

## Global FX Weekly

## In the middle of the USD smile

**The view**

**G10.** USD weakness on soft landing, imminent Fed cuts, in the middle of the smile. Slower Fed easing, US election main risks. Elsewhere, we like GBP and AUD vs. CHF.

**EM.** Rotation into EM on expectation Fed easing will help. With policy easing already in the price, we are concerned EM FX risk premium too low if the Fed cuts by less.

**G10 Themes**

**Back to school.** USD in the middle of smile on US soft landing. Stay bearish. US elections risks. Bullish NOK, GBP, AUD vs JPY, CHF, USD.

**G10 forecasts.** We continue to see modestly weaker USD medium-term. Our EURUSD forecasts remain unchanged, 1.12 end-2024 as US disinflation supports Fed rate cuts.

**Flows & positioning.** Positioning more balanced than at end-Q2, but some vulnerabilities remain around Hedge Fund USD longs.

**Time-zone analysis.** Foreign demand drove USD higher this year but Europe-based investors have now flipped to short USD. Room for AUD upside.

**EM Themes**

**Long USD/ZAR:** Long USDZAR at 17.86 (target: 18.6, stop: 17.45, carry: c. -0.25% per month). It is a tactical trade for the next 1-2 months.

**EMFX:** US ToT + US 2y + China's hp drive EM FX after COVID. US ToT = oil now. In hard landing, oil + US 2y fall, supporting EM FX.

**Asia FX:** We made revisions across the board for EM Asia currencies to reflect the recent USD softness and our latest Fed call.

**EEMEA FX:** The US market prices in 94bps of cuts by end-2024. We expect 50bps. If US rates reprice higher, EEMEA FX should weaken.

**Latam FX :** We remain cautious on LatAm FX, as we expect global and domestic volatility to remain high in coming months.

**Quant & Vol Insights**

We advocate calendar spread structures (e.g. own 1m OTM USD call funded by short 1y OTM USD call at similar strike) given steepness of the USD risk reversal term structure.

**23 August 2024**FX Research  
Global**Table of Contents**

Key views, forecasts and latest trades	2
Our key forecasts	2
What we particularly like right now	2
Week ahead & G10 Central Bank calls	3
The view	4
G10 Themes	6
Back to School: In the Middle of the USD Smile	6
Looking to autumn in G10 FX	7
FX positioning and how we got here	8
Time zone analysis	9
EM Themes	10
Overvaluation and asymmetric risks for EM FX to drive the ZAR weaker	10
Hard landing: EM FX better performance	12
Asia FX Monthly – Fed cut takes the wind out of USD's sail	14
Risks skewed towards weaker EEMEA FX	15
Buckle up for a volatile road ahead	16
Quant & Vol Insights	17
Trade Recommendations G10	18
EM Alpha Trade Recommendations	20
World At A Glance Projections	22
Research Analysts	27

**Athanasios Vamvakidis**

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

**Claudio Piron**

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

**G10 FX Strategy**

MLI (UK)  
+1 646 855 9342

See Team Page for List of Analysts

Trading ideas and investment strategies discussed herein may give rise to significant risk and are not suitable for all investors. Investors should have experience in relevant markets and the financial resources to absorb any losses arising from applying these ideas or strategies.

**BofA Securities does and seeks to do business with issuers covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.**

**Refer to important disclosures on page 24 to 26. Analyst Certification on page 23. 12732405**

Timestamp: 23 August 2024 12:00AM EDT

# Key views, forecasts and latest trades

**Michalis Rousakis**

MLI (UK)

michalis.rousakis@bofa.com

**Claudio Piron**

Merrill Lynch (Singapore)

claudio.piron@bofa.com

## Exhibit 1: Our medium-term views

G10 and EM FX medium-term views

<b>G10</b>	We are bearish USD for 2H 2024, looking for EUR-USD at 1.12 by end-2024, above consensus' 1.10. Our bearish USD call counts on: (1) slower US growth, (2) supportive risk sentiment on Fed rate cuts, (3) valuation, and (4) positioning. We expect a mixed EUR performance vs. G10 FX, with the relative ECB stance supporting it vs. CHF and CAD, but not vs. GBP – we forecast EURGBP at 0.83 & cable at 1.35 by YE24. We remain bearish JPY, now expecting USD-JPY at 155 by year-end on carry and structural Japanese outflows. We anticipate high-beta G10 FX to perform well vs USD by year-end, continuing to favour AUD over NZD (we forecast AUD-NZD at 1.13) and CAD, and NOK over SEK – though we look for EUR-Scandies lower by year-end.
<b>EM</b>	Softer US economic conditions, on both the inflation and activity fronts, are providing a better backdrop for EM. However, the market is now turning its attention to the US cycle and fiscal discipline. Combine long positions in EM with hedges against USD spikes such as long USD/ZAR. Remain bearish CNY and the other Asian low yielders. We add short THB, vs long SGD. Hold FX carry where central banks are supportive, eg INR, TRY and also short CLP/COP on relative EM FX carry. Cautious on high-beta FX, highly dependent on global growth: CEE, ZAR, BRL less exposed than MXN. EM rates (eg Brazil, Mexico) are fundamentally attractive but require patience through FX vol assuming, as we do, the Fed doesn't cut before Dec.

Source: BofA Global Research

BofA GLOBAL RESEARCH

## Our key forecasts

### Exhibit 2: Key BofA G10 and EM FX forecasts

Forecasts as of 22-Aug-2024

(EOP)	YE 2021	YE 2022	YE 2023	1Q24	2Q24	3Q24	YE 2024	YE 2025
EUR/USD	1.14	1.07	1.10	1.08	1.07	1.10	1.12	1.17
USD/JPY	115	131	141	151	161	150	155	147
GBP/USD	1.35	1.21	1.27	1.26	1.26	1.31	1.35	1.41
AUD/USD	0.73	0.68	7.00	0.65	0.67	0.67	0.69	0.72
USD/CNY	6.36	6.90	7.10	7.22	7.27	7.38	7.38	6.90
USD/BRL	5.58	5.29	4.92	5.01	5.59	5.30	5.25	5.50
USD/INR	74.34	82.74	83.21	83.40	83.39	84.00	84.00	83.00
USD/ZAR	15.94	17.04	18.36	18.88	18.19	18.40	17.80	18.40

Source: BofA Global Research. Forecasts as of 22-Aug-2024.

BofA GLOBAL RESEARCH

## What we particularly like right now

### Exhibit 3: Our latest G10 and EM FX trade recommendations

What we particularly like right now

#### G10

<a href="#">Buy GBP/CHF via 2m risk reversal</a>	Lighter positioning and relative monetary policy given relative inflation is why we expect GBP/CHF higher
<a href="#">Buy EURUSD 6m ATMF straddle</a>	We think the levels of medium-term implied vols are attractive to own after the recent fall.
<a href="#">Buy EURCHF via 6m call</a>	We see EUR/CHF at 1.10 by end-2025. ECB priced close to perfection for 2024. Swiss financial account has worsened
<a href="#">Buy NOKSEK</a>	NOKSEK can benefit from relative Norges/Riksbank stance, central bank flows, likely lighter positioning, geopolitics
<a href="#">Buy EURUSD</a>	We are bearish USD in 2024 on the start of Fed rate cutting cycle and normalization of the overvalued USD

#### EM

<a href="#">Long USD/ZAR</a>	We recommend going long USDZAR at 17.86 (target: 18.6, stop: 17.45, carry: circa -0.25% per month).
<a href="#">Short THB vs SGD</a>	A proxy for reversal of recent THB NEER appreciation, triggered by position unwinds and softer USD
<a href="#">Sell PEN vs USD and CLP</a>	We sell PEN against an equally weighted basket of USD and CLP to reflect our view that Peru's IRD may turn negative

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



# Week ahead & G10 Central Bank calls

**Michalis Rousakis**

MLI (UK)

michalis.rousakis@bofa.com

## In focus next week

**US PCE (Fri), 2<sup>nd</sup> 3Q GDP (Thu). EA CPI (Fri). Tokyo CPI (Fri).**

### Other events by region:

- **US** durables (Mon). **CA** 2Q GDP (Fri)
- **EA** sentiment (Thu), many ECB speakers. **Riksbank minutes** (Mon) & Sweden 2<sup>nd</sup> 2Q GDP (Thu)
- **JP** IP (Fri). **AU** Jul CPI (Wed)

Source: Bloomberg. Last updated: 22-Aug-2024. Dates are according to London time

## G10 Central Bank calls

### Exhibit 4: G10 Central Bank calls

No G10 central bank meetings next week

Country	Current	Next meeting	BofA	Consensus	Priced YE 24 (bp)	BofA YE 24 base case(bp)	Narrative
US	5.38%	18-Sep	5.13%	5.13%	-96	-50	We forecast the Fed to deliver 25bp cuts at a quarterly pace, starting in September. This would mean the Fed would cut twice in 2024, four times in 2025 and two times in 2026, for a 3.25-3.50% terminal. With activity remaining solid and inflation coming in just a little stickier than the Fed would like, we do not see the need for super-sized or accelerated (once per meeting rather than once per quarter) rate cuts
Eurozone	3.75%	12-Sep	3.50%	-	-67	-50	We still expect two more cuts this year (Sep & Dec) and 125bp of cuts in 2025E, but we have delayed the acceleration of the cutting cycle to one per meeting to March 2025, given we have now delayed the timing of the inflation undershoot. Data (a persistent inflation undershoot to target) will eventually push the ECB to speed up the cutting cycle by more than they currently expect. We expect two additional 25bp cuts in 2026.
Japan	0.25%	20-Sep	0.25%	-	9	0	Our view into the July meeting was that a July hike would be followed by 25bp hikes in Jan-25 (with risk that the move comes earlier, in Dec-24) and in Jul-Sep '25, to take the end-25 policy rate to 0.75%. We keep this call for now. However, the BoJ latest communications raise the risk that the next move could come earlier than our baseline, i.e. in Oct-Dec '24, and that the terminal rate could be slightly higher than 0.75%.
UK	5.00%	19-Sep	5.00%	-	-41	-25	Above trend growth in H1 with upside risks in H2, and potential labour market tightening point to a slow easing cycle, with the next cut expected in November. We look for four quarterly cuts in 2025, and two cuts in 2026 for a 3.25% terminal rate of 3.25% by mid-2026.
Canada	4.50%	4-Sep	4.25%	4.50%	-77	-75	The July CPI report is in line with our view that the BoC will continue cutting at each meeting. We expect 25bp, with the next 25bp cut expected in Sep. We expect the policy rate at 3.75% by end-24 and at 3.0% by Apr-25. We think the bar for 50bp cuts is high, so we stick to 25bp clips unless there is evidence of a US hard landing.
Australia	4.35%	24-Sep	4.35%	-	-25	0	We continue to expect the first rate cut to be delivered by the RBA in February of next year.
New Zealand	5.25%	9-Oct	5.00%	-	-75	-50	We expect the RBNZ to deliver another two 25bp cuts this year at the October and November policy meetings, respectively, consistent with the official projection (OCR to average at 4.92% in 4Q24).
Switzerland	1.25%	26-Sep	1.00%	-	-52	-50	We look for two additional cuts this year, in Sept and Dec (by 25bp each) and a last 25bp cut in early 2025, to a policy rate of 0.5%. Risks are for lower cumulative amount of easing and a slower cycle, incl. a pause this year.
Norway	4.50%	19-Sep	4.50%	-	-30	-25	We look for one cut this year (December). In 2025 we pencil in four cuts, one per quarter, going back to 3.25% by end-25. We expect Norges to reach (their estimate of) neutral (c2.75% nominal) in 2H26.
Sweden	3.50%	25-Sep	3.25%	-	-75	-50	We now expect a cut in September, a very fragile pause in November and then cuts every meeting from December. 50bp cuts cannot be ruled out, but we still consider them unlikely

**Source:** BofA Global Research, Bloomberg. Forecasts, Bloomberg consensus (using Bloomberg surveys where consensus not available) and market pricing as of 22-Aug-2024.

BofA GLOBAL RESEARCH



# The view

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

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

## G10: in the middle of the USD smile

Across-the-board USD weakness continued this week. EURUSD above 1.11 is now very close to our end-year 1.12 forecast, vs. a USD bullish consensus that has now moved to 1.10. Dovish Fed minutes and downward payroll revisions have also weighed on the USD. The market is now waiting for Powell's speech in Jackson Hole, but we don't expect anything more than a signal for a September rate cut, already in the price, without any commitments on size and pace. It will be hard for Powell to out-dove the market and we see no reason for him to try in any case.

In our Back-to-School report this week, we argued that the FX market is in the middle/bottom of the so-called USD smile (see [Back to School: In the Middle of the USD Smile 22 August 2024](#)). The USD was strong in H1, as the strong US economy put it on the right side of the smile. Few weeks ago the USD was also strong as recession fears and risk-off moved it to the left-side of the smile. Better data since then, consistent with a soft landing, has supported risk sentiment and pushed the USD down, in the bottom of the smile, consistent with our forecasts.

The USD could weaken further, but at this point we see more balanced risks. We still expect only two Fed rate cuts this year, September and December, both 25bp, compared with the market pricing four. Although we would not necessarily expect slower Fed easing to support the USD if it is because the US has avoided a hard landing, it will also be difficult for the USD to keep weakening during such reprising. The US elections is another risk, with the polls now very close, but as we have been arguing, the policy impact can go either way for the USD (see [US Elections: The Great Debates 31 July 2024](#)). The FX market position is more balanced now, although we remain concerned about hedge funds still being long the USD (see report) ([Liquid Cross Border Flows: The USD under pressure 19 August 2024](#)). Our time-zone analysis does point to further USD downside, from selling during European hours (see [European investors are short USD now 19 August 2024](#)).

The USD would have been even weaker if data in the rest of the world was better. China data has been weakening in Q3. Eurozone PMIs were strong this week, but from a weak level last month and most likely because of the French Olympics, political stability following the French elections, and a good tourist season in the periphery.

We continue to like GBP and AUD vs. CHF. CHF positioning is cleaner now, while secular outflows should continue to weigh; we went long GBPCHF this week (see [CHF: Calm after the storm 19 August 2024](#) and [FX Alpha: Buy GBP/CHF via 2m risk reversal 19 August 2024](#)). UK PMIs improved this week, consistent with our call for a shallow BoE easing cycle, with the next rate cut in November. The RBA explicitly pushed back against market pricing of cuts in its minutes this week. Our time zone analysis is flagging positive AUD signals.



## EM FX: Revenge Rally

The EM FX rally that began tentatively in July is tearing into August. Exhibit 5 below shows the Sharpe ratios 3Q-to-date performance for EM FX, which is being led by MYR, THB and IDR on a volatility adjusted basis.

What began as a position unwind of carry trades and concerns over US recession is transforming into a rotation into EM assets on the expectation that an impending monetary easing cycle led by the Fed will help to reflate the asset class.

The obvious nuance with monetary cycles is how much is already in the price and, arguably, in the case of the Fed there is approximately 190bps of easing priced for the next one year. This suggests that the USD downside may be more limited. We argued in last week's editorial that the DXY near-term overvaluation reduced significantly to 1%.

Indeed, we are concerned that the EM FX risk premium may be too low if the Fed cuts less than expected. Alternatively, pricing of more aggressive Fed and EM cuts would require a "hard landing" recession scenario that could rally the USD. As such, we are recommending long USD/ZAR as a tactical trade – see [EM Alpha: Overvaluation and asymmetric risks for EM FX to drive the ZAR weaker 21 August 2024](#).

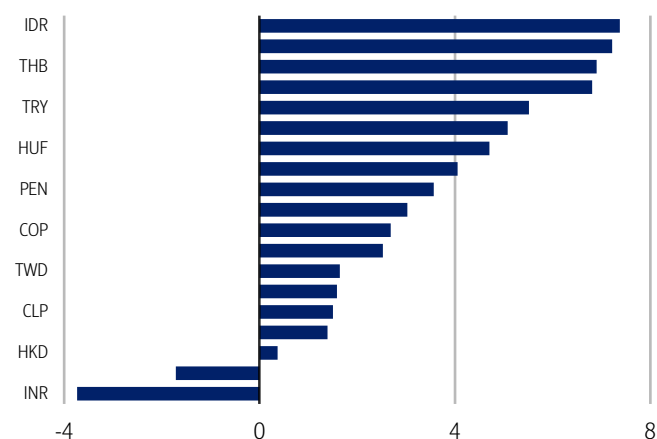
### Bigger picture dynamics - EM more resilient

Beyond three months, the EM FX picture is looking constructive. From a fundamental valuation perspective, our COMPASS model shows most EM currencies are undervalued.

Furthermore, statistical analysis shows that the key drivers of EM FX; 10yr US real rates, US terms-of-trade and China house prices, may turn in favor of supporting EM currencies in a US recession scenario: see Exhibit 6 and \*see report) [Emerging Insight: Hard landing: EM FX is likely to perform better](#) (in this weekly). Weaker US growth would result in lower oil prices, negatively affecting US terms of trade and resulting in lower US interest rates. Weak China housing prices remain a caveat but will likely result in the underperformance of CNY and NE Asian currencies relative to their EM peers.

#### Exhibit 5: 3Q-to-date EM FX Sharpe Ratio returns.

Asia FX leads volatility adjusted returns in 3Q



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

#### Exhibit 6: US rates and DXY drive PC1 of EM currencies

Monthly PCA on all major EM FX currencies (monthly average data from Jan 2020-Aug 2024)

	factor1
US Terms of Trade	-0.44
US 1y1y forward rate	0.9
Dollar index	0.93
US Swap 2s5s	-0.88
VIX Index	-0.36
EU Swap 2s5s	-0.85
USDCNY	0.83
EUR Swap rate 5y	0.92
US 2 year swap	0.93
US 10 year swap	0.89
US 10y real rate	0.94

Source: Bloomberg, Haver, MATLAB, BofA Global Research

BofA GLOBAL RESEARCH



# G10 Themes

## Back to School: In the Middle of the USD Smile

**Athanasios Vamvakidis**

MLI (UK)

[athanasios.vamvakidis@bofa.com](mailto:athanasios.vamvakidis@bofa.com)

Please see report for details: [FX Viewpoint: Back to School: In the Middle of the USD Smile 22 August 2024](#)

### In the middle of the USD smile

USD strengthened in H1 on strong US economy, but is now weakening on soft landing. Market eager to price too many Fed cuts: Fed repricing was USD positive in H1 because of strong growth and sticky inflation, but consistent with weaker USD now because of soft landing/no hard landing. Macro remains key FX driver. Latest indicators positive for NOK, EUR, GBP, negative for NZD, USD, CAD. For the rest of the year, our forecasts are bullish NOK, GBP, AUD, and bearish JPY, CHF, USD.

### US Election & the USD: it's complicated

US election less than 3 months away and polls tightening, poised to gain increasing attention in the market. We see policy changes in a Republican administration as having mixed implications for the USD, with trade/tariff policy potential for some initial (temporary) USD upside amidst elevated stagflationary risks. Another Democratic administration likely preserves the status quo from a market's perspective, which to us is a gradual continuation of USD depreciation.

### Positioning: more balanced, but still vulnerable

G10 FX positioning is more balanced than at end-Q2, but some vulnerabilities remain around Hedge Funds' USD longs. USDJPY demand stood out in H1 and its partial reversal has stood out in Q3. Price action hedge fund-driven. Real money focus on carry. Futures positioning more balanced, but FX options continues to flag some risks.

### Quant: bearish USD & CHF

Following the market shock at start of the month, Europe-based investors' cumulative year-to-date net USD return flipped from positive to negative. We see more USD downtrend continuation as both US and Europe-based investors chase the selloff. Elsewhere in G10, all of our short-term valuation metrics flag CHF as overvalued.

### Vol: calendar spread hedge on steep risk reversal term

1m1y risk reversal term spreads steep for many USD pairs. Amid newly formed bearish USD market consensus, appropriate to fund any front-end OTM USD call hedges with 1y short OTM USD call positions at similar strikes. Median forward vol premium across major USD-pairs covering US election rich at 91<sup>st</sup> percentile, although EURUSD forward vol could have more room to rise as spot exited from a low-vol range.

### Technical: DXY downside, fade seasonal rallies

DXY +/- 20-month range (triangle) pattern near end. Pattern and wave count favor downside and fading seasonal rallies while below 105. US election seasonals support DXY the closer we get to election day. If seasonal bounce, sell it. Bearish DXY triangle confirms with weekly closes below 102. It targets 98.90 / possibly 96.50 which is EUR to 1.1270 / possibly 1.1495. EUR broke higher from triangle and bullish golden cross signal.



# Looking to autumn in G10 FX

John Shin

BofAS

joong.s.shin@bofa.com

Please see report for details: [Looking to autumn in G10 FX 22 August 2024](#)

- As the end of summer approaches, we head into autumn continuing to expect a modestly weaker USD over the medium-term.
- Our EUR-USD view remains unchanged, with our forecast of 1.12 at the end of 2024 as US disinflation supports Fed rate cuts.
- Since last month, we have revised our USD-JPY profile, but have made no other G10 FX forecast changes aside from NOK.

## Multiple summer endings

After a volatile beginning to August, markets are now turning towards fall, while always keeping an eye on possible Fed comments out of the upcoming Jackson Hole conference (see [Liquid Insight, "Jackson Hole FAQ: '24 update", 15 August 2024](#)). Still, we look for a disinflationary environment to continue to lead USD broadly and modestly lower over the rest of the year and over the medium term into next year (see the Chart of the Day). We continue to expect EUR-USD to move higher over the medium term (see [World at a Glance, "Looking to autumn", 21 August 2024](#)). Of course, the move will likely still be bumpy, given the start of the Fed rate cutting cycle, heightened US political uncertainty, global geopolitical concerns, as well as markets that are still weary of the potential for recession risk.

### Exhibit 1: our medium-term view remains the overvalued USD drifting broadly lower

We continue to expect USD broad downside, including EUR-USD moving higher through next year



Source: Federal Reserve Board, Bloomberg and BofA Global Research

BofA GLOBAL RESEARCH



# FX positioning and how we got here

**Michalis Rousakis**

MLI (UK)

michalis.rousakis@bofa.com

**Athanasios Vamvakidis**

MLI (UK)

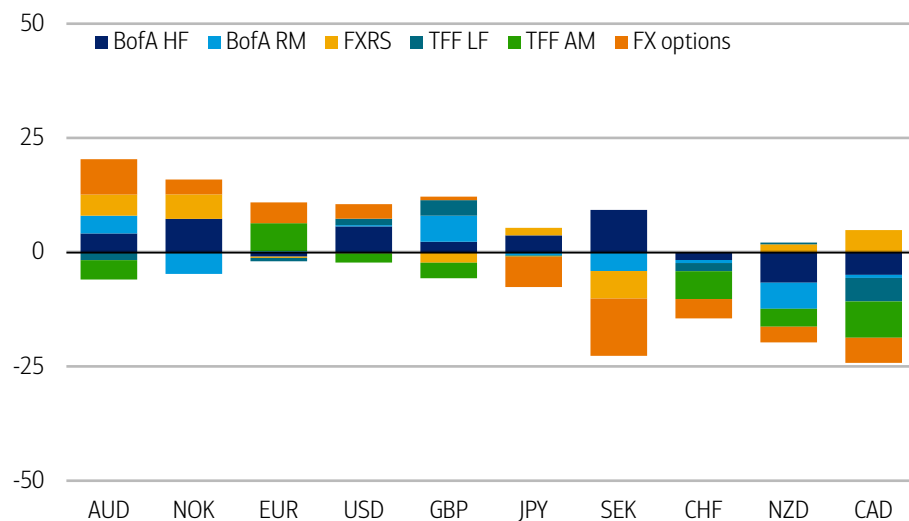
athanasios.vamvakidis@bofa.com

Please see report for details: [Liquid Insight: FX positioning and how we got here 20 August 2024](#)

The current G10 FX positioning is more balanced relative to the end of Q2. We find the market long AUD, somewhat long NOK, and short CAD, NZD, and CHF (see Exhibit 7). USD-JPY demand had stood out in 1H, and it is its partial reversal that has stood out the most so far in Q3. The G10 FX price action remains driven by Hedge Funds – vulnerabilities around their USD longs remain. Real Money remains flat EUR-USD and focused on EM FX & carry. The futures market seems more balanced than before, but the FX options market suggests risks around AUD longs, and around JPY and SEK shorts.

## Exhibit 7: Latest G10 FX positioning by component

Market long AUD, somewhat long NOK, and short CAD, NZD, and CHF, according to our signals



Source: BofA Global Research

BofA GLOBAL RESEARCH





# Time zone analysis

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

**Vadim Iaralov**  
BofAS  
vadim.iaralov@bofa.com

- Foreign demand outside US hours drove USD higher this year but Europe-based investors recently flipped to net short USD.
- USD appeal to foreigners has declined. We see EURUSD uptrend to 1.12 as both US and Europe-based investors chase the move.
- Also room for AUD to rise as Europe-based investors further pare USD longs, with more US hours EURUSD vol into US election.

Please see report for details: [Liquid Insight: European investors are short USD now 19 August 2024](#)

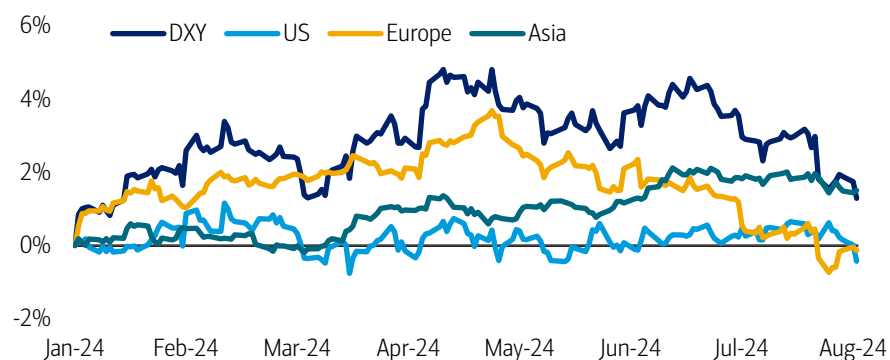
## FX time zone implications following August market shock

Demand for USD in Europe and Asia hours fueled the USD rally earlier in 2024. However, following the global market shock this month, Europe-based investors are now cumulatively net short USD for the year, coinciding with recent EURUSD breakout to 1.10. The USD has become less appealing to foreign investors as US data converged toward rest of the world amid falling US yields. Looking ahead, we discuss 3 implications for FX market: 1) EURUSD uptrend continuation to our year-end forecast of 1.12 with both US and Europe-based investors chasing the move; 2) more room for laggards like AUD to rise as Europe-based investors further pare long USD returns; 3) more EURUSD volatility in US hours into the US election. The risk to our overall view is demand for the USD from Europe-based investors resumes as global geopolitical tension rises.

\* We define US time zone as 1pm-12am UTC (9am-8pm EDT), Europe time zone as between 8am-1pm UTC (4am-9am EDT), and Asia time zone as between 12am to 8am UTC (8pm-4am EDT).

### Exhibit 1: Europe-based investors fully unwound year-to-date cumulative long USD returns

DXY year-to-date normalized price action broken down by time zone



**Source:** BofA Global Research. We define US time zone as 1pm-12am UTC (9am-8pm EDT), Europe time zone as between 8am-1pm UTC (4am-9am EDT), and Asia time zone as between 12am to 8am UTC (8pm-4am EDT).

BofA GLOBAL RESEARCH

# EM Themes

## Overvaluation and asymmetric risks for EM FX to drive the ZAR weaker

**Mikhail Liluashvili**

MLI (UK)

mikhail.liluashvili@bofa.com

**Tatonga Rusike**

MLI (UK)

tatonga.rusike@bofa.com

Full Report: [EM Alpha: Overvaluation and asymmetric risks for EM FX to drive the ZAR weaker 21 August 2024](#)

### Long USDZAR as a tactical trade

We recommend going long USDZAR at 17.86 (target: 18.6, stop: 17.45, carry: circa - 0.25% per month). The risk to the trade is continued ZAR strength due to a supportive global backdrop (for example, still strong growth in the US, but lower-than-expected US inflation). The horizon for the trade is between one and two months.

### The risks for EM FX are asymmetric

The risk premia in EM FX is too low, we think: 1) either the Fed cuts less than is priced, and rates and USD/EM go higher; or 2) data need to be worse than risk assets price in, which means wider spreads and possibly a higher USD. From a longer-term perspective, spikes in rates should be received as markets tend to underprice cutting cycles. However, into the first Fed cut the setup right now does not suggest that the backdrop is bullish EM FX.

### The ZAR looks overvalued on our regression analysis

Our regression estimate for USDZAR using the DOLS method with EM FX, relative ToT and policy rate differential on monthly average data from January 2018 to August 2024, suggests that the ZAR (against the USD) is around 2.4% overvalued (Exhibit 8). We believe there is room for this gap to close, especially if EM FX, the key driver of USDZAR, weakens. In our view, the market-friendly parliamentary election results justify some overvaluation, but 2.4% looks excessive to us given that fiscal and growth data have so failed to surprise to the upside significantly.

### Investors are long ZAR and the entry point is attractive

Positioning is turning long ZAR (see this note: [Liquid Cross Border Flows: The USD under pressure 19 August 2024](#)). This might lead to a faster increase in USDZAR than usual if EM FX weakens. In our view, the entry point for the trade is also attractive as the RSI for USDZAR is not far from 35 (Exhibit 9).

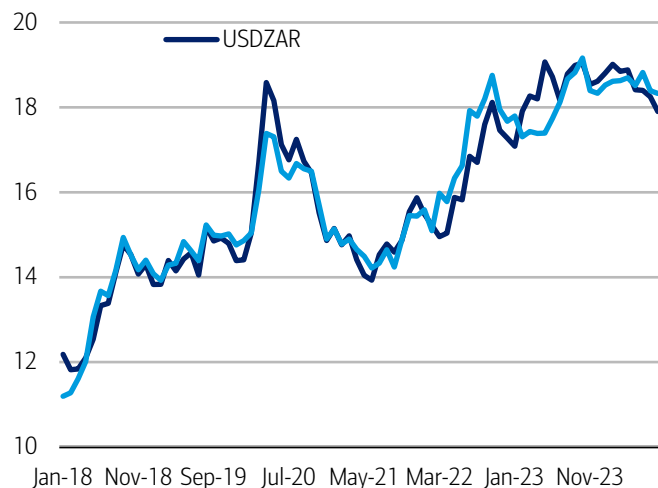
### The rand is likely to be driven by global factors from now

Our weekly PCA (over the past 40 weeks) suggests that the correlation of USDZAR to the first principal component has turned negative, which is very unusual (Exhibit 10). We believe this has been driven by significant local developments that affected the market (elections and loadshedding, among other things). However, now the local story is becoming secondary and global factors should dominate, in our view. For more details on the PCA analysis, please see this note: [Emerging Insight: Hard landing: EM FX is likely to perform better than in previous episodes 20 August 2024](#).



**Exhibit 8: The rand looks overvalued by about 2.4%**

Explanatory variables include EM FX, relative ToT, policy rate differential

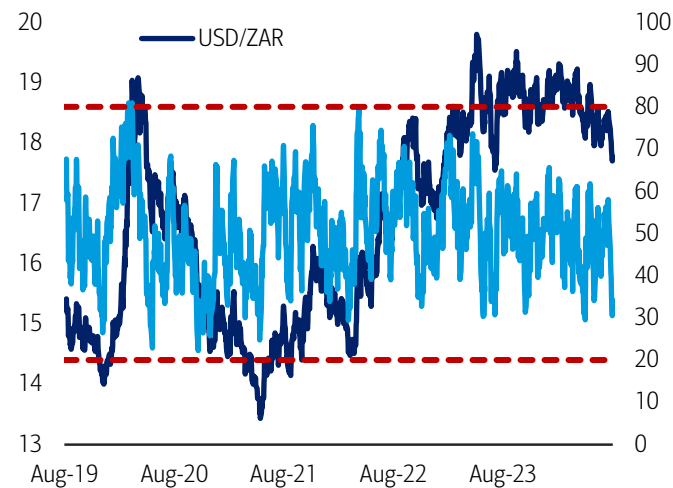


Source: Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

**Exhibit 9: The entry point for USDZAR long looks attractive on RSI**

RSI is close to 30 now



Source: Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

**Exhibit 10: USDZAR has had a negative correlation with the first PC in the past 40 weeks**

The table shows the correlation between USDXXX and PCs for PCA done over the past 40 weeks

	Factor 1	Factor 2	Factor 3
BRL	-0.24	0.31	0.41
CLP	0.88	0.22	0.04
CNY	0.81	-0.04	-0.53
COP	0.66	0.18	0.46
CZK	0.51	0.76	-0.31
HUF	0.88	0.27	0.26
INR	0.95	-0.22	0.11
IDR	0.87	-0.05	-0.06
ILS	0.81	-0.23	-0.44
KRW	0.98	0.07	0.04
MYR	0.97	-0.13	-0.06
MXN	-0.60	0.73	-0.08
PEN	0.15	-0.03	0.91
PHP	0.97	-0.06	0.12
PLN	0.63	0.53	0.36
SGD	0.18	0.90	-0.27
ZAR	0.87	-0.06	-0.25
TWD	0.93	-0.09	-0.32
THB	0.93	0.06	0.28
TRY	0.88	-0.39	0.08

Source: Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

# Hard landing: EM FX better performance

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

**David Hauner, CFA >>**  
MLI (UK)  
david.hauner@bofa.com

Full Report: [Emerging Insight: Hard landing: EM FX is likely to perform better than in previous episodes 20 August 2024](#)

## China's hp, US ToT and 2y swap drive EM FX after COVID

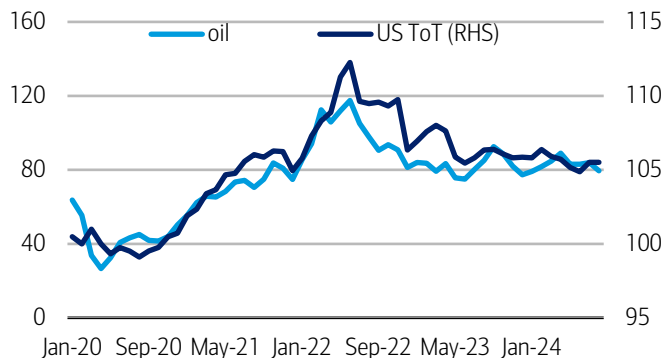
Since COVID, China's house prices coupled with US ToT and US 2y swap have explained EM FX performance. This implies that EM currencies are driven by the strength of China's economy, US terms of trade and US monetary policy. This is a big change from pre-COVID times. In our previous piece, we showed that global real growth (proxied by EM export volumes) and commodity prices drove EM currencies in the period between the Global Financial Crisis and COVID (see [Emerging Insight: Hard landing might be less bad than usual for EM FX 05 December 2023](#)).

### US ToT have been very correlated with oil prices since COVID

After COVID, US ToT became positively and strongly correlated with oil prices. The correlation coefficient between the two variables is circa 0.94 for January 2020 to July 2024. This strong relationship is driven by the fact that the US has become a major oil exporter, in our view. This is a big change from pre-COVID times when the correlation was negative at circa -0.87.

#### Exhibit 11: Higher oil = better US terms of trade after COVID

The correlation is circa 0.94

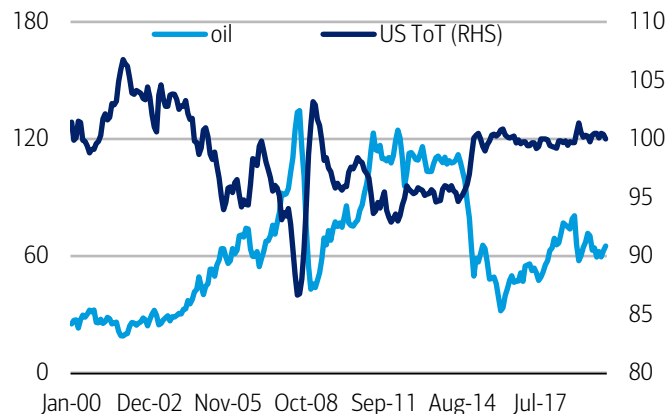


Source: Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

#### Exhibit 12: Higher oil = worse US terms of trade before COVID

The correlation is circa -0.87



Source: Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

### Oil prices + US 2y swap should drop in a hard landing, supporting EM FX

In a hard-landing scenario, a fall in oil prices and, hence, deterioration in US ToT coupled with a fall in US 2y swap (as the Fed cuts more than priced) should provide support for EM FX. However, this analysis assumes that the drivers of EM FX do not change.

### In the case of a major credit event, EM FX might weaken as much as before

Drivers of EM FX tend to change over time and major events (such as the Global Financial Crisis, oil price shocks, COVID) are usually the triggers for that. As a result, if there is a major credit event, EM FX would probably weaken significantly as risk-off would most likely overshadow any potential support from US ToT and monetary policy, in our view.



## PCA analysis: hard landing might not as bad as before

Our analysis confirms that global growth has become less important for EM FX since COVID, while the importance of US rates and China has increased. We update monthly and weekly PCA for EM FX, including all major EM currency pairs against the USD. We use the period from January 2020 to now for the monthly frequency and past 42 weeks for the weekly PCA. For reference, our PCA analysis for January 2010 to December 2019 was done in this piece: [Emerging Insight: EM FX has become more idiosyncratic since COVID 17 January 2024](#).

### Monthly PCA: global growth less important than before because...

Global growth, which we proxy using EM exports, does not seem to matter much for the first three principal components. This supports our view of better EM FX performance in a hard landing compared with previous episodes. This a change from the pre-COVID period when EM export volume was strongly correlated with the first principal component and EM export prices were correlated with the second (see report0 [\(Emerging Insight: EM FX has become more idiosyncratic since COVID 17 January 2024\)](#).

### US rates, DXY + VIX are the main drivers of the first and second PCs now

The first principal component is driven by US rates and DXY, while US ToT, US BAA 10y spread and VIX have the strongest correlation with the second after COVID. The first principal is cointegrated only with DXY and the US 10y real rate, while the second principal component is cointegrated only with VIX. Exhibit 13 shows the results of monthly PCA of EM FX for the period January 2020 to now.

#### Exhibit 13: US rates and DXY drive PC1; VIX drives PC2

Monthly PCA on all major EM FX currencies (monthly average data from Jan 2020-Aug 2024)

	factor1	factor2	factor3
Brent crude oil	0.45	-0.13	0.63
Industrial metals	0.05	-0.19	0.82
US BAA 10y spread	-0.33	0.64	-0.46
US Terms of Trade	-0.44	0.62	-0.15
US 1y1y forward rate	0.90	-0.20	0.22
US 5y breakeven	0.06	-0.24	0.82
US money market conditions	0.75	-0.45	-0.01
US 5y5y real rate	0.47	-0.42	0.64
Dollar index	0.93	0.18	0.07
US Economic Surprises	-0.50	-0.28	-0.02
US Swap 2s5s	-0.88	0.13	0.08
VIX Index	-0.36	0.62	-0.27
EU Swap 2s5s	-0.85	0.25	0.01
USDCNY	0.83	-0.01	-0.51
Atlanta Fed GDP	-0.14	-0.33	0.22
EUR Swap rate 5y	0.92	-0.25	0.17
China Economic surprises	-0.01	-0.22	0.15
US 2 year swap	0.93	-0.24	0.14
US 10 year swap	0.89	-0.31	0.22
US 10y breakeven	0.19	-0.30	0.80
US 10y real rate	0.94	-0.27	-0.04
US 5 year swap	0.91	-0.27	0.20
UST Implied Index	0.76	0.01	0.28
China House Prices	-0.50	0.16	0.65
EM export volume	0.52	-0.36	0.66
EM export price	0.37	-0.06	0.80
EM exports	0.46	-0.17	0.78

Source: Bloomberg, Haver, MATLAB, BofA Global Research

BofA GLOBAL RESEARCH

### Weekly PCA: EM FX is mainly about China and US inflation, not global growth

US ToT, USDCNY, China's house prices and DXY are most correlated with the first principal component. Only China house prices and USDCNY are cointegrated with the first principal component. The second principal component is most correlated with US breakevens and US economic surprises, while global growth variables matter a lot less for EM FX than before COVID. Only US 5y and 10y breakeven inflation variables are cointegrated with the second principal component.

# Asia FX Monthly – Fed cut takes the wind out of USD's sail

**Claudio Piron**

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

**Adarsh Sinha**

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

Full Report: [The EM Asia FX Strategist: Asia FX Monthly – Imminent Fed cut takes the wind out of USD's sail 21 August 2024](#)

## Summary of FX views

**CNY/CNH (bearish):** Revise 3Q/4Q24 USDCNY forecasts to 7.38 (7.45 prior) vs Bloomberg consensus' 7.22/7.20. Drivers: diverging yield differentials, unbalanced policy

**HKD (bearish):** USDBHKD is currently impacted by the overall direction of USDCNH. We believe the USDBHKD can move higher once the US\$ sell-off cools down.

**INR (neutral):** Portfolio flows turned negative on equity outflows, but RBI continued two-way smoothing. See some room for INR to catch up with peers.

**IDR (neutral):** Inflows into bills continued but with limited IDR impact. Appreciation likely led by portfolio and corporate flows. Revise end-2024 forecast to 15,600/USD.

**KRW (neutral):** The KRW saw significant strength as USDKRW caught up with the broader DXY. We are bullish KRW medium-term but are neutral, given the recent rally.

**MYR (neutral):** Onshore USD deposit conversion likely supported MYR appreciation. Expect BNM to unwind short USD forward book. Revise end-2024 forecast to 4.50/USD.

**PHP (neutral):** BSP's dovish bias keeps PHP weak relative to peers, but USD direction should dominate until momentum stabilizes. Revise end-2024 forecast to 56/USD.

**SGD (neutral):** Expect steady appreciation of the SNEER on sticky inflation keeping the policy steady. Revise end-2024 forecast to 1.31/USD on broad USD weakness.

**TWD (neutral):** Spot USDTWD heavy from lifer hedging and corporate selling of US\$. NDF curve is highly depressed and looks good to pay when the US\$ stabilizes.

**THB (neutral):** THB NEER appreciation inconsistent with the weak outlook. Tightening financial conditions raise the risk of intervention. Revise end-2024 forecast to 35/USD.

**VND (bearish):** Political uncertainty remains a negative for VND, but the economic cycle is recovering. We continue to expect VND to underperform in 2H.

### Exhibit 14: Asia FX forecasts for next 4 quarters#

Bearish CNY, HKD, and VND. Neutral on the rest.

Currency	View/bias	Spot	3Q '24	4Q '24	1Q '25	2Q '25
USD/CNY	<b>Bearish</b>	7.15	7.38	7.38	7.3	7.2
USD/HKD	<b>Bearish</b>	7.79	7.83	7.8	7.77	7.75
USD/INR	<b>Neutral</b>	83.8	84	84	83.5	83.5
USD/IDR	<b>Neutral</b>	15485	15700	15600	15500	15400
USD/KRW	<b>Neutral</b>	1334	1350	1330	1310	1290
USD/MYR	<b>Neutral</b>	4.38	4.5	4.5	4.45	4.4
USD/PHP	<b>Neutral</b>	56.61	57	56	56	55.5
USD/SGD	<b>Neutral</b>	1.31	1.32	1.31	1.3	1.29
USD/TWD	<b>Neutral</b>	31.94	32.25	32.10	31.90	31.70
USD/THB	<b>Neutral</b>	34.35	36	35	34.5	34.5
USD/VND	<b>Bearish</b>	24924	25200	25200	25100	25100

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH



# Risks skewed towards weaker EEMEA FX

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

**Mai Doan**  
MLI (UK)  
mai.doan@bofa.com

Full Report: [The EEMEA FX Strategist: Risks skewed towards weaker EEMEA FX 20 August 2024](#)

## Asymmetric risks for EEMEA FX against USD

The market prices in circa 94bps of cuts by the end of 2024 in the US curve, which is significantly more than our forecast of 50bps. This creates asymmetric risks to EEMEA FX. If US rates reprice higher, then EEMEA FX is likely to weaken. At the same time, the Fed is most likely to deliver 100bps of cuts if data print worse than risk assets price in. Only downside surprises to US inflation with growth holding firm can support EEMEA FX against the USD in the short term, in our view.

**PLN (bullish):** A strong basic balance and equity inflows as well as repricing of Polish rates higher should bring EURPLN below the levels implied by forwards.

**ZAR (bearish):** We are bearish the ZAR as risks to EM FX are asymmetrically skewed towards its weakness; the rand is likely to be driven by global factors from now on.

**TRY (neutral):** Monetary policy is tight and supportive for current account adjustment and hence the currency; our forecast is broadly in line with forwards.

**ILS (neutral):** Geopolitical risks are crucial for the ILS, making the outlook binary.

**CZK (bullish):** We expect less in cuts than the market prices in, which should support the CZK in the short term; a weaker dollar will drive the CZK stronger in the medium term.

**HUF (neutral):** The NBH is about to pause the cutting cycle, which should support the HUF; a weaker dollar should drive EURHUF in the medium term.

### Exhibit 15: EEMEA FX forecasts for the next four quarters

Bullish PLN and CZK; neutral TRY, ILS and HUF; bearish ZAR

Currency	View/bias	Spot	Forecasts			
			3Q 2024	4Q 2024	1Q 2025	2Q 2025
EUR/PLN	bullish	4.27	4.23	4.20	4.20	4.20
USD/ZAR	bearish	17.82	18.4	17.8	17.5	18.0
USD/TRY	neutral*	33.75	35.0	38.0	40.0	42.0
USD/ILS	neutral*	3.71	3.70	3.65	3.60	3.55
EUR/CZK	bullish	25.18	25.0	24.7	24.4	24.2
EUR/HUF	neutral*	394	395	395	387	375

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

BofA GLOBAL RESEARCH



# Buckle up for a volatile road ahead

**Christian Gonzalez Rojas**  
BofAS  
christian.gonzalezrojas@bofa.com

**Ezequiel Aguirre**  
BofAS  
ezequiel.aguirre2@bofa.com

Full Report: [The LatAm FX Strategist: Buckle up for a volatile road ahead 22 August 2024](#)

## Summary of FX views

We remain cautious on LatAm FX as we expect global volatility to remain high in coming months. This reduces the carry appeal of LatAm FX, which we do not expect to outperform. Domestic uncertainty in some countries may also cause pressure.

**ARS (bearish\*)**: Debt payments and low grain prices to pressure FX reserves. Slow ARS depreciation raises overvaluation concerns. We see USD/ARS at 1,200 by 2024-end.

**BRL (bullish\*)**: Risk premium seems excessive. Our constructive fiscal and inflation outlook supports a stronger FX and lower rates. We see USD/BRL at 5.25 by 2024-end.

**CLP (neutral\*)**: Commodity prices and a pause in the easing cycle have provided some support. Yet, further rate easing may materialize. We see USD/CLP at 925 by 2024-end.

**COP (neutral\*)**: We expect BanRep to cut faster in coming months amid a negative output gap, putting some pressure on COP. We see USD/COP at 4,100 by 2024-end.

**MXN (bearish\*)**: MXN overvaluation has narrowed somewhat, as Mexico entered a volatility-heavy period that will likely prevail. We see USD/MXN at 19.5 by 2024-end.

**PEN (bearish\*)**: A negative interest rate differential by 2024-end and extending through 2025 will likely lead to PEN weakness. We see USD/PEN at 3.82 by 2024-end.

**UYU (bullish\*)**: Favorable structural reform progress, external dynamics and macro may provide support to the currency. We see USD/UYU at 40.8 by 2024-end.

**CACs**: We are bullish CRC amid high productivity, and neutral DOP amid high rates and positive macro. We see USD/CRC at 515 and USD/DOP at 60.0 by 2024-end.

### Exhibit 16: BofA quarter-end FX forecasts

We are bearish ARS, bullish BRL, neutral CLP, neutral COP, bearish MXN, bearish PEN

Currency	View/bias	Forecasts			
		3Q '24	4Q '24	1Q '25	2Q '25
USD/ARS (official)	bearish*	1,050	1,200	1,350	1,500
USD/ARS (blue chip)	--	1,400	1,500	1,600	1,650
USD/BRL	bullish*	5.30	5.25	5.25	5.30
USD/CLP	neutral*	920	925	928	930
USD/COP	neutral*	4,050	4,100	4,250	4,300
USD/CRC	bullish*	519	515	518	520
USD/DOP	neutral*	59.7	60.0	60.5	61.0
USD/MXN	bearish*	19.20	19.50	20.00	20.50
USD/PEN	bearish*	3.80	3.82	3.83	3.84
USD/UYU	bullish*	40.6	40.8	41.5	41.7

Source: BofA Global Research

BofA GLOBAL RESEARCH

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





# Quant & Vol Insights

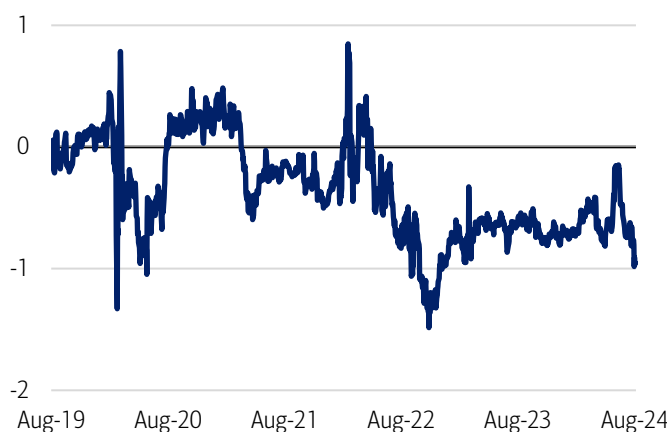
**Howard Du, CFA**  
BofAS  
yuhao.du@bofa.com

**Vadim Iaralov**  
BofAS  
vadim.iaralov@bofa.com

## Front-end USD put demands led to steep USD risk reversal term premiums

In response to the sharp month-to-date USD spot selloff, the 1m1y risk reversal term spreads are now steep for many USD pairs. The front-end 1m EURUSD risk reversal has sharply moved for USD puts and now sits at close to +0.17 vol in favor of EURUSD call. To the contrary, the back-end 1y EURUSD risk reversal has stayed at around -0.85. As a result, the 1m1y (1y tenor minus 1m tenor) EURUSD risk reversal term spread is now at 95<sup>th</sup> percentile relative to the past 5 years (Exhibit 17). Similar risk reversal term steepness can also be seen in USDJPY and USDCHF (Exhibit 18).

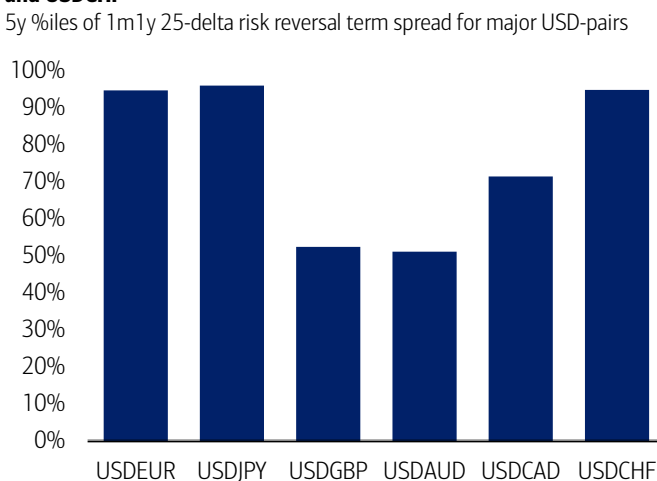
**Exhibit 17: EURUSD 1m1y risk reversal term spread is at 95<sup>th</sup> percentile**  
1m1y 25-delta EURUSD risk reversal term spread



**Source:** BofA Global Research, Bloomberg. A more negative number corresponds to greater premium for 1y OTM USD calls vs 1m OTM USD calls.

BofA GLOBAL RESEARCH

**Exhibit 18: Risk reversal term premiums are steep for EURUSD, USDJPY and USDCHF**  
5y %iles of 1m1y 25-delta risk reversal term spread for major USD-pairs



**Source:** BofA Global Research, Bloomberg. Closer to 100<sup>th</sup> percentile corresponds to greater premium for 1y OTM USD calls vs 1m OTM USD calls.

BofA GLOBAL RESEARCH

## Position for USD retracement with calendar spreads

Amid newly formed bearish USD market consensus, we believe it is more appropriate to fund any front-end OTM USD call hedges with 1y short OTM USD call positions at similar strikes. While we believe the USD could have more room to fall, some investors have started looking into ways to position for a retracement of the USD weakness into the seasonally risk-off month of September. The vol shock at the start of August also shows heading into the Fed cutting cycle and US election, the market could exhibit more risk-off episodes. The USD typically serves as the appropriate risk-off hedge, but we believe owning near-term USD calls outright is not ideal amid the newly formed bearish USD market consensus.

Instead, to hedge any near-term market shocks, investors may consider owning cheap front-end OTM USD calls funded by back-end USD calls with similar strikes to take advantage of the risk reversal term-structure steepness. The front-end OTM USD call would benefit from retracement of the existing selloff and rising vol amid a risk-off shock, while the back-end short USD call position allows one to maintain positioning in the bearish USD medium-term view.

# Trade Recommendations G10

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

## Exhibit 19: Open trades G10

Current G10 FX trade recommendations. Prices as of 20-Aug-2024.

Trade Description	Open Date	Entry Price	Expiry Date	Current Price	Rationale	Risks
<a href="#">Buy 2m 1.10/1.13 GBP/CHF risk reversal</a>	19-Aug-24	Rec 0.074% GBP (spot ref 1.1213, vol refs 7.464 and 7.342)	17-Oct-24	-0.2378% GBP	Expected rate differential to support GBPCHF amid cleaner carry positioning.	Renewed global vol and geopolitical shock.
<a href="#">Buy 3m 11.65/11.40 EUR/NOK put spread</a>	9-Aug-2024	0.70% EUR (spot ref 11.8054, vol refs 9.01% and 8.33%)	11-Nov-2024	0.8528% EUR	NOK undervalued vs fundamentals in Q3 '24. Expect NOK weakness to also keep Norge Bank cautious on rate cuts.	Risk-off shock, or strong US data leading to broad-based USD rally.
<a href="#">Buy 6m ATMF EURUSD straddle</a>	8-Apr-2024	3.3558% EUR (spot ref 1.0804, strike ref 1.0880, vol ref 6.019)	7-Oct-24	2.4992% EUR	Current level of 6m implied vol underprices spot trends and risk catalysts in the coming months.	Continuation of the broadly low vol regime for rest of '24 as investors' reluctance to make directional FX trades persists.
<a href="#">Buy 6m 0.96538 EUR/CHF call</a>	3-Apr-24	1.4382% EUR (spot ref 0.97737, vol ref 5.186%)	2-Oct-24	0.2804% EUR	We see more trend-followers chasing a weaker CHF after SNB rate cut. The call structure also benefits from favorable carry and vol backdrop.	ECB cutting by more than current rates market pricing for the year.
<a href="#">Buy NOKSEK</a>	1-Feb-24	0.9949 (target: 1.0240, revised stop/loss: 0.9480)	Spot	0.9757	Relative Norges/Riksbank stance, central bank flows, lighter positioning, hedge higher geopolitical risks	Lower oil prices, weaker than expected Norway data, too high EURSEK for Riksbank's comfort
<a href="#">Buy EUR/USD</a>	16-Nov-23	1.0859 (target 1.15, stop/loss: 1.04)	Spot	1.1079	The trade expresses our baseline cyclical bearish USD view for 2024 on the start of Fed rate cutting cycle and normalization of the overvalued USD	A later than expected start to the Fed rate cutting cycle

BofA GLOBAL RESEARCH

Source: BofA Global Research



**Exhibit 20: G10 FX Closed trades**

Recently closed trades in G10 FX.

Trade Description	Entry date	Entry Level	Target	Stop	Close date	Level closed
Short USD/CAD via 2m seagull structure	1-Aug-2024	Buy 1.36-strike put funded by short 1.38-1.40 strike call spread. Initially receive 0.26% USD (spot ref 1.3846, vol refs 4.797, 4.674 and 5.156).			19-Aug-2024	0.3158% USD (spot ref 1.3666)
Buy 3m 11.80-11.40 EUR/NOK put spread	23-Jul-2024	0.67% EUR (spot ref 11.9831, vol ref 7.44%/6.7%)			1-Aug-2024	1.32% EUR (spot ref 11.7483, vol refs 8.30%/7.61%)
Buy 3m AUD/CHF risk reversal	6-May-24	Zero-cost (strikes: 0.5795/0.6096, spot reference: 0.5988)			16-Jul-2024	0.13% AUD, spot reference: 0.6019
Buy 3m EUR/SEK call spread	7-Jun-24	0.62% EUR (spot ref 11.3891, strikes 11.40 and 11.60, vol refs 5.7)			12-Jul-24	0.87% EUR, spot ref 11.5009
Buy NZD/CAD	6-Jun-2024	0.8465	0.8750	0.83	4-Jul-2024	0.83
Buy 3m GBP/USD 1.3074 call	8-Mar-2024	0.51% GBP (spot ref: 1.28, vol ref: 5.89%)			10-Jun-24	Option expired OTM, spot ref 1.2731
Buy 3m EUR/JPY 158/155 put spread	26-Jan-24	0.6663% EUR (spot ref: 160.41, vol refs: 8.709 & 8.965)			25-Apr-24	Option expired OTM, spot ref 166.85
Buy 4m EUR/GBP vol swap	16-Nov-23	5.1	6.0	4.5	20-Mar-24	4.3
Buy AUD/NZD 1.0675 call	23-Feb-24	0.51% AUD (spot ref: 1.0592, vol ref: 4.675%)			14-Mar-24	1.15% (spot reference 1.0744)
Buy USDSEK	2-Feb-24	10.49		10.30	26-Feb-24	10.30
Buy 3m 1x1.5 0.8320/0.95 EUR/CHF call spread	2-Jan-24	0.53% EUR (spot ref: 0.9320, vol refs: 5.8% and 5.25%)			20-Feb-24	1.1% EUR (spot ref 0.95127)
Buy 3m GBP/CHF 1.0950/1.1100 call spread	5-Feb-24	0.47% GBP (spot ref: 1.0947, vol refs: 6.2% & 5.6%)			14-Feb-24	0.82% GBP (spot ref 1.1119)
Buy 3m 1x1.5 GBP/SEK call spread	12-Jan-24	0.66% GBP (spot ref: 13.1008, vol refs: 7.95% and 7.47%)			29-Jan-24	0.91% GBP (spot ref: 13.3066, vol refs: 7.38% and 6.89%).
Buy 3m 1.90/1.86 GBP/AUD put spread	16-Nov-23	0.6806% GBP (spot ref: 1.9192, vol refs: 7.207 and 7.007)			3-Jan-24	1.2315% GBP (spot ref 1.8762, vol refs 7.354 and 6.921)
Sell EUR/NOK via 6m risk reversal (buy 6-month 11.35 put and sell 12.20 call)	16-Nov-23	Receive 0.7307% EUR (spot ref: 11.8623, vol refs: 8.929 and 9.108)			3-Jan-24	Trade costs 1.91% EUR (spot ref: 11.3215, vol refs: 9.67%/10.13%)
Sell 1m 143.50/137.00 USD/JPY put spread	8-Dec-23	Receive 1.0024% USD (spot ref: 144.33, vol refs: 10.738 and 13.634)			19-Dec-23	Receive 0.72% USD (spot ref: 144.50, vol refs: 9.431 & 11.919)
Buy 1y 25-delta AUD/USD risk reversal (call strike 0.7391, put strike 0.6049)	17-Nov-22	Zero cost (spot ref: 0.6693, vol refs: 12.253 and 14.892)			17-Nov-23	0.65 (options expired worthless)
Buy CAD/MXN	23-Oct-23	13.3338	14.00	13.00	01-Nov-23	13.00
Buy EUR/SEK via 3-month collar (buy 3m 11.8380 call, sell 3m 11.3143 put)	13-Oct-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-Oct-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-Sep-23	0.3827% GBP (spot ref 1.9516, put spread vol refs: 8.346/8.099; short call ref: 8.450)			22-Sep-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-Jun-23	Receiving 1.0126% USD (spot ref: 0.8967, vol ref: 6.44)			24-Aug-23	0.8845
Sell 2m 25-delta OTM EUR/GBP put	23-Jun-23	Receiving 0.31% EUR (strike ref 0.8472, vol ref 5.584, spot ref 0.8592, expiry August 24)			03-Aug-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-Jul-23	Zero cost (spot ref: 10.2724, vol refs: 12.296% and 10.202%, expiry Oct 19)			01-Sep-23	1.3316% USD (spot ref: 10.6109, vol refs: 11.777% and 10.377%)
Buy 3m USD/CHF vol swap	14-Apr-23	8.15%	9.5%	7.5%	14-Jul-23	Accumulated 7.6319%
Sell 1y 1.04 EUR/USD put	11-Apr-23	1.1445% EUR (spot ref: 1.0857, vol ref: 8.517)			23-Jun-23	0.5238% EUR (spot ref: 1.0960, vol ref: 7.42)
Buy NOK/SEK	28-Apr-23	0.9638	1.06	0.9280	21-Jun-23	1.0045
Enter 2m/6m USD/CAD put spread (sell 2m 1.40 put, buy 6m 1.40 put)	13-Mar-23	0.96% USD (spot ref: 1.3782, vol refs: 8.123/7.877)			07-Jun-23	1.66% USD (spot ref: 1.3381)
Buy AUD/CAD	14-Mar-23	0.9028		0.89	25-May-23	0.89

BofA GLOBAL RESEARCH

Source: BofA Global Research



# 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
<u>Short THB vs SGD</u>	1-Aug-24	26.54	26.70	27.2	26.2	10	Proxy for reversal of recent THB NEER appreciation, triggered by position unwinds and softer USD.	Sharp USD weakness or improvement in Thailand's growth and exports outlook which may support THB appreciation.
<u>Short CLP/COP</u>	11-Jul-24	4.36	4.3032	4.08	4.53	10	We like to sell CLP/COP to take advantage of the favorable carry profile amid a globally supportive environment for carry.	Higher copper prices, a drop in oil prices, dovish surprises in Colombia, hawkish surprises in Chile.
<u>Long KZT vs an equal basket of USD and EUR (3m NDFs)</u>	25-Jun-24	494.2	507.39	469	507	10	Sanctions on Russia have triggered KZT weakness without altering its fundamentals. Current levels are attractive to buy KZT.	The risks are disruptions from rising geopolitical tensions and a much stronger-than-expected broader USD.
<u>3M USD call, CNH put spread</u>	13-May-24	7.1965	7.1476	7.25/7.35	-	10	This is motivated by US-China yield gap, underlying disinflationary pressures and excess capacity concerns.	China's policy makers initiate a more forceful domestic demand stimulus policy
<u>9M dual digital USD/CNH &gt;7.30, gold rally &gt; 6%</u>	13-May-24	7.242	7.1476	1285	1580	10	The longer tenor hedges against a combination of geo-economic risks (rising US-China trade tensions and tariffs) and geo-political risk in the Middle East.	China's policy makers continue to target CNY stability.
<u>Short PEN against a basket of USD and CLP</u>	09-May-24	100	100.5	106	97.5	10	In our view, BCRP may push the IRD into negative territory by 4Q24. The last time this happened in 2005, PEN depreciated.	rebound in inflation, a hawkish shift from BCRP.
<u>Short USDNGN 3M NDF</u>	07-May-24	1384	1585	1285	1580	10	Hikes have materialised & FX backlog has now cleared. Short-term wins from FX reform and monetary policy, the next big focus is fiscal reform.	persistent low oil prices and a lack of dollar inflows in the country..
<u>Buy 6-month USDHKD call spread</u>	24-Apr-24	7.8299	7.793	7.7925 / 7.8365	-	10	With Fed cuts delayed, we remain comfortable with short HKD carry trade. Next date to watch is June-July div payment season.	aggressive tightening in HK\$ funding conditions, resulting in higher HIBOR and lower spot USDHKD.
<u>Short CNH, long basket</u>	17-Nov-23	100	-	94	102	10	We expect CNH to underperform peers as PBOC will lean-in against appreciation in an effort to keep monetary conditions loose. Basket earns 8bps 3M carry	The risk to the trade is a large fiscal policy stimulus and economic recovery, ending the need for loose monetary policy and CNY appreciates aggressively in 6months.
<u>Long USDHUF</u>	10/12/23	363.56	358.9	382	338	10	Stronger USD + weak BoP fundamentals in Hungary + still long positioning + focus on growth in Hungary = long USDHUF.	Weaker broader dolla.

**Source:** BofA Global Research. Spot values as of August 15 2024. Bid/offer spreads accounted for in initiation and closing levels. Does not reflect tax withholdings or any investment advisory fees. Past performance is no guarantee of future results. A complete performance record is available on request. Inception date – July 4, 2016 Initiation and closing prices are priced as of trade publication.

BofA GLOBAL RESEARCH



**Exhibit 22: Closed trades**

## EM Alpha Trade Recommendations

Trade description	Entry date	Entry Level	Target	Stop	Notional	Close date	Level closed
Short USDPKR using 3m NDF	02-May-24	289	275	298	-	8/12/2024	278
Short EURPLN using a 6m digital option (strike: 4.2)	1/13/2024	17%	strike: 4.2	-	-	8/15/2024	-
Long INRTWD 3m NDF	30-May-24	0.384	0.4	0.377	-	8/17/2024	.389
Pay 2-month USDHKD forward points	3-June-24	-134	-40	-180	-	7/30/2024	-117
Buy BRL/JPY	23-Apr-24	29.90	32	28	-	7/24/2024	28
Long IDR vs PHP	31-May-24	277.7	272	280	-	7/15/2024	276.45
Long TRYCZK using 3m forward	15-May-24	0.643	0.675	0.624	-	6/27/2024	0.675
Long USDZAR	21-Jun-24	17.99	18.9	17.35	-	6/27/2024	18.47
Buy 4m T-bill in Egypt FX -unhedged	14-Mar-24	T-bill price: 92.2; USDEGP: 47.88	T-bill price: 100	USDEGP: 52.2	-	6/26/2024	98.6
Short THB vs USD using 3m forwards	21-May-24	36.18	36.9	35.8-	-	6/10/2024	36.9
Buy USDINR down-and-in one-touch option for 1m	16-May-24	83.53	82.5	-	10	6/5/2024	83.61
Worst off 6M USD/IDR>5 % OTMS, USDPHP>5% OTMS	17-Nov-23	32bps	-	-	10	5/30/2024	-
3m USD call CNH put spread	17-Nov-23	39.8bps	7.30/7.55	-	10	5/17/2024	-
1yr USD/CNH vol swap at 6-175%	8/2/23	6.175	-	5.00	10	5/17/2024	-0.1
Short RONCZK	5/24/2023	4.77	4.53	5.2	10	5/16/2024	-0.1
Short USDZAR	11/15/2023	18.15	10	14	10	5/13/2024	12.50
Sell EUR/CLP	2-Apr-24	1063	1000	1100	10	5/6/2024	1000
Pay 1x3 USDTWD NDF	3/18/2023	-163	-111.	-190	10	4/22/2024	-63
Buy USDZAR 6m 25 Delta Risk Reversal	16-Feb-24	1.491	2.5	1	10	4/16/2024	2.543
Sell EURKRW 3m NDF	1/14/2024	1429	1385	1450	10	4/11/2024	1466
Buy BRL/MXN	11/17/2024	3.52	4	3.24	10	4/10/2024	3.25
Short EURTRY using 3m forward	2/5/2024	36.2	34.4	37.3	10	4/9/2024	35.72
Short USDUZS using 3m NDF	1/5/2024	12,674	12,374	12,902	10	4/9/2024	12672
Sell COP vs LatAm FX basket	4/4/2024	100	92	104	10	4/4/2024	105
USDHKD call spread at 2.1x	11/17/2023	7.76	-	-	10	4/5/2024	7.82
Sell USD/PEN	1/15/2024	3.84	3.70	3.90	10	3/8/2024	3.68
Long IDR vs PHP	1/19/2024	280	276	282	10	2/19/2024	278
Selling USDKRW	1/18/2024	1332	1292	1352	10x10	2/14/2024	1328
Short SGD/KRW	9/20/2023	974	945	990	10	3-nov-23	969
Buy 6m 25-delta call option for USDTWD	8/1/2023	31.6	31.9	29.8	10x10	2/8/2024	-
Short CZKHUF	11/29/2023	15.7	14.9	16.3	10x10	2/6/2024	15.48
Long PLNCZK	11/8/2023	5.51	5.78	5.34	10	1/11/2024	5.67
Long KZT vs USD & EUR	8/2/2023	479	435	530	10	1-Dec-23	481
Long EURZAR	10/2/2023	20.150	21.15	19.6	10	16-Nov-23	19.7
Long INRUSD	1/18/2023	81.65	80	83	10	28-Sep-23	93.26
Short SGD/KRW	9/20/2023	974	945	990	10	28-Sep-23	969
Sell MXN/ZAR	9/25/23	1.09	1.02	1.13	10	28-Sep-23	1.04
Buy USD/PEN	5/4/23	3.72	3.8	3.68	10	28-Sep-23	3.8
Long USDHUF	9/20/2023	358.4	375	347	10	28-Sep-23	47.96
Buy ZAR/CLP	9/7/23	45.08	48.6	44	10	25-Sep-23	4.6851
Long EURPLN	5/17/2023	4.5	4.725	4.365	10	12-Sep-23	4.6851
Short USDZAR through a call spread	8/9/2023	19.06 (for USDZAR)	-	-	10	23-Aug-23	0.57
Short EURHUF	8/4/2023	391.7	372.1	403.5	10	23-Jul-23	383.4
Sell CNH/CLP	6/15/2023	111.7	108	113.6	10	4-Aug-23	118
Short EURZAR	3/1/23	19.35	18.43	22	10	27-Jul-23	19.42
Buy a 3m digital call option on USDZAR	6/20/2023	23	17	18.7	10	5-Jul-23	35.5
Long 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 USIDR	2/16/2023	15110	14700	15400	10	8-Mar-23	15400
short ILSZAR	2/2/2023	81.65	4.74	5.14	10	13-Feb-23	4.98
Long USDILS	19-Oct-22	3.54	3.72	3.2	10	13-Feb-23	3.542
Short CZKHUF	1/18/2023	16.53	15.7	17.05	10	13-Feb-23	16.25
Long KZT vs an equal basket of USD and EUR (3m NDF)	1/16/2023	494.9	470.2	509.7	10	15-Feb-23	468
Short EURGEL (using 3m NDF)	20-Oct-22	2.714	2.94	2.53	10	1-Feb-23	2.53
Buy USDZAR	1/19/2023	17.23	17.86	16.85	10	1-Feb-23	14
Short INR vs long IDR	11/18/2022	191.9	183	188	10	18-Jan-23	184.7

Note: Bid/offer spreads accounted for in entry and closing levels. Does not reflect tax, withholdings or any investment advisory fees. Past performance is no guarantee of future results. A complete performance record is available on request. Inception date – July 4, 2016. For additional discussion on baseline views, valuation and risks to closed trades, please see links to the relevant reports. Trade recommendations are highlighted green when the closing value is greater than the entry value and red when the closing value is less than or equal to the entry value. **Source:** BofA Global Research

BofA GLOBAL RESEARCH



# World At A Glance Projections

## Exhibit 23: G10 FX Forecasts

Forecasts as of 22-Aug-2024

	Spot	Sep-24	YE 2024	Mar-25	Jun-25	Sep-25	YE 2025
<b>G3</b>							
EUR-USD	1.11	1.10	1.12	1.12	1.15	1.15	1.17
USD-JPY	146	150	155	152	151	149	147
EUR-JPY	162	165	174	170	174	171	172
<b>Dollar Bloc</b>							
USD-CAD	1.36	1.36	1.35	1.34	1.32	1.32	1.32
AUD-USD	0.67	0.67	0.69	0.70	0.70	0.71	0.72
NZD-USD	0.62	0.61	0.61	0.62	0.62	0.63	0.64
<b>Europe</b>							
EUR-GBP	0.85	0.84	0.83	0.83	0.83	0.83	0.83
GBP-USD	1.31	1.31	1.35	1.35	1.39	1.39	1.41
EUR-CHF	0.95	1.00	1.00	1.02	1.04	1.06	1.10
USD-CHF	0.85	0.91	0.89	0.91	0.90	0.92	0.94
EUR-SEK	11.38	11.50	11.30	11.10	11.00	10.90	10.80
USD-SEK	10.22	10.45	10.09	9.91	9.57	9.48	9.23
EUR-NOK	11.76	11.60	11.20	10.90	10.80	10.70	10.60
USD-NOK	10.56	10.55	10.00	9.73	9.39	9.30	9.06

Source: BofA Global Research, Bloomberg. Note: Forecasts as of 22-Aug-2024

BofA GLOBAL RESEARCH

## Exhibit 24: EM FX Forecasts

Forecasts as of 22-Aug-2024

	Spot	Sep-24	YE 2024	Mar-25	Jun-25	Sep-25	YE 2025
<b>Latin America</b>							
USD-BRL	5.55	5.30	5.25	5.25	5.30	5.40	5.50
USD-MXN	19.47	19.20	19.50	20.00	20.50	20.75	21.00
USD-CLP	923	920	925	928	930	932	935
USD-COP	4,056	4,050	4,100	4,250	4,300	4,350	4,400
USD-ARS	945	1,050	1,200	1,350	1,500	1,650	1,850
USD-PEN	3.75	3.80	3.82	3.83	3.84	3.84	3.85
<b>Emerging Europe</b>							
EUR-PLN	4.28	4.23	4.20	4.20	4.20	4.20	4.20
EUR-HUF	393.74	395	395	387	375	362	350
EUR-CZK	25.09	25.00	24.70	24.40	24.20	24.00	24.00
USD-RUB	-	78.00	80.00				
USD-ZAR	17.95	18.40	17.80	17.50	18.00	18.20	18.40
USD-TRY	33.90	35.00	38.00	40.00	42.00	44.00	46.00
EUR-RON	4.98	4.97	4.97	5.01	5.05	5.08	5.12
USD-ILS	3.72	3.70	3.65	3.60	3.55	3.50	3.45
<b>Asian Bloc</b>							
USD-KRW	1,337.90	1,350	1,330	1,310	1,290	1,270	1,250
USD-TWD	31.97	32.25	32.10	31.90	31.70	31.50	31.30
USD-SGD	1.31	1.32	1.31	1.30	1.29	1.28	1.26
USD-THB	34.35	36.00	35.00	34.50	34.50	34.00	33.00
USD-HKD	7.80	7.83	7.80	7.77	7.75	7.75	7.75
USD-CNY	7.14	7.38	7.38	7.30	7.20	7.10	6.90
USD-IDR	15,600	15,700	15,600	15,500	15,400	15,400	15,300
USD-PHP	56.34	57.00	56.00	56.00	55.50	55.50	55.00
USD-MYR	4.38	4.50	4.50	4.45	4.40	4.35	4.30
USD-INR	83.95	84.00	84.00	83.50	83.50	83.00	83.00

Source: BofA Global Research, Bloomberg. Note: Forecasts as of 22-Aug-2024

BofA GLOBAL RESEARCH



## Analyst Certification

I, Athanasios Vamvakidis, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

## Special Disclosures

### Options Risk Statement

Options and other related derivatives instruments are considered unsuitable for many investors. Options strategy is by definition governed by a finite duration. The most severe risks associated with general options trading are total loss of capital invested and delivery/assignment risk, all which can occur in a short period.

# Disclosures

## Important Disclosures

Due to the nature of strategic analysis, the issuers or securities recommended or discussed in this report are not continuously followed. Accordingly, investors must regard this report as providing stand-alone analysis and should not expect continuing analysis or additional reports relating to such issuers and/or securities.

Due to the nature of quantitative analysis, the issuers or securities recommended or discussed in this report are not continuously followed. Accordingly, investors must regard this report as providing stand-alone analysis and should not expect continuing analysis or additional reports relating to such issuers and/or securities.

BofA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.

BofA Securities fixed income analysts regularly interact with sales and trading desk personnel in connection with their research, including to ascertain pricing and liquidity in the fixed income markets.

## Other Important Disclosures

Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BofA Securities trading desks.

The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

This report may refer to fixed income securities or other financial instruments that may not be offered or sold in one or more states or jurisdictions, or to certain categories of investors, including retail investors. Readers of this report are advised that any discussion, recommendation or other mention of such instruments is not a solicitation or offer to transact in such instruments. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor for information relating to such instruments.

Rule 144A securities may be offered or sold only to persons in the U.S. who are Qualified Institutional Buyers within the meaning of Rule 144A under the Securities Act of 1933, as amended. SECURITIES OR OTHER FINANCIAL INSTRUMENTS DISCUSSED HEREIN MAY BE RATED BELOW INVESTMENT GRADE AND SHOULD THEREFORE ONLY BE CONSIDERED FOR INCLUSION IN ACCOUNTS QUALIFIED FOR SPECULATIVE INVESTMENT.

Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision, or for a necessary explanation of its contents.

The securities or other financial instruments discussed in this report may be traded over-the-counter. Retail sales and/or distribution of this report may be made only in states where these instruments are exempt from registration or have been qualified for sale.

Officers of BofAS or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

This report, and the securities or other financial instruments discussed herein, may not be eligible for distribution or sale in all countries or to certain categories of investors, including retail investors.

Refer to [BofA Global Research policies relating to conflicts of interest](#).

**"BofA Securities" includes BofA Securities, Inc. ("BofAS") and its affiliates. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor if they have questions concerning this report or concerning the appropriateness of any investment idea described herein for such investor. "BofA Securities" is a global brand for BofA Global Research.**

**Information relating to Non-US affiliates of BofA Securities and Distribution of Affiliate Research Reports:**

BofAS and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") may in the future distribute, information of the following non-US affiliates in the US (short name: legal name, regulator): Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd., regulated by The Financial Service Board; MLI (UK): Merrill Lynch International, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA); BofASE (France): BofA Securities Europe SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers (AMF). BofA Securities Europe SA ("BofASE") with registered address at 51, rue La Boétie, 75008 Paris is registered under no 842 602 690 RCS Paris. In accordance with the provisions of French Code Monétaire et Financier (Monetary and Financial Code), BofASE is an établissement de crédit et d'investissement (credit and investment institution) that is authorised and supervised by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers. BofASE's share capital can be found at [www.bofam.com/BofASEdisclaimer](http://www.bofam.com/BofASEdisclaimer); BofA Europe (Milan): Bank of America Europe Designated Activity Company, Milan Branch, regulated by the Bank of Italy, the European Central Bank (ECB) and the Central Bank of Ireland (CBI); BofA Europe (Frankfurt): Bank of America Europe Designated Activity Company, Frankfurt Branch regulated by BaFin, the ECB and the CBI; BofA Europe (Madrid): Bank of America Europe Designated Activity Company, Sucursal en España, regulated by the Bank of Spain, the ECB and the CBI; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited, regulated by the Australian Securities and Investments Commission; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited, regulated by the Hong Kong Securities and Futures Commission (HKSF); Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd, regulated by the Monetary Authority of Singapore (MAS); Merrill Lynch (Canada): Merrill Lynch Canada Inc, regulated by the Canadian Investment Regulatory Organization; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa, regulated by the Comisión Nacional Bancaria y de Valores; BofAS Japan: BofA Securities Japan Co., Ltd., regulated by the Financial Services Agency; Merrill Lynch (Seoul): Merrill Lynch International, LLC Seoul Branch, regulated by the Financial Supervisory Service; Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd., regulated by the Securities and Futures Bureau; BofAS India: BofA Securities India Limited, regulated by the Securities and Exchange Board of India (SEBI); Merrill Lynch (Israel): Merrill Lynch Israel Limited, regulated by Israel Securities Authority; Merrill Lynch (DIFC): Merrill Lynch International (DIFC Branch), regulated by the Dubai Financial Services Authority (DFSA); Merrill Lynch (Brazil): Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários, regulated by Comissão de Valores Mobiliários; Merrill Lynch KSA Company: Merrill Lynch Kingdom of Saudi Arabia Company, regulated by the Capital Market Authority. This information: has been approved for publication and is distributed in the United Kingdom (UK) to professional clients and eligible counterparties (as each is defined in the rules of the FCA and the PRA) by MLI (UK), which is authorized by the PRA and regulated by the FCA and the PRA - details about the extent of our regulation by the FCA and PRA are available from us on request; has been approved for publication and is distributed in the European Economic Area (EEA) by BofASE (France), which is authorized by the ACPR and regulated by the ACPR and the AMF; has been considered and distributed in Japan by BofAS Japan, a registered securities dealer under the Financial Instruments and Exchange Act in Japan, or its permitted affiliates; is issued and distributed in Hong Kong by Merrill Lynch (Hong Kong) which is regulated by HKSF; is issued and distributed in Taiwan by Merrill Lynch (Taiwan); is issued and distributed in India by BofAS India; and is issued and distributed in Singapore to institutional investors and/or accredited investors (each as defined under the Financial Advisers Regulations) by Merrill Lynch (Singapore) (Company Registration No 198602883D). Merrill Lynch (Singapore) is regulated by MAS. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distributes this information in Australia only to 'Wholesale' clients as defined by s.761G of the Corporations Act 2001. With the exception of Bank of America N.A., Australia Branch, neither MLEA nor any of its affiliates involved in preparing this information is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this information in Brazil and its local distribution is by Merrill Lynch (Brazil) in accordance with applicable regulations. Merrill Lynch (DIFC) is authorized and regulated by the DFSA. Information prepared and issued by Merrill Lynch (DIFC) is done so in accordance with the requirements of the DFSA conduct of business rules. BofA Europe (Frankfurt) distributes this information in Germany and is regulated by BaFin, the ECB and the CBI. BofA Securities entities, including BofA Europe and BofASE (France), may outsource/delegate the marketing and/or provision of certain research services or aspects of research services to other branches or members of the BofA Securities group. You may be contacted by a different BofA Securities entity acting for and on behalf of your service provider where permitted by applicable law. This does not change your service provider. Please refer to the [Electronic](#)





[Communications Disclaimers](#) for further information.

This information has been prepared and issued by BofAS and/or one or more of its non-US affiliates. The author(s) of this information may not be licensed to carry on regulated activities in your jurisdiction and, if not licensed, do not hold themselves out as being able to do so. BofAS and/or MLPF&S is the distributor of this information in the US and accepts full responsibility for information distributed to BofAS and/or MLPF&S clients in the US by its non-US affiliates. Any US person receiving this information and wishing to effect any transaction in any security discussed herein should do so through BofAS and/or MLPF&S and not such foreign affiliates. Hong Kong recipients of this information should contact Merrill Lynch (Asia Pacific) Limited in respect of any matters relating to dealing in securities or provision of specific advice on securities or any other matters arising from, or in connection with, this information. Singapore recipients of this information should contact Merrill Lynch (Singapore) Pte Ltd in respect of any matters arising from, or in connection with, this information. For clients that are not accredited investors, expert investors or institutional investors Merrill Lynch (Singapore) Pte Ltd accepts full responsibility for the contents of this information distributed to such clients in Singapore.

#### General Investment Related Disclosures:

Taiwan Readers: Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument. No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or any other person without the express written consent of BofA Securities.

This document provides general information only, and has been prepared for, and is intended for general distribution to, BofA Securities clients. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of, and is not directed to, any specific person(s). This document and its content do not constitute, and should not be considered to constitute, investment advice for purposes of ERISA, the US tax code, the Investment Advisers Act or otherwise. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this document.

Securities and other financial instruments referred to herein, or recommended, offered or sold by BofA Securities, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. Digital assets are extremely speculative, volatile and are largely unregulated. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

Futures and options are not appropriate for all investors. Such financial instruments may expire worthless. Before investing in futures or options, clients must receive the appropriate risk disclosure documents. Investment strategies explained in this report may not be appropriate at all times. Costs of such strategies do not include commission or margin expenses.

BofA Securities is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

This report may contain a trading idea or recommendation which highlights a specific identified near-term catalyst or event impacting a security, issuer, industry sector or the market generally that presents a transaction opportunity, but does not have any impact on the analyst's particular "Overweight" or "Underweight" rating (which is based on a three month trade horizon). Trading ideas and recommendations may differ directionally from the analyst's rating on a security or issuer because they reflect the impact of a near-term catalyst or event.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned in this report. Investors in such securities and instruments effectively assume currency risk.

BofAS or one of its affiliates is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. BofAS or one of its affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

BofA Securities, through business units other than BofA Global Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented herein. Such ideas or recommendations may reflect different time frames, assumptions, views and analytical methods of the persons who prepared them, and BofA Securities is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this information.

In the event that the recipient received this information pursuant to a contract between the recipient and BofAS for the provision of research services for a separate fee, and in connection therewith BofAS may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BofAS has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BofAS). If such recipient uses the services of BofAS in connection with the sale or purchase of a security referred to herein, BofAS may act as principal for its own account or as agent for another person. BofAS is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.

#### Copyright and General Information:

Copyright 2024 Bank of America Corporation. All rights reserved. iQdatabase® is a registered service mark of Bank of America Corporation. This information is prepared for the use of BofA Securities clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of BofA Securities. BofA Global Research information is distributed simultaneously to internal and client websites and other portals by BofA Securities and is not publicly-available material. Any unauthorized use or disclosure is prohibited. Receipt and review of this information constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained herein (including any investment recommendations, estimates or price targets) without first obtaining express permission from an authorized officer of BofA Securities.

Materials prepared by BofA Global Research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of BofA Securities, including investment banking personnel. BofA Securities has established information barriers between BofA Global Research and certain business groups. As a result, BofA Securities does not disclose certain client relationships with, or compensation received from, such issuers. To the extent this material discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this material. BofA Global Research personnel's knowledge of legal proceedings in which any BofA Securities entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving issuers mentioned in this material is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of BofA Securities in connection with the legal proceedings or matters relevant to such proceedings.

This information has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of BofAS any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). BofA Global Research policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to sustainability in this material is limited as discussed herein and is not intended to provide a comprehensive view on any sustainability claim with respect to any issuer or security.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to BofA Securities and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This information may contain links to third-party websites. BofA Securities is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this information and is not incorporated by reference. The inclusion of a link does not imply any endorsement by or any affiliation with BofA Securities. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. BofA Securities is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

All opinions, projections and estimates constitute the judgment of the author as of the date of publication and are subject to change without notice. Prices also are subject to change without notice. BofA Securities is under no obligation to update this information and BofA Securities ability to publish information on the subject issuer(s) in the future is subject to applicable quiet periods. You should therefore assume that BofA Securities will not update any fact, circumstance or opinion contained herein.



Certain outstanding reports or investment opinions relating to securities, financial instruments and/or issuers may no longer be current. Always refer to the most recent research report relating to an issuer prior to making an investment decision.

In some cases, an issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BofAS or any of its affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither BofA Securities nor any officer or employee of BofA Securities accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this information.



# Research Analysts

---

## Europe

### Athanasios Vamvakidis

FX Strategist  
MLI (UK)  
+44 20 7995 0279  
[athanasios.vamvakidis@bofa.com](mailto:athanasios.vamvakidis@bofa.com)

### Kamal Sharma

FX Strategist  
MLI (UK)  
+44 20 7996 4855  
[ksharma32@bofa.com](mailto:ksharma32@bofa.com)

### Michalis Rousakis

FX Strategist  
MLI (UK)  
+44 20 7995 0336  
[michalis.rousakis@bofa.com](mailto:michalis.rousakis@bofa.com)

## US

### John Shin

FX Strategist  
BofAS  
+1 646 855 2582  
[joong.s.shin@bofa.com](mailto:joong.s.shin@bofa.com)

### Paul Ciana, CMT

Technical Strategist  
BofAS  
+1 646 743 7014  
[paul.ciana@bofa.com](mailto:paul.ciana@bofa.com)

### Vadim Iaralov

FX Strategist  
BofAS  
+1 646 743 7018  
[vadim.iaralov@bofa.com](mailto:vadim.iaralov@bofa.com)

### Howard Du, CFA

G10 FX Strategist  
BofAS  
+1 646 743 7017  
[yuhao.du@bofa.com](mailto:yuhao.du@bofa.com)

## Pac Rim

### Adarsh Sinha

FX Strategist  
Merrill Lynch (Hong Kong)  
+852 3508 7155  
[adarsh.sinha@bofa.com](mailto:adarsh.sinha@bofa.com)

### Shusuke Yamada, CFA

FX/Rates Strategist  
BofAS Japan  
+81 3 6225 8515  
[shusuke.yamada@bofa.com](mailto:shusuke.yamada@bofa.com)

## Global Emerging Markets

### Claudio Piron

Emerging Asia FI/FX Strategist  
Merrill Lynch (Singapore)  
+65 6678 0401  
[claudio.piron@bofa.com](mailto:claudio.piron@bofa.com)

Trading ideas and investment strategies discussed herein may give rise to significant risk and are not suitable for all investors. Investors should have experience in relevant markets and the financial resources to absorb any losses arising from applying these ideas or strategies.