

The charts below show currencies versus USD at a time when there had been a sharp downward move in USD. The currency moves are thus exaggerated. They are still representative, but show more USD weakness than underlying market conditions would suggest.

That said, USD net short positions did widen by USD19.4bn in the most recent CFTC report, unwinding most of the narrowing in net short positions from the prior two reports. Over that two-week period, USD net shorts had declined by USD24.0bn. The aggregate USD net position is currently short USD57.2bn — a large but not extreme position.

Sentiment in FX markets, particularly regarding USD, is somewhat erratic. Early last week, USD was under intense pressure amid increased geopolitical uncertainty, and news that trading desks were being called by officials in Japan and the US, which was taken as a sign of a possible intervention to support JPY.

Late in the week, Trump47 announced his Fed Chair nominee — Kevin Warsh. Though there was only a modest market impact overall, it did provide some support to US assets as the choice is "conventional." We don't know what sort of Fed Chair Warsh will become, but, upon first reflection, he does not seem to be a toady of the White House. We will see though. That, and some cooling in geopolitical tensions helped boost USD.

One way to demonstrate swings in sentiment is to look at speculative aggregate USD net positions. In December 2025, speculative were significantly net long. By mid-2025, speculative positions were notably net short. Evidently, FX speculators don't like when you start to impose tariffs on close trading partners. However, sentiment improved as the US economy showed its resilience, before turning net short as the White House continued to

make erratic policy moves.

Of course, aggregate USD positions are the sum of net positions of other currencies, and currencies are relatives. Moves in the aggregate USD position this reflect shifts in net positions of the range of other currencies versus USD.

The challenge is that sometimes you might hate both sides of currency pair. However, they can't both go down at the same time (against each other). Conversely, you might love both sides of a currency pair, but they both can't rise (against each other).

Currency positions

CAD net short positions have decreased sharply since late 2025. In fact, real money accounts have gone from net short USD7.4bn to being net LONG USD1.9bn. Speculative accounts remain net short, but the value of those shorts has declined from USD11.3bn in mid-November to just USD1.2bn most recently.

As unwinding of large net short positions unfolded, the value of the Canadian dollar rose versus the US dollar. Mechanically, the stronger CAD would imply that the value of net short positions, valued in USD, would decline.

So let's look at the number of long CAD and short CAD contracts among speculative accounts. In mid-November, the CAD net short position was close to 160,000 contracts (charts page 4). Most recently, the CAD net short position was just over 16,000 contracts. This change reflected the number of CAD short contracts being cut in half, and massive increase in CAD long contracts. The number of CAD long contracts is highest since mid-2021.

Other currencies

In the most recent CFTC report, speculators remained net short JPY. It is interesting to remember that speculators only recently became net short JPY. This was the result of a near year-long rise in the number of JPY short contracts, and then a sudden drop in the number of long contracts starting in December. We will closely monitor if the rally in JPY will shake out speculative JPY net shorts. Note that USD/JPY is back over 155, with the downward pressure having eased when Treasury Secretary Bessent reiterated a strong dollar policy and would not intervene to support the yen.

Watching hedge fund positions will also be interesting. Hedge funds have been net short JPY since late July. Whether they might trim those positions will depend on the evolution of their outlook for USD/JPY. The intervention threat might provide some short-term uncertainty (less so after Bessent's comments), but it is not clear that the backdrop is conducive to persistent downward pressure on USD/JPY. Hence, hedge funds might be comfortable remaining short JPY.

I would highlight, however, a report that the folks at my old shop (HSBC) suggest that 2026 could be "the year of the yen." This suggests watching speculative and hedge fund positions in JPY closely, just in case there is a shift toward a more bullish JPY stance.

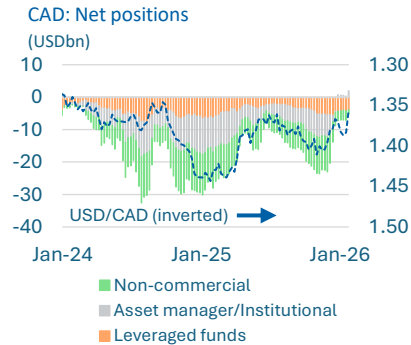
Given all the drama around JPY, it is curious how relatively little there is around CHF. CHF positioning (significantly net short) belies the performance of the currency. Since early 2025, USD/CHF has been in decline. In fact, USD/CHF has tumbled below 0.80, that is historically a very low reading for USD (a very high reading for CHF). USD/CHF has rallied a

bit as USD recovered from its sharp loss early last week, but it remains below 0.80.

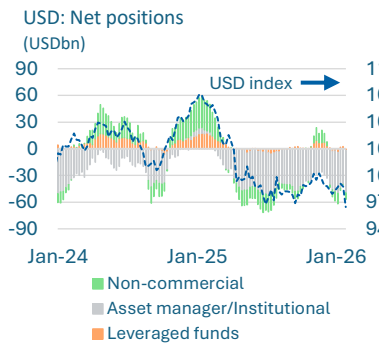
Yet, FX positioning is still very bearish CHF, notably among real money accounts and speculators.

There might be good reasons to maintain these positions, but tension does seem to be building. For example, let's look at speculative net shorts. The charts below show that the number of short CHF contracts is at historically high levels. They are not near record highs, but they are elevated, at a time when USD/CHF is near historic lows.

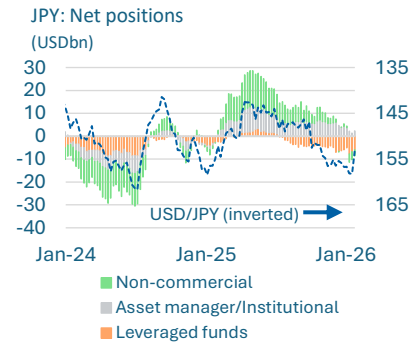
That seems odd. When you have a short position and the market moves the other way, losses can mount quickly. Either speculators are making a lot of money elsewhere on these trades (carry trades for example), or an intense short covering rally might be on the horizon. This is not a forecast; it is just highlighting an imbalance that does not seem likely to continue for an extended period.



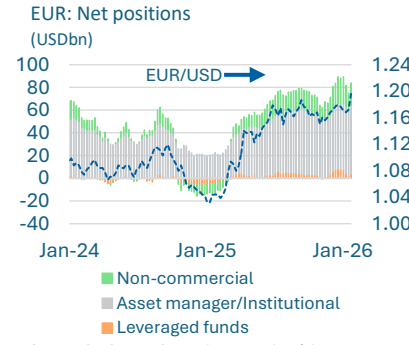
Source: CFTC, Watt Strategic Economic Advisors



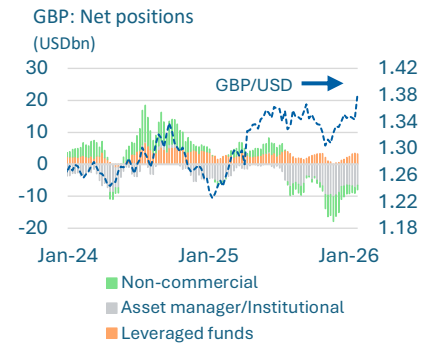
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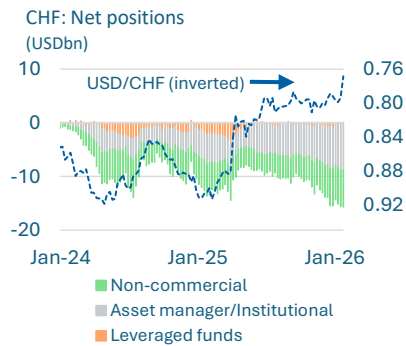
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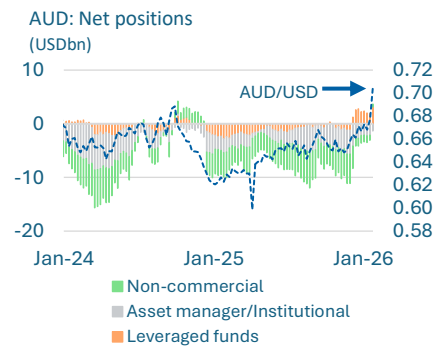
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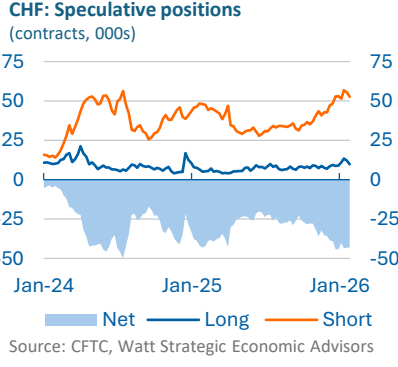
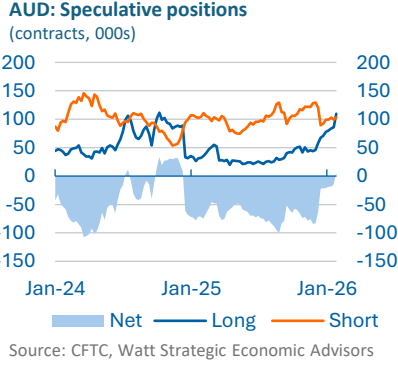
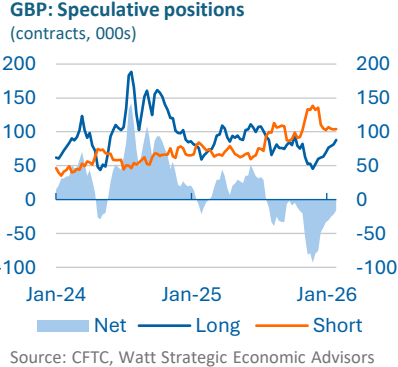
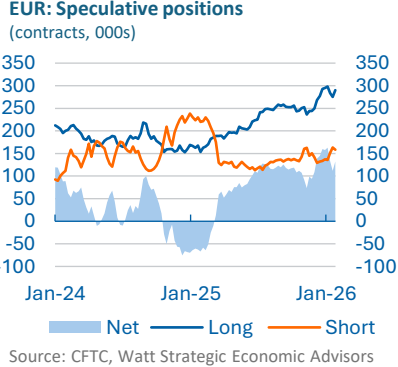
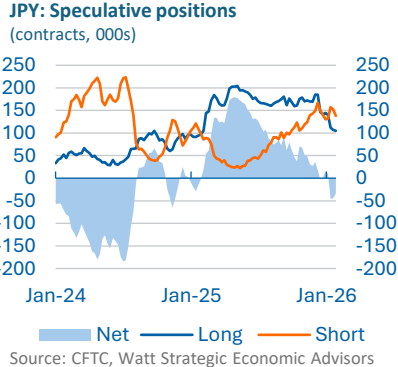
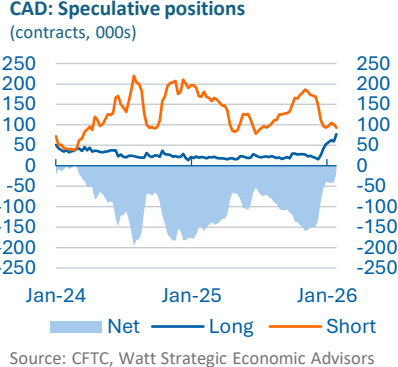
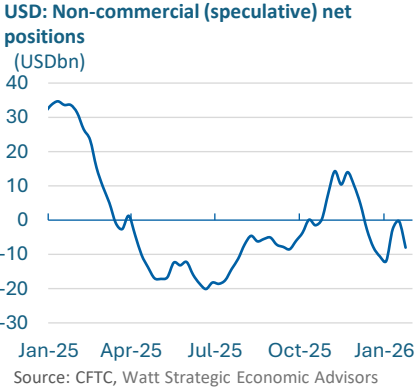


Source: CFTC, Watt Strategic Economic Advisors

Change (USD mns)	Speculative	Real money	Hedge funds	Total	4 Wk	3 M
CAD	1,836.6	1,550.9	294.2	3,681.7	3,311.6	20,392.2
EUR	3,406.8	3,077.1	2,441.8	8,925.7	-4,329.9	19,665.0
GBP	449.9	735.9	-216.9	968.9	2,391.4	7,088.1
AUD	1,451.8	777.0	1,283.3	3,512.2	3,643.4	11,362.8
NZD	8.2	566.8	-407.1	167.9	-577.5	-1,396.2
CHF	-176.4	132.7	-112.4	-156.1	-233.2	-3,778.4
JPY	776.8	921.2	847.0	2,545.0	-5,761.9	-12,174.9
MXN	-67.2	184.1	-351.0	-234.1	98.0	1,727.3
USD	-7,686.5	-7,945.8	-3,778.8	-19,411.2	1,458.0	-42,885.9

A negative reading implies a decline in net longs or an increase in net short positions.
A positive reading implies an increase in net longs or a decrease in net shorts

Speculative positions



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