

The EM Asia FX Strategist

Asia FX Monthly – temporary relief, but uncertainties linger

Summary of FX views

CNY/CNH (bearish): We remain bearish CNY on tariff risks and forecast 7.70 (end-2Q). CNY to remain underperformer/funder. Modest appreciation seen in H2 to 7.3.

HKD (neutral): The large VaR shocks following “Liberation Day” resulted in a mass exodus out of long USDHKD position, resulting in spot USDHKD to be quite low in the band.

INR (neutral): Trade-deal negotiations may support INR’s relative advantage vs peers. Lower oil a positive but near-term risks from portfolio outflows on global risk-sentiment.

IDR (neutral): BI’s dovish turn means focus on IDR NEER stability and more flexibility vs USD moves. External volatility and domestic fiscal uncertainty weighing on IDR.

KRW (neutral): With trade negotiations with the US on the way, we think the KRW can rebound as trade sentiments in North Asia improve.

MYR (neutral): External risks have increased but policymakers continue balancing demand-supply. MYR caught between weaker USD and weaker CNY.

PHP (bearish): BSP’s dovish bias, liquidity injection and wider CA gap to weigh on PHP. Partly offset by smoothing flows, lower oil and weaker USD.

SGD (neutral): MAS policy easing, softer inflation and trade tensions add downside risks to SNEER. Bi-lateral appreciation for SGD vs USD.

TWD (neutral): With President Trump taking a less hawkish tone on global trade, we think this can cause an equity rebound and a return of inflows into Taiwan.

THB (neutral): THB likely to benefit from BoP surplus and beta to USD move despite weak macro. Near-term risks from unfavorable 2Q seasonality and tariff headlines.

VND (bearish): External economic environment and tariff risks drive a weaker VND view. USD/VND 26,700 at end-2Q above forwards.

Exhibit 2: Asia FX forecasts for next 4 quarters

Bearish CNY, PHP, VND. Neutral on remaining Asia FX

Currency	View/bias	Spot	2Q '25	3Q '25	4Q '25	1Q '26
USD/CNY	bearish	7.29	7.7	7.4	7.3	7.3
USD/HKD	neutral	7.76	7.78	7.78	7.78	7.76
USD/INR	neutral	85.3	88	87.5	87	86
USD/IDR	neutral	16873	16700	16600	16500	16500
USD/KRW	neutral	1433.25	1420	1400	1380	1360
USD/MYR	neutral	4.37	4.60	4.55	4.5	4.5
USD/PHP	bearish	56.56	59.0	59.0	58	58
USD/SGD	neutral	1.31	1.33	1.32	1.31	1.31
USD/TWD	neutral	32.53	32.3	32.1	31.9	31.70
USD/THB	neutral	33.46	34	33	32	32
USD/VND	bearish	26039	26700	26500	26400	26300

Source: BofA Global Research estimates

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Refer to important disclosures on page 27 to 29. Analyst Certification on page 26. 12822251

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GEM FI & FX Strategy
EM Asia

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Claudio Piron
Emerging Asia FI/FX Strategist
Merrill Lynch (Singapore)
claudio.piron@bofa.com

Adarsh Sinha
FX and Rates Strategist
Merrill Lynch (Hong Kong)
adarsh.sinha@bofa.com

Abhay Gupta
Emerging Asia FI/FX Strategist
Merrill Lynch (Singapore)
abhay.gupta2@bofa.com

Chun Him Cheung, CFA
Emerging Asia FI/FX Strategist
Merrill Lynch (Hong Kong)
chunhim.cheung@bofa.com

Janice Xue
Emerging Asia FI/FX Strategist
Merrill Lynch (Hong Kong)
janice.xue@bofa.com

Exhibit 1: EEMEA & LatAm FX monthly
Recent publications

22 Apr 2025 [The EEMEA FX Strategist](#)
26 Mar 2025 [The LatAm FX Strategist](#)

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For a complete list of our open trade recommendations, as well as our trade recommendations closed over the past 12 months, see our report [Global Emerging Markets Weekly: US exceptional downturn 20 March 2025](#).

See the end for a list of acronyms.

China

View: End-2Q USD/CNY forecast revised to 7.70

US-China trade relations continue to deteriorate with an escalation of US tariffs against China at 145%, and China has reciprocated with 125%. Amid this escalation, the daily USD/CNY fixings are starting to move incrementally higher above the key psychological threshold of 7.20 and potentially on course to test the historically CNY weakest fixing level of 7.2555. Consequently, we have revised our end-2Q USD/CNY forecast to 7.70 from 7.50. In 2H25, we expect to see some modest appreciation of RMB, assuming US and China can ultimately manage to reach a deal and lower the tariffs.

It appears that China is broadly shadowing USD weakness as G10 and other EM peers outperform. This is enabling the trade-weighted CFETS CNY basket to depreciate by 5% this year, helping to offset some of the tariff wedge between China and its competitor exporters – see report: [Asia FI & FX Strategy Viewpoint: USD/CNY – Playing the long game](#).

We currently see a large-scale CNY devaluation (greater than 10%) as unlikely and contingent on the following conditions: (1) Sustained USD global funding squeeze; (2) onshore China credit deterioration; (3) retaliatory tariffs spreading beyond US bilateral trade relations; and (4) Asian currencies sustaining more aggressive depreciation and contagion.

Valuation: FX COMPASS model indicates 7.02 USD/CNY as fair value

Our COMPASS model (2-3 years) is based on the estimated fair-value exchange rate consistent with an equilibrium current account. This suggests USD/CNY at c.7.02, 3.7% below the current spot. The current trade-weighted inflation-adjusted exchange rate is 7.0% below its 5- and 10-year averages, suggesting that the currency is modestly undervalued against its trading partners.

Positioning: Real-money investors are bearish onshore CNY positions at -14 (-50 being maximum bearish, underweight), while hedge funds are at -20 – see report: [Liquid Cross Border Flows: Euro's safe hands 14 April 2025](#).

Risk events: Upcoming China Politburo meeting and potential for China stimulus and early negotiation of China tariffs.

Corporate hedging: We recommend hedging against CNY weakness in 1H25.

Rates: To cope with severe tariff headwinds, our economists expect Chinese policymakers to unveil more stimulus measures in the coming months to revive consumption (RMB0.6tn) and boost investment (RMB1.6tn). We remain constructive on bonds, as growth and deflation risk should matter more than debt supply concerns.

Exhibit 3: USD/CNY forecasts vs forwards

Expect USD/CNY at 7.30 by end-1Q26

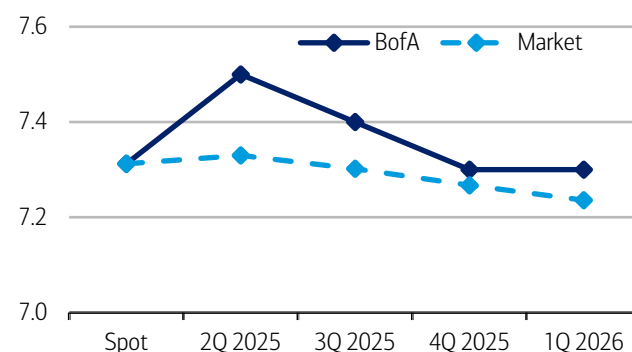
Spot	current	chg (diff)		
	7.31	+0.05		
	Forecast		Forward	
Period	current	chg (diff)	current	chg (diff)
2Q 2025	7.50	-0.10	7.33	+0.080
3Q 2025	7.40	-0.10	7.30	+0.082
4Q 2025	7.30	-0.10	7.27	+0.077
1Q 2026	7.30	-	7.24	+0.076

Source: BofA Global Research, Bloomberg

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Exhibit 4: USD/CNY forecasts

Our forecast path is above the forwards



Source: BofA Global Research, Bloomberg

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Cross-currency basis USD/CNY

Exhibit 5: USD/CNY cross-currency basis

2y and 5y xccy basis remains elevated relative to 1y average

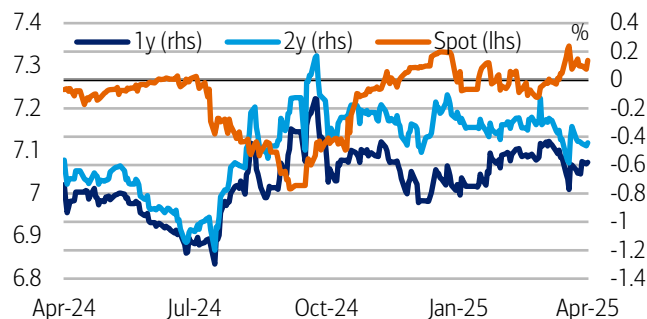
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-0.58	-0.58	0.39	-0.31	-1.07		0.03	-0.54	0.13	0.97	0.13	-0.22
2y	-0.44	-0.01	-0.22	0.22	-1.20		0.17	-0.48	0.13	0.92	-1.21	0.15
5y	0.08	-0.06	-0.34	0.25	-0.46		0.60	0.12	0.13	0.95	-1.36	-0.15

Source: BofA Global Research, Bloomberg

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Exhibit 6: Short-term basis swaps vs USD/CNY spot

CNY basis remains negative

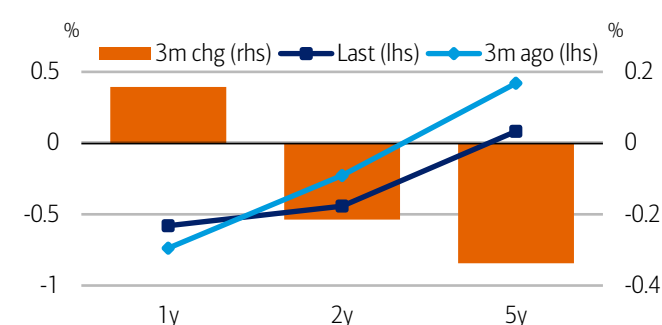


Source: BofA Global Research, Bloomberg

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Exhibit 7: Term structure of basis swap

Basis curve flattens slightly



Source BofA Global Research, Bloomberg

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Volatility surface: USD/CNY

Exhibit 8: Current implied volatilities

Demand for OTM USD calls remains at significant premium to puts

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	5.66	5.13	4.93	5.13	5.68
3m	5.82	5.39	5.35	5.79	6.66
6m	5.95	5.71	5.86	6.51	7.60
1y	6.35	6.16	6.41	7.31	8.74

Source: BofA Global Research

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Exhibit 9: 3m z-scores of implied volatilities

Implied vol on OTM puts are more depressed relative to OTM calls

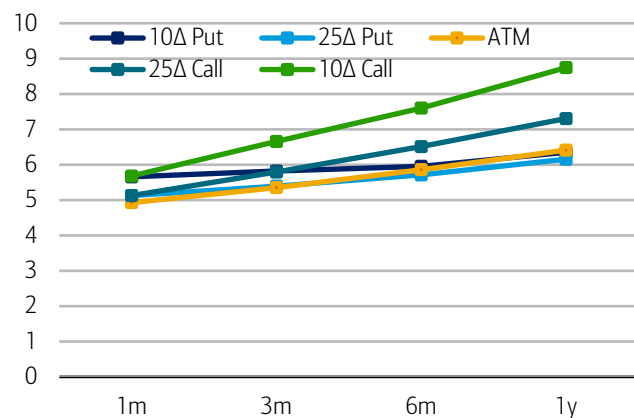
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	0.694	0.603	0.527	0.501	0.516
3m	0.715	0.661	0.628	0.633	0.667
6m	0.767	0.825	0.927	1.048	1.142
1y	1.097	1.290	1.514	1.724	1.843

Source: BofA Global Research

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Exhibit 10: Term structures of implied volatilities

Market still skewed toward CNY 1-year depreciation tail risks

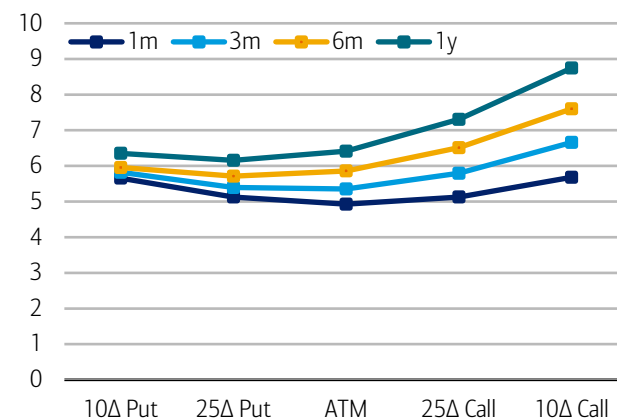


Source: BofA Global Research

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Exhibit 11: Implied volatility smiles

Implied vol smiles show rising risk premium for 1y and 6m USD calls



Source: BofA Global Research

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Cross-currency basis USD/CNH

Exhibit 12: USD/CNH cross-currency basis

5y and 10y xccy basis are elevated relative to their 1yr average

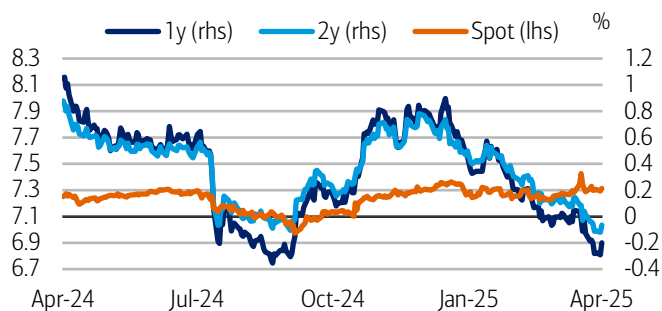
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-0.20	-0.02	-0.66	-1.26	-0.35		1.01	0.33	0.14	1.01	-1.53	-1.52
2y	-0.06	-0.02	-0.56	-0.92	-0.11		0.84	0.36	0.11	0.78	-1.70	-1.70
5y	0.18	-0.02	-0.40	-0.44	0.06		0.77	0.36	0.08	0.61	-1.42	-1.10
10y	0.40	-0.06	-0.26	1.00	0.07		0.70	0.39	0.09	0.64	-0.93	0.01

Note: current value 1y average. The z-score measures the distance between the current value and the mean in standard deviation units Source: BofA Global Research, Bloomberg

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Exhibit 13: Short-term basis swaps vs USD/CNH spot

1y and 2y basis declines as liquidity loosens in CNH

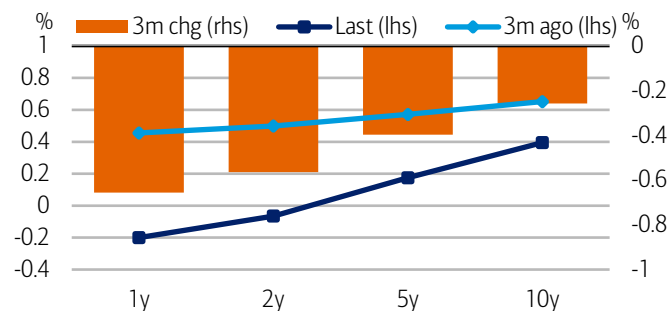


Source: BofA Global Research, Bloomberg

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Exhibit 14: Term structure of basis swaps

Basis swaps rise relative to 3 months ago



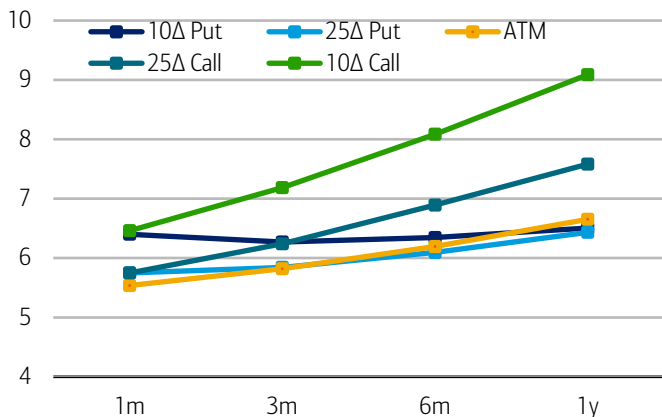
Source: BofA Global Research, Bloomberg

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Volatility surface: USD/CNH

Exhibit 15: Term structures of implied volatilities

ATM curve and call curve steep, relative to puts implied vol curve

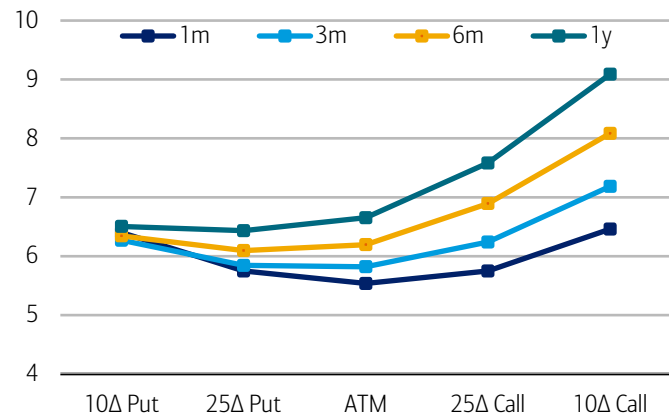


Source: BofA Global Research

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Exhibit 16: Implied volatility smiles

Implied vol smiles are skewed to CNH depreciation



Source: BofA Global Research

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Hong Kong

View: VaR shock dislocates spot USDHKD

The VaR shock brought about “Liberation Day” and the subsequent global market volatility led to heavy liquidation of risk-on positions, including various forms of long and levered USDHKD positions. This resulted in spot USDHKD to be pushed to an unreasonably low level (almost to 7.75), though front-end HIBOR-SOFR spread remains wide with 1-month differential remaining at 60bps. The rebound in global equity sentiment will result in the outperformance H-shares over A-shares, propelling net outflows from the Southbound Stock Connect and will push spot USDHKD higher in the band.

Positioning - Neutral: VaR shock has decreased demand for short HKD positions but interest rate differential makes HKD expensive.

Valuation: It is explicitly pegged to USD, making relative valuations vs USD irrelevant.

Risk events: The Trump administration has labeled Hong Kong and China as foreign adversaries and wants to steer US investments away from Chinese capital markets. Any further US administration actions may trigger outflows from Hong Kong.

Corporate hedging: We believe offshore investors (i.e., none Hong Kong-based corporates) should hedge against short-term FX volatility for USDHKD due to risks from equity portfolio outflows and increased USD buying as front-end differentials widen. The widening of the FX forward points increases the positive carry return for those seeking to hedge HKD risk.

Rates: 5-year HK-US IRS spreads widened to -44bps and this is wide relative to the average of the past 12 months. Unless Hong Kong equities rebound, we think the mortgage market in Hong Kong will remain weak and Hong Kong banks will continue to do asset-swap, keeping the HK-US rate differentials wide.

Exhibit 17: USD/HKD forecasts vs forwards

Expect USD/HKD at 7.78 by 2Q25

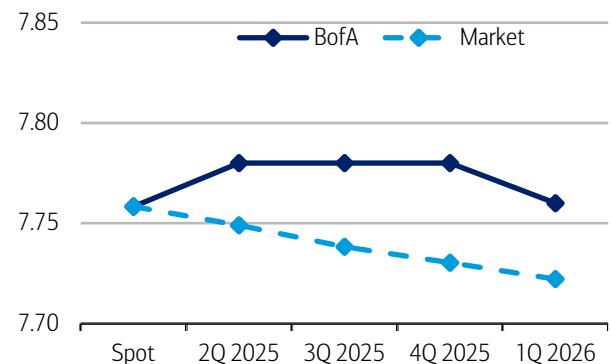
Spot	current	chg (diff)		
	7.76	-0.012		
	Forecast		Forward	
Period	current	chg (diff)	current	chg (diff)
2Q 2025	7.780	-	7.749	-0.0120
3Q 2025	7.780	-	7.738	-0.0128
4Q 2025	7.780	-	7.730	-0.0137
1Q 2026	7.760	-0.02	7.722	-0.0149

Source: BofA Global Research, Bloomberg

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Exhibit 18: USD/HKD forecasts

Our forecast path is above the forwards



Source: BofA Global Research, Bloomberg

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Cross-currency basis USD/HKD

Exhibit 19: USD/HKD cross-currency basis

1y xccy basis at -18bp

Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-18.00	-3.50	-1.00	4.50	-30.00		-14.50	-21.52	3.75	27.07	0.50	0.94
2y	-19.00	-3.00	-1.00	9.00	-31.00		-16.00	-22.10	2.01	14.51	0.09	0.82
5y	-24.00	-3.00	4.00	21.00	-46.00		-21.00	-30.84	2.48	17.92	0.86	1.02
10y	-32.00	1.50	5.50	32.00	-64.00		-26.50	-43.66	2.94	21.19	0.53	1.04

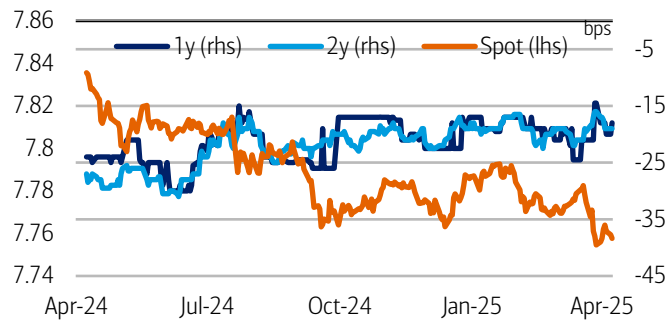
Note: ● current value ◆ 1y average. The z-score measures the distance between the current value and the mean in standard deviation units. Source: BofA Global Research, Bloomberg

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Exhibit 20: Short-term basis swaps vs. USD/HKD spot

1y basis swaps recently stable



Source: BofA Global Research, Bloomberg

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Volatility surface: USD/HKD**Exhibit 22: Current implied volatilities**

Skew is towards puts in USDHKD

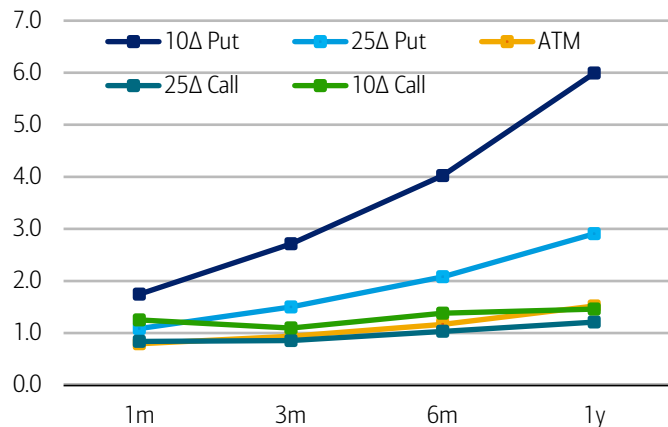
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	1.75	1.09	0.79	0.84	1.25
3m	2.71	1.50	0.94	0.85	1.09
6m	4.02	2.08	1.17	1.03	1.38
1y	5.99	2.91	1.52	1.21	1.46

Source: BofA Global Research

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Exhibit 24: Term structures of implied volatilities

Vol profile skewed towards puts

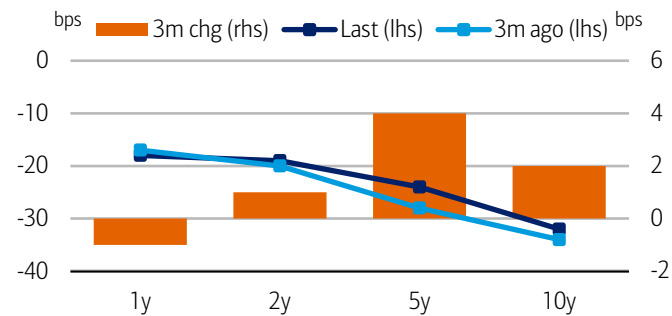


Source: BofA Global Research

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Exhibit 21: Term structure of basis swaps

5-year basis swap curve tightened the most compared to 3-months ago



Source BofA Global Research, Bloomberg

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Exhibit 23: 3m z-scores of implied volatilities

Changes across time

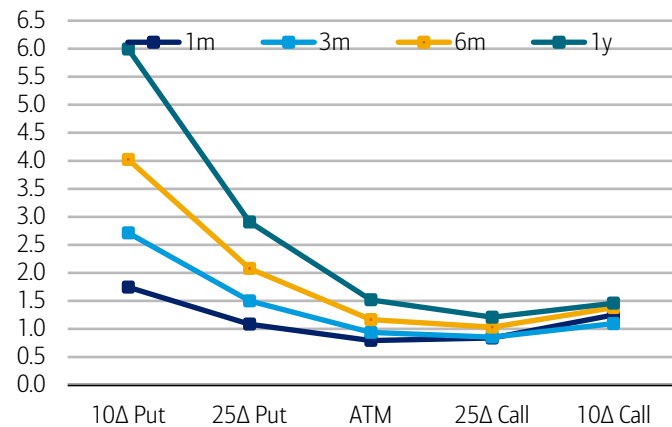
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	1.52	0.66	-0.63	-2.37	-3.05
3m	2.30	1.82	0.55	-1.13	-1.37
6m	2.33	2.49	2.12	1.26	-0.52
1y	2.45	3.64	3.25	2.84	-0.74

Source: BofA Global Research

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Exhibit 25: Implied volatility smiles

Implied vol smiles are skewed for puts as spot USDHKD collapses



Source: BofA Global Research

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India

View: USD-beta with risks from portfolio outflows

INR appreciated on broader USD weakness and improvement in terms of trade from lower oil prices. Positioning on INR appears to have turned more bullish while RBI has taken a hands-off approach without much smoothing. Market also took some comfort from increase in RBI's spot reserves even if it was primarily on account of the FX swap auctions.

India was earlier identified by US as one of the potential target countries for higher reciprocal tariffs. However, ongoing efforts from the Indian government to strike a trade deal have eased those concerns partially. INR still remains vulnerable to the headline risk around the tariff announcements but more so now due to its impact on risk-sentiment and portfolio flows, rather than being singled-out for tariffs.

Second risk is still posed by unwinding of RBI's short USD forward book. RBI has rolled bulk of the short forward positions to much longer tenors which makes the sustainable level of short-USD position larger than it seemed previously. Market is keenly watching for any signs of intervention to reduce the overall size of the forward positions.

Beyond these near-term risks, we could see INR benefitting from sustained EUR strength this year and lower oil prices. Stabilization in growth prospects and equity flows would be more important driver for any further appreciation in INR later this year.

Valuation: INR is undervalued on a NEER basis vs its historical range, but is overvalued on REER basis, likely a result of higher inflation vs peers over the years. The long-term FX Compass shows the fair value at 85.30/USD, which is roughly in line with spot.

Positioning: Hedge funds covered INR shorts over the last month to move closer to neutral position. Real money sold INR to reduce their long exposure to neutral level.

Risk events: Recent tariffs on India from the US may weigh on trade until a deal is struck. Any delays in negotiations on that front could result in market volatility. Equity risk aversion would be other key external risk.

Corporate hedging: We recommend keeping INR unhedged on our view of USD weakness this year.

Rates: Bullish/steeper curve – Outlook for rates is supported by RBI's cutting cycle and softness in growth and inflation data recently. RBI's active injection of liquidity and continuation of OMOs (open market operations) purchase of bonds would also be supportive of front-end and belly of the bond curve.

Exhibit 26: USD/INR forecasts vs. forwards

USD/INR forecasts

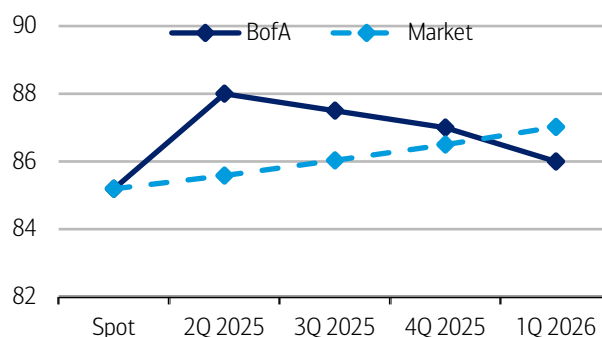
Spot	current	chg (diff)		
	85.19	-0.55		
	Forecast		Forward	
Period	current	chg (diff)	current	chg (diff)
2Q 2025	88.0	-	85.59	-0.84
3Q 2025	87.5	-	86.03	-0.86
4Q 2025	87.0	-	86.50	-0.87
1Q 2026	86.0	-	87.02	-0.85

Source: BofA Global Research, Bloomberg

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Exhibit 27: USD/INR forecasts

Our forecast path vs forwards



Source: BofA Global Research, Bloomberg

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USD/INR forwards – implied yields

Exhibit 28: USD/INR NDF implied yields

NDF implied yields over different periods

Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1m	7.14	-0.13	-0.65	0.69	6.03		10.87	6.94	0.81	5.85	-1.22	0.28
3m	6.72	-0.22	-1.04	-0.01	6.17		9.04	6.81	0.33	2.37	-1.81	-0.20
6m	6.44	-0.22	-0.80	-0.36	6.31		7.94	6.73	0.20	1.41	-1.97	-1.13
12m	6.28	-0.21	-0.67	-0.75	6.28		7.37	6.70	0.16	1.18	-2.07	-1.89

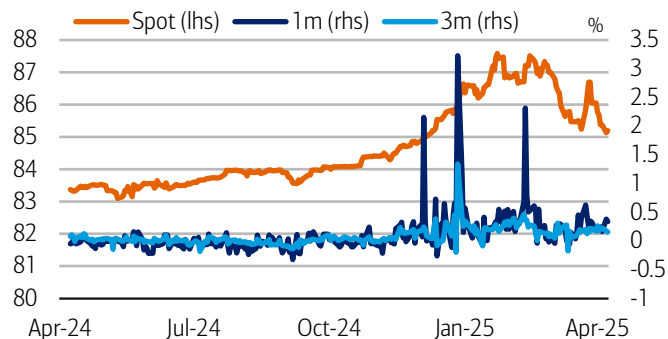
Note: current value 1y average. The z-score measures the distance between the current value and the mean in standard deviation units

Source: BofA Global Research, Bloomberg

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Exhibit 29: NDF – Onshore forward yields vs USD/INR spot

Offshore-onshore yield differential

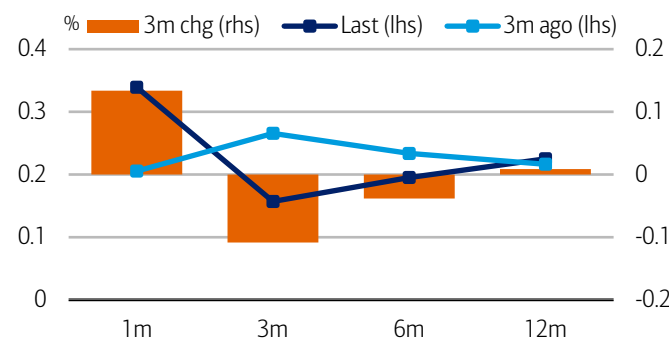


Source: BofA Global Research, Bloomberg

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Exhibit 30: Term structure of NDF – Onshore forward yields

Offshore yields vs onshore change over 3m



Source: BofA Global Research, Bloomberg

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Volatility surface: USD/INR

Exhibit 31: Current implied volatilities

Implied vols skewed towards call options

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	4.95	4.69	4.66	4.99	5.51
3m	4.79	4.50	4.47	4.89	5.58
6m	4.78	4.47	4.49	5.02	5.86
1y	4.74	4.43	4.50	5.15	6.20

Source: BofA Global Research

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Exhibit 32: 3m z-scores of implied volatilities

Implied volatilities across tenors and strikes

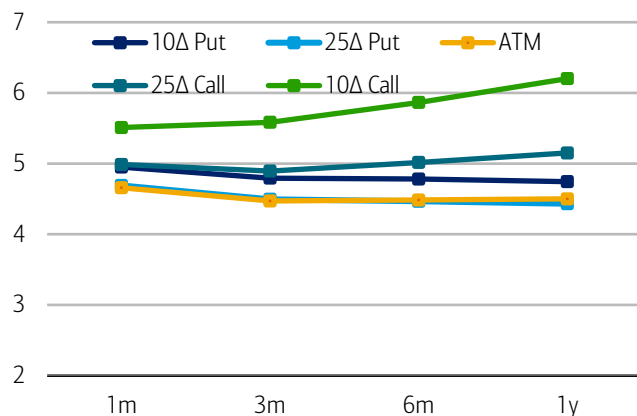
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	1.58	1.61	1.61	1.51	1.38
3m	1.84	1.77	1.63	1.40	1.15
6m	1.80	1.75	1.67	1.54	1.39
1y	1.85	1.71	1.52	1.28	1.05

Source: BofA Global Research

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Exhibit 33: Term structures of implied volatilities

Vol profile skewed towards calls

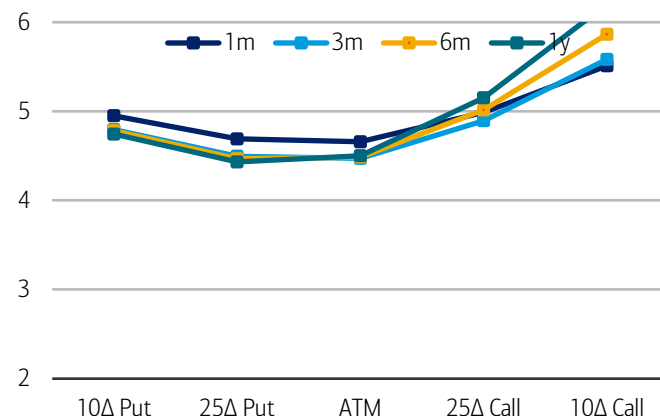


Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 34: Implied volatility smiles

Implied vol smiles are skewed for upside protection in USD/INR



Source: BofA Global Research

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Indonesia

View: Souring risk-sentiment weighing on IDR

BI shifted focus back to FX stability as IDR weakened on NEER basis. Even as EUR rallied over the last month, the impact on IDR was limited due to external volatility and worsening risk-sentiment. On the domestic front, uncertainty remains on the potentially negative impact of recent fiscal changes on growth in the near term. Market also awaits some clarity on a potential cabinet reshuffle in April.

In the meanwhile, the uncertainty has weighed on portfolio flows and resulted in another month of equity outflows in April so far, stretching the streak from Oct'24 with total USD5.1bn outflows. Weak equity sentiment reduces chances of dividend re-investment during the ongoing dividend payout season, which may keep the pressure on IDR until end-April. Bond flows likely have a higher hedge ratio recently, so overall impact of recent outflows may not be as large as equities.

The positive surprise came from 1Q trade numbers. However, its impact on the market remains limited due to ongoing trade tensions potentially weighing on exports. Authorities are counting on more USD inflows from regulatory tightening of export proceeds repatriation rule which may have supported the reserves data. However, lack of direct incentive to convert to IDR would mean that IDR support would depend on BI's willingness to utilize the additional reserves for smoothing flows.

Valuation: IDR now appears fairly valued compared with its historical NEER but undervalued on REER basis. The long-term FX Compass model yields a fair value of 17,593/USD, pointing to around 4% overvaluation on spot level.

Positioning: Hedge funds net added IDR longs to more moderate position. RMs sold IDR exposure to small long position, as per our flow indicator.

Risk events: Political uncertainty has increased with potential cabinet reshuffle. Fiscal changes are also weighing on investor risk appetite with the next key event risk from budget revision around July. Risks from global trade tensions could adversely impact IDR due to risk-sentiment.

Corporate hedging: We recommend hedging IDR in the near term due to risks of further depreciation and high volatility while hedging costs are low.

Rates: Neutral – Front-end rates remain elevated but currency stability would be key for any material easing. Continued purchases from BI may support rest of the curve but medium-term fiscal uncertainty may still weigh to some extent. Further clarity on fiscal trends around mid-year would be key in restoring investor confidence.

Exhibit 35: USD/IDR forecasts vs. forwards

USD/IDR forecasts

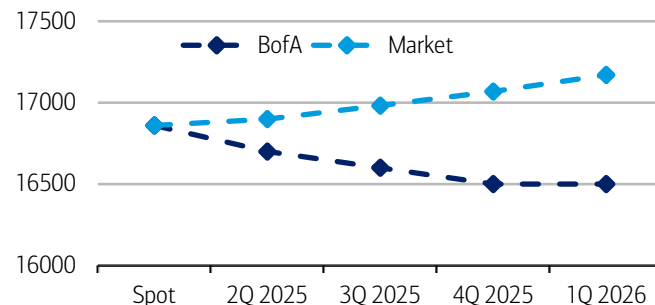
Spot	current 16860	chg (diff) +259.00	Forward	
	Forecast	chg (diff)	current	chg (diff)
Period	current	chg (diff)	current	chg (diff)
2Q 2025	16700	-	16899	220.00
3Q 2025	16600	-	16982	216.83
4Q 2025	16500	-	17068	216.38
1Q 2026	16500	-	17170	212.09

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 36: USD/IDR forecasts

Our forecast path vs forwards



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

USD/IDR forwards – implied yields

Exhibit 37: USD/IDR NDF implied yields

NDF implied yields over tenors

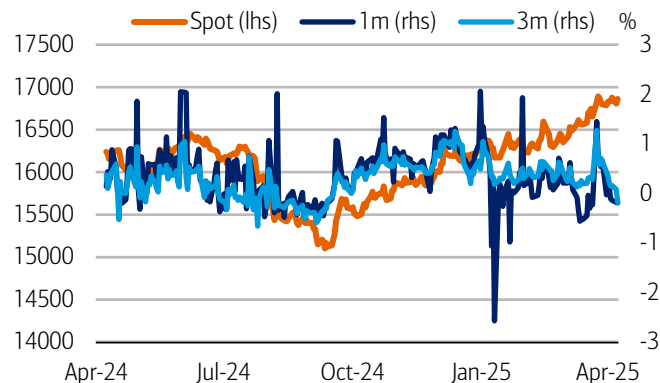
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1m	5.79	-0.28	-0.38	-0.92	2.92		8.45	6.33	1.22	8.80	-0.19	-0.98
3m	5.87	-0.29	-0.48	-0.62	5.68		7.15	6.24	0.51	3.69	-0.73	-1.39
6m	5.93	-0.18	-0.51	-0.65	5.70		6.83	6.23	0.31	2.20	-0.68	-1.33
12m	5.94	-0.13	-0.62	-0.64	5.72		6.78	6.26	0.21	1.50	-1.23	-1.43

Note: current value 1y average. The z-score measures the distance between the current value and the mean in standard deviation units **Source:** BofA Global Research, Bloomberg

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Exhibit 38: Onshore forward yields vs USD/IDR spot

NDF yields vs spot

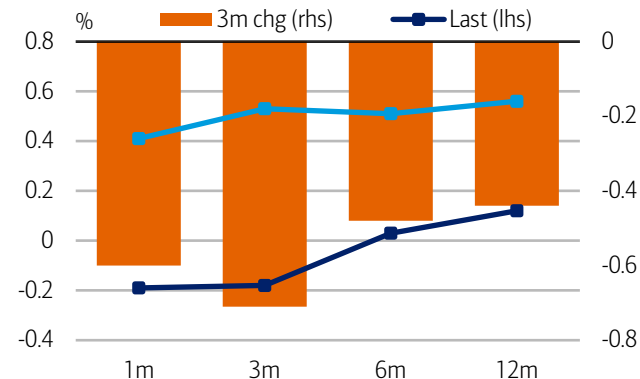


Source: BofA Global Research, Bloomberg

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Exhibit 39: Term structure of NDF – Onshore forward yields

Offshore yields vs onshore



Source: BofA Global Research, Bloomberg

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Exhibit 40: Current implied volatilities

Vol surface highly skewed towards call options

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	9.20	8.85	8.99	9.84	11.11
3m	9.01	8.76	9.01	10.01	11.50
6m	9.14	8.86	9.07	10.16	11.88
1y	9.15	8.84	9.07	10.29	12.31

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 41: 3m Z-scores of implied volatilities

Vols across tenors and strikes

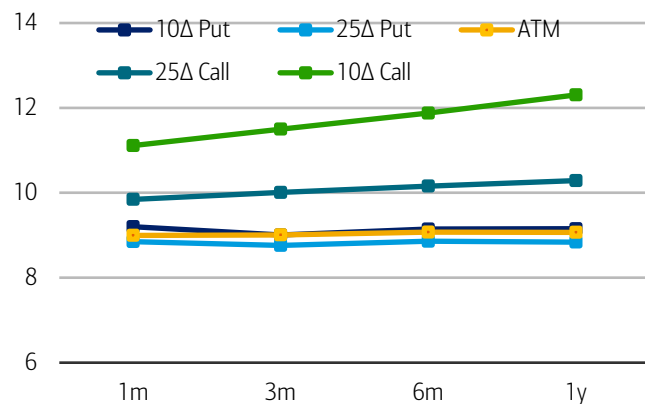
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	1.88	1.73	1.63	1.60	1.62
3m	1.99	1.91	1.86	1.84	1.84
6m	2.11	2.02	1.94	1.90	1.89
1y	2.01	2.06	1.94	1.86	1.84

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 42:- Term structures of implied volatilities

Steeper vol term structure for upside USD/IDR

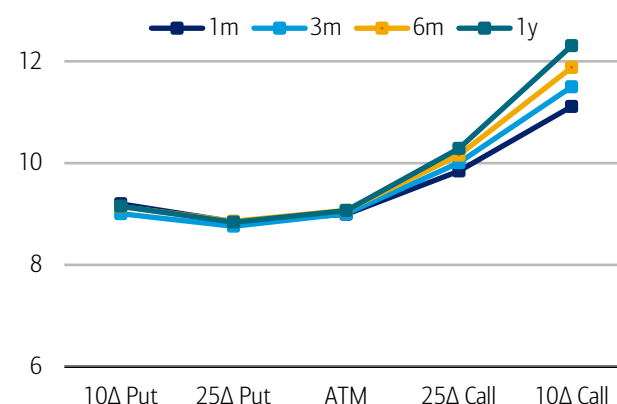


Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 43: Implied volatility smiles

Higher skew in longer tenor vols



Source: BofA Global Research

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Korea

View: USDKRW stuck in a range but NEER to outperform

Despite positive developments around the prospects of an upcoming trade deal with the US, USDKRW will remain stuck in a range. Firstly, the DXY appears to be finding a near-term bottom at 99 and a return to more conventional policies by President Trump is supportive for both the USD and global equities. The rise in the USD will offset the benefits of stronger equity prices and higher inflows into Korean equities.

On a NEER basis, we are more optimistic. Since “Liberation Day”, the KRW has outperformed the majority of EM currencies, especially during periods of risk-on and pause in global trade tensions. We attribute the relative outperformance to the risk-on nature of the KRW and Korea to be one of the first countries to secure a trade deal with the US. We revised down our USDKRW end-2Q forecast from 1,450 to 1,420 to reflect weaker USD trend and positive expectations for trade negotiations.

Positioning: Positive – we note that hedge funds have added to the long KRW positions while the official sector is extremely short.

Valuation: Our FX Compass model shows a fair value of 1,450, suggesting the Korean won is slightly overvalued (spot is at 1,435).

Risk events: The outcome of the trade negotiations between Korea and the Trump administration. The upcoming Korea Presidential election on June 3, 2025.

Corporate hedging: With the spot USDKRW rising, Korean corporates should take advantage of the high US dollar vs the Korean Won and sell US\$ forward to hedge their foreign earnings. Foreign investors in Korea should hedge out KRW risks.

Rates: Korea rates rallied notably in April as higher tariffs led the market to re-assess growth outlook and price in a lower BoK terminal rate. Our economists have recently lowered 2025 GDP forecast to 0.8% from 1.5%. While our baseline is still for the BoK to deliver another two cuts (25bp each) for the remainder of 2025, the risk is clearly tilted towards deeper cut. On the fiscal front, a KRW12tn supplementary budget has been proposed, while more is likely to come post the presidential election.

Exhibit 44: USD/KRW forecasts vs. forwards

We expect USD/KRW at 1,420 by end-2Q25

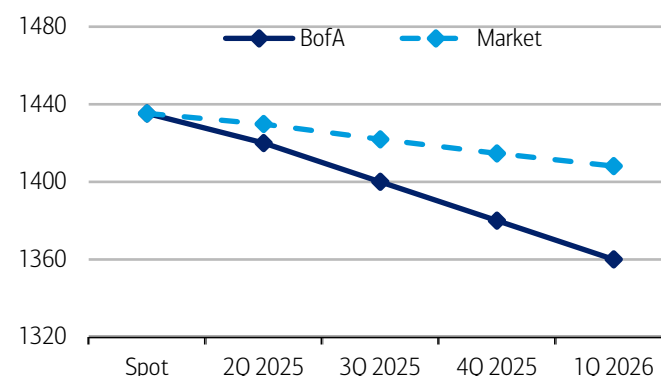
Spot	current		chg (diff)	
	1435.30		-33.69	
Period	Forecast		Forward	
	current	chg (diff)	current	chg (diff)
2Q 2025	1420	-30	1429.78	-31.93
3Q 2025	1400	-30	1421.92	-32.75
4Q 2025	1380	-30	1414.64	-33.31
1Q 2026	1360	-30	1408.13	-33.59

Source: BofA Global Research, Bloomberg

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Exhibit 45: USD/KRW forecasts

Our forecast path above the forwards throughout



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Cross-currency basis USD/KRW

Exhibit 46: USD/KRW cross-currency basis

1y xccy basis at -66bp

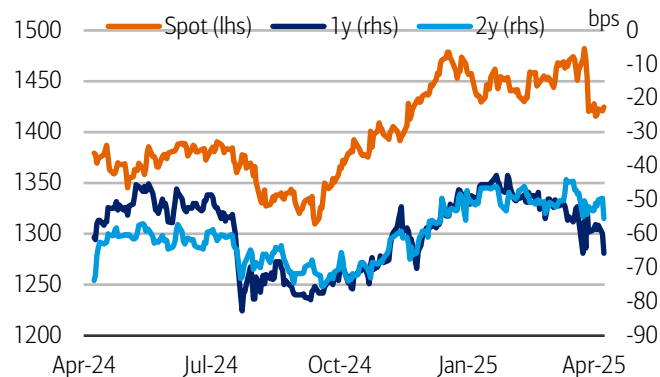
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-65.75	-7.50	-16.50	-4.00	-82.75		-42.75	-58.85	6.34	45.70	-2.61	-0.66
2y	-55.50	-2.50	-5.00	16.75	-75.50		-44.00	-60.06	4.61	33.23	-2.13	0.57
5y	-48.50	-0.25	-1.75	12.25	-75.00		-34.00	-54.55	4.83	34.83	-0.97	0.76
10y	-54.25	-4.00	1.50	14.50	-79.50		-34.50	-62.08	5.70	41.12	-0.17	0.91

Note: current value 1y average. The z-score measures the distance between the current value and the mean in standard deviation units Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 47: Short-term basis swaps vs USD/KRW spot

KRW 1-year and 2-year xccy basis swaps are widening in 2025

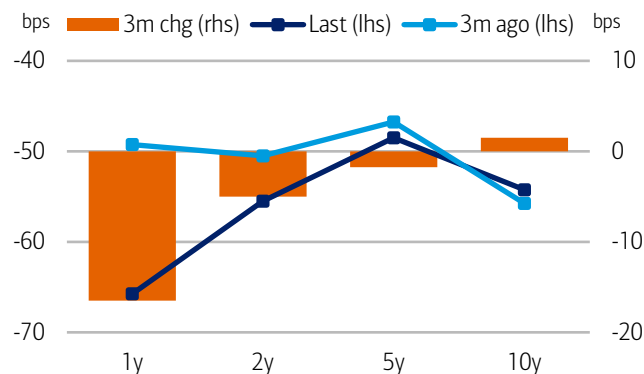


Source: BofA Global Research, Bloomberg.

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Exhibit 48: Term structure of basis swaps

1-year xccy basis swap widened the most in the past three months



Source: BofA Global Research, Bloomberg

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Volatility surface: USD/KRW

Exhibit 49: Current implied volatilities

Implied vol remains skewed towards calls

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	10.29	9.88	9.81	10.28	11.07
3m	9.78	9.50	9.58	10.25	11.25
6m	9.63	9.42	9.59	10.37	11.48
1y	9.38	9.26	9.55	10.48	11.77

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 50: 3m Z-scores of implied volatilities

Changes across time

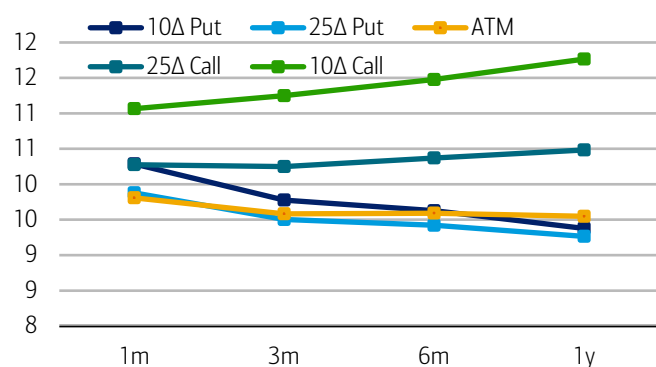
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	2.00	1.86	1.67	1.53	1.48
3m	1.84	1.68	1.49	1.40	1.40
6m	1.83	1.66	1.41	1.18	1.06
1y	1.47	1.35	1.14	0.87	0.67

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 51: Term structures of implied volatilities

Flatter profile for puts vs. calls

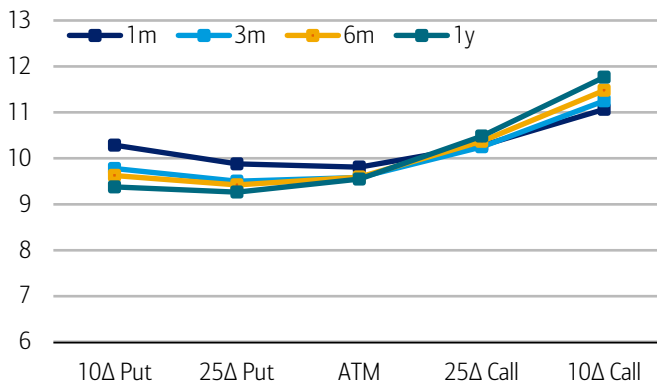


Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 52: Implied volatility smiles

Implied vol smiles are skewed toward calls



Source: BofA Global Research

BofA GLOBAL RESEARCH



Malaysia

View: Neutral outlook – Tariff risks vs USD-beta

Reciprocal tariffs have finally brought attention to Malaysia's high exposure to global trade. While Malaysia has avoided the worst-case scenario due to relief on electronics exports and the 90-day pause, uncertainty on these measures may still weigh on investment flows. Potential CNY weakness could also spillover to MYR due to trade and investment linkages.

With external risks rising beyond expectations, a continuation of BNM's support for MYR will be important. MYR may see terms of trade weaken due to lower commodity prices, along with higher competition from US exports to the region. Lastly, MYR's negative carry against USD also adds to these risks.

That said, Malaysia is in a relatively good position with strong momentum on growth and investment flows which provide some buffer to absorb the downside risks. That would provide some flexibility for BNM to manage FX impact and a window to the government to implement further fiscal reforms. Rate-cutting cycle in Malaysia may be shallower compared to rest of the region. Near-term, MYR's higher USD-beta vs the region may keep MYR supported on bi-lateral basis and on relative basis vs some regional peers.

Valuation: MYR trades well above the historical NEER or REER ranges, indicating overvaluation on a 5-years window. The long-term FX Compass model shows slight undervaluation by 2%, with a fair value of 4.30/USD.

Positioning: Hedge funds slightly reduced their long MYR position over the last month and remain moderately long. Real money covered their short MYR to more moderate short position now.

Risk events: Malaysia is exposed to tariff risks directly on semi-conductors and indirectly via trading partners due to high-trade exposure. Further delays to the much anticipated subsidy reform could increase fiscal concerns and weigh on FX.

Corporate hedging: We recommend hedging MYR exposure due to high volatility. Implied yields on MYR forwards are lower than US rates, indicating a pick-up for USD-based investors.

Rates: Lower/Neutral – Possibility of subsidy rationalization this year and strong labor markets provide some buffer but increasing downside risks to growth due to trade tensions may support front-end rates as market prices rate cuts. Demand for longer-end remains supported by higher domestic allocation by pension funds and lower government-guaranteed debt issuance. The curve may steepen if fiscal reforms are delayed and the government goes for more expansionary fiscal policy to support growth.

Exhibit 53: USD/MYR forecasts vs forwards

USD/MYR forecast

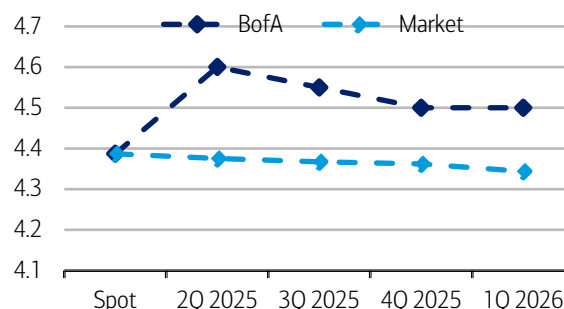
Spot	current	chg (diff)		
	4.39	-0.05		
Period	Forecast		Forward	
	current	chg (diff)	current	chg (diff)
2Q 2025	4.60	-	4.38	-0.045
3Q 2025	4.55	-	4.37	-0.033
4Q 2025	4.50	-	4.36	-0.038
1Q 2026	4.50	-	4.34	-0.037

Source: BofA Global Research, Bloomberg

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Exhibit 54: USD/MYR forecasts

Our forecast path vs forwards



Source: BofA Global Research, Bloomberg

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Cross-currency basis USD/MYR

Exhibit 55: USD/MYR cross-currency basis

xcy basis

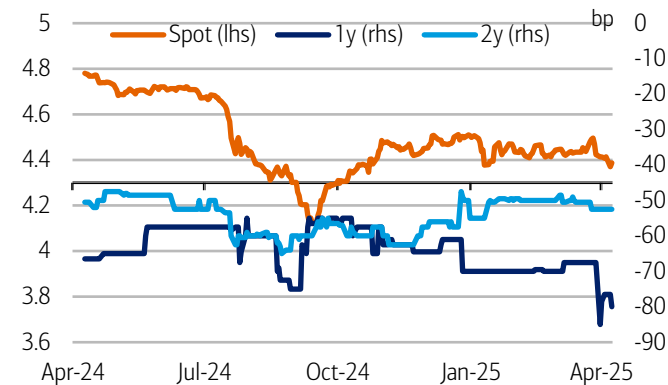
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-76.50	-6.50	-19.00	0.00	-79.50		-30.00	-56.95	5.23	37.71	-3.66	-1.48
2y	-52.50	9.50	-4.00	6.50	-65.00		-33.50	-50.35	3.49	25.20	0.61	-0.31
5y	-52.50	15.50	-5.50	17.50	-68.50		-43.50	-54.84	3.44	24.80	0.47	0.30
10y	-70.00	22.50	0.00	-69.40	-95.00		-70.00	-78.15	4.85	34.95	1.03	1.34

Note: ● current value ◆ 1y average. The z-score measures the distance between the current value and the mean in standard deviation units Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 56: Short-term basis swaps vs USD/MYR spot

MYR 1-year and 2-year xcy basis swaps are stable in 2025

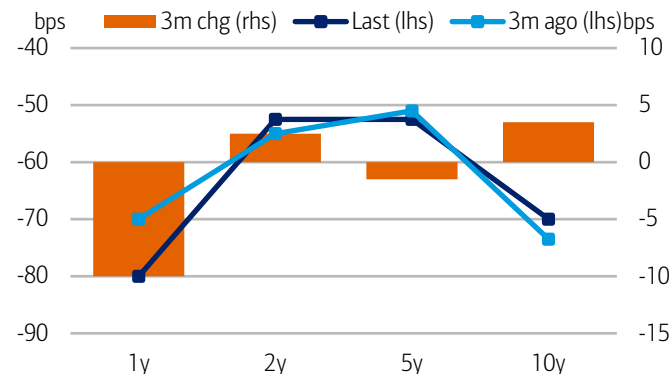


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 57: Term structure of basis swaps

Basis change across tenors over 3m period



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Volatility surface: USD/MYR

Exhibit 58: Current implied volatilities

High skew for upside USD/MYR

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	5.91	5.92	6.60	7.85	9.49
3m	6.13	6.16	6.92	10.18	8.30
6m	6.80	6.71	7.44	8.97	11.07
1y	7.50	7.28	8.03	9.80	12.24

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 59: 3m z-scores of implied volatilities

Vols structure across tenors and strikes

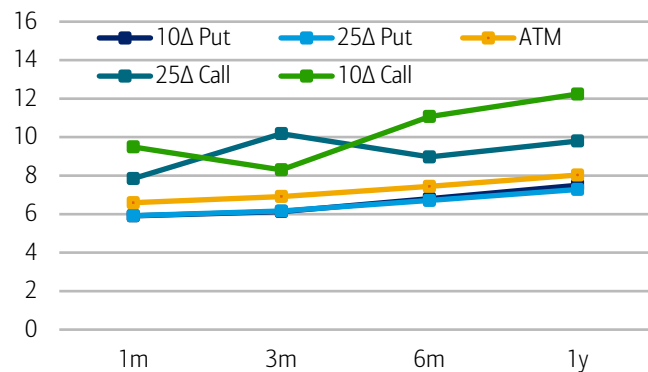
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	0.12	0.02	0.24	0.67	0.76
3m	-0.12	-0.09	-0.03	0.34	0.37
6m	-0.52	-0.21	-0.32	0.00	0.05
1y	-1.42	-0.73	-1.47	-0.26	-0.18

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 60: Term structures of implied volatilities

Skewed term structure for topside USD/MYR

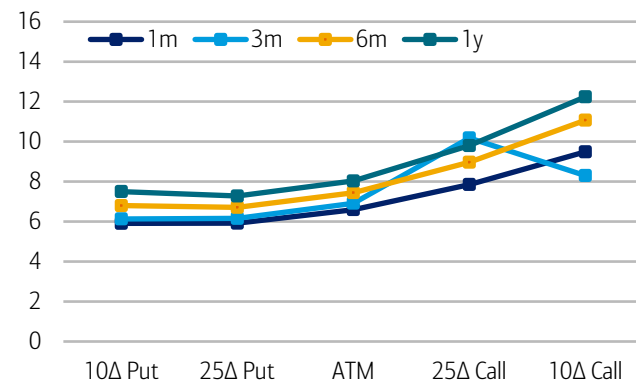


Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 61: Implied volatility smiles

Higher skew in longer tenor



Source: BofA Global Research

BofA GLOBAL RESEARCH



The Philippines

View: Wide CAD and monetary easing bearish for PHP

PHP appreciated against USD on a combination of seasonally higher remittance flows ahead of Easter and improvement in terms of trade from lower oil prices. Philippines' low exposure to global trade tensions was further reinforced by a lower tariff rate for Philippines compared with peers. Philippines is also relatively less exposed to portfolio outflows due to low foreign participation in capital markets.

Broader USD weakness has also supported PHP vs USD even as BSP delivered a rate-cut and guided towards a measured easing approach with more cuts this year. We believe policy desire for easier financial conditions remains a negative for PHP on a relative basis as interest-rate differentials with the US would continue to narrow.

Wide CA deficit would also weigh on PHP and require BSP to continue to supply USDs to avoid larger pressure on PHP. We expect PHP to stay weak relative to peers, while softer USD would keep USDPHP relatively stable.

We maintain a constructive outlook on bonds as domestic factors provide room for further rate cuts this year, which is consistent with BSP's guidance. Liquidity injection would also support bonds demand from onshore investors, including banks and retail investors, keeping any funding concerns at bay even if Philippines takes a more expansionary fiscal stance in 2025.

Valuation: PHP screens as slightly undervalued compared with its historical NEER range, but REER is overvalued, likely due to higher inflation compared with peers. The long-term FX Compass model shows a 11% overvaluation, with the fair value at 63.81/USD, likely due to the wider CAD compared with the equilibrium sustainable levels.

Positioning: Offshore front-end points and implied yields remain in line with onshore, indicating light foreign positioning in PHP.

Risk events: Philippines would begin to focus on mid-term elections which are scheduled on 12th May. Political uncertainty on domestic front has already picked up, which could weigh on sentiment and growth. Geopolitical risks due to border clashes with China could impact tourism and export flows.

Corporate hedging: We recommend hedging PHP as hedging costs remain low and we expect PHP to trade weaker compared to the region.

Rates: Lower/steeper curve – The yields may rally further on rate cuts, which supports the demand for duration by onshore investors. Retail demand for bonds has been strong as well, keeping any funding concerns at bay.

Exhibit 62: USD/PHP forecasts vs forwards

USD/PHP forecast

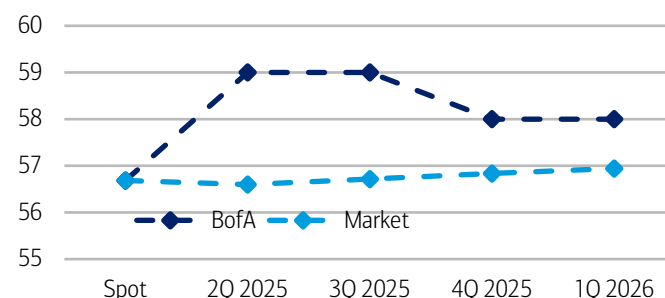
Spot	current		chg (diff)	
	56.69		-0.66	
Period	Forecast		Forward	
	current	chg (diff)	current	chg (diff)
2Q 2025	59.00	-3.00	56.60	-0.85
3Q 2025	59.00	-3.00	56.72	-0.82
4Q 2025	58.00	-3.00	56.83	-0.82
1Q 2026	58.00	-3.00	56.94	-0.82

Source: BofA Global Research, Bloomberg

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Exhibit 63: USD/PHP forecasts

Our forecast path vs forwards



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

USD/PHP forwards – implied yields

Exhibit 64: USD/PHP NDF-implied yields

NDF-implied yields

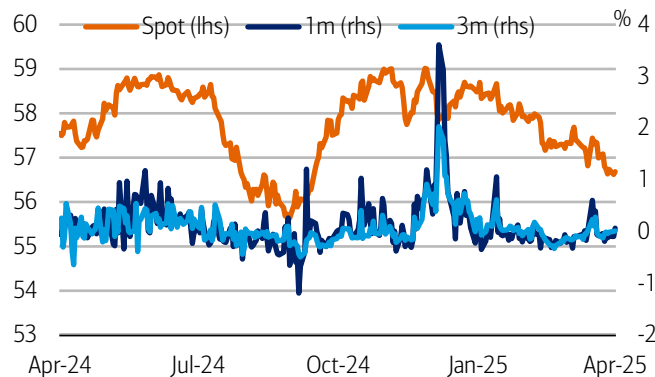
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1m	5.17	0.19	0.10	-1.41	3.69		10.78	5.64	0.97	6.99	0.05	-0.57
3m	5.09	-0.04	-0.18	-1.32	4.21		7.98	5.45	0.55	4.00	-0.25	-0.65
6m	4.93	0.03	-0.31	-1.33	4.21		6.74	5.26	0.33	2.40	-0.65	-0.70
12m	4.65	0.12	-0.50	-1.06	3.96		5.94	4.99	0.21	1.55	-1.23	-0.73

Note: current value 1y average. The z-score measures the distance between the current value and the mean in standard deviation units Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 65: NDF– Onshore forward yields vs USD/PHP spot

Offshore implied yields over the month

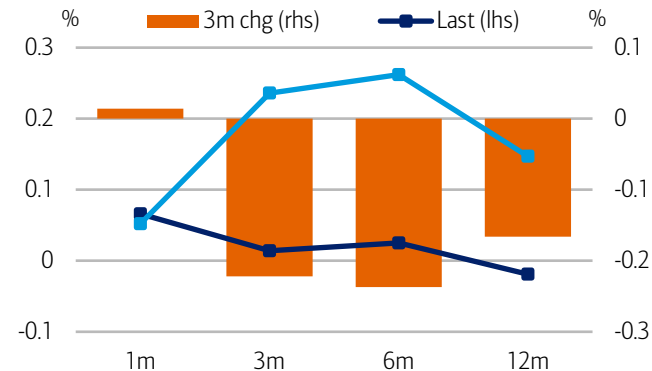


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 66: Term structure of NDF – Onshore forward yields

Offshore yields spread from three months ago



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Volatility surface: USD/PHP

Exhibit 67: Current implied volatilities

Higher vol to hedge PHP depreciation risk

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	6.09	5.83	5.82	6.18	6.76
3m	6.16	5.88	5.89	6.38	7.13
6m	6.45	6.11	6.11	6.66	7.54
1y	6.71	6.28	6.27	6.93	8.01

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 68: 3m Z-scores of implied volatilities

Vols across tenors

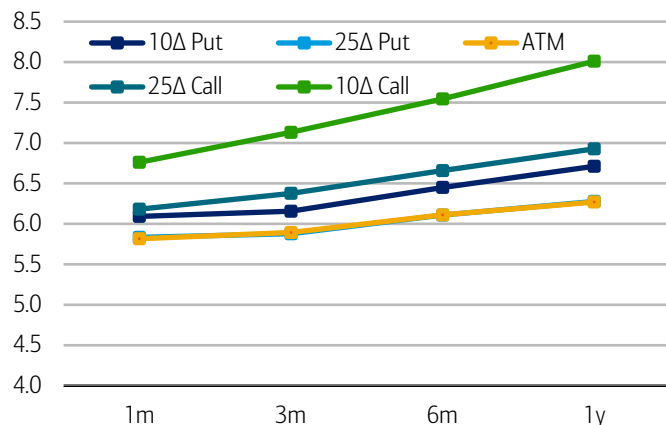
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	0.51	0.58	0.65	0.66	0.64
3m	-0.06	0.10	0.24	0.29	0.27
6m	-0.10	0.07	0.19	0.20	0.13
1y	-0.18	-0.01	0.11	0.12	0.04

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 69: Term structures of implied volatilities

Flat term structure across strikes, except OTM call

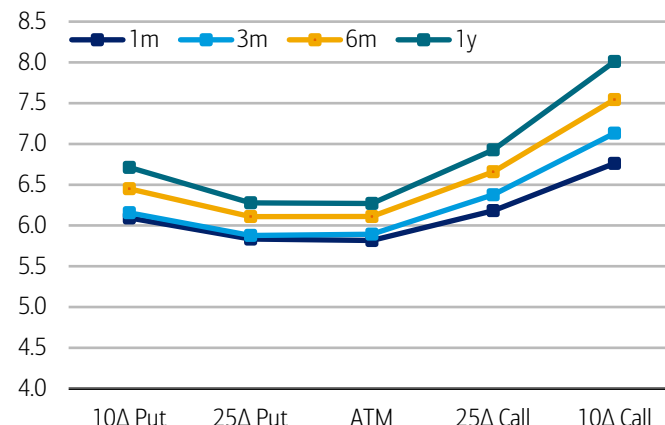


Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 70: Implied volatility smiles

Upside USD/PHP vols much higher, indicating hedging



Source: BofA Global Research

BofA GLOBAL RESEARCH



Singapore

View: Risks tilted towards lower SGD NEER

SNEER has moved back to 1-1.3% above the midpoint on our model as USD softened and risk sentiment stabilized. While MAS delivered easing of slope by 50bps as per our estimate, it disappointed expectations for a stronger response to the downside risks to growth and inflation.

Nevertheless, MAS maintained a dovish bias which would keep easing expectations alive for next meeting. At current estimated slope of 50bps, front-end carry on SNEER has turned negative which would reduce incentive for keeping long SNEER exposure.

We believe the risks for SNEER remain tilted to the downside with the ongoing trade tensions posing downside risks to Singapore's highly trade-dependent economy. That scenario may increase the risk of a sharper correction in SNEER towards levels closer to the mid or slightly below mid. Despite weakness on NEER basis, our outlook for USD weakness this year would mean SGD appreciation on bi-lateral basis.

Valuation: SGD is overvalued by over 2% on our medium-term FX compass model, with a fair value of 1.34. SGD NEER and REER have appreciated considerably due to the policy framework and shows up as overvalued on the 5-year historical window.

Positioning: According to BofA proprietary flows, HFs sold SGD over the last month to increase the short positioning while RM funds also added to short SGD positions.

Risk events: A hard-landing scenario remains a risk for SGD, as it could lead to stronger USD and SGD NEER correction within the band. Further calibrated slope reductions (to zero) by 1H26 are probable if GDP growth is seen creeping below 2% and/or core inflation is seen approaching 1%.

Corporate hedging: Low hedging costs and a negative basis vs USD indicate a small yield pick-up for bond investors. We recommend hedging long SGD exposure in the near term due to elevated NEER. However, over the year, our outlook for USD weakness would mean favor keeping long SGD exposure unhedged as a regional proxy.

Rates: Neutral/flatter curve – We believe Singapore's softening inflation has allowed a larger decline in SORA fixing and front-end rates. SGD rates now appear to be too low compared to basket yields and US rates on interest-rate parity vs current appreciation stance. That would exert slight upward pressure on SGD rates relative to US rates. Despite a slight increase in SGS issuance in 2025 and upcoming elections, fiscal trends in Singapore remain supportive of SGS outperformance over UST.

Exhibit 71: USD/SGD forecasts vs. forwards

USD/SGD forecasts

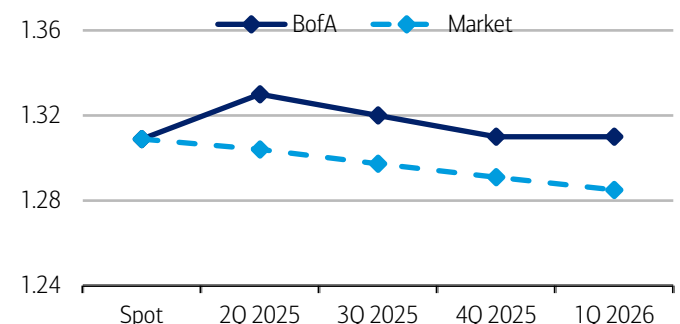
Spot	current 1.31	chg (diff) -0.03		
	Forecast		Forward	
Period	current	chg (diff)	current	chg (diff)
2Q 2025	1.33	-0.04	1.304	-0.0280
3Q 2025	1.32	-0.04	1.297	-0.0287
4Q 2025	1.31	-0.04	1.291	-0.0300
1Q 2026	1.31	-0.04	1.285	-0.0310

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 72: USD/SGD forecasts

Our forecast path vs forwards



Source: BofA Global Research, Bloomberg

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Cross-currency basis USD/SGD

Exhibit 73: USD/SGD cross-currency basis

ccy basis

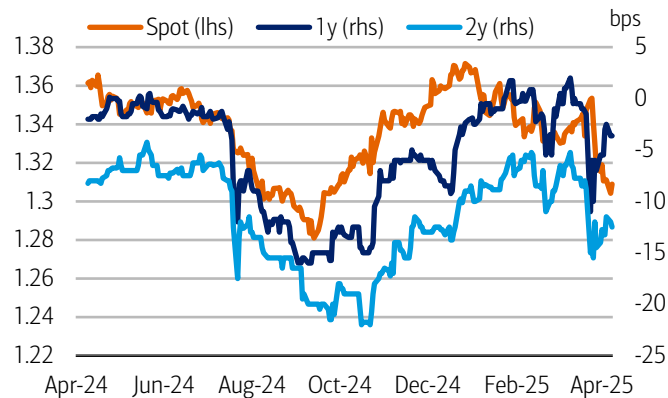
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-3.63	9.38	-2.50	-2.63	-13.00		8.00	-0.11	2.23	16.10	0.36	-0.70
2y	-12.50	3.00	-5.00	-0.75	-17.75		-3.00	-8.77	1.94	14.00	-0.60	-1.01
5y	-26.00	-0.50	0.50	3.25	-35.50		-18.50	-27.03	2.04	14.73	-0.95	0.26
10y	-37.69	-1.19	1.81	21.56	-59.50		-30.00	-42.36	2.62	18.88	-0.61	0.77

Note: current value 1y average. The z-score measures the distance between the current value and the mean in standard deviation units Source: BofA Global Research

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Exhibit 74: NDF- Onshore forward yields vs USD/SGD spot

Offshore implied yields over the month

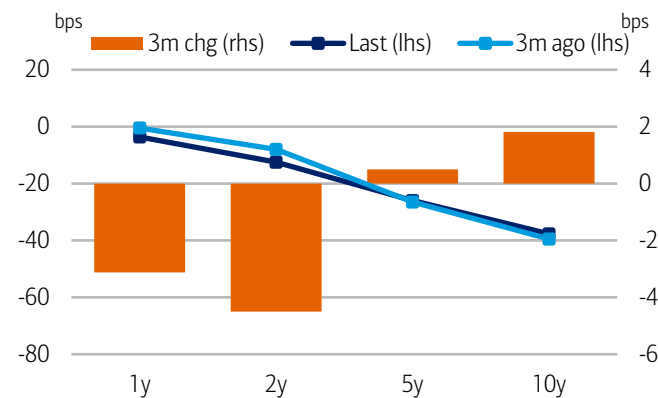


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 75: Term structure of basis swaps

Basis swaps vs 3 months ago



Source: BofA Global Research, Bloomberg

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Volatility surface: USD/SGD

Exhibit 76: Current implied volatilities

Higher skew for upside protection

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	6.51	6.14	5.97	6.17	6.59
3m	6.30	5.94	5.82	6.09	6.61
6m	6.28	5.94	5.84	6.16	6.73
1y	6.28	5.90	5.85	6.27	6.99

Source: BofA Global Research

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Exhibit 77: 3m Z-scores of implied volatilities

Vols structure across tenors and strikes

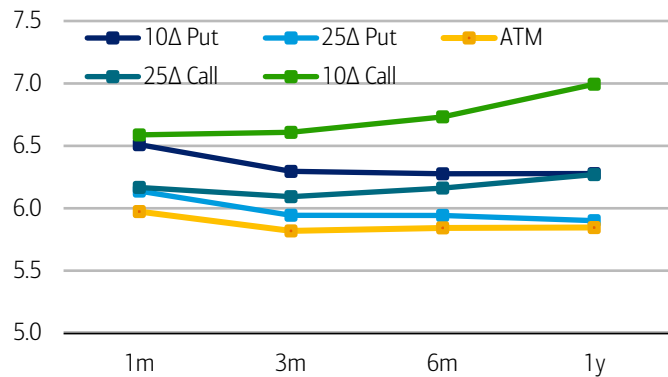
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	1.41	1.08	0.78	0.69	0.75
3m	1.73	1.30	0.85	0.66	0.68
6m	1.97	1.62	1.12	0.68	0.46
1y	2.06	1.68	1.19	0.69	0.36

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 78: Term structures of implied volatilities

10d call vols show higher skew

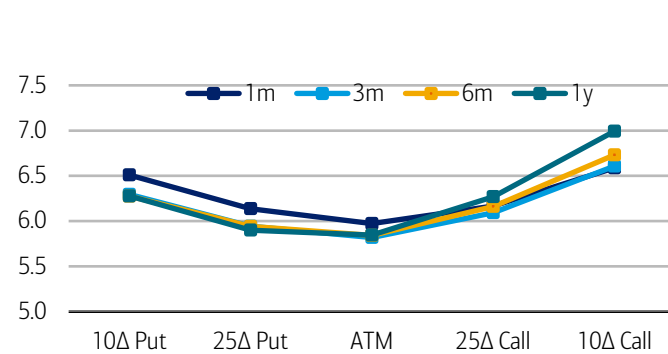


Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 79: Implied volatility smiles

Higher skew in OTM call vols



Source: BofA Global Research

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Taiwan

View: Supported by the tech rebound and lifer hedging

Similar to USDKRW, USDTWD remains stuck in a narrow range due to the combination of USD stabilization but a rebound in global equities. Recently, TWD NEER is beginning to stabilize. The rebound in global tech equities will bring strong inflows into Taiwan and keep spot USDTWD heavy. Recently, with the USD remaining on a broad trend lower, we expect the Taiwanese lifers to increase their FX-hedging ratio. This action will keep TWD NDF points deep and push spot USDTWD lower. We made modest downward adjustments to our USDTWD forecasts (Exhibit 80).

Positioning: Neutral – Across all investor types, hedge funds went significantly long TWD but real money remain short.

Valuation: According to the CBC's fair-value measures based on a 36-month moving average, TWD NEER is currently 2.6% above the lower half of the band.

Risks: The outcome of trade negotiations between Taiwan and the Trump administration.

Corporate hedging: Taiwan's forward points are deeply negative due to the significant imbalance between Taiwan's ownership of foreign assets and foreign ownership of Taiwan assets. Non-local corporates should seek to hedge the TWD risk due to the deep FX carry offered on the Taiwan NDF curve.

Rates: Taiwan rates significantly rallied in April 2025 due to local and global factors. Locally, the Taiwan government decided not to hike electric prices and will continue to subsidize TaiPower, prevent the increase in headline CPI from rising electricity prices. Globally, trade tensions and Taiwan's exposure to the US market is resulting in the rates market to price in two CBC cuts over the next year, a pricing we largely agree with.

Exhibit 80: USD/TWD forecasts vs forwards

Expect USD/TWD to be 32.90 by end-4Q25

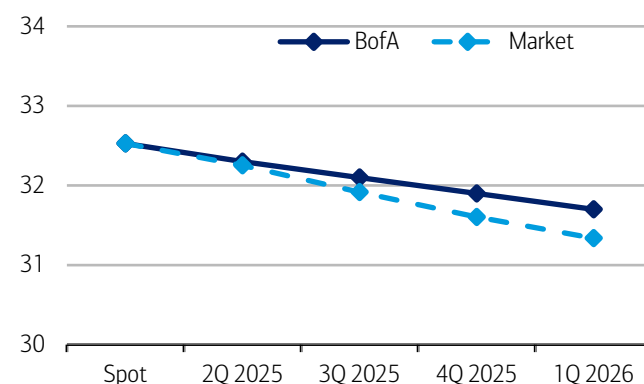
Spot	current	chg (diff)		
	32.53	-0.51		
	Forecast		Forward	
Period	current	chg (diff)	current	chg (diff)
2Q 2025	32.30	-1.00	32.25	-0.59
3Q 2025	32.10	-1.00	31.92	-0.70
4Q 2025	31.90	-1.00	31.60	-0.79
1Q 2026	31.70	-1.00	31.34	-0.80

Source: BofA Global Research, Bloomberg

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Exhibit 81: USD/TWD forecasts

Our forecast path is above the forwards



Source: BofA Global Research, Bloomberg

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Cross-currency swap USD/TWD

Exhibit 82: USD/TWD short-term non-deliverable swap

1y NDS at 0.33

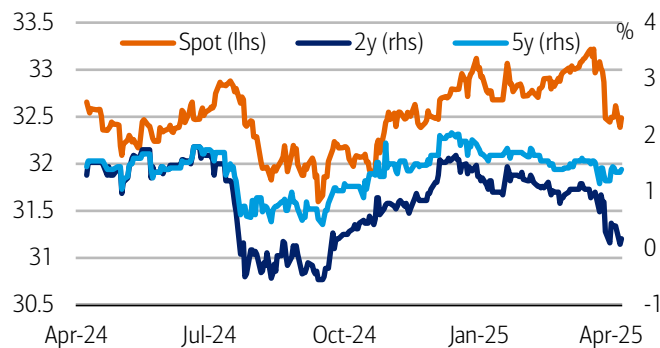
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	0.33	-0.18	-1.78	-2.38	-1.01		2.83	1.08	0.49	3.50	-2.43	-1.49
2y	0.18	-0.28	-0.88	-1.35	-0.55		1.80	0.87	0.35	2.50	-2.52	-1.06
5y	1.40	0.00	-0.25	0.30	0.43		2.05	1.35	0.26	1.88	-1.58	0.13

Note: current value 1y average. The z-score measures the distance between the current value and the mean in standard deviation units Source: BofA Global Research, Bloomberg

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Exhibit 83: Short-term NDS vs USD/TWD spot

2y TWD basis widened

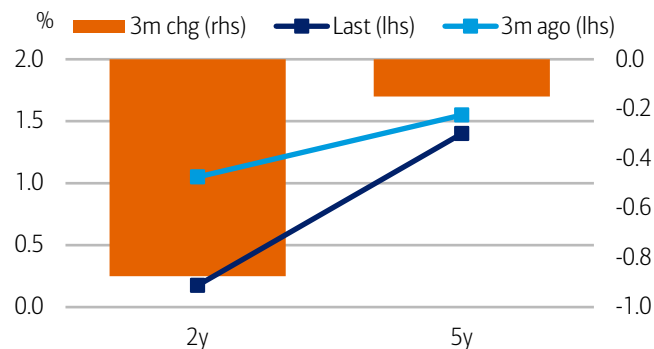


Source: BofA Global Research, Bloomberg

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Exhibit 84: Term structure of NDS

2y and 5y NDS fell in the past three months



Source: BofA Global Research, Bloomberg

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Volatility surface: USD/TWD

Exhibit 85: Current implied volatilities

1-month vol currently is skewed toward puts

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	9.59	8.22	7.40	7.22	7.52
3m	8.93	7.92	7.37	7.42	7.99
6m	8.57	7.82	7.52	7.87	8.71
1y	8.48	7.86	7.68	8.16	9.21

Source: BofA Global Research

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Exhibit 86: 3m Z-scores of implied volatilities

Changes across time

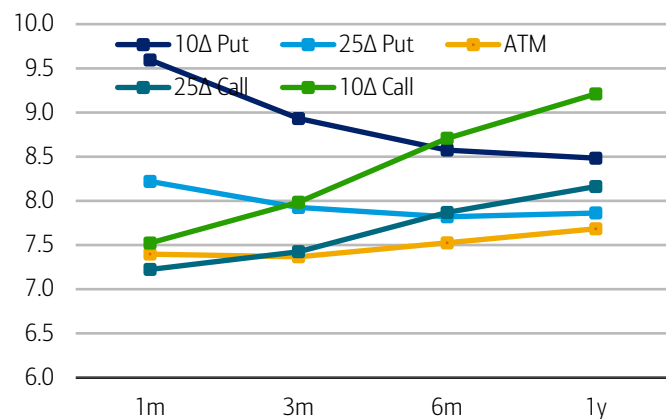
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	2.82	2.41	1.97	1.62	1.44
3m	2.57	2.27	1.90	1.53	1.29
6m	2.13	2.01	1.84	1.66	1.54
1y	1.98	1.83	1.59	1.21	0.83

Source: BofA Global Research

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Exhibit 87: Term structures of implied volatilities

Longer term structures are in favor of OTM calls

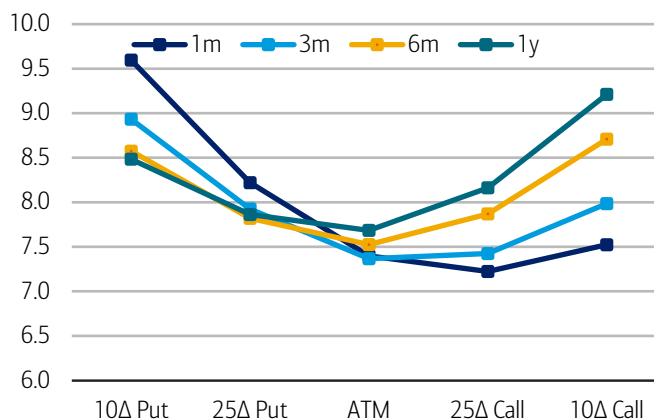


Source: BofA Global Research

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Exhibit 88: Implied volatility smiles

1-month Implied vol smiles are skewed toward puts



Source: BofA Global Research

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Thailand

View: USD move to support THB despite weak macro

THB has appreciated due to relatively large BoP surplus, correlation with gold, improvement in terms of trade due to lower oil prices and finally due to correlation to EUR moves. THB's CA surplus has understated the ongoing BoP surplus due to large errors and omissions flows. While underlying driver of these large inflows remains unclear, THB's strong returns despite BoT's accumulation of reserves point to a much larger USD surplus. Secondly, recent EUR strength will filter through to THB due to THB's high beta to USD moves. That would reduce concerns about the elevated NEER and increase the risks towards a stronger THB vs USD.

Negative risks also remain for THB from various factors, including weak growth despite fiscal stimulus and potential easing of monetary conditions. Verbal rhetoric from the government remains asymmetrically against FX appreciation and recent accumulation of reserves by BoT appears consistent with that.

Moreover, Thailand's trade surplus with the US and higher tariffs on US imports make THB vulnerable to trade tensions. Compared with 2018-19 trade tensions, the interest-rate differential is more negative which has increased domestic investors' appetite for taking FX risks.

Valuation: THB appears overvalued on NEER basis relative to its historical data, but less so on REER basis, due to lower inflation than peers. Our long-term Compass model indicates an overvaluation of c.11%, with an estimated fair value of 37.29/USD, likely reflecting the weak export recovery and shallow CA surplus vs historical range.

Positioning: Hedge funds covered short THB to neutral position. Real money added to long THB exposure over the last month to a moderate long position.

Risk events: Political risks need to be monitored with the ongoing no-confidence motion against the PM. THB is also exposed to risks from trade tensions or tariffs.

Corporate hedging: Hedging costs in THB remain low, and a negative basis vs USD adds to the yield pick-up. We recommend hedging long THB exposure in the near term due to unfavorable seasonality this quarter. Beyond that, weaker USD would favor keeping long THB exposure unhedged.

Rates: Bullish/flatter – ThaiGBs have rallied over the last month on rising global growth risks. Front-end rates have priced further over 2x cuts this year, while weak growth outlook and limited fiscal room support duration exposure and a flatter curve.

Exhibit 89: USD/THB forecasts vs forwards

USD/THB forecasts

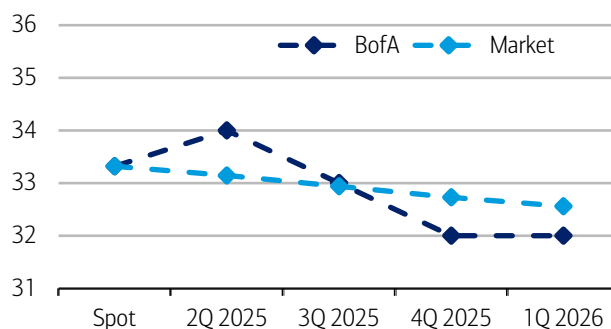
Spot	current 33.32	chg (diff) -0.65		
	Forecast		Forward	
Period	current	chg (diff)	current	chg (diff)
2Q 2025	34.00	-3.00	33.15	-0.675
3Q 2025	33.00	-3.00	32.94	-0.711
4Q 2025	32.00	-3.00	32.73	-0.741
1Q 2026	32.00	-3.00	32.56	-0.740

Source: BofA Global Research, Bloomberg

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Exhibit 90: USD/THB forecasts

Our forecast path vs forwards



Source: BofA Global Research, Bloomberg

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Cross-currency basis USD/THB

Exhibit 91: USD/THB cross-currency basis

ccy basis across tenors

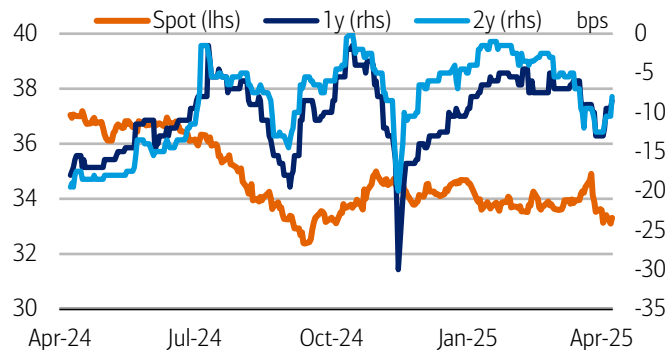
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-8.50	4.50	2.50	26.50	-41.50		-1.50	-22.17	2.75	19.83	0.37	1.27
2y	-8.00	0.00	6.00	28.00	-40.50		-1.50	-23.26	2.58	18.59	0.39	1.40
5y	-18.00	-5.50	5.50	26.00	-47.50		-6.00	-29.52	2.40	17.29	-0.58	1.04
10y	-39.00	-11.00	2.00	42.50	-83.50		-21.50	-52.99	3.63	26.16	-1.43	0.79

Note: current value 1y average. The z-score measures the distance between the current value and the mean in standard deviation units Source: BofA Global Research, Bloomberg

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Exhibit 92: Short-term basis swaps vs USD/THB spot

Basis swaps history over time

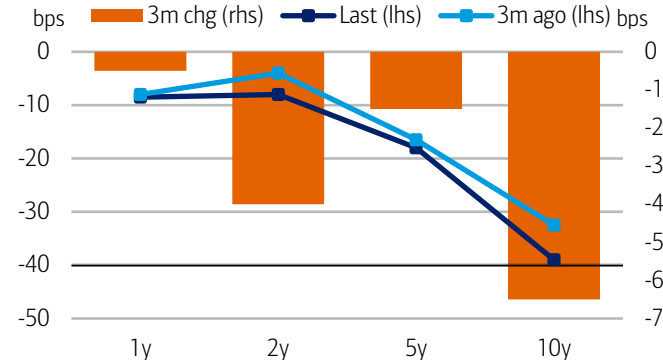


Source: BofA Global Research, Bloomberg

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Exhibit 93: Term structure of basis swaps

Basis swaps term structure vs three months ago



Source: BofA Global Research, Bloomberg

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Volatility surface: USD/THB

Exhibit 94: Current implied volatilities

Upside vols higher than the rest of the curve

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	10.19	9.82	9.74	10.11	10.82
3m	9.71	9.38	9.37	9.88	10.76
6m	9.60	9.27	9.33	9.97	10.98
1y	9.44	9.12	9.21	9.92	10.98

Source: BofA Global Research

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Exhibit 95: 3m Z-scores of implied volatilities

Vols across tenors and strikes

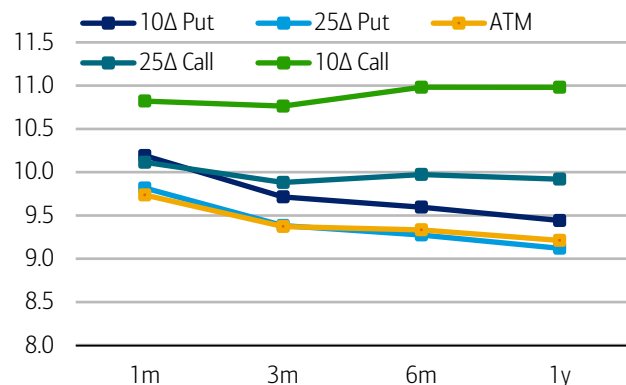
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	1.38	1.35	1.35	1.40	1.45
3m	0.81	0.80	0.83	0.94	1.05
6m	0.40	0.52	0.68	0.87	1.03
1y	0.02	0.17	0.31	0.43	0.50

Source: BofA Global Research

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Exhibit 96: Term structures of implied volatilities

Term structures of vols across strikes and tenors

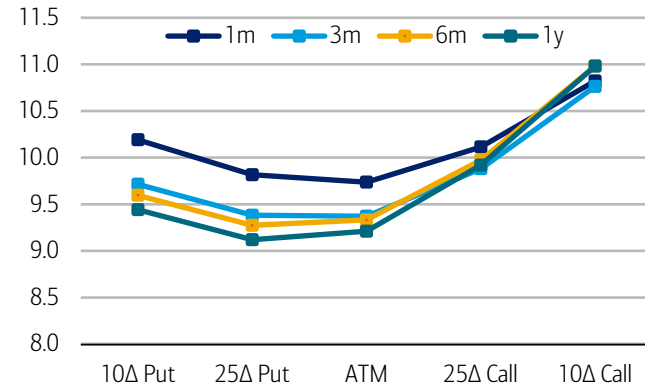


Source: BofA Global Research

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Exhibit 97: Implied volatility smiles

Higher skew toward calls



Source: BofA Global Research

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Vietnam

View: USD/VND 26,400 by end-4Q amid macro stability

We forecast more moderate VND depreciation to 26,400 by year-end, reflecting broader USD strength and a difficult trade outlook with the prospect of higher tariffs. This forecast represents a 2% depreciation from the current spot.

Macro outlook: Improving domestic economy vs. difficult external economy

We expect GDP growth to hold steady at a trend-pace of 6.9% yoy in 1Q25 vs. 7.6% in 4Q25 and 7.1% in 2024. By sectors, outperformance included manufacturing (9.3%) and services (7.7%), which offset subdued growth for agriculture (3.7%) and weaker mining (-5.8%). Vietnamese authorities reiterated their ambitious official GDP growth target of 8% for 2025 (2Q-3Q25E: 8.3%; 4Q25E: 8.4%), but this has likely not factored in negative spillovers from US tariffs (Vietnam among the highest at 46%).

We see significant downside risk to our GDP forecasts for 2025 (6.7%) and 2026 (6.4%), considering direct effects from any sharp dip in exports to the US. US is Vietnam's largest export market, making up 30% of overall exports in 1Q24-1Q25. We estimate every 10% decline in exports to the US lowers Vietnam's GDP by around 70bp if every products drop by 10% (not the case in reality as demand elasticity differs by products).

Positioning: It is difficult to gauge with limited data. 3M NDF points are 93 points above the spot, which is below the two-year average of +105 points, suggesting that risk premium is not being priced.

Valuation: It is difficult to gauge with the limited data and no liquid financial instruments to reliably price expectations. Relative to the official trading band, VND trades 4.4% cheap to the midpoint, approaching the 5% limit of weakness. Examining the REER, this trades 4.3% above the 10-year moving average, implying slight overvaluation.

Event risk: Vietnam's high leverage ratio, at 146% of GDP, remains a key source of medium-term risk to financial and economic stability. More recently, political risks have risen amid the anti-corruption campaign.

Corporate hedging: It is limited, due to liquidity constraints, and focused on a 1M NDF tenor or shorter.

Curve outlook: The curve is likely to remain steep on stable to low inflation, while the growth outlook is mixed.

Exhibit 98: USD/VND forecasts vs. forwards

Expect USD/VND at 26,400 by end-4Q25

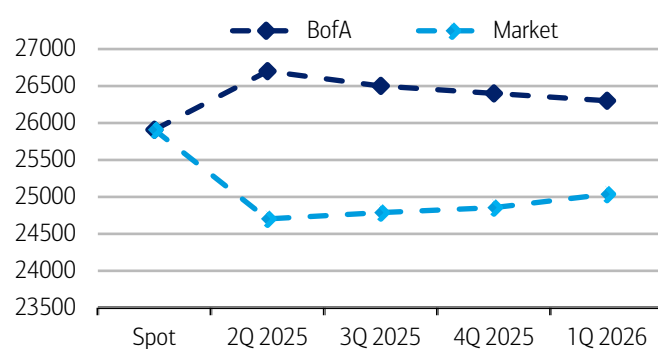
Spot	current		chg (diff)	
	25908		+267.00	
Period	Forecast		Forward	
	current	chg (diff)	current	chg (diff)
2Q 2025	26700	-	24702	-
3Q 2025	26500	-	24787	-0.50
4Q 2025	26400	-	24854	-
1Q 2026	26300	-	25036	-0.50

Source: BofA Global Research, Bloomberg

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Exhibit 99: USD/VND forecasts

Our forecast path is above the forwards from 4Q25



Source: BofA Global Research, Bloomberg

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FX Models

Exhibit 100: FX Compass

Long-term currency valuation

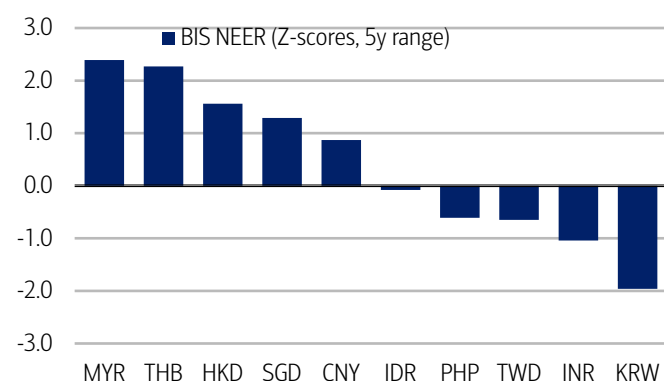
Country	Fair Value vs USD	Spot vs USD 1/	Bilateral Misalignment vs USD (%) 1/	Trade-weighted Misalignment (%) 2/
Asia			3.0	0.9
China	7.02	7.31	(4.2)	(8.9)
India	85.30	85.12	0.2	(2.5)
Indonesia	17593	16855	4.2	2.3
Korea	1450	1425	1.7	0.1
Malaysia	4.30	4.38	(2.0)	(4.5)
Philippines	63.81	56.69	11.2	10.6
Singapore	1.34	1.31	2.5	0.4
Thailand	37.29	33.18	11.0	10.5

Source: BofA Global Research, Bloomberg. Note: 1/ Fair values are updated using forecasts. Spot is for April 22, 2025. Note 2/ REER valuation is trade-weighted deviation of current REER (August estimate) from Compass fair values.

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Exhibit 101: Current NEER levels relative to 5yr history (z-score)

MYR well-above five-year average



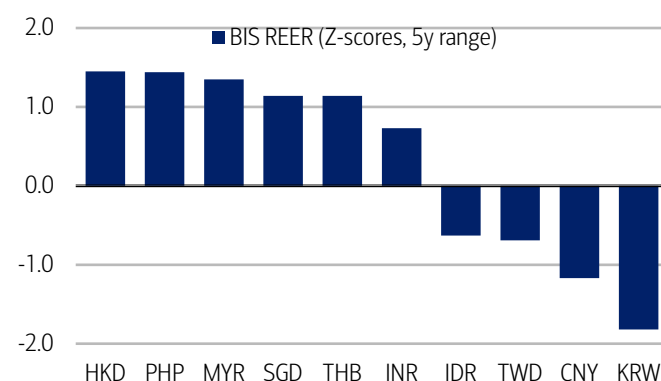
Source: BofA Global Research, Bloomberg

Note: Current NEER levels refer to levels as of Feb-24 as per data availability

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Exhibit 102: Current REER levels relative to 5yr history (z-score)

HKD well-above five-year average



Source: BofA Global Research, Bloomberg

BofA Global Research, Bloomberg

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Acronyms and Abbreviations

AB – Aggregate balance
 Avg – Average
 BEER - Behavioural Equilibrium Exchange Rate
 BNM – Bank Negara Malaysia
 BoK - Bank of Korea
 BoP – Balance of Payments
 BSP – Bangko Sentral Ng Pilipinas
 BoT – Bank of Thailand
 CA – Current account
 CAD – Current account deficit
 CBC – Central Bank of China (Taiwan)
 CGB – China government bond
 Chg – Change
 CFETS – China Foreign Exchange Trade System
 CPC – Communist Party Congress
 CPI - Consumer price index
 FDI - Foreign Direct Investment
 HF – Hedge fund
 HIBOR – Hong Kong Interbank Offer Rate
 HKMA – Hong Kong Monetary Authority
 IGB – Indian government bond
 LERS – Linked Exchange Rate System
 LIBOR – London Interbank Offer Rate
 m – month
 MPC – Monetary policy committee
 NEER – Nominal effective exchange rate
 NDF - Non-deliverable forward
 NPS - National Pension Service
 PBoC – People’s Bank of China
 PM – Prime Minister
 REER – Real effective exchange rate
 RM – Real money
 SBV - State Bank of Vietnam
 vs. – versus
 w – Week
 xccy – Cross currency
 y – Year
 YE – year-end



Analyst Certification

I, Claudio Piron, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Special Disclosures

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Disclosures

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