10 July 2026

FX Viewpoint

Currencies
Global

USD: Steady grind higher

- USD may see gradual upside on US resilience and the Fed staying higher for longer
- EUR could be weighed down by lower rate expectations while GBP is seeing weaker cyclical support
- We expect modest CAD depreciation in line with rates and oil

We shifted to a more constructive view on the USD after the June Federal Open Market Committee (FOMC) meeting and expect the currency to **grind higher in the coming months.** This outlook is supported by continued US economic outperformance and reinforced by monetary policy divergence, with the Federal Reserve (Fed) likely to keep rates higher for longer than other major central banks.

We see gradual USD strength on US economic resilience

EUR: On the backfoot

EUR-USD may come under pressure as markets refocus on interest rate differentials. Expectations for the European Central Bank (ECB) have been **scaled back to slightly more than one 25bp hike by year-end**, down from two previously, widening the perceived policy gap versus the US and weighing on the EUR. Headwinds could intensify if shipping through the Strait of Hormuz does not normalise.

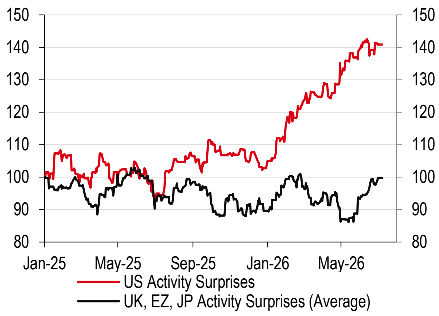
Lower EUR rate expectations may weigh on the currency

GBP: Exposed to USD strength

GBP-USD is being driven by its usual cyclical drivers – Bank of England pricing, global risk appetite, and relative rates – but GBP is increasingly sensitive to broad USD strength as **tighter US-UK rate differentials erode its yield advantage**. The arrival of a new Prime Minister could determine whether UK policy uncertainty becomes the dominant narrative, an outcome that could leave GBP more vulnerable.

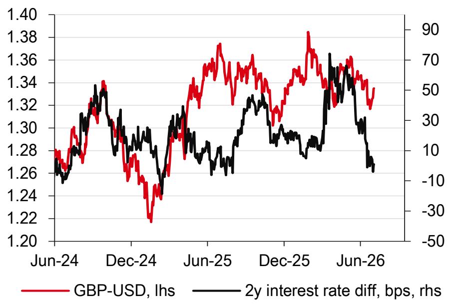
GBP may soften given its reduced yield advantage

Upward trend in US activity surprises



Source: Bloomberg, HSBC

GBP-USD looks high vs relative yields



Source: Bloomberg, HSBC

CAD: Limited scope for resistance

We expect slower, gradual weakening for the CAD against a stronger USD, particularly as CAD still appears **relatively rich versus its historical relationship with the broader USD**, albeit by a smaller margin than a month ago. USD-CAD now looks more consistent with rate differentials and the same is true for its relationship with oil prices. The US-Mexico-Canada Agreement (USMCA) review has, so far, been largely neutral for the CAD.

CAD still seems relatively high historically against the USD

HSBC

Disclosure appendix

Important disclosures

This document is for information purposes only and it should not be regarded as an offer to sell or as a solicitation of an offer to buy the securities or other investment products mentioned in it and/or to participate in any trading strategy. Information in this document is general and should not be construed as personal advice, given it has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on it, consider the appropriateness of the information, having regard to their objectives, financial situation and needs. If necessary, seek professional investment and tax advice.

Certain investment products mentioned in this document may not be eligible for sale in some states or countries, and they may not be suitable for all types of investors. Investors should consult with their HSBC representative regarding the suitability of the investment products mentioned in this document and take into account their specific investment objectives, financial situation or particular needs before making a commitment to purchase investment products.

The value of and the income produced by the investment products mentioned in this document may fluctuate, so that an investor may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Value and income from investment products may be adversely affected by exchange rates, interest rates, or other factors. Past performance of a particular investment product is not indicative of future results.

HSBC and its affiliates will from time to time sell to and buy from customers the securities/instruments (including derivatives) of companies covered in HSBC Research on a principal or agency basis.

Whether, or in what time frame, an update of this analysis will be published is not determined in advance.

Additional disclosures

1 This report is dated as at 10 July 2026.

2 All market data included in this report are dated as at close 09 July 2026, unless a different date and/or a specific time of day is indicated in the report.

3 HSBC has procedures in place to identify and manage any potential conflicts of interest that arise in connection with its Research business. HSBC's analysts and its other staff who are involved in the preparation and dissemination of Research operate and have a management reporting line independent of HSBC's Investment Banking business. Information Barrier procedures are in place between the Investment Banking, Principal Trading, and Research businesses to ensure that any confidential and/or price sensitive information is handled in an appropriate manner.

4 You are not permitted to use, for reference, any data in this document for the purpose of (i) determining the interest payable, or other sums due, under loan agreements or under other financial contracts or instruments, (ii) determining the price at which a financial instrument may be bought or sold or traded or redeemed, or the value of a financial instrument, and/or (iii) measuring the performance of a financial instrument or of an investment fund.

Disclaimer

This document is prepared by The Hongkong and Shanghai Banking Corporation Limited ('HBAP'), 1 Queen's Road Central, Hong Kong. HBAP is incorporated in Hong Kong and is part of the HSBC Group. This document is for general circulation and information purposes only. This document is not prepared with any particular customers or purposes in mind and does not take into account any investment objectives, financial situation or personal circumstances or needs of any particular customer. HBAP has prepared this document based on publicly available information at the time of preparation from sources it believes to be reliable but it has not independently verified such information. The contents of this document are subject to change without notice.

HBAP is not responsible for any loss, damage or other consequences of any kind that you may incur or suffer as a result of, arising from or relating to your use of or reliance on this document. HBAP gives no guarantee, representation or warranty as to the accuracy, timeliness or completeness of this document.

This document is not investment advice or recommendation nor is it intended to sell investments or services or solicit purchases or subscriptions for them. You SHOULD NOT use or rely on this document in making any investment decision or decision to buy or sell currency. HBAP is not responsible for such use or reliance by you. You SHOULD consult your professional advisor in your jurisdiction if you have any questions regarding the contents of this document.

You SHOULD NOT reproduce or further distribute the contents of this document to any person or entity, whether in whole or in part, for any purpose. This document may not be distributed to the US, Canada or any other jurisdiction where its distribution is unlawful.

Greece

In Greece, this document is distributed by HSBC Continental Europe, Greece to its customers for general reference only.

Jersey, Guernsey and Isle of Man

In Jersey, Guernsey and the Isle of Man, this document is distributed to its customers for general reference only by HSBC Bank plc Jersey branch, HSBC Bank plc Guernsey branch and HSBC Bank plc in the Isle of Man.

Mainland China

In mainland China, this document is distributed by HSBC Bank (China) Company Limited ("HBCN") to its customers for general reference only. This document is not, and is not intended to be, for the purpose of providing securities and futures investment advisory services or financial information services, or promoting or selling any wealth management product. This document provides all content and information solely on an "as-is/as-available" basis. You SHOULD consult your own professional adviser if you have any questions regarding this document.

Hong Kong

In Hong Kong, this document is distributed by HBAP to its customers for general reference only. HBAP is not responsible for any loss, damage or other consequences of any kind that you may incur or suffer as a result of, arising from or relating to your use or reliance of this document. HBAP gives no guarantee, representation or warranty as to the accuracy, timeliness or completeness of this document.

Malaysia

In Malaysia, this document has been prepared by HBAP, which is issued and distributed by HSBC Bank Malaysia Berhad (127776-V) / HSBC Amanah Malaysia Berhad (807705-X) (the "Bank"). The Bank is not responsible for any loss, damage or other consequences of any kind that you may incur or suffer as a result, of arising from or relating to your use of or reliance on this document.

Singapore

In Singapore, this document

- has not been reviewed by any regulatory authority in Singapore or any other jurisdiction.
- is issued by HSBC Bank (Singapore) Limited (the "**Bank**") in the conduct of its business in Singapore and is for general information.
- is only meant for the person who received it and should not be copied or shared with others, either fully or partially, for any reason.
- must not be sent to the United States, Canada or to any other jurisdiction where sharing it is illegal. If someone uses or copies this document or video without permission, they could face legal action.
- gives a broad overview of the current economic environment and is not meant to be investment research or advice or a recommendation to buy or sell investments. Some parts might talk about future events, but these are just predictions and not promises nor guarantees of future performance or events. Actual results might turn out differently due to various reasons. The Bank is not responsible for updating these predictions or explaining why actual results could differ from those predictions.
- does not create any contracts and isn't meant as a solicitation, nor a recommendation for the purchase or sale of any financial instrument in any jurisdiction where it is not legal. Investments can increase or decrease in value, and you might not get back the amount you initially invested. Investments come with market risks, so it is important to read all investment-related documents carefully. The opinions shared are from the HSBC Global Investment Committee at the time of creating this document or video and reflect its global perspective, which might differ from local views of the Bank. These opinions can change anytime and might not match HSBC Asset Management's current portfolios' composition. HSBC Asset Management manages individual portfolios based on each client's objectives, risk preferences, time horizon, and market conditions.
- has not been created following legal requirements for independent investment research and is not subject to any prohibition on dealing ahead of its dissemination.
- is not meant to offer accounting, legal or tax advice. Before making any investment decision, consider consulting a financial adviser. If you decide not to seek advice, carefully assess if the investment product is suitable for you. It is recommended to obtain appropriate professional advice when needed.

Investing overseas can lead to changes in the value of your investments due to currency exchange rates, which may cause them to rise or fall. Emerging markets are riskier and more unpredictable compared to established markets. These economies often depend heavily on international trade and can be adversely impacted by trade barriers, currency controls, adjustments in currency values, the economic conditions of their trading partners and other protective measures imposed by those partners.

We are not responsible for the accuracy and/or completeness of any third-party information obtained from sources we believe to be reliable but have not independently verified.

Taiwan

In Taiwan, this document is distributed by HSBC Bank (Taiwan) Limited, [54F, No. 7, Sec. 5, Xinyi Road, Xinyi District, Taipei City] to its customers for general reference only. HSBC Bank (Taiwan) Limited is not responsible for any loss, damage or other consequences of any kind that you may incur or suffer as a result of, arising from or relating to your use or reliance of this document. Clients of HSBC Bank (Taiwan) Limited should contact their relationship manager in respect of any matters arising from or in connection with this document.

United Arab Emirates

In the UAE, this document is distributed by HSBC Bank Middle East Limited ("HBME") U.A.E Branch, P.O.Box 66, Dubai, U.A.E, which is regulated by the Central Bank of the U.A.E and lead regulated by the Dubai Financial Services Authority. In respect of certain financial services and activities offered by HBME, it is regulated by the Securities and Commodities Authority in the UAE under license number 602004. HBME is not responsible for any loss, damage or other consequences of any kind that you may incur or suffer as a result of, arising from or relating to your use of or reliance on this document.

India

In India, this document is distributed for general reference by The Hongkong and Shanghai Banking Corporation Limited, India (HSBC India), having its India corporate office at 52/60, Mahatma Gandhi Road, Fort, Mumbai 400 001. HSBC India is not responsible for any loss, damage or other consequences of any kind that you may incur or suffer as a result of, arising from or relating to your use of or reliance on this document. HSBC India gives no guarantee, representation or warranty as to the accuracy, timeliness or completeness of this document and clients should contact their relationship manager in respect of any

clarifications arising from or in connection with this document. HSBC India is a branch of The Hongkong and Shanghai Banking Corporation Limited. Incorporated in Hong Kong SAR with limited liability. HSBC India is an AMFI-registered Mutual Fund Distributor of select mutual funds and a referrer of other 3rd party investment products. HSBC India does not distribute or refer investment products to those persons who are either the citizens or residents of United States of America (USA), Canada or any other jurisdiction where such distribution or referral would be contrary to law or regulation.

HSBC India will receive commission from HSBC Asset Management (India) Private Limited, in its capacity as a AMFI registered mutual fund distributor of HSBC Mutual Fund. The Sponsor of HSBC Mutual Fund is HSBC Securities and Capital Markets (India) Private Limited (HSCI), a member of the HSBC Group. Please note that HSBC India and the Sponsor being part of the HSBC Group, may give rise to real, perceived, or potential conflicts of interest. HSBC India has a policy in place to identify, prevent and manage such conflict of interest

For more information related to investments in the securities market, please visit the SEBI Investor Website: https://investor.sebi.gov.in/ and the SEBI Saa₹thi Mobile App.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully. Issued by The Hongkong and Shanghai Banking Corporation Limited, India. Incorporated in Hong Kong SAR with limited liability. HSBC Bank ARN - 0022 with validity from 19-Feb-2024 to 18-Feb-2027. Date of initial registration: 19-Feb-2002.

[1282477]