Important disclosures and certifications are contained on page 14 of this report.

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Market Guide

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Danske Bank

Market overview

Continued scepticism sustains negative dollar outlook

Solid macro backdrop and monetary policy divergence

The US economy remains on a solid footing. January's jobs report showed 130k new jobs and unemployment falling to 4.3%, reducing immediate pressure on the Fed to cut rates despite structural headwinds in employment growth. Globally, improving manufacturing data and softer inflation have bolstered risk sentiment. However, AI disruption fears have weighed on part of the technology heavy equity sphere while EM stocks have rallied. Political noise from the Trump administration has eased ahead of the midterms: Warsh's Fed chair nomination has calmed independence fears, immigration policy rhetoric has eased, and tariff threats have diminished. At the same time, monetary policy divergence has emerged as a key theme. The Reserve Bank of Australia hiked rates, while higher-than-expected inflation in Norway has shifted market pricing towards a more hawkish stance. In contrast, the Riksbank and the Bank of England held rates steady, both leaning dovish, though the latter with a narrow vote split.

Over the past month, the USD has decoupled from macroeconomic data, allowing EUR/USD to briefly trade above 1.20 before retracing to around 1.18. Recent cross-sectional performance has favoured currencies with a high correlation to manufacturing, with NOK, NZD and AUD emerging as the relative winners in the G10 space. In Scandies, NOK has outperformed amid a favourable combination of USD weakness, higher energy prices and strong near-term momentum. SEK has rallied, partly driven by capital inflows into Swedish equity funds, redirecting funds from US and global counterparts.

Outlook: negative on the dollar and Scandies

Over the medium term, we maintain our outlook for EUR/USD to trend higher, underpinned by narrowing real rate differentials, a recovering European asset market, reduced global demand for restrictive monetary policy, persistent tailwinds from hedge ratio adjustments, and fading confidence in US institutions. For EUR/SEK, we expect a gradual move higher towards 11.00 during the year, as SEK faces headwinds from capital flows and the prospect of a dovish Riksbank. For EUR/NOK, we still believe the trend trajectory is higher – driven by the considerable unit labour costs divergence – but we highlight that volatility around this trend is likely to be considerable.

Risks to our forecasts are predominantly tied to the US outlook. If the capital rotation out of US assets continues and a sharp US recession hit, EUR/USD could break substantially higher than our forecast suggests. In this environment, commodity currencies would also face a larger hit. Conversely, persistent resilient US data and/or renewed euro area weakness that could prompt the ECB to cut again this year could keep the USD stronger-for-longer. We highlight that a stagflationary shock to the US economy might not necessarily be positive for the USD. Finally, we will closely monitor geopolitical events, developments and uncertainty related to AI, and broader signs of a turning global cycle.

USD

Downward pressure persists

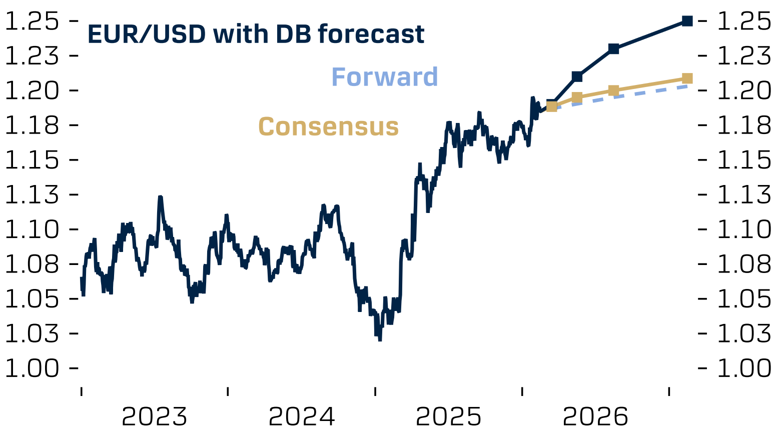
- The robust US January jobs report, featuring strong job growth and a decline in the unemployment rate to 4.3%, has alleviated some near-term downside risks to the labour market. However, structurally, we believe the overarching narrative remains unchanged, pointing to a gradual slowdown in employment growth. January inflation surprised slightly to the downside and remains relatively contained. We anticipate sequential growth to recover into 2026, supported by accommodative fiscal and monetary policies. Nevertheless, structural demographic trends are increasingly constraining the economy's productive capacity. In the euro area, Q4 2025 concluded on a positive note, with GDP growth at 0.3% q/q, surpassing ECB staff projections of 0.2%. Headline inflation in January fell to 1.7% y/y, below the ECB's 2% target, down from 2.0% in December. This was primarily attributable to declining energy inflation, while services inflation also surprised to the downside.

- Following the Fed's pause in January, after delivering a third consecutive 25bp cut in December, market participants are increasingly divided on the timing of the next potential cut, with the next 25bp cut fully priced by July. We expect the Fed to deliver its next cut in June, followed by another in September. In the euro area, we anticipate the ECB will maintain its hold throughout 2026 and 2027. All else being equal, we view the current monetary policy backdrop as modestly supportive for EUR/USD.

- Over the past month, EUR/USD has edged higher, briefly trading above 1.20 before retracing to around 1.18. The USD's negative narrative remains largely intact, bolstered by strong manufacturing signals, subdued inflation pressures, and lingering scepticism around the USD. Over the medium term, we maintain our outlook for EUR/USD to trend higher, underpinned by narrowing real rate differentials, a recovering European asset market, reduced global demand for restrictive monetary policy, persistent tailwinds from hedge ratio adjustments, and fading confidence in US institutions.

- Risks to our forecast include stronger-than-expected US data, geopolitical escalations and/or renewed euro area weakness.

EUR/USD



	1M	3M	6M	12M
Danske Bank	1.19	1.21	1.23	1.25
Consensus	1.19	1.20	1.20	1.21
Forward	1.19	1.19	1.20	1.20

Hedging recommendations

Income: We recommend hedging USD income via knock-in forwards.

Expenses: We recommend hedging USD expenses via risk reversals.

Source: Macrobond, Bloomberg, Danske Bank, Note: Past performance is not a reliable indicator of current or future results

GBP

Further weakness expected for the pound

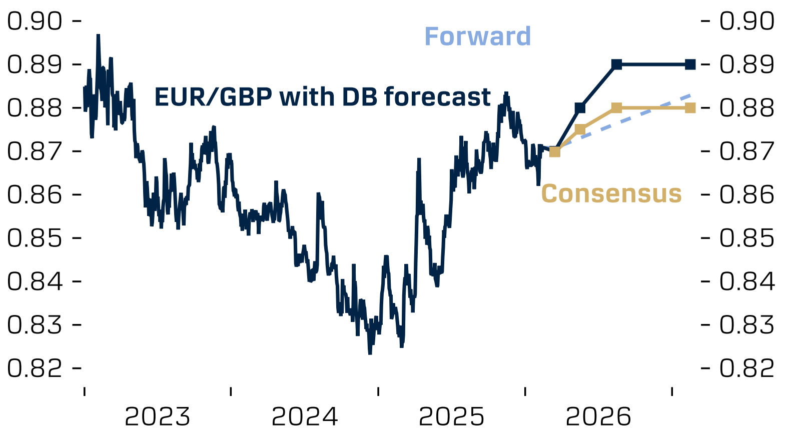
- The growth outlook for the UK remains a mixed bag. Retail sales were to the strong side in December and January PMIs suggest a strong start to the year with composite PMI at the highest level since spring 2024. Inflation has been lower than pencilled in by the BoE, but underlying price pressures remain elevated. On the labour market, job losses accelerated in December with a 42K decline. The decline in previous months has however been less steep than originally measured. Like inflation, wage growth has headed lower but remains elevated with average earnings (excl. bonus) at 4.5% in November down from close to 6% in early 2025.

- The Bank of England kept the Bank Rate unchanged at 3.75% in February in a narrow vote split, once again highlighting the highly split MPC with 4 members voting for a 25bp cut and 5 members voting for an unchanged decision. The tight vote split was coupled with dovish guidance with the Bank of England updating its guidance to include “on the basis of the current evidence, Bank Rate is likely to be reduced further”. We expect the next cut in April with a final cut to 3.25% in November. We do see risks of cuts being delivered sooner than in our base case.

- EUR/GBP has been range-bound within the 0.86-0.87 figure over the past month. While immediate budget concerns have eased, politics remain central. We see domestic factors and the relative growth outlook between the UK and the euro area as GBP negatives, further amplified by divergence in the fiscal policy outlook. Additionally, a global investment environment characterised by elevated uncertainty and a positive correlation to a USD negative environment, in our view, favours a weaker GBP. We forecast EUR/GBP to rise towards 0.89 on a 6–12-month horizon.

- The key risk to seeing EUR/GBP trade substantially higher than our forecast is a sharp sell-off in global risk and/or renewed focus on the UK’s fragile fiscal position. Other risks are closely related to the developments in the relative growth outlook between the euro area and the UK. If growth fares better than expected in the UK, this could send EUR/GBP substantially lower. Similarly, if risky assets experience a significant rally, we would expect EUR/GBP to move lower.

EUR/GBP



	1M	3M	6M	12M
Danske Bank	0.87	0.88	0.89	0.89
Consensus	0.87	0.88	0.88	0.88
Forward	0.87	0.87	0.88	0.88

Hedging recommendations

Income: We recommend hedging GBP income via knock-in forwards.

Expenses: We recommend hedging GBP expenses via risk reversals.

Source: Macrobond, Bloomberg, Danske Bank, Note: Past performance is not a reliable indicator of current or future results

SEK

A stronger krona has become a headache for the Riksbank

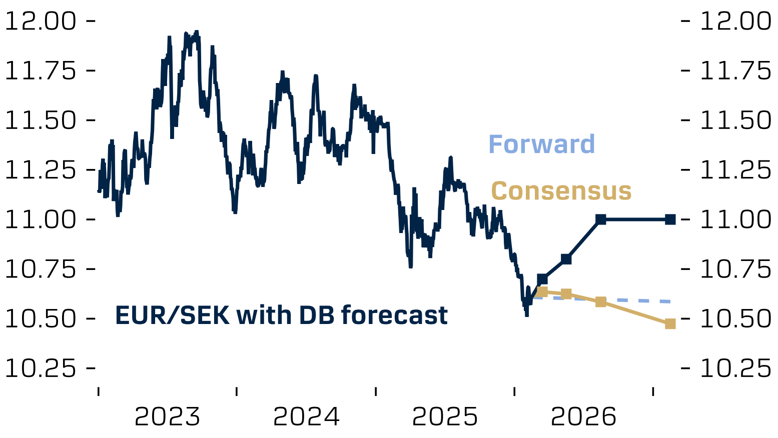
- Despite elevated geopolitical uncertainty persisting into the new year, the global growth outlook still looks to be holding up well, benefiting the procyclical Swedish krona. The widely expected Swedish economic recovery, and growth outperformance vs the Eurozone during 2026, would also weigh on EUR/SEK. However, December data surprised to the downside with household consumption falling short of expectations. A strong rebound in consumption is crucial for Sweden's recovery, and stalling confidence would clearly signal downside risk to our macro forecasts.

- Core inflation has undershot consensus and the Riksbank's, forecasts for three consecutive months. January meeting minutes reveal concerns among Board members, who linked low inflation to SEK strength and warned further krona appreciation could lead to 'problematically low inflation' and 'complicate the monetary policy deliberations'. Money markets have adjusted accordingly, pricing almost a 50% probability of a Riksbank cut, which could act as a clear SEK headwind.

- Swedish macro is currently in a soft patch, with inflation and real growth data having surprised to the downside lately. The SEK is clearly becoming a concern for the Riksbank, with deputy Governor Per Jansson reportedly contemplating voting for a cut already in March. With the money market having repriced accordingly, EUR/SEK looks increasingly oversold versus relative rates. At odds with macro fundamentals, the current SEK rally could be partly explained by an inflow of capital into Swedish mutual equity funds through January, at the expense of US/global dittos. Unless this constitutes a new normal (we doubt it), capital flows remain a medium-term SEK headwind. Further macro weakness and soft inflation could push the Riksbank towards an easier policy stance, weighing on the SEK. As such, we keep our forecast intact and expect EUR/SEK to edge gradually higher towards 11.00 during the year.

- A false start to the Swedish growth recovery and a dovish response from the Riksbank would send EUR/SEK higher. An increased appetite for Swedish assets and/or raised hedge ratios amongst Swedish investors would lend support to the krona and potentially moderate a long-term headwind.

EUR/SEK



	1M	3M	6M	12M
Danske Bank	10.70	10.80	11.00	11.00
Consensus	10.64	10.62	10.58	10.47
Forward	10.61	10.60	10.60	10.59

Hedging recommendations

Income: We recommend hedging SEK income via FX forwards.

Expenses: We recommend hedging SEK expenses via risk reversals.

Source: Macrobond, Bloomberg, Danske Bank, Note: Past performance is not a reliable indicator of current or future results

Strength in NOK, but long-term trend signals weakness

NOK

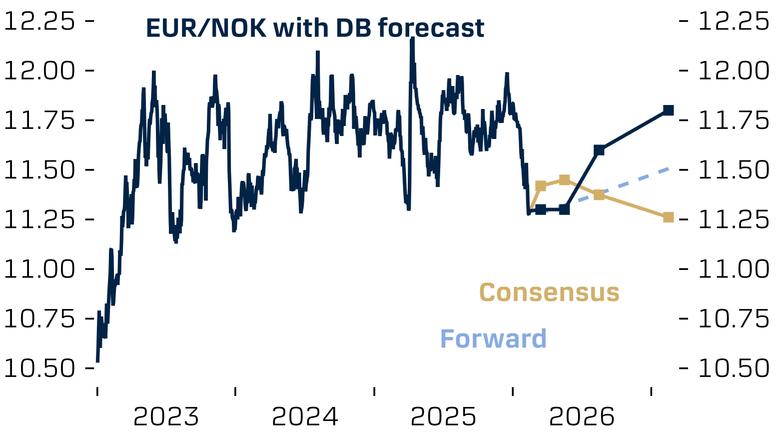
- The latest national account figures confirmed the picture of an economy still running at around trend potential with low productivity and employment growth running below long-term averages. January inflation surprised strongly to the topside, leading to a full repricing of the Norges Bank monetary policy outlook with markets now leaning towards rate hikes being the most likely direction of policy rates in H1. We are not convinced of the persistency in the inflation details – especially not on service price inflation – which alongside disinflationary imported impulses could return rate cut speculations to the table. That said, a near-term risk has become an expensive central wage negotiation with front-party negotiations expected to finish by early April. That leaves the 10 March inflation release an unusually key market event.

- At the December monetary policy meeting Norges Bank kept rates unchanged whilst indicating 1-2 rate cuts during 2026. Meanwhile, these signals are now put in question in markets amid the latest inflation surprise. If we are right in our own call for inflation it would entail a postponement rather than cancellation of rate cuts. Our base case entails three cuts over the coming year (September, December, March 2027) which would bring the key policy rate to 3.25% in 13 months' time. In our view relative rates will be a negative factor for NOK FX in the coming year.

- The near-term momentum in NOK has been strong, supported by global and domestic drivers. However, we do not see the recent strength as a regime change. With the recent figures, the central wage round could prove expensive for another year. For an unchanged level of productivity-gap to peers, this would result in further unit labour cost divergence and lift the bar for required nominal NOK weakness over time to create a new macroeconomic balance. We still believe the trend trajectory for EUR/NOK is higher – driven by unit labour costs divergence – but highlight that volatility around this trend is likely to be considerable. In light of the recent drop, we lower the short-end profile and have a more neutral 1-3M stance on NOK.

- Near-term risks are closely connected to Norwegian inflation on 10 March, the equity sector rotation out of the US and the weakening of the USD.

EUR/NOK



	1M	3M	6M	12M
Danske Bank	11.30	11.30	11.60	11.80
Consensus	11.42	11.45	11.37	11.26
Forward	11.28	11.32	11.38	11.51

Hedging recommendations

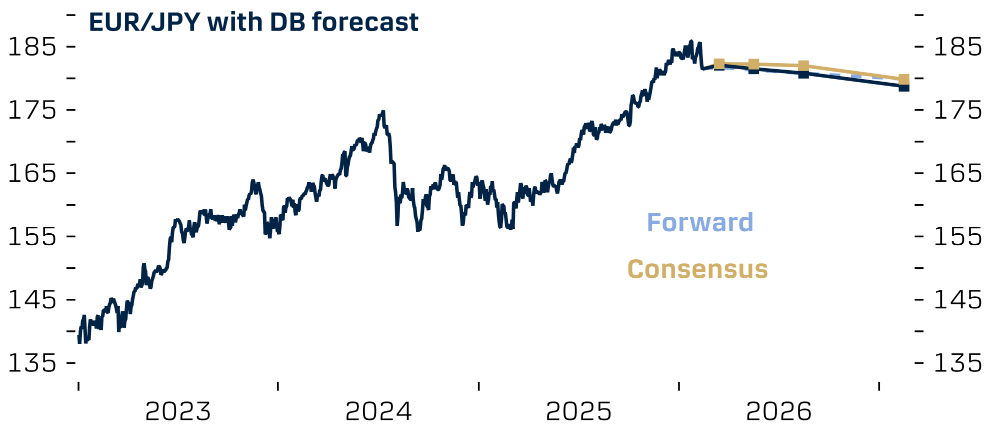
Income: We recommend hedging NOK income via FX forwards.

Expenses: We recommend hedging NOK expenses via risk reversals.

Source: Macrobond, Bloomberg, Danske Bank Note: Past performance is not a reliable indicator of current or future results

Others

EUR/JPY



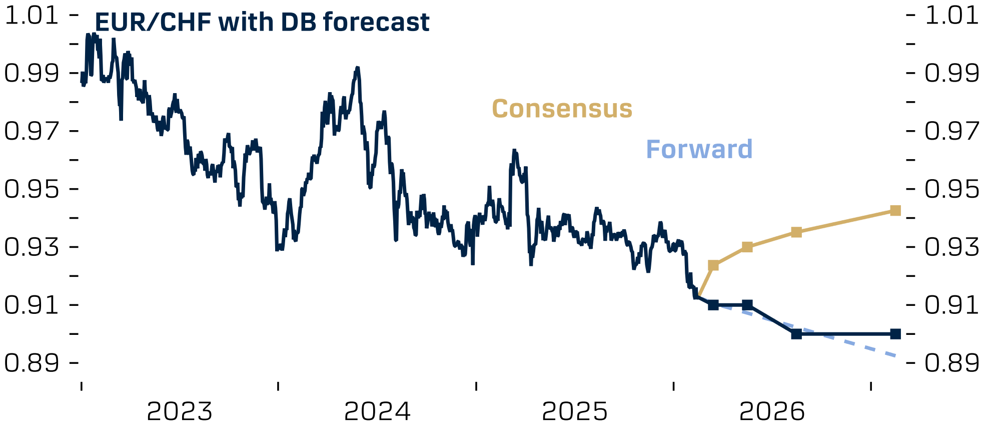
Hedging recommendations

Income: We recommend hedging JPY income via risk reversals.

Expenses: We recommend hedging JPY expenses via forwards.

Source: Macrobond, Bloomberg, Danske Bank
Note: Past performance is not a reliable indicator of current or future results

EUR/CHF



Hedging recommendations

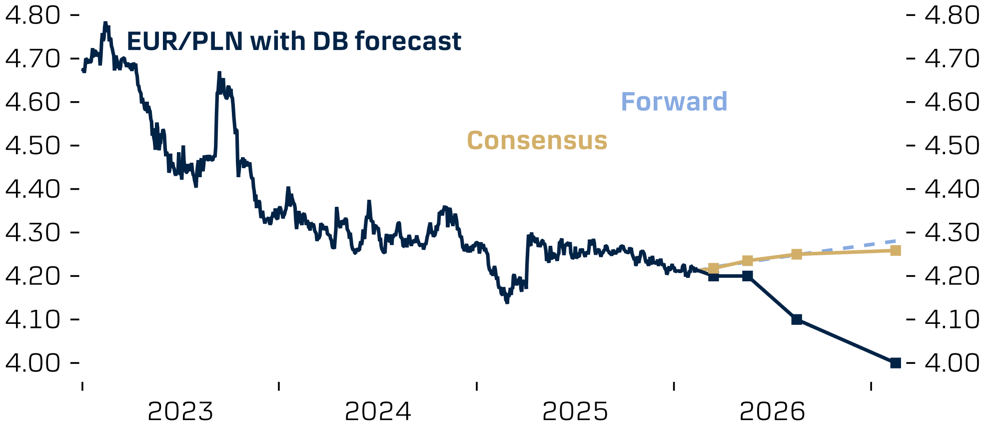
Income: We recommend hedging CHF income via risk reversals.

Expenses: We recommend hedging CHF expenses via forwards.

Source: Macrobond, Bloomberg, Danske Bank
Note: Past performance is not a reliable indicator of current or future results

Others

EUR/PLN



Hedging recommendations

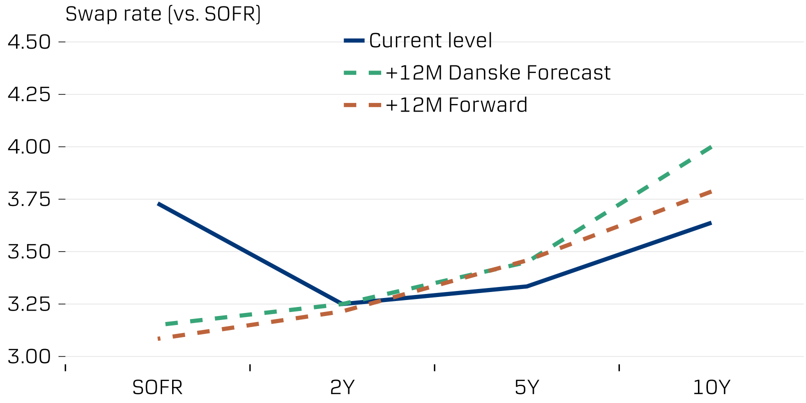
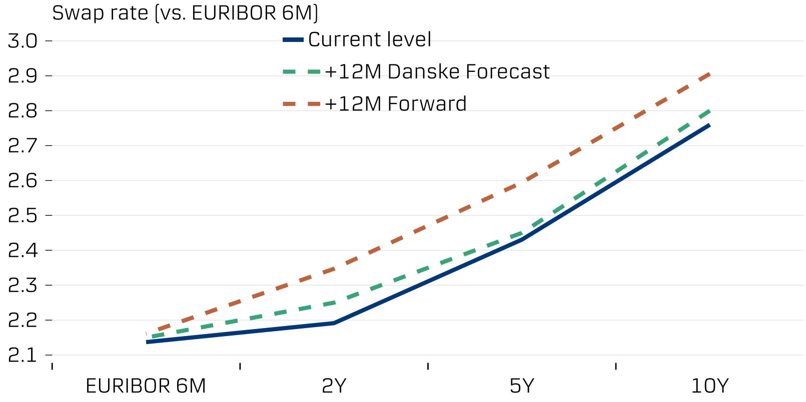
Income: We recommend hedging PLN income via knock-in forwards.

Expenses: We recommend hedging PLN expenses via FX forwards.

Source: Macrobond, Bloomberg, Danske Bank
Note: Past performance is not a reliable indicator of current or future results

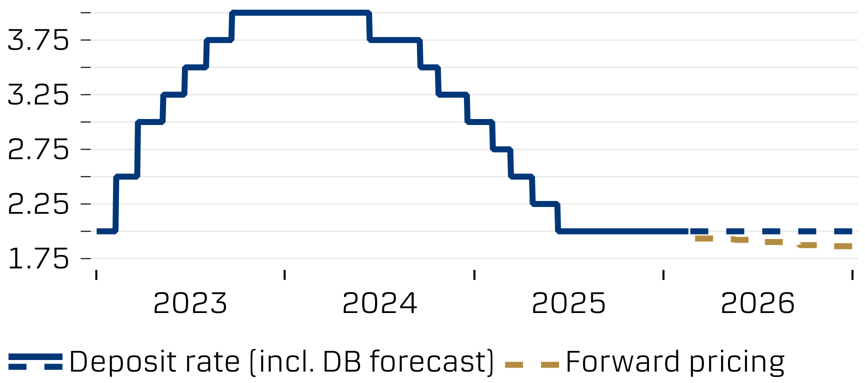
Overview – Rates

Rates

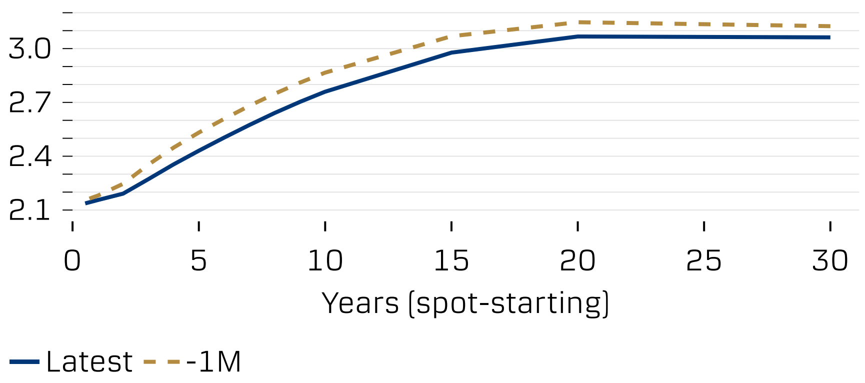
Region	Forecast	Comments
		• The US labour market continues to soften, though at a more gradual pace than previously, reducing the need for imminent rate cuts by the Fed. • We expect two additional rate cuts of 0.25 percentage points in June and September, respectively. This is slightly later than previously anticipated and slightly less than investors are expecting. Kevin Warsh is likely to become the next Fed Governor, which the markets have welcomed, easing concerns about the central bank's independence. • Term premia will continue to rise due to the worsening debt burden, and we believe borrowers should be attentive to upward risks, especially to long-end interest rates.
		• The ECB kept the deposit rate unchanged at 2.00% at its latest meeting in February, signalling that the ECB remains "in a good position". • We expect the ECB to hold rates steady throughout 2026 and 2027. The greatest risk for another rate cut lies in continued decline in inflationary pressures. However, there is also a risk of markets pricing in a rate hike over the coming years if expansive German fiscal policy and European defence spending have a stronger-than-expected impact. • We expect the long end of the EUR swap curve to trade close to current levels the coming year.

Rates hedging views (EUR)

ECB Deposit Rate (%)



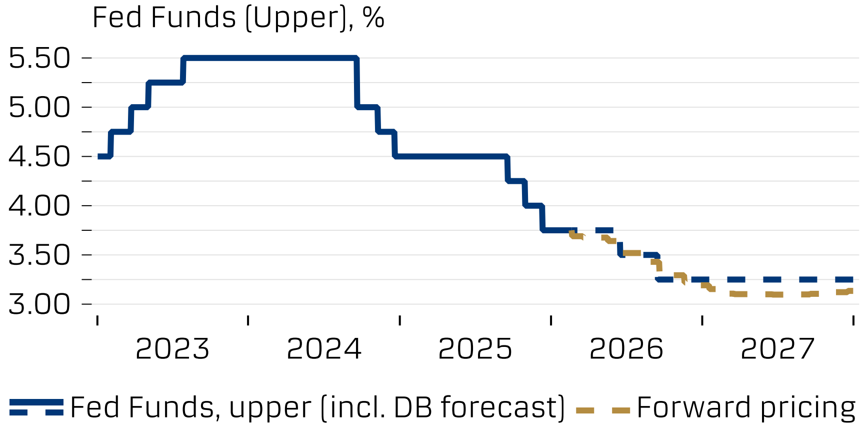
EUR Swap curve (vs. EURIBOR6M), %

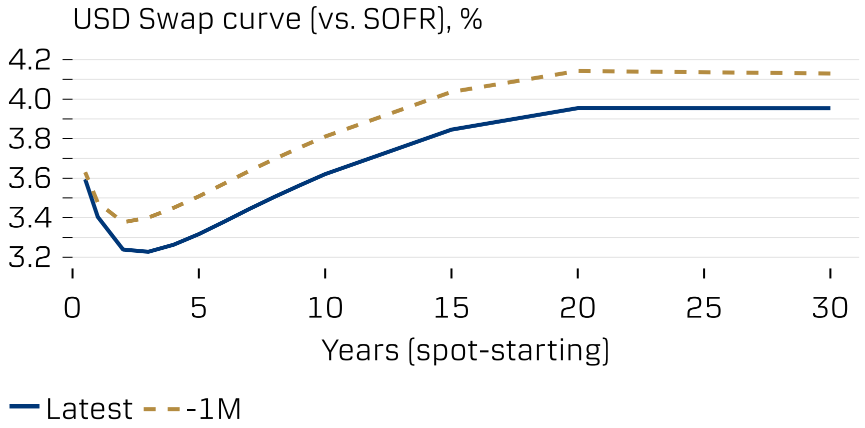


Hedging views

Curve point (spot-start)	Comment	Recommendation vs EURIBOR6M	Recommendation Relative
Front (≈2Y)	The markets expectation for short-end EUR rates is roughly in line with our expectation of the ECB having concluded its cutting cycle and will keep monetary policy unchanged in the coming years. However, there is also a risk of markets pricing in a rate hike over the coming years if expansive German fiscal policy and European defence spending have a stronger-than-expected impact.	Increase delta	Increase delta
Belly (≈5Y)	Over the past months, 5Y EUR swap rates have moved lower following poor risk sentiment in markets and weakness in inflation data. However, we acknowledge significant risks due to ongoing uncertainty about the scale and rollout speed of expansive German fiscal policy and European defence spending	Neutral	Neutral
Back (≈10Y)	Long-end EUR rates have moved lower since our last update and are now in line with our forecasts. We expect the long end of the EUR swap curve to trade around current levels over the next year.	Neutral	Reduce delta

Rates hedging views (USD)





Hedging views

Curve point (spot-start)	Comment	Recommendation: vs SOFR	Recommendation: Relative
Front (≈2Y)	Markets have increased their expectations for Federal Reserve rate cuts over the past month. We expect two further rate cuts in June and September 2026. For borrowers wishing to hedge liabilities in short-term maturities (1-3Y), consider using cap/floor structures to secure exposure to Fed normalising policy at an even more rapid pace than currently expected by investors (and ourselves).	Neutral	Reduce delta
Belly (≈5Y)	The 5Y point is sensitive to both monetary policy expectations, the economic backdrop and term-premia. We highlight that the US economy continues to do well supported by both accommodative fiscal policy, easy financial conditions and a strong nominal growth engine.	Neutral	Neutral
Back (≈10Y)	Long-term rates have declined over the past month. We expect term premia to continue correcting higher due current fiscal policy, which will lead to increased issuance pressure. If the Fed cuts rates more than expected, it would dampen this effect. However, we believe that the fiscal policy narrative and the political backdrop in the US indicates that borrowers should pay greater attention to upward risks.	Increase delta	Increase delta

FX Forecast Table

Exchange rates vs EUR

G10	Spot	+1m	+3m	+6m	+12m
				Last Update:	20/02/2026
Exchange rates vs EUR					
EUR/USD	1.18	1.19	1.21	1.23	1.25
EUR/JPY	183	182	182	181	179
EUR/GBP	0.87	0.87	0.88	0.89	0.89
EUR/CHF	0.91	0.91	0.91	0.90	0.90
EUR/SEK	10.67	10.70	10.80	11.00	11.00
EUR/NOK	11.26	11.30	11.30	11.60	11.80
EUR/DKK	7.4718	7.4700	7.4650	7.4600	7.4550
EUR/AUD	1.67	1.68	1.70	1.71	1.71
EUR/NZD	1.97	1.95	1.98	1.98	1.98
EUR/CAD	1.61	1.62	1.65	1.69	1.73
EM	**Spot**	**+1m**	**+3m**	**+6m**	**+12m**
EUR/PLN	4.22	4.20	4.20	4.10	4.00
EUR/HUF	379	380	380	400	400
EUR/CZK	24.2	24.3	24.2	24.1	24.0
EUR/TRY	51.6	52.8	55.5	59.2	65.6
EUR/ZAR	19.0	18.9	19.2	19.4	19.6
EUR/CNY	8.12	8.19	8.29	8.36	8.38
EUR/INR	107.1	108.3	110.4	112.5	115.0

Yield Forecast Table

Yield forecast

	Horizon	Policy rate	3M xlbor	6m xlbor	2y gov	5y gov	10y gov	2y swap	5y swap	10y swap
USD**	Spot	3.75			3.48	3.67	4.10	3.30	3.39	3.7
	+3M	3.75			3.50	3.80	4.20	3.25	3.40	3.8
	+6M	3.50			3.55	3.85	4.30	3.25	3.45	3.9
	+12M	3.25			3.55	3.90	4.45	3.25	3.45	4.0
EUR*	Spot	2.00	2.01	2.14	2.06	2.35	2.76	2.20	2.44	2.78
	+3M	2.00	2.05	2.15	2.10	2.40	2.85	2.20	2.45	2.80
	+6M	2.00	2.05	2.15	2.10	2.40	2.90	2.20	2.45	2.80
	+12M	2.00	2.05	2.15	2.15	2.45	2.90	2.25	2.45	2.80
GBP**	Spot	3.75			3.59	3.81	4.39	3.41	3.62	3.99
	+3M	3.50			3.65	3.90	4.55	3.45	3.60	4.00
	+6M	3.50			3.60	3.95	4.65	3.40	3.60	4.05
	+12M	3.25			3.55	3.95	4.70	3.35	3.55	4.10
DKK	Spot	1.60	1.99	2.20	1.76	1.95	2.62	2.31	2.62	2.96
	+3M	1.60	2.03	2.21	1.90	2.20	2.70	2.30	2.60	2.95
	+6M	1.60	2.03	2.19	1.95	2.20	2.75	2.30	2.60	2.95
	+12M	1.60	2.03	2.18	2.00	2.25	2.75	2.35	2.60	2.95
SEK	Spot	1.75	1.99		1.88	2.21	2.69	1.97	2.34	2.73
	+3M	1.75	1.92		2.05	2.40	2.90	2.15	2.50	2.95
	+6M	1.75	1.93		2.30	2.55	2.90	2.40	2.65	2.95
	+12M	2.00	2.16		2.35	2.60	3.00	2.45	2.70	3.05
NOK	Spot	4.00	4.19	4.32	3.99	4.07	4.23	4.35	4.24	4.26
	+3M	4.00	4.25	4.30	3.90	3.95	4.10	4.20	4.15	4.20
	+6M	4.00	4.10	4.05	3.80	3.90	4.10	4.10	4.10	4.20
	+12M	3.50	3.55	3.65	3.60	3.80	4.10	3.90	4.00	4.20

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