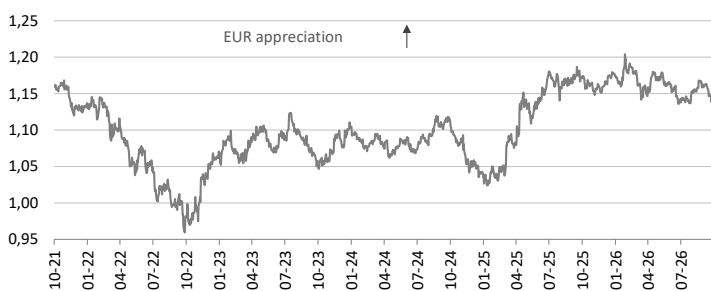


FX Flash: Euro/Dollar

29 September 2026

- ▶ The dollar remained relatively stable against the euro over the summer. EURUSD traded within its range of the past 12 months, moving in a relatively narrow band of around three cents centred on 1.16 dollars per euro. The exchange rate also remained within the range defined by its long-term historical averages, around 1.12 (10-year average) and 1.22 (20-year average) dollars per euro. This stability reflected a number of offsetting forces on both sides of the Atlantic.
 - On the euro area side, economic data surprised to the upside between June and September, with GDP growth proving more resilient than expected in the second quarter despite higher energy prices. In addition, the region's terms of trade did not deteriorate to the same extent as during the Ukraine war.
 - In the US, economic data surprised on the downside and showed some signs of weakness through August. Investment linked to AI continues to support activity, but job creation does not appear to be of sufficient quality to allow consumer spending to reaccelerate, with household income growth slowing and the saving rate remaining close to historical lows.
 - Risk appetite also remained elevated, while the renewed conflict in Iran provided only limited additional support to the dollar.
 - Meanwhile, Warsh's arrival at the Fed and his decision not to provide forward guidance on interest rates weighed on the currency. Although recent weeks have made it clear that the current pace of disinflation is too slow for the Fed, uncertainty over future rate increases remains one of the factors keeping EURUSD disconnected from interest-rate differentials.
- ▶ Looking ahead, we continue to expect a gradual depreciation of the dollar, albeit within the range in which it has traded in recent quarters. This view is based on a relative improvement in the European cycle, supported by fiscal stimulus that has yet to feed fully through to activity, and on a very gradual slowdown in the US economy.
 - In addition, we expect one further rate hike from the Fed and two from the ECB, compared with the three hikes currently fully priced by money markets for both central banks. Any adjustment of market expectations towards our scenario would weigh on the dollar.
- ▶ More structurally, large fiscal and external deficits remain a vulnerability for the dollar. The US Treasury's announcement of buybacks of very long-dated government debt, following the rise in yields over the summer, was a reminder of this. If such interventions limit the adjustment in the bond market, part of the correction is likely to be absorbed by a depreciating dollar.

EUR/USD – long term



Market snapshot

Latest	12M high	12M low
1,137	1,20	1,13

Based on the previous session's closing prices.

Change over:		Volatility in
1 month	-1,85%	1 month 4,14
3 months	-0,45%	3 months 4,43
12 months	-3,04%	12 months 5,39

(–) EUR depreciation (+) EUR appreciation vs USD

Note: volatility is calculated as the standard deviation of daily FX changes over each period.

Dollar strengths

1. The dollar retains, by a wide margin over the euro, its status as the world's reserve currency.
2. International capital continues to flow into the US, particularly into equities, supported by the relative attractiveness of the technology sector.
3. Short-term real interest-rate differentials point to a stronger dollar. However, uncertainty around the Fed's reaction function, while reduced, continues to weigh on the currency.
4. Higher energy prices improve the US terms of trade, given its status as a net exporter of oil and gas.

CaixaBank Research forecasts

Current	Q426	Q127	Q227	Q427	Q428
1,14	1,16	1,17	1,17	1,18	1,20

Source: CaixaBank Research. Data refer to period-end values.

Macro data and forecasts – United States

	Latest	2025	2026	Valuation
Real GDP (y/y) (1)	2,1 Q226	2,1	2,1	Dynamic growth
CPI (y/y) (1)	3,4 Aug-26	2,7	3,3	Deterioration of less than 1 pp
Unemployment rate (%)	4,1 Aug-26	4,5	4,2	Labour market resilience
Curr. Acc. balance (% of GDP)	-2,9 Q226	-3,8	-4,1	Worsening external position
Fiscal balance (% of GDP)	-5,6 Q226	-5,3	-7,5	Poor fiscal outlook
Fed policy rate (1)(2)	3,75 Sep-26	3,50	4,00	Monetary policy steady

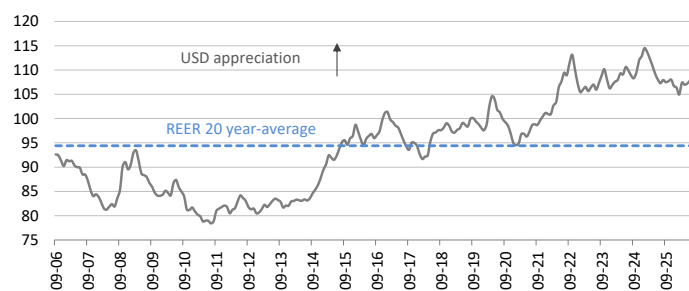
(1) CaixaBank Research forecasts. Policy rates at period-end. Other variables: OECD forecasts or Bloomberg consensus.

(2) Lower bound of the Fed funds target range.

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US dollar real effective exchange rate (last 20 years)



Fundamental valuation of the dollar vs the euro

SPOT EUR/USD		1,137	Deviation
Purchasing power parity (GDP)	Dec-25	1,52	34%
Big Mac	Jan-26	1,01	-11%

(–) USD undervaluation (+) USD overvaluation

REER USD			Deviation
Latest	Aug-26	106,7	
10Y average		86,1	24%
20Y average		94,4	13%

(–) USD undervaluation (+) USD overvaluation

Dollar weaknesses

1. The US fiscal and external position is weaker than that of the euro area.
2. The euro should benefit from the euro area's relative improvement, with German fiscal stimulus still to be fully deployed.
3. The ECB has communicated more clearly than the Fed its willingness to maintain a restrictive monetary policy stance.
4. Any moderation in geopolitical tensions and energy prices would support the euro.
5. Market positioning is not overly crowded in favour of the euro, leaving room both for a rebuilding of long euro positions and for short positions to be unwound. In addition, options markets point to a moderately favourable bias towards EURUSD trading above 1.15 over the medium term.

Consensus forecasts

Q426	Q127	Q227	Q427	Q428
1,17	1,17	1,18	1,19	1,20

Source: Bloomberg. Data refer to period-end values.

Macro data and forecasts – euro area

	Latest	2025	2026	Valuation
Real GDP (y/y) (1)	1,2 Q226	1,2	1,0	Deceleration from a low point
CPI (y/y) (1)	3,2 Aug-26	2,1	3,0	Deterioration of 1 pp
Unemployment rate (%)	6,4 Q226	6,3	6,4	Labour market resilience
Curr. Acc. balance (% of GDP)	1,7 Q226	1,7	2,8	Stable, positive ext. Position
Fiscal balance (% of GDP)	-3,1 Q126	-2,9	-3,1	Worsening fiscal balance
ECB deposit rate (1)	2,50 Sep-26	2,00	2,75	Monetary policy tightening

(1) CaixaBank Research forecasts. Policy rates at period-end. Other variables: OECD forecasts.

Cut-off date for this edition:

29 September 2026