DXY Rebounds to 19-Month Highs

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- **Today, the dollar, measured through the DXY index, soared to the 102.96 mark, which implied a maximum level since April 2025.**
- **The hawkish tone among some FOMC members, combined with geopolitical uncertainty and a marginal moderation in US inflation in October, supports the US dollar's advance.**
- **Investors are currently anticipating three 25-bps increases over the Fed's federal funds rate target range between now and June 2027.**

In the session, the foreign exchange market has reflected high volatility in line with the generalized strengthening of the U.S. dollar, as the DXY index registered an advance of 0.7% compared to the previous close and marked a maximum since April 10th, 2025, at 102.96 units. With this, all currencies in the G10 basket operate with losses, while 48% of the currencies of developed economies also give ground. This corresponds to the following factors: i) the recent report of consumer inflation in the US; ii) the constant geopolitical uncertainty, and iii) investors' expectations about the direction of the Fed's monetary policy.

In October, consumer inflation in the US registered a monthly increase of 0.4%, compared to 0.6% in the previous month, but was above market forecasts of 0.3%. Domestically, the core component remained unchanged at 0.3%, as both goods and services registered a moderation, although the latter continued to show some persistence. Housing costs remained a relevant source of pressure. In addition, it should be noted that the annual changes for October 2026 were not published, since the Bureau of Labor Statistics did not collect information in October 2025 due to the interruption of the U.S. government's budget allocations.

Spot DXY Index: Daily Candlestick Chart (19 Months)



Fuente: TradingView.

On the geopolitical front, Iranian officials said they would not stop their nuclear program with enriched uranium, an aspect that mitigated investors' recent optimism about a possible progress in diplomatic negotiations. Thus, the benchmarks of crude oil WTI and Brent started the session with an average increase of 1.7%, which raised concerns about possible additional pressures on inflation in the short term.

Finally, recent comments by some Fed members, in line with the global context of uncertainty about the direction of inflation and tensions in the Middle East, prompted the reconfiguration of investor expectations about the upcoming adjustments to the target range of the federal funds rate. Yesterday, Christopher Waller, governor of the Federal Reserve, backed their intention to contain price pressures, warning that, if necessary, they could increase the interest rate by 50 bps. Likewise, Dallas Fed President Lorie Logan commented that faster rate hikes may be needed and that after two more increases they could pause.

What to expect?

The above factors maintain a state of caution among investors, as the futures market is already fully discounting a 25-bps increase by the Fed for the last meeting of 2026, as well as another in March and an additional one in June. In addition, traders' attention will continue to be on the upcoming comments from FOMC members, as more voting officials will participate in monetary policy meetings in the following sessions, so a more restrictive line could continue to favor the dollar in the short term.

Regarding the USD/MXN exchange rate, the significant rebound of the dollar did not translate to the peso by the same magnitude, since, given the U.S. holiday in the bond market for Veterans Day, investors preferred to rotate out of other currencies of developed economies towards the U.S. dollar. However, the expectation of a more compact interest rate differential between Mexico and the U.S., as well as no progress in the diplomatic negotiations between Washington and Tehran, will support the expectation of continuation in the current trend of parity, or a sideways consolidation. With this, we locate resistances at $18.73, $18.84 and $18.96, while supports are located at $18.50 (key level to confirm a lower close), $18.43 and $18.35.

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