Global Rates Weekly

Musical Chairs

18 July 2025

Rates Research
Global

The View: Europe data in focus before Aug tariff deadline

Europe in focus next week with the ECB, credit and confidence data. Japan Upper House election another risk event for markets. While in the US, Fed leadership may continue to dominate headlines

– R. Preusser

Rates: Fed independence genie

US: Fed independence erosion supports our long 10y inflation B/E view Stay paid Dec '25 FOMC OIS with solid inflation; spread views need WAM help

EU: We expect the ECB to hold its policy rates in its July meeting; we remain bullish on front-end rates and recommend receiving Oct ECB €str

EU II: The reform of the Dutch pension system remains a key theme driving the global long-end curve steepening. We run scenarios to estimate PF flows & discuss EUR curve

UK: We no longer expect Bank Rate cut acceleration in September. We turn neutral the front-end, but received Nov MPC remains a cheap hedge for acceleration

JP: Market increased pricing for medium-term fiscal and political risk, but the event risk appear underpriced. Risk of a weaker yen and steeper curve into the fall

CA: Stronger-than-expected data has pushed out pricing of BoC cuts, driving CA rates higher across the curve. We close pay July BoC OIS

– M. Cabana, M. Swiber, B. Braizinha, R. Axel, S. Salim, R. Man, R. Segura-Cayuela, A. Zhou, A. Stengeryte, M. Capleton, Sonali Punhani T. Yamashita, S. Yamada, K. Craig

Front end: Fed B/S: assessing ample

US: Lower reserves risks earlier funding pressures; we stay short Oct '25 SOFR/FF

US II: Increased repo sensitivity will see upward pressure on SOFR; stay short Oct SOFR/FF. Repo will lead, FF will lag

– M. Cabana, K. Craig

Spreads: PGBs: interested in the long-end

EU: PGBs give reason to remain constructive despite missing syndication. Large bond index duration extensions may support the long-end

– E. Satko

Technicals: Golden cross on SPX favors higher 10Y yield

US 30Y yield traded up to 5.07%, a pinch away from our tactical target of +/- 5.08% set on July 7. A golden cross signal for the SPX has tended to favor higher 10Y yield

– P. Ciana

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See Team Page for List of Analysts

Acronyms see Exhibit 41 page 26

Timestamp: 18 July 2025 06:00AM EDT

Our medium term views

Exhibit 1: Our medium-term views
Global views

Rationale	
Duration	• US: paid US front end & slightly underweight given market is underpricing US data resilience & overpricing Fed cuts • EU: We turned tactically neutral on the very front-end. We expect lower rates (terminal Depo of 1.5 vs market pricing of 1.75), but believe risk-reward for a long position is more balanced near term. We expect 10y Bund yield to trade around 2.5% in 2H25, and look for a sell-off to 2.75% in 2026. • UK: We are broadly neutral Sonia relative to the forwards in the 10y, forecasting Sonia at 4.10% by end-2025 and 4.20% by end-2026. We are constructive Gilts. • JP: We expect the 10yr JGB yields to rise to 1.5% at end-2025. Lingering supply-demand concerns. • AU: bullish 3-5y sector as prices converge with our expected terminal cash rates/ neutral rate. Risk of overshoot in global equity market sell-off.
Front end	• US: paid Dec '25 FOMC OIS, short SOFR/FF • EU: Bank demand for excess liquidity may outstrip supply. Wholesale funding cost to rise: Euribor-€str widening, repo to stay cheap vs €str. • UK: Our Bank Rate base case implies scope for pricing in of more cuts later this year which also implies a steeper curve out to 10y. We receive Nov MPC Sonia. • JP: We believe the next rate hike will be delivered in January 2026. TONA is likely to remain slightly below IOER in 2025. • AU: We recommend Mar '25/ Sep '25 BOB steepeners to position for tighter funding market spreads and uneven global liquidity dynamics in H1/H2 '25
Curve	• US: We favor slightly flatter 5s30s curve with fading of Fed cuts • EU: given the more hawkish ECB reaction function, we see potential for the EUR 2s10s curve to come under flattener pressure in 2H25. Further out, we believe the 10y-30y bond curve can be resilient but look for a shift in P&I receiving to shorter maturities, leading to additional steepening in 10s30s swaps from year-end. • UK: We maintain our short in 3s5s7s Sonia fly which is directional with 2s10s Sonia curve steepeners. • JP: We think the 5s30s curve could steepen again due to a lack of demand and potential for the Japanese government to draw up a supplementary budget. • AU: We like front-end flatteners. Recommend buying 3y bond futures (YM), selling Dec '25 bill futures
Inflation	• US: long 10Y B/E inflation as Fed independence & geopolitical hedge • EU: We favor receiving 5y5y real €str and the forward real yield between BTPei 2033s and '39s. We also recommend OATei 2038s/53s real flatteners • UK: We would receive the forward real yield between UKTi 2035 and UKTi 2049, against paying the equivalent forward in TIPS. We favor RPI 1s2s flatteners • JP: 10y BEI should increase in 2025, given supports from the BoJ and MoF.
Spreads	- US: short 3Y spread on (1) lack of bank demand surge from de-regs (2) TGA rebuild, (3) risk-off hedge, (4) WAM reduction. We also recommend the 3s20s spread curve steepener as a better-carry, more focused expression of increasing likelihood of WAM reduction policies out of Treasury or Fed. • EU: we expect the periphery to remain resilient, as the medium to long term outlook is more positive. We are bullish on BTPs vs OATs. We expect mild tightening pressure on 2-10y German swap spreads (and are short 5y spreads for the summer), but look for some richening in 30y Buxl spreads from year-end. • UK: We expect low coupon UKT 0.125% 2028s to perform relative to UKT 4.375% 2028s on ASW. We are also long 30y Gilts on ASW. • JP: Given (1) the fiscal risk and (2) BoJ's QT, JGBs are likely to be cheaper vs matched maturity swaps. • AU: We see wider swap spreads, especially in the front end given elevated funding risks, but flatter swap EFP box given bond supply is typically concentrated around 10y sector. We like tighter semi ASW and semi-ACGB spreads in the long end.
Vol	• US: Vol supported by uncertainty. '25 targets: 100-115bp 1y10y in 1H & 85-100bp in 2H; 1y1y c.110-120bp, Gamma flat vs intermediates • EU: We expect implied vols to come lower with 1y10y around 70bp range and LHS cheapening vs RHS. • AU: We see a higher RBA terminal cash rate and recommend a 6m1y payer ladder (strikes: ATM/ ATM +19bp/ ATM +38bp, downside breakeven c. 57bps)

Source: BofA Global Research

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Our key forecasts

Exhibit 2: Our key forecasts
Global forecasts

% EoP	2023	2024	Q3 25	YE 25	Q1 26	Q2 26	Q3 26	YE 26	YE 27
Fed Funds	5.25-5.50	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50	3.75-4.00	3.25-3.50	3.25-3.50
10-year Treasuries	3.88	4.57	4.40	4.50	4.50	4.50	4.50	4.50	4.75
ECB refi rate	4.50	3.15	1.65	1.65	1.65	1.65	1.65	1.65	2.15
10y Bunds	2.02	2.36	2.45	2.50	2.60	2.60	2.65	2.75	2.85
BoJ	-0.10	0.25	0.50	0.50	0.75	0.75	1.00	1.00	1.50
10y JGBs	0.61	1.09	1.40	1.50	1.65	1.70	1.80	1.85	2.20
BoE base rate	5.25	4.75	3.75	3.50	3.50	3.50	3.50	3.50	3.50
10y Gilts	3.53	4.56	4.60	4.65	4.65	4.65	4.70	4.75	4.80
RBA cash rate	4.35	4.35	3.60	3.35	3.35	3.35	3.35	3.35	3.60
10y ACGBs	3.96	4.36	4.05	4.00	4.05	4.10	4.25	4.25	4.50

Source: BofA Global Research

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What we like right now

Exhibit 3: What we like right now
Global views

AMRS :	paid front end, tactically underweight duration, short SOFR/FF, short 3Y spreads, 3s20s spread curve steepener, long 2y3y inflation, long fwd vol
EMEA :	We are short 5y swap spreads, received 5y5y "real €str, Long BTPs versus OATs, and in 6m fwd 2s10s floor ladders.
APAC:	6m1y payer ladder. Spreads: pay 1y1y bills-OIS basis (BOB), buy TCV 5.5% Sep-2039 vs 10y AU swap..

Source: BofA Global Research; For a complete list of our open trades and those closed over the past 12 months, please see below.

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The View

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The week that will be

Our economists expect no change in rates from the ECB and only minor tweaks to communication. However, we still view the back-drop supporting ECB rate cuts in September and December, given the risk to ECB forecasts, weak growth and the likely persistent undershoot in inflation in 2H25. We receive October ECB €str as a way to position for markets pricing in a more dovish ECB over the summer (see Rates EU).

Europe remains in focus on the data front, too, with both lending data (M3), and the ECB's bank lending survey of particular interest, given the question marks over corporates capex intentions in the face of a persistent trade policy uncertainty shock. Equally, the plethora of soft data releases will provide an update on corporate sentiment at the half-way mark for the year.

With a light US data calendar we maintain our core views: short Dec 25 FOMC and long breakevens both outright as well as cross market.

The Japanese Upper House election is another risk event to start the week (see Liquid Insight 14 Jul 25). We continue to view JPY shorts and 5s30s steepeners as attractive hedges against an LDP-Komeito coalition loss.

The RBA Minutes will be scrutinized for further insight in the decision to surprise markets and not cut rates last week. We still favour 6m1y payer ladders as a way to position for a shallower cutting cycle than priced.

Finally in the UK, we receive an update to soft data (PMIs) as well as public finances.

The week that was

The noise around Chair Powell's leadership of the Fed has put the focus back on the pricing of risk premium in the US curve. While this may challenge our 2s10s flattening bias, our breakeven longs and 5s30s bear steepeners are a hedge against threats to Fed independence.

US CPI and PPI were on balance mixed (some tariff effects visible in CPI, but not in PPI), but the overall conclusion remains one of April having marked the low in inflation. Our economists are looking for a 0.3% mom, 2.8% yoy print (see US Watch 16 Jul 25).

Finally, UK CPI surprised on the upside and while the unemployment rate did fall, past payroll growth weakness was partially revised away. Our economists still see the Bank cutting in August, but no longer expect a back-to-back cut in September (see UK Watch 17 Jul 25).

Rates – US

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- Fed independence erosion supports our long 10y inflation B/E view
- Stay paid Dec '25 FOMC OIS with solid inflation; spread views need WAM help

Fed independence genie: may be hard to get back in bottle

The US nominal curve notably bear steepened & long end USTs cheapened via asset swap on the week. The moves were driven by firm inflation readings, Fed independence concerns, & no clear WAM shortening signal via the Treasury refunding questionnaire. Our core rate views remain intact but Fed independence concerns challenge our nominal curve flattening & asset swap spread steepening view; we worry it may be difficult to get the Fed independence genie back in the bottle. We also closed our long 2y3y inflation near target but hold the expression vs EU (see: Close long 2y3y inflation swap).

A summary of our core views: **duration** = pay Dec '25 FOMC OIS, fade extent of recent rate declines; **curve** = mild flattening bias with fewer Fed cuts; **inflation** =10y B/E as a hedge to Fed independence & geopolitics; **spreads** = short 3y asset swap spread & 3s20s spread curve steepener with likely upcoming UST WAM shift; **front-end** = short July & Oct SOFR/FF due to heavy upcoming bill issuance & upward repo pressure; **vol** = underperformance of left vs right side, bear steepeners in 5s30s, flatteners in 2s10s in floor ladder format.

Fed independence erosion => steeper curve & higher B/E

Fed independence concerns increased sharply this week with media reports Wednesday that Trump would be firing Powell. This was subsequently walked back but generated several client questions & left the UST nominal curve steeper, inflation B/E wider, & long end ASW cheaper. UST price action was reminiscent of post Liberation Day moves.

The most common client question was: how easy will it be for the Fed to cut if Powell is fired? Our view: it won't be very easy. It takes a majority of Fed voters to justify a rate move. Today, with a fully staffed Fed, that means 7 of 12 voting members. It will likely take time for President Trump to "stack the Fed deck" & lower rates if macro data does not justify a cut (Kugler seat not vacant until Jan '26). The market seemed to understand this difficulty with little change to Fed pricing in '25 but larger moves in '26 (Exhibit 4).

Fed independence erosion risk is most supportive of our long 10 B/E view due to increased longer-dated inflation risk premium. Fed independence risk challenges our modest curve flattening bias & 3Y20Y asset swap spread curve steepener view. We remain comfortable holding our paid Dec '25 FOMC OIS given strong employment & solid inflation, but Fed independence erosion risks are a concern.

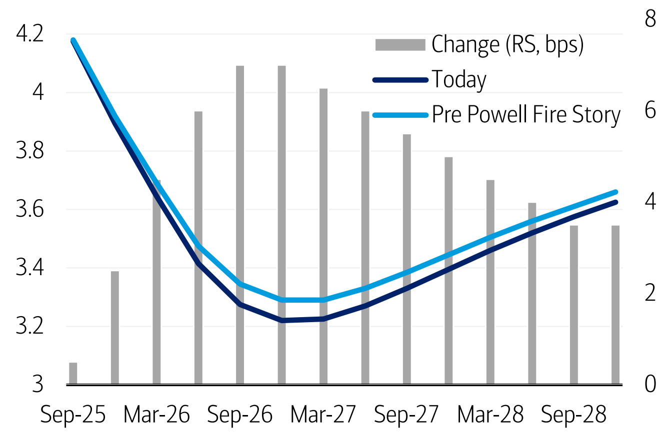
Treasury WAM shortening still likely but slow

The UST market was disappointed after last Friday's refunding questionnaire. Treasury delivered on the buyback question but lacked any increased focus on long-end supply / demand imbalance, opting for a question on near term bill supply instead. Lack of focus on supply / demand likely reminded the market UST WAM shortening would be slow.

At the August refunding, we continue to expect Treasury will (1) signal that nominal coupon sizes will remain stable for the "next several quarters" (2) increase long end buyback frequency in the 10-20 & 20-30Y tenors by adding one additional operation for a max of $2b/each (3) provide more detail on the near-term bill supply path. We will be watching for any TBAC discussion on supply / demand across the curve or willingness to shorten WAM / rely more on bills over time; it is hard to have this as a base case

The long end buyback size increase will be small but an important signal to the market. Treasury would be signaling flexibility & support to the sectors where it is most needed. The 10-20Y & 20-30Y tenors see the largest offer / max redeem ratios & where dealers have elevated inventory (Exhibit 5). More buybacks are a UST free option; there is no purchase minimum & only a purchase maximum. If Treasury does not roll out more long-dated buybacks, they risk a further curve steepening & UST cheapening.

Exhibit 4: SOFR curve around Fed independence concerns (%, LS)
The market priced minimal increase in near term cuts but lower trough



Source: Bloomberg

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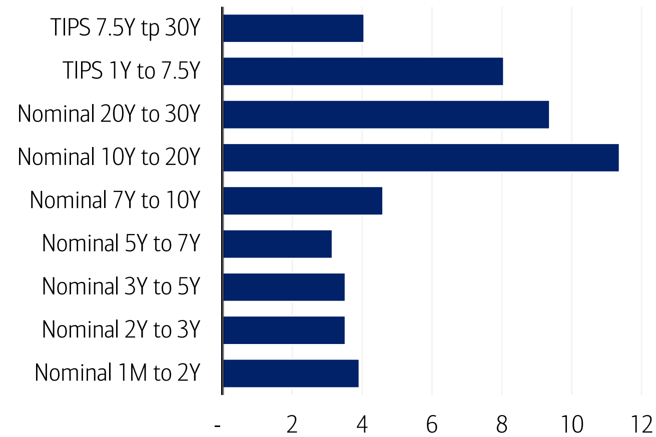
Exhibit 5: UST buyback offer / max accept ratio
The largest offers vs max size have been in UST long end



Source: Treasury, BofA Global Research. Note: Data includes all UST buyback operations since re-start of buyback operations in April 2024

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Higher repo sensitivity: its only just begun

This week also saw elevated mid-month repo rates. Both TGCR & SOFR printed at the highest mid-month values YTD at 4.36 & 4.37%, respectively. TGCR & SOFR also experienced the largest YTD increase into mid-month coupon settlements. Repo sensitivity is rising. We suspect the sensitivity is due to increase in total UST collateral including month to date net bills of $21b (vs net bill paydown in June of $219b). For detail see: Repo sensitivity rising: stay short SOFR/FF & Front end US II.

A sustained increase in repo sensitivity could see TGCR & SOFR rise by more than the market anticipates. We continue to believe the market is underpricing the extent to which SOFR will increase in 2H '25 & like being short July & October '25 SOFR/FF. We think repo sensitivity will be more pronounced as Fed ON RRP is depleted (we forecast ON RRP to be near zero by Sept month end). The sensitivity will also be larger if commercial banks are not willing lenders in repo as SOFR rises & prove not to have as much excess cash as the Fed believes (see our report: Waller & Fed B/S & Front end – US).

Bottom line: our core rate views remain intact, but Fed independence concerns challenge our nominal curve flattening bias. We still like being paid Dec '25 FOMC OIS & long 10y B/E. UST WAM shortening & long end buybacks should outweigh Fed independence risk & support our short SOFR/FF views, 3y spread short, & 3y20y spread curve steepener.

Rates – EU

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Ronald Man
MLI (UK)

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Alessandro Infelise Zhou
BofASE (France)

- We expect the ECB to hold its policy rates in its July meeting and remain bullish on front-end rates as we still forecast the terminal depo rate to reach 1.50% by Dec25
- We recommend receiving Oct ECB €str as downside risks to the outlook increased

Still in a good place… until September

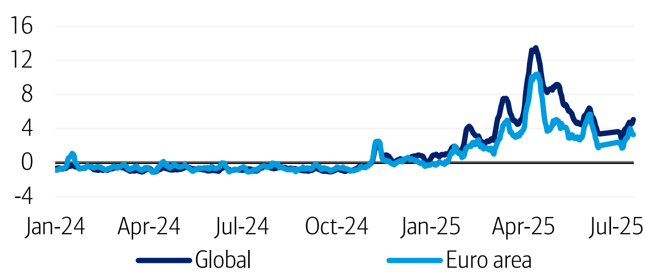
Our base case is for the ECB to hold its policy rates and fine-tune its communication in its July meeting. We believe President Lagarde will stay firm on deciding meeting-by-meeting and not pre-committing. The lack of urgency shown in June, together with no major surprises in either activity or inflation data, a bit more frontloaded German fiscal stimulus and renewed uncertainty, provide the perfect cover for the next forecasting exercise (i.e. September) being the right time to take further decisions.

Our economists maintain strong conviction on the ECB cutting its policy rates by 25bp in September and December, which will bring the terminal depo rate in its current rate cut cycle to 1.50%. After which, they forecast 25bp hikes in Mar27 and Jun27, ultimately bringing the depo rate back to 2.00%.

In our view, downside risks to the outlook have increased since the ECB's June meeting.

- Tariffs imposed by the US on the EU may increase again as soon as August. Trade uncertainty is also picking up in Europe and globally (Exhibit 6).
- The euro has appreciated further, vs the US dollar and on a broad basis. Questions on the euro are unavoidable but we believe the central bank is likely to give the usual response: they don't target the currency, albeit this is an important element of the forecasting exercise.

Exhibit 6: Trade uncertainty is picking up in Europe and globally
BofA EMOT trade-related uncertainty tracker (7d moving averages)



Source: BofA Global Research, GDELT Project (www.gdeltproject.com). Note: data up 17 July. Due to the GDELT's outage, there is a gap in the data over 15 Jun-1 Jul (the chart is interpolated). The tracker above is intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. This tracker was not created to act as a benchmark.

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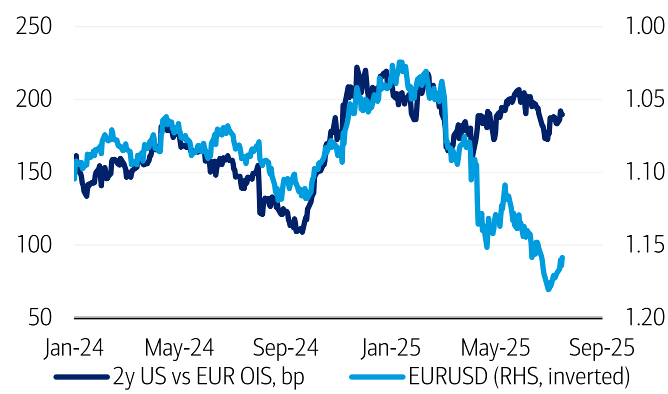
Exhibit 7: 2y US-EUR rate differentials vs EURUSD
Euro has been stronger than what recent two-year rate differentials suggest



Source: BofA Global Research, Bloomberg

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Continued US policy uncertainty may support the market's pricing of a higher risk premium on US assets. The euro remains stronger than the dollar when compared with its recent relationship with short-term US-EU rate differentials (Exhibit 7). A higher US risk premium drives our FX strategists EURUSD forecast of 1.17 by end-25 (see Liquid Insight, 25 June 2025).

This has two implications for the euro rates market. First, the inflation outlook remains skewed to the downside: the ECB forecasts average euro area CPI of 1.9% for 2H25 (same as that priced in by the market), which is higher than our economists' forecast of 1.5%. If our economists' inflation forecasts are right, then we believe this may be addressed by the ECB in September when it is scheduled to provide an update of its outlook, which may show a persistent inflation undershoot throughout 2027, supporting the case for the rate cuts that our economists expect.

Second, the burden of easing monetary conditions in response to a weak outlook may be more on interest rates, especially as real rates remain high. Results from our July FX and Rates sentiment survey suggest the weighted average of ECB terminal depo rate expectations of benchmarked investment fund managers from its current cutting cycle is c. 1.65% (Exhibit 8). This is roughly 10bp lower than that priced in by the market.

Receive October ECB €str

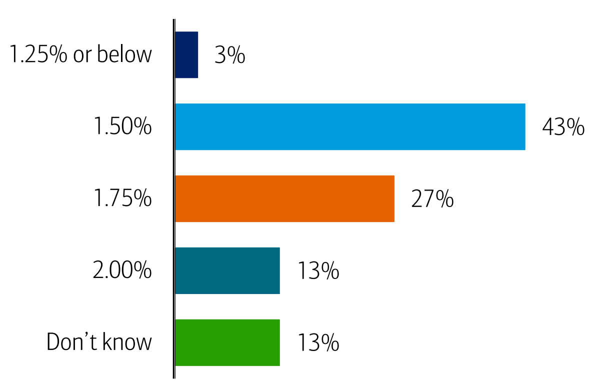
We initiate a new trade recommendation: receive October ECB €str (current: 1.765%, target: 1.565%, stop: 1.865%).

- Our base case is for the ECB to cut 25bp in September and December. The market is currently pricing in only a cumulative 15bp of cuts by October.
- Our target implies the market pricing a cumulative c. 35bp of cuts by the October meeting. If the 25bp cut in September materialises, this would imply the market pricing in 10bp of further cuts in October.
- We believe an escalation in tariff rates and/or tensions, and a worsening of the outlook, could cause the market to price in a higher probability of back-to-back cuts by the ECB after the summer even if back-to-back cuts don't ultimately materialise.
- The market priced in October 2025 ECB €str at as low as 1.54% in late April post reciprocal tariff announcement by the US (Exhibit 9).

Risks are: higher than expected inflation prints, stronger than expected activity data, meaningful de-escalation in tariff imposed by the US on the EU, and strong fiscal push from euro area countries beyond Germany and/or EU.

Separately, we continue to like selling receiver ladders in the top left, to position for the tail risk of 30% tariffs and a resulting recession which can drive the ECB to cut even lower than 1.5%. – see Euro Rates Vol, where we selected strikes in such a way that the position doesn't lose money in our baseline scenario of a small additional rally in the front-end, and starts to breakeven positively if 2y rates go below 1.5%.

Exhibit 8: I expect the ECB to cut rates to a terminal rate:
ECB terminal rate of 1.50% is base case but risks skewed higher



Source: BofA Global Research FX and Rates Sentiment Survey

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Exhibit 9: Market pricing for Oct ECB €str, %
Market pricing was as low as 1.54% in late April 2025

Source: BofA Global Research, Bloomberg

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Rates – EU II

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MLI (UK)

- The reform of the Dutch pension system, namely a switch from defined benefits to defined contributions, is perceived to be one of the factors exacerbating the global curve steepening in the long and ultra-long-end
- We run scenarios to estimate PF flows and highlight the factors that will affect them. We also look at the EUR curve in the global context and in different sectors.

This is a short extract from Liquid insight, 16-Jul

Reform = long-term steepening, but can be smoothened

The Dutch pension fund (PF) system is in the middle of a transition phase, from Defined Benefits (DB) to Defined Contributions (DC), with the transition impacting 99% of members between Jan25 and Jan28 -see Liquid insight, Jul-24. In the new system, PFs will likely need less duration, having in particular to reduce exposure to (ultra) long-dated swaps & bonds as young members will be assigned low risk free exposure (Chart of day.

The pension reform has therefore been a key theme supporting curve steepeners in EUR. With consensus still heavily in the steepening camp, we (1) run different scenarios to estimate PF flows (total numbers as well as what could materialize over the next few quarters given the updated timelines) and highlight the factors that would limit the total paying, (2) look at how the long-end of the EUR curve trades in the global context and relative to the front-end. This leads us to favour expressing the steepening theme by receiving the belly of the curve vs 2s and 30s in conditional format.

Scenario analysis: The below tables show how relevant the life cycle choices are when it comes to estimating the potential total reduction in DV01 that the whole pension system would need to undergo until the transitions are completed.

Exhibit 10: Total DV01 paying(-)/receiving(+) if risk free exposure starts at 30y and reaches max at 67y, depending on min/max allocations
15% risk free exposure for <30y olds & 90% max, paying needs= 110mln/01

min/max	80%	90%	100%
0%	-400	-280	-160
15%	-230	-110	15
20%	-175	-50	70
30%	-60	60	180

Source: BofA estimates

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Exhibit 11: Implied interest rate "hedge ratio" for assets under new system if risk free exposure starts at 30y and reaches max at 67y
15% risk free exposure for <30y olds & 90% max => rate hedge of 54%

min/max	80%	90%	100%
0%	41%	47%	52%
15%	49%	54%	59%
20%	51%	56%	61%
30%	56%	61%	66%

Source: BofA estimates

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We also illustrate how the implied paying needs strictly beyond the 20y sector can vary a lot depending on whether we assume funds have currently been hedging their liabilities with swaps / bonds of matching maturity or whether positions have been in the sub 30y.

Exhibit 12: Total DV01 paying(-)/receiving(+) in >20y sector if risk free exposure starts at 30y and hits max at 67y
15% risk free for <30y olds & 90% max, paying needs in 21y+ = 280mln/01

min/max	80%	90%	100%
0%	-480	-430	-380
15%	-330	-280	-230
20%	-280	-230	-180
30%	-180	-130	-80

Source: BofA estimates

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Exhibit 13: Total DV01 paying(-)/receiving(+) in >20y sector if risk free exposure starts at 30y & hits max at 67y, w/ little hedge >30y now*
Paying needs in 21y+ drop from 280 to 25mln/01 if few >30y hedges now

min/max	80%	90%	100%
0%	-220	-170	-125
15%	-75	-25	25
20%	-25	25	75
30%	75	125	175

Source: BofA estimates. (*) We use structure of ABP's portfolio in 2024 annual report as blueprint

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Overall, given the significant ranges displayed in the above scenarios, it is hard to provide a single estimate of the overall paying needs (either in total across the curve or in the 20y+ more specifically). Expectations from some PF advisors of a median of c.€200mln/01 of paying appear reasonable at this stage, with the limited information we have on all life cycle decisions. Given the differences between funds, estimates of total paying needs will need to be derived using a bottom-up analysis to be more accurate.

Keeping track of life cycle decisions by each fund will therefore be key. Some published their initial plans as part of their transition plans, others are presenting them in their implementation plans. These would still need to be validated by the DNB, which can challenge the decisions if seen as inconsistent with the fund's risk-attitude survey.

As also discussed in Liquid Insight 2-April, there are factors that limit any pension paying activity in the next few months, relative to previous expectations.

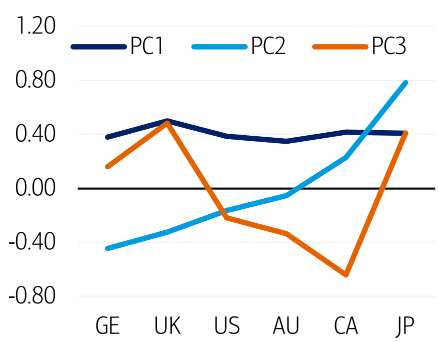
1) More delays in switch target dates
2) More leeway on the timing of portfolio restructuring
3) The large bear-steepening of the curve can incentive receiving

For those needing to unwind (ultra) long dated position and having the flexibility to do ahead of the transition (already elevated funding ratio), the attractiveness of unwinding now is reduced relative to the start of the year from a swaps level perspective. But the increase in funding ratios could provide some more comfort to conduct such unwinds ahead of the transition. We estimate that such flows will be limited to under €40mln/01 in 2H25. We derive this estimate by looking at the set of pension funds that target a switch on 1-Jan-26 and had a funding ratio of over 125% as of end of March. We use their reported hedge ratio and calculate what a reduction to a 50% hedge ratio (applied to the amount of assets) would imply.

With consensus in EUR steepeners, we look at where the 10y-30y German curve trades in the global context and where the 10s30s and 30s50s curves trade vs 2s10s and vol.

- The German curve may already be pricing in a lot of the pessimism around supply/demand linked to Dutch PF reform and higher bond supply. It is, alongside the Japanese curve, the one presenting the largest residual based on global dynamics (Exhibit 14 to Exhibit 16).

Exhibit 14: Loadings of first 3 principal components of global cash curves
1st principal component is akin to a global level



Source: BofA Global Research. Using data of past 3 years
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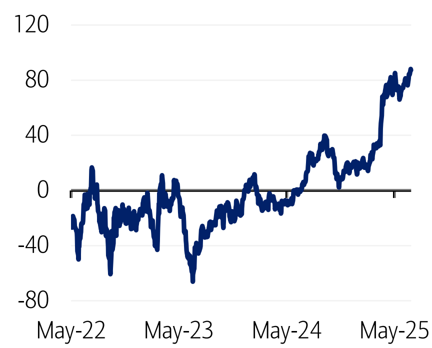
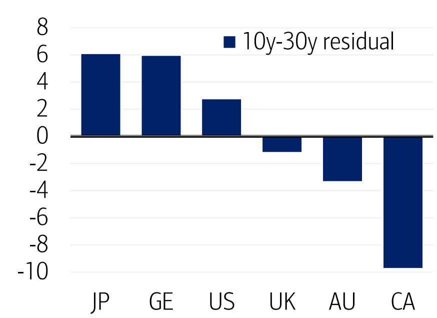
Exhibit 15: History of the 1st principal component of global 10y-30y cash curves
Renewed global curve steepening momentum



Source: BofA Global Research. Using data of past 3 years
BofA GLOBAL RESEARCH

Exhibit 16: Residual for each curve based on the first 2 global principal components
German and Japanese curve are c.6bp too steep based on global joint dynamics



Source: BofA Global Research. Using data of past 3 years
BofA GLOBAL RESEARCH

- The 30s50s curve appears to also be pricing in some effect from the Dutch reform. It has also steepening meaningfully relative to what would have been expected from the historical directionality to 2s10s.

- The 10s30s swaps curve is quite inline with where we would expect it based on 2s10s and vol.

Rates – UK

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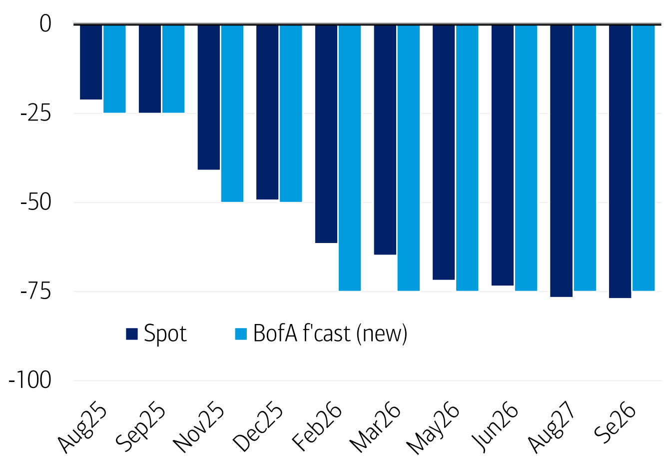
- We no longer expect Bank Rate cut acceleration in September. We turn neutral the front-end, but received Nov MPC remains a cheap hedge for acceleration.

Below references BoE: No longer acceleration in cuts in H2, 17 July.

Turning neutral the front-end

This week's combination of strong inflation and less worrisome labour data suggests to us that the bar for the BoE to accelerate the rate cutting pace in September remains high. GBP front-end rates are now pricing-in 41bp of cuts by November, down from 43bp last Friday, and a terminal Bank Rate of 3.6% to be reached by early 2027, not far off our own (updated) base case level (Exhibit 17 and Exhibit 18), but arriving later.

Exhibit 17: MPC-dated Sonia Bank Rate cut expectations, bp
Market profile implying close to two 25bp Bank Rate cuts this year



Source: Bloomberg, BofA Global Research

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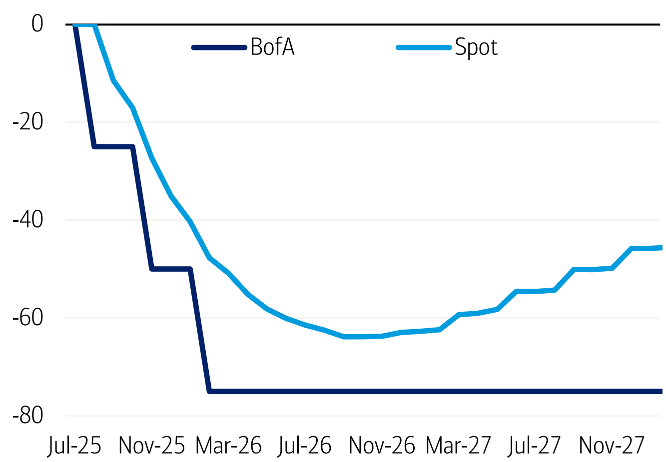
Exhibit 18: BoE rate cut pricing, cumulative bp
Terminal rate pricing not far off ours, but priced in later than we expect



Source: Bloomberg, BofA Global Research

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Our economists now pencil in two 25bp Bank Rate cuts in 2025 – August and November – and one more in 2026, keeping terminal rate unchanged at 3.5%, having expected an acceleration in BoE's quarterly cutting pace in September previously (see below). In rates, we turn neutral front-end, no longer seeing as much potential for it to perform much further. It is rather the February 2026 than November 2025 MPC-dated Sonia which diverges from our new base case the most, but not enough to trade.

We will keep our received November MPC-dated Sonia for now, hoping for it to realise a few bp closer to our 50bp in 2025 new base case scenario. The trade also remains a cheap option to position for pricing in of faster pace of BoE Bank Rate cuts:

- We keep received November MPC-dated Sonia entered at 3.78% on 13 June with a target of 3.50% and stop at 3.95% (current: 3.81%). Risk to the trade is Sonia fixing drift higher (see our note: Global Rates Weekly, 13 June).

In inflation, our conviction that 1y RPI should be higher relative to 2y has been strengthened this week. The macro case for further 1s2s RPI inversion remains simple: unlike the Eurozone, which is on a fast track to the inflation target, for the UK it will likely be a slow grind (for more, see UK IL section of Inflation Strategist, 1 July). Barring sharp falls in energy prices, the BoE CPI forecasts and our own seem consistent with a flatter RPI curve at the front-end.

- We keep our 1s2s RPI flattener entered at +7bp with a target of -30bp and stop-loss at +25bp (UK Rates Alpha, 23 May). The current spread is -11bp, relative the original base date (i.e., allowing for the fact that inflation swaps have rolled twice since then). Risk to the trade is falling energy prices.

Data unlikely to derail an August cut…

This week's labour market and inflation data showed that the BoE faces a trade-off between still elevated inflation and softening growth and labour market.

Inflation data picked up in June to 3.6% with services remaining flat at 4.7%, higher than the BoE's expectation. The Bank's preferred measure of services excl. volatile, indexed components, rents and foreign holidays rose from 4.0% to 4.2%.

At the same time, labour market data indicated softening with negative payrolls for the past few months and a pick-up in unemployment to 4.7% due to higher employment costs (NICs/NLW), tariff uncertainty and weaker demand. Progress in pay growth continues, with private pay growth falling from 5.2% to 4.9% and monthly increase in private wage growth at 0.34%m/m in May, weaker than last three-month average of 0.43%m/m. Q2 wage growth is on track to underperform the BoE's expectation of 5.2%.

Despite the higher inflation, we think the bar for the BoE to not cut in August is high due to weaker growth and softening labour market/pay dynamics. June minutes and comments from Governor Bailey this week suggested that the MPC is showing greater sensitivity to growth and labour market. The data should give the BoE continued confidence that slack is opening up, which should allow wage growth to continue to moderate. Forward-looking indicators show moderating wage expectations with the BoE's Agents survey pointing to wage settlements of 3.5-4%. Moreover, there are limited signs of second round effects from the one-off increases in prices.

… but not weak enough yet to warrant an acceleration

Our concerns on the labour market and growth post tariffs and NICs made us expect an acceleration in cuts in H2, though elevated inflation implied that balance of risks is titled towards a quarterly path. This week's data proved that weakness is not as strong as previously feared. The 109k drop in May was revised up to a more modest 25k decline and the decline in payrolls from November - May got revised from 276k fall to 143k fall.

This is likely to be consistent with a softening in the labour market but not a pronounced slowdown. Meanwhile, forward-looking indicators point to a mild improvement in growth, though still weak. This, along with stronger than expected inflation, should reduce the pressure on the BoE to accelerate the cutting cycle.

As a result, we no longer expect a small acceleration in cuts in H2 and expect the BoE to stick to a quarterly cutting path until early 2026 to 3.5% by early 2026. The gradual path should allow the BoE to balance the trade-off between inflation, which is likely to stay higher than we previously expected in coming months, and weakening but not collapsing growth/labour market dynamics.

Rates – JP

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- Q&A on Japan's Upper House election. Polls suggest LDP-Komeito struggling to secure majority.
- Market increased pricing for medium-term fiscal and political risk, but the event risk appear underpriced. Risk of a weaker yen and steeper curve into the fall

This is an excerpt from Liquid Insight,14 July 2025

Q&A on Japan's Upper House Election Q&A

Japan's 27th Upper House election will be held on 20 July (see Japan Viewpoint: Upper House election implications: Spotlight on fiscal risk 11 June 2025). In this report, we respond to the most common questions from investors about the election.

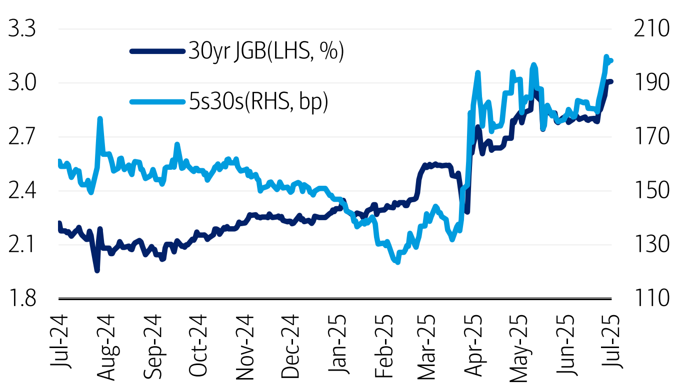
How important is the 20 July Upper House election?

The election will be a test of whether the LDP-Komeito coalition can maintain its majority in the Upper House. It has already lost its Lower House majority, and an Upper House defeat would threaten the viability of the Ishiba administration, whose focus on fiscal discipline contrasts with the tax cuts and other aggressive fiscal policies advocated by opposition parties (and some members of the ruling coalition). The election could also result in a new prime minister or a change in coalition membership. It will have a major impact on macroeconomic policy--including fiscal policy, political stability, and resulting monetary policy--and will be critical for markets.

What the rates market pricing in?

The Ministry of Finance's (MOF) shift to issuing shorter maturity JGBs caused the uptrend in superlong JGB yields and yield-curve steepening to pause, but the market's growing interest in the Upper House election has again driven up the 30yr yield and widened the 5s30s spread (Exhibit 19). However, 1m30y implied volatility has not risen as much as in Apr-Jun, whereas 1y30y has remained broadly flat since global yield curves steepened in Apr-Jun (Exhibit 20). While we think the rates market factors in Japan's longer-term fiscal risk, we do not think it adequately prices in the risk of the LDP-Komeito coalition losing its majority in the Upper House elections and resulting greater fiscal risk.

Exhibit 19: 30yr JGB yield and 10s30s yield spread
Superlong JGB yield has continued moving higher



Source: BofA Global Research, Bloomberg. Note: Compound yield

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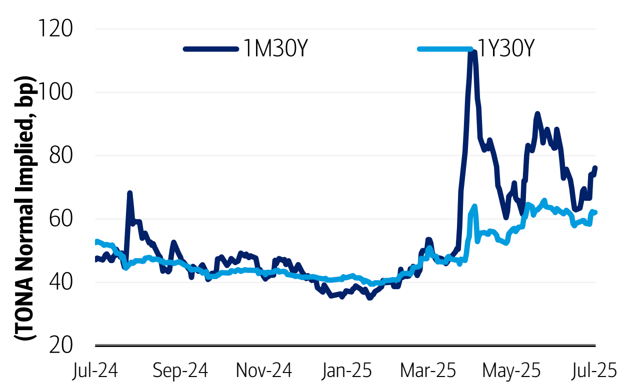
Exhibit 20: Implied vol (1m30y, 1y30y)
1m30yr implied volatility has not risen as much as in Apr-Jun



Source: BofA Global Research

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What is BofA's market strategy?

We see curve steepening risk. If the LDP-Komeito coalition wins 50 seats in the election, we would expect the 5s30s curve to flatten somewhat as fiscal risk recedes slightly and expectations for additional BoJ rate hikes rise a notch. However, given remaining uncertainty about the autumn supplementary budget, we do not expect the curve to flatten enough to bring the 5s30s spread (compound) below 185bp. If the LDP-Komeito coalition fails to win 50 seats, we would expect the 5s30s curve to steepen as fiscal concerns increase. However, MOF could again shift to issuing shorter maturities, resulting in a spread of around 215bp that balances risk and reward during the summer although the curve can steepen further in the fall on a supplementary budget.

Rates – CA

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- Stronger-than-expected data has pushed out pricing of BoC cuts, driving CA rates higher across the curve
- We continue to see the CAD rate steepener as a relatively carry-efficient way to hedge global tariff risks

Rates shift higher on strong data

Despite ongoing tariff headlines, stronger than expected inflation and employment data in Canada is likely to keep the BoC on hold in July. Market pricing of a July cut has declined to less than 5% likelihood and we closed our trade on our pay July BoC OIS (see Exiting pay July BoC meeting OIS).

Our econ team expects the BoC to deliver its next 25bp cut at the Sept meeting with 3 cuts forecasted by the end of the year, when the effects of the tariffs are clearer. We do not see the BoC in any rush to cut rates with core CPI at 3%, up 0.5% this year, and so our risks lean towards a later start to cuts, possibly as late as next year. Markets are now pricing in less than one full cut by the BoC for the year, which we see as reasonably priced across this year's remaining meetings in light of upside inflation risks.

CAD 10yr rates have risen nearly 75bps since their March trough, reflecting the stronger than expected data and BoC cuts priced out. CAD 2s10s curve remains about 34bp steeper since the initial Feb 1 tariffs on Canada. We continue to see the CAD rate steepener as a relatively carry-efficient way to hedge global tariff risks. For example, the 2-10 CAD curve steepener costs only about 7bp per year in carry + roll, while the US version prices a 75bp annual cost. We think both steepeners would perform well in a global risk-off event, a stickier inflation regime, or unexpected re-acceleration of growth.

Another three BoC cuts in '25 would drive the BoC policy rate meaningfully below the Fed. We see the policy rate spread as the main determinant of the US-CA 10y rate differential. An earlier BoC ease than the Fed would contribute to CAD 10y rate outperformance vs the US, in our view. Near term fiscal policy in Canada and the US could drive additionally cheapening of sov bonds vs cash, ie tighter swap spreads.

Exhibit 21: Bank of Canada balance sheet projection
BoC faces a large maturity in Sept but may begin buying bills to offset decline in settlement balances

Source: BofA Global Research, Bloomberg, Bank of Canada

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Exhibit 22: Government bond yield forecasts
We forecast a 10y rate of 3.1% by year-end

	Q2 25	Q3 25	Q4 25	Q1 26
2y	2.50	2.50	2.50	2.50
5y	2.70	2.75	2.80	2.85
10y	3.05	3.10	3.15	3.20

Source: BofA Global Research estimates

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Exhibit 23: Swap rate forecasts
We see 10y swap spreads at 2.84% by year-end '25

	Q2 25	Q3 25	Q4 25	Q1 26
2y	2.37	2.37	2.37	2.37
5y	2.48	2.53	2.58	2.63
10y	2.79	2.84	2.89	2.94

Source: BofA Global Research estimates

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Front end – US

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- We believe reserves will prove less abundant than Fed Gov Waller estimates
- Reserves likely less abundant b/c (1) banks buffering large unrealized losses (2) shift in FHLB advance expectations

This is an excerpt of Waller & Fed B/S: assessing ample

Waller: ample reserves seem low, Fed / UST bill switch

Last week Fed Governor Waller gave a speech on the Fed balance sheet where he discussed (1) ample reserve estimate (2) future Fed balance sheet composition. In this note we discuss why his reserve balance estimate may be low. We intend to offer thoughts on the future Fed balance sheet composition in a future note.

Ample reserve estimate: history rhymes but doesn't repeat

Governor Waller's speech provided one estimate of ample reserves. He observed that funding spiked in '19 with reserves/GDP <7% & funding pressures started when reserves/GDP <8%; therefore, anything below 8% is too low. Waller then took 8% reserves/GDP, added a 1ppt buffer, & concluded 9% is ample. That equates to $2.7tn today. History is useful but it only rhymes; we see key differences in '19 vs today.

Fast Fed hikes & unrealized bank losses mean '25 ≠ '19

We believe Waller's estimate of ample overlooks one key factor: banks are still burdened by elevated unrealized securities losses (Exhibit 24). The FDIC reports total bank unrealized **losses** at end Q1 '25 of $413b; in contrast, the FDIC reported total bank unrealized **gains** at end Q3 '19 of $53b. Bank unrealized securities losses are a function of Fed policy: in '20-'21 the Fed was guiding for a prolonged period of low rates & doing QE, which expanded bank deposits & pushed them into securities; in '22-'23 the Fed hiked rapidly & started QT, which drove unrealized securities losses & provided depositors higher yielding alternatives. These dynamics supported SVB's demise.

Banks likely buffering unrealized losses with reserves

We believe banks are buffering their elevated unrealized losses with reserves. Banks likely believe reserves are the best antidote for unrealized losses since a large liquidity buffer will obviate the need for liquidity raising asset sales / realized losses. We believe banks have been fighting to retain elevated cash levels as observed by: (1) reversing low cost retail deposit outflows with higher cost large time deposit inflows (Exhibit 25, Exhibit 26) (2) growth of small domestic bank cash / asset ratios post SVB (Exhibit 27). The only likely area of excess bank cash holdings is in foreign banks, which could theoretically decline ~$500b before reaching their '19 nadir (Exhibit 28)

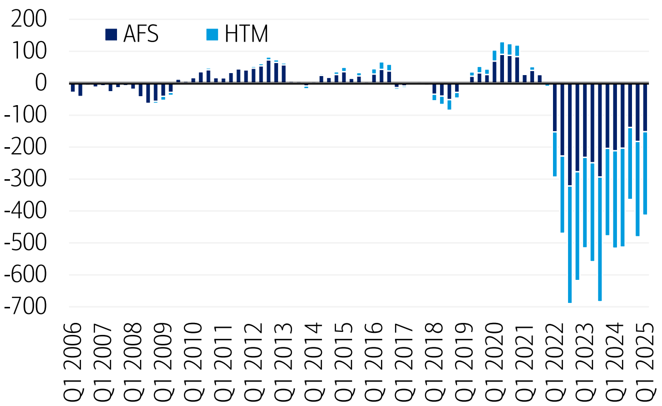
FHLB liquidity shift likely supports higher reserves

Decreased bank willingness to borrow from FHLBs may also support higher reserves. FHLB advances have historically been highly correlated with large time deposits (Exhibit 29). Post SVB this relationship weakened likely as regulators re-focused FHLB activity on mission-critical activity. Banks also reflect reduced expectations for FHLB advance growth vs pre-SVB. Reduced FHLB reliance means more reserves demand.

Bottom line: we do not believe reserves are as abundant as Fed Gov Waller due to bank buffering of unrealized losses & shift in FHLB advance expectations. This suggests risks of earlier funding pressure vs Waller guidance. We stay short Oct '25 SOFR/FF.

Exhibit 24: Commercial bank unrealized gains / losses on investment securities ($bn)

Commercial bank unrealized losses are much larger today vs '19



Source: FDIC; note: AFS = available for sale, HTM = hold to maturity

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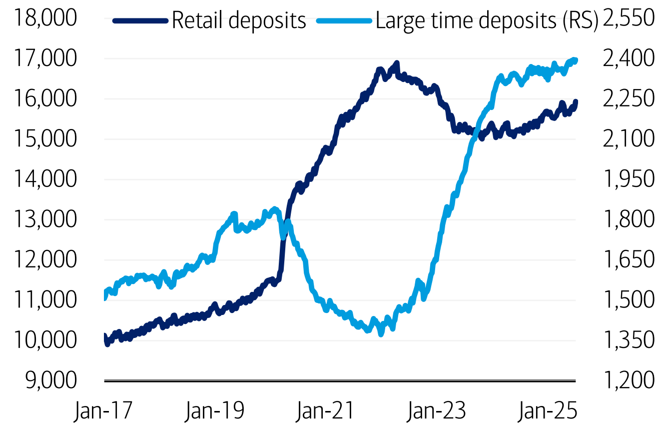
Exhibit 25: Commercial bank deposit breakout ($bn)

Banks replaced retail deposits with large time deposits in '22-'23



Source: Bloomberg

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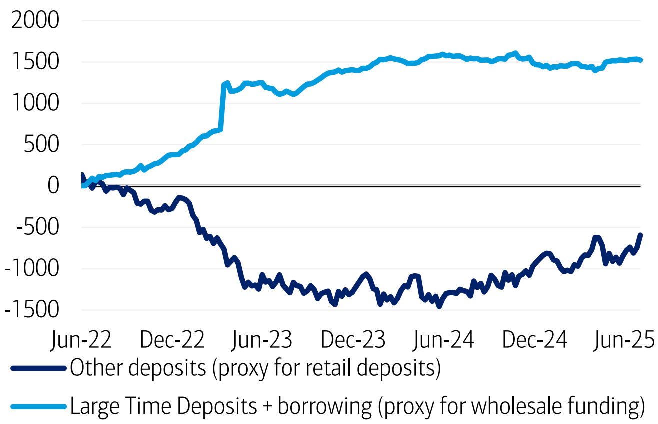
Exhibit 26: Cumulative change in bank deposits ($bn)

Banks replaced retail deposits with more expensive large TDs almost 1 for 1



Source: Bloomberg

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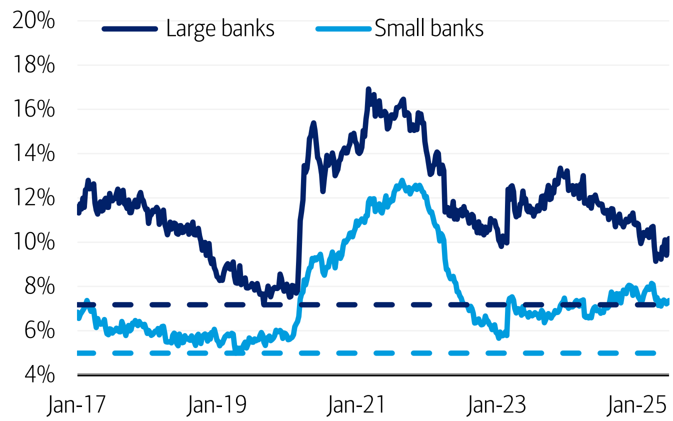
Exhibit 27: Domestic bank cash to asset ratios (%)

Small banks approached 2019 trough pre SVB but have since grown



Source: Bloomberg. Note: corresponding dotted line indicates the 2019 trough for each variable

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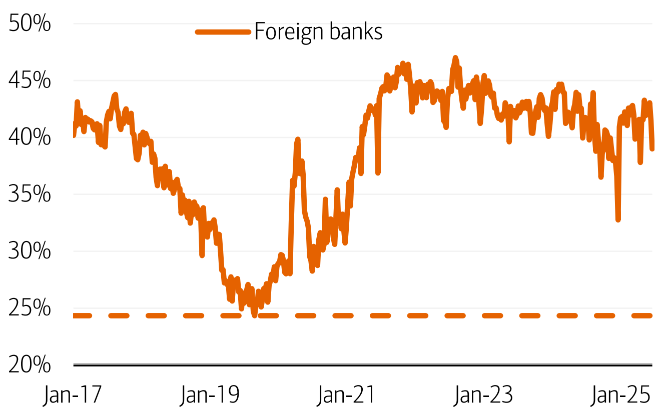
Exhibit 28: Foreign bank cash to asset ratio (%)

Foreign banks remain well above the trough in their cash to asset ratio



Source: Bloomberg. Note: dotted line indicates the 2019 trough for foreign bank cash/asset ratio

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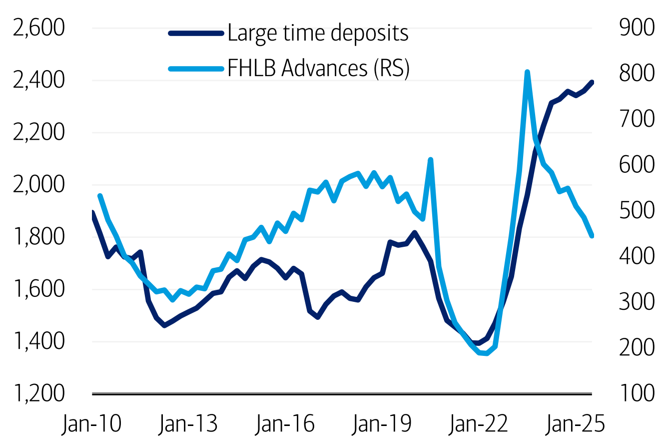
Exhibit 29: Bank FHLB advances and large time deposits ($bn)

Historically FHLB advances have been highly correlated to large time deposits



Source: Bloomberg

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Front end – US II

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- US repo rates reflected increased sensitivity to July mid-month settlements; we expect more sensitivity in months ahead
- Higher repo sensitivity is likely due to increase in total collateral, including month to date net bill settlements

This is an excerpt of Repo sensitivity rising: stay short SOFR/FF 16 July

Higher repo sensitivity with July mid-month settlements

Today the NY Fed provided TGCR & SOFR rate levels for July mid-month settlement date. Both TGCR & SOFR printed at the highest mid-month values YTD at 4.36 & 4.37%, respectively. TGCR & SOFR also experienced the largest YTD increase into mid-month coupon settlements. Repo sensitivity is rising. We suspect the higher repo sensitivity is due to increase in total UST collateral, including month to date net bill settlements of $21b (vs net bill paydown in June of $219b).

The sensitivity between SOFR rate changes around mid- or end-month UST coupon settlement sizes was much larger at July mid-month vs similar observations since start '24. If SOFR sensitivity to July mid-month settlements holds over coming months we expect to see much higher SOFR rate settings; 5 out of 6 upcoming coupon settlements will be ~$80b or higher (i.e. 2+ times larger vs July mid-month).

Higher repo sensitivity implications

A sustained increase in repo sensitivity could see TGCR & SOFR rise by more than the market anticipates. We continue to believe the market is underpricing the extent to which SOFR will increase in 2H '25 & like being short July & October '25 SOFR/FF. We think repo sensitivity will be more pronounced as Fed ON RRP is depleted (we forecast ON RRP to be near zero by Sept month end). The sensitivity will also be larger if commercial banks are not willing lenders in repo as SOFR rises & prove not to have as much excess cash as the Fed believes (see our report: Waller & Fed B/S).

Higher repo sensitivity & a sustained climb in repo rates will eventually place upward pressure on the fed funds rate. We believe fed funds will be pulled higher by TGCR & other money market rates. Recall, FHLBs fund in O/N discount notes (DN) & lend this cash in fed funds. Once TGCR pulls FHLB O/N DNs near or above FF, the FF rate will rise. FHLBs won't lend at a lower rate vs where they fund. For detail on FF dynamics see our Primer: Fed policy plumbing, '25 edition. Repo will lead & FF will lag, but both will rise.

Bottom line: higher repo sensitivity was evidenced in the July mid-month settlements. We believe this is a precursor to increased repo sensitivity in 2H '25. We stay short July & Oct '25 SOFR/FF to position for this outcome. Increases in SOFR & TGCR will eventually drag FF higher; repo will lead the move & FF will lag.

Spreads – EU

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- PGBs give reason to remain constructive despite missing syndication
- Large bond index duration extensions may support the long-end

PGBs: interested in the long-end

We remain constructive on PGBs. The Portuguese economy benefited from an immigration-led boost to aggregate consumption while NGEU supports capex with Bloomberg consensus forecast seeing 1.9% and 1.8% GDP growth in 2027 and 2028 respectively, higher than Eurozone's 1.1% and 1.5% in each year.

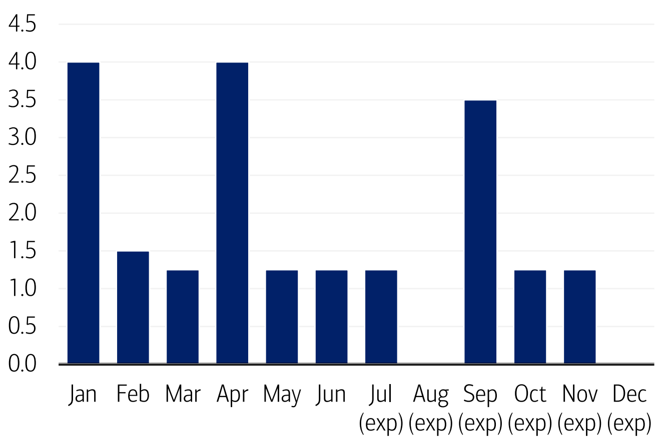
The fiscal path for Portugal is relatively benign too. Debt/GDP ratios are seen dropping by more than 1% each year in the next couple of years.

Cash funding needs however have been relatively high over the last three years not solely because of deficits but also because of higher redemptions and because of public sector Capex.

On the side of gross bond issuance, we are expecting another €6bn coming from Portugal in the form of a syndication (assuming in September) and two auctions (assumed in October and November).

These forecasts are always uncertain, especially for what concerns timing and tenor of the operation. For the syndication, assumed at €3.5bn volume, it may be more likely to see a 7y, or 20y maturity PGB.

Exhibit 30: PGB gross supply over 2025 (with projection, EUR bn)
September likely sees a new syndication followed by two auctions



Source: own assumptions/calculations, IGCP and Bloomberg

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Exhibit 31: IGCP syndications in our records since 2020
7y and 20y are two tenors not recently tapped with a syndication

Date	Sector	Allotted (bn)
08-Jan-20	10y	4
01-Apr-20	7y	5
01-Jul-20	15y	4
03-Feb-21	30y	3
07-Apr-21	10y	4
12-Jan-22	20y	3
06-Apr-22	10y	3
05-Jan-23	14y	3
04-Jan-24	10y	4
22-May-24	30y	3
09-Jan-25	10y	4
30-Apr-25	15y	3

Source: Bloomberg

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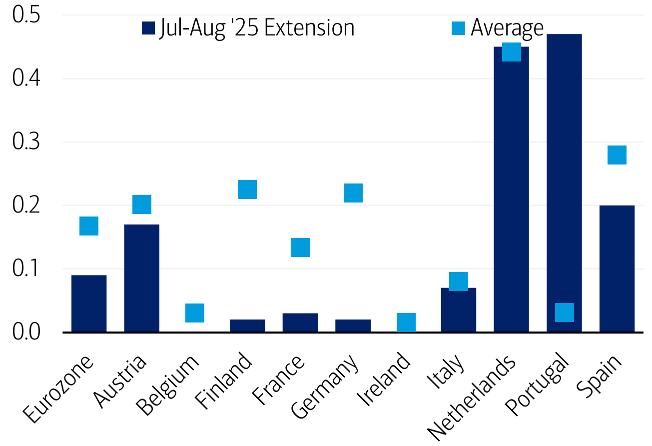
With the July auctions behind us, we may therefore not get any PGB supply until the assumed September syndication.

On the demand side, summer tends to be a benign period for rates/risk while the rebalancing of ICE Bond indices at the turn of the month of July is forecasted having a +0.47 effective duration change for PGBs. The higher future risk contribution from PGBs may incentivise index following investors (or those willing to have a neutral stance against it) to increase allocations to PGBs, possibly in the longer-end (for a higher duration impact on portfolios at parity of notional invested).

Exhibit 32: ICE BofA Government bond indices end of month duration rebalancing

Portugal sees unusually large duration extensions at this month-end's bond index rebalancing



Source: ICE Bond Indices

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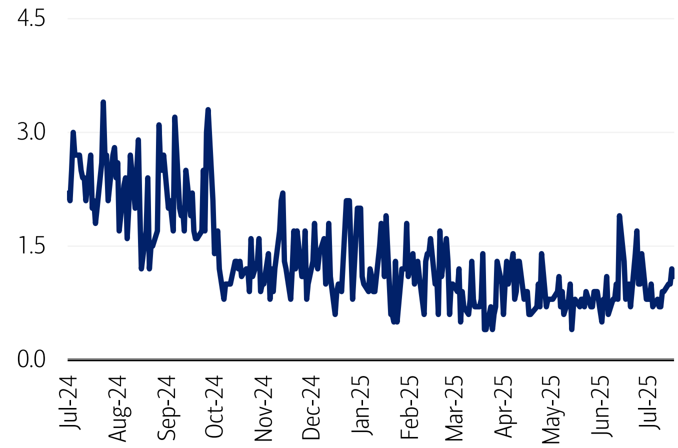
Exhibit 33: 30y PGB benchmark Bid-Ask (bp)

Declining bid-ask since earlier in 2024 confirms an improved liquidity status for long-end PGBs in particular



Source: Bloomberg

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Despite the relatively benign narrative for the Portuguese long-end and the liquidity in that same sector (relative to 2024), the current 30y benchmark has be trading on the cheaper side (Exhibit 35).

The constructive short-term supply story, seasonality and the upside surprise risk from the credit rating calendar as we head into mid-September, may attract interest in this part of the Eurozone Government Bond world.

Nevertheless, the main risks for Portugal in our view lie on the market volatility following a possible negative surprise from US-EU trade dispute, or from an unexpected deceleration in GDP growth.

Exhibit 34: Portugal credit rating calendar to year-end

Risks for PGB ratings are skewed to the upside

Date	Agency	Rating	Outlook
18-Jul-25	DBRS	A High	Stable
29-Aug-25	S&P	A	Positive
12-Sep-25	Fitch	A-	Positive
14-Nov-25	Moody's	A3	Stable

Source: DBRS, S&P, Fitch, Moody's, Bloomberg

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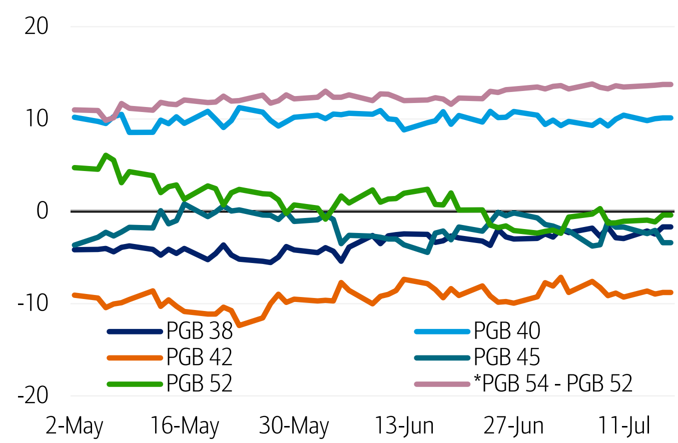
Exhibit 35: Z-spread flies of contiguous maturity PGBs (+ PGB 54 vs 52 spread)

PGB '54 have been cheapening, the '52 richening



Source: Bloomberg

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PGBs aside, the news from France on the fiscal equation do not give us reasons to change our expectation of an outperformance of BTPs in the 2y relative to OATs. We entered this trade on 20-June at 7bp, targeting -10bp and with a stop at 16bp – it currently trades at 5.6bp. Among the top risks is a positive surprise from Italy's fiscal, or a negative one from the French one (September/October budget discussions may add volatility).

Technicals

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- US 30Y Yield reached an intra-session high of 5.07% and near our +/- 5.08% tactical target set on July 7. Upside risk may remain while above 4.92% (rising 50d SMA).
- We studied macro trends after a golden cross signal on the S&P 500 and found the US 10Y yield tended to rise (price declined). For more, please see: Quantifying Technicals: Macro trends after SPX's golden cross 14 July 2025

Macro trends after the S&P500's golden cross

On July 1, 2025 with a closing value of 6,198.01, the S&P 500 received a golden cross signal. This is when the 50d SMA crosses above the 200d SMA. This is the 50th signal since 1928 and the 30th where the 200d SMA was rising. In this report we summarize what this signal favors for macro market trends in 2H25. It tended to be bullish for the S&P500, bearish US 10Y (higher yield), supportive for gold and oil and showed little directional bias for the DXY.

Macro trends after a golden cross signal on SPX

In Exhibit 36 below we highlight the % up ratio for each macro asset after all golden cross signals on the S&P 500. The SPX tended to rise 25-100 trading days later 65-78% of the time. US 10 year tended to decline (yield rose) with weak up ratios around 30-50 and 100- trading days after. Gold tended to be higher around 50-, 65- and 80-trading days later. Oil tended to be higher at 15-, 20- and 50- trading days later. The DXY had a modest tendency to be higher 30 trading days later. DXY aside, noted tendencies were stronger when the 200d SMA on the SPX was rising (Exhibit 37). For more detail, please see inside the report.

Exhibit 36: The % up ratio for macro assets after a golden cross signal on the SPX
SPX tended to rise, US 10Y to sell off (yield up), Gold and oil found some support, DXY saw little trend bias.

Ticker	5d	10d	15d	20d	25d	30d	35d	40d	50d	65d	80d	100d	260d
SPX	57%	65%	65%	63%	71%	73%	65%	67%	65%	73%	73%	78%	69%
US 10Y	39%	45%	39%	39%	39%	35%	35%	39%	35%	45%	42%	32%	39%
Gold	56%	64%	64%	52%	56%	60%	52%	56%	68%	68%	72%	64%	60%
Oil	58%	53%	68%	68%	47%	53%	63%	63%	68%	58%	53%	63%	79%
DXY	38%	46%	54%	54%	58%	62%	54%	46%	54%	50%	54%	50%	62%

Source: BofA Global Research, Bloomberg.
Notes: SPX since 1928 saw 49 golden cross signals. Data on other assets is less available. US 10Y data since 1962 is available for 31 of those 49 signals. Gold since 1975 includes 25 signals. Oil since 1983 includes 19 signals. DXY since 1971 includes 26 signals.
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Exhibit 37: The % up ratio for macro assets after a golden cross with rising 200d SMA on the SPX
Up ratios increased for the SPX, US 10Y, Gold, Oil and to an extent DXY. Note fewer observations.

Ticker	5d	10d	15d	20d	25d	30d	35d	40d	50d	65d	80d	100d	260d
SPX	52%	66%	72%	66%	72%	72%	66%	69%	69%	76%	72%	79%	66%
US 10Y	33%	48%	38%	33%	38%	29%	29%	29%	29%	33%	29%	19%	33%
Gold	65%	76%	59%	53%	59%	65%	59%	59%	71%	76%	82%	71%	71%
Oil	54%	54%	69%	69%	54%	62%	77%	77%	77%	69%	62%	77%	85%
DXY	33%	33%	39%	44%	44%	50%	44%	50%	56%	56%	56%	50%	50%

Source: BofA Global Research, Bloomberg
Notes: SPX since 1928 saw 29 golden cross signals with a rising 200d SMA. Data on other assets is less available. US 10Y data since 1962 is available for 21 of those 49 signals. Gold since 1975 includes 17 signals. Oil since 1983 includes 13 signals. DXY since 1971 includes 18.
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Rates Alpha trade recommendations

Exhibit 38: Global Rates Trade Book - open trades

Open trades

	Open Trades	Entry Date	Entry	Target	Stop	Latest Level	Trade rationale	Risk
	Short 5y German swap spreads	11-Jul-25	6.5	0	11	9	Seasonality, supply concerns, receiving in swaps	Risk-off move, program paying in 5y swaps
	6m 2s5s30s rec fly	7-Jul-25	0bp	150k	-80k	23k	Belly outperformance	Pricing of sharp ECB cuts in 2y
	6m 2s10s floor ladder	7-Jul-25	63bp	11.6bp	-7bp	63bp	Flattening bias in 2s10s.	2s10s flattening beyond the downside b/e
	US 3m10y payer spd vs EUR payers	7-Jul-25	0bp	25bp	-15bp	0bp	Underperformance of US rates in selloff	Underperformance of EUR vs US rates
	Short 6m2y rec ladder	7-Jul-25	0bp	25bp	-14bp	-0.7bp	Wide range of outcomes.	Rally to 1.5-1.9%
	US-Euro 2y3y inflation widener	1-Jul-25	38	70	20	45	Historically narrow, roll-down	US recession
	Long 2y IT vs FR	20-Jun-25	7	-10	16	6	Differential in macro & political risk	Larger front-end BTP supply risk-off move
Europe	Short 5y EU vs NL	19-Jun-25	21.8	30	17	20	Tactical short on high 2H25 supply	Lower than expected issuance
	OATei 2038/53 real curve flattener	13-June-25	20	0	30	23	Convexity value of 30y linker oversold	Heavy supply of 30y issue
	Receive 5y5y "real ESTR" rate	14-May-25	74	25	100	74	Real rate too far from "neutral"	Robust economic growth in the Eurozone
	Long 10y Spain vs Germany & Italy	9-May-25	25	15	31	24	Spain richens back on credit fly	Italian upgrade, Slow capex in Spain
	2y3y/5y5y Euro inflation steepener	2-May-25	20.0	35.0	10.0	21	Swift fall in inflation	Stalling disinflation
	Receiving 6m1y EUR vs CHF	14-Mar-25	176bp	130bp	200bp	187bp	Continued ECB easing and SNB pause	Negative SNB policy rate
	6m5y 1x1.5 rec	5-Feb-25	0bp	14bp	-10bp	0bp	Repricing of ECB terminal lower	Rally beyond downside breakeven
	Long 30y Bunds vs Netherlands	24-Nov-24	14.5	25	8	13	Fade the cheapness of GE long-end	Change in German constitution
	Pay 1y1y Euribor-€str basis	24-Nov-24	21.5	30	17	23	Reduced liquidity, increased term funding cost	New ECB LTROs / early end to QT
	5y1y ATM-25/-100bp rec spread	8-Feb-24	25bp	60bp	0	20bp	Lower ECB terminal rate, without negative carry	Better than expected EUR data
	UKTi 2058/68 real curve flattener	1-Jul-25	-12.7	-22	-7	-14	RV cheapness of '68s, convexity	Ultra-long supply poorly digested
	Rec Nov MPC-dated Sonia	13-Jun-25	3.78%	3.50%	3.95%	3.70%	Market underpricing our base case	Stickier than anticipated inflation
	1s2s RPI flattener	23-May-25	7	-30	25	-11	RPI forecast, RV anomaly	Falling energy prices
UK	Receive fwd UKTi real rates/pay fwd TIPS real rates	14-May-25	22	-40	50	-4	DMO Shortening its issuance	Poorly digested long-dated supply in Gilts
	Long 30y Gilt on ASW	2-May-25	91	75	100	92	Expect BoE to at some point signal slower QT	UK fiscal worries
	UKTi 2037/39 real curve flattener	24-Oct-24	17	9	25	20	Attractive level; low coupon value	Supply related dislocation
	UKTi 2032/36/47 barbell (+43.8%/-100%/+56.2% risk)	05-Sep-24	14.8	5.0	20.0	14	Expect forward flattening	Illiquid conditions
	Sell UKTI 2036 v UKT 2042 on ASW	26-Jul-24	-21	-8	-28	-21.6	Historical extreme spread	Poor nominal auction demand
	Short July SOFR/FF	30-Jun-25	1bp	-2bp	+2.5bp	-1bp	Tighter funding on Early debt limit resolution	Delayed DL resolution or slower TGA rebuild
	3y 20y spread curve steepener	2-Jul-25	-51	-30	-65	-49	UST WAM shift towards shorter tenors	UST continues to grow back-end auctions
	Short 3y swap spread	30-Jun-25	-31bp	-40bp	-20bp	-31bp	Reg disappointment, WAM shortening, flight to safety, higher UST supply	Demand from banks and carry traders picks up and richens USTs vs swaps
	Short Oct SOFR/FF	27-Jun-25	-4bp	-8bp	-1bp	-4bp	Tighter funding post debt limit & TGA rebuild	Slow TGA rebuild or later DL resolution
	Long 10y BE	23-June-25	2.34	2.55	2.20	2.35	Hedge for geopolitical risk	Risk off flow that sees oil decline
	Pay Dec FOMC OIS	15-May-25	3.78%	4.25%	3.5%	3.87%	Fade '25 rate cuts	Fed cuts get priced back into '25
	18m1y vs 6m1y rec	1-May-25	0bp	30bp	-15bp	59bp	< frontloaded cuts, > backloaded cuts	>frontloaded cuts with < medium term
	6m fwd 2s10s floor ladder	1-May-25	46bp	17bp	-10bp	37bp	Underperformance of curve vs fwds	Flattening beyond the c.20bp BE
	Long 2y3y inflation	24-Apr-25	2.24	2.50	2.05	2.40	Expect above market inflation medium term	Downturn that lowers inflation compensation
US	6m10y payer spreads	7-Apr-25	8.5bp	25bp	-8.5	10bp	Fed on hold, limited scope for bearish shocks	Limited to upfront premium
	6m5y payer ladder	7-Mar-25	0bp	25bp	-10bp	1bp	Repricing of Fed policy through higher	Selloff beyond downside BE
	6m1y rec spd	21-Jan-25	11bp	25bp	-11bp	2bp	Higher slowdown likelihoods	Limited to upfront premium
	Sell 1m10y vs 6m10y receiver	21-Jan-25	0bp	20bp	-10bp	0bp	Higher slowdown likelihoods	More significant rally near vs medium term
	1y1y receiver 1x1.5	12-Dec-24	9bp	60bp	-15bp	-3bp	Hedging slowdown scenarios	Aggressive hard landing scenarios
	1y fwd 5s30s bear steepener	24-Nov-24	0bp	30bp	-15bp	39bp	Term premium build & reacceleration scenarios	Bear flattening on hawkish Fed
	1y10y payer spd vs 3m10y payer	24-Nov-24	0bp	30bp	-15bp	-4bp	Higher recalibration/reacceleration likelihoods	Frontloaded sell that fades medium term
	1y1y straddles vs strangles	24-Nov-24	+0.31%	20bp str /vega	-10bp str /vega	0.26%	Long vol of vol	Lower vol of vol
	Long 5y30y vol vs 2y30y vol	24-Nov-24	+5.5bp vega	15bp vega	-10bp vega	5bp	Vega supported bearish tail scenarios	Outperformance of intermediate vs long vega
	3y1y rtr spd a/-50bp	6-Nov-23	pay 23bp	50bp	-23bp	5bp	Soft landing scenario	Capped to premium
	6m1y payer ladder	11-Jul-25	0bp	18bp	-10bp	0bp	Higher RBA terminal than marketing pricing	Selloff beyond the downside b/e
	US 10y invoice spreads vs AU	30-May-25	40	60	25	55	Fiscal divergence	US reg reform, AU budget update
	Pay 3y swap EFP (q/q)	28-May-25	-9.5bp	10bp	-19.5bp	-9.5bp	Bond demand underestimated, LIBOR-OIS risk underpriced	Global spread tightening
APAC	Buy TCV 5.5% Sep 2039 vs 10y IRS	15-May-25	133bp	100bp	148bp	140bp	Fiscal convergence between AU and Victoria	Wider spreads likely in a risk-off event
	AU 6m3y receiver 1x1.5	27-Mar-25	4bp	30bp	-15bp	8bp	Dovish repricing of RBA terminal	Hawkish RBA shift
	JP 1y2y payers spd vs 1y10y payers	24-Nov-24	0bp	40bp	-15bp	-3bp	Bear flattening of the curve	Lagging BoJ & curve bear steepening
	JP 1y5y payer ladders	24-Nov-24	0bp	28bp	-10bp	4bp	Repricing of policy trough	Underperformance vs. downside b/e
	KR 1y fwd 2s10s bull steepeners	24-Nov-24	0bp	25bp	-10bp	15bp	Dovish BoK and bull steepening	Hawkish shift for BoK
	KR 1y5y receiver spd	24-Nov-24	-16bp	34bp	-15bp	28bp	Repricing of policy trough lower	Capped to upfront premium

Source: BofA Global Research

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Exhibit 39: Global Rates Trade Book - closed trades

Closed trades

	Closed trades	Entry date	Entry level	Target	Stop	Close date	Level closed
Europe	Long EU 30y vs Netherlands	28-Mar-25	72	60	80	18-Jul-25	60
	Short 1y1y vs 1y10y vol	24-Nov-24	6.5bp	20bp	-10bp	11-Jul-25	24bp
	Receive BTPei 2033-39 fwd yield	1-Apr-25	358	300	400	01-Jul-25	320
	BTPei 2039 iota narrower	7-Mar-25	25.4	17	30	03-Jun-25	19.9
	US-Euro 2y3y inflation widener	7-Mar-25	28bp	50bp	15bp	30-May-25	50bp
	Long 15y OAT May-42	21-Mar-25	3.84	3.5	4.05	27-May-25	3.67
	Long 5y Greece vs Portugal	19-Nov-23	42	0	65	2-May-25	12
	Receive Dec ECB €str	2-Jan-25	1.77	1.3	2.18	17-Apr-25	1.47
	EUR 3m2y payer fly	16-Jan-25	12.4	35	2	16-Apr-25	0
	Pay 10y real Sofr, rec. 10y real €str	24-Nov-24	-112	-180	-80	1-Apr-25	-75
	Pay 1y1y CHF OIS	11-Dec-24	0.06%	0.35%	-0.10%	07-Mar-25	0.29%
	6m fwd 2s10s bull flattener OTM	23-Oct-24	0	900K	-500K	07-Mar-25	11K
	BTPei 2039 breakeven long	29-Jan-25	189	220	170	07-Mar-25	198
	US 9m30y payer spd vs EUR payer	5-Feb-25	0bp	30bp	-15bp	07-Mar-25	-15bp
	Receive 5y5y "real ESTR" rate	02-Jul-24	28	-20	60	07-Mar-25	60
	Pay Mar ECB €str	23-Jan-25	2.44	2.55	2.37	07-Mar-25	2.42
	BTPei'29/'33/'39 CDN barbell	18-Oct-24	31.6	15.0	40.0	27-Feb-25	25.3
	OATei '36/'40/'43 fly	25-Sep-24	5.5	0.0	9.0	27-Feb-25	2.6
	Sell OATei 43 vs 53 on z-spread	03-Sep-24	29	15	37	27-Feb-25	28
	3m2y payer fly	23-Oct-24	14.7bp	40bp	3bp	16-Jan-25	16.1bp
	Receive 2y1y €str	2-Dec-24	1.74	1.4	1.95	2-Jan-25	2.01
	Long 30y Bunds	03-Sep-24	2.58%	2%	2.83%	12-Dec-24	2.44%
	Received 2y1y €str	03-Sep-24	2.12%	1.7%	2.4%	2-Dec-24	1.7%
	EUR 1y fwd 2s10s OTM floor, funded US floor	19-Nov-23	-15bp	25bp	-25bp	19-Nov-24	15bp
	Receive 3y1y €str vs CAD OIS	03-Sep-24	39	80	15	21-Nov-24	86
	Long Schatz vs Bobl Euribor spreads	31-Aug-23	3	15	-8	14-Nov-24	8
	3m fwd 10s30s bull flattener	23-Oct-24	0	900K	-500K	31-Oct-24	770K
	Pay belly of 5s10s30s	24-Jun-24	23	50	10	31-Oct-24	30
	Short ATM 1y2y payer vs OTM in US	03-Sep-24	0	25bp	-15bp	23-Oct-24	25bp
	Receive belly of 2s3s5s PCA fly	02-May-24	-20	-26	-16	21-Oct-24	-14.5
	Long Schatz ASW	05-Jul-24	32.4	47	24	18-Oct-24	23
	Pay 9Mx12M EUR FX-Sofr basis	22-May-24	-6.9bp	-2bp	-10.2bp	18-Oct-24	-1.6
	1y1y/2y3y EURi steepener	26-Jul-24	3	16	-5	25-Sep-24	8
	EUR 2y 3s6s widener	19-Mar-24	8.1	14	5	12-Sep-24	4.8
	Receive 2y1y €str	19-Nov-23	2.45	1.70	2.90	03-Sep-24	2.09
	Long 6m7y OTM receiver vs 6m7y OTM payer	24-Jun-24	0	800K	-400K	07-Aug-24	800K
	Sep24 FRA-OIS widener	02-Feb-24	11.3	15	5	05-Aug-24	12.5
	1y fwd 2s10s EURi steepener	19-Jan-24	13	30	4	26-Jul-24	17
	5s10s EURi steepener	19-Nov-23	8	25	-5	26-Jul-24	12
	6m fwd 2s5s bull flattener	20-May-24	0	300K	-150K	25-Jul-24	-150K
	10s30s flattener in EUR vs US	04-Oct-23	0	40	-20	24-Jun-24	7
	Long OAT Apr29 vs BGB Jun29	25-Apr-24	8	2	11	10-Jun-24	5.9
	OATei 2029s/2053s real curve flattener	16-Apr-24	37	10	50	04-Jun-24	19
	OATei 2027s/2029s real curve steepener	9-Feb-24	7.4	18.0	2.0	04-Jun-24	-2
	Long 10y Bund vs UST	13-Feb-24	182	225	155	09-May-24	200
	Sell EUR 6m5y OTM payer to buy OTM payer in US	19-Nov-23	0	600K	-400K	18-Apr-24	110K
	Receive 2y3y €str vs SOFR	04-Oct-23	104	180	60	04-Apr-24	155
	BTP ASW 5s10s steepener	19-Nov-23	50	75	35	04-Apr-24	55
	Long DBRi 2026/short OATei 2026 on z-spread	22-Mar-24	10	-10	20	04-Apr-24	14
	3m1y ATM+25/+50 payer spd	06-Dec-23	5	15	0	23-Feb-24	15.5
	Pay Apr ECB date, receive Mar	02-Feb-24	-18	0	-28	19-Feb-24	-11
UK	Long UKT 0 1/8% 2028 vs. UKT 4 3/8% 2028 on ASW (on z-spd)	24-Jan-25	-29	-40	-24	08-Jul-25	-24
	Short Sonia 3s5s7s (pay 5s)	05-Sep-24	-12	10	-21	26-Jun-25	-5.3
	Receive Nov MPC-dated Sonia	11-Apr-25	3.69	3.45	3.81	15-May-25	3.81
	Receive UKTi 2036-2042 fwd real yield	28-Feb-25	267	200	300	8-Apr-25	305
	Long G vs. WN invoice spreads	28-Feb-25	13.9	30	5	8-Apr-25	30
	Short 5y RPI	29-Jan-25	396	350	450	1-Apr-25	376
	Pay 5y real Sonia, receive 5y real €str	21-Aug-24	43	-40	90	1-Apr-25	-4
	UKTi 2052/68 yield flattener	20-Feb-24	-13	-35	0	1-Apr-25	-27
	Receive Aug MPC-dated Sonia	14-Mar-25	4.07	3.95	4.13	24-Mar-25	4.13
	Pay March MPC Sonia	7-Feb-25	4.397%	4.468%	4.357%	20-Feb-25	4.45
	1y fwd 2s10s Sonia steepener	8-Nov-24	-1	25	-15	31-Jan-25	-15
	Pay 5y real Sonia	12-Jul-24	1	60	-30	29-Jan-25	15
	Sell UKT 4.5% 2028 vs. UKT 0.5% 2029 (on z-spd)	05-Sep-24	-8	-20	4	24-Jan-24	-9.2
	Buy UKT 4 3/8 2054 vs. T 4 5/8 2054 on ASW	12-Jul-24	1.0	-15.0	10.0	31-Oct-24	2.7
	Buy UKT 5/8% 2050 vs. 4 5/8% 2034 on ASW	07-Jun-24	33.5	13.0	45.0	31-Oct-24	23.8

Exhibit 39: Global Rates Trade Book - closed trades
Closed trades

	Closed trades	Entry date	Entry level	Target	Stop	Close date	Level closed
	Sell SFIM9 vs. SFIM6 futures	14-Jun-24	-19.5	10	-35	09-Sep-24	5
	UKTi 2032-36-42 barbell (+35%/-100%/+65%)	26-Apr-24	13.6	5	18	05-Sep-24	11.8
	UKTi '36/47 vs '34/46 fwd yield sprd	2-Feb-24	24	8	32	05-Sep-24	16
	UKTi 2036/47 real curve flattener	26-Sep-23	55	30	70	05-Sep-24	51
	Sell UKT4e27 v UKT1e28 on ASW	10-Nov-22	1.8	-25	12	05-Aug-24	-25
	Aug-Dec MPC-dated Sonia steepener	19-Jul-24	-38.0	-20.0	-48.0	2-Aug-24	-40
	UKTi 2029s real yield short	10-May-24	21	70	-10	12-Jul-24	30
	Real yield switch - UKTi 2033 into OATei 2034	18-Oct-23	26	-25	50	14-Jun-24	53
	Long SFIZ4 vs. short SFIM4	03-May-24	33.5	50	20	09-May-24	44.5
	Pay Jun'24 BoE-Sonia vs Jun'24 ECB-Estr	22-Mar-24	132	153	122	11-Apr-24	139.5
	Sell Dec'24 BoE MPC-onia vs. BoC CORRA OIS	06-Feb-24	14	75	-25	11-Mar-24	33
	Long 2y3y inflation	24-Apr-25	2.24	2.50	2.05	16-Jul-25	2.46%
	Pay July BoC OIS	6-Jun-25	2.65%	2.75%	2.55%	14-Jul-25	2.72%
	Long 1y10y rtp spd vs 4m10y rtp	3-Jul-24	0bp	20bp	-17bp	7-Jul-25	-14bp
	Short 30y swap spread	30-Apr-25	-90	-110	-75	30-Jun-25	-91
	10s30s curve steepener	15-May-25	45bp	70bp	15bp	13-Jun-25	48bp
	Pay SOFR Z6	29-May-25	3.26%	3.9%	2.75%	13-Jun-25	3.27%
	Pay July FOMC OIS	8-May-25	4.15%	4.3%	4.05%	6-Jun-25	4.3%
	Pay Bank of Canada June OIS	21-May-25	2.675%	2.75%	2.6%	04-Jun-25	2.75%
	Z5-Z6 FF curve flattener	13-May-25	-34bp	-70bp	-10bp	29-May-25	-57bp
	1y fwd 2s10s floor ladder	28-May-24	-20bp	-40bp	-60bp	28-May-25	0bp
	Long July SOFR/FF	11-Apr-25	-3.5bp	+1bp	-7bp	19-May-25	+1bp
	1y inflation swap short	10-Apr-25	3.49	2.90	3.90	12-May-25	3.12%
	Pay June FOMC OIS	2-May-25	4.18%	4.3%	4.05%	8-May-25	4.29%
	Pay July FOMC OIS	22-Apr-25	3.93%	4.15%	3.8%	2-May-25	3.99%
	Pay July FOMC OIS & receive 5Y OIS	22-Apr-25	-41bps	-80bps	-15bps	2-May-25	-60bps
	Long 30y swap spread	22-Apr-25	-94	-84	-105	1-May-25	-90
	1m fwd 2s30s bull flattener	22-Apr-25	0bp	20bp	-10bp	1-May-25	4bpr
	Short 30y swap spread	13-Mar-25	-79.5	-105	-70	22-Apr-25	-94
	2s5s30s fly	11-Apr-25	-55bp	-90bp	-35bp	22-Apr-25	-74
	Long 2y swap spread	11-Apr-25	-26	-17	-32	22-Apr-25	-27
	M6M7 SOFR curve steepener	3-Apr-25	1bp	30bp	-20	10-Apr-25	7
	Pay May'25 FOMC OIS	7-Apr-25	4.20	4.33	4.1	10-Apr-25	4.29
	3m2y receiver spd vs 3m2y payers	21-Jan-25	0bp	30bp	10bp	10 Apr 25	24bp
	TIPS 5y5y beta-breakeven long	1-Apr-25	-14	40	-50	9 Apr-25	-58
	5s30s steepener	6-Oct-23	20	90	-20	9-Apr-25	90
	2y forward, 3s28s inf steepener	4-Sept-24	0bps	30bps	-15bps	9-Apr-25	32bp
US	1y4y inflation swap long	14-Nov-24	2.56	3	2.25	8-Apr-25	2.21
	Pay June FOMC OIS swap	26-Mar-25	4.15%	4.25%	4.09%	3-Apr-25	4.07%
	1y10y payer ladders	28-May-24	0bp	37bp	-20bp	27-Mar-25	5bp
	6m5y payer ladder	24-Nov-24	0bp	27bp	-15bp	27-Mar-25	7bp
	M5/Z6 flatteners	4-Feb-25	-18	-50	10	3-Mar-25	-48.5
	6m1y rtp ladders	9-Aug-24	0	25	-20	9-Feb-25	16
	Short 30y spreads (May '54)	20-Jun-24	-80	-105	-65	06-Feb-25	-80
	Receive TII 1/26 to TII 1/30 fwd real yield	12-Dec-24	1.77	1.4	1.98	19-Dec-24	2.05
	Mar/Sep SOFR/FF '25 curve flattener	13-Sep-24	0 bps	-3.5bp	+2bp	17-Dec-24	-3
	1y2y risk reversal	24-Nov-24	0	30	-15	9-Nov-24	15
	5s10s TII steepener	19-Nov-23	-6	50	-40	14-Nov-24	15
	Long 5y30y vol vs 2y30y vol	20-Nov-22	+14bp vega	15bp vega	-10bp vega	24-Nov-24	21bp
	1y fwd 2s10s cap spd a/+50bp	6-Nov-23	20bp	30bp	-20	6-Nov-24	18bp
	Short 1y1y vs 1y10y vol	6-Nov-23	Rec 26bp	30bp	-20	14-Nov-24	27bp
	Buy Dec TY basis	22-Oct-24	0 ticks	2 ticks	-0.75 ticks	06-Nov-24	1.5 ticks
	SOFR M5-Z7 steepener	20-Sep-24	0	50	-30	4-Oct-24	-30
	Long Mar SOFR/FF	8-May-24	-1.5bp	2bp	-3.5bp	15-Jul-24	-3.5
	2-10 CAD steepener vs 2-10 US flattener	4-Jun-24	-17.2	15	-40	13-Jun-24	-10
	Short 1y1y inflation swap	13-Jun-24	2.39	1.9	2.7	26-Aug-24	2.28
	6m10y rtp ladders	26-Mar-24	0bp	28bp	-20bp	26-Sep-24	0bp
	Long 30y BE	26-Mar-24	2.28	2.75	2.05	5-Aug-24	2.05
	Oct / Nov SOFR/FF curve steepener	9-Nov-23	-0.5bp	+2.5bp	-2bp	8-May-24	-0,5bp
	2y fwd 2s10s cap	8-Jul-22	45	150	-50	8-Jul-24	-15bp
	SOFR/FF widener in 1y1y vs 2y1y	9-Nov-23	-0.75bp	-2.5bp	+2bp	8-May-24	-1.05bp
	Long 5Y nominal	18-Apr-24	4.62%	4%	-18bp	9-May-24	4.46%
	M5-M7 SOFR Steepener	13-Dec-23	-3bp	75bp	-40bp	6-Mar-24	-41bp
	Long 2y inflation swap	22-Jan 24	2.20	2.60	1.90	21-Mar-24	2.55

Exhibit 39: Global Rates Trade Book - closed trades
Closed trades

	Closed trades	Entry date	Entry level	Target	Stop	Close date	Level closed
	6m2y rtp spd vs 6m2y otm rtr	19-Nov-23	0bp	55bp	-25bp	2 May 24	41bp
	6m10 rtp ladders a/+32bp/+64bp	19-Nov-23	0bp	32bp	-20bp	21-March-24	15bp
	Long 2y CA vs short 2y US	19-Nov-23	-39bp	-70bp	-15	14-Mar-24	-47
	1y10y receiver spreads	9-Mar-23	-18bp	32bp	-18bp	9-Mar-24	-18bp
APAC	Buy Dec '25 bill futures, sell YM	16-May-25	21bp	8bp	27bp	25-Jun-25	14bp
	5s30s JGB curve steepener	15-May-25	198	215	189.5	21-May-25	215
	AU 2s5s flattener vs CAD 2s5s steepener	15-Apr-25	43bp	21bp	54bp	1-May-25	29bp
	10s20s JGB curve flattener	25-Mar-25	73	60	79.5	8-Apr-25	85
	Buy au 3y (YM) , pay Aug RBA	04-Mar-25	-8bp	-50bp	10bp	11-Apr-25	-16bp
	2yr fwd 2s10s OIS flatteners	19-Feb-25	40	25	47.5	4-Apr-25	39
	AU 1y1y risk reversal	24-Nov-24	0bp	40bp	-20bp	27-Mar-25	23bp
	AU Long 1y2y AU vs US receivers	24-Nov-24	0bp	40bp	-20bp	27-Mar-25	15.5bp
	Mar/Sep '25 BOB steepener	3-Oct-24	2bp	6bp	0bp	18-Mar-25	4bp
	Short 5yr JGB ASW	24-Jan-25	0	8	-5	06-Mar-25	8
	Receive Feb '25/ Pay Apr '25 RBA s	29-Jan-25	-11bps	0bp	-17bp	21-Feb-25	-4bp
	AU pay 5y5y 6s3s	19-Nov-23	4.4bps	9bp	2bp	05-Feb-25	8.45bp
	5yr20yr JGB curve flatteners	9-Jan-25	114	104	119	17-Jan-25	104
	Long 20yr JGB asset swap	24-Nov-24	27	20	31	16-Jan-25	31
	Receive AU 5y5y IRS vs US	11-Nov-24	107	75	123	20-Dec-24	74
	Long 5yr ACGBs vs 5yr JGBs	24-Nov-24	305	280	320	13-Dec-24	320
	AU Pay Feb '25 RBA, buy Sep futures	24-Nov-24	-23bp	-45bp	-12bp	10-Dec-24	-48bp
	AU/JP: buy 5y ACGBs, sell 5y JGBs	24-Nov-24	352bp	305bp	375bp	10-Dec-24	305bp
	KRW 1y5y receiver spd	5-Jun-24	15bp	25bp	-15bp	19-Nov-24	13bp
	JPY 6m5y payer ladders	10-Jul-24	0bp	30bp	-15bp	19-Nov-24	6bp
	JPY 6m7y payer ladders	23-Sep-24	0bp	13bp	-10bp	19-Nov-24	2bp
	AUD 1y fwd 2s10s bull steepener	19-Nov-23	0bp	30bp	-25bp	19-Nov-24	-4bp
	AUD 1y5y rtr spd a/-40bp	19-Nov-23	17.5bp	22.5bp	-18bp	19-Nov-24	12bp
	AUD 1y5y rtr spd vs 3m5y rtr a-12bp	19-Nov-23	0bp	40bp	-25bp	19-Nov-24	-1bp
	JPY 1y fwd 5s30s bear flattener	19-Nov-23	0bp	25bp	-20bp	19-Nov-24	-12bp
	2s10s 6s3s steepener	12-Aug-24	-6bp	0bp	-9bp	19-Jun-24	-9bp
	Pay Dec '24 RBA	20-Aug-24	4.125%p	4.34%	4.01%	17-Oct-24	4.27%
	Sell Mar '25 futures, buy Dec '24 & Sep '25 futures	12-Aug-24	4bp	14bp	-1bp	20-Aug-24	0bp
	1y1y/3y2y flattener	26-Jul-24	18bp	3bp	25.5bp	26-Jul-24	6.5bp
	Jun24/Dec24 bills-OIS flattener	19-Jun-23	7.5bp	1.5bp	10.5bp	13-Jun-24	5bp
	Receive 10y swap spreads	17-May-23	51	20	65	3-Apr-24	20
	Buy ACGB 3.5% 2034 vs. UKT 0.625% 2035	13-Nov-23	18.5	-40	45	22-Feb-24	-5.1
	JPY 6m10y rtp spd vs 6m2y rtp	19-Feb-24	0bp	40bp	-20bp	19-Aug-24	0bp
	Swap EFP (3y/10y) box flattener	19-Nov-23	10b[s	0bps	15bps	22-Mar-24	-1
	receive AU 5y5y IRS, pay US 5y5y IRS	19-Nov-23	109	0	148	21-Feb-24	99
	2yr10yr TONA swap steepener	1-Feb-24	68.5	80	62.7	22-Feb-24	62.7
	Feb/Mar 2024 OIS steepener	19-Nov-23	0	15	-7.5	12-Jan-24	-7.5
	Pay June 2024 3m bills vs OIS	7-Nov-23	15	30	8	12-Jan-24	8
	10yr/30yr TONA swap flatteners	19-Nov-23	59	49	64	19-Jan-24	64
	10yr/30yr TONA swap flatteners	19-Nov-23	59	49	64	19-Jan-24	64

Source: BofA Global Research

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Global rates forecasts

Exhibit 40: Latest levels and rate forecasts
Forecasts by quarter up to Q4 '26 plus YE 2027

		Latest	Q3 25	YE 25	Q1 26	Q2 26	Q3 26	YE 26	YE 27
USA	O/N SOFR	4.34	4.40	4.41	4.42	4.42	3.92	3.42	3.45
	2y T-Note	3.90	3.80	3.75	3.75	3.75	3.75	3.75	3.75
	5y T-Note	3.99	3.90	4.00	4.05	4.10	4.15	4.20	4.25
	10y T-Note	**4.45**	**4.40**	**4.50**	**4.50**	**4.50**	**4.50**	**4.50**	**4.50**
	30y T-Bond	5.01	4.90	5.00	5.00	5.05	5.10	5.15	5.15
	2y Swap	3.65	3.62	3.55	3.55	3.55	3.55	3.55	3.55
	5y Swap	3.62	3.58	3.66	3.71	3.76	3.85	3.86	3.91
	10y Swap	**3.90**	**3.93**	**4.01**	**3.99**	**3.97**	**3.97**	**3.97**	**3.97**
	30y Swap	4.14	4.08	4.16	4.13	4.15	4.20	4.22	4.22
Germany	3m Euribor	2.02	1.80	1.60	1.65	1.65	1.65	1.75	2.15
	2y BKO	1.86	1.80	1.80	1.90	1.90	1.95	2.05	2.25
	5y OBL	2.23	2.05	2.05	2.20	2.20	2.25	2.35	2.55
	10y DBR	**2.68**	**2.45**	**2.50**	**2.60**	**2.60**	**2.65**	**2.75**	**2.85**
	30y DBR	3.20	2.85	2.95	3.10	3.10	3.15	3.25	3.40
	2y Euribor Swap	2.01	1.95	1.90	1.95	1.95	2.00	2.10	2.30
	5y Euribor Swap	2.30	2.15	2.15	2.25	2.25	2.30	2.40	2.60
	10y Euribor Swap	**2.65**	**2.45**	**2.45**	**2.50**	**2.50**	**2.55**	**2.65**	**2.75**
	30y Euribor Swap	2.84	2.55	2.60	2.75	2.75	2.80	2.95	3.10
Japan	TONA	0.48	0.48	0.48	0.73	0.73	0.98	0.98	1.48
	2y JGB	0.79	0.70	0.80	1.05	1.08	1.25	1.30	1.70
	5y JGB	1.09	0.90	1.00	1.25	1.28	1.45	1.50	1.85
	10y JGB	**1.57**	**1.40**	**1.50**	**1.65**	**1.70**	**1.80**	**1.85**	**2.20**
	30y JGB	3.09	2.85	3.00	3.05	3.05	3.10	3.10	3.30
	2y Swap	0.77	0.70	0.77	1.00	1.03	1.18	1.23	1.60
	5y Swap	0.99	0.85	0.95	1.18	1.20	1.35	1.40	1.73
	10y Swap	**1.34**	**1.20**	**1.30**	**1.43**	**1.48**	**1.55**	**1.55**	**1.88**
U.K.	3m Sonia	4.05	3.60	3.50	3.50	3.50	3.50	3.50	3.50
	2y UKT	3.91	3.70	3.75	3.75	3.75	3.85	3.85	3.95
	5y UKT	4.09	4.00	4.00	4.00	4.00	4.05	4.05	4.25
	10y UKT	**4.66**	**4.60**	**4.65**	**4.65**	**4.65**	**4.70**	**4.75**	**4.80**
	30y UKT	5.48	5.05	5.00	5.00	5.00	5.00	5.00	5.00
	2y Sonia Swap	3.70	3.50	3.50	3.50	3.50	3.60	3.60	3.70
	5y Sonia Swap	3.80	3.75	3.75	3.75	3.75	3.80	3.80	4.00
	10y Sonia Swap	**4.16**	**4.05**	**4.10**	**4.10**	**4.10**	**4.15**	**4.20**	**4.25**
Australia	3m BBSW	3.71	3.60	3.35	3.35	3.35	3.35	3.35	3.60
	2y ACGB	3.35	3.30	3.25	3.25	3.25	3.60	3.60	4.00
	5y ACGB	3.69	3.40	3.45	3.50	3.55	3.75	3.75	4.00
	10y ACGB	**4.35**	**4.05**	**4.00**	**4.05**	**4.10**	**4.25**	**4.25**	**4.50**
	3y Swap	3.32	3.30	3.25	3.25	3.25	3.60	3.60	4.00
	10y Swap	**4.22**	**4.05**	**4.00**	**4.05**	**4.10**	**4.25**	**4.25**	**4.50**
Canada	2y Govt	2.81	2.50	2.50	2.50	2.50	2.50	2.50	3.00
	5y Govt	3.10	2.70	2.75	2.80	2.85	2.90	2.95	3.25
	10y Govt	**3.57**	**3.05**	**3.10**	**3.15**	**3.20**	**3.25**	**3.30**	**3.50**
	2y Swap	2.67	2.37	2.37	2.37	2.37	2.37	2.37	2.87
	5y Swap	2.88	2.48	2.53	2.58	2.63	2.68	2.73	3.05
	10y Swap	**3.25**	**2.79**	**2.84**	**2.89**	**2.94**	**2.99**	**3.04**	**3.24**

Source: BofA Global Research

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Appendix: Common acronyms

Exhibit 41: Common acronyms/abbreviations
This list is subject to change

Acronym/Abbreviation	Definition	Acronym/Abbreviation	Definition
ann	annualized	IT	Italy
APF	Asset Purchase Facility	NADEF	Nota Aggiornamento Documento Economia e Finanza
APP	Asset Purchase Programme	NFR	Net Financing Requirement
AS	Austria	lhs/LS	left-hand side
BdF	Banque de France (Bank of France)	MA	Moving Average
BE	Belgium	MACD	Moving average convergence/divergence
BEA	Bureau of Economic Analysis	MBM	Meeting-by-meeting
BLS	Bank Lending Survey	mom	month-on-month
BoE	Bank of England	MPC	Monetary Policy Committee
BoI	Banca d'Italia (Bank of Italy)	MWh	Megawatt-hour
BoJ	Bank of Japan	NBFI	Non-bank financial institution
BoS	Banco de España (Bank of Spain)	NGEU	NextGenerationEU
bp	basis point	NE	Netherlands
BTP	Buoni Poliennali del Tesoro	NRRP	National Recovery and Resilience Plan
Buba	Bundesbank	NSA	Non-seasonally Adjusted
c	circa	NS&I	National Savings & Investment
CA	Current Account	OAT	Obligations assimilables du Trésor
CB	Central Bank	OBR	Office for Budget Responsibility
CNRF	Contingent Non-Bank Financial Institution Repo Facility	OECD	Organisation for Economic Co-operation and Development
CPI	Consumer Price Index	ONS	Office for National Statistics
CSPP	Corporate Sector Purchase Programme	OBR	Office for Budget Responsibility
CGNCR	Central Government Net Cash Requirement	p	preliminary/flash print
GE	Germany	PBoC	People's Bank of China
DMO	Debt Management Office	PEPP	Pandemic Emergency Purchase Programme
DS	Debt sustainability	P&I	Pension and Insurance
DXY	US Dollar Index	PMI	Purchasing Managers' Index
EA	Euro area	PMRR	Preferred Minimum Range of Reserves
EC	European Commission	PPF	Pension Protection Fund
ECB	European Central Bank	PRT	Pension Risk Transfer
ECJ	European Court of Justice	PSPP	Public Sector Purchase Programme
EFSF	European Financial Stability Facility	PT	Portugal
EGB	European Government Bond	QE	Quantitative Easing
EIB	European Investment Bank	qoq	quarter-on-quarter
EMOT	Economic Mood Tracker	QT	Quantitative Tightening
EP	European Parliament	RBA	Reserve Bank of Australia
SP	Spain	RBNZ	Reserve Bank of New Zealand
ESI	Economic Sentiment Indicator	rhs/RS	right-hand side
ESM	European Stability Mechanism	RPI	Retail Price Index
EU	European Union	RRF	Recovery and Resilience Facility
f	final print	RSI	Relative Strength Index
FPC	Financial Policy Committee	SA	Seasonally Adjusted
FR	France	SAFE	Survey on the access to finance of enterprises
FY	Fiscal Year	SMA	Survey of Monetary Analysts / Simple moving average
GC	Governing Council	SNB	Swiss National Bank
GDP	Gross Domestic Product	SPF	Survey of Professional Forecasters
GNI	Gross National Income	STR	Short Term Repo
GFR	Gross Financing Requirement	SURE	Support to mitigate Unemployment Risks in an Emergency
GR	Greece	TFSME	Term Funding Scheme with additional incentives for SMEs
GSB	Green Savings Bond	TLTRO	Targeted Longer-term Refinancing Operations
HICP	Harmonised Index of Consumer Prices	TPI	Transmission Protection Instrument
HMT	His Majesty's Treasury	TTF	Title Transfer Facility
IMF	International Monetary Fund	UST	US Treasury
INSEE	National Institute of Statistics and Economic Studies	WDA	Work-day Adjusted
IP	Industrial Production	yoy	year-on-year
IR	Ireland	ytd	year-to-date
IGFR	Illustrative Gross Financing Requirement	DV01	Dollar value of a one basis point change in yield
PCA	Principal Component Analysis	WAM	Weighted Average Maturity
IG	Investment Grade		

Source: BofA Global Research

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