Global FX Weekly

New EUR era

07 March 2025

FX Research
Global

The view

G10. Game-changing reforms in Germany and EU. We are revising our already optimistic, out-of-consensus EURUSD forecasts revised upwards, 1.15 end-2025, 1.20 end-2026.

EM: EUR rally is changing the dynamics in EM FX. Enter selective longs in HUF, INR, THB and BRL. CNY still seen as underperforming the rally.

G10 Themes

Positioning. Still long USD, but not stretched anymore. Positioning increased in JPY and, less so, EUR, cut in USD and CAD. Investors have sold back the USD they bought in Q4.

GBP. Vol prem has retraced but event risk in March significant. Case for owning vol hedge into a busy month: BoE & Spring Budget. Seasonality works against GBP.

GBP. Spring forecasts. Weaker growth and higher yields, Chancellor's headroom to turn to small deficit of £5bn.. Markets under-pricing vol risks.

Scandies. Game-changer for Germany, game-changer for SEK. We now forecast EURSEK 10.40 by year-end. Modest changes to EURNOK, NOKSEK downside near term.

EM Themes

Latam. Crossing into the tariff zone. Stay bullish BRL and CLP.

CEE. FX trades should perform even without a ceasefire, HUF favored.

SIN. Singapore Trip Notes.

CNY. Playing the long game. Why CNY will underperform and how could it appreciate.

ASEAN. Enter long INR and THB outright against USD, close short PHP.

TWD. Taiwan could sidestep direct tariff pain, but may face Trump policy tightrope.

Quant & Vol Insights

US equity selloff backstopped by 200d SMA for now. We like hedging any imminent risk-off shocks with leveraged cross-JPY downside expressions and EURAUD call.

Technical Strategy

In line with our view, DXY topped, EUR bottomed. DXY continues to repeat 1Q17 with head and shoulders top and EUR double bottom. DXY downside and EUR upside Q2-Q3.

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Timestamp: 07 March 2025 12:00AM EST

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 now look for EUR-USD at 1.15 by year-end and 1.20 by end-2026 (vs. 1.10 and 1.15 previously). 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 is much lighter vs. end-2024 but remains short. FX still prices more European bearishness (or less bullishness) than other asset classes – we think risks remain asymmetrically positive. 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 have reemerging. We are long EUR-USD and EUR-CHF.
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 KRW and 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 and hold long TRY against a short EUR & USD basket.

Source: BofA Global Research

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Our key forecasts

Exhibit 2: Key BofA G10 and EM FX forecasts
Forecasts as of 5-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 5-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 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.
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 THB and INR against short USD	We believe THB and INR offer the beta and correlation to benefit from the EUR rally
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 here

Week ahead & G10 Central Bank calls

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In focus next week

US CPI (Wed), **U. Michigan survey** (Fri). **ECB Watchers** (Wed). **BoC** (Wed)

Other events by region:

- AMRS – US small business optimism, JOLTS (Tue), PPI (Thu), Fed blackout.
- Europe – **German** IP (Mon). **UK** GDP (Fri). **Norway** CPI (Mon). **Sweden** final CPIF (Thu)
- APAC – **JP** 4Q GDP (F, Mon)

Source: Bloomberg. Last updated: 6-Mar-2025. Dates are according to London time

G10 Central Bank calls

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

Country	Current	Next	Our call	BofA YE 25 (bp)	Priced YE 25 (bp)	Narrative
US	4.38%	19-Mar	4.38%	0	-71	We remain comfortable with our call that the cutting cycle is over. Hikes could be in play if y/y core PCE inflation exceeds 3% and/or long-term inflation expectations become unanchored.
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%	19-Mar	0.50%	+50	+36	We now expect the timing of the next two hikes to come slightly earlier, with the BoJ raising 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 also pencil in two, additional hikes in July 2026 and Jan-Mar 2027, which raises our terminal rate forecast to 1.5%.
UK	4.50%	20-Mar	4.50%	-75	-49	We expect domestic inflation to moderate slowly after April. We therefore don't expect this to derail our view of three quarterly cuts in 2025, with the next cut in May, and one in 2026 (3.50% terminal rate). However, we remain cautious: potentially stronger passthrough of employment costs to prices or second round effects would put upside risks to our inflation forecasts and imply risks are for less cuts than more. At the same time, the recent drop in energy prices if sustained, could put some downward pressure on inflation later in the year.
Canada	3.00%	12-Mar	3.00%	0	-65	We expect no more cuts from the BoC conditional on no tariffs. Downside risks to our call. Given the change in forward guidance, the improving economic conditions, headline inflation around 2%, and the importance the BoC is giving to tariffs, we expect any further rate cuts to come in case the US follows through with its tariff plan.
Australia	4.10%	1-Apr	4.10%	-50	-57	We continue to expect the RBA will cut by 25bp in May, though note an upwards surprise in 1Q CPI, in particular services and housing inflation (alongside continued labour market strength) may lead to a hold. Our terminal-rate forecast is 3.10%, which we expect the RBA to reach in H2 2025.
New Zealand	3.75%	9-Apr	-	-125	-68	We forecast an additional 125bps of cuts to reach a terminal rate of 2.5% at the end of 2025. Our forecasts imply the cash rate would decline below RBNZ central estimates of the neutral rate.
Switzerland	0.50%	20-Mar	0.25%	-25	-23	We expect a last cut in March and a terminal rate still with room for manoeuvre if needed – despite proximity to the zero lower bound.
Norway	4.50%	27-Mar	4.25%	-75	-60	We now expect three cuts this year, at a quarterly pace (March/June/September) to 3.75% (vs our previous call of four cuts this year), followed by a cut every six months in 2026 (March/September).
Sweden	2.25%	20-Mar	2.00%	-25	0	We now expect the next Riksbank cut in June (vs March previously and one more cut in 1Q 2026, for a 1.75% terminal rate (vs. 1.50% prev.).

Source: BofA Global Research. Forecasts and pricing as of 6-Mar-2025.

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The view

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G10. New era in Europe, even more bullish forecasts

We have been out-of-consensus bullish EURUSD this year (for the latest report, please see report: EUR/USD: Talking about, talking about upside risks 18 February 2025). Our end-year forecast has been 1.10, vs. a consensus of 1.05, since our year ahead report (see report: G10 FX Year Ahead 2025: Policy Uncertainty 26 November 2024). Our thesis has been that most US scenarios would eventually lead to a weaker USD, with the inflation outlook and the Fed reaction determining the path. We have been arguing that the consensus for fast US growth without inflation was too optimistic, and have been expressing strong concerns about extreme USD valuation and very stretched long USD market positioning (see report: USD priced to perfection 08 January 2025). We also thought US exceptionalism relied too much on huge fiscal deficits, which was not sustainable (see report: Less USD exceptionalism than meets the eye 13 November 2024). And we recently argued that tariffs could end-up being negative for the USD (see How could tariffs end up weakening the USD? 12 February 2025).

At the same time, we thought there was extreme pessimism for Europe and saw asymmetric risks from very much needed EU reforms, particularly under the new US policy regime and the developing geopolitical realities. In turn, all this suggested to us massively underpriced positive EUR risks (see reports: The two most important questions for 2025 09 January 2025 and EUR in a USD world 13 January 2025). We argued that the bar for positive surprises was low and that we could potentially get fiscal stimulus in Germany, more EU defense spending, cuts in red tape and better coordination of EU policies. We characterized such reforms as the “most impactful positive risk of the year”. More recently, we argued that a peace deal in Ukraine would also support the EUR (see report: Ukraine peace deal – what if? 27 February 2025).

The USD had been under pressure even before this week (see reports: February 14 and in love with the EUR 14 February 2025 and Navigating tariffs, US spending cuts and EU reforms 28 February 2025). The market adjusted its very optimistic macro expectations, pricing weaker growth from government spending cuts and policy uncertainty, and higher inflation from tariffs and migration restrictions. Rates priced more Fed cuts, expecting the Fed to focus more on the weakening growth outlook than on rising inflation risks. It did not take much for the very stretched long USD position to get squeezed.

However, what happened in Europe this week is a game changer in our view, and much more, as well as earlier, than our already optimistic outlook was expecting. Germany has announced a massive fiscal stimulus, both in infrastructure and in defense, and has also agreed to relax EU rules to allow more EU defense spending (see report: Germany: game changer 04 March 2025). At the same time, the EU Commission is proposing ways to increase defense spending substantially, at the EU level—which follows a very ambitious plan to cut red tape. Although not the main EUR driver at this point, the ECB meeting this week was slightly hawkish, moving even more towards data-dependence, suggesting also dependence on fiscal policy easing (see report: ECB review: the direction of travel is no longer clear until the data pushes 06 March 2025).

We are revising our already optimistic EUR forecasts as a result. We now expect EURUSD at 1.15 by end-2025, from 1.10 before, and at 1.20 by end-2026, from 1.15 before. Specifically:

EURUSD new forecasts (old forecasts in parenthesis)

2025

Q1: 1.08 (1.03)

Q2: 1.10 (1.05)

Q3: 1.12 (1.07)

Q4: 1.15 (1.10)

2026

Q1: 1.15 (1.10)

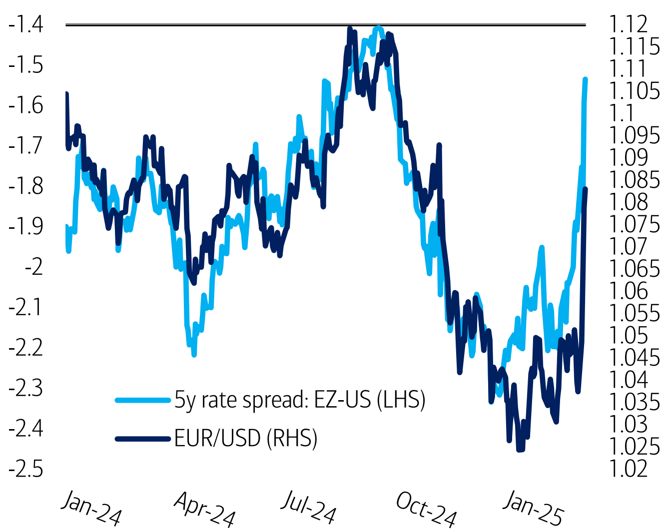
Q2: 1.17 (1.12)

Q3: 1.18 (1.15)

Q4: 1.20 (1.15)

Although the long USD position is not as stretched as when the year started, the market remains short EURUSD (see report: G10 FX market positioning: back to Q3 05 March 2025). EURUSD also remains cheap compared with rate differentials (Exhibit 5). This week we recommended option trades to buy EUR against USD and CHF (see report: FX Alpha: Game-changer: Bullish EUR trades 05 March 2025).

Exhibit 5: EURUSD and rate differentials
Rate differentials support stronger EURUSD



Source: Bloomberg, BofA Global Research.

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The risk to our forecasts remains a scenario of aggressive US tariffs against the EU. The deadline for reciprocal tariffs on April 2nd is important in the short term. The USD could strengthen in particular in a risk-off market reaction on the back of high tariffs. However, as we argued above, we would expect only a temporarily positive USD move, as aggressive tariffs and retaliation would also affect the US economy. The details and timing of the planned EU reforms will also matter, but we see balanced risks to our new forecasts. On the geopolitical front, peace talks in Ukraine and the details of any deal would also have (mostly positive) EUR implications, in our view.

EM. EUR as the change agent

They say a week is a long time in politics, 24hrs is even longer in currency markets. Our G10 colleagues are pointing to a game changing policy-turn in Germany's and Europe's fiscal position, which is upending short EUR positioning and adding to USD downside. The spillover effects are already being felt among EM currencies with CEE currencies and high yielding Latam carry currencies outperforming.

Among the CEE currencies, long HUF is our favored position, followed by PLN and CZK. Beyond the positive fiscal spillover from Germany, there is also the prospect of a ceasefire in the Russia-Ukraine conflict.

The forint should outperform CEE peers because: 1) Hungary is the most gas-intense economy and has the highest amount of energy imports in CEE (as a % of GDP). EURHUF has the highest beta to European gas prices after controlling for global factors.

Asia FX remains a laggard on rising China tariffs

In contrast to CEE FX, Asia continues to lag, though we do find selective long opportunities and recommend short USD/INR and short USD/THB.

Thus far, China is resisting the temptation to retaliate against higher US tariffs against its imports with a tit-for-tat CNY depreciation. However, this may not be out of goodwill. In contrast to its 2018/19 strategy of CNY offsetting depreciation, USD rates are declining, which is helping EM FX to rally.

The net effect is that China's trade-weighted currency is depreciating by over 2% this year, providing a much-needed easing in financial conditions without the need to aggravate further FX volatility by pushing USD/CNY higher. See report: Asia FI & FX Strategy Viewpoint: USD/CNY – Playing the long game 06 March 2025.

Nonetheless, there should be some beneficiaries in EM Asia FX because of the EUR rally. In particular, IDR, INR and PHP have found themselves under particular pressure from previous episodes of USD strength, challenging their ability to cut policy interest rates and reflate the economy. With USD pressure alleviated the window for further rate cuts is widening to enable an asset reflation cycle and fixed income inflows to the benefit of their currencies – see report: EM Alpha: ASEAN/India FX – Trades for stronger EUR.

In Latam FX, uncertainty around global tariffs remains high, which should translate into high LatAm FX volatility. We continue to favor relative value, as we believe that tariff risks remain underpriced and see some dislocations in valuations.

Latam FX – stay selective and in relative value

We remain bullish BRL with the recent monetary tightening supportive, while valuation also remains attractive. We see USD/BRL at 5.75 by 2025-end. Additionally, we like long CLP, where the central bank is hawkish and valuations are also attractive. While China and copper tariffs are a risk. We see USD/CLP at 940 by 2025-end.

We would caution that there is not enough risk premium built into to MXN to justify maintaining long MXN exposure given the significant tariff risks that lie ahead.

G10 Themes
G10 FX market positioning: back to Q3

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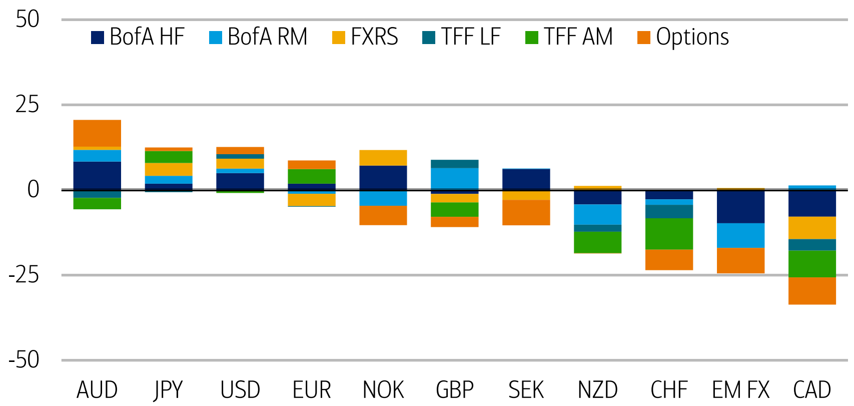
- Investors still long USD, but not stretched anymore. Positioning increased in JPY and, less so, EUR, and cut in USD and CAD.
- Positioning changes broadly consistent with price action.
- Investors have sold back the USD they bought in Q4, reflecting policy uncertainty and concerns about economy slowing.

Exhibit 6: FX market positioning (as of Feb 28)
The market is long AUD, JPY and USD, and short CAD, EM FX and CHF



Source: BofA Global Research. For details on methodology, please see: Liquid Cross Border Flows: USD Q4 demand pared back 03 March 2025. Positioning based on proprietary hedge fund and real money cumulative flows, our monthly sentiment survey, CFTC data for leveraged funds and asset managers, and SDR options.

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Not so long the USD now

The market remains long the USD, but this position is nowhere as stretched as when the year started. The market is long AUD, JPY and USD, and short CAD, EM FX and CHF. The market has increased positions in JPY and, less so, EUR, and has cut positions in USD (from long) and CAD (from short) so far this year. Positioning changes have been broadly consistent with price action. Both hedge funds and real money have sold back the USD they bought in Q4, which could reflect US policy uncertainty and concerns about the economy slowing.

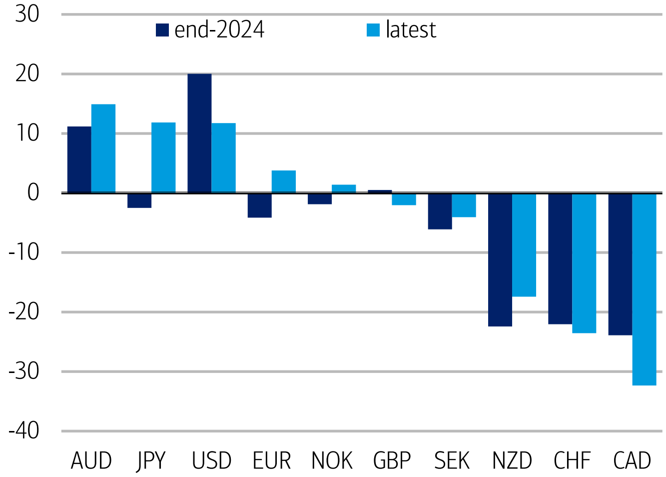
Market still long USD, but not stretched

Our latest positioning analysis suggests that the market is long the USD, but this position is not stretched (Exhibit 6). Looking at a number of indicators, the market is long AUD, JPY and USD, and short CAD, EM FX and CHF. The short CAD position is the most stretched, which we believe has to do with tariff risks.

FX positioning has changed considerably this year

FX positioning has changed considerably so far this year. The year started with the long USD position the most stretched, particularly against CAD, CHF and SEK (Exhibit 7). The market remains long USD, but this position has now been cut by about 40%. At the same time, the market has switched from slightly short to long JPY. Looking at the year so far, the market has increased positions in JPY and, less so, EUR, and has cut positions in USD and CAD – from an already short position in CAD (Exhibit 8).

Exhibit 7: G10 FX market positioning, latest vs. end-2024
Market remains long AUD, USD, short CAD, CHF, NZD, has switched to long JPY



Source: BofA Global Research. For details on methodology, please see: [Liquid Cross Border Flows: USD Q4 demand pared back 03 March 2025]

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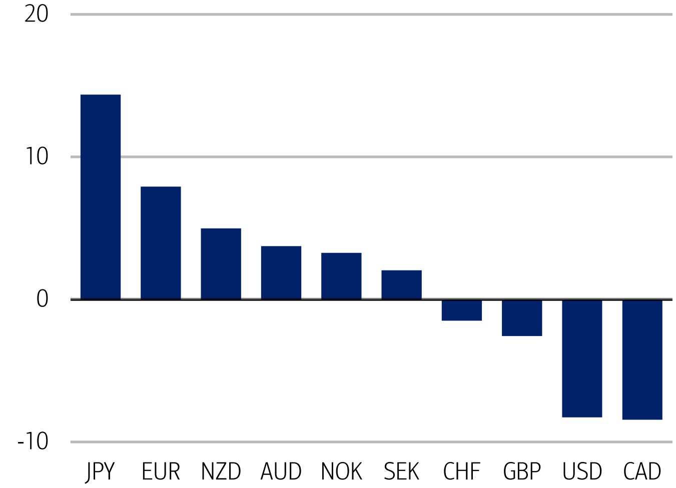
Exhibit 8: Change in G10 FX positioning so far this year
Investors this year have bought JPY and (less so) EUR and sold CAD and USD



Source: BofA Global Research. For details on methodology, please see: [Liquid Cross Border Flows: USD Q4 demand pared back 03 March 2025]

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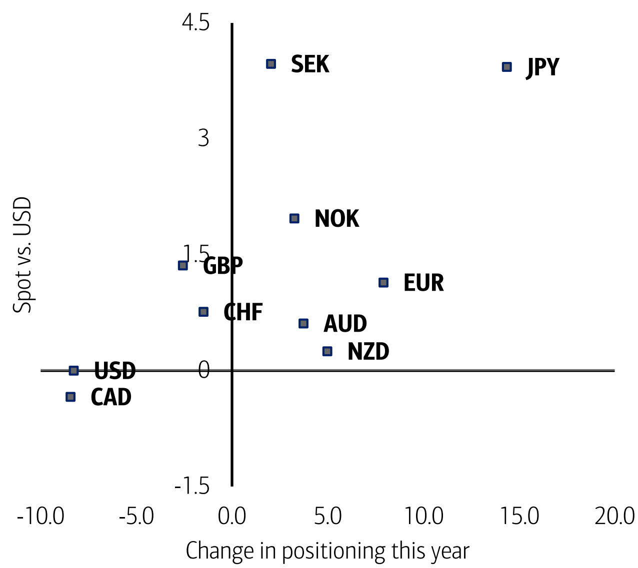
Positioning changes have been broadly consistent with price action (Exhibit 9). This is particularly the case for JPY, USD and CAD, with investors joining the upward JPY trend, and the downward USD and CAD trends. SEK seems an outlier, as investors seem to doubt the sustainability of the latest appreciation – indeed, we are tactically long EURSEK (see our note [FX Alpha: Long EUR/SEK via 3m 11.40 call 11 February 2025]).

Focusing on EURUSD, the market remains short, but this position is less stretched than when the year started (Exhibit 10). The short EURUSD position was the most stretched in the post-COVID period when the year started. It is now at about the average short of the post-COVID period.

Exhibit 9: Change in G10 FX positioning and price action this year
Positioning change consistent with price action in JPY, USD and CAD



Source: BofA Global Research. For details on methodology, please see: [Liquid Cross Border Flows: USD Q4 demand pared back 03 March 2025]

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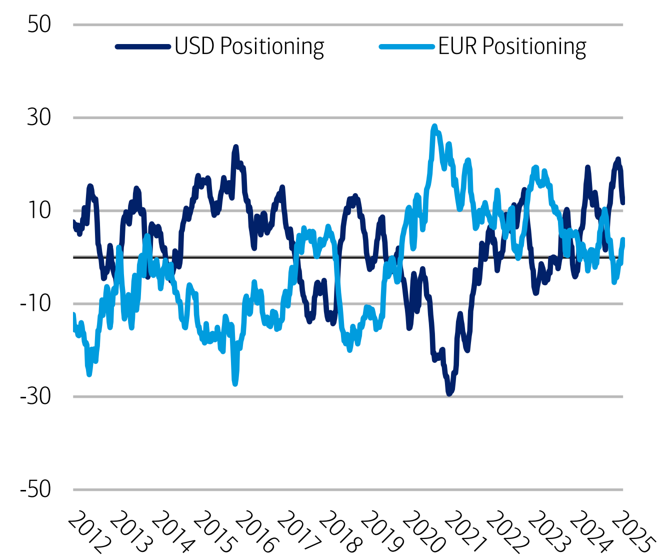
Exhibit 10: EUR and USD market position
Market remains short EURUSD, but position less stretched than when year started



Source: BofA Global Research. For details on methodology, please see: [Liquid Cross Border Flows: USD Q4 demand pared back 03 March 2025]

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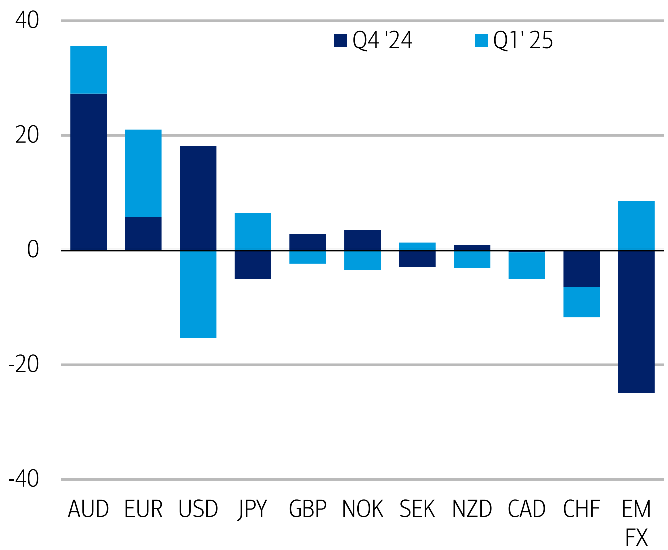
Back to Q3 positioning

The Q4 USD rally was on the back of both strong USD data – and the Fed re-pricing as a result – and the election outcome. Investors joined and reinforced the USD rally, leading to a stretched USD position by the end of last year.

However, our estimates suggest that investors have now sold all the US dollars they bought in Q4 (see also this report: Liquid Cross Border Flows: USD Q4 demand pared back 03 March 2025). Hedge funds sold so far in Q1 the USD they bought in Q4 to buy JPY and EM FX (Exhibit 11); they also bought AUD and EUR, both in Q4 and so far in Q1. Real money sold so far in Q1 more USD than they bought in Q4, to add in the rest of FX except in NZD and EM FX (Exhibit 12).

This evidence suggests that FX investors have now fully unwound the long USD trades in response to both the US election and the strong US data in Q4. This could reflect policy uncertainty, but also concerns about the US economy slowing.

Exhibit 11: Proprietary hedge funds FX flows, Q4 '24 and Q1 '25 so far
Hedge funds sold so far in Q1 the USD they bought in Q4 to buy JPY and EM FX; they bought AUD and EUR both in Q4 and so far in Q1.



Source: BofA Global Research. For details on methodology, please see: Liquid Cross Border Flows: USD Q4 demand pared back 03 March 2025

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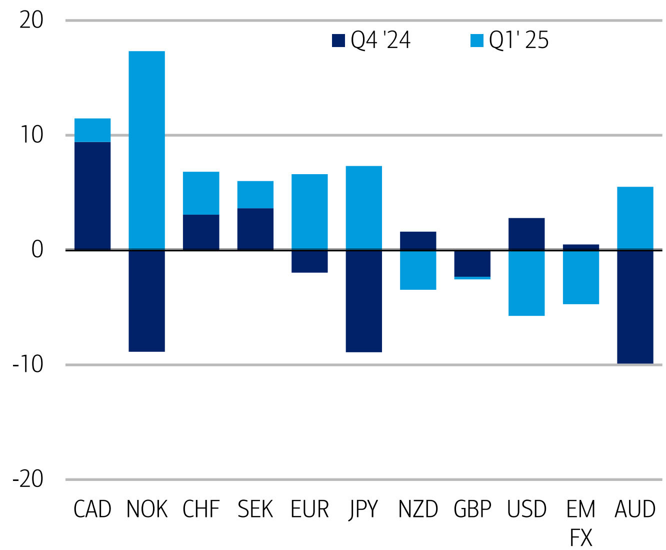
Exhibit 12: Proprietary real money FX flows, Q4 '24 and Q1 '25 so far
Real money sold so far in Q1 more USD than they bought in Q4, to add in the rest of FX except NZD and EM.



Source: BofA Global Research. For details on methodology, please see: Liquid Cross Border Flows: USD Q4 demand pared back 03 March 2025

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GBP: Omnia Paratus

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Out of sight, out of mind

Calm after the storm is perhaps the best analogy to describe GBP price action over the past month. Sterling had its inevitable wobble at the start of the year for reasons which remain ambiguous, but the period between the start of the New Year and Inauguration Day is perhaps as good as any explanation as markets awaited Executive Orders. Whatever the motivations (and we pushback on the notion that markets had a sudden lightbulb moment on the state of UK finances) the damage to UK assets, via a rise in idiosyncratic risk premium can be clearly seen in Exhibit 13 which shows GBP/USD implied vol spread over the average of G10/USD 3mth implied vol.

The comeback king.

The rebound since the 13th of January has been impressive – risk premium has now retraced its spike and GBP is up versus the bulk of G10 FX as shown in Exhibit 14. In our recent note: (FX Viewpoint: GBP: Cognitive Consonance 20 January 2025), we argued that pessimism was overdone and since then, UK data surprises have improved and helped in the rehabilitation. Sentiment has also been helped by GBP falling off investors' immediate concerns, with tariff-talk and Russia/Ukraine dominating market thinking. This, in turn has weighed on GBP volatility to the extent that our vol screens flag sterling at the bottom of its long-run ranges versus both implied and historical (Exhibit 15 & Exhibit 16)

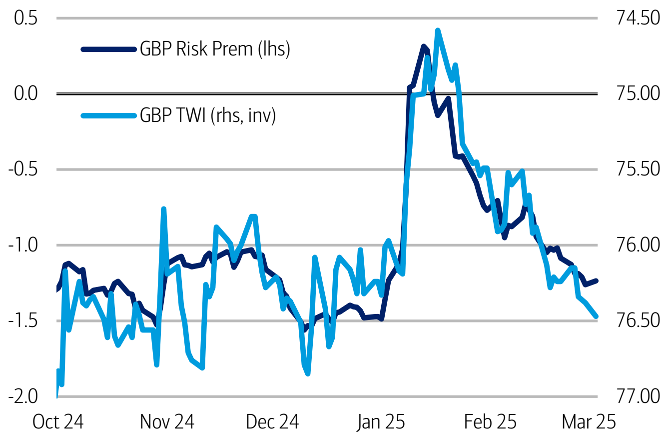
The case for hedging against rising vol

In our recent FX vol update: (FX Vol Insight: Labor market health in focus 27 February 2025) we argued the case for owning GBP volatility due to its cheapness ahead of US Non-Farm Payrolls (NFP). We would extend this to include two other factors: March seasonality and a heavy month for UK macro-events, culminating in the Spring Statement (26th March). On the former, using a broader metric for FX volatility, seasonal patterns suggest that March posts the second largest increase in FX volatility of the year (See Exhibit 16 whilst our technical strategy colleagues highlight how the DXY (see report: Seasonality Advantage: Five March-May macro trends to know 23 February 2025) has tended to rise in the first two weeks of March on 64% of occasions. More broadly, if March turns into a higher vol month, then this leaves GBP vulnerable but particularly versus the usual suspects: USD, EUR, CAD, where historic vol is trending above current 3mth implied.

Our medium-term views remain unchanged, and we expect further GBP gains into the end of the year. However, we think it prudent for institutional and corporate investors to hedge against rising volatility over the coming month. Those with immediate (over the coming month) GBP requirements should be on alert for major UK macro releases which we present in Exhibit 18. We highlight the two-week period from 16th March – 28th March with key data: CPI, Labour Market Report, retail sales; the BoE rate decision (20th March) and the Spring Statement. The 26th March is particularly challenging for vol, with the February Inflation reading as well as the Spring Statement.

Exhibit 13: GBP/USD risk premium vs G10/USD implied vol (3mth)

GBP risk premium has retraced lower following January spike.



Source: BofA Global Research, Bloomberg

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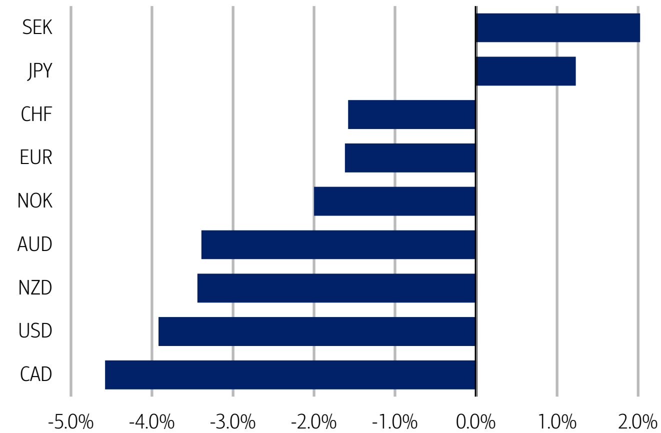
Exhibit 14: GBP FX performance vs G10 since Jan 13th.

GBP recovery has been broad based since the lows



Source: BofA Global Research, Bloomberg

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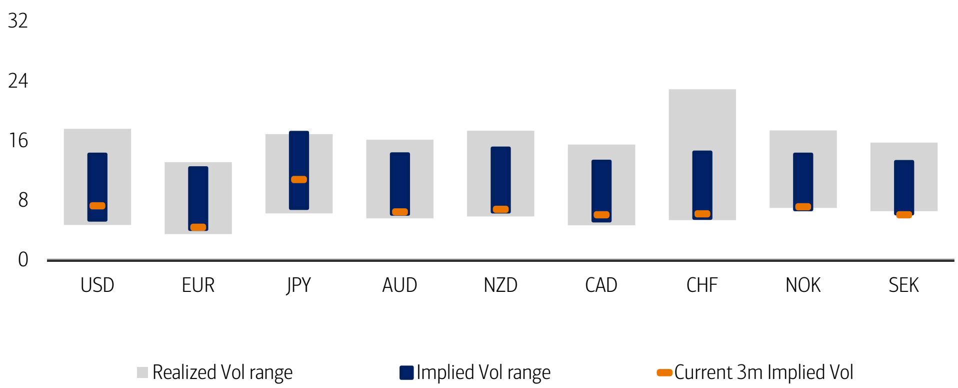
Exhibit 15: 3mth GBP Implied Vol relative to range and realized

GBP Implied vol at the bottom end of the historic and implied ranges



Source: BofA Global Research, Bloomberg. * 'NOTE: Range shows the 2% to 98% range of the realized and implied vol over a 15-year look back

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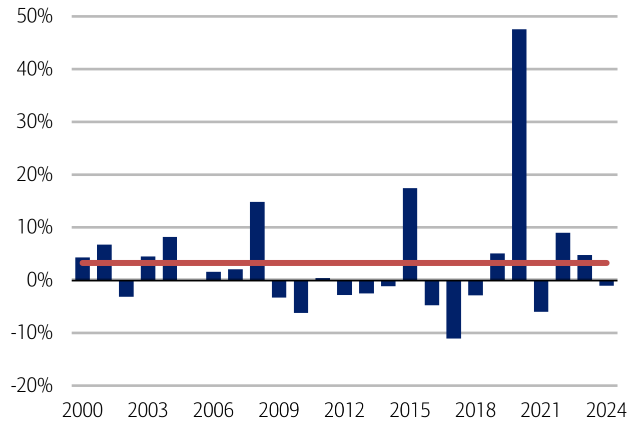
Exhibit 16: G10 FX vol performance in March since 2000
Average vol has risen in March even after adjusting for 2020



Source: BofA Global Research, Bloomberg

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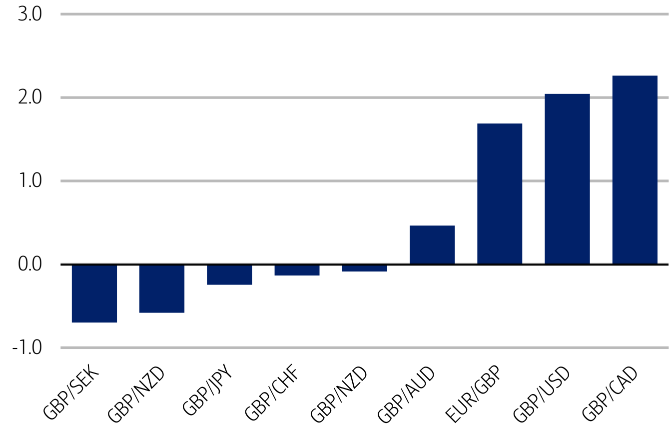
Exhibit 17: 1yr rolling z-score 3mth historic/implied spread
Historic vol has performed especially vs CAD, USD, EUR



Source: BofA Global Research, Bloomberg

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Exhibit 18: UK Key Events in March
Week commencing 24th March is particularly important for GBP.

Date	Time	Event	Period
13 Mar 25	07:00	Monthly GDP (MoM)	Jan
20 Mar 25	07:00	Labour Market Report	Jan
20 Mar 25	12:00	Bank of England Bank Rate	March
24 Mar 25	09:30	S&P Global UK Manufacturing PMI	Mar P
24 Mar 25	09:30	S&P Global UK Services PMI	Mar P
24 Mar 25	09:30	S&P Global UK Composite PMI	Mar P
26 Mar 25	07:00	February Inflation Report	Feb
26 Mar 25	12:00	Chancellor Presents Spring Budget	
28 Mar 25	07:00	Retail Sales Ex Auto Fuel YoY	Feb

Source: BofA Global Research, Bloomberg

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UK Spring forecasts: Hitting the ceiling

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Link to the full report: UK Viewpoint: Spring forecasts: Hitting the ceiling 06 March 2025

Pre-measures headroom to turn to a small deficit (~£5bn)

The rise in Gilt yields and weaker growth raises risks that the headroom against the fiscal rules in October disappears at the OBR's Spring forecasts on 26 March. We expect the pre-measures headroom to turn into a small deficit of ~£5bn from October's surplus of £9.9bn but this will be highly dependent on OBR's medium term growth forecasts. We estimate more than half the headroom (£6-7bn) has reduced due to higher rates. Moreover, we expect small growth downgrades through the horizon (which shows the economy ~0.5pp smaller in 2029-30) to wipe out almost the entire headroom.

£15bn of fiscal consolidation to be announced

To restore the headroom, we would expect the Chancellor to announce £15bn (0.5% of GDP) of fiscal consolidation measures by 2029-30- £5bn of welfare or department spending cuts in the near term (0.17% of GDP) and the rest in department spending cuts in later years. These measures likely would act as a drag to growth, along with being politically challenging. Tax rises is a possibility, but we think they are more likely to be announced in the Autumn. More significant downgrades to productivity growth and medium-term growth forecasts would require more fiscal consolidation while a smaller growth downgrade would require less fiscal corrective action.

Borrowing this year is likely to rise by £10bn

We expect borrowing to rise by £10bn to £115.6bn (3.9% of GDP) in FY2025-26 on the back of lower growth, higher inflation and interest rates, compensated to some extent by near term fiscal consolidation measures that we expect.

FX: Underpriced risks

Events have overtaken the UK fiscal narrative, but we still think markets are under-pricing risks from a vol perspective. A careful balance act will be key in how GBP reacts at a time when Europe has deployed the fiscal bazooka.

Scandi forecast changes: SEK's moment

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We would *not* fade the recent SEK strength and now expect more of it vs. EUR, even more vs. USD and, in the near term, even vs. NOK (Exhibit 19). We now forecast EUR-SEK at 10.40 by year-end (vs. 11.10 previously) and USD-SEK at 9.04 (previously, 10.09).

We make more modest changes to our EUR-NOK profile. We now forecast EUR-NOK at 11.00 by year-end (vs. 11.30 previously) and USD-NOK at 9.57 (vs. 10.18 previously).

These mean we now see more NOK-SEK downside in the near term: we forecast it at 0.91 by mid-year and a recovery to 0.95 by year-end (vs. 0.98 previously).

Higher tariffs risks pose downside risks to both currencies (i.e., upside risks to our EUR-Scandi forecast profiles), but more so to SEK.

Big news for Europe = big news for SEK

A game-changer for Germany (see report: Germany: game changer 4 Mar '25) and the EUR is also a game-changer for Sweden and SEK, we believe. Indicatively, Germany's weight in the, trade-based, krona index ("KIX") is c. 16%. That of the Euro area stands at c. 46%.

Also in line with our more bullish EUR-USD forecast, we now see more SEK upside from: (1) more defence spending at either national (Sweden has plenty of fiscal space) or the EU level – the impact would likely be both direct and, especially, indirect via Germany and the Euro area; (2) more – not necessarily fiscal – EU reforms; and (3) a potential Ukraine peace deal alongside lower energy prices (see report: Ukraine peace deal – what if? 27 Feb '25). Meanwhile, the recent hawkish surprises in the Swedish inflation and GDP data will likely keep the Riksbank cautious for now despite the soft business survey. As for SEK positioning, it remains light, especially for Real Money (see report: LCBF 3 Mar '25).

More modest changes for NOK

NOK stands to benefit less than SEK from positive Euro area developments. We stay relatively cautious in the near term, making no forecast adjustments to EUR-NOK until end-Q3: a potential Ukraine peace deal could come alongside lower energy prices, which would likely weigh on NOK vs. SEK and possibly vs. the EUR. But NOK can also benefit – even if less than SEK – from positive Euro area developments. As a result, we adjust slightly modestly lower our EUR-NOK profile from Q4-25 onwards. We also expect Norges to somewhat lean more hawkish in March (see report: Nordics cross-asset views 21 Feb '25). NOK positioning is also light, especially for Real Money.

Both remain undervalued, NOK more so

We still perceive SEK and especially NOK as undervalued throughout our revised forecast horizon. Our upward-sloping NOKSEK profile after mid-24 mainly reflects valuation.

Exhibit 19: Latest Scandi FX forecasts (in brackets are previous forecasts)
We revise EUR-SEK meaningfully lower, EUR-NOK modestly so

	Spot	Mar-25	Jun-25	Sep-25	YE 2025	Mar-26	Jun-26	Sep-26	YE 2026
EUR/SEK	10.98	11.00 (11.50)	10.70 (11.40)	10.60 (11.30)	10.40 (11.10)	10.40 (11.10)	10.40 (11.10)	10.40 (11.00)	10.30 (10.90)
USD/SEK	10.15	10.19 (11.17)	9.73 (10.86)	9.46 (10.56)	9.04 (10.09)	9.04 (10.09)	8.89 (9.91)	8.81 (9.57)	8.58 (9.48)
EUR/NOK	11.75	11.80	11.70	11.40	11.00 (11.30)	11.00 (11.20)	10.90 (11.20)	10.80 (11.10)	10.70 (10.90)
USD/NOK	10.86	10.93 (11.46)	10.64 (11.14)	10.18 (10.65)	9.57 (10.27)	9.57 (10.18)	9.32 (10.00)	9.15 (9.65)	8.92 (9.48)
NOK/SEK	0.93	0.93 (0.97)	0.91 (0.97)	0.93 (0.99)	0.95 (0.98)	0.95 (0.99)	0.95 (0.99)	0.96 (0.99)	0.96 (1.00)
EUR/USD	1.08	1.08 (1.03)	1.10 (1.05)	1.12 (1.07)	1.15 (1.10)	1.15 (1.10)	1.17 (1.12)	1.18 (1.15)	1.20 (1.15)

Source: BofA Global Research. Spot and forecasts as of March 6, 2025

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EM Themes
Latam FX: Crossing into the tariff zone

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The following piece is an abridged version of The LatAm FX Strategist: Crossing into the tariff zone 04 March 2025

Summary of FX views

Uncertainty around global tariffs remains high, which should translate into high LatAm FX volatility. We continue to favor relative value, as we believe that tariff risks remain underpriced and see some dislocations in valuations.

ARS (neutral*): While below-inflation ARS depreciation raises overvaluation concerns, a possible IMF deal may ease pressure. We see USD/ARS at 1,350 by 2025-end.

BRL (bullish*): The recent monetary tightening should support FX, while valuation remains attractive. We see USD/BRL at 5.75 by 2025-end.

CLP (bullish*): A hawkish BCCh should provide support to CLP, as well as attractive valuation. China and copper tariffs are a risk. We see USD/CLP at 940 by 2025-end.

COP (bearish*): COP is the most overvalued currency in the region, further monetary easing and fiscal risks should add pressure. We see USD/COP at 4,550 by 2025-end.

MXN (bearish*): Tariff uncertainty remains underpriced, while an aggressive easing cycle may translate in MXN weakness. We see USD/MXN at 21.50 by 2025-end.

PEN (bearish*): Fundamentals do not support a meaningful strengthening of PEN, while a zero rate differential may add pressure. We see USD/PEN at 3.78 by 2025-end.

UYU (neutral*): Election noise has eased. Favorable structural reforms, strong growth and cautious fiscal should support UYU. We see USD/UYU at 43.7 by 2025-end.

CACs: We are neutral CRC amid disappointing fiscal news but good macro. Bullish DOP amid positive macro. We see USD/CRC at 515 and USD/DOP at 63.0 by 2025-end.

Exhibit 20: BofA quarter-end FX forecasts
We are neutral ARS, bullish BRL, bullish CLP, bearish COP, bearish MXN, bearish PEN

		Forecasts			
Currency	**View/bias**	**1Q '25**	**2Q '25**	**3Q '25**	**4Q '25**
USD/ARS (official)	neutral*	1,050	1,120	1,200	1,350
USD/ARS (blue chip)	--	1,208	1,232	1,260	1,350
USD/BRL	bullish*	6.00	5.90	5.80	5.75
USD/CLP	bullish*	945	945	942	940
USD/COP	bearish*	4,300	4,400	4,500	4,550
USD/CRC	neutral*	509	511	513	515
USD/DOP	bullish*	62.5	62.6	62.7	63.0
USD/MXN	bearish*	20.50	21.00	21.25	21.50
USD/PEN	bearish*	3.72	3.74	3.76	3.78
USD/UYU	neutral*	43.9	44.0	43.8	43.7

Source: BofA Global Research

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*Note: bullish/neutral/bearish labels are relative to 1-quarter-ahead forward contracts.

CEE FX to perform even without ceasefire

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The following piece is an abridged version of the report: Emerging Insight: Our CEE trades should perform even without a ceasefire 04 March 2025

Ceasefire: HUF outperforms, followed by PLN and CZK

HUF is likely to outperform in the event of a Russia/Ukraine ceasefire scenario…

The forint should outperform CEE peers because: 1) Hungary is the most gas-intense economy (see Exhibit 21) and has the highest amount of energy imports in CEE (as a % of GDP) as shown in Exhibit 22; 2) EURHUF has the highest beta to European gas prices after controlling for global factors.

We also believe that only about 1-1.5% of the recent HUF appreciation was due to pricing Russia/Ukraine. If European gas prices go to 30 or below, we could see EURHUF at 380 or below (see our report, EEMEA Strategy Watch). The boldest ceasefire trade is to be short USDHUF, but tariffs are a big risk to this.

…followed by PLN…

Poland has a similar amount of energy imports (relative to GDP) to Czechia, but is slightly more oil- and gas-intensive. The zloty is also likely to be supported by Ukraine reconstruction which should accelerate economic activity in Poland.

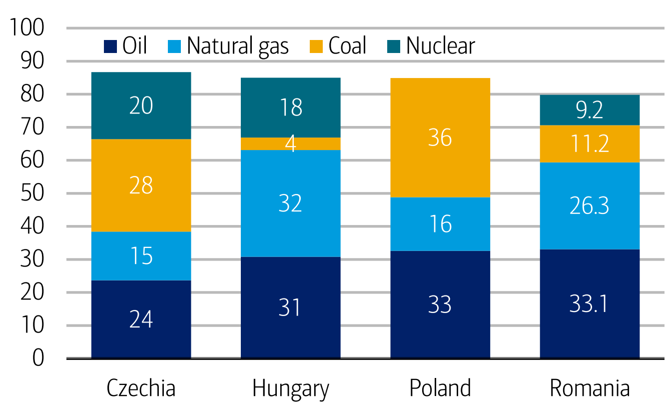
A hawkish NBP could provide further support as the market is more dovish now than our policy rate forecast. A global non-EM specialist might prefer to express the view through the zloty given it is a larger and more liquid market.

The government might not be fully comfortable with EURPLN at 4.1, as this level is usually associated with a negative impact on the competitiveness of exporters. However, a positive supply-side shock coming from lower energy prices is likely to shift down the level (of EURPLN) at which exporters' competitiveness starts to suffer, to 4 or below.

…and CZK might also do well, but worse than CEE peers

We believe the CZK should underperform the PLN and HUF in a ceasefire scenario despite crowded PLN positioning and overvaluation. Even though Czech energy imports are similar to those of Poland (as a % of GDP), the sensitivity of EURCZK to gas prices disappears after we control for EM FX and the swap rate differential. Moreover, the CZK is also overvalued, but less so than the PLN. The CNB is also more likely to cut rates if there is a big drop in gas prices than the NBP.

Exhibit 21: CEE – gas still an important part of the energy mix
Breakdown of total energy supply (2023)



Source: IEA, BofA Global Research

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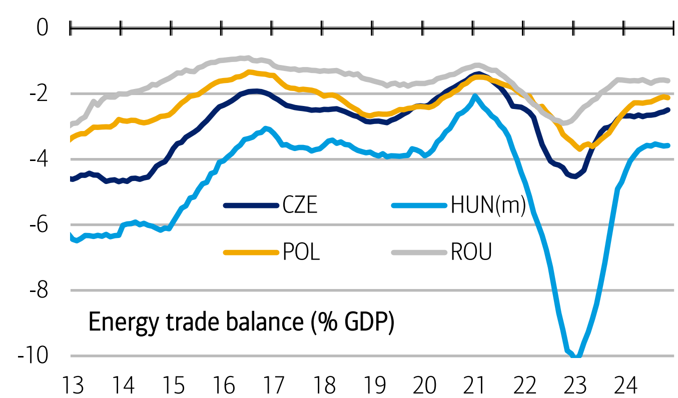
Exhibit 22: CEE – Hungary's energy import bill much higher than peers'
Net energy imports (% GDP)



Source: Haver, BofA Global Research

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30% probability is priced into EURPLN and 14% into EURHUF, in our view

Assuming that EURHUF should be at around 380 if gas prices go to 30 or below in 6 months and EURPLN at around 4.05, we would estimate 14% probability of a ceasefire (and an increase in gas flows from Russia to Europe) is priced into EURHUF and 30% into EURPLN. The probability priced into EURPLN is closer to current levels on Polymarket (circa 45%).

Singapore Trip Notes – February 2025

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The following piece is an abridged version of the report: Asia FI & FX Strategy Watch: Singapore Trip Notes – February 2025 05 March 2025

Clients see USD-Asia to be flat prior to April

Our conversations with Singapore-based clients were dominated by the topic of US tariffs and implications for the trade-oriented economies of North Asia. Most clients expect USD-Asia remain flat and want to avoid outright directional plays on the USD, given the volatility around tariff headlines but against the backdrop of the overall weakening of the US economy.

Clients are putting on intra-day RV trades such as short TWD/KRW, long INR/TWD and playing USDHKD. Clients saw USDKRW to be range-bound given the ongoing tariff risks, but NPS hedging to limit top-side potential.

On USDCNH, some clients were tactically turning short as they do not anticipate the reaction function of the PBOC changing. Most clients were cautious of the rally in Chinese equities and said any engagement would likely be a short-term trade. However, the positive headlines around China since Lunar New Year have increased optimism around China and points to an overall situation of stabilization.

Consensus trades: HKD carry, pay TWD, rec KRW rates

From our discussion with investors, the most consensus trade we heard from this trip was long USDHKD 1-year outright and structured via call-spreads or call-fly. The low-level of USDHKD 1-year outright makes optics of call-spreads and call-flies very attractive and most funds reached their maximum limit for this trade.

Overall, clients we spoke with like to pay USDTWD NDF curve for the roll-up in carry and are somewhat reassured by lower hedging activity by Taiwanese lifers. Receive Korea front-end is also quite consensus among clients, given the BoK's cutting cycle and a downward revision to 2025 growth target.

Singapore Trip Notes – February 2025

Throughout the last week of February, we visited a combination of hedge funds, real money and corporate clients to discuss the macro-outlook for North Asia.

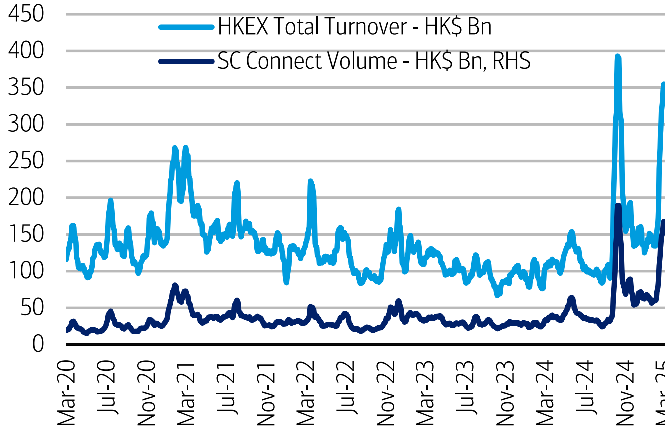
On China and Chinese equities sentiment: Clients presented a mixed outlook for Chinese equities as most cited the rally in Sept-2024 on the back of rising fiscal support that quickly faded by early October.

Most clients noted any increase in ownership of Chinese equities would likely be a short-term investment as policy uncertainty from the Chinese government remains a key concern.

However, clients that note cyclically, Chinese data is likely to reach a bottom and the meeting between President Xi, Jack Ma and other Chinese tech executives is sending a good signal. When asked about the upcoming China NPC, most clients do not have high expectations.

On HKD funding: During the week, Hong Kong equities began to peak and started correcting. Most hedge fund clients like receiving the USDHKD forward curve in anticipation of lower USDHKD forward points and 1-month HIBOR fixing normalizing to 3.70%, from a recent peak of 4.06%. However, one hedge fund client disagreed and rather pay the USDHKD curve, anticipating sustained elevated volumes on the Hong Kong Exchange.

Exhibit 23: Equity turnover in Hong Kong (HK$ bn)
Turnover in Hong Kong equities significantly increased in February



Source: Bloomberg

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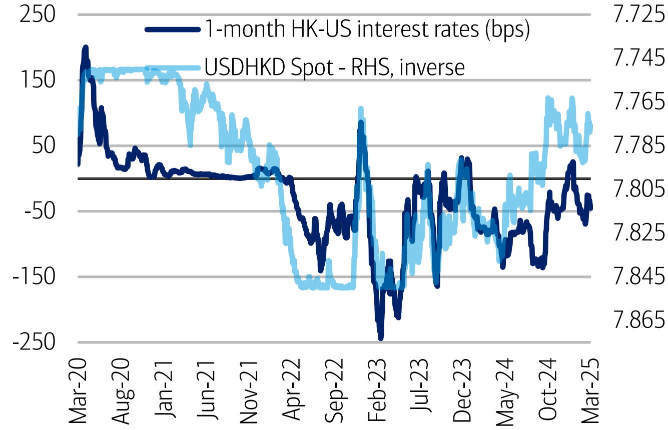
Exhibit 24: Spot USDHKD and 1-month HK-US interest rate differential
The push lower in spot USDHKD resulted 1-year outright to remain below 7.74



Source: Bloomberg

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On 1-year USDHKD outright carry trade: During our week in Singapore, one of the most popular and consensus trades was call-spreads or call-fly on USDHKD. The strong inflow from the Southbound Stock Connect pushed spot USDHKD lower, while the February seasonality resulted in a more limited reaction in front-end HKD funding.

As such, 1-year outright in USDHKD got pushed down to a low of 7.739, resulting in very attractive levels to enter into HKD carry trades. The aggressive selling of out-the-money (OTM) call options on USDHKD resulted in a highly inverted USDHKD risk reversal curve. We mentioned to clients that with the US policy risk, OTM calls are cheap to buy and are an attractive way to hedge tail risks.

USD/CNY playing the long game

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The following note is an abridged version of the report: Asia FI & FX Strategy Viewpoint: USD/CNY – Playing the long game 06 March 2025

Tariffs, retaliation and a stoic RMB

The CNY is showing remarkable stability this year with a modest gain of almost 1% against the USD. This comes as US tariffs against Chinese imports are ratcheting up by 20%. This note examines USD/CNY's recent behavior and whether there is a change in China's FX tactics. Finally, we explore under what circumstances CNY appreciates.

Thus far, China is responding with a prompt, predictable and targeted retaliation. Its latest salvo is focusing on US agricultural tariffs as much as 15% and banning exports to targeted US defense firms. This restrained response is also very evident in recent USD/CNY PBoC fixings, which sets the midpoint for the daily +/- 2% trading band.

China is so far refraining from tit-for-tat CNY depreciation to offset negative tariff effects. This is a potential departure from its 2018/19 strategy to offset US tariffs.

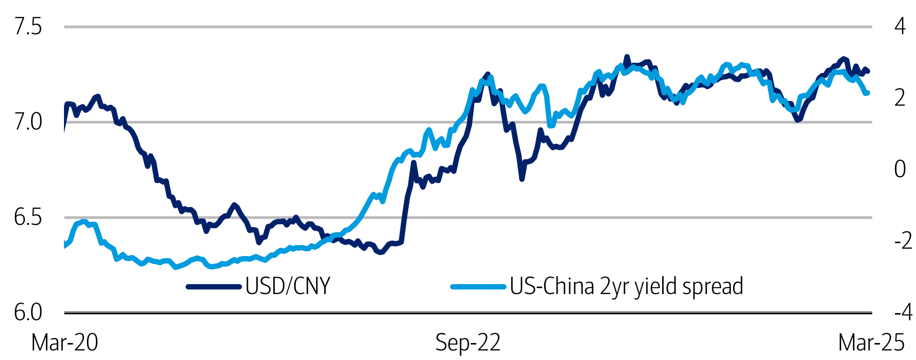
Relative performance and real consequences

However, it would be premature to say that China's FX strategy has fundamentally changed for two reasons, but the benign US rates environment does mean less stress on CNY depreciation against USD:

First, CNY is still underperforming its EM peers and the narrowing of US front end yield spreads to China -see Exhibit 25. Indeed, arguably more important from a policy perspective at the 2% depreciation in the trade weighted CFETS basket, which delivers indirect monetary easing. This negative USD/CNY vs. CFETS correlation is buying time, without the need to add to FX volatility unnecessarily by driving USD/CNY higher.

Second, if China is attempting to keep CNY stable against USD, the real test is yet to come. Holding the nominal exchange rate steady between two of the world's largest economies amid trade shocks, forces greater adjustment on their real economies, disinflation for China and inflation for the US.

Exhibit 25: USD/CNY sticking to yield differentials, not taking the tariff bait yet
USD/CNY versus 2yr US-China government bond yield differentials on the right-hand axis



Source: BofA Global Research, Bloomberg

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ASEAN/INR FX: Long INR and THB

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The following note is an abridged version of the report: EM Alpha: ASEAN/India FX – Trades for stronger EUR 06 March 2025

Trades for bullish EUR view

The turn in prospects for EUR (see report: FX Alpha: Game-changer: Bullish EUR trades 05 March 2025) has gone against our outlook for near-term USD strength that was expected on the back of ongoing trade tensions (see report: The EM Asia FX Strategist: Asia FX Monthly – Calm before the storm 27 February 2025).

In our projections for Asia FX this year, we had anticipated a peak in USD around mid-2025 but the stronger fiscal push in Europe has brought that forward to much earlier. Additionally, lower US yields, resulting from higher policy uncertainty hurting confidence and US growth expectations are also easing USD pressure on EM FX.

From this perspective, EM Asian countries that benefit the most will be those that place a high weight on FX stability, especially higher yielders INR, IDR, and PHP. Less depreciation pressure, gives them more space to cut rates, reflate the economy and lift expected asset returns and potential bond inflows.

We close some of our bearish Asia trades below and selectively turn long INR and THB vs USD. While trade tensions may still weigh on Asia on NEER basis, further EUR strength may result in softer USD-Asia on bilateral basis. Needless to say, policy uncertainty remains high, and we continue to lean on opportunistic and tactical opportunities given the volatile markets.

Turn short CNHINR to long INR

We close our short CNHINR recommendation (entry 11.74 spot, current spot 12.02, target 11.32, stop 11.90, carry 43bps/month) slightly out of the money net of carry.

We close the CNH leg and turn it into long INR vs USD due to INR's low beta to USD moves. EUR strength would also ease the valuation concerns on INR's REER and provide room for slight appreciation on the spot. India's seasonal CA improvement in 1Q would also get a tailwind from recent decline in oil prices.

Risk of unwinding of RBI's short USD forward book remains but RBI has been actively rolling forward positions to much longer tenor and utilizing FX swaps as an instrument for liquidity injection. That makes the sustainable level of short-USD position larger than it seemed previously.

RBI has also defended INR around 88/USD level and has expressed a preference to avoid build-up of one-sided market expectations on spot movements. Allowing INR appreciation before stepping in to recuperate reserves would be consistent with that view. Risk to the view also comes from ongoing large equity outflows which could keep the BoP under pressure despite softer USD and improving terms of trade for India.

Turn outright long THB

We turn long THB vs USD (entry spot 33.66, target 32.5, stop 34.5, carry -19bps/m) and close our bearish THB trade vs SGD (entry spot 26.54, current 25.23, target 27.2, stop 26.2, carry 14bps/m) (See report: EM Alpha: Thailand FX – Short THB vs SGD 01 August 2024).

THB's CA surplus has understated the ongoing BoP surplus due to large errors and omissions flows. While underlying driver of these large inflows remains unclear, THB's strong returns despite BoT's accumulation of reserves points to a much larger USD surplus.

Secondly, THB stands to benefit from recent decline in oil prices which could improve THB's terms of trade and CA surplus further. THB's high beta to USD moves would reduce any concerns on the recent NEER appreciation and increases the risks towards a stronger THB vs USD. Risk to the trade come from renewed USD strength due to trade tensions or spike in oil prices which could weigh on THB's terms of trade.

Close long USDPHP

We also close our recent USDPHP trade recommendation (entry 1m forward 58.43, current 57.29, target 59.5, stop 57.5, carry -10bps/m) which has stopped out due to recent USD weakness (See report EM Alpha: Philippines – Add short PHP vs USD 08 January 2025).

PHP's fundamental outlook has been challenged by wide CA deficit over the last year and BSP's tilt towards easing monetary conditions via rate-cuts and liquidity injections. BSP's reserves changes indicate a change in the reaction function towards a more defensive policy stance against PHP weakness earlier. Risk to the view come from higher oil prices which could result in weaker PHP.

TWD: faces Trump policy tightrope

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The following piece is an abridged version of the report: Taiwan Viewpoint: Taiwan could sidestep direct tariff pain, but may face Trump policy tightrope 05 March 2025

Direct tariff vulnerabilities may prove less severe

President Trump's tariff threats, including a proposed tariff on semiconductor imports and "reciprocal" tariffs as early as April 2, have raised concerns about potential impact on Taiwan's economy. However, in our view, these concerns might be exaggerated.

Taiwan's direct exposure to potential tariffs seems limited, and the government shows strong willingness to mitigate risks and maintain strong economic ties with the US. That said, the tariffs on products from China/Mexico/Canada effective March 4 would hurt Taiwan indirectly, and the pain could deepen if Trump targets "things associated with chips".

Limited impact of potential chip and reciprocal tariffs

Taiwan only ships 4.5% of its semiconductor exports directly to the US, accounting for just 1.6% of total exports. The lack of alternative sources for advanced chips in the US means disruption in supply could sharply lift costs for American imports. Also, Taiwan's trade-weighted average tariffs on US goods are comparable to those imposed by the US, meaning a 'reciprocal' tariff may not hurt significantly.

Government pledges more purchases to head off risks

Taiwan has adopted a proactive approach to address potential trade tensions by increasing purchases of US weapons, energy products, and agricultural products. The government has pledged to raise defense spending to at least 3% of GDP in 2025, and is reported to be considering plans to purchase US$7-10bn worth of US arms. In addition, it is exploring plans to buy more US energy products like LNG and crude oil, as well as agricultural products. That said, US supply of these products is a major constraint.

Investing in re-shoring and high-tech manufacturing

Taiwan is also focusing on boosting its investments in the US, particularly in high-tech manufacturing sectors. This trend is likely to continue as Taiwan seeks to strengthen its role in supporting US-led reshoring initiatives, while securing its position as a key partner in global supply chains. Latest case in point: TSMC announced on March 3 that it would invest $100bn in US plants that will boost its chip output on American soil.

Trump policies beyond tariffs should keep Taiwan on toes

Though we believe Taiwan is less affected by the direct tariff shock than many investors assume, it is not immune to risks associated with Trump's policies – for e.g., Taiwan could be adversely hit by US tariffs on other countries that are downstream in Taiwan's supply chain (such as tariffs on Mexico should they become permanent), additional restrictions on exports to China, or a US-brokered deal to license crucial technology to competitors. We believe Taiwan's policy makers would reassess their policy trajectory if any of the above-mentioned shocks damage Taiwan's economic prospects.

Quant & Vol Insights

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FX moves precipitates equities on tariffs-induced risk-off

Risky assets have underperformed since February 14 due to combination of deteriorating US growth outlook and renewed tariffs tension into March. FX pairs with high correlation to equities historically have acted as cheaper cross-hedges for equity investors. However, unlike past risk-off shocks, many conventional risk-off currency pairs have already moved by more than equities this time. Exhibit 26 shows in terms of z-scores, magnitudes of directional moves in AUDJPY and USDCAD since February 14 have surpassed the size of US and global equity selloffs. Tariffs have more direct implications for FX than equities, and this is getting reflected in the market price actions.

Use leveraged downside expressions for cross-JPYs

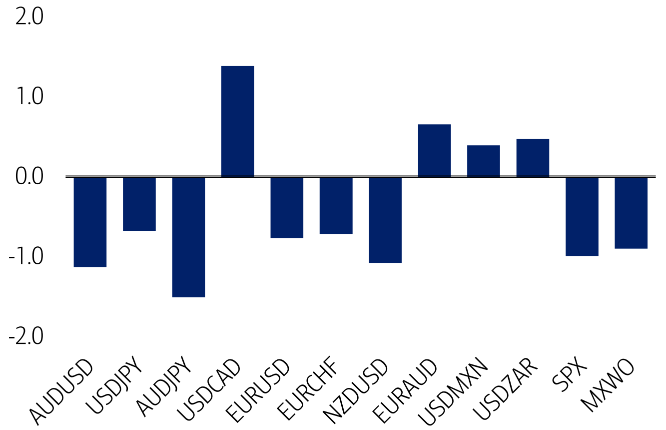
Historically the JPY would benefit the most in G10 from a US growth shock. For investors still looking to put on lower USDJPY or cross-JPY expressions to hedge a US growth slowdown, we would advocate doing so via leveraged structures and fade the risk premium at deep OTM put strikes. Front-end JPY skew remains wide for JPY calls, with 3m USDJPY risk reversal at 14th percentile vs past two years (Exhibit 27).

Out-of-money USDJPY strikes below 140 would be equivalent to more than a 6% move lower from current spot level. At a 3-months horizon, historical USDJPY selloffs of greater size have happened less than 10% of the time (Exhibit 28). In comparison, current vol surface at 3m tenor implies a 140-strike USDJPY put would have 18.6% delta. Rich risk premium for OTM USDJPY put suggests the market is pricing-in a greater likelihood of near-future USDJPY weakness than historical return distributions. We like to fade this risk premium. While the US economy has deteriorated over the past month, our Q1 2025 US GDP tracking is still a lot higher than the Atlanta Fed's tracker (see report: Morning Market Tidbits, 04 March 2025). On the JPY side, our fundamental strategist maintains the structural bearish JPY view (see report: Japan Rates and FX Viewpoint, 18 February 2025).

Consider EURAUD calls as another risk-off hedge

We also like owning EURAUD call as an alternative risk-off hedging expression given prevailing market dynamics. EURAUD has similar historical correlation to the SPX as USDMXN and USDCAD (Exhibit 29). The level of implied vol is still relatively cheap; further deterioration of risk sentiment in the near-term should support this pair from both spot directional and vol perspective. A 3m 10-delta EURAUD call would have strike around 1.80 and premium around 0.34% EUR, which could serve as a cheap tail-risk hedge, in our view. In addition, recent paradigm shift in Germany's fiscal policy stance provides a fundamentally bullish driver for the EUR over the medium-term (see report: Euro Area Watch: 04 March 2025). Even in the absence of a full-on risk-off shock, a EURAUD call should still benefit from the bullish EUR tailwinds.

Exhibit 26: Size of FX moves in second half of Feb has been similar to equity
Z-scores of FX and equity returns from Feb 14 – Feb 28 vs history



Source: BofA Global Research, Bloomberg. Z-score is calculated relative to 2-week FX and equity returns over the past 10 years

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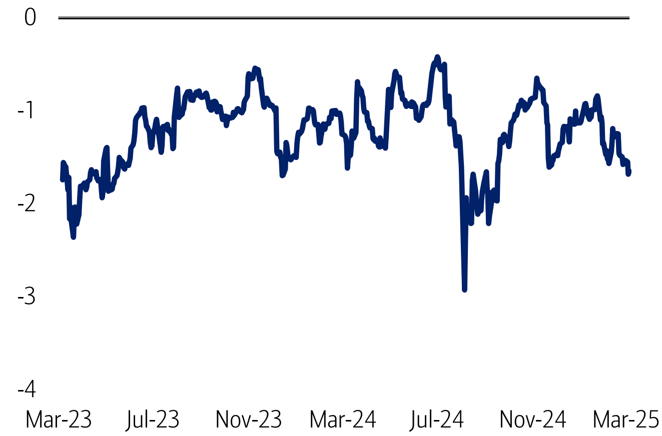
Exhibit 27: USDJPY skew remains wide at 14th percentile vs past 2y
3m USDJPY risk reversal



Source: BofA Global Research, Bloomberg

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Exhibit 28: We like to fade risk premium at deep OTM USDJPY strikes
Historical return profile and current 3m implied delta for USDJPY strikes

Strike	OTMS	Percentile vs Historical USDJPY Return Profile	Delta
140	-6.1%	9.3%	18.6%
139	-6.8%	7.7%	16.0%
138	-7.5%	5.9%	13.7%
137	-8.1%	4.9%	11.8%
136	-8.8%	3.9%	10.0%
135	-9.5%	3.3%	8.5%

Source: BofA Global Research, Bloomberg.
The OTMS column shows deviation of strike from prevailing spot price. The next column shows the percentile of the OTMS returns vs distribution of historical 3m USDJPY returns. The Delta columns shows current deltas for 3m USDJPY put at each strike levels.

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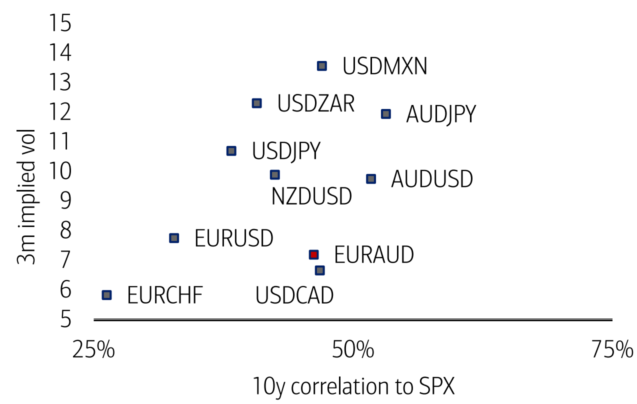
Exhibit 29: EURAUD has relatively low vol and high correlation to SPX
10y avg 3m FX return correlation to SPX vs current level of 3m implied vol



Source: BofA Global Research, Bloomberg. The x-axis denotes absolute values of correlations in order to compare magnitude.

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Technical Strategy

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Making euro great again

Link to the full report: FX Technical Advantage: Making euro great again 05 March 2025

View: Making euro great again

History continues to repeat and its making euro great again. The DXY continues to repeat the 4Q16-1Q17 pattern (see report: The ghosts of 2017 - 19 Feb 2025). It has since gone forth to confirm a repeat head and shoulders top. After euro reached our 1.02 target, on February 4th it formed a bullish hammer candle marking the second low of a double bottom (see report: Hammering out a deal 05 February 2025). It has since rallied and confirmed a bottom. With the DXY trend firmly set to down and euro up, the next thing to repeat is 2Q17-3Q17 which saw these trends persist. Medium term, DXY could decline to the two-year lows at about 100-101 and euro back up to the 1.12s. However, if the size of the rally in 2017 repeats, euro could be looking at upside of 17-21% which puts the 200m SMA at 1.20 on our radar. Similarly, long term support for the DXY is in the 97s.

DXY: Head and shoulders top as 1Q25 repeats 1Q17

The DXY went forth and confirmed its head and shoulders top. The 4Q16-1Q17 pattern continues to repeat. Downside potential for the DXY in its daily chart include 105.10, 104 and 103.40 while below 107.66 (the right shoulder high). Medium-term risk to 97s.

Euro: Big base and breakout, largest rally since Nov 2022

This week has been the largest up week since Nov 2022 when a positioning rushed out of shorts and a long chase began. Spot has broken higher and MACD has crossed bullish. We see upside to 1.0850 (declining 200wk SMA, 1.10 and likely back to the top of the two-year range at 1.12. Monthly chart implications are higher, such as 1.20. Bullish EUR vs. CAD with next level at 1.60 and vs. CHF to the .98s. EURCZK and EURMXN are coiling up and getting close to a large move (straddles?). EURHUF is declining toward 3.90.

USD bearish vs GBP, CAD, PHP, JPY

We've been bullish GBPUSD and favored buying the dip in 1H March for further upside (see report: Chart alpha - 21 Feb 2025). This week it has blasted above its 50wk and 200wk SMA in line with our view. USDCAD looks to be starting a corrective wave that could test 1.4190 / 1.40. USDPHP is declining within a triangle pattern to 56.85 / 56.20. USDJPY's bearish break of the ichimoku cloud implies wave C down to the 145/142 support area in Q2-Q3.

History repeating may also means $MXN & $CNH roll over

We continue to track the repeating 4Q16-1Q17 narrative on these crosses. If the USD has indeed topped for the year, USDMXN may decline to 19.10 and USDCNH to 7.00.

Chart Alpha: We went long EURUSD and EURCHF

BofA FX and Technical Strategy went long EURUSD and EURCHF. Trade 1: Buy 6m EUR/USD 1.08/1.13 1x2 ratio c/s for 1.01% EUR (spot ref 1.0696). Trade 2: Buy 6m EUR/CHF 0.9450/0.97 1x2 ratio c/s for 0.53% EUR (spot ref: 0.9550). Please see this report for more detail: FX Alpha: Game-changer: Bullish EUR trades 05 March 2025.

Trade Recommendations G10

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Exhibit 30: Open trades G10
Current G10 FX trade recommendations. Prices as of 5-Mar-2025.

Trade Description	Open Date	Entry Price	Expiry Date	Current Price	Rationale	Risks
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	1.0034% 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	0.4877% 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	0.1657% 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.
Short AUD/CAD	16-Jan-25	0.8933 (target 0.86, stop loss 0.91)	Spot	0.9079	Expectation of BoC/RBA path and US tariffs broadening out to RoW point to lower AUD/CAD.	Relief rally for AUD if global tariff pressure turns out to be less than expected.
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	0.0926% 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.

Source: BofA Global Research

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Exhibit 31: G10 FX Closed trades
Recently closed trades in G10 FX.

Trade Description	Entry date	Entry Level	Target	Stop	Close date	Level closed
Buy NOKSEK	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%)

Source: BofA Global Research

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EM Alpha Trade Recommendations

David Hauner, CFA >>
MLI (UK)

Claudio Piron
Merrill Lynch (Singapore)

Exhibit 32: Open trades
EM Alpha Trade Recommendations

FX	Entry date	Entry level	Current level	Target	Stop	Notional	Rationale/ Time horizon	Risks
Short USDZAR	6-Mar-25	18.34	18.21	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	3.6472	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.
Long USDTWD 6-month NDF outright	12-Feb-25	32.57	spot 32.868	33.37	32.08	10	With President Trump discussing tariffs on chips, this can impact Taiwan's export earnings and trigger equity outflow.	Decline in global trade tension resulting in a US$ sell-off and lower USDTWD.
Short PLNHUF	11-Feb-25	96.64	95.94	91.8	99.54	10	PLN is much more overvalued than HUF. Long positioning is more crowded in PLN than in HUF. Ukraine ceasefire: HUF outperforms PLN due to the former's higher exposure to gas prices.	The risks to the trade are a significant repricing higher of rates in Poland, a major negative global shock and increased European gas prices.
Sell PEN/CLP	30-Jan-25	266.91	254.0101	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	1.02	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	54.22	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	39.30	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 1.3318	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	279.78	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	715.52	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	1505.31	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 6 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 33: Closed trades
EM Alpha Trade Recommendations

Trade description	Entry date	Entry Level	Target	Stop	Notional	Close date	Level closed
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 34: G10 FX forecasts
Forecasts as of 6-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	148	152	156	161	165	162	160	160	160
EUR-JPY	160	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	0.64	0.62	0.63	0.65	0.68	0.69	0.69	0.71	0.71
NZD-USD	0.58	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	1.29	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	10.98	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	11.75	11.80	11.70	11.40	11.00	11.00	10.90	10.80	10.70
USD-NOK	10.86	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 6-Mar-2025

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Exhibit 35: EM FX forecasts
Forecasts as of 6-Mar-2025

	Spot	Mar-25	Jun-25	Sep-25	YE 2025	Mar-26	Jun-26	Sep-26	YE 2026
Latin America									
USD-BRL	5.78	6.00	5.90	5.80	5.75	5.85	5.90	5.95	6.00
USD-MXN	20.28	20.50	21.00	21.25	21.50	21.75	22.00	22.25	22.50
USD-CLP	927	945	945	942	940	935	930	925	920
USD-COP	4,109	4,300	4,400	4,500	4,550	4,575	4,550	4,525	4,500
USD-ARS	1,064	1,070	1,170	1,250	1,400	1,470	1,544	1,621	1,700
USD-PEN	3.64	3.72	3.74	3.76	3.78	3.79	3.80	3.81	3.82
Emerging Europe									
EUR-PLN	4.17	4.17	4.10	4.10	4.10	4.10	4.10	4.10	4.10
EUR-HUF	399.16	400	395	390	390	390	390	390.00	390
EUR-CZK	25.04	25.10	24.80	24.80	24.80	24.80	24.50	24.40	24.20
USD-ZAR	18.15	18.60	18.30	17.80	17.50	17.30	17.10	17.00	17.00
USD-TRY	36.40	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	3.61	3.55	3.55	3.50	3.45	3.45	3.45	3.40	3.40
Asian Bloc									
USD-KRW	1,445.50	1,450	1,450	1,430	1,410	1,390	1,370	1,350.00	1,330
USD-TWD	32.87	33.00	33.30	33.10	32.90	32.70	32.50	32.30	32.10
USD-SGD	1.33	1.37	1.37	1.36	1.35	1.35	1.34	1.34	1.34
USD-THB	33.75	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	7.24	7.50	7.60	7.50	7.40	7.30	7.20	7.10	6.90
USD-IDR	16,330	16,500	16,700	16,600	16,500	16,500	16,400	16,400	16,300
USD-PHP	57.33	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	87.12	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 6-Mar-2025

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