

## Global Rates Weekly

## Who left the DOGE house?

**The View: Upside, downside**

After today's NFP print, the market may pivot from downside surprises on activity data to upside surprises on inflation from tariffs. UK GDP is a hard data read on activity and Japan data on flow post liberation day.

— R. Preusser

**Rates: Flattener pain trade risks persisting on payrolls**

US: We retain our underweight bias at the front end of the curve; payrolls may continue painful curve flattener move.

EU: The hawkish ECB meeting leads us to revise our terminal ECB rate projection and tweak our rate forecasts. German curve can show some resilience to global steepening.

UK: We expect the BoE to reduce the stock of Gilts by £60bn in the next QT year.

AU: Curve positioning looks reasonably neutral into next week's futures roll. We like selling Dec '25 futures, buying 3y bond futures to fade richness in the AU front end.

JP: We expect MOF to reduce issuance less than bond market expects, cutting 20yr and increasing 2yr issuance.

CA: The BoC struck a dovish tone at this week's meeting but we still expect the BoC to be patient and hold off on a cut at the next meeting.

— M. Cabana, M. Swiber, B. Braizinha, R. Axel, S. Salim, R. Man, R. Segura-Cayuela, A. Infelise Zhou, A. Stengeryte, M. Capleton, O. Levingston, J. Liu, T. Yamashita, S. Yamada, K. Craig

**Front end: Shorter WAM faces front-end demand issues**

US: A Treasury unwilling to grow coupon supply would mean increased reliance on bills. We expect to see bills and front-end spreads cheapen after debt limit resolution.

— M. Cabana, K. Craig, M. Swiber

**Special Topic: FX-Sofr and xccy: tightening themes**

FX-Sofr and xccy: Our forecasts suggest tighter bases; 5 structural themes that support our view are global imbalances, fiscal, de-dollarisation, euro asset rebalancing, and QT.

— R. Man

06 June 2025

Rates Research  
Global

**Table of Contents**

|                                   |   |
|-----------------------------------|---|
| Our medium-term views             | 2 |
| Our key forecasts                 | 2 |
| What we like right now            | 2 |
| The View                          | 2 |
| Rates – US                        | 2 |
| Rates – EU                        | 2 |
| Rates – UK                        | 2 |
| Rates – AU                        | 2 |
| Rates – JP                        | 2 |
| Rates – CA                        | 2 |
| Front end – US                    | 2 |
| Special Topic                     | 2 |
| Rates Alpha trade recommendations | 2 |
| Global rates forecasts            | 2 |
| Appendix: Common acronyms         | 2 |
| Research Analysts                 | 2 |

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NFP = non-farm payroll

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Timestamp: 06 June 2025 06:00AM EDT

# Our medium-term views

## Exhibit 1: Our medium-term views

### Global views

#### Rationale

|           |   |
|-----------|---|
| Duration  | <ul style="list-style-type: none"> <li>US: underweight UST duration given market is underpricing US data resilience &amp; overpricing Fed cuts</li> <li>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.</li> <li>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 at current levels.</li> <li>JP: We expect the 10yr JGB yields to rise to 1.5% at end-2025. The BoJ is expected to keep its de facto QT at least until March 2026.</li> <li>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.</li> </ul>  |
| Front end | <ul style="list-style-type: none"> <li>US: paid July &amp; Dec '25 FOMC OIS, paid SOFR Z6</li> <li>EU: Bank demand for excess liquidity may outstrip supply. Wholesale funding cost to rise: Euribor-€str widening, repo to stay cheap vs €str.</li> <li>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.</li> <li>JP: We believe the next rate hike will be delivered more likely in April 2026 rather than our prior base case of June 2025. TONA is likely to remain slightly below IOER in 2025.</li> <li>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</li> </ul>  |
| Curve     | <ul style="list-style-type: none"> <li>US: We favor 10s30s steepener as supply pressures push back end underperformance</li> <li>EU: given the more hawkish ECB reaction function, we see potential for the EUR 2s10s curve to not steepen as much as forwards are pricing in 2H25. Further out, we look for a shift in P&amp;I duration demand from the 30y to shorter maturities, leading to additional steepening pressures on 10s30s from year-end in swaps space.</li> <li>UK: We maintain our short in 3s5s7s Sonia fly which is directional with 2s10s Sonia curve steepeners.</li> <li>JP: We expect the JGB curve to remain steep due to a lack of demand and potential for the Japanese government to draw up a supplementary budget.</li> <li>AU: We like front-end flatteners. Recommend buying 3y bond futures (YM), selling Dec '25 bill futures</li> </ul>   |
| Inflation | <ul style="list-style-type: none"> <li>US: long 2y3y on higher realized inflation medium term</li> <li>EU: We favor receiving 5y5y real €str and the forward real yield between BTPeI 2033 and BTPeI 2039.</li> <li>UK: We would receive the forward real yield between UKTi 2035 and UKTi 2049, against paying the equivalent forward in TIPS.</li> <li>JP: 10y BEI should increase in 2025, given supports from the BoJ and MoF.</li> </ul>   |
| Spreads   | <ul style="list-style-type: none"> <li>US: Short 30Y spreads on dual disappointment of de-regs and deficit – also bearish long end spreads on market structure and flight to safety events.</li> <li>EU: we expect the periphery to remain resilient, as the medium to long term outlook is more positive, We favour Spain, with a long on the PCA fly vs Italy and Germany. We are neutral on 2-10y swap spreads but expect some richening in 30y Buxl spreads from year-end.</li> <li>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.</li> <li>JP: Given (1) the potential for additional BoJ rate hikes and (2) BoJ's QT, JGBs are likely to be cheaper vs matched maturity swaps.</li> <li>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.</li> </ul> |
| Vol       | <ul style="list-style-type: none"> <li>US: Vol supported by uncertainty. '25 targets: 100-115bp 1y10y in 1H &amp; 85-100bp in 2H; 1y1y c.110-120bp, Gamma flat vs intermediates</li> <li>EU: We expect implied vols to come lower with 1y10y around 70bp range and LHS cheapening vs RHS. Gamma to stay well supported (1y10y vs 1m10y at 0-5bp).</li> <li>AU: Lower vol with 1y10y c.70bpbp and left side likely to underperform the right side in '25</li> </ul>  |

Source: BofA Global Research

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# Our key forecasts

## Exhibit 2: Our key forecasts

### Global forecasts

| % EoP              | 2023      | 2024      | Q2 25     | Q3 25     | YE 25     | Q1 26     | Q2 26     | YE 26     |
|--------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 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 | 4.25-4.50 | 3.25-3.50 |
| 10-year Treasuries | 3.88      | 4.57      | 4.35      | 4.40      | 4.50      | 4.55      | 4.60      | 4.75      |
| ECB refi rate      | 4.50      | 3.15      | 2.15      | 1.90      | 1.65      | 1.65      | 1.65      | 1.90      |
| 10y Bunds          | 2.02      | 2.36      | 2.50      | 2.45      | 2.50      | 2.60      | 2.70      | 2.75      |
| BoJ                | -0.10     | 0.25      | 0.50      | 0.50      | 0.50      | 0.50      | 0.75      | 1.00      |
| 10y JGBs           | 0.61      | 1.09      | 1.35      | 1.43      | 1.50      | 1.53      | 1.60      | 1.75      |
| BoE base rate      | 5.25      | 4.75      | 4.25      | 3.75      | 3.50      | 3.50      | 3.50      | 3.50      |
| 10y Gilts          | 3.53      | 4.56      | 4.45      | 4.45      | 4.45      | 4.45      | 4.50      | 4.55      |
| RBA cash rate      | 4.35      | 4.35      | 3.85      | 3.85      | 3.60      | 3.60      | 3.60      | 3.60      |
| 10y ACGBs          | 3.96      | 4.36      | 4.05      | 3.90      | 3.75      | 3.80      | 3.85      | 4.00      |

Source: BofA Global Research

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# What we like right now

## Exhibit 3: What we like right now

### Global views

AMRS: Constructive duration, short 30Y spreads, long 2y3y inflation, long fwd vol

EMEA: We are received 5y5y "real €str", long 10y Spain on the credit fly vs Germany &amp; Italy

APAC: Short Dec '25 bill futures, buy 3y bond futures (YM) as hedge. 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

The main event of the week remains today's NFP print, especially considering the weaker data flow this week. Our economists expect an above consensus print of 150k, but flag downside risks. Given considerable changes in migration flows, markets may pay more attention to the unemployment rate.

The key uncertainties for the US economy, however, are unlikely to resolve themselves. An eventual slow-down in activity has to be expected given the tariff shock and related trade policy uncertainty that will weigh on capex, and very much remains part of our and the consensus base case. However, the Fed will have to weigh these downside risks to growth against upside risks to inflation of which we may see the first signs in next week's CPI and PPI prints. And the Fed's reaction function will also depend on the reconciliation bill and the accompanying fiscal impulse. We remain short the US front-end and long US breakevens.

Further out the curve, the reconciliation bill matters not just for its impact on activity and inflation, but also because of its impact on supply and potentially also its impact on demand for US assets via Section 899 (see [Liquid Insight 4 Jun 25](#)). We remain in 10s30s steepeners and short 30y on ASW (see [US Rates Viewpoint 5 Jun 25](#)).

UK April GDP data is an important hard data read on the post-tariff world. Our economists are looking for a negative print, which should help our bullish cross-market real yield view vs the US. Also in the UK, BoE Saporta's speech should provide further evidence as to the BoE's thinking on QT. We remain confident that QT tweaks are coming also benefiting Gilts cross market and on ASW.

Finally, we will be looking at the latest set of flow data from Japan for evidence of where investment flow has been skewed since liberation day.

## The week that was

The ECB surprised us (and the market) with hawkish communication today, clearly demonstrating the Governing Council's desire to pause the hiking cycle. Dec-25 €str repriced c 8 bp on the day and markets are now discounting just one more full cut for the year. Our economists have revised their call to take out the July cut, but still see forecasts forcing the ECB to cut in both September and December (see [Euro Area Watch 5 Jun 25](#)). We continue to see value in EUR real yields.

ISM data in the US surprised on the downside and jobless claims on the upside leading to a sharp outperformance of US rates cross market even before the hawkish ECB meeting. As we flag above, we are not sure that these data have justify this type of market reaction but are further evidence of cleaner positioning (see [US Rates Watch 2 Jun 25](#)).

AU rates rallied and the curve bull steepened this week after a weaker-than-expected GDP print but our economists see signs of underlying strength in private consumption and investment. We stay short Dec '25 futures vs 3y bond futures.



# Rates – US

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- We retain our underweight bias at the front end of the curve; payrolls may continue painful curve flattener move.
- Supply/ demand concerns risk migrating to the front end & funding markets post debt limit.

## Flattener pain trade risks persisting on payrolls

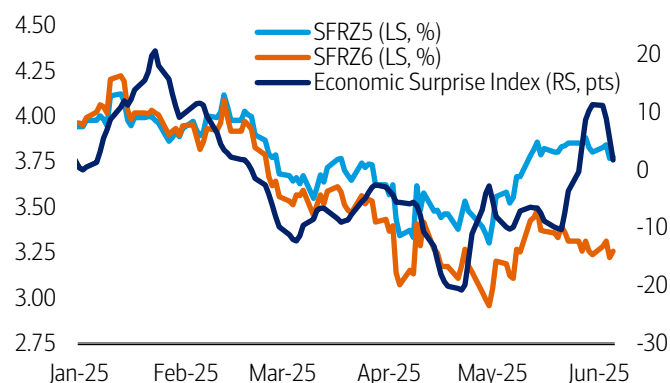
Duration saw a modest bid & curve flattened following softer than anticipated ISM manufacturing & services data. Last week we recommended paying SOFR Z6 at 3.26% (current= 3.30, target = 3.9%, stop =2.75%) to position for a market that will begin to question why the Fed is cutting at all. While data so far this week has not endorsed this narrative (Exhibit 1), payrolls printing above expectations as our US economics team expects (150k vs 125k) could support the trade.

Payrolls data could retain a flattening bias on the curve either way. If data proves stronger than expected, curve will likely bear flatten as market removes cuts through '26. If data is weaker than expected, this could give asset managers the go ahead to extend duration further out the curve as their positioning has been skewed steeper & concentrated in shorter tenors (see: [Weekly flows report](#), Exhibit 5).

We retain our underweight duration bias at the front end of the curve. As discussed below see risks that the supply/ demand imbalance migrates to the front end which could support incremental cheapening particularly post debt limit. The market has increasingly focused on Treasury WAM shortening as the path of least resistance to support the UST market. We have sympathy for this view but acknowledge it only works until shorter tenor demand is exhausted (for more detail see: [5 June 25 Viewpoint](#)).

### Exhibit 4: SOFR end '25, end '26, & BBG economic surprise index

Data surprises were less positive on the week

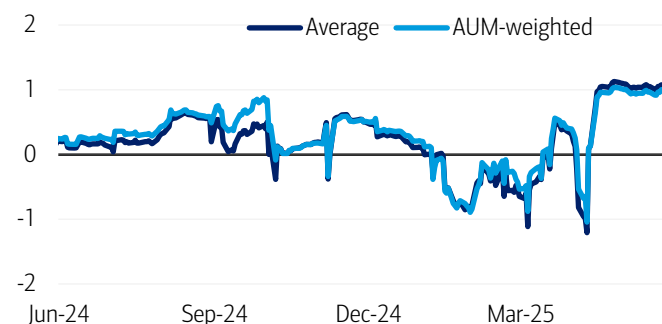


Source: BofA Global Research, Bloomberg

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### Exhibit 5: Curve beta from PCA regression (z-score)

Betas suggest funds are in steepeners relative to benchmark to the largest degree vs the past year



Source: BofA Global Research, Bloomberg, Z-score calculated over fund beta differences vs Agg back to May 2015

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## UST WAM reduction may be passive or active

Following a WAM issuance reduction from the UK DMO (see: [Revised remit](#)) & signals that the Japanese MoF will reduce long end issuance in July, a WAM shift from UST is generally believed to be a matter of when, not if. We also believe it is inevitable that

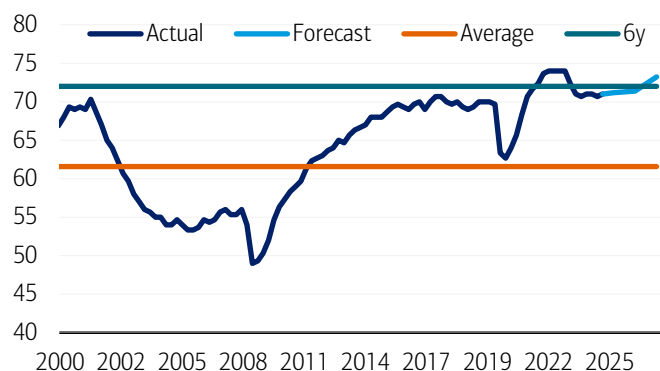


UST shortens their WAM & relies on shorter-tenor funding given the back-end supply / demand imbalance and historically elevated levels (Exhibit 6). However, signal that UST will reduce WAM of issuance lower may not be explicit.

Rather than UST guiding for a shift lower in WAM at the August refunding through shorter coupon issuance, we see risk that Treasury simply accepts an implicit WAM shortening through higher bill issuance. Treasury Secretary Bessent is unlikely to endorse a near-term increase in coupon sizes given his optimism that the upcoming tax bill will reduce the deficit. Instead, Treasury is likely to retain its signal of stable coupon sizes until the deficit proves otherwise (which may take several quarters after the tax law passage). Until auction sizes are increased, Treasury may rely on bill supply. Treasury is likely to accept an implicit WAM shortening until the tax law deficit impact is clear.

#### Exhibit 6: Actual and expected WAM through FY '27 (months)

WAM expected to continue to rise unless Treasury adjusts issuance allocation

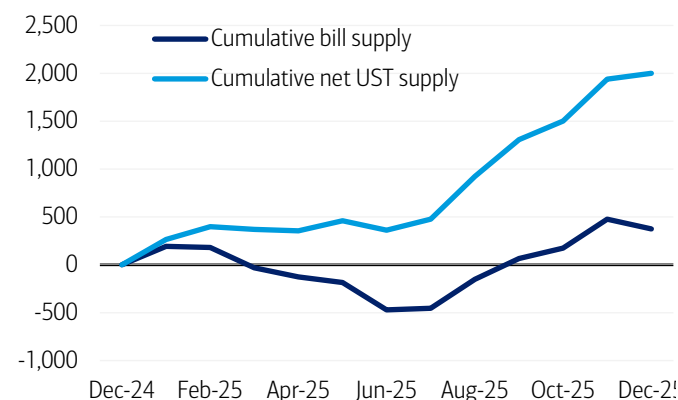


Source: BofA Global Research, US Treasury

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#### Exhibit 7: Projected cumulative net bill & total UST supply YTD (\$bn)

Cumulative UST issuance is forecasted to rise to \$2tn by year-end



Source: BofA Global Research, US Treasury

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## Squeezing the supply balloon

A Treasury that relies on more bill supply will test demand from front-end investors. Bill demand has been strong due to elevated US money market rates, money fund inflows, & recently restricted bill supply due to the debt limit. We expect bill demand will be tested amidst a large surge in bill supply after debt limit resolution (We expect ~\$950b bill supply from Aug to Nov '25 (Exhibit 7, see: [US front end](#))).

If funding market rates become disorderly or trade above the top end of the target range, the Fed will step in to stabilize money markets. It may well be that UST supply is squeezed hard enough towards shorter-dated issuance tenors such that traditional private sector demand is exhausted & the Fed is required to provide support.

Overall, we would not be surprised to see Treasury implicitly rely more on bill supply over coming months until the deficit impact from the tax law is clear. If Treasury relies too much on bill supply, it will cause money market rates to reprice meaningfully. This repricing could force the Fed to intervene in money markets (initially vs SRF, eventually via outright bill buying) & provide the ultimate UST market backstop role. Said differently, Treasury may squeeze the UST supply balloon enough to ultimately trigger Fed support; Fed support is likely easier found at the front end vs long end.

**Bottom line:** We retain our underweight bias at the front end of the curve and hold our pay SOFR Z6 position. Payrolls could be a flattener either way given steeper positioning from the asset manager community that is shifting less in the money. We see risks that supply/ demand concerns migrate to the front end of the curve and funding markets if explicit WAM shift or passive increases in bill supply post debt limit.

# Rates – EU

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- The ECB surprised with hawkish guidance, signalling that the bar for additional cuts from here is elevated. We revise terminal higher and tweak our rate forecasts.
- We see scope for German curve to be resilient to swaps & global curve steepening.

## ECB hoping for the best, not really preparing for the worst

The ECB likely wants to stop after this week's cut. While the guidance in the written statement still emphasizes meeting-by-meeting and data-dependence, Lagarde during the press conference made an effort to implicitly signal that, unless data surprises them to the downside, policy rates are in a good place.

**As a result, our economists are now revising their call**, no longer expecting the ECB to cut policy rates in July, but still expecting them to do so in September and December. Thereby, our baseline for the Depo rate by year-end moves up, from 1.25% to 1.50%. Our economists were already working under the assumption that it is data that would push the ECB to go lower from here. But the extra resistance we saw today probably means the bar (in terms of surprises) is higher than we thought and, probably, further moves are likely to only happen in meetings with new forecasts.

It seems the ECB has turned more forward looking, given the insistence from Lagarde on ignoring the inflation undershoot in 2026 headline given that 2027 goes back to 2% (but not core, stuck slightly below 2%). And this is despite those forecasts being a bit of a best-case scenario, where the German fiscal package has a strong impact and tariffs do not get worse from here (an optimistic scenario in our view).

**But this is a concerning reaction function.** Just a few weeks ago, our economists argued that the ECB would not tolerate a persistent inflation undershoot since that would be equivalent to implicitly acknowledging that the old asymmetry (close to but below 2%) is still there. It proved costly before, and it could prove costly again. This is a key reason why we still think the ECB will end up continuing to take policy rates lower in 2H25. But this week's meeting leaves us a little more worried about that.

## Hawkish ECB => higher rates, flatter curve, but moves could have been larger

The market was quick to interpret the ECB press conference as hawkish, with president Lagarde addressing the question of a potential pause in July by stating that the central bank was now in a good place, with inflation forecasts settling well at target.

Overall, forwards moved from pricing in 6.5bp of cuts for the July meeting, to only 3bp (<15% probability of a 25bp cut). The implied terminal €str rate rose by c.9bp, to 1.66%.

**Moves could have been arguably larger**, as we are still implying a full 25bp cut by year-end. Like us, market participants are probably acknowledging that the tariff risks and uncertainty ahead, in the context of rapidly falling inflation, can end up pushing the ECB to deliver more.

**On the curve**, the ECB meeting resulted in a flattening, which was more significant in German bonds than in swaps. We believe this divergence can extend and see room for the German curve to flatten vs swaps and other regions (US and Japan specifically):

- This new ECB stance means that, until the negative growth risks prove significant, the front-end may not rally much / drive much steepening. At the same time, bearish pressures in the long-end due to supply can be limited over the next few quarters.

- The steepening trades entered to position for the Dutch pension fund reform flows are likely to concentrate more in swaps than in bonds, and could be more focused now on the 20s50s and 30s30s rather than in the sub 30y part.
- Even after today's move, the German curve still appears too steep compared to what global bond curve dynamics would have implied, displaying around the same residual as the US curve, and a larger one than in Japan – see Exhibit 8 & Exhibit 9.

**Exhibit 8: 1<sup>st</sup> principal component\* of global 10y-30y bond curves**

Some stabilisation after a sharp global steepening in April

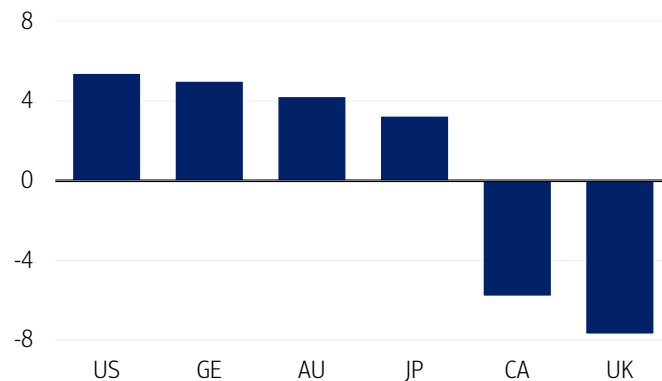


Source: BofA Global Research. (\*) We run a principal component analysis on 10y-30y US, GE, UK, CA, JP and AU curves, using data of the past three years.

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**Exhibit 9: Residual of 10y-30y curves using 2 principal components, bp**

US and German curves appears steepest given global joint dynamics



Source: BofA Global Research. (\*) We run a principal component analysis on 10y-30y US, GE, UK, CA, JP and AU curves, using data of the past three years.

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**We tweak our German bond and EUR swaps forecasts marginally**, to account for our new economics baseline of cuts to 1.50%. New forecasts are in Exhibit 10. We are mostly making changes to our front-end forecasts for the next few quarters, with the increases fading over time as we were already projecting the market would price in rate hikes for 2026 and beyond. Changes versus our previous forecasts are in Exhibit 11.

**Exhibit 10: Updated BofA Euro Area rate forecasts**

We expect mildly lower rates near term, with trough in 2y BKO at 1.75%

|                   | 5-Jun       | Q2 25       | Q3 25       | YE 25       | Q1 26       | Q2 26       | YE 26       |
|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 3m Euribor        | 1.95        | 1.95        | 1.80        | 1.60        | 1.65        | 1.70        | 2.00        |
| 2y BKO            | 1.87        | 1.80        | 1.75        | 1.80        | 1.95        | 2.00        | 2.15        |
| 5y OBL            | 2.17        | 2.10        | 2.05        | 2.10        | 2.25        | 2.30        | 2.40        |
| <b>10y DBR</b>    | <b>2.58</b> | <b>2.50</b> | <b>2.45</b> | <b>2.50</b> | <b>2.60</b> | <b>2.70</b> | <b>2.75</b> |
| 30y DBR           | 3.02        | 2.95        | 2.90        | 2.95        | 3.00        | 3.10        | 3.15        |
| 2y swap *         | 2.01        | 1.95        | 1.90        | 1.90        | 2.00        | 2.05        | 2.20        |
| 5y swap *         | 2.27        | 2.20        | 2.15        | 2.20        | 2.30        | 2.35        | 2.45        |
| <b>10y swap *</b> | <b>2.58</b> | <b>2.50</b> | <b>2.45</b> | <b>2.45</b> | <b>2.50</b> | <b>2.60</b> | <b>2.65</b> |
| 30y swap *        | 2.65        | 2.55        | 2.50        | 2.60        | 2.70        | 2.80        | 2.90        |
| 2y OIS            | 1.78        | 1.75        | 1.75        | 1.70        | 1.80        | 1.85        | 2.00        |
| 5y OIS            | 2.06        | 2.00        | 1.95        | 2.00        | 2.10        | 2.15        | 2.25        |
| <b>10y OIS</b>    | <b>2.42</b> | <b>2.35</b> | <b>2.30</b> | <b>2.30</b> | <b>2.35</b> | <b>2.45</b> | <b>2.50</b> |
| 30y OIS           | 2.54        | 2.45        | 2.40        | 2.50        | 2.60        | 2.70        | 2.75        |

Source: BofA Global Research. (\*) 6m Euribor swaps

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**Exhibit 11: Changes in BofA German rates and EUR swaps forecasts**

Our changes are focused in the front-end of the curve, with little effect long term as we were already assuming the market would price in hikes in 2026-27 if the ECB goes deeper below 2%

|            | Q2 25 | Q3 25 | YE 25 | Q1 26 | Q2 26 | YE 26 |
|------------|-------|-------|-------|-------|-------|-------|
| 3m Euribor | 5     | 20    | 20    | 25    | 25    | 25    |
| 2y BKO     | 10    | 15    | 15    | 10    | 5     | 0     |
| 5y OBL     | 10    | 10    | 5     | 5     | 0     | 0     |
| 10y DBR    | 5     | 5     | 0     | 0     | 0     | 0     |
| 30y DBR    | 5     | 5     | 0     | 0     | 0     | 0     |
| 2y swap *  | 10    | 15    | 15    | 10    | 5     | 0     |
| 5y swap *  | 5     | 5     | 5     | 5     | 0     | 0     |
| 10y swap * | 5     | 5     | 0     | 0     | 0     | 0     |
| 30y swap * | 10    | 5     | 5     | 0     | 0     | 0     |

Source: BofA Global Research. (\*) 6m Euribor swaps

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**EGB spreads to Bunds managed to tighten in the duration selloff.** But we are cognisant that the new ECB messaging could somewhat dampen the appetite for carry that we observed since March, reducing the potential for continued strong resilience in periphery spreads should there be a negative shock in the broader risk complex. We continue to favour SP, with a long position in 10y on a PCA credit fly vs IT & GE (current: 21.7bp, target: 15bp, stop: 31bp). The main risk is growth underperformance in Spain.



# Rates – UK

**Agne Stengeryte, CFA**  
MLI (UK)

**Mark Capleton**  
MLI (UK)

- We expect the BoE to reduce the stock of Gilts by £60bn in the next "QT year".

Below is an excerpt from [UK Rates Viewpoint published on 6 June](#).

## Quantitative Tiptoeing

### BoE to reduce QT annual run rate to £60bn from October

We now expect the Bank to reduce the stock of UK Gilt purchases held for monetary policy purposes by £60bn in the next QT year starting in October, from £100bn in the current. Our thinking on QT pace reduction is primarily based on our scepticism that QT is really operating in the background, but it also seems like a sensible step to take with the end of abundant reserves in sight (for more, see [UK Viewpoint, 6 June](#)).

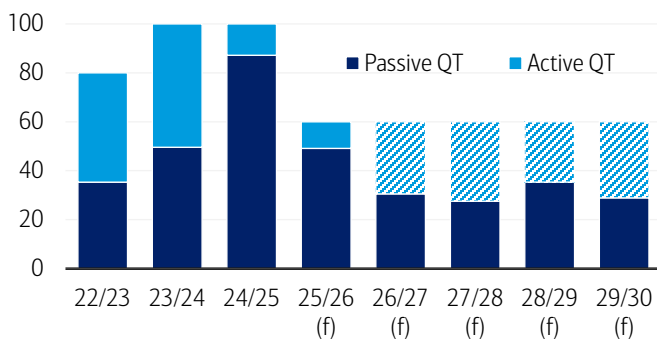
With £49bn of "passive" QT due in 2025-26, our base case implies £11bn of "active" QT from October 2025, so not dissimilar to the current year's £13bn (Exhibit 12). In this note, we will explore some alternative scenarios for 2025-26:

- OBR's March assumption of £48bn active QT throughout;
- £50bn total QT (the minimum not requiring reinvestments in the near term);
- £75bn total QT (the median expectation in May Market Participants Survey);
- £100bn total QT (unchanged relative to the current year).

Active and passive QT splits until QT year 2029-30 under different scenarios including our own base case are shown in Exhibit 13.

#### Exhibit 12: BoE QT incl. BofA forecasts, £bn

We don't define a view for 26/27 onwards: constant QT for illustration only.



Source: Bank of England, BofA Global Research

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#### Exhibit 13: BoE QT active and passive QT under different scenarios, £bn

Mix in later years assumes no maturities in 2028-29 or 2029-30 are sold beforehand in earlier 3-7y active sales operations

|                          | 24-25 | 25-26<br>(f) | 26-27<br>(f) | 27-28<br>(f) | 28-29<br>(f) | 29-30<br>(f) |
|--------------------------|-------|--------------|--------------|--------------|--------------|--------------|
| Passive QT               | 87.2  | 49.1         | 30.5         | 27.5         | 35.3         | 28.9         |
| Active QT:               | 12.8  |              |              |              |              |              |
| ALT 1: OBR               |       | 48.0         | 48.0         | 48.0         | 48.0         | 48.0         |
| Alt 2: £50bn total       |       | 0.9          | 19.5         | 22.5         | 14.7         | 21.1         |
| <b>BofA: £60bn total</b> |       | <b>10.9</b>  | <b>29.5</b>  | <b>32.5</b>  | <b>24.7</b>  | <b>31.1</b>  |
| Alt 3: £75bn total       |       | 25.9         | 44.5         | 47.5         | 39.7         | 46.1         |
| Alt 4: £100bn total      |       | 50.9         | 69.5         | 72.5         | 64.7         | 71.1         |

Source: Bank of England, BofA Global Research

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### QT impact: more profound than BoE contends, we think

Although correlation is not causation, we do regard the QT pace – and the fact that QT has had an active component that is unique to the UK – as a contributing factor to the profound underperformance of long-dated Gilts versus overseas peers since the transition. If the QT pace is maintained at £100bn per year beyond September, and the Bank continues to sell Gilts in equal amounts (measured in original cost terms) across the same maturity buckets, then the Bank's influence on the Gilt curve will grow.

### Our base case implies a 10% drop in long Gilt supply

In our base case, gently increasing Gilt sales from the BoE in 2026-27 offset some of the drop in DMO's financing projections. Relative to a scenario of an unchanged QT pace, our base case implies a 10% reduction in long-end Gilt supply in the current fiscal





year. Sensitivity to long-end supply/demand is apparent from both BoE and DMO.

### **Constructive Gilt stance over the summer**

Lately, we have turned constructive UK rates, currently favouring receiving 10y10y UK real yields vs. the US (see [When exorbitant privilege meets exorbitant need, 14 May](#)) and 30y Gilts on ASW (see Rates-UK section of [Deal or no ideal, 2 May](#)):

- Receive the forward real yield between UKTi 2035 and UKTi 2049 against paying the equivalent in TIPS. Entry: 22bp pickup. Target: -40bp. Stop: 50bp. Current: -11bp. Risk: poorly digested long-dated Gilt supply.
- Long 30y Gilt on ASW (using UKT 4.375% 2054). Entry: 91bp. Target: 75bp. Stop: 100bp. Current: 88bp. Risk: re-emergence of UK fiscal worries.

### **The Bank can make “active” more passive**

Our long-held argument that the Bank should let the DMO handle QT still stands: the Bank should sell its desired active portion of Gilt QT each year directly to the DMO, evenly across its portfolio and evenly through the year, at market prices. Giving the Bank a more passive role in active QT in this way would have two clear benefits. Firstly, with only one official seller of Gilts, the DMO can exert a more precise control over the choice of securities in issue and the WAM of the national debt. Secondly, although the Treasury would still have to finance the losses on internal sales within the public sector, the losses would not affect Public Sector Net Debt figures (unless they were re-sold into the market at the large prevailing discounts to par). NZ has done active QT this way.

### **What if the Bank decides that QT pace should be even slower than £50bn/year?**

We have to admit that a sub-£50bn QT pace from October seems unlikely. On the other hand, £50bn does still represent just under 2%/GDP net Gilt supply, so that is a material call on savings on top of the net supply from the DMO.

Try a little thought experiment – ask yourself how much you think long Gilts would rally if the Bank announced that it had changed its mind about the desired future liquidity regime and that QT would cease, forever, with maturing Gilt proceeds being reinvested from now on? We suspect yields would fall by a lot more than the 10-15bp suggested by the Bank for QT’s contribution to the Gilt term premium.

That is almost certainly not going to happen. But it is just about conceivable that the Bank decides the QT pace needs to be slowed to, say, £30bn/year – both to slide into the Preferred Minimum Range of Reserves more carefully and/or because such a slowdown is deemed necessary to return QT to “the background” at a time when the Gilt curve is under a degree of stress.

### **It would require reinvestment. But that should be done very differently now**

A sub-£50bn QT pace would require reinvestment and it would not be ideal for the Bank to start “buyback” operations once again after a long period of Gilt sales operations. Besides, the Bank has lately expressed concern about the undesirability of holding duration risk (even though this is indemnified by the Treasury).

The optimal solution, we would argue, would be for the Bank to buy Bills in the weekly auctions following a redemption. But it should buy Bills as “auction add-ons” at the market clearing price. This is, after all, how the US Fed has conducted permanent liquidity injections in normal times. Bills bought by the Bank in this way would, therefore, not interfere with the amount sold to or price paid by private participants in Bill auctions. The DMO would then raise the target Bill stock accordingly and adjust down the rest of its financing Remit for the year. And these Bills would not be sold – they would be rolled at maturity or allowed to run off as required.

Under old EU rules, we suspect this sort of transaction would have counted as a prohibited primary purchase of government debt (although it is standard practice in the US). So the ability to do this would be that rare thing – a “Brexit benefit”.

# Rates – AU

**Oliver Levingston**  
Merrill Lynch (Australia)

**Johnny Liu, CFA**  
Merrill Lynch (Australia)

## Fade the GDP-led rally in AU front-end rates

AUD rates rallied and the curve bull steepened this week after GDP printed weaker than BofA's/ consensus expectations. Yields have subsequently rebounded in sympathy with global rates but pricing still remains too rich, in our view. Our economists noted temporary disruptions due to weather and an unexpected (and likely transitory) fall in public demand offset the impact of higher-than-anticipated private consumption and investment.

## Sell Dec '25 futures, buy YM

Stronger consumption and investment figures suggest a cyclical economic upswing remains intact and our economists continue to expect the RBA to leave rates unchanged in July (see [Australia Watch: 1Q GDP Review 04 June 2025](#)). We continue to see front-end pricing (<1y) as rich but the belly looks fairly priced. We recommend selling Dec '25 futures and buying 3y bond futures (YM): Entry 21bps, target, 8bps, stop 27bps. Risk: dovish RBA lowers rates in July.

## Soft flattening bias into AU futures roll

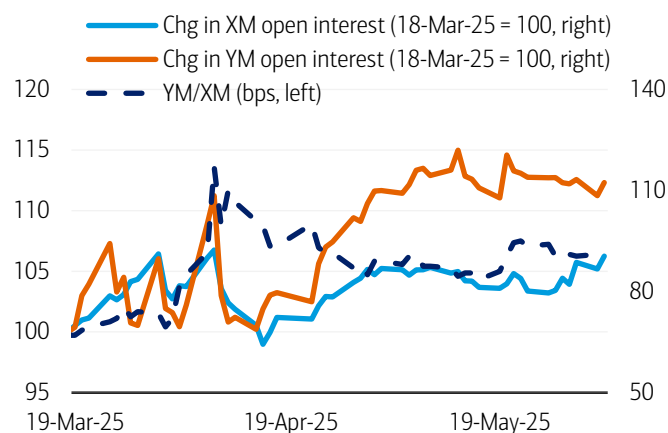
Australian bond futures will trade reduced tick from the night of Monday 9 June as investors roll from the spot June futures contract, expiring on 16 June, to contracts expiring on 15 September 2025. We see fair value for the YM roll at -1.53bps and XM at +4.21bps. Price action and changes in open interest since last roll suggest a surge in YM longs were quickly unwound in late April. Positioning looks reasonably neutral and the curve has traded in a tight range. We hold a slight near-term flattening bias and recommend rolling early to add duration to portfolios. (see [Australia Rates Futures Roll 05 June 2025](#)).

## We recommend rolling YM futures early

The 3y bond futures basket contract expiring in Sep '25 will include the 2.75% November 2029 bond line. RBA ownership of the basket will shift to 41% from 42%. The inclusion of this bond means the September YM basket has a higher weighted average maturity (3.32y) than the June YM basket (3.09y). We hold a flattening bias and recommend investors roll early to extend the duration of their portfolio.

**Exhibit 14: Open interest in bond futures, rebased (100) to 18 Mar '25**

Curve flattening occurred despite the rise in YM open interest

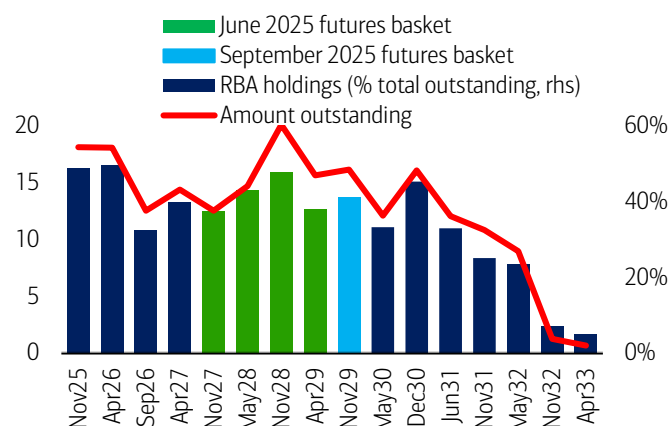


Source: Bloomberg

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**Exhibit 15: RBA ownership by bond line (AUD bn, left)**

RBA owns 42% of 3y bond futures basket



Source: ASX, RBA, AOFM

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# Rates – JP

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- We expect MOF to reduce issuance less than bond market expects, cutting 20yr and increasing 2yr issuance.
- We doubt MOF would buy back superlongs until at least Oct-Dec, meaning 10s30s curve could steepen further.

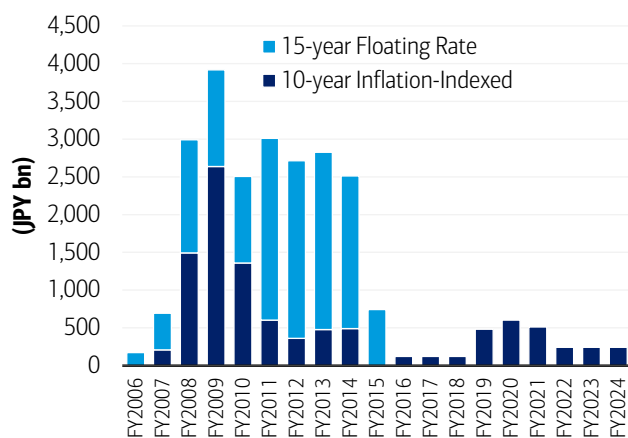
This is an excerpt from [Japan Rates Watch, 05 June 2025](#)

## Risk of further JGB curve steepening

Japan's Ministry of Finance (MOF) is to hold a Meeting of JGB Market Special Participants (below, primary dealers' meeting) on 20 June to discuss superlong JGB supply/demand with several major banks and brokerages. The key points at the meeting are to be the potential for MOF to (1) reduce superlong JGB issuance and (2) hold buyback auctions for superlong JGBs. We expect it to reduce issuance for 20yr JGBs and increase it for 2yr JGBs, but do not expect buyback auctions in the near term. If we are right, this would likely drive further steepening of the JGB curve.

### Exhibit 16: MOF's buybacks of JGBi and floating-rate bonds

MOF has recently bought back only JGBi

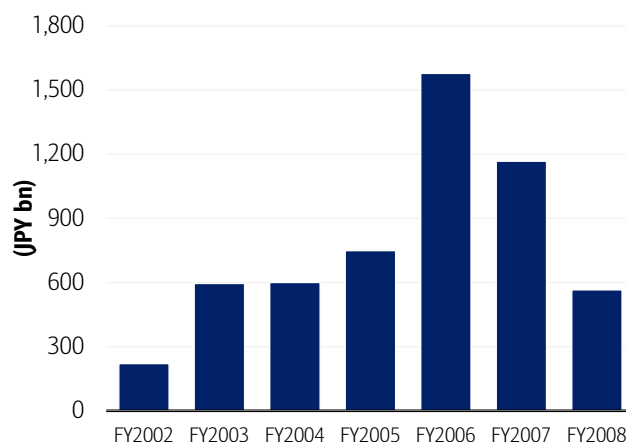


Source: BofA Global Research, MoF

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### Exhibit 17: MOF's buybacks of JGBs

MOF bought back JGBs through FY08



Source: BofA Global Research, MoF

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## 10s30s curve could steepen further

Bond market expectations for MOF to cut superlong JGB issuance and hold buyback auctions are rising, and 20yr and 30yr yields fell by respectively 17.2bp and 19.2bp on 27 May, when media reports emerged about MOF's plans to hold a primary dealers' meeting. However, we see upside risk for superlong JGB yields.

In FY16, MOF both reduced JGBi issuance and implemented buybacks. Its initial FY16 JGB issuance plan targeted ¥500bn in JGBi issuance per auction, but it lowered this to ¥400bn in the revised plan it published on 13 September 2016<sup>1</sup>. It also bought back

<sup>1</sup> MOF began reducing issuance at the April 2016 auction and revised its JGB issuance plans after the fact. "Initially we planned to issue the bond for the current fiscal year in the amount of ¥0.5 trillion per issuance, but we have so far reduced the amount to ¥0.4 trillion at last two auctions in consideration of

around ¥120bn in JGBs during FY16. However, JGBs differ from JGBs in that issuance is relatively small and adjustments to issuance or buybacks can be equally minor.

We would not expect MOF to drastically cut superlong JGB issuance or implement buybacks until Oct-Dec at the earliest given that (1) this is when visibility on FY25 tax revenues will emerge, (2) supplementary budgets are usually drawn up in autumn, and (3) Japan's major elections will be over at that point. Our view implies that the 10s30s JGB yield spread could again widen to above 160bp from late June, versus its present level of around 141bp.

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the prevailing market condition and your opinions."

[https://warp.da.ndl.go.jp/info:ndljp/pid/11520360/www.mof.go.jp/english/about\\_mof/councils/jgbsp/67thpd.pdf](https://warp.da.ndl.go.jp/info:ndljp/pid/11520360/www.mof.go.jp/english/about_mof/councils/jgbsp/67thpd.pdf)



# Rates – CA

**Katie Craig**  
BofAS

**Ralph Axel**  
BofAS

- The BoC struck a dovish tone at this week's meeting but we still expect the BoC to be patient and hold off on a cut at the next meeting
- We recommend clients fade pricing of a July cut by paying July BoC OIS

## Dovish BoC meeting but patient on rate cuts

The Bank of Canada held its policy rate unchanged this week while striking a dovish tone in the statement. The BoC continues to balance firmer inflation data and weaker employment and growth data in the context of elevated uncertainty around US tariffs. We expect the effect of the current trade conflict to become clearer in the second half of the year, with the slowdown in activity offsetting the price pressures derived from retaliatory tariffs. At the press conference, Governor Macklem said “underlying inflation could be a bit firmer than we thought”, which implies to us that the BoC will be patient in adjusting the policy rate. Outside of tax effects, CPI rose 2.3% in April.

Our economist expects the BoC to remain on hold in July, as it waits for core inflation to trend down, and then cut 3 times heading into year-end at the Sep, Oct, and Dec BoC meetings. Market expectations for a cut at the July BoC meeting is now about 43% priced, which we see as overdone. To fade this view, **we recommend paying July BoC OIS** in line with our economist's call. We **enter the trade at 2.65%, target 2.75%, stop at 2.55%**. Risks to this trade are the two inflation prints and two labor market prints between now and the next BoC meeting. While inflation could come down, we expect it will be unlikely that inflation shows a convincing downward trend in such a short period to warrant a July BoC cut.

The BoC made no changes to their balance sheet policy at the latest meeting though we do expect to see the BoC's securities portfolio continue to run down through Sept '25 due to a large maturity on Sep 1. 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 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.

### Exhibit 18: Bank of Canada balance sheet projection

The BoC has ended QT and could start buying bills again in small scale by the end of '25 to keep size of the BoC balance sheet stable over time vs GDP



Source: BofA Global Research, Bloomberg, Bank of Canada

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### Exhibit 19: 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  | 2.65  | 2.70  | 2.75  | 2.80  |
| 10y | 3.00  | 3.05  | 3.10  | 3.15  |

Source: BofA Global Research estimates

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### Exhibit 20: 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  | 2.43  | 2.48  | 2.53  | 2.58  |
| 10y | 2.74  | 2.79  | 2.84  | 2.89  |

Source: BofA Global Research estimates

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# Front end – US

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**Katie Craig**  
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**Meghan Swiber, CFA**  
BofAS

- A Treasury unwilling to grow coupon supply would mean increased reliance on bills.
- We expect to see bills and front-end spreads cheapen after debt limit resolution.

This is an excerpt of [USTs: squeezing the supply balloon](#)

## Shorter WAM faces front-end demand challenges

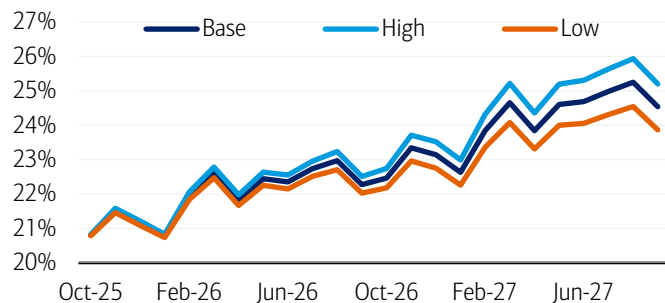
The market has increasingly focused on Treasury WAM shortening as the path of least resistance to support the UST market. We have sympathy for this view but acknowledge it only works until shorter tenor demand is exhausted. In this note we consider scenarios around shorter UST issuance and the extent of front-end demand. We also discuss risks around the front-end supply test to be seen later this year after debt limit increase.

## Run up the bills & test demand

A UST that does not account for higher deficits than realized will result in higher bill supply. Our baseline forecasts that stabilize bills as % of marketable debt assume \$280bn of coupon growth over four quarters starting in February 2026 (similar to \$300bn in four quarters in '23-'24).

### Exhibit 21: Bills% marketable debt assuming no change in coupons

Bills rise through '26 above 22% without coupon increases under base & alternate deficit scenarios

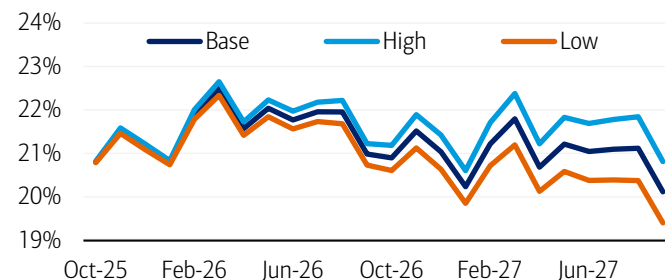


Source: BofA Global Research

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### Exhibit 22: Bills % marketable debt assuming baseline coupon growth across curve starting in February

Assuming coupon growth we expect, bills stay below 23% through FY '27 under base & alternate deficit scenarios



Source: BofA Global Research

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If coupon increases do not materialize, bills as a share of marketable debt will continue climbing (Exhibit 21). Under our baseline deficit forecasts, bills exceed 23% of marketable debt in the second half of '26. These are levels last observed in early '21 when UST was growing coupon auction sizes to bring bill share lower. Our baseline forecast for coupon growth sees bills below 23% through FY '27 (Exhibit 22).

## Bill demand is strong but may not be unlimited

A Treasury that relies on more bill supply will test demand from front-end investors. Front end bill demand has been strong due to elevated US money market rates, money fund inflows, & recently restricted bill supply due to the debt limit. We expect bill demand will be tested amidst a large surge in bill supply after debt limit resolution. We expect ~\$950b bill supply from Aug to Nov '25. The nearly \$1tn of bill supply in 2H '25 will challenge the demand willingness of money market investors. To consider the



impact on front end investors we look at the recent historic relationship of bills to (1) annual changes in bill supply (2) historic ownership of MMF in USTs. Thoughts on each:

**Bill supply swings:** historically, large swings in bill supply have seen front end rates cheapen vs OIS; using the post '22 relationship between annual changes in bill supply & 3m bills-OIS would imply a cheapening of front-end USTs of 7bps as the \$950b of bill supply hits. MMFs are often willing to increase bill holdings as bills cheapen vs OIS, but they may be limited in capacity.

**Historic ownership by MMFs:** MMFs have historically owned a max of 46% of total fund AUM in UST bills. These funds currently own 35% in T-bills. If these funds were to return to their max allocation post debt limit resolution, it would imply total bill demand of \$950b, in-line with our supply estimates. We believe MMF could potentially absorb all the bill supply but it would crowd out repo.

**Bill holdings by investor base:** We also looked at available data on T-bill holders as a % of assets across different investor bases using the last 5 years of data. We found that insurance companies and pension funds are already at their max historical capacity, with additional capacity spread out across the remaining investor bases. Overall, the data implies the market has capacity to absorb up to \$1.9tn in additional bill supply if they're comfortable bringing bills back up to their prior max allocation. However, we note that some investors are already above their 5y average of bill holdings and this would imply the market has limited capacity to absorb supply without seeing rates cheapen.

#### **Stablecoins could be another marginal source of bill demand**

Another potential source of bill demand could come from stablecoins if proposed legislation on stablecoin reserve assets is passed (for detail, see [Stablecoins & USTs: demand & disruption](#)). Better regulation on stablecoin reserve assets will likely lead to increased demand for short-dated USTs. Treasury may lean on expected stablecoin demand to justify an increased reliance on bills near term. We expect stablecoin demand to evolve slowly in coming years but do not expect it to be enough to resolve the growing supply and demand imbalance for USTs as deficits continue to rise. We also do not expect this demand to prevent material bill cheapening as supply rises post DL.

#### **Funding pressure post debt limit may require Fed support**

In an extreme scenario post debt limit, money markets could see upward pressure akin to what was evidenced in '19. We think the '19 parallel is appropriate given relatively low levels of Fed ON RRP use & a highly uncertain amount of excess reserves with the Fed.

If funding market rates become disorderly or trade above the top end of the target range, the Fed will step in to stabilize money markets. It may well be that UST supply is squeezed hard enough towards shorter-dated issuance tenors such that traditional private sector demand is exhausted & the Fed is required to provide support.

If Treasury relies too much on bill supply, it will cause money market rates to reprice meaningfully. This re-pricing could force the Fed to intervene in money markets (initially vs SRF, eventually via outright bill buying) & provide the ultimate UST market backstop role. Said differently, Treasury may squeeze the UST supply balloon enough to ultimately trigger Fed support; Fed support is likely easier found at the front-end vs long end.

**Bottom line:** clients have frequently asked what the official sector can do to support the Treasury market. We think the path of least resistance is for Treasury to shorten issuance, though they may only accept an implicit WAM shortening near term. A Treasury unwilling to grow coupon supply would mean increased reliance on bills. We expect to see bills and front-end spreads cheapen after debt limit resolution. We would not be surprised to see the UST supply balloon squeezed enough at the back end to eventually trigger a backstop from the Fed at the front end.



# Special Topic

**Ronald Man**  
MLI (UK)

- Our forecasts suggest tighter FX-Sofr and xccy bases
- Five themes that support tighter bases are global imbalances, fiscal, de-dollarisation, euro asset rebalancing, and QT

This is the front page of [Global Rates Viewpoint, 3 June 2025](#)

## FX-Sofr and xccy: tightening themes

### Our forecasts suggest tighter FX-Sofr and xccy bases

Our global rate forecasts imply scope for tighter euro and yen funding vs dollar. In the FX swap market, EGBs and JGBs offer a high rolling FX-hedged pickup over USTs and our forecasts imply this pickup could rise further for EGBs. High pickups could support demand for euro and yen in the FX swap market, tightening the FX-Sofr basis. In the xccy basis market, our forecasts imply US swap spreads to widen vs German swap spreads from current levels to 4Q 2025, especially at the 2y and 10y (Exhibit 23). This may put tightening pressure on the EUR xccy basis, and the associated looser dollar funding conditions could tighten the JPY xccy basis too (Exhibit 24).

### Five themes supporting tighter bases

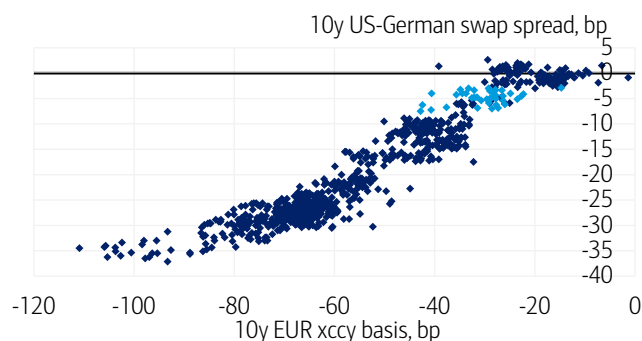
Five structural themes that support our tightening bias in the FX-Sofr and xccy bases are: 1) Europe addressing its saving-investment imbalance means less financial inflows to the US, 2) growing concerns over US fiscal sustainability, 3) potential inflows into euro assets on the de-dollarisation theme, 4) FX hedging needs on global investor rebalancing their euro asset holdings more towards fixed income, 5) divergent QT outlook between the Fed and the ECB.

### Two sources of widening pressure

The first source of widening pressure on the FX-Sofr and xccy basis is increased FX hedge ratios by global investors on their US asset holdings. Interest on FX hedge ratios rose after the recent synchronised selloff in US equities, UST, and the USD. The second source is reserve dynamics related to US fiscal policy. Dollar reserves may decline sharply in 2H 2025 post debt limit resolution as the US government rebuilds its TGA.

#### Exhibit 23: 10y US-German swap spread vs 10y EUR xccy basis, bp

Tighter German-US swap spread associated with tighter basis

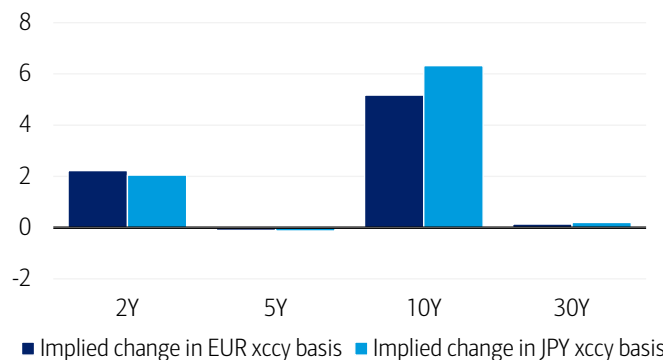


**Source:** BofA Global Research, Bloomberg. Light blue dots represent data since 2 April 2025. Daily data in the past three years shown.

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#### Exhibit 24: Implied change in xccy, bp

We see tightening up to 10y and slight widening in 30y



**Source:** BofA Global Research. Data as of 2 June 2025.

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# Rates Alpha trade recommendations

## Exhibit 25: Global Rates Trade Book - open trades

Open trades

|        | Open Trades  | Entry Date | Entry       | Target         | Stop            | Latest Level | Trade rationale  | Risk   |
|--------|--|------------|-------------|----------------|-----------------|--------------|--|--|
| Europe | <a href="#">Receive 5y5y "real ESTR" rate</a>                              | 14-May-25  | 74          | 25             | 100             | 71           | Real rate too far from "neutral"                       | Robust economic growth in the Eurozone           |
|        | <a href="#">Long 10y Spain vs Germany &amp; Italy</a>                      | 9-May-25   | 25          | 15             | 31              | 21.7         | Spain richens back on credit fly                       | Italian upgrade, Slow capex in Spain             |
|        | <a href="#">2y3y/5y5y Euro inflation steepener</a>                         | 2-May-25   | 20.0        | 35.0           | 10.0            | 25.8         | Swift fall in inflation                                | Stalling disinflation                            |
|        | <a href="#">Receive BTPei 2033-39 fwd yield</a>                            | 1-Apr-25   | 358         | 300            | 400             | 339          | Bullish call, RV, index events                         | Generalized Italy cheapening                     |
|        | <a href="#">Long EU 30y vs Netherlands</a>                                 | 28-Mar-25  | 72          | 60             | 80              | 68.5         | EU cheap to NL, on supply concerns                     | Large increase in EU bond supply                 |
|        | <a href="#">Receiving 6m1y EUR vs CHF</a>                                  | 14-Mar-25  | 176bp       | 130bp          | 200bp           | 197bp        | Continued ECB easing and SNB pause                     | Negative SNB policy rate                         |
|        | <a href="#">6m5y 1x1.5 rec</a>   | 5-Feb-25   | 0bp         | 14bp           | -10bp           | 0.5bp        | Repricing of ECB terminal lower                        | Rally beyond downside breakeven                  |
|        | <a href="#">Short 1y1y vs 1y10y vol</a>                                    | 24-Nov-24  | 6.5bp       | 20bp           | -10bp           | 10bp         | Underperformance of left side on dovish ECB            | Hawkish policy shift                             |
|        | <a href="#">Long 30y Bunds vs Netherlands</a>                              | 24-Nov-24  | 14.5        | 25             | 8               | 12           | Fade the cheapness of GE long-end                      | Change in German constitution                    |
|        | <a href="#">Pay 1y1y Euribor-€str basis</a>                                | 24-Nov-24  | 21.5        | 30             | 17              | 24           | Reduced liquidity, increased term funding cost         | New ECB LTROs / early end to QT                  |
| UK     | <a href="#">5y1y ATM-25/-100bp rec spread</a>                              | 8-Feb-24   | 25bp        | 60bp           | 0               | 21bp         | Lower ECB terminal rate, without negative carry        | Better than expected EUR data                    |
|        | <a href="#">1s2s RPI flattener</a>   | 23-May-25  | 7           | -30            | 25              | -1           | RPI forecast, RV anomaly                               | Falling energy prices                            |
|        | <a href="#">Receive fwd UKTI real rates/pay fwd TIIPS real rates</a>       | 14-May-25  | 22          | -40            | 50              | -13          | DMO Shortening its issuance                            | Poorly digested long-dated supply in Gilts       |
|        | <a href="#">Long 30y Gilt on ASW</a>                                       | 2-May-25   | 91          | 75             | 100             | 87           | Expect BoE to at some point signal slower QT           | UK fiscal worries                                |
|        | <a href="#">Long UKT 0 1/8% 2028 vs. UKT 4 3/8% 2028 on ASW (on z-spd)</a> | 24-Jan-25  | -29         | -40            | -24             | -30          | Retail demand for low coupon Gilt                      | Change in the tax treatment of Gilts for retail  |
|        | <a href="#">UKTI 2037/39 real curve flattener</a>                          | 24-Oct-24  | 17          | 9              | 25              | 20           | Attractive level; low coupon value                     | Supply related dislocation                       |
|        | <a href="#">UKTI 2032/36/47 barbell (+43.8%/-100%/+56.2% risk)</a>         | 05-Sep-24  | 14.8        | 5.0            | 20.0            | 16           | Expect forward flattening                              | Illiquid conditions                              |
|        | <a href="#">Short Sonia 3s5s7s (pay 5s)</a>                                | 05-Sep-24  | -12         | 10             | -21             | -5           | Mortgage paying flows                                  | Stamp Duty tax rise at the Oct budget            |
|        | <a href="#">Sell UKTI 2036 v UKT 2042 on ASW</a>                           | 26-Jul-24  | -21         | -8             | -28             | -23.7        | Historical extreme spread                              | Poor nominal auction demand                      |
| US     | <a href="#">Pay SOFR Z6</a>  | 29-May-25  | 3.26%       | 3.9%           | 2.75%           | 3.26%        | Rates underpricing US data strength                    | Weak US data / trade re-escalation               |
|        | <a href="#">10s30s curve steepener</a>                                     | 15-May-25  | 45bp        | 70bp           | 15bp            | 51bp         | Increased focus on fiscal policy, higher deficit       | Cuts to fiscal spending/lower projected deficits |
|        | <a href="#">Pay Dec FOMC OIS</a>   | 15-May-25  | 3.78%       | 4.25%          | 3.5%            | 3.83%        | Fade '25 rate cuts                                     | Fed cuts get priced back into '25                |
|        | <a href="#">Pay July FOMC OIS</a>  | 8-May-25   | 4.15%       | 4.3%           | 4.05%           | 4.26%        | Solid data & Fed in no hurry to cut                    | Sharp data worsening & near-term Fed cuts        |
|        | <a href="#">Short 30y swap spread</a>                                      | 30-Apr-25  | -90         | -110           | -75             | -94          | Disappointment in de-regs and deficits                 | WAM shortening by Treasury or Fed                |
|        | <a href="#">18m1y vs 6m1y rec</a>  | 1-May-25   | 0bp         | 30bp           | -15bp           | 46bp         | < frontloaded cuts, > backloaded cuts                  | >frontloaded cuts with < medium term             |
|        | <a href="#">6m fwd 2s10s floor ladder</a>                                  | 1-May-25   | 46bp        | 17bp           | -10bp           | 40bp         | Underperformance of curve vs fwds                      | Flattening beyond the c.20bp BE                  |
|        | <a href="#">Long 2y3y inflation</a>  | 24-Apr-25  | 2.24        | 2.50           | 2.05            | 2.31         | Expect above market inflation medium term              | Downturn that lowers inflation compensation      |
|        | <a href="#">6m10y payer spreads</a>  | 7-Apr-25   | 8.5bp       | 25bp           | -8.5            | 4bp          | Fed on hold, limited scope for bearish shocks          | Limited to upfront premium                       |
|        | <a href="#">6m5y payer ladder</a>  | 7-Mar-25   | 0bp         | 25bp           | -10bp           | 2bp          | Repricing of Fed policy through higher                 | Selloff beyond downside BE                       |
| APAC   | <a href="#">6m1y rec spd</a>   | 21-Jan-25  | 11bp        | 25bp           | -11bp           | 14bp         | Higher slowdown likelihoods                            | Limited to upfront premium                       |
|        | <a href="#">Sell 1m10y vs 6m10y receiver</a>                               | 21-Jan-25  | 0bp         | 20bp           | -10bp           | 12bp         | Higher slowdown likelihoods                            | More significant rally near vs medium term       |
|        | <a href="#">1y1y receiver 1x1.5</a>  | 12-Dec-24  | 9bp         | 60bp           | -15bp           | -4bp         | Hedging slowdown scenarios                             | Aggressive hard landing scenarios                |
|        | <a href="#">1y fwd 5s30s bear steepener</a>                                | 24-Nov-24  | 0bp         | 30bp           | -15bp           | 28bp         | Term premium build & reacceleration scenarios          | Bear flattening on hawkish Fed                   |
|        | <a href="#">1y10y payer spd vs 3m10y payer</a>                             | 24-Nov-24  | 0bp         | 30bp           | -15bp           | -5bp         | Higher recalibration/reacceleration likelihoods        | Frontloaded sell that fades medium term          |
|        | <a href="#">1y1y straddles vs strangles</a>                                | 24-Nov-24  | +0.31%      | 20bp str /vega | -10bp str /vega | 0.286%       | Long vol of vol  | Lower vol of vol                                 |
|        | <a href="#">Long 5y30y vol vs 2y30y vol</a>                                | 24-Nov-24  | +5.5bp vega | 15bp vega      | -10bp vega      | 3bp          | Vega supported bearish tail scenarios                  | Outperformance of intermediate vs long vega      |
|        | <a href="#">3y1y rtr spd a/-50bp</a>                                       | 6-Nov-23   | pay 23bp    | 50bp           | -23bp           | 6bp          | Soft landing scenario                                  | Capped to premium                                |
|        | <a href="#">Long 1y10y rtp spd vs 4m10y rtp</a>                            | 3-Jul-24   | 0bp         | 20bp           | -10bp           | -13bp        | Bearish election risks medium-term                     | Frontloaded bearish risks                        |
|        | <a href="#">US 10y invoice spreads</a>                                     | 30-May-25  | 40          | 60             | 25              | 55           | Fiscal divergence                                      | US reg reform, AU budget update                  |
| APAC   | <a href="#">Pay 3y swap EFP (q/q)</a>                                      | 28-May-25  | -9.5bp      | 10bp           | -19.5bp         | -8bp         | Bond demand underestimated, LIBOR-OIS risk underpriced | Global spread tightening                         |
|        | <a href="#">Buy Dec '25 bill futures, sell YM</a>                          | 16-May-25  | 21bp        | 8bp            | 27bp            | 21bp         | RBA likely to sound hawkish in May                     | RBA dovish (mis)communication                    |
|        | <a href="#">Buy TCV 5.5% Sep 2039 vs 10y IRS</a>                           | 15-May-25  | 133bp       | 100bp          | 148bp           | 140bp        | Fiscal convergence between AU and Victoria             | Wider spreads likely in a risk-off event         |
|        | <a href="#">AU 6m3y receiver 1x1.5</a>                                     | 27-Mar-25  | 4bp         | 30bp           | -15bp           | 5bp          | Dovish repricing of RBA terminal                       | Hawkish RBA shift                                |
|        | <a href="#">JP 1y2y payers spd vs 1y10y payers</a>                         | 24-Nov-24  | 0bp         | 40bp           | -15bp           | -3bp         | Bear flattening of the curve                           | Lagging BoJ & curve bear steepening              |
|        | <a href="#">JP 1y5y payer ladders</a>                                      | 24-Nov-24  | 0bp         | 28bp           | -10bp           | 3bp          | Repricing of policy trough                             | Underperformance vs. downside b/e                |
|        | <a href="#">KR 1y fwd 2s10s bull steepeners</a>                            | 24-Nov-24  | 0bp         | 25bp           | -10bp           | 15bp         | Dovish BoK and bull steepening                         | Hawkish shift for BoK                            |
|        | <a href="#">KR 1y5y receiver spd</a>                                       | 24-Nov-24  | -16bp       | 34bp           | -15bp           | 28bp         | Repricing of policy trough lower                       | Capped to upfront premium                        |
|        | <a href="#">KR 1y5y receiver spd</a>                                       | 24-Nov-24  | -16bp       | 34bp           | -15bp           | 28bp         | Repricing of policy trough lower                       | Capped to upfront premium                        |

**Exhibit 26: Global Rates Trade Book - closed trades**

## Closed trades

|        | Closed trades                                   | Entry date | Entry level | Target | Stop    | Close date | Level closed |
|--------|---|------------|-------------|--------|---------|------------|--------------|
| Europe | 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     | 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         |
|        | 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           |



**Exhibit 26: Global Rates Trade Book - closed trades**

## Closed trades

|      | Closed trades                                 | Entry date | Entry level | Target    | Stop        | Close date  | Level closed |
|------|---|------------|-------------|-----------|-------------|-------------|--------------|
|      | 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 OATe1 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           |
| US   | 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-25p  | 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         |
|      | 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         |
|      | 6m2y rtp spd vs 6m2y otm rtr                  | 19-Nov-23  | 0bp         | 55bp      | -25bp       | 2 May 24    | 41 bp        |
|      | 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 | 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         |

**Exhibit 26: Global Rates Trade Book - closed trades**

## Closed trades

| Closed trades                                       | Entry date | Entry level | Target | Stop   | Close date | Level closed |
|---|------------|-------------|--------|--------|------------|--------------|
| 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 27: Latest levels and rate forecasts

Forecasts by quarter up to Q2 '26 plus YE 2026

|           |                         | Latest      | Q2 25       | Q3 25       | YE 25       | Q1 26       | Q2 26       | YE 26       |
|-----------|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| USA       | O/N SOFR                | 4.28        | 4.29        | 4.31        | 4.32        | 4.33        | 4.34        | 3.35        |
|           | 2y T-Note               | 3.92        | 3.90        | 3.80        | 3.75        | 3.75        | 3.75        | 3.85        |
|           | 5y T-Note               | 3.99        | 4.00        | 4.05        | 4.10        | 4.15        | 4.20        | 4.25        |
|           | <b>10y T-Note</b>       | <b>4.39</b> | <b>4.35</b> | <b>4.40</b> | <b>4.50</b> | <b>4.55</b> | <b>4.60</b> | <b>4.75</b> |
|           | 30y T-Bond              | 4.88        | 4.75        | 4.80        | 4.90        | 4.95        | 5.00        | 5.10        |
|           | 2y Swap                 | 3.67        | 3.74        | 3.62        | 3.55        | 3.55        | 3.55        | 3.65        |
|           | 5y Swap                 | 3.60        | 3.70        | 3.73        | 3.76        | 3.81        | 3.86        | 3.91        |
|           | <b>10y Swap</b>         | <b>3.85</b> | <b>3.90</b> | <b>3.93</b> | <b>4.01</b> | <b>4.04</b> | <b>4.07</b> | <b>4.22</b> |
|           | 30y Swap                | 4.03        | 3.95        | 3.93        | 4.04        | 4.04        | 4.07        | 4.22        |
| Germany   | 3m Euribor              | 1.95        | 1.95        | 1.80        | 1.60        | 1.65        | 1.70        | 2.00        |
|           | 2y BKO                  | 1.87        | 1.80        | 1.75        | 1.80        | 1.95        | 2.00        | 2.15        |
|           | 5y OBL                  | 2.17        | 2.10        | 2.05        | 2.10        | 2.25        | 2.30        | 2.40        |
|           | <b>10y DBR</b>          | <b>2.58</b> | <b>2.50</b> | <b>2.45</b> | <b>2.50</b> | <b>2.60</b> | <b>2.70</b> | <b>2.75</b> |
|           | 30y DBR                 | 3.03        | 2.95        | 2.90        | 2.95        | 3.00        | 3.10        | 3.15        |
|           | 2y Euribor Swap         | 2.01        | 1.95        | 1.90        | 1.90        | 2.00        | 2.05        | 2.20        |
|           | 5y Euribor Swap         | 2.27        | 2.20        | 2.15        | 2.20        | 2.30        | 2.35        | 2.45        |
|           | <b>10y Euribor Swap</b> | <b>2.58</b> | <b>2.50</b> | <b>2.45</b> | <b>2.45</b> | <b>2.50</b> | <b>2.60</b> | <b>2.65</b> |
|           | 30y Euribor Swap        | 2.65        | 2.55        | 2.50        | 2.60        | 2.70        | 2.80        | 2.90        |
| Japan     | TONA                    | 0.48        | 0.48        | 0.48        | 0.48        | 0.48        | 0.73        | 0.98        |
|           | 2y JGB                  | 0.76        | 0.60        | 0.63        | 0.65        | 0.70        | 1.05        | 1.30        |
|           | 5y JGB                  | 1.02        | 0.85        | 0.88        | 0.90        | 0.95        | 1.30        | 1.60        |
|           | <b>10y JGB</b>          | <b>1.47</b> | <b>1.35</b> | <b>1.43</b> | <b>1.50</b> | <b>1.53</b> | <b>1.60</b> | <b>1.75</b> |
|           | 30y JGB                 | 2.89        | 2.70        | 2.78        | 2.85        | 2.85        | 2.85        | 2.95        |
|           | 2y Swap                 | 0.74        | 0.58        | 0.60        | 0.60        | 0.65        | 1.00        | 1.25        |
|           | 5y Swap                 | 0.93        | 0.75        | 0.78        | 0.78        | 0.80        | 1.15        | 1.45        |
|           | <b>10y Swap</b>         | <b>1.24</b> | <b>1.10</b> | <b>1.13</b> | <b>1.20</b> | <b>1.23</b> | <b>1.30</b> | <b>1.45</b> |
| U.K.      | 3m Sonia                | 4.18        | 4.00        | 3.60        | 3.50        | 3.50        | 3.50        | 3.50        |
|           | 2y UKT                  | 4.01        | 3.70        | 3.60        | 3.60        | 3.60        | 3.60        | 3.65        |
|           | 5y UKT                  | 4.13        | 3.90        | 3.90        | 3.90        | 3.90        | 3.95        | 4.00        |
|           | <b>10y UKT</b>          | <b>4.62</b> | <b>4.45</b> | <b>4.45</b> | <b>4.45</b> | <b>4.45</b> | <b>4.50</b> | <b>4.55</b> |
|           | 30y UKT                 | 5.33        | 5.05        | 5.00        | 4.95        | 4.90        | 4.90        | 4.90        |
|           | 2y Sonia Swap           | 3.82        | 3.60        | 3.50        | 3.50        | 3.50        | 3.50        | 3.50        |
|           | 5y Sonia Swap           | 3.84        | 3.70        | 3.70        | 3.70        | 3.70        | 3.75        | 3.80        |
|           | <b>10y Sonia Swap</b>   | <b>4.11</b> | <b>4.00</b> | <b>4.05</b> | <b>4.10</b> | <b>4.10</b> | <b>4.15</b> | <b>4.20</b> |
| Australia | 3m BBSW                 | 3.72        | 3.85        | 3.85        | 3.60        | 3.60        | 3.60        | 3.60        |
|           | 2y ACGB                 | 3.40        | 3.50        | 3.25        | 3.00        | 3.05        | 3.10        | 3.50        |
|           | 5y ACGB                 | 3.69        | 3.60        | 3.40        | 3.20        | 3.25        | 3.30        | 3.40        |
|           | <b>10y ACGB</b>         | <b>4.42</b> | <b>4.05</b> | <b>3.90</b> | <b>3.75</b> | <b>3.80</b> | <b>3.85</b> | <b>4.00</b> |
|           | 3y Swap                 | 3.38        | 3.50        | 3.25        | 3.00        | 3.05        | 3.10        | 3.50        |
|           | <b>10y Swap</b>         | <b>4.28</b> | <b>4.05</b> | <b>3.90</b> | <b>3.75</b> | <b>3.80</b> | <b>3.85</b> | <b>4.00</b> |
| Canada    | 2y Govt                 | 2.70        | 2.50        | 2.50        | 2.50        | 2.50        | 2.50        | 2.50        |
|           | 5y Govt                 | 2.97        | 2.65        | 2.70        | 2.75        | 2.80        | 2.85        | 2.95        |
|           | <b>10y Govt</b>         | <b>3.37</b> | <b>3.00</b> | <b>3.05</b> | <b>3.10</b> | <b>3.15</b> | <b>3.20</b> | <b>3.30</b> |
|           | 2y Swap                 | 2.55        | 2.37        | 2.37        | 2.37        | 2.37        | 2.37        | 2.37        |
|           | 5y Swap                 | 2.73        | 2.43        | 2.48        | 2.53        | 2.58        | 2.63        | 2.73        |
|           | <b>10y Swap</b>         | <b>3.10</b> | <b>2.74</b> | <b>2.79</b> | <b>2.84</b> | <b>2.89</b> | <b>2.94</b> | <b>3.04</b> |

Source: BofA Global Research. US swaps vs overnight Sofr, EUR swaps vs 6M Euribor, Japan swaps vs Tona, GBP swaps vs Sonia, AUD swaps vs BBSW, CAD swaps vs CORRA OIS

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# Appendix: Common acronyms

## Exhibit 28: 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                               |
| Bol                  | 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                             | NRFP                 | 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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## Options Risk Statement

### Potential Risk at Expiry & Options Limited Duration Risk

Unlike owning or shorting a stock, employing any listed options strategy is by definition governed by a finite duration. The most severe risks associated with general options trading are total loss of capital invested and delivery/assignment risk, all of which can occur in a short period.

### Investor suitability

The use of standardized options and other related derivatives instruments are considered unsuitable for many investors. Investors considering such strategies are encouraged to become familiar with the "Characteristics and Risks of Standardized Options" (an OCC authored white paper on options risks). U.S. investors should consult with a FINRA Registered Options Principal.

For detailed information regarding risks involved with investing in listed options:  
<http://www.theocc.com/about/publications/character-risks.jsp>

## Analyst Certification

We, Ralf Preusser, CFA, Agne Stengeryte, CFA, Bruno Braizinha, CFA, Katie Craig, Mark Cabana, CFA, Mark Capleton, Meghan Swiber, CFA, Oliver Levingston and Sphia Salim, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.



# Disclosures

## Important Disclosures

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**Issuer Recommendations:** If an issuer credit recommendation is provided, it is applicable to bonds and capital securities of the issuer except bonds and capital securities specifically referenced in the report with a different credit recommendation. Where there is no issuer credit recommendation, only individual bonds and capital securities with specific recommendations are covered. Loans, CDS and equity preferreds are rated separately and issuer recommendations do not apply to them.

BofA Global Research credit recommendations are assigned using a three-month time horizon:

**Overweight:** Spreads and/or excess returns are likely to outperform the relevant and comparable market over the next three months.

**Marketweight:** Spreads and/or excess returns are likely to perform in-line with the relevant and comparable market over the next three months.

**Underweight:** Spreads and/or excess returns are likely to underperform the relevant and comparable market over the next three months.

BofA Global Research uses the following rating system with respect to **Credit Default Swaps (CDS)**:

**Buy Protection:** Buy CDS, therefore going short credit risk.

**Neutral:** No purchase or sale of CDS is recommended.

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