

The EEMEA FX Strategist

Iran/Israel ceasefire is bullish EEMEA FX

Iran/Israel conflict simmers down: EEMEA FX to benefit

Potentially higher energy prices were a big risk for EEMEA FX. But the Iran/Israel conflict seems to be over, for now, which opens the door for EEMEA FX appreciation. We remain structurally bullish EEMEA FX as unconventional and stagflationary policies, coupled with a faster US growth slowdown relative to the rest of the world, weaken broader USD. The next significant risk event for EEMEA FX is 9th of July tariff deadline.

PLN (bullish): we see room for EURPLN to go lower as the USD weakens, albeit overvaluation should constrain the pace of appreciation.

ZAR (bullish): a weaker USD should strengthen the ZAR, as it is still one of the most undervalued EM currencies.

TRY (bullish): our forecast remains below forwards. Carry is still high and macro policies are supportive for continued adjustment. Current account seasonality is supportive for the TRY.

ILS (bullish): the apparent end of the Iran/Israel conflict opens the door to repricing of USDILS lower driven by a reduction in geopolitical risks.

CZK (bullish): EURCZK is likely to be below forwards as a weaker dollar provides support even if rates in Czechia do not reprice higher.

HUF (bullish): the forint should outperform forwards in the medium term as macro policies are supportive for a stronger forint. A weaker dollar should help.

Frontier FX: LKR, PKR, UZS, KZT and NGN should depreciate gradually, while pegs in RON and RSD are likely to be preserved. EGP should be range-bound from here.

Exhibit 1: EEMEA FX forecasts for the next four quarters

Bullish TRY, PLN, ZAR, CZK and HUF; neutral ILS

Currency	View/bias	Spot	Forecasts			
			3Q 2025	4Q 2025	1Q 2026	2Q 2026
EUR/PLN	bullish	4.26	4.20	4.15	4.15	4.15
USD/ZAR	bullish	17.7	17.8	17.7	17.7	17.6
USD/TRY	bullish	39.6	41.0	42.0	44.0	45.5
USD/ILS	bullish	3.40	3.36	3.34	3.33	3.32
EUR/CZK	bullish	24.8	24.6	24.5	24.5	24.3
EUR/HUF	bullish	402	400	395	395	390

See inside for longer-term forecasts. *We form a view/bias based on our forecast for the spot exchange rate versus forward rate at the end of next quarter considering alternative scenarios as well. Neutral = our view approximately agrees with the forwards. **Source:** BofA Global Research

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Refer to important disclosures on page 19 to 21.

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GEM FI & FX Strategy
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See Team Page for List of Analysts

For a list of open trade recommendations and trade recommendations closed in the past 12 months, see [Global Emerging Markets Weekly: Plant a hedge 19 June 2025](#)

EEMEA – Emerging Europe, Middle East and Africa

FX – foreign exchange

BoP – balance of payments

EM – Emerging Market

Poland: lower EURPLN from here

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View: weaker broader USD to drive the zloty stronger

A weaker dollar should drive EURPLN below forwards. The zloty looks overvalued, which constrains PLN appreciation against the EUR. A hawkish stance from the NBP should also help.

Key macro developments: The National Bank of Poland (NBP) has resumed easing amid continued CPI downside surprises, but maintains a hawkish approach given solid economic growth and its increasing focus on fiscal risks post the presidential election. We continue to expect GDP to grow by close to 3.5% in 2025 despite headwinds from the trade wars. Private consumption remains a key driver of GDP, but 2025 will see GDP acceleration thanks mostly to a strong pick-up in EU-funded investments. Net exports are still a drag.

Meanwhile, inflation is set to slow by visibly more than expected in 2H to sub-3%, thanks to base effects, gas tariff cuts, as well as disinflation progress on core items. This should strongly argue for further NBP rate cuts from 5.25% currently. But the MPC's hawkish bias means the next rate cut may not come until September/October. We see the base rate falling to 4.75% by YE2025 and 3.75% by YE2026. There are upside risks to our forecasts, given Governor Glapinski's resistance to rate cuts, and thus his bias to focus on pro-inflationary factors.

The outcome of the presidential election was disappointing for the ruling coalition, but we think the impact on markets will be temporary for now. The Nawrocki presidency will be an extension of the status quo in the near term, i.e. a PiS president and a KO-led government, implying frequent presidential vetoes, and thus no major progress in key reform areas (judiciary). But EU inflows will likely continue given the accommodative stance towards Tusk's government. The future of KO maybe for the 2027 general elections may be questionable, though market attention will likely rise only from next year.

Valuations: the PLN is undervalued on our current account (long-term) model, but significantly overvalued on our BEER model

Positioning: the market has recently turned neutral PLN

Risks to our views: strong broader USD, much weaker growth in Poland

Upcoming risk events: NBP decision (2 Jul, 3 Sep)

Corporate hedging: we recommend hedging against PLN strength

Rates: no strong views

Exhibit 2: EUR/PLN forecasts vs forwards

We expect EUR/PLN at 4.20 by the end of Q3 2025

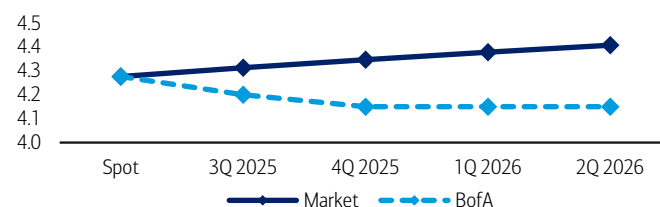
Spot	current 4.28	chg (diff) +0.03		
	Forecast		Forward	
Period	current	chg (diff)	current	chg (diff)
3Q 2025	4.20	-	4.31	+0.01
4Q 2025	4.15	-	4.35	+0.01
1Q 2026	4.15	-	4.38	+0.02
2Q 2026	4.15	-	4.41	+0.02

Source: BofA Global Research, Bloomberg

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Exhibit 3: EUR/PLN forecasts

Our forecast path is below forwards



Source: BofA Global Research, Bloomberg

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Cross currency basis EUR/PLN

Exhibit 4: EUR/PLN cross currency basis

1y xccy basis at 27bp

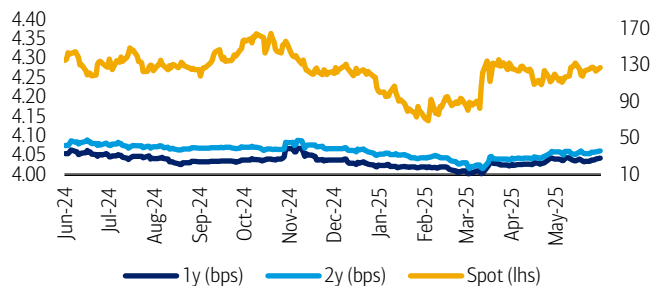
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	27.00	2.5	13.0	-6.0	11.0		39.0	24.7	3.2	23.0	4.2	0.4
2y	35.00	2.0	12.0	-6.5	16.5		48.0	35.6	3.1	22.3	5.0	-0.1
5y	43.50	3.0	11.5	-9.0	27.5		58.0	45.1	2.9	20.9	4.2	-0.2
10y	42.50	2.5	10.5	-11.0	28.5		59.5	45.8	3.0	21.4	4.0	-0.4

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 5: Short-term basis swaps vs EUR/PLN spot

Xccy basis close to 1y high

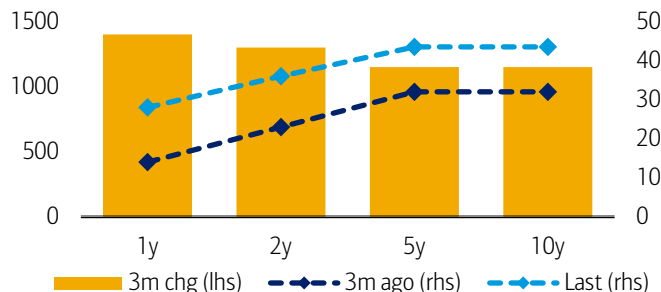


Source: BofA Global Research, Bloomberg

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Exhibit 6: Term structure of basis swaps (bps)

Long end moving higher



Source: BofA Global Research, Bloomberg

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Volatility surface EUR/PLN

Exhibit 7: Current implied volatilities

Flattish

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	5.49	5.59	6.28	7.59	9.09
3m	5.49	5.52	6.15	7.47	9.04
6m	5.57	5.61	6.20	7.46	9.00
1y	5.60	5.65	6.21	7.50	9.09

Source: BofA Global Research

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Exhibit 8: 3m z-scores of implied volatilities

Changes over time

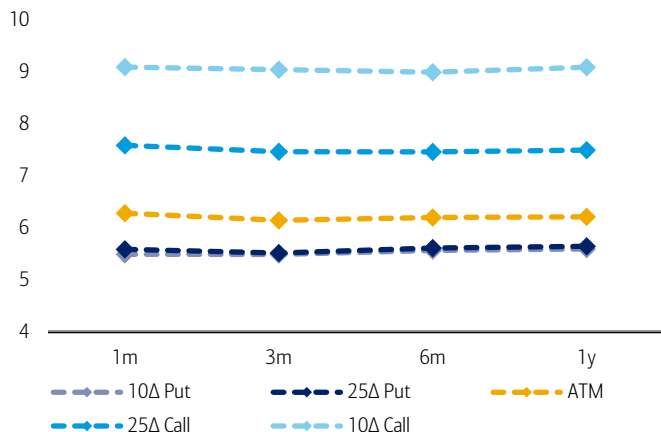
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	+1.4	+1.5	+1.7	+1.9	+2.0
3m	+1.9	+1.9	+2.1	+2.5	+2.6
6m	+2.5	+2.5	+2.5	+2.7	+2.7
1y	+2.8	+3.0	+3.3	+3.5	+3.7

Source: BofA Global Research

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Exhibit 9: Term structures of implied volatilities

Flattish

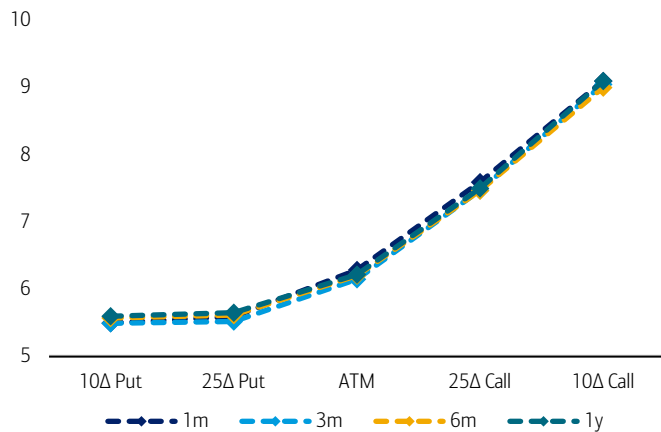


Source: BofA Global Research

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Exhibit 10: Implied volatility smiles

Implied vol smiles are skewed



Source: BofA Global Research

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South Africa: ZAR to appreciate further

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View: bullish outlook

A weaker dollar and undervaluation should support a stronger ZAR, which should also outperform the forwards.

Key macro developments: Post weak 1Q GDP data and slowing global growth, we revise down our 2025 GDP growth estimate to 0.8%, from 1.2%. Economic performance remains weak across industrial sectors despite improvements in electricity supply and a Government of National Unity (GNU) since June 2024. GNU confidence has not translated into investment yet. Government reforms have been slow, without a meaningful pick-up in domestic investment. Going forward, we see risks to the growth outlook as balanced.

Monetary policy outlook: one more cut + lower CPI target: Our policy rate outlook remains unchanged. We expect SARB to cut the rate by 25bp on July 31, taking it to 7%, and to stay on hold for the remainder of 2025. Inflation is benign, averaging 3.5% in 2025. We are forecasting low oil (\$65 per barrel) and an appreciating ZAR given a weakening USD. Risks to our call relate to higher oil prices and a potential move to a lower inflation target. Oil prices have increased to above the \$70 per barrel on which the SARB's (South African Reserve Bank) inflation forecasts are premised. However, there may be caution given evolving geopolitical risks and implications for the oil price outlook.

Valuations: the ZAR is undervalued on both our current account model and our BEER model

Positioning: investors are increasing their long ZAR positions

Risks to our view: a weaker EM backdrop

Upcoming risk events: budget reading (21 May), SARB meeting (29 May)

Corporate hedging: we recommend hedging against rand strength

Rates: neutral view

Exhibit 11: USD/ZAR forecasts vs forwards

We expect USD/ZAR at 17.7 at the end of 2025

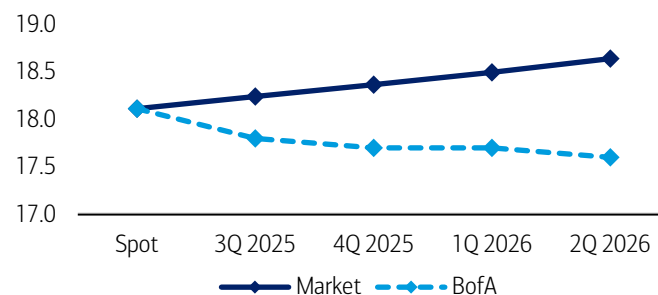
Spot	current 18.11	chg (diff) +0.03		
	Forecast		Forward	
Period	current	chg (diff)	current	chg (diff)
3Q 2025	17.80	-0.60	18.2	-0.02
4Q 2025	17.70	-0.40	18.4	-0.03
1Q 2026	17.70	-0.20	18.5	-0.03
2Q 2026	17.60	-0.10	18.6	-0.04

Source: BofA Global Research, Bloomberg

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Exhibit 12: USD/ZAR forecasts

Our forecast path is below forwards



Source: BofA Global Research, Bloomberg

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Cross currency basis USD/ZAR

Exhibit 13: USD/ZAR cross currency basis

1y xccy basis at -26.3bp

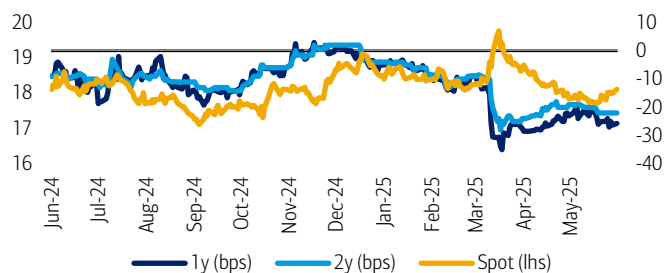
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-26.30	-1.3	-17.3	-15.3	-35.0		2.9	-12.0	4.4	32.0	-1.1	-1.6
2y	-22.00	0.0	-13.0	-13.0	-28.0		4.0	-10.5	2.6	18.5	-1.5	-1.6
5y	-22.00	-2.5	-11.0	-11.0	-25.0		-1.0	-11.0	2.9	20.9	-2.6	-1.6
10y	-26.00	-2.0	-9.0	-1.5	-30.0		-1.0	-17.2	3.2	22.8	-1.2	-1.3

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 14: Short-term basis swaps vs USD/ZAR spot

Xccy basis at 1y low

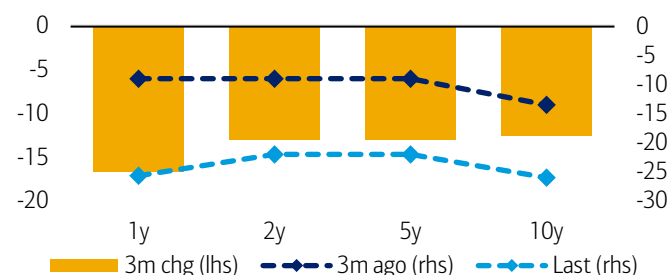


Source: BofA Global Research, Bloomberg

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Exhibit 15: Term structure of basis swaps (bps)

Flattish



Source: BofA Global Research, Bloomberg

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Volatility surface USD/ZAR

Exhibit 16: Current implied volatilities

Upward sloping

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	12.82	12.98	13.44	14.28	15.33
3m	12.96	13.09	13.56	14.54	15.88
6m	13.64	13.64	14.04	15.14	16.78
1y	14.22	14.15	14.48	15.65	17.49

Source: BofA Global Research

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Exhibit 17: 3m z-scores of implied volatilities

Changes over time

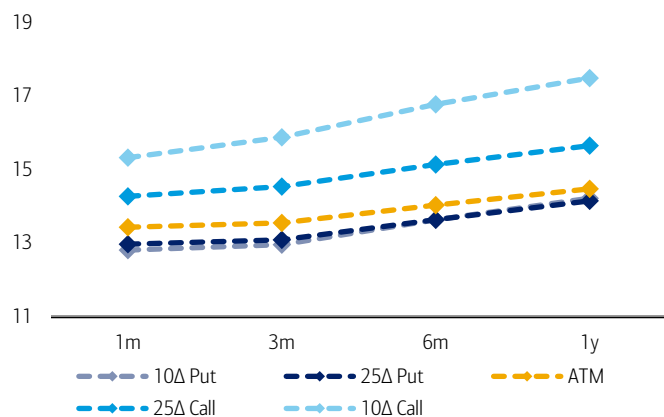
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	+0.2	+0.1	-0.0	-0.2	-0.3
3m	+0.3	+0.2	-0.1	-0.5	-0.9
6m	+1.0	+0.7	+0.2	-0.3	-0.9
1y	+1.7	+0.6	-0.7	-1.8	-2.4

Source: BofA Global Research

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Exhibit 18: Term structures of implied volatilities

Upward sloping

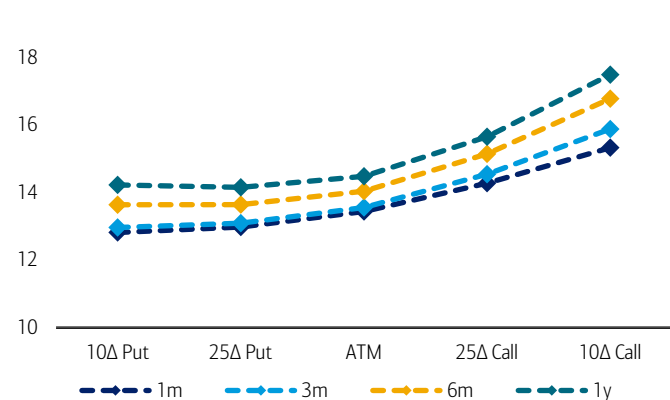


Source: BofA Global Research

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Exhibit 19: Implied volatility smiles

Implied vol smiles are skewed



Source: BofA Global Research

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Türkiye: TRY to outperform the forwards

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View: fundamentals supportive for real appreciation

Our forecast remains below forwards. Carry is still high and macro policies are supportive for continued adjustment. The central bank has enough reserves to finance the outflows. Current account seasonality should also help and political risks are lower now.

Key macro developments: Reserve accumulation has restarted, and inflation has been surprising on the downside. The CBRT signalled through a dovish but cautious statement that it is ready to start its cuts again. The Bank sounded confident that the inflation trend continued to decline in June and domestic demand slowed in 2Q, but also added that all tools will be used in case of an unexpected development. We see CBRT cutting rates by 200bp in July and expect the policy rate to decline to 38% at year-end. Geopolitical risks might cause a mild increase in mom inflation in the short run, but we expect it to be temporary. We still see year-end inflation at c.28%.

Reserve accumulation should continue until the end of the summer as tourism revenues increase. CBRT net reserves excluding swaps rose from a dip of \$13.8bn at the start of May to \$35.5bn last week. Reserves had peaked at \$65.7bn mid-March. Parity-adjusted deposit data show that locals decreased their FX holdings by \$1.4bn and banks' off-balance sheet FX positions increased \$6.8bn. Foreigners have bought \$1.6bn worth of bonds since the dip, and equity added \$1.6bn as well. Hence, about half the increase in reserves was foreign inflow-driven, in our view. Summer inflows and low mom inflation compared to 2Q should keep the exchange rate fairly stable, although geopolitical risks are on the upside for TRY in the short run.

Positioning: investors are long TRY FX, but positioning is cleaner than at the beginning of the year

Risks to our view: geopolitical risks, higher energy prices

Upcoming risk events: June inflation (July 3), CBRT meeting (July 24)

Corporate hedging: hedge TRY strength (vs forwards) in 2025

Rates: the bias for rates to go lower

Exhibit 20: USD/TRY forecasts vs forwards

We expect USD/TRY at 42.0 at the end of 2025

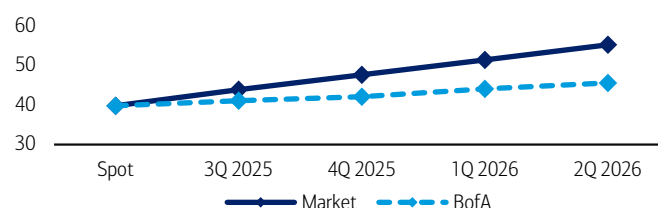
Spot	current 39.73	chg (diff) +0.95	Forward	
	Forecast		current	chg (diff)
Period	current	chg (diff)	current	chg (diff)
3Q 2025	41.00	-	43.81	-0.53
4Q 2025	42.00	-	47.57	-0.66
1Q 2026	44.00	+0.50	51.30	-0.80
2Q 2026	45.50	+1.00	55.12	-1.22

Source: BofA Global Research, Bloomberg

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Exhibit 21: USD/TRY forecasts

Our forecast path is below forwards



Source: BofA Global Research, Bloomberg

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Cross currency basis USD/TRY

Exhibit 22: USD/TRY xccy basis

1y xccy basis at 42.8bp

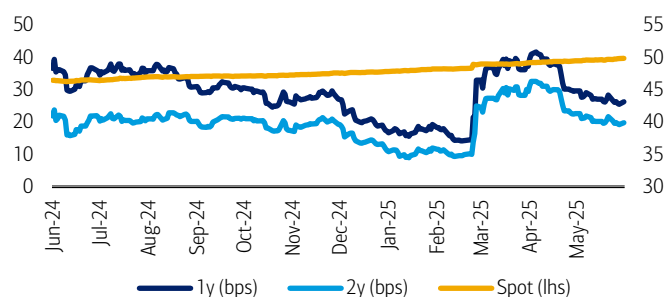
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	42.75	-1.5	-3.8	-5.1	37.1		50.9	44.5	1.5	11.1	-6.5	-0.5
2y	39.60	-1.3	-2.9	-1.1	34.5		46.3	39.9	1.2	8.6	-6.4	-0.1
5y	35.38	-0.8	-0.2	2.9	29.2		39.1	33.7	0.9	6.7	-4.5	0.7
10y	31.45	-0.3	-0.3	2.7	25.9		34.4	30.1	0.8	6.0	-2.6	0.7

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 23: Short-term basis swaps vs USD/TRY spot

Xccy basis down

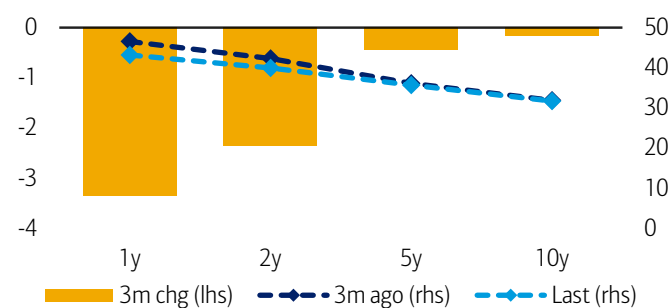


Source: BofA Global Research, Bloomberg

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Exhibit 24: Term structure of basis swaps (bps)

Downward sloping



Source: BofA Global Research, Bloomberg

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Volatility surface USD/TRY

Exhibit 25: Current implied volatilities

Upward sloping

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	9.59	10.25	12.89	17.60	23.04
3m	11.19	12.44	15.44	20.69	26.87
6m	13.86	15.28	18.22	23.78	30.47
1y	17.13	18.89	21.76	27.89	35.45

Source: BofA Global Research

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Exhibit 26: 3m z-scores of implied volatilities

Changes over time

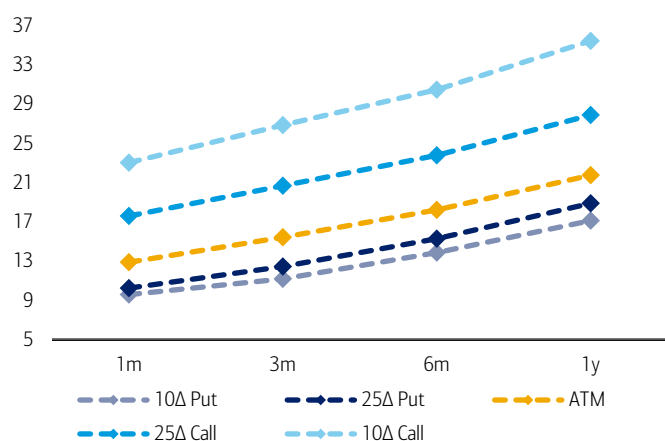
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	+0.8	+0.8	+0.9	+1.1	+1.3
3m	+0.5	+0.5	+0.6	+0.7	+0.9
6m	+0.3	+0.2	+0.3	+0.5	+0.8
1y	-0.2	-0.2	-0.1	+0.1	+0.5

Source: BofA Global Research

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Exhibit 27: Term structures of implied volatilities

Upward sloping

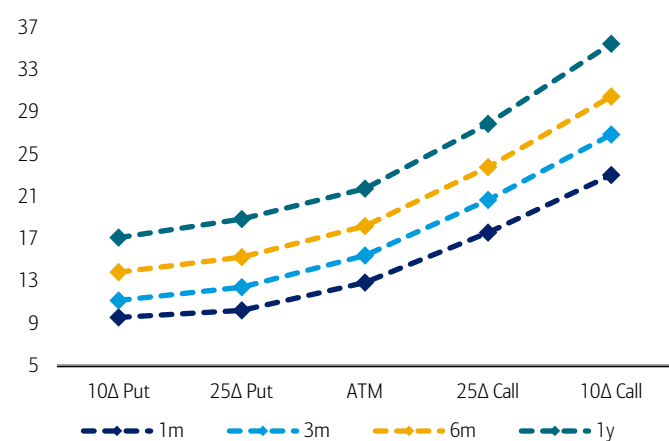


Source: BofA Global Research

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Exhibit 28: Implied volatility smiles

Implied vol smiles are skewed



Source: BofA Global Research

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Israel: turning bullish after the ceasefire

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View: stronger ILS than forwards imply

The apparent end of the Iran/Israel conflict opens the door to repricing of USDILS lower driven by a reduction in geopolitical risk. Lower hedge ratios of local investors should help. The shekel remains sensitive to US equities.

Key macro developments: The conflict dominates the economic outlook. Business closures will likely slow down GDP in 2Q, but when the conflict ends rebuilding efforts should increase investments in the second half of the year. Government expenditures will be higher but also tax collection could weaken temporarily. Hence, we see upside risks to the budget deficit.

Inflation decreased to 3.6% in April to 3.1% in May although expectations were for 3.3%. A large part of the surprise was due to travel abroad again, which corrected by more than expected. Although the impact from the conflict is mixed, ILS appreciation will likely support disinflation. Overall, we still see year-end inflation at 2.7%.

We see BOI keeping its base rate at 4.50% until September and then two cuts in the last quarter, bringing it to 4% at 2025YE. Uncertainty regarding the conflict is still high and poses risks to our view. If further geopolitical risks materialize, BOI could cut only once instead of our call for two. However, we also see a risk of earlier cuts if the conflict ends swiftly and ILS strengthening gains pace.

Valuations: ILS FX remains undervalued on our current account model

Positioning: investors are long the shekel

Risks to our view: geopolitics, US equity performance

Upcoming risk events: CPI (July 15), BoI meeting (July 7)

Corporate hedging: bias to hedge ILS strength

Rates: bias for lower rates

Exhibit 29: USD/ILS forecasts vs forwards

We expect USD/ILS at 3.34 at the end of 2025

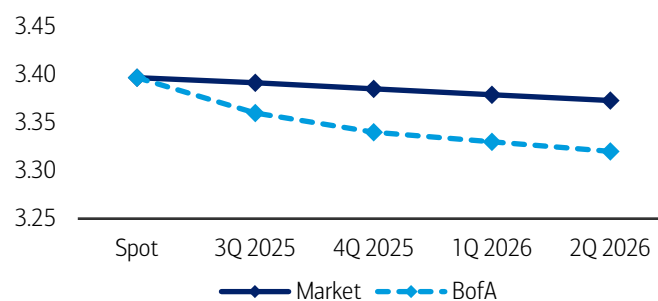
Spot	current	chg (diff)	Forward	
	3.40	-0.132		
Period	Forecast		current	chg (diff)
3Q 2025	3.36	-0.29	3.39	-0.127
4Q 2025	3.34	-0.26	3.39	-0.127
1Q 2026	3.33	-0.17	3.38	-0.126
2Q 2026	3.32	-0.13	3.37	-0.125

Source: BofA Global Research, Bloomberg

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Exhibit 30: USD/ILS forecasts

Our forecast path is close to forwards at the long end



Source: BofA Global Research, Bloomberg

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Cross currency basis USD/ILS

Exhibit 31: USD/ILS cross currency basis

1y xccy basis at -96bp

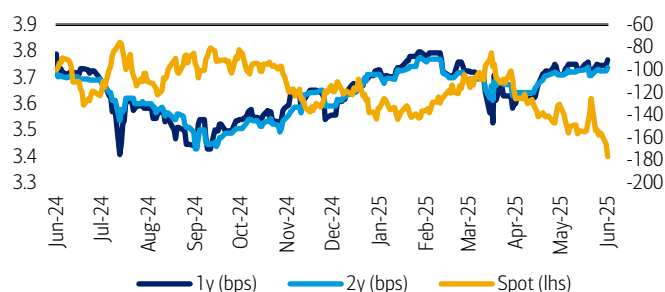
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-96.00	1.0	5.0	-10.0	-175.0		-84.0	-120.4	14.5	104.9	4.2	1.1
2y	-101.00	0.0	8.0	1.5	-170.0		-89.5	-121.3	8.3	59.5	4.0	1.0
5y	-111.00	0.0	2.5	13.0	-160.0		-100.0	-125.9	6.0	43.2	3.1	0.9
10y	-124.00	0.0	-3.0	5.0	-160.0		-109.0	-129.5	5.6	40.0	-0.8	0.4

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 32: Short-term basis swaps vs USD/ILS spot

Xccy basis close to 1y high

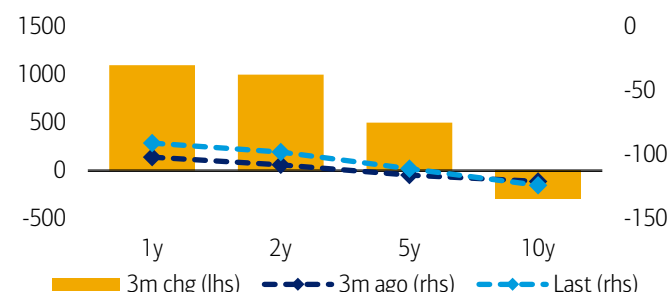


Source: BofA Global Research, Bloomberg

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Exhibit 33: Term structure of basis swaps (bps)

Flattish



Source: BofA Global Research, Bloomberg

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Volatility surface USD/ILS

Exhibit 34: Current implied volatilities

Downward sloping

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	11.26	10.67	10.51	10.92	11.74
3m	10.66	10.18	10.14	10.73	11.71
6m	10.40	9.87	9.84	10.52	11.65
1y	9.70	9.27	9.37	10.27	11.63

Source: BofA Global Research

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Exhibit 35: 3m z-scores of implied volatilities

Changes over time

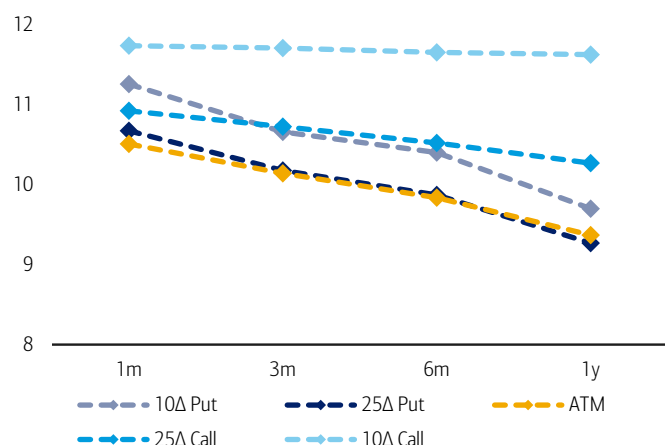
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	-0.8	-1.2	-1.7	-2.1	-2.3
3m	-0.6	-1.5	-2.2	-2.6	-2.8
6m	+0.2	-0.8	-1.7	-2.3	-2.6
1y	+0.1	-0.5	-1.2	-1.8	-2.2

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 36: Term structures of implied volatilities

Downward sloping

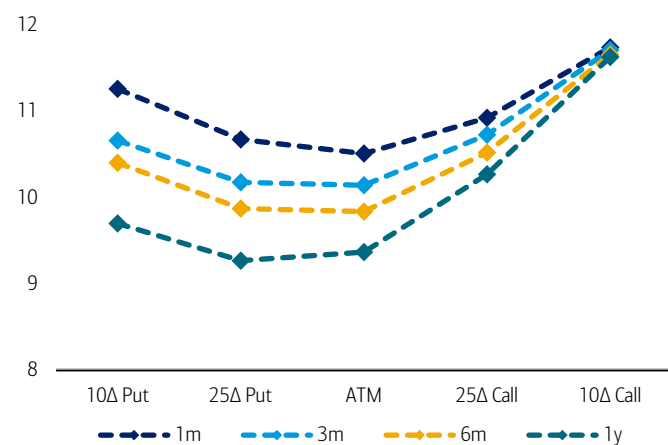


Source: BofA Global Research

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Exhibit 37: Implied volatility smiles

Implied vol smiles are skewed



Source: BofA Global Research

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Czechia: bullish outlook

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View: CZK to appreciate more than forwards imply

A weaker dollar should support the koruna despite limited support from the rates side as CNB's hawkishness is broadly in the price.

Key macro developments Continued GDP recovery together with persistent services inflation means the Czech National Bank (CNB) retains its hawkish bias. GDP growth is on track towards c.2% this year, following the 2.2% yoy expansion in 1Q. Consumption has slowed somewhat but maintained a decent growth rate, while fixed investments and net exports have improved.

Economic recovery means continued resilience in the labour markets and, in turn, persistence in core inflation. Wage growth trends have been largely flat, close to 7% in recent quarters and well above the central bank's neutral level of around 4.5%. Together with a buoyant housing market feeding through to imputed rents inflation in the CPI, higher services inflation partly explains a higher average headline CPI this year (2.5%) vs our previous expectation (2.3%).

The impact of global trade wars on activity has yet to emerge, while risks of higher oil prices have emerged. This means the CNB will stay fully focused on pro-inflationary forces. With the oil price spike in recent weeks, we see upside risks to our call for further rate cuts to 3.0%. We await more developments to reassess this.

The parliamentary election is scheduled for 3-4 October, but we do not see any major fiscal easing intentions ahead of this vote. The current government coalition is committed to budget consolidation, while it may take some time for the next government to be sworn in and change the 2026 budget.

Valuations: the CZK is undervalued on our current account model, but overvalued on our BEER model

Positioning: the market is long the koruna

Main risks to our view: weaker growth in Czechia, more cuts by the CNB than priced in

Upcoming risk events: CNB decisions (7 Aug, 24 Sep), parliamentary election (3-4 Oct)

Corporate hedging: hedge CZK strength

Rates: bias for lower rates

Exhibit 38: EUR/CZK forecasts vs forwards

We expect EUR/CZK at 24.5 at the end of 2025

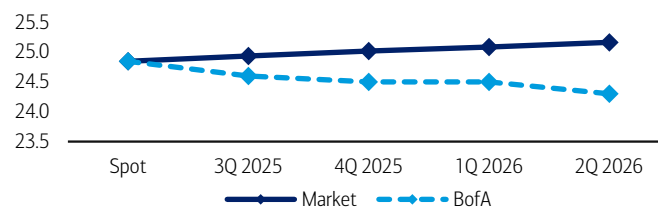
Spot	current 24.8	chg -0.03	Forward	
	Forecast		current	chg
Period	current	chg	current	chg
3Q 2025	24.6	-	24.9	-0.06
4Q 2025	24.5	-	25.0	-0.05
1Q 2026	24.5	-	25.1	-0.06
2Q 2026	24.3	-	25.2	-0.05

Source: BofA Global Research, Bloomberg

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Exhibit 39: EUR/CZK forecasts

Our forecast path is below forwards



Source: BofA Global Research, Bloomberg

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Cross currency basis EUR/CZK

Exhibit 40: EUR/CZK cross currency basis

1y basis at -26bp

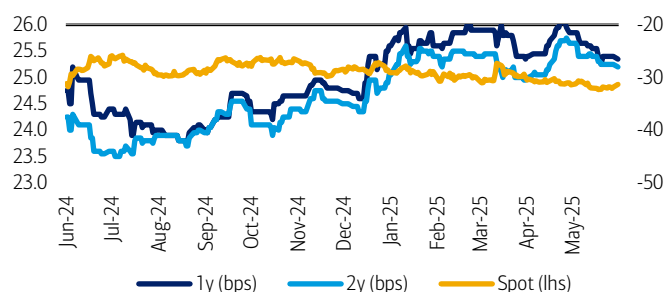
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-26.00	0.0	-5.0	6.5	-42.5		-19.0	-30.2	2.8	20.3	-1.4	0.6
2y	-28.00	0.0	-2.0	9.5	-46.0		-23.0	-33.6	2.1	15.3	-0.6	0.8
5y	-30.50	0.3	3.5	11.0	-49.0		-28.5	-38.1	2.2	15.9	7.7	1.4
10y	-28.50	0.0	-2.4	2.0	-36.0		-21.5	-28.4	2.3	16.3	0.8	0.0

Source: BofA Global Research, Bloomberg

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Exhibit 41: Short-term basis swaps vs EUR/CZK spot

Xccy basis up

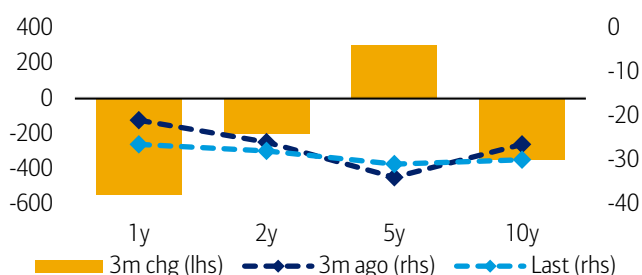


Source: BofA Global Research, Bloomberg

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Exhibit 42: Term structure of basis swaps (bps)

Flattish



Source: BofA Global Research, Bloomberg

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Volatility surface EUR/CZK

Exhibit 43: Current implied volatilities

Flattish

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	3.89	3.85	4.07	4.60	5.27
3m	3.71	3.57	3.74	4.32	5.09
6m	3.82	3.64	3.80	4.39	5.20
1y	3.99	3.74	3.90	4.59	5.55

Source: BofA Global Research

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Exhibit 44: 3m z-scores of implied volatilities

Changes over time

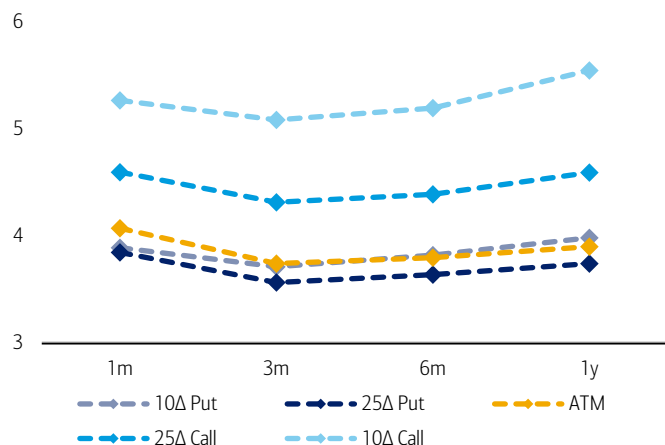
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	+1.1	+1.3	+1.6	+2.0	+2.4
3m	-0.4	-0.1	+0.4	+0.9	+1.4
6m	-0.3	+0.1	+0.5	+0.9	+1.2
1y	+0.4	+0.5	+0.7	+0.8	+0.9

Source: BofA Global Research

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Exhibit 45: Term structures of implied volatilities

Flattish

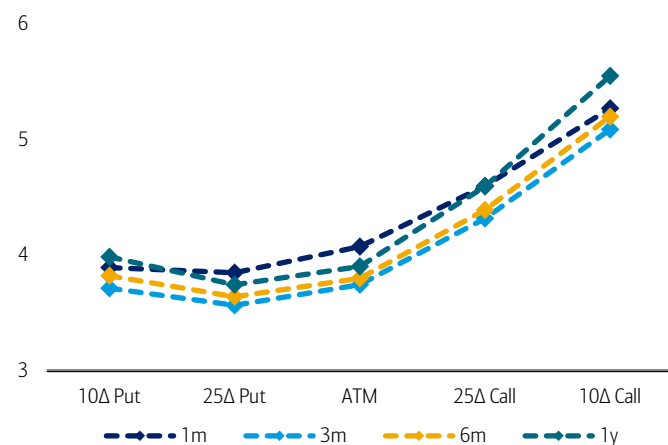


Source: BofA Global Research

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Exhibit 46: Implied volatility smiles

Implied vol smiles are skewed



Source: BofA Global Research

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Hungary: bullish medium-term bias

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View: stronger HUF in the medium term

The HUF should outperform forwards in the medium term as macro policies should remain supportive and a weaker dollar helps. The HUF is still sensitive to EM sentiment.

Key macro developments: Despite weaker growth (dragged down by investments and net exports) and lower inflation (mostly due to the government's price control measures), we expect the authorities to remain careful with any plans to stimulate. A stable EUR/HUF is still an important anchor for voter sentiment going into the 2026 elections. This, in turn, implies a continued cautious approach to macro policy. We keep our forecasts for the base rate stable at 6.50% this year – uncertainty is too high at home (wages, price control, politics) and abroad (risks, sentiment, energy prices) to make rate cuts a base case.

The surprise 1Q GDP contraction of -0.4% yoy suggests full-year growth will be sub-1%, well below our previous expectation of close to 2%. Investments (-10.8% yoy) was the biggest drag, dented by economic uncertainty and lack of financing (from the budget and the EU). The consumption recovery appears to be waning but is still a key driver of GDP, supported by real income growth and personal income tax exemptions.

Meanwhile, the government's price intervention (reducing the impact on headline CPI by a total of c.1.5pp or more) means headline inflation will likely be markedly lower than would otherwise be the case this year, averaging around 4%. Still, services inflation is running at close to 7% yoy. With unit labour cost growth around 10% yoy, the underlying disinflation progress will likely be highly constrained. Oil represents another upside risk to inflation. These factors support the case for the central bank not rushing to cut rates.

Valuations: the HUF looks undervalued on our current account model, but overvalued on our BEER model.

Positioning: investors are long the HUF

Risks to our view: a stronger USD, loose fiscal at home

Upcoming risk events: NBH decisions (22 Jul, 26 Aug); general elections (spring 2026)

Corporate hedging: we recommend hedging HUF strength in the medium term

Rates: bias for higher rates

Exhibit 47: EUR/HUF forecasts vs forwards

We expect EUR/HUF at 395 at the end of 2025

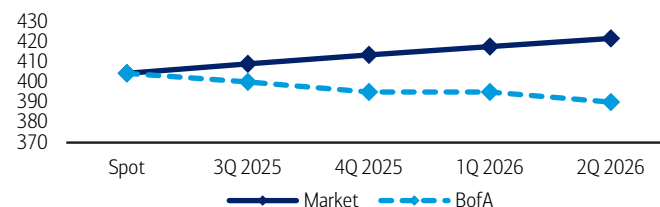
Spot	current 404.3	chg +2.17	Forward	
Period	current	chg	current	chg
3Q 2025	400	+5.00	409	+0.60
4Q 2025	395	+5.00	413	+0.77
1Q 2026	395	+5.00	418	+0.81
2Q 2026	390	-	422	+0.95

Source: BofA Global Research, Bloomberg

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Exhibit 48: EUR/HUF forecasts

Our forecast path is slightly lower than the forward



Source: BofA Global Research, Bloomberg

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Cross currency basis EUR/HUF

Exhibit 49: EUR/HUF cross currency basis

1y basis at -22.4bp

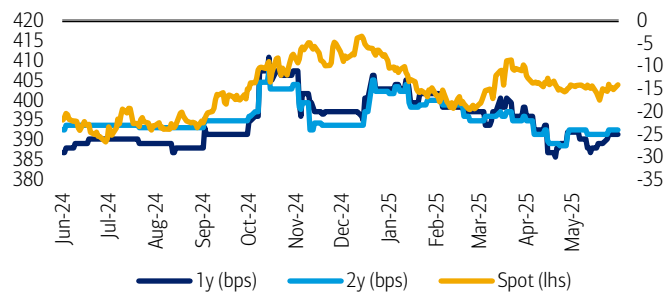
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-22.4	2.4	-2.8	1.6	-32.8		-10.6	-22.6	4.0	28.8	-1.3	0.0
2y	-23.7	1.2	-4.2	0.9	-29.3		-13.0	-23.0	2.5	18.1	-2.0	-0.2
5y	-26.0	0.0	-6.8	-5.4	-26.0		-13.0	-20.8	1.7	12.1	-2.3	-2.7
10y	-24.8	0.3	-7.7	-7.0	-25.3		-13.0	-18.2	1.4	10.1	-1.9	-3.3

Source: BofA Global Research, Bloomberg

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Exhibit 50: Short-term basis swaps vs EUR/HUF spot

Xccy basis down

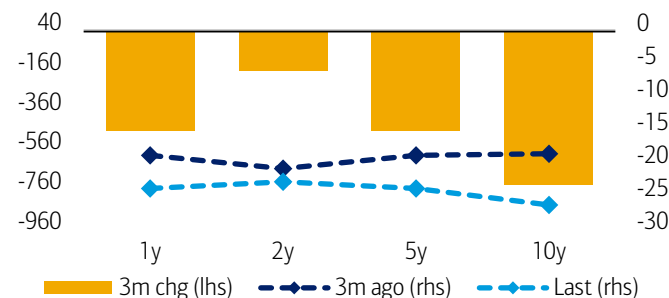


Source: BofA Global Research, Bloomberg

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Exhibit 51: Term structure of basis swaps (bps)

Flattish



Source: BofA Global Research, Bloomberg

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Volatility surface EUR/HUF

Exhibit 52: Current implied volatilities

Flattish

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	7.10	7.18	7.74	8.78	10.01
3m	7.03	6.91	7.40	8.63	10.15
6m	7.13	7.04	7.55	8.79	10.32
1y	7.31	7.23	7.72	8.98	10.52

Source: BofA Global Research

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Exhibit 53: 3m z-scores of implied volatilities

Changes over time

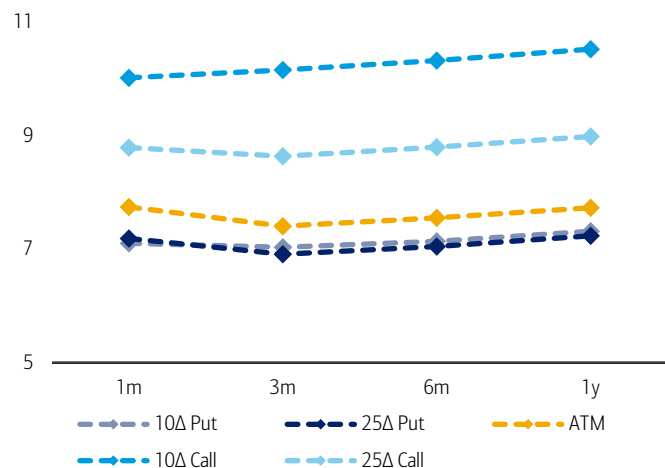
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	+1.7	+1.7	+1.7	+1.7	+1.7
3m	+1.6	+1.7	+1.7	+1.8	+1.8
6m	+1.7	+1.8	+1.9	+2.0	+2.1
1y	+1.6	+1.8	+1.9	+2.1	+2.2

Source: BofA Global Research

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Exhibit 54: Term structures of implied volatilities

Flattish

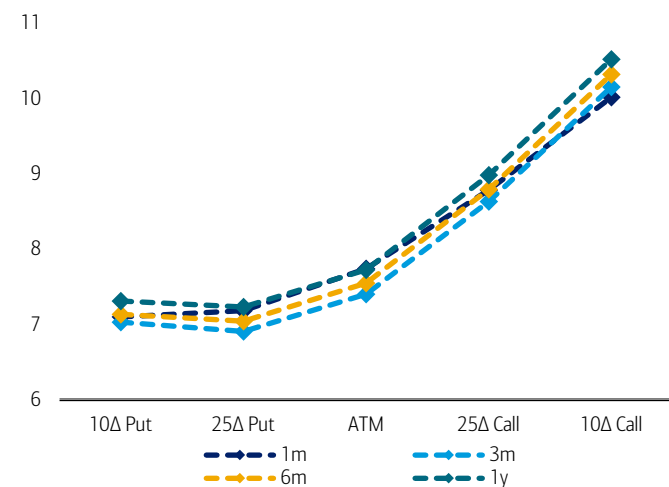


Source: BofA Global Research

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Exhibit 55: Implied volatility smiles

Implied vol smiles are skewed



Source: BofA Global Research

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Frontier: Mixed bag

View: stable RON, RSD, EGP, some depreciation in others

LKR, PKR, UZS, KZT and NGN should depreciate, while pegs in RON and RSD are likely to be preserved. EGP should be range-bound from here, in our view.

Romania: The National Bank of Romania (NBR) maintains tight RON management, but acknowledges that the RON is overvalued. It may thus allow gradual depreciation to resume from later in the year once fiscal and political uncertainty fades.

Nigeria: we should continue to see a gradual NGN depreciation going forward. CBN is in wait and see mode, with the next move being a cut. The cutting cycle is likely to commence in September if CPI does come in sub-20%.

Egypt: EGP is likely to remain range-bound near-term, with a weakening bias if there are portfolio outflows. The implied EGP path in the IMF program suggests nominal depreciation in line with inflation differentials to maintain real competitiveness. We expect the EGP to outperform the levels implied by NDFs in the short term.

Serbia: The EURRSD peg should remain well in place. With ECB easing and economic slowdown, the National Bank should be close to resuming the easing cycle. We see 100bp in rate cuts this year, potentially starting from July.

Kazakhstan: Dividend payments may lead to occasional market pressures in the next 1-2 months, but KZT is mainly driven by oil and RUB, which may move in opposite directions. Expected fiscal consolidation may lead to long-term structural disinflation/easing from 1Q26.

Uzbekistan: We view UZS appreciation as a disinflationary policy move, exacerbated by corporate USD issuance. A longer-term gradual depreciation trend will likely return in the next 1-1.5 months. Stabilizing inflation could unlock 100-150bp of rate cuts this year.

Pakistan: PKR has returned to its gradual controlled depreciation trend this year, which we expect SBP to keep within 4-5% as part of a broader inflation-targeting effort. Further easing is likely limited to 100-150bp by lingering risks, despite CPI being below the 5-7% target.

Sri Lanka: LKR has likely peaked and should exhibit a gradual depreciation trend given expected deterioration of the current account on the back of robust growth and trade liberalization. Room for further easing, if any, should be limited.

Exhibit 57: Gradual depreciation for most frontier currencies

Frontier FX forecasts as of 23/06/2025

	2Q 2025	3Q 2025	4Q 2025	1Q 2026	2Q 2026	3Q 2026	4Q 2026
EUR/RON	5.03	5.03	5.10	5.13	5.15	5.18	5.20
USD/NGN	1550	1580	1600	1648	1697	1748	1801
USD/EGP	51.0	51.0	51.2	51.5	52.0	52.0	52.2
USD/RSD	102	101	100	100	99	98	98
EUR/RSD	117	117	117	117	117	117	117
USD/KZT	520	515	520	525	530	530	530
USDUZS	12200	12353	12505	12658	12810	12938	13066
USDPKR	285	290	295	298	305	310	310
USD/LKR	305	315	320	322	325	328	330

Source: BofA Global Research

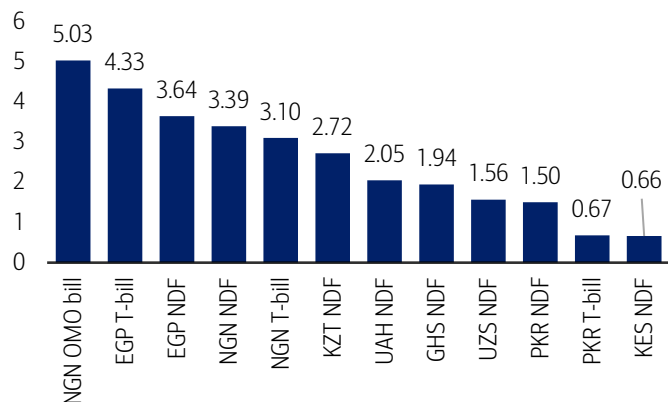
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Frontier carry

Exhibit 57: NGN OMO bills and EGP T-bills have the highest carry

Non-annualised carry for different frontier trades on 3m horizon (after accounting for bid/ask spread)

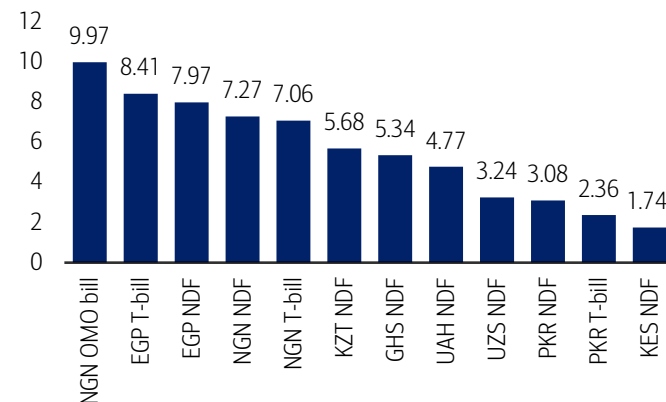


Source: BofA Global Research, Bloomberg as of 23/06/2025

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Exhibit 58: NGN OMO bills and EGP T-bills have the highest carry

Non-annualised carry for different frontier trades on 9m horizon (after accounting for bid/ask spread)

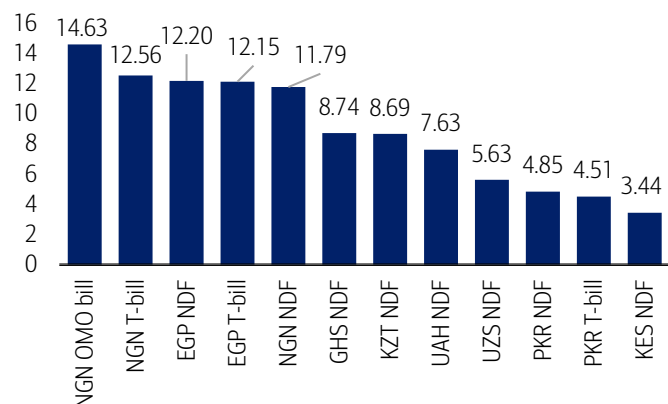


Source: BofA Global Research, Bloomberg as of 23/06/2025

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Exhibit 59: NGN OMO bills have the highest carry

Non-annualised carry for different frontier trades on 9m horizon (after accounting for bid/ask spread)

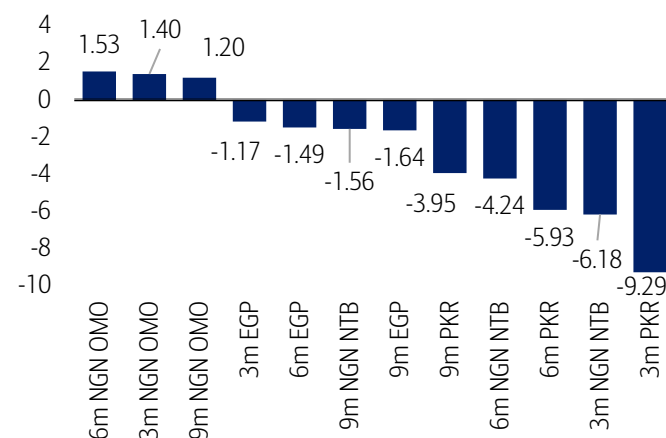


Source: BofA Global Research, Bloomberg as of 23/06/2025

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Exhibit 60: Basis exists only for OMO bills in Nigeria

Carry for FX-hedged positions for NGN, EGP, PKR bills



Source: BofA Global Research, Bloomberg 23/06/2025

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Fair value Compass model

Exhibit 62: Compass FX fair value model

Fair value assessments from a long-term perspective (based on current account methodology)

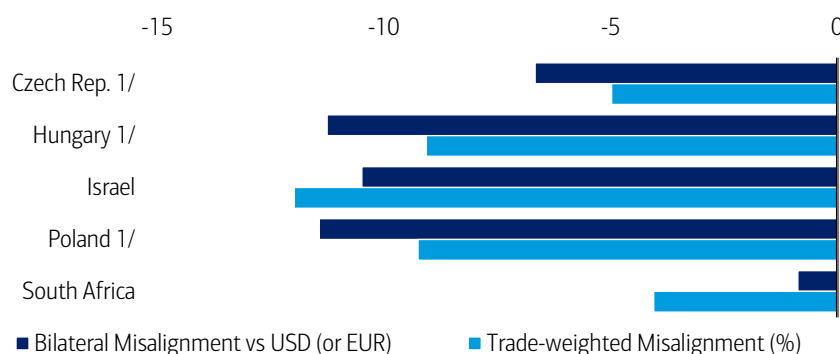
	Fair Value vs USD (or EUR)	Spot vs USD (or EUR)	Bilateral Misalignment vs USD (or EUR)	Trade-weighted Misalignment (%)
EEMEA			(6.1)	(6.3)
Czech Rep. 1/	23.29	24.85	(6.7)	(5.0)
Hungary 1/	363	404	(11.3)	(9.1)
Israel	3.14	3.47	(10.5)	(12.0)
Poland 1/	3.84	4.28	(11.4)	(9.3)
South Africa	17.97	18.13	(0.9)	(4.0)

Source: BofA Global Research. Last updated 23 June 2025. 1/ against EUR

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Exhibit 62: Compass FX % misalignment

HUF is the most undervalued from a long-term perspective



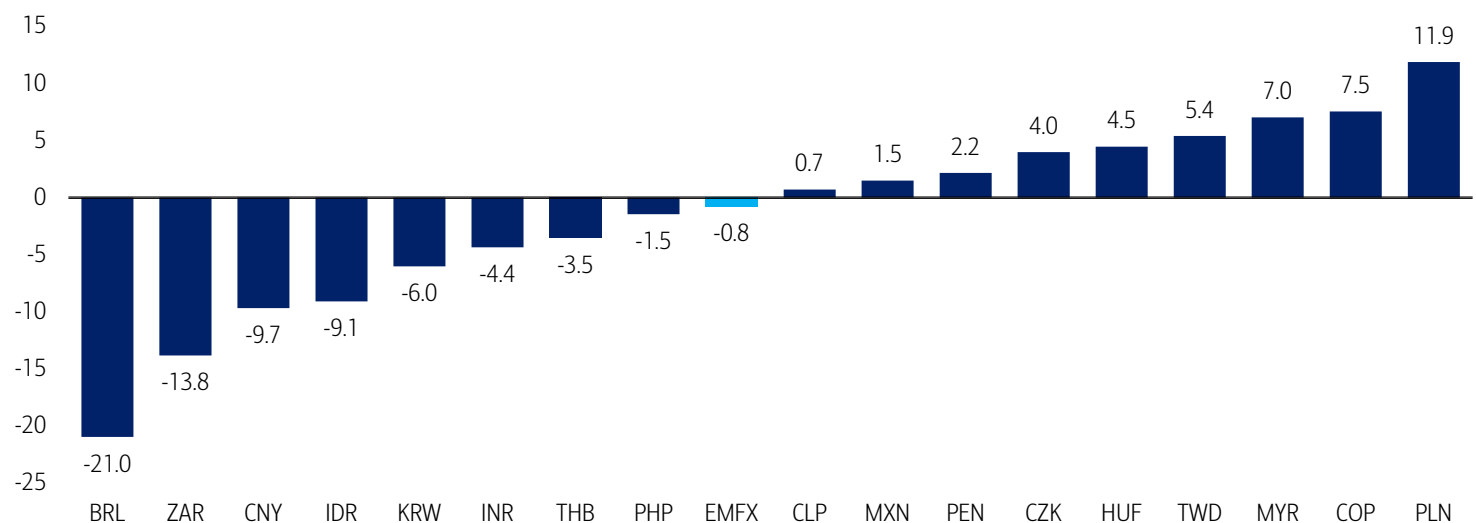
Source: BofA Global Research. Last updated 23 June 2025. 1/ against EUR

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Fair value BEER model

Exhibit 63: BEER Model deviations from long-run fair value model (%)

EMFX is undervalued by about 0.8% relative to its 3-6-m fair value



Source: Bloomberg, Haver, BofA Global Research. Last updated 04 June 2025

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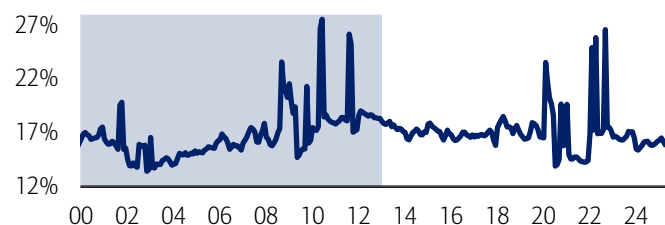
CompassAlarm – EMFX crisis early warning tool

CompassAlarm seeks to estimate the probability of major pressure on 18 EM currencies during the next six months. We define an event according to an exchange rate pressure indicator (ERPI), which measures the combination of exchange rate depreciation and central bank intervention, as the latter may conceal pressure on the exchange rate. The ERPI is a widely used concept in the assessment of currency risks. In our model, we set the threshold for a pressure event at 2.5 standard deviations of the ERPI relative to the country-specific average since 1995. This can apply to a peg (eg CNY 2015, EGP 2016) or a (more or less freely) floating currency (eg ARS and TRY 2018).

The pressure probability is based on cross-country regressions that relate past pressure events with fundamentals: current account; FX reserves relative to short-term external debt; FX valuation based on our Compass model; private sector credit growth; and GDP growth over the past six months. We add global risk appetite, measured by the VIX, as global volatility often pushes economies with weak fundamentals into an actual crisis.

Exhibit 65: EMFX fundamental risks are quite low vs history

Probability of FX pressure event – average of 18 EM currencies

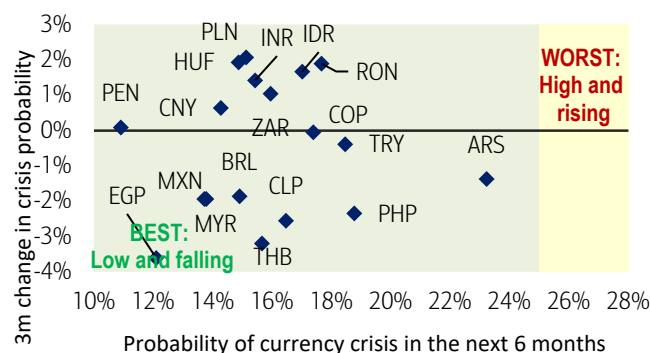


Note: Event = 2.5std move in exchange rate pressure indicator (ERPI) which measures combination of FX depreciation and central bank intervention vs country-specific average since '95. Probability based on cross-country regressions relating pressure events to fundamentals and risk appetite (VIX). Back-tested results of the model are hypothetical in nature and reflect the application of the model prior to its introduction and are not intended to be indicative of future performance ([link to methodology](#)). Back-tested performance up to January 2013 **Source:** BofA Global Research estimates

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Exhibit 66: Only ARS probability is past the critical threshold of 25%

Probability of currency crisis over next 6 months & change over past 3 months



Note: see note to Exhibit 59. **Source:** BofA Global Research estimates

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Exhibit 67: Most frequent risk factors = current accounts & FX overvaluation

Early warning indicators contributing to the probability of a major FX pressure event

	Early Warning Indicators					Probability		Change in probability	
	RGDPZ	CRED	CABY	OVAL	STEDFX	Jun-25	3m	12m	
Argentina	-1.21	196%	1%	28%	189%	23%	-1 ppt	+6 ppt	
Brazil	1.29	3%	-3%	13%	26%	15%	-2 ppt	-3 ppt	
Chile	0.96	2%	-1%	21%	53%	16%	-3 ppt	-4 ppt	
China	-1.35	6%	3%	2%	42%	14%	+1 ppt	+1 ppt	
Colombia	-1.31	3%	-2%	14%	53%	17%	0 ppt	-3 ppt	
Egypt	-1.27	30%	-7%	-27%	90%	12%	-4 ppt	0 ppt	
Hungary	-1.36	7%	2%	3%	78%	15%	+2 ppt	+1 ppt	
India	-0.59	11%	-1%	9%	25%	15%	+1 ppt	0 ppt	
Indonesia	-1.37	8%	0%	14%	34%	17%	+2 ppt	0 ppt	
Malaysia	1.33	5%	2%	8%	119%	14%	-2 ppt	+1 ppt	
Mexico	1.36	12%	1%	10%	28%	14%	-2 ppt	+7 ppt	
Peru	1.10	0%	2%	-8%	14%	11%	0 ppt	0 ppt	
Philippines	1.28	11%	-4%	33%	22%	19%	-2 ppt	0 ppt	
Poland	-1.34	3%	0%	3%	44%	15%	+2 ppt	+3 ppt	
Romania	-1.36	8%	-9%	4%	78%	18%	+2 ppt	+1 ppt	
S. Africa	-1.31	5%	-1%	7%	67%	16%	+1 ppt	0 ppt	
Thailand	1.29	0%	3%	25%	39%	16%	-3 ppt	0 ppt	
Türkiye	-1.27	38%	-1%	12%	196%	18%	0 ppt	+3 ppt	

Notes: (1) Red shading means the indicator contributes to higher pressure probability, defined as one standard deviation above the regional mean for CRED, OVAL and STEDFX and one standard deviation below the regional mean for RGDPZ and CABY. Green shading means the indicator contributes to lower pressure probability, defined as the reverse of the red shading. (2) RGDPZ - 6-month z-score of mom growth in real GDP; CRED - yoy growth of bank lending to the private sector; CABY - current account balance % of GDP; OVAL - estimated using Compass, % change in REER is used for the countries where Compass is not available; STEDFX - ratio of shortterm external debt over FX reserves; VIX dummy equals 1 when VIX is greater than 30 and 0 otherwise. Note that the figures refer to the latest observation for each of the variables (eg, credit growth)—they are not supposed to add up the FX pressure probability estimate. **Source:** BofA Global Research estimates, Haver, Bloomberg

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EEMEA FX forecasts

Exhibit 68: EEMEA FX forecasts

End of period

	3Q 2025		4Q 2025		1Q 2026		2Q 2026		3Q 2026		4Q 2026		1Q 2027		2Q 2027		3Q 2027		4Q 2027		
	Spot	Fcst	Fwd	Fcst	Fwd	Fcst	Fwd	Fcst	Fwd	Fcst	Fwd	Fcst	Fwd	Fcst	Fwd	Fcst	Fwd	Fcst	Fwd	Fcst	Fwd
EUR/CZK	24.8	24.6	24.9	24.5	25.0	24.5	25.0	24.3	25.1	24.2	25.2	24.2	25.3	24.2	25.4	24.2	25.4	24.2	25.5	24.2	25.6
EUR/HUF	402	400	406	395	411	395	415	390	419	390	423	390	426	390	430	390	434	390	438	390	441
EUR/PLN	4.26	4.20	4.29	4.15	4.33	4.15	4.36	4.15	4.39	4.15	4.42	4.15	4.44	4.15	4.47	4.15	4.49	4.15	4.52	4.15	4.55
EUR/RON	5.05	5.03	5.12	5.10	5.18	5.13	5.24	5.15	5.30	5.18	5.37	5.20	5.43	5.20	5.50	5.20	5.56	5.20	5.62	5.20	5.69
USD/CZK	21.3	21.2	21.3	20.9	21.2	20.9	21.2	20.6	21.1	20.3	21.1	20.2	21.1	20.2	21.1	20.2	21.1	20.2	21.1	20.2	21.1
USD/HUF	346	345	348	338	350	338	351	331	353	328	354	325	356	325	358	325	360	325	362	325	364
USD/PLN	3.66	3.62	3.67	3.55	3.68	3.55	3.69	3.52	3.69	3.49	3.70	3.46	3.71	3.46	3.72	3.46	3.73	3.46	3.74	3.46	3.74
USD/RON	4.35	4.34	4.38	4.36	4.40	4.38	4.43	4.36	4.46	4.35	4.50	4.33	4.54	4.33	4.57	4.33	4.61	4.33	4.65	4.33	4.68
USD/AED	3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67
USD/EGP	50.0	51.0	52.0	51.2	54.0	51.5	56.2	52.0	58.3	52.0	59.7	52.2	61.2	52.5	64.6	53.0	68.2	53.5	70.7	56.0	73.2
USD/ILS	3.40	3.36	3.39	3.34	3.39	3.33	3.38	3.32	3.37	3.31	3.37	3.30	3.36	3.35	3.36	3.35	3.35	3.30	3.34	3.30	3.34
USD/KWD	0.31	0.30	0.31	0.30	0.31	0.30	0.31	0.30	0.31	0.30	0.31	0.30	0.31	0.30	0.31	0.30	0.31	0.30	0.31	0.30	0.30
USD/KZT	520	515	535	520	551	525	566	530	582	530	597	530	612	530	627	530	642	530	658	530	673
USD/NGN	1550	1580	1637	1600	1713	1648	1788	1697	1864	1748	1942	1801	2019	1835	2094	1835	2171	1835	2248	1835	2325
USD/QAR	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.65	3.64	3.65	3.64	3.65	3.64	3.65	3.64	3.66
USD/SAR	3.75	3.75	3.76	3.75	3.76	3.75	3.77	3.75	3.77	3.75	3.77	3.75	3.78	3.75	3.78	3.75	3.79	3.75	3.79	3.75	3.80
USD/TRY	39.6	41.0	43.6	42.0	47.3	44.0	50.9	45.5	54.6	46.5	58.7	48.0	62.9	50.0	67.4	51.5	71.9	52.5	76.7	55.0	81.6
USD/UAH	41.8	41.7	41.8	42.0	41.8	42.3	41.8	42.5	41.8	43.0	41.8	43.3	41.8	44.0	41.8	45.0	41.8	45.0	41.8	46.0	41.8
USD/ZAR	17.7	17.8	17.8	17.7	17.9	17.7	18.0	17.6	18.2	17.6	18.3	17.5	18.5	17.6	18.7	17.7	18.8	17.8	19.0	17.9	19.2
USD/LKR	300	315	302	320	304	322	306	325	307	328	309	330	311	334	313	338	315	341	316	345	318
USDPKR	284	290	n.a.	295	n.a.	298	n.a.	305	n.a.	310	n.a.	310	n.a.	315	n.a.	320	n.a.	325	n.a.	330	n.a.
USDUZS	12456	12353	n.a.	12505	n.a.	12658	n.a.	12810	n.a.	12938	n.a.	13066	n.a.	13194	n.a.	13322	n.a.	13422	n.a.	13522	n.a.
USD/RSD	101	101	101	100	101	100	101	99	101	98	101	98	101	98	102	98	102	98	102	98	102
EUR/RSD	117	117	118	117	119	117	119	117	120	117	121	117	121	117	122	117	123	117	124	117	125

Source: BofA Global Research, Bloomberg

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