

## Global FX weekly

## The next catalysts and the meantime

## The view

**G10.** Still bearish USD, but slower from here. EUR strength can also contribute. JPY the exception. We discuss what it will take for a strong USD.

**EM.** The carry trade is making a comeback amid better EM sentiment and a weaker USD. BRL, INR and TRY screen favorably in 3M forward implied Sharpe Ratios.

## G10 Themes

**FOMC Preview.** On hold, as priced. To wait for data clarity. Premature cutting would raise credibility issues. Need clear turn in labor market. Pricing through July overdone.

**BoE Preview.** 25bps cut, fully priced, 8-1 vote, risks of more dovish. 50bps unlikely. Forecasts to show lower growth and inflation. Gradual guidance but risks of dovish pivot.

**JPY.** Lifers to reduce JGBs, mixed on foreign bonds. JGB curve to continue steepening on lack of demand. JPY strength unlikely as stance on foreign bonds mixed.

**Nordics.** NOK and SEK benefit from boosted EUR, asset rotation & hedging adjustments, and relative CB stance.

**Riksbank and Norges previews.** On hold, for now. Positive NOKSEK risks.

## EM Themes

**EM Dispatch from Washington.** Key takeaways from our flagship EM conference in Washington, where the mood for EM investments was better than expected.

**Asia 1.** Bearish CNY, PHP, VND. Neutral on remaining Asia FX amid broad USD weakness.

**Asia 2.** Asia FX appreciation is correlating with steeper curves. We examine the case for diversification into KRW and SGD.

**Latam.** We are bearish COP and MXN, and PEN. Bullish BRL. Neutral CLP.

## Quant &amp; Vol Insights

Short FX vol bias for front-end of the curve. 1m USDCHF implied vol still contains plenty of risk premia that could be short outright or in RV vs GBPUSD vol.

## Technical Strategy

DXY seasonals, bounce in May a risk. DXY supported through June. In week 2 of May, DXY up 66% of the time including 2017. Down April precede up May 63% of the time.

## 02 May 2025

FX Research  
Global

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## G10 FX Strategy

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# Key views, forecasts and latest trades

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## Exhibit 1: Our medium-term views

G10 and EM FX medium-term views

<b>G10</b>	We look for EUR-USD at 1.17 this year and 1.20 next. Negative risk premium continues to be embedded into USD, as tariff uncertainty has evolved from a cyclical to a structural story. We also continue believing that the European fiscal push is underappreciated by markets. We see upside EUR risks from EU reforms and trade deals with the rest of the world, from continued reallocation flows into Europe, and from potentially higher hedge ratios of European asset managers. On JPY, we still think its strength will prove less persistent than EUR's, partly on structural Japan outflows – we look for USD-JPY at 155 by year-end. We remain long EUR-USD, EUR-JPY, AUD-NZD.
<b>EM</b>	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 real yields. This dynamic is being reinforced by the EUR rally and opens the door for high beta and carry EM to outperform. Trump appears to be dialing back on tariffs, providing USD relief, but doubts remain. We stay short SGD NEER against the basket, long IDR NDF points. On the long side, we believe there are opportunities in Latam, where real yields are better: stay long BRL vs. COP, we also enter long ARS. In EMEA, we believe ZAR offers the best valuation opportunity for longs.

Source: BofA Global Research

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# Our key forecasts

## Exhibit 2: Key BofA G10 and EM FX forecasts

Forecasts as of 1-May-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	1.15	1.16	1.17	1.20
USD/JPY	131	141	157	150	148	152	155	148
GBP/USD	1.21	1.27	1.25	1.29	1.37	1.40	1.43	1.54
AUD/USD	0.68	7.00	0.63	0.62	0.63	0.64	0.66	0.71
USD/CNY	6.90	7.10	7.30	7.26	7.70	7.40	7.30	7.00
USD/BRL	5.29	4.92	6.21	5.71	5.75	5.75	5.75	6.00
USD/INR	83	83	86	85	88	88	87	86
USD/ZAR	17.04	18.36	18.84	18.32	18.70	18.40	18.10	17.50

Source: BofA Global Research. Forecasts as of 1-May-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

<b>G10</b>	
<u>Buy EUR/USD</u>	Unconventional & stagflationary policies USD negative; EU reforms & trade deals EUR positive. Substantial needs for USD hedging, de-dollarization debate, threats to Fed independence suggest even more USD downside
<u>Buy 3m AUD/NZD call seagull</u>	Dislocated AUD/NZD skew suggest sufficient risk premium priced in. Rate differential and RBA-RBNZ rate path bullish AUD/NZD
<u>Buy EUR/JPY via 1y 172 call</u>	Europe to respond to US policies. Higher European yields to increase Japanese demand for EUR bonds
<u>Buy EUR/CHF via 6m 0.9450/0.97 1x2 call spread</u>	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.
<u>Sell CAD/MXN</u>	Tariffs developments call for lower CAD/MXN. We also expect carry to remain favorable after BoC and Banxico reach terminals
<b>EM</b>	
<u>Long ARS</u>	Sell USD/ARS 3M NDF at 1,202 for an implied yield of 39% due to tight fiscal and monetary policy.
<u>long 1x3M IDR NDF points</u>	Paying IDR NDF 1x3 points (current 59.5 IDR, target 85 IDR, stop 40, carry flat) as a hedge against further IDR weakness
<u>Long 3M USD/CNH call spread 7.50/7.70</u>	Given USD weakness, we prefer USD call options to limit downside risks, but remain positioned for CNY depreciation

Source: BofA Global Research

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For complete list of open trades, and those closed over the past 12 months, please see the Trade Recommendations at the end of this report, beginning on page 22.



# Week ahead & G10 Central Bank calls

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## In focus next week

**Fed** (Wed). **US ISM Services** (Mon). **BoE, Riksbank, Norges** (Thu). **Swiss** CPI (Mon)

### Other events by region:

- AMRS – **CA** labor market data (Fri)
- Europe – **EA** final PMIs (Tue). **German** factory orders (Wed), IP (Thu). **Swedish** CPI (Wed)
- APAC – **JP**: BoJ Mar minutes (Thu), labor cash earnings (Fri). **NZ** 1Q labor market data (Tue)

Source: Bloomberg. Last updated: 1-May-2025. Dates are according to London time

## G10 Central Bank calls

### Exhibit 4: BofA G10 Central Bank calls

Fed, BoE, Riksbank, and Norges Bank are meeting next week

Country	Current	Next	Our call	BofA 25 (bp)	YE Priced 25 (bp)	YE Narrative
US	4.38%	7-May	4.38%	0	-104	We still think the Fed stays on hold this year, but we now pencil in 100bp next year, likely in 2H. We see scenarios in which the Fed could cut by 300bp or more and sooner than we expect. We still expect back-to-back cuts to 1.50% in Sep, and we added an additional cut, to 1.25%, in Dec. Conviction in getting there (1.5%) without pause has increased. The risk of more from the ECB, we think, is greater than the risk of stopping before reaching 1.50%. We doubt, however, the ECB will move to bigger increments of cuts, absent very severe outlook (or market) disruptions. We still assume a small hiking cycle from Dec-26 on German fiscal.
Eurozone	2.25%	5-Jun	2.00%	-100	-67	We expect the BoJ to maintain its current policy rate of 0.5% through end-2025 and raise it to 0.75% in April 2026. Based on Governor Ueda's comments on May 1, we see little risk of a rate hike at the June or July MPMs, but we think a hike at the October or December meetings remains possible if the US makes clear progress in its negotiations with trading partners by this summer.
Japan	0.50%	17-Jun	0.50%	0	+14	We expect four more cuts in 2025 (May, Aug, Sept, Nov) to reach terminal of 3.5% by end 2025. We expect no cuts in 2026 but risks are tilted towards further cuts in 2026 and a lower terminal of 3.25% cannot be ruled out. Risks of larger than 25bps cuts however remain low barring significant growth deterioration or financial shock.
UK	4.50%	8-May	4.25%	-100	-100	We expect the BoC to cut to 2.00% by end-2025, down from our expectation of 2.50% before, and keep the rate there throughout the end-2026 (down from 2.50% before). However, we see the additional cuts in 2025 happening later in the year, as we believe the BoC will wait to assess the inflationary environment.
Canada	2.75%	4-Jun		-75	-58	We still expect two more 25bp cuts in 2025 (next one in May), but risks now skewed towards more cuts
Australia	4.10%	20-May	4.10%	-50	-115	We expect the RBNZ to cut by 25bps in May, followed by an additional 75bp of cuts to reach a terminal rate of 2.5% in late 2025. The unexpected resignation of Governor Adrian Orr does not change our near-term OCR expectations but introduces upside risk to our 2.5% terminal rate.
New Zealand	3.50%	28-May	3.50%	-100	-77	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.
Switzerland	0.25%	19-Jun	0.25%	0	-41	We see two cuts this year, in Sep/Dec (and two next year), but we think the June meeting will be live too.
Norway	4.50%	8-May	4.50%	-50	-82	We still expect the Riksbank to cut once more this year, in June (to 2.0%).
Sweden	2.25%	8-May	2.25%	-25	-40	

Source: BofA Global Research. Forecasts and pricing as of 1-May-2025.

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# The view

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## G10. Still bearish USD, but slower move

We remain bearish on the USD, with weak data the next catalyst. The soft US data, such as sentiment indicators, is getting worse fast and is a matter of time in our view to also affect the hard data. The hard data may be already weakening, as Q1 growth below expectations suggest. ADP employment was also weak this week and we expect a lower, although still solid, NFP print today. Rising inflation expectations and the upward surprise in Q1 core PCE already point to a stagflationary scenario.

The Fed is stuck, but this is not necessarily positive for the USD. For the Fed to cut rates again while inflation is well above its target and may be rising, the hard data will have to weaken substantially, in our view. The Fed cannot step in to preemptively support the economy and may eventually have to cut rates even more. We would also expect the Fed to be particularly cautious to avoid coming across as easing policies under political pressure.

Policy uncertainty on many fronts remain.

- On trade policy, headlines on progress in negotiations have been mixed and often contradictory. In any case, trade deals usually take much longer, and in this case the US is supposed to be seeking deals with every country in the world, making it an almost impossible task. It is also not clear to us whether trade deals are in all cases the main goal, if the US wants to bring production back home. In our view, US tariffs against everyone else in the world are negative for the USD, as they affect the US economy the most negative.
- The US fiscal policy stance remains unknown. The US administration keeps promising to bring the very high deficit down, consistent also with the latest IMF forecasts in its World Economic Outlook. However, we have not seen a budget plan with lower deficit. A lower US fiscal deficit, although necessary in our view given the very high starting point, will be negative for the USD through its negative fiscal policy impulse. However, we would also expect a higher fiscal deficit to be negative for the USD, despite a positive impulse, through a negative impact on confidence and rising inflation expectations. The sweet spot for the USD would be fiscal consolidation through government efficiency, also allowing some tax cuts, which is close to what the markets were expecting when the year started, but we think is very difficult to achieve in practice.
- Pressure on the Fed remains a concern. We note that Powell's term ends in a year from now and the US administration has already indicated that the search for his replacement will start this fall. Threats to the Fed independence would be the most negative for the USD, our view.

## Slower from here

We would expect the next move lower to the USD to be slower than what we have seen this year so far. The market has already priced the policy shocks in most areas. The USD real effective exchange rate is back to pre-US election levels, although still historically strong. The USD positioning is now slightly short according to our estimates—although far from stretched (see our report, [Liquid Cross Border Flows 28 April 2025](#)). Short-term valuation suggests EURUSD should be at 1.08 based on data and rate differentials, with the difference from current 1.13 spot most likely having to do with expectations for weak US data and some US policy risk premium, which in turn could suggest that at least some of the “bad news” is already in the price (see our report, [Euro's moment 24 April 2025](#)).



The key flows to watch are real money and central banks. Most of the USD selling this year has been from hedge funds. Real money sold USD only last week, when risks to the Fed independence emerged. Central banks have been rebalancing, buying the USD as it has been weakening. Real money can be slow to move, but could eventually lead to more sustained USD weakness. We have also recently estimated substantial USD hedging needs for large asset managers, particularly in Europe (see our report, [Swimming USD-naked as the tide goes out 14 April 2025](#)). Central bank reserve managers do not have to start selling the USD, they just need to stop buying (see our report, [De-dollarisation: Fire sale? 10 April 2025](#)).

### EUR strength can also contribute

In our view, the market is still not appreciating enough the strong EU reform drive. Reforms may take time, but because the plans are ambitious, not because of delays to begin. We expect a strong start in Germany's fiscal plans once the new government is in place this month, concrete plans to spend substantially more on EU defense, as early as in the EU Summit in June, and progress in structural reforms, with flagship reforms, such as the capital markets union, taking the lead. We target EURUSD at 1.17 this year and 1.20 next year, vs. Bloomberg consensus of 1.12 and 1.15 respectively.

### JPY the exception

JPY has been one of the weakest in G10 this week, on a dovish BoJ (see our report, [BoJ review: Cautious pause amid uncertainty 01 May 2025](#)). Although the BoJ remained on hold, fully consistent with market expectations and pricing, the meeting was dovish. The BoJ revised substantially downwards both growth and inflation, hinting on a negative balance of risks even for the new forecasts and expressing concerns about negative impact from tariffs. We are bullish USDJPY targeting 155 by the end of the year, on both the Fed and the BoJ staying on hold this year, and on persistent outflows from Japan.

### What if we are wrong?

The consensus is now negative on the USD and, although positioning is lagging, this is always a concern (see our report, [FX and Rates Sentiment Survey: No smile for the dollar 11 April 2025](#)). Blind spots from high tariffs could emerge, with something "breaking", but this could go either way for the USD in our view. A US policy U-turn would support the USD, but we would not expect the USD to go anywhere near where it started this year, as we see highly unlikely for the US to fully go back to conventional policies, while we would expect the rest of the world to continue reform plans to reduce dependence on the US in any case. The worst for the global economy, and the best for the USD, would be a full trade war, with countries dumping cheap products on each other in response to US protection, which then triggers against each other. However, we see the opposite so far, with most of the rest of the world outside the US discussing how to increase trade.

## EM. The carry trade is dead, long live the carry trade

One of the consequences of the weakening USD and heightened US economic policy uncertainty is that the USD carry trade has been undone. However, the US dollar's loss is proving to be a gain for the EM FX carry strategy.

This constructive EM carry backdrop is supported by better-than-expected EM investor sentiment at our recent EM conference in Washington amid the IMF/World Bank Spring meetings. EM investors appeared more concerned over the USD and US fiscal dynamics than intrinsic EM risks. This is reflected with the Bloomberg G10 Carry index delivering a 4% loss year-to-date versus a 4.2% gain for Bloomberg's EM-8 Carry currency index.

CEMEA FX, in particular, is benefitting from their combination of close EUR correlation and carry appeal, leading gains in the EM FX complex, together with BRL. However, there remains a wider dispersion in performance, with lower yielding Asia FX showing general underperformance.



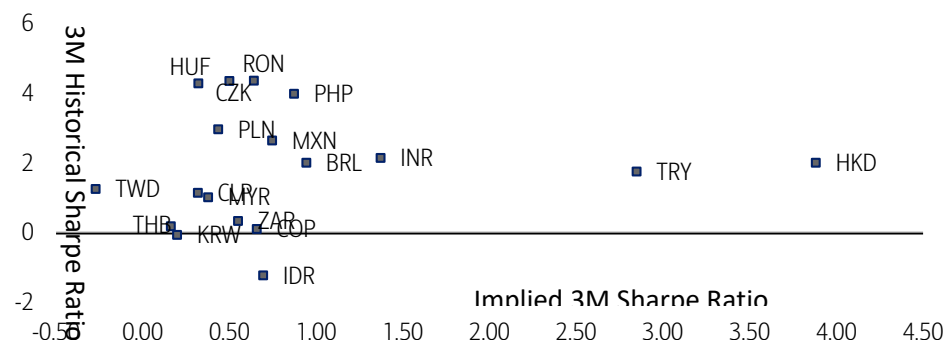
This is shown in Exhibit 5 which shows the volatility and carry adjusted returns (Sharpe Ratio) on the vertical axis using historical data for the past three months. Domestic idiosyncratic factors such as politics, fiscal and reform risks appear to be weighing on IDR and ZAR performance.

Exhibit 5 also shows a forward-looking projection of returns by dividing the 3M FX implied interest rate by 3M at-the-money implied option volatility on the horizontal axis. On this basis, we can see that long TRY and HKD positions offer the most attractive carry returns compared to their EM peers at 2.8 and 3.9 respectively. We remain constructive on TRY carry opportunities, but in the case of HKD, risk appetite among clients appears restrained, following the volatility and position unwind of recent weeks.

Although BRL and INR do not screen as high as TRY and HKD on a forward-looking carry basis, they remain above the 1 Sharpe Ratio threshold and appear positioned to navigate the trade war and negotiate tariffs. Pairing them against shorting lower yielding currencies such as THB or SGD is also an appealing relative carry-value strategy.

**Exhibit 5: Historical 3M FX Sharpe Ratio compared with implied (3M FX implied yield to implied vol)**

HKD, INR, and TRY screen for high Sharpe ratios, while IDR disappoints



Source: BofA Global Research, Bloomberg

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# G10 Themes

## FOMC Preview: Holding Pattern

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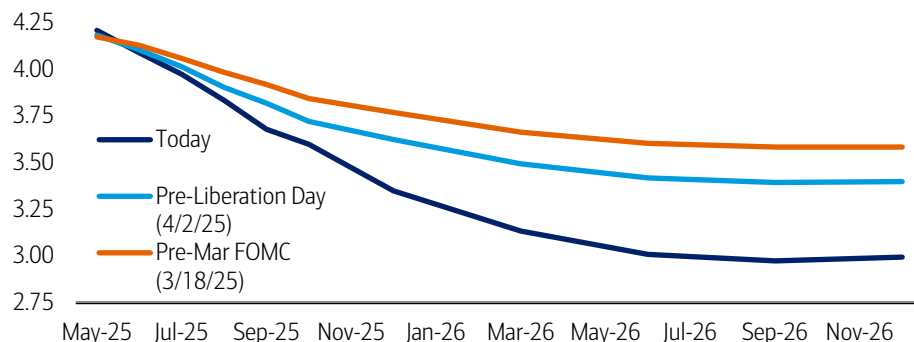
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Link to the full report: [Liquid Insight: FOMC Preview: Holding Pattern 30 April 2025](#)

### Exhibit 6: Trade uncertainty has added ~60bp of cuts to the Fed curve during the inter-meeting period

3m SOFR Futures curves: today; pre-"LD"; pre-March FOMC



Source: Bloomberg; BofA Global Research

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## Taking it meeting-by-meeting

No change expected (or priced) for next week's FOMC. Recent Fed communications have continued to emphasize data dependence, in the face of trade uncertainty. The Committee is mindful that cutting pre-emptively— before there is clarity on the size of the tariffs and their inflationary impact— would convey that the Fed is not committed to its inflation target. That said, we also don't expect the Fed to lose sight of its full employment mandate: it will cut rates if the unemployment rate rises sharply. We do not expect Chair Powell to rule out a June cut if he is asked.

The rates market expects little from the meeting. Fed pricing through July (~40bp) seems overdone, and we recommend paying the July FOMC OIS. If asked, Powell will likely characterize Treasury market functioning as orderly. Similarly, the meeting is likely a non-event for the FX market. The DXY has consolidated around its 3y lows, as the market awaits a fresh catalyst amid the Administration's lowering of the temperature on tariffs. Concerns over the hard-data outlook remain, and possible asset allocations shifts away from the US present medium/longer-term USD headwinds.

## Econ: A meeting-by-meeting approach

It's the first FOMC meeting since Liberation Day. While the changes to trade policy have increased downside risks to the outlook, it's too soon for the Fed to consider a change in its policy stance. Therefore, we expect the Fed to keep rates unchanged at 4.375% as they await more clarity on the size of tariffs and their impact on both growth and inflation.

### Max data-dependence

Fed communications in recent weeks have emphasized data dependence in the face of trade related uncertainty. This unifying messaging resulted in markets pricing out a May cut. Chair Powell will likely reinforce this message in his post-meeting press Conference.

The FOMC is mindful that cutting rates pre-emptively, before there is clarity on the size of the tariffs and their inflationary impact, would convey that the Fed is not committed to its inflation target. That said, we also don't expect the Fed to lose sight of its full





employment mandate: it will cut rates if the unemployment rate rises sharply. The best way to balance these considerations is by taking a meeting-by-meeting approach. We therefore do not expect Chair Powell to rule out a June cut if he is asked.

### Other policy considerations

Chair Powell is also likely to argue that the Fed cannot look at trade policy in a vacuum. It must consider changes to other policies that may affect the outlook (e.g. fiscal policy and immigration policy). The Fed lacks clarity on these policies and the effects on growth and inflation too. This argues again for a wait-and-see approach.

Additionally, the Fed faces a moral hazard problem when it comes to fiscal policy. Republicans are seeking to pass a bill that would add significantly to the deficit over time. While the Fed can't derail this legislation, rate cuts by lowering projected interest costs would enable Congress to pass an even more expansionary bill. This is yet another reason for the Fed to be patient.

### Rates: May FOMC a placeholder with Fed in wait & see mode

US rates expect little from the May FOMC meeting. Powell will likely reiterate the Fed is in no hurry to cut rates & in a wait & see approach given dual tariff employment & inflation threats. The market prices in elevated odds of the Fed on hold at this meeting but expects nearly 100bps over '25 (Chart of the Day). Focus will be on the statement & Powell presser for any shift in Fed's balance of risk assessment or cut willingness.

We expect the May FOMC to reiterate 2 of our core rate views: (1) pricing of near-term Fed cuts is overdone (2) downside growth risk should see cutting trough at or below 3%.

**Near term Fed cut pricing:** we believe the market is pricing in too many near-term Fed rate cuts. Market pricing expects 15bps of cuts by the June FOMC & nearly 40bps of cuts by the July FOMC (Exhibit 7). We think this is overdone & recommend paying July FOMC OIS. Market pricing appears over done to us especially given relatively resilient recent hard economic data. The Bloomberg economic surprise index has remained relatively stable despite the market pricing in aggressive near-term Fed cuts (Exhibit 8).

**Cutting trough:** we have recommended clients trade US rates with a long duration & curve steepening bias given elevated macro uncertainty & building downside growth risks. We have argued that the market should price a Fed cutting trough of around 3%, in-line with Fed long run neutral rate assessment. Our logic: if the Fed is highly uncertain + sees acute risks to both the growth & inflation outlook, then market pricing should reflect a Fed at neutral. The market is now at this level & feel less compelled in our soft long duration bias. We would still rather be long vs short the curve belly but believe US data needs to clearly soften to price a cutting trough below 3%.

Recognizing the recent re-pricing of Fed cutting trough, we close our front end curve flattening trade. Last week we recommended being paid July '25 FOMC OIS & received 5Y OIS. The trade was initiated at -41bps & we close the trade at -60bps (see: [May refunding preview](#)). We hold our paid July FOMC OIS position but feel less compelled about receiving 5Y OIS given the recent cutting trough re-pricing.

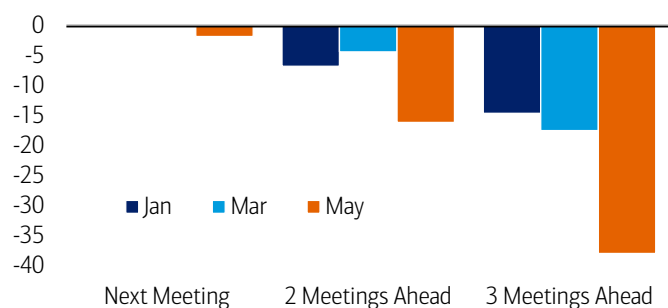
The rates market will have one other key focus at the May FOMC meeting: UST market functioning. If Powell is asked about market functioning & UST liquidity conditions, we expect him to say the Fed is monitoring conditions closely but that conditions overall appear orderly. We do not expect any greater concern expressed about UST market functioning or potential Fed actions to support UST conditions.





**Exhibit 7: Market pricing of rate cuts across next 3 FOMC meetings**

Market is pricing in much greater risk of Fed cuts 3 meetings ahead compared to pricing ahead of January & March FOMC meetings

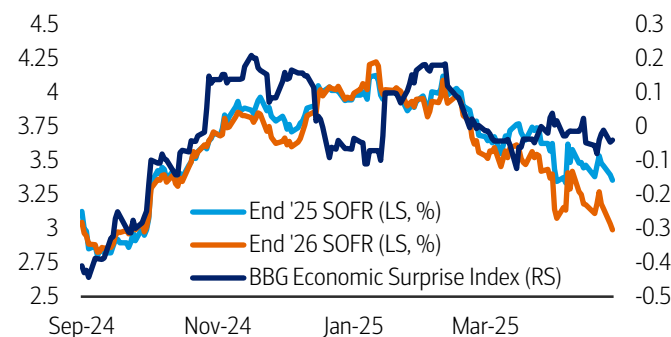


Source: Bloomberg

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**Exhibit 8: Bloomberg econ surprise & end '25 / end '26 SOFR**

Economic surprises stable but market pricing deeper Fed cuts



Source: Bloomberg

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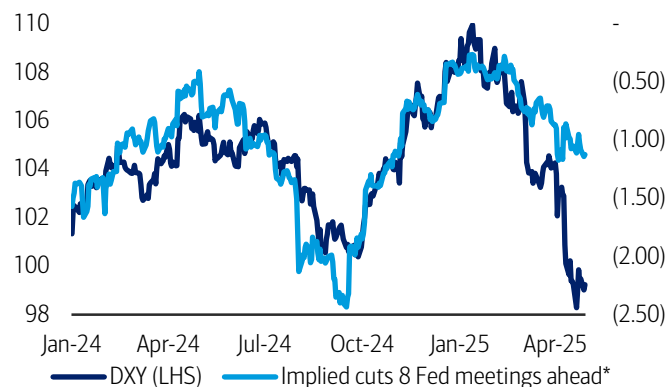
**FX: Waiting for the next shoe to drop**

Next week's FOMC is unlikely to be a major event for the FX market. After a tumultuous start to April on back of the reciprocal tariff announcements, the dollar has consolidated its losses amid broader market stability and hopes that we are past peak (trade) policy uncertainty. For now, the FX market remains in a bit of a holding pattern, as it seeks clarity on the evolution of typical cyclical drivers, amid broader concerns over more structural asset-allocation questions.

Near-term stagflationary expectations are mounting, though evidence has yet to meaningfully show up in the hard data (Exhibit 10). As a result, Fed officials have yet to express a renewed sense of urgency to resume rate cuts. Market pricing, however, continues to reflect expectations of between 3 and 4 cuts this year, possibly starting as early as June. Post-Liberation Day, roughly 15bp of cuts have been added to 2025.

**Exhibit 9: Dollar declines have notably outpaced Fed pricing**

DXY vs. implied rate on rolling 8th FOMC meeting - Fed Funds effective

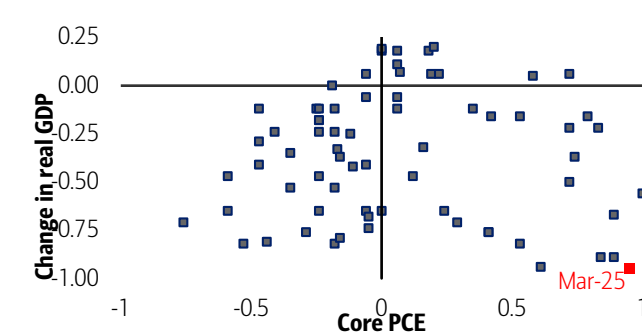


Source: Bloomberg; BofA Global Research

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**Exhibit 10: March SEP reflected the most stagflationary risks on record**

Diffusion indexes of FOMC's core PCE and GDP risk weightings



Source: Federal Reserve; quarterly SEP data since Oct 2007

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How this evolves and how the Fed responds remains an open question for the USD. Indeed, the USD has become somewhat disconnected from front-end US rates/policy expectations, as bigger structural themes are brewing in the background (Exhibit 9). The USD's failure to appreciate on back of the April market shock has called into question its ability to fully perform as a risk-off hedge. And after years of notable global capital allocations into the US, the possibility that global asset managers either rebalance away from the US (or notably increase FX hedging on US holdings) presents longer-term headwinds for the dollar (see report: [FX Viewpoint: Swimming USD-naked as the tide goes out 14 April 2025](#)). While the timing of Fed policy remains uncertain, the eventual direction seems less so, leaving the USD vulnerable in such an environment, even if cut pricing through June/July appears overdone.

# BoE Preview: Dovish but (still) cautious

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## A cut well signalled

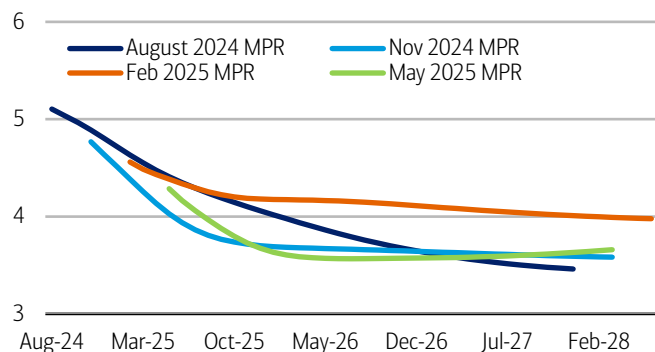
We expect the Bank of England (BoE) to cut the Bank Rate by 25bps to 4.25% with an 8-1 vote, with Dhingra voting for a 50bps cut. Risks are skewed to a more dovish voting pattern. Encouraging progress in domestic inflation, lower energy prices and emerging downside growth and inflation risks from tariffs support a 25bps cut in May and faster cuts later in the year (we now expect four cuts this year). But lower financial stability risks, better growth starting point, caution ahead of NICs rise and uncertainty on inflation impact of tariffs imply that a larger 50bps cut is unlikely.

The BoE will likely lower quarterly growth forecasts from Q2 to reflect the hit from US tariffs (~40bps), the extent of the downgrade reduced by a lower Bank Rate path. We perhaps get an ambiguous assessment of the impact of tariffs on inflation. But even without a strong view on inflation impact of tariffs, we expect the BoE to show lower inflation forecasts on the back of weaker domestic inflation outturns, lower energy prices, weaker growth and stronger sterling. See Exhibit 11 & Exhibit 12. With the UK rates market broadly in line with our expectations on the BoE rate path for the rest of the year, we think the bar is relatively high for a GBP response. As ever, the detail and nuance will be a key factor for FX markets. But at one extreme – a dovish GBP scenario would be dropping careful and gradual guidance – a hawkish GBP scenario would be push back on the extent of rate cuts priced in.

Perhaps the reality is that central banks are operating in a void of certainty, so the tails around central scenarios is that much wider. Markets have been less responsive to recent data releases across G10 suggesting an acknowledgement that the world will be a different place in the coming months. This is perhaps the most salient lesson – what the BoE or any central bank says now is likely to be drastically different months from now. In our view, markets should look to this meeting as a holding pattern ahead of more difficult conversations through the rest of the year. We would prefer to focus on the upcoming May 19<sup>th</sup> UK-EU Summit as a more critical signpost on how the UK will reconcile its efforts to appease both the US and EU. Our sense is that the UK opts for geographical alliances and remain more optimistic than most that the deal may extend further than many are expecting – a bullish backdrop for GBP.

## Exhibit 11: Bank Rate assumptions using market pricing

Lower Bank Rate path relative to February



Source: BoE, BofA Global Research

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## Exhibit 12: BofA forecasts for May 2025

We expect lower future growth and inflation

	BofA forecast for May MPR (Feb MPR figures in parentheses)	
	GDP % yoy	Inflation (modal)
2025 2Q	0.7 (0.3)	3.2 (3.5)
2026 2Q	1.2 (1.5)	2.3 (2.6)
2027 2Q	1.2 (1.4)	2.1 (2.2)
2028 2Q	1.8	1.8

Source: BoE, BofA Global Research

BoFA GLOBAL RESEARCH



# Life insurers' FY25 investment plans: JGB holdings to decline

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Link to the full report: [Japan Rates and FX Watch: Life insurers' FY25 investment plans: JGB holdings to decline 30 April 2025](#)

## Lifers to further slow superlong JGB purchases

Superlong JGB yields appear to be above Japanese life insurers' assumed interest rate on insurance liabilities, but they are expected to reduce their JGB holdings in FY25. This reflects their reduced need to buy superlong JGBs for ALM purposes, and their expectation for 1-2 BoJ rate hikes within FY25. We would note that some life insurers apparently drew up FY25 investment plans prior to the announcement of the Trump administration's so-called "reciprocal" tariffs, and their investment policies could change considerably depending on the outcome of US-Japan negotiations.

## JGB holdings to decline

The five major life insurers' FY25 investment plans indicate that they intend to reduce their JGB holdings (Exhibit 1). While some lifers do plan to increase their holdings, the 28 April Nikkei reported that the nine majors (excluding Sumitomo Life) intend to reduce them by a total of ¥1.3tn in FY25 (see full report for footnote). Given that they increased their holdings by around ¥360bn in FY24, this implies a major shift in their investment strategy for superlong issues in FY25.

However, we do not expect lifers to sell their JGB holdings outright. They simply appear to be slowing their buying of superlong JGBs now that they have nearly finished matching the duration of their assets and liabilities to comply with economic value-based solvency regulations. In short, planned JGB redemptions are expected to exceed planned investment, resulting in a YoY decline in lifers' JGB holdings. They also look set to continue rotating their portfolios from low- to high-yield bonds.

According to JSDA's OTC bond trading data, Japanese lifers' net buying of superlong JGBs has slowed for four straight years, from a peak of ¥7.6tn in FY20 to just in ¥1.2tn FY24 (Exhibit 3). Based on their recently released investment plans, we expect this to shrink again in FY25.



# Nordics macro update: recovery under threat

Link to the full report: [European Viewpoint: Nordics macro update: recovery under threat 29 April 2025](#)

## Sweden: recovery under threat, Riksbank is not done

We stick to our bearish outlook for Sweden. Accounting for trade developments and downgraded growth in the main economies, we now forecast GDP growth at 1.4% this year and 1.5% in 2026 (-10bp/-20bp). Sweden's CPIF inflation surprised to the upside in 1Q, but we share the Riksbank's view that this spike was idiosyncratic. Inflationary pressures remain limited, and SEK helps. We still see one more Riksbank cut this year to 2.0% (in June), but we think risks are skewed for more.

## Norway: Norges Bank's endless delay

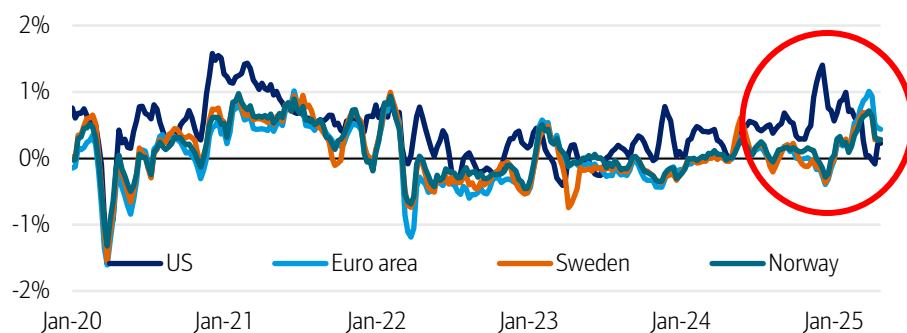
Growth should improve vs the bleak 2H24 pace but remain relatively low – household dynamics and fiscal should be supportive, but lower petroleum investment and weak foreign demand are likely a drag. We expect growth around 1.0% this year (20bp less than before) and 1.4% in 2026 (unchanged). Inflation: we envisage a similar inflation trajectory to Norges Bank in the near term but expect faster disinflation in 2H25 and 2026. We still see two cuts this year (Sep/Dec), but June is live too.

## FX: both, esp. SEK, benefit from EUR's improved profile

We remain very constructive on the Scandies. With our EUR-USD year-end forecast at 1.17, we look for EUR-SEK at 10.40 (USD-SEK 8.89) and EUR-NOK at 11.00 (USD-NOK 9.40) by year-end. We still prefer SEK to NOK near term although we expect NOK-SEK to recover to 0.96 later in the year. Both currencies, and particularly SEK, stand to benefit from the European fiscal push and EUR's improved profile, potentially continued rotation into domestic assets and, importantly, higher equity hedging ratios of local asset managers. We also expect both currencies to benefit from relative monetary policy and faster growth this year. Positioning remains light, particularly for Real Money investors.

### Exhibit 13: Equity rotation into EA and Nordics and away from the US

Foreign equity investment into US, Euro Area, Sweden, and Norway (4-week flow as % AUM)



Source: EPFR, BofA Global Research. Data through April 23.

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# Riksbank and Norges previews: on hold, for now

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## Riksbank: wait-and-see, cut likely in June

We see the Riksbank on hold at next week's meeting. While downward risks to the economy are clear, we think it's too early for the central bank to deviate from the current guidance of unchanged rates.

Consumer soft data and the monthly activity indicators (whose read-across to actual activity remains uncertain at best) have deteriorated, but current inflation and corporate pricing plans remain elevated (and corporate sentiment is holding up). We think that next week the Riksbank will acknowledge the downside risks to the growth outlook and the chances that rates may need to be re-adjusted further, the overall tone will probably remain balanced.

But we remain skeptical that the Riksbank will eventually manage to deliver unchanged rates – we still expect them to cut more. Conviction on the precise timing is low at this stage, but we stick to our expectation of a rate cut coming in June, to 2.0% when the new forecasts will account for a deterioration of growth prospects and the ECB will probably have cut once more.

## Norges Bank: on hold, cut likely in September

We think the May meeting will probably be a placeholder for Norges Bank – they are very likely to stay on hold until they regain some confidence on the inflation progress. In March, Norges Bank's rates path guided towards about two cuts by year-end, returning gradually to 3% by end-2028. External conditions turned more dovish since then: with the escalation of trade tensions, commodity prices have moved much lower than Norges projected (71.9 USD for oil this year) and easing expectations from other central banks have increased. But, at the same time, trade-weighted NOK has weakened again. The domestic dataflow since the March meeting has been limited and quite close to Norges Bank's expectations (March core inflation was exactly in line). Next week, we don't expect their guidance to deviate in a significant way vs March.

Our base case remains for two rate cuts this year. For now, we still assume September/December, when the Committee should have regained some confidence on the medium-term inflation outlook. But we think the June meeting could be live too if the inflation data softens faster in 2Q25.

## FX: on balance positive NOKSEK risks next week

On balance, we see positive NOKSEK risks around next week's meetings. We expect both central banks to remain largely non-committal. But with the market pricing slightly more than three cuts for Norges and -40bp for the Riksbank this year, we think Norges Bank is more likely to be repriced higher than the Riksbank (at the front end).

Meetings aside, we remain bullish on both currencies this year (YE 2025 forecasts: EUR-SEK: 10.40, EUR-NOK: 11.00) but continue to prefer SEK to NOK in 1H. Both currencies, and particularly SEK, stand to benefit from the European fiscal push (focus on the June NATO and EU summits) and the EUR's improved profile, potentially continued rotation into domestic assets and, importantly, higher equity hedging ratios of local asset managers. We also expect both currencies to benefit from relative monetary policy and faster growth this year. Positioning remains light, particularly for Real Money investors (**for details please see our report, [Nordics macro update: recovery under threat 29 Apr '25](#)**).



# EM Themes

## EM FX – Dispatch from Washington

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The following piece is an abridged version of our report, [GEMs Viewpoint: Dispatch from DC: Dealing with uncertainty 27 April 2025](#).

### The usual suspects all linger on Trump's endgame

We hosted our flagship Global Emerging Markets Small Talks Symposium in DC on the side of the IMF meetings with record attendance. More than 400 clients, 120 meetings, and north of 20 Finance Ministers and Central Bank Governors combined.

The mood was somewhat better than anticipated, in particular on the EM outlook. Investors were more concerned about the US than the rest of the world. Although there is no agreement on whether the tariff shock will imply a mild recession or stagflation, it is becoming more consensus that the Fed might keep rates on hold given inflation uncertainty. Many think that the damage is already done for capex and supply chains, US fiscal policy remains a source of concern, and everyone expects a weaker dollar.

### Past peak tariff uncertainty, but no free lunch

Although investors are concerned about China, they generally expect more stimulus. With bumpy de-escalation being the path of least resistance, clients expect a sequence of deals to be announced in coming weeks, starting with India, Japan and possibly the UK. Deals with China and the EU are perceived as much more difficult to achieve in the short term. Many believe that reallocation away from US assets could continue, including by global central banks. Positioning in EM assets remains light but many expect to add local debt exposure once the outlook for US risk assets is more clear. LatAm and EEMEA can benefit in this environment.

### Asia: Unusual macro environment

China's domestic demand is expected to remain weak but experts think that monetary and fiscal policy still has a role to play. India has reclaimed its spot as one of the macro stories that find favor amongst investors. Korea's sentiment remains weak. In Indonesia, monetary conditions are expected to stay tight. Growth in Vietnam and Cambodia is likely the most sensitive to US demand.

### EEMEA: A mixed bag

In Türkiye, orthodox policies are expected to continue in the short term. South Africa is experiencing a positive terms of trade shock but attention remains on the fiscal situation. In the CEE region, central banks have turned more dovish while Romania fiscal concerns increase. Growth remains strong in the CIS region but oil price is a risk. SSA countries continue to adjust fiscal balances with the help of IMF programs. In MENA, Iran-US nuclear talks and OPEC supply hikes could weigh on oil prices.

### LatAm: T(a)rrific neighborhood

Discussions this week reinforced our conviction that the Brazilian Central Bank may be approaching the end of the tightening cycle. Mexico received a hit from tariffs, central bank has room to cut but there is no fiscal space to support growth. Argentina continues to take positive steps. There are widespread concerns about fiscal in Colombia. Peru to benefit with copper and gold prices. Positive news from Ecuador and Panama.

### The usual suspects

There was also consensus that we have probably seen the peak in tariffs uncertainty, with bumpy de-escalation being the path of least resistance. Clients expect a sequence of deals to be announced in the coming weeks, starting with India, Japan and possibly the UK. Deals with China and the EU are perceived as much more difficult to achieve in the short term.

Market participants think that the damage is already done for capex and supply chains. US fiscal policy remains a source of concern, and everyone expects a weaker dollar. Many investors believe that the reallocation away from US assets could be long-lived, including further diversification away from the dollar by global central banks, though the idea that the dollar will lose its reserve currency status remains farfetched.

Fiscal policy is another risk in the horizon. Market participants are concerned about the lack of appetite for proper fiscal consolidation in Washington. The scoring of the budget resolution vs current policy rather than current law is a worrisome example. This would make current policy automatically permanent through the budget reconciliation process, severely undermining the notion that “permanent” tax cuts cannot be passed without permanent revenues via reconciliation. Bottom line: the US fiscal outlook keeps going downhill.

Although investors are concerned about China, the baseline scenario is that more stimulus is coming, both fiscal and monetary. Expectations for Europe are not terribly pessimistic either, though there is still a lot of skepticism on any potential Russia-Ukraine deal although the news over the weekend look more promising.

On EM, the weaker dollar can benefit EEMEA while the low exposure to the trade war and the wins of political changes can benefit LatAm. Markets are optimistic that eventually USMCA will be restructured. EM can be one of the big winners in the race to relocate supply chains.

Positioning in EM assets remains very light despite the now highly consensual bearishness on USD. Many expect to add to EM exposure, particularly in local debt markets and selected high yield credits but want to see more clarity on the outlook for US risk assets. India, Argentina, Brazil, Mexico, Poland, South Africa and Türkiye are all in this camp.

On frontier markets, the meetings raised the issue that IMF programs for certain countries could become tougher on fiscal. This may be positive long term but raises the risk of more restructurings initially. In Africa, some names experienced significant moves this week based on the news flow—in either direction.



# Asia FX Monthly: temporary relief

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The following piece is an abridged version of [The EM Asia FX Strategist: Asia FX Monthly – temporary relief, but uncertainties linger 25 April 2025](#).

## 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 US\$HKD position, resulting in spot US\$HKD 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 14: 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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# Asia FX- In search of harbors: KRW & SGD

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The following piece is an abridged version of our report, [Asia FI & FX Strategy Viewpoint: In search of Asian harbors: KRW and SGD 29 April 2025](#).

## Economic consequences & market pricing

The rapid escalation in US tariffs against Asian economies, especially against China, coupled with China's own retaliation is resulting in a rapid reassessment of growth and recession risks. The BofA Fund Manager Survey shows 49% of those surveyed in April looking for a US recession.

Our own assessment is that a recession will be avoided as result of trade negotiations materializing in the coming weeks for key allies, culminating with a China deal in H2. Nonetheless, we are marking down our 2025 growth forecasts: EM Asia 4.5% (4.7% previously) China at 4.0% (4.5% previously). India 6.4% (6.8% previously) – see [Global Economic Viewpoint: Surfing the tariff wave 21 April 2025](#).

## The steeper (the curve), the stronger (the currency)

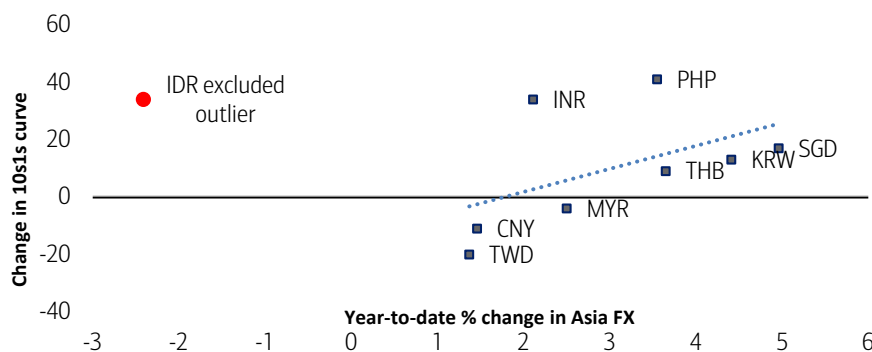
Amid this negative growth outlook, it is worthwhile examining the year-to-date performance of Asian currencies and yield curves. Exhibit 15 shows a positive correlation between Asia FX appreciation and steeper yield curves (once Indonesia is excluded).

This can be seen as confirming a weaker global USD backdrop, which is opening the door wider for more aggressive central bank easing in Asia. This rally in front end curves is consistent with ample domestic liquidity, despite foreign portfolio equity outflows.

In contrast, the back end of curves are correlated with higher longer-end US yields (though with a lower beta). Overall, the expectation is that both monetary and fiscal stimulus will be forthcoming, keeping growth expectations and steep yield curve intact. Indonesia's outlier performance, a steeper curve, yet a weaker currency, suggests that concerns over fiscal credibility continue to undermine the rupiah's performance.

### Exhibit 15: Stronger currencies and steeper yield curves in Asia (Indonesia excluded)

USD weakness means Asian central banks can focus more on easing and less on FX stability



Source: BofA Global Research, Bloomberg

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It is worthwhile considering alignment of other currencies in Exhibit 15. For example, SGD and KRW show some of the biggest FX appreciations against USD, coupled with a steeper 1s10s curve. This appears consistent with their economies being closest on the border line of negative output gaps compared with their peers – see Exhibit 16.

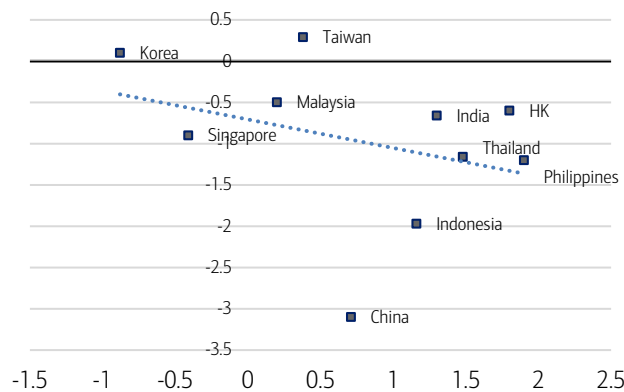


Additionally, their inflation gaps (current inflation minus their inflation target), still shows the least deflationary pressure among Asian countries. This suggests Korea and Singapore appear less prone to deflation risks and most amenable to stimulus. We argue, later, this policy and institutional credibility could attract further foreign bond inflows.

By contrast, we can see that the China and Taiwan yield curves have flattened this year, and their currencies are seeing less appreciation. These outcomes are due to a combination of disappointing monetary easing, in part due to a positive inflation gap in Taiwan, limiting its policy space. However, for China the issue is more acute as it has the largest negative inflation gap in Asia, resulting in a very flat curve.

#### Exhibit 16: Asia's output gaps vs. inflation target gaps

The weaker the growth, relative to potential, the more disinflation

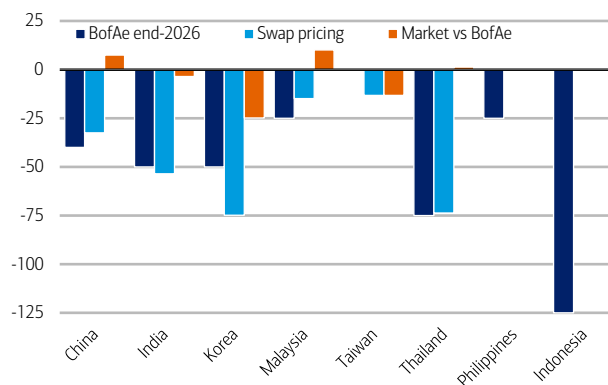


Source: BofA Global Research, Bloomberg

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#### Exhibit 17: What's priced in for Asia monetary policy by end-2026

BofAe of cumulative cuts by end-2026 vs swaps pricing (bps)



Source: BofA Global Research, Bloomberg

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#### What's priced relative to the risks?

The steepening in Asia swap curves in anticipation of monetary easing reflects the market's pricing of central bank rate cuts and our own economists' policy forecasts – see Exhibit 17. China and Malaysia appear at the more conservative end of the scale rate cuts. For this reason, we favor being long the 2yr point of the China bond curve and the Malaysia swap curve, as the cutting cycle will likely be more gradual over time.

In countries, where more aggressive policy easing is priced such as Korea, Thailand, and in some ways Singapore, we have seen a large widening in the bond swap basis along the curve as the bonds have underperformed. As such, we think 5yr Korean and 10yr Singapore government bonds offer value relative to their respective swaps.

From a growth perspective, our economists see the biggest negative growth impact from reciprocal tariffs on Vietnam, Thailand, China, and Malaysia. Of these four we would favor long duration in Thailand and Malaysia. The least impacted appear to be Singapore, the Philippines and Australia, which may explain the steeper curves. Nonetheless, the inflation impact needs to be considered. Here, we see deflationary pressure in Thailand and China. Additionally, our economists forecast significant declines in 2025 inflation for India, Singapore, and Korea.

In summary, the growth weakness and disinflation pressure in Thailand should continue to favor long duration positions. Malaysia is also a good candidate for receiving in the 2yr as the negative growth risks are evident, but the central bank will likely be cautious in easing monetary policy with inflation near historical averages that may be inferred as informal target levels.

Finally, Singapore investment positioning is complicated by its SGD NEER monetary policy target. More aggressive easing in the SGD NEER implies higher front-end rates as inflation expectations rise. We are sympathetic to the risks of a one-off recentering and depreciation, but the timing of this strategy will likely be late2Q or 3Q.



# Latam FX- Uncertainty prevails for now

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The following piece is an abridged version of [The LatAm FX Strategist: Uncertainty prevails for now 28 April 2025](#).

## Summary of FX views

Absent a large shock, a weaker USD should be constructive for LatAm FX. However, uncertainty around the depth of the global growth slowdown remains high and we prefer to avoid directional LatAm FX exposure until we see signs that the global reallocation of capital away from US assets is translating into EM inflows.

**ARS (bullish\*)**: ARS to strengthen as the government may not buy USD until it is close to the floor of the band. We see USD/ARS at 1,350 by 2025-end and 1,640 by 2026-end.

**BRL (bullish\*)**: Attractive carry, priced fiscal risks, and insulation from US tariff risks should be supportive. We see USD/BRL at 5.75 by 2025-end and 6.00 by 2026-end.

**CLP (neutral\*)**: Potential policy shift is medium-term supportive, but weak growth in China is a short-term risk. We see USD/CLP at 940 by 2025-end and 900 by 2026-end.

**COP (bearish\*)**: Underpriced fiscal risks, BanRep easing, and downside risks for growth warrant risk premium. We see USD/COP at 4,500 by 2025-end and 4,400 by 2026-end.

**MXN (neutral\*)**: Tariff noise may have peaked. MXN stable if US growth slows but does not crater. We see USD/MXN at 20.50 by 2025-end and 21.75 by 2026-end.

**PEN (bearish\*)**: Risks of additional rate cuts and exposure to Chinese growth may put pressure on the currency. We see USD/PEN at 3.80 by 2025-end and 3.85 by 2026-end.

**UYU (bullish\*)**: Strong growth, supportive FDI and restrictive monetary policy support the currency. We see USD/UYU at 41.9 by 2025-end and 43.0 by 2026-end.

**CACs**: Neutral CRC amid weak growth but nearshoring upside. Bearish DOP amid rally beyond fundamentals. We see USD/CRC at 515 and USD/DOP at 64.0 by 2025-end.

### Exhibit 18: BofA quarter-end FX forecasts

We are bearish ARS, bullish BRL, neutral CLP, bearish COP, bearish MXN, bearish PEN

Currency	View/bias	Forecasts			
		2Q '25	3Q '25	4Q '25	1Q '26
USD/ARS (official)	bullish*	1,150	1,225	1,350	1,420
USD/ARS (blue chip)	--	1,200	1,275	1,400	1,460
USD/BRL	bullish*	5.75	5.75	5.75	5.85
USD/CLP	neutral*	960	950	940	925
USD/COP	bearish*	4,350	4,450	4,500	4,475
USD/CRC	neutral*	505	510	515	516
USD/DOP	bearish*	60.0	62.0	64.0	64.5
USD/MXN	neutral*	20.00	20.25	20.50	20.75
USD/PEN	bearish*	3.75	3.77	3.80	3.81
USD/UYU	bullish*	42.2	42.0	41.9	42.2

Source: BofA Global Research

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# Quant & Vol Insights

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For the original report see [Front-end CHF vol dislocation 30 April 2025](#)

## Front-end CHF vol still rich despite market consolidation

As US tariffs risk premium pared back from peak “Liberation Day” level, front-end FX implied vols have dropped in the second half of April. Recent broad FX vol market dynamic is in-line with what we have argued in our report, [Exiting the “Liberation Day” vol shock \(16 April 2025\)](#). In the near-term, we still prefer to maintain a short bias for front-end FX vols. None of the major G10 FX vols appear to be exceptionally cheap relative to fair value yet. Consensus to sell the US dollar on rallies has formed, limiting upside for USD, but new catalysts such as a US hard data deterioration pointing to weak household consumption is likely needed for the next bearish USD breakout. Short-dated USDCHF vol remain rich. 1m USDCHF implied vol is +2.0 vols above its PCA implied fair value. The size of the dislocation would be more than +4 z-score relative to its 5-year lookback.

## CHF realized vol is high but implied vol unlikely to sustain

Elevated USDCHF realized vol continuing into the second half of April is keeping the front-end implied vols high for now, but we believe the USDCHF vol is unlikely to sustain at current level. Compared to Jan-Mar of this year, FX realized vols in April surged a lot more for USDCHF than other major USD/G10 pairs. The idiosyncratically volatile USDCHF spot move in April has been driven by a combination of short CHF carry trade unwind and structural credibility concerns for the US (see our report, [FX Watch: 14 April 2025](#)). Following the brief period of simultaneous selloff for US dollar, equity and Treasury in April (see our report, [US Exceptionalism to US Repudiation 10 April 2025](#)), the US administration is unlikely to want to damage its own credibility further. Global investors would likely continue to diversify away from the US (see our report, [FX Viewpoint 14 April 2025](#)), but the peak shock is now behind. Month-over-month, 1m USDCHF implied vol rose by close to +4 vols while 1m USDCHF realized vol rose by +9 vols. Historically after sharp vol rallies, the 1m USDCHF implied vol would unwind by similar magnitude in the following month. Investors could consider fading the elevated front-end USDCHF vol via short 1m ATMF straddle delta-hedged, in our view.

## Also consider fading CHF vol via USDCHF-GBPUSD vol RV

To avoid a standalone short vol position, investors could also consider short 3m USDCHF vol in RV format with a long 3m GBPUSD vol leg. The USDCHF – GBPUSD implied vol spread is currently at +1.6 vol, a level that market has not seen since 2015. In the past 10 years, the vol spread would have averaged at -1.42 vol. The current RV dislocation should fade once CHF starts to move more in-tandem with other European currencies against the USD. Risk to fading the USDCHF implied vol in either format would be that USDCHF spot move remains volatile in the coming month.



# Technical Strategy

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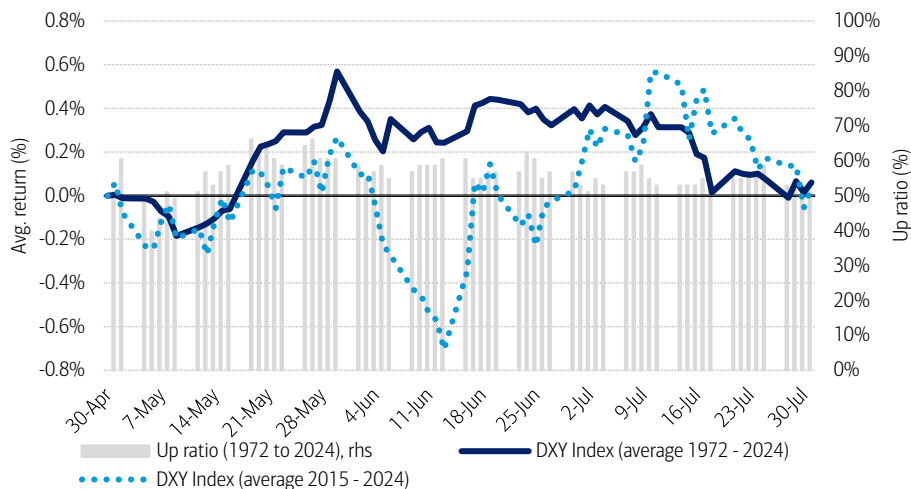
- For more information/charts on macro seasonality ahead, please see our report, [Seasonality Advantage: The 90-day warm up 30 April 2025](#)

## DXY: May bounce possible, but a bearish 2017 still rhymes

Since 1972 and 2015, the average trend ending April through July ended flat. Since 1972, there has been a tendency for the DXY to be supported through June, then back to flat. Over the last ten years the path deviated with a decline in 1H-June and rally into mid-July. In week 2 of May, the DXY was up 66% of the time with average and median returns positive. It was also up in week 2 of 2017. A down April precede an up May 63% of the time. In 2017 during President Trump's first term, a DXY decline continued to persist in May through August. When the DXY was below the 200d SMA, average returns on Monday and Friday were negative.

### Exhibit 19: DXY since 1972 up and then flat. DXY since 2015 path differs, but ends flat too.

Average three-month trend from Apr 30 to Jul 31 since 1972 and 2015



Source: BofA Global Research, Bloomberg

Note: We calculate up ratios from the start of the period to the end of each day ahead.

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### Exhibit 20: In week 2 of May, DXY was up 66% of the time

May performance by week and the month

DXY	Week 1	Week 2	Week 3	Week 4	Week 1-2	Week 1-3	Week 2-3	Week 2-4	Week 3-4	Month
# Up	24	35	31	32	29	32	31	29	28	31
# Down	29	18	22	21	24	21	22	24	25	22
# Unchanged	0	0	0	0	0	0	0	0	0	0
Up / Total ratio	45%	66%	58%	60%	55%	60%	58%	55%	53%	58%
Average %	-0.1%	0.3%	0.0%	0.1%	0.2%	0.3%	0.3%	0.2%	0.0%	0.5%
Median %	-0.1%	0.6%	0.2%	0.2%	0.1%	0.1%	0.4%	0.2%	0.1%	-0.3%
Max %	3.2%	3.4%	3.1%	2.0%	5.2%	5.2%	4.1%	4.3%	3.6%	5.8%
Min %	-2.4%	-2.0%	-3.7%	-3.7%	-3.4%	-4.4%	-3.7%	-5.4%	-3.5%	-6.2%

Source: BofA Global Research, Bloomberg; DXY Index data (1972 to 2024)

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# Trade Recommendations G10

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## Exhibit 21: Open trades G10

Current G10 FX trade recommendations. Prices as of 1-May-2025.

Trade Description	Open Date	Entry Price	Expiry Date	Current Price	Rationale	Risks
<a href="#">Buy EUR/USD</a>	10-Apr-25 (raised target and stop on April 22)	1.1061 (raised stop to 1.12 with spot ref 1.1503 on April 22)		1.1328	Unconventional & stagflationary policies USD negative; EU reforms & trade deals EUR positive. Substantial needs for USD hedging, de-dollarization debate, threats to Fed independence suggest even more USD downside	US pivot towards more conventional economic policies or expansion of the trade war beyond the US, which for now we see as having a low probability
<a href="#">Buy 3m AUD/NZD call seagull</a>	17-Apr-25	initially receive 0.3% AUD, long 3m call spread, strikes at 1.08 and 1.10, vol refs 5.59/5.7; short 1.06-strike put, vol ref 5.725, spot ref 1.0715)	21-Jul-2025	0.2811% AUD	Rapid tariffs escalation and dislocated AUD/NZD skew suggest sufficient risk premium has been priced in. Rate differential and RBA-RBNZ policy rate path remain bullish for AUD/NZD	Renewed US-China trade conflict
<a href="#">Buy 1y EUR/JPY call</a>	25-Mar-25	1.41% EUR (172-strike, spot ref 162.70)	25-Mar-26	1.4234% EUR	EUR/JPY should benefit from structural outflows from Japan, investor demand for EUR bonds, and Europe's fiscal expansion.	US trade/tariffs policy become bearish for the EUR.
<a href="#">Short CAD/MXN</a>	11-Mar-25	14.0467 (6m fwd 14.5166, target 13.00, stop loss 14.50)		14.2229	Diverging tariffs dynamic and rate differential favor lower CAD/MXN.	Broad-based increase in North America tariffs pressure; equity meltdown triggers global risk-off.
<a href="#">Buy 6m EUR/CHF ratio call spread</a>	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	0.4419% 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.
<a href="#">Buy 3m EUR/SEK call</a>	11-Feb-25	0.57% EUR (strike ref 11.40, spot ref 11.2709, vol ref 5.1)	9-May-25	0.1365% EUR	Stretched quant valuation and expectation of higher global tariffs risk to drive SEK weaker rally in the near-term.	Stronger Swedish data; Ukraine peace deal prolongs the SEK

Source: BofA Global Research

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**Exhibit 22: G10 FX Closed trades**

Recently closed trades in G10 FX.

Trade Description	Entry date	Entry Level	Target	Stop	Close date	Level closed
Buy 1m EUR/GBP put	1-Apr-25	18 pip GBP (strike price 0.83, spot ref 0.8365)			1-May-25	Option expired OTM (spot ref 0.8498)
Buy EUR/USD	10-Apr-25	1.1061	1.15	1.0750	22-Apr-25	Raised stop to 1.12 (spot ref 1.1503)
Buy 3m USD/CHF call spread	14-Jan-25	0.6466% USD (spot ref 0.9167, strike refs 0.92/0.9450)			14-Apr-2025	Option expired OTM (spot ref 0.8149)
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.)			8-Apr-2024	1.18% EUR (spot ref 1.0946)
Buy AUD/CNH	3-Apr-25	4.5835	4.89	4.44	7-Apr-2025	4.44
Buy EUR/USD 2w put spread	19-Mar-25	31.5 pip	1.075	1.085	27-Mar-25	60 pip
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

Source: BofA Global Research

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# EM Alpha Trade Recommendations

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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
Sell USD/ARS 3M NDFs	23-Apr-25	1202	spot 1171	1000	1400	10	Tight fiscal and monetary policy to induce FX appreciation. Money demand increases and positive trade balance seasonality.	higher inflation, external deficits, a stronger US dollar and dollar purchases by the CB or treasury.
Short SGD NEER	11-Apr-25	0.72%	0.72%	0.1%	1.3%	10	Re-engage short SGD NEER as levels look attractive again ahead of potential slope flattening in MAS meeting.	Unwinding of short SNEER positioning if either risk sentiment improves.
3M USD/CNH call spread	10-Apr-25	7.3390	spot 7.2763	7.50/7.70	-	10	We limit exposure to USD sell-off with call spread as US asset volatility and weakness in bonds/equities increases.	Risk of a greater 5% CNY depreciation remains.
Indonesia – Pay IDR points	25-Mar-25	59.5	spot 16551	85	40	10	We recommend paying IDR NDF points to hedge against further IDR weakness which may prompt stronger defense from BI.	USD weakness, unwinding of IDR hedges linked to SRBI or faster rate-cuts in Indonesia.
Short CADMXN	11-Mar-25	14.046	18.64	13.00	14.50	10	Recent North America tariffs developments call for lower CAD/MXN. The US administration has also exhibited more preferential treatment towards Mexico than Canada.	Risk to the trade would be substantially more hawkish US tariffs toward Canada and Mexico on April 2
Short USDZAR	6-Mar-25	18.34	14.2234	17.43	20	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.
Sell 6m USDEGP NDF	21-Jan-25	53.8	52.97	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	spot 38.49	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 USDBHKD 12-month outright	26-Nov-24	7.746	spot 7.7565	7.783	7.72	10	Current interest rate differentials are pricing for 12-month USDBHKD outright be below the strong-side of the USDBHKD band at 7.75.	further decline in global risk and liquidation of risk-on positions.
Buy 6M USD/SGD 1.45 instant one-touch	22-Nov-24	11.50%	spot 1.3087	50%	0	10	Hedge against deeper Asia FX weakness due to trade tensions. Risk of MAS easing.	US-China negotiations reducing trade tensions
Long BRL/COP	21-Nov-24	754	744.82	900	650	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	1603.43	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 May 1 2025. 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
Buy 15/05/2025 T-bill in Pakistan FX-unhedged	21-Nov-24	USDPKR: 277.9; T-bill price: 94	3.78	hold to maturity	USDPKR at 283.5	4/30/2025	99.57
Buy USD/PEN	20-Feb-25	3.6894	3.78	3.55	10	4/10/2025	3.72
short CNH 6M forward	14-Nov-25	7.19	7.45	7.1	10	4/9/2025	7.36
Long THB vs USD	6-Mar-25	33.66	32.5	34.5	10	4/9/2025	34.5
Short SGD NEER	22-Jan-25	0.97	0.3	1.5	10	4/9/2025	0.2
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	-	10	4/7/2025	19.9
Sell PEN/CLP	30-Jan-25	266.91	240.00	280.00	10	3/31/2025	258
Long INR 1m fwd vs USD	6-Mar-25	87.27	86	88.0	10	3/24/2025	86
Short PLN/HUF	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 PHP/USD	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 SGD/KRW	2-Nov-24	1040	1082	1020	10	1/6/2025	1074
Long USD/PLN	6-Dec-24	4.03	4.2	3.95	10	1/15/2025	-
Long USD/ZAR	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 USD/HKD 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 USD/HUF	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 EUR/PLN 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 INR/TWD 3m NDF	30-May-24	0.384	0.4	0.377	-	8/1/2024	.389
Pay 2-month USD/HKD 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 TRY/CZK using 3m forward	15-May-24	0.643	0.675	0.624	-	6/27/2024	0.675
Long USD/ZAR	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 USD/INR 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, USD/PHP>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 6.115%	8/2/23	6.175	-	5.00	10	5/17/2024	-0.1
Short RON/CZK	5/24/2023	4.77	4.53	5.2	10	5/16/2024	-0.1
Short USD/ZAR	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 USD/ZAR 6m 25 Delta Risk Reversal	16-Feb-24	1.491	2.5	1	10	4/16/2024	2.543
Sell EUR/KRW 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 EUR/TRY using 3m forward	2/5/2024	36.2	34.4	37.3	10	4/9/2024	35.72
Short USD/USZS using 3m NDF	1/5/2024	12.674	12.374	12.902	10	4/9/2024	12.672
Sell COP vs LatAm FX basket	4/4/2024	100	92	104	10	4/4/2024	105
USD/HKD 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	3/8/2024	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 CZK/HUF	11/29/2023	15.7	14.9	16.3	10x10	2/6/2024	15.48
Long PLN/CZK	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 1-May-2025

	Spot	Jun-25	Sep-25	YE 2025	Mar-26	Jun-26	Sep-26	YE 2026
<b>G3</b>								
EUR-USD	1.13	1.15	1.16	1.17	1.17	1.18	1.19	1.20
USD-JPY	145	148	152	155	152	148	148	148
EUR-JPY	164	170	176	181	178	175	176	178
<b>Dollar Bloc</b>								
USD-CAD	1.38	1.44	1.42	1.40	1.37	1.35	1.35	1.35
AUD-USD	0.64	0.63	0.64	0.66	0.68	0.69	0.70	0.71
NZD-USD	0.59	0.58	0.59	0.60	0.60	0.60	0.61	0.61
<b>Europe</b>								
EUR-GBP	0.85	0.84	0.83	0.82	0.82	0.80	0.79	0.78
GBP-USD	1.33	1.37	1.40	1.43	1.43	1.48	1.51	1.54
EUR-CHF	0.94	0.94	0.95	0.96	0.96	0.97	0.98	1.10
USD-CHF	0.83	0.82	0.82	0.82	0.82	0.82	0.82	0.83
EUR-SEK	11.00	10.70	10.60	10.40	10.40	10.40	10.40	10.30
USD-SEK	9.72	9.30	9.14	8.89	8.89	8.81	8.74	8.58
EUR-NOK	11.80	11.70	11.40	11.00	11.00	10.90	10.80	10.70
USD-NOK	10.43	10.17	9.83	9.40	9.40	9.24	9.08	8.92

Source: BofA Global Research, Bloomberg. Note: Forecasts as of 1-May-2025

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## Exhibit 26: EM FX forecasts

Forecasts as of 1-May-2025

	Spot	Jun-25	Sep-25	YE 2025	Mar-26	Jun-26	Sep-26	YE 2026
<b>Latin America</b>								
USD-BRL	5.67	5.75	5.75	5.75	5.85	5.90	5.95	6.00
USD-MXN	19.64	20.00	20.25	20.50	20.75	21.25	21.50	21.75
USD-CLP	948	960	950	940	925	915	905	900
USD-COP	4,227	4,350	4,450	4,500	4,475	4,450	4,425	4,400
USD-ARS	1,171	1,150	1,225	1,350	1,420	1,490	1,560	1,640
USD-PEN	3.66	3.75	3.77	3.80	3.81	3.82	3.84	3.85
<b>Emerging Europe</b>								
EUR-PLN	4.28	4.25	4.20	4.15	4.15	4.15	4.15	4.15
EUR-HUF	404.28	405	395	390	390	390	390	390.00
EUR-CZK	24.92	24.80	24.60	24.50	24.50	24.30	24.20	24.20
USD-ZAR	18.64	18.70	18.40	18.10	17.90	17.70	17.60	17.50
USD-TRY	38.45	40.00	41.00	42.00	43.50	44.50	45.50	47.00
EUR-RON	4.98	4.98	5.02	5.07	5.10	5.12	5.15	5.18
USD-ILS	3.61	3.70	3.65	3.60	3.50	3.45	3.40	3.40
<b>Asian Bloc</b>								
USD-KRW	1,424.30	1,420	1,400	1,380	1,360	1,340	1,320	1,300.00
USD-TWD	32.00	32.30	32.10	31.90	31.70	31.50	31.30	31.10
USD-SGD	1.31	1.33	1.32	1.31	1.31	1.30	1.30	1.30
USD-THB	33.42	34.00	33.00	32.00	32.00	31.00	31.00	31.00
USD-HKD	7.76	7.78	7.78	7.78	7.76	7.75	7.75	7.75
USD-CNY	7.27	7.70	7.40	7.30	7.30	7.20	7.20	7.00
USD-IDR	16,601	16,700	16,600	16,500	16,500	16,400	16,400	16,300
USD-PHP	55.86	59.00	59.00	58.00	58.00	57.00	57.00	57.00
USD-MYR	4.32	4.60	4.55	4.50	4.50	4.45	4.45	4.45
USD-INR	84.50	88.00	87.50	87.00	86.00	86.00	86.00	86.00

Source: BofA Global Research, Bloomberg. Note: Forecasts as of 1-May-2025

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