Global FX Weekly

The only game changer

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FX Research
Global

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The View

Fed matters more than other central banks; both the Fed and the US Treasury do not like yields higher; weak US data the only game-changer for markets. EM FX has found some relief from Fed's pause, stabilization in UST yields and China supporting growth.

ECB positive rates: mixed flows so far

The consensus was expecting ECB positive rates to attract strong flows; we had doubts. The evidence so far is mixed, with some positive flows in some cases, but far below expectations.

Tangible USD risk premium

Bilateral moves for USD-pairs vs non-USD NEERs and REERs shows USD overvalued, most vs AUD, least vs CHF. USD also rich vs EM FX. FX valuation matters for spot at 6m horizon once dislocation vs NEERs become sufficiently large.

CHF: SNB spices up the remuneration party

SNB changed its remuneration policy. Bias to fade immediate CHF FX-Sofr widening. Asymmetric price action to limit CHF weakness as traditional correlations breakdown.

LatAm FX monthly

LatAm FX has underperformed amid the increase in global rates volatility, looser monetary policy and geopolitical turmoil.

Asia FX

Low volatility more durable than steep curves imply, while "overvalued" CNH to weaken vs. "fairly valued" Asia FX.

TWD

We visited eight large corporates in Taiwan. Key concerns include repatriating funds from mainland China, in addition to FX-losses on fixed assets should USDCNY rise.

LatAm FX

We are skeptical about a sustained rally in LatAm FX and prefer risk-reward of selectively expressing views in rates

Vol Insights

1m GBPUSD skew is dislocated vs. a weaker GBPUSD spot and other USD-call skews. Expect GBPUSD skew to widen, converging to the rest of market post BoE.

Technicals

A dovish Fed creating potential for repeat 4Q22 in 4Q23 (lower DXY, 10y yield, oil and higher equities). DXY (and its golden cross) at risk if below 105.36.

Our medium-term views

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

G10	While we continue to expect the USD to stay on the stronger side for the remainder of the year, we also still ultimately expect softening over the medium-term into 2024, led by our end-2023 EUR-USD forecast of 1.05 and end-2024 forecast of 1.15. This also reflects our view that the USD is moderately overvalued but assumes a relatively "soft landing" scenario that brings inflation down—alternative "landing" scenarios, or higher geopolitical risks, can have very different FX implications. We also continue to look for a weaker and for longer JPY on carry and with Japan's net outward FDI refusing to shrink—we expect USDJPY to peak at 155 in 1Q '24. We expect GBP to be range-bound, while CHF could remain supported amid high macro uncertainty and geopolitical risks. On the "high beta" G10 FX, we still favor CAD, AUD, NOK over NZD and SEK.
EM	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. We remain concerned about the coordinating and credibility of fiscal, monetary and FX policy and revise our year end USD/CNY forecast to 7.5 and are biased to short CNH. 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 2-Nov-2023

(EOP)	YE 2020	YE 2021	YE 2022	1Q23	2Q23	3Q23	YE 2023	YE 2024
EUR/USD	1.22	1.14	1.07	1.08	1.09	1.06	1.05	1.15
USD/JPY	103	115	131	133	144	149	153	142
GBP/USD	1.37	1.35	1.21	1.23	1.27	1.22	1.24	1.35
AUD/USD	0.77	0.73	0.68	0.67	0.67	0.64	0.64	0.71
USD/CNY	6.53	6.36	6.90	6.87	7.25	7.30	7.50	7.30
USD/BRL	5.20	5.58	5.29	5.06	4.79	5.03	5.05	5.25
USD/INR	73.07	74.34	82.74	82.18	82.04	83.04	84.00	86.00
USD/ZAR	14.69	15.94	17.04	17.80	18.85	18.92	19.00	17.50

Source: BofA Global Research. Forecasts as of 2-Nov-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	
long USD/HUF	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.
Long USD/TWD	We revised our 3Q23 USDTWD forecast to 31.9 and we recommend buying USDTWD 6m 25-delta call option
Long CAD/MXN	We recommend buying CAD/MXN at 13.3338. We target 14.00 with a stop at 13.00 as hedge to geopolitics

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

- **Rates sell-off & USD rally:** What happens next depends on landing scenario. We see risks of high yields & strong USD post-landing, even if both below current levels
- **FX vol:** FX vol lags cross-asset vol moves despite higher geopolitical risks. Realized vols remain muted on lack of macro conviction
- **Oil & geopolitics:** Brent may near $90-$95/bbl if Israel-Gaza conflict contained but jump to $120-$130/bbl on Iran escalation or $150-$250/bbl if energy infra targeted
- **Don't take disinflation for granted:** Geopolitical risks bring upside risks to oil prices and inflation. Food prices also threatened by weather events, incl. El Nino.
- **Mortgage structure matters for monetary policy:** FX implications go against high beta currencies, because of faster policy transmission through housing
- **Flows & positioning:** Continued official USD selling vs Asia & EMEA EM. But corporate month-end flows & some investor buying likely supported USD

Central Bank calls

Exhibit 4: G10 Central Bank calls
RBA is meeting next week

Country	Next Meeting	BofA	Consensus	Prior	Narrative
US	13-Dec	5.53%	5.38%	5.38%	We retain our call for one more 25bp hike in December, although it has become an even closer call after the Nov meeting. We expect the first rate cut in June 2024 and quarterly 25bp reductions in the policy rate for a total of 75bp of rate cuts in 2024 and 100bp of cuts in 2025. 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.
Eurozone	14-Dec	4.00%	-	4.00%	We expect no more hikes and a first cut by Jun-24 at the earliest, one cut per quarter from there, a stop to full PEPP reinvestments also in Jun-24, and mandatory reserves to move to 2-3% after the operational framework review
Japan	19-Dec	-0.10%	-0.10%	-0.10%	With the BoJ now gaining considerable flexibility over its management of long-end yield curve control, we think the central bank's next move is the removal of NIRP and YCC (though we think they will continue to maintain a backstop for yields). Given our optimism on the outlook for inflation and wage growth, we have been expecting Dec '23 – Apr '24 as the window for such a move. The BoJ's latest communications point to a reduced likelihood of a move in Dec. But we remain comfortable with our base case of a move at the 17-18 Jan MPM, and April '24 at the latest.
UK	14-Dec	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	6-Dec	5.00%	5.00%	5.00%	We expect the BoC to remain on hold for many months with upside risks. We now expect the BoC to start cutting in June 2024 to bring the policy rate target to 3.75% by end-2024. But near-term risks to the policy rate remain upside.
Australia	7-Nov	4.35%	4.35%	4.10%	We expect a 25bp rate hike in Nov. Strong inflation and stronger than expected retail spending in Sep should be enough for the RBA to look through softer labour market outcomes
New Zealand	29-Nov	5.50%	-	5.50%	So far, growth has been stronger than the RBNZ's assumptions while inflation is slightly softer. We see the RBNZ on hold in November and cuts from 3Q 2024
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	14-Dec	4.50%	4.50%	4.25%	We look for a 4.50% terminal, expecting a final Norges hike in Dec but our call is becoming more finely balanced. We expect two rate 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 2-Nov-2023.

The view

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The difference a week makes

Bottom line: the Fed matters (much) more for markets than other central banks; both the Fed and the US Treasury do not like yields higher; weak data in the rest of the world is not news; weak data in the US is the game-changer for markets.

As the week comes to an end, yields are lower, stocks are stronger, oil price is down, the USD is weaker, JPY and CHF are even weaker, AUD, NZD and CAD are the best performers in G10 FX, EM FX is up. It is early to tell whether this is a reversal of the trends that started at the end of July and accelerated this fall, but it looks like a consistent start.

We see three reasons for these market moves this week, all US related. The dovish Fed, weaker US data and lower US Treasury long-end supply.

Starting with the Fed, adding one word seems to have made most of the difference. The statement did not only flag tighter credit conditions, but "tighter financial and credit conditions." Adding "financial" indicated that the Fed considered the recent increase in yields as doing part of its job. The market took this as a strong signal that the Fed was done and did not intend to hike again in December, with pricing dropping to only 5bp. The market also thought that Powell's reference to strong data explicitly in the third quarter, instead of more broadly, suggested the Fed expected weaker data from now on-consistent with our economists' view. Powell also distanced himself from the September dots. Compared with the muted market reaction to the ECB meeting last week, this was yet another reminder that the Fed matters much more in the current market regime.

The US data may be turning weaker. ISM manufacturing came well below expectations. ADP employment was also weak. In this context, today's non-farm payrolls are important, but following the very strong print last month, they should be weaker. ISM services will also be a market focus, as they have been resilient so far. If both disappoint, this week's trends could see a stronger momentum. Eurozone data continues being weak, but this has been the case for most of this year and we believe it is already in the price; the same applies to China data. The US economy weaking, from consistently surprising to the upside this year, will be the game-changer for markets in our view.

The US Treasury surprised with lower than expected long-end supply at the November refunding. Strong supply has been one of the reasons of higher yields in recent months. Our rates strategists have argued that this week's announcement indicated increased sensitivity to market conditions in the Treasury's issuance strategy. Both the Fed and the US Treasury are pushing against higher yields.

And yet, despite the BoJ having taken another step towards exit from yield targeting this week, JPY is the weakest currency in G10. The BoJ tweak was smooth, turning the 1% ceiling for 10y yields into a "reference," suggesting yields can go higher. We expect them to properly exit yield targeting and move rates to zero from slightly negative in January. But nothing the BoJ does seems to matter for JPY. This is consistent with our view this year that the strong carry makes USDJPY a Fed trade; it will weaken only when the Fed is about to cut rates.

CHF is the second worst performer in G10 this week, despite a slight upward surprise in core inflation, but we believe this has to do with geopolitics. Switzerland remains the only economy in G10 with both headline and core inflation below 2%, but we have been arguing that the SNB has been supporting CHF by shrinking its balance sheet. CHF was weakening as the USD was rallying until the war in Israel started in October. While the war continues, markets do not expect a broader escalation—oil prices have dropped to below pre-war levels—and CHF may have started to weaken again as a result.

EM FX – Uncomfortable pause

EM FX found some relief from Fed's pause, stabilization in UST yields and China's focus on supporting growth. Consensus bearish market views and long USD positioning may leave room for a short-term extension to this relief rally. However, we see little room for a repeat of last year's 4Q performance in EM assets that was triggered by a similar expectations of Fed pause and China re-opening led growth impulse.

What makes this year different is that carry or risk-premium in most EM markets has diminished vs last year. And markets are more convinced about rates staying at elevated levels in 2024 with lower chance of a quick reversal in rate cycle. Furthermore, bear-steepening of US rates curve has added even more pressure on EM financial conditions and brought fiscal risks under the lens. These factors would continue to weigh on EM portfolio flows due to narrow carry and limited room for rate cuts in EMs.

Secondly, expectations of a sharp rebound in China are lower now. Rather, policymakers are focused on limited and targeted fiscal stimulus to mitigate downside risks to their growth target. Thus, the growth impulse to EM markets is likely to remain limited, making it more difficult for the central banks (CB) to raise rates meaningfully.

FX stability paramount

We would need to see a more convincing turn in at least one of these factors to turn our outlook more favorable for the EM assets. Until then, CBs remain focused, to varying degrees, on managing their FX stability. PBoC continues to maintain a steady fixing despite USD strength and resulting CNY basket appreciation. This message was further reinforced by the recently concluded financial works conference which included a statement on 'keeping CNY stable at a reasonable level'. We believe PBoC's stance on fixing is unlikely to change until after Biden-Xi meeting later this month, as usually seen ahead of important events.

As CBs attempt to stabilize FX, realized volatility levels have declined sharply over the last few months even as FX continues to depreciate to all-time lows in many markets. Lower FX volatility may help in stabilizing portfolio outflows by reducing concerns on macro-stability. However, slow and incomplete adjustment in FX could increase reliance on central bank support and risk of even higher volatility later.

Diverging EM rate-cycles

Many EM central banks, mostly in Asia, continue to use a combination of intervention, and pseudo-interest rate defense by tightening liquidity to raise hedging costs. After avoiding rate hikes for few months and having spent some FX reserves, a few, like Indonesia and Philippines, have hiked rates. Expectations of an extended period of higher US rates and stronger USD has warranted a more durable policy response.

Outside of EM Asia, central banks remain more tolerant of FX weakness and biased towards easing as higher interest-rates spreads provide a stabilizing factor. In Latam FX, we remain bearish on ARS, MXN and PEN as monetary policy easing erodes the carry while higher global volatility leads to further unwind of carry trades. In EEMEA, we stay bullish PLN after recent election of a pro-reform minded Tusk government but elsewhere CZK and HUF are likely to stay weak due to easing cycle.

ECB positive rates: mixed flows so far

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Link to the full report: [FX Viewpoint: ECB positive rates: mixed flows so far 01 November 2023]

Leaving negative rates well behind

The strong consensus last year when the ECB was about to move away from negative rates was that it would trigger strong inflows. We had expressed doubts. Looking at how EUR has performed since then, it is hard to argue for a rally looking for an explanation. The evidence is mixed, with some positive flows in some cases, but far below expectations up to now.

EPFR data: limited private inflows in EZ bonds

Private investor flows using the EPFR data do not suggest that positive ECB rates have attracted flows so far. Foreign demand for Eurozone bonds has been mixed and consistent with pre-ECB tightening trends and levels. Foreign demand for Eurozone equities also does not reflect any major shift. Domestic demand for Eurozone bonds has been slightly positive, but far too small compared with selling in previous years. Domestic demand for Eurozone equities has been mostly negative since 2012 and this remains the case. It is hard to argue for a rotation from equities into bonds.

Foreign bank claims: no rates related structural changes

BIS foreign bank claims in Eurozone countries also do not seem to be much affected by shifting to positive rates, which is also consistent with mixed evidence in the years when ECB rates were negative. They have remained broadly constant in the last two years.

BoP data: higher but timid interest from foreigners

Non-resident interest in EUR denominated fixed income is not up in commensurate terms. Over 2022, foreign interest in EUR fixed income was positive but less so (in absolute terms) than over 2019 or over 2011-2014. Non-resident transactions in financial assets different from fixed income securities have been even more negative. Data for 2023 shows non-resident transactions picking up for bonds with longer maturities while bids for bills and currency/deposits remain lacklustre. Balance of Payments data up to July shows a similar picture, with non-resident net purchasing flows picking up on EUR duration but largely unchanged for money market instruments. Euro Area residents are also increasing net purchases of foreign bonds and notes.

Euro area retail flows main demand from higher rates

Retail investors are running down bank deposits at a pace never seen before in the Euro Area and positioning in highly yielding EGB front-end. If retail investors for core and semi-core were to accelerate their participation in Euro govies, this pace of net purchases may be maintained for another five years.

IMF data: signs of higher CB demand for EUR bonds

IMF data, when adjusted for FX and bond valuation changes, appears to support the thesis of renewed demand in 2022. However, while these may be early signs, we take them with caution once we consider few details.

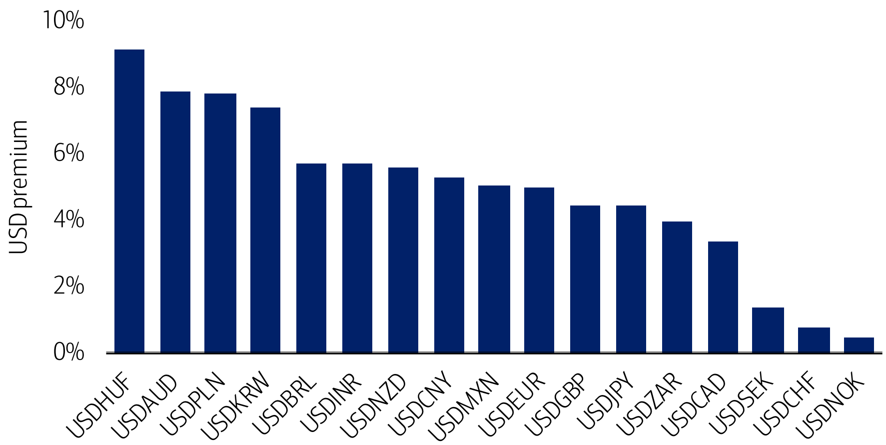
Tangible USD risk premium

Link to the full report: Liquid Insight: Tangible USD risk premium 02 November 2023

- Comparing bilateral spot moves for USD-pairs vs non-USD NEERs and REERs show the USD is broadly overvalued again.
- In G10, the USD is most overvalued vs AUD and least overvalued vs CHF; the USD is also broadly rich vs EM FX.
- History shows FX valuation matters for spot at 6m horizon once the dislocation vs NEERs become sufficiently large.

Exhibit 5: The USD is broadly overvalued again

Deviations between bilateral spot exchange rates vs non-USD FX NEERs and REERs (higher value means more USD overvaluation vs the non-USD currency)



Source: BofA Global Research, Bloomberg. Chart shows the average deviations between current bilateral USD/FX spots vs the non-USD NEERs andREERs-implied fair values. More positive values mean greater USD overvaluation vs the non-USD currency. The fair values are calculated by regression monthly bilateral spot returns vs the USD on monthly changes on NEERs and REERs for the past 10 years.

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Dislocations of bilateral spots vs effective exchange rates

Bilateral spot moves are inherently more volatile than changes in a currency's effective exchange rates (NEER and REER). Bilateral USD-based spot rates may also obscure the fair value of a currency due to the broad USD effect. Regressing bilateral spot rates for USD-pairs vs non-USD NEERs and REERs show the USD is now broadly overvalued. History shows valuation may not always be the prevailing driver for FX market. But at large dislocations between spot rates and NEERs, bilateral spot rates tend to converge toward medium-term fair values implied by the non-USD NEERs over a six-month look-ahead horizon. We still see upside risks for the USD until end of this year; the USD should depreciate more meaningfully in 2024 once signs of Fed cutting cycle emerge.

CHF: SNB spices up the remuneration party

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Link to the full report: Global Rates & FX Watch: CHF: SNB spices up the remuneration party 30 October 2023

Two remuneration changes coming up in December

On 30 October 2023, the Swiss National Bank (SNB) announced two changes that will be effective from 1 December 2023: 1) the threshold factor applied to the tiered remuneration structure will be reduced from 28 to 25; 2) it will no longer remunerate sight deposits held by banks to meet their minimum reserve requirements. The decision was made to ensure that monetary policy implementation remains effective and will reduce interest costs for the SNB.

We are biased to fade the immediate FX-Sofr reaction

Based on current rate and deposit levels, we calculate the remuneration change on minimum reserves will reduce SNB costs by c. CHF 300m per annum. This is small when compared to the CHF 132bn loss the central bank incurred last year, although that loss was driven by exceptionally strong market movements impacting its foreign currency positions. We do not believe the threshold factor change will prompt a significant search for yield by Swiss banks and are biased to fade the immediate widening in CHF FX-secured overnight financing rate (Sofr) basis following today's announcement.

Thoughts on CHF

Year-to-date, CHF has been the best performing currency versus USD and whilst the geopolitical outlook has deteriorated, it would be remiss of us to explain CHF strength as safe-haven buying. What strikes us is how CHF has decoupled from some its traditional anchors. This suggests that there is some asymmetry in CHF price action. As much as investors were hesitant to push CHF higher when the SNB imposed a floor under EUR/CHF, FX has become an increasingly important tool via balance sheet adjust. The SNB continues to sell foreign assets and for as long as they continue to do this, we expect CHF to remain well supported. The SNB is in effect acting as a deterrent to sell the CHF. Until they guide markets otherwise, a move back towards EUR/CHF parity seems unlikely.

Nonetheless, one cannot ignore recent developments outside of Switzerland and specifically, we are paying close attention to the dynamics in Euro Area peripheral spreads which have returned as a factor driving CHF price action.

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Full Report: The LatAm FX Strategist: LatAm FX in a volatile world 31 October 2023

Summary of FX views

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

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

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

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

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

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

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

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

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

Exhibit 6: BofA quarter-end FX forecasts
We are bearish ARS, neutral BRL, neutral CLP, neutral COP, bearish MXN, bearish PEN

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

Source: BofA Global Research

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

Asia FX pressure cooker

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Full Report: Emerging Insight: Asia FX pressure cooker 31 October 2023

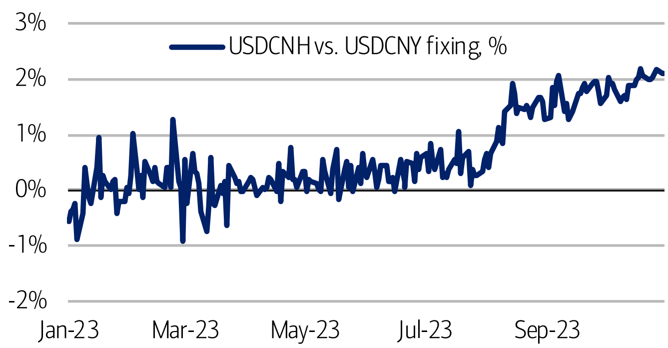
Pressure cooker conditions in CNY...

USD strength is adding to policy headaches for several Asian countries that may have been hoping for a reversal to ease the burden. But hope is not a strategy and central banks may eventually have no choice but to accommodate weaker currencies or tolerate higher rates. This is especially evident in CNY, where low volatility belies "pressure cooker" like conditions created by active FX management – effectively pegging USDCNY fixings below 7.20. With USDCNH already trading >2% above the fixing for over a week (Exhibit 7), FX policy resolve will be tested if USD continues to strengthen.

... partly reflected in FX vois

This risk is only partly reflected in the FX volatility market. The volatility curve is close to its steepest levels since 2016 and implied volatility, while optically low, is trading well above realized (Exhibit 8). However, risk-reversals are still subdued relative to historical levels. While relentless PBoC intervention has likely capped the skew premium, a more volatile USD rally cannot be ruled out. We recently revised upon our USDCNY forecasts (7.50 by year-end) on the view that the costs of intervention (tighter liquidity, trade weighted FX strength) eventually outweigh the perceived benefit (The EM Asia FX Strategist 26 October 2023).

Exhibit 7: USDCNH vs. onshore USDCNY daily fixing
Offshore CNH trading weaker than 2% band around fixing



Source: Bloomberg

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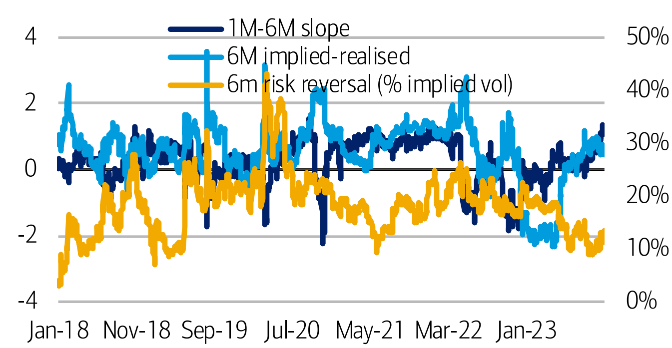
Exhibit 8: USDCNH vols – slope, spread and skew
Varying degrees of risk premium in USDCNH vols



Source: Bloomberg

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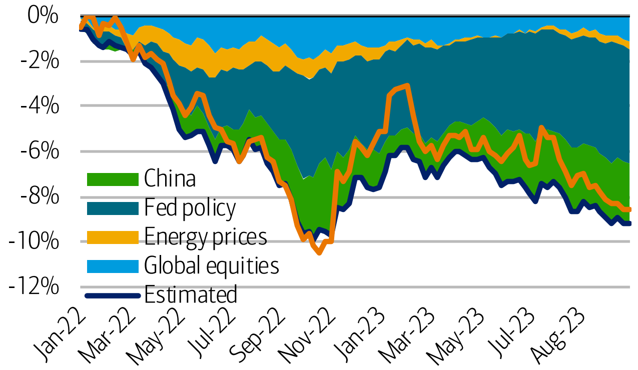
Rest of Asia FX more aligned to fundamentals...

For the rest of Asia FX, policymakers have also leaned against depreciation through intervention and rate hikes but less concertedly than China. This aligns with our key macro driver framework that shows Asia FX (ex CNY) is better aligned with fundamentals. A regression of weekly changes on US 5y real rates, MSCI World, energy prices and China reflation sentiment shows the out-of-sample move (2022-to-date) can be almost entirely attributed to these drivers .US real rates and China in particular account for almost 85% of the cumulative depreciation since 2022.

... suggesting low vol more durable

The convergence of Asia FX to estimated levels may also partly explain the drop in FX volatility. Intuitively, misalignment to fundamentals should be associated with higher volatility than otherwise. Even reduced policy intervention may not lead to a durable rise in volatility if exchange rates are already at fair levels. An exception may be USDINR where intervention has likely played a disproportionate role in keeping FX volatility very low. But even if the RBI were to tolerate higher levels of spot, it can credibly maintain low volatility given still ample FX reserves and different policy cycle to China's.

Exhibit 9: Asia FX (ex CNY) - actual vs. estimate mode (& contributions) based on key drivers
Asia has been well behaved over the long term (Jan 2022-to-date)



Source: Bloomberg, Note: China - reflation PCA, Fed policy - US 5y real rate, Energy prices - BCOMEN Index, Global equities - MSCI World
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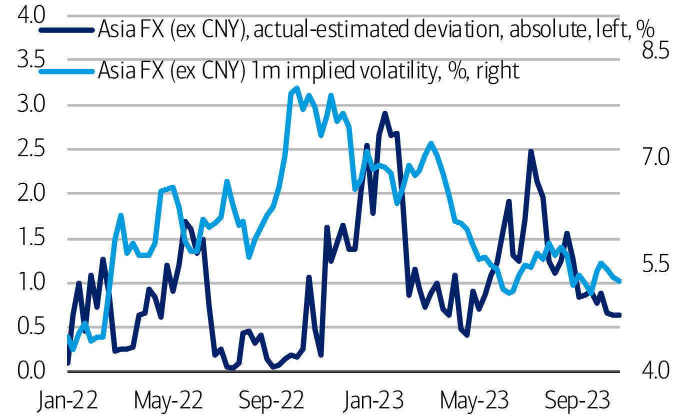
Exhibit 10: Asia FX (ex CNY) volatility vs. actual/estimated deviation
Convergence of Asia FX to estimated levels consistent with drop in FX volatility



Source: Bloomberg
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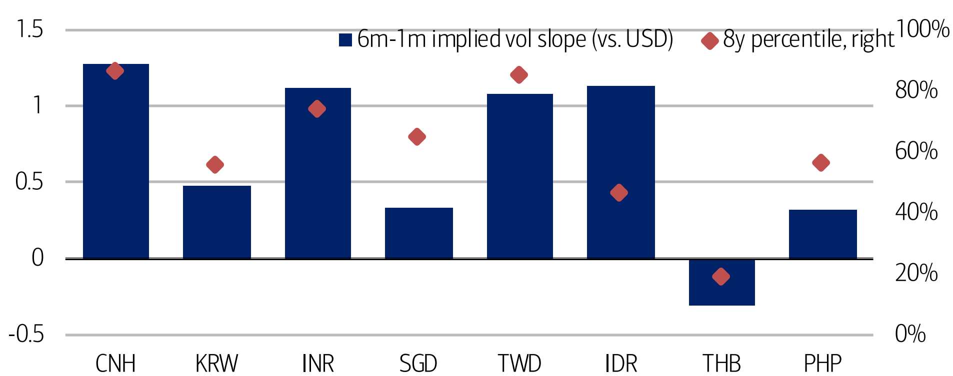
Asia FX vol curves (ex CNH) too steep, CNH basket too strong

We draw two conclusions:

- With a few exceptions, Asia FX volatility curves are steep in both absolute and historical terms (Exhibit 11). While this is justified for CNH, given the clear misalignment relative to rate differentials, it is less obvious elsewhere based on our fundamental framework. This suggests FX volatility may not rise as quickly as the vol curve implies.
- A related conclusion is the CNH is likely to weaken in trade weighted terms from here. A stronger USD could test the PBoC's resolve, while a weaker USD would mean less scope for the "overvalued" CNH to appreciate relative to "fairly valued" Asian currencies. This is consistent with our forecasts that imply ~1.5% depreciation in CNH against Asia FX (on average) over the next few months.

Exhibit 11: Asia FX vol curves (1M vs. 6M)
Vol curves are mostly steep in both absolute and historical terms



Source: Bloomberg
BofA GLOBAL RESEARCH

Taiwan trip note – October 2023

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Full Report: Asia FI & FX Strategy Watch: Taiwan trip note – October 2023 31 October 2023

We met with Taiwanese corporate clients to discuss the FX outlook and the real economy

We have revised our USD-Asia FX forecasts higher. We visited eight corporates in Taiwan to discuss with them our latest FX and rates view. The clients consisted of both branches of multi-national corporations operating in Taiwan as well as large Taiwanese corporations. The clients were spread across tech and non-tech manufacturing. This marketing tour occurred right after the revision of our regional FX forecast, with USDCNY revised higher to 7.50 by 4Q23 and 7.70 by 1Q24 and USDTWD being adjusted higher to 32.7 by 4Q23 and 33 by 1Q24 (see our latest Asia FX forecasts The EM Asia Strategist - Yielding to the Dollar).

US rates higher-for-longer. Our discussion with clients began with the drivers behind the bear-steepening of the US yield curve and why we believe US rates would likely stay higher-for-longer on both the front-end and back-end. The front-end is kept higher by the Fed's hawkish stance and the persistence of strong economic data from the US. Meanwhile, the back end is kept high by the relative lack of local and foreign debt for US debt amid the Fed's ongoing QT program and strong issuance schedule ahead.

How the PBoC defends USDCNH at 7.32. We progressed to discuss the mechanics behind the defense of USDCNH at the 7.32 level and how the FX-implied yield on CNH tom-next is important to watch. Clients appreciated our detailed discussion elaborating the link between the CNY fixing, spot price of onshore CNY, spot price of offshore CNH and how the stable spot price ties with the increased CNH funding cost and recent decline in China's holding of US treasuries. That chronology made sense and they also agreed with our view that the current spot level of USDCNH is artificial and not cost-free. When the PBoC is no longer willing to pay this cost, then this is when USDCNH will rise. We also discussed the recent *Bloomberg* headline where President Xi made a historic visit to the PBoC and whether this can be interpreted as a political signal to allow USDCNH increase past 7.32.

Why we expect further outflows from Taiwan. On USDTWD, we stated the patterns of outflow seen in the past three months would continue, led by equity outflows and followed by ongoing US$ buying from bond ETFs. With households' holding of FX deposits also having significantly increased in the past 12 months, every segment of Taiwanese society is net long USD. This position is crowded and vulnerable to an unwind.

LatAm in a volatile world

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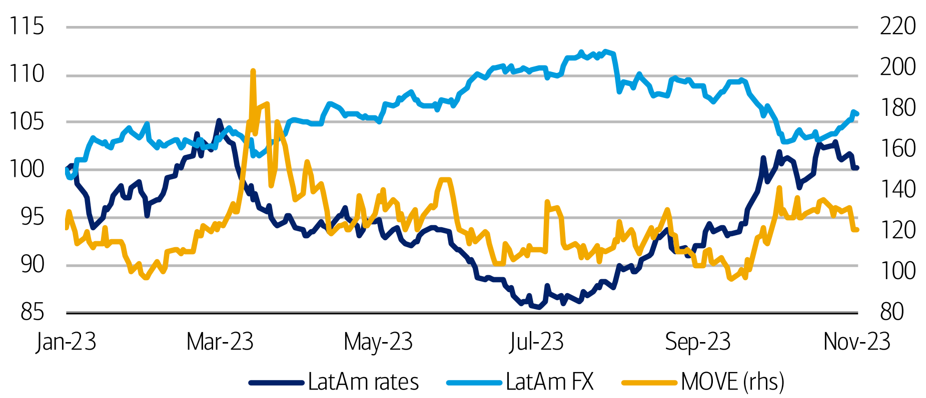
Full Report: [Emerging Insight: LatAm: LatAm in a volatile world 02 November 2023]

Most of the data recently released in the US points to still strong growth and a tight labor market. This means no big rally in US yields is likely in the very near term. Our expectation is that global uncertainty will continue to be high. Therefore, we remain skeptical about a sustained rally in LatAm FX and prefer to selectively express our views in rates, where risk-reward is more attractive. We favor receivers in Brazil, where real yields are high and growth is slowing down, and in Colombia, where policy is shifting in a more business-friendly direction. But we turn more bearish on Mexican yields given strong growth, loose fiscal policy, and sticky services inflation. And we like paying Chilean breakevens which already price average inflation at target.

Exhibit 12: Volatility in US rates creates a challenging backdrop for LatAm local markets
Average LatAm FX and rates (Index = 100) vs MOVE index



Source: BofA Global Research, Bloomberg

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LatAm FX in a volatile world

Higher global volatility amid uncertainty around US rates and a deterioration in geopolitical conditions around the world had a negative impact on EM FX, as the strong dollar narrative became dominant. With rates volatility recently stabilizing, LatAm FX has experienced a relief rally that was also supported by some idiosyncratic factors.

Double whammy dethroned LatAm FX carry

For a moment, LatAm FX had been the regional underperformer. This, in our view, has been the result of the double whammy of looser monetary policy in LatAm and rising volatility (Exhibit 13). Both forces have eroded LatAm's carry-to-vol ratios, triggering an unwind of the carry trades that had been largely popular in LatAm.

In previous reports, we argued that the volatility component of the carry-to-vol ratio would gain importance as central banks approach their easing cycles (see Don't fall into the carry-to-vol trap). More so if global factors become the main driver of rising global volatility, as the appeal of carry declines and the global risk premium effect dominates.

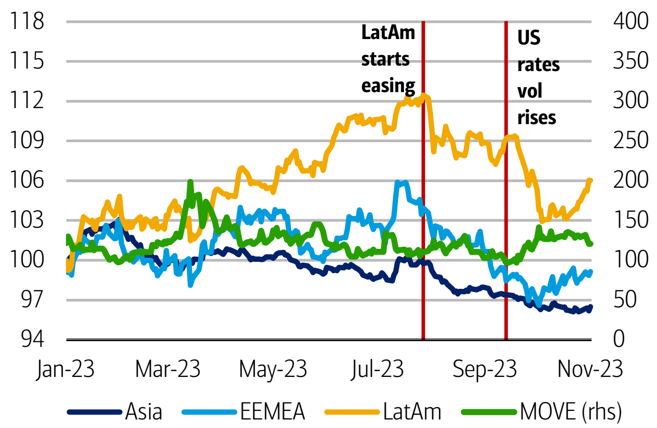
A relief rally that may not be sustainable

Most recently LatAm FX has rallied, in our view mostly driven by a stabilization – even a mild decline – in global rates volatility that has allowed idiosyncratic factors to dominate (Exhibit 13). The bulk of LatAm FX appreciation has taken place in Chile and Colombia, where CLP and COP have rallied by about 5.5% since the most recent trough (Exhibit 14).

In the case of CLP, the main driver of its outperformance was the central bank's decision to slow the pace of the easing cycle to 50bp while simultaneously pausing the reserve accumulation program and the unwind of its NDF position. In the case of COP, a market-friendly result in regional elections prompted a rally in both FX and rates, as the market repriced a lower risk premium on local assets. In contrast, the relief rally in the rest of LatAm has been more modest. On average, LatAm FX remains about 3% weaker than prior to the launch of the region's easing cycles. The fact that high carry does not explain the cross-sectional performance suggests, in our view, that risk-reward of carry trades remains unattractive.

We remain skeptical that the rally in LatAm FX will be sustainable in a highly volatile global backdrop. Our expectation is that global uncertainty will remain, unless US macro data shows more convincing evidence of a soft landing, where inflation converges to target and the economy decelerates, but avoids a recession. Thus, we remain neutral LatAm FX and prefer to express our views in rates, where risk-reward is more attractive.

Exhibit 13: EMFX spot returns and US rates volatility (Indices)
LatAm underperformed, but a relief rally materialized



Source: BofA Global Research, Bloomberg

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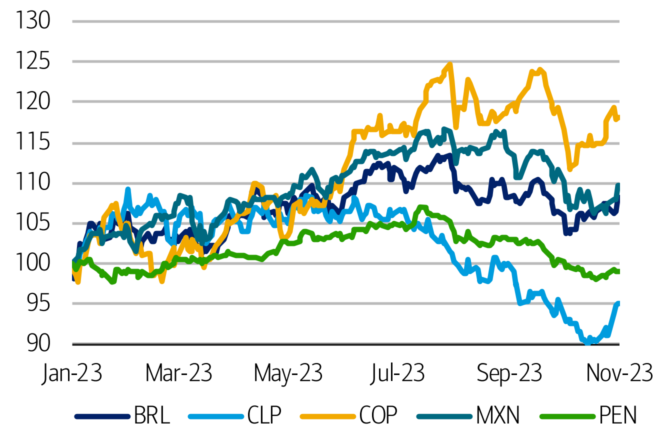
Exhibit 14: LatAm FX spot returns (Index Jan-23=100)
CLP and COP explain most of the recent rally in LatAm FX



Source: BofA Global Research, Bloomberg

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Vol Insights

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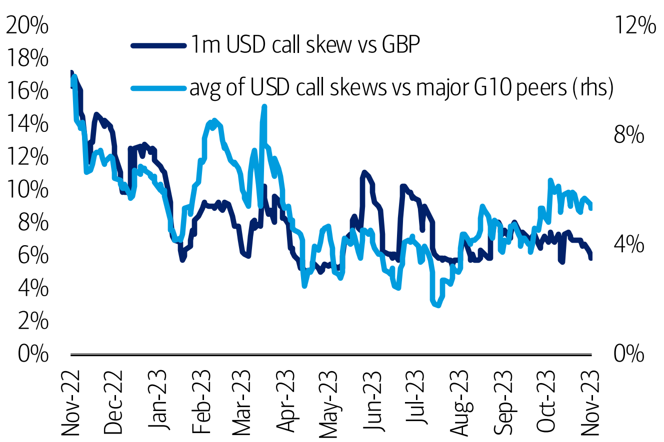
- Muted move for 1m GBPUSD skew is dislocated vs. rest of USD skews and spot.
- 1m GBPUSD skew could widen by 2-3% post-BoE to converge with rest of market.

1m GBPUSD skew is dislocated vs GBPUSD spot and rest of USD-based skews

Since the start of September, 1m USD call skew vs GBP (risk reversal as % of atm vol) has shrunk by about 1.5%, while the rest of USD calls skews have widened by about 1.5% (Exhibit 15). The broad widening of USD call skews reflects the USD spot rally, which suggest the muted move GBPUSD skew is dislocated from rest of the market. Similarly, since the end of September the spot to vol correlation has become more negative for GBPUSD in our [FX Vol Dashboard], even as the skew had narrowed.

At the same time, GBP spot has also depreciated vs the USD. Exhibit 16 also shows the diverging path between GBPUSD spot and 1m skew since September.

Exhibit 15: Pick-up in 1m USD call skew vs GBP remains muted despite broad rise in USD call skew vs rest of G10
1m USD skew vs GBP and rest of G10 peers



Source: BofA Global Research, Bloomberg. Light blue line in chart shows the average of 1m USD skews vs EUR, CAD, CHF, AUD, and NZD.

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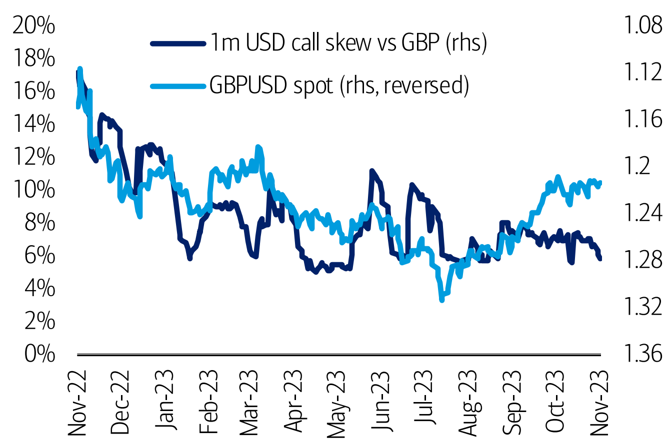
Exhibit 16: 1m GBPUSD skew has diverged from GBPUSD spot
1m GBPUSD skew vs spot



Source: BofA Global Research, Bloomberg

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1m GBPUSD skew could widen to converge with rest of FX market

We do not see a fundamental catalyst for GBPUSD skew to materially deviate from rest of the market. The 1m GBPUSD skew could widen by 2-3% after this week's Bank of England meeting to converge with rest of the major USD/G10 pairs, in our view. The risk to this view would be a sudden USD sell-off and the narrowing of other G10 skews.

Technical indicator developing pennant pattern also expects GBPUSD to fall to about 1.18/1.1746 ([FX Technical Advantage: The $weet Spot, 30-Oct-2023]), resulting in wider GBPUSD skew should it come pass. For rest of this year, we still see upside risks for the USD ([FX Watch: USD: 24 October 2023]) which should keep USD call skews broadly supported.

Technical Strategy

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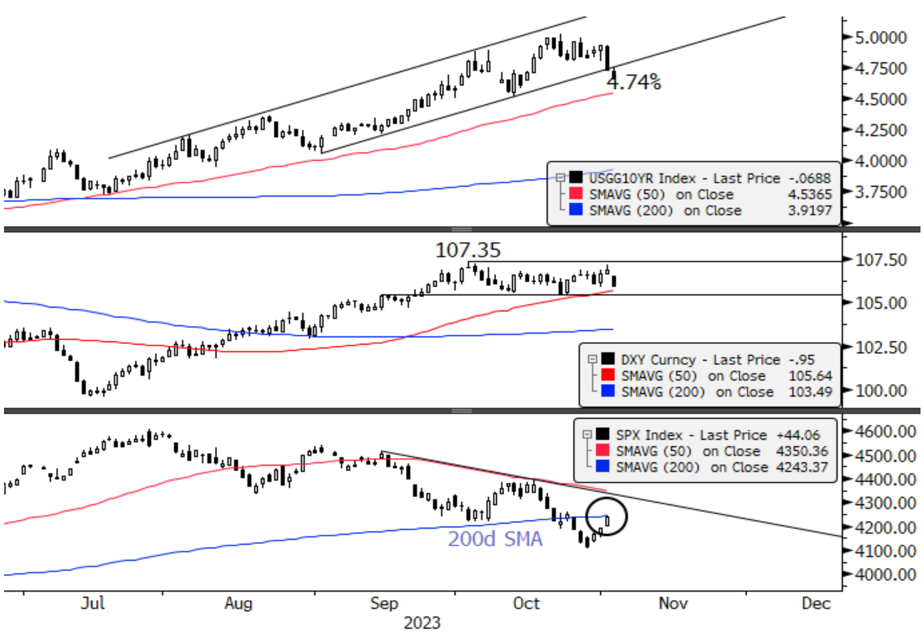
- The market's reaction to a dovish Fed saw US yields decline, the USD soften within its range and equities rally.
- A narrative brewing is whether 4Q23 is repeating 4Q22 (DXY, 10y yield and oil were all lower and the SPX higher).
- A key difference is the US unemployment rate has bottomed and is now rising. Best case for repeat may be a no-surprise NFP on Friday November 3.

The following is an excerpt from our full report:
[Technical Advantage: Ten FICC charts after the Fed 01 November 2023]

Is a dovish Fed setting up a repeat 4Q22 as 4Q23?

In 4Q22, October tops in the US 10Y yield and DXY marked a low and rally for the SPX. Is 4Q23 repeating (Exhibit 17)? To do so, the DXY would need to abandon the "bullish golden cross signal" for a "range top and drop" pattern. The bond bears would be all wrung out with our 10Y secular target of 5.00-5.50% recently touched. If the S&P 500 moves back above the 200d SMA (and DXY below 105.36, 10y below 4.74%), then it may fuel more optimism in a risk-on move. However, this time the US labor market is weakening as the U-rate confirmed a double bottom. A mostly stable US labor data release this Friday is probably the best scenario for a repeat Q4 scenario.

Exhibit 17: US 10y yield testing line at 4.74%, DXY range 105.50-107.35, SPX vs 200d SMA at 4243
US 10Y yield (top), US dollar index (middle), S&P 500 (bottom)



Source: BofA Global Research, Bloomberg

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Trade Recommendations G10

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Exhibit 18: Open trades G10
Current G10 FX trade recommendations. Prices as of 2-Nov-2023.

Trade Description	Open Date	Entry Price	Expiry Date	Current Price	Rationale	Risks
Buy 1y 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 and14.892)	17-Nov-23	0.64	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 19: 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 CAD/MXN	23/10/23	13.3338	14.00	13.00	01/11/23	13.00
Buy EUR/SEK via 3-month collar (buy 3m 11.8380 call, sell 3m 11.3143 put)	13/10/23	Zero cost (spot ref 11.5456, 3m 11.8380 call cost at 0.5676% EUR with vol ref 7.394%, 3m 11.3143 put cost same with vol ref 6.701%)			30/10/23	1.1199% EUR (spot ref: 11.8250, 11.8380 call costs c. 1.21% EUR with vol ref 6.98%, 11.3143 put costs 0.09% EUR with vol ref 6.51%)
Buy 6m GBP/AUD put seagull (long 6m put spread with strikes at 1.94 and 1.90, short 2.05 call)	08/09/23	0.3827% GBP (spot ref 1.9516, put spread vol refs: 8.346/8.099; short call ref: 8.450)			22/09.23	1.2341% GBP (spot ref 1.9006, vol refs 7.981 for 1.94 put, 7.477 for the 1.90 put, and 8.043 for the 2.05 call)
Sell 2m 0.89 USD/CHF put	23/06/23	Receiving 1.0126% USD (spot ref: 0.8967, vol ref: 6.44)			24/08/23	0.8845
Sell 2m 25-delta OTM EUR/GBP put	23/06/23	Receiving 0.31% EUR (strike ref 0.8472, vol ref 5.584, spot ref 0.8592, expiry August 24)			03/08/23	Spot ref 0.86470, vol ref :4.214)
Buy USD/SEK via 3m collar (buy 3m 10.73 call and sell 3m 9.8960 put)	19/07/23	Zero cost (spot ref: 10.2724, vol refs: 12.296% and 10.202%, expiry Oct 19)			01/09/23	1.3316% USD (spot ref: 10.6109, vol refs: 11.777% and 10.377%)
Buy 3m USD/CHF vol swap	14/04/23	8.15%	9.5%,	7.5%	14/07/23	Accumulated 7.6319%
Sell 1y 1.04 EUR/USD put	11/04/23	1.1445% EUR (spot ref: 1.0857, vol ref: 8.517)			23/06/23	0.5238% EUR (spot ref: 1.0960, vol ref: 7.42)
Buy NOK/SEK	28/04/23	0.9638	1.06	0.9280	21/06/23	1.0045
Enter 2m/6m USD/CAD put spread (sell 2m 1.40 put, buy 6m 1.40 put)	13/03/23	0.96% USD (spot ref: 1.3782, vol refs: 8.123/7.877)			07/06/23	1.66% USD (spot ref: 1.3381)
Buy AUD/CAD	14/04/23	0.9028		0.89	25/05/23	0.89
Sell 3m 1.00/1.02905 EUR/CHF call spread	08/03/23	Receive 0.4784% EUR (spot ref: 0.9935, vol refs: 5.651/6.606)			20/04/2023	-0.04% EUR (spot ref 0.98085, vol refs: 5.376/8.971)
Buy 4m USDJPY KI put with American barrier level at 131.50 and strike 128.11	23/01/23	1.8629% USD (spot ref: 130.27, vol ref: 12.312)			24/03/23	1.93% USD (spot ref 130.00,, vol ref: 13.85)
Buy 3m 10.2466/10.70 USD/SEK call spread	20/01/23	1.4689% USD (spot ref: 10.2971, vol refs: 12.752 and13.307)			07/03/23	2.82% USD (spot ref: 10.7008, vol refs: 12.18/11.943)
Buy 1m 1.00075 EURCHF call	30/01/23	0.8031% EUR (spot ref: 1.00192, vol ref: 7.154)			24/02/23	0.99218
Buy 3 GBP/USD collar (sell 1.2850 call and buy 1.2000 put)	24/01/23	0.19% GBP (spot ref: 1.2400, vol refs: 9.4% and 11.0%)			17/02/23	1.6128% GBP (spot ref: 1.1991, vol refs: 9.961 and 10.287)
Sell USD/NOK via 6m collar (buy 6m 9.0227 put and sell 6m 10.10 call)	11/08/22	Zero cost (spot ref: 9.5063, vol refs: 12.481% and 13.890%)			13/02/23	10.0955
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 3m6m 25D USD/JPY put calendar spread (short 3m 25D OTM USDJPY put, long 6m USDJPY 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 ATMF 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 ATMF 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

EM Alpha Trade Recommendations

David Hauner, CFA >>
MLI (UK)

Claudio Piron
Merrill Lynch (Singapore)

Exhibit 20: Open trades
EM Alpha Trade Recommendations

FX	Entry date	Entry level	Current level	Target	Stop	Notional	Rationale/ Time horizon	Risks
Long USDHUF	10/12/23	363.56	358.3	382	351	10	Stronger USD + weak BoP fundamentals in Hungary + still long positioning + focus on growth in Hungary = long USDHUF.	Weaker broader dolla.
Short SGD/KRW	9/20/2023	974	977.530	945	990	10	We like's Korea's improving terms-of-trade led by the stabilizing of memory chip prices and resilient equity portfolio.	additional USD strength which pushes USDKRW higher
1yr USD/CNH vol swap at 6.175%	8/2/23	6.175	5.725	-	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	496.4	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	4.93	4.53	4.92	10	RON is overvalued + current account in Romania is not improving (unlike the peers) => weaker RON; hawkish CNB => stronger CZK	The risk is crowded positioning in Czechia and delayed depreciation in Romania
Buy 1y USDHKD 7.7670/7.8500 call spread	3/29/2023	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	83.22	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 Nov 2 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 21: Closed trades

EM Alpha Trade Recommendations

Trade description	Entry date	Entry Level	Target	Stop	Notional	Close date	Level closed
Sell MXN/ZAR	9/25/23	1.09	1.02	1.13	10	28-Sep-23	1.04
Buy USD/PEN	5/4/23	3.72	3.8	3.68	10	28-Sep-23	3.8
Long USDHUF	9/20/2023	358.4	375	347	10	28-Sep-23	47.96
Buy ZAR/CLP	9/7/23	45.08	48.6	44	10	25-Sep-23	4.6851
Long EURPLN	5/17/2023	4.5	4.725	4.365	10	12-Sep-23	4.6851
Short USDZAR through a call spread	8/9/2023	19.06 (for USDZAR)	-	-	10	23-Aug-23	0.57
Short EURHUF	8/4/2023	391.7	372.1	403.5	10	23-Jul-23	383.4
Sell CNH/CLP	6/15/2023	111.7	108	113.6	10	4-Aug-23	118
Short EURZAR	3/1/23	19.35	18.43	22	10	27-Jul-23	19.42
Buy a 3m digital call option on USDZAR	6/20/2023	23	17	18.7	10	5-Jul-23	35.5
Lond USDILS	6/15/2023	3.58	108	113.6	10	5-Jul-23	3.73
Short USDZAR	3/23/2023	18.16	17	18.7	10	15-Jun-23	18.2
Sell MXN/CLP	5/22/23	44.85	42.00	47.00	10	15-Jun-23	46.37
Long USDPLN	3/8/2023	4.43	4.65	4.0	10	15-Jun-23	4.12
Sell USD/BRL	5/31/2023	5.08	4.85	5.2	10	13-Jun-23	4.85
Long KZT vs basket of USD and EUR via 3m NDF	5/25/2023	494.1	470	512	10	1-Jun-23	470
Sell EUR/BRL	23/Feb/23	5.43	5.20	5.80	10	18-May-23	5.34
Short PLNHUF	4/25/2023	82	77.9	84.5	10	15-May-23	81.95
Pay PHP NDF Points	3/8/2023	12	25	5	10	9-May-23	16
Long EUR/CZK	27-May-22	24.7	25.9	22.5	10	4-May-23	23.5
Sell CNH/MXN	26-Oct-22	2.72	2.50	2.90	10	24-Apr-23	2.60
SELL USDZMW VIA 9M NDF	3/6/23	22.05	20	24	10	11-Apr-23	18.53
Sell ILSCZK	3/14/2023	6.12	5.6	6.5	10	11-Apr-23	5.9
Short PLNHUF	3/17/2023	84	79.8	86.5	10	29-Mar-23	81.3
Long USDTWD 12m NDF	11/18/2022	31.17	-	29.45	10	27-Mar-23	29.37
Short USDIDR	2/16/2023	15110	14700	15400	10	8-Mar-23	15400
short ILSZAR	2/2/2023	81.65	4.74	5.14	10	13-Feb-23	4.98
Long USDILS	19-Oct-22	3.54	3.72	3.2	10	13-Feb-23	3.542
Short CZKHUF	1/18/2023	16.53	15.7	17.05	10	13-Feb-23	16.25
Long KZT vs an equal basket of USD and EUR (3m NDF)	1/16/2023	494.9	470.2	509.7	10	15-Feb-23	468
Short EURGEL (using 3m NDF)	20-Oct-22	2.714	2.94	2.53	10	1-Feb-23	2.53
Buy USDZAR	1/19/2023	17.23	17.86	16.85	10	1-Feb-23	14
Short INR vs long IDR	11/18/2022	191.9	183	188	10	18-Jan-23	184.7
Sell CAD/MXN 3m forward	29-Sep-22	15.1	14	15.5	10	18-Jan-22	14.68
Sell EUR/MXN 3m forward	29-Sep-22	20.06	19.00	21.00	10	18-Jan-22	19.72
Long USDZAR	15-Nov-22	17.3	18	16.9	10	1-Dec-22	17.6
Short EURKZT using 3m NDF	4-Oct-22	493	468.37	507.8	10	31-Oct-22	478
Short PLN/HUF	23-Sep-22	85.3	81	93	10	10-Nov-22	85
Long THB NEER	17-Jun-21	112.27	112.27	111	10	14-Oct-22	100.6
Long THB	19-Nov-21	32.60	30.0	34	10	14-Oct-22	38.08
Long 1x2 3M USD call, PHP put spread	16-Mar-22	52.975	53.5 / 54.75	-	10	14-Oct-22	53.48
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 USDILS	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-Jull-22	16.80
Sell USD/PLN	2/3/2022	4.01	3.7	4.5	10	7-Jull-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 closing levels. Does not reflect tax, withholdings or any investment advisory fees. Past performance is no guarantee of future results. A complete performance record is available on request. Inception date – July 4, 2016. For additional discussion on baseline views, valuation and risks to closed trades, please see links to the relevant reports. Trade recommendations are highlighted green when the closing value is greater than the entry value and red when the closing value is less than or equal to the entry value. **Source:** BofA Global Research

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World At A Glance Projections

Exhibit 22: G10 FX Forecasts
Forecasts as of 2-Nov-2023

	Spot	YE 2023	Mar-24	Jun-24	Sep-24	YE 2024	Mar-25	Jun-25	Sep-25	YE 2025
G3										
EUR-USD	1.07	1.05	1.07	1.10	1.15	1.15	1.16	1.17	1.18	1.20
USD-JPY	150	153	155	150	146	142	140	138.00	136	136
EUR-JPY	160	161	166	165	168	163	162	161.00	160	163
Dollar Bloc										
USD-CAD	1.38	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	0.87	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	0.96	0.98	0.99	0.99	1.00	1.00	1.02	1.02	1.05	1.05
USD-CHF	0.90	0.93	0.93	0.90	0.87	0.87	0.88	0.87	0.89	0.88
EUR-SEK	11.82	11.70	11.40	11.20	11.00	10.70	10.60	10.50	10.30	10.20
USD-SEK	11.09	11.14	10.65	10.18	9.57	9.30	9.14	8.97	8.73	8.50
EUR-NOK	11.88	11.00	10.80	10.70	10.50	10.30	10.20	10.10	10.00	9.90
USD-NOK	11.15	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 2-Nov-2023.

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Exhibit 23: EM FX Forecasts
Forecasts as of 2-Nov-2023

	Spot	YE 2023	Mar-24	Jun-24	Sep-24	YE 2024	Mar-25	Jun-25	Sep-25	YE 2025
Latin America										
USD-BRL	4.96	5.05	5.08	5.15	5.20	5.25	5.28	5.30	5.33	5.35
USD-MXN	17.61	18.50	18.80	19.00	19.30	19.50	19.80	20.00	20.30	20.50
USD-CLP	889.81	915	920	930	935	940	942	945.00	948	950
USD-COP	4,058.30	4,175	4,250	4,350	4,450	4,500	4,525	4,550.00	4,575	4,600
USD-ARS	350.00	681	957	1,239	1,518	1,782	2,034	2,288.00	2,574.00	2,895.00
USD-PEN	3.84	3.88	3.89	3.91	3.92	3.93	3.94	3.94	3.95	3.95
Emerging Europe										
EUR-PLN	4.45	4.40	4.36	4.33	4.29	4.25	4.24	4.23	4.21	4.20
EUR-HUF	381.93	400	405	410	400	399	387	375.00	362	350
EUR-CZK	24.63	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	18.37	19.00	18.50	18.00	17.00	17.50	17.80	18.00	18.20	18.40
USD-TRY	28.35	30.00	32.00	35.00	37.00	40.00	42.00	44.00	45.00	47.00
EUR-RON	4.97	5.00	5.01	5.02	5.04	5.05	5.13	5.21	5.28	5.36
USD-ILS	3.97	3.75	3.70	3.65	3.60	3.55	3.50	3.45	3.40	3.40
Asian Bloc										
USD-KRW	1,343.00	1,375	1,380	1,360	1,340	1,320	1,300	1,280.00	1,260	1,240
USD-TWD	32.37	32.70	33.00	32.80	32.70	32.60	32.50	32.40	32.30	32.20
USD-SGD	1.36	1.38	1.38	1.35	1.31	1.29	1.28	1.27	1.26	1.25
USD-THB	35.93	37.00	38.00	39.00	38.00	37.00	36.50	36.00	35.50	35.00
USD-HKD	7.83	7.83	7.83	7.80	7.80	7.78	7.78	7.76	7.75	7.75
USD-CNY	7.32	7.50	7.70	7.60	7.40	7.30	7.10	7.00	7.00	6.90
USD-IDR	15,857.00	16,000	16,200	16,300	16,200	16,100	16,000	15,900.00	15,800	15,700
USD-PHP	56.73	58.00	59.00	59.00	58.50	58.00	58.00	57.50	57.50	57.00
USD-MYR	4.75	4.90	5.00	5.00	4.90	4.80	4.70	4.60	4.50	4.40
USD-INR	83.25	84.00	84.00	85.00	85.50	86.00	86.00	87.00	88.00	88.00

Source: BofA Global Research, Bloomberg. Note: Forecasts as of 2-Nov-2023.

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