FX Markets Weekly

Real-ity bites

Outlook: The breadth and size of tariffs have increased recession risks. Growth is at risk everywhere including the US, but inflation impact will be differentiated – higher in the US vs. RoW. FX should focus on (a) declining US real yields on this stagflationary dynamic and (b) the impending reduction in US equity allocations – both are USD bearish as they reduce attractiveness of US assets. Thus far we had expressed our bearish USD view split between cheap defensives (JPY) and value mid-yielding cyclicals (Scandis, AUD). The latter stay cheap but rising recession risks warrant emphasizing the defensives.

Macro Trade Recommendations: Stay short USD vs JPY, EUR on US moderation and higher inflation risks. Stay short cross-JPY in cash (vs USD, EUR, NZD, CHF) and options (EUR) with JPY as preferred value candidate over CHF (short CHF/JPY on funder r.v.). Hold EURCHF up | EURGBP up dual digi, and add outright EUR/GBP longs on relative fiscal policies. Stay long SEK in options vs EUR. Took profits on short EUR/NOK intra-week.

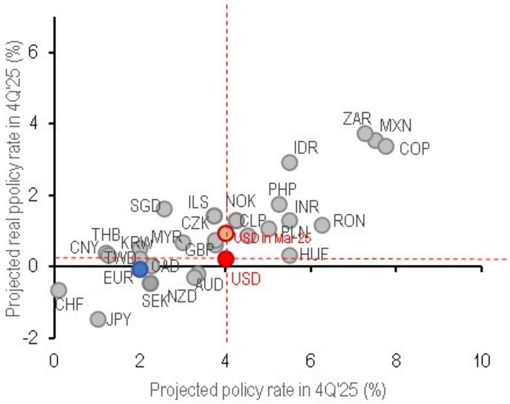
Emerging Markets FX: Move UW FX in GBI-EM Model Portfolio. Following the tariff announcement, retain higher conviction shorts in EM Asian currencies.

FX Derivatives: Buy AUD and CNH vega vs. SGD. Sell USD/TWD riskies. EUR-USD de-coupling trades remain attractive. Sell stretched CAD correlations.

Technicals: Key EUR/USD levels in 1.12-handles for resistance and near 1.07 for support. Cable key trend support at 1.2864-1.29. USD/JPY 2023-2024 range support near 140 into view. AUD/USD saw brief retest of the 0.64 area before global risk-off.

Figure 1: The dollar's relative real yield advantage was already slipping before Liberation Day...

Projected policy rates by J.P. Morgan Economics (Friday before Liberation Day); %



Source: J.P. Morgan Economics

See page 50 for analyst certification and important disclosures.

Global FX Strategy

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FX Outlook

Real-ity bites

- **The breadth and size of tariffs have increased recession risks. Growth is at risk everywhere, including the US...**
- **...but inflation impact will be differentiated – higher in the US vs. RoW.**
- **FX should focus on (a) declining US real yields on this stagflationary dynamic and (b) the impending reduction in US equity allocations...**
- **...both are USD bearish as they reduce the attractiveness of US assets.**
- **Thus far we had expressed our bearish USD view split between cheap defensives (JPY) and value mid-yielding cyclicals (Scandis, AUD)...**
- **...The latter stay cheap but rising recession risks warrant keeping the defensives.**
- **Next three weeks: RBNZ, BoC, ECB; US CPI; DM PMIs**

Revisiting the core guiding themes for FX...

At the beginning of March, we identified two core macro themes that would inform our views on FX. **First, a moderation in US exceptionalism** spanning growth and relative equity performance. **Second, the u-turn in European fiscal** policy that would insulate the region from potential tariff shocks. Tariffs themselves were not anticipated to be a stable theme for FX markets given the possibility of deferrals or negotiated cancellations. What we expected would be more consistent was that the macro uncertainty related to tariffs would continue to weigh on macro outlooks and business sentiment globally, US included. With the world still long of US equities, asymmetric risks to US policy rates and US exceptionalism well-priced in macro markets, we turned bearish on the dollar.

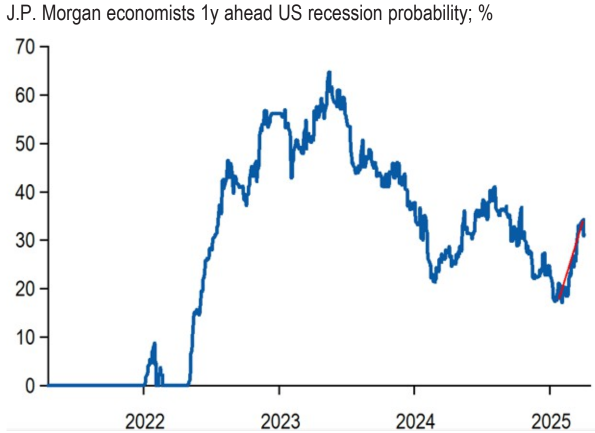
What was less clear at that time was how much the US would moderate, i.e. would it stabilize near trend growth or slip into recession. This was germane to our FX outlook since what the dollar would weaken versus would depend on which outcome would be realized. A mere moderation without recession risks would be most beneficial for the already-cheap, mid-yielding cyclical currencies, while a harder slowdown towards a US recession put the very low-yielding defensive currencies like JPY and CHF at the forefront. Without visibility on the eventual outcome, our preference was to adopt a barbell strategy of being bearish USD for a more growth friendly outcome (Scandis, AUD) with recession hedges (long JPY vs. USD, NZD, EUR; *The r-word, the dollar and the carry-to-value rotation*, Chandan et al). Both legs of this strategy have delivered PnL in our recommended portfolio thus far (see *Trade Recommendations*).

… US moderation pushing into recessionary spectrum

One month on, we have decisively moved to the recession end of the spectrum and some of our preferred mid-yielding cyclical FX are less attractively priced; our portfolio recommendations have changed commensurately. Our model-based odds of a recession have gone up by nearly 10%pts in recent weeks (Figure 2) and our economists now put their subjective odds of a US recession at 60%, up 20%pts (*There will be blood*, Bruce Kasman). Typically, the dollar would strengthen as a safe haven bid as macro conditions move to the defensive part of the dollar smile. **We don't think the dollar smile is dead, far from it, but we there are several differences this time around which could result in narrower USD strength** and the key will be in identifying the currencies which would outperform in this environment (more on this later). These differences include:

Figure 2: US recession odds continue to be on the rise; our economists now put recession odds at 60%

J.P. Morgan economists 1y ahead US recession probability; %



Source: J.P. Morgan

FX should focus on declining US real yields...

First, the broad-based and outsized delivery of tariffs will lower US real yields relative to the world, removing one of the pillars of USD strength thus far. The net result of the tariffs is a stagflationary dynamic for the US which will be more pronounced than for RoW (*I never promised you a rose garden: How tariffs became thorny for USD*, Chandan et al). The growth hit from tariffs will be global, including the US, but the inflationary hit will be disproportionately larger for the US; FX should care about the differentiation. Our econo-

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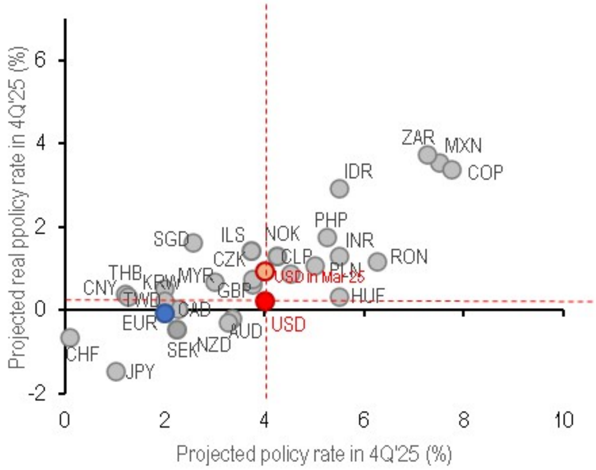
mists note that the hit to purchasing power could take real disposable personal income growth in the middle quarters into negative territory and push the economy "perilously close to slipping into recession." (*Are you not entertained?*, Feroli). However, **inflation impacts will be differentiated with the US risks more skewed to the upside vs. RoW; USD weakening will add to this dynamic as well**. Our US economist notes that the announced measures could boost PCE prices by 1-1.5% this year; while this may be considered transitory for the Fed, it is is nonetheless going to deteriorate the dollar's real yield regardless of whether the Fed chooses to prioritize growth or inflation: if it cuts rates prioritizing growth, then the dollar will lose its relative real yield advantage, and if it keeps rates elevated due to inflation, that will result in a more adverse domestic outcome. Of course, other central banks will be cutting as well to mitigate growth risks, but the uniqueness of US inflation dynamic should moderate one the main sources of dollar support in the last two years (Figure 3). **Declining US real yields should be considered USD-negative, particularly against the mid- to low-yielders like CHF, JPY, EUR, Scandis, AUD**; under usual circumstances, this would include Asia as well but the onerous tariffs in the region are an offset.

Figure 3: The dollar's relative real yield advantage was already slipping before Liberation Day...

Projected policy rates by J.P. Morgan Economics (Friday before Liberation Day); %



Source: J.P. Morgan Economics

...global growth risks and US equity long unwinds

Second, an adverse global growth outcome should result in deteriorating risk sentiment; but the world is still long US equities and an unwind should be USD-bearish at least against those currencies that have repatriation potential. This includes the Scandis, EUR, CHF several EM countries in Latam and Asia (*Who owns US equities and why FX should care?*, Chandan & Popescu). A rebalancing in FX hedge ratios or repatriation are all likely to be meaningful flows in the near-term given the positioning overhang.

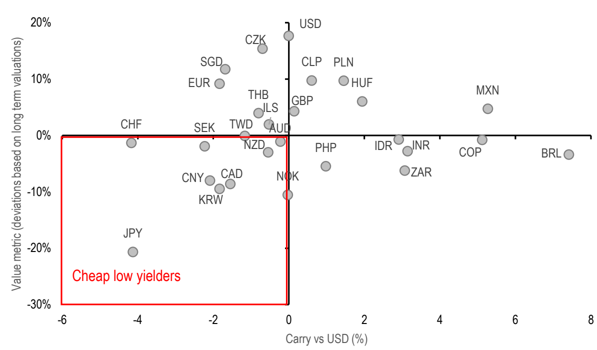
Finally, our economists also note that there is a possible scenario where the rest of world muddles through a US recession even if it is less likely than global downturn. Whether this will be realized is unclear and also depend on the extent to which tariffs get negotiated away. But at the current juncture, the targeted countries are still responding either with negotiated outcomes or more retaliatory approaches (China has stepped up in this regard; see below). Even if a more benign scenario on tariffs is ultimately reached, the macro uncertainty will likely be enough to weigh on risk markets and cyclical currencies, even if they are cheap already.

Low yielders should still do well, but our emphasis is greater on defensives; stay long JPY

Putting this altogether, the primary beneficiaries of this macro environment are likely to be defensive low yielders like JPY and CHF. Among the two, **our preference has been for yen since it's a cheaper candidate** (Figure 4; bottom left quadrant). There are other currencies that qualify, but these are either tariff-challenged (CNY, KRW, CAD) or have delivered a fair bit already (Scandis). This is why we have been taking partial profits on the latter but with the recognition that they will be the recovery candidates in more benign tariff outcomes. Ultimately, if the trajectory for US front-end yields remains skewed to the downside, then JPY, CAD, the Antipodeans and select Asia FX look to be the most dislocated and have upside potential (Figure 5 and Figure 6). Among these, JPY would benefit the most if recession risks remain on the rise.

Figure 4: Which currencies could benefit the most from lower US yields? It's the low-yielders, particularly the cheap ones

X axis: carry offered vs USD; %. Y axis: average deviations from long term valuation metrics; %



Source: J.P. Morgan

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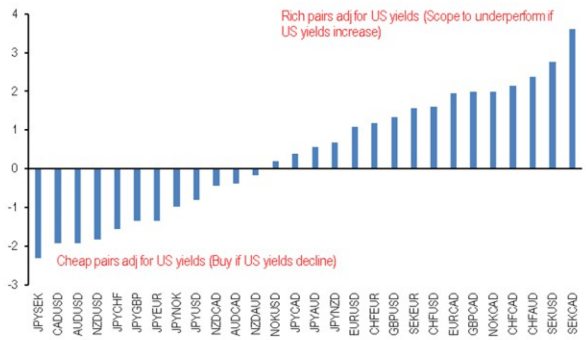
Figure 5: In DM, JPY, CAD and the Antipodeans look to be the most dislocated and have upside potential if US yields decline; among these, JPY would benefit most if recession risks remain on the rise...

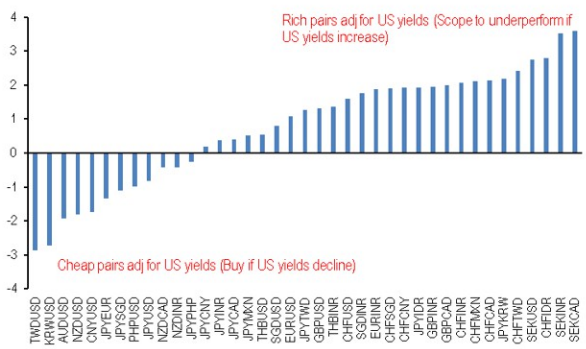
G10 crosses which are most negatively correlated to US yields (correlation less than -0.15, 4 year lookback). Sorted by mispricing vs US yields (zscore, 4 year lookback)



Source: J.P. Morgan

Figure 6: ...the same is true for Asia in global FX, but this region is tariff-challenged

Global crosses which are most negatively correlated to US yields (correlation less than -0.3, 4 year lookback). Sorted by mispricing vs US yields (zscore, 4 year lookback)



Source: J.P. Morgan

Still bullish EUR/USD, but short EUR/JPY; watch CNY fixes

How does EUR/USD fit in? **We stay bullish EUR/USD as relative real yields are rising in favour of the euro and the relative equity repatriation narrative is a source of support as well.**The ECB should cut rates given rising recession risks, but inflation will be muted in the region compared to the US, hence the stagflationary dynamic in the US likely to be the more relevant driver. The relative US equity overweight is another factor that could result in EUR demand. The fiscal support from Germany is another source of resilience. The primary risk to focus on in the coming days and weeks will be USD/CNY fixes and with outsized weakness having spillover effects; but a large fiscal response from China could be an offset. For now, we stay **long EUR/USD and short EUR/Scandis albeit in smaller size and short EUR/JPY** which would be a better expression of ECB rate cuts rather than EUR/USD.

In the note below, we include main highlights from the tariff announcements this week.

1. What do we know from the US so far?

The delivered policy exceeded even the most hawkish expectations for Liberation Day. See [Executive Order](), [Fact Sheet 1]() and [Fact Sheet 2]().

- **The US effective tariff rate is going to rise from around 7% to around 24%.** Figure 8 breaks down certain key elements of the new tariff policy by country. The baseline policy is a 10% universal tariff rate, and will be higher for countries with "the largest trade deficits." The effective tariff rate would be even higher if not for fresh exemptions for Mexico and Canada. Notable determinations include China (+34% increase in tariff rate), EU (+20%), Japan (+24%), Switzerland (+31%), Taiwan (+32%), Korea (+25%) and India (+26%), while Mexico & Canada are exempted from the reciprocal levies. Tariffs appear additive on existing duties (eg China).
- **Tariffs span more than just basic reciprocal duties.** Deficits seem to be the principal determining factor for the above calculations, and a range of non-tariff barriers, including FX policy and VATs, is said to be taken into account. Alongside these determinations, the tariff rates also reflect 1) an elimination of the *de minimis* exemption to China, and 2) trans-shipment provisions with respect to trade with HK SAR and Macau.
- **The tariffs will not go into effect immediately.** The 10% base-line tariff go into effect April 5. The individualized reciprocal tariffs go into effect April 9.
- **Tariffs can be lowered.** In his speech, Trump mentioned that exemptions may be possible if other countries terminate their tariffs on the US, echoing similar earlier comments. The official documentation also states: "The tariffs will remain in effect until the administration determines that the threat posed by the trade deficit and underlying nonreciprocal treatment is satisfied."
- **Sectoral tariffs will not be subject to the reciprocal tariff**. This appears to include sectors subject to potential Section 232 actions/investigations, including steel/aluminum and autos already in effect, as well as copper, pharmaceuticals, lumber, bullion and energy/certain metals.
- **Canada & Mexico received relatively favorable treatment.** Both countries were excluded from the 10% universal tariff for now, and the previously-delayed 25% tariffs on USMCA-compliant goods, which were scheduled to go into effect today have seemingly been delayed indefinitely. Current tariffs (steel/aluminum, 25% non-

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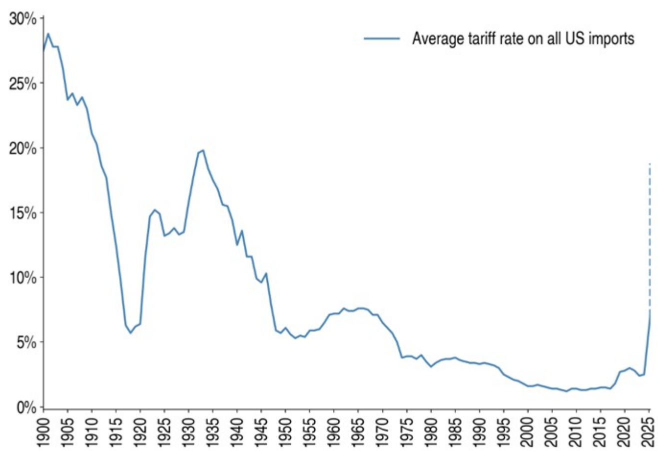
USMCA-compliant goods, upcoming auto tariffs) are still in place for CA/MX.

- **Retaliation may invite higher US tariffs**. Not unlike the MX/CA executive orders, retaliatory responses may be met with higher US levies.

Figure 7: The average US tariff rate has just seen its sharpest increase over the past century

Average tariff rate on all US imports, %



Source: Tax Foundation, J.P. Morgan

Figure 8: Several major countries were hit with reciprocal tariff rates >10% on Liberation Day

Reciprocal US tariff rates announced on Liberation Day

Currency	Country/Region	Liberation Day US Tariff Rate
VND	Vietnam	46%
THB	Thailand	36%
CNY	China	34%
HKD	Hong Kong	34%
IDR	Indonesia	32%
TWD	Taiwan	32%
CHF	Switzerland	31%
ZAR	South Africa	30%
INR	India	26%
KRW	South Korea	25%
JPY	Japan	24%
MYR	Malaysia	24%
CZK	Czech Republic	20%
EUR	European Union	20%
HUF	Hungary	20%
PLN	Poland	20%
SEK	Sweden	20%
ILS	Israel	17%
PHP	Philippines	17%
NOK	Norway	15%
ARS	Argentina	10%
AUD	Australia	10%
BRL	Brazil	10%
CLP	Chile	10%
COP	Colombia	10%
GBP	United Kingdom	10%
NZD	New Zealand	10%
SGD	Singapore	10%
TRY	Turkey	10%
CAD	Canada	0%
MXN	Mexico	0%

Source: White House, J.P. Morgan

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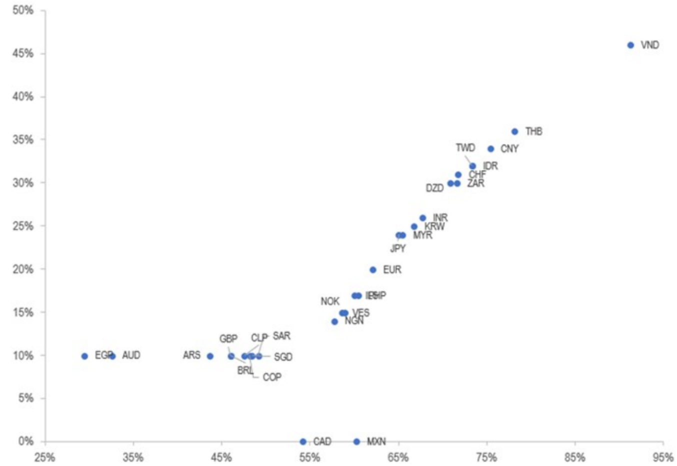
2. What we don't know yet from the US?

- **Whether this is in fact the settling point**. Administration officials, including Treasury Secretary Bessent, previously floated the notion that this week's announcement would be a high number that could intentionally be negotiated down. It remains to be seen whether this will be the policy playbook, and by extension whether the effective tariff rate will have peaked (after implementation).
- **What the threshold is to lower tariff rates**. There are no quantitative criteria to determine whether foreign economies have satisfied US administration demands to warrant a lower bilateral tariff rate. That may in part reflect the broad and heterogeneous nature of the tariff + non-tariff barriers.
- **What is the end-goal.** The Executive Order cites myriad justifications for the new trade policies, with tariff rates themselves determined by trade deficit as a share of imports, but is unclear how important other motivations are (revenue, repatriating the manufacturing base). Such determination may partially inform subsequent questions on flexibility and longevity.
- **Longevity and delays**. The modestly-deferred (Apr 5/9) start dates leave an opening to delay the implementation of the tariffs, similar to what's happened previously with CA/MX. If implemented, it is unclear how long it might be before negotiations can take place, and by extension when tariff rates might change.
- **The path forward on sectoral tariffs.** Sectoral tariffs are carved out of the reciprocal tariffs, but with no indication of what timelines look like (ex-autos and steel/aluminum).
- **How long Canada and Mexico are exempted, and whether this portends geopolitical strategies specific to North America**.
- **Whether the administration will counter-retaliate**. The administration suggests tariffs could rise further on retaliation. There was the risk of that with Canada and Mexico early on, but did not materialize.
- **Legal staying power.** The breadth of the new tariffs, against a previously-unused IEEPA statute, may result in more significant legal challenges.

Figure 9: The tariff rate increase is based on the degree one-sidedness of the trade relationship with the US

(X): US imports as a share of total trade; (Y): Tariff rate increase



See also Fig 16 here
Source: J.P. Morgan, Haver

3. What were the most FX-relevant issues?

We make several observations on some of the specific FX-relevant issues:

- This was the most hawkish possible outcome for markets, and the sheer breadth and scope of tariffs meant that US blowbacks are substantial as well.
- It was priced as stagflationary in the initial instance; short-end breakevens have moved higher against nominals going lower, while US and global stocks have both sold off aggressively.
- USMCA exemptions may allow for some tactical r.v. within tariff-affected high-beta economies, though this will be occurring against a more negative global growth backdrop generally.
- There were some trans-shipment provisions.
- WH press releases suggest that the Treasury Department may "strengthen" its ongoing currency analysis - perceivably tied to the currency manipulator report (Figure 10).
- Figure 9 suggests that trade balance was the key determinant in the tariff level applied, which suggests things like currency manipulation perhaps had less to do with the decisions.

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Figure 10: FX policy assessments were also taken into account

Monitoring List designations for US trade partners (as of Nov 2024)

	2016	2017	2018	2019	2020	2021	2022	2023	2024
China	x	x	x	Manip.	x	x	x	x	x
Germany	x	x	x	x	x	x	x	x	x
Japan	x	x	x	x	x	x	x		x
Korea	x	x	x	x	x	x	x		x
Singapore				x	x	x	x	x	x
Taiwan	x				x		x	x	x
Malaysia				x	x	x	x	x	
Switzerland	x	x	x		Manip.	x		x+	
Vietnam				x	Manip.			x	x
Italy				x	x	x			
India			x		x	x			
Ireland				x		x			
Thailand					x	x			
Mexico						x			

+Switzerland was noted as having met all three criteria but US withheld manipulator label
Source: J.P. Morgan, US Treasury

4. What have policy makers ex-US said so far?

Comments in this section indicate those known at the time of writing; the situation remains fluid with a flurry of releases ongoing.

- **EU: General rhetoric so far has been one of preference for negotiation but willingness to use retaliatory tools** (Figure 11). In response to the US announcement, von der Leyen reiterated readiness to 'negotiate with the US to remove remaining barriers to transatlantic trade. At the same time, we are prepared to respond'; '**We will work towards reducing barriers, not raising them**'. **She also commented the EU will not absorb overcapacity, nor accept dumping on the EU market**. At the same time, EC sources yesterday suggested the EU is preparing a package of potential **emergency measures to support parts of the economy** hit hardest by tariffs. Retaliation-wise, the Commission had been planning on imposing countermeasures on €26bn of US goods in mid-April since before yesterday's announcement. The French government has been on the more hawkish side of the spectrum (e.g. Pres Macron calling for a suspension of EU investments in the US until 'things are clarified'. **So what cards can the EU use?** If negotiations end up unsuccessful and the EU proceeds to retaliate, options discussed by the media or floated by officials such as French government spokesperson include targeting services imports from the US and big tech ('e.g. taxing digital services … GAFAM, for example'), and the never-before-used Anti-Coercion Instrument (interview here). The EU is expected to send its revised list of retaliation measures to member states on Monday, with a vote for next week.

Figure 11: EU officials' rhetoric has focused on willingness to negotiate, but also to retaliate if needed

Notable comments from EU officials related to responses to US tariffs

Date	Comment
03-Apr	*Macron:* "Investments to come or investments announced in recent weeks should be suspended until things are clarified with the United States"
03-Apr	*Von der Leyen:* • "I agree with Pres Trump that others are taking unfair advantage of the current rules and am **ready to support any efforts to make global trading system fit for realities of global economy..."** •"... but I also want to be clear—reaching for tariffs as first and last tool will not fix it. **That's why from the outset we have always been ready to negotiate with US to remove remaining barriers to transatlantic trade.** At the same time, we are prepared to respond. We are already finalising first package of countermeasures in response to tariffs on steel. Now preparing for further countermeasures to prepare our interests and businesses if negotiations fail. We will also be watching closely what indirect effects these tariffs can have, because we **cannot absorb overcapacity nor will we accept dumping on our markets.** As Europeans we will always promote and defend our interests and our values and we will always stand up for Europe. But there is an alternative path, it is not too late to address concerns through negotiations, this is why our trade commissioner is permanently engaged with US counterparts. **We will work towards reducing barriers, not raising them."**
03-Apr	*French govt spokesperson Parimas:* "The mechanism and products concerned are not yet decided, it's a discussion taking place between EU members. But we will also attack services - services are for example digital services, which are not taxed today but could be (GAFAM, for example). We also have new tools like the Anti-Coercion tools .... and we are ready for this trade war."
02-Apr	*EC sources* : EU is preparing a package of potential emergency measures to support parts of its economy that could be hit the hardest by tariff
02-Apr	*EC spokesperson Gill:* "There will be a first response to the steel and aluminium tariffs from the US, and there will be a second response that kind of clusters together everything else,"
02-Apr	*French industry minister Ferracci:* "Europe has always been on the side of negotiation and calming things down, because trade wars, you know, only produce losers," *Parimas:* "The EU will retaliate before the end of April" (which EC's Gill later dismissed)
01-Apr	*Von der Leyen* : "We are open to negotiations but we have a strong plan to retaliate if necessary"
24-Mar	*Belgian FM:* The American leader's derogatory remarks about the EU along with subsequent U.S. measures "must lead us to react with similar vigor,"
21-Mar	*Media reports* that France wants the EU to consider deploying ACI
20-Mar	*Gill:* "The Commission has decided to align the timing of the two sets of EU countermeasures against U.S. 232 tariffs on EU steel and aluminum... (the delay) provides additional time for discussions with the U.S. administration. The change represents a slight adjustment to the timeline and does not diminish the impact of our response"
18-Mar	*Meloni* warned against retaliatory tariffs "that become a vicious circle where everyone loses"
12-Mar	*Scholz:* "Tariffs imposed by the US are wrong and we will react appropriately"

Source: Bloomberg Finance L.P., FUW, RTL, Politico, Reuters, J.P. Morgan

- **Canada: Canada has been one of the leaders in placing retaliatory tariffs on the US.** When Pres. Trump first threatened 25% across-the-board tariffs on Canada, the Canadian government outlined potential retaliation on C$155bn ($108bn) of US products and later imposed tariffs on C$60bn of US imports in total across two tranches. Despite Canada receiving some temporary exemptions on US tariffs (USMCA-compliant goods, auto parts), new PM Mark Carney has said his government is ready to deploy the remaining C$95bn of tariffs depending on what Trump decides to do on Apr 2nd, though he recently conceded it will be difficult for Canada to match US tariffs dollar-for-dollar beyond that. Carney has also announced some new measures to mitigate the economic impact of US tariffs, including temporary deferrals of corporate income tax, consumption tax remittances, and removing internal trade barriers between Canadian provinces. Encouragingly, Canadian trade officials have had 'productive' meetings with their US counterparts (including Commerce Secretary Howard Lutnick) in recent weeks and Carney recently had a 'very constructive' call with Trump, with the two leaders agreeing to meet after the Canadian national election on Apr 28th. This suggests some potential for a post-election détente though it remains to be seen if that ultimately materializes, with Canada still exposed in the meantime given its deep trade

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linkages with the US that are still under pressure.

- **UK: Policymaker rhetoric has centred around a potential UK-US trade deal**, with the two sides re-affirming they're in talks last weekend. PM Starmer said himself and Trump discussed progress towards an economic deal, though markets had very little detail to digest in terms of what that deal could look like. UK Chancellor Reeves said the UK will be hit by tariff effects even with a US trade deal in place. Indeed the OBR at the recent Spring budget update estimated that UK fiscal headroom of £9.9bn could be eaten up by a broad 20% tariff from the US which included retaliation, and the hit to UK growth could be as large as 1%. UK policy makers have been in discussions to potentially drop the 2% digital services tax as a negotiation tool for trade talks with the US, though nothing has been agreed. PM Starmer said he's not ruling anything out in terms of the UK response to tariffs, which suggests possible retaliation, but this hasn't been a focus for UK policy makers, and talks around a trade deal and/or concessions appear to be the more likely approach. Like other central bankers, BoE MPC members have emphasised uncertainty when discussing tariffs, with an approach of waiting until policy is known before acting. It's interesting though that MPC member Greene (hawk) this week saw tariffs as net disinflationary, with trade diversion factors highlighted. Overnight markets digested headlines around UK-US trade negotiations hinting that Trump could be less willing to go below the 10% tariff imposed on the UK as it was seen as the minimum threshold across all countries, but talks are ongoing and sources indicate the prospect of negotiating down the 25% auto and steel tariffs is on the table.
- **Sweden: EU-wide responses will apply**. PM Kristersson is cited to 'deeply regret' US actions, but that Sweden and the Swedish government are well-prepared and will work with the EU to reverse the new developments. Given 20% tariffs are EU-wide, the commission's response will matter for Sweden.
- **Norway: The Norwegian PM has said a trade war could hit Norway from several sides**, including tariffs from the US and broader potential retaliation from the EU. Contacts from the regional network survey, however, have said they don't expect trade uncertainty to impact domestic activity in H1-25. Norwegian policy makers have been pushing to pass EU laws to gain exemption from any broad EU tariffs that may potentially be imposed in retaliation to the US, and there are wide expectations that Norway will gain exemption. Policy makers have however stopped short of suggesting that Norway would retaliate to tariffs imposed by the US. In the aftermath of Trump's announcements yesterday, the Norwegian PM and Finance Minister have commented saying that the actions are bad for Norway, but that they await the EU response right now. Norway's Finance Minister has also said that engagement with the US administration to try to avoid tariffs is essential.
- **Switzerland: The government has been keen to negotiate on tariffs, and officials have repeatedly pointed to the abolition of industrial tariffs. Central bankers meanwhile have pushed back against talk of currency manipulation**. Yesterday, Swiss president Keller-Sutter told reporters that 'an escalation is not in Switzerland's interest", while the government published a statement that "the Federal Council is not planning to impose any countermeasures for now". Before the tariffs, VP Parmelin has signalled readiness to discuss and "to show we have benefits for the US". He has pointed to the abolition of industrial tariffs, but also shown unwillingness to abolish VAT. He noted "high level political discussions will come" after they see what is announced on April 2nd. Head of SECO Budliger Artieda also noted earlier in the month that 'We have already been doing what Pres Trump wishes for a long time'. SNB governor Schlegel has pushed back repeatedly against the notion that Switzerland is a currency manipulator: "When we we intervened, it was because of our mandate (inflation was too low) — it was to dampen CHF appreciation, not to gain competitive advantage". After the spike in its trade surplus with the US in 4Q, Switzerland would meet two of three criteria for currency manipulation and is thus on the radar. Pharma tariffs are currently exempt from the 31% tariff but could provide a blow to CHF if ultimately implemented.
- **China:** China retaliated tit-for-tat by imposing 34% additional tariffs on all US imports (effective April 10th), adding a number of US companies on the Unreliable Entity and export control lists, imposing export controls on 7 rare earth-related mineral items, and anti-dumping investigations on some medical imports originating from the US. The escalation is the most pronounced yet and the exchange will be germane to markets in the coming days.
- **EMAX:** Various statements from governments expressing unhappiness but also a willingness to negotiate with the US. Questionable what they can offer, particularly in North Asia where the economic structures are the key problem. **IN** probably has the best chance by reducing tariffs/regulation quickly, and have already signalled openness to do so. **KR** seeking to engage US while supporting local businesses. Ability to respond is hampered by the lack of government right now. **TW** described tariffs as unfair but has committed to keeping dialogue with the US – may have overplayed its hand by pre-committing to ASMC investment / F35 purchases. **TH** expressed willingness to rebalance the trade surplus by purchasing more US energy, agricultural goods. **VN** slashed some tariffs on

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US goods, but still got the largest increase in Asia; they have been viewed as the major culprit for transshipment. **SG** got the lowest tariff in Asia; MAS announced it would smooth volatility. Pharma tariffs yet to drop. **MY** not considering retaliation – tariffs actually lower than expected given the trans-shipment. Have purchased a lot of US semicaps in recent years. **PH** smallest tariff ex-SG and domestically oriented economy; officials are optimistic about capitalizing on that diff / status as a key US ally.

Next three weeks: RBNZ, BOC, ECB; US CPI; DM PMI

G10 central banks to watch will be **RBNZ** (9th, JPM: -25bp), **BoC** (16th, JPM: -25bp) and **ECB** (17th, JPM: -25bp). **EM central bank meetings** will take place in **Israel** (7th, JPM: on hold), **Romania** (7th, JPM: on hold), **India**(9th, JPM: -25bp), Philippines (10th, JPM:), **South Korea** (17th, JPM: on hold), **Turkey** (17th, JPM: on hold) and **Indonesia** (23rd, JPM: on hold). Inflation data to look at will be from will be released in **China**, **Norway**, **US** (10th), **Poland**, **Canada** (15th), **New Zealand**, **UK** (16th), and **Japan** (18th, Tokyo CPI: 25th). **PMIs** in **Canada** (8th), **Japan**, **Euro area**, **UK**, **US** (23rd) and key labour market data in **UK** (15th), **Sweden** (16th), **Australia**(17th) will inform both global and local growth narratives.

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Main trade recommendations

Trade type	Currency		Trade	P/L
Macro portfolio				
Cash (new trades)	**EUR/GBP**	—	Buy EUR/GBP	-
Cash (existing)	**EUR/JPY**	—	Sell EUR/JPY	1.29%
	NZD/JPY, USD/JPY	—	Sell 50:50 basket of NZD & USD vs JPY	2.77%
	CHF/JPY	—	Sell CHF/JPY	-1.91%
Options (new)		—		-
Options (existing)	**EUR/USD**	—	Buy EUR/USD 3m call spread. K = 1.09/1.12. Spot ref 1.0825. Cost 89.2 bps.	0.49%
	EUR/SEK	—	Buy EUR/SEK 3m put spread. K = 10.75/10.55. Spot ref 10.8250. Cost 59.5bps.	-0.13%
	EUR/GBP, EUR/CHF	—	Buy 3m EUR/GBP 0.8550 / EUR/CHF 0.99 topside dual digital. Cost 9.45%.	-7.60%
	EUR/JPY	—	Buy EUR/JPY 2m put spread. K = 155 / 151.50. Spot ref 156.70. Cost 72bps.	-0.46%
Closed	**EUR/NOK**	—	Sell EUR/NOK	1.32%
	EUR/AUD	—	Sell EUR/AUD	-1.31%
Derivatives portfolio				
RV (new trades)	**AUD-CNH-SGD**	—	Buy 1Y AUD/USD straddle and buy 1Y USD/CNH straddles vs Sell 1Y USD/SGD straddlesin 50:50:175 vega ratios. delta-	-0.4 vol
	USD/TWD	—	Sell USD/TWD 6M 25D risk-reversals, delta-hedged	-0.2 vol
RV (existing)	**EUR/SGD-USD/SGD**	—	Sell 3M EUR, USD via SGD correlation Swap	17 corr pt
	USD/CAD	—	Buy a 6M6M USD/CAD FVA	-0.1 vol
RV (closed)	**EUR/USD-EUR/PLN**	—	Buy 4M EUR/USD vs sell EUR/PLN atm delta-hedged straddles	0.7 vol
	USD-CHF	—	Buy 6M 25D USD/CHF risk-reversals, delta-hedged	2.5 vol
	EUR-CHF-USD	—	Buy a 3M ATMF Correlation Swap in EUR/CHF via USD	0 corr pt
	EUR-USD-GBP	—	Sell 3M ATMF EUR,USD via GBP Correlation Swap Corr	30 corr pt

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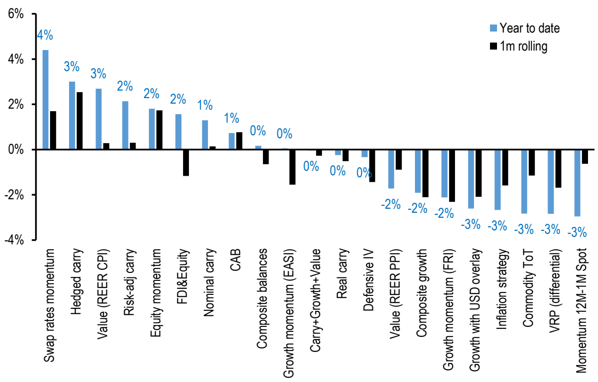
FX Models

Figure 12: Swap rates momentum, hedged carry & value (CPI-based) are the top performing signals YTD in the global portfolio

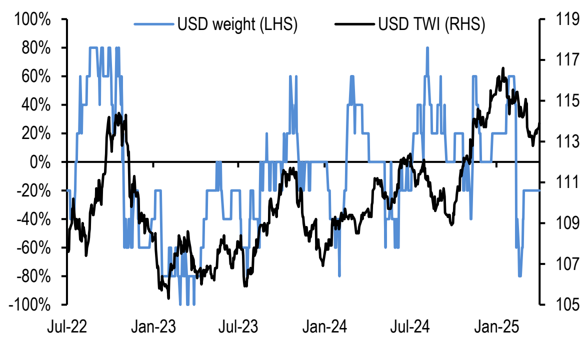
YTD & rolling 1M returns of FX single signal cross-sectional strategies with trading costs (top 5/bottom 5 in global portfolio). Calculation as of Apr 1st.



Source: J.P. Morgan

Figure 13: USD weight in our growth FRI framework is at -20%

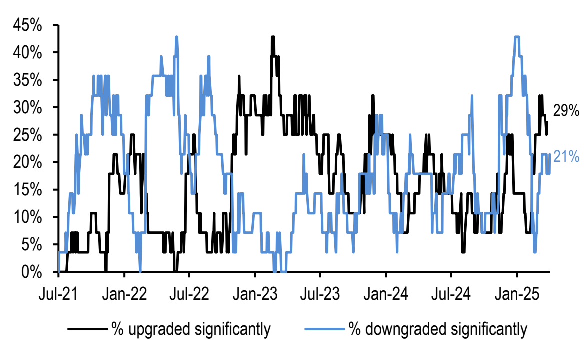
Net longs on USD vs. high beta FX (% total exposure) allocated to USD positions, plotted against USD TWI



Source: J.P. Morgan

Figure 14: 29% of countries show significantly positive growth momentum vs 21% negative momentum

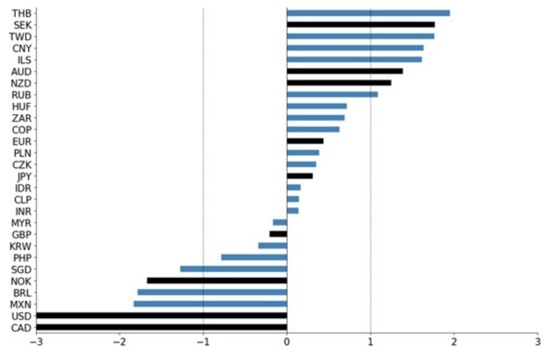
Percentage of countries (among 28 tradeable currencies) for which the 1yr z-score of 3mo changes in JPM FRI exceeds +/- 1-sigma



Source: J.P. Morgan

Figure 15: Countries in the Americas (CAD, USD, MXN & BRL) show the worst growth momentum globally

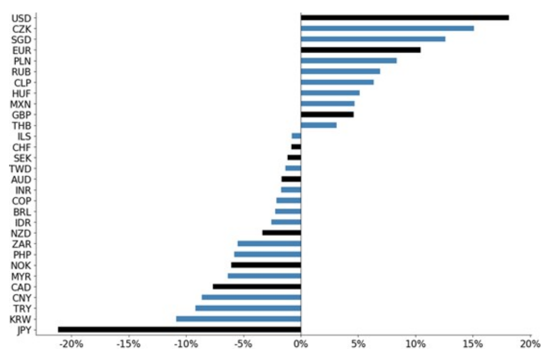
1yr z-score of 3M changes in JPM Forecast Revision Indices



Source: J.P. Morgan

Figure 16: Globally, more currencies screen cheap (19) vs rich (11) on long-term metrics; USD & JPY remain at the extremes

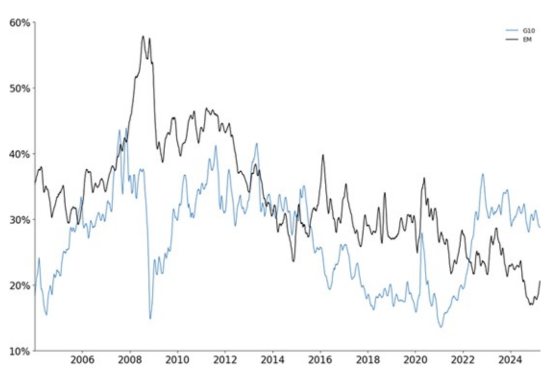
Current deviation of average REER PPI/CPI vs 15yr moving average, %. +/- value indicates currency is rich/cheap



Source: J.P. Morgan

Figure 17: The G10-EM valuation dispersion gap has seen further two-sided narrowing

Valuation gap between longs and shorts in top 2/bottom 2 G10 & top 3/bottom 3 EM average REER PPI & REER CPI strategies.



Source: J.P. Morgan

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Figure 18: Our TEAM portfolio currently favors EM Asia (ex-CNY) and Antipodeans against Europe and North America

Latest currency weights & input variables from our FX multi-factor T.E.A.M model. Rebalancing occurs on Tuesdays. All signals are z-scored in the cross-section

Dispersion Weight:	13%	15%	15%	18%	14%	7%	6%	12%	Composite multi-signal score		Top 5 / Bottom 5 weights	Variance - TEAM Score Ptf Optim
Exposure	Carry		Growth			Defensive	ToT	Value				
Signal:	Real Carry	RA Carry	Equity 1M	FRI MoM	EASI	3MIV Chg	Com. ToT	REER	TEAM Score	2w chg	Weights	Weights
INR	1.15	2.00	1.69	0.06	-0.19	0.20	-0.31	0.23	0.70	0.26	20%	20%
IDR	1.14	2.00	0.15	-0.01	0.36	0.34	-0.30	0.34	0.56	0.60	20%	11%
COP	1.42	0.88	0.21	0.57	1.10	-1.17	-0.32	0.26	0.54	-0.02	20%	10%
ZAR	1.22	0.56	1.00	0.45	-1.09	-0.77	1.73	0.67	0.45	0.02	20%	9%
THB	0.20	-0.64	-0.48	1.48	1.92	1.75	-0.91	-0.35	0.42	0.34	20%	5%
NZD	-0.57	-0.32	-0.29	0.90	1.24	1.12	1.63	0.44	0.41	0.79	-	20%
PHP	0.64	0.46	0.85	-0.72	-0.19	-0.24	1.10	0.72	0.26	-0.18	-	3%
KRW	-0.51	-0.08	-0.14	-0.36	1.42	0.25	-0.12	1.34	0.21	-0.15	-	0%
AUD	-0.32	-0.15	-1.14	1.03	1.37	0.92	-0.88	0.22	0.19	0.12	-	6%
CLP	-0.61	-0.07	0.73	-0.20	1.60	-1.76	2.00	-0.74	0.13	-0.38	-	-1%
BRL	2.00	1.17	1.03	-1.62	-1.70	0.72	-0.11	0.28	0.12	0.26	-	1%
CNY	0.20	-2.00	0.46	1.23	-0.52	1.39	-1.20	1.08	0.09	-0.22	-	0%
PLN	0.43	0.28	0.74	0.19	-0.04	-0.44	-0.18	-1.00	0.07	-0.13	-	12%
TWD	-0.43	-0.08	-1.53	1.44	-0.24	1.06	-0.06	0.19	0.02	-0.10	-	0%
CZK	-0.64	-0.29	2.00	0.18	0.44	-1.28	-0.79	-1.80	-0.09	0.02	-	2%
HUF	-0.77	0.34	0.28	0.53	-0.35	-0.80	-0.87	-0.61	-0.14	0.00	-	0%
ILS	-0.73	-0.34	-0.69	1.18	-0.44	-1.42	0.45	0.13	-0.15	-0.08	-	0%
SGD	0.21	-0.08	0.56	-1.12	0.41	1.11	-0.45	-1.50	-0.18	-0.03	-	-20%
JPY	-1.43	-1.16	-0.74	0.14	-0.11	0.49	-0.02	2.00	-0.18	-0.27	-	1%
GBP	-0.28	-0.02	-0.67	-0.29	0.20	0.14	0.47	-0.53	-0.19	-0.08	-	0%
MXN	2.00	0.95	0.36	-1.59	-2.00	0.70	-2.00	-0.55	-0.27	0.04	-	-18%
SEK	-1.24	-0.61	-2.00	1.32	0.23	-1.96	1.06	0.16	-0.32	-0.24	-	0%
NOK	-0.33	-0.08	0.49	-1.43	-1.21	-1.09	0.22	0.75	-0.38	-0.25	-20%	-9%
CAD	-0.95	-0.78	-0.10	-1.74	0.11	0.53	0.15	0.94	-0.39	0.19	-20%	-5%
CHF	-1.25	-1.78	-0.98	-0.11	-0.27	0.49	-0.39	0.13	-0.60	-0.24	-20%	-9%
EUR	-0.91	-0.75	-1.04	0.24	-0.72	-0.80	-0.39	-1.24	-0.67	-0.32	-20%	-18%
USD	-0.16	-0.08	-0.98	-1.74	-0.95	0.49	0.47	-2.00	-0.80	0.07	-20%	-20%
TRY	Currently excluded: systematically not tradable											
MYR	Currently excluded: systematically not tradable											
RUB	Currently excluded: systematically not tradable											

Source: J.P. Morgan
Real Carry: Currency 1M forward implied yield – core CPI
RA Carry: Currency 1M carry vs USD / dollar pair 1M ATM implied volatility (risk-adjusted carry)
Equity 1M: 1M return of MSCI local Currency equity index
FRI MoM: 3M change in J.P. Morgan Growth Forecast Revision Indices
EASI: 6W moving average of J.P. Morgan Economic Activity Surprise Indices
3MIV Chg: 1M change in dollar pair 3M ATM implied volatility (traded mean-reversion)
Com. ToT: 3Y Z-Score of 1W4W and 1M12M commodity terms of trade deviations (average)
FDI & Equity: Last Foreign Direct Investments and Equity Flows

Figure 19: Current Top 5/Bottom 5 allocation of our single signal cross-sectional strategies

	Carry + Growth + Value	Risk-adj carry	Nominal carry	Hedged carry	Real carry	Value (REER PPI)	Value (REER CPI)	CAB	FDI & Equity flows	Composite balance	Growth EASI	Growth FRI	Composite growth	Growth FRI USD overlay	Swap rates momentum**	G10 rates momentum*	Inflation**	Momentum Spot**	Equity momentum	Commodity ToT	Defensive IV	VRP (differential)
top 1	INR	INR	BRL	USD	BRL	PHP	JPY	SGD	HUF	SGD	SEK	TWD	SEK	THB	BRL	JPY	CNY	THB	CZK	CLP	THB	MXN
top 2	PHP	BRL	MXN	INR	MXN	JPY	BRL	NOK	SGD	HUF	THB	SEK	THB	SEK	JPY	NOK	CHF	ZAR	INR	NZD	CNY	BRL
top 3	COP	MXN	COP	HUF	COP	CNY	NOK	TWD	COP	ILS	CLP	CNY	AUD	TWD	SEK	-	NZD	JPY	ZAR	ZAR	TWD	PHP
top 4	PLN	COP	INR	CZK	ZAR	KRW	KRW	SEK	BRL	EUR	KRW	ILS	NZD	CNY	GBP	-	MXN	-	IDR	PHP	NZD	CNY
top 5	KRW	IDR	ZAR	PLN	IDR	INR	CAD	KRW	PLN	TWD	AUD	AUD	CLP	ILS	EUR	-	AUD	-	NOK	SEK	SGD	IDR
bottom 5	NOK	SGD	SEK	KRW	EUR	SGD	PHP	GBP	GBP	CAD	USD	MXN	CAD	NOK	KRW	-	GBP	-	THB	HUF	COP	CZK
bottom 4	CHF	JPY	CNY	AUD	CAD	BRL	SGD	BRL	SEK	AUD	ZAR	NOK	MXN	BRL	CAD	-	USD	-	AUD	AUD	CZK	HUF
bottom 3	SGD	CNY	TWD	ILS	SEK	USD	USD	USD	TWD	NZD	BRL	BRL	BRL	MXN	SGD	-	BRL	KRW	USD	CNY	ILS	PLN
bottom 2	EUR	CHF	JPY	JPY	CHF	CLP	CZK	PHP	NOK	CHF	MXN	USD	USD	USD	THB	AUD	SEK	BRL	SEK	MXN	CLP	NOK
bottom 1	USD	TWD	CHF	NZD	JPY	EUR	PLN	NZD	CHF	GBP	NOK	CAD	NOK	CAD	MXN	CAD	NOK	MXN	TWD	CHF	SEK	CLP

*G10 basket only ; **Basket of 20 most liquid currencies only

Source: J.P. Morgan

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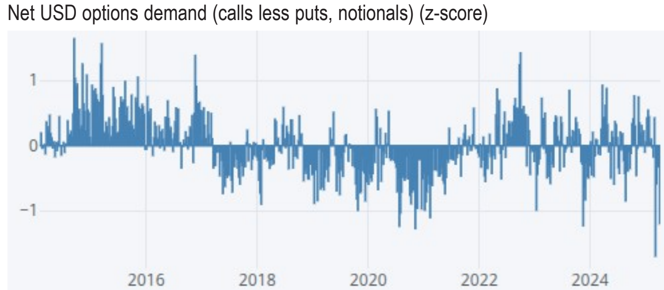
Macro Trade Recommendations

- **We moderated our short-USD exposure last week, and the portfolio has reasonably absorbed the substantial FX volatility following Liberation Day.**
- **Tariffs announced raise US & global recession risks, as well as US inflation risks. Stay short USD vs reserves (JPY, EUR).**
- **XXX/JPY downside remains our most concentrated position, reflecting equity stress, US data weakness and valuations.**
- **USD/CHF downside can perform but we wait for better entry levels, with preference for USD/JPY. We hold CHF/JPY downside on funder-r.v., valuations, recession hedging.**
- **Stay short NZD/JPY on global beta despite improving NZD alpha. We took a loss on our EUR/AUD shorts mid-week before China retaliation. Hold fire on outright AUD/USD longs despite valuations.**
- **We took profit on EUR/NOK cash shorts mid-week but retain EUR/SEK put spread on regional divergences vs US, equity rotation and carry-to-value rotation. More cautious NOK given commodity backdrop.**
- **Global recession risks question UK fiscal maths and falling global yields threaten GBP carry. Add delta to existing EUR/GBP topside, via cash.**
- **CAD outperformed this week on relative tariff reprieve and its lower beta amid equity stress. But extremely weak PMIs and payrolls contraction continue to warrant caution.**
- **New trades: Add EUR/GBP longs in cash.**
- **Existing trades: Hold EUR/USD call spread, and EUR/CHF up | EUR/GBP up dual digital. Long JPY vs USD, NZD, CHF in cash; short EUR/JPY in cash and options. Hold EUR/SEK put spread.**
- **Closed trades: Took profit on EUR/SEK mid-week, and loss on EUR/AUD short mid-week.**

We took a measured approach into Liberation Day, scaling down exposure last week ahead of April 2. While we sacrificed some PnL by unwinding our DXY short, the main contours of the portfolio (optionalized EUR/USD topside, long JPY, short EUR crosses) performed reasonably well given the degree of the vol shock. Long JPY remains a core position as recession risks ramp up. This week shone a light on effectively all macro trading themes we've been positioning for - US moderation, trade-induced recession risks, value rotation, European recovery, long equity repatriation winners, etc. We took down USD delta meaningfully last week as a preemptive measure (t/p on short DXY and USD/Scandis), given the inherent unpredictability of the tariff announcement and our extant belief that a tariff big bang would deliver USD strength. USD of course weakened on the back of multi-sigma USD downside demand (Figure 20), at least until the late-week USD rebound vs high-beta amid ongoing risk market stress, reaffirming that those preemptive portfolio adjustments were generally the right course of action. We therefore make limited portfolio adjustments today (we did take profit on EUR/NOK shorts and a loss on EUR/AUD downside mid-week - fortunately ahead of China's retaliation). We add EUR/GBP outright to take up the delta on existing positions, which otherwise leaves us primarily running XXX/JPY downside, some USD shorts (vs EUR, JPY), and select Euro-linked longs (long EUR/USD in options, long SEK in options vs EUR).

Figure 20: This week saw one of the largest USD-selling flows on record

Net USD options demand (calls less puts, notionals) (z-score)



We're still short USD concentrated vs reserves; stay short vs JPY & EUR, and fade any USD/CHF rally. The net effect of tariffs this week (markedly higher global recession risks, deteriorating real yields and ongoing questions of global asset reallocation) warrant staying short vs traditional reserves like JPY (& EUR), which we maintain. Adding USD/CHF would add a more explicit downside global growth risk kicker (Figure 21) on top of acting as a beneficiary to yield compression, with cleaner positioning on some of our metrics than JPY (see *JPM FX Positioning Monitor*). We look to engage on any rallies, but are comfortable running USD/JPY in this instance from a valuation perspective. We would note that USD has broadly decoupled from breakevens, having previously (4Q'24) been positive for USD via pro-growth implications; but the supply-shock nature of tariffs makes such a steep move in short-end breakevens and the corresponding flattening arguably more corrosive (Figure 22). We expect yields to stay under pressure keeping USD vs reserves capped.

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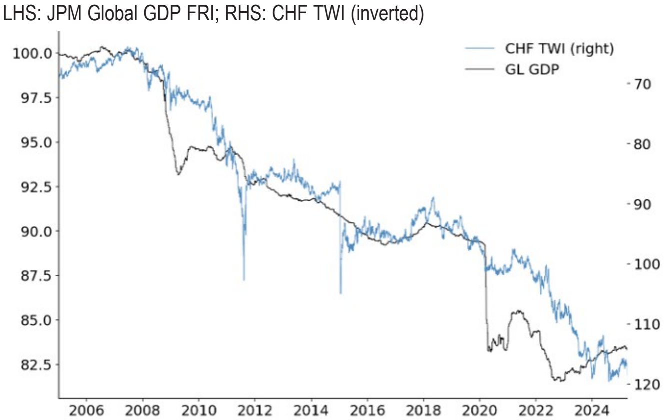
Figure 21: CHF remains a viable vehicle for trading global growth risks, and we plan to enter USD/CHF shorts if better levels present themselves. EUR/CHF optionality is kept in case of further Eurozone fiscal expansion or favourable tariff negotiations

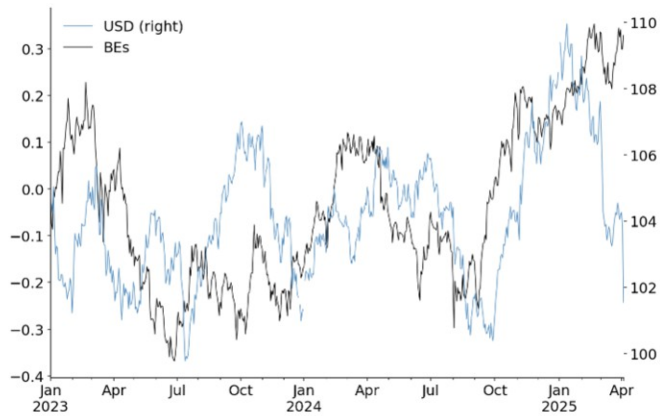
LHS: JPM Global GDP FRI; RHS: CHF TWI (inverted)



Source: J.P. Morgan

Figure 22: Inflation appears to be turning more corrosive for USD of late

LHS: US-G10 5Y Breakevens; RHS: USD

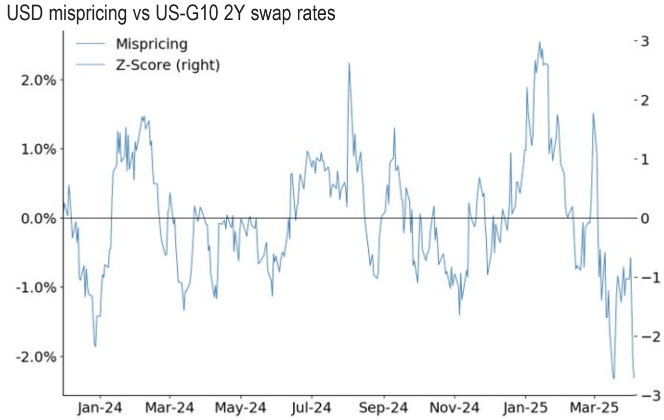


G10 is avg of EUR, JPY, AUD, CAD, GBP
Source: J.P. Morgan

Recent data developments meanwhile do little to assuage concerns about US moderation even beyond tariffs. Despite a fine NFP release, the internals of this week's ISM release were flashing yellow, while Challenger job cuts spike with links to Federal government layoffs (something that might not be captured concurrently by claims for technical reasons). Against this backdrop, USD has now started screening cheap vs basic measures of nominal rates-based fair value (Figure 23), though this isn't prohibitive against data and newsflow that generally remains a headwind for USD. Among other things, weak data and policy uncertainty keeps USD at risk amid ongoing rethink in global asset allocations, particularly given perceived low hedge ratios generally; we have argued that dollar smile will still be intact, but USD strength based on rising recession risks should affect a narrower set of currencies like the very high yielders or the most tariff-targeted (Figure 24).

Figure 23: The sell-off in USD has otherwise outpaced the rally in US fixed income

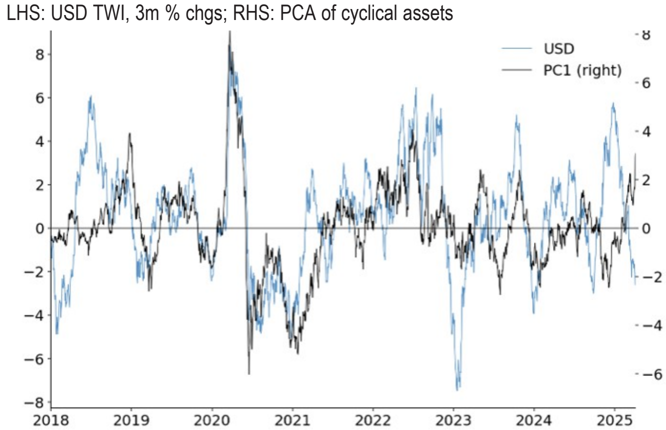
USD mispricing vs US-G10 2Y swap rates



Source: J.P. Morgan

Figure 24: USD remains uniquely dislocated from risk, as US factors have overwhelmed global beta; that may be turning into the end of the week as LHS USD price action plays out

LHS: USD TWI, 3m % chgs; RHS: PCA of cyclical assets



PCA includes HY spreads, S&P, Cyclicals/Defensives, Copper/Gold, Russell/SPX
Source: J.P. Morgan

The ongoing slump in yields is consistent with staying positioned for more carry-to-value rotation. Stick with NZD/JPY shorts given risk off despite some subtle improvements in NZD alpha. We remain positioned for value rotation via CHF/JPY downside, a bias to be long Scandis (though having taken some profit of late) and keeping sizable long-JPY exposure. We would note though that various metrics for NZD are starting to tilt more in its favor; it has shot up the ranks of our TEAM score (Figure 25, Figure 26), and might be an indirect beneficiary of China tariffs if agriculture demand is forced to pivot away from the US. But the reality is that the risk backdrop has deteriorated substantially, meaning JPY's value/anti-cyclical properties should continue to overwhelm NZD alpha in the near-term, specifically given the

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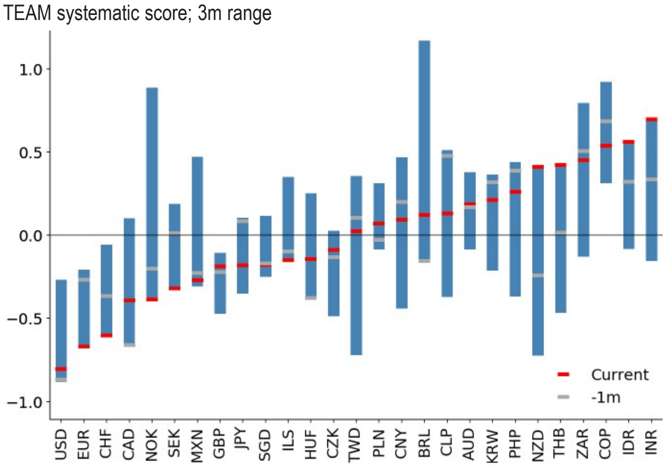
China-specific retaliatory flare-up late in the week that is pressuring higher-beta Asia-linked FX (antipodeans, CLP). Relatedly, while AUD/USD screens good value (nearing lows only seen during GFC and COVID), we save our bullets, and count ourselves fortunate for having quickly exited EUR/AUD shorts mid-week after the US announcement.

Figure 25: NZD has shot up our systematic rankings...

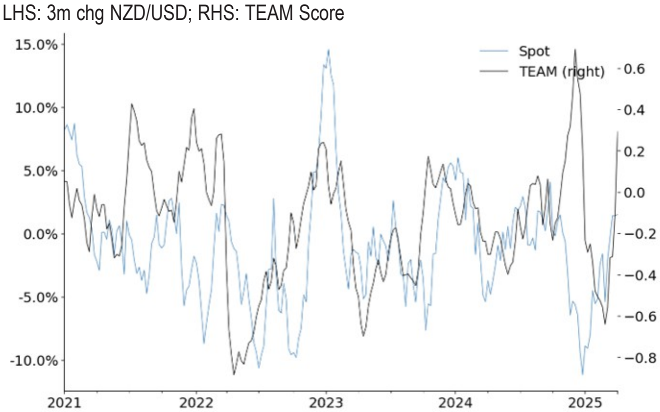
TEAM systematic score; 3m range



Source: J.P. Morgan

Figure 26: ...a cautionary signal for shorts

LHS: 3m chg NZD/USD; RHS: TEAM Score



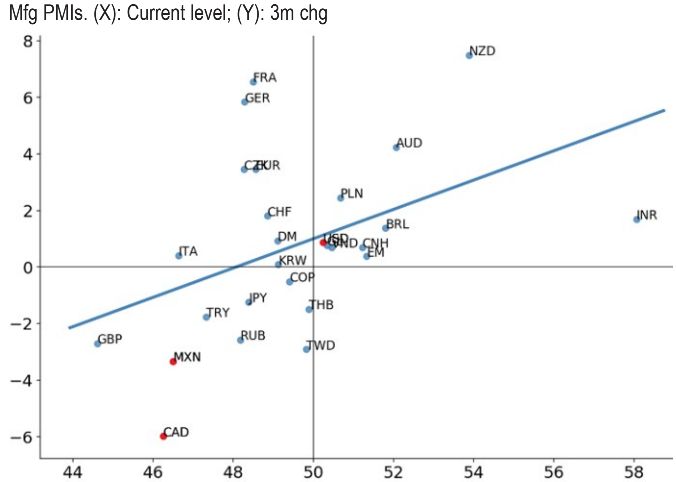
Source: J.P. Morgan

With fiscal responses likely to be more germane to FX outturns as tariffs go into effect, we scale up de facto fiscal r.v. exposure via long EUR/GBP outright. The UK remains uniquely fiscally-constrained in an environment where easier fiscal policy will likely become more pervasive. We maintain as well that the negative global growth backdrop from this week's tariffs can indirectly pressure the UK fiscal position further. Were the UK government forced to tighten fiscal policy into a growth slowdown, risks for sterling would materially rise. At the same time, lower global yields threaten sterling's carry status. We overlay a EUR/GBP cash position against our EUR/GBP up | EUR/CHF up dual digital.

We remain neutral CAD despite the tariff reprieve. Canada has taken the brunt of the tariff stick so far this year, leaving it the worst performer in G10 until last week, as North America has reflexively seen the largest deterioration in economic outlooks/momentum since the turn of the year (Figure 27). CAD's outperformance vs high-beta this week is understandable then in the context of not being subjected to the Trump administration's baseline and/or reciprocal tariffs. We had argued previously that there may be a window for tariff risk premium rotation in a way that boosts CAD, but that window right now seems narrow, with risk premium having already normalized (Figure 28). More strategically, the threats and heightened uncertainty domestically will not go away quickly given that tariffs have technically been implemented multiple times, and our economists are unlikely to walk back their call for a 2Q GDP contraction - underscored by this week's payrolls contraction (the worst headline reading in over three years - Figure 29). More compelling, CAD longs will likely have to wait further into 2H, while positions like short CAD/JPY remain viable in a recession-risk environment in which US yields are falling and USD/JPY is moving lower.

Figure 27: NorthAm economies have seen more slowing than most; Europe has outpaced by contrast

Mfg PMIs. (X): Current level; (Y): 3m chg



Source: J.P. Morgan, Haver

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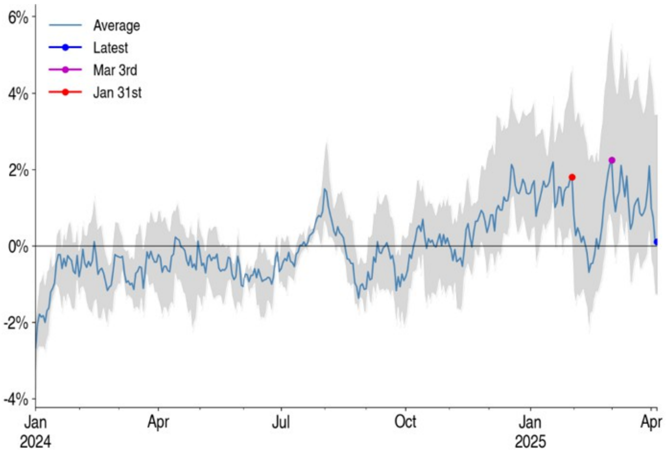
Figure 28: USD/CAD risk premium has normalized on the move to 1.40

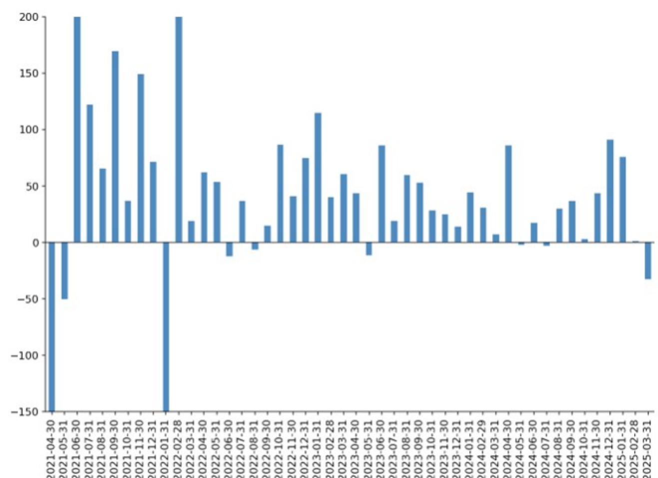
Avg and range of mispricing of USD/CAD models



Source: J.P. Morgan

Figure 29: CA payrolls was significantly weaker in March, underscoring domestic headwinds from the trade war

M/M change in CA headline payrolls



Source: J.P. Morgan, Bloomberg Finance L.P.

- **Took profit on EUR/NOK; hold EUR/SEK in options**

We took profit on EUR/NOK given risks of lower oil prices amid rising recession odds yesterday in the aftermath of the announcement (*I never promised you a rose garden: How tariffs became thorny for USD*, Chandan et al), which proved timely ahead of an intensified risk and oil rout. **We maintain EUR/SEK in options**, as we expect it to better withstand recession talk given the lack of commodity beta and more meaningful repatriation potential. Lower US/global yields should benefit both amid the carry-to-value rotation.

EUR/SEK continued to sell off until Thursday afternoon despite the underperformance in Swedish equities; this weighed on its ranking in the TEAM model where the relative equity momentum is the worst globally in z-score terms (Figure 32 and *FX Macro Quant: Signals takeaways pre-liberation day*, Delair et al). The cross-sectional model now favours Antipodeans over the euro bloc which poses a risk to our position (though EUR is ranked worse than SEK so the pair is more insulated). EUR/SEK also traversed the peak dividend date (usually SEK outflows) unscathed (Figure 31); we noted last week that bigger factors are at play, and laid out the hypothesis that foreign investors may be less willing to repatriate their dividends this time around given the YTD relative performance of OMX vs SPX (though there has been a partial reversal over the past fortnight). We have been arguing since the election that tariffs are similarly onerous on both the Eurozone and Swedish economy and thus expected EUR/SEK to be able to withstand tariff volatility. This was the case throughout 1Q and was again on display during the Rose Garden tariff announcements. Both Scandis underperformed at the end of the week amid a sell-off in risk assets. Oil contributed to NOK, while a soft flash CPI contributed for the SEK. For the latter, we maintain the view that, while soft inflation prints may be tactically challenging, they are medium-term positive given growth implications.

Swedish growth does continue to underwhelm, however. Swedish PMI details were weak, which came after a blow from consumer confidence in the NIER survey last week (*Swedish PMI: Down to a six-month low*, Lund). The monthly readings can be volatile, but the trend remains sluggish, supporting our economists' long-held out-of-consensus view that growth in 1H25 would be below potential (albeit improving) and well below the Riksbank's forecast. Interest rate sensitivity and stronger spillover from fiscal does still imply more encouraging prospects than the Eurozone going forward.

There is continued scope for repatriation of US assets in our view, which can disproportionately impact Scandis. SEK's continued outperformance happened despite a sizable sell-off in Swedish equities, but there are several ways repatriation can unfold: these include reallocation from US to domestic equities, but also equity sales and conversion to cash amid risk-off price action (perhaps more frequent amid retail investors which make up 12% of current equity holdings by Swedes), or changes in hedge ratios.

- **Took tactical profit on short EUR/NOK yesterday. Spot ref 11.7579. Marked at 1.32% (previously EUR/Scandi basket since 05-Mar).**
- **Hold EUR/SEK put spread. K = 10.75 / 10.55. Spot ref 10.8250. Cost 59.5bps. Marked at 47bp.**

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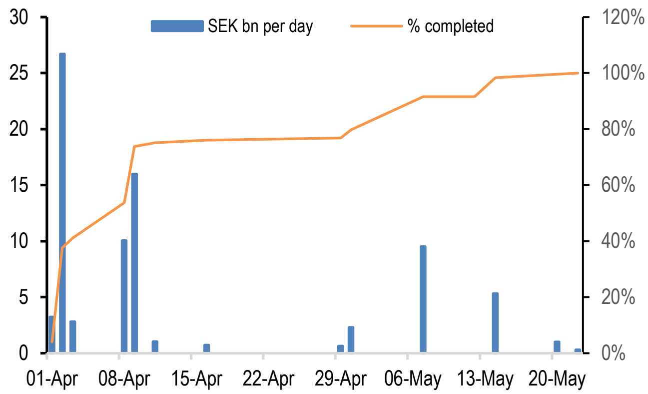
Figure 30: After the peak dividend day on 2nd April, the next most sizeable dividends come next week (SEK 10bn on 8th, 16bn on 9th)

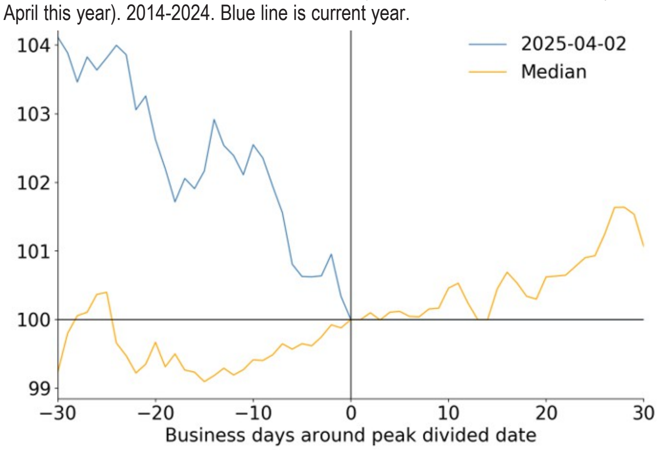
Estimate of OMX dividend payout to foreigners by day (lhs) and % of dividend payouts of this season completed at each point in time



Source: Bloomberg Finance L.P., J.P. Morgan

Figure 31: EUR/SEK price action has not been reflecting dividend seasonality, with bigger issues at play and a potential unwillingness for foreign investors to repatriate

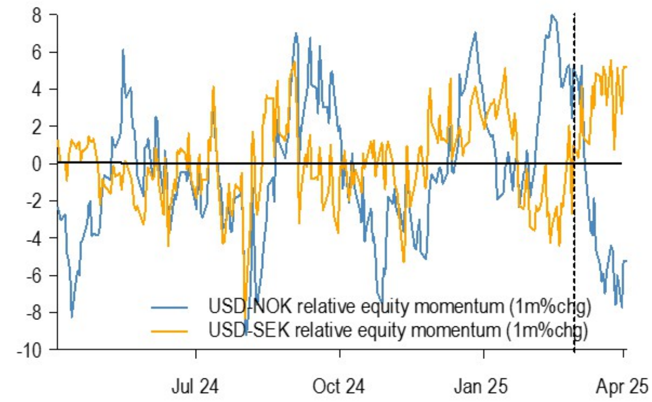
EUR/SEK median performance in business days around peak dividend date (2nd April this year). 2014-2024. Blue line is current year.



Source: J.P. Morgan

Figure 32: USD-NOK relative equity performance justifies the NOK move, but not SEK

1m % chgs in MSCI US vs local MSCI indices. Dotted line is 1st March.



Source: J.P.Morgan

- **Hold long EUR/USD call spread**

Last week, we optionalised our bullish EUR/USD exposure ahead of event risk and hold this. The tariff delivery surprised in its breadth and magnitude, which will weigh on the relative attractiveness of US assets. Growth will be at risk everywhere, but inflation will be disproportionately higher in the US, worsening US real yields (which is highly relevant for mid to low-yielders like EUR, Scandis and JPY). With the world still long US equities, an unwind should be USD-bearish at least against those currencies that have repatriation potential. This includes the Scandis, EUR, CHF and several EM countries in Latam and Asia (Figure 34). The regime shift in Eurozone fiscal continues to provide a buffer for the euro.

- **Hold 3m EUR/USD call spread. K= 1.09/1.12. Cost 89.2bps. Marked at 138bps.**

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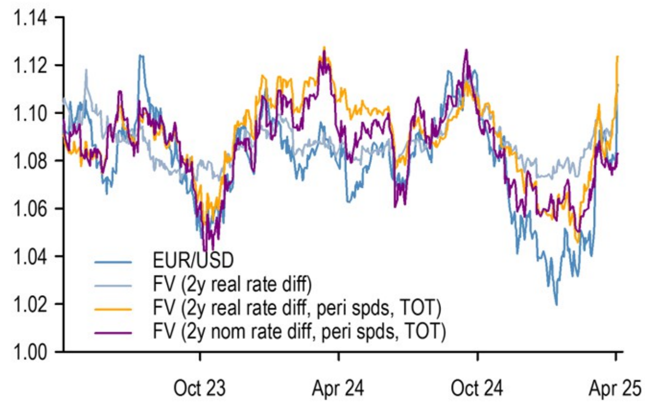
Figure 33: The EUR rally is consistent with the sharp rise in the yield spread (real yield & peripheral spread based fair value rose by ~2c)

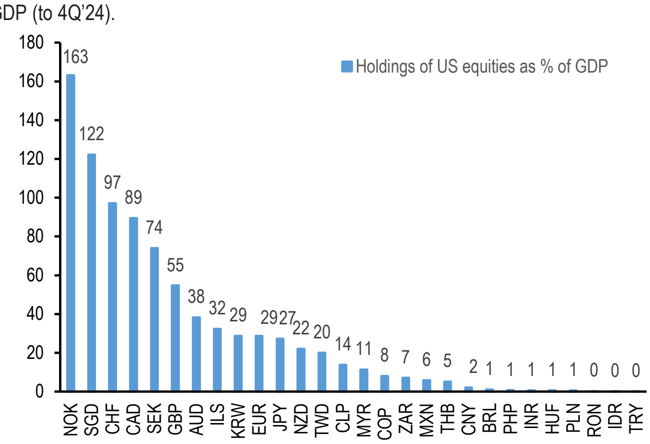
EUR/USD vs select estimates of fair value



Source: J.P. Morgan

Figure 34: Scandis and EUR to be among key beneficiaries of any unwind of US equity holdings

Portfolio holdings of US corporate stocks by country (Jan'24) as a % of local annual GDP (to 4Q'24).



Source: TIC, Haver, J.P. Morgan

- **Took loss on EUR/AUD, initiated as tactical hedge**

We unwound our EUR/AUD cash short at a loss yesterday in the aftermath of the announcement (*I never promised you a rose garden: How tariffs became thorny for USD*, Chandan et al). **We had entered the position as a tactical hedge** as tariffs were more likely to be onerous on EUR than on AUD and were consistent with the messaging from our systematic FX models suggesting more tactical upside to the Antipodeans relative to the euro bloc high beta. We unwound it as the vulnerability is likely to be more Asia-focused, even if tariffs on Australia per se were more limited; this proved timely ahead of the later overnight sell-off in AUD. We do continue to see AUD/USD as a recovery candidate so long as USD/CNH remains range-bound.

- **Closed short EUR/AUD initiated as a tactical hedge at a loss yesterday. Spot ref 1.7201. Marked at -1.31%.**

- **Hold long JPY vs USD & NZD cash basket; stay short EUR/JPY & CHF/JPY**

Our decision to hold JPY longs into Liberation Day proved prudent as the ultimate tariff delivery was much more aggressive than markets had expected. Indeed, JPY has been the top G10 FX performer over the past week amid broad risk-off sentiment and lower global yields. It is notable that JPY has outperformed even despite a 24% reciprocal US tariff rate, in line with our ex-ante expectations that financial flows would dominate trade flows in terms of the JPY reaction function around tariffs. **Looking ahead, our conviction in JPY longs has increased as our global economists now see 60% odds of a global recession this year (up from 40%).** Naturally, JPY has outperformed this cycle during periods of softening global growth and falling US real yields (Figure 35). **We thus hold onto our long JPY cash basket (50:50 vs USD & NZD)** as the NZD/JPY leg should continue to move lower amid rising recession odds, while USD/JPY has started to catch down towards real rate differentials but is still overshooting its fair value of 142 (Figure 36); we tighten the stop on the basket to +1.25%. **We stay short EUR/JPY in both cash & options** as escalating US-EU trade tensions could enable faster rates convergence via earlier ECB cuts (OIS markets now pricing ~70% odds for an April cut; JPM baseline for next cut remains June). Moreover, **we continue to hold short CHF/JPY as a medium-term view** on funder rotation away from JPY towards CHF as the likelihood of further SNB cuts has increased, though we acknowledge this position has become more complicated as CHF has also outperformed recently given its status as another low-yielding recession hedge. **Stretched-long positioning & weak April seasonality remain risks for our JPY longs** as we've previously flagged, but the material shift in fundamentals warrants less focus there in our view as the key driver for yen remains global yield compression.

- **Hold long JPY in cash vs 50:50 basket of NZD & USD. Spot refs 84.3590 / 150.65. Tighten stop to +1.25%. Marked at 2.77%**
- **Stay short EUR/JPY in cash. Spot ref 162.48. Stop loss 168.17. Marked at 1.29%.**
- **Hold 1-May EUR/JPY put spread. K = 155 / 151.50. Spot ref 156.70. Cost 72bps. Marked at 26bps.**
- **Stay short CHF/JPY in cash. Spot ref 167.70. Stop loss 173.5695. Marked at -1.91%.**

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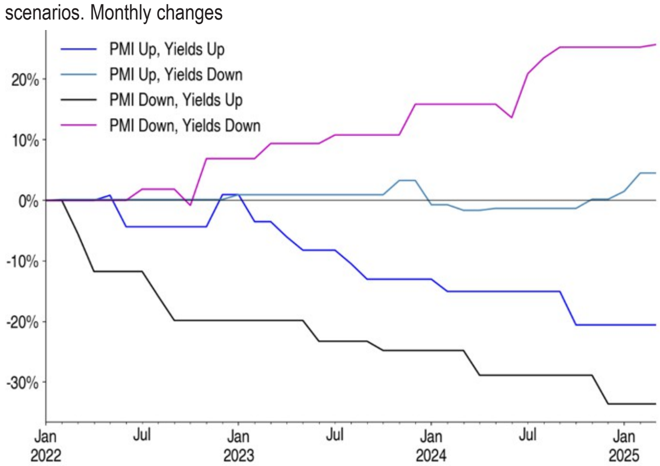
Figure 35: JPY has outperformed this cycle during periods of softening growth & falling yields

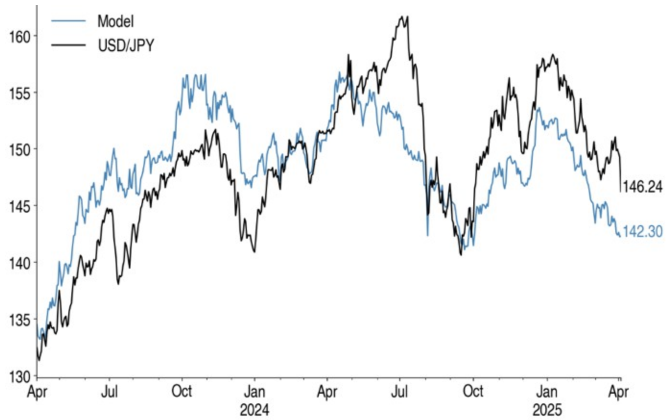
JPY/USD performance under varying growth (global PMI) & yield (US TIPS 10Y) scenarios. Monthly changes



Source: J.P. Morgan, Bloomberg Finance L.P.

Figure 36: USD/JPY is catching down towards real rate differentials but is still overshooting

USD/JPY vs model based on US-JP 10Y real rate spreads



Source: J.P. Morgan, Bloomberg Finance L.P.

- **Increase EUR/GBP longs via cash and hold EUR/CHF EUR/GBP topside dual digital**

The PnL on our dual digital structure has worsened over the past week, and our conviction in the EUR/CHF leg is now lower, though we choose to keep the structure on given its optionality. Our conviction in the EUR/CHF leg is reduced after this week's tariff announcements increased global recession risks, which our economists have responded to by raising their recession probabilities (link). Offset against that, however, is the risk of fresh Eurozone fiscal expansion in response to this week's events and potential tariff negotiations, which would support EUR/CHF. **Our conviction in the EUR/GBP leg has grown, as global recession risks call UK fiscal maths into question, falling global yields threaten sterling's carry status and ultimately the UK government may be forced to tighten fiscal policy into a growth slowdown, which would be materially bearish for sterling.** At some stage there may be more of a spotlight on the potential for a change to the UK fiscal rules.

While we wait to see how negotiations play out, we maintain a bullish EUR/GBP bias and we add cash longs today. Sterling was weaker vs euro and stronger vs dollar yesterday. To some extent that reflects a currency trading as a function of the broad dollar (or EUR/USD). The souring in risk sentiment doesn't help GBP versus EUR, as the pair is historically sensitive to equity markets and has been subject to CTA flow. From a carry perspective, it's interesting that BoE hawk Greene characterised tariffs as net disinflationary earlier this week, citing trade diversion risks. The UK got set at the minimum tariff rate of 10%, which is more favourable than other economies, potentially reflecting the perceived closer relationship between the US and the UK. We don't think that should necessarily be treated as a sterling positive, however, given that the implementation of a UK tariff, plus the broader global tariff backdrop, may bring the OBR's risk scenario into play where UK fiscal headroom is under threat and thus fiscal risk premium is introduced back into the currency. While this impact would be dampened if the UK were able to negotiate a favourable trade deal with carve outs from tariffs, the UK will still be subject to spillover effects from the global tariff backdrop onto UK growth. Overnight markets digested headlines around UK-US trade negotiations hinting that Trump could be less willing to go below the 10% tariff imposed as it was the minimum threshold across all countries, but talks are ongoing and apparently the prospect of negotiating down the 25% auto and steel tariffs is on the table. Though the transmission channels for tariff impact on UK growth (global manufacturing, policy uncertainty) are similar to other countries, the UK clearly has less goods export exposure to the US (the theoretical tariff rate based on the US administration's adopted formula would have been -8%) and a relatively small manufacturing sector. However, the key for the UK and sterling relative to other currencies is that the margins are thinner, in terms of fiscal room, and the perceived need for further fiscal tightening would call into question the UK growth model of public sector spending.

Our conviction in EUR/CHF upside is lower given the potential global growth hit from tariffs, but there is potential upside from a further Eurozone fiscal response. CHF was the top G10 performer vs USD yesterday, aided by lower US yields and the rally in euro bloc currencies. EUR/CHF was down on net despite higher tariffs imposed on Switzerland, with safe haven flows prevailing over the domestic trade hit. Going forward, EUR/CHF will be caught between support from the potential for more Eurozone fiscal easing in

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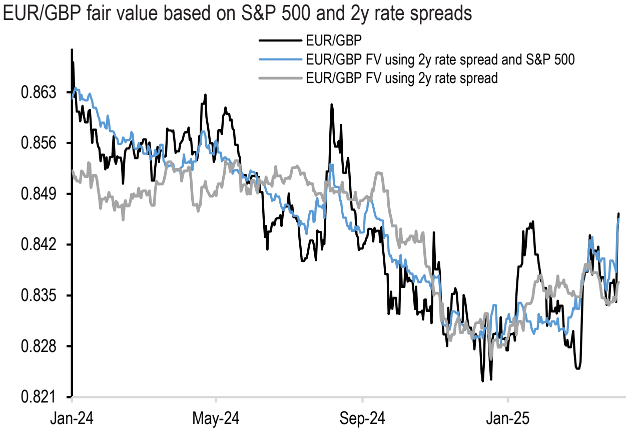
response to tariffs, or if these are negotiated away, but a drag from global growth implications if tariffs are sustained or retaliation intensifies. Equity flows will be important to watch, as the Swiss economy stands out with its large holdings of US equities alongside other European DM countries, that can be meaningful for USD/CHF in the case for further repatriation of US assets.

- **Hold 16-Jun EUR/GBP 0.8550 / EUR/CHF 0.99 topside dual digital. Cost 9.45%. Marked at 1.85%**
- **Add long EUR/GBP in cash. Spot ref 0.84765. Stop loss 0.82646.**

Figure 37: EUR/GBP is marginally rich to 0.8455 fair value, but generally tracking

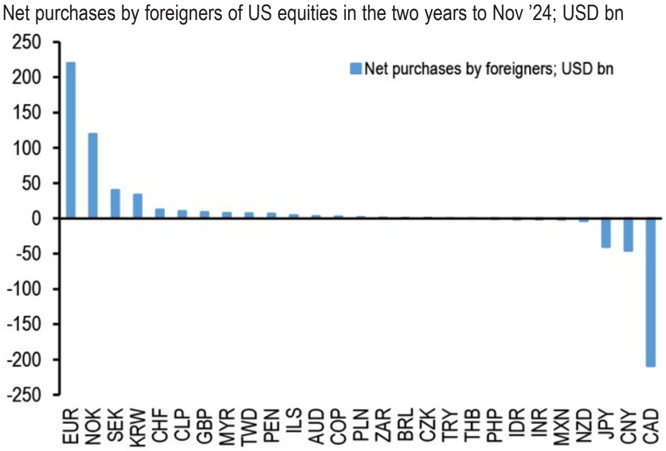
EUR/GBP fair value based on S&P 500 and 2y rate spreads



Source: JP Morgan Research, Bloomberg Financial L.P

Figure 38: Relative equity repatriation should favour EUR/GBP higher

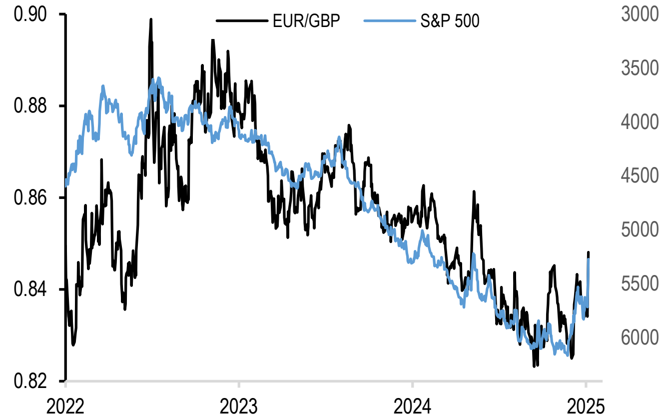
Net purchases by foreigners of US equities in the two years to Nov '24; USD bn



Source: JP Morgan Research, Bloomberg Financial L.P, TIC, Haver

Figure 39: EUR/GBP is highly sensitive to risk sentiment

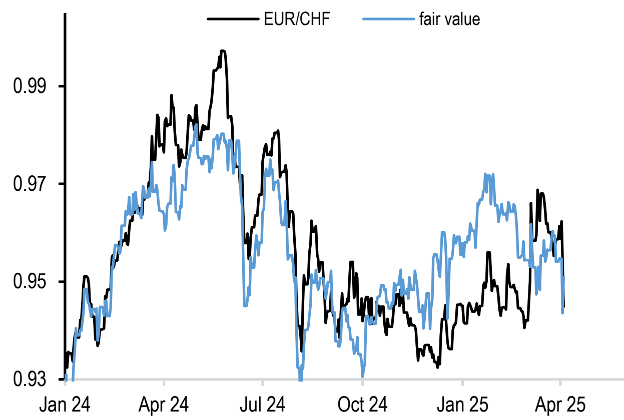
EUR/GBP vs S&P 500 (inverted)



Source: JP Morgan Research, Bloomberg Financial L.P

Figure 40: EUR/CHF is around fair value at these levels

EUR/CHF fair value based on VIX, european sovereign spreads, 2y swap rate spreads



Source: Bloomberg Financial L.P, JP Morgan

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Table 1: Current FX spot recommendations and P&L

Long	Short	Entry date	Entry level	Current level	Stop loss*	P&L since entry	Comments
EUR	GBP	04 Apr 25	0.84765	0.84765	0.82646	0.00%	New trade
NOK	EUR	07 Mar 25	11.7579	11.3964	12.1694	1.32%	Took profit intra-week
AUD	EUR	28 Mar 25	1.7201	1.74260	1.78030	-1.31%	Took loss intra-week
JPY	EUR	28 Mar 25	162.48	160.38	168.17	1.29%	Hold
JPY	NZD, USD	28 Feb 25	84.359 / 150.65	82.015 / 145.68	+1.25%	2.77%	Hold; move trailing stop
JPY	CHF	07 Mar 25	167.700	170.902	173.570	-1.91%	Hold

Marked at 3:00 pm GMT.* Stop-loss / take-profit levels expressed in spot terms, not accounting for carry.

Source: J.P. Morgan.

Table 2: Current FX derivatives (directional/non-RV) recommendations and P&L

Description	Entry date	Expiry date	Days to expiry	Entry level	Current level	P&L since entry**	Comments
Buy EUR/USD 3m call spread. K = 1.09/1.12. Spot ref 1.0825. Cost 89.2 bps.	28 Mar 25	26 Jun 25	83	0.89%	1.38%	0.49%	Hold
Buy EUR/SEK 3m put spread. K = 10.75/10.55. Spot ref 10.8250. Cost 59.5bps.	28 Mar 25	26 Jun 25	83	0.60%	0.47%	-0.13%	Hold
Buy 3m EUR/GBP 0.8550 / EUR/CHF 0.99 topside dual digital. Cost 9.45%.	14 Mar 25	16 Jun 25	73	9.45%	1.85%	-7.60%	Hold
Buy EUR/JPY 2m put spread. K = 155 / 151.50. Spot ref 156.70. Cost 72bps.	28 Feb 25	01 May 25	27	0.72%	0.26%	-0.46%	Hold

** P&L in % of asset unless otherwise specified. Marked at 3:00pm GMT.

Source: J.P. Morgan

Source: J.P. Morgan

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Table 3: Performance Statistics

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2008-2024 avg
I. *Macro Trade Recommendations* portfolio																			
Cash																			
# of trades	**25**	36	17	39	37	44	27	30	46	38	51	55	54	28	42	89	63	85	46
Success rate	**76%**	67%	53%	67%	43%	43%	48%	60%	43%	55%	51%	56%	56%	61%	57%	53%	65%	59%	55%
Average return per trade (%)	**0.23%**	0.00%	-0.62%	1.00%	-0.35%	0.29%	0.22%	-0.01%	-0.52%	0.37%	0.19%	-0.09%	0.47%	0.25%	0.03%	0.02%	0.97%	1.96%	0.25%
Average holding period (calendar days)	**36**	28	36	41	41	34	37	32	51	37	20	28	20	25	25	24	20	31	31
Derivatives (non-digital)																			
# of trades	**7**	13	21	17	9	5	17	13	16	26	27	30	32	33	27	27	21	3	20
Success rate	**57%**	46%	38%	53%	33%	80%	41%	31%	44%	54%	48%	50%	31%	61%	74%	62%	62%	0.0%	48%
Average return per trade (%)	**0.06%**	0.00%	-0.38%	0.25%	-0.01%	0.34%	0.06%	-0.26%	-0.17%	0.40%	0.93%	0.02%	-0.13%	0.13%	0.94%	0.34%	0.55%	-0.57%	0.14%
Average holding period (calendar days)	**101**	64	59	51	42	62	51	47	62	52	66	46	65	58	71	54	59	66	57
Derivatives (Digital)																			
# of trades	**0**	4	4	7	1	3	2	2	2	11	3	2	3	5	10	4	21	5	5
Success rate	**NA**	0%	0%	43%	0%	25%	0%	50%	0%	45%	33%	100%	67%	80%	50%	25%	38%	20%	34%
Average return per trade (%)	**NA**	-13%	-23%	-1%	-11%	-4%	-8%	-4%	-23%	-1%	5%	49%	25%	12%	-1%	-7%	5%	-4%	0%
Average holding period (calendar days)	**119**	139	88	85	93	68	112	87	67	36	56	86	60	38	87	60	55	54	75
II. *FX Derivatives* portfolio (relative value)																			
Vol r.v																			
# of trades	**3**	23	24	30	26	27	16	25	34	52	58	51	36	41	37	45	32	13	34
Success rate	**100%**	61%	58%	60%	62%	67%	38%	48%	59%	67%	60%	57%	58%	54%	62%	69%	63%	77%	60%
Average return per trade (%)*	**0.6**	0.0	0.0	0.0	0.8	0.4	-0.5	-0.5	-0.1	0.1	0.2	0.0	0.3	0.1	0.1	0.7	0.1	0.3	0.1
Average holding period (calendar days)	**24**	73	77	50	58	65	69	81	63	62	56	80	73	81	47	99	73	53	68
Vol plus directional r.v																			
# of trades	**6**	5	7	5	3	6	13	7	15	6	15	9	3	11	14	4	-	-	8.2
Success rate	**83%**	80%	71%	60%	67%	67%	54%	43%	60%	50%	60%	67%	33%	91%	79%	50%	-	-	62%
Average return per trade (bp)	**52**	30	53	29	70	-7	6	-24	-13	-18	25	55	-182	37	16	-8	-	-	5
Average holding period (calendar days)	**76**	70	69	69	82	36	85	108	69	50	73	92	138	81	27	50	-	-	73
Digital																			
# of trades	**1**	11	7	1	4	3	2	1	1	10	2	2	6	6	2	-	-	3	4
Success rate	**100%**	45%	29%	0%	50%	0%	50%	100%	0%	40%	0%	50%	33%	50%	50%	-	-	33%	35%
Average return per trade (%)	**30%**	-3%	-4%	-10%	20%	-18%	15%	9%	-7%	11%	-14%	-6%	-7%	-7%	-13%	-	-	8%	-2%
Average holding period (calendar days)	**52**	74	97	29	47	75	34	49	157	37	94	59	92	51	25	-	-	33	63

*P&L in vol points. Source: J.P. Morgan

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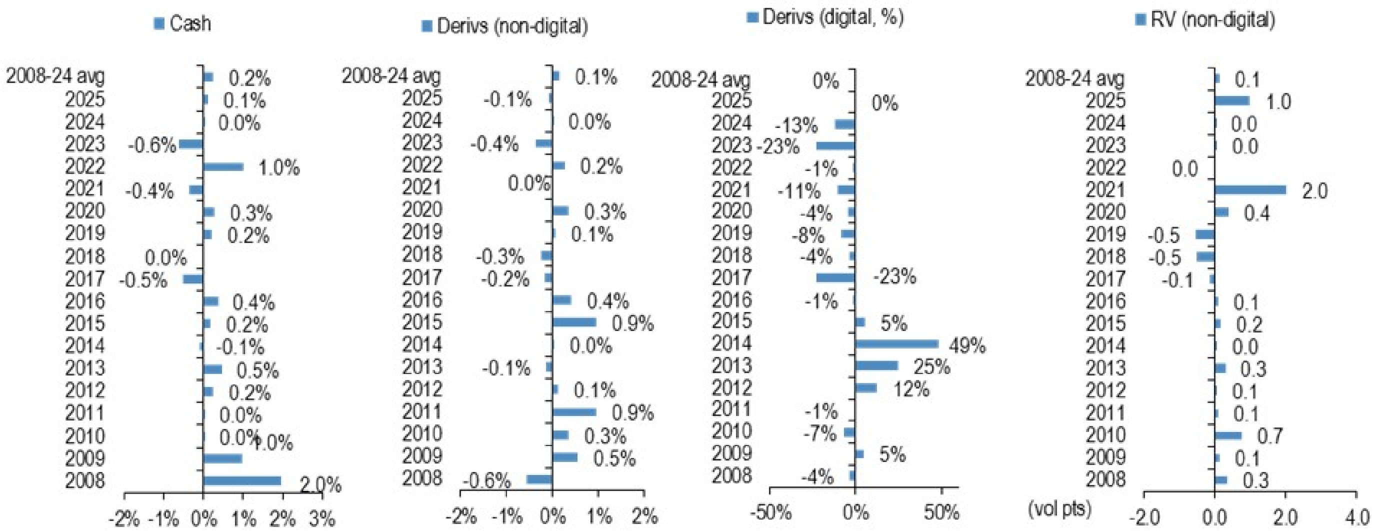
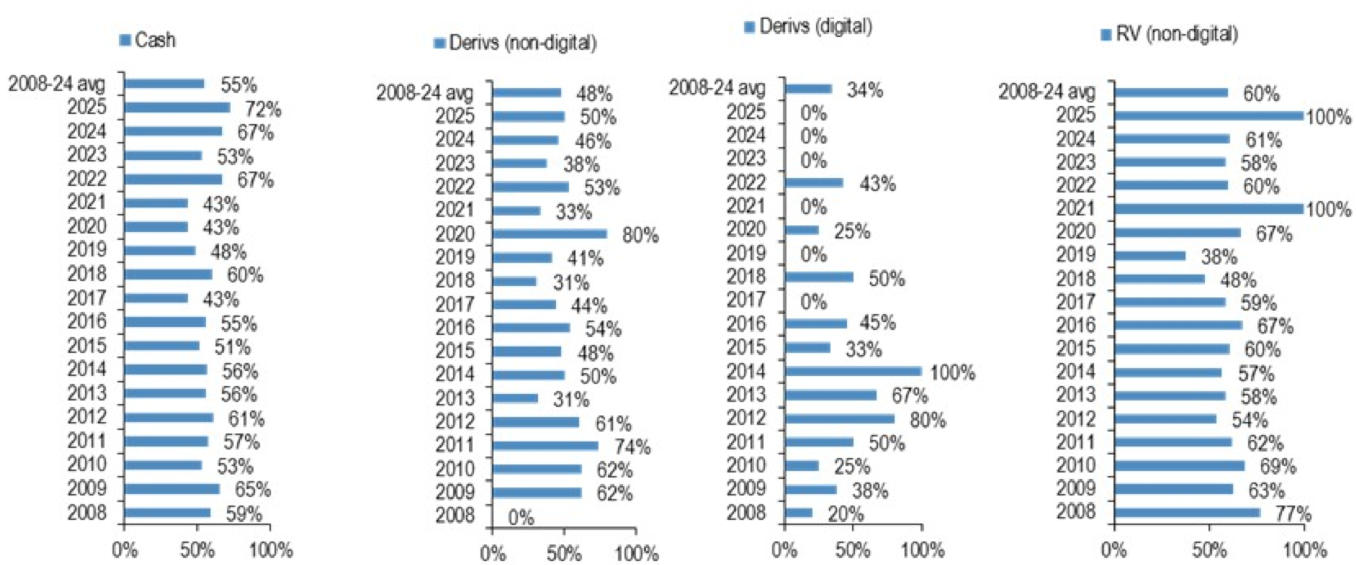
Performance summary: Average returns per trade



Source: J.P. Morgan

Performance summary: Success rate by type of trade



Source: J.P. Morgan

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II. Trades closed over the past 12 months

Macro Trade Recommendations portfolio

Cash

Long	Short	Entry date	Entry level	Exit date	Exit level	P&L
JPY	EUR	14 Nov 24	164.6200	20 Jan 25	161.3276	1.6%
JPY	CHF	26 Nov 24	173.9440	20 Jan 25	171.3348	1.5%
NOK	PLN	26 Nov 24	2.7020	23 Jan 25	2.7831	-3.2%
USD	EUR	06 Nov 24	1.0781	24 Jan 25	1.0475	3.2%
CHF	EUR	06 Nov 24	0.9418	24 Jan 25	0.9510	-1.5%
JPY	CAD	10 Jan 25	109.8450	24 Jan 25	108.7430	0.9%
SEK	EUR	26 Nov 24	11.5323	24 Jan 25	11.4595	0.6%
AUD	CAD	24 Jan 25	0.9049	02 Feb 25	0.9078	0.4%
USD, JPY	CAD	02 Feb 25	1.4744 / 105.174	04 Feb 25	1.4375 / 107.851	-2.5%
SEK	EUR	24 Jan 25	11.4614	14 Feb 25	11.2323	0.6%
SEK	GBP	10 Jan 25	13.7365	14 Feb 25	13.4858	0.8%
JPY	EUR	31 Jan 25	160.9700	14 Feb 25	159.5805	0.3%
CHF	EUR	02 Feb 25	0.9379	14 Feb 25	0.9441	-0.7%
USD	EUR, GBP	02 Feb 25	1.0249 / 1.2240	14 Feb 25	1.0478 / 1.2581	-2.4%
JPY	NZD	31 Jan 25	87.5050	21 Feb 25	85.7220	0.9%
SEK	GBP	10 Jan 25	13.7365	21 Feb 25	13.4471	0.9%
SEK	EUR	24 Jan 25	11.4614	28 Feb 25	11.1502	0.7%
JPY	CHF	31 Jan 25	170.4860	05 Mar 25	168.0000	0.2%
NOK, AUD	USD	07 Mar 25	10.8479 / 0.6299	25 Mar 25	10.5053 / 0.63	1.6%
SEK	USD	05 Mar 25	10.2550	25 Mar 25	10.0506	0.9%
EUR	USD	05 Mar 25	1.0758	28 Mar 25	1.0824	0.2%
SEK	EUR	07 Mar 25	10.9264	28 Mar 25	10.8262	0.5%
DXY components	USD	05 Mar 25	104.5600	28 Mar 25	104.0400	0.4%
NOK	EUR	07 Mar 25	11.7579	03 Apr 25	11.3964	1.3%
AUD	EUR	28 Mar 25	1.7201	03 Apr 25	1.7426	-1.3%

Long	Short	Entry date	Entry level	Exit date	Exit level	P&L
SEK	GBP	21 Nov 23	13.0730	05 Jan 24	13.0091	0.6%
JPY	GBP, EUR	26 Jan 24	188.41 / 160.87	02 Feb 24	186.53 / 159.10	1.0%
AUD	CAD	15 Dec 23	0.8971	08 Feb 24	0.8747	-2.6%
AUD	NZD	21 Nov 23	1.0870	09 Feb 24	1.0600	-2.8%
SEK	EUR	26 Jan 24	11.3319	01 Mar 24	11.1949	1.2%
CHF	EUR	26 Jan 24	0.9376	15 Mar 24	0.9610	-2.7%
JPY	EUR	02 Feb 24	159.8500	20 Mar 24	163.8463	-3.0%
SEK, CAD	NOK	15 Mar 24	0.9776 / 7.8351	22 Mar 24	0.9806 / 7.9163	0.3%
AUD, USD	CAD	22 Mar 24	0.8850 / 1.3570	12 Apr 24	0.8922 / 1.3734	1.0%
SEK	CHF	08 Mar 24	11.6515	12 Apr 24	11.9428	-2.3%
SEK	CZK	21 Nov 23	2.1419	26 Apr 24	2.1600	0.3%
USD	CHF	12 Apr 24	0.9118	26 Apr 24	0.9133	0.4%
NOK	SEK	26 Apr 24	0.9918	03 May 24	0.9969	0.5%
USD	CAD	12 Apr 24	1.3760	03 May 24	1.3684	-0.5%
USD	GBP	19 Apr 24	1.2462	21 May 24	1.2711	-2.0%
NOK	SEK	10 May 24	0.9992	24 May 24	1.0088	1.0%
NOK	CAD	02 May 24	8.0390	07 Jun 24	7.7400	3.7%
EUR, USD	CHF	24 May 24	0.991 / 0.9138	13 Jun 24	0.9521 / 0.8917	-2.3%
AUD	JPY, CHF	17 May 24	103.799 / 0.6055	21 Jun 24	105.726 / 0.5938	0.3%
AUD	JPY	21 Jun 24	105.7260	27 Jun 24	106.9400	1.2%
NOK	SEK	14 Jun 24	0.9858	10 Jul 24	0.9885	0.4%
AUD	NZD	14 Jun 24	1.0772	26 Jul 24	1.1132	3.3%
NOK	EUR	31 Jul 24	11.8321	02 Aug 24	11.9586	-1.1%
USD	NZD	12 Jul 24	0.6126	02 Aug 24	0.6027	2.7%
JPY	CAD	02 Aug 24	105.9140	06 Aug 24	105.9140	0.2%
CHF	EUR	26 Jul 24	0.9590	12 Aug 24	0.9536	0.9%
NOK	NZD	09 Aug 24	6.5120	16 Aug 24	6.4658	0.7%
USD	NZD	12 Jul 24	0.6009	20 Aug 24	0.6111	-2.5%
CHF	EUR	20 Aug 24	0.9521	23 Aug 24	0.9488	0.3%
JPY	EUR	23 Aug 24	162.2700	05 Sep 24	159.1700	1.8%
NOK	SEK	16 Aug 24	0.9777	06 Sep 24	0.9659	-1.1%
GBP	EUR	16 Aug 24	0.8526	05 Sep 24	0.8427	1.2%
NOK, SEK	EUR	23 Aug 24	11.7587 / 11.3964	19 Sep 24	11.7180 / 11.3420	0.9%
USD	CAD	27 Sep 24	1.3483	04 Oct 24	1.3576	0.7%
JPY	EUR, CHF	05 Sep 24	159.18 / 169.67	11 Oct 24	163.36 / 174.08	-2.7%
CHF	EUR	26 Sep 24	0.9466	25 Oct 24	0.9366	0.9%

Derivatives (non-digital)

Non-Digital Options	Entry date	Entry level	Exit date	Exit level	P&L (%)
Buy NOK/SEK 3m call spread. K = 1.00 / 1.0250. Spot ref. 0.9898. Cost 47.5bps	26 Nov 24	0.48%	24 Jan 25	0.04%	-0.4%
Buy EUR/JPY 3m put spread. K = 160 / 156. Spot ref 161.88. Cost 84bps.	03 Jan 25	0.84%	21 Feb 25	1.68%	0.8%
Buy EUR/NOK 6m put spread. K = 11.70 / 11.40. Spot ref. 11.8403. Cost 82bps	25 Oct 24	0.82%	21 Feb 25	0.83%	0.0%
Buy GBP/NOK 3m put spread. K = 13.80 / 13.50. Spot ref. 13.9435. Cost 67.5bps.	26 Nov 24	0.68%	28 Feb 25	0.00%	-0.7%
Buy EUR/USD 4m put spread. K = 1.05 / 1.02. Spot ref. 1.0530. Cost 77bps.	15 Nov 24	0.77%	28 Feb 25	1.03%	0.3%
Hold CAD/JPY 6m vanilla put (K = 102.97). Spot ref. 105.20. Net cost 159bps.	10 Sep 24	1.59%	10 Mar 25	1.03%	-0.6%
Buy EUR/SEK 3m put spread. K = 11.15 / 10.90. Spot ref 11.1569. Cost 80bps.	28 Feb 25	0.80%	28 Mar 25	1.77%	1.0%

Non-Digital Options	Entry date	Entry level	Exit date	Exit level	P&L (%)
Hold EUR/USD 3m vanilla put (previously unwound far strike of put spread). K = 1.0450. Cost 77bps.	13 Oct 23	0.77%	15 Jan 24	0.00%	-0.8%
Buy EUR/JPY 3m put spread. K = 155.50 / 151.00. Spot ref 157.13. Cost 99bps.	13 Oct 23	0.99%	15 Jan 24	0.00%	-1.0%
Hold USD/CAD 4m call (previously unwound far strike of call spread). K = 1.37. Spot ref 1.3728. Cost 88bps.	21 Nov 23	0.9%	22 Mar 24	0.00%	-0.9%
Buy EUR/SEK 12-Jul put spread. K = 11.40 / 11.10. Spot ref. 11.5270. Cost 56.5bps.	05 Apr 24	0.57%	12 Apr 24	0.48%	-0.1%
Buy USD/CHF 12-Jul call spread. K = 0.91 / 0.93. Spot ref. 0.9075. Cost 50bps.	02 Apr 24	0.50%	24 May 24	0.62%	0.1%
Buy EUR/SEK 3m put spread. K = 11.60/11.30. Spot ref. 11.6411. Cost 76bps.	17 May 24	0.76%	30 May 24	1.20%	0.4%
Buy EUR/NOK 3m put spread. K = 11.70 / 11.40. Cost 67.9bps	02 May 24	0.68%	30 May 24	1.79%	1.1%
Buy USD/CNH 3m call spread. K = 7.25 / 7.37. Spot ref. 7.2663. Cost 45bps.	12 Apr 24	0.45%	12 Jul 24	0.34%	-0.1%
Hold EUR/NOK 3m put (K = 11.40); unwound K = 11.20 leg of put spread. Spot ref. 11.4350. Net cost 68bps.	14 Jun 24	0.68%	16 Sep 24	0.00%	-0.7%
Buy 1m USD/JPY ATM/25D put spread (k = 142.5/138.5 for spot ref 143.466). Cost 85bps.	05 Sep 24	0.85%	07 Oct 24	0.00%	-0.9%
Buy EUR/USD 6m put spread. K = 1.0850 / 1.0550. Spot ref. 1.0901. Cost 64bps.	12 Jul 24	0.64%	15 Nov 24	1.87%	1.2%
Buy USD/SEK 3m call spread. K = 10.70 / 11.00. Spot ref. 10.5837. Cost 78bps.	25 Oct 24	0.78%	26 Nov 24	1.53%	0.8%
Buy EUR/JPY 6m put spread. K = 161 / 156. Spot ref 164.34. Cost 109bps.	25 Oct 24	1.09%	09 Dec 24	1.88%	0.8%

Derivatives (digital)

Digital Options	Entry date	Entry level	Exit date	Exit level	P&L (%)
Buy EUR/SEK 4m at-expiry digi put. K = 10.85. Spot ref 11.4338. Cost 8.7%.	21 Nov 23	8.7%	22 Mar 24	0.0%	-8.7%
Buy USD/JPY 6m at-expiry digi put. K = 133. Spot ref 148.40. Cost 10%.	21 Nov 23	10.0%	22 Mar 24	0.3%	-9.7%
Buy CHF/JPY 4m at-expiry digi put. K = 163. Spot ref 171.58. Cost 17.5%	26 Jan 24	17.5%	28 May 24	0.0%	-17.5%
Buy EUR/USD 6m at-expiry digi put. K = 1.03. Spot ref. 1.0756. Cost 14.25%.	08 Feb 24	14.3%	16 Aug 24	0.0%	-14.3%

FX Derivatives portfolio (relative value)

Vol r.v.

Trade	Entry date	Entry level	Exit date	Exit level	P&L (vol)
Buy delta hedged 2M CAD/JPY atm straddle vs sell USD/CAD straddle, in equal vega.	06 Feb 25	3.7	21 Feb 25	4.1	0.3
Sell 2M vs buy 4M AUD/JPY straddle calendar, delta-hedged	23 Jan 25	-0.2	28 Feb 25	-0.3	0.1
Buy 3M CAD/JPY ATM straddles vs sell 3M CHF/JPY ATM straddles, in equal vega notionals	28 Feb 25	2.0	21 Mar 25	3.2	1.2
Buy 6M 25D USD/CHF risk-reversals, delta-hedged	28 Feb 25	0.6	04 Apr 25	3.1	2.5
Buy 4M EUR/USD vs sell EUR/PLN atm delta-hedged straddles	07 Mar 25	2.0	04 Apr 25	2.7	0.7

Trade	Entry date	Entry level	Exit date	Exit level	P&L (vol)
Buy GBP/USD 3M straddle, sell EUR/GBP 3M 25delta strangle,delta-hedged	08 Dec 23	2.5	26 Jan 24	3.3	0.8
Buy a 1y ATM Vol Swap in USD/BRL and sell in USD/JPY	20 Nov 23	4.9	23 Feb 24	1.7	-3.2
Short 3M AUD/CHF straddle vs long 3M USD/CHF straddle, delta-hedged	05 Jan 24	-0.8	23 Feb 24	0.5	1.3
Buy 3M vs sell 8M NZD/USD atm delta-hedged straddles	23 Feb 24	-0.3	05 Apr 24	-0.6	-0.3
Buy a 1M vol swap on USD/NOK, sell a 1M vol swap on EUR/NOK in equal Vegas	01 Mar 24	3.4	05 Apr 24	3.5	0.1
Buy 3M NZD/USD vol swap vs. EUR/NZD vol swap, in equal Vegas	26 Jan 24	2.2	26 Apr 24	2.4	0.2
Sell USD/CNH 6M6M FVA vol pts vs. buy USD/SGD 6M6M FVA	20 Nov 23	-0.9	26 Apr 24	-0.9	0.0
Buy USD/MXN 1Y1Y FVA	20 Nov 23	13.5	26 Apr 24	11.7	-1.7
Long XAU/USD 1M delta-hedged straddle vs bought 3M	18 Apr 24	0.1	17 May 24	-1.5	-1.5
Buy delta-hedged 3M USD/HUF straddle vs sell USD/BRL straddle	17 May 24	-1.7	31 May 24	-0.4	1.3
long 3M USD/CHF-USD/JPY corr swap	23 Feb 24	4.0	31 May 24	4.1	0.2
Sell a 6M USD/CNH vs. EUR/CNH correlation swap	08 Dec 23	2.1	07 Jun 24	-0.7	2.8
Buy delta-hedged 6M EUR/BRL atm/25d call spread, vega weighted	22 Mar 24	1.0	28 Jun 24	1.7	-0.7
Buy delta-hedged 3M long GBP/CHF straddle vs short EUR/GBP straddle	07 Jun 24	2.1	19 Jul 24	2.9	0.9
Long 1M straddle vs. short 1M 15D strangle (equal notionals) in GBP/USD	28 Jun 24	2.5	26 Jul 24	1.9	-0.6
Open a long GBP/USD vs. short CHF/USD 3M 25D risk-reversal RV, delta-hedged	19 Apr 24	1.5	26 Jul 24	1.4	-0.1
Sell 1M EUR/GBP 25D Strangle. Keep delta-hedged	19 Jul 24	3.9	20 Aug 24	2.3	-1.6
Sell 2M 25D Strangle in AUD/USD and buy in 2M ATM Straddle in EUR/USD	13 Aug 24	3.8	06 Sep 24	4.8	1.0
Buy 3M USD/NOK vol swap vs sell var swap, equal vega	23 Aug 24	-0.3	01 Nov 24	-0.1	0.2
Sell CHF skew 3M USD/CHF 25d RR vs buy USDSEK skew USD/SEK 25d RR , delta-hedged	20 Sep 24	0.0	08 Nov 24	-0.6	-0.6
Buy 1y ATM vol Swap in USD/HUF and sell in EUR/USD	28 Jun 24	4.4	25 Nov 24	4.5	0.1
Sell 1M EUR/BRL vol swap	20 Sep 24	12.7	25 Nov 24	11.4	1.3
Buy a 6M6M FVA in USD/CAD	26 Nov 24	5.7	20 Dec 24	6.6	0.9

Vol plus directional r.v.

Vol plus directional r.v.	Entry date	Entry level	Exit date	Exit level	P&L	Units
Buy 1Y 1% OTMS EUR puts / USD calls vs. Sell 4.5% OTMS EUR puts/TWD calls	26 Nov 24	0	17 Jan 25	112	112	bp
2M USD/CAD 147/150/151 Call Fly 1*2*1	20 Dec 24	23	21 Feb 25	0	-23	bp
Sell a 6M USD/CNH vs. EUR/CNH correlation swap	14 Aug 24	36	21 Feb 25	10	26	corr pts
4M 1% OTMS strike USD calls vs. [CNH, KRW, TWD] vs. sell 4M 2% OTMS strike USD/JPY calls	26 Nov 24	0	21 Feb 25	71	71	bp
4M ATMS Basket of AUD/USD call and USD/SGD puts vs.sell a basket of USD/CNH puts and USD/TWD puts	24 Jan 25	0	21 Feb 25	79	79	bp
Weighted basket of 3m USD/SEK 40d put and USD/HUF 40d put vs sell EUR/USD 45d call in 100-125 and 100-145 notionals respectively	21 Feb 25	0	28 Mar 25	48	48	bps
Buy 3M ATMF EUR,CHF via USD Correlation Swap	20 Feb 25	73	04 Apr 25	73	0	corr pts
Sell 3M ATMF EUR,USD via GBP Correlation Swap	29 Jan 25	43	04 Apr 25	13	30	corr pts

Vol plus directional r.v.	Entry date	Entry level	Exit date	Exit level	P&L	Units
Buy XAU/USD 1Y 2150 Call, Sell 3M XAU/USD 2050 Call	02 Nov 23	274	02 Feb 24	346	72	bps
Buy 3M 1% OTMS USD put/PHP call vs. Sell 3M 1% OTMS USD put/CNH call, both legs live, for zero-cost	03 May 24	0	05 Aug 24	0	0	bps
Buy ATMF/ATMS Call Spread in GBP/JPY	04 Oct 24	24	08 Nov 24	39	14	bps
Sell a 6M USD/CNH vs. EUR/CNH correlation swap	14 Aug 24	36	25 Nov 24	27	9	corr pts
Buy a 6M JPY/INR ATMF put	26 Nov 24	299	20 Dec 24	352	53	bp

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Digital r.v.

Digital Options	Entry date	Entry level	Exit date	Exit level	P&L (%)
Buy Dual Digi 3M USD/JPY call 2% ITMS and JPY/KRW call 2%	26 Nov 24	14	17 Jan 25	44	30

Digital Options	Entry date	Entry level	Exit date	Exit level	P&L (%)
Buy 1Y 155 USD/JPY digi call	27 Oct 23	3	05 Jan 24	7	5
Sell 6wk vs. buy 12wk 2% OTMS strike at-expiry digital USD call/CHF put calendar spread	02 Feb 24	6	15 Mar 24	24	18
Sell 3M 18.15 strike EUR put/MXN call at-expiry digital vs. Buy 6M 18.15 strike EUR put/MXN call digital	20 Nov 23	3	22 Mar 24	43	40
Buy long 1Y USD/JPY 157 digi call vs short 3M, equal weighted	05 Apr 24	6	26 Apr 24	-14	-21
Short 3M vs. long 6M 88.25 strike EUR put/INR call at-expiry digital calendar spread	05 Apr 24	4	05 Jul 24	6	2
Buy a -1M/+2M EUR/USD 1.05 one-touch put calendar spreads	28 Jun 24	12	06 Sep 24	0	-12
Buy near zero cost -2M / +4M EUR put/MXN call 17.80 digital calendar	17 May 24	2	06 Sep 24	0	-2
Buy a -1M/+2M EUR/USD 1.05 one-touch put calendar spreads	28 Jun 24	12	06 Sep 24	0	-12
Buy near zero cost -2M / +4M EUR put/MXN call 17.80 digital calendar	17 May 24	2	06 Sep 24	0	-2
Buy a 9M near zero-cost (2%) digital RR USD/CNH 6.95 digi put vs 7.35 digi call	28 Jun 24	2	27 Sep 24	-49	-51
Buy 2M 18.70 strike USD put / MXN call at-expiry digital vs. Sell 2M 6.90 USD put/CNH call at-expiry digital	24 Oct 24	0	08 Nov 24	3	3

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Emerging Markets FX

- **Move UW EM FX in GBI-EM Model Portfolio. Following the tariff announcement, we retain higher conviction shorts in EM Asian currencies.**
- **EMEA EM**: We are OW via TRY and CEE. CEE FX should retain some outperformance vs. USD, even with EURCE3 higher. We keep a light outright portfolio, having closed 27-May-25 USDKZT NDF at flat (see here).
- **LatAm:** We are UW LatAm FX. The first-order impact from the tariffs announced for LatAm are expected to be smaller than in other regions. Risks to the region, however, will come from global growth, which is likely to take a bigger hit than originally expected. Currencies look vulnerable in that environment and we are keeping some exposure to a more negative shock to growth via UW CLP, UW COP and UW PEN.
- **Asia: We remain relatively bearish with Asia in the eye of the storm.** We remain UW Asia FX on the GBI-EM Model portfolio (via UW CNY, THB FX FX), short THB (vs EUR JPY and TWD) and short S$NEER (vs EUR JPY USD TWD AUD proxy basket) in outright trades.

EM FX: Tariff turmoil for EM FX

The magnitude of the shock this week leads us to shift our recommendations in local markets to UW in FX and MW local rates. EM FX markets need to consider the large magnitude of these tariffs and the impact on trade, but also the second-order effects that the tariffs could have on driving capital flows out of the US. These second-round effects on the dollar are likely more pertinent for DM reserve currencies (e.g. JPY, CHF or EUR). For EM FX, we think the trade channel will loom large and EM currencies are unlikely to receive capital inflows in a risk-off environment. We therefore move UW EM FX, as the global growth and sentiment shock trumps all else. Regionally, we retain higher conviction shorts in EM Asian currencies and hold on to our global recommendation to be long CZK and BRL against short KRW and THB.

EMEA EM: Risks abound

We hold on to our OW FX stance in EMEA EM via CEE, with an idiosyncratic OW on TRY; however, near-term risks abound. Our core view reflects fading US exceptionalism versus the potential for a fiscal uplift in Europe. CEE could continue to outperform given higher correlation to EUR, which may benefit from capital flows out of the US. While we think this is the right macro/markets-framework for our region, the trading environment is complicated by substantial global risks. We thus keep positions light with only two outstanding outright trades (USDILS put spreads; and USDTRY forward shorts).

Recession risks affect our region substantially. We expect open economies in CEE to be fairly vulnerable, although shielded from worse downside by European fiscal policy and EU fund cycles. More importantly, from a markets perspective, EURUSD is set for further upside (see here); which should limit USDCEE reactions substantially with bias for EURCEE higher/USDCEE lower from here. Scope to ease monetary policy is largest in Poland - but also now relatively well priced, while we expect Czech Republic to heavily utilise its fiscal scope post the October elections, in addition to some further monetary policy easing. Elsewhere, South Africa is vulnerable to global growth as a commodity exporter, but nuance is needed given fairly large idiosyncratic risk premia priced in already.

We maintain our OW CEE FX in the GBI-EM model portfolio, but redistribute the weight into a larger OW CZK vs. smaller PLN and HUF weights. Our EURPLN call hedge expired in the money today. We transfer more of our OW into OW CZK as a low beta proxy for EURUSD. With larger fiscal scope and more entrenched bearish FX positioning, we believe EURCZK will prove resilient while USDCZK could fall substantially further. We prefer a lower beta CEE expression here, amid larger global growth uncertainties. Our one week EURPLN 4.23 call expired on 4-Apr-2025 in the money (at 0.25%; double the premium paid). In retrospect, a longer maturity would have been more favourable. Our short-term value for EURPLN is now 4.33 but we expect EURPLN to top out sub 4.30. EURHUF short-term fair value has now sharply risen to 405 with the model sensitive to global ‘risk’ (proxied by VIX in the model).

We closed short 27-May-25 USDKZT NDF at about flat (see here). As an oil exporter with fairly large non-resident positioning, the currency is vulnerable to unwinds. We also argued that a large non-oil fiscal balance makes the macro set-up potentially very pro-cyclical in a scenario of large oil price falls.

in Türkiye, we remain OW. We argued through the sell-off that the CBRT has incentives, tools and buffers to ensure FX stability. We maintain this view with lower positioning, lower oil prices, higher EURUSD and lower tariff rates all suggesting near-term pressures could be contained. Data also suggest local dollarisation pressure is subsiding.

In ZAR, we are on the sidelines. South Africa was hit with a 30% reciprocal tariff, exceeding expectations. This may impart a more significant growth cost, potentially exceeding the SARB’s 0.23%pt estimate. Our economists’ estimate of the growth hit may amount to 0.4%pts-0.5%pt of GDP (see

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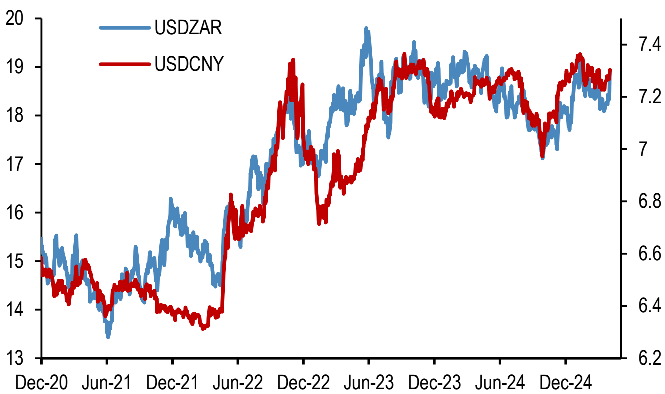
here), and the impact on SA growth may be larger if global growth is also more significantly impacted. However, recent local political noise has resulted in a substantial idiosyncratic move ahead of the tariff announcement. From current levels, we would expect global recession risk premia in USDZAR to rise and idiosyncratic local political premia to fall. This does not make for a clear entry point. Finally, USDCNY has been a crucial anchor for USDZAR and while USDCNY maintains stability, we believe an outsized USDZAR reaction to tariff risks may not be immediate.

Figure 41: USDCNY has been an anchor for USDZAR, which has remained well behaved



Source: J.P. Morgan, Bloomberg Finance L.P.

South Africa's commodity ToT has benefitted from oil underperformance vs precious metals (Figure 42), but may soon reflect global growth risks. USDZAR short-term fair value now screens at 17.83 (Figure 43) as a result of the commodity moves and lower US yields, a deviation of almost 7%. While the deviation is large, it doesn't necessarily capture recession risks accurately. South Africa's commodity terms of trade has benefitted from oil price falls and precious metals outperforming. Yet, as global growth risks materialise, we would expect a more broad-based commodity weakness. We thus assume USDZAR has some risk premia, but not nearly as large as our short-term model would suggest.

Figure 42: South Africa's commodity ToT has benefitted from oil underperformance vs precious metals

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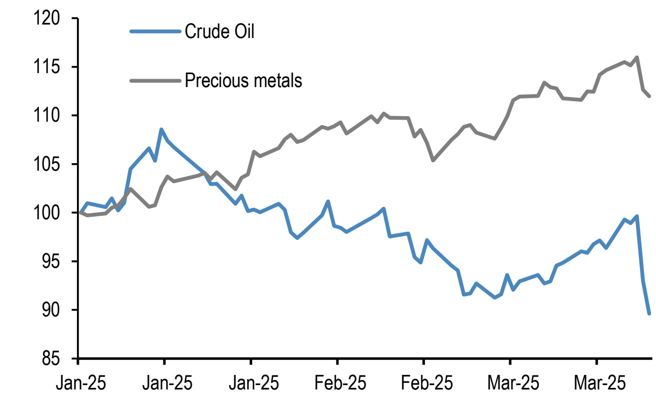
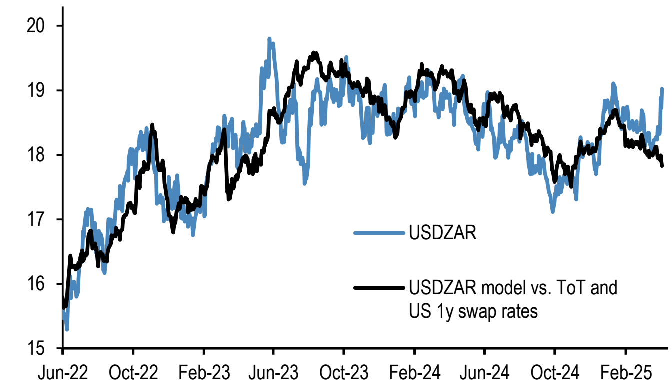


Source: J.P. Morgan, Bloomberg Finance L.P.

Figure 43: USDZAR short-term FV now at 17.83 but we do not think this accurately captures global recession risks



Source: J.P. Morgan, Bloomberg Finance L.P.

LatAm FX: Could have been worse, but risks persist; stay UW LatAm FX

"Liberation-day-tariffs" turned out to be more aggressive than we anticipated globally, but the levies on Latin American countries were smaller, relative to EMEA and EM Asia; stay UW LatAm FX. The first-order impact from the tariffs announced for LatAm are expected to be smaller than in other regions. Risks to the region, however, will come from global growth, which is likely to take a bigger hit than originally expected, coupled with an increased probability of a US recession and higher inflation. Currencies look vulnerable in that environment and we are keeping some exposure to a more negative shock to growth via our UW CLP, UW COP and UW PEN, small open economies with exposure to commodity prices. Lower US Treasuries yields and lower global growth should benefit local rates, where we are maintaining our OW stance, mainly via Mexico and Colombia, where local trends are favourable to the continuation of the easing

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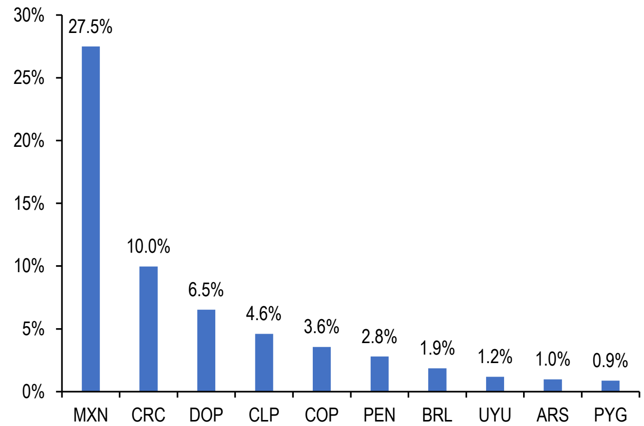
cycles. We also keep a long position in DomRep rates and FX, which should be somewhat more insulated from global risks.

Mexico avoided new tariffs on 2 April but is vulnerable to the US recession risk. We remain MW MXN. Mexico was spared of all tariffs announced on 2 April and secured an extension of the USMCA exemptions. Still, the 25% tariffs on the non-USMCA compliant goods, steel and aluminium and the non-US content of auto exports remained in effect. In all, according to our calculations, Mexican exports to the US have accumulated an average tariff of ~7%, compared to the ~28% average tariff in Asia and 20% for Europe, which leaves it at a relative advantage to access the US market. Moreover, the 25% tariff to non-USMCA compliant goods would be cut in half if Mexico is deemed to have done enough to secure the southern border, while there is scope to negotiate better terms for the auto sector, according to the Mexican Ministry of Economy. Still, MXN is particularly vulnerable to the increasing odds of recession in the US, which favours a neutral stance at present.

The rest of LatAm majors got a relatively small 10% flat tariff and started from a place of less vulnerability, given their smaller commercial ties with the US. Brazil, Colombia, Chile and Peru got a 10% universal tariff, which is expected to exert limited pain on their external sector, with our economics team anticipating an effect of between -0.2% and -0.3% pp of GDP. Moreover, exemptions made to key sectors such as copper (which is expected to get a specific tariff on a later date) and energy, might also reduce the direct consequences in the short-term. In all, we think the South American countries will opt for a low-key reaction to the announcements and we see little space for retaliation.

Figure 44: LatAm ex-Mexico is relatively insulated from direct tariff effects

Goods exports to US; as % of GDP



Source: J.P. Morgan, Haver

Second-order effects from a slowdown in Chinese growth and its demand for commodities will be more relevant for LatAm ex-Mexico. Chile, Peru, and Brazil exports to China represent 12%, 10%, and 5% of their GDP, respectively, mostly focused on commodities. Under current circumstances, there could be space for positive spill-overs on some commodity exporters in the region if Chinese retaliation to the US redirects Chinese demand to other more "friendly" sources. This effect was evident in the Brazilian agribusiness during the trade war of 2018-2020, when Chinese demand for commodities shifted from the US to Brazil, benefitting soybeans and corn. The risk, however, is that the damage to global growth would be of such magnitude, that the overall demand for commodities falls significantly, with China having only limited room to offset the fall via stockpiling, as it did in recent years.

Generally speaking, more open economies will be more exposed to an eventual global growth shock. Mexico, Chile, Uruguay and Peru top that ranking, with goods and services exports as a share of GDP representing around a third of GDP. Brazil, Colombia, Argentina, and DomRep are on the other end of that spectrum, with goods and services exports ranging between 15% and 23% of GDP. We are UW CLP and are adding an UW PEN to express the higher sensitivity of those currencies to global economic activity, as well as a high beta UW COP.

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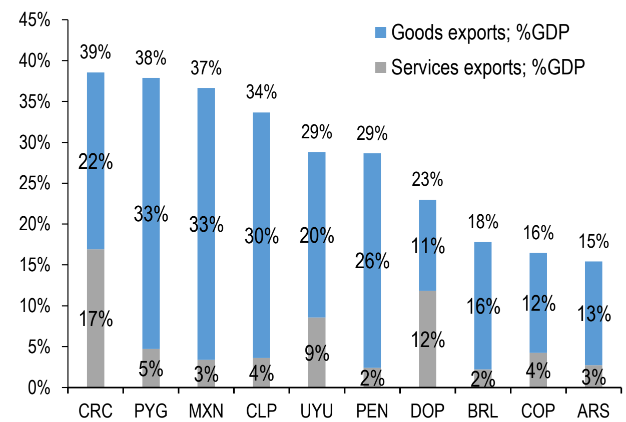
Figure 45: More open economies are more exposed to a potential global growth shock

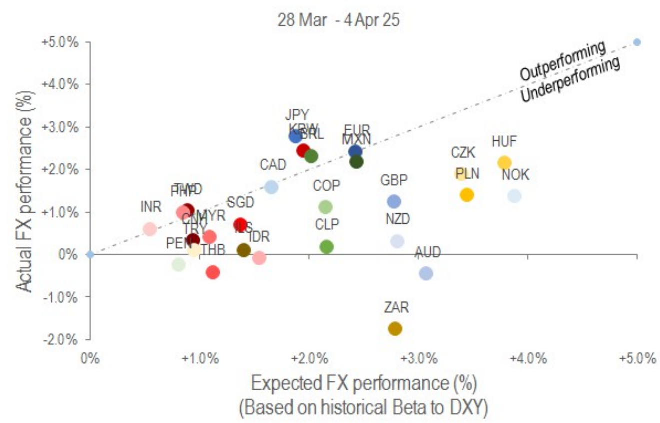
Goods exports and services exports (as of 2024); as % of GDP



Source: J.P. Morgan, Haver

Figure 46: 1w FX performance – Actual vs expected performance

Based on regression coefficient vs DXY, EMA of 35w rolling windows



Source: J.P. Morgan estimates.

Asia FX: Weeks where years happen

Asia FX in the eye of the storm. Asian underperformed its historical betas as the FX complex rallied over Trump's Liberation Day, hit by the highest tariff rates of any major region and significant spill-overs likely to be felt from Chinese excess capacity (Figure 46). Global recession fears drove JPY outperformance, while cyclicals took a tumble with the ZAR and AUD leading the way lower, but LatAm's commodity producers also underperforming their betas. Within Asia, the THB was the hardest hit alongside the IDR, with dividends and idiosyncratic issues likely to drive further underperformance ahead. KRW was a notable outperformer, even relative to its higher beta, as the Constitutional Court's impeachment of former President Yoon gave markets hope for further clarity ahead. Yet the hardest hit currency this week was arguably the USD, with the DXY tumbling over 2% to wipe out the entirety of its rally since Trump's win, as Liberation Day delivered not just tariffs, but a stagflationary reversal of US exceptionalism.

Do less, achieve more: Asia FX valuations have cheapened since Trump's victory, with tariffs looming over regional currencies despite the swings in rates (Figure 47). With the delivery of tariffs having been dovish until now, the expansion of risk premia ebbed and flowed, but rarely crossed the +2z mark that required a regime shift to break. Liberation Day has come, however, delivering tariffs in excess of most expectations for EMAX economies, but also pushing FX markets towards a weaker USD with US real rates falling on stagflationary concerns. USDAsia is likely to remain caught in a tug of war between these cross currents, which suggests risk premia could expand as Asia FX lags the rally in rates. The end result is likely to be side-ways price action - likely policy induced - which would ease financial conditions for a region hard hit by the nascent global trade war. Regional divergence remains, however, with NAsia continuing to look cheap relative to the broader EM complex, and the EUR joining THB on the richer side after its recent squeeze (Figure 48). We stay relatively bearish on Asia FX, which remains in the eye of the storm, and hold our UW on the GBI-EM Model portfolio and short CNY, THB and SGD in relatively valued outright trades.

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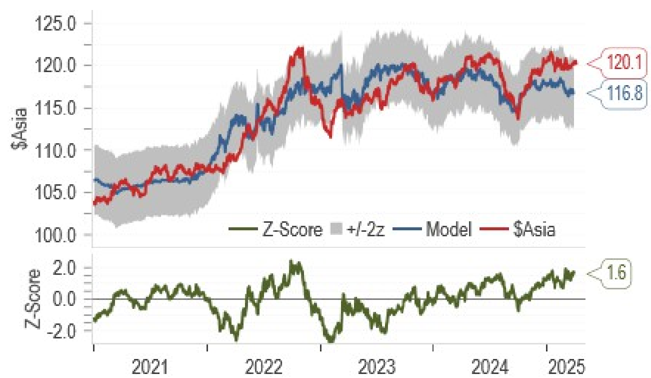
Figure 47: USDAsia vs rate differentials

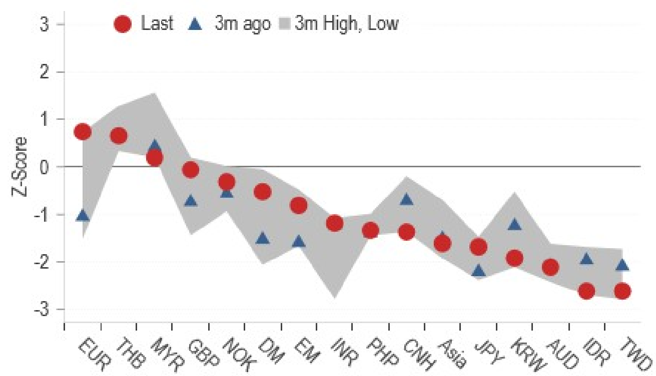
3y regression of equally weighted basket of EM Asia FX vs average 2y government bond yield differentials



Source: J.P. Morgan estimates, Bloomberg Finance L.P.

Figure 48: FX valuations vs rate differentials - regression residuals

3y regression of equally weighted basket of EM Asia FX vs average 2y government bond yield differentials. Positive (Negative) means FX is rich (cheap)

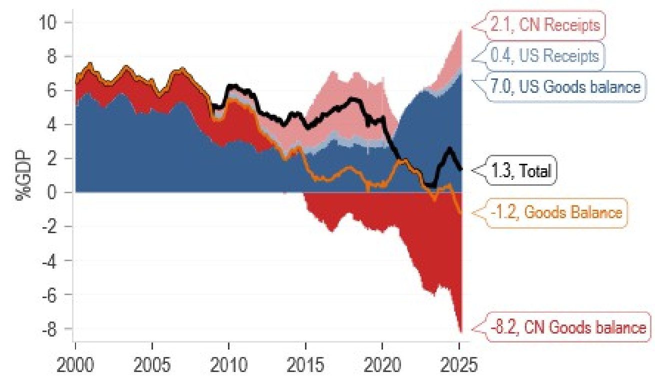


Source: J.P. Morgan estimates, Bloomberg Finance L.P.

Trade reliance remains a vulnerability in a trade war. Asia's LYers remain most exposed to a slowdown in trade, and we retain conviction in THB and SGD shorts with negative catalysts still on the horizon. Thailand's structural loss of competitiveness - owing to tourism's Dutch disease - has been exposed once by the impairment to Chinese arrivals (Figure 49), but will now be in focus with the third-highest tariff rate in the region behind China and Vietnam. Seasonals offer a window for adjustment as well, with Songkran, the SET dividend season, and fading European arrivals likely to translate into further THB underperformance. Singapore's FX tightening over 2021-23 has put the SGD REER at historically strong levels relative to productivity differentials (Figure 50), bringing into question MAS' policy stance with improved supply already exerting significant dis-inflationary pressure on the city state. While direct tariffs appear benign for now, the risk of sectoral tariffs (on Pharma and semis) remains, as does the hit from a generalised trade slowdown for the region's most trade-reliant economies, skewing risks towards more aggressive easing in April. We remain short THB and S$NEER vs respective (proxy) baskets.

Figure 49: TH trade balance proxy vs US and China

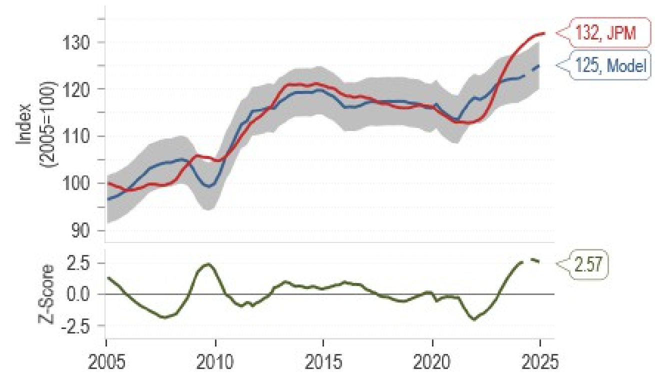
%GDP, 12mma. Excludes Thailand's outbound tourism payments



Source: NESDC, MOTS, J.P. Morgan estimates.

Figure 50: SGD REER regressed on productivity differentials

12mma. Productivity proxied via relative GDP per capita, weighted with BIS effective exchange rate weights



Source: BIS, National sources, J.P. Morgan estimates.

On the defensive. Under attack from Trump's tariffs, defence has to be top of mind. Foreign policy defence will be key in the coming weeks, with various economies rushing to negotiate tariffs down. What is on or can be offered will be key, with the North Asians unlikely to restructure their economies overnight, but direct tariffs and import regulations easy to fix quickly. India stands out in this regard, having already signalled an openness to lower trade barriers to rebalance relations, which North Asia's entrenched mercantilism will be more difficult to resolve. Beyond geopolitics, India's stronger reserve position (despite the recent drop) and domestically-oriented economic structure also argue for resilience (Figure 51). Alongside the PHP, with the archipelago receiving the lowest tariff ex SG in Asia, the two energy importing, high growth economies offer structural growth, a key counter-cy-

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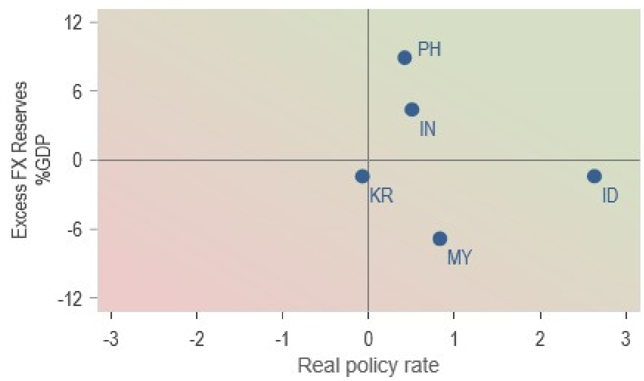
clical source of returns as markets move towards a global recession. This mirrors the 2018-19 experience of HYer outperformance in the second phase of the US-China trade war (Figure 52). Beyond the initial shock of tightening financial conditions, Asian HYers outperformed as capital fled cylical stories for secular ones, particularly with energy prices collapsing on lower global growth expectations.

Figure 51: Real policy rates vs excess FX reserves

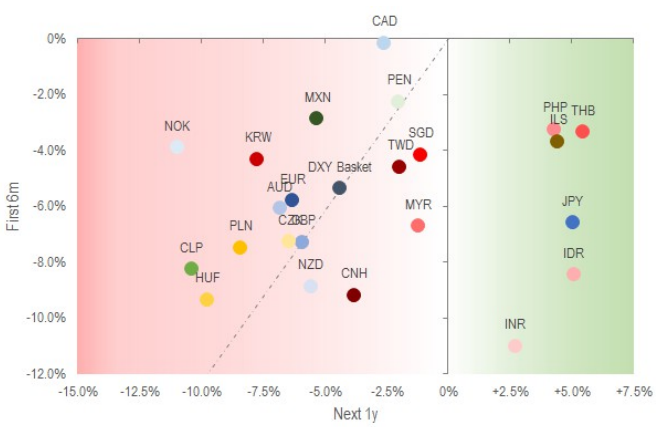
Excess reserves vs IMF ARA metric, %GDP. Real policy rate vs Core CPI y/y, 15yZ-Score



Source: IMF, National sources, J.P. Morgan estimates.

Figure 52: FX performance over US-China trade war - first 6M vs next 1y

Apr2018 to Sep2019



Source: Bloomberg Finance L.P., J.P. Morgan estimates.

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Emerging Markets FX

Figure 53: GBI-EM Model Portfolio

	Bond View	FX View
GBI-EM	MW	MW
EM Asia	MW	UW
EMEA EM	OW	OW
Latin America	OW	UW
China	MW	UW
India	OW	OW
Indonesia	UW	MW
Malaysia	MW	MW
Thailand	OW	UW
Czech Republic	OW	OW
Hungary	MW	OW
Poland	MW	OW
Romania	MW	MW
Turkey	OW	OW
Serbia	MW	MW
South Africa	MW	MW
Brazil	MW	MW
Chile	MW	UW
Colombia	OW	MW
Dominican Republic	OW	OW
Mexico	OW	MW
Peru	MW	MW
Uruguay	MW	MW

Source: J.P. Morgan

Table 4: Outright trades

EM Asia	Entry	Target	Stop	Entry
Short CNH vs JPY and EUR	100.0	98.0	101.0	06-Mar-25
Short THB vs EUR, JPY and TWD	100.0	94.0	103.0	06-Mar-25
S$NEER shorts (vs EUR, JPY, TWD, AUD, USD proxy basket)	100.0	98.0	101.0	06-Mar-25
EMEA EM	**Entry**	**Target**	**Stop**	**Entry**
Short 04-Apr-25 USD/TRY fwd	39.36	38.00	40.10	04-Apr-25
25-Jun-25 1x1 USDILS put spread 3.63/3.52	0.98%	-	-	25-Mar-25
Short 27-May-25 USD/KZT NDF	519.16	498	550	26-Nov-24
LATAM	**Entry**	**Target**	**Stop**	**Entry**
Short CLP vs 50/50 CHF and JPY basket	100.0	107.0	96.0	06-Mar-25

Source: J.P. Morgan

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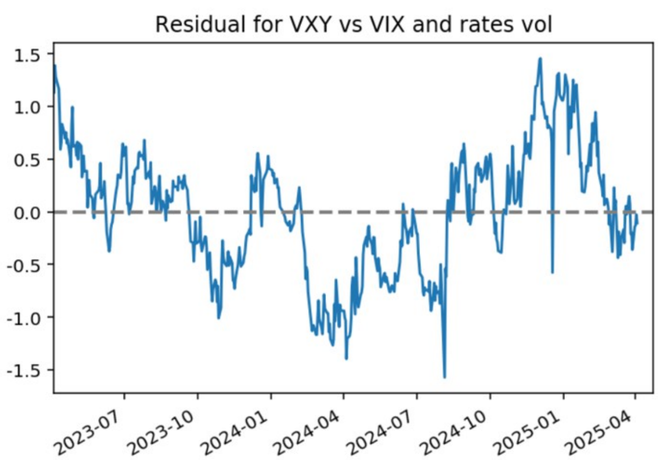
FX Derivatives

Bazookas are out

- Risk markets are hitting panic button on China retaliation. This time front end FX vol is keeping up, being at close to fair vs the x-asset vols. Near term front end FX vol gains may be capped, but the longer the tariffs stay, the more uncertainty will get priced into longer expiries. The risk aversion overdrive is keeping firm the USD corrs.
- EM Asia may be in the eye of the Trump tariff storm, but Asian FX vols did not get the memo. Buy AUD and CNH vega vs. sell SGD vega. Sell USD/TWD risk-reversals that are disconnected from spot-vol correlation reality.
- FX underperformed EUR while simultaneously outperforming USD. EUR-USD de-coupling trades remain attractive. Construct cheap high leverage dual digital options that sell correlation and bank on the extension of the EUR/USD divergence.
- CAD is no longer at the centre stage of FX markets. Selectively sell stretched (+2sigma) CAD correlations.

Markets largely shrugged off the payrolls print as no major suprises. With the tariff backdrop continuing to deteriorate, risk markets stepped on the panic button. At 39% VIX is close to the last Aug high. FX vol (+0.7pts) and approaching 10vol handle is keeping in line with x-asset vols, with the regression residual finds FX vols to be fair (**Figure 54**).

Figure 54: After the pop higher in the aftermath of the tariffs announcement and the retaliation, the front end FX vols are screening close to fair vs the x-asset vols.



Source: J.P. Morgan.

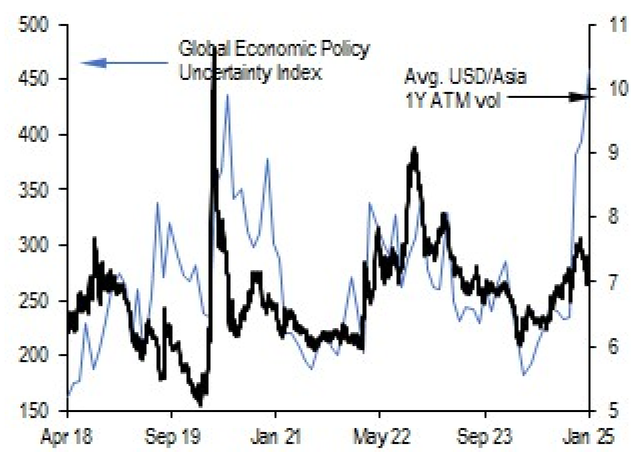
USD got sold aggressively in the immediate aftermath on Wed/Th (see multi-sigma flows post-Liberation Day observed in the DTCC data) as JPY and European currencies kept grinding higher but that dynamic is changing and USD/high beta is getting bought aggressively as broader recession concerns are starting to dominate.

- Near term front end FX vol gains may be capped / too expensive now with better value in the longer expiries. The increasing stagflation / recession risk the longer the tariffs stay makes **x-JPY and x-CHF vega (1Y)** worth considering. Vol curves are inverted / flat making it easier to hold and potentially providing positive roll-up though **vol RV vs USD-pairs would be preferable**.
- **China retaliatory bazooka propelled AUD squarely to the center**. Even following the knee-jerk higher in regional vols **longer expiry vol RV of type long AUD vs short SGD is a good value**, with the spread having ample room to appreciate.
- On the differentiation ground, getting spared in this round (although the auto tariffs are still getting implemented this week), **CAD should decouple from other high beta, which should strongly weigh on the very elevated CAD corrs**.

Defensive RVs in Asian FXO

EM Asia may be in the eye of the Trump tariff storm, but Asian FX vols did not get the memo. Our EM team flags that the major impact of reciprocal tariffs is on EM Asia, where implicit penalties for non-tariff barriers are generally steeper than in other parts of EM.

Figure 55: Asian FX vols have materially lagged the spike in global policy uncertainty



Source: Bloomberg Finance L.P., J.P.Morgan

Regional growth also stands to suffer from the broader increase in global recession odds given the manufacturing / export reliance of its small open economies that render them heavily geared to the global cycle. Yet the still benign levels of Asian FX vol even after this week belie the near-existential threat to the region's export-oriented growth model; global

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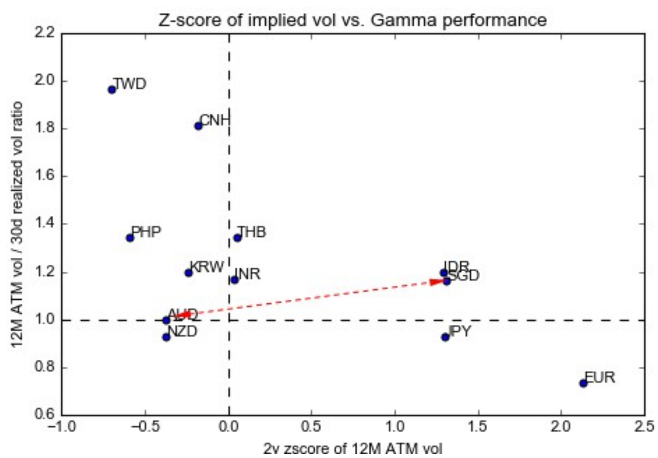
economic policy uncertainty may have climbed to Covid extremes, but Asian FX vols are nowhere close to those manic highs (**Figure 55**).

Recession hedging RV-- AUD vs. SGD. At last, AUD vols have found it's sea legs. Back expiry in Antipodeans is still offering value on inverted vol curve and by means of the vols being better realized performer than most other Asian vols, which makes for interesting vol spread constructs wherein AUD's traditionally high beta imparts a defensive flavor. Within the current backdrop AUD vs. SGD stands out as the best situated RV (**Figure 56**).

Figure 56: AUD vs. SGD vol spreads are a well-situated RV that has historically performed well in downturns



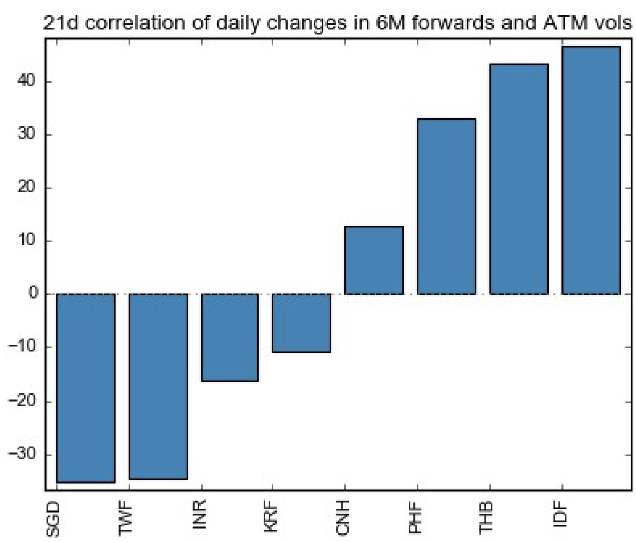
Source: J.P.Morgan

Even though realized vol is contained for now, China's retaliatory measures increase the odds of a more disruptive trade confrontation that may require a CNY FX response; low CNY FX vols do not price in that risk.

The short SGD leg feels fairly safe to us given SGD's basket currency nature that renders it low-beta. Further, the relatively mature phase of the MAS easing cycle dampens any policy surprise effect. Admittedly, one could have some misgivings about the long AUD vol leg given the recent range-boundedness of spot, and the currency's ongoing cheapness vs. yield differentials that can blunt its traditional risk-off explosiveness. Nonetheless, as a free-floating currency that retains a reasonable beta to CNY, AUD is a higher vol outlet for Asian FX stress. **Buy equal weighted vega basket of AUD and CNH vs.sell SGD 1Y delta-hedged straddles** (see Model Portfolio Update).

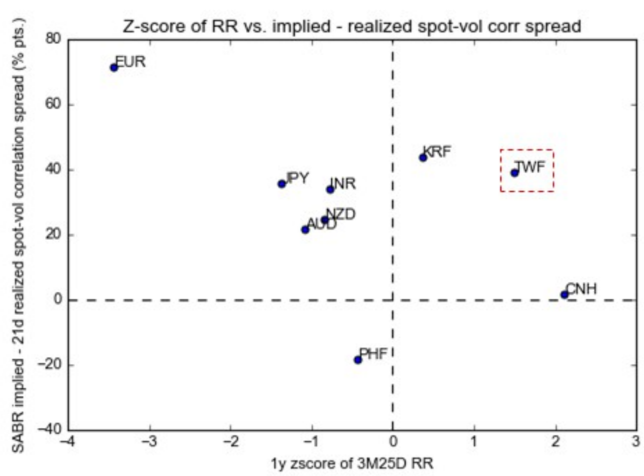
USD/TWD risk-reversals are visibly disconnected from spot-vol correlation reality and FX policy risk. This week's volatile DXY weakness cemented a trend that had been in the making for several weeks now — the sign reversal in spot-vol correlations in several USD/low-yielding pairs such as SGD and TWD; over the past 1-mo, realized spot-vol corrs are running ~-30% in these currencies (**Figure 57**). Yet this is not adequately reflected in risk-reversal pricing across all curves; **USD/TWD** stands out as an expensive risk-reversal worth selling (**Figure 58**).

Figure 57: Spot-vol correlations in low-yielding USD/Asia have turned decidedly negative (i.e. USD down, vol up)....



Source: J.P.Morgan

Figure 58: ....yet this is not priced into all risk-reversals, especially USD/TWD



Source: J.P.Morgan

Three additional factors enhance the appeal of the trade. First, the short delta-hedged riskies are positive carry on both the option leg (because USD calls are priced over USD puts in vol terms) as well as on the forward delta hedge (long USD/TWD NDF), which is an unusual combination. Second, from

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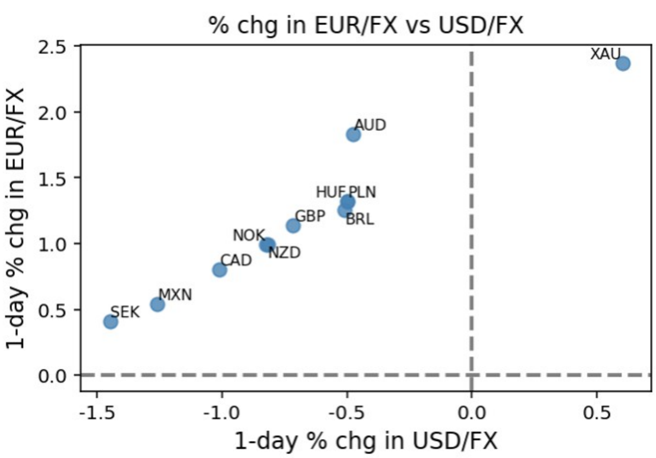
a starting point of almost universally bearish TWD spot positioning, incremental USD strength is likely to be a grind, while washouts are liable to be considerably more volatile, especially if enabled and/or accelerated by herding of Taiwanese lifer hedging activity. Third, TWD is a genuine FX policy risk play in our mind after this week's hefty non-tariff barrier related reciprocal tariff penalty on Taiwan; we do not dismiss the possibility of a negotiated settlement to Taiwanese tariffs via a mix of outward FDI into the US and currency appreciation. Current risk-reversal levels are paying investors via positive carry to assume convex exposure to this tail outcome; sell 6M delta-hedged skews (see *Model Portfolio Update*).

EUR-USD de-coupling

Post-tariff announcement (Wed/Th), there has been a notable decoupling in the FX markets, where broad slew of FX underperformed against the EUR, JPY, and CHF, while simultaneously outperforming the USD (**Figure 59**). The price action played out as the USD weakened more than 2% against these safe-haven currencies during the same period. XAU was the only exception to this decoupling trend, failing to outperform the USD.

Figure 59: With exception of XAU, FX underperformed EUR while simultaneously outperforming USD, 1-day post-tariff announcement.



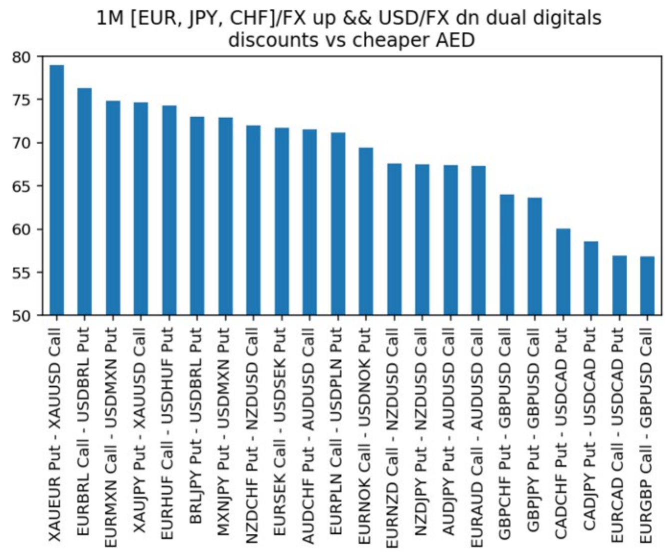
Source: J.P. Morgan.

Friday's broadening of the risk off sentiment aside, and assuming some degree of fallback to the Wed / Th spot dynamics, there is an opportunity to construct uncharacteristically high leverage dual digital options that sell correlation and bank on the extension of the EUR/USD divergence (**Figure 60**). With the broad backdrop remaining very fluid premium spent needs to be kept sub-10. Our previously recommended strategy focusing on EUR-USD divergence via SGD has shown strong performance during last few days, highlighting the value of such constructs. When constructing the trades, selecting a pivot currency with modest price dynamics is desirable in order to ensure that EUR-USD price dynamics balance isn't disrupted. Some contenders:

- [EUR/Latam calls && USD/Latam puts] 1M dual with strikes set at 0.5% OTMS on both legs. At mid TV of 7.15% the resulting in leverage is >12X.
- 1M [AUD/CHF puts && AUD/USD calls] dual digital (10% TV when strikes are 0.5% OTMS). The structure is supported by favorable CHF positioning, while AUD should hold well vs USD if USD/CNH turns out to be range-bound.

Figure 60: Unusually high leverage is achievable for dual digital of type FX down vs safe haven && FX up vs the USD.

ATMS strikes assumed. No TC.



Source: J.P. Morgan.

Canada spared. Sell elevated CAD corrs.

With Canada and Mexico "skipped" in the tariff bazooka this week the focus shifts at least temporarily away from a USMCA. **CAD correlations are bound to come off from the extremely elevated levels** on the back these developments (**Figure 61**).

This presents a good opportunity to sell CAD correlations that for a number of triangles are priced above the +1.5 2-y z-score (in some cases extending above the +2.0sigma), a legacy of the CAD moves and CAD tariff risk premium from since Nov, when Canada was left front and center of FX markets (CAD vols ready for Trump). While there is no certainty that things may not reverse (Canada followed up on its promise to retaliate), we anticipate that moving forward CAD may not play as prominent role, as the trade war extends well beyond North America.

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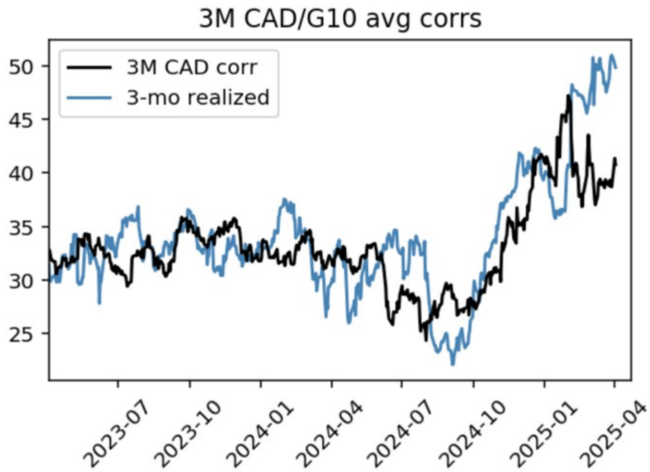
Figure 61: CAD correlations both realized and implied are extremely elevated, bound to come down as focus on Canada fades.

Avg. pairwise 3M correlations (implied and realized) across CAD via different pivot currencies (in corr pts)

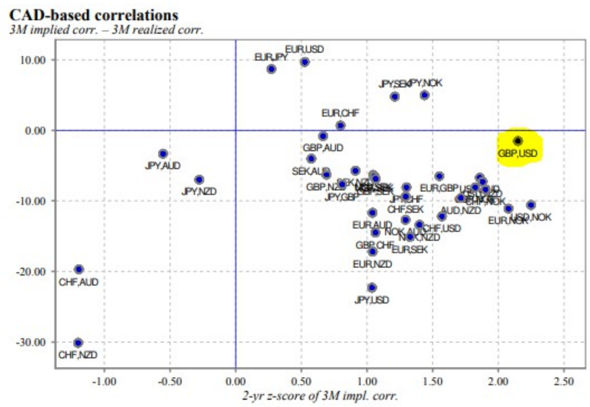


Source: J.P. Morgan.

Considering liquidity constraints within the CAD corr universe, one triangle that is particularly of interest is the GBP, USD via CAD. The corr is priced as one of the most elevated on a z-score basis (**Figure 62**) and even before the Liberation Day tariffs announcement, it has been realizing by only a small amount. Post-announcement price action is supportive of the regime shift and at least tactically moving forward our analysts are neutral CAD, while EUR-correlated GBP will decorrelate from the North American bloc, thus yielding a much lower realized correlation which is currently clocking in near 45%. The historicals shows that the GBP-USD CAD realized corr has been averaging at around 17 corr pts over the last few years, materially below the 35pts implied. Consequently, selling GBP-USD CAD corr has been profitable over the same period with the trend getting stalled only at the end of 2024, the backdrop which we think is going to reverse now. Consider:

- Sell 3M GBP, USD via CAD correlation Swap for 29/40 corr pts.

Figure 62: Some CAD implied correlations are overextended, above the +2 z-score on a 2 yr basis



Source: J.P. Morgan.

Model Portfolio Update

- Buy 1Y AUD/USD straddles @10.05/10.45 and buy 1Y USD/CNH straddles @ 6.15/6.45.vs Sell 1Y USD/SGD straddles @ 5.6/5.95 in 50:50:175 vega ratios. Both legs require delta-hedging.
- Sell USD/TWD 6M 25D risk-reversals, delta-hedged @0.15/0.55.
- Take profit Buy 4M EUR/USD vs sell EUR/PLN atm delta-hedged straddles, +0.7 vol pts.
- Take profit Buy 6M 25D USD/CHF risk-reversals, delta-hedged, +2.5 vol pts.

Current trade recommendations and P/L

	Description	Entry date	Entry	Current mid	P/L	P/L units	Remarks
New	Buy 1Y AUD/USD straddle and buy 1Y USD/CNH straddles vs Sell 1Y USD/SGD straddlesin 50:50:175 vega ratios. delta-hedging.	04-Apr-25	-1.35	-1.8	-0.4	vol pts	Recesion hedge
New	Sell USD/TWD 6M 25D risk-reversals, delta-hedged	04-Apr-24	0.2	0.4	-0.2	vol pts	Negative spot-vol correlation in USDTWD
	Sell 3M EUR,USD corr via SGD	20-Mar-25	-17.0	-34.2	17.2	corr pts	EUR/USD decoupling via Asia
	Buy 4M EUR/USD vs sell EUR/PLN atm delta-hedged straddles	07-Mar-25	2.0	2.7	0.7	vol pts	Take profit
	Buy 6M 25D USD/CHF risk-reversals, delta-hedged	28-Feb-25	0.6	3.1	2.5	vol pts	Take profit
	Buy 3M ATMF EUR,CHF via USD Correlation Swap	20-Feb-25	73.0	73.4	0.4	corr pts	Take profit
	Sell 3M ATMF EUR,USD via GBP Correlation Swap	29-Jan-25	43.0	13.3	29.7	corr pts	Take profit
	USD/CAD 6M6M FVA	22-Jan-25	6.3	6.2	-0.1	vol pts	US-CA trade war hedge and curve model trade

For delta-hedged straddles and vol products, P/L is in vol points; for directional trades, bp of notional; negative entry price indicates a net credit at inception

Source: J.P. Morgan.

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- Take profit Buy 3M ATMF EUR,CHF via USD Correlation Swap, +0.4 corr pts.
- Take profit Sell 3M ATMF EUR,USD via GBP Correlation Swap, +30 corr pts.

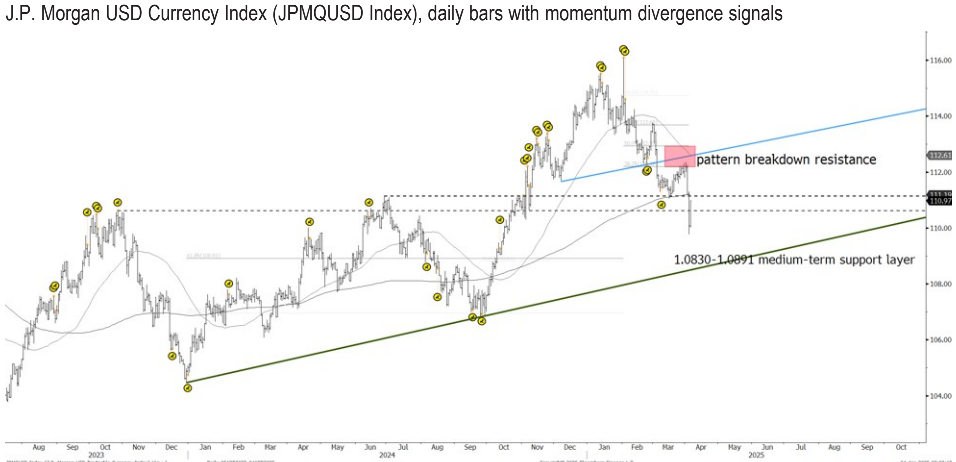
Technical Strategy

Which way is up?

- **The initial EUR/USD rally response to the tariff announcement paused below range resistance in the 1.12-handles. We suspect that zone will cap the near-term price action and still see the area near 1.07 as an initial support for a pullback**
- **Cable maintains its bull trend, but continues to show signs of medium-term trend deceleration, which makes the 1.2864-1.29 support layer critical. A break below that and 1.2784-1.2813 would imply a more lasting bearish trend reversal and set the market up for downside into 1.26-handle support levels**
- **USD/JPY weakens from key resistance in the low-150s as global risk comes off. The setup turns our attention to key longer-term range and pattern support near 140**
- **AUD/USD saw one last rejection of the 0.64 resistance zone after this week's US trade policy announcement before the global risk-off trend intensified. Until we see clear capitulation and bottoming patterns across global risky markets, AUD/USD remains at risk for a deeper test of support in the high-0.50s**

Figure 63: The US dollar index whipsaws after breaking back into the 2H23-2024 trading range. We suspect the resistance zone that contained the late-March rebound can act as resistance again if the dollar acts like a flight-to-quality vehicle in an accelerated global risk-off move. On the downside, the next major support rests about 2% lower than current levels.

J.P. Morgan USD Currency Index (JPMQUSD Index), daily bars with momentum divergence signals



Source: J.P. Morgan. Bloomberg Finance L.P.

Key levels for EUR/USD sit in 1.12-handles for resistance and near 1.07 for initial support

The uniqueness of the current geopolitical environment and policy implementation causes confusion as to the dollar's role, which typically is a flight-to-quality vehicle. As a result, the market has been whipsawed by that identity crisis, where the dollar was initially under pressure but has started to act more like its former self as global risk-off trends intensified. With that, **EUR/USD** pauses the initial bullish impulse that followed the US trade policy announcement below key range resistance levels in the 1.12-handles. That also includes the Jan 2021 61.8% retrace (Figure 64). Whether the tentative momentum divergence sell signal that triggered as the market rolled over in the last 24-hours will set a near-term high or not, we suspect that 1.12-handle area will cap the near-term trading range. Tactical support rests

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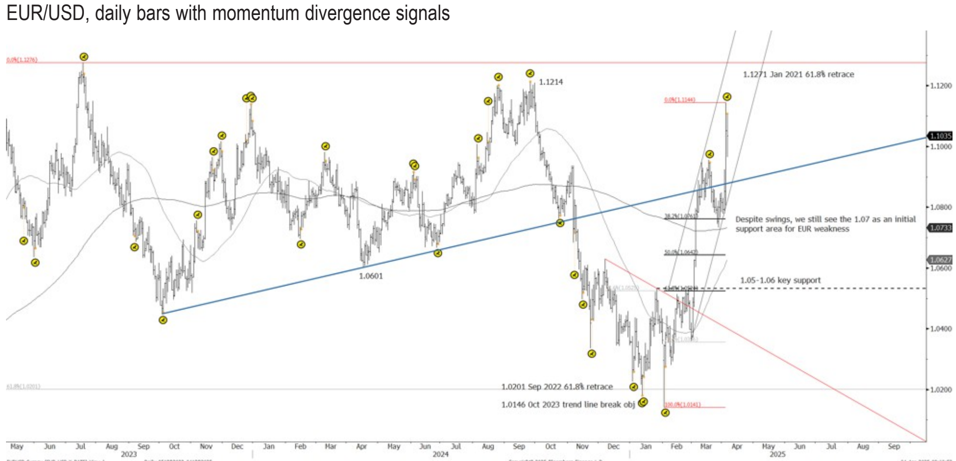
at the 1.0930-1.0955 post-announcement breakout and 1.0908 Feb channel low. The pair held the 200-day moving average near 1.07 ahead of the announcement, a level we viewed as an initial support and minimum downside objective after the mid-Mar bearish reversal pattern set up. That zone now also includes the 1.0761 Feb 38.2% retrace. Look for near-term EUR weakness to find buying interest in that area, which we can see as the lower-end of a new trading range over the near-term A break to the downside would turn our attention to the 1.05-1.06 breakout zone. Alternatively, a release to the upside would leave the 1.17-1.175 late-2021 pattern breakdown and Jan 2021 78.6% retrace as the next resistance zone.

Figure 64: The initial EUR/USD rally response to the tariff announcement paused below range resistance in the 1.12-handles. We suspect that zone will cap the near-term price action and still see the area near 1.07 as an initial support for a pullback.

EUR/USD, daily bars with momentum divergence signals



Source: J.P. Morgan, Bloomberg Finance L.P.

Cable maintains uptrend but decelerates; key trend support sits at 1.2864-1.29

GBP/USD maintains its uptrend after holding key short-term pattern support near 1.285 and then surging on the back of the US trade policy announcement. The pair saw a short-lived push through the 1.315 Sep 78.6% retrace before reversing and triggering another momentum divergence sell signal (Figure 65). We have low conviction as to whether that marks just a pause within the trend as the late-Mar signals ended up doing, or if the post-announcement move was more of a blow-off top for the pair. For the latter, the 1.2864-1.29 support zone is critical. A break would turn our attention to the next support zone just below at 1.2784-1.2813, but more importantly it would look like the Jan-Apr rally phase is over. If that occurs, we would view the 1.26-handles as a likely medium-term target zone for cable. Alternatively, a continuation of the bull trend would put the 1.3436 Sep 2024 peak back into view.

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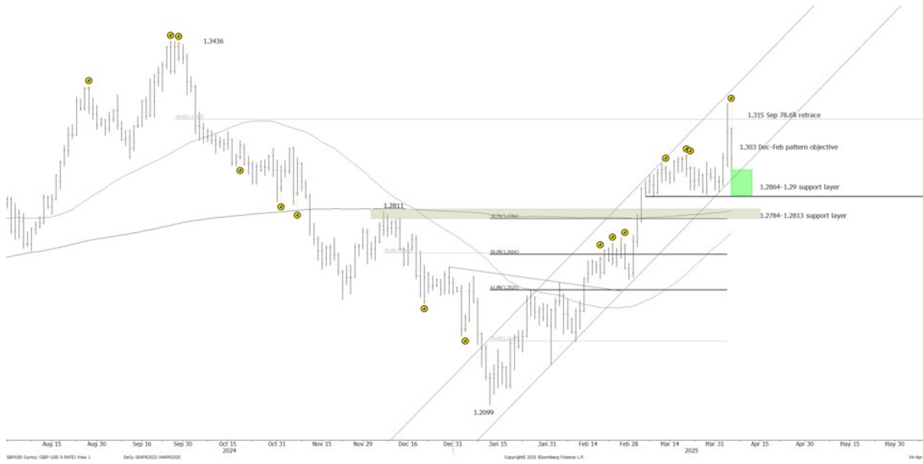
Figure 65: Cable maintains its bull trend, but continues to show signs of medium-term trend deceleration, which makes the 1.2864-1.29 support layer critical. A break below that and 1.2784-1.2813 would imply a more lasting bearish trend reversal and set the market up for downside into 1.26-handle support levels.

GBP/USD, daily bars with momentum divergence signals



Source: J.P. Morgan, Bloomberg Finance L.P.

USD/JPY weakness puts 2023-2024 range support near 140 into view

USD/JPY comes under pressure after rolling over below favored resistance in the low-150s and then following the tariff announcement and subsequent global risky market slide. Near-by support rests at the 143.71 Sep 78.6% retrace (Figure 66). Given the market's inertia, potential macro implications for the policy shift and lack of extreme oversold conditions across an array of global risky markets, our attention is now fixed on the key support zone clustered near 140 for USD/JPY. That includes the 38.2% retracement level of the longer-term rally from the pandemic lows in 2020, the Jan-Mar 2025 equal swings objective, and most importantly the lower end of the 2023-2025 trading range. We think the pair will bearishly pressure that support in the weeks ahead. On the upside, tactical resistance rests at the 146.54 Mar 11 low and then 148.18-148.70 recent pattern breakdown. Look to the 150.55-151.50 cluster of moving averages, Nov-Feb pattern breakdown, and Mar rebound failure area as a likely medium-term ceiling.

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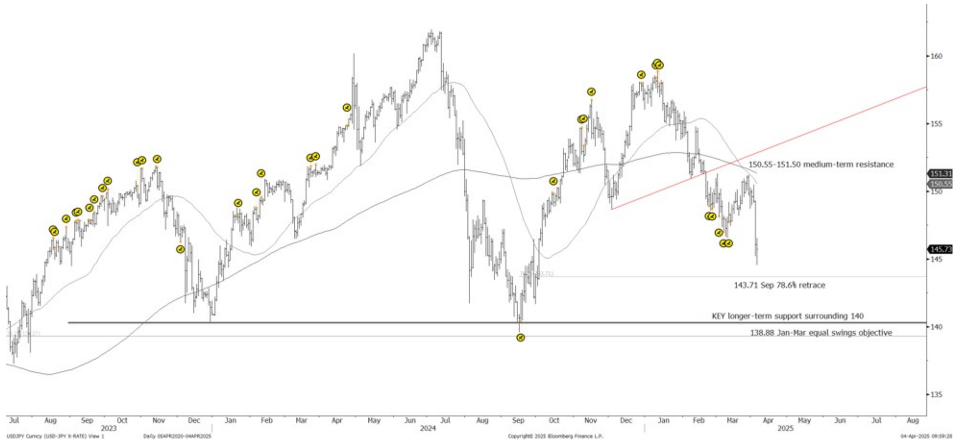
Figure 66: USD/JPY weakens from key resistance in the low-150s as global risk comes off. The setup turns our attention to key longer-term range and pattern support near 140.

USD/JPY, daily bars with momentum divergence signals



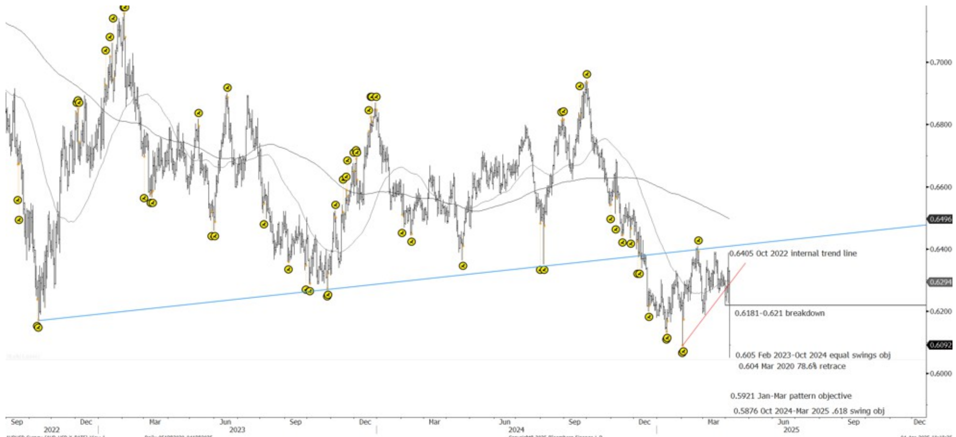
Source: J.P. Morgan, Bloomberg Finance L.P

AUD/USD saw a brief retest of the 0.64 area before global risk-off got the best of it

AUD/USD saw a brief lift toward key resistance near 0.64 after the mid-week US policy announcement and as the broad USD came under material pressure. However, the spill over of the risk-off trade into more aggressive weakness around the globe got the best of the cyclical pair and led to a sharp drop out of the bottom end of the 2025 price pattern. We had viewed that as a potential base pattern and attractive way to play for the potential of a positive and pro-cyclical macro outcome. That view stayed in gear while above 0.615-0.621 Fibonacci retracement support levels. With that support having given way, and the macro setup having clearly moved down the adverse path, we are now focused on citing where AUD/USD and other risky markets actually bottom both on a near-term basis ahead of a short-term mean reversion, and over the medium-term and once the economic impact is more fully priced. On the chart, the trend stays negative until a clear short-term bottom forms and while below the 0.6181-0.621 breakdown levels. The market already hit the 0.604-0.605 support layer. That happens as the S&P 500 Index traded down to key support in the low-5100s and levels we think the market can rebound from on a near-term basis. Medium-term, the next support rests at the 0.5921 Jan-Mar pattern objective and 0.5876 Oct 2024-Mar 2025 .618 swing objective. We will look for signs of short-term selling exhaustion in those support areas as an opportunity to play for short-term mean reversion. Look for initial bounces to fade near the 0.62 breakdown level.

Figure 67: AUD/USD saw one last rejection of the 0.64 resistance zone after this week's US trade policy announcement before the global risk-off trend intensified. Until we see clear capitulation and bottoming patterns across global risky markets, AUD/USD remains at risk for a deeper test of support in the high-0.50s.

AUD/USD, daily bars with momentum divergence signals



Source: J.P. Morgan, Bloomberg Finance L.P.

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Market movers

(all times GMT; +10hrs for Sydney, +8hrs for Tokyo, -5hrs for New York)

Date	Country	Time	Data/Event		Forecast		Previous	
					JPM	Consensus		
Apr 7 (Mon)	**Japan**	00:30	Average monthly cash earnings (%y/y)	Feb	na	3.1	(Jan)	2.8
		06:00	Coincident index (CI)	Feb P	na	na	(Jan F)	116.1
		06:00	Leading index (CI)	Feb P	na	na	(Jan F)	108.3
	China		Foreign reserves (USD bn)	Mar	na	na	(Feb)	3227.22
	Euro area	07:00	Germany IP (%m/m, sa)	Feb	na	na	(Jan)	2
		10:00	Retail sales (%m/m, sa)	Feb	na	na	(Jan)	-0.3
	Norway	07:00	IP (%m/m, sa)	Feb	na	na	(Jan)	-1.7
	Israel	**14:00**	**BoI rate announcement**	**na**	**4.50**	**na**	**na**	**4.50**
	Romania		**BoR rate announcement**	**na**	**6.50**	**na**	**na**	**6.50**
Apr 8 (Tue)	**South Korea**	00:00	Current account ($ mn)	Feb	na	na	(Jan)	2940.1
	Japan	00:50	Current account (JPY bn, sa)	Feb	na	na	(Jan)	1937.5
	Australia	01:30	Westpac consumer confidence (%m/m, sa)	Apr	na	na	(Mar)	4
		02:30	NAB business confidence (%bal, sa)	Mar	na	na	(Feb)	-1
	Indonesia	05:00	CPI (%y/y)	Mar	na	1.13	(Feb)	-0.09
	US	11:00	NFIB small business survey (index, sa)	Mar	na	na	(Feb)	100.7
	Sweden	12:30	Riksbank's Thedeen Holds Speech					
	Canada	15:00	Ivey PMI (index, sa)	Mar	na	na	(Feb)	55.3
Apr 9 (Wed)	**New Zealand**	**03:00**	**RBNZ rate announcement**	**na**	**3.50**	**3.50**	**na**	**3.75**
	India	**05:30**	**RBI rate announcement**	**na**	**6.00**	**6.00**	**na**	**6.25**
	Japan	06:00	Consumer confidence, household (index)	Mar	na	na	(Feb)	35
			BOJ Governor Ueda Speech at the Trust Companies Conference					
	China		M2 (%oya)	Mar	na	na	(Feb)	7
	US	15:00	Wholesale inventories (%m/m)	Feb F	na	na	(Feb P)	0.3
		16:00	Fed's Barkin Speaks to Economic Club of Washington DC					
		19:00	FOMC Meeting Minutes					
Apr 10 (Thu)	**UK**	00:01	RICS house price survey (%bal, sa)	Mar	na	na	(Feb)	11.3
	Japan	00:50	Domestic CGPI (%oya)	Mar	na	na	(Feb)	4
	China	02:30	CPI (%oya)	Mar	na	na	(Feb)	-0.7
		02:30	PPI (%oya)	Mar	na	na	(Feb)	-2.2
	Norway	07:00	CPI (%oya)	Mar	na	na	(Feb)	3.6
		07:00	CPI core (%oya)	Mar	na	na	(Feb)	3.4
	Philippines	**08:00**	**BSP rate announcement**	**na**	**5.75**	**5.50**	**na**	**5.75**
	Turkey	08:00	IP (%oya)	Feb	na	na	(Jan)	1.25
	Euro area	09:00	Italy IP (%oya)	Feb	na	na	(Jan)	3.2
	Australia	11:00	RBA's Bullock-Speech					
	South Africa	12:00	Mfg. production (%oya)	Feb	na	na	(Jan)	-3.3
	US	13:30	CPI (%m/m, sa)	Mar	na	0.1	(Feb)	0.2
		13:30	CPI core (%m/m, sa)	Mar	na	0.3	(Feb)	0.2
		17:00	Fed's Goolsbee Speaks at Economic Club of NY					
		17:30	Fed's Harker Speaks on Fintech					
		19:00	Federal budget ($ bn)	Mar	na	na	(Feb)	-307.017
	Canada	13:30	Building permits (%m/m, sa)	Feb	na	na	(Jan)	-3.2
	Switzerland	17:00	SNB's Tschudin Speaks at Money Market Event in Zurich					
Apr 11 (Fri)	**Peru**	**00:00**	**BCRP rate announcement**	**na**	**4.75**	**na**	**na**	**4.75**

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Date	Country	Time	Data/Event		Forecast		Previous	
					JPM	Consensus		
	Japan	00:50	M2 (%oya)	Mar	na	na	(Feb)	1.2
	Malaysia	05:00	IP (%y/y)	Feb	na	na	(Jan)	2.1
	Euro area	07:00	Germany HICP (%oya)	Mar F	na	na	(Mar P)	0.4
	UK	07:00	IP (%m/m, sa)	Feb	na	na	(Jan)	-0.9
		07:00	Trade balance (GBP mn, sa)	Feb	na	na	(Jan)	-17849
	India	11:30	IP (%oya)	Feb	na	na	(Jan)	5
	Poland	13:00	Current account (EUR mn)	Feb	na	na	(Jan)	-168
	Brazil	13:00	IBC-Br Economic Activity (%y/y)	Feb	na	na	(Jan)	3.58
		13:00	IBGE Inflation IPCA (%m/m)	Mar	na	na	(Feb)	1.31
	Mexico	13:00	IP (%oya)	Feb	na	na	(Jan)	-2.89
	Russia	14:00	Current account (USD mn)	1Q P	na	na	na	13542
		14:00	Trade balance (USD bn)	Feb	na	na	(Jan)	7.159
	US		PPI (%m/m, sa)	Mar	na	na	(Feb)	0.2
		15:00	U. Michigan consumer confidence (index)	Apr P	na	na	(Mar F)	57
		15:00	Fed's Musalem Speaks on US Economy, Policy					
		16:00	Fed's Williams Speaks on Outlook, Monetary Policy					

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Event Risk Calendar

	Date	Country	Event
Apr '25	7	Israel	BoI rate announcement
	7	Romania	BoR rate announcement
	9	New Zealand	RBNZ rate announcement
	9	India	RBI rate announcement
	10	Philippines	BSP rate annoncement
	11	Peru	BCRP rate announcement
	16	BoC	BoC rate announcement
	17	Euro area	ECB rate announcement
	17	Korea	BoK rate announcement
	25	Colombia	Banrep rate announcement
	29	Chile	BCCh rate announcement
	30	Hungary	NBH rate announcement
	30	Thailand	BoT rate announcement
May '25		Australia	Federal Election
		Philippines	Mid-term election
		Norway	Spring budget
	1	Japan	BoJ rate announcement
	7	Brazil	COPOM rate announcement
	7	United States	FOMC rate announcement
	8	UK	BoE rate announcement
	8	Malaysia	BNM rate announcement
	8	Norway	Norges Bank rate announcement
	8	Sweden	Riksbank rate announcement
	15	Mexico	Banxico rate announcement
	18	Poland	Presidential election ti be held by this date
	20	Australia	RBA rate announcement
	26	Israel	BoI rate announcement
	28	New Zealand	RBNZ rate announcement
	29	Korea	BoK rate announcement
Jun '25		World	G7 summit
	1	Mexico	Election of members of the Judiciary power
	4	BoC	BoC rate announcement
	5	Euro area	ECB rate announcement
	17	Japan	BoJ rate announcement
	17	Chile	BCCh rate announcement
	18	Brazil	COPOM rate announcement
	18	United States	FOMC rate announcement
	18	Sweden	Riksbank rate announcement
	19	UK	BoE rate announcement
	19	Norway	Norges Bank rate announcement
	25	Thailand	BoT rate announcement
	26	Mexico	Banxico rate announcement
	27	Colombia	Banrep rate announcement
	30	Hungary	NBH rate announcement
Jul '25		Japan	Tokyo Metropolitan Assembly Election

	Date	Country	Event
		China	Politburo meeting
	7	Israel	BoI rate announcement
	8	Australia	RBA rate announcement
	9	Malaysia	BNM rate announcement
	9	New Zealand	RBNZ rate announcement
	10	Korea	BoK rate announcement
	24	Euro area	ECB rate announcement
	25	Colombia	Banrep rate announcement
	28	Japan	The 27th House of Councillors Election
	29	Chile	BCCh rate announcement
	30	BoC	BoC rate announcement
	30	Brazil	COPOM rate announcement
	30	United States	FOMC rate announcement
	31	Japan	BoJ rate announcement
	31	Hungary	NBH rate announcement
Aug '25	7	UK	BoE rate announcement
	7	Mexico	Banxico rate announcement
	12	Australia	RBA rate announcement
	13	Thailand	BoT rate announcement
	14	Norway	Norges Bank rate announcement
	20	Israel	BoI rate announcement
	20	New Zealand	RBNZ rate announcement
	20	Sweden	Riksbank rate announcement
	28	Korea	BoK rate announcement
Sep '25	4	Malaysia	BNM rate announcement
	8	Norway	Parliamentary election
	9	Chile	BCCh rate announcement
	11	Euro area	ECB rate announcement
	17	BoC	BoC rate announcement
	17	Brazil	COPOM rate announcement
	17	United States	FOMC rate announcement
	18	UK	BoE rate announcement
	18	Norway	Norges Bank rate announcement
	19	Japan	BoJ rate announcement
	23	Sweden	Riksbank rate announcement
	25	Mexico	Banxico rate announcement
	26	Colombia	Banrep rate announcement
	29	Israel	BoI rate announcement
	30	Hungary	NBH rate announcement
	30	Australia	RBA rate announcement
Oct '25		Mexico, Canada	Formal talks around the USMCA review are expected to start
		Canada	Deadline for federal election
		Czech Republic	Parliamentary election
		China	Politburo meeting

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	Date	Country	Event
		UK	October budget
	1	Thailand	Central bank governor change
	8	New Zealand	RBNZ rate announcement
	8	Thailand	BoT rate announcement
	17-19	World	Annual meeting of World Bank/ IMF
	23	Korea	BoK rate announcement
	26	Argentina	Parliamentary elections
	28	Chile	BCCh rate announcement
	29	BoC	BoC rate announcement
	29	United States	FOMC rate announcement
	30	Japan	BoJ rate announcement
	30	Euro area	ECB rate announcement
	31	Colombia	Banrep rate announcement
	31	Hungary	NBH rate announcement
Nov '25	4	Australia	RBA rate announcement
	5	Brazil	COPOM rate announcement
	5	Sweden	Riksbank rate announcement
	6	UK	BoE rate announcement
	6	Malaysia	BNM rate announcement
	6	Mexico	Banxico rate announcement
	6	Norway	Norges Bank rate announcement
	16	Chile	First round Presidential elections
	24	Israel	BoI rate announcement
	26	New Zealand	RBNZ rate announcement
	27	Korea	BoK rate announcement
Dec '25		China	Politburo meeting
	9	Australia	RBA rate announcement
	10	BoC	BoC rate announcement
	10	Brazil	COPOM rate announcement
	10	United States	FOMC rate announcement
	14	Chile	Second Round Presidential elections
	16	Chile	BCCh rate announcement
	17	Thailand	BoT rate announcement
	18	UK	BoE rate announcement
	18	Euro area	ECB rate announcement
	18	Mexico	Banxico rate announcement
	18	Norway	Norges Bank rate announcement
	18	Sweden	Riksbank rate announcement
	19	Japan	BoJ rate announcement
	26	Colombia	Banrep rate announcement

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Central bank announcement dates in 2025

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Australia		18		1	20		8	12	30		4	9
Brazil	29		19		7	18	30		17		5	10
Canada	29		12	16		4	30		17	29		10
Chile	28		21	29		17	29		9	28		16
Colombia	31		31	30		27	31		30	31		19
Czech Republic			26		7	25		7	24		6	18
Euro area	30		6	17		5	24		11	30		18
Hungary	28	25	25	29	27	24	22	26	23	21	18	16
India		7										
Indonesia		19	19	23	21	18	16	20	17	22	19	17
Israel	6	24		7	26		7	20	29		24	
Japan	24		19		1	17	31		19	30		19
Korea	16	25		17	29		10	28		23	27	
Malaysia	22		6		8		9		4		6	
Mexico		6	27		15	26		7	25		6	18
New Zealand		19		9	28		9	20		8	26	
Norway	23		27		8	19		14	18		6	18
Philippines		13		3		19		28		9		11
Poland	16	5	12	2	7	4	2		3	8	5	3
South Africa	30		20		29		31		18		20	
Sweden	29		20		8	18		20	23		5	18
Switzerland			20			19			25			11
Thailand		26		30		25		13		8		17
Turkey	23		6	17		19	24		11	23		11
United Kingdom		6	20		8	19		7	18		6	18
United States	29		19		7	18	30		17	29		10

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J.P. Morgan FX forecasts vs. forwards & consensus

Exchange rates vs. U.S dollar		Current					JPM forecast gain/loss vs March 26*			Actual change in local FX vs USD			
Majors		4-Apr	Jun 25	Sep 25	Dec 25	Mar 26	Spot	Forwards	Consensus**	Past 1mo	Past 3mo	YTD	Past 12mos
	EUR	1.11	1.11	1.12	1.14	1.16	4.8%	3.0%	5.5%	7.1%	7.3%	6.8%	2.1%
	JPY	145	151	149	148	147	-1.2%	-4.5%	-2.0%	4.1%	8.3%	8.2%	4.2%
	GBP	1.30	1.31	1.30	1.31	1.33	2.3%	2.6%	1.8%	5.1%	4.9%	4.1%	3.1%
	AUD	0.61	0.65	0.67	0.68	0.68	11.3%	11.0%	3.0%	-2.4%	-1.7%	-1.2%	-7.3%
	CAD	1.42	1.45	1.42	1.40	1.38	2.8%	1.3%	1.4%	0.9%	1.8%	1.4%	-4.6%
	NZD	0.56	0.58	0.59	0.60	0.60	6.5%	5.8%	1.7%	-0.2%	0.4%	0.7%	-6.5%
JPM USD index		112.5	112.9	112.7	111.8	111.2	-1.2%	-0.9%	-1.4%	-2.2%	-3.1%	-2.9%	2.9%
DXY		102.0	102.6	101.6	100.1	98.5	-3.4%	1.8%	-3.8%	-5.6%	-6.4%	-6.0%	-2.0%
Europe, Middle East & Africa													
	CHF	0.85	0.87	0.87	0.86	0.85	-0.5%	-4.1%	3.3%	7.1%	6.9%	6.7%	6.1%
	ILS	3.73	3.45	3.40	3.40	3.40	9.6%	8.8%	8.2%	-4.4%	-2.2%	-2.3%	0.9%
	SEK	9.92	9.73	9.55	9.21	8.88	11.7%	9.9%	10.6%	10.3%	12.0%	11.5%	7.3%
	NOK	10.58	10.18	9.82	9.39	9.05	16.8%	17.3%	12.5%	6.4%	7.5%	7.6%	1.6%
	CZK	22.71	22.30	21.88	21.49	20.91	8.6%	7.9%	7.8%	7.1%	7.4%	7.1%	2.9%
	PLN	3.85	3.74	3.71	3.64	3.58	7.6%	8.5%	8.0%	5.6%	7.6%	7.2%	2.8%
	HUF	366	360	357	351	345	6.2%	8.7%	8.1%	7.3%	10.1%	8.5%	-1.2%
	TRY	38.01	40.00	42.50	45.50	48.00	-20.8%	13.1%	-11.1%	-5.3%	-7.0%	-6.9%	-16.0%
	ZAR	19.07	18.75	18.75	18.75	18.75	1.7%	5.0%	-2.4%	-3.4%	-1.8%	-1.4%	-1.8%
Americas	ARS	1074	1160	1200	1300	1350	-20.4%	10.8%	9.9%	-2.0%	-3.9%	-4.0%	-19.8%
	BRL	5.74	5.90	5.90	6.00	5.95	-3.5%	5.0%	0.8%	0.8%	7.7%	7.6%	-11.9%
	CLP	974	980	970	960	950	2.5%	3.1%	-0.1%	-1.1%	4.6%	2.1%	-3.3%
	COP	4156	4350	4400	4400	4300	-3.3%	1.5%	0.0%	-0.8%	4.6%	6.0%	-9.3%
	MXN	20.41	20.30	20.20	20.00	20.00	2.0%	6.7%	2.5%	0.9%	1.1%	2.0%	-18.7%
	PEN	3.67	3.75	3.70	3.65	3.65	0.5%	1.6%	2.5%	1.3%	2.7%	2.0%	0.5%
Asia	CNY	7.28	7.30	7.40	7.40	7.40	-1.6%	-3.0%	-0.8%	0.2%	0.5%	0.2%	-0.7%
	HKD	7.77	7.77	7.78	7.78	7.78	-0.1%	-0.6%	0.3%	0.2%	0.1%	0.0%	0.7%
	IDR	16560	16600	16600	16700	16700	-0.8%	3.5%	-1.4%	-1.7%	-2.2%	-2.8%	-4.0%
	INR	85.24	87.60	88.70	89.00	89.00	-4.2%	-1.7%	-1.1%	2.6%	0.6%	0.5%	-2.1%
	KRW	1448	1430	1430	1400	1395	3.8%	2.0%	3.2%	0.1%	1.6%	1.7%	-7.0%
	MYR	4.44	4.45	4.40	4.35	4.35	2.0%	0.8%	1.1%	0.1%	1.4%	0.8%	6.8%
	PHP	56.83	57.30	57.20	56.90	56.80	0.0%	1.4%	1.8%	2.1%	2.4%	1.8%	-0.8%
	SGD	1.34	1.33	1.33	1.32	1.32	1.4%	-0.3%	2.3%	1.2%	2.4%	2.1%	0.8%
	TWD	33.10	32.60	32.60	32.60	32.60	1.5%	-1.7%	0.6%	-1.0%	-0.5%	-0.9%	-3.1%
	THB	34.20	33.80	33.70	33.30	33.20	3.0%	1.0%	3.3%	-1.6%	0.8%	-0.3%	7.3%
EMCI		44.7	42.9	42.6	42.5	42.4	-5.1%	2.1%	-1.9%	3.1%	4.6%	4.4%	-4.6%
Exchange rates vs Euro										Actual change in local FX vs EUR			
	JPY	161	168	167	169	171	-5.7%	-7.3%	-7.1%	-2.8%	0.8%	1.4%	2.0%
	GBP	0.85	0.85	0.86	0.87	0.87	-2.4%	-0.4%	-3.5%	-1.9%	-2.3%	-2.6%	1.0%
	CHF	0.94	0.97	0.97	0.98	0.99	-5.0%	-6.9%	-2.0%	0.0%	-0.4%	0.0%	3.9%
	SEK	10.97	10.80	10.70	10.50	10.30	6.5%	6.7%	4.9%	3.0%	4.4%	4.4%	5.1%
	NOK	11.70	11.30	11.00	10.70	10.50	11.4%	13.9%	6.7%	-0.6%	0.1%	0.7%	-0.6%
	CZK	25.13	24.75	24.50	24.50	24.25	3.6%	4.8%	2.3%	0.0%	0.1%	0.2%	0.8%
	PLN	4.26	4.15	4.15	4.15	4.15	2.6%	5.4%	2.4%	-1.4%	0.2%	0.6%	0.7%
	HUF	405	400	400	400	400	1.3%	5.6%	2.5%	0.1%	2.5%	1.5%	-3.3%
	RON	4.98	5.08	5.10	5.13	5.13	-3.0%	0.9%	-1.4%	0.0%	-0.1%	0.0%	-0.2%
	TRY	42.10	44.40	47.60	51.87	55.68	-24.4%	9.8%	-15.7%	-11.7%	-13.3%	-12.9%	-17.7%
	BRL	6.35	6.55	6.61	6.84	6.90	-8.0%	1.9%	-4.4%	-5.9%	0.3%	0.7%	-13.8%
	MXN	22.58	22.53	22.62	22.80	23.20	-2.7%	3.6%	-2.8%	-5.8%	-5.8%	-4.6%	-20.4%

↑ indicates a revision resulting in a stronger currency forecast, ↓ indicates a revision resulting in a weaker currency forecast. Source: J.P.Morgan

* Positive indicates JPM more bullish on local currency than spot, consensus or forward rates.

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