

Positions have shifted, even as currencies return to pre-war levels

There might have been a cooling in the hostilities in the Middle East, but the disruptions continued to reverberate through FX market positioning in the most recent CFTC report. In particular, the trend of shifting toward USD continued. This would be represented via either an increase in USD net longs versus a currency, or a decrease in USD net shorts versus others.

As a result of these shifts, the aggregate USD net short position has declined to USD3.7bn — its lowest level since late November 2025. This represents a stark change relative to the extreme aggregate USD net short position of USD86.4bn in mid-February.

Two broad factors explain this shift. First, the downward pressure on USD eased in late January, leading to some short-covering of the extremely short USD position. Second, the late February US-Israeli bombing of Iran sparked a strong move toward safe havens, notably USD.

Movement toward USD looks to run out of momentum

However, recent developments suggest that this re-positioning in FX markets might be largely complete. With the "ceasefire" (which I continue to put in air quotes) seeming to keep aggressive moves at bay, the safe-haven premium in USD seems to be waning. In fact, the USD index has declined to its lowest level since the start of the conflict and is currently testing its 200-dma. Though the Strait of Hormuz remains closed and there is still a great deal of uncertainty regarding the global economic fallout of the conflict, the FX market impact seems to be fading. (That last statement is, of course, conditional, and the range of potential outcomes is wide.)

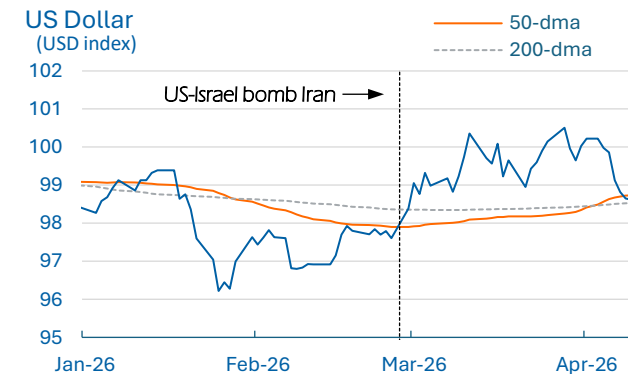
The other side of the positioning shift in USD's favour is that many other currencies have seen positioning go the against them. Take CAD for example. The CAD narrative for some time had been that bearishness was dissipating, so much so that CAD positions shifted net long in mid-February — the first notable CAD net long positions since summer 2022. However, those positive vibes disappeared quickly amid the turbulence in the Middle East. Thus, CAD positions have moved back to being net short. Interestingly, this occurred even as oil prices spiked, reinforcing that CAD is no longer a petrocurrency. Regarding CAD positioning, speculators have switched from net long to net short, while real money accounts have gone from net long to essentially flat.

There has also been a significant change in EUR positions. Overall, positioning is still net long EUR, but the value of those positions has declined from USD95bn in mid-February to USD37bn at present. There has been particularly notable shift in speculative positions from net long 180,000 contracts in mid-February to net short 7,541 contracts most recently CFTC. This was the first time speculative accounts have been net short EUR since early March 2025.

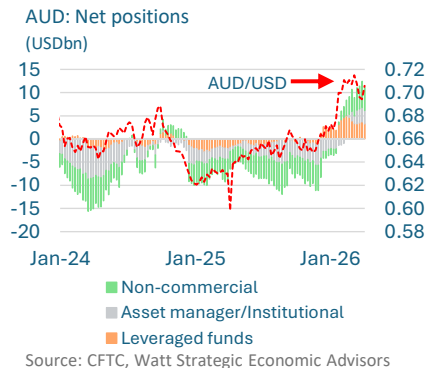
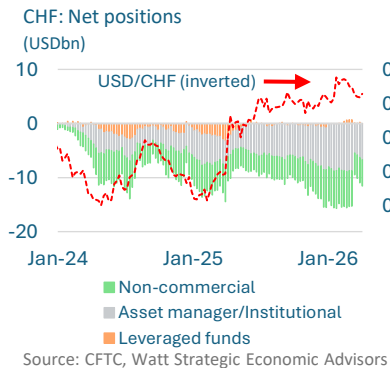
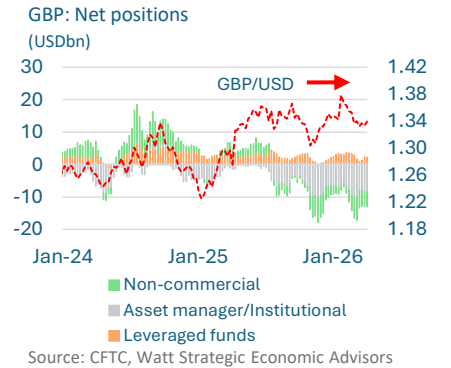
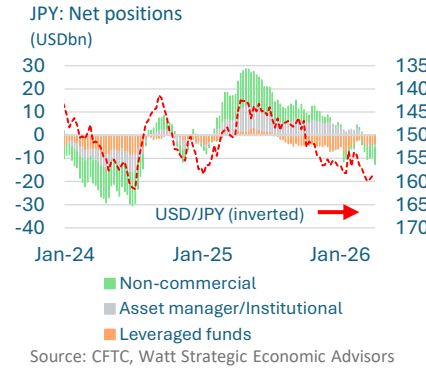
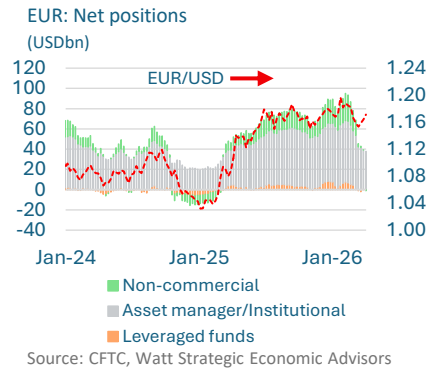
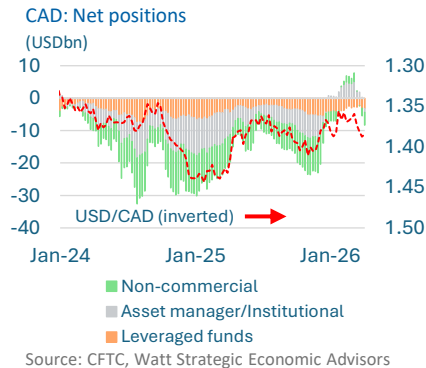
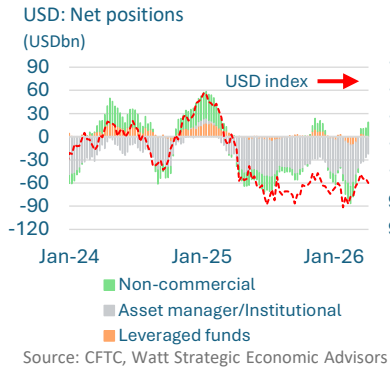
Looking at EUR/USD, we would note that it is back over 1.17, which is close to the level it was trading at before the war.

Meantime, a currency that continues to stand apart from the rest is AUD — significant AUD net long positions stand firm. Speculators hold the largest net long AUD positions valued at USD5bn, with smaller but still net long positions among real money accounts and hedge funds. Interestingly, for the last few weeks, AUD has been the most favoured long among speculators. For months, until the recent shake-out, this crown had been worn by EUR.

In our view, the FX market is unlikely to continue to shift in USD's favour unless there is another solid rally in USD. Short of that we look for FX positions to tread water at current levels. Key to this view is that tensions in the Middle East do not flare up again, a statement that seems largely contingent on the whims of a single individual.



Source: Investing.com, Watt Strategic Economic Advisors

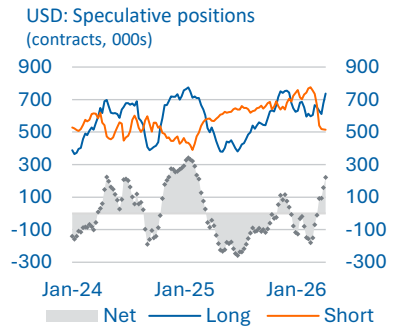


	Net positions (USDmn)				Weekly change (USD, mn)					
	Speculators	Real money	Hedge funds	Total	Speculative	Real money	Hedge funds	Total	4 Wk	3 M
CAD	-4,018.8	-1,148.0	-3,188.0	-8,354.8	-1,663.2	-1,461.4	-95.4	-3,220.0	-13,394.7	-1,873.3
EUR	-1,102.4	37,722.2	128.9	36,748.8	-1,176.0	-692.6	-444.5	-2,313.1	-32,166.6	-45,189.8
GBP	-4,717.5	-8,326.0	2,221.1	-10,822.4	-328.8	135.0	-273.2	-467.0	4,634.9	-5,177.7
AUD	4,998.8	2,876.4	3,240.2	11,115.4	-660.2	-222.5	-409.6	-1,292.3	2,243.3	12,593.4
NZD	-2,100.6	-2,006.3	-921.5	-5,028.4	-456.0	-416.4	102.4	-770.0	-381.8	997.7
CHF	-4,865.3	-6,671.6	-15.4	-11,552.3	-155.5	-395.1	-250.3	-801.0	3,047.9	3,625.0
JPY	-2,744.0	-1,249.6	-4,005.5	-7,999.1	-1,599.0	-962.1	-363.0	-2,924.2	-5,693.9	-3,464.0
MXN	1,646.5	1,026.9	1,564.4	4,237.8	28.2	76.1	83.1	187.4	-946.9	-2,698.4
USD	17,505.8	-22,223.9	975.6	-3,742.4	6,010.4	3,939.1	1,650.5	11,600.1	42,657.8	41,187.1

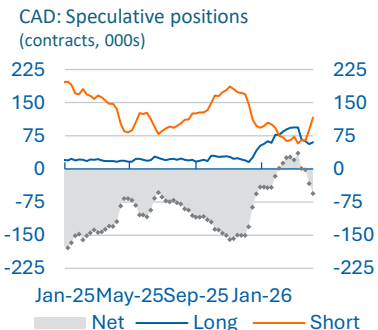
A negative reading implies a net short position in that currency. A positive a net long in that currency.

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

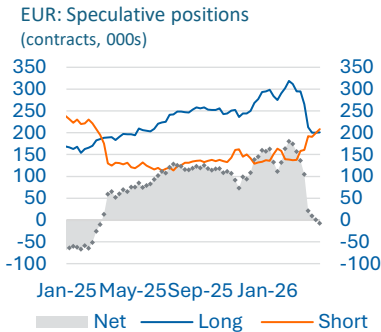
Speculative positions and FX rates



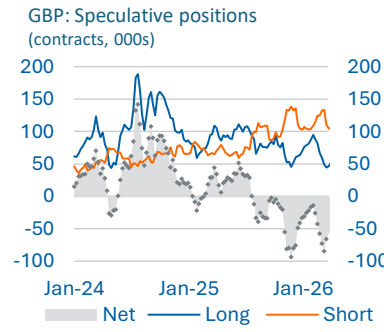
Source: CFTC, Watt Strategic Economic Advisors



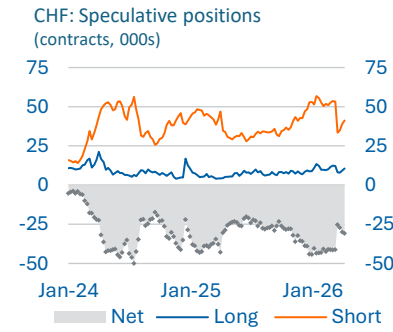
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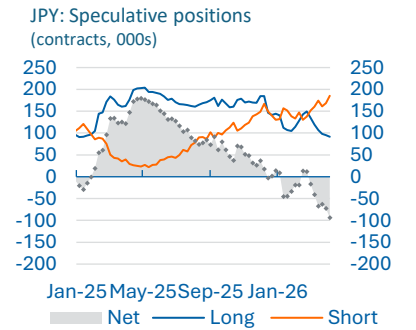
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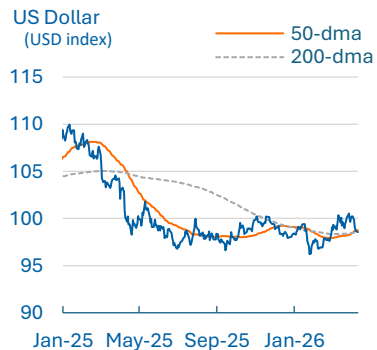
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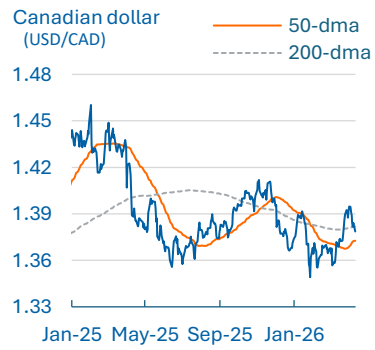
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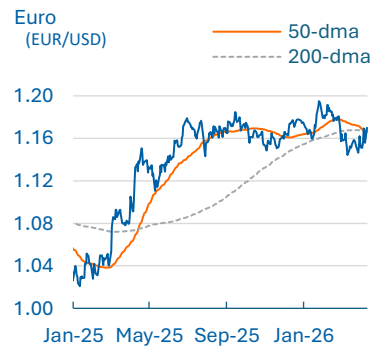
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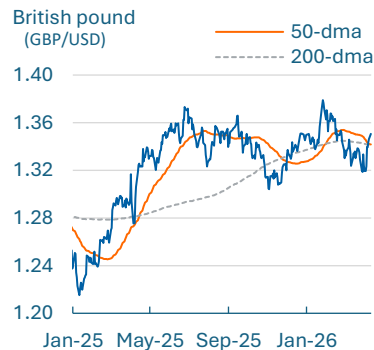
Source: Investing.com



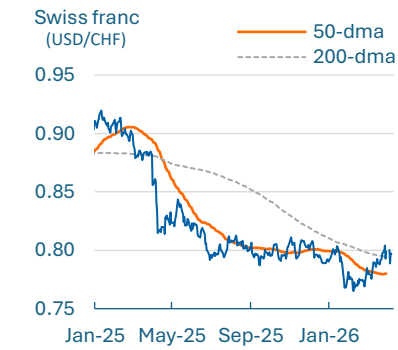
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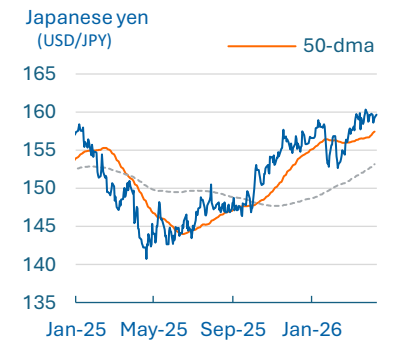
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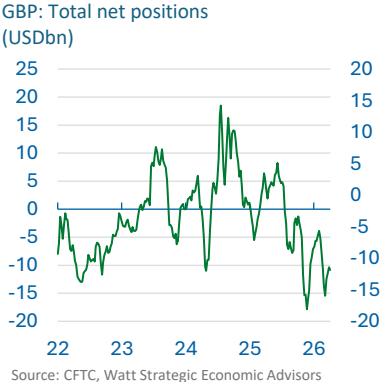
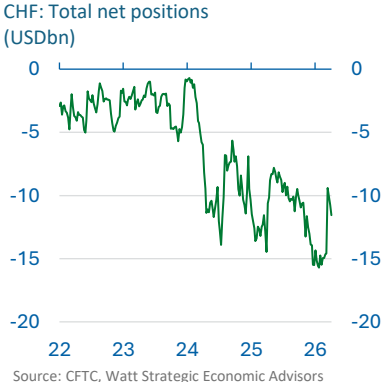
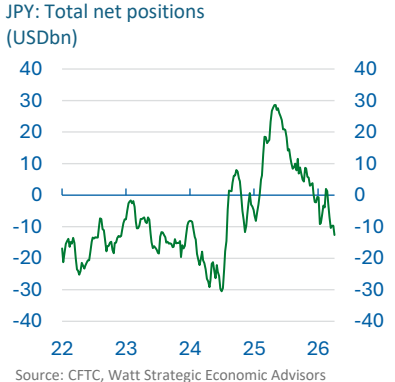
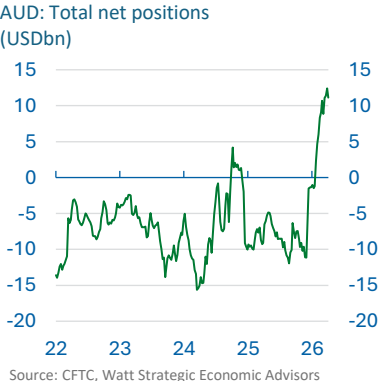
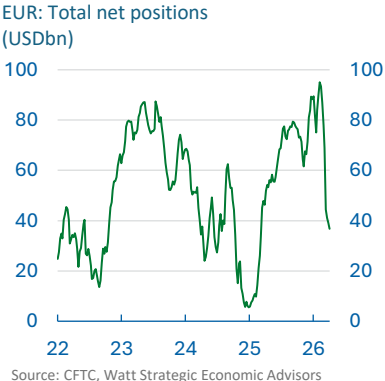
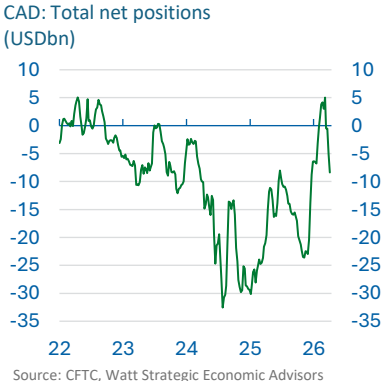
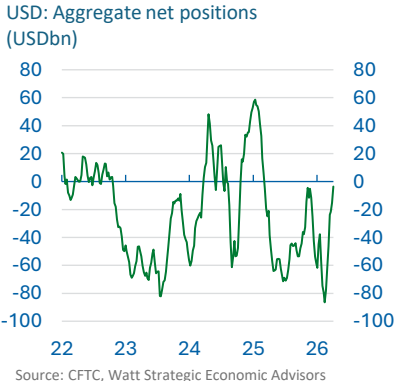


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Net positions (Speculative, Real account, Hedge funds)



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