FX Markets Weekly

Liberation Day Q&A for currencies

Outlook: Carve-outs in this week's auto-tariffs suggest sensitivity to domestic growth spillovers, but the precedent of stacking sectoral tariffs portends harsher measures for RoW on April 2nd. In isolation, auto tariffs should have limited FX impact assuming USMCA carve-outs sustain, with the direct hit to CAD and EUR manageable. JPY can strengthen as financial flows overwhelm small trade balance effects. EUR/USD resilient vs 10% or reciprocal/ sectoral tariffs; 20% tariffs worth 5% on EUR/USD, but questions on longevity suggest 1.06-1.0650 more realistic.

Macro Trade Recommendations: Stay long EUR/USD but tactically optionalize exposure; roll cash into 3m 1.09/1.12 call spd. Take profit on short DXY. Increase use of EUR as funder on crosses; stay short EUR/NOK outright, take part profits on EUR/SEK short and optionalize, sell EUR/JPY & EUR/AUD outright. Stay long JPY vs. USD, NZD, CHF as risk/recession hedge.

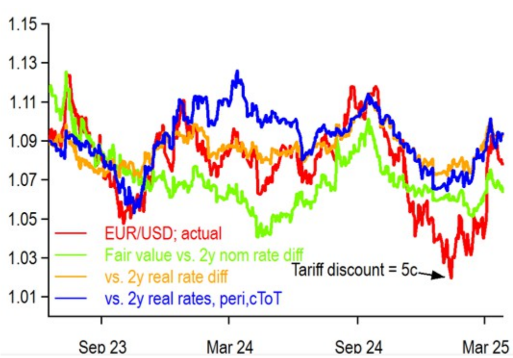
Emerging Markets FX: Stay MW FX. Ahead of tariff announcements, exit bullish MXN options trade and switch out of long CEE/Asia FX (long CZK, HUF, PLN v. CNH, THB, KRW) into more regionally balanced long BRL & CZK vs. THB & KRW. Add OTM tail risk hedge via 1w EURPLN calls.

FX Derivatives: FX vols have baked-in modest premium for the next week tariffs. With JPY x-vols screening cheap, hedge against adverse outcome with CAD/JPY - USD/JPY vol RV. In vega space, the mean-reversion model suggests value in short low-beta EUR vs long high-beta GBP, NOK AUD and NZD vega RV.

Technicals: Further EUR/USD consolidation near-term. Cable lost rally momentum after 1.202 Dec-Feb pattern objective. USD/JPY rebounds toward short-term target. AUD/USD continues to churn in potential base pattern below key resistance near 0.64.

Figure 1: Following the German fiscal announcement, EUR/USD prices in hardly any tariff discount (~1c); 10% tariffs against EMU will not alter fair value by much, but 20% could see it move towards 1.0350

EUR/USD: Actual vs. model



Source: J.P.Morgan

See page 50 for analyst certification and important disclosures.

Global FX Strategy

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FX Outlook

Liberation Day Q&A for currencies

- **Auto tariffs elicited the expected sell-off in sector equities in partner countries, but the USD remained somewhat range-bound. We reckon that with the Fed on hold, the real-yield corroding effect of tariff-fueled inflation is blunting some of the USD's natural anti-cyclical beta to RoW growth damage.**
- **USMCA carve-outs suggest that the US administration is unwilling to impose pain on the domestic economy beyond a point, but the precedent of stacking sectoral tariffs portends harsher-than-expected tariff measures for RoW trade partners on April 2nd.**
- **In isolation, auto tariffs should have limited FX impact assuming the USMCA carve-outs sustain, which should keep the direct hit to CAD and EUR FX manageable. JPY should strengthen at the margin as equity risk-off financial flows should overwhelm relatively small trade balance effects given that Japanese auto production is heavily offshored.**
- **EUR/USD should be resilient against tariffs up to 10% or reciprocal/ sectoral tariffs as these are already accounted for in the growth outlook and would be offset by gains from fiscal spend…**
- **…but would be vulnerable if tariffs are >10%. We estimate 20% tariffs would be worth 5% on EUR/USD (fair value ~1.0350), but markets will struggle to price this in fully given the lack of visibility on longevity; more realistic is a target of 1.06-1.0650 in this outcome as it reflects 50-60% odds of 20% tariffs will last.**
- **Benign tariff delivery on April 2nd should sponsor USD weakness despite a squeeze higher in US stocks and a backup in bond yields, as the RoW should benefit more from a relief rally, and the aftermath could bear resemblance to the valley of the USD smile.**
- **Appreciation pressures could resurface for some currencies if FX policy is deemed to be a steep non-tariff barrier for reciprocal tariff determination, but the lesson of Trump 1.0 is that such talk tends to quickly cool amid organic DXY weakness.**
- **GBP avoided a UK budget scare ahead of a highly anticipated OBR forecast update. BoE implications of the delivered fiscal tightening are dovish at the margin but not enough to matter for FX; stay long EUR/GBP.**
- **Next week: US tariffs 'Liberation Day,' US payrolls, Fed Chair Powell, RBA**

No rest for the weary when it comes to tariffs. For currency markets, tariff fatigue is no excuse for tuning out given the quasi-existential nature of tariff announcements coming out of the White House. This week brought levies on the critical auto sector that weighed heavily on auto equities globally, in keeping with the impressive barrage of tariff-related action out of the White House this year that is slated to crescendo next week (April 2nd 'Liberation Day') (Figure 2).

Figure 2: This week's auto tariffs were merely the latest in a long line of tariff-related announcements / actions to have come out of the White House since last November

A timeline of the Trump administration's tariff-related announcements and actions since the November election

Announcement Date	Action	Effective Date
25-Nov-24	Trump announces 25% tariffs on all Canada/Mexico imports & additional 10% tariffs on China	20-Jan-25
30-Nov-24	Trump says BRICS countries to face 100% tariffs if not committed to US dollar	
7-Jan-25	Trump threatens Denmark with 'very high' tariffs over Greenland	
20-Jan	Trump says aiming for Canada/Mexico tariffs on Feb 1st	1-Feb
21-Jan	Trump says considering 10% tariff on China beginning Feb 1st	1-Feb
26-Jan	Trump enacts emergency 25% tariffs on Colombia over immigration dispute; resolved within hours	26-Jan
27-Jan	Trump announces will 'soon' tariff semiconductor chips, pharmaceuticals, steel, aluminum & copper	
31-Jan	Trump says 'absolutely' will put tariffs on EU	
1-Feb	Trump issues 3 EOs imposing 25% blanket tariffs on CA/MX (10% on energy) & additional 10% tariffs	4-Feb
3-Feb	Trump issues 2 EOs pausing US tariffs on Canada/Mexico until Mar 4th	3-Feb
4-Feb	Additional 10% tariffs on China go into effect	4-Feb
10-Feb	Trump signs 2 proclamations imposing 25% blanket tariffs on all steel/aluminum imports, effective Mar 12th	12-Mar
13-Feb	Trump announces plan to impose reciprocal tariffs including on VAT & non-monetary trade barriers	
13-Feb	Trump says sectoral tariffs will be 'over and above' reciprocal tariffs	
13-Feb	Lutnick says all studies will be completed by Apr 1st & Trump could start reciprocal tariff plan by Apr 2nd	2-Apr
27-Feb	Trump says Mexico/Canada tariffs to go into effect on Mar 4th	4-Mar
27-Feb	Trump announces China to also be charged additional 10% tariff on Mar 4th	4-Mar
3-Mar	Trump says tariffs on non-US agricultural imports on Apr 2nd	2-Apr
3-Mar	Trump signs EO increasing China tariffs by an additional 10% on Mar 4th	4-Mar
4-Mar	25% blanket tariffs on Canada/Mexico (10% on energy) go into effect	4-Mar
4-Mar	Additional 10% tariffs on China (now +20% total since Trump inaugurated) go into effect	4-Mar
5-Mar	White House announces one-month tariff exemption for automakers under USMCA	7-Mar
6-Mar	US pauses tariffs on USMCA-compliant trade until Apr 2nd; non-compliant goods remain subject to tariffs	7-Mar
12-Mar	Blanket 25% tariffs on all steel/aluminum imports go into effect	12-Mar
17-Mar	Trump reiterates reciprocal & sectoral tariffs coming Apr 2nd	2-Apr
24-Mar	Trump signs EO imposing 25% tariff on any country buying Venezuelan oil, effective Apr 2nd	2-Apr
26-Mar	Trump signs proclamation imposing 25% auto tariffs effective Apr 3rd (fully-assembled vehicles) with expanded scope by May 3rd (major parts); USMCA-compliant parts excluded indefinitely until formal process established to tariff their non-US content	3-Apr
1-Apr	*US federal agencies to complete trade policy review & provide tariff recommendations*	*1-Apr*
2-Apr	*Proposed reciprocal tariffs (including VAT & non-monetary trade barriers) go into effect*	*2-Apr*
2-Apr	*Proposed sectoral tariffs (including semiconductor chips, pharmaceuticals, agriculture products, copper & lumber) go into effect*	*2-Apr*
2-Apr	*Paused 25% tariffs on USMCA-compliant goods from Canada & Mexico go back into effect*	*2-Apr*
3-Apr	*25% tariffs on autos (fully-assembled vehicles) go into effect; USMCA-compliant parts excluded until process established to tariff their non-US content*	*3-Apr*
3-May	*Scope of auto tariffs expanded to include major parts; USMCA-compliant parts excluded until process established to tariff their non-US content*	*3-May*

Source: J.P.Morgan

The FX market reaction to the auto news was somewhat surprising in that the dollar was almost flat on the week, even as RoW equity strength in the likes of SX5E, DAX and HSCEI indices that had driven the USD's decline in early Q1 seem to have been temporarily arrested. The proximate explanation is that **falling US real yields — an artefact of the on-hold Fed stance in the face of the tariff-fueled surge in inflation expectations** (2Y inflation swaps +13bp w/w) — **could be blunting the greenback's typical responsiveness to tariff developments** that are *prima facie* more damaging

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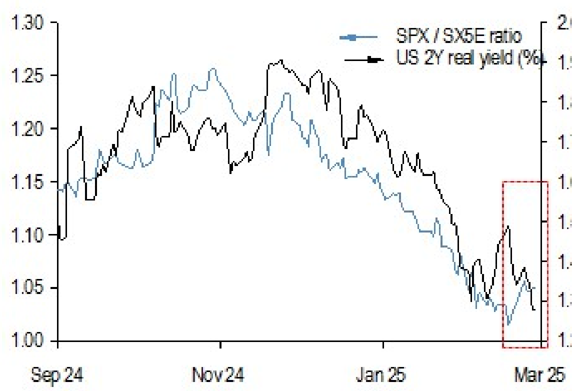
to RoW growth and hence classically USD-bullish through the anti-cyclical / LHS-of-the-smile channel. Figure 3 suggests that the twin forces of rising real yields and US equity exceptionalism that reinforced each other had powered the dollar's breakneck ascent in 4Q24, and their near-simultaneous corrosion triggered the big DXY sell-off of mid-1Q25. However, a wedge has opened up between the two of late, and their tension over the past week is a strong candidate to explain why the USD's performance has underwhelmed. With with almost zero odds of a hawkish Fed turn in the near future that can redress the USD's real yield handicap, a key lesson that we carry over into next week's critical tariff announcements is that the latter will continue to be a handbrake on USD strength absent the most hawkish / risk-negative outcomes.

Figure 3: Falling US real yields are likely blunting the USD's traditional sensitivity to tariff developments that hurt RoW growth



Source: J.P.Morgan

Last week, we had laid out a range of tariff scenarios for April 2nd and our best guesses for FX reaction in each (*What to expect when you are expecting tariffs (again)*); the rest of this note responds to several follow-up client questions / pushbacks in response to the previous one, and addresses a few others that cropped up amid this week's breathless tariff newsflow.

What lessons can we take away from this week when thinking about April 2nd?

- **The US administration is unwilling to incur costs**.The US administration appears at least somewhat sensitive to negative feedback loops. Some USMCA auto exemptions, which don't exist for Asia/Europe, are straightforwardly explained by the intense supply-chain linkages in the region - and is consistent with: 1) the immediate exemption of the sector after the March 4 CA/MX tariff ratchet, and 2) the decision not to tariff autos in his first term despite a completed 232 investigation at the time. Exemptions and negotiability remain possible heading into next week; Trump also, for example, floated scaling down tariffs on China in exchange for an agreement on Tik Tok (link).
- **The US administration is willing to incur costs**. Our US economists have determined that this week's actions were sufficiently sweeping to both downgrade US '25 GDP by 0.2% (to 1.3% 4Q/4Q) and upgrade core PCE forecasts 0.3% to 3.1% oya (link). That Canada and Mexico were only slightly excused from the tariffs suggest a more lenient policy stance was possible but ultimately foregone; our credit colleagues meanwhile describe the decision as a "near to immediate term negative for the entire automotive ecosystem, and somewhat a surprise after two rounds of CA/MX tariff postponements" (link). Extrapolating forward, given the size/significance of the auto industry and the importance of CA/MX in the supply chains, this would suggest that all options are on the table next week across all regions for the remaining suite of tariffs.
- **Moving fast**. The administration has moved quickly of late; auto tariffs were fast-tracked and formalized ahead of the broader April 2 deadlines. That has transpired amid a reported acceleration of the copper tariffs process, where historically 232 investigations take much longer.
- **A harsher stance on non-USMCA trade partners (EU, Asia) appears more plausible than before.** Part of this pessimism stems from the precedent of stacking sectoral tariffs that has now been set (autos on top of steel and aluminium); it remains to be seen whether reciprocal tariffs are entirely separate from / fully additive to the sectoral ones or end up being more 'lenient' by taking into account the latter. But the willingness to stack tariffs on CA/MX suggests that the bar to do so even more punitively on other trade partners is lower than what we had thought earlier (for instance, press reports suggested the possibility of 20% tariffs on Europe, much higher than baked into JPM forecasts).

How meaningful are auto tariffs for FX ...?

Limited impact, if implemented in isolation. Last week we estimated that all else equal, an imposition of 25% sectoral tariffs (autos, pharma, semis) would result in only modest strength in the broad USD index of 0-2% as the adverse growth impact would be limited to a few countries. We had identified MXN, CAD and Asia to be most vulnerable depending on what is announced and had looked for high beta FX not targeted explicitly could be more insulated.

Which currencies are now vulnerable given this auto announcement? Figure 4 from our economists lists the rela-

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tive importance of auto sector exports to the US scaled for local GDP by country and shows that if Canada and Mexico are given exemptions, the more vulnerable countries to auto tariffs are: Japan, Sweden, UK and EU in G10 and Korea, South Africa, Thailand and Taiwan in EM. Among these, our economists' estimated growth hit from auto tariffs would be highest for Korea (-0.4% GDP impact) and Japan (-0.2%). The impact on other countries including the EU would be smaller at -0.1%pts off GDP. **Thus, if implemented in isolation, auto tariffs resulting in growth impacts of such magnitudes shouldn't be meaningful for FX for most regions**; to elicit a meaningful FX response, auto tariffs would likely have to be combined with more tariffs either related to other sectors or dimensions (VAT).

Figure 4: If auto tariffs are implemented in isolation and Canada/Mexico are excluded, they should result in only modest growth downgrades which shouldn't be meaningful for FX in most regions

Exposure to key US sectors: US imports as % of country GDP (2024)

	Autos & parts	Pharma	Semis	Steel/Alu/ Copper	Est GDP impact from all sectoral tariffs	Est GDP impact from auto tariffs (pro-rated)
Mexico	7.7	0.1	0.1	0.7	-1.6	-1.4
South Korea	2.5	0.2	0.2	0.4	-0.5	-0.4
Canada	2.4	0.2	0.0	1.3	-0.8	-0.5
Japan	1.2	0.2	0.0	0.1	-0.3	-0.2
Germany	0.8	0.4	0.0	0.1		
Sweden	0.7	0.4	0.0	0.1		
South Africa	0.6	0.0	0.0	0.3	-0.2	-0.1
Thailand	0.5	0.0	0.9	0.4	-0.4	-0.1
Taiwan	0.4	0.0	1.6	0.7	-0.4	-0.1
United Kingdom	0.3	0.2	0.0	0.0	-0.1	-0.1
EU	0.3	0.6	0.0	0.1	-0.2	-0.1
Italy	0.2	0.5	0.0	0.1		
Belgium	0.2	1.9	0.0	0.1		
France	0.0	0.1	0.0	0.0		
Malaysia	0.0	0.0	3.2	0.2	-0.7	0.0
Netherlands	0.0	0.6	0.0	0.1		
Switzerland	0.0	2.1	0.0	0.0		
Chile	0.0	0.0	0.0	1.5	-0.3	0.0
Norway	0.0	0.1	0.0	0.1	0.0	0.0
Australia	0.0	0.1	0.0	0.0	0.0	0.0
New Zealand	0.0	0.0	0.0	0.0	0.0	0.0

Source: J.P. Morgan Economics research, ITC Trademap, Also see *US tariffs redux: Objectives widen, targets broaden*, *Aziz et al*

… and specifically for CAD, JPY and MXN given their heavy auto-export reliance?

- **CAD: Despite some legal nuances, Canada will see at least partial tariffs on its auto exports. This is modestly CAD-negative given the estimated scope, though an indefinite USMCA carveout for auto parts may partially blunt the immediate impact.** This week's US auto tariffs announcement (see here& here) distinguishes between fully-assembled vehicles (tariffs begin Apr 3rd) and auto parts (tariffs by May 3rd), and importantly states that USMCA-compliant *parts* will remain tariff-free until a formal process is established to apply tariffs to their non-US content. Unfortunately for Canada, our JPM economists estimate that ~80% of US-bound auto exports ($39.2bn) are fully-assembled vehicles vs only ~20% ($11.6bn) are auto parts, **meaning there will still be tariffs in some form depending on the proportion of inputs not sourced from the US** (~50% of the $36.2bn which qualified for duty-free USMCA treatment consists of non-US content). Taken together, this suggests the auto tariffs may initially impact ~$21bn of Canadian goods, or ~5% of total US-bound Canadian exports. This implies an increase in the effective tariff rate of 1.25%, and applying the 0.5 beta we've previously cited would suggest a +0.6% move in USD/CAD (possibly 0.8% with auto parts). As such, **the direct hit from auto tariffs should prove directionally CAD-negative albeit modestly**.

  While tariffs implemented to date fall short of the worst-case blanket 25% that has been threatened repeatedly on Canada (and which technically could still be realized next week), the broader strategic assessment for Canada is still concerning. First, despite the nominal assessment above, autos are still the second largest export industry to the US, which risks further exacerbating quickly-deteriorating sentiment locally (Figure 5). Second, Canada remains disproportionately exposed to sectoral tariffs generally, bearing the brunt (in terms of share of US imports) from autos, steel/aluminum, energy and lumber (as/when applied). Finally, we would highlight recent comments from new PM Mark Carney, who after the auto tariff imposition stated that **"We must fundamentally reimagine the Canadian economy**," and that Canada **"must dramatically reduce reliance on the US"** by pivoting trade. Such structural adjustments are unlikely going to be easy - even if it does concurrently galvanize much-needed domestic reform, such as Carney's proposal to eliminate intra-provincial trade barriers by mid-year (ie a de-regulatory, pro-supply side boost). Such a backdrop goes some ways to explain CAD's YTD underperformance in the G10 space.

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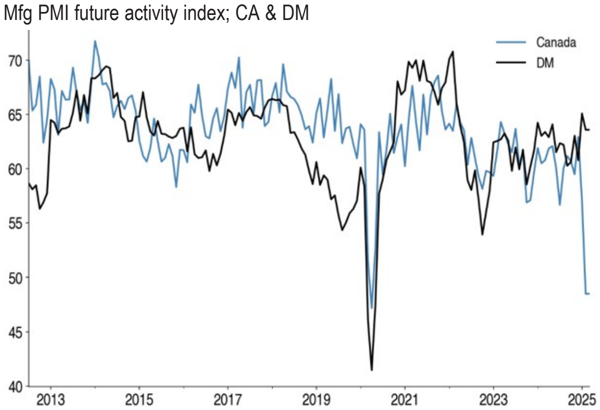
Figure 5: Sentiment was already deteriorating in Canada before the auto tariffs kicked in

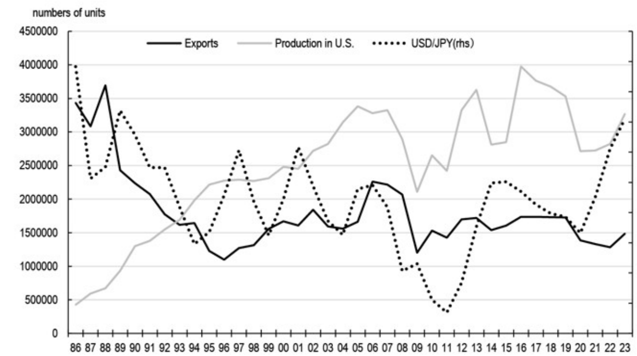
Mfg PMI future activity index; CA & DM



Source: J.P. Morgan, S&P

- **JPY**: It is true that the first order response of the Yen this week to the auto tariff news was to weaken alongside fellow car exporters (EUR, CAD, MXN), but we do not anticipate this to extend a lot further from here for several reasons. First, in addition to Japan's lower auto exports to the US as a % of GDP than the likes of Canada, Mexico and Korea, Japan stands out as having a high overseas production ratio for cars than most countries (Figure 5), a legacy of the US/Japan trade conflict of the 1980s and the Plaza Accord aftermath. Even in an extreme case where auto exports to the U.S. are halved due to auto tariffs, the flow impact on the trade balance is ~JPY 3T ($20 bn), which is dwarfed by financial flows in the USD/JPY market (e.g. we estimate that the off-BoP speculative Yen buying YTD has already reached ~JPY 15T ($99 bn). Second, while it is possible that Japanese growth takes some pain via the corporate earnings channel, a key contributing factor to Yen strength this year — BoJ's hawkish monetary policy stance — should not budge much in the midst of the ongoing virtuous wage price spiral; indeed, this week's Tokyo CPI surprised to the upside again, and JGB yields made new highs. While the JPY OIS curve has largely priced in our 2025 BoJ policy projection, there remains daylight between terminal pricing and the JPM BoJ call for 2026 (1.5%). Third, while the Yen's correlation to domestic equity prices has been erratic of late, any material NKY sell-off from here is likely to usher in Yen strength, not weakness given the long-standing directional link between the two causally enforced by the FX hedge rebalancing of currency-hedged FII equity longs. Finally, to the extent that escalating tariff wars have blowback effects on US activity and hurt risk sentiment (SPX) and/or UST yields, this should be a net positive for the Yen, and intensify the ongoing drag on USD/JPY from a steady erosion of US real yields as the Fed stays on hold in the face of tariff-induced inflation pressures. Indeed, the US - JN 1y1y real yield differential has fallen 20bp MTD against the USD (10bp in the past week), and USD/JPY's current richness relative to this yield spread biases the Yen moderately stronger over coming weeks; we stay long Yen across a range of crosses in our Model Portfolio (see Trade Recommendations section).

Figure 6: Japanese auto exports to the U.S. are a fraction of cars produced in the U.S.



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

- **MXN**: **The prospects of more favorable conditions for Mexico in trade negotiations with the US has narrowed significantly after the actions taken on the auto sector.** Mexico's exports of automobiles and auto parts to the US is crucial for its external sector, representing 22% of total Mexican exports and roughly 9% of the country's GDP. Although USMCA autos got some concessions in the tariffs announcement, the current state of affairs is much worse than anticipated. The administrative costs required to build a supervising framework to effectively determine the value decomposition by national origin of each USMCA vehicle/part would be high and time consuming, suggesting there is a possibility of this being the first step towards negotiating harsher rules of origin in the USMCA (currently between 70% and 75% of regional content). In practice, there is no USMCA without the auto sector. If there is no material improvement in the conditions for Mexican autos in the coming days, it would call into question the value of any version of USMCA that might end up being negotiated. If auto-tariffs are not lifted soon, it also appears unlikely that the Mexican government will maintain the non-confrontational approach it has kept so far, and retaliation measures (expected for April 3) might sour the relationship with the US in the near-term. Hence, although we still think that the USMCA will remain in place, the execution of trade policy so far might have already caused permanent damage to the reliability of the treaty and blurs the visibility on the final outcomes. Our EM strategists have thus closed their 27-

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Aug USDMXN put spread (20.15/19.50; FX spot ref: 20.45 at entry of 27 Feb.) at a small gain (+6bps). For further details, see *EM FX: Turbulent Trade Winds Ahead: A roadmap for April's tariff showdown*, Siddiqui et. al).

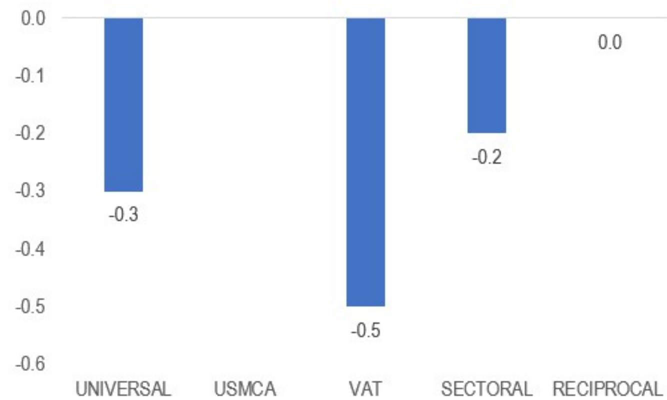
How much tariff risk is now priced into the Euro, and how much will upcoming tariff announcements matter for the currency?

In our view, EUR/USD should be resilient against 10% tariffs or some combination of reciprocal/ sectoral tariffs, as these are already accounted for in growth forecasts and would be offset by gains from fiscal spend. However, **EUR/ USD would be vulnerable if tariffs imposed are >10% as this would more than offset fiscal benefit**s, although then how long tariffs stay in place will also be relevant but unknown. **We estimate that 20% VAT tariffs could be worth 5% on EUR/USD fair value in the limit (~1.0350), but markets will struggle to price this in fully given the lack of visibility on the shelf-life for tariffs. If EUR/USD prices in 50-60% odds of 20% tariffs persisting which would push EUR/USD to 1.06-1.0650.** Systematic models are now modestly bearish euro but are even more bearish USD; the message is to use EUR as funders on crosses but to stay long EUR/USD. Watch relative equity returns as this will be key.

The primary factors arguing for euro resilience even in the face of new tariffs are: (a) the change in EU fiscal policy and (b) that some hit to EU growth on tariffs is already accounted for by economists. The fiscal policy shift provides a cushion to EU growth (more on this below) and challenges the notion that the ECB would be the only policy lever that could mitigate tariff impact. And while the growth impact of tariffs on the Eurozone could admittedly be sizable in some instances (VAT for instance could shave 0.5%pts off growth, or a combination of VAT and sectoral; Figure 6), economists have already accounted for some of this in their forecast (at J.P. Morgan for instance, our economists have pencilled in 1%pt hit to GDP cumulatively till the end of 2026 from tariffs into their forecast). Thus to elicit additonal growth downgrades for the region, tariffs imposed on the Eurozone would likely need to be larger than simply sectoral ones or magnitude 10% and would likely have to inch towards the VAT variety (Figure 7). Our economists also flag the growth impact on the region cannot be viewed through the lens of EU tariffs in isolation; what will also matter is whether the US adopts a univeral approach or if it chooses to penalize the EU in particular.

Figure 7: To elicit additional growth downgrades for the region, tariffs imposed on the Eurozone would likely need to be larger than simply sectoral ones and would likely have to inch towards the VAT variety

J.P. Morgan Economics Research estimates of EU GDP impact from various tariff types



Universal (10%), CA-MX (25%), Sectoral (25%).
Source: J.P. Morgan Economics (see US tariffs redux: Objectives widen, targets broaden)

Factors that argue for potential euro vulnerability are:

First, EUR/USD would be vulnerable if tariffs imposed are greater than 10%; the latest fiscal u-turn should insulate against tariffs of up to 10%. At its peak, the tariff discount was as large as 5c in mid-January which estimated was consistent with a 10% tariff rate; this tariff discount has now shrunk to ~1c currently following the German fiscal announcement (Figure 8). One could argue that if 10% tariffs were to be priced into FX markets now, the "new" fair value for EUR/USD should be substantially higher than the 1.02 lows seen in January due to the fiscal offset which previously didn't exist. We have estimated that the new fiscal impulse should be worth 4.5-5% for EUR/USD over time (*EUR: Turning bullish on a regime-shift*, Chandan et al), so roughly the same impact as 10% tariffs on the euro, which would be a wash. However, tariff rates larger than 10% would be more meaningful for the currency as it would more than offset the fiscal support and could also require the ECB cut rates. **For markets to price in 20% tariff rate consistent with the VAT-matching outcome, fair value for EUR/USD would have to decline by 5% towards 1.0350**. But the main question on our mind is - can the markets price this in completely without certainty on what the shelf-life on these tariffs would be? **We think it more likely that EUR/USD prices in 50-60% odds of 20% tariffs persisting which would push EUR/USD to 1.06-1.0650**.

Second, a source of vulnerability would be if CNH were to start weakening as part of the policy response to tariffs; this is less of a threat if downward pressure on US yields stays intact, but can't be completely ruled out. The linkages to China matter for multiple reasons: (a) tariffs seems to be

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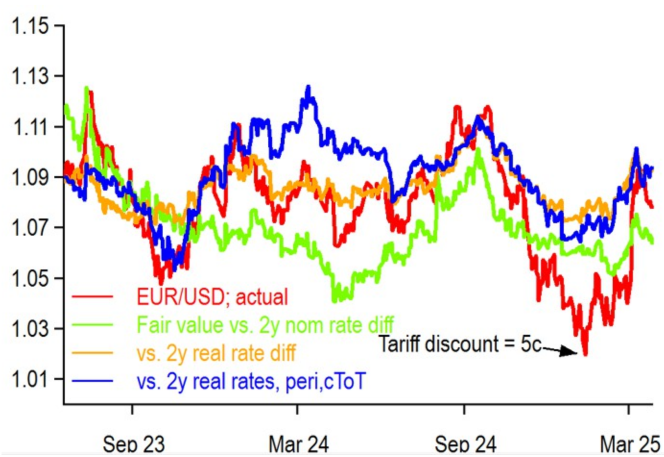
less negotiable for China; in 2019, USD/CNH strengthened on tariffs even though US-China rate differentials were trending lower; (b) empirical sensitivity of EUR/USD to USD/CNH and (c) overcapacity redirection from China to RoW. While this is a medium-term risk, the weakening in CNH is a less imminent a risk given the decline in US yields and also ahead of a potential US-China negotiation which news reports signal could be in the pipeline.

Finally, our systematic models have become modestly bearish on EUR once again, but this is not vs. USD but rather against a broader complex of currencies in Asia and EMEA (Figure 9). The dollar itself is the worst ranked currency in our global universe, given poor growth and equity momentum. The modest decline in rankings of the euro has stemmed from relative European equities returns which have lagged the RoW since mid-March. This is still an early-stage move which could be simply reflecting quarter-end rebalancing flows, but is worth tracking since it has been a meaningful driver of FX returns in recent months. While the systematic models are still long EUR/USD, it is suggesting that euro be used as a funder relative to other currencies. **Hence, we maintain exposure to EUR/USD longs, albeit in reduced/options format while also increasing the currencies that we are short euro against on the crosses (we have been short EUR vs SEK, NOK and JPY; this week we also sell EUR/AUD). As a hedge and given attractive entry levels, we also increase exposure to short EUR/JPY outright (see Trade Recommendations; Figure 10).**

Figure 8: Following the German fiscal announcement, EUR/USD prices in hardly any tariff discount (~1c); in January, the discount was as large as 5c

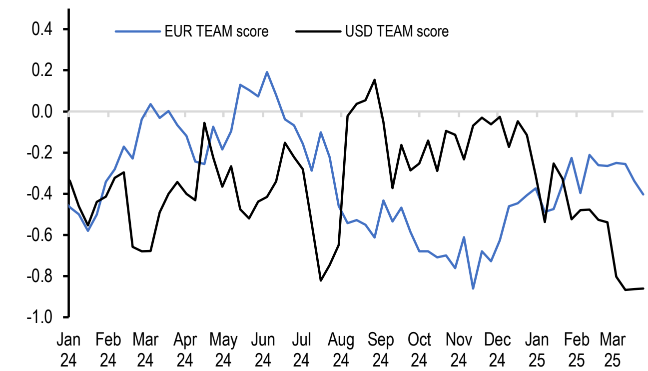
EUR/USD: Actual vs. model



Source: J.P. Morgan

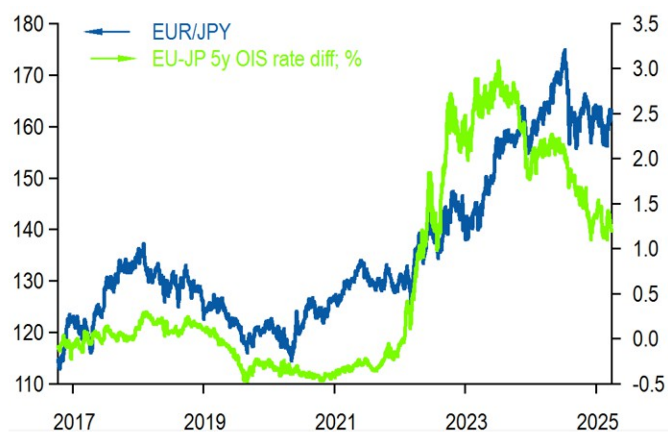
Figure 9: The aggregate score assigned to EUR by our systematic models has declined modestly, but the dollar ranks even worse

EUR vs USD Fast T.E.A.M. score



Source: J.P. Morgan

Figure 10: EUR/JPY looks dislocated / too high relative to rate differentials



Source: J.P. Morgan

Can benign tariff delivery (reciprocal tariffs not including VAT) lead to USD strength, if US equities and UST yields rise?

Unlikely.Last week, we had identified vanilla reciprocal tariffs (no VAT) as the most benign scenario for risk assets and the dollar, on the view that (a) the quantum of reciprocal tariff differentials ex-VAT are relatively small and will likely not elicit significant retaliation from trade partners; and (b) reciprocal tariffs were more likely than other forms of tariffs to be negotiated lower if partner countries lower their own tariff barriers (as several such as India appear to be doing), leading some corners of the market to even speculate about the possibility of a 'race to the bottom' in tariff rates. In this scenario, currency markets are therefore liable to breathe a sigh of relief and revert to trading the more durable cyclical themes of a US slowdown and European fiscal revival, which should entail moderate dollar weakness. It is true that avoiding worst

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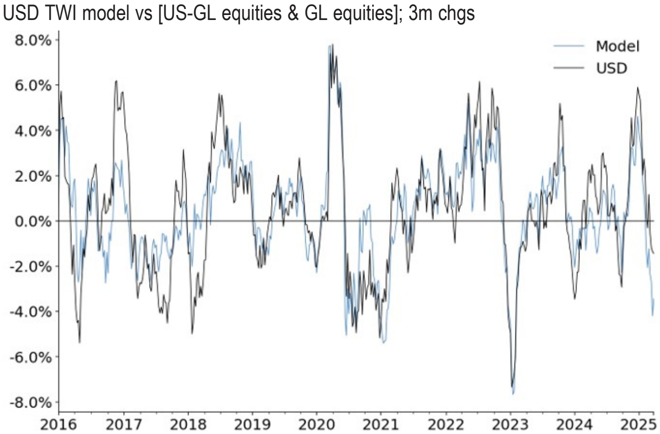
case outcomes can spur a risk rally involving higher SPX and UST yields, but reflexively associating USD strength with either/both overlooks dynamics in other markets.

- First, RoW equities are likely to relief rally as much, if not more, than US equities, in effect reversing the relative stock market moves of the past week i.e. SPX strength in *absolute* is unlikely to usher in the *relative* US equity exceptionalism of old. The combination of stronger US equities alongside flat/higher RoW - US relative equity returns is the closest one can get to the valley of the USD smile that has historically been the most negative environment for the USD; it also bears mentioning that the USD TWI is somewhat high relative equity returns and has room to catch-down in a relief rally (Figure 11).
- A similar relative argument holds for yield differentials as well, with one additional nuance: as flagged at the outset, declining US real yields is a handicap for the dollar with no easy solutions given the Fed's asymmetrically dovish stance in the current inflationary climate, and is likely to remain a durable drag for the greenback in a way that was not the case in 4Q24.

Figure 11: USD/TWI screens somewhat rich vs equity returns, and has room to catch down in a benign tariff outcome

USD TWI model vs [US-GL equities & GL equities]; 3m chgs



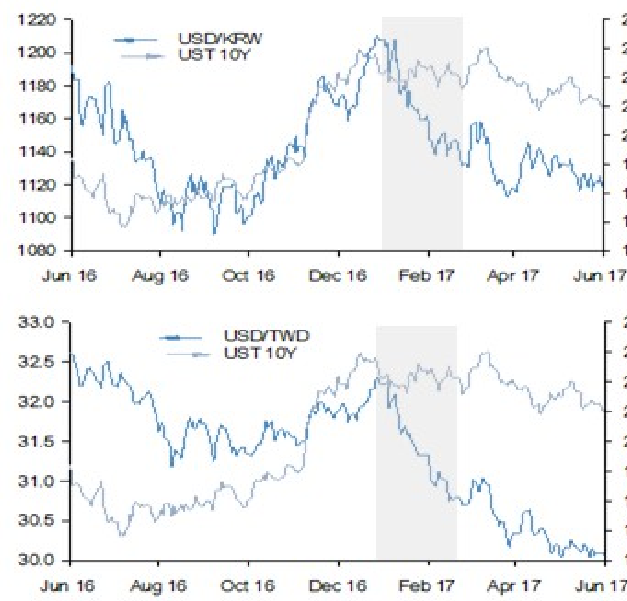
Source: J.P. Morgan

If reciprocal tariffs attach sizeable weight to FX policy as a non-tariff barrier, will partner countries actively appreciate their currencies vs. USD to reduce US tariffs?

Low odds in the near term. Mechanics of enforcing currency appreciation remain murky, and the question itself may be rendered moot by a durable dollar downtrend.

While engineering actual currency appreciation vs. USD remains an untested area since the Plaza Accord, there is the odd historical precedent of FX markets speculating about such FX policy change; for instance, in the very early days of the Trump 1.0 administration, USD/KRW and USD/TWD abruptly fell fell ~7% and ~5% respectively in the first two months of 2017 (2-2.5 sigma moves) , at a time when cyclical pressures from US rates were pointing in the opposite direction, and investor focus was centered on Border Adjusted Tax (BAT) that should have made for a USD-bullish envionment (Figure 12). The received (post-facto) wisdom at the time was that such currency moves represented a rethink on FX policy by C/A surplus Asian trade partners, before the political demise of the BAT idea and a cyclical downturn in the dollar rendered a deeper exploration of the issue moot.

Figure 12: USD/KRW and USD/TWD abruptly fell sharply in 1Q17 in the early months of Trump 1.0 despite no obvious cyclical pressure



Source: J.P. Morgan

In the current context, the two obvious candidates that are in the eye of the Trump administration's FX policy storm are the **Yen** and **Yuan**, which he has consistently criticized for being too cheap (e.g.most recently [here]), but the argument could also be extended to all watchlist currencies in the US Treasury's manipulation report (Figure 13) that prior experience with CNY suggests do not need to meet all three criteria to be formally labeled as manipulators. In the Yen's case at least , the ~5% appreciation this year — spurred ostensibly in part by Bessent - Kato talks earlier in the year ([link]) — should reduce immediate pressures for manipulator action. In China's case, PBoC's persistent efforts to resist CNY depreciation over the past year (as opposed to promoting CNY weakness) are by now well flagged, and though there remains dry powder to engineer RMB appreciation by running down the stockpile of unsold exporter dollars, we reckon this is a nucle-

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ar option to be used under extreme duress (e.g. some Asian countries such as Malaysia mandated exporter dollar conversion during Covid) that is low odds at the current juncture.

Figure 13: There are several countries on the Monitoring List, but no active labelled manipulators

Currency Manipulator Monitoring List (2 of 3 criteria met). 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 met all three criteria but US withheld manipulator label
Source: US Treasury, J.P.Morgan

As ever, the challenge lies in the nuts-and-bolts mechanics of enforcing FX appreciation. The most vanilla form this can take is off-loading US Treasuries in order to repatriate dollars back into home currency, but the Japanese GPIF's non-reallocation of flows towards domestic assets this year is a reminder that the trade-off between a weaker dollar and higher UST yields is not always palatable from a US political perspective. We will avoid going down the rabbit-hole of a 'Mar-a-Lago Accord' that this FX policy discussion inevitably leads towards, and point out that one simple lesson of 2017 can reapply this year: when the DXY organically declines, FX manipulation / Plaza 2.0 talk naturally cools and the need to answer difficult questions on currency conversion mechanics subsides. That is our hope for 2025.

Sterling avoids UK budget scare

Sterling this week avoided a UK budget scare ahead of what was a highly anticipated OBR forecast update. The Chancellor delivered fiscal tightening and after an initial spike higher in yields, gilts rallied; markets kept UK fiscal risk premium contained and sterling held in ok as a result. Gilt yields ended the week towards the highs however, and were yields to drift higher still, that could put budget assumptions (and therefore potentially sterling) under threat. The OBR downgraded near term growth more than expected (1% in 2025) but on average upgraded growth more than expected further out, which allowed the Chancellor to deliver a fiscal tightening close to expectations of £10bn.

BoE implications are dovish at the margin but not enough to matter for FX. The accompanying OBR documentation noted that if the US raises tariffs on RoW by 20% then that reduces UK GDP by 1% and eliminates any projected fiscal surplus. That is the tariff-fiscal link that we have discussed previously for GBP and it aligns with our view that GBP shouldn't necessarily be viewed as a relative winner from tariffs given the fiscal implications. EUR/GBP trades slightly cheap to 0.8370 fair value here and the next focus will be the tariff announcements of April 2nd. We hold longer dated optionality in EUR/GBP in attempt to outlast tariff risks and position for a potential buy-the-dip in euro, plus continuation of the US/EZ equity rotation and move in EUR/GBP rate spreads.

Week ahead: US tariffs 'Liberation Day,' US payrolls, Fed Chair Powell, RBA

Next week will present a major event risk for FX markets via the **Apr 2nd tariff deadline** that the US administration has repeatedly touted as 'Liberation Day.' US federal agencies are expected to complete all studies related to trade policy and provide tariff recommendations by Apr 1st. As for Apr 2nd, Pres. Trump has promised **reciprocal tariffs** (including VAT & non-monetary trade barriers), **sectoral tariffs** (including semiconductor chips, pharmaceuticals, agriculture products, copper & lumber), and for **paused 25% tariffs on USMCA-compliant goods to go back into effect**. Then on Apr 3rd, the recently-announced **25% tariffs on autos** (beginning with fully-assembled vehicles & later expanding in scope to include major auto parts by May 3rd) will go into effect, though USMCA-compliant auto parts will be excluded until a formal process is established to tariff their non-US content.

Beyond potential tariff announcements, next week will also include an **RBA** decision (Apr 1st, JPM: on hold) to go along with **EM rate announcements** in **Colombia** (Mar 31st, JPM: -25bps) and **Poland** (Apr 2nd, JPM: on hold). Market participants will also be watching **US payrolls** (Apr 4th) for any signs of further moderation in US exceptionalism, with **Fed Chair Powell** notably scheduled to deliver keynote remarks later that same day. Elsewhere in G10, **inflation** data will be released in the **Euro area** (Apr 1st), **Switzerland** (3rd), and **Sweden** (4th), while the next batch of **labor market** data will be released in **Japan** (Apr 1st), the **Euro area** (1st), **Switzerland** (4th), and **Canada** (4th).

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Main trade recommendations

Trade type	Currency		Trade	P/L
Macro portfolio				
Cash (new trades)	**EUR/AUD**	—	Sell EUR/AUD	-
	EUR/JPY	—	Sell EUR/JPY	-
Cash (existing)	**EUR/NOK**	—	Sell EUR/NOK (take part profits on EUR/SEK leg of short-EUR basket)	1.90%
	NZD/JPY, USD/JPY	—	Sell 50:50 basket of NZD & USD vs JPY	-0.99%
	CHF/JPY	—	Sell CHF/JPY	-1.60%
Options (new)	**EUR/SEK**	—	Buy EUR/SEK 3m put spread. K = 10.75/10.55. Spot ref 10.8250. Cost 59.5bps.	-
	EUR/USD	—	Buy EUR/USD 3m call spread. K = 1.09/1.12. Spot ref 1.0825. Cost 89.2 bps.	-
Options (existing)	**EUR/GBP, EUR/CHF**	—	Buy 3m EUR/GBP 0.8550 / EUR/CHF 0.99 topside dual digital. Cost 9.45%.	-6.59%
	EUR/JPY	—	Buy EUR/JPY 2m put spread. K = 155 / 151.50. Spot ref 156.70. Cost 72bps.	-0.60%
Closed	**USD/NOK, AUD/USD**	—	Took profit intra-week in 50:50 basket of long NOK & AUD vs USD	1.58%
	USD/SEK	—	Took profit intra-week in USD/SEK leg from 50:50 basket of long SEK & EUR vs USD	0.94%
	EUR/USD	—	Take profit in EUR/USD leg from 50:50 basket of long SEK & EUR vs USD	0.24%
	DXY	—	Sell DXY	0.37%
	EUR/SEK	—	Take part profits in EUR/SEK leg of short-EUR basket	0.46%
	EUR/SEK	—	Buy EUR/SEK 3m put spread. K = 11.15 / 10.90. Spot ref 11.1569. Cost 80bps.	0.97%
Derivatives portfolio				
RV (new trades)				
RV (existing)	**EUR/USD-EUR/PLN**	—	Buy 4M EUR/USD vs sell EUR/PLN atm delta-hedged straddles	-1,0 vol
	USD-CHF	—	Buy 6M 25D USD/CHF risk-reversals, delta-hedged	-0.5 vol
	EUR/SGD-USD/SGD	—	Sell 3M EUR, USD via SGD correlation Swap	-10 corr pt
	EUR-CHF-USD	—	Buy a 3M ATMF Correlation Swap in EUR/CHF via USD	-7 corr pt
	EUR-USD-GBP	—	Sell 3M ATMF EUR,USD via GBP Correlation Swap Corr	23 corr pt
	USD/CAD	—	Buy a 6M6M USD/CAD FVA	-0.3 vol
RV (closed)	**SEK-HUF-EUR-USD**	—	Basket of 3M USD/SEK 40d put vs sell 45d EUR/USD call, and 3M USD/HUF 40d put vs sell 45d EUR/USD call	48 bp

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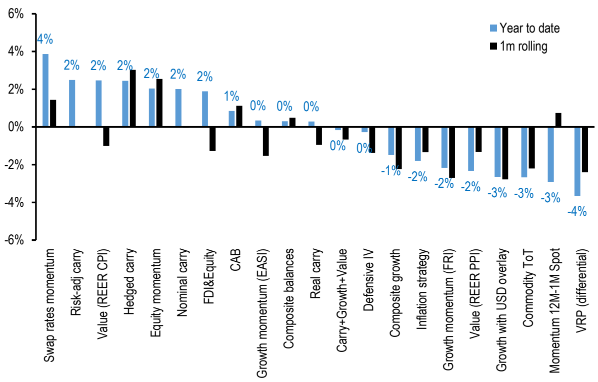
FX Models

Figure 14: Equity momentum has continued to outperform in the global portfolio over the past rolling month

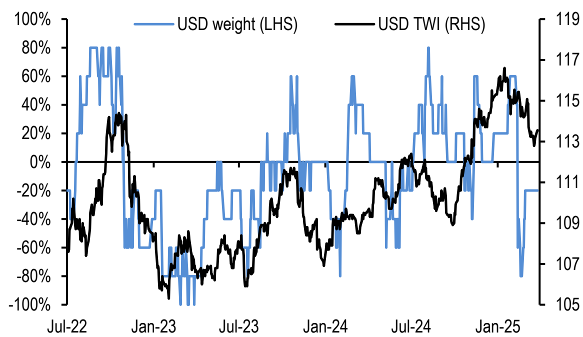
YTD & rolling 1M returns of FX single signal cross-sectional strategies with trading costs (top 5/bottom 5 in global portfolio). Calculation as of Mar 28th.



Source: J.P. Morgan

Figure 15: USD weight in our FRI framework is now at -20%

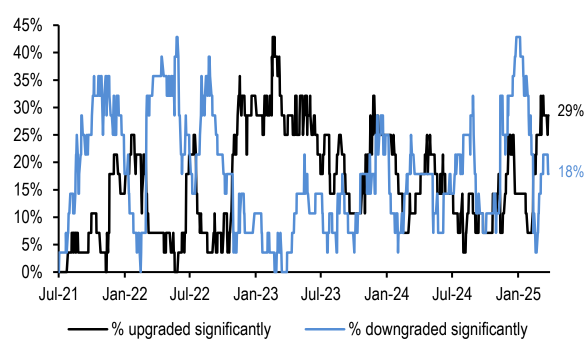
Net longs on USD vs. high beta FX (% total exposure) allocated to USD positions, plotted against USD TWI



Source: J.P. Morgan

Figure 16: 29% of countries show significantly positive growth momentum vs 18% negative momentum

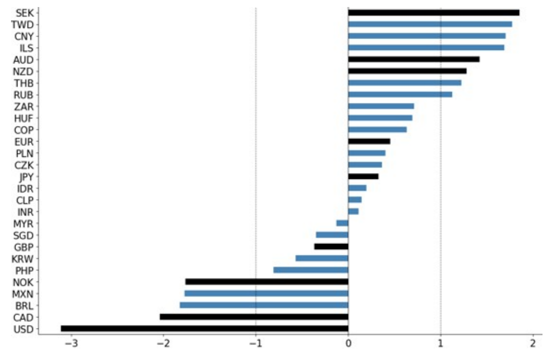
Percentage of countries (among 28 tradeable currencies) for which the 1yr z-score of 3mo changes in JPM FRI exceeds +/- 1-sigma



Source: J.P. Morgan

Figure 17: USD growth momentum still ranks at the very bottom globally, though the broader distribution is now skewed slightly positively

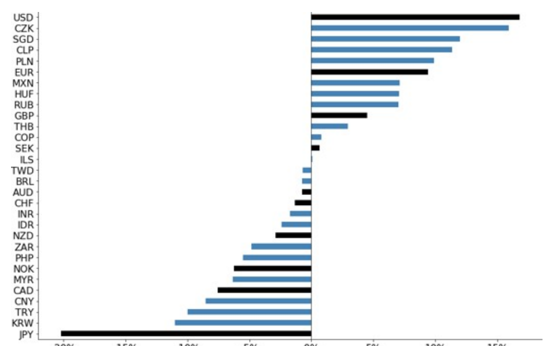
1yr z-score of 3M changes in JPM Forecast Revision Indices



Source: J.P. Morgan

Figure 18: The distribution of long-term richness/cheapness is more balanced now; USD & JPY remain at the extremes

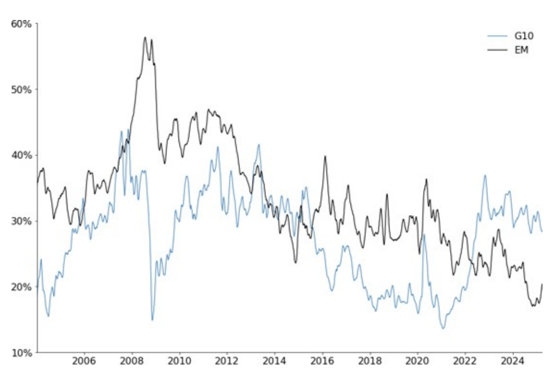
Current deviation of average REER PPI/CPI vs 15yr moving average, %. +/- value indicates currency is rich/cheap



Source: J.P. Morgan

Figure 19: The G10-EM valuation dispersion gap has seen some two-sided narrowing in recent weeks

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 20: EUR now ranks in the bottom-five globally as local growth signals have moderated; SEK has seen similar deterioration and now ranks in the bottom half; USD still ranks at the very bottom on weak growth signals

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%	16%	15%	17%	16%	6%	6%	11%	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	1.46	2.00	1.13	0.02	-0.24	-0.67	0.00	0.27	0.64	0.30	20%	20%
ZAR	1.16	0.57	0.57	0.47	-1.30	2.00	1.61	0.68	0.50	-0.02	20%	10%
COP	1.32	0.83	-0.61	0.49	1.08	-0.25	-0.90	0.16	0.41	-0.27	20%	7%
PLN	0.39	0.23	1.95	0.20	-0.14	0.07	-0.02	-1.05	0.28	0.32	20%	20%
THB	0.12	-0.52	-0.89	0.89	1.53	1.81	-0.50	-0.26	0.23	0.21	20%	5%
CLP	-0.56	-0.08	0.62	0.00	1.86	-1.34	2.00	-1.17	0.21	-0.25	-	0%
KRW	-0.53	-0.11	0.03	-0.58	1.52	-0.37	0.16	1.36	0.20	-0.13	-	4%
PHP	0.49	0.32	0.41	-0.78	-0.24	0.37	1.06	0.70	0.17	-0.21	-	9%
NZD	-0.53	-0.30	-1.05	0.95	0.94	-0.20	1.49	0.40	0.16	0.39	-	10%
AUD	-0.34	-0.17	-1.28	1.09	1.57	-0.15	-1.15	0.21	0.11	-0.07	-	7%
IDR	1.00	2.00	-2.00	0.00	0.04	-1.91	0.18	0.32	0.08	-0.23	-	0%
TWD	-0.16	-0.11	-1.61	1.48	-0.06	0.95	0.13	0.13	0.04	-0.07	-	0%
CNY	0.12	-1.99	0.50	1.31	-0.56	0.61	-0.59	1.03	0.02	-0.17	-	3%
ILS	-0.76	-0.30	-0.04	1.27	-0.41	-1.16	1.01	0.08	0.01	0.10	-	0%
BRL	2.00	1.18	0.79	-1.72	-1.74	-0.33	-0.48	0.32	-0.01	0.15	-	0%
HUF	-0.76	0.30	1.10	0.52	-0.56	0.02	-0.95	-0.76	-0.02	0.37	-	1%
CZK	-0.65	-0.32	2.00	0.17	0.61	-1.15	-0.79	-1.79	-0.02	0.12	-	1%
JPY	-1.43	-1.20	0.25	0.14	0.29	0.13	0.19	2.00	-0.02	-0.11	-	4%
SEK	-1.23	-0.62	-0.88	1.42	0.27	-1.65	1.28	0.15	-0.11	-0.10	-	0%
SGD	0.26	-0.11	-0.06	-0.40	0.45	0.48	-0.08	-1.33	-0.12	0.04	-	0%
GBP	-0.40	-0.05	-0.11	-0.30	0.17	0.39	0.06	-0.46	-0.13	0.10	-	0%
NOK	-0.36	-0.13	1.01	-1.56	-1.11	-0.58	0.12	0.89	-0.28	-0.09	-	-5%
MXN	2.00	0.93	-0.38	-1.60	-2.00	2.00	-2.00	-0.71	-0.32	-0.09	-20%	-16%
EUR	-0.89	-0.75	-0.08	0.25	-0.47	0.06	-0.19	-1.05	-0.40	-0.15	-20%	-19%
CAD	-0.93	-0.75	0.06	-1.81	0.10	0.16	-0.46	1.01	-0.43	0.22	-20%	-20%
CHF	-1.23	-1.78	-0.08	-0.12	-0.34	0.13	-0.48	0.24	-0.52	-0.17	-20%	-20%
USD	-0.18	-0.11	-1.01	-1.81	-0.87	0.13	-0.05	-1.99	-0.86	0.01	-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 21: 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	NOK	HUF	SGD	SEK	SEK	SEK	SEK	BRL	JPY	CNY	THB	PLN	NZD	MXN	MXN
top 2	PHP	BRL	MXN	HUF	MXN	JPY	BRL	SGD	SGD	HUF	CLP	TWD	CLP	TWD	JPY	NOK	CHF	ZAR	COP	SEK	THB	IDR
top 3	ZAR	MXN	COP	INR	IDR	CNY	NOK	TWD	PLN	TWD	AUD	ILS	AUD	CNY	PLN	-	NZD	USD	NOK	ILS	TWD	PHP
top 4	PLN	IDR	INR	BRL	COP	KRW	CAD	SEK	BRL	ILS	KRW	CLP	THB	ILS	USD	-	AUD	-	PHP	CLP	PHP	BRL
top 5	COP	COP	ZAR	IDR	ZAR	INR	KRW	CHF	COP	EUR	THB	AUD	TWD	AUD	GBP	-	MXN	-	CNY	USD	KRW	THB
bottom 5	CHF	EUR	KRW	KRW	EUR	SGD	PHP	BRL	GBP	AUD	HUF	NOK	CAD	NOK	CHF	-	TWD	-	TWD	AUD	NOK	ZAR
bottom 4	NOK	SGD	CNY	AUD	SEK	EUR	SGD	GBP	SEK	CAD	ZAR	MXN	USD	MXN	CNY	-	USD	-	USD	CZK	CAD	HUF
bottom 3	SGD	JPY	SEK	ILS	CHF	BRL	CZK	PHP	TWD	CHF	BRL	BRL	BRL	BRL	KRW	-	BRL	KRW	NZD	HUF	PLN	CAD
bottom 2	EUR	CNY	JPY	NZD	ILS	USD	USD	USD	NOK	NZD	MXN	CAD	MXN	CAD	CAD	EUR	SEK	BRL	THB	CHF	CZK	PLN
bottom 1	USD	CHF	CHF	JPY	JPY	CLP	PLN	NZD	CHF	GBP	NOK	USD	NOK	USD	THB	CAD	NOK	MXN	AUD	MXN	SEK	CLP

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

Source: J.P. Morgan

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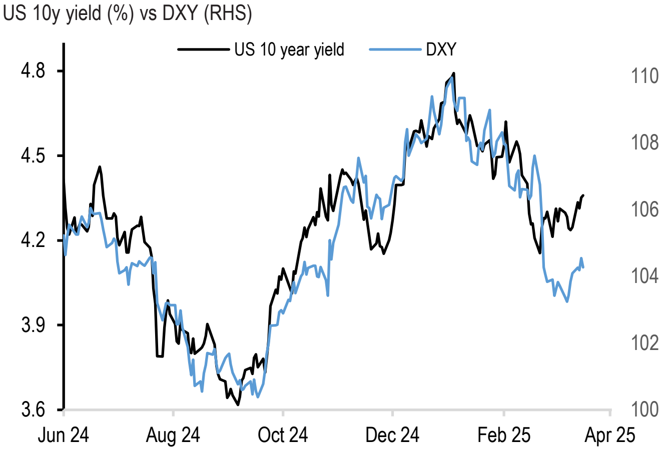
Macro Trade Recommendations

- **Lack of dollar strength on the auto tariff announcement suggests moderating US exceptionalism. Hold reduced and optionalised USD shorts.**
- **Hedge short term EUR tariff risks via JPY and AUD, but hold medium term bullish EUR/USD optionality to capture relative growth, flow and fiscal dynamics.**
- **Norges Bank left rates unchanged as expected and NOK outperformed through the week. Hold short EUR/NOK given value properties and tariff resilience.**
- **SEK is bucking the dividend seasonality trend thanks to rate spreads and Swedish fiscal policy. But there's more to the bullish case. Take profit on EUR/SEK cash short and restructure put spread.**
- **Sterling avoided a UK budget scare but we maintain EUR/GBP longs in options given relative equity and rate spread dynamics.**
- **Pharma tariffs are a risk to CHF, at the same time as the equity rotation risks may favour EUR. Hold CHF shorts vs EUR in cash and JPY in options.**
- **JPY crosses continue to hover above fair value as positioning is tested. We remain long JPY as a hedge to rising recession probabilities.**
- **The RBA is likely to be a non-event next week, and we took profit on AUD/USD longs ahead of tariff event risk.**
- **New trades: sell EUR/AUD, restructure EUR/SEK put spread, buy EUR/USD call spread, sell EUR/JPY**
- **Existing trades: Stay long JPY vs NZD, CHF, USD in cash and vs EUR in options. Short EUR/NOK cash. EUR/CHF, EUR/GBP topside dual digital**
- **Closed trades: Take profit short USD basket vs SEK, NOK, AUD. Take profit on short DXY and long EUR/USD cash. Take profit on short EUR/SEK in cash and options.**

This week as planned we reduced risk levels after the PMI data by taking profit on some USD shorts (link) and today we optionalise exposure, add tactical trades and tidy the portfolio ahead of the April 2nd tariff announcements. Our positioning still aligns under themes of moderating US exceptionalism (USD shorts, JPY longs), European cyclical repricing (Scandi, euro longs) and carry-to-value rotation (NZD, GBP shorts). The surprise unveiling of auto tariffs on Wednesday turned what was meant to be a relatively quiet week into a market rehearsal of sorts for next week's tariff theatre. Risk taking is still constrained by upcoming events, but the lack of dollar strength on a material tariff announcement was striking. Our US economist has raised his core PCE forecast by 0.3% and lowered GDP by 0.2% (link), consistent with the incrementally stagflationary impact from tariffs. In that regard it is interesting that US yields have recently decoupled from DXY (Figure 22), something which became more noticeable in the session following the auto tariff announcement. That could suggest some inflation risk premium, not least stemming from the fact that there is less dollar strength to offset the inflationary impact of the tariffs, thus marginally worsening their inflationary impact. Indeed, front end real yields in the US have made new lows, which should weaken DXY all else equal. Although tariffs are viewed theoretically as a one off increase in the price level and therefore central banks may find less need to respond, it is interesting that a recent paper from the Minneapolis Fed suggested that the optimal policy response to tariffs is easing (link) which of course would bias the dollar weaker. If dollar weakness on broad tariffs were to accelerate, there is a potentially vicious cycle in which lack of dollar strength to offset the inflationary impact of tariffs contributes to higher breakevens and lower real yields, which again in turn generates dollar weakness. That kind of dynamic would also likely accelerate the equity rotation away from the US. Those types of cycles are more associated with EM economies however, and wouldn't necessarily be our base case.

Figure 22: Could the recent decoupling of DXY from US 10y be suggesting declining US asset demand and/or some US inflation risk? Lack of dollar strength on auto tariffs was striking. New low for front end US real yield matters.

US 10y yield (%) vs DXY (RHS)



Source: J.P. Morgan

The DXY 10y decoupling could also suggest less demand for US assets in a world where the institutional credibility of the US may be being eroded by the uncertainty of a seemingly sporadic tariff agenda. This links back to the relative equity rotation that's arguably been this year's main

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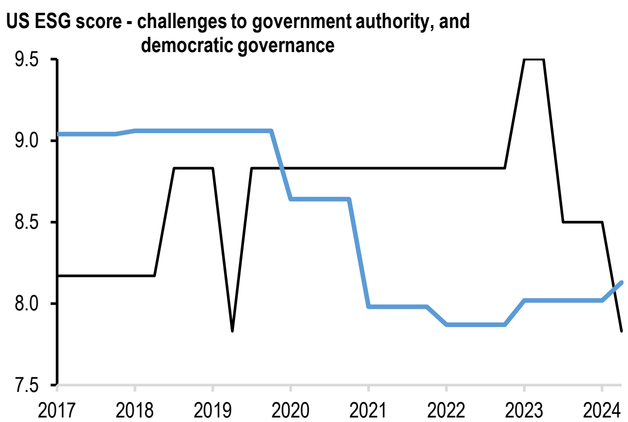
cross asset theme and has been very impactful for FX. The shifting relative growth dynamic associated with tariffs and the blowback that has been apparent in US growth surveys has driven that equity rotation where the US has underperformed RoW year-to-date. The rotation reversed this week, and this may be due to a mix of quarter end rebalancing, improved US activity data surprises and some notion that the Trump put may have been close to being struck after last Friday's dovish comments from the President around flexibility with tariffs. ETF flows on the week however run counter to price performance and show flows favouring Eurozone vs US equity outperformance (Figure 25). If the announced April 2nd tariffs are broad in nature, there is potential for the theme of moderating US exceptionalism to take on new life in our view, and the DXY 10y decoupling may be some early sign of that. If tariff outcomes are more lenient, then markets may finish in the middle of the dollar smile, as a RoW growth boost is baked in. At face value this presents a somewhat asymmetrically dollar bearish set of outcomes, but there are clear risks in the case that an intensely harsh set of targeted EU tariffs put a major dent in Eurozone growth expectations, or more organic US economic strength allows the US economy to absorb tariff impact while RoW growth weakens. In that sense, the recent rebound in US data surprises is relevant.

Figure 23: Dollar weakness and US equity underperformance may also be associated with uncertainty around the policy framework in the US, which is something that ESG scores can help to capture

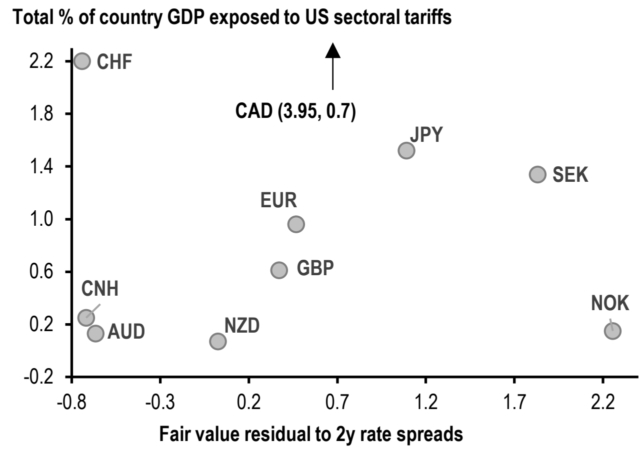
US ESG score subcomponent - challenges to government authority (black) and democratic governance (blue)



Source: Maplecroft

Figure 24: CHF has relatively high exposure to sectoral tariffs via Pharmaceuticals and screens on the cheap end of the spectrum vs other G10. AUD and NOK show as among the least exposed to sectoral tariffs, with AUD also screening cheap

Total % of country GDP exposed to US sectoral tariffs (pharmaceuticals, semiconductors, vehicles and metals)



Source: J.P. Morgan

With the announcement of auto tariffs this week, the sectoral tariff agenda was brought further into focus, and other sectors such as Pharmaceuticals were specifically mentioned by Trump, which is a threat to the likes of CHF. In terms of exposure to pharma tariffs, CHF ranks highest globally when measured on the basis of US imports as a % of country GDP. The figure above shows Switzerland also ranks second highest in G10 when measuring total % of GDP exposed to US imports of the relevant sectors (pharmaceuticals, semiconductors, vehicles and metals). Some of the major Swiss pharma companies already have production facilities in the US, which may allow them to plan more effectively for pharma tariffs, but of course some Swiss companies don't have a presence in the US which makes things harder. Some Swiss companies however have stated that tariffs would not encourage them to build out a base in the US and they would instead opt to expand in say Mexico. After US-Canada trade escalations, other major Swiss companies have made plans to ship product from Europe to Canada instead of from their US facilities. The chemicals and pharmaceuticals sector is Switzerland's primary exporter, producing around 50% of annual total exports and 7% of GDP. Pharmaceuticals account for 60% of all goods exported from Switzerland to the US. CHF does screen vulnerable if pharma tariffs are implemented, and this is a risk that's been on the market's mind for some time. We continue to hold CHF shorts vs EUR and JPY. On the other side of the spectrum, AUD and NOK screen as among the least exposed in GDP terms to sectoral tariffs. We remain long NOK and we engage in EUR/AUD downside this week to tactically trade relative tariff exposure. Tuesday's RBA meeting is likely to be a non-

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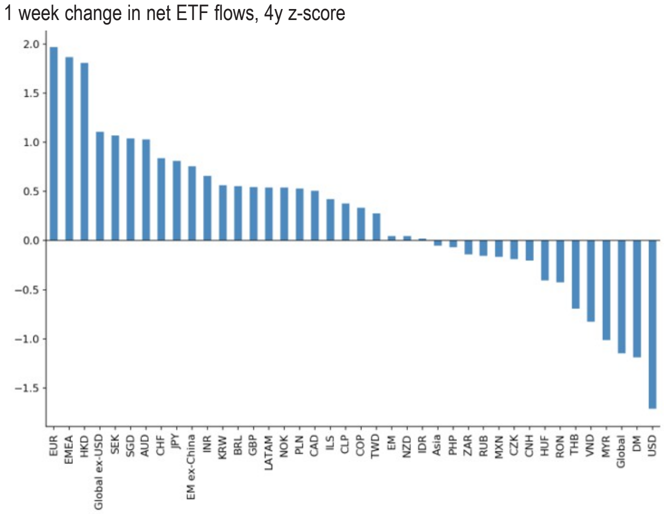
event for AUD as the central bank stays on hold, although the statement could acknowledge some recent progress on inflation led by the housing sector. More encouragingly AUD screens more favourably on our FX quant TEAMS model with the currency buoyed by its forecast revision and activity surprise index scores keeping its ranking firm as other currencies dropped down the rankings. Furthermore, to hedge tactical risks around Eurozone tariffs, we enter EUR/JPY cash shorts.

Figure 25: Weekly ETF data shows flows bucking the price trend of this weeks US equity outperformance, as the change in flows on the week favours Eurozone outperformance vs US

1 week change in net ETF flows, 4y z-score



Source: JP Morgan, EPFR

- **Initiate short EUR/AUD in cash as a tactical hedge**

We scale up our use of euro as a funder ahead of next week's Apr 2nd tariff deadline via a new EUR/AUD short position, as tariffs are more likely to be more onerous on EUR than on AUD. This should be viewed as a tactical hedge against a more adverse tariff outcome and is consistent with the messaging from our systematic FX models, which are suggesting more tactical upside to the Antipodeans relative to euro bloc high beta. As we've previously discussed, AUD is less vulnerable to US tariffs (absent a deep global shock) given that the US actually maintains a trade surplus with Australia, whereas the US administration has repeatedly stated its intentions to tariff the EU. On the sectoral tariffs, because exports to US are <5% of total exports in Australia, there aren't any particular goods that are simultaneously 1) high ranking of US imports from Australia and 2) large export share for AU (and so, of GDP). On reciprocal/ VAT-based tariffs, both Aus and NZ have GST, but it is low – Aus at 10% and NZ at 15%, compared to EU, UK VAT etc at high teens and above. The RBA is next week and we think they'll be on hold and issue a minimalist statement given they won't yet know the tariff details. Commentary could sound a little downbeat on global risks and guiding to the importance of seeing more inflation data (i.e. 1Q CPI). That would seem to keep May teed up for a cut if CPI is in line, but that's 70% priced already, while ECB pricing can clearly move more if the tariff outcome is more severe (i.e. substantially > 10%; see *Outlook*). Our rates strategists also note that EUR front-end rates are cheaper on the long-run hawk-dove central bank models than that of AUD. The primary point of vulnerability for AUD comes from CNH; if USD/CNH starts heading higher, it will undoubtedly weigh on AUD performance, but with autos/ VAT tariffs in focus, there should be a brief window of euro-bloc underperformance.

- **Sell EUR/AUD outright at 1.72006. Stop loss at 1.78026.**

- **Take modest profit on DXY short and optionalize EUR/USD downside exposure**

This week's auto tariff announcement was something of a teaser ahead of the long-awaited April 2 tariff deadline next week. The USD's response this week was fairly modest given the fairly-significant scope of the auto industry within the US economy, and the various importance as well to other global economies (most notably Mexico, but also CA, EU, select Asia). That the USD was not stronger this week likely reflects some combination of still-negative real yields as they continue to tread near the lows. Indeed, a more nefarious read is from our US economists, who have taken up 2025 core PCE forecasts by 0.3% this week (to 3.1% oya) on the back of the auto tariff announcements, with a subsequent 0.2% GDP downgrade for full-year 2025. This will loom over next week's announcement, which focus equally on the net-negatives inflicted on the RoW but simultaneously how much economic pain that might inflict back to the US via negative feedback loops. For those various considerations, we take profit on our existing DXY short recommendation to risk-manage more flexibly into next week's event risk.

In our view, EUR/USD should be resilient against 10% tariffs or some combination of reciprocal/ sectoral tariffs, as these are already accounted for in growth forecasts and would be offset by gains from fiscal spend. However, EUR/USD would be vulnerable if tariffs imposed are >10% as this would more than offset fiscal benefits, although then how long tariffs stay in place will also be relevant but unknown. We estimate that 20% VAT tariffs could be worth 5% on EUR/USD fair value in the limit (~1.0350), though markets may struggle to price this in fully given the lack of visibility on the shelf-life for tariffs. If EUR/USD prices in 50-60% odds of 20% tariffs persisting which would push EUR/USD to 1.06-1.0650. Giv-

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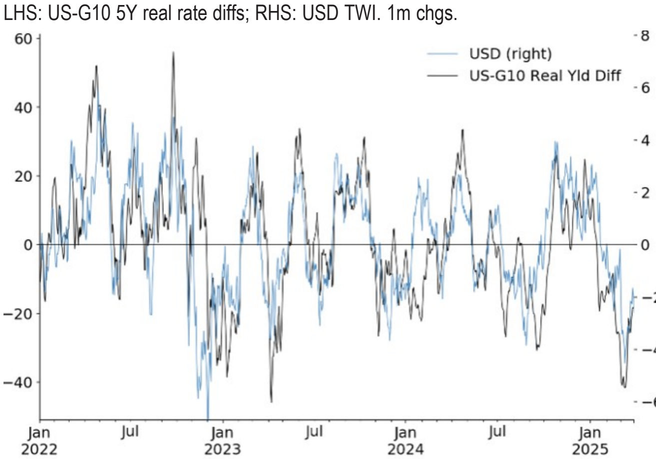
en this backdrop, we elect to optionalize our EUR/USD topside exposure by taking profit on the existing cash position and shifting into a call spread, with a bias to re-enegage with higher delta on any sell-offs next week. We note our systematic models are now modestly bearish euro but are even more bearish USD; the message is to use EUR as funders on crosses but to stay long EUR/USD. Watch relative equity returns as this will be key.

- **Take profit in short DXY basket. Spot ref 104.56. Stop-loss 108.22. Marked at 0.37%.**
- **Take profit on EUR/USD cash long (marked at 0.24%) and rotate into EUR/USD call spread (1.09/1.12); cost 89.2bps.**

Figure 26: USD selling momentum has ebbed as the drop in real rates has cooled, but it remains a net drag as TIPS remain towards the lows

LHS: US-G10 5Y real rate diffs; RHS: USD TWI. 1m chgs.



G10 is simple avg of EUR, GBP, CAD, AUD, JPY
Source: JP Morgan

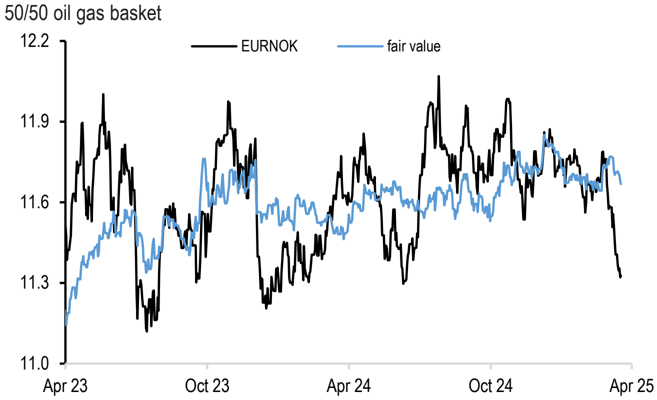
- **Short EUR vs SEK and NOK in cash and options**

Our Scandi long trades have worked well over recent weeks as a mix of themes has helped both currencies vs EUR and USD. Today we take profit and restructure our EUR/SEK put spread and we take profit on our short EUR/SEK cash position, while maintaining our short EUR/NOK cash position.

This week Norges Bank kept the policy rate on hold inline with expectations and NOK is close to unchanged on the kneejerk reaction. This isn't the most hawkish outcome as the central bank is still guiding towards some probability of a rate cut this year. The rate path was raised 41bps for this year, slightly more hawkish than the 37bps our economist expected. The statement says the MP report is consistent with a rate cut by the end of the year, and the rate path implies around 40% of a rate cut in June. Inflation forecasts were upgraded more than expected, with 2025 CPI-ATE at 3.4% vs our economists' expectations for 3%, which presents a lower bar to ease. Overall not much to see for NOK as part of the recent krone strength was to already price a Norges Bank shifting from a mind to cut rates in March to one of unchanged policy. We don't expect the governor to give any clear guidance on a June cut in the press conference. We continue to see NOK as a medium term value candidate and laggard amidst European cyclical repricing, US moderation, equity rotation and carry-to-value rotation. Norges on hold supports NOK short term, but medium term our ideal scenario for NOK is one where the Fed and Norges Bank are both easing, which encourages the carry-to-value rotation and supports the Norwegian economy, respectively.

Figure 27: EUR/NOK has dislocated from 11.70 fair value but we have argued that spot can become less sensitive to weak terms of trade in a world where equity rotation, carry-to-value rotation, and other US/EZ cyclical themes are dominating

EUR/NOK fair value model using 2y rate spreads, financial conditions proxy and 50/50 oil gas basket



Source: JP Morgan, OECD, Haver, IMF, Bloomberg Financial L.P

SEK is bucking the dividend seasonality trend. Rate spread and Swedish fiscal policy related developments have been interesting this week, but there's more to the bullish case. Markets are currently within the two week period where SEK historically prices the negative impact of dividend seasonality. However, SEK has been one of the better performing currencies this week. Other forces have been at play, but there's also the possibility that US investors aren't as willing to repatriate dividend flows given Swedish equity outperformance vs the US seen YTD. EUR vs SEK rate spreads have been making new lows in favour of EUR/SEK spot lower. With the Riksbank having last week published a rate path showing an unchanged policy rate path across the forecast horizon, higher SEK yields have been pushing the rate spread lower as the market acknowledges Riksbank uncertainty around inflation risks. We have argued previously that Riksbank has left SEK in a sweet spot as enough easing has been implemented to support Swedish growth, but the tail of much lower yields has been avoided for SEK as the central bank now pauses easing. In terms of fiscal policy, the Swedish Government and the

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Sweden Democrats this week announced a plan to increase defence spending to 3.5% before 2030, and while details aren't yet fully fleshed out, developments are roughly tracking our economists' forecast (link).

Figure 28: G10 tariff vulnerability: Scandis aren't necessarily more vulnerable than the euro

Select global trade vulnerability metrics; GVA = gross value added; GVC = global value chains. SEK GVA data uses national accounts.

	EUR	SEK	NOK	GBP	CHF	AUD	NZD	CAD	JPY
Goods exports to US as % of GDP	3	3	1	2	6	1	2	19	4
Goods exports as % of GDP	37	33	37	14	47	21	17	26	17
Intermediate goods exports as % of GDP	8	6	6	7	25	3	4	6	4
Goods trade (% of GDP)	74	66	56	36	88	38	37	54	36
Manufacturing % of GVA	16	20	6	10	19	6	11	11	20
GVC-related output as % of GDP	18	17	17	11	19	10	9	12	9

Source: JP Morgan, OECD, Haver, IMF, Bloomberg Financial L.P

- **Take profit of SEK leg in short EUR vs 50:50 basket of NOK & SEK. Spot ref 11.7579/10.9264. Stop -3.5%. Marked at 2.36%.**
- **Take profit in 2-Jun EUR/SEK put spread. K = 11.15 / 10.90. Spot ref 11.1569. Cost 80bps. Marked at 177bps.**
- **Re-enter 26-Jun EUR/SEK put spread. K = 10.75 / 10.55. Spot ref 10.8250. Cost 59.5bps.**

- **Hold long JPY vs USD & NZD basket and short CHF/JPY in cash; initiate short EUR/JPY in cash & hold short EUR/JPY in options**

Our yen longs were frustrated again this week as JPY has been the bottom performer in G10 FX since we last published. As we've previously highlighted, stretched-long yen positioning is likely posing headwinds to further JPY gains (Figure 29, see here for more detail), and we suspect this dynamic was further compounded by this week's month-end & quarter-end flows. Indeed, our local strategists have flagged that JPY-selling stemming from FDI outflows has likely increased in 2025 vs last year. Moreover, we note that the JPY ranking on our systematic TEAM model has fallen amid some deterioration in local growth signals (FRI & EASI) and more muted volatility (see *FX Models* section), suggesting a somewhat broader moderation in recent JPY-supportive catalysts.

That said, there were also some reasons for yen optimism this week, and we continue to hold our suite of JPY longs into next week's Apr 2nd tariff deadline. On the domestic front, Tokyo CPI printed higher than expected this week (2.2%oya vs 1.9%e) while the Summary of Opinions for the March MPM leaned modestly hawkish, leading our Japan economists to see rising risks of a BoJ hike in May (baseline remains for the next hike in June). Perhaps more importantly, JPY notably rallied in the immediate aftermath of this week's US auto tariffs announcement (though the move retraced shortly thereafter) - and extended on further weak US data later in the week. Given that our local strategists expect the direct impact of these auto tariffs on the Japanese economy & BoJ monetary policy will be limited, we are encouraged by that initial yen reaction and continue to think JPY can outperform in a risk-off environment if next week's US tariff announcements prove more aggressive than markets expect. In particular, this should enable high-beta cross-JPY pairs (such as the NZD/JPY leg of our long-JPY basket) to move lower. **Recent rhetoric from the US administration suggests the EU could be one of the main tariff targets next week; we thus add an outright cash short in EUR/JPY to go along with our existing put spread, noting that the pair looks to be overshooting rate differentials** (Figure 30). We also continue to hold short CHF/JPY in cash as more of a medium-term view on funder rotation from JPY to CHF.

Tariff underdelivery, weak April seasonality, and US payrolls next week present tactical risks for our JPY longs. If the US tariff 'Liberation Day' proves to be underwhelming, this could catalyze further JPY underperformance if risk assets are supported. But with only limited visibility into the ultimate tariff delivery, we find it prudent to hold onto our JPY longs in case of a more aggressive outcome. April seasonality is another risk we are tactically mindful of given that JPY has generally underperformed broader FX markets over the past 15 years (Figure 31), though we are somewhat skeptical this can fully play out now given the unique tariff overhang in the current market environment. Finally, a strong US payrolls print next week could see US yields move higher with commensurate JPY underperformance, but the converse is also true (ie. JPY could strengthen on a softer release & lower US yields). As such, we keep our JPY longs for now.

- **Hold long JPY in cash vs 50:50 basket of NZD & USD. Spot refs 84.3590 / 150.65. Stop loss -3.5%. Marked at -0.99%.**
- **Initiate short EUR/JPY in cash. Spot ref 162.48. Stop loss 168.17.**
- **Hold 1-May EUR/JPY put spread. K = 155 / 151.50. Spot ref 156.70. Cost 72bps. Marked at 13bps.**
- **Hold CHF/JPY in cash. Spot ref 167.70. Stop loss -3.5%. Marked at -1.60%.**

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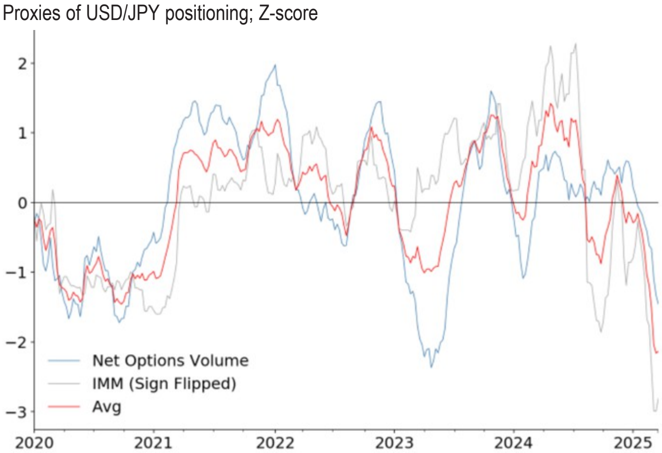
Figure 29: JPY positioning still screens sizably long on various metrics, which is likely posing headwinds to further gains

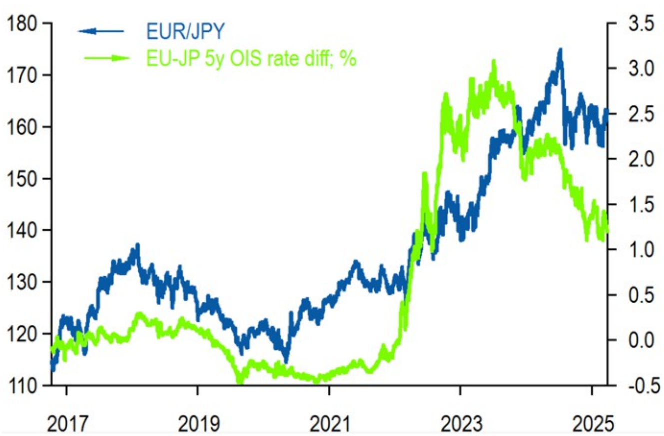
Proxies of USD/JPY positioning; Z-score



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

Figure 30: EUR/JPY looks to be overshooting relative to rate differentials

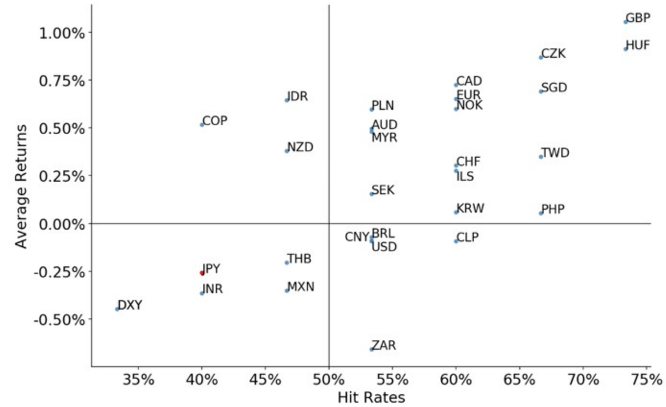
LHS: EUR/JPY \\ RHS: EU-JP 5y OIS rate differential (%)



Source: J.P. Morgan

Figure 31: We are tactically mindful of weak JPY seasonality during April, though we are somewhat skeptical this can fully play out now given the unique tariff overhang in the current market environment

Y: Average CCY/USD returns during April over past 15yrs (since 2010); X: CCY/USD hit rate (% of instances with positive returns)



USD is USD TWI

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

- **Hold EUR/CHF EUR/GBP topside dual digital**

Sterling this week avoided a UK budget scare ahead of what was a highly anticipated OBR forecast update. The Chancellor delivered fiscal tightening and after an initial spike higher in yields, gilts rallied; markets kept UK fiscal risk premium contained and sterling held in ok as a result. Gilt yields ended the week towards the highs, however, and were yields to drift higher still, that could put budget assumptions (and therefore potentially sterling) under threat. The OBR downgraded near term growth more than expected (1% in 2025) but on average upgraded growth more than expected further out, which allowed the Chancellor to deliver a fiscal tightening close to expectations of £10bn. BoE implications are dovish at the margin but not enough to matter for FX. The accompanying OBR documentation noted that if the US raises tariffs on RoW by 20% then that reduces UK GDP by 1% and eliminates any projected fiscal surplus. That is the tariff-fiscal link that we have discussed previously for GBP and it aligns with our view that GBP shouldn't necessarily be viewed as a relative winner from tariffs given the fiscal implications. EUR/GBP trades slightly cheap to 0.8370 fair value here and the next focus will be the tariff announcements of April 2nd. We hold longer dated optionality in EUR/GBP in an attempt to outlast tariff risks and position for a potential buy-the-dip in euro, plus continuation of the US/EZ equity rotation and move in EUR/GBP rate spreads.

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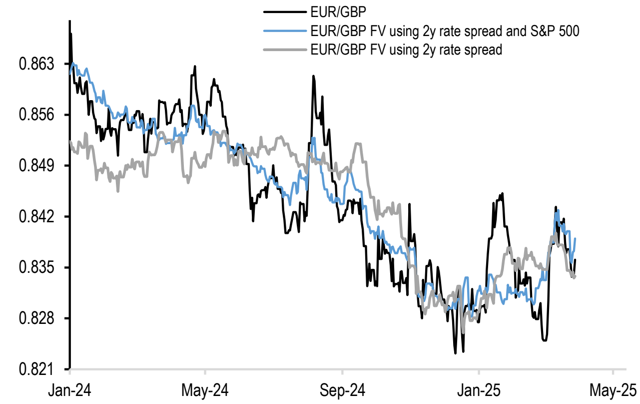
Figure 32: EUR/GBP trades slightly cheap to 0.8370 fair value

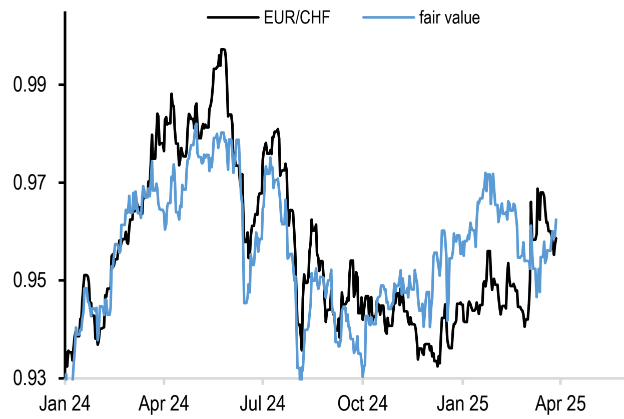
EUR/GBP fair value using 2 year rate spreads and S&P 500



Source: JP Morgan, Bloomberg Financial L.P

Figure 33: EUR/CHF trades slightly cheap to 0.9570 fair value

EUR/CHf fair value using 2y rate spreads, VIX, and european sovereign spreads



Source: JP Morgan, Bloomberg Financial L.P

With the announcement of auto tariffs this week, the sectoral tariff agenda was brought further into focus, and other sectors such as Pharmaceuticals were specifically mentioned by Trump, which is a threat to the likes of CHF. In terms of exposure to pharma tariffs, CHF ranks highest globally when measured on the basis of US imports as a % of country GDP. Figure 24 shows Switzerland also ranks second highest in G10 when measuring total % of GDP exposed to US imports of the relevant sectors (pharmaceuticals, semiconductors, vehicles and metals). Some of the major Swiss pharma companies already have production facilities in the US, which may allow them to plan more effectively for pharma tariffs, but of course some Swiss companies don't have a presence in the US which makes things harder. Some Swiss companies however have stated that tariffs would not encourage them to build out a base in the US and they would instead opt to expand in say Mexico. After US-Canada trade escalations, other major Swiss companies have made plans to ship product from Europe to Canada instead of from their US facilities. The chemicals and pharmaceuticals sector is Switzerland's primary exporter, producing around 50% of annual total exports and 7% of GDP. Pharmaceuticals account for 60% of all goods exported from Switzerland to the US. CHF does screen vulnerable if pharma tariffs are implemented, and this is a risk that's been on the market's mind for some time.

- **Hold 16-Jun EUR/GBP 0.8550 / EUR/CHF 0.99 topside dual digital. Cost 9.45%. Marked at 2.86%**

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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
AUD	EUR	28 Mar 25	1.72006	1.72006	1.78026	0.00%	New trade
JPY	EUR	28 Mar 25	162.48	162.48	168.17	0.00%	New trade
SEK, EUR	USD	05 Mar 25	10.255 / 1.0758	10.0506 / 1.0824	-3.5%	1.18%	Take profits in EUR leg (closed SEK leg intra-week)
NOK, SEK	EUR	07 Mar 25	11.7579 / 10.9264	11.3248 / 10.8262	-3.5%	2.36%	Take part profits in SEK leg
DXY components	USD	05 Mar 25	104.5600	104.0400	108.2200	0.37%	Take profit
NOK, AUD	USD	07 Mar 25	10.8479 / 0.6299	10.5053 / 0.63	-3.5%	1.58%	Take profit intra-week
JPY	NZD, USD	28 Feb 25	84.359 / 150.65	85.902 / 150.09	-3.5%	-0.99%	Hold
JPY	CHF	07 Mar 25	167.700	170.376	173.570	-1.60%	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	90	0.89%	0.00%	0.00%	New trade
Buy EUR/SEK 3m put spread. K = 10.75/10.55. Spot ref 10.8250. Cost 59.5bps.	28 Mar 25	26 Jun 25	90	0.60%	0.00%	0.00%	New trade
Buy EUR/SEK 3m put spread. K = 11.15 / 10.90. Spot ref 11.1569. Cost 80bps.	28 Feb 25	02 Jun 25	66	0.80%	1.77%	0.97%	Take profit
Buy 3m EUR/GBP 0.8550 / EUR/CHF 0.99 topside dual digital. Cost 9.45%.	14 Mar 25	16 Jun 25	80	9.45%	2.86%	-6.59%	Hold
Buy EUR/JPY 2m put spread. K = 155 / 151.50. Spot ref 156.70. Cost 72bps.	28 Feb 25	01 May 25	34	0.72%	0.13%	-0.60%	Hold

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

Source: J.P. Morgan

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Table 3: Performance Statistics

I. Performance statistics 2008-2024

	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	**23**	36	17	39	37	44	27	30	46	38	51	55	54	28	42	89	63	85	46
Success rate	**78%**	67%	53%	67%	43%	43%	48%	60%	43%	55%	51%	56%	56%	61%	57%	53%	65%	59%	55%
Average return per trade (%)	**0.25%**	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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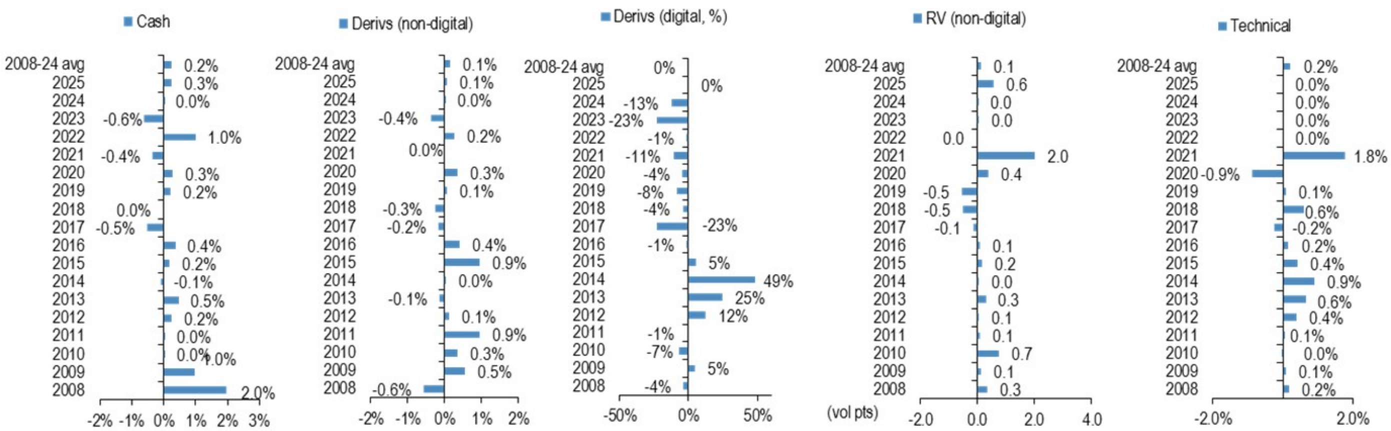
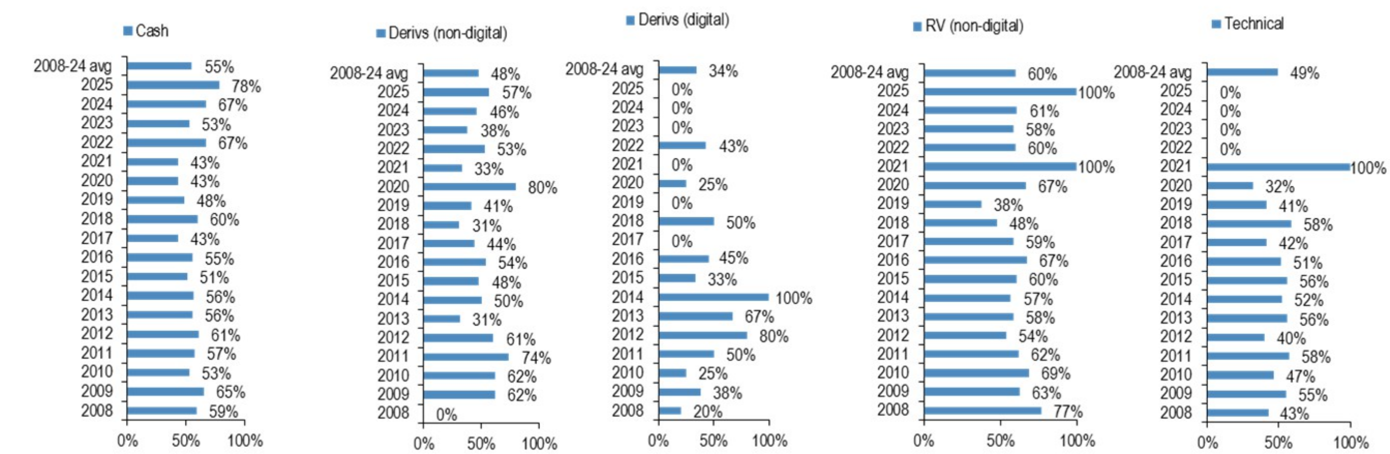
Performance summary: Average returns per trade



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%

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

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

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

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

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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

- **Stay MW FX in GBI-EM Model Portfolio. Ahead of the tariff announcement, we exit our bullish MXN options trade and switch out of long CEE/Asia FX (long CZK, HUF, PLN v. CNH, THB, KRW) into a more regionally balanced long BRL & CZK vs. THB & KRW (see here). We also add a cheap OTM tail risk hedge via 1w EURPLN calls.**
- **EMEA EM**: We are OW via TRY and CEE, equally weighted across PLN, HUF and CZK. We are also long TRY, ILS and KZT in outright trades. Event and idiosyncratic risks have flared up in our region. We are inclined to fade these risks based on risk premia, carry and CB commitment.
- **LatAm:** LatAm currencies posted losses this week, as investors brace for the tariff announcements coming on 2 April. Auto tariffs announced on 26 March were harsher than envisaged for Mexico and Canada and, although there is scope to ease or soften the terms, there is diminishing space for complacency.We have closed our bullish MXN options trade (27-Aug 20.15/19.50 put spread; FX spot ref. 20.45 at entry on 27 Feb. and 20.30 at exit). We are UW LatAm FX in the GBI-EM model portfolio via UW CLP vs. small OW DOP.
- **Asia:** Tariff fatigue sets in, but HYers are on the move. We remain UW Asia FX on the GBI-EM Model portfolio (via UW CNY, THB FX vs OW INR 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: Turbulent Trade Winds Ahead

This is an excerpt from A roadmap for April's tariff showdown, March 28.

The path of implementation of US trade policy so far has been harsher than expected on its North American allies. Additionally, it seems that the US administration is willing to accept a wider array of costs (such as lower growth and higher inflation) and market turbulence as it prioritizes the use of tariffs to address unfair trade practices, raise revenue and strengthen key manufacturing industries in the country (objectives that are not always consistent with each other, see US: Some unpleasant tariff arithmetic). This higher-than-anticipated pain threshold opens the door to more aggressive measures being implemented, relative to our original baseline of a more targeted China/Asia-focused approach.

Hence, although we still think that there is space for a tougher stance on China/EM Asia than on the rest of the world, we see an increased probability for scenarios that we initially thought unlikely, including a tougher stance on the EU (which informs our view to adjust the CEE/Asia basket to be a more balanced one on the long side) and, eventually, towards the USMCA (which is why we exit our bullish MXN trade).

We make the following adjustments to our positions:

- We adjust our existing long CEE vs. short Asia FX basket trade (Figure 2), by turning long a more regionally-balanced basket of BRL and CZK vs. KRW and THB, as BRL's direct exposure to US tariffs looks contained and carry is among the highest in EM. Our new position is weighted with BRL at +15% and CZK at +35%, vs. KRW at -25% and THB at -25%.
- We close our 27-Aug USDMXN put spread (20.15/19.50; FX spot ref: 20.45 at entry of 27 Feb.) at a small gain (+6bps), as the scope for positive outcomes for Mexico appears to be narrowing and MXN positioning has bounced back from the lows reached at the turn of the year.

EMEA EM: Event and idiosyncratic risks flare up

We hold onto our OW FX stance in EMEA EM via CEE, with idiosyncratic OWs on Turkiye. However, near-term risks abound. Our core view reflects fading US exceptionalism versus the potential for a fiscal uplift in Europe.While we think this is the right macro-framework for our region, the trading environment is complicated by substantial global and local event risk and a number of idiosyncratic risks. We thus keep positions fairly light and add a very short-term tariff option hedge.

For FX, resilient commodities are supporting EM FX valuations and our EM FX risk appetite index is back in moderate negative territory. The technical set up for EM FX has started to improve following some correction in levels and positioning. While the EM FX risk appetite index is not near extreme negative territory (sub -2.1), which normally would be a signal to outright buy EM FX, levels are moderately negative (Figure 34) with a probably lower reading for this week. Another very important technical support is the stability of USDCNY, which looks like a policy choice in the face of tariffs (USDZAR has traded closely aligned with USDCNY recently). Finally, in simple regressions vs. commodity prices or manufacturing PMI, EM FX now screens modestly cheap (Figure 35).

This keeps us cautiously optimistic that the fall out from tariffs next week will be manageable, but we still add a near-term OTM FX hedge. Specifically, against our core bullish CE3 vs. USD in GBI-EM Model Portfolio, we recommend a 1w EURPLN 4.23 call for 0.12% (spot ref. 4.1773).

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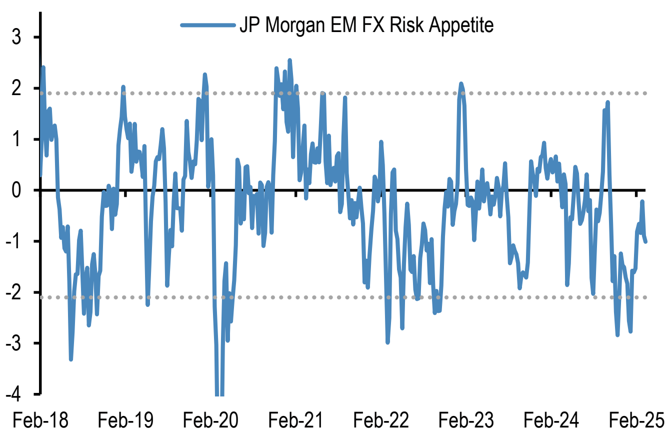
Zloty has the highest bullish positioning in CE3 according to our *EM Client Survey* and the strongest correlations to European equity prices, which suggests it would likely trade with growth worries if the tariff announcements triggered these. Vols and skews are elevated into the event but not dramatically. Finally, we prefer the position vs. EUR as we believe EURUSD can trade more resilient than CE3. Separately, in here, we adjusted our existing long CEE vs. short Asia FX basket trade, by turning long a more regionally-balanced basket of BRL, CZK, KRW, and THB.

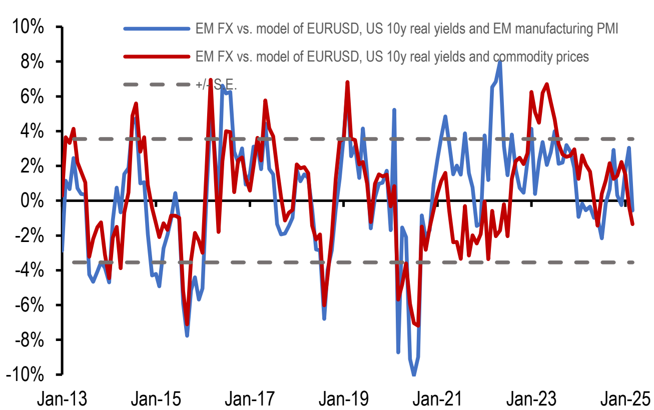
Figure 34: EM FX risk appetite index back to moderately negative levels

1st principle component measure derived from positioning, flow, vol, skew and technical indicators



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

Figure 35: EM FX now screens modestly cheap vs. PMIs and commodity prices



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

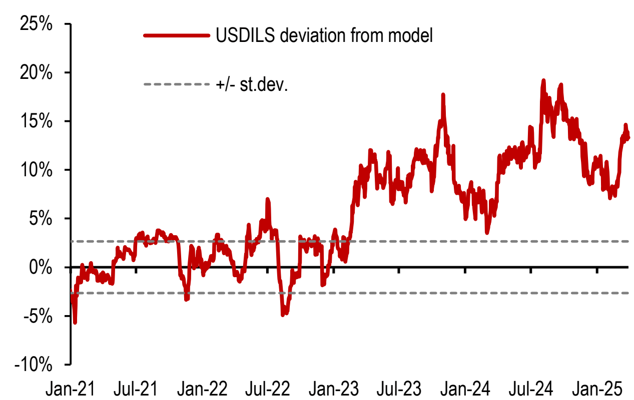
Israel - fade excess risk premia via 3m USDILS 3.63/3.52 put spreads (see here)

ILS has been one of the worst performing EM currencies since mid-February; current risk premia are high (Figure 11). This has been driven by a combination of three factors - the drawdown in US equities, the resumption of the war in Gaza and the resurfacing of local political risks. It is difficult to hold high conviction views on the three drivers. Yet, we find that ILS has now significantly underperformed global FX, with large risk premia in our regression model. We currently estimate 14% deviation from short-term fair value; up from about 7% in mid-February. From these levels of risk premia, the correct strategy in recent months has been to fade extremes.

Key trigger for better performance could be stabilization in US equities. We show that the recent beta to US equity moves has been particularly large. Meanwhile, the resurfacing of local political and geopolitical risks is likely to delay and slow rebalancing of local institutional portfolios back into ILS. However, the starting point of large USD local positioning still provides a source of asymmetry for USDILS, underlying our strategy of fading USDILS upside. Finally, recent M&A announcements also raise the question of whether, after some underperformance in FDI inflows, we could see a stronger period ahead. We think the chances are that Israel could be better positioned to benefit from the next stage of AI (from training to applications).

Figure 36: Risk premia in our model are now back at the extremes

OLS model based on Nasdaq, EURUSD, 1y rate differential vs. USD and changes in local institutional FX positions



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

Türkiye - we think central bank commitment allows continued FX carry trade

As we argued through the developments, we believe CBRT has incentives, tools and buffers to ensure USDTRY stability. The central bank hiked the O/N lending rate to 46%, which has now become the effective rate with reserve drawdown, deposit auctions and newly launched central bank liquidity bills (30d tenors so far, the stock is TRY

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136bn) tightening liquidity. Gross reserves have now declined to $159.8bn on March 27 from $174.8bn on March 19. The central bank also launched NDF auctions. Importantly, the central bank has pledged further tightening if needed.

Key uncertainty remains scale of potential dollarization. Daily data indicate $1.4bn of retail buying between March 19 and March 25 and $5.0bn of corporate buying. This extends some of the previous rise in FX deposits in recent weeks which we understand was related to Eurobond and KKM maturities. We note that GRBA spreads have not indicated any worrying out-of-system dollarization and gold trading on BIST has also been contained. It is difficult to assess the scale of the sentiment shock and the persistence this could show in dollarization. Additionally, developments on the ground matter. Yet, we believe credit growth levels are not high (usually strong predictor of dollarization) and higher domestic yields combined with stable USDTRY can be quite effective in containing the pressure.

In FX, we recommend staying OW TRY. While risks remain elevated, we believe the currency now offers higher yield against much cleaner international positioning. Exchange rate stability is still a core part of the macro-economic program and key macro-economic variables are consistent with this goal. Our OW TRY remains at half the size we originally held (we reduced it in November). We are inclined to also refinance our soon expiring short 04/04/2025 USDTRY forwards (1y at inception) but await some further clarity on local developments.

LatAm FX: Tariff turbulence ahead and a bad outcome for Mexican autos; we closed USD/MXN put spreads

LatAm currencies posted losses this week, as investors brace for the tariff announcements coming on 2 April, when the White House will unveil a fresh set of measures, marking the start of a new and significant chapter of President Trump's trade policy. Some of the surprise factor from next week's announcements has been reduced due to the announcement of auto sector tariffs made on Wednesday 26 March (here), while tariffs on pharmaceuticals and semiconductors are unlikely to be announced next week. The key focus next week therefore is on a broad set of reports on trade practices, including on currency manipulation which could ensnare EM Asia currencies, in addition to reciprocal tariffs to be announced on 2 April.

Figure 37: America First Trade Policy Reports due 1 April

	Policy item
Commerce	The causes, and economic and national security implications, of the US trade deficit.
Commerce	The application of antidumping and countervailing duty laws.
Commerce	Legislative proposals regarding Permanent Normal Trade Relations with China (PRC).
Commerce	US intellectual property rights conferred upon PRC persons.
Commerce	Full review of US industry to assess whether to initiate Section 232 investigations to adjust imports threatening US national security.
Commerce	The effectiveness of Section 232 exclusions and other adjustment measures on steel and aluminum.
Commerce	US export control system.
Commerce	Rulemaking on connected vehicles, and whether controls on Information and Communication Technology and Services transactions should be expanded. [1]
Commerce	Migration and fentanyl flows from Canada, Mexico, the PRC, and other countries.
Treasury	The establishment of the External Revenue Service.
Treasury	FX practices of major US trading partners, focusing on currency manipulation.
Treasury	The current implementation of the duty-free *de minimis* exemption.
Treasury	Whether any foreign country subjects US persons to discriminatory or extraterritorial taxes.
Treasury	Whether the Outbound Investment Security Program (and its originating regulations)[2] should be modified or replaced.
USTR	Unfair trade practices by other countries.
USTR	The impact of the USMCA on the US, focusing on recommendations regarding US participation in the agreement.
USTR	Existing US trade agreements, and countries with which the US could negotiate new agreements.
USTR	The impact of all trade agreements on Federal procurement covered by the "Buy American and Hire American" policy from Trump 1.0.
USTR	Whether the PRC is acting in accordance with the "Phase One" agreement with the US.
USTR	The "Four-Year Review of Actions Taken in the Section 301 Investigation: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation" report, focusing on potential additional Section 301 tariff changes.
USTR	Other PRC policies and practices that may be unreasonable/discriminatory and may burden US commerce.

1: Regulations and procedures to address risks to national security posed by transactions involving information and communications technology and services (ICTS) designed, developed, manufactured, or supplied by persons owned by, controlled by, or subject to the jurisdiction or direction of certain foreign adversaries and that are integral to connected vehicles. See Bureau of Industry and Security.
2: In 2023, the US President declared a national emergency to address the threat to the US posed by certain countries seeking to develop and exploit sensitive or advanced technologies, and directed the Treasury to establish a programme to prohibit or require notification of certain types of outbound investments by US persons into certain entities from countries of concern involved in specific categories of advanced technologies and products. See Outbound Investment Security Program.
Source: J.P. Morgan, "America First Trade Policy" Executive Order

The US administration front-loaded the auto tariff announcement with no exemptions for Mexico or Canada. On 26 March, one week before the planned rollout of reciprocal and sectoral tariffs, president Trump announced 25% tariffs on 'all cars not made in the US,' effective 3 April (see Proclamation: Adjusting imports of automobiles and automobile parts into the United States). Mexico, Canada, South Korea, Japan and Germany are the most affected countries from these measures.

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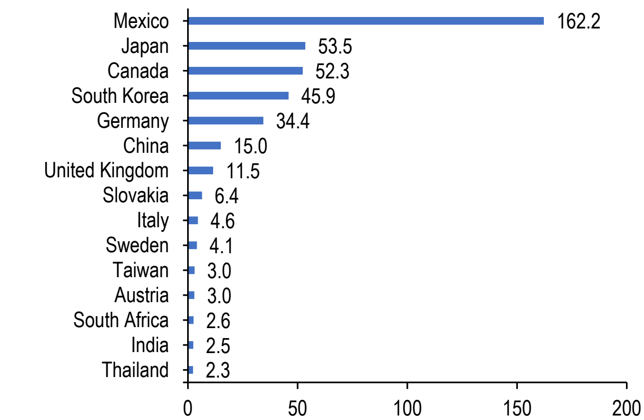
Figure 38: Mexico, Japan, Canada, South Korea and Germany are most exposed to auto tariffs

US imports of Motor Vehicles, Vehicle Bodies & Trailers, and Motor Vehicle Parts for 2024; USDbn



Note: We include US imports for consumption under NAICS categories 3361, 3362 and 3363.
Source: J.P. Morgan, USITCNotes: 2) Any long-form nomenclature for references to China; Hong Kong; Taiwan; and Macau within this research material is Mainland China; Hong Kong SAR (China); Taiwan (China); and Macau SAR (China).

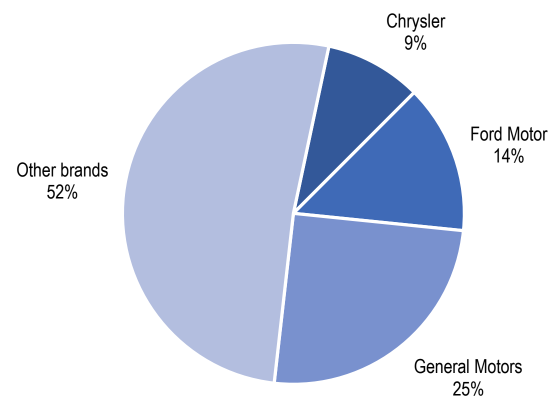
USMCA autos got some concessions, but the current state of affairs is much worse than the anticipated carve-out for Mexican exports. The White House fact-sheet states that importers of automobiles under the USMCA "will be given the opportunity to certify their US content and systems will be implemented such that the 25% tariff will only apply to the value of their non-U.S. content". Also, USMCA-compliant automobile parts will remain tariff-free until the Secretary of Commerce, in consultation with U.S. Customs and Border Protection (CBP), establishes a process to apply tariffs to their non-U.S. content".

Implementation is a key question and there is still some space to negotiate. According to the US International Trade Commission (USITC), in 2024, ~ 60% of total exports in transportation-related categories were autos and 40% auto parts. Currently, however, there is no established process to determine the value decomposition by national origin of each USMCA vehicle or part, although some estimates suggest that 35% - 40% of the value of Mexican auto exports to the US are US value add (see here). Still, it seems that the administrative costs required to build a supervising framework to effectively implement the new measures would be high and time consuming. Hence, there is a possibility of this being the first step towards negotiating harsher rules of origin in the USMCA, which are currently between 70% and 75% of *regional* content.

In practice, there is no USMCA without the auto sector. The current situation is far from ideal and if there is no material improvement in the conditions for Mexican autos in the coming days, it would call into question the value of any version of USMCA that might end up being negotiated, as most of its worth for Mexico arises from the auto-industry. As we have highlighted in repeated occasions, Mexico's exports of automobiles and auto parts to the US is crucial for its external sector, representing 22% of total Mexican exports and roughly 9% of the country's GDP. We have also highlighted that permanent levies on USMCA autos would not come without a cost for the US, with ~50% of the cars exported from Mexico to the US being from American companies (GM, Ford, Chrysler).

Figure 39: Nearly half of Mexico's auto exports to the US are by US brands

Breakdown of Mexico auto exports to the US by brand; monhtly exports from February 2025



Source: J.P. Morgan, INEGI

The path of implementation of US trade policy so far has been harsher than expected on its North American allies. Additionally, it seems that the US administration is willing to accept a wider array of costs (such as lower growth and higher inflation) and market turbulence as it prioritizes the use of tariffs to address unfair trade practices, raise revenue and strengthen key manufacturing industries in the country (objectives that are not always consistent with each other, see *US: Some unpleasant tariff arithmetic*). This higher-than-anticipated pain threshold opens the door to more aggressive measures being implemented, relative to our original baseline of a more targeted China/Asia-focused approach.

We are taking profit on our USD/MXN put spread as trade negotiations look prone to get worse before they get any better. The prospects of more favorable conditions for Mexico on the trade negotiations with the US narrowed significantly after the actions taken on the auto sector. Up to this point, the Mexican government has maintained a cooperative stance and delivered results on the demands from the US administration but none of it has resulted in a tangible benefit

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for the country. If auto tariffs are not lifted soon, it appears unlikely that the Mexican government will maintain the non-confrontational approach it has kept so far and retaliation measures, expected for April 3, might sour the relationship with the US in the near-term. Hence, although we still think that the USMCA will remain in place, the execution of trade policy so far might have already caused permanent damage to the reliability of the treaty and blurs the visibility on the final outcomes. We are closing our 27-Aug USDMXN put spread (20.15/19.50; FX spot ref: 20.45 at entry of 27 Feb.) at a small gain (+6bps).

We adjust our existing long CEE vs. short Asia FX basket trade by turning long a more regionally-balanced basket of BRL and CZK vs. KRW and THB, as BRL's direct exposure to US tariffs looks contained and carry is among the highest in EM. Although we still think that there is space for a tougher stance on China/EM Asia than on the rest of the world, we see an increased probability for scenarios that we initially thought unlikely, including a tougher stance on the EU, which informs our view to adjust the CEE/Asia basket to be a more balanced one on the long side.

Asia FX: High yielders on the move as tariff fatigue grips markets

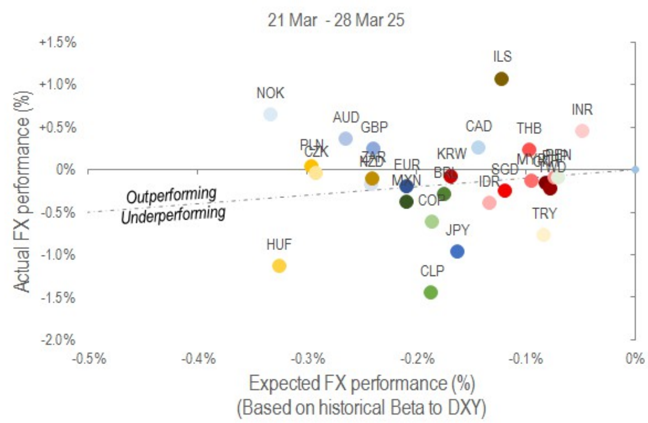
Asia FX remains hostage to tariff headlines. FX markets traded without clear direction this week as tariff headlines continuing to whip sentiment back and forth (Figure 40). Liberation day looms for trade reliant Asia, with sectoral tariffs on Autos back in focus and likely to increase pressure on THB and KRW, adding to headwinds for the LY cluster. We remain UW Asia FX on the GBI-EM Model portfolio (via UW CNY, THB FX vs OW INR FX), and short CNY, THB and SGD in outright trades against various baskets.

USD/CNH traded higher as the PBoC added more volatility to the fix. While still remaining broadly anchored at the 7.17 handle, the CNY fix has started to see greater volatility in recent days. After pegging the fix for nearly two months now, the risk is on the rise that we might start to see some flexibility in PBoC's FX management. This coupled with the near-term tariff overhang, has led to higher USD/CNH moves, with spot now tracking ~0.5% higher than relative rate fundamentals. While China does not stand out to be a major target in Trump's sectoral and reciprocal tariffs, the latest US announcement around secondary tariffs on countries importing oil from Venezuela is a reminder to us that there are many reasons and channels that the US could impose deeper and faster tariff hikes on China given the strategic competition between the two. Such structural tariff overhang leaves CNY FX still vulnerable to external shocks that are likely to hit sooner or later.

High yielders on the move. Risk premia continues to linger with USDAsia remaining +1.7z too high relative to rate differentials, though regional divergence continues to shift with INR and PHP cheapness fading in recent weeks (Figure 41, Figure 42). While Asia has underperformed by remaining stable amidst a rates driven rally, FX markets are also beginning to pull back on pro-cyclical plays, particularly Latam's commodity linked outperformers. With financial conditions for FX tightening, high yield EM FX has seen idiosyncracies spill over into FX markets more broadly. Within Asia, a notable divergence is growing between the region's traditional high yielders - IDR and INR.

Figure 40: 1w FX performance – Actual vs expected performance

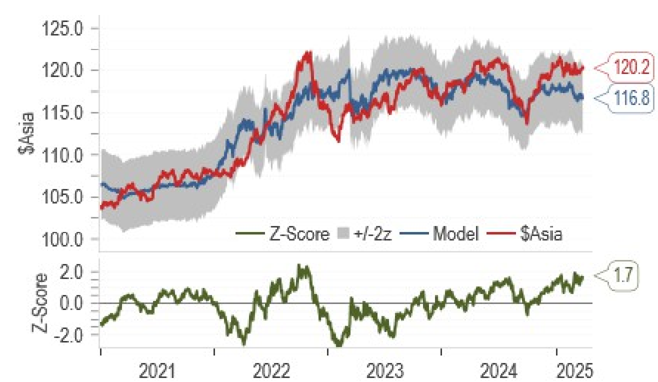
Based on regression coefficient vs DXY, EMA of 35w rolling windows



Source: J.P. Morgan estimates.

Figure 41: 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.

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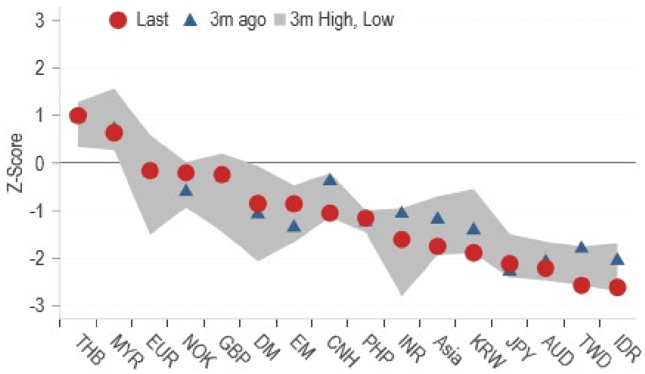
Figure 42: FX valuations vs rate differentials - regression residuals

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.

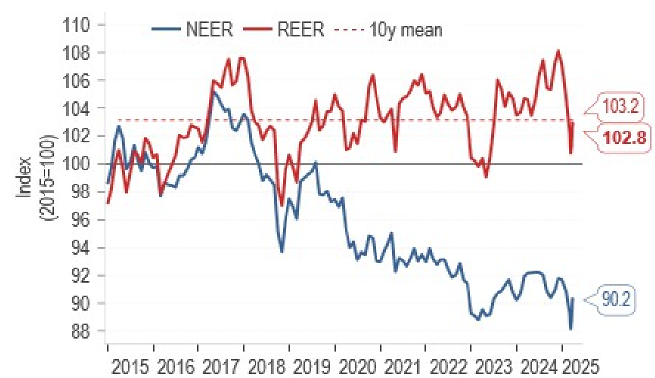
Ski season is over. We had argued earlier in the year that the trajectory for USDINR was shifting with the normalization of its beta to the broader USD, which had been significantly suppressed in the late Das era (Figure 43). What has played out since has exceeded our expectations, however, with the RBI losing control of the narrative and inviting speculative positioning against the rupee. At the time, we argued that the RBI was learning to ski after a perfect storm (or blizzard?) of outflows in 4Q, driven by seasonals, elevated commodity imports, and foreign selling of Indian equities. All three factors have since begun to turn, with the trade deficit compressing to -$14bn in Feb - almost a third of the initially reported -$37bn wides in Nov - and foreign investors returning as short-term valuations reached extremes. Meanwhile, the new RBI governor is getting the hang of the red slopes, allowing the rupee to slide in line with longer term valuations, but also making turns on both sides to keep the market honest with two-way volatility (Figure 44). The extension of the forward book's tenors has taken focus off the expiries, and a lack of strong USD accumulation has made markets question their prior narratives. Ski season is coming to an end, and we think INR outperformance can continue in the near term beyond the quarter-end repatriation. The top-down hit from tariffs is likely to drive capital away from cyclical stories and into secular ones. Carry remains attractive relative to the benign current account, and we stay OW INR FX on the GBI-EM Model portfolio.

Figure 43: 1y Rolling beta to the USD by RBI regime

Vs Asia mean and inter-quartile range

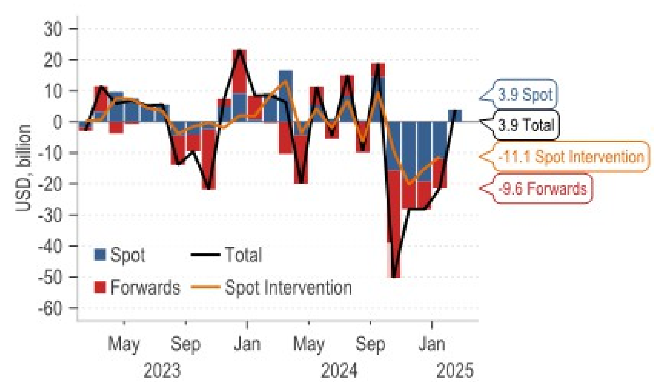
Source: MoC, J.P. Morgan estimates.

Figure 44: INR Effective Exchange Rates



Source: RBI, J.P. Morgan estimates.

Figure 45: RBI Intervention estimate – monthly



Source: RBI, J.P. Morgan estimates.

A home game in Indonesia. Support for the IDR has shifted from foreigners to locals in recent years, with the decision to spend, rather than save, gains in the current account via a compression of risk premia (Figure 46). This has significantly reduced foreign participation in bond markets, leaving a frag-

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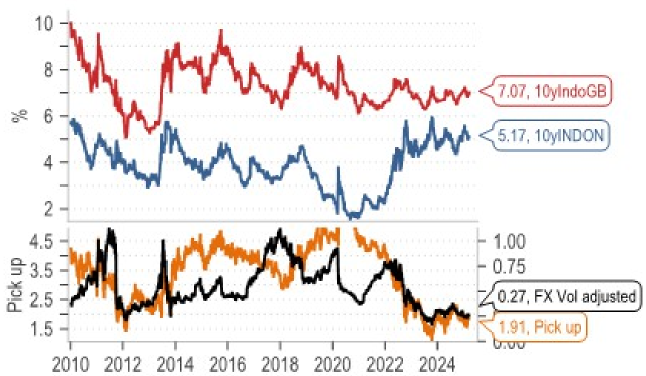
ile equilibrium in FX markets that policy makers are addressing via administrative measures. Policy makers will likely have enough of a buffer to dampen volatility, however, given the $103bn level of reserves at end Feb remains significantly above the $90bn line in the sand (Figure 47). Despite the volatility and headlines, we saw only $490mn of equity outflows in Mar, offset by $160mn in bond inflows. FX pressure is likely to remain manageable as a result, but FX reserve data in the coming week will be key to watch. The upcoming dividend season remains a risk, but one that should be manageable, with the new DHE 2.0 rules likely to add $15bn in net FX reserves (Figure 48). Historically, this pressure has been so acute that BI has never delivered rate cuts in Apr/May as a result. With lower rates well priced into NDF implieds, we think an expansion of risk premia may be better expressed in the 3x12 NDF curve (Figure 50, Figure 51), and remain cautious but MW IDR on the GBI-EM model portfolio.

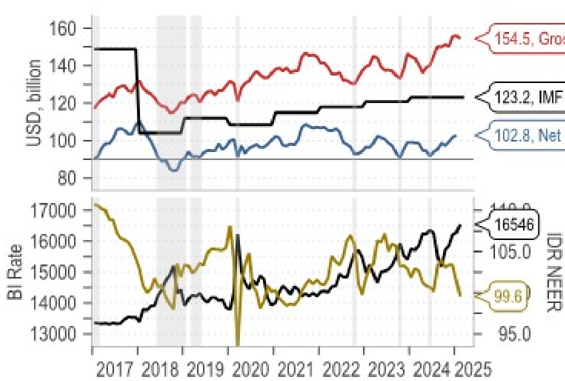
Figure 46: 10yIndoGB vs INDONs



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

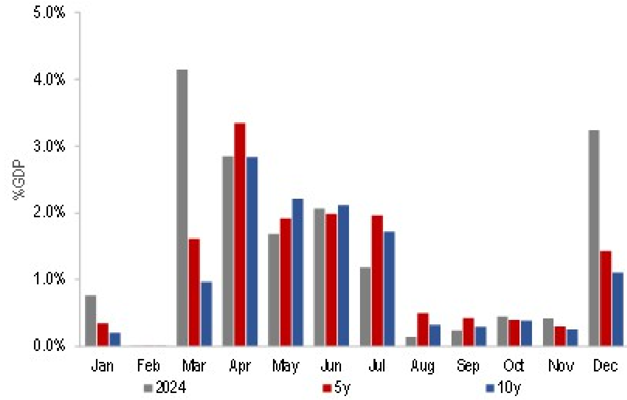
Figure 47: BI FX Reserves vs IMF ARA

%GDP



Source: IMF, BI, J.P. Morgan estimates.

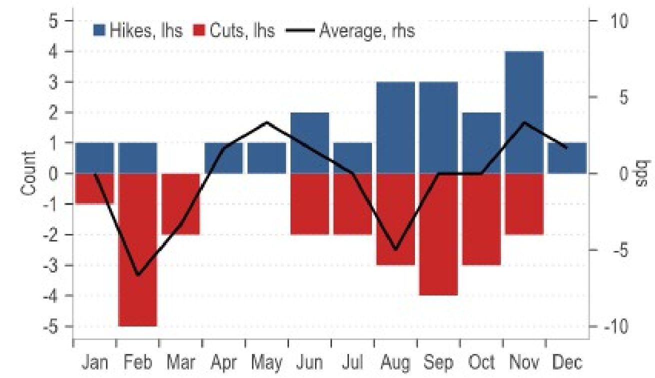
Figure 48: JCI Dividends by month



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

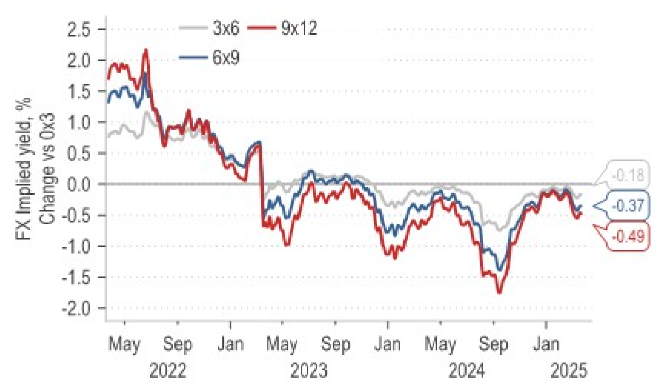
Figure 49: BI Rate moves by month

Since 2010



Source: BI, J.P. Morgan.

Figure 50: BI rate cut pricing in NDF Implied curve



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

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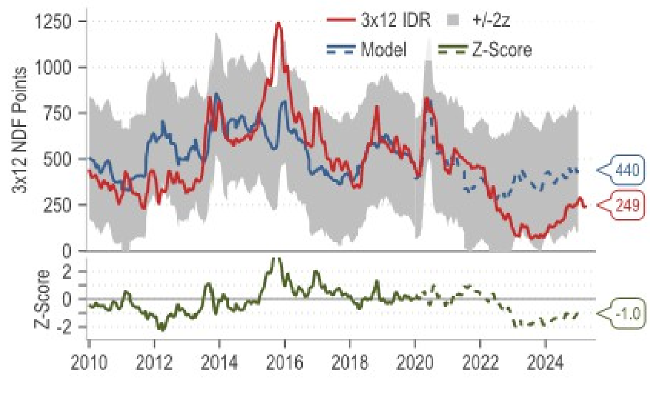
Figure 51: $IDR 3x12 regressed on CA, 1m Vol, BI-US Rate

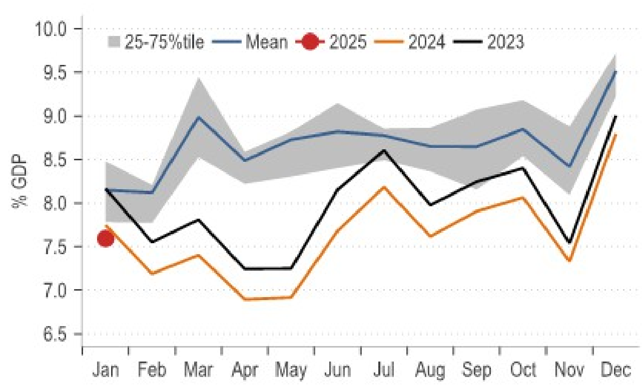


Source: Bloomberg Finance L.P., J.P. Morgan estimates.

A less happy Easter in the post-pandemic Philippines. Inbound transfers from the diaspora of pinoy workers have been a key pillar of support for the peso historically, with significant seasonality around them that presents tradable opportunities for markets. The post-pandemic pattern has seen an impairment to this pattern, however, partly due to the later school year that was shifted from May to Aug. It's notable that Easter seasonality has been poorer for the peso as a result, with typical PHP strength from the Mar to Apr turn not playing out at all this year. This continues to evolve from prior years where markets would drive PHP stronger chasing said seasonality, only to be disappointed on Easter Sun. While PHP should remain insulated from top-down hits via tariffs and trade, compressed carry and a vacuum of remittances in the coming months leaves us more cautious from here.

Figure 52: PH Remittances by month

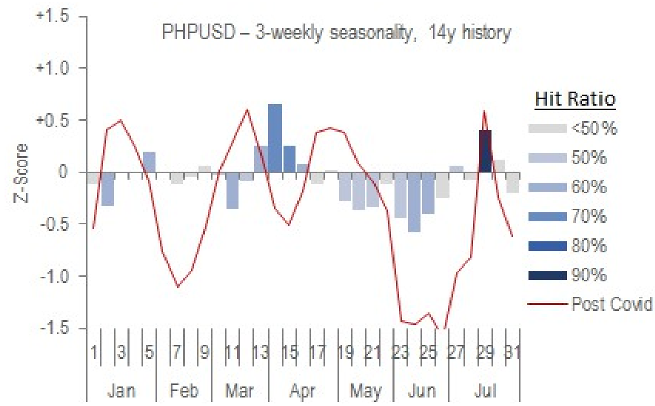
%GDP, vs 2010-19 mean and inter-quartile range



Source: BSP, J.P. Morgan estimates.

Figure 53: PHP Seasonality

Average of tri-weekly returns, Z-Scored and capped/floored at +/-2.5z



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

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Emerging Markets FX

Figure 54: GBI-EM Model Portfolio

	Bond View	FX View
GBI-EM	UW	MW
EM Asia	MW	UW
EMEA EM	OW	OW
Latin America	UW	OW
China	MW	UW
India	OW	MW
Indonesia	UW	MW
Malaysia	MW	UW
Thailand	OW	UW
Czech Republic	OW	UW
Hungary	MW	MW
Poland	UW	MW
Romania	MW	MW
Turkey	OW	OW
Serbia	MW	OW
South Africa	MW	MW
Brazil	MW	MW
Chile	MW	UW
Colombia	OW	MW
Dominican Republic	OW	OW
Mexico	OW	MW
Peru	UW	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**
04-Apr-25 EURPLN call 4.23	0.12%	-	-	28-Mar-25
25-Jun-25 1x1 USDILS put spread 3.63/3.52	0.98%	-	-	25-Mar-24
Short 27-May-25 USD/KZT NDF	519.16	498	550	26-Nov-24
Short 04-Apr-25 USD/TRY fwd	45.59	37.00	48.00	04-Apr-24
LATAM	**Entry**	**Target**	**Stop**	**Entry**
Short CLP vs 50/50 CHF and JPY basket	100.0	107.0	96.0	06-Mar-25
27-Aug USDMXN put spread (20.15/19.50), spot ref 20.45	20.5	-	-	27-Feb-25

Source: J.P. Morgan

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FX Derivatives

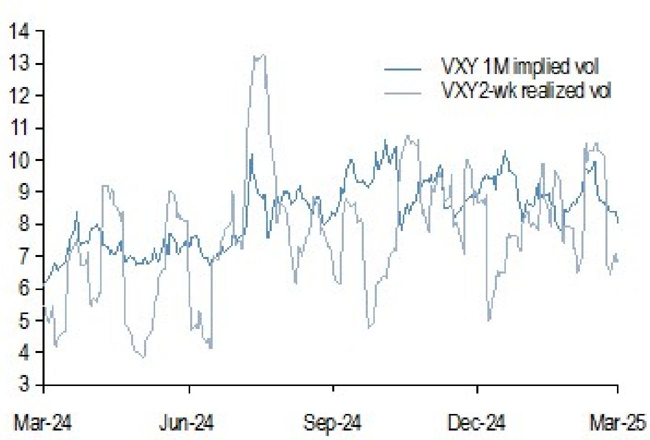
Liberation Day premium leaves no room for surprises

- **Close to the post-Aug range low, FX vols have baked in a modest premium for next week's tariffs as the premium has declined over the past two weeks across more than half the USD universe.**
- **Taking a cue from last year's US election and with JPY-cross vols screening cheap on a relative basis, we pair the trusted CAD/JPY long vol that delivered over the last two months with USD/JPY vol in a vol RV that should deliver in the event of adverse developments, and would see only a modest downtick otherwise.**
- **Mean-reversion model suggests value in short EUR vs long GBP, NOK AUD and NZD vega RV, which is pitting long high-beta vs short low-beta vols.**

Inadequate tariff risk premium for April 2nd

FX vols are soggy heading into April 2nd (**Figure 55**). Ranges in USD/FX have compressed over the past two weeks, notwithstanding the noise from month-end/ quarter-end rebalancing and Trump's latest salvo in the tariff wars around autos. In part, this stasis reflects the stabilization in front-end US rates and rate vols as the surge in US recession angst from last month seems to have cooled somewhat amid better concurrent US data; 2Y UST yields have traded sideways ~4% MTD after their ~40bp rally in February, leading to a collapse of ULC vols on the USD swaption surface.

Figure 55: FX volatility has been soggy heading into a big tariff event next week



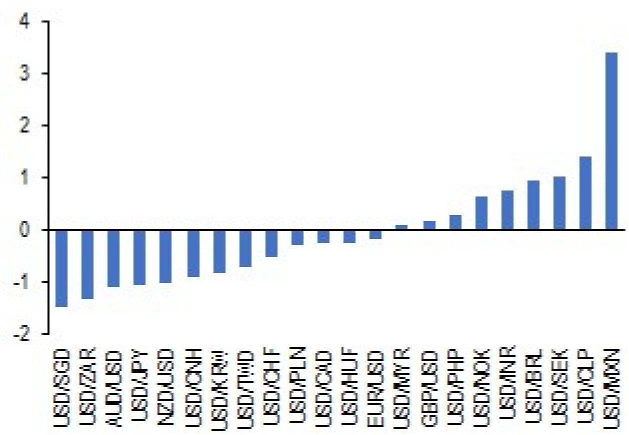
Source: J.P.Morgan.

But part of the inactivity in FX vols also likely owes to a cleansing of USD FX positions — a composite of short-term valuation / sentiment / positioning indicators suggests that post-election USD length has been almost entirely neutralized — as well as an apparent investor rethink on the USD's tariff reaction function: anecdotal client conversations suggest greater weight being attached to the blow back effects on US growth of any tariff regime, which in turn should blunt the first-order USD positive effect of tariffs on the RoW.

April 2nd event risk premium is not high outside of select currencies. In fact, 'Liberation Day' event risk premium — defined as the forward volatility spread over a three-day period between Mar 31st and April 3rd — has *declined* over the past two weeks across more than half the USD universe (**Figure 56**), which runs counter to the usual experience of day-weights ramping up closer to the event. It is possible that a pre-announcement of some sectoral tariffs that may have been scheduled for April 2nd (e.g. autos) have been pulled forward, causing the option market to redistribute event weights more evenly across the days leading up to April 2nd. But the broad decline in term FX vols of late suggests that there is potentially a healthy degree of complacency also at work, in particular relating to **Asian FX** (seven out of the top 10 event risk premium losers are APAC FX), perhaps an artefact of the PBoC's restraint on CNY so far that may have curtailed any expectations of RMB weaponization being a potential policy response to the ratchet higher in tariffs.

Figure 56: More than half the USD/FX universe has seen 'Liberation Day' event risk premium decline over the past two weeks

2-week change in Mar 31 - Apr 3 forward volatility across USD pairs (% pts.)



Source: J.P.Morgan.

Indeed, the evolution of event risk-premium in the likes of CNY has been distinctly tepid compared to that in other tariff-exposed currencies such as EUR, CAD and MXN (**Figure 57**), suggesting a high degree of faith in central banks to smooth event-driven currency vol. At the other end of the spectrum,

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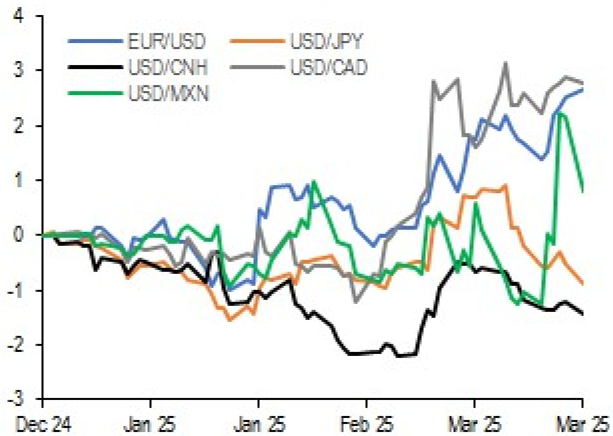
the notable exceptions to the softening of tariff risk premium lie mostly in more tariff-exposed FX in **Latin America** (MXN — USMCA, BRL — VAT) stress and **Europe** (NOK, SEK).

Figure 57: April 2nd risk premium in APAC FX (JPY, CNH) has not kept pace with that in other tariff-exposed currencies such as EUR, CAD and MXN

Forward vol (FVA strike) between 31-Mar to 03-Apr, indexed to 0 as of inauguration day (i.e. vol(t) - vol(0)); % pts.



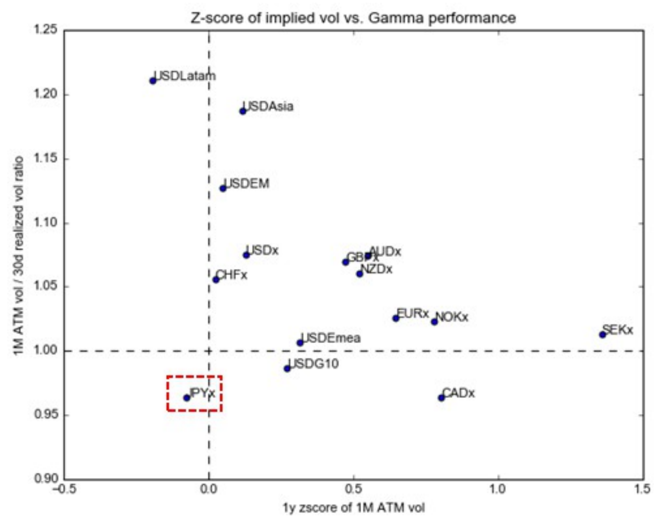
Source: J.P.Morgan.

CAD/JPY hedge in vol RV format still appealing

Should one even consider owning event risk premium into next week? Such soul searching in this instance is partly due to the nature of the event in question: unlike a binary outcome such as the US election in November, the range of outcomes on April 2nd is more diffuse and their immediate impact may be blunted by a combination of exemptions for certain countries, sectoral carve-outs, and delayed implementation deadlines that leave open the possibility of a negotiated settlement in the interim. There is also a point of view shared by some segments of the market that the removal of tariff uncertainty on April 2nd alone could spur a risk rally that proves vol bearish. We are broadly sympathetic to such arguments, and are not entering next week with a big long gamma allocation outside of a cross-Yen long (CAD/JPY) given the general cheapness of JPY-cross vols that covers for a range of risk-negative market outcomes. However, for active risk-takers into the event, we provide two nuggets that may help shape thinking around risk allocations:

- **Macro-unaware ML gamma model suggests selectivity while expecting FX vols to broadly hold.** The model is broadly neutral vis-à-vis gamma ownership (**Figure 59**). After a bounce from the low three weeks ago, the model now expects 43% of tracked currency pairs in the FX universe to perform over the next one-month period. While that does not sound like much, it is consistent with the top-down message from **Figure 58**, and means that even without the April 2nd potentially noisy price action, FX vols should hold.

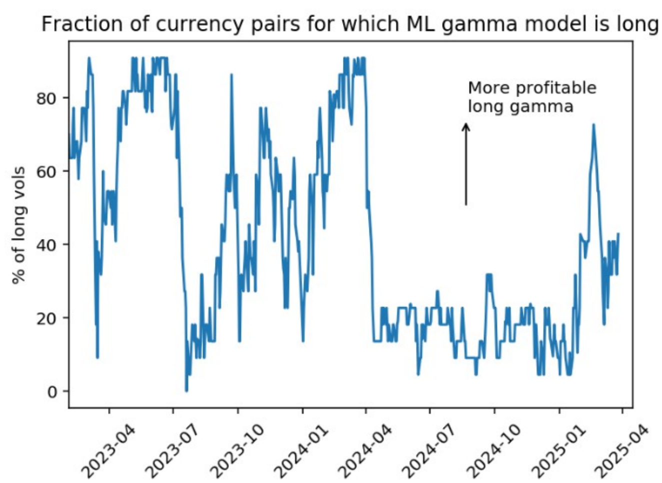
Figure 58: JPY-cross vols screen cheap on a relative basis



Source: J.P.Morgan.

Figure 59: The ML model for FX vol is neutral vis-à-vis owning gamma

Fraction of G10 + EM currency pairs (USDs as well as a selection of crosses) for which ML gamma models signal it will be profitable to buy gamma over the next month.



Source: J.P. Morgan.

- **Last year it paid to be long vol through the red sweep.** Price action around recent event risks such as the US elections poses another reference point. Using pre/post calendars of delta-hedged straddles, we find that it was worth owning the election event risk as the red sweep largely delivered (**Figure 60**) even as some closely watched and highly priced vols such as MXN and CAD under-

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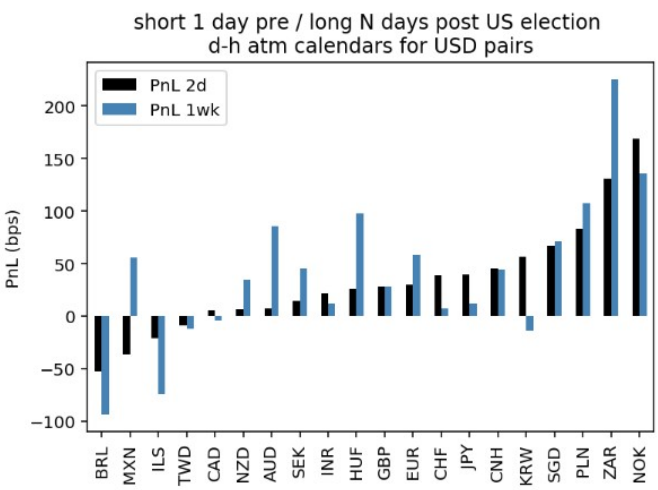
whelmed, and a large swath of vols made only modest returns. Notably, both CHF and JPY vols turned very mean-reverting, consolidating almost all gains within a week even as P/L momentum built up for AUD, SEK, HUF and EUR. It is too close to the event to use pre / post calendars for the next week and we are reluctant to own an outright directional vol exposure. Considering the past flip-flopping and postponements, and overall fluid negotiations, we prefer to express the hedges in the form of vol RVs despite the issue that by doing so the returns get potentially compressed.

Figure 60: Last year, the red sweep largely delivered, although some of the closely watched pockets such as MXN and CAD vol underwhelmed

P/L of d-h straddles short leg expiring on Nov 4th and the long leg expiring 2 days and 1 week after the Nov 5th. No TC. Calendars initiated 2wks before Nov 5th, ie. on Oct 22nd, which is arbitrarily chosen.



Source: J.P. Morgan.

CAD/JPY - USD/JPY vol RV: Diverging from the election experience CAD/JPY has provided a uniquely effective exposure to the tariff noise so far, making it difficult to let go of. 3M CAD/JPY - CHF/JPY vol RV earned 1.5vol pts of P/L over the last two months and continues to look appealing to hold. CHF/JPY remains the best funding vol within our ML gamma model, but it has next to no premium baked in for the next week event risk (only 1vol), giving us a pause. Subdued JPY-cross vol pricing is another factor, and 3M CAD/JPY is no exception there, priced nominally even as CAD/JPY itself bakes in 11vol of event risk specific premium for next week.

According to our analysts, CAD remains highly vulnerable as Canada is disproportionately exposed to sectoral tariffs, and the willingness of Canada to retaliate makes tariff noise more likely to sustain. There is a risk that with the tariff focus widening, CAD may be receiving less attention. USD/JPY, which packs in close to 8vol of premium, and whose 3M vols at 9.8vols is only 0.7pts below CAD/JPY 10.45 atm vol, makes for a suitable funding leg, since if tariffs make an outsized impact, CAD/JPY is likely to outrun USD/JPY by a good margin, but if the next week turns out benign, the two legs will offset. Consider:

— 3M long CAD/JPY atm @10.45/10.75 vol pts vs short USD/JPY atm 9.8 vol pts, delta-hedged daily.

Mean-reversion model suggests short EUR vega vs long GBP, CHF, NOK AUD and NZD

The near term noise aside, recession risk has been notable and stagflation risks increasing. But with that risk not being imminent it is vega rather than gamma that is more relevant. In light of that, we make an update to the mean reversion model for 1y ATM vol spreads (the model details here). The current signals (**Figure 61**) point to the fact that **EUR vega screens as a sell versus a wide array of currencies including vs GBP, CHF, NOK AUD, NZD, as well as some EM pairs**. The vol RVs are favorably pitting long high beta and funding it with low beta EUR vol, the constructs that are decay friendly and thus highly suitable for an uncertain timing and a potentially lengthy wait. Apart from that, the model is also selling vol in PLN vs six other pairs, and SGD vol vs four other pairs is also favored. On the other side of the spectrum, buying vol in NOK vs nine pairs and ZAR vs eight pairs is also supported.

Figure 61: Number of filters activated for a spread (long row vol/short column vol) supported by the mean-reversion signal

	EUR	GBP	JPY	CHF	CAD	NOK	SEK	AUD	NZD	BRL	MXN	TRY	ZAR	PLN	HUF	SGD	KRW	CNH
EUR	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GBP	2	0	0	0	0	0	0	0	0	0	0	0	0	3	0	0	0	0
JPY	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CHF	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CAD	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NOK	2	2	0	2	2	0	0	2	2	0	0	0	0	2	0	2	2	0
SEK	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	0	0
AUD	2	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0
NZD	2	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0
BRL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MXN	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TRY	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ZAR	2	2	0	2	2	0	0	2	2	0	0	0	0	2	0	2	0	0
PLN	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HUF	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SGD	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
KRW	2	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0
CNH	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0

Source: J.P. Morgan.

The more of the filters that get "activated", the stronger the model recommendation. From that point, long GBP/USD vols vs short USD/PLN vol is particularly well supported, having the most filters in its favor (three in total) out of the entire universe of spreads. We discount the value of short SGD vol vs long SEK (strongly supported by the filters) as the two vols tend to have little in common, which is sub-optimal for a vol RV.

One trade that we like and that is highlighted by the model is **buying GBP/USD vol vs EUR/USD vol**. Activated by the

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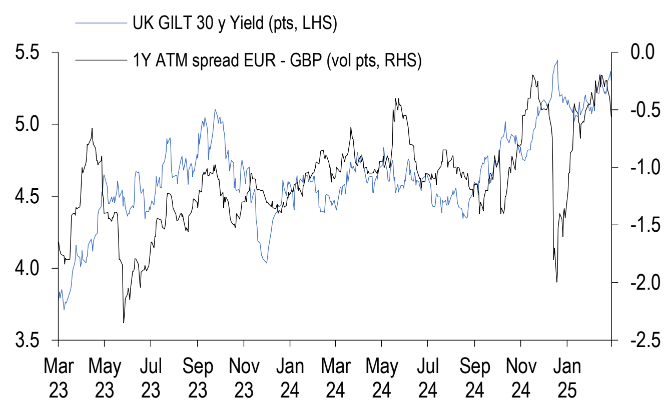
mean-reversion filter, the trade fits within the macro context considering that there are substantial fiscal risks to the UK, and thus potential GBP vol upside, particularly with Gilt yields approaching January highs (**Figure 62**).

Figure 62: Buying GBP vol vs EUR is supported from a mean-reversion standpoint, and also by the elevated Gilt yields



Source: J.P. Morgan.

During the January fiscal worries in the UK, the currency sold off and vol risk premia increased substantially, bringing the EUR-GBP vol spread down almost 1.6 vol pts. After the event, once things stabilized in the GBP spot market and in the Gilt market, we faded the risk premia via GBP correlations, and have done well in that trade (still in the model portfolio). However, as Gilt yields raise again, to levels close to January, we believe that the risk premia in GBP vols could increase, which aligns well with our mean-reversion trade. Nonetheless, with the April Tariff deadline approaching, we hold from acting on the model recommendation, given the lack of visibility on the outcome.

Model Portfolio Update

- **Take 48bps profit on the cease-fire trade initiated on Feb 21st: 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.**

Current trade recommendations and P/L

Description	Entry date	Entry	Current mid	P/L	P/L units	Remarks
Sell 3M EUR, USD via SGD correlation Swap	20-Mar-25	-17.0	-6.3	-10.7	corr pts	EUR/USD decoupling via Asia
Buy 4M EUR/USD vs sell EUR/PLN atm delta-hedged straddles	07-Mar-25	2.0	1.0	-1.0	vol pts	Bullish EUR regime RV
Buy 6M 25D USD/CHF risk-reversals, delta-hedged	28-Feb-25	0.6	0.1	-0.5	vol pts	Carry positive USD washout and risk off trade
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	0.0	48.3	48.3	bps	Take profit
Buy 3M ATMF EUR,CHF via USD Correlation Swap	20-Feb-25	73.0	65.8	-7.2	corr pts	Long USD corrs and short EUR/CHF vol
Sell 3M ATMF EUR,USD via GBP Correlation Swap	29-Jan-25	43.0	20.3	22.7	corr pts	GBP Corr look stretched given reduced vol and Gilts
USD/CAD 6M6M FVA	22-Jan-25	6.3	6.0	-0.3	vol pts	US-CA trade war hedge and curve model trade

Trades marked to market at 4:00pm BST Friday.

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.

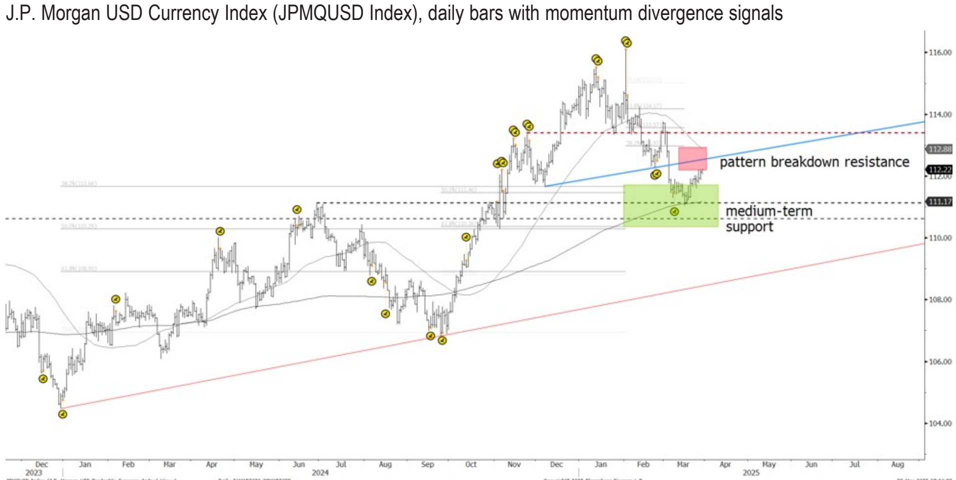
Technical Strategy

The US dollar rebound from key medium-term support approaches expected resistance

- **EUR/USD slid from our first bull target zone to initial support near 1.07. We expect more backing and filling over the near term, but see key support surrounding 1.06 as a likely floor for the pair. Bigger picture, we think the market can build upon the early-2025 strength and approach the upper end of the broader trading range.**
- **Cable skids sideways after meeting the 1.303 Dec-Feb pattern objective. Key tactical support rests at 1.2862-1.2871. We expect a break below that support to confirm a short-term bearish trend reversal and lead to further backing and filling into April.**
- **USD/JPY mean reverts higher after the deceleration near the 146.95-148.86 support zone triggered a cluster of our pattern-based buy signals. We continue to see the 151.82-152.40 resistance zone as a likely spot for this move to fade and an area that will cap a new trading range.**
- **AUD/USD continues to build a potential base pattern below key resistance near 0.64 as other cyclically sensitive markets across asset classes churn in similar patterns. Within that pattern short-term support rests at 0.6258 and 0.6211. The pattern also develops near the 0.617 Oct 2022 range low.**

Figure 63: The US dollar index rebound from our initial bear targets approaches expected resistance. We think the trend can extend some over the near term, but are now on the lookout for tactical signs of rebound exhaustion and a setup that favors a short-term downside reversal.

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



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

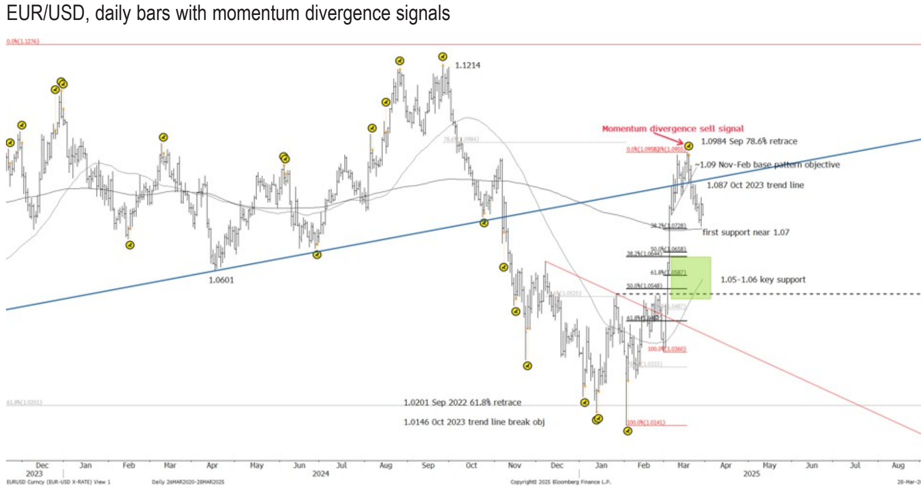
Look for further EUR/USD consolidation over the near term

EUR/USD has already set back from initial bull targets near 1.09 to the first support levels near 1.07 after last week's sell signal on our pattern-based model (Figure 64). That initial support includes the 200-day moving average and nearby Feb 28 38.2% retrace mark. We are looking for further backing and filling over the near term, as the market alleviates the overbought conditions associated with the March breakout rally leg. In our view, the 1.0644 Feb 3 38.2% retrace marks the upper end of a key support zone for the pair, with the

1.0475-1.0529 early-Mar breakout and 50-day moving average comprising the lower end of that support layer. We expect that zone to mark a floor for the pair, and while above it, the emerging bull trend stays intact. Bigger picture, we think the pair can make its way to the upper end of the longer-term range and into the low-1.12-handles in the months ahead.

Figure 64: EUR/USD slid from our first bull target zone to initial support near 1.07. We expect more backing and filling over the near term, but see key support surrounding 1.06 as a likely floor for the pair. Bigger picture, we think the market can build upon the early-2025 strength and approach the upper end of the broader trading range.

EUR/USD, daily bars with momentum divergence signals



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

Cable has lost momentum after hitting the 1.202 Dec-Feb pattern objective

GBP/USD churns sideways after the early-2025 rally met resistance near the 1.303 Dec-Feb pattern objective (Figure 65). That deceleration triggered a cluster of our pattern-base sell signals, which increase the probability for further backing and filling over the near-term. Key tactical pattern support rests at 1.2862-1.2871. A break below would confirm a short-term bearish trend reversal. Next support rests at the 1.2811 Dec rebound high and 1.2804 200-day moving average. We see the 1.2716 early-Mar breakout and 1.2665 Feb 38.2% retrace as the upper end of a medium-term support cluster. The 1.2597 50-day moving average and 1.2554 Feb breakout marks the lower end of that area. The developing medium-term bull trend stays intact while above that area, in our view. On the upside, next resistance rests at the 1.315 Sep 78.6% retrace, with the 1.3436 Sep peak as the next meaningful chart level beyond that.

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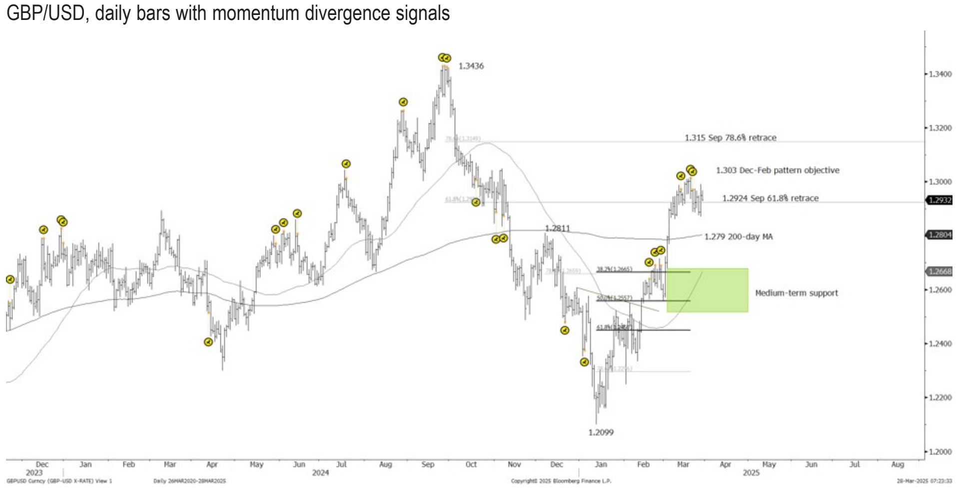
Figure 65: Cable skids sideways after meeting the 1.303 Dec-Feb pattern objective. Key tactical support rests at 1.2862-1.2871. We expect a break below that support to confirm a short-term bearish trend reversal and lead to further backing and filling into April.

GBP/USD, daily bars with momentum divergence signals



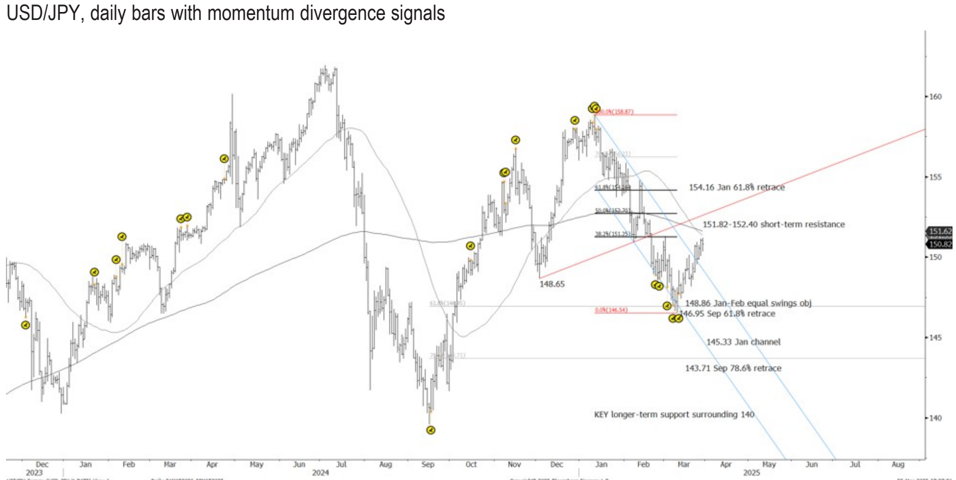
Source: J.P. Morgan, Bloomberg Finance L.P.

USD/JPY rebounds toward our short-term target levels

USD/JPY extends the rebound from the 146.95-148.86 support zone and after the deceleration into that area triggered a large cluster of our pattern-based buy signals in late Feb and early Mar (Figure 66). The rally has broken out from the Jan channel and is now closing in on 151.82-152.40 resistance that we think can cap a new trading range. That zone includes Jan Fibonacci retracement levels, a cluster of moving averages, and the 1Q25 pattern breakdown area. At most, we think the move can extend to the 154.16 Jan 61.8% retrace, but we see that as a relatively unlikely outcome. Tactically, we will start to monitor the move for signs of bull trend exhaustion as the market gets near our favored resistance levels.

Figure 66: USD/JPY mean reverts higher after the deceleration near the 146.95-148.86 support zone triggered a cluster of our pattern-based buy signals. We continue to see the 151.82-152.40 resistance zone as a likely spot for this move to fade and an area that will cap a new trading range.

USD/JPY, daily bars with momentum divergence signals



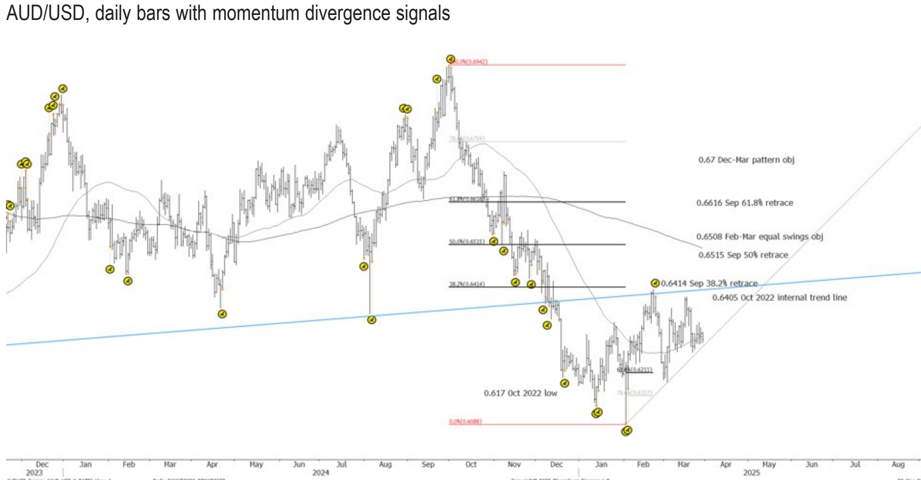
Source: J.P. Morgan, Bloomberg Finance L.P

AUD/USD continues to churn in a potential base pattern below key resistance near 0.64

AUD/USD continues to churn in what looks like a potential medium-term base pattern below key resistance at the 0.6405 Oct 2022 internal trend line and 0.6414 Sep 38.2% retrace (Figure 67). In recent weeks, other cyclically sensitive markets saw similar price action with the exception of copper and the copper/gold ratio that broke out to the upside. We are waiting to see if that is a pro-cyclical leading signal, or just noise created by the nature of the tariff headlines. If the former, AUD/USD can see a more material retracement of the Sep-Feb selloff. Tactically, support rests at the 0.6258 recent range low and then 0.6211 Feb 61.8% retrace. Medium-term support remains at the 0.617 Oct 2022 range low, which the 0.6088 Feb trough briefly undercut. On the upside, a breakout would first seek the 0.6507 200-day moving average, 0.6508 Feb-Mar equal swings objective, and 0.6151 Sep 50% retrace. The next layer of resistance includes the 0.6616 Sep 61.8% retrace and 0.67 Dec-Mar pattern objective.

Figure 67: AUD/USD continues to build a potential base pattern below key resistance near 0.64 as other cyclically sensitive markets across asset classes churn in similar patterns. Within that pattern short-term support rests at 0.6258 and 0.6211. The pattern also develops near the 0.617 Oct 2022 range low.

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; +11hrs for Sydney, +9hrs for Tokyo, -4hrs for New York)

Date	Country	Time	Data/Event		Forecast		Previous	
					JPM	Consensus		
Mar 30 (Sun)	**UK**		Nationwide HPI (%m/m, sa)	Mar	na	na	(Feb)	0.4
Mar 31 (Mon)	**South Korea**	00:00	IP (%oya)	Feb	na	3.3	(Jan)	-4.1
	Japan	00:50	IP (%m/m, sa)	Feb P	na	2	(Jan F)	-1.1
		00:50	Retail sales (%m/m, sa)	Feb	na	-0.3	(Jan)	1.2
		06:00	Housing starts (%oya)	Feb	na	-1.9	(Jan)	-4.6
	New Zealand	01:00	NBNZ business confidence (index)	Mar	na	na	(Feb)	58.4
	Australia	01:30	Private sector credit (%m/m, sa)	Feb	na	0.5	(Jan)	0.48
	China	02:30	PMI mfg. (index, sa)	Mar	na	50.4	(Feb)	50.2
	Norway		Norges Bank Deputy Governors Longva, Borsum Speeches					
	Euro area	07:00	Germany retail sales (%m/m, sa)	Feb	na	0.1	(Jan)	0.3
		13:00	Germany HICP (%oya)	Mar P	na	na	(Feb F)	0.5
	Hungary	07:30	Trade balance (EUR mn)	Feb	na	na	(Jan)	919
	Poland	09:00	CPI (%oya)	Mar P	na	na	(Feb F)	4.9
	UK	09:30	M4 (%oya)	Feb	na	na	(Jan)	4.1
		09:30	Net consumer credit (GBP bn, sa)	Feb	na	na	(Jan)	1.74
	South Africa	13:00	Trade balance (ZAR bn)	Feb	na	na	(Jan)	-16.42
	US	15:30	Dallas Fed survey (index)	Mar	na	na	(Feb)	-8.3
	Colombia	19:00	Banrep rate announcement	na	9.25	9.50	na	9.50
Apr 1 (Tue)	**Japan**	00:30	Jobs to applicants ratio (sa)	Feb	na	na	(Jan)	1.26
		00:30	Unemployment rate (%, sa)	Feb	na	na	(Jan)	2.5
		00:50	BoJ Tankan mfg. (index)	1Q	na	12	(4Q)	14
		00:50	BoJ Tankan non-mfg. (index)	1Q	na	33	(4Q)	33
		01:30	PMI mfg. (index, sa)	Mar F	na	na	(Mar P)	48.3
	South Korea	01:00	Trade balance (USD mn)	Mar	na	6044	(Feb)	4152
		01:30	PMI mfg (HSBC index)	Mar	na	na	(Feb)	49.9
	Australia	01:30	Retail sales (%m/m, sa)	Feb	na	0.4	(Jan)	0.3
		04:30	RBA rate announcement	na	4.10	4.10	na	4.10
	China	02:45	Caixin PMI mfg. (index, sa)	Mar	na	50.8	(Feb)	50.8
	Switzerland	07:30	Retail sales (%oya)	Feb	na	na	(Jan)	1.3
		08:30	PMI mfg. (index, sa)	Mar	na	na	(Feb)	49.6
	Sweden	07:30	PMI mfg. (index, sa)	Mar	na	na	(Feb)	53.5
	Hungary	08:00	PMI mfg. (index)	Mar	na	na	(Feb)	51
	Norway	09:00	PMI mfg. (index, sa)	Mar	na	na	(Feb)	51.92
	Euro area	08:45	Italy PMI mfg (index, sa)	Mar	na	na	(Feb)	47.4
		08:50	France PMI mfg (index, sa)	Mar F	na	na	(Mar P)	48.9
		08:55	Germany PMI mfg. (index, sa)	Mar F	na	na	(Mar P)	48.3
		09:00	PMI mfg. index (sa)	Mar F	na	na	(Mar P)	48.7
		10:00	HICP (%oya)	Mar P	na	na	(Feb F)	2.4
		10:00	Unemployment rate (%, sa)	Feb	na	na	(Jan)	6.2
		13:30	ECB's Lagarde Speaks at AI Conference					
		17:30	ECB's Lane Speaks at AI Conference					
	UK	09:30	PMI mfg. (index, sa)	Mar F	na	na	(Mar P)	44.6
	South Africa	10:00	PMI mfg (Kagiso)	Mar	na	na	(Feb)	44.7
	Brazil	14:00	PMI mfg. (index, sa)	Mar	na	na	(Feb)	53

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Date	Country	Time	Data/Event		Forecast		Previous	
					JPM	Consensus		
	US	14:45	Markit Flash mfg PMI (index)	Mar F	na	na	(Mar P)	49.8
		15:00	Construction spending (%m/m, sa)	Feb	na	0.2	(Jan)	-0.2
		15:00	ISM mfg. index (sa)	Mar	na	49.8	(Feb)	50.3
	Mexico	19:00	PMI mfg. (IMEF)	Mar	na	na	(Feb)	46.999
		19:00	PMI services (IMEF)	Mar	na	na	(Feb)	49.479
	New Zealand	22:45	Building permits (%m/m, sa)	Feb	na	na	(Jan)	2.6
Apr 2 (Wed)	Australia	00:25	RBA's Kent-Speech					
		01:30	Building approvals (%m/m, sa)	Feb	na	na	(Jan)	6.3
		23:00	RBA's Bullock-Senate Testimony					
	Japan	00:50	Monetary base (%oya)	Mar	na	na	(Feb)	-1.8
	Euro area	11:30	ECB's Schnabel Speaks in Paris					
	Brazil	13:00	IP(%oya)	Feb	na	na	(Jan)	1.4
	US	13:15	ADP employment (ch m/m, 000s)	Mar	na	118	(Feb)	77
		15:00	Durable goods orders (%m/m, sa)	Feb F	na	na	(Feb P)	0.9
		15:00	Factory orders (%m/m, sa)	Feb	na	0.5	(Jan)	1.7
	Denmark	16:00	Official Currency Net Reserves	Mar	na	na	(Feb)	657.041
	Poland		NBP rate announcement	na	5.75	na	na	5.75
	Russia	17:00	Weekly CPI (%ytd)	na	na	na	na	2.41
Apr 3 (Thu)	Australia	01:30	Trade balance (AUD mn)	Feb	na	na	(Jan)	5620
	Switzerland	07:30	CPI (%oya)	Mar	na	na	(Feb)	0.3
		09:30	SNB's Tschudin Speaks in Zurich					
	Turkey	08:00	CPI (%oya)	Mar	na	na	(Feb)	39.05
	Euro area	08:45	Italy PMI services (index, sa)	Mar	na	na	(Feb)	53
		08:50	France PMI services (index, sa)	Mar F	na	na	(Mar P)	46.6
		08:55	Germany PMI services (index, sa)	Mar F	na	na	(Mar P)	50.2
		09:00	PMI composite (index, sa)	Mar F	na	na	(Mar P)	50.4
		09:00	PMI services (index, sa)	Mar F	na	na	(Mar P)	50.4
		10:00	PPI (%oya)	Feb	na	na	(Jan)	1.8
	UK	09:30	PMI services (index, sa)	Mar F	na	na	(Mar P)	53.2
	US	12:30	Challenger layoffs (%oya)	Mar	na	na	(Feb)	103.2
		13:30	Trade balance ($bn, sa)	Feb	na	-110	(Jan)	-131.382
		15:00	ISM non-mfg. index (sa)	Mar	na	53.2	(Feb)	53.5
		17:00	Fed's Jefferson Gives Keynote on Communication					
	Canada	13:30	Trade balance (CAD bn, sa)	Feb	na	na	(Jan)	3.973
	Brazil	14:00	PMI services (index, sa)	Mar	na	na	(Feb)	50.6
Apr 4 (Fri)	Japan	00:30	All household spending (%oya)	Feb	na	na	(Jan)	0.8
	Switzerland	06:45	Unemployment rate (%, sa)	Mar	na	na	(Feb)	2.7
	Euro area	07:00	Germany factory orders (%m/m, sa)	Feb	na	na	(Jan)	-7
		07:45	France IP (%oya)	Feb	na	na	(Jan)	-1.6
		09:00	Italy retail sales (%m/m, sa)	Feb	na	na	(Jan)	-0.37
	Sweden	07:00	CPI (%oya)	Mar P	na	na	(Feb F)	1.3
		07:00	CPI core (%oya)	Mar P	na	na	(Feb F)	2.9
	Hungary	07:30	IP (%oya)	Feb	na	na	(Jan)	-3.9
	UK	09:30	PMI construction (index, sa)	Mar	na	na	(Feb)	44.6
	Canada	13:30	Employment (ch m/m 000s, sa)	Mar	na	na	(Feb)	1.1
		13:30	Unemployment rate (%, sa)	Mar	na	na	(Feb)	6.6
	US	13:30	Average hourly earnings (%m/m, sa)	Mar	na	0.3	(Feb)	0.3
		13:30	Nonfarm payrolls (ch m/m 000s, sa)	Mar	na	120	(Feb)	151
		13:30	Private payrolls (ch m/m 000s, sa)	Mar	na	118	(Feb)	140

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Date	Country	Time	Data/Event		Forecast		Previous	
					JPM	Consensus		
		13:30	Unemployment rate (%, sa)	Mar	na	4.2	(Feb)	4.1
		16:25	Fed's Powell Gives Keynote Remarks					
	Brazil	19:00	Trade balance ($ mn)	Mar	na	na	(Feb)	-323.73

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Event Risk Calendar

	Date	Country	Event
Mar '25	31	Israel	Budget must be approved by this date, otherwise Knesset is dissolved
	31	Colombia	Banrep rate announcement
Apr '25		China	Politburo meeting
		Sweden	Spring budget
	1	Australia	RBA rate announcement
	2	Poland	NBP rate announcement
	7	Israel	BoI rate announcement
	9	New Zealand	RBNZ 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

	Date	Country	Event
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
		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

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	Date	Country	Event
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
		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

	Date	Country	Event
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		28-Mar	Jun 25	Sep 25	Dec 25	Mar 26	Spot	Forwards	Consensus**	Past 1mo	Past 3mo	YTD	Past 12mos
	EUR	1.08	1.11	1.12	1.14	1.16	7.7%	5.5%	5.5%	4.3%	3.3%	4.0%	-0.1%
	JPY	151	151	149	148	147	2.5%	-1.2%	-2.0%	0.3%	4.8%	4.3%	0.4%
	GBP	1.29	1.31	1.30	1.31	1.33	3.0%	3.1%	2.6%	4.4%	2.9%	3.4%	2.5%
	AUD	0.63	0.65	0.67	0.68	0.68	8.0%	7.7%	3.0%	0.6%	1.3%	1.8%	-3.4%
	CAD	1.43	1.45	1.42	1.40	1.38	3.8%	2.1%	1.4%	0.0%	0.6%	0.4%	-5.5%
	NZD	0.57	0.58	0.59	0.60	0.60	4.9%	4.1%	1.7%	1.2%	1.5%	2.2%	-4.3%
JPM USD index		113.7	113.2	113.0	112.1	111.5	-1.9%	-1.6%	-1.5%	-1.2%	-1.4%	-1.9%	3.8%
DXY		104.4	102.5	101.5	100.0	98.4	-5.7%	4.0%	-3.9%	-3.4%	-3.3%	-3.8%	-0.1%
Europe, Middle East & Africa													
	CHF	0.88	0.87	0.87	0.86	0.85	3.4%	-0.7%	3.3%	3.1%	2.2%	2.7%	2.1%
	ILS	3.68	3.45	3.40	3.40	3.40	8.2%	7.3%	7.4%	-3.1%	0.1%	-1.0%	-0.1%
	SEK	10.05	9.73	9.55	9.21	8.88	13.2%	11.2%	11.1%	8.9%	9.5%	10.0%	6.4%
	NOK	10.50	10.18	9.82	9.39	9.05	16.0%	16.2%	13.5%	7.2%	8.2%	8.4%	3.4%
	CZK	23.17	22.30	21.88	21.49	20.91	10.8%	9.9%	7.8%	5.0%	4.3%	5.0%	1.2%
	PLN	3.88	3.74	3.71	3.64	3.58	8.4%	9.8%	7.7%	4.8%	5.6%	6.4%	2.9%
	HUF	374	360	357	351	345	8.4%	10.8%	8.1%	5.1%	5.4%	6.3%	-2.3%
	TRY	38.01	40.00	42.50	45.50	48.00	-20.8%	12.7%	-12.5%	-5.3%	-7.7%	-6.9%	-14.9%
	ZAR	18.15	18.75	18.75	18.75	18.75	-3.2%	-0.1%	-3.9%	1.5%	3.0%	3.6%	4.3%
Americas	ARS	1072	1160	1200	1300	1350	-20.6%	8.8%	8.7%	-1.7%	-4.0%	-3.8%	-20.0%
	BRL	5.75	5.90	5.90	6.00	5.95	-3.4%	5.5%	0.8%	0.7%	7.8%	7.5%	-12.7%
	CLP	934	980	970	960	950	-1.7%	-1.1%	-0.2%	3.1%	5.7%	6.5%	4.8%
	COP	4171	4350	4400	4400	4300	-3.0%	2.0%	0.0%	-1.1%	5.7%	5.6%	-7.6%
	MXN	20.30	20.30	20.20	20.00	20.00	1.5%	6.1%	2.5%	1.5%	0.1%	2.6%	-18.1%
	PEN	3.64	3.75	3.70	3.65	3.65	-0.3%	0.6%	2.7%	2.1%	3.0%	2.8%	2.1%
Asia	CNY	7.26	7.30	7.40	7.40	7.40	-1.8%	-3.0%	-0.8%	0.4%	0.5%	0.5%	-0.5%
	HKD	7.78	7.77	7.78	7.78	7.78	0.0%	-0.5%	0.3%	0.2%	-0.2%	-0.1%	0.6%
	IDR	16560	16600	16600	16700	16700	-0.8%	1.3%	-1.2%	-1.7%	-2.0%	-2.8%	-4.3%
	INR	85.46	87.60	88.70	89.00	89.00	-4.0%	-1.7%	-1.1%	2.3%	0.1%	0.2%	-2.4%
	KRW	1468	1430	1430	1400	1395	5.2%	3.3%	2.9%	-1.3%	0.2%	0.3%	-8.3%
	MYR	4.44	4.45	4.40	4.35	4.35	2.0%	0.8%	1.6%	0.0%	0.7%	0.8%	6.7%
	PHP	57.38	57.30	57.20	56.90	56.80	1.0%	1.8%	1.7%	1.1%	0.8%	0.8%	-2.0%
	SGD	1.34	1.33	1.33	1.32	1.32	1.7%	-0.1%	2.3%	1.0%	1.2%	1.8%	0.6%
	TWD	33.11	32.60	32.60	32.60	32.60	1.6%	-1.2%	0.3%	-1.1%	-1.2%	-1.0%	-3.4%
	THB	33.97	33.80	33.70	33.30	33.20	2.3%	0.5%	3.3%	-1.0%	0.4%	0.4%	7.4%
EMCI		44.6	42.9	42.6	42.5	42.4	-4.9%	1.3%	-1.3%	2.9%	3.0%	4.2%	-4.0%
Exchange rates vs Euro										Actual change in local FX vs EUR			
	JPY	162	168	167	169	171	-4.8%	-6.3%	-7.1%	-3.8%	1.4%	0.3%	0.5%
	GBP	0.83	0.85	0.86	0.87	0.87	-4.3%	-2.2%	-2.7%	0.1%	-0.4%	-0.6%	2.6%
	CHF	0.95	0.97	0.97	0.98	0.99	-3.9%	-5.9%	-2.0%	-1.2%	-1.1%	-1.2%	2.3%
	SEK	10.83	10.80	10.70	10.50	10.30	5.1%	5.4%	5.3%	4.3%	5.9%	5.8%	6.6%
	NOK	11.32	11.30	11.00	10.70	10.50	7.8%	10.2%	7.6%	2.7%	4.6%	4.1%	3.5%
	CZK	24.97	24.75	24.50	24.50	24.25	3.0%	4.2%	2.3%	0.7%	0.9%	0.9%	1.3%
	PLN	4.18	4.15	4.15	4.15	4.15	0.7%	4.1%	2.2%	0.5%	2.2%	2.5%	3.0%
	HUF	403	400	400	400	400	0.7%	5.0%	2.5%	0.8%	1.9%	2.2%	-2.2%
	RON	4.98	5.08	5.10	5.13	5.13	-3.0%	0.8%	-1.2%	0.0%	0.0%	-0.1%	-0.2%
	TRY	41.06	44.40	47.60	51.87	55.68	-26.3%	6.9%	-17.0%	-9.4%	-10.8%	-10.7%	-14.7%
	BRL	6.19	6.55	6.61	6.84	6.90	-10.3%	0.0%	-4.4%	-3.5%	4.3%	3.3%	-12.6%
	MXN	21.88	22.53	22.62	22.80	23.20	-5.7%	0.6%	-2.8%	-2.8%	-3.1%	-1.6%	-18.0%

↑ 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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Disclosures

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