Global Risk and Volatility Thermometer

November 20th, 2026

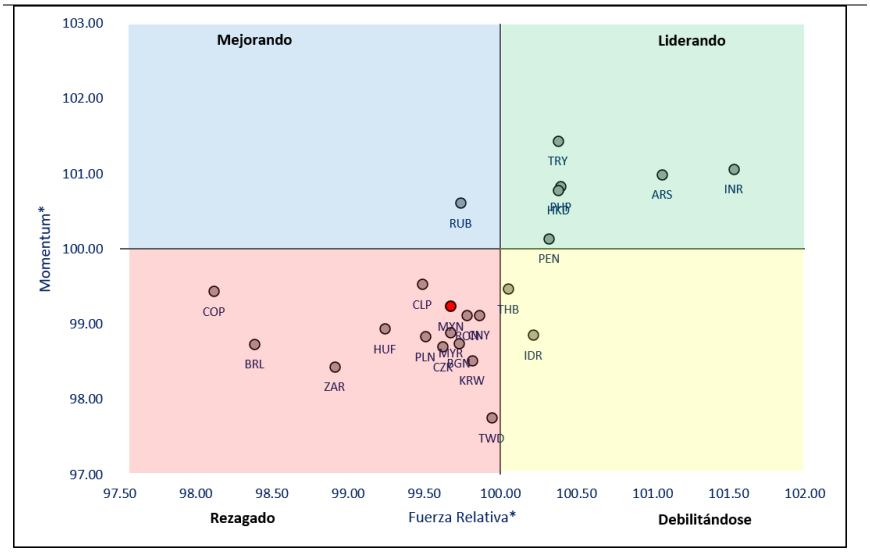
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- **Expectations of further increases from the Fed and the narrowing of global rate spreads have tempered the appetite for *carry trade*, putting pressure on emerging market currencies.**
- **The rebound of the VIX and VVIX to 36.2 and 138.3 points, respectively, confirms the transition to a risk-averse environment in the US stock market. Nevertheless, the SKEW index shows a moderation in relative demand for *put out-of-the-money options*.**
- **Ahead of the Fed's monetary policy meeting on December 9th, we anticipate strength for the dollar and increased risk aversion.**

So far this month, the global currency market has shown defensive moves by investors, as 65% of emerging market currencies have retreated against the dollar. In its monthly comparison, the dollar, measured through the DXY Index, shows an appreciation of 1.9%, supported by the reshaping of investors' expectations about the Fed's monetary policy direction, short-term inflation concerns, and reduced appeal for *carry trade strategies*.

In a sample of 23 emerging economy currencies, those that have recorded the greatest slowdown and the lowest relative strength[1] against the US bill compared to the October close are the BRL and TWD; while those with the best metrics are the INR and ARS. Regarding the MXN, within a relative rotation chart that measures *momentum*[2] (vertical axis) and the currency's performance against the dollar (horizontal axis), the currency is positioned in the Lag quadrant, given the slowdown in its trend and losses of 1.0% against the US bill during the 3 weeks so far of the month. However, considering that currency depreciations against the dollar have moderated and their trend has accelerated compared to previous months, the Mexican peso ranks third in the sample with better metrics.

Weekly chart of relative rotation of emerging market currencies against the DXY



Source: Own elaboration with Bloomberg data

Weekly range in terms of relative strength[1] and *momentum*[2]

Currency	Key	Ranking
Indian rupee	INR	1
Argentine peso	ARS	2
Mexican peso	MXN	3
Peruvian sun	PEN	4
Turkish lira	TRY	5
Romanian lion	RON	6
Czech koruna	CZK	7
Hong Kong Dollar	HKD	8
Chilean peso	CLP	9
Philippine peso	PHP	10
Bulgarian levy	BGN	11
Colombian peso	COP	12
Rupia indonesia	IDR	13
Thai baht	THB	14
Polish zloty	PLN	15
Forint Húngaro	HUF	16
Ringgit malayo	MYR	17
Chinese yuan	CNY	18
South African rand	DICE	19
Russian ruble	RUB	20
South Korean won	KRW	21
Taiwanese dollar	TWD	22
Brazilian real	BRL	23

Source: Own elaboration with data from Bloomberg.
[1] Performance of the currency against the dollar; indicates whether the pair is gaining or losing value.
[2] Measures the acceleration of the change in relative force; indicates whether the trend of the pair gains or

Implied volatility of the global currency market

In weekly terms, implied volatility curves recorded upward movements in the short segment (one-week to one-month nodes), as expectations of fluctuations increased, mostly for emerging market currencies, while developed economy currencies showed resilience against the dollar. MXN recorded the largest weekly increase at its one-month node, due to the accelerated close of *carry trade positions* and commercial uncertainty with the US.

Changes in one-month I.V. nodes by currency against the dollar (pp)

Divisa	1D	1W	1M	YTD	12M
MXN	0.32	2.16	-1.81	4.65	3.42
ZAR	-0.03	2.04	2.32	4.08	2.75
BRL	-0.02	1.50	-8.90	2.82	3.86
JPY	0.70	0.70	0.21	-0.51	-2.30
ARS	0.31	0.64	-2.74	3.17	3.49
CHF	0.30	0.47	0.05	0.75	0.08
GBP	0.09	0.39	-0.09	0.37	-1.14
CAD	0.07	0.34	0.09	0.13	0.36
NOK	0.03	0.24	0.09	0.99	0.18
TWD	0.09	0.17	0.07	-0.69	-0.44
COP	0.54	0.16	0.42	1.25	2.82
RUB	-0.23	0.05	-0.10	-0.66	1.22
SGD	0.08	0.04	-0.19	-0.04	-0.51
EUR	0.01	0.01	-0.61	0.74	0.16
SEK	0.01	0.01	-1.01	0.77	0.28
KRW	0.10	-0.16	-0.33	1.02	1.69

Source: Own elaboration with Bloomberg data

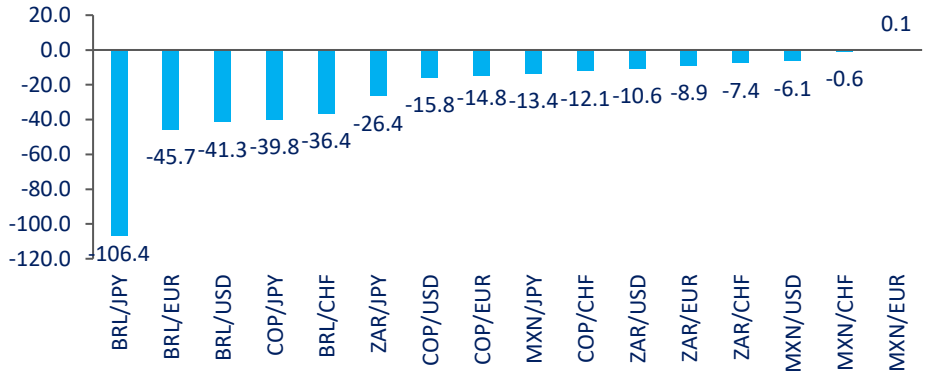
Performance of *carry trade strategies*

In its monthly comparison, the performance of *carry trade* strategies funded by currencies from developed economies and invested in rates from emerging economies reflected a transition phase by traders, amid expectations of a more restrictive Fed, ahead of the monetary policy meeting on December 9th. Political and fiscal concerns in Brazil and Colombia drove the closing of positions in their currencies (BRL and COP, respectively); meanwhile, the South African rand (ZAR) was pressured by the drop in gold prices to a 14-month low, as it is one of South Africa's main exports. Regarding the Mexican peso, the divergence between Banxico's monetary policy and the Fed compressed the interest rate differential to historic lows, reducing appetite for the local currency.

In the last 30 days, the return indices of *the carry trade* with BRL led the declines, mainly in strategies funded by JPY, which fell 106.4 points. Likewise, operations with COP and ZAR showed negative returns, while investor turnover outside these currencies generated mixed results among those with Mexican pesos. The carry earnings index between MXN and EUR showed a marginal monthly increase of 0.1 points; in contrast, financing with JPY, USD, and CHF showed losses of 13.4, 6.1, and 0.6 points, respectively, in the same period.

This, beyond suggesting a relative appeal for the Mexican peso, shows a moderation in investors' appetite for this type of operation, in line with expectations of further increases in benchmark interest rates in developed economies. In this regard, we believe that the attractiveness of *carry trade* will remain under pressure heading into December, pending new economic projections from the FOMC and monetary policy adjustments from the ECB and BoJ, which could also disadvantage emerging market currencies.

Monthly changes in *carry trade strategy returns* [1]



Source: Own elaboration with data from Bloomberg.

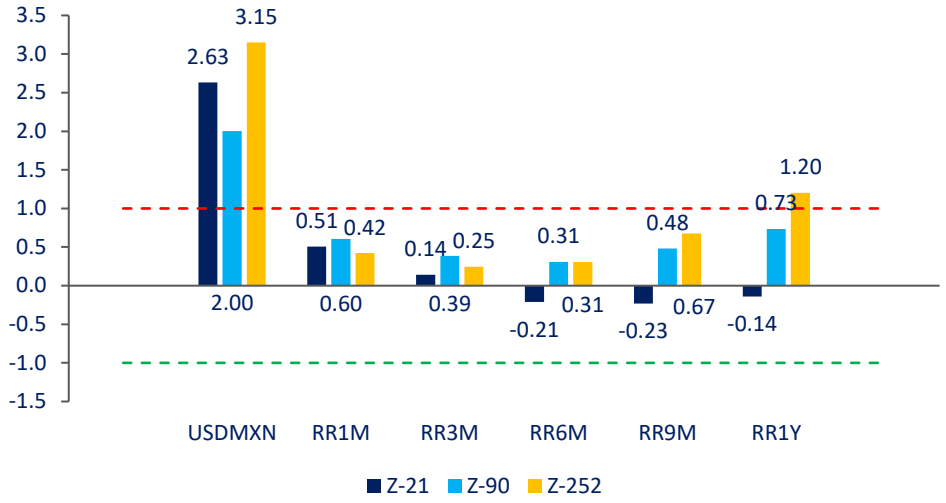
[1] Strategies invested in the base currency and funded in the quoted currency. For example, MXN/CHF is financed in Swiss francs to invest in Mexican pesos

Metrics in the derivatives market

Risk Reversal (RR), a metric that calculates the difference in implied volatility between a call option and a put option with the same delta (25); in this way, the asymmetry (market direction expectation) on an asset can be measured. For emerging market pairs like USD/MXN, RR usually trades in positive territory reflecting that the market demands a significantly higher premium to hedge against a strengthening dollar against an emerging currency. An upward trend in RR, converged with an acceleration in the exchange rate, allows validation of whether the movement is supported by greater demand for bullish dollar options against the peso. In contrast, a divergence between the two may suggest that the equity has less backing in the options market, consistent with a short-term correction or consolidation scenario.

To identify whether current premium levels deviate from their historical behavior, we calculate Z-Scores, an indicator that measures how many standard deviations the current value deviates from its moving average over horizons of 21 sessions for the short term, 90 sessions for the medium term, and 252 sessions for the long term.

Z-Scores for RR at different maturities and USD/MXN



Source: Own elaboration with data from Bloomberg.

A Z-Score measures how many standard deviations the current value is from its average (Z-21d: 1 month, Z-90d: 1 quarter, Z-252d: 1 year). A positive value indicates that the perceived volatility or risk is above its average; a negative value that is below.

Under this methodology, the RR curve of USD/MXN confirms that the exchange rate rebounded significantly compared to its short- and medium-term averages (Z-21 of 2.63 and Z-90 of 2.00). Meanwhile, the RR curve shows a recent increase for short- and medium-term options, with values of 0.51 and 0.14 for Z-21 at the 1- and 3-month nodes, which validates the recent rebound in the parity. However, the 6, 9, and 12-month RRs are trading in negative territory, indicating that demand for hedges against possible exchange rate hikes during 1H-27 remains contained.

Part of this adjustment coincides with the sense of caution ahead of the Fed's monetary policy meeting in December, as well as the global episode of risk aversion and lower appetite for *carry trade* strategies. Thus, we can reaffirm the expectation of continued bullish growth for the USD/MXN exchange rate in the short term, validated by both *technical momentum* oscillators and options market volume.

Regarding other pairs, the convergence of the metrics and the price trend support the forecast of continued short-term bullish holding for USD/ZAR and USD/COP. On the other hand, EUR/USD, GBP/USD, and XAU/USD show symmetry between a downward slope in their price and lower demand for *call options*, suggesting an extension of the downward directional movement in the short term.

Global foreign exchange market expectations

Towards the end of the month, we believe the dollar's performance will remain positive, as the market broadly anticipates a 25-basis point increase in the target range of the federal funds rate, while various Federal Reserve members have expressed their views on the direction of monetary policy ahead of the upcoming meeting on December 9th. Overall, the speeches agreed on solid economic activity, with demand pressures keeping it overheated, while inflation is moving further from the target, so they consider it appropriate to make additional increases to the benchmark rate.

In this regard, beyond the hypothetical interest rate hike, traders will evaluate the FOMC's new economic projections to identify how many increases are expected for 2027. Currently, the Chicago futures market (CME) shows an expectation of 2 increases of 25 basis points in the first quarter of the year and stability for upcoming meetings. On the other hand, the CPI inflation report for November, which will be published on December 10, could show less pressure from the energy component, given that the price of WTI oil has dropped 20.6% so far this month. If a reading below the previous 3.7% materializes, or if the underlying component remains around the 2.6% recorded in October, investors could reconfigure their expectations about the direction of monetary policy. Under this scenario, we anticipate weakness for the dollar and greater recovery room for its counterparts during the month.

Two-week fluctuation ranges considering current implied volatility[1]

Currency	Current	V.I.	+ 1DSV	- 1DSV	Change (+/-)
USD/RUB	$ 81.98	17.95	$ 84.86	$ 79.09	3.5%
USD/COP	$ 3,505.18	16.07	$ 3,615.63	$ 3,394.73	3.2%
USD/BRL	$ 5.94	15.56	$ 6.12	$ 5.76	3.1%
USD/ZAR	$ 17.59	12.83	$ 18.03	$ 17.15	2.5%
USD/ARS	$ 1,579.49	12.20	$ 1,617.29	$ 1,541.69	2.4%
USD/MXN	**$ 19.19**	**12.05**	**$ 19.64**	**$ 18.74**	**2.4%**
USD/KRW	$ 1,347.08	9.53	$ 1,372.26	$ 1,321.90	1.9%
USD/NOK	$ 9.78	8.56	$ 9.95	$ 9.62	1.7%
USD/SEK	$ 10.24	8.22	$ 10.40	$ 10.07	1.6%
USD/CHF	$ 0.84	7.29	$ 0.85	$ 0.83	1.4%
USD/JPY	$ 158.47	7.25	$ 160.72	$ 156.22	1.4%
USD/TWD	$ 32.97	6.37	$ 33.39	$ 32.56	1.2%
GBP/USD	$ 1.31	6.06	$ 1.32	$ 1.29	1.2%
EUR/USD	$ 1.10	5.73	$ 1.11	$ 1.08	1.1%
USD/CAD	$ 1.43	4.77	$ 1.45	$ 1.42	0.9%
USD/SGD	$ 1.29	2.76	$ 1.30	$ 1.28	0.5%

Source: Own elaboration with data from Bloomberg.

[1] implied volatility at two weeks;

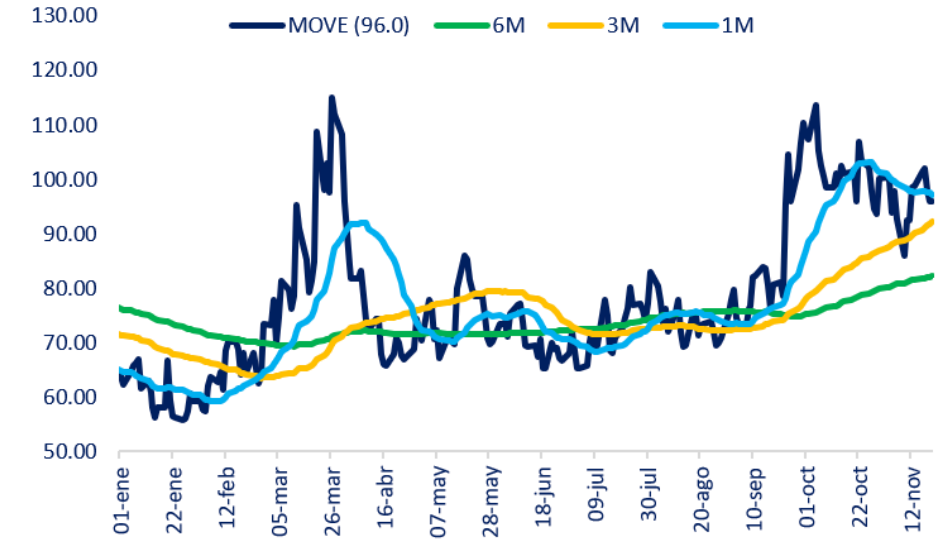
[2] projected 15-day fluctuation range with the present value +/- 1 standard deviation, considering implied volatility, equivalent to an interval that accumulates 68% of the distribution;

[3] percentage variation of the current level versus the projection with 1 standard deviation.

Volatility of the US fixed income market

The MOVE index, which measures implied volatility and nervousness for the US government bond market over a year, closed the week at 96.0 points, below its 1-month moving average. Nevertheless, despite the brief break in its 3-month moving average, the index rebounded last week in response, on one hand, to the perception that a more aggressive Fed will contain inflation and economic activity in the medium term and, on the other, increased demand for safe-haven assets in a risk-averse environment.

MOVE Index vs. 1-month, 3-, and 6-month moving averages



Source: Own elaboration with data from Bloomberg.

In this regard, we believe that the long leg of the Treasury bond yield curve could stabilize downward in the coming weeks, pending the Fed's monetary policy meeting and the FOMC's new economic projections. Considering the current values of the MOVE index and US bonds, the yield on the 10-year bond is expected to operate around 5.00%.

Projected ranges for Treasury bond yields (%)

		Rango a 1 día [1]		Rango a 15 días [1]		Rango a 1 mes [1]	
Bono	Rendimiento actual	+ 1 dsv	- 1 dsv	+ 1 dsv	- 1 dsv	+ 1 dsv	- 1 dsv
2Y	4.80	4.86	4.74	5.04	4.57	5.08	4.53
5Y	4.89	4.95	4.83	5.12	4.65	5.16	4.61
10Y	5.07	5.13	5.01	5.30	4.83	5.35	4.79
30Y	5.41	5.47	5.35	5.64	5.18	5.69	5.13

Source: Own elaboration with data from Bloomberg.

[1] projected fluctuation range with the present value +/- 1 standard deviation, considering the current level of the MOVE index, equivalent to an interval that accumulates 68% of the distribution

Risk thermometer in the US stock market

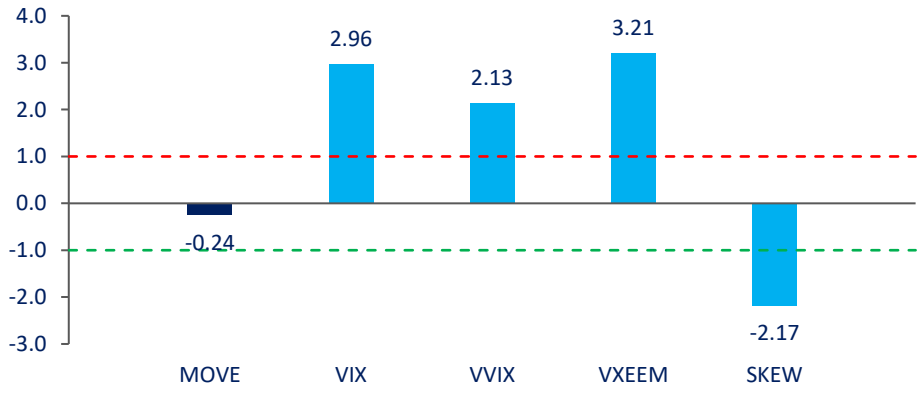
Stock market volatility reflects a widespread increase in risk premiums in the U.S. market, where the sharp rebound in tension levels and the simultaneous increase in options convexity show a sense of risk aversion and a defensive readjustment of portfolios. The joint analysis confirms an atypical acceleration at the end of the week: the VIX index reached 36.20 points (+16.90 weekly units), recording extreme statistical deviations in the short and medium term with Z-Scores of +2.96 at 21 days and +5.31 at 90 days. At the same time, the VVIX (which measures the implied volatility of the VIX) climbed to 138.32 points (+36.79 weekly units; Z-21d at +2.13 and Z-90d at +3.77), confirming a substantial increase in options on this index and a significant rebound in volatility.

Nevertheless, the behavior of tail risk offers a relevant nuance against this resurgence in tension. Although the SKEW index (which measures the perceived probability of an atypical and extreme drop in the S&P 500) operates above 140.00 points, it records a weekly decline of 6.28 units (-9.50 points monthly), placing its Z-Scores in negative territory (-2.17 at 21 days and -0.87 at 90 days). These readings below their historical average show a moderation in relative demand for S&P 500 *put out-of-the-money* options, indicating that investors are managing immediate risk without paying markups for extreme protection. Meanwhile, the implied volatility of emerging markets, measured through the VXEEM (44.83 points), mirrored the VIX's dynamics with a Z-21d of +3.21 and a Z-90d of +3.25, confirming that risk aversion spread synchronously across markets.

A Z-Score measures how many standard deviations the current value is from its average (Z-21d: 1 month, Z-90d: 1 quarter, Z-252d: 1 year). A positive value indicates that the perceived volatility or risk is above its average; a negative value that is below.

Overall, the current regime shows a transition to a phase of greater fragility, where the convergence of highly positive Z-Scores in volatility and convexity heightens the risk of corrections in the face of any exogenous shock. However, the negative reading in the statistical deviations of the tailing risk premium confirms that the market distinguishes between temporary uncertainty and systemic panic, keeping fear of an extreme event contained.

21-day Z-Scores* for selected volatility indices



Source: Own elaboration with data from Bloomberg.

* Number of standard deviations from the current data from the average of a given period.

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