

## The EM Asia FX Strategist

## Asia FX Monthly – Countdown to Tariffs

## Summary of FX views

**CNY/CNH (bearish):** We remain bearish CNY on tariff risks, but lower 2Q forecast to 7.50 vs 7.60 on better market dynamics. CNY to remain underperformer/funder

**HKD (neutral):** The improvement in sentiment towards equities has resulted in large inflows into HKD and higher HKEX turnover. We seek to fade the HKD rally.

**INR (neutral):** Seasonal improvement in CA offset by tariff headline risks in the near-term and RBI's unwinding of short USD sales beyond that.

**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 NPS selling US\$ by increasing their hedge ratio, we think the top-side to USDKRW is capped. US tariffs on autos and chips are major risks to KRW.

**MYR (neutral):** External risks remain but policymakers continue balancing demand-supply with onshore USD deposit conversion.

**PHP (bearish):** BSP's dovish bias, liquidity injection and wider CA gap to weigh on PHP. Partly offset by smoothing flows and weaker USD. Revise end-2025 forecast to 58/USD.

**SGD (bearish):** MAS policy easing, softer inflation and trade tensions add downside risks to SNEER. Revise end-2025 forecast to 1.31/USD on USD weakness expectations.

**TWD (bearish):** With valuations on tech equities high, lifer hedging ratio low and portfolio outflows from Taiwan, spot USDTWD remains bid.

**THB (bullish):** THB likely to benefit from BoP surplus and beta to USD move despite weak macro. Near-term tariff headlines a risk. Revise end-2025 forecast to 32/USD.

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

## Exhibit 2: Asia FX forecasts for next 4 quarters

Bearish CNY, PHP, SGD, TWD, & VND. Bullish THB. Neutral HKD, INR, IDR, KRW & MYR

Currency	View/bias	Spot	2Q '25	3Q '25	4Q '25	1Q '26
USD/CNY	bearish	7.26	7.5	7.4	7.3	7.3
USD/HKD	neutral	7.77	7.78	7.78	7.78	7.78
USD/INR	neutral	85.7	88	87.5	87	86
USD/IDR	neutral	16601	16700	16600	16500	16500
USD/KRW	neutral	1470	1450	1430	1410	1390
USD/MYR	neutral	4.44	4.60	4.55	4.5	4.5
USD/PHP	bearish	57.37	59.0	59.0	58	58
USD/SGD	bearish	1.34	1.33	1.32	1.31	1.31
USD/TWD	bearish	33.04	33.3	33.1	32.9	32.70
USD/THB	bullish	33.97	34	33	32	32
USD/VND	bearish	25641	26700	26500	26400	26300

Source: BofA Global Research estimates

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**Refer to important disclosures on page 27 to 29. Analyst Certification on page 26. 12807397**

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25 March 2025

GEM FI & FX Strategy  
EM Asia

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Exhibit 1: EEMEA & LatAm FX monthly  
Recent publications

25 Feb 2025 [The EEMEA FX Strategist](#)  
4 Mar 2025 [The LatAm FX Strategist](#)

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

See the end for a list of acronyms.

# China

## View: Revise USD/CNY 2Q to 7.50, CNY to underperform

We maintain a bearish CNY outlook given the significant trade tariff and restriction risks facing China. However, we temper our 2Q forecast to 7.50 USD/CNY from 7.60, previously, as we acknowledge that the People's Bank of China continues to fix CNY stronger relative to market expectations.

Much will depend on the implementation of further tariffs being initiated from April 2<sup>nd</sup>, where expectations are adjusting to a narrower focus of reciprocal tariffs. A key reason for the absence of tit-for-tat CNY depreciation to offset tariffs as in 2018/19 is that US yields are moving lower. This is enabling EM/G7 currencies to rally and the trade-weighted CFETS CNY basket to depreciate by 2% this year – see our report: [Asia FI & FX Strategy Viewpoint: USD/CNY – Playing the long game 06 March 2025](#).

However, in March the CFETS basket has been stabilizing and USD/CNY fixings are inching higher again. Additionally, rising bond issuance will put pressure on the PBoC to keep liquidity accommodative to absorb this issuance. This will likely result in higher USD/CNY and a steeper curve.

### Valuation: FX COMPASS model indicates 6.96 USD/CNY as fair value

Our COMPASS model (2-3 years) is based on the estimated fair-value exchange rate consistent with an equilibrium current account. This suggests USD/CNY at c.6.96, 4.3% below the current spot. The current trade-weighted inflation-adjusted exchange rate is 7.5% below its 5- and 10-year averages, suggesting that the currency is modestly undervalued against its trading partners.

**Positioning: Real-money investors are bearish** onshore CNY positions at -10 (-50 being maximum bearish, underweight), while hedge funds are at -18 - see our report: [Liquid Cross Border Flows: Afraid of reciprocal tariffs 24 March 2025](#).

**Risk events:** USD rebound vs Asia FX as April 2<sup>nd</sup> tariffs trigger risk-off and higher recession risks.

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

**Rates:** CGB curve bull-steepened since December - 2y/10y CGB reached as low as 1.01%/1.6% on 6 Jan. In the recent two weeks, due to tighter liquidity, and the temporary suspension of bond purchases by the PBoC, front-end yields saw a meaningful rebound. In contrast, 10y yield has been quite resilient and only rose by 6bp.

### Exhibit 3: USD/CNY forecasts vs forwards

Expect USD/CNY at 7.30 by end-1Q26

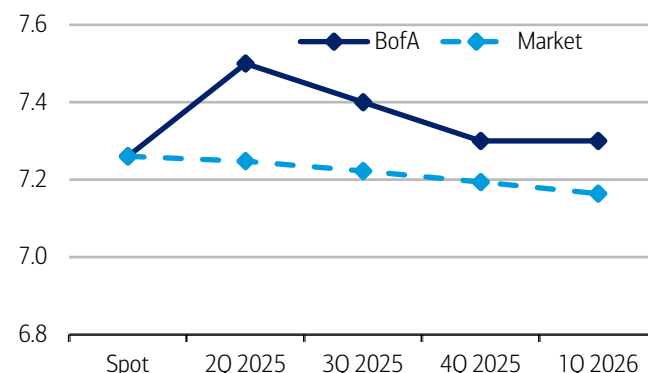
Spot	current	chg (diff)		
	7.26	+0.01		
	Forecast		Forward	
Period	current	chg (diff)	current	chg (diff)
2Q 2025	7.50	-0.10	7.25	+0.028
3Q 2025	7.40	-0.10	7.22	+0.012
4Q 2025	7.30	-0.10	7.19	+0.004
1Q 2026	7.30	-	7.16	-0.006

Source: BofA Global Research, Bloomberg

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### Exhibit 4: USD/CNY forecasts

Our forecast path is above the forwards



Source: BofA Global Research, Bloomberg

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## Cross-currency basis USD/CNY

### Exhibit 5: USD/CNY cross-currency basis

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

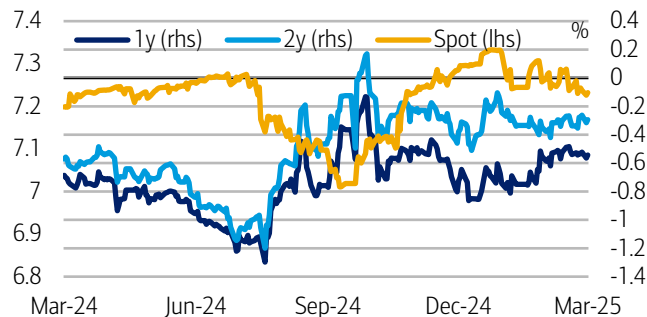
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-0.54	-0.28	0.34	-0.21	-1.03		-0.25	-0.58	0.13	0.92	0.31	0.24
2y	-0.29	0.06	0.17	0.26	-1.20		0.17	-0.50	0.12	0.86	0.20	0.74
5y	0.14	0.01	-0.03	0.44	-0.46		0.60	0.08	0.12	0.85	-1.45	0.26

Source: BofA Global Research, Bloomberg

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

CNY basis remains negative

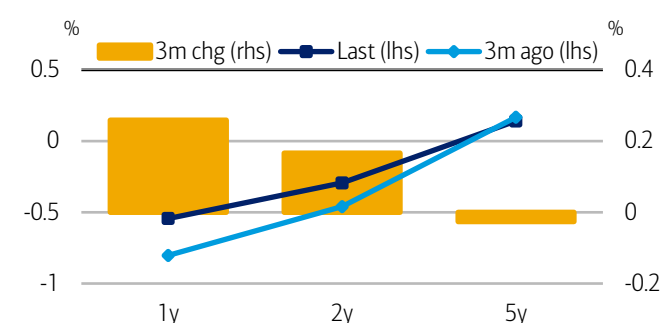


Source: BofA Global Research, Bloomberg

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### Exhibit 7: Term structure of basis swap

Basis curve flattens slightly



Source BofA Global Research, Bloomberg

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## Volatility surface: USD/CNY

### Exhibit 8: Current implied volatilities

Demand for OTM USD calls remains at significant premium to puts

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	4.90	4.43	4.18	4.18	4.42
3m	5.15	4.78	4.71	5.03	5.68
6m	5.33	5.08	5.15	5.62	6.44
1y	5.78	5.49	5.59	6.24	7.35

Source: BofA Global Research

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### Exhibit 9: 3m z-scores of implied volatilities

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

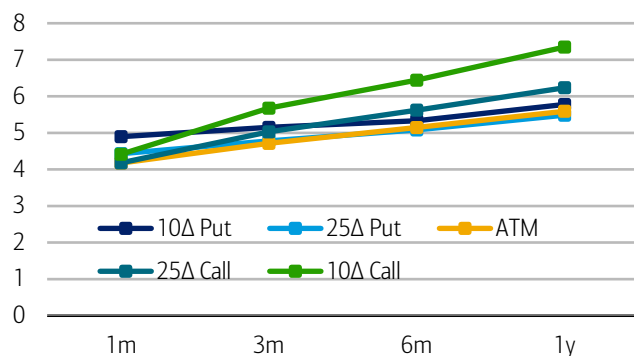
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	-0.950	-0.903	-0.839	-0.810	-0.829
3m	-1.020	-1.006	-1.005	-1.023	-1.043
6m	-1.074	-1.087	-1.094	-1.085	-1.047
1y	-1.064	-1.138	-1.187	-1.191	-1.106

Source: BofA Global Research

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### Exhibit 10: Term structures of implied volatilities

Market still skewed toward CNY 1-year depreciation tail risks

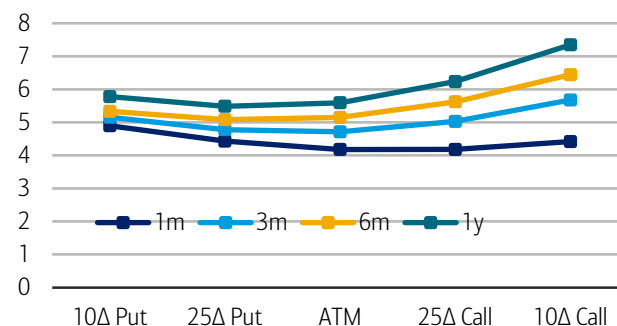


Source: BofA Global Research

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### Exhibit 11: Implied volatility smiles

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



Source: BofA Global Research

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## Cross-currency basis USD/CNH

### Exhibit 12: USD/CNH cross-currency basis

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

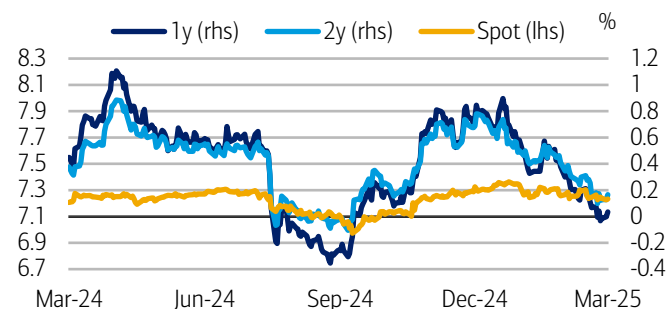
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	0.03	0.04	-0.66	-0.39	-0.35		1.11	0.41	0.14	1.03	-1.45	-1.06
2y	0.17	0.07	-0.51	-0.19	-0.11		0.89	0.41	0.11	0.79	-1.50	-1.01
5y	0.28	0.04	-0.34	0.12	0.06		0.77	0.37	0.09	0.61	-1.80	-0.50
10y	0.41	0.08	-0.11	1.01	-0.01		0.70	0.37	0.09	0.65	-1.78	0.20

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

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

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

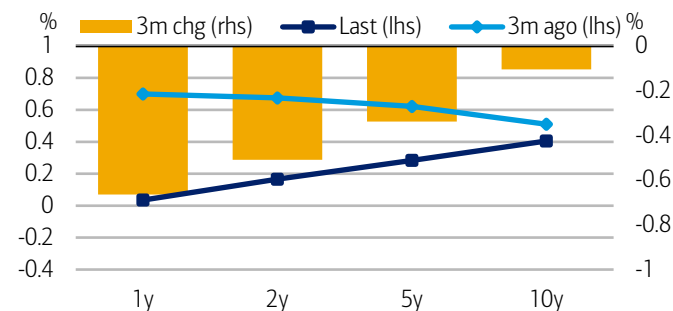


Source: BofA Global Research, Bloomberg

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### Exhibit 14: Term structure of basis swaps

Basis swaps rise relative to 3 months ago



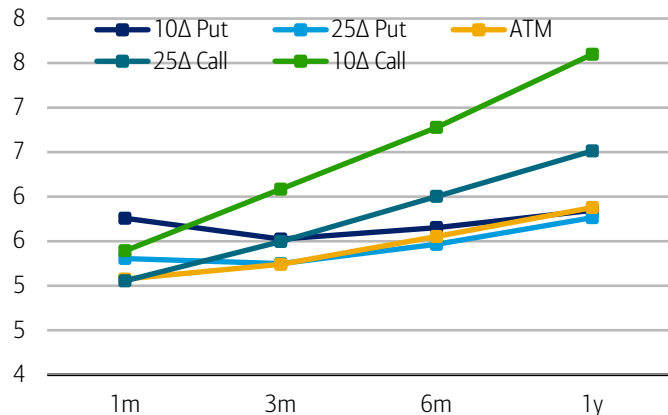
Source: BofA Global Research, Bloomberg

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## Volatility surface: USD/CNH

### Exhibit 15: Term structures of implied volatilities

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

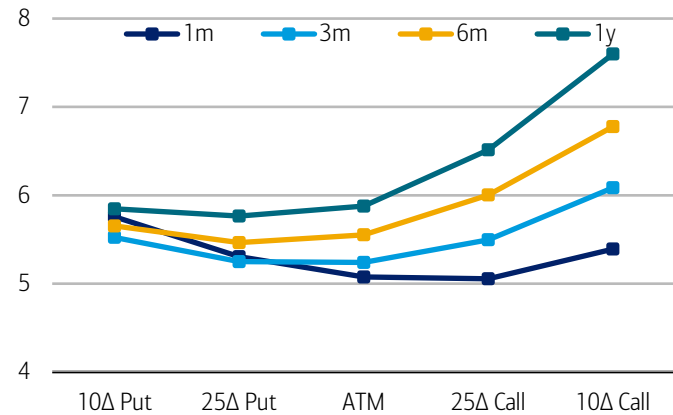


Source: BofA Global Research

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### Exhibit 16: Implied volatility smiles

Implied vol smiles are skewed to CNH depreciation



Source: BofA Global Research

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# Hong Kong

## View: Spot USDHKD kept low by strong inflows

Year-to-date, mainland Chinese investors have net invested US\$ 54bn into Hong Kong listed equities as Hong Kong equities soared following Lunar New Year and the advances made by DeekSeek. The strong inflows into Hong Kong has resulted in spot USDHKD to be pushed lower in the band, lower than we think front-end (using 1-month as a proxy) interest rate differentials would imply. Given the ongoing strong equity inflow but real economy in Hong Kong remaining weak, we are neutral on USDHKD and the direction of HK-US interest rate spread from here.

**Positioning - neutral:** Increased turnover has increased demand for HKD but funding typically is loose at this time of the year.

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

**Risk events:** The Trump administration has labeled Hong Kong and China as foreign adversaries and wants to steer US investments away from Chinese capital markets. Any further US administration actions may trigger outflows from Hong Kong. Watch for any negative headlines on trade for China-HK following April 2<sup>nd</sup>.

**Corporate hedging:** We believe offshore investors (i.e., not Hong Kong-based corporates) should hedge against short-term FX volatility for USDHKD due to risks from equity portfolio outflows and increased USD buying as front-end differentials widen. The widening of the FX forward points increases the positive carry return for those seeking to hedge HKD risk.

**Rates:** 5-year HK-US IRS spreads significantly tightened from due to the rally in US rates. We think should the 5y HK-US IRS spread revert back to -30bps, this is a good sign to start paying as mortgage growth in Hong Kong is beginning to stabilize.

### Exhibit 17: USD/HKD forecasts vs forwards

Expect USD/HKD at 7.80 by 1Q25

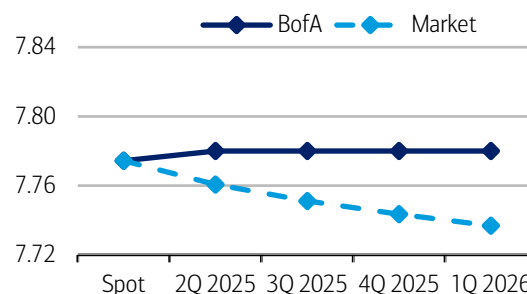
Spot	current 7.77	chg (diff) +0.00	Forward	
	Forecast		current	chg (diff)
Period	current	chg (diff)	current	chg (diff)
2Q 2025	7.780	-	7.761	+0.0016
3Q 2025	7.780	-	7.751	+0.0001
4Q 2025	7.780	-	7.744	+0.0005
1Q 2026	7.780	-	7.737	-0.0001

Source: BofA Global Research, Bloomberg

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### Exhibit 18: USD/HKD forecasts

Our forecast path is above the forwards



Source: BofA Global Research, Bloomberg

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## Cross-currency basis USD/HKD

### Exhibit 19: USD/HKD cross-currency basis

1y xccy basis at -21bp

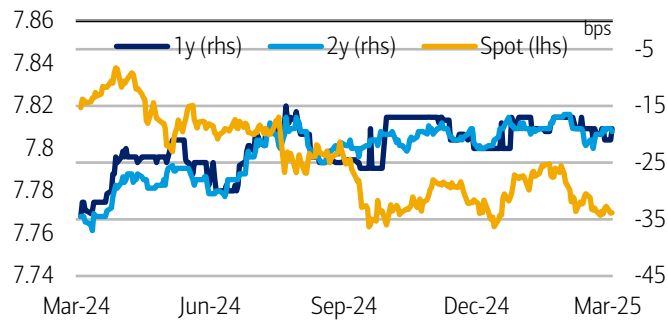
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-21.00	-2.00	-1.00	12.00	-35.00		-15.00	-22.53	3.46	24.95	-0.70	0.33
2y	-19.50	1.50	-0.50	15.00	-37.00		-16.50	-23.46	2.03	14.67	0.00	0.82
5y	-25.50	1.50	4.50	23.50	-51.50		-22.00	-33.24	2.54	18.35	1.14	0.96
10y	-33.00	0.50	4.50	31.00	-64.00		-26.50	-43.67	2.94	21.23	0.11	0.95

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

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

1y basis swaps recently stable



Source: BofA Global Research, Bloomberg

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

Skew is towards puts in USDKD

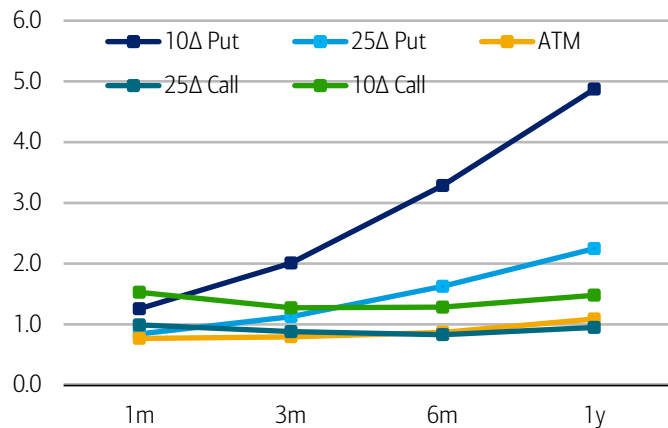
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	1.26	0.84	0.77	0.99	1.53
3m	2.01	1.13	0.79	0.88	1.27
6m	3.28	1.63	0.87	0.83	1.28
1y	4.87	2.25	1.09	0.95	1.48

Source: BofA Global Research

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**Exhibit 24: Term structures of implied volatilities**

Vol profile skewed towards puts

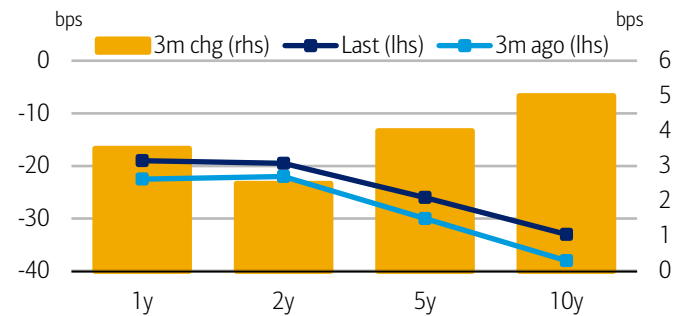


Source: BofA Global Research

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**Exhibit 21: Term structure of basis swaps**

10-year basis swap curve widen the most compared to 3-months ago



Source BofA Global Research, Bloomberg

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**Exhibit 23: 3m z-scores of implied volatilities**

Changes across time

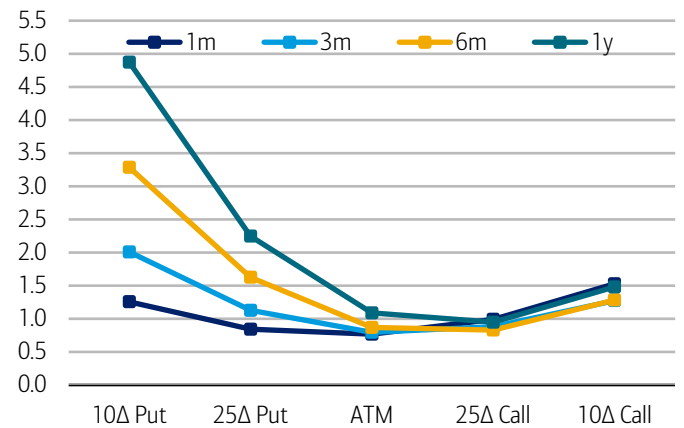
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	-1.50	-1.59	-1.75	-1.55	-0.31
3m	-1.33	-1.36	-1.59	-1.73	-1.53
6m	-1.19	-1.20	-1.27	-1.54	-1.74
1y	-1.19	-0.65	-0.64	-0.59	-1.45

Source: BofA Global Research

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**Exhibit 25: Implied volatility smiles**

Implied vol smiles are skewed for puts as a reflection of the HKD carry trade



Source: BofA Global Research

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# India

## View: Near-term headline risks from tariff announcement

We pared down our recent bullish INR view trade that was based on broader EUR strength easing INR overvaluation concerns and lower oil prices adding to the usually favorable CA seasonality in 1Q. Positioning on INR was stretched in bearish direction which made it susceptible to unwind.

We turned cautious ahead of the upcoming tariff deadline on 2nd April on reciprocal tariffs announcement where India has been identified by US as one of the target countries with higher tariffs on US imports. INR would be vulnerable to the headline risk around the announcements even as the overall impact over medium-term would be limited.

Second risk is still posed by unwinding of RBI's short USD forward book. RBI has rolled bulk of the short forward positions to much longer tenors which makes the sustainable level of short-USD position larger than it seemed previously. But, INR rallying to 86/USD could provide an opportunity to reduce the overall size of the forward positions.

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

**Valuation:** INR is undervalued on a NEER basis vs its historical range, but is overvalued on REER basis, likely a result of higher inflation vs peers over the years. The long-term FX Compass shows the fair value at 85.85/USD, which is roughly in line with spot.

**Positioning:** Both hedge funds and real money covered INR shorts over the last month to move closer to neutral positions.

**Risk events:** Recent focus on India for reciprocal tariffs from the US may weigh on net trade. Equity risk aversion or oil price spike would be other key external risks.

**Corporate hedging:** We recommend hedging INR exposure due to risk of near-term USD strength from tariff headlines around month-end.

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

### Exhibit 26: USD/INR forecasts vs. forwards

USD/INR forecasts

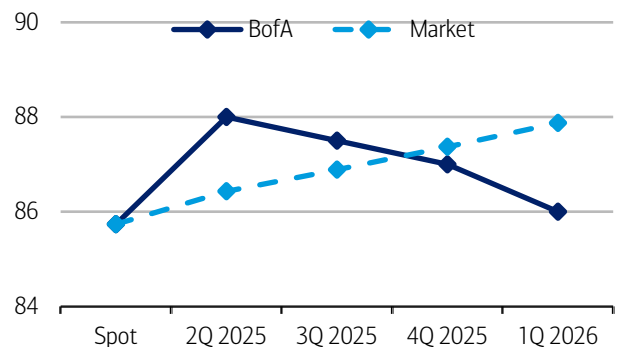
Spot	current	chg (diff)	Forward	
	85.74	-0.97		
Period	Forecast	chg (diff)	current	chg (diff)
2Q 2025	88.0	-	86.43	-1.09
3Q 2025	87.5	-	86.89	-1.10
4Q 2025	87.0	-	87.37	-1.08
1Q 2026	86.0	-	87.87	+0.00

Source: BofA Global Research, Bloomberg

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### Exhibit 27: USD/INR forecasts

Our forecast path vs forwards



Source: BofA Global Research, Bloomberg

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## USD/INR forwards – implied yields

### Exhibit 28: USD/INR NDF implied yields

NDF implied yields over different periods

Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1m	7.53	0.11	0.39	1.36	5.94		10.87	6.81	0.80	5.79	-0.46	1.06
3m	7.04	0.08	-0.01	0.65	6.17		9.04	6.77	0.32	2.31	-0.90	0.62
6m	6.67	0.00	-0.24	0.04	6.31		7.94	6.73	0.19	1.38	-1.21	-0.25
12m	6.55	0.05	-0.18	-0.27	6.29		7.37	6.74	0.15	1.08	-1.15	-0.85

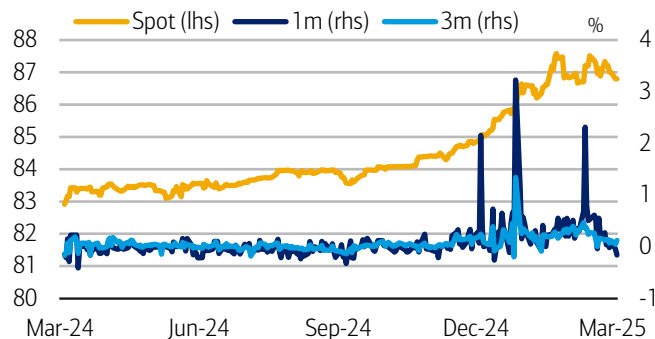
Note: current value 1y average. The z-score measures the distance between the current value and the mean in standard deviation units

Source: BofA Global Research, Bloomberg

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

Offshore-onshore yield differential

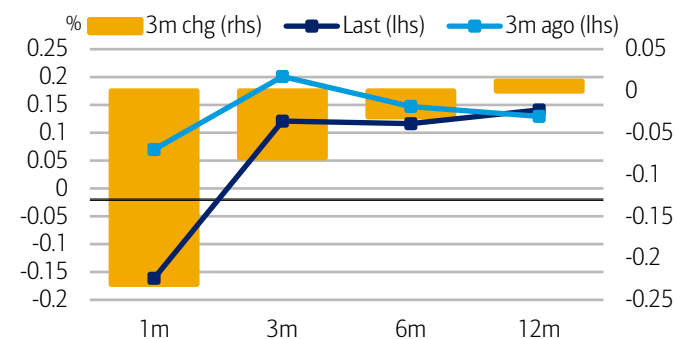


Source: BofA Global Research, Bloomberg

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### Exhibit 30: Term structure of NDF – Onshore forward yields

Offshore yields vs onshore change over 3m



Source: BofA Global Research, Bloomberg

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## Volatility surface: USD/INR

### Exhibit 31: Current implied volatilities

Implied vols skewed towards call options

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	3.93	3.68	3.64	3.97	4.48
3m	4.17	3.89	3.89	4.33	5.03
6m	4.37	4.06	4.09	4.63	5.48
1y	4.48	4.19	4.30	4.99	6.08

Source: BofA Global Research

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### Exhibit 32: 3m z-scores of implied volatilities

Implied volatilities across tenors and strikes

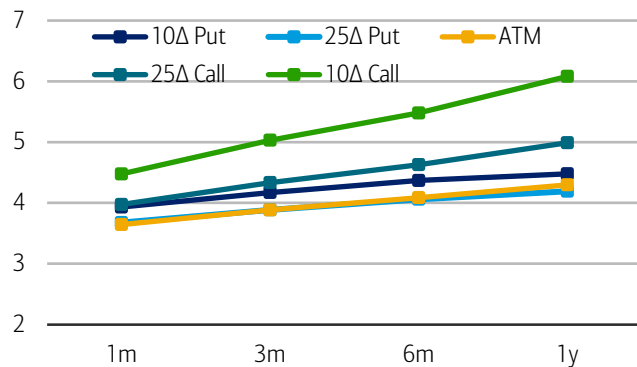
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	-0.03	0.07	0.02	-0.19	-0.57
3m	0.36	0.35	0.19	-0.17	-0.70
6m	0.66	0.57	0.34	-0.08	-0.66
1y	0.65	0.70	0.73	0.68	0.56

Source: BofA Global Research

BofA GLOBAL RESEARCH

### Exhibit 33: Term structures of implied volatilities

Vol profile skewed towards calls

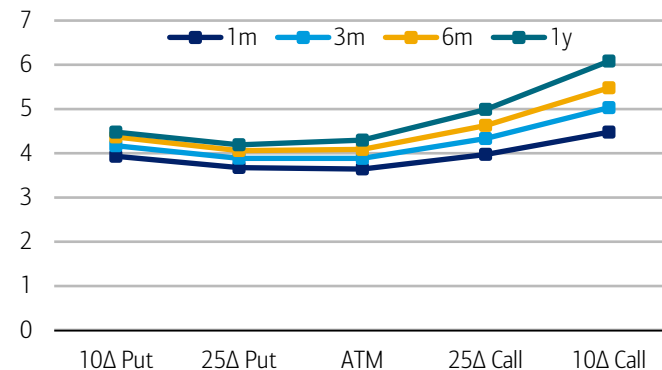


Source: BofA Global Research

BofA GLOBAL RESEARCH

### Exhibit 34: Implied volatility smiles

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



Source: BofA Global Research

BofA GLOBAL RESEARCH





# Indonesia

## View: Souring risk-sentiment weighing on IDR

While BI remained on hold for another month, the overall dovish bias was still apparent in the communication. Focus remains on supporting the government's growth objective with a more accommodative monetary policy, but BI also sounded slightly more cautious on IDR compared with last month. Our recent interaction with policymakers indicates a higher focus on IDR stability on relative basis vs other currencies rather than as bi-laterally vs USD.

Even as EUR rallied over the last month, the impact on IDR was limited due to external volatility and worsening risk-sentiment. On the domestic front, uncertainty has increased on the potentially negative impact of recent fiscal changes on growth. The recent correction in equity markets is also weighing on the sentiment and has resulted in around USD 0.7Bn in equity outflows this month.

Authorities are counting on more USD inflows as regulatory tightening of export proceeds repatriation takes effect this month. However, lack of direct incentive to convert to IDR would mean that IDR support would depend on BI's willingness to utilize the additional reserves for smoothing flows.

BI's guidance for further easing may support the domestic demand for front-end of the bond curve initially. However, doubts on the depth of the cutting cycle, a higher term-premium for potential pro-growth bias and fiscal uncertainty might still limit scope for larger debt portfolio inflows in the near-term.

**Valuation:** IDR appears undervalued compared with its historical NEER and REER. The long-term FX Compass model yields a fair value of 17,290/USD, pointing to a 4.3% overvaluation on spot level.

**Positioning:** Hedge funds net added IDR longs to more moderate position. RMs also added to long IDR exposure but are positioned only small long as per our flow indicator.

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

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

**Rates: Bullish/steeper** – Room for further rate cuts and easier liquidity conditions may support the front-end bonds. Continued purchases from BI may support rest of the curve as well while bilateral rollover of burden-sharing bonds would help contain bond issuance but medium-term fiscal uncertainty may still weigh to some extent.

### Exhibit 35: USD/IDR forecasts vs. forwards

USD/IDR forecasts

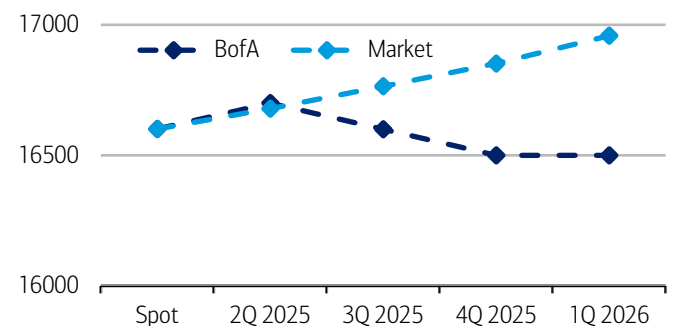
Spot	current 16601	chg (diff) +323.00		
	Forecast		Forward	
Period	current	chg (diff)	current	chg (diff)
2Q 2025	16700	-	16679	318.00
3Q 2025	16600	-	16765	336.60
4Q 2025	16500	-	16852	340.75
1Q 2026	16500	-	16958	3.15

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

### Exhibit 36: USD/IDR forecasts

Our forecast path vs forwards



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

## USD/IDR forwards – implied yields

### Exhibit 37: USD/IDR NDF implied yields

NDF implied yields over tenors

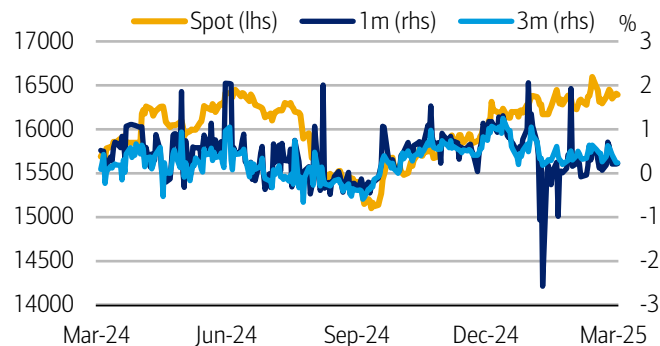
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1m	5.73	-0.42	-0.86	-1.07	2.92		8.45	6.39	1.19	8.60	-0.42	-1.17
3m	5.78	-0.25	-0.69	-0.70	5.68		7.15	6.28	0.52	3.73	-1.16	-1.75
6m	5.70	-0.16	-0.68	-0.57	5.70		6.84	6.26	0.30	2.17	-1.62	-2.40
12m	5.99	-0.02	-0.48	-0.21	5.72		6.78	6.28	0.20	1.43	-1.20	-1.31

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

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### Exhibit 38: Onshore forward yields vs USD/IDR spot

NDF yields vs spot

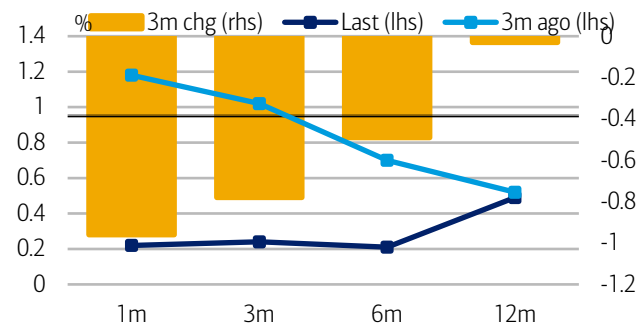


**Source:** BofA Global Research, Bloomberg

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### Exhibit 39: Term structure of NDF – Onshore forward yields

Offshore yields vs onshore



**Source:** BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

### Exhibit 40: Current implied volatilities

Vol surface highly skewed towards call options

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	7.25	6.93	7.00	7.63	8.59
3m	7.66	7.32	7.40	8.16	9.39
6m	8.05	7.70	7.80	8.70	10.20
1y	8.44	8.05	8.16	9.20	11.00

**Source:** BofA Global Research

BofA GLOBAL RESEARCH

### Exhibit 41: 3m Z-scores of implied volatilities

Vols across tenors and strikes

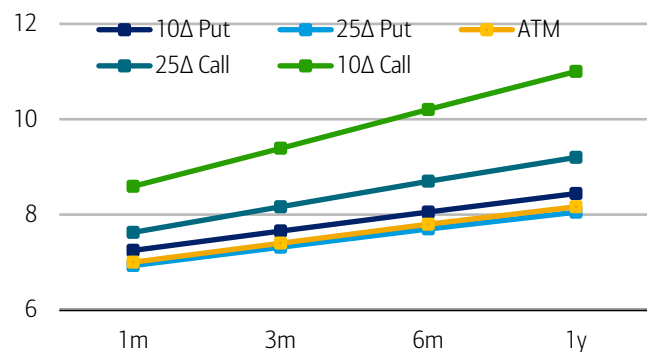
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	0.64	0.68	0.82	1.04	1.23
3m	0.32	0.59	0.94	1.28	1.52
6m	-0.35	0.13	0.73	1.29	1.63
1y	-0.99	-0.39	0.41	1.18	1.62

**Source:** BofA Global Research

BofA GLOBAL RESEARCH

### Exhibit 42:- Term structures of implied volatilities

Steeper vol term structure for upside USD/IDR

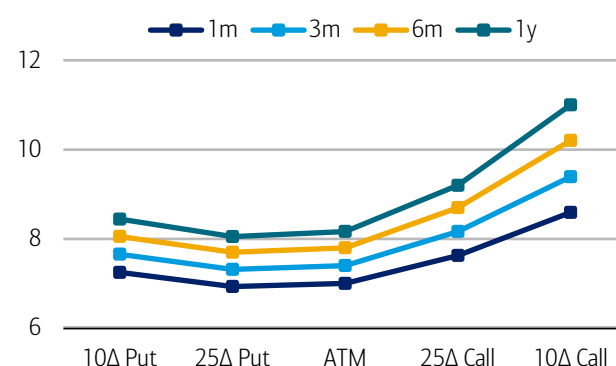


**Source:** BofA Global Research

BofA GLOBAL RESEARCH

### Exhibit 43: Implied volatility smiles

Higher skew in longer tenor vols



**Source:** BofA Global Research

BofA GLOBAL RESEARCH



# Korea

## View: USDKRW range-bound but with upside risks

For the past two months, USDKRW has been range-bound and traded tightly around 1,460. Historically, USDKRW has been a very good proxy for the DXY but the correlation significantly broke starting March. USDKRW remains elevated as the DXY plummeted from the rebound of the Euro. Currently, the Korean Won is weighed down by both global and domestic factors.

Globally, President Trump has singled out Korea as one of the countries that runs high tariffs against US imports (although this is factually false as the US and Korea have a free trade agreement whereby almost all goods to enter each other's market tariff-free). On April 2<sup>nd</sup>, President Trump said he would finalize his views on cars and chips tariffs, both items are crucial to Korea's total export.

Domestically, the long timeline of President Yoon's impeachment trial and the uncertainty of its outcome is causing concerns among investors. If President Yoon were to be found not guilty and the impeachment charge overturned, this may trigger societal unrest and cause further weakening of the Korean Won.

**Positioning:** Neutral – With the USDKRW trading rangebound, across hedge fund, real money and corporates, there is a small short positioning on KRW.

**Valuation:** Our FX Compass model shows a fair value of 1,422, suggesting the Korean won is undervalued (spot is at 1,466).

**Risk events:** Whether tariffs on chips and cars would be announced on April 2<sup>nd</sup>. Watch for headline on the verdict of President Yoon's impeachment trial.

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

**Rates:** Korea rates have been trading range-bound lately after a sharp rally November. While front-end yields were being anchored by rate cut expectations, back-end bonds have underperformed over the past month due to the front-loading of government budget and some possibility of a supplementary budget. We continue to expect lower front-end rates. Given downside risks to growth imposed by tariff uncertainties, the BoK will likely need to deliver more cuts than what the market currently priced in.

### Exhibit 44: USD/KRW forecasts vs. forwards

We expect USD/KRW at 1,450 by end- 2Q25

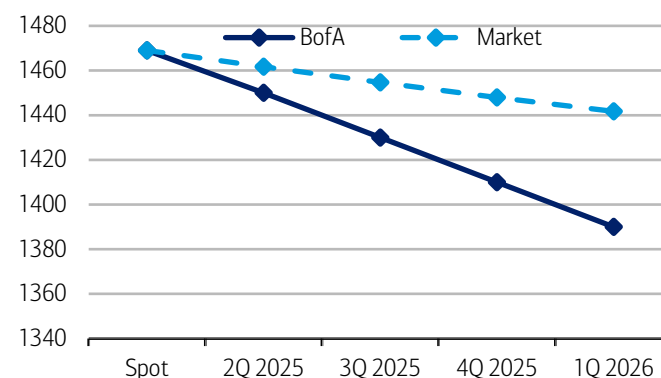
Spot	current	chg (diff)		
	1468.99	+41.29		
	Forecast		Forward	
Period	current	chg (diff)	current	chg (diff)
2Q 2025	1450	-	1461.71	+43.24
3Q 2025	1430	-	1454.67	+43.08
4Q 2025	1410	-	1447.95	+43.28
1Q 2026	1390	-	1441.72	+0.00

Source: BofA Global Research, Bloomberg

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### Exhibit 45: USD/KRW forecasts

Our forecast path above the forwards throughout the horizon



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

## Cross-currency basis USD/KRW

### Exhibit 46: USD/KRW cross-currency basis

1y xccy basis at -50bp

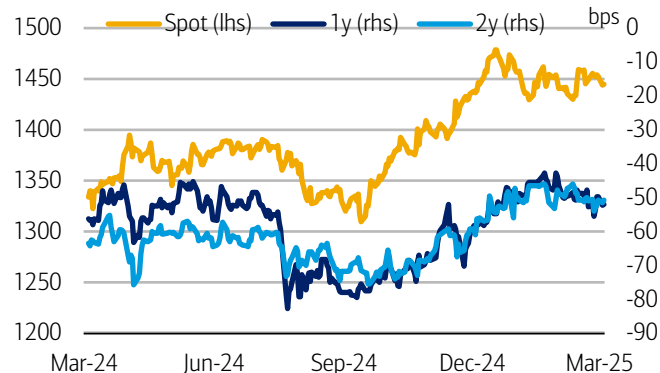
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-50.00	5.50	10.00	6.75	-82.75		-42.75	-58.53	5.72	41.26	-0.03	0.81
2y	-50.75	3.25	10.25	13.50	-75.75		-46.00	-61.40	4.62	33.30	0.02	1.44
5y	-42.25	8.50	14.75	16.50	-75.00		-41.50	-55.99	4.98	35.89	1.30	2.06
10y	-56.25	9.50	2.75	9.25	-79.50		-49.50	-64.07	5.48	39.52	0.15	1.27

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

BofA GLOBAL RESEARCH

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

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

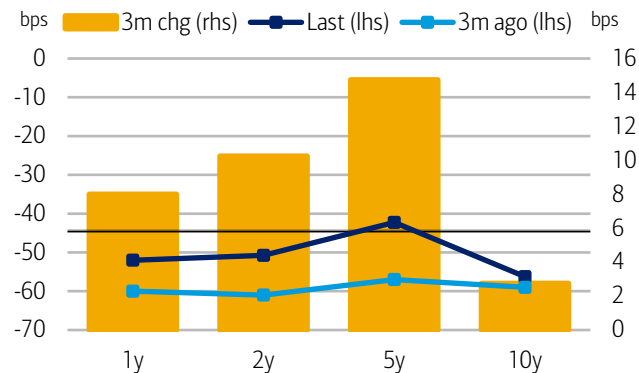


**Source:** BofA Global Research, Bloomberg.

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### Exhibit 48: Term structure of basis swaps

5-xccy basis swap tightened the most in the past three months



**Source:** BofA Global Research, Bloomberg

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## Volatility surface: USD/KRW

### Exhibit 49: Current implied volatilities

Implied vol remains skewed towards calls

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	8.84	8.55	8.53	8.90	9.51
3m	8.79	8.58	8.67	9.24	10.10
6m	8.81	8.63	8.81	9.53	10.55
1y	8.80	8.67	8.94	9.87	11.14

**Source:** BofA Global Research

BofA GLOBAL RESEARCH

### Exhibit 50: 3m Z-scores of implied volatilities

Changes across time

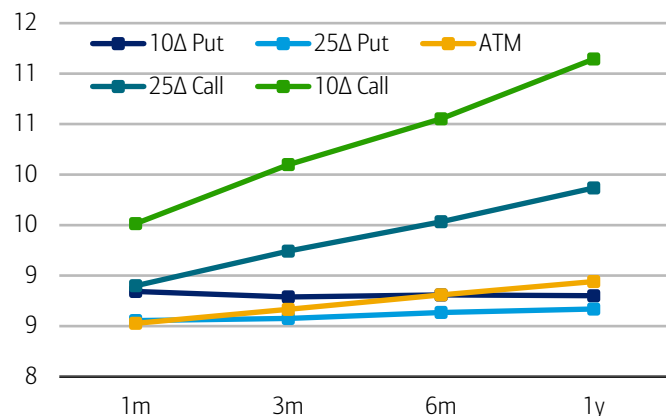
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	-0.10	-0.18	-0.41	-0.63	-0.76
3m	-0.96	-0.99	-0.96	-0.94	-0.94
6m	-1.37	-1.24	-1.14	-1.10	-1.09
1y	-1.39	-1.32	-1.25	-1.19	-1.16

**Source:** BofA Global Research

BofA GLOBAL RESEARCH

### Exhibit 51: Term structures of implied volatilities

Flatter profile for puts vs. calls

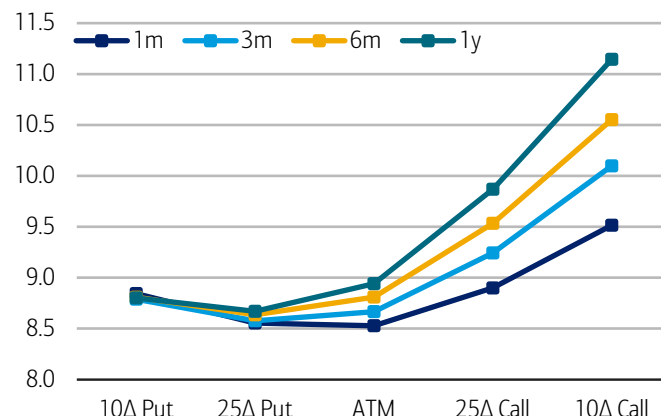


**Source:** BofA Global Research

BofA GLOBAL RESEARCH

### Exhibit 52: Implied volatility smiles

Implied vol smiles are skewed toward calls



**Source:** BofA Global Research

BofA GLOBAL RESEARCH



# Malaysia

## View: Policy support measures against external risks

BNM's policy support measures have stabilized MYR by reducing demand for USD deposits. With external risks on the horizon, a continuation of these will be critical this year. This is more so as the trade tensions and potential CNY weakness may pose a risk to the investment flows into Malaysia that have provided another anchor.

Malaysia's trade-dependence, MYR's high USD-beta and negative carry vs USD leave MYR vulnerable as a proxy to regional trade tensions. However, we believe domestic corporate flows remain the main pressure point with limited foreign participation in bond markets and lack of liquidity in offshore FX markets. Thus, monitoring of USD deposits in the banking system and BNM's FX reserves changes would be important indicators for next year.

With subsidy rationalization prospects alive for 2Q this year, strong growth outcome and strong labor markets, monetary policy remains in a steady state. Market may price possibility of a shallow cutting cycle if downside risks to growth materialize due to trade tensions. Demand for longer-end remains strong due to higher domestic allocation by pension funds and lower government-guaranteed debt issuance.

**Valuation:** MYR trades well below the historical NEER or REER ranges, indicating undervaluation, though reduced now vs last year. The long-term FX Compass model shows slight overvaluation by 1.9%, with a fair value of 4.35/USD.

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

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

**Corporate hedging:** We recommend hedging MYR exposure as we see limited appreciation room, and implied yields are lower than US rates.

**Rates: Neutral/steeper** – Possibility of subsidy rationalization this year, strong growth outcome and strong labor markets have reduced the chances of a near-term rate cut. But demand for longer-end remains supported by higher domestic allocation by pension funds and lower government-guaranteed debt issuance. We see risks of market pricing potential rate-cuts in front-end while curve may steepen on any signs of more expansionary fiscal policy.

### Exhibit 53: USD/MYR forecasts vs forwards

USD/MYR forecast

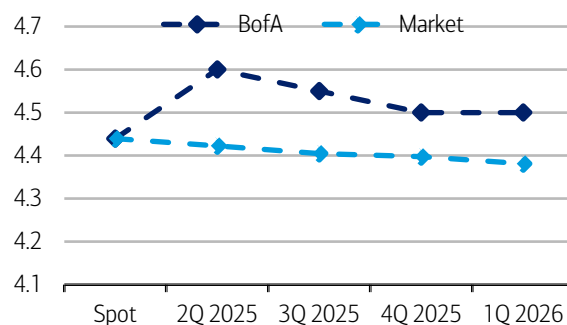
Spot	current 4.44	chg (diff) +0.03		
	Forecast		Forward	
Period	current	chg (diff)	current	chg (diff)
2Q 2025	4.60	-	4.42	+0.043
3Q 2025	4.55	-	4.40	+0.035
4Q 2025	4.50	-	4.40	+0.037
1Q 2026	4.50	-	4.38	+0.000

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

### Exhibit 54: USD/MYR forecasts

Our forecast path vs forwards



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH



## Cross-currency basis USD/MYR

### Exhibit 55: USD/MYR cross-currency basis

xcy basis

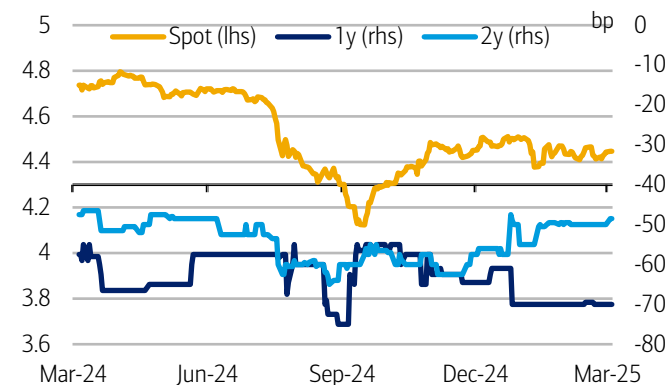
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-70.00	0.00	-12.50	6.50	-79.50		-30.00	-56.92	5.21	37.55	-2.44	-1.00
2y	-48.50	13.50	0.00	10.50	-65.00		-33.50	-50.33	3.87	27.89	1.40	0.27
5y	-48.00	20.00	-1.00	22.00	-68.50		-43.50	-54.83	3.92	28.25	1.06	0.86
10y	-70.00	22.50	0.00	-69.40	-95.00		-70.00	-78.15	4.85	34.95	1.03	1.34

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

BofA GLOBAL RESEARCH

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

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

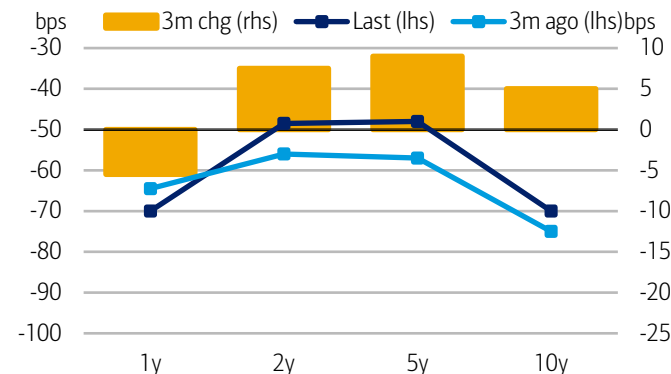


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

### Exhibit 57: Term structure of basis swaps

Basis change across tenors over 3m period



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

## Volatility surface: USD/MYR

### Exhibit 58: Current implied volatilities

High skew for upside USD/MYR

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	6.00	6.04	6.70	7.89	9.39
3m	6.16	6.21	6.94	9.94	8.23
6m	6.82	6.75	7.45	8.88	10.83
1y	7.59	7.35	8.06	9.73	12.06

Source: BofA Global Research

BofA GLOBAL RESEARCH

### Exhibit 59: 3m z-scores of implied volatilities

Vols structure across tenors and strikes

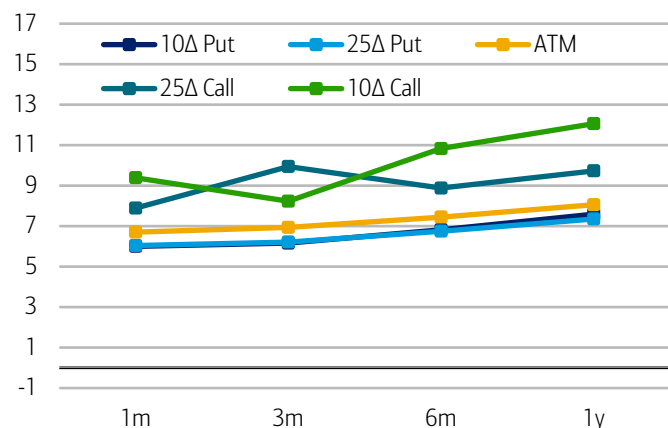
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	0.81	0.88	1.03	1.13	0.43
3m	0.57	0.73	0.74	-0.84	-0.35
6m	0.22	0.65	0.50	-1.01	-0.98
1y	-2.23	0.52	-1.14	-1.06	-0.99

Source: BofA Global Research

BofA GLOBAL RESEARCH

### Exhibit 60: Term structures of implied volatilities

Skewed term structure for topside USD/MYR

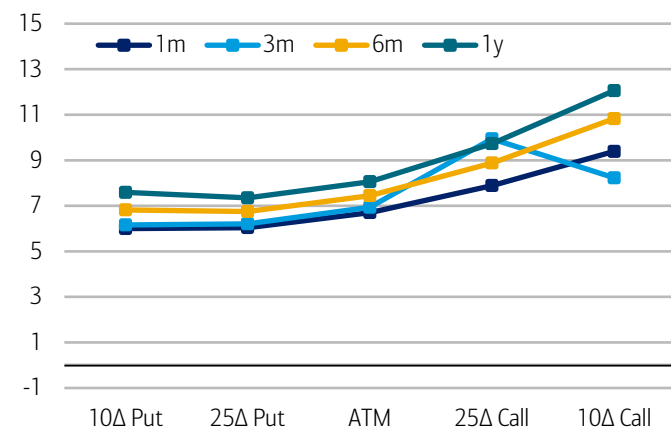


Source: BofA Global Research

BofA GLOBAL RESEARCH

### Exhibit 61: Implied volatility smiles

Higher skew in longer tenor



Source: BofA Global Research

BofA GLOBAL RESEARCH



# The Philippines

## View: Wide CAD and monetary easing bearish for PHP

PHP has stabilized over the last month on a combination of USD softness and hawkish surprise from BSP's last policy meeting. Despite the decision to hold rates, BSP maintained a dovish guidance with possibility of further rate cuts this year and followed that guidance recently with large liquidity injections through RRR (Reserve requirement ratio) cut of 2% of deposits. We believe policy desire for easier financial conditions remains a negative for PHP.

The other factor driving USD demand has been the widening in CA deficit seen over the last year which leaves a funding gap. However, a more defensive stance from BSP supported PHP as the funding gap was met with a drawdown of reserves. These factors would continue to keep bearish pressure on PHP relative to peers but our expectations of softer USD would keep USDPHP relatively stable. We revise our PHP forecast to 59/USD by mid-2025 and 58/USD by end-2025.

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

**Valuation:** PHP screens as undervalued compared with its historical NEER range, but REER is slightly overvalued, likely due to higher inflation compared to peers. The long-term FX Compass model shows an 11% overvaluation with the fair value at 64.49/USD, likely due to the wider CAD compared with the equilibrium sustainable levels.

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

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

**Corporate hedging:** We recommend hedging PHP, as hedging costs remain low, and we expect PHP to trade weaker due to USD strength and dovish BSP.

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

### Exhibit 62: USD/PHP forecasts vs forwards

USD/PHP forecast

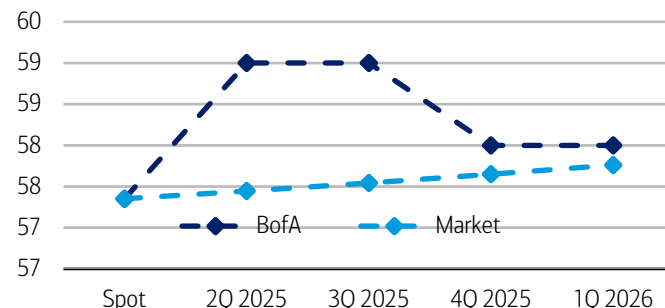
Spot	current	chg (diff)		
	57.35	-0.47		
Period	Forecast		Forward	
	current	chg (diff)	current	chg (diff)
2Q 2025	59.00	-3.00	57.45	-0.59
3Q 2025	59.00	-3.00	57.54	-0.61
4Q 2025	58.00	-3.00	57.65	-0.62
1Q 2026	58.00	-3.00	57.76	-0.00

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

### Exhibit 63: USD/PHP forecasts

Our forecast path vs forwards



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

## USD/PHP forwards – implied yields

### Exhibit 64: USD/PHP NDF implied yields

NDF implied yields

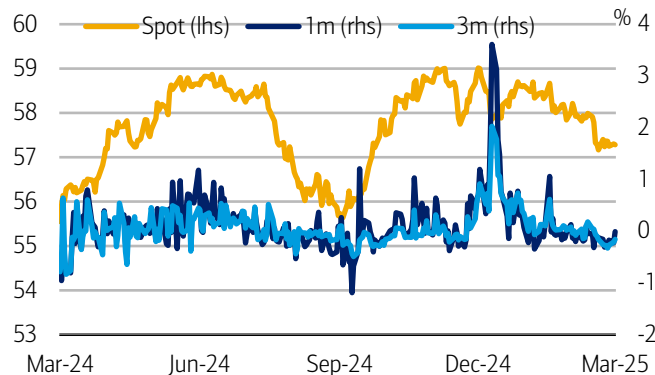
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1m	5.09	0.24	-0.92	0.00	3.69		10.78	5.74	0.99	7.16	-0.62	-0.79
3m	4.96	0.08	-0.84	-0.49	4.21		7.98	5.54	0.64	4.64	-0.98	-1.03
6m	4.95	0.07	-0.42	-0.46	4.21		6.74	5.35	0.41	2.98	-1.13	-0.81
12m	4.86	0.04	-0.24	-0.46	3.96		5.94	5.07	0.19	1.40	-1.29	-0.43

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

BofA GLOBAL RESEARCH

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

Offshore implied yields over the month

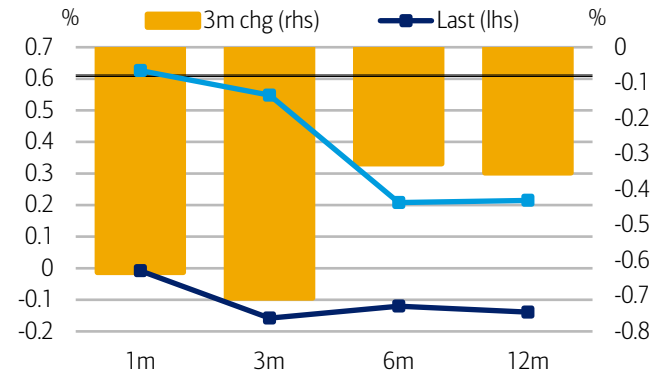


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

### Exhibit 66: Term structure of NDF – Onshore forward yields

Offshore yields spread from three months ago



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

## Volatility surface: USD/PHP

### Exhibit 67: Current implied volatilities

Higher vol to hedge PHP depreciation risk

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	5.46	5.15	5.08	5.40	5.95
3m	5.74	5.38	5.32	5.79	6.55
6m	6.12	5.70	5.64	6.20	7.12
1y	6.43	5.94	5.90	6.56	7.67

Source: BofA Global Research

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### Exhibit 68: 3m Z-scores of implied volatilities

Vols across tenors

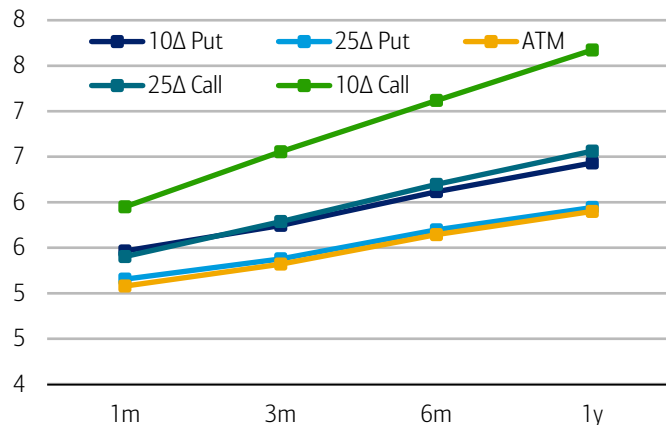
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	-1.31	-1.33	-1.36	-1.40	-1.42
3m	-1.69	-1.68	-1.68	-1.68	-1.68
6m	-1.73	-1.72	-1.72	-1.72	-1.73
1y	-1.75	-1.75	-1.75	-1.75	-1.75

Source: BofA Global Research

BofA GLOBAL RESEARCH

### Exhibit 69: Term structures of implied volatilities

Flat term structure across strikes, except OTM call

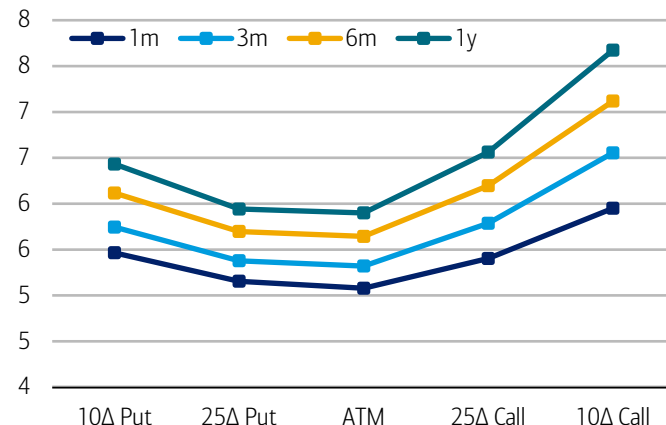


Source: BofA Global Research

BofA GLOBAL RESEARCH

### Exhibit 70: Implied volatility smiles

Upside USD/PHP vols much higher, indicating hedging



Source: BofA Global Research

BofA GLOBAL RESEARCH





# Singapore

## View: Risks tilted towards lower SGD NEER

The SNEER hovered around 1% above the midpoint on our model for most of the month as USD softened and risk sentiment improved. This was followed by a correction to 0.8% above mid due to softer inflation print. With SGD rates moving lower over the last few months, the front-end carry on SNEER has also reduced to less attractive levels.

We believe the risks for SNEER remain tilted to the downside ahead of the reciprocal tariff deadline on 2<sup>nd</sup> April, followed by MAS policy meeting around mid-April where MAS is expected to deliver another easing. That scenario may increase the risk of a sharper correction in SNEER towards levels closer to the mid or slightly below mid. Carry on long SNEER would turn negative as per the current rate differentials on SGD vs basket implied yields.

On a bilateral basis, our outlook for USD weakness this year makes us less bearish on SGD, compared to earlier expectations. We revise our forecast for USDSGD to 1.33/USD by mid-2025 and 1.31/USD by end-2025.

**Valuation:** SGD is overvalued by over 4.2% on our medium-term FX compass model, with a fair value of 1.40. SGD NEER and REER have appreciated considerably due to the policy framework and shows up as having the highest overvaluation among peers.

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

**Risk events:** Next-week's tariff related announcement could result in a stronger USD and SGD NEER correction within the band. Beyond that, upcoming MAS on or before 14<sup>th</sup> April could result in easing and SGD NEER weakness. Further calibrated slope reductions (to zero) by 1H26 are probable if GDP growth is seen creeping below 2% and/or core inflation is seen approaching 1%.

**Corporate hedging:** Low hedging costs and a negative basis vs USD indicate a small yield pick-up for bond investors. We recommend hedging long SGD exposure near-term around month-end USD strength and potential easing by MAS.

**Rates: Neutral/flatter curve** – We believe Singapore's softening inflation has allowed a larger decline in SORA fixing and front-end rates. Further softening towards 2.2-2.5% is already priced-in and SGD rates may appear to be too-low compared to basket yields if further policy easing is delivered in April meeting. That would put slight upward pressure on SGD rates relative to US rates. Despite MAS' guidance towards a slight increase in SGS issuance in 2025 and upcoming elections, fiscal trends in Singapore remain supportive of SGS outperformance over UST.

### Exhibit 71: USD/SGD forecasts vs. forwards

USD/SGD forecasts

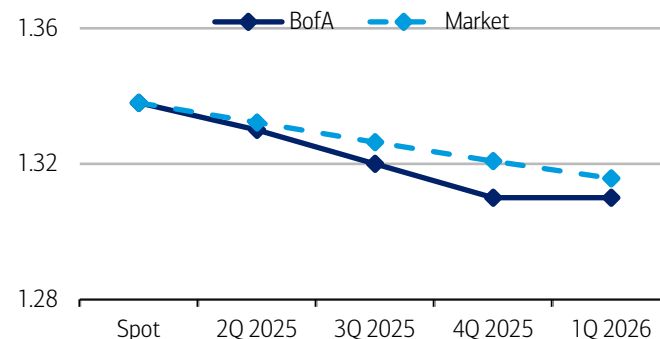
Spot	current	chg (diff)		
	1.34	0.00		
Period	Forecast		Forward	
	current	chg (diff)	current	chg (diff)
2Q 2025	1.33	-0.04	1.332	+0.0022
3Q 2025	1.32	-0.04	1.326	+0.0024
4Q 2025	1.31	-0.04	1.321	+0.0018
1Q 2026	1.31	-0.04	1.316	-0.0003

Source: BofA Global Research, Bloomberg

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### Exhibit 72: USD/SGD forecasts

Our forecast path vs forwards



Source: BofA Global Research, Bloomberg

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## Cross-currency basis USD/SGD

### Exhibit 73: USD/SGD cross-currency basis

xcy basis

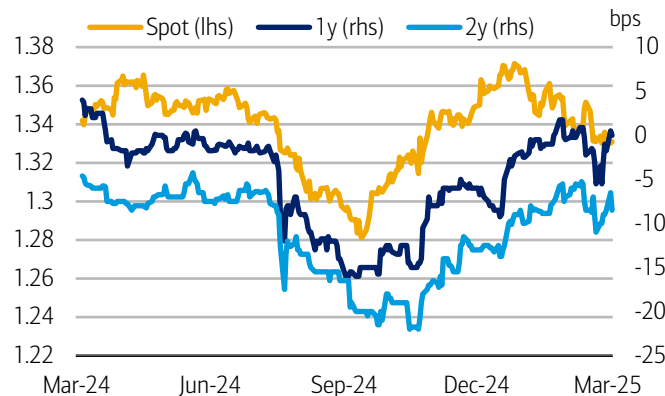
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	0.00	13.00	1.13	1.00	-13.00		8.00	-0.09	2.55	18.37	1.15	0.02
2y	-8.50	7.00	-1.00	3.25	-17.75		-3.00	-8.75	2.15	15.51	0.44	0.07
5y	-24.50	0.00	6.25	5.75	-35.50		-18.50	-27.62	1.85	13.33	0.57	0.81
10y	-35.50	0.25	6.00	24.00	-62.50		-30.00	-44.81	2.58	18.61	0.72	1.22

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

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

Offshore implied yields over the month

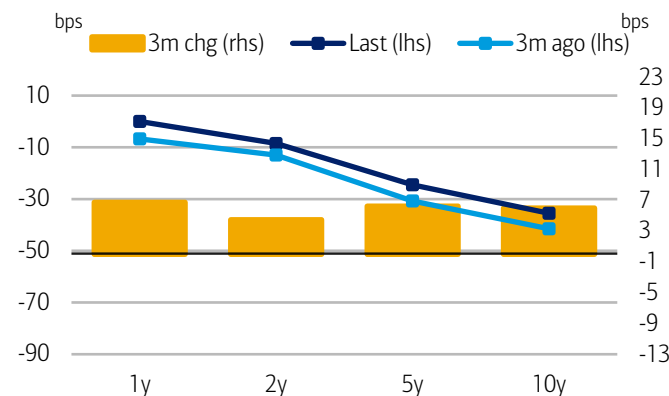


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

### Exhibit 75: Term structure of basis swaps

Basis swaps vs 3 months ago



Source: BofA Global Research, Bloomberg

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## Volatility surface: USD/SGD

### Exhibit 76: Current implied volatilities

Higher skew for upside protection

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	5.99	5.82	5.81	6.01	6.35
3m	5.84	5.68	5.72	6.08	6.58
6m	5.74	5.56	5.64	6.11	6.76
1y	5.65	5.45	5.59	6.18	7.00

Source: BofA Global Research

BofA GLOBAL RESEARCH

### Exhibit 77: 3m Z-scores of implied volatilities

Vols structure across tenors and strikes

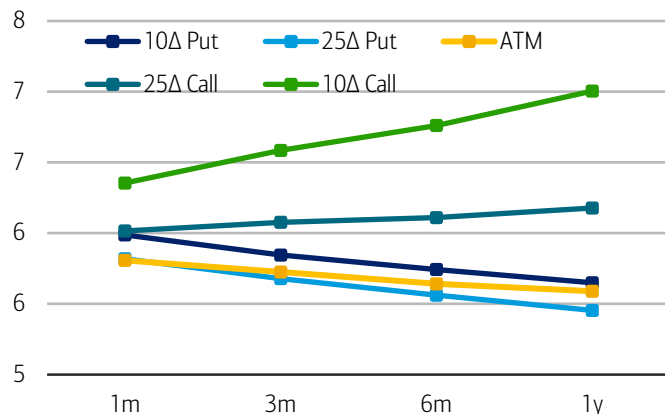
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	0.50	0.49	0.47	0.44	0.42
3m	0.34	0.24	0.19	0.21	0.27
6m	-0.04	-0.07	-0.09	-0.09	-0.07
1y	-0.39	-0.34	-0.30	-0.27	-0.27

Source: BofA Global Research

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### Exhibit 78: Term structures of implied volatilities

10d call vols show higher skew

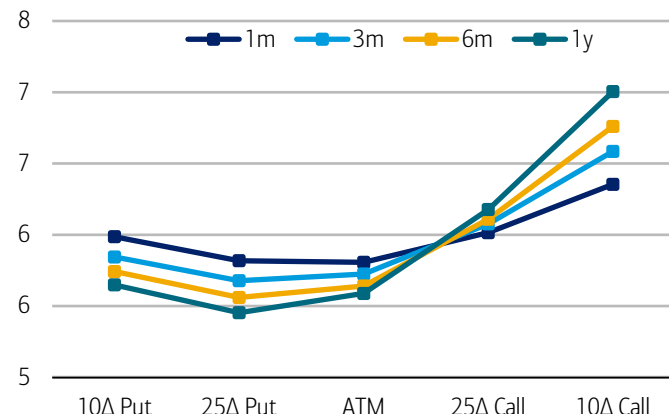


Source: BofA Global Research

BofA GLOBAL RESEARCH

### Exhibit 79: Implied volatility smiles

Higher skew in OTM call vols



Source: BofA Global Research

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# Taiwan

## View: Equity outflows no longer driving USDTWD

Throughout March, the net outflow from Taiwanese equities reached US\$10bn, exceeding the bi-weekly rate seen in Aug-2024 of US\$8.8bn. However, despite the significant increase in portfolio outflows, the spot USDTWD only rose from 0.4%, much lower than the historical relationship with net equity flows would have suggested. We believe the breakdown in the relationship between the spot USDTWD and net equity flow is the most important factor in TWD FX right now, in our view.

The lack of movement in the spot USDTWD is partially explained by the large depreciation of the DXY but is also likely a reflection of official sector pushback against TWD depreciation as the TWD NEER moves lower in the CBC's valuation band. Typically, there is an inverse relationship between the FX spillover of equity outflow and the distance of the TWD NEER from the bottom-end of the CBC valuation band. We believe the pushback against TWD depreciation should increasingly be evident as the spot USDTWD levels approach the 33-handle.

Moreover, with their hedging ratio low, we think the Taiwanese lifers are currently adding FX-hedges despite the spot USDTWD remaining elevated. Increased lifer hedging can explain the current divergence between NDF points and the higher spot USDTWD. With the lifers likely increasing the hedging ratio, the risk-reward to pay TWD NDF curve is no longer favorable. There is a significant downside risk for TWD NDF should the USD environment weaken further.

**Positioning: Neutral** – Across all investor types, there remains a long position on the TWD.

**Valuation:** According to the CBC's fair-value measures based on a 36-month moving average, TWD NEER is currently 2% above the lower half of the band.

**Risks:** April 2<sup>nd</sup> and whether US tariffs on chips and automobiles will be implemented.

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

**Rates:** A CBC board member has flagged the spillover risk of rising electricity tariffs to overall inflation and commented the next move from the CBC is likely a hike. Currently, Taiwanese rates are underperforming regional and global peers and the TWD NDIRS curve is pricing in more than one hike over the next 12-months. We continue to like paying Taiwanese rates versus Korea due to widening growth differential.

### Exhibit 80: USD/TWD forecasts vs forwards

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

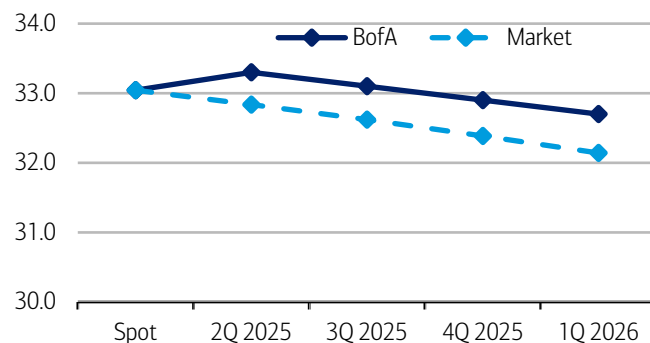
Spot	current 33.04	chg (diff) +0.33	Forecast		Forward	
	current	chg (diff)	current	chg (diff)	current	chg (diff)
2Q 2025	33.30	-	32.84	+0.36		
3Q 2025	33.10	-	32.62	+0.38		
4Q 2025	32.90	-	32.39	+0.42		
1Q 2026	32.70	-	32.14	+0.00		

Source: BofA Global Research, Bloomberg

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### Exhibit 81: USD/TWD forecasts

Our forecast path is above the forwards



Source: BofA Global Research, Bloomberg

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## Cross-currency swap USD/TWD

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

1y NDS at 1.17

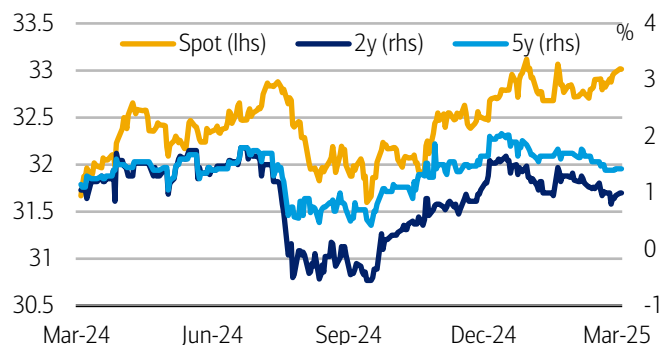
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	1.17	0.26	-0.02	-0.31	-1.01		2.83	1.19	0.46	3.30	-1.22	-0.02
2y	1.05	0.25	-0.13	0.00	-0.55		1.80	0.92	0.36	2.57	-0.88	0.19
5y	1.50	0.10	-0.15	0.40	0.43		2.05	1.35	0.26	1.89	-1.07	0.39

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

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

2y TWD basis slightly widened

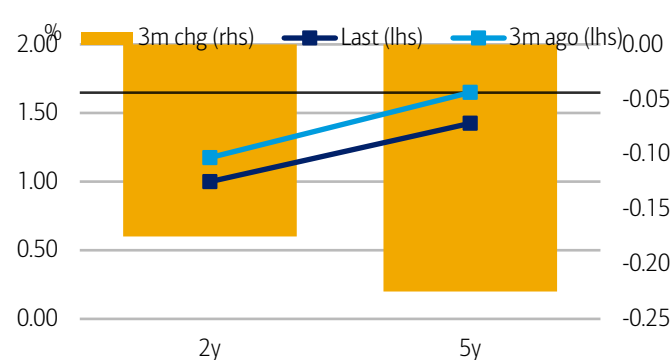


**Source:** BofA Global Research, Bloomberg

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### Exhibit 84: Term structure of NDS

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



**Source:** BofA Global Research, Bloomberg

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## Volatility surface: USD/TWD

### Exhibit 85: Current implied volatilities

1-month vol currently is skewed toward puts

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	5.95	5.24	4.91	5.04	5.43
3m	6.46	5.88	5.68	5.98	6.64
6m	7.02	6.47	6.34	6.79	7.66
1y	7.34	6.91	6.94	7.63	8.87

**Source:** BofA Global Research

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### Exhibit 86: 3m Z-scores of implied volatilities

Changes across time

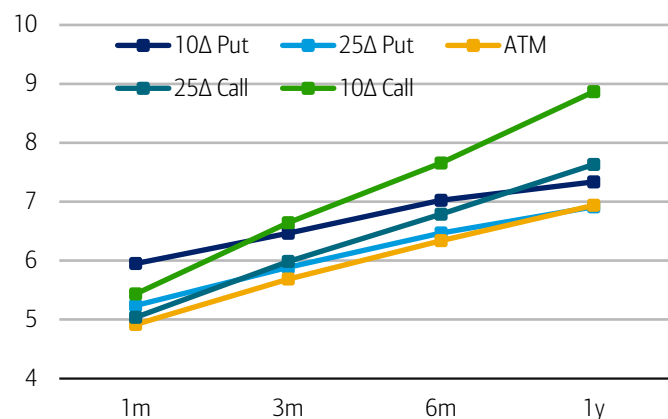
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	-1.81	-1.81	-1.61	-1.30	-1.05
3m	-1.59	-1.66	-1.65	-1.49	-1.29
6m	-1.55	-1.50	-1.38	-1.18	-0.98
1y	-1.66	-1.41	-1.12	-0.81	-0.56

**Source:** BofA Global Research

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### Exhibit 87: Term structures of implied volatilities

Longer term structures are in favor of OTM calls

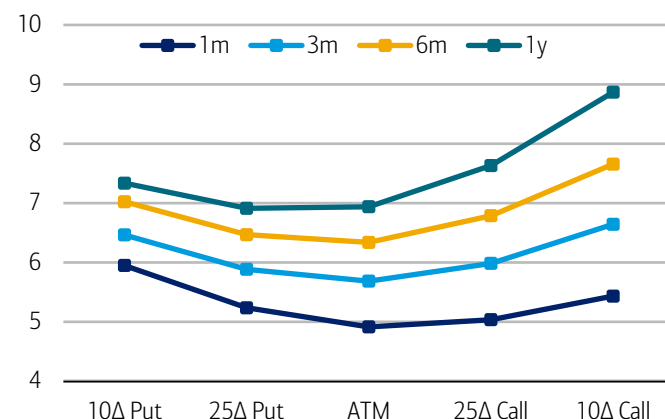


**Source:** BofA Global Research

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### Exhibit 88: Implied volatility smiles

1-month Implied vol smiles are skewed toward puts



**Source:** BofA Global Research

BofA GLOBAL RESEARCH



# Thailand

## View: USD move to support THB despite weak macro

THB has held-up well driven by relatively large BoP surplus, correlation with gold, improvement in terms of trade due to lower oil prices and finally due to correlation to EUR moves. THB's CA surplus has understated the ongoing BoP surplus due to large errors and omissions flows. While underlying driver of these large inflows remains unclear, THB's strong returns despite BoT's accumulation of reserves points to a much larger USD surplus. Secondly, recent EUR strength will filter through to THB due to THB's high beta to USD moves. That would reduce concerns on the elevated NEER and increases the risks towards a stronger THB vs USD. We revise our forecast for USDTHB to 34/USD by mid-2025 and 32/USD by end-2025.

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

Moreover, Thailand's trade surplus with the US and higher tariffs on US imports make THB vulnerable to reciprocal tariffs. Slowdown in global trade due to trade tensions would also negatively impact Thailand's export dependent economy. Compared with 2018-19 trade tensions, the interest-rate differential is more negative which has increased domestic investors' appetite for taking FX risks.

**Valuation:** The THB appears undervalued on a NEER basis relative to its historical data, and more so on a REER basis, due to lower inflation than peers. Our long-term Compass model indicates an overvaluation of c.11%, with an estimated fair value of 38.02/USD, likely reflecting the weak export recovery and NEER appreciation.

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

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

**Corporate hedging:** We recommend keeping long THB exposure near-term around month-end but remain more bullish beyond that on expectations of USD weakness.

**Rates: Bullish/flatter** – ThaiGBs have rallied over the last month triggered by the rate-cut. Front-end rates have priced further 1-2x cuts over this year which would support duration exposure and a flatter curve as growth data continues to disappoint expectations.

### Exhibit 89: USD/THB forecasts vs forwards

USD/THB forecasts

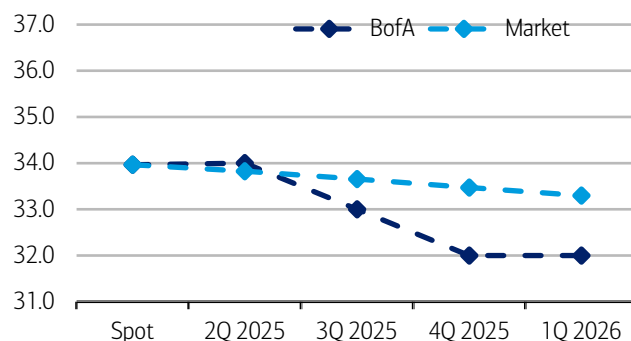
Spot	current 33.97	chg (diff) +0.46		
	Forecast		Forward	
Period	current	chg (diff)	current	chg (diff)
2Q 2025	34.00	-3.00	33.82	-0.075
3Q 2025	33.00	-3.00	33.65	+0.515
4Q 2025	32.00	-3.00	33.47	+0.512
1Q 2026	32.00	-3.00	33.30	-0.000

Source: BofA Global Research, Bloomberg

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### Exhibit 90: USD/THB forecasts

Our forecast path vs forwards



Source: BofA Global Research, Bloomberg

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## Cross-currency basis USD/THB

### Exhibit 91: USD/THB cross-currency basis

xcy basis across tenors

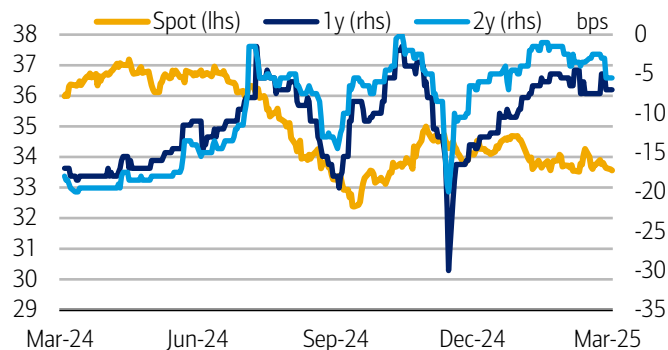
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-7.00	6.00	4.00	28.00	-41.50		-1.50	-22.16	2.87	20.70	0.81	1.41
2y	-5.00	3.00	9.00	31.00	-40.50		-1.50	-23.24	2.78	20.07	1.11	1.67
5y	-10.00	2.50	13.50	34.00	-47.50		-6.00	-29.48	2.43	17.54	0.88	1.75
10y	-20.00	8.00	21.00	61.50	-83.50		-20.00	-52.90	3.67	26.44	1.84	1.84

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

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

Basis swaps history over time

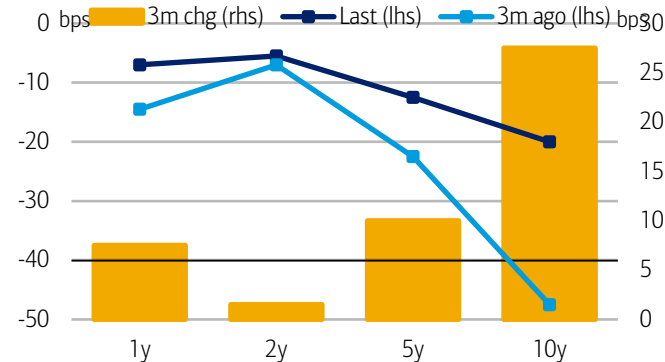


Source: BofA Global Research, Bloomberg

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### Exhibit 93: Term structure of basis swaps

Basis swaps term structure vs three months ago



Source: BofA Global Research, Bloomberg

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## Volatility surface: USD/THB

### Exhibit 94: Current implied volatilities

Upside vols higher than the rest of the curve

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	9.30	8.92	8.80	9.07	9.64
3m	9.14	8.80	8.74	9.15	9.89
6m	9.29	8.88	8.82	9.33	10.21
1y	9.29	8.88	8.89	9.50	10.50

Source: BofA Global Research

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### Exhibit 95: 3m Z-scores of implied volatilities

Vols across tenors and strikes

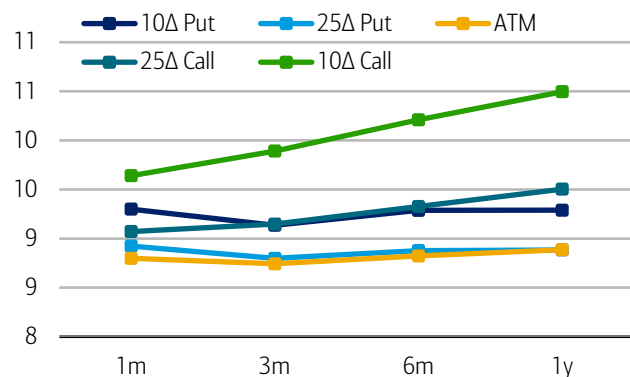
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	-1.36	-1.42	-1.46	-1.54	-1.58
3m	-1.59	-1.65	-1.69	-1.72	-1.66
6m	-1.52	-1.59	-1.66	-1.72	-1.73
1y	-1.49	-1.55	-1.60	-1.66	-1.70

Source: BofA Global Research

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### Exhibit 96: Term structures of implied volatilities

Term structures of vols across strikes and tenors

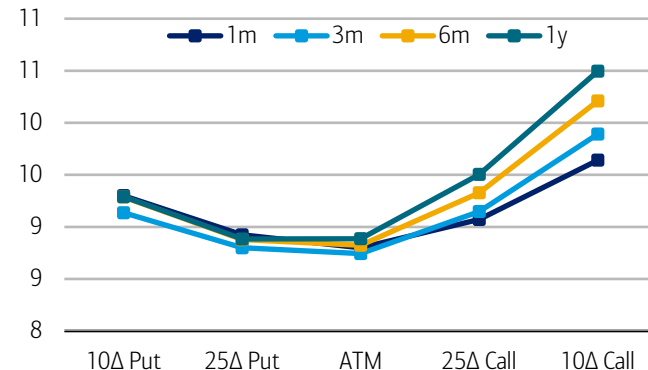


Source: BofA Global Research

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### Exhibit 97: Implied volatility smiles

Higher skew toward calls



Source: BofA Global Research

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# Vietnam

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

We forecast more moderate VND depreciation to 26,400 by year-end, reflecting broader USD strength and a difficult trade outlook with the prospect of higher tariffs. This forecast represents a 2.9% depreciation from the current spot.

### Macro outlook: Improving domestic economy vs. difficult external economy

Vietnam's economy is expected to perform well in 2025 and deliver 6.8%, relative to 7% growth in 2024. Vietnam is aiming to increase tourist arrivals by 13-15% in 2025 to 25-28mn, with marketing efforts centered around appealing to visitors from traditional sources. Inflation is also proving well-behaved at around 2-3% and within the central bank's target. Within ASEAN, our analysis suggests that Vietnam's exports are clearly most vulnerable to the US tariffs, regardless of the channels, and this remains a downside risk to the economy and the VND currency – see our report: [ASEAN Viewpoint: 2025 Year Ahead: Sailing into the wind 07 January 2025](#).

**Positioning:** It is difficult to gauge with limited data. 3M NDF points are 163 points above the spot, which is above the two-year average of +100 points, suggesting that the risk premium is modestly above the medium-term average.

**Valuation:** It is difficult to gauge with the limited data and no liquid financial instruments to reliably price expectations. Relative to the official trading band, VND trades 2.3% cheap to the midpoint, showing some respite after trading close to the 5% limit of weakness. Examining the REER, this trades 4.3% above the 10-year moving average, implying slight overvaluation.

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

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

**Curve outlook:** The curve outlook is steeper on lower inflation but improving growth.

### Exhibit 98: USD/VND forecasts vs. forwards

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

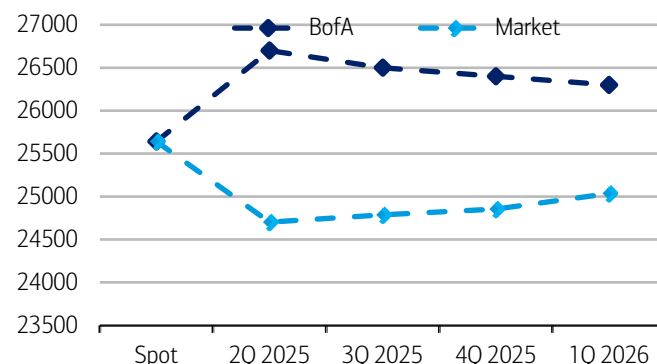
Spot	current	chg (diff)		
	25641	+163.00		
	Forecast		Forward	
Period	current	chg (diff)	current	chg (diff)
2Q 2025	26700	-	24702	-85.00
3Q 2025	26500	-	24787	-67.50
4Q 2025	26400	-	24854	-182.00
1Q 2026	26300	-	25036	-

Source: BofA Global Research, Bloomberg

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### Exhibit 99: USD/VND forecasts

Our forecast path is above the forwards from 4Q25



Source: BofA Global Research, Bloomberg

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# FX Models

## Exhibit 100: FX Compass

Long-term currency valuation

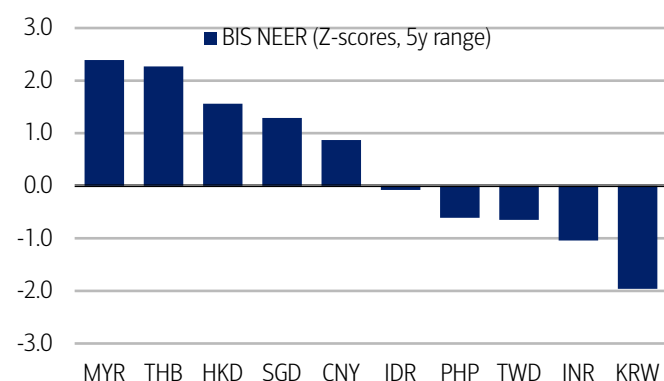
Country	Fair Value vs USD	Spot vs USD 1/	Bilateral Misalignment vs USD (%) 1/	Trade-weighted Misalignment (%) 2/
<b>Asia</b>			<b>3.0</b>	<b>0.9</b>
China	6.96	7.25	(4.3)	(8.9)
India	85.85	85.64	0.2	(2.5)
Indonesia	17290.47	16555.00	4.3	2.3
Korea	1457.30	1467.25	(0.7)	(2.4)
Malaysia	4.35	4.44	(1.9)	(4.5)
Philippines	64.49	57.32	11.1	10.6
Singapore	1.40	1.34	4.2	2.3
Thailand	38.07	33.86	11.1	10.5

**Source:** BofA Global Research, Bloomberg. Note: 1/ Fair values are updated using forecasts. Spot is for January 20, 2025. Note 2/ REER valuation is trade-weighted deviation of current REER (August estimate) from Compass fair values.

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

MYR well-above five-year average



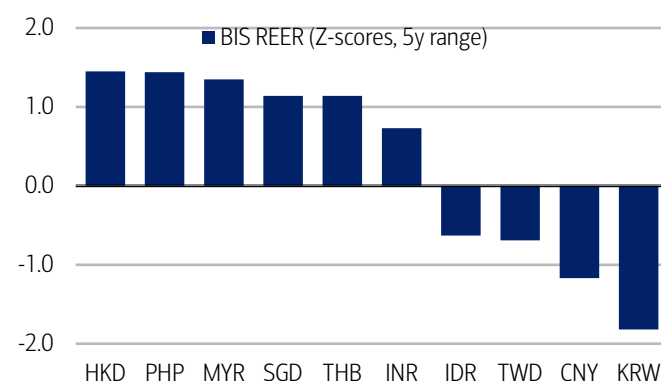
**Source:** BofA Global Research, Bloomberg

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

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

HKD well-above five-year average



**Source:** BofA Global Research, Bloomberg

BofA Global Research, Bloomberg

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# Acronyms and Abbreviations

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



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