# Q3 GLOBAL FOREX MARKET REPORT: KEY TRENDS & OUTLOOK

2025

**Christopher Cammack**
**Partner Manager & Senior Financial Analyst**
**FxScouts Group AB**
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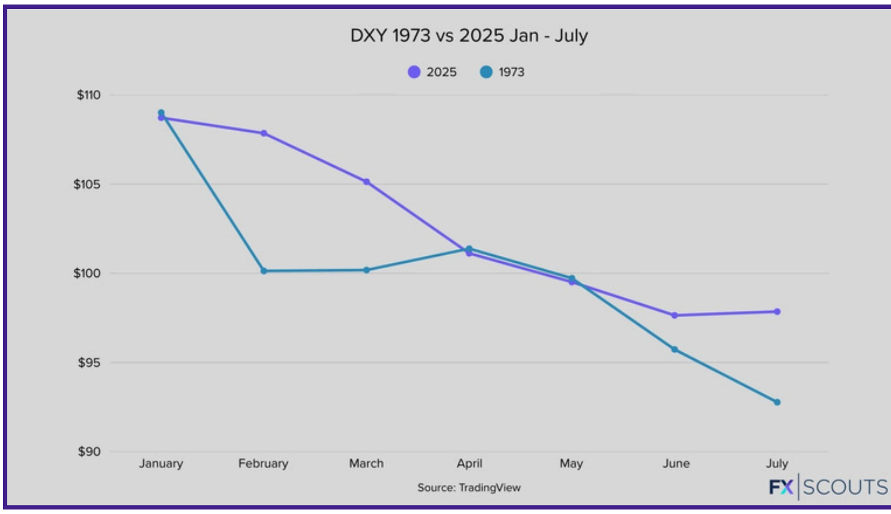
# EXECUTIVE SUMMARY

The third quarter of 2025 was dominated by the U.S. dollar's swings and an accelerating collapse in investor confidence.

Although the dollar's volatility dominated headlines, the broader foreign exchange market told a story of divergence. The euro, badly hit in July by tariff disputes, regained ground in August and September as the Federal Reserve's dovish tilt became the prevailing narrative. Sterling followed a similar path, benefiting from relative policy stability in the UK. The yen enjoyed safe-haven demand through much of the quarter, strengthening significantly against the dollar during August and September. Commodity currencies were the standout performers, rising sharply on the back of both higher commodity prices and the weakening dollar.

Central bank dynamics reinforced these moves. While the Fed became trapped by political pressure and deteriorating data, the ECB and Bank of England continued cautiously along the path of gradual policy normalisation. The Bank of Japan, though less active than earlier in the year, was perceived as a more credible institution in contrast to the politicised Fed.

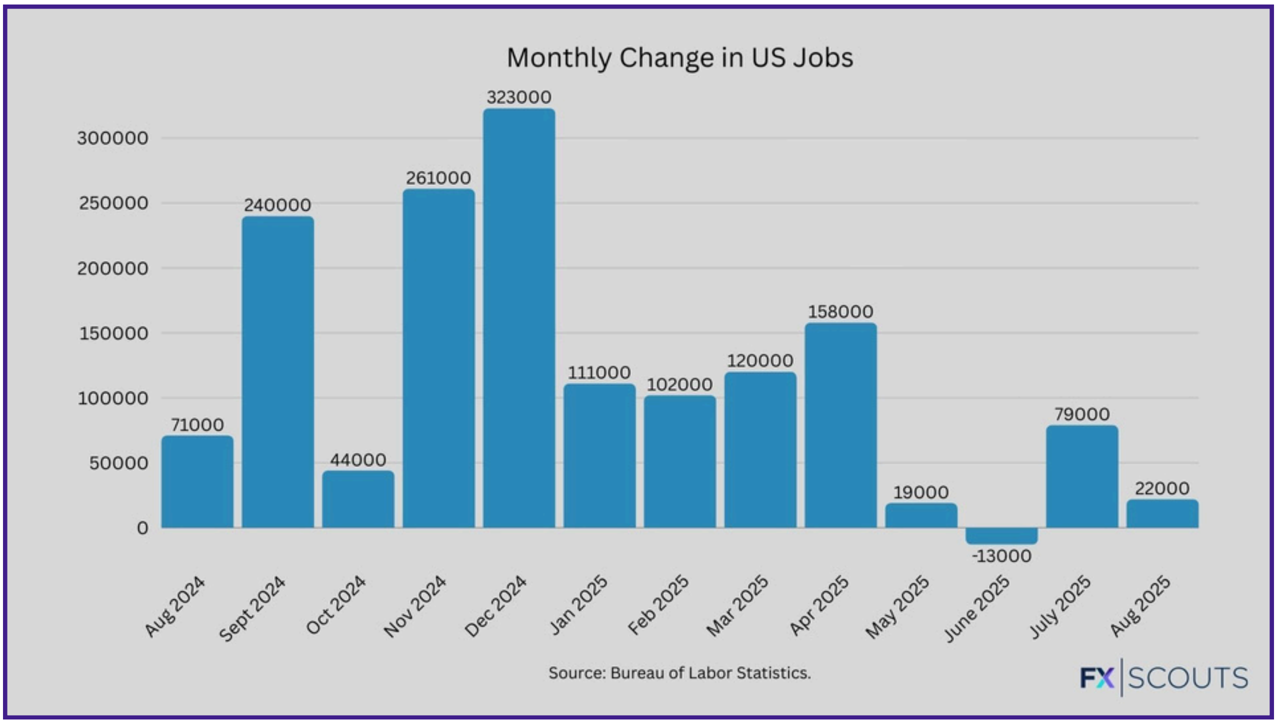
### A SURPRISING REBOUND




After suffering its steepest first-half decline since 1973, the greenback staged a remarkable rebound in July. The dollar index (DXY) gained 3.2 percent — its best month in three years — as Trump's tax cut bill passed and tariff threats of 30 percent or more reignited haven demand. The rally culminated in the U.S.–EU tariff agreement on July 28, which sent EUR/USD down three percent in just three trading days.

### CONFIDENCE CRUMBLES

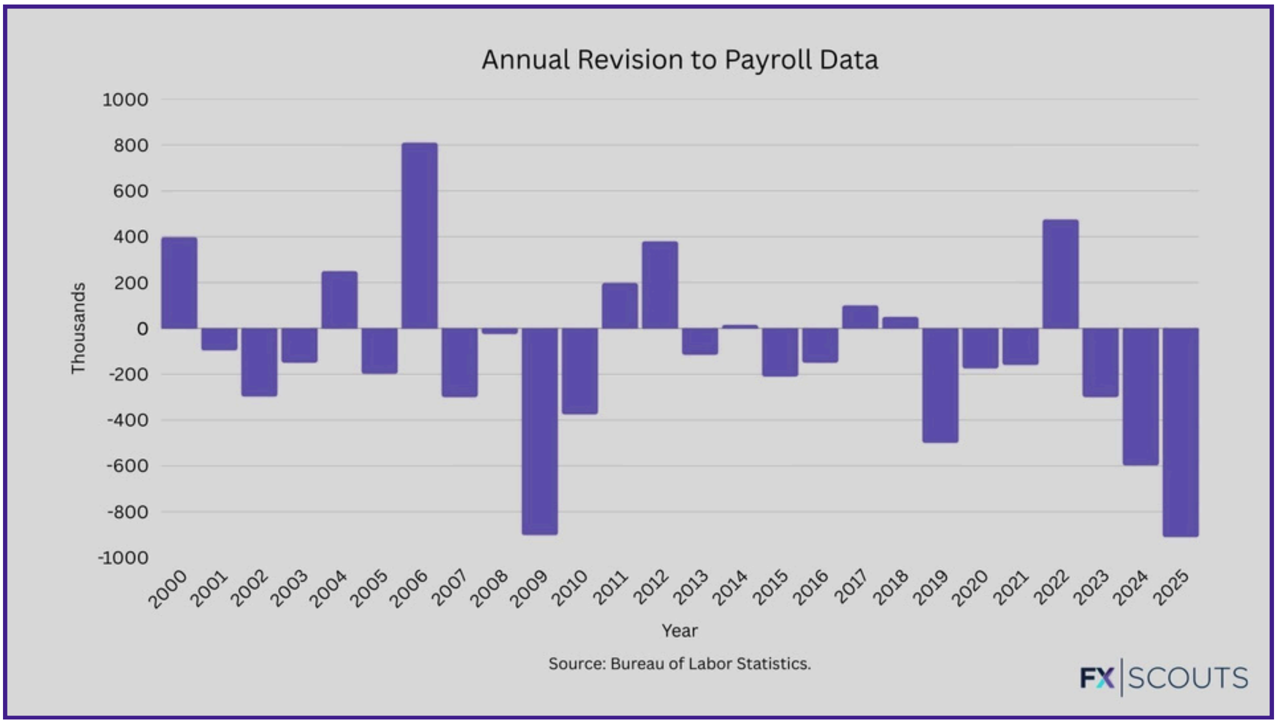
That brief resurgence gave way to crisis in August. The August 1 NFP came in much weaker than expected, while May and June were revised sharply lower. Markets, caught off guard after upbeat earnings and a strong ADP report, immediately priced in a September Fed cut. The dollar fell against all major currencies, with the USD/JPY dropping more than two percent in a single session.




Investor confidence worsened when President Trump dismissed the Bureau of Labor Statistics commissioner, accusing her of fabricating data to make the Republicans and Trump "look bad". Trump's attempt to remove Fed Governor Lisa Cook at the end of August underscored fears over institutional independence, deepening investor concern.

## THE DOLLAR UNDER SIEGE

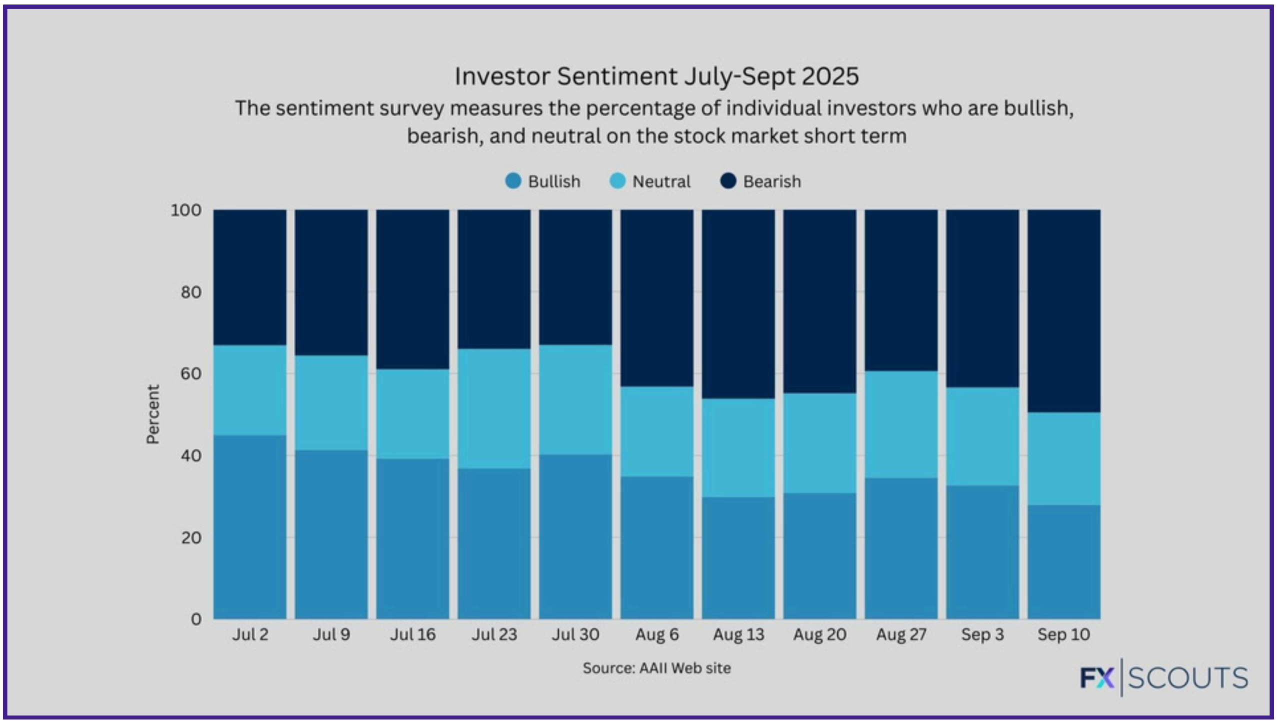
September sealed the quarter's tone. The September 5 NFP showed just 22,000 new jobs against expectations of 75,000, while unemployment rose to 4.3 percent. Four days later, the BLS announced a downward revision of 911,000 jobs, the largest in its history. Traders assigned a 96 percent probability to a Fed rate cut, and the dollar came under sustained pressure. Commodity currencies surged: the Australian and Canadian dollars gained as investors chased higher commodity prices, while the South African rand rallied on renewed inflows. Gold, meanwhile, hit a series of all-time highs as investors sought a haven from dollarised assets.




The Fed's 0.25 percent rate cut on September 17, paired with guidance for two more cuts this year despite inflation projected around 3 percent, only reinforced that rotation. The message was clear: monetary policy was tilting decisively toward growth support, and higher inflation was secondary.

## TRADERS AND INVESTORS LOSE FAITH

The themes of the quarter are clear. Q3 was not about relative growth or interest rate differentials, but about trust. The dollar's credibility eroded with every data shock and political intervention, and global capital responded by seeking alternatives. What began as a technical rebound in July ended in September with the greenback under siege — and other currencies reaping the benefits.



# Q3 MACRO DRIVERS

## KEY MACRO DRIVERS

- **US fiscal policy, especially the deficit-expanding OBBBA tax bill**
- **Political interference with institutions (BLS and Fed), undermining trust**
- **Repeated labour market shocks, culminating in the largest jobs revision on record**
- **The Fed's dovish pivot, in contrast to steadier ECB and BoE policies**
- **Political instability constrained the BoJ, but hawkish bias helped the yen**
- **Gold hitting a series of all-time highs as faith in dollar assets eroded**

## US DOLLAR DYNAMICS

The third quarter began with the dollar in an unexpectedly strong position. July saw the DXY climb 3.2 percent, its best monthly gain in three years, on the back of Trump's tax cut bill and threats of tariffs of 30 percent or more. The political theatre revived haven demand for U.S. assets, and by late July the tariff deal with the European Union had pushed EUR/USD down three percent in just three trading days.

Yet the rebound proved fleeting. August brought a harsh reversal as the Nonfarm Payrolls report came in far weaker than expected, accompanied by steep downward revisions to earlier months. Investors who had been comforted by upbeat earnings and a strong ADP report suddenly saw the rug pulled from under them. Confidence in the dollar evaporated, and investor anxiety only deepened when Trump dismissed the commissioner of the Bureau of Labor Statistics, accusing her of falsifying data. By September, a second consecutive weak NFP and the largest historical jobs revision on record left the dollar under relentless pressure. The Fed's subsequent rate cut, despite inflation still running at 3 percent, underscored the perception that independence had been sacrificed to politics.

## CENTRAL BANK DIVERGENCE

The Federal Reserve's dovish turn stood in stark contrast to its peers. While the Fed was forced into easing under the weight of weak data and political interference, the European Central Bank and the Bank of England continued cautiously with policy normalisation. That relative steadiness lent credibility to the euro and sterling, which both gained ground through August and September.

The Bank of Japan, quieter than earlier in the year, was regarded as more credible than the politicised Fed, and the yen has held steady as a safe-haven play. But politics in Tokyo complicated the picture. Prime Minister Ishiba's abrupt resignation in September has likely ushered in a period of political deadlock. The instability left markets convinced the BoJ would keep its benchmark rate around 0.5% until clarity emerges.

Yet Governor Kazuo Ueda has consistently warned that if inflation proves sticky, the bank will not hesitate to tighten further. The result is a central bank seen as cautious but not dovish — a stance that has limited yen weakness even as other currencies gained ground.

## POLITICAL AND FISCAL PRESSURE IN THE US

Underlying the market's discomfort was Washington's fiscal and political agenda. The OBBBA tax bill, projected to add $2.8 trillion to the deficit by 2034, raised alarms about U.S. debt sustainability. Tariff policy oscillated between threat and deal-making, with July's agreement offering a short-term boost but longer-term fears of inflationary pressure. More damaging still were Trump's attempts to reshape supposedly independent institutions — firing the BLS commissioner and trying to remove a Fed governor — which crystallised investor fears that policy stability could no longer be relied upon.

## LABOUR MARKET WEAKNESS

The labour market became the quarter's central narrative. August's disappointing jobs numbers were compounded by downward revisions to May and June. September's NFP then delivered a devastating blow, with just 22,000 jobs added and unemployment ticking up to 4.3 percent. Days later, the Bureau of Labor Statistics announced a downward revision of 911,000 jobs across the previous year, the largest in its history. These shocks forced investors to reprice Fed policy dramatically, cementing expectations of easing and sending the dollar lower against all major currencies.

## COMMODITY PRICES AND FLOWS

As the dollar faltered, commodity-linked currencies surged. The Australian and Canadian dollars gained. The South African rand joined the rally as capital inflows returned. Gold repeatedly broke records, underscoring how profoundly investor trust in dollar-denominated assets had eroded.

## SAFE-HAVEN AND RELATIVE WINNERS

While the dollar faltered, safe-haven demand rotated into currencies and assets seen as more stable. The yen gained renewed support, not just from US weakness but from Japan's own credibility advantage.

Political instability following Prime Minister Ishiba's resignation constrained the BoJ from tightening further, but Governor Ueda signalled that sticky inflation could still prompt future hikes. That combination of political caution and policy intent kept the yen resilient.

Sterling and the euro recovered much of the ground lost in July, supported by policy stability in London and Brussels. Meanwhile gold hit a series of record highs as the dollar weakened and investors sought a haven from US instability.

# TECHNICAL ANALYSIS

## EUR/USD

EUR/USD seems like it’s getting ready to break out after a few sessions of stabilising. The 2025 ceiling at 1.1877 (September 17) is where initial resistance lies, ahead of the psychologically important 1.2000 round level.

On the other hand, the 50-day Exponential Moving Average (EMA) at 1.1669 is expected to offer provisional support, ahead of the early-August base around 1.1514 and the deeper support near 1.1442 (the 23.6% retracement of the May–July advance).

Momentum indicators imply that the market is still trending up, although not very strongly. The Relative Strength Index (RSI-14) has slipped back to around 52, which means buyers are only marginally in charge. However, the Average Directional Index (ADX-14), at about 16.8, shows that the trend remains juiceless.

**Since July:** A tariff scare in mid-July knocked the euro and kept EUR/USD capped below 1.1760. The late-July ECB hold steadied the pair, and early-August softness in U.S. labour data nudged it higher. The weak August payrolls (only 22k jobs; U/E up) sparked a clean break above 1.1760, carrying price into 1.18s. Sticky U.S. CPI on September 10 prompted a brief dip, but ECB hawkish pushback restored support ahead of the September 17 Fed cut, which propelled the spike to 1.1877. Elevated U.S. claims the next day kept the dollar soft, though supply around 1.183–1.188 triggered profit-taking, bringing price back to 1.1760—the present pivot.

## USD/JPY

USD/JPY seems like it's getting ready to break out after a few sessions of stabilising. The 2025 ceiling at 150.90 (August 1) is where initial resistance lies, prior to the key 151.00 round level. A nearer cap sits at the 23.6% retracement at 148.97, which price is probing.

On the other hand, the 0.382 Fib at 147.77 together with the 200-EMA at 147.83 and the 50-EMA at 147.31 is expected to offer provisional support, ahead of the mid-range shelf at 146.80 (0.5 Fib) and the deeper support at 145.84 (0.618 Fib). Below that, 144.46 (0.786) and the July floor near 142.70 are the defensive lines.

Momentum indicators imply that the market is still trending upwards, although not very strongly. The Relative Strength Index (RSI-14) has ticked up to around 55, which means buyers are still marginally in charge. However, the Average Directional Index (ADX-14), just above 11, shows that the trend remains weak.

**Since July:** Tariff headlines in early July (proposed ~25% U.S. levies on Japanese imports) pushed investors to sell JPY, while fading BoJ-hike expectations and firm U.S. yields widened differentials in favour of the USD—driving USD/JPY higher.

The move accelerated into an early-August spike toward ~150.90, before a sharp reversal and then a sideways range developed between roughly 146.8 and 149.0 as the market weighed a partial tariff relief (July 23 auto-tariff cut to ~15%), mixed global growth signals, and BoJ caution. Through August–September, dips repeatedly found demand around the 147.3–147.8 EMA/Fib cluster, keeping the pair buoyant; with ADX low, break attempts have been choppy, but a daily close above 148.97 would put 150.90/151.00 back in play.

## XAU/USD

Gold (XAU/USD) seems like it's extending its breakout after a steady grind higher. The immediate ceiling is the $3,722–3,725 record area (today's intraday high), prior to the key $3,750 round level and then $3,800.

On the other hand, the 50-day EMA at $3,483 is expected to offer provisional contention, ahead of the $3,672–3,670 band and the $3,628–3,626 flag breakout level. Below that, supports line up at $3,600, $3,563–3,562, and $3,511–3,510; the 200-day EMA sits far below at $3,182, underscoring a firmly bullish medium-term backdrop.

Momentum indicators imply that the market is trending positive and strongly. The RSI-14 is around 76, signalling overbought conditions but clear buyer control. Meanwhile, the ADX-14 near 45 points to a robust, directional trend—even if the setup is stretched and vulnerable to brief shakeouts.

**Since July:** A July 1–2 U.S. fiscal package and weak ADP stoked deficit/inflation worries and earlier Fed-cut expectations, lifting gold. Early–mid July tariff salvos fuelled risk-off and safe-haven demand. Into late July, partial trade détente and steadier Fed guidance cooled momentum into a brief consolidation. On Aug 7, new U.S. tariffs on India reignited bids; through August a softer USD, persistent geopolitical frictions, and strong ETF inflows underpinned a steady grind higher. Early September, fears of slowing U.S. growth and tariff-driven inflation plus rising cut bets propelled fresh records (~$3,562 on Sept 3). The Sept 17 Fed’s 25 bp cut extended gains and, with real yields slipping and geopolitics simmering, the run carried above $3,700; with ADX elevated and RSI overbought, dips into $3,672–3,670 / $3,628–3,626 have been bought, and a daily close above ~$3,725 would put $3,750/$3,800 back in play.

# Q4 OUTLOOK

## 01 Pressure Mounts on the USD

- The September rate cut was only the start. With the labour market continuing to weaken, the Fed will face pressure to ease further
- Tariffs will start to filter through to consumer prices and business costs. This will complicate the Fed's path, as it balances slowing growth with inflation.
- Global investors will remain wary of the dollar, citing rate divergence and the unpredictability of the Trump administration.

## 02 Gold: A Safe Haven in Demand

- Gold's rally is unlikely to fade
- Conflict, political uncertainty, and a weakening dollar provide powerful tailwinds
- With real yields under pressure and investors seeking safety, the metal is expected to grind higher through Q4.

## 03 Euro: Gaining Ground

- The euro stands to benefit from dollar weakness.
- The ECB has finished cutting rates and signalled stability ahead.
- With monetary policy steady and growth risks already priced in, EUR/USD is expected to edge higher into year-end.

## 04 Sterling: A Quiet Gainer

- The pound should advance against the dollar, downside risk of investor concerns on growth may complicate the picture.
- The Bank of England is likely to keep rates unchanged despite the awkward mix of high inflation and weak growth.
- Relative policy stability, coupled with US easing, favours further GBP/USD gains.

# Q4 OUTLOOK

**05**

### Yen: Waiting on the BoJ

- USD/JPY is likely to remain rangebound.
- If the Bank of Japan surprises with a rate hike in October, the yen will strengthen sharply, pushing USD/JPY lower.
- If not, the pair is expected to stay largely flat, supported by rate differentials.

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### Emerging Markets: Tailwinds from a Weaker Dollar

- Emerging-market currencies should broadly perform well.
- South African rand (ZAR): A standout candidate, buoyed by rising gold prices and global risk appetite.
- Broader EM will benefit from both a softer dollar and positive rate divergence, as many EM central banks hold higher yields relative to the Fed.

## Conclusion:

Overall, we expect the forex market in Q4 to be dominated by worsening economic conditions in the United States. Higher inflation, further rate cuts as the labour market slows, and continued political interference will weigh on the dollar and provide support for other major currencies.

# EUR/USD TIMELINE

- **July 14, 2025 –** Reports of possible 30% US tariffs on EU imports raise concerns about Eurozone exports and growth, weighing on the euro.
- **July 24, 2025 –** ECB meeting: rates left unchanged. Euro supported by no fresh dovish shift.
- **July 28, 2025 –** EU/US agree a 15% tariff on imports, EUR/USD falls 3%
- **August 1, 2025 –** US labour market slows unexpectedly, shifting Fed cut expectations upward. EUR/USD gains 2.7% in a week.
- **August 22, 2025 –** Jay Powell signals rate cuts at Jackson Hole, EUR/USD climbs 1.3%
- **September 5, 202**5 - Only 22,000 jobs added in the US in August, unemployment rose to 4.3%. EUR/USD continues to gain
- **September 11, 2025 –** ECB keeps interest rates on hold
- **September 12, 2025 –** ECB's Joachim Nagel warned that further rate cuts would threaten price stability, signalling resistance to easing. EUR/USD climbs throughout the week as traders price in rate divergence.
- **September 17, 2025 –** Federal Reserve cut rates by 25 bps, its first cut of 2025, and signalled more cuts to come. EUR gains then falls, analysts divided on Fed messaging.

# USD/JPY TIMELINE

- **Early July, 2025 –** USD/JPY gains 4% as flight to haven and tariff threats weaken demand for the yen
- **July 23, 2025 –** US and Japan sign trade deal capping tariffs at 15%, including for autos. Global stock and USD/JPY rally.
- **July 31, 2025 –** Bank of Japan (BoJ) holds rates steady and signals limited tightening. This weakened the yen, keeping USD/JPY elevated.
- **1 August, 2025 –** Shock NFP sends USD down against all major currencies. USD/JPY falls 2.6%
- **22 August, 2025 –** Powell's Jackson Hole speech, signalling further rate cuts, pushes USD/JPY lower
- **7 September, 2025 –** Japanese Prime Minister Shigeru Ishiba resigns as LDP leader and PM. Political uncertainty causes brief yen rally on haven demand.
- **17 September, 2025 –** Federal Reserve cut rates by 25 bps. USD/JPY pushes higher as trader consensus is that the Fed are not dovish enough.
- **19 September, 2025 –** BoJ held rates but announced it would begin selling ETFs and J-REITs.

# GBP/USD TIMELINE

- **1 July, 2025** – The British pound surged to its highest level of the year, reaching $1.3743, driven by strong UK economic data and market expectations of continued Bank of England (BoE) rate hikes.
- **14-23 July, 2025** – Sterling strengthens as global market optimism rebounds following the U.S.–Japan trade deal.
- **28 July, 2025** – GBP/USD falls as EU–US trade deal buoys the dollar.
- **1 August, 2025** – GBP/USD gains as NFP comes in below expectations
- **7 August, 2025** – The Bank of England cut interest rates by 25 basis points to 4%, aiming to support economic growth amid persistent inflation. GBP/USD continues to rise due to hawkish BoE commentary
- **27 August, 2025** – Sterling slides 1.5% against the dollar as thirty-year gilt yields rise to 5.723%, their highest since May 1998, reflecting investor anxiety about the UK government's fiscal plans.
- **18 September, 2025** – The Bank of England holds rates steady at 4%, citing persistent inflation and economic uncertainty. The pound falls as markets anticipated further tightening.
- **19 September, 2025** – Data shows that UK public borrowing surged to £18 billion in August, way above expectations, raising concerns about fiscal health and weighing on the pound.

# AUD/USD TIMELINE

- **8 July, 2025 –** The Reserve Bank of Australia (RBA) held rates steady at 3.85% in a split vote. The decision not to cut in July kept the Australian dollar steady to firm.
- **15-24 July, 2025 –** Iron prices rallies to multi-month highs and global risk sentiment improves, AUD/USD rises to 0.662, highest in eight months.
- **8 August, 2025 –** Markets price in 90% odds of an RBA rate cut at the next meeting, putting pressure on the Australian dollar.
- **12 August, 2025 –** The RBA cut rates by 25 basis points to 3.60%. With no aggressive dovish signals, AUD/USD reaction is muted.
- **27 August, 2025 –** Australian CPI for July at 2.8% year-on-year, boosted by a spike in electricity costs. Stronger-than-expected inflation lends support to the Australian dollar.
- **10-16 September, 2025 –** The U.S. dollar weakens on expectations of Fed easing, helping AUD/USD climb to 0.667, a ten-month high.
- **17 September, 2025 –** The Federal Reserve cut rates by 25 basis points.
- **18 September, 2025 –** Australian jobs data showed a loss of 5,400 positions and unemployment rising to 4.2%, AUD falls.

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### Contact

**Address:**
FxScouts Group AB
Östra Kyrkogatan 8, 611 34
Nyköping, Sweden

**Email:**
General Inquiries: forexmasters@fxscouts.com
Partnerships / Media: chris@fxscouts.com

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