World at a Glance

Kickoff for the new year

Key forecasts in FX, rates and commodities

Our general core macro market forecasts remain the same, including a modestly weaker USD. Our end-year forecast remains 1.15 for EUR-USD and 4.25% for the US10yr yield. Our US Economics team expects four 25bp rate cuts from the Fed this year.

G10 FX: USD-JPY revisions, no changes elsewhere

Our G10 FX forecasts are generally the same, including our baseline end-2024 EUR-USD forecast of 1.15. We do revise our USD-JPY forecast profile, although our end-2024 USD-JPY forecast stays at 142.

EM FX: core views remain the same

Our core EM FX views also remain the same as the year begins. More specifically, our end-year USD-CNY forecast remains 6.90. Similarly, our INR, BRL and MXN forecast profiles are unchanged.

Interest rates: end-24 US10yr forecast remains 4.25%

We maintain our 10y UST forecast at 4.25% by end '24. We keep our forecast unchanged due to economic re-acceleration risks and lingering concerns of a UST supply / demand imbalance.

Commodities: unchanged forecasts

We do not have any changes to our core commodities forecasts since we published our year-aheads. In particular, for oil in 2024, we continue to forecast Brent to average $90/bbl.

The *World at a Glance* (WAAG) is our flagship monthly publication, highlighting our key forecasts in FX, rates and commodities. This "mini" edition covers each of the G10 currencies and six major developed-market interest rates; our usual Emerging Market and Commodities coverage will return in our next edition.

04 January 2024

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US rates: it's all transitory

Mark Cabana, CFA
BofAS

Themes: cutting cycle priced, bullish bias still holds

US rates declined swiftly at the end of '23 driven by a dovish Fed pivot & soft inflation prints. In early Nov we recommended clients position for lower 5Y rates but shifted to a neutral stance in mid Dec '23 after the sharp rate decline. We now hold our neutral duration stance and recommend clients trade tactically around recent ranges but with a slightly bullish bias. We think clients should add duration on 10yT dips > 4.25-4.5% and lightening up positions on rallies into c.3.75-4%.

On the curve we continue to favor a bull steepening bias. The swift pricing of Fed cuts & sharp easing of financial conditions risks economic re-acceleration & inflation re-ignition. We doubt these concerns will prevent the Fed from delivering cuts in '24 given their dovish bias. The market should increasingly price this re-ignition risk.

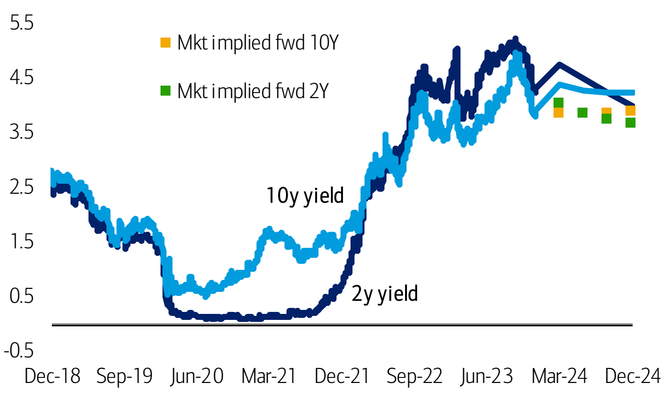
Forecasts: now above forwards in 2024

Despite our near-term rate views we leave our rate forecasts unchanged. We maintain our 10y UST forecast at 4.25% by end '24. Our forecasts were previously below the forwards but above consensus; the recent rate move now sees them above market forwards and consensus. We keep our forecast unchanged due to economic re-acceleration risks and lingering concerns of a UST supply / demand imbalance.

Risks: skewed to the downside

The Fed outlook poses downside risks to our rate forecasts. We are still comfortable with sticky high back-end rates due to the possibility of economic resilience and UST supply / demand concerns re-emerging in 2H '24. For now, we simply acknowledge that risks to our forecasts for a 10Y of 4.25% at end '24 are skewed to the downside.

Exhibit 1: 2y and 10y Treasury yield forecasts (%)
Forecasts and market implied forwards



Source: BofA Global Research, Bloomberg

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Table 1: Government bond yield forecasts (%)
Our forecast for year-end '24 of 10yT is 4.25%

	Q1 24	Q2 24	Q3 24	Q4 24
O/N SOFR	5.56	5.31	5.09	4.86
2y Govt	4.75	4.50	4.25	4.00
5y Govt	4.50	4.40	4.25	4.15
10y Govt	4.40	4.30	4.25	4.25
30y Govt	4.70	4.65	4.65	4.75

Source: BofA Global Research estimates

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Table 2: Swap rate forecasts (%)
Our forecast for year-end '24 of 10y swaps is 3.81%

	Q1 24	Q2 24	Q3 24	Q4 24
2y	4.95	4.27	4.00	3.73
5y	4.17	4.05	3.88	3.76
10y	4.00	3.88	3.81	3.81
30y	3.95	3.88	3.88	3.98

Source: BofA Global Research estimates

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USD: a December to Remember

Alex Cohen, CFA
BofAS

Themes: Disinflation=Depreciation

The US dollar ended 2023 well on the back foot, driven in large part by ongoing signs of disinflation in the US and a notably "dovish" outcome from the December FOMC. While US growth data has still shown signs of ongoing resilience (retail sales, consumer confidence, ISM services, and softening but still solid labor market indicators), key inflation readings suggest the return to target may be closer than many had thought just a few months ago. Fed expectations have reacted accordingly with ~150bp of cuts now priced for 2024, from around 100 pre-FOMC. This mix of waning inflation in the absence of significant growth deterioration has further propagated the US "soft landing" outlook for 2024. We see this scenario as mainly USD-negative, all else equal. If achieved, a US soft landing will result in a gradually lower funds rate— not to boost a faltering economy, but rather to prevent the passive tightening of real rates as inflation falls. This should further support risk appetite, boosting most currencies vis-à-vis the USD.

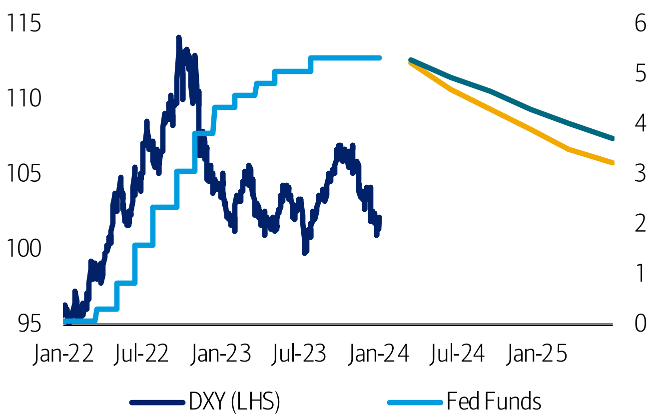
Forecasts: Year-End EUR-USD 2024 forecast unchanged

The USD's sharp and broad depreciation since mid-November has brought it closer to our year-end G-10 forecasts sooner than anticipated. Nevertheless, our call for further dollar downside remains intact. We maintain our core year-end EUR-USD 2024 forecast at 1.15. We generally keep our G10 FX forecasts unchanged as well, although we do make revisions for the USD-JPY forecast outlook.

Risks: are we priced to perfection?

With approximately 150 bp of Fed cuts now priced for 2024, the market could be ripe for disappointment should growth reaccelerate or recent disinflation trends wane. Some Fed officials have attempted to temper the overall dovish message to no avail, and ultimately the evolution of data will continue to pose 2-way risks for the FX market. Moreover, should growth start to falter more meaningfully, the USD could be supported for a time on risk aversion, particularly vis-à-vis higher beta currencies. Other foreseeable risks related to global growth, commodity prices and the US election remain lingering in the background for now.

Exhibit 2: DXY and Fed Funds Futures Curve (Nov 30 vs. current)
USD's recent depreciation occurred amidst repricing of Fed expectations



Source: New York Fed, Bloomberg and BofA Global Research

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Table 3: USD forecasts
EUR forecast is 1.15 for the end of 2024

	Q1 24	Q2 24	Q3 24	Q4 24
EUR-USD	1.07	1.10	1.15	1.15
USD-JPY	145	143	142	142

Source: BofA Global Research estimates

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Table 4: Major macro forecasts
Growth softening but avoiding recession

	2023F	2024F	2025F
Real GDP (% yoy)	2.5	1.8	1.8
CPI (% yoy)	8.0	4.1	2.6
Policy Rate (end of period)	5.375	4.375	3.375
GenGov Bal (%/GDP)	-6.2	-6.3	-6.4
CurAct Bal (%/GDP)	-3.6	-3.4	-3.3

Source: Bloomberg and BofA Global Research estimates

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EU rates: fast and furious

Sphia Salim
MLI (UK)

Ronald Man
MLI (UK)

Themes:

While we had turned bullish Bunds in Oct, the rally towards our 2% target occurred much earlier than we anticipated. The move was driven by data, positioning as well as central banks shifts: (1) Data surprised to the downside, the focus being on lower-than-expected eurozone inflation (Disinflation autobahn) but also weaker growth globally, reducing the macro uncertainty & reinforcing the end of cycle view. (2) There was a major positioning shift from CTAs, turning long, from heavily short in Oct (Systematic Flows Monitor). The end of year low bond supply environment probably exacerbated the effect on duration. Finally, (3) central banks were perceived to have made a dovish pivot (including a major shift from ECB's Schnabel), accelerating the pricing of 2024 cuts.

The market implies 160bp of cuts in 2024, versus our economists' baseline of 75-100bp, but the trough in €str is priced at 1.75%, when our economists believe the ECB may ultimately be forced to cut all the way down to 1% later in 2025-2026.

Forecasts: end of 2024 forecasts inline with current forwards

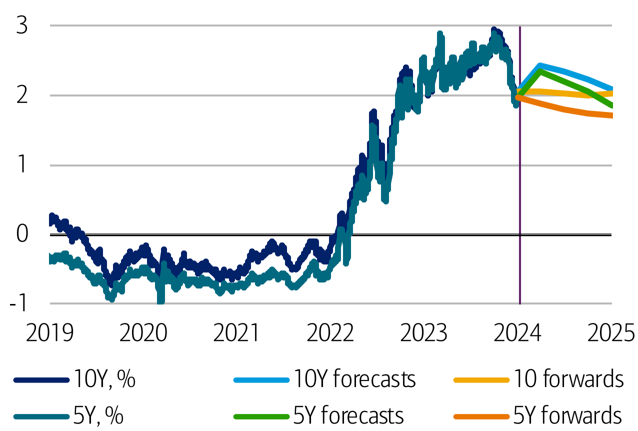
Our 2.1% 10y forecast for YE-24 used to be very bullish vs consensus and the market, but the rally of the past two months has closed the gap between market forwards and our forecasts. For the next few quarters, our forecasts are now even above current forwards. We leave them as they are, with record net bond issuance to private investors having the potential to create upward pressure in yields (and EGB spreads) near term.

For the curve, we project a steepening in 2s10s over the year, but one that is less pronounced than currently implied by the forwards. We see potential for 10s30s to avoid significant steepening at least initially, as LDI demand picks up in the long-end.

Risks: inflation, lending conditions, geopolitics

Upside risks to rates are better than expected activity data and higher energy & food prices raising inflation expectations. Downside risks to rates include a more rapid tightening in lending conditions and an escalation in global geopolitical tensions.

Exhibit 3: German rates – yield forecasts and forwards*
Strong rally since Dec 2023 has placed our forecasts above forwards



Source: BofA Global Research, Bloomberg. *Forwards as of 4-Jan

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Table 5: Germany bond yield forecasts, %
Reassessment of the policy path may more than offset supply outlook

	Q1 24	Q2 24	Q3 24	Q4 24
3m Euribor	4.05	3.90	3.70	3.25
2y Govt	2.70	2.45	2.20	1.90
5y Govt	2.35	2.20	2.05	1.85
10y Govt	2.45	2.35	2.25	2.10
30y Govt	2.60	2.55	2.50	2.40

Source: BofA Global Research

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Table 6: Swap rate forecasts, %
We believe the belly can outperform the forwards most in 2024

	Q1 24	Q2 24	Q3 24	Q4 24
2y	3.30	3.05	2.75	2.40
5y	2.90	2.70	2.50	2.25
10y	2.95	2.80	2.65	2.45

Source: BofA Global Research

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EUR: halfway there already

Athanasios Vamvakidis
MLI (UK)

Themes: still USD-driven

The EUR ended 2023 somewhere in the middle of G10 FX. However, the EUR remains strong in nominal effective terms (NEER) and particularly against JPY, the Scandies and GBP. Our view for 2024 is that the EUR will see further appreciation against the USD but will remain somewhere in the middle vs. the rest of G10 (see EUR Year Ahead: Pyrrhic Victory 15 December 2023). This is based on our baseline of lower global inflation, central bank rate cuts, risk-on in soft landing and US recoupling from very strong growth vs. the rest of the world and particularly Europe last year. This is consistent with USD weakness across the board since October, as the market priced more rate cuts and risk assets performed strongly. However, we also note that the EUR was the second worst performer in G10 during this time. This is once again consistent with our view that weak growth in the Eurozone makes it hard to be bullish on the EUR on its own merits and that EURUSD will strengthen further this year only if the USD weakens. Moreover, a market already priced-to-perfection suggests to us some downside EUR risks early in the year if central banks cut later and slower and if risk sentiment suffers as a result.

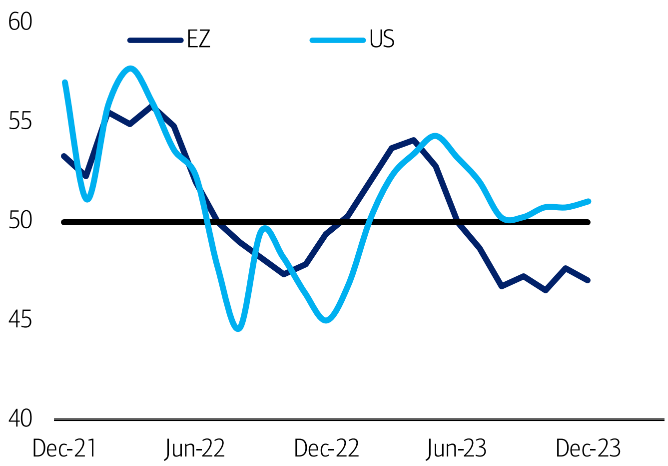
Forecasts: EURUSD at 1.15 by end-2024

We continue to forecast EURUSD at 1.15 by the end of 2024—which has been our forecast since a year ago. The consensus has increased from 1.10 in November to 1.12 currently, still below our forecast. With EURUSD already fluctuating around 1.10, from 1.05 in October, we are already halfway there.

Risks: Plenty

Later and slower central bank rate cuts vs. the aggressive market pricing could lead to a weaker EUR in the short term. Risk valuations look stretched and a correction could weigh on the EUR. On the other hand, if Eurozone growth surprises to the upside, particularly compared with very low expectations, or if the ECB cuts rates much later/slower than the Fed, vs. market pricing broadly the same for both, the EUR could strengthen even more than we expect.

Exhibit 4: Composite PMI index
US-EZ recoupling key assumption for further EURUSD strength



Source: Bloomberg and BofA Global Research

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Table 7: EUR forecasts
Our forecast is 1.15 for EUR-USD at end of 2024

	Q1 24	Q2 24	Q3 24	Q4 24
EUR-USD	1.07	1.10	1.15	1.15
EUR-JPY	155	157	163	163

Source: BofA Global Research estimates

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Table 8: Major macro forecasts
ECB to cut in 2024

	2023F	2024F	2025F
Real GDP (% yoy)	0.5	0.5	1.2
CPI (% yoy)	5.5	2.3	1.4
Policy Rate* (end period)	4.50	3.75	2.50
Gen Gov Bal (%/GDP)	-3.4	-3.1	-3.1
CurAct Bal (%/GDP)	1.5	1.4	1.5

*Note: Policy Rate is Refinancing Rate.
Source: Bloomberg and BofA Global Research estimates

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JP rates: policy tweak expectations persist

Tomonobu Yamashita
BofAS Japan

Key theme: dovish hold, but expectations for policy tweak

The BoJ maintained its monetary policy at the December MPM, and we think the latest BoJ communication reduces the likelihood of a January policy change while raising the risk of the NIRP/YCC exit being delayed until April. (for details, see Japan Watch: BoJ review: Status quo 19 December 2023).

On the other hand, investors are likely to keep their cautious stance on the BoJ's additional hawkish move. According to our FX and rates sentiment survey, about half of the respondents expect the BoJ to abandon its NIRP in 1Q24, and 56% of investors believe the 10yr JGB will trade at 1.0-1.5% after NIRP and YCC removal (for details, see FX and Rates Sentiment Survey: How long is too long? 15 December 2023), suggesting the JGB yields will likely rise through 2024. In our view, therefore, the JGB market in 2024 will decouple from the developed countries' rates market in which price in rate cut in the near term.

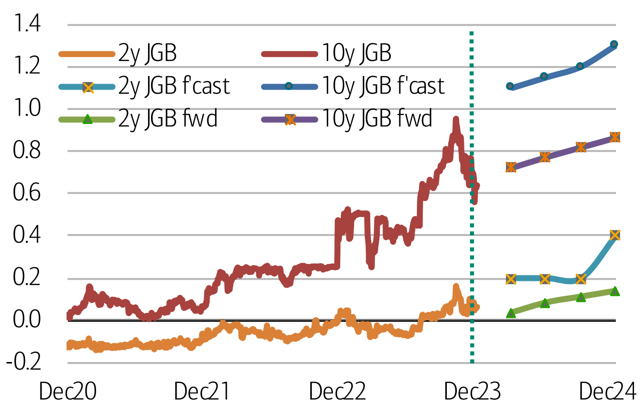
Forecast: Bearish across the curve

In our view, a hurdle for further reduction in Rinban operations is high (for details, see Japan Rates Watch: A reduction in Rinban operations is likely to focus on 5-10yr residual maturities 12 December 2023), though we think investors' cautious stance on the BoJ's further policy tweaks is likely to lead to rise in the JGB yields through 2024. We see the 10yr JGB yield reaching 1.30% at end-2024.

Downside risks

We think the risk to our base case is skewed to the downside. We see risks of a potential downturn in the global economy could enhance the demand for JGBs. Also, the BoJ may miss the timing for the policy normalization if the global economy slows down in 2024.

Exhibit 5: JGB rates – yield forecasts and forwards
We expect the 10yr JGB yield to rise to 130bp at end-2024



Source: BofA Global Research, Bloomberg.

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Table 9: Government bond yield forecasts
Our 10yr JGB yield end-2024 forecast is 1.30%

	Q1 24	Q2 24	Q3 24	Q4 24
3m TORF	0.05	0.05	0.05	0.28
2y Govt.	0.20	0.20	0.20	0.40
5y Govt	0.45	0.45	0.45	0.60
10y Govt	1.10	1.15	1.20	1.30
30y Govt	1.90	1.95	2.00	2.05

Source: BofA Global Research

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Table 10: Swap rate forecasts
Our Japan 10yr swap rate end-2024 forecast is 1.35%

	Q1 24	Q2 24	Q3 24	Q4 24
2y	0.35	0.35	0.35	0.50
5y	0.65	0.65	0.65	0.75
10y	1.20	1.20	1.25	1.35

Source: BofA Global Research

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JPY: cyclical rebound amid structural fall

Shusuke Yamada, CFA
BofAS Japan

Themes: USD correction, structural headwinds, presidential election

We originally forecast USD/JPY to peak in 1Q24 and correct lower toward end-2024. However, USD has started to correct earlier than our expectation, following the Dec FOMC meeting. Accordingly, USD/JPY appears to have peaked for this cycle.

From here, we think three factors could impact USD/JPY in 2024. First, the USD correction could weigh over USD/JPY as the Fed enters a rate cut cycle, which our economists now expect to start in March.

Second, structural headwinds, including outward FDI and outward investment by retail investors, would limit JPY's rebound.

Finally, the US presidential election in November may cause USD/JPY volatility.

Forecasts: revising the path, keeping year-end forecast

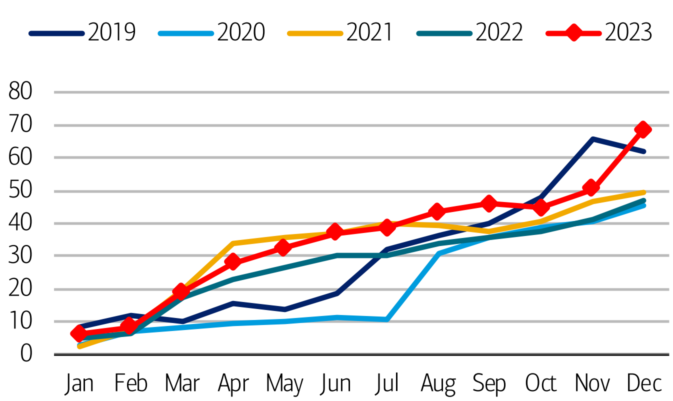
We maintain our year-end USD/JPY forecast of 142 but revise the path downward. We think USD/JPY would trade top-heavy above 145 due to the Fed's rate cuts but would be supported by Japan's structural outflow below 140. We plan to revisit our forecasts in coming weeks after reassessing risks discussed below.

Risks: US inflation vs growth; BoJ; politics

The biggest risk is US macro. If growth disappoints, it would deepen USD/JPY's correction. Meanwhile, if inflation is reignited by a dovish Fed, USD/JPY may rebound stronger. The BoJ's policy normalization could also cause volatility thought we think the scope of the BoJ's policy changes would be limited unless forced by the yen's significant weakness.

Political risk can also impact USD/JPY with the US presidential election in November and falling approval ratings for Japan's Kishida administration.

Exhibit 6: Cumulative outward M&A announcement volume* by Japanese companies by calendar year ($bn)
Japan Inc.'s outward M&A may be accelerating



Source: BofA Global Research, Bloomberg; *Excluding Softbank related deals
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Table 11: JPY forecasts
We look for 2024 year-end USD-JPY of 142

	Q1 24	Q2 24	Q3 24	Q4 24
USD-JPY	145	143	142	142
EUR-JPY	155	157	163	163

Source: BofA Global Research estimates
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Table 12: Major macro forecasts (CY)
Our economics team looks for slowing recovery

	2023F	2024F	2025F
Real GDP (% yoy)	1.7	0.8	1.0
CPI (% yoy)	3.2	3.2	1.6
Policy Rate (end of period)	-0.10	0.25	0.50

Source: Bloomberg and BofA Global Research estimates
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UK rates: rate cut euphoria overdone

Agne Stengeryte
MLI (UK)

Mark Capleton
MLI (UK)

Very limited market impact of December BoE meeting

The Bank of England (BoE) kept Bank Rate on hold in a 6-3 vote in December. The dissenting voters preferred a 25bp hike, with the Committee keeping a bias to hike further. The minutes of the meeting suggested the central bank saw a more persistent inflation problem in the UK than in the Euro-area or US. Accordingly, the BoE seemed to want very strong evidence of a sustained change in inflation dynamics, which our economists think will take time. We see cuts in the first half of the year as unlikely and expect the first cut in February 2025 with risks skewed towards a 2H 2024 easing (Bank of England Review: cuts not close, 14 December). The rates market largely disregarded the MPC guidance, with front-end rates back to pricing almost exactly the same rate cutting profile as before the meeting less than an hour after the meeting.

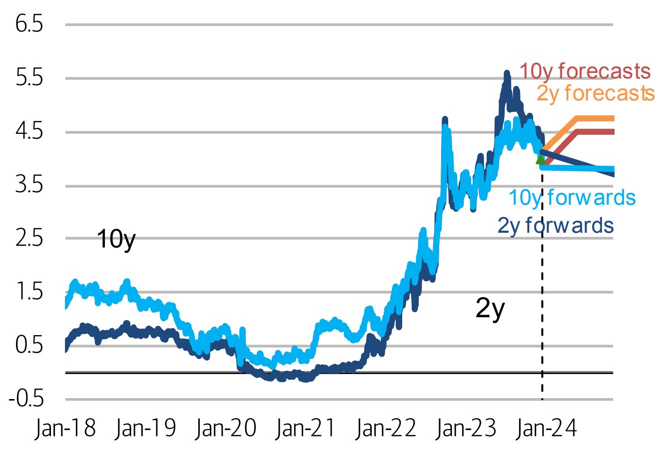
Forecasts: no change

The limited market reaction after the BoE meeting stood in contrast to our read of the minutes as a clear implicit and somewhat explicit pushback against market pricing (made more meaningful after the Fed's meeting the day before). Market pricing of BoE rate cuts remains well in excess of our base case. Our front-end Sonia forecasts lie above the forwards as a result. In 10y, our Sonia forecast is above the forward and implies some underperformance on cross-market basis. Macroeconomic fragilities, the Gilt supply outlook and political risks inform our view. On swap spreads, we expect short-dated Gilts to cheapen towards 25bp over Sonia in 2024. We outlined our forecasts in more detail in our Year Ahead report 2024: Cloudy with a chance of landing on 19 November 2023.

Risks: fiscal, geo-politics and turmoil from abroad

We assume the political situation remains favourable to fiscal sustainability - an assumption prone to many risks. We also note geo-political risks, turmoils from abroad.

Exhibit 7: Gilt yield benchmark histories, forwards and forecasts, %
Expecting some 2y Gilt cheapening vs. Sonia in Q1 2024



Source: Bloomberg, BofA Global Research

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Table 13: Government bond yield forecasts (%)
We expect BoE to stay on hold throughout 2024

	Q1 24	Q2 24	Q3 24	Q4 24
3m Sonia	5.25	5.25	5.25	5.00
2y Govt.	4.75	4.75	4.75	4.75
5y Govt	4.50	4.50	4.50	4.50
10y Govt	4.50	4.50	4.50	4.50
30y Govt	4.50	4.50	4.50	4.50

Source: BofA Global Research estimates

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Table 14: Sonia swap rate forecasts (%)
Short-dated Gilts to cheapen relative to short-dated Sonia in H1 2024

	Q1 24	Q2 24	Q3 24	Q4 24
2y	4.75	4.75	4.50	4.50
5y	4.25	4.25	4.25	4.25
10y	4.25	4.25	4.25	4.25
30y	4.00	4.00	4.00	4.00

Source: BofA Global Research estimates.

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GBP: what can make it go higher?

Kamal Sharma
MLI (UK)

Themes: can higher rates lift the pound?

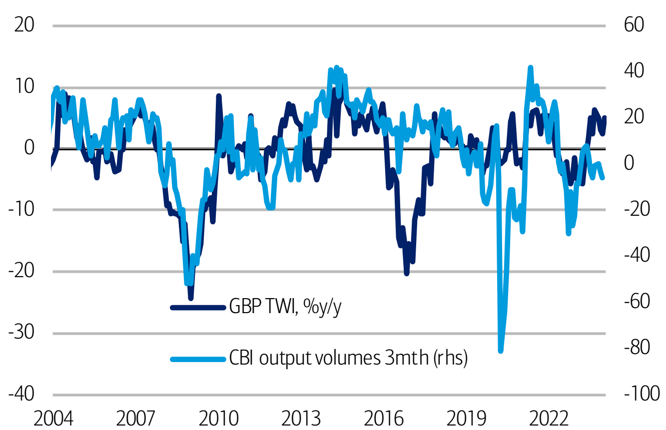
Now for the hard part. Whilst GBP in 2023 was about the pricing out of peak pessimism, helping to propel GBP to the second best performing G10 currency vs USD, the key question we have been asked is what will make GBP break out of its post 2021 "reset range". We are alive to the view that a higher yield environment (real and nominal) should ordinarily be supportive for a currency like GBP (recall we are less optimistic on the chances of UK rate cuts this year vs the market), but we think the macro backdrop and the raison d'etre for higher UK rates is a more compelling reason to argue that GBP may not benefit as much as may be expected. One of the driving forces behind this conclusion is our view that the pound is now behaving in a way that has been consistent with previous cycles. Idiosyncratic risk premium has been priced out, allowing the pound to return to the G10 FX fold. Our forecasts therefore expect broader based GBP weakness on the crosses.

If our thesis is correct, then we find it hard to reconcile the call for a higher GBP against the backdrop of a turn in the global business cycle. Save for the recent disconnect, GBP has been the consummate procyclical currency. It performs well in a global growth environment and weakens in a global slowdown. Though we expect the UK rates market to come towards our view (less rate cuts), we find it hard to see why GBP can rally because the BoE is keeping rates higher for longer due to sticky service price inflation. This exacerbates the growth slowdown (we are sceptical that higher rates is the right policy tool for what is effectively a supply side issue) and focuses attention on the pressure points in the economy – namely the current account and the fiscal situation. Major currencies who are increasingly out of synch with others in the rate cycle do not perform well unless strong data can back up the reason for the misalignment. Whilst the BoE managed to convince markets it was in no rush to cut rates – it had improving data to back up its communication. We think this is likely to become increasingly difficult this year.

Forecasts: No change in forecasts from our year-ahead forecasts.

Risks: Avoiding a significant slowdown in UK growth may prove supportive for GBP.

Exhibit 8: GBP TWI vs CBI Output Volumes, 3mth
GBP to struggle in a low growth environment



Source: BofA Global Research, Bloomberg.

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Table 15: GBP forecasts
Our year-end 2024 EUR-GBP forecast is 0.88

	Q1 24	Q2 24	Q3 24	Q4 24
EUR-GBP	0.87	0.87	0.88	0.88
GBP-USD	1.23	1.26	1.31	1.31

Source: BofA Global Research estimates

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Table 16: Major macro forecasts
Growth to stay weaker in 2024

	2023F	2024F	2025F
Real GDP (% yoy)	0.5	0.1	0.6
CPI (% yoy)	7.4	3.4	2.6
Policy Rate (end of period)	5.25	5.25	4.25
Gen Gov Bal (%/GDP)	-4.9	-4.3	-3.9
CurAct Bal (%/GDP)	-3.5	-3.7	-3.6

Source: Bloomberg and BofA Global Research estimates16

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CA rates: BoC will cut in 1H of 2024

Katie Craig
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Ralph Axel
BofAS

Themes: BoC to cut in 1H of 2024

Inflation proved to be stubborn as we closed out 2023 with November delivering an upside surprise. While our economists slightly revised higher their forecast for inflation, we continue to expect the economic deceleration to bring core inflation slowly down. With slowing inflation and soft labor prints, the BoC's next move is likely to be a cut. Going forward our economist expects the BoC could change language in April and start cutting in June 2024 to bring the policy rate target to 3.75% by end 2024.

The market is currently pricing in 2024 year-end CORRA around 3.7%, or 5 25bp cuts, roughly in line with our economists' expectations. Conversely, markets are pricing in nearly 6 Fed cuts in '24, which is more aggressive than the 4 cuts our economists believe the Fed will deliver. If our forecasts are correct and the market is indeed overpricing Fed cuts, then US rates are likely to underperform CA rates, especially on the front-end of the curve. We expect 2y CA rates to outperform US 2y and for the CA 2s10s curve to steepen.

Separately, we expect the BoC will end QT in June 2024, consistent with the first rate cut. This is in line with our economist's expectations for when the Fed will end QT. Notably, the BoC injected liquidity in to the market via a repo operation earlier this week to help bring CORRA back towards the target level of 5%. This works counter to the intended impact of QT.

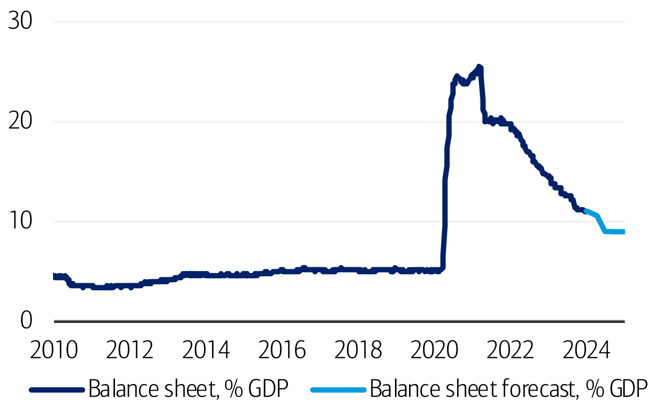
Forecasts: 5y and 10y forecasts well above forwards

We keep our forecast for CA rates unchanged though rates have come down much faster than we expected. As a result, our forecasts are now well above the forwards for YE '24, especially for longer dated tenors.

Risks: skewed to the downside

We see risks to our forecasts skewed to the downside if cuts come in more aggressively than expected. We believe the market may pair back expectations of BoC cuts if inflation continues to remain resilient as we believe it is unlikely for the BoC to start cutting with inflation above 3%. This could bring rates more in line with our forecasts.

Exhibit 9: Bank of Canada balance sheet projection
We expect BoC QT to end in June 2024



Source: BofA Global Research, Bloomberg, Bank of Canada

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Table 17: Government bond yield forecasts
2y & 10y forecasts below forwards

	Q1 24	Q2 24	Q3 24	Q4 24
2y	4.20	3.75	3.25	3.00
5y	3.75	3.70	3.65	3.60
10y	3.70	3.65	3.65	3.60

Source: BofA Global Research estimates

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Table 18: Swap rate forecasts
We look for 10yr swap rate at 4% by year-end

	Q1 24	Q2 24	Q3 24	Q4 24
2y	4.60	4.15	3.65	3.40
5y	4.10	4.05	4.00	4.00
10y	4.10	4.05	4.05	4.00

Source: BofA Global Research estimates

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CAD: Fed rate cuts will be key in 2024

Howard Du, CFA
BofAS

Theme: Fed rate cuts matters more than BoC rate cuts for USD/CAD in 2024

USD/CAD moved sharply lower in December after a more dovish than expected FOMC meeting (A holiday gift: the dovish pivot arrives, 13 December 2023). Since crossing the 1.34-handle, our estimation framework sees USD/CAD spot as slightly below fair value. Nevertheless, we believe the broad trend in 2024 would likely be lower for USD/CAD, driven by our economists' expectation of for the start of the Fed cutting cycle in 2024.

In this rate cycle, USD/CAD spot has had +90% correlation to the level of federal funds rate. This is more than the pair's correlation to various measures of US-CA interest rate differentials. In comparison, USD/CAD spot has relatively low correlation of +56% to Fed-BoC policy rate differential.

Therefore, we believe as long as the Fed cuts rate largely along the path that our US economists currently expect in 2024 (US Economic Viewpoint: 18 December 2023), USD/CAD could remain in a downtrend, even if the BoC cuts policy rate slightly more aggressively than the Fed. For now, our economists expect 100 bps of Fed rate cuts in 2024 starting in March. As for the BoC, we expect 125 bps of rate cuts this year starting in June.

Forecast: downtrend forecast path with USD/CAD reaching 1.30 by year-end

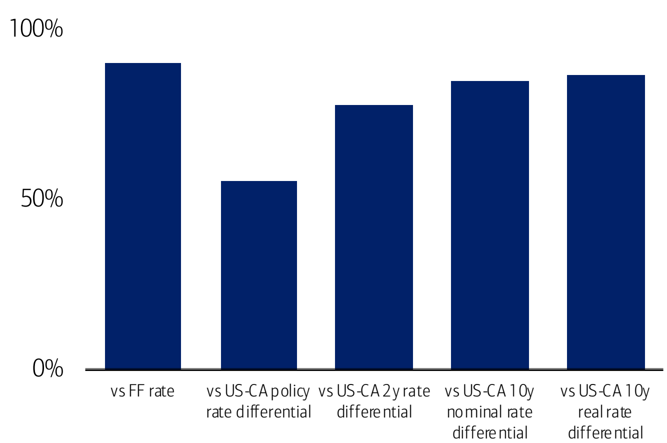
We expect USD/CAD to stay in a downtrend in 2024 with the pair reaching 1.30 by end of the year.

Risks: widening US-CA growth differential would be the main risk

Canada's growth was a lot weaker than the US in 2023. Continuation of resilient US growth amid negative growth for Canada in 2024 would be the main risk to our bullish CAD outlook.

Exhibit 10: In this cycle USD/CAD has higher correlation to level of federal funds rate than US-CA rate differentials

USD/CAD spot's correlation vs various interest rate measures since 2021



Source: BofA Global Research, Bloomberg

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Table 19: CAD forecasts

We expect end-year USD-CAD at 1.30

	Q1 24	Q2 24	Q3 24	Q4 24
USD-CAD	1.35	1.34	1.32	1.30

Source: BofA Global Research estimates

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Table 20: Major macro forecasts

We expect Bank of Canada to cut rates in 2024

	2023F	2024F	2025F
Real GDP (% yoy)	1.1	0.9	2.0
CPI (% yoy)	3.9	2.6	2.0
Policy Rate (eop)	5.00	3.75	3.00

Source: BofA Global Research estimates

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AU rates: behind the curve

Oliver Levingston
Merrill Lynch (Australia)

Themes for Q1 2024: Take out the cuts

As we enter the new year, Australian rates look overbought. A year-end rally in saw Australian bonds retrace some of the losses accumulated in early Q4 2023, pushing 3y and 10y bonds close to the levels at which they started the year. Bonds have given back some of these gains in the first few days of the new year but remain well below our forecast for the first half of 2024.

The dominant theme into year-end 2024 was heightened anticipation of rate cuts. Our US economists see Federal Reserve rate cuts as soon as March but markets are pricing in far more cuts than in BofA's profile for 2024. In Australia, the market is pricing almost two full cuts by the end of the year with policy-rate reductions starting in March.

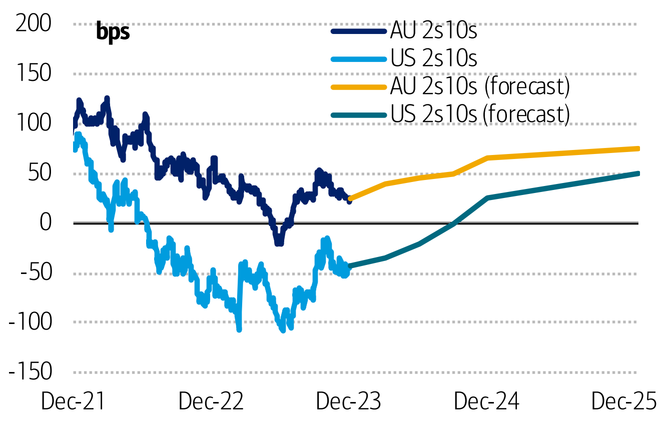
An aggressive cross-asset rally in late 2023 has materially loosened financial conditions, adding to the case for a more cautious response from central banks. Given how cautiously the RBA has approached the 2022/23 hiking cycle, the likelihood is for a more delayed start to rate cuts. Admittedly, if the RBA resists a Federal Reserve-led global cutting cycle then the Australian dollar is likely to rally aggressively, subduing inflation and bringing forward market pricing of cuts. Even in this scenario, though, the RBA is highly unlikely to be cutting rates in the first half of 2024.

Fade the rally, beware supply

In the near-term, then, we see front-end swaps trading steeper and cheaper as the market moves to a more realistic profile for policy rates. A sell-off in OIS should in turn place upward pressure on front-end bond yields. The outlook for the long end is no less disquieting. G10 bond supply steps up in 2024. A truly soft landing may also increase the premium that investors demand to absorb a wave of new issuance.

While we expect the AUD curve to steepen modestly by year-end 2024, the moves will be less substantial than in the US and Europe. The steepness of the ACGB curve stands out relative to peers and there is a high probability the RBA starts reducing policy rates later than major central banks. Australia's bond supply will also continue to diverge from the rest of the G10 in 2024 and we expect another fiscal surplus in 2023/24.

Exhibit 11: AU rates to lag US steepening
Flatter box, tighter cross-market spreads likely in 2024



Source: BofA Global Research, Bloomberg

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Table 21: Government bond yield forecasts
AU duration likely to outperform on a cross-market basis

	1Q 24	2Q 24	3Q 24	4Q 24
3m BBSW	4.40	4.25	4.00	3.75
2y Govt.	4.00	3.75	3.50	3.25
5y Govt	4.10	3.90	3.75	3.50
10y Govt	4.40	4.20	4.00	3.90

Source: BofA Global Research

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Table 22: Swap rate forecasts
10y swap spreads to tighten, box to continue flattening

	1Q 24	2Q 24	3Q 24	4Q 24
3y	4.15	4.00	3.70	3.40
10y	4.65	4.50	4.25	4.15

Source: BofA Global Research

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AUD: silver linings for 2024

Adarsh Sinha
Merrill Lynch (Hong Kong)

Themes: constructive on AUD crosses in 2024

We are neutral AUDUSD through 1Q 24 (0.66 forecast). Recent outperformance may stall with China data (especially property) still weak and Fed rate cut pricing at risk of a data reality check near-term. But we remain constructive for 2024 for the following reasons:

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 is approaching bearish extremes. China's import impulse for Australia lags policy stimulus by three quarters (Exhibit 12) 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 will further support AUD.

4. While AUD remains a "high beta" currency, an improving NIIP should reduce its sensitivity to risk over time, something that is already evident in its weaker spot-volatility correlation in 2023 despite China pessimism.

5. 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.

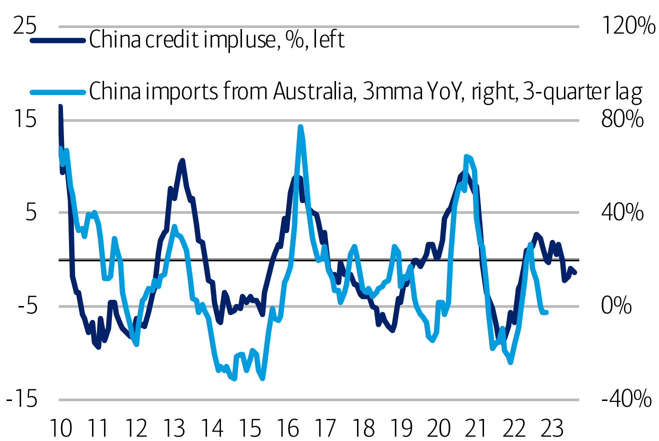
Forecasts: AUDUSD to 0.71 by end-2024, focus on crosses in 1Q

We forecast AUDUSD at 0.71 by end-2024 but with the bulk of appreciation from 2Q onward when we see sequential improvement in China growth, alongside weaker USD. Near-term we expect AUD to remain supported against non-USD crosses.

Risks: China growth disappoints

There are downside risks to our forecasts if China growth disappoints again in 2024.

Exhibit 12: China credit impulse vs. imports from Australia
China's credit impulse leads import impulse by three-quarters



Source: Bloomberg

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Table 23: AUD forecasts
Our end-year 2024 AUD-USD forecast is 0.71

	Q1 24	Q2 24	Q3 24	Q4 24
AUD-USD	0.66	0.68	0.71	0.71
AUD-CAD	0.89	0.91	0.94	0.92

Source: BofA Global Research estimates

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Table 24: Major macro forecasts
Softening domestic backdrop in 2024

Australia	2023F	2024F	2025F
GDP (% yoy)	1.8	1.4	2.0
CPI (% yoy)	5.7	3.4	2.9
Policy Rate (end of period)	4.35	4.35	3.50

Source: Bloomberg and BofA Global Research estimates

NZD: underperform in USD sell-off

Adarsh Sinha
Merrill Lynch (Hong Kong)

Themes: more growth risks in 2024, NZD underperforms on crosses

The RBNZ surprised (again) at its last policy meeting of 2023 with hawkish changes to the forecasts and OCR track. While the Bank is confident that high rates are restricting spending and reducing inflation, the progress is slower than expected. Our economists continue to see downside risks ahead for New Zealand. The contraction in 3Q GDP was well below the RBNZ's assumption, which higher frequency price measures point to a downside surprise in CPI inflation (New Zealand Economic Watch 14 December 2023)

The NZD remains weak, largely due to China concerns and weak dairy prices. To the extent the RBNZ began its tightening cycle earlier than most central banks, taking the OCR to highly restrictive levels will eventually weigh on growth and the currency in 2024. Meanwhile the current account deficit remains elevated at 7.5% of GDP despite some recent improvement, with the income deficit in particular likely to continue widening against a backdrop of higher rates.

Strong inward migration remains remains an important tailwind for the economy, explaining much of the resilience in domestic demand. However, downside risks to global growth and any associated risk-off is likely to weigh on NZD, which has less terms of trade buffer compared to other commodity currencies.

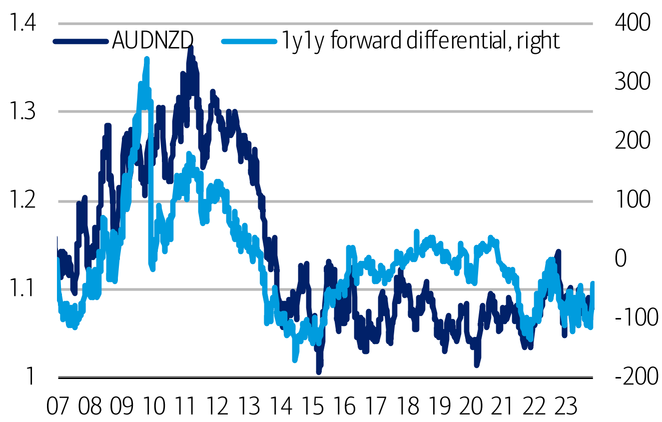
Forecasts: NZDUSD at 0.63 by end-2024, AUDNZD to 1.13

We maintain our NZD/USD forecast at 0.60 for 1Q 24, given our RBNZ view and with Fed rate cut pricing at risk of a data reality check near-term. We expect a gradual recovery in 2024 to 0.63, primarily driven by USD depreciation. NZD remains vulnerable to any global risk-off episodes and even if China surprises positively, AUD is better positioned to benefit than NZD. We expect a gradual trend higher in AUD/NZD towards 1.13 as rate differentials widen.

Risks: migration inflows

The surge in inwards migration presents some upside risk to our forecast, as it typically correlated with NZD trade weighted performance.

Exhibit 13: AUDNZD vs. 1y1y rate differential
Wider rate differential prerequisite for higher AUDNZD



Source: Bloomberg

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Table 25: NZD forecasts
Looking for 2024 end-year NZD-USD at 0.63

	Q1 24	Q2 24	Q3 24	Q4 24
NZD-USD	0.60	0.62	0.63	0.63
AUD-NZD	1.10	1.10	1.13	1.13

Source: BofA Global Research estimates

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Table 26: Major macro forecast
Growth slowing in 2024

New Zealand	2023F	2024F	2025F
Real GDP (% yoy)	1.2	0.8	2.0
CPI (% yoy)	5.8	3.0	2.5
Policy Rate (end of period)	5.50	3.75	3.00

Source: Bloomberg and BofA Global Research estimates

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CHF: hurtling into 2024

Kamal Sharma
MLI (UK)

Themes: can the 2-year sweet spot continue?

For the second year running, CHF has topped the league tables for the best performing currency vs USD. This is an impressive statistic particularly as the SNB has not been as a aggressive as other G10 central banks in hiking rates which should have cemented CHF as the funding currency of choice in carry trades. Furthermore, CHF has rarely been viewed as the go to currency during a cyclical upswing but has undoubtedly been a beneficiary of the Yen's fall from grace as a safe haven currency through high volatility episodes. However, as we discuss below, we believe that some of the tailwinds that have propelled CHF higher in recent years may be starting to fade which we think will make it harder to achieve the gains achieved in since 2022.

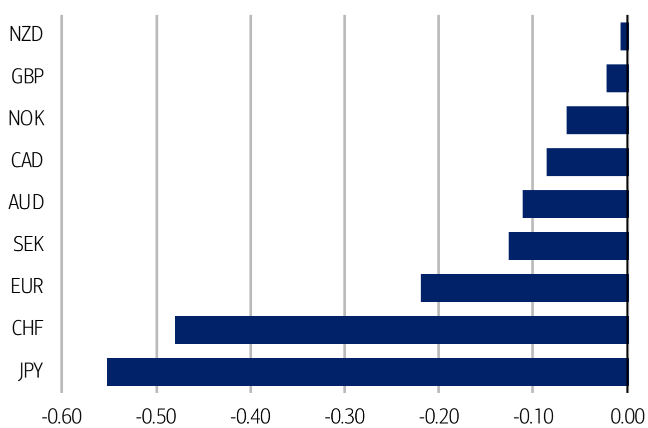
The last two-years have been dominated by the desire of the SNB to reduce the size of its balance sheet. At one point, this was 145% GDP – the largest in G10 – and predominantly composed of foreign assets as a result of previous intervention activities to weaken CHF. In many ways, the SNB has been fortuitous – it has used global inflationary pressures as an argument why it needed to keep CHF strong to ring fence the Swiss economy. With global inflation now on the turn, the SNB used the December policy decision to tweak its language on FX – from an asymmetric to a symmetric reaction function. We believe that this change means two things: firstly, that the SNB is prepared to intervene to weaken CHF should it deam necessary.

More likely, we think that process of balance sheet tapering should slow markedly: the SNB sold approximately CHF300bn in FX to buy CHF. A marked reduction in FX sales should be enough to pressure CHF lower. In conclusion, some of the forces that should have been CHF-negative – notably carry – should start to exert a more significant impact on CHF in 2024.

Forecasts: No changes from our Year Ahead publication.

Risks: Renewed inflation headwinds may force SNB to keep CHF stronger again.

Exhibit 14: G10 3mth carry/vol versus USD
Carry could become a headwind for CHF in 2024



Source: BofA Global Research, Bloomberg.

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Table 27: CHF forecasts
Our 2024 year-end EUR-CHF forecast is 0.97

	Q1 24	Q2 24	Q3 24	Q4 24
EUR-CHF	0.96	0.96	0.97	0.97
USD-CHF	0.90	0.87	0.84	0.84

Source: BofA Global Research estimates

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Table 28: Major macro forecasts
Growth outlook likely similar in 2024

	2023F	2024F	2025F
Real GDP (% yoy)	0.9	1.1	1.2
CPI (% yoy)	2.2	1.5	1.1
Policy Rate (end of period)	1.75	1.25	0.50

Source: Bloomberg and BofA Global Research estimates

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NOK: remain constructive for 2024

Michalis Rousakis
MLI (UK)

Themes: more cautious near term but retain a bullish NOK bias

We remain constructive on NOK for 2024 but, after its strong rally in late 2023 and given the long positioning, we view *near-term* risks as tilted to the downside. NOK staged a remarkable rally in the last weeks of 2023, with many of the factors we had highlighted (more recently in FX Watch 15 Dec 23) contributing to its strength, some by more or faster than we expected: 1) Risk sentiment was supported after the Fed embraced the markets' "soft landing" narrative. 2) Norges was hawkish in December, mainly motivated by the weak until then NOK (see Norges Bank December review). Meanwhile, despite the ECB remaining cautious vs. markets, the Euro area data remained weak. 3) Norges Bank's NOK sales moved meaningfully lower, with the 2022 petroleum tax revenue in the rear-view mirror.

Looking ahead, we turn more cautious on NOK in the near term. This is because markets price more/faster Fed rate cuts vs our base case (see US Economic Viewpoint: Sticking the landing 18 Dec 23) and a *relative* Norges stance that is closer to our expectations (for details please see Nordics YA 24 8 Dec 23), while NOK positioning remains long. But we retain a bullish NOK bias, counting on a softer USD by year-end—we forecast EURUSD at 1.15—and higher oil prices—we expect Brent to average 90$/bbl in 2024. Regarding Norges Bank, our key takeaway from its December meeting is that, as long as the Norwegian data remains relatively strong and underlying inflation ("CPI-ATE") well above target, meaningful NOK weakness is unlikely to leave Norges Bank—which expects CPI-ATE above 4% y/y through 2024 and above 3% through 2025—indifferent. After all, our economists see symmetric risks to our call for two Norges cuts this year.

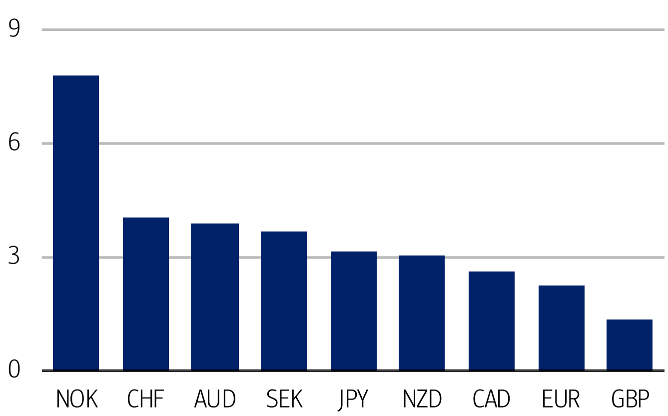
Forecasts: no changes

We still forecast EURNOK at 10.90, USDNOK at 9.48, and NOKSEK at 1.02 by end-2024.

Risks: Fed, risk sentiment, energy supply, China

We think main risks to our year-end forecasts are global. We assume a "soft US landing" and higher oil prices. Sticky US inflation & a more hawkish Fed, or slower global growth and lower oil prices pose downside risks to our NOK forecasts. Oil supply & geopolitics are also key—NOK could do well in the crosses in case of positive energy price shocks.

Exhibit 15: G10 FX vs USD 12-29 Dec 2023, percent
NOK staged a strong rally in late Q4 amid a dovish Fed and a hawkish Norges



Source: Norges Bank, MPR 4/22

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Table 29: NOK forecasts
Year-end EUR-NOK forecast of 10.90 in 2024

	Q1 24	Q2 24	Q3 24	Q4 24
EUR-NOK	11.60	11.30	11.00	10.90
USD-NOK	10.84	10.27	9.57	9.48

Source: BofA Global Research estimates

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Table 30: Major macro forecasts
Norway recovery continuing into 2024

	2023F	2024F	2025F
Real GDP (% yoy)	1.1	0.4	1.2
CPI (% yoy)	5.3	3.7	2.8
Policy Rate (end of period)	4.50	4.00	2.75

Source: Bloomberg and BofA Global Research estimates.

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SEK: cautious in Q1, constructive later

Michalis Rousakis
MLI (UK)

Themes: Swedish tail risks lower as Riksbank hawkishness eases

After a truly remarkable Q4 we think markets have run a little ahead of themselves on SEK. We are cautious on SEK in Q1 but more constructive afterwards.

In Q4 SEK performed very well, initially on the back of the hawkish Riksbank and afterwards on the back of the dovish Fed.

Looking ahead, we expect a choppy path. In our base case, SEK ends the year stronger vs. G4 FX. We assume (1) a softer USD (we forecast EURUSD at 1.15 by year-end), counting on a "soft US landing" and positive global risk sentiment as the Fed eases its stance; (2) reduced Swedish "hard landing" risks as the Riksbank also eases its stance. To us, the downside CPI misses in Sweden remains a long-term positive.

But, near term, we expect EURSEK to move higher. First, we think markets have run a little ahead of themselves on the Fed (see US Economic Viewpoint 18 Dec 23) and USD.

Second, there is some room left for markets to reprice the Riksbank lower vs. the ECB—we think this is bearish SEK initially, but bullish later on by reducing hard-landing risks. Our economists' growth and inflation forecasts for Sweden vs. Eurozone are more bearish than consensus. Even before the downside miss in the November inflation print and the last leg of the Q4 SEK rally, our expectation was for Swedish CPIF ex energy to fall below 2% y/y in July (see Nordics YA 24 8 Dec 23). While Sweden's higher rate sensitivity in isolation suggests fewer cuts (to achieve the same outcome), we would at least expect a balanced Riksbank tone on SEK later in Q1. An end to the Riksbank's FX hedging operation would also add—at the margin—to our near-term caution on SEK.

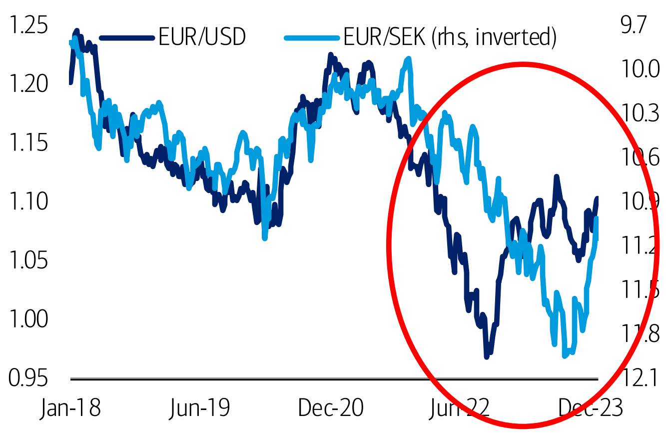
Forecasts: no changes

We still forecast EURSEK at 11.10, USDSEK at 9.65, and NOKSEK at 1.02 by end-2024.

Risks: Fed/risk sentiment, Swedish property markets

Lower hard landing risks in Sweden suggest upside risks to our SEK forecasts. But of course a lot depends on whether we indeed get a soft US landing as we and markets expect: sticky US inflation and/or other US "landing" outcomes would likely come alongside a stronger USD.

Exhibit 16: EURUSD vs EURSEK
EURSEK largely realigned with EURUSD in Q4



Source: BofA Global Research, Bloomberg

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Table 31: SEK forecasts
Our EUR-SEK forecast at end-2024 is 11.10

	Q1 24	Q2 24	Q3 24	Q4 24
EUR-SEK	11.70	11.40	11.20	11.10
USD-SEK	10.93	10.36	9.74	9.65

Source: BofA Global Research estimates

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Table 32: Major macro forecasts
The Riksbank is very serious about inflation

	2023F	2024F	2025F
Real GDP (% yoy)	-0.3	-0.4	1.1
CPI (% yoy)	8.5	2.5	1.6
Policy Rate (end of period)	4.00	3.25	2.00

Source: Bloomberg and BofA Global Research estimates

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Appendix

Yield forecasts

Exhibit 17: Government Bond Yield and Swap Rate Forecasts

Developed Markets

		24-Mar	24-Jun	24-Sep	24-Dec	25-Dec
Bond yields						
US	O/N SOFR	5.56	5.31	5.09	4.86	3.9
	2y	4.75	4.5	4.25	4	3.75
	5y	4.5	4.4	4.25	4.15	4
	10y	4.4	4.3	4.25	4.25	4.25
	30y	4.7	4.65	4.65	4.75	4.75
Germany	3m Euribor	4.05	3.9	3.7	3.25	2.3
	2y	2.7	2.45	2.2	1.9	1.7
	5y	2.35	2.2	2.05	1.85	1.9
	10y	2.45	2.35	2.25	2.1	2.25
	30y	2.6	2.55	2.5	2.4	2.75
Japan	3m TORF	0.05	0.05	0.05	0.28	0.53
	2yr	0.2	0.2	0.2	0.4	0.65
	5yr	0.45	0.45	0.45	0.6	0.8
	10yr	1.1	1.15	1.2	1.3	1.35
	30yr	1.9	1.95	2	2.05	2.15
UK	Bank Rate	5.25	5.25	5.25	5.25	4.25
	2yr	4.75	4.75	4.75	4.75	4.25
	5yr	4.5	4.5	4.5	4.5	4.5
	10yr	4.5	4.5	4.5	4.5	4.5
	30yr	4.5	4.5	4.5	4.5	4.5
Canada	2yr	4.2	3.75	3.25	3	3
	5yr	3.75	3.7	3.65	3.6	3.4
	10yr	3.7	3.65	3.65	3.6	3.6
Australia	3m BBSW	4.4	4.25	4	3.75	3
	2y	4	3.75	3.5	3.25	3
	5y	4.1	3.9	3.75	3.5	3.25
	10y	4.4	4.2	4	3.9	3.75
Swap rates		24-Mar	24-Jun	24-Sep	24-Dec	25-Dec
US	2y	4.95	4.27	4	3.73	3.48
	5y	4.17	4.05	3.88	3.76	3.61
	10y	4	3.88	3.81	3.81	3.81
Euribor	2y	3.3	3.05	2.75	2.4	2
	5y	2.9	2.7	2.5	2.25	2.15
	10y	2.95	2.8	2.65	2.45	2.45
Japan	2y	0.35	0.35	0.35	0.5	0.7
	5y	0.65	0.65	0.65	0.75	0.9
	10y	1.2	1.2	1.25	1.35	1.4
UK	2y	4.75	4.75	4.5	4.5	4
	5y	4.25	4.25	4.25	4.25	4.25
	10y	4.25	4.25	4.25	4.25	4.25
Canada	2y	4.6	4.15	3.65	3.4	3.4
	5y	4.1	4.05	4	4	3.75
	10y	4.1	4.05	4.05	4	4
Australia	3y	4.15	4	3.7	3.4	3.1
	10y	4.65	4.5	4.25	4.15	3.95

Source: BofA Global Research

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Global FX forecasts

Exhibit 18: G10 FX Forecasts
Our end-2024 EUR-USD forecast is 1.15

	Spot	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
G3									
EUR-USD	1.10	1.07	1.10	1.15	1.15	1.16	1.17	1.18	1.20
USD-JPY	142	145	143	142	142	140	138	136	136
EUR-JPY	155	155	157	163	163	162	161	160	163
Dollar Bloc									
USD-CAD	1.33	1.35	1.34	1.32	1.30	1.30	1.30	1.30	1.30
AUD-USD	0.68	0.66	0.68	0.71	0.71	0.71	0.71	0.71	0.71
NZD-USD	0.63	0.60	0.62	0.63	0.63	0.63	0.63	0.63	0.63
Europe									
EUR-GBP	0.87	0.87	0.87	0.88	0.88	0.87	0.87	0.86	0.86
GBP-USD	1.26	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	11.14	11.70	11.40	11.20	11.10	11.10	11.00	10.90	10.80
USD-SEK	10.17	10.93	10.36	9.74	9.65	9.57	9.40	9.24	9.00
EUR-NOK	11.28	11.60	11.30	11.00	10.90	10.90	10.80	10.70	10.60
USD-NOK	10.30	10.84	10.27	9.57	9.48	9.40	9.23	9.07	8.83

Forecast as of Jan-03-2024. Spot exchange rate as of Jan-03-2024. The left of the currency pair is the denominator of the exchange rate. **Source:** BofA Global Research

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Exhibit 19: EM FX Forecasts
Our end-2024 USD-CNY forecast is 6.90

	Spot	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Latin America									
USD-BRL	4.90	5.00	4.95	4.85	4.75	4.78	4.82	4.90	5.00
USD-MXN	17.03	17.80	17.90	18.30	18.50	18.70	18.90	19.10	19.50
USD-CLP	884	900	880	870	875	880	885	890	900
USD-COP	3,890	4,080	4,150	4,100	3,950	3,950	4,000	4,050	4,100
USD-ARS	811	1198	1573	1926	2,330	2,797	3,336	3,924	4,500
USD-PEN	3.71	3.78	3.77	3.76	3.75	3.76	3.78	3.79	3.80
Emerging Europe									
EUR-PLN	4.36	4.36	4.33	4.29	4.25	4.24	4.23	4.21	4.20
EUR-HUF	381	390	395	400	399	387	375	362	350
EUR-CZK	24.63	24.80	25.20	24.80	24.30	23.90	23.50	23.00	22.60
USD-ZAR	18.56	18.60	18.50	17.70	17.80	17.90	18.00	18.20	18.40
USD-TRY	29.74	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-EGP	30.89	40.00	44.00	45.00	46.00	47.00	48.40	49.00	50.00
USD-ILS	3.64	3.90	3.80	3.70	3.50	3.50	3.45	3.40	3.40
USD-AED	3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67	3.67
USD-KWD	0.31	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
USD-SAR	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
USD-QAR	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64	3.64
Asian Bloc									
USD-KRW	1,301	1,300	1,260	1,250	1,230	1,210	1,190	1,170	1,150
USD-TWD	30.82	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	34.27	35.50	35.50	35.00	34.00	33.50	33.00	32.50	32.00
USD-HKD	7.81	7.83	7.83	7.80	7.78	7.76	7.75	7.75	7.75
USD-CNY	7.14	7.55	7.40	7.10	6.90	6.90	6.80	6.80	6.70
USD-IDR	15470	15,400	15,400	15,300	15,200	15,200	15,100	15,100	15,000
USD-PHP	55.67	56.50	56.00	55.50	55.00	54.50	54.00	53.50	53.00
USD-MYR	4.61	4.70	4.60	4.60	4.50	4.40	4.30	4.20	4.10
USD-INR	83.32	83.00	82.50	82.00	82.00	81.50	81.00	81.00	81.00

Forecast as of Jan-03-2024. Spot exchange rate as of Jan-03-2024. The left of the currency pair is the denominator of the exchange rate. **Source:** BofA Global Research

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Global Commodity forecasts

Exhibit 20: BofA Global Research Commodity Price Forecasts
(period averages)

	units	1Q23F	2Q23F	3Q23F	4Q23F	2023F	1Q24F	2Q24F	3Q24F	4Q24F	2024F
WTI Crude Oil	($/bbl)	76	74	82	82	78	86	88	86	84	86
Brent Crude Oil	($/bbl)	82	78	86	86	83	90	92	90	88	90
US NY Harbor ULSD (HO) Cracks to Brent Crude Oil	($/bbl)	41	25	40	37	36	30	25	25	25	26
US RBOB Cracks to Brent Crude Oil	($/bbl)	23	31	29	7	22	11	21	14	7	13
NWE Low Sulphur Gasoil Cracks to Brent Crude Oil	($/bbl)	31	17	32	29	27	23	20	20	19	21
NWE Eurobob Cracks to Brent Crude Oil	($/bbl)	15	22	27	7	18	5	14	10	3	8
NWE 1% Residual Cracks to Brent Crude Oil	($/bbl)	-13	-8	-3	-7	-8	-6	-5	-5	-5	-5
NWE 0.5% Residual Cracks to Brent Crude Oil	($/bbl)	2	2	4	3	3	2	2	2	2	2
NWE 3.5% Residual Cracks to Brent Crude Oil	($/bbl)	-23	-11	-4	-14	-13	-13	-12	-12	-12	-12
US Natural Gas	($/MMBtu)	2.74	2.32	2.66	3.15	2.72	2.90	2.50	3.00	3.60	3.00
Thermal coal, Newcastle FOB	($/t)	253	160	147	145	176	148	148	151	153	150
Aluminium	$/t	2,401	2,260	2,160	2,250	2,268	2,250	2,500	2,750	2,750	2,563
Copper	$/t	8,941	8,461	8,367	8,000	8,442	8,000	8,500	8,750	9,250	8,625
Lead	$/t	2,137	2,118	2,171	2,200	2,156	2,000	2,000	2,000	2,000	2,000
Nickel	$/t	25,973	22,277	20,392	18,500	21,786	18,500	18,500	19,000	19,000	18,750
Zinc	$/t	3,132	2,527	2,435	2,500	2,648	2,500	2,500	2,250	2,250	2,375
Gold	$/oz	1892	1977	1927	1900	1924	1950	1950	2000	2000	1975
Silver	$/oz	23	24	24	23	23	23	23	24	24	23
Platinum	$/oz	995	1,027	932	950	976	1,000	1,000	1,100	1,100	750
Palladium	$/oz	1,568	1,445	1,254	1,250	1,379	900	800	700	600	750

Source: BofA Global Research estimates

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