Global FX weekly

June a big deal, but still far

01 March 2024

FX Research
Global

The view: waiting for June

G10: June cut not a given without weaker data and a bigger deal for markets than March.

EM: Diminished expectations; contagion risks from China.

G10 Themes: need for new catalyst

G10: Timing of landing uncertain and red flags. FX highly dependent on US resilience and Fed cuts. US elections adds to uncertainty.

USD: Overshoot to fundamentals, caution on longs especially vs. JPY. Tech stocks less important than broader equities; PBoC can amplify effect of Fed easing.

USD: Market seeks fresh catalyst. Bears: disinflation, dovish Fed pivot. Bulls: growth outperformance, sticky service inflation, Fed on hold longer.

ECB preview: Soft guidance almost there for cuts. No sustained EUR impact.

UK budget preview: To stretch headroom with new measures, supporting patient BoE. Could be trigger for further GBP cyclical outperformance.

JPY: Outflows negative JPY long-term, but near-term upside risk from policy resistance.

BoC Preview: Our base case remains for June cut. USDCAD to stay above 1.35 for now.

EM Themes: taking stock

EMEA: We are bullish PLN, neutral on ZAR, CZK and ILS, and HUF.

Asia: We remain bearish on CNY vs USD, given yield and growth differentials, plus unbalanced policy. NPC on 5 March a key event.

CNY: We remain bearish on CNY vs USD. Latest FX settlement data shows $ demand from banks' clients continued to outweigh $ supply.

MXN: We expect Bank of Mexico to cut in March (ahead of the Fed) with deeper cuts after the election. We expect decoupling to weaken MXN.

VOL: bearish high beta; bullish GBPCAD

Short-dated risk reversals moved for puts in high beta FX after dovish RBNZ. Quant signal is bullish GBPCAD uptrend ahead of BoC with Residual Skew for calls.

Technical and Seasonality Strategy: DXY upside

DXY's head and shoulders bottom pattern holding with upside to 105.80, maybe 107, in Q1 provided it is still above supportive moving averages at 103.25-103.74.

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G10 FX Strategy
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Our medium-term views

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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 risk scenarios the USD softens less than we expect, or even strengthens. We expect a stronger EUR and GBP this 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 have some reservations on NZD and SEK. We expect EURCHF modestly higher in line with the symmetric SNB stance.
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. We are like long IDR short PHP and have initiated a short EUR/KRW position on KRW fundamental outperformance.. 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 close short CZK, long HUF and enter short EUR/TRY on attractive carry dynamics and improving external position in Türkiye and short EUR/PLN via digital option**.**

Source: BofA Global Research

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Our key forecasts

Exhibit 2: Key BofA G10 and EM FX forecasts
Forecasts as of 29-Feb-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	1.12	1.15	1.20
USD/JPY	115	131	141	145	143	142	142	136
GBP/USD	1.35	1.21	1.27	1.26	1.31	1.33	1.37	1.41
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	7.45	7.40	7.10	6.90	6.70
USD/BRL	5.58	5.29	4.92	4.90	4.88	4.80	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	19.00	19.20	18.50	18.00	18.40

Source: BofA Global Research. Forecasts as of 29-Feb-2024.

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What we particularly like right now

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

G10	
Buy AUDNZD	Room for RBNZ to get repriced lower. Signs of trough in China sentiment and RBA pricing further support this trade
Buy NOKSEK	NOKSEK can benefit from relative Norges/Riksbank stance, central bank flows, likely lighter positioning, geopolitics
Sell EUR/JPY via 3m put spread	Near-term constructive JPY on the BoJ. Markets could price more ECB cuts in 2H also given the weak European data
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	
Sell EUR/TRY	We enter this position on TRY stabilization and attractive carry dynamics amid an improving external position
Short EUR/IKRW	We initiate a sell EURKRW 3-month NDF at 1,429 (target: 1,385, stop: 1,450. Bullish KRW inflows and export recovery
Short EUR/PLN	We buy a six-month digital put option on EURPLN with a strike price of 4.2 at 15.9% (EURPLN spot at 4.317). The zloty looks undervalued on our medium-term model based on the current account.

For complete list of open trades, and those closed over the past 12 months, please see our latest Global FX Weekly report

Week ahead & G10 Central Bank calls

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In focus next week

US payrolls (Fri) & Powell (Wed/Thu). **ECB** meeting (Thu). **JP**, Tokyo CPI (Mon) & Ueda (Tue). **China** National People's Congress (Tue). **UK** Budget (Wed). **BoC** meeting (Wed).

Other events by country:

- **US:** ISM Services (Tue), JOLTS (Wed), Beige Book (Wed)
- **Euro area:** final 4Q GDP (Fri), German factory orders (Thu) & IP (Fri)
- **Japan:** labour cash earnings (Wed), Shunto – Rengo compiles union demands
- **Swiss** CPI (Mon) & FX reserves (Thu)

Source: Bloomberg. Last updated: 29-Feb-2024

G10 Central Bank calls

Exhibit 4: G10 Central Bank calls
ECB and BOC are meeting next week

Country	Current	Next meeting	BofA	Consensus	Priced YE 24 (bp)	BofA YE 24 base case(bp)	Narrative
US	5.38%	20-Mar	5.38%	5.38%	-83	-75	After the Jan CPI print, we think a March cut is now firmly off the table and the chances of a May cut have significantly reduced. But we remain comfortable with our call for rate cuts to begin in June although risks are skewed toward a delay. We expect 25bp rate cuts in June, Sep, and Dec, and another 100bp of rate cuts in 2025. We anticipate the QT slowdown announcement in May, and we now expect a reduction in the redemption cap from $60b/m to $30b/m and this to remain open-ended. Our view is it can remain at this level until end '24.
Eurozone	4.00%	07-Mar	4.00%	4.00%	-90	-75	We expect quarterly cuts in 2024 from June, one cut per meeting in 2025 until the depo is at 2%, and then more cuts in 2026. We think risk of faster cuts in 2H24 is higher than the risk of cuts before June. 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 its plan to reduce PEPP reinvestments by half in 2H24 and stop fully thereafter.
Japan	-0.10%	19-Mar	-0.10%	-0.10%	27	35	We think the latest developments would increase the market's confidence that the BoJ is on track to exit Negative Interest Rate Policy (NIRP)/Yield Curve Control (YCC) by the 25-26 April Monetary Policy Meeting (MPM). We expect an additional hike to +0.25% in 4Q 2024, and +0.5% by mid-2025.
UK	5.25%	21-Mar	5.25%	5.25%	-63	-50	We expect the BoE on hold until Aug-24 and a cutting cycle of 25bp per quarter from there. The BoE will likely be the last of the major CB to start cutting and will likely move slower, at least vs the ECB. We see a risk the BoE cuts rates by 25bp per meeting after Aug, but this could have short legs: we think faster cuts in 2024 could be followed by a long pause down the line or, under some circumstances, even some small reversal of the move.
Canada	5.00%	06-Mar	5.00%	5.00%	-68	-125	We expect the BoC to have a faster and deeper cutting cycle than the Fed. We expect the BoC to start its cutting cycle in June and to cut 25bp at every subsequent meeting to put the policy rate at 3.75% by end-24 and 3.00% by Apr-25 (terminal rate). But the surprise in core CPI opens the door for a potential cut in April.
Australia	4.35%	19-Mar	4.35%	-	-43	0	We expect no rate cuts in '24 and the cash rate at 3.50% by YE25 but risks are for earlier cuts than we assume.
New Zealand	5.50%	10-Apr	5.50%	-	-51	-175	Notably, current economic conditions are much weaker in New Zealand than elsewhere, arguing policy support may soon be needed provided inflation continues to move towards the 2% midpoint of the target. RBNZ sees potential easing from 1H 2025 vs 2H 2025 back in Nov while we think easing could start as soon as 2Q 2024.
Switzerland	1.75%	21-Mar	1.75%	1.75%	-65	-50	We expect the SNB to start cutting later (September) and less (quarterly to 0.5% by Sep 25) than the ECB, with the risk of cutting even less. We expect a more symmetric than before approach toward CHF.
Norway	4.50%	21-Mar	4.50%	4.50%	-40	-50	We look for two rate cuts in 2024, starting in September, and another five in 2025. Symmetric risks.
Sweden	4.00%	27-Mar	4.00%	4.00%	-80	-75	We look for three rate cuts in 2024, starting in June (but May is now live), and another 5 in 2025, similarly to the ECB. Downside risks to this path.

Source: BofA Global Research, Bloomberg. Forecasts, Bloomberg consensus (using Bloomberg surveys where consensus not available), and market pricing as of 29-Feb-2024

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The view: waiting for June

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June is a big deal

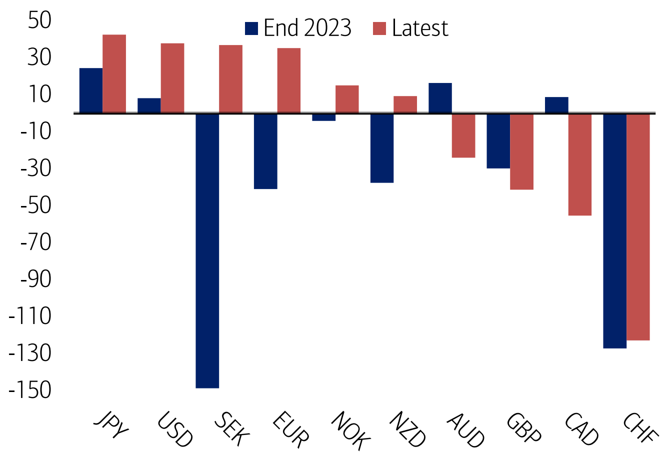
June cut not a given

Following the strong repricing in rates almost across the board in G10, the market has now focused on June, expecting most central banks to finally start easing. Central bank speeches have been consistent with such timing, although avoiding a commitment and continuing to emphasize data dependence. June cut is also still our call for the Fed and the ECB, with August for the BoE.

However, June cuts are not a given, in our view, particularly for the Fed. With Switzerland the exception and Canada to some extent, data is not weakening, and in most cases is improving in G10 (Exhibit 5). The latest inflation dynamics point to risks that it could take longer to reach the inflation target in some G10 economies (Exhibit 6). The real economy is resilient and inflation sticky particularly in the US.

We do not believe we are there yet. Although we expect June cuts, we assume that in the meantime the labor market will weaken and inflation will drop further, particularly in services for both. Otherwise, pre-emptive rate cuts would risk a short and shallow easing cycle compared with market pricing, particularly for the Fed.

Exhibit 5: G10 data surprises
With few exceptions, data in G10 economies better than expectations



Source: Bloomberg, BofA Global Research.

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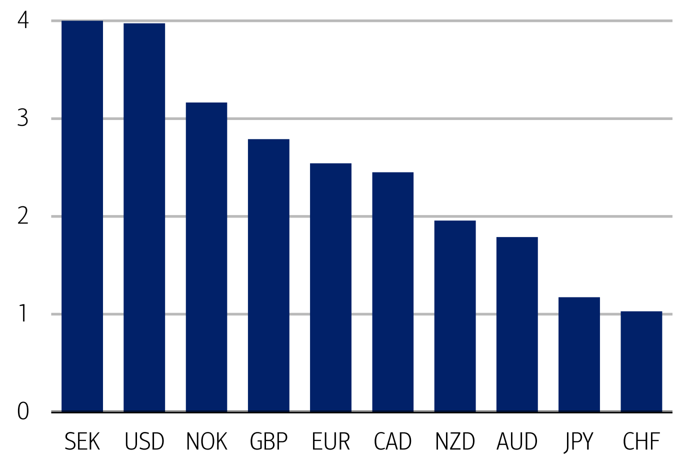
Exhibit 6: G10 3-month avg SA annualized core inflation rate
Inflation dynamics suggest target not yet within reach in half of G10



Source: Haver, BofA Global Research.

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The data could justify the ECB cutting before the Fed, but we doubt this will be the case. The Eurozone data has been weaker than the US data, but is not getting weaker. Eurozone inflation is lower than US inflation, but both remain above the target. Labor markets are stretched in both. And the ECB tone is now more hawkish than the Fed's. We would expect the ECB to still cut rates in a scenario that the Fed is not able to cut at all, but this is not the baseline scenario yet.

No June cut much bigger deal than no March cut

Markets took in their stride the pricing out of the March cuts, but we expect that a scenario of no cuts in June would be a much bigger deal. This would be a scenario of still resilient economy and even stickier or even reaccelerating inflation. Markets would likely price a risk of no cuts at all this year, particularly for the Fed ahead of the elections. When markets priced out the cuts last year, EURUSD moved from 1.10 to 1.05. We could see a similar, or an even stronger move this time, also as markets position for the US elections.

Next week important

Busy week in the US ahead. The Congress will have to pass another continuing resolution to avert a government shutdown. Super Tuesday will likely seal the deal for the candidates in the US elections. Powell is due for his semi-annual Congress testimony. ISM services and Non-Farm Payrolls stand out in terms of data, and should help determine the prospects of US landing, particularly following the very strong labor market report last month.

The ECB meeting is the main event in the EU, but we don't expect a sustained EUR impact. We expect unchanged guidance in the press release, but soft guidance that cuts are coming soon at the press conference. Forecasts are likely to show 2.0% core inflation in late 2026. Lagarde will likely continue to emphasize data dependence, avoiding to pre-commit on the timing for rate cuts. Recent ECB speakers, even the doves, seem to be focusing on June, but have been emphasizing the need to see wages cooling off first.

The Spring Budget will be the focus in the UK. We expect the government to stretch the somewhat higher headroom with new measures, supporting our view of a patient BoE. The Spring Budget could be the trigger for further GBP cyclical outperformance.

We expect the BoC to be on hold, waiting for disinflation to be sustained. Our base case remains for a cut in June, with risks skewed for April. We see USDCAD staying firmly above 1.35 for now, after the soft Jan CPI and short-dated bearish put skew.

EM FX View – The age of diminished expectations

It is said that the only constant in life is change. The irony is that markets will drive you to a level of distraction that you may fail to take notice of that change. Take EM FX reserves. The received wisdom is that emerging market economies have accumulated a war chest. Indeed, Exhibit 7, shows that EM and developing economies have accumulated USD8.35trillion as of end-2023 or 56% of the world total.

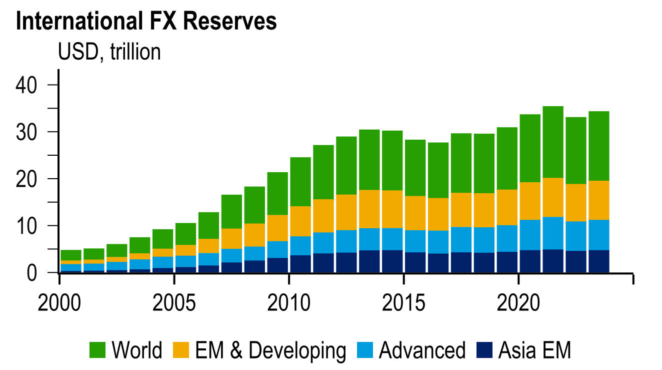
However, behind this invincible wall of FX reserves are signs of change. Exhibit 8 overlays aggregated current account surpluses of EM economies as a share of their total GDP against the year-over-year growth of FX reserves accumulation. Both EM current account surpluses and FX reserve accumulation are showing signs of fatigue and decline. IMF projections of EM current account positions point to deficit by 2028.

This may not be a bad thing. EM countries have been accused of excessive savings and export-led growth dependent strategies. The issue is whether this decline is by design or misfortune? Our recent discussions with both clients and policy makers point to concerns over excess capacity, especially in China, where excess capacity may result in deflation being exported, bringing pressure to bear on regional currencies.

This threat is made more acute by the market questioning a Fed cut in June, escalating US-China trade tensions in an election year and the unintended consequences of a stable USD/CNY. China's fixation with USD/CNY stability risks running an overly tight macro policy, depressing growth potential and domestic prices. China bond yields and the return on equity, running at historical lows are a manifestation of this.

The implications of this are being seen in commodity-based (CLP, ZAR) and Asian (THB, KRW) currencies, leading losses against the USD in February. Still, all is not yet lost, even if EM economic surprises are slipping into negative territory. There are signs that Asia's tech-export cycle is turning, and China has an opportunity at the March 5, National Party Congress to show fiscal determination to support growth. EM FX will be watching.

Exhibit 7: EM FX reserves reach a plateau.
Advanced and EM ex-Asia accumulation does better



Source: BofA Global Research, IMF, Macrobond

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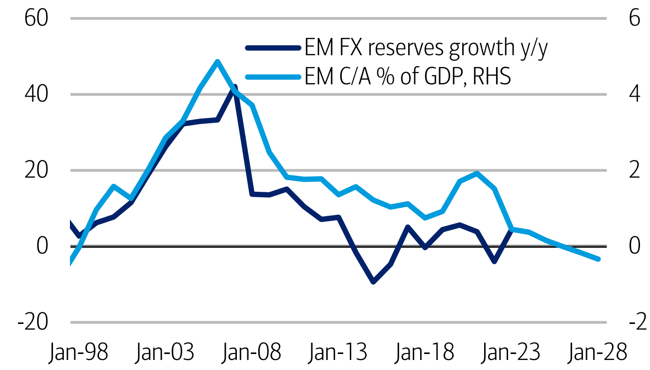
Exhibit 8: The growth of EM FX reserves is stalling.
This is a function of EM current account surpluses fading



Source: BofA Global Research, Bloomberg, IMF current account forecasts WEO, UNCTAD

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G10 Themes: need for new catalyst
The difficult last inflation mile

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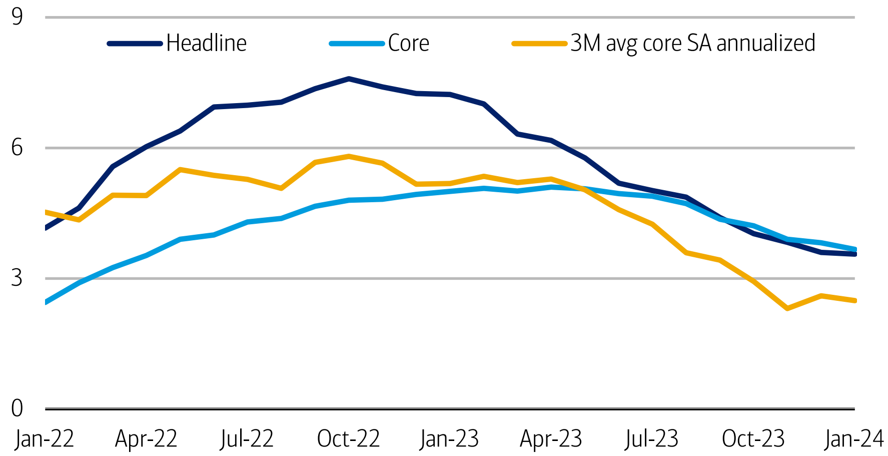
Link to the full report: Liquid Insight: The difficult last inflation mile 26 February 2024

- Will the US economy slow? Will G10 inflation continue to drop in 2024? Baseline yes for both but risks and uncertain timing.
- Reasons economy performed well to fade, but red flags from sticky inflation and all-time low unemployment.
- USD weaker if US slows, inflation drops, Fed cuts; stronger if US resilient, inflation stuck. Elections adds to uncertainty.

Exhibit 9: Average inflation rates in G10 economies
Recent data suggests inflation has become stickier in G10 economies



Source: Bloomberg, Haver and BofA Global Research

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Will the US economy slow? Will G10 inflation continue to drop this year? The answers will determine when central banks start to cut rates, how fast and how far. In our view, four reasons explain why the real economy has performed better than expectations, particularly in the US, but they should fade this year: loose fiscal policy, excess savings, longer than usual monetary policy lags, central bank growth credibility. However, we see red flags: recent data suggests inflation is stickier (Exhibit 9) and unemployment remains at all-time lows.

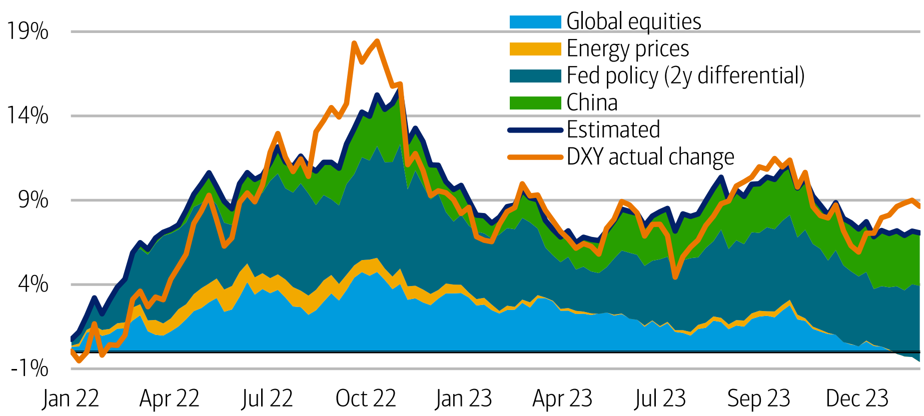
If the US economy slows, inflation drops further and the Fed starts to cut rates, we would expect the USD to weaken this year (baseline). The risk is the economy remains resilient, or inflation gets even stickier, keeping the Fed on hold, in which case the USD will remain strong. The US elections makes the market outlook even more uncertain.

USD - Caveat Emptor

Link to the full report: [Liquid Insight: USD - Caveat Emptor 28 February 2024]

- DXY overshoot to fundamentals more meaningful compared to January; caution on USD longs especially vs. JPY.
- Divergence approaching Oct 22 and Jul 23 levels, which were associated with higher volatility than current implied levels.
- Tech stocks less important for G10 FX than broader equities; PBoC reaction function can amplify effect of Fed easing on USD.

Exhibit 10: DXY dollar index: 2022-to-date, actual vs. estimated
Divergence approaching Oct 22 and Jul 23 levels



Source: Bloomberg, Note: global equities = MSCI World, energy prices = BCOMEN Index, Fed policy = DXY weighted 2y rate differential, China = first PC across equity, credit, bonds, FX, iron ore

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Some observations on USD overshoot

In contrast to January, the DXY dollar index has diverged more meaningfully from its key drivers. Fed repricing has supported the dollar but offset by robust equities and some improvement in China sentiment. While carry is supportive, we caution against buying USD at current levels, especially vs. JPY, where there is risk of policy resistance. This divergence also implies upside risk to implied volatility. We show that while broader risk sentiment matters for G10 FX, the relative performance of technology stocks is less important. A strong negative correlation between US rates and China sentiment is symptomatic of the PBoC's reaction function, which in turn can amplify the impact of eventual Fed easing on USD.

USD: Bulls versus Bears

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Link to the full report: FX Viewpoint: USD: Bulls versus Bears 29 February 2024

USD bulls and bears square off

FX conviction is low at present. The USD began the year on the back foot, as expectations for Fed easing in Q1 mounted. Strong data and a more balanced Fed message have upended that, leaving the market thirsty for a fresh catalyst. The USD has recently lost momentum as market pricing of the fed funds path is much closer to the Fed's guidance. Here we present both the bullish and bearish cases for the USD, as it is prudent for investors to consider the risks to their own priors.

A bearish case for the USD

Market consensus sees the USD trading lower this year, as a number of the factors supporting it over recent years are primed to fade. Despite recent upside surprises, US inflation readings are softening, particularly when looking at recent readings of the more policy-relevant core PCE and factoring in possible January distortions. Fed policy is relatively too restrictive for the impending inflationary environment, and a real-rate convergence is on the horizon, bringing the USD lower with it.

A bullish case for the USD

Dollar bulls have clung to the so-called "US exceptionalism" narrative and see broad measures of relative growth outperformance as a cornerstone to capital seeking the US. Despite disinflation trends, stickiness in the more core services component should keep the Fed from pivoting early, as it has widely communicated. Several risk factors (US election, geopolitics, hard landing risks) skew USD positive, while CRE/reginal bank flare-ups (likely USD negative) have not been shown to be widespread at present.

Bottom line

Inflation (versus growth) should be a marginally bigger determinant of Fed policy amid a resilient US economy, but interpretation is in the eye of the beholder. We maintain our bearish USD forecasts for the year, consistent with BofA Global Research economists' expected soft landing, but patience is required. That said, upside risks are becoming more glaring, and a further repricing of Fed expectations (which are now at long last in sync with each other) could be the next catalyst to turn this year's consolidation into a bigger trend.

ECB preview: not yet ready to pre-commit

We expect unchanged guidance from the ECB in the press release, but soft guidance during the press conference that we are almost there when it comes to cuts is likely. We would also expect Lagarde to acknowledge they have started to discuss the right conditions for the beginning of the cutting cycle.

A few weeks ago, we were contemplating – on the back of forecasts that would likely show the job is pretty much done – a strong signal in the March meeting that a cutting cycle could start in the following two meetings. We were even slightly open to an April cut after Banque de France's Villeroy's interview in Les Echos. We still think the signal from forecasts will be there (Exhibit 11). But recent data printing hawkish on the margin (Exhibit 12) has probably reduced the likelihood the ECB is ready to move partially away from data dependence to some sort of date dependence.

We still expect the first (25bp) ECB cut June, a total of 75bp in rate cuts for 2024, and a total of 125bp for 2025, which would take the ECB depot to 2% by mid-2025. We still see risks of earlier acceleration of the cutting cycle than we expect now (by September), but that implies at most 100bp of cuts in 2024 and a lot more than is priced in for 2025.

No sustained EUR impact around the ECB meeting

We would not expect a *sustained* impact on EUR around the ECB meeting. The new ECB forecasts will likely lean slightly dovish, but the market is already pricing almost four cuts for this year, while our economists expect three and no more than four cuts. A slightly bearish risk is the ECB's message around an April cut (6bp in cuts now priced by then), but our economists doubt the ECB will be able to build consensus for it.

We continue to believe that US data, the Fed, and overall risk sentiment matter more for EURUSD: we still forecast EURUSD at 1.15 by end-24 (but 1.07 at end-Q1), driven by a tighter US-EA sequential growth spread and supportive risk sentiment amid Fed cuts.

We would expect the ECB impact to be greater in the crosses, roughly in line with what we have seen this year (Exhibit 13). We expect the relative ECB stance to modestly support the EUR vs. CHF, NZD, and CAD this year, but weigh on it vs. GBP. We also expect EUR to weaken vs. AUD and the Scandies, as we likely gradually move past peak China and Euro area bearishness (Exhibit 14).

Exhibit 11: ECB projections – GDP and inflation
Path to target is created, confidence in it is missing

	Dec-23				Mar-24 (exp)			
	2023	2024	2025	2026	2023	2024	2025	2026
Real GDP	0.6	0.8	1.5	1.5	0.5	0.5-0.6	1.6-1.7	1.5-1.6
HICP	5.4	2.7	2.1	1.9	8.4	2.3-2.4	2.0-2.1	1.8-1.9
ex food & energy	5	2.7	2.3	2..1	5	2.6-2.7	2.1-2.2	2.0-2.1

Source: BofA Global Research, ECB staff projections

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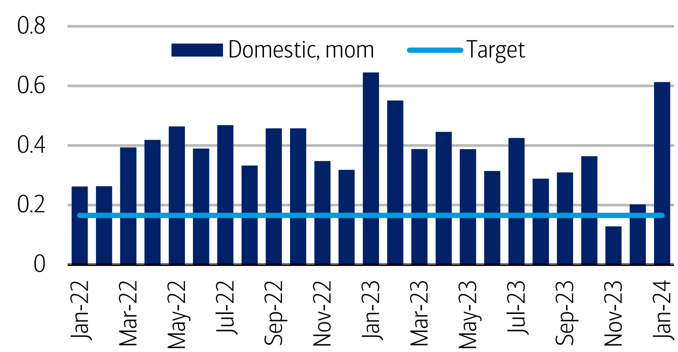
Exhibit 12: Euro area, domestic inflation, mom%
The January print gives a reason to wait



Source: Eurostat, BofA Global Research

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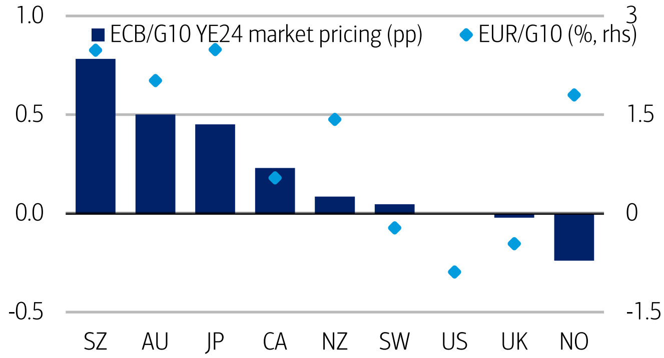
Exhibit 13: ECB/G10 change in YE24 market pricing vs price action

We expect the Fed to continue driving EURUSD...



Source: BofA Global Research, Bloomberg. Chart is for the period Jan 5-Feb 29. We show the change in ECB-G10 central banks differential priced by YE 24 and the price action over the same period. Positive values suggest wider ECB differential (left axis) and stronger EUR (right axis)

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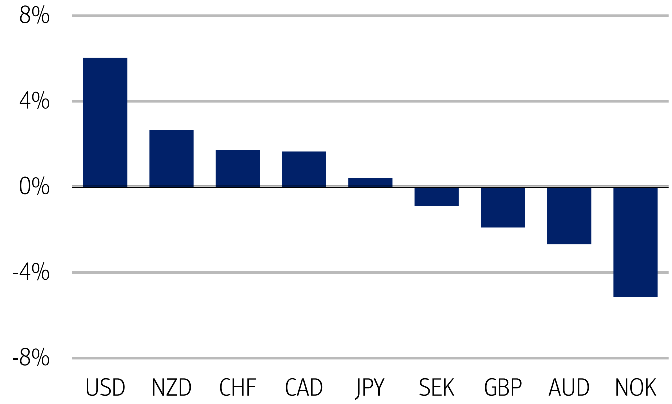
Exhibit 14: EUR/G10 FX by YE 24 – BofA forecasts vs current spot

...but the ECB to matter more in the crosses



Source: BofA Global Research, Bloomberg. Forecasts and spot as of Feb 29.

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Budget preview: a bit more headroom

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Some more headroom in the new forecasts

New forecasts in next week's Budget will in our view show some more headroom relative to the Autumn statement before new measures are factored in. We would expect somewhere around £15-20bn headroom (probably closer to the upper bound), potentially enough to cancel the fuel duty rise and implement additional small tax cuts. We work on the assumption that 1p off the basic rate of Income Tax is one of those cuts. Borrowing is likely to be marginally lower for '24-25 before potential new measures are factored in.

Some tailwinds, but not large ones

We would expect the nominal GDP profile to be moved marginally lower (Exhibit 15). We think there will be some reduction in the OBR's GDP growth forecasts near term, too, since growth has surprised to the downside. We also expect inflation forecasts to be revised down (mostly through less imported inflation). On the other hand, debt interest cost should move lower, but by less than we would have anticipated a few weeks back given the repricing of the Bank of England cutting cycle (Exhibit 16). Finally, we would expect a smaller indexation cost only in the current fiscal year to add to the headroom.

Broadly unchanged borrowing pre-measures

Given the discussion above, and with the current fiscal year going broadly to plan, changes in borrowing will be mostly down to Budget measures. We would expect the government to stretch the headroom with new measures, but remain agnostic on their size and composition.

A non-event?

Stretching the headroom now with the hope – perhaps not politically feasible – that real expenditure cuts in the future take the debt profile lower comes with risks. But this has been the norm for quite some time and largely anticipated for this budget. As long as any announcement stays within the margins of what we discuss above, we would not expect a large reaction from markets.

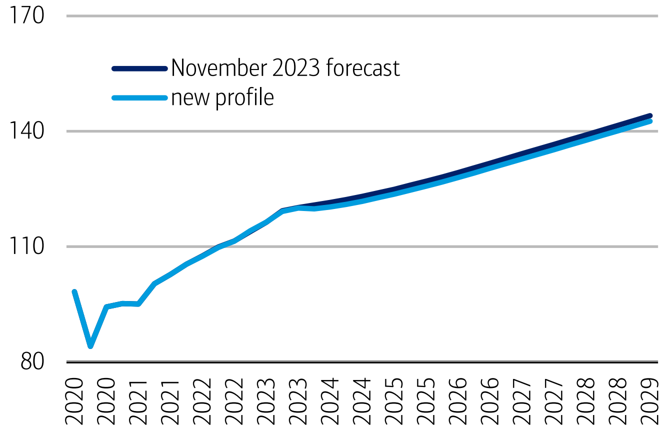
But with some risks

But given recent press reports we worry about potential announcements that deliver more ambitious tax cuts now on the back of backloaded and very politically challenging real expenditure cuts in the future. The government has already pencilled in a 1% annual real terms spending increase for all departments. But in light of existing commitments for some (NHS, defence, foreign aid or childcare), that means more than a 2% drop in real spending for all other departments from April 2025. Going further in that direction ahead of an election could clearly question credibility.

Likely to feed a cautious BoE

Given our expectation of additional measures we think the Budget will be mildly inflationary, adding another reason for the Bank of England to be patient and cautious when starting a cutting cycle. We think the budget next week should reinforce our view that a slow cutting cycle is unlikely to start before August this year.

Exhibit 15: Nominal GDP profile
Nominal GDP profile likely to be slightly lower



Source: OBR, BofA Global Research

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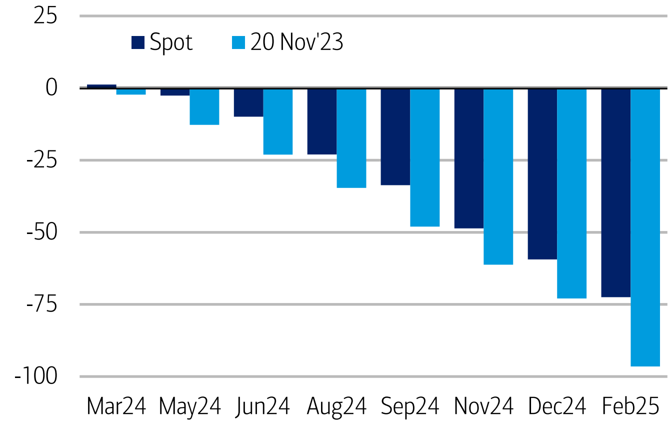
Exhibit 16: Market pricing of BoE cuts
Clear repricing since November



Source: Bloomberg, BofA Global Research

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GBP: Fiscal Tailwinds

We think that the Spring Budget could be the trigger for further cyclical outperformance in GBP. At the start of the year, markets were concerned that the March Budget could precipitate the kind of market response similar to September 2022, as the UK Government stretched public finances to cut taxes ahead of the UK general election. However, as discussed about, the fiscal headspace has assuaged these concerns and with the rates market recalibrating the timing of the first BoE rate cut, fiscal stimulus could add further upward pressure to UK rates. As in September 2022, GBP is likely to take its cue from the reaction in rates market but on the assumption that UK yields rise for the right reasons rather than the wrong ones, this should be supportive for GBP in a market where carry remains a major driver for FX and against the backdrop of a weak vol environment.

Options Market Sanguine Ahead of the Event

Markets remain relaxed that there will not be a “fiscal mistake”. At the time of writing, both GBP/USD and EUR/USD 1wk implied volatility remains well anchored towards the lows for the year. Unsurprisingly, some premium has been placed into the curve given some residual concerns about the outcome, but this is relatively small. Whilst this would indicate that the event does not hold the market focus that it did at the start of the year, we continue to believe that a should the Government deliver the kind of package discussed above, that this will add further weight to the evidence that UK growth pessimism has now passed the trough. Of course, the asymmetry is obvious: should the government surprise with a package that tests the markets resolve. However, a focus on the consumer, against the backdrop of rising real incomes and full employment will be GBP supportive and raises further questions over the timing of the first UK rate cut.

USD/JPY may face policy resistance in spring

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Link to the full report: FX Watch: USD/JPY may face policy resistance in spring 27 February 2024

Structural weakness vs positioning & policy risk

We remain structurally bearish on the yen and we think the risk of a weaker yen in coming years has risen as structural outflow appears strengthening (see: Japan BoP: rising Toshin flow to USD & INR 08 February 2024). However, the tactical risk/reward of USD/JPY may not favor the upside heading into the spring as some parts of the market may become short-yen, making USD/JPY vulnerable to policy intervention risk.

Yen short positioning

In some measures, existing yen short positioning look less long-term oriented:

USD/JPY has outperformed vs rates spread – The latest rise in USD/JPY since the beginning of the year has not been supported by sufficient rise in the US-JP interest rate spread.

Yen short by spec traders (CFTC) becoming crowded – A part of the market may now be short yen as speculative yen short positioning appears among the most crowded in recent years, according to CFTC's statistics. While other indicators, including our proprietary indicators (see: Liquid Cross Border Flows: Dollar dependence 19 February 2024), do not suggest yen positioning as crowded, we cannot ignore it either as USD/JPY's peak in 4Q23 was followed by the peak yen positioning (though the direction of causation is another debate).

London has driven USD/JPY higher – The latest rise in USD/JPY has been led by London trading hours while USD/JPY's rise from 2022 to 2023 was led by Tokyo and NY trading hours when we think Japanese and US real money are more active than in London trading hours.

Rising hedged inflow to Japan equities – Rising inflow to Japanese equities should be supportive of JPY. However, some of inflow to Japanese equities may be hedged as implied by rising inflow to a major hedged Japan equity ETF (DXJ, If so, the strong rally in Japanese equities may have led to yen selling by hedged Japan equity funds.

BoJ's normalization – what may not be priced

The BoJ's dovish communication regarding rate hikes beyond the NIRP removal was one trigger for such yen-selling. While the BoJ's cautiousness on rate hikes would be negative for the yen over the long-term, there is higher degree of uncertainty about what the BoJ will do to its YCC and QE, which will impact the BoJ's bond buying operations and the long-end JGB yield in the near-term.

To the extent that risk assets and USD/JPY have risen in absence of expectations for significant policy changes by the BoJ especially on YCC and QE, the risk is that higher long-end yields caused by the BoJ's normalization measures could cause a correction in these markets, which have been more intertwined due to FX-hedging by foreign investors.

BoC Preview

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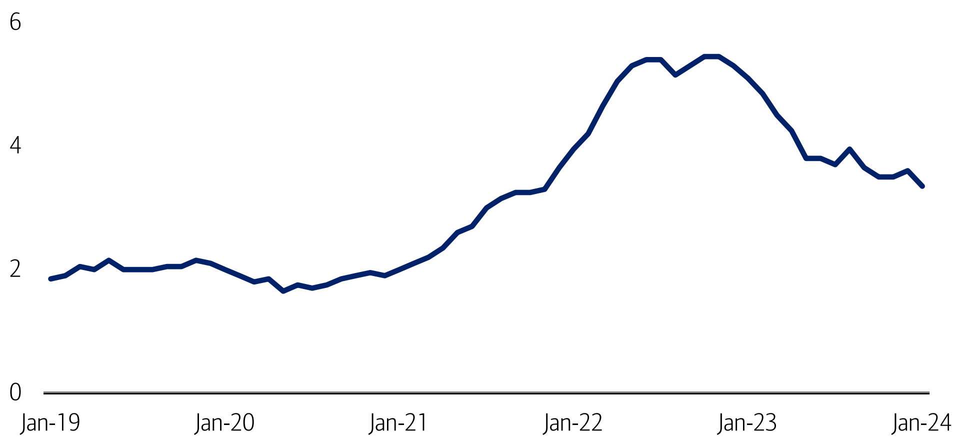
BoC: we expect a cut in June with risks skewed to April

Consumer Price Index (CPI) inflation surprised to the downside at 2.9% yoy in January (E. 3.3%, BofA 3.3%), and fell relative to the 3.4% observed in December. The average of the two core measures (trimmed and median) fell to 3.35% yoy (Exhibit 17), down from a revised 3.60%. Core inflation regaining a downward trend means that the beginning of the cutting cycle in Canada is not far. The BoC has said it needs to see a "further and sustained easing in core inflation (Canada Watch, 24-Jan-2024). The January print likely checks the "further" part, and now we need the "sustained." There is no other inflation print before the March 6 meeting, so a cut there seems unlikely. There is only one inflation print (Feb) before the April 10 meeting, so April could see a cut but still seems too soon to us. So, we continue to expect the first cut to happen in June (Canada Viewpoint, 7-Feb-2024), but the rapid fall in core inflation increases the risk that the BOC starts the cutting cycle in April (which is a meeting with the Monetary Policy Report).

Exhibit 17: Canada's core inflation showing signs of gradual disinflation
Average of Canada core trimmed and median inflation, yoy



Source: BofA Global Research, Bloomberg

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CAD: short-term weakness on disinflation risks

We see USDCAD firmly staying above the 1.35-handle after the soft January CPI (World at a Glance, 28-Feb-2024). USDCAD should be in a holding pattern until the next US catalyst triggers a broad-based USD move. After a dovish RBNZ surprise, options investors' demand for short-dated CAD puts has increased, suggesting investors are positioning for any dovish communications surprise from the BoC. But the overall level of FX vol is relatively muted near multiyear lows in G10, despite USD gains year-to-date. The lack of broad demand for USD options to chase after the USD rally suggests to us the broad macro backdrop for this year has not changed (FX Viewpoint: 21 February 2024), and we continue to expect more material CAD appreciation to take place in H2 '24.

EM Themes: taking stock
Between a US rock and a Chinese hard place

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Full Report: The EEMEA FX Strategist: Between a US rock and a Chinese hard place 27 February 2024

EM FX is still close to the sell signal

We remain cautious on EEMEA FX against the USD as the market might still question Fed cuts priced in for this year. Moreover, our EM FX sentiment indicator is still close to the sell signal, as is Michael Hartnett's bull-bear index.

On a more positive note, the global growth recovery is broadening, which is usually positive for EEMEA FX. To capture this trend, investors need to focus on idiosyncratic positive stories (such as Poland), expressing the FX view against the EUR or even CNH.

PLN (**bullish**): strong inflows coupled with equity and bond inflows should drive the PLN stronger; EU funds have been unblocked faster than expected, which should also support the zloty

ZAR (**neutral**): we are cautious for now, given the political risks related to elections and the global backdrop. A weaker USD should ultimately lead to a stronger ZAR this year

TRY (**neutral**): we are bullish TRY against the EUR as we do not expect any rate cuts this year. We expect orderly depreciation in line with forwards in Q1 and Q2. Elevated inflation and a still significant current account deficit remain concerns.

ILS (**neutral**): geopolitical risks are crucial for the ILS, making the outlook binary; the importance of US equities and the broader USD for the ILS has declined, in our view.

CZK (**neutral**): the easing cycle and a stronger USD are likely to be headwinds for the koruna in the short term; this should reverse from H2.

HUF (neutral): a focus on growth means that the HUF should weaken in line with forwards; a weaker USD from H2 should provide some support

Exhibit 18: EEMEA FX forecasts for the next four quarters
Bullish PLN, neutral ZAR, ILS and CZK, bearish HUF

			Forecasts			
Currency	**View/bias**	**Spot**	**1Q 2024**	**2Q 2024**	**3Q 2024**	**4Q 2024**
EUR/PLN	bullish	4.31	4.30	4.25	4.23	4.20
USD/ZAR	neutral*	19.14	19.0	19.2	18.5	18.0
USD/TRY	neutral*	31.15	32.0	35.0	37.0	40.0
USD/ILS	neutral*	3.63	3.7	3.7	3.6	3.6
EUR/CZK	neutral*	25.32	25.5	25.5	25.0	24.7
EUR/HUF	neutral*	389	390.0	395.0	395.0	399.0

#See inside for longer-term forecasts. *We form a view/bias based on our forecast for the spot exchange rate versus forward rate at the end of next quarter considering alternative scenarios as well **Neutral = our view approximately agrees with the forwards. **Source:** BofA Global Research

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PLN View: political noise, but +ve trend intact

We expect the EUR/PLN to go lower due to the prospect of large inflows under the new market-/EU-friendly government. The National Bank of Poland (NBP) has turned hawkish, as we expected, with rates most likely on hold for an extended period. EU funds have been unblocked sooner than we expected, adding to a positive PLN sentiment.

Key macro developments: The quick progress in unblocking EU funds in recent weeks supports our positive bias on Polish assets post elections. Political tensions will likely remain high domestically, including the government's threat to put NBP Governor Glapinski before a state tribunal, but we don't see a material impact on PLN fundamentals. In total for 2024, Poland could get c.EUR27bn in recovery and cohesion money (c.3.2% of GDP), with another EUR11.5bn of RRP funds likely in 1Q 2025. For 2024, this amount has been budgeted for, but it adds to the strong financing so far and creates more flexibility for FinMin on price/timing of issuance. FinMin expects to cover more than 50% of this year's gross borrowing requirement by end-March, before counting these EU inflows.

We expect the NBP to be in defensive mode in response to the government's motion, which means no rate cuts any time soon with rates likely held steady at 5.75% this year. The legal process could be lengthy and uncertain, so it is too early to say when or if Glapinski will be suspended from his duties, or how the MPC might behave subsequently. However, we still believe that the next move is likely to be a cut. Easing room is limited though, as the economy is on a recovery track, and we see long-term inflation pressures from energy transition and higher unit labour costs vs pre-pandemic years.

Activity improved in January and is, in our view, consistent with a solid recovery in GDP growth to 3% this year. Retail sales grew by 3% yoy after -2.3% in December, while IP growth picked up to +1.6% yoy from -3.5%. CPI meanwhile has been surprising further on the downside, easing to 3.9% in January. The trough in inflation could be around 2% in the coming months. But the outlook is highly uncertain in 2H when the inflation shield is due to expire. We see YE2024 inflation close to 6%, assuming VAT on basic food resumes in July, and energy prices rise by c.10%.

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

Positioning: the market remains long PLN

Risks to our views: further increase in political risks

Upcoming risk events: NBP decisions (6 Mar), State Tribunal on NBP Governor (1H)

Corporate hedging: we recommend hedging against PLN strength

Rates: no strong views

Exhibit 19: EUR/PLN forecasts vs forwards
We expect EUR/PLN at 4.20 by the end of 2024

	current	chg (diff)		
Spot	**4.30**	**-0.09**		
	Forecast		**Forward**	
Period	**current**	**chg (diff)**	**current**	**chg (diff)**
1Q 2024	4.30	-0.06	4.31	-0.09
2Q 2024	4.25	-0.08	4.33	-0.10
3Q 2024	4.23	-0.06	4.35	-0.10
4Q 2024	4.20	-0.05	4.38	-0.10

Source: BofA Global Research, Bloomberg

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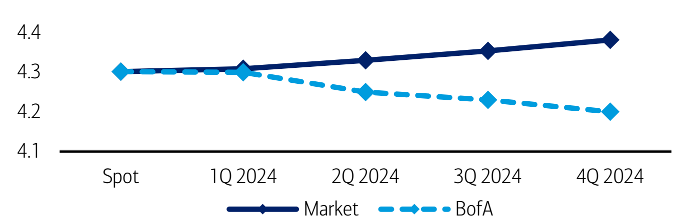
Exhibit 20: EUR/PLN forecasts
Our forecast path is below forwards



Source: BofA Global Research, Bloomberg

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Asia FX Monthly – Waiting for the Spring

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Full Report: The EM Asia FX Strategist: Asia FX Monthly – Waiting for the Spring 28 February 2024

Summary of FX views

CNY/CNH (bearish): We maintain our end-1Q24 USD/CNY forecast of 7.45. Drivers: Diverging yield, growth differentials, unbalanced policy. Risk: March NPC fiscal stimulus

HKD (neutral): Front-end HKD funding recently improved, but it looks increasingly loose, and we think it is attractive to pay HKD forwards.

INR (neutral): Fundamental flows are positive, with large portfolio inflows and narrow CAD in 1Q. However, the RBI could continue building reserves as REER remains elevated.

IDR (neutral): BI focus on IDR appreciation but uncertain fiscal policy outlook and recent NEER appreciation skew near-term risks towards weaker IDR.

KRW (bullish): Strong foreign interest in Korean equities following the start of Corporate Value-Up will be tailwind for KRW throughout 2024.

MYR (neutral): Fundamentals are still negative – weak growth, negative carry, CNY proxy. But rising risk of possible BNM measures against further weakness.

PHP (neutral): PHP range-bound and driven by capital flows around government issuance. Maturities in March could put PHP under pressure.

SGD (neutral): NEER level is elevated within band, creating a risk of correction on risk-off shock. However, policy will likely remain tight and carry still positive.

TWD (neutral): Strong equity inflows are currently being offset by the overall stronger US$ environment. We expect the majority of TWD strength to occur in 2H24.

THB (bearish): THB remains high beta to the USD direction due to a low CA buffer, weak growth, and a lack of portfolio flows. NEER corrected from elevated levels.

VND (bearish): Monetary policy easing and property/credit issues remain negative for VND. However, macroeconomic and trade stabilization are offsetting this pressure.

Exhibit 21: Asia FX forecasts for next four quarters#
Bullish on KRW; Bearish on CNY, THB & VND; and Neutral on HKD, INR, IDR, MYR, PHP, SGD & TWD

Currency	View/bias	Spot	1Q '24	2Q '24	3Q '24	4Q '24
USD/CNY	Bearish	7.19	7.45	7.4	7.1	6.9
USD/HKD	Neutral	7.82	7.825	7.8	7.78	7.76
USD/INR	Neutral	82.9	83	82.5	82	82
USD/IDR	Neutral	15625	15600	15500	15300	15200
USD/KRW	Bullish	1331	1325	1300	1265	1230
USD/MYR	Neutral	4.79	4.8	4.7	4.6	4.5
USD/PHP	Neutral	55.93	56.5	56	55.5	55
USD/SGD	Neutral	1.34	1.34	1.33	1.29	1.26
USD/TWD	Neutral	31.56	31.35	31.15	30.75	30.35
USD/THB	Bearish	35.90	36	35.5	35	34
USD/VND	Bearish	24590	25000	25000	24800	24800

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

China rates & FX chartbook – relentless duration demand

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Full Report: Asia FI & FX Strategy Watch: China rates & FX chartbook – relentless duration demand 29 February 2024

China rates – a brave new world

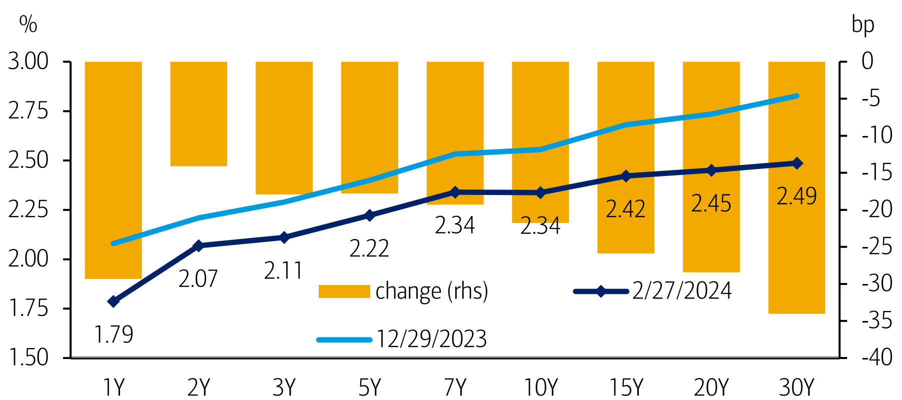
China rates' bull market that started in Dec-2023 continues to run its course so far in 2024. Besides the conducive macro backdrop of weak growth sentiment and monetary easing, we believe limited net supply of central and local government bonds was another key driver for the market rally. The 30y CGB continued to outperform (Exhibit 1). After declining by about 34bp ytd, 30y CGB is now trading at 2.49%, slightly below the 1y MLF rate. To put it in context, during 2023, the 30y CGB yield only declined by 37bp.

We think the risk-reward for long 30y CGB has become less attractive and would advise investors to be more cautious. Tailwinds from limited supply of government bonds may start to fade if fiscal policy steps up after the NPC. Long-duration bonds' supply should pick up when 1) the issuance rate of local government special bonds accelerates, and/or 2) the central government decides to issue super-long special bonds as reported earlier.

Portfolio flows and FX – lack of support for CNY

Net FX settlement by banks on behalf of clients stood at -US$4.4bn in Jan 2024, marking the seventh consecutive negative reading. Despite seeing more USD selling by exporters during Dec and Jan, those weren't large enough to offset USD purchase needs derived from service and financial accounts. We remain bearish on CNY in 1H given the unfavorable yield differential and economic growth headwinds. Externally, a resilient US economy and a later cutting cycle by the Fed may keep USD strong in the near term.

Exhibit 22: Key tenor CGB yield
30y CGB has continued to outperform



Source: Bloomberg, BofA Global Research

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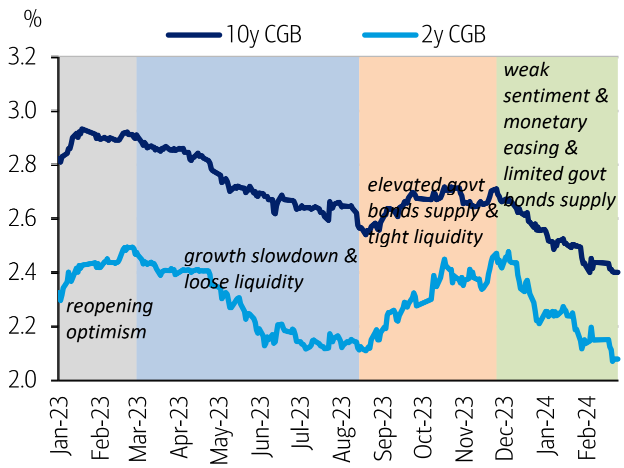
Exhibit 23: 2y and 10y CGB yield movement

The bull market that started in Dec last year continues



Source: Bloomberg, BofA Global Research

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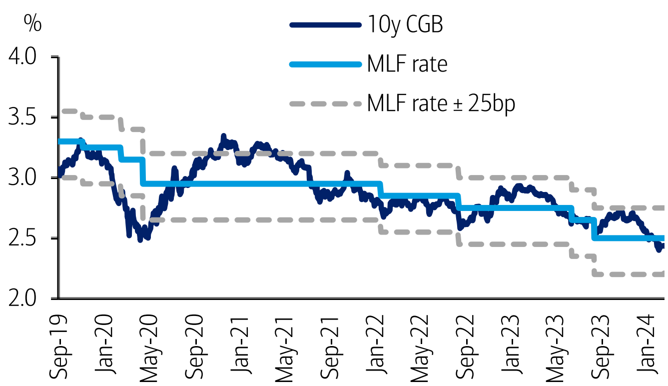
- China rates' bull market that started in Dec-2023 continued to run its course so far in 2024. Besides the supportive macro backdrop of weak growth sentiment and monetary easing, we believe limited net supply of central and local government bonds was another key driver for the market rally.
- Our year ahead trade of long 2y CGB has reached our original target. We have recently tightened the stop loss and revised lower our target (spot: 2.07%, entry: 2.35%, revised target: 1.95%, revised stop: 2.25%). Risk to the trade is CNY depreciation and tight funding. See details in EM Alpha - Extending the target for long 2y CGB.

Exhibit 24: 10y CGB yield vs MLF rate

10y CGB have been trading around MLF +/- 25bp in recent years



Source: Bloomberg, BofA Global Research

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- As one of the key policy rates, MLF rate not only has influence on the lending rates through the LPR formation mechanism, but also can directly impact banks' medium-term funding costs.
- In recent years, 10y CGB have been trading around MLF rate +/- 25bp for most of the time. Also, past experiences show that 10y CGB yield tends to trade below MLF rate before rate cut announcements.
- Currently, 10y CGB is trading around 2.34% - 16bp lower than the MLF rate - suggesting that the market is positioned for further rate cuts. We see a higher likelihood for MLF rate cuts in 2Q once external constraint subsides.

Exhibit 25: CGB yield forecasts (end of period)

We see room for yields to continue trending lower going into 2Q

		1Q24	2Q24	3Q24	4Q24	1Q25
10y CGB	New	2.3	2.3	2.25	2.35	2.35
	Old	2.7	2.7	2.6	2.6	
2y CGB	New	2	2	1.9	1.95	1.95
	Old	2.25	2.25	2.1	2.1	

Source: BofA Global Research

BofA GLOBAL RESEARCH

- Given the sharp moves in recent months, we mark-to-market and revise lower our yield forecasts for CGBs. We now expect 2y and 10y CGB to be at 2% and 2.3% by end-2Q24, respectively.

MXN Unexpected deceleration

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Full Report: Mexico in Focus: Unexpected deceleration 26 February 2024

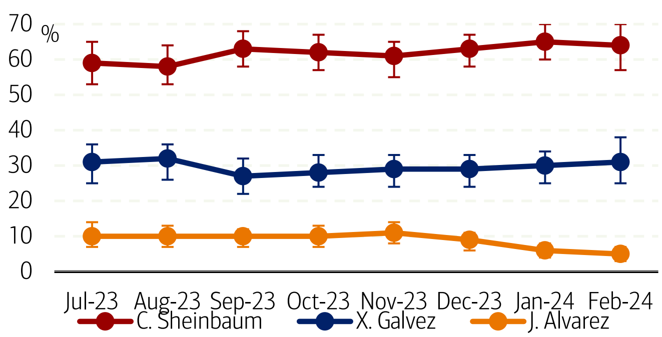
AMLO's 20 reform proposals ahead of electoral campaign

The electoral landscape for the June election remains virtually unchanged, with the incumbent party's presidential candidate Claudia Sheinbaum still ahead in polls, although the difference has narrowed marginally vs. the main opposition candidate Xochitl Galvez (Exhibit 26). However, on the political front some changes have been observed. President Andrés Manuel López Obrador (AMLO) sent on February 5 a set of 20 constitutional reform proposals to Congress. The reforms are broad-based and touch upon many topics, from pensions to wages to electoral laws to the supreme court. Constitutional amendments need a 2/3s majority in congress to be approved. AMLO's party does not have such qualified majority in congress. So, it is unlikely that the current congress approves these proposals, except perhaps the change to the minimum wage and to pensions which, with modifications, could be supported by the opposition. This opens the possibility that AMLO's proposals are at least in part to energize his base to try to win a 2/3s majority in congress in the June election.

Activity decelerated unexpectedly at the end of 2023

Activity decelerated significantly in 4Q23. GDP growth came in at 0.3% qoq saar in 4Q23, down from 4.3% in 3Q23, undershooting expectations. On the supply side, the slowdown was mainly explained by a drop in agriculture (-4.1% qoq saar), accompanied by a slight drop in industry (-0.5% qoq saar) and a weak increase in services (+1.1% qoq saar). On the demand side, investment fell 1.3% mom sa in November after a 1.7% mom sa uptick in October. The contraction was driven by construction, following many months of strong non-residential construction. On the consumption side, private consumption increased 0.7% mom sa in November after a 0.2% mom sa drop in October. While November growth was strong, there are signs that could indicate a deceleration in December as remittances decelerated, growing 1.2% yoy (vs 2.1% in November and 7.6% in October) and retail sales surprised to the downside at -0.9% mom sa (down from -0.0% mom sa in November). Exports were a mixed bag in terms of performance, falling -0.3% mom sa in October and -1.7% in November, in part likely in response to a strong peso, but rebounding 1.3% in December. We expect the economy to accelerate in 1H24 due to fiscal stimulus, but to decelerate again in 2H following a drop in government expenditure and probably impacted by a US deceleration.

Exhibit 26: Presidential election voter support (poll of polls, %)
Candidate Sheinbaum continues to lead the race comfortably



Source: Oraculus. Whiskers are 90% confidence intervals

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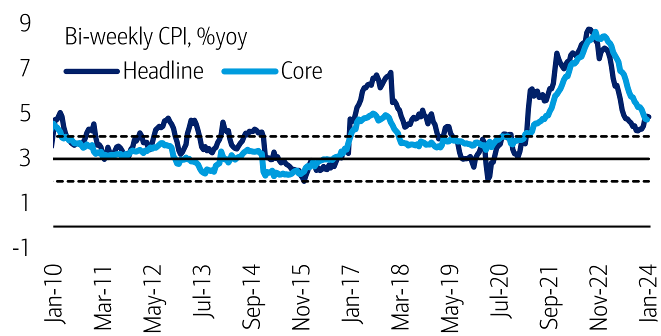
Exhibit 27: Headline and core inflation
The rebound in headline is driven by non-core, while core continues to fall



Source: BofA Global Research, INEGI

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Inflation accelerated in January

Inflation accelerated for the third month in a row in January, as headline hit 4.9% yoy, from 4.7% in December. Yet, core inflation continued to fall, reaching 4.8% yoy, from 5.1% in December. As in the previous two months, inflation was mainly driven by the non-core component, with fruits and vegetables being the main upward pressure in December and January, although inflation there fell significantly in 1H February. On the other hand, services inflation moved down to 5.2% yoy in January, from 5.3% in December, the same level it had in June 2023, which speaks to the stickiness of this component. We expect inflation to remain sticky, ending 2024 at 4.9% yoy and 2025 at 4.4% yoy. We see risks skewed to the upside for inflation, from red sea events to the impact of droughts in Mexico to the tight labor market.

We expect Banxico to cut in March

We expect Banxico to begin its easing cycle in March, ahead of the Fed, as it opened the door to cuts in February's monetary policy statement. Banxico said that it will weigh the possibility of "adjusting" the policy rate based on available information in the following meetings, a change from previous guidance which indicated a rate on hold for some time. We continue to expect Banxico to start the cutting cycle gradually, with a switch to deeper cuts in 2H24 (due to a deceleration in activity) for a total of 200bp in cuts this year. Risks are for a later start, as inflation and growth may pick up in following months.

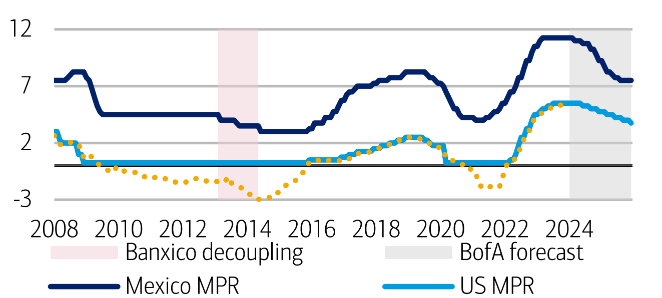
Strategy: This decoupling may be different

Despite the highly persistent services inflation and tight labor market, the downward trend in core inflation and weaker-than-expected economic activity allow Banxico to make a case to begin the easing cycle in March. With the Fed still on hold until June, we believe Mexico is set to decouple from the Fed for the second time in recent history. The first time was in 2013-14, when Banxico cut the policy rate by 150bp while the Fed remained on hold. Back in 2013-14, the Fed was at the zero lower bound and easing via unconventional monetary policy. After accounting for QE, Banxico's cuts in 2013-14 were consistent with unconventional easing of monetary policy in the US (Exhibit 28).

However, this time is different, as the Fed is most likely to pursue a tight monetary policy for longer, while Banxico will begin to ease. In our view, this is the first time Banxico will *truly* decouple from the Fed. The asset pricing implications are meaningful. First, we expect the easing cycle to bring about a weaker peso as the allure from carry fades, political uncertainty takes center stage, and Mexico slows in 2H24. Second, we believe front-end rates should rally. Yet, we see better value in front-end spreads versus the US to take advantage of the potential decoupling while reducing the negative carry.

Exhibit 28: Banxico and Fed monetary policy rates (%)

Banxico is set to decouple from the Fed for the first time in recent history



Source: BofA Global Research, Bloomberg. The US Shadow Rate, which accounts for unconventional monetary policy, is the Wu-Xia Shadow Rate.

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Exhibit 29: MXN forecasts

We expect USDMXN at 18.5 by end-2023

	Q1 24	Q2 24	Q3 24	Q4 24
USD-MXN	17.8	18.0	18.3	18.5

Source: BofA Global Research

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Exhibit 30: Major macro forecasts

We expect Mexico to grow 1.8% in 2024

	2023	2024F	2025F
Real GDP (% yoy sa)	3.2	1.8	1.0
CPI (% yoy)	4.7	4.9	4.4
Policy Rate (end of period)	11.25	9.25	7.50
Fiscal Bal (%/GDP)	-3.3	-4.9	-2.1
CurAct Bal (%/GDP)	-0.3	-1.2	-1.1

Source: BofA Global Research

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VOL: bearish high beta; bullish GBPCAD

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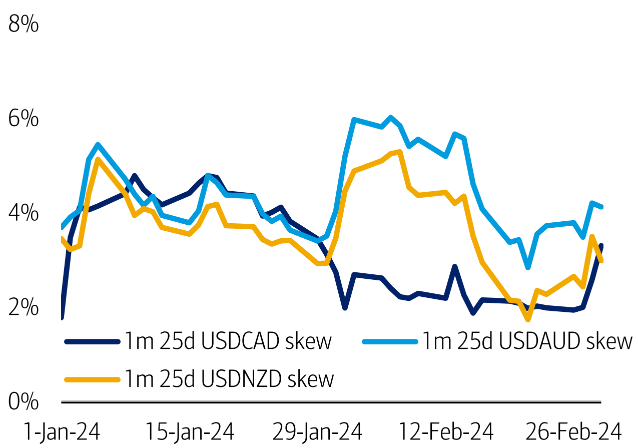
- Short-dated risk reversals moved for puts in high beta FX after dovish RBNZ.
- Quant signal is bullish GBPCAD uptrend ahead of BoC with Residual Skew for calls.

CAD put skew richened with NZD and AUD post-RBNZ

Dovish RBNZ surprise made investors broadly reprice richer high-beta FX put skew (Exhibit 31). In case of CAD, investors are positioning for any dovish communications surprise from the BoC. Bigger picture, CAD skew is relatively flat vs. history because the market expects the Fed cutting cycle to pave the way for (i) a weaker USD, (ii) a more volatile downtrend in 2024. For now, we interpret the skew moving for CAD puts as a near-term bearish signal for the currency.

Exhibit 31: Dovish RBNZ surprise made investors reprice richer high-beta FX skew for puts
Short-dated skew (%atm) in AUD, NZD and CAD



Source: BofA Global Research, Bloomberg

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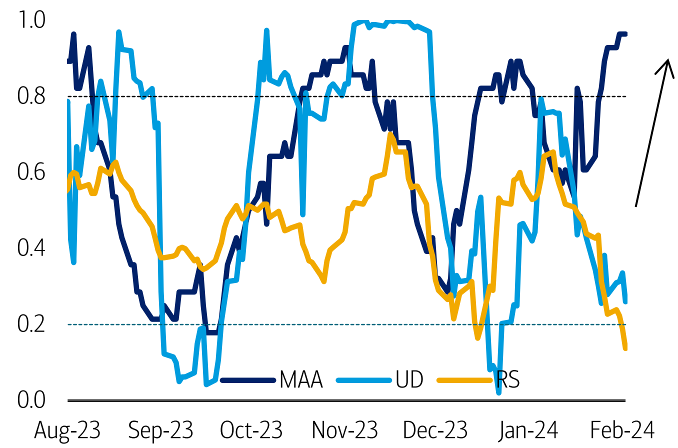
Exhibit 32: GBP/CAD is gaining momentum with skew tilting for calls
GBPCAD Moving Average Aggregator (MAA), Up-Down vol (UD) and Residual put Skew (RS)



Source: BofA Global Research, Bloomberg

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Bullish GBP/CAD ahead of BoC meeting

Our MAA positioning model has a new short-term bullish signal for GBPCAD. The derived Residual Skew has tilted for GBPCAD calls and is suporting the uptrend, in our view (Exhibit 32). Higher GBPCAD is also positioned for any dovish speak from the BoC next week as they open the door for cuts at one of the subsequent meetings (Econ base case is first cut in June with a risk of April). By contrast, UK core inflation remains relatively high and the rates market has fewer cuts priced in Canada vs. UK the first half of 2024. This is consistent with our Global rates team view for rates to diverge further and they like paying UK rates vs. Canada in front end (European Rates Alpha, 6-Feb-2024). The risk to these views is an upside to Canada wage growth.

Technical and Seasonality Strategy: DXY upside

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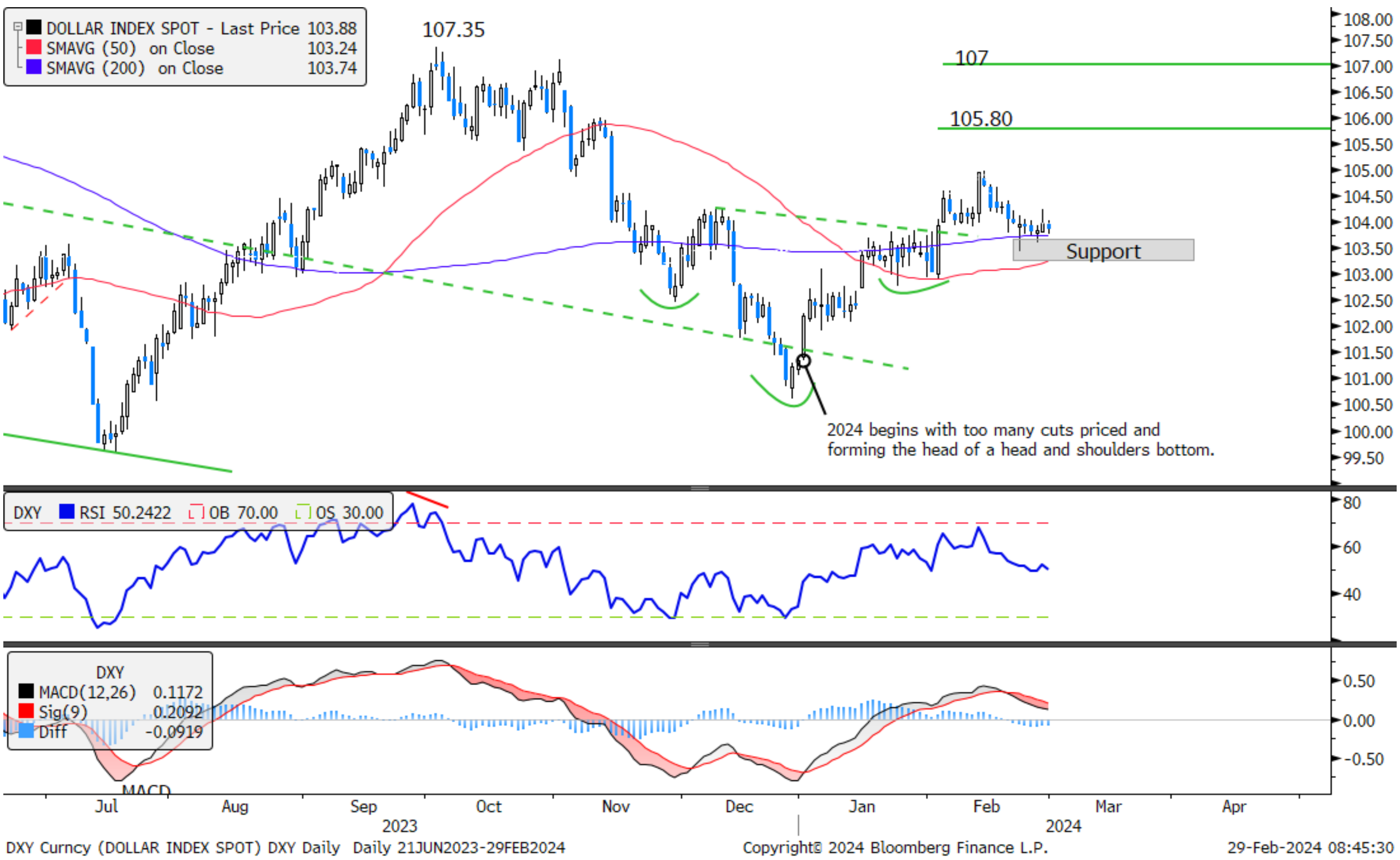
- DXY: A head and shoulders bottom pattern remains with upside to 105.80/1.07 in Q1 provided it is above the 50d-200d SMA support area of 103.74-103.25.

DXY: Head and shoulders bottom favors March rally

Exhibit 33: DXY - Daily chart

A head and shoulders base pattern suggested upside to 105.80 / 107 in Q1. Price needs to stay above the key moving averages (200d at 103.74 and 50d at 103.25) for an uptrend bias to remain.



Source: BofA Global Research, Bloomberg

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Trade Recommendations G10

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Exhibit 34: Open trades G10
Current G10 FX trade recommendations. Prices as of 29-Feb-2024.

Trade Description	Open Date	Entry Price	Expiry Date	Current Price	Rationale	Risks
Buy AUD/NZD 1.0675 call	23-Feb-24	0.51% USD (spot ref: 1.0592, vol ref: 4.675%)	25-Apr-24	1.0677	Room for RBNZ to get repriced lower. Signs of trough in China sentiment and RBA pricing further support this trade	A hawkish RBNZ and real money NZD positioning are the key risks
Buy NOKSEK	1-Feb-24	0.9949 (target: 1.0240, revised stop/loss: 0.9480)	Spot	0.9752	Relative Norges/Riksbank stance, central bank flows, lighter positioning, hedge higher geopolitical risks	Lower oil prices, weaker than expected Norway data, too high EURSEK for Riksbank's comfort
Buy 3m EUR/JPY 158/155 put spread	26-Jan-24	0.6663% EUR (spot ref: 160.41, vol refs: 8.709 & 8.965)	25-Apr-24	162.54	Near-term (tactically) JPY constructive on BoJ normalisation. We see risks of more ECB cuts priced in 2H also given the weak EA data	Markets pricing a more dovish BoJ stance or a more hawkish ECB stance
Buy EUR/USD	16-Nov-23	1.0859 (target 1.15, stop/loss: 1.04)	Spot trade	1.0831	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 1m implied vol at 3.70	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

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Source: BofA Global Research

Exhibit 35: G10 FX Closed trades

Recently closed trades in G10 FX.

Trade Description	Entry date	Entry Level	Target	Stop	Close date	Level closed
Buy USDSEK	2-Feb-24	10.49		10.30	26-Feb-24	10.30
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%)			2/20/2024	1.1% EUR (spot ref 0.95127)
Buy 3m GBP/CHF 1.0950/1.1100 call spread	2/5/2024	0.47% GBP (spot ref: 1.0947, vol refs: 6.2% & 5.6%)			2/14/2024	0.82% GBP (spot ref 1.1119)
Buy 3m 1x1.5 GBP/SEK call spread	12/01/24	0.66% GBP (spot ref: 13.1008, vol refs: 7.95% and 7.47%)			29/01/24	0.91% GBP (spot ref: 13.3066, vol refs: 7.38% and 6.89%).
Buy 3m 1.90/1.86 GBP/AUD put spread	16/11/23	0.6806% GBP (spot ref: 1.9192, vol refs: 7.207 and 7.007)			3/01/24	1.2315% GBP (spot ref 1.8762, vol refs 7.354 and 6.921)
Sell EUR/NOK via 6m risk reversal (buy 6-month 11.35 put and sell 12.20 call)	16/11/23	Receive 0.7307% EUR (spot ref: 11.8623, vol refs: 8.929 and 9.108)			3/01/24	Trade costs 1.91% EUR (spot ref: 11.3215, vol refs: 9.67%/10.13%)
Sell 1m 143.50/137.00 USD/JPY put spread	8/12/23	Receive 1.0024% USD (spot ref: 144.33, vol refs: 10.738 and 13.634)			19/12/23	Receive 0.72% USD (spot ref: 144.50, vol refs: 9.431 &11.919)
Buy 1y 25-delta AUD/USD risk reversal (call strike 0.7391, put strike 0.6049)	17/11/22	Zero cost (spot ref: 0.6693, vol refs: 12.253 and14.892)			17/11/23	0.65 (options expired worthless)
Buy CAD/MXN	23/10/23	13.3338	14.00	13.00	01/11/23	13.00
Buy EUR/SEK via 3-month collar (buy 3m 11.8380 call, sell 3m 11.3143 put)	13/10/23	Zero cost (spot ref 11.5456, 3m 11.8380 call cost at 0.5676% EUR with vol ref 7.394%, 3m 11.3143 put cost same with vol ref 6.701%)			30/10/23	1.1199% EUR (spot ref: 11.8250, 11.8380 call costs c. 1.21% EUR with vol ref 6.98%, 11.3143 put costs 0.09% EUR with vol ref 6.51%)
Buy 6m GBP/AUD put seagull (long 6m put spread with strikes at 1.94 and 1.90, short 2.05 call)	08/09/23	0.3827% GBP (spot ref 1.9516, put spread vol refs: 8.346/8.099; short call ref: 8.450)			22/09/23	1.2341% GBP (spot ref 1.9006, vol refs 7.981 for 1.94 put, 7.477 for the 1.90 put, and 8.043 for the 2.05 call)
Sell 2m 0.89 USD/CHF put	23/06/23	Receiving 1.0126% USD (spot ref: 0.8967, vol ref: 6.44)			24/08/23	0.8845
Sell 2m 25-delta OTM EUR/GBP put	23/06/23	Receiving 0.31% EUR (strike ref 0.8472, vol ref 5.584, spot ref 0.8592, expiry August 24)			03/08/23	Spot ref 0.86470, vol ref :4.214)
Buy USD/SEK via 3m collar (buy 3m 10.73 call and sell 3m 9.8960 put)	19/07/23	Zero cost (spot ref: 10.2724, vol refs: 12.296% and 10.202%, expiry Oct 19)			01/09/23	1.3316% USD (spot ref: 10.6109, vol refs: 11.777% and 10.377%)
Buy 3m USD/CHF vol swap	14/04/23	8.15%	9.5%,	7.5%	14/07/23	Accumulated 7.6319%
Sell 1y 1.04 EUR/USD put	11/04/23	1.1445% EUR (spot ref: 1.0857, vol ref: 8.517)			23/06/23	0.5238% EUR (spot ref: 1.0960, vol ref: 7.42)
Buy NOK/SEK	28/04/23	0.9638	1.06	0.9280	21/06/23	1.0045
Enter 2m/6m USD/CAD put spread (sell 2m 1.40 put, buy 6m 1.40 put)	13/03/23	0.96% USD (spot ref: 1.3782, vol refs: 8.123/7.877)			07/06/23	1.66% USD (spot ref: 1.3381)
Buy AUD/CAD	14/04/23	0.9028		0.89	25/05/23	0.89
Sell 3m 1.00/1.02905 EUR/CHF call spread	08/03/23	Receive 0.4784% EUR (spot ref: 0.9935, vol refs: 5.651/6.606)			20/04/2023	-0.04% EUR (spot ref 0.98085, vol refs: 5.376/8.971)
Buy 4m USDJPY KI put with American barrier level at 131.50 and strike 128.11	23/01/23	1.8629% USD (spot ref: 130.27, vol ref: 12.312)			24/03/23	1.93% USD (spot ref 130.00,, vol ref: 13.85)
Buy 3m 10.2466/10.70 USD/SEK call spread	20/01/23	1.4689% USD (spot ref: 10.2971, vol refs: 12.752 and13.307)			07/03/23	2.82% USD (spot ref: 10.7008, vol refs: 12.18/11.943)
Buy 1m 1.00075 EURCHF call	30/01/23	0.8031% EUR (spot ref: 1.00192, vol ref: 7.154)			24/02/23	0.99218
Buy 3 GBP/USD collar (sell 1.2850 call and buy 1.2000 put)	24/01/23	0.19% GBP (spot ref: 1.2400, vol refs: 9.4% and 11.0%)			17/02/23	1.6128% GBP (spot ref: 1.1991, vol refs: 9.961 and 10.287)
Sell USD/NOK via 6m collar (buy 6m 9.0227 put and sell 6m 10.10 call)	11/08/22	Zero cost (spot ref: 9.5063, vol refs: 12.481% and 13.890%)			13/02/23	10.0955 (expired worthless)
Sell EUR/CHF via 3m collar (long 0.98 put and short 1.00 call)	01/11/22	0.5619% EUR (spot ref: 0.9879)			01/02/23	Spot ref: 0.99833

EM Alpha Trade Recommendations

David Hauner, CFA >>
MLI (UK)

Claudio Piron
Merrill Lynch (Singapore)

Exhibit 36: Open trades
EM Alpha Trade Recommendations

FX	Entry date	Entry level	Current level	Target	Stop	Notional	Rationale/ Time horizon	Risks
Buy USDZAR 6m 25 Delta Risk Reversal	16-Feb-24	1.495	1.7275	2.5	1	100	RR is close to historical lows despite upcoming elections; The ANC might lose majority. Any indication of that in the polls should weaken the rand and increase volatility.	The risk is much stronger-than-expected poll and election results for the ANC.
Sell USD/PEN	1/15/2024	3.84	3.794	3.70	3.90	10	Neither global factors nor domestic risk premium explain the recent selloff in PEN, amid a market-friendly cabinet reshuffle.	Risks are a faster BCRP easing cycle, a stronger-than-expected dollar, weak copper prices or higher policy risks.
Sell EURKRW 3m NDF	1/14/2024	1429	1445	1385	1450	10	In light of a potential reacceleration of US inflation and the uncertainty on the start of the Fed cutting cycle, we switch from sell USDKRW to EURKRW.	Market pricing in for significantly less Fed cuts
Short EURPLN using a 6m digital option (strike: 4.2)	1/13/2024	17% (spot: 4.317)	spot: 4.319	strike: 4.2	-	10	Solid basic balance + equity inflows to drive EURPLN lower in 6m.	A signficant increase in domestic political risks
Short EURTRY using 3m forward	2/5/2024	36.2	37.71	38	32	10	EURTRY has been stable recently (fwds have overestimated depreciation). Lower retail demand for USD/EUR should be supportive.	The risk is a more dovish CBT or a much slower improvement in the current account
Sell COP vs LatAm FX basket	1/16/2024	100	101.8	92	104	10	Colombia's monetary easing will be the largest in LatAm going forward and its economy is slowing down more than the rest	Hawkish central bank surprises and stronger domestic growth in Colombia and rising international oil prices.
Short USDUZS using 3m NDF	1/5/2024	12,674	12,783	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
Short CNH, long basket	17-Nov-23	100	-	94	102	10	We expect CNH to underperform peers as PBOC will lean-in against appreciation in an effort to keep monetary conditions loose. Basket earns 8bps 3M carry	The risk to the trade is a large fiscal policy stimulus and economic recovery, ending the need for loose monetary policy and CNY appreciates aggressively in 6months.
3m USD call CNH put spread	17-Nov-23	39.8bps	-	7.30/7.55	-	10	Position for our contrarian view Q1 USD/CNY 7.55 forecast. 3.3% maximum payout for 8.5 times leverage	The risk to the trade would be an acceleration in fiscal policy stimulus, offsetting the need for further monetary stimulus and resulting in inflation and higher interest rates
Worst off 6M USD/IDR>5 % OTMS, USDPHP>5% OTMS	17-Nov-23	32bps	-	Both 5%+ above spot	n/a	10	The rationale for the trade is that these are relatively small, open, current-account deficit economies vulnerable to global shocks such asa hard landing and/or geopolitical event	The risk to the trade would be the absence of a global recession and easing of global geopolitical tensions
Long BRL/MXN	11/17/2023	3.52	3.436	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	19.17	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 USDHUF	10/12/23	363.56	362.8	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	5.413	-	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

Exhibit 36: Open trades

EM Alpha Trade Recommendations

FX	Entry date	Entry level	Current level	Target	Stop	Notional	Rationale/ Time horizon	Risks
Short RONCZK	5/24/2023	4.77	5.09	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	7.83	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 February 29 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.

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Exhibit 37: Closed trades

EM Alpha Trade Recommendations

Trade description	Entry date	Entry Level	Target	Stop	Notional	Close date	Level closed
Long IDR vs PHP	1/19/2024	280	276	282	10	2/19/2024	278
Selling USDKRW	1/18/2024	1332	1292	1352	10x10	2/14/2024	1328
Short SGD/KRW	9/20/2023	974	945	990	10	3-nov-23	969
Buy 6m 25-delta call option for USDTWD	8/1/2023	31.6	31.9	29.8	10x10	2/8/2024	-
Short CZKHUF	11/29/2023	15.7	14.9	16.3	10x10	2/6/2024	15.48
Long PLNCZK	11/8/2023	5.51	5.78	5.34	10	1/11/2024	5.67
Long KZT vs USD & EUR	8/2/2023	479	435	530	10	1-Dec-23	481
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

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

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World At A Glance Projections

Exhibit 38: G10 FX Forecasts
Forecasts as of 29-Feb-2024

	Spot	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
G3									
EUR-USD	1.08	1.07	1.10	1.12	1.15	1.16	1.17	1.18	1.20
USD-JPY	150	145	143	142	142	140	138	136	136
EUR-JPY	163	155	157	159	163	162	161	160	163
Dollar Bloc									
USD-CAD	1.36	1.35	1.34	1.32	1.30	1.30	1.30	1.30	1.30
AUD-USD	0.65	0.66	0.68	0.71	0.71	0.71	0.71	0.71	0.71
NZD-USD	0.61	0.61	0.62	0.63	0.63	0.63	0.63	0.63	0.63
Europe									
EUR-GBP	0.86	0.85	0.84	0.84	0.84	0.85	0.85	0.85	0.85
GBP-USD	1.26	1.26	1.31	1.33	1.37	1.36	1.38	1.39	1.41
EUR-CHF	0.95	0.96	0.96	0.97	0.97	0.98	1.00	1.00	1.00
USD-CHF	0.88	0.90	0.87	0.87	0.84	0.84	0.85	0.85	0.83
EUR-SEK	11.21	11.40	11.40	11.20	11.10	11.10	11.00	10.90	10.80
USD-SEK	10.35	10.65	10.36	10.00	9.65	9.57	9.40	9.24	9.00
EUR-NOK	11.49	11.40	11.30	11.00	10.90	10.90	10.80	10.70	10.60
USD-NOK	10.61	10.65	10.27	9.82	9.48	9.40	9.23	9.07	8.83

Source: BofA Global Research, Bloomberg. Note: Forecasts as of 29-Feb-2024.

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Exhibit 39: EM FX Forecasts
Forecasts as of 29-Feb-2024

	Spot	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Latin America									
USD-BRL	5.00	4.90	4.88	4.80	4.75	4.78	4.82	4.90	5.00
USD-MXN	17.10	17.80	18.00	18.30	18.50	18.70	18.90	19.10	19.50
USD-CLP	975	960	955	952	950	950	950	950	950
USD-COP	3,937	4,000	4,050	4,075	4,100	4,125	4,150	4,200	4,250
USD-ARS	842	1,000	1,300	1,700	2,200	2,700	3,200	3,800	4,500
USD-PEN	3.79	3.75	3.74	3.74	3.75	3.76	3.78	3.79	3.80
Emerging Europe									
EUR-PLN	4.32	4.30	4.25	4.23	4.20	4.20	4.20	4.20	4.20
EUR-HUF	393.29	390	395	395	399	387	375	362.00	350
EUR-CZK	25.36	25.50	25.50	25.00	24.70	24.40	24.20	24.00	24.00
USD-RUB	-	76.00	77.00	78.00	80.00				
USD-ZAR	19.28	19.00	19.20	18.50	18.00	17.90	18.00	18.20	18.40
USD-TRY	31.22	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	3.57	3.70	3.65	3.60	3.55	3.50	3.50	3.45	3.45
Asian Bloc									
USD-KRW	1,331.40	1,325	1,300	1,265	1,230	1,210	1,190	1,170.00	1,150
USD-TWD	31.58	31.35	31.15	30.75	30.35	30.15	29.95	29.75	29.55
USD-SGD	1.35	1.34	1.33	1.29	1.26	1.25	1.24	1.23	1.22
USD-THB	35.87	36.00	35.50	35.00	34.00	33.50	33.00	32.50	32.00
USD-HKD	7.83	7.83	7.80	7.78	7.76	7.75	7.75	7.75	7.75
USD-CNY	7.19	7.45	7.40	7.10	6.90	6.90	6.80	6.80	6.70
USD-IDR	15,715	15,600	15,500	15,300	15,200	15,200	15,100	15,100	15,000
USD-PHP	56.21	56.50	56.00	55.50	55.00	54.50	54.00	53.50	53.00
USD-MYR	4.74	4.80	4.70	4.60	4.50	4.40	4.30	4.20	4.10
USD-INR	82.91	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 29-Feb-2024.

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