

IN BRIEF

What Happened

- February almost ended up being a flat month for FX movement with the Bloomberg Dollar Spot Index (BDXY) only down 0.3% from the end of January
- A mix of underwhelming economic indicators domestically and turmoil geopolitically made for little FX guidance as rapid changes keep markets on edge
- Swiss Franc fortunes continued, rising 1.3% benefitting as a safe-haven asset in the midst of discord
- Political headaches in the U.K. combined with low economic growth sank Pound by 1.2% making it the worst performer amongst the Majors
- The Mexican Peso touched its strongest value since June 2024 after rising by 1.0% for the month following Banxico decision not to cut interest rates further

Monex USA's View

- Data points have been affected by a partial U.S. govt. shutdown, but evidence shows American growth has lost momentum, entered "stagflation"
- Trade disagreements and armed conflict will dictate the narrative for March as countries try to figure out adjustments to tariff policy and role in diplomacy
- Euro appreciation may run into challenges as energy concerns mount with U.S./Israel aggression with Iran
- Central bank decisions will be closely watched as Q1 comes to an end with monetary policy unpredictable
- Surprises may arrive with traditional alliances facing unprecedented havoc and China watching the globe copes with friction and uncertainty

IN FOCUS

*CHF: In the past year, the safe-haven tender has appreciated and touched a 14-year best*



***(Bloomberg chart shows how the Swiss Franc has jumped by around 18.0% over the Buck since start of Feb. 2025)***

*Swiss-Franc strengthening may run into interventions from central bankers*

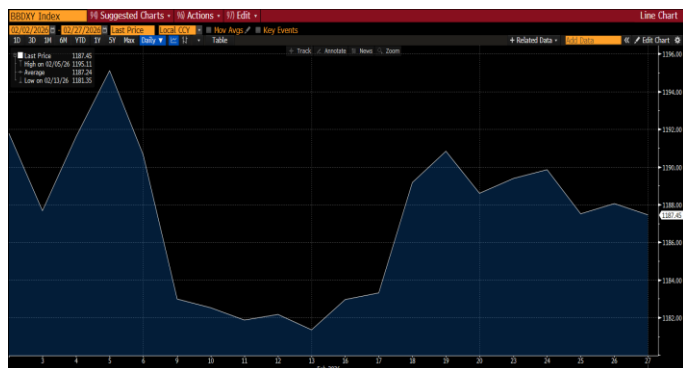
- Swiss National Bank (SNB) officials last cut interest rates at their June 2025 meeting, bringing the main benchmark rate to 0.0%
- Regardless of votes towards looser monetary policy, the "dovish" dynamic has not translated into losses for the currency, resurging robustly on USD doubts
- Much like its European neighbors, the neutral nation has struggled to find productivity with Gross Domestic Product in Q4 barely advancing 0.1%
- Chairman Martin Schlegel explained desire for interference to depreciate CHF and warned that officials will withstand deflation before cutting rates

THE VIEW — Turbulent times as war grips the Middle East region

*The Buck is back as a staple of safety, for now, with conflict reigning*

Talks did not prevent armed conflict as the U.S. finds itself fighting in the Middle East once again. February ended with a literal bang as the last weekend of the month was marked by the U.S. and Israel striking Iran after negotiation attempts towards a nuclear agreement failed to come to fruition. After days of fighting, the prospect of a long war is

plaguening markets with the chaos spreading to places that typically are not associated with havoc such as Dubai and Bahrain. More importantly, trade concerns, already affected by tariffs, have been exacerbated with the Strait of Hormuz, a key hub for oil tankers supplying energy to the globe, becoming a battlefield.



***(Bloomberg chart highlights the cratering that occurred in February as USD value collapsed, then recovered)***

As we face the fog of war, decision-making and long-term planning becomes ever more difficult. With the Strait of Hormuz, representing perhaps the world’s most imperative energy chokepoint, 31.0% of global seaborne crude oil trade is now compromised.

A quarter of the world’s Liquefied Natural Gas, mostly produced out of Qatar, transits through it while one third of the globe’s urea, a vital fertilizer, also travels the water passage. Subsequently, inability to smoothly move across the strait has served as a boost to U.S.-Dollar value, with 80.0% of international oil transactions denominated in USD.

While Petro-Dollar dynamics are at play, the need to borrow more dollars as prices for petroleum keeps increasing, there is very little standing in the way of U.S. Dollar appreciation. At the time of writing and dealing with the breakout of war, the BDXY had its biggest intra-day jump since May 2025 on March 3rd.

Additionally, the latest surveys relayed a sense of optimism across industry leaders as well as Fed officials, who seem to be mostly convinced that there is no need to be cutting interest rates anytime soon. Chances of a 25-basis point cut arriving by the June 17<sup>th</sup> meeting stand at just 27.0%. America’s inflation is keeping those odds low with Consumer Price as well as Producer Price Indices above expectation, particularly Personal Consumption Expenditures, the preferred measure by the Fed, at an annual average of 2.9%.

Nevertheless, there are items that may hold the Buck from mounting too strong a comeback after already erasing most of the losses experienced thus far into 2026. Starting February 9<sup>th</sup>, the People’s Bank of China along with the National Financial Regulatory Administration advised Chinese banking institutions to curb exposure to U.S. risk.

Citing the need to reduce concentration risk, officials explained that the move was a coordinated effort to limit new purchases of U.S. treasury notes and to gradually pare down positions. Many traders across market classes took it as a sign that the China can flex its financial muscle and retaliate, but the government explained it off as just appropriate management and not geopolitical retort. Nevertheless, it served as reminder that the U.S. and its tender have vulnerabilities.

Market concentration can also be used to describe what has pushed the value of stock markets forward, with growing worries that Artificial Intelligence may not end up being an enhancer, but rather a disruptor that bodes poorly for employment and the overall health of the economy. American growth is not impressive, with fourth quarter Gross Domestic Product figures coming in way below expectation registering at 1.4% vs. the estimated 2.8%. A serious slowdown is taking place when the prior number was 4.4%. It seems like automated technologies have yet to improve productivity and access to prosperity for a larger part of the population.

Furthermore, tariffs remain a pain for commercial trading and consumption, even after the U.S. Supreme Court presented its decision on February 20<sup>th</sup> to strike down the emergency declarations behind the tariffs imposed by the White House, making them unlawful. The overall impact of tariffs has been hard to assess with the U.S. government facing its longest shutdown ever last year and a partial one recently that delayed the ability to gather as well as analyze official data.

While the Buck enjoys a reprieve, it is important to see where there could be some chinks in the armor. Japan announced a commitment to invest directly into the U.S., and the Bank of Japan may raise interest rates, only making the Yen a more attractive play as it also acts as a safe-haven asset as other regional powers are more directly affected by the war. On the other side of the pond, European stocks were on a historic run while Sweden showed consideration of joining the Euro after becoming a member of the North Atlantic Treaty Organization (N.A.T.O.). USD-strengthening is not guaranteed.

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