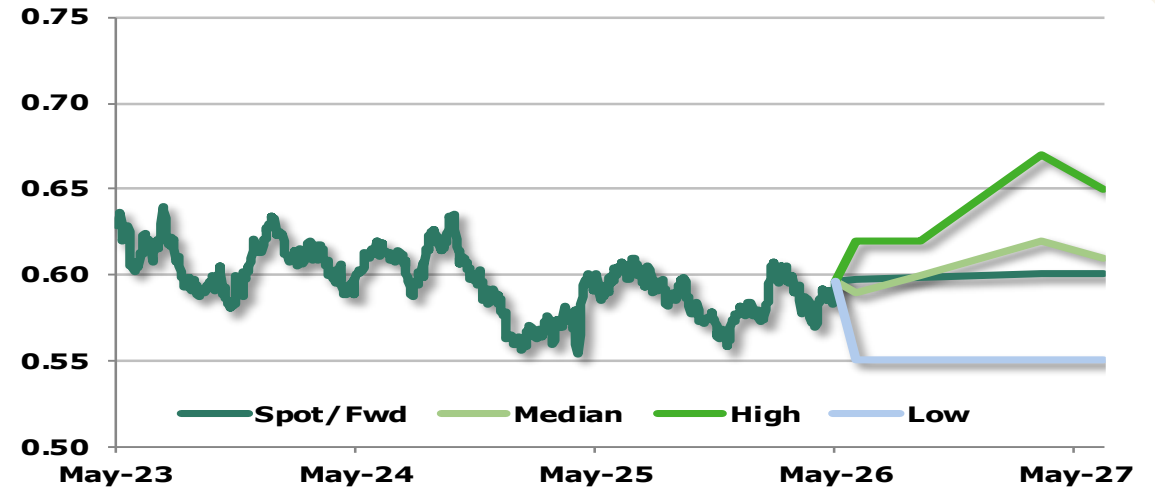


- Australian dollar appreciated in April as stronger iron ore prices, resilient domestic data, and cautious central bank rhetoric improved risk appetite, supporting inflows into yield sensitive Australian assets globally investors.
- Markets expect the Australian dollar to edge higher as commodity demand stabilizes, Chinese growth optimism returns, and steady policy settings keep carry attractive amid supportive global risk sentiment ahead period.

	Spot	Q226	Q326	Q426	Q427	Q428
Median	0.7247	0.7100	0.7200	0.7200	0.7400	0.7300
High	0.7247	0.7500	0.7500	0.7600	0.7800	0.7600
Low	0.7247	0.6800	0.6600	0.6400	0.6500	0.6400
Forward	0.7247	0.7250	0.7235	0.7217	0.7198	0.7179

Data source: Bloomberg

NZD/USD - Recent trend & forecasts



- New Zealand dollar strengthened during April as robust services activity, firm dairy prices, and reduced domestic recession fears lifted sentiment toward antipodean currencies despite lingering global uncertainty into month end.
- Markets anticipate the New Zealand dollar remaining supported as growth proves resilient, yield differentials stabilize, and risk appetite improves, though gains appear gradual without clearer evidence of accelerating domestic momentum.

	Spot	Q226	Q326	Q426	Q427	Q428
Median	0.5950	0.5900	0.6000	0.6000	0.6200	0.6100
High	0.5950	0.6200	0.6200	0.6400	0.6700	0.6500
Low	0.5950	0.5500	0.5500	0.5400	0.5500	0.5500
Forward	0.5950	0.5972	0.5987	0.5997	0.6003	0.6005

GCC FX & related FX: KWD and SAR forward premia show volatility

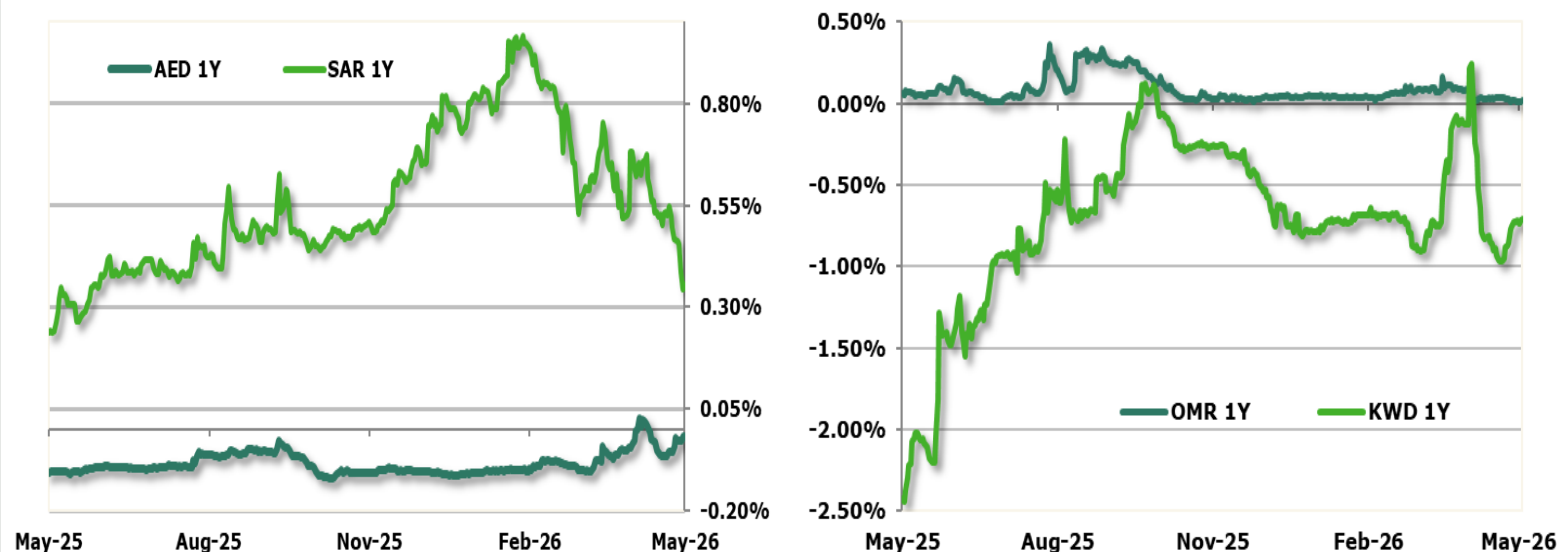
As GCC currencies are pegged to dollar which provides stability and robustness to GCC. On the other side, a prolonged US rate tightening can force Gulf central banks to keep funding costs high even as non-oil growth slows, pressuring credit, property and SME activity. A sharp, sustained oil price downturn would drain fiscal surpluses & FX reserves used to defend the pegs. Longer term, any move toward accepting non-dollar oil payments would complicate reserve management and could weaken confidence, raising the cost of maintaining fixed exchange rates.

GCC fixed income issuance strengthened in Q1 2026, with total bond and sukuk offerings reaching \$55.0 billion across 95 deals, a 5.6% year-on-year increase, according to Markaz. Saudi Arabia dominated issuance, raising \$32.5 billion and accounting for nearly 60% of the market, followed by the UAE at \$13.6 billion. Government and financial institutions led supply, while investor appetite favored conventional bonds, which comprised about two-thirds of total issuance. Large, benchmark-sized deals continued to drive overall volumes across the region.

GCC banks remain resilient despite elevated geopolitical risks. While regional tensions are lifting volatility and risk premiums, Saudi and UAE banks remain fundamentally sound and offer upside even under stress scenarios. A 1pp rise in discount rates would reduce target prices by only 5–9%. Analysts expect a flight to quality, favoring large, well-capitalized lenders. Net margins could get a short-term boost because rate cuts are taking longer than expected, keeping financing yields higher for now. But that upside is partly cancelled out by still-high funding costs and slower facilities growth.

Data source: Bloomberg

GCC 1Y Forward Premium (% p.a. vs. spot FX rate)



USD GCC Forwards	Spot	1M	3M	6M	1Y	2Y
USD AED	3.6730	3.6729	3.6726	3.6724	3.6723	3.6723
USD SAR	3.7521	3.7522	3.7541	3.7577	3.7650	3.7802
USD BHD	0.3777	0.3778	-	-	-	-
USD OMR	0.3850	0.3847	0.3847	0.3848	0.3848	0.3849
USD KWD	0.3052	0.3072	0.3067	0.3059	0.3044	0.3050
USDTRY	45.24	46.51	49.11	53.47	57.87	62.61

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FX Hedging Solutions

Summary of hedging solutions

- We present few protection strategies towards hedging your FX Exposures namely:

Clients looking to sell USD and buy EUR or any G10 currency

Clients looking to buy USD and sell SAR (or any other GCC or EM currency)

- Structures can be customized to suit your hedging requirements and market view

Hedging Strategy	Benefits	Risks
Flexi-term Forward	Flexibility to take delivery anytime in the activation period at a pre-agreed Strike.	Strike offered is worse than FX Forward Rate.
Chose Forward	Partial participation in favorable spot moves.	Opportunity loss on leveraged hedge notional.
Collar	Participation in favorable market movements up to the Cap Rate.	Opportunity loss in event of EUR depreciation below the Cap rate on the leveraged notional amount.
Dual Currency Forward	Better buying rate for USD against SAR is offered.	Client may have to purchase EUR instead of USD.

EURUSD Hedging – Flexi-term forward

Description

- Flexi-term forward allows the client to hedge their currency risk for a specific period with full latitude of timing of the flows: in essence, it is like a plain FX forward with flexibility over the delivery dates.
- The client is free to take delivery at single strike rate during the activation period.
- The FX hedge price is slightly more expensive than a conventional FX forward price to account for the liquidity and the flexibility provided by this solution.

Main Features / Drawbacks

- Guaranteed worse case hedge, no knock-out risk.
- Flexibility to take delivery and manage cashflows, without doing FX swaps (as required for conventional forwards).
- Protection rate is worse than comparable FX forward rate.

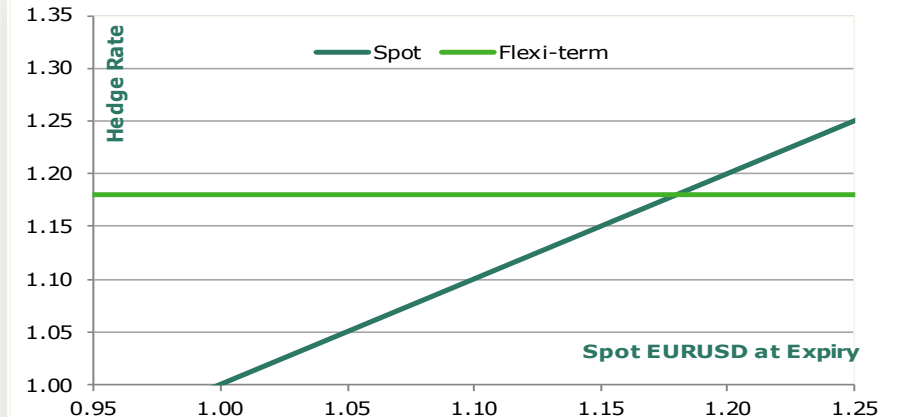
Indicative Terms

Currency pair	EUR USD
Direction	Buyer of EUR, Seller of USD
Spot reference	1.1695
Notional	USD 6 million
Expiry	6 months from Trade Date
Minimum amount / delivery	USD 0.5 million per delivery
Delivery	Flexible settlement with 2 business days notice during activation period
Activation period	Spot date till expiry date
Strike Rate	1.1796
FX Forward Rate	1.1778

Mechanics

- The Client can use the amount fully or partially at any time between the start date and the expiry date by giving 2 business days' notice.
- If by expiry date the amount traded has not been fully used, the “unused” hedge amount will be delivered at maturity.

Payoff profile



EURUSD Hedging – Choose forward

Description

- The Choose forward provides the client with guaranteed worse case rate hedge. Further, the client has unlimited participation in all favorable market movements subject to payment of a spread versus the market rate.

Main Features / Drawbacks

- Guaranteed worse case hedge, no knock-out risk.
- Unlimited participation in favorable market movement, subject to cost of spread.
- Protection rate is worse than comparable FX forward rate.
- Opportunity loss in event of EUR depreciation on the leveraged notional amount, limited to the cost of spread.

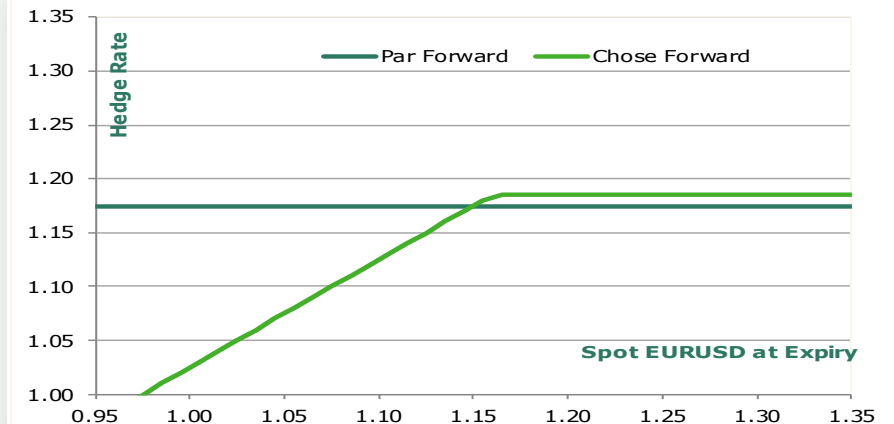
Indicative Terms

Currency pair	EUR USD	
Direction	Buyer of EUR, Seller of USD	
Spot reference	1.1695	
Notional	USD 1 million per expiry	
Expiry	6 Monthly expiries from Trade Date	
Settlement	2 business days after each expiry	
Par Forward	1.1740 (average for 6 expiries)	
Ratio	1.5x Notional	2x Notional
Protection Rate	1.1845	1.1800
Cap Rate	0.025 USD per EUR	0.0305 USD per EUR

Scenarios At Respective Expiry Dates

- If EURUSD is at or above the Strike rate, Client sells USD 1 mio and buys EUR at Strike rate.
- If EURUSD is below the Strike rate, Client sells leveraged USD amount and buys EUR at Strike = Min (Strike Rate, EURUSD Fixing + Spread).
- For e.g., for 1.5x Notional
 - EURUSD fixing 1.1600, you sell USD 1.5 mio / buy EUR at 1.1845
 - EURUSD fixing 1.1400, you sell USD 1.5 mio / buy EUR at 1.1595

Payoff profile at expiry for Ratio 1.5x notional



EURUSD Hedging – Collar

Description

- The FX Collar provides the customer with a guaranteed worst-case hedge rate as well as the possibility of participating in any favorable move in the underlying up/down to a predefined cap.

Main Features / Drawbacks

- Guaranteed worst case hedge, no knockout risk.
- Participation in favorable market movements up to the Cap rate.
- Protection rate is worse than comparable FX forward rate.
- Opportunity loss in event of EUR depreciation below the Cap rate on the leveraged notional amount.

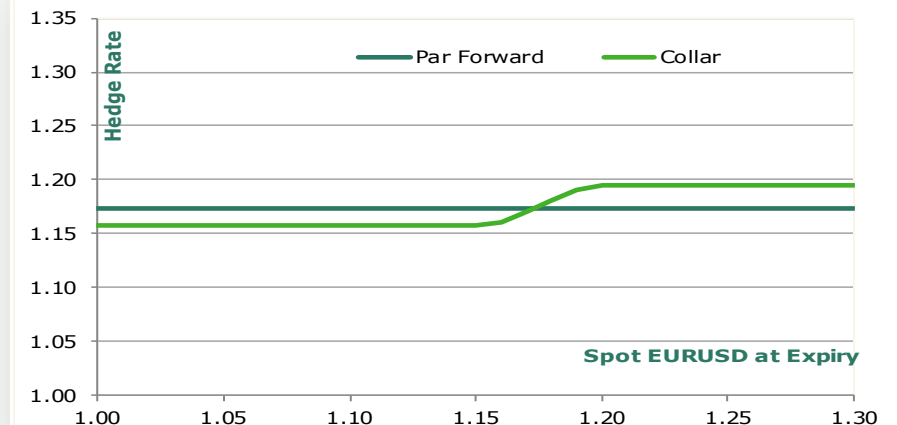
Indicative Terms

Currency pair	EUR USD	
Direction	Buyer of EUR, Seller of USD	
Spot reference	1.1695	
Notional	USD 1 million per expiry	
Expiry	6 Monthly expiries from Trade Date	
Settlement	2 business days after each expiry	
Par Forward	1.1610 (average for 6 expiries)	
Ratio	1.5x Notional	2x Notional
Protection Rate	1.1945	1.1945
Cap Rate	1.1575	1.1545

Scenarios At Respective Expiry Dates

- If EURUSD is above the Protection rate, Client buys EUR notional at the Protection rate. For e.g., for 1.5x Ratio, if EURUSD is above 1.1810, Client buys EUR and sell 1 million USD at 1.1810.
- If EURUSD is below the Cap rate, Client is obliged to buy the Leveraged notional amount at the Cap rate. For e.g., 1.5x Ratio, if EURUSD < 1.1440, Client buys EUR and sell 1.5 million USD at 1.1440.

Payoff profile



USDSAR Hedging – Dual Currency Forward

Description

- The Dual Currency Forward is a hedging tool that enables a client to buy USD against SAR at a better rate than the spot market.
- In return, the client accepts the possibility of selling the SAR against EUR should EURUSD at expiry trade below a given Barrier.

Main Features / Drawbacks

- Client can buy USD and sell SAR at a strike which is better than current USD/SAR spot rate, as well as 12-month Par Forward rate of 3.7663.
- No knock-out risk.
- If EURUSD spot fixes below Barrier, client will need to sell SAR and buy EUR instead of USD.

Indicative Terms

Currency pair	USD/SAR and EUR/SAR
Direction	Client buy USD or EUR, sells SAR
Spot reference	EURUSD: 1.1695, USDSAR: 3.7530
Notional	USD 1 million per expiry (~SAR 3.7550 mn)
Expiry	12 Monthly expiries from Trade Date
Settlement	"If EURUSD spot fixes below Barrier: Client sells SAR Notional and buy EUR at EURSAR Strike. Else: Client sells SAR Notional buy and USD at USDSAR Strike"
Barrier	1.1300 EURUSD
Strikes	USDSAR Strike: 3.7490, EURSAR Strike: 4.2364

Scenarios At Respective Expiry Dates

- If EURUSD fixing is above the Barrier, then client sells SAR against USD at USDSAR Strike on the respective Settlement Date.
- If EURUSD fixing is at or below the Barrier, then client sells SAR against EUR at EURSAR Strike on the respective Settlement Date.

Scenario Analysis of a DCF

Settlement	USDSAR Fixing	EURUSD Fixing	EURUSD Barrier	Client buys USD	Client buys EUR
1	3.7520	1.1600	1.13	1,000,000	-
2	3.7525	1.1550	1.13	1,000,000	-
3	3.7530	1.1500	1.13	1,000,000	-
4	3.7535	1.1450	1.13	1,000,000	-
5	3.7540	1.1400	1.13	1,000,000	-
6	3.7545	1.1350	1.13	1,000,000	-
7	3.7550	1.1300	1.13	1,000,000	-
8	3.7555	1.1250	1.13	-	884,956
9	3.7560	1.1200	1.13	-	884,956
10	3.7565	1.1150	1.13	-	884,956
11	3.7570	1.1100	1.13	-	884,956
12	3.7575	1.1050	1.13	-	884,956

Disclaimer & Contact Details

Bahrain Financial Markets Sales

Hussain Baqer

+973 1758 5592

Hussain.Baqer@kfh.com

Abdulla AlKhaja

+973 1758 7105

Abdulla.Ahmed@kfh.com

Younis Abu Idrees

+973 1756 2756

Younis.AbuIdrees@kfh.com

Lujain Alsaibai

+973 1715 4952

Lujain.Alsaibai@kfh.com

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