

Global Rates Weekly

The art of the repeal

The View: Treasury markets trigger Trump put

Reciprocal tariffs are suspended. Data and central banks should move back into focus next week. We expect both the ECB and the Bank of Canada to cut rates. Retail sales provides another spot check on the health of the US consumer.

Rates: Bonds now beautiful

US: Recommend 2s5s30s fly on delayed Fed cuts & supply/demand imbalance, re-set target on 30y spread short, favor short 1y inflation

EU: Euro rates showed resilience during risk-off move; ECB to cut rates by 25bp in April.

UK: We're feeling positive, seeing hints that BoE might accelerate rate cutting pace but throttle back on QT. We see attractive risk/reward in receiving November.

AU: We close our recommendation to buy 3y bond futures and pay Aug RBA OIS. We shift to a flattening bias. Short 1-3y, long 7y has particularly attractive carry.

JP: Media reports suggest the Japanese government could compile supplementary budget to address Trump tariffs and inflation.

Front end: Funding stabilizing, focus now on debt limit

US: Now that the tariff risk-off episode appears mostly behind us, for now, our focus shifts to the debt limit and implications for T-bill market

AU: AU basis has widened alongside global credit spreads. We see RBA liquidity changes as catalyst for wider BOB but prefer wider XCCY expressions in near term.

Special Topics: '22 UK debt crisis – A case study for USTs?

I: Clients ask how high UST yields can go in scenarios of material supply/demand imbalance and liquidity/funding shocks. Our framework suggests 10y yields may reach 5.25-5.75% before the Fed is forced to act.

II: End of USD exceptionalism is reigniting the de-dollarisation debate. Twin-deficits; stagflation; tariffs all top of mind.

Technical: US 10Y yield top invalidated, trend flipping?

Previously, US10Y yield formed a top with targets of 3.86% (reached), 3.70% and 3.45%. The reversal this week invalidated it. On April 9 we closed our US5s30s steepener.

— R. Preusser, M. Cabana, M. Swiber, B. Braizinha, R. Axel, S. Salim, R. Man, R. Segura-Cayuela, A. Stengeryte, M. Capleton, O. Levingston, T. Yamashita, S. Yamada, K. Craig, K. Sharma, P. Ciana

11 April 2025

Rates Research
Global**Table of Contents**

| | |
|---|----|
| Our medium term views | 2 |
| Our key forecasts | 2 |
| What we like right now | 2 |
| The View | 3 |
| Rates – US | 4 |
| Rates – EU | 6 |
| Rates – UK | 8 |
| Rates – AU & NZ | 10 |
| Rates – JP | 11 |
| Front end – US | 13 |
| Front-end – AU | 15 |
| Special Topic: A case study for USTs | 16 |
| Special Topic: De-dollarisation, fire sale? | 18 |
| Technicals | 19 |
| Rates Alpha trade recommendations | 20 |
| Global rates forecasts | 24 |
| Appendix: Common acronyms | 25 |
| Research Analysts | 30 |

Global Rates Research
MLI (UK)

Ralf Preusser, CFA
Rates Strategist
MLI (UK)
+44 20 7995 7331
ralf.preusser@bofa.com

Mark Cabana, CFA
Rates Strategist
BofAS
mark.cabana@bofa.com

Sphia Salim
Rates Strategist
MLI (UK)
sphia.salim@bofa.com

See Team Page for List of Analysts

Trading ideas and investment strategies discussed herein may give rise to significant risk and are not suitable for all investors. Investors should have experience in relevant markets and the financial resources to absorb any losses arising from applying these ideas or strategies.

BofA Securities does and seeks to do business with issuers covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Refer to important disclosures on page 27 to 29. Analyst Certification on page 26. 12816129

Timestamp: 11 April 2025 06:32AM EDT

Our medium term views

Exhibit 1: Our medium-term views

Global views

Rationale

| | |
|-----------|---|
| Duration | <ul style="list-style-type: none"> US: slight constructive duration bias, trade 4-5% range in 10y and fade extremes EU: We are bullish the front-end receiving Dec ECB €str to position for a structural repricing lower of the ECB's terminal rate. We turn bullish further out too, with long 15y OAT. UK: We are broadly neutral Sonia relative to the forwards in the 10y, forecasting Sonia at 4.25% by end-2026. We are constructive Gilts at current levels. JP: We believe the JGB yields will rise in a gradual manner. Our 10yr JGB yield forecast at end-2025 is 1.65%. The BoJ is still on track for gradual normalization. AU: bullish 7y sector as prices converge with our expected terminal cash rates/neutral rate. Risk of overshoot in global equity market sell-off. |
| Front end | <ul style="list-style-type: none"> US: Mar / Sept '25 SOFR/FF curve flattener with (1) 1H '25 TGA drop & funding stability (2) TGA snapback in 2H '25 EU: Bank demand for excess liquidity may outstrip supply. Wholesale funding cost to rise: Euribor-€str widening, repo to stay cheap vs €str. UK: Growth risks, a potentially disinflationary tariff impact, and lower energy prices imply risks shifting to faster cuts than our baseline quarterly path. We receive Nov MPC. JP: We expect the BoJ to deliver two additional rate hikes in 2025. TONA is likely to remain slightly below IOER in 2025. AU: 6s3s and BBSW-OIS basis structurally higher after changes to RBA OMOs. |
| Curve | <ul style="list-style-type: none"> US: We favor 5s30s steepeners on potential for pricing of Fed cuts to pressure the belly and supply concerns to pressure the backend EU: We expect a repricing of the terminal rate lower over time. This should come with more steepening than forwards are pricing in 2H25. We look for a shift in P&I duration demand from the 30y to shorter maturities, leading to additional steepening pressures on 10s30s from mid year. UK: We maintain our short in 3s5s7s Sonia fly which is directional with 2s10s Sonia curve steepeners. JP: We expect the 5s30s JGB curve to flatten, reflecting the potential policy rate hikes and upcoming cut in 30yr and 40yr JGB auction sizes from April. AU: Tactical flattening bias. |
| Inflation | <ul style="list-style-type: none"> US: Short 1y inflation on expectation for narrowing tariff upside risk premium and potential for the effective tariff rate to converge lower than currently implied by markets. EU: We favor receiving the forward real yield between BTPei 2033 and BTPei 2039, BTPei 2039 iota narrowers, and US-Euro 2y3y inflation spread wideners. UK: We recommend a UKTi 2032/2036/2047 cash-and-duration neutral barbell to express a forward real curve flattening view. JP: 10y BEI should increase in 2025, given a rise in USD/JPY and supports from the BoJ and MoF. |
| Spreads | <ul style="list-style-type: none"> US: neutral 30Y spreads with long end supply / demand imbalance offset by de-reg focus; leaning towards tactical widening bias as de-reg theme plays out. EU: we are neutral on periphery spreads. We see risks of a widening near term, but believe medium to long term outlook is more positive. We turn bullish on OATs for the very near term. We expect stable 5-10y swap spreads, but see scope for some cheapening in bills & Schatz spreads, vs some richening in 30y Buxl spreads in 2H25. UK: We expect low coupon UKT 0.125% 2028s to perform relative to UKT 4.375% 2028s on ASW. JP: We expect medium-term spreads to remain positive within 2025 given (1) the potential for additional BoJ rate hikes and (2) BoJ's QT. 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. |
| Vol | <ul style="list-style-type: none"> US: Vol supported by uncertainty. '25 targets: 100-115bp 1y10y in 1H & 85-100bp in 2H; 1y1y c.110-120bp, Gamma flat vs intermediates EU: We expect implied vols to come lower with 1y10y around 70bp range and LHS cheapening vs RHS. Gamma to stay well supported (1y10y vs 1m10y at 0-5bp). AU: Lower vol with 1y10y c.70bbp and left side likely to underperform the right side in '25 |

Source: BofA Global Research

BofA GLOBAL RESEARCH

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 | 4.25-4.50 |
| 10-year Treasuries | 3.88 | 4.57 | 4.30 | 4.40 | 4.50 | 4.55 | 4.60 | 4.75 |
| ECB refi rate | 4.50 | 3.15 | 2.15 | 1.65 | 1.65 | 1.65 | 1.65 | 1.90 |
| 10y Bunds | 2.02 | 2.36 | 2.75 | 2.50 | 2.60 | 2.65 | | 2.75 |
| BoJ | -0.10 | 0.25 | 0.75 | 0.75 | 1.00 | 1.00 | 1.00 | 1.25 |
| 10y JGBs | 0.61 | 1.09 | 1.50 | 1.50 | 1.65 | 1.65 | 1.75 | 2.00 |
| BoE base rate | 5.25 | 4.75 | 4.25 | 4.00 | 3.75 | 3.50 | 3.50 | 3.50 |
| 10y Gilts | 3.53 | 4.56 | 4.75 | 4.70 | 4.65 | 4.65 | 4.65 | 4.65 |
| 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

BofA GLOBAL RESEARCH

What we like right now

Exhibit 3: What we like right now

Global views

AMRS: Constructive duration, short 30Y spreads, long 1y4y inflation, long fwd vol

EMEA: We go long 15y OATs. We are received Dec ECB estr, and in 2y3y US-EUR inflation spread wideners.

APAC: AU 6m3y receiver 1x1.5

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

BofA GLOBAL RESEARCH



The View

Ralf Preusser, CFA

MLI (UK)

ralf.preusser@bofa.com

Reciprocal tariffs are suspended. 10% universal tariffs and China's 100%+ tariffs are still in place. This remains a significant challenge to the global outlook but is sufficient to allow data and central banks to move back into focus next week.

We expect both the ECB and the Bank of Canada to cut rates next week. However, the messaging is likely to be quite different. Last week's weak labor market report leaves the door wide open for the BoC to cut and persist with its dovish trade-risk-related rhetoric. We remain bullish CAD rates vs US (see [Canada Watch 4 Apr 25](#)). The March inflation print is a risk after February's upside surprise (see [Canada Watch 18 Mar 25](#)).

Relative to the March forecast round, the ECB is dealing with a nominal effective exchange rate at a record high, real yields that are (stubbornly) much higher, and energy prices that are much lower, even before considering the 10% tariffs announced last week (including higher ones on autos and potentially still pharma). Not surprisingly, markets price 22 bp of the 25 bp cut expected by our economists and consensus. The bigger question is whether the ECB can signal that policy may need to stimulate the economy. We remain long EUR rates.

For the US, the main event of next week is retail sales, another spot check on the health of the consumer. We closed our 5s30s steepener, paid May FOMC and M6M7 steepeners. We moved the stop on our long-end ASW short, we receive 2s5s30s, go long Jul SOFR/FF basis and got short 1y inflation (see [Rates US](#)).

Next week also sees the release of UK labor market data and inflation, AU labor market data and NZ inflation. We have closed a number of UK recommendations but enter receive November MPC-dated Sonia trade given risks shifting towards faster BoE cuts than our baseline quarterly path (see [Rates UK](#)). JGB moves have been exaggerated by positioning, but the supplementary budget could provide a more fundamental rationale for a steeper JPY curve ([Rates JP](#)).

The week that was

It is hard to summarise the kind of intra-day volatility we saw across asset classes this week in a way that gives justice to the size of the moves: a 40 bp round trip in UST 10y on 9 Apr, a 14% round-trip in the S&P500 on 7 Apr, or a 10 bp cheapening in UST 30y vs SOFR also on 9 Apr.

What is most interesting to us is what did not happen: despite the S&P (still) down 8.3% since the beginning of March, US 10y yields are up 17 bp and DXY is 5% cheaper. Each of these observations could be viewed as contradictory. However, they are consistent with each other if markets are starting to price a US risk premium.

We have been long arguing that this was likely in a world where the US is more dependent on overseas investors than ever. It raises the risk of structurally steeper curves, wider rate differentials and less support from those rate differentials for the currency (see [Liquid Insight 6 Mar 25](#) and [Liquid Insight 10 Apr 25](#)). We remain concerned that without a full resolution to the trade war, this risk premium is likely to become more persistent.



Rates – US

Mark Cabana, CFA
BofAS

Meghan Swiber, CFA
BofAS

Bruno Braizinha, CFA
BofAS

Ralph Axel
BofAS

- US Treasury liquidity & investor confidence is being tested
- Recommend 2s5s30s fly on delayed Fed cuts & supply/demand imbalance, re-set target on 30y spread short, favor short 1y inflation

Bonds now beautiful

US rates were volatile & demonstrated extreme dislocations in a tumultuous week. The Treasury market sharply bear steepened with a dramatic cheapening in asset swap spreads. US Treasury liquidity conditions meaningfully thinned to near a point of requiring official sector intervention. Developments this week reminded us that US Treasury liquidity & investor confidence is a privilege, not a right.

The extreme moves of this week caused several of our recommended trades to reach target or levels where we recommend profit taking. They include: 5s30s steepener reaching 90bp target (see [Closing 5s30s steepener](#)), 30y asset swap spreads short reaching -95bp target (see [Swap spreads](#)), closing of paid May FOMC OIS position near target, and closing of M6M7 SOFR curve steepening position due to lower risk of rapid Fed cuts (see [Closing pay May FOMC & M6M7 steepener](#)). We also close our long 3m2y receiver spread financed by selling 3m2y payers (currently c.+24bp – [US Vol – Lagging directionality](#)) as we see more balanced risk at the frontend near-term.

We refresh our core views after the wild week.

Duration = Fading recession likelihoods on tariffs suspension drove a mean reversion of yields back to fair / marginally cheap levels vs fundamentals (see Exhibit 4 and [Monthly rates models: Apr '25 edition](#)). We continue to favor trading US rates with soft long bias & targeting longs in 5y tenor. We recommend adding 5y exposure around 4.1-4.25% levels & lightening up at 3.75% levels (consistent with the market pricing a Fed cutting trough of near 3%). With rates market volatility likely to remain elevated, we also recommend buying the TY futures basis which serves as a cheap way to position for extreme rate moves (see: [Buy futures basis = cheap options](#)).

Curve = we now favor a 2s5s30s fly with the expectation that Fed cuts will be delayed & persistent UST supply / demand issues will support 30y underperformance. We initiate at a level of -55bps, target -90bps, and stop at -35bps. Risk to the trade is pricing out of Fed cuts & Treasury issuance that favors more belly issuance.

In volatility space, we recommend 6m10y payer spreads to leverage scenarios where tariffs risks dissipate near term (currently +1bp, Risk = capped to the upfront premium – see [Tariffs – 3 utility functions to maximize](#)). We continue to favor 5s30s conditional bear steepeners as a hedge for scenarios of more significant supply / demand imbalance or renewed pressure on liquidity / funding conditions (see [Special Topic](#)).

Front end = we go long July SOFR/FF. We expect that funding will be better behaved with tariff risk-off reduced. SOFR/FF contracts priced to reflect elevated funding levels which we think will likely subside with debt limit related bill paydowns. We also think SOFR/FF positioning is cleaner after recent market moves. We go long at -3.5bps, target +1 bps, and a stop at -7bps. Risk to the trade is an early debt limit resolution.

Spreads = we favor a spread curve flattener. We recommend being long front end spreads (ongoing UST bill supply cuts) & short back end spreads (due to UST supply / demand concerns). We initiate the front end spread long at -26bps, set target at -17bps,

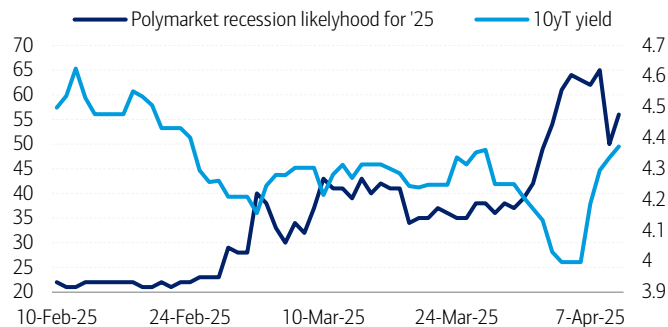


and stop at -32bps. Risk is dislocated funding markets. Our back end spread target was reached this week & we re-set the target to -105bps.

Inflation = ahead of CPI yesterday, we recommended selling the 1y inflation swap (see: [Recommend selling 1y inflation swap](#)). Despite the strong move following the data, we still see room for front end inflation compensation to narrow further given reduced tariff upside risk premium and potential for the effective tariff rate to converge lower than currently implied by markets (Exhibit 5). We recommend going short the 1y inflation swap at 3.49% (current = 3.28%) targeting 2.90% with a stop of 3.90%. The risks to the trade are tariff concerns escalating beyond current levels and a positive oil price shock.

Exhibit 4: Recession likelihoods vs 10yT yields

Fading recession likelihoods drove a mean reversion of yields back to fundamental fair / marginally cheap levels vs fundamentals

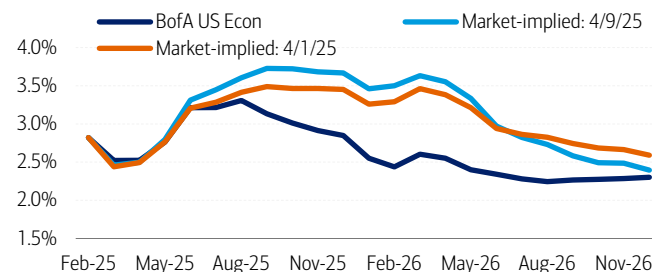


Source: Bloomberg; Polymarket

BofA GLOBAL RESEARCH

Exhibit 5: BofA Economist forecasts vs market pricing for headline YoY CPI inflation

While our forecasts do not assume as high an effective tariff rate as market likely does, pricing notably above forecasts even before retaliatory tariffs



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Below we summarize our team's publications over the course of a very volatile week.

Client questions in a wild Treasury week

Q: How was foreign demand this week? High inflation and growing deficits present perfect storm for the UST supply/demand backdrop. Foreign demand risks worsening from trade policies and investment funds appear hesitant to extend duration. A demand strike appears to be in progress which may persist without support from the official sector. See: [Confidence test for Treasury buyers](#). NY Fed custodial holdings, the timeliest read we have on foreign flows, didn't evidence foreign selling the week ending Apr 9. Selling therefore may have been driven by foreign private or domestic investors.

Q: What happened with UST swap spreads? We stay short 30y spreads after reaching target today – deficit talk not incorporated in expectations of fiscal consolidation. Short spreads also own an ongoing option on fire sales of USTs which occur in crisis-like environments such as today. De-dollarization, deficit scare, and dash for cash main themes – Fed could act with QE but threshold likely deep out of money. See [Swap spreads may not have hit their lows](#).

Q: How high can US rates go with acute supply / demand concerns? We use the Truss selloff in UK yields to gauge the magnitude of the potential UST moves in these types of scenarios. Our framework suggest 10yT yields may reach c.5.25-5.75% before the Fed may be forced to act as a buyer of last resort. See: [UK episode](#).

Q: What happened in US funding markets? We continue to see signs of a precautionary liquidity build and some budding signs of funding stress. Higher FHLB volumes and wider CP & CD spreads indicate a growing demand for liquidity. Risks of stress in funding markets are rising with broader market moves & economic concerns. See: [US funding monitor](#).

Bottom line: We continue to favor trading US rates with soft long bias & targeting longs in 5y tenor. US Treasury liquidity & investor confidence is being tested. Recommend 2s5s30s fly on delayed Fed cuts & supply/demand imbalance, re-set target on 30y spread short, favor short 1y inflation.



Rates – EU

Erjon Satko
BofASE (France)

Sphia Salim
MLI (UK)

Ronald Man
MLI (UK)

- Euro rates showed resilience during risk-off move: Bunds reaffirmed their defensive properties; widening in peripheral spreads and FX-SoFr basis were modest
- We expect the ECB to cut rates by 25bp in April: we stay long front-end, long duration, and in front-end wideners

Risk-off move: Bunds still acted as a defensive asset

A global risk-off environment followed President Trump's tariff announcement on 2 April. On 3 and 4 April, the daily change in the VIX was 6 and 9 times its daily standard deviation over the past two years, respectively. This risk-off environment ended, at least temporarily, on 9 April after a 90-day pause on most US tariffs was announced.

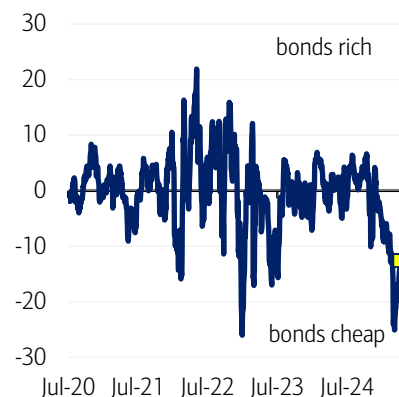
The euro rate market's reaction to the latest global risk-off environment should comfort those who had concerns over German bonds' defensive characteristics. Between 2 April and 8 April, German bonds richened meaningfully vs swaps and recovered c. 1/3rd of their cheapness related to the fiscal change by our calculations (Exhibit 6). We also calculate between 43% and 67% of the richening over the same period can be explained by the repo market, volatility, and peripheral spreads (Exhibit 7).

Cross market, Bunds outperformed USTs outright and on ASW. We believe this reflects 1) investors shifting meaningfully from net short core duration in early March to net long in early April (see [FX & Rates Sentiment Survey, 11 April 2025](#)), 2) less basis positions (investors biased short German spreads), and 3) less concerns about foreign investor selling (see [Special topic 2](#)).

Periphery spreads widened but less than implied by their relationship with Bund yields, periphery, and rates vol. That relationship implied the 10y BTP-Bund spread should have widened by 20bp more than they did (Exhibit 8). In our view, the market may still be pricing in a structural change in periphery spreads due to the German fiscal paradigm shift and the plan for larger defence spending at the EU level (akin to the structural tightening post NGEU announcement).

Exhibit 6: 10y swap spreads vs fair value, bp

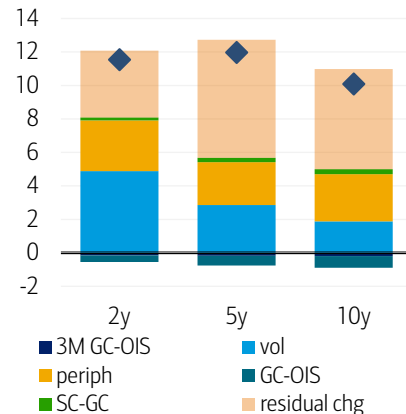
Since 2 Apr, 10y German swap spreads recovered 1/3rd of their cheapness related to fiscal change



Source: BofA Global Research, Bloomberg
BofA GLOBAL RESEARCH

Exhibit 7: Swap spread change (2-8 Apr), bp

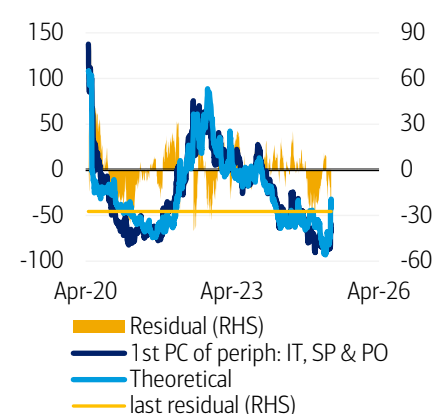
Repo, volatility, and peripheral spreads explain 43%-67% of recent swap spread changes



Source: BofA Global Research, Bloomberg, CME Group
BofA GLOBAL RESEARCH

Exhibit 8: Periphery spreads, bp

Peripheral spreads widened but still less than implied by Bund yields, periphery, and rates vol



Source: BofA Global Research, Bloomberg
BofA GLOBAL RESEARCH



At the front-end, euro funding conditions were orderly during the risk-off environment: 1) the increase of the dollar premium in the FX swap market on 3 and 4 April was small when compared with its historical reaction to risk-off moves (Exhibit 10), 2) there were no signs of increased investor demand to park cash in the euro repo market: the one-day German GC-€str spread has been stable at 8-9bp, and 3) the inversion between the 1st and 2nd EUR FRA-€str contract only went as far as -0.4bp (Exhibit 10).

We continue to believe euro funding conditions will be driven by ECB QT, and stay in **1y1y Euribor-€str wideners** on expectations of growing competition among banks for reserves (initiated: Nov 24, current: 23.0bp, target: 30bp, stop: 17bp). Risks are a slowdown or stop to QT. Divergence in the QT outlook between the Fed and ECB keeps us with a structural tightening bias on the EUR FX-SoFr basis.

ECB: forecast 25bp cut in April, stay long Dec ECB €str and long duration

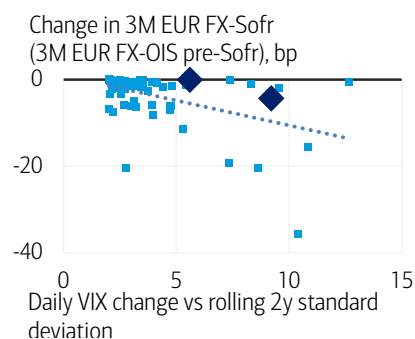
We expect the ECB to cut policy rates by 25bp in April and we think the reference to monetary policy being meaningfully less restrictive is, on the margin, to go. However, this will likely come with a more dovish description of the outlook, clearly leaving the door open to stimulate the economy – albeit indirectly. We maintain our call for a terminal depo rate of 1.5% by September. The risk of delay has reduced, while the risk of deeper cuts is up, including larger-than-25bp moves as early as June.

Market expectations of euro area disinflation rose in the risk-off environment and this is consistent with our economists' view that, in the euro area, the negative growth shock will dominate the inflation shock from US tariffs. Market pricing now implies euro area headline CPI to average 1.9% in 2025, which is still above our economists' forecast of 1.8%. Recent disinflation expectations contributed to the rise in real EGB yields: the GDP-weighted average 10y real EGB yields rose 8bp since 2 April and above the peak from the ECB's previous rate hike cycle (Exhibit 11).

We stay **long Dec ECB €str** (current: 1.55%, target: 1.3%, stop: 2.18%) and **long 15y OATs** as a duration long (current: 3.71%, target: 3.5%, stop: 4.05%). The market lowered its expectations of the terminal depo rate to c. 1.75%, from c. 1.9% on 2 April. We believe there is room for the market to price in even lower rates given 1) our economists' base case of the terminal depo rate at 1.50% by September and 2) the pause in US tariffs is still on a temporary basis, so tariffs still pose downside risks to the outlook and may cause the market to price in an even lower terminal rate than our base case. The risk to our long Dec ECB €str is an inflation shock, to our long 15y OAT is a risk-on move on cancellation of tariffs or a new large EU support programme.

Exhibit 9: EUR FX-SoFr and VIX

Widening on 3 and 4 April (dark blue diamonds) in EUR FX-SoFr basis small given size of VIX move



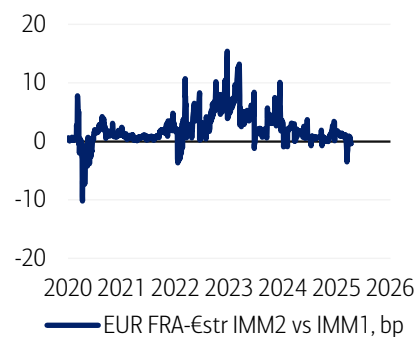
Source: BofA Global Research, Bloomberg. Data since 2010.

We plot days when daily VIX change was greater than 2 standard deviations and when the FX-SoFr basis widened

BofA GLOBAL RESEARCH

Exhibit 10: 1st vs 2nd EUR FRA-€str contract, bp

Very limited inversion in front contracts suggest little funding pressure

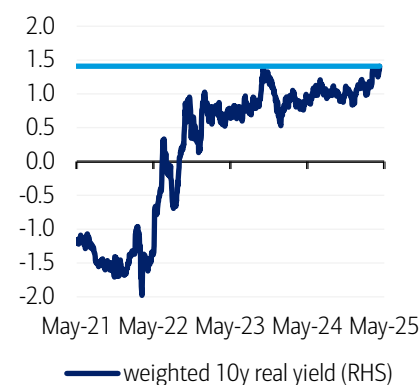


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 11: GDP-weighted average 10y real rate across the euro area

At a new high and above levels when ECB policy rate peaked



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Rates – UK

Agne Stengeryte, CFA
MLI (UK)
agne.stengeryte@bofa.com

Mark Capleton
MLI (UK)
mark.capleton@bofa.com

- We're feeling positive, seeing hints that BoE might accelerate rate cutting pace but throttle back on QT. We see attractive risk/reward in receiving November.

Cutting through the noise

Long-end fragility back with a vengeance

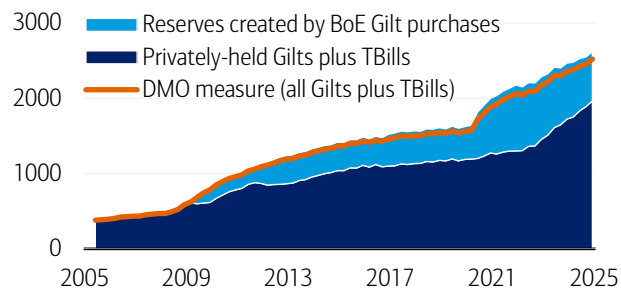
Wednesday's intraday moves, with 30y Gilt yields up more than 30bp at the peak vs. Tuesday's close and 10s30s around 10bp steeper, once again prompted comparisons with the market turmoil surrounding the "mini-budget" in late 2022 and raised questions about the BoE's intervention options. Concern about genuine end user demand for long-dated Gilts (not exclusively a UK problem perhaps, but something we explored in more detail in [UK Rates Viewpoint on 19 March](#), Exhibit 12) was likely high on the list of reasons behind these moves, in our view (others include: positioning wash out, worries around this week's BoE and DMO Gilt supply events, and broader fiscal concerns).

Not like 2022, but there are echoes

One way to put this week's moves into context is to use our relative global yield dynamic framework, where material deviations for any yield series relative to the global yield dynamic would likely be driven by idiosyncratic shocks in that jurisdiction (explored in more detail in [US Rates Watch on 9 April](#)). In 2022, 10y Gilts cheapened by c.85bp vs. the global yield dynamic (Exhibit 13). More recently, Gilts have seen cheapening on this metric since last summer's elections, likely reflecting fiscal dynamics, but the latest spike (capturing yield changes up to 4 April) is not as meaningful as in 2022.

Exhibit 12: National debt, £bn

QT prompting steep climb in privately held Gilts

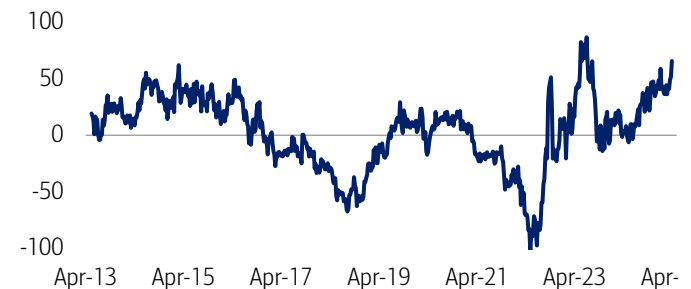


Source: Bank of England, Debt management office, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 13: Global yield framework residuals for 10y UK yields

85bp of cheapening vs global yields at the peak of the Truss selloff



Source: BofA Global Research

BofA GLOBAL RESEARCH

Funding benign

In GBP funding, markets saw some signs of a precautionary liquidity build but remained orderly: Tuesday's ILTR saw a healthy £1.4bn take-up (Exhibit 14), lifting the stock to £17bn, while Thursday's STR ticked-up only marginally by £1.26bn to £60.7bn. GBP repo funding remained benign, with only modest spillover from budding funding stress in the US, presenting itself via repo remaining slightly elevated post quarter-end (Exhibit 15).

While not easily observable, we did not hear of issues with LDI funding. The record of the BoE FPC meetings on 4 and 8 April provided some colour on NBFIs' resilience to sharp yield moves in January: "... the FPC noted that markets had remained orderly during **a 30-basis point increase in gilt yields over an 11-day period in early January**, which had been triggered by fiscal news in the US and Europe, corporate hedging, and some market re-assessment of policy rate expectations. There was **no evidence of stress or amplification in non-bank financial institutions active in UK markets**".



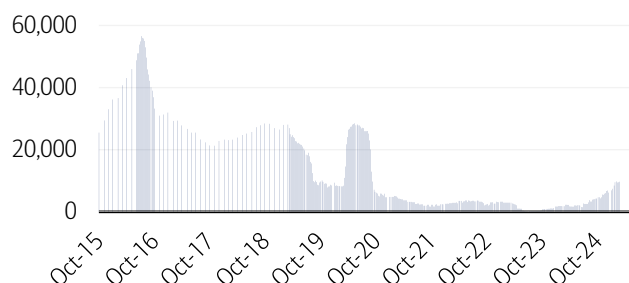
A small nudge from the BoE

Although the US tariff pause provides some respite, it is too early to conclude that the risk of a disorderly market has passed. If the BoE decides there's a need to address bond market volatility, further adjustments to QT operations are possible (in addition to the slight calendar amendment announced yesterday, replacing the scheduled long-dated Gilt operation for 14 April with a short-dated one, shifting the long sale to 3Q25).

The potential activation of the CNRF is a more remote "backstop" possibility, in the event of a need from NBFIs. This new BoE lending facility can be activated during episodes of severe Gilt market dysfunction, under which the Bank can lend to participating insurance companies, pension schemes and LDI funds (against Gilt collateral). The facility had opened for applications on 28 January.

Exhibit 14: BoE ILTR usage, £mn

Tuesday's ILTR take up of £1.4bn not out of line with recent history

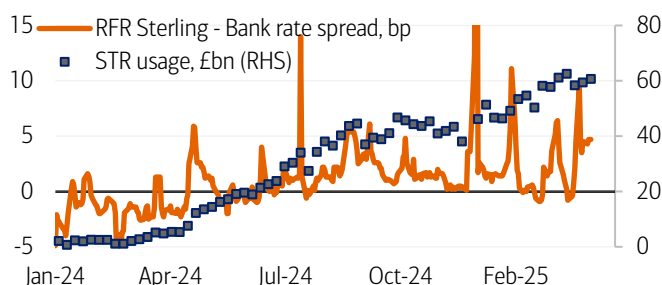


Source: Bank of England, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 15: Repo vs. Bank rate and BoE STR usage, % and £bn

Slightly more persistent post month-end elevation in GBP repo



Source: Bank of England, BofA Global Research

BofA GLOBAL RESEARCH

Cross-market ASW trade closed

Turning to market views: in February, we recommended buying 10y Gilt vs 30y UST invoice spreads ([UK Rates Alpha, 28 February](#)). We entered the trade at 13.9bp, setting a target for the spread of 30bp and a stop of 5bp. We saw risks to the trade being credible deficit reduction discussion and/or a broader reduction in dealer capital requirements in UST financing and warehousing on the US side and a sharp increase in Gilt Remit and/or issuance skew unchanged/longer at Spring Forecast in the US, among others. UST underperformance relative to SOFR on the back of supply and deficit concerns outweighing stock market volatility pushed the spread to our target level earlier this week, with the encouraging March Gilt Remit likely aiding the Gilt performance. We closed the trade ([UK Rates Alpha, 28 February](#)).

QT shift from autopilot to manual is encouraging

We are constructive Gilts at current levels, taking Thursday's QT schedule adjustment as a clear signal that the Bank is keeping an eye on market weakness, and might be open to adjusting the QT pace for the next "QT year". In addition, the calendar tweak hints that the BoE may be coming round to the idea that QT is having a more meaningful impact on the market (rather than happening "in the background", as desired). Separately, but also potentially supportive, Michelle Bowman's confirmation hearing for Chair of Bank Supervision at the Fed could bring de-regulation back to focus, reviving hope for a Leverage Ratio "carveout" for Gilts, should the US do this for Treasuries.

Remember, remember the 6th of November

At the front-end, GBP rates saw a sharp repricing towards four 25bp Bank rate cuts in 2025, although the pricing faded a little on Thursday after the tariff pause announcement. Our economists highlight that remaining growth risks, a potentially disinflationary tariff impact, and lower energy prices imply that risks are shifting to faster cuts than our baseline quarterly path. With November MPC currently pricing 76bp of Bank rate cuts, we think it makes sense to forego 1bp relative to our base case given the chance of accelerated cuts. We receive November MPC-dated Sonia at 3.69% targeting 3.45% with a stop at 3.81%. Risk to the trade is upside inflation surprises.

Rates – AU & NZ

Oliver Levingston
Merrill Lynch (Australia)

Trade war has dovish RBA implications

Front-end rates have rallied this week against a backdrop of increasingly volatile moves in global fixed-income and equity markets. Our recommendation to pay Aug RBA OIS, buy 3y AU bond futures (YM) was premised on a more pronounced mispricing in the RBA OIS curve than at present and we close the trade shy of target (entry -8bps, current -16bps, stop 10bps, target -50bps).

Paying Aug RBA OIS no longer an asymmetric risk-reward profile

While front-end rates are still pricing in a more aggressive path than our economists' central scenario, left-tail risks are growing, and we no longer see paying Aug RBA OIS as attractive. Equally, YM has moved to a level that is below our economists' estimates of neutral cash rates and we are wary of holding a long YM trade into this weekend given that curves could flatten aggressively if the US administration and Chinese authorities strike a deal, or tariffs are paused.

3s10s curves have steepened aggressively

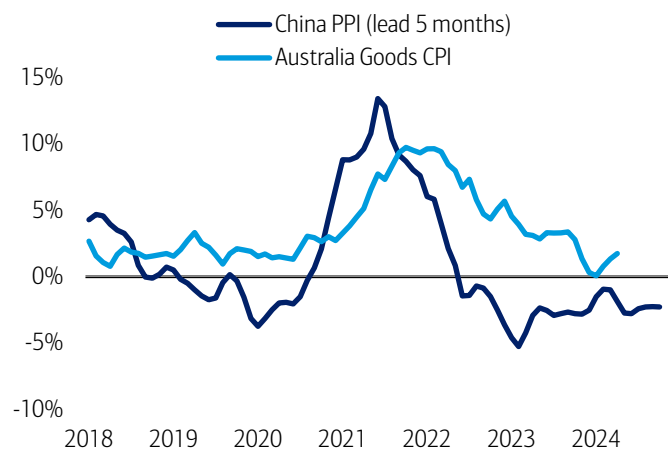
Our economists have noted the large downside risks to growth and the headwind for goods inflation from leading indicators like China PPI (Exhibit 1). While China and US tariff announcements increase our conviction in a May cut and strengthen our long bias given the growth and inflation implications for Australia are likely to be uniformly negative, the 3s10s curve has steepened to levels not usually seen outside of rapid easing cycles (2008, COVID). This is not our base case and we see risk of a sharp reversal.

Shifting to a tactical flattening bias

Given the risk-off tone in global markets has largely been policy-induced, we are alert to the possibility of an announcement over the weekend that pulls front-end rates higher. In this environment, YM is likely to sell off more aggressively than Aug RBA OIS, steepening the curve. More generally, we favour flatteners on a tactical basis. Short positions in the 1-3y sector have especially attractive carry, as do long positions around 7y sector of the ACGB curve.

Exhibit 16: China producer price inflation (PPI) vs AU CPI

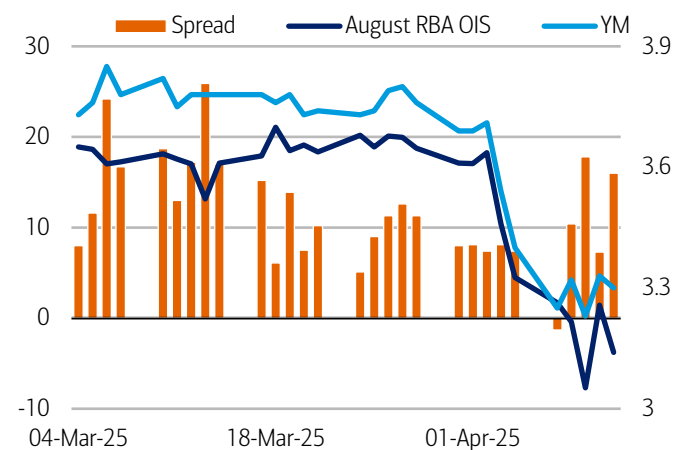
US-China trade war likely to drag down AU CPI, growth



BofA GLOBAL RESEARCH

Exhibit 17: 3y bond future (YM, %, right) vs Aug RBA OIS (%, right)

YM has rallied 51bps, Aug RBA OIS has rallied 43bps



BofA GLOBAL RESEARCH



Rates – JP

Tomonobu Yamashita
BofAS Japan
tomonobu.yamashita@bofa.com

Shusuke Yamada, CFA
BofAS Japan
shusuke.yamada@bofa.com

- Media reports suggest the Japanese government could compile supplementary budget to address Trump tariffs and inflation.
- JGB curve could steepen further if FY25 supplementary budget exceeds ¥14tn-15tn.

This is an excerpt from [Japan Rates Watch, 10 April 2025](#)

Japan's fiscal premium could rise

There is a possibility that the Ishiba administration could draw up a stimulus package to address inflation and the fallout from President Trump's reciprocal tariffs, funded by an FY25 supplementary budget. At this point, President Trump put a 90-day pause on higher tariffs, and we do not expect the Ministry of Finance (MoF) to increase planned FY25 JGB auction issuance, but if the Ishiba cabinet orders a supplementary budget, this could cause the bond market to factor in a fiscal premium.

FY25 supplementary budget timeline

Despite considerable uncertainty and 90-day pause on higher tariffs, if the government were to quickly draw up a supplementary budget, we think it could be approved as early as mid-June, given (1) the timeline on which the first FY22 supplementary budget was approved, and (2) the elections on the calendar in both June and July. The 9 April Asahi Shimbun reported that the Ishiba cabinet aims to draw up a supplementary budget and pass it during the current Diet session, which runs through June.

- To recap the process around the first FY22 supplementary budget, ruling coalition partner Komeito first mentioned the need for an additional budget at end-March, and media reports show that the government agreed to begin drafting it on 22 April. The government subsequently signed off a stimulus package on 26 April, which it positioned as a comprehensive emergency response to the jump in oil prices and inflation caused by the pandemic. The MoF then followed up with JGB issuance plans on 17 May.
- Turning to elections, campaigning for the 2025 Tokyo Metropolitan Assembly elections begins on 13 June, with voting on the 22nd. The date for the Upper House elections has yet to be set, but media reports suggest campaigning could start on 3 July, with a vote to follow on the 20th.

Size of supplementary budget

We think any budget put together in the near future would likely be limited to 10 trillion yen. In 2009, which also featured an election (for the Lower House), the Aso cabinet passed a roughly ¥13.9tn supplementary budget in May in response to the global financial crisis (GFC). Last autumn featured another ¥13.9tn budget; this is well above the roughly ¥3.2tn package passed in FY19 just before the COVID-19 pandemic (Exhibit 18).

That said, supplementary budgets have been shrinking from their FY20 peak. If the government does pass a first additional budget in FY25, we think it could be followed by another as early as this autumn, and we would therefore expect the first to be no more than 10 trillion yen. We note that while the first FY22 supplementary budget was only around ¥2.7tn, the second was roughly ¥28.9tn.



Main sources of budget funding

We think MoF should be able to avoid increasing per-auction JGB issuance in the middle of FY25, thereby minimizing any bond market impact. For similar reasons, the government has typically allocated some of its planned frontloaded JGB issuance to deficit-financing bonds when it needed to fund supplementary budgets in past fiscal years.

Watch if additional budget requires more JGB issuance

Aside from frontloaded JGB issuance, another potential source of funding for the supplementary budget would be reducing Fiscal Investment and Loan Program (FILP) bond issuance and issuing an equivalent amount of deficit-financing bonds. Assuming that the supplementary budget is up to ¥10tn, this option would enable the government to avoid increasing planned auction issuance through the fiscal year.

However, we also see the risk that the Ishiba administration could opt for a large-scale stimulus and supplementary budget to try and restore its flagging approval ratings. Prime Minister (PM) Ishiba indeed stated on 7 April that the government needs to consider an additional stimulus on par with the COVID-19 pandemic. The 10 April media reports indicate that the Ishiba administration is considering a ¥50,000 per person or ¥100,000 cash transfer to residents, with no income cap; a back-of-the-envelope calculation suggests that this would require an additional ¥6tn-13tn in funding (roughly 1-2% of nominal GDP).

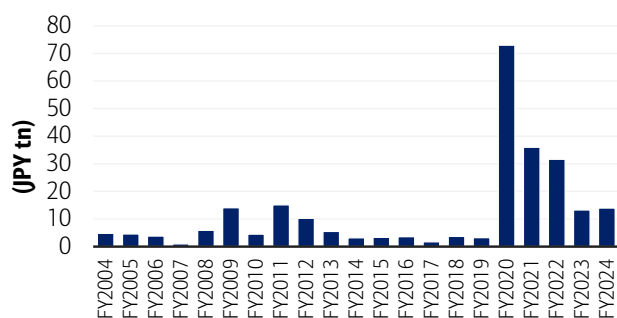
Despite the above reference to the pandemic, the roughly ¥73tn supplementary budget passed in FY20 was the largest ever, and we doubt the government would look to implement a stimulus on this scale right away. We see the ¥13.9tn budget passed in May 2009 as a more useful yardstick in considering potential bond market impact: It was triggered by a market shock rather than a pandemic, and was the largest-ever spring supplementary budget. Based on that assumption, we think the market could increasingly factor in a fiscal risk premium if the FY25 supplementary budget is larger than ¥14tn-15tn.

Long-term fiscal risk to rise even if no additional issuance

As noted, at this point we think an increase in planned FY25 issuance via JGB auctions should be avoidable even if the government draws up a supplementary budget. However, JGBs have continued to cheapen versus swaps, especially for the superlongs, suggesting that the bond market is increasingly factoring in a fiscal risk premium. While the market barely reacted to the FY24 supplementary budget, there is a risk that an announcement of a FY25 supplementary budget by the Ishiba cabinet could cause the JGB yield curve to steepen further and make JGBs even cheaper versus swaps.

Exhibit 18: Past fiscal years' supplementary budgets

FY23-24 supplementary budget around ¥13tn

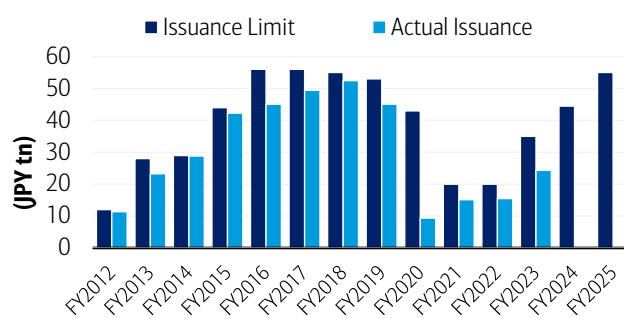


Source: BofA Global Research, MoF

BofA GLOBAL RESEARCH

Exhibit 19: Past fiscal years' frontloaded bond issuance

¥55tn cap on FY25 frontloaded JGB issuance



Source: BofA Global Research, MoF

BofA GLOBAL RESEARCH



Front end – US

Mark Cabana, CFA
BofAS
mark.cabana@bofa.com

Katie Craig
BofAS
katie.craig@bofa.com

- Concerns around funding conditions were back in focus this week following the recent sell-off in equities and volatility in rates. Risks have subsided and funding should stabilize
- Now that the tariff risk-off episode appears mostly behind us for now, our focus shifts to the debt limit and implications for T-bill markets

Focus shifts from risk-off stress to debt limit dynamics

Concerns around funding conditions were back in focus this week following the recent sell-off in equities and volatility in rates. We saw signs of precautionary liquidity build and budding signs of funding stress. Risks have now dissipated but the moves over the last several days highlight how quickly stress can be reflected in funding markets. Now that stress appears to be dissipating, we turn our focus back to the debt limit and its impact on Treasury bills. In this note, we discuss (1) the roundtrip moves we saw in funding and (2) debt limit dynamics.

Funding markets stabilize after risk-off episode

Funding markets saw upward pressure in unsecured and secured rates with signs of precautionary liquidity builds in FHLB debt, CP/CD, and MMF behavior.

Unsecured: In unsecured funding markets, the Fed's preferred target rate, the fed funds rate, remained stable, but volumes took a notable dip. A large drop in FF volumes can imply unexpected FHLB advance demand from banks which result in FHLBs having less excess cash on hand to lend in FF markets. We can also see that FHLB debt issuance has increased ~\$27b MTD according to our estimates – a notable increase considering the estimated \$38b decline over the prior two months. Wider spreads in CP and CD markets also implied banks needed to bid up to meet their liquidity needs. XCCY basis implied slightly increased demand for USD funding, especially at shorter tenors, but did not imply material stress.

Secured: In secured funding markets, repo rates rose above levels seen on quarter-end implying notable upward pressure. At the same time, tri-party volumes rose nearly \$100b vs pre-quarter-end levels, hitting new record highs. The increase in tri-party volumes imply MMFs have excess cash to lend, which should help to soften funding now that things appear more stable.

We believe the upward pressure in funding was driven by banks' precautionary liquidity builds following the equity market sell-off and UST selling which dealers needed to finance in repo.

Looking ahead, with the tariff risk-off reduced, a rise in TGCR volumes should contribute to softer funding ahead. We expect repo rates to richen until the April 15 tax date which should see typical mid-month settlement pressure. Debt limit dynamics will continue to draw cash out of TGA and increase liquidity in the system until a resolution is passed. If repo rates remain elevated, however, and dealers need to fund more collateral in repo, this could lead to more deleveraging from hedge funds.

SOFR/FF contracts still reflect elevated funding levels which we think will likely subside with debt limit related bill paydowns. We also think SOFR/FF positioning is cleaner after recent market moves. We recommend clients go long July SOFR/FF at -3bps (see [Rates – US](#)).



Debt limit risks still leaves opportunities for bill investors

Now that the tariff risk-off episode appears mostly behind us for now, our focus shifts to the debt limit and implications for T-bill markets.

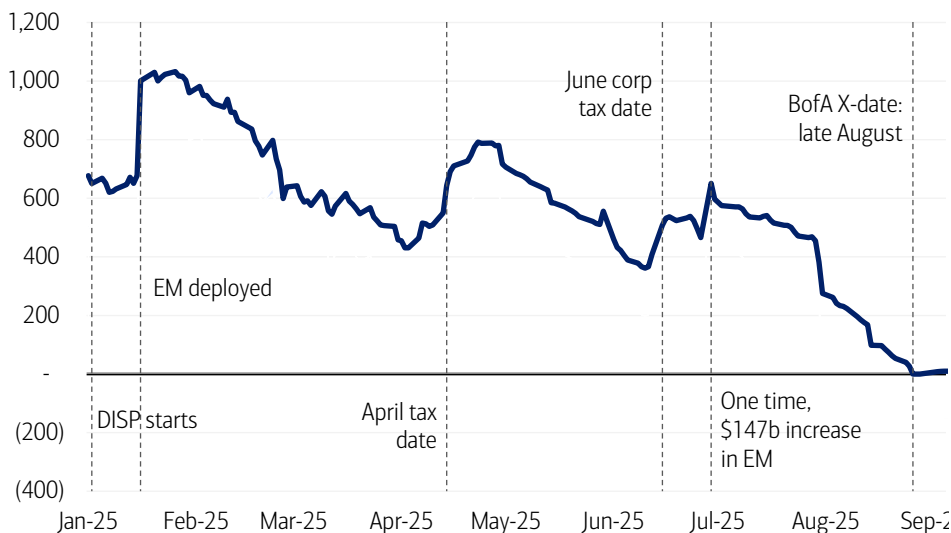
The latest 4-month T-bill auction saw surprisingly weak demand, which investors attributed to debt limit dynamics. The bill matures on Aug 14 '25. We currently forecast the debt limit X-date will fall in late-August (Exhibit 20), in line with the CBO's estimate of mid-Aug to September. Investors tend to avoid bills that mature around an X-date due to the risk of default if a debt limit resolution is not passed in time. This typically creates a "kink" in the UST bill curve where bills maturing around the X-date trade "cheap" relative to bills further out the curve. While the bills maturing in August are considered "at risk" of default, we see several periods where the risk of default is significantly lower for bill investors due to either large tax inflows or increases in extraordinary measures.

Though we estimate an August X-date, due to significant uncertainties in Treasury's financing needs, we have to acknowledge risks that the X-date could come much sooner (low tax revenue/natural disaster) or realize much later than we estimate (high tax revenue/tariffs). This is why it's important for investors of T-bills to find these periods with significantly lower risk of default. Over the next several months, we identify three such periods: (1) after the June 16 corporate tax date, (2) after Sept 15 corporate tax date, and (3) after a one-time increase in extraordinary measures of \$147b on June 30.

We generally estimate that these periods with significantly lower risk of default exist for about a week after each event but it depends on the size of inflows and Treasury's financing needs. If we assume the avg net daily outflow from UST, which since '20 is roughly \$24b (but peaks at \$106b) and take the average corporate tax inflow in the days around the respective corporate tax date (roughly \$75b-\$100b), we estimate that bills maturing after the June corporate tax date likely have lower risk of default for at least 3 business days and after the Sept corporate tax date have lower risk of default for at least 4 business days. Using the same outflow logic for the \$147bn increase in EM on Jun 30, this implies that bills maturing around this date should have lower risk of default for at least 6 business days.

Exhibit 20: Extraordinary measures remaining + TGA forecast (\$bn)

We estimate that Treasury has enough cash and headroom remaining to make it until late August



Source: BofA Global Research, Haver Analytics

BofA GLOBAL RESEARCH



Front-end – AU

Oliver Levingston
Merrill Lynch (Australia)

RBA seeks to revive cash market

The RBA recently announced the following changes to their liquidity operations: 1) a 5bps increase in the price of open market operations (OMOs), 2) an additional 7-day repo term, and 3) the ES rate may be adjusted and will no longer be announced with the cash rate. We expect these changes to lead to more cash market activity, a smaller RBA balance sheet and a lower demand for reserves than otherwise. On 9 April, OMO demand remained stable at the first OMOs, despite an increase in the lending rate from +5bps to +10bps over the cash rate target (currently 4.1%).

Cover your basis

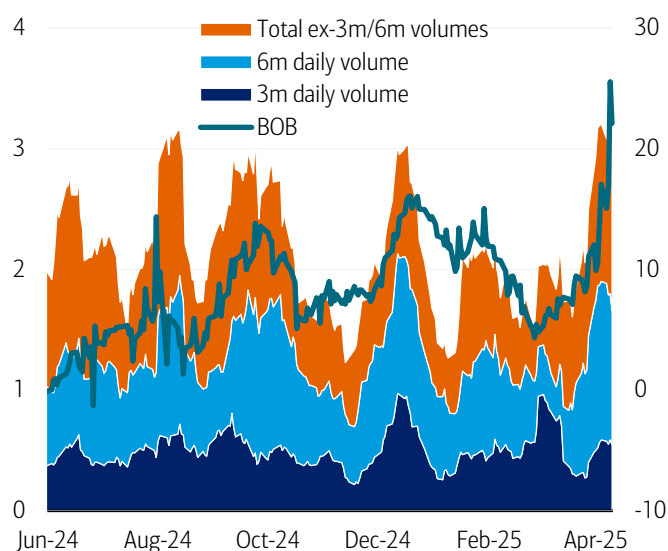
Even without the widening credit spreads and volatility in financial markets we have seen this week, basis should widen following changes to the RBA's OMOs. There are three main ways we see a shift to ample reserves affecting market pricing: (1) the BBSW-OIS basis curve should steepen, particularly in the term basis swaps market (e.g. 2s10s BOB) and we see fair value for spot BOB around 15bps (vs 5-10bps prior); (2) higher basis (i.e. AUD demand) in FX swaps and cross-currency basis markets; and (3) widening pressure on swap spreads because AUD swap spreads still reference bank bill swap rates and therefore have an embedded BOB risk premium.

BOB curve inverts as global credit spreads widen

Given elevated volatility, we are alert to the possibility of a dollar funding squeeze and would prefer to express a paid view in cross-currency (rather than single-currency) basis. The BOB curve is now also deeply inverted (-10bps between Sep '25-starting BOB and spot BBSW-OIS basis). Yet rising excess demand for cash products from superannuation funds, which are growing faster than GDP, is likely to be exacerbated by a period of financial market volatility (as members shift their target allocation from risk assets to cash). This is likely why BOB futures have remained so stable.

Exhibit 21: BOB vs bank bill supply

Wider BOB alongside elevated bill supply

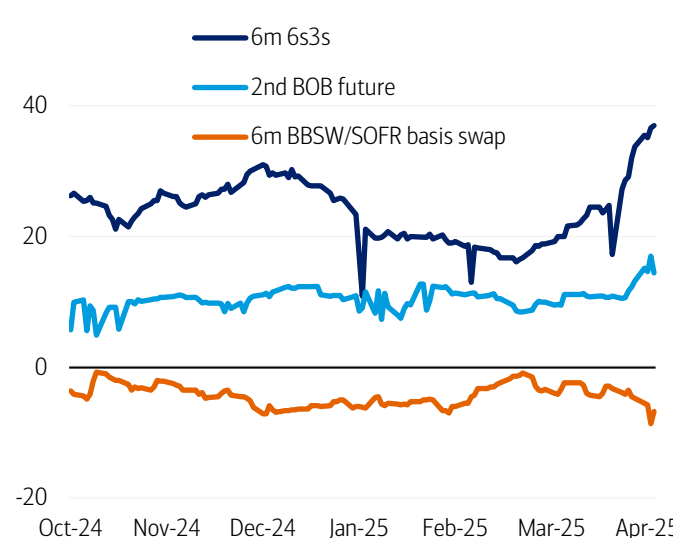


Source: ASX, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 22: 6-month forward basis swaps (bps)

6m 6s3s has widened more than BOB and BBSW/SOFR basis swaps



Source: Bloomberg

BofA GLOBAL RESEARCH



Special Topic: A case study for USTs

Bruno Braizinha, CFA
BofAS

- Clients ask how high can UST yields go in scenarios of material supply/demand imbalance and/or liquidity/funding shocks. We use the Truss selloff in UK yields to gauge the magnitude of the potential UST moves in these types of scenarios. Our framework suggest 10yT yields may reach c.5.25-5.75% before the Fed may be forced to act as a buyer of last resort.

From [‘22 UK debt sustainability episode – A case study for the US?](#) , 9 Apr ‘25

‘22 UK debt sustainability crisis – A case study for USTs?

In late ‘22, the negative market reaction to the “mini budget” proposal introduced in the House of Commons by then Chancellor Kwasi Kwarteng during the short-lived premiership of Liz Truss drove the pound to historical lows vs the dollar, and a spike in UK yields that forced the BoE to act as a buyer of last resort. At the core of the crisis was a problem of credibility for the government and its budget proposal (which, with a mix of tax cuts and unfunded spending, constituted a fiscal paradigm shift – see [Growth plan: focus on what this signifies](#) from 23 Sep ‘22), exacerbated by LDI leverage.

Moves in UK yields

UK yields spiked by roughly 140-150bp in 10y and 30y between early/mid-Sep ‘22 and the peak in the yield spike on 27 Sep ‘22. To put these moves into context, we use two fair value frameworks where we look at the dynamic of 10y UK yields: (1) relative to UK macro fundamentals; and (2) relative to the global yield dynamic:

- Against macro fundamentals we saw 10y UK yields reaching levels c.140bp cheap to UK fundamentals at the peak of the selloff, from relatively fair levels prior to the event (see Exhibit 23 and Exhibit 24).
- In our global yield framework, material deviations for any yield series relative to the global yield dynamic are expected to be driven by idiosyncratic shocks in that jurisdiction. In this framework we saw 10y UK yields cheapen by c.85bp relative to the global yield dynamic (see Exhibit 25 and Exhibit 26).

Transposing these moves into a US scenario

Clients have asked us how high UST yields could go in scenarios of material supply / demand imbalance or liquidity / funding shocks driven by tariff wars and / or scenarios where bond vigilantes punish the UST market for an erosion of the US administration credibility on the economic front and fiscal sustainability. We think we may use the UK debt sustainability episode as a read-across for the magnitude of potential moves in UST yields before the Fed may be forced to intervene as a buyer of last resort:

- 10y UST fair value relative to macro fundamentals has been relatively anchored between 4.25-4.5% over the past year (see Exhibit 27). If we assume fundamentals stay anchored around these levels, a Truss type of moment for UST yields implies 10yT yields in the 5.65-5.9% range (c.5.75% midpoint of the range)
- Relative to global yields, we see UST fair value anchored c.4.4% ytd (see Exhibit 28), and a cheapening of a similar magnitude to that seen over the Truss selloff implies 10yT yields c.5.25%

These frameworks suggest 10yT yields may selloff into c.5.25-5.75% before the Fed may have to act to contain rate levels. The Fed could act earlier to support UST market functioning if conditions worsened.

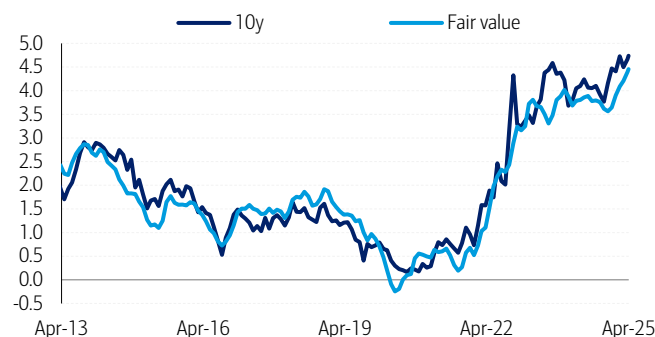


Positioning recommendations

Steeperers or conditional short duration exposures offer some protection for this type of event. We closed our 5s30s steepener recommendation as it reached its target (see [Closing 5s30s steepener](#), 9 Apr '25) but: (1) continue to like 1y fwd 5s30s bear steepeners (currently +18bp, Risk = bear flattening dynamic with unlimited downside – see [Global rates vol in '25](#), 3 Dec '24); and (2) recommended 6m10y payer spreads to leverage scenarios where tariffs risks dissipate near term (currently +1bp, Risk = capped to the upfront premium – see [Tariffs – 3 utility functions to maximize](#), 7 Apr '25).

Exhibit 23: Macro framework for 10y UK yields

140bp of cheapening vs fundamentals at the peak of the Truss selloff

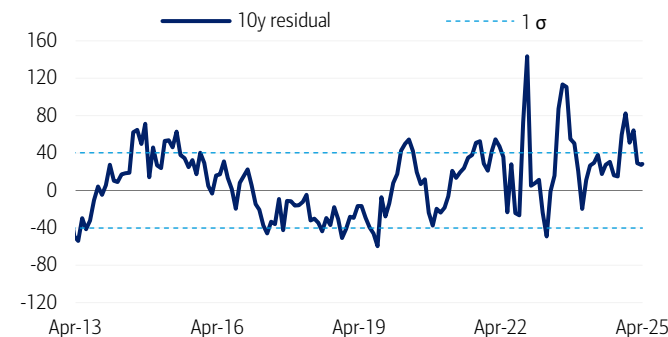


Source: BofA Global Research; Bloomberg

BofA GLOBAL RESEARCH

Exhibit 24: Macro framework residual for 10y UK yields

140bp of cheapening vs fundamentals at the peak of the Truss selloff

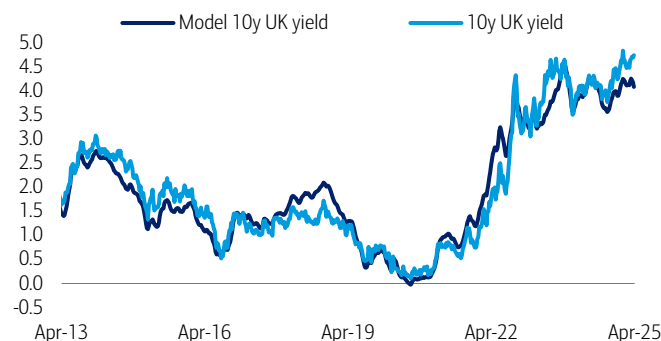


Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 25: Global yield framework for 10y UK yields

85bp of cheapening vs global yields at the peak of the Truss selloff

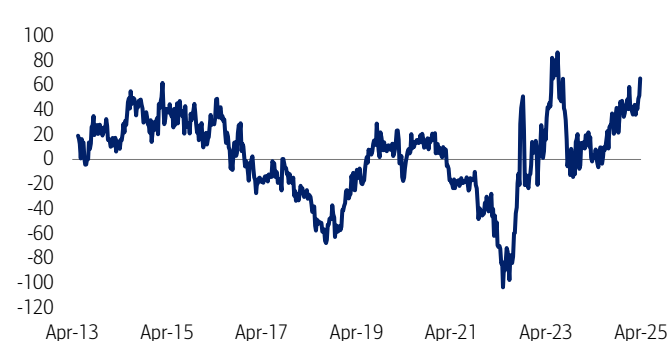


Source: BofA Global Research; Bloomberg

BofA GLOBAL RESEARCH

Exhibit 26: Global yield framework residuals for 10y UK yields

85bp of cheapening vs global yields at the peak of the Truss selloff

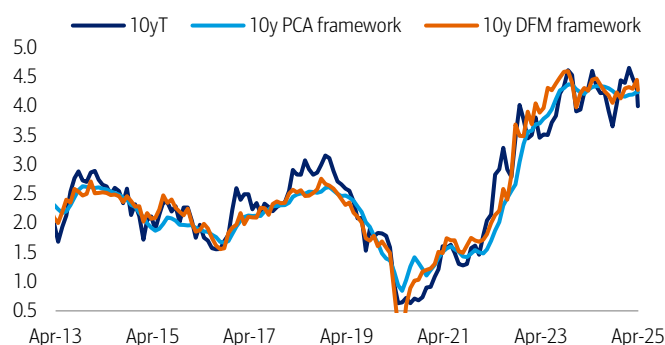


Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 27: Macro frameworks for 10y UST yields

10yT fair value anchored recently in the c.4.25-4.5% range

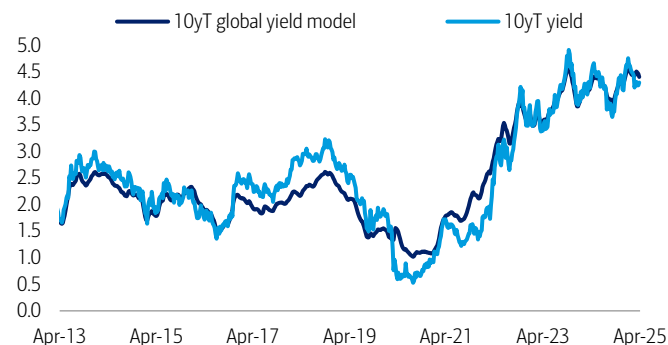


Source: BofA Global Research; Bloomberg

BofA GLOBAL RESEARCH

Exhibit 28: Global yield framework for 10y UST yields

10yT fair value relative to global yields anchored c.4.4% ytd



Source: BofA Global Research; Bloomberg

BofA GLOBAL RESEARCH

Special Topic: De-dollarisation, fire sale?

Kamal Sharma

MLI (UK)

ksharma32@bofa.com

Sphia Salim

MLI (UK)

sphia.salim@bofa.com

Mark Cabana, CFA

BofAS

mark.cabana@bofa.com

- End of USD exceptionalism is reigniting the de-dollarisation debate. Twin-deficits; stagflation; tariffs all top of mind.
- Conditions could benefit EUR allocations; tariffs risk worsening foreign bid if CB's weaponize UST holdings MAL a non-starter
- CB gold buying has been incessant - de-dollarisation has been the key motivator for allocation shifts supporting gold price.

This is an excerpt from [Global Rates and FX Viewpoint 10 Apr 25](#)

De-dollarisation: is this the moment?

Weaker USD and the “fire sale” in UST’s is placing the focus back on the role of USD as the global reserve currency. We look at the latest IMF COFER data. US twin deficits; inflation; higher US rates; trade uncertainty & bifurcation are combining to undermine USD reserve status. De-dollarisation extends beyond just reserve manager flows. Global payments system continues to dominate trade flows despite emergence of alternatives.

In this rapidly changing global environment, investors have begun to refocus on the role of USD. Our primary source has traditionally been the IMF COFER data, but events are overtaking the data which is not capturing the current zeitgeist. Whilst there has been some evidence of a shift away from USD in recent year, it is important to remember that this has taken place against the backdrop of US exceptionalism and strong gains in USD. Now, with the aura of invincibility having been shattered, question marks are once again being raised on the viability of the USD as a reserve currency. Bottom line: evidence of accelerated de-dollarisation supports our structurally bearish view on USD.

USTs: limited net buying by CBs in past year.

The Mar-a-Lago accord (MLA) argues for coordinated USD de-valuation to improve US manufacturing competitiveness + simultaneous terming out of UST reserve assets (to avoid higher tariffs & ensure US national security benefits). MLA policy implementation would result in lower US rates, a steeper UST curve, & cheaper long-dated UST bonds vs the OIS path. We assign low probability to MLA implementation, but it carries large downside risk for UST reserve manager demand.

EUR bonds: conditions in place to increasingly benefit.

The three technical factors that have constrained reserve managers’ EUR allocation over the past fifteen years are now no longer there (sovereign crisis, negative rates and limited free float). The EUR is in a good position to fully benefit a reduction in USD dominance in trade flows, international payments, and/or FX turnovers. If the share of EUR reserves were to be increased to 25% (2011-12 levels) over four years, it would imply that reserve managers could absorb 20% of yearly net supply in EGB space.



Technicals

Paul Ciana, CMT
 Technical Strategist
 BofAS
paul.ciana@bofa.com

- Previously, US10Y yield formed a top with targets of 3.86% (reached), 3.70% and 3.45%. However, the impulsive reversal higher in yield this week invalidated it.
- If US10Y yield closes > 4.40%, it will be breaking out of the downtrend channel and above the right shoulder high, creating upside risk in a tactical environment.
- On April 9 we closed our year ahead trade of a US5s30s steepener (see: [Chart alpha: Close US 5s30s steepener year ahead trade 09 April 2025](#)).

US 10Y Yield: Failed top, channel break, trend flipping?

Previously, US 10-year yield formed a head and shoulders top with targets of 3.86% (reached), 3.70% and 3.45%. We said it would be ideal for yield to remain below the 200d SMA at 4.22%. The top would be invalidated if above 4.40%. Both levels broke this week. Therefore, the trend has turned neutral/range bound with upside risk to 4.51%, 4.66% and possibly 4.80% while above 4.22%.

Chart 1: US 10Y Yield – Daily chart (G691)

Yield support: 4.22%, 3.99%, 3.86%, 3.70%, 3.60%, 3.45%, 3.22%, 3.00% Yield resistance: 4.51%, 4.66%, 4.80%, 5.02%, 5.25%



USGG10YR Index (US Generic Govt 10 Yr) RB: US 10yr Daily Daily 03JUN2024-10APR2025

Copyright© 2025 Bloomberg Finance L.P.

10-Apr-2025 16:29:42

Source: BofA Global Research, Bloomberg, DeMark Analytics LLC

BofA GLOBAL RESEARCH



Rates Alpha trade recommendations

Exhibit 29: Global Rates Trade Book - open trades

Open trades

| | Open Trades | Entry Date | Entry | Target | Stop | Latest Level | Trade rationale | Risk |
|--------|--|------------|-------------|----------------|-----------------|--------------|---|---|
| Europe | Receive BTPei 2033-39 fwd yield | 1-Apr-25 | 358 | 300 | 400 | 365 | Bullish call, RV, index events | Generalized Italy cheapening |
| | Long EU 30y vs Netherlands | 28-Mar-25 | 72 | 60 | 80 | 71 | EU cheap to NL, on supply concerns | Large increase in EU bond supply |
| | Long 15y OAT May-42 | 21-Mar-25 | 3.84 | 3.5 | 4.05 | 3.80 | Long duration + a tactical bullish view on FR | FR political risks, larger long end EGB supply |
| | Receiving 6m1y EUR vs CHF | 14-Mar-25 | 176bp | 130bp | 200bp | 175bp | Continued ECB easing and SNB pause | Negative SNB policy rate |
| | US-Euro 2y3y inflation widener | 7-Mar-25 | 28bp | 50bp | 15bp | 19bp | Inflation view; roll-down | US recessionary threat |
| | BTPei 2039 iota narrower | 7-Mar-25 | 25.4 | 17.0 | 30.0 | 22 | Index events | Heavy BTPei 2039 supply |
| | 6m5y 1x1.5 rec | 5-Feb-25 | 0bp | 14bp | -10bp | 0.5bp | Repricing of ECB terminal lower | Rally beyond downside breakeven |
| | EUR 3m2y payer fly | 16-Jan-25 | 12.4 | 35 | 2 | 0.6 | Hedge against front-end sell-off due to inflation | Downside surprises in inflation |
| | Receive Dec ECB €str | 2-Jan-25 | 1.77 | 1.3 | 2.18 | 1.74 | ECB to cut Depo to 1.5% | Upside surprises in inflation prints |
| | Short 1y1y vs 1y10y vol | 24-Nov-24 | 6.5bp | 20bp | -10bp | 7bp | Underperformance of left side on dovish ECB | Hawkish policy shift |
| | Long 30y Bunds vs Netherlands | 24-Nov-24 | 14.5 | 25 | 8 | 13 | Fade the cheapness of GE long-end | Change in German constitution |
| | Pay 1y1y Euribor-€str basis | 24-Nov-24 | 21.5 | 30 | 17 | 23 | Reduced liquidity, increased term funding cost | New ECB LTROs / early end to QT |
| UK | 5y1y ATM-25/-100bp rec spread | 8-Feb-24 | 25bp | 60bp | 0 | 23bp | Lower ECB terminal rate, without negative carry | Better than expected EUR data |
| | Long 5y Greece vs Portugal | 19-Nov-23 | 42 | 0 | 65 | 9 | Reduced supply in Greece, increased in Portugal | General sharp risk-off, high GR supply |
| | Receive Aug MPC-dated Sonia | 11-Apr-25 | 3.69 | 3.45 | 3.81 | 3.69 | Expect market to price cut pace acceleration | Upside inflation surprises |
| | Long UKT 0.1/8% 2028 vs. UKT 4 3/8% 2028 on ASW (on z-spd) | 24-Jan-25 | -29 | -40 | -24 | -28 | Retail demand for low coupon Gilt | Change in the tax treatment of Gilts for retail |
| | UKTi 2037/39 real curve flattener | 24-Oct-24 | 17 | 9 | 25 | 23 | Attractive level; low coupon value | Supply related dislocation |
| | UKTi 2032/36/47 barbell (+43.8%/-100%/+56.2% risk) | 05-Sep-24 | 14.8 | 5.0 | 20.0 | 0 | Expect forward flattening | Illiquid conditions |
| US | Short Sonia 3s5s7s (pay 5s) | 05-Sep-24 | -12 | 10 | -21 | -3.9 | Mortgage paying flows | Stamp Duty tax rise at the Oct budget |
| | Sell UKTI 2036 v UKT 2042 on ASW | 26-Jul-24 | -21 | -8 | -28 | -29 | Historical extreme spread | Poor nominal auction demand |
| | Long 2y swap spread | 11-Apr-25 | -26 | -17 | -32 | -26 | Ongoing UST bill supply cuts | Sharp increase in UST bill supply |
| | 2s5s30s fly | 11-Apr-25 | -55bp | -90bp | -35bp | -55bp | Fed cuts will be delayed & UST supply / demand issues will support 30Y underperformance | pricing out of Fed cuts & Treasury issuance that favors more belly issuance |
| | Long July SOFR/FF | 11-Apr-25 | -3.5bp | +1bp | -7bp | -3bp | Softer funding with bill paydowns | Early debt limit resolution |
| | 1y inflation swap short | 10-Apr-25 | 3.49 | 2.90 | 3.90 | 3.28 | Lower tariff premium | Upside tariff risks, oil price shock higher |
| | Short 30y swap spread | 13-Mar-25 | -79.5 | -105 | -70 | -95 | Disappointment around de-regulation, deficits, and Treasury liquidity improvement | Positive news on de-regulation |
| | 6m5y payer ladder | 7-Mar-25 | 0bp | 25bp | -10bp | 2bp | Repricing of Fed policy through higher | Selloff beyond downside BE |
| | 6m1y rec spd | 21-Jan-25 | 11bp | 25bp | -11bp | 22bp | Higher slowdown likelihoods | Limited to upfront premium |
| | Sell 1m10y vs 6m10y receiver | 21-Jan-25 | 0bp | 20bp | -10bp | 23bp | Higher slowdown likelihoods | More significant rally near vs medium term |
| | 1y1y receiver 1x1.5 | 12-Dec-24 | 9bp | 60bp | -15bp | -7bp | Hedging slowdown scenarios | Aggressive hard landing scenarios |
| | 1y fwd 5s30s bear steepener | 24-Nov-24 | 0bp | 30bp | -15bp | 18bp | Term premium build & reacceleration scenarios | Bear flattening on hawkish Fed |
| APAC | 1y10y payer spd vs 3m10y payer | 24-Nov-24 | 0bp | 30bp | -15bp | -4bp | Higher recalibration/reacceleration likelihoods | Frontloaded sell that fades medium term |
| | 1y1y straddles vs strangles | 24-Nov-24 | +0.31% | 20bp str /vega | -10bp str /vega | 0.31% | Long vol of vol | Lower vol of vol |
| | Long 5y30y vol vs 2y30y vol | 24-Nov-24 | +5.5bp vega | 15bp vega | -10bp vega | 0bp | Vega supported bearish tail scenarios | Outperformance of intermediate vs long vega |
| | 1y fwd 2s10s floor ladder | 28-May-24 | -20bp | -40bp | -60bp | 30bp | Hedging hawkish fed scenarios | Unlimited downside in Inversion > -80bp |
| | 3y1y rtr spd a/-50bp | 6-Nov-23 | pay 23bp | 50bp | -23bp | 5bp | Soft landing scenario | Capped to premium |
| | Long 1y10y rtp spd vs 4m10y rtp | 3-Jul-24 | 0bp | 20bp | -10bp | -10bp | Bearish election risks medium-term | Frontloaded bearish risks |
| | AU 6m3y receiver 1x1.5 | 27-Mar-25 | 4bp | 30bp | -15bp | 2bp | Dovish repricing of RBA terminal | Hawkish RBA shift |
| | JP 1y2y payers spd vs 1y10y payers | 24-Nov-24 | 0bp | 40bp | -15bp | -1bp | Bear flattening of the curve | Lagging BoJ & curve bear steepening |
| | JP 1y5y payer ladders | 24-Nov-24 | 0bp | 28bp | -10bp | 1bp | Repricing of policy trough | Underperformance vs. downside b/e |
| | KR 1y fwd 2s10s bull steepeners | 24-Nov-24 | 0bp | 25bp | -10bp | 10bp | Dovish BoK and bull steepening | Hawkish shift for BoK |
| | KR 1y5y receiver spd | 24-Nov-24 | -16bp | 34bp | -15bp | 27bp | Repricing of policy trough lower | Capped to upfront premium |

Source: BofA Global Research

BofA GLOBAL RESEARCH



Exhibit 30: Global Rates Trade Book - closed trades

Closed trades

| | Closed trades | Entry date | Entry level | Target | Stop | Close date | Level closed |
|--------|---|------------|-------------|--------|---------|------------|--------------|
| Europe | Pay 10y real Sofr, rec. 10y real Estr | 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 Estr | 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 Estr | 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 Estr | 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 Estr 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 Estr | 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 Estr 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 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 Estr | 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 |
| | UKTi 2036/'47 real curve flattener | 26-Sep-23 | 55 | 30 | 70 | 05-Sep-24 | 51 |
| | Sell UKT4e27 v UKT1e28 on ASW | 10-Nov-22 | 1.8 | -25 | 12 | 05-Aug-24 | -25 |
| | Aug-Dec MPC-dated Sonia steepener | 19-Jul-24 | -38.0 | -20.0 | -48.0 | 2-Aug-24 | -40 |
| | UKTi 2029s real yield short | 10-May-24 | 21 | 70 | -10 | 12-Jul-24 | 30 |
| | Real yield switch - UKTi 2033 into OATEi 2034 | 18-Oct-23 | 26 | -25 | 50 | 14-Jun-24 | 53 |
| | Long SFIZ4 vs. short SFIM4 | 03-May-24 | 33.5 | 50 | 20 | 09-May-24 | 44.5 |
| | Pay Jun'24 BoE-Sonia vs Jun'24 ECB-Estr | 22-Mar-24 | 132 | 153 | 122 | 11-Apr-24 | 139.5 |
| | Sell Dec'24 BoE MPC-sonia vs. BoC CORRA OIS | 06-Feb-24 | 14 | 75 | -25 | 11-Mar-24 | 33 |
| | 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 |

Exhibit 30: Global Rates Trade Book - closed trades

Closed trades

| | Closed trades | Entry date | Entry level | Target | Stop | Close date | Level closed |
|------|---|------------|-------------|-----------|-------------|-------------|--------------|
| US | 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 | 41bp |
| | 6m10 rtp ladders a/+32bp/+64bp | 19-Nov-23 | 0bp | 32bp | -20bp | 21-March-24 | 15bp |
| | Long 2y CA vs short 2y US | 19-Nov-23 | -39bp | -70bp | -15 | 14-Mar-24 | -47 |
| | 1y10y receiver spreads | 9-Mar-23 | -18bp | 32bp | -18bp | 9-Mar-24 | -18bp |
| APAC | 10s20s JGB curve flattener | 25-Mar-25 | 73 | 60 | 79.5 | 8-Apr-25 | 85 |
| | Buy au 3y (YM) , pay Aug RBA | 04-Mar-25 | -8bp | -50bp | 10bp | 11-Apr-25 | -16bp |
| | 2yr fwd 2s10s OIS flatteners | 19-Feb-25 | 40 | 25 | 47.5 | 4-Apr-25 | 39 |
| | AU 1y1y risk reversal | 24-Nov-24 | 0bp | 40bp | -20bp | 27-Mar-25 | 23bp |
| | AU Long 1y2y AU vs US receivers | 24-Nov-24 | 0bp | 40bp | -20bp | 27-Mar-25 | 15.5bp |
| | Mar/Sep '25 BOB steepener | 3-Oct-24 | 2bp | 6bp | 0bp | 18-Mar-25 | 4bp |
| | Short 5yr JGB ASW | 24-Jan-25 | 0 | 8 | -5 | 06-Mar-25 | 8 |
| | Receive Feb '25/ Pay Apr '25 RBA s | 29-Jan-25 | -11bps | 0bp | -17bp | 21-Feb-25 | -4bp |
| | AU pay 5y5y 6s3s | 19-Nov-23 | 4.4bps | 9bp | 2bp | 05-Feb-25 | 8.45bp |
| | 5yr20yr JGB curve flatteners | 9-Jan-25 | 114 | 104 | 119 | 17-Jan-25 | 104 |
| | Long 20yr JGB asset swap | 24-Nov-24 | 27 | 20 | 31 | 16-Jan-25 | 31 |
| | Receive AU 5y5y IRS vs US | 11-Nov-24 | 107 | 75 | 123 | 20-Dec-24 | 74 |
| | Long 5yr ACGBs vs 5yr JGBs | 24-Nov-24 | 305 | 280 | 320 | 13-Dec-24 | 320 |
| | AU Pay Feb '25 RBA, buy Sep futures | 24-Nov-24 | -23bp | -45bp | -12bp | 10-Dec-24 | -48bp |
| | AU/JP: buy 5y ACGBs, sell 5y JGBs | 24-Nov-24 | 352bp | 305bp | 375bp | 10-Dec-24 | 305bp |
| | KRW 1y5y receiver spd | 5-Jun-24 | 15bp | 25bp | -15bp | 19-Nov-24 | 13bp |
| | JPY 6m5y payer ladders | 10-Jul-24 | 0bp | 30bp | -15bp | 19-Nov-24 | 6bp |
| | JPY 6m7y payer ladders | 23-Sep-24 | 0bp | 13bp | -10bp | 19-Nov-24 | 2bp |
| | AUD 1y fwd 2s10s bull steepener | 19-Nov-23 | 0bp | 30bp | -25bp | 19-Nov-24 | -4bp |
| | AUD 1y5y rtr spd a/-40bp | 19-Nov-23 | 17.5bp | 22.5bp | -18bp | 19-Nov-24 | 12bp |
| | AUD 1y5y rtr spd vs 3m5y rtr a-12bp | 19-Nov-23 | 0bp | 40bp | -25bp | 19-Nov-24 | -1bp |
| | JPY 1y fwd 5s30s bear flattener | 19-Nov-23 | 0bp | 25bp | -20bp | 19-Nov-24 | -12bp |
| | 2s10s 6s3s steepener | 12-Aug-24 | -6bp | 0bp | -9bp | 19-Jun-24 | -9bp |
| | Pay Dec '24 RBA | 20-Aug-24 | 4.125% | 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 |



Exhibit 30: Global Rates Trade Book - closed trades

Closed trades

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

BofA GLOBAL RESEARCH



Global rates forecasts

Exhibit 31: 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 | 0/N SOFR | 4.42 | 4.29 | 4.31 | 4.32 | 4.33 | 4.34 | 4.35 |
| | 2y T-Note | 3.86 | 4.00 | 4.00 | 4.00 | 4.05 | 4.10 | 4.25 |
| | 5y T-Note | 4.07 | 4.10 | 4.15 | 4.20 | 4.25 | 4.30 | 4.40 |
| | 10y T-Note | 4.42 | 4.30 | 4.40 | 4.50 | 4.55 | 4.60 | 4.75 |
| | 30y T-Bond | 4.87 | 4.70 | 4.75 | 4.80 | 4.85 | 4.90 | 5.00 |
| | 2y Swap | 3.45 | 3.84 | 3.82 | 3.80 | 3.85 | 3.90 | 4.05 |
| | 5y Swap | 3.52 | 3.80 | 3.83 | 3.86 | 3.91 | 3.96 | 4.06 |
| | 10y Swap | 3.77 | 3.85 | 3.93 | 4.01 | 4.04 | 4.07 | 4.22 |
| | 30y Swap | 3.88 | 3.90 | 3.93 | 3.96 | 3.98 | 4.00 | 4.07 |
| Germany | 3m Euribor | 2.27 | 1.90 | 1.65 | 1.70 | 1.70 | 1.70 | 2.00 |
| | 2y BKO | 1.79 | 2.10 | 1.85 | 1.95 | 2.05 | | 2.20 |
| | 5y OBL | 2.11 | 2.40 | 2.20 | 2.25 | 2.35 | | 2.45 |
| | 10y DBR | 2.58 | 2.75 | 2.50 | 2.60 | 2.65 | | 2.75 |
| | 30y DBR | 2.96 | 3.05 | 2.95 | 3.05 | 3.10 | | 3.25 |
| | 2y Euribor Swap | 1.99 | 2.20 | 1.95 | 2.00 | 2.10 | | 2.20 |
| | 5y Euribor Swap | 2.24 | 2.40 | 2.20 | 2.25 | 2.35 | | 2.45 |
| | 10y Euribor Swap | 2.55 | 2.60 | 2.40 | 2.50 | 2.55 | | 2.65 |
| | 30y Euribor Swap | 2.48 | 2.50 | 2.45 | 2.60 | 2.70 | | 2.90 |
| Japan | TONA | 0.48 | 0.73 | 0.73 | 0.98 | 0.98 | 0.98 | 1.23 |
| | 2y JGB | 0.67 | 1.05 | 1.08 | 1.30 | 1.30 | 1.40 | 1.65 |
| | 5y JGB | 0.89 | 1.25 | 1.28 | 1.55 | 1.55 | 1.65 | 1.90 |
| | 10y JGB | 1.35 | 1.50 | 1.50 | 1.65 | 1.65 | 1.75 | 2.00 |
| | 30y JGB | 2.67 | 2.55 | 2.55 | 2.60 | 2.60 | 2.63 | 2.65 |
| | 2y Swap | 0.63 | 1.03 | 1.05 | 1.28 | 1.28 | 1.38 | 1.63 |
| | 5y Swap | 0.77 | 1.20 | 1.23 | 1.45 | 1.45 | 1.55 | 1.80 |
| | 10y Swap | 1.08 | 1.35 | 1.38 | 1.53 | 1.53 | 1.63 | 1.88 |
| U.K. | 3m Sonia | 4.27 | 4.10 | 3.85 | 3.60 | 3.50 | 3.50 | 3.50 |
| | 2y UKT | 3.90 | 4.00 | 3.70 | 3.55 | 3.55 | 3.55 | 3.55 |
| | 5y UKT | 4.08 | 4.35 | 4.30 | 4.30 | 4.30 | 4.30 | 4.30 |
| | 10y UKT | 4.64 | 4.75 | 4.70 | 4.65 | 4.65 | 4.65 | 4.65 |
| | 30y UKT | 5.43 | 5.30 | 5.30 | 5.30 | 5.30 | 5.30 | 5.30 |
| | 2y Sonia Swap | 3.70 | 3.85 | 3.60 | 3.50 | 3.50 | 3.50 | 3.50 |
| | 5y Sonia Swap | 3.73 | 4.10 | 4.10 | 4.10 | 4.10 | 4.10 | 4.10 |
| | 10y Sonia Swap | 4.07 | 4.25 | 4.25 | 4.25 | 4.25 | 4.25 | 4.25 |
| Australia | 3m BBSW | 4.12 | 3.85 | 3.85 | 3.60 | 3.60 | 3.60 | 3.60 |
| | 2y ACGB | 3.31 | 3.50 | 3.25 | 3.00 | 3.05 | 3.10 | 3.50 |
| | 5y ACGB | 3.61 | 3.60 | 3.40 | 3.20 | 3.25 | 3.30 | 3.40 |
| | 10y ACGB | 4.33 | 4.05 | 3.90 | 3.75 | 3.80 | 3.85 | 4.00 |
| | 3y Swap | 3.30 | 3.50 | 3.25 | 3.00 | 3.05 | 3.10 | 3.50 |
| | 10y Swap | 4.25 | 4.05 | 3.90 | 3.75 | 3.80 | 3.85 | 4.00 |
| Canada | 2y Govt | 2.63 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 |
| | 5y Govt | 2.83 | 2.65 | 2.70 | 2.75 | 2.80 | 2.85 | 2.95 |
| | 10y Govt | 3.24 | 3.00 | 3.05 | 3.10 | 3.15 | 3.20 | 3.30 |
| | 2y Swap | 2.45 | 2.37 | 2.37 | 2.37 | 2.37 | 2.37 | 2.37 |
| | 5y Swap | 2.57 | 2.43 | 2.48 | 2.53 | 2.58 | 2.63 | 2.73 |
| | 10y Swap | 2.95 | 2.74 | 2.79 | 2.84 | 2.89 | 2.94 | 3.04 |

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

BofA GLOBAL RESEARCH



Appendix: Common acronyms

Exhibit 32: Common acronyms/abbreviations

This list is subject to change

| Acronym/Abbreviation | Definition | Acronym/Abbreviation | Definition |
|----------------------|---|----------------------|---|
| ann | annualized | NADEF | Nota Aggiornamento Documento Economia e Finanza |
| APF | Asset Purchase Facility | NFR | Net Financing Requirement |
| APP | Asset Purchase Programme | lhs/LS | left-hand side |
| AS | Austria | m | month |
| 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 | NRRP | National Recovery and Resilience Plan |
| Buba | Bundesbank | NSA | Non-seasonally Adjusted |
| c | circa | NS&I | National Savings & Investment |
| CA | Current Account | OAT | Obligations assimilables du Trésor |
| CB | Central Bank | OBR | Office for Budget Responsibility |
| CNRF | Contingent Non-Bank Financial Institution Repo Facility | OECD | Organisation for Economic Co-operation and Development |
| CPI | Consumer Price Index | ONS | Office for National Statistics |
| CSPP | Corporate Sector Purchase Programme | OBR | Office for Budget Responsibility |
| CGNCR | Central Government Net Cash Requirement | p | preliminary/flash print |
| d | day | PBoC | People's Bank of China |
| GE | Germany | PEPP | Pandemic Emergency Purchase Programme |
| DMO | Debt Management Office | P&I | Pension and Insurance |
| DS | Debt sustainability | PMI | Purchasing Managers' Index |
| DXY | US Dollar Index | PMRR | Preferred Minimum Range of Reserves |
| EA | Euro area | PPF | Pension Protection Fund |
| EC | European Commission | PRT | Pension Risk Transfer |
| ECB | European Central Bank | PSPP | Public Sector Purchase Programme |
| ECJ | European Court of Justice | PT | Portugal |
| EFSF | European Financial Stability Facility | QE | Quantitative Easing |
| EGB | European Government Bond | qoq | quarter-on-quarter |
| EIB | European Investment Bank | QT | Quantitative Tightening |
| EMOT | Economic Mood Tracker | RBA | Reserve Bank of Australia |
| EP | European Parliament | RBNZ | Reserve Bank of New Zealand |
| SP | Spain | rhs/RS | right-hand side |
| ESI | Economic Sentiment Indicator | RPI | Retail Price Index |
| ESM | European Stability Mechanism | RRF | Recovery and Resilience Facility |
| EU | European Union | RSI | Relative Strength Index |
| f | final print | SA | Seasonally Adjusted |
| FPC | Financial Policy Committee | SAFE | Survey on the access to finance of enterprises |
| FR | France | SMA | Survey of Monetary Analysts / Simple moving average |
| FY | Fiscal Year | SNB | Swiss National Bank |
| GC | Governing Council | SPF | Survey of Professional Forecasters |
| GDP | Gross Domestic Product | STR | Short Term Repo |
| GNI | Gross National Income | SURE | Support to mitigate Unemployment Risks in an Emergency |
| GFR | Gross Financing Requirement | S&P | Standard & Poor's |
| 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 | UK | United Kingdom |
| INSEE | National Institute of Statistics and Economic Studies | UST | US Treasury yield |
| IP | Industrial Production | WDA | Work-day Adjusted |
| IR | Ireland | y | year |
| IGFR | Illustrative Gross Financing Requirement | yoy | year-on-year |
| PCA | Principal Component Analysis | ytd | year-to-date |
| IG | Investment Grade | DV01 | Dollar value of a one basis point change in yield |
| IT | Italy | WAM | Weighted Average Maturity |

Source: BofA Global Research

BofA GLOBAL RESEARCH



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 the risks involved with investing in listed options, see the [Options Clearing Corporation's Characteristics and Risks of Standardized Options website](#).

Analyst Certification

We, Ralf Preusser, CFA, Agne Stengeryte, CFA, Bruno Braizinha, CFA, Mark Cabana, CFA, Mark Capleton, Meghan Swiber, CFA, Oliver Levingston, Ralph Axel, Ronald Man 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

BofA Global Research Credit Opinion Key

BofA Global Research provides recommendations on an issuer's bonds (including corporate and sovereign external debt securities), loans, capital securities, equity preferreds and CDS as described below. Convertible securities are not rated. An issuer level recommendation may also be provided for an issuer as explained below. BofA Global Research credit recommendations are assigned using a three-month time horizon.

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.

Sell Protection: Sell CDS, therefore going long credit risk.

One or more analysts contributing to this report owns bonds of the covered issuer: UK

BofAS or an affiliate was a manager of a public offering of securities of this issuer within the last 12 months: France, Germany, Greece, Italy, Portugal, UK.

The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: France, Germany, Greece, Italy, Netherlands, Portugal, Spain, UK.

BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: France, Germany, Greece, Italy, Netherlands, Portugal, Spain, UK.

The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates: France, Germany, Greece, Italy, Netherlands, Portugal, Spain, UK.

BofAS or an affiliate has received compensation for investment banking services from this issuer within the past 12 months: France, Germany, Greece, Italy, Netherlands, Portugal, Spain, UK.

BofAS or an affiliate expects to receive or intends to seek compensation for investment banking services from this issuer or an affiliate of the issuer within the next three months: France, Germany, Greece, Italy, Portugal, UK.

BofAS or one of its affiliates has a significant financial interest in the fixed income instruments of the issuer. If this report was issued on or after the 15th day of the month, it reflects a significant financial interest on the last day of the previous month. Reports issued before the 15th day of the month reflect a significant financial interest at the end of the second month preceding the report: France, Germany, Greece, Italy.

BofAS or one of its affiliates trades or may trade as principal in the debt securities (or in related derivatives) that are the subject of this research report: France, Germany, Greece, Ile de France, Italy, Netherlands, Portugal, Spain, UK.

The issuer is or was, within the last 12 months, a securities business client (non-investment banking) of BofAS and/or one or more of its affiliates: France, Germany, Greece, Italy, Netherlands, Portugal, Spain, UK.

Due to the nature of the market for derivative securities, the issuers or securities recommended or discussed in this report are not continuously followed. Accordingly, investors must regard this report as providing stand-alone analysis and should not expect continuing analysis or additional reports relating to such issuers and/or securities.

Due to the nature of strategic analysis, the issuers or securities recommended or discussed in this report are not continuously followed. Accordingly, investors must regard this report as providing stand-alone analysis and should not expect continuing analysis or additional reports relating to such issuers and/or securities.

BofA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.

BofA Securities fixed income analysts regularly interact with sales and trading desk personnel in connection with their research, including to ascertain pricing and liquidity in the fixed income markets.

Other Important Disclosures

Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BofA Securities trading desks.

The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

This report may refer to fixed income securities or other financial instruments that may not be offered or sold in one or more states or jurisdictions, or to certain categories of investors, including retail investors. Readers of this report are advised that any discussion, recommendation or other mention of such instruments is not a solicitation or offer to transact in such instruments. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor for information relating to such instruments.

Rule 144A securities may be offered or sold only to persons in the U.S. who are Qualified Institutional Buyers within the meaning of Rule 144A under the Securities Act of 1933, as amended. SECURITIES OR OTHER FINANCIAL INSTRUMENTS DISCUSSED HEREIN MAY BE RATED BELOW INVESTMENT GRADE AND SHOULD THEREFORE ONLY BE CONSIDERED FOR INCLUSION IN ACCOUNTS QUALIFIED FOR SPECULATIVE INVESTMENT.

Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision, or for a necessary explanation of its contents.

The securities or other financial instruments discussed in this report may be traded over-the-counter. Retail sales and/or distribution of this report may be made only in states where these instruments are exempt from registration or have been qualified for sale.

Officers of BofAS or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

This report, and the securities or other financial instruments discussed herein, may not be eligible for distribution or sale in all countries or to certain categories of investors, including retail investors.

Refer to [BofA Global Research policies relating to conflicts of interest](#).

"BofA Securities" includes BofA Securities, Inc. ("BofAS") and its affiliates. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor if they have questions concerning this report or concerning the appropriateness of any investment idea described herein for such investor. "BofA Securities" is a global brand for BofA Global Research.



Information relating to Non-US affiliates of BofA Securities and Distribution of Affiliate Research Reports:

BofAS and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") may in the future distribute, information of the following non-US affiliates in the US (short name: legal name, regulator): Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd., regulated by the Financial Sector Conduct Authority; MLI (UK): Merrill Lynch International, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA); BofASE (France): BofA Securities Europe SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers (AMF). BofA Securities Europe SA ("BofASE") with registered address at 51, rue La Boétie, 75008 Paris is registered under no 842 602 690 RCS Paris. In accordance with the provisions of French Code Monétaire et Financier (Monetary and Financial Code), BofASE is an établissement de crédit et d'investissement (credit and investment institution) that is authorised and supervised by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers. BofASE's share capital can be found at www.bofam.com/BofASEdisclaimer; BofA Europe (Milan): Bank of America Europe Designated Activity Company, Milan Branch, regulated by the Bank of Italy, the European Central Bank (ECB) and the Central Bank of Ireland (CBI); BofA Europe (Frankfurt): Bank of America Europe Designated Activity Company, Frankfurt Branch regulated by BaFin, the ECB and the CBI; BofA Europe (Madrid): Bank of America Europe Designated Activity Company, Sucursal en España, regulated by the Bank of Spain, the ECB and the CBI; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited, regulated by the Australian Securities and Investments Commission; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited, regulated by the Hong Kong Securities and Futures Commission (HKSF); Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd, regulated by the Monetary Authority of Singapore (MAS); Merrill Lynch (Canada): Merrill Lynch Canada Inc, regulated by the Canadian Investment Regulatory Organization; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa, regulated by the Comisión Nacional Bancaria y de Valores; BofAS Japan: BofA Securities Japan Co., Ltd., regulated by the Financial Services Agency; Merrill Lynch (Seoul): Merrill Lynch International, LLC Seoul Branch, regulated by the Financial Supervisory Service; Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd., regulated by the Securities and Futures Bureau; BofAS India: BofA Securities India Limited, regulated by the Securities and Exchange Board of India (SEBI); Merrill Lynch (Israel): Merrill Lynch Israel Limited, regulated by Israel Securities Authority; Merrill Lynch (DIFC): Merrill Lynch International (DIFC Branch), regulated by the Dubai Financial Services Authority (DFSA); Merrill Lynch (Brazil): Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários, regulated by Comissão de Valores Mobiliários; Merrill Lynch KSA Company: Merrill Lynch Kingdom of Saudi Arabia Company, regulated by the Capital Market Authority. This information has been approved for publication and is distributed in the United Kingdom (UK) to professional clients and eligible counterparties (as each is defined in the rules of the FCA and the PRA) by MLI (UK), which is authorized by the PRA and regulated by the FCA and the PRA - details about the extent of our regulation by the FCA and PRA are available from us on request; has been approved for publication and is distributed in the European Economic Area (EEA) by BofASE (France), which is authorized by the ACPR and regulated by the ACPR and the AMF; has been considered and distributed in Japan by BofAS Japan, a registered securities dealer under the Financial Instruments and Exchange Act in Japan, or its permitted affiliates; is issued and distributed in Hong Kong by Merrill Lynch (Hong Kong) which is regulated by HKSF; is issued and distributed in Taiwan by Merrill Lynch (Taiwan); is issued and distributed in India by BofAS India; and is issued and distributed in Singapore to institutional investors and/or accredited investors (each as defined under the Financial Advisers Regulations) by Merrill Lynch (Singapore) (Company Registration No 198602883D). Merrill Lynch (Singapore) is regulated by MAS. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distributes this information in Australia only to 'Wholesale' clients as defined by s.761G of the Corporations Act 2001. With the exception of Bank of America N.A., Australia Branch, neither MLEA nor any of its affiliates involved in preparing this information is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this information in Brazil and its local distribution is by Merrill Lynch (Brazil) in accordance with applicable regulations. Merrill Lynch (DIFC) is authorized and regulated by the DFSA. Information prepared and issued by Merrill Lynch (DIFC) is done so in accordance with the requirements of the DFSA conduct of business rules. BofA Europe (Frankfurt) distributes this information in Germany and is regulated by BaFin, the ECB and the CBI. BofA Securities entities, including BofA Europe and BofASE (France), may outsource/delegate the marketing and/or provision of certain research services or aspects of research services to other branches or members of the BofA Securities group. You may be contacted by a different BofA Securities entity acting for and on behalf of your service provider where permitted by applicable law. This does not change your service provider. Please refer to the [Electronic Communications Disclaimers](#) for further information.

This information has been prepared and issued by BofAS and/or one or more of its non-US affiliates. The author(s) of this information may not be licensed to carry on regulated activities in your jurisdiction and, if not licensed, do not hold themselves out as being able to do so. BofAS and/or MLPF&S is the distributor of this information in the US and accepts full responsibility for information distributed to BofAS and/or MLPF&S clients in the US by its non-US affiliates. Any US person receiving this information and wishing to effect any transaction in any security discussed herein should do so through BofAS and/or MLPF&S and not such foreign affiliates. Hong Kong recipients of this information should contact Merrill Lynch (Asia Pacific) Limited in respect of any matters relating to dealing in securities or provision of specific advice on securities or any other matters arising from, or in connection with, this information. Singapore recipients of this information should contact Merrill Lynch (Singapore) Pte Ltd in respect of any matters arising from, or in connection with, this information. For clients that are not accredited investors, expert investors or institutional investors Merrill Lynch (Singapore) Pte Ltd accepts full responsibility for the contents of this information distributed to such clients in Singapore.

General Investment Related Disclosures:

Taiwan Readers: Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument. No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or any other person without the express written consent of BofA Securities. This document provides general information only, and has been prepared for, and is intended for general distribution to, BofA Securities clients. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of, and is not directed to, any specific person(s). This document and its content do not constitute, and should not be considered to constitute, investment advice for purposes of ERISA, the US tax code, the Investment Advisers Act or otherwise. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this document.

Securities and other financial instruments referred to herein, or recommended, offered or sold by BofA Securities, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. Digital assets are extremely speculative, volatile and are largely unregulated. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

BofA Securities is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

This report may contain a trading idea or recommendation which highlights a specific identified near-term catalyst or event impacting a security, issuer, industry sector or the market generally that presents a transaction opportunity, but does not have any impact on the analyst's particular "Overweight" or "Underweight" rating (which is based on a three month trade horizon). Trading ideas and recommendations may differ directionally from the analyst's rating on a security or issuer because they reflect the impact of a near-term catalyst or event.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned in this report. Investors in such securities and instruments effectively assume currency risk.

BofAS or one of its affiliates is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. BofAS or one of its affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

BofA Securities, through business units other than BofA Global Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented herein. Such ideas or recommendations may reflect different time frames, assumptions, views and analytical methods of the persons who prepared them, and BofA Securities is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this information.

In the event that the recipient received this information pursuant to a contract between the recipient and BofAS for the provision of research services for a separate fee, and in connection therewith BofAS may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BofAS has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BofAS). If such recipient uses the services of BofAS in connection with the sale or purchase of a security referred to herein, BofAS may act as principal for its own account or as agent for another person. BofAS is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.



Copyright and General Information:

Copyright 2025 Bank of America Corporation. All rights reserved. IQdatabase® is a registered service mark of Bank of America Corporation. This information is prepared for the use of BofA Securities clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of BofA Securities. This document and its content is provided solely for informational purposes and cannot be used for training or developing artificial intelligence (AI) models or as an input in any AI application (collectively, an AI tool). Any attempt to utilize this document or any of its content in connection with an AI tool without explicit written permission from BofA Global Research is strictly prohibited. BofA Global Research information is distributed simultaneously to internal and client websites and other portals by BofA Securities and is not publicly-available material. Any unauthorized use or disclosure is prohibited. Receipt and review of this information constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained herein (including any investment recommendations, estimates or price targets) without first obtaining express permission from an authorized officer of BofA Securities.

Materials prepared by BofA Global Research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of BofA Securities, including investment banking personnel. BofA Securities has established information barriers between BofA Global Research and certain business groups. As a result, BofA Securities does not disclose certain client relationships with, or compensation received from, such issuers. To the extent this material discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this material. BofA Global Research personnel's knowledge of legal proceedings in which any BofA Securities entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving issuers mentioned in this material is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of BofA Securities in connection with the legal proceedings or matters relevant to such proceedings.

This information has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of BofA or any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). BofA Global Research policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to sustainability in this material is limited as discussed herein and is not intended to provide a comprehensive view on any sustainability claim with respect to any issuer or security.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to BofA Securities and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This information may contain links to third-party websites. BofA Securities is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this information and is not incorporated by reference. The inclusion of a link does not imply any endorsement by or any affiliation with BofA Securities. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. BofA Securities is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

All opinions, projections and estimates constitute the judgment of the author as of the date of publication and are subject to change without notice. Prices also are subject to change without notice. BofA Securities is under no obligation to update this information and BofA Securities ability to publish information on the subject issuer(s) in the future is subject to applicable quiet periods. You should therefore assume that BofA Securities will not update any fact, circumstance or opinion contained herein.

Certain outstanding reports or investment opinions relating to securities, financial instruments and/or issuers may no longer be current. Always refer to the most recent research report relating to an issuer prior to making an investment decision.

In some cases, an issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BofA or any of its affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither BofA Securities nor any officer or employee of BofA Securities accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this information.

Research Analysts

Europe

Ralf Preusser, CFA

Rates Strategist
MLI (UK)
ralf.preusser@bofa.com

Mark Capleton

Rates Strategist
MLI (UK)
mark.capleton@bofa.com

Sphia Salim

Rates Strategist
MLI (UK)
sphia.salim@bofa.com

Ronald Man

Rates Strategist
MLI (UK)
ronald.man@bofa.com

Erjon Satko

Rates Strategist
BofASE (France)
erjon.satko@bofa.com

Agne Stengeryte, CFA

Rates Strategist
MLI (UK)
agne.stengeryte@bofa.com

Edvard Davidsson

Rates Strategist
MLI (UK)
edvard.davidsson@bofa.com

US

Ralph Axel

Rates Strategist
BofAS
ralph.axel@bofa.com

Bruno Braizinha, CFA

Rates Strategist
BofAS
bruno.braizinha@bofa.com

Mark Cabana, CFA

Rates Strategist
BofAS
mark.cabana@bofa.com

Paul Ciana, CMT

Technical Strategist
BofAS
paul.ciana@bofa.com

Katie Craig

Rates Strategist
BofAS
katie.craig@bofa.com

Meghan Swiber, CFA

Rates Strategist
BofAS
meghan.swiber@bofa.com

Anna (Caiyi) Zhang

Rates Strategist
BofAS
cai yi.zhang@bofa.com

Pac Rim

Shusuke Yamada, CFA

FX/Rates Strategist
BofAS Japan
shusuke.yamada@bofa.com

Tomonobu Yamashita

Rates Strategist
BofAS Japan
tomonobu.yamashita@bofa.com

Oliver Livingston

FX & Rates Strategist
Merrill Lynch (Australia)
oliver.livingston@bofa.com

herein may give rise to significant risk and are not suitable for all investors. Investors should have experience in relevant markets and the financial resources to absorb any losses arising from applying these ideas or strategies.

Trading ideas and investment strategies discussed

