Global Rates Weekly

Caution: Fed at work

25 July 2025

Rates Research
Global

The View: All eyes on US

We expect data to be broadly supportive of our paid US front-end positions as well as our conditional bear-flatteners in 2s10s. Discussions around Fed independence lend support to our breakeven longs – both outright as well as cross-market.

— R. Preusser

Rates: Fed independence abdication

US: Fed independence risk suggests US lower rates, steeper curves, wider B/E. Aug refunding = stable coupons, long end buybacks; Fed capital dealer relief Qs.

EU: The ECB meeting contained hawkish undertones, but we stay received Oct ECB €str. We close our long 2y BTP vs OATs & update our stop loss on short 5y swap spreads.

AU: Front-end rates look too rich after a weak jobs report triggered a rally in 2025/26 meeting dates. We recommend short Jun '26 futures into 2Q CPI.

JP: We answer potential questions on LDP's leadership race in case of PM's resignation.

CA: BoC now largely expected to remain on hold at next week's meeting following stronger than expected labor and inflation data.

— M. Cabana, M. Swiber, B. Braizinha, R. Axel, S. Salim, R. Man, E. Satko, O. Levingston, N. Stenner, J. Liu S. Yamada, T. Yamashita, K. Craig

Front end: Waller & Fed bal sheet: ALM => bill demand

US: If Fed ALM were adopted, their bill demand in next 1Y could be ~$200-900b, potentially matching net T-bill supply

AU: We see wider 6s3s following RBA liquidity changes and our US team's elevated funding risks into September quarter-end is a catalyst for this trade

— M. Cabana, K. Craig, O. Levingston

Supply: August refunding preview: Billwatch

US: Expect UST to maintain stable auction size guidance and increase buybacks at long-end of curve in next week's QRA

— M. Swiber, M. Cabana, K. Craig

Special Topic: Overview of the SSA market

A snippet of our new primer where we provide an overview of the global Supranational, agency and sub-sovereign (SSA) market.

— E. Davidsson, S. Salim

Technicals: Triangle patterns due for breakout

YTD, US 2Y, 5Y & 10Y yields formed triangle patterns. Synonymous with a compressed coil, a spring-like release is due

— P. Ciana

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Timestamp: 25 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 are received the very front-end. We expect lower rates (terminal Depo of 1.5 vs market pricing of 1.75). We expect 10y Bund yields to decline to around 2.5% in 2H25, before selling 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 10y rates on a cross-market basis on rising foreign and superannuation fund demand.
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 1y1y BOB steepeners – funding markets to tighten as RBA drains liquidity.
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 flattening 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 see flatter curves, outright and vs US. RBA to deliver fewer cuts than market pricing.
Inflation	• US: long 10Y B/E inflation as hedge for loss of Fed independence • 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 but are cautious near term given complacency around the trade war with the US. We expect mild tightening pressure on 2-10y German swap spreads (and are short 5y for summer). We remain positive on 30y spreads • 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 selling Jun '26 bank bill futures and buying a 6m1y payer ladder.

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 received ECB Oct €str, received 5y5y real €str, and in 6m fwd 2s10s floor ladders.
APAC:	Sell Jun '26 bank bill futures & buy 6m1y payer ladder. Spreads: pay 1y1y bills-OIS basis (BOB), buy TCV 5.5% Sep-2039 vs 10y AU swap., pay 3y swap EFP

Source: BofA Global Research; For a complete list of our open trade recommendations, as well as our trade recommendations closed over the past 12 months, please see below.

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The View

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The week that will be

After a quiet week, the US moves back into focus with a vengeance. We expect the Fed to remain on hold, but US data will provide an important update on how the US economy is faring: labor market data includes both JOLTS and non-farm payrolls; activity data sees 2Q GDP and ISM; and inflation data is updated via PCE.

We expect data to be broadly supportive of our paid front-end positions as well as our conditional bear-flatteners in 2s10s. However, we have to acknowledge that market discussions around Fed independence, as well as signs of dissent within the FOMC, make the duration call more complicated. They do, however, lend support to our breakeven longs – both outright as well as cross-market. Treasury refunding communications will be watched for WAM shortening signals and increased bill supply.

Beyond US data, inflation prints in both Australia and the Eurozone will be in focus. In Australia, we see risks that an upside surprise to consensus expectations of the trimmed mean (2.7%) could drive the RBA to hold rates again in August. We remain short the front-end in AUD via payer ladders and add a short in June 2026 bank bill futures.

Meanwhile for the EA, our economists expect headline to fall back below 2.0%, which should help correct this week's front-end sell-off. We remain long ECB Oct €str. 2Q GDP data meanwhile will be a function of the extent to which the noise from 1Q Ireland GDP data unwinds and additional tariff front-running.

The BoJ and BoC complete the central bank calendar for the week. The BoJ is not expected to be market-moving, especially as the political situation continues to evolve. Similarly, the BoC is expected to stay on hold given the stickiness of inflation (see report: Liquid Insight 23 Jul 25).

Finally, we await the 1 August deadline for the new reciprocal tariffs and additional trade deals that may come before then.

The week that was

Markets interpreted the ECB as slightly hawkish. We continue to view the forecast exercise in September as forcing the ECB to cut rates again and stay bullish the front-end of the EUR curve as well as short EUR belly breakevens both vs the US and on the curve.

The ruling coalition in Japan lost their Upper House majority, but PM Ishiba vowed to stay and a surprise US-Japan trade deal announcement muddied the post-election price action. Rates sold off, but the curve actually bear flattened, while JPY rallied. We continue to see risks skewed towards higher rates, a steeper curve and a weaker Yen as the medium-term implications of the election outcome become clearer (see reports: Rates Japan and Japan Viewpoint 23 Jul 25).

Rates – US

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Ralph Axel
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Katie Craig
BofAS

- Fed independence risk suggests US lower rates, steeper curves, wider B/E
- Aug refunding = stable coupons, long end buybacks; Fed capital dealer relief Qs

Fed independence concern rising => downside rate risk

The US rates curve bull flattened & financial conditions eased on the week. Market catalysts were minimal though the week featured a Japanese election outcome that is expected to support fiscal easing and a US-Japan trade deal that should modestly reduce uncertainty. Overall, rate moves appear more driven by sentiment & marginal Fed policy easing expectations (i.e. Waller rate cut preference) vs fundamentals. We are struck by the contrast between recent upside US data surprises & lower rates (Exhibit 4).

We hold core rate views but see increasing downside risks to our US rate forecasts. We have a more constructive duration bias building, driven by Fed independence erosion risk. A summary of our core views: **duration** = pay Dec '25 FOMC OIS; **curve** = near-term flattening bias into July FOMC, medium-term steepening bias; **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 risk suggests US lower rates & steeper curves.

Fed independence abdication: risks rising

Last week we briefly discussed Fed independence erosion risk (see report: Musical Chairs). This risk seems increasingly large to us based on daily official sector criticism & recent actions (Trump visit to the Fed). We see high risk the Fed becomes less independent.

How could Fed independence be eroded? Over 9-12m, Trump will likely have nominated 4-5 Board Governors. Trump already has two (Waller, Bowman), has the Kluger seat (Jan '26), and could see Powell & Barr resign. Trump has said his most important Fed Chair criteria is someone who supports lower rates. It seems increasingly likely the Fed Governor deck could be stacked with low-rate champions.

Regional Fed presidents could also come under pressure. Regional Fed presidents are not appointed by the White House & have their own independent Board of Directors. We think these regional Boards could potentially come under pressure to advocate for lower rates, which in turn could pressure the regional Fed voters. Regional votes in '26: NY (Williams), Dallas (Logan), Cleveland (Hammack), Minni (Kashkari), Philly (Paulson). We see risks at least two of these could potentially turn in favor of lower rates.

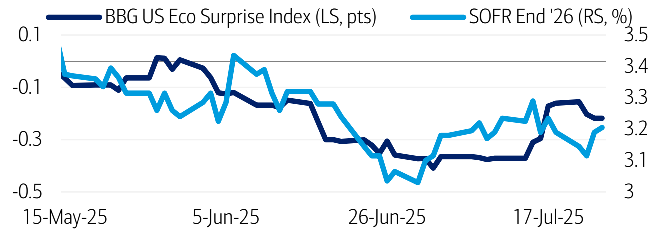
We think Fed independence risks are more of a '26 vs '25 story. In '25, Powell will likely remain at the helm and at most see only the Barr Gov seat turnover. The Fed is likely to stay on hold with tariff-related inflation rising & a strong labor market. It is a different story in '26.

Fed independence risk = lower nominal & real rates, lower cutting trough (Trump has advocated for 300bps of cuts or 1%-handle funds rate), wider breakevens, steeper curve, & cheaper long end asset swaps b/c higher inflation risk premium. Clients have asked: do back-end rates move higher or lower? We think lower but they will lag front end rates. Back-end rates move lower b/c drop in expected Fed policy path dominates asset swap spread cheapening (asset swap spreads = term premium in our framework).

What are the constraints on Fed political influence? We see two: (1) popular discontent with higher inflation, though it may take inflation >3% to materialize; (2) back-end UST market functioning challenge, which can be limited by UST Sec Bessent 10y+ auction cuts. Voters or the bond market may have to veto inflation to regain Fed independence.

We encourage clients to see the Fed independence forest through the trees. In our view, Powell's near-term fate is largely irrelevant in this context. Over the next 9-12m, the Fed Board may be increasingly controlled by low-rate champions & regional Fed presidents could potentially follow. Fed independence abdication risk should be incorporated into client investment decisions. This raises downside risks to our US rate forecasts.

Exhibit 4: Economic surprise index & SOFR end '26 pricing
Data has recently surprised but rates have declined with dovish Waller



Source: Bloomberg

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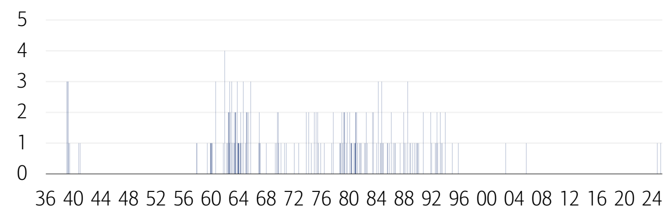
Exhibit 5: Fed governor dissents over recent years (per meeting count)
Fed governors have not dissented much in recent years



Source: St Louis Fed

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July FOMC: first sign of fracturing Fed via dissents

The US rates market expects little out of the July FOMC meeting. The market is pricing virtually no chance of a rate move and expects Chair Powell to reiterate data-dependence & patience. The market's larger focus will be on any shift in guidance around the future rate path and characterization of dissents from other Governors. We will also be watching for any discussion of policy implementation tools given debt limit passage and upcoming Treasury cash balance rebuild. For detail see report: FOMC Preview: Patience is key.

Fed rate path: the market is currently pricing ~60% probability of a 25bp rate cut at the September meeting; we might guess these probabilities are pared back after limited signal from Powell for such a move. We still like being paid Dec '25 FOMC OIS.

Fed dissents: our economists expect dovish dissents at this meeting, most likely from Governor Waller & potentially Governor Bowman. This may start a trend of more frequent Fed dissents. In recent years, Fed dissents have been few and far between, especially from Governors (Exhibit 5). A more divided Fed may raise risks of a less consensus & more contentious institution. It may also reinforce Fed independence risks flagged above. We likely being long 10Y inflation breakevens as a hedge for this risk.

August refunding: billwatch

At the August refunding, we expect UST to maintain stable auction size forward guidance which means more bills. We also anticipate UST to increase buybacks at long end of curve. Any TBAC discussion of optimal debt issuance will be watched for more explicit guidance on shorter issuance WAM. See reports: August refunding preview & Supply US.

Fed capital conference: dealer requirements on watch

Our takeaways from the Fed capital conf: reduced capital reqs for dealer Treasury business may be on the horizon. This would allow more repo funding & balance sheet. Dealer subs became part of bank holdcos post '08 and regulations have inadvertently hit up against a growing UST market. Dealers are ultimately balance sheet constrained even if capital reqs were 0. Fed remains intermediary of last resort. See report: Capital conference.

Bottom line: we hold core rate views but see increasing downside risks to our US rate forecasts. We have a more constructive duration bias building, driven by Fed independence erosion risk. We still like: paid Dec '25 FOMC OIS, long 10y B/E, short 3y spreads, 3y20y assets swap spread steepener, short Jul & Oct SOFR/FF.

Rates – EU

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MLI (UK)

Ronald Man
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BofASE (France)

- The ECB meeting contained hawkish undertones, but we are pricing too few cuts for the next meetings given the risks ahead. We stay received Oct ECB €str.
- We close our long 2y BTP vs OATs & update our stop loss on short 5y swap spreads.

ECB: too much of a hawkish interpretation

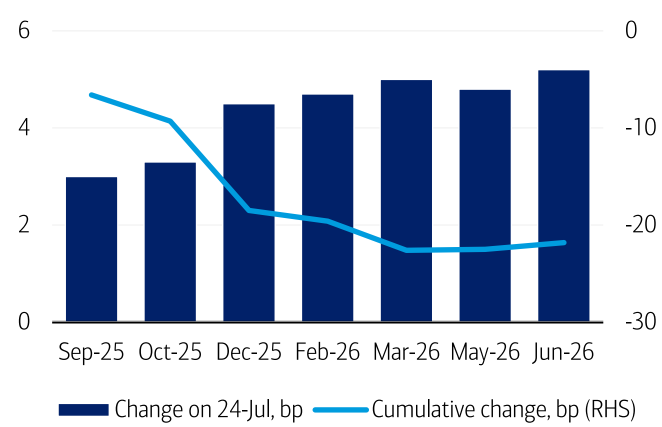
Front-end selloff makes rates look even cheaper: stay received Oct ECB €str

While the decision by the ECB to hold its policy rates was widely expected, the market sold off between 3bp and 6bp across the front-end of the EUR rates curve during President Lagarde's press conference (Exhibit 6). We believe this reflected the hawkish interpretation of President Lagarde stating 1) a tolerance for small deviations (undershooting) in inflation in 2026, 2) that nothing can be excluded (to a question on the potential for hikes in an optimistic scenario), and 3) that it is fair to describe the ECB as being "on hold". The market now implies a cumulative 7bp, 9bp, and 18bp of cuts by the September, October, and December 2025 meetings respectively.

Given the EURUSD appreciation, the rise in real rates that we have seen over the last couple of months, and continued disinflation, our economists expect the ECB will likely have to cut rates in Sep as it makes large downward adjustments to its inflation forecasts, both for the medium term as well as for 2H25. The ECB currently forecasts headline CPI to average 1.9% in 2H25. This is meaningfully higher than the 1.5% our economists project (Exhibit 7). Any negative surprise on the US-EU trade deal would amplify that gap. Developments on that front and/or a downward surprise in the July preliminary headline CPI print due on 1 Aug could be catalysts for a front-end rally starting from next week.

We stay received October ECB €str (current: 1.83%, target: 1.56%, stop: 1.86%). The front-end selloff after President Lagarde's press conference, in our view, provides a better entry point to position for downside risks to the ECB's outlook. The risks are higher than expected inflation and a meaningful de-escalation in US-EU tariff threats.

Exhibit 6: Change on day and cumulative rate cuts priced in, bp
Market repriced between 3bp and 6bp higher on ECB €str dates



Source: BofA Global Research, Bloomberg

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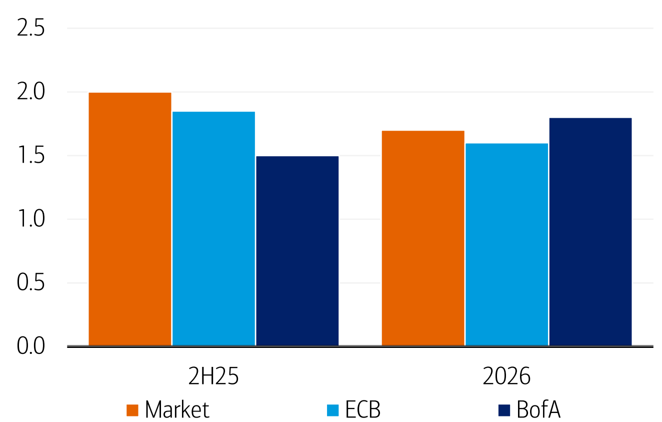
Exhibit 7: Headline CPI forecasts and priced in by the market, %
BofA forecasts larger undershoot in 2H25



Source: BofA Global Research, Bloomberg, ECB

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Very limited liquidity concerns: stay in forward starting Euribor-€str wideners

President Lagarde signalled very limited concerns on the liquidity outlook as the ECB continues to QT, and referenced the fact that excess liquidity is north of €2trn. But while the aggregate excess liquidity is indeed above €2trn and high vs pre-COVID level, the distribution of that liquidity between countries and banks remains uneven. Reserve demand is also likely higher than before. We see risks that reserve supply could exceed demand sooner than expected by the market and the ECB, and we stay in 1y1y Euribor-€str wideners (initiated in Nov24, current: 24.2bp, target: 30bp, stop: 17bp). Risks are an early end to QT and very generous credit operations being introduced.

EGB spreads to Bunds: muted reaction, but caution warranted

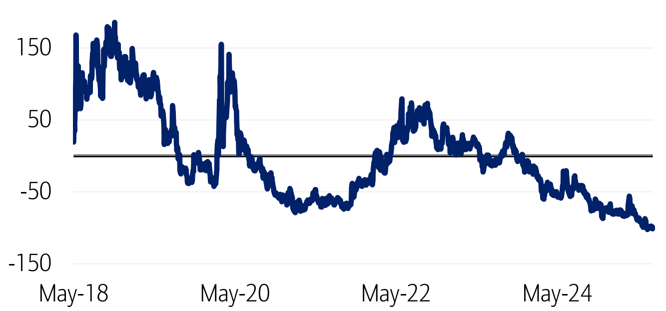
Periphery spreads have reacted by widening on the day of the ECB's meeting (10y BTP-Bund spread 2bp wider). The non-committal approach President Lagarde took did not help spreads (given that the ECB is still expected to cut rates by the market) but we do note that the bulk of the widening happened before the start of the press conference.

We think that EGB spreads are currently more sensitive to the growth story both in absolute (forecasted GDP growth) and in relative terms (forecast GDP growth in the periphery relative to core/semi-core). The US-EU tariff resolution is therefore likely to be a bigger driver for spreads in the short-run than the ECB is. Given the positive market reaction in the front-end to the reports that the EU may be able to obtain a 10-15% tariff deal with the US (which led to the partial pricing out of cuts earlier this week), we believe there is probably some complacency also in periphery spreads (Exhibit 8).

We close our long 2y BTP vs OAT entered on 20-June at 7bp at the current level of 5.8bp. BTPs would display a higher sensitivity to negative development on the tariff front, compared to France due to the long positioning in periphery (versus the likely neutral / short positioning in OATs related to political risks). We remain concerned about OATs given the stretch of elevated net supply from Jun to Sep, the difficult internal fiscal negotiations that will unfold after the summer break, and the Fitch rating review due on Sep 12th. However, the tariff and broader European macro story may dominate price action in the next couple of weeks. Those developments will determine whether OATs would be best traded versus Bunds or versus BTPs as we head into September.

At the same time. we continue to hold our short Obl vs swaps, as a soft bullish risk trade, due to the typical cheapening seasonality of swap spreads in the summer and our view that the 5y sector will be favoured for positive carry swaps receiving positions. Structurally, 5y spreads appear to have fully recovered from the cheapening they had recorded on the back of the German fiscal shift (Exhibit 9).

Exhibit 8: 1st principal component of 10y periphery spreads to Bunds*
Level component of periphery spreads around the post 2010 tights still



Source: BofA Global Research. (*) periphery here = Italy, Portugal & Spain
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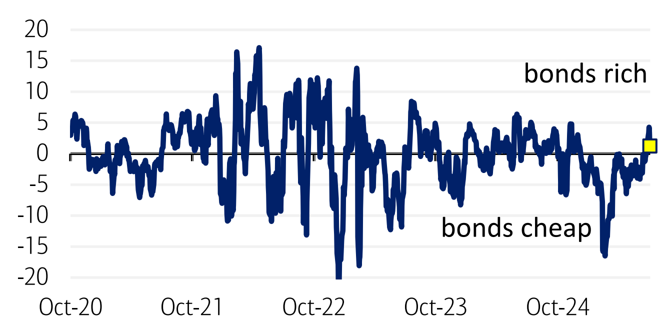
Exhibit 9: Residual of 5y German spreads vs fair value (*)
Swap spreads recovered from the fiscal related cheapness in Nov24-Mar25



Source: BofA Global Research. (*) based on relationship vs periphery, vol and German repo metrics.
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We think some cheapness can build back and any rise in funding pressures into end of Q3 would add to that. We revise our stop loss on the short 5y swap spreads vs 6s to 12bp, continuing to target 0bp (current: 9bp). The risk to the trade is a sharp risk-off move. This could be alleviated by trading 5y spreads shorts vs longs in 2y spreads.

Rates – AU

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Merrill Lynch (Australia)

Nick Stenner, CFA
Merrill Lynch (Australia)

Johnny Liu, CFA
Merrill Lynch (Australia)

- A weak jobs report triggered a rally in front-end rates and market-implied terminal cash rates in mid-2026 are too low (and too late).
- We see terminal cash rates as especially mispriced and recommend selling Jun '26 futures in addition to our recommendation to buy a 6m1y payer ladder.

2Q CPI to print above RBA forecasts… but low enough for Aug cut

We see a shallower easing cycle than market pricing implies and recommend selling Jun '26 futures. Next week's 2Q '25 CPI print (due 30 July) is a key catalyst for this trade. A weak jobs report last week triggered a rally across the AU front end. Admittedly, a more cautious tone from the RBA Governor and this week's RBA minutes, which suggested monetary policy is "modestly restrictive" and "it was difficult to determine with precision how far interest rates needed to fall before monetary policy was no longer restrictive", prompted some retracement but yields on June 2026 futures contracts still remain well below Q1 levels (around 3.5-3.8%).

… yet an August cut may be a close call if inflation rises faster

We expect the 2Q CPI to show enough progress on underlying disinflation to give the RBA Board the evidence needed to cut the cash rate by 25bps in August. The weaker global growth backdrop, coupled with the unemployment rate rising to 4.3% in June, increases our conviction of a cut. Yet we see upside risks to our trimmed mean forecast, and a 2.8% yoy print would suggest the August RBA decision is finely balanced. In other words, our economists have emphasised that the cash rate decision could be 'finely balanced' if trimmed-mean inflation exceeds BofA's forecast (0.7% q/q, 2.7% y/y) by just 0.1ppt (i.e. 0.8% q/q/, 2.8% y/y).

Sell June 2026 futures

In our view, the market could ultimately start pricing hikes in 2026 dates and the risks to our RBA call remain firmly two-sided (i.e. one more rate cut is just as likely as three cuts). Against this backdrop, June 2026 futures look rich and we recommend selling at 96.78 (yield of 3.22%) with a target of 96.50 (3.6% yield) and a stop of 97.00 (3% yield). The trade should also benefit from wider bills-OIS basis (BOB) spreads, which we see as likely given the RBA's new approach to excess reserves management and the likelihood of a funding squeeze around September quarter-end, when we anticipate the US Treasury will boost its T-bill issuance (draining global liquidity). Risk: there is considerable event risk next week and weak CPI on 30 July or tariff-driven rally in front-end rates on or around 1 August could see the trade move through its stop.

Why do we see a higher terminal rate?

We expect RBA policy to move to a broadly neutral stance, not outright expansionary, and estimate the nominal neutral rate is around 3.5% (see our report Reaching for r*).. More broadly, the medium-term outlook for the underlying drivers of desired saving and investment point to a higher neutral rate in Australia compared to the pre-pandemic period. We don't see a strong case for shifting to an overly expansionary stance (i.e. easing much below 3.5%) given fiscal tailwinds should broadly offset any drag from global growth headwinds. A range of timely indicators also suggests policy was only marginally restrictive when the cash rate peaked. Rising housing market momentum, above-average credit growth, rising job vacancies and declining underemployment are all consistent with our view that policy is only marginally restrictive.

Rates – JP

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- PM Isiba's decision to resign or stay in focus after media reports.
- We answer potential questions on LDP's leadership race in case of PM's resignation.

This is an excerpt from Japan Viewpoint, 23 July 2025

Q&A on LDP's leadership race

Several domestic media sources reported that Prime Minister Shigeru Ishiba has decided to step down. However, Ishiba denied the report. While we await Ishiba's formal decision to resign or continue, we answer potential questions we are likely to receive from clients in case the LDP's (Liberal Democratic Party) presidential election is held in the near future.

If Ishiba steps down, when would LDP leadership election be held?

The Sankei Shimbun reports that Ishiba intends to make a final decision on whether to stay on as PM within August, and that if he decides to step down, the LDP would select a new president in September and attempt to nominate/elect the president as PM in the Diet in the extraordinary session set to begin in October.

LDP rules state that the leadership race must officially start at least 12 days before the vote. In recent years, the autumn extraordinary Diet session has begun from late September through early October, suggesting that the LDP will need to choose a new president by mid to late September. Announcement of a US-Japan trade deal gives the LDP some breathing space (see Japan Watch: Surprise US-Japan trade deal including auto tariff cuts 23 July 2025).

What is the process for forming a cabinet after the LDP leadership election?

Once the LDP elects a new leader, it will need cooperation of one or more current opposition parties to elect a new PM in the Diet given the LDP-Komeito coalition's lack of a Lower House majority. The process of electing a prime minister involves separate lower and upper house votes. The candidate with the majority of votes in each house is nominated; if no candidate achieves a majority, the next step is a runoff election between the top two candidates. If the same candidate is nominated by both houses, the candidate is elected as prime minister; if the houses pick different candidates, a joint upper/lower house committee meets to discuss the nomination. If it fails to reach agreement, the Lower House nominee is elected prime minister according to the constitutional principle of Lower House precedence.

We think the cooperation between multiple parties that will be required to elect a new PM could be the first step toward forming a new ruling coalition. The ideological gap between opposition parties suggests that a ruling coalition dominated by the LDP and Komeito is still the most likely outcome, though we would not completely rule out the potential for a coalition of mainly opposition parties.

Is a Lower House election likely?

Only the prime minister has the authority to dissolve the Lower House and call a general election. The LDP-Komeito coalition will struggle to implement policy now that it lacks a majority in both the upper and lower houses. If the LDP and Komeito looked likely to jointly reclaim a Lower House majority, this would increase the incentive to call a snap election in the near future. We think LDP MPs will therefore focus on picking an election-winning candidate as leader.

The autumn extraordinary Diet session will mostly debate urgent economic measures, but it will likely take time to pass them given the LDP and Komeito's lack of a majority. We also see a smaller chance of Lower House election being called before urgent economic measures are passed. We would therefore not expect a dissolution of the Lower House until late November at the earliest. The Lower House was dissolved in mid to late November in 2012 and 2014.

An opposition alliance would require the cooperation of multiple parties, making it difficult to reach a consensus. We would see a greater risk of a shakeup in the political landscape before a dissolution of the Lower House.

We would also note that if Ishiba does not resign, opposition parties could submit a no-confidence motion in the short extraordinary Diet session scheduled to begin on 1 August; if passed, the Cabinet would either need to resign or the PM would have to call a general election.

Implications and strategy for rates market

We think the JGB curve is biased toward bear-steepening in the near term. Given that the ruling coalition lost its majority in both houses, even if someone other than Takaichi becomes LDP president, we see the JGB curve as unlikely to flatten amid weak demand from domestic investors (for details, see Japan Rates Watch: JSDA's June OTC Bond Trading: Nonresidents still main JGB investors 22 July 2025).

With all opposition parties advocating procyclical fiscal policy, we think this year's autumn supplementary budget is likely to be even larger than in 2024. We would see a greater risk of additional JGB issuance if it is larger than the ¥13tn-14tn budgets passed in FY23 and FY24 (for details, see Japan Macro Watch: Ruling coalition loses Upper House majority - First take and outlook 21 July 2025).

We see scope for the 5s30s curve to steepen. This is because the MoF has few tools for halting curve steepening even if the 5s30s spread (compound) exceeds 200bp to price in fiscal risk. Despite the cut to 40yr JGB issuance at the 23 July auction, a lack of demand resulted in the lowest bid-to-cover ratio since 2011. Minister of Finance Katsunobu Kato also noted in June that MOF has yet to secure the budget needed to buy back superlong JGBs.

Rates – CA

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- BoC now largely expected to remain on hold at next week's meeting following stronger than expected labor and inflation data
- BoC may announce T-bill purchases at next week's meeting, ahead of a large Sept maturity, to offset the decline in BoC settlement balances

BoC to remain on hold next week

Despite ongoing tariff headlines, stronger than expected data in Canada is likely to keep the BoC on hold next week. The market currently places low likelihood, roughly 7%, of a cut at next week's meeting, in line with our Economics team's expectations of the BoC on hold.

Market pricing in less than one more cut for '25

Our Economis team expects the BoC to deliver its next 25bp cut at the Sept meeting with three cuts forecasted by the end of the year, though they acknowledge risk is skewed towards a later restart of BoC cuts. We do not believe the BoC is in any rush to cut rates with core CPI at 3%, up 0.5% this year, and so our rates expectations 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 rates have shifted higher on strong data

In line with stronger CAD data and the pricing out of BoC cuts, CAD 10yr rates have risen nearly 75bps since their March trough. 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.

CAD curve has room to steepen further

If the BoC does cut another three times in '25, we would expect further curve steepening as the back-end re-prices inflation risk. Further cuts would also drive the BoC policy rate meaningfully below the Fed. Recall, 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 additional cheapening of sov bonds vs cash, ie. tighter swap spreads.

BoC may announce T-bill purchases at July meeting

The BoC's securities portfolio will see a large maturity in Sep '25. To offset the future decline in settlement balances (Fed reserve balance equivalent), the BoC began offering term repo operations in March. These operations have largely been undersubscribed and so we expect the BoC will likely begin buying bills, with an announcement at the July BoC meeting, to keep settlement balances from falling too low. Over time, the BoC expects to grow bill holdings in line with the level of settlement balances so that their floating rate assets match the amount of their floating rate liabilities.

Front end – US

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- Waller approach to Fed bal sheet asset / liability matching will increase bill demand
- Fed bill demand in next yr could be $200-900b, potentially matching net bill supply

This is an excerpt of Waller & Fed B/S: ALM => bill demand 24 July

Fed ALM shift should support UST WAM shortening

Last week we covered one topic related to the Fed balance sheet (Waller & Fed B/S: assessing ample). This week we cover another: implications of Fed asset & liability matching (ALM). A Fed ALM strategy was recently laid out in a speech by Governor Waller; this approach means greater Fed bill demand. The increased Fed bill demand has capacity to meet almost all net new bill issuance over upcoming fiscal years & should support UST WAM shortening. Fed bill demand could fit UST issuance like a glove.

Waller ALM: different tenor USTs for big 3 liabilities

Waller's speech laid out his suggestion for different tenor USTs to offset the Fed's big 3 liabilities, including: (1) currency = infinite maturity & non-interest bearing, should be matched with long tenor (LT) USTs (2) TGA = volatile & non-interest bearing, should be matched with reserve buffer or LT USTs (3) reserves = short tenor (ST) maturity & interest bearing, should be matched with ST USTs. Such an approach would limit the risk of Fed negative earnings, which currently accumulate to $235+b. If Fed used Waller's ALM strategy it would hold nearly half of its USTs in shorter-dated bills (Exhibit 1).

Fed ALM transition: 3 paths, all lead to more bill demand

We see 3 potential paths to a Waller ALM matched balance sheet: (1) natural Fed balance sheet growth post QT allocated to bills, ~$200b/y (2) MBS repayments to bills, ~$200b/y (3) maturing UST coupons to bills, ~$500b/y. Note: this list is ordered from most to least likely based on historic Fed action; Fed would likely implement each shift by buying bills in the secondary market (maturing coupons to bills would be too hard to match on coupon settlement date). If all 3 approaches were implemented it would amount to incremental bill demand that roughly matches our FY '26 & '27 net bill supply average of ~$950b (see: August refunding preview). We offer simulations of Fed SOMA WAM & SOMA bill holdings in Exhibit 2 & Exhibit 3. Sec lending impact on p2. We acknowledge that the coupon to bill shift is dramatic & not currently our base case.

Fed bill demand => UST WAM shortening

Increased Fed bill demand should support UST WAM shortening. UST is expected to shorten the tenor of their issuance to better match supply & demand + limit interest expense (see: Squeezing the supply balloon). Incremental Fed demand will only support this UST WAM shortening. Fed will likely suggest their bill demand is only "coincidental" but the market is likely to be highly skeptical & may see it as coordinated.

Fed shift impact: modest help for front end spreads

We think it highly likely the Fed proceed with a post QT approach of angling natural Fed balance sheet growth & future MBS repayments to bills. We put lower odds of Fed moving maturing UST coupons into bills, given their historic preference to have SOMA match USTs outstanding. This should support front end spreads, but only after Fed QT ends. Path of least resistance: cheaper spreads near term but eventual Fed support.

Fed sec lending: relevant but not binding constraint

A key consideration for repo participants will be the Fed's sec lending program. Recall, the Fed makes available most of their UST securities for borrowing every day via their "sec lending" program. If the Fed were to angle its coupons into bills it would mean fewer coupon securities available for sec lending. This is not a binding constraint.

The Fed would likely argue that they don't need to be active securities lenders. The onus will likely be on dealers to find sources of available securities to cover any short positions. If securities specialness were to be too acute, the Fed could consider rolling over some of their securities holdings into newly issued coupon securities.

Bottom line: we think it highly likely the Fed will proceed with a post QT approach of better matching assets & liabilities. This would mean Fed natural balance sheet growth & future MBS repayments into bills. We are less certain the Fed will shift maturing coupons into bills but is a possible outcome. Fed bill demand would support front end spreads but only after Fed QT has ended & money market rates have shifted higher.

Exhibit 10: Simplified select Fed assets and liabilities example as a % of total balance sheet (%)

We expect in the future, assuming Waller balance sheet, the Fed would hold significantly more bills

Current				Approx. Waller future state			
ASSETS		**LIABILITIES**		**ASSETS**		**LIABILITIES**	
Bills	3	Currency	36	Bills	45	Currency	40
Notes & Bonds	53	TGA	5	Notes & Bonds	55	TGA	15
MBS	32	RRP	9	MBS	0	RRP	5
Fed Facilities	12	Reserves	50	Fed Facilities	0	Reserves	40
Total	100	Total	100	Total	100	Total	100

Source: BofA Global Research

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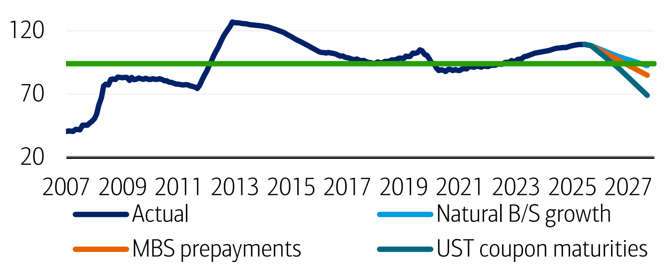
Exhibit 11: WAM of Fed UST holdings (months) in different bill scenarios

The shift in SOMA reinvestments into T-bills would quickly bring the SOMA WAM below their historical average in 2 years



Source: BofA Global Research, FRBNY

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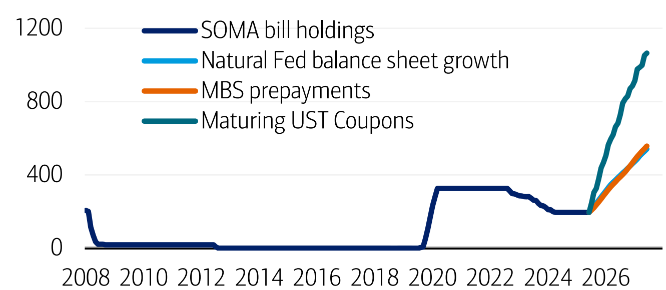
Exhibit 12: SOMA T-bill holdings in different bill scenarios ($bn)

SOMA reinvestments into T-bills would quickly grow T-bill holdings



Source: BofA Global Research, FRBNY, Bloomberg

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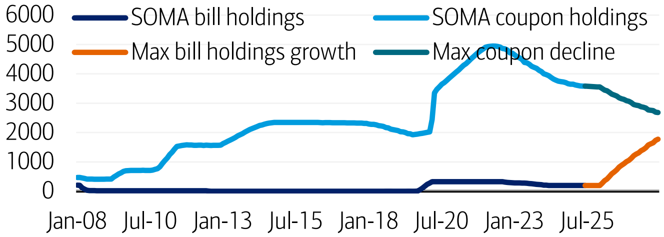
Exhibit 13: SOMA UST holdings of bills and coupons if all maturities and prepayments are reinvested into T-bills + natural B/S growth ($bn)

The Fed could essentially get to Waller's target balance sheet in just over 2 years after QT ends if they reinvest all maturities into T-bills and buy T-bills to offset natural Fed B/S growth in non-reserve liabilities



Source: BofA Global Research, FRBNY, Bloomberg

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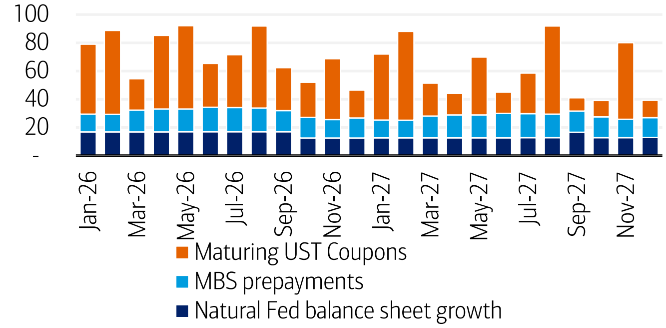
Exhibit 14: Monthly T-bill purchases in each bill scenario ($bn)

Maturing UST coupons average roughly $40b per month



Source: BofA Global Research, FRBNY,

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Supply – US

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- We expect UST to maintain forward guidance for stable auction sizes in policy statement and guide towards higher bill share

This is an excerpt of August refunding preview: Billwatch

Bracing for bill wave

As discussed in Lower WAM => backdoor easing, we revised our supply estimates from coupon growth starting at the Feb '26 refunding to UST holding coupon supply steady and allowing for higher bill share. This change in view follows President Trump & Secretary Bessent comments noting that Treasury may extend short-term debt given the level of interest rates. As discussed in further detail below, we expect that UST will manage lower WAM through higher bill issuance. We think this administration may tolerate a larger bill share up to 25% (+1 stdev above historic average) and/ or wait for rates to move lower before growing coupon supply. We expect this bill wave will cheapen funding rates & likely warrant Fed intervention in 2H '25 or 1H '26.

Short front-end spreads for expected WAM strategy

We expect WAM reduction will be passively managed through higher bill share and larger long end buybacks vs more active through longer-tenor coupon cuts. This strategy should support cheapening of Oct SOFR/ FF & steepening of the 3Y 20Y spread curve (Exhibit 15). While a more active approach through coupon redistribution is not our base case, any signal on this would also likely support these positions. As shown in Exhibit 16, WAM of UST debt outstanding is already historically high. A UST that manages a higher bill share & larger buybacks will see modest reduction in WAM of 1.1 months through FY '27. At the August refunding we expect three details to support this view: 1/ maintain forward guidance for stable auction sizes in policy statement, 2/ larger buybacks at long end of curve, 3/ TBAC discussion of optimal debt issuance.

Expect forward guidance on stable auction sizes

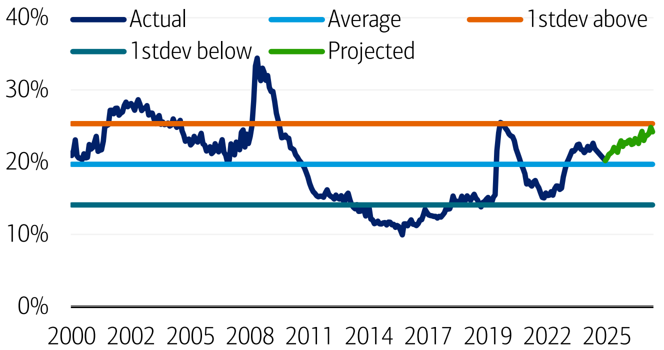
We expect Treasury to maintain its guidance that coupon auction sizes will remain stable for "at least the next several quarters". Treasury is likely to keep rolling forward this guidance for the foreseeable future & meet any incremental financing need in bills. We recently revised our Treasury supply expectations and do not see any coupon growth until end FY '27 or later. This will see bills as % of the portfolio rise to 25% & will modestly lower UST WAM (Exhibit 15, Exhibit 16). We will retain the expectation for stable coupon auction sizes until Treasury or TBAC provide further guidance.

Buyback adjustment likely

We expect Treasury to double the frequency of long-dated buybacks, especially in the 10-20Y & 20-30Y sectors. Long-dated buybacks have seen the largest offering amounts & is the sector that would likely most benefit (Exhibit 17). Larger long-dated buyback sizes could also be considered; we believe the market could easily absorb an extra $1b/operation in each tenor without much market impact. We believe buybacks in the 5-10Y sectors should also be considered for increased sizes, but do not expect an adjustment in these tenors at this refunding. Buybacks in the 5-10Y sectors can more easily tolerate larger sizes given their lower duration vs long-end buybacks. We continue to believe buybacks focused on coupon STRIPS would be helpful for dealers but put low odds of a change at this refunding.

Exhibit 15: Bills as a % of marketable debt

Given our expectations for deficit and QT ending in Mar '25, bills as a share of marketable debt should increase through FY '27



Source: BofA Global Research, US Treasury

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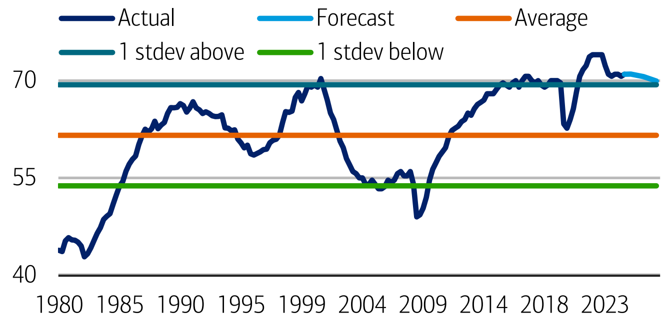
Exhibit 16: Actual and expected weighted average maturity (WAM) through FY '27 (months)

WAM expected to continue to decline as Treasury relies more on T-bills, unless Treasury adjusts issuance allocation



Source: BofA Global Research, US Treasury

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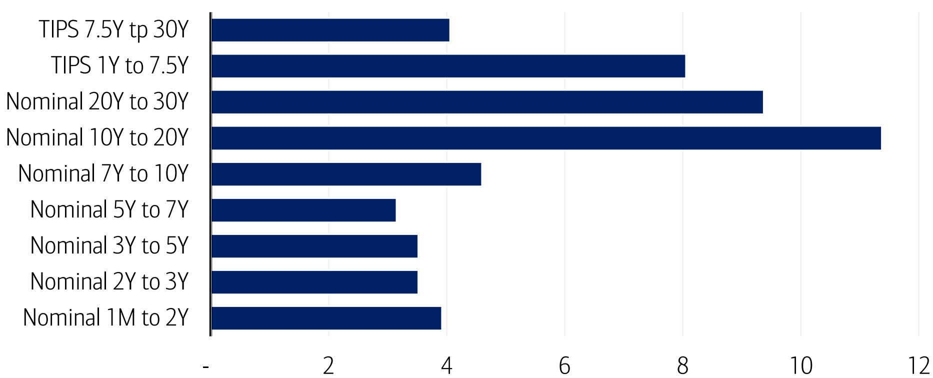
Exhibit 17: UST buyback offer / max accept ratio

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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Exhibit 18: Actual and expected auction sizes through October 26

Expect coupon sizes unchanged through our forecast window

	2y	3y	5y	7y	10y	20y	30y	5y II	10y II	30y II	2y FRN
May-25	69	58	70	44	42	16	25		18		28
Jun-25	69	58	70	44	39	13	22	23			28
Jul-25	69	58	70	44	39	13	22		21		30
Aug-25	69	58	70	44	42	16	25			8	28
Sep-25	69	58	70	44	39	13	22		19		28
Oct-25	69	58	70	44	39	13	22	26			30
Nov-25	69	58	70	44	42	16	25		19		28
Dec-25	69	58	70	44	39	13	22	24			28
Jan-26	69	58	70	44	39	13	22		21		30
Feb-26	69	58	70	44	42	16	25			9	28
Mar-26	69	58	70	44	39	13	22		19		28
Apr-26	69	58	70	44	39	13	22	26			30
May-26	69	58	70	44	42	16	25		19		28
Jun-26	69	58	70	44	39	13	22	24			28
Jul-26	69	58	70	44	39	13	22		21		30
Aug-26	69	58	70	44	42	16	25			8	28
Sep-26	69	58	70	44	39	13	22		19		28
Oct-26	69	58	70	44	39	13	22	26			30

Source: BofA Global Research

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Special Topic

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- In this primer, we provide an overview of the global Supranational, agency and sub-sovereign (SSA) market.
- We present the types of SSAs, their distribution by size & market and a detailed table of all major issuers.
- We then focus on supply and demand for Euro Area supranationals and agency bonds, typical patterns & seasonality.

This is the front page of European Rates Primer: Overview of the SSA market

Global Supranational, Sub-sovereigns and Agency market

In this primer, we cover a growing part of the Euro Area and international fixed income sphere, the SSA market (Supranationals, sub-sovereigns and agencies). SSA bonds can be seen as attractive investments with yield pick-up over government bonds and often equivalent credit risks. However, the relatively lower levels of liquidity can also cause unwanted exposure during periods of high volatility and/or risk-off.

Size similar to sovereigns, flexibility like corporates

The supply patterns of the Euro Area SSA market is in many ways similar to the EGB issuers, with front loading, presence along the whole curve, and a growing net supply as the ECB has stopped QE. However, differences include the fact that most SSAs issue only via syndications and that they are active in multiple currencies. This allows them to broaden their investor base and take advantage of attractive funding opportunities.

Who are the buyers?

The major investor types in SSA markets are banks, fund managers, pension & insurance, as well as foreign official institutions and central banks. Their preference varies across the curve and the attractiveness of price levels are measured differently. However, they all were impacted by the large scale purchases of the ECB. Their ability and willingness to now absorb the growing net supply will be important for market pricing.

Technicals

Paul Ciana, CMT
BofAS

- YTD the US 2Y, 5Y & 10Y yields have formed triangle patterns. Synonymous with a compressed coil, a spring-like release is due.
- Head and shoulder patterns imply asymmetric risk of tactical upside for yields. US 30Y leading the way. Seasonals a risk.

This is an excerpt of Compressed coils may lead to turmoil 21 July

View: Compressed coils may lead to turmoil

All trading ranges come to an end as chart patterns develop that reflect a gradual shift in market opinion. These patterns provide important clues about the next trend. Triangle patterns have been forming on the US 2Y, 5Y and 10Y yield charts since the start of 2025. These patterns typically involve four to six progressively smaller swings between converging trendlines. Around the start of the fourth quartile of a pattern, or soon, a new catalyst causes a spring-like breakout. With potential for small head and shoulder base patterns to form, there is asymmetric risk for a move higher in yields before US Labor Day. Our bias remains in favor of higher US 30Y yield. The golden cross signal on the S&P 500 supports this (see report: Quantifying Technicals July 14). However, seasonals in August do not and may cause ranges to elongate (see report: Seasonality Advantage June 29).

Tactical preference for short US duration remains

On July 7th (see Technical Advantage report), we discussed tactical upside risk for US 30Y yield to +/- 5.08%. On July 16th it reached a high of 5.0746% and began to dip. The wedge pattern used to derive this target evolved into a head and shoulders base. Additional upside can be measured to 5.18%. This means a retest of the Oct-2023 high is still possible as well as new cycle highs. Note the YTD intraday high in 30Y yield was 5.15%, the intraday peak in October 2023 was 5.18%, a TD Risk Level is at 5.33% and the 2007 trailing high that formed a double top in 2006-2007 is at 5.44%. Ideally the 30Y yield remains above the right shoulder lows of 4.85% for upside risk to persist. We show rising trend line support ending July at 4.80%. If broken, it may instead signal downside.

We're tactical bears, cyclical bulls and secular bears

Our multiple time frame technical bias remains. Varied directions make it challenging. Shorter term, the setups lean in favor of a move higher in yields. Medium-term, yield tops have been under construction since late 2023. These tops have become range bound with complex wave counts. There has been risk of a modest new cycle high in longer end yields before they roll over. Long-term, a secular bottom in 10Y yield was formed in 2019-2021 (head and shoulders). Then yield broke above the +/- thirty-year long downtrend channel. Both favor a multi-cycle uptrend bias for yields.

Rising yields and steeper curves test key levels

Upside breakouts if US 2Y yield breaks above 3.96%, 5Y > 4.06%, 10Y > 4.50-4.53% and 30Y > 5.08%. The bottom of the aforementioned triangle patterns would need to break to favor a decline in yields. These lines ending July are US 2Y at 3.77%, 5Y at 3.84%, 10Y at 4.30% and 30Y at 4.80%. US 2s30s made a modest break higher last week and may see 140bps while above 100/93bps. US 5s30s is testing long term trend line resistance at 105bps. In line with our view from May 14 (see Rates Technical Advantage report), US 10s30s has steepened and may continue to do so, such as 70bps while above 50bps.

Rates Alpha trade recommendations

Exhibit 19: Global Rates Trade Book - open trades
Open trades

	Open Trades	Entry Date	Entry	Target	Stop	Latest Level	Trade rationale	Risk
Europe	Receive Oct ECB €str	18-Jul-25	1.765	1.565	1.865	1.834	Outlook to prompt cuts sooner and tariff risks pricing in of back-to-back cuts	Higher than expected inflation or growth, tariff de-escalation
	Short 5y German swap spreads	11-Jul-25	6.5	0	12	8.7	Seasonality, supply concerns, receiving in swaps	Risk-off move, program paying in 5y swaps
	6m 2s5s30s rec fly	7-Jul-25	0bp	150k	-80k	6k	Belly outperformance	Pricing of sharp ECB cuts in 2y
	6m 2s10s floor ladder	7-Jul-25	63bp	11.6bp	-7bp	62bp	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	52	Historically narrow, roll-down	US recession
	Short 5y EU vs NL	19-Jun-25	21.8	30	17	19	Tactical short on high 2H25 supply	Lower than expected issuance
	OATei 2038/53 real curve flattener	13-June-25	20	0	30	27	Convexity value of 30y linker oversold	Heavy supply of 30y issue
	Receive 5y5y "real ESTR" rate	14-May-25	74	25	100	79	Real rate too far from "neutral"	Robust economic growth in the Eurozone
	Long 10y Spain vs Germany & Italy	9-May-25	25	15	31	23.6	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	22	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	15	Fade the cheapness of GE long-end	Change in German constitution
	Pay 1y1y Euribor-€str basis	24-Nov-24	21.5	30	17	24	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
UK	UKTi 2058/68 real curve flattener	1-Jul-25	-12.7	-22	-7	-15	RV cheapness of '68s, convexity	Ultra-long supply poorly digested
	Rec Nov MPC-dated Sonia	13-Jun-25	3.78%	3.50%	3.95%	3.73%	Market underpricing our base case	Stickier than anticipated inflation
	1s2s RPI flattener	23-May-25	7	-30	25	-14	RPI forecast, RV anomaly	Falling energy prices
	Receive fwd UKTi real rates/pay fwd TIPS real rates	14-May-25	22	-40	50	1	DMO Shortening its issuance	Poorly digested long-dated supply in Gilts
	Long 30y Gilt on ASW	2-May-25	91	75	100	90	Expect BoE to at some point signal slower QT	UK fiscal worries
	UKTi 2037/39 real curve flattener	24-Oct-24	17	9	25	19	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	-20.2	Historical extreme spread	Poor nominal auction demand
US	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	-48	UST WAM shift towards shorter tenors	UST continues to grow back-end auctions
	Short 3y swap spread	30-Jun-25	-31bp	-40bp	-20bp	-30bp	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	-5bp	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	2.43	Fed independence threat hedge	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	60bp	< frontloaded cuts, > backloaded cuts	>frontloaded cuts with < medium term
	6m fwd 2s10s floor ladder	1-May-25	46bp	17bp	-10bp	34bp	Underperformance of curve vs fwds	Flattening beyond the c.20bp BE
	6m10y payer spreads	7-Apr-25	8.5bp	25bp	-8.5	9bp	Fed on hold, limited scope for bearish shocks	Limited to upfront premium
	6m5y payer ladder	7-Mar-25	0bp	25bp	-10bp	0bp	Repricing of Fed policy through higher	Selloff beyond downside BE
	1y1y receiver 1x1.5	12-Dec-24	9bp	60bp	-15bp	-4bp	Hedging slowdown scenarios	Aggressive hard landing scenarios
	1y fwd 5s30s bear steepener	24-Nov-24	0bp	30bp	-15bp	37bp	Term premium build & reacceleration scenarios	Bear flattening on hawkish Fed
	1y10y payer spd vs 3m10y payer	24-Nov-24	0bp	30bp	-15bp	-5bp	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	0.25%	Long vol of vol	Lower vol of vol
	Long 5y30y vol vs 2y30y vol	24-Nov-24	+5.5bp vega	15bp vega	-10bp vega	7bp	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
APAC	6m1y payer ladder	11-Jul-25	0bp	18bp	-10bp	0bp	Higher RBA terminal than marketing pricing	Selloff beyond the downside b/e
	Short Jun '26 futures	25-Jul-25	96.78	96.40	97.00	96.78	High CPI prompts repricing of RBA pricing.	CPI prints below 0.7% q/q.
	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	-8.4bp	Bond demand underestimated, LIBOR-OIS risk underpriced	Global spread tightening
	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	9bp	Dovish repricing of RBA terminal	Hawkish RBA shift
	JP 1y2y payers spd vs 1y10y payers	24-Nov-24	0bp	40bp	-15bp	-1bp	Bear flattening of the curve	Lagging BoJ & curve bear steepening
	JP 1y5y payer ladders	24-Nov-24	0bp	28bp	-10bp	5bp	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
	KR 1y5y receiver spd	24-Nov-24	-16bp	34bp	-15bp	28bp	Repricing of policy trough lower	Capped to upfront premium

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 20: Global Rates Trade Book - closed trades
Closed trades

	Closed trades	Entry date	Entry level	Target	Stop	Close date	Level closed
Europe	Long 2y IT vs FR	20-Jun-25	7	-10	16	24-Jul-25	5.8
	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

Exhibit 20: Global Rates Trade Book - closed trades
Closed trades

	Closed trades	Entry date	Entry level	Target	Stop	Close date	Level closed
	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
	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
	6m1y rec spd	21-Jan-25	11bp	25bp	-11bp	22-Jul-25	2bp
	Sell 1m10y vs 6m10y receiver	21-Jan-25	0bp	20bp	-10bp	22-Jul-25	8bp
	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
US	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
	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

Exhibit 20: Global Rates Trade Book - closed trades

Closed trades

	Closed trades	Entry date	Entry level	Target	Stop	Close date	Level closed
	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
	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
	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
APAC	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%bp	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 21: 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	4.28	4.40	4.41	4.42	4.42	3.92	3.42	3.45
	2y T-Note	3.92	3.80	3.75	3.75	3.75	3.75	3.75	3.75
	5y T-Note	3.96	3.90	4.00	4.05	4.10	4.15	4.20	4.25
	10y T-Note	**4.40**	**4.40**	**4.50**	**4.50**	**4.50**	**4.50**	**4.50**	**4.50**
	30y T-Bond	4.93	4.90	5.00	5.00	5.05	5.10	5.15	5.15
	2y Swap	3.60	3.62	3.55	3.55	3.55	3.55	3.55	3.55
	5y Swap	3.54	3.58	3.66	3.71	3.76	3.85	3.86	3.91
	10y Swap	**3.84**	**3.93**	**4.01**	**3.99**	**3.97**	**3.97**	**3.97**	**3.97**
	30y Swap	4.10	4.08	4.16	4.13	4.15	4.20	4.22	4.22
Germany	3m Euribor	1.95	1.80	1.60	1.65	1.65	1.65	1.75	2.15
	2y BKO	1.93	1.80	1.80	1.90	1.90	1.95	2.05	2.25
	5y OBL	2.28	2.05	2.05	2.20	2.20	2.25	2.35	2.55
	10y DBR	**2.70**	**2.45**	**2.50**	**2.60**	**2.60**	**2.65**	**2.75**	**2.85**
	30y DBR	3.19	2.85	2.95	3.10	3.10	3.15	3.25	3.40
	2y Euribor Swap	2.06	1.95	1.90	1.95	1.95	2.00	2.10	2.30
	5y Euribor Swap	2.34	2.15	2.15	2.25	2.25	2.30	2.40	2.60
	10y Euribor Swap	**2.67**	**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	0.85	0.70	0.80	1.05	1.08	1.25	1.30	1.70
	5y JGB	1.14	0.90	1.00	1.25	1.28	1.45	1.50	1.85
	10y JGB	**1.61**	**1.40**	**1.50**	**1.65**	**1.70**	**1.80**	**1.85**	**2.20**
	30y JGB	3.10	2.85	3.00	3.05	3.05	3.10	3.10	3.30
	2y Swap	0.84	0.70	0.77	1.00	1.03	1.18	1.23	1.60
	5y Swap	1.05	0.85	0.95	1.18	1.20	1.35	1.40	1.73
	10y Swap	**1.38**	**1.20**	**1.30**	**1.43**	**1.48**	**1.55**	**1.55**	**1.88**
U.K.	3m Sonia	4.02	3.60	3.50	3.50	3.50	3.50	3.50	3.50
	2y UKT	3.86	3.70	3.75	3.75	3.75	3.85	3.85	3.95
	5y UKT	4.03	4.00	4.00	4.00	4.00	4.05	4.05	4.25
	10y UKT	**4.62**	**4.60**	**4.65**	**4.65**	**4.65**	**4.70**	**4.75**	**4.80**
	30y UKT	5.46	5.05	5.00	5.00	5.00	5.00	5.00	5.00
	2y Sonia Swap	3.66	3.50	3.50	3.50	3.50	3.60	3.60	3.70
	5y Sonia Swap	3.75	3.75	3.75	3.75	3.75	3.80	3.80	4.00
	10y Sonia Swap	**4.11**	**4.05**	**4.10**	**4.10**	**4.10**	**4.15**	**4.20**	**4.25**
Australia	3m BBSW	3.69	3.60	3.35	3.35	3.35	3.35	3.35	3.60
	2y ACGB	3.41	3.30	3.25	3.25	3.25	3.60	3.60	4.00
	5y ACGB	3.75	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	3.39	3.30	3.25	3.25	3.25	3.60	3.60	4.00
	10y Swap	**4.25**	**4.05**	**4.00**	**4.05**	**4.10**	**4.25**	**4.25**	**4.50**
Canada	2y Govt	2.84	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	**3.55**	**3.05**	**3.10**	**3.15**	**3.20**	**3.25**	**3.30**	**3.50**
	2y Swap	2.70	2.37	2.37	2.37	2.37	2.37	2.37	2.87
	5y Swap	2.90	2.48	2.53	2.58	2.63	2.68	2.73	3.05
	10y Swap	**3.24**	**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 22: 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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