Global FX weekly

Trumponomics vs. Merzonomics

21 March 2025 Corrected

FX Research
Global

The view

G10. Short-term USD retracement but remain bearish this year. April 2nd tariff deadline next catalyst. Merzonomics a marathon, not a sprint.

EM. Amid tariff trade fixation and SGD vulnerability, don't lose sight of idiosyncratic alpha and risk as BRL rallies against USD, TRY depreciates and IDR faces pressure.

G10 Themes

USD. USD-S&P relationship change. Policy uncertainty could prompt asset reallocation. Stagflation risks weighing on both USD and equities. Policy puts elusive.

GBP. Weak growth, but some recovery ahead. Inflation to pick up and above target until late 2026. Move in EURGBP excessive vs. anchors, expect April pullback on seasonality.

AUD/NZD. NZD short squeeze underway, but medium-term rate differentials and vulnerability to macro shocks bullish AUDNZD. Year-end target 1.13.

Norges Bank preview. On hold, projecting 1-2 rate cuts this year. Slight upside NOK risks. We keep two rate cuts this year, tentatively Sep/Dec, but June very much live.

EM Themes

SGD. Singapore policy uncertainty soars to record high. Enter 3M dual digital EUR/USD 1.0950, USD/SGD 1.3350

TWD. Trip notes. We hosted a Taiwan macro tour that featured experts on Taiwan's economy, equity market, and life insurance sector.

COP. Trip notes. fiscal risks looming for COP, preventing faster monetary easing, and creates a headwind for activity. Stay long BRL/COP

PEN. Trip Notes. Robust macro beats institutional fragilities. Strength of macro conditions counterbalances institutional fragilities. We like long USD/PEN.

Quant & Vol Insights

Quant models expect near-term bullish USD retracement 1-2 week horizon. However, the USD downtrend has more room to run in the coming months.

Technical Strategy

Broad USD finding some support, may bounce. Bloomberg USD index topped and in downtrend. However, systematic buy signal warning of countertrend bounce in 1-4wks.

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G10 FX Strategy
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Timestamp: 21 March 2025 01:00AM EDT

Key views, forecasts and latest trades

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Exhibit 1: Our medium-term views
G10 and EM FX medium-term views

G10	We look for EUR-USD at 1.15 by year-end and 1.20 by end-2026. The announced German fiscal package is a watershed moment for EUR, in our view. And this may not be all: we also see upside EUR risks from (1) more defence spending at the EU level; (2) more – not necessarily fiscal – EU reforms; and (3) a potential Ukraine peace deal alongside lower energy prices. The EUR-USD positioning has just turned long from very short at the start of the year, but it is far from stretched. So, we think that FX still prices less Europe bullishness relative to other asset classes. On the US side, the market is coming around to the view that policy uncertainty (fiscal, trade, etc.) has negative implications for US growth, with expectations for more Fed cuts reemerging. We are structurally long EUR-USD and EUR-CHF. Tactically, we position for some EUR-USD consolidation ahead of the potential month-end rebalancing and the April 2nd expected tariff announcements.
EM	EM FX is holding in relatively well despite the ongoing escalation in tariffs. This is partly due to improving fundamentals and lower inflation, which is helping to support higher year yields. This dynamic is being reinforced by the EUR rally and opens the door for high beta and carry EM to outperform. We enter selective longs in INR, HUF and THB. However, we maintain short TWD on tariff risks and downside China growth. On the long side, we believe there are opportunities in Latam, where real yields are better: stay long BRL vs. COP.

Source: BofA Global Research

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Our key forecasts

Exhibit 2: Key BofA G10 and EM FX forecasts
Forecasts as of 20-Mar-2025

(EOP)	YE 2022	YE 2023	YE 2024	1Q 25	2Q 25	3Q 25	YE 2025	YE 2026
EUR/USD	1.07	1.10	1.04	1.08	1.10	1.12	1.15	1.20
USD/JPY	131	141	157	152	156	161	165	160
GBP/USD	1.21	1.27	1.25	1.30	1.34	1.38	1.44	1.56
AUD/USD	0.68	7.00	0.62	0.62	0.63	0.65	0.68	0.71
USD/CNY	6.90	7.10	7.30	7.50	7.60	7.50	7.40	6.90
USD/BRL	5.29	4.92	6.21	6.00	5.90	5.80	5.75	6.00
USD/INR	83	83	86	88	88	88	87	86
USD/ZAR	17.04	18.36	18.84	18.60	18.30	17.80	17.50	17.00

Source: BofA Global Research. Forecasts as of 20-Mar-2025

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What we particularly like right now

Exhibit 3: Our latest G10 and EM FX trade recommendations
What we particularly like right now

G10	
Buy 2-week 1.0850/1.0750 EURUSD put spread	We tactically hedge our medium-term bullish EURUSD view ahead of Apr 2 tariff announcements and month-end rebalancing
Buy EUR/USD via 6m 1.08/1.13 1x2 call spread	The announced German fiscal package is game-changing. We also see upside EUR risks from 1) more defence spending at EU level 2) more EU reforms 3) a potential Ukraine peace deal. Meanwhile, policy uncertainty poses downside risks to US growth
Buy EUR/CHF via 6m 0.9450/0.97 1x2 call spread	We want to position for positive EA developments. Meanwhile, SNB policy rates are towards our forecast for terminal (25bps) but weaker inflation risks a return to negative policy rates but more likely a sustained period of low rates.
Sell CAD/MXN	Tariffs developments call for lower CAD/MXN. We also expect carry to remain favorable after BoC and Banxico reach terminals
EM	
Long USD/CNH 6M forward	We add long USD/CNH to hedge against tariffs risks against China and CNY depreciation target 7.45
long 3M dual digital EUR>1.095, SGD>1.3350	We enter into 3M dual digital to hedge SGD risks and vulnerability to rising global tariff risks
Long USD/PEN	We buy USD/PEN tactically (entry: 3.6894, target: 3.78, stop: 3.65) as we fade the rally which is not supported by fundamentals

For complete list of open trades, and those closed over the past 12 months, please see pages 21-24

Week ahead & G10 Central Bank calls

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In focus next week

US PCE (Fri). **Europe PMIs** (Mon). **Tokyo CPI, BoJ Mar Summary of Opinions** (Thu). **UK CPI** (Wed). **Norges** (Thu)

Other events by region:

- AMRS – **US consumer confidence (Tue)**, 3rd 4Q GDP (Thu), final Michigan (Fri). **CA** Jan GDP (Wed)
- Europe – **EA** sentiment, ECB CPI expectations (Fri). In **Germany**, Ifo survey (Tue). **UK** retail sales and final 4Q GDP (Fri). In **Sweden**, Riksbank minutes (Wed)
- APAC – In **Japan**, BoJ Jan minutes (Mon). **AU** Feb CPI (Wed)

Source: Bloomberg. Last updated: 20-Mar-2025. Dates are according to London time

G10 Central Bank calls

Exhibit 4: BofA G10 Central Bank calls
Norges Bank is meeting next week

Country	Current	Next	Our call	BofA YE 25 (bp)	Priced YE 25 (bp)	Narrative
US	4.38%	7-May	4.38%	0	-67	We think rate cuts remain firmly off the table in the near term.
Eurozone	2.50%	17-Apr	2.25%	-100	-48	Our conviction on the ECB getting to 1.5% is still strong, on getting there by September is lower, chances of them skipping meetings has increased.
Japan	0.50%	1-May	0.50%	+50	+33	We expect the BoJ to raise the policy rate to 0.75% in June (with the risk that the move comes even earlier at the 30 Apr-1 May MPM) and to 1.0% in Dec. We have also pencilled in two, additional hikes in July 2026 and Jan-Mar 2027, for a terminal rate of 1.5%.
UK	4.50%	8-May	4.25%	-75	-47	We expect the next cut in May and quarterly cuts (3.50% terminal reached in 1Q '26), with risks of less cuts than more.
Canada	2.75%	16-Apr	2.50%	-25	-48	We think the BoC will cut 25bp in April, to reach our terminal estimate of 2.50%, despite the sudden rise of inflation. However, US's "reciprocal tariffs" (Apr 2) and March's CPI print (Apr 15) are key to assess its next step.
Australia	4.10%	1-Apr	4.10%	-50	-67	Our terminal-rate forecast is 3.10%, which we expect the RBA to reach in H2 2025. We continue to expect the RBA will hold on April 1, and cut by 25bp on May 20. However, an upwards inflation surprise next week (Feb CPI) or on April 30 (1Q CPI) could lead to a hold in May.
New Zealand	3.75%	9-Apr	3.50%	-125	-63	We expect the RBNZ to cut by 25bps in April, followed by an additional 100bps of cuts to reach a terminal rate of 2.5% in late 2025. The hawkish 4Q GDP data pose upside risks to our terminal-rate forecast.
Switzerland	0.25%	19-Jun	0.25%	0	-2	The SNB seems keen to preserve optionality amid high uncertainty on the outlook, incl. new FX interventions and further cuts but we expect no more rate cuts.
Norway	4.50%	27-Mar	4.50%	-50	-36	We now expect Norges to remain on hold in March and pencil in cuts for September and December.
Sweden	2.25%	8-May	2.25%	-25	+2	While we acknowledge that our base case of one more cut this year (we had pencilled in that for June) is under increasing pressure and a long-term pause is getting more and more likely, we think clearer evidence on the growth side is needed.

Source: BofA Global Research. Forecasts and pricing as of 20-Mar-2025.

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The view

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G10. April 2nd the next catalyst

FX alive and well

Questions about US exceptionalism and optimism for European renaissance have weakened the USD so far in Q1, and particularly this month (see Investor Sentiment: Risk-Love 20 March 2025). The Scandies and the EUR are the best performers so far in March, with the USD the weakest, followed by CAD and JPY. FX vol is in the middle of its average in recent years, above its low levels of last summer. Correlations are shifting, with tariffs and equity sell-offs not affecting the USD as positively as in the past, as US policy uncertainty and concerns about the economy slowing have become the main driving forces (see How could tariffs end up weakening the USD? 12 February 2025 and USD & S&P – The times they are a changin' 20 March 2025).

More USD weakness ahead, but short-term retracement

Our flows and positioning analysis indicates room for more USD selling, but also a potential pause for now (see Liquid Cross Border Flows: Positioning after the USD sell-off 17 March 2025). USD positioning is now broadly neutral, from the longest position we have seen in our data in January. Hedge funds have been leading USD selling and have more room to sell. The market is only slightly long EURUSD, while EM FX positioning remains short, despite recent demand. However, USD selling is now moderating.

Our quant models have turn tactically positive for the USD, on risk-off and higher US yields (see FX Quant Insight 17 March 2025). Beyond the USD, relative value signals are positive for EURCHF and bearish CADMXN. However, our factor analysis suggests USD downtrend has more room to run eventually (see FX Watch: FX factors update 17 March 2025).

April 2nd tariff deadline next catalyst

It is hard for the USD to weaken more ahead of the April 2nd deadline on US reciprocal tariffs. Although the impact of tariffs on the USD has been mixed, with the positive direct impact from lower import demand and higher inflation offset by concerns about the US economy weaking, investors are concerned about global risk-off from across-the-board tariffs. It is still not clear what the US administration means by "reciprocal tariffs" but official statements suggest they will apply to all US trading partners.

We expect markets to get more concerned about US tariffs as the April 2nd deadline approaches. We see risks for EURUSD consolidation amid uncertainty. This week, we went tactically short EURUSD via a 2-week EURUSD put spread, to also hedge our medium-term bullish EURUSD view (see FX Alpha: Tactically short EUR/USD 19 March 2025).

Merzonomics

Approval of the historic EU reforms is on track, but implementation will take time. The German Lower House approved Germany's massive infrastructure and defense fiscal stimulus, while the Upper House is expected to do the same today. The EU Commission presented the details on how to spend €800bn on defense during this week's EU Summit. The announcement effect of these reforms is in EUR price, but we believe it will take time and implementation proof for markets to fully digest the major policy shift underway in Europe. It is going be a marathon, not a sprint.

EM. Idiosyncratic matters in BRL, TRY, and IDR

The FX world remains rightly focused on tariff and trade war risks, but it is important not to lose sight on the idiosyncratic factors. BRL is pushing fresh 2025 levels of strength against USD, TRY just accelerated to all-time lows and IDR risks for depreciation are bubbling beneath the surface of FX smoothing operations.

On BRL, the central bank just delivered a 100bps hike to 14.25% Brazil Watch: Copom hikes 100bps and we expect a further two 50bps hikes to take Brazil's policy rate to 15.25%. Rates are the highest since 2016, while inflation is running at 5.1%, making real rates attractive. However, BRL still must pass a reform agenda and a 2025 budget bill. We are constructive that the bill can be passed and consequently bullish BRL.

On TRY, the political situation remains fluid, however, with the detainment of Istanbul's Mayor heightening concerns. This uncertainty is compounded by a position unwind of sizeable JPY/TRY carry trades, resulting in a 12% TRY depreciation against USD.

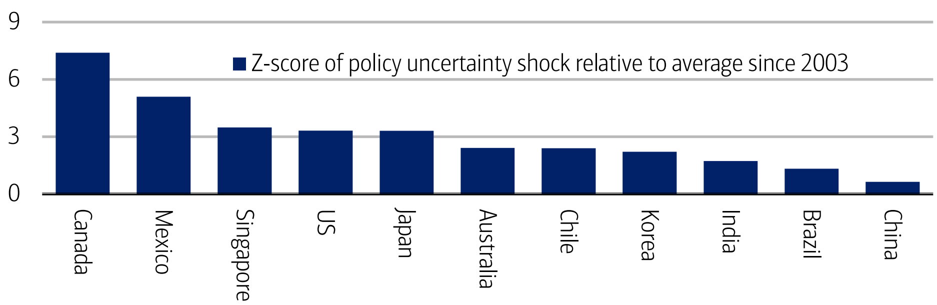
In the IDR's case, significant depreciation is so far being fended off and concerns over the future of Indonesia's well respected Finance Minister are being publicly dismissed. Beyond political risk premium, the underlying economy is showing signs of softness as fiscal expenditure is being significantly cut to accommodate a free school meal program, public housing, and forgone revenue, which is being redirected for a sovereign wealth fund. We believe NDF points offer value as they are not pricing in enough risks.

Shocking stuff as the April 2nd

The threat of escalating and reciprocal tariffs is approaching with the April 2nd deadline set by the Trump administration. As such, we look at the status of policy uncertainty as gauged by a set of indices that proxy this using a lexicographic search of public media. This is illustrated in Exhibit 5 that ranks current relative policy uncertainty among countries relative to the long-term average in standard deviation terms.

Canada and Mexico are widely recognized as being on the front line of trade tensions, but what is less recognized is the vulnerability of Singapore's small and open economy, which ranks third highest. We remain short SGD NEER against the basket and also entered into a 3M dual digital EUR/USD >1.095 and USD/SGD 1.3350 – see EM Alpha: SGD - Shocking stuff. Enter dual digital 17 March 2025.

Exhibit 5: MXN and SGD appear to be most exposed to economic policy uncertainty
A cross section of country z-scores of economic policy uncertainty



Source: BofA Global Research estimates, policyuncertainty.com

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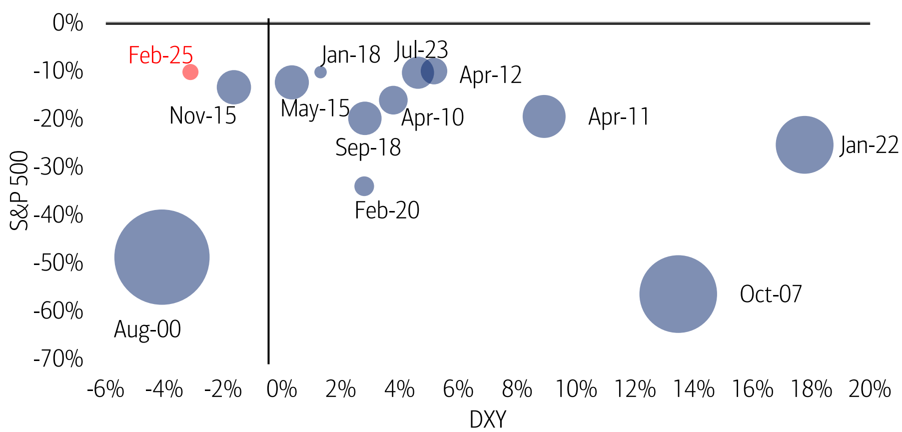
G10 Themes
USD & S&P – The times they are a changin'

Link to the full report: Liquid Insight: USD & S&P – The times they are a changin' 20 March 2025

- USD and S&P relationship showing signs of change. Key question for '25: will policy uncertainty prompt asset reallocation?
- Policy induced stagflation risks weighing on both USD and equity sentiment as exceptionalism theme increasingly questioned
- Various policy "puts" remain elusive. Fed put USD negative but far away. White House put USD: ambiguous but even farther away

Exhibit 6: Recent USD selloff amid equity correction = third occurrence this century. Exceeded only by post-tech bubble era
DXY vs. S&P500 performance during -10+% equity draw-downs (since 000)



Source: Bloomberg; BofA Global Research. Bubble size scaled to number of days from peak-trough S&P500 drawdown; Date on chart = start of equity draw-down

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USD and equity selloff raises stakes for global allocators

US policy uncertainty is leading to economic uncertainty, with the risk of greater stagflationary impulses growing. Across markets, this has manifested in interesting ways, with the concurrent decline in US stocks and the dollar raising eyebrows. US policy makers across the spectrum do not appear poised to react anytime soon, either by choice or necessity. Bigger picture, this raises the stakes for markets, should global investors with both US equity and USD exposure reassess these risks in a way that results in material capital reallocation.

Charting UK Macro, Rates & FX – Mar'25

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Link to the full report: UK Viewpoint: Charting UK Macro, Rates & FX – Mar'25 17 March 2025

Macro: gradual amid uncertainty

UK growth is weak, but we expect the economy to recover to 1.4% in 2025 while acknowledging downside risks. Some fiscal consolidation is likely in Spring (£15bn by 2029-30), which would act as a small drag to growth. Inflation is likely to pick up in the near term to close to 3.5% in Q3 and stay above target until late 2026, with upside risks. We worry about potential second round effects. Amid rising inflation and high uncertainty, we expect the BoE to stick with the gradual and careful guidance. We think despite Mann's 50bp cut vote, the Committee balance has shifted less dovish. We expect a 7-2 vote for a hold in March. We continue to expect three more quarterly cuts in 2025 (next in May) and one in 2026 (terminal: 3.5%), with risks of fewer cuts than more.

Rates: hoping for duration-positive Remit

Front-end pricing has moved quite far away from our base case; not completely surprising when considering upside risks to our own profile. The bar for entering received expressions has risen with the recent less dovish shift in the committee's rhetoric: we see 50bp (or less) priced in for the rest of 2025 as a good threshold to monitor. Gilt vs. UST ASW outlook appears to differ across three key themes for swap spreads this year - de-regs, government bond supply and QT outlook. We are long G vs. WN invoice spreads. In inflation, the forward real yield between UKTi 2036s and UKTi 2042s (an 11y6y rate) is almost 3%. We think these forward real rates should come down, partly for macro reasons, but mainly because we expect the DMO to moderate duration delivery sufficiently to reverse some of the rise.

FX: under the radar

It would be fair to say that GBP has not been top of mind for investors since the February BoE meeting. Tariff talk, trade uncertainty and the German fiscal bazooka have dominated price action in both rates and FX. We were concerned that these risks were not being adequately reflected in GBP implied vol and so this has proved. We recently argued the case for owning volatility in selective GBP pairs (FX Watch: GBP: Omnia Paratus 04 March 2025). EUR/GBP has been the focus but the broader rise in European FX vol has been evident. Heading into the BoE meeting, GBP should find some focus with a heavy schedule of events, culminating in the Spring Forecast on 26 March. We think the move in EUR/GBP has been excessive versus traditional anchors and look for a pullback in April as positive seasonal factors kick in.

Positioning: UK in the crosshairs of US/EUR recalibration

Our latest FX and Rates Sentiment Survey conducted on 7-12 March showed GBP bearishness retreating to neutral levels but positioning remaining short. Regarding duration, investors remain moderately bullish, with sentiment and positioning hovering around post-2H 2023 levels. The survey reflects responses from a total of 53 fund manager with $800bn AUM from the UK, continental Europe, Asia, and the US.

AUD/NZD: how low can you go?

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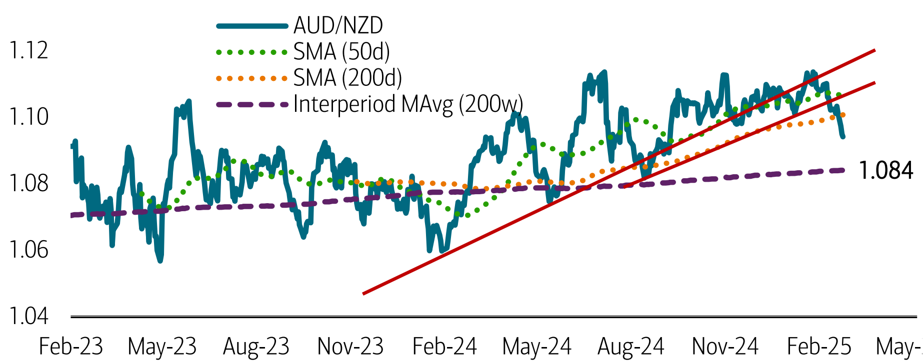
AUD/NZD: watch out below

Price action suggests a short squeeze is underway in NZD. The sharp moves have sparked investor interest in NZD, outright and on crosses. We are bullish AUD/NZD on a medium-term basis given the mismatch between our economists' forecasts for AU/ NZ policy rates and front-end pricing. Our economists see 125bps of RBNZ cuts for the rest of the year (vs 68bps priced) and 50bp for the RBA (vs 63bps priced). Wider rate differentials suggest AUD/NZD should move higher over the long run (See note: Growing headwinds for NZD: we lower our forecasts 06 February 2025).

We are not convinced AUD/NZD is oversold

In the nearer-term, the 14-day, Relative Strength Index (RSI) also suggests AUD/NZD is oversold (Exhibit 8). Yet we are wary of the false signal sent in October and November 2022 when AUD/NZD moved from 1.1075 (first oversold signal) to 1.0515 (final oversold signal). BofA's Liquid Cross Border Flows (LCBF) indicators suggest HFs are short NZD and unwinds could see AUD/NZD move significantly lower (see Exhibit 11). AUD/NZD has been mean-reverting for several years and we see the 200-week moving average (c. 108.50) as a more durable support area to think about upside (Exhibit 7).

Exhibit 7: AUD/NZD looks heavy – 200 -week moving avg looks like a base
AUD/NZD at 109.40 is near-term base but could move down to 108.50



Source: Bloomberg *MAvg = moving average, SMA = simple moving average

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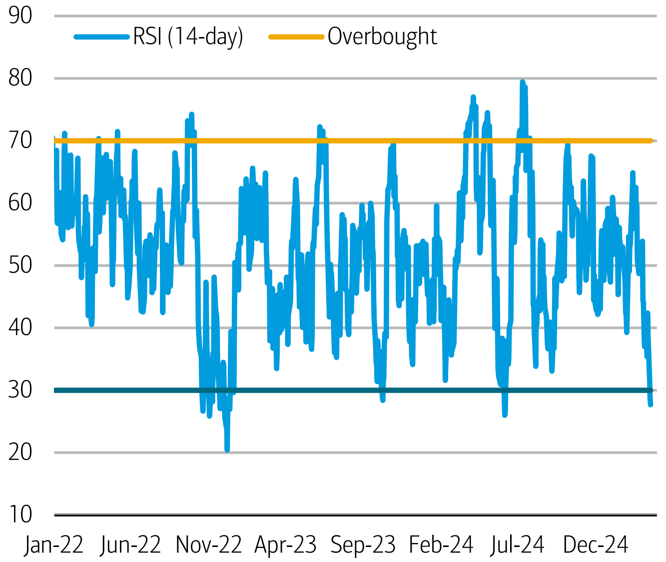
AU jobs, NZ GDP are near-term risks

Over the next 24 hours, the cross is likely to be sensitive to AU jobs and NZ GDP reports, due tomorrow. Our economists expect the AU unemployment rate to remain unchanged (in line with consensus) and NZ GDP to grow broadly in line with consensus (0.3% qoq/ -1.4% yoy). See note: New Zealand Watch 17 March 2025. Given recent price action, we see greater risk of a move to the downside on weak AU/ strong NZ data than a break to the upside on strong AU/ weak NZ data.

Exhibit 8: 14-day RSI for AUD/NZD
We are weary of a repeat of Q4 '22



Source: Bloomberg

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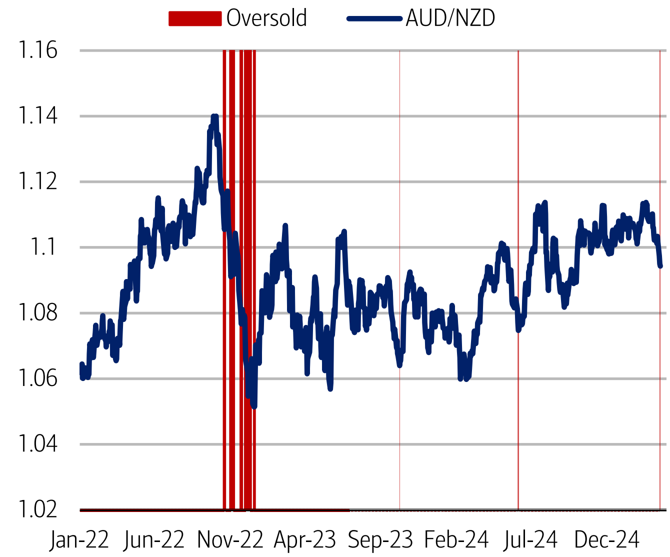
Exhibit 9: AUD/NZD – is this sell-off a repeat of Q4 '22
We are skeptical of the buy signal



Source: Bloomberg

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NZ economy remains weak

We expect the RBNZ to cut by 25bps at its 9 April meeting, followed by an additional 100bps of cuts to reach a terminal rate of 2.5% in late 2025. Our forecast for below-trend growth of 1.0% in 2025 will see the output gap remaining negative given lags in cash-flow transmission. A lackluster growth rebound and lack of capacity pressures will likely see the RBNZ reduce the OCR below their central estimate of the neutral rate (see our report Sailing into headwinds in 2025). Conversely, our economists see a higher AU neutral rate and stickier inflation than the RBA, which means the risks to our base case (two 25bp cuts) is fewer cuts rather than more (see Australia Viewpoint 10 March 2025).

Current-account dynamics are not supportive of NZD

Medium-term, the current account deficit remains elevated at 6.4% of GDP despite some recent improvement, with exports facing risks if global trade slows. Any risk-off is likely to weigh on NZD, which has less terms of trade buffer compared to other commodity currencies. Our quantitative CARS ("cross-asset regime-switching") model suggests NZD is especially vulnerable to a macro shock (Exhibit 10, see FX Quant Insight: FX RV amid FOMC-driven USD doubt 17 March 2025 for more details)

Bullish AUD/NZD by end-2025 but bearish in the near term

In our view, more pronounced rate differentials will drive AUD/NZD higher to 1.13 by 4Q '25 and 1.16 by 4Q '26. In addition, while US tariffs (due by April 2) could pull AUD/USD lower, AUD/NZD looks reasonably well insulated from this risk. In the short term, though, a sudden break lower in AUD/NZD suggests NZD shorts are getting squeezed and we see 108.50 as a reasonable support area to consider upside for the cross.

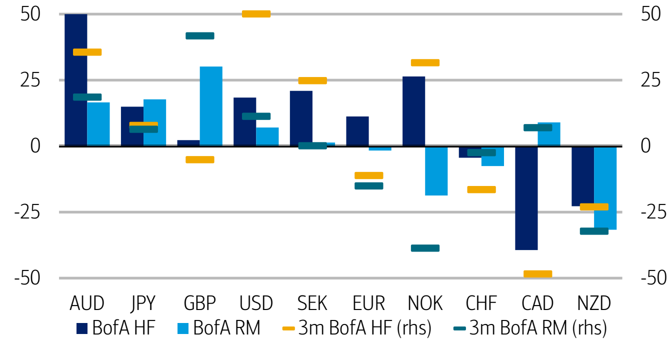
Exhibit 10: Model enters macro shock regime as US equity sells off
CARS signals for a macro-shock week

Currency	Bullish/Bearish	Equity Shock	Rates Shock
EUR	Bearish	0.5	-0.1
JPY	Bullish	-0.8	-2.1
GBP	Bearish	0.1	0.0
AUD	Bearish	-1.2	-0.1
CAD	Bearish	-0.7	0.0
CHF	Bullish	1.4	0.0
NZD	Bearish	-1.6	0.5
SEK	Bearish	0.1	0.0
NOK	Bearish	0.1	0.2

Global regime	z-score
Commodity Shock	0.5
S&P 500	-1.3
US Treasury	0.9

The chart shows bull/bear signals for G10 FX versus the USD based on cross-asset shocks. Factor cells are colored in red if equity/rates z-scores are below -1 and commodity z-score is below -2.
Source: Bloomberg BofA GLOBAL RESEARCH

Exhibit 11: Latest BofA investor G10 FX positioning
Hedge Funds very long USD while Real Money modestly long



Source: BofA Global research, Bloomberg. Note: Currencies ranked on the equally-weighted average of BofA HF and BofA RM positioning levels. 3m HF: BofA Hedge Funds positioning 3 months (13 weeks) ago. 3m RM: BofA Real Money positioning 3 months ago See
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Norges Preview: on the margin, a hold

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Still a very close call, we look into the arguments

Norges Bank's March meeting has attracted a lot of client attention in the last few days – the cut was supposed to be a done deal, but then a very high February inflation print and this week's Regional Networks Survey (RNS) came in the way.

With this uncertainty, we can only take a step back and look at the dataflow. We think there are very valid arguments both ways – we summarize the main ones in this note. Main points for a hold, in our view: 1) big Feb inflation surprise, 2) the upbeat RNS 1Q25 survey, 3) strong wage growth, 4) resilience of the labour market and 5) upbeat house prices. Main arguments for a cut: 1) very clear guidance for a cut, 2) disappointing GDP growth in 2024, especially 4Q24, 3) normalization in the medium-term inflation outlook and 4) stronger NOK and lower oil prices.

We think RNS tipped balance towards a hold

We think the stronger output numbers in Thursday's RNS survey weakened the most pressing argument for a cut this month, ie the weaker growth data in 4Q24. The move lower in wage growth expectations was marginally dovish, but the survey data was collected before the Feb inflation surprise. It remains a close call, but we now think a hold has become more likely than cut.

Regardless of March, upward revision of the path

Regardless of the outcome in March, an upward revision of the rates path is very likely. Before the upside surprise in inflation, we had stated a base case of 3 cuts this year – this has become unlikely. In case of a hold, we would expect them to signal between 1 and 2 cuts for the whole year – we keep two rate cuts this year, tentatively Sep/Dec but June is very much live. In case of a hawkish cut next week, we expect them to signal some probability of one more cut by year-end.

NOK: slight upside risks from Norges

We see slightly upside NOK risks into Norges' meeting. The recent domestic newsflow (Feb CPI and the Regional Network Survey) has been clearly hawkish, but the market already prices a small chance of a cut next week and around 1.5 rate cuts in total. Beyond the near term, we expect Norges Bank's relative stance to support NOK, with carry becoming more attractive over its course. But fewer rate cuts could also mean slower growth down the road. Norges aside, NOK can continue benefitting from positive developments in Europe, even if by less relative to SEK. We forecast EUR-NOK at 11.00 and USD-NOK at 9.57 by year-end. We see fresh NOK-SEK downside in 1H.

EM Themes
SGD – Shocking stuff. Enter dual digital

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The following piece is an abridged version of EM Alpha: SGD - Shocking stuff. Enter dual digital 17 March 2025

The only certainty is uncertainty.

Singapore's status as a small and very open economy is well known. What is harder to ascertain is how escalating trade wars and spread of retaliatory tariffs will spill over into Singapore. Moreover, fear and uncertainty by itself can have negative consequences for investment decisions and ultimately growth.

Exhibit 12 below shows a sudden surge in Singapore's economic policy uncertainty derived from a lexical search of public media articles. The latest January data shows it at an all-time high, exceeding 2020 COVID. By translating this into a z-score (subtract each month's reading from the historical average and divide by the standard deviation) and comparing with 10 other countries, we find Singapore has the third highest score.

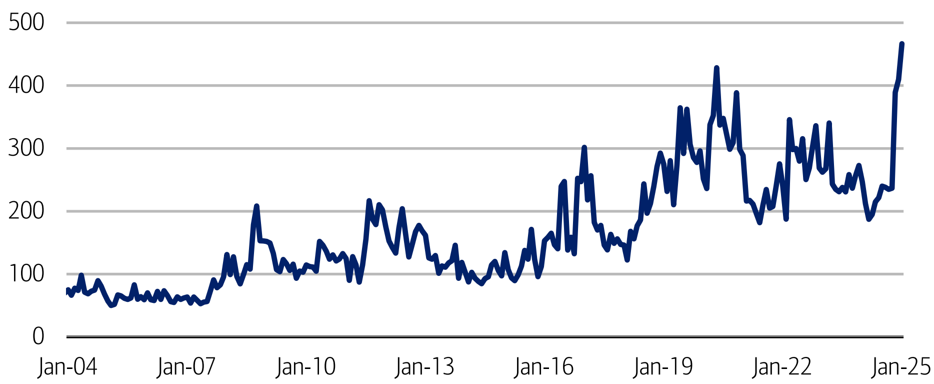
Short SGD NEER; Long dual digital EUR>1.095, SGD>1.335

Exhibit 14 shows how Singapore's heightened policy uncertainty has correlated with previous economic slowdowns. The downside risks to growth associated with this heightened level of uncertainty, underscores our trade recommendation to stay short SGD NEER against the basket. See our report: EM Alpha: Singapore – Short SGD NEER Jan 2025.

Given the SGD downside risks and potential for divergence with EUR and our year-end EUR/USD forecast of 1.15, we recommend the following dual digital FX option: EURUSD > 1.0950 [0.64% OTMS] and USDSGD > 1.3350 [0.07% OTMS]. USD5million at 7.5% cost of notional. EURUSD Spot ref 1.0880, USDSGD Spot ref 1.3340.

The risks to this trade would result from either US trade tariff risks de-escalating for Asia or European fiscal efforts fading, resulting in lower EUR/USD.

Exhibit 12: Singapore's economic policy uncertainty touches highest level since 2003 in Jan
Policy uncertainty over trade tariffs and wars (measured by media coverage) is hurting economic prospects



Source: BofA Global Research, Macrobond. Policyuncertainty.com

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The implications of uncertainty

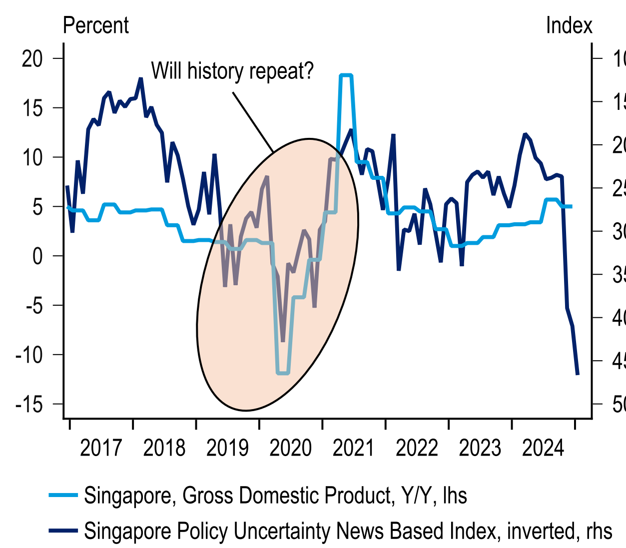
As things currently stand, four key tariffs have been made effective so far this year, with a further 14 threatened tariffs by the US still outstanding. Indeed, the April 2nd deadline set by the US to impose further tariffs against Mexico and Canada as well as introduce reciprocal tariffs looms large. This is resulting in heightened economic uncertainty for global policy makers and business leaders.

By most measures, Singapore's trade relations with the US are in good standing. Singapore and the US signed a Free Trade Relationship in 2004 (the first bilateral agreement signed in Asia) and runs a trade deficit with the US (USD2.8bn in 2024).

However, Singapore is also a small and very open economy with trade-to-GDP estimated at 311%, making it very vulnerable to global trade shocks. This is illustrated by the heightened level of economic policy uncertainty in Exhibit 12 and its relative ranking against other countries in Exhibit 14.

High levels of policy uncertainty can have direct implications for Singapore's growth. Exhibit 13 shows the index of economic policy uncertainty (inverted) against Singapore's GDP growth. The experience of COVID in 2020, showed a sudden-stop effect, where policy uncertainty rose sharply, and GDP contracted by more than 10% yr/yr. This time around the effects will likely be more corrosive over time, despite the historical high registered by the policy uncertainty index.

Exhibit 13: A sudden and sharp fall in policy stability hurts growth
We are seeing the sharpest rise in Singapore's policy uncertainty since COVID



Source: BofA Global Research, Bloomberg

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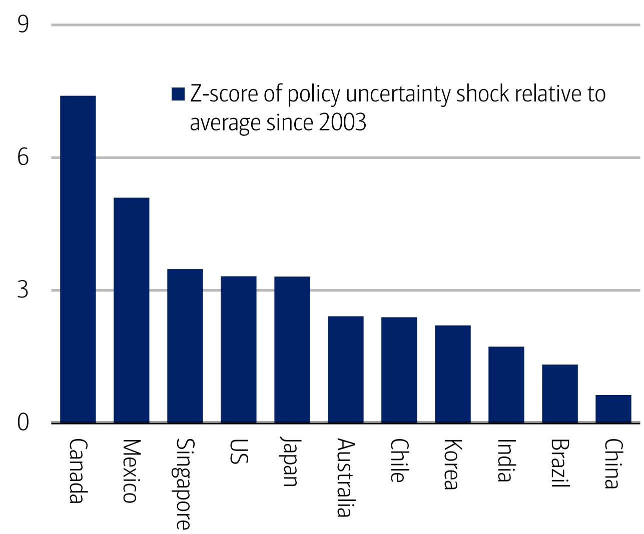
Exhibit 14: Singapore shows the third highest uncertainty over policy.
Only Canada and Mexico exceed Singapore on policy uncertainty



Source: BofA Global Research, Macrobond, policyuncertainty.com BofA GLOBAL RESEARCH

TWD: Trip notes

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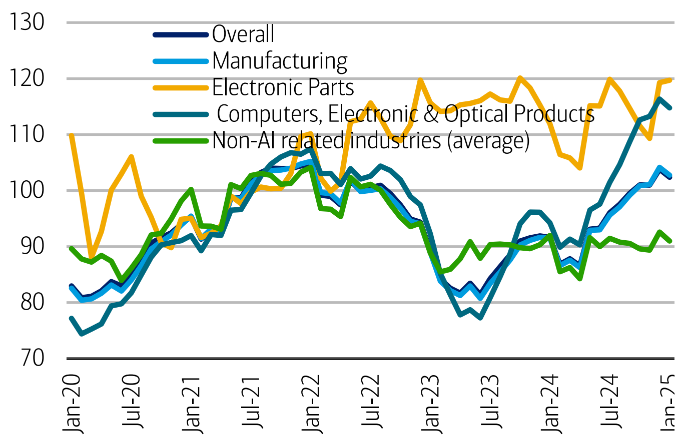
The following is an abridged version of Emerging Insight: Key takeaways from Taiwan Macro Tour 19 March 2025

We recently hosted a macro tour to Taiwan. On 17 March 2025, we hosted a macro tour in Taiwan where we invited a mix of offshore and onshore clients to Taipei to attend seminars on the outlook of Taiwan economy, the impact of life insurers on the foreign exchange market and the perspective of foreign businesses investing into Taiwan.

Onshore expert demonstrated Taiwan remains divided economy. Taiwan Is often featured in the press for its cutting-edge technologies and the exports of highly advanced electronics, particularly semiconductors. However, the expert reminded us that majority of Taiwan's workforce works for small-medium sized enterprises, of which only a minority is benefiting from the ongoing AI-boom. In her words, AI growth remains an "exclusive game for the few".

Only small minority of Taiwanese manufacturers are benefiting from AI-boom. According to the expert's surveys, only around 10.0% of Taiwan's manufacturers have entered into relevant AI-related supply chains, but 28.7% have entered or are planning to enter in the near future. However, this leaves 71.3% of Taiwan's manufacturers outside the AI supply chain and they are facing intense competition and deflationary pressure from mainland Chinese competitors. As such, in 2025, she describes the overall Taiwan economy as "winners take more while losers struggle more", and the ongoing AI boom would not necessarily lift the entire supply chain.

Exhibit 15: Industrial production (IP) in Taiwan (3mma, 2021=100)
Industrial production in AI-related industries is booming, while that of other sectors are struggling



Source: CEIC, BofA Global Research estimates

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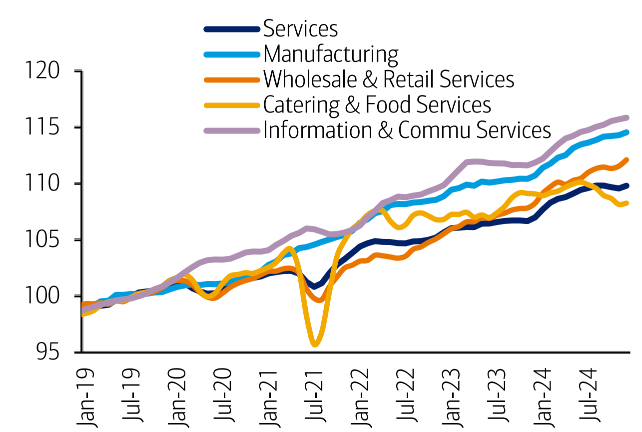
Exhibit 16: Taiwan wage indices (2019 average=100, 3mma)
The ongoing AI-boom has resulted in rising wages in the IT sector, while service sector wages have lagged behind



Source: CEIC

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Constraints in real variables (e.g., human capital, capex) restraining AI boom to result in wider spill-over effects. Moreover, the expert takes the view that the benefit of the AI boom cannot be generalized to the overall Taiwan economy. Many of the SMEs are trying to convert to production in AI-related products, but there are serious shortages in capex and human capital that do not allow for an easy transition.

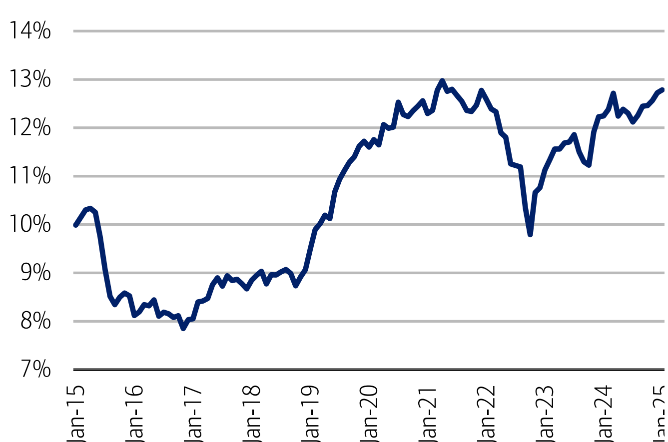
Capacity constraints in AI exports will rein in Taiwan's 2025 GDP growth. Lastly, regarding Taiwan's 2025 GDP outlook, the expert noted that 2025 will likely be a year of modest increase of 3.2%, vs 4.3% in 2024. She explained that while the 2024 yoy growth figure looks strong, it was mostly riding off a strong base effect from 2023. Also, due to the narrow benefits the AI exports are having, her base case remains for the CBC to remain on hold throughout 2025, consistent with our forecast.

CathayLife uses proxy hedging to stabilize hedging cost – not to earn FX gains. The expert on the Taiwan life insurance sector provided an overview on the outlook for the insurance sector and the net impact IFRS-17 will have on the life insurance companies' financial statements. On foreign currency hedging, the expert mentioned CathayLife has the highest proxy hedging ratio in the industry, and this is the source of its advantage, as proxy hedging could help stabilize its hedging cost than having its net income swing along with the fluctuation in USDTWD.

Equities' share rising in Taiwan lifers' balance sheet. The expert also mentioned that because of the larger gap between the average cost of liabilities and the low and declining yields, all Taiwanese life insurance companies now have up to 5-15% of their total assets in equities to increase returns (the sector average is close to 13%), despite the high capital surcharge for the life insurance companies to hold equity.

Expert expects more Taiwanese life insurance companies to move to new FX valuation reserve regime, either when USDTWD is lower or when IFRS-17 is adopted. In addition, the life insurance expert mentioned that now is not advantageous for CathayLife to adopt the new FX valuation regime, and there would be more incentive to change to the new regime when spot USDTWD is lower. However, the expert also noted that when IFRS-17 is implemented in 2026, he expects most of the large insurers to make the change regardless of the level of USDTWD. For more details on the topic of regulatory changes on FX valuation reserves for Taiwanese life insurers, see our report Asia FI & FX Strategy Watch: Taipei Trip Notes – February 2025 24 February 2025.

Exhibit 17: Private securities as share of total life insurance assets (%)
Private securities are now close to 13% of total Taiwanese life insurance assets



Source: CEIC

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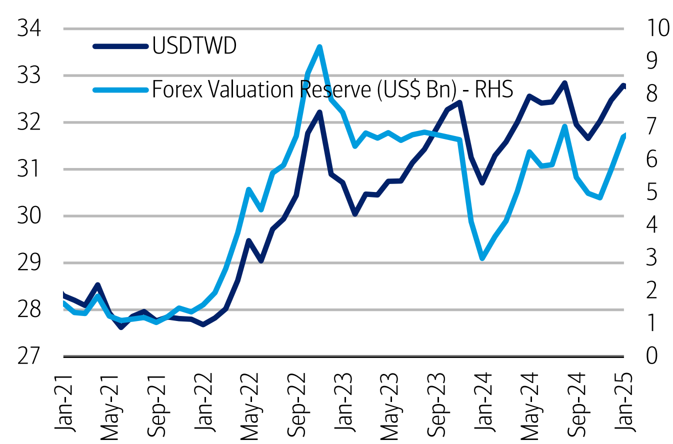
Exhibit 18: FX valuation reserves and USDTWD
FX valuation reserves for Taiwanese life insurance companies are rising as USDTWD remains high and a rising number of insurers are switching to the new regime



Source: CEIC

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COP Trip notes: fiscal risks looming

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The following piece is an abridged version of Colombia Watch: Trip notes: fiscal risks looming 17 March 2025

Trip summary: fiscal risks seem worse than we thought

We spent two days in Bogota, meeting with policymakers, politicians, independent experts, and business associations. Except for the government, there appears to be consensus that the fiscal rule law was violated in 2024 for the first time since its inception (in 2011). The fiscal battle for 2025 is uphill, which poses risks for the exchange rate (and inflation), forces the central bank to go slower on monetary easing, and slows activity.

Taking stock of what happened in 2024

The 2025 Financing Plan (official fiscal update) brought bad news for the market in February, with unprecedented arguments ("bad luck and policy mistakes") to bend the fiscal rule law. The Ministry of Finance announced that in 2024 the fiscal deficit was 6.8% of GDP, much higher than in 2023 (4.3% of GDP) and the deficit they previously "estimated" to be consistent with the fiscal rule law for 2024 (5.6% of GDP).

Fiscal rule law is losing its meaning

We say "estimated" because the fiscal rule target is defined for a non-observed variable called the "structural primary balance excluding one-off transactions", which must consider three main adjustments (economic cycle, oil cycle, and one-off transactions) to trace back the observed fiscal deficit. Adjusting the economic and oil cycles is standard for economists. But defining "one-off transactions" is proving to be subjective and serves as an excuse for high fiscal deficits.

"Bad luck" is now considered a one-off transaction

The government estimates COP 32tn (1.9% of GDP) of "one-off transactions" for 2024. The bulk of the COP 32tn comes from a "non-anticipated decline in tax revenues" (COP 26tn, 1.5% of GDP). Colombia had never experienced a decline in tax revenues during a year in which GDP growth was positive, which is why they consider this highly atypical event as a "one off transaction". Our interpretation is that – in other words – "back luck" now qualifies as a "one off transaction".

And "policy mistakes" too

Also, within the item of "non-anticipated decline in tax revenues", the government cites a decree passed by former Finance Minister Jose Antonio Ocampo in February 2023 that substantially increased anticipated income tax payments and monthly withholding, shifting tax collection from 2024 to 2023. Thus, one could say "policy mistakes" now also fit the government's definition of "one-off transaction".

LDM Strategy: Still value in rates

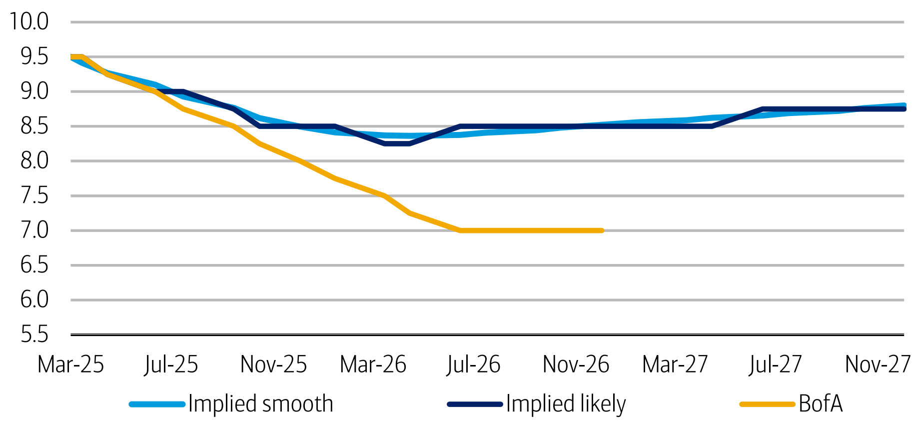
Despite the change in our call to a slower easing cycle, we continue to believe there is meaningful value in Colombian rates. The steady pace of monetary policy easing should, in our view, translate into a deeper easing cycle, as a cautious approach should allow a more sustainable anchoring of inflation expectations.

Our call continues to be for a 7.0% terminal rate, which sharply contrasts with the 8.50% market-implied terminal rate (see Exhibit 19). We therefore continue to like risk-reward of receiving 5y IBR (current: 8.43, see report Receive 5y IBR amid underpriced easing cycle). Given the significant fiscal challenges ahead, we prefer to position in the belly rather than the back end of the curve. Risks are further pressure in core rates, a reacceleration in inflation, and a de-anchoring of inflation expectations in Colombia.

In FX, we continue to believe that the Colombian peso (COP) has outperformed beyond what would be consistent with fundamentals. We think year-to-date performance can be largely attributed to the high carry, as COP continues to be overvalued in our fair value models.

Yet, we believe that risk-reward of carry strategies in such an uncertain global environment is not attractive. As a result, we continue to like to fade recent COP strength and like risk-reward of being long BRL/COP (current: 716, see report Buy BRL/COP). We are also convinced that COP is underpricing fiscal risks. Risks to the trade are a worsening of the fiscal outlook in Brazil or a dovish shift in Brazil.

Exhibit 19: Market-implied policy rate vs. BofA (%)
We think the market is underpricing the easing cycle in Colombia



Source: BofA Global Research, Bloomberg

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PEN Trip Notes: Robust macro

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The following piece is an abridged version of Peru Watch: Trip Notes: Robust macro beats institutional fragilities 17 March 2025

Summary of trip: marginally more positive

We visited Lima to meet with policymakers, politicians, independent experts, and local investors. GDP growth is surprising to the upside. The Central Bank (BCRP) has defeated inflation, with monetary policy almost reaching a neutral stance. The balance of payments is strong. Public debt is low, even though the Fiscal Rule is losing its meaning. 2025 should be decent year for macro. That is enough to make us optimistic.

Economic growth will likely be above 3% in 2025

The Ministry of Finance expects growth of 4%, independent experts close to 3%, and the Central Bank in between. 3% is significantly higher than what we forecast for LatAm (2%) and ballpark potential growth for Peru. The last print shows strong momentum (January monthly GDP: 3.9% yoy, 0.3% momsa, 5.7% qoq/saar). We see good reasons for GDP growth surpassing 3% in 2025. The drivers are both external and domestic.

Drivers: export prices, new infrastructure, real wages

Externally, high metal prices have pushed the terms of trade to an all-time high, which increases the disposable income of the economy (for consumption and investment) and nudges mining firms to invest more. On the domestic front, the entry into operation of the Chancay port and the expansion of the Lima airport bode well for trade and tourism. Meanwhile, lower inflation and greater demand for labor are increasing real wages.

Shopping mall shutdown affects consumption

An accident in the northern city of Trujillo – where the roof of a shopping mall collapsed causing the death of eight people – led regulators to shut down fifteen shopping malls across the country, for security purposes. The association of shopping malls estimates foregone sales of PEN 100bn per day (~0.1% of GDP every ten days).

Policymakers acknowledge the shock is non-negligible but expect people to move their consumption somewhere else (partially offsetting the effect). The shopping malls will likely be reopened when the security checks are completed. The impact on GDP is far less than 0.1% of GDP every ten days, as GDP is value-added not gross sales.

LDM Strategy: Constructive rates

We remain constructive on Peruvian rates for two reasons: First, we believe that the balance of risks continues to favor additional cuts from BCRP. While our baseline is one last 25bp for a terminal rate of 4.50%, we believe that Peru is one of the few central banks in the region that may accommodate shocks to global growth via monetary policy easing. Inflation is already below target and there are few signs of domestic overheating.

Second, the steepness of the Peruvian yield curve allows to be long rates while earning positive carry and roll. That said, we do see some risks ahead that warrant active monitoring. Specifically, the approval of yet another pension withdrawal bill or a deterioration in the fiscal outlook are significant risks to our constructive rates view.

We also recommend long USD/PEN (current: 3.6420) given additional rate cuts expectations, potentially driving domestic interest rates below levels that in the US. Also, we believe strong inflows associated with mining tax payments are already reflected in current exchange rate levels. Risks are a weaker US dollar, a sharp rise in copper prices, and a de-escalation of trade tensions between the US and China.

Quant & Vol Insights

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Models expect near-term bullish USD retracement

Following the month-to-date USD weakness, we expect the USD to see some bullish retracement in the 1-2 week horizon (FX Quant Insight, 17 March 2025). Cross-asset factors from the CARS model is bullish USD on the back of the recent risk-off shock from US equities. Technical Matrix also expects some tactical unwind of short USD positions into March month-end. Following diverging equity market performance between the US and Europe, month-end rebalancing flow is likely to offer some support for the USD.

More USD downtrend to materialize in Q2

Historically, outsized USD moves have led to more medium-term trend breakouts (FX Quant Insight, 10 March 2025). The DXY index declined by 3.5% week-over-week From February 28 to March 7. Since formation of the EUR in 1999, the index saw worse weekly returns only 5 times. Across all 5 historical weekly USD selloffs, the DXY index declined further over the next 3 months for an average loss of -3.2% to the trough.

Trend-follower in FX have underperformed in 2025 as they entered the year chasing the USD uptrend but the USD reversed into a downtrend (FX Watch, 17 March 2025). Trend factor should start to perform again in the coming months as trend-followers gradually enter new bearish USD wagers.

Technical Strategy

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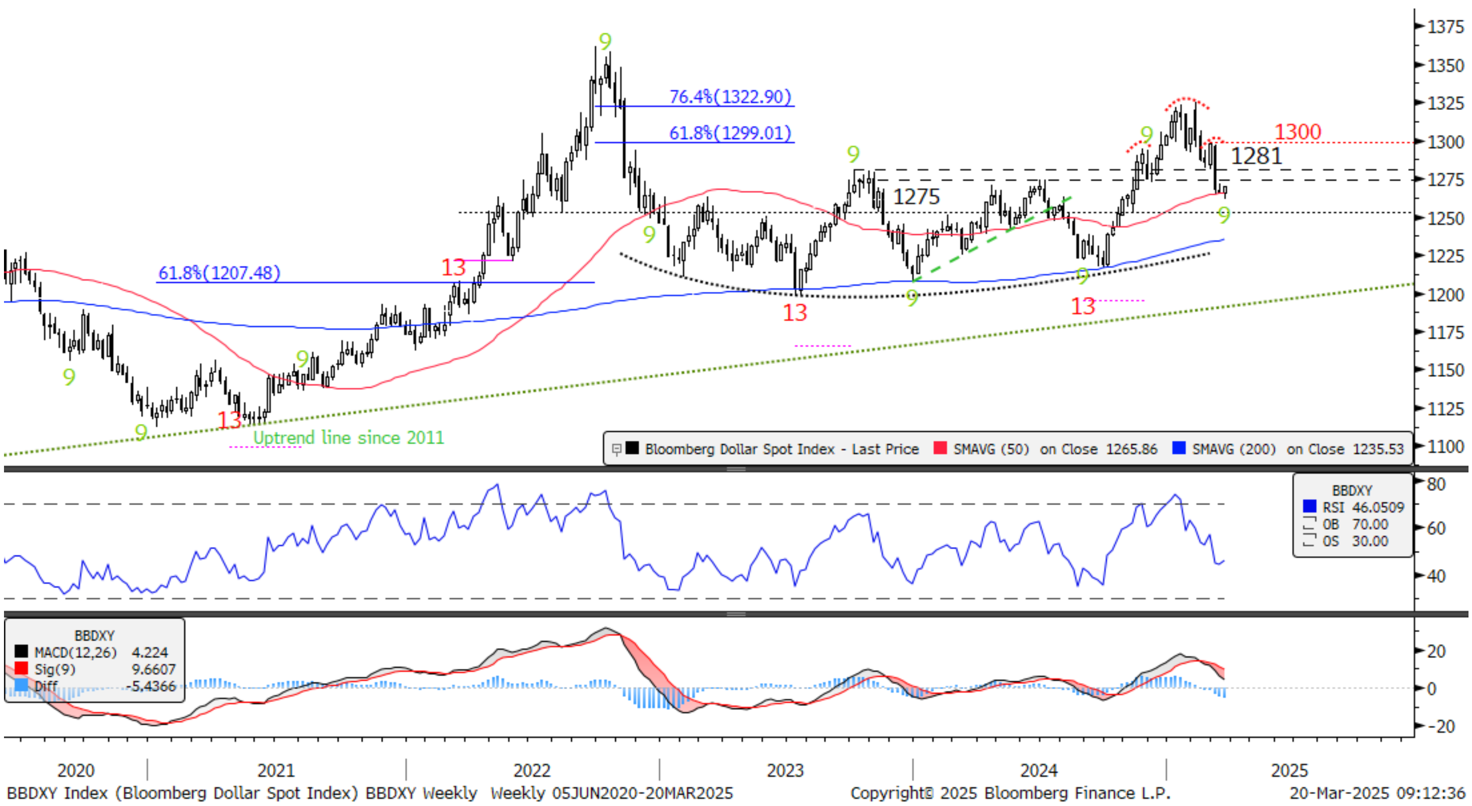
- The Bloomberg US dollar index topped and is in a downtrend. However this week we received a systematic buy signal warning of a countertrend bounce in 1-4wks.
- We favor using a bounce to sell the USD as the 2017 bearish analog remains the path of least resistance, which is lower.
- This head and shoulders top pattern implies downside to +/- 1235 (200wk SMA) while below 1300 and to fade a bounce to 1280.

BBDXY: Countertrend buy signal warns of 1-4wk bounce

So far this week the Bloomberg US dollar index is finding some support at the 50wk SMA at 1265. A momentum reversal signal is occurring this week as some support is being found. A TD Setup 9 buy signal below the current candle suggests the next 1-4wks could see the BBDXY bounce back to resistance such as 1281. If it were to close about where it is now or at the highs of the week, a bullish hammer candle may also form. We view this bounce as short-term and an opportunity to sell the USD as a head and shoulders top and repeat 2017 downtrend pattern remains. For this top to remain, the BBDXY can not exceed 1300, which is the right shoulder high.

Exhibit 20: Bloomberg US dollar index - weekly chart: A countertrend buy signal and support at 50wk SMA implies bounce. We favor selling the bounce while the head and shoulders top remains with spot below 1300 with downside potential to the rising 200wk SMA now at 1235.
Support: 1265-1261, 1250, 1245, 1235 | Resistance: 1275, 1281, 1300, 1325



Source: BofA Global Research, Bloomberg, DeMark Analytics LLC

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Trade Recommendations G10

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Exhibit 21: Open trades G10
Current G10 FX trade recommendations. Prices as of 20-Mar-2025.

Trade Description	Open Date	Entry Price	Expiry Date	Current Price	Rationale	Risks
Tactically short EUR/USD	19-Mar-25	31.5 pip (2-week 1.0850/1.0750 EURUSD put spread)	2-Apr-25	25.9 pip	March month-end rebalancing, rising risk premium in April 2 could lead to a short-term bullish USD retracement	Soft US data; postponed tariffs announcement; continuation of weaker USD.
Short CAD/MXN	11-Mar-25	14.0467 (6m fwd 14.5166, target 13.00, stop loss 14.50)		14.0003	Diverging tariffs dynamic and rate differential favor lower CAD/MXN.	Broad-based increase in North America tariffs pressure; equity meltdown triggers global risk-off.
Buy 6m EUR/USD ratio call spread	5-Mar-25	1.01% EUR (spot ref 1.0696, buy 1 unit 1.08-strike call; short 2 units of 1.13-strike call.	4-Sep-25	1.2063% EUR	German fiscal package, more EU-level defence spending and lower energy price are bullish EUR/USD.	Increased global volatility on risk-off shock, or EUR rallies sharply beyond the upper breakeven level of the ratio call spread.
Buy 6m EUR/CHF ratio call spread	5-Mar-25	0.53% EUR (spot ref 0.9550, buy 1 unit 0.9450 strike call; short 2 units of 0.97 strike call	4-Sep-25	0.3916% EUR	Bullish EUR fiscal policies, widening rate differential and capital flow into EUR assets are bullish EUR/CHF.	Increased global volatility on risk-off shock, or EUR rallies sharply beyond the upper breakeven level of the ratio call spread.
Buy 3m EUR/SEK call	11-Feb-25	0.57% EUR (strike ref 11.40, spot ref 11.2709, vol ref 5.1)	9-May-25	0.1498% EUR	Stretched quant valuation and expectation of higher global tariffs risk to drive SEK weaker in the near-term.	Stronger Swedish data; Ukraine peace deal prolongs the SEK rally.
Buy 3m USD/CHF call spread	14-Jan-25	0.6466% USD (spot ref 0.9167, strike refs 0.92/0.9450)	14-Apr-25	0.0016% USD	Trend and carry factors are bullish USD/CHF. We also believe the USD broadly has more room to rise on tariffs.	USD loses the broad-based bullish momentum in the first quarter of the year.

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Source: BofA Global Research

Exhibit 22: G10 FX Closed trades
Recently closed trades in G10 FX.

Trade Description	Entry date	Entry Level	Target	Stop	Close date	Level closed
Short AUD/CAD	16-Jan-25	0.8933	0.86	0.91	12-Mar-25	0.91
Buy NOK/SEK	1-Feb-24	0.9949	1.0240	0.9480	5-Mar-25	0.9352
Buy 6m EURJPY ERKO put	22-Nov-24	0.7425% EUR (spot ref 160.65, strike ref 158.75, down/out European barrier at 150.00)			7-Feb-25	0.96% EUR (spot ref 157.79)
Short EUR/GBP via 3m seagull	24-Jan-25	Rec 0.3052% EUR (buy 0.83/0.82-strike put spread funded by short 0.86-strike call, spot ref 0.8445)			3-Feb-25	0.3191% EUR (spot ref 0.8299)
6m AUDUSD digi risk reversal	22-Nov-24	Rec 5.2% AUD (spot ref 0.6502, long put costs 21.03% vs short call receives 26.24%, atm vol 9.97			09-Jan-25	37% AUD
Buy 3m GBP/CHF ratio call spread	6-Nov-24	0.7175% GBP (1x2 notional, strike refs 1.1162 and 1.1450, spot ref 1.1284, vol refs 7.36 and 6.25)			17-Dec-24	1.0364% GBP
Buy AUD/KRW	18-Nov-24	909	930	875	4-Dec-24	933
Buy 3m 11.65/11.40 EUR/NOK put spread	9-Aug-24	0.70% EUR (spot ref 11.8054, vol refs 9.01% and 8.33%)			11-Nov-24	Option expired OTM (spot ref 11.7544)
Buy AUD/NZD	28-Aug-24	1.0877	1.13	1.07	28-Oct-24	1.1054
Buy 4m EURUSD put spread	10-Oct-24	0.3658% EUR (spot ref 1.0933, vol refs 6.518 and 6.610)			23-Oct-24	0.56% EUR (spot reference 1.0769, vol references 7.115 and 7.149)
Buy 6m ATMF EURUSD straddle	8-Apr-2024	3.3558% EUR (spot ref 1.0804, strike ref 1.0880, vol ref 6.019)			7-Oct-24	Straddle expired OTM (spot ref 1.0980)
Buy 6m 0.96538 EUR/CHF call	3-Apr-24	1.4382% EUR (spot ref 0.97737, vol ref 5.186%)			2-Oct-24	Option expired OTM (spot ref 0.9385)
Buy EUR/USD	16-Nov-23	1.0859	1.15	1.04	30-Sep-24	Raised stop to 1.10 (spot ref 1.1209)
Buy 2m 1.10/1.13 GBP/CHF risk reversal	19-Aug-24	Rec 0.074% GBP (spot ref 1.1213, vol refs 7.464 and 7.342)			19-Sep-24	0.33% GBP (spot ref 1.1262)
Short USD/CAD via 2m seagull structure	1-Aug-24	Buy 1.36-strike put funded by short 1.38-1.40 strike call spread. Initially receive 0.26% USD (spot ref 1.3846, vol refs 4.797, 4.674 and 5.156).			19-Aug-24	0.3158% USD (spot ref 1.3666)
Buy 3m 11.80-11.40 EUR/NOK put spread	23-Jul-24	0.67% EUR (spot ref 11.9831, vol ref 7.44%/6.7%)			1-Aug-24	1.32% EUR (spot ref 11.7483, vol refs 8.30%/7.61%)
Buy 3m AUD/CHF risk reversal	6-May-24	Zero-cost (strikes: 0.5795/0.6096, spot reference: 0.5988)			16-Jul-24	0.13% AUD, spot reference: 0.6019
Buy 3m EUR/SEK call spread	7-Jun-24	0.62% EUR (spot ref 11.3891, strikes 11.40 and 11.60, vol refs 5.7)			12-Jul-24	0.87% EUR, spot ref 11.5009
Buy NZD/CAD	6-Jun-24	0.8465	0.8750	0.83	4-Jul-24	0.83
Buy 3m GBP/USD 1.3074 call	8-Mar-24	0.51% GBP (spot ref: 1.28, vol ref: 5.89%)			10-Jun-24	Option expired OTM, spot ref 1.2731
Buy 3m EUR/JPY 158/155 put spread	26-Jan-24	0.6663% EUR (spot ref: 160.41, vol refs: 8.709 & 8.965)			25-Apr-24	Option expired OTM, spot ref 166.85
Buy 4m EUR/GBP vol swap	16-Nov-23	5.1	6.0	4.5	20-Mar-24	4.3
Buy AUD/NZD 1.0675 call	23-Feb-24	0.51% AUD (spot ref: 1.0592, vol ref: 4.675%)			14-Mar-24	1.15% (spot reference 1.0744)
Buy USDSEK	2-Feb-24	10.49		10.30	26-Feb-24	10.30
Buy 3m 1x1.5 0.8320/0.95 EUR/CHF call spread	2-Jan-24	0.53% EUR (spot ref: 0.9320, vol refs: 5.8% and 5.25%)			20-Feb-24	1.1% EUR (spot ref 0.95127)
Buy 3m GBP/CHF 1.0950/1.1100 call spread	5-Feb-24	0.47% GBP (spot ref: 1.0947, vol refs: 6.2% & 5.6%)			14-Feb-24	0.82% GBP (spot ref 1.1119)
Buy 3m 1x1.5 GBP/SEK call spread	12-Jan-24	0.66% GBP (spot ref: 13.1008, vol refs: 7.95% and 7.47%)			29-Jan-24	0.91% GBP (spot ref: 13.3066, vol refs: 7.38% and 6.89%).
Buy 3m 1.90/1.86 GBP/AUD put spread	16-Nov-23	0.6806% GBP (spot ref: 1.9192, vol refs: 7.207 and 7.007)			3-Jan-24	1.2315% GBP (spot ref 1.8762, vol refs 7.354 and 6.921)
Sell EUR/NOK via 6m risk reversal (buy 6-month 11.35 put and sell 12.20 call)	16-Nov-23	Receive 0.7307% EUR (spot ref: 11.8623, vol refs: 8.929 and 9.108)			3-Jan-24	Trade costs 1.91% EUR (spot ref: 11.3215, vol refs: 9.67%/10.13%)

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Source: BofA Global Research

EM Alpha Trade Recommendations

David Hauner, CFA >>
MLI (UK)

Claudio Piron
Merrill Lynch (Singapore)

Exhibit 23: Open trades
EM Alpha Trade Recommendations

FX	Entry date	Entry level	Current level	Target	Stop	Notional	Rationale/ Time horizon	Risks
Short SGD NEER; Long dual digital EUR>1.095, SGD>1.335	17-Mar-25	Eurusd: 1.0880 usdsgd: 1.3340	-	EURUSD> 1.0950, USD/SGD >1.3350-	-	-	Singapore's small open-economy is vulnerable to elevated economic policy uncertainty hurting investment and growth	US trade tariff risks de-escalating for Asia or European fiscal efforts fading, resulting in lower EUR/USD..
Short USDZAR	6-Mar-25	18.34	18.15	17.43	18.9	10	German fiscal is bullish for EM FX and the ZAR; The ZAR is the most undervalued EEMEA currency	The risks are stronger US data and rising domestic political risks.
Long INR 1m fwd vs USD	6-Mar-25	87.27	87.32	86	88.0	10	INR benefits from softer USD, CA seasonality, lower oil and carry.	Stronger USD, higher oil or ariffs targeted at India.
Long THB vs USD	6-Mar-25	33.66	33.73	32.5	34.5	10	Softer USD, improving CA surplus on lower oil and large BoP surplus from hidden capital flows supports THB.	USD strength, higher oil prices.
Buy USD/PEN	20-Feb-25	3.6894	3.6215	3.78	3.65	10	The global backdrop remains mixed. The USD has weakened, but copper prices have declined and US-China trade tensions remain.	Weaker US dollar, a sharp rise in copper prices, and a de-escalation of trade tensions US - China.
Sell PEN/CLP	30-Jan-25	266.91	256.1107	240.00	280.00	10	CLP is ~10% undervalued. There will be no additional interest rate reductions. This year's general election is likely to result in a more pro-market government winning.	Risks are lower copper prices and U.S. tariffs.
Short SGD NEER	22-Jan-25	0.97	0.84	0.3	1.5	10	Short SNEER into MAS meeting on expectations of a dovish outcome with guidance for easing ahead.	Further unwinding of short SNEER positioning
Sell 6m USDEGP NDF	21-Jan-25	53.8	53.34	51.1	55.4	10	IMF programme is on track which should leave USDEGP range bound. Carry is still high	The risk is EGP weakness stemming from global factors and crowded positioning
Long TRY vs EUR and USD via 3m forward	16-Jan-25	39.26	40.84	37.3	40.44	10	TRY should appreciate in real terms driven by positive real rates, disinflation and tight monetary stance. The carry for the trade is very attractive.	Much stronger broader USD
Buy USDHKD 12-month outright	26-Nov-24	7.746	spot 7.7727	7.783	7.72	10	Current interest rate differentials are pricing for 12-month USDHKD outright be below the strong-side of the USDHKD band at 7.75.	further loosening of USDHKD forward points
Buy 6M USD/SGD 1.45 instant one-touch	22-Nov-24	11.50%	spot 1.3357	50%	0	10	Hedge against deeper Asia FX weakness due to trade tensions. Risk of MAS easing.	US-China negotiations reducing trade tensions
Buy 15/05/2025 T-bill in Pakistan FX-unhedged	21-Nov-24	USDPKR: 277.9; T-bill price: 94	280.02	hold to maturity	USDPKR at 283.5	10	PKR to remain stable in next 6m: 1) current account improved materially; 2) REER should remain stable.	PKR depreciation due to global factors
Long BRL/COP	21-Nov-24	754	737.11	900	700	10	Brazil's real should benefit from tightening monetary policy whereas Colombia's peso should weaken from easing monetary policy.	Dovish shift in BCB or hawkish shift in BanRep, fiscal risks deteriorating further in Brazil or improving in Colombia.
Sell USDNGN 3M NDF	07-May-24	1384	1538.63	1285	1700	10	Hikes have materialized & FX backlog has now cleared. Short-term wins from FX reform and monetary policy, the next big focus is fiscal reform.	Persistent low oil prices and a lack of dollar inflows in the country..
Short CNH, long basket	17-Nov-23	100	-	94	102	10	We expect CNH to underperform peers as PBOC will lean-in against appreciation in an effort to keep monetary conditions loose. Basket earns 8bps 3M carry	The risk to the trade is a large fiscal policy stimulus and economic recovery, ending the need for loose monetary policy and CNY appreciates aggressively in 6months.

Source: BofA Global Research. Spot values as of March 20 2024. Bid/offer spreads accounted for in initiation and closing levels. Does not reflect tax withholdings or any investment advisory fees. Past performance is no guarantee of future results. A complete performance record is available on request. Inception date – July 4, 2016 Initiation and closing prices are priced as of trade publication.

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Exhibit 24: Closed trades

EM Alpha Trade Recommendations

Trade description	Entry date	Entry Level	Target	Stop	Notional	Close date	Level closed
Short PLNHUF	11-Feb-25	96.64	91.8	99.54	10	3/20/2025	95.32
Long USDTWD 6-month NDF outright	12-Feb-25	32.57	33.37	32.08	10	3/12/2025	32.6
Short PHPUSD	8-Jan-25	58.36	59.5	57.5	10	3/6/2025	57.29
Short CNH/INR 3M outright	22-Nov-24	11.736	11.32	11.9	10	3/6/2025	12.02
Short THB vs SGD	1-Aug-24	26.54	27.2	26.2	10	3/6/2025	25.23
Long MXN/CLP	22-Nov	47.9	53.00	45.00	10	1/21/2025	48.3
long SGDKRW	2-Nov-24	1040	1082	1020	10	1/6/2025	1074
Long USDPLN	6-Dec-24	4.03	4.2	3.95	10	1/15/2025	
Long USDZAR	21-Aug-24	17.86	18.6	17.45	10	12/24/2024	18.73
Sell USD/CLP	10-Oct-24	930	860	975	10	12/12/2024	979
9M dual digital USD/CNH >7.30, gold rally > 6%	13-May-24	7.242	-	-	10	12/4/2024	7.30
Long 1M USD/CNH call spread	14-Oct-24	7.0685	7.20-7.35	-	10	11/14/2024	7.2544
Buy 6-month USDHKD call spread	24-Apr-24	7.8299	7.7925 / 7.8365	-	-	11/15/2024	3.52
Long BRL/MXN	24-Sep-24	3.51	4.00	3.25	-	11/14/2024	3.52
Sell CLP/COP	11-Jul-24	4.36	4.08	4.53	-	11/14/2024	4.60
Long USDHUF	12-Oct-23	363.56	382	338	-	11/12/2024	385
Pay FRA 6x9 in Hungary vs receive FRA 6x9 in Czechia	5-Sep-24	2.09	2.54	1.84	-	10/9/2024	2.37
Short USD/PEN	20-Aug-24	3.83	3.70	3.25	-	9/30/2024	3.702
Long KZT vs an equal basket of USD and EUR (3m NDFs)	25-Jun-24	494.2	469	530	-	10/3/2024	508.6
Sell PEN against a basket of USD and CLP	09-May-24	100	-	106	97.5	9/6/2024	8.97
Short USDPKR using 3m NDF	02-May-24	289	275	298	-	8/12/2024	278
Short EURPLN using a 6m digital option (strike: 4.2)	1/13/2024	17%	strike: 4.2	-	-	8/15/2024	-
3M USD call, CNH put spread	13-May-24	7.1965	7.25/7.35	-	-	8/13/2024	--
Long INRTWD 3m NDF	30-May-24	0.384	0.4	0.377	-	8/1/2024	.389
Pay 2-month USDHKD forward points	3-June-24	-134	-40	-180	-	7/30/2024	-117
Buy BRL/JPY	23-Apr-24	29.90	32	28	-	7/24/2024	28
Long IDR vs PHP	31-May-24	277.7	272	280	-	7/15/2024	276.45
Long TRYCZK using 3m forward	15-May-24	0.643	0.675	0.624	-	6/27/2024	0.675
Long USDZAR	21-Jun-24	17.99	18.9	17.35	-	6/27/2024	18.47
Buy 4m T-bill in Egypt FX -unhedged	14-Mar-24	T-bill price: 92.2; USDEGP: 47.88	T-bill price: 100	USDEGP: 52.2	-	6/26/2024	98.6
Short THB vs USD using 3m forwards	21-May-24	36.18	36.9	35.8-	-	6/10/2024	36.9
Buy USDINR down-and-in one-touch option for 1m	16-May-24	83.53	82.5	-	10	6/5/2024	83.61
Worst off 6M USD/IDR>5 % OTMS, USDPHP>5% OTMS	17-Nov-23	32bps	-	-	10	5/30/2024	-
3m USD call CNH put spread	17-Nov-23	39.8bps	7.30/7.55	-	10	5/17/2024	-
1yr USD/CNH vol swap at 6.175%	8/2/23	6.175	-	5.00	10	5/17/2024	-0.1
Short RONCZK	5/24/2023	4.77	4.53	5.2	10	5/16/2024	-0.1
Short USDZAR	11/15/2023	18.15	10	14	10	5/13/2024	12.50
Sell EUR/CLP	2-Apr-24	1063	1000	1100	10	5/6/2024	1000
Pay 1x3 USDTWD NDF	3/18/2023	-163	-111.	-190	10	4/22/2024	-63
Buy USDZAR 6m 25 Delta Risk Reversal	16-Feb-24	1.491	2.5	1	10	4/16/2024	2.543
Sell EURKRW 3m NDF	1/14/2024	1429	1385	1450	10	4/11/2024	1466
Buy BRL/MXN	11/17/2024	3.52	4	3.24	10	4/10/2024	3.25
Short EURTRY using 3m forward	2/5/2024	36.2	34.4	37.3	10	4/9/2024	35.72
Short USDUZS using 3m NDF	1/5/2024	12,674	12,374	12,902	10	4/9/2024	12672
Sell COP vs LatAm FX basket	4/4/2024	100	92	104	10	4/4/2024	105
USDHKD call spread at 2.1x	11/17/2023	7.76	-	-	10	4/5/2024	7.82
Sell USD/PEN	1/15/2024	3.84	3.70	3.90	10	3/82024	3.68
Long IDR vs PHP	1/19/2024	280	276	282	10	2/19/2024	278
Selling USDKRW	1/18/2024	1332	1292	1352	10x10	2/14/2024	1328
Short SGD/KRW	9/20/2023	974	945	990	10	3-nov-23	969
Buy 6m 25-delta call option for USDTWD	8/1/2023	31.6	31.9	29.8	10x10	2/8/2024	-
Short CZKHUF	11/29/2023	15.7	14.9	16.3	10x10	2/6/2024	15.48
Long PLNCZK	11/8/2023	5.51	5.78	5.34	10	1/11/2024	5.67

Note: Bid/offer spreads accounted for in entry and closing levels. Does not reflect tax, withholdings or any investment advisory fees. Past performance is no guarantee of future results. A complete performance record is available on request. Inception date – July 4, 2016. For additional discussion on baseline views, valuation and risks to closed trades, please see links to the relevant reports. Trade recommendations are highlighted green when the closing value is greater than the entry value and red when the closing value is less than or equal to the entry value. **Source:** BofA Global Research

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World At A Glance Projections

Exhibit 25: G10 FX forecasts
Forecasts as of 20-Mar-2025

	Spot	Mar-25	Jun-25	Sep-25	YE 2025	Mar-26	Jun-26	Sep-26	YE 2026
G3									
EUR-USD	1.08	1.08	1.10	1.12	1.15	1.15	1.17	1.18	1.20
USD-JPY	149	152	156	161	165	162	160	160	160
EUR-JPY	161	164	172	180	190	186	187	189	192
Dollar Bloc									
USD-CAD	1.43	1.46	1.44	1.42	1.40	1.37	1.35	1.35	1.35
AUD-USD	0.63	0.62	0.63	0.65	0.68	0.69	0.69	0.71	0.71
NZD-USD	0.57	0.55	0.56	0.57	0.60	0.60	0.60	0.61	0.61
Europe									
EUR-GBP	0.84	0.83	0.82	0.81	0.80	0.80	0.79	0.78	0.77
GBP-USD	1.30	1.30	1.34	1.38	1.44	1.44	1.48	1.51	1.56
EUR-CHF	0.96	0.94	0.96	0.98	1.00	1.02	1.04	1.06	1.10
USD-CHF	0.88	0.87	0.87	0.88	0.87	0.89	0.89	0.90	0.92
EUR-SEK	11.00	11.00	10.70	10.60	10.40	10.40	10.40	10.40	10.30
USD-SEK	10.14	10.19	9.73	9.46	9.04	9.04	8.89	8.81	8.58
EUR-NOK	11.46	11.80	11.70	11.40	11.00	11.00	10.90	10.80	10.70
USD-NOK	10.57	10.93	10.64	10.18	9.57	9.57	9.32	9.15	8.92

Source: BofA Global Research, Bloomberg. Note: Forecasts as of 20-Mar-2025

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Exhibit 26: EM FX forecasts
Forecasts as of 20-Mar-2025

	Spot	Mar-25	Jun-25	Sep-25	YE 2025	Mar-26	Jun-26	Sep-26	YE 2026
Latin America									
USD-BRL	5.67	5.75	5.75	5.75	5.75	5.85	5.90	5.95	6.00
USD-MXN	20.12	20.00	20.00	20.25	20.50	21.00	21.50	21.75	22.00
USD-CLP	927	915	910	905	900	895	890	885	880
USD-COP	4,176	4225	4350	4450	4500	4475	4450	4425	4400
USD-ARS	1,069	1050	1120	1200	1350	1420	1490	1560	1640
USD-PEN	3.62	3.65	3.70	3.75	3.80	3.81	3.82	3.84	3.85
Emerging Europe									
EUR-PLN	4.19	4.17	4.10	4.10	4.10	4.10	4.10	4.10	4.10
EUR-HUF	398.75	400	395	390	390	390	390	390.00	390
EUR-CZK	25.02	25.10	24.80	24.80	24.80	24.80	24.50	24.40	24.20
USD-ZAR	18.16	18.60	18.30	17.80	17.50	17.30	17.10	17.00	17.00
USD-TRY	37.93	36.70	38.00	39.50	41.00	42.00	43.00	44.00	45.00
EUR-RON	4.98	4.97	4.97	5.02	5.07	5.10	5.12	5.15	5.18
USD-ILS	3.68	3.55	3.55	3.50	3.45	3.45	3.45	3.40	3.40
Asian Bloc									
USD-KRW	1,467.75	1,450	1,450	1,430	1,410	1,390	1,370	1,350.00	1,330
USD-TWD	33.02	33.00	33.30	33.10	32.90	32.70	32.50	32.30	32.10
USD-SGD	1.34	1.37	1.37	1.36	1.35	1.35	1.34	1.34	1.34
USD-THB	33.70	36.00	37.00	36.00	35.00	35.00	34.00	34.00	34.00
USD-HKD	7.77	7.80	7.78	7.78	7.78	7.78	7.78	7.78	7.78
USD-CNY	7.25	7.50	7.60	7.50	7.40	7.30	7.20	7.10	6.90
USD-IDR	16,475	16,500	16,700	16,600	16,500	16,500	16,400	16,400	16,300
USD-PHP	57.23	61.00	62.00	62.00	61.00	61.00	60.00	60.00	60.00
USD-MYR	4.43	4.55	4.60	4.55	4.50	4.50	4.45	4.45	4.45
USD-INR	86.37	88.00	88.00	87.50	87.00	86.00	86.00	86.00	86.00

Source: BofA Global Research, Bloomberg. Note: Forecasts as of 20-Mar-2025

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