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Broaden returns with currency opportunities

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- **Why?** 1) A strategic currency plan can help protect purchasing power by aligning currency exposure with future spending needs and liabilities. 2) Currency investments can provide an additional source of portfolio returns through interest rate differentials. 3) We favor the British pound and diversified emerging market carry strategies, while the Swiss franc can be used selectively as a funding currency.
- **Why now?** 1) Policy and interest rate shifts should create attractive currency opportunities in 2027. 2) We expect yield differentials to remain wide through at least the first half of 2027, while contained volatility should support carry returns. 3) Resilient UK activity and high interest rates should support sterling, while high nominal yields and cautious central banks should underpin select emerging market currencies.



We expect policy and interest rate shifts across economies to create FX opportunities in 2027, favoring the GBP and select emerging market carry strategies.

To bolster portfolio resilience, investors should first build a strategic currency plan around their personal circumstances: where they live, earn, spend, hold assets, and expect future liabilities. Aligning currency exposure with these needs can reduce the risk that unexpected exchange rate moves undermine purchasing power or disrupt financial goals.

With a strategic plan in place, currencies can also provide an additional potential return stream. We expect yield gaps to remain wide, at least through the first half of 2027, while contained volatility supports carry as a source of return. Positions should be diversified across developed and emerging market currencies and sized carefully given political, geopolitical, and central bank risks.

Favor GBP

Our preferred G10 carry opportunity is the British pound. Resilient UK activity and a 4.0% policy rate, with another increase expected in early 2027, give sterling a substantial yield advantage over the euro, Swiss franc, and Japanese yen. Wide rate differentials and contained currency volatility should support total returns, particularly against lower-yielding currencies. Fiscal credibility remains the main risk.

Add diversified emerging market carry

We expect positive total returns from emerging market currencies, with carry likely to provide the main contribution. Relatively contained volatility supports diversified exposure to the Mexican peso, South African rand, Brazilian real, and Indian rupee. High nominal yields, cautious central banks, and resilient global growth support the opportunity, although external balances, political credibility, energy exposure, and changing rate differentials remain important risks.

Use CHF selectively as a funding currency

The Swiss franc's yield disadvantage should weigh on total returns even as spot weakness begins to stabilize. Investors may therefore consider funding GBP and diversified emerging market positions with francs. Position sizing remains important: Renewed geopolitical stress, prolonged energy supply disruption, a sharper global slowdown, or a broader risk-off move could quickly revive safe-haven demand for the CHF.

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Global asset class preferences definitions
The asset class preferences provide high-level guidance to make investment decisions. The preferences reflect the collective judgement of the members of the House View meeting, primarily based on assessments of expected total returns on liquid and commonly known indices, House View scenarios, and analyst convictions over the next 12 months.

Absolute view

Attractive: We consider this asset class to be attractive. Consider opportunities in this asset class.
Neutral: We do not expect outsized returns or losses. Hold longer-term exposure.
Unattractive: We consider this asset class to be unattractive. Consider alternative opportunities.
Note: For equities, we have a five-tier rating system with two additional preferences. When equities are included with the other asset classes in the three-tier rating system, we collapse "Most Attractive" with "Attractive" and "Least Attractive" with "Unattractive."
Most Attractive: We consider this asset class to be among the most attractive. Investors should seek opportunities to add exposure.
Least Attractive: We consider this asset class to be among the least attractive. Seek more favorable alternatives opportunities.

Relative preferences

For the multi asset view, we also include relative preferences to help investors compare between items.
Preferred: We view this item more favorably than others within its asset class.*
In line: We see this item similarly to others within its asset class.*
Least preferred: We view this item less favorably than others within its asset class.*
*In the case of cross-asset, compared to other asset classes.
Note: The tactical asset allocation (TAA) positioning of our different investment strategies may differ from these views due to factors including portfolio construction, concentration, and borrowing constraints.

Appendix

Risk information
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