Global FX weekly

Meeting expectations

24 October 2025

FX Research
Global

The view

G10 FX: We expect surprises from non-G3 central banks (bullish CAD & AUD). Low hurdle for US-China; watch weekend talks. US-Japan discussions could support USDJPY.

EM FX: Investors are keeping the faith in EM FX amid growing doubts over US-China relations. EM FX frontier remains a favored destination for idiosyncratic opportunities.

G10 Themes

USD: We stay bearish USD, but timing less clear. Themes of FX hedging and trade/tariff tensions still point to medium-term downside risks.

GBP: Mood music more constructive. Focus on Gilt-GBP correlation. Risk premium being priced out.

BoJ preview: On hold but hawkish tone. JPY unlikely to benefit amid US-Japan summit.

FOMC preview: 25bp cut & QT end. Asymmetric upside risk to USD on hawkish tone.

BoC preview: Our contrarian call for a rate hold is bearish for USD/CAD.

ECB preview: Placeholder meeting. We expect no guidance for December.

EM Themes

EM FX: Uncomfortably long EM risk. Our observations from the IMF/World Bank Autumn meetings and EM Conference in Washington DC

Latam FX: Election Watch; we survey the election risks around the region and the risks for Latam FX

Asia FX: Selectively bullish MYR, PHP, SGD, THB and TWD.

Quant & Vol Insights

FX vol will likely find dip-buyers before it drops to pre-2024 US election range. In G10, quant signals are bearish NOK; diverging spot vs option skew move this week favors leveraged topside expressions.

Technical Strategyy

We maintain a bullish USD bias from 2Q25. GBP$ bearish view proposed in late September underway. Downside risk remains ideally while below 1.3475.

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G10 FX Strategy
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Refer to important disclosures on page 28 to 30. 12891063

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Key views, forecasts and latest trades

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

G10	We maintain a bearish USD bias, looking for EUR-USD at 1.20 this year and 1.25 next. This is predicated on (1) ongoing stagflationary risks in the US; (2) continued Fed cuts, as other central banks appear much closer to the end of cutting cycles; (3) the US administration's preference for significantly lower rates (and by extension USD); (4) the likely continuation of USD hedging flows; (5) lower bar for positive surprises around German fiscal and European defence spending. On JPY we remain bearish, looking for USD-JPY at 155 by year-end, partly on structural Japan outflows and, nearer-term, elevated fiscal risks. We remain bullish AUD, incl. vs NZD, and the Scandies and patiently constructive on GBP – we forecast EUR-GBP at 0.86 by year-end. Our CHF bias is bearish, but CHF could find support from rising global fiscal premia, esp. vs JPY.
EM	Long EM FX conviction levels are falling away as trade policy uncertainty rises and US growth momentum supports USD. This said we remain constructive EM FX, but focus are positions. We pay 3x12M CNH forward positions based on near-term CNY appreciation and a normalization of domestic (tighter) liquidity. SGD is expected to underperform its NEER basket as we are on the strongside of the band, offering a hedge against any trade deal disappointment. In Latam, we favor long BRL against CLP, MXN and USD on valuations and easing cycles. We are bearish MXN as rate cuts reduce carry amid a deteriorating macro backdrop and potentially weaker remittances. For EMEA, enter long KZT for yield and central bank support. We close long a basket of ZAR, CZK, PLN in a 3:2:1 ratio, to reduce risk as the USD is showing some signs of a tactical near-term USD rebound.

Source: BofA Global Research

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Our key forecasts

Exhibit 2: Key BofA G10 and EM FX forecasts
Forecasts as of 23-Oct-2025

(EOP)	YE 2022	YE 2023	YE 2024	1Q 25	2Q 25	3Q 25	YE 2025	YE 2026	YE 2027
EUR/USD	1.07	1.10	1.04	1.08	1.18	1.17	1.20	1.25	1.25
USD/JPY	131	141	157	150	144	148	155	150	142
GBP/USD	1.21	1.27	1.25	1.29	1.37	1.34	1.40	1.51	1.51
AUD/USD	0.68	7.00	0.68	0.62	0.68	0.66	0.68	0.71	0.72
USD/CNY	6.90	7.10	7.30	7.26	7.16	7.12	7.10	6.80	6.70
USD/BRL	5.29	4.92	6.21	5.71	5.43	5.32	5.40	5.50	5.50
USD/INR	83	83	86	85	86	89	86	84	84
USD/ZAR	17.04	18.36	18.84	18.32	17.71	17.27	17.00	16.50	16.50

Source: BofA Global Research. Forecasts as of 23-Oct-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	
Sell USD/CAD via 1.36 put	Canada fiscal expansion optimism and expectation for equity-driven growth recovery
Sell EUR/SEK via 3m 10.90/10.80 put spread	We position for upside European surprises on the fiscal front. Sweden to out-grow the Euro area. Riksbank better priced vs ECB
Buy EUR/JPY via 1y 172 call	Higher European yields to increase Japanese demand for EUR bonds. Fiscal hopes in Europe vs fiscal concerns in Japan
Sell EUR/GBP via 6m 0.8530/0.8350 put spread	EUR/GBP expensive relative to traditional anchors: rate spreads & FX volatility. UK to benefit from broader US derisking
EM	
Short USD/KZT	High carry and favourable fundamentals make long KZT appealing while the central bank FX reaction function limits downside
EM Alpha: Long BRL/COP	Expect BRL to outperform given its high carry, attractive valuation, and the potential for improved Brazil-US trade ties. Expect COP to underperform due to fiscal slippage, treasury running out of dollars to sell, and concerns about foreign policy
Pay 3x12 CNH points	We enter paid 12M vs. 3M CNH points at -1118pts, target -820pts based on CNY appreciation and reduced domestic liquidity

Source: BofA Global Research

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For a complete list of our open trade recommendations, as well as our trade recommendations closed over the last 12 months, please see pages 21-24.

Week ahead & G10 Central Bank calls

Michalis Rousakis
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In focus next week

Fed and **BoC** (Wed). **ECB** and **BoJ** (Thu). **CPI** for **AU** (Wed); **Tokyo, GE, SP** (Thu); **FR, IT** (Fri). **3Q GDP** for **SP** and **Sweden** (Wed); **FR**/**IT** (Fri). **APEC summit** (Fri/Sat)

Other events by region:

- AMRS – **US** data releases could be affected by US shutdown. **CA** Aug GDP (Fri)
- Europe – in the **Euro area,** ECB's CPI expectations survey (Mon), 3Q negotiated wages (Tue), sentiment (Thu). In **Sweden,** Riksbank business survey (Tue)
- APAC – **JP** retail sales and IP (Thu). US-Japan summit (Mon-Wed)

Source: Bloomberg. Last updated: 23-Oct-2025. Dates are according to London time.

G10 Central Bank calls

Exhibit 4: BofA G10 Central Bank calls
Fed, ECB, BoJ, and BoC are meeting next week

Country	Current	Next	Our call	BofA YE 25 (bp)	Priced YE 25 (bp)	Narrative
US	4.13%	29-Oct	3.88%	-25	-50	We have pulled forward the next Fed cut from Dec to Oct because the labour data remain soft. We still expect only another 25bp of cuts under Powell and another 75bp in rate cuts post-Powell (June/Sep/Dec '26), for a 3-3.25% terminal. But the risk is that the Fed will over-ease because it is slow to accept the labour supply story.
Eurozone	2.00%	30-Oct	2.00%	-25	-3	We still expect two more 25bp cuts, in Dec and Mar. ECB could skip Dec, but we maintain confidence in 1.5% terminal. To us, whether the ECB cuts more is a "when" rather than "if" story. The longer it takes to provide modest stimulus, the more likely that, once it does cut, it gets stuck there and the normalisation we now expect in late 2027 never happens
Japan	0.50%	30-Oct	0.50%	0	+18	We expect a hawkish BoJ hold in Oct. We still expect the next hike in Jan, but if domestic and external uncertainties subside over the next 1-2 months and financial markets remain stable, we think a hike in Dec would become more likely. From January we expect one 25bp hike every six months, to a 1.5% terminal by end-2027.
UK	4.00%	6-Nov	4.00%	0	-18	We expect the BoE cut rates again in Feb and Apr 2026, for a 3.50% terminal rate. Given the Sep CPI print, a Dec cut is becoming a bit more live. We think an earlier cut in December is possible, but would rest on decent disinflation progress, labour market deterioration or significant tightening in the Autumn Budget.
Canada	2.50%	29-Oct	2.50%	-25	-28	We expect BoC on hold in Oct and anticipate 25bp cuts in Dec and Jan. Sep's strong labor market report, June's solid GDP growth, and core CPI remaining stubbornly above 3.0% support a hold in Oct. But downside risks remain: the BoC could judge the economy requires support and opt to cut in Oct. Our highest conviction is for a total 50bp of cuts from here
Australia	3.60%	4-Nov	3.60%	0	-23	We now expect the RBA will remain on hold at 3.6% in November (prior 25bp cut). A ~30bps upside surprise to the RBA's 3Q trimmed mean forecast, after an upside surprise in 2Q, sees core inflation (annualized) of ~3% (Exhibit 3). Moreover, the RBA has not cut rates in the meeting following a 0.8% q/q or higher trimmed mean post-GFC
New Zealand	2.50%	26-Nov	2.25%	-25	-25	We still expect the RBNZ to cut by 25bps in Nov, but see risks of a 50bp cut given weak growth and disinflationary forces
Switzerland	0.00%	11-Dec	0.00%	0	-2	We stick to our call that the SNB's zero interest rate policy is here to stay. Rates in negative territory are a risk, contingent on a meaningful deterioration in the Swiss inflation outlook. And given the still high uncertainty around the Swiss macro outlook, we expect discretionary FX interventions to remain an additional policy tool of choice for the SNB.
Norway	4.00%	6-Nov	4.00%	0	-4	We expect no more cuts this year, one cut next year, and a final cut in 2027, for a 3.50% terminal (vs 3.25% prev.)
Sweden	1.75%	5-Nov	1.75%	0	-3	We think the Riksbank is done with rate cuts, but some downside risks remain, if households remain very prudent over the next two quarters. We keep our rates path fixed at 1.75% in 2026/27, and struggle to see the Riksbank hiking rates

Source: BofA Global Research. Forecasts and OIS pricing as of 23-Oct-2025.

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The view

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G10 FX: meetings galore

Central bank meetings – limited impact for G3, surprises from others

A busy week of central bank lies ahead – we outline FX implications.

- We expect the Fed to: 1) cut by 25bp, 2) end QT and 3) deliver limited guidance for the Dec meeting. With 25bp fully priced in for both Oct and Dec meetings, there is some asymmetric upside risk for USD but unlikely sufficient for it to break out of the broader range. Powell will likely attribute his non-committal stance to the data vacuum, which should limit the impact on front-end pricing. The USD has not responded much to tighter funding, which suggests an early QT end will matter less, although it could marginally support risk sentiment.

- The BoJ and ECB are widely expected to stay on hold. The BoJ may lay the groundwork for the next hike but a gradual path remains a sideshow for JPY FX. The ECB meeting is largely a placeholder and should have limited market impact.

- We are most contrarian on the Bank of Canada: we expect a hold on strong labour data and sticky inflation, but the consensus favours a 25bp cut following a dovish Governor Macklem. We are short USDCAD on the possibility of a hawkish surprise, as well as underpriced risks around the Nov budget (see CAD – finding domestic green shoots 07 October 2025).

- While the RBA meets in early November, we expect 3Q CPI next week to show broad-based inflationary pressure and support our non-consensus call for a hold (see Australia Watch: 3Q CPI preview 21 October 2025). We are constructive AUD and have recommended paying Nov RBA OIS.

US meetings in Asia – upside risk for AUD, downside risk for JPY

US President Trump will visit Asia next week. Bilateral meetings with China and Japan are in focus.

- The White House confirmed President Trump will meet President XI on the sidelines of the APEC summit. There was limited market reaction, potentially because China is yet to confirm the meeting, as well as uncertainty around the outcome. This weekend's meeting between Treasury Secretary Bessent and Vice Premier He Lifeng will be closely watched for guidance. In our view, the hurdle for extending the November tariff deadlines, so bilateral negotiations continue, is low. A positive outcome will especially support AUD.

- President Trump will visit Japan before the APEC summit on Oct 27-29. We see risks skewed higher for USDJPY if 1) discussions focus on accelerating the implementation of the bilateral Japan-US investment agreement; 2) talks suggest that Japan will increase defence spending, adding to JPY risk via fiscal and import channels. We do not expect the US to pressure Japan on the weak yen beyond the usual commitment to market determined exchange rates and avoiding disorderly moves.

EM FX: Keeping the faith amid creeping doubts

We came away from last week's Fall IMF/World Bank meetings and BofA EM conference in Washington DC with a constructive view on EM. Many clients continue to hold long EM risk positions with a preference for carry trades, especially in Latam and among Frontier FX markets. In particular, there is a focus on idiosyncratic opportunities, which are seen as less vulnerable to the vagaries of USD positioning.

That said, it is widely recognized that there is an abundance of risks. These include concerns over the Fed's independence and institutional credibility. However, the consensus is that it will be a slow-moving issue and much may already be priced-in.

The more immediate concern is the outcome of pending US-China trade discussions with an escalatory 100% US tariff on China imports looming on November 1st. This is in response to China tightening of rare earth export regulations and evidence showing China exports to US of rare earths are slowing.

Overall, client participants at our conference believe tensions will de-escalate and US Treasury Secretary Bessent has signaled that the tariff deadline can be extended so long as trade talks remain productive.

As such, markets will be watching a potential meeting between Bessent and China's Vice Premier in Malaysia scheduled this weekend closely. It would provide guidance for a possible meeting between Presidents Trump and Xi at the end of this month at the APEC summit meeting in Korea.

Despite this optimism and constructive set up, some expert speakers are advising caution. The risk is that there could be miscalculation with China sensing it has more bargaining leverage with rare earths and that its export performance is proving more resilient.

The other key focus is on Argentina and the pending mid-term elections that are seen as a mandate on President Milei's reform agenda. Moreover, the US administration is providing support for the currency, but this is seen by many clients as contingent on success at the ballot box. Markets expect a competitive race between the ruling coalition and Peronists-Kirchnerists (Fuerza Patria).

Beyond the elections, markets are focusing on the ability of Argentina's ruling coalition to rebuild the coalitions that worked well last year. This should back the fiscal adjustment and help with structural reforms (labor, tax reform).

G10 Themes
USD: maintain mid-term bearish bias

Alex Cohen, CFA
BofAS

Link to full report: [FX Viewpoint: USD: Maintaining a bearish bias amid growing 2-way risks 21 October 2025]

- DXY rangebound amid new 2-way drivers. Old themes had run stale, amid data void, short-USD pos. and reduced conviction levels
- Developments in France and Japan have supported USD, even amid contained sov yields and a slight dovish repricing of the Fed
- We stay bearish USD, but timing less clear. Themes of FX hedging and trade/tariff tensions still point to downside risks

Home, home in the range

Despite steady market-relevant news flow and growing two-way risks, the DXY remains within its tightest range in more than a decade. FX positioning has moderated and conviction in the "short USD trade" has waned. The shutdown-induced data void is not helping.

Global developments take FX market's eye off the Fed

French and Japanese developments captivated the FX market for about a week, putting upward pressure on the USD. Though sovereign markets have digested these developments quite well, FX impact still lingers somewhat at current levels. Meanwhile, as the market seeks a fresh catalyst, Fed pricing has quietly retraced the initial upward reaction to September's "hawkish cut".

FX Hedging: All we need is patience… and lower hedge costs and a correlation shift

The FX hedging theme has gone quiet recently, as the market grows somewhat impatient on the arrival of increased USD hedging activity. We think this can still weigh on the USD but the timing is less clear. Eventual lower hedging costs and a return to less negative USD-risk correlations could encourage increased activity.

Tariffs/Trade War: what's old is new again

After lingering in the background for several months, this theme came back with the recent flair up in US-China trade relations. While things have cooled over the past week+, there is a risk of market complacency. Looking forward the upcoming IEEPA (International Emergency Economic Powers Act) tariff ruling poses two-sided risks to the USD, but we're cautious about a fresh spike in trade uncertainty, which has weighed on the USD in the past.

Bottom Line: Still bearish USD in the medium term

The above suggests caution on abandoning a bearish USD view. Into next year, themes such Fed independence should re-captivate the market, boosting expectations for a dovish stance even in the face of sticky inflation, resulting in relatively lower real rates. The endgame for nascent private credit and regional bank risks remains unclear, but any potential shock to financial conditions also poses downside risks.

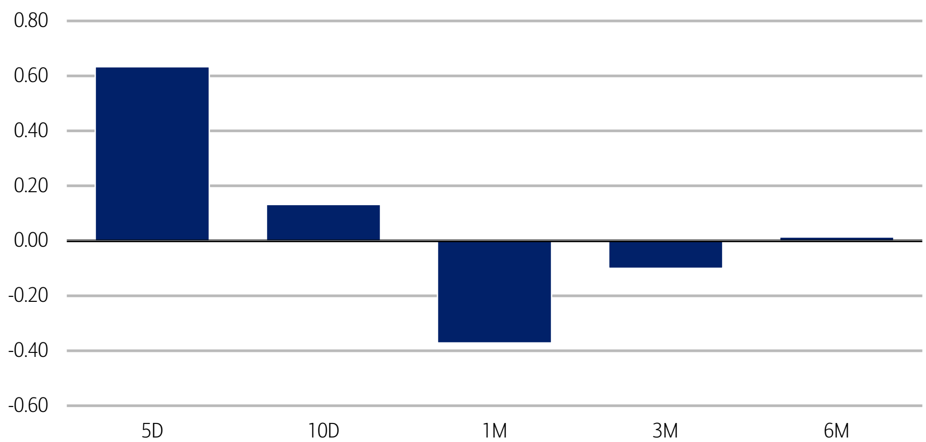
GBP: The Moody Blues

Kamal Sharma
MLI (UK)

Link to full report: [Liquid Insight: GBP: The Moody Blues 20 October 2025]

- Crunch time approaching for UK markets w/ Budget on horizon. News leaks picking up speed as contours of package emerge.
- Time will tell but mood music more constructive & OBR hold the key. Focus on Gilt-GBP correlation. Risk prem being priced out
- View: Lock in EUR/GBP hedges ahead of Budget: 1yr skew elevated; 12mth fwd points = 0.89. Release valve post event risk.

Chart of the Day: Correlation between GBP TWI and 10Yr Gilt
Recent positive correlation a function of global fixed income rally



Source: BofA Global Research, Bloomberg

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Pound in deepfreeze

November 26th – Budget Day – cannot come soon enough for UK investors. Since the announcement of the Budget date, GBP and Gilts (up until the past week) have held tight ranges. With UK markets essentially in stasis, traditional correlations are breaking down – GBP remains an afterthought in the FX world, trading in tight ranges. This is driving a wedge between the pound and some of its traditional anchors. The Budget is the binary event of the year and its outcome will be critical to whether GBP can reassert its link to some of its historical relationships. In our view, options skew remains bearish for the pound, but we sense from the recent news-flow that the risks are rising for an upside surprise. If realized, this has two implications for investors: current levels in EUR/GBP are attractive from a hedging perspective (forwards and options); whilst the "pressure valve release" of the event risk could see a strong GBP rally. Indeed, we believe that in certain scenarios, both GBP and Gilts could rally.

BoJ preview: On hold

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BoJ to forego hike given domestic/overseas uncertainties

We expect the Bank of Japan (BoJ) to maintain its policy rate at 0.5% at the next monetary policy meeting (MPM) on 29-30 October. Market expectations for an October rate hike rose following two policy board members' surprise call for a rate hike at the previous 18-19 September MPM (see BoJ review: Two surprises, 19 September). However, expectations for an October hike fell sharply as the 4 October LDP leadership election shook up the domestic political landscape. While the 21 October prime ministerial election passed, we expect the BoJ to forego a rate hike at its October MPM given ongoing domestic political uncertainty and the difficulty of assessing the state of the US economy amid the government shutdown.

BoJ to lay groundwork for next rate hike

However, even if the BoJ remains on hold as we expect, we think it will send a hawkish message to prepare the way for its next rate hike. We expect it to nudge up its FY25 GDP growth forecasts based on data for the past three months, but leave its FY26-FY27 forecasts largely unchanged.

The more important focus will be the language in the meeting statement concerning the BoJ's economic and inflation forecasts and risk assessment; any revisions to the language that indicate the pace of growth or underlying inflation is slowing, or that "high uncertainties remain" about economic activity and prices at home and abroad, could be seen as a major step toward the next hike.

If policy board members other than Hajime Takata and Naoki Tamura (who argued for a rate hike at the September MPM) come out in favor of raising interest rates this would also send the message that the BoJ is closer to hiking.

Even without these changes, we expect BoJ Governor Kazuo Ueda to respond to the recent rise in inflation expectations by placing greater emphasis on underlying inflation and upside risks to prices at his post-MPM press conference (see Tug-of-war between rising inflation expectations and political uncertainty, 10 October). We think the market would likely view this as preparing the way for the next rate hike.

BoJ to stay cautious on overseas economies

However, we think the BoJ will stick with its cautious assessment of overseas economies. In a 3 October speech, Governor Ueda noted three key points in assessing economic and inflation trends: (1) overseas economies, particularly US job market trends, (2) the impact of tariff policy on Japanese firms' earnings, wages, and price-setting behavior, and (3) food price trends[1].

Overseas economies are a source of growing uncertainty, due mainly to the US's ongoing government shutdown, move to raise tariffs on China, and credit concerns in the banking system. Govenor Ueda commented at a press conference following his 3 October speech that if the release of US economic data was delayed the BoJ would compensate by looking at related data and exchanging views with US policymakers at last week's annual meetings of the World Bank and IMF. However, we think the BoJ is unlikely to form a more constructive view of overseas economies, particularly the US, given the lack of official data and weak alternative data since the previous MPM.

[1] Speech by BOJ Governor Kazuo Ueda at 3 October meeting of business leaders in Osaka

Events this week have dispelled some (but not all) of the uncertainty surrounding domestic politics (see New LDP-JIP coalition: Policy & market implications, 20 October). This will keep the focus on negotiations between the political parties, and with minimal information available as yet about the outcome of talks we think most BoJ policy board members will be reluctant to push for a rate hike.

FX: BoJ/Fed MPM and US-JP summit may boost USD/JPY

The risk for next week is tilted toward a rise in USD/JPY. First, the BoJ's MPM is expected to result in no change. Our economists anticipate a hawkish tone on domestic developments, but they also expect the Bank to maintain a cautious stance in assessing overseas economic conditions.

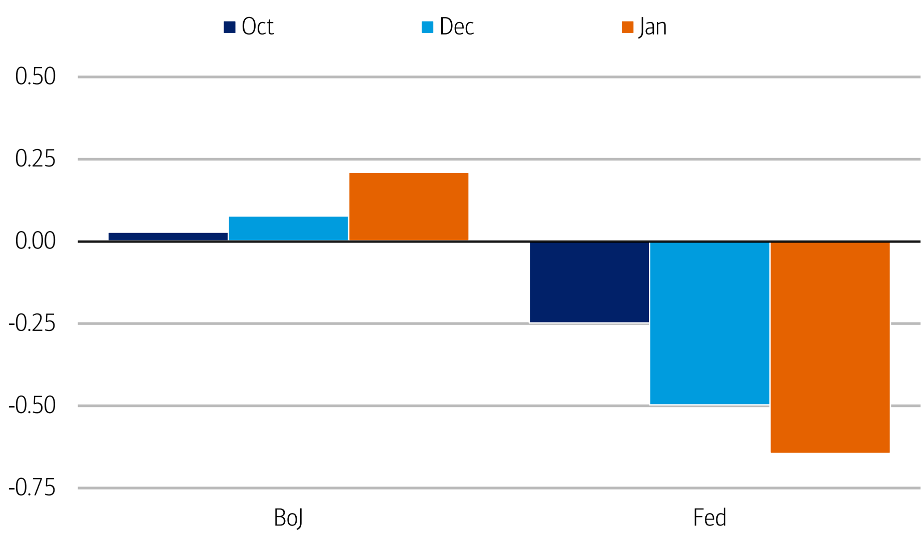
Currently, the market is fully pricing in rate cuts by the Federal Reserve in October and December, with more than 50% priced for January. On the other hand, a 25 basis point rate hike by January is priced in at over 80% for the BoJ (see Chart 3). The FOMC meeting is also scheduled for next week.

The U.S. rates market appears to be pricing in a weakening labor market. Our base case is that the BOJ will raise rates in January, while the Fed will cut rates next week and then hold steady until the end of Chair Powell's term. Therefore, it is the pricing of U.S. rates that seems too dovish, although this could also reflect heightened uncertainty due to the ongoing government shutdown. If Governor Ueda emphasizes such uncertainties, the market may react with yen depreciation.

Additionally, a Japan-U.S. summit is scheduled for next week. In terms of the foreign exchange market, if discussions progress on 1) Japanese investment in the U.S. based on a bilateral investment agreement, or 2) Japan's increased defense spending, these could boost USD/JPY (see: FX Watch: Q&A on JPY – domestic risks skewed to a weaker yen 13 October 2025).

Exhibit 5:Policy rate expectations for the next three policy meetings for the BoJ and Fed (cumulative change, % points)

Market expects continued rate cuts by Fed and a hike by BoJ by Jan



Source: Bloomberg

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FOMC Preview: Shutdown cut

Alex Cohen, CFA
BofAS

The Fed should cut 25bps & end QT at the Oct FOMC, in our view. There will be no S.E.P. so the market should take direction from Chair Powell. He will likely reiterate the Fed remains more focused on downside risks to the employment mandate, justifying the cut amidst a shutdown data void. Powell is likely to provide limited forward guidance & a data dependent stance for the December meeting. We expect 1 dovish dissent (Miran) and see meaningful risks of a hawkish dissent. We expect Fed QT to be stopped at end October (see Fed QT stop: end October 23 October 2025). We don't anticipate any decisions (or lack thereof) on QT will/should impact the USD.

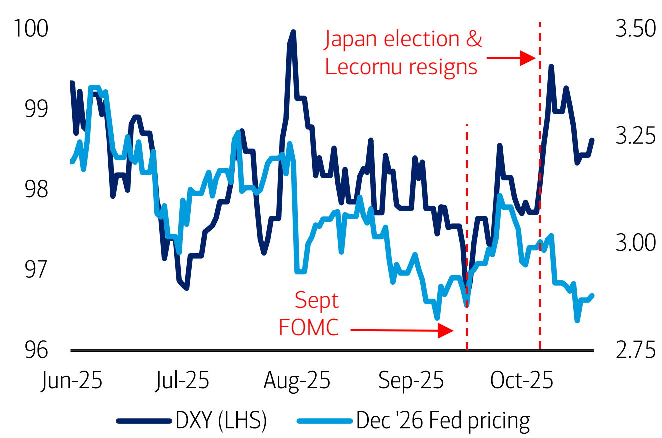
FX: a high hurdle for Fed to materially impact USD

The dollar approaches next week's FOMC within its relatively tight trading range over the past several months. With a 25bp rate cut fully priced, it is unlikely the October FOMC will provide enough to prompt a material and prolonged USD reaction, beyond the typical sensitivities to Powell's hawkish/dovish tone. Moreover, the absence of top-tier labor data provides the Fed with even more cover to maintain a non-committal stance.

As of the Fed's September S.E.P, 9 members penciled in a base case for the Fed to deliver one more cut this year, whereas 10 members saw 2 more as appropriate. For now, the market has sided with the more dovish members, as December is also fully priced at -25bp. For FX, this could introduce some near-term asymmetric upside risk on a more hawkish tone. This assumes a) a subsequent -50bp cut is unlikely in this environment, and b) messaging wont shift so dovish as to push terminal rate expectations even lower. This is potentially why (along with developments in France and Japan) the USD has been modestly supported this month despite the slight dovish shift in Fed pricing. (Exhibit 6) Looking across the G10, the USD has outperformed this month, even as most other central banks have repriced by relatively less. (Exhibit 7)

Prior to the FOMC will be Friday's September CPI report. As is the case with the FOMC, the fully priced cut for December presents some upside asymmetry. Should CPI come in hot the USD could rally if December becomes less of a "done deal". A soft CPI likely won't be sufficient to move near-term Fed pricing even lower. This has the potential to narrow the range of outcomes at next week's Fed.

Exhibit 6: USD remains rangebound as Fed pricing has retraced
DXY index & December '26 Fed pricing (fed funds implied)



Source: Bloomberg; BofA Global Research

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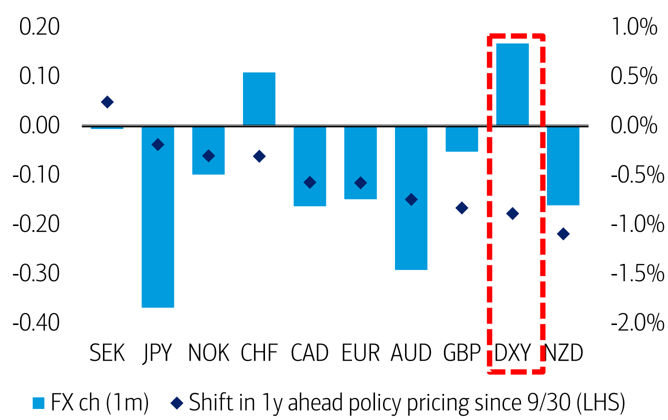
Exhibit 7: Fed pricing has shifted notably dovish (vs. most G10 CB's) even as USD has appreciated
M.T.D. G10 FX performance vs. shift in central bank pricing (1y ahead)



Source: Bloomberg; BofA Global Research

BofA GLOBAL RESEARCH

BoC Preview

Howard Du, CFA
BofAS

BoC likely to hold in October amid sticky inflation

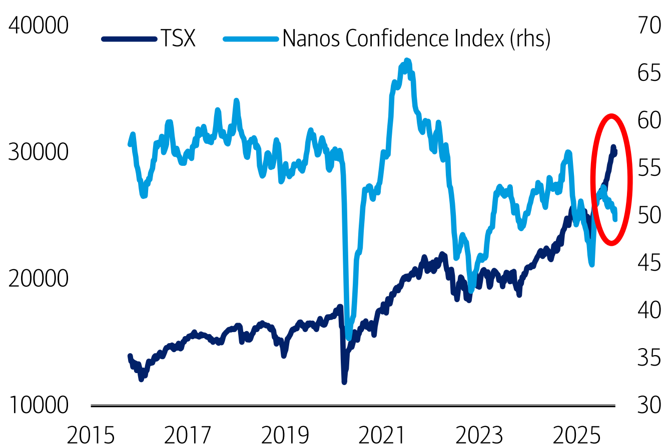
We expect the BoC to keep its policy rate unchanged at 2.50% on October 29, in response to September's strong labor market data (see Oct 10 report) and persistently elevated core inflation—both core measures remain above 3.00%. The BoC is likely to maintain its meeting-by-meeting approach, and we continue to expect 25bp rate cuts in both December and January, bringing the policy rate to 2.00%. The main risk to our forecast lies in timing: the BoC could opt for a 25bp cut in October if it chooses to look through sticky inflation, reaching 2.00% earlier than our baseline.

FX: Risk/reward favors positioning for lower USD/CAD

Following dovish commentary from Governor Macklem and soft BoC Business and Consumer Surveys for Q3, market pricing for another rate cut at the next meeting materially increased. Despite upside inflation surprise for September, market continues to price in more than 50% chance of an October rate cut. We believe risk/reward now favors hedging for a hawkish BoC surprise.

Decline in sentiment in recent months has diverged from the rising domestic equity market (Exhibit 8). This dislocation suggests economic conditions is likely less dire than the sentiment data suggests. Front-end USDCAD implied vol now trades around 4.0 (Exhibit 9), which shows market is pricing little risk premium into next week's central bank meetings in this pair. With USD/CAD spot currently trading around 1.40, another BoC rate cut is unlikely to lead to much further upside in spot. However, a hawkish surprise could lead to larger correction lower amid low implied vol positioning.

Exhibit 8: Decline in domestic sentiment in Q3 diverged from the continued equity market rally
TSX index vs Nanos Confidence Index



Source: BofA Global Research, Bloomberg

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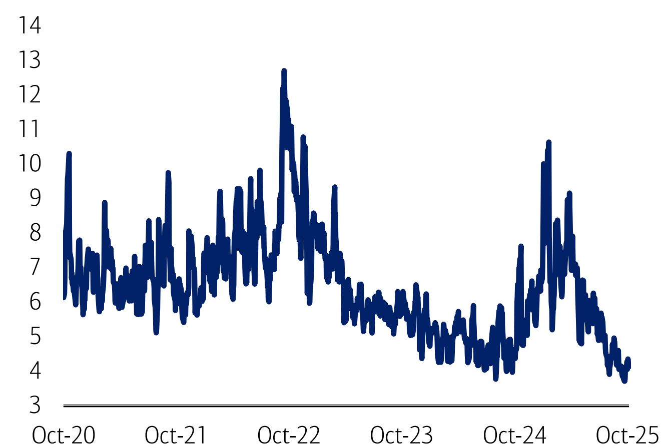
Exhibit 9: Front-end USDCAD implied vol close to 4.0 is at the low vs history
2-week USDCAD implied vol



Source: BofA Global Research, Bloomberg

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ECB Preview: another placeholder meeting

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Waiting for December, or later

The October ECB meeting should be a placeholder. We expect no change in policy rates and only fine-tuning of communication. ECB President Lagarde will likely reiterate that the central bank is in a good place and that recent developments broadly match expectations in the September forecast exercise. We expect minor changes to the assessment of the outlook and the balance of risks. Lagarde will insist on no pre-committing and on a meeting-by-meeting approach.

Consistent with that, we doubt the ECB is ready to acknowledge the end of the easing cycle. While some members of the governing council may feel they are done, uncertainty is high and risks still somewhat asymmetric in their view. Similarly, we would expect no guidance for the December meeting, pointing to the new set of forecasts then as providing more complete information to take decisions.

As we said a few days ago, the ECB still thinks it is in a good place. The data says otherwise, though. To us, ECB cuts are more a "when" than "if" story; this is our strongest conviction. We still expect a cut in December and March, but conviction on December is getting smaller. The longer it takes to provide some modest stimulus, the more likely that, once it does cut, it gets stuck there and the normalisation we now expect in late 2027 never happens.

Why December?

We still think, with low conviction, that the ECB can get pushed to cut in December. Data next week will show weaker activity and, at best, inflation in line with its expectations. Data from then until the December meeting will likely reinforce that. And, as we argued a few weeks ago (see Europe Economic Weekly: It's getting tight0, financial conditions have gotten substantially tighter. The ECB will find it hard to avoid reflecting a larger and/or more persistent inflation undershoot in its updated forecasts in December.

And that is before we start discussing the role of the Emission Trading Scheme 2 (ETS2) in 2027 inflation. Given recent news, by December, the 2027 impact on inflation could be worth less than assumed on current ECB forecasts (although we think December it's likely too early for major revisions) but certainly, it makes us wonder how the size of an inflation undershoot and the associated policy response is now in the hands of environmental ministers.

More importantly, as it is, ETS2 is worth almost 30bp of 2027E inflation. But it's a one-off, meaning that 2028E inflation, once the ECB extends the forecasting horizon, is likely to remain below 2%. Can the ECB show an inflation undershoot all the way to 2028 and not do anything about it? Recent ECB sources suggest it could be the case, but it would come at a credibility cost.

Back to uncertainty

Finally, an additional argument is likely to gain strength – that of uncertainty. As we argued last week (Europe Economic Weekly: Uncertainty strikes again), uncertainty compounds easily. As recent ECB staff work has shown, policy uncertainty can significantly weaken the effectiveness of monetary policy in the Euro area. That would call for at least some "insurance cuts" in current conditions. We would not be surprised if the "insurance cut" theme gathers strength in the next few weeks.

This week ECB's chief economist Lane made a similar point in a speech about the transmission of monetary policy. Our take from it is that, without being explicit, he was making a clear case for "insurance" cuts. On net, the ongoing transmission of monetary policy easing to credit volumes has been more gradual than anticipated, building on past regularities. Why? Uncertainty weakens the impact of monetary policy on investment. While there may be an option value to waiting to see if uncertainty goes away, it's becoming clear that, while uncertainty has declined compared to the peaks in the second quarter, it will likely remain elevated compared to historical norms.

A disconnect between minutes and narrative

Finally, we think the disconnect between ECB accounts and the narrative in ECB speak has to close at some point, and, we think, it will eventually close towards the minutes.

As a reminder, the accounts of the September meeting had two clear ingredients that would suggest a cut was around the corner, if it wasn't for the tone we hear in ECB speak. First, "*several*" ECB members view inflation risks tilted to the downside and only "*a few*" to the upside. One has to wonder how, at the aggregate, risks to inflation are seen as "*balanced*". And the minutes unveil that there was also a long discussion on Emissions Trading System 2 and the risks once forecasts are updated in December.

Second, while Lane proposed to keep rates on hold: he argued that "*while a further rate cut in the coming months would better protect the inflation target both under the baseline and across a range of adverse scenarios, the materialisation of upside risks would instead warrant maintaining the current level of the policy rate.*" To us, this reads as a bias to cut if the distribution of risks keeps shifting lower. We would understand the speech this week on the transmission of monetary policy as a follow through to the points made in the September meeting.

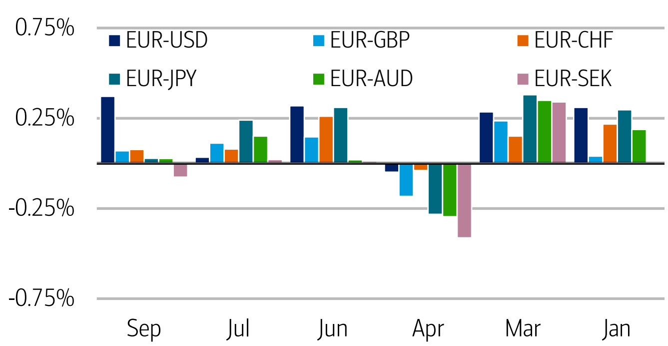
ECB non-event next week, but to weigh on EUR later

We expect the ECB's October meeting to be a non-event for the EUR. Although this year's ECB meetings have supported EUR modestly (Exhibit 10), we expect the ECB to turn into a negative factor down the road: our economists maintain their firm conviction in two additional ECB cuts (vs market pricing of barely one in this cycle), leaning bearish on both near-term Euro area growth and inflation vs the ECB's September forecasts.

Our bearish ECB call is a key reason we lean bearish on EUR vs GBP (post-UK budget), AUD, and the Scandies. But we do not expect the ECB to be key for EUR-USD, which will likely continue reflecting primarily US developments – we maintain a constructive EUR-USD bias (see USD report 21 Oct '25). We also continue to favor EUR-JPY higher.

ECB aside, the recent French developments lowered near-term sentiment around Europe further, as also evidenced by near-term risk reversals (see (Exhibit 11 and FX Vol Insight 14 Oct '25). We think this leaves more room for upside surprises, particularly around German fiscal and European defence spending (see also Liquid Insight 23 Oct '25).

Exhibit 10: All ECB meetings this year ex April supported EUR modestly
EUR reaction one hour after ECB rate decisions this year for key crosses



Source: Bloomberg, BofA Global Research

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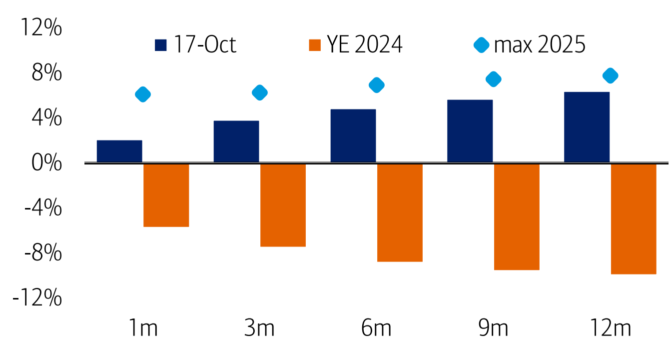
Exhibit 11: Near-term EUR sentiment off its highs
EUR-G10 trade-weighted risk reversals (vol-adjusted)



Source: Bloomberg, BofA Global Research

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EM Themes
EM FX – Uncomfortably long

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The following is an abridged version of GEMs Viewpoint: Dispatch from DC: Staying long until proven wrong 19 October 2025

The only game in town: long until proven wrong

We hosted our flagship Global Emerging Markets Small Talks Symposium in DC on the side of the IMF meetings with record attendance. Close to 500 clients, 128 meetings, and 25 Finance Ministers and Central Bank Governors combined.

The mood was cautiously optimistic. Investors are long risk both in DM and EM despite tight valuations. Everyone agrees that credit spreads are tight and equities flirting with bubbly trends, Fed cuts priced to perfection and gold making new highs. With a few exceptions, risky assets are trading with late cycle characteristics and vulnerable to any spark that can trigger a correction, from an accident in private credit to a policy mistake that can end up in an escalation of the US-China trade war.

People agree that excess global liquidity is a big driver of risky assets across countries and asset classes, and that any shock that can tighten global liquidity can have broad based impact. At the end, people are long global equities, rates, credit, EM, carry and gold while still adding to dollar shorts. But investors are not in the mood to reduce risk, while at most focusing on finding cheap convex hedges.

On the dollar though, with the recent compression in interest rates differential driven by a dovish Fed and the resilience of US economy vs other developed countries, the USD is not seen as a one-way trade anymore.

DC cocktail: Resilient growth, AI hopes and fears, stablecoins, and trade wars

Even though there is broad consensus that policy uncertainty is here to stay, investors seem comfortable with global growth and inflation dynamics. The resilience of global growth in 1H25 on the back of strong US consumption and export front loading from the rest to the world to the US has been remarkable.

The AI revolution was probably one of the themes that attracted most of the interest. There is widespread optimism that this time is different as earnings are real and this is just the beginning of a huge structural change that will yield significant productivity gains. However, it wasn't rare to find people warning that this is another bubble that can end up in tears. There were also questions on whether there is enough capacity to generate and distribute the electricity needed to deal with AI-related projected investments. The bulls are definitely counting on AI for their structural longs.

On US-China tensions re-escalating, investors are divided on how the recent tit-for-tat game will continue. Some are on the camp that de-escalation is the most likely scenario from here while others think China might have the upper hand by restricting rare earth exports. There was renewed interest in understanding the SCOTUS ruling on IEEPA and how the US can recalibrate the tariffs strategy based on the final ruling. Experts are divided on the most likely outcome, which can come as early as December.

Fiscal policy: comfortably numb

The discussion on fiscal policy left many scratching their heads. On the one hand, there is consensus that fiscal/debt dynamics are not sustainable in most developed economies in addition to the usual suspects in EM and that gold is the reflection of a lack of trust on a structural solution to fiscal imbalances. However, despite some recent repricing in the long end of the of the curves and some hints of financial repression, investors are long bonds under the perception that fiscal blowups are a low probability event in DM.

US resilience, European same old problems, and China overcapacity

Despite trade tensions, the US story remains the preferred one within developed economies. We found mixed feelings about whether Fed independence and fiscal deficits are market moving events in the short term. People are constructive on the US but puzzled by the decoupling between consumption and the labor market

Low expectations on any resolution of Russia-Ukraine conflicts despite some headlines that India might reduce oil imports to induce Russia to sit at the negotiation table. However, we left DC more constructive on Ukraine bonds on better prospects for their financing needs.

In Asia, investors don't expect the anti-involution campaign to make a big difference to reduce China's overcapacity issues while fiscal policy stimulus, while needed, is not expected despite weak consumption. People expect China to continue exporting deflation in goods to the rest of the world ex-US and help central banks to continue cutting rates as the payback from the front loading of exports hits in 4Q25-1Q26.

Still positive environment for EM

EM continue attracting flows despite tight valuations. People acknowledge that the convergence between DM and EM is mostly driven by a better job done by the latter. Investors are still long carry trades, with BRL and TRY as preferred longs and CLP and Asian currencies as natural funding ones, while using gold as a hedge. Among credit stories, lot of interest on Argentina and Senegal, as well as Ecuador and Venezuela. On local market rates, there is still a bias to receive rates in Brazil, Mexico.

Argentina's soap opera with the US is making new chapters every week. Some investors are comfortable with the bazooka support from the US, but others doubt Milei will do well in the midterm elections and wonder whether the US will keep the announced support in a that negative scenario.

In Asia, GDP doing surprisingly well due to exports front loading while policy response continues to set a floor on growth through a combination of rate cuts and selective fiscal support. This said, there is a consensus that growth will slow in H2 because of the negative tariff effects building. The sense on monetary policy is that Asian central banks are more or less aligned to where their neutral policy rates should be.

In EEMEA, geopolitical risks remain. The OPEC is likely to stay the course. The work on EU loan to Ukraine using Russian frozen reserves is progressing. No major easing is expected in Hungary, but headlines will remain noisy. The timing of adoption of the new South Africa inflation target is uncertain. Recent newsflow support Egypt to complete IMF reviews. Senegal and Lebanon debt sustainability remain hotly debated.

LAtAm is rich in in idiosyncratic stories. Brazil's economy remains robust, but signs of deceleration are becoming more evident. Trade uncertainty continues to dominate in Mexico. Peru and Chile are benefiting from high metal prices. In Colombia, fiscal concerns and election are on the spotlight. Central American countries are experiencing the opposite of stagflation.

Latam FX & local strategy

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The following section is an abridged version of LatAm At A Glance: Elections watchers 21 October 2025

LDM: Land of value and carry

Sentiment remains cautiously optimistic, with investors still long EM despite a Fed that is priced to perfection, stretched equities, tight credit spreads, and a USD that is no longer seen as a one-way trade (see Dispatch from DC: Staying long until proven wrong). In this backdrop, we believe LatAm is a land rich in value and carry. Most countries in the region offer one or the other, except for Brazil, which offers both, so we like being long rates and FX. In Chile, we see more value in FX, while in Mexico we continue to like rates. Finally, we like risk-reward in Colombian rates, but dislike FX exposure. We believe that Peruvian rates are fairly priced and, while we have been surprised by PEN resilience, we believe it has been fully driven by a positive terms of trade shock.

Brazil: Enjoy a Carry-pirinha

Despite the most recent selloff, we remain constructive on Brazil. We recently opened two long BRL recommendations, as we think that the currency remains deeply undervalued against the rest of high-carry LatAm FX. Specifically, we like to be long BRL/COP (current: 708) and BRL/MXN (current: 3.39) as we think that BRL is cheaper and provides more attractive carry than both COP and MXN. We believe these pairs could be between 15% and 20% undervalued in real terms based on historical trade-weighted metrics. Moreover, BRL's attractive carry allows investors to position for a correction in the undervaluation of other high-carry currencies. Risks are political surprises or higher public spending in Brazil ahead of 2026 elections.

In the rates space, we continue to see value along the curve, and we are therefore keeping our long NTNB 2028 (current: 8.37). In our view, falling inflation expectations, slowing growth, and a Fed that is easing monetary policy could support our view that the BCB will cut rates later this year. Risks are a deterioration in the political or fiscal outlook.

Mexico: A still underpriced easing cycle

Given our out-of-consensus view that Banxico will likely cut the policy rate to 6.00%, we retain a constructive view on rates. Specifically, we like to receive 5y F-TIIE (current: 7.18) and to be long MBONO 03/01/2029 (current: 7.87), as the market is pricing a terminal rate closer to 6.75%. Risks are a hawkish shift in Banxico, upward inflation surprises in Mexico, and the Fed cutting less than implied by the market

In our view, there are several factors that would allow Banxico to continue cutting rates. First, a negative output gap and inflation within the target range may push the central bank to prioritize the signal coming from economic activity. Second, the Fed's easing cycle provides Banxico some room to cut rates. Finally, MXN resilience may also give Banxico more confidence to keep a narrow rate differential, as the exchange rate has benefitted from the weak dollar environment. Recent guidance in the minutes, which explicitly states that historical lows in the rate differential do not constitute a lower bound, is consistent with this view.

Colombia: Attractive risk-reward in rates?

We believe the market is pricing an overly shallow easing cycle in Colombia. The market has once again turned significantly more hawkish in Colombia. After briefly pricing a terminal rate of about 8.0% in September, the market is now expecting the policy rate to remain at 9.25% through 2026, and a terminal rate of about 9.0% in 2027. We believe that current market expectations for the policy rate are too high. While inflation and fiscal dynamics in Colombia certainly warrant short-term caution from BanRep, we believe the terminal rate should be well below 9.00%. Guidance that hikes could be on the table has recently generated noise, we think the bar to hike is still high.

In the case of the currency, we believe that the Colombian peso has rallied well beyond fundamentals. Granted, the high carry and the weak dollar narrative could be providing some support to COP, as has been the case with the rest of LatAm. However, we believe that it is mostly stronger on the back of Colombia's unconventional liability management operation and – most recently – noise around a potential reduction in pension fund foreign investment limits.

We believe that COP should have underperformed LatAm FX, as it should have priced some fiscal and policy risks. Instead, it has outperformed the rest of LatAm FX. As such, given much more limited room from Hacienda to sell dollars, we express our bearish COP view via long BRL/COP (current: 708). Risks are potential rate hikes in Colombia, and large dollar sales by Colombia's treasury.

Chile: Excessive premium ahead of the November election

We keep our bullish view on the Chilean peso by selling EUR/CLP (current: 1,119) on the expectation of a potential decline in policy uncertainty in November. In our view, the Chilean peso remains undervalued, which is evident from the significant decoupling we have seen versus the recent supportive evolution of Chile's terms of trade. In our view, a potential reduction in policy risk may trigger a correction in CLP's undervaluation. Risks are falling copper prices, global risk-off, and prolonged policy uncertainty.

Peru: Not a compelling value story

We believe that local markets do not offer a compelling value. In the rates space, we think that the market is fully pricing the current backdrop. With inflation around target and healthy growth, we believe that the potential for significant dovish surprises is limited. In our view, Peruvian rates are roughly in line with levels we would expect with BCRP around a neutral stance.

In the case of the FX, we exit our recommendation to be long USD/PEN, which we opened on July 31, after hitting our 3.41 stop (see Buy USD/PEN). We have been surprised by the resilience of PEN, but we believe that recent appreciation has been driven by the sharp improvement in terms of trade. We prefer to be cautious, as such an improvement in terms of trade may not be sustainable and could be vulnerable to a short-term correction even if our long-term copper outlook remains bullish.

Asia FX – Selectively Bullish

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The following section is an abridged version of The EM Asia FX Strategist: Asia FX Monthly – selectively bullish 23 October 2025

Summary of FX views

CNY/CNH (neutral): We maintain our year-end USDCNY forecast at 7.10, underpinned by the current account surplus and USD/CNY fixing at just below 7.10.

HKD (neutral): We expect HKD funding to be stable until the spot is below 7.76. Our base case remains for spot USDHKD to get close to 7.75 in 4Q25, but hit 7.75 in 1Q26.

INR (neutral): Trade uncertainty including services weighs on exports and flows, despite the appealing valuation and weaker USD trend in 4Q.

IDR (neutral): Expansionary domestic policies marginally negative for IDR, even as USD weakness may cushion impact.

KRW (neutral): KRW is weak due to the large portfolio outflows led by retail and the NPS. We think the KRW underperform regional peers even in a USD sell-off.

MYR (bullish): USD-beta supportive of further appreciation but offset by risks to exports and BNM unwinding forward USD shorts in a gradual manner.

PHP (bullish): Favorable seasonality and levels in the near term, despite medium-term concerns on further easing, political uncertainty and the wide CA deficit.

SGD (bullish): Bullish as a regional proxy and lower risk of SNEER correction within the band as MAS is likely to keep policy settings unchanged for now.

TWD (bullish): We see the upcoming US Treasury FX Report to be a possible catalyst for a lower spot USDTWD in 4Q25.

THB (bullish): THB appreciation likely on USD weakness trend and favorable CA seasonality in 4Q, despite headwinds from soft macro and dovish policy.

VND (neutral): Robust GDP growth and conditional FTSE Russell upgrade to Secondary EM status support VND. Modest VND depreciation likely to 26,400 at end-2025.

Exhibit 12: Asia FX forecasts for the next four quarters
Bullish MYR, PHP, SGD, TWD and THB; neutral elsewhere

Currency	View/bias	Spot	4Q '25	1Q '26	2Q '26	3Q '26
USD/CNY	Neutral	7.12	7.1	7	6.9	6.8
USD/HKD	Neutral	7.77	7.75	7.75	7.75	7.75
USD/INR	Neutral	87.9	86	85	85	84.5
USD/IDR	Neutral	16575	16300	16300	16200	16100
USD/KRW	Neutral	1422.30	1400	1370	1350	1330
USD/MYR	Bullish	4.23	4.2	4.2	4.15	4.15
USD/PHP	Bullish	58.17	56	56	55	55
USD/SGD	Bullish	1.29	1.27	1.27	1.26	1.26
USD/TWD	Bullish	30.61	30	29.50	29.2	28.9
USD/THB	Bullish	32.72	31	31	30	30
USD/VND	Neutral	26341	26400	26300	26200	26100

Source: BofA Global Research estimates

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Quant & Vol Insights

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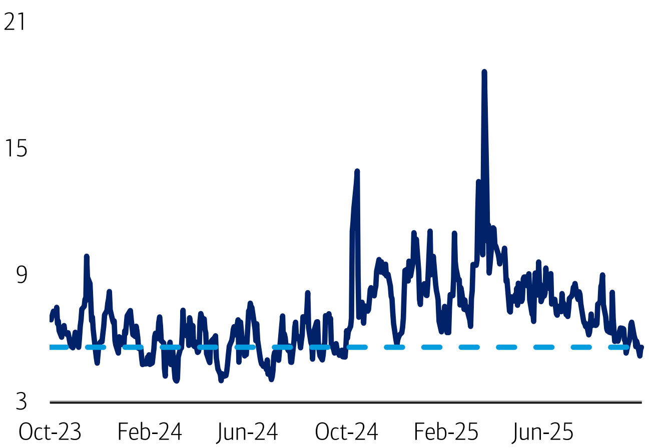
FX vols unlikely to return to pre-2024 US election regime

As the seasonal pattern of rising FX vols in September and October did not materialize this year, FX vols broadly appear to be on the verge of returning to the pre-2024 US election regime (Exhibit 13). We believe dip-buyers would likely keep FX vols supported at current levels. Recent quietness in FX market can be attributed to two temporary factors. FX investors broadly lack spot directional convictions due to missing US economic data. Return of data release after the government shutdown ends should reinvigorate some vol demand. Secondly, cross-asset vols have broadly been muted in Q3 but finally showed some signs of revival in recent days on the back of rising US corporate credit risks and gold price retracement. The economic implications of global reciprocal tariffs enacted this year have likely not fully materialized. The tail risk scenario of a systematic shock should be hedged amid local FX vol troughs.

FX quant signals are bearish NOK

Elsewhere in the G10 complex, latest FX quant signals are consistently bearish NOK. Risk reversals sharply moved for NOK puts this month (Exhibit 14), potentially as hedge for risk-off and lower crude oil price. NOK remains in downtrends vs both the EUR and SEK. CARS model is also bearish NOK this week on weak domestic equity market. NOKSEK downtrend remains firm with spot price grinding lower along its 20-day Bollinger band. Current EURNOK spot level and dislocation from front-end option skew would favor owning topside leveraged expressions such as ratio call spread, in our view. The risk for the bearish NOK signals would be a sharp relief rally for crude oil price.

Exhibit 13: Front-end EURUSD vol is back to pre-US election level
1-week EURUSD implied vol



Source: BofA Global Research, Bloomberg

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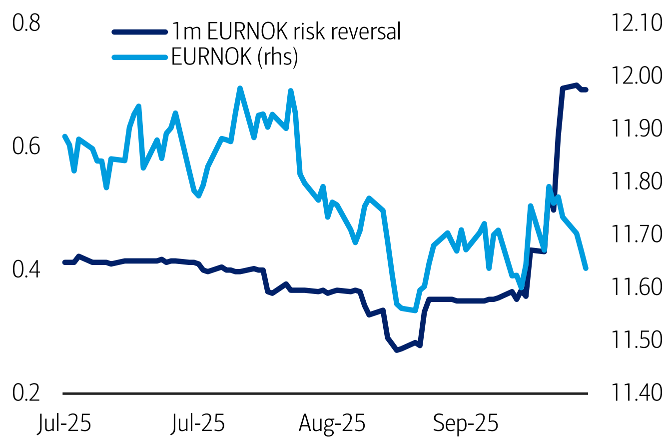
Exhibit 14: Elevated risk reversal for EURNOK calls favor leveraged topside expressions
EURNOK spot vs 1m risk reversal



Source: BofA Global Research, Bloomberg

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Technical Strategy

Paul Ciana, CMT
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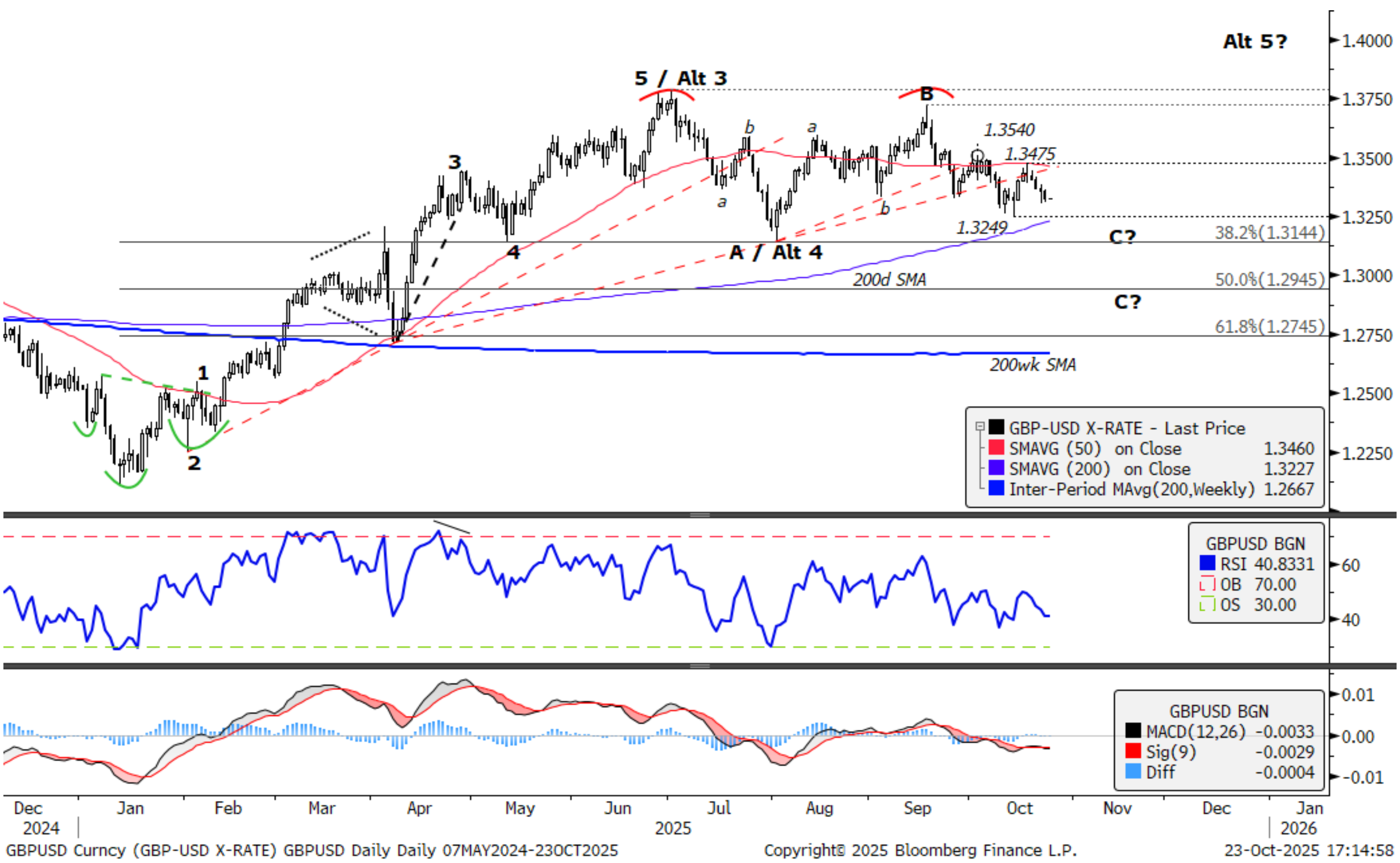
- We maintain a bullish USD bias from late 2Q25, reiterated in Sept 2025. Bearish GBPUSD view underway. Technicals / seasonals still favor downtrend especially while below 1.3475 / 1.3540.
- GBP$ bounce failed at 50d SMA resistance and turned lower toward 1.3249 (Oct 10 low and 200d SMA). Below this increases risk of double top and more downside.
- BBDXY's head and shoulders base remains with tactical support rising to 1205. Bearish euro bias remains with tactical resistance now at 1.1730.

For more, please see the FX Technical Advantage: Ten USD support lines in dissent (Sept 22, 2025) and Seasonality Advantage: Q4 tends to be the most wonderful time of the year (Sept 24, 2025) reports.

Bearish GBPUSD wave pattern still intact

Chart 1: GBP$ remains in proposed wave "C" down after failing at 1.3527-1.3537, 50d SMA resistances. Test of 1.31s (July lows) seems likely. Because wave C should see 5 down waves, a lower low now vs. July would imply a double top and additional downside to 1.2745 and/or the 200wk SMA in the 1.26s.
Daily candle chart, 50d SMA, 200d SMA, 200wk SMA, RSI, MACD.



Source: BofA Global Research, Bloomberg

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Chart 2: BBDXY trending higher from wave B low, retracing YTD downtrend. Elliott Wave pattern and head-and-shoulders base suggest USD strength can continue. Wave C up initially target the 1230s. (See 200d SMA and 38.2% Fibonacci retracement area)
Daily candle chart, 50d SMA, 200d SMA, 200wk SMA, RSI, MACD.

Source: BofA Global Research, Bloomberg

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Trade Recommendations G10

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Exhibit 15: Open trades G10
Current G10 FX trade recommendations. Prices as of 23-Oct-2025

Trade Description	Open Date	Entry Price	Expiry Date	Current Price	Rationale	Risks
Buy 3m USD/CAD put	6-Oct-2025	0.22% USD (1.36-strike, spot ref 1.3962, vol ref 4.74)	6-Jan-2026	0.14% USD	Canada fiscal expansion optimism and expectation for equity-driven growth recovery.	Lower BoC terminal policy rate or global risk-off shock.
Buy 3m EURSEK put spread	8-Sep-2025	0.32% EUR (10.90/10.80 strikes, spot ref 10.9750)	5-Dec-2025	0.39% EUR	Sweden stands to benefit from positive European surprises on fiscal and defence spending. Sweden outgrows Euro area in 2H.	Weaker Swedish data leading to an even more dovish Riksbank, strong US data or risk-off
Buy 6m EUR/GBP put spread	1-Jul-25	0.52% EUR (spot ref 0.8575, strikes 0.8530/0.8350)	31-Dec-25	0.16% EUR	Bullish GBP seasonality in July, long-term valuation, stronger UK macro data vs EU.	Renewed geo-political risks, or positive timeline on European fiscal/defense implementation.
Buy 1y EUR/JPY call	25-Mar-25	1.41% EUR (172-strike, spot ref 162.70)	25-Mar-26	3.19% EUR	EUR/JPY should benefit from structural outflows from Japan, investor demand for EUR bonds, and Europe's fiscal expansion.	US trade/tariffs policy become bearish for the EUR.

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Source: BofA Global Research. See reports for each trade under trade description.

Exhibit 16: G10 FX Closed trades
Recently closed trades in G10 FX.

Trade Description	Entry date	Entry Level	Target	Stop	Close date	Level closed
Sell GBP/AUD	2-Oct-2025	2.0380	1.9720	2.06	13-Oct-2025	2.06
Buy 3m USD/JPY call spread	14-Jul-25	0.6426% USD (strikes 150/155, forwards ref 145.86, vol refs 9.94 and 9.75)			8-Oct-2025	1.6% (spot ref 152.54)
Buy EUR/USD	12-Aug-25	1.1612	1.20	1.1392	7-Oct-2025	1.1675
Buy CHF/JPY	8-Sep-2025	184.30	189.00	182.00	7-Oct-2025	189.00
Buy AUD/USD	10-Jul-25	0.6546	0.69	0.6570	12-Sep-25	0.6659 (raise stop to 0.6570)
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	Option expired OTM (spot ref 0.9380)
Buy 1y USD/CAD RKO put	13-May-25	0.33% USD (1.36-strike with 1.30 RKO barrier, spot ref 1.3997, vol ref 5.915)			24-Jul-2025	0.4228% USD (spot ref 1.36)
Buy USDJPY	19-Jun-25	145.25	152	142	14-Jul-25	147.37
Buy EUR/USD	22-Apr-25	raised stop to 1.12 with spot ref 1.1503 target 1.19	1.19	1.12	19-Jun-25	1.1466
Buy AUD/JPY	28-May-25	92.80	100	89.50	19-Jun-25	94.18
Buy 3m AUD/NZD call seagull	17-Apr-25	initially receive 0.3% AUD, long 3m call spread, strikes at 1.08 and 1.10, vol refs 5.59/5.7; short 1.06-strike put, vol ref 5.725, spot ref 1.0715)			9-May-25	0.7045% AUD (spot ref 1.0863)
Short CAD/MXN	11-Mar-25	6m fwd 14.5166 (spot ref 14.0467)	13.00	14.50	13-May-25	6m fwd 14.1360 (spot ref 13.9134)
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	Option expired OTM (spot ref 10.9294)
Buy 1m EUR/GBP put	1-Apr-25	18 pip GBP (strike price 0.83, spot ref 0.8365)			1-May-25	Option expired OTM (spot ref 0.8498)
Buy EUR/USD	10-Apr-25	1.1061	1.15	1.0750	22-Apr-25	Raised stop to 1.12 (spot ref 1.1503)
Buy 3m USD/CHF call spread	14-Jan-25	0.6466% USD (spot ref 0.9167, strike refs 0.92/0.9450)			14-Apr-2025	Option expired OTM (spot ref 0.8149)
Buy 6m EUR/USD ratio call spread	5-Mar-25	1.01% EUR (spot ref 1.0696, buy 1 unit 1.08-strike call; short 2 units of 1.13-strike call.)			8-Apr-2024	1.18% EUR (spot ref 1.0946)
Buy AUD/CNH	3-Apr-25	4.5835	4.89	4.44	7-Apr-2025	4.44
Buy EUR/USD 2w put spread	19-Mar-25	31.5 pip	1.075	1.085	27-Mar-25	60 pip
Short AUD/CAD	16-Jan-25	0.8933	0.86	0.91	12-Mar-25	0.91
Buy NOK/SEK	1-Feb-24	0.9949	1.0240	0.9480	5-Mar-25	0.9352
Buy 6m EURJPY ERKO put	22-Nov-24	0.7425% EUR (spot ref 160.65, strike ref 158.75, down/out European barrier at 150.00)			7-Feb-25	0.96% EUR (spot ref 157.79)
Short EUR/GBP via 3m seagull	24-Jan-25	Rec 0.3052% EUR (buy 0.83/0.82-strike put spread funded by short 0.86-strike call, spot ref 0.8445)			3-Feb-25	0.3191% EUR (spot ref 0.8299)

Source: BofA Global Research

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Trade Recommendations EM

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Exhibit 17: Open trades
EM Alpha Trade Recommendations

FX	Entry date	Entry level	Current level	Target	Stop	Notional	Rationale/ Time horizon	Risks
Long BRL/COP	7-Oct-25	724	715.01	775	700	10	Expect BRL to outperform given its high carry, attractive valuation, and the potential for improved Brazil-US trade ties.	Risks are higher public spending in Brazil, potential rate hikes in Colombia, and large dollar sales by Colombia's treasury.
Long BRL/MXN	19-Aug-25	3.45	3.416	3.8	3.2	10	BRL is cheaper than MXN and offers higher carry.	hawkish turn by Mexico's central bank or political surprises in Brazil ahead of 2026 elections
Short USDKZT 6m NDF	19-Aug-25	538	561.63	541	587.1	10	The KZT looks significantly undervalued with carry of almost 1% per month. Seasonality should be less negative in September than in August	The risks are a stronger USD and lower oil
Short EUR/CLP	18-Aug-25	1129	1102.78	1060	1160	10	CLP is roughly 10% undervalued versus its long-run average, while positioning is very clean.	falling copper prices, global risk-off, and prolonged policy uncertainty.
Long USD/PEN	31-Jul-25	3.5760	3.41	3.680	3.520	10	Unattractive PEN valuation and a potential Fed repricing should result in a weaker Peruvian sol.	Heightened uncertainty around policy in the US, downward surprises on US inflation or growth, and approval of an AFP withdrawal bill in Peru
Long USD/MXN	10-Jul-25	18.62	18.4474	20	18	10	Growth outlook has worsened. Economy facing a demand shortfall. Investment being hit by trade policy uncertainty as well as domestic uncertainty given changes to the Constitution.	Hawkish monetary policy stance, and a global risk-on environment that weakens the US dollar.
Short SGD NEER	11-Apr-25	0.72%	0.72	0.1%	1.3%	10	Re-engage short SGD NEER as levels look attractive again ahead of potential slope flattening in MAS meeting.	Unwinding of short SNEER positioning if either risk sentiment improves.
3M USD/CNH call spread	10-Apr-25	7.3390	spot 7.1271	7.50/7.70	-	10	We limit exposure to USD sell-off with call spread as US asset volatility and weakness in bonds/equities increases.	Risk of a greater 5% CNY depreciation remains.
Indonesia – Pay IDR points	25-Mar-25	59.5	spot 16642	85	40	10	We recommend paying IDR NDF points to hedge against further IDR weakness which may prompt stronger defense from BI.	USD weakness, unwinding of IDR hedges linked to SRBI or faster rate-cuts in Indonesia.
Buy USDHKD 12-month outright	26-Nov-24	7.746	spot 7.7719	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 decline in global risk and liquidation of risk-on positions.
Buy 6M USD/SGD 1.45 instant one-touch	22-Nov-24	11.50%	spot 1.2993	50%	0	10	Hedge against deeper Asia FX weakness due to trade tensions. Risk of MAS easing.	US-China negotiations reducing trade tensions
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 October 23 2025. Bid/offer spreads accounted for in initiation and closing levels. Does not reflect tax withholdings or any investment advisory fees. Past performance is no guarantee of future results. A complete performance record is available on request. Inception date – July 4, 2016 Initiation and closing prices are priced as of trade publication.

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Exhibit 18: Closed trades
EM Alpha Trade Recommendations

Trade description	Entry date	Entry Level	Target	Stop	Notional	Close date	Level closed
Long ZAR, CZK and PLN against USD in the ratio of 3:2:1	19-Aug-25	16.40	15.83	16.73	10	7/17/2025	1.5016
Buy CLP/COP	8-May-25	4.51	5	4.1	10	9/11/2025	4.09
Long INR vs PHP	13-May-25	1.5275	148	155	10	7/17/2025	1.5016
Long USD/BRL	5/8/2025	5.68	5.00	6.00	10	7/10/2025	5.54
sell USDKRW	5-Jun-25	1360	1300	1390	10	6/24/2025	1390
Buy EUR/MXN	21-May-25	21.72	24	20.5	10	6/24/2025	21.72
Sell USDNGN 3M NDF	07-May-24	1384	1285	1700	10	6/18/2025	13.91
Short USDZAR	6-Mar-25	18.34	17.90	20	10	5/28/2025	13.91
Sell 6m USDEGP NDF	21-Jan-25	53.8	51.10	55.4	10	5/28/2025	13.91
Short CAD/MXN	3/11/2025	14.05	13.00	14.88	10	5/13/2025	13.91
Long BRL/COP	3/6/2025	754	900	650	10	5/8/2025	752
Buy 15/05/2025 T-bill in Pakistan FX-unhedged	21-Nov-24	USDPKR: 277.9; T-bill price: 94	3.78	hold to maturity	USDPKR at 283.5	4/30/2025	99.57
Buy USD/PEN	20-Feb-25	3.6894	3.78	3.55	10	4/10/2025	3.72
short CNH 6M forward	14-Nov-25	7.19	7.45	7.1	10	4/9/2025	7.36
Long THB vs USD	6-Mar-25	33.66	32.5	34.5	10	4/9/2025	34.5
Short SGD NEER	22-Jan-25	0.97	0.3	1.5	10	4/9/2025	0.2
Short SGD NEER; Long dual digital EUR>1.095, SGD>1.335	17-Mar-25	Eurusd: 1.0880 usdsgd: 1.3340	EURUSD>1.0950, USD/SGD>1.3350	-	10	4/7/2025	19.9
Sell PEN/CLP	30-Jan-25	266.91	240.00	280.00	10	3/31/2025	258
Long INR 1m fwd vs USD	6-Mar-25	87.27	86	88.0	10	3/24/2025	86
Short PLNHUF	11-Feb-25	96.64	91.8	99.54	10	3/20/2025	95.32
Long USDTWD 6-month NDF outright	12-Feb-25	32.57	33.37	32.08	10	3/12/2025	32.6
Short PHPUSD	8-Jan-25	58.36	59.5	57.5	10	3/6/2025	57.29
Short CNH/INR 3M outright	22-Nov-24	11.736	11.32	11.9	10	3/6/2025	12.02
Short THB vs SGD	1-Aug-24	26.54	27.2	26.2	10	3/6/2025	25.23
Long MXN/CLP	22-Nov	47.9	53.00	45.00	10	1/21/2025	48.3
long SGDKRW	2-Nov-24	1040	1082	1020	10	1/6/2025	1074
Long USDPLN	6-Dec-24	4.03	4.2	3.95	10	1/15/2025	
Long USDZAR	21-Aug-24	17.86	18.6	17.45	10	12/24/2024	18.73
Sell USD/CLP	10-Oct-24	930	860	975	10	12/12/2024	979
9M dual digital USD/CNH >7.30, gold rally > 6%	13-May-24	7.242	-	-	10	12/4/2024	7.30
Long 1M USD/CNH call spread	14-Oct-24	7.0685	7.20-7.35	-	10	11/14/2024	7.2544
Buy 6-month USDHKD call spread	24-Apr-24	7.8299	7.7925 / 7.8365	-	-	11/15/2024	3.52
Long BRL/MXN	24-Sep-24	3.51	4.00	3.25	-	11/14/2024	3.52
Sell CLP/COP	11-Jul-24	4.36	4.08	4.53	-	11/14/2024	4.60
Long USDHUF	12-Oct-23	363.56	382	338	-	11/12/2024	385
Pay FRA 6x9 in Hungary vs receive FRA 6x9 in Czechia	5-Sep-24	2.09	2.54	1.84	-	10/9/2024	2.37
Short USD/PEN	20-Aug-24	3.83	3.70	3.25	-	9/30/2024	3.702
Long KZT vs an equal basket of USD and EUR (3m NDFs)	25-Jun-24	494.2	469	530	-	10/3/2024	508.6
Sell PEN against a basket of USD and CLP	09-May-24	100	-	106	97.5	9/6/2024	8.97
Short USDPKR using 3m NDF	02-May-24	289	275	298	-	8/12/2024	278
Short EURPLN using a 6m digital option (strike: 4.2)	1/13/2024	17%	strike: 4.2	-	-	8/15/2024	-
3M USD call, CNH put spread	13-May-24	7.1965	7.25/7.35	-	-	8/13/2024	--
Long INRTWD 3m NDF	30-May-24	0.384	0.4	0.377	-	8/1/2024	.389
Pay 2-month USDHKD forward points	3-June-24	-134	-40	-180	-	7/30/2024	-117
Buy BRL/JPY	23-Apr-24	29.90	32	28	-	7/24/2024	28
Long IDR vs PHP	31-May-24	277.7	272	280	-	7/15/2024	276.45
Long TRYCZK using 3m forward	15-May-24	0.643	0.675	0.624	-	6/27/2024	0.675
Long USDZAR	21-Jun-24	17.99	18.9	17.35	-	6/27/2024	18.47
Buy 4m T-bill in Egypt FX -unhedged	14-Mar-24	T-bill price: 92.2; USDEGP: 47.88	T-bill price: 100	USDEGP: 52.2	-	6/26/2024	98.6
Short THB vs USD using 3m forwards	21-May-24	36.18	36.9	35.8-	-	6/10/2024	36.9
Buy USDINR down-and-in one-touch option for 1m	16-May-24	83.53	82.5	-	10	6/5/2024	83.61
Worst off 6M USD/IDR>5 % OTMS, USDPHP>5% OTMS	17-Nov-23	32bps	-	-	10	5/30/2024	-
3m USD call CNH put spread	17-Nov-23	39.8bps	7.30/7.55	-	10	5/17/2024	-
1yr USD/CNH vol swap at 6.175%	8/2/23	6.175	-	5.00	10	5/17/2024	-0.1
Short RONCZK	5/24/2023	4.77	4.53	5.2	10	5/16/2024	-0.1
Short USDZAR	11/15/2023	18.15	10	14	10	5/13/2024	12.50
Sell EUR/CLP	2-Apr-24	1063	1000	1100	10	5/6/2024	1000
Pay 1x3 USDTWD NDF	3/18/2023	-163	-111.	-190	10	4/22/2024	-63
Buy USDZAR 6m 25 Delta Risk Reversal	16-Feb-24	1.491	2.5	1	10	4/16/2024	2.543
Sell EURKRW 3m NDF	1/14/2024	1429	1385	1450	10	4/11/2024	1466
Buy BRL/MXN	11/17/2024	3.52	4	3.24	10	4/10/2024	3.25
Short EURTRY using 3m forward	2/5/2024	36.2	34.4	37.3	10	4/9/2024	35.72
Short USDUZS using 3m NDF	1/5/2024	12,674	12,374	12,902	10	4/9/2024	12672
Sell COP vs LatAm FX basket	4/4/2024	100	92	104	10	4/4/2024	105
USDHKD call spread at 2.1x	11/17/2023	7.76	-	-	10	4/5/2024	7.82
Sell USD/PEN	1/15/2024	3.84	3.70	3.90	10	3/82024	3.68
Long IDR vs PHP	1/19/2024	280	276	282	10	2/19/2024	278
Selling USDKRW	1/18/2024	1332	1292	1352	10x10	2/14/2024	1328
Short SGD/KRW	9/20/2023	974	945	990	10	3-nov-23	969
Buy 6m 25-delta call option for USDTWD	8/1/2023	31.6	31.9	29.8	10x10	2/8/2024	-
Short CZKHUF	11/29/2023	15.7	14.9	16.3	10x10	2/6/2024	15.48
Long PLNCZK	11/8/2023	5.51	5.78	5.34	10	1/11/2024	5.67

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

BofA GLOBAL RESEARCH

World At A Glance Projections

Exhibit 19: G10 FX forecasts
Forecasts as of 23-Oct-2025

	Spot	YE 2025	Mar-26	Jun-26	Sep-26	YE 2026	Mar-27	Jun-27	Sep-27	YE 2026
G3										
EUR-USD	1.16	1.20	1.20	1.22	1.23	1.25	1.25	1.25	1.25	1.25
USD-JPY	153	155	154	153	152	150	149	146	143	142
EUR-JPY	177	186	185	187	187	188	186	183	179	178
Dollar Bloc										
USD-CAD	1.40	1.36	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
AUD-USD	0.65	0.68	0.69	0.69	0.70	0.71	0.72	0.72	0.72	0.72
NZD-USD	0.57	0.59	0.58	0.58	0.59	0.60	0.61	0.61	0.62	0.62
Europe										
EUR-GBP	0.87	0.86	0.85	0.85	0.84	0.83	0.83	0.83	0.83	0.83
GBP-USD	1.33	1.40	1.41	1.44	1.46	1.51	1.51	1.51	1.51	1.51
EUR-CHF	0.93	0.96	0.96	0.97	0.98	1.00	1.00	1.02	1.04	1.08
USD-CHF	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.82	0.83	0.86
EUR-SEK	10.91	10.70	10.70	10.60	10.60	10.50	10.40	10.30	10.30	10.30
USD-SEK	9.41	8.92	8.92	8.69	8.62	8.40	8.32	8.24	8.24	8.24
EUR-NOK	11.58	11.30	11.20	11.10	11.00	10.90	10.80	10.70	10.70	10.70
USD-NOK	9.99	9.42	9.33	9.10	8.94	8.72	8.64	8.56	8.56	8.56

Source: BofA Global Research, Bloomberg. Note: Forecasts as of 23-Oct-2025

BofA GLOBAL RESEARCH

Exhibit 20: EM FX forecasts
Forecasts as of 23-Oct-2025

	Spot	YE 2025	Mar-26	Jun-26	Sep-26	YE 2026	Mar-27	Jun-27	Sep-27	YE 2027
Latin America										
USD-BRL	5.40	5.40	5.40	5.45	5.50	5.50	5.50	5.50	5.50	5.50
USD-MXN	18.42	18.75	18.85	19.00	19.25	19.50	19.75	20.00	20.25	20.50
USD-CLP	951	925	920	910	905	900	900	900	900	900
USD-COP	3,910	4,000	4,100	4,050	4,100	4,200	4,250	4,300	4,350	4,400
USD-ARS	1,488	1,550	1,600	1,650	1,700	1,800	1,850	1,900	1,950	2,000
USD-PEN	3.41	3.40	3.43	3.45	3.48	3.50	3.53	3.55	3.58	3.60
Emerging Europe		**Emerging Europe**								
EUR-PLN	4.23	4.24	4.22	4.20	4.18	4.15	4.15	4.15	4.15	4.15
EUR-HUF	390.40	395	395	390	385	380	380	380.00	380	380
EUR-CZK	24.31	24.10	24.00	23.80	23.60	23.60	23.60	23.60	23.60	23.60
USD-ZAR	17.35	17.00	16.80	16.60	16.50	16.50	16.50	16.50	16.50	16.50
USD-TRY	41.98	43.50	46.00	50.00	53.50	57.50	60.50	64.00	69.00	73.00
EUR-RON	5.08	5.08	5.10	5.10	5.10	5.10	5.12	5.15	5.20	5.20
USD-ILS	3.31	3.33	3.33	3.32	3.32	3.31	3.30	3.28	3.26	3.25
Asian Bloc										
USD-KRW	1,439.85	1,360	1,330	1,310	1,290	1,270	1,270	1,270.00	1,270	1,270
USD-TWD	30.81	29.00	28.50	28.20	27.90	27.60	27.60	27.60	27.60	27.60
USD-SGD	1.30	1.27	1.27	1.26	1.26	1.26	1.26	1.26	1.26	1.26
USD-THB	32.88	31.00	31.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00
USD-HKD	7.77	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75
USD-CNY	7.12	7.10	7.00	6.90	6.80	6.80	6.70	6.70	6.70	6.70
USD-IDR	16,620	16,300	16,300	16,200	16,100	16,000	16,000	16,000	16,000	16,000
USD-PHP	58.62	56.00	56.00	55.00	55.00	55.00	55.00	55.00	55.00	55.00
USD-MYR	4.23	4.20	4.20	4.15	4.15	4.15	4.15	4.15	4.15	4.15
USD-INR	87.85	86.00	85.00	85.00	84.50	84.00	84.00	84.00	84.00	84.00

Source: BofA Global Research, Bloomberg. Note: Forecasts as of 23-Oct-2025

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Options Risk Statement

Potential Risk at Expiry & Options Limited Duration Risk

Unlike owning or shorting a stock, employing any listed options strategy is by definition governed by a finite duration. The most severe risks associated with general options trading are total loss of capital invested and delivery/assignment risk, all of which can occur in a short period.

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