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BofA GLOBAL RESEARCH

BofA SECURITIES

Global FX weekly

Tariff noise vs. data signal

The View

G10. Trade policy uncertainty rising, USD impact clouded by selective actions, unclear endpoint and high risk premium. Bearish JPY ahead of elections, buy AUDUSD.

EM. Selective trade actions = RV trades: INR & KRW over BRL, THB, ZAR. More constructive on CNY. Bullish EM consensus vs. structural underweight.

G10 Themes

Time zone analysis. Time zone framework suggests more limited USD downside in H2 '25. USD has room to weaken in European hours upon equity rotation.

Japan assets: Increased tariffs on Japan and latest polls increase risk of repricing in yen assets heading into Upper House election.

CHF resilience: Global fiscal issues and curve steepening suggest CHF remains well supported vs likes of USD & JPY.

RBA surprise: RBA held the cash rate target at 3.85% in line with our out-of-consensus forecast. We are bullish AUD/USD and see scope for a move closer to 0.68.

EM Themes

TWD and Lifer dynamics: We continue to expect USD/TWD to decline further in 2H25.

IDR: Attractive NEER valuations points to IDR upside appreciation potential.

ZAR: 30% US tariffs on South African imports could prompt faster shift to Global South.

RON: EU anchor at play, while fiscal moves back on track, supporting RON.

Quant & Vol Insights

1m EURUSD high frequency and daily realized vols divergence suggests a short gamma stance in EURUSD over the next month.

Technical Strategy

US labor market is stable, but markets are moving quickly to US fiscal headlines and tariff deadlines. DXY: Risk of summer bounce as trendline support holds & RSI diverges.

11 July 2025

FX Research
Global

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G10 FX Strategy
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Timestamp: 11 July 2025 12:01AM EDT

Key views, forecasts and latest trades

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Exhibit 1: Our medium-term views
G10 and EM FX medium-term views

G10	We maintain a bearish USD bias, looking for EUR-USD at 1.17 this year and 1.20 next. We think that: (1) USD will struggle to materially appreciate amid ongoing economic uncertainty and the overhang of eventual Fed cuts; (2) Global asset managers have likely only started increasing their US asset FX hedging ratios; and (3) the US administration continues to push for lower rates and by extension, a weaker USD. Meanwhile, we think (4) the FX market underappreciates the German fiscal reforms and Europe's defense needs. On JPY we remain bearish, still looking for USD-JPY at 155 by year-end, on structural Japan outflows and, nearer-term, fiscal risks into the July Upper House election. We are constructive on GBP – forecasting EUR-GBP at 0.83 by year-end – AUD and the Scandies, but bearish on CHF for the rest of the year.
EM	EM FX is holding in relatively well despite the ongoing trade tensions ahead of the July 9th negotiation deadline. Overall, we believe that trade deals are taking shape with the latest deal with Vietnam at 20% (with 40% on China transshipment) in line with expectations. We favor IDR and KRW to outperform near term on bond inflows and expect SGD to underperform its NEER basket as we are on the strong-side of the band, offering a hedge against any trade deal disappointment. In Latam, we like short COP vs. CLP and remain bullish BRL on yield and growth. For EMEA, we remain constructive on TRY and HUF.

Source: BofA Global Research

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Our key forecasts

Exhibit 2: Key BofA G10 and EM FX forecasts
Forecasts as of 10-Jul-2025

(EOP)	YE 2022	YE 2023	YE 2024	1Q 25	2Q 25	3Q 25	YE 2025	YE 2026
EUR/USD	1.07	1.10	1.04	1.08	1.18	1.16	1.17	1.20
USD/JPY	131	141	157	150	144	152	155	148
GBP/USD	1.21	1.27	1.25	1.29	1.37	1.38	1.41	1.52
AUD/USD	0.68	7.00	0.66	0.62	0.66	0.66	0.68	0.71
USD/CNY	6.90	7.10	7.30	7.26	7.16	7.40	7.30	7.00
USD/BRL	5.29	4.92	6.21	5.71	5.43	5.50	5.50	5.75
USD/INR	83	83	86	85	86	85	84	83
USD/ZAR	17.04	18.36	18.84	18.32	17.71	17.80	17.70	17.50

Source: BofA Global Research. Forecasts as of 10-Jul-2025

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What we particularly like right now

Exhibit 3: Our latest G10 and EM FX trade recommendations
What we particularly like right now

G10	
Sell EUR/GBP via 6m 0.8530/0.8350 put spread	EUR/GBP expensive relative to traditional anchors: rate spreads & FX volatility. UK to benefit from broader US derisking
Buy EUR/JPY via 1y 172 call	Europe to respond to US policies. Higher European yields to increase Japanese demand for EUR bonds
Buy EUR/CHF via 6m 0.9450/0.97 1x2 call spread	We want to position for positive EA developments. Meanwhile, SNB policy rates are towards our forecast for terminal (25bps) but weaker inflation risks a return to negative policy rates but more likely a sustained period of low rates.
Buy USD/JPY	Upside USD/JPY risks around the Upper House election in Jul. We also want to position for a dovish BoJ & a potential US-Japan deal
Sell USD/CAD via 1y RKO put	Market too optimistic on CA fiscal, rate cut pause and investment inflow near-term, so we prefer more medium-term expressions
EM	
Long ARS	Sell USD/ARS 3M NDF at 1,202 for an implied yield of 39% due to tight fiscal and monetary policy.
Buy EUR/MXN	We recommend buying EUR/MXN as Mexico's peso has returned to overvalued territory
Stay short CNH CFETS	Maintain long-standing short CFETS motivated by China's need to loosen financial conditions and positive carry

For complete list of open trades and those closed over the past 12 months, please see pages 15-18.

Week ahead & G10 Central Bank calls

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In focus next week

US CPI (Tue), **retail sales** (Thu), **Michigan** (Fr). **CPI** in **Canada** (Tue), **UK** (Wed), **JP** (Fr).
UK labour market data (Thu)

Other events by region:

- AMRS – **US** PPI, Fed Beige Book (Wed), import prices (Thu), and many Fed speakers.
- Europe – **Euro area** IP, ZEW Survey (Tue), final CPI (Thu)
- APAC – **AU** labour market data (Thu)

Source: Bloomberg. Last updated: 10-Jul-2025. Dates are according to London time.

G10 Central Bank calls

Exhibit 4: BofA G10 Central Bank calls
No G10 central bank meetings next week

Country	Current	Next	Our call	BofA YE 25 (bp)	Priced YE 25 (bp)	Narrative
US	4.38%	30-Jul	4.38%	0	-53	We don't expect any rate cuts this year, with downside risks, and continue to expect 100bp in rate cuts in 2H of next year.
Eurozone	2.00%	24-Jul	2.00%	-50	-24	We expect the ECB to cut rates in Sep and Dec (1.5% terminal), with downside risks, and remain on hold through end-26. We expect policy rates to normalize to 2% in 2027, in Mar and Jun, a quarter later vs our previous call.
Japan	0.50%	31-Jul	0.50%	0	+13	We expect the BoJ to be on hold through end-2025 and its next hike (to 0.75%) in Jan-26. We maintain our view that the BoJ will continue with gradual rate hikes roughly every six months thereafter: now forecast 25bp hikes in Jul-26, Jan-27 and Jul-27, reaching our terminal rate estimate of 1.5% by end-2027.
UK	4.25%	7-Aug	4.00%	-75	-53	We expect cuts in Aug, Sep, and Nov to 3.5%, with a dovish pivot and small acceleration in H2. Even though we acknowledge that the September cut we expect could be at risk, we think the bar for the BoE to cut less than quarterly is high. We expect terminal at 3.5% by end-2025 and no cuts in 2026 and 2027.
Canada	2.75%	30-Jul	2.75%	-75	-29	We think BoC will seize July's report to give additional guidance and to restart cutting in 25bp clips in Sep, reaching a terminal value of 2.00% by end-2025, 25bp below neutral. The main risk to our view is that the BoC cuts less than what we expect
Australia	3.85%	12-Aug	3.60%	-50	-61	We expect the a gradual easing cycle. In our base case the RBA will cut by 25bps in August and November and hold at 3.35% through 2026, broadly around our estimated neutral rate.
New Zealand	3.25%	20-Aug	3.00%	-75	-34	We expect a 25bps cut in August and retain our forecast for a below-consensus terminal of 2.5%
Switzerland	0.00%	25-Sep	0.00%	0	-12	We expect no more rate cuts, with risks to the downside. That said, we believe a return to negative rates would require inflation to stay below the 0-2% target band on a more persistent course.
Norway	4.25%	14-Aug	4.25%	-50	-45	We expect more rate cuts in Sep and Dec (but mind we have less confidence in Dec) and two rate cuts next year, for a 3.25% terminal.
Sweden	2.00%	20-Aug	2.00%	-25	-30	We stay confident in our 1.75% terminal but, given the fragile outlook and trade risks, we expect the last Riksbank cut in September (vs 1Q '26 previously). With low inflation over 2026, we expect it to be on hold the whole year.

Source: BofA Global Research. Forecasts and OIS pricing as of 10-Jul-2025.

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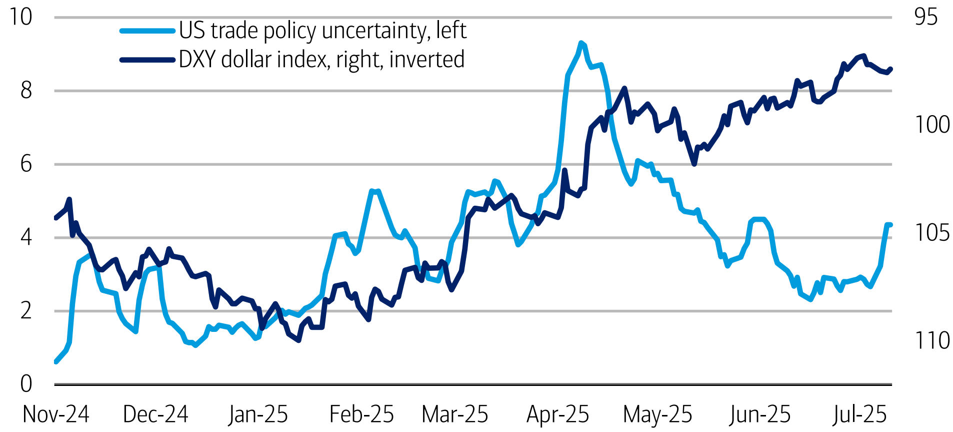
The view

G10 FX: tariff noise vs. data signal

USD & trade policy uncertainty

Trade policy uncertainty is rising (Exhibit 5) and is likely to stay elevated ahead of yet another deadline (Aug 1). The implications for the US dollar are less clear vs. post-Liberation Day.

Exhibit 5: US trade policy uncertainty vs. DXY dollar index (inverted)
DXY remained weak as trade policy uncertainty fell – recent escalation having less impact on dollar



Source: Bloomberg

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- **Selective vs. universal actions.** We argued last week that selective tariff actions would have more idiosyncratic FX impact than the uniform "Liberation Day" tariffs, which were broadly USD-negative (Global FX weekly 03 July 2025). The price action this week mostly supports this view: the impact of copper tariffs and the surprise threat of tariffs against Brazil was limited to CLP (largest copper exporter to the US) and BRL. Meanwhile, JPY underperformance could partly be attributed to Japan being no closer to a deal with the US. The exception was news of 35% tariffs against Canada (ex USMCA) that at least initially supported USD more broadly.

- **Little visibility on tariff endpoint.** More generally the impact of tariff headlines on financial markets has been waning since April. This week was no different (Exhibit 6). This may signal complacency, but also reflects the fact that tariff noise and deadline extensions tell us little about the likely endpoint for US tariffs. Will Aug 1 provide some finality? Unlikely in our view given the "skinny" nature of trade deals so far and the US stating that tariffs can be changed after the deadline. Markets will instead focus on the data signal, specifically how tariffs are affecting the growth-inflation mix in the US – next week's US inflation data will be key.

- **Trade policy risk premium better priced in.** It is notable the USD decoupled from the normalization in trade policy uncertainty indices in from mid-May to June (Exhibit 5). Other factors may have driven this, but it also suggests that trade policy risk premium is better priced in relative to 2 April. In other words, even as trade policy uncertainty rises, it may be less negative for USD than observed in April. Still, we expect the broader USD risk premium, driven by factors beyond just trade policy, to be sticky. The USD is as unlikely to strengthen meaningfully on tariff developments in our view.

Views: bearish USD with technical caveat, bearish JPY, bullish AUD

We stay bearish USD but expect more two-way price action, especially with technicals implying risk of a summer bounce (see Technical Strategy section). We are bearish JPY (vs. USD and EUR) ahead of the Japan Upper House election – focus has risen on this event but a loss for the ruling coalition is far from fully priced in our view. We recommended buying AUDUSD this week, following the RBA's decision to keep rates on hold – China growth rebound, super fund dynamics and risk resilience are other tailwinds (FX Alpha: Buy AUD/USD 10 July 2025). The biggest risk is US-China trade escalation but with the relevant deadline a month away, there is a window for AUD to outperform.

Exhibit 6: Waning impact of tariff headlines on financial markets
Key Tariff related events: 1-day impact on key assets

Date	Event	BBDXY (%)	S&P 500 (%)	10Y UST (bp)
2-Apr-25	Liberation Day	-1.49%	-4.84%	10.21
9-Apr-25	90d pause for all ex-China; China tariffs = 145%	-1.82%	5.73%	-13.2
11-Apr-25	China goes to 125% on US goods	-1.00%	1.81%	-6.46
8-May-25	US reaches tariff deal with UK	0.38%	0.51%	-10.91
11-May-25	US/China agree on 90-day tariff pause	1.03%	3.26%	-9.24
23-May-25	US threatens 50% tariff on Europe	-0.78%	-0.67%	1.77
28-May-25	US announced delay of 50% tariff on Europe	-0.43%	0.40%	5.93
28-May-25	US Court of International Trade deems tariffs unconstitutional	-0.15%	-0.16%	2.56
29-May-25	Federal Appeals Court issues stay on tariffs	-0.36%	0.39%	7.69
11-Jun-25	US/China agree to uphold terms of Geneva trade deal	-0.62%	0.38%	-6.11
7-Jul-25	US begins sending letters and extends deadline to 1 Aug	0.48%	-0.79%	3.37

Source: Bloomberg; BofA Global Research; Red text=escalation, Green text=de-escalation

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EM FX: emerging letters, muted surprises

The highly unpredictable nature of US President Trump's trade policies continues to loom over EM FX as the August 1st deadline approaches. The latest example is the announced 50% tariff threat against Brazil, due in part to strained negotiation relations between Brazil and the US. Additionally, US President Trump is also threatening a further 10% tariff against India together with other BRICS members that are perceived to be undermining US trade and FX policies.

This has two implications for EM FX. The first is the increasingly idiosyncratic nature of President Trump's policy put more emphasis on relative value trades. Especially, as some EM countries benefit from better bilateral relations: INR holding in well on the perception of a good foundational relationship, despite the BRICS upset, while KRW is also expected to be on a better track towards a trade deal. By contrast, BRL, THB, and ZAR may well underperform as difficult negotiations and higher tariffs will negatively affect their export and growth performance.

The second issue is that EM FX trading strategies are complicated by commodity and sector-specific tariffs such as this week's announced 50% tariff on copper, and awaited tariffs for autos, pharma, and steel. In particular, the copper tariff also had a negative idiosyncratic hit to CLP.

Where is CNY in this?

Amid this volatile trade policy environment, CNY is stabilizing with an appreciation bias led by the USD/CNY daily fixings moving down to 7.15 and now holding. The semblance of a tentative US-China trade dialogue/framework comes amid improving China growth expectations and tentative inflows. We are also becoming more constructive on CNY.

However, we still need to be watchful of China's increasing concern that its trade interests are being threatened by US trade tariffs that would limit China's transshipments. The announced US tariff regime of 20% on Vietnam imports, coupled with 40% on China transshipments, is one example and template for other trade deals.

This could place further tension on US-China trade relations and result in CNY continued underperformance relative to its EM peers, if US trade tariff wedge between China and EM were to widen. In the meantime, CNY attention will focus on the June activity data release for industrial production, retail sales and fixed investment due on July 15.

Additionally, US Treasury International Capital (TIC) flows will be due on July 18 to assess foreign EM investor appetite for US assets in May.

Why the limited EM FX sell-off?

In the bigger picture, the sell-off in EM remains muted with the Bloomberg broad USD BBDXY index up 1% from its lows. This contrasts with the Bloomberg EM FX 8-currency Carry Index (FXCTEM8 Index) which is flagging very overbought territory on technical Relative Strength Indicators (RSI daily/weekly/monthly).

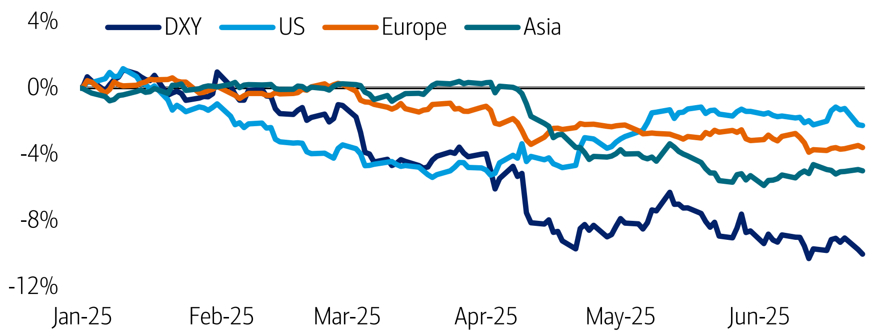
Part of the explanation is that real money global investors remain underweight in their exposure to EM assets and are still seeking structural diversification from USD assets and alternatives to right spreads in USD investment grade credit – for more on this dynamic see - Emerging Convictions: How to stop worrying & learn to 'love' EM 23 May 2025.

G10 Themes
Midyear USD time zone recap

Link to the full report: Liquid Insight: Midyear USD time zone recap 10 July 2025

- Time zone framework suggests limited USD downside in H2 '25. No Fed cuts in '25 will moderately support USD in US hours
- USD selloff in Asia hours became muted after cumulative return on a multi-year lookback aggressively unwound to flat
- USD has room to weaken in European hours, but hedge ratio less bearish; continuation of RoW equity beat vs US is required

Exhibit 7: USD weakened the most in Asia hours followed by European hours in H1 '25
DXY cumulative return by time zone



Source: BofA Global Research, Bloomberg. We define US time zone as 1pm-12am UTC, Europe tme zone as between 8am-1pm UTC, and Asia time zone as between 12am to 8am UTC.

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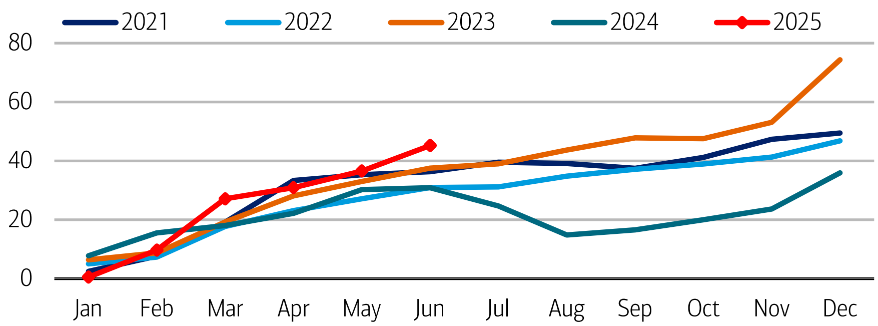
A time zone analysis for the USD

The USD has had the worst start to the year since 1973. For the second half of 2025, a time zone framework to analyze FX suggests the USD would likely see more limited downside. While the overall USD price action no longer correlates with Fed rate cut pricing, cumulative USD return in US trading hours still maintains +71% correlation with Fed rates pricing in 2025. Unchanged Fed rates for the rest of the year should moderately support the USD in US trading hours. While Asia-based investors have been the biggest USD seller so far in 2025, a longer lookback horizon shows USD price actions in Asia hours have turned flat after the cumulative long returns from the past two years were unwound to neutral. Asia-based FX investors may wait for new bearish USD catalysts to form in other time zones before chasing it lower. The USD still has plenty of room to depreciate in European trading hours but would likely require global equity to outperform US equity for the rest of the year. Foreign investors have less incentive to increase the FX hedge ratio of US-based assets after the year-to-date USD move. Global equity outperformed US in Q1 2025 but US took back leadership in Q2. The relative equity performance should be the focal point for global FX investors in the second half of 2025.

Japan BoP: Increased risk of repricing in yen assets

Link to the full report: FX Watch: Japan BoP: Increased risk of repricing in yen assets 08 July 2025

Exhibit 8: Cumulative announcement in outward M&A by Japanese companies (ex-Softbank) by calendar year ($bn)
Japanese firms continue to buy foreign firms despite policy uncertainty



Source: BofA Global Research, Bloomberg

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Basic BoP in 1H vs 2H, institutional vs retail investors

On Jul 8, Japan's MoF released BoP data for May and a preliminary portfolio investment report for Jun. Below are key takeaways:

Japan's basic BoP has been improving, but we look for a re-widening of deficit in 2H25.

Institutional investors were buyer of US Treasuries in May while retail investors have reduced investment in US equities since June.

JPY view

Two news have clearly tilted the balance of risk on yen assets over the past week, raising the risk we had highlighted (see: FX Watch: Yen's election risk 03 July 2025). First, early election polls have shown whether the LDP-Kometio coalition can maintain its majority in the Upper House election on Jul 20 is a closer call than the market had assumed. As we have noted, the LDP's loss would increase fiscal and political risk (see: Upper House election implications: Spotlight on fiscal risk 11 June 2025). Second, the US is set to increase tariffs on Japan to 25% on Aug 1 while tariffs on EU have not been raised. Increased tariffs would put political and economic pressure for more fiscal spending while it may make the BoJ more tolerant against a weaker JPY as an offset to higher tariffs (see also: Japan Watch: Back to 25% 08 July 2025).

We prefer USD/JPY (see: FX Alpha: Buy USD/JPY, close AUD/JPY long 20 June 2025) and EUR/JPY (see: Case for a higher EUR/JPY 22 April 2025). Non-commercial traders remain net long yen at CME. We are also bullish AUD/JPY after the RBA's surprise hold but wait for the press conference this afternoon. Australia does not face direct threat of US tariffs and accelerating Chinese growth remains supportive of AUD (see: RBA Preview: On hold amid uncertainty 03 July 2025).

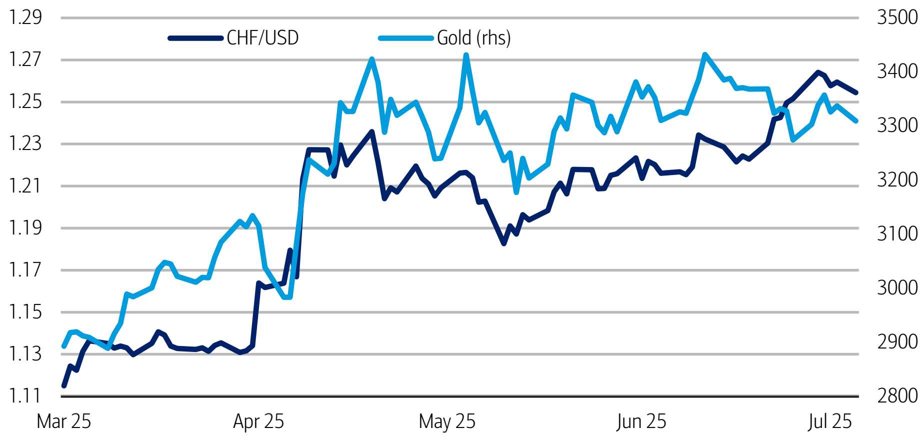
Why is CHF so strong?

Link to the full report: [Liquid Insight: Why is CHF so strong? 08 July 2025]

- ZIRP, verbal intervention have not stopped CHF performance in '25. Absence of G10 alternatives = CHF is the risk-off proxy
- G10 yield compression & limited SNB cuts put a floor under CHF. CHF vol prem elevated - structural? Gold correl firm
- Fiscal issues and curve steepening suggest CHF remains well supported vs likes of USD & JPY

Exhibit 9: CHF/USD vs Gold

Risk-off assets strongly correlated since "Liberation Day"



Source: BofA Global Research, Bloomberg

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The perennial problem for SNB

Another year, and the SNB finds itself fighting familiar forces of CHF strength and forcing the central bank to revert to zero interest rate policy (ZIRP) once again. For now, verbal intervention and the prospect of negative rates have done nothing to deter the market's appetite to own CHF which is the second-best performing currency YTD. The "go-to" explanation has been that CHF has been a risk-off proxy to the ebb and flow of geopolitical crosscurrents. This, however, fails to acknowledge the nuance and channels through which CHF is outperforming, particularly given that some of the broader measures of market volatility are pushing towards their respective recent lows. We discuss why we think CHF remains the outstanding G10 risk-off proxy. Key theme here is the idiosyncratic nature of those risks.

RBA review: gradual easing path

Link to the full report: Australia Watch: RBA review: gradual easing path 08 July 2025

- RBA held the cash rate target at 3.85% in line with our out-of-consensus forecast. 6-3 vote in favor of hold vs cut.
- Uncertain outlook and inflation risks suggest a gradual approach to easing. We still expect the next cut in August.
- Terminal-rate pricing shifted less than in past surprises. We are bullish AUD/USD and see scope for a move closer to 0.68.

Cash rate target held at 3.85%

The RBA Monetary Policy Board (MPB) held the cash rate target at 3.85% in line with our out-of-consensus forecast (see RBA preview). In the press conference, Governor Bullock said there was 'active debate' around a hold or cut, with the difference down to timing, not direction. This is consistent with our expectations for a gradual easing cycle and a 25bps cut in August.

6-3 vote to hold

The Board published unattributed votes for the first time, noting today's decision was made by a majority of 6 in favor to hold, 3 to cut. This follows an RBA Review recommendation to strengthen monetary policy transparency and accountability.

Gradual approach amid uncertainty

Today's meeting is consistent with the RBA adopting a cautious approach to confirming disinflationary progress and assessing any impact from global developments before adjusting policy. The statement noted economic conditions are evolving as expected and the MPB "could wait for a little more information to confirm that inflation remains on track to reach 2.5 per cent on a sustainable basis". The Governor once again reiterated the preference to focus on the quarterly CPI, rather than monthly CPI indicator, for gauging inflation pressure. Looking ahead, we expect further progress on disinflation will be confirmed with the 2Q CPI (July 30) ahead of the August 11-12 meeting.

FX/rates: AUD/USD looks cheap

The market reaction was surprisingly muted given the magnitude of the RBA's surprise. The track record of market reactions to rate surprises since 2022 suggests a terminal-rate repricing of 40-50bps yet terminal rate pricing is only about 10bps higher than before the meeting. This is likely because the vote split (6-3) and the Governor's emphasis that the decision to hold was about timing, not direction.

In our view, the FX market looks particularly mispriced. We were already bullish AUD/USD given the positive outlook for China growth and our forecast for USD/CNY to remain rangebound (7.10-7.30). Rate differentials are another tailwind and there is scope for AUD/USD to move closer to our year-end target (0.68).

EM Themes
TWD- Taiwan Lifer: The pain of May

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The following piece is an abridged version of Asia FI & FX Strategy Watch: Taiwan Lifer: The pain of May 08 July 2025.

The FSC's May-2025 data shows full extent of FX-loss

The release of the FSC's regulatory data for May-2025 shows the full extent of the FX-loss and mitigation strategies the life insurance sector is using to offset TWD appreciation. In May-2025 alone, the sector's pre-tax fell by a historic US$ 3.6bn. FX volatility reserves fell by US$ 7bn to help offset the FX-loss, resulting in the ending FX volatility reserves to stand at US$ 0.6bn, a decline from a recent peak of US$ 8.5bn in March-2025. The rapid decline in FX volatility reserves is likely to result in most of the sector being under the minimum regulatory threshold as set by the FSC. The depletion of the FX volatility reserves would result in additional decline in USDTWD to directly reflect in lower pre-tax profit and reduced buffer to absorb FX-losses.

Given the deterioration in the lifers' profitability, we expect more regulatory relief for the sector to help smooth out the large FX-losses sustained since March-2025. We outlined some of the ongoing regulatory relief and what we expect to come in this report: Takeaways from Taiwan lifers call: currency volatility and its impact.

Lifers' foreign asset fell by more 10% between Mar-May

On a balance sheet basis, between March and May 2025, the lifers' total FX assets fell by US$ 73bn, or more than a 10% decline. Undoubtedly, a large part of the decline in total FX asset reflects the FX-losses from the decline in USDTWD. However, with the sector's hedge ratio at around 65%, such a large decline in FX asset suggests the lifers are also beginning to net sell some FX-assets. Taiwan's United News Network reported on July 7 that the lifers sold NT$ 80bn (US$ 2.7bn) in foreign equities in May-2025 to help cover for the mounting FX-loss.

Lastly, we are observing a strong divergence between the strong net inflow to Taiwan and the muted reaction of USDTWD. This divergence suggests pushback against additional TWD strength. Moreover, the CBC is currently contemplating rules to make the pre-funding of TWD to facilitate the net purchase of Taiwanese equities stricter, further limiting the market's ability to sell USDTWD.

Despite reduced pressure on lifers to increase hedging tied to regulatory relief and the CBC making procurement of TWD more difficult, we continue to expect USDTWD to further decline in 2H25, led by Taiwan's strong export performance. We currently see downside risk to our year-end USDTWD forecast for 28.8.

The May-2025 FSC data provides a comprehensive overview for how the lifers are handling the historic FX-loss. The FSC's regulatory disclosures for the Taiwanese life insurance sector show the full extent of the FX-loss brought about by the 6.5% decline in USDTWD in May-2025.

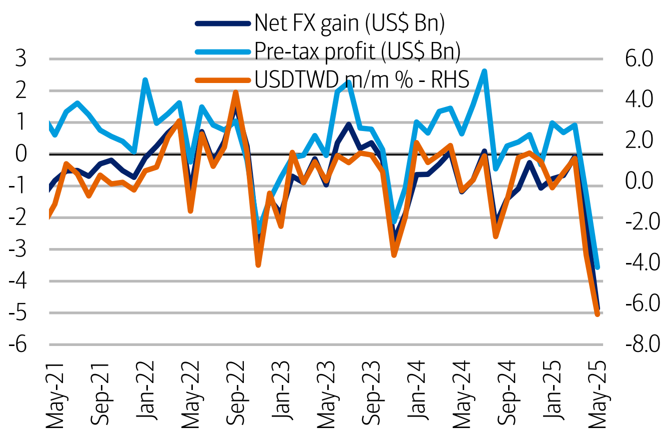
The FCS's comprehensive overview and data provides timely and helpful transparency for market participants to assess the impact of TWD appreciation. We think the data shown in May will likely result in some further regulatory adjustments to stabilize lifers' profitability given the current USDTWD dynamic.

FSC's sectoral data shows the level of FX volatility reserves for the sector. Although we had inkling of the extent of the impact the abrupt TWD appreciation had on the lifers' income statement from the individual company filings, the FSC data disclosed the extent the lifers used their FX volatility reserves to offset the historic FX-loss. Moreover, the disclosure of the official size of the FX volatility reserves shows how much additional buffer the lifers have remaining to offset upcoming FX-loss, should USDTWD continue to decline from current levels.

The decline of FX volatility reserves significantly moderated net FX-loss. Exhibit 10 shows, unsurprisingly, net FX-loss was the major driver for the decline of pre-tax profit in May-2025. Throughout the month and across the sector, the lifers' net FX-loss was US$ 4.9bn while pre-tax profit fell by US$ 3.6bn. **Exhibit 11** breaks down the net FX-loss into its individual components. Headline FX-loss was US$ 32bn but this was offset by a US$ 20.2bn gain from FX derivatives (because of FX-hedging), suggesting that the sector's hedge ratio was close to around 65%. Static carry cost rose to 0.9bn and FX volatility reserves fell by US$ 7bn to help offset the net FX-losses.

Exhibit 10: Net FX-gain, pre-tax profit and monthly change in USDTWD

Pre-tax profit for the lifers fell to US$ -3.6bn while net FX gains fell to US$ -4.9bn



Source: CEIC, Bloomberg

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Exhibit 11: Breakdown of net-FX gains for Taiwan lifers (US$ Bn)

Net-FX gains in May was heavily supported by the decline in FX volatility reserves

	Headline FX gains and loss	Gains on derivatives	Explicit Carry Cost	Change in FX volatility reserves	Net FX gains
May-25	-31.2	20.2	-0.9	7.0	-4.9
Apr-25	-16.0	10.9	-0.7	3.7	-2.1
Mar-25	5.0	-2.9	-0.7	-1.5	-0.1
Feb-25	1.8	-1.5	-0.7	-0.3	-0.7
Jan-25	-1.1	1.4	-0.8	-0.2	-0.8
Dec-24	4.0	-4.2	-0.9	0.0	-1.1
Nov-24	5.8	-4.2	-0.9	-0.9	-0.3
Oct-24	4.8	-5.0	-1.0	0.1	-1.1
Sep-24	-3.9	3.0	-1.0	0.5	-1.4
Aug-24	-12.1	9.2	-1.0	1.7	-2.2
Jul-24	5.2	-2.9	-0.9	-1.2	0.1
Jun-24	0.4	-0.3	-0.9	0.0	-0.8
May-24	-1.5	0.8	-1.0	0.5	-1.2

Source: CEIC, Bloomberg

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FX volatility reserves for most lifers are likely below the regulatory minimum. The ending value of FX volatility reserves by the end of May-2025 stood at US$ 0.6bn. This shows, across the sector, FX volatility reserves for most of the lifers are likely below the FSC's minimum threshold. Given deterioration in profitability for the sector and the FSC's current regulatory stance, it seems unlikely the FSC will require the sector to replenish this account through the raising of capital during a time of mounting FX-loss.

IDR- Catching up on valuation

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The following piece is an abridged version of Emerging Insight: Indonesia Strategy – Catching up on valuation 07 July 2025.

IDR – attractive valuation on NEER basis

IDR's NEER index has declined sharply this year likely due to a) IDR's sensitivity to Fed policy rate and US yield curve pricing, along with b) higher market volatility and risk aversion leading to equity outflows, while c) market focused more on high USD beta currencies with large external assets or CA surplus which results in immediate hedging needs or d) those benefitting more from potential trade deals. We believe conditions are ripe for IDR to catch up to peers as a) USD downtrend becomes entrenched which would reduce USD hoarding and improve conversion on export proceeds, b) while allowing BI to ease policy to stimulate growth and c) continue to attract debt portfolio inflows.

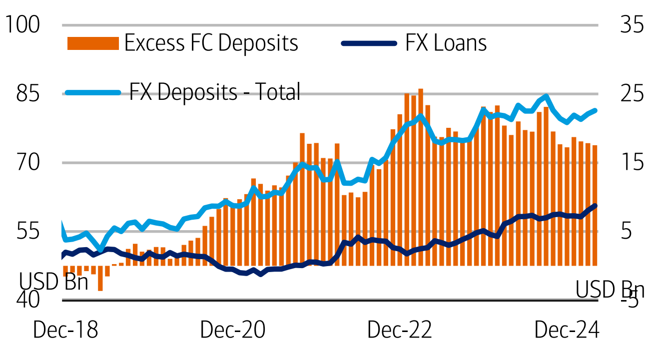
With FX Deposit conversion tailwind

Indonesia's BoP has been broadly in surplus over the last few years with only a small CA deficit which was well covered by net FDI inflows. BI's policy changes on export deposits (ongoing this year) also fixed the repatriation issue, likely resulting in incremental deposits and reportedly improved conversion. Even with these policy changes, the effective BoP remained in deficit and kept IDR under pressure. That looks set to change with improving conversion and tailwind from previously accumulatd excess FX deposits compared to loans (see Exhibit 12).

BI recouping reserves but not a near-term concern

On the flip side, there are some concerns around need for BI to re-build the reserves buffer and reduce the size of short-forward USD positions. We estimate that BI may have indeed recouped a small part, around USD 3Bn, in May (adjusted for valuation, government issuance, term deposits and forwards) out of almost USD 15Bn lost earlier while trying to contain IDR volatility. As a result, spot FX reserves still declined by USD 3.2Bn this year while net reserves have been broadly stable, despite positive valuation effect from USD weakness and higher gold. While building higher reserves buffer would be prudent policy against future volatility, we see it as a very slow process without disrupting potential for IDR NEER to appreciate or putting any line-in-the-sand.

Exhibit 12: FX deposits still elevated after a drawdown in 2H24
Total FX deposits and loans (lhs) and excess FX deposits net of reserve requirement (rhs)



Source: BofA Global Research, Bloomberg

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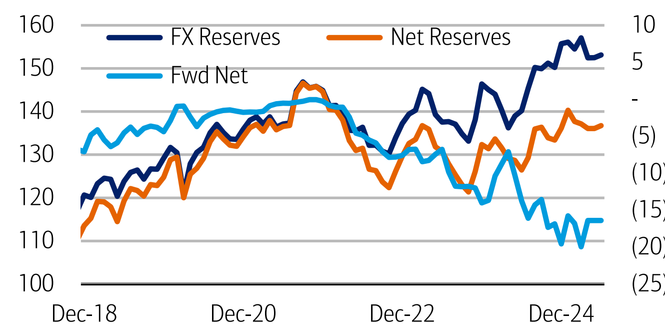
Exhibit 13: BI's FX reserves slightly up after adjusting for forwards
BI's FX reserves on spot and net reserves (USD Bn, lhs) adjusted for forward (Fwd Net) positions (USD Bn, rhs)



Source: BofA Global Research, Bloomberg

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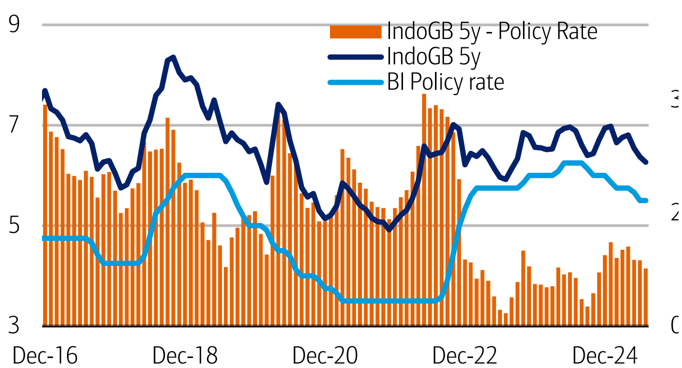
Bonds – Easing supports front-end; curve to stay steep

We expect front-end Indonesia bonds to continue to be well-supported by a) expectations of further monetary easing as IDR appreciates further vs USD, along with b) liquidity injections including through reduction in outstanding SRBI to around IDR 818Tn now (vs peak IDR 969Tn) and c) strong backstop via BI secondary market purchases that lower net issuance to the market.

Yield curve has steepened but we think there is room for bull-steepening as a) it still appears relatively flat vs history, considering the stage of monetary easing cycle (see Exhibit 15) and b) longer-term fiscal premium reducing scope for long-end yields to rally. Fiscal trends appear positive for this year due to spending constraints but higher willingness to utilize fiscal space would result in some term-premium in the curve.

Exhibit 14: Front-end spread historically tight but much less so compared to last 3 years. Further easing to open room for rally.
IngoGB 5y, BI policy rate (%, lhs) and spread (%, rhs)



Source: BofA Global Research, Bloomberg

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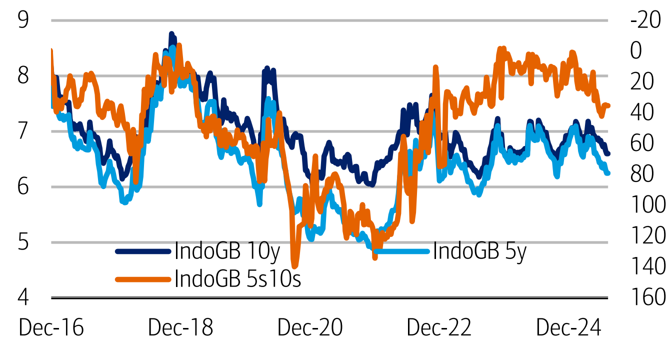
Exhibit 15: Curve less steep compared to yields level and easing cycle
IndoGB 5y and 10y yields (%, lhs) and 5s10s spread (bps, inverted, rhs)



Source: BofA Global Research, Bloomberg

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Despite wider budget deficit target…

Combination of wider deficit target and upsized auction stalled IndoGB rally despite record-breaking demand in the auction. More detail can be found in our economist's note (see Revised Budget 2025: Conservative projections 02 July 2025). Compared to the quantum of increase, IndoGBs impact was still muted, as a) the Finance Minister had flagged possibility of a wider deficit last week and b) IDR 46Tn increase deficit is more than offset by cash drawdown of IDR 86Tn, making up for other below-the-line outlays.

… near-term fiscal risks to bonds remain low

The announcement appears consistent with our assessment for a steeper IndoGB curve (see ASEAN Strategy 04 June 2025) as near-term fiscal risks appear low due to a) potential spending shortfall leading to under-shooting of deficit target, along with b) cash buffer drawdown to contain issuance and c) BI's commitment to refinance burden-sharing bonds. However, wider deficit projection highlights government's a) priorities on stimulating growth with b) greater willingness to utilize fiscal space and extend deficit closer to 3% cap, which argues for higher term-premium.

Given the downside risks to deficit target this year and a projection for consolidation back to 2.48-2.53% in 2026, the former theme would continue to support bonds in the near-term. Secondly, even with the cash drawdown, the government would have IDR 371Tn remaining at end-2025, well-above the usual IDR 150-200Tn needed historically for operational purposes.

ZAR - US tariffs Impact

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The following piece is an abridged version of Emerging Insight: South Africa: US tariffs on SA could prompt faster shift to Global South 08 July 2025.

Impact of US tariffs on South Africa

US-SA trade: commodities, autos and agriculture exports

The US has imposed a 30% trade tariff on South African products exported to the US. The reasons cited are persistent trade deficits, tariffs and non-tariff barriers. South Africa exports about $8.4 billion to the US, which represents about 7.7% of its total exports. These exports are dominated by precious metals, motor vehicles, iron and steel, chemical products, and mineral products, among others. Factually, South Africa's trade balance with the US is insignificant and not structurally in South Africa's favour. The 2024 trade surplus is less than 0.5% of South Africa's $420 billion economy.

SA unlikely to reciprocate, rather to pursue trade deals.

In our baseline, we don't expect the South African authorities to initiate reciprocal tariffs. Rather, we believe they are likely to pursue dialogue to overturn the tariffs. South Africa was already pursuing diplomatic discussions on improving US-SA relations following President Ramaphosa's visit to the Oval Office in May 2025. We think that South Africa is too important to be isolated as a key partner in Africa that has led peace efforts across the region. It has a naval base in Simonstown, Western Cape, which is important for global trade and gives access to the South Atlantic.

BRICS net trade deficit is dominated by China.

South Africa joined BRICS in 2010 – four years after its formation. Since then, its trade patterns have not shifted meaningfully with member countries. Exports as a share of total SA exports remains around 16%, while the share of imports has increased to 30% from 20% in 2010. While South Africa has expanded exports to all BRICS, imports have grown faster. It continues to be a net importer, running trade deficits against all four founding members. More than half of BRICS trade is China alone. India is the next largest trade partner, while Brazil and Russia are relatively small. The rise in trade with China precedes the formation of BRICS.

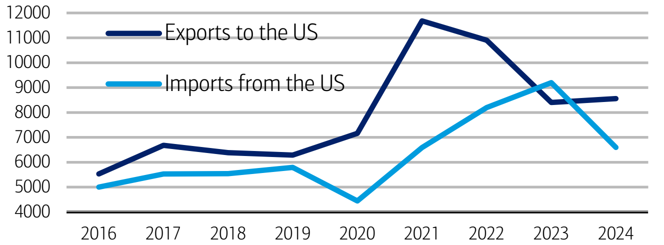
SA-China trade: mineral exports in exchange for machines

In 2023, South Africa had around an $11 billion trade deficit with China. More than half of South Africa's exports are mineral products (ores, copper, iron, and steel), which drive the resource-seeking narrative. It exports goods worth about $12.4 billion to China, up from a low of $7 billion in 2016. In exchange, South Africa's imports from China are dominated by machines and totalled about $22 billion in 2023, up from a low of $14 billion in 2016 and in 2020 (due to the pandemic).

BRICS bank – a new source of financing for SA

SA has benefitted from loans from the BRICS bank as a new source of concessional financing. In June 2024, 18% of the New Development Bank's (NDB) $32.5 billion loan book was exposed to South Africa. Loans have been granted directly to the National Treasury as well as to state-owned Transnet.

Exhibit 16: South Africa exports and imports to the US (USD mil)
Spikes in 2021 and 2022 were driven by higher commodity prices



Source: IMF Direction of Trade Statistics

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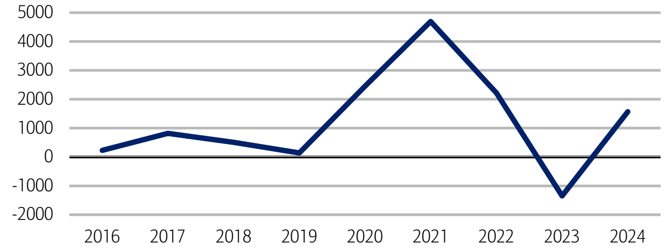
Exhibit 17: South Africa trade balance with the US (USD mil)
Trade surplus is small with only a spike in 2021-22



Source: IMF Direction of Trade Statistics

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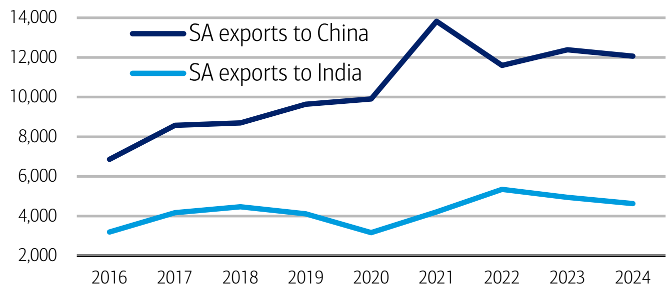
Exhibit 18: South Africa exports to China and India (USD mil)
Exports to China on a rising trend and the biggest winner



Source: IMF Direction of Trade Statistics

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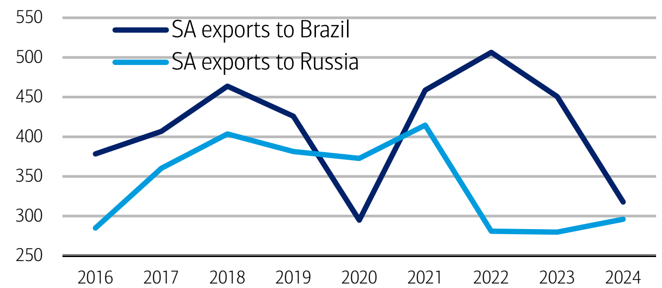
Exhibit 19: South Africa exports to Brazil and Russia (USD mil)
Exports to both countries remain generally low



Source: IMF Direction of Trade Statistics

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Exhibit 20: South Africa exports to the US (ZAR)
Vehicle exports to the US in 2025 are running lower than usual, reflecting redirecting of exports to other destinations

Section Description	2023 Exports to the USA	2024 Exports to the USA	2025 Jan-May exports to the USA
Live animals	R 1,055,914,390	R 898,210,573	R 411,054,234
Vegetables	R 4,486,288,753	R 4,935,497,523	R 1,674,074,187
Animal or vegetable fats	R 94,285,460	R 183,330,670	R 7,759,003
Prepared foodstuffs	R 4,054,213,485	R 4,245,920,624	R 1,788,987,763
Mineral Products	R 9,001,975,976	R 10,254,936,049	R 4,855,134,203
Chemicals	R 12,505,949,720	R 10,070,200,507	R 3,925,320,457
Plastics & Rubber	R 1,816,085,938	R 1,091,053,397	R 535,715,908
Raw hides & leather	R 332,207,131	R 403,504,797	R 127,129,786
Wood Products	R 209,706,526	R 232,521,431	R 83,557,589
Wood pulp & paper	R 502,691,049	R 683,614,612	R 311,293,181
Textiles	R 568,642,529	R 522,671,512	R 177,382,168
Footwear	R 83,495,199	R 120,976,463	R 50,477,269
Stone & Glass	R 640,309,636	R 629,404,829	R 234,944,623
Precious Metal	*R 56,411,646,926*	R 55,023,416,391	R 19,200,997,556
Products Iron & Steel	R 24,082,683,144	R 21,675,186,022	R 9,378,180,805
Machinery	R 11,665,868,226	R 9,040,464,584	R 3,221,423,798
Vehicles aircraft & vessels	R 27,653,814,855	R 34,765,177,922	R 9,794,402,155
Photographic & medical equipment	R 910,727,330	R 771,986,187	R 313,754,829
Toys & Sport apparel	R 363,429,765	R 281,027,135	R 118,839,202
Works of art	R 693,993,811	R 689,383,490	R 284,757,611
Other unclassified goods	R 212,358,619	R 240,518,714	R 134,764,391
Equipment Components	R 879,972	R 134,418	R 1,111,946
Total exports to the US (ZAR)	**R 157,347,168,440**	**R 156,759,137,850**	**R 56,631,062,664**
Total South Africa exports.	**R 2,073,612,032,059**	**R 2,040,313,553,340**	**R 822,920,641,233**
US Share of total SA exports	**7.6%**	**7.7%**	**6.9%**

Source: South Africa Revenue Service data, BofA Global Research

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RON - EU anchor at play, fiscal on track

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The following piece is an abridged version of Romania Viewpoint: EU anchor at play: fiscal back on track, recovery funds on the horizon 09 July 2025.

Bold plan as EU brings discipline…

The comprehensive fiscal package announced by the Bolojan government has likely addressed concerns from investors and rating agencies, putting Romania back on track towards a 6% deficit in 2026 and significantly reducing downgrade risks in 2025. The total impact of the measures agreed with the European Commission has been put at 1.23% of GDP in 2025 and 3.75% in 2026, with a roughly balanced split for revenues and expenditures. The plan is still to be legislated fully and so some details may still change. There are risks to execution given the large consolidation efforts envisaged. But overall, we view positively the government's determination to converge to the EU's consolidation requirements.

The package is being legislated via a fast-tracked process called the "assumption of responsibility", bypassing parliamentary debates. The procedure was initiated on Monday 7 July for the first part of the package of c.3% of GDP. This potentially exposes the government to a vote of no confidence, but allows bills to enter force within three days if a no-confidence motion is not passed. The approval of the second part/rest of the package is expected in the fall. If the measures are implemented fully, we would expect the budget deficit to be slightly above 8% of GDP in 2025, and above 6% in 2026 based on our model.

The key measures on the revenue side include several tax hikes from 1 August 2025: VAT increases to bring 1% of GDP annually, excise duties 0.25% of GDP, and the healthcare contribution for high pensions 0.2%. Meanwhile, savings on the expenditure side come mostly from one-off measures: cuts in public investment (0.5% of GDP in 2025) and the freeze of pensions and public wages (0.9% of GDP in 2026).

… with financial incentives: next RRF grant of EUR3bn

As the fiscal plan is designed in agreement with the EU to include tax reform targets, it will likely open the door for the relatively smooth disbursement of the next tranche of recovery funds, in our view. The next payment is likely to be EUR3bn in grants, probably by early 2026. This would be substantially higher than the previous disbursement schedule for the fourth tranche (EUR1bn in grant and EUR1.5bn in loans), as the EU is trying to help accelerate grant absorption ahead of the end-2026 deadline for the RRF. Romania still has c.EUR7bn in grants and c.EUR11bn in loans in the recovery programme.

Ratings downgrade risks reduced this year

The large consolidation plan endorsed by the EU, and the prospects of large recovery funds inflows, should support Romania's credit ratings assessment. This strengthens the case for our expectation of no downgrades this year after the presidential elections. Downgrade risks are not completely removed, however, as the execution of tough measures will be challenging. This could be triggered by large public protests, and/or GDP downside that might undermine the delivery of the estimated fiscal impact. Still, we think rating agencies could stick to 'wait-and-see' mode in the coming quarters to assess developments.

GDP down, CPI up = NBR on hold in 2025

Large negative GDP impact, EU funds to provide some cushion

If the plan gets legislated fully, GDP growth could probably trend at below 0.5% in 2025 and 1.5% in 2026. Assuming a fiscal multiplier of 0.5, the negative impact on GDP based on the size agreed with the EU could be 0.6pp in 2025 and 1.8pp in 2026. Our current forecast of 0.9% GDP growth in 2025 does not include expectations of a major fiscal tightening in the rest of this year. Our 2026 number of 1.7% already assumes some negative impact from budget consolidation, but the larger-than-expected efforts would mean downside risks to our forecasts.

CPI upside to hold NBR back – cuts not likely until 2026

Meanwhile, inflation is subject to a major upside due to VAT and excise duty hikes from 1 August 2025. FinMin puts the impact at 1.5-1.8pp, but the upside may be larger we think. We think inflation would trend around 7.5-8% at year-end from 5.5% currently.

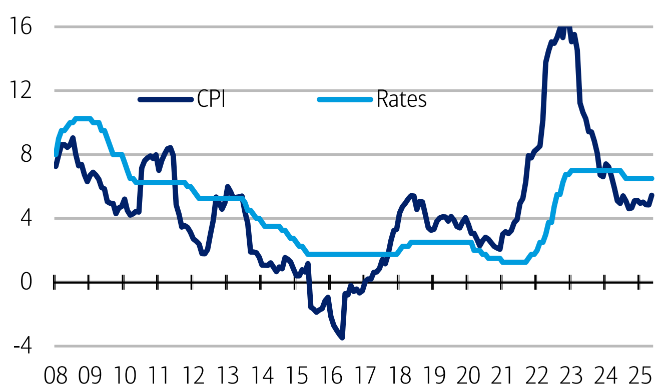
The NBR's track record of cautious approach suggests that rate cuts may not come until 1Q 2026, at the earliest. In the past fiscal crisis, when VAT was hiked by 5pp in 2010, monetary easing did not happen until more than a year later, despite a much deeper recession (Exhibit 21). This means there is a risk of a longer wait by the NBR well into next year. But we think an earlier move is possible this time, once the fiscal package goes through, as Romania's vulnerability would be much reduced vs the global financial crisis, likely implying that a lower real rates risk premium is required (Exhibit 22). Once the easing cycle starts, the better risk sentiment towards Romania (thanks to forceful fiscal measures) and the weak GDP backdrop could allow the policy rate to fall from 6.50% to 4.50% by YE2026.

Stable RON likely preferred policy choice for now

The NBR will likely want to maintain RON stability in 2025 in the range of 5.05-5.10 vs the EUR, in our view. There is likely limited appetite to devalue the currency this year so as not to exacerbate the inflation upside, following the indirect tax hikes from August. At the same time, in case of large inflows relating to fiscal optimism, the NBR may take the opportunity to offset any appreciation pressures to rebuild FX reserves after substantial losses from May FX intervention.

Exhibit 21: 2010 experience of VAT hike suggests NBR waited a long time before cutting

Romania inflation vs policy rate



Source: Haver, BofA Global Research

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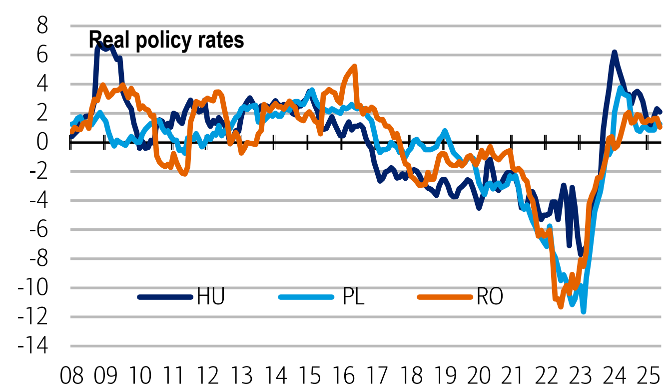
Exhibit 22: Romania's real rates premium may be lower vs last decade

Real policy rates in Romania and regional peers



Source: Haver, BofA Global Research

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Quant & Vol Insights

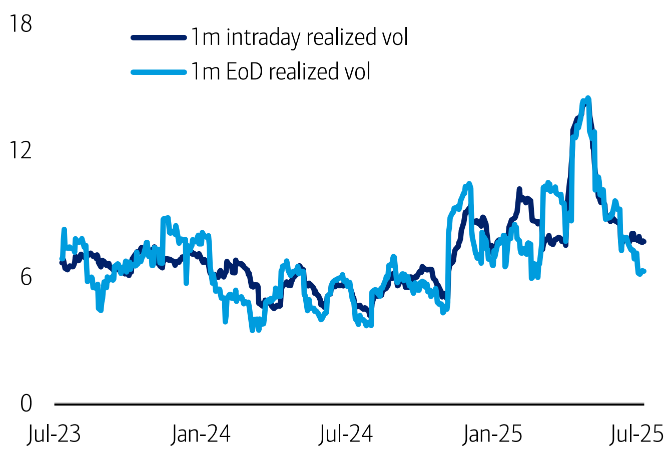
1m EURUSD high-frequency vs EoD realized vols have diverged

The 1m EURUSD realized vol calculated using daily vs hourly spot prices have sharply diverged over the past week (Exhibit 23). The high frequency realized vol is sustaining on a mid-7 handle, while the daily realized vol has dropped to 6.3. Tariff letters and political headlines have kept intraday spot volatility sustained. However, the daily realized vol has sharply fell on lack of spot trend breakthroughs after resilient US labor data.

Over the past two years, the high frequency realized vol would see a median decline of 1 vol over the subsequent month after similar divergences. Daily EoD realized vol rising to converge toward the high frequency realized vol was rare and only occurred in the aftermath of "Liberation Day".

Exhibit 23: 1m EURUSD EoD realized vol is now 1.5pp below 1m realized vol calculated using intraday spot prices

1m EURUSD realized vol calculated using intraday hourly spot prices vs end-of-day daily spot prices



Source: BofA Global Research, Bloomberg. The intraday realized vol is computed using 48 daily observations while the EoD realized vol is computed using daily New York close prices.

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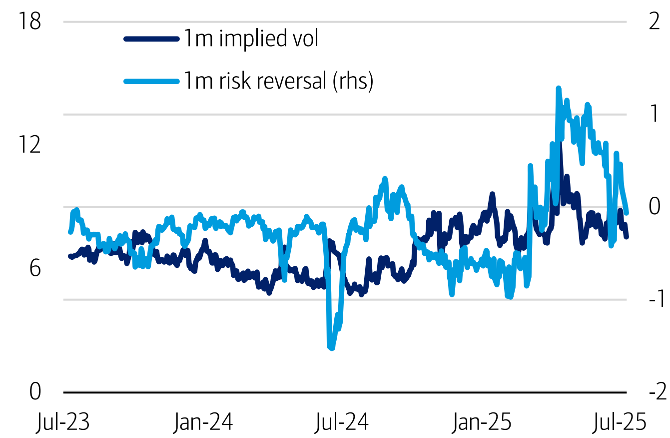
Exhibit 24: 1m EURUSD implied vol is now at bottom of year-to-date range with 1m risk reversal flipping back to negative

1m EURUSD vol and risk reversal



Source: BofA Global Research, Bloomberg

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Range-bound short-term EURUSD outlook favors short gamma in the summer

While the high frequency realized vol is likely to fall, the 1m implied vol tends to stay unchanged over the next month when the high frequency and daily realized vols diverge at this magnitude. Current level of 1m implied vol is also already trading close to the low-end of its year-to-date range (Exhibit 24). These observations would advocate for a short gamma stance in EURUSD over the next month. We have flagged the EURUSD uptrend reversal signal in our quant framework earlier in this week (FX Quant Insight, 07 July 2025). The 1m option skew also flipped back to negative (Exhibit 24). EURUSD spot uptrend becoming neutral would provide additional support for the short gamma view.

Technical Strategy

Link to the full report: Technical Advantage: A blind date 07 July 2025

View: A blind date

Last week the US U-rate declined to 4.1% as the US labor market maintained its stature within the revised one-year range of 4.0-4.2%. Technical reaction to the still stable US labor market pushed US yields and equities higher and supported the DXY. However market narratives are moving quickly past this data and onto implications from the passage of the so-called Big Beautiful Bill and (blind) tariff end dates. In this report we update/recap macro trends on US 30Y yield, DXY, SPX and Platinum.

US 30Y Yield: Upside breakout & MACD imply upside risks

The daily chart depicts an upside breakout from a wedge pattern and the MACD indicator crossing up. Both suggest a move higher in yield this July to +/- 5.08% with upside risk due to higher highs and higher lows since the April low at 4.30%.

DXY: Secular trend line support held, oversold, bounce?

The DXY found support after the July 3 payrolls report. A long-term trend line since 2011 has been tested and so far held at about 96.40. The YTD decline in the DXY is oversold for the second time this year, but to a lesser extent, which is forming a bullish divergence. The out-of-consensus signal occurred at the bottoms in 2024, 2020, 2018 and 2014 and suggests there is risk of summer bounce to 100.60.

SPX: Summer rally underway, stretched, buy the dip

In line with our view, a summer rally is underway as 2025 rhymes with 2018. Our target of 6,266 has been reached with 6,500 / 6,569 possible. The trend is up according to many indicators, breadth and momentum. However daily chart momentum (RSI) is stretched. Buy the dip (if offered) for a trend that may resume this summer into the 6,500s. We remain mindful of patterns rhyming with 2018 which includes a meaningful mean reversion by YE25.

Platinum: Bullish targets reached, upside bias remains

Ending May we called for platinum to rally into the 1300s, which has occurred. We still think there is medium-term upside. A wave C target implies upside to about $1,621. A more impulsive setup suggests a rally near $2,000 is possible. It is clear the uptrend is stretched by many measures, however net non-commercial future positioning makes it look under-owned. We consider adding to longs on a dip to +/- 1,250.

Out of office summer trends

We compare average and median trends in Q3, get granular within Q3 periods and expand coverage with asset class matrices. **NDX**: It's a techie summer and a front-loaded July. **USD**: Q3 supported vs MXN, BRL, COP and in August vs GBP, AUD and KRW, too. **Rates** find a summer bid (lower yields) in 1H-Q3, but in last ten years the 2H-Q3 reverses. **Copper** and **oil** see July fireworks. For more, please see: Seasonality Advantage: Out of office summer trends 29 June 2025.

Trade Recommendations G10

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Exhibit 25: Open trades G10
Current G10 FX trade recommendations. Prices as of 9-Jul-2025

Trade Description	Open Date	Entry Price	Expiry Date	Current Price	Rationale	Risks
Buy 6m EUR/GBP put spread	1-Jul-25	0.52% EUR (spot ref 0.8575, strikes 0.8530/0.8350)	31-Dec-25	0.4489% EUR	Bullish GBP seasonality in July, long-term valuation, stronger UK macro data vs EU.	Renewed geo-political risks, or positive timeline on European fiscal/defense implementation.
Buy USD/JPY	19-Jun-25	145.25 (target 152, stop-loss 142)		146.44	Hedge oil supply shock and bearish JPY fiscal risk into Japan Upper House election in July.	Escalation of US tariffs trigger global risk-off.
Buy 1y USD/CAD RKO put	13-May-25	0.33% USD (1.36-strike with 1.30 RKO barrier, spot ref 1.3997, vol ref 5.915)	13-May-26	0.4000% USD	Position for a grind lower in USD this year and use historically low 1y skew to cheapen premium.	North America recession leading to surge in demand for USD.
Buy 1y EUR/JPY call	25-Mar-25	1.41% EUR (172-strike, spot ref 162.70)	25-Mar-26	2.43% EUR	EUR/JPY should benefit from structural outflows from Japan, investor demand for EUR bonds, and Europe's fiscal expansion.	US trade/tariffs policy become bearish for the EUR.
Buy 6m EUR/CHF ratio call spread	5-Mar-25	0.53% EUR (spot ref 0.9550, buy 1 unit 0.9450 strike call; short 2 units of 0.97 strike call	4-Sep-25	0.1728% EUR	Bullish EUR fiscal policies, widening rate differential and capital flow into EUR assets are bullish EUR/CHF.	Increased global volatility on risk-off shock, or EUR rallies sharply beyond the upper breakeven level of the ratio call spread.

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Source: BofA Global Research. See reports for each trade under trade description.

Exhibit 26: G10 FX Closed trades
Recently closed trades in G10 FX.

Trade Description	Entry date	Entry Level	Target	Stop	Close date	Level closed
Buy EUR/USD	22-Apr-25	raised stop to 1.12 with spot ref 1.1503 target 1.19	1.19	1.12	19-Jun-25	1.1466
Buy AUD/JPY	28-May-25	92.80	100	89.50	19-Jun-25	94.18
Buy 3m AUD/NZD call seagull	17-Apr-25	initially receive 0.3% AUD, long 3m call spread, strikes at 1.08 and 1.10, vol refs 5.59/5.7; short 1.06-strike put, vol ref 5.725, spot ref 1.0715)			9-May-25	0.7045% AUD (spot ref 1.0863)
Short CAD/MXN	11-Mar-25	6m fwd 14.5166 (spot ref 14.0467)	13.00	14.50	13-May-25	6m fwd 14.1360 (spot ref 13.9134)
Buy 3m EUR/SEK call	11-Feb-25	0.57% EUR (strike ref 11.40, spot ref 11.2709, vol ref 5.1)			9-May-25	Option expired OTM (spot ref 10.9294)
Buy 1m EUR/GBP put	1-Apr-25	18 pip GBP (strike price 0.83, spot ref 0.8365)			1-May-25	Option expired OTM (spot ref 0.8498)
Buy EUR/USD	10-Apr-25	1.1061	1.15	1.0750	22-Apr-25	Raised stop to 1.12 (spot ref 1.1503)
Buy 3m USD/CHF call spread	14-Jan-25	0.6466% USD (spot ref 0.9167, strike refs 0.92/0.9450)			14-Apr-2025	Option expired OTM (spot ref 0.8149)
Buy 6m EUR/USD ratio call spread	5-Mar-25	1.01% EUR (spot ref 1.0696, buy 1 unit 1.08-strike call; short 2 units of 1.13-strike call.)			8-Apr-2024	1.18% EUR (spot ref 1.0946)
Buy AUD/CNH	3-Apr-25	4.5835	4.89	4.44	7-Apr-2025	4.44
Buy EUR/USD 2w put spread	19-Mar-25	31.5 pip	1.075	1.085	27-Mar-25	60 pip
Short AUD/CAD	16-Jan-25	0.8933	0.86	0.91	12-Mar-25	0.91
Buy NOK/SEK	1-Feb-24	0.9949	1.0240	0.9480	5-Mar-25	0.9352
Buy 6m EURJPY ERKO put	22-Nov-24	0.7425% EUR (spot ref 160.65, strike ref 158.75, down/out European barrier at 150.00)			7-Feb-25	0.96% EUR (spot ref 157.79)
Short EUR/GBP via 3m seagull	24-Jan-25	Rec 0.3052% EUR (buy 0.83/0.82-strike put spread funded by short 0.86-strike call, spot ref 0.8445)			3-Feb-25	0.3191% EUR (spot ref 0.8299)
6m AUDUSD digi risk reversal	22-Nov-24	Rec 5.2% AUD (spot ref 0.6502, long put costs 21.03% vs short call receives 26.24%, atm vol 9.97			09-Jan-25	37% AUD
Buy 3m GBP/CHF ratio call spread	6-Nov-24	0.7175% GBP (1x2 notional, strike refs 1.1162 and 1.1450, spot ref 1.1284, vol refs 7.36 and 6.25)			17-Dec-24	1.0364% GBP
Buy AUD/KRW	18-Nov-24	909	930	875	4-Dec-24	933
Buy 3m 11.65/11.40 EUR/NOK put spread	9-Aug-24	0.70% EUR (spot ref 11.8054, vol refs 9.01% and 8.33%)			11-Nov-24	Option expired OTM (spot ref 11.7544)
Buy AUD/NZD	28-Aug-24	1.0877	1.13	1.07	28-Oct-24	1.1054
Buy 4m EURUSD put spread	10-Oct-24	0.3658% EUR (spot ref 1.0933, vol refs 6.518 and 6.610)			23-Oct-24	0.56% EUR (spot reference 1.0769, vol references 7.115 and 7.149)
Buy 6m ATMF EURUSD straddle	8-Apr-2024	3.3558% EUR (spot ref 1.0804, strike ref 1.0880, vol ref 6.019)			7-Oct-24	Straddle expired OTM (spot ref 1.0980)
Buy 6m 0.96538 EUR/CHF call	3-Apr-24	1.4382% EUR (spot ref 0.97737, vol ref 5.186%)			2-Oct-24	Option expired OTM (spot ref 0.9385)

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Source: BofA Global Research

Trade Recommendations EM

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Exhibit 27: Open trades
EM Alpha Trade Recommendations

FX	Entry date	Entry level	Current level	Target	Stop	Notional	Rationale/ Time horizon	Risks
Long INR vs PHP	13-May-25	1.5275	1.52	148	155	10	Improvement in risk-sentiment would support further portfolio inflows into India.	Equity market risk-off which could have a larger impact on India.
Long USD/BRL	5/8/2025	5.68	5.57	5.00	6.00	10	The real is 20% undervalued in real terms, representing the largest valuation gap among Latin American currencies.	Government pushing for more fiscal stimulus or a deepening global risk-off scenario.
Buy CLP/COP	8-May-25	4.51	4.22	5.00	4.30	10	Take advantage of a potential monetary, fiscal, and policy divergence between Chile and Colombia.	Lower copper or higher oil prices
Sell USD/ARS 3M NDFs	23-Apr-25	1202	spot 1255	1000	1400	10	Tight fiscal and monetary policy to induce FX appreciation. Money demand increases and positive trade balance seasonality.	higher inflation, external deficits, a stronger US dollar and dollar purchases by the CB or treasury.
Short SGD NEER	11-Apr-25	0.72%	0.72%	0.1%	1.3%	10	Re-engage short SGD NEER as levels look attractive again ahead of potential slope flattening in MAS meeting.	Unwinding of short SNEER positioning if either risk sentiment improves.
3M USD/CNH call spread	10-Apr-25	7.3390	spot 7.1815	7.50/7.70	-	10	We limit exposure to USD sell-off with call spread as US asset volatility and weakness in bonds/equities increases.	Risk of a greater 5% CNY depreciation remains.
Indonesia – Pay IDR points	25-Mar-25	59.5	spot 16225	85	40	10	We recommend paying IDR NDF points to hedge against further IDR weakness which may prompt stronger defense from BI.	USD weakness, unwinding of IDR hedges linked to SRBI or faster rate-cuts in Indonesia.
Long TRY vs EUR and USD via 3m forward	16-Jan-25	39.26	spot 40.04	37.3	40.44	10	TRY should appreciate in real terms driven by positive real rates, disinflation and tight monetary stance. The carry for the trade is very attractive.	Much stronger broader USD
Buy USDHKD 12-month outright	26-Nov-24	7.746	spot 7.85	7.783	7.72	10	Current interest rate differentials are pricing for 12-month USDHKD outright be below the strong-side of the USDHKD band at 7.75.	further decline in global risk and liquidation of risk-on positions.
Buy 6M USD/SGD 1.45 instant one-touch	22-Nov-24	11.50%	spot 1.2796	50%	0	10	Hedge against deeper Asia FX weakness due to trade tensions. Risk of MAS easing.	US-China negotiations reducing trade tensions
Short CNH, long basket	17-Nov-23	100	-	94	102	10	We expect CNH to underperform peers as PBOC will lean-in against appreciation in an effort to keep monetary conditions loose. Basket earns 8bps 3M carry	The risk to the trade is a large fiscal policy stimulus and economic recovery, ending the need for loose monetary policy and CNY appreciates aggressively in 6months.

Source: BofA Global Research. Spot values as of July 10 2025. Bid/offer spreads accounted for in initiation and closing levels. Does not reflect tax withholdings or any investment advisory fees. Past performance is no guarantee of future results. A complete performance record is available on request. Inception date – July 4, 2016 Initiation and closing prices are priced as of trade publication.

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Exhibit 28: Closed trades

EM Alpha Trade Recommendations

Trade description	Entry date	Entry Level	Target	Stop	Notional	Close date	Level closed
Buy EUR/MXN	21-May-25	21.72	24	20.5	10	6/24/2025	21.72
Sell USDNGN 3M NDF	07-May-24	1384	1285	1700	10	6/18/2025	13.91
Short USDZAR	6-Mar-25	18.34	17.90	20	10	5/28/2025	13.91
Sell 6m USDEGP NDF	21-Jan-25	53.8	51.10	55.4	10	5/28/2025	13.91
Short CAD/MXN	3/11/2025	14.05	13.00	14.88	10	5/13/2025	13.91
Long BRL/COP	3/6/2025	754	900	650	10	5/8/2025	752
Buy 15/05/2025 T-bill in Pakistan FX-unhedged	21-Nov-24	USDPKR: 277.9; T-bill price: 94	3.78	hold to maturity	USDPKR at 283.5	4/30/2025	99.57
Buy USD/PEN	20-Feb-25	3.6894	3.78	3.55	10	4/10/2025	3.72
short CNH 6M forward	14-Nov-25	7.19	7.45	7.1	10	4/9/2025	7.36
Long THB vs USD	6-Mar-25	33.66	32.5	34.5	10	4/9/2025	34.5
Short SGD NEER	22-Jan-25	0.97	0.3	1.5	10	4/9/2025	0.2
Short SGD NEER; Long dual digital EUR>1.095, SGD>1.335	17-Mar-25	Eurusd: 1.0880 usdsgd: 1.3340	EURUSD>1.0950, USD/SGD>1.3350	-	10	4/7/2025	19.9
Sell PEN/CLP	30-Jan-25	266.91	240.00	280.00	10	3/31/2025	258
Long INR 1m fwd vs USD	6-Mar-25	87.27	86	88.0	10	3/24/2025	86
Short PLNHUF	11-Feb-25	96.64	91.8	99.54	10	3/20/2025	95.32
Long USDTWD 6-month NDF outright	12-Feb-25	32.57	33.37	32.08	10	3/12/2025	32.6
Short PHPUSD	8-Jan-25	58.36	59.5	57.5	10	3/6/2025	57.29
Short CNH/INR 3M outright	22-Nov-24	11.736	11.32	11.9	10	3/6/2025	12.02
Short THB vs SGD	1-Aug-24	26.54	27.2	26.2	10	3/6/2025	25.23
Long MXN/CLP	22-Nov	47.9	53.00	45.00	10	1/21/2025	48.3
long SGDKRW	2-Nov-24	1040	1082	1020	10	1/6/2025	1074
Long USDPLN	6-Dec-24	4.03	4.2	3.95	10	1/15/2025	
Long USDZAR	21-Aug-24	17.86	18.6	17.45	10	12/24/2024	18.73
Sell USD/CLP	10-Oct-24	930	860	975	10	12/12/2024	979
9M dual digital USD/CNH >7.30, gold rally > 6%	13-May-24	7.242	-	-	10	12/4/2024	7.30
Long 1M USD/CNH call spread	14-Oct-24	7.0685	7.20-7.35	-	10	11/14/2024	7.2544
Buy 6-month USDHKD call spread	24-Apr-24	7.8299	7.7925 / 7.8365	-	-	11/15/2024	3.52
Long BRL/MXN	24-Sep-24	3.51	4.00	3.25	-	11/14/2024	3.52
Sell CLP/COP	11-Jul-24	4.36	4.08	4.53	-	11/14/2024	4.60
Long USDHUF	12-Oct-23	363.56	382	338	-	11/12/2024	385
Pay FRA 6x9 in Hungary vs receive FRA 6x9 in Czechia	5-Sep-24	2.09	2.54	1.84	-	10/9/2024	2.37
Short USD/PEN	20-Aug-24	3.83	3.70	3.25	-	9/30/2024	3.702
Long KZT vs an equal basket of USD and EUR (3m NDFs)	25-Jun-24	494.2	469	530	-	10/3/2024	508.6
Sell PEN against a basket of USD and CLP	09-May-24	100	-	106	97.5	9/6/2024	8.97
Short USDPKR using 3m NDF	02-May-24	289	275	298	-	8/12/2024	278
Short EURPLN using a 6m digital option (strike: 4.2)	1/13/2024	17%	strike: 4.2	-	-	8/15/2024	-
3M USD call, CNH put spread	13-May-24	7.1965	7.25/7.35	-	-	8/13/2024	--
Long INRTWD 3m NDF	30-May-24	0.384	0.4	0.377	-	8/1/2024	.389
Pay 2-month USDHKD forward points	3-June-24	-134	-40	-180	-	7/30/2024	-117
Buy BRL/JPY	23-Apr-24	29.90	32	28	-	7/24/2024	28
Long IDR vs PHP	31-May-24	277.7	272	280	-	7/15/2024	276.45
Long TRYCZK using 3m forward	15-May-24	0.643	0.675	0.624	-	6/27/2024	0.675
Long USDZAR	21-Jun-24	17.99	18.9	17.35	-	6/27/2024	18.47
Buy 4m T-bill in Egypt FX -unhedged	14-Mar-24	T-bill price: 92.2; USDEGP: 47.88	T-bill price: 100	USDEGP: 52.2	-	6/26/2024	98.6
Short THB vs USD using 3m forwards	21-May-24	36.18	36.9	35.8-	-	6/10/2024	36.9
Buy USDINR down-and-in one-touch option for 1m	16-May-24	83.53	82.5	-	10	6/5/2024	83.61
Worst off 6M USD/IDR>5 % OTMS, USDPHP>5% OTMS	17-Nov-23	32bps	-	-	10	5/30/2024	-
3m USD call CNH put spread	17-Nov-23	39.8bps	7.30/7.55	-	10	5/17/2024	-
1yr USD/CNH vol swap at 6.175%	8/2/23	6.175	-	5.00	10	5/17/2024	-0.1
Short RONCZK	5/24/2023	4.77	4.53	5.2	10	5/16/2024	-0.1
Short USDZAR	11/15/2023	18.15	10	14	10	5/13/2024	12.50
Sell EUR/CLP	2-Apr-24	1063	1000	1100	10	5/6/2024	1000
Pay 1x3 USDTWD NDF	3/18/2023	-163	-111.	-190	10	4/22/2024	-63
Buy USDZAR 6m 25 Delta Risk Reversal	16-Feb-24	1.491	2.5	1	10	4/16/2024	2.543
Sell EURKRW 3m NDF	1/14/2024	1429	1385	1450	10	4/11/2024	1466
Buy BRL/MXN	11/17/2024	3.52	4	3.24	10	4/10/2024	3.25
Short EURTRY using 3m forward	2/5/2024	36.2	34.4	37.3	10	4/9/2024	35.72
Short USDUZS using 3m NDF	1/5/2024	12,674	12,374	12,902	10	4/9/2024	12672
Sell COP vs LatAm FX basket	4/4/2024	100	92	104	10	4/4/2024	105
USDHKD call spread at 2.1x	11/17/2023	7.76	-	-	10	4/5/2024	7.82
Sell USD/PEN	1/15/2024	3.84	3.70	3.90	10	3/82024	3.68
Long IDR vs PHP	1/19/2024	280	276	282	10	2/19/2024	278
Selling USDKRW	1/18/2024	1332	1292	1352	10x10	2/14/2024	1328
Short SGD/KRW	9/20/2023	974	945	990	10	3-nov-23	969
Buy 6m 25-delta call option for USDTWD	8/1/2023	31.6	31.9	29.8	10x10	2/8/2024	-
Short CZKHUF	11/29/2023	15.7	14.9	16.3	10x10	2/6/2024	15.48
Long PLNCZK	11/8/2023	5.51	5.78	5.34	10	1/11/2024	5.67

Note: Bid/offer spreads accounted for in entry and closing levels. Does not reflect tax, withholdings or any investment advisory fees. Past performance is no guarantee of future results. A complete performance record is available on request. Inception date – July 4, 2016. For additional discussion on baseline views, valuation and risks to closed trades, please see links to the relevant reports. Trade recommendations are highlighted green when the closing value is greater than the entry value and red when the closing value is less than or equal to the entry value. **Source:** BofA Global Research

BofA GLOBAL RESEARCH

World At A Glance Projections

Exhibit 29: G10 FX forecasts
Forecasts as of 10-Jul-2025

	Spot	Sep-25	YE 2025	Mar-26	Jun-26	Sep-26	YE 2026
G3							
EUR-USD	1.17	1.16	1.17	1.17	1.18	1.19	1.20
USD-JPY	146	152	155	152	148	148	148
EUR-JPY	172	176	181	178	175	176	178
Dollar Bloc							
USD-CAD	1.37	1.38	1.36	1.35	1.35	1.35	1.35
AUD-USD	0.66	0.66	0.68	0.69	0.69	0.70	0.71
NZD-USD	0.60	0.60	0.61	0.61	0.61	0.62	0.62
Europe							
EUR-GBP	0.86	0.84	0.83	0.82	0.82	0.80	0.79
GBP-USD	1.36	1.38	1.41	1.43	1.44	1.49	1.52
EUR-CHF	0.93	0.95	0.96	0.96	0.97	0.98	1.00
USD-CHF	0.79	0.82	0.82	0.82	0.82	0.82	0.83
EUR-SEK	11.15	10.60	10.40	10.40	10.40	10.40	10.30
USD-SEK	9.50	9.14	8.89	8.89	8.81	8.74	8.58
EUR-NOK	11.82	11.40	11.00	11.00	10.90	10.80	10.70
USD-NOK	10.08	9.83	9.40	9.40	9.24	9.08	8.92

Source: BofA Global Research, Bloomberg. Note: Forecasts as of 10-Jul-2025

BofA GLOBAL RESEARCH

Exhibit 30: EM FX forecasts
Forecasts as of 10-Jul-2025

	Spot	Sep-25	YE 2025	Mar-26	Jun-26	Sep-26	YE 2026
Latin America							
USD-BRL	5.57	5.50	5.50	5.60	5.65	5.70	5.75
USD-MXN	18.62	19.50	20.00	20.25	20.50	20.75	21.00
USD-CLP	950	920	900	895	890	885	880
USD-COP	4,008	4,200	4,250	4,300	4,250	4,275	4,300
USD-ARS	1,255	1,250	1,300	1,350	1,400	1,500	1,600
USD-PEN	3.55	3.64	3.65	3.66	3.67	3.68	3.70
Emerging Europe							
EUR-PLN	4.25	4.20	4.15	4.15	4.15	4.15	4.15
EUR-HUF	399.00	400	395	395	390	390	390.00
EUR-CZK	24.63	24.60	24.50	24.50	24.30	24.20	24.20
USD-ZAR	17.75	17.80	17.70	17.70	17.60	17.60	17.50
USD-TRY	40.07	41.00	42.00	44.00	45.50	46.50	48.00
EUR-RON	5.08	5.03	5.10	5.13	5.15	5.18	5.20
USD-ILS	3.31	3.36	3.34	3.33	3.32	3.31	3.30
Asian Bloc							
USD-KRW	1,372.15	1,340	1,320	1,300	1,280	1,260	1,240.00
USD-TWD	29.24	29.10	28.80	28.50	28.20	27.90	27.60
USD-SGD	1.28	1.29	1.28	1.28	1.27	1.27	1.27
USD-THB	32.70	32.00	31.00	31.00	30.00	30.00	30.00
USD-HKD	7.85	7.85	7.83	7.80	7.80	7.78	7.75
USD-CNY	7.18	7.40	7.30	7.30	7.20	7.20	7.00
USD-IDR	16,220	16,400	16,300	16,300	16,200	16,200	16,100
USD-PHP	56.46	57.00	56.00	56.00	55.00	55.00	55.00
USD-MYR	4.25	4.25	4.20	4.20	4.15	4.15	4.15
USD-INR	85.68	84.50	84.00	83.00	83.00	83.00	83.00

Source: BofA Global Research, Bloomberg. Note: Forecasts as of 10-Jul-2025

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Options Risk Statement

Potential Risk at Expiry & Options Limited Duration Risk

Unlike owning or shorting a stock, employing any listed options strategy is by definition governed by a finite duration. The most severe risks associated with general options trading are total loss of capital invested and delivery/assignment risk... all of which can occur in a short period.

Investor suitability

The use of standardized options and other related derivatives instruments are considered unsuitable for many investors. Investors considering such strategies are encouraged to become familiar with the "Characteristics and Risks of Standardized Options" (an OCC authored white paper on options risks). U.S. investors should consult with a FINRA Registered Options Principal.

For detailed information regarding risks involved with investing in listed options:
http://www.theocc.com/about/publications/character-risks.jsp

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