

Global FX weekly

The rates sell-off

The View

The rates sell-off still supports the USD, but the landing scenario remains the big known unknown. Seasonality favors short ZAR, EM December rally too far.

A check in on consensus

The USD recent rally has brought bilateral FX rates at or near our year-end forecasts. Market consensus still calls for USD to depreciate, though individual currency positioning mixed. Compared to consensus, we see more USD upside this year, though expect greater downside starting in H2 2024.

Oil supply shock and FX

Supply oil shocks bullish USD, CAD, NOK vs EUR, SEK in G10; bullish BRL, IDR, COP vs PLN, HUF in EM. Persistently tight supply to remain bullish USD; focus on risk-off EM.

US-EZ decoupling

US demand stronger all along. Disinflation, but US will likely reach target later. We expect same path for cuts from Fed/ECB, starting June 2024, but see risks of faster ECB cuts. US de-coupling supports the USD for as long as it lasts.

Japan's policy challenge – defend JPY or JGB?

Defending JPY by raising yen rates costly with high US rates vol. Bank of Japan (BoJ) and Ministry of Finance (MoF) likely to try easing JGB weakness and USD/JPY strength by bond buying and FX intervention.

Long EUR/ZAR

We go long EURZAR at 20.15 (target: 21.15, stop: 19.6, carry: c. -0.4% pm). Global backdrop bad for EM => ZAR to weaken.

Vol Insights

Rise in cross-asset vols led to rise for 1m FX implied vol premiums. 1m USDCHF vol could still perform despite the broadly rich 1m implied premiums.

Technicals

On Monday October 2nd we recommend long EURZAR. Following a timely entry, we still see upside due to technicals, macro and strategy points.

06 October 2023

FX Research
Global

G10 FX Strategy

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Refer to important disclosures on page 21 to 23. Analyst Certification on page 20. 12608647

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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 continue to look for near-term USD upside despite finding it overvalued, with our year-end EUR/USD forecast remaining at 1.05. We see potential for further USD upside as "soft landing" coincides with US growth outperformance, while potential "hard landing" could also support USD should volatility re-emerge. Meaningful coordinated China stimulus is a downside USD risk. We expect a weaker and for longer JPY on carry and with Japan's net outward FDI refusing to shrink—we now expect USDJPY to peak at 155 in 1Q '24. We remain of the view the BoE won't help GBP much near term, but a "high for longer" BoE could help GBP vs EUR later—we see EURGBP at 0.85 through our forecast horizon. CHF may have overshoot but will likely stay below parity this year, supported by the hawkish SNB policies. On the "high beta" G10 FX, we continue to favor CAD, AUD and NOK over NZD and SEK.
EM	Q3 was a difficult month for EM with only COP rallying in spot terms. USD/CNY continues to be caught between the central bank's resolve to stabilize CNY and a widening yield gap in favor of USD strength. The outcome will depend on China data and fiscal stimulus showing improvement and this assumption underpins our year end forecast for USD/CNY 7.20. We enter short SGD/KRW as a low beta proxy for improving prospects in Korea relative to NE Asia peers and remain short TWD due to a wider yield differential and weaker tech cycle. EUR weakness is weighing on EMEA FX, which has seen the biggest falls over in 3Q and we recently entered into a long USD/HUF and long EUR/ZAR to hedge against USD strength. In LatAm we remain bullish BRL and look for better levels to add long positions.

Source: BofA Global Research

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Our key forecasts

Exhibit 2: Key BofA G10 and EM FX forecasts

Forecasts as of 28-Sep-2023

(EOP)	YE 2020	YE 2021	YE 2022	1Q23	2Q23	YE 2023	YE 2024
EUR/USD	1.22	1.14	1.07	1.08	1.09	1.05	1.15
USD/JPY	103	115	131	133	144	153	142
GBP/USD	1.37	1.35	1.21	1.23	1.27	1.24	1.35
AUD/USD	0.77	0.73	0.68	0.67	0.67	0.64	0.71
USD/CNY	6.53	6.36	6.90	6.87	7.25	7.20	6.70
USD/BRL	5.20	5.58	5.29	5.06	4.79	4.90	5.10
USD/INR	73.07	74.34	82.74	82.18	82.04	82.00	80.00
USD/ZAR	14.69	15.94	17.04	17.80	18.85	18.50	17.50

Source: BofA Global Research. Forecasts as of 28-Sep-2023.

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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	
EM	
<u>Long USD/HUF</u>	We go long USDHUF at 358.4 (target: 375, stop: 347, carry: circa -0.6% per month). The risk is a less dovish NBH and a weaker broader USD.
<u>Long USD/TWD</u>	We revised our 3Q23 USDTWD forecast to 31.9 and we recommend buying USDTWD 6m 25-delta call option
<u>Long EUR/ZAR</u>	We go long EURZAR at 20.15 (target: 21.15, stop: 19.6, carry: c. -0.4% pm). Global backdrop bad for EM => ZAR to weaken

For complete list of open trades, and those closed over the past 12 months, please see [here](#)

Calls at a glance

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Thematic calls

- **USD path to appreciation widens:** "Soft landing" coincides with US growth outperformance, while a "hard landing" scenario could provide cover for USD longs.
- **USD & US rates:** We have mostly been in a bad US rates rise regime (higher real rates vs. breakevens and higher term premium), linked with strong USD vs. most FX.
- **Growth-inflation trade-off and FX:** Soft landing better than hard landing for FX.
- **China stimulus:** We believe the period of more coordinated easing has just begun and policymakers will respond more actively in Sep-Oct.
- **Oil:** We raise our 4Q23 Brent forecast to \$96/bbl, keep our \$90 2024 call.
- **JPY:** USD/JPY to peak at 155 in 1Q24. No Fed rate cuts in '24 could bring it to 160-165. FDI refuses to shrink. Inflation may awaken households' portfolio rebalancing.
- **Quant: Can US growth exceptionalism persist?** History suggests persistent US growth outperformance is rather rare.
- **Mortgage structure matters for monetary policy:** FX implications go against high beta currencies, because of faster policy transmission through housing.

Central Bank calls

Exhibit 4: G10 Central Bank calls

RBA and RBNZ are meeting next week

Country	Next Meeting	BofA	Consensus	Prior	Narrative
US	1-Nov	5.63%	5.38%	5.38%	We continue to expect one final hike in November, but it is a dose call. We look for the first rate cut in June 2024, with QT to end at the same time but risks for a longer runoff period. Importantly, we look for quarterly 25bp reductions in the policy rate, for a total of 75bp of rate cuts in 2024 and 100bp of cuts in 2025.
Eurozone	26-Oct	4.00%	-	4.00%	We think the ECB is likely done and expect no rate cuts until June-24.
Japan	31-Oct	-0.10%	-0.10%	-0.10%	We remain comfortable with our recently-revised call that the BoJ will exit NIRP and remove YCC between Dec '23 – Apr '24, with our base case being Jan '24. The Sep meeting communications make a Dec move less likely.
UK	2-Nov	5.25%	-	5.25%	We expect the BoE to remain on hold and no rate cuts before 2025. We think risks skew to further hikes.
Canada	25-Oct	5.00%	5.00%	5.00%	Risks remain to the upside, particularly given the persistence of core inflation. There is one more inflation print ahead of the Oct BoC decision. If core keeps increasing the BoC could hike again in Oct but that is not our baseline.
Australia	7-Nov	4.10%	-	4.10%	With near-term upside risk to CPI on the back of higher energy prices and downside risks to growth (particularly in the consumer sector), we think the RBA will remain on hold for the remainder of the year.
New Zealand	29-Nov	5.50%	-	5.50%	The RBNZ has kept the official cash rate steady at 5.5% as widely expected. The balance of risks is mixed, with increased near-term upside risk for inflation due to higher oil prices versus slowing global and domestic economic conditions weighing on the decision to pause. We expect another pause in November.
Switzerland	14-Dec	1.75%	-	1.75%	The next rate move by the SNB will be a cut, in our view, but not before Sep-24, i.e. after the ECB, we think. In the meantime, CHF will remain the instrument of choice, with a bias towards gentle tightening.
Norway	2-Nov	4.25%	-	4.25%	We continue to look for a 4.50% terminal but now expect the final Norges hike in Dec. We expect two cuts in 2024.
Sweden	23-Nov	4.00%	-	4.00%	We expect the Riksbank to stay on hold amid a weakening growth outlook although SEK poses some upside risks. We look for 3 rate cuts in 2024. Overall, we somewhat downside risks to our Riksbank forecast profile/

Source: BofA Global Research, Bloomberg consensus forecasts as of 5-Oct-2023.



The view

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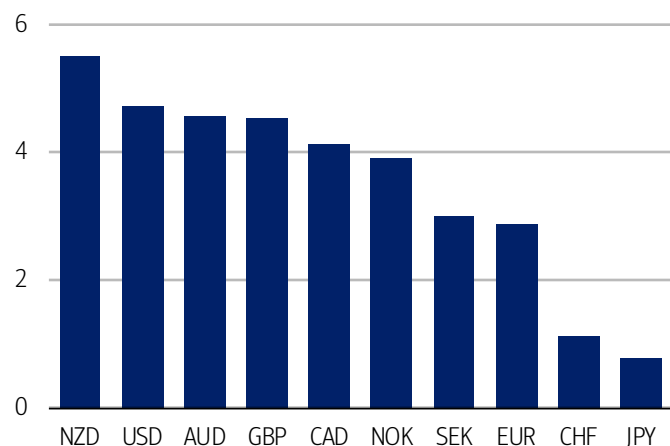
Landing scenario still the big known unknown

The rates sell-off continued earlier this week before a breather towards the end. Strong US job openings gave it the initial push, but weak automatic data processing (ADP) employment acted as a break. The USD moved in parallel. EURUSD broke below 1.05 earlier in the week, recovering to above 1.05 later. USDJPY crossed above 150, but intervention rumors pushed it down to 148. US ISM services came out solid, suggesting the US economy is still resilient. A lot will depend on today's nonfarm payrolls (NFP), but we expect a number very close to the August print. Despite the good US data, equities are down on the back of the market adjusting to the high-rates-for-longer reality.

This is still an environment that is positive for the USD. The USD benefits both from higher yields and from risk-off. In G10, yields are the most supportive for NZD, USD and AUD, and the least supportive for JPY, CHF and EUR (Exhibit 5). However, the USD gets an additional boost from risk-off. Looking at real policy rates still points towards USD strength. Adjusting for the latest core inflation rate, monetary policy seems to be the tightest in Canada, the US and New Zealand, and the loosest in Japan, Sweden and Norway (Exhibit 6).

Exhibit 5: G10 10-year yields

Yields have increased sharply in most of G10

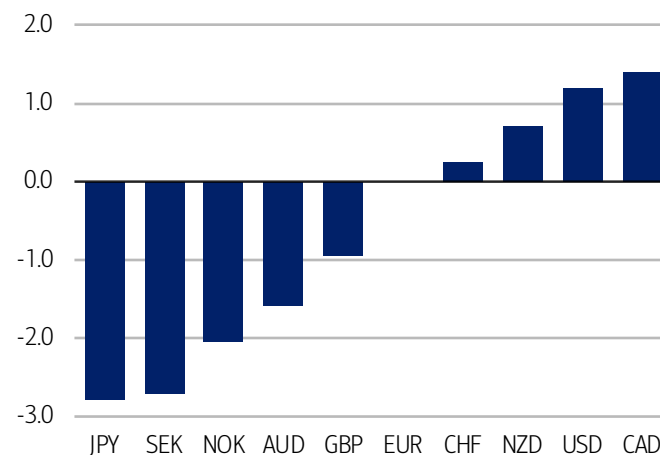


Source: Bloomberg, BofA Global Research

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Exhibit 6: G10 real policy rates

Monetary policy stance mixed in G10



Source: Bloomberg, BofA Global Research. Note: Policy rate deflated by latest core inflation rate.

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The market believes central banks are mostly done hiking. Following the low inflation print in the Eurozone last week, the market is pricing almost nothing for the European Central Bank (ECB) for the rest of this year. For the Fed, the market is only pricing 9bp by year-end. For the Bank of England (BoE), the market is split, pricing a 50% chance for one last hike. Fed speakers have given mixed messages in the last couple of weeks about another hike, which suggests to us it is data-dependent.

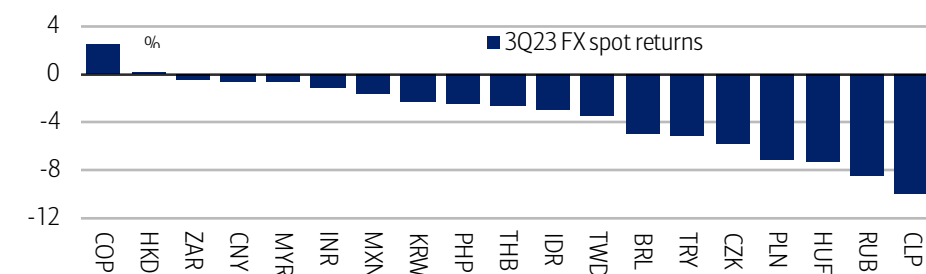
What the market is pricing for next year seems reasonable to us as a weighted average of likely scenarios. The market expects three Fed cuts, starting in June, vs. two cuts in the Fed's DOTS. If the US economy continues performing so well, the Fed may not cut rates at all, as inflation will also be sticky. In case of a hard landing, the Fed may cut even earlier and faster. And in case of stagflation, the Fed may not cut at all, or may blink and still cut. All year we have been arguing that the market was pricing Fed cuts too early, but we now feel more comfortable with market pricing. The landing scenario remains the big known unknown.

EM FX – Q3 Performance review vs 4Q seasonality

Q3 was a challenging month for EM currencies and fixed income. Exhibit 7 shows the spectrum of individual EM FX performance against the USD in spot terms; the biggest losers were CLP (-10%), followed by RUB (-8.4%) and HUF (-7.2%). EMEA FX struggled with the stagflationary performance of the broader European economy. In Latam, the COP's exceptional outperformance was driven by its high FX implied yields (3M reaching as high at 17%) and commodity exports. In Asia FX, the notable performance of the CNY's meagre 60bps loss, despite widespread pessimism, demonstrates China's central bank defense of the CNY that resulted in a 2% trade-weighted appreciation in Q3.

Exhibit 7: EM FX spot returns showed significant Q3 declines

Only the COP managed to appreciate in spot terms



Source: BofA Global Research, Bloomberg

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EM FX seasonality – October can be cruel too, December a rally too late

Given the difficult 3Q and amplified EM FX volatility in early October, we examine if Q4 seasonality could offer any respite. Exhibit 6 shows the average monthly EM FX returns and number of months for the past 20-years that individual EM FX currencies rallied.

The results show modest support for EM comes only in December, CNY has some consistent support, but perhaps not enough to offset the negative carry. ZAR, PLN and KRW suggest a tendency for a late December year-end rally. ZAR shows the biggest seasonal weakness in October, supporting our [long EURZAR recommendation](#).

Exhibit 8: Average of month % change (20yr average) and % of times EM FX appreciates in the month from 2003-2023 (Using average of month values)

Average spot returns are still negative in October & November, December offers a late rally

	Oct	Nov	Dec	Oct	Nov	Dec
USDCNY	0.04%	0.21%	0.17%	80.0%	70.0%	65.0%
USDINR	-0.01%	-0.51%	0.03%	60.0%	40.0%	55.0%
USDIDR	-0.13%	-0.98%	-0.25%	50.0%	45.0%	40.0%
USDKRW	-0.52%	0.40%	0.47%	45.0%	60.0%	50.0%
USDMYR	-0.09%	-0.29%	0.16%	35.0%	35.0%	55.0%
USDPHP	0.18%	0.26%	0.56%	60.0%	60.0%	60.0%
USDSGD	0.13%	0.08%	0.27%	55.0%	60.0%	60.0%
USDTHB	0.18%	0.39%	0.32%	60.0%	50.0%	65.0%
USDTHB	-0.06%	0.33%	0.28%	50.0%	60.0%	65.0%
USDBRL	-0.30%	-0.89%	-0.88%	60.0%	30.0%	30.0%
USDMXN	-0.99%	-0.67%	-0.37%	60.0%	40.0%	50.0%
USDCLP	-0.77%	-0.03%	0.60%	55.0%	50.0%	65.0%
USDCOP	-0.73%	-1.42%	0.02%	35.0%	30.0%	60.0%
USDZAR	-1.33%	0.13%	0.99%	50.0%	40.0%	65.0%
USDPLN	-0.40%	-0.56%	0.79%	45.0%	40.0%	65.0%
USDHUF	-0.47%	-0.81%	0.49%	55.0%	25.0%	65.0%
USDCZK	-0.24%	-0.51%	0.67%	30.0%	45.0%	65.0%
Average	-0.32%	-0.29%	0.25%			

Source: BofA Global Research, Bloomberg

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FX: A check in on consensus

Alex Cohen

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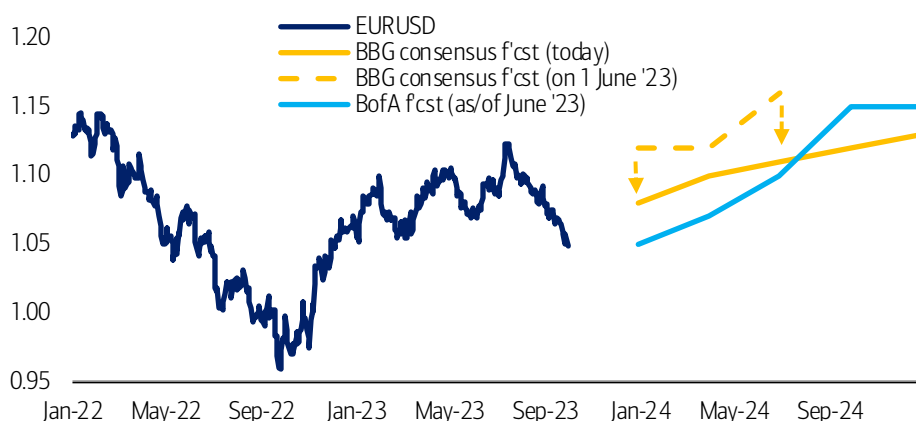
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Link to the full report: [Liquid Insight: FX: A check in on consensus 04 October 2023](#)

- The dollar's recent rally has brought bi-lateral FX rates at or near our year-end forecasts
- Market consensus still calls for the USD to depreciate from current levels, though individual currency positioning more mixed
- Compared to consensus, we see more USD upside this year, though expect greater downside starting in H2 2024

Exhibit 9: BofA EUR/USD forecast as of June '23 (last material change) & BBG consensus (June '23 & today)

Our EUR/USD forecasts below consensus until Q3 2024



Source: Bloomberg; BofA Global Research

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USD moves to our year-end forecasts

The dollar's recent rally has brought it to levels at or near our year-end 2024 G10 forecasts. As the themes that have driven the USD higher continue to persist, we see near-term upside USD risks. We take this opportunity to check-in on market consensus, where median forecasts continue to reflect broader USD bearishness this year, amid mixed G10 positioning. While our forecasts are more constructive on the USD for 2023, we see greater scope for depreciation starting in H2 2024 as the economy works through the global inflation/central bank cycle, allowing the longer-term valuation adjustment to play out.

Oil supply shock and FX

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Link to the full report: [Liquid Insight: Oil supply shock and FX 03 October 2023](#)

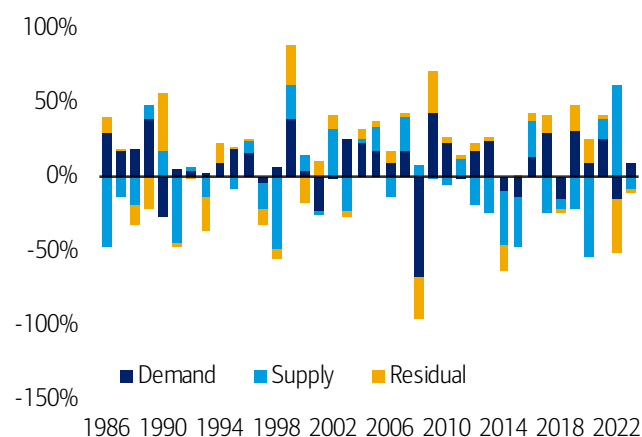
Decomposing crude oil dynamics to supply and demand

The FX market is attentive to the supply-driven surge of crude oil price over the past three months. In this note, we examine the relationship between a wide range of currencies across both G10 and EM respectively with crude oil demand and supply factors and discuss implications of the recent oil supply cut on FX.

Research at the Federal Reserve have decomposed weekly Brent price returns into demand, supply, and residual factors by examining the relationship between crude oil and many financial variables such as global equity markets and non-commercial futures positions (Groen, McNeil, and Middelorp (2013)). The data started since 1986 and we have previously leveraged this research in some of our own G10 FX publications (see [FX Viewpoint: 07 September 2023](#)).

Exhibit 10: Crude oil price is affected by both demand and supply factors

Breakdown of crude oil dynamic into demand and supply factors since 1986

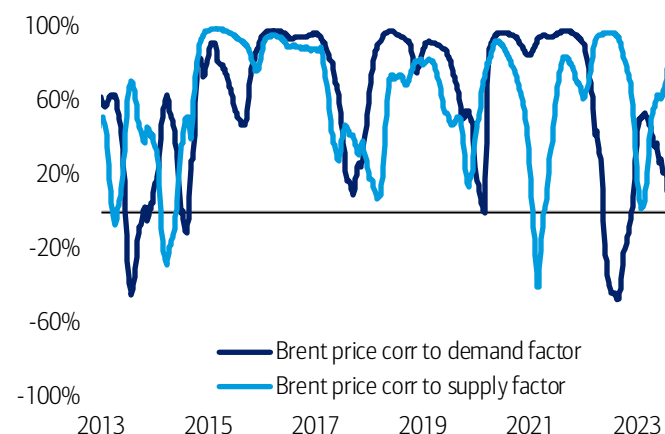


Source: BofA Global Research, Federal Reserve Bank of New York

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Exhibit 11: Crude oil's correlation vs supply factor has sharply risen post-pandemic, while correlation vs demand factor has weakened

6m rolling correlation between weekly Brent returns vs weekly change of demand and supply factors



Source: BofA Global Research, Federal Reserve Bank of New York

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The oil factors are constructed to distinguish and identify supply and demand shocks. In particular, if Brent price rises amid a pick-up of the supply factor like in 2022, it means the price rally was driven by a supply constraint shock. On the other hand, if Brent price falls amid a decline of demand factor like in 2008, it means the price rout was driven by collapsing global oil demand. Exhibit 117 shows oil price's correlation with the supply factor has sharply risen since 2021, while its correlation with the demand factor has collapsed in 2022 and still remains near zero. This would suggest supply factor has been more of a driver for oil price fluctuations over the past two years. This has not always been the case, as from 2016 to 2021, oil price has had higher correlation with demand factor than supply factor.

Crude oil dynamic for FX market

Exhibit 128 illustrates the correlation between weekly changes of a currency's TWI (trade-weight-index) respectively with the weekly changes of Brent price, demand factor, and supply factor since 2021. The first column shows a pick-up in oil price as a first-order effect has been most bullish for NOK and bearish for USD in G10. In EM, rising oil price has been bullish BRL and MXN, bearish TWD, PLN, and HUF over the past two



years. However, breaking down the correlation to demand and supply shocks shows diverging effects on FX.

Exhibit 12: Crude oil rallies can have diverging effects on currency TWIs depending on whether it is demand factor-driven or supply factor-driven

Correlation between weekly change in crude oil dynamics vs weekly change in TWI for major currencies since 2021

		TWI FX index correlation vs:		
		Price Brent	Demand	Supply
G10	USD	-23%	-52%	24%
	EUR	-3%	10%	-18%
	JPY	4%	-7%	-6%
	GBP	19%	35%	8%
	CAD	34%	42%	15%
	AUD	28%	46%	1%
	NZD	18%	37%	-6%
	CHF	8%	5%	-6%
	NOK	54%	53%	24%
LatAm	SEK	4%	40%	-22%
	MXN	22%	40%	-8%
	BRL	24%	10%	16%
	COP	18%	20%	8%
Asia	CLP	19%	18%	1%
	CNY	5%	-24%	16%
	INR	-8%	-10%	3%
	TWD	-19%	2%	-10%
	KRW	7%	35%	-18%
	THB	11%	16%	-2%
	IDR	5%	4%	11%
EEMEA	MYR	-2%	-1%	7%
	ZAR	17%	32%	2%
	PLN	-12%	15%	-21%
	HUF	-15%	2%	-22%
	TRY	9%	9%	4%
	ILS	3%	22%	-10%

Source: BofA Global Research, Federal Reserve Bank of New York

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The effect of oil supply constraint shock on FX

An oil price rally stemming from a supply contraction often fosters risk-off, while an oil price rally from demand expansion is more likely to support risk-on amid improving growth prospects. If an oil price rally has occurred due to supply constraint shock like now, or for most of 2022, it has in fact been more bullish than bearish for the USD over the past two years. Global supply constraint benefitted the USD as the US is now a net-oil producer and has increased Strategic Petroleum Reserve (SPR) release over the past two years. The correlations are still positive for CAD and NOK, but in our view, investors are likely better off expressing bullish views for these commodity-exporting G10 currencies against EUR and SEK, which have negative terms of trade correlations with the oil price. EUR/CAD has depreciated by more than 3% in September.

In the EM space, oil price rallies as a result of supply shock have been bullish on a trade-weighted basis for CNY, BRL, IDR, COP and bearish for PLN and HUF. The effect on BRL, IDR, PLN, and HUF can be explained via the terms of trade channel, while CNY may be seen as a regional risk-off currency amid global oil supply shock. The CFETS (China Foreign Exchange Trade System) index has remained resilient over the past two months, despite falling terms of trades on higher oil price for China and the CNY weakening vs the USD.

What is different between the US and the Euro area?

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Link to the full report: [Global Economic Viewpoint: What is different between the US and the Euro area? 04 October 2023](#)

Different shocks, different fundamentals

Some seem puzzled by the relative weakness of the Euro area compared to the US and, at the same time, the relative stickiness of inflation there. But the types of shock both regions have faced since the beginning of the pandemic and the varying policy responses to them go a long way in explaining the differences today. The US is all about too much demand. Meanwhile, demand was never strong in the Euro area. Inflation is, hence, a different animal in each region. But disinflation is already happening everywhere and the Euro area is catching up fast with the US. Given the policy responses, we expect Euro area inflation to return to target in late 2024 and undershoot by 2025. In the US, we think inflation will remain above target through end-2025.

Back to the future: three key themes

First, policy is in very restrictive territory in the Euro area, but this is less clear in the US, given its recent outperformance. Hence, if we were to see higher neutral rates than before, this would be more likely in the US. Second, there is still a chronic insufficiency of aggregate demand in the Euro area. With monetary policy too tight in the foreseeable future and risks that fiscal policy also moves this way, we could eventually end up returning to the low inflation equilibrium. This is much less likely in the US. Third, we have the same path for rate cuts in both regions in 2024 and 2025, with one cut per quarter, starting in June 2024. But, given our expectations of an inflation target undershoot in the Euro area in 2025, we could end up seeing much faster cuts there than in the US.

FX: US-EZ decoupling supports the USD for now

The better growth-inflation US trade-off compared with that of the Eurozone, as well as the rest of the world, explains to a large extent the weaker EURUSD since July. Historically, such US decoupling does not last for long, but we would expect it to continue supporting the USD in the meantime. Some negative shocks that affect the Eurozone could prove to be persistent or even permanent, which in turn could lead to a lower long-term EURUSD equilibrium. Fiscal policy considerations also matter for both the growth paths and the FX implications looking forward.

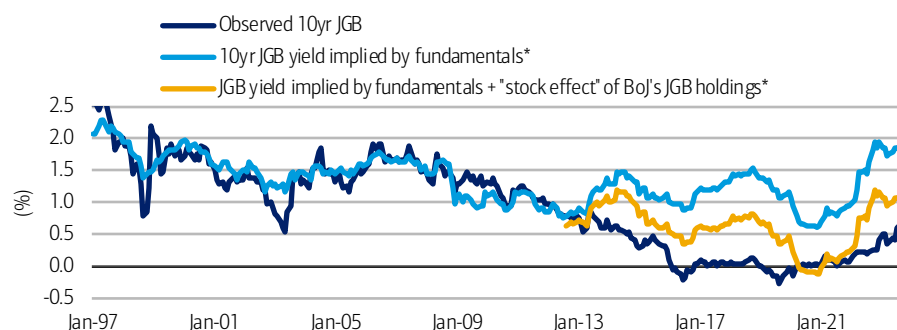
Japan's policy challenge – defend JPY or JGB?

Link to the full report: [Liquid Insight: Japan's policy challenge – defend JPY or JGB? 05 October 2023](#)

- Defending JPY by raising yen rates costly with high US rates vol.
- BoJ and MoF likely to try easing JGB weakness and USD/JPY strength by bond buying ope. and FX intervention.
- Risk of FX intervention to rise if USD/JPY rallies to 151 after NFP, but we remain bearish on JGB and JPY vs USD.

Exhibit 13: 10yr JGB yield consistent with fundamentals + stock effect of BoJ's JGB holdings

Fundamentals imply the 10yr JGB yield around 2% but the stock effect may be significant



Source: BofA Global Research, BoJ, Bloomberg; For the methodology, see: [BoJ could act if 10yr JGB yield hits 75bp 09 August 2023](#)

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MoF intervention or BoJ policy change?

In June, we argued that Japan would respond to yen weakness by the Bank of Japan (BoJ)'s policy tweak (see: [Yen weakness in '22 = headache for MoF; Yen weakness in '23 = tailwind for BoJ 07 June 2023](#)). As the BoJ had tweaked YCC in the Jul MPM, we argued that the MoF would manage FX volatility until the BoJ's Oct MPM (see: Japanese policymakers' "ideal" USD/JPY scenario 22 August 2023). Now, the risk of the MoF's FX intervention relative to the BoJ's policy tweak has risen further, due to elevated volatility in US rates.

We argue that an attempt to support JPY by raising yen rates, especially the 10yr rate as a front-end hike appears premature, could be costly as it may require QT, risks destabilizing the JGB and global bond markets, and could face political resistance for its implications for public debt sustainability. Until US rates volatility subsides, Japan's policymakers would have to mitigate yen and JGB weakness by utilizing FX intervention and additional bond purchases, which may send a mixed signal to the market. Short JGB and JPY vs USD continues to be the trade for Japan for the rest of 2023, in our view (see: [Short JGB, not USD/JPY 12 September 2023](#)).

More pain for EM: long EURZAR

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Full Report: [EM Alpha: More pain for EM: long EURZAR 02 October 2023](#)

The rand is the next shoe to drop

We go long EURZAR at 20.15 (target: 21.15, stop: 19.60, carry: circa -0.4% per month).
The risk is significant fiscal stimulus in China that will drive the rand stronger.

The rand has been broadly stable recently supported by valuations, a hawkish central bank, low positioning, and the resolution of loadshedding. However, we expect EM credit risk premiums to widen, which should lead to ZAR underperformance against the EUR. The entry point for the trade looks more attractive than for USDZAR.

Bigger picture – it will only get worse for EM FX and ZAR

EM FX is pricing a narrow soft-landing path, in our view. However, a combination of high and rising oil prices, a higher-for-longer rates narrative and fiscal risks in EM are likely to weaken EM currencies further.

Higher oil prices and a higher-for-longer rates narrative have been associated with a stronger USD since COVID, as the US is a net oil exporter (Exhibit 141). The recent increase in oil prices is driven by a supply cut, contributing to a risk off and, hence, a stronger USD. US growth outperformance also continues to contribute to an appreciating USD.

The rand is closely correlated with the broader dollar and EM FX; hence the stronger dollar should continue to weaken the ZAR, in our view.

EURZAR uptrend supported, consolidation near end

Uptrend supported by rising 200d SMA and trend line at 19.85 / 19.65. A possible wave 3 (of 5) higher starting soon, which is bullish. This implies a retest of YTD highs or new highs. MACD turning up to confirm price support holds and rally coming. Below 19.36 invalidates wave count. Ideally trend line holds as support (19.65). – P. Ciana

Hawkish SARB is in the price, implies limited support for ZAR

Our baseline forecast is for an unchanged policy rate in South Africa in the next 3 months, while we acknowledge the possibility of a 25bps hike at the November meeting given a hawkish vote split at the previous meeting as well as rising oil prices. The market is pricing in slightly more than 25bps for November and almost 40bps of hikes in the next 6 months. As a result, hawkish SARB is in the price.

Prefer EUR to USD to diversify + better entry point

We prefer to express our bearish view on the rand against the EUR in order to diversify our longs away from the dollar and because the entry point looks attractive for EURZAR. If our bigger picture views are right, the rand should significantly underperform the euro.

Exhibit 14: Broader dollar has become positively correlated with oil prices after COVID

US is a net oil exporter + supply drives an oil price increase

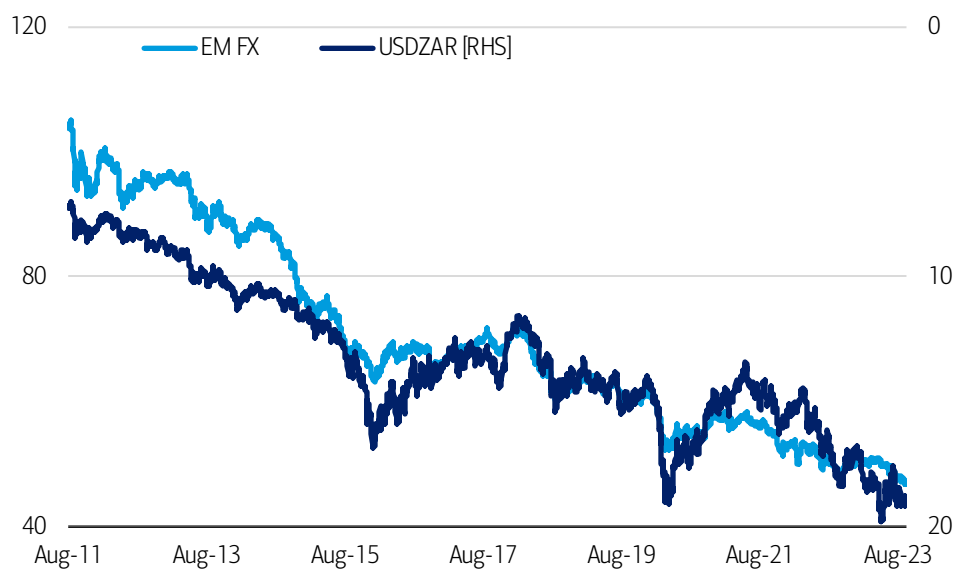


Source: Bloomberg, BofA Global Research

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Exhibit 15: USDZAR is strongly correlated with EM FX

Weaker EM FX => weaker ZAR



Source: Bloomberg, BofA Global Research

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Vol Insights

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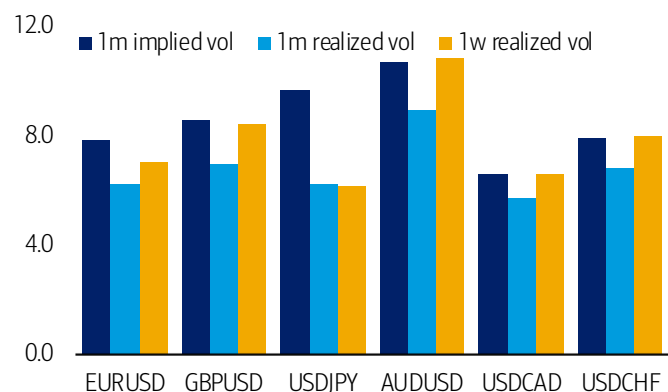
- Cross-asset vol moves drove 1m FX implied vols above 1m and 1w realized vols.
- 1m USDCHF vol could still perform despite the rich implied vol premium.

Short-dated FX implied vol premiums have picked up

Into October, equity and rates vols both sharply increased. The VIX index briefly rose to above 20, and the MOVE index is now at a 4-months high. Cross-asset vol spikes drove short-dated FX implied vols broadly higher, in our view. While FX realized vols have also increased over the past week, FX options market is now pricing higher 1m implied vols that covers the next month than both 1-month and 1-week realized vols broadly for major USD/G10 pairs (Exhibit 16).

Exhibit 16: Options market is now pricing higher 1m implied vol over both 1m and 1w realized vols in G10

Short-dated implied and realized volatilities for liquid USD/G10 pairs

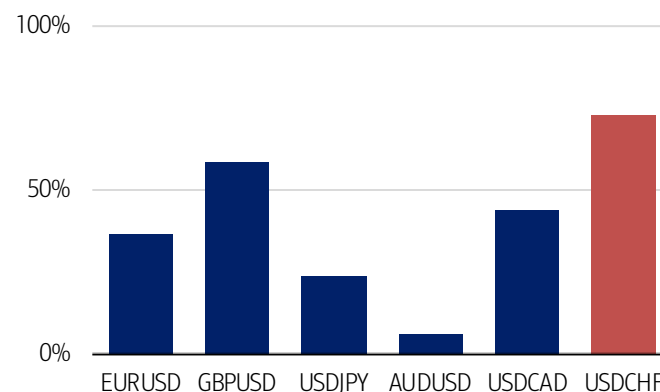


Source: BofA Global Research, Bloomberg

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Exhibit 17: At current level of 1m implied vol premiums, ex-post realized vols only performed selectively: more bullish 1m USD/CHF vol vs other pairs

Hit ratios of subsequent ex-post realized vol performance over implied vol when the 1m implied - realized vol spread was above current level since 2021



Source: BofA Global Research, Bloomberg

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1m USDCHF realized vol could still perform at current level of implied premium

Given the myriad of risk-off events on the horizon such as renewed risk for US government shutdown starting in November and the expanded labor strike, we would advocate investors to not fade the current implied premium but own FX vols more selectively in currency pairs like USDCHF ([FX Viewpoint: USD Outlook: 27 September 2023](#)).

Currently, 1m implied vol premium over 1m realized vol averages around 1.7pp across major USD/G10 pairs. Since 2021, subsequent 1m realized vols have performed more selectively (Exhibit 17) across different currency pairs given the already-rich implied premium. Subsequent 1m ex-post realized vol had performed the most poorly for AUDUSD, only 6% of the time above the prevailing 1m implied vol. GBPUSD and USDCHF have been the currency pairs where 1m ex-post realized vols were above 1m implied vols by more than 50% of the time. The risk to the view would be an ease in cross-asset vols leading to subdued FX vol for the next month.



Technical Strategy

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Technical Strategist

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- We went long EURZAR on October 2nd at 20.15. ([EM Alpha: More pain for EM](#)).
- Uptrend supported by rising 200d SMA and trend line at 19.85 / 19.65. Possible wave 3 of (5) higher starting soon, which is bullish. MACD turning up to confirm price support holds and a rally coming.
- This setup implies a retest of YTD highs or new highs. Below 19.36 invalidates wave count. Ideally trend line holds as support (19.65).

EURZAR supported, ending consolidation phase to rally

Trend line and 200d SMA supporting spot. Wave 3 of (5) higher may follow.

Exhibit 18: EURZAR – Daily chart

Uptrend still supported by rising 200d SMA and trend line at 19.85 / 19.65. Possible wave 3 of (5) higher starting soon, which is bullish. This implies a retest of or new highs. MACD turning sideways to up to confirm price support holds and rally coming. Below 19.36 invalidates wave count. Ideally trend line holds as support (19.65).



Source: BofA Global Research, Bloomberg

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Trade Recommendations G10

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Exhibit 19: Open trades G10

Current G10 FX trade recommendations. Prices as of 28-Sep-2023.

Trade Description	Open Date	Entry Price	Expiry Date	Current Price	Rationale	Risks
Buy 1v 25-delta AUD/USD risk reversal (call strike 0.7391, put strike 0.6049)	17-Nov-22	Zero cost (spot ref: 0.6693, vol refs: 12.253 and 14.892)	17-Nov-23	0.6390	AUD stands to benefit from broad-based USD sell-off and China reopening in 2023	Prolonged systemic shock to the US equity market in 2023

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Source: BofA Global Research



Exhibit 20: G10 Closed trades

Recently closed trades in G10 FX. Note: Zero-cost options trade recommendations expiring worthless are also marked in green.

Trade Description	Entry date	Entry Level	Target	Stop	Close date	Level closed
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 USD/JPY 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 and 13.307)			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
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
Buy 3m/6m 25D USD/JPY put calendar spread (short 3m 25D OTM USD/JPY put, long 6m USD/JPY put; strike 132.70)	17/11/22	1.0185% USD (spot ref: 140.1, vol refs: 12.510 and 11.553)			17/01/23	1.8764% USD (spot ref 128.25, vol refs 15.591 and 13.069)
Buy AUD/NZD via 3m ATM 1.0608/1.09 call spread	12/12/22	0.9638% AUD (spot ref: 1.0582, vol refs: 6.721% and 6.28%)			13/01/23	1.9730% AUD (spot ref: 1.0917, vol refs 6.929% and 6.504%)
Sell GBP/USD via 3m 1x2 1.1107/1.0405 put spread	11/10/22	0.6470% GBP (spot ref: 1.1085, vol refs: 16.89% and 19.09%)			11/01/23	Spot ref: 1.2146
Buy NOK/SEK	03/10/22	1.0234 (raised stop/loss to 1.0380 at spot level 1.0592)	1.11	0.9880 (new stop: 1.0380)	7/12/22	1.0380
Buy USD/JPY	03/11/22	147.3	155	143.4	10/11/22	143.4
Buy 3m EURGBP implied via vol swap	15/08/22	35.6116% EUR premium (expiry Nov 15, 2022, atm strike for 6.67%, spot ref 0.84388)			08/09/22	Strike 8.336%
Buy USD/CAD via 3m ERKO call (strike 1.2903, barrier 1.35, exp. Oct 18)	18/07/22	0.6614% USD (spot ref 1.2901, vol ref 8.61%)			22/08/22	0.9027% USD (spot ref 1.3039)
Buy 6m EUR/NOK collar (buy 6m 9.6886 put and sell 6m 10.50 call, exp. Jan 30)	28/07/22	Zero cost (spot ref 9.9241, buy 6m 9.6886 put for 1.3512% EUR with vol ref 9.789%; sell 6m 10.50 call for the same price with vol ref 10.778%)			11/08/22	0.6488% EUR (vol refs 9.555% and 10.765%, spot ref 9.8154)
Buy EUR/CHF via 6m ATM 1.05592/1.08 call spread	04/02/22	0.8832% EUR (spot ref: 1.05689, vol refs: 5.166% and 5.036%)			04/08/22	Spot ref: 0.97860
Buy USD/JPY RKO call (strike 136, barrier 141)	07/07/22	0.3603% USD (spot ref 135.91, vol ref 12.2%, expiry)			21/07/22	0.6833% USD (spot ref 138.70, vol ref 10.01%)
Short CHF/JPY via 3m 130/126 put spread	30/03/22	0.90% CHF (spot ref: 131.425)			30/06/22	Spot ref: 142.118
Buy 1y EUR/GBP vol swap	29-Jun-21	Net 0 premium at 6.212% vol (spot ref: 0.85995, atm vol ref: 5.915%)			29/06/22	EURGBP accrued 5.737% vol
Buy NOK/SEK	23/03/22	1.0743	1.13	1.0380	12/05/22	1.0380
Buy AUD/USD	29/04/22	0.7150	0.76	0.6950	10/05/22	0.6950

EM Alpha Trade Recommendations

David Hauner, CFA >>
MLI (UK)

Claudio Piron
Merrill Lynch (Singapore)

Exhibit 21: Open trades

EM Alpha Trade Recommendations

FX	Entry date	Entry level	Current level	Target	Stop	Notional	Rationale/ Time horizon	Risks
Sell MXN/ZAR	9/25/23	1.09	1.083	1.02	1.13	10	Undervaluation and a hawkish SARB keeps us constructive. ZAR, while overvaluation and heavy long positioning are risks to MXN.	A more hawkish Banxico, a dovish SARB.
1yr USD/CNH vol swap at 6.175%	8/2/23	6.175	6.285	-	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
Long KZT vs USD & EUR	8/2/2023	479	505.8	455	493.5	10	High carry + low global rates vol + tax period = long KZT. Official FX sales should also be supportive for the KZT.	High carry + low global rates vol + tax period = long KZT. Official FX sales should also be supportive for the KZT
Buy 6m 25-delta call option for USDTWD	8/1/2023	31.6	spot(32.3)	31.9	29.8	10	We like having a tail risk hedge to USDTWD, covering the period around Taiwan's Presidential election.	China announcing material fiscal stimulus
Short RONCZK	5/24/2023	4.77	4.91	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 USD/PEN	5/4/2023	3.72	3.81	3.8	3.68	10	We see an attractive risk-reward of fading the recent PEN rally. This is also consistent with risks flagged by our economics team that, the bar for elections might not be as high.	Hawkish BCRP surprise in guidance.
Buy 1y USDKD 7.7670/7.8500 call spread	3/29/2023	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.
Long INRUSD	1/18/2023	81.65	83.24	80	83	10	We recommend adding long INR against USD on expectations of a catch-up move in INR vs the region on better risk sentiment	Risks to the trade come from further spike in the oil prices in the near term, and higher USD demand from importer

Source: BofA Global Research. Spot values as of Oct 5 2023. 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 22: Closed trades

EM Alpha Trade Recommendations

Trade description	Entry date	Entry Level	Target	Stop	Notional	Close date	Level closed
Long USD/HUF	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 EUR/PLN	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 EUR/HUF	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
Long USD/ILS	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 USD/PLN	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 PLN/HUF	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 PLN/HUF	3/17/2023	84	79.8	86.5	10	29-Mar-23	81.3
Long USD/TWD 12m NDF	11/18/2022	31.17	-	29.45	10	27-Mar-23	29.37
Short USD/IDR	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 USD/ILS	19-Oct-22	3.54	3.72	3.2	10	13-Feb-23	3.542
Short CZK/HUF	1/18/2023	16.53	15.7	17.05	10	13-Feb-23	16.25
Long KZT vs an equal basket of USD and EUR (3m NDF)	1/16/2023	494.9	470.2	509.7	10	15-Feb-23	468
Short EURGEL (using 3m NDF)	20-Oct-22	2.714	2.94	2.53	10	1-Feb-23	2.53
Buy USDZAR	1/19/2023	17.23	17.86	16.85	10	1-Feb-23	14
Short INR vs long IDR	11/18/2022	191.9	183	188	10	18-Jan-23	184.7
Sell CAD/MXN 3m forward	29-Sep-22	15.1	14	15.5	10	18-Jan-22	14.68
Sell EUR/MXN 3m forward	29-Sep-22	20.06	19.00	21.00	10	18-Jan-22	19.72
Long USDZAR	15-Nov-22	17.3	18	16.9	10	1-Dec-22	17.6
Short EURKZT using 3m NDF	4-Oct-22	493	468.37	507.8	10	31-Oct-22	478
Short PLN/HUF	23-Sep-22	85.3	81	93	10	10-Nov-22	85
Long THB/NEER	17-Jun-21	112.27	112.27	111	10	14-Oct-22	100.6
Long THB	19-Nov-21	32.60	30.0	34	10	14-Oct-22	38.08
Long 1x2 3M USD call, PHP put spread	16-Mar-22	52.975	53.5 / 54.75	-	10	14-Oct-22	53.48
Long USD/ZAR	13-Sep-22	17.35	18.2	16.8	10	26-Sep-22	18.00
Colombia: sell COP against basket of oil-currencies	22-Nov-21	100	104	97	10	2-Jun-22	102
Long USD/ILS	16-Aug-22	3.28	3.45	3.18	10	8-Sep-22	3.42
Long USDZAR	16-Aug-22	16.4	17.2	15.8	10	2-Sep-22	17.3
Long USD call, 6M CNH put spread	16-Mar-22	6.38	6.5/6.7	-	10	25-Aug-22	6.8168
Long KZT vs an equal basket of USD and EUR	2-Aug-22	504.1	479	519	10	19-Aug-22	494
Long ILS vs an equally weighted basket of USD and EUR	21-Jan-22	3.38	3.21	3.46	16.2	10-Aug-22	3.32
Long USD/ZAR	20-May-22	15.85	16.64	16.2	16.2	7-Jul-22	16.69
Sell USDZMW 6M NDF	12-Apr-22	18.25	16.8	-	10	7-Jul-22	16.80
Sell USD/PLN	2/3/2022	4.01	3.7	4.5	10	7-Jul-22	4.65
Short PLN/HUF	7-Jun-22	84.7	80.5	87.3	10	29-Jun-22	84.1
Long MYR/PHP	28-Apr-22	11.95	12.4	11.7	10	20-Jun-22	11.95
Colombia: sell COP against basket of oil-currencies	22-Nov-21	100	104	97	10	2-Jun-22	102
Long EUR/HUF	16-May-22	384.75	16.4	14	10	26-May-22	394
Buy CLP/COP	03-May-22	4.68	16.4	14	10	20-May-22	4.85
Sell USD/ZAR	10-May-22	16.1	15.3	16.4	10	19-May-22	15.83
Buy USD/ZAR	17-Jan-22	15.38	16.4	14	10	5-May-22	16.02

Note: Bid/offer spreads accounted for in entry and dosing 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 dosing value is greater than the entry value and red when the dosing value is less than or equal to the entry value. **Source:** BofA Global Research

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World At A Glance Projections

Exhibit 23: G10 FX Forecasts

Forecasts as of 28-Sep-2023

	Spot	YE 2023	Mar-24	Jun-24	Sep-24	YE 2024	Mar-25	Jun-25	Sep-25	YE 2025
G3										
EUR-USD	1.05	1.05	1.07	1.10	1.15	1.15	1.16	1.17	1.18	1.20
USD-JPY	149	153	155	150	146	142	140	138	136	136
EUR-JPY	157	158	156	156	159	155	153.00	152	153	156
Dollar Bloc										
USD-CAD	1.35	1.32	1.32	1.30	1.28	1.26	1.26	1.26	1.26	1.26
AUD-USD	0.64	0.64	0.66	0.68	0.71	0.71	0.71	0.71	0.71	0.71
NZD-USD	0.59	0.59	0.60	0.62	0.64	0.64	0.64	0.64	0.64	0.64
Europe										
EUR-GBP	0.86	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85
GBP-USD	1.22	1.24	1.26	1.29	1.35	1.35	1.36	1.38	1.39	1.41
EUR-CHF	0.97	0.98	0.99	0.99	1.00	1.00	1.02	1.02	1.05	1.05
USD-CHF	0.92	0.93	0.93	0.90	0.87	0.87	0.88	0.87	0.89	0.88
EUR-SEK	11.60	11.70	11.40	11.20	11.00	10.70	10.60	10.50	10.30	10.20
USD-SEK	11.01	11.14	10.65	10.18	9.57	9.30	9.14	8.97	8.73	8.50
EUR-NOK	11.31	11.00	10.80	10.70	10.50	10.30	10.20	10.10	10.00	9.90
USD-NOK	10.74	10.48	10.09	9.73	9.13	8.96	8.79	8.63	8.47	8.25

Source: BofA Global Research, Bloomberg. Note: Forecasts as of 28-Sep-2023.

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Exhibit 24: EM FX Forecasts

Forecasts as of 28-Sep-2023

	Spot	YE 2023	Mar-24	Jun-24	Sep-24	YE 2024	Mar-25	Jun-25	Sep-25	YE 2025
Latin America										
USD-BRL	5.05	4.90	4.95	5.00	5.05	5.10	5.13	5.15	5.18	5.20
USD-MXN	17.68	18.00	18.30	19.00	19.30	19.50	19.80	20.00	20.30	20.50
USD-CLP	906.76	895	900	905	910	912	914.00	916	918	920
USD-COP	4,109.55	4,175	4,350	4,450	4,500	4,550	4,600.00	4,625	4,650	4,675
USD-ARS	350.01	648	862	1,117	1,407	1,629	1,832.00	2,061.00	2,318.00	2,608.00
USD-PEN	3.81	3.76	3.80	3.82	3.84	3.86	3.87	3.88	3.89	3.90
Emerging Europe										
EUR-PLN	4.63	4.70	4.80	4.80	4.70	4.60	4.55	4.50	4.45	4.40
EUR-HUF	392.90	400	405	410	400	390	380.00	370	360	350
EUR-CZK	24.38	24.80	25.00	25.20	24.80	24.30	23.90	23.50	23.00	22.60
USD-RUB	-	75.00	76.00	77.00	78.00	80.00				
USD-ZAR	19.12	18.50	18.10	18.00	17.00	17.50	17.80	18.00	18.20	18.40
USD-TRY	27.42	30.00	32.00	35.00	37.00	40.00	42.00	44.00	45.00	47.00
EUR-RON	4.98	5.00	5.00	5.00	5.10	5.13	5.19	5.25	5.30	5.36
USD-ILS	3.84	3.75	3.70	3.65	3.60	3.55	3.50	3.45	3.40	3.40
Asian Bloc										
USD-KRW	1,349.40	1,330	1,305	1,280	1,210	1,190	1,170.00	1,150	1,150	1,150
USD-TWD	32.28	31.70	31.50	31.20	30.30	30.10	29.90	29.70	29.70	29.70
USD-SGD	1.37	1.35	1.34	1.32	1.31	1.30	1.30	1.29	1.29	1.29
USD-THB	36.76	35.00	34.50	34.00	33.50	33.00	33.00	32.50	32.50	32.00
USD-HKD	7.83	7.83	7.83	7.80	7.80	7.78	7.78	7.76	7.75	7.75
USD-CNY	7.30	7.20	7.10	7.00	6.80	6.70	6.60	6.50	6.40	6.30
USD-IDR	15,520.00	15,400	15,300	15,200	15,100	15,000	15,000.00	14,900	14,900	14,800
USD-PHP	56.98	56.50	56.50	56.00	56.00	55.50	55.50	55.00	55.00	55.00
USD-MYR	4.71	4.66	4.62	4.58	4.56	4.54	4.52	4.50	4.48	4.46
USD-INR	83.19	82.00	81.00	80.50	80.00	80.00	80.00	80.00	80.00	80.00

Source: BofA Global Research, Bloomberg. Note: Forecasts as of 28-Sep-2023.

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