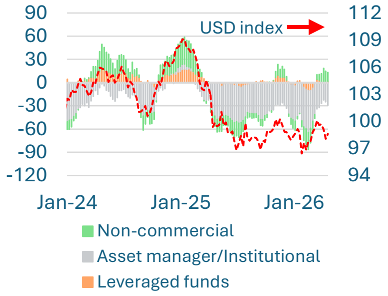
Ceasefire cools off safe-haven demand and USD rally stalls

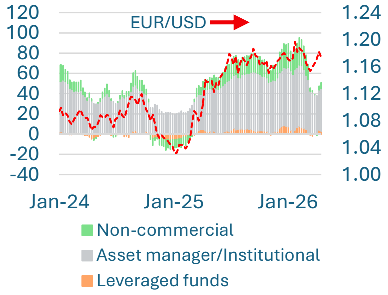
28 April 2026

USD: Net positions
(USDbn)



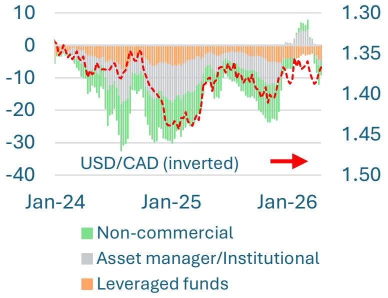
Source: CFTC, Watt Strategic Economic Advisors

EUR: Net positions
(USDbn)



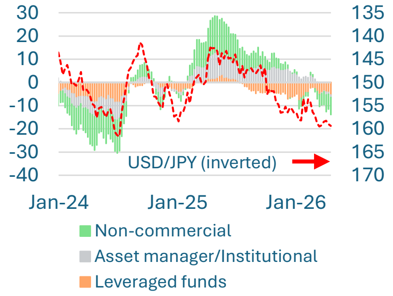
Source: CFTC, Watt Strategic Economic Advisors

CAD: Net positions
(USDbn)



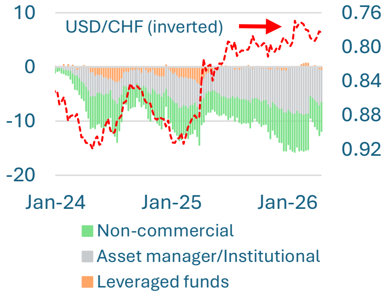
Source: CFTC, Watt Strategic Economic Advisors

JPY: Net positions
(USDbn)



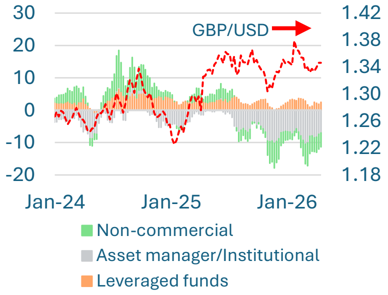
Source: CFTC, Watt Strategic Economic Advisors

CHF: Net positions
(USDbn)



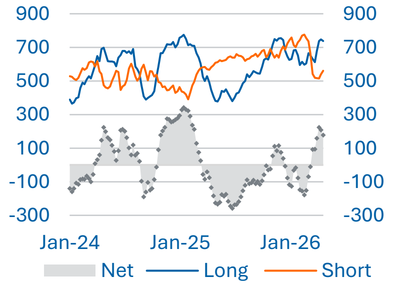
Source: CFTC, Watt Strategic Economic Advisors

GBP: Net positions
(USDbn)



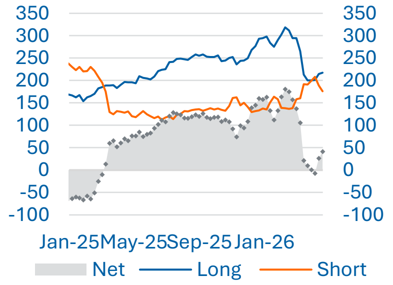
Source: CFTC, Watt Strategic Economic Advisors

USD: Speculative positions
(contracts, 000s)



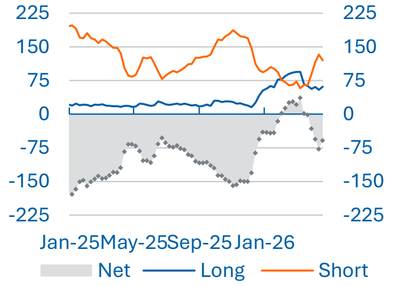
Source: CFTC, Watt Strategic Economic Advisors

EUR: Speculative positions
(contracts, 000s)



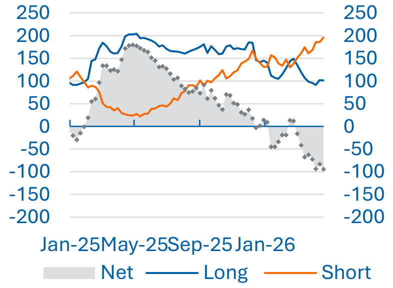
Source: CFTC, Watt Strategic Economic Advisors

CAD: Speculative positions
(contracts, 000s)



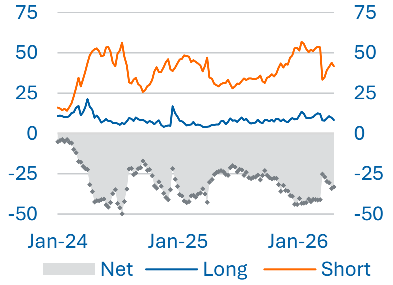
Source: CFTC, Watt Strategic Economic Advisors

JPY: Speculative positions
(contracts, 000s)



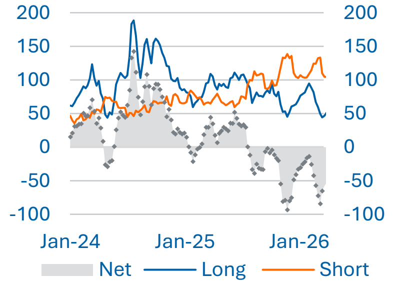
Source: CFTC, Watt Strategic Economic Advisors

CHF: Speculative positions
(contracts, 000s)



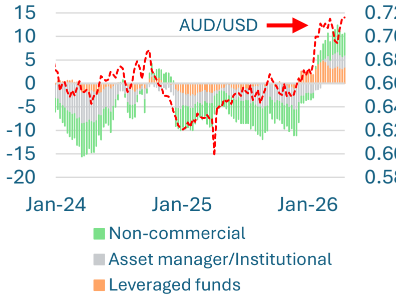
Source: CFTC, Watt Strategic Economic Advisors

GBP: Speculative positions
(contracts, 000s)



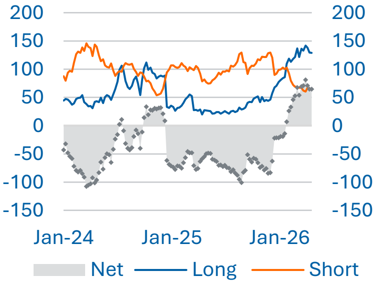
Source: CFTC, Watt Strategic Economic Advisors

AUD: Net positions
(USDbn)



Source: CFTC, Watt Strategic Economic Advisors

AUD: Speculative positions
(contracts, 000s)



Source: CFTC, Watt Strategic Economic Advisor:

Though the situation around the Straight of Hormuz remains nerve-wracking, a sense of calm has developed. In particular, as it has become clear that President Trump wants to move onto other issues, tensions in the Middle East have eased.

That said, the situation does seem to be teetering in an uneasy balance, particularly as the US has continued to move military hardware into the region (most recently the aircraft carrier George H.W. Bush and its support ships). This belies a risk that the ceasefire could return to kinetic warfare quite quickly.

Nonetheless, the ceasefire has helped to significantly reduce risk premia in markets. In FX, this has meant that safe havens have lost some of their appeal --- the USD in particular, since it was one of the few safe havens that acted like a safe haven during the hot phase of the conflict.

As a result, the USD index has lost some altitude during April. The gain in USD compared to its level before the US and Israel launched their offensive against Iran peaked at 2.97% on 30 March. FYI, many global equity markets also bottomed out at the same time. Hence, geopolitical risks rose during March but have steadily receded through April. At present, the USD is still 0.7% above its pre-war reading, so conditions have not necessarily returned to normal in FX. This comes as many equity markets (particularly, though not limited to the US) have roared to new highs as the Middle East ceasefire took hold.

As a result, there was a pause in the shift toward USD in FX positioning. For the second straight week the value of aggregate USD net short positions increased. This reversal came just as the value of USD net shorts had declined to its lowest level since mid-November. Though very close to a net short to net long crossover, FX positioning started to move the other way as safe-haven demand cooled. The aggregate USD net short position is now USD16.2bn, compared to USD10bn in the last report.

As has been the case for some time, the key factor in the USD net short position is via real money accounts, which are primarily a function of net long EUR positions. Among other accounts, speculators are net long USD11.6bn, while hedge funds are small net long.

USD speculative net longs have declined over the past two weeks but still remain near their highest levels since early 2025, with most of the recent moves among accounts rebuilding short positions. During the war-inspired USD rally, USD short positions had been cut by 1/3.

USD/JPY has shown little reaction to the cooling of tensions having lingered just below 160 since mid-March. What is notable is that the total JPY net position has gone from essentially flat at the start of the war to its deepest net short position since July 2024. Much of that swing has been among speculators. In a year, speculators have gone from extreme JPY net longs, to large JPY net short positions as USD/JPY rallied from 142 to close to 160. The reason that net short positions remain elevated is likely linked to Japan's dependence on imported oil exposure from the Middle East.

USD/CAD peaked in late March, but CAD net positions did not react right away. Instead, CAD net short positions continued to increase into mid-April before starting to roll over in the most recent CFTC report. Speculative accounts drove these moves. Speculative net short CAD positions remain elevated, even though USD/CAD is back to pre-war levels.

AUD pretty much remains the apple of the market's eye. Speculators, real money accounts and hedge funds are all net long AUD. Notably, speculative AUD net long positions have been elevated and quite persistent throughout the period of the Iran war.

Other factors affecting currencies again

That said, geopolitics was not the only factor behind market moves. For example, though USD did not drop back to pre-war levels, there are signs that some currencies beyond to look beyond the geopolitical situation.

For example, look at USD/NOK. During March, there were positive factors for both currencies. USD benefited from safe haven demand, while NOK had a positive oil price story providing support. (there are other things going on as well, for another time.) During March, the safe-haven story seemed to dominate, and USD/NOK rallied slightly. However, since early April, USD/NOK has declined and is now well below its pre-war levels.

Thus, even though oil prices retreated, USD/NOK declined. A hawkish turn by the Norges Bank, in revising its policy rate guidance upward (even as it left its policy rate unchanged on 25 March.) As well, even though oil prices have declined through April, the outlook is for oil prices (particularly Brent) to be much higher this year than had been the case before the war. Lastly, higher inflation readings seemed to justify a more "hawkish" Norges Bank.

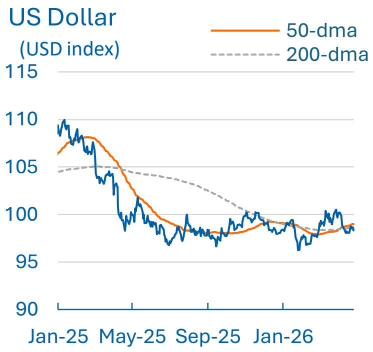
Though geopolitics has receded, fallout from the Iran war points toward a stronger NOK than had been thought the case during much of Q1. The concern now is that NOK might have gone a bit too far. That is not our concern. Instead, we use the move in NOK to highlight that other factors are becoming more important for market dynamics, even though the situation in the Middle East has not been resolved.

	Net positions (USDmn)				Weekly change (USD, mn)					
	Speculators	Real money	Hedge funds	Total	Speculative	Real money	Hedge funds	Total	4 Wk	3 M
CAD	-4,303.2	-130.7	-4,696.8	-9,130.8	1,392.6	1,798.4	-228.5	2,962.5	-8,611.4	-6,009.7
EUR	6,052.8	41,948.5	2,975.9	50,977.3	2,216.3	2,069.7	-766.9	3,519.1	9,949.7	-32,937.1
GBP	-4,378.4	-6,999.1	2,451.5	-8,926.0	250.3	437.2	564.5	1,252.1	2,512.4	-4,244.3
AUD	4,641.1	2,614.1	3,460.2	10,715.3	-16.1	3.1	336.9	323.8	-696.6	8,439.1
NZD	-2,863.4	-2,512.2	-1,067.4	-6,443.0	-367.4	-238.1	-58.3	-663.9	-2,446.0	-388.2
CHF	-5,311.1	-5,980.6	-601.1	-11,892.8	142.0	666.9	-54.0	754.8	-1,811.7	3,815.4
JPY	-2,744.0	-1,129.1	-5,371.6	-9,244.8	-865.6	-340.3	-1,091.0	-2,296.8	-4,179.8	-7,620.2
MXN	1,952.7	1,572.5	1,304.3	4,829.5	244.3	209.3	-96.7	357.0	-163.7	-2,080.0
USD	11,617.2	-29,383.4	1,545.1	-16,221.1	-2,996.3	-4,606.3	1,394.0	-6,208.6	5,447.0	41,025.1

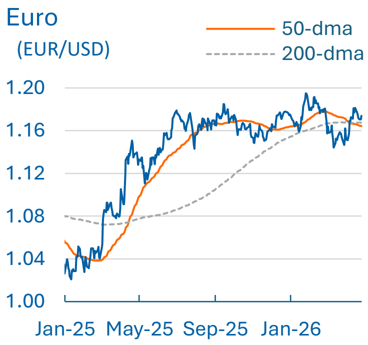
A negative reading implies a net short position in that currency. A positive a net long in that currency.

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

FX markets



Source: CFTC, Watt Strategic Economic Advisors



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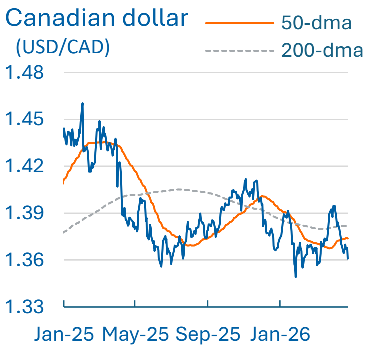

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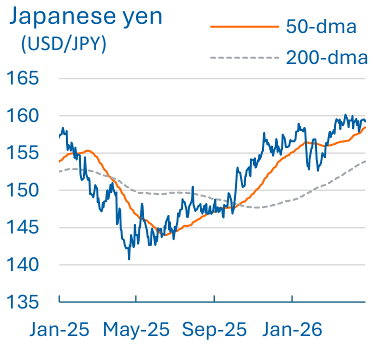

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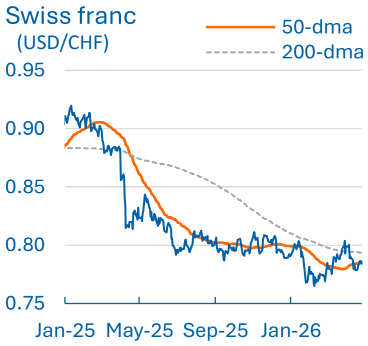

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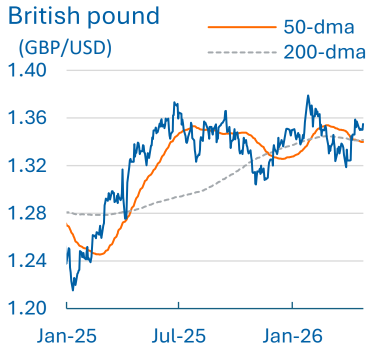

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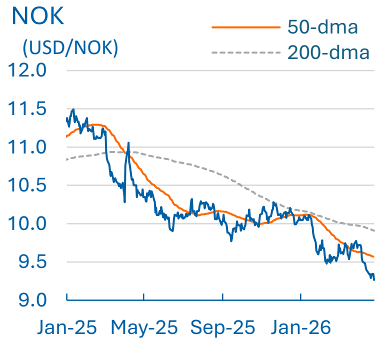
Other prices



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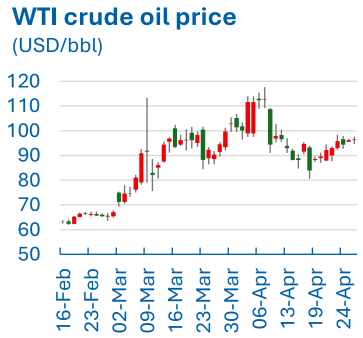

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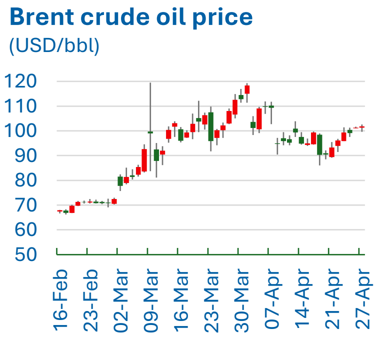

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