

The EEMEA FX Strategist

Remain bullish EEMEA FX

Lower oil plus higher EURUSD to support EEMEA FX

Risk premia remain tight and trade tensions might return, likely putting the EURUSD floor at 1.10, with our forecast at 1.17 for the end of 2025. This should support EEMEA and EM FX. Lower oil is also good for EEMEA FX as US terms of trade deteriorate, weakening the broader dollar. Positioning remains surprisingly clean, which should support EM FX as well.

PLN (bullish): we see some room for EURPLN to go lower as global factors are supportive, 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. The central bank has enough reserves to finance the outflows and current account seasonality is supportive for the TRY.

ILS (neutral): uncertainty related to US equities and political risks remains high, which justifies our neutral outlook. Our forecast for Q2 and Q3 is in line with forwards.

CZK (bullish): EURCZK is likely to be below forwards as a weaker dollar and dovish ECB should also provide support even if the CNB cuts more than is priced in.

HUF (bullish): the forint should outperform forwards in the medium term as the central bank remains committed to a stronger currency. A weaker dollar should help.

Exhibit 1: EEMEA FX forecasts for the next four quarters

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

Currency	View/bias	Spot	Forecasts			
			2Q 2025	3Q 2025	4Q 2025	1Q 2026
EUR/PLN	bullish	4.26	4.25	4.20	4.15	4.15
USD/ZAR	bullish	18.0	18.0	17.8	17.7	17.7
USD/TRY	bullish	38.8	40.0	41.0	42.0	43.5
USD/ILS	neutral*	3.55	3.55	3.55	3.50	3.45
EUR/CZK	bullish	24.9	24.8	24.6	24.5	24.5
EUR/HUF	bullish	402	403	400	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 17 to 19.

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GEM FI & FX Strategy
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For a list of open trade recommendations and trade recommendations closed in the past 12 months, see [Global Emerging Markets Weekly: EMMI: most dovish since Covid 16 May 2025](#)

EEMEA – Emerging Europe, Middle East and Africa

FX – foreign exchange

BoP – balance of payments

ECB – European Central Bank

EM – Emerging Market

Poland: remain bullish PLN

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View: global factors to drive the zloty stronger

A weaker dollar should drive EURPLN below forwards. The zloty looks overvalued, which constrains PLN appreciation against the EUR. The negative impact of elections is likely to be temporary.

Key macro developments: The National Bank of Poland (NBP) cut the policy rate by 50bp to 5.25% as expected on 7 May, but subsequent guidance errs on the hawkish side. Comments from Governor Glapinski and several other MPC members after the decision reveal a preference for a wait-and-see approach, as well as for smaller steps in the future. We are most likely to see a pause in June. July is possible for the next cut, in our view, when the MPC will have updated projections. But there is a risk of a longer pause, as some MPC members also signaled that they may want to wait until the after the summer to see more data. We keep our YE2025 forecast at 4.50% and YE2026 at 3.50%.

We think 3%-handle in headline CPI and more visible signs of slower wage growth in 2H should support 125bp of cuts in total in 2025, or another 75bp for the rest of the year. July will likely see a visible drop in inflation towards 3% from 4.2% in April due to base effects (household energy prices rose by 11.8% mom in July 2024). Wage growth has been moderating more than expected. The NBP's recent survey was encouraging – the share of companies planning in 1Q to increase wages fell to 33.5% from 40.9% a year ago, below the long-term median of 34.8%.

The first round of the presidential election was disappointing for the ruling coalition, but we think the impact on markets will be temporary. The ruling Civic Coalition's (KO) candidate Trzaskowski (31.36%) will face PiS's Nawrocki (29.54%) in the run-off on 1 June. If Nawrocki were to win, we would expect a continuation of the status quo in the near term, i.e. a PiS president and a KO-led government, and 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 maybe questionable, but we think that's too far ahead to have a lasting implication for the markets at this stage.

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

Positioning: the market remains long the PLN

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

Upcoming risk events: NBP decision (4 June), Presidential elections run-off (1 June)

Corporate hedging: we recommend hedging against PLN strength

Exhibit 2: EUR/PLN forecasts vs forwards

We expect EUR/PLN at 4.25 by the end of Q2 2025

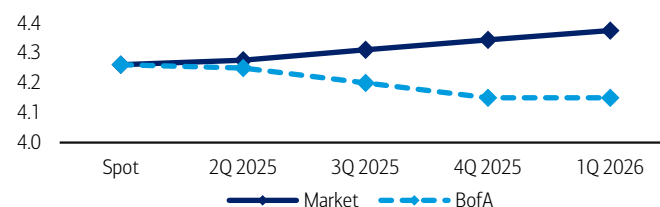
Spot	current 4.26	chg (diff) -0.01		
	Forecast		Forward	
Period	current	chg (diff)	current	chg (diff)
2Q 2025	4.25	-	4.28	-0.02
3Q 2025	4.20	-	4.31	-0.01
4Q 2025	4.15	-	4.34	-0.01
1Q 2026	4.15	-	4.38	-0.01

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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Rates: bias for rates to go lower



Cross currency basis EUR/PLN

Exhibit 4: EUR/PLN cross currency basis

1y xccy basis at 23bp

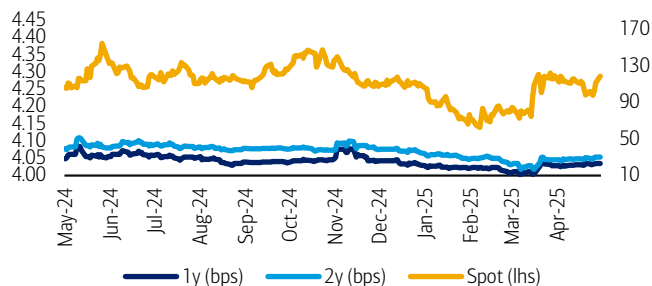
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	23.00	0.0	4.5	-3.0	11.0		41.5	25.2	3.6	25.9	5.1	-0.4
2y	30.00	0.5	1.5	-9.0	16.5		51.0	36.4	3.5	25.0	4.1	-0.9
5y	34.50	0.0	-5.5	-18.0	27.5		63.0	46.5	3.2	23.1	-0.2	-1.6
10y	34.00	-0.5	-8.0	-20.0	28.5		65.5	47.4	3.3	23.6	-0.9	-1.6

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

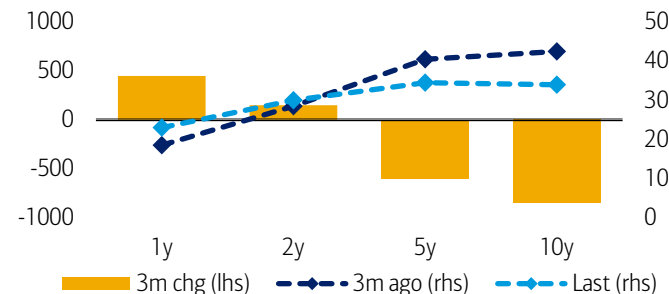


Source: BofA Global Research, Bloomberg

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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

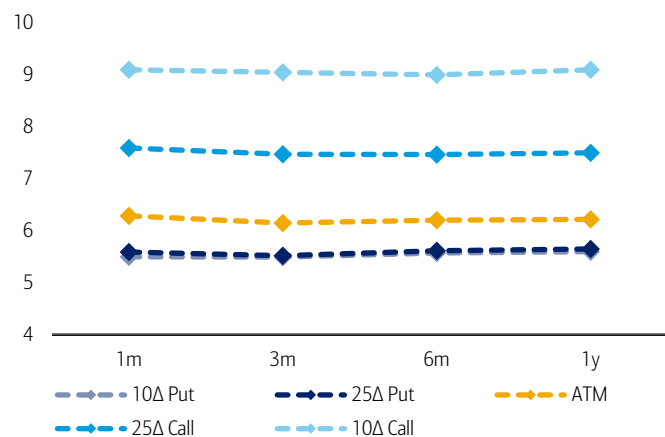
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	+1.4	+1.5	+1.7	+1.9	+2.0
3m	+1.9	+1.9	+2.1	+2.5	+2.6
6m	+2.5	+2.5	+2.5	+2.7	+2.7
1y	+2.8	+3.0	+3.3	+3.5	+3.7

Source: BofA Global Research

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Exhibit 9: Term structures of implied volatilities

Flattish

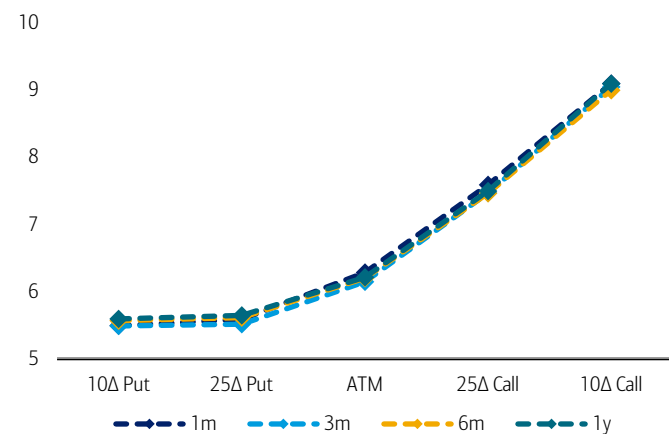


Source: BofA Global Research

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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 still looks cheap

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View: room to strengthen despite the recent rally

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

Key macro developments: We spent 6-9 May in South Africa. Post the trip, we add one more rate cut (our baseline is now for two cuts), keep our 1.2% GDP growth forecast unchanged and look out fiscal risks beyond 21 May when the budget will be released. The budget is more about sending a signal of easing GNU tensions than the fiscal framework. GDP growth risks are skewed to the downside in 2025 amid slower global growth and delays to domestic reforms. High-frequency data is underperforming. The government's starting point is real growth of 1.9%. We expect a small downward revision (to 1.5-1.6%), which would still underestimate the revenue gap to our 1.2% estimate. If that's the case, spending cuts would be moderate, and the budget would likely get buy-in from GNU partners. Fiscal hard truths will have to wait for the October mid-term review. Markets would probably like a 'no-increase-in-issuance' budget.

Monetary policy outlook: SARB cuts likely May and July: We now expect SARB to cut on May 29 and July 31, compared to our previous July only baseline. We see the policy rate at 7% by the end of July. The risk when it comes to rate cuts is skewed to more rather than less. Inflation is benign and likely to remain so. We are forecasting low oil (\$65 per barrel) and an appreciating ZAR given a weakening USD. Headline CPI is likely to average 3.6%. Through various engagements with SARB MPC members in Washington and South Africa over the past few weeks, we have the impression that they remain cautious. Overarching concerns are global risks and domestic fiscal/GNU risks that could increase the sovereign risk premium. What could make SARB hold in May? A bad budget that increases GNU risks and a sell-off in SA assets leading to a weaker ZAR and higher credit spreads.

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 in the medium term

Rates: neutral view

Exhibit 11: USD/ZAR forecasts vs forwards

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

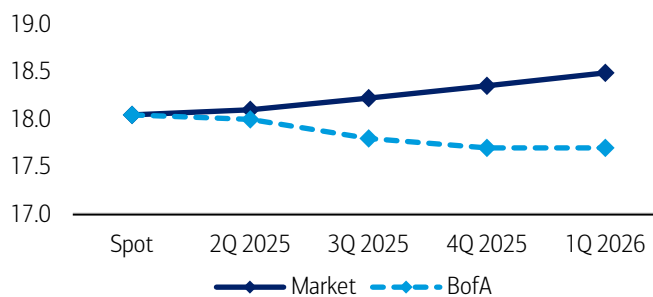
Spot	current	chg (diff)		
	18.05	-0.75		
	Forecast		Forward	
Period	current	chg (diff)	current	chg (diff)
2Q 2025	18.00	-0.70	18.1	-0.79
3Q 2025	17.80	-0.60	18.2	-0.80
4Q 2025	17.70	-0.40	18.4	-0.82
1Q 2026	17.70	-0.20	18.5	-0.83

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 -23bp

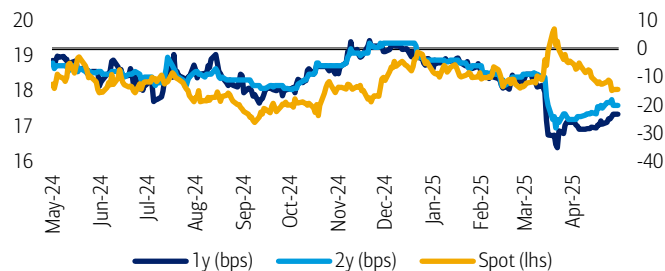
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-23.12	3.5	-16.1	-18.7	-35.0		2.9	-10.4	4.4	32.0	-2.6	-1.6
2y	-20.00	1.0	-14.0	-14.0	-28.0		2.0	-9.3	2.6	19.0	-1.8	-1.7
5y	-19.00	0.0	-5.0	-10.0	-25.0		4.0	-10.1	2.9	20.9	-1.4	-1.4
10y	-26.00	0.5	-8.5	-2.0	-30.0		-1.0	-17.3	3.1	22.5	-2.2	-1.2

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

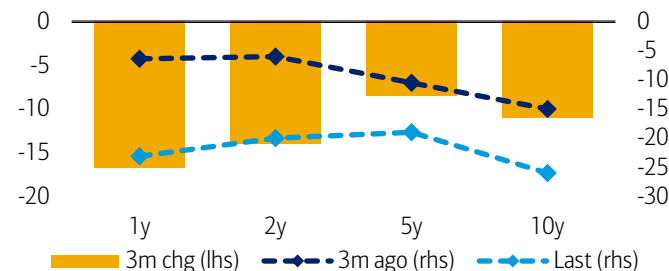


Source: BofA Global Research, Bloomberg

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Exhibit 15: Term structure of basis swaps (bps)

Long end moving lower



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

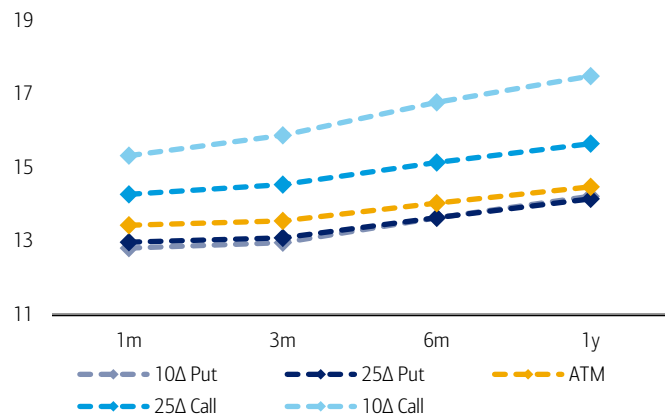
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	+0.2	+0.1	-0.0	-0.2	-0.3
3m	+0.3	+0.2	-0.1	-0.5	-0.9
6m	+1.0	+0.7	+0.2	-0.3	-0.9
1y	+1.7	+0.6	-0.7	-1.8	-2.4

Source: BofA Global Research

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Exhibit 18: Term structures of implied volatilities

Upward sloping

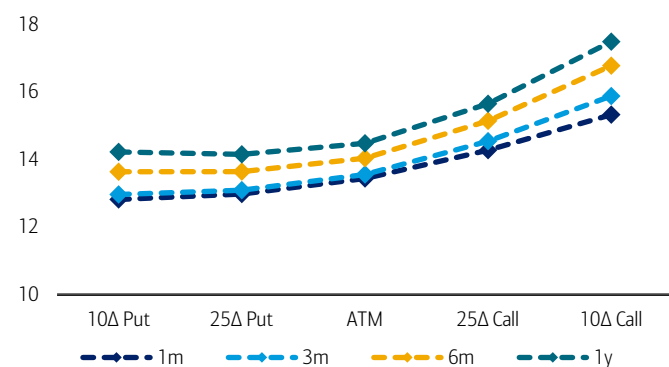


Source: BofA Global Research

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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 and is ready to tighten monetary policy if necessary. Current account seasonality should also help and political risks are lower now.

Key macro developments: Reserve losses stopped and inflation is less of a concern given the tight policy and hawkish messages from policymakers. Seasonality is helping to lift the mood as we are headed into the tourism season when the current account turns to a surplus from July to September. We expect CBRT to pause in June and start cutting its policy rate in July by 200bp. We see the year-end policy rate at 38%. Reserve accumulation should ease liquidity conditions; hence, overnight rates will likely converge to the policy rate before the CBRT restarts its cuts. If cuts are delayed further than we expect, the economy might head towards a hard landing.

CBRT net reserves, excluding swaps, increased last week to \$18.1bn from \$13.8bn, for the first time since mid-March. Reserve losses had peaked at \$51.6bn in the previous week. Parity-adjusted deposit data show that locals have decreased their FX holdings by \$1.7bn over last three weeks. Following the hawkish messages by the policymakers, we expect some foreign inflows back to carry positions. Foreigners bought \$0.2bn worth of bonds last week, and equity added \$0.6bn over the last three weeks. Overall, positioning remained light, but inflows started. We expect CBRT reserves to improve over the summer.

Positioning: investors are long TRY FX, but positioning is much cleaner than a couple of months ago

Risks to our view: geopolitical risks, higher energy prices

Upcoming risk events: April inflation (May 5), CBRT meeting (June 19)

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

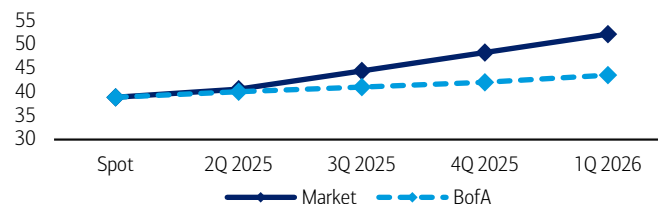
Spot	current	chg (diff)	Forward	chg (diff)
	38.85	+0.50		
Period	current	chg (diff)	current	chg (diff)
2Q 2025	40.00	-	40.54	-0.83
3Q 2025	41.00	-	44.39	-1.28
4Q 2025	42.00	-	48.27	-1.74
1Q 2026	43.50	-	52.13	-2.17

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 45.1bp

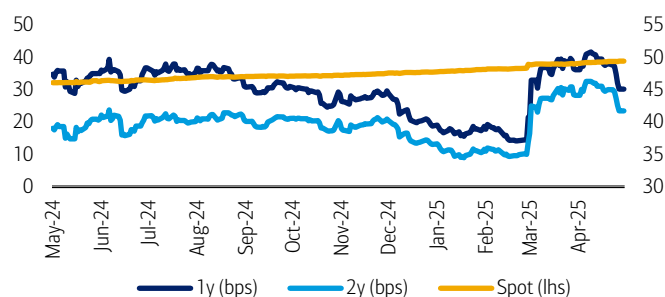
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	45.10	-4.0	6.1	-3.3	37.1		50.9	44.8	1.6	11.7	0.2	0.1
2y	41.75	-3.3	6.2	2.2	34.5		46.3	39.7	1.2	9.0	0.5	0.7
5y	35.67	-2.3	5.3	4.2	29.2		39.1	33.3	1.0	6.9	0.8	1.0
10y	31.13	-2.2	4.2	3.5	25.9		34.4	29.8	0.9	6.2	0.3	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 close to 1y high

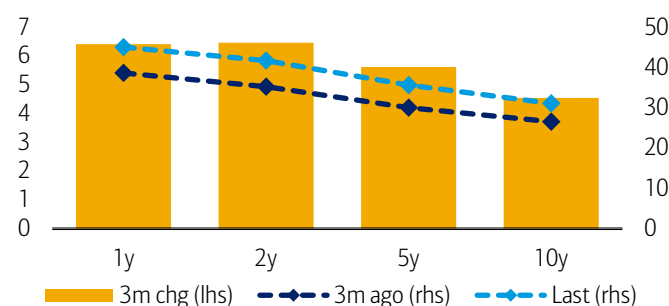


Source: BofA Global Research, Bloomberg

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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

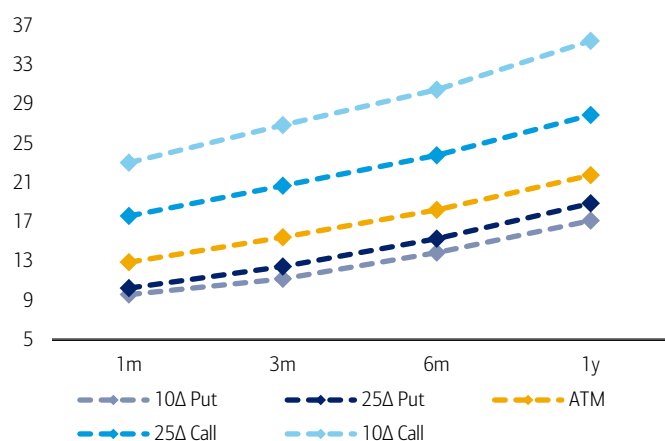
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	+0.8	+0.8	+0.9	+1.1	+1.3
3m	+0.5	+0.5	+0.6	+0.7	+0.9
6m	+0.3	+0.2	+0.3	+0.5	+0.8
1y	-0.2	-0.2	-0.1	+0.1	+0.5

Source: BofA Global Research

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Exhibit 27: Term structures of implied volatilities

Upward sloping

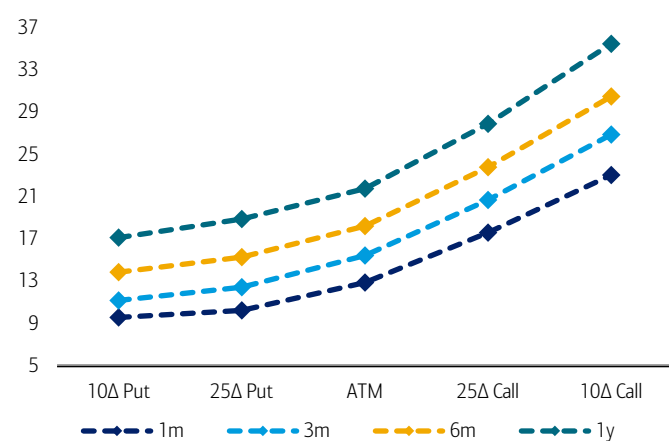


Source: BofA Global Research

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Exhibit 28: Implied volatility smiles

Implied vol smiles are skewed



Source: BofA Global Research

BofA GLOBAL RESEARCH

Israel: neutral outlook

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View: too much uncertainty

For now, the USDILS exchange rate is correlated with US equities. Moreover, political and geopolitical risks remain important drivers of the ILS. Given uncertainty, we stay neutral. Our forecast is in line with forwards for Q2 and Q3 this year.

Key macro developments: GDP growth in 1Q was 3.4%, in line with expectations. This is still below potential growth of Israel and reflects the supply constraints and impact of war in the economy. Consumption decreased 1.3% in 1Q qoq while investments increased 5.2%. Exports decreased 0.4% and imports increased 1.2%, hence the net export contribution was negative. Government expenditures were down 0.1%. We see growth this year at 3.3%. However, growth could be lower, if there is an expansion in military operations requiring large number of reservists.

Inflation increased to 3.6% in April from 3.3% in March although expectations were 3.1%. A large part of the surprise was due to travel abroad which increased 15.9% and contributed 0.7% to headline inflation. We see room for a correction in travel abroad/flight prices; however, flight cancellations in May might limit the size of this reversal. We still forecast year-end inflation at 2.7%.

We see BOI keeping its base rate at 4.50% until July and two cuts in the second half bringing the base rate to 4% at 2025YE. Uncertainty regarding the conflict is still high and poses risks to our view. In the case of increased geopolitical risk, BOI could cut only once instead of our call for two cuts. We also see a risk of a delay in cuts due to the upside surprise in inflation

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 (June 15), BoI meeting (May 26)

Corporate hedging: bias to hedge ILS strength

Rates: no strong views

Exhibit 29: USD/ILS forecasts vs forwards

We expect USD/ILS at 3.50 at the end of 2025

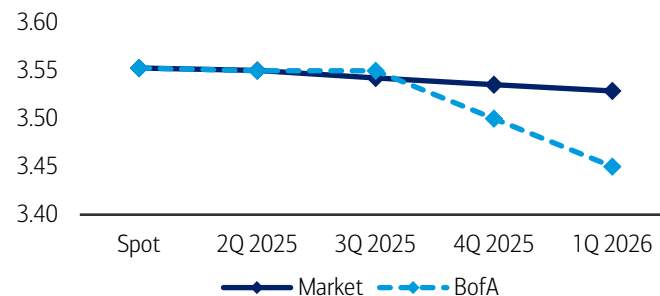
Spot	current	chg (diff)	Forward	
	3.55	-0.066		
Period	Forecast		current	chg (diff)
	current	chg (diff)		
2Q 2025	3.55	-0.15	3.55	-0.061
3Q 2025	3.55	-0.10	3.54	-0.059
4Q 2025	3.50	-0.10	3.54	-0.058
1Q 2026	3.45	-0.05	3.53	-0.057

Source: BofA Global Research, Bloomberg

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Exhibit 30: USD/ILS forecasts

Our forecast path is below 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 -103bp

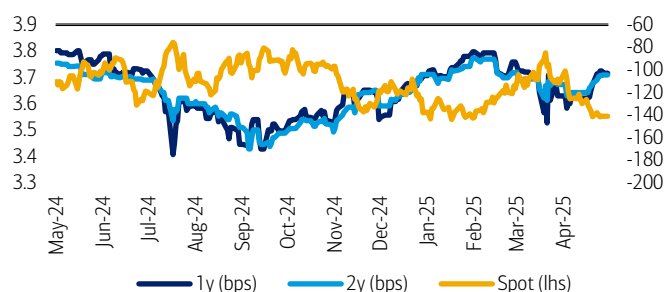
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-103.00	10.0	-15.0	-17.0	-175.0		-83.0	-119.4	14.4	104.2	0.4	0.7
2y	-104.50	7.5	-7.5	-9.5	-170.0		-89.5	-121.2	8.2	59.4	0.5	0.8
5y	-110.00	4.0	-2.5	7.0	-160.0		-100.0	-126.7	6.0	43.1	0.9	1.1
10y	-112.50	2.0	2.5	7.5	-160.0		-109.0	-129.7	5.3	38.1	1.4	1.2

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

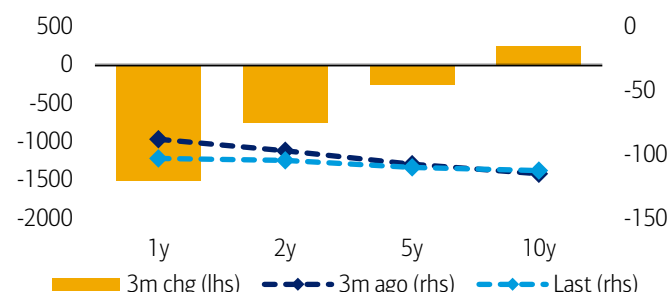


Source: BofA Global Research, Bloomberg

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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

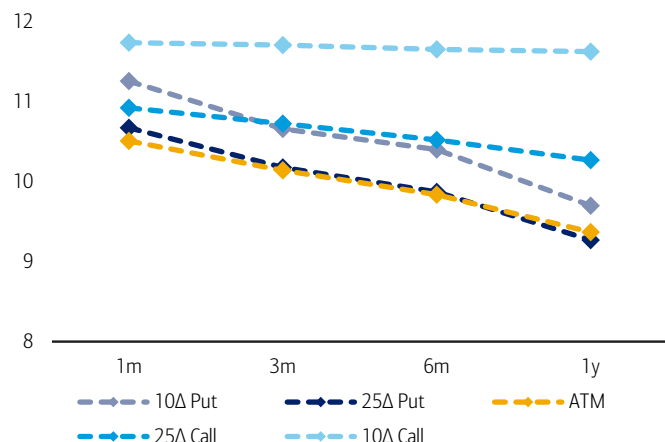
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	-0.8	-1.2	-1.7	-2.1	-2.3
3m	-0.6	-1.5	-2.2	-2.6	-2.8
6m	+0.2	-0.8	-1.7	-2.3	-2.6
1y	+0.1	-0.5	-1.2	-1.8	-2.2

Source: BofA Global Research

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Exhibit 36: Term structures of implied volatilities

Downward sloping

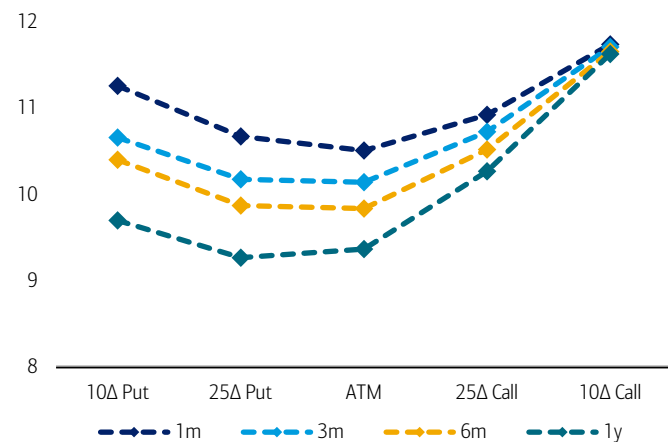


Source: BofA Global Research

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Exhibit 37: Implied volatility smiles

Implied vol smiles are skewed



Source: BofA Global Research

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Czechia: still a bullish bias

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View: CZK to appreciate more than forwards imply

A weaker dollar should support the koruna despite the CNB potentially cutting more than is priced in.

Key macro developments The Czech National Bank's (CNB) bias has likely shifted to a more dovish tone as the tariff situation appears more deflationary than the central bank's initial assessment, but a cautious, data-dependent approach remains. Our base case for the CNB's terminal rates is 3% from 3.50% currently, assuming some reversal of the US reciprocal tariffs on Europe. While the CNB's base case for neutral nominal rates is 3.0%, the Board's views range from 2.75% to 3.50%. This means some Board members are reluctant for substantial easing from here. Therefore, the bar still looks high for the CNB to cut below 3% – also because the central bank expects some upside from Germany's fiscal stimulus from 2026.

The easing path will remain gradual. Board members' lingering concerns about sticky wages and services inflation mean they will not take pre-emptive easing action. April headline CPI slowed more than expected to 1.8% yoy from 2.7% in March, but underlying details are less dovish. Core CPI edged up to 2.6% yoy from 2.48%, with the CNB highlighting concerns about market services, which was 4.5% yoy/5.4% in the 3m annualized change. This was mostly due to imputed rents, but holidays and air travel were also adding to the upside, leading to the CNB's assessment that "services inflation is not fully stabilized. It continues to call for a cautious approach to monetary policy.

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: more hawkish CNB, stronger-than-expected USD

Upcoming risk events: CNB decisions (26 Jun, 7 Aug), parliamentary election (3-4 Oct)

Corporate hedging: hedge CZK strength in the medium term

Rates: global growth slowdown should drive CZK rates lower

Exhibit 38: EUR/CZK forecasts vs forwards

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

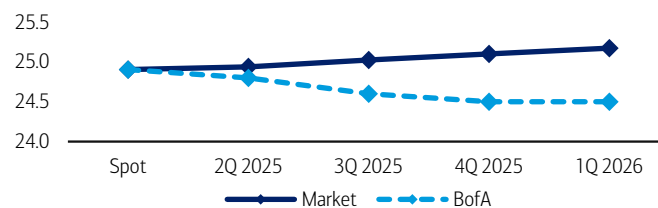
Spot	current	chg		
	24.9	-0.04		
	Forecast		Forward	
Period	current	chg	current	chg
2Q 2025	24.8	-	24.9	-0.07
3Q 2025	24.6	-	25.0	-0.07
4Q 2025	24.5	-	25.1	-0.07
1Q 2026	24.5	-	25.2	-0.06

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 -22bp

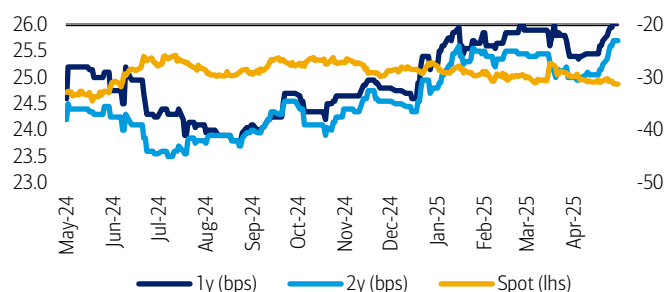
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-22.00	1.0	1.5	12.5	-42.5		-19.0	-30.8	3.0	21.4	0.5	1.4
2y	-23.00	5.0	1.5	15.5	-46.0		-23.0	-34.6	2.2	15.8	1.6	1.9
5y	-33.00	5.0	-2.5	10.5	-49.0		-28.5	-39.2	2.3	16.4	1.0	1.3
10y	-29.00	3.0	-7.5	1.5	-36.0		-21.5	-28.7	2.3	16.7	-0.3	-0.1

Source: BofA Global Research, Bloomberg

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

Xccy basis up

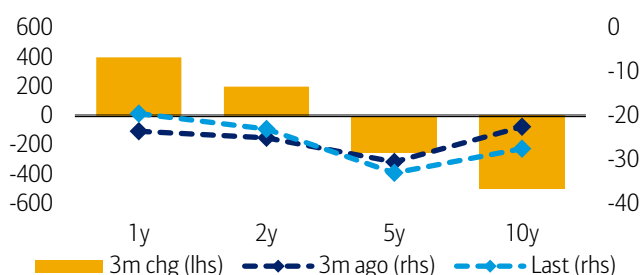


Source: BofA Global Research, Bloomberg

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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

BofA GLOBAL RESEARCH

Exhibit 44: 3m z-scores of implied volatilities

Changes over time

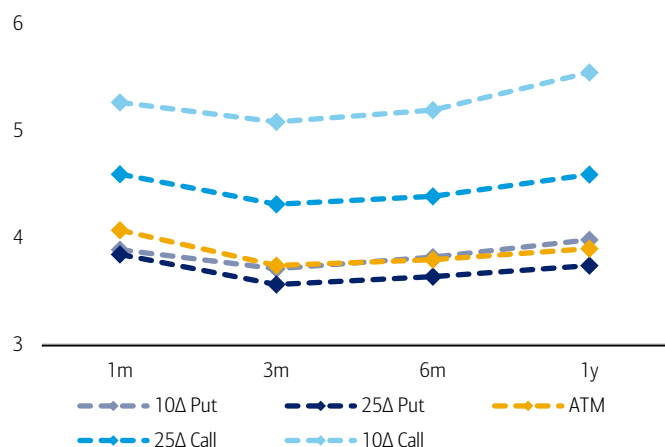
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	+1.1	+1.3	+1.6	+2.0	+2.4
3m	-0.4	-0.1	+0.4	+0.9	+1.4
6m	-0.3	+0.1	+0.5	+0.9	+1.2
1y	+0.4	+0.5	+0.7	+0.8	+0.9

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 45: Term structures of implied volatilities

Flattish

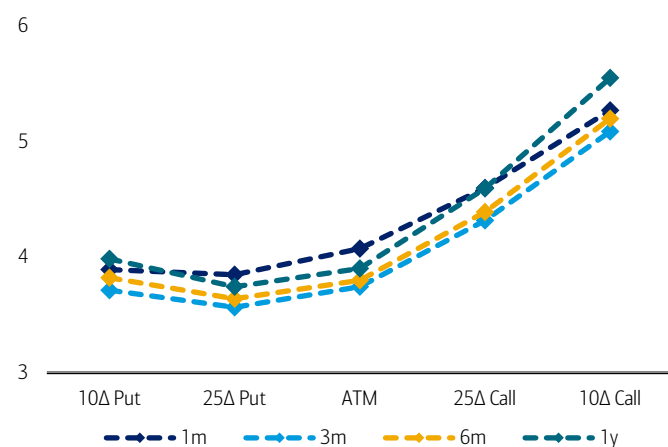


Source: BofA Global Research

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Exhibit 46: Implied volatility smiles

Implied vol smiles are skewed



Source: BofA Global Research

BofA GLOBAL RESEARCH

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 the central bank remains committed to a stronger currency and a weaker dollar helps. The HUF remains sensitive to EM sentiment.

Key macro developments: Despite more downside risks to growth in view of the US tariffs, high uncertainty on the outlook for both the macro and the financial markets keeps the authorities committed to cautious policymaking. This means the National Bank of Hungary (NBH) should stay focused on efforts to reduce inflation, while the government keeps to its target of a zero primary fiscal balance.

The central bank holds an optimistic view about the impact of the government's profit margin cap on inflation, but will not base its decisions on just headline CPI, currently at 4.2% yoy. Policymakers will watch the developments of underlying CPI pressures, namely wages, inflation expectations, and imported inflation, while HUF stability remains an important factor. It may therefore take several months for the central bank to be sure of a sustainable disinflation trend before it resumes easing.

We see a steady policy rate at 6.50% in the foreseeable future. If Governor Varga earns market trust and fiscal policy is loosened in a careful manner accepted by the markets, rate cuts may be possible with a stable HUF. But currency vulnerability will likely be high in 4Q'25 and 1Q'26 due to elections in spring 2026. Our current baseline forecast is for the policy rate to fall to 6.0% in 2026. A bearish scenario for European growth, and thus ECB cutting much more than priced, may allow NBH rate cuts to 5.0%

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

Positioning: investors are slightly long the HUF

Main risks to our view: a stronger USD, loose fiscal at home, higher domestic inflation

Upcoming risk events: NBH decisions (29 Apr)

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

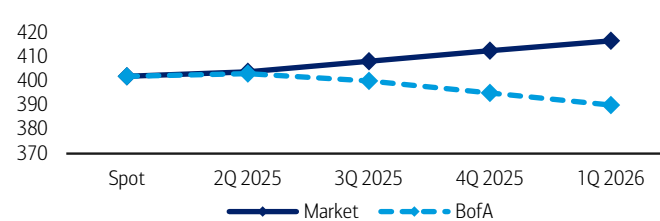
Spot	current 401.9	chg -4.32	Forward	
Period	current	chg	current	chg
2Q 2025	403	-2.00	404	-5.48
3Q 2025	400	+5.00	408	-5.61
4Q 2025	395	+5.00	412	-5.70
1Q 2026	390	-	417	-5.78

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 -21.3bp

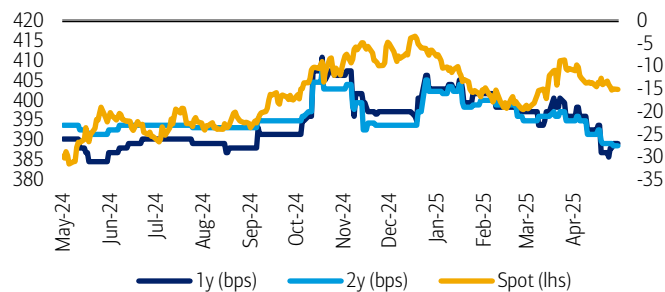
Maturity	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-21.3	-0.1	-3.6	4.9	-32.8		-10.6	-22.5	4.0	29.1	-1.5	0.3
2y	-21.3	0.0	-2.3	1.9	-29.3		-13.0	-22.9	2.6	18.5	-1.1	0.5
5y	-20.0	0.0	-0.9	1.3	-23.2		-13.0	-20.4	1.5	11.1	-0.6	0.4
10y	-17.5	0.0	-0.5	3.1	-20.6		-13.0	-17.9	1.0	7.1	-0.5	0.4

Source: BofA Global Research, Bloomberg

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

Xccy basis down

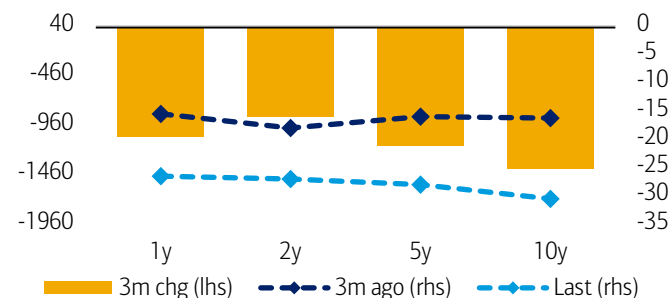


Source: BofA Global Research, Bloomberg

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Exhibit 51: Term structure of basis swaps (bps)

Flattish



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

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

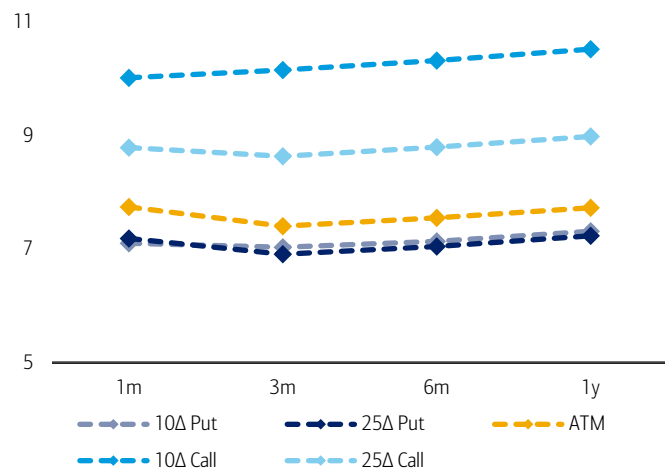
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	+1.7	+1.7	+1.7	+1.7	+1.7
3m	+1.6	+1.7	+1.7	+1.8	+1.8
6m	+1.7	+1.8	+1.9	+2.0	+2.1
1y	+1.6	+1.8	+1.9	+2.1	+2.2

Source: BofA Global Research

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Exhibit 54: Term structures of implied volatilities

Flattish

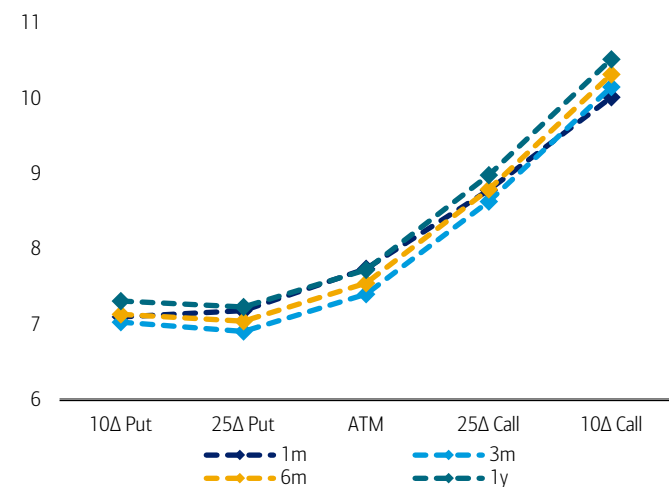


Source: BofA Global Research

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Exhibit 55: Implied volatility smiles

Implied vol smiles are skewed



Source: BofA Global Research

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Fair value Compass model

Exhibit 56: Compass FX fair value model

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

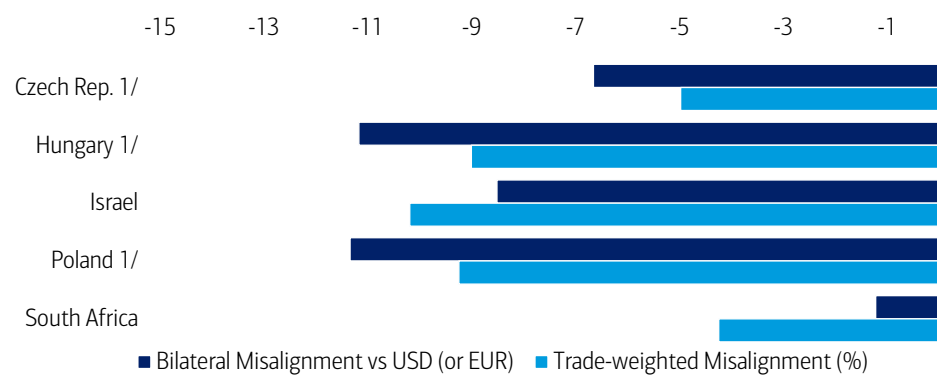
	Fair Value vs USD (or EUR)	Spot vs USD (or EUR)	Bilateral Misalignment vs USD (or EUR)	Trade-weighted Misalignment (%)
EEMEA			(6.1)	(6.3)
Czech Rep. 1/	23.36	24.91	(6.6)	(5.0)
Hungary 1/	362	402	(11.2)	(9.0)
Israel	3.28	3.56	(8.5)	(10.2)
Poland 1/	3.83	4.27	(11.3)	(9.3)
South Africa	17.82	18.04	(1.2)	(4.2)

Source: BofA Global Research. Last updated 19 May 2025. 1/ against EUR

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Exhibit 57: Compass FX % misalignment

HUF is the most undervalued from a long-term perspective



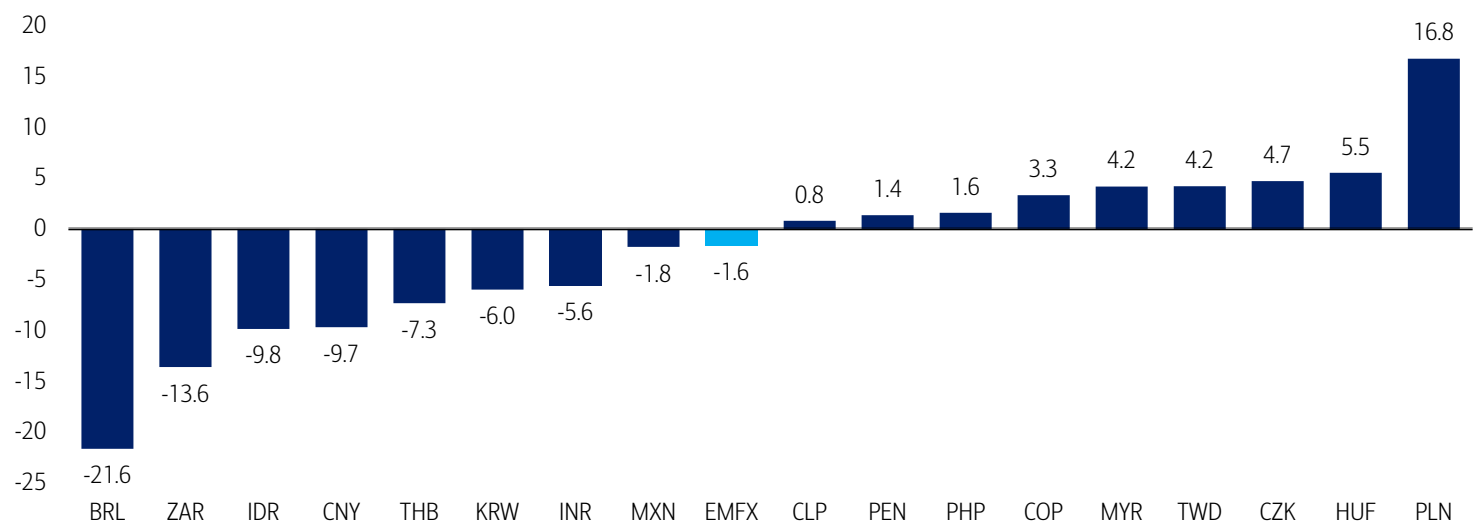
Source: BofA Global Research. Last updated 19 May 2025. 1/ against EUR

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Fair value BEER model

Exhibit 58: BEER Model deviations from long-run fair value model (%)

EMFX is undervalued by about 1.6% relative to its 3-6-m fair value



Source: Bloomberg, Haver, BofA Global Research. Last updated 16 May 2025

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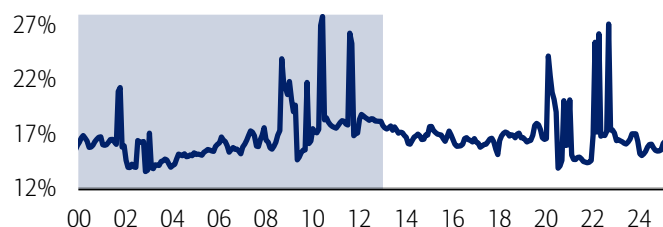
CompassAlarm – EMFX crisis early warning tool

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 60: EMFX fundamental risks are quite low vs history

Probability of FX pressure event – average of 18 EM currencies

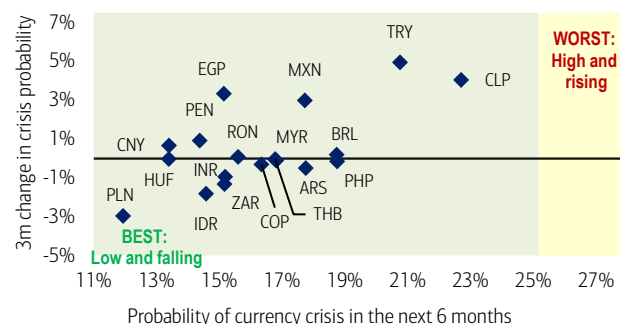


Note: Event = 2.5std move in exchange rate pressure indicator (ERPI) which measures combination of FX depreciation and central bank intervention vs country-specific average since '95. Probability based on cross-country regressions relating pressure events to fundamentals and risk appetite (VIX). Back-tested 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 61: 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 62: 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	Mar-25		3m	12m
Argentina	-1.21	222%	0%	15%	217%	18%		0 ppt	+6 ppt
Brazil	-1.07	11%	-3%	21%	29%	19%		0 ppt	0 ppt
Chile	-1.34	4%	-3%	38%	52%	23%		+4 ppt	+3 ppt
China	0.84	7%	2%	6%	42%	13%		+1 ppt	-2 ppt
Colombia	1.32	2%	-2%	22%	53%	16%		0 ppt	-3 ppt
Egypt	0.81	29%	-8%	3%	82%	15%		+3 ppt	+5 ppt
Hungary	1.27	7%	2%	8%	66%	13%		0 ppt	-3 ppt
India	1.31	11%	-1%	18%	21%	15%		-1 ppt	0 ppt
Indonesia	1.30	8%	-1%	13%	36%	15%		-2 ppt	0 ppt
Malaysia	-1.19	5%	2%	12%	114%	17%		0 ppt	+2 ppt
Mexico	-1.29	12%	0%	18%	25%	18%		+3 ppt	+7 ppt
Peru	-0.21	0%	2%	8%	14%	14%		+1 ppt	+1 ppt
Philippines	1.34	12%	-3%	36%	22%	19%		0 ppt	-1 ppt
Poland	1.34	4%	0%	-5%	41%	12%		-3 ppt	-3 ppt
Romania	1.28	8%	-9%	6%	80%	16%		0 ppt	-2 ppt
S. Africa	1.33	4%	-1%	14%	75%	15%		-1 ppt	+1 ppt
Thailand	-1.32	0%	2%	15%	39%	17%		0 ppt	0 ppt
Türkiye	1.16	39%	-1%	40%	198%	21%		+5 ppt	+5 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 for the countries where Compass is not available; STEDFX - ratio of short-term 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 63: EEMEA FX forecasts

End of period

	2Q 2025			3Q 2025		4Q 2025		1Q 2026		2Q 2026		3Q 2026		4Q 2026	
	Spot	F'cst	Fwd	F'cst	Fwd	F'cst	Fwd	F'cst	Fwd	F'cst	Fwd	F'cst	Fwd	F'cst	Fwd
EUR/CZK	24.9	24.8	24.9	24.6	25.0	24.5	25.1	24.5	25.2	24.3	25.2	24.2	25.3	24.2	25.4
EUR/HUF	402	403	404	400	408	395	413	390	417	390	421	390	424	390	428
EUR/PLN	4.26	4.25	4.27	4.20	4.30	4.15	4.34	4.15	4.37	4.15	4.40	4.15	4.42	4.15	4.45
EUR/RON	5.04	5.02	5.07	5.02	5.14	5.07	5.20	5.10	5.27	5.12	5.33	5.15	5.40	5.18	5.46
USD/CZK	22.1	21.6	22.1	21.2	22.1	20.9	22.0	20.9	21.9	20.6	21.9	20.3	21.9	20.2	21.8
USD/HUF	358	350	358	345	360	338	362	333	363	331	365	328	366	325	368
USD/PLN	3.78	3.70	3.79	3.62	3.79	3.55	3.80	3.55	3.81	3.52	3.81	3.49	3.82	3.46	3.82
USD/RON	5.09	5.10	4.50	5.10	4.53	5.10	4.56	5.12	4.59	5.15	4.62	5.18	4.66	5.20	4.69
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
USD/EGP	50.1	50.0	51.0	51.0	53.2	51.0	55.2	51.5	57.2	51.5	59.8	52.0	62.7	52.0	63.5
USD/ILS	3.55	3.55	3.54	3.55	3.53	3.50	3.52	3.45	3.52	3.45	3.51	3.40	3.50	3.40	3.50
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	0.30	0.30	0.30
USD/KZT	511	510	518	515	533	520	549	525	564	520	580	520	595	520	611
USD/NGN	1601	1620	1643	1630	1732	1630	1820	1679	1906	1729	1991	1781	2079	1835	2167
USD/QAR	3.65	3.65	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
USD/SAR	3.75	3.75	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
USD/TRY	38.8	40.0	40.5	41.0	44.4	42.0	48.3	43.5	52.1	44.5	56.4	45.5	60.6	47.0	65.0
USD/UAH	41.5	41.5	41.5	41.7	41.5	42.0	41.5	42.3	41.5	42.5	41.5	43.0	41.5	43.3	41.5
USD/ZAR	18.0	18.0	18.1	17.8	18.2	17.7	18.4	17.7	18.5	17.6	18.7	17.6	18.8	17.5	19.0

Source: BofA Global Research, Bloomberg

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