BofA SECURITIES

The LatAm FX Strategist

LatAm FX in a volatile world

31 October 2023

GEM FI & FX Strategy
LatAm

Christian Gonzalez Rojas
LatAm Local Markets Strategist
BofAS
christian.gonzalezrojas@bofa.com

Ezequiel Aguirre
LatAm FI/FX Strategist
BofAS
ezequiel.aguirre2@bofa.com

David Hauner, CFA >>
Global EM FI/FX Strategist
MLI (UK)
david.hauner@bofa.com

LatAm FI Strategy & Economics
BofAS

GEMs FI Strategy & Economics
BofAS

See Team Page for List of Analysts

Summary of FX views

LatAm FX has underperformed in the recent EMFX selloff, driven by the double whammy of looser monetary policy in LatAm and rising global volatility. Both forces eroded carry-to-vol ratios, triggering an unwind of the carry trades that had been popular in LatAm.

ARS (bearish*): ARS remains overvalued, with a 150% parallel FX gap. Another devaluation is likely after the November 19 election. We see ARS at 681 by 2023-end.

BRL (neutral*): Focus remains on fiscal measures and the easing cycle. We see slightly more cuts than consensus but also lower inflation. We see BRL at 5.05 by 2023-end.

CLP (neutral*): We upgrade CLP to neutral from bearish after BCCh's shift to a less dovish stance and a pause in FX reserve accumulation. We see CLP at 915 by 2023-end.

COP (neutral*): We upgrade COP to neutral from bearish amid a hawkish BanRep outlook and market-friendly result in local elections. We see COP at 4,175 by 2023-end.

MXN (bearish*): In a highly volatile environment driven by pressure on US rates, we believe carry may not save the Super Peso. We see USD/MXN at 18.50 by 2023-end.

PEN (bearish*): Pauses in the easing cycle and a lower risk of a credit downgrade may cushion PEN, but global risks still put pressure. We see USD/PEN at 3.88 by 2023-end.

UYU (neutral*): UYU has appreciated amid upcoming FDI flows, sovereign rating upgrades and a resilient macro. We see UYU at 39.9 by 2023-end.

DOP (neutral*): A substantial economic slowdown, coupled with a fiscal deterioration and monetary policy easing represent risks. We see DOP at 57.0 by 2023-end.

Exhibit 1: BofA quarter-end FX forecasts
We are bearish ARS, neutral BRL, neutral CLP, neutral COP, bearish MXN, bearish PEN

		Forecasts			
Currency	View/bias	4Q '23	1Q '24	2Q '24	3Q '24
USD/ARS (official)	bearish*	681	957	1239	1518
USD/ARS (blue chip)	--	1294	1674	1982	2277
USD/BRL	neutral*	5.05	5.08	5.15	5.20
USD/CLP	neutral*	915	920	930	935
USD/COP	neutral*	4,175	4,250	4,350	4,450
USD/DOP	neutral*	57.0	57.8	58.5	59.3
USD/MXN	bearish*	18.5	18.8	19.0	19.3
USD/PEN	bearish*	3.88	3.89	3.91	3.92
USD/UYU	neutral*	39.9	40.5	40.6	40.9

Source: BofA Global Research

BofA GLOBAL RESEARCH

*Note: bullish/neutral/bearish labels are relative to 1-quarter-ahead forward contracts.

Argentina

FX Views and forecasts

View: bearish*

The official exchange rate is significantly overvalued with a 150% gap between the parallel and official rate. Another devaluation is very likely shortly after the run-off presidential election on November 19 to offset very high domestic inflation and restore some competitiveness in the real exchange rate, which is almost 20% expensive relative to its ten-year historical average. We see USD/ARS at 681 by 2023-end and 1,782 by 2024-end.

Current finance minister Sergio Massa won the first-round presidential election with 36.7% of the vote, outperforming polls. He will now face libertarian Javier Milei who received 30% of the vote in a run-off election on November 19. Pro-business opposition candidate Patricia Bullrich came in third with 23% of the vote and announced her support of Milei, along with former president Mauricio Macri (see Election surprise: Massa wins big. Second round vs Milei).

Dollarization fears declined after Milei's underperformance in the first-round vote, leading to a significant appreciation of the parallel rate to 900 from 1,030. Onshore futures and offshore forwards also declined significantly – the three-month implied yield on FX forwards declined to 490% from 850%, for example. Yet we expect another devaluation of the official rate in December after the run-off election to offset ongoing high inflation. We forecast USD/ARS at 681 by 2023-end.

Finance minister Massa announced a new preferential exchange rate for all exports for a period of 30 days. Under the new framework, 30% of export revenues will be allowed to be sold at the parallel rate while the other 70% will continue to go through the official rate. This amounts to a *de facto* devaluation of the official rate for all exports to a level of around 515, extending the preferential system that already had taken place for soybeans and hydrocarbon exports.

We recommend hedging peso exposures given recent compression on implied yields in non-deliverable forwards and our expectation of a significant devaluation after the run-off election irrespective of the winner, although the devaluation should be larger under a Milei administration (see hedging just got cheaper).

Upcoming risk events

- Presidential run-off election (Nov 19)

Hedging

We recommend hedging given risk of fast depreciation pace due to overvaluation.

Exhibit 2: USD/ARS forecasts vs forwards
We forecast USD/ARS at 957 by 1Q '24

	current	chg		
Spot	350	- 0		
	Forecast		Forward	
Period	current	chg	current	chg
4Q 2023	681	+33	640	-22
1Q 2024	957	+95	939	+6
2Q 2024	1,239	+122	1174	+126
3Q 2024	1,518	+111	1443	+304

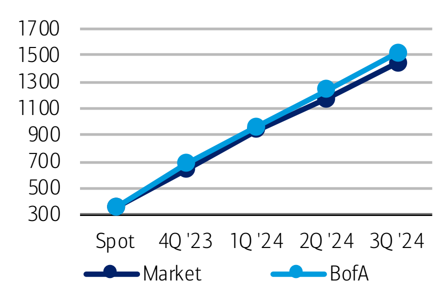
Source: BofA Global Research, Bloomberg
BofA GLOBAL RESEARCH

Exhibit 3: USD/ARS blue chip forecasts
We forecast USD/ARS at 1674 by 1Q '24

	current	chg
Spot	847	+52
	Forecast	
Period	current	chg
4Q 2023	1,294	+63
1Q 2024	1,674	+166
2Q 2024	1,982	+195
3Q 2024	2,277	+167

Source: BofA Global Research, Bloomberg
BofA GLOBAL RESEARCH

Exhibit 4: USD/ARS forecasts vs forwards
We are bearish vs. forwards for 1Q '24



Source: BofA Global Research, Bloomberg
BofA GLOBAL RESEARCH

Brazil

FX Views and forecasts

View: neutral*

The news flow has continued to be broadly supportive, with the fiscal framework finally approved in Congress and the inflation target now settled at 3%. The push from the administration to comply with fiscal targets provides support to the currency, but the ongoing easing cycle from the central bank will remain a headwind. However, the easing cycle could also facilitate inflows to Brazilian equities. We see BRL at 5.05 by 2023-end and 5.25 by 2024-end.

Economic growth is slowing down but 2024 will be another good year. We forecast GDP growth will be 3% this year and slow to 2.2% in 2024, still above the 1.6% consensus. Domestic consumption is weakening given the delayed effects of high interest rates. Exports remain solid, but the gains from the agricultural sector will become less relevant in coming quarters (see Economic activity index: October print reinforcing weaker 2H23).

Underlying inflation continues to gradually decline allowing the central bank to continue reducing its benchmark rate. Headline inflation rose to slightly above 5% due to base effects, but core inflation declined to 5% in September (from 5.2% in August) and to 4.9% in the mid-October release. We forecast IPCA inflation at 4.8% in 2023 and 3.7% in 2024 (see IPCA in September: Underlying inflation moving down).

The central bank will keep cutting its benchmark rate to 11.75% by end-2023 and to 9.5% by end-2024. Market pricing has the benchmark rate ending also at 11.75% in 2023 but ending at 10.25% in 2024. While we expect lower interest rates than the market, we also expect lower inflation by the end of 2024 (3.7% vs 4.0% consensus).

In our view, BRL is likely to remain resilient amid a combination of counterbalancing factors. While the easing cycle will lead carry to shrink and put pressure on the currency, the easing cycle itself could enable a comeback of inflows into Brazilian funds. Additionally, we see upside risks to economic activity (see Economic activity index: Upward risks with June strong data), and believe the determination of the government in boosting revenues is likely to persist.

Upcoming risk events

- BCB meeting (Nov 1, Dec 13); tax reform and budget discussions (ongoing)

Hedging

We recommend taking advantage of BRL rallies to hedge short-term risks.

Exhibit 5: USD/BRL forecasts vs forwards

We forecast USD/BRL at 5.08 by 1Q '24

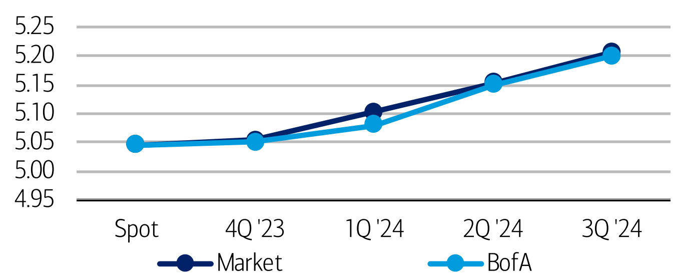
	current	chg		
Spot	5.04	+0.0		
	Forecast		**Forward**	
Period	**current**	**chg**	**current**	**chg**
4Q 2023	5.05	+0.15	5.05	-0.04
1Q 2024	5.08	+0.13	5.10	-0.04
2Q 2024	5.15	+0.15	5.15	-0.04
3Q 2024	5.20	+0.15	5.21	-0.04

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 6: USD/BRL forecasts vs forwards

We are neutral with respect to forwards for 1Q '24



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Cross currency basis

Exhibit 7: Cupom cambial contracts

Cupom cambial rates are +20bp on average over the past 3m

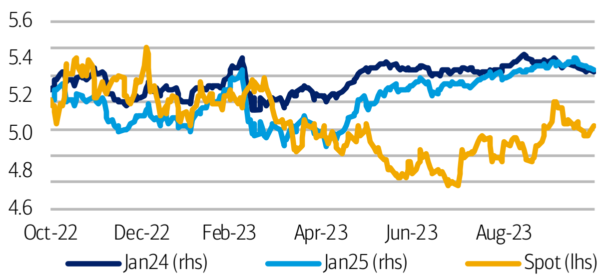
Contract	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
Jan24	657	-2	0	20	585		689	641	16	56	-1.2	0.6
Jan25	660	-6	25	58	517		682	604	19	69	0.2	1.3
Jan26	623	-7	35	42	475		652	564	19	69	0.4	1.4

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 8: Short-term Cupom Cambial rates vs USD/BRL spot

Short-term Cupom Cambial rates stands at 638bp

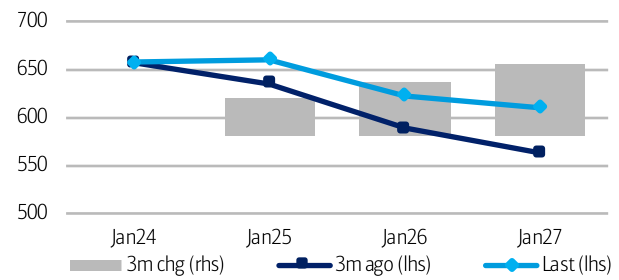


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 9: Term structure of Cupom Cambial rates

Cupom cambial is +27bp on average over the past 3m



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Volatility surface: USD/BRL

Exhibit 10: USD/BRL current implied volatilities

3-month ATM implied volatility is at 13.59

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	12.56	12.68	13.38	14.63	16.18
3m	12.54	12.75	13.59	15.05	16.83
6m	12.86	13.08	13.94	15.43	17.29
1y	13.29	13.51	14.39	15.96	17.97

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 11: USD/BRL 3m z-scores of implied volatilities

3-month z-score of 3-month ATM implied volatility is -0.65

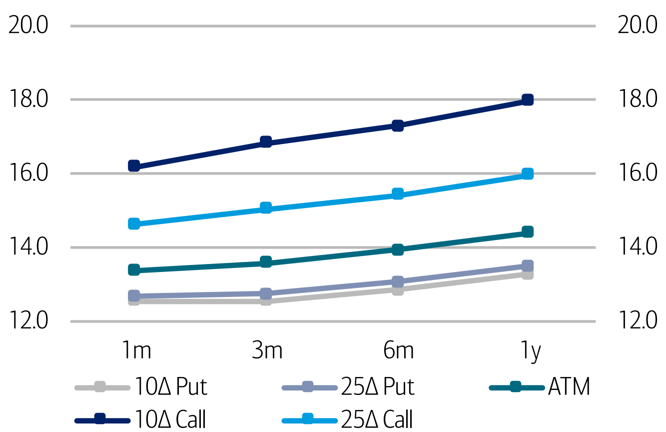
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	+0.2	+0.3	+0.2	+0.0	-0.1
3m	-0.9	-0.7	-0.7	-0.7	-0.8
6m	-0.7	-0.5	-0.6	-0.8	-1.0
1y	-0.4	-0.8	-1.3	-1.6	-1.7

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 12: Implied volatility term structure

ATM implied volatility term structure is upward sloping

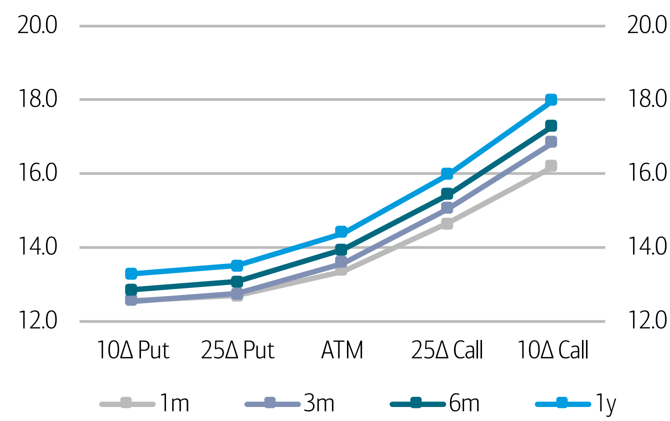


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 13: Implied volatility smiles

Implied volatility smiles are somewhat skewed



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Chile

FX Views and forecasts

View: neutral*

We move the Chilean peso to neutral from bearish. In a surprise move, the central bank adjusted both its monetary and currency intervention policies into a less dovish direction at its most recent board meeting, leading to an almost 4% rally in the CLP forward market. We forecast CLP to end at 915 by end-2023 and 940 by end-2024.

The central bank decided to reduce its benchmark rate by only 50bp to 9% on October 26, against market expectations of a 75bp rate cut. This also marked a slowdown in the pace of cuts from its 75bp rate reduction last September (see Global impact: BCCh cuts only 50bp and suspends FX accumulation program).

In addition, the central bank also decided to suspend its program to build up foreign reserves due to growing tensions in global financial markets. The central bank was buying $800mn per month in the spot market since June 2023 as part of a program scheduled to last until June 2024 and reducing its net short NDF position by around $900mn per month. In our view, the central bank became increasingly concerned with CLP underperformance relative to other emerging market currencies. The statement noted for example that the peso had depreciated 9% since the prior meeting.

There are also some developments pointing in the other direction. Underlying inflation is declining faster than previously expected, two-year inflation expectations are well-anchored at the 3% target and domestic consumption is weakening. The unemployment rate has also increased to 9%.

In all, we expect the central bank to proceed at a more gradual pace with its easing cycle: we now forecast the benchmark rate to end at 8.5% in 2023 (previously 8.25%) and 6.5% in 2024 (previously 6%). This less dovish stance is enough for us to upgrade our view on the exchange rate to neutral from bearish.

On the policy front, the government has shown a higher willingness to compromise around the reform agenda, but tax and pension reforms are moving slowly given lack of agreement with the opposition. The exit referendum for a new Constitutional draft will take place on December 17, but there are significant risks of rejection according to polls. We expect the draft to be significantly more moderate than the previous one.

Upcoming risk events

- Constitutional referendum (Dec 17); BCCh (Dec 19); tax & pension reform (ongoing)

Hedging

We recommend hedging amid the easing cycle and given external risks.

Exhibit 14: USD/CLP forecasts vs forwards

We forecast USD/CLP at 920 by 1Q '24

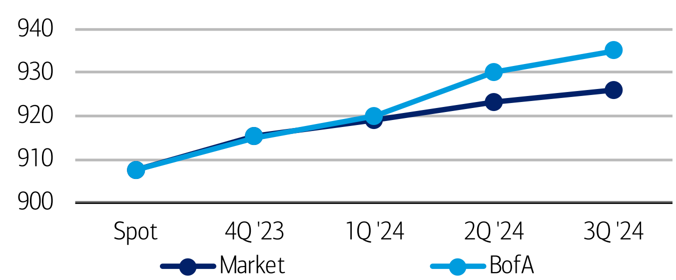
	current	chg		
Spot	908	+0.8		
	Forecast		**Forward**	
Period	**current**	**chg**	**current**	**chg**
4Q 2023	915	+20.0	915	+0.5
1Q 2024	920	+19.8	919	-0.4
2Q 2024	930	+25.0	923	+0.2
3Q 2024	935	+25.0	926	+2.4

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 15: USD/CLP forecasts vs forwards

We are neutral with respect to forwards for 1Q '24



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Cross currency basis

Exhibit 16: CAMARA vs SOFR basis swaps

CAMARA basis swap rates are +25bp on average over the past 3m

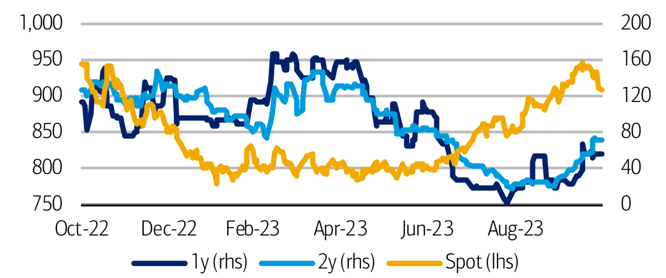
Contract	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	56	-6	37	-81	1		167	89	19	69	1.5	-0.7
2y	73	14	30	-63	18		148	90	11	38	2.4	-0.5
5y	43	16	19	-42	-6		110	44	9	33	2.4	-0.1
10y	48	13	16	-22	3		100	42	9	31	2.3	0.3

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 17: CAMARA basis swaps vs USD/CLP spot

CAMARA basis swaps stand around 55bp

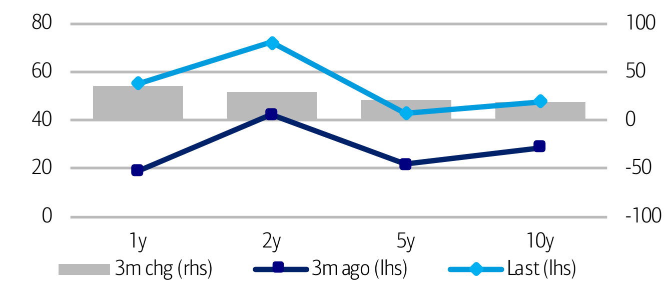


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 18: Term structure of CAMARA basis swaps

CAMARA basis swaps are +27bp on average over the past 3m



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Volatility surface: USD/CLP

Exhibit 19: USD/CLP current implied volatilities

3-month ATM implied volatility is at 16.12

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	16.17	16.31	17.19	18.81	20.83
3m	15.12	15.24	16.12	17.79	19.91
6m	14.65	14.75	15.65	17.37	19.60
1y	14.34	14.37	15.27	17.07	19.49

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 20: USD/CLP 3m z-scores of implied volatilities

3-month z-score of 3-month ATM implied volatility is 1.33

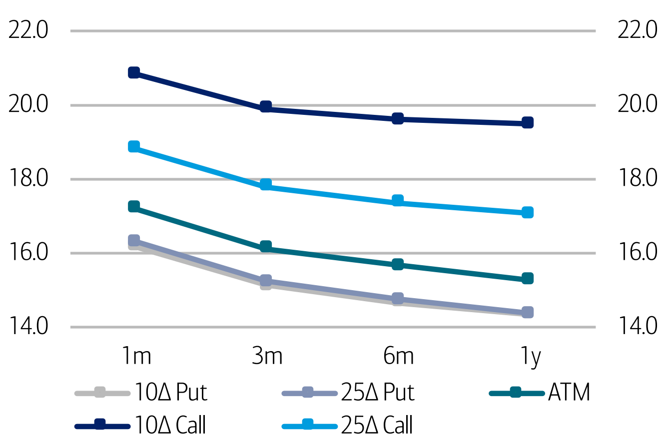
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	+1.3	+1.3	+1.3	+1.3	+1.3
3m	+1.3	+1.3	+1.3	+1.3	+1.3
6m	+1.4	+1.4	+1.4	+1.4	+1.3
1y	+1.3	+1.3	+1.3	+1.3	+1.3

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 21: Implied volatility term structure

ATM implied volatility term structure is downward sloping

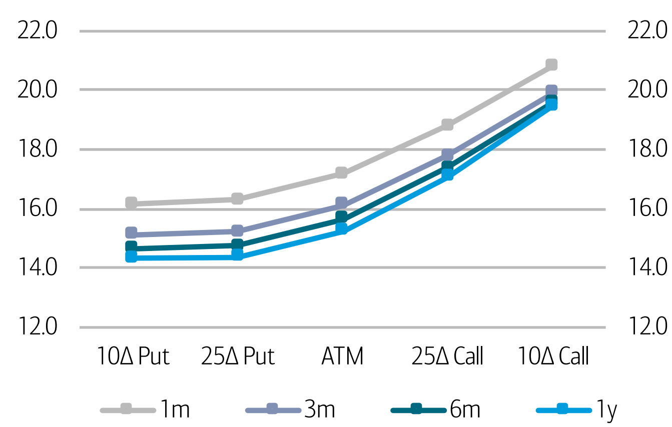


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 22: Implied volatility smiles

Implied volatility smiles are somewhat skewed



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Colombia

FX Views and forecasts

View: neutral*

We move the Colombian peso to neutral from bearish. We estimate the peso is only mildly undervalued in real effective terms. Our baseline is for the central bank to start an easing cycle around January 2024 just slightly later than the December 2023 that the market is pricing. We forecast COP at 4,175 by end-2023 and 4,500 by end-2024.

After a sharp rally, COP has been under significant volatility over the past month. While this has been largely driven by the global backdrop, budget under-execution might also be adding to noise. Under-execution has led to an abnormally large accumulation of government deposits at the central bank, causing liquidity to drop in the domestic financial market and inducing domestic banks to sell dollars. Still, we believe the outlook for COP remains mostly contingent on the timing of the easing cycle in Colombia.

Our baseline forecast is that BanRep will begin cutting rates in January (see Pushing back the first rate cut). In recent communication, we noted a fundamental change in guidance, where most board members argue that initiating an easing cycle now might be unsustainable. An early start of the easing cycle would put downward pressure on the exchange rate, but we believe there are significant risks for a later start: the central bank has historically been reluctant to cut rates when inflation expectations were above the upper bound of the target range and inflation expectations are currently more than 150bp above the range (see Curve ball).

On the bullish side, regional elections on October 29 resulted in a more business-friendly environment, limiting potentially unfriendly policies. Also, budget execution has been running below previously projected levels, leading to a likely primary surplus of 0.4% in 2023 instead of the expected 0%. Higher public savings reduces the risk premia in both bond and currency markets.

Finally, the global backdrop could remain supportive if US growth remains resilient, as it would help keep commodity prices high and support COP resilience. A soft-landing, in our view, is the best scenario for high-carry currencies like COP.

Upcoming risk events

- BanRep meeting (Oct 31, Dec 19); reforms debate (2H23)

Hedging

We recommend hedging to protect against a potential early start of the easing cycle.

Exhibit 23: USD/COP forecasts vs forwards

We forecast USD/COP at 4250 by 1Q '24

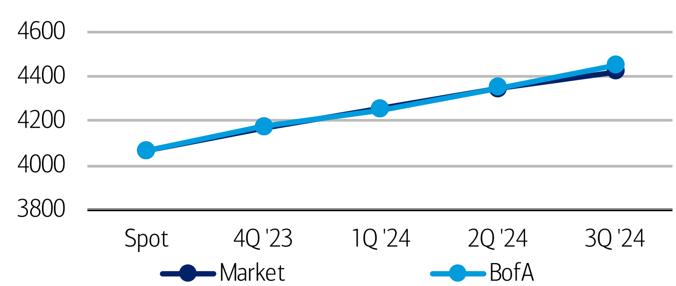
	current	chg		
Spot	4,066	- 10		
	Forecast		**Forward**	
Period	**current**	**chg**	**current**	**chg**
4Q 2023	4,175	-	4169	-2
1Q 2024	4,250	-100	4257	+4
2Q 2024	4,350	-100	4343	+13
3Q 2024	4,450	-50	4420	+21

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 24: USD/COP forecasts vs forwards

We are neutral with respect to forwards for 1Q '24



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Cross currency basis

Exhibit 25: IBR vs SOFR basis swaps

IBR basis swap rates are -1bp on average over the past 3m

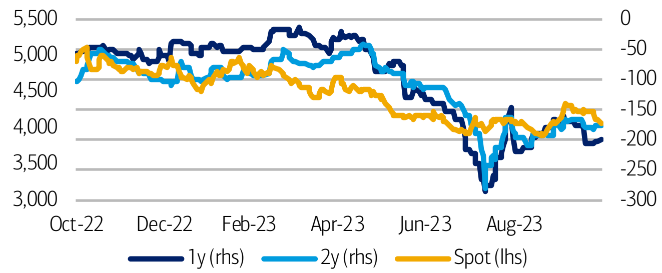
Contract	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	-198	6	25	-152	-285		-13	-100	18	64	0.1	-1.3
2y	-174	5	6	-117	-280		-41	-112	16	55	0.7	-1.2
5y	-167	8	-22	-85	-200		-77	-129	14	48	-0.1	-1.5
10y	-105	5	-14	-27	-144		-75	-104	8	30	0.2	-0.1

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 26: IBR basis swaps vs USD/COP spot

IBR basis swaps stand around -161bp

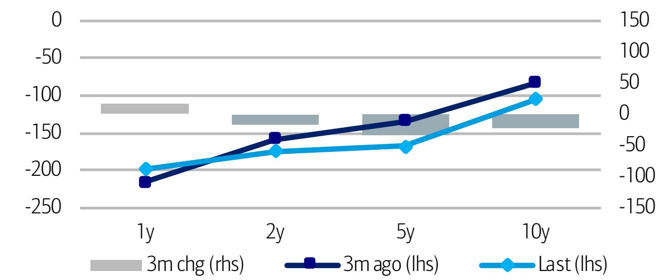


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 27: Term structure of IBR basis swaps

IBR basis swaps are -14bp on average over the past 3m



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Volatility surface: USD/COP

Exhibit 28: USD/COP current implied volatilities

3-month ATM implied volatility is at 17.32

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	16.42	16.54	17.46	19.19	21.37
3m	16.40	16.41	17.32	19.19	21.63
6m	16.67	16.68	17.59	19.47	21.96
1y	17.10	16.96	17.80	19.75	22.49

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 29: USD/COP 3m z-scores of implied volatilities

3-month z-score of 3-month ATM implied volatility is 1.1

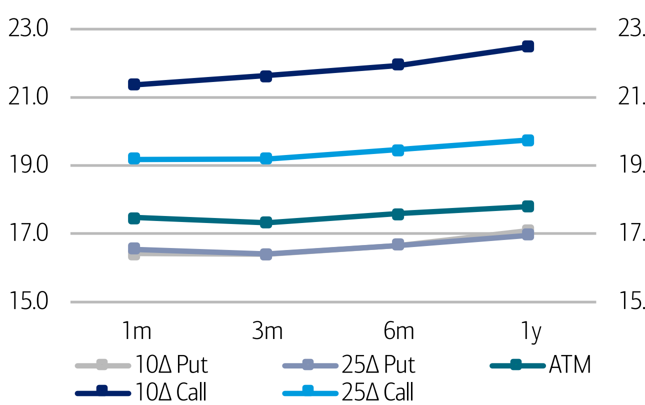
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	+0.8	+0.8	+0.9	+0.9	+1.0
3m	+1.0	+1.0	+1.1	+1.1	+1.2
6m	+1.3	+1.3	+1.3	+1.3	+1.3
1y	+1.5	+1.5	+1.5	+1.5	+1.4

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 30: Implied volatility term structure

ATM implied volatility term structure is flat

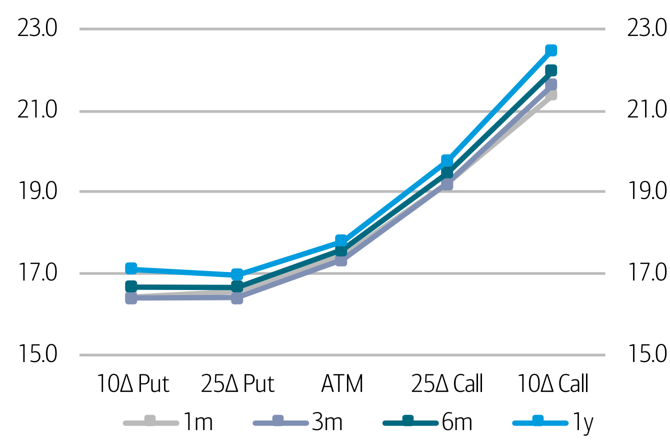


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 31: Implied volatility smiles

Implied volatility smiles are somewhat skewed



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Mexico

FX Views and forecasts

View: bearish*

An increase in global volatility amid uncertainty around US rates and a deterioration in geopolitical conditions put pressure on EM FX. High-yielding currencies went through meaningful depreciation, as the appeal of carry faded driven by higher volatility. In this backdrop, MXN was the second worst-performing currency in EM in the past month. Still, we see MXN as overvalued, largely driven by carry and vulnerable to risk-off shocks. In a highly volatile environment, we believe carry may not save the Super Peso. We see USD/MXN at 18.50 by 2023-end and 19.50 by 2024-end.

Mexico's economic activity keeps growing, driven by an investment and consumption boom. Investment has been supported by both nearshoring, as well as the government's infrastructure projects. Meanwhile, consumption is benefiting from a tight labor market, strong credit, and remittances. Overall, this supports our view that Mexico will grow 3.4% this year and 1.8% in 2024 (see Large fiscal impulse will keep supporting growth).

While inflation keeps falling, an overheated economy with a tight labor market may delay convergence of inflation to the 3% target. Upside risks from higher global food prices and drought in Mexico remain. Thus, our baseline is that Banxico will remain on hold for several months, not starting the cutting cycle until after the June 2024 election. Recent MXN depreciation, tighter global financial conditions and a Fed that is unlikely to cut rates anytime soon support our view.

Despite the clear message from Banxico that it will remain with the current high policy rate for an extended period, the MXN has been very volatile. Most of MXN volatility is probably due to volatility in core markets. We remain convinced that a volatile backdrop erodes MXN's carry appeal, which has been a major driver of its strength (see Keep calm, but don't carry on with MXN). MXN continues to be vulnerable to a risk-off shock amid unfavorable valuation and positioning (see The Kryptonites to the Super Peso).

Yet, even if another meaningful global risk-off shock does not materialize, MXN may still be subject to domestic risks. Elections in Mexico and the US in 2024 may directly push MXN volatility higher but could also boost fiscal pressures and unfriendly policies during the electoral process, such as the surprising increase in the 2024 fiscal deficit (see 2024 budget: notable fiscal deterioration). The destruction in Acapulco by hurricane Otis will impact activity and inflation in 4Q and early 2024, which may also impact volatility.

Upcoming risk events

- Banxico (Nov 9, Dec 14); presidential campaigns (Mar); USMCA consultation (2H23)

Hedging

We recommend hedging given potential global risks and a stretched valuation.

Exhibit 32: USD/MXN forecasts vs forwards
We forecast USD/MXN at 18.8 by 1Q '24

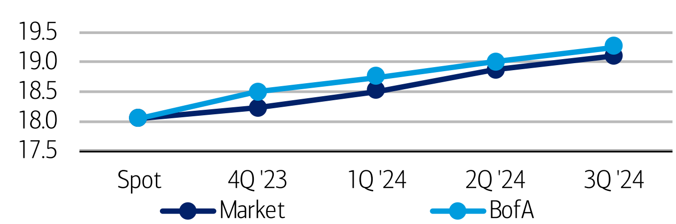
	current	chg		
Spot	18.05	+0.51		

	Forecast		Forward	
Period	current	chg	current	chg
4Q 2023	18.50	+0.50	18.23	+0.42
1Q 2024	18.75	+0.45	18.52	+0.42
2Q 2024	19.00	-	18.87	+0.49
3Q 2024	19.25	-0.05	19.11	+0.44

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 33: USD/MXN forecasts vs forwards
We are bearish with respect to forwards for 1Q '24



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Cross currency basis

Exhibit 34: 28d TIIE vs SOFR basis swaps

TIIE basis swap rates are +46bp on average over the past 3m

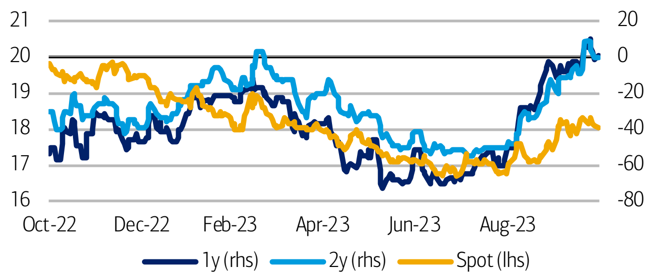
Contract	Last	1w chg	3m chg	1y chg	Min	Last vs 1y Avg	Max	1y Avg	1w vol	3m vol	3m z-score	1y z-score
1y	1	-4	66	40	-73		10	-39	8	30	1.2	2.0
2y	0	-9	53	30	-55		9	-29	6	22	1.5	1.8
5y	11	-6	33	36	-35		33	-9	7	25	2.1	1.2
10y	14	-6	33	47	-40		33	-12	8	27	2.2	1.4

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 35: TIIE basis swaps vs USD/MXN spot

TIIE basis swaps stand around 6bp

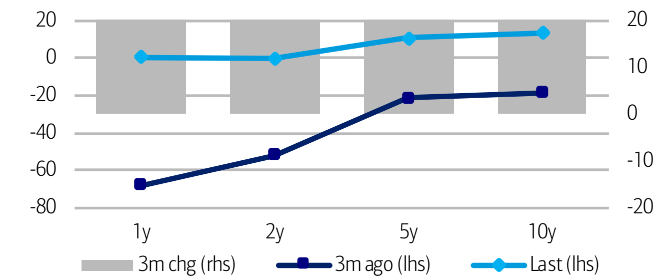


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 36: Term structure of TIIE basis swaps

TIIE basis swaps are +46bp on average over the past 3m



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Volatility surface: USD/MXN

Exhibit 37: USD/MXN current implied volatilities

3-month ATM implied volatility is at 13.87

	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	13.34	13.88	15.19	17.23	19.64
3m	11.95	12.48	13.87	16.08	18.80
6m	11.58	12.05	13.37	15.55	18.27
1y	11.72	12.03	13.24	15.33	18.00

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 38: USD/MXN 3m z-scores of implied volatilities

3-month z-score of 3-month ATM implied volatility is 1.33

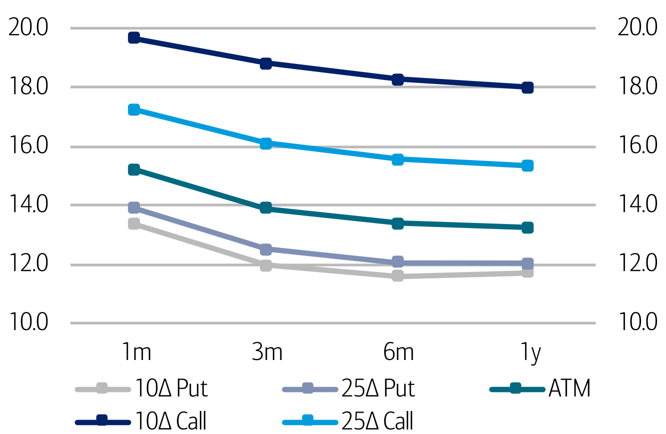
	10Δ Put	25Δ Put	ATM	25Δ Call	10Δ Call
1m	+1.5	+1.5	+1.3	+1.2	+1.0
3m	+1.4	+1.4	+1.3	+1.2	+1.1
6m	+1.5	+1.5	+1.4	+1.3	+1.1
1y	+1.8	+1.7	+1.5	+1.4	+1.2

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 39: Implied volatility term structure

ATM implied volatility term structure is downward sloping

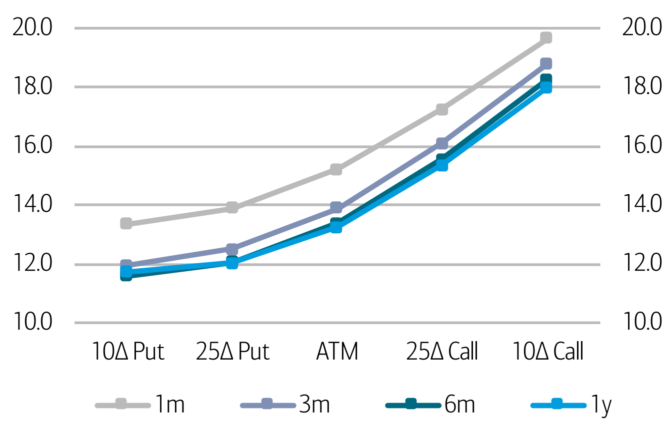


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 40: Implied volatility smiles

Implied volatility smiles are somewhat skewed



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Peru

FX Views and forecasts

View: bearish*

BCRP started easing monetary policy in September amid a significant slowdown in economic activity and a sharp drop in inflation. While we now believe pauses in the easing cycle and a lower likelihood of a credit rating downgrade may provide some cushion to PEN, global risks will continue to put pressure. We expect USD/PEN at 3.88 by 2023-end and 3.93 by 2024-end.

We recently revised our monetary policy rate forecasts, introducing pauses in the easing cycle and pushing the terminal rate higher. We now expect BCRP to cut only to 7% in 2023 (from 6.75%) and reach a terminal rate of 5% in 2024 (from 4%). This view is supported by several factors. First, we foresee pauses in the easing cycle amid growing concerns about El Niño, whose effects in Peru tend to be the most severe in December and March. Therefore, we foresee the first pause in December. Second, we expect a higher terminal rate after the central bank revised its estimate of the neutral real rate to 2% (from 1.5%). Finally, FX depreciation pressure is particularly unwelcome now that inflation remains above the tolerance range, which may push BCRP to remain cautious.

On the fiscal front, we now no longer expect a credit rating downgrade for Peru before the end of 2023. Previously, we thought this would happen because the three agencies (S&P, Moody's, and Fitch) have a negative outlook for Peru, and 2023 has been a year of negative surprises: the economy is stagnated, the government will most likely breach the deficit ceiling in the Fiscal Responsibility Law and political instability remains the norm. However, from recent comments in the press, rating agencies seem to believe the fiscal position remains robust and public debt is still low. Therefore, our impression is that rating agencies see the 2023 fiscal slippage as minor.

While these two elements of the domestic outlook remain mildly supportive for PEN, we believe the global backdrop may continue putting pressure. Global rates volatility, further downside pressure in China's growth, and weaker copper prices, may push PEN lower.

Upcoming risk events

- BCRP meeting (Nov 9, Dec 14)

Hedging

We recommend hedging amid global risks and BCRP's easing cycle.

Exhibit 41: USD/PEN forecasts vs forwards

We forecast USD/PEN at 3.89 by 1Q '24

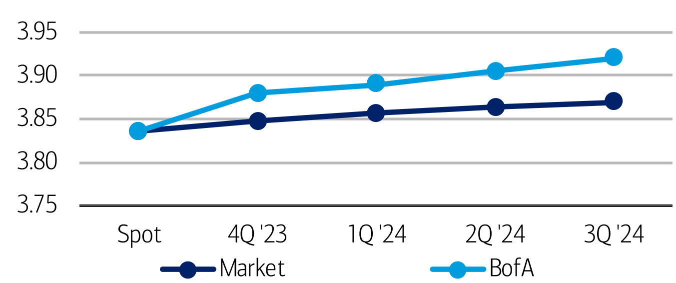
	current	chg		
Spot	3.84	+0.03		
	Forecast		Forward	
Period	current	chg	current	chg
4Q 2023	3.88	+0.12	3.85	+0.03
1Q 2024	3.89	+0.09	3.86	+0.03
2Q 2024	3.91	+0.09	3.86	+0.03
3Q 2024	3.92	+0.08	3.87	+0.03

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 42: USD/PEN forecasts vs forwards

We are bearish with respect to forwards for 1Q '24



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Uruguay

FX Views and forecasts

View: neutral*

UYU appreciated amid upcoming FDI, sovereign rating upgrades and a resilient macro. Going forward, risks include a deceleration in growth and BCU rate cuts, but we see overall risks as balanced. We see USD/UYU at 39.9 by 2023-end and 41.0 by 2024-end.

Activity has slowed down amid the large drought that would shave more than 2% of GDP this year. GDP dropped 2.5% yoy in 2Q (seasonality of the soy harvest) and -1.4% vs 1Q. This follows a positive Q1 (+0.9% qoqsa), amid an improvement in services (including tourism). The start of production in the new pulp mill last May can add about 1% of new exports annually, cushioning the drought.

We expect GDP growth to decelerate to 0.7% this year, from 4.9% in 2022, amid the drought and slower global growth including neighboring Argentina and Brazil. We see GDP rebounding in 2024 on the back of weather normalization, pulp mill production and FDI. Recently, the President announced a $2bn investment in a hydrogen plant, part of a project to produce synthetic fuels, and an additional $2bn investment in renewable energy, which should provide support to the currency over the medium term.

Uruguay continues to be upgraded by rating agencies following the pension reform. Most recently, Fitch upgraded Uruguay external government debt to BBB. Before that, S&P had upgraded it to BBB+ due to the structural reforms and stable growth and fiscal outlook. The pension reform increases the retirement age and changes the calculation of pensions aiming at improving the sustainability of the system, slowing down its deficit. The system remains mixed, with both an intergenerational pay-as-you go component and an individual capitalization component.

Inflation continued in a downward trend, reaching 3.9% yoy in September. Core inflation, which stands at 3.9% yoy, is now below the center of the target range (3-6%). We see inflation at 3.8% in December amide the activity slowdown and strong UYU. BCU cut rates 50bp to 9.50% in October (75bp in August, 50bp in June and 25bp previously). We forecast BCU will cut rates further to 9% by 2023-end, amid the disinflation trend, and to 8% in 2024. Concerns about the real exchange rate appreciation impact on activity backs further cuts, though the UYU has finally weakened in recent months to 40.

Upcoming risk events

- BCU meeting (Nov 16, Dec 29)

Hedging

We do not recommend hedging.

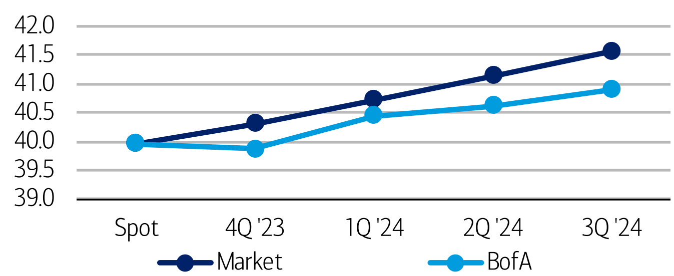
Exhibit 43: USD/UYU forecasts vs forwards
We forecast USD/UYU at 40.5 by 1Q '24

	current	chg		
Spot	40.0	+1.2		
	Forecast		**Forward**	
Period	**current**	**chg**	**current**	**chg**
4Q 2023	39.9	+1.7	40.31	+0.9
1Q 2024	40.5	+1.7	40.73	+1.0
2Q 2024	40.6	+1.7	41.15	+1.2
3Q 2024	40.9	+1.6	41.57	+1.3

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 44: USD/UYU forecasts vs forwards
We are neutral with respect to forwards for 1Q '24



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Dominican Republic

FX Views and forecasts

View: neutral*

DOP has recently depreciated, after a strong rally earlier this year. A strong economic slowdown, a growing fiscal deficit and monetary policy easing has removed support, but we remain neutral. We see USD/DOP at 57.0 by 2023-end and 60.0 by 2024-end.

Since September 15, the Dominican government implemented a full closure of the border with Haiti and suspended the granting of visas to Haitian citizens. The full closure implied disruptions to trade exchange. However, policymakers argue that the restrictions for trade exchange of goods and services, and the mobility of people, at the Haitian border have begun to ease. Haiti is DomRep's second top trading partner. The shutdown of the border has implications for activity, inflation, fiscal, and the balance of payments. Yet these effects are less likely to materialize if border conditions gradually normalize.

Still, Dominican Republic is already suffering a growth slowdown and a widening of the fiscal deficit this year. We have an out of consensus view of just 2% GDP growth for 2023; practically a recession compared to DomRep's typical expansion around 5%. The slowdown is happening despite very strong tourism sector performance. The central bank survey shows median GDP growth expectations of 3%.

Meanwhile, we expect the overall deficit of the Non-Financial Public Sector to come in at 4% of GDP in 2023, larger than the 3.2% approved by Congress in the reformulated budget. A few weeks ago, the government raised net US$ 500mn with DOP-linked global bonds. If there is a funding gap, the government's preferred course of action is to issue domestically or draw deposits. They had around US$ 1bn in readily available Treasury cash before the recent DOP-linked bond issuance.

We keep our view that the BCRD will deliver two more 25bp cuts before 2023-end – pausing in October – taking the policy rate to 7.00%. Yet, we revised up the policy rate forecast for 2024 to 6.25%, from 5.5%. In our view, BCRD will be unwilling to reduce the interest rate differential below 125bp, out of exchange rate and capital flows concerns. Still, BCRD has rolled out about 0.6% of GDP in liquidity measures, consisting of low-cost financing for banks in exchange for the commitment to lend at below-market rates. This may put some extra pressure on DOP.

Upcoming risk events

- BCRD (Oct 31, Nov 30), bond issuance (2H23), pension reform, elections (2024)

Hedging

We recommend hedging, subject to liquidity considerations.

Exhibit 45: USD/DOP forecasts vs forwards

We forecast USD/DOP at 57.8 by 1Q '24

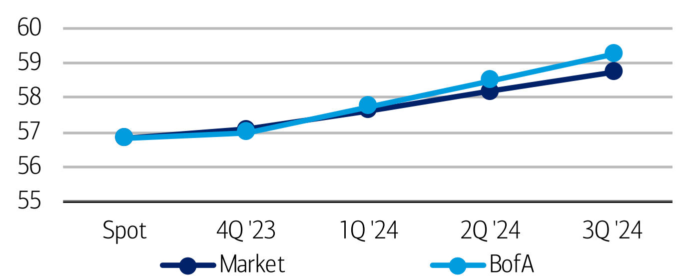
	current	chg		
Spot	57	- 10		
	Forecast		**Forward**	
Period	**current**	**chg**	**current**	**chg**
4Q 2023	57	-1	57.1	-0.18
1Q 2024	58	-1	57.6	-0.19
2Q 2024	59	-1	58.2	-0.16
3Q 2024	59	-0	58.7	-0.19

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 46: USD/DOP forecasts vs forwards

We are neutral with respect to forwards for 1Q '24



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

FX models

Short term: Compass 30

Exhibit 47: Compass 30 signals for LatAm currencies
Signals: Neutral BRL, Neutral CLP, Neutral COP, Neutral MXN, Neutral PEN

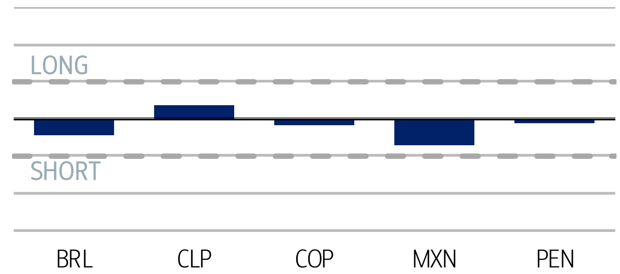
	Spot	Forecast	Forward	Exp Ret	Std Dev	Signal
BRL	5.07	5.13	5.09	-0.72	3.17	Neutral
CLP	929.53	925.28	931.86	0.71	3.78	Neutral
COP	4226.81	4282.94	4266.91	-0.37	4.79	Neutral
MXN	17.98	18.35	18.08	-1.50	4.15	Neutral
PEN	3.83	3.84	3.83	-0.09	1.50	Neutral

Source: BofA Global Research. Signals as of 10/10/2023

BofA GLOBAL RESEARCH

Compass30 uses macroeconomic and financial variables to predict currency returns over the following 30 days. For more details about the model, see our Compass 30 Viewpoint.

Exhibit 48: Compass 30 signals for LatAm currencies
Signals: Neutral BRL, Neutral CLP, Neutral COP, Neutral MXN, Neutral PEN



Source: BofA Global Research. Signals as of 10/10/2023

BofA GLOBAL RESEARCH

Medium term: Compass BEER

Exhibit 49: Compass BEER valuations for LatAm currencies
The average misalignment in LatAm is 6.3% undervaluation

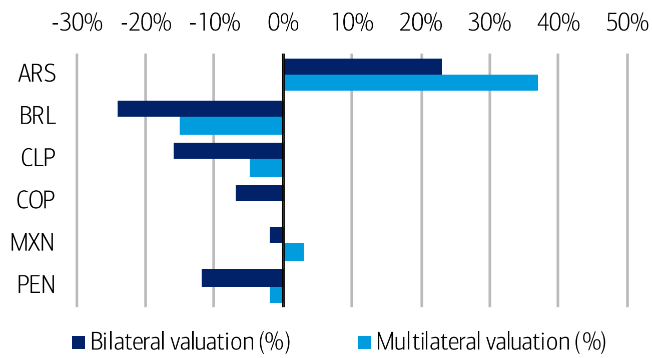
Currency	Spot	Fair value vs USD	Bilateral valuation (%)	Multilateral valuation (%)
ARS	350	440.2	23%	37%
BRL	5.07	4	-24%	-15%
CLP	939.9	799.7	-16%	-5%
COP	4,229.80	3,934.70	-7%	0%
MXN	18.3	18.1	-2%	3%
PEN	3.87	3.4	-12%	-2%

Source: BofA Global Research. Fair values as of 10/20/2023

BofA GLOBAL RESEARCH

Compass BEER is our medium-term valuation model for EM currencies. It estimates real exchange rate fair values based on macro fundamentals. For more information about the model, see our Compass BEER Viewpoint.

Exhibit 50: Compass BEER valuations for LatAm currencies
The average misalignment in LatAm is 6.3% undervaluation



Source: BofA Global Research. Fair values as of 10/20/2023

BofA GLOBAL RESEARCH

Long term: Compass FX

Exhibit 51: Compass FX valuations for LatAm currencies
The average misalignment in LatAm is 6.6% overvaluation

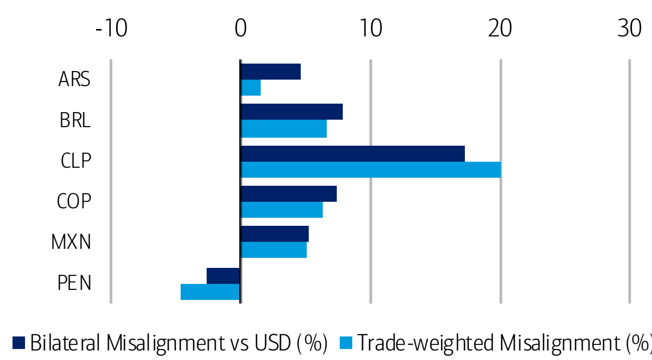
	Fair Value vs USD	Spot	Bilateral Misalignment vs USD (%)	Trade-weighted Misalignment (%)
ARS	367	350	4.59	1.58
BRL	5.46	5.03	7.81	6.70
CLP	1139	942	17.28	20.13
COP	4,562	4,225	7.39	6.38
MXN	19.2	18.2	5.28	5.16
PEN	3.78	3.88	-2.60	-4.61

Source: BofA Global Research. Fair values as of 10/25/2023

BofA GLOBAL RESEARCH

Compass FX provides estimates of long-term equilibrium exchange rates for 22 emerging market currencies, both trade-weighted and bilateral (vs the USD and EUR). For more information about the model, see our Compass FX Viewpoint.

Exhibit 52: Compass FX valuations for LatAm currencies
The average misalignment in LatAm is 6.6% overvaluation



Source: BofA Global Research. Fair values as of 10/25/2023

BofA GLOBAL RESEARCH

Forecast details

Exhibit 53: BofA quarter-end FX forecasts
We are bearish ARS, neutral BRL, neutral CLP, neutral COP, bearish MXN, bearish PEN

	Forecasts								
Currency	**2023 Q4**	**2024 Q1**	**2024 Q2**	**2024 Q3**	**2024 Q4**	**2025 Q1**	**2025 Q2**	**2025 Q3**	**2025 Q4**
USD/ARS (official)	681	957	1239	1518	1782	2034	2288	2574	2895
USD/ARS (blue chip)	1294	1674	1982	2277	2495	2746	2974	3217	3474
USD/BRL	5.05	5.08	5.15	5.20	5.25	5.28	5.30	5.33	5.35
USD/CLP	915	920	930	935	940	942	945	948	950
USD/COP	4,175	4,250	4,350	4,450	4,500	4,525	4,550	4,575	4,600
USD/DOP	57.0	57.8	58.5	59.3	60.0	60.5	61.0	61.5	62.0
USD/MXN	18.5	18.8	19.0	19.3	19.5	19.8	20.0	20.3	20.5
USD/PEN	3.88	3.89	3.91	3.92	3.93	3.94	3.94	3.95	3.95
USD/UYU	39.9	40.5	40.6	40.9	41.0	41.5	41.7	42.0	42.1

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 54: BofA LatAm FX forecasts vs Consensus
We are on average more bearish than Consensus in Q4 23

	2023 Q4			2024 Q4		
Currency	**BofA**	**Consensus**	**% Diff**	**BofA**	**Consensus**	**% Diff**
USD/ARS (official)	681	559	21.8%	1782	1050	69.7%
USD/BRL	5.05	4.98	1.5%	5.25	4.99	5.2%
USD/CLP	915	877	4.4%	940	853	10.2%
USD/COP	4,175	4,180	-0.1%	4,500	4,230	6.4%
USD/DOP	57.0	57.3	-0.5%	60.0	58.6	2.4%
USD/MXN	18.5	17.7	4.7%	19.5	18.4	6.0%
USD/PEN	3.88	3.75	3.4%	3.93	3.75	4.8%
USD/UYU	39.9	39.9	-0.2%	40.96	40.2	1.8%

Source: BofA Global Research, Consensus Economics

BofA GLOBAL RESEARCH

Analyst Certification

I, Christian Gonzalez Rojas, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Special Disclosures

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

Disclosures

Important Disclosures

BofA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.
BofA Securities fixed income analysts regularly interact with sales and trading desk personnel in connection with their research, including to ascertain pricing and liquidity in the fixed income markets.

Other Important Disclosures

Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BofA Securities trading desks.
The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

This report may refer to fixed income securities or other financial instruments that may not be offered or sold in one or more states or jurisdictions, or to certain categories of investors, including retail investors. Readers of this report are advised that any discussion, recommendation or other mention of such instruments is not a solicitation or offer to transact in such instruments. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor for information relating to such instruments.
Rule 144A securities may be offered or sold only to persons in the U.S. who are Qualified Institutional Buyers within the meaning of Rule 144A under the Securities Act of 1933, as amended.
SECURITIES OR OTHER FINANCIAL INSTRUMENTS DISCUSSED HEREIN MAY BE RATED BELOW INVESTMENT GRADE AND SHOULD THEREFORE ONLY BE CONSIDERED FOR INCLUSION IN ACCOUNTS QUALIFIED FOR SPECULATIVE INVESTMENT.
Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision, or for a necessary explanation of its contents.
The securities or other financial instruments discussed in this report may be traded over-the-counter. Retail sales and/or distribution of this report may be made only in states where these instruments are exempt from registration or have been qualified for sale.
Officers of BofAS or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.
This report, and the securities or other financial instruments discussed herein, may not be eligible for distribution or sale in all countries or to certain categories of investors, including retail investors.
Individuals identified as economists do not function as research analysts under U.S. law and reports prepared by them are not research reports under applicable U.S. rules and regulations. Macroeconomic analysis is considered investment research for purposes of distribution in the U.K. under the rules of the Financial Conduct Authority.
Refer to BofA Global Research policies relating to conflicts of interest.
"BofA Securities" includes BofA Securities, Inc. ("BofAS") and its affiliates. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor if they have questions concerning this report or concerning the appropriateness of any investment idea described herein for such investor. "BofA Securities" is a global brand for BofA Global Research.
Information relating to Non-US affiliates of BofA Securities and Distribution of Affiliate Research Reports:
BofAS and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") may in the future distribute, information of the following non-US affiliates in the US (short name: legal name, regulator): Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd., regulated by The Financial Service Board; MLI (UK): Merrill Lynch International, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA); BofASE (France): BofA Securities Europe SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers (AMF). BofA Securities Europe SA ("BofASE") with registered address at 51, rue La Boétie, 75008 Paris is registered under no. 842 602 690 RCS Paris. In accordance with the provisions of French Code Monétaire et Financier (Monetary and Financial Code), BofASE is an établissement de crédit et d'investissement (credit and investment institution) that is authorised and supervised by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers. BofASE's share capital can be found at www.bofaml.com/BofASEdisclaimer; BofA Europe (Milan): Bank of America Europe Designated Activity Company, Milan Branch, regulated by the Bank of Italy, the European Central Bank (ECB) and the Central Bank of Ireland (CBI); BofA Europe (Frankfurt): Bank of America Europe Designated Activity Company, Frankfurt Branch regulated by BaFin, the ECB and the CBI; BofA Europe (Madrid): Bank of America Europe Designated Activity Company, Sucursal en España, regulated by the Bank of Spain, the ECB and the CBI; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited, regulated by the Australian Securities and Investments Commission; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited, regulated by the Hong Kong Securities and Futures Commission (HKSFC); Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd, regulated by the Monetary Authority of Singapore (MAS); Merrill Lynch (Canada): Merrill Lynch Canada Inc, regulated by the Investment Industry Regulatory Organization of Canada; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa, regulated by the Comisión Nacional Bancaria y de Valores; Merrill Lynch (Argentina): Merrill Lynch Argentina SA, regulated by Comisión Nacional de Valores; BofAS Japan: BofA Securities Japan Co., Ltd., regulated by the Financial Services Agency; Merrill Lynch (Seoul): Merrill Lynch International, LLC Seoul Branch, regulated by the Financial Supervisory Service; Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd., regulated by the Securities and Futures Bureau; BofAS India: BofA Securities India Limited, regulated by the Securities and Exchange Board of India (SEBI); Merrill Lynch (Israel): Merrill Lynch Israel Limited, regulated by Israel Securities Authority; Merrill Lynch (DIFC): Merrill Lynch International (DIFC Branch), regulated by the Dubai Financial Services Authority (DFSA); Merrill Lynch (Brazil): Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários, regulated by Comissão de Valores Mobiliários; Merrill Lynch KSA Company: Merrill Lynch Kingdom of Saudi Arabia Company, regulated by the Capital Market Authority.
This information: has been approved for publication and is distributed in the United Kingdom (UK) to professional clients and eligible counterparties (as each is defined in the rules of the FCA and the PRA) by MLI (UK), which is authorized by the PRA and regulated by the FCA and the PRA - details about the extent of our regulation by the FCA and PRA are available from us on request; has been approved for publication and is distributed in the European Economic Area (EEA) by BofASE (France), which is authorized by the ACPR and regulated by the ACPR and the AMF; has been considered and distributed in Japan by BofAS Japan, a registered securities dealer under the Financial Instruments and Exchange Act in Japan, or its permitted affiliates; is issued and distributed in Hong Kong by Merrill Lynch (Hong Kong) which is regulated by HKSFC; is issued and distributed in Taiwan by Merrill Lynch (Taiwan); is issued and distributed in India by BofAS India; and is issued and distributed in Singapore to institutional investors and/or accredited investors (each as defined under the Financial Advisers Regulations) by Merrill Lynch (Singapore) (Company Registration No 198602883D). Merrill Lynch (Singapore) is regulated by MAS. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distributes this information in Australia only to 'Wholesale' clients as defined by s.761G of the Corporations Act 2001. With the exception of Bank of America N.A., Australia Branch, neither MLEA nor any of its affiliates involved in preparing this information is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this information in Brazil and its local distribution is by Merrill Lynch (Brazil) in accordance with applicable regulations. Merrill Lynch (DIFC) is authorized and regulated by the DFSA. Information prepared and issued by Merrill Lynch (DIFC) is done so in accordance with the requirements of the DFSA conduct of business rules. BofA Europe (Frankfurt) distributes this information in Germany and is regulated by BaFin, the ECB and the CBI. BofA Securities entities, including BofA Europe and BofASE (France), may outsource/delegate the marketing and/or provision of certain research services or aspects of research services to other branches or members of the BofA Securities group. You may be contacted by a different BofA Securities entity acting for and on behalf of your service provider where permitted by applicable law. This does not change your service provider. Please refer to the Electronic Communications Disclaimers for further information.
This information has been prepared and issued by BofAS and/or one or more of its non-US affiliates. The author(s) of this information may not be licensed to carry on regulated activities in your

jurisdiction and, if not licensed, do not hold themselves out as being able to do so. BofAS and/or MLPF&S is the distributor of this information in the US and accepts full responsibility for information distributed to BofAS and/or MLPF&S clients in the US by its non-US affiliates. Any US person receiving this information and wishing to effect any transaction in any security discussed herein should do so through BofAS and/or MLPF&S and not such foreign affiliates. Hong Kong recipients of this information should contact Merrill Lynch (Asia Pacific) Limited in respect of any matters relating to dealing in securities or provision of specific advice on securities or any other matters arising from, or in connection with, this information. Singapore recipients of this information should contact Merrill Lynch (Singapore) Pte Ltd in respect of any matters arising from, or in connection with, this information. For clients that are not accredited investors, expert investors or institutional investors Merrill Lynch (Singapore) Pte Ltd accepts full responsibility for the contents of this information distributed to such clients in Singapore.

General Investment Related Disclosures:

Taiwan Readers: Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument. No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or any other person without the express written consent of BofA Securities.

This document provides general information only, and has been prepared for, and is intended for general distribution to, BofA Securities clients. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of, and is not directed to, any specific person(s). This document and its content do not constitute, and should not be considered to constitute, investment advice for purposes of ERISA, the US tax code, the Investment Advisers Act or otherwise. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this document.

Securities and other financial instruments referred to herein, or recommended, offered or sold by BofA Securities, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. Digital assets are extremely speculative, volatile and are largely unregulated. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

Futures and options are not appropriate for all investors. Such financial instruments may expire worthless. Before investing in futures or options, clients must receive the appropriate risk disclosure documents. Investment strategies explained in this report may not be appropriate at all times. Costs of such strategies do not include commission or margin expenses.

BofA Securities is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

This report may contain a trading idea or recommendation which highlights a specific identified near-term catalyst or event impacting a security, issuer, industry sector or the market generally that presents a transaction opportunity, but does not have any impact on the analyst's particular "Overweight" or "Underweight" rating (which is based on a three month trade horizon). Trading ideas and recommendations may differ directionally from the analyst's rating on a security or issuer because they reflect the impact of a near-term catalyst or event.

Certain investment strategies and financial instruments discussed herein may only be appropriate for consideration in accounts qualified for high risk investment.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned in this report. Investors in such securities and instruments effectively assume currency risk.

BofAS or one of its affiliates is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. BofAS or one of its affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

BofA Securities, through business units other than BofA Global Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented herein. Such ideas or recommendations may reflect different time frames, assumptions, views and analytical methods of the persons who prepared them, and BofA Securities is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this information.

In the event that the recipient received this information pursuant to a contract between the recipient and BofAS for the provision of research services for a separate fee, and in connection therewith BofAS may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BofAS has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BofAS). If such recipient uses the services of BofAS in connection with the sale or purchase of a security referred to herein, BofAS may act as principal for its own account or as agent for another person. BofAS is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.

Copyright and General Information:

Materials prepared by BofA Global Research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of BofA Securities, including investment banking personnel. BofA Securities has established information barriers between BofA Global Research and certain business groups. As a result, BofA Securities does not disclose certain client relationships with, or compensation received from, such issuers. To the extent this material discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this material. BofA Global Research personnel's knowledge of legal proceedings in which any BofA Securities entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving issuers mentioned in this material is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of BofA Securities in connection with the legal proceedings or matters relevant to such proceedings.

This information has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of BofAS any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). BofA Global Research policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to BofA Securities and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This information may contain links to third-party websites. BofA Securities is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this information and is not incorporated by reference. The inclusion of a link does not imply any endorsement by or any affiliation with BofA Securities. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. BofA Securities is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

All opinions, projections and estimates constitute the judgment of the author as of the date of publication and are subject to change without notice. Prices also are subject to change without notice. BofA Securities is under no obligation to update this information and BofA Securities ability to publish information on the subject issuer(s) in the future is subject to applicable quiet periods. You should therefore assume that BofA Securities will not update any fact, circumstance or opinion contained herein.

Certain outstanding reports or investment opinions relating to securities, financial instruments and/or issuers may no longer be current. Always refer to the most recent research report relating to an issuer prior to making an investment decision.

In some cases, an issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such issuer (or

Research Analysts

LatAm FI/ FX Strategy & Economics

Claudio Irigoyen
Global Economist
BofAS
claudio.irigoyen@bofa.com

David Hauner, CFA >>
Global EM FI/FX Strategist
MLI (UK)
david.hauner@bofa.com

David Beker >>
Bz Econ/FI & LatAm EQ Strategy
Merrill Lynch (Brazil)
david.beker@bofa.com

Jane Brauer
Sovereign Debt FI Strategist
BofAS
jane.brauer@bofa.com

Natacha Perez
Brazil Economist
Merrill Lynch (Brazil)
natacha.perez@bofa.com

Carlos Capistran
Canada and Mexico Economist
BofAS
carlos.capistran@bofa.com

Sebastian Rondeau
LatAm FI/FX Strategist
BofAS
sebastian.rondeau@bofa.com

Alexander Müller
Andean(ex-Ven) Carib Economist
BofAS
alexander.muller@bofa.com

Lucas Martin, CFA
Sovereign Debt FI Strategist
BofAS
lucas.martin@bofa.com

Pedro Diaz
Caribbean Economist
BofAS
pdiaz2@bofa.com

Christian Gonzalez Rojas
LatAm Local Markets Strategist
BofAS
christian.gonzalezrojas@bofa.com

Antonio Gabriel
Global Economist
BofAS
antonio.gabriel@bofa.com

Ezequiel Aguirre
LatAm FI/FX Strategist
BofAS
ezequiel.aguirre2@bofa.com

Trading ideas and investment strategies discussed herein may give rise to significant risk and are not suitable for all investors. Investors should have experience in relevant markets and the financial resources to absorb any losses arising from applying these ideas or strategies.
>> Employed by a non-US affiliate of BofAS and is not registered/qualified as a research analyst under the FINRA rules.
Refer to "Other Important Disclosures" for information on certain BofA Securities entities that take responsibility for the information herein in particular jurisdictions.