Global FX Weekly

The long and choppy rest of the year ahead

12 January 2024

FX Research
Global

Athanasios Vamvakidis
FX Strategist
MLI (UK)
+44 20 7995 0279
athanasios.vamvakidis@bofa.com

Claudio Piron
Emerging Asia FI/FX Strategist
Merrill Lynch (Singapore)
+65 6678 0401
claudio.piron@bofa.com

G10 FX Strategy
MLI (UK)
+1 646 855 9342

See Team Page for List of Analysts

The View

G10. Bearish USD & CHF, bullish AUD, CAD & NOK, long EURUSD and EURCHF, bearish CHFJPY, constructive GBP; expect choppy downward USD path in 2024.

EM. We prefer relative value: short CNH against long SGD and INR, long BRL/MXN and long PLN/CZK.

G10 Themes

AUD: Constructive in 2024. RBA on hold, China sentiment at bearish extremes, strong fiscal position, export diversification & NIIP improvement, lower beta to risk over time.

GBP. Constructive in 2024. Later BoE cuts than Fed and ECB vs. market pricing. Global soft landing conducive to vol-adjusted carry.

CHF: SNB slowed pace of FX sales; combined with increase in sight deposits, it suggests more symmetric response to CHF strength. Keep long EUR/CHF.

EM Themes

CNY: China's CFETS trade-weighted index lost 2.6% over 2023. Expect CNY to underperform relative to peers as PBoC remains dovish.

TWD: Historical analysis suggests equities rally, TWD performance is mixed while FX vol cools following the election.

HKD: The rising deficit has eroded Hong Kong's fiscal position and pushed cash levels at the GRA to a low level.

UZS: Short 3m USDUZS NDF (open: 12,674, target: 12,374, carry: c. 0.8% pm, spot: 12,374). We aim to hold the trade until fixing.

VOL

G10 correlations: Market expects higher correlation for JPY & CHF pairs, lower for USD pairs. Implied correlation for GBP pairs dislocated. CHF realized correlation to surge.

Rates and FX vol: 2024 outlook suggests potential for vol in rates and FX to recouple. Express tail hedges in relatively cheap FX vol by selling rates vol.

Quant

Year-to-date USD rally has occurred largely outside of US trading hours. Price action likely driven by post-selloff consolidation.

Technicals

DXY lower, Gold higher YE24; lower $/¥ & €/¥ Jan; higher US 2Y & 30Y Q1. EUR golden cross signal favors trading above 1.0922 through January 22.

Our medium-term views

Michalis Rousakis
MLI (UK)
michalis.rousakis@bofa.com

Claudio Piron
Merrill Lynch (Singapore)
claudio.piron@bofa.com

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

G10	We are bearish USD, looking for EURUSD at 1.15 by end-2024. In our base case, the US economy starts recoupling with the rest of the world, US disinflation continues, and the Fed cuts rates, supporting risk sentiment and pushing the USD lower from an overvalued level. But risks abound: in our main alternative scenarios the USD softens less than we expect, or even strengthens. We expect a stronger EUR and GBP next year mostly vs USD—we remain bearish on both Euro area and UK growth, seeing both EURUSD and cable driven by the US recoupling. On JPY, we remain more cautious than consensus, primarily on carry—we expect USDJPY it to fall to 142 by end-2024. We expect high-beta G10 FX to perform well but continue to have some reservations on NZD and SEK. As for CHF, we expect the SNB to continue supporting it.
EM	Our client conversations suggest investors are lacking in directional EM FX conviction and leaning more towards relative value trades. In Asia, our preference in relative value FX is for short CNH against long SGD and INR, where positive carry is enhanced, and volatility contained by MAS and RBI intervention. In Latam, we favor long BRL against short MXN based on valuations, acknowledging that market positioning is long both currencies against short USD. In EMEA, we are long PLN/CZK on hawkish monetary policy in Poland relative to Czech.

Source: BofA Global Research

BofA GLOBAL RESEARCH

Our key forecasts

Exhibit 2: Key BofA G10 and EM FX forecasts
Forecasts as of 11-Jan-2024

(EOP)	YE 2021	YE 2022	YE 2023	1Q24	2Q24	3Q24	YE 2024	YE 2025
EUR/USD	1.14	1.07	1.10	1.07	1.10	1.15	1.15	1.20
USD/JPY	115	131	141	145	143	142	142	136
GBP/USD	1.35	1.21	1.27	1.23	1.26	1.31	1.31	1.40
AUD/USD	0.73	0.68	7.00	0.66	0.68	0.71	0.71	0.71
USD/CNY	6.36	6.90	7.10	7.55	7.40	7.10	6.90	6.70
USD/BRL	5.58	5.29	4.92	5.00	4.95	4.85	4.75	5.00
USD/INR	74.34	82.74	83.21	83.00	82.50	82.00	82.00	81.00
USD/ZAR	15.94	17.04	18.36	18.60	18.50	17.70	17.80	18.40

Source: BofA Global Research. Forecasts as of 11-Jan-2024.

BofA GLOBAL RESEARCH

What we particularly like right now

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

G10	
Buy 3m EUR/CHF ratio call spread	SNB symmetric reaction function implies intervention to weaken CHF or (more likely) less FX sales to taper balance sheet
Buy EUR/USD	We are bearish USD in 2024 on the start of Fed rate cutting cycle and normalization of the overvalued USD
Buy 4m EUR/GBP vol swap	EURGBP implied is at a historical low and should rise on diverging EZ-UK economic and fiscal outlooks
EM	
Long BRL/MXN	Long BRL/MXN at 3.52 spot (1y forward 3.58, target 4.00, stop 3.25) as one of our 2024 Top Trades

For complete list of open trades, and those closed over the past 12 months, please see here

Calls at a glance

Michalis Rousakis
MLI (UK)
michalis.rousakis@bofa.com

Thematic calls

- **Softer USD as US recouples & Fed eases policy:** We expect a softer USD to a still overvalued level as the US starts recoupling with the ROW and the Fed easing
- **Bullish FX vol bias into 2024** on combination of Year 4 Presidential cycle seasonality, FX vol dynamic at the start of Fed cutting cycles, and low vol base
- Our **main risk scenarios** point to less soft or a stronger USD: we discuss a "no landing" US scenario, a high rates scenario on risk premium or fiscal concerns, a scenario with an oil price shock, and a China slowdown scenario (see Macro YA)
- **A higher r*** would likely be a US story, posing upside risks to our USD equilibrium estimates *unless* on **fiscal concerns** or less appetite for US assets (see Macro YA)

Flows & positioning: USD selling moderated toward end-2023, with Real Money buying it vs. EUR and Asia EM in the first week of 2024.

Central Bank calls

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

Country	Next Meeting	BofA	Consensus	Prior	Narrative
US	31-Jan	5.25-5.50%	5.25-5.50%	5.25-5.50%	We look for four25bp cuts (Mar, Jun, Sep, and Dec) or 100bp of cuts this year, and another 100bp of cuts next year. This would bring the target range for the federal funds rate to 4.25-4.50% in Dec-24 and 3.25-3.50% in Dec-25. Our projection is for fewer rate cuts than financial markets currently expect: we have shifted in the direction of lower recession risk while maintaining a forecast for inflation that is stickier than market expects. On QT, we expect the Fed to cut the monthly UST redemption cap by $15bn/m starting in Mar with QT ending in July.
Eurozone	25-Jan	4.00%	4.00%	4.00%	We expect quarterly cuts in 2024E from June, one cut per meeting in 2025E until the depo is at 2%, and then more in 2026E. We still think the ECB prefers to do too much rather than too little (in contrast to the Fed). And, therefore, the ECB will want to wait for evidence that wage growth is past its peak before cutting. To us, that means the risk of faster cuts in 2H24 is currently bigger than the likelihood of cuts before June. On other policy matters: we still expect the operational framework review to bring an adjustment in the minimum reserve ratio to 2-3% and the ECB to stick to the pre-announced plan to reduce PEPP reinvestments by half in 2H24 and stop fully thereafter.
Japan	23-Jan	-0.10%	-0.10%	-0.10%	We push back our expected window for the likely timing of BoJ policy adjustments to Apr-Jul '24, and make the April MPM our baseline forecast for NIRP+YCC removal. Looking at the big picture, there are no changes to our view that the rise in Japan's underlying inflation will be sustained. We keep unchanged our forecast that the exit from NIRP/YCC will be followed by 25bp hikes in Oct-Dec '24 and Apr-Jun '25, to take BoJ policy rate to 0.5% by mid-2025. We also keep intact our view that QT will be delayed until 2025, despite the recent reduction in BoJ bond purchases.
UK	1-Feb	5.25%	5.25%	5.25%	We now expect the BoE on hold at 5.25% until Aug-24 (vs Feb-25 previously), and we expect a cutting cycle of 25bp per quarter from there. The UK will be the last of the major central banks to start the cutting cycle and it is likely to move slower, at least in comparison with the ECB. We see a risk that the BoE cuts rates 25bp per meeting when it starts in August of this year. We think that would have short legs if it were to materialise. In 2025, with less help from energy and goods reducing inflation, sticky services will be the main driver of inflation developments. Faster cuts in 2024 would likely need to be followed by, likely, a long pause down the line or, under some circumstances, even some small reversal of the move.
Canada	24-Jan	5.00%	5.00%	5.00%	We expect five rate cuts in 2024 and another 3 in 2025
Australia	6-Feb	4.35%	4.35%	4.35%	We expect no rate cuts in 2024 and the cash rate at 3.50 by YE 25
New Zealand	28-Feb	5.50%	-	5.50%	We expect seven rate cuts in 2024 and another 3 in 2025
Switzerland	21-Mar	1.75%	-	1.75%	We expect the SNB to start cutting later (September 2024) and less (quarterly to 0.5% by September 2025) than the ECB, with the risk of cutting even less. We now expect a more symmetric than before approach toward CHF.
Norway	25-Jan	4.50%	4.50%	4.50%	Norges done with hikes but to remain cautious. We continue to look for two rate cuts in 2024, starting in 3Q, and another five in 2024. Symmetric risks.
Sweden	1-Feb	4.00%	4.00%	4.00%	We look for three rate cuts in 2024 and another 5 in 2024, similarly to the ECB, Downside risks to this path.

Source: BofA Global Research, Bloomberg consensus forecasts as of 11-Jan-2024.

BofA GLOBAL RESEARCH

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

Country	Next Meeting	BofA	Consensus	Prior	Narrative

The view

Athanasios Vamvakidis
MLI (UK)
athanasios.vamvakidis@bofa.com

Claudio Piron
Merrill Lynch (Singapore)
claudio.piron@bofa.com

The year so far and implications for G10

So far this year we have seen a small correction of the strong market trends of the last two months in 2023. Equities are down, yields are up, and the USD has strengthened. All these moves took place early last week. Following the mixed US data last Friday—strong US non-farm payrolls and wages, but negative past revisions and weak ISM services—markets have been moving sideways, even after the upward surprise in US inflation this week. Fed speakers have not pushed against rates market pricing. Our flows suggest some profit taking, rather than any change in the consensus (see Liquid Cross Border Flows: USD breather 08 January 2024).

We still see the balance of risks for central banks cutting by less than current market pricing, and we also expect more differentiation. We expect the Fed to cut rates four times (starting in March), the ECB three times (staring in June), the BoE two times (starting in August) and the RBA to stay on hold in 2024, compared with market pricing six cuts for the Fed and the ECB, five for the BoE and two for the RBA. If we are right, the USD will eventually weaken more, but on a choppy path, EURUSD and GBPUSD should do well, and AUDUSD will do even better.

Our baseline remains that this is a year to sell USD rallies—we were recommending buying the USD dips last year. Central bank rate cuts, even if less than market pricing, in soft-landing, with US growth slowing towards the rest of the world should all push the USD further down from a still overvalued level, particularly against undervalued high-beta currencies, such as AUD, CAD and the Scandies.

We are also bearish CHF in 2024. As we argue in the CHF section of this report, the SNB is slowing the pace of FX sales, which was what pushed CHF to historically extreme levels last year. We are long EURCHF and also like short CHFJPY.

We are less bearish on USDJPY than the consensus. We have pushed back our expected window for the likely timing of BoJ policy adjustments to Apr-Jul 2024, with April our baseline forecast for removal of yield targeting and negative rates, from January before. We expect carry to continue weighing on JPY, even after considering the Fed rate cuts.

We see potential for upside in GBP this year. Beyond cable appreciation from our bearish USD view, the balance of risks for EURGBP may be negative. We expect the BoE to cut rates later and slower than both the Fed and the ECB. The budget in March could be a risk—we are long short-term EURGBP vol—but we hope the UK government has learned its lesson from the strong market reaction to the Truss tax cuts. We are not concerned about risks from the UK elections later this year, as both parties have mainstream policies. On the other hand, the elections for the EU Parliament in June could trigger market concerns if extreme right parties do as well as some polls suggest. In addition, risks related to commodity prices and geopolitics are more relevant for the EU.

Our relatively benign baseline is subject to risks. We expect inflation to be sticky on the way down, but may be even stickier than in our forecasts, as the US inflation data this week suggested, particularly when considering the still stretched labor markets in G10.

We assume broadly stable commodity prices, but an increase could lead to a stagflation scenario. Geopolitical risks also remain high. The US elections could also have mixed market implications, depending on fiscal, trade and monetary policies afterwards. Even if these risks do not materialize, markets could still price related risk premia during the year. Indeed, as we argue in our vol section below, we see higher FX vol this year, from very low current levels, and we discuss hedging opportunities. Last year was a year of many market narratives, changing every month and sometimes even every week; this year may not be as smooth as markets seem to expect.

We prefer relative value in EM

EM FX is starting the year on a notably softer footing and underperforming against its G10 FX peers. Investors are left asking whether the late year-end 2023 EM FX rally was just a seasonal bounce and whether expectations of an aggressive Fed easing cycle starting in March are way overpriced.

The pause in the short USD trade is in part due to the stabilization of US economic data with the Bloomberg US economic surprise index refusing to turn negative in January. By contrast, China data remains mixed-to-weak amid evidence of deflation that may likely force the hand of the PBoC to ease monetary policy further, resulting in CNY weakness.

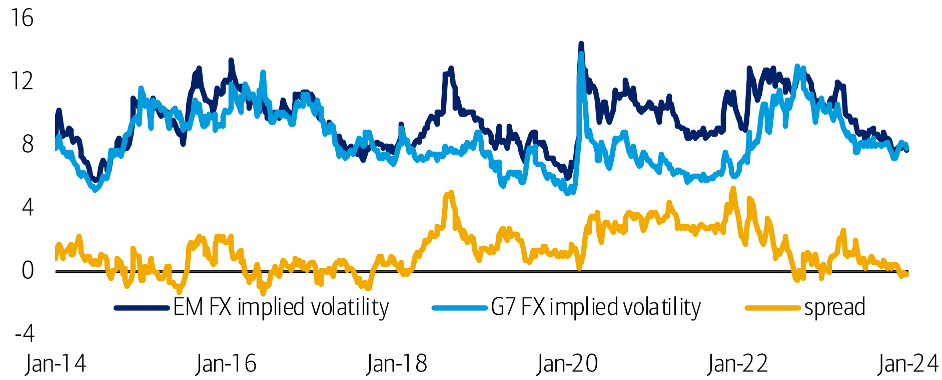
Either way, our client conversations suggest investors are lacking in directional EM FX conviction and leaning more towards relative value trades. In Asia, our preference in relative value FX is for short CNH against long SGD and INR, where positive carry is enhanced, and volatility contained by MAS and RBI intervention. In Latam FX, we favor long BRL against short MXN based on valuations, acknowledging that market positioning is long both currencies against short USD. In EMEA we are long PLN/CZK on hawkish monetary policy in Poland relative to Czech.

Elections, geopolitics – Taiwan is first test for the year.

This year is widely noted for its packed calendar of elections and geopolitical risks. The first of these comes this weekend with the Taiwan Presidential and legislative Yuan elections – see Emerging Insight: A heavy downside skew to USDTWD ahead of the election. Market pricing is benign and historical experience typically shows a post-election rally in equities while FX implications are mixed. The risk to this weekend's election is if the government is divided between the President and legislature along party political lines, resulting in a divided government and potential gridlock.

One issue that is evident in EM FX is that 3M ATMF implied volatility is on par or below that of G7 FX implied volatility – see Exhibit 5. An indication that EM risk premium is low and complacent, despite the more inherent macro vulnerability of EM. This is also despite heightened geopolitical risks in the Middle East adding to the risk and conflict in Ukraine. The challenge for investors is how to hedge these known unknowns. Our preference is to hold a 6M worst-off 5% out-of-the-money spot USD calls against puts in IDR and PHP. We outlined the case in Asia FX and Fixed Income Strategy: Asia Year Ahead 2024 - A breakout year 01 December 2023 on the premise that small open EM economies are more vulnerable to global risk off events.

Exhibit 5: EM FX volatility compression points to complacency
EM 3M FX implied ATMF volatility versus G7 3M FX implied ATMF volatility



Source: BofA Global Research, Bloomberg, JPMorgan

BofA GLOBAL RESEARCH

AUD can beat its beta

Adarsh Sinha
Merrill Lynch (Hong Kong)
adarsh.sinha@bofa.com

For details, please see full report: AUD can beat its beta 09 January 2024

Is AUD still high beta?

We recently closed our long AUD (vs. GBP) recommendation on tactical considerations but remain constructive over 2024. Our medium-term view partly rests on lower sensitivity to global risk sentiment over time. This is already evident in the resilience of AUD TWI (ex USD) to the multi-year China slowdown, as well as the sharp compression of implied skew. We argue these are durable trends related to export diversification and improvement in net foreign liabilities.

We are constructive AUD over 2024:

1. Domestic economic headwinds mean the RBA is likely done hiking. But we expect the RBA to be among the few central banks that do not cut in 2024, partly because the policy rate is less restrictive than elsewhere.

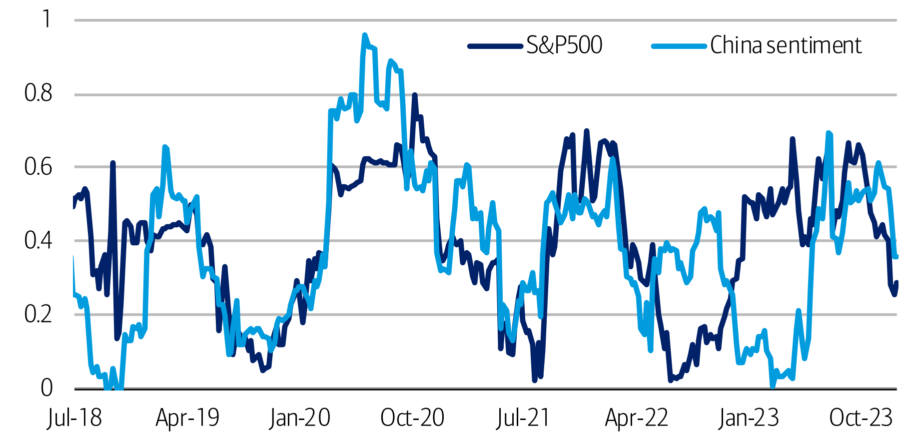
2. China sentiment remains at bearish extremes. China's import impulse for Australia lags its policy stimulus by three quarters but several high frequency indicators can help track spill overs to AUD (new home sales, steel production, port shipments).

3. Service sector exports have recovered sharply but not yet back to trend levels nor share of exports observed pre-pandemic – the recovery could further support AUD.

4. Australia remains in a strong fiscal position relative to its G10 peers, both in terms of deficit and debt levels. This allows some room for fiscal support in the event of a growth downturn, reducing the burden on monetary easing.

5. While AUD is perceived as a "high beta" currency, an improving NIIP should reduce its sensitivity to risk over time.

Exhibit 6: AUD TWI (ex USD) normalized beta to US and China risk sentiment (rolling six-month)
AUD beta (ex USD) to risk sentiment varies over time and has declined recently



Source: Bloomberg, Note: betas represent % move in AUD TWI associated with 1 standard deviation move in underlying variable. China sentiment is first principal component across major China asset prices.

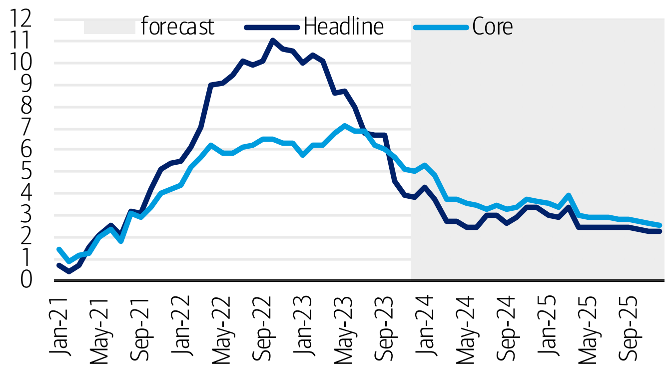
BofA GLOBAL RESEARCH

Benign backdrop for GBP

Kamal Sharma
MLI (UK)
ksharma32@bofa.com

Our economists have updated their 2024 forecasts for UK inflation. They now expect headline inflation to fall to 3% (-40bp), with core at 3.8% (-20bp). However, disinflation will still be slower than elsewhere. They now expect the BoE to stay on hold at 5.25% until August 2024 (from February 2025 before), and expect a cutting cycle of 25bp per quarter from there. The risks are also more balanced now. They assume the UK will avoid a recession, while a clearer downturn could mean earlier cuts.

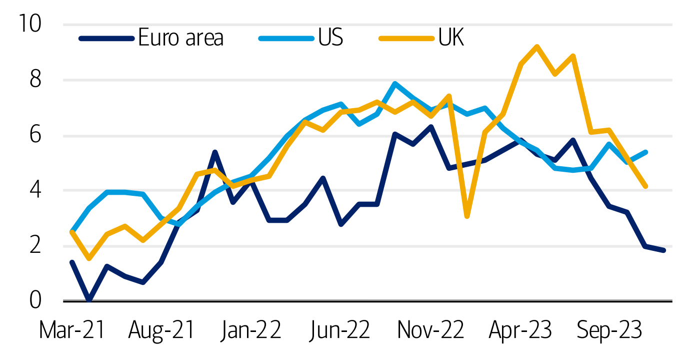
Exhibit 7: UK, BofA CPI forecast (yoy%)
Disinflation is ongoing but we still think UK has a sticky inflation problem



Source: ONS, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 8: Instantaneous services inflation tracker
November print was encouraging, but services inflation remains elevated



Source: BofA Global Research, BLS, Eurostat, ONS. Original methodology from Eeckhout (2023).

BofA GLOBAL RESEARCH

We find ourselves in the relatively unusual position of being constructive GBP in 2024. With the pound having successfully reintegrated back into the G10 FX universe, GBP is now reverting to tracking its historical drivers. That means investors should have a better handle on how sterling will trade through various phases of the business cycle. Under our base case scenario for a global soft landing and steeper US yield curve, this benign environment should be conducive to vol adjusted carry trades. With one of the higher policy rates in G10, GBP should be a beneficiary of such a backdrop. Even though our team has now added rates cuts for 2024, this is still below current market pricing for the BoE. If the market moves towards our scenario and the pricing out of rate cuts should be supportive for GBP.

Whilst we concede that the procyclical properties of GBP mean that it will face headwinds from a slowdown in both UK and global growth, we would observe that various survey indicators suggest that a good amount of pessimism has already been built into UK growth expectations. The UK economy will slow, and the market knows this. But in the absence of contagion spill-overs, a large part of this will be absorbed by carry. Nonetheless, with GBP, there are always risks. The fragile state of UK public finances, current account deficits, the Spring Budget on March 6th and a looming general election are event risks that need to be considered. As a general rule, if any of these factors come to dominate the carry signal then GBP is vulnerable. This is not our base case but is a tangible risk to a broadly positive environment.

Swiss FX Reserves: Steady

Kamal Sharma
MLI (UK)
ksharma32@bofa.com

Signs of slowing FX sales

The December release of Swiss FX reserves has been widely anticipated for signs that the enhanced language on CHF was being put into practice. Recall that at the December Monetary Policy (MP) meeting, the Swiss National Bank (SNB) adopted a more symmetric approach to CHF, stating that it was prepared to intervene on either side. Much of the previous 18 months had been spent arguing that a strong CHF was needed to ring fence the Swiss economy from the worst excesses of global inflation tailwinds. In combination with rate hikes, the SNB has sold close to CHF300bn in FX and reduced its balance sheet from 143% GDP to 100% GDP. This wall of money has been an important dynamic in CHF price action, helping to propel it to the strongest G10 currency versus USD in 2023. With the change in language, markets have been focussed on how this has translated into FX selling and sight deposits.

Evidence is building

The SNB sight deposit data gave us some (albeit inconclusive) evidence of this change in tone. Exhibit 9 shows the 1-week change in SNB sight deposits, which grew for the week ending January 5. The CHF6bn rise was the largest since July 2023, leading the market to conclude that the SNB has been actively selling CHF. We are somewhat more sceptical that this is indeed the case and would prefer to wait for more evidence (another weekly rise or the February data). Nonetheless, taken in conjunction with the release of December FX Reserves data and subsequent CHF price action, we think that this market is interpreting the combined data set to mean that the pace of FX sales has slowed whilst the SNB has been intervening to weaken CHF. Headline FX reserves rose CHF653bn from CHF642.4bn. During that time, the MSCI Index rose 5%, whilst CHF TWI rose 3%. Applying valuation adjustments, we estimate that CHF reserves are nearly CHF20bn higher than valuation would imply (Exhibit 10). Based on our numbers, we believe that there is reason to believe that the SNB has slowed the sale of FX exchange.

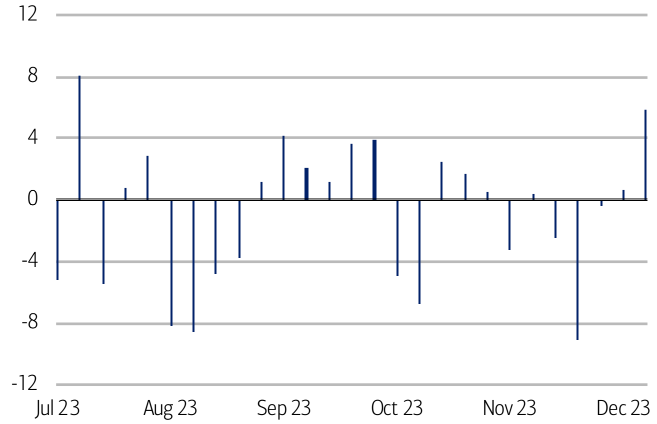
Focus on Reserves than Deposits

We reiterate the case for a higher EUR/CHF. The basis of that view is not entirely premised on the view that the SNB will intervene to weaken the currency. Rather, the more effective strategy, in our view, would be the reduction in FX sales, which has been a significant tailwind for the CHF over the past 18 months.

We liken the SNB decision to sell FX in large quantities to a large reserve shift by central banks. Both have a similar impact on markets – dislocation of currencies from their fundamentals but some mean reversion once the flow has stopped. We would see this as a far more significant tailwind to CHF weakness than intervention to sell the CHF. Arguably, the monthly FX reserves numbers will be more important than the weekly sight deposit data.

Exhibit 9: 1-week change in SNB sight deposits CHF bn

Largest 1-week build in deposits since July 2023

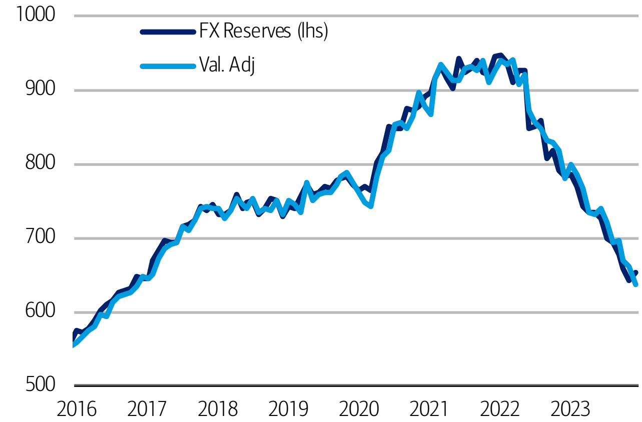


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 10: SNB FX reserves, actual versus valuation adjustment, CHF bn

Reserves rose by more than valuation adjustment implies



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

China Rates & FX – 16 snapshots to kick off the new year

Janice Xue
Merrill Lynch (Hong Kong)
janice.xue@bofa.com

Claudio Piron
Merrill Lynch (Singapore)
claudio.piron@bofa.com

Please see report for details: China Rates & FX – 16 snapshots to kick off the new year
08 January 2024

Key charts for China rates and FX

We put together 16 key charts that provide an overview of China markets and worth close monitoring. There are 3 sections in total: China rates , portfolio flows and FX , PBoC policy tools.

China rates

- We expect the market rally since Dec to continue as net supply of government bonds is usually lower in 1Q, and reduced FX pressure should open up more room for the central bank to ease funding conditions.

- 30y CGB was the best-performing part of the CGB curve during 2023. As the safety margin of long 30y CGB is getting thinner, the key things to watch include: 1) property market, 2) inflation, and 3) 30y CGB auction size.

- In Dec-2023, bond market sentiment improved, coinciding with a small rebound in repo transactions. That said, the transaction volume remains largely in line with historical growth trend, suggesting carry positions are not crowded yet

Portfolio flows and FX

- Offshore investors expanded their China bond holdings by CNY251bn in Nov-2023 (the largest monthly increase), as yield pick-up on a FX-hedged basis became more attractive. Foreign bond holdings should remain stable in 2024.

- Total net inflows through Northbound Stock Connect amounted to CNY44bn in 2023, the lowest level in recent years. The outlook for equities inflows largely depends on whether we'll see sufficient and timely policy support measures to restore confidence in growth outlook.

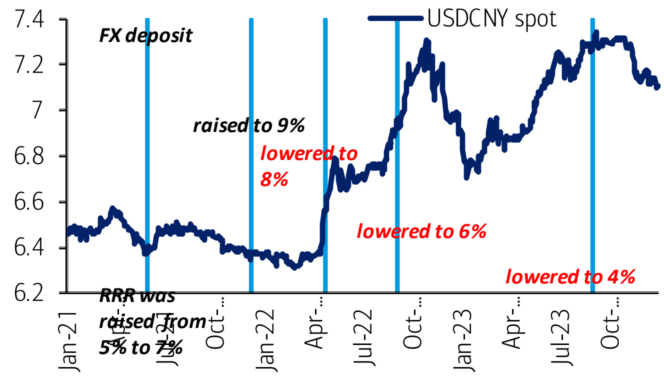
- China's CFETS trade-weighted index lost 2.6% over 2023. We expect CNY to underperform relative to peers as PBoC policy remains dovish. New basket weights for 2024 show USD slightly lower at 19.5%, however, adding other USD pegs boosts weight to 27.6% vs. 27.3% previously.

PBoC policy tools

- While our economists' baseline is for LPRs to stay unchanged in 2024, the risk is clearly asymmetric towards rate reductions. If we get a bigger cut to the 1y MLF rate vs 7d OMO rate, back-end CGB could again outperform the front-end.

- We expect two 25bp RRR cuts in 2024. The outstanding amount of MLF loans should also continue to rise. The magnitude of increase is contingent on the usage of other complementary tools, including the relending programs and the Pledged Supplementary Lending (PSL) facility.

Exhibit 11: USDCNY spot rate and FX deposits RRR changes
FX deposit RRR has been lowered further to 4% in Sep 2023

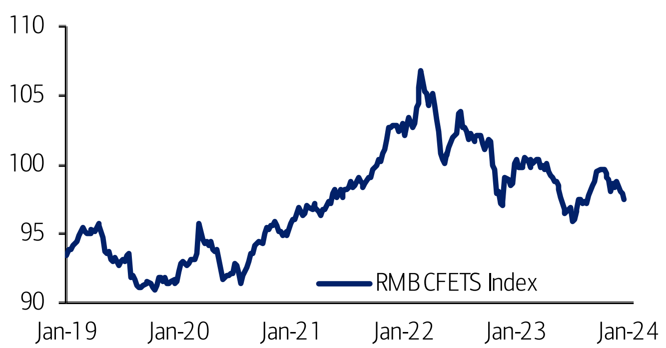


Source: Bloomberg, PBoC, BofA Global Research

BofA GLOBAL RESEARCH

- In September 2023, the PBoC reduced RRR for FX deposits (FXD) further from 6% to 4% to inject USD liquidity and fend off currency depreciation pressure. It is one of the countercyclical tools to ensure FX market stability.
- Previously, the central bank has hiked FXD RRR when CNY strengthened against USD and USDCNY was trading at 6.3-6.4 range. Under our baseline, we only expect a moderate appreciation of CNY against USD towards 6.9 by end-2024.
- That said, if USD faces greater downward pressure or China sentiment starts to bounce, we can potentially see some unwinding of previously imposed FX measures. Besides RRR on FXD, macro-prudential parameter for cross-border financing and risk reserve requirements on FX forward sales may also be relaxed to alleviate exchange rate overshoot

Exhibit 12: China CFETS trade-weighted basket
CFETS basket resumes 2yr depreciation trend in January

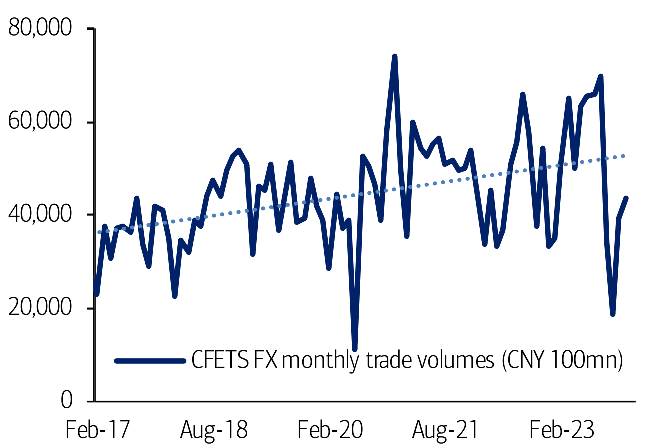


Source: People's Bank of China, China Foreign Exchange Trading System

BofA GLOBAL RESEARCH

- China's CFETS trade-weighted index lost 2.6% over 2023. We expect CNY to underperform relative to peers as PBoC policy remains dovish.
- New basket weights for 2024 show USD slightly lower at 19.5%, however, adding other USD pegs boosts weight to 27.6% vs. 27.3% previously.
- Biggest incremental increases in weights were seen with RUB and MYR weights.
- Biggest decline in weights were for JPY to 8.96% weighting (fall of 79bps) and HKD, fall of 62bps to 2.98%.

Exhibit 13: Onshore monthly USD/CNY FX Volumes
October saw sharp fall in volumes to 18.48bn RMB



Source: People's Bank of China, China Foreign Exchange Trading System

BofA GLOBAL RESEARCH

- Onshore FX trading USD/CNY volumes fell to almost March 2020 COVID levels in October 2022 at an average daily estimated volume of 18.48bn RMB.
- This could possibly be the result of window guidance and less capital inflows into China. November has seen a rebound in volumes, but still below the trend growth seen over the past 6 years.

A heavy downside skew to USDTWD ahead of the election

Chun Him Cheung, CFA
Merrill Lynch (Hong Kong)
chunhim.cheung@bofa.com

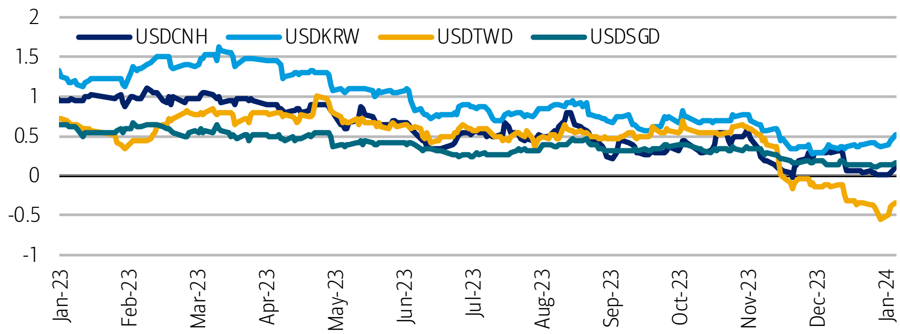
Miao Ouyang
Merrill Lynch (Hong Kong)
miao.ouyang@bofa.com

-

Please see report for details: A heavy downside skew to USDTWD ahead of the election 08 January 2024

Exhibit 14: Comparison of 3-month 25-delta risk reversals across Asian currencies

Compared to peers (USDCNH, USDKRW and USDSGD), USDTWD stands unique in having a negative 3-month risk reversal



Source: Bloomberg

BofA GLOBAL RESEARCH

Taiwan election in focus

Taiwan's general election (hereinafter referred to as election) is scheduled for 13 January 2024. While much attention is placed on the Presidential race, we think investors should equally focus on the dynamics of the legislative race and the potential outcomes. Historically, we have found that Taiwan equities tend to rise and outperform the global benchmarks in the 10-trading days post-election. FX performance tends to be muted but FX-implied volatility mostly peaked close to the election date before subsiding afterwards. In terms of the market skew, the USDTWD risk reversal also tends to increase following the election. We are expecting a similar pattern for the 2024 election, especially after the recent increase in USDTWD-implied volatility and the collapse of risk reversals, triggered by the rapid decline in spot USDTWD and NDF in the last two weeks of 2023

All eyes on the upcoming Jan 13 election. The Taiwanese general election is scheduled to be held on 13 January 2024. The three major presidential candidates are Lai Ching-te from the ruling Democratic Progressive Party (DPP), Hou Yu-ih from the Kuomintang (KMT) and Ko Wen-je from the Taiwan People's Party (TPP). The president and vice president will be elected by a simple majority, i.e., the candidate with the most votes wins without a runoff requirement. The new president will assume office on 20 May, with a four-year term.

The legislative race will also be important. The legislative elections will be held concurrently with the presidential election. There are 113 seats in the Legislative Yuan (Taiwan's parliament), and 57 seats are needed for a majority. The Legislative Yuan elections use a mixed-electoral system — among the 113 seats, 73 are elected by a first-past-the-post voting in single-member districts, six are reserved for indigenous candidates by a single non-transferable vote, and 34 by the party-list proportional representation. Specifically, each voter will cast votes in two ballots – one for a candidate in their district and one for a political party. A party needs to have at least 5% of the total party votes to gain seats in the Legislative Yuan. The term of the upcoming Legislative Yuan will begin on 1 February 2024.

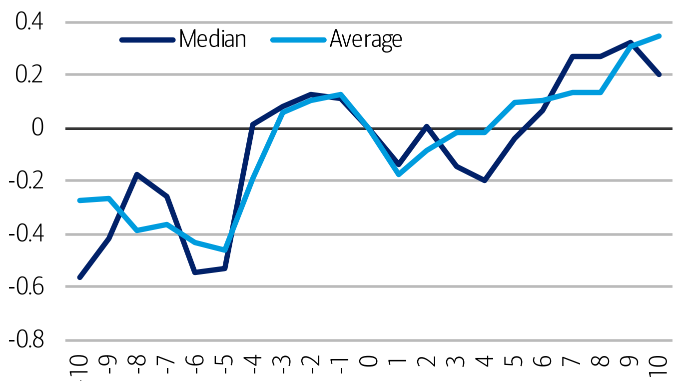
What to watch for? The market has been closely watching the presidential race and its potential geopolitical implications. The legislative elections are important to track too, despite the relatively little attention paid by the market.

Why does it matter? Over the past 16 years since 2008, the President and the majority in the Legislative Yuan have always been from the same party. The key to watch for the 2024 elections would be whether there will be a party with a clear majority in the legislature. A mismatch between the party of the President and the majority party in the Legislative Yuan could potentially make it more difficult to roll out some policies such as the annual budget.

The performance of the TWD FX is more mixed around the election. Despite the TWSE's strong average equity performance in the 10-days following the Taiwanese election, the performance in the FX market is less clear. We found that the average and median performance of TWDUSD rose by around 0.2% - 0.3% in the 10-trading days following the election (**Exhibit 15**). In terms of the TWD NEER, the average and median increase was only around 0.1% over the same period (**Exhibit 16**).

Exhibit 15: Average and median performance TWDUSD around election

In the past six election, the average and median performance of TWDUSD was 0.2%-0.3%10 trading days after each election

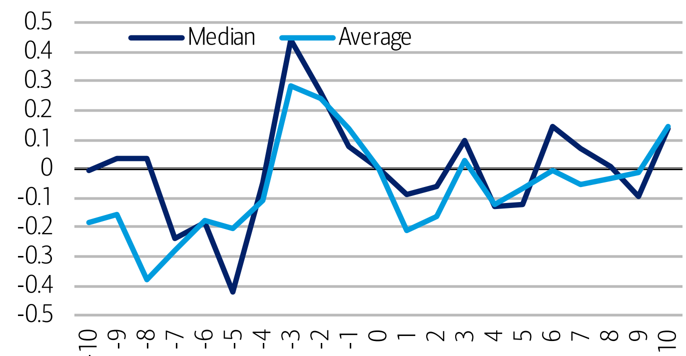


Source: Bloomberg; Note: Day 0 is the first trading day after the election

BofA GLOBAL RESEARCH

Exhibit 16: Average/Median performance TWD NEER around election

In the past six election, the average and median performance of TWDUSD was 0.1%10 trading days after each election



Source: Bloomberg; Note: Day 0 is the first trading day after the election

BofA GLOBAL RESEARCH

The asset class that demonstrates the clearest trend following the Taiwanese election is the FX volatility. Relative to the performance of spot equities and spot FX, the pricing behaviour of FX options are more consistent around the time of the last five Taiwanese elections.

The historical pricing of USDTWD risk reversals suggest that the market risk is often skewed to the downside prior to the election. With respect to the performance of 3-month 25-delta risk reversals on USDTWD around the time of the past five elections (starting with the 2004 election). In four out of the five cases, the pricing of risk reversals rose by around 0.25 vol following the election.

We interpret this historical performance as, the market on net, unwinding the USDTWD put options placed in hopes of a significant USDTWD downside, based on a risk-on outcome of the election. When the Taiwanese Dollar failed to show a significant upside momentum following the election, these structures were unwound, resulting in a net reduction of the value of puts vs calls.

A deep dive into Hong Kong's finances

Chun Him Cheung, CFA
Merrill Lynch (Hong Kong)
chunhim.cheung@bofa.com

Ting Him Ho, CFA
Merrill Lynch (Hong Kong)
tinghim.ho@bofa.com

Please see report for details: A deep dive into Hong Kong's finances 02 January 2024

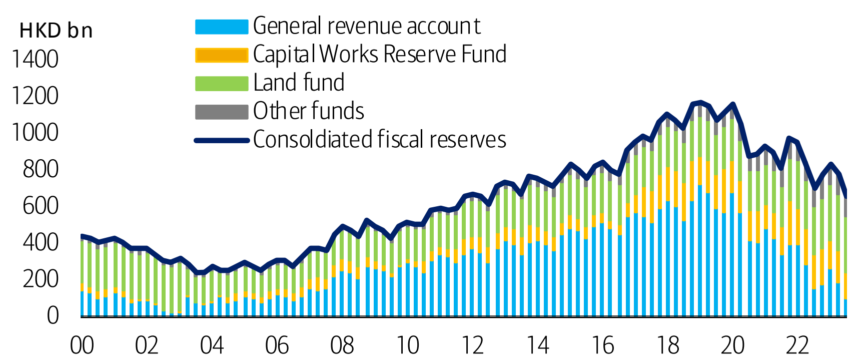
Hong Kong may be approaching a fiscal turning point

Historically, the fiscal position of the HKSAR government was little in doubt, as tax revenues were supported by substantial land sales. After the Asian Financial Crisis, the HKSAR government ran fiscal surpluses that resulted in large, accumulated savings deposited at the HKMA. However, in the past three years, the record fiscal deficit notably eroded the government's fiscal position.

Although fiscal reserves remain large at HK$662bn, its breakdown shows that most of this amount is earmarked in funds that cannot be used for recurrent expenditures (**Exhibit 17**). The HKSAR government's main expenditures are conducted through the General Revenue Account (GRA), and by 3Q23, liquid cash flows stood at HK$112bn. In previous years, the GRA got transfers from the Capital Works Reserve Fund (CWRF). However, with the land premium very weak in 2023, such transfers may be reduced or not possible, given the expanding commitments of the CWRF.

While Moody's downgraded HK's outlook to negative due to its tight credit linkage with China, we think the evolving fiscal dynamics warrant more attention. This note provides a deep dive into the financing operations of the HKSAR government. We examine the long-term trajectory of revenue and expenditure in Hong Kong, and highlight the risk that Hong Kong would likely need to increase debt issuance to help tie over expenditure, similar to much of the developed world. We also discuss how rising debt issuance by the HKSAR government can grow the HKD debt market and help correct the structural imbalance between the supply and demand for HKD debt.

Exhibit 17: Decomposition of Hong Kong's fiscal reserves
Cash levels in the general revenue account is approaching its lowest point since 3Q-2006



Source: HK Treasury

BofA GLOBAL RESEARCH

Frontier carry trades are alive: sell 3m USDUZS NDF

Mikhail Liluashvili
MLI (UK)
mikhail.liluashvili@bofa.com

Vladimir Osakovskiy >>
Merrill Lynch (DIFC)
vladimir.osakovskiy@bofa.com

Please see report for details:: EM Alpha: Frontier carry trades are alive: sell 3m USDUZS NDF 05 January 2024

Short USDUZS: the carry looks attractive

We go short USDUZS through 3m NDF (open: 12,674, target: 12,374, stop: 12,902, carry: circa 0.8% per month). The spot reference is 12,374. The risk is an earlier-than-anticipated devaluation of the UZS. The USDUZS NDF market is illiquid, so we plan to hold our NDF position until maturity. We select a 3m NDF because: 1) we have more conviction in UZS stability over the next 3 months; and 2) the 1m and 2m NDFs do not offer enough carry to enter the trade.

UZS: devaluation under control, at least for now

We reiterate our view that that the authorities will likely continue to keep the UZS on a steady 4-5% annual devaluation track, which we view as part of a longer-term transition to a 5% inflation target. We admit there is a lingering risk of 5-10% one-off exchange rate adjustments in case of any major external shocks. However, we also note that after the latest 5% adjustment in 3Q23, the risk of another move appears low, at least over the next few months.

Recovering RUB reduces devaluation pressures on UZS

The August devaluation coincided with the USDRUB approaching the psychological level of 100. The World Bank estimated that Russia accounted for close to 80% of total personal remittances to Uzbekistan in 2023. Therefore, a weak RUB may weigh on Uzbekistan's current account through the negative impact on flows of personal remittances, which cumulatively accounted for nearly 18% of GDP in inflows last year. However, with the RUB recovering by about 10% off its 2023 lows, pressure for another round of devaluation should be relatively low.

Rates and FX vol – Recoupling in 2024

For details, please see full report: Rates and FX vol – Recoupling in '24 11 January 2024

Potential for Rates and FX vols to recouple over '24

Relatively high implied volatility levels in the rates space vs other asset classes has been a significant feature of the market dynamic over the last couple of years.

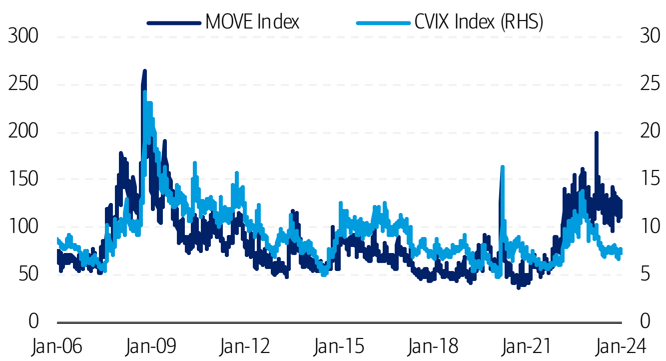
This decoupling makes sense in a context where the outlook for the US economy is relatively contained in between soft-landing scenarios and scenarios of steady resilience, where rates are the main shock absorber for the broader market dynamic.

The role of rates as the main shock absorber is likely to fade over '24 as the Fed starts to deliver on policy easing and risks to the outlook stay skewed to the downside. FX vol may take some of that mantle from the rates space. We expect: (1) lower vol in the rates space, with the left side of the grid leading the way, and a potential re-steepening of the term structure of rates volatility; (2) FX volatility to stay supported and for levels to come off the low '23 base.

A wide range of outcomes support hedging tail scenarios (hard landing or re-acceleration, in particular). We see scope for clients to express these tail hedges in relatively cheap FX vol space, particularly vs a relatively rich rates vol context. The potential for a recoupling of FX and rates vol may also support contingent hybrid expressions where longs in FX vol are financed by selling rates vol (through carving out portions of the range of outcomes).

Exhibit 18: Rates vs FX volatility

Rates vol trades at relatively high percentiles since mid-'22, while FX vol trades at relatively low percentiles

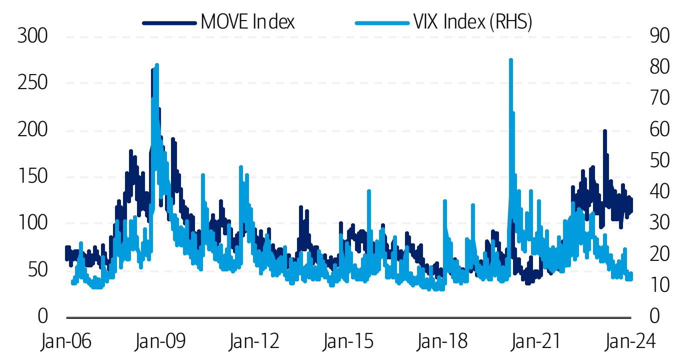


Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 19: Rates vs Equity volatility

Rates vol trades at relatively high percentiles since mid-'22, while FX vol trades at relatively low percentiles



Source: BofA Global Research

BofA GLOBAL RESEARCH

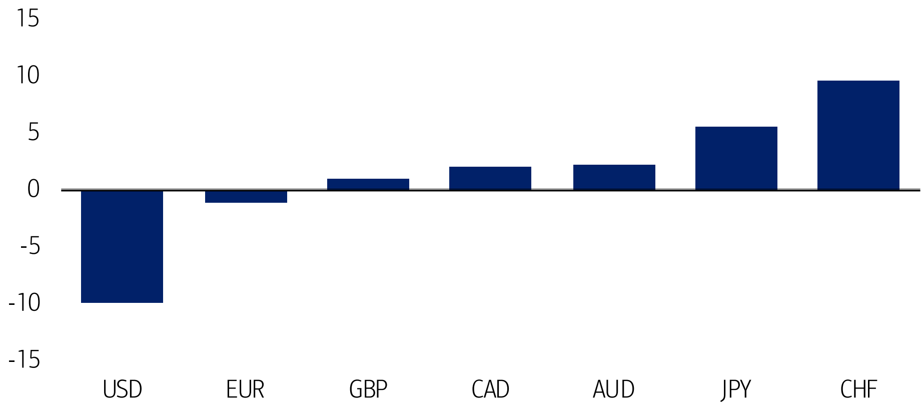
G10 FX correlations for 2024

Please see full report for details: G10 FX correlations for 2024 10 January 2024

Realized FX correlation shows the USD and JPY were again the focal point of the G10 FX market in 2023. Looking ahead, implied FX correlation premium shows the market currently expects JPY and CHF correlation to rise the most and USD correlation to fall in Q1 2024. Investors remain focused on the BoJ but believe USD correlation should see some normalization after the December spot selloff. Relative to history, we currently find GBP correlation to be most undervalued by the market. 3m Implied correlation for GBP-based pairs has fallen to a pre-Brexit low and underprices risk around the March UK Budget Statement, in our view. Consensus G10 FX forecast currently expects CHF to weaken the most vs G10 peers in 2024. Should the CHF depreciate like consensus suggests in 2024, realized correlation for CHF-based pairs could also rise by more than what implied correlation currently has priced-in, in our view.

Exhibit 20: Heading into 2024, options market expects CHF and JPY correlation to rise further and USD correlation to ease in Q1

Current 3m implied – realized correlation spread



Source: BofA Global Research, Bloomberg. We calculate single currency correlation, e.g. USD, as the average of all 36 USD/G10 correlation pairs.

BofA GLOBAL RESEARCH

Quant Insight

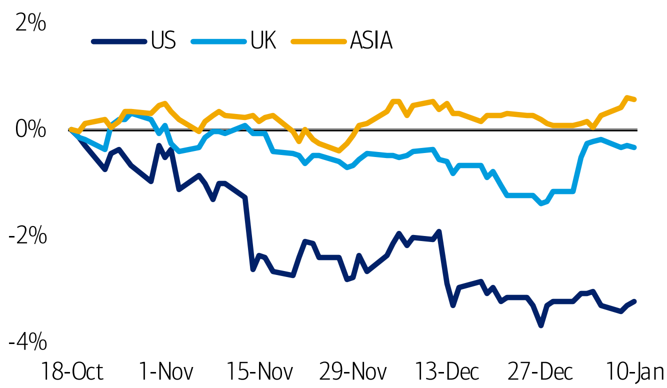
Vadim Iaralov
BofAS
vadim.iaralov@bofa.com

Howard Du, CFA
BofAS
yuhao.du@bofa.com

2024 USD rally has largely taken place outside of US trading hours

The USD has gained by more than 1% since the start of 2024, and notably all of the year-to-date gain has come from outside of the US trading hours (Exhibit 21). Cumulative DXY return during US trading hours in 2024 has been close to flat. The USD rally in UK and Asia trading hours this year has coincided with a modest selloff of 2y Treasury by UK and Asia-based investors (Exhibit 22). US-based investors have not swayed from both the short USD and bullish Treasury views.

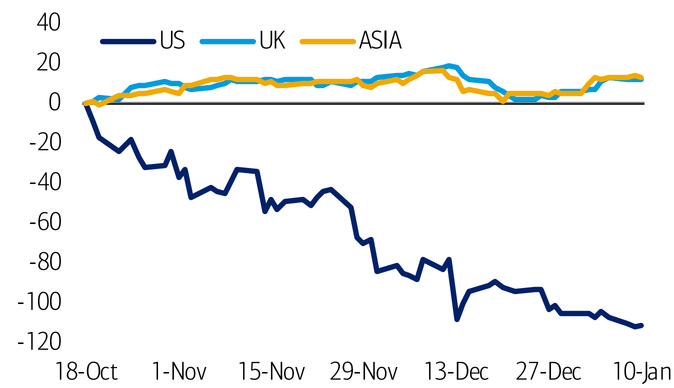
Exhibit 21: Year-to-date in 2024, USD price rally has happened outside of US trading hours
DXY 3m cumulative return by time zone



Source: BofA Global Research, Bloomberg. We define US time zone as 1pm-12am UTC (8am-7pm EST), UK time zone as between 8am-1pm UTC (3am-8am EST), and Asia time zone as between 12am to 8am UTC (7pm-3am EST)

BofA GLOBAL RESEARCH

Exhibit 22: USD rally outside of US trading hours coincided with rise in Treasury yield outside of US hours in 2024
2yT yield cumulative change by time zone



Source: BofA Global Research, Bloomberg. We define US time zone as 1pm-12am UTC (8am-7pm EST), UK time zone as between 8am-1pm UTC (3am-8am EST), and Asia time zone as between 12am to 8am UTC (7pm-3am EST)

BofA GLOBAL RESEARCH

Year-to-date USD rally still appears to be post selloff consolidation for now

We would characterize the year-to-date USD move largely as a post-selloff consolidation than a reversal of the downtrend. Since the start of the year, economic surprise indices have risen in both EU and Japan, so Europe and Asia-based investors likely did not buy the USD because of bearish catalysts for their domestic currencies. Last week's positive payrolls and wages surprise led to a brief USD surge in US hours, but it was quickly offset by the negative ISM services employment surprise. This week's CPI data slightly surprised to the upside but our economists believe it is unlikely to move the Fed March cut pricing by much because there is likely additional shelter disininflation in the coming months (Morning Market Tidbits: 11 January 2024). Overall, the USD price action has been driven more by US-hour fluctuations throughout 2023 (FX Viewpoint: 09 August 2023), and for now US-based investors have not pared back on the short USD view. For 2024 as a whole, we see more room for the USD to fall against G10 peers (G10 FX Year Ahead: 20 November 2023).

Technical Strategy

Paul Ciana, CMT
Technical Strategist
BofAS
paul.ciana@bofa.com

- The first five trading days of 2024 say: January and Q1 sees higher Silver, Oil and $COP, in January only lower USDJPY and EURJPY, in Q1 higher US 2Y & 30Y yield and in January & YE24 higher Gold. → Technical Advantage Jan 10
- Euro's golden cross signal on January 3 favors euro trading above 1.0922 through January 22, or up to twelve trading days later. → Euro's golden cross Jan 3
- It's never to late for a New Year resolution, such as getting to know more about technical analysis. Please see our 150+ page primer here → Technicals Explained: In 2024, get to know technical strategy 05 Jan 2024.

The January Barometer starts with the first five days

The January barometer is an equity market cycle that suggests the performance of the first five trading days (FFDs) of the year and/or the entire month of January signals the trend for the rest of the month, quarter and/or year. Ideally, the FFDs and January align. Below we recap 2024s FFD results for the SPX and FICC (DXY, Oil, US 10Y). We also searched FICC with 13 notable results. (Full report: Technical Advantage Jan 10)

DXY: First five days up may mean lower at YE24

In the FFDs the DXY rose +0.86%. Of 50 years, the DXY was up 30 times. When FFDs were up the year was down 18 times or 60% of the time on average -7.93%. This agrees with Gold's FFDs results and our year ahead (Flying near the hard deck 03 Dec 2023).

Exhibit 23: Summary of first five-day findings
The FFDs of 2024 favor higher Silver, Oil and $COP in January & Q1, lower $JPY and €JPY in January, higher US 2Y & 30Y yield in Q1 and higher Gold in January & YE24.

Ticker	FFDs	Tendency after FFDs
S&P 500	Down -0.13%	Rest of Q1 up 59% of time (32 of 96) on avg 7.55%
DXY	Up 0.86%	Rest of year down 60% of time (18 of 30) on avg -7.93%
WTI Oil	Down -1.23%	Rest of Jan/Q1 up 15/13 of 20 times on avg 4.99%/10.64%
US 10Y Yield	Up 15 bps	Rest of Jan down 61% of time on avg -18 bps
GBPUSD	Down -0.09%	Rest of Jan up 68% of time (13 of 19) on avg +1.39%
AUDUSD	Down -1.45%	Rest of year down 67% of time (8 of 12) on avg -9.71%
USDJPY	Up 2.55%	Rest of Jan down 72% of time (13 of 18) on avg -2.12%
USDMXN	Down -0.79%	Rest of year up 67% of time (14 of 21) on avg +13.28%
USDCLP	Up 2.75%	Rest of Jan up 79% of time (11 of 14) on avg 1.93%
USDCOP	Up 0.14%	Rest of Jan/Q1 up 12/13 of 16 times on avg 2.23%/3.46%
EURJPY	Up 1.67%	Rest of Jan down 77% of time (10 of 13) on avg -2.52%
Gold	Down 1.69%	Rest of Jan/Year up 10/10 of 14 times on avg 3.52%/16.11%
Silver	Down -2.88%	Rest of Jan/Q1 up 11/9 of 12 times on avg 4.48%/13.27%
US 2y yield	Up 3 bps	Rest of Q1 up 75% of time (12 of 16) on avg 39 bps
US 30Y yield	Up 4 bps	Rest of Q1 up 76% of time (13 of 17) on avg 29 bps
Bund yield	Up 6.5 bps	Rest of Jan up 69% of time (9 of 13) on avg 11 bps
US 10Y BE	Up 2.6 bps	Rest of Q1 up 69% of time (11 of 16) on avg 27 bps

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Euro's golden cross favors Jan bounce back

The last year has been a choppy range for the euro and the chart remains so. However, the popular golden cross signal, or when the 50-day simple moving average (SMA) crosses above the 200-day SMA, occurred on January 3 at 1.0920. Since the euro began trading in 1999 there have been 16 such signals. History shows that 13 of the 16 times the euro was higher seven trading days later 81% of the time (Jan 12, 2024). Average and median returns were 0.49% and 0.46%. From 6 to 12 trading days later, euro was up 69-81% of the time. This signal implies euro finds support at/above the 200d SMA of 1.0846, longs enter between this and 1.09 for bounce back to the top of range in the 1.10-1.11 area and stopping below 200d SMA.

Exhibit 24: EURUSD Daily chart

Euro has been trading in a range for the last year. A golden cross signal ending Jan 3, 2024 suggests euro is above 1.0922 6-12 trading days later or through Jan 21 2024.

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Trade Recommendations G10

Michalis Rousakis
MLI (UK)
michalis.rousakis@bofa.com

Exhibit 25: Open trades G10
Current G10 FX trade recommendations. Prices as of 11-Jan-2024.

Trade Description	Open Date	Entry Price	Expiry Date	Current Price	Rationale	Risks
Buy 3m 1x1.5 0.8320/0.95 EUR/CHF call spread	2-Jan-24	0.53% EUR (spot ref: 0.9320, vol refs: 5.8% and 5.25%)	3-Apr-24	0.93351	SNB symmetric reaction function implies intervention to weaken CHF or (more likely) less FX sales to taper balance sheet	SNB takes a more benign approach to CHF strength should inflation remain elevated
Buy EUR/USD	16-Nov-23	1.0859 (target 1.15, stop/loss: 1.04)	Spot trade	1.0966	The trade expresses our baseline cyclical bearish USD view for 2024 on the start of Fed rate cutting cycle and normalization of the overvalued USD	A later than expected start to the Fed rate cutting cycle
Buy 4m EUR/GBP vol swap	16-Nov-23	5.01 (target: 6.00, stop/loss: 4.50)	20-Mar-24	Current 2m implied vol at 4.88	EURGBP implied is at a historical low and should rise on diverging economic and fiscal outlook between EU and UK. Trade also used to diversification for the core bearish USD view for 2024	Persistent low vol regime in FX market into Q1 2024

Source: BofA Global Research

BofA GLOBAL RESEARCH

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

Trade Description
Buy 3m 1.90/1.86 GBP/AUD put spread
Sell EUR/NOK via 6m risk reversal (buy 6-month 11.35 put and sell 12.20 call)

Exhibit 26: G10 FX Closed trades

Recently closed trades in G10 FX.

Trade Description

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

Trade Description
Sell 1m 143.50/137.00 USD/JPY put spread

Exhibit 26: G10 FX Closed trades

Recently closed trades in G10 FX.

Trade Description
Buy 1y 25-delta AUD/USD risk reversal (call strike 0.7391, put strike 0.6049)

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

Trade Description
Buy CAD/MXN
Buy EUR/SEK via 3-month collar (buy 3m 11.8380 call, sell 3m 11.3143 put)

Exhibit 26: G10 FX Closed trades

Recently closed trades in G10 FX.

Trade Description

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

Trade Description
Buy 6m GBP/AUD put seagull (long 6m put spread with strikes at 1.94 and 1.90, short 2.05 call)

Exhibit 26: G10 FX Closed trades

Recently closed trades in G10 FX.

Trade Description

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

Trade Description
Sell 2m 0.89 USD/CHF put
Sell 2m 25-delta OTM EUR/GBP put

Exhibit 26: G10 FX Closed trades

Recently closed trades in G10 FX.

Trade Description

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

Trade Description
Buy USD/SEK via 3m collar (buy 3m 10.73 call and sell 3m 9.8960 put)

Exhibit 26: G10 FX Closed trades

Recently closed trades in G10 FX.

Trade Description
Buy 3m USD/CHF vol swap
Sell 1y 1.04 EUR/USD put

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

Trade Description
Buy NOK/SEK
Enter 2m/6m USD/CAD put spread (sell 2m 1.40 put, buy 6m 1.40 put)

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

Trade Description
Buy AUD/CAD
Sell 3m 1.00/1.02905 EUR/CHF call spread

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

Trade Description
Buy 4m USDJPY KI put with American barrier level at 131.50 and strike 128.11

Exhibit 26: G10 FX Closed trades

Recently closed trades in G10 FX.

Trade Description
Buy 3m 10.2466/10.70 USD/SEK call spread

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

Trade Description
[illegible]
Buy 1m 1.00075 EURCHF call

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

Trade Description
Buy 3 GBP/USD collar (sell 1.2850 call and buy 1.2000 put)

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

Trade Description
Sell USD/NOK via 6m collar (buy 6m 9.0227 put and sell 6m 10.10 call)

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

Trade Description
Sell EUR/CHF via 3m collar (long 0.98 put and short 1.00 call)
Buy 3m6m 25D USD/JPY put calendar spread (short 3m 25D OTM USDJPY put, long 6m USDJPY put; strike 132.70)

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

Trade Description
Buy AUD/NZD via 3m ATMF 1.0608/1.09 call spread

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

Trade Description
Sell GBP/USD via 3m 1x2 1.1107/1.0405 put spread

Exhibit 26: G10 FX Closed trades

Recently closed trades in G10 FX.

Trade Description
Buy NOK/SEK

Exhibit 26: G10 FX Closed trades

Recently closed trades in G10 FX.

Trade Description
Buy USD/JPY
Buy 3m EURGBP implied via vol swap

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

Trade Description

Exhibit 26: G10 FX Closed trades

Recently closed trades in G10 FX.

Trade Description

Source: BofA Global Research

BofA GLOBAL RESEARCH

EM Alpha Trade Recommendations

David Hauner, CFA >>
MLI (UK)

Claudio Piron
Merrill Lynch (Singapore)

Exhibit 27: Open trades
EM Alpha Trade Recommendations

FX	Entry date	Entry level	Current level	Target	Stop	Notional	Rationale/ Time horizon	Risks
Short USDUZS using 3m NDF	1/5/2024	12,674	12,744	12,374	12,902	10	UZS to remain stable in the next 3m after 5% deval in 3Q23. Weak RUB caused August deval, but the RUB is supported now	The risk is an earlier-than-anticipated devaluation of the UZS
Long BRL/MXN	11/17/2023	3.52	3.489	4.00	3.25	10	Rate differentials, the euro and US yields will favor BRL. We also find BRL undervalued and MXN overvalued. The macro outlook looks better for Brazil than Mexico.	Main risks against the trade are a larger budget deficit in Brazil given its higher debt levels and strong inflows into Mexico due to nearshoring and/or remittances.
Short USDZAR	11/15/2023	18.15	18.65	17.6	19.5	10	last support for USDZAR at 18.13 now at risk before a retest of YTD lows (17.63-17.42) and/or a lower low; USDZAR is a proxy for EM FX. Light positioning + weakening US data + dovish Fed + soft US CPI = stronger EM FX and ZAR.	The risk is sticky inflation and stronger-than-expected activity in the US.
Long PLNCZK	11/7/2023	5.51	5.67	5.78	5.34	10	PLN likely stronger with NBP hawkish as PO comes to power; we see CZK likely weaker as the CNB ultimately cuts	The risk is a more dovish-than-expected NBP
Long USDHUF	10/12/23	363.56	345.7	382	338	10	Stronger USD + weak BoP fundamentals in Hungary + still long positioning + focus on growth in Hungary = long USDHUF.	Weaker broader dolla.
1yr USD/CNH vol swap at 6.175%	8/2/23	6.175	5.660	-	5.00	10	The rising use of CNY for cross-border trade settlement should help to cut FX risk for local corporates and reduce the inflation pass-through from imported goods.	Weaker USD environment is typically associated with lower FX volatility and a more favorable EM FX environment
Buy 6m 25-delta call option for USDTWD	8/1/2023	31.6	spot(31.1)	31.9	29.8	10	We like having a tail risk hedge to USDTWD, covering the period around Taiwan's Presidential election.	China announcing material fiscal stimulus
Short RONCZK	5/24/2023	4.77	4.96	4.53	4.92	10	RON is overvalued + current account in Romania is not improving (unlike the peers) => weaker RON; hawkish CNB => stronger CZK	The risk is crowded positioning in Czechia and delayed depreciation in Romania
Buy 1y USDHKD 7.7670/7.8500 call spread	3/29/23	Spot 7.8499	7.82	7.7670/7.8500	-	10	Forward points in HKD is very low given the outperformance of HK vs US rates following the increase in US banking sector risk	aggressive rally in US rates that significantly closes the HONIA-SOFR spread.

Source: BofA Global Research. Spot values as of January 11 2024. 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. For additional discussion of baseline views, valuation and risks to open trades, please see links to detailed reports.

BofA GLOBAL RESEARCH

Exhibit 28: Closed trades
EM Alpha Trade Recommendations

Trade description	Entry date	Entry Level	Target	Stop	Notional	Close date	Level closed
Long EURZAR	10/2/2023	20.150	21.15	19.6	10	16-Nov-23	19.7
Long INRUSD	1/18/2023	81.65	80	83	10	28-Sep-23	93.26
Short SGD/KRW	9/20/2023	974	945	990	10	28-Sep-23	969
Sell MXN/ZAR	9/25/23	1.09	1.02	1.13	10	28-Sep-23	1.04
Buy USD/PEN	5/4/23	3.72	3.8	3.68	10	28-Sep-23	3.8
Long USDHUF	9/20/2023	358.4	375	347	10	28-Sep-23	47.96
Buy ZAR/CLP	9/7/23	45.08	48.6	44	10	25-Sep-23	4.6851
Long EURPLN	5/17/2023	4.5	4.725	4.365	10	12-Sep-23	4.6851
Short USDZAR through a call spread	8/9/2023	19.06 (for USDZAR)	-	-	10	23-Aug-23	0.57
Short EURHUF	8/4/2023	391.7	372.1	403.5	10	23-Jul-23	383.4
Sell CNH/CLP	6/15/2023	111.7	108	113.6	10	4-Aug-23	118
Short EURZAR	3/1/23	19.35	18.43	22	10	27-Jul-23	19.42
Buy a 3m digital call option on USDZAR	6/20/2023	23	17	18.7	10	5-Jul-23	35.5
Lond USDILS	6/15/2023	3.58	108	113.6	10	5-Jul-23	3.73
Short USDZAR	3/23/2023	18.16	17	18.7	10	15-Jun-23	18.2
Sell MXN/CLP	5/22/23	44.85	42.00	47.00	10	15-Jun-23	46.37
Long USDPLN	3/8/2023	4.43	4.65	4.0	10	15-Jun-23	4.12
Sell USD/BRL	5/31/2023	5.08	4.85	5.2	10	13-Jun-23	4.85
Long KZT vs basket of USD and EUR via 3m NDF	5/25/2023	494.1	470	512	10	1-Jun-23	470
Sell EUR/BRL	23/Feb/23	5.43	5.20	5.80	10	18-May-23	5.34
Short PLNHUF	4/25/2023	82	77.9	84.5	10	15-May-23	81.95
Pay PHP NDF Points	3/8/2023	12	25	5	10	9-May-23	16
Long EUR/CZK	27-May-22	24.7	25.9	22.5	10	4-May-23	23.5
Sell CNH/MXN	26-Oct-22	2.72	2.50	2.90	10	24-Apr-23	2.60
SELL USDZMW VIA 9M NDF	3/6/23	22.05	20	24	10	11-Apr-23	18.53
Sell ILSCZK	3/14/2023	6.12	5.6	6.5	10	11-Apr-23	5.9
Short PLNHUF	3/17/2023	84	79.8	86.5	10	29-Mar-23	81.3
Long USDTWD 12m NDF	11/18/2022	31.17	-	29.45	10	27-Mar-23	29.37
Short USDIDR	2/16/2023	15110	14700	15400	10	8-Mar-23	15400
short ILSZAR	2/2/2023	81.65	4.74	5.14	10	13-Feb-23	4.98
Long USDILS	19-Oct-22	3.54	3.72	3.2	10	13-Feb-23	3.542
Short CZKHUF	1/18/2023	16.53	15.7	17.05	10	13-Feb-23	16.25
Long KZT vs an equal basket of USD and EUR (3m NDF)	1/16/2023	494.9	470.2	509.7	10	15-Feb-23	468
Short EURGEL (using 3m NDF)	20-Oct-22	2.714	2.94	2.53	10	1-Feb-23	2.53
Buy USDZAR	1/19/2023	17.23	17.86	16.85	10	1-Feb-23	14
Short INR vs long IDR	11/18/2022	191.9	183	188	10	18-Jan-23	184.7
Sell CAD/MXN 3m forward	29-Sep-22	15.1	14	15.5	10	18-Jan-22	14.68
Sell EUR/MXN 3m forward	29-Sep-22	20.06	19.00	21.00	10	18-Jan-22	19.72
Long USDZAR	15-Nov-22	17.3	18	16.9	10	1-Dec-22	17.6
Short EURKZT using 3m NDF	4-Oct-22	493	468.37	507.8	10	31-Oct-22	478
Short PLN/HUF	23-Sep-22	85.3	81	93	10	10-Nov-22	85
Long THB NEER	17-Jun-21	112.27	112.27	111	10	14-Oct-22	100.6
Long THB	19-Nov-21	32.60	30.0	34	10	14-Oct-22	38.08
Long 1x2 3M USD call, PHP put spread	16-Mar-22	52.975	53.5 / 54.75	-	10	14-Oct-22	53.48

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 11-Jan-2024

	Spot	Mar-24	Jun-24	Sep-24	YE 2024	Mar-25	Jun-25	Sep-25	YE 2025
G3									
EUR-USD	1.10	1.07	1.10	1.15	1.15	1.16	1.17	1.18	1.20
USD-JPY	146	145	143	142	142	140	138	136.00	136
EUR-JPY	160	155	157	163	163	162	161	160.00	163
Dollar Bloc									
USD-CAD	1.34	1.35	1.34	1.32	1.30	1.30	1.30	1.30	1.30
AUD-USD	0.67	0.66	0.68	0.71	0.71	0.71	0.71	0.71	0.71
NZD-USD	0.62	0.60	0.62	0.63	0.63	0.63	0.63	0.63	0.63
Europe									
EUR-GBP	0.86	0.87	0.87	0.88	0.88	0.87	0.87	0.86	0.86
GBP-USD	1.27	1.23	1.26	1.31	1.31	1.33	1.34	1.37	1.40
EUR-CHF	0.93	0.96	0.96	0.97	0.97	0.98	0.98	0.99	1.00
USD-CHF	0.85	0.90	0.87	0.84	0.84	0.84	0.84	0.84	0.83
EUR-SEK	11.20	11.70	11.40	11.20	11.10	11.10	11.00	10.90	10.80
USD-SEK	10.22	10.93	10.36	9.74	9.65	9.57	9.40	9.24	9.00
EUR-NOK	11.33	11.60	11.30	11.00	10.90	10.90	10.80	10.70	10.60
USD-NOK	10.34	10.84	10.27	9.57	9.48	9.40	9.23	9.07	8.83

Source: BofA Global Research, Bloomberg. Note: Forecasts as of 11-Jan-2024.

BofA GLOBAL RESEARCH

Exhibit 30: EM FX Forecasts
Forecasts as of 11-Jan-2024

	Spot	Mar-24	Jun-24	Sep-24	YE 2024	Mar-25	Jun-25	Sep-25	YE 2025
Latin America									
USD-BRL	4.89	5.00	4.95	4.85	4.75	4.78	4.82	4.90	5.00
USD-MXN	17.01	17.80	17.90	18.30	18.50	18.70	18.90	19.10	19.50
USD-CLP	916	900	880	870	875	880	885	890	900
USD-COP	3,941	4,080	4,150	4,100	3,950	3,950	4,000	4,050	4,100
USD-ARS	815	1,198	1,573	1,926	2,330	2,797	3,336	3,924	4,500
USD-PEN	3.70	3.78	3.77	3.76	3.75	3.76	3.78	3.79	3.80
Emerging Europe									
EUR-PLN	4.35	4.36	4.33	4.29	4.25	4.24	4.23	4.21	4.20
EUR-HUF	379.54	390	395	400	399	387	375	362.00	350
EUR-CZK	24.66	24.80	25.20	24.80	24.30	23.90	23.50	23.00	22.60
USD-RUB		76.00	77.00	78.00	80.00				
USD-ZAR	18.64	18.60	18.50	17.70	17.80	17.90	18.00	18.20	18.40
USD-TRY	30.01	32.00	35.00	37.00	40.00	42.00	44.00	45.00	47.00
EUR-RON	4.97	5.01	5.02	5.04	5.05	5.13	5.21	5.28	5.36
USD-ILS	3.75	3.90	3.80	3.70	3.50	3.50	3.45	3.40	3.40
Asian Bloc									
USD-KRW	1,312.80	1,300	1,260	1,250	1,230	1,210	1,190	1,170.00	1,150
USD-TWD	31.10	32.30	31.70	31.40	31.15	30.85	30.60	30.35	30.15
USD-SGD	1.33	1.34	1.33	1.29	1.26	1.25	1.24	1.23	1.22
USD-THB	35.05	35.50	35.50	35.00	34.00	33.50	33.00	32.50	32.00
USD-HKD	7.82	7.83	7.83	7.80	7.78	7.76	7.75	7.75	7.75
USD-CNY	7.16	7.55	7.40	7.10	6.90	6.90	6.80	6.80	6.70
USD-IDR	15,549	15,400	15,400	15,300	15,200	15,200	15,100	15,100	15,000
USD-PHP	55.98	56.50	56.00	55.50	55.00	54.50	54.00	53.50	53.00
USD-MYR	4.64	4.70	4.60	4.60	4.50	4.40	4.30	4.20	4.10
USD-INR	83.03	83.00	82.50	82.00	82.00	81.50	81.00	81.00	81.00

Source: BofA Global Research, Bloomberg. Note: Forecasts as of 11-Jan-2024.

BofA GLOBAL RESEARCH

Options Risk Statement

Options and other related derivatives instruments are considered unsuitable for many investors. **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 which can occur in a short period.**

Analyst Certification

I, Athanasios Vamvakidis, 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.

Disclosures

Important Disclosures

Due to the nature of the market for derivative securities, the issuers or securities recommended or discussed in this report are not continuously followed. Accordingly, investors must regard this report as providing stand-alone analysis and should not expect continuing analysis or additional reports relating to such issuers and/or securities.
Due to the nature of strategic analysis, the issuers or securities recommended or discussed in this report are not continuously followed. Accordingly, investors must regard this report as providing stand-alone analysis and should not expect continuing analysis or additional reports relating to such issuers and/or securities.
Due to the nature of quantitative analysis, the issuers or securities recommended or discussed in this report are not continuously followed. Accordingly, investors must regard this report as providing stand-alone analysis and should not expect continuing analysis or additional reports relating to such issuers and/or securities.
Due to the nature of technical analysis, the issuers or securities recommended or discussed in this report are not continuously followed. Accordingly, investors must regard this report as providing stand-alone analysis and should not expect continuing analysis or additional reports relating to such issuers and/or securities.
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.
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 Canadian Investment Regulatory Organization; 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.

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 its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BofAS or any of its affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.
Neither BofA Securities nor any officer or employee of BofA Securities accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this information.

Research Analysts

Europe

Athanasios Vamvakidis
FX Strategist
MLI (UK)
+44 020 7995 0279
athanasios.vamvakidis@bofa.com

Kamal Sharma
FX Strategist
MLI (UK)
+44 20 7996 4855
ksharma32@bofa.com

Michalis Rousakis
FX Strategist
MLI (UK)
+44 20 7995 0336
michalis.rousakis@bofa.com

US

John Shin
FX Strategist
BofAS
+1 646 855 9342
joong.s.shin@bofa.com

Paul Ciana, CMT
Technical Strategist
BofAS
+1 646 855 6007
paul.ciana@bofa.com

Vadim Iaralov
FX Strategist
BofAS
+1 646 855 8732
vadim.iaralov@bofa.com

Howard Du, CFA
G10 FX Strategist
BofAS
+1 646 855 6586
yuhao.du@bofa.com

Pac Rim

Adarsh Sinha
FX Strategist
Merrill Lynch (Hong Kong)
+852 3508 7155
adarsh.sinha@bofa.com

Shusuke Yamada, CFA
FX/Rates Strategist
BofAS Japan
+81 3 6225 8515
shusuke.yamada@bofa.com

Global Emerging Markets

Claudio Piron
Emerging Asia FI/FX Strategist
Merrill Lynch (Singapore)
+65 6678 0401
claudio.piron@bofa.com