

More jitters around trade headlines

Overview

The resilience of EM currencies may continue in the short term as the USD weakness has yet to reverse, but we see more headwinds into June. While there is still a month to go before the end of the negotiation on the US reciprocal tariff deadline, we expect more volatility as the month progresses. The US trade court delivered a blow to President Donald Trump's trade agenda but the relief has proven to be temporary as markets realise Trump can use other legislation to replace the tariffs being blocked. Within Asia, the US has said it is close to agreements with India and Japan though news remains scant elsewhere. With the US-China tensions heating up again, the mood around trade is likely to be more uncertain. The Geneva trade truce was a pleasant surprise for markets in May, but with both sides accusing each other of acting in bad faith since and trade talks stalled, it may be too much to hope for another quick resolution. With such uncertainty, we pare back the constructive tone this month while sticking with relative value. In Asia, for the month of June, we recommend being overweight the KRW, SGD & HKD and underweight the CNY & THB.

Main strategies

- Poland: the PLN's post-election blues
- Asia: bumpy roads ahead
- China: trade tensions rekindled shortly after truce
- EM FX portfolio: all eyes still on the US

Trade ideas
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Main changes to our forecasts

- We revised down our inflation forecasts for China
- We revised our rate forecasts for India

Performance of the main EM asset classes

	Current	1W change	1M change	1Y change
EM FX vs USD*	85.3	0.1%	0.7%	1.5%
EM FX vs EUR*	78.5	-0.6%	0.1%	1.6%
MSCI EM USD	1158	-0.5%	1.6%	10.1%
MSCI EM LC	71077	-0.4%	1.8%	9.2%
EMBI Glb spread	299 bp	-2 bp	-26 bp	-28 bp
EM swap 2Y**	4.40%	-1 bp	-1 bp	-1 bp
EM swap 10Y**	8.47%	-5 bp	3 bp	2 bp

* EM FX vs the USD and vs the EUR measure the performance of our in-house weighted indices for the largest EM currencies vs the USD and EUR, respectively. Both EM FX vs the USD and EM FX vs the EUR = 100 on 01/01/03

** EM swap 2Y and 10Y reflect the behaviour of the arithmetic average of swap rates in 16 large EMs

Source: Bloomberg, Datastream, Crédit Agricole CIB



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EMEA: the PLN's post-election blues

■ The election of Karol Nawrocki as the new President of Poland introduces a downside risk for the PLN.

Poland: PLN post-election blues

Karol Nawrocki won the Presidential election with a tight margin (50.9% vs 49.1% for the liberal mayor of Warsaw, Rafal Trzaskowski). He is a nationalist politician, backed by the PiS. He was supported by Donald Trump and is a critic of the EU. Even if the PM has strong power in Poland, the president enjoys significant leeway. The president serves as the head of state and represents the country in international affairs. He is also the Supreme Commander of the Armed Forces. The president signs bills into law and may veto legislation, although the Sejm (lower house of parliament) can override a veto with a three-fifths majority. The president may propose legislation and, with Senate approval, call national referendums. He appoints key officials, including judges, ambassadors, and the prime minister – although many appointments require the countersignature of the prime minister. Under specific constitutional conditions, the president may dissolve parliament.

Relationships with the EU will likely become much more frictional. He said he would continue to support Ukraine, but he is against Ukraine's NATO membership. As we mentioned already in various publications, there are also three key areas relevant to Poland's medium-term economic outlook where the two candidates diverged significantly: (1) the reform of the judiciary, (2) taxation and (3) environmental policy. We outline below Nawrocki's views on these topics, and why it matters.

Reform of the judiciary

The first is the long-overdue reform of the judiciary, particularly the contentious issue of judicial appointments. Nawrocki refrains from proposing concrete reforms. Instead, he called for a political consensus and, if none is reached by February 2026, proposes holding a national referendum to allow citizens to decide the future of judicial reform. He is likely to preserve the current status quo regarding post-2017 judicial appointments. Thus far, judicial reform has been delayed due to the high likelihood of a veto by outgoing President Andrzej Duda, who was backed by the main opposition party, Law and Justice. However, Poland gained access to EU funds on the implicit condition that judicial reforms would be enacted and the rule of law strengthened. It remains unclear how the European Commission will respond after Nawrocki's election, particularly if it eventually leads to a political deadlock between PM Donald Tusk's government and the new president. Any move by the EU to slow the disbursement of funds to Poland would likely be interpreted as negative for both economic growth and the PLN – particularly in light of external headwinds and weak private investment.

Taxes

The second key area is taxation. Nawrocki is a relatively strong proponent of low taxes. He has vowed to reduce VAT to 22%, introduce a 0% personal income tax (PIT) for families with two or more children, and eliminate the capital gains tax. He also seeks constitutional guarantees against the introduction of new property taxes and has committed to opposing any tax increases affecting ordinary citizens. His election is unlikely to support fiscal consolidation in Poland over the medium term. Moreover, pressure to loosen fiscal policy in 2026-27 will likely intensify ahead of the 2027 parliamentary elections, all the more since Nawrocki's victory, signals declining support for the ruling coalition. As a result, the presidential election adds to the risk of fiscal slippage in 2026-27. This is not PLN-supportive either.

Energy transition and climate policy

When it comes to the energy transition and climate policy, Nawrocki firmly opposes the Green Deal and plans to hold a national referendum to reject it. He characterises EU climate policy as harmful, using terms like "eco-terror" and "green madness". He rejects the coal phase-out and aims to maintain coal mining for as long as possible, while modernising plants to reduce emissions. Nawrocki offers no specific targets for renewable energy and instead proposes an immediate one-third reduction in household energy bills, funded by reallocating proceeds from EU

ETS auctions as subsidies. We expect that a Nawrocki presidency may result in vetoes of key energy transition legislation, such as the onshore wind energy bill. This would likely have negative implications for the absorption of European funds, growth and the PLN.

The victory of Nawrocki was not priced in. The PLN has weakened vs the EUR since the election. In a nutshell, the election of Nawrocki is challenging our current EUR/PLN forecast, currently going for 4.20 for September. How the NBP will comment on the forward guidance for interest rates post-election, after today's MPC (where a rate status is expected), will provide another very useful indication to possibly revisit the PLN view.

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Asia: bumpy roads ahead

- We think trade negotiations could lead to more jitters for Asia in June, heading into the 9 July deadline
- China: trade tensions rekindled shortly after truce

Asia strategy: bumpy roads ahead

While there is still a month to go before the end of the negotiation on the US's reciprocal tariff deadline, we expect more volatility as the month progresses. The US trade court delivered a blow to President Donald Trump's trade agenda but the relief has proven to be temporary as markets realise Trump can use other legislation to replace the tariffs being blocked. Within Asia, the US has said it is close to agreements with India and Japan though news remains scant elsewhere. With US-China tensions heating up again, the mood around trade is likely to be more uncertain. The Geneva trade truce was a pleasant surprise for markets in May, but with both sides accusing each other of acting in bad faith since and trade talks stalled, it may be too much to hope for another quick resolution. Trade negotiations could also prove to be more difficult with reports that Trump is turning more sensitive to "TACO theory". We think this uncertainty is likely to be more a drag on Asia FX gains in June relative to May.

A driver for stronger Asia FX performance though is that the USD remains under pressure. The question at this juncture though is whether the USD's decline can be sustained with the outlook clouded by US trade policy. In our view, the risk of a reversal higher in the USD lies in any signs of US macro resilience causing the Fed to be less dovish or any de-escalation of global trade tensions. We expect the path of the USD to be more bumpy in June though the bias for a weaker USD remains. The Fed is unlikely to sound too hawkish or dovish at this stage while Trump will not do away with his trade agenda. The rebound in the US equity market also deserves some attention as it is happening alongside the rise in longer-term US yields. Any softening in the US equity space could weigh once more on the USD.

More generally, we think the fundamental drivers of Asia FX are likely to remain mixed. Widening rate gaps and trade headwinds remain key drags on domestic growth. On the positive front, our heatmap is showing some improvement on the export front. But we see this as linked narrowly to chip exports and potentially frontloading during the 90-day negotiation period, which is unlikely to last. The decline in global oil prices though is supportive of Asian trade balances.

We are [paring back the constructive tone this month](#) while sticking with relative value. We are switching out the IDR overweight for that of the SGD and HKD. For the month, we recommend being overweight the KRW, SGD & HKD and underweight the CNY & THB.

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China: trade tensions rekindled shortly after truce

The US-China tensions intensified again, only weeks after the trade war truce on 12 May. The US introduced a slew of new non-tariff restrictions against China, including new export curbs (on chip design, jet engines and chemicals) as well as student visa revocations, while the recovery of China exports of rare earths have reportedly been slow. Beyond the renewed US-China strains, President Donald Trump doubled his tariffs on steel and aluminium. Those developments, along with the latest legal drama around Trump's trade tariffs, once again point to large uncertainty around Trump trade policies and difficulty of a major US-China trade deal. Despite US officials' signals in favour of a Trump-Xi call, China has yet to respond. Based on Trump 1.0, there were episodes of tension re-escalation after a temporary lift to sentiment on Trump-Xi meetings.

NBS PMIs rebounded in May after a notable weakening in April, boosted by the US-China tariff truce. Nonetheless, manufacturing PMI stayed in contraction while services hovered just above 50, still showing a cautious business outlook ahead. The latest high-frequency indicators suggested continued resilience in export activities. In particular, container shipping to the US from Shanghai port rebounded

in the week of 19 May (doubling from the week prior), with 46-58% freight increases. Meanwhile, auto sale growth edged up to 16.0% YoY on 1-25 May from 14.5%. Home sales volume continued declining in May, by 4% YoY in 30 major cities vs -12% in April. Home sales revenue for the top 100 developers declined 17% YoY in May, similar to April. The three-day Dragon Boat Festival Holiday (31 May-2 June) data points to relatively stable growth in tourism activities. Domestic tourism volume rose 5.7% YoY and tourist spending increased by 5.9% YoY, with the calculated average per-person spending gained 0.2%.

Tracking Q2 data so far, we think China's GDP growth will show a modest softening from Q1, to around 5.0% YoY from 5.4% previously. We maintain our growth forecast for the full year at 4.6%, as we expect growth downward pressure to be more apparent in H2 after the front-loading exports and reduced impact from the consumption goods trade-in and equipment upgrade programme into the second year. On the inflation front, we reduce our CPI inflation forecast to 0.1% in 2025 and 0.6% in 2026, from 0.5% and 1.0% previously, as the external demand shock adds on to the disinflationary pressure domestically, in anticipation of only modest fiscal expansion without aggressive demand stimulus.

In terms of the CNY, we think USD/CNY could still be trading around 7.20 with ebbs and flows more driven by trade headlines in the week ahead as markets await a potential Trump-Xi call. While markets were pleasantly surprised by the speed and magnitude of the pullback in tariffs from the trade truce last time, the risk is that the story could be different this time. The CNY TWI is holding near lows for the year and could decline further ahead as the PBoC tolerates more CNY declines against its peers, as the latest USD weakness is yet to turn.

As for rates, the maturity amount of NCDs – a key interbank liability tool for banks within one year – will reach a historical high of RMB4.2trn in June, nearly doubling from the monthly average of RMB2.3trn in January-May. This is set to test interbank liquidity conditions in the coming weeks. To secure NCD funding, some state-owned banks have already raised the 1Y NCD yield to 1.70% from 1.65% even after the RRR cut in mid-May. The NCD issuance success rate (actual issuance amount vs targeted size) has fallen to around 93% in late May from 95% earlier, indicating continued upward pressure for NCD rates in the near term if banks are determined to meet their refinancing plans. We see some upside risk to NCD rates in the coming two weeks, but not a repeat of the liquidity tightness that occurred in January-February, when the NCD issuance success rate fell to around 90% with the 1Y NCD rate spiked to 2.0% from 1.6%.

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India: RBI to act on its accommodative bias

We expect RBI to cut its Repurchase rate this week from 6.00% to 5.75%. This quarter-point reduction would be one meeting earlier than we previously forecast. High frequency indicators continue to suggest that real GDP growth is continuing to run below 5% in Q2 following a likely similarly weak quarter in Q1. Admittedly, many of these indicators such as transport and trade are being affected by factors beyond the RBI's control, namely the spike in tensions between India and Pakistan during May as well as slowing global trade due to US President Donald Trump's tariffs. While the flare up between India and Pakistan could be viewed as a temporary factor weighing on growth given that tensions have eased since their peak, the impact of Trump's tariffs on global trade will likely prove longer lasting, even with their pause. Growth will need further help if real GDP is to grow by close to the RBI's 6.5% FY26 forecast. We continue to think this forecast is a bit too optimistic and it will likely be lowered by RBI.

Fortunately for the central bank, inflation continues to weaken and will allow the MPC to act on its accommodative bias. Headline inflation at 3.2% YoY is below the centre of the central bank's 2-6% inflation tolerance band; its ultimate goal. Falling food as well as clothing inflation are dragging general inflation lower. The former should be kept low by an average to strong monsoon season. Falling oil prices and a strengthening INR will also help further lower inflation. Loans growth also remains weak and a drag on inflation.

We continue to think the RBI will cut rates at least twice more in 2025, including this week, and once more in H126 to take the Repurchase Rate to 5.25% – the lower end of its neutral range. Depending on the monsoons as well as the outcome

of US bilateral trade negotiations with its trading partners, including India, there is risk this timetable could be accelerated.

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Indonesia: can trade negotiations go smoothly?

Indonesia's Economy Minister Airlangga suggested a list of preferred tariffs on US goods before the second round of US-Indonesia trade talks scheduled for June. Meanwhile, Airlangga earlier mentioned that Indonesia would increase US energy imports by USD10bn (38% of total imports from the US in 2024), including fuel, crude oil and liquefied petroleum gas. In May, Airlangga also said that Indonesia is willing to negotiate these trade barriers and lower local content procurement limits, on top of buying extra US products, in exchange for lower tariffs. The USTR annual report released in February identified eight trade barriers in Indonesia, including less transparency in tax assessment, import licensing system, halal certification and TKDN policy. While trade relationships with China could also be one of the key topics to be discussed in trade talks with the US, Indonesia's President Prabowo Subianto has hailed the willingness to deepen ties with China during Chinese Premier Li Qiang's visit in May.

Indonesia reported a mixed set of macro data this week, indicating continued data disruption from the uncertainty of global trade policy, while leading indicators still suggest a gloomy outlook. Though the Indonesian government has announced a fiscal stimulus plan (0.2% of GDP) to boost consumer spending in June and July, any support would likely have a short-lived effect and external uncertainties would continue to be in the driver's seat for growth in the upcoming months.

Indonesia's exports continued to stay firm in April, rising by 5.76% YoY vs a consensus of 5.25%. Due to unexpectedly strong imports with growth jumping by 21.84% YoY, the trade surplus in April shrank to USD159m, the smallest since October 2019. Indonesia's manufacturing PMI posted the second consecutive month of contraction, with the headline at 47.4 in May vs 46.7 in April. The output sub-index rose to 46.1 from 44.3, while the new order sub-index fell to its lowest reading since August 2021. Meanwhile, both the headline and core CPI reported downside surprises in May and are likely to stay muted in June and July, as the new fiscal subsidy plan is set to weigh on electricity prices while likely providing limited immediate help to domestic consumption.

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Korea: restoring stability during uncertain times

On 3 June, [Korea elected Democratic Party's Lee Jae-myung](#) as its new president, in line with our and market expectations. Lee's presidential term begins from 4 June. The new administration is likely to clear political uncertainty for Korea with the Democratic party also holding a majority in the National Assembly.

President Lee's domestic policies are focused on supporting economic growth and expansion of welfare via fiscal policy easing. We expect Lee to propose a KRW35trn or bigger supplementary budget, which would be mainly used to support the domestic economy. Other policies to support the domestic economy include debt adjustment for Covid policy fund loans and increasing low-interest refinancing loans to small business owners. Another means to support growth will be the fostering of new industries such as artificial intelligence and boosting research & development. Regarding the equity market, Lee promised to double Korea's KOSPI index to 5,000 from the 2,300-2,700 range this year by improving capital market structure and corporate governance.

On foreign policy, Lee will likely be more pragmatic is balancing between the US and China. Trade negotiation with the US could also be delayed given that Lee previously said that Korea should not rush into a deal. The relationship with North Korea could improve relative to under ex-President Yoon as he has promised an easing of military tensions under the goal of denuclearisation of the Korean Peninsula.

We think Lee's fiscal policies will add to supply burden on the KTB market favouring KTB curve steepeners. The KRW could see more support from political clarity and inflows into Korea's equity market.

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Thailand: potential Cabinet reshuffle

Thailand's PM Paetongtarn Shinawatra commented that a Thailand Cabinet reshuffle is being considered and will take place at an "appropriate time". This will be the first government reshuffling since Paetongtarn took office last August, a likely move to defuse tensions within the ruling coalition and ensure more effective implementation of pro-growth policies. Actually, market speculation over a Cabinet reshuffle has resurfaced since June, following criticism from former PM Thaksin Shinawatra (father of Paetongtarn) on the policy implementation by officials from other parties in the alliance. We do not expect the potential Cabinet reshuffle to lead to a split in the current ruling coalition, as the largest partner Bhumjaithai should continue to stay with the leading party Pheu Thai.

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Trade ideas

- **Asia:** we took profit on our long USD/HKD 12M outright position, entered a new trade of 10-30Y KTB steepener, and still selling CNH/IDR 12M outright

Asia

Recommendation	Entry date/time	Entry level	Target	Stop loss	Now	Performance
Pay 10-30Y KTB Curve	2 Jun 25 (10:30 HKT)	-15bp	5bp	-30bp	-9bp	+6bp
eddie.cheung@ca-cib.com yeonjin.kim@ca-cib.com	Pay 10-30Y KTB curve Rationale: In our view the 10-30Y curve steepening has lagged and the stars are aligning for such a move. We enter a pay 10-30Y KTB curve trade, targeting a move to 5bp from -15bp with a stop-loss of -30bp. We expect the outcome from the presidential election to favour KTB curve steepening as the candidates all favour further supplementary budget adding to supply burden. Tweaks in the MOEF's issuance plan point to authorities favouring more longer-end issuance.					
Sell CNH/IDR 12M outright	9 Oct 24 (16:10 HKT)	2305	+6%	-3%	2301	+0.18%
eddie.cheung@ca-cib.com jeffrey.zhang@ca-cib.com xiaojia.zhi@ca-cib.com	Sell CNH/IDR Rationale: The current investment mood favours a shift back to RV and carry. Despite recent gains, fundamentals remain a drag on the CNY while its low carry makes it a good funder. The IDR meanwhile should see support from BI and still-attractive carry metrics.					

NEW Trade ideas opened since the previous EM Pulse
 For NDFs: target, stop-loss and current level (now) calculated on the basis of the remaining maturity
 Performance for FX trades is carry-adjusted

Source: Crédit Agricole CIB

Trade ideas closed since last week

Recommendation	Entry date/time	Close date	Entry level	Target	Stop loss	Close	Performance
Buy USD/HKD 12M outright	6 Aug 24 (09:28 HKT)	3 Jun 25	7.7435	7.80	7.7150	7.80	+0.80%
Sell USD/INR 1M NDF	27 May 25 (14:00 TKY)	30 May 25	85.48	84.75	-	85.49	-0.01%

For NDFs: target, stop-loss and current level (now) calculated on the basis of the remaining maturity
 Performance for FX trades is carry-adjusted

Source: Crédit Agricole CIB

EM FX portfolio: Back to business

- Please note we published [EM FX portfolio update “All eyes still on the US: tariffs, fiscal expansion and the Fed, 3 June.](#)

All eyes still on the US

EM currencies, and in particular Asia EM FX, generally performed strongly in May. The sharp appreciation of the TWD ahead of the scheduled trade talks with the US in mid-May were interpreted by many as a possible move by the authorities allowing the TWD to appreciate thus placating the US Trump administration and pre-empting any accusations of being a currency manipulator.

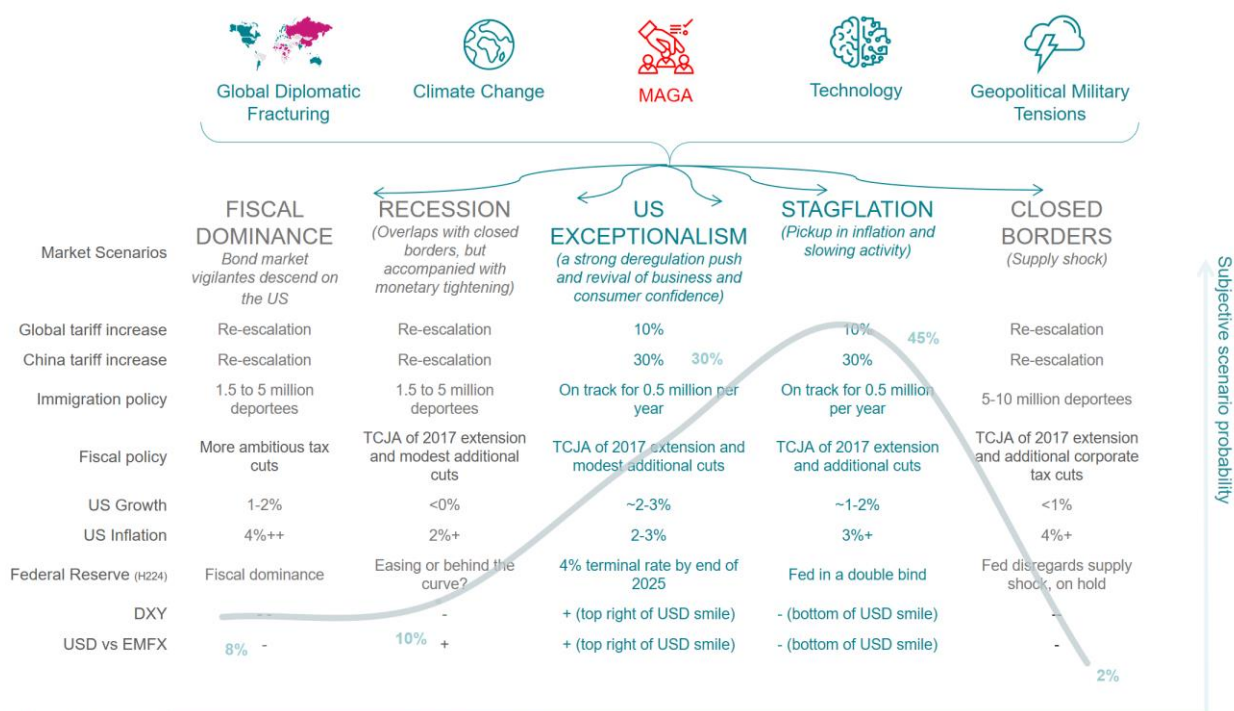
Amid some signs and mostly hopes for trade war de-escalation between the US and China, other Asian currencies followed suit. Meanwhile, industrial metal prices increased on an improved global growth outlook and helped support commodity linked currencies, including the ZAR, CLP and PEN.

The market enthusiasm following the US trade court ruling invalidating most of the previously imposed tariffs was short-lived following the realisation that US President Donald Trump can use other statutes or the legislative route to replace the tariffs that were being blocked. With less than a month remaining until the US's deadline for the expiration of the reciprocal tariffs pause and reports that Trump is becoming more sensitive to the "TACO" codename and could enforce tariffs just to make a point, trade tensions should continue to remain in focus.

Amid noisy tariff headlines, markets may lend more credence to US macro data and the Federal Reserve rate decision later this month, with strong economic data and a less dovish Fed being supportive for the USD vs EM FX.

Meanwhile, the "One Big Beautiful Bill Act" extending the 2017 TCJA tax breaks and offering additional cuts, has moved to the US Senate, with US congress setting a self-imposed deadline of 4 July for the enactment. The deficit and debt expanding nature of the legislation has been putting upward pressure on US longer-term yields, while the potential augmenting impact on the economy and inflation has led to repricing of the US Fed Funds cuts from four to two. Our US rates strategy team expects the upward pressure on longer-term yields to continue. The latter does not necessarily spell a clear path for the USD given the interplay between the general positive relationship between the USD and US Treasury yields and concerns regarding the stagflationary and fiscally worrisome impact of the legislation.

Rising, even if marginally, probability of fiscal dominance scenario*

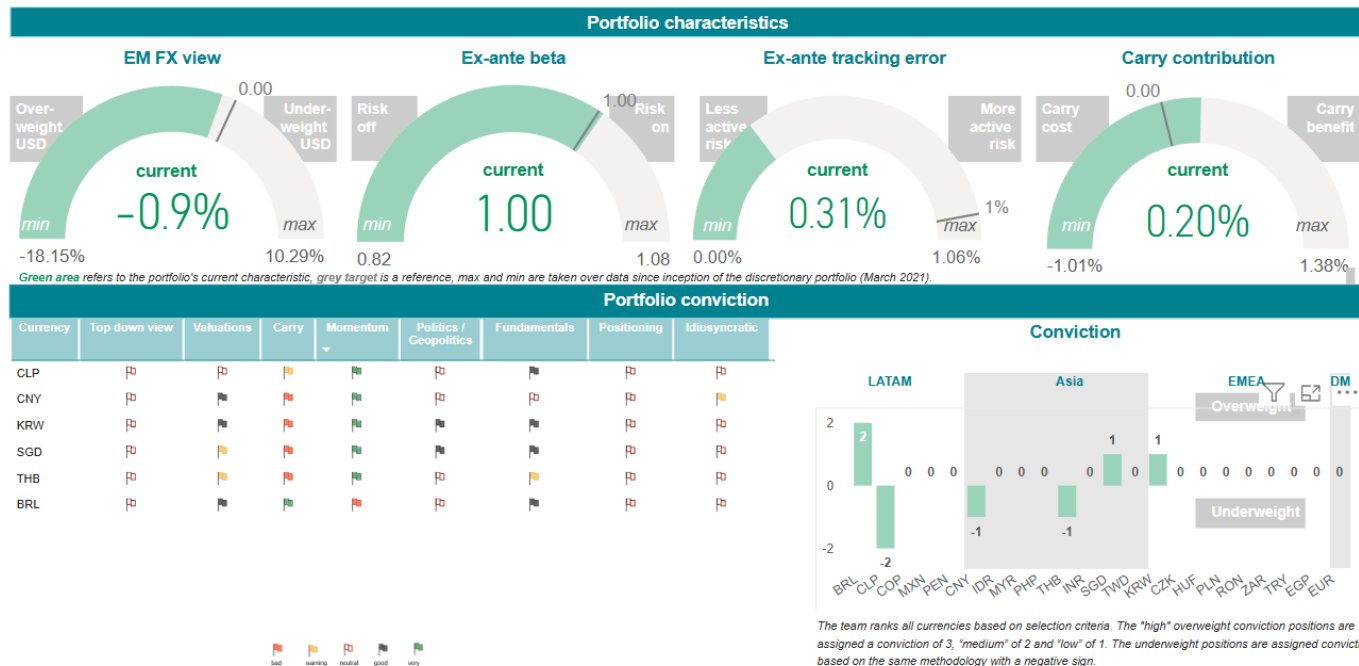


*Showing the stylistic probability of market scenarios we envision for the rest of 2025 and going into 2026. Source: Crédit Agricole CIB

In the current context, we remain focused on relative value on a beta-neutral basis in Asia and LATAM.

Our updated portfolio has a beta of 1.0 with annualised carry of 20bp. The portfolio has outperformed by 27bp YTD (see p14, Portfolio performance analysis).

Discretionary portfolio characteristics



Source: Credit Agricole CIB.

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Interest rates: what's priced in vs our forecasts

	Spot	1M view			3M view			6M view		
		Our forecasts	Market	Gap	Our forecasts	Market	Gap	Our forecasts	Market	Gap
Asia										
China (7D reverse repo rate)	1.40%	-12	-2	-9	-24	-4	-20	-30	-5	-25
India (repo)	6.00%	-29	-2	-27	-25	-6	-19	-42	-9	-33
Korea (7D repo)	2.50%	0	-8	8	-18	-16	-2	-25	-31	6
Taiwan (rediscount)	2.00%	0	2	-2	0	7	-7	0	-11	11
Thailand (repo)	1.75%	-29	-7	-23	-43	-20	-23	-50	-23	-27
Latam										
Brazil (selic)	14.75%	25	13	12	25	19	4	25	21	4
Mexico (overnight)	8.50%	-50	-50	0	-75	-63	-13	-100	-97	-3
EMEA										
Czech Rep. (14D repo)	3.50%	0	-4	4	-18	-14	-4	-42	-29	-13
Hungary (2W repo)	6.50%	0	-2	2	-18	-8	-10	-42	-39	-3
Poland (7D repo)	5.25%	0	-27	27	-35	-55	20	-50	-99	49
South Africa (repo)	7.25%	0	-2	2	-18	-22	5	-42	-36	-6

Legend:

The main divergence between our view and the market that we want to highlight:

	Where we are more hawkish than the market
	Where we are more dovish than the market
nm	No monetary policy meeting during that period

Source: Bloomberg, Reuters, Crédit Agricole CIB

The above table illustrates how many basis points rate markets are pricing in over the next 1M, 3M and 6M (cumulative) for the movements of benchmark money market rates, while our calls are on policy rates. Interpretation of the above should take into account the possibly varying spreads between money market rates. In particular, INR and RUB rates reflect, to a large part, expectations regarding the liquidity situation. However, in the current form it gives a relevant proxy for the next rate move from EM central banks.

FX: what's priced in vs our forecasts

	Spot	3M view			6M view			3M rates
		Our forecasts*	3M NDF/FWD	Gap	Our forecasts*	6M NDF/FWD	Gap	
Asia								
USD/CNY	7.19	7.22	7.13	-1.3%	7.24	7.09	-2.2%	1.7%
USD/HKD	7.85	7.81	7.79	-0.3%	7.79	7.76	-0.3%	1.8%
USD/INR	85.6	85.3	86.1	0.9%	84.6	86.5	2.1%	7.8%
USD/IDR	16 306	16 542	16 356	-1.1%	16 429	16 417	-0.1%	6.4%
USD/MYR	4.25	4.26	4.23	-0.9%	4.21	4.21	-0.1%	3.5%
USD/PHP	55.8	56.1	55.9	-0.4%	55.6	56.0	0.6%	6.4%
USD/SGD	1.29	1.30	1.28	-1.6%	1.29	1.27	-1.4%	4.2%
USD/KRW	1 372	1 394	1 364	-2.2%	1 383	1 355	-2.0%	2.6%
USD/TWD	30.0	30.3	29.3	-3.0%	30.1	28.8	-4.1%	1.7%
USD/THB	32.6	34.4	32.4	-5.7%	34.9	32.2	-7.7%	1.9%
Latam								
USD/BRL	5.64	5.74	5.77	0.6%	5.79	5.90	2.0%	14.8%
USD/CLP	941	947	939.9	-0.8%	950	941.3	-0.9%	4.9%
USD/COP	4108	4 236	4 207	-0.7%	4 286	4 255	-0.7%	8.7%
USD/MXN	19.22	20.43	19.4	-4.9%	20.7	19.6	-5.1%	7.9%
EMEA								
USD/RUB	118.7	95.7	83.6	-12.6%	96.0	87.1	-9.2%	8.4%
USD/TRY	39.14	40.25	42.98	6.8%	41.00	46.72	14.0%	16.0%
USD/ZAR	17.85	17.73	17.97	1.4%	17.56	17.97	2.3%	7.3%
EUR/CZK	24.9	25.1	24.89	-0.7%	24.9	24.9	0.2%	3.4%
EUR/HUF	404	397	404	1.6%	388	404	4.1%	6.5%
EUR/PLN	4.27	4.20	4.31	2.6%	4.20	4.34	3.4%	5.3%
EUR/RON	5.04	5.17	5.11	-1.3%	5.19	5.17	-0.4%	7.0%

* Obtained by extrapolation from our quarterly forecast grid (included at the end of this report)

Legend:

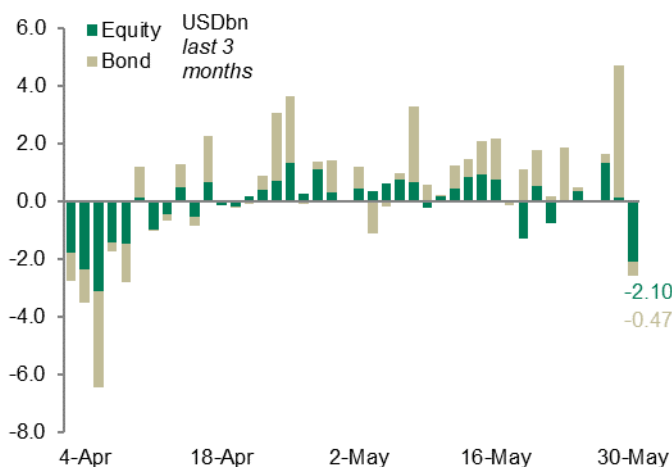
The main divergence between our view and the market that we want to highlight:

- Where we are more bullish than the market
- Where we are more bearish than the market

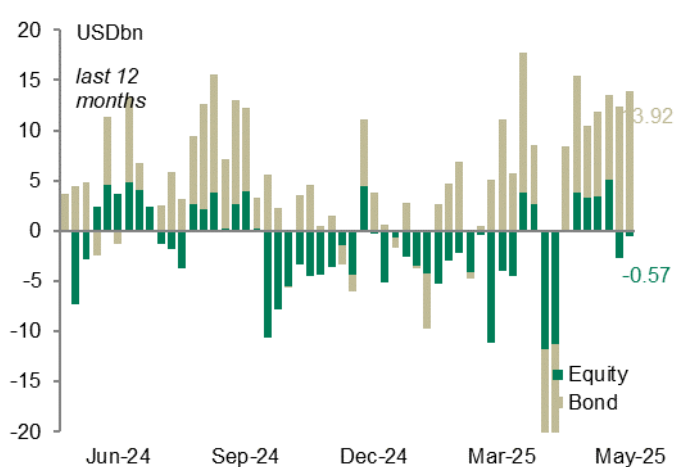
Source: Crédit Agricole CIB

CACIB EM portfolio flow indexes

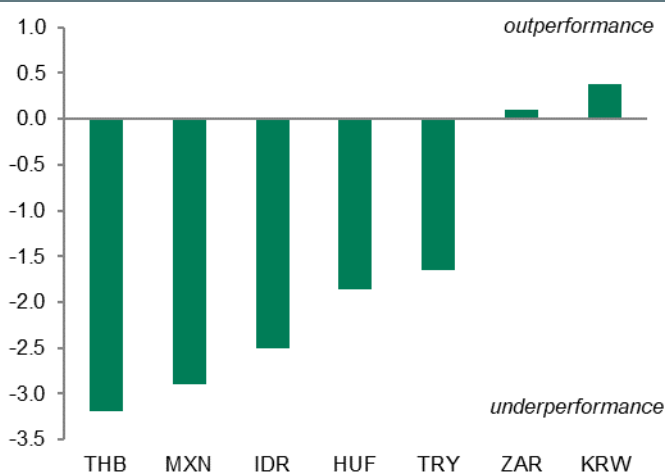
Daily portfolio flows – eight countries, debt and equity



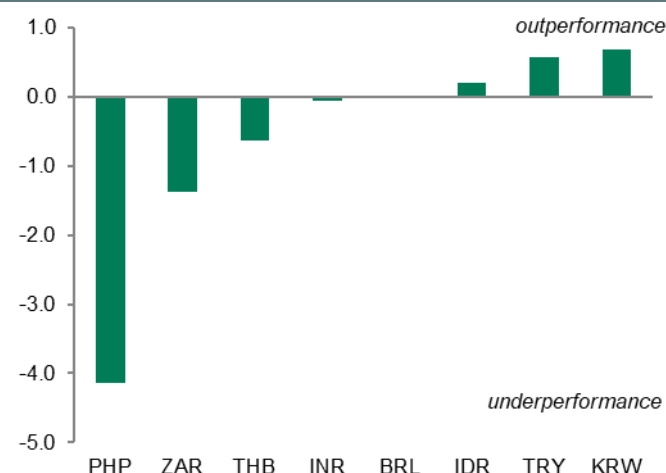
Weekly portfolio flows – 27 EMs, debt and equity



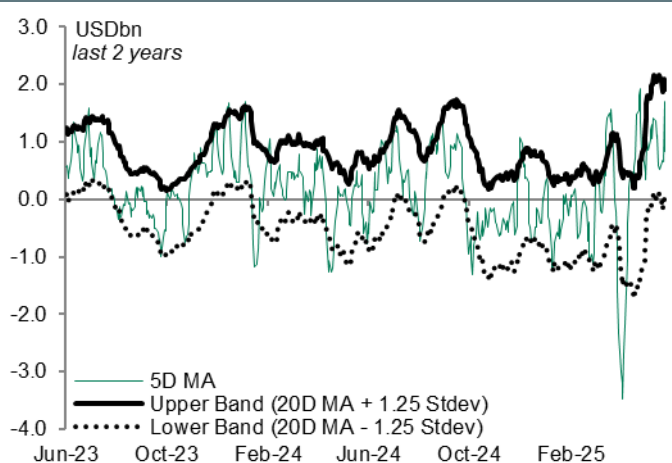
Country performance index over the past week – debt



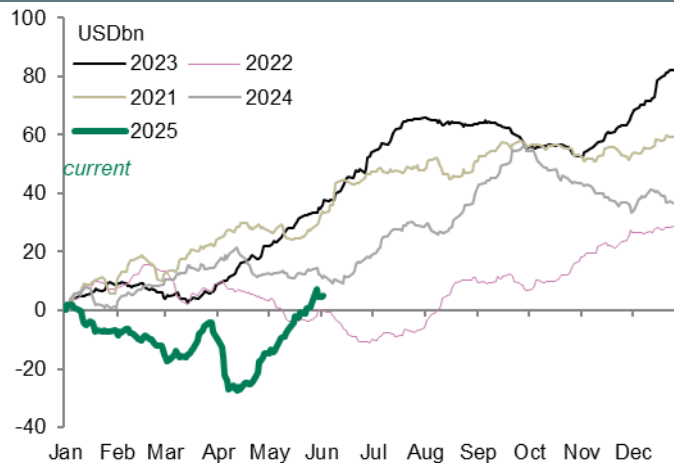
Country performance index over the past week – equity



Portfolio flow warning – eight countries, debt and equity



Cumulative portfolio flows throughout the year



Eight countries = the BRL, HUF, INR, IDR, KRW, PHP, THB and ZAR

The 'EM group' refers to the 25 countries on the equity side and the 27 on the bond side for which we have weekly, monthly or quarterly equity and debt portfolio flow data

Full details regarding the construction of the indexes and our methodology can be found in [EM portfolio flows: introducing our in-house flows indexes](#)

Source all charts: local treasuries, Bloomberg, Crédit Agricole CIB

Calendar

Main data/event calendar

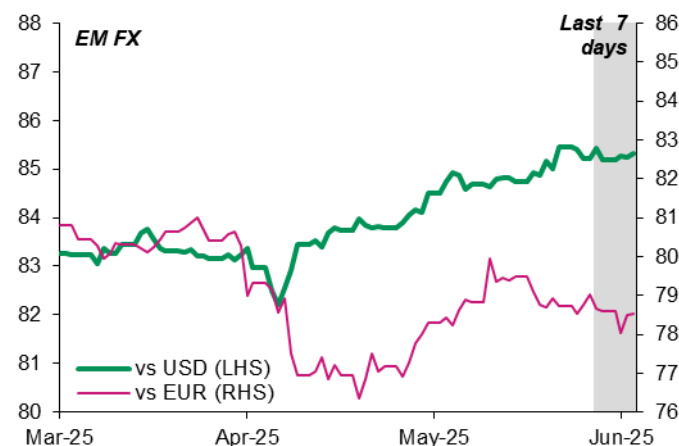
	Asia	EMEA	Latam	G10
Weds, 4 Jun		PLN – NBP rate decision: rates unchanged in line with recent remarks, guidance regarding the timing of easing in focus CPI – Flash CPI (May): hovering around 2.0% YoY CZK – Retail sales (Apr) RUB – Retail sales (Apr)	BRL – S&P Global services PMI (May) BRL – S&P Global composite PMI (May) MXN – Gross fixed income investment (Mar)	USD – ISM Services (May): we tentatively think it could remain around last month's print of 51.6, still in expansion but below where it was for most of last year
Thurs, 5 Jun	CNY – Caixin PMI Composite & Services (May) KRW – BoP (Apr) PHP – CPI (May) SGD/TWD – FX Reserves (May) SGD – Retail Sales (Apr) TWD – CPI (May): 1.7% YoY on drop in food and transport prices THB – CPI (May)	ZAR – Current account (Q1)	BRL – Trade balance (May)	EUR – ECB rate decision (5 Jun): we expect the ECB to deliver the last cut of its easing cycle and to signal at least a pause for the future
Fri, 6 Jun	HKD/PHP – Foreign Reserves (May) INR – RBI rate decision (Jun): on hold PHP – Unemployment Rate (Apr) VND – CPI/Trade/Industrial Production/Retail sales (May)	RON – Final GDP (Q1): in line with the flash estimate HUF – Retail sales (Apr) CZK, HUF – Industrial production (Apr) RUB – CBR rate decision: monetary easing on the horizon, but maybe not this time. CBR likely to need further signs of disinflation	CLP – CPI (May)	USD – Employment Report (May): NFP gains could slow from 177k last month, though should remain positive, with the unemployment rate holding at 4.2%
Weekend	7 Jun CNY – Foreign Reserves (May)			
Mon, 9 Jun	CNY – Trade (May) CNY – CPI (May) CNY – PPI (May) TWD – Trade (May): exports to rise 15% YoY as chip momentum holds up 9 – 15 Jun CNY – New Yuan Loans (May) CNY – Aggregate Financing (May) CNY – Money Supply (May)		MXN – CPI (May), Bi-Weekly CPI (May 31) COP – CPI (May) CLP – Trade balance (May)	
Tues, 10 Jun	IDR – Foreign Reserves (May)	CZK – Final CPI (May): hovering around 2.0% YoY ZAR – Manuf. production (Apr)	BRL – IPCA inflation (May)	
Weds, 11 Jun	KRW – Unemployment Rate (May) 11 – 18 Jun CNY – FDI (May)	HUF – CPI (May): driven down by government interventions RUB – CPI (May), Trade (Apr)	MXN – Industrial production (Apr)	USD – CPI (May): we are currently tracking a 0.2% MoM increase in headline with the YoY rising to 2.5% from 2.3% and a 0.3% MoM increase in core with the YoY ticking up to 3.0% from 2.8%, as we think tariffs could begin to bite
Thurs, 12 Jun	INR – CPI (May) IDR – Consumer Confidence Index (May)	RON – CPI (May): around 5.0% YoY TRY – Industrial production (Apr)	BRL – Retail sales (Apr) PEN – Reference rate: forward guidance remains flexible. We expect no change with the reference rate held at 4.5%.	USD – PPI (May): we will again be watching the relevant components for the Fed's preferred PCE measure most closely
Fri, 13 Jun	13 – 16 Jun INR – Trade (May)	PLN – Final CPI (May): in line with the flash estimate	COP – Retail sales (Apr)	

Key: **Main market movers** highlighted in gold

Source: Bloomberg, Crédit Agricole CIB

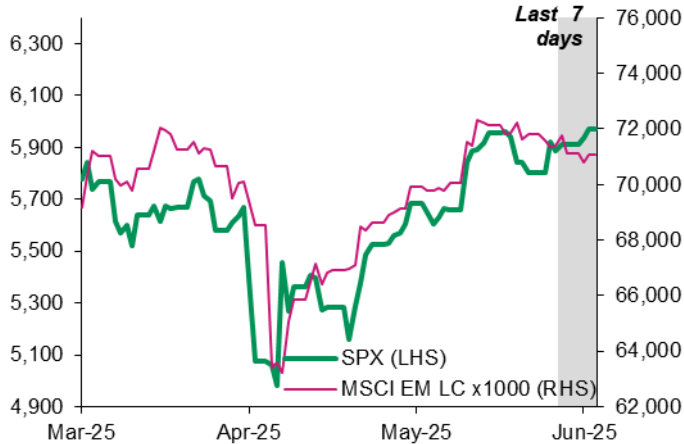
Charting the past three months...and the past seven days

EM FX (last three months)



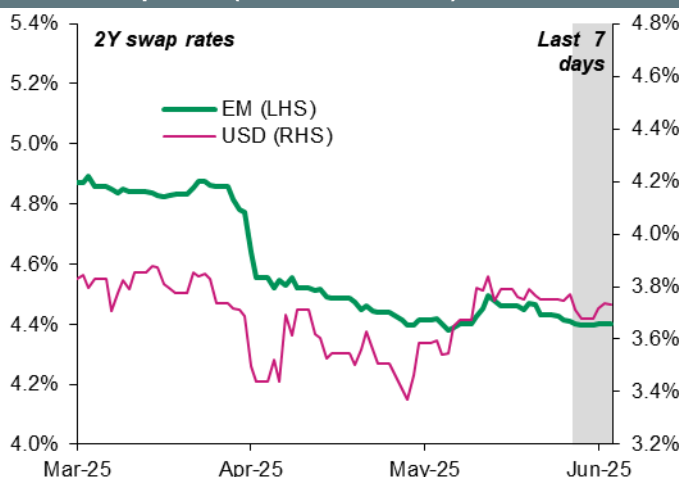
Source: Bloomberg, Crédit Agricole CIB

EM stock markets (last three months)



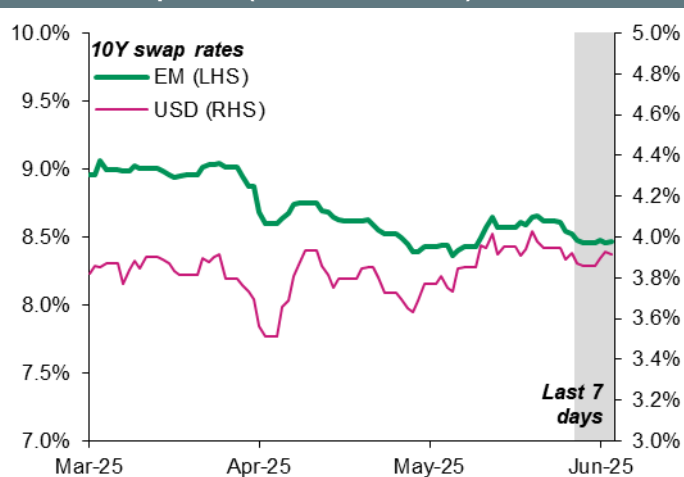
Source: Bloomberg, Crédit Agricole CIB

EM 2Y swap rates (last three months)



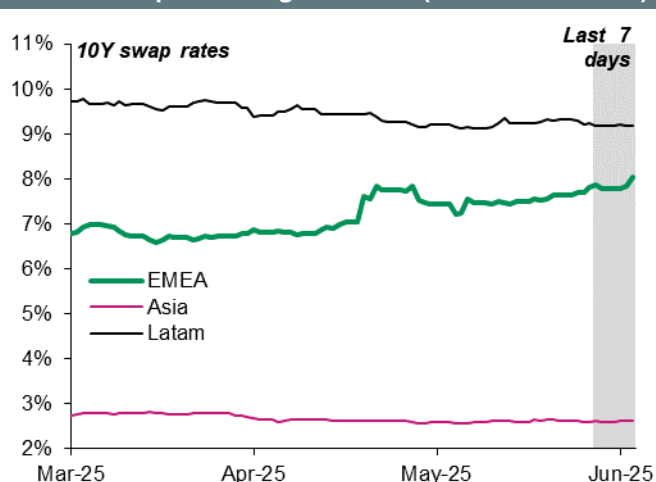
Source: Bloomberg, Crédit Agricole CIB

EM 10Y swap rates (last three months)



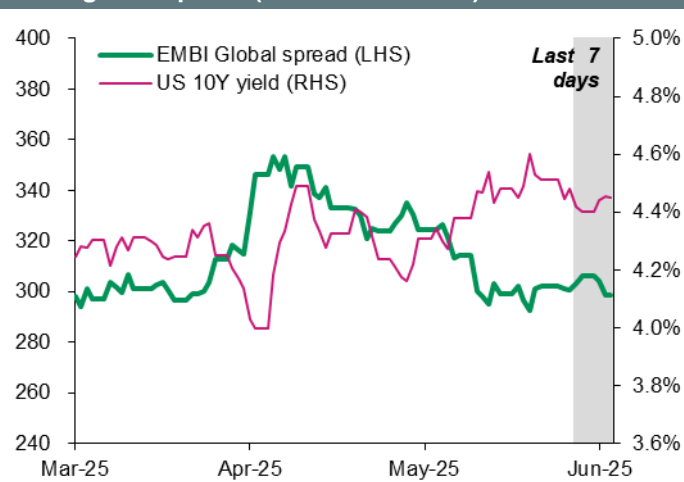
Source: Bloomberg, Crédit Agricole CIB

EM 10Y swap rates: regional view (last three months)



Source: Bloomberg, Crédit Agricole CIB

EMBI global spread (last three months)



Source: Bloomberg, Crédit Agricole CIB

Economic forecasts

	Real GDP (YoY. %)			CPI (YoY. %)			Current Account (% GDP)		
	24	25	26	24	25	26	24	25	26
USA	2.8	1.7	2.2	2.9	2.7	2.7	-3.7	-3.6	-3.5
JAPAN	0.1	0.9	1.0	2.4	2.4	1.2	4.0	2.5	2.0
EUROZONE	0.8	1.0	1.5	2.4	2.1	1.8	2.8	2.4	2.3
Belgium	1.0	1.1	1.5	4.3	3.5	1.7	0.1	-0.1	0.2
France	1.1	0.8	1.4	2.3	1.1	1.4	-0.3	-0.1	0.1
Germany	-0.2	0.1	1.5	2.5	2.2	2.2	6.4	6.4	6.0
Italy	0.5	0.6	1.0	1.1	1.7	1.2	1.5	2.2	2.2
Netherlands	0.9	1.6	1.5	3.2	2.6	2.1	10.3	10.0	10.0
Spain	3.2	2.5	2.0	2.9	2.6	1.9	3.1	0.9	1.5
Other developed countries									
Australia	1.2	2.1	2.2	3.3	3.3	3.0	-0.9	-1.1	-1.3
Canada	1.1	1.8	1.9	2.4	2.0	2.0	-0.8	-1.0	-0.9
New Zealand	0.0	1.9	2.4	2.7	2.2	2.1	-6.3	-5.0	-4.5
Norway	0.6	1.8	1.7	3.1	2.3	2.2	17.2	16.3	12.4
Sweden	0.5	1.2	1.8	2.9	1.7	1.9	7.9	4.4	4.3
Switzerland	1.3	1.3	1.8	1.3	1.0	1.0	8.2	7.6	8.0
United Kingdom	0.9	0.9	1.4	2.5	3.2	2.4	-2.5	-2.0	-2.2
Asia	5.2	4.6	4.7	1.7	1.5	1.9	2.0	1.6	1.3
China	5.0	4.6	4.3	0.2	0.1	0.6	2.2	1.6	1.1
Hong Kong	2.5	2.3	2.2	1.8	2.5	2.2	11.3	10.7	10.0
India	6.8	6.3	6.7	4.9	4.0	4.7	-1.4	-1.6	-1.7
Indonesia	5.0	4.7	4.9	2.3	2.0	2.2	-0.6	-1.0	-1.2
Korea	2.0	0.8	2.3	2.3	2.0	2.0	5.3	4.8	4.9
Malaysia	5.1	4.2	4.3	1.8	2.3	2.2	1.7	2.0	2.5
Philippines	5.6	6.0	6.1	3.2	2.0	3.2	-3.5	-3.5	-2.9
Singapore	4.4	2.4	2.5	2.4	2.3	2.2	17.5	18.8	19.3
Taiwan	4.6	2.6	2.5	2.2	1.9	1.8	14.3	13.0	12.2
Thailand	2.5	2.2	2.3	0.4	1.0	1.2	2.2	2.8	3.2
Vietnam	7.1	6.1	6.0	3.6	3.2	3.3	4.5	5.6	4.1
Latin America	2.4	2.1	2.2	3.9	3.4	3.0	-1.4	-1.6	-1.7
Brazil	3.4	2.0	1.7	4.4	5.2	4.3	-2.6	-2.5	-1.5
Chile	2.3	2.2	2.4	4.2	3.6	3.1	-2.4	-2.5	-2.8
Colombia	1.8	2.4	2.5	6.6	4.2	3.2	-2.5	-2.7	-2.6
Mexico	1.2	0.0	1.0	4.7	3.8	3.5	-0.7	-0.6	-0.8
Peru	2.6	2.5	2.3	2.5	2.3	2.1	0.3	-0.2	-0.5
Emerging Europe	3.2	2.0	2.1	6.6	5.6	4.4	1.3	0.9	0.8
Czech Republic	1.0	2.2	2.4	2.5	2.4	2.0	1.8	1.2	0.6
Hungary	0.5	2.4	3.1	3.7	4.3	2.8	2.1	1.5	1.0
Poland	2.9	3.1	3.3	3.6	3.9	2.8	0.1	0.2	0.1
Romania	0.8	2.6	2.9	5.6	4.5	3.1	-8.3	-7.0	-6.5
Russia	4.1	1.5	1.5	8.4	6.8	5.5	3.0	2.2	2.1
Turkey	3.0	3.0	3.2	60.1	36.0	17.0	-1.5	-1.5	-1.5
Africa & Middle East	2.1	3.2	3.4	12.8	10.5	9.0	1.7	0.7	0.5
Algeria	3.3	3.0	2.7	4.8	5.2	4.8	-0.4	-1.8	-2.6
Egypt	2.4	3.8	4.4	33.2	21.0	14.0	-5.5	-5.1	-4.5
Iran	3.2	2.4	2.5	32.5	30.0	28.0	3.4	2.7	2.2
Kuwait	-2.4	3.1	2.2	3.0	2.3	2.2	24.4	21.0	19.0
Morocco	3.4	3.6	3.3	1.1	2.0	2.0	-2.1	-2.6	-2.9
Qatar	1.7	2.1	5.2	1.3	1.7	2.0	15.9	12.5	13.9
Saudi Arabia	1.3	3.7	4.2	1.7	2.0	2.0	0.2	-1.8	-2.1
South Africa	0.6	1.7	1.4	4.4	4.0	4.4	-0.6	-1.5	-1.8
Tunisia	1.4	1.6	1.5	7.0	6.7	6.7	-1.7	-2.3	-2.8
United Arab Emirates	3.8	4.5	4.7	1.8	2.0	2.0	9.1	8.8	8.3
Total	3.1	2.8	3.0	4.4	3.5	3.0	0.7	0.4	0.2
Industrialised countries	1.6	1.3	1.8	2.6	2.5	2.2	-0.1	-0.4	-0.4
Emerging countries	4.2	3.9	3.9	5.8	4.3	3.6	1.3	0.9	0.7

Notes:

(1) CPI – for UK: HICP; for Brazil: IPCA

(2) India – fiscal year ending in March

Source: Crédit Agricole CIB

Exchange rate forecasts

		3-Jun	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
USD Exchange rate									
Industrialised countries									
Euro	EUR/USD	1.14	1.12	1.13	1.14	1.13	1.12	1.11	1.10
Japan	USD/JPY	144.0	144.0	143.0	142.0	145.0	146.0	147.0	148.0
United Kingdom	GBP/USD	1.35	1.35	1.36	1.38	1.38	1.37	1.36	1.36
Switzerland	USD/CHF	0.82	0.85	0.85	0.85	0.86	0.88	0.88	0.89
Canada	USD/CAD	1.37	1.42	1.40	1.38	1.37	1.36	1.35	1.35
Australia	AUD/USD	0.65	0.65	0.66	0.68	0.68	0.69	0.70	0.70
New Zealand	NZD/USD	0.60	0.59	0.60	0.61	0.62	0.62	0.64	0.64
Euro Cross rates									
Industrialised countries									
Australia	EUR/AUD	1.76	1.72	1.71	1.68	1.66	1.62	1.59	1.57
Canada	EUR/CAD	1.6	1.590	1.582	1.573	1.548	1.523	1.499	1.485
Japan	EUR/JPY	163.67	161.28	161.59	161.88	163.85	163.52	163.17	162.80
New Zealand	EUR/NZD	1.9	1.898	1.883	1.869	1.823	1.806	1.734	1.719
Norway	EUR/NOK	11.54	11.60	11.40	11.20	11.00	10.80	10.60	10.50
Singapore	EUR/SGD	1.5	1.467	1.469	1.471	1.458	1.456	1.454	1.441
Sweden	EUR/SEK	10.94	11.00	10.90	10.80	10.70	10.60	10.50	10.50
Switzerland	EUR/CHF	0.94	0.95	0.96	0.97	0.97	0.98	0.98	0.98
United Kingdom	EUR/GBP	0.84	0.83	0.83	0.83	0.82	0.82	0.81	0.81
Asia									
China	USD/CNY	7.19	7.20	7.23	7.25	7.26	7.28	7.27	7.26
Hong Kong	USD/HKD	7.84	7.84	7.80	7.78	7.76	7.76	7.77	7.77
India	USD/INR	85.68	86.00	85.00	84.50	84.00	83.50	83.25	83.00
Indonesia	USD/IDR	16280	16650	16500	16400	16400	16300	16400	16500
Malaysia	USD/MYR	4.24	4.30	4.25	4.20	4.25	4.30	4.30	4.30
Philippines	USD/PHP	55.6	56.3	56.0	55.5	56.0	56.3	56.5	56.5
Singapore	USD/SGD	1.29	1.31	1.30	1.29	1.29	1.30	1.31	1.31
South Korea	USD/KRW	1378	1405	1390	1380	1370	1360	1360	1370
Taiwan	USD/TWD	30.0	30.4	30.2	30.0	30.0	30.2	30.3	30.4
Thailand	USD/THB	32.6	34.0	34.5	35.0	35.5	36.0	35.8	35.6
Vietnam	USD/VND	26038	25900	25700	25600	25400	25300	25500	25500
Latin America									
Brazil	USD/BRL	5.64	5.70	5.75	5.80	5.85	5.90	5.95	5.90
Chile	USD/CLP	940.50	940.00	950.00	950.00	945.00	940.00	935.00	930.00
Colombia	USD/COP	4107.50	4200.00	4250.00	4300.00	4400.00	4300.00	4200.00	4200.00
Mexico	USD/MXN	19.23	20.25	20.50	20.75	21.00	21.00	21.00	21.00
Peru	USD/PEN	3.62	3.70	3.75	3.80	3.75	3.70	3.65	3.60
Africa									
South Africa	USD/ZAR	17.85	17.80	17.70	17.50	17.40	17.40	17.60	17.70
Emerging Europe									
Poland	USD/PLN	3.76	3.75	3.72	3.68	3.71	3.73	3.76	3.78
Russia	USD/RUB	78.97	95.00	96.00	96.00	96.00	96.00	96.00	96.00
Turkey	USD/TRY	39.12	39.60	40.50	41.20	41.80	42.20	42.60	43.00
Central Europe									
Czech Rep.	EUR/CZK	24.86	25.20	25.00	24.80	24.60	24.50	24.40	24.30
Hungary	EUR/HUF	403	403	395	385	380	370	368	365
Poland	EUR/PLN	4.27	4.20	4.20	4.20	4.19	4.18	4.17	4.16
Romania	EUR/RON	5.06	5.15	5.18	5.20	5.20	5.20	5.20	5.20

Source: Cr dit Agricole CIB

Policy rate forecasts

		3-Jun	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Asia									
China	7d reverse repo rate	1.40	1.40	1.30	1.10	1.10	1.00	1.00	1.00
Hong Kong	Base rate	4.75	4.50	4.25	4.25	4.25	4.25	4.25	4.25
India	Repo rate	6.00	5.75	5.75	5.50	5.50	5.25	5.25	5.25
Indonesia	7D (reverse) repo rate	5.50	5.50	5.25	5.00	5.00	5.00	5.00	5.00
Korea	Base rate	2.50	2.50	2.25	2.25	2.00	2.00	2.00	2.00
Malaysia	OPR	3.00	3.00	3.00	2.75	2.75	2.50	2.50	2.50
Philippines	Repo rate	5.50	5.25	5.00	5.00	5.00	5.00	5.00	5.00
Singapore	O/N SORA	2.12	2.30	2.20	2.15	2.15	2.15	2.10	2.10
Taiwan	Redisc	2.00	2.00	2.00	2.00	2.00	1.88	1.88	1.88
Thailand	Repo	1.75	1.50	1.25	1.25	1.25	1.25	1.25	1.25
Vietnam	Refinancing rate	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Latin America									
Brazil	Overnight/Selic	14.75	15.00	15.00	15.00	14.00	13.00	13.00	13.00
Chile	o/n lending rate	5.00	5.00	5.00	5.00	4.50	4.50	4.50	4.50
Colombia	o/n lending rate	10.25	9.00	8.50	8.00	7.50	7.00	7.00	7.00
Mexico	Overnight rate	8.50	8.00	7.50	7.00	7.00	7.00	7.00	7.00
Peru	o/n lending rate	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
EMEA									
Czech Rep.	14D repo	3.50	3.50	3.25	3.00	3.00	3.00	3.00	3.00
Hungary	Base rate	6.50	6.50	6.25	6.00	5.50	5.25	4.75	4.50
Poland	7D repo	5.25	5.25	4.75	4.75	4.25	4.25	4.25	4.25
Romania	2W repo	6.50	6.50	6.50	6.50	6.25	6.00	5.50	5.25
Russia	1W auction rate	21.00	21.00	18.00	16.00	15.00	14.00	12.00	12.00
South Africa	Repo	7.25	7.25	7.00	6.75	6.75	6.75	6.75	6.75
Turkey	1W repo rate	46.00	42.50	37.50	33.00	30.00	27.00	24.00	22.00

Source: Crédit Agricole CIB

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