



The US Dollar Index is now 3.7% lower compared with a day before the release of the October consumer price index, 5.7% down from its high point earlier this month, and 6.7% down from a 20-year high in late September. (ddp)

Has the US dollar peaked?

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The US dollar has fallen in recent weeks, especially following softer-than-expected inflation data. But we expect dollar strength to resume as market hopes of a dovish pivot from the Fed look premature.

We maintain the view that the greenback is only likely to peak in 1Q23, and continue to rate the dollar as well as the Swiss franc as most preferred in our FX strategy.

It's too early to expect sustained weakness in the US dollar.

- The latest US inflation print is just one data point, and Fed officials have already warned against extrapolating too much from a single month.
- Some of more volatile CPI components can easily tick higher again on a month-over-month basis, while services inflation remains elevated. We believe the Fed will want to see several consecutive months of tamer inflation before considering a pivot to a more dovish stance.
- Recent data also still point to strong job growth, low unemployment, and fast-rising wages.

Alongside the USD, we continue to favor the Swiss franc.

- The rate hike cycle in Switzerland is still in its early stages after the Swiss National Bank in September took its policy rate above zero for the first time since 2011.
- We believe the SNB will remain hawkish and see more upside for the Swiss franc as it also benefits from its safe-haven status.
- Elevated energy prices are likely to remain a drag for the euro, which in turn supports the dollar.

But the greenback's record run may struggle later in 2023.

- The dollar has already appreciated materially and its current valuation is high.

- We expect it to peak once the Fed has hit its target rate and once investors start to anticipate a trough in global economic activity. We think these conditions will be met in the first half of 2023.

Did you know?

- Europe's strained relationship with Russia means the region may lose access to cheap energy. This will likely weigh on the euro for some time and limit a return to fair value.
- Exposure to the Swiss franc is one way for investors to improve the resilience of their portfolios against the current macroeconomic backdrop.
- The USD tends to benefit from both its safe-haven quality and yield amid global economic growth concerns.

Investment view

We think the US dollar is likely to remain strong in the near term, at least while the Fed is still hiking interest rates and global growth expectations are being revised lower. We continue to favor the USD and the Swiss franc.

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Original report - [Has the US dollar peaked, 18 November 2022.](#)

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