

The EM Asia FX Strategist

Asia FX Monthly – Resuming bullish trend as risks fade

Summary of FX views

CNY/CNH (neutral): We expect USDCNY to remain range-bound in the near-term and keep our year-end forecast unchanged at 7.30.

HKD (neutral): Spot has reached 7.85. We are waiting for the market to digest the unwind of long USDHKD positions before the HKMA steps to remove HKD liquidity.

INR (bullish): Trade deal hopes have reduced. USD and Oil remain key drivers near-term. RBI's growth focus supports equity inflows. Maintain end-2025 forecast to 84/USD.

IDR (bullish): Domestic factors stable but risks from external volatility. Potential positive catalyst from trade-deal. USD softness and Fed-cut pricing support IDR.

KRW (bullish): KRW is rocked by geopolitical risks but is rebounding from the announcement of a ceasefire. Medium-term fundamentals are strong.

MYR (bullish): Bullish MYR vs USD on potential hedging flows. But external risks to growth turning BNM more dovish. Watch for policy resistance on excessive volatility.

PHP (neutral): BSP's dovish bias and wide CA deficit to weigh on PHP vs peers. Partly offset by weaker USD and retracement lower in oil prices.

SGD (neutral): Policy easing and trade tensions add downside risks to SNEER. Bi-lateral appreciation of SGD vs USD as Asia proxy.

TWD (bullish): Exporters and retail selling USD, foreign equity inflow and increased hedging by life insurance companies should keep USDTWD on a downward trend.

THB (neutral): Weak growth, excess savings, softer USD and lower oil support THB despite rate-cuts. Unfavorable 2Q seasonality and political risks near-term headwinds.

VND (bearish): External economic environment and tariff uncertainty drive a weaker VND view. USD/VND forecast at 26,400 at end-25 which is slightly above forwards.

Exhibit 2: Asia FX forecasts for next 4 quarters

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

Currency	View/bias	Spot	3Q '25	4Q '25	1Q '26	2Q '26
USD/CNY	Neutral	7.19	7.4	7.3	7.3	7.2
USD/HKD	Neutral	7.85	7.83	7.8	7.8	7.8
USD/INR	Bullish	85.6	84.5	84	83	83
USD/IDR	Bullish	16278	16400	16300	16300	16200
USD/KRW	Bullish	1363	1340	1320	1300	1280
USD/MYR	Bullish	4.24	4.25	4.2	4.2	4.15
USD/PHP	Neutral	55.79	57.0	56	56	55
USD/SGD	Neutral	1.29	1.29	1.28	1.28	1.27
USD/TWD	Bullish	29.95	29.1	28.8	28.50	28.2
USD/THB	Neutral	32.71	32	31	31	30
USD/VND	Bearish	26037	26200	26400	26300	26200

Source: BofA Global Research estimates

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Refer to important disclosures on page 27 to 29.

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GEM FI & FX Strategy
EM Asia

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Exhibit 1: EEMEA & LatAm FX monthly Recent publications

25 Jun 2025 [The EEMEA FX Strategist](#)

23 May 2025 [The LatAm FX Strategist](#)

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For a complete list of our open trade recommendations, as well as our trade recommendations closed over the past 12 months, see our report [Global Emerging Markets Weekly: Plant a hedge 19 June 2025](#).

See the end for a list of acronyms.

China

View: maintain year-end USD/CNY at 7.3

The depreciation pressure on RMB has significantly eased since US and China reached a tariff truce on May 12th. The spot USDCNY exchange rate has moved closer to the daily fixings set by the PBoC. Besides, the spread between USDCNH and USDCNY has also narrowed notably comparing to levels at the beginning of this year. In other words, the so-called ‘convergence of the three FX levels’ has finally been restored, providing a ‘comfort zone’ for the PBoC.

Recently at the Lujiazui Forum, deputy governor of the PBoC stated that additional QDII (Qualified Domestic Institutional Investor) quotas will be granted soon, allowing eligible domestic institutions to expand investment in foreign securities markets. It shows that regulators are comfortable with the current state of the exchange rate and therefore shifting its focus towards further opening up of the financial market.

We think the FX demand and supply dynamics will remain largely in balance. Any further increase in net USD selling from goods trade can potentially be offset by seasonal dividend-related outflows and rising outward portfolio flows. We expect USDCNY to remain range-bound in the near-term and keep our year-end forecast unchanged at 7.30.

Valuation: FX COMPASS model indicates 7.02 USD/CNY as fair value

Our COMPASS model (2-3 years) is based on the estimated fair-value exchange rate consistent with an equilibrium current account. This suggests USD/CNY at c.6.93, 4.1% below the current spot. The current trade-weighted inflation-adjusted exchange rate is 8.9% below its 5- and 10-year averages, suggesting that the currency is modestly undervalued against its trading partners.

Positioning: Real-money investors are bearish onshore CNY positions at -13 (-50 being maximum bearish, underweight), while hedge funds are at -20 – see report: [Liquid Cross Border Flows: EUR dips = Real Money opportunities 16 June 2025](#).

Risk events: Ongoing US-China trade negotiations and the possibility of a re-escalation of tensions.

Corporate hedging: We recommend hedging against CNY weakness in 3Q'25.

Rates: Funding conditions improved further thanks to liquidity injection by the PBoC. Volatility of China government bonds (CGB) has remained muted, with front-end outperforming back-end lately. We've recently tweaked our CGB forecast to reflect a flatter curve vs. our previous forecast, given the sustained deflation risk. We now expect 2y and 10y CGB to end the year at 1.3% and 1.6%, respectively.

Exhibit 3: USD/CNY forecasts vs forwards

Expect USD/CNY at 7.20 by end-2Q26

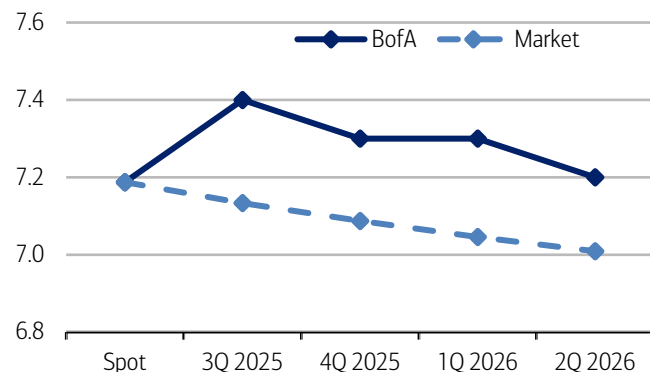
Spot	current	chg (diff)		
	7.19	-0.03		
	Forecast		Forward	
Period	current	chg (diff)	current	chg (diff)
3Q 2025	7.40	-	7.14	-0.258
4Q 2025	7.30	-	7.10	-0.201
1Q 2026	7.30	-	7.06	-0.241
2Q 2026	7.20	-	7.02	-0.207

Source: BofA Global Research, Bloomberg

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Exhibit 4: USD/CNY forecasts

Our forecast path is above the forwards



Source: BofA Global Research, Bloomberg

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Cross-currency basis USD/CNY

Exhibit 5: USD/CNY cross-currency basis

2y xccy basis remains elevated relative to 1yr average

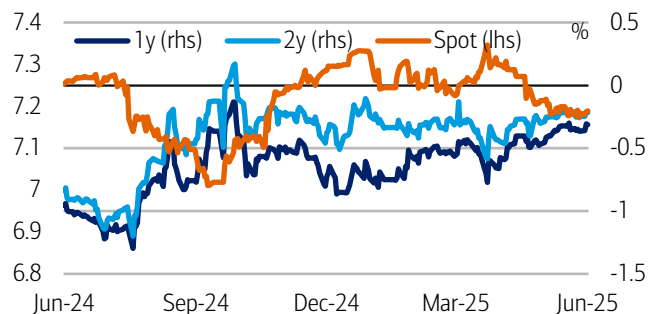
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-0.31	-0.32	0.80	-0.11	-1.29		0.01	-0.49	0.13	0.95	0.72	0.68
2y	-0.22	0.02	0.08	0.60	-1.20		0.17	-0.42	0.13	0.93	1.03	0.73
5y	0.21	-0.01	0.04	0.32	-0.46		0.60	0.15	0.12	0.90	0.53	0.27

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

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

CNY basis remains negative

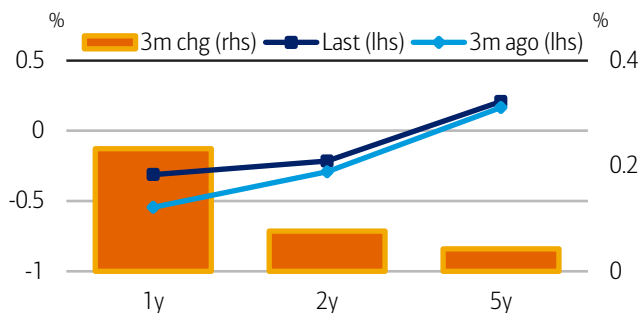


Source: BofA Global Research, Bloomberg

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Exhibit 7: Term structure of basis swap

Basis curve flattens slightly



Source BofA Global Research, Bloomberg

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Volatility surface: USD/CNY

Exhibit 8: Current implied volatilities

Demand for OTM USD calls remains at significant premium to puts

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	4.63	3.78	3.34	3.38	3.84
3m	5.18	4.37	4.04	4.27	5.02
6m	5.53	4.84	4.63	5.02	5.95
1y	5.93	5.23	5.10	5.68	6.95

Source: BofA Global Research

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Exhibit 9: 3m z-scores of implied volatilities

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

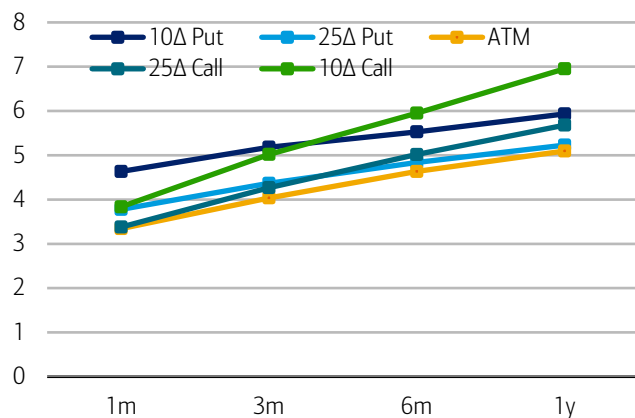
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	-0.815	-1.183	-1.264	-1.154	-0.972
3m	-0.741	-1.213	-1.325	-1.230	-1.064
6m	-0.482	-1.037	-1.217	-1.173	-1.032
1y	-0.480	-1.195	-1.352	-1.278	-1.097

Source: BofA Global Research

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Exhibit 10: Term structures of implied volatilities

Market still skewed toward CNY 1-year depreciation tail risks

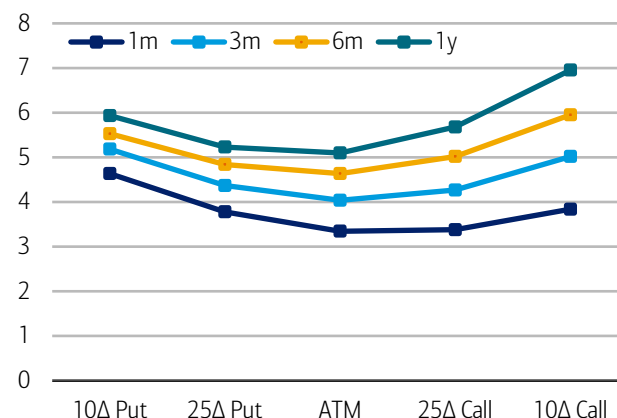


Source: BofA Global Research

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Exhibit 11: Implied volatility smiles

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



Source: BofA Global Research

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Cross-currency basis USD/CNH

Exhibit 12: USD/CNH cross-currency basis

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

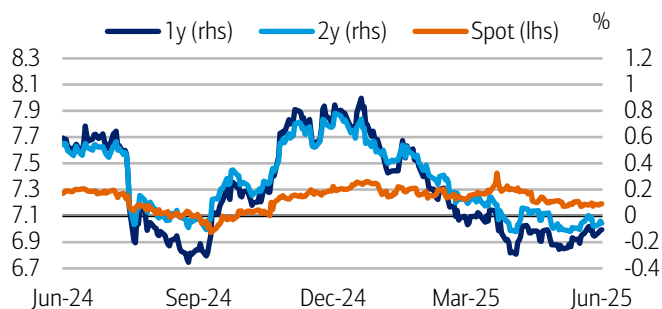
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-0.11	-0.03	-0.04	-0.69	-0.35		0.90	0.20	0.14	0.98	0.26	-0.87
2y	-0.05	-0.05	-0.15	-0.60	-0.12		0.78	0.26	0.11	0.77	-0.58	-1.20
5y	0.04	-0.09	-0.21	-0.38	0.04		0.77	0.32	0.08	0.58	-1.67	-1.51
10y	0.09	-0.16	-0.28	-0.33	0.07		0.70	0.39	0.09	0.62	-2.74	-2.03

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

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

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

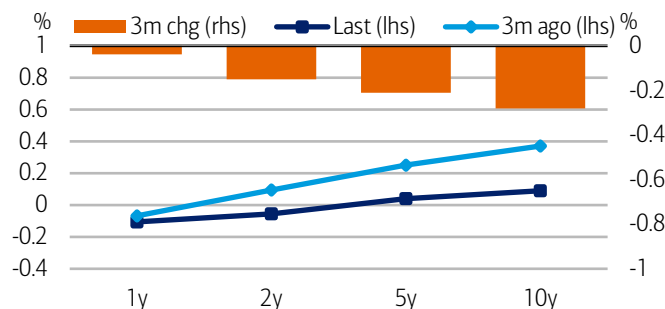


Source: BofA Global Research, Bloomberg

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Exhibit 14: Term structure of basis swaps

Basis swaps rise relative to 3 months ago



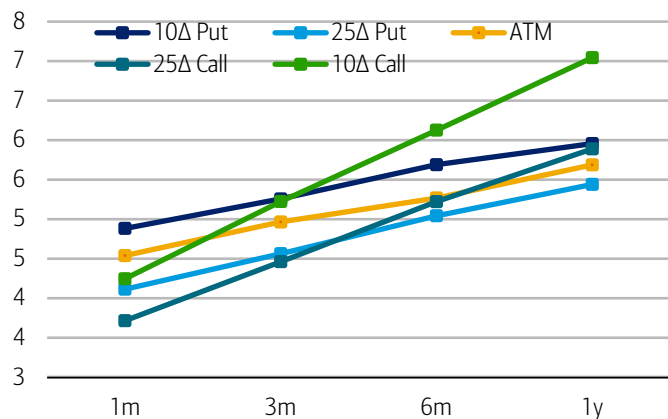
Source: BofA Global Research, Bloomberg

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Volatility surface: USD/CNH

Exhibit 15: Term structures of implied volatilities

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

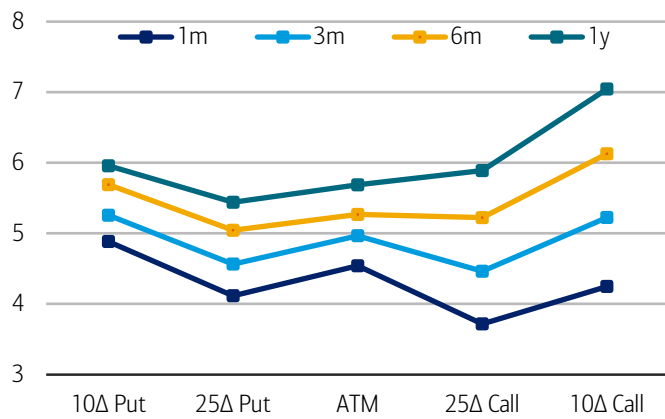


Source: BofA Global Research

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Exhibit 16: Implied volatility smiles

Implied vol smiles are skewed to CNH depreciation



Source: BofA Global Research

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Hong Kong

View: HKD – Waiting for weak side of the policy band to be hit

Waiting for the weak side of the policy band to be hit despite US\$HKD trading within the last 50 pips of the band for the past three weeks; as of writing, US\$HKD has yet to trigger sell USD flow by the HKMA which would result in the removal of excess HKD liquidity. Our current forecast has the 1-month HIBOR fixing rising to 2.60% by year-end (see report: [HIBOR: The lower for longer hypothesis](#)), which is similar to the current market implied pricing through the FX-forward curve. Overall, we continue to expect front-end HIBOR fixing to remain depressed for an extended period of time. We like remaining long the HKD carry trade (through long spot US\$HKD and receive HKD FX-forward curve) positions from here.

Positioning - Neutral: The rapid increase in spot US\$HKD shows the return of carry trade given how wide HK-US interest rate differentials are. However, as spot approaches the 7.85-level, we think the short position on HKD is declining.

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

Risk events: When US\$HKD hits 7.85, reversing the growth in aggregate balance.

Corporate hedging: With front-end HK-US differential very wide, HKD assets should be fully hedged to take advantage of the wide carry.

Rates: 5-year HK-US IRS spreads widened to -77bps reflecting the recent rapid increase in aggregate. The most important factor for the entire HKD rates curve is the timing in which US\$HKD hits 7.85 and reduces the gap between front-end HIBOR versus US SOFR.

Exhibit 17: USD/HKD forecasts vs forwards

Expect USD/HKD at 7.83 by 3Q 2025

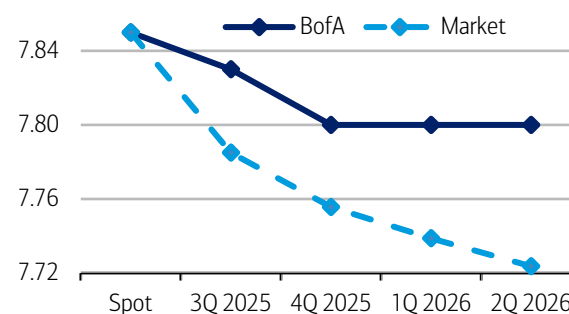
Spot	current	chg (diff)		
	7.85	+0.03		
	Forecast		Forward	
Period	current	chg (diff)	current	chg (diff)
3Q 2025	7.830	+0.05	7.790	-0.0400
4Q 2025	7.800	+0.02	7.761	-0.0387
1Q 2026	7.800	+0.04	7.745	-0.0554
2Q 2026	7.800	-	7.730	-0.0696

Source: BofA Global Research, Bloomberg

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Exhibit 18: USD/HKD forecasts

Our forecast path is above the forwards



Source: BofA Global Research, Bloomberg

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Cross-currency basis USD/HKD

Exhibit 19: USD/HKD cross-currency basis

NDF implied yields over tenors

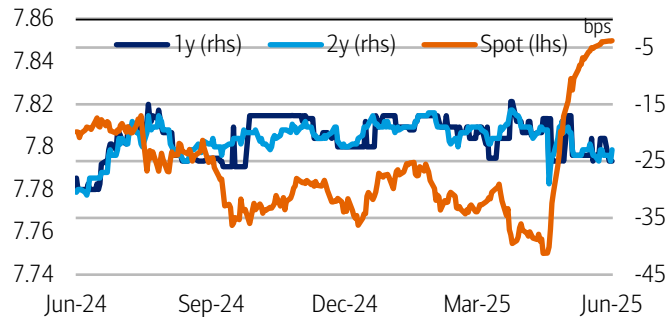
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-25.00	-4.00	-6.00	3.00	-30.00		-14.50	-21.05	4.83	34.82	-1.23	-1.07
2y	-25.00	-2.00	-6.00	5.50	-31.00		-16.00	-21.07	2.21	15.94	-1.49	-1.37
5y	-27.00	-2.00	-1.00	13.50	-40.50		-21.00	-28.06	2.72	19.64	-0.83	0.24
10y	-28.00	5.50	9.50	36.00	-64.00		-26.50	-43.65	3.00	21.65	2.09	1.39

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

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

1y basis swaps recently stable

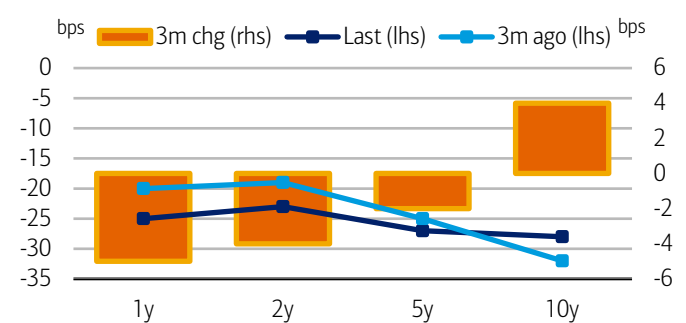


Source: BofA Global Research, Bloomberg

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Exhibit 21: Term structure of basis swaps

5-year basis swap curve tightened the most compared to 3-months ago



Source BofA Global Research, Bloomberg

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Volatility surface: USD/HKD

Exhibit 22: Current implied volatilities

Skew is towards puts in USDHKD

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	3.88	2.43	1.48	1.34	1.83
3m	4.53	2.68	1.51	1.33	1.87
6m	5.43	2.98	1.53	1.33	1.90
1y	6.68	3.44	1.66	1.24	1.94

Source: BofA Global Research

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Exhibit 23: 3m z-scores of implied volatilities

Changes across time

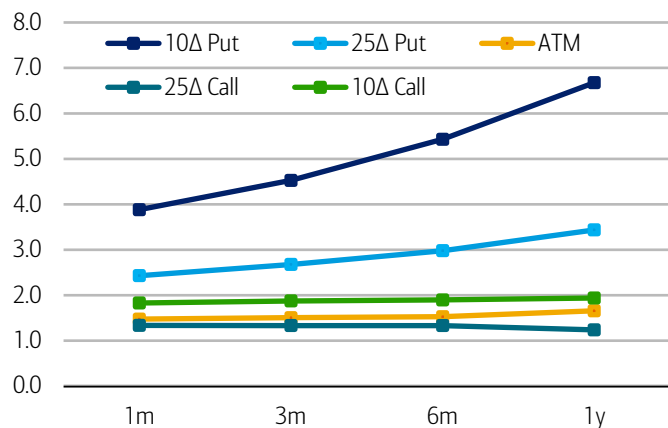
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	0.54	0.64	0.55	0.35	0.11
3m	0.36	0.51	0.54	0.67	0.70
6m	0.22	0.32	0.28	0.75	1.80
1y	0.05	0.13	-0.02	0.03	1.82

Source: BofA Global Research

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Exhibit 24: Term structures of implied volatilities

Vol profile skewed towards puts

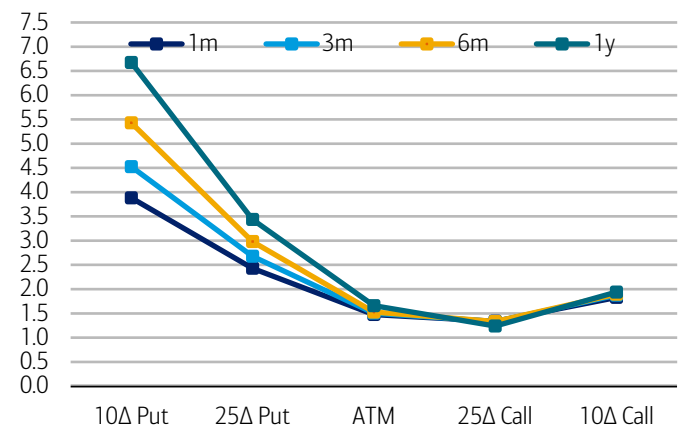


Source: BofA Global Research

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Exhibit 25: Implied volatility smiles

Implied vol smiles are skewed for puts as spot USDHKD collapses



Source: BofA Global Research

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India

View: Risk from oil price shock faded

While medium-term fundamentals for INR remain strong, the recent spike in oil price and equity risk-aversion resulted in INR weakness. While tail risks remain if the conflict escalates again, current levels of oil prices would support further INR appreciation. Beyond the near-term volatility, domestic factors including RBI's focus on stimulating growth are also positive for INR in 2H of this year.

Trade talks with the US made some progress but ran into sticking points regarding agricultural imports. While the government is looking to strike a deal before the tariff pause deadline ends, recent tone has been less conciliatory than before and making concessions on agricultural sector could prove to be politically difficult. That could temper some of the optimism on a trade deal.

The recent volatility is also likely to test RBI's threshold for intervention. So far, RBI has mostly taken a hands-off approach without much smoothing to limit INR weakness. But RBI's reserves buffer has improved on larger spot reserves and reduced RBI short forward positions. That would provide enough space for RBI to step in, if needed, to limit the volatility if RBI suspects large speculative positioning against INR.

Valuation: INR is undervalued on a NEER basis vs its historical range, but less so on REER basis, likely a result of higher inflation vs peers over the years. The long-term FX Compass shows the fair value at 85.62/USD, which is roughly in line with spot.

Positioning: As per BofA proprietary flow indicators, hedge funds turned INR to small long position over the last month from small short earlier. Real money further added INR over the month to still small long position.

Risk events: Any delays in trade deal negotiations could impact growth outlook. Equity risk aversion would be other key external risk. Flare-up in geopolitical tensions could be another risk to watch in the near-term.

Corporate hedging: We recommend keeping INR unhedged on expectations of portfolio inflows and USD weakness this year.

Rates: Bullish/neutral curve – Bullish rates view is supported by RBI's dovish bias and soft inflation data. Flush liquidity conditions are likely to sustain which would keep front-end rates lower and support duration exposure in belly of the bond curve. Longer-end curve has steepened lately due to RBI's hawkish guidance but we believe possibility of further cuts and already steep curve would limit further move higher in yields.

Exhibit 26: USD/INR forecasts vs forwards

Expect USD/INR at 84 by 4Q 2025

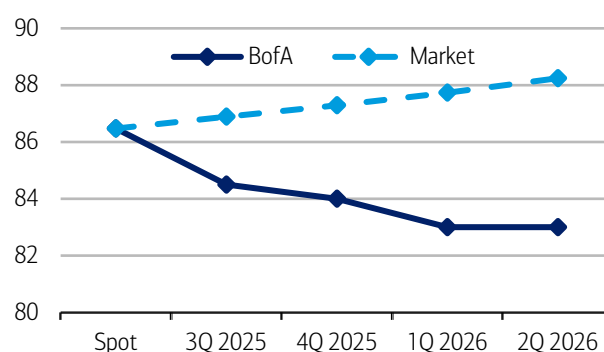
Spot	current	chg (diff)		
	86.75	+1.15		
Period	Forecast		Forward	
	current	chg (diff)	current	chg (diff)
3Q 2025	84.5	-3.00	87.20	+2.70
4Q 2025	84.0	-3.00	87.61	+3.61
1Q 2026	83.0	-3.00	88.06	+5.06
2Q 2026	83.0	-	88.61	+1.40

Source: BofA Global Research, Bloomberg

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Exhibit 27: USD/INR forecasts

Our forecast path vs forwards



Source: BofA Global Research, Bloomberg

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USD/INR forwards – implied yields

Exhibit 28: USD/INR NDF implied yields

NDF implied yields over different periods

Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1m	6.05	0.16	-1.93	-0.41	5.73		10.87	6.97	1.04	7.47	-1.26	-1.18
3m	6.13	0.14	-1.12	-0.49	5.88		9.04	6.79	0.34	2.44	-1.52	-1.38
6m	6.10	0.09	-0.70	-0.59	5.96		7.94	6.68	0.20	1.46	-1.63	-1.95
12m	6.17	0.06	-0.40	-0.66	6.07		7.37	6.60	0.17	1.21	-1.45	-1.98

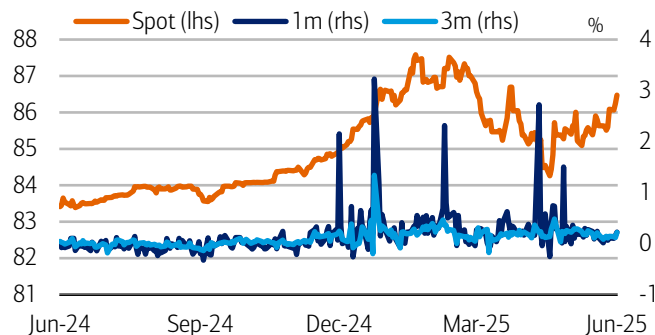
Note: current value 1y average. The z-score measures the distance between the current value and the mean in standard deviation units

Source: BofA Global Research, Bloomberg

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

Offshore-onshore yield differential

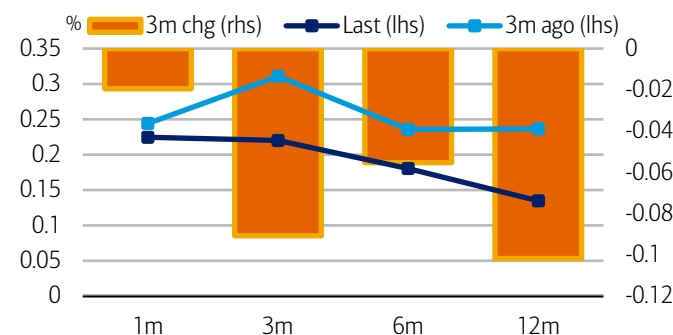


Source: BofA Global Research, Bloomberg

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Exhibit 30: Term structure of NDF – Onshore forward yields

Offshore yields vs onshore change over 3m



Source: BofA Global Research, Bloomberg

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Volatility surface: USD/INR

Exhibit 31: Current implied volatilities

Implied vols skewed towards call options

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	5.57	5.22	5.16	5.61	6.32
3m	5.44	5.07	5.01	5.47	6.26
6m	5.50	5.08	4.99	5.48	6.34
1y	5.59	5.10	4.99	5.47	6.42

Source: BofA Global Research

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Exhibit 32: 3m z-scores of implied volatilities

Implied volatilities across tenors and strikes

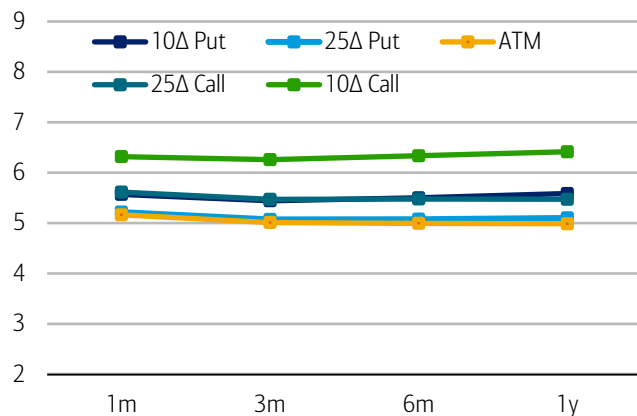
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	0.02	0.05	0.12	0.22	0.28
3m	0.17	0.17	0.18	0.19	0.19
6m	0.42	0.37	0.29	0.21	0.16
1y	0.81	0.69	0.47	0.17	-0.09

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 33: Term structures of implied volatilities

Vol profile skewed towards calls

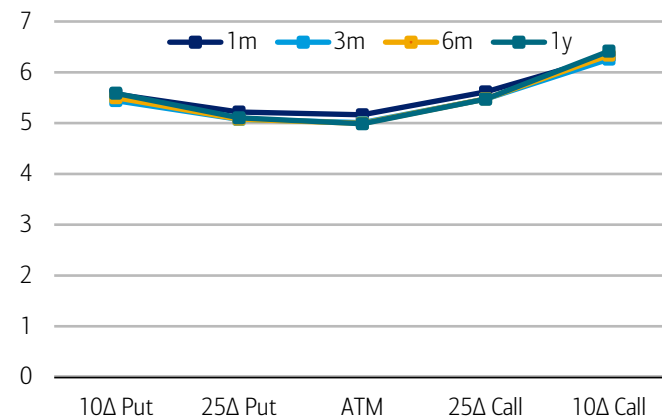


Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 34: Implied volatility smiles

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



Source: BofA Global Research

BofA GLOBAL RESEARCH



Indonesia

View: IDR driven by USD-beta near-term

USD demand due to pick-up in external volatility and risk-aversion is challenging IDR stability. Until the volatility subsides, BI may have to continue stabilizing the market via smoothing flows. The positioning in IDR may not be as crowded this time and long-term trend still remains supportive of IDR strength. However, USD is likely to remain a key driver of IDR and by extension, monetary policy and portfolio flows into Indonesia.

On the domestic front, fiscal changes earlier this year led to a spending shortfall which has caused damage on growth but contained deficit may ease near-term concerns of fiscal expansion. Further monetary easing is possible but expect BI to stay cautious on IDR and continue to provide support if needed.

Over medium-term, Indonesia could benefit from higher conversion of USD deposits from corporates and retails. That would support overall BoP and reduce the need for BI to intervene either directly or via regulatory tightening.

Valuation: IDR now appears under-valued compared with its historical NEER and REER on 5-year window. Our long-term FX Compass model yields a fair value of 17,173/USD, pointing to around 4% overvaluation on spot level.

Positioning: Hedge funds net added IDR longs to a larger position now. RMs also added IDR exposure to small long position, as per our flow indicator.

Risk events: Fiscal changes are weighing on growth and investors are watching budget revision around July to gauge impact. Risks from global trade tensions could adversely impact IDR due to risk sentiment.

Corporate hedging: We recommend keeping IDR unhedged in the near term on USD weakness expectation but see risk of some volatility as tariff pause deadline approaches in July.

Rates: Neutral/flatter – Indonesia bonds retraced the recent bull-steepening as IDR volatility reduced expectations of further policy easing. Lack of visibility over a deeper cutting cycle could limit any rally in the near-term until USD weakness resumes.

Fiscal trends have turned more favorable for this year posing some downside risks to issuance around mid-year revision. That could drive tactical flattening even as long-term fiscal concerns linger in the background.

Exhibit 35: USD/IDR forecasts vs forwards

Expect USD/IDR at 16400 by 3Q 2025

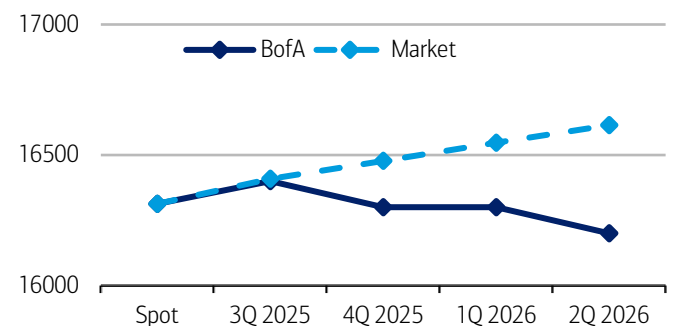
Spot	current	chg (diff)		
	16492	+32.00		
Period	Forecast		Forward	
	current	chg (diff)	current	chg (diff)
3Q 2025	16400	-200.00	16567	167.01
4Q 2025	16300	-200.00	16634	334.01
1Q 2026	16300	-	16703	403.04
2Q 2026	16200	-	16788	673.32

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 36: USD/IDR forecasts

Our forecast path vs forwards



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

USD/IDR forwards – implied yields

Exhibit 37: USD/IDR NDF implied yields

NDF implied yields over tenors

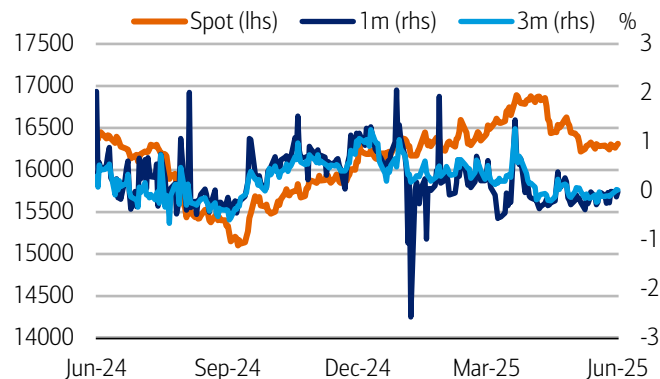
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1m	5.65	0.15	-0.03	-2.16	2.92		8.45	6.18	1.11	8.03	-0.49	-0.96
3m	5.73	0.16	-0.04	-0.50	5.52		7.15	6.13	0.42	3.00	-0.51	-1.32
6m	5.68	0.10	-0.15	-0.73	5.54		6.76	6.12	0.27	1.93	-0.87	-1.70
12m	5.71	-0.05	-0.28	-0.66	5.60		6.78	6.16	0.19	1.37	-1.15	-1.78

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

BofA GLOBAL RESEARCH

Exhibit 38: Onshore forward yields vs USD/IDR spot

NDF yields vs spot



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 40: Current implied volatilities

Vol surface highly skewed towards call options

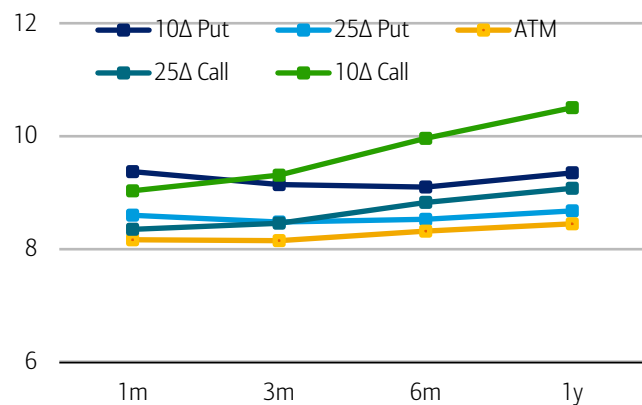
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	9.37	8.60	8.17	8.35	9.03
3m	9.14	8.48	8.15	8.46	9.31
6m	9.10	8.53	8.32	8.83	9.96
1y	9.35	8.68	8.45	9.08	10.50

Source BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 42:- Term structures of implied volatilities

Steeper vol term structure for upside USD/IDR

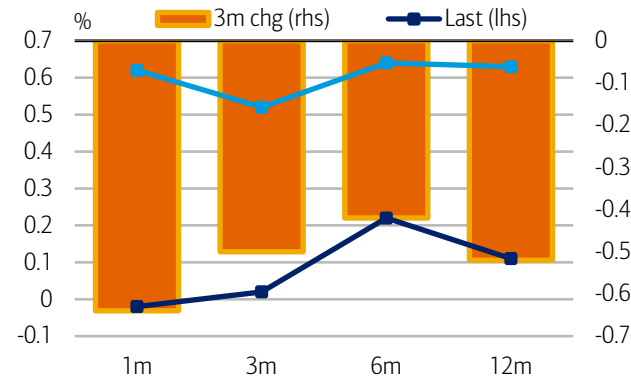


Source: BofA Global Research

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Exhibit 39: Term structure of NDF – Onshore forward yields

Offshore yields vs onshore



Source: BofA Global Research, Bloomberg

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Exhibit 41: 3m Z-scores of implied volatilities

Vols across tenors and strikes

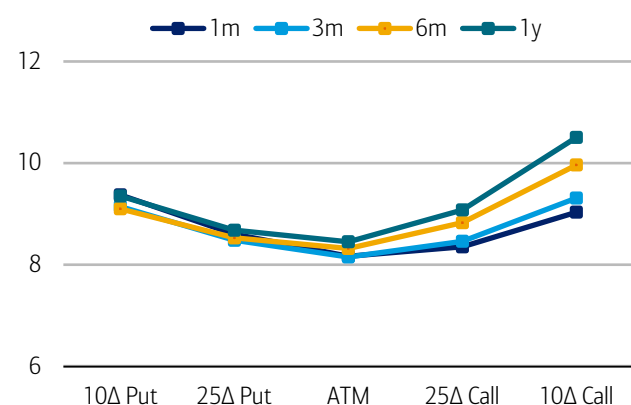
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	0.41	0.15	-0.20	-0.49	-0.62
3m	0.31	-0.01	-0.50	-0.91	-1.13
6m	0.24	-0.10	-0.59	-1.04	-1.30
1y	0.74	0.11	-0.66	-1.11	-1.32

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 43: Implied volatility smiles

Higher skew in longer tenor vols



Source: BofA Global Research

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Korea

View: Rocked by geopolitical risks

USDKRW rapidly rose from the mid-1,350s to mid-1,380s as the geopolitical risk from the Middle East escalates and Emerging Market assets sold off. In the past two weeks, the Korean Won has been the second weakest EM currency, reflecting the high sensitivity KRW has towards global risk sentiment.

Over the medium-term, we remain bullish on the Korean Won. President Lee has been serious regarding advancing capital market reform through revising the Commercial Act which is expected to improve corporate governance. The Korean President has also declared ambitions for the KOSPI, Korea's benchmark equity index, to reach 5,000 (currently at 3,000) and for Korean equities to enter the MSCI Developed Market indices during his 5-year term in office. If these goals are accomplished, this would be a strong bullish factor for the Korean Won given the large inflows into Korean equities which would be expected to occur. Moreover, we expect USD selling by Korean exporters to remain strong, should the previous trend of USD weakness persist.

Positioning: Positive – hedge funds and real money are turning significantly long on the Korean Won.

Valuation: Our FX Compass model shows a fair value of 1,421, suggesting the Korean won is overvalued (spot is at 1,360).

Risk events: The outcome of the trade negotiations between Korea and the Trump administration. Any more risk-off stemming from geopolitical risks.

Corporate hedging: With USDKRW falling, we suggest Korean corporates with USD assets to hedge. We suggest international investors to under hedge KRW assets.

Rates: Korean government bond (KTB) yields have been grinding lower in recent months as the market re-assessed Korea's growth and policy outlook amid tariff headlines. With deeper rate cuts and more fiscal support being priced in, both the 2s10s and 5s30s curve has steepened. We expect two more BoK cuts (50bp in total) by year-end, but the risk is tilted towards greater cuts if growth momentum deteriorates faster than expected.

Exhibit 44: USD/KRW forecasts vs forwards

Expect USD/KRW at 1340 by 3Q 2025

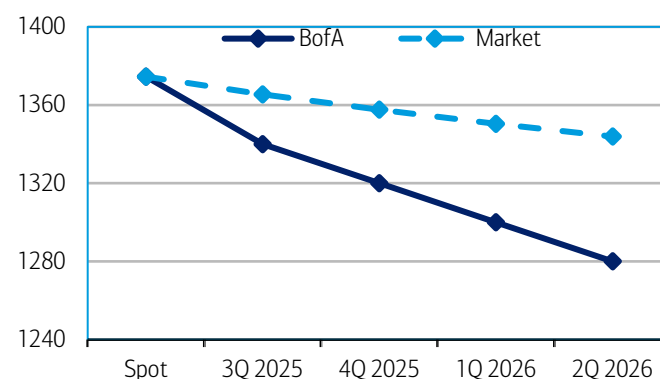
Spot	current	chg (diff)		
	1388.59	-46.71		
	Forecast		Forward	
Period	current	chg (diff)	current	chg (diff)
3Q 2025	1340	-60	1380.56	-41.36
4Q 2025	1320	-60	1372.78	-41.86
1Q 2026	1300	-60	1365.73	-42.40
2Q 2026	1280	-	1359.36	-15.64

Source: BofA Global Research, Bloomberg

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Exhibit 45: USD/KRW forecasts

Our forecast path is below the forwards throughout



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Cross-currency basis USD/KRW

Exhibit 46: USD/KRW cross-currency basis

1y xccy basis at -68bp

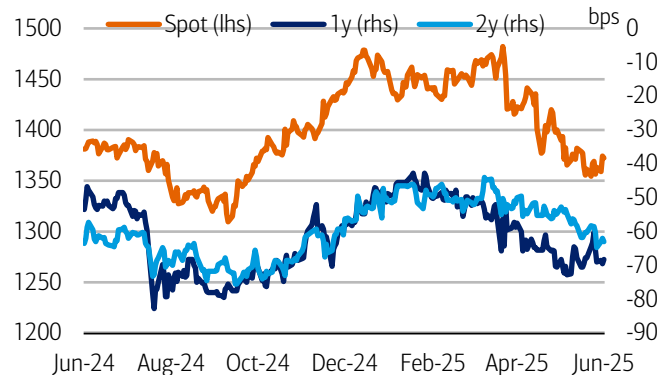
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-68.25	-8.00	-18.25	-17.75	-82.75		-42.75	-61.20	6.46	46.57	-0.90	-0.69
2y	-63.00	-4.50	-11.00	-1.00	-75.50		-44.00	-59.36	4.66	33.61	-1.91	-0.44
5y	-52.75	-7.25	-10.00	-0.50	-75.00		-34.00	-53.37	5.02	36.23	-1.52	0.07
10y	-64.25	-4.75	-8.25	1.75	-79.50		-34.50	-59.93	6.03	43.45	-1.47	-0.50

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

BofA GLOBAL RESEARCH

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

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

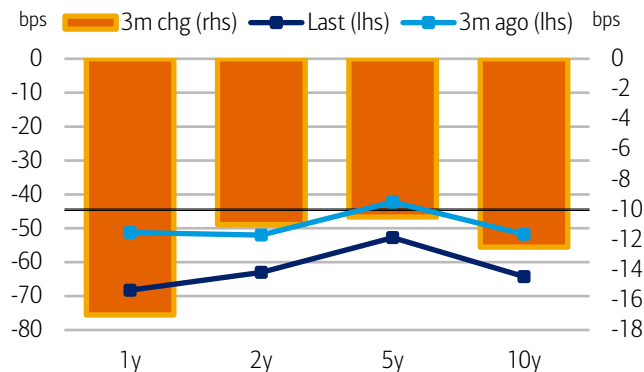


Source: BofA Global Research, Bloomberg

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Exhibit 48: Term structure of basis swaps

1-year xccy basis swap widened the most in the past three months



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Volatility surface: USD/KRW

Exhibit 49: Current implied volatilities

Implied vol remains skewed towards puts

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	11.29	10.88	10.72	10.98	11.54
3m	11.03	10.61	10.43	10.71	11.35
6m	11.07	10.59	10.38	10.71	11.46
1y	10.79	10.33	10.23	10.78	11.81

Source: BofA Global Research

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Exhibit 50: 3m Z-scores of implied volatilities

Changes across time

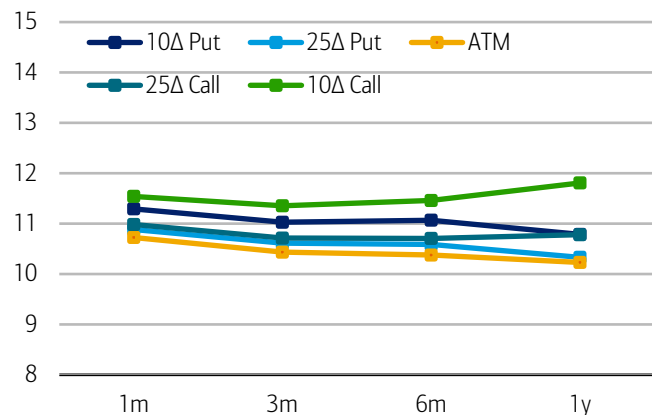
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	-0.03	0.05	0.16	0.23	0.22
3m	0.12	0.18	0.21	0.15	-0.03
6m	0.43	0.44	0.39	0.16	-0.17
1y	0.74	0.71	0.61	0.34	0.00

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 51: Term structures of implied volatilities

FX vol curves are flat in Korea

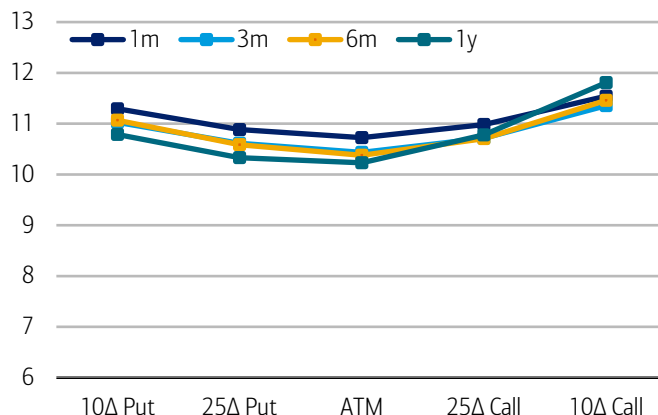


Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 52: Implied volatility smiles

Implied vol smiles are skewed toward calls



Source: BofA Global Research

BofA GLOBAL RESEARCH



Malaysia

View: Tariff risks vs oil price fluctuations

With fundamental outlook still clouded by tariff risks, USD-beta may remain the key driver for MYR. While front-loading of exports may support near-term trade flows, tariff uncertainty is likely to weigh on investment flows and growth outlook. With growth softening and downside risks increasing, focus has shifted towards potential rate cuts.

Liquidity injection at the last policy meeting could be seen as a step in that direction by easing interbank rates and supporting lending growth. While MYR's carry may remain negative, the impact of interest rate differentials was mitigated earlier by BNM's measures to increase USD conversion. Furthermore, the rate cutting cycle in Malaysia is expected to be shallower than the rest of the region.

Over the medium-term, MYR would benefit from higher hedge ratio on foreign assets of domestic investors and higher conversion of corporate deposit flows. That would reduce the net outflows and make CA surplus more effective in supporting the currency. MYR is also seen as the sole beneficiary in the region from terms-of-trade improvement if oil prices spike again.

Valuation: MYR trades well above the historical NEER or REER ranges, indicating overvaluation on a 5-year window. Our long-term FX Compass model shows slight undervaluation, with a fair value of 4.21/USD.

Positioning: As per BofA flow tracker, hedge funds added to long MYR position over the last month and remain moderately long. Real money slightly covered their short MYR to more moderate short position now.

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

Corporate hedging: We recommend keeping MYR exposure unhedged, despite slightly negative carry, as broader USD weakness this year would drive MYR. However, with tariff risks looming, the path around the trend could be volatile.

Rates: Neutral/Neutral – Increasing downside risks to growth due to trade tensions may support front-end rates. Demand for longer-end remains supported by higher domestic allocation by pension funds and lower government-guaranteed debt issuance. Fiscal risks appear contained for now but the curve may steepen if the government goes for expansionary fiscal policy to support growth.

Exhibit 53: USD/MYR forecasts vs forwards

Expect USD/MYR at 4.25 by 3Q 2025

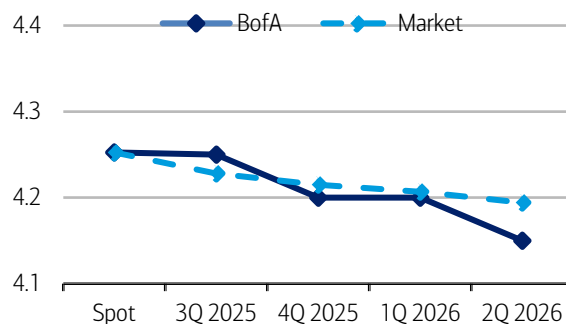
Spot	current	chg (diff)		
	4.29	-0.10		
	Forecast		Forward	
Period	current	chg (diff)	current	chg (diff)
3Q 2025	4.25	-0.30	4.27	-0.096
4Q 2025	4.20	-0.30	4.26	-0.100
1Q 2026	4.20	-	4.25	-0.088
2Q 2026	4.15	-	4.23	-0.027

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 54: USD/MYR forecasts

Our forecast path vs forwards



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Cross-currency basis USD/MYR

Exhibit 55: USD/MYR cross-currency basis

xcy basis

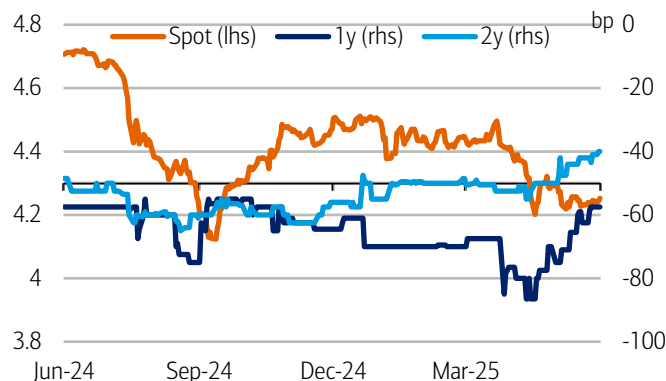
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-57.50	12.50	0.00	19.00	-79.50		-30.00	-56.87	5.71	41.17	0.48	-0.05
2y	-40.00	22.00	8.50	19.00	-65.00		-33.50	-50.29	4.83	34.81	2.92	1.50
5y	-41.00	27.00	6.00	29.00	-68.50		-41.00	-54.80	4.77	34.39	1.95	1.73
10y	-62.50	30.00	7.50	-61.90	-95.00		-62.50	-78.12	5.77	41.59	1.84	2.55

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

BofA GLOBAL RESEARCH

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

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

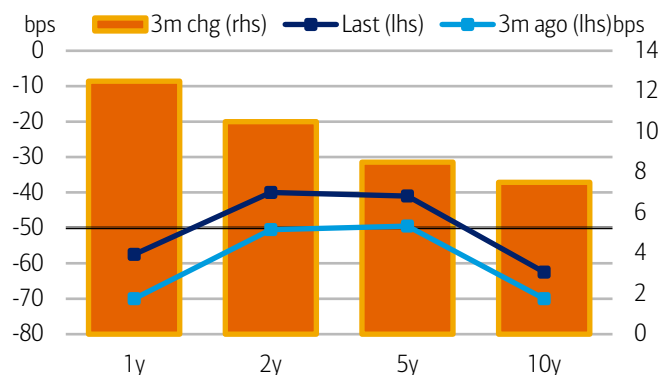


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 57: Term structure of basis swaps

Basis change across tenors over 3m period



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Volatility surface: USD/MYR

Exhibit 58: Current implied volatilities

High skew for upside USD/MYR

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	6.15	6.15	6.84	8.02	9.65
3m	6.31	6.33	7.04	10.25	8.41
6m	6.99	6.88	7.53	9.06	11.13
1y	7.58	7.34	8.08	9.80	12.22

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 59: 3m z-scores of implied volatilities

Vols structure across tenors and strikes

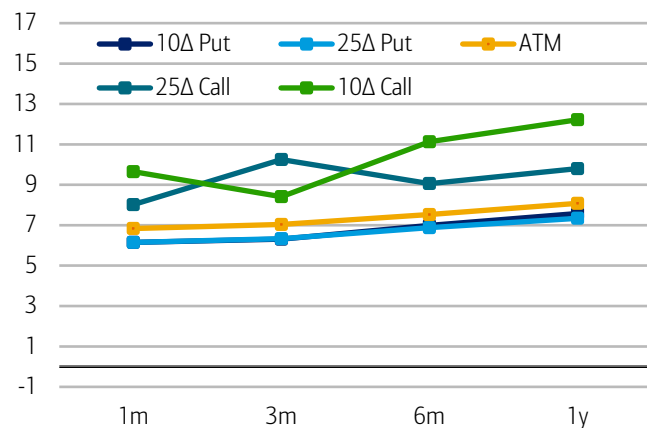
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	0.28	0.20	0.53	0.39	0.48
3m	0.49	0.39	0.61	1.35	1.06
6m	1.33	1.12	0.93	1.73	1.22
1y	0.65	0.47	0.59	0.27	0.39

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 60: Term structures of implied volatilities

Skewed term structure for topside USD/MYR

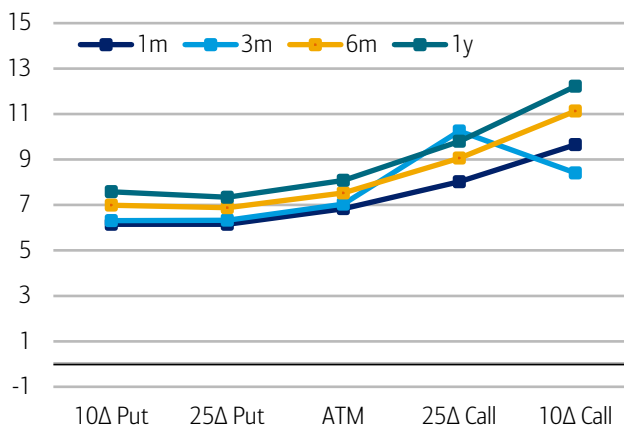


Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 61: Implied volatility smiles

Higher skew in longer tenor



Source: BofA Global Research

BofA GLOBAL RESEARCH



The Philippines

View: PHP vulnerable to higher oil due to wide CAD

PHP remains most exposed in the region to a deterioration in terms of trade if the recent spike in oil prices persists. That may widen the CA deficit for Philippines beyond what can be financed via direct investments and government funding flows. BSP's attempts to support growth via rate cuts and liquidity injections could weaken PHP due to lack of deep capital markets to attract growth sensitive flows.

That may require BSP to supply USDs to avoid pressure on PHP and thus filling the BoP gap in the process. But with FX reserves hovering just above USD 100Bn mark, the extent of direct support from BSP may be limited. Low inflation in Philippines and risks to exports also argues against any fundamental need to support PHP.

We expect PHP to stay weak relative to peers which makes it vulnerable to near-term USD strength. Over the medium-term, PHP could appreciate as broader USD weakness would encourage higher conversion of corporate deposits into PHP.

Valuation: PHP screens as slightly undervalued compared with its historical NEER range, but REER is overvalued, likely due to higher inflation compared with peers. The long-term FX Compass model shows a 15% overvaluation, with the fair value at 65.80/USD, likely due to the wider CAD compared with the equilibrium sustainable levels.

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

Risk events: Political uncertainty on domestic front has picked up, which could weigh on sentiment and growth. Geopolitical risks due to border clashes with China could impact tourism and export flows.

Corporate hedging: We recommend hedging PHP as hedging costs remain low and we expect PHP to trade weaker compared to the region.

Rates: Lower/steeper curve – We maintain a constructive outlook on bonds as domestic factors provide room for further rate cuts this year, which is consistent with BSP's guidance. Liquidity injection would also support front-end bonds demand from onshore investors. However, lower dependence on retail bond issuance to fund the wide fiscal deficit has recently weighed on longer-end bonds, leading to steepening pressure.

Exhibit 62: USD/PHP forecasts vs forwards

Expect USD/PHP at 57 by 3Q 2025

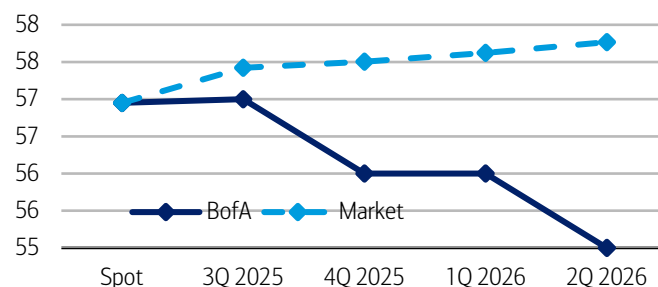
Spot	current	chg (diff)		
	57.61	+0.92		
	Forecast		Forward	
Period	current	chg (diff)	current	chg (diff)
3Q 2025	57.00	-2.00	57.68	+0.96
4Q 2025	56.00	-2.00	57.81	+0.98
1Q 2026	56.00	-	57.93	+0.99
2Q 2026	55.00	-	58.03	+1.53

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 63: USD/PHP forecasts

Our forecast path vs forwards



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

USD/PHP forwards – implied yields

Exhibit 64: USD/PHP NDF-implied yields

NDF-implied yields

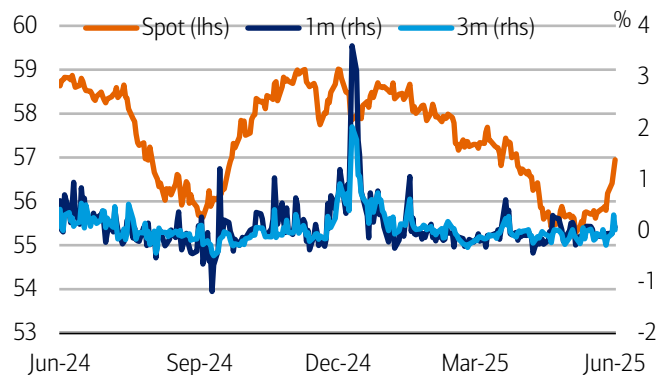
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1m	5.65	0.45	0.85	0.39	3.69		10.78	5.49	0.88	6.33	2.02	0.21
3m	5.41	0.33	0.58	-0.23	4.21		7.98	5.31	0.46	3.33	1.88	0.20
6m	5.21	0.28	0.39	-0.36	4.21		6.74	5.13	0.29	2.09	1.78	0.21
12m	5.02	0.18	0.29	-0.34	3.96		5.79	4.86	0.21	1.50	1.53	0.42

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

BofA GLOBAL RESEARCH

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

Offshore implied yields over the month

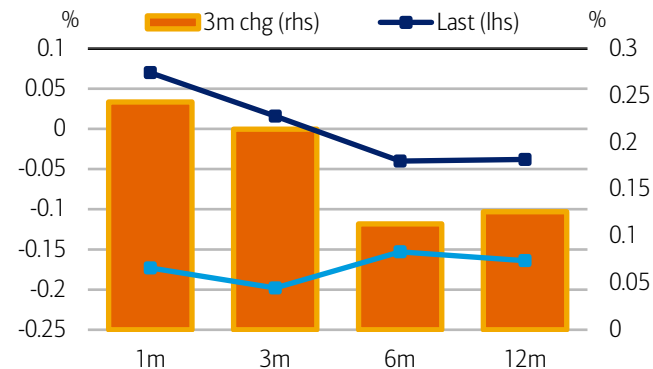


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 66: Term structure of NDF – Onshore forward yields

Offshore yields spread from three months ago



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Volatility surface: USD/PHP

Exhibit 67: Current implied volatilities

Higher vol to hedge PHP depreciation risk

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	7.06	6.58	6.26	6.33	6.70
3m	6.86	6.39	6.16	6.39	6.96
6m	6.86	6.38	6.21	6.58	7.33
1y	6.86	6.34	6.24	6.79	7.79

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 68: 3m Z-scores of implied volatilities

Vols across tenors

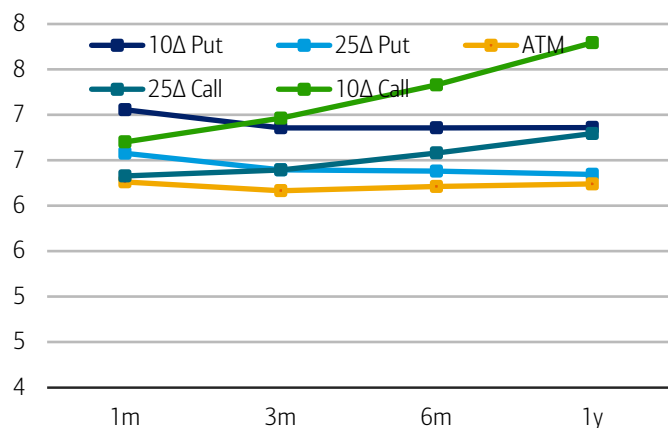
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	1.41	1.33	1.16	0.88	0.62
3m	1.23	1.16	0.99	0.64	0.25
6m	1.38	1.21	0.89	0.38	-0.10
1y	1.31	1.05	0.65	0.16	-0.22

Source: BofA Global Research

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Exhibit 69: Term structures of implied volatilities

Flat term structure across strikes, except OTM call

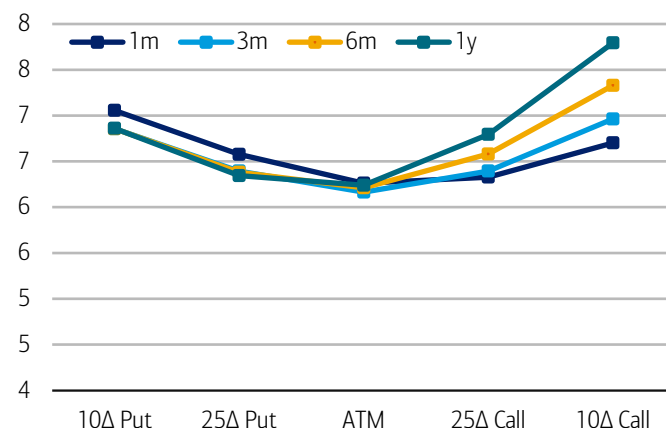


Source: BofA Global Research

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Exhibit 70: Implied volatility smiles

Upside USD/PHP vols much higher, indicating hedging



Source: BofA Global Research

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Singapore

View: Risks tilted towards lower SGD NEER

SNEER has remained in a tight range of 1.5-1.7% above the midpoint on our model, showing little correlation to USD direction of risk sentiment lately. We believe SGD may have benefitted from defensive flows recently. But slower pace of band appreciation and potential for further easing in July keep us biased towards a lower SNEER within the band. At current estimated slope of 50bps, lower front-end rates have turned SNEER carry slightly negative which would reduce incentive for long SNEER positions.

We believe the risks for SNEER remain tilted to the downside with the ongoing trade tensions posing downside risks to Singapore's highly trade-dependent economy. That scenario may increase the risk of a sharper correction in SNEER towards levels closer to the mid or slightly below mid. Despite weakness on NEER basis, our outlook for USD weakness this year would mean SGD appreciation on bi-lateral basis.

Valuation: SGD is overvalued by over 3% on our medium-term FX compass model, with a fair value of 1.33. SGD NEER and REER have appreciated considerably due to the policy framework and shows up as overvalued on the 5-year historical window.

Positioning: According to BofA proprietary flows, both hedge funds and real money investors covered short SGD over the last month but still have large short positions.

Risk events: A hard-landing scenario remains a risk for SGD, as it could lead to stronger USD and SGD NEER correction within the band. Global growth shock resulting in lower commodity prices could increase chances of downward recentering of the policy band.

Corporate hedging: Low hedging costs and a negative basis vs USD indicate a small yield pick-up for bond investors. We recommend hedging long SGD exposure in the near term due to elevated NEER. However, over the year, our outlook for USD weakness would mean favor keeping long SGD exposure unhedged as a regional proxy.

Rates: Neutral/flatter curve – SGD rates now appear to be too low compared to basket yields and US rates on interest-rate parity vs current appreciation stance. However, with high external volatility and downside risks to growth, MAS may keep liquidity flush until SNEER corrects lower within the band. Singapore's strong fiscal framework is supportive of longer-end SGS outperformance over UST.

Exhibit 71: USD/SGD forecasts vs forwards

USD/SGD forecasts

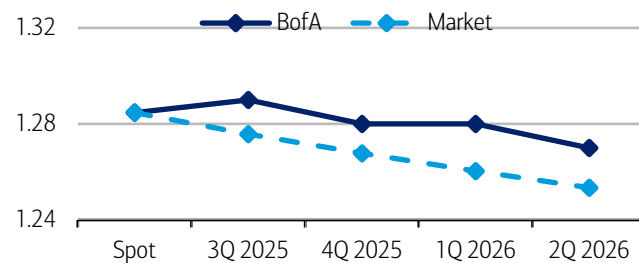
Spot	current 1.29	chg (diff) -0.02		
	Forecast		Forward	
Period	current	chg (diff)	current	chg (diff)
3Q 2025	1.29	-0.03	1.284	-0.0126
4Q 2025	1.28	-0.03	1.277	-0.0145
1Q 2026	1.28	-0.03	1.269	-0.0158
2Q 2026	1.27	-	1.262	-0.0277

Source: BofA Global Research, Bloomberg

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Exhibit 72: USD/SGD forecasts

Our forecast path vs forwards



Source: BofA Global Research, Bloomberg

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Cross-currency basis USD/SGD

Exhibit 73: USD/SGD cross-currency basis

xcy basis

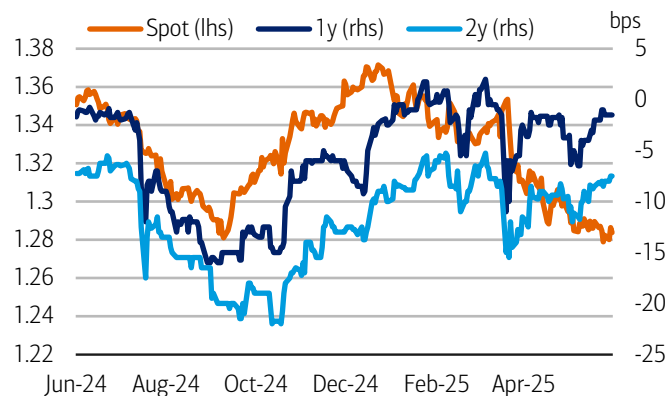
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-1.50	11.50	-0.38	-0.50	-13.00		8.00	-0.10	2.41	17.37	0.83	-0.28
2y	-7.50	8.00	0.00	4.25	-17.75		-3.00	-8.75	2.22	16.04	0.70	0.34
5y	-18.25	-0.25	4.75	6.75	-35.50		-17.50	-26.27	1.96	14.12	1.54	1.79
10y	-29.25	-0.75	5.00	19.25	-49.75		-28.00	-39.08	2.46	17.74	1.29	2.06

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

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

Offshore implied yields over the month

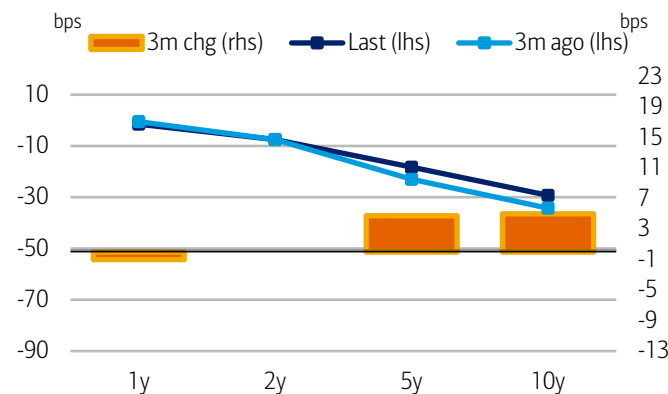


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 75: Term structure of basis swaps

Basis swaps vs 3 months ago



Source: BofA Global Research, Bloomberg

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Volatility surface: USD/SGD

Exhibit 76: Current implied volatilities

Higher skew for upside protection

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	5.94	5.51	5.24	5.31	5.62
3m	6.25	5.71	5.35	5.42	5.80
6m	6.61	6.01	5.61	5.71	6.19
1y	7.03	6.27	5.83	5.97	6.55

Source: BofA Global Research

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Exhibit 77: 3m Z-scores of implied volatilities

Vols structure across tenors and strikes

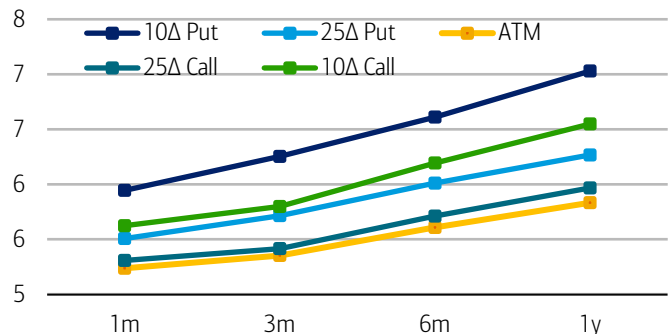
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	-0.75	-0.91	-1.09	-1.18	-1.17
3m	-0.33	-0.60	-1.07	-1.46	-1.56
6m	0.12	-0.10	-0.62	-1.16	-1.31
1y	0.61	0.47	0.04	-0.77	-1.00

Source: BofA Global Research

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Exhibit 78: Term structures of implied volatilities

10d call vols show higher skew

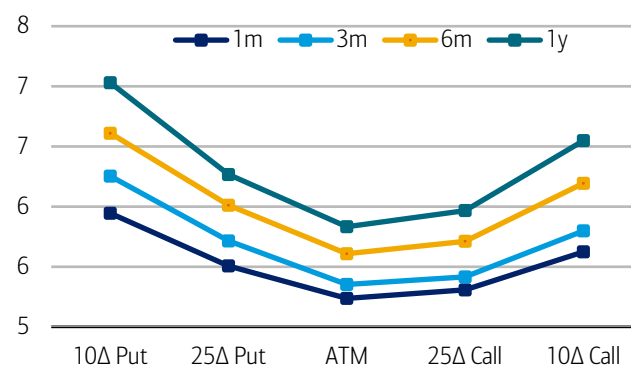


Source: BofA Global Research

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Exhibit 79: Implied volatility smiles

Higher skew in OTM call vols



Source: BofA Global Research

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Taiwan

View: TWD – A rock amid an EM storm

Despite the significant flare-up in geopolitical risk in the Middle East, the Taiwanese Dollar has remained a relative bedrock and is the strongest performing currency in Asia in the past two weeks. Both life insurance companies and exporters are looking for opportunities to sell USD amid the generally USD bearish environment. However, the increased risk-off sentiment is resulting in foreign equities to derisk and sell Taiwanese shares, resulting in USD buying and pushing USDTWD higher. With Taiwan's large current account surplus and incremental hedging from lifers, we continue to expect USDTWD to continually grind lower from here. Watch for increased CBC tolerance for additional TWD strength which is a downside risk to our current forecast.

Positioning: Bullish – Hedge funds went significantly long TWD but corporates remain short.

Valuation: According to the CBC's fair-value measures based on a 36-month moving average, TWD NEER is currently at the 5% upper end of the band.

Risks: The outcome of trade negotiations between Taiwan and the Trump administration. Any sign of regulatory support for the life insurance sector to mitigate the recent FX loss.

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

Rates: Taiwan rates significantly rallied in April 2025 due to local and global factors. Locally, the Taiwan government decided not to hike electric prices and will continue to subsidize TaiPower, prevent the increase in headline CPI from rising electricity prices. Globally, trade tensions and Taiwan's exposure to the US market is resulting in the rates market to price in two CBC cuts over the next year, a pricing we largely agree with.

Exhibit 80: USD/TWD forecasts vs forwards

Expect USD/TWD to be 28.80 by end-4Q25

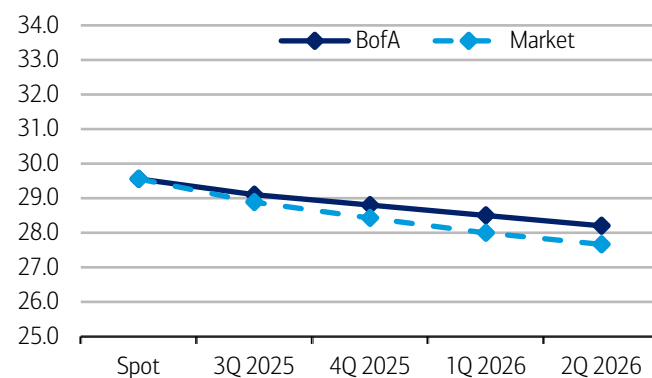
Spot	current 29.75	chg (diff) -2.78		
	Forecast		Forward	
Period	current	chg (diff)	current	chg (diff)
3Q 2025	29.10	-3.00	29.22	-2.70
4Q 2025	28.80	-3.10	28.79	-2.81
1Q 2026	28.50	-3.20	28.37	-2.97
2Q 2026	28.20	-	28.02	-3.98

Source: BofA Global Research, Bloomberg

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Exhibit 81: USD/TWD forecasts

Our forecast path is close to the forwards



Source: BofA Global Research, Bloomberg

BoFA GLOBAL RESEARCH

Cross-currency swap USD/TWD

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

1y NDS at -3

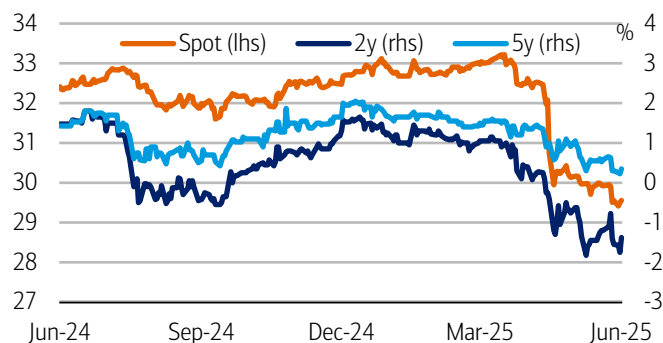
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-3.11	-1.09	-4.29	-5.38	-3.60		2.83	0.43	0.70	5.03	-1.30	-2.52
2y	-1.75	-0.68	-2.80	-3.23	-1.83		1.80	0.51	0.40	2.88	-1.52	-2.56
5y	0.23	-1.18	-1.43	-0.88	0.23		2.05	1.35	0.32	2.27	-5.35	-2.94
10y	0.45	-1.10	-1.50	-0.85	0.45		2.30	1.44	0.37	2.64	-4.58	-2.34

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

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

2y TWD basis widened

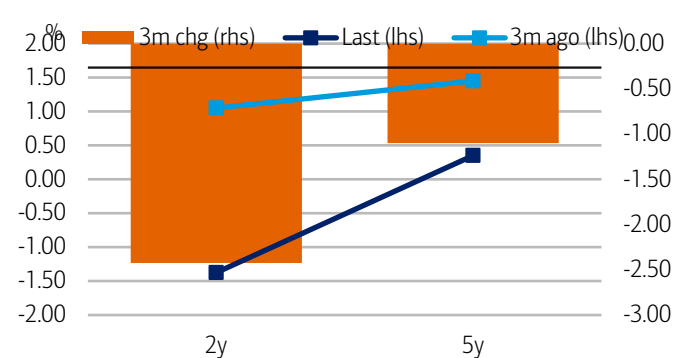


Source: BofA Global Research, Bloomberg

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Exhibit 84: Term structure of NDS

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



Source: BofA Global Research, Bloomberg

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Volatility surface: USD/TWD

Exhibit 85: Current implied volatilities

Across the curve, vol currently is skewed toward puts

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	13.88	11.46	9.50	8.46	8.34
3m	13.46	11.24	9.55	8.75	8.77
6m	13.46	11.27	9.74	9.07	9.20
1y	13.40	11.19	9.81	9.34	9.71

Source: BofA Global Research

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Exhibit 86: 3m Z-scores of implied volatilities

Changes across time

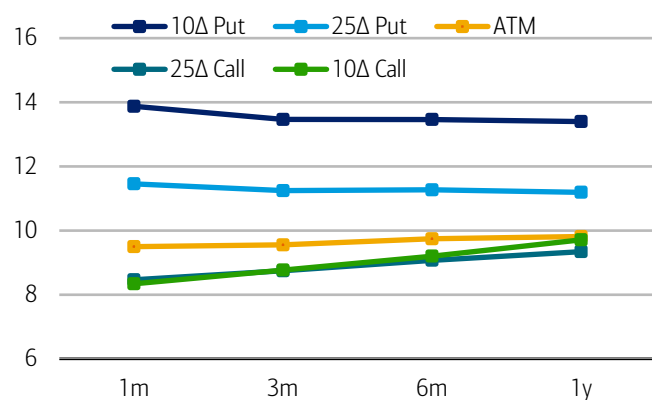
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	0.66	0.55	0.37	0.21	0.12
3m	0.82	0.73	0.57	0.38	0.21
6m	1.12	1.00	0.81	0.54	0.23
1y	1.48	1.32	1.09	0.76	0.30

Source: BofA Global Research

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Exhibit 87: Term structures of implied volatilities

Longer term structures are in favor of OTM puts

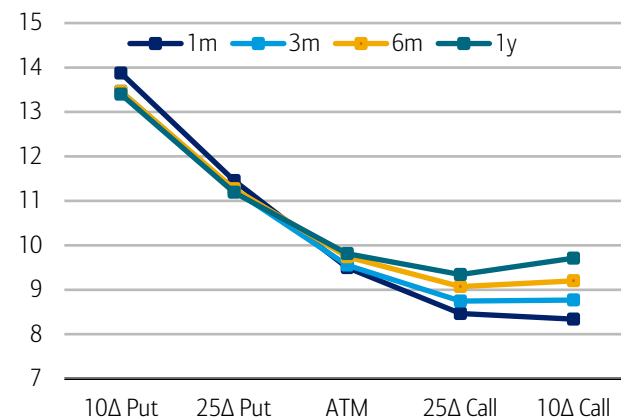


Source: BofA Global Research

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Exhibit 88: Implied volatility smiles

Implied vol smiles are skewed toward puts



Source: BofA Global Research

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Thailand

View: Political instability poses risk to THB

Macro narrative for Thailand has been weak with growth concerns, potential rate cuts, high exposure to trade tensions and verbal rhetoric from the government. However, CA surplus, lower oil, weaker USD and higher gold prices were supporting THB against these factors. Thailand's inflation differential remains move favorable for a stronger THB vs USD and peers in nominal terms.

However, recent spike in oil prices and USD demand have turned these factors against THB. Moreover, recent political uncertainty adds to these risks against a thin CA buffer currently due to unfavorable summer seasonality. Political risks may trigger outflows from equities which could negatively impact THB. While debt inflows could potentially offset these, usually higher hedge ratio on debt flows could render overall portfolio flows as negative for THB in the near-term.

Beyond the near-term volatility, we believe THB could appreciate further towards end of the year as CA seasonality improves along with further USD weakness driving THB stronger.

Valuation: THB appears overvalued on NEER basis relative to its historical data, but less so on REER basis, due to lower inflation than peers. Our long-term Compass model indicates an overvaluation of c.11%, with an estimated fair value of 37.22/USD, likely reflecting the weak growth recovery and shallower CA surplus vs historical range.

Positioning: As per BofA flow indicator, hedge funds reduced long THB to neutral position. Real money also reduced long THB exposure over the last month to a moderate long position.

Risk events: THB is exposed to risks from trade tensions or tariffs which could further weigh on growth outlook and increase risks to fiscal consolidation path as well.

Corporate hedging: Hedging costs in THB remain low, and a negative basis vs USD adds to the yield pick-up. We recommend hedging long THB exposure in the near term due to unfavorable seasonality this quarter and political risks. Beyond that, weaker USD would favor keeping long THB exposure unhedged.

Rates: Bullish/flatter – ThaiGBs have continued to rally on rising growth risks and potential for further easing ahead of BoT meeting. Front-end rates have priced around 1-2x cuts this year which remains feasible. Weak growth outlook and limited fiscal room would support duration exposure and a flatter curve despite some talks about fiscal measures to support growth outlook.

Exhibit 89: USD/THB forecasts vs forwards

Expect USD/THB at 32 by 3Q 2025

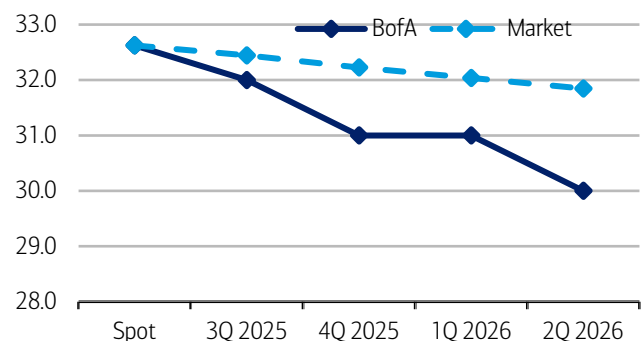
Spot	current	chg (diff)		
	33.00	-0.32		
	Forecast		Forward	
Period	current	chg (diff)	current	chg (diff)
3Q 2025	32.00	-1.00	32.86	-0.081
4Q 2025	31.00	-1.00	32.65	-0.079
1Q 2026	31.00	-	32.45	-0.105
2Q 2026	30.00	-	32.25	+0.051

Source: BofA Global Research, Bloomberg

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Exhibit 90: USD/THB forecasts

Our forecast path vs forwards



Source: BofA Global Research, Bloomberg

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Cross-currency basis USD/THB

Exhibit 91: USD/THB cross-currency basis

xcy basis across tenors

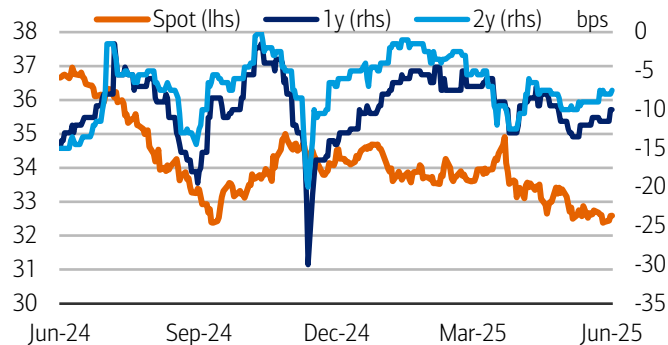
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-10.00	3.00	1.00	25.00	-41.50		-1.50	-22.18	2.65	19.10	-0.08	1.13
2y	-7.50	0.50	6.50	28.50	-40.50		-1.50	-23.25	2.61	18.79	0.51	1.45
5y	-21.00	-8.50	2.50	23.00	-47.50		-6.00	-29.53	2.57	18.55	-1.12	0.77
10y	-34.00	-6.00	7.00	47.50	-83.50		-21.50	-52.96	3.34	24.08	-0.58	1.07

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

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

Basis swaps history over time

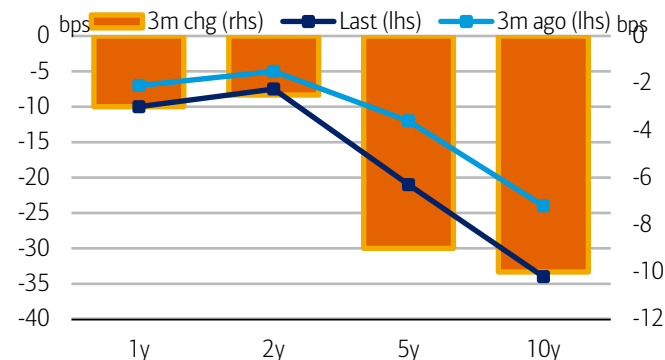


Source: BofA Global Research, Bloomberg

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Exhibit 93: Term structure of basis swaps

Basis swaps term structure vs three months ago



Source: BofA Global Research, Bloomberg

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Volatility surface: USD/THB

Exhibit 94: Current implied volatilities

Upside vols higher than the rest of the curve

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	9.92	9.47	9.26	9.42	9.87
3m	9.77	9.34	9.19	9.49	10.11
6m	9.74	9.33	9.26	9.73	10.57
1y	9.60	9.23	9.21	9.82	10.83

Source: BofA Global Research

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Exhibit 95: 3m Z-scores of implied volatilities

Vols across tenors and strikes

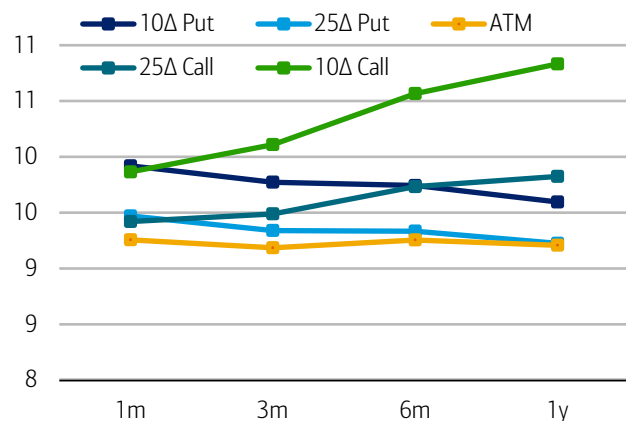
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	-0.13	-0.23	-0.38	-0.59	-0.81
3m	-0.05	-0.20	-0.39	-0.64	-0.88
6m	0.03	-0.08	-0.26	-0.45	-0.64
1y	0.12	0.03	-0.16	-0.30	-0.37

Source: BofA Global Research

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Exhibit 96: Term structures of implied volatilities

Term structures of vols across strikes and tenors

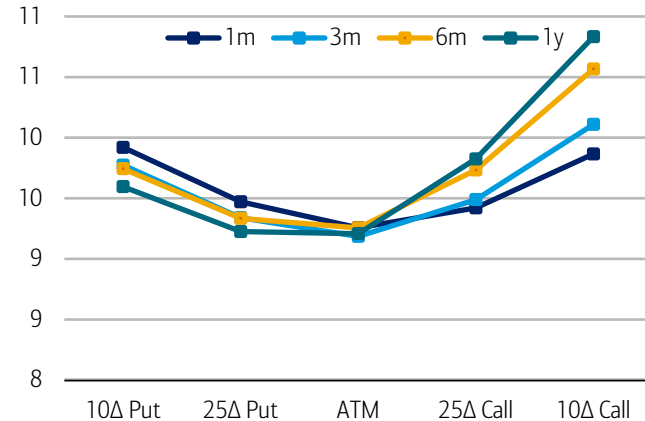


Source: BofA Global Research

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Exhibit 97: Implied volatility smiles

Higher skew toward calls



Source: BofA Global Research

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Vietnam

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

We forecast more moderate VND depreciation to 26,400 by year-end, reflecting broader USD strength and a difficult trade outlook with the prospect of higher tariffs. This forecast represents a 2% depreciation from the current spot.

Macro outlook: Improving domestic economy vs. difficult external economy

Our economists expect GDP growth to hold steady at a trend pace of 6.9% yoy in 1Q25 vs. 7.6% in 4Q25 and 7.1% in 2024. By sectors, outperformance included manufacturing (9.3%) and services (7.7%), which offset subdued growth for agriculture (3.7%) and weaker mining (-5.8%). Vietnamese authorities reiterated their ambitious official GDP growth target of 8% for 2025 (2Q-3Q25E: 8.3%; 4Q25E: 8.4%), but this has likely not factored in negative spillovers from US tariffs (Vietnam among the highest at 46%).

Our economists see significant downside risk to our GDP forecasts for 2025 (6.7%) and 2026 (6.4%), considering direct effects from any sharp dip in exports to the US. US is Vietnam's largest export market, making up 30% of overall exports in 1Q24-1Q25. They estimate every 10% decline in exports to the US could lower Vietnam's GDP by around 70bp if all products drop by 10% (not the case in reality as demand elasticity differs by products).

Positioning: It is difficult to gauge with limited data. 3M NDF points are -23 points below the spot, which is below the two-year average of +105 points, suggesting that risk premium is not being priced.

Valuation: It is difficult to gauge with the limited data and no liquid financial instruments to reliably price expectations. Relative to the official trading band, VND trades 3.7% cheap to the midpoint, beneath the 5% limit of weakness. Examining the REER, this trades 4.3% above the 10-year moving average, implying slight overvaluation.

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

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

Curve outlook: The curve is likely to remain steep on stable to low inflation, while the growth outlook is mixed.

Exhibit 98: USD/VND forecasts vs forwards

Expect USD/VND at 26200 by 3Q 2025

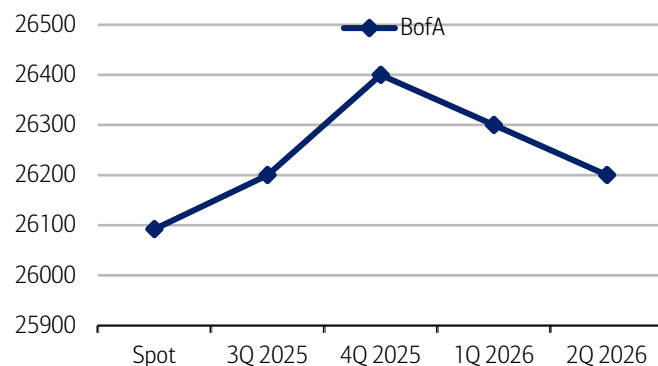
Spot	current	chg (diff)		
	26156	+282.00		
	Forecast		Forward	
Period	current	chg (diff)	current	chg (diff)
3Q 2025	26200	-	26185	
4Q 2025	26400	-	26210	
1Q 2026	26300	-	26260	
2Q 2026	26200	-	26280	

Source: BofA Global Research, Bloomberg

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Exhibit 99: USD/VND forecasts

Our forecast path is above the forwards from 4Q25



Source: BofA Global Research, Bloomberg

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FX Models

Exhibit 100: FX Compass

Long-term currency valuation

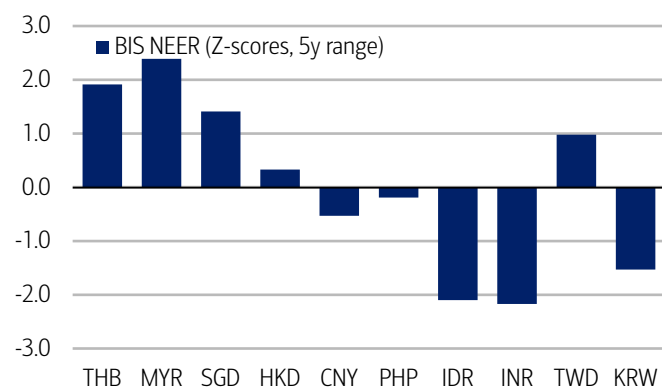
Country	Fair Value vs USD	Spot vs USD 1/	Bilateral Misalignment vs USD (%) 1/	Trade-weighted Misalignment (%) 2/
Asia			3.7	1.7
China	6.93	7.21	(4.1)	(8.9)
India	85.62	85.40	0.3	(2.5)
Indonesia	17173	16430	4.3	2.3
Korea	1421	1393	2.0	0.3
Malaysia	4.21	4.29	(1.9)	(4.5)
Philippines	65.80	55.68	15.4	16.1
Singapore	1.33	1.29	2.7	0.4
Thailand	37.22	33.07	11.2	10.5

Source: BofA Global Research, Bloomberg. Note: 1/ Fair values are updated using forecasts. Spot is for May 19, 2025. Note 2/ REER valuation is trade-weighted deviation of current REER (August estimate) from Compass fair values.

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

THB well-above five-year average



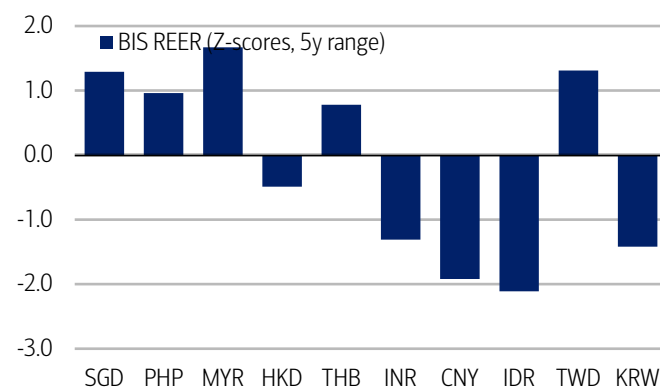
Source: BofA Global Research, Bloomberg

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

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

SGD well-above five-year average



Source: BofA Global Research, Bloomberg

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Acronyms and Abbreviations

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



Special Disclosures

Some of the securities discussed herein should only be considered for inclusion in accounts qualified for high risk investment.



Disclosures

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