

Global Economic Weekly

Schrodinger's Strait

Global Letter: Schrodinger's Strait

Yes, the Strait is open and closed simultaneously depending on the eye of the beholder, time of the day, and the origin of the headline. Almost two months after the breakout of the Iran war, the outlook remains blurry. And while stock markets are ignoring the tail risks, the outlook remains fragile.

US: Strong case to sound hawkish

The FOMC will stay firmly on hold at its April meeting, in our view. Upside risks to inflation from the Iran war haven't dissipated. The labor data have improved. The big question is whether the forward guidance language in the statement will indicate that risks to policy are two-sided. We think it won't, but it's a close call. Powell is likely to sound hawkish in the presser. Things to watch: i) Is he open-minded to hikes? ii) How does he assess the impact of the war? iii) Will he lean into the pickup in the labor data?

Euro area: ECB preview – on hold, but not for long

Likely on hold; moving in April would have required news on either the size or propagation of the shock. We have not had this. Communication is likely to be close to March. So far, energy and data have remained quite close to the ECB baseline. We expect June and July hikes, 25bp each. But cuts are likely to follow next year.

UK: BoE preview – Hold as uncertainty persists

We expect BoE to be on hold – it's too soon to have enough evidence to act in response to the energy shock. We expect a 7-2 vote for a hold (risks of 8-1). BoE likely to keep door open to modest hikes, but not with certainty and rule out near-term cuts. We expect two hikes in June and July (with risks of one) but it's a close call, followed by three cuts from Q2 2027.

Asia: Defying gravity – When growth won't act its age

Asia's falling fertility, driven by higher costs and urbanization, is accelerating aging and reshaping growth and inflation. Human capital gains, AI adoption, and better retirement systems can at least partly offset aging's drag on labor productivity.

Emerging EMEA: Türkiye – hold with caution

Central Bank CBRT kept the one-week repo rate unchanged at 37%, in line with consensus and versus our base case for a hike to 40%. The upper band of the corridor was also kept unchanged at 40%.

Latin America: Brazil – inflation risks alive

We track inflation dynamics over a 12-month horizon by combining survey-based expectations (Focus), our projections and market-implied pricing. Our goal is to assess how inflation risks are distributed along the near-term path and how these risks are being priced by the market.

24 April 2026

Economics
Global

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Global Letter

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Schrodinger's Strait

Yes, the Strait is open and closed simultaneously depending on the eye of the beholder, time of the day, and the origin of the headline. Almost two months after the breakout of the Iran war, the outlook remains blurry. And while stock markets are ignoring the tail risks, the outlook remains fragile.

A war of attrition

The Iran war can be characterized as a dynamic game of multiple players. Even though models are only a simplification of the real world, they are sometimes useful to think about complex issues. Let's assume a game of 3 players: Iran, the US-Israel coalition, and the markets – although there are other more passive players like China, the Gulf countries, Russia, etc.

We discussed the role of the markets in last week's Global Letter, showing that the game between markets and the US resembles the game of penalty kicks, which explains why markets are "ignoring" the war (see report: [The curious case of the Iran war](#)). Here, we will focus on the US-Israel coalition (for simplicity, let's call it US) and Iran.

Every period, the US and Iran can choose to keep fighting or to quit the war. The winner takes the benefits of the war when the other player capitulates, but every player pays a marginal cost for staying in the war.

The cost-benefit analysis

For the US, one could argue that the benefit of winning the war is decreasing over time, as the longer it takes to win the war and influence the energy matrix of the Middle East, the less the bargaining power vis a vis other countries that compete for influencing the world order. At the same time, the marginal costs are increasing and convex, as the longer the war, the higher the military and political costs.

For Iran, one could argue that the benefits are increasing over time, as the longer the war, the higher the deterrent effect on the US and Israel to avoid a potential next round in the future. We would think of marginal costs as U-shaped, very high at the beginning due to the economic impact of the US bombing, relatively low as the war progress as Iran can keep the Strait closed with relatively low military spending, and very high later on as the country could run out of ammunition or food.

Equilibrium in the war of attrition

If these costs and benefit functions were perfectly observable by all, the equilibrium would be a short war (or in fact, no war to begin with). Solving recursively, it would be clear for both parties which one is the strongest, and the weakest would capitulate in the first place, saving all the costs associated with the war.

However, costs and benefits are private information for each player, and every round of the war reveals how tough or weak each party is perceived by the other. The longer the war, the tougher Iran is perceived by the US. The more military forces the US deploys in the region, the tougher the US is perceived by Iran. In equilibrium, wars with incomplete information are longer than wars with complete information.

Interpreting the war so far

In the observed equilibrium so far, the US is implementing a blockade on Iran to make its cost function even more convex, while at the same time proposing a ceasefire to negotiate a deal. Iran is showing no interest. In our framework, it can be interpreted as the US trying to obtain a deal to avoid entering into the very convex segment of its cost function (i.e. avoiding an escalation with boots on the ground). In turn, Iran appears to



remain on the segment of its cost function with very low marginal costs, where it could be optimal to wait and keep exerting economic and political costs on the US.

What markets are mispricing

As we discussed last week, markets are assuming the end of the war depends on the US as it was the case with trade wars last year. Therefore, it is optimal for markets to expect a short and contained war. But what is not priced in is a scenario where Iran manages to keep the Strait closed for longer to maximize its deterrence effect. In this case, a correction in the stock market would make the US cost curve more convex.

The equilibrium of this war can be longer than what the market is pricing, because the all involved parties, including the market and other passive players, have not experienced enough pain to capitulate. As a result, this could have economic consequences that are not currently priced in.

The inevitable inefficiency of wars

Therefore, with private information, wars are longer and more inefficient because the marginal costs already paid become sunk costs and the only relevant economic calculation is the expected benefit of continuing the war relative to the expected cost. In many wars, had the player that started the war known the cost to be paid even by winning, the war would have been aborted.

A familiar analogy applies here. Imagine building a house from scratch. You ask for a budget and decide to build it because the cost is less than your reservation cost beyond which it would not be a good deal to build the house. Half-way through, you learn that the final cost will be 40% higher, but you already committed a large fraction of the original cost. What is the optimal decision? To finish the house, because the paid costs are already sunk costs. Wars are the same story.

US

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Jay-hawk swan song?

- The FOMC will stay firmly on hold at its April meeting, in our view. Upside risks to inflation from the Iran war haven't dissipated. The labor data have improved.
- The big question is whether the forward guidance language in the statement will indicate that risks to policy are two-sided. We think it won't, but it's a close call.
- Powell is likely to sound hawkish in the presser. Things to watch: i) Is he open-minded to hikes? ii) How does he assess the impact of the war? iii) Will he lean into the pickup in the labor data?

Complete report: [US Economic Weekly: April FOMC preview: Jay-hawk swan song 24 April 2026](#)

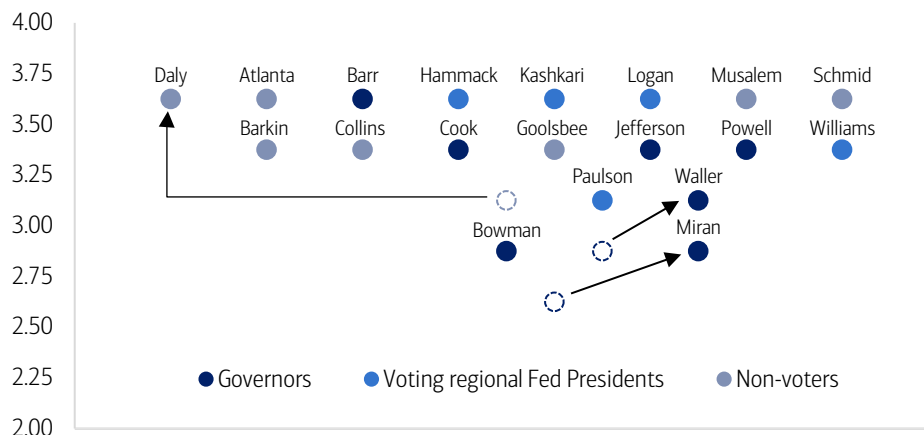
Big picture: doves changing feathers

The Fed will remain firmly on hold at its April meeting, in our view. The inflation outlook is arguably as cloudy as it was at the time of the March meeting. Although equities are trading as though the Iran war is over, gas is still above \$4 and traffic through the Strait of Hormuz is still highly disrupted. As a result, uncertainty about the impact of the conflict on core inflation remains elevated. Meanwhile, the recent labor data (March jobs, ADP, claims) show resilience and potentially some green shoots (Exhibit 2). This should reduce the sense of urgency to shore up the labor market among the doves.

Indeed, some of the most prominent doves on the committee have changed their tone of late. In a speech last week, Waller emphasized not only upside risks to inflation from the Iran war, but also the size of the labor supply shock, which “means that very little or no net job creation is necessary” to keep the u-rate steady. Our assessment is that Waller still wants to cut this year, but probably less than he previously did, and later.

Exhibit 1: The dot plot would look more hawkish if it were published at the April meeting

BofA estimates of Fed policymakers' expectations of the year-end policy rate as of the April meeting (%)



Source: Federal Reserve Board, BofA Global Research

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Daly went a step further, saying that if policy were left unchanged all year, “that would be a good restraint on inflation, but not so restrictive to hurt the labor market”. She also noted that the Iran war is likely to affect inflation more than growth. We think Daly's base case is now a flat policy path for the year. Even Miran, the most dovish member of



the FOMC, said that he was leaning toward three rather than four cuts this year because the mix of inflation has gotten worse since the start of the year, in his view.

Based on recent Fed speak, Exhibit 1 shows where we think the 2026 dots would be if there were a dot plot at the April meeting. Although we've only shifted Waller, Daly and Miran for now, the risk is that more dots will move up by June. Everyone we've heard from since the March meeting has sounded at least marginally more hawkish than before (e.g., Williams).

Statement: risk of “two-sided risks”

The big question around the FOMC statement is whether it will indicate that risks to the policy path are two-sided. One way to do this would be to change the reference to “additional adjustments” to the policy rate in the forward guidance language to “any adjustments” or simply “adjustments”. This would indicate that the next move wouldn't necessarily be in the same direction as the previous one.

Per the minutes, “some participants judged that there was a strong case for” making such a change in the March statement. These hawks are likely to be just as vocal, and possibly more emboldened by the labor data, at the April meeting. So it's a close call, but we think the majority of the committee would prefer to leave the forward guidance language unchanged.

We do expect one change to the statement. Given the downward revisions to 4Q GDP and soft consumer spending in Jan-Feb, we think the Fed will choose to downgrade the description of economic activity from “solid” to “moderate”. That said, an argument to not make this change is that it would be a bit dovish, at a time when most of the committee wants to guide markets in the opposite direction.

We anticipate only one dissent once again, from Gov. Miran, in favor of a 25bp cut.

Press conference: strong case to sound hawkish

In what could be his last press conference, we think Chair Powell will sound moderately hawkish. For one, the data flow and balance of risks support a more hawkish stance, as discussed above. For another, there is no reason to push back against market pricing of a flat policy path when uncertainty is so elevated. If the labor data deteriorate later this year, the Fed can easily make a dovish pivot, just as it did in 2024 and 2025.

Exhibit 2: The labor market is soft but stable, with signs of green shoots

Labor market heatmap

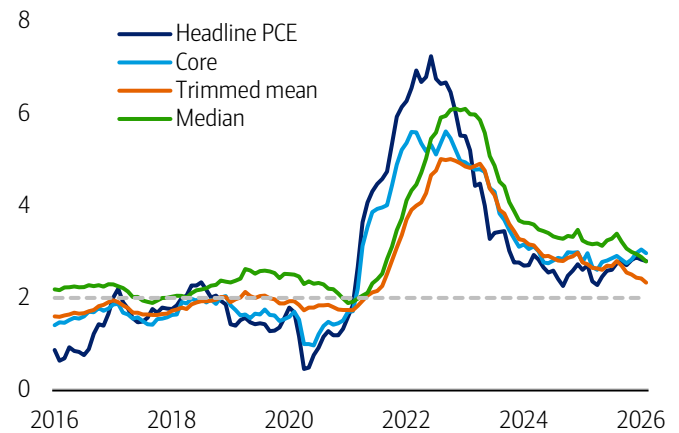
	Mar-26	Feb-26	Jan-26	Dec-25	Nov-25	Oct-25
NFP (m/m, k)	178	-133	160	-17	41	-140
Private Payrolls (m/m, k)	186	-129	180	-7	72	13
ADP Private Payolls (m/m, k)	62	66	11	37	74	20
CB Labor Diff. (% balance)	5.8	5.7	6.8	8.4	8.1	10.3
Challenger Hiring Plans (m/m)	41348	478	-16216	15717	-73593	85673
BLS U-Rate (%)	4.3	4.4	4.3	4.4	4.5	-
Initial Claims (thous)	208	216	212	219	223	227
Continuing Claims (thous)	1822	1853	1853	1889	1933	1947
BLS Income Proxy (y/y %)	3.9	4.3	4.7	3.7	4.4	4.3
Atl. Fed Wage Tracker (y/y %)	3.9	3.7	3.6	3.7	4.0	-

Source: BLS, Atlanta Fed, ADP, Conference Board, Department of Labor, Haver Analytics. Note: BLS Income Proxy = Index of Aggregate Weekly Payrolls (private).

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Exhibit 3: Warsh's preferred PCE inflation measures – the trimmed mean and median – are running below the core

Measures of PCE inflation (%)



Source: Bureau of Economic Analysis, Dallas Fed, Cleveland Fed

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We think Powell's core message will be that the Fed is firmly on hold and policy is "well positioned" to respond to risks to both mandates. Powell will probably get asked about the forward guidance language, whether or not it changes, and the threshold for hikes. If he repeats that hikes are not the base case for the majority of the committee, markets will read that as dovish. If he sounds more open minded to hikes (e.g., if he emphasizes the importance of finishing the job on inflation or the fact that inflation has overshot the target for five years), that would be hawkish. We wouldn't expect him to provide quantitative thresholds for rate hikes.

Regarding the war, we think Powell will note both the upside risks to inflation and the downside risks to the labor market and growth. But which way will he lean? If his comments mirror those of Daly (mentioned above), markets would read that as very hawkish.

Powell could get asked about the pickup in the labor data. We think he'll probably caution against over-reacting to a few data points, and state that the broad labor data have been soft but stable (Exhibit 2). A dovish response would note that wage inflation has been weakening. A more hawkish answer would lean into downside risks to the u-rate, even if they are mostly due to slowing labor supply.

Powell will almost certainly get a question about Kevin Warsh's Fed Chair nomination hearing. We think he'll refrain from commenting unless he's asked about specific policy proposals. For example, if pressed on Warsh's preference for trimmed-mean and median inflation over the core PCE, Powell might express an open mind to alternate inflation metrics, but emphasize the importance of not cherry picking (Exhibit 3).

On the balance sheet, Powell could note that there is room for reduction in response to liquidity deregulation, but that a large majority of the committee wants to stay in an ample reserve regime. We don't think he'll take a strong stand on Warsh's statement that the Fed shouldn't own long-dated Treasuries.

Finally, Powell might get asked whether he has decided how long he will stay on at the Fed as a Governor. He will likely say that he doesn't have anything to add to his comments from the March press conference.



Euro area

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ECB preview: on hold, but not for long

Complete report: [Europe Economic Weekly: Last holding announcement 24 April](#)

2026

- Likely on hold; moving in April would have required news on either the size or propagation of the shock. We have not had this.
- Focus on communication, likely close to what we got in March. So far, energy and data have remained quite close to the ECB baseline.
- We expect June and July hikes, 25bp each. But cuts are likely to follow next year – ECB forecasts are on the optimistic side.

Not there, yet

The ECB is likely to hold rates next week, but the focus will likely be its communication, which we expect to be very close to what we have already heard from many ECB speakers. As President Lagarde argued this week, the ECB is ready to act when it has the information it needs. That means understanding the size and propagation of the shock. Moving in April would have required news on either the size or propagation of the shock. We have not had this.

That message will likely come with no major changes to the qualitative description of the outlook, in our view. Energy prices are not far from the baseline as of today and the few data points since the March meeting have been largely consistent with the base case. There is no clear signal that either indirect or second-round effects would be stronger than those assumed in that base case.

The written communication is likely to stay close to what we had in March, hence keeping a hiking bias given that the March forecasts included almost two hikes starting in June. And while Lagarde won't give explicit guidance on June, she is likely to remind us of those assumptions in the forecast exercise – an implicit acknowledgment of a potential June move, absent other surprises.

As a reminder, we pencil in rate hikes in June and July 2026, 25bp each. Cuts are likely to follow, particularly because ECB forecasts are on the optimistic side on growth and contain a lot of energy pass-through into core inflation. We have therefore pencilled in quarterly cuts from June 2027. We would expect a terminal rate at or below 1.5% in 2028, with risks of getting there earlier, especially if gas prices do not rise as much or as durably as our commodity team expects.

Finally, while a “look-through” is far from being our baseline, it is also far from being ruled out. And at this point, the likelihood of the ECB looking through the shock is, to us, higher than that of it hiking more than 50bp.

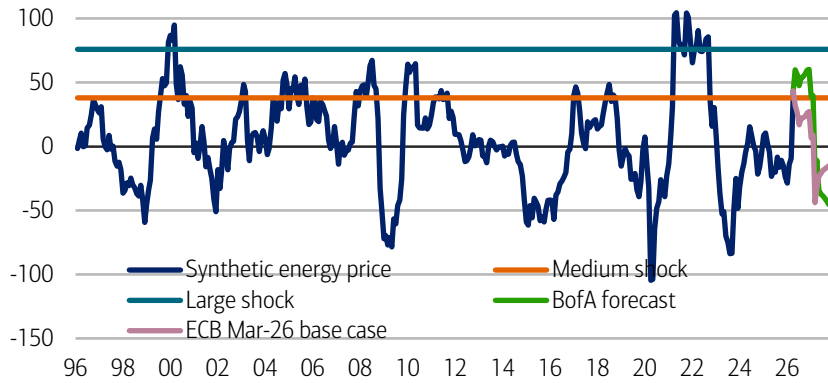
So far, no news

Recent ECB speak has clearly indicated that there is no need to rush into decisions, that “there is no need to impose unnecessary cost on the economy and that the ECB can afford to take time to analyse the shock”. In other words, there seems to be little appetite to move next week, and market pricing has adjusted accordingly after the consistent messages from speakers. That decline in the perceived appetite for April is, we think, a combination of two main factors. First, the size of the shock after recent developments is not far from what is assumed in the baseline (Exhibit 1).



Exhibit 4: Our base case is built on a big shock but smaller than 2022

Synthetic energy price index (gas and oil), log differences and ECB thresholds for the size of the shock (large shocks come with risk of non-linear effects)



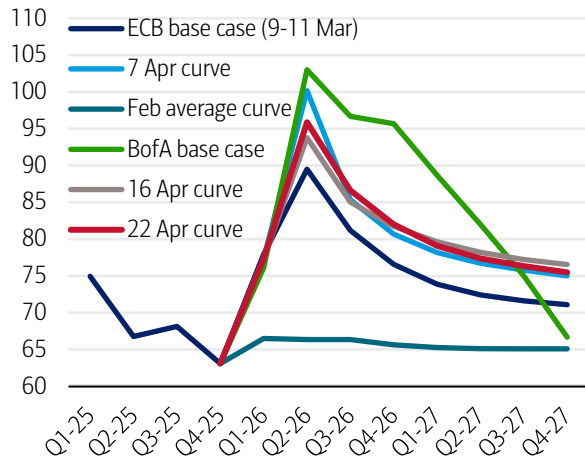
Source: BofA Global Research, ECB staff projections. Weights: 0.6 on oil, 0.4 on gas. Note: 2026 observed data as of 22-Apr. BofA GLOBAL RESEARCH

Second, given that a hike in June was in the baseline, moving earlier would require fresh news. The burden of proof was on the data to justify an April move. We did not get that proof. Inflation data so far has been broadly in line with ECB expectations (marginally lower, actually). Activity data has softened, but we lack enough data to gauge the damage. And we doubt that surveys next week will give significant surprises on the propagation of the shock (indirect and second-round effects).

Does that mean the data also needs to justify a June move? We wouldn't go that far. At the end of the day, ECB forecasts are conditional on that hike in June. Moving in June is part of the base case, broadly; not moving then would require surprises.

Exhibit 5: Brent prices above the ECBs new base case in 2Q/3Q26

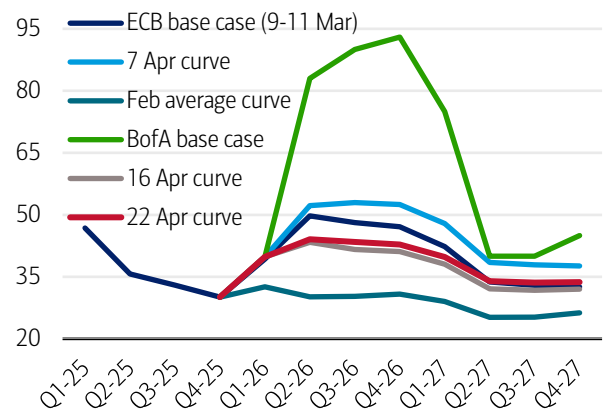
Brent in USD per barrel, futures curves at different times



Source: BofA Global Research, ECB staff projections, Bloomberg BofA GLOBAL RESEARCH

Exhibit 6: Natural gas prices have moved below the ECB base case; an increase would have implied greater inflation persistence

Dutch TTF natural gas price curves, EUR per MWh



Source: BofA Global Research, ECB staff projections, Bloomberg BofA GLOBAL RESEARCH

But they could still look through it

News on the Iran war over the past few days has raised the question of whether, with energy prices where they are today, the ECB could choose to look through the shock and not hike at all. We would not go that far – at least not yet.



As argued above, with energy prices not far from baseline, surprises would be needed for the ECB to look through the shock. That said, there is still a non-negligible possibility that the ECB could do that or potentially wait a little longer to move.

Non-linear effects on economic activity could be one such surprise. Lower energy prices than in the baseline could be another. And even with energy prices broadly in line with the baseline, they still might not hike – composition matters (Exhibit 5 and Exhibit 6). If gas prices continue to surprise on the downside, as they have so far, that could be another rationale for looking through the shock if this led the ECB to question its inflation forecast for 2028. Less of a fiscal response than assumed could do the trick, too.

In other words, while a “look-through” is far from being our baseline, it is also far from being ruled out. And at this point, the likelihood of the ECB looking through the shock is higher, to us, than that of it hiking by more than 50bp.



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BoE preview: Hold as uncertainty persists

- We expect BoE to be on hold at 3.75%, we think it's too soon to have enough evidence to act in response to the energy shock. We expect a 7-2 vote for a hold, with risks of 8-1.
- BoE is likely to keep the door open to modest hikes, but not with certainty and say aggressive tightening is unlikely. We expect it to rule out near-term cuts.
- We expect two hikes in 2026 in June/ July (with risks of one), but it's a close call, followed by three quarterly cuts from Q2 2027. Ceasefire potentially increases risk of one and done hike and risk of earlier/faster cuts in 2027.

Hold as uncertainty persists

We expect the Bank of England (BoE) to keep the Bank Rate on hold at 3.75% at its meeting next week. The conflict has led to a significant rise in energy prices, but we think it's too soon for the BoE to have enough evidence to be convinced to act in response to the energy shock. Uncertainty remains on the duration of the conflict, size and persistence of the shock and implications for second-round effects and growth. Data so far has been somewhat hawkish but show limited decisive evidence on the fallout from the conflict. Moreover, comments from BoE Governor Bailey noting that he is in no rush to raise rates imply that the bar for an April hike is fairly high. At the same time, energy prices lower than the highs are also likely to reduce urgency. Overall, we expect the BoE to emphasize a wait-and-see mode as it gathers more evidence on the impact of the conflict on the economy.

Expect 7-2 vote for a hold, with two votes for a hike (risks of 8-1)

We expect the MPC to vote 7-2 for a hold, with Pill and Greene voting for a hike. Pill has noted recently that rates may need to rise to contain the threat of inflation and warned against a wait-and-see approach. Greene has suggested that inflation risks are paramount for her, and rising price pressures in April PMIs could tilt her to vote for a hike. There are risks for 8-1 if Greene needs further evidence before acting. Uncertainty on duration of the conflict as well as size/ persistence of the energy shock would likely mean that none of the doves vote for a cut.

Data since March has been somewhat hawkish but gas prices modestly lower

Data since the March meeting has been somewhat hawkish, but gas prices are modestly lower. Pre-conflict February GDP was stronger than expected, putting upside risks to the BoE's forecast of 0.3% Q1 GDP. The labour market data showed a surprise drop in the unemployment rate pre conflict from 5.2% to 4.9%, below the BoE's forecast of 5.2%, though some of it can be explained by rising inactivity. Inflation jumped to 3.3% in March as expected, and despite slightly weaker core, services inflation rose to 4.5% (somewhat driven by airfares).

PMIs bounced back in April, showing renewed growth momentum and improving employment, but it's too early to make strong conclusions, as some of this reflects a short-term boost to secure purchases ahead of price rises. But price pressures dominated – input costs rose at the fastest pace since November 2022 and output price inflation was the highest since February 2023. The big acceleration in input and output prices is concerning and would give weight to the arguments of the hawks for the MPC to focus more decisively on price concerns.



Household short-term inflation expectations showed a record rise from 3.3% to 5.4% in March, the highest since 2023 and long-term expectations rose from 3.6% to 4.5%, according to YouGov/Citi. While the key would be if this jump is sustained, it is something to be concerned about. The March Decision Maker Panel showed that firms' year-ahead own price growth expectations rose from 3.4% to 3.7% and one year ahead inflation expectations jumped from 3.0% to 3.5%, the biggest monthly jump since September 2022.

On the dovish side, private wage continued to soften to 3.2%, below the BoE's forecast of 3.5%, and payrolls showed a mild fall in March post conflict. Oil prices are similar, and gas prices are somewhat lower vs. 16 March prices, which the BoE referenced in the March meeting to give tentative inflation forecasts.

The BoE is also likely to get updated Agents wage settlements data (last update had wage settlements tracking at 3.6% in 2026) along with another set of the Decision Maker Panel prints before/at the meeting, which would be fairly important.

Door open to modest hikes, but not with certainty

The March meeting was a hawkish hold, with the BoE's updated guidance saying that the BoE would be alert to the increased risk of domestic inflationary pressures through second-round effects, the risk of which would be greater the longer higher energy prices persist, and opened the door to hikes. It also said it would be assessing the implications for inflation of the weakening in economic activity.

Since then, Governor Bailey has tempered the message by saying that markets are getting ahead of themselves by pricing in hikes, potentially reflecting falls in energy prices from the highs and growth concerns. But the Governor did keep the door open for precautionary hikes and continued to note that monetary policy will act if it is appropriate to do so.

In the meeting next week, the BoE is likely to keep its guidance that "it stands ready to act as necessary to ensure that CPI inflation remains on track to meet the 2% target in the medium term." We also expect the BoE to note that the near-term outlook for inflation and upside risks from greater inflation persistence to medium-term inflation have risen, while risks from weaker growth remain.

We don't expect the BoE to make strong judgements about whether it is likely to hike or be on an extended hold, given the uncertainty. But we do expect the BoE to keep the door open to modest hikes and say aggressive tightening is unlikely. We also expect it rule out near-term cuts.

The door can be kept open to modest hikes if energy prices stay elevated by highlighting that a "larger or prolonged shock, which risked greater second-round effects, would require a more restrictive stance". But we also expect the BoE to temper this message by noting that markets were right to trim aggressive hike expectations and that labour market/growth outlook is weaker than in 2022 to avoid significant tightening of financial conditions.

At the same time, we expect the BoE to rule out prospects of near-term cuts, even if energy prices fall given the passthrough of high energy prices so far will likely keep inflation elevated at least until Q4 2026 (current high gas prices will likely imply elevated inflation in Q3 when the July cap resets).

It is also likely to note that wage/inflation expectations are elevated and could rise further given potential sensitivity of households/businesses to another inflation shock, increasing risks of second round effects if the shock is prolonged. Given that energy and food prices are likely to rise, the BoE would be particularly sensitive to the impact of these categories on inflation expectations. The jump in PMI output prices is likely to concern the MPC as it increases risks of firms passing on cost increases.

At the same time, financial conditions have tightened, and the labour market/growth is weak and could worsen, which would imply risks of significant second-round effects are less than in 2022 and would reduce the need for an aggressive response. Having said that, stronger-than-expected growth and a lower unemployment rate (even if due to a fall in participation) heading into the conflict should provide a better starting point for the economy/labour market. The acceleration in April PMIs though tentative, should also reduce some growth concerns and allow the BoE to focus on price pressures.

We expect two hikes in 2026, but it's a close call

Given our expectation of higher energy prices persisting through the year, we expect two hikes in June and July, with risks of one, as an insurance to guard against second-round effects, but it's a close call. We then expect three quarterly cuts from Q2 2027 to 3.5%, with risks of 3.25% and earlier cuts.

We think that a protracted energy price shock and rising inflation expectations can shift the majority narrative towards hikes by mid-year, as per our base case, especially given above-target inflation in the past few years, consumer sensitivity to high inflation and already elevated inflation/wage expectations. The ceasefire potentially reduces risks of severe upside in energy prices, which have fallen from the highs but remain elevated (and rising again), which increases the risk of one and done hike vs. our base case of two hikes as well as the risk of earlier/faster cuts in 2027.

Our call for hikes is a close call, given growth concerns and BoE messaging. If by mid-year, the shock subsides and it looks like energy prices are moving lower or the labour market/economy worsens materially, then chances will likely increase that the BoE looks through the shock and keeps rates on hold through 2026, with cuts in 2027.

Forecasts to show higher near-term and on-target medium term inflation

Forecasts are likely to use the market curve for 15 days until 20 April or so. Compared to the February conditioning assumptions, oil prices are 60% or so higher in the near term, with futures 30% higher at the end of the year and 20% higher at the end of next year.

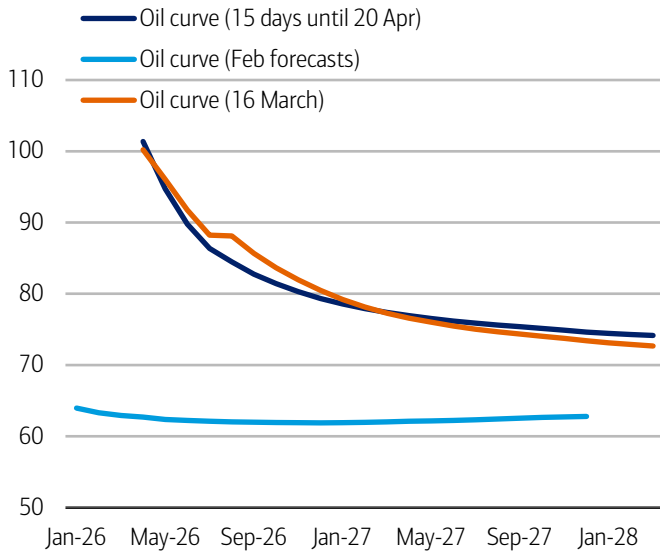
Oil prices are similar to 16 March prices which the BoE used in the March meeting to give tentative inflation forecasts of 3% in Q2 and 3.5% in Q3. Gas prices are lower but still ~30% higher than February levels. At the same time, the Bank Rate path reflects much higher rates in the near and medium term, relative to February, though it has come down in recent days.

Overall, we expect the BoE to forecast inflation to rise to 2.9% in Q2 2026 (from 2.1%) and 3.4% in H2 (from 2.0%). One-year-ahead inflation forecast is likely to rise from 2.0% to 2.4% in Q2 2027, but we could see BoE show below-target inflation in H2 2027. The higher rate path is likely to temper somewhat the direct and indirect increase from higher energy prices. We expect the BoE to show medium-term inflation at target at 2.0% to keep the door open to modest hikes implicit in the market pricing curve. Near-term growth is likely to be revised down from 0.9% to 0.7% in 2026 and from 1.5% to 1.2% in 2027.



Exhibit 7: Oil prices much higher than Feb forecasts and similar to 16 March prices

Oil futures (\$ per barrel)

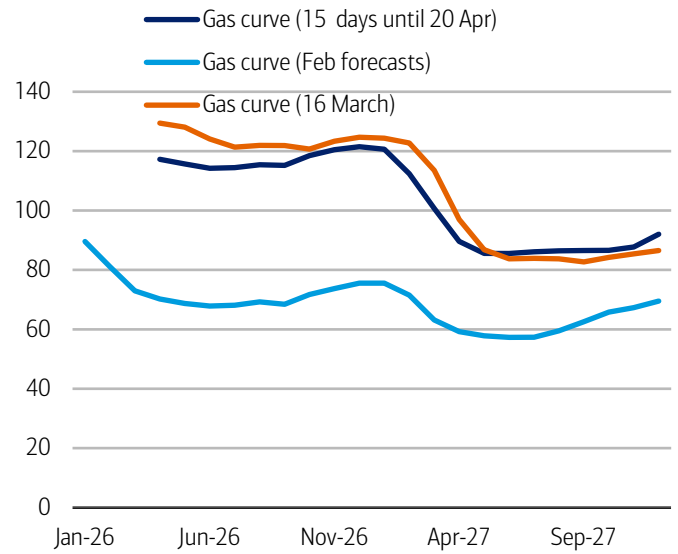


Source: Bloomberg, BofA Global Research

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Exhibit 8: Gas prices much higher than Feb forecasts and somewhat lower than 16 March prices

Gas price futures (pence per therm)

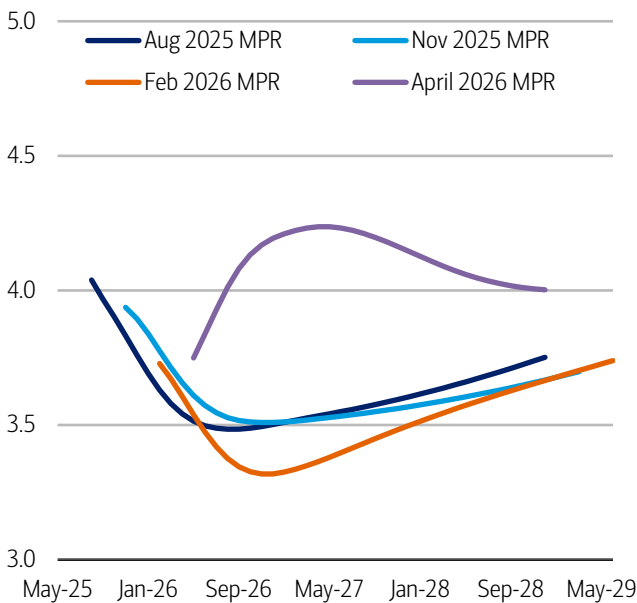


Source: Bloomberg, BofA Global Research

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Exhibit 9: Higher near-term rates and medium-term rates, relative to Feb

Bank Rate assumptions using market pricing



Source: BoE, BofA Global Research

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Exhibit 10: We expect higher near-term and at-target medium-term inflation

BofA Global Research forecasts for April MPR

	BofA forecast for Apr MPR (Feb MPR figures in parentheses)		
	GDP % yoy	Inflation	Unemployment
2026 2Q	0.7 (0.8)	2.9 (2.1)	5.3 (5.3)
2027 2Q	1.0 (1.4)	2.4 (2.0)	5.3 (5.3)
2028 2Q	1.5 (1.9)	2.0 (2.0)	5.1 (5.1)
2029 2Q	1.8	2	4.9

Source: BoE, BofA Global Research

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We could get alternative scenarios from the BoE whereby it looks at the near-term and medium-term inflation implications under higher/lower energy prices.



Asia

Helen Qiao
Merrill Lynch (Hong Kong)

Yvonne He
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Defying gravity: When growth won't act its age

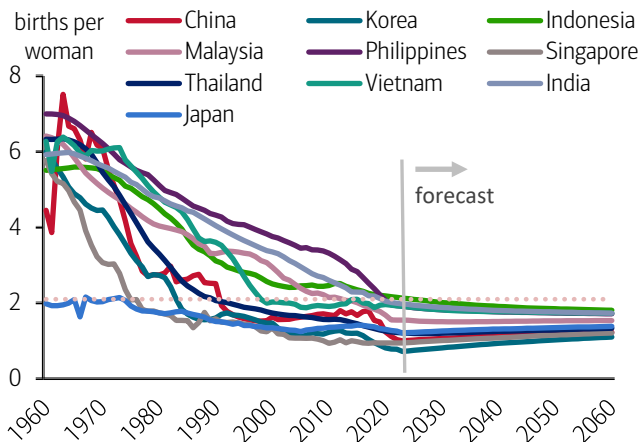
See complete report: [Asia Economic Weekly: Defying gravity – When growth won't act its age 24 April 2026](#)

Asia grows old on falling fertility rates

Fertility rates across Asia have fallen sharply over the last several decades, pushing the region into rapid aging with ultra-low birth rates. The average Total Fertility Rate (TFR) dropped from around 6.0 births per woman in the 1960s to an estimated 1.87 by 2025, well below the replacement level of 2.1. Japan and Korea are aging the fastest, followed by China and Thailand, while India and Indonesia continue to benefit from a longer window of demographic dividends. That said, we believe the demographic drag can be at least partially offset by continued gains in human capital, AI adoption, and more effective retirement-system management. Even with fewer births, gains in health condition, increased longevity, and technology-enabled life quality boost would imply a smaller but more capable workforce in the future.

Exhibit 11: Fertility transition and convergence across Asian economies

TFR in China, Korea, Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam, India, and Japan (1960–2024; forecast 2025–60)

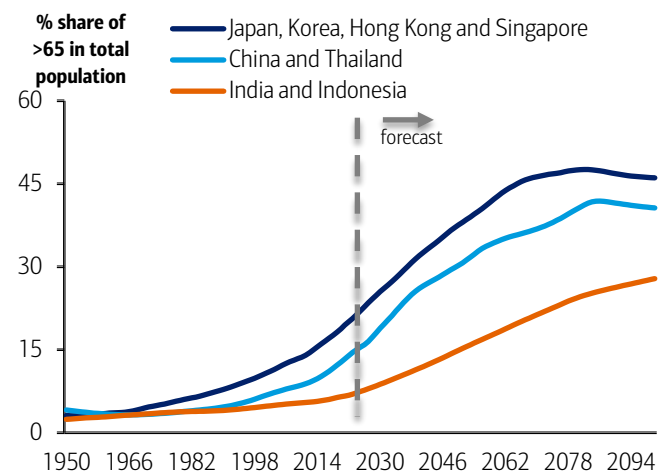


Source: BofA Global Research, World Bank

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Exhibit 12: Population aging varies across Asia: Japan and Korea are aging the fastest, followed by China and Thailand, while India and Indonesia still benefit from a longer demographic window

% share of >65 in total population forecast in Asian countries



Source: BofA Global Research, CEIC

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Aging's impact on growth and inflation subject to change

Besides policy influence in countries such as China and Korea, the main drivers of Asia's fertility decline are higher child-rearing costs and opportunity costs along with rapid urbanization. The irreversible trend in lower fertility and the resulted demographic aging is largely perceived to hurt potential growth by reducing raw labor supply, holding back innovation, and slowing productivity gains. In addition, a rapidly aging economy will likely witness weaker consumption and investment demand, contributing to persistent deflationary pressures. However, we also see opportunities to rewrite the demographic implications if tech and/or policy catalysts bring structural shifts to offset these effects over time.

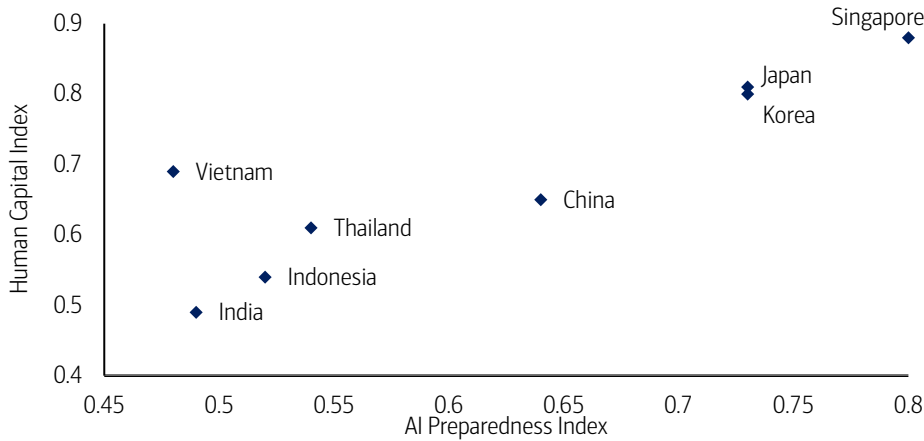


Offsetting aging: AI, education, and later retirement

Looking ahead, we believe the burden of rapid population aging can be at least partially – even if not in full – offset by continued gains in human capital, technology (e.g., AI) adoption, and more effective retirement-system management. In addition, we believe the impact of aging on prices operates with lags, as slower labor-force growth tempers wage and demand pressures. In our view, deflationary pressure from aging will gradually weaken, if there are productivity gains from AI adoption and retirement delays.

Exhibit 13: Singapore, Japan, and Korea exhibit higher levels of AI adoption and human-capital strength, while China, Thailand, and India rank lower in comparison

Human Capital Index and the AI Preparedness Index in select regions



Source: BofA Global Research, World Bank, IMF

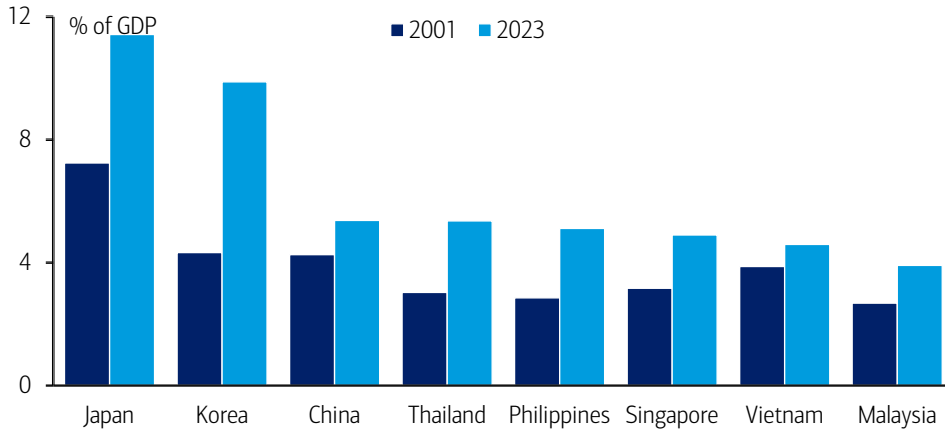
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Heterogeneity: JP/KR lead; CN/TH follow; IN/ID still young

Japan, Korea, and Singapore – already at the frontier of aging – are advancing in automation and digital technologies, underscoring the need to sustain productivity. China and Thailand are entering a more compressed transition phase, where policy flexibility, rapid AI diffusion, and gradual retirement adjustments offer meaningful capacity to mitigate aging headwinds. India and Indonesia remain much younger and follow distinct demographic paths. As populations age, consumption shifts toward self-care, wellness, travel, and experiential services, while healthcare moves from reactive treatment to preventive care. These trends highlight a broader transition from quantity to quality in both population dynamics and consumption patterns.

Exhibit 14: Healthcare spending has increased across most Asian regions

Current healthcare expenditure (% of GDP) in select regions



Source: BofA Global Research, CEIC

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Emerging EMEA

Hande Kucuk

MLI (UK)

Türkiye: MPC stays on hold, signals caution

Complete report: [Türkiye Watch: MPC stays on hold, signals caution 22 April 2026](#)

One-week repo and overnight rate unchanged

CBRT kept the one-week repo rate unchanged at 37%, in line with consensus and versus our base case for a hike to 40%. The upper band of the corridor was also kept unchanged at 40%. Given that one-week repo funding remains suspended, TLREF will likely hover around the upper band of the corridor (40%) in the near term, as we have expected (see the report, [April MPC: A clear signal to cut through noise](#), April 21, 2026).

Statement tone neutral

The statement had a neutral tone on the inflation outlook, acknowledging high and volatile energy prices and the upside risks via the cost channel, alongside downside risks stemming from the slowdown in growth. The MPC expects a limited increase in the underlying trend of inflation in April, according to leading indicators, and is monitoring potential second-round effects on the inflation outlook. Forward guidance remained cautious, signaling tightening in case of a persistent deterioration in the inflation outlook, with a new emphasis on the MPC's attentiveness to upside inflation risks.

TLREF to remain at 40% in the near term

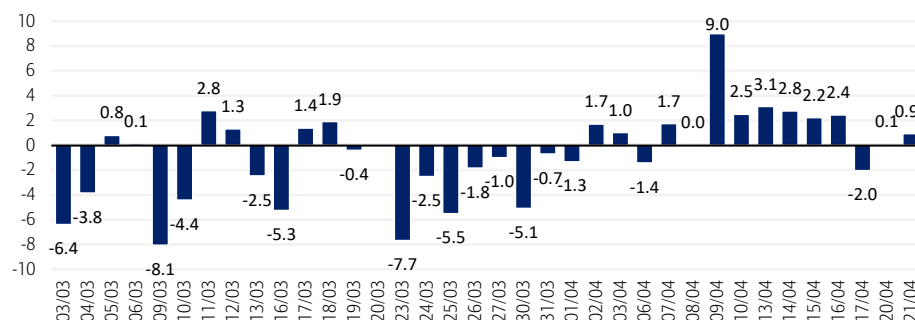
While the decision and the tone of the statement were more dovish than we expected, they are in line with our view that TLREF will be kept at 40% in the near term. We think this decision shows that the MPC views the current monetary stance as sufficient to manage reserve pressures and would like to wait for more clarity on the persistence of the energy shock and its impact. We also think that the MPC wants to keep the option of normalising TLREF towards the one-week repo rate (37%) sooner rather than later, provided that the momentum in deal talks and recovery in reserves continue. We see the earliest scope for normalisation in TLREF toward 37% as around the June 11th MPC meeting.

Reserves critical determinant of rates path

We see inflation hovering around 32% through June and think that the widening in the current account deficit implies gradual but persistent pressure on reserves in the absence of a marked reversal in energy prices and global risk sentiment. Given the CBRT's commitment to a controlled path of lira depreciation, the level and momentum in reserves will be key for the rates path and the room for any easing. We keep our forecast for end-year policy rate (and TLREF) at 36% versus 28.5% inflation.

Exhibit 15: Daily changes in CBRT's net FX position (excluding swaps and gold price effects, \$bn)

MPC kept rates on hold amid \$21bn recovery in its net FX position since April 9



Source: CBRT, Haver, BofA Global Research

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Latin America

Natacha Perez
Merrill Lynch (Brazil)

David Beker >>
Merrill Lynch (Brazil)

Gustavo Mendes
Merrill Lynch (Brazil)

Brazil: Electricity and El Niño keep inflation risks alive

Complete report: [Brazil Weekly Inflation Risk Monitor: Electricity and El Niño keep inflation risks alive 23 April 2026](#)

Inflation risk snapshot: high but declined

The gap between 1-year breakeven inflation and the median Focus projection remains wide and elevated. Over the past week, BEI fell from 5.65% to 5.39%, while Focus inflation 12 months ahead increases from 4.05% to 4.11%. As a result, the BEI-Focus gap narrowed meaningfully, from 1.60pp to 1.28pp. Despite the compression, the spread remains elevated, indicating that markets still price a relevant upside inflation risk premium.

What happened this week: El Niño concerns

The week brought news that may still pressure inflation expectations over the next 12 months. First, El Niño projections worsened, reinforcing medium-term risks to food inflation, likely with lags extending into 2027. Second, last Friday was a critical Focus survey cutoff, and this Friday will be again, which may affect expectations amid incoming administered-price decisions. Third, Aneel (National Electric Energy Agency) approved electricity tariff increases across several states, reinforcing energy-related pressures during the next 12 months, adding fresh evidence that administered prices remain an active source of upside risk.

How it impacts BCB's inflation outlook

To assess the policy implications, we map the most recent Focus inflation projections into the Central Bank's small-scale inflation framework. Compared to last week's WIRM, we continue to see a less benign inflation path in the BCB outlook. The latest Focus survey input implies firmer trajectory for monetary policy and higher expected inflation. Despite a more appreciated currency (at R\$5.05/US\$), we continue to see inflation in the relevant monetary policy horizon increasing to 3.5%, from 3.3% in the last Copom meeting.

IPCA – baseline and risk assessment

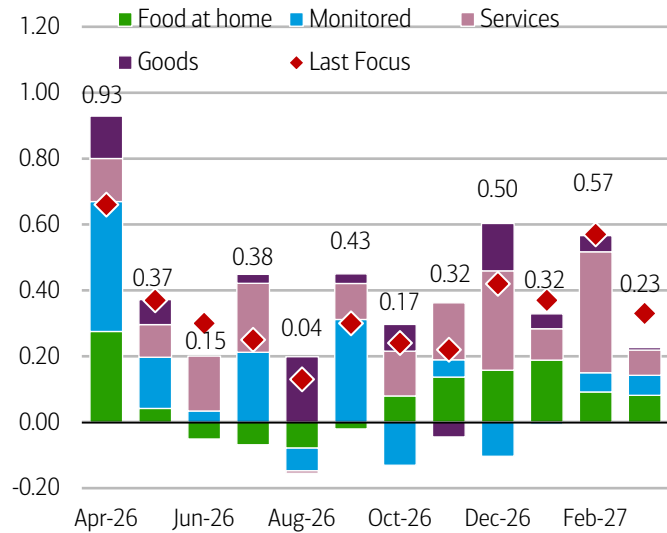
We forecast headline inflation at [5.5% by end-2026 \(see our 15 April report\)](#) and 4.68% over the 12 months ending March 2027. While recent policy measures and price interventions have helped smooth near-term inflation prints, the underlying composition of inflation remains uneven and continues to reflect persistent sources of pressure.

Several developments over the past week are relevant for inflation projections over the next 12 months. First, El Niño risks intensified, with updated ENSO projections pointing to higher temperature anomalies later this year. While the impact on headline inflation is lagged, this raises medium-term risks for food at home, pushing the balance of risks toward late-2026 and early-2027.



Exhibit 16: BofA's monthly forecast breakdown compared to the last BCB focus survey

Contribution by group to our headline inflation forecast (pp)

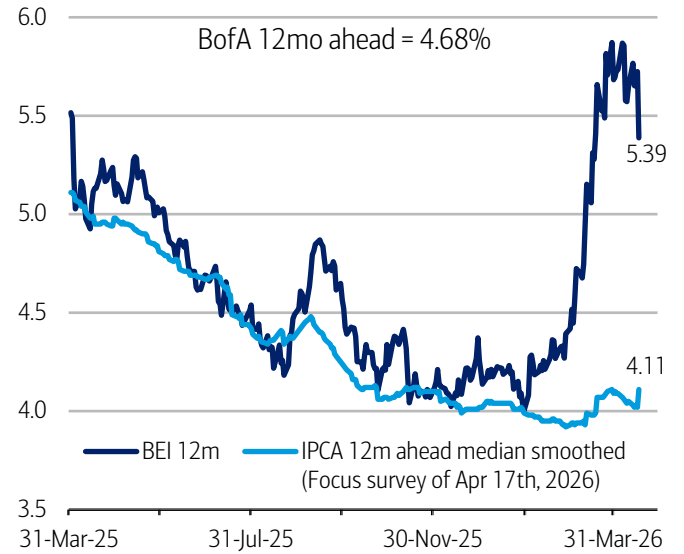


Source: BofA Global Research estimates, BCB

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Exhibit 17: Breakeven inflation vs. median focus survey inflation forecast for 12-mo ahead

BEI derived from market nominal rates (LTN, NTN-F) and real rates (NTN-B)



Source: BofA Global Research estimates, Bloomberg, BCB

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Second, this past Friday was a critical cutoff date for the Focus survey, already capturing heightened uncertainty around energy and fuel prices. This coming Friday is another key date, as it will incorporate recent regulatory and tariff decisions, increasing the likelihood of revisions in survey expectations despite relatively benign near-term prints.

Third, administered price news became more concrete. Aneel approved the 2026 annual tariff adjustments for several large electricity distributors on April 22. Residential electricity tariffs rose by 4.3% at Enel Ceara, 5.0% at Energisa Sergipe and 3.9% at Coelba (Bahia), with average effects closer to 5½–7% when considering all captive consumers. The main drivers were higher sector charges, transmission costs and energy acquisition. Although part of the impact was smoothed through regulatory mechanisms such as tariff deferrals, these decisions reinforce the view that electricity inflation pressures are material and spatially widespread, rather than idiosyncratic

The current gap between 1-year break-even inflation and the Focus median stands at 1.28pp, materially above its 3 year-average of 0.50pp (Exhibit 17). While a positive premium and a market-to-BCB' survey lag are structural features of Brazil's inflation market, the current magnitude signals that market pricing embeds a more asymmetric upside inflation risk than usual, consistent with ongoing uncertainty around inflation persistence and near-term shocks.

Implications for BCB's inflation framework

To bridge expectations with policy analysis, we map recent Focus projections into the Central Bank's small-scale inflation framework. Under this approach, revisions in survey expectations feed mechanically into the inflation path emphasized in the BCB's baseline scenario, conditional on exchange rate and interest rate assumptions.

Exhibit 18: Inflation forecast simulation under Central Bank' small-scale framework

% yoy

	Copom 18/Mar/26 USDBRL 5.20 (PPC)			Focus survey (17/Apr/26) USDBRL 5.05 (PPC)			Focus survey (17/Apr/26) USDBRL 5.05 (PPC)		
	Selic Focus	IPCA	Adms	Selic Focus	IPCAF	Adms*	Selic stable	IPCAF	Adms*
Dec-26	12.25	3.9	4.3	13.00	4.7	5.3	14.75	4.5	5.3
Mar-27	12.00	3.6	3.8	12.25	4.0	4.0	14.75	3.8	4.0



Exhibit 18: Inflation forecast simulation under Central Bank' small-scale framework

% yoy

	Copom 18/Mar/26 USDBRL 5.20 (PPC)			Focus survey (17/Apr/26) USDBRL 5.05 (PPC)			Focus survey (17/Apr/26) USDBRL 5.05 (PPC)		
Jun-27	11.25	3.4	3.6	11.50	3.6	3.3	14.75	3.3	3.3
Sep-27	11.00	3.3	3.2	11.00	3.6	3.6	14.75	3.2	3.6
Dec-27	10.50	3.3	3.4	11.00	3.5	3.5	14.75	3.1	3.5

Source: BofA Global Research, Bloomberg

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The exchange rate assumption corresponds to the daily average over the 10 business-day period ending on April 17. Oil prices are assumed to follow the futures curve over the next six months, and to increase by 2% per year thereafter, in line with the Central Bank's usual governance framework. In addition, the baseline scenario incorporates the assumption of a "yellow" electricity tariff flag in December 2026. We continue to expect the policy rate at 13.25% by end-2026 and 12.50% by end-2027.



Key forecasts

Exhibit 19: Economic forecasts

GDP growth, inflation and policy rate forecasts for the major economies

Economic forecasts

	4Q25	1Q26	2Q26	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27	2025	2026F	2027F
Global and Regional Aggregates, %												
United States												
Real GDP growth ¹	0.5	2.5	2.5	1.9	1.9	2.2	2.2	2.4	2.4	2.1	2.3	2.2
CPI inflation	2.7	2.7	4.1	3.8	3.6	2.8	1.9	2.0	2.1	2.7	3.6	2.3
Policy Rate (EoP)	3.63	3.63	3.63	3.38	3.13	3.13	3.13	3.13	3.13	3.63	3.13	3.13
Euro area												
Real GDP growth ¹	0.8	0.7	0.2	0.1	0.8	1.0	1.6	1.5	1.2	1.5	0.6	1.0
CPI inflation	2.1	2.1	3.4	3.8	3.9	3.6	2.3	1.5	0.9	2.1	3.3	2.1
Policy Rate (EoP)	2.00	2.00	2.25	2.50	2.50	2.50	2.25	2.00	1.75	2.00	2.50	1.75
China												
Real GDP growth ²	4.5	4.5	4.5	4.6	4.5	4.5	4.5	4.4	4.4	5.0	4.5	4.5
CPI inflation ³	0.6	0.9	1.2	1.2	0.9	1.0	0.6	0.7	0.7	0.0	1.0	0.8
Policy Rate (EoP)	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40
Japan												
Real GDP growth ¹	1.3	1.3	-0.6	0.8	0.6	0.7	0.7	0.7	0.7	1.2	0.4	0.6
CPI inflation	2.7	1.4	1.9	2.4	2.7	3.6	3.0	2.3	1.3	3.2	2.1	2.6
Policy Rate (EoP)	0.75	0.75	1.00	1.00	1.25	1.50	1.50	1.75	1.75	0.75	1.25	1.75
Global Aggregate ⁴												
Real GDP growth										3.5	3.1	3.4
CPI inflation										2.5	3.3	2.5
Policy Rate (EoP)										3.72	3.62	3.40
Emerging Markets Aggregate ⁴												
Real GDP growth										4.7	4.2	4.6
Real GDP growth (ex-China)										4.6	4.0	4.6
CPI inflation										2.4	3.3	2.7
Policy Rate (EoP)										4.40	4.17	3.96

Notes: 1. Quarterly values are % q/q annualized | 2. Quarterly values are % y/y. | 3. Quarterly values are period averages. | 4. Due to reporting limitations, Global and EM aggregate are annual only.

Source: BofA Global Research

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Exhibit 20: Markets forecasts

Forecasts for FX, interest rates, commodities and equities

Markets forecasts

	spot	2Q26	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27
Exchange Rates (EoP)								
EUR/USD	1.17	1.14	1.17	1.20	1.20	1.22	1.23	1.24
USD/JPY	160	160	157	157	157	153	150	150
USD/CNY	6.83	6.90	6.80	6.70	6.70	6.70	6.70	6.60
GBP/USD	1.35	1.34	1.39	1.43	1.43	1.45	1.46	1.49
Interest rates (% EoP)								
US 10yr	4.33	4.35	4.30	4.25	4.25	4.25	4.25	4.25
Germany 10-year	3.01	3.05	3.00	2.95	2.85	2.75		2.70
Japan 10yr	2.45	2.35	2.55	2.60	2.70	2.80	2.85	2.80
Commodities ¹								
Oil - WTI (\$/bbl)	96.8	94	88	88	84	77	70	62
Oil - Brent (\$/bbl)	106.3	103	95	94	89	82	75	67
Gold (\$/oz)	4695	4500	5000	5750	5200	5000	5000	4500
Equities (EoP)								
S&P 500	7108			7100				
Stoxx 600	614	530		565				

Source: BofA Global Research

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Detailed forecasts

Global economic forecasts

Exhibit 21: Global Economic Forecasts

Global GDP growth expected at 3.1% in 2026 and 3.4% in 2027

	GDP growth, %			CPI inflation*, %			Short term interest rates**, %			
	2025	2026F	2027F	2025	2026F	2027F	Current	2025	2026F	2027F
Global and regional aggregates							3.70			
Global	3.5	3.1	3.4	2.5	3.3	2.5	3.70	3.72	3.62	3.40
Global ex US	3.8	3.3	3.6	2.4	3.2	2.6	3.72	3.75	3.72	3.46
Global ex China	3.1	2.7	3.1	3.2	3.9	3.1	4.38	4.41	4.28	4.01
Developed Markets	1.7	1.4	1.5	2.6	3.3	2.2	2.72	2.70	2.76	2.51
Emerging Markets	4.7	4.2	4.6	2.4	3.3	2.7	4.35	4.40	4.17	3.96
Emerging Markets ex China	4.6	4.0	4.6	4.0	4.7	4.0	6.14	6.21	5.85	5.52
Europe, Middle East and Africa (EMEA)	2.1	1.6	2.1	4.6	4.4	3.3	4.47	4.56	4.48	3.57
European Union	1.6	1.0	1.4	2.5	3.4	2.3	2.31	2.33	2.72	2.07
Emerging EMEA	3.4	3.0	3.9	9.7	7.0	5.8	8.18	8.42	7.36	6.07
Emerging Asia	5.5	4.8	5.1	0.9	2.3	2.0	2.69	2.70	2.75	2.84
ASEAN	5.0	4.2	4.6	1.6	3.2	2.5	3.52	3.56	3.44	3.52
Latin America	2.3	2.3	2.4	3.7	5.0	3.8	8.59	8.59	8.04	7.68
G6										
US	2.1	2.3	2.2	2.7	3.6	2.3	3.63	3.63	3.125	3.125
Euro area	1.4	0.6	1.0	2.1	3.3	2.1	2.00	2.00	2.50	1.75
Japan	1.2	0.4	0.6	3.2	2.1	2.6	0.75	0.75	1.25	1.75
UK	1.3	0.6	1.1	3.4	3.5	2.5	3.75	3.75	4.25	3.50
Canada	1.7	1.2	1.7	2.1	2.6	2.0	2.25	2.25	2.25	2.25
Australia	2.0	2.0	1.7	2.9	4.2	2.6	4.10	3.60	4.35	3.85
Euro area										
Germany	0.2	0.3	0.9	2.3	3.6	2.6	2.00	2.00	2.50	1.75
France	0.9	0.6	0.9	0.9	2.2	1.7	2.00	2.00	2.50	1.75
Italy	0.5	0.2	0.6	1.6	3.1	1.9	2.00	2.00	2.50	1.75
Spain	2.8	1.9	1.5	2.7	3.2	2.0	2.00	2.00	2.50	1.75
Netherlands	1.9	0.8	1.0	3.0	3.1	2.7	2.00	2.00	2.50	1.75
Belgium	1.0	0.4	0.9	3.0	3.2	2.0	2.00	2.00	2.50	1.75
Austria	0.6	0.3	1.1	3.6	3.8	2.7	2.00	2.00	2.50	1.75
Greece	2.1	1.6	1.7	2.9	3.7	2.8	2.00	2.00	2.50	1.75
Portugal	1.9	1.7	1.4	2.2	2.9	2.1	2.00	2.00	2.50	1.75
Ireland	12.3	0.8	2.2	2.1	3.6	1.8	2.00	2.00	2.50	1.75
Finland	0.2	0.4	1.2	1.8	3.0	1.7	2.00	2.00	2.50	1.75
Other developed economies										
New Zealand	0.2	1.5	2.8	2.8	3.5	2.6	2.25	2.25	2.25	2.75
Switzerland	1.3	0.8	1.4	0.2	0.8	0.7	0.00	0.00	0.00	0.00
Norway	1.1	1.2	1.0	3.0	3.6	2.4	4.00	4.00	4.25	3.75
Sweden	1.5	2.0	1.9	2.6	1.8	1.4	1.75	1.75	2.00	2.00
Emerging Asia										
China	5.0	4.5	4.5	0.0	1.0	0.8	1.40	1.40	1.40	1.40
India	7.6	6.2	7.5	2.1	4.7	4.6	5.25	5.25	5.50	5.75
Indonesia	5.1	5.1	5.4	1.9	2.9	2.8	4.75	4.75	4.50	4.50
Korea	1.0	1.9	2.1	2.1	2.9	2.0	2.50	2.50	2.50	2.50
Taiwan	8.7	7.2	4.5	1.7	2.0	1.8	2.00	2.00	2.25	2.375
Thailand	2.4	1.3	2.1	-0.1	3.0	-0.1	1.00	1.25	0.75	1.00
Malaysia	5.2	4.2	4.5	1.4	1.8	2.2	2.75	2.75	2.75	2.75
Philippines	4.4	2.0	3.0	1.7	5.0	3.3	4.50	4.50	4.75	5.00
Singapore	5.0	2.5	2.5	0.9	2.1	1.9				
Hong Kong	3.5	2.3	2.5	1.4	2.1	2.0	4.00	4.00	3.50	3.50
Vietnam	8.0	7.0	7.0	3.3	4.5	4.0	4.50	4.50	4.50	4.50

Note: *CPI forecasts are annual averages, except LatAm (end-of-period). **End of period

Source: BofA Global Research

Exhibit 22: Global Economic Forecasts (continued)

Global GDP growth expected at 3.1% in 2026 and 3.4% in 2027

	GDP growth, %			CPI inflation*, %			Short term interest rates**, %			
	2025	2026F	2027F	2025	2026F	2027F	Current	2025	2026F	2027F
Latin America										
Brazil	2.3	2.3	2.0	4.3	5.5	4.0	14.75	15.00	13.25	12.50
Mexico	0.6	1.3	1.5	3.7	4.6	4.0	6.75	7.00	6.50	6.50
Argentina	4.4	3.5	3.5	31.5	30.9	15.1				
Colombia	2.6	2.5	2.9	5.1	6.5	4.6	11.25	9.25	12.00	11.00
Chile	2.3	1.8	2.9	3.4	4.3	3.2	4.50	4.50	4.50	5.00
Peru	3.4	3.5	4.4	1.5	4.4	2.0	4.25	4.25	4.25	4.25
Ecuador	3.7	3.2	2.7	1.9	2.4	2.3				
Uruguay	1.8	1.5	2.0	3.7	4.0	4.5	5.75	7.50	6.00	7.00
Costa Rica	4.6	3.7	3.9	-1.2	2.5	3.5	3.25	3.25	3.25	3.25
Dominican Republic	2.1	2.7	3.9	5.0	6.0	4.8	5.25	5.25	5.25	4.50
Panama	4.4	3.8	4.9	0.4	2.8	3.1				
El Salvador	3.7	3.1	3.2	0.9	2.4	1.8				
Guatemala	4.1	3.6	3.6	1.7	3.3	3.7	3.50	3.75	3.50	3.50
EEMEA										
Türkiye	3.6	2.8	4.9	34.9	30.2	25.0	37.00	38.00	32.00	26.00
Nigeria	4.0	4.2	4.0	23.0	14.0	12.0	26.50	27.00	21.00	16.00
Egypt	4.4	4.4	4.5	20.4	13.2	10.0	19.50	20.50	19.00	15.00
Poland	3.6	3.0	2.7	3.6	3.3	3.6	3.75	4.00	3.75	3.75
South Africa	1.1	1.3	1.6	3.2	3.8	3.5	6.75	6.75	7.00	6.25
Romania	0.7	0.4	2.7	7.3	8.1	4.0	6.50	6.50	6.50	5.50
Czech Republic	2.5	2.0	2.4	2.5	2.4	3.0	3.50	3.50	3.50	3.50
Israel	2.9	3.6	4.5	3.0	2.2	2.1	4.00	4.25	3.75	3.50
Hungary	0.4	1.2	2.5	4.4	4.1	4.2	6.25	6.50	6.25	5.25
Saudi Arabia	4.5	2.4	4.2	2.0	2.4	2.0	4.25	4.25	3.50	3.50
Ukraine	1.8	7.0	6.0	12.7	5.0	5.0	15.00	15.50	11.00	9.00

Note: *CPI forecasts are annual averages, except LatAm (end-of-period). **End of period.

Source: BofA Global Research

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Exhibit 23: Real GDP growth, qoq annualized %

Global GDP growth expected at 3.1% in 2026 and 3.4% in 2027

	4Q 25	1Q 26	2Q 26	3Q 26	4Q 26	1Q 27	2Q 27	3Q 27	4Q 27	2025	2026	2027
Developed Markets												
US	0.5	2.5	2.5	1.9	1.9	2.2	2.2	2.4	2.4	2.1	2.3	2.2
Euro area	0.8	0.7	0.2	0.1	0.8	1.0	1.6	1.5	1.2	1.5	0.6	1.0
Japan	1.3	1.3	-0.6	0.8	0.6	0.7	0.7	0.7	0.7	1.2	0.4	0.6
UK	0.2	0.8	0.6	0.6	1.0	1.2	1.2	1.2	1.6	1.4	0.6	1.1
Canada	-0.6	1.2	2.0	1.9	1.8	1.7	1.7	1.6	1.6	1.7	1.2	1.7
Australia	3.2	2.0	0.8	1.4	2.0	1.6	1.6	2.0	2.0	2.0	2.0	1.7
G6 Aggregate	0.7	1.6	1.3	1.1	1.3	1.6	1.8	1.9	1.8	1.7	1.4	1.5
Emerging Markets												
China	4.9	4.5	4.2	4.8	4.6	4.3	4.5	4.4	4.5	5.0	4.5	4.5
India	7.1	2.2	-0.3	18.2	8.6	4.0	1.9	16.0	7.5	7.5	6.2	7.5
Indonesia	6.7	4.8	4.8	4.3	6.2	5.3	6.6	3.2	7.0	5.1	5.1	5.4
South Korea	-1.1	1.1	2.7	2.5	2.6	1.7	1.8	1.7	1.7	1.0	1.9	2.1
Thailand	6.9	-3.8	1.6	2.4	1.7	1.6	2.7	2.5	3.9	2.4	1.3	2.1
Singapore	5.2	-1.3	0.8	1.6	2.4	2.8	2.8	2.8	2.8	5.0	2.5	2.5
Hong Kong	4.1	2.2	4.6	-0.3	-1.8	5.8	4.2	2.1	2.1	3.5	2.3	2.5
Brazil	0.6	3.4	2.7	1.1	3.8	4.5	-2.6	4.1	2.1	2.3	2.3	2.0
Mexico	3.5	-0.2	2.1	0.8	0.3	1.1	1.8	3.2	3.3	0.8	1.3	1.5
Colombia	0.5	2.0	2.4	3.6	3.6	2.4	2.4	2.8	2.8	2.6	2.5	2.9
Chile	2.3	-0.5	4.2	3.6	3.6	2.4	2.4	2.4	2.4	2.5	1.8	2.9
Peru	1.5	3.6	2.4	4.9	4.9	4.1	4.5	4.5	4.5	3.4	3.5	4.4
Türkiye	4.9	3.4	1.3	4.5	1.1	7.9	5.2	4.5	3.1	3.7	2.8	4.9
South Africa	1.1	1.3	1.2	1.2	1.4	1.9	1.7	2.0	1.8	1.1	1.3	1.6

Source: BofA Global Research

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Monetary policy forecasts

Exhibit 24: Monthly forecasts

End of period

Central Banks	Current	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Jan-27	Feb-27	Mar-27	Apr-27	May-27
Developed Markets															
Fed (upper bound)	3.75	3.75	3.75	3.75	3.75	3.75	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
ECB (deposit rate)	2.00	2.00	2.00	2.25	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
BoJ	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.50	1.50	1.50
BoE	3.75	3.75	3.75	4.00	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.00	4.00
BoC	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25
Riksbank	1.75	1.75	1.75	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
SNB	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Norges Bank	4.00	4.00	4.00	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.00	4.00	4.00
RBA	4.10	4.10	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
RBNZ	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.50	2.50	2.50	2.50
Emerging Asia															
China 7d reverse repo*	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40
India	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.50	5.50	5.75	5.75	5.75	5.75
South Korea	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Taiwan	2.00	2.00	2.00	2.00	2.00	2.00	2.125	2.125	2.125	2.25	2.25	2.25	2.375	2.375	2.375
Thailand	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.75	0.75	0.75	0.75	0.75	0.75
Malaysia	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
Philippines	4.50	4.50	4.50	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75	5.00	5.00	5.00	5.00
Latin America															
Brazil	14.75	14.50	14.50	14.25	14.25	14.00	13.75	13.75	13.50	13.25	13.00	13.00	12.75	12.75	12.75
Chile	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.75	4.75	4.75
Colombia	11.25	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	11.75	11.75	11.75
Mexico	6.75	6.75	6.75	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Peru	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Emerging EMEA															
Czech Republic	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Hungary	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.00	6	5.75	5.75	5.50	5.50
Israel	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.75	3.75	3.75	3.75	3.50	3.50	3.50
Poland	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Romania	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
South Africa	6.75	6.75	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	6.75
Türkiye	37.00	40.00	40.00	40.00	40.00	40.00	38.00	37.00	37.00	36.00	36.00	36.00	35.00	34.00	34.00

Note: *Major five banks.

Source: BofA Global Research, Bloomberg.

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FX, rates and commodity forecasts

Exhibit 25: Quarterly forecasts

End of period

	Spot	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
FX forecasts								
G6								
EUR-USD	1.17	1.14	1.17	1.20	1.22	1.23	1.24	1.25
USD-JPY	160	160	157	157	153	150	150	150
EUR-JPY	187	182	184	188	187	185	186	188
GBP-USD	1.35	1.34	1.39	1.43	1.45	1.46	1.49	1.51
USD-CAD	1.37	1.38	1.37	1.36	1.35	1.35	1.35	1.35
AUD-USD	0.71	0.73	0.74	0.74	0.74	0.74	0.73	0.73
Asia								
USD-CNY	6.83	6.90	6.80	6.70	6.70	6.70	6.60	6.60
USD-INR	94.1	94.0	93.5	93.0	93.0	93.0	93.0	93.0
USD-IDR	17295	17100	16500	16200	16200	16200	16200	16200
USD-KRW	1483	1490	1440	1395	1380	1365	1350	1335
Latin America								
USD-BRL	5.02	5.00	5.00	4.95	4.90	4.85	4.80	4.75
USD-MXN	17.41	17.50	17.50	17.50	17.75	18.00	18.25	18.50
Emerging Europe								
EUR-PLN	4.24	4.23	4.21	4.17	4.15	4.15	4.15	4.15
USD-TRY	44.98	46.90	49.30	51.70	53.60	55.60	57.60	59.60
USD-ZAR	16.62	16.50	16.50	16.00	15.40	15.70	16.00	16.00
Rates forecasts								
2yr								
US 2-year	3.83	3.75	3.65	3.50	3.50	3.50	3.50	3.50
Germany 2-year	2.57	2.80	2.70	2.45	2.30	2.15		1.90
Japan 2-year	1.36	1.45	1.70	1.75	1.95	2.00	2.10	2.00
UK 2-year	4.37	4.60	4.40	4.25	4.05	3.90	3.80	3.70
Canada 2-year	2.85	2.75	2.75	2.75	2.80	2.90	3.00	3.00
10yr								
US 10-year	4.33	4.35	4.30	4.25	4.25	4.25	4.25	4.25
Germany 10-year	3.01	3.05	3.00	2.95	2.85	2.75		2.70
Japan 10-year	2.45	2.35	2.55	2.60	2.70	2.80	2.85	2.80
UK 10-year	4.94	5.00	5.00	5.00	4.85	4.75	4.60	4.50
Canada 10-year	3.48	3.50	3.60	3.65	3.70	3.75	3.75	3.75
Commodities forecasts								
WTI Crude Oil - \$/bbl	96.8	94.0	88.0	88.0	84.0	77.0	70.0	62.0
Brent Crude Oil - \$/bbl	106.2	103.0	95.0	94.0	89.0	82.0	75.0	67.0
Gold \$/oz	4695	4500	5000	5750	5200	5000	5000	4500
Copper, \$/mt	13356	12750	13500	14000	15000	15000	16000	16000
Copper, c/t	606	578	612	635	680	680	726	726

Note: Spot exchange rate as of day of publishing. The left of the currency pair is the denominator of the exchange rate. Currency forecasts are for end of period.

Source: BofA Global Research, Bloomberg.

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