

## FX Quant Insight

# The best short-term USD long?

### Key takeaways

- Bearish USD momentum softens as front-end option skews normalized on lack of post-payrolls USD breakout.
- USDJPY may be the best short-term USD long as option flow has moved for JPY puts for two consecutive weeks.
- We also find Asia-hour price action reversing into higher USDJPY amid bearish JPY June seasonal patterns.

## FX Signal of the Week: Bullish USD/JPY at 144.64

### Exhibit 1: Option flow and time zone analysis are tactically bullish for USDJPY

Top signals from quant models

Section	Insight	Rationale
Option Flow	Bearish JPY	Option flow moved for JPY puts for second consecutive week.
Technical Matrix	USD downtrends weaken	Normalizing option skews are less supportive for USD downtrends.
CARS	Equity regime	Bullish AUD, CHF, and NOK vs bearish GBP and CAD on equity and commodity factors.
Time Zone	USDJPY demand	Asia-hour USDJPY price action became more bullish into June.
EM FX	Bullish EURPLN	Option flow was for EURPLN calls on dovish central bank.

Source: BofA Global Research

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## USD skews normalize on lack of bearish breakouts

Anticipation of a new bearish USD breakout was building up ahead of NFP last week. However, the USD ultimately stayed range bound as payrolls data slightly surprised to the upside vs consensus forecast. The USD continued to depreciate vs AUD for the week, in-line with our call (see report: [FX Quant Insight, 02 June 2025](#)). However, the USD on balance gained vs more G10 currencies last week. Front-end risk reversals, which have been moving toward USD puts for weeks, start to show signs of normalization amid declining front-end implied vols. While the USD remains in a broad downtrend, normalizing option skews are less supportive of chasing the USD lower for now.

## Tactically bullish USDJPY on option, time zone, & seasonal

For investors who look for short-term USD upside, our signals are more supportive for higher USDJPY. Option flows have been moving for JPY puts for two consecutive weeks against both the USD and EUR (Exhibit 2). Time zone analysis shows Asia-hour USDJPY price actions reversed from short in May to long in June (Exhibit 8). Barring an unexpected decline in US growth outlook, Asia-hour price actions should drive the broad USDJPY price actions as USDJPY has stayed muted in US and Europe hours for the past month. Seasonally, USDJPY has rallied in June for 5 consecutive years since 2020, before reversing lower in July. The June/July seasonal patterns have broadly held for cross-JPY pairs in recent years. The risk to our tactically bullish USDJPY view would be a macro risk-off shock this week leading to increased demand for JPY.

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**Refer to important disclosures on page 7 to 8.**

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For more details on the construction of the quant signals, please refer to the [Global Rates and FX Primer: FX Quant Insight primer - 2025 01 April 2025](#).

CARS (model): Cross-Asset Regime Switching

SDR: Swap Data Repository

MAA: Moving Average Aggregator

UD: Up/Down volatility

RS: Residual Skew

ADX: Average Directional Movement Index

DMI: Directional Movement Index

SMA: Simple Moving Average

RV: relative value

NFP: non-farm payrolls

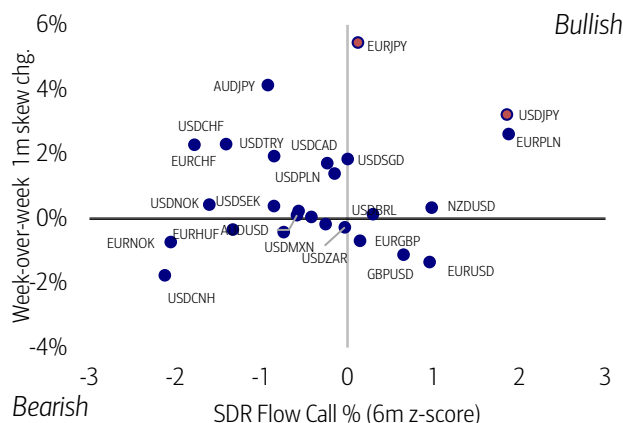
# Option Flow Signals

Our options flow signals combine Event analysis framework (see report: [FX Viewpoint: Vol-guided decisions 18 March 2021](#)) with SDR flows data (see report: [FX Viewpoint: SDR: What do FX options flows tell us? 01 February 2021](#)) to gauge bullish and bearish sentiments.

To learn more about FX volatility and options please refer to our [FX Volatility Dashboard](#) as well as the FX Vol Dashboard Primer (see report: [Global Rates and FX Primer: FX Volatility Dashboard Primer – 2025 07 May 2025](#)).

## Exhibit 2: Option flow moved for JPY puts for second consecutive week

1m skew change vs call percentage z-score

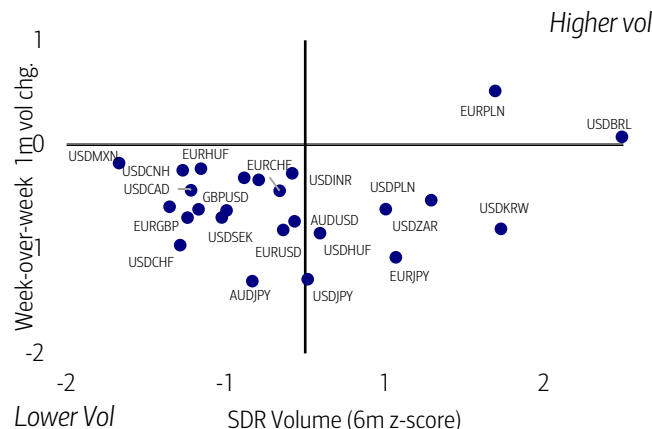


Source: BofA Global Research, DTCC. Note: CNH flows are proxied by "CNY" flows in SDR.

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## Exhibit 3: 1m implied vols broadly declined

1m implied vol change vs volume z-score



Source: BofA Global Research, DTCC. Note: CNH flows are proxied by "CNY" flows in SDR.

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## Exhibit 4: Front-end FX vols broadly declined as USD failed to stage a bearish breakout

Event analysis signals after last week's spot and vol moves

Pair	Old spot	New spot	1m vol	1m vol chg	1y vol	1y vol chg	1y - 1m chg	Currency	Return vs USD	1m skew % chg vs		Signals
										USD	USD	
EURUSD	1.1441	1.1412	7.79	-0.82	7.59	-0.20	0.62	EUR	-0.25%	-0.50	-0.50	EUR No Signal
USDJPY	142.71	144.44	10.71	-1.29	10.18	-0.32	0.98	JPY	-1.20%	-1.45	-1.45	JPY No Signal
GBPUSD	1.3544	1.3561	7.38	-0.62	7.96	-0.13	0.49	GBP	0.13%	-0.86	-0.86	GBP No Signal
USDCHF	0.8174	0.8214	9.01	-0.96	8.49	-0.15	0.82	CHF	-0.49%	-0.59	-0.59	CHF No Signal
AUDUSD	0.6495	0.6519	9.52	-0.73	10.17	-0.24	0.49	AUD	0.37%	-0.12	-0.12	AUD No Signal
USDCAD	1.3714	1.3685	5.69	-0.44	5.97	-0.14	0.30	CAD	0.21%	-1.17	-1.17	CAD No Signal
USDSEK	9.5253	9.6179	10.32	-0.70	10.75	-0.16	0.54	SEK	-0.97%	-0.53	-0.53	SEK No Signal
USDNOK	10.0746	10.0791	9.90	-0.70	10.95	-0.22	0.48	NOK	-0.04%	-0.69	-0.69	NOK No Signal
NZDUSD	0.6035	0.6049	9.64	-0.63	10.22	-0.23	0.40	NZD	0.23%	0.14	0.14	NZD No Signal
USDSGD	1.2852	1.2859	5.56	-0.34	5.94	-0.06	0.28	SGD	-0.05%	-1.38	-1.38	SGD No Signal
USDKRW	1379.2	1354.8	10.70	-0.81	10.25	-0.19	0.62	KRW	1.79%	0.02	0.02	KRW No Signal
USDMXN	19.2174	19.0601	9.52	-0.18	11.40	-0.03	0.15	MXN	0.82%	-0.08	-0.08	MXN No Signal
USDTRY	39.1803	39.2275	12.17	0.41	23.01	0.06	-0.35	TRY	-0.12%	1.54	1.54	TRY No Signal
USDZAR	17.8537	17.7258	11.04	-0.62	13.82	-0.08	0.54	ZAR	0.72%	-0.41	-0.41	ZAR No Signal
USDHUF	352.4	352.1	10.14	-0.85	11.25	-0.29	0.56	HUF	0.07%	-0.35	-0.35	HUF No Signal
USDPLN	3.7181	3.7424	10.60	-0.53	10.50	-0.29	0.24	PLN	-0.65%	-1.76	-1.76	PLN No Signal

Source: BofA Global Research, Bloomberg.

The table shows the 1-year percentile and 1-week change in 1m and 1y implied vol, the 1y-1m spread, and the 1m 25 delta risk reversal as a percentage of the ATM. For a currency with a put skew, the rules for generating the signal column are the following:

[1] Bearish Continuation: Spot change < -1%, 1m vol change > 0.5%, 1y vol change > 0%, 1m skew chg. < -2; [2] Bearish Contrarian: Spot change > 1%, 1m skew change < -2;

[3] Bullish Continuation: Spot change > 2%, 1y-1m change < -0.1%, 1m skew change > 2; [4] Bullish Contrarian Spot change < -1%, 1m vol change < -0.2%, 1m skew chg. > 1.

Parameters that triggered a bearish condition are colored in red; parameters that triggered a bullish condition are colored in green.

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# Technical Matrix

The Technical Matrix is a table of technical indicators (see report: [Get to know even more technical strategy. 24 January 2022](#)) and BofA positioning analysis (see report: [Global Rates and FX Primer: 01 October 2018](#)) that look at trend following and reversal signals. To learn more about a variety of technical strategies, please see [Technicals Explained primer](#), as well as our Quantifying Technicals publications for [the ADX](#) and [Bollinger indicators](#).

## Exhibit 5: USD downtrends vs EUR and GBP show moderate bearish signs and option skews normalize; trend reversal risk also increased for USDJPY as spot rose above 50d SMA

Technical matrix with positioning analysis and key levels to watch

		Spot	Positioning Trend	Bullish / Bearish	ADX Trend	Bollinger Bands	Next Support	Next Resistance	Trigger Level	Take-profit Level
USD	EURUSD	1.1410	↑	Slightly Bearish	Range	None	1.1270	1.1495	1.1261	1.1854
	USDJPY	144.50	↓	No Signal	Range	None	144.44	147.83	144.51	135.08
	GBPUSD	1.3545	↑	Slightly Bearish	Uptrend	None	1.3292	1.3616	1.3240	1.3995
	AUDUSD	0.6516	↑	No Signal	Uptrend	None	0.6433	0.6550	0.6414	0.6719
	USDCHF	0.8209	↓	No Signal	Range	None	0.8040	0.8306	0.8296	0.7792
	USDCAD	1.3684	↓	No Signal	Downtrend	None	1.3420	1.3892	1.3919	1.3440
	NZDUSD	0.6047	↑	No Signal	Transition	None	0.6038	0.6379	0.5896	0.6267
	USDSEK	9.61	↓	No Signal	Range	None	9.4673	9.7032	9.68	8.97
	USDNOK	10.08	↓	No Signal	Downtrend	None	10.0332	10.3861	10.50	9.71
EUR	EURGBP	0.8423	↑	No Signal	Range	None	0.8420	0.8480	0.8417	0.8612
	EURJPY	164.87	↑	No Signal	Range	None	162.76	164.93	162.28	170.82
	EURAUD	1.7510	↑	Bullish	Range	None	1.7262	1.7568	1.7508	1.8293
	EURCHF	0.9366	↔	No Signal	Range	None	0.9359	0.9397		
	EURCAD	1.5612	↔	No Signal	Range	None	1.5415	1.5653		
	EURNZD	1.8869	↔	No Signal	Range	None	1.8834	1.9011		
	EURSEK	10.97	↓	No Signal	Range	None	10.9327	11.0471	10.97	10.52
	EURNOK	11.51	↓	No Signal	Range	None	11.2614	11.6285	11.67	11.26
G10 Cross	AUDJPY	94.16	↔	No Signal	Range	None	93.68	94.96		
	AUDNZD	1.0776	↓	Slightly Bullish	Range	None	1.0652	1.0809	1.0830	1.0570
	AUDCAD	0.8916	↓	No Signal	Range	None	0.8910	0.8944	0.8917	0.8660
	NOKSEK	0.9534	↑	Bullish	Uptrend	None	0.9497	0.9541	0.9493	0.9642
	CADJPY	105.60	↑	Bullish	Range	None	104.74	106.54	105.07	109.27
	GBPJPY	195.73	↑	No Signal	Transition	None	194.11	197.42	192.99	202.79
	NZDJPY	87.37	↑	No Signal	Range	None	87.16	87.65	86.42	90.45
	GBPCHF	1.1119	↓	No Signal	Range	None	1.1038	1.1123	1.1121	1.0709
EM	USDMXN	19.07	↓	No Signal	Transition	None	19.0149	19.4500	19.79	18.38
	USDBRL	5.5613	↓	No Signal	Range	Lower	5.1354	5.5866	5.7248	5.4011
	USDZAR	17.74	↓	No Signal	Transition	None	17.0356	18.1423	18.21	17.34
	EURPLN	4.2697	↑	No Signal	Transition	None	4.2601	4.2850	4.2573	4.3790
	EURHUF	401.69	↓	No Signal	Range	Lower	399.45	402.74	403.74	394.78
	USDKRW	1357	↓	Slightly Bullish	Downtrend	None	1303.40	1373.71	1406	1357
	USDINR	85.63	↑	No Signal	Range	None	85.46	85.82	85.58	86.73
	USDCNH	7.1832	↓	No Signal	Transition	None	7.1461	7.2002	7.2335	7.0755

Data as of 06/09/25. Source: BofA Global Research, Bloomberg.

Positioning uptrend has MAA > 60, downtrend MAA < 40. Positioning uptrend reversal likely if MAA/UD/RS > 80, continuation likely if UD, RS < 50. Positioning downtrend reversal likely if MAA/UD/RS < 20, and continuation likely if UD, RS > 50. UD and RS are 1y percentile and MAA is in %.

Positioning is bullish (green) if matrix shows downtrend reversal or uptrend continuation; Positioning is bearish (red) if matrix shows uptrend reversal or downtrend continuation.

Positioning is slightly bullish or slightly bearish (yellow) if only one of UD or RS supports the signal.

ADX downtrend if ADX > 25 and DMI+ is below DMI-. ADX uptrend if ADX > 25 and DMI+ is above DMI-. ADX shows Transition if ADX is between 20 and 25, and Range if ADX < 20. Cells in the ADX Trend column are colored with more intensity if the ADX trend signal matches the positioning signal. 14-day lookback is used for the ADX indicators.

The Bollinger Bands column shows 'Upper' if spot is above the +2 std bollinger band, and 'Lower' if spot is below the -2 std band. 20-day SMA is used for Bollinger indicators.

Cells in Next Support and Next Resistance columns are colored if spot is within 0.5% of the support or resistance level.

For pairs in an existing uptrend or downtrend according to MAA, the Trigger Level shows the hypothetical spot level that would neutralize the existing trend in the next 2 weeks. The Take-profit Level shows the hypothetical spot level in the next 2 weeks that would suggest the trend has become too stretched according to the 2y z-score of the spot vs 50d SMA ratio.

For pairs current not in a prominent MAA trend, the Trigger Level shows the hypothetical spot level that would form a trend for the pair in the next two weeks. Pairs currently not in a prominent MAA trend would not have a Take-Profit Level.

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# CARS Signals

CARS ("cross-asset regime-switching") is a systematic model that makes weekly buy/sell decisions for G10 currencies based on cross-asset factors (equity, rates, and commodities). FX's relationship with other asset classes is not constant over time, and investors could flock to own haven currencies during shock periods. The CARS model chooses the most performing factor for the appropriate macro regime of the week (see report: [FX Viewpoint: CARS model: weekly FX cross-asset drivers 22 June 2022](#)).

## Exhibit 6: Bullish AUD, CHF, and NOK vs bearish GBP and CAD on equity and commodity factors

CARS signals for a trending week (no macro shock)

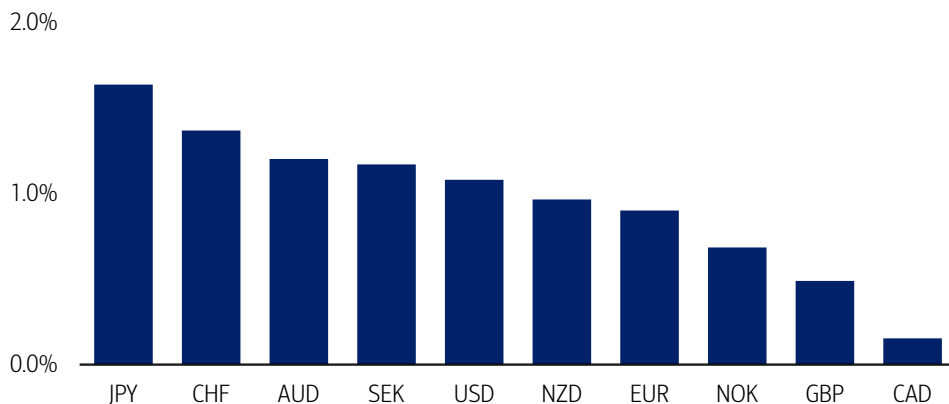
Currency	Bullish/Bearish	Equity	Rates	Commodity	Global regime	Values
EUR		7	5	7	Commodity z-score	0.7
JPY		4	1	9	Performing factor	Equity
GBP	Bearish	9	7	5		
AUD	Bullish	2	6	2		
CAD	Bearish	10	4	4	USD Equity	6
CHF	Bullish	1	8	8	USD Rates	2
NZD		3	10	3		
SEK		5	9	6		
NOK	Bullish	8	3	1		

**Source:** BofA Global Research, Bloomberg. The Equity ranking is ordered by 5y z-score of 1-week equity return. The Rates ranking is ordered by 5y z-score of 1-week rate change and level of 2y swap rate. The Commodity ranking is ordered by 52-week FX correlation with BCOM. The Commodity z-score is the 1y z-score of 1-week BCOM Index return.

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## Exhibit 7: Global equity markets broadly rallied last week

1-week global equity returns



**Source:** BofA Global Research, Bloomberg

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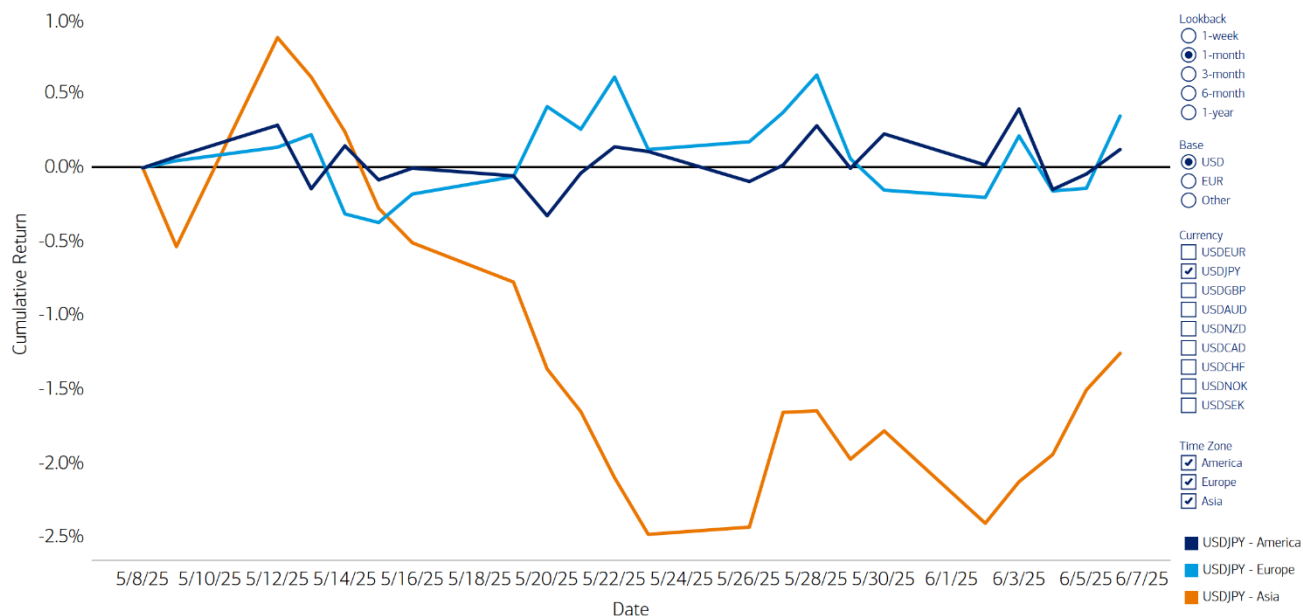


## Interactive Time Zone

Expanding exhibits in the HTML view shows cumulative FX returns at different lookback periods, currency groupings, and time zones (see report: [FX Watch: Interacting with time zones 06 July 2022](#)). Hours are shown in Coordinated Universal Time (UTC). We define America time zone as 1pm-12am UTC (8am-7pm EST), Europe time zone as between 8am-1pm UTC (3am-8am EST), and Asia time zone as between 12am to 8am UTC (7pm-3am EST).

### Exhibit 8: Asia-based investors flipped from short USDJPY in May to long USDJPY in June

Interactive time zone plot. For readers of the web-formatted version of this report, access interactive features of the visualization by clicking on the image. Use Google Chrome or Microsoft Edge browsers for the best experience



We denote America time zone as between 1pm to 12am UTC, Europe time zone as between 8am to 1pm UTC, and Asia time zone as between 12am to 8am UTC.

Source: BofA Global Research, Bloomberg

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### Exhibit 9: USDJPY rallied in Asia and Europe morning hours last week (0am-3am UTC and 9am-12pm UTC)

Interactive time zone plot. For readers of the web-formatted version of this report, access interactive features of the visualization by clicking on the image. Use Google Chrome or Microsoft Edge browsers for the best experience

	0am-3am	3am-6am	6am-9am	9am-12pm	12pm-3pm	3pm-6pm	6pm-9pm	9pm-0am	Lookback
USDEUR	0.4%	0.1%	-0.5%	0.3%	-0.7%	0.4%	-0.1%	-0.2%	<input checked="" type="radio"/> 1-week
USDJPY	0.7%	0.2%	-0.4%	0.4%	0.3%	0.1%	-0.2%	-0.2%	<input type="radio"/> 1-month
USDGBP	0.3%	0.0%	-0.4%	0.2%	-0.7%	0.4%	0.1%	-0.1%	<input type="radio"/> 3-month
USDAUD	-0.1%	-0.7%	-0.4%	-0.2%	-0.1%	0.3%	-0.2%	0.7%	<input type="radio"/> 6-month
USDNZD	0.1%	0.2%	-0.3%	-0.1%	-0.6%	0.2%	0.2%	-0.2%	<input type="radio"/> 1-year
USDCAD	0.1%	0.1%	-0.3%	0.1%	-0.6%	0.2%	0.3%	0.0%	Base
USDCHF	0.5%	0.0%	-0.2%	0.4%	-0.4%	0.1%	-0.1%	-0.1%	<input checked="" type="radio"/> USD
USDNOK	0.2%	0.4%	-1.2%	-0.3%	-0.3%	0.3%	0.3%	-0.4%	<input type="radio"/> EUR
USDSEK	-0.7%	0.2%	0.1%	0.6%	-0.1%	0.2%	-0.2%	0.4%	<input type="radio"/> Other

Hours are as of UTC. Currency pairs with greater loss over the lookback period are colored in darker red. Currency pairs with greater gain over the lookback period are colored in darker green. We denote America time zone as between 1pm to 12am UTC, Europe time zone as between 8am to 1pm UTC, and Asia time zone as between 12am to 8am UTC.

Source: BofA Global Research, Bloomberg

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