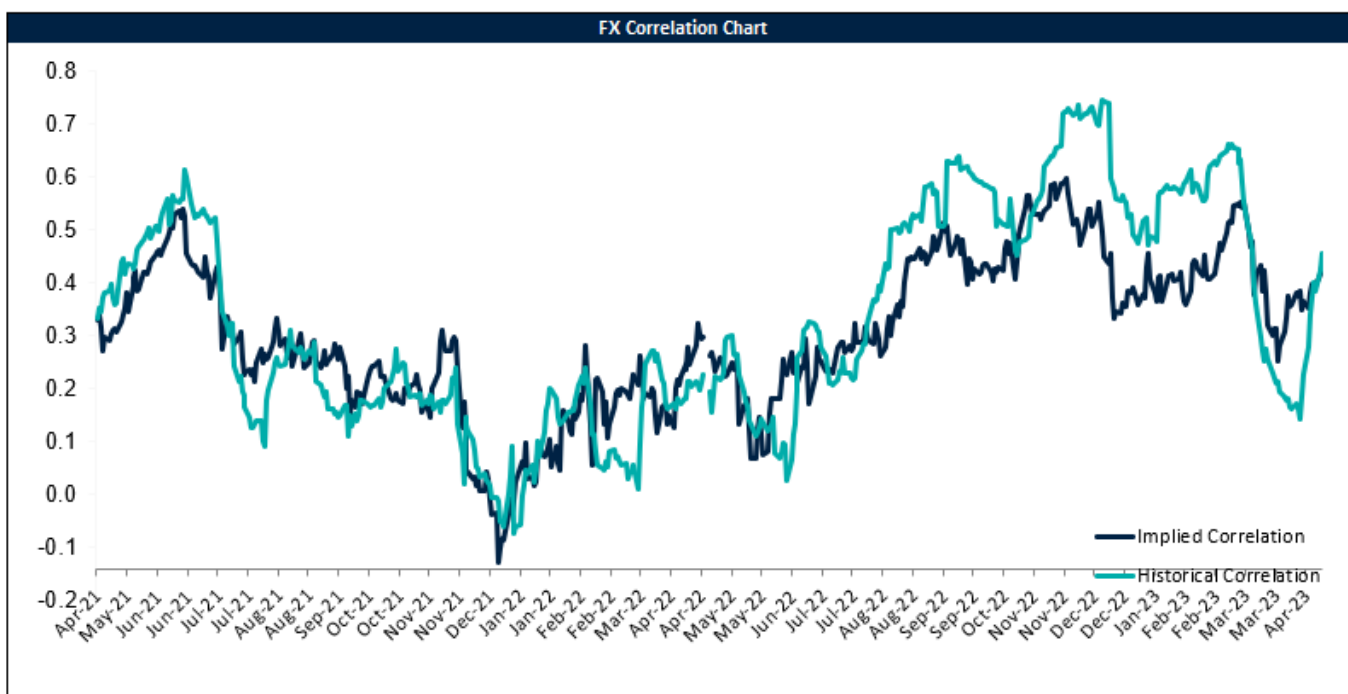


THEMES OF THE MONTH

- Implied vols for 2-week tenor have surged above historical levels, following recent developments in the US banking sector. With the establishment of Bank Term Funding Program (BTFP), the likelihood has increased that US recession will be seen sooner in a few months' time. Few signals that support our views: 1/ significant steepening of US yield curve 2/ significant tightening of US financial conditions and 3/ significant widening of credit spreads
 - The dismal FRB earnings result on April 25th rekindled recession fears, which worsened risk sentiment as seen by the X/JPY moving off its highs, rising interest rates, and decline in stock prices.
 - We opined the market's current pricing is slightly underpriced for the USD rates curve and the market is a bit too pessimistic on growth. We like to position for a rebound in risk sentiment via X/JPY. See point **1) Position for higher X/JPY**. For updated daily OIS pricing of "What's Priced By", please refer to [Asian FX Open](#)
 - Antipodeans have relatively less beta to whole risk-off saga, given how firm the overall the AUS and NZD equity markets. However, there was some selling pressure from traders who were short on volatility during the risk-off event. We like to take advantage of EUR vs AUD vol spread. Re point **2) Position for EUR hiking cycle vs USD and AUD**.
- Below gives the full breakdown of our implied FX volatility and risk reversal tables.**

1) Position for higher X-JPY

Chart 1: 1m USD/JPY / AUD/USD Implied and Historical Correlation



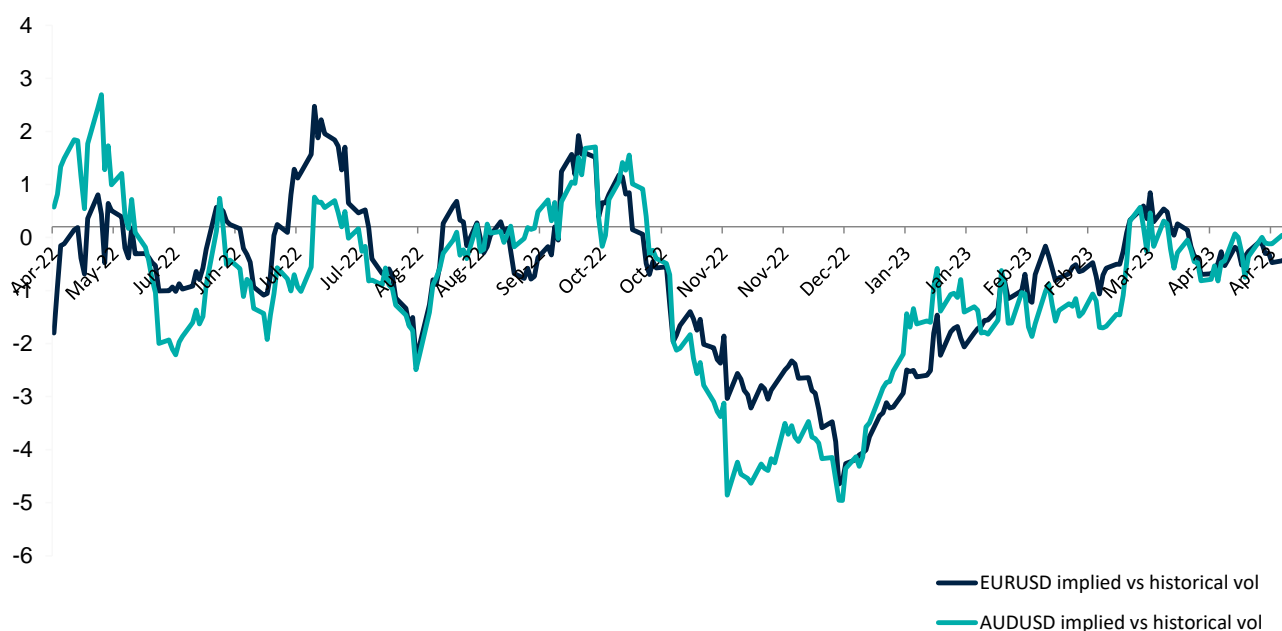
Source: Bloomberg. As of April 25th, 2023

- We like to position for AUD/JPY higher through USD legs as we think growth concerns are overdone.
- We believe that a repricing in growth forecasts will help AUD/USD because the RBA meeting is upcoming which is priced at zero.
- We like USD/JPY higher as we think the market's current pricing is slightly underpriced for the USD rates curve.

- We expect no policy change by the BoJ Friday, though Dr. Ueda, the new governor, will give an order to have the comprehensive assessment toward the next meeting in June. Therefore, the risk is if YCC tweaks are announced this week, JPY tailwinds would grow stronger.

2) Position for EUR hiking cycle vs USD and AUD

Chart 2: 2m AUD/USD implied vs historical vol and 2m EUR/USD implied vs historical vol

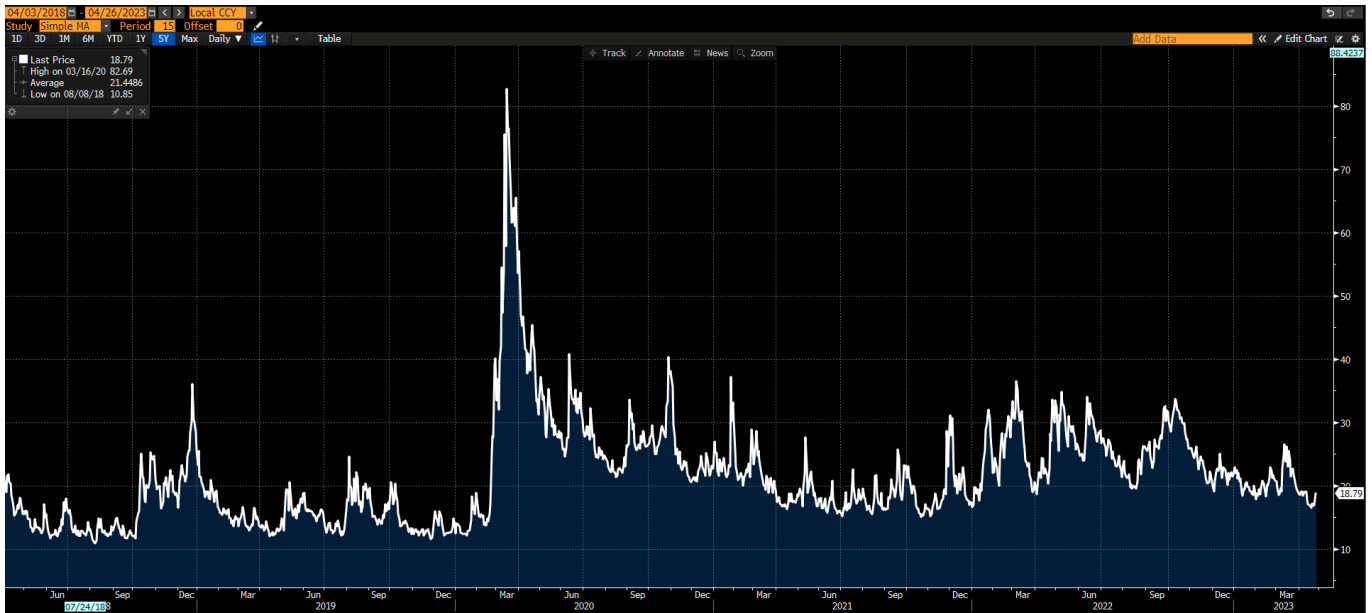


Source: Bloomberg. As of April 25th, 2023

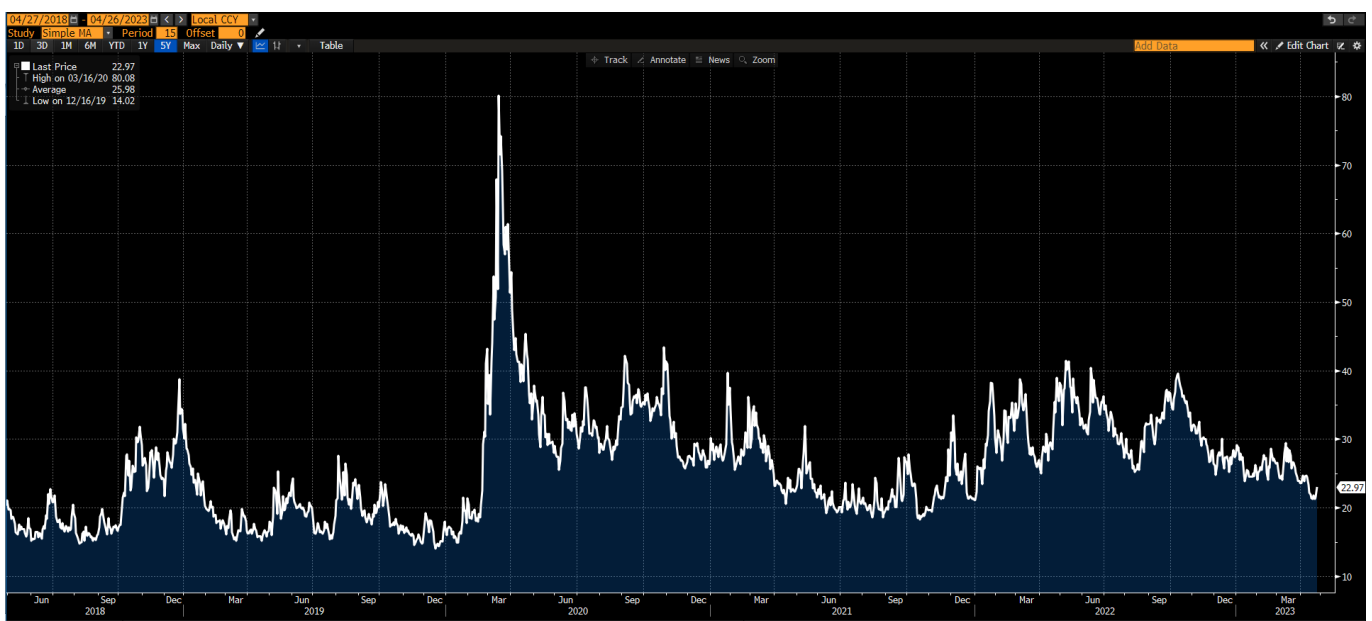
- The EUR/USD upward trade is still gaining momentum since 1/ the US small banks are in worse shape, hence Fed is relatively more 'dovish' 2/ the March EU CPI is still robust, and the market is still pricing in a future rate increases given the ECB's relatively aggressive stance.
- Aussie CPI came in slightly softer than expected on Wednesday and reinforces the narrative that inflation is coming down in Australia. Overall, this keeps the RBA on track for no hike at the next meet on May 2. The market is now pricing in a peak in the AUD policy rate by Aug 2023.
- As EUR vol screens to have more value vs AUD in terms of implied vs historical, it is worth looking to take advantage of EUR vs AUD vol spread.

CROSS ASSET VOLATILITY CHARTS

US SPX Equity Volatility



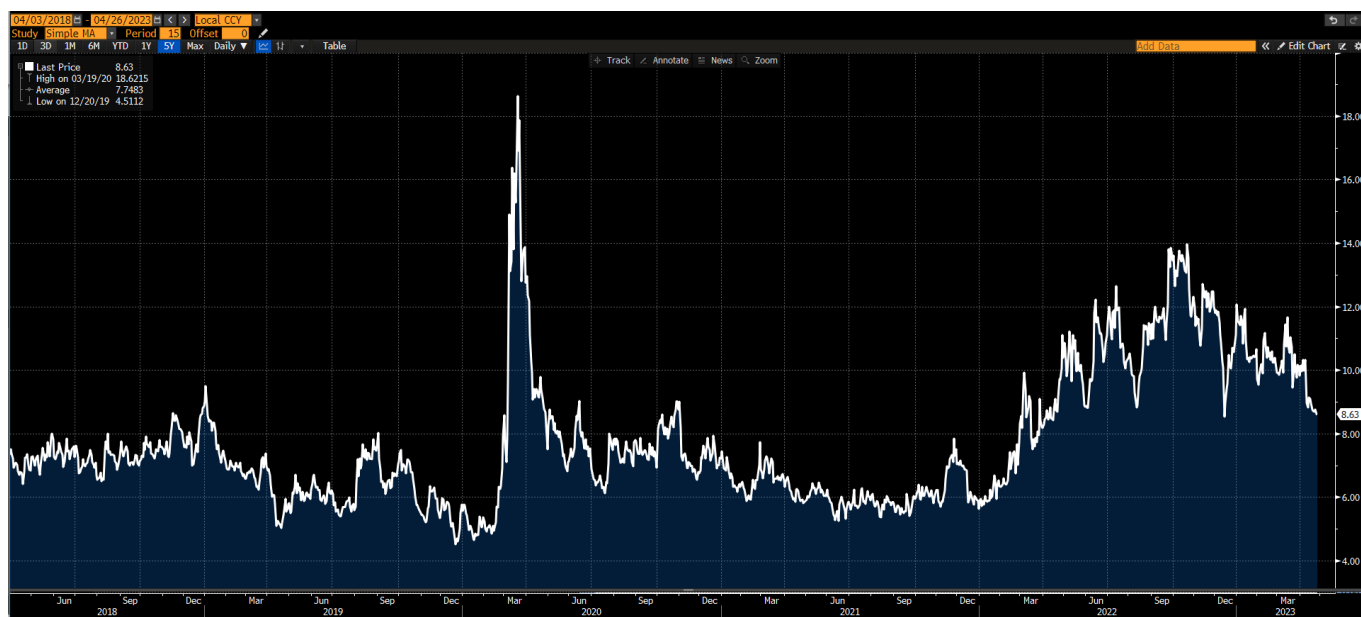
US NDX Equity Volatility



Bond Volatility



JPM G10 FX Volatility



Source: Bloomberg. As of April 25th, 2023

At The Money (ATM) Implied Volatility for G10 FX

Strike Tenor	FX Pair	Ann. Hist. Vol	At The Money (ATM)				2W		Range	ATM Vol Chart
			1-Month Low	1-Week Low	Latest ATM Vol	1-Week High	1-Month High			
	AUDUSD	12.24	+11.74	+13.58	+14.76	+15.26	+15.26	+11.74 +13.58 +14.76 +15.26		
	NZDUSD	11.76	+11.40	+13.03	+14.19	+14.81	+14.81	+11.40 +13.03 +14.19 +14.81		
	USDJPY	13.85	+10.54	+13.65	+15.45	+15.58	+16.84	+10.54 +13.65 +15.45 +16.84		
	EURUSD	9.04	+7.10	+9.72	+11.44	+11.56	+11.56	+7.10 +9.72 +11.44 +11.56		
	GBPUSD	10.07	+9.14	+11.51	+12.08	+12.87	+12.87	+9.14 +11.51 +12.08 +12.87		
	USDCAD	7.13	+6.59	+7.77	+8.77	+9.34	+9.34	+6.59 +7.77 +8.77 +9.34		
	USDCHF	11.02	+7.15	+10.49	+11.62	+11.71	+11.71	+7.15 +10.49 +11.62 +11.71		
	USDSEK	15.29	+12.17	+14.16	+16.03	+16.03	+16.03	+12.17 +14.16 +16.03		
	USDNOK	14.93	+13.15	+16.35	+18.17	+18.17	+18.17	+13.15 +16.35 +18.17		

Strike Tenor	FX Pair	Ann. Hist. Vol	At The Money (ATM)				1M		Range	ATM Vol Chart
			1-Month Low	1-Week Low	Latest ATM Vol	1-Week High	1-Month High			
	AUDUSD	11.50	+11.80	+13.11	+13.64	+14.16	+14.16	+11.80 +13.11 +13.64 +14.16		
	NZDUSD	11.29	+11.55	+12.94	+13.30	+14.03	+14.03	+11.55 +12.94 +13.30 +14.03		
	USDJPY	11.14	+11.83	+12.79	+13.77	+14.09	+14.09	+11.83 +12.79 +13.77 +14.09		
	EURUSD	8.04	+7.98	+8.88	+9.92	+10.63	+10.63	+7.98 +8.88 +9.92 +10.63		
	GBPUSD	10.20	+9.59	+10.67	+11.07	+11.66	+11.66	+9.59 +10.67 +11.07 +11.66		
	USDCAD	6.94	+6.87	+7.81	+8.36	+8.70	+8.70	+6.87 +7.81 +8.36 +8.70		
	USDCHF	9.32	+7.82	+9.27	+10.34	+10.57	+10.57	+7.82 +9.27 +10.34 +10.57		
	USDSEK	13.75	+12.15	+13.05	+14.48	+14.95	+14.95	+12.15 +13.05 +14.48 +14.95		
	USDNOK	13.91	+13.42	+14.74	+16.30	+16.85	+16.85	+13.42 +14.74 +16.30 +16.85		

Strike Tenor	At The Money (ATM)						Range	ATM Vol Chart
	FX Pair	Ann. Hist. Vol	1-Month Low	1-Week Low	Latest ATM Vol	1-Week High		
AUDUSD	13.10	+11.53	+12.38	+13.10	+13.10	+13.10	+11.53 - 12.38 - 13.10	
NZDUSD	13.44	+11.62	+12.28	+12.88	+12.88	+12.88	+11.62 - 12.28 - 12.88	
USDJPY	13.87	+11.51	+12.30	+13.75	+13.75	+13.75	+11.51 - 12.30 - 13.75	
EURUSD	8.79	+7.74	+8.16	+9.31	+9.53	+9.53	+7.74 - 8.16 - 9.31 - 9.53	
GBPUSD	10.83	+9.43	+10.07	+10.71	+10.89	+10.89	+9.43 - 10.07 - 10.71 - 10.89	
USDCAD	7.63	+6.88	+7.37	+7.81	+7.87	+7.87	+6.88 - 7.37 - 7.81 - 7.87	
USDCHF	9.77	+7.80	+8.47	+9.55	+9.55	+9.55	+7.80 - 8.47 - 9.55	
USDSEK	13.83	+11.93	+12.53	+13.79	+13.91	+13.91	+11.93 - 12.53 - 13.79 - 13.91	
USDNOK	14.91	+13.17	+13.88	+15.37	+15.47	+15.47	+13.17 - 13.88 - 15.37 - 15.47	

Risk Reversal (RR) for G10 FX

Delta Tenor	10 2W						Range	RR Chart
	FX Pair	Ann. Hist. Vol	1-Month Low	1-Week Low	Latest Risk Reversal	1-Week High		
AUDUSD	12.24	-2.62	-2.62	-2.62	-1.98	-1.24	-2.62 - 1.98 - 1.24	
NZDUSD	11.76	-2.25	-2.25	-2.25	-1.76	-1.03	-2.25 - 1.76 - 1.03	
USDJPY	13.85	-5.43	-4.11	-4.03	-2.89	-1.37	-5.43 - 4.11 - 2.89 - 1.37	
EURUSD	9.04	-2.19	-2.19	-2.13	-0.42	-0.37	-2.19 - 2.13 - 0.42 - 0.37	
GBPUSD	10.07	-1.84	-1.84	-1.78	-1.25	-0.79	-1.84 - 1.78 - 1.25 - 0.79	
USDCAD	7.13	+0.63	+0.97	+1.34	+1.52	+1.52	+0.63 - 0.97 - 1.34 - 1.52	
USDCHF	11.02	-0.93	-0.93	-0.48	+0.03	+0.53	-0.93 - 0.48 - 0.03 - 0.53	
USDSEK	15.29	+1.42	+1.43	+2.20	+2.20	+2.20	+1.42 - 1.43 - 2.20 - 2.20	
USDNOK	14.93	+1.74	+1.99	+3.07	+3.07	+3.07	+1.74 - 1.99 - 3.07 - 3.07	

Delta Tenor							25 2W				
FX Pair	Ann. Hist. Vol	1-Month Low	1-Week Low	Latest Risk Reversal	1-Week High	1-Month High	Range		RR Chart		
AUDUSD	12.24	-1.38	-1.38	-1.38	-1.03	-0.65	-1.38	-1.03	-0.65		
NZDUSD	11.76	-1.20	-1.20	-1.20	-0.95	-0.55	-1.20	-0.95	-0.55		
USDJPY	13.85	-2.84	-2.18	-2.05	-1.56	-0.77	-2.84	-2.2805	-1.56	-0.77	
EURUSD	9.04	-1.15	-1.15	-1.14	-0.26	-0.22	-1.154		-0.022		
GBPUSD	10.07	-1.00	-1.00	-0.97	-0.69	-0.43	-1.0097	-0.69	-0.43		
USDCAD	7.13	+0.35	+0.52	+0.74	+0.82	+0.82	+0.35	+0.52	+0.74	+0.82	
USDCHF	11.02	-0.36	-0.36	+0.26	+0.26	+0.31	-0.36		+0.2631		
USDSEK	15.29	+0.80	+0.80	+1.18	+1.18	+1.18	+0.80		+1.18		
USDNOK	14.93	+0.95	+1.11	+1.69	+1.69	+1.69	+0.95	+1.11	+1.69		

Delta Tenor							10 1M				
FX Pair	Ann. Hist. Vol	1-Month Low	1-Week Low	Latest Risk Reversal	1-Week High	1-Month High	Range		RR Chart		
AUDUSD	11.50	-2.79	-2.79	-2.79	-2.18	-1.57	-2.79	-2.18	-1.57		
NZDUSD	11.29	-2.55	-2.55	-2.55	-1.99	-1.35	-2.55	-1.99	-1.35		
USDJPY	11.14	-3.88	-3.88	-3.80	-2.97	-1.77	-3.88	-2.97	-1.77		
EURUSD	8.04	-2.49	-2.49	-2.23	-0.84	-0.70	-2.49	-2.23	-0.84	-0.70	
GBPUSD	10.20	-2.21	-2.21	-2.12	-1.55	-1.08	-2.21	-2.12	-1.55	-1.08	
USDCAD	6.94	+0.84	+1.23	+1.62	+1.70	+1.70	+0.84	+1.23	+1.62	+1.70	
USDCHF	9.32	-0.99	-0.99	-0.60	+0.18	+0.62	-0.99	-0.60	+0.18	+0.62	
USDSEK	13.75	+1.84	+1.85	+2.95	+2.95	+2.95	+1.84		+2.95		
USDNOK	13.91	+2.09	+2.47	+3.31	+3.54	+3.54	+2.09	+2.47	+3.31	+3.54	

Delta Tenor							25 1M				
FX Pair	Ann. Hist. Vol	1-Month Low	1-Week Low	Latest Risk Reversal	1-Week High	1-Month High	Range		RR Chart		
AUDUSD	11.50	-1.46	-1.46	-1.46	-1.13	-0.82	-1.46	-1.13	-0.82		
NZDUSD	11.29	-1.32	-1.32	-1.32	-1.08	-0.73	-1.32	-1.08	-0.73		
USDJPY	11.14	-1.97	-1.97	-1.93	-1.54	-0.94	-1.97	-1.54	-0.94		
EURUSD	8.04	-1.34	-1.34	-1.20	-0.45	-0.38	-1.34	-1.20	-0.48	-0.38	
GBPUSD	10.20	-1.19	-1.19	-1.09	-0.83	-0.58	-1.19	-1.09	-0.83	-0.58	
USDCAD	6.94	+0.45	+0.66	+0.87	+0.91	+0.91	+0.45	+0.66	+0.87	+0.91	
USDCHF	9.32	-0.30	-0.30	+0.09	+0.10	+0.34	-0.30	+0.09	+0.34		
USDSEK	13.75	+1.00	+1.00	+1.35	+1.35	+1.35	+1.00		+1.35		
USDNOK	13.91	+1.13	+1.32	+1.78	+1.88	+1.88	+1.13	+1.32	+1.78	+1.88	

Delta Tenor							10 3M				
FX Pair	Ann. Hist. Vol	1-Month Low	1-Week Low	Latest Risk Reversal	1-Week High	1-Month High	Range		RR Chart		
AUDUSD	13.10	-3.48	-3.48	-3.48	-2.98	-2.50	-3.48	-2.98	-2.50		
NZDUSD	13.44	-3.01	-3.01	-3.01	-2.76	-2.24	-3.01	-2.76	-2.24		
USDJPY	13.87	-4.38	-4.38	-4.31	-3.16	-2.32	-4.38	-3.16	-2.32		
EURUSD	8.79	-2.91	-2.91	-2.69	-1.50	-1.33	-2.91	-2.69	-1.50	-1.33	
GBPUSD	10.83	-2.65	-2.65	-2.59	-2.17	-1.81	-2.65	-2.59	-2.17	-1.81	
USDCAD	7.63	+1.26	+1.58	+1.97	+1.97	+1.97	+1.26	+1.58	+1.97		
USDCHF	9.77	-0.97	-0.97	-0.73	+0.33	+0.63	-0.97	-0.73	+0.33	+0.63	
USDSEK	13.83	+2.83	+2.85	+3.55	+3.56	+3.60	+2.83		+3.56	+3.60	
USDNOK	14.91	+2.81	+3.09	+3.94	+4.12	+4.12	+2.81	+3.09	+3.94	+4.12	

Delta Tenor						25 3M			
FX Pair	Ann. Hist. Vol	1-Month Low	1-Week Low	Latest Risk Reversal	1-Week High	1-Month High	Range		RR Chart
AUDUSD	13.10	-1.74	-1.74	-1.74	-1.49	-1.25	-1.74 -1.49 -1.25		
NZDUSD	13.44	-1.56	-1.56	-1.56	-1.42	-1.15	-1.56 -1.42 -1.15		
USDJPY	13.87	-2.16	-2.16	-2.15	-1.60	-1.15	-2.16 -1.60 -1.15		
EURUSD	8.79	-1.54	-1.54	-1.43	-0.82	-0.73	-1.54 -1.43 -0.82 -0.73		
GBPUSD	10.83	-1.41	-1.41	-1.37	-1.17	-0.97	-1.41 -1.37 -1.17 -0.97		
USDCAD	7.63	+0.68	+0.84	+1.06	+1.07	+1.07	+0.68 +0.84 +1.06 +1.07		
USDCHF	9.77	-0.23	-0.23	+0.01	+0.17	+0.35	-0.23 +0.01 +0.17 +0.35		
USDSEK	13.83	+1.52	+1.52	+2.04	+2.14	+2.14	+1.52 +2.04 +2.14		
USDNOK	14.91	+1.54	+1.67	+2.11	+2.21	+2.21	+1.54 +1.67 +2.11 +2.21		

Note that sources for all data are from IGM and Bloomberg. Data captured as of 25th April 2023. Past performance is not indicative of future results.

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