



(UBS)

An important time for investors to review currency allocations

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While the US dollar regained some stability on Tuesday, it remains at its weakest level against major trading partners in over four months amid speculation that the US may help Japan support the yen. The latest data offered no clear sign that authorities have stepped in, but the unusual “rate check” by the Federal Reserve Bank of New York at the end of last week was viewed as a step toward an intervention.

Markets are likely to stay on heightened alert over any potential move by the authorities, contributing to further volatility in the US dollar, which has depreciated some 10% over the past year amid debt concerns and ongoing political and geopolitical uncertainty.

We think that dollar weakness is likely to continue, as the Federal Reserve has more to go in its policy easing, while the structural headwind of elevated twin deficits persists. With the greenback also losing some of its perceived “haven” characteristics in recent geopolitical flare-ups, we believe investors should try to reduce the risk that currency swings undermine their financial goals and consider the benefits of diversification.

Review currency allocations to align with liabilities and spending plans. Investor concerns over government debt globally have pushed bond yields higher and, in some cases, unsettled broader financial markets. But with governments likely resorting to yield suppression to reduce bond volatility, the effects are likely to manifest in currency markets. This means it is important for investors to manage their currency exposure, aligning their portfolios’ currency mix with expected future spending to reduce the risk of currency volatility.

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Consider opportunities in the AUD, EUR, and the CNY. With ongoing efforts by global institutions and private investors to diversify away from the US dollar, we continue to see value in the Australian dollar and the euro. We now expect the AUDUSD to rise to 0.73 by year-end, as the Reserve Bank of Australia may hike rates twice over the next six months amid rising price pressure and a strong labor market. We also expect the EURUSD to approach our 1.20 target as economic data gradually reflects the effects of fiscal stimulus in the region.

Allocate to gold for benefits of diversification Gold's sustained strong run has demonstrated its utility as a portfolio hedge and diversifier, and we think the case for gold remains compelling despite the over 90% rise over the past 13 months. Lower real yields and ongoing macro uncertainty should underpin the continued appeal of gold, and we see prices climbing toward USD 5,400/oz if political or financial risks spike. For investors with an affinity for bullion, we view a mid single-digit allocation as appropriate within a diversified portfolio.

So, we believe this is an important time for investors to review currency allocations and ensure that they are broadly consistent with expected personal future spending.

Original report: [Consider currency risk management amid USD weakness, 27 January 2026.](#)

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