

J.P.Morgan

# Interest Rate and FX Market Outlook

May 2025

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# Agenda

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# Who we are

We are a global financial services firm with **diversified assets of \$4 trillion** <sup>(1)</sup>

**JPMorganChase is a leader** in investment banking, financial services for consumers and businesses, financial transaction processing, asset and wealth management, and private equity

The firm is **rated A1 / A- / AA-** by Moody's, S&P and Fitch<sup>(2)</sup>



Global employee count of **300,000+**<sup>(3)</sup>



Market capitalization of **\$670 billion+**<sup>(1)</sup>



Deposits of more than **\$2.4 trillion**<sup>(1)</sup>



Loans of more than **\$1.3 trillion**<sup>(1)</sup>



Total stockholder equity of **\$344 billion**<sup>(1)</sup>



Estimated tier 1 capital and total capital ratios of **16.8%** and **18.5%**, respectively<sup>(1)</sup>

Notes: (1) JPMorganChase Annual Report 2024; (2) Represents JPMorganChase & Co. long-term issuer rating; (3) <https://www.jpmorgan.com/about-us>

# Global platform

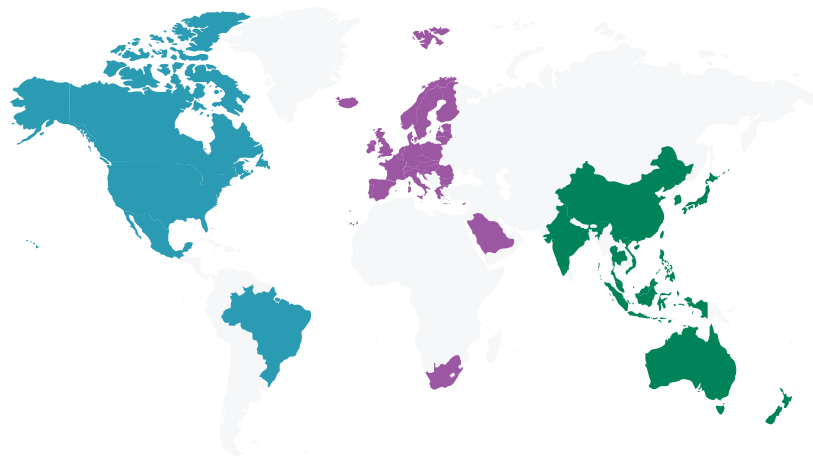
Every day, J.P. Morgan processes

over **\$10 trillion** in payments <sup>(1)</sup>

in over **120** currencies <sup>(1)</sup>

in over **160** countries <sup>(1)</sup>

and employs over **300,000+** people worldwide <sup>(2)</sup>



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- Mexico
- United States

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### J.P. Morgan branches

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- Ireland
- Italy
- Luxembourg
- The Netherlands
- Saudi Arabia
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- Bulgaria
- Croatia
- Cyprus
- Estonia
- Finland
- Greece
- Iceland
- Latvia
- Lithuania
- Liechtenstein
- Malta
- Monaco
- Portugal
- Romania
- San Marino
- Slovakia
- Slovenia

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- Hungary
- Norway
- Poland
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- Hong Kong
- India
- Indonesia
- Japan
- Malaysia
- New Zealand
- Philippines
- Singapore
- South Korea
- Taiwan
- Thailand
- Vietnam

Notes: (1) JPMorganChase 2023 Annual Report; (2) JPMorganChase Q3/24 Earnings Release Financial Supplement

## Meet your J.P.Morgan presenters



**Dave Weber**  
Executive Director  
Corporate Derivatives Marketing (CDM)  
Group

As a manager and originator, Dave and his team provide customized Risk Management solutions to corporate clients across various regions within JPMorgan Chase's Commercial Bank. With over 25 years of experience, Dave spent 20 years in CDM and 5 years as an Executive Director and Regional Sales Manager for Chase Equipment Finance. In this role, he led a team providing equipment finance solutions to clients in the Midwest and Northeast. Before joining JPMorgan in 1999, Dave worked in the Eurodollar Futures & Options pits at the Chicago Mercantile Exchange.

Dave holds a Bachelor's degree in Economics from Loyola University of Chicago and an MBA in Finance from DePaul University. He began his undergraduate studies at Regis University, where he played NCAA Division II Men's Basketball and earned Academic All Conference honors. Dave is actively involved with organizations like JPMorgan's Fellowship Initiative and the Boys and Girls Club of Chicago. He enjoys coaching youth basketball and volunteering. Dave met his wife of 22 years, Liz, during undergraduate studies in Rome, Italy. They live in Chicago with their four children.



**Michael Glinski**  
Vice President  
Corporate Derivatives Marketing (CDM)  
Group

Michael is a seasoned professional at J.P. Morgan's Corporate Derivative Marketing group within the Corporate Investment Bank. With seven years at the firm, Michael specializes in foreign exchange risk management for corporates with international exposures. He expertly guides Middle Market and Mid-Cap companies in the Midwest and Pacific Northwest, helping them hedge currency risks associated with cross-border M&A, forecasted exposures, financing, net equity investments, and digital payments solutions.

Michael graduated from Northwestern University in Evanston, IL, with an undergraduate degree in chemical engineering. After graduating, Michael joined J.P. Morgan at their Chicago office to work on the bank's Foreign Exchange Risk Management desk.

Michael lives in Chicago with his girlfriend and a highly disobedient canine family member.

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# Agenda

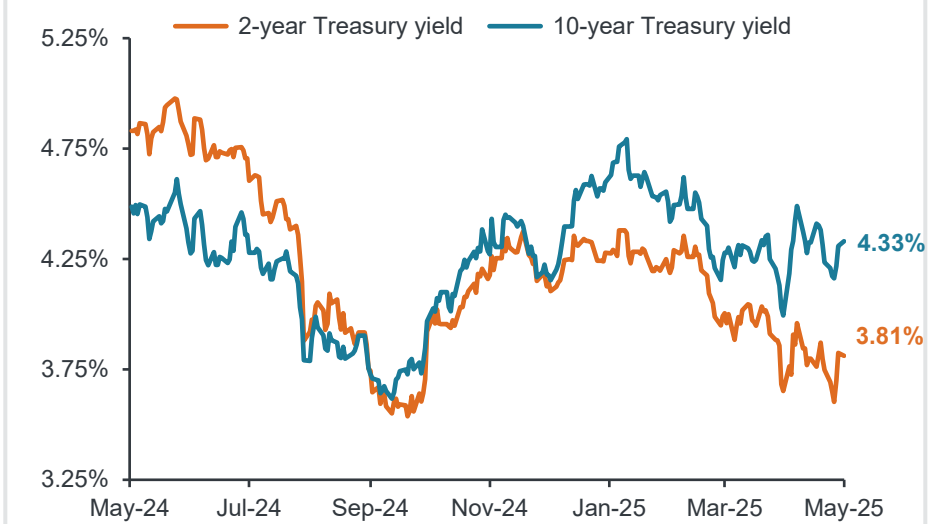
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# US Interest Rate Outlook

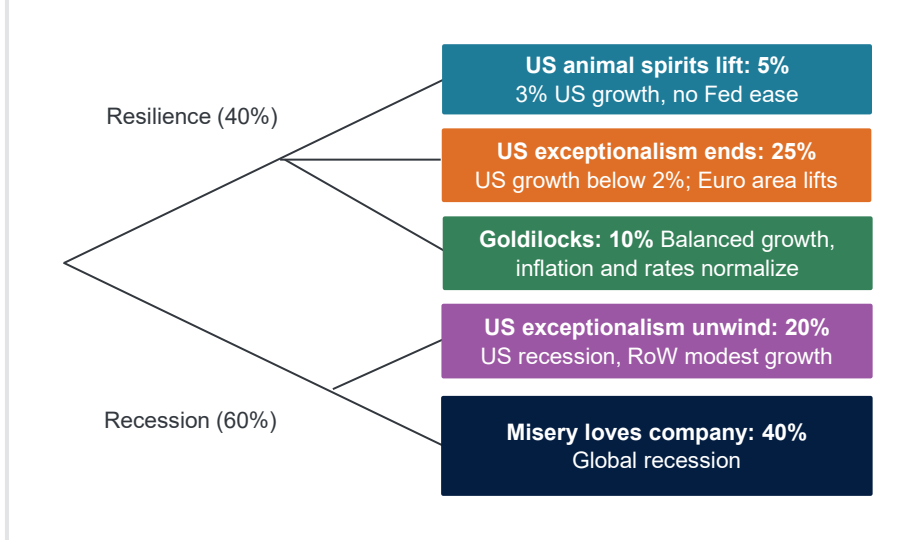
## Rates Forecasts

	Current	2Q25	3Q25	4Q25	1Q26
Fed Funds	4.50%	4.50% -	4.25% (25 bp)	3.75% (75 bp)	3.25% (125 bp)
O/NSOFR	4.36%	4.35% (1 bp)	4.10% (26 bp)	3.60% (76 bp)	3.10% (126 bp)
2-year UST	3.81%	3.50% (31 bp)	3.05% (76 bp)	2.70% (111 bp)	2.70% (111 bp)
5-year UST	3.92%	3.65% (27 bp)	3.30% (62 bp)	3.05% (87 bp)	3.05% (87 bp)
10-year UST	4.33%	3.95% (38 bp)	3.75% (58 bp)	3.65% (68 bp)	3.65% (68 bp)
30-year UST	4.82%	4.35% (47 bp)	4.20% (62 bp)	4.15% (67 bp)	4.15% (67 bp)
GDP (QoQ)	-0.30%	1.50%	-0.50%	-0.50%	1.50%
CPI (YoY)	2.40%	3.20%	4.00%	3.80%	3.30%
Unemployment	4.20%	4.20%	4.40%	4.70%	5.00%

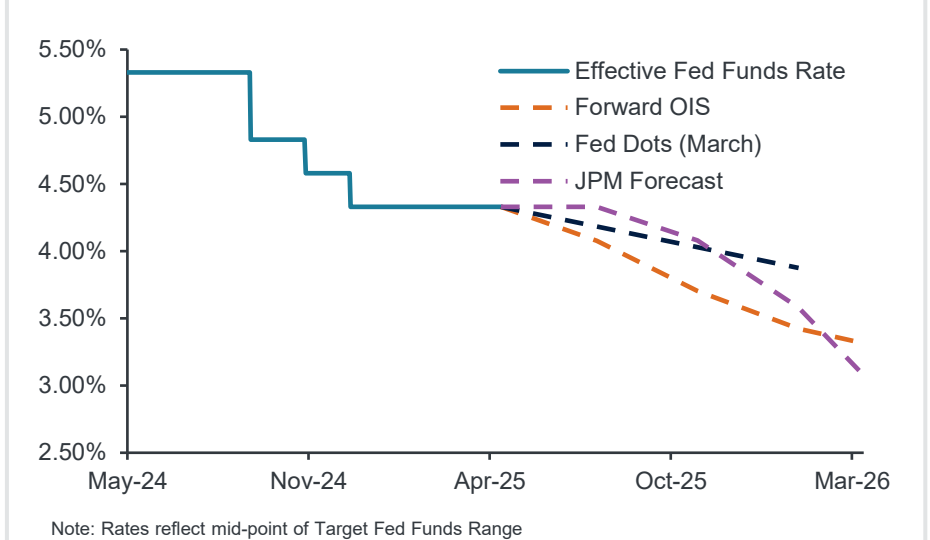
## Treasury Yields



## Global Outlook Scenario

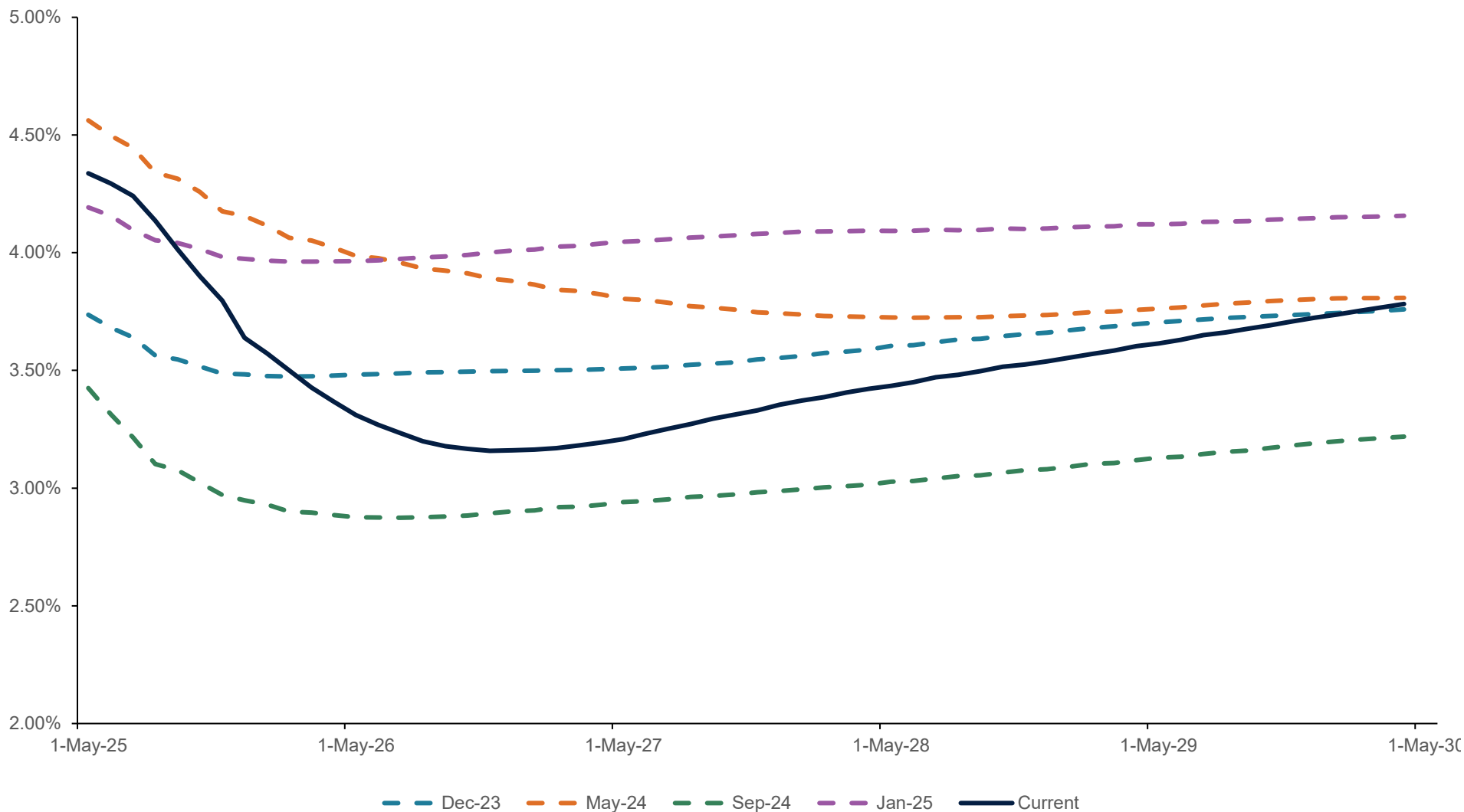


## Effective Fed Funds Forecast

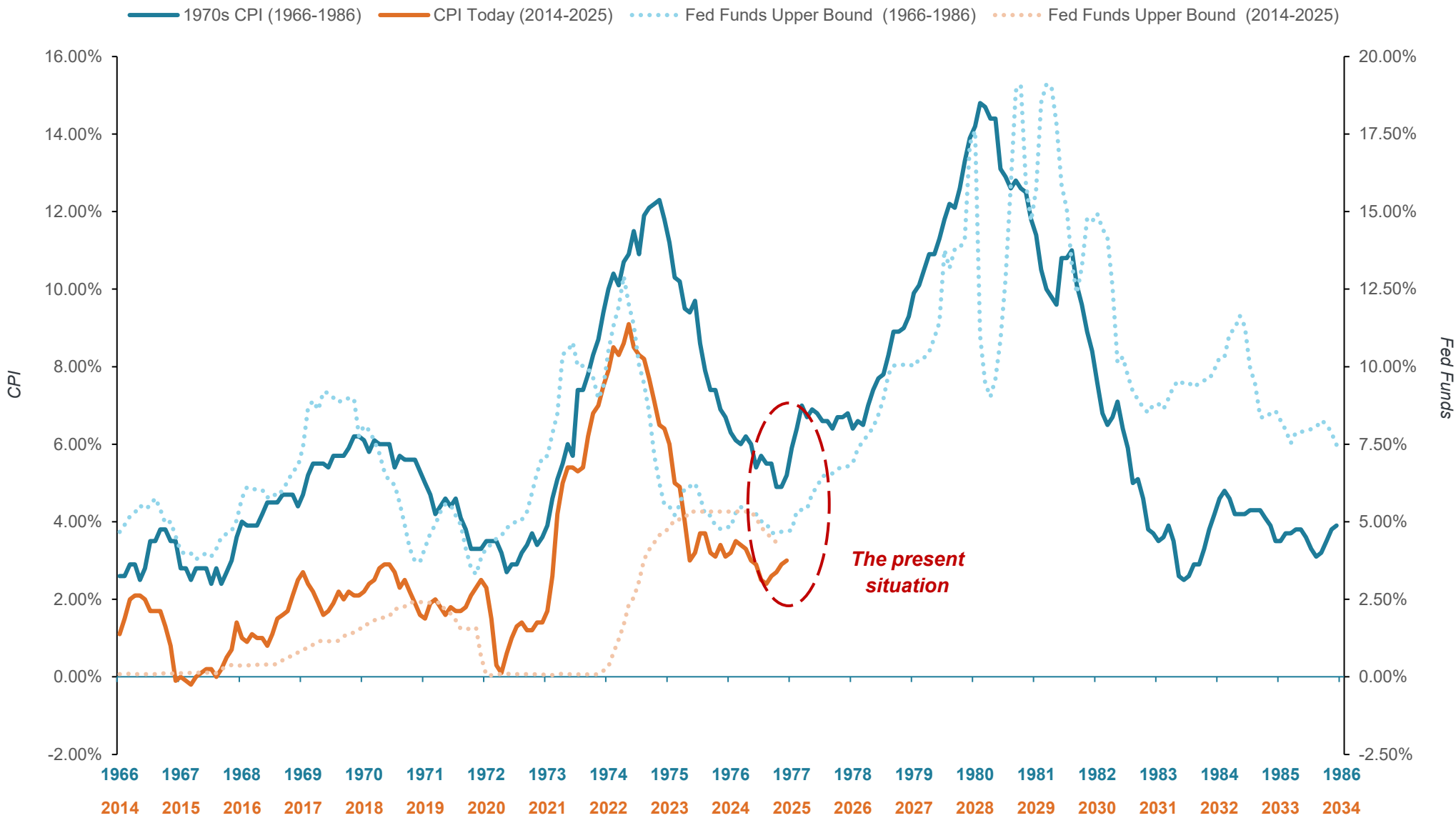


Source: JPM Research and Bloomberg Finance LP

# 1m Term SOFR Forward Curves: December 2023 to Present



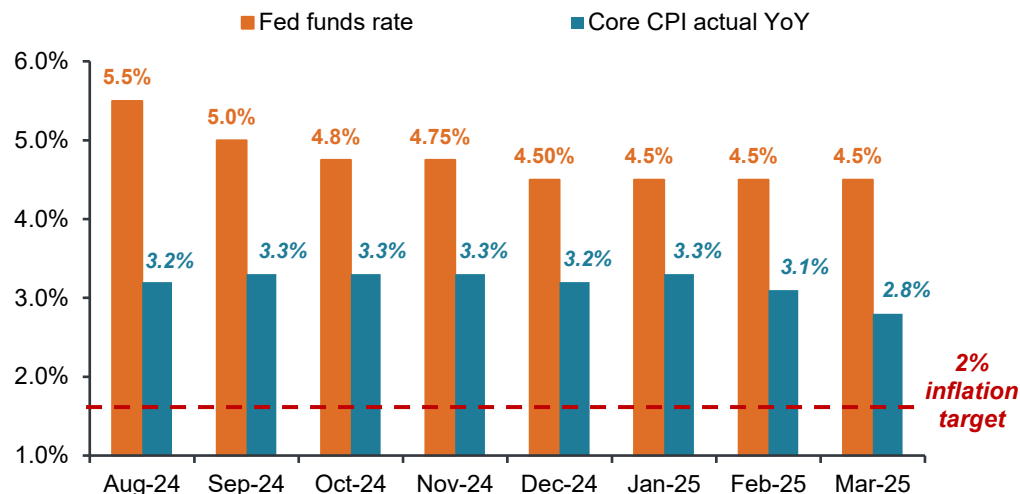
# Inflation & Fed funds: today vs inflation in 1970s



Source: Bloomberg Finance LP, Federal Reserve Bank of Saint Louis

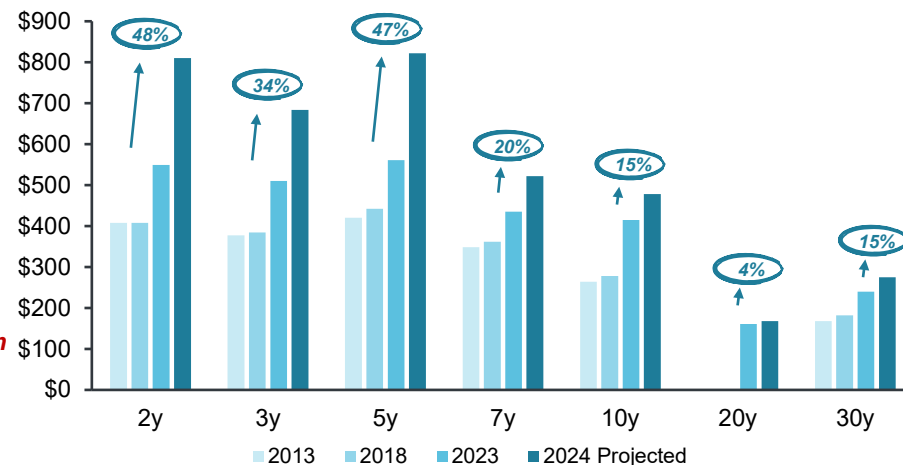
# Fed expectations continue to shift, and floating-rate borrowers remain vulnerable to the timing and extent of Fed cuts

## Core inflation remains elevated despite 2+ years of restrictive Fed policy

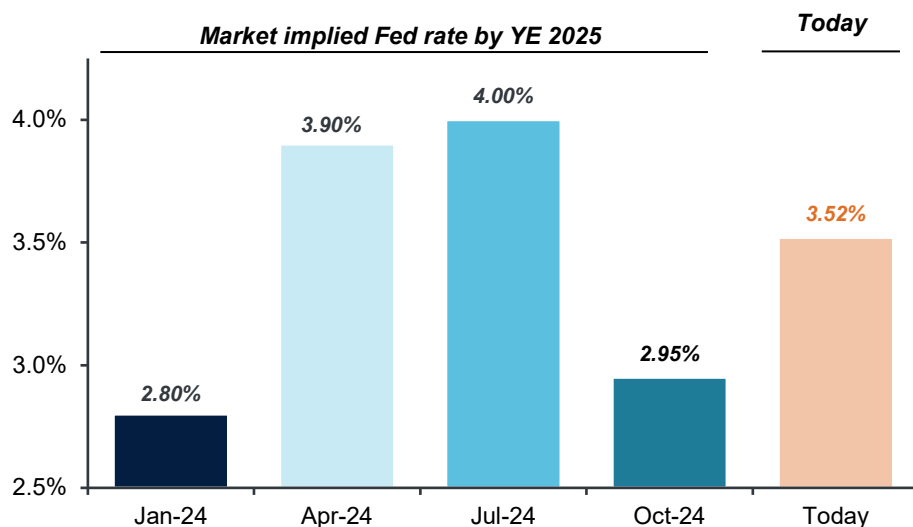


## U.S. debt issuance is projected to grow 4% to 48% across tenors in one year

Outstanding and projected Treasury issuance - 2013 to 2024 Projected



## Rates volatility persisted this year as the market shifted its Fed outlook<sup>1</sup>



## Potential risks to current market expectations

Potential factors that may keep U.S. interest rates elevated in the medium-term:

- **Debt as a % of GDP continues to increase**
  - U.S. federal debt relative to the economy has tripled over the past 20 years, and according to CBO, debt to GDP is due to rise to 166% over the next 30 years<sup>2</sup>
  - Under Trump's policies, Federal debt is projected to rise another \$7.75tn<sup>3</sup> between 2025-2035, likely funded by Treasuries
- **Inflation expectations remain elevated or increase from current levels**
  - The fixings curve suggests inflation expectations in 2H 2025 are ~2.5% y/y, likely not reflecting potential hawkish immigration and trade policy shifts<sup>4</sup>
  - Core CPI remains above 3% and is still >100 bps above the Fed's 2% target
- **Investor base demands fewer Treasuries in the future**
  - Demand for Treasuries is shifting from price insensitive buyers (such as Fed, foreign investors and US banks) to price sensitive buyers, who require higher yield
  - Separately, investor positioning has reached the longest duration since August, indicating possible near-term sale; rotation into equities from fixed income could exacerbate the move

Source: J.P. Morgan, Bloomberg, U.S. Department of the Treasury

<sup>1</sup>Market-implied effective Fed funds rate

<sup>2</sup>J.P. Morgan research "The Long-term Strategist, Strategic concerns on US government debt, 11/1/2024

<sup>3</sup>Committee for Responsible Federal Budget

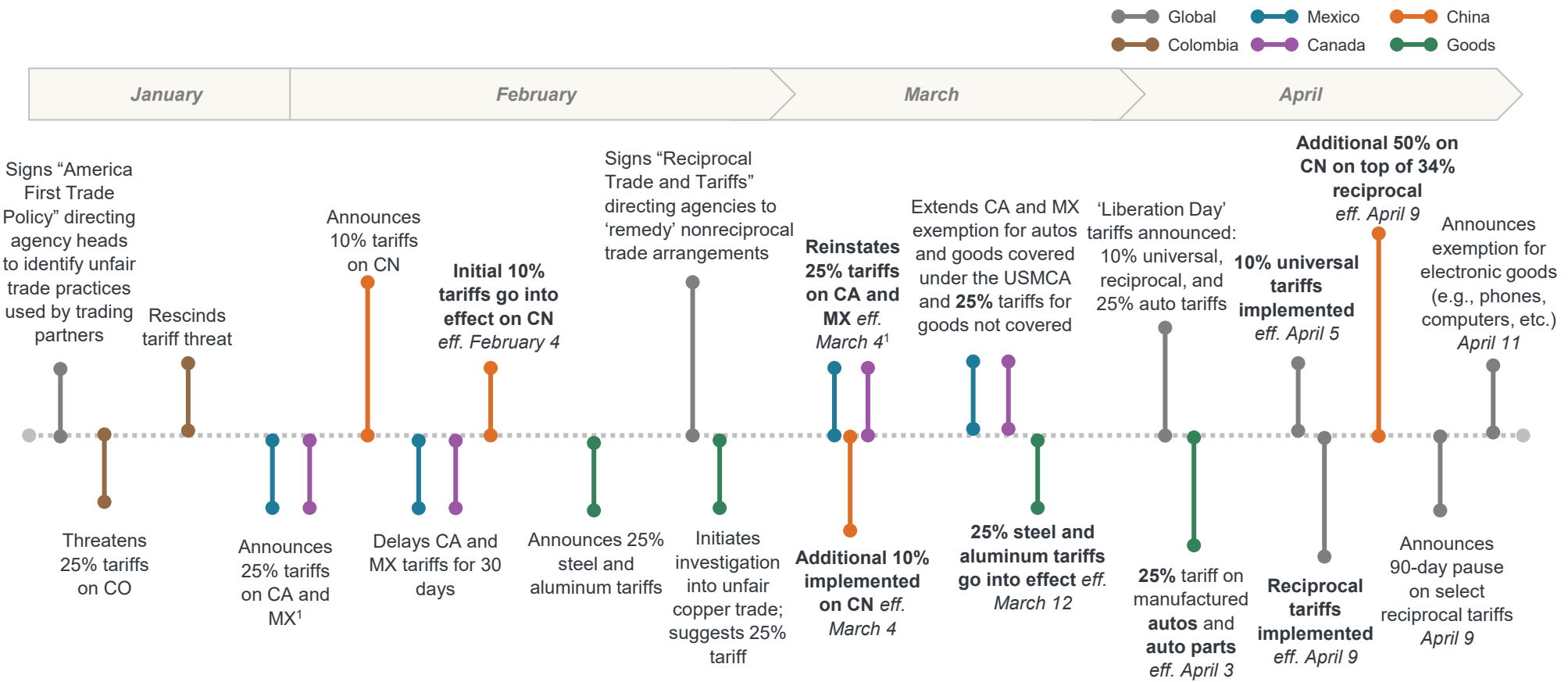
<sup>4</sup>US Treasury Market Daily November 6, 2024

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# Tracking official U.S. tariff actions since inauguration

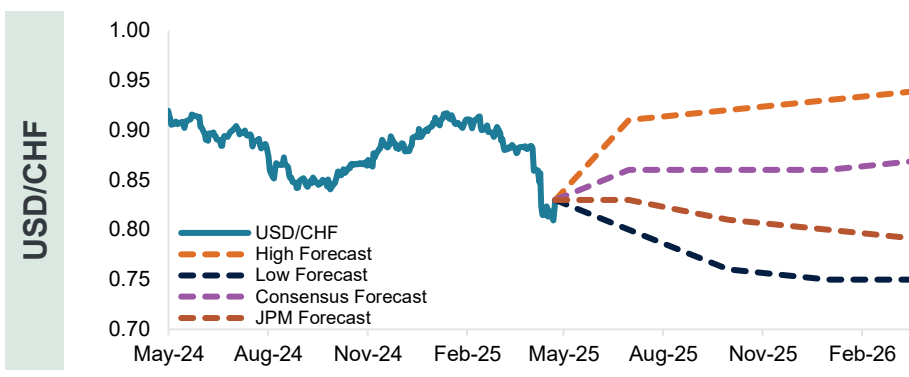
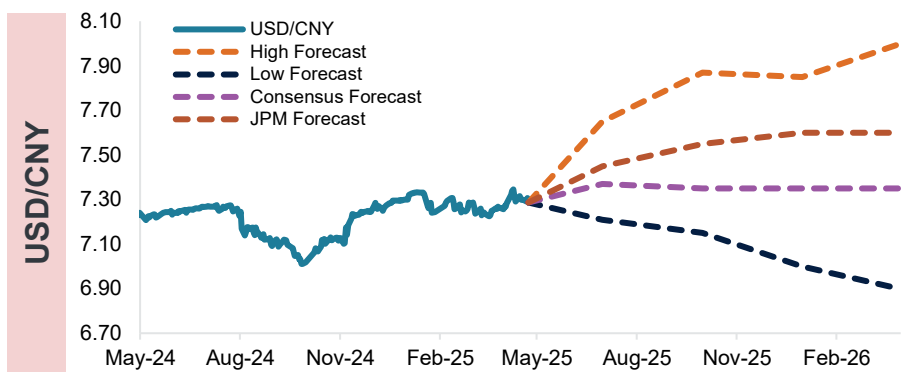
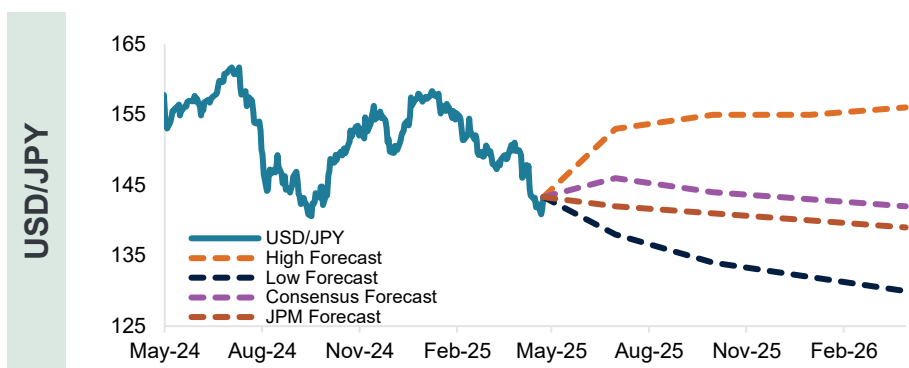
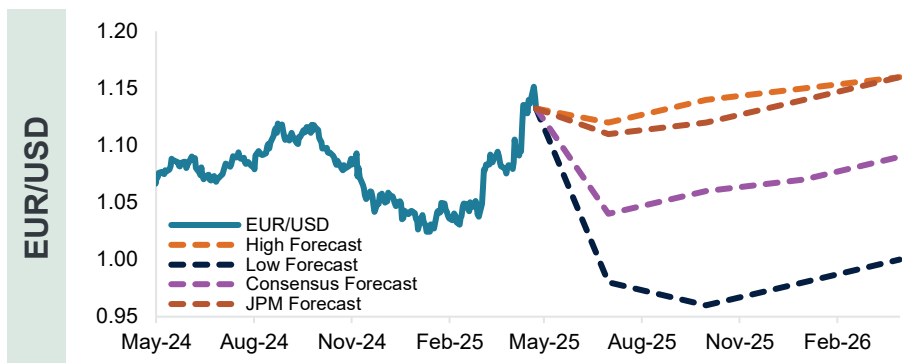
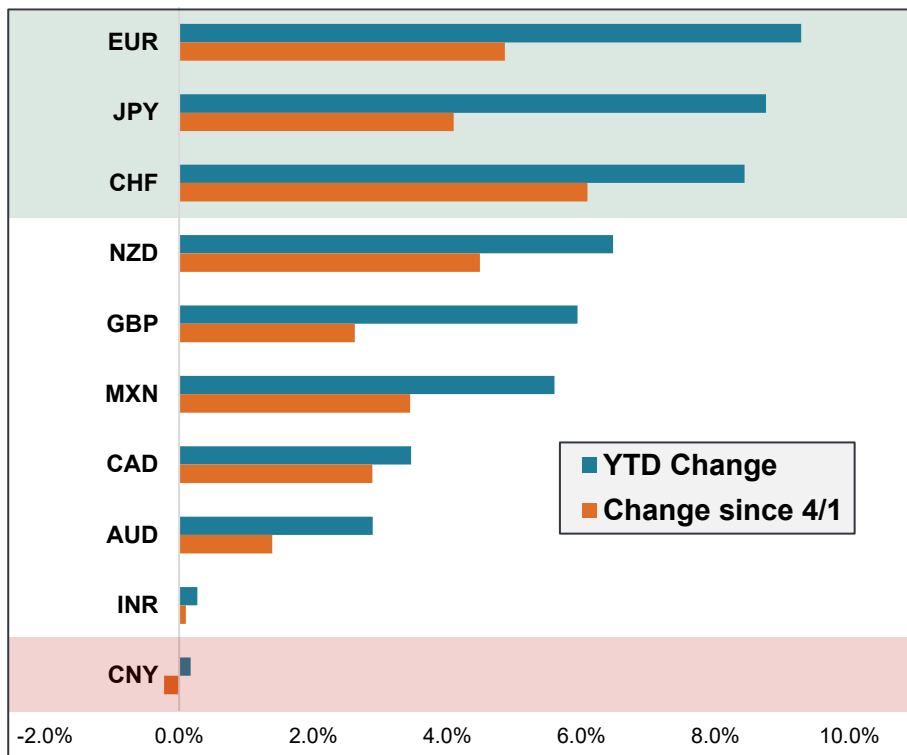


## TARIFFS IN EFFECT BY APRIL 9<sup>TH</sup>



# Liberation Day's biggest currency impacts

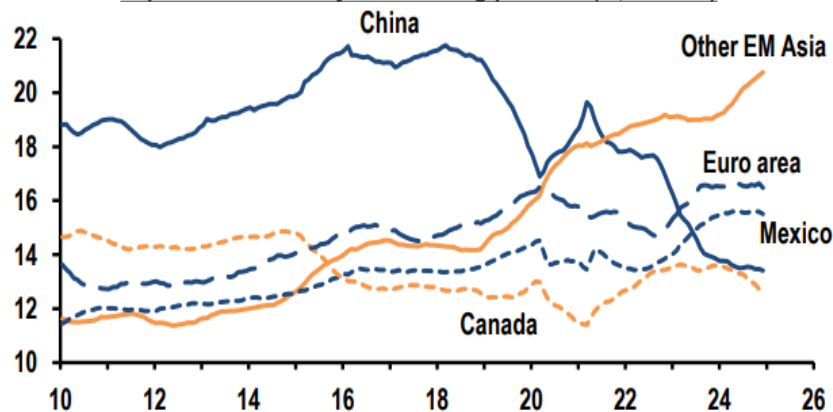
Safe-haven alternatives to USD benefitted, while China was singled out as an underperformer



# A macro re-think on US exceptionalism as tariff-induced shock continues to filter through markets

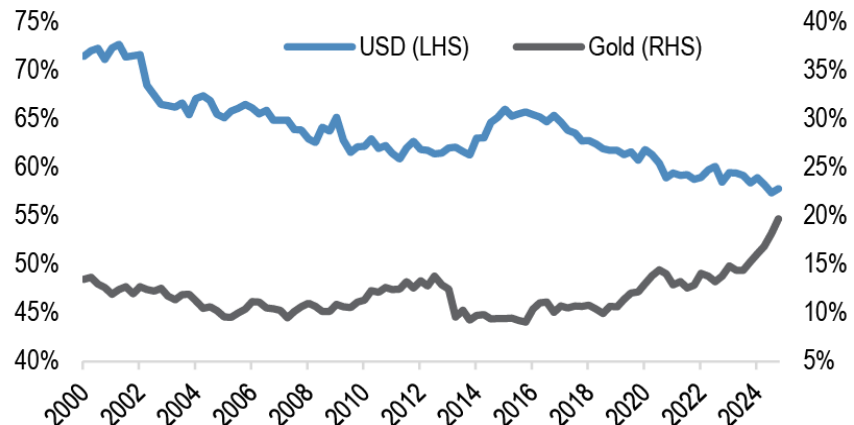
## Negotiations yet to begin with key partners

Import shares of major US trading partners (% 12mma)



While the 90-day postponement of reciprocal tariffs offers a degree of relief, effective tariff rates remain at their highest levels in more than a century with no trade agreements between the EU or China in sight

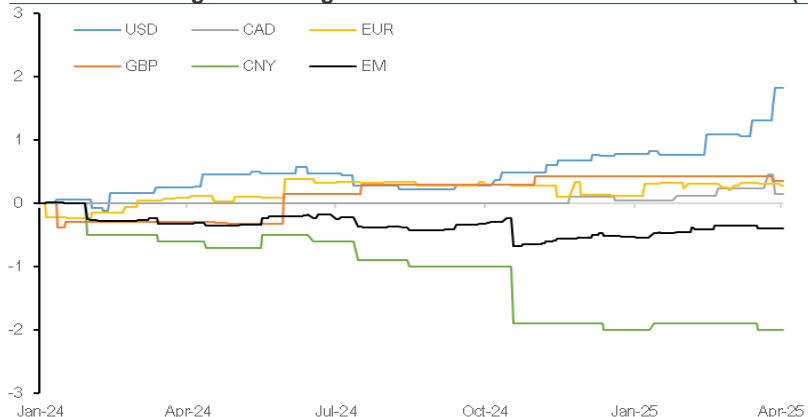
## Shares of USD held in FX reserves has fallen



Risk-off sentiment, heightened recessionary concerns, and an unwind of foreign US equity positions has deterred investors from USD to alternative safe havens such as CHF, JPY, and gold

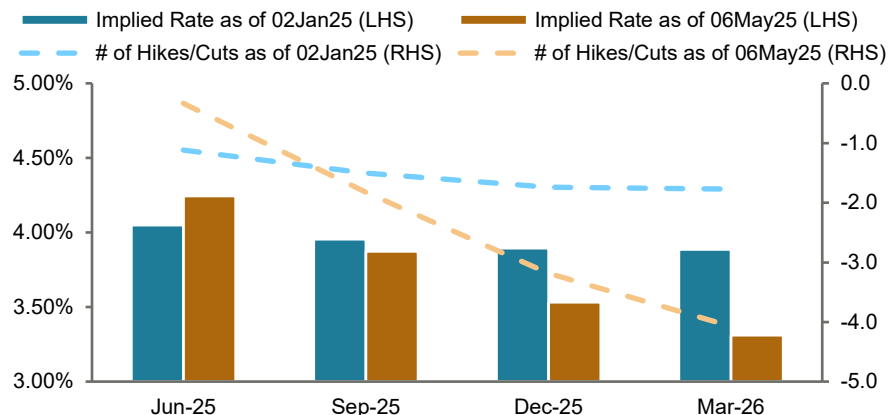
## US inflation forecasts rise more than RoW

Cumulative change in JPMorgan's core inflation forecast revision index (%)



The Fed's conundrum: if it cuts rates prioritizing growth, then the dollar will lose its relative real yield advantage, and if it keeps rates elevated due to inflation, that will result in a more adverse domestic outcome

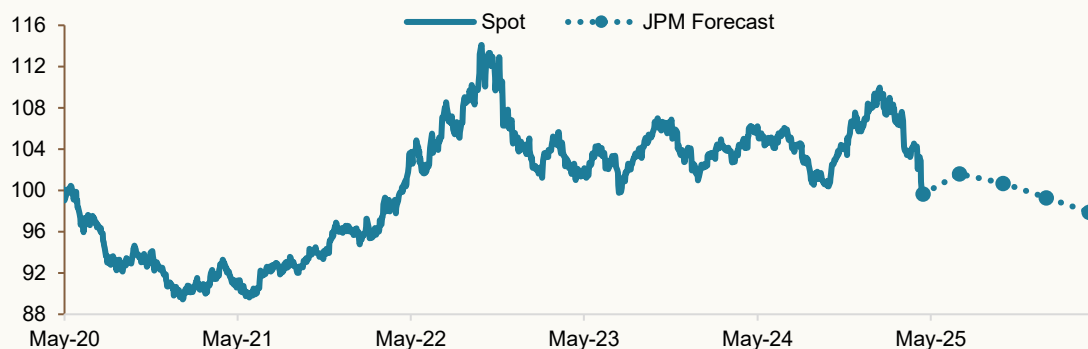
## Markets imply 3+ Fed cuts by year-end



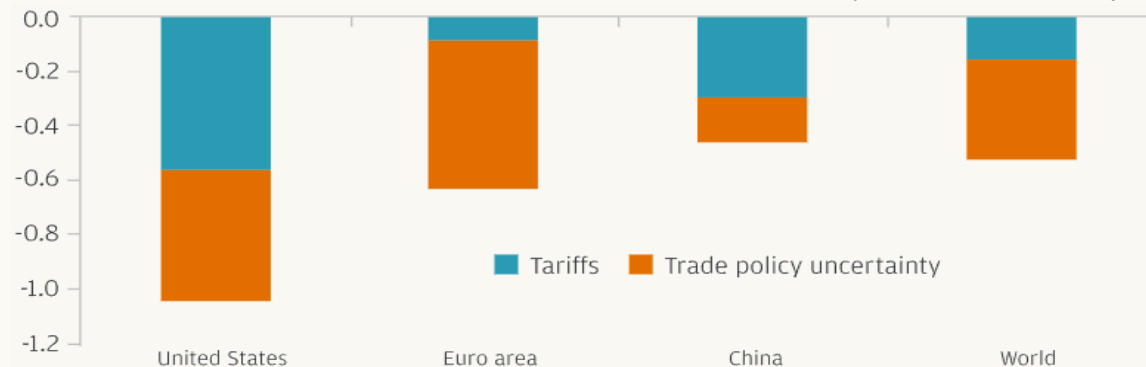
The US yield advantage is fading as rate cut expectations increase, with JPMorgan is now forecasting Fed easing to begin in Sep with 25bps, projecting the top of the funds rate target range to reach 3.0% by 2Q26

# The US dollar trades at multi-year lows and the outlook remains bearish on moderating growth prospects

## US DOLLAR INDEX AND FORECAST



## IMF ESTIMATE OF TARIFF IMPACT ON GROWTH THROUGH 2026 (%-PT GDP CHANGE)



## CORPORATE FX THEMES

- **Increase hedge ratios and tenor** beyond one year for forecasted cash flows
- New net investment hedges on **favorable spot entry points**, notably EUR, JPY and CHF
- **Restructure** large trades (FX forwards and cross currency swaps) to either realize cash gain OR reset at current market levels
- **Incorporate FX options** for short foreign currency exposures to allow for participation in a possible USD recovery

## J.P. MORGAN RESEARCH FORECASTS

Majors	Current	Jun25	Sep25	Dec25	Mar26
EUR	1.14	1.15	1.17	1.20	1.22
JPY	144	142	141	140	139
GBP	1.33	1.32	1.33	1.35	1.37
AUD	0.64	0.65	0.67	0.68	0.68
CAD	1.39	1.41	1.39	1.38	1.38
NZD	0.60	0.58	0.59	0.60	0.60
<b>Europe, Middle East &amp; Africa</b>					
CHF	0.83	0.80	0.78	0.76	0.75
ILS	3.62	3.75	3.75	3.65	3.60
SEK	9.69	9.48	9.23	8.92	8.69
NOK	10.44	10.35	10.09	9.75	9.51
CZK	22.0	21.96	21.79	21.46	21.31
PLN	3.76	3.70	3.68	3.58	3.52
HUF	357	357	355	350	348
TRY	38.43	40.00	42.50	45.50	48.00
ZAR	18.69	19.75	20.25	20.50	20.50
<b>Americas</b>					
ARS	1168.8	1160	1200	1300	1350
BRL	5.69	5.90	5.90	6.00	5.95
CLP	934	980	970	960	950
COP	4218	4350	4400	4400	4300
MXN	19.51	20.30	20.20	20.00	20.00
PEN	3.67	3.75	3.70	3.65	3.65
<b>Asia</b>					
CNY	7.29	7.45	7.55	7.60	7.60
HKD	7.76	7.77	7.78	7.78	7.78
IDR	16830	16600	16600	16700	16700
INR	85.45	87.60	88.70	89.00	89.00
KRW	1440	1430	1430	1400	1395
MYR	4.37	4.45	4.40	4.35	4.35
PHP	56.26	57.30	57.20	56.90	56.80
SGD	1.31	1.33	1.33	1.32	1.32
TWD	32.52	32.60	32.60	32.60	32.60
THB	33.56	33.80	33.70	33.30	33.20

JPM calling for rate hike

JPM calling for rate cut

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