

# FX Viewpoint

Currencies  
Global

## “Risk-on” rally, but questions remain

- ◆ “Risk-on” currencies gained notably against the USD amid improved market sentiment
- ◆ Rate hikes may also have supported the AUD and NOK
- ◆ In our view, a sustained JPY recovery likely needs stronger fundamentals beyond FX intervention

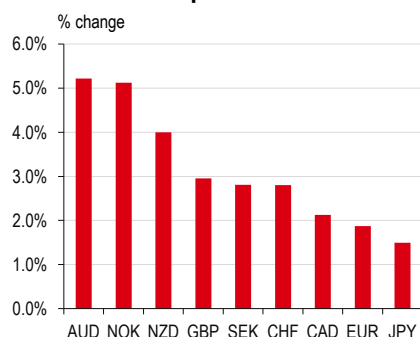
So far this quarter, **“risk-on” G10 currencies, such as the AUD, NOK, and NZD have outperformed against the USD** (Chart 1), helped by renewed optimism around a potential de-escalation of tensions in the Middle East.

In addition to the broader shift in risk appetite, both the AUD and NOK appear to have benefited from domestic policy developments. On 5 May, **the Reserve Bank of Australia (RBA) delivered a third consecutive 25bp rate hike**, taking the policy rate to 4.35%, in line with market expectations. This keeps **the RBA an outlier among G10 central banks** (Chart 2). **Our economists expect the RBA to remain on hold in a “wait-and-see” mode**; however, further domestic fiscal support could increase the likelihood of additional tightening.

**“Risk-on” currencies gained notably against the USD amid improved sentiment**

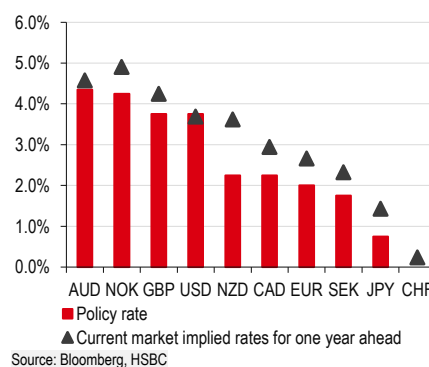
**The AUD and NOK also gained support from domestic policy developments and rate hikes**

**1. G10 currencies versus USD: Quarter-to-date performance**



Data as of 7 May 2026 at 18:00 HKT  
Source: Bloomberg, HSBC

**2. G10 policy rates versus implied rates for one year ahead**



Source: Bloomberg, HSBC

**The Norges Bank surprised markets on 7 May by raising its policy rate** by 25bp to 4.25%, marking its first hike since 2023. As the Norwegian central bank indicated that its policy outlook has not changed materially, our economists view a prolonged hiking cycle as unlikely. In contrast, regional peers, including the European Central Bank, the Bank of England and the Riksbank, still adopt a wait-and-see approach.

**Norges Bank’s surprise hike contrasts with regional peers’ continued wait-and-see stance**

While recent price action is broadly consistent with these developments, it is important to monitor **any sustained energy disruption that could trigger a renewed “risk-off” shift and strengthen the USD**.

**Energy disruption risks could trigger a renewed shift towards a risk-off narrative**

Meanwhile, **the JPY has been among the weakest G10 performers quarter-to-date** (marginally ahead of the USD), despite potential support from FX intervention. While neither Japan’s Ministry of Finance nor the Bank of Japan (BoJ) has confirmed any recent action, we believe USD-JPY may stay capped over the near term. That being said, **a more durable JPY recovery will likely require stronger underlying fundamentals**, most notably further BoJ rate hikes and lower oil prices (see [FX Viewpoint Flash – JPY: FX Intervention?](#) for details).

**USD-JPY may be capped by FX intervention risk over the near term**



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