BofA SECURITIES

World at a Glance

To the midterms

Key forecasts in FX, rates and commodities

We keep our core macro forecasts unchanged since last month as we head towards the US midterm elections. We continue to look for medium-term modest USD downside, and US 10yr yields ending the year at 5.00%.

G10 FX: Asia FX revisions

We keep our baseline EUR-USD forecast unchanged, and do not make any revisions for direct European FX crosses or CAD as well. Since last month, we do make revisions in JPY and Antipodes.

Interest rates: still looking for US10yr at 5% at end-year

We maintain our expectation that the US 10y yield will end the year at 5.0% and the 2y yield to rise to 5.0%. We expect markets to begin pricing eventual rate cuts, supporting a decline in both 2y and 10y yields to 4.75% by end-'27.

EM Asia: North vs South divergence carries on

We maintain end'26 USDCNY forecast at 6.6 on exports repatriation, undervaluation and policy bias. High oil prices and narrower rate-differentials are headwinds for ASEAN FX. RBI's persistent support improves INR's carry.

EEMEA: more bullish EEMEA FX towards year-end

Prolonged Iran tensions and high global yields may weigh on EEMEA FX near term, but much bad news is now priced in. Strong global growth favours EEMEA FX vs EUR; eventual Iran de-escalation could support gains vs USD. Bullish TRY, CEE FX & ZAR.

LatAm: spooky rates

We cut the LatAm GDP growth forecast to 1.9% for 2026 on the back of lower growth expected in Mexico, Argentina and Uruguay. We have revised our BRL forecast to a stronger path. Since last month, we also have revisions in USD-MXN.

Commodities: no changes to oil, revisions elsewhere

We project Brent and WTI to average $91/bbl and $87/bbl, respectively, in 2026. While we do not make any changes to our oil forecasts since last month, we do have some revisions in metals.

The World at a Glance (WAAG) is our flagship monthly publication, highlighting our key forecasts in FX, rates and commodities. This edition covers each of the G10 currencies, six major developed-market interest rates, the major EM currencies, and five key commodities

22 October 2026

FX, Rates and Commodities
Global

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Next edition:

Year Ahead, Thanksgiving Week 2026

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Refer to important disclosures on page 52 to 54. **13029330**

Timestamp: 21 October 2026 10:32PM EDT

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US rates: start of rates bite

Mark Cabana, CFA
BofAS

Themes: Fed not yet restrictive

Recent dovish Fed communications have not changed our view that the Fed is not restrictive enough. Although several officials have emphasized "more time" and "no urgency", inflation remains elevated while the labor market holds steady. Financial conditions continue to appear looser than the Fed would prefer, with equities still near highs and credit spreads relatively contained.

Our US economists continue to see the case for two more 25bp Fed hikes in 2H26, although their conviction for an Oct hike is lower. The inflation picture has worsened on net since Sept FOMC and core PCE could plausibly end the year at 3.4%.

A hawkish Fed is good for the long end because it increases inflation-fighting credibility which should reduce term premium. We stay bearish front-end rates and expect a flatter UST curve.

Forecasts: maintain flatter UST curve and higher front end rates

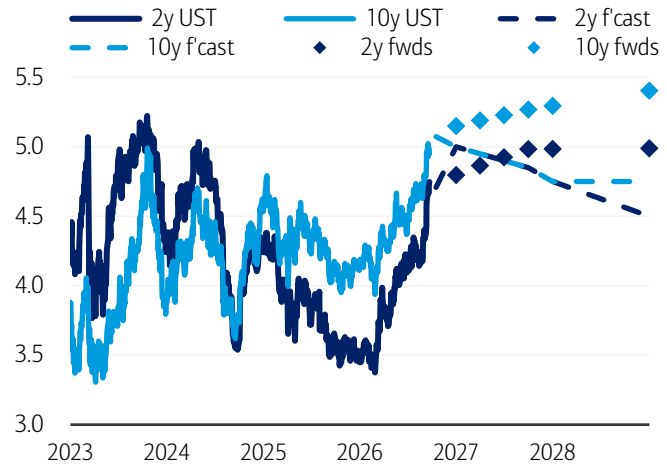
We maintain our expectation that the 10y yield will end the year at 5.0% and the 2y yield to rise to 5.0%. We expect markets to begin pricing eventual rate cuts, supporting a decline in both 2y and 10y yields to 4.75% by end-'27, below current forwards.

Risks: skew lower at the front end with risk of dovish pivot from Fed

As we wrote last month, risks are to lower front end rates if the Fed pivots firmly dovish and holds in Oct FOMC. Further evidence of labor market cooling & continued disinflation would likely support lower UST yields and reinforce expectations for a more patient Fed. A renewed acceleration in growth, inflation, or commodity prices could reinforce hiking pressure.

Markets assign only a low probability to a hike (4bp priced as of 19 Oct), Chair Warsh did not push back against that pricing, and the Oct meeting falls just six days before the midterm elections. Policymakers may be reluctant to deliver a large surprise so close to the election.

Exhibit 1: UST 2y & 10y forecasts vs forwards (%)
Our rates forecasts are generally below fwds



Source: BofA Global Research, Bloomberg

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Exhibit 2: Government bond yield forecasts (%)
Our forecast for year-end '26 of 10yT is 5%

	Q4 26	Q1 27	Q2 27	Q3 27
O/N SOFR	4.41	4.41	4.41	4.41
2y Govt	5.00	4.95	4.90	4.85
5y Govt	5.00	4.95	4.90	4.85
10y Govt	5.00	4.95	4.90	4.85
30y Govt	5.25	5.20	5.20	5.15

Source: BofA Global Research estimates

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Exhibit 3: Swap rate forecasts (%)
Our forecast for year-end '26 of 10y swaps is 4.43%%

	Q4 26	Q1 27	Q2 27	Q3 27
2y	4.85	4.82	4.77	4.72
5y	4.67	4.60	4.55	4.50
10y	4.43	4.40	4.35	4.30
30y	4.42	4.35	4.35	4.30

Source: BofA Global Research estimates

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USD: view from the top (of the range)

Alex Cohen
BofAS

Themes: AI inflation vs. AI valuation

The dollar has appreciated over the past 1-2 months, with the DXY index recently touching its highest level since just after Liberation Day. The dollar's rally has coincided with the increase in yields leading into (and following) the Fed's September rate hike, with OIS markets implying another 3 hikes by mid-2027.

US growth data has printed to the strong side recently, and inflation has remained sticky. Even as the September employment report missed expectations, broader measures point to a still resilient labor market. On the inflation front, the September CPI report exceeded expectations, and pointed to a broadening out of upside pressure on several core components. Collectively this has served to widen rate differentials in the dollar's favor, underpinning recent USD strength. Meanwhile, ongoing middle east turmoil continues to support the USD via the energy price channel, while debt concerns in France have weighted specifically on the EUR/USD pair.

More recently, however, the USD's upward momentum has been slowed by emerging turmoil in AI/technology sector, which poses risks to the dollar should the "US exceptionalism" narrative come into question.

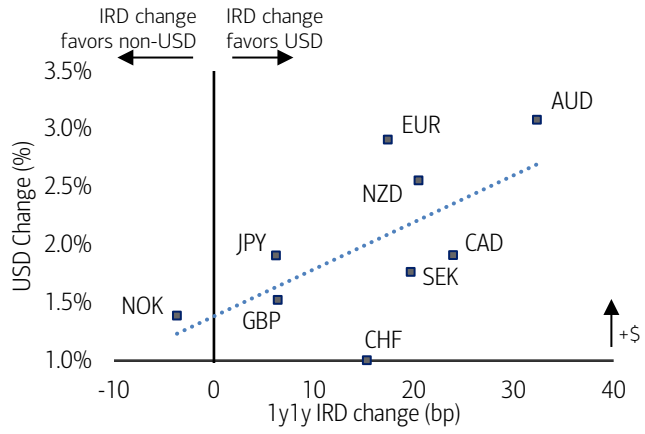
Forecasts: unchanged Europe and CAD, revisions for Asia G10 FX

We leave our baseline EUR-USD forecasts unchanged. We still see the USD softening from current levels vs. most G10 currencies through year-end and into next year. For example, we forecast EUR/USD at 1.15 by end-2026, and 1.20 by end-2027. Since last month, we revise near-term JPY, as well as AUD and NZD.

Risks: data, AI and oil

Our forecasts for eventual USD depreciation are predicated in part on the Fed's inability to hike rates beyond what is currently priced, and/or energy market relief stemming from eventual easing of tensions in the middle east. Ongoing inflation stickiness or oil prices pose upside risks. Meanwhile, a continued sell-off in the US technology sector could further unwind the USD's recent appreciation. Otherwise, the US election remains a key event for markets, though we see a limited lasting impact on the USD.

Exhibit 4: Sharp central bank repricing has been global, resulting in moderated FX moves
FX & 1y1y rate differentials: changes from pre-Sept. FOMC levels



Source: Bloomberg; BofA Global Research

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Exhibit 5: USD forecasts
EUR forecast is 1.15 for the end of 2026

	Q4 26	Q1 27	Q2 27	Q3 27
EUR-USD	1.15	1.17	1.19	1.20
USD-JPY	152	149	148	146

Source: BofA Global Research estimates

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Exhibit 6: Major macro forecasts
Looking for decent growth in 2026

	2025F	2026F	2027F
Real GDP (% yoy)	2.1	2.4	2.3
CPI (% yoy)	2.7	3.5	2.7
Policy Rate (end of period)	3.625	4.375	4.375
GenGov Bal (%/GDP)	-5.8	-6.2	-6.1
CurAct Bal (%/GDP)	-3.8	-3.2	-3.4

Source: Bloomberg, BofA Global Research estimates

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EZ rates: bonds are back

Sphia Salim
MLI (UK)

Nathan Thomas, CFA
MLI (UK)

Themes: Bonds are back

EU rates remain elevated but have rallied somewhat from end-Sep levels. This rally has been spurred by recent ECB communication highlighting that 1) rates need not move in lockstep with energy prices, 2) the rise in long-term yields since the ECB's last cut-off date will weigh on its growth and inflation projections, and 3) a measured policy response remains appropriate. Weakness in risk assets and a cut in bund CTA (Commodity Trading Advisors) short positioning led afterwards to a bull flattening move. Swap spreads also richened, especially in the 2-10y sector. We see three factors behind this: 1) paying in swaps as rates broke higher at the end of Aug and extended their sell-off 2) stop losses in spread curve trades (short 2-10y swap spreads vs long 30y spreads) and 3) flight to quality on the French driven risk-off and rise in rates vol.

Over the next few weeks, investor focus will be on French spreads, which can remain under pressure as the 2027 budgetary discussions take place. We expect 10y OAT-Bund to trade in a 100-150bp range, with potential support should Moody's maintain its current rating, EUR rates rally and/or the budgetary process accelerates. The other area of focus will be the evolution of EA data, given the resilience observed in 1H26.

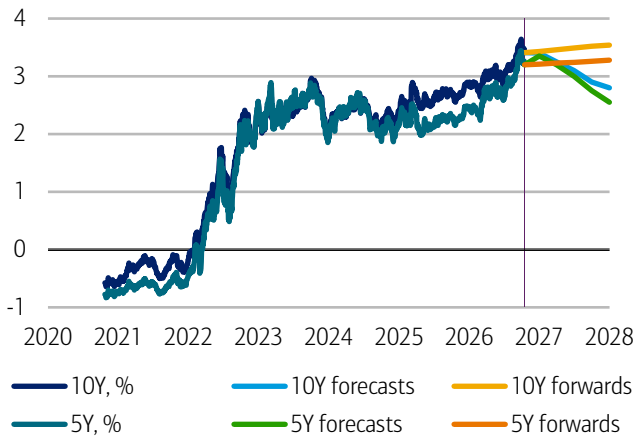
Forecasts: 10y Bund at 3.40% by end-2026

Our economists changed their call to expect one more ECB hike in Dec, followed by cuts in 2027-28 to below 2%. Consequently, we updated our 10y Bund yield forecasts higher, lifting the YE26 forecast by 25bp, from 3.15% to 3.40%. We also moved our forecast for 10y yields for YE27 from 2.60% to 2.80%. From a curve perspective, the delay to the start of the easing cycle leads us to expect a later date for the start of curve steepening. We assume it to begin in Q1 2027, when the market sees the ECB's hiking cycle as complete, and for it to continue steepen as we progress in 2027.

Risks: energy, data, German fiscal, supply

Upside risks are sustained high energy prices, positive surprises in economic data, a stronger structural impulse from Germany's fiscal package, and/or more bond supply than expected. Downside risks are mainly coming from a weakening in growth or a large sell-off in risk assets, both of which could be more significant for the 2y+.

Exhibit 7: German rates – yield forecasts and forwards*
Our 2027 forecasts are below the forwards



Source: Bloomberg, BofA Global Research

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Exhibit 8: Germany bond yield forecasts, %
We expect 10y Bund yields at 3.40% by YE 26

	YE 26	Q1 27	Q2 27	YE 27
3m Euribor	2.90	2.90	2.80	2.30
2y Govt.	3.20	3.00	2.80	2.30
5y Govt	3.35	3.20	3.10	2.55
10y Govt	3.40	3.25	3.10	2.80
30y Govt	3.70	3.50	3.40	3.10

Source: BofA Global Research estimates

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Exhibit 9: Euribor swap rate forecasts, %
We incorporate our ECB forecasts

	YE 26	Q1 27	Q2 27	YE 27
2y	3.40	3.20	3.00	2.45
5y	3.50	3.30	3.10	2.60
10y	3.50	3.30	3.15	2.80
30y	3.40	3.30	3.20	2.95

Source: BofA Global Research estimates.

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EUR: all about France

Michalis Rousakis
MLI (UK)

Themes: France risks explain 60% of EUR-USD weakness over the past month
EUR has weakened across the board since the summer, initially on higher energy prices and subsequently on wider OAT-Bund spreads. From here, we expect a more mixed EUR performance: we see some upside vs USD, CAD, NOK, but downside vs JPY, AUD, SEK.

France-related risks have been the main EUR driver over the past month. We estimate that the widening in 10y OAT-Bund spreads explains ~60% of EUR-USD weakness, with the remainder likely attributable to 2y rate differentials. As a rule of thumb, every additional 10bp widening in the 10y OAT-Bund spread is typically associated with a ~0.4% depreciation in EUR-USD. At the start of October, our proxy for France-related risks reached its highest level since at least 2015 (see EUR note 6 Oct '26).

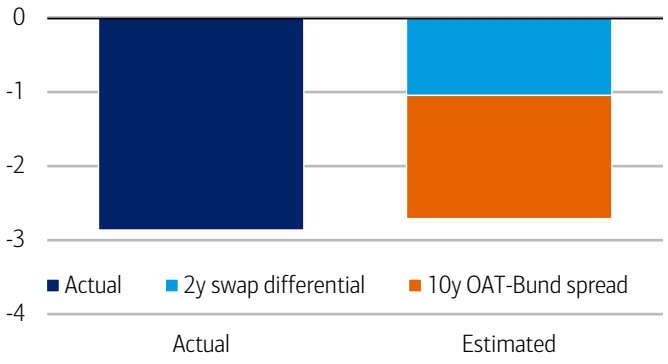
We retain a bullish EUR bias at current levels with respect to France risks, while acknowledging that this is not the only consideration and that ours is not a widely shared view (see Paris fieldtrip notes 16 Oct '26). We assume a budget is passed before December and await greater clarity on the candidate field. Our rates strategists' base case is for 10y OAT-Bund spreads to trade in a 100-150bp range, our equity strategists have turned overweight France, and EUR positioning has moderated – our last survey shows the largest reduction on record (see FX & Rates Sentiment Survey 9 Oct '26).

But energy prices continue to pose near-term downside risks – we assume no Iran deal before the midterms. EA data have remained better than feared but data surprises, while still positive, may have peaked. Overall, we expect slight EUR upside vs USD (1.15) by year-end, but downside vs JPY (175).

Forecasts: we continue to forecast 1.15 by year-end and 1.20 by end-27
We continue to forecast EUR-USD at 1.15 by year-end and 1.20 by end-27, vs Bloomberg consensus median forecasts of 1.14 and 1.17.

Risks: Iran, relative monetary policy, European politics and policies, AI
Downside risks from France, energy, ECB overreaction, and European politics. Upside risks from a dovish Fed, European reforms, faster European defence/fiscal spending, and potentially greater concerns around AI valuations (see Global FX Weekly 9 Oct '26).

Exhibit 10: France explains 60% of EURUSD weakness since Sep 9
Actual % move in EUR/USD (September 9 – October 16) vs. estimated move based on 2y differential and OAT-Bund spread move



Source: BofA Global Research, Bloomberg. As of Fri 16 Oct. Estimated move based on betas to 2y swap differentials and large (> 1 z-score) moves in 10y OAT-Bund spreads. See also European Viewpoint: French bonds: what next?, 1 Oct '26 report.

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Exhibit 11: EUR forecasts
Our forecast is 1.15 for EUR-USD at end of 2026

	Q4 26	Q1 27	Q2 27	Q3 27
EUR-USD	1.15	1.17	1.19	1.20
EUR-JPY	175	174	176	175

Source: BofA Global Research estimates

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Exhibit 12: Major macro forecasts
Growth soft in our 2026 outlook

	2025F	2026F	2027F
Real GDP (% yoy)	1.3	1.0	1.0
CPI (% yoy)	2.1	3.0	2.5
Policy Rate* (end period)	2.00	2.75	2.25
Current account (%/GDP)	1.7	1.0	1.5
Gen govt bal (%/GDP)	-3.0	-3.6	-3.6

Source: Bloomberg, BofA Global Research estimates

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JP rates: active buyers, solid JGB demand

Tomonobu Yamashita
BofAS Japan

Key theme: JGB demand remains solid

So far, JGBs have attracted solid demand from both domestic and overseas investors. Our FX and rates sentiment survey indicates that none of the respondents currently hold steepener positions in the yen rates market. In addition, Japanese investors have become more active in yen rates. Indeed, the 5-, 10-, and 30-year JGB auctions in October all went smoothly (see FX and Rates Sentiment Survey: Shaken not stirred 09 October 2026).

While we do not expect the 10-year JGBs to rally below 2.8%, we believe demand should strengthen if yields rise toward 3.0-3.1%. Overall, we see current levels as a good opportunity to add yen duration and lock in carry.

Forecast: We maintain our end-2026 forecast for the 10-year JGB yield at 3%

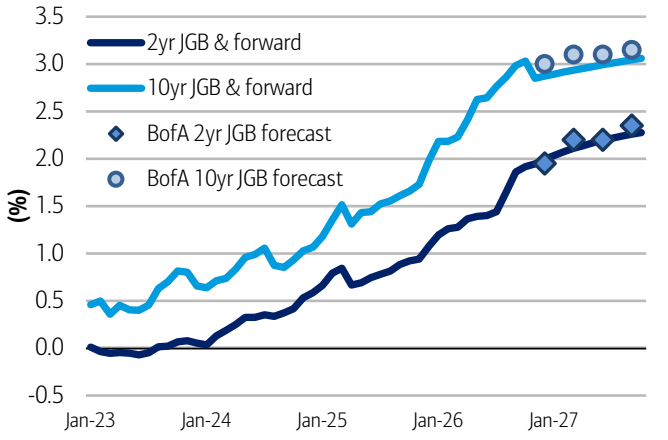
At this stage, we remain comfortable with our 3% end-2026 forecast for the 10-year JGB yield.

Risk: front-end repricing and bear-steepening risks

Our base case faces risks from both monetary and fiscal policy. On the monetary policy side, while media reports suggest that the BoJ is unlikely to deliver a 25bp rate hike at the October MPM, the risk of a near-term hawkish shift in BoJ communication appears limited.

However, the BoJ has identified both crude oil prices and yen depreciation as upside risks to its inflation outlook. A sharp rise in oil prices or further yen depreciation could therefore prompt more hawkish BoJ communication, triggering a repricing at the front-end of the yen rates curve. On the fiscal side, the current Diet session is expected to run through December 12, leaving scope for fiscal stimulus headlines that could drive a bear-steepening of the curve.

Exhibit 13: Yen rates – JGB yield forecasts and forwards
Both the market and BofA anticipate a continued upward trajectory



Source: BofA Global Research, Bloomberg

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Exhibit 14: Government bond yield forecasts
We forecast end-2026 10yr JGB yield at 3%

	Q4 26	Q1 27	Q2 27	Q3 27
TONA	1.48	1.73	1.73	1.98
2y Govt.	1.95	2.20	2.20	2.35
5y Govt	2.40	2.65	2.65	2.75
10y Govt	3.00	3.10	3.10	3.15
30y Govt	4.10	4.15	4.15	4.15

Source: BofA Global Research estimates

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Exhibit 15: Swap rate forecasts
Our Japan 10yr swap rate end-2026 forecast is 2.85%

	Q4 26	Q1 27	Q2 27	Q3 27
2y	2.03	2.28	2.28	2.40
5y	2.48	2.70	2.70	2.78
10y	2.85	3.00	3.00	3.10

Source: BofA Global Research estimates

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JPY: bullish but need catalysts

Shusuke Yamada
BofAS Japan

Themes: Strong USD, strong JPY

The current environment is one of a stronger yen alongside a stronger dollar. Drivers of yen strength include the improvement in Japan's balance of payments, the Bank of Japan's policy rate hikes, and the Takaichi administration's growing distance from reflationary policies.

On the other hand, resilient US domestic demand and higher oil prices are supporting the dollar. While USD/JPY is likely to remain range-bound, we see risks skewed to the downside, reflecting (1) the US midterm elections, (2) the rising likelihood of FX intervention should USD/JPY move beyond ¥160, and (3) investors' stretched long equity positioning (see: The Flow Show: A Tail of Two Cities 01 October 2026).

For details, see FX Watch: Japan BoP: The yen also rises 08 October 2026.

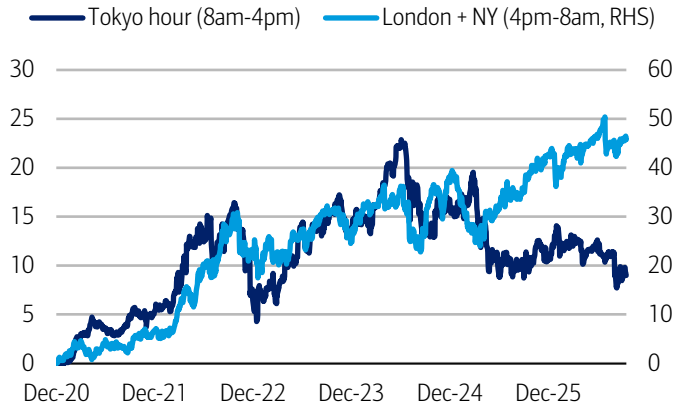
Forecasts: revise up near-term USD/JPY forecast on higher oil price

We revise up our year-end USD/JPY forecast from 149 to 152 on higher oil prices and a general strong USD environment.

Risks: continuation of AI trade and elevated oil

Continuation of the AI trade and elevated oil prices would support USD, keeping USD/JPY elevated.

Exhibit 16: Cumulative intraday USD/JPY moves by trading session (times shown in Japan Standard Time)
2Q25-2Q26 USD/JPY gains have been driven by offshore trading hours



Source: BofA Global Research, Bloomberg, Haver

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Exhibit 17: JPY forecasts
We look for 2026 year-end USD-JPY of 152

	Q4 26	Q1 27	Q2 27	Q3 27
USD-JPY	152	149	148	146
EUR-JPY	175	174	176	175

Source: BofA Global Research estimates

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Exhibit 18: Major macro forecasts (CY)
Our economics team looks for end-2026 BOJ rate to be 1.50%

	2025F	2026F	2027F
Real GDP (% yoy)	1.2	0.8	0.8
CPI (% yoy)	3.2	1.9	1.7
Policy Rate (end of period)	0.75	1.50	2.00

Source: Bloomberg, BofA Global Research estimates

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UK rates: relative calm in UK rates

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Autumn Statement – the next key event in UK rates

UK long-end yields have performed relatively well in the recent September selloff, which we attribute to the BoE's QT overhaul, including a temporary pause in "active" sales, and to fairly benign market expectations heading into the 28 October Autumn Statement. A hawkish Fed could help cap the rise in long-dated government bonds globally. But more DMO activism could also help Gilts. We are hopeful that the 28 October Gilt Remit update proves to be an opportunity to deliver further WAM shortening and stronger commitment to the T-bill market buildout.

We think there is scope for Sonia curve to steepen: the market is pricing a more meaningful amount of monetary policy tightening than we think will be delivered by the BoE; the curve is also likely to steepen should the volume of duration the market is being asked to absorb through issuance and QT prove harder to digest than expected.

Forecast: adjustments on the back of Bank Rate call change

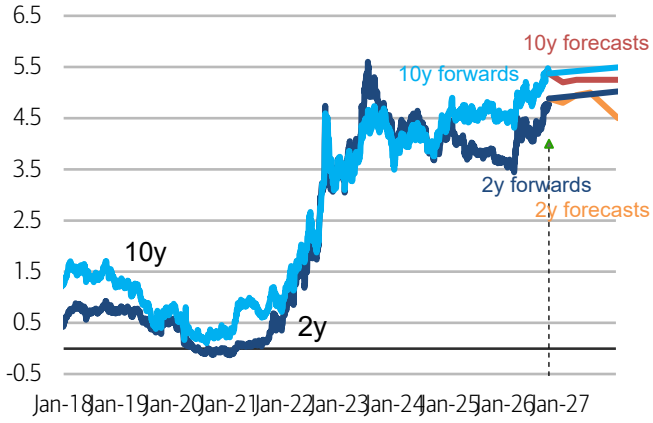
Our economists continue to expect the BoE to deliver two rate hikes, in November 2026 and February 2027, taking Bank Rate to 4.25%. Thereafter, they expect three quarterly rate cuts in 2028, in February, May and August, bringing the terminal rate to 3.50%.

Our front-end Sonia rate forecasts remain materially below forwards, reflecting our base case of two Bank Rate hikes across 2026 to 2027, compared with four hikes currently priced by the market over the same period. Further out, our Sonia rate forecasts are marginally below forwards. We also expect longer-dated Gilts to hold ground vs. Sonia.

Risks: geopolitics and domestic politics in focus

The key question for the economy is how persistent the energy shock and broader uncertainty prove to be. Beyond geopolitics, domestic politics and the fiscal developments are additional key risks to watch.

Exhibit 19: Gilt yield benchmark histories, fwds and fcsts, %
We now project 2y Gilts at 4.80% and 10y Gilts at 5.20% by end-2026



Source: BofA Global Research, Bloomberg

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Exhibit 20: Government bond yield forecasts (%)
We see 10y Gilts at 5.20% by end-2026 and 5.25% by late 2027...

	Q4 26	Q1 27	Q2 27	Q3 27
3m Sonia	4.25	4.50	4.25	4.25
2y Govt	4.80	4.95	5.00	4.75
5y Govt	4.85	4.90	4.90	4.75
10y Govt	**5.20**	**5.25**	**5.25**	**5.25**
30y Govt	5.70	5.70	5.70	5.70

Source: BofA Global Research estimates

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Exhibit 21: Sonia swap rate forecasts (%)
... and 10y Sonia at 4.75% by end-2026 and across 2027

	Q4 26	Q1 27	Q2 27	Q3 27
2y	4.65	4.75	4.75	4.50
5y	4.65	4.65	4.65	4.50
10y	**4.75**	**4.75**	**4.75**	**4.75**
30y	5.00	5.00	5.00	5.00

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

GBP: whisper it quietly – good news

Kamal Sharma
MLI (UK)

Themes: hiking for good reasons

Whisper it quietly, but there appears to be a renaissance in UK growth prospects. Over the past month, data has defied its usual H2 dip and has consistently beaten forecasts. As a result, both economists and the IMF have upgraded their respective growth forecast for this year, a reflection of ongoing strength in data. Furthermore, and against the grain of previous comments, the IMF has praised the UK for its efforts in fiscal consolidation. For a currency which has largely traded under the radar even as the 28th October Budget approaches is reassuring. The Budget presents the immediate event risk for GBP but in our view, the package is likely to be dominated by caution and we are struck by the lack of speculation which has been the hallmark for higher GBP volatility in the past (see:UK Viewpoint: Autumn Budget preview: Caution now, ambition later 06 October 2026). As a result, the BoE is unlikely to be overly distracted by the Budget and in our view a November rate hike seems inevitable. With data momentum strong, the BoE will be hiking for the right reasons, but we are concerned by market pricing which looks for a cumulative 100bps which presents risks to GBP.

Away from data, the other notable development has been the discussion on a potential return to the EU. While discussions within Government remain in their infancy, we sense greater urgency in improving existing arrangements under the Trade & Cooperation Agreement (TCA). The decision on which option (Customs Union, Single Market, or both) will have different implications for growth and productivity but will inevitably be an improvement on the TCA. As a result, some unwind of post-Brexit GBP risk premium is likely, leading to a higher equilibrium fair value for GBP. We have long-argued that one way to unlock growth and raise productivity would be enhanced EU relations, which forms one part of our structurally higher GBP view primarily versus EUR.

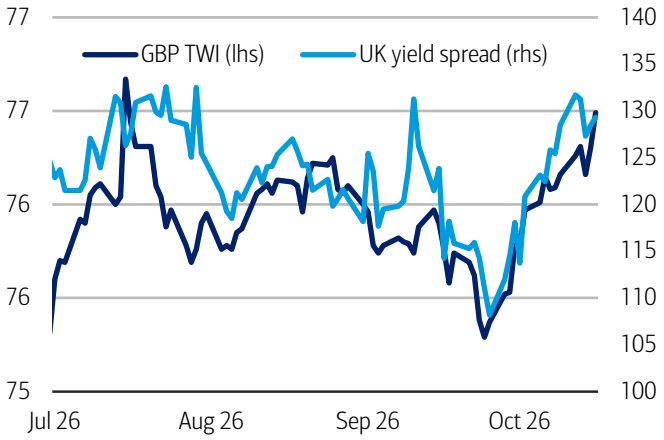
Forecasts: no changes in our forecast profile

No changes in our forecast profile.

Risks: challenging BoE pricing

With 100bps of tightening priced into the UK curve by end-2027, the risks are that an unwind will weigh on GBP..

Exhibit 22: GBP TWI vs weighted 2yr swap spreads
GBP supported by higher rate spreads on stronger data



Source: BofA Global Research, Bloomberg

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Exhibit 23: GBP forecasts
Our year-end 2026 EUR-GBP forecast is 0.84

	Q4 26	Q1 27	Q2 27	Q3 27
EUR-GBP	0.84	0.84	0.84	0.83
GBP-USD	1.37	1.39	1.42	1.45

Source: BofA Global Research estimates

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Exhibit 24: Major macro forecasts
Inflation still staying above target

	2025	2026F	2027F
Real GDP (% yoy)	1.3	1.3	1.0
CPI (% yoy)	3.4	3.2	3.2
Policy Rate (end of period)	3.75	4.00	4.25
GenGov Bal (%/GDP)	-4.2	-3.6	-2.9
CurAct Bal (%/GDP)	-3.1	-2.9	-3.0

Source: Bloomberg, BofA Global Research estimates

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CAD: unchanged forecasts

John Shin
BofAS

Themes: rate differentials

USD-CAD has generally been connected to rate differentials, along with much of G10, particularly on the back of the Fed's recent rate hike. Near-term risks may be for downside USD-CAD, as markets are pricing in a sizable likelihood of a BOC rate hike at end-October, although our Canada economics team continues to expect the BOC to stay on hold now (see Canada Watch: "A hawkish headline, a dovish core", 19 Oct 2026) and into next year. Meanwhile our US economics team expects the Federal Reserve to hike two more times this year, including the October 28th FOMC (see Federal Reserve Watch, "The hunt for Fed October", 19 Oct 2026), although markets are looking for only a fairly small probability of a hike.

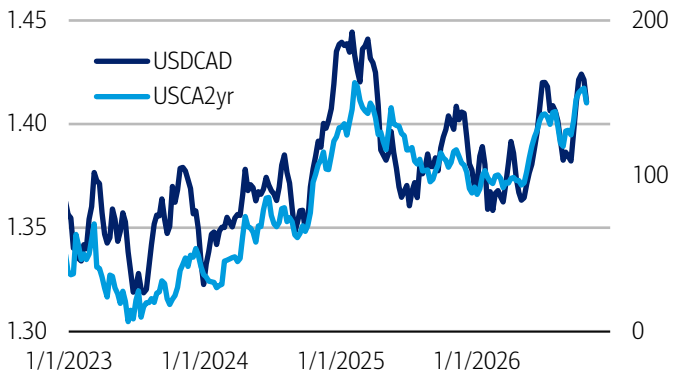
Forecast: remaining focused on 1.40

We do not make changes to our forecasts, with our focus for USD-CAD at around 1.40 over the medium term. Right now rate differentials do point to a modestly higher USD-CAD, but potential concerns around future possible BOC policy likely keep a relative lid on CAD downside. Moreover, we generally expect modest USD softening next year, as exemplified by our end-2027 EUR-USD forecast of 1.20, and we similarly expect USD-CAD to go similarly modestly lower over the medium term as well.

Risks: tariffs, US policies, and the war

Ongoing trade tensions continue to weigh on the outlook, with less hope around mitigation before US midterm elections. (See report: Canada Viewpoint, "Canada fights the trade war on two fronts", 22 Sep 2026) Prime Minister Carney's recent outreach to the European Union signals the likely persistence of these tensions, which may also dampen future expectations for the Bank of Canada. Meanwhile markets are pricing in further rate hikes on the US side after the Fed's recent move. And of course, the continuation of Middle East issues around Iran and the Strait of Hormuz will likely mean further volatile oil prices.

Exhibit 25: USD-CAD and US-CA 2yr yields, daily 2026
USD-CAD has been moving with rate differentials



Source: BofA Global Research, Bloomberg.

BofA GLOBAL RESEARCH

Exhibit 26: USD/CAD FX forecast
We look for end-2026 USD-CAD at 1.40

	Q4 26	Q1 27	Q2 27	Q3 27
USD-CAD	1.40	1.40	1.40	1.38

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 27: Major macro forecasts
We see the BoC staying on hold

	2025F	2026F	2027F
Real GDP (% yoy)	1.9	1.0	1.6
CPI (% yoy)	2.1	2.8	2.2
Policy Rate (end of period)	2.25	2.25	2.25

Source: Bloomberg, BofA Global Research estimates

BofA GLOBAL RESEARCH

AU rates: RBA on hold

Isabel Hartstein
Merrill Lynch (Australia)

Oliver Levingston
Merrill Lynch (Hong Kong)

We expect the RBA to stay on hold in November

Following the RBA's September hike to 4.60%, we now expect an extended pause. Inflation risks remain skewed to the upside, but the downside surprise to the August CPI print and the rise in unemployment to 4.7% have raised the bar for further tightening. On balance, we expect the RBA to remain in 'wait-and-see' mode as it assesses the cumulative effect of the previous four hikes, before ultimately unwinding restrictive policy in 2H '27.

Inflation risks skewed to the upside, but the RBA is likely at the peak

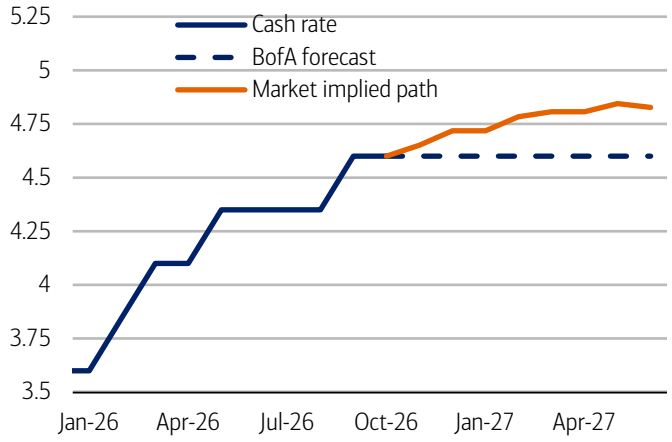
The distribution inflation risks are still skewed to the upside given the higher starting point for inflation in Australia and ongoing risks of further supply chain disuption. So a cash rate above 4.60% cannot be ruled out. But in our view, another hike would likely require a Q3-26 trimmed mean inflation print of 1.0% q/q. Overall, with the cash rate now at 4.6%, we think policy is sufficiently restrictive to slow inflation, particularly alongside a weakening housing market. Therefore the RBA is likely at the peak of its cycle.

Belly and long-end to remain elevated this year and retrace next year

We expect Australian Commonwealth Government Bond (ACGB) yields to remain elevated through the remainder of 2026, with inflation still above target and ongoing risks the RBA delivers another hike in either November or December. Higher oil prices and the sensitivity of ACGBs to renewed global bond sell-offs could also keep yields elevated in the near-term.

Our 2-year yield forecasts are broadly in line with forwards in the near term, as we expect the 2-year ACGB yield to remain elevated through year-end. Beyond mid-2027, we are more bullish than forwards imply. We are also modestly bullish on the 5-year and 10-year sectors. The main reason for the divergence is that we believe markets have underpriced the downside risks to growth from an aggressive RBA hiking cycle and housing market downturn.

Exhibit 28: RBA cash rate – market expectations vs BofA forecasts (%)
We expect the RBA to hold in November



Source: Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 29: BofA ACGB yields forecasts
Curves to flatten until 1Q '27 until RBA rate cuts eventually lead to steeper 2s10s

	Q4 26	Q1 27	Q2 27	Q3 27
3m BBSW	4.60	4.60	4.60	4.35
2y Govt.	4.80	4.75	4.65	4.55
5y Govt	4.80	4.75	4.70	4.65
10y Govt	5.15	5.10	5.05	5.00

Source: BofA Global Research estimates

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Exhibit 30: Swap rate forecasts
We forecast swap rates to slowly retrace lower over the forecast horizon

	Q4 26	Q1 27	Q2 27	Q3 27
3y	4.90	4.85	4.75	4.65
10y	5.25	5.20	5.15	5.10

Source: BofA Global Research estimates.

BofA GLOBAL RESEARCH

AUD: downside risks

Isabel Hartstein
Merrill Lynch (Hong Kong)

Oliver Levingston
Merrill Lynch (Hong Kong)

AUD: downside risks emerge

Since the start of the year, AUD/USD has largely traded in a 0.69-0.72 range, supported by Australia's relatively high policy and resilient commodity prices. However, with Australian data recently softening and the RBA expected to remain on hold while the Federal Reserve hikes, we are revising our AUD forecasts lower. We now expect AUD to trade at 0.70 in Q4-26, Q1-27 and Q2-27, followed by 0.69 in Q3-27 as the RBA begins to ease policy. Higher commodity export prices should continue to offer some support for AUD and partly offset less favourable rate differentials. Nevertheless, in our view AUD is now likely to trade in a lower range.

RBA is expected to remain on hold at its November meeting

Following the RBA's September hike to 4.60%, we now expect an extended pause. Inflation risks remain skewed to the upside, but the downside surprise to the August CPI print and the rise in unemployment to 4.7% have raised the bar for another hike. In our view, further tightening would likely require a Q3-26 trimmed mean inflation print of 1.0% q/q, which we see as unlikely. We therefore expect the RBA to remain in wait-and-see mode while it assesses the cumulative effect of the previous four hikes. With the RBA likely on hold, further Fed tightening should narrow the policy-rate differential.

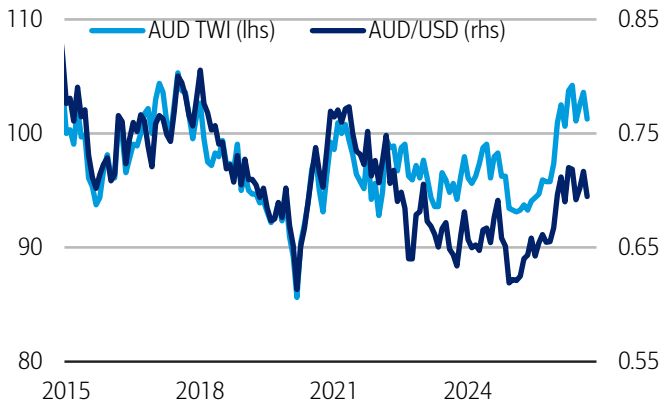
Commodity prices supportive, but boost may be limited

Key commodity export prices are expected to remain resilient. In particular, higher copper prices, which have surged alongside increased investment in AI infrastructure, provide a supportive backdrop. However, the additional support for the AUD is likely to be modest in the absence of greater mining capex and while Chinese activity data remains soft.

Changes in hedge ratios: tail risk, not our base case

To be clear, the hurdle for super funds to shift their hedge ratios has not been met. There are few examples of large or sustained falls in S&P 500 beyond April 2025 when AUD/USD fell through 0.60. Yet we remain alert to a scenario where US equities fall 10-15% and a coincident fall in the USD means AUD remains broadly stable. We would expect super funds to adjust their hedging programs in the aftermath, potentially sending AUD/USD higher in a move that could become self-reinforcing.

Exhibit 31: We expect AUD/USD to trade sideways this year
AUD TWI (Jan 2015 = 100, lhs) vs AUD/USD (rhs)



Source: Bloomberg

BofA GLOBAL RESEARCH

Exhibit 32: AUD Forecasts
Our end-2026 AUD-USD forecast is 0.70

	Q4 26	Q1 27	2Q 27	3Q 27
AUD-USD	0.70	0.70	0.70	0.69
AUD-NZD	1.23	1.23	1.23	1.21

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 33: Major macro forecasts
We forecast higher inflation in 2026

Australia	2025	2026F	2027F
Real GDP (% yoy)	2.0	2.0	1.6
CPI (% yoy)	2.9	3.7	2.5
Policy Rate (end of period)	3.60	4.60	4.10

Source: Bloomberg, BofA Global Research estimates

BofA GLOBAL RESEARCH

NZD: weaker outlook

Oliver Levingston
Merrill Lynch (Hong Kong)

Isabel Hartstein
Merrill Lynch (Hong Kong)

RBNZ expected to hike one more time this year

The RBNZ raised the OCR to 2.75% at its September meeting but revised the OCR path slightly lower, weighing on NZD. Near-term inflation forecasts were also revised down for 3Q and 4Q, with inflation expected to fall to around the 2% midpoint from 4Q27. Our economists expect the RBNZ to pause in October to allow time to assess inflation spillovers and election policies before resuming tightening in December, taking the OCR to 3.00%. We expect 3.00% to mark the peak of the hiking cycle, well below market pricing for a terminal rate of around 4.00%.

High oil prices weigh on NZD

Rising tensions in the Middle East and higher oil prices have compounded the headwind from the RBNZ's dovish hike in September. New Zealand is a net import of oil products, so higher energy prices should result in a lower terms of trade and weigh on the NZD.

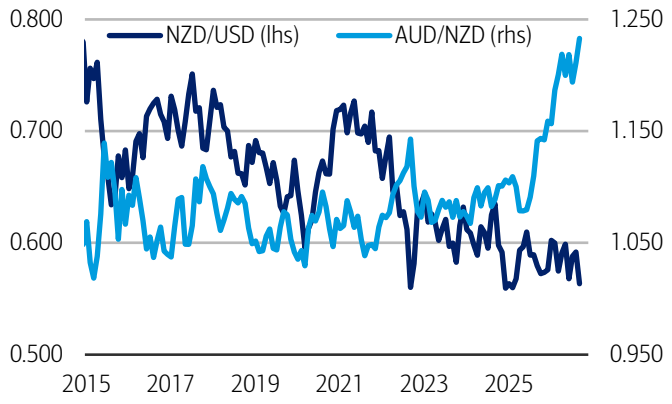
We revise down our NZD forecast

With NZD/USD trading near the bottom of its recent range at around 0.56, we are revising down our forecasts to 0.57 across the forecast horizon. The outlook remains challenging. We expect only one further RBNZ hike, well below current market expectations, alongside further tightening by the Federal Reserve. Elevated oil prices should also remain a headwind for the economy, which continues to operate with a negative output gap. In addition, uncertainty surrounding the New Zealand election could weigh on the NZD, with the main opposition party proposing to reinstate the RBNZ's dual mandate.

But weaker AUD points to downside risks to AUD/NZD

At the same time, we are more bearish on AUD. We now expect the RBA to remain on hold for the foreseeable future given the softer run of Australian economic data. On balance, the weaker AUD outlook offsets our downward revisions to NZD, implying a retracement in AUDNZD from historically elevated levels.

Exhibit 34: NZD/USD vs AUD/NZD
We expect NZD to trade around 0.57 and are bearish AUD/NZD



Source: Bloomberg

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Exhibit 35: BofA NZD forecasts
Our end-2026 NZD-USD forecast is 0.57

	Q4 26	Q1 27	Q2 27	Q327
NZD-USD	0.57	0.57	0.57	0.57
AUD-NZD	1.23	1.23	1.23	1.21

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 36: Major macro forecast
We forecast growth recovering in 2026

New Zealand	2025	2026F	2027F
Real GDP (% yoy)	0.2	1.5	2.1
CPI (% yoy)	2.8	3.6	2.4
Policy Rate (end of period)	2.25	3.00	3.00

Source: Bloomberg, BofA Global Research estimates

BofA GLOBAL RESEARCH

CHF: familiar territory

Kamal Sharma
MLI (UK)

Themes: France is a salient reminder

The parabolic widening in the OAT-Bund spread has left its mark on CHF – the funding currency of choice –which has reversed some of its recent weakness. EUR/CHF, which had been comfortably in positive territory through much of September, has reversed all of its YTD gains. The reaction in the vol market has been even more pronounced. EUR/CHF 1mth implied volatility has been the largest mover both in absolute and % terms over the past month. Further, 1mth skew is the most biased for CHF calls since "Liberation Day" and close to the zero percentile of skew since 2018. Net short positioning (due to its funding status) may have contributed to some CHF outperformance. but a logical question to ask is: why has it taken so long for the CHF to react to widening OAT-Bond spreads which have been on the move for over a month?

Part of the reason that CHF has not reacted earlier in our view has been the proximity of quarter-end rebalancing flows which had been forecasted to lead to CHF selling (see: Global Rates & FX Watch: Sep FX rebalancing – From JPY into EUR 24 September 2026). A new quarter has prompted the search for themes. France has been discussed but not actively traded until October. As a result, CHF price action has been dominated by the policy rate environment rather than OAT-Bund spreads which admittedly have lost their importance as a driver for CHF as we have previously discussed. This does not imply, as we have witnessed in recent sessions, that European sovereign stress does not matter for CHF. As we have stated in the past – it is the "quality" of the move rather than the move itself that determines the impact on CHF. We would have expected the break above 100bps to trigger some reaction, but key nuance is not direction per se but quantum: the more "violent" the move, the bigger impact it has on CHF appreciation. We quantify this below.

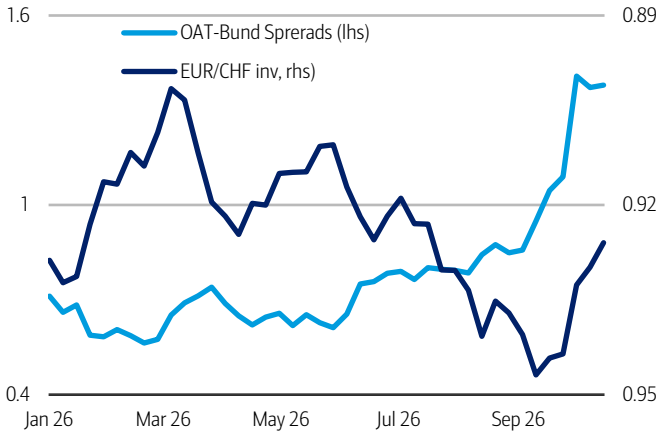
Forecasts: no changes to the forecast profile

No changes to the forecast profile.

Risks: French politics/budget

A heavy schedule of French budget/political news could put a floor under CHF.

Exhibit 37: EUR/CHF vs OAT-Bund Spread
Acceleration of OAT-Bund widening driving EUR/CHF lower



Source: BofA Global Research, Bloomberg.

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Exhibit 38: CHF forecasts
Our 2026 year-end EUR-CHF forecast is 0.93

	Q4 26	Q1 27	Q2 27	Q3 27
EUR-CHF	0.93	0.94	0.94	0.95
USD-CHF	0.81	0.80	0.79	0.79

Source: BofA Global Research estimates

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Exhibit 39: Major macro forecasts
Inflation again well below 2% in 2026

	2025F	2026F	2027F
Real GDP (% yoy)	1.4	1.0	1.4
CPI (% yoy)	0.2	0.5	0.7
Policy Rate (end of period)	0.00	0.00	0.00

Source: Bloomberg, BofA Global Research estimates

BofA GLOBAL RESEARCH

NOK: bearish bias, but cautious on energy

Marcus Boman
MLI (UK)

Michalis Rousakis
MLI (UK)

Themes: energy prices remain the dominant driver

We retain a bearish NOK bias, forecasting EURNOK at 11.00 and NOKSEK at parity by year-end. However, upside risks to TTF prices keep us cautious until we see material progress towards a lasting ceasefire in the Middle East and/or greater confidence in a mild winter.

With Brent around $100-110/bbl and TTF in the high €80s/MWh, NOK has remained well supported this month. As winter approaches and European gas storage remains below historical norms, the risk of another leg higher in NOK remains meaningful. Norges Bank's hawkish bias adds to the upside risks. Further inflation surprises, or potential pressure on NOK from foreign central-bank tightening, could increase the risk of another hike as Norges Bank seeks to contain inflation expectations and support the currency.

However, we remain comfortable with our medium-term bearish bias. While near-term energy risks remain skewed higher, our commodity strategists expect both oil and natural gas to trade below forwards next year, implying a growing headwind for NOK through 2027.

Domestic factors also favour medium-term depreciation. Slowing real wage growth and the drag from elevated rates on investment should leave Norway with the second-weakest growth rate in G10 this year and the weakest next year. Together with moderating inflation, this should allow Norges to remain on hold until mid-2027 before cutting in September and December. While near-term risks to our Norges profile remain skewed higher, further out our forecasts imply around 60bp less tightening than forward pricing and narrower rate differentials between Norway and its major G10 peers.

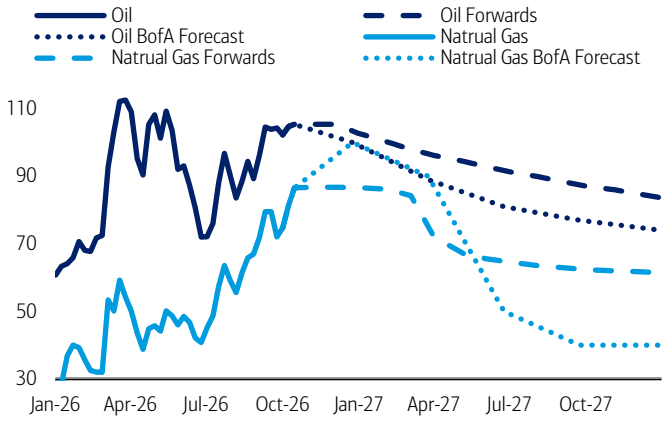
Forecasts: no changes since last month

We forecast EURNOK at 11.00 by year-end, with USDNOK at 9.57. We continue to favour SEK over NOK and expect NOKSEK to move to parity by year-end.

Risks: Hawkish Norges Bank, Middle East escalation, cold European winter

A further escalation in the Middle East, an unusually cold European winter, or an additional hike by Norges would pose upside risks to our NOK forecasts.

Exhibit 40: We forecast energy prices below forwards in 2027
BofA brent crude and TTF forecasts vs forwards



Source: Bloomberg, BofA Global Research

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Exhibit 41: NOK forecasts
Year-end EUR-NOK forecast of 11.00 in 2026

	Q4 26	Q1 27	Q2 27	Q3 27
EUR-NOK	11.00	11.10	11.10	11.10
USD-NOK	9.57	9.49	9.33	9.25

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 42: Major macro forecasts
Norway recovery modest this year

	2025	2026F	2027F
Real GDP (% yoy)	1.7	0.8	0.7
CPI (% yoy)	3.0	3.2	2.6
Policy Rate (end of period)	4.00	4.50	4.00

Source: Bloomberg, BofA Global Research estimates.

BofA GLOBAL RESEARCH

SEK: growth acceleration fuels upside

Marcus Boman
MLI (UK)

Michalis Rousakis
MLI (UK)

Themes: hot economy driving hawkish Riksbank shift

We remain constructive on SEK and maintain our EURSEK year-end target at 11.00.

Despite higher energy prices and broad EUR weakness, SEK has been one of the better-performing G10 currencies over the past month. Rate differentials likely explain a significant part of its resilience. While the Riksbank kept its policy rate unchanged at the September meeting, its updated rate path now incorporates two hikes by 2Q27, as policymakers acknowledged that inflation risks are skewed to the upside. Our base case is for the Riksbank to deliver two hikes, in November and Q1 '27, with risks of a third hike (see European Watch, 23 Sep '26).

The stronger domestic activity outlook partly underpinning the Riksbank's upward-revised rate path also helps explain our bullish SEK bias. Sweden is exiting the weak business-cycle environment that began in 2022, with activity now clearly accelerating. Recent GDP prints show a broad-based upturn, the labour market is strengthening, the Riksbank's business survey points to stronger demand, and consumer confidence is at its highest since Dec-21. Our economists expect Sweden to record the fastest G10 growth rate by a wide margin this year and to match the US at the top of the ranking in 2027.

Energy prices remain the main risk to our bullish SEK view. With winter approaching and European natural gas storage well below its 5-year average, our commodity strategists expect TTF to reach €100/MWh before year-end (see Global Energy Weekly, 15 Sep '26). Therefore, while we see greater medium-term SEK upside against NOK, we prefer EURSEK as the cleaner near-term expression of Sweden's accelerating economy and narrowing rate differentials, also given its lower beta to energy prices.

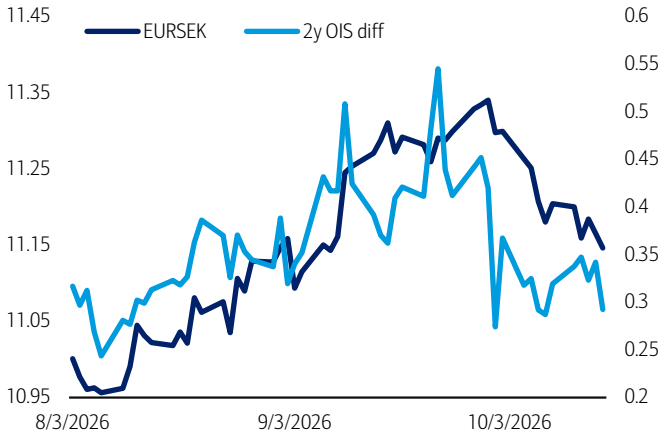
Forecasts: No changes since last month

We maintain our year-end forecasts of 11.00 for EURSEK, 9.57 for USDSEK, and parity for NOKSEK.

Risks: weaker data, Middle East escalation, cold European winter

Downside risks are weaker Swedish data, a sustained escalation between the US and Iran, and a colder-than-expected European winter that pushes TTF prices higher.

Exhibit 43: EURSEK has tightly followed EU-SW rates diffs lately
EURSEK vs 2y OIS diffs (percent) between the Euro Area and Sweden



Source: Bloomberg, BofA Global Research.

BofA GLOBAL RESEARCH

Exhibit 44: SEK forecasts
Our EUR-SEK forecast at end-2026 is 11.00

	Q4 26	Q1 27	Q2 27	Q3 27
EUR-SEK	11.00	10.80	10.60	10.50
USD-SEK	9.57	9.23	8.91	8.75

Source: BofA Global Research estimates

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Exhibit 45: Major macro forecasts
The Riksbank is very serious about inflation

	2025F	2026F	2027F
Real GDP (% yoy)	1.6	2.7	2.3
CPI (% yoy)	2.6	1.2	2.0
Policy Rate (end of period)	1.75	2.00	2.25

Source: Bloomberg, BofA Global Research estimates

BofA GLOBAL RESEARCH

EM Asia

China: 6.6 year-end

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USD/CNY maintained at 6.6 year-end

We maintain our year-end USD/CNY forecast at 6.6. This represents a 1.2% appreciation relative to current spot levels and the outright forward rate at 6.68 and the Bloomberg consensus at 6.70. Export proceeds conversion and an undervalued CNY are the key drivers for this view, as well as increasing pressure from the G7 to address trade imbalances. It should be noted that a public PBoC statement was released to push back against criticism of fundamental undervaluation, claiming market forces determined USD/CNY. This suggests FX appreciation will likely remain modest.

China's deflationary risks remain a concern for CNY appreciation. Weak domestic demand does help to keep the current account surplus high, but it also brings debt deflation risks with it, which could trigger capital outflows under a stress scenario.

Valuation: Our COMPASS model (2-3 years), which estimates the fair-value exchange rate consistent with an equilibrium current account, suggests USD/CNY at 6.00, 10.2% below current spot. This aligns with our behavioral exchange-rate-equilibrium model, which shows CNY is undervalued against its trading partners.

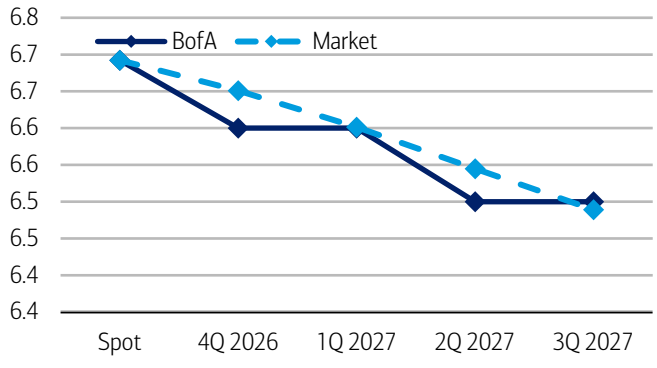
Positioning: Technical indicators, including daily RSI and MACD, show CNH moving towards overbought. 3M CNH forward points are moving deeper into discount, while 3-month 25-delta risk reversals marginally favor USD calls. This suggests the near-term bias is overbought, with some modest hedging of unwind risk for CNH depreciation.

Risk events: The November 18-19 APEC Leaders' Meeting could bring Trump-Xi to meet again, followed by the December G20 meeting in Miami. This should be supportive of CNH stability. Thus, any cancellation of meetings would increase volatility.

Corporate hedging: Risks have shifted toward CNY appreciation, driven by macro imbalances in the US and China, and stronger-than-expected exporter FX selling from China.

Rates: Our year-end forecast for the10y CGB is 1.75%, slightly above current levels. We believe risks are tilted toward a lower 10y yield in 2H, given: 1) CPI inflation is expected to peak, 2) K-shaped growth implies weak credit demand and less urgency for policy support, and 3) better value versus the front end.

Exhibit 46: USD/CNY forecasts vs forwards
Our 4Q26 forecast is below forwards



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 47: USD/CNY forecasts
Expect USD/CNY at 6.6 by 4Q 2026

	Q4 26	Q1 27	Q2 27	Q3 27
USD-CNY	6.60	6.60	6.50	6.50

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 48: We expect 2026 annual GDP below 5.0%
We expect growth to moderate in 2026 and 2027

China	2025F	2026F	2027F
Real GDP (% yoy)	5.0	4.5	4.2
CPI (% yoy)	0.0	0.8	0.5
7d OMO rate (eop)	1.4	1.4	1.4
Fiscal Bal (%/GDP)	-4.0	-4.0	-4.0
CurAct Bal (%/GDP)	3.7	3.3	3.3

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

India: watching topside USDINR

Rahul Bajoria
BofAS India

Abhay Gupta
Merrill Lynch (Singapore)

Smriti Mehra
BofAS India

RBI committed to defend INR

INR found support from RBI measures and smoothing, thus preserving 95-97/USD range for now. External pressures still remain as high oil prices add to adverse CA seasonally in 2H of the year. Wider CA deficit around 1-2% over the rest of the year and inconsistent capital flows would keep INR dependent on RBI support. RBI announced measures aimed at reducing USD demand in the near-term, by a) shifting state-owned oil importers' demand away from the market (roughly 50-60% of monthly gross crude imports of USD 18Bn average over last three months), b) raising cost of hedging for importers by imposing unremunerated reserve requirement (adding 1.3-1.5% (20% of INR funding cost)) and c) signaling further tightening in liquidity conditions. This solidifies RBI's commitment to defend the INR in the near-term. We believe that is likely to suppress INR's vol and improve its appeal as a carry FX within the region. However, these steps do little more than provide a near-term respite for INR while increasing the medium-term challenges for the RBI, in our view. Similarly, discouraging importers' forward hedging would create pent-up demand for hedging as and when these measures are reversed.

Valuation: INR is highly undervalued on both a NEER and REER basis relative to historical ranges. Our long-term FX Compass model places fair value at 91.75/USD, implying roughly 3.5% undervaluation versus spot.

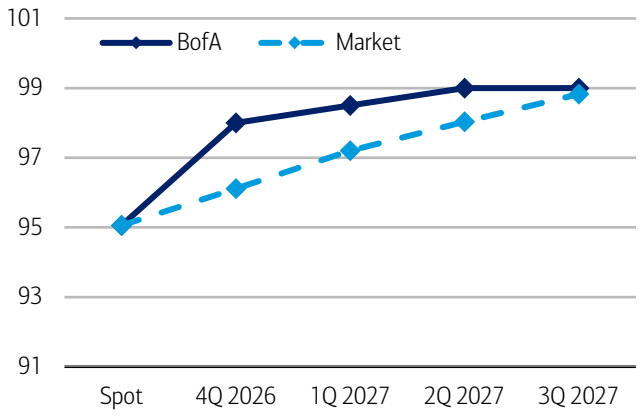
Positioning: We believe market positioning has turned marginally short USDINR.

Risk events: India remains vulnerable to geopolitical uncertainty resulting in oil price staying higher for longer. Apart from widening the CA deficit, the stagflationary impact of higher oil prices leads to portfolio outflows from both equity and debt markets.

Corporate hedging: We recommend keeping INR exposure unhedged in the near term given appealing carry and RBI defense against weakness.

Rates: **Higher level/flatter curve**. Risk of higher issuance due to subsidy burden has been contained by the government, aided by larger disinvestment receipts. Inflation outlook has deteriorated due to ongoing El Nino driven food price spike and high oil prices. Risk of more aggressive rate hikes and liquidity tightening due to FX pressures would weigh on duration demand and put bear-flattening pressure on the yield curve.

Exhibit 49: USD/INR forecasts)
Our forecast path vs forwards



Source: BofA Global Research, Haver

BofA GLOBAL RESEARCH

Exhibit 50: USD/INR forecasts
Expect USD/INR at 98 by 4Q 2026

	Q4 26	Q1 27	Q2 27	Q3 27
USD-INR	98	98.5	99	99

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 51: Major macro forecasts- (CY terms)
Growth-inflation outlook improves as Conflict related uncertainty declined

India	2025	2026F	2027F
Real GDP (% yoy)	7.3	7.7	7.5
CPI (% yoy)	2.2	4.4	4.9
Policy Rate (end of period)	5.25	5.75	6.25
Fiscal Bal (%/GDP)	-4.5	-4.5	-4.2
Cur Act Bal (%/GDP)	-0.5	-1.1	-0.6

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Indonesia: bearish

Kai Wei Ang
Merrill Lynch (Singapore)

Abhay Gupta
Merrill Lynch (Singapore)

Rahul Bajoria
BofAS India

Bearish IDR on narrowing rate-differentials

External backdrop remains unsupportive for attracting long-term foreign capital. Net FDI flows have slowed considerably this year due to market volatility and policy uncertainty while USD demand amongst corporates has picked up sharply across various channels. While Indonesia has attracted USD 2Bn debt inflows this year, these appear to be mostly FX-hedged, as reflected in little correlation of these flows with IDR this year. Indonesia faces further headwinds from potential equity outflows (USD 4-6Bn) depending on the result of MSCI's consultation on downgrading Indonesia to 'Standalone market' status. While USD 4.2Bn outflows were already seen in 1H this year due to Indonesia stocks' weight reduction in EM Index, this would leave hangover of potential outflows for IDR until a resolution in 2Q'27. It raises risk of investors further reducing Indonesia equity allocations and/or further index weight reduction by MSCI.

These have taken a toll on BI's FX reserves, leading BI to rely on other FX measures to attract or retain foreign capital. BI also tightened limits for USD purchases without documentation by individuals multiple times to USD 10k/person. But persistent IDR pressure despite strong BI intervention indicates limited effectiveness of broader measures to curb domestic demand for USDs.

Valuation: IDR now appears undervalued relative to its historical NEER and REER ranges on a five-year window. Our long-term FX Compass model places fair value at 19,353/USD, implying roughly 7% overvaluation at spot.

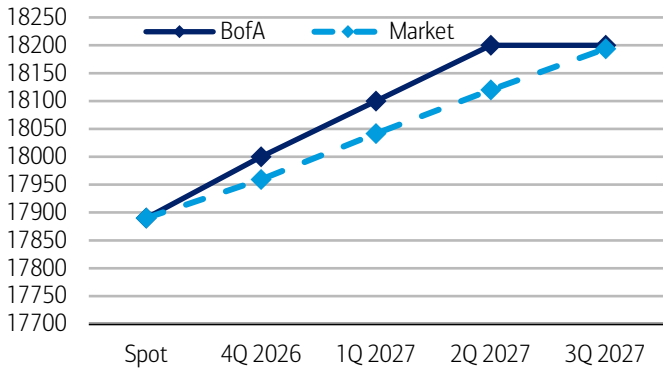
Positioning: We believe mkts are positioned for IDR weakness, but on a moderate scale.

Risk events: Possibility of negative ratings actions due to fiscal concerns stays a risk.

Corporate hedging: We recommend maintaining IDR hedges given low hedging costs and risk of further IDR depreciation.

Rates: **Higher level/flatter curve**. BI turned dovish over the last few meetings, injected liquidity and drove money market rates lower. That benefitted front-end bonds but persistent FX pressures poses risk to the current policy bias. With reserves buffer running thin, BI pivot on rates could result in higher front-end yields and curve flattening. The long end of the curve may also adjust higher if BI refrains from additional bond purchases to improve yield differentials for foreign investors.

Exhibit 52: USD/IDR forecasts
Our forecast path vs forwards



Source: BofA Global Research, Haver

BofA GLOBAL RESEARCH

Exhibit 53: IDR forecasts for next 4 quarters
Expect USD/IDR at 18,000 by 4Q 2026

	Q4 26	Q1 27	Q2 27	Q3 27
USD-IDR	18,000	18,100	18,200	18,200

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 54: Major macro forecasts
Indonesia's growth to edge up over the coming years

Indonesia	2025	2026F	2027F
Real GDP (% yoy)	5.1	5.3	5.5
CPI (% yoy)	1.9	3.3	3.0
Policy Rate (end of period)	4.75	5.75	5.75
Fiscal Bal (%/GDP)	-2.8	-2.9	-2.7
CurAct Bal (%/GDP)	-0.1	-1.8	-1.1

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Korea: emerging volatility

Benson Wu, CFA
Merrill Lynch (Hong Kong)

Ting Him Ho, CFA
Merrill Lynch (Hong Kong)

Claudio Piron
Merrill Lynch (Singapore)

Macro: KRW strength continues while volatility emerges

KRW has continued to appreciate against USD amid a turbulent month for KOSPI. This is likely supported by Korea's resilient external balance and expectations that corporate repatriation flows would continue through 4Q. Portfolio flows remain the key swing factor for KRW. While foreign equity flows have stabilized following the sharp correction earlier this year, Korea's structural demand for overseas diversification remains significant. As a result, further KRW appreciation may require a more durable improvement in portfolio flows and broader USD weakness. Korea's large current account surplus and undervalued currency should continue to provide an anchor for further appreciation. We expect USD/KRW to trade in a broad range rather than continuing the rapid decline seen during the summer months. Monetary policy remains an important support for KRW. The BoK has continued its normalization cycle against a backdrop of solid exports, above-target inflation, and financial stability concerns. With two hikes done and BoK's consistently hawkish communication, we believe KRW performance is increasingly likely to be driven by portfolio and corporate hedging flows rather than changes in monetary expectations.

Positioning: Positioning remains moderately long KRW following the strong rally since mid-year, although technical indicators suggest bullish conviction has become less extreme. Exporter USD selling remains supportive.

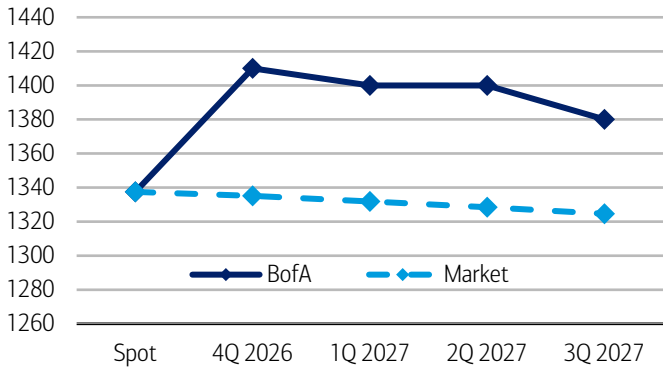
Valuation: Our FX Compass model shows KRW is significantly undervalued, by as much as 23% against the USD, reflecting double-digit CA surplus expected for 2026.

Risk events: Fed hikes and a resumption of equity market volatilities.

Corporate hedging: We recommend clients to hedge KRW risks given Korea's volatile portfolio outflows and high sensitivity to global risk sentiment.

Rates: Our economists continue to expect two more rate hikes in Nov and Feb, bringing the terminal rate to 3.50%. Long-end rates will likely be influenced more by the long-end US Treasury yield movements, than domestic outlook.

Exhibit 55: USD/KRW forecasts
Our forecast path is above the forwards in 2027



Source: BofA Global Research estimates

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Exhibit 56: USD/KRW forecasts
Expect USD/KRW at 1,410 by 4Q 2026

	Q4 26	Q1 27	Q2 27	Q3 27
USD-KRW	1,410	1,400	1,400	1,380

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 57: We look for improving growth this year
Major macro forecasts

Korea	2025	2026F	2027F
Real GDP (% year-on-year)	1.0	3.6	2.5
CPI (% year-on-year)	2.1	2.6	2.2
Policy Rate (end of period)	2.50	3.25	3.50
Fiscal Bal (%/GDP)	-2.3	-1.0	1.5
CurAct Bal (%/GDP)	6.5	19.5	20.4

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Malaysia: improving CA balance

Kai Wei Ang
Merrill Lynch (Singapore)

Abhay Gupta
Merrill Lynch (Singapore)

Rahul Bajoria
BofAS India

View: Improving CA balance supports MYR

Malaysia has been on a stronger footing versus regional peers during the Middle East conflict, due to stronger growth outturns and higher oil prices. This also led to sharp MYR NEER and REER appreciation and some concerns about over-valuation. Political uncertainty from the risk of early elections earlier led to higher volatility in MYR but has subsided now as elections don't look imminent.

Malaysia's external balances remain in surplus and have begun to see the benefits of data centre investments in the rising services exports. Financial account flows remain balanced as BNM's oversight of USD hoarding and exporter conversion ratios keeps a lid on hidden capital outflows. While outbound investment flows from pension fund may increase over time, their FX impact is tightly managed via hedges. MYR's positive correlation with CNY is also beneficial in keeping it relatively stable. We see MYR staying range-bound around current levels and mostly following USD beta in the near term. Rising US rates could be a risk for MYR as interest rate differentials may widen further against MYR and make carry more negative for long MYR positions.

Valuation: MYR trades well above the historical NEER or REER ranges, indicating overvaluation on a five-year window. Our long-term FX Compass model shows undervaluation of 0.6%, with a fair value of 4.06/USD.

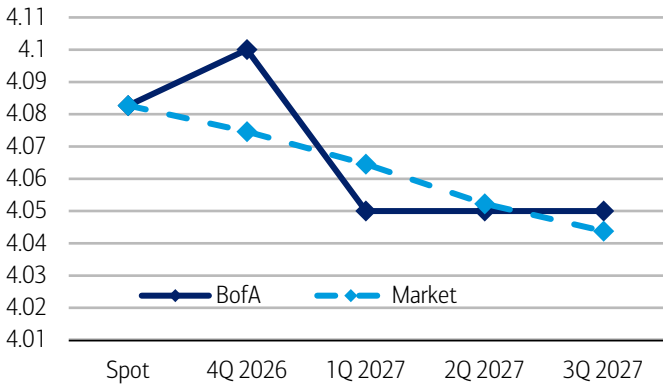
Positioning: We estimate offshore positioning is neutral on USDMYR, with offshore FX-implied yields slightly above onshore yields.

Risk events: Malaysia is exposed to tariff risks directly on semiconductors and indirectly via trading partners due to high trade exposure.

Corporate hedging: We recommend keeping long MYR exposure as a hedge against bearish view on other regional currencies, despite negative carry on MYR.

Rates: Neutral level/neutral curve – Tighter liquidity conditions have resulted in higher interbank rates. We believe that may be linked to regulatory liquidity requirements and not driven by a policy push to defend FX. Higher swap rates have also transmitted to bond yields as spreads have widened compared to policy rate. Despite wide spreads, larger issuance from quasi-sovereign entities could limit rally in bonds as the government increases reliance on wider public sector to drive investments.

Exhibit 58: USD/MYR forecasts
Our forecast path vs forwards



Source: BofA Global Research, Haver, DOSM

BofA GLOBAL RESEARCH

Exhibit 59: MYR forecasts for next 4 quarters
Expect USD/MYR at 4.10 by 4Q 2026

	Q4 26	Q1 27	Q2 27	Q3 27
USD-MYR	4.10	4.05	4.05	4.05

Source: BofA Global Research estimates

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Exhibit 60: Major macro forecasts
Risks tilted to upside for inflation and downside for growth

Malaysia	2025	2026F	2027F
Real GDP (% yoy)	5.2	5.2	4.5
CPI (% yoy)	1.4	1.8	2.0
Policy Rate (end of period)	2.75	3.00	3.00
Fiscal Bal (%/GDP)	-3.7	3.6	-3.3
CurAct Bal (%/GDP)	1.6	2.2	2.2

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Philippines: external deficit

Jojo Gonzales
Philippine Equity Partners

Abhay Gupta
Merrill Lynch (Singapore)

Oil price key for Philippines' external deficit

PHP is mainly driven by oil price moves that has a large impact on the external deficit gap for the Philippines. If oil declines to the USD70 level, the CAD may become more manageable; but if oil finds a bottom around USD80, PHP may remain on a depreciation path. The BSP's defense against PHP depreciation around 63/USD helped stabilize PHP for a while. But recently BSP gave way for PHP to break out of 63 level amidst persistent USD demand from wide BoP deficit. The Philippines' wide twin deficits also increase PHP's vulnerability to higher US rates by raising the government's external funding costs and reducing hedging costs for foreign investors. This leaves PHP more sensitive to any USD strength if markets build up Fed-hiking expectations again. BSP's policy stance would be important in preserving rate differentials from narrowing further and increasing depreciation pressure on PHP.Authorities may attempt to contain FX weakness to limit pass-through to inflation. Smoothing may slow the pace of PHP weakness, but stronger intervention could prove counterproductive by raising concerns about FX reserve adequacy.

Valuation: PHP screens as highly undervalued versus its historical NEER range, but less so on a REER basis. Our long-term FX Compass model indicates an approximate 21% overvaluation, with fair value at 80.05/USD, reflecting a wider-than-equilibrium CAD.

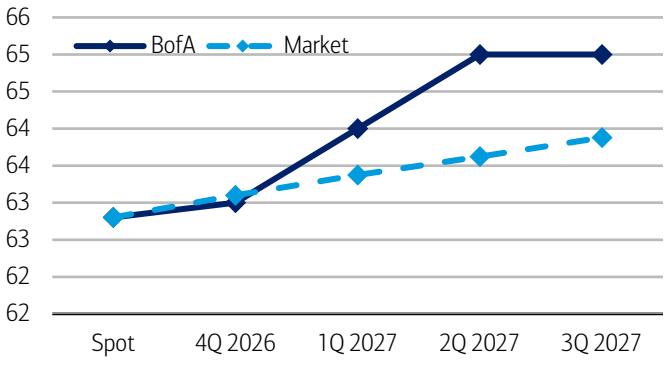
Positioning: Offshore front-end FX-implied yields are only marginally above onshore levels, indicating small long-USDPHP positions offshore.

Risk events: Oil price spike remains the key external risk for the Philippines. Domestically, political uncertainty may weigh on public spending, sentiment, and growth.

Corporate hedging: We recommend hedging PHP exposure amid concerns of wider twin deficits and volatility in oil prices in the near-term.

Rates: Neutral level/steeper curve. The BSP has hiked policy rate in response to a sharp inflation spike and continued PHP weakness. This raised front-end rates as markets priced a risk premium for additional hikes. With growth still weak (expected at 2.5% this year), it was hoped that easing inflation would allow the BSP to dial back hawkishness. However, the recent spike in oil prices due to Middle East uncertainty is frustrating the awaited rally in yields. A wide fiscal deficit and high issuance requirements is also adding to curve-steepening pressures.

Exhibit 61: USD/PHP forecasts
Our forecast path vs forwards



Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 62: PHP forecasts over 2026
Expect USD/PHP at 63 by 4Q 2026

	Q4 26	Q1 27	Q2 27	Q3 27
USD-PHP	63. 0	64.0	65.0	65.0

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 63: Major macro forecasts
We expect GDP to be weaker in 2026

Philippines	2025	2026F	2027F
Real GDP (% yoy)	4.4	2.5	3.5
CPI (% yoy, base year 2012)	1.7	6.7	4.9
Policy Rate (end of period)	4.50	5.00	5.00
Fiscal Bal (%/GDP)	-6.0	-6.1	-6.2
CurAct Bal (%/GDP)	-4.0	-4..6	-4.7

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Singapore: range-bound

Kai Wei Ang
Merrill Lynch (Singapore)

Abhay Gupta
Merrill Lynch (Singapore)

Rahul Bajoria
BofAS India

Themes: range-bound SNEER with dovish policy tilt

SNEER edged lower within its policy trading band to around 1.5% above the midpoint of our SGD NEER policy band model vs 1.7% previously. MAS' decision to keep FX slope unchanged keeps short SGD NEER carry intact at small negative levels. While carry itself is not too attractive, low volatility of SGD NEER, downside skew due to proximity to top of the band, and negative correlation to USD could keep interest in short SGD NEER alive.

SNEER movements have correlated more with oil-price fluctuations, USD, and shifts in risk sentiment (inversely with all three factors). In addition, the possibility of Fed hikes later this year and USD strength could trigger a SNEER correction within the band.

On a bilateral basis, USD moves remain the key driver of USD/SGD, driven more by Fed-hike pricing, which may support USD through wider rate differentials versus peers. We believe low rates in SGD and negative correlation to USD would also keep it as an attractive funder to reduce USD-beta against any carry positions elsewhere.

Valuation: SGD is overvalued by more than 4.8% on our medium-term FX Compass model, with fair value at 1.34. Both SGD NEER and REER have appreciated considerably under the policy framework and screen as overvalued on a five-year historical basis.

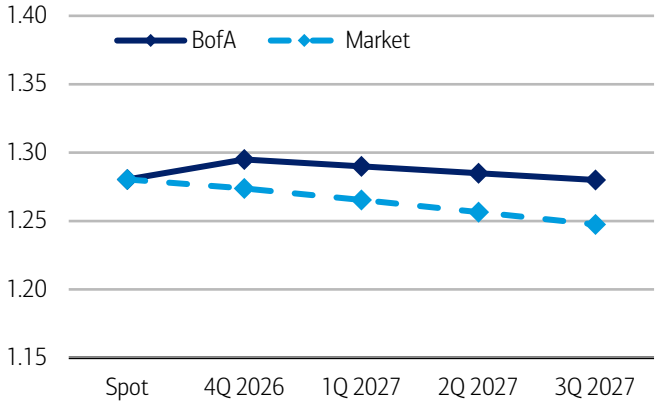
Positioning: We believe SGD NEER positioning is slightly short due to range-bound price action and carry.

Risk events: Geopolitical tensions, sector-specific tariffs, or a downturn in the electronics cycle remain key risks for Singapore given its high trade dependence.

Corporate hedging: We recommend hedging long SGD exposure given negative carry and range-bound price action.

Rates: Lower level/flatter curve. SGD rates in the belly have risen in line with global rates, while differentials versus basket yields have widened slightly. Fixing is hovering above 1.2% recently, providing an anchor for front-end rates even as the longer end correlates with global rates. We see scope for SGD rates to bull-flatten, given appealing carry in front-end and low fiscal risks in Singapore reducing term-premium in long-end.

Exhibit 64: USD/SGD forecasts
Our forecast path vs forwards



Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 65: SGD forecasts for next 4 quarters
Expect USD/SGD at 1.295 in 4Q 2026

	Q4 26	Q1 27	Q2 27	Q3 27
USD-SGD	1.295	1.290	1.285	1.28

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 66: Major macro forecasts
We see growth staying above potential pace

Singapore	2025	2026F	2027F
Real GDP (% yoy)	5.0	5.1	2.7
CPI (% yoy)	0.9	2.0	2.2
Policy Rate (end of period)	-	-	-
Fiscal Bal (%/GDP)	1.3	0.5	0.2
CurAct Bal (%/GDP)	16.7	16.1	16.3

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Taiwan: maintain USD/TWD year-end

Claudio Piron
Merrill Lynch (Singapore)

Maintain USD/TWD year-end at 31.7

TWD is at the weakest level against USD since April 2025, as long positioning is being squeezed by portfolio outflows. We maintain our USD/TWD year-end target of 31.70, as we expect outflows to be short-lived and exporter USD selling to prevail. Macro data shows robust growth with 2Q GDP printing 12.9% y/y, driven by robust semiconductor demand. The Taiwan central bank stated that it would intervene when necessary to stabilize the FX market. Taiwan policy rates have been stuck at 2% since mid-2024, which represents the highest level since 2008. However, Taiwan's macro backdrop is characterized by a positive output gap and CPI inflation at 2.7%. This implies negative real policy rates and loose financial conditions, suggesting the CBC will need to tighten policy. Indeed, market pricing implies 41bps of rate hikes over the next 12 months.

Finally, Taiwan's current account surplus registered 24% of GDP in 2Q, representing the highest reading in its history. This should result in TWD appreciation pressure, through much of this saving will be recycled overseas as there are limited investment opportunities in Taiwan given the size of domestic asset markets.

Positioning: Overall short TWD, with the RSI showing the TWD is oversold and MACD suggesting the TWD sell-off could stall. 1M and 3M NDF points turning positive in September and October could encourage Lifer hedging.

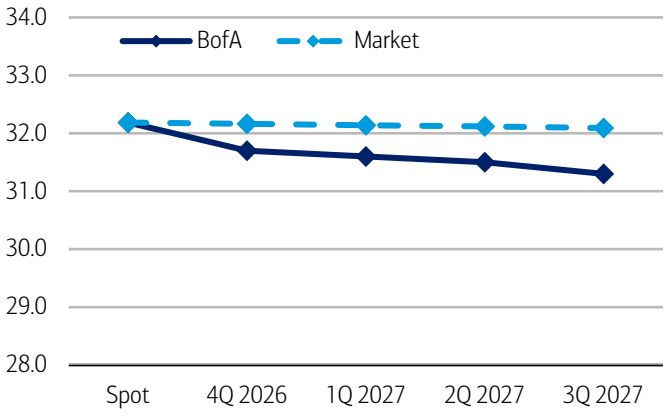
Valuation: According to the CBC's fair value measures based on a 36-month moving average, TWD NEER is currently trading slightly below the center of the band, suggesting near-term room for TWD appreciation.

Risks: Additional portfolio outflows triggered by sell-off in global technology stocks.

Corporate hedging: Taiwan corporates should take advantage of positive NDF points and hedge USD receipts to get positive carry.

Rates: The June CBC meeting struck a broadly neutral tone, balancing inflation risks against weakness in non-tech sectors. Although easing Middle East tensions could lower oil prices and cap inflation, resilient consumption and year-on-year TWD depreciation may continue to underpin headline inflation

Exhibit 67: USD/TWD forecasts
Our 2H26 forecasts are below forwards for 1H27



Source: BofA Global Research, DGBAS

BofA GLOBAL RESEARCH

Exhibit 68: USDTWD forecasts into 2027Q2
Expect USD/TWD at 31.7 by 4Q 2026

	Q4 26	Q1 27	Q2 27	Q3 27
USD-TWD	31.7	31.60	31.50	31.30

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 69: We expect 12.0% GDP growth for 2026
Major macro forecasts for Taiwan, including large current account balance

Taiwan	2025	2026F	2027F
Real GDP (% yoy)	8.8	12.0	7.0
CPI (% yoy)	1.7	2.0	1.7
Policy Rate (end of period)	2.00	2.25	2.375
Fiscal Bal (%/GDP)	0.3	-2.4	-2.0
CurAct Bal (%/GDP)	20.0	23.8	26.6

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Thailand: trade flows

Pipat Luengnaruemitchai
Kiatnakin Phatra Securities

Abhay Gupta
Merrill Lynch (Singapore)

Theme: THB weakness driven by trade flows

Thailand's CA may improve this quarter compared to 3Q but most of the improvement tends to occur towards end of the quarter due to tourism seasonality. Data revisions have brought back headline CA into positive territory in 3Q but deteriorating customs trade balance this year points to much higher import demand in practice.

Thailand's high dependence on energy imports has added to these headwinds, further increasing THB's sensitivity to oil price moves and leaving it exposed to USD swings. The possibility of Fed hikes later this year would also widen rate differentials against THB, as the BoT is expected to keep monetary policy accommodative.

Re-escalation of the Iran conflict could be a near-term risk to THB, as it would deteriorate Thailand's balance of payments. THB's correlation with gold may also lead to more volatility. We see underlying THB flows staying weak during the early part of this quarter before CA flows turn more favorable towards Dec.

Valuation: THB appears overvalued on both NEER and REER metrics relative to its five-year history, likely due to distortions from the COVID-era tourism collapse. Our long-term Compass model indicates even larger overvaluation though, with an estimated fair value of 44.17/USD, reflecting a diminishing CA buffer over the next two years versus historical norms.

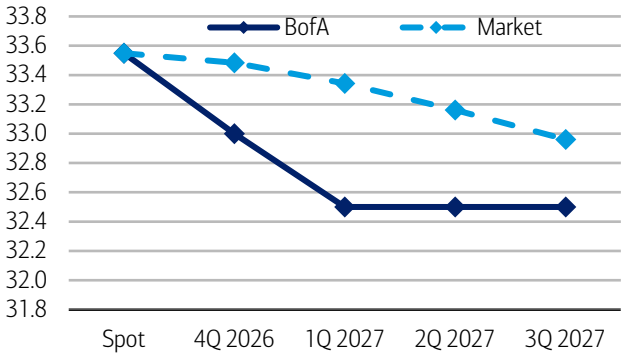
Positioning: Offshore THB FX-implied yields remain much higher than onshore yields, which indicates significant long USDTHB offshore positioning.

Risk events: The oil price shock remains the key near-term risk. Heightened trade tensions could further weigh on THB.

Corporate hedging: We recommend hedging THB exposure given our bearish view on the currency.

Rates: Higher level/steeper curve. We see risk of higher rates in Thailand due to ongoing growth recovery led by strong exports and fiscal-stimulus spending. Issuance pressures are likely to stay while debt switches would add to duration supply. Front-end rates may price 1-2 hikes even as the BoT has provided firm guidance that it will keep the policy rate on hold for now.

Exhibit 70: USD/THB forecasts
Our forecast path vs forwards



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 71: USD/THB forecasts for 2026-27
Expect USD/THB at 33 by 4Q 2026

	Q4 26	Q1 27	Q2 27	Q3 27
USD-THB	33.0	32.5	32.5	32.5

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 72: Major macro forecasts
We look for GDP growth of 2.5% in 2026

Thailand	2025F	2026F	2027F
Real GDP (% yoy)	2.4	2.5	2.7
CPI (% yoy)	-0.1	1.8	0.5
Policy Rate (end of period)	1.25	1.00	1.00
Fiscal Bal (%/GDP)	-4.5	-5.4	-4.8
CurAct Bal (%/GDP)	2.8	-1.9	-1.2

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

EEMEA

South Africa: forward outperformance

Tatonga Rusike
MLI (UK)

Mikhail Liluashvili
MLI (UK)

View: bullish the rand

We expect global factors to drive the rand stronger over the forecast horizon. That said, we expect some weakness in the short term. The USDZAR should be below the level implied by forwards over the forecast horizon. The ZAR is the most sensitive currency to oil in EEMEA, in our view.

Key macro developments: We estimate FY2026/27 revenue could exceed Budget assumptions by R70bn when the Medium-Term Budget Policy Statement is released on 21 October, driven largely by stronger corporate tax collections in the gold and precious metals sectors. Expenditure growth is running above Treasury projections but should be more than offset by this revenue windfall, supporting our 3.5% of GDP deficit forecast for FY2026/27 versus the 3.7% government target. In an upside scenario where spending remains contained, the deficit could reach 3.0% of GDP.

The Treasury has already secured around 60% of its FY2026/27 financing requirement after only five months, while the external funding programme has effectively been completed. Strong borrowing execution, lower debt-service costs and limited near-term financing risks reinforce our base[case for a gradual decline in the debt-to-GDP ratio to 77% this year from 79% previous year.

Local government elections on 4 November will be an important test. Voter fragmentation is likely to prevent outright majorities in several major metros, making coalition negotiations unavoidable. Johannesburg is likely to be the main battleground and a key test of coalition politics in urban South Africa. The main political risk lies less with the immediate stability of the GNU and more with potentially fragile metro coalitions and the approach to the ANC's December 2027 leadership contest

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

Positioning: investors are neutral rand

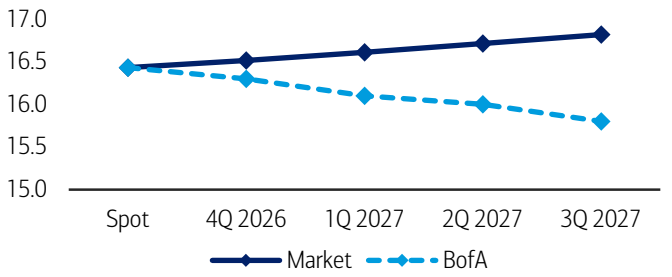
Risks to our view: rising domestic political risks, higher oil prices for longer

Upcoming risk events: SARB meeting 19 November. Mid-term budget on 21 October

Corporate hedging: hedge rand strength in 2027

Rates: bias for lower rates

Exhibit 73: USD/ZAR forecasts
Our forecast path is below forwards in the long term



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 74: USD-ZAR
We expect USD/ZAR at 16.3 at the end of 2026

	Q4 26	Q1 27	Q2 27	Q3 27
USD-ZAR	16.3	16.1	16.0	15.8

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 75: Major macro forecasts
We look for 1.2% GDP growth in 2026

South Africa	2025	2026F	2027F
Real GDP (% yoy)	1.1	1.2	1.4
CPI (% yoy)	3.2	4.4	4.8
Policy Rate (end of period)	6.75	7.50	7.00

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Türkiye: faster depreciation, still bullish

Hande Kucuk
MLI (UK)

Mikhail Liluashvili
MLI (UK)

Themes: the carry trade is still on

Our forecast remains below forwards despite a faster depreciation pace, as we expect FX stability to remain a key anchor for disinflation. Carry positioning remains crowded, although usable reserves, together with gold reserves, cover foreign investors' FX exposure

Key macro developments: Headline inflation declined to 29.7% in September, after hovering at 31-32% since the start of the year. The underlying trend improved more markedly, with the three-month average of SAAR core inflation falling to around 24%, from 26% in August and 31% on average between February and June. We expect weaker domestic demand, reflecting earlier policy tightening and negative wealth effects from gold and equity holdings, to support further disinflation. The fund shock has had limited spillovers to the financial system and dollarisation but adds to downside risks to activity.

This backdrop gives the CBRT room for gradual cuts while preserving a restrictive stance. We expect 100bp cuts at both the 22 October and 10 December meetings, taking the policy rate to 35% by year-end, versus inflation of 29.4%. We forecast October inflation at 2.4% mom and 29.5% yoy, but subsequent inflation prints and the evolution of the CBRT's net FX position will be particularly important for the December decision. Our base case is for inflation to decline towards 26% in 1H27, creating further room for gradual cuts, although new-year wage and administered price hikes, as well as global energy prices, will be key to the outlook.

The recent increase in the weekly USD/TRY adjustment from 1,800 to 2,100 pips does not represent a material shift in FX policy. The implied monthly depreciation pace of around 1.8% remains supportive of disinflation and locals' preference for TRY. Nevertheless, the adjustment reduces the attractiveness of carry returns and keeps dollarisation and reserves in focus for investors.

Positioning: positioning is crowded on the long side

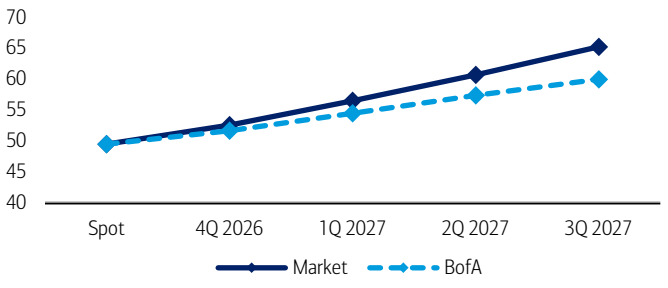
Risks to our view: geopolitical risks, significant local dollarization

Upcoming risk events: CBRT meeting (October 22), October CPI (November 3)

Corporate hedging: hedge TRY strength (vs forwards) in 2026 and 2027

Rates: no strong views

Exhibit 76: USD/TRY forecasts
Our forecast path is below forwards



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 77: TRY forecasts
We expect USD/TRY at 51.7 at the end of 2026

	Q4 26	Q1 27	Q2 27	Q3 27
USD-TRY	51.7	54.5	57.4	60.0

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 78: Major macro forecasts
Geopolitical shocks increase uncertainty on the macro outlook

Türkiye	2025	2026F	2027F
Real GDP (% yoy)	3.7	2.6	4.1
CPI (% yoy)	34.9	30.9	26.2
Policy Rate (end of period)	38.0	35.0	31.0

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Czech Republic: turning more bullish

Mai Doan
MLI (UK)

Mikhail Liluashvili
MLI (UK)

Themes: EURCZK below forwards over the forecast horizon
A higher EURUSD over the forecast horizon implies the koruna is likely to strengthen against the euro. This means the EURCZK should be below forwards in Q4 2026 and 2027. The market is already pricing in a pretty hawkish path for the policy rate in both Czechia and the Eurozone, suggesting to us that relative monetary policy should have a limited impact on the EURCZK.

Key macro developments: Discussions at our 'Small Talks Symposium' in Bangkok strengthen the case for more than one rate hikes by the Czech National Bank (CNB). Further tightening of financial conditions seems justified by persistent concerns around wage growth, sticky services inflation and resilient core inflation. Core CPI edged up to 3.1% in September from 3% in August, the highest since January 2024, driven by growth in both market services and goods prices. The 2027 fiscal loosening and renewed energy-price pressures add to upside inflation risks.

The November forecast should support a materially higher policy-rate path than the CNB projected in August. We continue to expect a 25bp increase in November followed by another in February, taking the policy rate to 4.25%. There is a risk that that headline inflation could approach 4% in early 2027. While this is due partly to base effects, such levels of headline CPI could bring risks to inflation expectations and wage-setting behaviour at the beginning of the year. The risk to the rates outlook is skewed towards more tightening rather than less.

Fiscal policy is becoming markedly more expansionary for 2027. The government plans to widen the general-government deficit to 3.5% of GDP from 2.6% planned in 2026. The additional spending is budgeted in various demand-supportive categories including public-sector wages, pensions and healthcare transfers, suggesting a looser fiscal impulse than the neutral assumptions embedded in the CNB's August forecast.

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

Positioning: positioning should be close to neutral

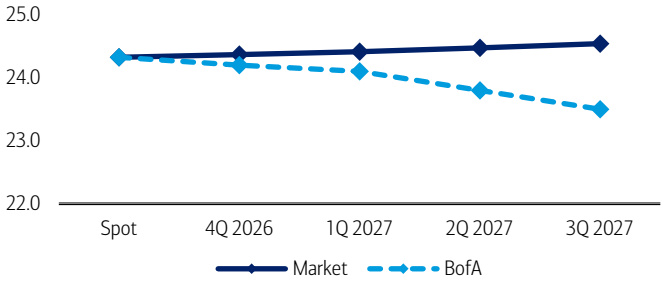
Risks to our view: much higher oil for longer, a stronger dollar

Upcoming risk events: CNB decisions (5 Nov, 17 Dec)

Corporate hedging: hedge CZK strength

Rates: no strong views

Exhibit 79: EUR/CZK forecasts
Our forecast path is below forwards



Source: BofA Global Research, Bloomberg

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Exhibit 80: CZK forecasts
We expect EUR/CZK at 24.2 at the end of 2026

	Q4 26	Q1 27	Q2 27	Q3 27
EUR-CZK	24.2	24.1	23.8	23.5

Source: BofA Global Research estimates

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Exhibit 81: Major macro forecasts
CNB hikes on CPI persistence and solid GDP growth

Czech Rep	2025	2026F	2027F
Real GDP (% yoy)	2.6	2.0	2.4
CPI (% yoy)	2.5	2.1	2.9
Policy rate (%, end of period)	3.50	4.00	4.25

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Hungary: turning bullish again

Mai Doan
MLI (UK)

Mikhail Liluashvili
MLI (UK)

Themes: the forint should outperform the forwards
A higher EURUSD should have a positive impact on the forint. The Euro accession story is also positive as it reduces fiscal risks and should improve GDP growth.

Key macro developments: The 2027 deficit target of 4.9% of GDP confirms our sub-5% call, beating market consensus of 5-5.5%. The adjustment is ambitious once one-off items are stripped out. The Fin Min put the 2027 deficit at about 6.1% of GDP with no policy change, including 0.5% in reserves. The 4.9% target therefore implies about 1.2pp of discretionary consolidation, even though new spending of over HUF2tn is included in the budget. That spending covers a HUF250bn income-tax cut for more than 2m, a 9% income-tax rate on the minimum wage, a doubled family allowance and about HUF450bn for pensions. It is funded by HUF1.5tn of cuts plus new revenue from a wealth tax, a higher corporate tax on the largest firms and bigger taxes on energy companies.

Formal ERM2 talks with the EC and ECB should begin shortly. The authorities see 1 January 2028 ERM2 entry as technically possible, and 1 January 2029 as the latest date consistent with meeting the Maastricht criteria by 2030. The preparatory roadmap should cover banking legislation and central-bank requirements, and potentially a negotiated phase-out of regulated prices, energy subsidies and other market interventions. This may be politically challenging but anticipated by the authorities.

The NBH will be able to resume gradual easing once energy risks subside. A credible deficit path and ERM2 prospects should compress Hungary's risk premium. Meanwhile, wage growth has slowed to about 7.5% from 9-10% around the election. Also, the stronger forint is anchoring inflation expectations, and the revised 2.5% inflation target for 2028 looks achievable. We still expect the policy rate to fall to 4.50% from 5.50% by 2027 and 4.0% in 2028, depending on energy prices and the broader risk environment.

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

Positioning: investors are marginally long the HUF

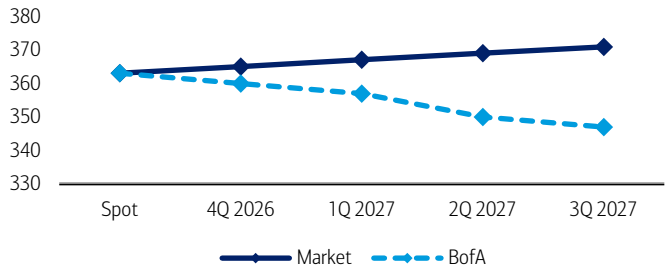
Risks to our view: a stronger USD, higher oil and gas prices for longer

Upcoming risk events: NBH decisions (17 Nov, 15 Dec); ERM II discussions with EU (Nov-Dec)

Corporate hedging: we recommend hedging HUF strength from next year

Rates: bias for lower rates

Exhibit 82: EUR/HUF forecasts
Our forecast path is below forwards



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 83: HUF forecasts
We expect EUR/HUF at 360 at the end of 2026

	Q4 26	Q1 27	Q2 27	Q3 27
EUR-HUF	360	357	350	347

Source: BofA Global Research estimates

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Exhibit 84: Major macro forecasts
Macro outlook significantly improves under new government

Hungary	2025	2026F	2027F
Real GDP (% yoy)	0.4	1.9	2.8
CPI (% yoy)	4.4	1.7	2.7
Policy rate (%, eop)	6.50	5.25	4.50

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Israel: US equities & elections

Hande Kucuk
MLI (UK)

Mikhail Liluashvili
MLI (UK)

Themes: in line with forwards

Our forecast is in line with the levels implied by forwards as we expect US equities to weaken by year-end, but elections are more likely to bring ILS strength. We see a scenario of strong ILS appreciation if the opposition wins a majority.

Key macro developments: The final GDP estimate for 2Q26 confirmed the strong real GDP growth rebound at 15.4% saar following a 1.5% contraction in 1Q26. According to the BoI, real GDP has remained only modestly below its pre-war trajectory, underscoring the economy's ability to absorb security shocks. The latest high-frequency indicators suggest activity continued to expand in 3Q26, though more modestly. The labour market remains tight, but wage growth has moderated from the peaks earlier in the year.

September CPI fell 0.5% mom, lowering inflation to 1.6% yoy, below both our forecast and consensus of 1.8%. The decline in September was led by culture and entertainment, transport, clothing and footwear, and food excluding fruit and vegetables. Core inflation, measured by CPI excluding housing, edged up to 0.8% yoy from 0.7% in August, while rent inflation remained sticky at around 3.8%.

September marks the fourth month where headline remained notably below the BoI's mid-point inflation target 2% – further justification for the three consecutive cuts since May. We expect inflation to decline to 1.4% in October, supported by a second fuel excise tax cut, before rising to 1.9% by December, conditional on our assumption that fuel tax cuts are reversed.

Despite inflation hovering below the mid-point target of 2%, we expect the BoI to remain on hold at the October meeting as recent shekel depreciation and election uncertainty reduce the urgency to cut. Over the next 12 months, we see broadly balanced risks around our forecasts of 2.3% inflation and a 3.25% policy rate.

Positioning: positioning seems to be broadly neutral

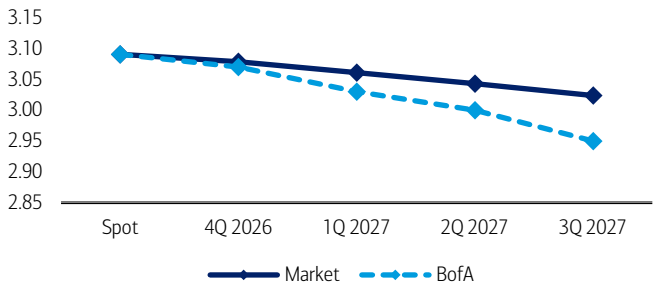
Risks to our view: stronger US equities, much higher energy prices, drop in risk premia

Upcoming risk events: BoI meeting (October 21), parliamentary elections (October 27)

Corporate hedging: no strong views

Rates: no strong views

Exhibit 85: USD/ILS forecasts
Our forecast path is below forwards



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 86: ILS forecasts
We expect USD/ILS at 3.07 at the end of 2026

	Q4 26	Q1 27	Q2 27	Q3 27
USD-ILS	3.07	3.03	3.00	2.95

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 87: Major macro forecasts
Economy will recover slowly, in our view

Israel	2025F	2026F	2027F
Real GDP (% yoy)	3.5	4.5	4.8
CPI (% yoy, eop)	3.0	1.8	2.1
Policy rate (%, eop)	4.25	3.25	3.25

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Poland: time to turn more bullish

Mai Doan
MLI (UK)

Mikhail Liluashvili
MLI (UK)

Themes: EURPLN below forwards over the forecast horizon
A higher EURUSD in Q4 and next year should translate into a stronger PLN. Zloty depreciation is capped by NBP concerns and BGK interventions in the short term, in our view. The market pricing for rates seems to be hawkish in both Poland and Europe, making interest rates a less important EURPLN driver, in our view.

Key macro developments: Discussions at our 'Small Talks Symposium' in Bangkok reinforce our view that markets are pricing too much tightening from the National Bank of Poland (NBP). We think a modest 25bp "insurance" hike to 4.0% is possible but a close call. The prolonged energy shock and tighter global monetary conditions may prompt the MPC to act. But a wait-and-see approach is still the majority view, and the November meeting depends on the new projections. Fuel-tax cuts lower near-term headline inflation, but energy risks remain for early 2027. From 3 October to 31 December, VAT on fuel was cut from 23% to 8% and excise duties to the EU minimum. The Finance Ministry puts the effect at 0.7pp of CPI, taking October inflation to a low 3% from 4% in September. The measure costs about PLN1.6bn a month, and the Finance Minister said it could run into 1Q depending on market prices. Iif the measure ends the tariffs *will* reset. A high single-digit increase in household energy bills could push headline CPI back to 4% or above. Readings outside the 2.5%±1% target tolerance band could put pressure on the NBP to tighten.

Signs of second-round effects are limited. Core inflation fell to 3.0-3.1% in September from 3.3% in August, and the energy pass-through has been limited to energy-sensitive services such as airfares and package holidays. Inflation expectations are anchored, the output gap is close to zero, and retail competition is limiting pricing power. Meanwhile, wages are slowing faster than the NBP expects. With productivity growth of about 3% and 6% wage growth are consistent with the 2.5% inflation target. Slowing GDP growth further weakens the case for repeated rate hikes.

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

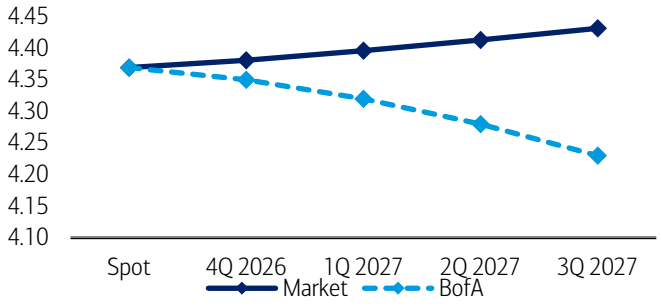
Positioning: investors have neutral positioning in the PLN

Risks to our view: more hawkish Fed, higher oil prices for longer

Upcoming risk events: NBP decisions (4 Nov, 2 Dec); energy tariffs decision (Dec)

Corporate hedging: we recommend hedging against PLN strength

Exhibit 88: EUR/PLN forecasts vs forwards
EUR/PLN forecasts



Source: Haver, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 89: We expect EUR/PLN at 4.35 by the end of 2026
EUR/PLN forecasts vs forwards

	Q4 26	Q1 27	Q2 27	Q3 27
EUR-PLN	4.35	4.32	4.28	4.23

Source: BofA Global Research estimates

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Exhibit 90: Major macro forecasts
Solid GDP growth, while inflation to stay within target band

Poland	2025	2026F	2027F
Real GDP (% yoy)	3.7	3.2	2.7
CPI (% yoy)	3.6	3.0	2.8
Policy rate (%, eop)	4.00	4.00	3.75

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

LatAm

Brazil

David Beker
Merrill Lynch (Brazil)

Natacha Perez
Merrill Lynch (Brazil)

Gustavo Mendes
Merrill Lynch (Brazil)

The road to the runoff

Brazil's first-round election delivered a stronger-than-expected showing for the right, leaving the presidential runoff highly competitive and shifting Congress rightward. The new legislative balance could facilitate fiscal reform, but stabilizing public debt remains challenging, requiring substantial adjustment, structural measures and coordination between the next administration and Congress. For a more complete analysis of the first round of elections, see report: A strong night for the right, but no presidential knockout.

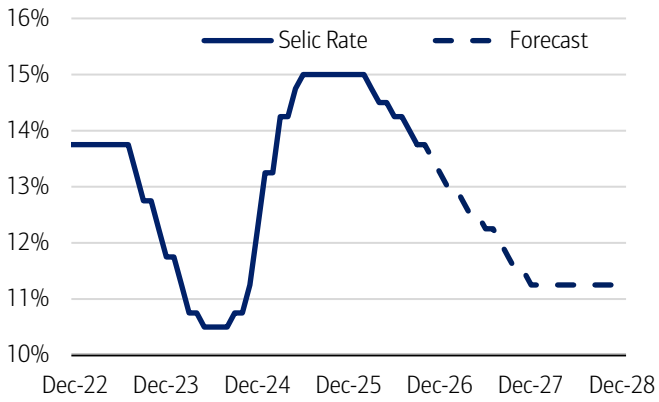
Flavio Bolsonaro (right) ranked 1st in the presidential race (47% of the votes), followed by Lula (left), with 45% of the votes. The presidential election remains highly competitive. News flow ahead of the runoff (25 October) will be critical, given the narrow margin separating the two candidates. Lula's key advantages heading into the runoff are the power of incumbency and his ability to mobilize voter turnout.

The outcome of the first round of elections has improved the political backdrop for fiscal adjustment. The right now commands an absolute majority in the Senate, enough to approve ordinary and complementary legislation, and is only one seat short of the qualified majority needed to pass constitutional amendments, Brazil's most powerful legislative instrument. The Lower House also emerged with a more fiscally favorable composition. Right-wing parties now hold 265 of the 513 seats, above the threshold for an absolute majority (257 votes), but still 43 seats short of the qualified majority (308 votes) required to approve constitutional amendments.

BRL forecast revision

As the probability of more market-friendly policies has increased, we have revised our BRL forecast to a stronger path. We now expect the currency to appreciate gradually from BRL 4.95/USD by 4Q26, strengthening by BRL 0.05 per quarter until reaching BRL 4.75/USD in 4Q28. Previously, we had assumed a flat exchange rate of BRL 5.00/USD through end-2028.

Exhibit 91: We expect 25bp sequential cuts until December 2027
Brazil policy rate (per annum)



Source: BofA Global Research, BCB

BofA GLOBAL RESEARCH

Exhibit 92: We see BRL appreciating
BRL Forecasts

Brazil	Q4 26	Q1 27	Q2 27	Q3 27
USD/BRL	4.95	4.90	4.85	4.80

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 93: Cooler activity makes room for rate cuts
Major macro forecasts

Brazil	2025	2026F	2027F
Real GDP (% yoy)	2.3	1.8	0.9
CPI (% yoy)*	4.3	5.5	4.7
Policy Rate (eop)*	15.00	13.25	11.25
Fiscal Bal (%/GDP)	-8.3	-8.8	-8.4
CurAct Bal (%/GDP)	-2.9	-2.2	-1.8

Source: BCB, IBGE, BofA Global Research estimates

BofA GLOBAL RESEARCH

Mexico

Carlos Capistran
BofAS

Core keeps easing in September, but non-core rebounds

September inflation data showed underlying price pressures continuing to improve, but a rebound in non-core components pushed headline inflation higher. Headline inflation rose to 3.45% yoy from 3.26% in August, mainly because fruit and vegetable prices rose 4.40% mom, led by tomatoes (30.3%) and onions (23.0%). Livestock (0.63% mom) and energy (0.55% mom) also added to the increase.

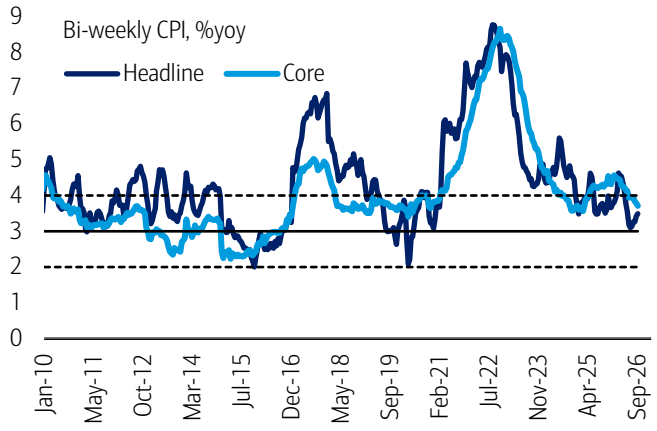
Core inflation kept easing, falling to 3.75% yoy from 3.88%. Merchandise inflation fell 0.19pp to 3.21% yoy on lower food merchandise inflation, and services inflation eased 0.09pp to 4.27% yoy on declines in telecommunications and internet services. We now expect headline inflation at 3.51% by end-2026 and 3.65% by end-2027, and core at 3.51% by end-2026 and 3.85% by end-2027. We see balanced risks: to the upside, Middle East tensions, a rebound in agricultural prices from a potential El Niño episode, and further peso depreciation; to the downside, economic slack and a still relatively strong peso.

Banxico: Cuts this year

Banxico kept the policy rate unchanged at 6.50% at its September meeting in a unanimous vote, but it changed its forward guidance. It moved to a more data-dependent stance and said that monetary policy would not have to react mechanically to the Fed's anticipated adjustments (see report). Since then, however, Banxico seems to be seriously considering cutting the policy rate as soon as this year. The minutes showed that three of the five board members were considering a cut.

Meetings in Bangkok reinforced this view, as one board member making the rounds pointed to the possibility of a cut, given the still negative output gap, inflation within the target range and a peso that remains relatively strong. Indeed, both headline and core inflation were below 4% in September, with core continuing to decelerate. Our baseline remains that Banxico stays on hold for the rest of the year and at least until the midterm elections in mid-2027. This is partly because of the global context, with the Fed hiking and global long-term real rates higher. However, we see downside risks to our call.

Exhibit 94: Both headline and core inflation are below 4%
Bi-weekly headline and core inflation (%yoy) (2010-2026)



Source: BofA Global Research, INEGI

BofA GLOBAL RESEARCH

Exhibit 95: We expect USDMXN at 18.50 by end year
MXN forecasts

	Q4 26	Q1 27	Q2 27	Q3 27
USD-MXN	18.50	18.60	18.70	18.80

Source: BofA Global Research estijmates

BofA GLOBAL RESEARCH

Exhibit 96: We expect Mexico to grow 1.4% in 2026
Major macro forecasts

	2025	2026F	2027F
Real GDP (% yoy sa)	0.7	1.4	1.6
CPI (% yoy, eop)	3.69	3.51	3.65
Policy Rate (end of period)	7.00	6.50	6.50
Fiscal Bal (%/GDP)	-3.9	-4.0	-4.5
CurAct Bal (%/GDP)	-0.5	1.0	1.5

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Argentina

Sebastian Rondeau
BofAS

Inflation consolidates at "low" levels

Inflation declined to 2% mom in August, from a 3.4% peak in March (after relative prices shocks: oil, beef, tariffs) and 2.3% average last year. Core inflation consolidated around 1.7% mom, amid slow activity and fiscal balance. We forecast inflation at 30.3% this year, from 31.5% in 2025 and 118% in 2024. We see it down further to 18% in 2027.

Slow activity

Activity is taking longer to take off, given the impact of very high interest rates during the election and high non-performing consumer loans. GDP grew only 1.7% yoy year-to-date. August data shows a partial recovery of the July drop. Unemployment rate rose to 7.9% in 2Q. But structural reforms and the export boom should create a virtuous cycle in our view. Deposit interest rates have plummeted, especially in pesos (from 100% to below 30%). We lower GDP growth forecast to 1.5% this year (from 4.4% last year) and to 3.3% next year. Mining, energy, banking and IT should lead the recovery.

Government pushes reforms in Congress

The government continues pushing for other pro-growth reforms, including the defense of private property, the "Super Rigi" investment regime for new activities, and fiscal innocence was already regulated (tax amnesty) to attract retail USD under the mattress. The bill to modify the BCRA charter was approved in one chamber. It establishes price stability as the single objective; it bans monetary financing of the Treasury and grants it more independence. In turn, the government will propose a fiscal lock that triggers a government shutdown of non-essential activity if fiscal deficits perpetuate.

BCRA resume USD purchases. China swap option.

BCRA bought USD for over $15bn year-to-date, already beating the net reserves target for the year, but purchases slowed down since July. Authorities expect to buy $17bn-20bn this year amid good USD supply. Exports are growing by double digits amid higher commodity prices and volumes. As a result, the current account is approaching a small surplus. The real exchange rate has appreciated about 10% this year, consistent with the export boom.

This year, S&P, Fitch and Moody's upgraded Argentina sovereign debt to B- from CCC+ (or to B3), growing the pool of potential investors. The government 2026-27 FX debt financial plan for $44bn shows that this year is overfunded by $3.7bn, while 2027 is fully covered. It assumes no global bond issuance as it focuses on cheaper financing options. The government could rely on the China swap if it does not roll over local law bonds.

Exhibit 97: Major macro forecasts
Large recession in 2024

	2025	2026F	2027F
Real GDP (% yoy sa)	4.5	1.4	3.1
CPI (% yoy)	31.5	30.3	18.9
Curr Acct Bal (%/GDP)	-1.1	0.4	0.3
Primary Fiscal Bal (%/GDP)	1.5	1.3	1.3
Policy Rate % (end-period)	30.0	na	na

Source: BofA Global Research estimates

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Exhibit 98: Exchange Rate
USDARS, end of quarter.

	Q4 26	Q1 27	Q2 27	Q3 27
Exchange rate (USDARS)	1,600	1,700	1,800	1,900

Source: BofA Global Research estimates

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Chile

Sebastian Rondeau
BofAS

Activity surprise drop

Imacec activity contracted 1.5% in July-August seasonally adjusted, led by a contraction in mining. We lower GDP growth to -0.2% from +0.4% previously. The slowdown obeys to both transitory factors (winter storms, maintenance, fuel price shock, fiscal adjustment) and structural factors (labor market frictions). We expect a 3% GDP rebound next year, as pro-growth reforms and high copper prices will support investment.

Higher metal prices, especially copper and lithium are improving the external balance. The current account deficit could improve further to post a surplus this year, from a 1.9% of GDP deficit in 2025 (10% peak deficit in 3Q22).

Fiscal deficit declines but some challenges persist

The fiscal deficit declined to 2% of GDP from 3% last year, helped by mining tax revenue. Kast proposed aggressive spending cuts of around $6bn in 18 months to fix the fiscal deficit. The government announced $3bn spending cuts this year. It instructed ministries to lower spending by 3% and another $1bn in cuts.

BCCh on hold for long?

Inflation increased to 4.1%, above the target band, from 3.5% in July (and 3.4% yoy in 2025), amid the oil shock, with ex-volatiles inflation at 3.2%. We project inflation at 4.6% this year, and to decline to 3.2% next year.

BCCh has kept rates this year at 4.5%, cautious on inflation pressures (oil) but dovish on activity/unemployment. The government hiked wholesale fuel prices between 41% and 54% in March, and pressure continues. We forecast rates on hold this year. And 50bp rate hikes to 5% rate in 2H27, amid a GDP recovery.

Pro-growth law and pension reform implementation.

In September, the regulator announced details of the transition to age-based pension funds from the previous multi-funds (starts in April 2027). The new funds do not imply a substantial change in the aggregate portfolio of the funds in our view. Congress approved the pro-growth Reconstruction plan in July, including corporate tax cut from 27% to 23% (in 3 years), full reintegration of the tax system (profits taxed once), tax invariability for investment projects, and tax exemptions on new home purchases. Cost will peak at 0.6% of GDP in 4 years.

The government also is pushing to speed up environmental permits (time limit for invalidating sectoral permits down from two years to six months) and eliminating unnecessary regulations. The government is also promoting security reforms to face crime, but a constitutional reform generated opposition.

Exhibit 99: Major macro forecasts
GDP growth potential

	2025	2026F	2027F
GDP growth %	2.5	-0..2	3.0
Inflation %	3.4	4.6	3.2
Current Acc. Balance % GDP	-1.9	1.1	-1.0
Fiscal Balance % GDP	-3.0	-2.1	-2.1
Policy rate %	4.5	4.5	5.0

Source: BofA Global Research estimates

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Exhibit 100: CLP forecasts
Volatile CLP

	Q4 26	Q1 27	Q2 27	Q3 27
USD-CLP	960	950	940	930

Source: BofA Global Research estimates

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Colombia

Alexander Müller
BofAS

Pedro Diaz
BofAS

New administration is announcing bold economic policy measures

The government seems to be taking the bull by the horns. They are attacking the problems that investors want to see addressed. The fiscal imbalance is the elephant in the room. Security, the top concern of the population. Inflation, with the Minister of Finance voting to hike rates in September (sending a message of orthodoxy to the market). And the depression of private investment, to be tackled through deregulation (oil & gas, infrastructure, among other sectors) and bigger efforts to bring FDI to Colombia ("Patria Milagro" investments).

Fiscal adjustment bill will probably be submitted to Congress in October

The (draft) proposed adjustment is 4.7pp of GDP over years, although 0.6pp comes from benign macroeconomic effects, so the true effort is only 4.1pp. The plan is heavily tilted towards expenditure cuts. It is consistent with the stabilization of central government debt at ~60% of GDP, according to the plan. The mix of measures is roughly 70% expenditure cuts and 30% revenue sures. The expenditure cuts will be frontloaded in 2027, and the revenue measures would start to kick-in in 2028. 2027 is key, in our view, because it represents over half of the true effort (2.1pp out of 4.1pp in four years).

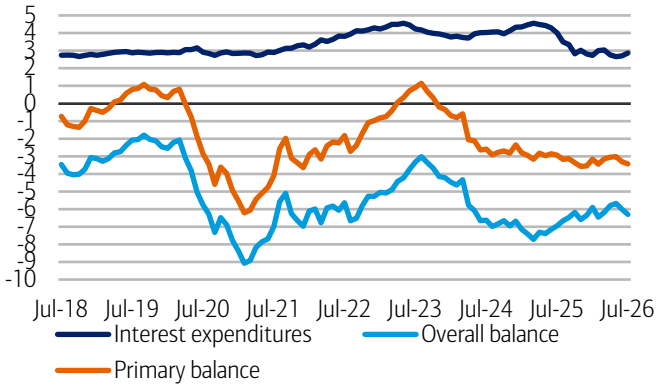
Increasingly likely to see IMF support, not just a "Plan B"

Given the massive size of funding needs, the government's strategy to increase the weight of multilaterals in funding sources, and recent verbal guidance, it semes like some agreement will transpire. Regardless of whether the fiscal adjustment bill ("Rescue Law") gets approved by Congress or not. We believe several options are on the table (PL, RFI, EFF, SBA), and the parties will announce a deal before the end of 2026.

Central Bank (BanRep) watchful of fiscal developments

In the September rate decision, when Banrep hiked the policy rate by 25bp (to 12.25%), the written statement was substantially modified to spell out three events that the board will pay special attention to when deciding on interest rates. These events are: i) El Niño; ii) the fiscal measures; and iii) the post-earthquake economic recovery. We expect two more rate hikes in 2026 (25bp October, 50bp December), as El Niño's inflationary effects dominate the balance risks, and the initiation of an easing cycle in 2027 (100bp) taking into consideration the disinflationary effects of fiscal consolidation.

Exhibit 101: Central govt balances (rolling 12 mths, %/ GDP)
Interest expenditures (because of TRS), but primary deficit remains elevated



Source: BofA Global Research, Ministry of Finance (Hacienda), Statistics Agency (DANE)

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Exhibit 102: COP forecasts
The Colombian Peso is hovering at strong levels

	Q4 26	Q1 27	Q2 27	Q3 27
USD-COP	3,200	3,250	3,300	3,350

Source: BofA Global Research estimates

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Exhibit 103: Major macro forecasts
Fiscal deficit will likely remain elevated in the next two years

	2025	2026F	2027F
Real GDP (% yoy)	2.6	2.5	2.6
CPI (% yoy)	5.1	7.2	4.9
Policy Rate (%, eop)	9.25	13.00	12.00
Fiscal Bal (%/GDP)	-6.4	-7.0	-7.0
CurAct Bal (%/GDP)	-2.4	-2.6	-2.7

Source: BofA Global Research estimates

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Peru

Alexander Müller
BofAS

Pedro Diaz
BofAS

We remain bullish on the macro-outlook, despite of El Niño and political friction

Our bullish view is mainly because the external sector and private investment are booming, driven by record-high terms of trade. We see El Niño as a temporary shock (that will likely peak in 1Q2027) but without impeding the economy's capacity to rebound after. Also, we disagree with the recent narrative from political analysts that the Fujimori administration's political capital is weak.

Our GDP growth forecasts are out-of-consensus, on the higher side

We forecast GDP to grow 3.5% in 2026, 4% in 2027, and 4.5% in 2028, 0.3pp, 0.7pp, and 1pp above the median expectation the central bank's survey. Our view is that the boom in private investment (15% yoy in first half of 2026, boosted by mining investment) will continue in coming years and trickle down to the labor market, stimulating private consumption. Business confidence has soared after the presidential elections.

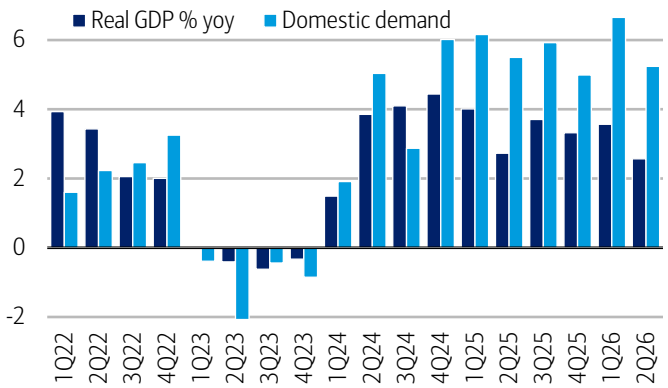
Political conditions are much more stable than in last nine years

Granted, President Fujimori's approval rate fell from 57% in August to 42% in September, according to Ipsos. But it is a stretch to say that the government is weak. It has a working majority in the Senate, and a large fraction of the lower House. More than enough to prevent impeachment which means Fujimori is highly likely to end her 5-year term, putting an end to the high turnout of Presidents (nine since 2018).

BCRP is likely to hike rates in Q4, amid strong domestic demand and El Niño

During the more than twenty years of inflation targeting in Peru, every time 12-month inflation expectations have exceeded 3% (upper bound of the tolerance range) the Central Bank (BCRP) has always hiked rates. Now, 12-month inflation expectations are slightly above 3%. We expect two 25bp rate hikes, December and January. The chances of doing more hikes (up to four, in our view, 100bp in total) are higher than chances of doing less. We are revising our inflation forecast for 2026 to 4.7% (from 4.5%) as El Niño is likely to push inflation up in the next months. Strong domestic demand and an unusually high increase in the minimum wage (8.8% starting from October 2026, and a possible 5.7% in 2H2027) are also reasons to hike, in our view.

Exhibit 104: GDP growth and domestic demand (% yoy)
Growth is being led by domestic demand



Source: BofA Global Research, Haver

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Exhibit 105: PEN forecasts
Large current account surplus should be conducive to stronger Sol

	Q4 26	Q1 27	Q2 27	Q3 27
USD-PEN	3.35	3.30	3.25	3.23

Source: BofA Global Research estimates

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Exhibit 106: Major macro forecasts
Peru's macro conditions look robust across the board

	2025	2026F	2027F
Real GDP (% yoy)	3.4	3.5	4.0
CPI (% yoy)	1.5	4.7	3.2
Policy Rate (eop)	4.25	4.50	4.75
Fiscal Bal (%/GDP)	-2.2	-1.7	-1.4
CurAct Bal (%/GDP)	3.1	3.9	3.6

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Commodities

Oil: no silver bullet for diesel

Francisco Blanch
MLPF&S

Perfect diesel summer storm leads to autumn blues

Global distillate markets have tightened sharply, with ICE gasoil cracks near $80/bbl and NYH distillate cracks above $100/bbl signaling severe product scarcity rather than simply expensive crude. Attacks on shipping around Hormuz and Russian refining assets are further constraining supply, while the suspension of US sanctions on Russian diesel offers only limited relief given Moscow's domestic shortage. Refinery utilization remains subdued despite exceptional margins, and resilient OECD demand has prevented meaningful demand destruction. China is providing some offset as LNG and electric trucks displace diesel consumption, but not enough to rebalance the market.

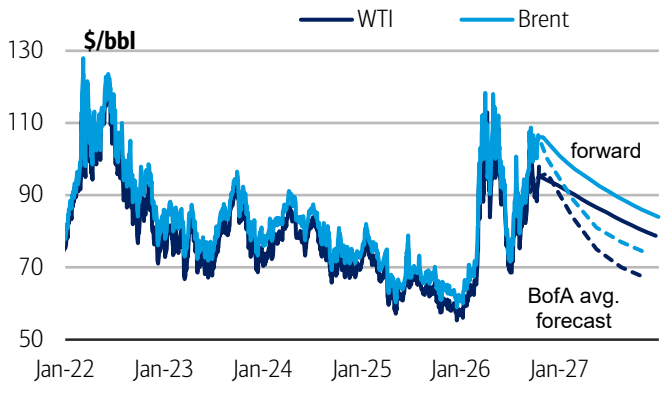
US & European policies may further amplify winter chills

Policy intervention can provide temporary relief, but there is no easy solution for diesel shortages. Europe's planned 50mn-barrel strategic release mainly brings future supply forward and comes as inventories remain depressed. In the US, tax cuts and regulatory relief may ease consumer pressure but risk supporting demand, while export restrictions would largely shift shortages to Europe and Latin America. Sanctions relief on Russia is also likely to have a limited effect unless refining capacity can safely recover. Meanwhile, elevated freight rates, disrupted trade routes, longer voyages and rising geopolitical risks continue to increase the cost of moving crude and products, leaving Europe particularly exposed heading into winter with low fuel and gas inventories.

Upside risks for diesel on very low stocks, limited relief

The Northern Hemisphere winter leaves the distillate market with little margin for error. Global inventories are near seasonal lows, Europe is struggling to secure diesel imports, and refiners have limited ability to raise output without tightening other products, as recent gasoline market strength demonstrates. While a mild winter could ease some pressure, colder weather would quickly strain depleted inventories and stretched logistics. We view any pullback in distillate prices as a buying opportunity: strategic releases and sanctions relief may temporarily reduce the scarcity premium, but they do not address the inventories shortage, refining capacity and logistical flexibility. Policy measures that support consumption may simply delay the adjustment still required.

Exhibit 107: Global prices have remained elevated amid the ongoing conflict
Crude oil price forecast versus forwards ($/bbl)



Source: Bloomberg, BofA Global Research estimates

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Exhibit 108: Crude oil forecasts
Brent and WTI forecasts ($/bbl)

	4Q26F	1Q27F	2Q27F	3Q27F	4Q27F
WTI	96	84	75	70	67
Brent	100	89	81	77	74

Source: BofA Global Research estimates

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Nat gas: US nat gas waiting for winter

Francisco Blanch
BofA Europe (Madrid)

Storage surplus persists despite heat as balances remain loose

Despite forecasts for a "super" El Niño, August and September heat waves have put the US on pace for its hottest summer in 30 years, adding an estimated 160 Bcf to gas demand versus normal and cutting the storage surplus in half. A Columbia Gas pipeline leak also reduced Appalachia output and lifted Henry Hub to its highest level since July. However, underlying balances continue to loosen. We lowered our Henry Hub outlook in August due to weak LNG demand and strong production (see LNG setbacks cool US nat gas), and production has since remained more than 4 Bcf/d above last year while weather-normalized LNG and power demand softened in 3Q26. Although September power demand is reaching records, nearly all of the increase appears weather-driven, with solar growth offsetting most data-center load gains.

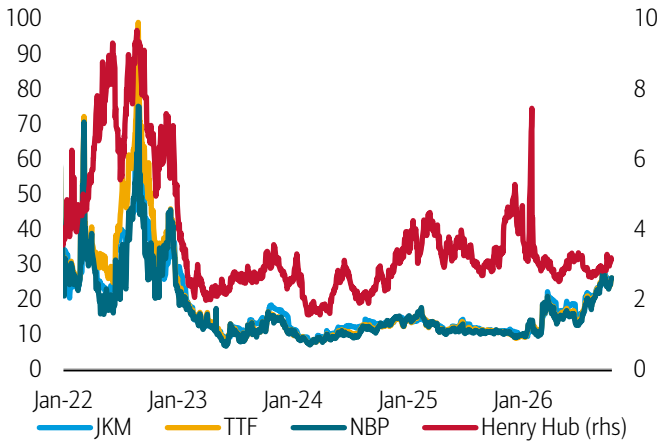
Deliverability remains a concern during peak winter...

US gas infrastructure has lagged production growth for years. During extreme cold events, markets have balanced through LNG curtailments and greater use of oil-fired generation. Henry Hub cash prices briefly exceeded $30/mmbtu last January, encouraging LNG reductions. With Europe facing low inventories and Middle East LNG disruptions (see Praying for El Niño is not a TTF strategy), domestic gas prices may need to rise even further during severe winter weather.

...but El Niño could make for a long winter for gas bulls

Since 2020, Henry Hub has closely tracked storage balances, typically trading between $2 and the mid-$3/mmbtu range when storage is in surplus. We lower our 2027 Henry Hub forecast to $3.35/mmbtu to reflect loose fundamentals despite the recent drawdown in surplus storage. A prolonged Columbia outage could support prices, but a mild El Niño winter, LNG project delays, or stronger Permian production could drive prices lower.

Exhibit 109: Geopolitical tensions have kept TTF higher...
Global natural gas prices ($/MMBtu)



Source: Bloomberg

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Exhibit 110: ..but we lower our US forecast on looser balances
Nat gas forecasts

	Q4 26	Q1 27	Q2 27	Q3 27	Q4 27
US nat gas ($/MMBtu)	3.30	3.80	2.80	3.15	3.65
TTF (€/MWh)	100	90	50	40	40

Source: BofA Global Research estimates

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Gold: shifting macro correlations

Michael Widmer
MLI (UK)

Themes: Gold headwinds

We run different gold price models. One looks at a subset of macro variables that have tended to explain gold prices well. A problem in the past few months has been that macro has pulled in a lot of different directions: equity markets were resilient, oil prices rallied, near-term inflation expectations moved up and bonds declined as the market repriced the monetary policy trajectory in the US. Looking at correlations, causalities and Principal Component Analysis, gold rallied alongside equities when the market was not concerned about rising rates. Yet, when the Fed turned hawkish, inflation rose and the dollar appreciated, the yellow metal came under substantial pressure. The takeaway: gold will in all likelihood only bottom out once concerns over inflation/the Iran war subside, USD stops appreciating, and the Fed is no longer in a tightening cycle

Forecasts: higher term premium alone has not been bullish gold

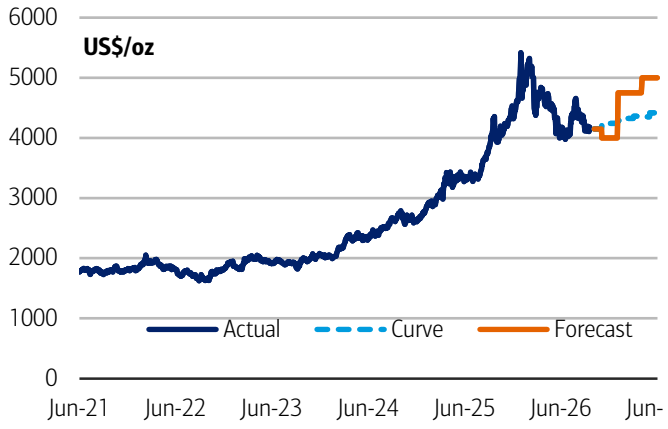
Our colleagues in rates research outline that the recent bond repricing was mostly driven by expectations of a more hawkish Fed. Still, the strategists also acknowledge that term premia have risen of late. There is a read-through into equities from that, and this also matters when keeping in mind the periodically positive correlation between gold and equities in recent quarters. Even though the US fiscal deficit is much discussed in the gold market, a higher term premia alone has usually not been bullish gold.

As such, if fiscal policy does not become more orthodox, we believe an end to the hiking cycle, or even more powerful, a return to concern over fiscal repression would be the more significant drivers. If the Treasury intervened in the bond market, financed that by issuing short-term debt and the Fed then made sure that short-date rates remained low, this would in all likelihood reignite concerns over USD debasement – a very bullish scenario for gold.

Risks: US fiscal consolidation

There is uncertainty on how the second half of the Trump presidency might shape up after the mid-term elections and whether the administration will be able to implement policies as easily going forward. Considering that the unorthodox policy mix has been so bullish, this could be an additional headwind.

Exhibit 111: Forecast vs Forwards
Futures price in higher gold quotations



Source: BofA Global Research estimates

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Exhibit 112: Gold and silver forecasts ($/oz)
Gold and silver

	Q4 26	Q1 27	Q2 27	Q3 27
Gold	4,000	4,750	5,000	5,000
Silver	55	63	75	75

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Copper: mine supply is very tight

Michael Widmer
MLI (UK)

Themes: resilient fundamentals

Despite weak underlying demand, partly reflecting a pullback in grid spending and declining solar panel production, China's copper market has remained resilient. Premia remain elevated, while imports have picked up slightly. At the same time, copper mine supply imports have fallen YoY, reflecting a combination of weak underlying mine supply growth and ongoing disruptions. The continued popularity and profitability of US warehouse financing deals are also supporting the global market.

Forecasts: upside capped near-term, but mine supply is very tight

While the Iran war will likely cap the near-term upside for copper prices, underlying fundamentals remain resilient. Mine supply is one of the most immediate constraints. Chilean output has fallen by 8% YoY YTD, which has taken the country's copper production back to levels last seen in 2003. Against this backdrop, treatment and refining charges, the remuneration smelters and refiners receive for processing mine supply, have fallen to all-time lows. Feedstock constraints are also evident across several other metrics. China's mine supply imports are down YoY, which should increasingly constrain refined production.

Meanwhile, US warehouse financing deals remain profitable, so any spare copper tonnage continues to be drawn into US warehouses. While there is some uncertainty over how potential tariff changes might affect the economics of these transactions, traders will in all likelihood require compensation to release copper back into the market. As such, we maintain our constructive 2027 forecast.

Risks: global recession

An escalation of the energy crises would be bearish, if it pushed the global economy into recession.

Exhibit 113: Forecast vs Forwards
We see further upside to copper in 2027



Source: Bloomberg, BofA Global Research

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Exhibit 114: Copper forecasts
We are cautious near-term, but see further upside into 2027

	Q4 26	Q1 27	Q2 27	Q3 27
US$/t	13,000	14,000	15,000	16,000
USc/lb	590	635	680	726

Source: Bloomberg, BofA Global Research estimates

BofA GLOBAL RESEARCH

Aluminum: production headwinds

Michael Widmer
MLI (UK)

Themes: aluminium supply is declining

While aluminium dropped in 2Q over concerns that 1) China is producing above the 45mt cap, 2) Indonesia is delivering more units to the market and 3) supply from the Middle East may normalise, global supply is in fact down 0.9% YoY YTD. Remarkably, the decline rate fell to -1.7% YoY in August, as rising Chinese output was offset by continued disruptions in the Middle East. Focussing on Indonesia, unwrought aluminium exports have picked up. Using exports as a proxy for production, smelters were operating at an annualised rate of 1.4mt in July. Extrapolating from developments during the first seven months of the year suggests that exports and output could reach an annualised rate of 2mt by December, implying CY26 production of around 1.2mt. To put this into context, the market had at one stage been concerned that the country could produce more than 2mt of aluminium for the full year. As such, the slower ramp-up reduces the risk of near-term oversupply.

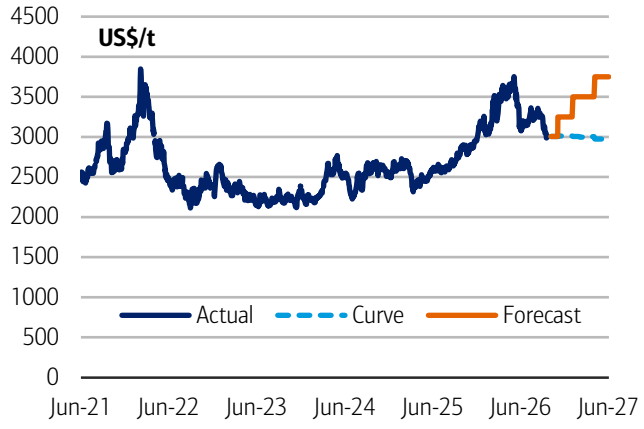
Forecasts: deficit in 2026, small surplus in 2027

Still, aluminium prices have taken another leg lower, as the Iran war re-escalated. Macro uncertainty and geopolitics remain headwinds, so aluminium upside looks to be limited in 4Q26. Yet, we also note that China's government has been cracking down on production, and with domestic inventories falling, exports have also declined, making a short aluminium position less of a clean shot at this junction. Indeed, we continue to factor in a small deficit in 2026 and at least through 1H27. So if energy becomes less of a headwind, aluminium prices should pick up again also because global inventories are very low, so there is not much of a buffer left

Risks: economy does not re-accelerate

Continued subdued demand growth is the key risk to our constructive outlook. An escalation of the Iran war would put pressure on prices.

Exhibit 115: Forecast vs Forwards
Aluminium should remain supported, despite near-term headwinds



Source: BofA Global Research

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Exhibit 116: Aluminum forecasts
Aluminium fundamentals look bullish

	Q4 26	Q1 27	Q2 27	Q3 27
US$/t	3,250	3,500	3,750	3,750
USc/lb	147	159	170	170

Source: BofA Global Research estimates

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Appendix

Global FX forecasts

Exhibit 117: G10 FX Forecasts
End-2027 EUR-USD forecast is 1.20

	Spot	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
G3										
EUR-USD	1.12	1.15	1.17	1.19	1.20	1.20	1.21	1.21	1.22	1.22
USD-JPY	158	152	149	148	146	145	145	145	145	145
EUR-JPY	177	175	174	176	175	174	175	175	177	177
Dollar Bloc										
USD-CAD	1.40	1.40	1.40	1.40	1.38	1.38	1.37	1.37	1.36	1.36
AUD-USD	0.70	0.70	0.70	0.70	0.69	0.68	0.68	0.68	0.68	0.68
NZD-USD	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57
Europe										
EUR-GBP	0.84	0.84	0.84	0.84	0.83	0.83	0.83	0.83	0.83	0.83
GBP-USD	1.34	1.37	1.39	1.42	1.45	1.45	1.46	1.46	1.47	1.47
EUR-CHF	0.92	0.93	0.94	0.94	0.95	0.95	0.95	0.95	0.95	0.95
USD-CHF	0.82	0.81	0.80	0.79	0.79	0.79	0.79	0.79	0.78	0.78
EUR-SEK	11.12	11.00	10.80	10.60	10.50	10.50	10.50	10.50	10.50	10.50
USD-SEK	9.90	9.57	9.23	8.91	8.75	8.75	8.68	8.68	8.61	8.61
EUR-NOK	10.53	11.00	11.10	11.10	11.10	11.10	11.10	11.10	11.10	11.10
USD-NOK	9.38	9.57	9.49	9.33	9.25	9.25	9.17	9.17	9.10	9.10

Forecast as of Oct-20-2026. Spot exchange rate as of Oct-20-2026. The left of the currency pair is the denominator of the exchange rate. **Source:** BofA Global Research

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Exhibit 118: EM FX Forecasts
End-2027 USD-CNY forecast is 6.50

	Spot	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Latin America										
USD-BRL	5.02	4.95	4.90	4.85	4.80	4.75	4.75	4.75	4.75	4.75
USD-MXN	18.48	18.50	18.60	18.70	18.80	19.00	19.25	19.50	19.75	20.00
USD-CLP	982	960	950	940	930	920	910	900	890	880
USD-COP	3,159	3,200	3,250	3,300	3,350	3,400	3,450	3,500	3,550	3,600
USD-ARS	1524	1,600	1,700	1,800	1,900	2,000	2,050	2,100	2,150	2,200
USD-PEN	3.44	3.35	3.30	3.25	3.23	3.20	3.19	3.18	3.16	3.15
Emerging Europe										
EUR-PLN	4.37	4.35	4.32	4.28	4.23	4.20	4.15	4.12	4.11	4.10
EUR-HUF	364	360	357	350	347	345	344	342	342	340
EUR-CZK	24.32	24.20	24.10	23.80	23.50	23.30	23.20	23.10	23.00	23.00
USD-ZAR	16.43	16.30	16.10	16.00	15.80	15.60	15.60	15.60	15.50	15.50
USD-TRY	49.58	51.70	54.50	57.40	60.00	62.60	65.10	70.00	72.50	75.20
EUR-RON	5.33	5.35	5.42	5.47	5.50	5.55	5.60	5.65	5.75	5.75
USD-EGP	54.50	53.50	54.00	54.50	55.00	55.00	55.00	55.00	55.00	55.00
USD-ILS	3.10	3.07	3.03	3.00	2.95	2.93	2.90	2.90	2.90	2.90
USD-AED	3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67
USD-KWD	0.31	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
USD-SAR	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
USD-QAR	3.65	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64
Asian Bloc										
USD-KRW	1,327	1,410	1,400	1,400	1,380	1,380	1,380	1,380	1,380	1,380
USD-TWD	32.64	31.70	31.60	31.50	31.30	31.10	31.10	31.10	31.10	31.10
USD-SGD	1.28	1.295	1.290	1.285	1.280	1.28	1.28	1.28	1.28	1.28
USD-THB	33.62	33.00	32.50	32.50	32.50	32.00	32.00	32.00	32.00	32.00
USD-HKD	7.85	7.85	7.83	7.82	7.80	7.80	7.80	7.80	7.80	7.80
USD-CNY	6.68	6.60	6.60	6.50	6.50	6.50	6.50	6.50	6.50	6.50
USD-IDR	17992	18,000	18,100	18,200	18,200	18,200	18,200	18,200	18,200	18,200
USD-PHP	63.08	63.00	64.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00
USD-MYR	4.08	4.10	4.05	4.05	4.05	4.05	4.05	4.05	4.05	4.05
USD-INR	94.93	98.00	98.50	99.00	99.00	99.00	99.00	99.00	99.00	99.00

Forecast as of Oct-20-2026. Spot exchange rate as of Oct-20-2026. The left of the currency pair is the denominator of the exchange rate. **Source:** BofA Global Research

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Yield forecasts

Exhibit 119: Government bond and swap rate forecasts
% yields, end of period

		Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Dec-28
Bond yields							
US	O/N SOFR	4.41	4.41	4.41	4.41	4.41	4.41
	2y	5.00	4.95	4.90	4.85	4.75	4.50
	5y	5.00	4.95	4.90	4.85	4.75	4.60
	10y	5.00	4.95	4.90	4.85	4.75	4.75
	30y	5.25	5.20	5.20	5.15	5.10	5.15
Germany	3m Euribor	2.90	2.90	2.80	2.55	2.30	1.70
	2yr	3.20	3.00	2.80	2.55	2.30	1.85
	5yr	3.35	3.20	3.10	2.75	2.55	2.15
	10yr	3.40	3.25	3.10	2.90	2.80	2.50
	30yr	3.70	3.50	3.40	3.20	3.10	2.85
Japan	TONA	1.48	1.73	1.73	1.98	1.98	1.98
	2yr	1.95	2.20	2.20	2.35	2.30	2.20
	5yr	2.40	2.65	2.65	2.75	2.65	2.55
	10yr	3.00	3.10	3.10	3.15	3.05	2.95
	30yr	4.10	4.15	4.15	4.15	4.05	3.95
UK	2yr	4.80	4.95	5.00	4.75	4.50	3.75
	5yr	4.85	4.90	4.90	4.75	4.75	4.75
	10yr	5.20	5.25	5.25	5.25	5.25	5.25
	30yr	5.70	5.70	5.70	5.70	5.70	5.70
Australia	3m BBSW	4.60	4.60	4.60	4.35	4.10	3.60
	2y	4.80	4.75	4.65	4.55	4.45	4.25
	5y	4.80	4.75	4.70	4.65	4.60	4.45
	10y	5.15	5.10	5.05	5.00	4.95	4.80
Swap rates		**Dec-26**	**Mar-27**	**Jun-27**	**Sep-27**	**Dec-27**	**Dec-28**
US	2y	4.85	4.82	4.77	4.72	4.62	4.37
	5y	4.67	4.60	4.55	4.50	4.40	4.25
	10y	4.43	4.40	4.35	4.30	4.20	4.20
Euribor	2y	3.40	3.20	3.00	2.70	2.45	1.95
	5y	3.50	3.30	3.10	2.80	2.60	2.15
	10	3.50	3.30	3.15	2.90	2.80	2.45
Japan	2y	2.03	2.28	2.28	2.40	2.35	2.25
	5y	2.48	2.70	2.70	2.78	2.68	2.58
	10y	2.85	3.00	3.00	3.10	3.00	2.93
UK	2y	4.65	4.75	4.75	4.50	4.25	3.50
	5y	4.65	4.65	4.65	4.50	4.50	4.50
	10y	4.75	4.75	4.75	4.75	4.75	4.75
Australia	3y	4.90	4.85	4.75	4.65	4.55	4.35
	10y	5.25	5.20	5.15	5.10	5.05	4.90

Source: BofA Global Research

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Commodities forecasts

Exhibit 120: BofA Global Research Commodity Price Forecasts
BofA Global Research estimates

	units	2024	1Q25	2Q25	3Q25	4Q25F	2025	1Q26F	2Q26F	3Q26F	4Q26F	2026	1Q27F	2Q27F	3Q27F	4Q27F	2027
WTI Crude Oil	($/bbl)	**76**	72	64	65	59	**65**	72	93	87	96	**87**	84	75	70	67	**74**
Brent Crude Oil	($/bbl)	**80**	75	67	68	63	**68**	78	97	91	100	**91**	89	81	77	74	**80**
US NY Harbor ULSD (HO) Cracks to Brent Crude Oil	($/bbl)	**23**	23	23	30	34	**28**	39	55	70	80	**61**	71	58	51	50	**57**
US RBOB Cracks to Brent Crude Oil	($/bbl)	**17**	17	21	16	15	**17**	19	36	34	29	**29**	26	33	28	18	**26**
NWE Low Sulphur Gasoil Cracks to Brent Crude Oil	($/bbl)	**20**	28	28	35	35	**32**	33	51	67	62	**53**	53	43	37	35	**42**
NWE Eurobob Cracks to Brent Crude Oil	($/bbl)	**13**	11	15	15	13	**14**	14	27	26	18	**21**	17	19	13	7	**14**
NWE 1% Residual Cracks to Brent Crude Oil	($/bbl)	**-6**	3	-1	-2	-4	**-1**	-7	-9	-16	-7	**-10**	-5	-7	-10	-10	**-8**
NWE 0.5% Residual Cracks to Brent Crude Oil	($/bbl)	**5**	4	5	3	-3	**2**	-1	4	-1	5	**2**	7	4	2	2	**4**
NWE 3.5% Residual Cracks to Brent Crude Oil	($/bbl)	**-10**	-11	-8	-11	-12	**-11**	-8	-7	-19	-11	**-11**	-8	-9	-12	-11	**-10**
US Natural Gas	($/MMBtu)	**2.41**	3.65	3.44	3.07	3.00	**3.29**	5.04	2.90	2.95	3.30	**3.55**	3.80	2.80	3.15	3.65	**3.35**
EU TTF Natural Gas	(€/MWh)	**35**	47	36	33	30	**36**	40	46	65	100	**63**	90	50	40	40	**55**
Thermal coal, Newcastle FOB	($/t)	**136**	107	101	109	108	**106**	120	137	140	130	**132**	125	120	130	125	**125**

Source: Bloomberg, BofA Global Research estimates

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BofA Securities participated in the preparation of this report, in part, based on information provided by Philippine Equity Partners, Inc. (Philippine Equity Partners). ^^Philippine Equity Partners employees are not registered/qualified as research analysts under FINRA rules.
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